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ECONOMIC OUTLOOK FOR 1957

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The Economist

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THE ECONOMIST

January - June

1957

S. James
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VOLUME CLXXXII · NUMBER 5915

AIR EDITION

ECONOMIC OUTLOOK FOR 1957

The Economist

FOUNDED 1843

JANUARY 5, 1957

ONE SHILLING

No One Else Can
The Way to Cut Defence
Spens Prescription
India's Pause for Breath
Lorries in a Muddle
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AMERICAN SURVEY: Congress with a Southern Accent
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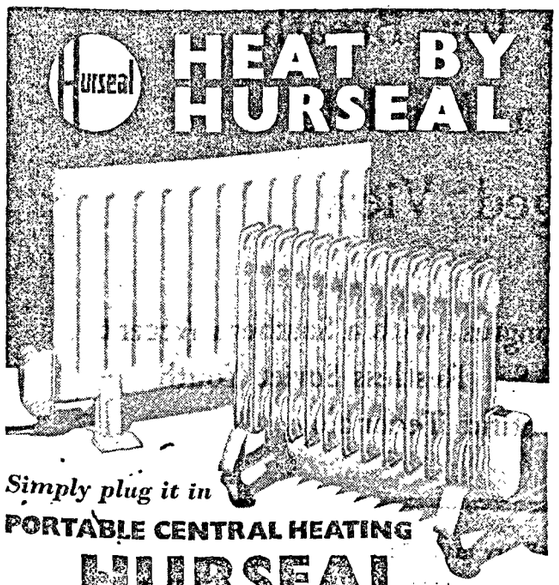
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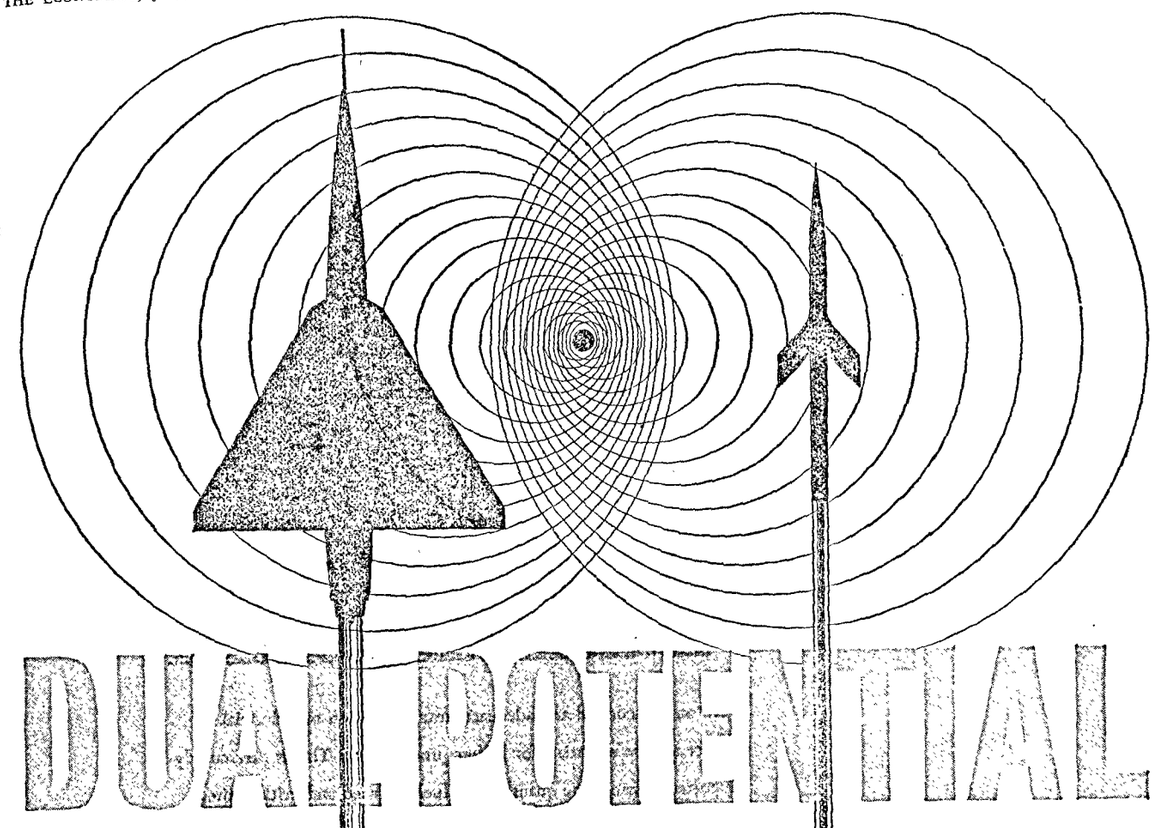
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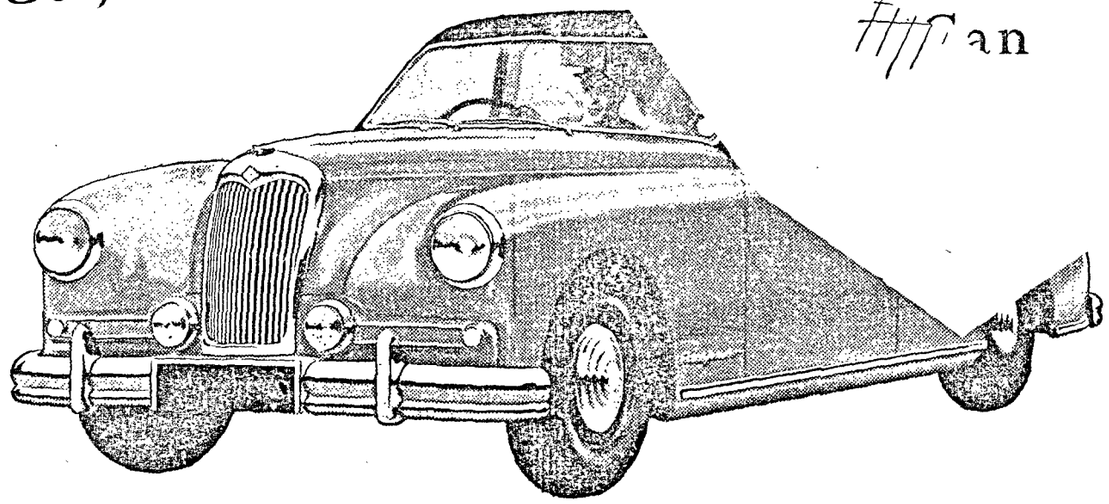


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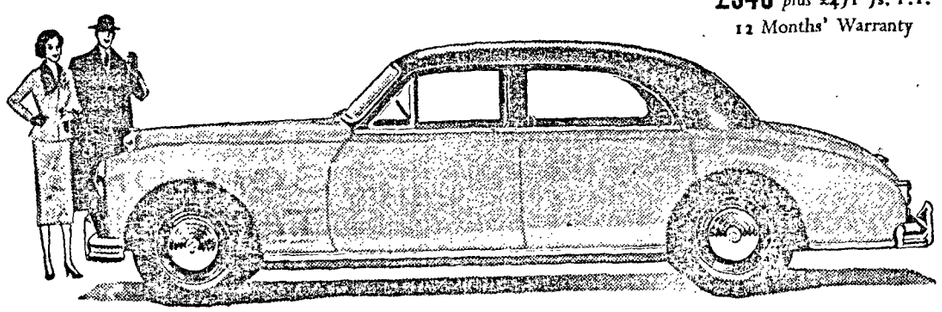
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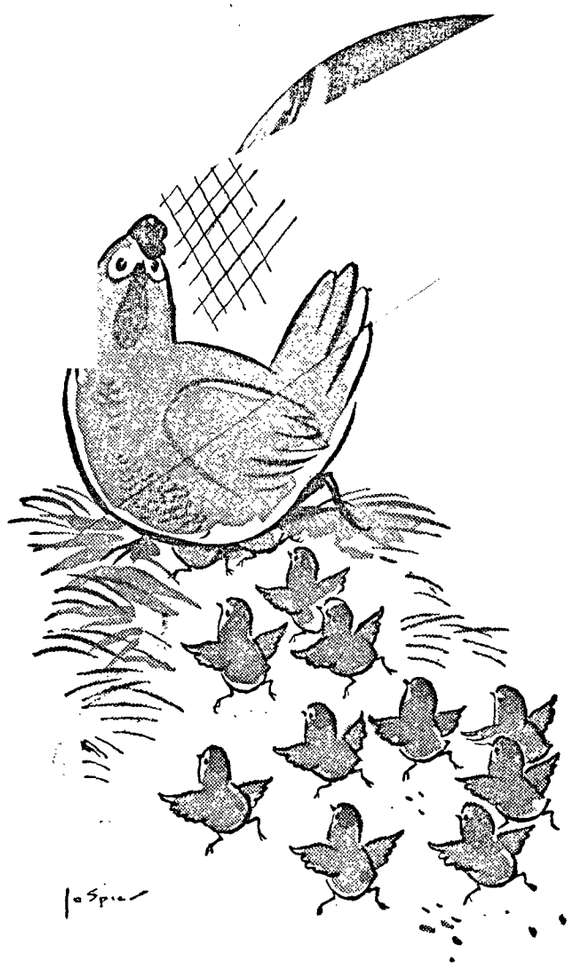
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PROTECTION

The Economist

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JANUARY 5, 1957

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No One Else Can

REPORTS from Washington leave no doubt that the United States government is on the verge of what could be a dramatic new departure: the enunciation of an active American policy in the Middle East. To state a policy in outline is one thing, to work it out in detail another, to make it effective in action another again. We do not know whether President Eisenhower and Mr Dulles have yet looked beyond the first stage, the formulation of a general intention or "Eisenhower doctrine." The President's message to Congress had not been sent when this article was written. The expectation in Washington is outlined on page 30.

What appears clear is that the makers of American policy have at last resolved that the Middle East can no longer safely remain as a hiatus in the American system of alliances and power positions which stretches round most of the world. Spectators in London will feel that it is high time—as indeed it is. They will wish, resentfully, that the American government could have worked its way round to this conclusion six months ago, before British Middle Eastern policy had reached its present state of paralysis. To reflect that no such American initiative would have been politically possible six months ago is no great consolation. Perhaps it needed something as shocking as the British disaster of November to force a drastic revision on Washington; and those who claim to see in that some *post facto* justification for the late Suez adventure can draw what comfort they can from it—though it is a queer sort of policy for British power to draw American power in by first destroying itself.

The recession of British influence has left the Arab world as a dangerous vacuum into which, failing an American initiative of an ambitious kind, only Soviet power can flow, with grave danger to Europe. Naturally, the Arabs will deny that any such vacuum, or any such threat, exists; the Middle East is theirs, they will say, and they are fully capable of filling it without outside help—how wrongly appears clearly enough when Syria threatens to keep the Iraq pipeline shut until the outside world forces Israel to give up Gaza. The Middle East crisis is by no means over. The canal and the pipelines are still blocked; Russian influence continues to seep in; no Palestine peace is in sight; the danger-points at which new upheavals or new wars can start are still alive. Britain, powerless for the moment to do anything better than stand aside and avoid doing further damage, can only welcome the American decision not to remain inactive.

What Washington appears to have decided amounts so far to the two first moves in preparation for an attempt to fill the gap. The President is on the point of asking Congress for a declaration that the United States would not inactively watch a Communist aggression or the spread of Communist influence in the Middle East, together with an advance authorisation to use force. At the same time, he will seek authority for a programme of economic aid, of the order of magnitude of $400 million or $500 million, for friendly Middle Eastern countries.

Together, these two weapons look like a powerful armoury; but their use, as they are intended to be used, to repair the damage and construct a new and stable position, will meet with complications that have still to be resolved.

This is not by any means to disparage the President's opening move. The effect will be to stretch the western trip-wire, the warning of American retaliation against a Soviet aggression, across a region which at present lies outside it. That will be a real gain. Europe has had good cause to be thankful for the existence of such a line, which Russia may not cross without the fear of world war, from the Baltic to the Mediterranean. The new trip-wire will be a logical extension of the old. Its political supports promise, however, to be incomparably flimsier. Not all the Arab states will be prepared, as the states of Western Europe have been prepared, to accept American protection; among those who will probably stand out are some in key positions, like Syria and Egypt itself. Many Arabs fear western protection more than they fear Communist aggression. The protection of a military guarantee is effective, in any event, only against a military attack.

The possibility of an armed Soviet attack somewhere in the Middle East cannot be ruled out, as the violent Russian reaction to the violent Israeli and Anglo-French actions in Egypt showed as lately as November. But, in general, Moscow has other and more promising methods at its disposal: political subversion, the supply of arms, the stirring up of local trouble. Such methods have failed, relatively speaking, in Europe because the states of Europe have attained a relative cohesion within and among themselves. In the Levant, Palestine and Arabia no such cohesion exists. Most of the Arab states themselves are new and artificial creations. None of them has yet accepted the existence of Israel. The political structure of the region has reached no point of equilibrium yet; flux and upheaval have gone on since the Ottoman Empire began to decline, and have not approached their end. As is probably realised in Washington, more than a trip-wire will be needed to put an end to them. Of necessity, the new policy will involve the Americans in a complex series of new attitudes and approaches to the different Middle Eastern states.

★

Anything like a package solution for the Middle East is probably impossible in these conditions; there is a limit to what can be done, and that little will have to be done piecemeal, plugging a security gap here and there, encouraging an honest government or supporting a sensible development project. Against this it can be objected that certain fears and obsessions vitiate the life of the Arab countries collectively; this is true, and particularly true of the Arab fear of and obsession with Israel. Either by itself or through the United Nations, Washington will be obliged to find some way—as the new policy, when explained, may recognise—of assuring both Israel's neighbours and Israel itself against attack by each other. As the history of the Tripartite Declaration showed, such assurances are unreal or uncertain unless the two sides can at the same time be induced to live together according to accepted international rules. Until they are, the mere pushing back of (to take the example of the moment) Israel behind the armistice line is a technical triumph of no durable effect.

While these problems persist, economic aid is not a panacea but merely a palliative; yet palliatives are better than nothing, provided that they are administered in a sensible way. Indeed, the shortcomings of economic aid as a solution for international problems arise in part from a misconception of what it is for and of what can be hoped from it. Administrators of American aid have learnt enough to beware of the grandiose, all-embracing plan. The only course in the Middle East will be to select sound projects from those which the recipients themselves propose, and to back them on their individual merits.

Even more treacherous is the political selection of recipients. Nobody can be expected to give his resources to help a hostile country; with that qualification, it is usually a mistake to ask a country in return for aid to accept a specific alignment either in international politics or in its economic relations. The offer to finance the Aswan High Dam was a mistake because it was made for the wrong reason, to prevent Egypt from getting Russia to support the scheme. The purpose of aid should not be to tie a country to the giver, or to secure a bias in its economic conduct, or even to win friends. It is to help the construction of sound economies and healthy communities, in which the rational and enlightened pursuit of self-interest becomes possible. It follows that aid should be given where it will do most good, not in return for promises of friendship, or to prevent aid from coming from another quarter. Most of all is this true in the Middle East, where poverty, economic pessimism, uncertainty of political allegiance, self-mistrust and mistrust of the outside world are peculiarly intertwined.

The Soviet declaration of interest in the Middle East, contained in Mr Bulganin's bellicose message to Sir Anthony Eden on November 5th, is now to be met, in effect, with an American counter-declaration which will have the added advantage of standing on an economic as well as a military leg. Reasonably simple in its implication for great-power strategy, in the Middle East itself the new American policy, or what is so far known of it, begins by marking out a rough and approximate route across an uncertain political terrain.

Success is still to be earned by articulated action. No policy for the Middle East has succeeded yet; this may be because the policies attempted have been misconceived or misapplied or because the state of the region rules out a wholly successful Middle East policy at present. It remains right and necessary, as it is welcome, for the United States to make the attempt; no one else can.

The Way to Cut Defence

NEXT month's White Paper on defence policy has already taken on a critical importance. This is true whether the test is budgetary and economic or diplomatic. Britain's outlay on defence is now widely looked at askance, with a deeply sceptical eye. The general public has taken it to heart not only that the Suez campaign showed that this country cannot "go it alone," but also that, when this test came, its forces were not even equipped to do so; and those more particularly concerned with the state of the national economy can now point with a fresh insistence to the load in taxes, foreign exchange and industrial resources which defence spending at the rate of £1,500 million a year represents, and to the inadequate return that is received from it.

It is not only the calendar that requires an urgent new look at the defence burden. The defence commitment is at the centre of national policy as it has been pursued since the war: it is the expression, and the cost, of British foreign policy in a peace-time cold war, which is not yet over. For this reason, though it is now necessary to face the fact that the present level of defence costs, always a drag on the economy, is becoming higher than the country will tolerate, the argument cannot be left there. What is in question is this country's proper posture, with its allies, in the world.

Quite clearly, until the danger has been removed against which the western nations, most providently if also extravagantly, have armed themselves in order to keep the postwar peace, defence is not expendable. It can be argued that the risk of a direct military assault has now been reduced by Russia's own troubles as well as by western resolution; and anyway Nato is increasingly drifting in spite of itself into reliance on meeting the risk by a "tripwire" technique which will go some way to meet the yearning for cheaper defence. But, equally clearly, to throw in our hand and dismantle our defences at this moment, while the risk remains, would make nonsense of what we and our allies have done, rightly and realistically, since the Russian replaced the German threat. We cannot adjure the duty, in the alliance, of self-defence. What we can, and must, do is to root out all commitments for defence which stem simply from false conceptions of national prestige and power and all those outlays, fostered often merely by service prestige, which in terms of goods delivered (or not delivered) produce no real defence. It is the right relation of policy to resources, of ends to means and of results to effort, that the nation has now to weigh.

★

In itself, it should be admitted, the Suez campaign proves nothing new. It has rather, with its consequences and its cost, served as a catalyst, allowing to form the widespread belief—to which Mr Macmillan's remarks at the last Nato meeting added shape—that this country has been carrying more than its fair share of the defence burden; that it has been spending too much too wastefully, on many objectives that were never practicable anyway; and that it must spend less henceforward. "How much less?" the defence chiefs may ask, "and on what?" Faced with the demand, which some are now making, for a straight cut of, say, three or four hundred million pounds, the details to be decided by them, they will naturally be resentful. But what is the layman to do? What sort of a picture of defence policy has he been given?

In a series of annual defence white papers, preparedness for every type of war, cold, hot, limited, global, with every type of weapon, conventional and unconventional, in every part of the world, on land, sea and in the air, has been enjoined in rounded platitudes. Any and every scheme in hand, whether near completion or a mere gleam in some air-marshal's or admiral's eye, has been justified as top priority. And round this structure of top priorities is erected a wall of security which

THE DEFENCE BURDEN
(Defence expenditure as a percentage of gross national product)

	1949–54	1955		1949–54	1955
Denmark	2·5	3·2	Netherlands	5·1	5·8
Luxembourg .	2·8	3·4	Greece.....	6·8	5·8
Belgium	3·6	3·6	France.....	7·5	6·6
Norway.....	3·6	3·9	Canada	5·7	6·8
Italy	4·3	4·1	UK	8·2	8·2
Portugal	3·8	4·4	USA	9·8	10·3
W. Germany..	...	4·5			

guards it not only from the enemy's gaze, but from any real attempt by outsiders logically to relate forces available or in the pipeline to commitments (or *vice versa*). Faith in what goes on behind this wall is shaken when tales of inter-service strife leak out, and when it appears that battleships and minesweepers are vital one year, and scrap-iron the next. And, unfortunate though it may be that the Suez action should be taken as a test, the fact is that, despite the expenditure behind the wall of £7,000 million in five years, the famous airborne fire-brigade was not ready, and a great deal of what was ready was the wrong stuff.

The public reaction to all this, and the demand for drastic inter-service re-thinking, were inevitable and should be salutary. It was clear enough, without the Suez experience, what the recent rate of defence spending has meant to the civil economy. As the figures in the table show, a larger slice has been taken out of Britain's national income than out of that of any other Nato country except the much richer United States. Moreover, this expenditure has been harder for Britain to bear than that of any other Nato country, including the United States, so that the percentage understates

the British burden : a great deal of it has been incurred abroad and persistently aggravates our chronic balance of payments difficulties. At home it falls particularly heavily (because of our effort to go it alone in atomic weapons and the means of delivery) on the engineering and electronics industries and on research resources, with correspondingly adverse effects on exports and industrial re-equipment. It is obvious that to ease the pressure of defence at these points in the period just ahead would substantially help the country. If the British defence budget were cut to the relative size of a country with purely Nato commitments, such as Belgium, nearly £700 million of resources would be restored to the civil economy, and even if it were cut only to France's in 1955, nearly £300 million.

Nor does the light thrown on British commitments by recent events suggest that such a cut is entirely unrealistic in defence terms. For reasons which will long be argued, the indisputable fact has emerged that this country is no longer able to safeguard by force what is traditionally supposed to be the vital strategic link of the whole Commonwealth. The vague, but in defence white papers always repeated, liability for Commonwealth defence can no longer be unilateral or unconditional. There must consequently be a critical appraisal of many of the minor commitments which have risen out of the major Middle Eastern one. What were intended as facilities have had, at this period of nationalist fervour, a costly habit of turning into commitments. Means have become ends. Thus Cyprus, intended as our base to hold the Middle East, in fact became a miniature theatre of war, tying up troops which could not be used for their main purpose. Other involvements which have been justified on the grounds that they are a defence asset—as they might be if Britain were orchestrating Commonwealth defence on pre-1939 lines—now prove almost as much a debit as credit. The usefulness of the bases in Libya, Jordan, Cyprus (perhaps even Iraq, Hong Kong and Singapore) have thus come into question—at any rate as purely British bases carrying with them in some cases acute colonial problems associated with sovereignty and security. These are key queries—to diplomats and defence chiefs alike—in the process of relating policy to resources.

*

But the problem is not just to cut defence : the need is to reshape it in the cause of efficiency as well as economy. This is something which neither our military leaders, nor even a greatly strengthened Ministry of Defence, can do unilaterally. For if we cannot go it alone in war, it follows that we should not go it alone in either arming or disarming. Britain has not the choice between being a first-class and a second-class power—such terms are nearly obsolete—but between becoming an efficient member-state of a western power block or nothing. The main point that emerges from a reappraisal of our commitments and from a frank admission of the present ineffective multipurpose composition of our forces is that defence should be integrated with our allies in each operational area, not just some of them. Flexible forces there must be, and the commitments in every area remain to be met ; but the forces must be integrated western forces based on a unified policy.

It may be argued that we are still very far from this. But it is the only sound defence objective, and once it is seen that Britain cannot alone sustain "balanced" forces capable of independent action everywhere, the extent to which defence has been developed here might be found a useful bargaining counter to speed up the integration process. The Americans have already agreed to supply Nato countries with some nuclear weapons ; independent British mastery of so much thermo-nuclear know-how could be used to force the pace. Britain virtually has the hydrogen bomb ; valuable work has been done on missiles ; the string of British bases exists. These are only some of the assets which this country can undertake to put into the pool against the assurance that, under the integrated development of modern weapons, supplies, wherever they come from, will be allocated to the western forces whatever their nationality as part of a common plan.

This should be the response of the defence planners to the public demand, which cannot now be evaded, that they should reduce their claims to the largest possible extent and eliminate everything that is otiose or futile. Defence they must still provide—and the public itself must realise both that there are real overseas interests to be defended and that the defence of the realm has not suddenly become a dead duty—and they can provide it, more efficiently and more economically, only in a collective framework.

England's Foreign Policy

For, whatever may be the convictions of foreign nations—convictions of which we have no right to complain, because they are legitimate deductions from *former* transactions in our history—all dispassionate and observant Englishmen must be well aware that our tone and temper, as a nation, have of late altogether changed ; that we are no longer aggressive or ambitious ; that we desire nothing better than to be exempted from all foreign calls on our assistance ; that we can scarcely even be persuaded to meddle where we ought ; that we not only do not desire any extension of our empire, but that no considerations except our own safety would induce us to accept one inch of additional territory. We conscientiously believe—and we think that only party passion, or the blindness of class hatred, can believe the contrary—that England alone of all the great nations of the world seeks no aggrandisements—nay, most earnestly deprecates it ; that in future all quarrels in which she may be unhappily engaged, will not be sought by her, but forced upon her ; that any wars she may henceforth wage will be wars strictly of self-defence, or in the cause of justice, or in aid of injured and oppressed allies.

The Economist
January 3, 1857

Spens Prescription

THE arguments between the Ministry of Health and the medical profession over doctors' pay have been going on for many months. It is nearly a year since the negotiating committee, which represents general practitioners and hospital staffs, gave notice that a claim would be submitted to cover the rise in the cost of living in the preceding five years. On June 14th, this claim was specified at 24 per cent and was supported by a long memorandum to show the rise in prices and wages and salaries since 1951.

But the doctors might as well have spared themselves the time and expense this document must have entailed. For a month later the claim was rejected outright by the Ministers concerned on the ground that "in present circumstances they would not feel justified in giving consideration to any claim for a general increase in medical remuneration." The "present circumstances" were later defined as the anti-inflationary policy and the plea for restraint in claims for higher pay. The doctors' reply to this was that they had been exercising restraint for a long time already, that they had suffered a steady decline in the real value of their incomes in the meanwhile, and that some of them were now suffering hardship as a result. Above all, they maintained that the Government was bound—by Mr Bevan's acceptance, when he was Minister of Health, of the Spens committee's recommendations on doctors' pay—to give them an increase.

It is on this last point that the dispute has recently centred : on whether the Government has an overriding obligation under the terms of the two Spens reports—one for general practitioners and one for consultants—to make periodic adjustments in doctors' pay to allow for falls in the value of money. The Minister of Health's case is that the Spens recommendations referred only to the pay of doctors on entry into the health service in 1948 ; nevertheless in August he encouraged the negotiating committee to prepare a further memorandum explaining the doctors' view that the Spens reports imposed a continuing obligation on the Government. This memorandum, prepared with the help of the committee's legal advisers, under Sir James Millard Tucker, was presented to the Minister of Health in the middle of September ; like its predecessor, it was summarily rejected some two months later. Since then an exchange of correspondence has taken the issue no farther forward. Mr Turton has refused to give a reasoned reply to the second memorandum, merely saying that it did not show that a legal obligation—that is, one that could be enforced by the courts—existed. The negotiating committee has pointed out that it was known all along that there was no enforceable legal obligation, but that this only made the moral obligation—which its memorandum showed did exist—all the stronger.

It is against this background that the negotiating committee met on Thursday of this week to determine its attitude at its next meeting with the Minister on the following day. These meetings have been heralded by the announcement that the British Medical Guild, a trade union offshoot of the British Medical Association, which is not itself a trade union, has been instructed to prepare for action. This has been interpreted, probably wrongly, as a threat to call a doctors' strike, or rather to call on them to resign from the health service, the implication being that they would continue to treat people outside it. But it is difficult to see how any action of this sort by doctors would not hurt their patients far more than it would the Government. Its main effect would probably be to destroy any public sympathy that may exist for their claim.

MEDICAL EARNINGS

Hospital Staff	Numbers Eng. & Wales	Salary £
Consultants (whole-time*) ..	1,790	2,100–3,100
Senior Hospital Medical Officers	1,200	1,500–1,950
Registrars, including Senior Registrars	3,290	850–1,400
Junior Hospital Medical Officers	550	775–1,075
Senior House Officers	1,850	745
House Officers	2,590	425– 525

General Practitioners	Number of Doctors†	Earnings less Expenses £
Size of List		
Under 1,000	1,500	Up to 1,100
1,000–1,500	2,000	1,100–1,775
1,500–2,000	3,600	1,775–2,200
2,000–2,500	4,300	2,200–2,625
2,500–3,000	3,500	2,625–3,050
Over 3,000	3,900	3,050–3,475

* *In addition*, there are nearly 5,000 part-time consultants who get proportionate pay and a fixed percentage of consultants receive distinction awards.
† Principals only ; in addition there are 1,400 assistants who are paid salaries out of their principals' earnings.

If one leaves aside the question of obligations, whether legal, contractual or moral, and examines the doctors' claim on its merits—which the Government has not yet done—has it any substance ? There has certainly been a rise in prices of the order of 24 per cent since 1951—the year to which the Danckwerts award related. By that award, given in March, 1952, the adjudicator found that, for the year 1950-51, to the incomes the Spens committee thought general practitioners ought to have earned in 1939 a "betterment factor" of 100 per cent should have been added to allow for the change in the value of money. This 100 per cent cost of living increase, which was followed by some adjustment, though not so big, in the salaries of consultants and other hospital staffs, immediately put doctors in a favoured position vis-à-vis most other professional people, particularly servants of the state. But, having felt comparatively well off in 1952, in recent years doctors have felt themselves to be steadily losing ground—during a period, too, in which other professions have been catching them up or reducing the gap.

That the medical profession is now due to increase its lead somewhat is justifiable. An average income of

£2,200 for a general practitioner, after he has deducted his practice expenses, is not easy money; and among junior hospital medical staffs there are cases of hardship. But in making its claim the medical profession overlooks the fact that the other professions which have done well for themselves since 1951—notably higher civil servants and teachers—did very badly before that date. Compared with 1939, civil servants' pay is only 75 per cent higher, though they managed to secure, along with their recent rise, a five-day week—an advantage which is certainly not overlooked by doctors, especially whole-time hospital staff. If the doctors' negotiating committee sticks to the Spens formula, which lays down that any adjustment in its recommendations should have "direct regard not only to estimates of the change in the value of money but to the increases which have in fact taken place since 1939 in other professions," civil service salaries are not a good example to cite.

Does the Spens formula in fact get doctors anywhere? Is it helpful to compare the rises in pay of different professions when almost their only common factor is their reluctance to go on strike? It is especially difficult to compare the earnings of general practitioners with anyone else's, for they are based on the number of patients a doctor looks after and are therefore partly dependent on the size of the population and the number of doctors in general practice. But the doctors' insistence on "Spens and nothing but Spens" arises from their conviction that a simple request for a cost of living increase will always be refused. After all, it took them over three years of negotiations before their earlier claim was allowed to go to adjudication. They know only too well that the Government will always be as firm with professional organisations as it will be weak with trade unions.

On the whole, therefore, the main responsibility for breaking the present deadlock lies with the Minister of Health. Obviously no section of the community can have an automatic guarantee against changes in the value of money; and the doctors cannot reasonably expect this. But can no formula be devised that would prevent these quinquennial major disputes? The problem is, after all, a wider one. It is not only the doctors who need some assurance that their standard of living will not be allowed to slide gradually downhill. Much the best remedy, of course, would be to put a stop to inflation. Meanwhile, perhaps the best proof the Government could give of good will towards the professional classes would be the adoption of the royal commission's proposals for reforms in the family man's surtax. Again, it is not only the doctors who feel that harder work and greater responsibilities seem to leave them financially pretty much as they were.

India's Pause for Breath

TO see the heady figures of India's second five-year plan being physically translated into dams, power and irrigation projects, steel plants and engineering works is impressive and in some ways frightening. The aims are urgent and ambitious; India must have, and is determined to get, the foundations of a modern industrial economy, and it is going about the job with the intensity of a religious war. It is easy for a British visitor to criticise this industrial revolution on the ground that it largely represses the free economic forces that created industrial Britain and are still creating and re-creating industrial America. It would be just as easy for a Russian or a Chinese to say that India's methods of socialist planning reject the compulsions on people that make communist economic development so much more straightforward. First impressions abide: the plan is over-ambitious and imperfectly balanced; the planners, for all their technical skill, have a self-confidence that is disturbing. Yet these impressions must be tempered by compassion towards a people whose average income last year was about £20 a head. To lift that figure to about £40 in the next twenty years does not seem an outrageous target; to fail could mean disaster for India, Asia—and the world.

It might almost be said of India's second plan that it was constructed with the built-in certainty of going seriously askew at some stage. Indians take pride in the fact that it contained no "budgeting by an accountant." To set the sights too high was perhaps a necessary way of creating enthusiasm among 350 million people whose opportunities for economic excitement are limited at twelve annas a day. When the plan was presented early last year it made no bones about the gulfs between intentions and means. Public expenditures of Rs 4,800 crores* (now raised by price increases to Rs 5,300 crores) for the period 1956-61 counted on assistance from abroad of Rs 800 crores, internal savings of Rs 1,200 crores, and deliberate resort to deficit financing to the tune of Rs 1,200 crores. After the clearing of the air between India and the World Bank, substantial assistance for the improvement of the railways seems likely; the bank has already made loans for the expansion of the Tata and the Indian Iron and Steel plants. There is an obvious readiness in New Delhi to assume that the west will vie with the east in providing the means for important parts of the plan (steel with Russian, German, British and American help is the

*A crore of rupees is 10 million rupees, equal to £750,000; a lakh is 100,000 rupees, equal to £7,500. Rs 4,800 crores is thus equivalent to about £3,600 million.

prime example of this kind of give-away competition). But India's present difficulties are of a different order. The fact compelling the re-phasing both of the plan and of India's import policy is the severe pressure on the balance of payments and the alarming rate of drawing on the sterling balances in recent months. In the five years of the plan, the sterling balances were to be used to the extent of Rs 200 crores; in fact, the whole of that sum has been used since last March, and there now remains Rs 536 crores—the bulk of which, under present statutes, is required as cover for the note circulation. The import cuts on consumer goods, announced last week-end, scarcely touch the problem, and it would be optimistic to suppose that they will save the intended 30 crores of rupees in the next six months.

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India's imports in the past year may not have been immoderate compared with the ambitions of the plan; but they have been allowed (despite all the apparatus of detailed licensing) to run far ahead of what India could currently afford. The incidental strains on other members of the sterling area tend to be minimised in New Delhi; the damage that blatant talk about what the future of the pound can do is not even considered. India equivocates between being a member of the sterling club and being one of its creditors, and its recent policy suggests something less than complete faith in the sterling link and also a disagreeable opportunism in using it. An exchange crisis of such dimensions clearly demonstrates that the government has been failing to match the exchange liabilities that it has allowed to build up under its licensing procedures with the means of paying for the imports. Large imports of steel have been paid for—and much of it lies around awaiting internal transport. Licences for capital goods have been handed out freely, and evidently some appreciable advance payments have been made for equipment that has yet to be delivered; the rumoured revaluation of the German mark encouraged such prepayment and added its own quota of strain on the central gold reserves.

Having thus been taken by surprise, the Indian government is now conducting a re-examination of ends and means. It will not be an easy job, for major schemes in an undeveloped economy are by their nature "lumpy" and if too many have already been started, the process of stretching out those that are accorded less than absolute priority must involve dislocation and waste. Nor has any member of the Indian government openly admitted the need for modification in the plan's timetable. When the Finance Minister, Mr. T. T. Krishnamachari, introduced his supplementary budget five weeks ago he proclaimed that the main idea behind his proposals was that the second plan must go through. But his collection of measures—the reintroduction of the capital gains tax, stiffer excise duties, and a scheme (which has scared private capital much more than the capital gains tax) to impound the so-called "free reserves" of companies—can be fairly described as further repressive action against the private sector of the Indian economy, rather than the reduction of an intense head of steam in the public sector. The valves and screws are being tightened in the hope of keeping the pressure under control. Yet the pace of money creation (which has lately made its impact very sharply on internal prices) has been the outstanding fact of the past year. The immutability of the plan makes an imposing peroration for speeches in the Lok Sabha, but the Indian economy cannot escape the consequences of allowing demand to run so far ahead of resources.

"A basic weakness of the present situation is that the state has very little resources of its own by way of surpluses which it can utilise directly for investment and it has, therefore, to depend upon whatever transfer of private savings it can bring about through its borrowing programmes or through deficit financing." That commendably frank admission in the plan clearly states India's economic dilemma. To have attempted a little less and in less of a hurry, and to have given greater encouragement to free enterprise and private savers in India and overseas would seem, to British eyes, a more circumspect yet a more secure policy. Perhaps the facts of Indian political life make such a course impossible. There is a contempt for private enterprise that is almost pathological; some of it is justified, but the result has been to discourage the growth of public-spirited enterprise. Indian business carries on its shoulder a deep sense of sin and it seeks redemption by finding the shelter of the government and doing exactly what it is told. The biggest concerns accept guidance about their production, their dividends or their capital, knowing that measures can be taken against them if they do not. The small ones go ahead where they see a profit—and their opportunities for expansion may well add an unexpected quota of strain to the plan.

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There is, therefore, little expression of an independent industrial (as distinct from mercantile) viewpoint in the current reassessment of the plan. That may be a rather greater loss than most of the planners tend to think. They have their own systems of economic and political absolutes, and while they are capable of self-criticism they are also sensitive to the more extreme forms of Congress opinion. That fact accounts for many of the perplexing ambivalences in Indian economic policy. For example, it is held to be politically impossible to make even the most tentative changes in the cottage handloom industries; one is told that social factors are enormously important and that if ministers ignore them they will go out of power. That may be true; but it is difficult to reconcile a policy that restrains the expansion of the weaving mills (which could play a much bigger part in Indian exports and also clothe many more Indians much more cheaply than handlooms) with proposals for improvements to handlooms that would make

them only somewhat less inefficient than they now are.

There are contradictions, too, in agricultural policy. Heartening progress is being made in village and farm improvement, and the host of modest irrigation schemes already working will soon be supplemented by the major projects now under construction. But in a country where five acres is a large holding, where labour abounds and backwardness and suspicion prevail, a more determined policy for agricultural improvement might have been expected in India's planning. Only the beginnings are visible—education in the use of fertilisers and better seeds, the adoption of the Japanese method of rice cultivation, and the first attempts at the tremendous job of improving animal husbandry. Some observers find hope in an apparent increase in agricultural output over time of about 3 per cent a year, though a long-run average is no help if a monsoon fails. The pressing demands as industrial incomes grow will be concentrated on food and clothing and while the government's buffer stocks of these basic commodities may serve to keep prices in order for a time, the only answer in the end is increased output of both. And hanging as a gigantic question mark over the whole plan is the adequacy of transport to cope with the growing burdens that are being thrust on it.

Success and failure in planning are relative terms. India's plan will not fail in any absolute sense. Industrial assets are being created on an impressive scale and all of them, and more, are needed. Indian labour is learning, and the best of it shows skill and inventiveness. The one to three comparison of efficiency against European standards is bound to improve in time and so will the one to four comparison in wages. The desperate shortages are in technical skill and managerial capacity. The civil service is being combed for managers of the new state-owned enterprises—and the best of them would match most that Europe or America could show. Yet that only adds to the immense difficulties of the central administration where policy making and executive action are concentrated on a few dozen men of great ability and industry, but whose authority as a *corps d'élite* meets little effective challenge from a responsible public opinion. The country looks to them with a submissive faith ; and that, if they are to be true to their responsibilities, should give them humble and contrite hearts.

Notes of the Week

Lesson of Experience

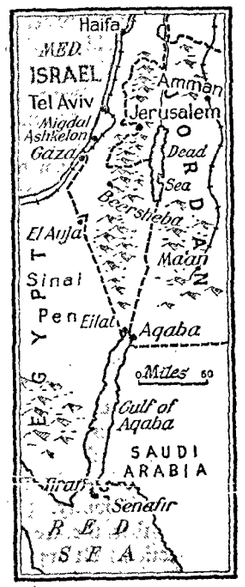
A REMINISCENT phrase echoes in the halls of Uno and even in the conference-rooms of the State Department. It is that nothing can be done on Palestine's borders except with the consent of all the people, Arabs and Jews, involved. Britain used to say the same in Mandatory days ; then it was called action "acceptable to both parties."

Since nothing is acceptable to both parties, the risk that nothing will get done is always preponderant. All experience (including the British surrender of responsibility which left the field open for the Palestine war of 1948) spells out one hard fact. A readiness to impose the unacceptable—at some points on Israel, at others on its Arab adversaries—is the only way out of the Palestine conflict, which, as long as it continues to exist, bedevils every constructive work in the Middle East. There are some local people—quite a few Arabs, but very few Jews—who will admit in private that they are sick of deadlock and would welcome the relief from tension that a UN decision over their heads would bring. Some feel it would remove them from the brink of anarchy on which they hang at present, without saddling them with the responsibility.

Eyes on Gaza and Tiran

THE future of Gaza is an unanswered question, on which hangs a development of significance to a far wider world than just the Middle East. The Gaza question is likely to challenge the capacity of the United Nations to wield authority over a recalcitrant state or states: because, whatever happens, recalcitrance there is bound to be.

For on the one hand the Israelis, though pledged to withdraw from Egypt, are arguing that the Egyptians had in the first place no right to the strip, and that they will not permit Egyptian reoccupation of it. They are giving great publicity to current Egyptian fedayeen raids from Jordan so as to show their main reason for insisting, which is a conviction that Egypt will once again turn the strip into a raiding base. They have also said they can "never tolerate" the reimposition of an Egyptian blockade at the mouth of the Gulf of Aqaba. This could be taken to mean they would like to hold on to the islands at the mouth of the gulf, too. On the other hand, the Egyptians say they will allow no distinction to be made between Gaza and Sinai, and that no discussions on its future status can take place until the Israelis have got out. In this attitude, Egypt is backed by the whole Arab world (not to mention much of Asia)—a world that is in a position to exercise a squeeze by refusing to mend pipelines, or to clear canals, unless the west causes the UN to see Israel out.



In this dilemma, the position so far taken by the United Nations is that Mr Hammarskjöld—being but the servant of the Assembly—is edging Israel back behind the armistice lines, but that if Israel will not go without guarantees more solid than anything hitherto known, he will have to return to the Assembly and ask what to do next.

Here is a point at which the Assembly needs to remember not merely its resolve to get Israel back within its frontiers but also the earlier resolutions of the Security Council that Egyptian raiding and blockading must stop. Almost certainly, the Assembly's only way to grasp this nettle is to give UNEF a longer life and a bigger body, in order to be able to hold the strip while operable guarantees are being worked out.

Oil in Difficulties

THE new Syrian government will not make it any easier for the Iraq Petroleum Company to negotiate the right to repair its pipelines and pumping stations in Syria. The reshuffle of the cabinet removed the moderates of the People's Party and Constitutional Block, leaving an inchoate lump of leftism to rule Syria with an anti-western bias. Salah Bitar, secretary of the Baath (Resurrection) Party, remains as Foreign Secretary. Both before and since the reshuffle he declared that the IPC pipes could not be repaired until Israel evacuated every inch of Egyptian territory and the Gaza strip. It is clear from the immediately preceding note that the future of the IPC pipelines is therefore much in doubt.

The Syrian government did deign to permit the IPC experts to study the damage to the pipes and plant this week, but it is clear already that the Syrian Army's sabotage was extensive enough to require many months of repair work. This means that the normal flow of oil from the Persian Gulf to western Europe cannot be restored until late this year. The work now proceeding in the Suez Canal will clear a channel for 10,000-ton ships by early March, but this will not open the canal for the bulk of oil cargoes. (Empty tankers will be able to go out through the canal and return loaded by the Cape, so shortening the round trip from 70 to 55 days.) As explained on page 60, the canal will be available for substantial oil traffic only when the second stage of clearance is completed in May, but a shortfall on supplies to Europe will remain because of the interruption of the IPC pipelines. It is important that repairs to the pipelines should not be longer delayed.

The Syrian government is in a position to be obdurate, and Lebanon and Iraq, which also lose revenues until repairs are completed, have no influence upon it. British influence was destroyed by the invasion of Egypt ; even the Saudi Arabian order to Aramco that none of its oil must be shipped from Tapline to Britain and France still stands. In short, Europe's need for Arab oil has given a weak and unstable Syria the whip hand. The United Nations needs to press as hard for the opening of the IPC pipeline as it did for the clearing of the Suez Canal.

Wages Week

ONCE again the winter season for wage negotiations is reaching a climax. This week and next the air is filled with the buzz of wage negotiations and the clamour of claims ; the engineering and engine drivers' unions will both hold important meetings next week, but the general impression still seems to be that it will be the bus claim that will really set this year's pace. A month ago the London busmen, whose claim for £1 a week was met by London Transport with an offer in the region of 6s., asked the executive of their union, the Transport and General Workers' Union, for plenary powers so that they could call a strike. These powers were refused, and Mr Cousins himself has lately been hurrying in and out of London Transport's offices to try and better the offer. The report this week was that he is now thinking that he must have at least 9s., whereas London Transport is prepared to concede about 6s. 6d.

Mr Cousins's 9s. represents the 5 per cent rise in the cost of living since the busmen got their last increase in October, 1955. He is rather committed to this figure by his words at the Trades Union Congress last August, when, singling out London Transport workers as an example, he said that he was "not prepared to sit down and see our members' conditions worsened." On the other hand, he did accept 5s. for the provincial busmen. London Transport, for its part, can argue that since last January, when the main round of wage increases (though not the busmen's own increase) took place, the rise in the cost of living has been only 3 per cent. Three per cent, moreover, is the amount that the railways tribunal has offered to the Associated Society of Locomotive Engineers and Firemen ; the latter has not yet replied, but if the busmen get more than that, the underground train drivers will want more too, and then how should British Railways' drivers be content with 3 per cent ? So many claims are inter-connected, and everyone is closely watching everyone else. There will be keen interest in Mr Cousins's meeting with his committee on Monday.

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Another union which may soon decide that the time is ripe for a claim is the National Union of Mineworkers, which hitherto had been concentrating on getting rid of the bonus shift (a device to prevent absenteeism, by which a man who works five shifts gets paid for six, but if he has worked less than five gets paid only for the shifts he has worked). The union executive had reached agreement with the Coal Board to postpone this issue—on which

it would be quite fatal for the board to retreat—for six months; but a big majority of the miners' lodges have rejected the postponement. Perhaps they will be less insistent on getting rid of the bonus shift if they get something else. It may be mainly on this argument that the Coal Board has offered this week to double, from 10s. to £1 a week, the additional retirement and disability pension which miners get on top of their ordinary national insurance pensions; but the union executive will next week consider a recommendation that it should demand an additional benefit —in the shape of a wage claim of 19s. 6d., to bring the minimum wage for the underground worker to £10, with corresponding increases for other grades.

Impotence

WHEN Sir Ralph Stevenson, then British Ambassador to Egypt, was congratulated in 1954 on the completion of the Anglo-Egyptian Agreement, he remarked that "it was a skinny bird but could be fattened up." In this homely phrase he expressed the essence of the agreement. Its terms were worthless without a sustained and developing relationship with Egypt and the agreement gave the opportunity for its creation. Within three months Britain and Egypt were in head-on collision over Middle East policy; and two years after the signing, British bombs were falling on the outskirts of Cairo. Now Cairo radio has announced the abrogation of the agreement.

The bird had been getting skinnier for months, for it is obvious that a base held only by British civilian contractors in a country becoming steadily more hostile was worth very little. After the bombing started on October 31st, the British civilians in the base were taken into custody and President Nasser drew on their depots to replace the military stores he had lost in Sinai. Abrogation has been back-dated to October 31st in order to demonstrate that the first British bomb destroyed the agreement. Britain is impotent in face of this affront, just as she is impotent to force Syria's hand over the IPC pipeline. That is the price for the invasion of Egypt. Britain is left with at best a claim for compensation.

The agreement itself could have little substance in present circumstances. One could hardly contemplate the return of British civilians to the base, or Egyptian police safeguarding it as British property—much less its reactivation by British troops. The vital importance of the workshops and stores to British strategy and the right to reactivate the base for the defence of Turkey—in short, all those terms for which British negotiators bargained grimly for 18 months—have been jettisoned. Was the base, after all, unnecessary, or was it simply overlooked?

Jordan's Treasure Hunt

ACCORDING to several reports from Amman, one of them quoting the prime minister, Jordan has received the promise of Egypt, Saudi Arabia and Syria that they will give financial aid to replace the British subsidy for a guaranteed period of ten years. The amount offered is variously reported as £10 million and £12 million a year. The latter sum would almost exactly replace current British payments, but the prime minister told the Chamber of Deputies that Arab aid would require some austerity in Jordan, which suggests that the smaller amount is nearer the mark.

The Jordan government is sending a mission to the Arab capitals on this question of financial aid. This seems to mean that the promise referred to in reports from Amman predates the invasion of Egypt and requires firm renewal before Jordan can afford to refuse British subsidies. The economic situation has certainly changed for the worse. The Syrian government has itself been compelled to embark on a regime of austerity. Egypt was in a tight position before the invasion and is now urgently seeking aid instead of offering it. King Saud is hardly likely to fulfil the promise from his exchequer alone; perhaps with this in mind, he warned the Arab heads of state at their Beirut meeting in November against putting any more burdens on the Arab economies at the moment.

Jordan wants the aid from Arab sources in order to make itself independent of Britain by abrogating the Anglo-Jordanian Treaty and getting rid of the British bases in the country. (The Jordanians do not take seriously the fact that the treaty does not provide for unilateral denunciation.) It appears that the inability to secure Arab aid will compel the anti-western government in Jordan to put up with Britain for a little longer. But does Britain still want this unwilling partner? This seems to be an appropriate time to call the Jordan government into conference on the treaty and the money, bearing in mind that there are, at the very least, grave doubts about the value of the treaty to Britain. Jordan might at least be told again that Britain is not anxious to continue paying £12 million a year for opprobrium.

Blunder in Lusaka

IT is difficult to understand why Mr Lennox-Boyd, who is touring Northern Rhodesia and Nyasaland in fulfilment of a long-standing promise, refused to see Mr Harry Nkumbula, the leader of the Northern Rhodesian African Congress. Presumably he was advised not to do so by the Governor, Sir Arthur Benson, but he need not have taken the Governor's advice: in other colonies he has made his own decisions whom to meet. It is true that he did not see Mr Nkumbula in London, but the circumstances were different: Mr Nkumbula was then claiming to represent African opinion in a way that the Northern Rhodesian government thought improper. But in Lusaka—and indeed in the copperbelt by virtue of his alliance with the African Mineworkers' Union—he is a leader in his own right, and it would have been perfectly proper for the Colonial Secretary to have seen him. The Northern Rhodesian government is anxious not to have Mr Nkumbula's reputation inflated, but surely such behaviour is only likely to make him more of a hero with his supporters. It entirely ignores the fact that he has support, and therefore a creative role to play in the country's politics. Ignoring this is not the way to tame him out of his vague but harmful rhodomontades about a "Gold Coast solution for Northern Rhodesia."

The real reason for the *gaffe* was probably political. Mr Lennox-Boyd was presumably warned that if he did anything except drink a cheery beer with African mineworkers and meet African MPs as an official duty, the white population and press would renew their outbursts against the Colonial Office. This might seem awkward at a time when Sir Roy Welensky is almost certainly talking to Mr Lennox-Boyd about a "higher status" for the Federation, the problem of widening (slightly) the African franchise, and the question of the status of a "British protected person" in a new federal citizenship. But it will be still more awkward if Mr Lennox-Boyd has encouraged the local white inhabitants in their belief that the Colonial Office is a "dead hand" which can be progressively ignored. By showing himself more sensitive to African opinion and opinion-makers, Mr Lennox-Boyd would have demonstrated what is certainly true: that the Colonial Office is much more alert to inevitable change than are the white settlers in Central Africa. And this is a truth that needs to be demonstrated, not hidden, at this juncture.

Housing Needs

THE belated appearance of the full-scale 1951 Census housing report for England and Wales (HMSO, £3) gives a reminder of the distortions caused by rent controls. To a large extent it only corrects the preliminary results which were published in 1952, on the basis of a one per cent sample, and which were then discussed in *The Economist*. An irritating change in definition of what constitutes a private household prevents accurate judgment on the sample trial, but it is clear that the final picture has not altered the main conclusions already reached. It is still a picture of far too many large families in small houses and too many small families in large houses.

Rent reform should correct this in part. But not entirely. The report shows how inadequately the stock of houses in this country conforms to the pattern of households today. About 60 per cent of houses in 1951 were more than 30 years old, built in days when families were larger and needs were different. If each family in Great Britain in 1951 had been given a separate house or flat with reasonable bedroom accommodation, and in addition a single person had just one living room and larger families two, then about 5½ million more small houses of up to four rooms would have been needed; among houses with five or more rooms, however, there was already an excess of 3½ million houses. That left a theoretical need of an additional two million dwellings (all small ones) to house every family separately; since some people will always want to share accommodation, however, building on this scale would clearly exceed the demand.

Housing standards have improved quite considerably since 1951: nearly one and a half million new houses have been built in England and Wales for only an additional half a million families. Over the next twenty years, assuming no net outward migration from this country, the number of households is expected to rise from 13.6 million to 15.2 million, about three-quarters of the difference being due to more elderly married couples and elderly widowed and divorced persons. To keep just abreast of this expansion implies only an annual rate of building of 80,000 houses a year. But in this time many existing houses will have become obsolete; slum clearance alone should demolish 75,000 houses a year over the next five years. Two lessons emerge from this figuring. First, housebuilding will have to be kept at a fairly high level (although clearly not at the Conservatives' "crash" rate of 300,000 a year) if accommodation is not to fall back from present-day standards; but, secondly, it should be concentrated much more on small houses. And yet the local authorities continue to build over half their houses with three or more bedrooms.

Power and the Surveyor

FOR a long time, architects, engineers and others concerned with private building have been irritated by the wide powers of the all-powerful local official known as the District Surveyor. A nice story has now arisen inside the London County Council, of which private builders might take note and make use. In London, the district surveyor, by virtue of the powers given to him under a section of the London Building Acts (Amendment) Act of 1939, has the right to object to any form of construction, and indeed to prescribe any measure which he may deem necessary to safety, when any structure is being put up or being altered. Architects and engineers may appeal against his prescriptions to the Superintending Architect of the LCC; but their confidence in the usefulness of appealing from one LCC functionary to his superior is perhaps indicated by the fact that this right is believed to have been exercised precisely once in the last twenty years. In the case which has now arisen, the LCC is itself the aggrieved party; and it, too, has decided not to exercise its right to appeal against the decision of one of its own employees to another of its own employees—even though a successful appeal might save its ratepayers £40,000.

It appears that two years ago the Housing Committee of the LCC accepted a contractor's tender to put up several blocks of flats, costing about £2,500,000; the estimates included a sum of something over £100,000 for "pre-cast concrete cladding." This was discussed with the district surveyor, and the consulting engineer received the impression that this arbiter of structural design and safety had approved them. Manufacture of the cladding was started. But later the district surveyor intimated that he was not aware that work had started, and insisted on seeing it being made; when he did he took grave objection and had the plans redesigned, at an increased cost of nearly £36,000—together with an additional claim by the surveyor, on account of delays, for £5,000.

The housing committee of the LCC was incensed, but found that, if it appealed, it would in effect be appealing from itself to itself. Rather than advertise this ludicrous situation, it has apparently decided to let the ratepayers pay; besides, it was advised, it appears, that the delay of appealing might make things worse. The host of private owners and builders, who have experienced the futility of arguing with a district surveyor who feels that he

knows better than any architect or surveyor who yet added ARIBA or MIStructE to his name, should take advantage of this story. They should agitate for the creation of an independent tribunal of appeal, which should be professional, non-political and non-municipal—and which should meet frequently and arbitrate promptly. The district surveyor should uphold safety; the tribunal should prevent pettifogging. Perhaps a modicum of publicity in this dark corner may help to establish builders' rights and keep building costs down.

Mr Kadar's Bleak New Year

NEW YEAR'S DAY in Hungary came and went without Mr Kadar making his much-heralded pronouncement on political and economic policy. Presumably he kept quiet because he did not know quite what to say. For some time he has been trying—so far, it seems, without success—to make his regime more acceptable to the Hungarian people by persuading some of the non-communist political leaders to join it. But there is no sign that he (and the Russians) would give them more than a decorative role, let alone agree to free elections; and although Soviet troops are becoming much more unobtrusive there is no confirmation of rumours that they are withdrawing altogether. In these circumstances, experienced anti-communists like Bela Kovacs, the respected leader of the Smallholders party, will obviously think twice before involving themselves with the communist regime.

But if Mr Kadar is keeping his own counsel about political developments, he and his spokesmen are being quite frank—sometimes hysterically frank—about Hungary's appalling economic plight. Although food supplies appear to be adequate for the time being, New Year articles and messages have told the people flatly that better times are not just around the corner; in 1957 they must expect unemployment, inflation, fuel shortages and more hardships. These dire warnings, combined with new efforts to turn the financial screw on recalcitrant workers, and the threat of mass dismissals in a few weeks, are no doubt designed to bring about a greater resumption of work. But the miners, whose attitude is of crucial importance, apparently remain unmoved; shortly after Christmas, Budapest radio announced that some of them were going on "paid holiday" and were claiming that this "holiday" was due to them since they could not take it earlier on account of their strike. One can imagine that such a buoyant defiance might make Mr Kadar despair of ever coming to terms with these men. Yet unless he does, the foreign aid for which he is appealing—Russia has promised a credit of $50 million in free currency—will not do him much good.

Peking to the Rescue

PEKING has not taken advantage of the post-Stalinist chaos to challenge Soviet leadership. It has, rather, come to the rescue of the Soviet rulers in the ideological battle. The Chinese communist *politburo* held a special meeting for this purpose; its findings appear in the Peking *People's Daily* in the form of a lengthy analysis of past and present trends in international communism. The Chinese leaders endorse the Soviet version of events in Hungary and give their blessing to the intervention there. They lash out at the Jugoslavs for unwittingly playing into the hands of "counter-revolution" and, after condemning "great power chauvinism" and the extreme nationalism of small nations alike, they appeal for "international proletarian solidarity with the Soviet Union as its centre."

The main reason for this Chinese backing is made explicit throughout the statement. Peking draws a line between differences among communist allies and conflicts with the "imperialist" enemy; the former must be subordinated. Alarmed lest the communist baby be thrown out with the Stalinist bath-water, the Chinese leaders have to come out against the hot-heads of liberalisation. Many pages are devoted to an appreciation of Stalin; the conclusion is drawn that his achievements outweighed his mistakes. The path of the October Revolution is still held to be broadly valid for all communist parties, though it need not be followed blindly. Belief in the necessity of the dictatorship of the proletariat is given as a test of allegiance, which the Poles pass; but the Jugoslavs are accused of spreading doctrines that might lead to bourgeois democracy.

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Moral backing from China must be invaluable to the Soviet leaders, since Peking is the only serious rival to Moscow in prestige and potential power. Next week Mr Chou En-lai may get some economic rewards in the Russian capital. Having reassured the Russians, will he back the Poles in their bid for greater freedom on the next stage of his journey? The emphasis on international solidarity in their statements may be a sign that the Chinese now favour the revival of a Comintern or Cominform. On such a body, for all their fidelity to Moscow, their man would have a key place. The Soviet difficulties inevitably enhance the authority of China in the communist councils.

The Saar's Quiet Return

AFTER eleven years of separation the Saar returned to Germany this week, quietly enough to give encouraging evidence that this old sore in relations between France and Germany is healed at last. Conflict between France and Germany has long ceased to be sensible, but mutual mistrust has outlasted its rational causes; the Saar issue served as its focus and kept it alive. The quiet acceptance of last year's agreements by parliaments and opinion in both countries suggests that rapprochement between France and Germany is becoming more widely accepted, not only by governments but in the public mind. The final settlement removes what has long been the most unpleasant political obstacle to the further integration of Western Europe.

The sole vocal opposition to the Saar's return to Germany came, strangely, from Dr Heinrich Schneider, leader of the Saar Democrats, whose nationalist campaign aroused so much misgiving at the time of the Saar elections. Since the Saar's return to Germany was agreed, Dr Schneider, lacking fuel for demagogy has lost political momentum. Once he was tipped as a possible national leader for the Free Democrats; his chances now seem slim. So he has sought to recover popularity by campaigning against the terms on which the territory has been incorporated, particularly because of the Federal Republic's refusal to preserve the Saar's social services and benefits. The complaint was genuine. For Saarlanders, the loss of their high French pensions and insurance is the most noticeable immediate economic effect of reunion with Germany. But the Saar, like the rest of Germany, should in time move into line with France in these respects if the European common market comes into being. And the Saarlanders seem to prefer the European to Dr Schneider's way.

For most Germans, the return of the Saar, though welcome, is only a first small step towards the reunification of their country. As Dr Adenauer implied in Saarbrücken on New Year's Day, it sets a precedent for reunification by peaceful negotiation, and also, though he did not point this out, for the preservation of economic ties with third countries. The Saar is joining federal Germany as a new *Land*; east German areas could presumably do the same. An important negative precedent has been set by the refusal to retain special social privileges in the Saar. The east German government continually claims that its "social achievements"—a phrase capable of political extension—must be preserved in the event of reunification. The West German parties, seeing this claim as the communist Trojan horse, have deliberately refused to allow the Saar to create any risky precedents.

Is Science Unfeminine?

SCIENCE well taught, the president of a conference of assistant mistresses declared this week, perhaps gives more scope for a warm response to life than does a reluctant study of the poets. It is good that some schoolmistresses are taking seriously the need to encourage more girls to be scientists. But there is a task here both for the girls' schools and for industry.

It is in the schools, of course, that the trouble starts. Far fewer girls than boys do science. It is true that biology is very generally taught—partly because it leads to a useful lesson about the birds and bees, and partly because it is relevant to courses in nursing and other work in the medical auxiliary field. But biology is the one branch of science that is adequately staffed; indeed there are almost too many biologists. In scientific subjects generally, as the table below shows, the proportion of girls to boys diminishes as one rises through the educational system.

THE SEX RATIO IN MATHEMATICS AND SCIENCE

(1954–55, England and Wales; '000s.)

	Boys	Girls
General Certificate of Education		
Ordinary level passes :—		
Maths, science, technical...	126	59
All subjects...	336	296
Advanced level passes :—		
Maths, science, technical...	39	9
All subjects...	67	30
Scholarship papers taken :—		
Maths, science, technical...	14	3
All subjects...	25	8
Number of University Students		
Pure science ...	12	3
Technology ...	8	0.1
All subjects...	51	17

It has been suggested that girls are naturally averse to science, and they do tend to be more interested in people than in facts and theories. Today, however, all the propaganda about the need for scientists has had some effect in a few girls' schools, and the poor supply of scientists produced by the vast majority seems due more to the absence of suitable and enthusiastic teachers than to the secondary sexual characteristics of the pupils. In 1955 there were 6,930 graduate men teachers of mathematics and science, but only 3,296 graduate women teachers of those subjects. The supply of these women teachers is only just enough to maintain their numbers, and does not begin to cope with the growing school population; and whereas the "deferment" of their national service yields a lot of extra men to teach science, there is no similar influence at work in the girls' schools. A recent report by the Association of Teachers in Colleges and Departments of Education declared that by 1960 many girls' schools would be without any science teaching at all. That is probably too gloomy, but it is certainly true that the situation is rapidly getting worse. The Ministry of Education has done what it can to stimulate the women's training colleges to moderate their devotion to arts and crafts and to get more teacher-trainees to specialise in science. It is now for the schools to help themselves, and they can do that by consciously guiding their girls on to the science side—if there is one—in the hope that some will shortly return as teachers.

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To be persuaded to become little scientists the girls themselves have to be convinced that this will lead to a nice job, and the brighter ones want to know that it will be a job with prospects. It is here that industry could help. Many firms, while glad to employ women with technical qualifications, tend to keep them in jobs without much hope of advancement—for example, in research, technical filing, library or information work. This limitation has two causes. First, it is not generally accepted in industry (as it is by contrast in the civil service) that a woman can be in charge of men; and secondly, as women soon leave to get married it is not worth while training them for senior work. Imperial Chemicals Industries, for example, has found that while its male scientists often make a lifelong career with the company, its women scientists leave after an average of only five or six years, usually, it seems, in order to become full-time wives. Other women employees, in contrast, often go on working after marriage—indeed, 23 per cent of ICI's 11,000 women workers are married. In the population as a whole 37 per cent of women aged 25 to 34 are at work.

Is this difference inevitable? He who marries the lady scientist can usually maintain the family without her assistance. But that cannot be the whole answer because other kinds of graduate wives like going out to work; a PEP enquiry in 1954 found that they do so much more readily than their non-graduate female friends and relations. It looks as if industry could do something to make its technical jobs more attractive to married women: first by being more ready to admit them to well-paid and interesting jobs, and secondly by reorganising some of the work so that it could be done by part-time employees. No one wants to emulate Russia, where they dump the babies in a creche and carry on regardless. But the taxpayers and ratepayers are to send girls in their thousands to the universities and technical colleges, and unless the life of a woman scientist *qua* scientist can be made to last longer she is a very expensive investment.

More Hungarians

JUST over three weeks ago, the admission of Hungarian refugees into this country was halted, in order to allow the "digestion" of the 12,000 who had already arrived. This digestion has now been completed and, as had been promised, the inflow is to be resumed; it has been announced that before long another 5,000 Hungarians from Austria will be brought in, at the rate of 1,000 a week. This orderly trickle may seem a far cry from the generous impulses which caused all barriers to be lifted for the first improvised rescue operation, but since then there have been two important developments. After most of the original batch of Hungarians had arrived here, it was discovered that many of them were under the false impression that they could quickly go on to America: some thought they could go there by bus. Secondly, the Americans themselves are now in Austria and taking virtually as many Hungarians as wish to go to the United States. Representatives of the British Ministry of Labour believe that not more than 5,000 of those left in Austria will want to come to Britain. As this figure approximately balances those already in Britain who intend to go to Canada (in many cases as a second choice after the United States), the total number to be fitted into British life is likely to be rather less than the 20,000 originally expected.

The pronounced preference of the refugees for the new world is natural (although it will evoke some wry reflections here); but the smaller number now expected will ease the problem of absorbing them into British life. This must be tackled energetically, for the problem is not merely to make use of new skills but to make new citizens. Once this second rescue influx is over, it would be wise to ensure that an inter-departmental committee gathers together and records the lessons of the whole operation. Just as this was not the first time Britain was called upon to grant asylum on such a scale, so it may not be the last.

Free Trade Progress

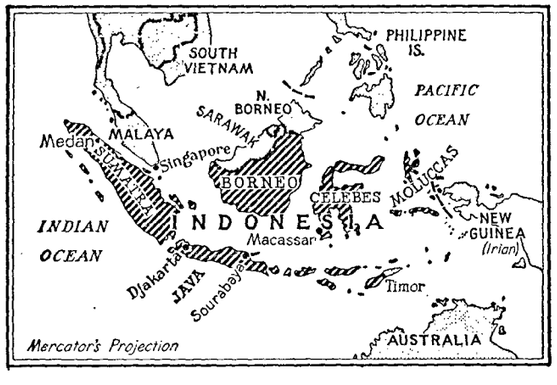
THE scheme for a free trade area in Europe has passed its first hurdle: the committee of the OEEC countries, which was formed to consider whether the scheme was possible, has reported that it is. The experts' task was purely technical. They were merely asked whether it would be possible to fit a free trade area of the type envisaged around the common market which six continental countries hope to create. All the vital political problems—how long it will take to reduce tariffs, what escape clauses will be introduced for individual industries or countries—have yet to be settled. But the report clears the way for these decisions, and lays on the governments the clear political onus of deciding whether to go ahead with the whole scheme. A meeting of the OEEC council is likely to be called next month to decide.

The progress of the free trade area depends on that of the common market. At one time it was hoped that the six governments would sign the common market treaty in the middle of January; now the end of the month seems more likely. This slight delay may do no harm from the point of view of those concerned with the free trade area, for it will give more time to adjust the common market treaty to the needs of the wider scheme. It will be much easier to set this up if its members can adopt the same rules for tariff reduction as the Six. Fortunately the common market experts have already shown a helpful willingness to modify their notions to fit in with OEEC suggestions. There will be further opportunities for adjustment this month; M. Spaak's visit to Britain next weekend should be a useful catalyst.

Other weighty political issues apart from tariff questions are still unsettled. The question whether Greece, Turkey and Portugal will join will not be easy to decide. On the control of monopolies—on the face of it essential to a really effective free trade area—experts from both the Six and OEEC are tending to the view that an impossible problem is better left alone. But French demands for harmonisation of social conditions may still be troublesome in OEEC discussions as they have been in those of the Six. The whole fate of agriculture is also still unsettled. Britain has so far firmly refused to have agriculture in the scheme. But some way can still perhaps be found which will both preserve preferences and offer at least a gesture of encouragement to agricultural countries in Europe such as Denmark.

Indonesia's Irrepressibles

THE military rebels who failed to achieve their coup in Jakarta last autumn have bobbed up again in Sumatra; this time they have the support of the civilian population and will not be so easily dealt with. Two army officers, Colonel Simbolon, commanding at Medan in north Sumatra, and Colonel Hussein in central Sumatra, have declared that they no longer recognise Mr Sastroamidjojo's government. The governor of central Sumatra has announced that he has



transferred his powers to Colonel Hussein, and in the south, where no military coup has been reported, the governor has taken over the state revenues which would normally have been paid to the central government.

It is only this civilian co-operation and the consequent loss of the Sumatran oil revenues which have made the revolt formidable; the junior army officers have not been unanimous in following their commanders' lead. Both sides seem reluctant to start fighting; the government has contented itself with sending a mission to Colonel Hussein which he refused to see because it was not commissioned by President Sukarno as well as by the cabinet; a state of siege has been proclaimed in the affected areas and the president has made an appeal for loyalty.

These revolts are only another manifestation of the political and administrative weakness of Indonesia. Support has been given by the Sumatrans because they have long been impatient of the inefficiency of the Jakarta government and of the slow progress made in developing their island. They want local autonomy, control over a fair share of the national revenue, and more consideration for Sumatra as one of the richest and most developed of the Indonesian islands. The army officers are merely continuing the feuds which have bedevilled Indonesian politics for years and which brought down Mr Sastroamidjojo's last government. Demanding a more efficient and honest administration than Mr Sastroamidjojo has been able to provide, they would like to persuade Dr Hatta, the former vice president, to take on the job. He has shown no enthusiasm and has suggested presidential government by Dr Sukarno, with a body of ministers not responsible to parliament. Parliament's consent would be needed first; even so, it would be a dangerous experiment, although it might also be the one hope of finding a workable administration.

Pogrom in Algiers

THERE is one French soldier for every two settlers in Algeria and the government has, therefore, little excuse for allowing the extreme elements among the settlers to dictate the course of events. Yet the old year was rung out in Algiers with yet another tragic exercise of ugly mob law by the French settlers. The funeral of a prominent French victim of terrorists provided the setting. Hooligans in the funeral procession, having insulted the government representative and screamed abuse outside the American consulate, proceeded to impose a reign of terror on the town, attacking every Moslem they met; six dead and 58 wounded have already been numbered. To a soldier trying to protect an Arab from ruffians, these yelled: "There are no innocents. The innocent of today will kill you tomorrow." Happily the French mob was prevented from entering the Arab part of the town.

Massacres such as these may well make the ruffians' prophecy come true. Years of nationalist propaganda could not have fostered more hate between two communities which it is official policy to reconcile. The widening gulf also demonstrates the utter failure of the solution by military means which the minister resident, M. Lacoste, has never tired of promising. French liberals in Algeria—and their fate is not a happy one—in an indignant letter of protest attribute the cause of such happenings to the government's refusal to fight "on two fronts"—that is, against extremists of both sides alike. The new massacre, in their opinion, is a sequel to the events of February 6th, when M. Mollet first bowed to the will of an angry and intolerant mob.

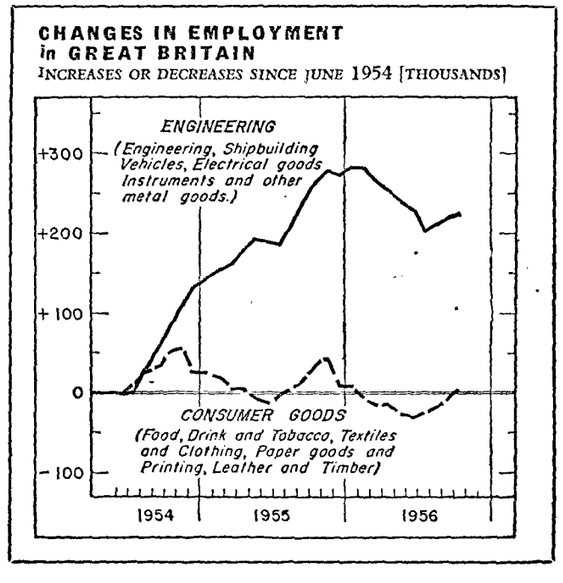
In the next few weeks the Algerian question will come up at the United Nations, where unpunished pogroms are likely to have a greater impact than declarations. French critics, perturbed by the seemingly hopeless perspective, are urging the government to change its policy before the conflict passes out of French hands. M. André Philip, himself a Socialist, suggests the immediate recognition of Algeria's right to nationhood and a plan for a North African federation.

But if French words are not to sound empty it would be advisable swiftly to punish the men guilty of last week's massacres, thus showing that French justice is not affected by the colour of a man's skin. The culprits were apparently a minority and M. Mollet has the troops necessary to exact obedience. Western statesmen must do some weeding in their own gardens if they want their righteous protests over Hungary to carry conviction. Uncommitted members of the international jury at Lake Success will have a critical eye for the fruits of western policy, be it in Cyprus or Algeria.

Family Farms

BEFORE introducing his new system of farm improvement grants, the Minister of Agriculture should ponder most carefully the conclusions reached by a recent investigation into the economy of the family farm*—defined as a unit providing full-time work for only one, two, or occasionally three adults. The striking conclusion reached by this admittedly limited survey is that almost half of these farms are uneconomic units, in the sense that they do not provide their occupiers with even the equivalent of a farm labourer's wages after allowing for a modest return on working capital. This conclusion is the more depressing since family farms

* The Family Farm. Farm Economics Branch, School of Agriculture, Cambridge University. 3s. post free.



(defined here as units of from 20 to 100 acres) outnumber larger units, although they account for only about a quarter of total production.

Why has Government aid proved ineffective in securing for many family farms a decent living? The explanation lies not in excessive costs but in inadequate output. According to this survey, the smaller farms have little scope for cost reduction; their only route toward greater prosperity is to produce more food. This they could do by carrying more cows, pigs and hens, and feeding them on imported feeding stuffs. But this is a risky recipe for a small farmer as well as an uneconomic policy from the national standpoint. A better way is to improve crop yields (which are still low on small farms) and milk yields. But the basic trouble with many family farms is that they are too small, under modern conditions, to achieve an economic level of production. It is not the principle of the family farm, but its size, which is economically at fault.

The Minister's proposed new system of improvement grants ought to be harnessed to the task of rehabilitating the family farm, instead of being squandered on the larger farms that are already more than adequately subsidised. Mr Heathcoat-Amory claims that it would be administratively difficult to discriminate between farmers; but it could be done on the basis of size of holding with enough flexibility to allow for variations in soil conditions. Moreover, grants should only be given (as under the Hill Farming Acts) to farmers who produce a satisfactory plan for making their units fully economic. If the new grants were concentrated in this way, they would give a powerful stimulus to the enlargement and amalgamation of smaller units, and thus ease the present pressure from small farms for a high level of price guarantees for all the wrong commodities.

Marking Them Down

SALES are not what they used to be. Before the war factories used to fill up slack periods by making cheap and inferior goods expressly in order to be sold at "reduced" prices: they are now, for the most part, too busy to use their time in this way, and most sales have the genuine purpose of clearing stock-rooms for the New Year. This, of course, is particularly true in the fashion trade, which must follow (albeit six months late and at several removes) the changes dictated by the *couturiers*. Household goods and furniture are likely to be the remainders of lines no longer large enough to be handled conveniently, or goods slightly below standard or shop-soiled. There are also some genuine bargains offered as bait to tempt the shoppers, who once they get into the shop can be relied upon to go beserk round other counters as well.

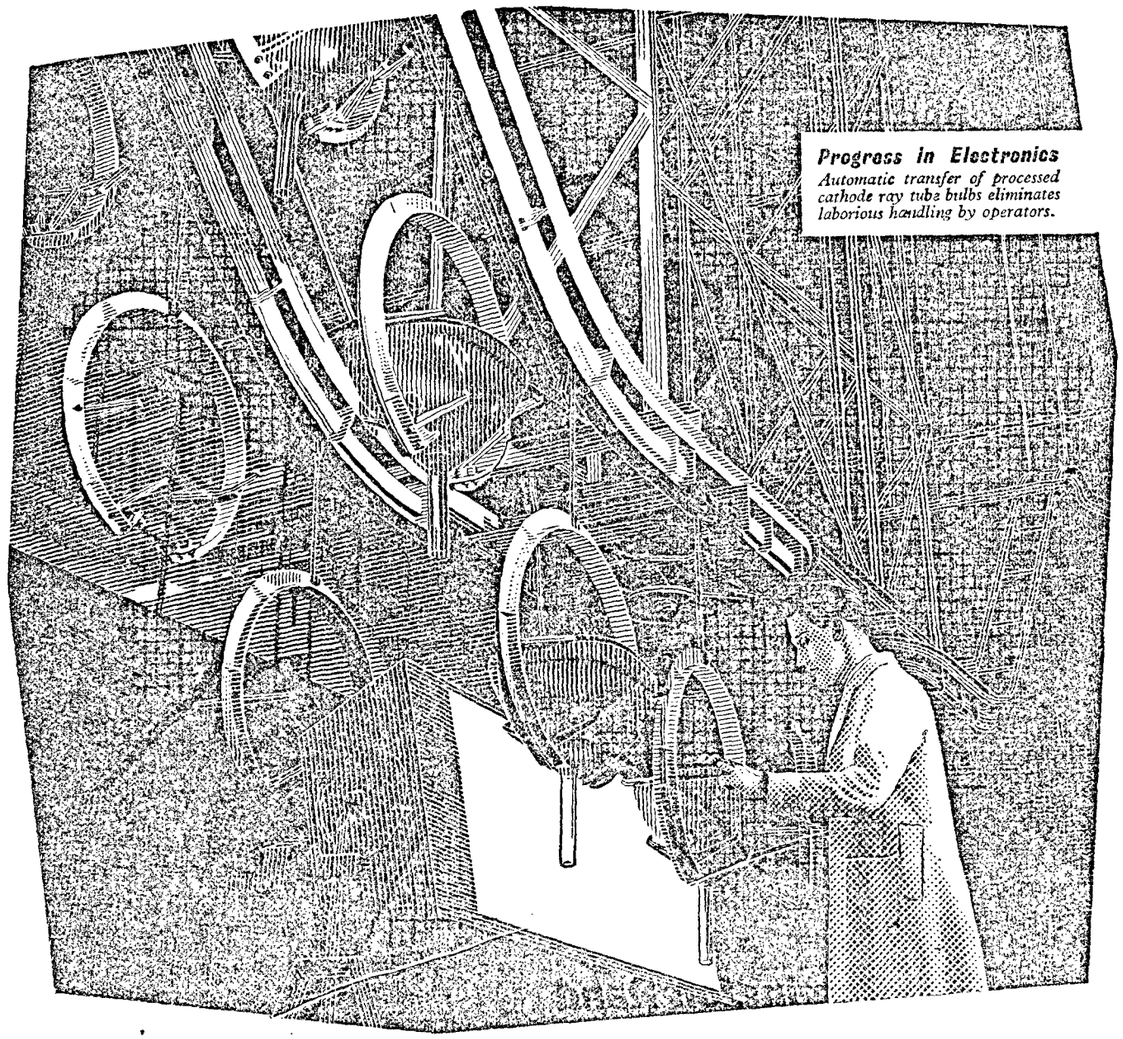
But what of those hideous hats, allegedly reduced to 25 shillings: were they ever really on sale at the crossed-out price of three guineas? Surely not, but neither were they made specially for the sales. They were the disastrous result of a designer's lapse, and after they had been rejected by the retailers' buyers, the manufacturer put them on one side to await January. He then sold them at a low price to the retailer, who now puts them on sale with a specially printed label, showing an "original price" (which might have been asked for them had they been hats of similar quality but of good design) and a "reduced price" (which is the highest compatible with getting rid of the dreadful things at once).

The value of sales fever in paralysing the public's normal discrimination is shown by the fact that a permanent counter selling reduced goods, which attracts only mild interest throughout the year, becomes a scene of frenzy in January and July. Despite the narrowing of their profit margins, the week or fortnight of the January sales is a bumper one for the stores, as well as being a splendid opportunity to recoup the errors of buyers and designers. Everyone is happy, and not even the most respectable store stops to wonder whether the well-organised, mass produced and nicely printed lie of the "original price" is strictly ethical.

Food for Gratitude

AS the festive season yields to the more than usually depressing realities of the New Year, it is proper and wholesome to count one's blessings. No doubt it was not primarily the desire to provide an aid to this calculation which prompted the National Food Survey Committee to undertake, and Her Majesty's Stationery Office to publish, "Studies in Urban Household Diets, 1944-49" (141 pages, 5s. 6d.). This is a serious historic document; its more than a hundred tables and pages of explanatory text are of interest, in the words of the accompanying handout, "to nutritionists, sociologists, and to those engaged in the food trades and market research, as well as to economic historians." It bridges the gap between such prewar studies as "The People's Food" and the series of annual reports published by the National Food Survey since 1950. It provides—for those dreariest of austerity years—practically every combination of facts that the research worker might want, classified and cross-classified according to type of food, nutritive elements, energy value, income groups, ages, occupations, regions, size and composition of household.

To the ordinary citizen not bent on research, however, it comes as a wonderful reminder, like the discovery of a set of blackout curtains in an attic. Things may not look too bright, petrol is rationed again, neither this month's bills nor the next Budget bear thinking of, but the following, at all events, belong to the past: the 2.1 eggs (including dried equivalent) per week, the 17.48 ounces of meat (including bacon—one to three rashers), the 2.52 ounces of cheese, the grocery order couched in terms not of pounds or ounces but of "books' worth." And behind these evocative figures other recollections, unrecorded by the National Food Survey, rise up with all that delicious snoek-provoking vividness which characterises adult memories of an unloved school or a demobilised serviceman's mental picture of his sergeant; recollections of Dr Edith Summerskill maintaining that margarine tastes the same as butter, of ministers refusing to "pander to an acquired taste" by licensing the importation of French cheeses, of Mr Aneurin Bevan pouring scorn on "those ladies" who wanted supplementary sugar to turn home-grown fruit into jam, recollections of nothing but pork at the butchers' through six summer weeks. . . . It is January, 1957; and, yes, decidedly, we have a great deal for which to be thankful.



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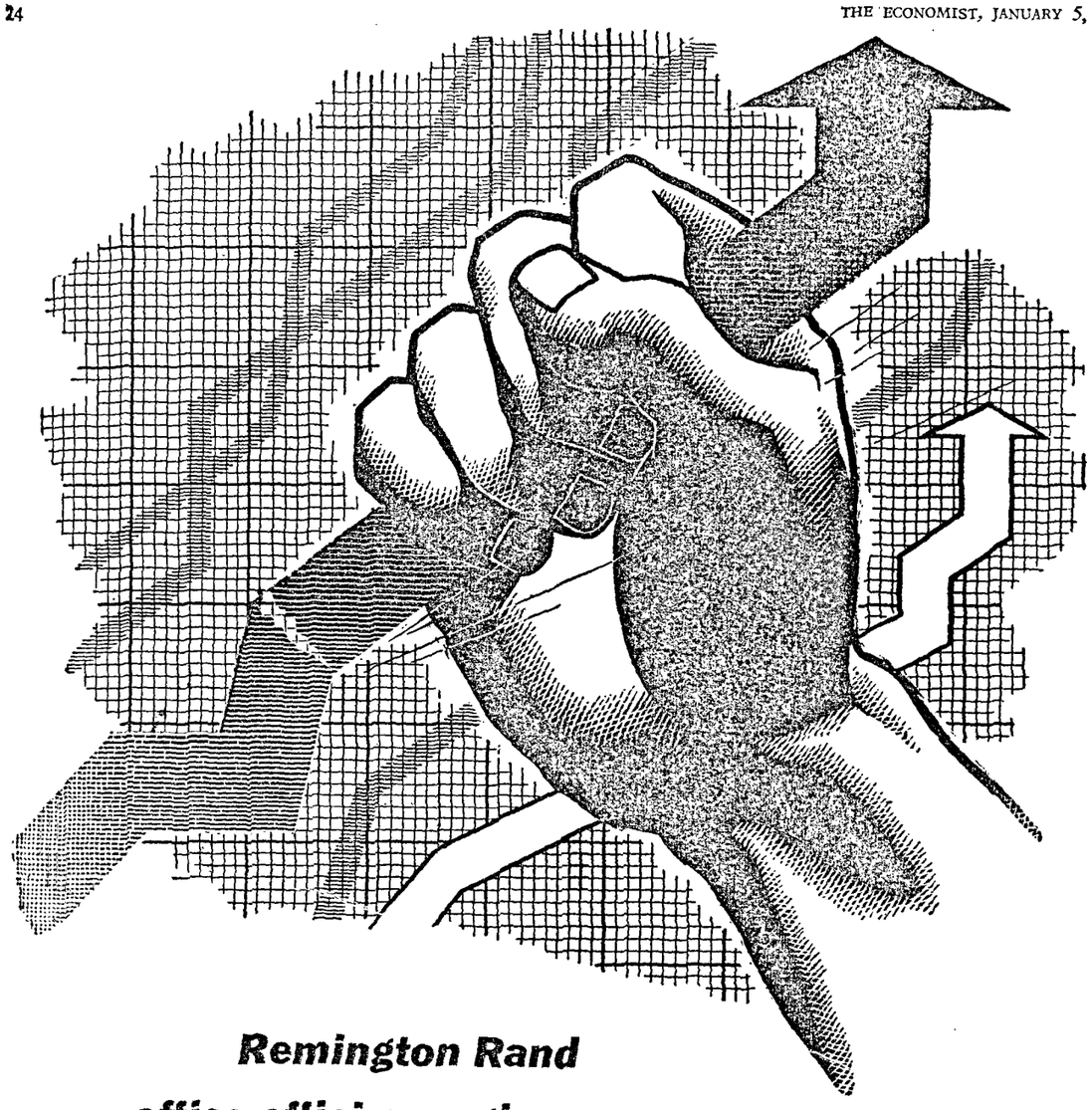
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Letters to the Editor

Judges Summed Up

SIR—The entertaining article in your issue of December 15th contains a rough summary of the different ranks of judges and a fascinating picture of the scholastic and other affiliations of the judges of High Court rank and above. The information is based mainly on works of reference and is given partly in the form of percentages and diagrams. It would be ungenerous and a little absurd to complain of minor inaccuracies in an article of that sort. There are, however, two mis-statements which ought to be corrected not only in fairness to the judges themselves but because it would be a pity for the public to get so false an impression of the membership of the highest courts in the land.

First, it is stated that the Judicial Committee of the Privy Council is manned by eight former holders of high judicial office in this country who are half-retired from active life and sit only rarely, and whose "phenomenal" average age is 79. The Judicial Committee is in fact manned by the Lords of Appeal in Ordinary, that is to say, by the same Lords who sit for judicial business in the House of Lords. There are nine Lords of Appeal in Ordinary and they and the Lord Chancellor are the permanent and regular judges of the Judicial Committee and the House of Lords, though the Lord Chancellor cannot, in modern times, sit judicially to the same extent as his predecessors. The practice has been to call upon the occasional assistance of ex-Lord Chancellors, such as the late Lord Simon and Lord Jowitt, and of other Lords who hold high judicial office in England, Scotland and Northern Ireland, such as Lord Goddard, Lord MacDermott, Lord Merriman, Lord Evershed, and Lord Clyde, all of whom are Privy Councillors as well as peers. Occasionally, too, the Lord Chancellor has been assisted by a recently retired Law Lord, but that is fairly rare. It is even rarer nowadays for any of the retired judges from the Commonwealth countries to sit. Thus the impression given that the work of the Judicial Committee is done by retired "ancients" is incorrect.

The second mis-statement relates to the question whether a judge who remains in office too long is really irremovable except by the intervention of Parliament. It is stated that "the Lord Chancellor or the senior judge of the division in question could have a quiet word, and if this were intransigently received, he could simply prevent the old gentleman from getting any more work." It is not as simple as that. A serving judge who ignored the supposed "quiet word" could not be prevented from getting any more work either by the senior judge of the division or by the Lord Chancellor. If it were to be found by experience that judges remain in office when they ought to have retired, there would be no remedy except legislation.—Yours faithfully,

London, S.W.3 ALBERT NAPIER

Cleaning Up Sinai

SIR—There are no shortages of potentialities for the resettlement of the Arab refugees if the Arab states so desired. Mr Usborne, MP, has suggested the Sinai peninsula as one such place, thereby reviving a suggestion that was made in the 1955 report of the Director of UNRWA. Others include Iraq, a country rich in natural resources, which has a population of 5 million in an area of 168,000 square miles. In the view of the International Bank for the Reconstruction and Development of Iraq: "There is little doubt that the country can ultimately maintain a much larger population on a considerably high standard of living."

Syria could cope with an increase in population. A United States study mission who examined the country only a few years ago found that: "With the development of a series of major irrigation projects involving the Euphrates and its tributaries possibly 2 million more acres could be put under intensive cultivation." In 1951, the Cairo paper *Musamarat El Geib* reported that "the Syrian Government has officially requested that half a million Egyptian agricultural workers from the Delta region be permitted to emigrate to Syria in order to help develop Syrian land which could be transferred to them as their property." A request which one should add was refused by the Egyptian Government for reasons of their own.—Yours faithfully,

London, N.W.9 MONTY SCHAFFER

Shaky Bases

SIR—I am afraid that your article of December 15th on the negotiations between my Government and that of the United States on the latter's bases in the Philippines lends itself to the propaganda of certain die-hard Americans in blaming the "recess" on alleged efforts "to embarrass President Magsaysay" in preparation for the next elections.

The fact is that upon the unilateral American declaration of the "recess" President Magsaysay told a Manila press conference that he was "fully behind" the Philippine panel of negotiators. Furthermore, the chief Philippine negotiator is Senator Pelaez, who is generally recognised as the President's closest adviser. So far as domestic politics are concerned, the President is so sure of re-election in November that the opposition Liberal Party (which negotiated and signed the 1947 bases treaty) has not yet persuaded anyone of consequence to stand against him.

The crux of the present negotiations is the matter of criminal jurisdiction. Briefly, the desire of the Philippines, set out at the very start of the negotiations, was for provisions corresponding to those in the Nato Status of Forces Agreement and your Visiting Forces Act. Surely you would not consider that unreasonable. Of what use would be Vice-President Nixon's fulsome declarations of recognition of Philippine sovereignty if such sovereignty could not be actually exercised? In this respect it is my personal opinion that we should not accept a position inferior to that of the European allies of the United States.

The details of the negotiations are still "classified" in the Philippines. But the law member of the Philippine panel, Under-Secretary of Justice Barrera, recently declared in a press interview over Station DZMY in Manila:

"As a general principle, we proposed that with respect to offences committed "on-base" by members of the US military forces, if the offences are committed in the actual performance of a specific military duty, they take juris-

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diction irrespective of the nationality of the offended party. But if the offence is committed 'off-duty' 'on-base' and the offended party is a Filipino, we proposed that, if the secretary of justice determines that the case is of particular importance, we take jurisdiction."

Many disagreeable incidents have disturbed Philippine-American relations because of the provisions on jurisdiction in the 1947 treaty, and the Filipino leaders who now seek its revision, far from being anti-American, are indeed the best friends that the Americans have. It is not inconceivable that the present situation, if allowed to deteriorate, might turn a sincerely friendly population increasingly hostile and truly make the bases "precarious."—Yours faithfully,

L. MA GUERRERO
Ambassador

Embassy of the Philippines, London

The Law and the Union

SIR—It may be of interest to point out in amplification of your note in last week's issue that Mr Huntley is the first person, it is believed, to sue successfully members of a trade union for conspiracy since the passing of the Trade Disputes Act, 1906.

An aspect of the case that may pass unnoticed is the manner in which the case was prosecuted. The case lasted twelve days before Mr Justice Harman, involving leading counsel on both sides. The costs incurred thereby were considerable. Had employers backed the plaintiff's action the case would have been seriously weakened both legally and in moral justification. The certificate of legal aid granted to the plaintiff in this instance is enough vindication, if such were needed, of a system of state-aided litigation.—Yours faithfully,

Temple, E.C.4 L. J. BLOM-COOPER

Justice

SIR—The associations of lawyers of the three main political parties have combined together in an organisation called "Justice" to do all that is possible to ensure that the workers' leaders and other arrested persons in Hungary shall receive fair trials. We have applied through the Hungarian Legation for permission for three former Attorney-Generals and another eminent QC to go to Budapest as observers in these trials, and have other steps in mind if our present application is refused. We also arranged the recent visit of Mr Gerald Gardiner, QC, to South Africa to observe and report on the preliminary hearings of the treason trials.

All these activities involve considerable expense and we urgently need funds to enable us to carry them through and to expand them as the need arises. We therefore ask your readers to send contributions to "Justice," 1, Mitre Court Buildings, Temple, E.C.4. Cheques should be made payable to "Justice."—Yours faithfully, PETER BENENSON

Temple, E.C.4

Books & Publications

Pre-scientific Technology

A HISTORY OF TECHNOLOGY: *Volume II, The Mediterranean Civilisations and the Middle Ages. c. 700 BC to c. AD 1500.*
Edited by Charles Singer, E. J. Holmyard, A. R. Hall and Trevor I. Williams.
Oxford University Press. 861 pages and 44 plates. £8 8s.

THIS is the second volume of an ambitious enterprise in which Dr Charles Singer is the moving spirit. The first volume appeared two years ago and received a warm welcome in this journal and elsewhere for the boldness of its conception and the energy and generosity which made its production possible. Volume I dealt with the emergence and development of basic techniques down, roughly speaking, to the Homeric age. By this time all the skills which were characteristic of men in the ages of pre-scientific technology were already in existence: language, writing, metallurgy, primitive machines using rotary motion for such diverse purposes as transport and pottery, the elementary chemistry of dyeing, preserving, baking, fermenting, etc. . . . the list could be extended to considerable length.

It is at this point that the story is taken up in the present volume, and it is carried forward for rather more than two millennia, from about 700 BC to AD 1500. In the plan of the whole work this is an intermediate period between the ages of discovery by trial and error and the rise of modern science. Indeed, from the point of view of technology, the striking thing about these two thousand years is their barrenness compared with their richness in almost every other respect. When we consider how much else was going on and how much we owe to these centuries, it is astonishing how small were the technical gains. Doubtless there was an acceleration in the field of technology as compared with the slow accumulation of earlier millennia, but the possibilities of technological progress, even when most needed, seem to have been little appreciated.

This fact presents the editors of this volume with a difficult problem. In the first volume it could reasonably seem that they were following the main stream of history; in later volumes they will, here and there at least, be on a highway. In this volume they are obliged to spend much of their time in by-ways and dead ends. This volume cannot therefore have the momentum of the earlier one. In a period in which discoveries of fundamental importance are few, the interest lies largely in the adaptation of old means to new ends, in new relations between various skills, in the co-ordination of social and technological history. For instance, the most important question in the whole volume is why the Roman Empire was so deficient in technical progress, despite the great practical gifts in the art of government which it evoked, and despite the fact that some of the principles on which development would have been possible were known but not exploited. This failure is all the more remarkable when we consider the urgent need for labour-saving devices to meet the growing external dangers and the crippling cost of military preparedness. It is not the purpose of this volume to suggest answers to these questions: it simply provides material for seeing such problems in a new light. For this reason alone it is a book with which every historian of the ancient and medieval periods should be familiar. But it is a quarry rather than a history.

The most substantial contributor to the volume is Professor R. J. Forbes of Amsterdam who, among twenty-three contributors, is responsible for about a quarter of the 800 pages. In quality as well as range his contributions are outstanding. He writes on metallurgy, food and drink, hydraulic engineering and sanitation, power and roads (the last in collaboration with Mr R. G. Goodchild). Of these, the chapter on power is the most important, for it was in this field that the greatest practical advance was made, and the way was prepared for the still distant Industrial Revolution. The principles of the efficient use of water power were known in the Roman world from the first century BC, but they appear not to have been applied effectively until the third century AD, and even then in only a few centres. It was left to the Middle Ages to recognise the possibilities of this great extension of energy production, to cover the land with watermills and later with windmills, and so to multiply indefinitely the energy available from non-human sources, in contrast to anything known to the ancient world. The volume has nothing better than the pages in which this process is described.

Another significant medieval development in the use of power lay in the greatly improved means of using draught animals described by Mr E. M. Jope, who is second only to Professor Forbes in the number of his contributions. The ancient form of harness for horses and mules greatly reduced the efficiency of the animal, and this inefficiency increased when more than one animal was attached to the load. The overcoming of this difficulty marked an important step forward in the history of transport. Mr Jope's chapter on vehicles and harness is full of fascinating insights into the problem of transport. The story is often fragmentary and it is hard to believe that, with the problems now defined and the basic material made generally accessible, the literature of the Middle Ages will not yield material to fill some of the many gaps.

These are only a few of the problems dealt with in this volume. On almost every practical art the historian will find something here and the means for discovering more. The book is lavishly illustrated and, though the annotation of the text is sometimes scanty, the notes to the illustrations are admirable. In the preface to the first volume the editors gave it as their general aim to provide students of technology and applied science with some humane and historical background for their studies; they had in mind "the needs of those who have little acquaintance with either the history of science or that of man." One can only wish them well in this aim, though it is probable that those who already know a good deal of history will gain most from the second volume.

Matched Wits

THE LIFE OF LADY MARY WORTLEY MONTAGU.
By Robert Halsband.
Oxford University Press. 326 pages. 30s.
THE LIFE OF LAWRENCE OLIPHANT.
By Philip Henderson.
Robert Hale. 281 pages. 21s.

GOOD talk is sadly ephemeral. Lady Mary Wortley Montagu was a byword for it in the literary and political world of Pope and Walpole; Lawrence Oliphant's rather different brand (which was gossip hot from some diplomatic war or battle front) was sought by connoisseurs ranging from Dickie Monckton Milnes to the Prince of Wales. But the sparkle of their conversation died with them, and neither of these biographers resuscitates it. A good Christmas guessing game would be to furnish them with counterparts in the London of 1920, 1938 and today.

It is through the pen that each lives on—she more than he—for each wrote a good travel book. She produced a classic in her "Embassy Letters" from Constantinople; he wrote one of the best available descriptions of nineteenth-century Palestine. Usually, the traveller of each century sees the world with a different eye; the eighteenth, for instance, watches slaves thrown into the Bosphorus without a qualm, while the nineteenth faints at the mere sound of Armenian massacres. But Lady Mary and Oliphant think alike. Both belong to the breed that slips the cable with home at Dover, and reports foreign habits on their merits instead of on the strength of unfavourable comparisons.

They have one more trait in common —an inability to make a success of the steady side of life; he was forever disappointed of a settled job; she failed to generate the happy family and home she would have liked to organise. Both therefore spent a restless and disappointing old age—he beset with mania for a crank American sect, and she pursuing unworthy young men around the continent and turning into the blowsy old rag-bag of Horace Walpole's letters.

Mr Henderson makes a readable job of Oliphant—not easy when the facts compel an author to devote almost half his space to the incredible magnetism of an evangelist who prescribed physical comfort for himself, and physical bosh for others, in order to promote collective spiritual excitement. Even after he fell under the spell of this fanatic, Oliphant contrived to lard his life with news-gathering, and his long trail runs from Katmandu in 1850 to the Crimea in 1855, China and Japan just as these were opening a chink in their shutters, France in 1870 and Palestine just as organised Jewish colonisation was setting in. He was a good reporter, but lacked the concentration of a Kinglake or a Burton, and the book is a portrait of inability to be the best of a kind in any sphere.

Doctor Halsband is less successful with the personality of Lady Mary. Throughout years of painstaking scholarship, he has enjoyed the pleasures of the chase after unpublished material, and his patience has been rewarded in libraries and archives ranging from those on the elegant shelves of English great houses to American collections and the dusty records of provincial towns in France and Italy. He has unearthed a good deal that is new on Lady Mary's excursions into politics, and on the dispiriting end of her life, and his careful work on dates and the names of all those present make a useful till for scholars. But for the ordinary reader he never recaptures the liveliness of a most versatile woman, because he is too often looking into the view-finder and too seldom at the view.

Diving History

MAN EXPLORES THE SEA: *the story of underwater exploration from the earliest times to Commandant Cousteau.*
By James Dugan.
Hamish Hamilton. 378 pages. 30s.

THIS book is a lively and engrossing history of diving. There are a flood of books today about the "free-diver" with his foot-fins and self-contained breathing apparatus, but Mr Dugan, while keeping the free-diver as his central figure, presents much information on every activity that lures man under the water. His terse, confident narrative, ranging from naked sponge diver to bathyscaphe, deals with ship salvage and treasure hunting, submarines and submarine escape gear, underwater photography and television, "wet" archæology, geology and speleology, even "wet pipelining." The illustrations, widely and imaginatively selected, make an excellent complement to the text. The author's enthusiasm in his search for material extends even to the impressive acknowledgments, where he lists one institution that does not recollect helping him.

He is better at history and adventure than at exposition. Thus his accounts of early submarines and of the salvage in 1839-40 of the *Royal George* are absorbing, but he is difficult to follow on diving physiology and such applications as stage decompression and oxygen-helium mixtures for deep diving in helmet suits. Revealing a sound attitude to the present craze for free-diving as a sport, he denounces indiscriminate slaughter with the fish spear-gun, which has already so depleted the rock-fish population of the Mediterranean sub-littoral. His style strains after the sensational rather less than that of most others who have popularised the underwater scene, and though his writing is frequently without elegance, and sometimes without grammar, he is never dull and occasionally he achieves a memorable passage.

The book's title is misleading. Virtually all we know of the deep and shallow seas has been discovered, not by diving, but by painstaking exploration from the surface, lowering instruments and nets blindly into the ocean. What little the author has to say of these oceanographical methods is scrappy and unreliable. Free-diving in the shallow seas has only recently been exploited by the marine biologist as a serious field method; and a book has yet to be written that describes, accurately and soberly, the living communities, as complex as they are frequently beautiful, which can be studied through the face-plate. And descents in bathysphere and bathyscaphe, although superb as adventure, have so far added little to knowledge of life and conditions of life in what Mr Dugan calls "inner space."

Administration

THE MAKING OF AN ADMINISTRATOR.
Edited by A. Dunsire.
Manchester University Press. 140 pages. 10s. 6d.
CIVIL SERVICE OR BUREAUCRACY?
By E. N. Gladden.
Staples. 224 pages. 21s.

MR DUNSIRE has edited a series of lectures given in Exeter by distinguished experts to celebrate the centenary of the Northcote-Trevelyan report. The question discussed is how to train an administrator, with some side-glances at the prior question, what is the class of person denoted? Sir Edward Bridges, Sir Harold Banwell and Sir Henry Self, who are all administrators, stress the need for general education and learning on the job. Mr Clarke (of the Administrative Staff College) and Colonel Urwick describe and commend different aspects of specific research and training. Mr Dunsire's sensible

summing-up shows the need for both. The book is a good cross-section of views held today on this subject in different quarters.

Mr Gladden has written a sound description of the central non-professional civil service; the viewpoint is that of the least militant member possible of the staff side of a Whitley council. He has added some interesting views of his own about how the service could be improved. He would like to abolish the separate adminstrative class and roll it up with the executives; but as he allows for separate entry of graduates, it is doubtful how much difference that would make. He is all for specific training and research into public administration. More dubiously, he wants to take formal steps to increase the professional feeling and standing of the civil service as a whole. It is doubtful whether a class of employees (like rodent operators) gains much but solemnity by laying claim to professional status.

After reading these books, one is left with some doubt about the scope of inquiries into administration in general. Of course, there should be research and instruction in many of the tools of the administrator's trade—politics, work study, social psychology and so forth. But is administration itself a subject? And what is an administrator? How much is there in common between Whitehall and business, between the permanent secretary and the district postmaster? The common ground is so small that, at least until far more case-studies have been done, one loses significance by generalisation. This, and Mr Gladden's emphasis on the civil servant's status, distract attention from the banausic but fundamental question: do particular kinds of civil servant do the job for which they are hired to the satisfaction of their employers?

Arms and the Soviet

THE SOVIET ARMY.
Edited by B. H. Liddell Hart.
Weidenfeld and Nicolson. 494 pages. 36s.

IN October, 1905, the year of the abortive first Russian Revolution, Stalin, addressing a workers' meeting in Tiflis, said: "What do we need in order to *really win*? We need three things: first—arms, second—arms, third—arms, and arms again!" Whether true or apocryphal, this episode reflects the fundamental attitude of the masters of the Kremlin towards the instruments of power required to give Soviet policy the backing of force or the threat of force; and out of this attitude, with unflagging consistency of purpose and breadth of approach, the Soviet armed forces have been created.

The aim of the book which Captain Liddell Hart has ably edited is to provide a reliable and reasonably up-to-date picture of the Soviet Army, which is still the largest and historically the most complex of the Soviet armed forces. To this end leading international authorities have contributed from their special knowledge or experience to an account which is remarkably full, informative and important. The writers whom Captain Liddell Hart has assembled include General Guderian and Field-Marshal von Manstein, two of the outstanding German leaders in the struggle on the eastern front between 1941 and 1945; General Guillaume, who was French military attaché in Moscow and later became chief of the general staff of the French armed forces; Colonel Louis B. Ely and Dr Raymond L. Garthoff, American specialists whose books testify to their exceptional knowledge of Soviet strategic doctrine and military affairs; Lt.-Colonel F. O. Miksche, whose rare gifts of strategic analysis are well known from his writings and staff college lectures; Sir Eric Ashby, who has exceptional direct knowledge of Soviet scientists and laboratories, and Mr J. M. Mackintosh, who was attached as a British liaison officer to the Soviet armies in the Balkans at the end of 1944 and remained there until 1946; Captain N. Galay, one of the most distinguished Russian military historians and analysts abroad, and Colonel V. V. Pozdnyakov, an officer with long and responsible experience of Soviet chemical warfare services, both of whom served with the Russian liberation movement under General Vlasov.

Much of the detailed material in the book will necessarily interest the specialist. For the general public, however, and for everyone concerned with the formation of free world policy, two points are vital. One is made by General Guillaume: "Since 1917 the Soviet Union, following a policy cautious at first but growing gradually more aggressive, combined with a strategy based on this policy, has undergone a transition from defensive to offensive action in accordance with the strength of the Communist regime and the changing balance of power." The other point is made by Colonel G. C. Reinhardt, a leading American student of tactical atomic warfare:

> The world may be plunged into an all-out nuclear struggle or endure a succession of limited, peripheral conflicts. The Soviet Union has [a] capability for either course, and the choice lies with its rulers. . . . Both forms of aggression must be stopped. Communist hegemony can be attained eventually just as surely by ceaseless nibbling tactics as by blitz attack.

Light on Chinese Darkness

AN ECONOMIC SURVEY OF COMMUNIST CHINA.
By Yuan-li Wu.
London: *Constable.* New York: *Bookman Associates.* 576 pages. 63s.

IT is important to the western world to know as much as possible about the situation inside Communist China; and Yuan-li Wu, a graduate of the London School of Economics and now doing research at Stanford University, has provided as detailed a picture of economic developments as western students have received for a long time. In the seven years since the Communists took control, Mr Wu's analysis discloses great economic progress—although the changes, he notes, have come under the lash of "a relentless political purpose." Nevertheless, in China an economic reorganisation has taken place, wealth has been effectively redistributed, consumers' goods strictly regulated, industry relocated and emphasis altered, and relations with the outside world revolutionised. The object clearly is to move China ahead by forced marches, at the same time ensuring that Communist Party control grows apace. Despite gargantuan handicaps in a vast country, the economic transformation has been pursued with logic and purposefulness, according to Mr Wu's survey. On the other hand, despite every Communist effort at concealment, the author has been able to spot the inner conflicts, the stout resistance to change and oppression that point to continuing difficulties for the Communist masters in Peking.

China's recovery since 1949 and its strides toward industrialisation are impressive evidence, says Mr Wu, of how fast a mistreated economy can recover once war and galloping inflation are halted. He takes the reader into factory and field, providing statistics and background for his conclusions. He notes the effect of the unpredictability of the individual upon the most carefully laid of totalitarian plans. But he also suspects that if the Communists succeed in China, as seems increasingly possible, the influence on the remainder of Asia will be tremendous.

"If an effective alternative is not presented by the non-Communist countries, the remaining under-developed countries of Asia and elsewhere may be led to believe, albeit erroneously, that there is no alternative," is the way Mr Wu puts it. He feels that Chinese economic dependence on Russia is complete, although little actual aid is offered. That dependence is a deterrent to the development of Chinese Titoistic tendencies. On the other hand, though rapid industrialisation may gratify Chinese leaders, it means a hard life for the Chinese coolie exploited without his consent and with no regard for his personal welfare.

An attempt at an impartial survey such as this unfortunately cannot be made from inside China today. Yet, Mr Wu points out, the study cannot wait until the bamboo curtain is lifted. To allow the darkness to persist leaves an ignorance that is precisely what the Communists desire. Moreover, the difficulty of assessment mounts with each passing year. Sifting what scraps of information are available on land reform, industrialisation, resources, population, transportation (it is surprising how much can be gathered), Mr Wu compiles a balance sheet of errors and successes which, by being factual and dispassionate, should interest emergent Asians and the West. It is not the final word on China, but it throws light into Communist economic dark corners hitherto deliberately kept shielded.

American Survey

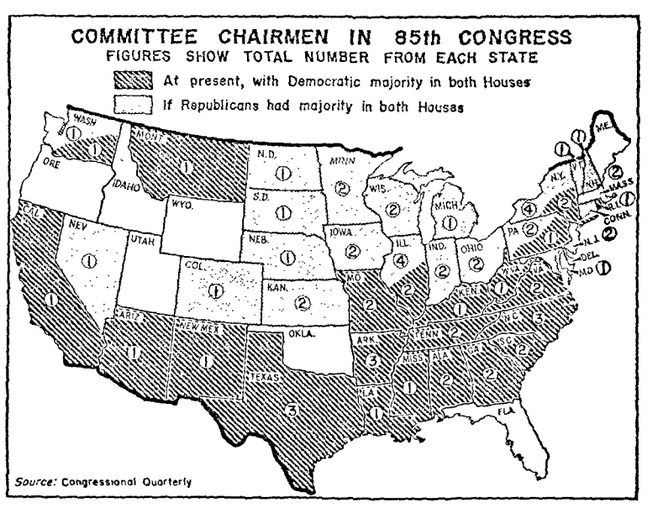
AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Congress with a Southern Accent

Washington, D.C.

FOR the first time since 1848 both Houses of Congress are being organised by a party that lost the Presidency while winning the Legislature. When Vice President Nixon, in his role as president of the Senate, brings down the opening gavel at noon on January 3rd, Senator Lyndon Johnson will be back in his place as majority leader. The Texas Democrat, like the President a brisk survivor of a heart attack, appears fully prepared to place his conciliatory trademark on yet another session. In the House, Representative Sam Rayburn, the perennial Democratic Speaker, will call for order as he has on eight previous occasions since Texas first sent him to Washington in 1913.

On the surface of the Eighty-fifth Congress, nothing seems changed. But just below lurk uncertainties. In the House of Representatives a majority of 233 Democrats to 200 Republicans (there are two vacancies) is not likely to be upset. But in the Senate, the Democrats hold only a hairsbreadth advantage of 49 seats to 47. With Vice President Nixon ready to break a tie in the Republicans' favour, the loss of a single Democratic seat might precipitate an extraordinary mid-session shift of control.



If a valetudinarian atmosphere prevails in the upper house, it will be because on the average five Senators die and two or three more resign during the two-year life of a Congress. In all but a few states the Governor appoints a successor to fill such a vacancy. Democrats consequently heaved a sigh of relief when the courts decided this week in favour of a Democratic Governor in Rhode Island, the home of 89-year old Senator Green; and they have been bringing strong pressure, so far in vain, on the ailing Senator Neely to retire before a Republican is installed as Governor of his state of West Virginia.

But the most substantial threat to continued Democratic control is Senator Price Daniel's election to the governorship of Texas. He takes office on January 15th. Under Texan law, a special election must be held to fill a vacancy in the Senate. There is no provision for a preliminary run-off; at the most recent special election, for a seat in the House of Representatives, so many candidates split the Democratic vote that the Republican won easily. Senator Johnson may be stripped of his leadership by a combination of Republicans and Eisenhower Democrats in his own state.

Quite apart from such risks, the majority leader may find his flock exceptionally troublesome this time. In Congress, the Democratic party is essentially a southern party because the Southerners monopolise the powerful committee chairmanships. The accompanying map shows the concentration of power in southern hands which derives from the tradition that the committee chairmanships are allotted according to seniority. In the one-party South, length of service is easy to accumulate, and the control over legislation which it confers is the main objective of southern participation in national politics. The present division of power, with a Republican in the White House and Democrats in control of the Legislature, is almost ideal from the South's point of view. Its leaders can seem to speak for the whole Democratic party, while they are free of the pressure a Democratic President might bring to bear on them to pass legislation too liberal for their conservative supporters at home.

But to the Senators and Representatives of states where the two-party system is a reality of long standing, this situation is dangerous. Their constituents ask why, when the Democrats are in control of Congress, so few of the measures to which their candidates are pledged are enacted. Many Negroes in the last election found part of the answer in Senator Eastland, an advocate of white supremacy who,

under the seniority rule, is chairman of the Judiciary Committee. The loss of Negro votes to the Republicans is, in the liberals' view, only one example of the long-term erosion of Democratic strength caused by the predominance of Southerners in the congressional party.

Democrats from widely varying regions, like Senator Kennedy, of New England, Senator Humphrey and Senator Douglas, of the Middle West, and Senator Morse and Senator Neuberger from the Pacific Coast, who fear that this southern veto power jeopardises their own futures, have tried in two ways to lessen it. The first was an attempt to make the party in Congress reflect the views expressed at the national convention and in the party platform. In November, the executive committee of the Democratic National Committee voted to set up an advisory council to draw up a programme of legislation. The southern leaders repulsed this attempt at outside interference by refusing to serve on the committee. Senator Johnson had already decided that the Democrats in Congress should wait to see what the President proposes.

At about the same time, six Democratic Senators announced that they would seek a change in Senate Rule 22, which provides that debate may be limited only by a vote of 64 Senators, two-thirds of the whole membership. They invited such liberal Republicans as Senators Ives, Case, and Kuchel to join them. The rule has been the great mainstay of Southerners filibustering against legislation to protect Negro rights. Senator Johnson promptly opposed the change. But Vice President Nixon's attitude may be more important. He is in a position to uphold the liberals' contention that new rules should be adopted in the Senate, as they are in the House, each time a new Congress assembles. If, on the other hand, the Senate is a "continuing body"—because the terms of only one-third of its members expire together, Rule 22 would protect a filibuster to prevent a change in the rules.

Democratic control of Congress, which produces headaches for Democrats, relieves President Eisenhower of some of his own. The seniority of the McCarthys and Malones is greater than that of the new recruits to Eisenhower Republicanism, such as Senator Cooper and Senator Case. With the Democrats in the saddle, the President can encourage "modern Republicanism" without a running fight with committee chairmen of his party but not of his persuasion. Senator Johnson is quite as acceptable to the Administration as majority leader as is Senator Knowland, the Republican. Indeed, the President fared notably better with Congress when the two men changed places in 1955. The main point on which most Democrats in Congress agree is that the function of their party, in the present unusual circumstances, is to act as a responsible arm of government and not oppose purely for the sake of opposition.

On the Brink of the Vacuum

OUT of the clouds surrounding Washington's new policy for the Arab world only one thing emerges clearly: that the Administration has decided to dive into the Middle Eastern vacuum hand in hand with Congress. The type of plunge which the President has decided to recommend depends on reactions to the cumulus which blew out of the State Department last week—reactions in the United Nations and in the press, among America's allies and, most important, among the legislative leaders who were consulted on New Year's Day; their agreement in principle now seems assured. The actual form which the plunge will eventually take depends on Congress but the President is giving an unusually strong push, which can hardly be resisted, by making his recommendations in a special message which will be delivered before the legislative channels are muddied by his report on the State of the Union; normally this contains his first personal requests to a new session.

What Mr Eisenhower would like is $400 million or so for his emergency fund, to be spent on countering any economic penetration of the Middle East by the communists, and a resolution from Congress designed to deter communist aggression in the area. His purpose is to remove any misapprehension which may have arisen abroad as a result of America's lack of support for its allies' Suez expedition, and to demonstrate that the Administration regards the Middle East as vital to the security of the United States. President Eisenhower is, it seems, trying to avoid a repetition of the Korean situation. He believes that aggression was encouraged there by the gap left in the containing wall round the communist world and that it was impolitic, even if not unconstitutional, of President Truman to send American troops to deal with the outbreak without consulting Congress.

The Democrats who control Congress are already nettled because the press knew about the new approach to the Middle East before they did. They are likely to argue that the President wants members of Congress to hold his hand so that they will share the blame should anything go wrong. Much will probably be heard of the Administration's past lack of leadership and present responsibility for the Middle Eastern crisis; the new policy will be closely criticised in committee, particularly on the grounds that it shows lack of faith in the United Nations, although that body has been associated with it by Mr Dulles's quick trip to New York on Monday. But in the end the Democrats can hardly refuse to do what the President asks, since he is at last showing the initiative which they have long demanded. Nor would the Republicans, unenthusiastic as many of them are, dare to oppose a policy which their leader insists is so vital and so urgent.

Spotlight on Aid

WHATEVER action Congress takes this year on foreign aid it should not suffer from any shortage of advice. Two thorough investigations are still being conducted into the effectiveness of the $60 billion worth of American gifts and loans made to foreigners since the war, by the President's advisory committee under Mr Fairless, the former chairman of the United States Steel Corporation, and by a special task force from the Senate. A third review, undertaken on more modest lines by the permanent staff of the Foreign Affairs Committee of the House of Representatives, has already appeared. It was apparently rushed out before the new Congress met so that it could still bear the name of the committee's retiring chairman, Mr James Richards, and it has not yet been endorsed by the whole, notoriously unpredictable, committee. With these qualifications and the further one that its assurance that the United States can now get by with rather lower annual outlays on economic aid already looks sadly dated, the report is to be welcomed as a sensible one.

It acknowledges frankly that economic aid must continue indefinitely, although it repeats an old grievance of the Foreign Affairs Committee that the Defence Department ought to shoulder the burden of administering and explaining to Congress and the country the large sums spent on military assistance to America's allies. But the report supports the idea of making funds available on a long-term basis rather than on the present uncertain cycle of annual authorisations. It wants to tie economic strings to American aid—so as to create "a feeling of continuous obligation on the part of the beneficiary . . . however tenuous" but is strongly opposed to political strings. It deprecates present attempts to force Western Europe to impose stricter controls on trade with the East than it wishes to do and urges the United States to stress positive common interests with allies and neutrals rather than mere resistance to Russia.

One feature which is certain to please the Administration is the report's insistence that the President should have full discretion to use economic aid to help ease countries like Poland and Hungary out of Russia's grip. The Administration has been hoping to send surplus American farm supplies to Poland but has found itself hamstrung by drastic "cold war" legislation. The President is certain to renew last year's unsuccessful request to Congress that he be allowed to barter farm surpluses for Communist goods, and it is quite likely that he will be encouraged by Mr Richards's report to ask for broader powers to respond to developments in Eastern Europe.

Jim Crow on the Wing?

LEGALLY, segregation no longer has a leg to stand on in public transport, now that the Supreme Court has rejected the appeal against its decision in the bus case in Montgomery, Alabama. In practice, sporadic violence and resistance by city councils are depriving Negroes of the immediate enjoyment of their new and hardly earned rights. In Montgomery itself, where Negroes had boycotted the buses for a year, peace and good will prevailed for only a few days. Five shooting attacks by white snipers have encouraged the city to cancel night operation of the buses.

In other southern cities where Negroes have tried to apply the Supreme Court's decision, they have been temporarily repulsed. In Tallahassee, Florida, rather than risk a clash with jeering teen-agers, Negroes abandoned an attempt to "ride integrated" and the city commission withdrew the franchise of the bus company because it was not enforcing segregation. In Birmingham, Alabama, the home of the Negro minister directing the campaign against segregation was bombed, and 21 Negroes travelling in the sections reserved for whites were arrested.

On the other great battlefront, in the schools, there have been retreats, as well as advances. An 86-year-old federal judge in Dallas, Texas, has expressed his detestation of the Supreme Court's decision that segregation in the schools is unconstitutional, and thereby thrown some doubt on the objectivity of his ruling that white schools in Dallas need not at this time accept nineteen Negro students. A congressional subcommittee, made up chiefly of southern segregationists, has produced its expected indictment of "over-hasty" integration of the schools in the District of Columbia.

Elsewhere, however, the pressure of Negroes on the courts to sustain their rights is steadily forcing Jim Crow to take wing. A US District Judge in Florida has issued an injunction forbidding Tallahassee to interfere with the bus company's operations. Birmingham is having second thoughts about prosecuting Negroes for violating a law which they know the courts will declare unconstitutional. In Virginia, the US Circuit Court of Appeals has upheld decisions of lower courts requiring an immediate end of segregation in the schools of Charlottesville and Arlington. Very little has been heard of the Attorney General's loudly heralded meeting with his legal officials to find ways of enforcing the ban on segregation in intra-state transport. Indeed, according to Mr Brownell, the main reliance is to be on voluntary compliance. But the federal government will certainly insist on obedience to court orders.

Law-making Law Breaker

FROM A CORRESPONDENT IN BOSTON

UNTIL Representative Thomas Lane won easy re-election in November from the seventh district of Massachusetts, in the Boston area, no convicted criminal had ever been sent back to Congress from his original constituency. Mr Lane stepped out of a federal gaol only two months before the election, after being fined $10,000 and serving four months for failing to pay $38,542 in income taxes. But sixteen years of assiduously doing small favours for his Irish-American constituents had built him an almost indestructible popularity. The cohesiveness of the Irish vote, founded on memories of discrimination in the days when Irish immigrants first came to the United States, has been constantly demonstrated in Massachusetts politics, especially when an Irishman is under attack.

Moreover Mr Lane is a Democrat and the seventh congressional district was long ago abandoned by Republicans as territory not worth fighting for. They dominated the state legislature when it drew up the constituency boundaries and used the district as a dumping ground for Democratic areas which threatened Republican chances of victory in adjoining constituencies. Thus the only real chance of knocking out Mr Lane was in the primary election in which members of the Democratic party chose their candidates. Since Mr Lane's opponents were unable to get together, he triumphed with a vote of 25,812 against 34,010 spread out between four antagonists.

The voters having spoken, Congress itself is now the lone barrier between Mr Lane and what he evidently regards as his vindication. There are no exact precedents. Seven members of the House of Representatives and two of the Senate have previously been convicted of crimes during their terms of office. Congress was not indignant enough to expel them. But of the seven Representatives only one ever ran again, and he, having been convicted of sedition during the Congress of 1799-1801, had to move from Vermont to Kentucky before winning election four more times.

The Republican minority leader, Mr Joseph Martin, who himself comes from Massachusetts, has excused himself from trying to unseat Mr Lane on the grounds that the "primary responsibility rests with the majority Democratic party." It is understood that with similar timidity the majority leader, Mr John McCormack, also an Irishman from Massachusetts, has declined to take the initiative. Meanwhile in the press a few leader writers have condemned both Mr Lane and his constituents, but the bulk of the country's papers have displayed no special interest. In Mr Lane's own constituency newspapers took the softest possible attitude towards him from the beginning. In some instances it was clear that they too had been recipients of the Congressman's favours and preferred not to cut themselves off in the future. Judging by the past reluctance of Congress to look a moral issue involving one of its members squarely in the eye, Mr Lane seems likely to be allowed to take his seat although one or two conscientious members may force a vote on the question.

Steel on the Escalator

THE steel industry must start the new year with a resolution to do without government aid for its expansion programme. The Administration has turned down its request for rapid depreciation, for tax purposes, of $2.3 billion in new plant and facilities. This scheme, which allows certain industries to write off new plant in five years instead of twenty, was adopted during the Korean hostilities to encourage industry to provide an adequate industrial base for mobilisation in the event of another war. But it is viewed with a jaundiced eye by the Treasury and the ever vigilant Senator Byrd because it postpones tax revenues and makes it harder, at present, to balance the budget. It was not intended, as the Office of Defence Mobilisation reminded the steel industry, to underwrite a peacetime boom, and its defence role is nearly over. Of the 228 industries at one time eligible for such help, only 17 remained last week after the announcement that the expansion goals had been reached for commercial aircraft, heavy steel plate, titanium melting and processing, alkylate, and taconite iron ore. Aluminium lost its preferred position in November.

The steel industry added five million tons to its annual capacity last year, bringing it to 133.5 million tons, a 45 per cent increase in the steel-making facilities available at the end of the last world war. The Administration's rebuff is not likely to blight this growth when 1957 is expected to be a record year and the demand for steel plates to be continuously voracious into 1958. But it will strengthen the demand for more realistic depreciation allowances, and it has already given a further upward nudge to prices which were, in any case, beginning to reflect higher costs of labour, freight, coal and scrap. The steelmakers argue that if they are to finance their expansion out of profits, their earnings must be maintained, even at the cost of higher prices throughout the economy. Not all concerns are able, like the Lukens Steel Company, to revive a practice popular during the Korean war and persuade their customers to provide the capital for new plant.

Deep Freeze and High Flight

THE Christmas tree which sprouted at the South Pole last month was planted by the twenty-four Americans who have taken up residence there under Operation Deep Freeze, part of the United States' contribution to the International Geophysical Year. As a global undertaking the year does not begin until July 1st, but in the Antarctic it opened officially last Tuesday. With eleven countries bringing several thousand men to fifty scientific stations, this normally uninhabited region is becoming almost overcrowded. It is certainly becoming civilised, at least as far as the Americans are concerned; they are building highways and have set up both showers and washing machines on the South Pole. This equipment came by plane and parachute, only one example of how Antarctic exploration has developed as a result of air transport. Men and supplies no longer have to waste half the short summer struggling by ship through the ice packs. This year the first American plane loads landed in the snow direct from New Zealand during October.

The general purpose of this geophysical year—or eighteen months, since it will go on until the end of 1958—is to undertake a concentrated scientific investigation of the earth and its atmosphere and the way in which both are affected by the sun. Intensive study is to be carried out simultaneously and co-operatively all over the world by thousands of scientists from fifty-five countries, including the Soviet Union. The United States is spending altogether over $150 million on the project and the most spectacular part of the American programme is to be the launching of earth satellites to explore the upper atmosphere.

No date for this has yet been announced, but tests have already begun of the rockets which will be used to fire the satellites and of the instruments they will contain. This artificial moon, twenty-one pounds of magnesium with a diameter of twenty inches, will be shot by three stages into an orbit 300 miles or more above the earth and will then, it is hoped, circle the globe at a speed of 18,000 miles an hour for at least fifteen days. It will be accompanied by sub-satellites, ten-ounce balloons made of aluminium-coated plastic, to measure air density in the outer limits of the atmosphere. The satellites themselves will contain radio equipment which will transmit data to a chain of bases stretching from the Atlantic coast of the United States to Chile. Observations made at these bases will be collated by electronic computers in Washington, DC, within a few minutes of being received from the satellite.

Dinner *Ex Machina*

FROM A SPECIAL CORRESPONDENT

THE trade association of the vending machine industry, which profits by the American trend toward "push-buttonitis," announced at its recent convention in Chicago that it had 3,100,000 automatic salesmen on location in the United States. The figure is awe-inspiring, until it is compared with the size of the country.

The surprising thing, in this day of high wages and an almost messianic trend to self-service, is not that so many vending machines exist but that the industry has been so slow to move outside proven paths. Automatic dispensers of chewing gum are at least as old as the twentieth century. Automatic gambling devices burgeoned in the bootleg era after the first world war. An early version of the automatic restaurant has served New York for three decades. For several years it has been possible in suburban areas to buy ice, in a solid chunk or in chopped bits, from a white steel coffin propped on end, a service greatly used and loudly praised by hosts whose hospitality outruns the ice-making capacity of their refrigerators. But only in the past year has their similar need for a dozen eggs or a bottle of milk out of hours been heeded.

This newest development in automatic distribution has come from one of the great retail chains, and seems to be regarded both as an advertising gadget and as a forerunner of complete "autobution" in self-service food shops. Under the sign "Night and Day Quik Pik," the Grand Union branch in a thickly settled area of New Jersey has built across its face a set of eight automatic dispensers which supply bread, milk, eggs, margarine, frozen meats and fish, coffee and tea, at any hour. All that the late shopper or the early riser needs is to have the appropriate coins, drop them in the proper slot, pull the indicated lever, and stand by to receive his purchase.

How important these automatic distributors will prove in terms of immediate profit remains to be seen, but their experimental value to self-service merchants seeking a way out of the huge pits they have dug for themselves may be considerable. In one suburb after another the chains have built bigger and bigger units, until housewives complain of their poor feet, and managers moan that between the cost of space needed to accommodate the rolling shopping baskets and of wages paid to keep shelves filled and bills added up they might as well be running an old-fashioned grocer's shop.

★

The Independent Grocers Alliance of America, better known as IGA, has one answer in the form of a gigantic assemblage of gadgets called Elmer. Elmer is the offspring of electronics and a conveyor belt. Within his domain the housewife faces a display of packaged items behind glass, a row of keyed buttons and a slot. She has in her hand a key loaded with electronic remembering devices, and this she thrusts into the slot. Then she pushes buttons which tell the key that she wants Bouncey Bread, Soapy Suds and Wheaty Wheezes, each at a given price. The next step is to thrust the key into another slot where it confides the remembered information to overhead slides which deposit the merchandise and the itemised bill on a conveyor belt moving past the cash register, where the housewife pays without question, collects without confusion, and flees.

The IGA claims that while Elmer may sound fearsome, he works wonderfully, and will save $15 on a $50 grocery bill by cutting space, salaries, erroneous arithmetic and petty pilfering. What the housewife thinks is so far unknown. In 1949 she refused to accept Elmer's ancestor, the Keedoozle, nominally on the ground that she would not buy a loaf of bread she could not pinch or a grapefruit she could not squeeze. IGA hopes that by 1957 she may be more trusting, or more resigned to the strictures of the autobutic age.

In the field of food and drink ready for consumption the aim is to replace the works canteen, or the corner drugstore, with what is known as a "full-line feeding battery" capable not only of supplying hot coffee at the drop of a coin (and thus cutting time required for the ubiquitous "coffee break") but also of issuing sandwiches, hot dogs, soup, *chili con carne,* cakes and pastries without the interposition of a cook or a waitress. Such installations cost about $10,000, depending on the number and size of units included, and in some sections they are proving successful enough so that such important suppliers of processed foods as the Campbell Soup Company and the General Foods Corporation are showing interest. Cynics claim, however, that this interest is the result of the deterioration of familiar brands under the difficult conditions of automatic vending, and that the companies are acting to save the reputation of their own products.

Certainly the attempt to provide complete meals by autobution faces problems whose solution requires a great deal of research and development. Even under the best conditions, food spoils quickly. The forty-eight states have a complex network of laws affecting its handling which are meant to safeguard public health, but which also make it difficult to standardise equipment. To design machines that will keep food both sterile and fresh in forty-eight legal meanings of those words, and will deliver it hot or cold at the drop of a coin, is an engineering problem made only a little easier by electronic controls and infra-red cookers than it was in the days of plain ice and direct current. Nor has the task of training a service corps to nurse and feed these sensitive monsters got very far. The mechanic who shuffles along an Underground platform, stopping at each post to take the face off a gum dispenser and stack in new packages, is not quite the figure that people want to see handling the wrapped sandwiches or sterilised milk which they will consume at lunch time.

The success of these dehumanised feeders lies, of course, in the public acceptance of their offerings. Americans want what they want when they want it—and want it fast, particularly at the lunch hour. If they can get a toasted sandwich, a sausage cooked by the momentary application of built-in electrodes, a cup of coffee or a slice of pie served by an automatic vendor faster and more conveniently than at the corner drugstore, they may be willing to pay for it—even in terms of the lower quality that too often seems inevitable when food factories replace individual kitchens. On the other hand, they may decide that the price is too high.

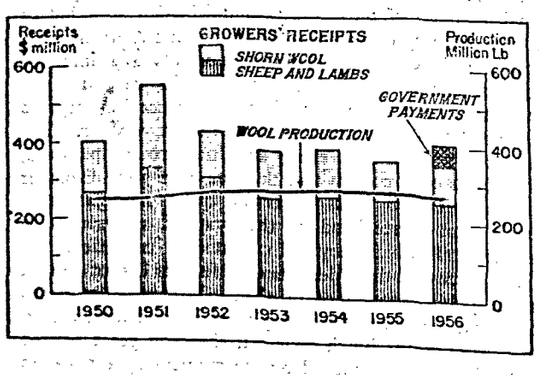
Brannan in Sheep's Clothing

FROM A CORRESPONDENT IN COLORADO

THE Administration's programme, adopted as part of the 1954 Agricultural Act to encourage domestic production of wool and to lessen American reliance on wool from overseas in the interests of national security, is now in its second year. The purpose of the programme was to increase annual output of shorn wool to 360 million pounds (grease basis), but during the first year of operation production, at about 232 million pounds, was slightly less than in the previous year. Yet the programme cost the government about

$60 million in "production incentive payments" to sheep growers. Payments of this kind for all types of perishable agricultural commodity were at the heart of the controversial Democratic farm plan, put forward in 1949 by Mr Charles Brannan, but never implemented—until the Republicans applied it to wool.

The idea is that farmers should sell their products at the market price and then have their income brought up to an agreed level by a subsidy from the government. Under the present wool plan the Secretary of Agriculture fixed 62 cents a pound as the average price to which wool growers were entitled during the 1955 year, which ended last March, for raw greasy wool. The average price actually received in the market was 42.8 cents a pound. Therefore, the average subsidy to which sheep farmers were entitled was 19.2 cents a pound. But instead of simply paying this sum to growers for each pound of wool they had marketed during the year, the department calculated the subsidy on a percentage basis: 19.2 cents is 44.9 per cent of 42.8 cents, so the department made its payments on the basis of 44.9 per cent of each grower's actual market receipts for his wool. The effect of this is to give a greater reward to the man who originally received a higher price for his wool. For example, he who sold his wool for only 40 cents a pound was given



an additional 17 cents in subsidy, or 57 cents in all, while he who originally got 50 cents in the market was paid an additional 22.45 cents, or 72.45 cents in all. The idea was to reward the farmers who grew and marketed better wool. But they were all so confused by this recondite method of calculation and so busy trying to figure out what they were going to receive that they do not seem to have had time to plan to increase or improve their flocks.

Nor did all this subsidy go directly to wool growers (or to their creditors, for many of them borrowed against their expectations): a majority of them had voted, as provided in the Act, to set aside a cent a pound to be spent on promoting the consumption and marketing of "lamb" (as all sheep flesh is euphemistically called in America) and wool. The Act also provided that the Secretary of Agriculture could designate a chosen instrument to administer this promotion programme, and he nominated a new organisation called the American Sheepgrowers' Council, with headquarters in Denver, Colorado. This organisation received nearly five million from the 1955 subsidy and an elaborate advertising and publicity scheme directed at selling more lamb, and more wool, is now under way.

Finally, the Act gave the Secretary of Agriculture power to set the total compensation of growers at any point up to 110 per cent of parity—the magic balance between farmers' receipts and costs which is supposed to give them a fair return. The total compensation of 62 cents a pound for the 1955 wool crop was intended to give growers 106 per cent of parity. The same compensation was set for the current year and for the coming, 1957, year, even though it now represents only 101 per cent of parity, and even though growers made strenuous representations that their costs have crept up so much since 1955 that they now need the full 110 per cent of parity authorised by the Act. They estimate this at 67.5 cents a pound for the 1957 crop; they argue that 62 cents represents an approximate reduction of five per cent in their real reward for 1957 as against 1955, since their costs continue to rise and their output to decline.

SHORTER NOTES

History was made last month when Mr W. F. Turner, a Democratic elector from Alabama, refused to cast his vote in the electoral college for the candidate, Mr Stevenson, who had won a majority of the popular votes in his state. Instead Mr Turner voted as he had a legal, but not a moral, right to do, for a local judge. As a result Mr Stevenson received only 73, not 74, electoral votes.

★

The Interstate Commerce Commission is permitting eastern railways to raise their freight rates by 7 per cent and western railways by 5 per cent, in order to cover recent increases in wages and prices. A request for a similar rise by southern railways is still pending, as is another request from eastern and western railways for an additional increase of 15 per cent, to cover long-term advances in costs.

★

Because of the complicated nature of the issues involved, the President postponed his decision, due on Christmas Eve, on whether or not to accept the Tariff Commission's recommendation that duties should be almost doubled on cotton velveteen fabrics which are imported almost entirely from Italy and Japan.

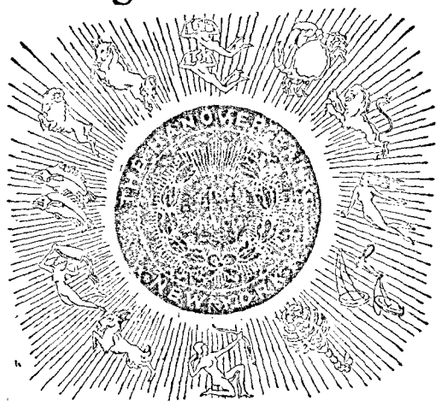
★

A 57-year-old Sikh farmer from the Punjab, who has lived and prospered in California for thirty-five years, is the first East Indian to be elected to the United States Congress. He defeated the famous woman flyer, Mrs Jacqueline Cochran Odlum, in the Imperial Valley, a district normally both Republican and race-conscious.

★

There are now about 1,380,000 more women than men in the United States; six years ago the figure was only 600,000 and in 1940 there were more men than women as there had been in all earlier censuses. The change in the ratio is explained by the higher death rate among men—males still outnumber females under 24 years old—and by the decline in immigration.

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NEWS CHRONICLE
AND DAILY DISPATCH

The World Overseas

Restless Soviet Youth

A NEW university magazine named "Heresy," published by students in Leningrad, has just been attacked for publishing "decadent" writing. Its very title illustrates the sort of trouble Stalin's successors have to face. There was a time when blunders in Warsaw or shootings in Budapest could be kept from the Soviet public by the full blasts of the propaganda machine. But the seeds of doubt planted by "destalinisation" have grown rapidly, and the once orthodox Russians are in a heretical frame of mind; they are questioning the official version of events at home as well as abroad. Students are the natural vanguard in such a movement; as the favourite children of the regime they have been given the mental tools necessary to probe below the official surface and to pass judgment. Shaken, after Stalin's death, by the collapse of some established dogmas, encouraged to exercise their critical faculty, they are demonstrating that the critical spirit once let loose cannot easily be put back into a new cage, even though it is larger and more comfortable than the old one.

To prevent the intellectual ferment from spreading too rapidly, the Soviet leaders have recently attempted to slow down the retreat from Stalinism in historical research, literature and the arts. Historical journals are showing less zeal in rectifying the Stalinist distortions of the Soviet past. The campaign against Freud and Kafka has been revived, though the works of neither have been published in the Soviet Union. Several Russian novels have been attacked as socially suspect, including a book called "Not by Bread Alone," which had only recently been praised by Moscow critics; its main fault was probably that it drew a disrespectful portrait of a minister and an academician.

But the seeds of doubt have found a fertile ground among Soviet youth. It is difficult to say how big a part events in Poland and Hungary have played in recent gatherings, but it is known that debates at students' meetings have been getting increasingly stormy and have with difficulty been kept under official control. Leningrad, the dethroned capital, seems to be once again the centre of discontent, though restlessness is not limited to any single university. Moscow is also affected, while *Sovietskaya Rossiya* reports outbursts of "demagoguery" at Sverdlovsk in the Urals. *Komsomolska Pravda*, in turn, talks of "demagogues, babblers and yellers trying to make capital of difficulties . . ." at the Kharkov University in the Ukraine.

Formerly, thoughtless youth used to be the chief worry for the Soviet leaders. Rowdies, teddy-boys and latter-day representatives of gilded youth were regularly attacked in the press. But now it is not the thoughtless but the thoughtful, not the youngsters who care too little but those who care too much about the society they live in, that are creating difficulties. The authorities are trying to blur the difference between the outbursts of light-hearted, even disorderly, students and the sincere protests of the young *Komsomols* waking up to the reality of the Stalinist heritage. Appeals to anti-intellectual feelings are another method of discrediting the student movement. Some time ago Mr Khrushchev hinted that there could be no room for "socially hostile" elements in the universities, when sons of workers and peasants had to stay at the bench or on the farm because of the limited number of vacancies. The threat was hardly veiled. For some time a campaign has been waged to increase in the universities the proportion of people with previous experience in industry and agriculture.

All this does not mean that rebellious students will once again prove to be the forerunners of a political revolution. Nor should Russia be looked at through Hungarian spectacles. In the Soviet Union the economic foundations of society are not being questioned in earnest. The standard of life of the average Russian has been rising steadily from the appallingly low postwar level; and as a safety valve against the pressure for change, the government is likely to return to a form of "Malenkovism," to step up the supply of consumer goods and do something about housing conditions. Thus the cultural and political demands of the students are made against a less explosive background and are a lesser threat to the regime than in the rest of Eastern Europe. Nevertheless they confront it with a series of awkward dilemmas.

The enthusiasm of youth is not something to be lightly squandered. It made possible some of the early feats of industrialisation, such as the building of the town of Komsomolsk on the Amur in the distant East. In Stalin's time some of this enthusiasm became soured or transformed into conformist cynicism. A young communist in a recent Soviet novel declares that "what a man thinks and feels should not interest anybody; it is only important that he should say what is required." It is essential to recapture the faith and enthusiasm of the early days now that some of the Stalinist tools of coercion have been discarded. A Russian paper admits that to do so one must be able to answer the questions that are really worrying restless young Russians. The difficulty is that their relentless search for truth is likely to lead destalinisation well beyond its officially intended limits.

The other dilemma is connected with the needs of a growing society. To cow the students Soviet leaders cannot

apply the Tsarist method mockingly summarised in the formula "let them study, sweat and suffer, but learn nothing." The fast expanding economy demands a tremendous number of educated men. Millions of Soviet citizens have by now completed their secondary education. In the institutes of higher learning they are getting intoxicated with the new ferment and infected with the dangerous germ of critical thinking. It is this fast swelling army of the educated which seems the best guarantee that the process of destalinisation, despite halts and retreats, will finally go much further than Stalin's successors at first intended. Mr Khrushchev and his colleagues ought to fear the thirst for knowledge more than student riots in this crisis of the post-Stalinist generation.

Syria's Left Front

FROM OUR MIDDLE EAST CORRESPONDENTS

THE Syrian government has acquired greater coherence by the simple process of dropping all moderates and right-wing elements from the defunct cabinet. The result is a "homogeneous government of the left"; this was the aim of the left-wing groups when they formed their Parliamentary National Front in December. There can be no doubt now that Syria is set on extreme nationalist courses which, by the meaning that the present government gives to nationalism, mean anti-western policies. The People's Party and the Constitutional Block, both moderates by current Syrian standards, were sufficiently confounded by the Anglo-French invasion of Egypt to think about joining the Parliamentary Front, but wisely thought better of it. They would have been dragged along at its heels.

Khaled el-Azm has entered the new government as acting Minister of Defence. He is a wealthy man from one of the "feudal" families, as they are called in Syria, and the only explanation of his curious association with the left-wing in recent years is his stubborn ambition to be president. He claims to be independent, but has for long been closely associated with the Baath Party's socialist leader, Akram Hourani, who is more responsible than anyone else for the Left's new homogeneity. Khaled el-Azm's blustering, stubborn nature has earned him an unwarranted reputation for strength, and it is probably for this reason he has been given the defence ministry. He will be expected to strengthen and control the leftist groups in the army which has never lost its passion for meddling in politics since the Hosni Zaim *coup d'état* of 1949.

The Baath Party has retained the key posts of Foreign Affairs and National Economy, with el-Azm as ally at the Ministry of Defence. It is the driving force behind the new government and sets its tone. The government will therefore almost certainly develop its "neutralism" in close alignment with Egypt, and as long as that country is closely associated with the Soviet block, it will be also. It will be anti-Iraqi, anti-Baghdad Pact, and friendly to every effort the Jordan government makes to break its ties with Britain. (Abdullah Rimawi, the Jordanian Foreign Minister, is also a Baathist.)

The Parliamentary National Front, which paved the way for this government, produced a six-point Charter in mid-December in which it pledged itself to defend Syrian sovereignty and independence and to foil imperialist conspiracies against Syria and Arab nationalism generally. No less than three of the points were devoted to Iraq. The Front said it would foil plots against the safety of the country (a reference to allegations that Iraq had been smuggling arms into Syria), would resist the Baghdad Pact, "which is regarded as an obstacle to Arab unity and as a link in the imperialist chain," and would work for the liberation of the Arab peoples, "particularly the Iraqi people in their struggle against imperialism."

Sabri el-Assali has retained the premiership of this homogeous left, although he is not by disposition well suited for the part. Such is the situation in Syria at the moment, with strong left-wing groups in power in the army and the tide of popular opinion running against the West with new strength since the invasion of Egypt, that there is hardly anyone who can stand against the Hourani-Azm grouping. The President, Shukri Kuwatly, is by no means a natural leftist, but his Egyptian associations, his recent visit to Russia and his desire to retain the presidency against the growing power of the socialist groups, have forced him into sympathetic association with the Front. All in all, the western powers in their efforts to reconstruct a policy for the Middle East must find cold comfort in the new Syrian government.

Homogeneity does not, however, spell stability. The third point of the Parliamentary Front's charter promised to "lead the country to austerity." The wisdom of the aim can hardly be disputed in present-day Syria, but it is unlikely to be popular with the Syrians. The government has to face a budget depleted by the loss of oil revenues caused by the cutting of the IPC pipelines and overdrawn by the army's demand for weapons. To sustain a policy which will see Syria through these difficulties requires more unity than even this left-wing group has got. It is not without significance that it took ten days of intense political manœuvring to form the government at all.

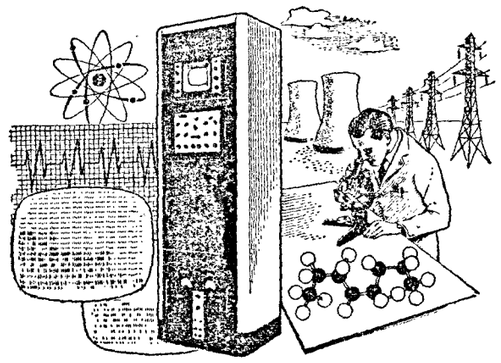
Already austerity has run into opposition. The combined Chambers of Commerce, Agriculture and Industry have protested against the higher duties imposed on luxury goods by the late government. The Chambers deny that many of the items in the list of 4,000 luxuries are in fact luxuries. They also criticise the Ministry of National Economy for assessing duties on the free market rate for currency instead of on the official rate.

In China's Shadow

The Ho Chi Minh Way

FROM OUR SPECIAL CORRESPONDENT

ONE evening, Ho Chi Minh called a conference of regional party bosses. He asked them for a progress report on the land reform programme. One by one the men stood up and repeated the complaints made to them by the peasants. Ho listened carefully, then said: "Those are the complaints the peasants actually made, but their real complaint is that they want to go south and cannot. . . . And now, comrades, we shall have dinner." The men sat around a long table and soup, boiling hot, was served. When the men showed signs of waiting for the soup to cool, Ho Chi Minh said: "What are you waiting for? Eat



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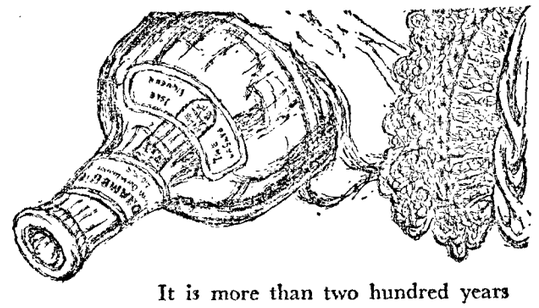
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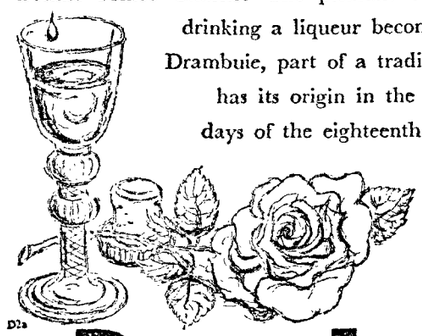
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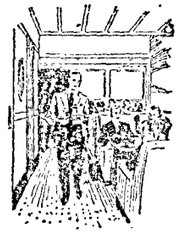
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British steel leads the world

THE BRITISH IRON AND STEEL FEDERATION

ap ! " There were protesting voices: " It's too hot." " That is of no importance," said Ho, " eat up, eat up ! " And as the guests scalded their lips and throats, the President of the Democratic Republic of *Vietnam*, added: " This *soup, comrades, is like the agrarian reform programme.* It is good soup, but you must take it slowly if it is going to do you any good."

This simple parable both illustrates Ho's character and approach, and hints at the kind of things that went on *during the land reform drive.* Shortly after the dinner, the central committee of *the Lao Dong* (communist) party dismissed its Stalinist boss, Truong Chinh (who, however, retains a seat on the committee) and replaced him by President Ho *himself.* There are people who argue that Ho Chi Minh was himself responsible for the excesses of the *land reform* programme and that he had gone into apparent semi-retirement during the difficult period, the better to come back later and put the blame on others. He himself told your correspondent that then, as now, he was in touch and that collective leadership prevailed ; the " errors " were in the application of orders locally. It is certain that the Lao Dong leaders pushed through the land reform programme *with a zeal in* which stupidity and ruthlessness competed for first place. Sixteen " landlords " had to be found in each village—a difficult assignment, since the few landlords left in North Vietnam by the end of the Indo-China war fled to the south after the Geneva agreements. But the sixteen had to be found, and were ; sometimes they were paid managers left behind by their masters, sometimes peasants marginally richer than the poorest. All were brought before " people's courts " and condemned to death or imprisonment. The holocaust might have continued to the bitter end, but for the fact that in the later stages, when " landlords " were becoming scarce, some of those so described were party men with friends or relatives in positions of *influence.* The volume of complaints grew until Ho was forced to intervene.

Wave of Suicides

Public discontent reached a sudden and hysterical crescendo in August, 1955, during the early stages of a census of the population. Everywhere this was made the occasion for investigations and denunciations designed to facilitate a *large-scale purge.* Every adult, for instance, was required to name all acquaintances and intimate friends and disclose all he or she knew about them. Party teams cross-checked statements with neighbours. The interrogation touched off a wave of suicides. Alarmed by this development Truong Chinh called a halt, then started again with milder methods.

In North Vietnam, as elsewhere in the communist world, the turning point was the 20th congress of the Soviet Communist party last February. A profound change has come over North Vietnam since then, and particularly since the protracted meeting of the Lao Dong party's central committee from September to November and the demotion of Truong Chinh in November. For instance, periodicals have appeared paying lip service to the Lao Dong party but severely criticising certain aspects of the regime. The most outspoken of these has been *Nhan Van* (" humanism "), which has published scathing denunciations of the imprisonments and tortures inflicted on innocent people during the land reform drive, and has called for the revival or revision of the stillborn 1946 constitution, which guarantees freedom

of speech, the press, association, abode, and movement inside and outside the country. It has been argued that these and similar criticisms have been trial balloons, launched with the government's tacit approval—a view which is supported by the fact that the owner of *Nhan Van*, Mr Phan Khoi, recently visited China as leader of an official cultural delegation, and that paper and printing facilities are available only with the government's approval. The experiment seems, in any case, to be drawing to a close. On December 10th, 500 printing workers in Hanoi passed a resolution condeming *Nhan Van* and calling for action against it. The sixth issue, though prepared for publication, has not been printed, and a press decree, issued on December 14th, while it guarantees freedom of the press, includes clauses which would make any editor hesitate to exercise his freedom.

The visible signs of change persist, however, in Hanoi. Street traders, formerly driven off the streets, are back in profusion (just when the South Vietnam regime has been clearing them away in Saigon) and the need for private enterprise is being officially trumpeted. Private shops have dug up ancient supplies of French socks and perfume, Gillette blades and branded hair creams. For the rest, Hanoi is, as one would expect, profoundly different from the city your correspondent last saw in June, 1952, and not merely because of the absence of Frenchmen (M. Sainteny, back at his post as delegate-general, is still, with quaint nostalgia, styled " M. le gouverneur," by his entourage). There are few cars and half of them are Russian or Czech. Perhaps 95 per cent of the population is dressed, with communist drabness, in khaki or blue drill (those in khaki being police or soldiers), and the occasional Vietnamese in a European suit looks self-consciously like a " feudal remnant." Bookshops sell Marxist classics in Russian and Chinese, though one incongruously offers Choderlos de Laclos's *Les Liaisons Dangereuses.* From 5.30 in the morning, public loudspeakers blare out pep songs ; they are repeated bar by bar until failure to learn is impossible.

A Run on Suitcases

It is certain that the well-publicised uprising north of Vinh on November 13th was not the only disturbance to the peace, though the other incidents were relatively minor riots by discontented southerners bereft of their hopes of returning to Cochin-China as party or government leaders. Two of these riots took place near the Petit Lac in the centre of Hanoi, where heavily armed police and soldiers, in groups of three, now patrol at night. More significant is the force of the *élan vers le sud* which has gathered strength in the past few weeks. For instance, a rumour that free movement to the south was to be resumed (started perhaps by the party's *agents provocateurs*) swept Hanoi three months ago. People unwilling to reach the south with worthless Ho Chi Minh piastres started a run on gold, the price of which shot up to more than twice the world price. A simultaneous run on suitcases cleaned up the city's scant supplies. Now that disillusion has set in, the price of gold has fallen back to 25 per cent below its peak. But the urge to get away persists. The Canadian delegation of the International Commission for Supervision and Control reports an enormous rise in the number of applications to be allowed to go south ; in the past few weeks significantly, the applications come to the Canadians, not the Indians or Poles. But the time limit for free inter-zonal movement is

long past, and the Canadians have to turn away applicants who are often shadowed by Viet Minh police after leaving the Canadian headquarters.

Yet there is no sign of a convulsion after the manner of Hungary. And it would be a mistake to overlook one factor of stability: the astonishing economic progress of the past eighteen months. China, which made possible the victory of Dien Bien Phu, is paying for much of the economic progress, too, much as the Americans are financing recovery in the south. And the progress is real even though some of its aspects—such as the building of railways from China into Tongking, which gives the Chinese a long-sought outlet to the port of Haiphong—are directly profitable to the donors. A match factory has been built, and a new power station has been completed at Tanh Hoa with Russian assistance. Coal, tin and textile production have risen, though not yet to prewar levels. But the most striking progress is in rice production. Last year, a Russian gift of Burmese rice staved off famine; today there is a surplus and the Indian government has been offered up to 50,000 tons. True, the south is planning to export 250,000 tons next year; but the north, unlike the south, is traditionally a deficit area. This is the measure of the stringency of the "race for viability" between the two zones.

Partitioning Cyprus

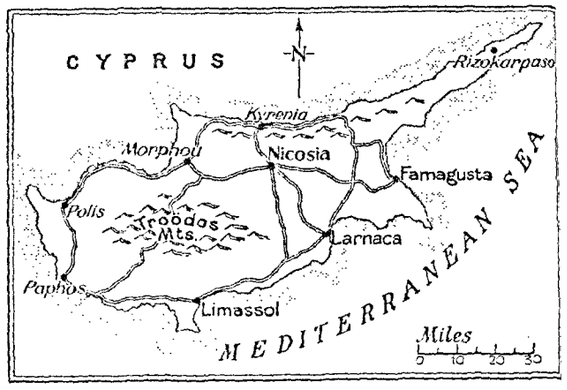
THE Turks have fastened with alacrity upon the possibility of partitioning Cyprus; Mr Menderes has said that it would offer a reasonable basis for a solution of the Cyprus problem. Turkish fears for their minority in Cyprus and for the strategic safety of their southern ports are legitimate. But does either the Turkish or the British Government really feel that partition is the right way to allay them?

The authorities in Cyprus are believed to look upon partition with scepticism; nevertheless they have worked out a detailed scheme under which the island would be divided into two completely self-contained parts. Although nothing is known of the details of this plan, it is clear that any scheme of partition, if not actually impractical, would have grave disadvantages and would cause serious economic and human dislocation. The Turks living on the island, about 95,000 or 18 per cent of the population, are distributed throughout all the rural and urban areas. Most towns have a Turkish quarter; some villages are entirely, or almost entirely, Turkish. But it is not possible to draw a line on the map and say that on one side of it the population is predominantly Turkish and that only a small and easily-managed transfer of populations would be needed to make the district completely Turkish.

Speculation has picked on the district of Paphos as a possible Turkish area merely because there the proportion of Turks (24 per cent) is rather higher than elsewhere. But to turn this into the Turkish region of a partitioned Cyprus would, as it appears, involve moving nearly a quarter of the population of the island. Some 95,000 Turks would have to be crowded into a predominantly rural area which now supports only 63,000 people at a relatively low standard of living, an area more industrially backward than the island generally and lacking an adequate port. It is not an attractive proposition. Nor would it set the strategic fears

of the Turks at rest. To do that, they might have to b offered instead the north-eastern part of the island, with i long "panhandle" stretching towards the Turkish ports Iskenderun and Mersin. But that would require even large transfers of population.

Then there is the question of the British base. Apparentl if Cyprus were partitioned, the British would propose withdraw into a small military enclave. This would pr



sumably involve abandoning most of the costly airfields tha have been built in different parts of the island. And unles the British forces could still make use of the port a Famagusta, they would enjoy even worse port facilities tha those which proved useless in November. Cyprus woul become for the British even less of a base and even more o a mere staging post than it is at present.

Economic Consequences of Israel's War

FROM OUR CORRESPONDENT IN TEL-AVIV

EVERYBODY in Israel talks about the need to pay for th war with Egypt but nobody can say how much it cos and what it is still going to cost. In addition to the actua expenditure on the Sinai campaign armaments have to b reckoned in. What part of the defence budget and of th money paid for equipment has to be written down as actua war costs? Is it everything that the army has bought sinc Colonel Nasser's deal with the Eastern block or only part o it? Then there is the dislocation of the economy caused by a week's fighting and the mobilisation of considerable numbers of men, women and transport for several weeks. This dislocation was not as severe as might have been expected. The troops who crossed into Sinai came from farms, factories and offices, and the lorries which carried them were taken from garages and sometimes even straight off the road. Nevertheless, production was carried on without severe hitches and this was partly due to the over-employment in many enterprises and to the enthusiasm of the people left behind. Israeli economists have long maintained that a considerable number of workers were redundant; they were proved right during the seven days' war.

One of the main problems the economy has to face is a shortage of oil, caused not by the blockage of the Suez Canal but by the cutting off of oil supplies from Russia. Israel depends entirely on oil for its fuel supply and during

the last few years has bought roughly one third of it from Russia. When Moscow stopped deliveries, the supply of electricity for domestic use was severely restricted; this entails inconvenience but no real hardship. Irrigation which depends on oil for pumping is fortunately not a problem during the rainy winter months. It might become one in summer if, in the meantime, oil supplies do not improve. Some factories will have to switch to night shifts, others which use much electricity, as do cement plants, may have to curtail production severely. If the cement industry is in fact thus cut down, this will lead to unemployment because housing and the industries geared to it employ a considerable number of workers in Israel. Certain industries such as those making electrical appliances saw their market shrink overnight and will have to dismiss workers. The internal market has been slack since tension rose in the middle of October. So far it shows no sign of recovery. People buy only necessities, the entertainment industry suffers and tourism, on which Israel has been pinning high hopes in recent years, is dead; whether it will revive with the spring season remains to be seen.

The United States has been helping Israel by means of grants in aid—the last one amounted to $25 million—and the sale of surplus food stuffs. Both are now cancelled, at least for the time being. The negotiations for a loan of $75 million from the Export-Import bank were interrupted by the Sinai fighting. A delegation from the United States which was to have studied economic conditions in Israel before granting the loan was due in Israel a week before the campaign started. Thus the foreign currency budget, which in Israel is of primary importance, has been severely upset. More money, however, is expected from the United Jewish Appeal in the United States which is now being carried on as a high-powered emergency activity. The citrus season promises to be very good because the Spanish groves suffered severely from frost last year and have not yet recovered, so that Israeli fruit is earning good prices. There is, in addition, an income of $30-40 million a year in the shape of restitution money from Germany, and German reparations are still an important source of capital goods and raw materials.

Export Drive Slows Down

Last year Israel's dollar deficit amounted to $300 million. The government hoped to decrease this by fostering exports. At first the export drive seemed to be succeeding. Not only oranges and diamonds, Israel's two most important dollar earners, brought in tidy sums, but industrial exports began to go up, too. This success, however, turned out to be temporary. Industrialists were often unable to compete abroad, because of their high production costs; in any case, the internal market provided them with a sufficient outlet for their goods. The present emergency may force them to seek markets abroad. But they point out that the steady rise in costs, because of the automatic linking of wages with the cost-of-living index, makes it impossible to calculate prices accurately, and that orders accepted at a certain price in the end constitute a loss because in the meantime costs in Israel have increased.

The Labour Federation has at long last admitted that there is truth in this argument, and has used the present emergency for deciding on several important changes in wages policy. Collective agreements, which in recent years have almost invariably meant higher wages, will in future be valid for two years, instead of one. Wages will be

adjusted to the cost-of-living index once in six months, instead of every quarter; and increases will be granted only if prices rise by more than three per cent. As the government is trying every device to keep prices stable, and as the Bank of Israel is sticking to its tight monetary policy, despite pressure by group interests, the cost-inflation which has been such a plague for the Israeli producer, may possibly be slowed down.

The government is also trying to recoup part of its war expenditure by loans and levies. A voluntary internal loan has been launched and has been made attractive by being linked to the dollar and freed of income tax. But money is so scarce that workers' councils are arranging for loans to be granted to workers so as to enable them to buy the new bonds. Several other levies, on transport, on postage stamps and so on are being imposed, and it has been hastily decided not to include them in the cost-of-living index. Such a decision would have been violently opposed in ordinary times; today it is accepted with a good grace.

Financing Immigration

While the question of how to pay for the war is still far from solution, another financial and economic problem begins to loom large—the financing of immigration, which this year may involve 50-70,000 people. Immigration has never stopped, but it did temporarily slow down. But immigration from North Africa has been on the increase this year and now there are Jews from Egypt to be reckoned with, and perhaps refugees from Hungary as well. The financing of immigration is carried through in two stages. First of all, people have to be cared for when they arrive, housed at least temporarily, and distributed according to their abilities. This calls for considerable funds. The second stage, when they have to be settled on the land or provided with steady employment, is even costlier. But in Israel today finding employment for tens of thousands of people is not only a financial problem; it implies a replanning of economic expansion. It is now being slowly realised that the development of agriculture has reached saturation-point, at least temporarily. Farmers complain that they cannot sell everything they produce, that prices are going down. Although additional immigration means additional demand for agricultural produce, this will not solve the employment problems of the newcomers. The absorption will need new industrial plans.

At present, the employment situation is fairly good, because the picking season in the orange groves provides jobs. The position will become bad in the spring. In the meantime, the government has started on the quick building of an oil-pipeline from Elath to Beersheba, which, eventually, is to be continued to the oil refineries in Haifa; it is also planning to improve the harbour facilities at Elath. The intention is to provide Israel with the possibility of importing fuel without using the Suez Canal. These projects, together with several minor ones, will ease the unemployment problem. Nevertheless, Israel might soon find that immigration can be even more expensive than a short war. But in Israel the economist has never been asked whether, from his point of view, the absorption of mass immigration was feasible. He has simply been given a certain task and asked to solve it. At present he must solve the problem of how to finance the Sinai campaign and meet the cost of increased immigration, and that at a time when certain sources of outside assistance have dried up, at least temporarily.

The growth of an Idea

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Economic Outlook for 1957

AWAITING RE-EXPANSION

The Year the Economy Stood Still

THE past year has been the year in which the British economy stood still. When this annual survey was last written twelve months—and how many aeons of political events—ago, its main prognostication for 1956 was that "by about the time of Mr Macmillan's first budget—or possibly a little later—[the Chancellor] might face a genuine damping down of domestic demand." He would then, it was argued, have two choices before him. One would be to try to reflate demand in order to secure the maximum expansion in production of which the British economy was capable. The other would be to keep up the squeeze "in order to divert production to export and even, perhaps, to create a little slack in the economy that would help to damp down future wage demands."

The central economic fact in the first half of 1956 was that the Chancellor plumped for the second alternative. He plumped for it so hard that total internal demand upon resources was not only held in check in 1956, but seems to have actually declined. Consumption increased by only about £50 million (in real terms) in the year; although the end-year Exchequer returns are disappointing, it still seems probable that real current expenditure by public authorities on goods and services declined by a little more than this amount. Fixed investment increased again, perhaps by up to £150 million (also in real terms); but the best guess that can be made—from some very confusing stock figures—is that this, too, was more than counterbalanced by the decline in the rate of stockbuilding. The total fall in demand may have been over £100 million.

The resources released by this fall in domestic demand, plus the resources created by the expansion in productive capacity, were therefore free to meet any increased demand for exports; since the expansion of potential productive capacity, reaping the first fruits of the investment boom of 1955, may well have been of the order of £750 million a year, the new resources standing free to assuage the export market were substantial. Unfortunately, however, not all these resources were in the right places or producing products at the right prices. In the first eleven months of the year, the volume of exports increased by some 6 per cent; this would imply an annual rate of increase of some £180 million in real terms. In the same period, the volume of imports was virtually unchanged.

This real improvement of some £180 million in the export-import account, together with a swing towards us in invisibles and in the terms of trade (2 per cent better in the first eleven months of 1956 than in the same period of 1955), sufficed to turn the balance of payments deficit of £133 million in 1955 into a (probably reasonably healthy) surplus; the balance of payments surplus in the first half of 1956 was £135 million, and the outturn in the second six months should have raised the surplus for 1956 as a whole to somewhere around £200 million. But the cost of this switch in resources—since export demand increased by only some £180 million and since internal demand fell—was that there was only enough total additional demand to raise production by some £50 million; this may have been some £700 million less than the increase in production which Britain could have enjoyed if it had been able to expand output to the utmost, without bothering about the balance of payments.

This £700 million or so was the cost of disinflating, mainly in order to save the external account. The other gain that was expected at the cost of not expanding production was in the field of wage restraint. It is too early to pass final judgment upon this. In 1956 as a whole—thanks mainly to the end-1955 round of wage increases—wage payments were much higher than in the previous year, and, since productivity flagged, labour costs per unit of output must have risen considerably. But there seem to be grounds for the belief (or hope) that the "average" big trade union wage increase this winter may be only about 3 per cent, or about half of that secured by these same unions a year ago; the fear of short time working may be having its effect. This increase of 3 per cent would be greater than the increase in productivity actually secured last year, but it might be just about the annual increase in wages which an expanding Britain could normally afford. One can only hope that a new fashion has been set.

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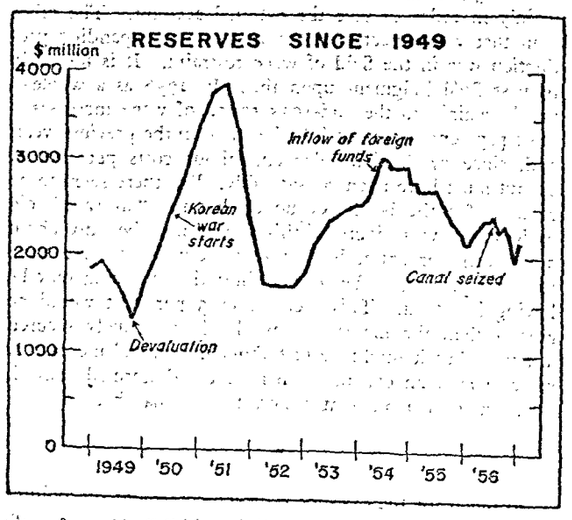
So much for the ex-Suez achievements—and the failures—of the year when the economy stood still. What, now, of the prospects for 1957—as regards output, the trend of demand, and external dangers to the economy?

The new year starts under the shadow of the crisis of confidence in sterling that has resulted from the Suez adventure. The dominant influence upon the economy in the early months of the year will be the impediments to production which the measures needed to meet that crisis of con-

fidence (as well as the blocking of the canal itself) must cause. But—this is the gleam on the horizon—the prospects that may emerge by the end of the year could be very different from the prospects for 1957 as a whole.

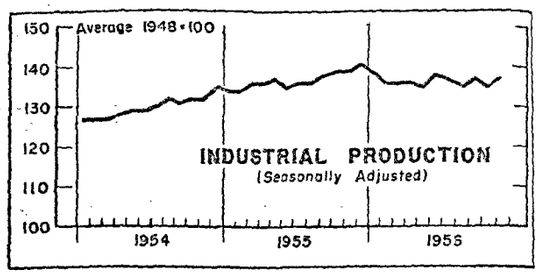
The sunny side of the eventual outlook for output was discussed in a leading article in *The Economist* two weeks ago. Production in Britain is probably running some £700 million below capacity; as capacity is certain to increase further during 1957, as last year's heavy investment comes to fruition, this suggests that the annual rate of production to which the country could start to move, once present troubles are over, could theoretically be quite massively—perhaps £1,000 to £1,500 million—higher than the annual rate of production now. There is, of course, no prospect whatever of this sort of increase being achieved in this year's income as a whole (the shortage of oil, and possibly of some other trans-Suez imports, in the first six months will see to that); there is not much hope of the capacity increase being completely attained even in terms of the annual rate of production achieved by the end of the year, or perhaps even in that achieved by the spring of 1958. But the gleam of hope remains: once immediate post-Suez troubles are over, the capacity for a massive increase in production should be there to use—if only the country can afford to dare to use it.

What of the demands that will be put in 1957 upon this productive capacity? There are signs that personal consumption (even assuming only a 3 per cent standard for this winter's wage increases) may expand by more this year than it did last. A year ago the fairly substantial rise in prices that had then just taken place, together with the absorption of a considerable part of current income in payment of instalments on goods bought during the 1954-55 hire purchase boom, could be seen as dampeners for real consumption in 1956; neither factor is likely to have so potent an effect on consumption in 1957. Increases in the



rate of stockbuilding must also be expected to add to net demands upon resources this year; this may be particularly true in the period immediately after the Suez Canal is cleared, when some stocks of raw materials may need to be fairly energetically rebuilt.

These two sources of demand—for consumption and stockbuilding—could together add perhaps £300 to £400 million to internal demand this year, even if fiscal and monetary policies do not change. Against this, however, fixed industrial investment (unfortunately) seems to be about to stop rising; if housebuilding is cut significantly, thanks to the (welcome) reforms in rent restriction and subsidy policy, total fixed investment may actually fall. And the usual question mark hangs over Government expenditure, particularly over defence; it is more likely to fall than rise. The general picture that emerges from these



hypothetical pluses and minuses is that in 1957 as a whole new internal demands may conceivably exceed new supplies, and the outturn of the balance of payments threatens to be worse than in 1956; but this threat appears to arise wholly from the strains to be expected in the first half of the year, not from doubts about the *capacity* for industrial recovery after that. Towards the end of the year, with the canal reopened and oil presumably in adequate supply, present indications suggest that internal demand may be falling considerably short of an expanding capacity to produce. And it is in that second half-year that any measures taken in the budget will have their main effect.

Why, then, has Mr Macmillan been talking about the possibility that he may have to raise income tax, instead of the opportunity that he may have to lower it? The answer is to be found in the three extraneous factors that are the modern British Chancellor's heaviest burdens.

(1) Mr Macmillan may feel that he will have to maintain the squeeze, or even intensify it, in order to keep the country in balance of payments surplus. In these first abnormal months of the year—while the canal is closed—he expects a balance of payments deficit, although one that should be no larger than the surplus that was attained in the second half of 1956. After the canal is cleared and after the immediate period of re-stocking that may follow, however, the spare resources for running a healthy export surplus should be becoming fairly rapidly available. It may be a nice question then how far reflation of domestic demand would pull resources away from the export market, and how far it would merely lift them out of the wasteful and clogging morass of short-time working. The answer may depend largely on the buoyancy of industrial activity and demand abroad—particularly activity and demand in America: for the time being the American prospect looks quite good.

(2) Mr Macmillan may decide to maintain or intensify the squeeze in order to persuade foreign speculators to recapture confidence in the pound sterling. In the short term, this recapture of confidence is vital, and it can only be achieved by austerity. But for the medium term, after the canal is cleared, the Chancellor should do some hard thinking about what sort of Britain he thinks that foreign speculators will have abiding confidence in. Must we really accept the view that foreigners would be scared by an expanding Britain, preferring to see a stagnant or declining one?

(3) As soon as the present round of wage increases is over, Mr Macmillan is likely to start worrying about the next round. On present prospects, one would expect the end-1957 round of wage claims to be put forward in conditions when declared dividends will recently have fallen (thanks to the considerable decline in profit margins in 1956), and after a year in which prices need not necessarily have risen by much more than in 1956 (even though the increases in the next few months may be rather heavier). But if Mr Macmillan did reflate demand in the summer and autumn (by lowering the Bank rate or other means), profit margins (although not necessarily prices) would start to rise again as more economic runs of production recommenced, and the consequent escape from the shadow of short-time working might make the unions more voracious. Once again, however, must we really accept the view that Britain cannot afford flat-out production under its present union structure? If so, this is a pretty poor lookout.

That, then, is the best summary one can make of the economic outlook at the beginning of 1957, and of the questions that will need to be answered in the course of it. The first four to five months are likely to be a period of considerable anxiety; the second seven to eight months could conceivably be a period of considerable emerging opportunity. The first period of austerity must not be fumbled; the second period of opportunity, if it presents itself, should not be missed. Those who are already saying that, in anticipation of the second period, the Chancellor should be prepared for an early decrease in Bank rate are almost certainly premature. But it is perhaps not too early to say what the Chancellor's first step should be if these opportunities do present themselves: it should not be a lower Bank rate, but a restoration of the investment allowances. For some months yet the British economy seems bound (at best) to stand still waiting at the lights; but, as soon as the lights change, the Chancellor should be ready to move smartly forward to re-expansion.

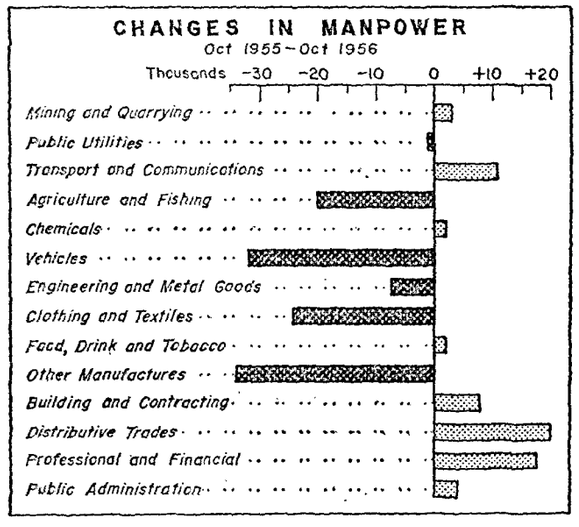
The Price of Disinflation

PRODUCTION has remained roughly level for nearly twenty months now—one of Britain's longest spells since the war without any real expansion. This has been the price of moderate success in some of the objects of disinflationary policy, but not in others. Industry has needed no extra imports; the extreme pressure of labour demand has eased; and within industry, there has been a genuine shift of effort towards export. These are significant achievements. But the shifts of manpower between industries, into those currently nominated as "vital" and "undermanned," have been trivial.

The extra output forgone—the measure of the slack—is conventionally guessed at some £500-£750 million in 1956, an amount equal to the expansion in national income achieved in most years since the war. The guess could be conservative: industrial capacity may have grown faster in the last two years than perhaps ever before. But this "price" of disinflation was hardly calculated in advance and paid deliberately: throughout last year Government spokesmen were repeatedly pretending, at least, that they expected output to begin rising again within a few months.

One reason why it did not seems to derive from the peculiar nature of brimful employment. During 1956, employment declined by about 50,000 people, though one would have expected a "natural increase" of perhaps 20,000 from the excess of young people entering industry over the number of older ones leaving it through retirement and marriage. Yet the numbers unemployed rose by only 38,000. A large proportion of the people who moved out of the "disinflated" industries during last year, that is to say, moved out of employment altogether—married women went back home and older men finally took that postponed retirement. Thus they swelled neither that "healthy margin" of unemployment many economic pilgrims look for as a panacea nor the labour forces of the industries where demand continued to outpace production.

It took time, moreover, for those disinflated industries to decide to let men go. At first, both the trades unions and those employers who had spent the previous two years scouring the byways for people to bribe into jobs preferred short-time working. In the motor industry, most disinflated of all, affected first by credit squeezes of different kinds and now by petrol shortage, this period of deliberately underemploying labour to keep hold of it has probably passed by now—particularly as employers find that continued short-time keeps their worst workers but sends their best men off in search of something better than three days' work a week.

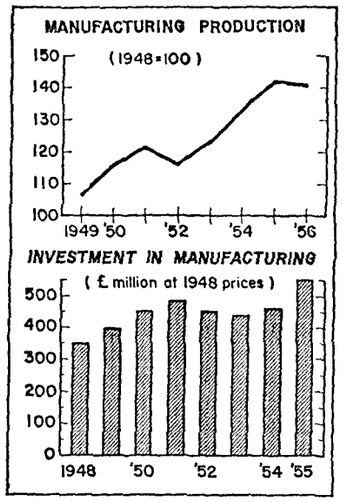


These industries producing metal consumer goods, selected as the bad boys of the 1955 boom, were duly placed under restraint last year. Rather disconcertingly, manufacturing as a whole lost nearly twice as many people as the total decline in civil employment, and most of the extra people thus made available seem to have gone into the distributive trades and services. Transport achieved a small but useful increase in manpower and the building labour force went up a little; the mines checked their loss of men, but gained very few, and agriculture lost workers.

This slight shrinkage in manufacturing employment was accompanied by a slight shrinkage in manufacturing output, taken as a whole. In the metal-using industries, the cuts

in output and employment in motors and other metal consumer goods were not fully offset by corresponding increases in the capital goods industries. Since capital goods have a much greater relative weight than cars and consumer goods in this key industrial group, this remains puzzling. The ramifications of the motor industry throughout the engineering industries offer one clue; and the inflexibility of output in the plant and machinery industries perhaps another. A long order-book, moreover, may cause the average shipbuilder or machine tool maker less pain than it does academic economists.

It therefore turned out to be much harder than most people hoped, in 1956, to transfer resources between manufacturing industries, though the shift towards export within industries was simpler. Some of the stickiness may be out of the system by now; and the economic aftermath of the Suez adventure seems certain to give the policy several more months to work. Industry's direct use of oil in Britain is really significant only here and there, as in steel, where output is being maintained and can be increased by the use of other liquid fuels. How much the squeezing of road transport and the lengthening of voyages to destinations East of Suez will affect production schedules is much less certain. Industrial output seems likely to slip off a few points over the next three or four months; it would be optimistic to expect it to begin rising before the autumn.



Such an assessment is from the "supply side" alone—reckoning the physical limitations likely to depress output for a while, and ignoring how demand may change. A renewed period of industrial stagnation, certainly, will mesh the gears of disinflation more firmly, and give them time to complete their work. But on the conventional arithmetic of "potential extra resources" employed above, another year without any significant rise in production would cost twice as much as 1956 did. Its cost in business confidence, far harder to guess, might also take longer to pay.

Industrial output in this country has not risen since May, 1955, and the recent upsurge of capital investment by private industry did not begin until 1954. In terms of extra output, businessmen have as yet tasted none of the fruits of their investment boom; nor has the new equipment they have brought in even been given its full chance to cut costs. Industry's recorded "investment intentions" this year point so far to no increase over last year's spending. Industrial investment is likely to be declining by the end of this year. If by then the vast investment effort of the last three years still shows no signs of paying off, the Chancellor may have some difficulty when he does decide to stimulate another surge forward.

Further Rise in Exports?

IN all recent years save 1956 British exports have struggled against a clamant home market. In 1956 home demand gradually became less clamorous and exports crept ahead. According to the recorded values, exports rose by 10 per cent between the first eleven months of 1955 and 1956; these values, however, are a misleading index of the true rate of increase. Export prices rose by about four per cent in 1956; exports in 1955 were inflated by the overspill from the dock strikes of October 1954; and the 1956 figures were inflated by a capital item, the repayment of £20 million worth of silver bullion to the United States. After making allowance for these distortions, the volume of exports in 1956 is reckoned to be nearly six per cent larger than in 1955; that compares with an increase in 1955 over 1954 of less than five per cent. Imports, on the other hand, rose in value by only one per cent in 1956, and the volume was virtually unchanged.

The medicine of tighter and dearer money can thus claim to have had some effect. But there may still be some disappointment that exports have not risen faster than they have. Britain's share of world exports still declined, though at a slower rate than in 1955. There are two main explanations for the modest rate of increase. The sharp expansion in exports to North America, India and certain European countries was partly offset by declines in other markets, mainly in the sterling area. Exports to Australia, Britain's largest market, fell by £36 million to £226 million in the first eleven months of 1956, and exports to New Zealand fell by £12 million to £117 million. Import restrictions were largely to blame for the decline, but in these and other sterling markets Britain has lost some ground to its competitors, particularly Germany and Japan.

THE UK TRADE BALANCE
(£ million)

	January to November	
	1955	1956
Total imports c.i.f.	3,555	3,582
UK exports f.o.b.	2,653	2,919
Re-exports f.o.b.	108	135
Trade deficit	795	529
Of which :—		
Sterling area	105	41
Non-Sterling area	690	488

TOTAL EXPORTS BY REGIONS
(£ million)

	January to November	
	1955	1956
Sterling Area	1,331	1,353
Non-Sterling Area	1,429	1,701
Of which :—		
Dollar Area	378	500
OEEC Area	745	832
Rest of World	306	369

The second explanation is that the slackening in home demand could have only a delayed impact on exports of British capital goods. The decline in home orders may enable many firms to shorten their export delivery dates and thereby win back some overseas business lost to foreign competitors. But those orders cannot be completed and shipped for some time ahead. The export returns are simply a guide to the state of trade months ago—in the capital goods industries one or two years ago. In the industries making consumer durables, the fall in home demand quickly freed resources for export, but those industries have generally found it more difficult to expand their exports.

In 1956, as before, engineering products and chemicals lead the advance in exports, but there have also been substantial increases in many other products, notably iron and steel, non-ferrous metals and refined petroleum. The principal gains—and losses—are shown in the table. The lame dogs were chiefly motor cars and cotton and rayon textiles. The motor industry's creditable gains in North American markets were more than offset by setbacks elsewhere, particularly in Australia, New Zealand, South Africa and Eire. Shipments of cotton and rayon goods suffered particularly from import restrictions in Australasia, and from increased Japanese competition in West Africa.

What are the prospects for 1957? Once the canal is clear, at any rate, the rate of increase in exports last year should be maintained, and may be improved upon. World demand remains remarkably buoyant, and most sections of British industry will be better placed to compete for foreign business than in 1956. In the capital goods industries the volume of home orders is falling, and capacity is growing somewhat. Hence delivery dates may tend to shorten, and in those industries delivery is often a more important selling point than price. And the engineering industries as a whole can count on some slackening in the rise in costs.

Some business with the Middle East is being lost owing to difficulties of payments and deliveries following the Suez crisis. Some orders may also be lost to the United States and Japan in Far Eastern markets, because Britain is at a disadvantage in shipping time and freight costs until traffic again flows freely through the Suez Canal. But these losses are unlikely to be heavy. Petrol rationing in Europe has made it still more difficult for the motor car industry to expand exports, and the big increase in exports of ships and boats may not be maintained this year; the tonnage completed for foreign owners in 1956 was exceptionally high. But exports of aircraft should continue to rise, reflecting the growing volume of foreign orders for the Viscount and other aeroplanes, and there are signs of a revival in exports of cotton textiles.

A further expansion in exports to North America and some European countries should be possible, and there is the prospect of some easing in import restrictions in Australia, and perhaps in New Zealand too. On balance, the opportunities for British exporters seem more favourable than a year ago.

EXPORT GAINS AND LOSSES IN 1956
(£ million)

	Jan.–Nov. 1956	Change on 1955
Non-electric machinery	465	+46
Electric machinery	201	+26
Chemicals	225	+12
Iron and steel	159	+16
Ships and boats	82	+36
Non-ferrous metals	94	+27
Refined petroleum	92	+21
Aircraft	67	+32
Commercial vehicles	85	+ 6
Wool textiles, incl. tops	118	+ 4
Railway vehicles	43	+ 5
Motor cars	106	− 8
Cotton textiles	81	− 9
Carpets and other textile mfrs.	78	− 5
Synthetic textiles	30	− 2

BRITAIN'S BEST CUSTOMERS
(£ million)

	January to November	
	1955	1956
United States	164	204*
Australia	262	226
Canada	128	166
New Zealand	129	117
South Africa	154	143
India	119	157
Sweden	87	96
Denmark	68	75
West Germany	70	84
Netherlands	98	109
France	62	81

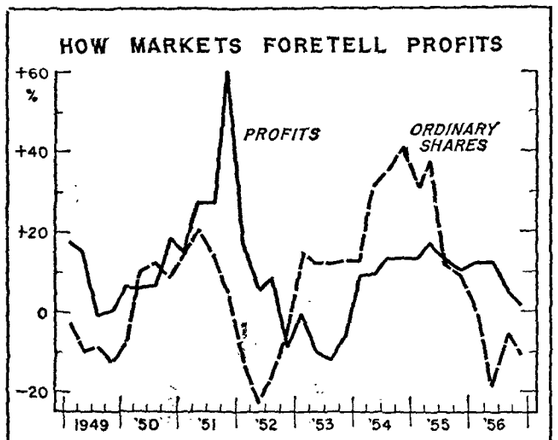
* Excludes the repayment of £20 million worth of silver bullion

A Peep into the Bargain Basement

BAD times are here again, and it is time for investors to start thinking about buying. Once that paradox has been understood the investment problems of 1957 can be faced rationally. But it must be understood that successful investors are those who buy in a depressed market and sell in a booming one. They think seriously of selling a shipping share with apparently brilliant prospects at a time when freight rates have already reached an all-time peak. And they think seriously about buying motor shares when the short-term outlook for the motor industry is manifestly bleak. Such an investor is not yet a substantial buyer. He knows that the worst from industry has still to come, but he also now begins to think about the abolition of petrol rationing, and the possible reduction of the tax on petrol, and make his guess about the timing of those events. He steers by anticipation.

If the outlook for industry is a happy new year in 1958, opportunities for investors should occur in 1957. Company reports will be showing narrower profit margins, with—it is a reasonable guess—much more than a sprinkling of

actual reductions of profits and dividends. Public confidence may still be on the low side. The eyes of the world will still be on sterling and the British gold reserve. But the level of Stock Exchange prices of industrial stocks (not of gilt-edged) is usually determined by a small volume of anticipatory buying. The salesman's brother-in-law who knows that old "Bert" is working harder than ever, the supplier who gets an unexpectedly large order for raw



Rise or fall, per cent on the previous year for the Financial Times ordinary share index and for the gross profits shown in *The Economist* quarterly analysis. A seasonal element persists in the profit curve.

material and the customer who suffers an unexpected delay on delivery may all help themselves to a few hundred shares and start the ball rolling. Therefore, share markets often foretell what the published balance sheets from industry will show, and as the chart indicates they tend to foretell profits about 15 months ahead.

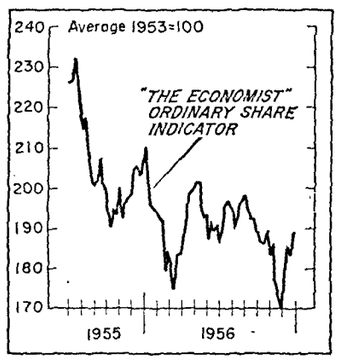
The events of 1956 were certainly not foreseen in these columns a year ago but the investor who took his cue from the forecast made then has, despite the unforeseen events, not done badly. Liquidity, the right prescription, was right for 1956. Those who kept liquid (or invested in short dated stock and therefore on balance did not suffer depreciation) now have full freedom of choice. Is it right now to pull on one's buying boots and stride into the market? If so, which direction shall the sortie take?

There seem to be four main pitfalls to be avoided by those who do venture out—(1) a weakening of sterling, (2) some loss of competitive power by British industry as the bills for the Suez affair are added (as in the end they must be) to industrial costs, (3) some (presumably temporary) recession in commodity prices after the Suez bottleneck is uncorked, and (4) the risk, though it is not a certainty, of market recession on Wall Street from which British share markets could not hope to be immune.

Before he goes far the investor must make up his mind about sterling. It will, no doubt, be successfully defended. The whole of British financial policy since Suez has been keyed to mobilising reserves in order to defend sterling, and the reserves thus mobilised make a formidable total. But there may well be times during the next few months when those whose portfolios contain a hedge against sterling will feel more comfortable for the fact. The obvious hedges are dollar stocks or gold shares with copper shares and diamond shares as second strings. Each of these must be considered on its merits as an investment as well as for its insurance value. Dollar stocks as a stake in the risks and the great possibilities of growth in United States and Canadian industry, copper in relation to the possibility of lower dividends resulting from the lower price of the metal, diamond shares in relation to a possible recession in the demand for industrial stones and to the reported Russian discoveries and gold shares in relation to the fact that French investors are now buying them as a hedge presumably against the franc. The conventional gold shares to hold for the purpose of hedging are the established producers of the Rand, but it is worth consideration whether the geographical balance of the industry has not shifted so far away from the Rand towards the Orange Free State as to make some of the new mines of the OFS a better choice. Investors who prefer a holding not tied to the fortunes of one mine will naturally choose the shares of one of the mining finance houses.

The investor can also afford to look at the gilt-edged market. That market looked ripe for an advance when the Suez crisis broke in July. Instead of a rise there was a fall, but in the last few weeks it has looked firm again, and rides into the new year in good fettle. If enough confidence can be built up, buying of gilt-edged and other fixed interest securities can be expected to increase and to spread from the ultra-short dated stocks towards the medium dates.

No one would suggest that any investor should plunge headlong into the industrial share market. The risks are many, and the trough of the bear market has likely enough not yet been reached. But such a trough never is recognised until it has been passed. There is a case for the substantial fund that has kept itself conveniently liquid now to start looking out for opportunities for investing a small part of the available total, choosing its purchases from among those industries that have been hit hardest—not least hard—by recent events, choosing also as always from among those industries where the element of long-term growth is strong. The motor industry selects itself (and if the motor industry is right, can hire-purchase finance be far behind?). The oil industry equally seems worth looking at and possibly the textile industries, which have recently produced some unexpectedly good results. Possibly, since nothing seems likely to prevent this from becoming increasingly an electrical copper age, it is worth assessing copper shares again at the only point in a decade when a reduction in dividends has looked likely. Equally the argument exists for looking at copper finance shares.



It is likely that 1957 will be a year of shocks for investors, and that many of them will be unpleasant. No one yet knows the full cost of the Suez affair or what twist it may give the economy. The cautious investor will not discard his caution, but for those few who command courage, caution and arithmetic, the shocks themselves may produce useful opportunities.

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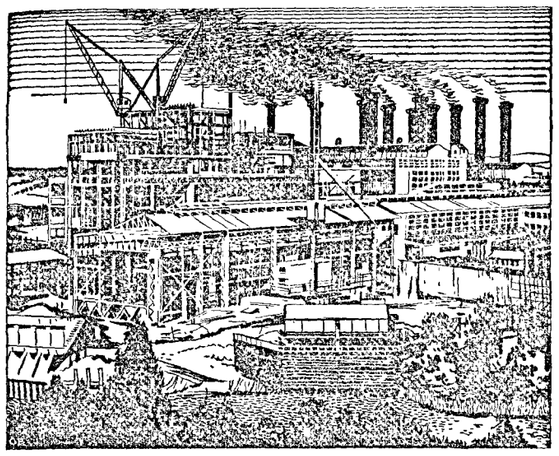
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Yallourn Power Station, Victoria

AUSTRALIA *to-day...*

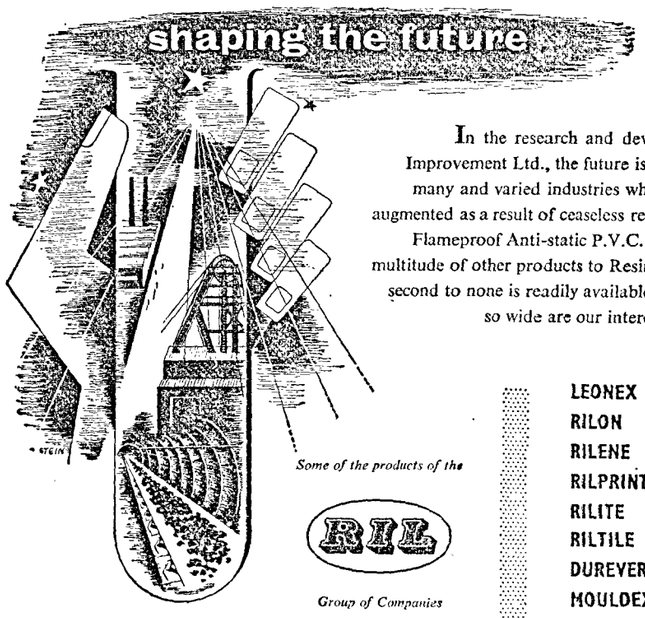
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THE BUSINESS WORLD

Lorries in a Muddle

THE row that has blown up to Cabinet level about the fuel rationing scheme for goods vehicles was to be expected. It has arisen just as much from the apparent failure of vehicle operators to understand what the scheme is intended to do as from the nature of the scheme itself. The cut of 25 per cent of total normal petrol and diesel fuel consumption by goods vehicles plainly involved hardship for someone, and it was quite impracticable to do it by issuing the same flat rate ration at the outset to everyone: fuel consumption varies enormously from business to business and from vehicle to vehicle. It was equally unrealistic to think of spreading the cut evenly over all traffics, since some consideration must be given to traffics that can only move by road. So the Ministry of Transport, to whom the rationing of goods vehicles was passed by the Ministry of Fuel and Power, decided—rightly so—to pitch the basic ration at a fairly low level. It set up in some haste a special administrative machine to cope with applications for supplementary allowances from the half-million operators of the 1,150,000 goods vehicles in the country, intending to concentrate the planned cut in fuel consumption upon the road traffic that could most easily be transferred to rail.

This decision inevitably meant that some hauliers and traders would suffer more than others and, unfortunately, also that there would be appreciable delay before all operators knew just how much petrol, both basic and supplementary, they would get, and thus before they could plan their future operations on a fairly firm basis. The Ministry was at fault for not making this unmistakably clear at the outset, though the point was implicit in the statement of priorities for supplementary rations issued a fortnight before rationing began. The basic ration, which throughout the country amounts to a half of normal petrol consumption and a third of normal diesel usage, is designed to allow all vehicles roughly 500 miles of running a month. This is so low as to leave even the least intensively used vehicle with barely any margin to spare. The issue of this basic allowance to all who had bothered to apply was completed by December 17th. By then, too, the Ministry's regional traffic commissioners had opened up 200 sub-offices to handle applications for supplementary rations. But incredible as it may seem, the total number of applications received in the first two weeks of rationing —which admittedly included the Christmas period— was only 50,000, a tenth of the total number of lorry operators in the country.

This is a ludicrously low figure, whichever way it is considered. If the Ministry's statistics are correct, it means that, on average, only 25 applications have been arriving each day at each of its 200 sub-offices— and that replies have been sent at the average rate of only 15 a day. Over the same period, it might be noted, over half the 3.8 million motorists in the country have applied for extra allowances, and these had a proportionately larger basic ration to start with. In numbers of vehicles, however, these 50,000 applications almost certainly represent a proportion considerably higher than a tenth (how much more the Ministry is at present unable to say). They include applications from the divisions of British Road Services, for example, which runs about 15,000 vehicles; most of the 17,000 or so private hauliers, with just over 100,000 vehicles between them, are also believed to have sent in applications; and no doubt many firms with large C licence fleets have also applied. Nevertheless with so few applicants (and several operators have had to make more than one application as their vehicles are licensed in more than one region) the proportion of vehicles for which supplementaries have been applied for can hardly exceed half on the most favourable reckoning.

Why were so few applications for extra fuel received in these first two weeks? It is, to say the least, highly unlikely that the majority of goods vehicle owners are content with the size of their basic ration, even though some efforts appear to have been made to economise in fuel by securing better loadings, by setting up vehicle pools, and by such devices as sending

vehicles out in pairs so that one can be towed other on the return journey. But in many cases reason can only be sheer dilatoriness.

With relatively so few applications to deal with, however, the Ministry ought to have cleared them much more rapidly than it has done. Admittedly, until some idea of the total demand for extra fuel emerges, it might be difficult for the rationing staff to judge how best to squeeze an unknown pint and a bit into the rationed pint pot. Meanwhile it has been dealing with applications largely on an interim basis, and it has representatives of British Railways sitting in to advise which particular traffics could be taken by rail. Unfortunately the Ministry's statistics do not show how many of the 30,000 applications already "dealt with" have been rejected outright, how many have been given advances on account, and how many have been awarded the full, final supplementary allowance. But it appears that few fall within the third category. The niggardly size of some provisional allowances has clearly not been to the liking of many hauliers, especially long-distance operators, who have been naturally quick to complain that their businesses need more fuel but slow to accept that they are likely to be squeezed more tightly than most since theirs is the traffic that is perhaps on the whole most suited to emergency transfer to the railways. This delay is understandable: forced transfer of work to the railways will undoubtedly mean desperate straits for some haulage businesses over the next few months.

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Most businesses, in haulage and industry, thus do not yet know how much fuel they will finally get—which, whatever the cause, is to be lamented—and may not know for at least another month (even if all those who intend to apply do so in the next week or two). But long-distance operators at least ought to have started to plan their future operations on the assumption that they will probably get a great deal less than 75 per cent of their normal fuel needs ("C" licensed fleets getting rather less than haulage vehicles), and other operators can draw similarly conservative conclusions of their own from the Ministry's list of priorities—as British Road Services have had to. The parable about the ten wise and foolish virgins, with their oil lamps, might be borne in mind, even if this time there is a plea, if only of ignorance, in defence of folly.

The experience of British Railways in the first few weeks of the oil shortage certainly suggests this counsel is necessary. Although passenger traffic has risen to about 10 per cent above what might have been expected were petrol not rationed, there has been barely any increase in freight movements that could be ascribed to a diversion of traffic. Coal traffic in the week before rationing was the heaviest since the summer of Dunkirk, but that was almost entirely due to record output in the mines. General merchandise traffic appears to have risen by about two per cent above normal, while mineral traffic has hardly changed. What indications they are of road haulage activities would also seem to indicate that most operators are still running at not far short of normal, steadily eating into their basic ration.

It may be another month, therefore, before any significant shift of traffic gets under way and, instead of being spread fairly evenly over the whole period of shortage, it may well be concentrated upon the later months. This will help neither industry nor the railways, who obviously see in this enforced transfer an unexpected opportunity of persuading some business to return permanently. But how much extra traffic can the railways expect to come forward? The cut of a quarter in the fuel consumption of goods vehicles need not mean as large a cut in the traffic carried, since there are many practicable and economic ways of running vehicles more economically, but it can hardly be less than 5-10 per cent. Since in terms of loaded ton miles road and rail have virtually equal shares of total freight movements (the road share, totalling about 22,500 million ton miles a year, now slightly exceeds that of rail), the additional rail traffic would also be at least 5-10 per cent. But more than half the total road ton mileage comes from fairly short haul work, not exceeding 40 miles a journey, which the railways are unlikely (and naturally unwilling) to find coming their way. If all goods vehicle operators are able to achieve a saving in fuel consumption by more intensive working of, say, 15 per cent and if perhaps a quarter of all long distance road traffic is switched to rail, the overall cut of 25 per cent in fuel consumption would just about be achieved. This would mean transferring about 2,500 million ton miles a year of road traffic, which would add about 12 per cent to total rail movements. In terms of tonnage, which would be of critical importance for railway terminal handling facilities, the extra load would be about 30 million tons, or 10 per cent more.

This is only a rough guess at the possible order of the switch in traffic, but it may not be very far out if industrial output does not suffer from the oil shortage. Could the railways carry an extra load of this order? Again there can be no precise answer. Undoubtedly the railways have much spare capacity, especially for general merchandise, but this margin varies in different parts of the country, over different routes, and also at different times. Speed of wagon turn-round, the capacity of terminal facilities, and the shortage of certain grades of labour will set the limits. If the bulk of diverted traffic were available in full wagon loads for fairly long journeys there should be few difficulties, and the rates would be competitive. But if a lot of unsuitable traffic is forced to transfer, such as parcels and other small consignments—or furniture, at the other extreme—there would be trouble. Packing and handling costs may present certain problems as the railways have not much spare container capacity. But the most immediate need is for the transfer to start fairly quickly. Otherwise there could be a real "road-to-rail crisis" in March or April.

A Gilt-Edged View

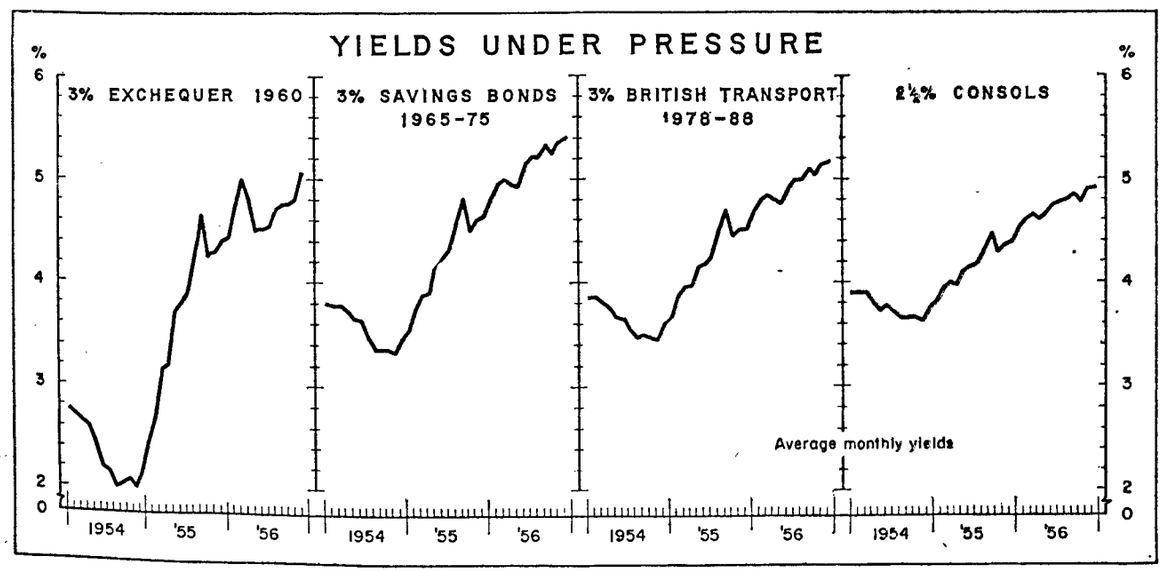
IT was in mid-November 1954 that the gilt-edged market turned downwards. War Loan 3½ per cent was then standing at 90¾. Two years later on November 30, 1956, with a strong element of lack of confidence added to the tightened grip of the credit squeeze, War Loan touched its lowest point of 68⅛. From there the market has rebounded to finish the year and start the new one in good spirits. Window dressing has occurred, though the Government broker's action has been limited to raising his selling prices as the market rose; the banks doubtless feel that they have been fortunate in the level of prices that prevailed for their December 31st balance sheets. But it is quite arguable that something of more substance has also been happening in the gilt-edged market, possibly even that a two-year bear market is played out. The stricter credit policy remains almost intact, but the turn downwards preceded by a significant interval even the first tentative application of it. There is no reason why recovery should not precede any remission of strictness in policy. Prices are made by what buyers and sellers suppose is going to happen just as much as by what has already happened.

To accept the view that a steady to firm gilt-edged market may be in prospect does not mean going any distance with those who proclaim that a reduction of Bank rate is just round the corner. It is, however, essential to believe that the credit squeeze will not be intensified, that the Chancellor will feel that recent events have given the economy a shock sufficient to make any further tightening of the credit screw unnecessary. Since the Chancellor undoubtedly would tighten the credit screw if that were necessary to defend sterling, it is also necessary to assume that sterling will be sustained by the measures already taken. Investors are beginning to make these assumptions.

There are signs too that on the market side the credit squeeze is being applied in a slightly more liberal way—with the object not of depressing gilt-edged prices but rather of obtaining the maximum amount of funding at steady prices. The distinction between the two is narrow: the Government broker must remain a persistent net seller whichever form the policy takes. The distinction is rather in his manner of selling which must on the new view be based on the assumption that a steady market is a better incentive to buyers than are falling prices. It may be significant that he is a buyer, not a seller of the next maturity, the 5 per cent stock of 1957, though it is now little more than a six months bill, whereas a year ago he was still a seller of the 1954-56 stock that was then the next maturity.

The buying of gilt-edged during these past few weeks is worth a closer glance. It has not until this week been large. The buying by discount houses of short bonds has been a substantial element in it. It included some closing of short accounts by the market itself that must always occur as the jobbers change their view. But the institutions—pension funds and insurance companies—have also been buying in a small way and that buying could, if the climate were right, go further. The banks have bought little since the Chancellor beckoned them into the market last July.

The banks had every excuse for responding tardily to the Chancellor's scarcely veiled invitation to increase their investments; they had to face an unknown loss of deposits when the premium bonds went on sale, and they had wounds to lick resulting from their previous



incursions into the gilt-edged market. But the first rush for the premium bonds is now over and if interest rates remain fairly attractive and the market seems firmly grounded, some of them will be tempted to buy more freely. It is likely that the insurance companies and the self-invested pension funds have money available for investment. They have already put a good deal into long-dated and high-yielding industrial debentures and the ICI convertible loan stock has tickled their fancy. But the supply of such stocks is limited. The institutions have probably invested almost as much as they wish in unquoted investments such as local authority mortgages. Moreover, the squeeze on the capital expenditures of the local authorities is probably now actually reducing the calls that they will try to make on the mortgage market.

Stability appears to be occurring at around present interest rates. From the published indications savings seem to have responded to higher interest rates. The national savings total for the first three quarters of the financial year (excluding accumulated interest but including the premium bonds) showed a net inflow of savings of £57.3 million, compared with a net outflow of £57.8 million in the same part of the previous year. The building societies, too, have raked enough money in to be able to start lending more freely in 1957 and the insurance companies are now announcing their usual array of annual records. A steady market of the kind that happens without being engineered would be of no small assistance to the Treasury itself. Its 1957 maturities make a formidable list—£101 million of 2¾ per cent Funding Stock reaching its final date on June 15th, £300 million of 5 per cent Exchequer Stock maturing on the same date and £503 million of 2½ per cent Serial Funding Stock maturing on November 14th, making a total of £904 million of compulsory maturities. In addition there are £2,185 million of optional maturities of which, however, only the £676 million of 4 per cent Conversion Stock 1957-58 is at a price which makes its redemption a proposition worth considering. The Government must therefore undertake substantial conversion operations in addition to whatever borrowing it has to do for the nationalised industries, and it must find dates for other borrowers.

The sale of a large amount of stock on the market and the switching of a large amount on terms that enabled the Government broker to accumulate the next maturity without paying out cash on balance is possible even in a falling market as the well-fought rearguard action of 1956 showed. But it would be infinitely easier on a market that was active and holding steady. With good luck that could be the climate. There will be reactions ; possibly the rise, particularly in the short-dated stocks, has recently gone too fast and investors will remain nervous about sterling for some time. But without expecting the advance to remain as sharp and unbroken as it recently has been, the optimists think they can look forward to a little more buying by the banks who look to the short dates and a little more by those institutions that prefer 20-year stocks and longer. And as confidence grows buying should spread from the short and the long towards the medium dated issues.

Business Notes

Happy New Year for ICI

About 70,000 applications for £240 million of stock have made Imperial Chemical Industries' issue of £40 million 5½ per cent convertible loan stock at £96 a huge, indeed an embarrassing, success. Allotments will not be made until next Thursday, and the start of dealings, probably on January 14th, is still further off ; but the market is already talking about a premium of 2½ points when dealings begin. In support of that argument the strong demand for industrial fixed interest stocks can be quoted. When the terms of the ICI issue were fixed the Esso debenture stood at 3 discount, and now stands at only ¼ discount, while the British Oxygen debenture stood at 1⅛ discount and has now risen to 4¼ premium. With ICI ordinary stock at 39s., it costs, including stamp duty, over 40s. a share to bring it home. The option to convert the new loan stock into ordinary shares at the equivalent of 40s. next July is thus already of more than potential value.

The success of the ICI issue was only one symptom of the buoyant market that saw the old year out, and gained further strength with the opening on Wednesday of the first stock exchange account of 1957. Gilt-edged—especially the short-dated stocks—have been heavily bought in a rising market though the market paused when it learned the gold figures on Thursday. Industrials, including most of the recent favourites, have been moving upwards. Borax at £15¼ on Wednesday showed a rise of 25s. in two days. In the new 5s. form on Thursday the shares eased to 25s. 4½d., slightly less than the equivalent of Wednesday's price. Oil shares, too, have gone ahead, and textile shares have been attracting broadening interest. Investors are in

much happier mood. But lest the picture should get out of perspective, it is worth remembering that prices are recovering from a low level and that the volume of activity is still fairly modest. The number of Stock Exchange markings on the first day of the first account of 1957 was 9,006. On the corresponding day a year ago the number was 12,151.

Gold Reinforcements at Work

Any remaining illusions about what would have been sterling's fate if the Chancellor had not been able to make his swift and grandiose mobilisation of second-line reserves must be finally shattered by the December gold figures. Without the drawing of $561½ million from the International Monetary Fund the reserves would have fallen by not much short of $400 million ; the extent of the loss without the knowledge that this and the other major reinforcements were available defies imagination. The December account was burdened by very large end-year payments on North American loans, totalling $188.6 million ; this included $104 million on the US and Canadian postwar loans paid into a special holding account of the Federal Reserve Bank pending Congressional sanction of the waiver. In addition, $49½ million was paid to the European Payments Union in gold settlement of the November deficit of £24 million, and $3 million as the usual monthly instalment to EPU creditors. The residual dollar deficit thus comes out at $158 million.

THE PAYMENTS AND THE RELIEF
($ million)

Reserves at end November		1,965
End-year debt payments:		
US and Canadian post-war loans and lend-lease settlement :		
Principal	−71·8	
Interest paid to holding account	−104·0	
Interest and principal on loan element of Marshall Aid	−5·3	
Quarterly instalment Canadian interest free loan of 1942	−7·5	
Monthly repayment to EPU creditors	−3·0	
	−191·6	
EPU settlement for November	−49·4	
	−241·0	
US Aid	+ 6·0	
Residual dollar balance	−158·5	
Drawing from IMF	+561·5	
Change in reserves in December		+ 168
Reserves at end December		2,133
Reinforcements mobilised:		
IMF standby credit		*738·5*
Export-Import credit		*500*
Release of holding account ( )		*103·8*

It is understood that the whole of this loss was attributable to operations in the first ten days of December, before the announcement of the IMF assistance (which includes a standby credit of $738½ million). The rate of the speculative and psychological drain in this period thus appears to have been at least as strong as in November, when the gold loss was $279 million ; though the pressure in EPU appears to have abated, as the month's deficit fell from £24 million to £8 million (of which £2 million represented a half yearly interest payment), to be settled by a gold payment this month of $17 million. Part of last month's loss is attributable to payments for dollar oil, but this is believed to have been relatively small in relation to the capital strain in the first ten days.

Sterling now stands in good stead to meet the current strain of the Suez dislocation. Behind the enlarged reserves are the lines of credit of $738½ million from IMF and $500 million from the Export-Import bank—and it seems that the Ex-Im credit is likely to be used liberally to maintain the level of the central reserves. A further reinforcement should soon be provided by the release of the holding account. Finally, there is no reason to expect further sustained speculative pressure. Sterling has continued firm at around $2.78⅛ since mid-December, and on Wednesday it reached $2.78 13/16. The advance was continued on Thursday after the gold figures were announced. The spot rate headed $2.78 7/8-1 1/16, the discount on sterling three months forward dropped to 2 cents, compared with 2½ cents a week earlier.

Demand for Steel Now

Now that steel prices have gone up, the industry is waiting to see whether its customers will begin to run down their stocks really sharply in early 1957. Nobody knows yet how steel stocks in the hands of merchants and consumers stood at the end of the year, but there is not much doubt that they were still very high. The peak, just over four million tons of finished steel products, may have been passed a little more than half-way through 1956 ; by the end of September consumers' stocks showed a very slight decline, though merchants' stocks had risen further. But at that time everybody knew an increase in prices could not be far off ; today, steel is not quite as much better than money as it was a month ago. Moreover, certain major consumers such as the motor industry must by now have taken a view—probably a poor one—of their prospects in the first half of 1957. Sheet steel stocks were run down a little in the third quarter and probably more in the fourth quarter of 1956, but are still high enough to make a significant difference to current home demand from the strip

STEEL SUPPLIES IN BRITAIN
(million ingot tons equivalent.)

	1954	1955	1956 (Est.)
Production	18·52	19·79	20·7
Re-usable steel	0·35	0·30	0·3
Deliveries to (−) or from (+) stock	+0·15	−0·38	−0·2
Home supplies	19·02	19·71	20·8
Imports	0·47	1·86	1·9
Total supplies	19·49	21·57	22·7
Exports	2·90	3·36	3·4
Home deliveries	16·59	18·21	19·3

mills. The main demand has already shifted from light to heavy steel: will it soften further?

The craftsmen's ban on overtime last year cost the industry half a million tons of the extra output it had intended to deliver, but it still produced about 900,000 ingot tons more steel than in 1955. Imports did not come down in total. On balance, British steel consumers received about a million ingot tons more than the year before, or, say, 750,000 tons of extra finished steel. Although the complaints about shortage of heavy steel continued unabated, consumers did not use all this steel: as so often in periods of shortage, they built stocks up.

Having so far arranged largely to offset the cut it has suffered in fuel oil supplies with extra creosote-pitch and other alternative fuels, the industry has begun this year fairly confident of being able to produce 22¼ million tons of crude steel. It does not imagine that British consumers will want 1½ million ingot tons more steel this year. But it is still in the fairly comfortable position of being ready to sell these consumers supplies they had to buy expensively from abroad last year; the "cushion of imports" is still a plump one. Beyond 1957, the industry is looking rather warily once again at its customers' expansion plans: but not, for the moment, allowing scepticism to temper its own.

Financing Steel Expansion

BEING already committed to a crude steel capacity for Britain of some 23½ million tons by 1958, the industry is now prepared to talk of 28 million tons by 1962; this would require blast furnace capacity for about 20 million tons of pig iron. Between now and 1958, completion of its second development plan will also require £200 million of capital investment, to add to the £550 million the industry has ploughed into steel since the war; and the further expansion up to 1962 at present looks likely to cost another £400 million. If this much expansion is achieved, the industry will have invested about £1,150 million since the war (at today's prices, say £1,300 million).

Where has it been getting the money so far? In its current *Steel Review*, the British Iron and Steel Federation estimates that between 1946 and 1955, of the £427 million it invested in new capacity (as against replacement of plant), only about £105 million, a quarter, was raised by external borrowing. Another quarter of the money, some £110 million, came from what the federation calls "exceptional internal resources"—profits earned by charging export premiums, the earnings of companies from activities outside steelmaking, such as constructional engineering, the temporary use of tax reserves and the "once-for-all" receipts from colliery compensation. Just under half of the investment, £212 million, was financed from "normal internal resources"—retained profits from home steel prices. In 1954-55, these "normal" retained profits were contributing about £35 million a year to investment in steel expansion.

Of the investment that the industry intends between 1957 and 1962, it reckons that £515 million, say £85-£90 million a year, will be required for additional capacity (upon the optimistic assumption that the depreciation provided in the home steel price will take full care of replacement). At best, it thinks, it might be able to borrow from outside at about double the rate of recent years—say £20 million a year. Exceptional internal resources are likely to be down about a third—to say £8 million a year. Retained profits might offer about £42 million a year—leaving out profits gained from export premiums, as a calculation based on expanding capacity for British consumers reasonably should. This leaves a gap of say £20 million required each year to provide this net after tax from home steel prices, the industry would need to raise prices by an average of £2 8s a ton. That estimate leaves out the inadequacy of the depreciation provided in steel prices to cover replacement after tax has been paid; and the need to cover marginal costs on certain plant, as the Iron and Steel Board has now begun to do in the latest steel prices. It is merely a blur account of the profits that the steel industry must have if it is to expand as much as its steel consumers demand.

Ten Years of Rationalisation

THE British coal industry served the nation last year with just about as much coal as it did in 1955, which was certainly much more than in 1947 but also somewhat less than in 1951, 1952, 1953 or 1954. In a year without expansion in the British economy, this was enough to allow the coke ovens and the power stations the extra coal that they, almost alone, needed; also a small increase in the industry's net exports, which had been cut so savagely the year before. Britain began the year with more coal in stock than ever before, and these stocks are probably nearly as high now. They are largely a legacy from the very heavy coal import programme of 1955, and should come in very useful to take some of the work off oil in industry this winter.

Slackening of the general demand for labour during 1956 has not enabled the coal mines to recruit many extra men though it has stopped the mining labour force from declining further; and the miners in the industry have been working rather fewer shifts a week than in recent years. The rank-and-file majority against the agreement reached between the Coal Board and the National Union of Mineworkers to postpone negotiations over the "bonus shift" may revive a danger to output that the board hoped to avoid for a little longer. If the arrangement by which miners receive an extra shift's pay for every week in which they work five shifts were converted into a straight addition to the shift rate, absenteeism would almost certainly increase: how much this would cost in coal is a matter of dispute, but it might reach 4-5 million tons a year.

The board must be apprehensive, therefore, even about maintaining the sorry 1955-56 level of output during 1957. It takes a certain fortitude to declare much pride in the coal industry's recent service to the nation at such a moment, and the National Coal Board's painful protestations this week on the tenth anniversary of nationalisation are perhaps best counted as necessary professions of faith, from which the outsider should decently avert his eyes. All the customary rationalisations are there, burnished with long use: the industry pants away marking time up that downward escalator, inches painfully along its investment pipeline, manfully toils to replace the capacity that vanished yesterday. All, too, must be nearly as true as they are pat; but it is hard to avoid the feeling that while the industry spent the first five years after nationalisation producing extra coal, its extra output ever since has been largely of excuses.

Output Dead Level

INDUSTRIAL output last year seems likely to have run out almost exactly the same as in 1955. During the first ten months of the year the official production index for all industries averaged 137 (1948=100), exactly the same as in those months of 1955; in November, the index seems likely to have been 144-145, against 147 in November, 1952; and heavier short-time working here and there in December will probably have made output then slightly below December, 1955. Seasonally adjusted figures show output in October and November just under 136 (1948=100), about 2 per cent lower than at the same time a year before. But in September and October manufacturing output looks to have been as much as 4 per cent down, on a similar comparison.

SEASONALLY ADJUSTED INDICES OF INDUSTRIAL OUTPUT (1948=100)

	All Industries		Manufacturing	
	1955	1956	1955	1956
January	134	138	139	143
February	134	136	140	141
March	136	136	141	141
April	136	136	142	140
May	137	135	143	139
June	135	138	140	142
July	136	137	141	142
August	136	135	141	137
September	138	137	143	142
October	139	135	144	139
November	139	136-137	144	
December	141		147	

The Commission Meets a Monopoly

IN one of the last major inquiries that the Monopolies Commission completed before the new Restrictive Trade Practices Act restricted its activities to the study of "single firm" monopolies, the Commission was confronted with a single firm monopoly *par excellence*—the British Oxygen Company, which is responsible for no less than 98.5 per cent of the oxygen and dissolved acetylene supplied in Britain. The main result of this encounter is a resounding defeat for the British principle of "empiricism" in dealing with monopoly that leaves considerable doubt whether the Commission as now reconstituted is ever likely to achieve anything.

The British Oxygen Company, as portrayed in this report, fits almost too closely to the economic copybook caricature of monopoly to be true. It has steadily worked its way to virtually complete control of oxygen and acetylene manufacture and to a dominant position in the supply of oxygen-making apparatus in this country by buying out its competitors. It has not recently, the Commission thinks, been anxious to push its last, and comparatively insignificant, competitor out of business; but it was only in 1955 that BOC disclosed its ownership of a subsidiary that was being used as a "fighting company" to undercut this rival's prices in certain marketing regions. Much of the oxygen it sells is under contracts that make exclusive dealing with it a condition of supply; and it publishes no price list and charges customers at different rates, usually at delivered prices that tend to average transport costs. Moreover, though BOC since the war has set up its own research department and now spends about 2½ per cent of turnover on research and development, the commission is uncertain whether these efforts are adequate; over the years, most of the significant improvements and developments in oxygen manufacture have come from outside this country. This is not in any obvious way an inefficient company; and it is certainly able to show that the prices of its products have not risen nearly as much since before the war as prices in general. Nevertheless, the commission still thinks BOC's profits in such a relatively riskless situation have been "unjustifiably high."

Is State Control the Answer?

JUST where any level of profit becomes "unjustifiably high" is a question that other businessmen as well as the British Oxygen Company might dispute with the Monopolies Commission. In the years 1952 to 1954, on its gas manufacturing and selling operations, BOC made a profit of 23-24 per cent on capital employed, counting capital at historical book values written down at Inland Revenue rates. The Commission finds that this rate on historical capital values gives BOC, "an almost complete financial monopoly facing a limited financial risk," a higher rate of profit than most groups of public companies according to figures the commission has calculated from results recorded by *The Economist* (which are obviously an average of higher and lower rates) in the same years. In reply, the company reasonably enough points out that if the assets employed are taken at replacement costs, this margin of porfit looks much smaller—about 16½ per cent. To this, the commission in its turn points out that BOC was able to raise £8 million of new ordinary capital in 1955 on a basis offering a 6 per cent yield, which would have required just over 9 per cent in profit before tax. Even on the replacement basis, it therefore argues, a substantial part of BOC's profits would remain after giving the return that stockholders now demand from investment in so safe a business.

The company, incidentally cited in its argument about profits the fact that the nationalised Iron and Steel Corporation of Great Britain was permitted to earn 17 per cent on the replacement value of its capital in 1952. This, however, related to profits not only on home sales of steel but on exports and activities outside steel; and it might be added

that in its heyday the Iron and Steel Corporation hardly controlled quite such a proportion of the iron and steel industry as BOC does of output of these two industrial gases.

Two of the members of the commission, indeed, suggested that "the desirability of public ownership and management, with a guaranteed return on capital, should be seriously considered" (they might even have nominated a possible chairman). All the members agreed that the monopoly position of BOC operated against the public interest and may be expected to continue to do so unless changes are made. But the main change that the commissio has to suggest is a sad anticlimax: that BOC's prices a costs should be subject to periodical review by the Boa of Trade. Price control is hardly the most obvious wa to restore free competition to any industry. British ant monopoly legislation makes no provision for the breakir up of any company into competing units (and incidentall none for this special form of discriminating price control But without some such power to restore competition, rath than chain monopolies by the leg, it might be as well disband the reconstituted Monopolies Commission.

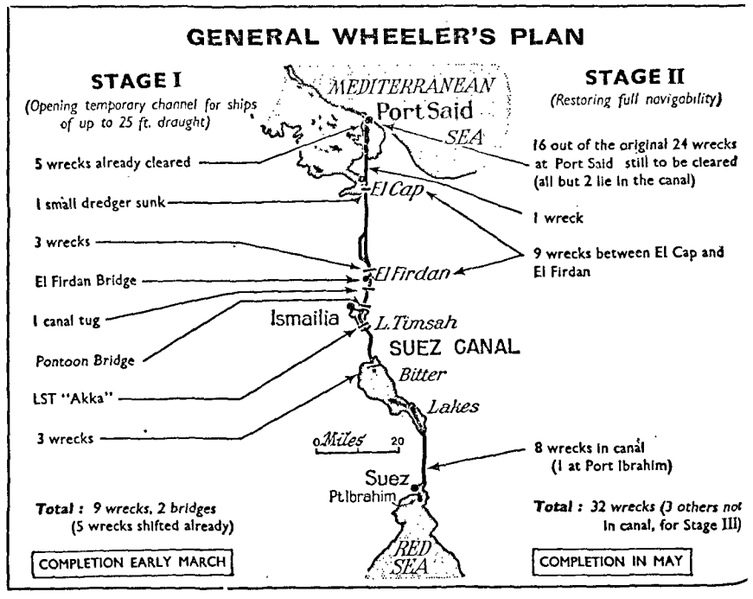
Prospects at the Canal

AFTER several false starts, the United Nations salvage team has at last begun clearing the Suez Canal. Although full details of the salvage fleet under General Wheeler's command have not yet been released, it is clear from what is already known that his force is not the equal, in size or effectiveness, of the Anglo-French force now lying idle. Five British salvage vessels at Port Said have been taken over temporarily, and General Wheeler is now reported to have decided that he will not need any of the others.

General Wheeler's plan of operation is virtually th same as that prepared by the Admiralty some weeks ago. The work is divided into three parts. The first stage will be to clear the nine wrecks remaining in the main channel which, with the two destroyed bridges, still deny passage to vessels with a draught of up to 25 feet. Stage two is intended to restore the canal to full use, which means clearing a further 32 wrecks, repairing essential shore facilities, and doing any necessary dredging —which might be considerable at the southern end. The final stage will include the removal of all remaining obstructions from ports and basins and the disposal of wrecks previously raised and towed out of the main channel. If General Wheeler is able to keep to his timetable—the course of events since he arrived in Egypt makes one wonder—stage one should be completed, and a temporary channel opened to shipping, early in March; stage two, and the restoration of maximum transit, should be finished in May. This is rather more optimistic than the Admiralty's tentative schedule; with rather more resources it estimated that stage one would take seven weeks against General Wheeler's ten, but General Wheeler has had the opportunity of examining the wrecks on the spot.

Most of the work in stage one will arise in the centre of the canal, and three teams are to tackle it simultaneously. The first will operate between Port Said and El Firdan (4 wrecks); another will tackle the three obstructions between there and Lake Timsah; and the third will operate southwards to the Red Sea (also 4 wrecks). The object will be to lift these wrecks to the side of the channel or slew them parallel to the banks. Lifting craft normally work in pairs and operate by passing wires under the wreck, securing them to the lifting craft on each side. These vessels then alternately fill and empty their tanks with water, tightening the wires at each fill (as there is virtually no tide in the canal, normal tidal lift cannot be used). Where the weight of the sunken ship is too heavy for lifting craft, buoyancy may have to be restored by patching, coffer-damming and pumping, or by the use of compressed air. In the last resort a wreck may have to be carved or blown to pieces, and this may yet be the fate of the tank landing ship "Akka," which lies on its side with a cargo of cement and scrap iron an presents the stickiest problem of all th 52 ships originally sunk.

World shipping movements will n return to normal immediately stage tw has been completed (even if no politic blocking follows the removal of th physical obstructions). Nor ca Western Europe expect more than trickle of oil imports from the Persia Gulf *via the canal after stage one* over. The temporary passage will tak the smallest tankers only, and even the vessels may at times be subjected some delay. Even when canal mov ments are back to normal, it may b wise not to count on oil restrictio being removed until refinery stocks ha been built up to working levels and als perhaps, until repairs have been made the Iraq Petroleum pipeline in Syri On General Wheeler's present rath favourable forecast about clearance wo at the canal, petrol rationing will plain have to last until at least June or July.



Budget Off Target

IT now seems certain that the Exchequer accounts for the current fiscal year will show a marked divergence from the budget estimates. The Chancellor stated last month that the total outturn "will be better, not worse, than I forecast last April"; but as he then intimated, this would be wholly attributable to a shortfall in issues below-line—"by more than £150 million" compared with the budget estimate. However, a large part of this saving does not represent a corresponding relief for the economy as a whole; and part of it may represent merely a temporary lag in payments, authority for which is not confined, as it is for payments above the line by the Finance Act, to the current fiscal year. In the above-line account, the deterioration seems likely to be considerable, notwithstanding the Chancellor's declaration last month that the surplus will still be "very large."

NINE MONTHS' OUT-TURN AND BUDGET ESTIMATES
(£ million)

	April 1—Dec. 31, 1956	Change on April—end Dec., 1955	Expected Change* in Full Year on 1955-56 Out-turn
Revenue:			
Income Tax	801·0	+80·9	+142·6
Surtax	53·3	+ 5·1	+ 5·4
Death duties	120·7	−11·4	− 5·7
Stamps	45·9	− 7·9	−11·7
Profits Tax and EPT	149·2	− 2·2	+24·3
Excess Profits Levy	3·9	−12·2	−14·5
Other Inland Revenue	0·2	− 0·1	...
Total Inland Revenue	1,174·1	+52·2	+140·6
Customs	909·3	+31·1	+55·4
Excise	675·3	+46·1	+88·9
Other revenue	210·0	− 2·8	+19·7
Total Ordinary Revenue	**2,968·7**	**+126·7**	**+304·4**
Expenditure:			
Debt interest	570·2	+64·7	+32·1
Sinking funds	25·3	+ 0·3	+ 0·5
Other Consolidated Funds.	50·3	+ 4·2	+ 1·7
Supply services	2,907·6	+270·7	+227·7
Total Ordinary Expenditure	**3,553·4**	**+340·0**	**+262·0**
Above-line balance	**−584·7**	**−213·3†**	**+42·7‡**
Net below line outlays	−342·8	+95·3§	−265·0†
Total deficit	**−927·5**	**−118·1†**	**−222·0†**

* Original estimates; not providing for subsequent net cuts in expenditure, estimated in budget speech at £20 mn., arising from reductions in bread and milk subsidies, as partly offset by increases in farm subsidies and family allowances. † Increased deficit. ‡ Increased surplus. § Reduced deficit.

The Exchequer returns for the first nine months of the fiscal year, to December 31st, show a rise in total ordinary revenue of £126.7 million, compared with the estimated rise in the full year of £304.4 million; and a rise in ordinary expenditures of £340.0 million, which is nearly £80 million more than the budgeted rise in the full year. The net deterioration in the above line balance is thus £213.3 million, compared with the budgeted improvement of £42.7 million, to a surplus on the basis of the original estimates of £440 million. The subsequent economies announced in a number of stages by the Chancellor totalled £91¼ million; but of these, it has been intimated that £5 million will not be made on account of the Suez requirements. These are expected to entail additional expenditure of £35-£50 million in the current fiscal year—though a small part of this may be offset by the increase in the petrol tax, which is expected to be more than sufficient to offset the effect of rationing on duty receipts.

More Than Suez

THE rise in budget expenditure is attributable to more than the Suez influences; the increase in spending on supply services now amounts to over £270 million, that is £43 million more than the expected rise for the twelve months. Further, interest payments on the national debt are up by over £64 million, just twice the estimated increase for the full year; one of the most important causes of this must have been the big increase in encashments of national savings certificates (entailing payments of the accrued interest) to exchange into the attractive new issue.

On the revenue side, the significance of the nine months' figures is severely limited by the seasonal concentration of income tax and surtax in the early months of the new year. About three-fifths of the year's income tax remains to be collected in this final quarter, so that the rise in receipts to December 31st by £80.9 million, compared with an expected £142.6 million in the year, is not unsatisfactory. But there does appear to be a marked shortfall in receipts from customs and excise (up by £77.2 million compared with the estimated £144.3 million); this seems attributable mainly to the fall in sales of cars and other durable consumer goods—and thus reflects success in the Government's disinflationary measures. The fall in other revenues represents a small decline in motor duties, a decline in miscellaneous receipts and higher spending by the Post Office, which is now expected to show a deficit, instead of the surplus of £10 million originally estimated.

The deterioration in the above line account has been more than offset by the improvement below line; the net

Retail Business

CUSTOMER TRENDS

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deficit here is £343 million, which is £95 million less than a year ago; yet the budget estimate was of a big increase in the deficit from £538 million to £803 million. (As a result of the new procedure of providing the capital needs of the nationalised industries direct from the Exchequer). The upshot has been that the overall deficit, expected to rise by £222 million to £363 million, has so far risen by only £118 million.

The shortfall in the capital outlays is attributable primarily to lags in loans to local authorities and in those to the state industries. Local loans, which in the full year were expected to fall from £331 million to £220 million, have so far reached only £85.3 million; the switch to market sources of finance has gone further than expected, though the fall is also attributable to some decline in local outlays. The new loans to nationalised industries were estimated at £350 million both this year and next; the first advances were made in August, and by the end-year they had reached only £154.4 million. The mid-December instalment was £46.6 million, which is considerably above each of the four preceding instalments. It included £20 million for the Transport Commission, needed largely on account of the incidence of interest payments, and a first £5.4 million for British Overseas Airways Corporation.

Bill Rate Down Again

At the last Treasury bill tender of 1956 the discount houses raised their application price for 91-day bills for the third successive week—by a further 3d. to £98 15s. 9d. per cent, compared with £98 14s. 9d. on December 7th. The average discount rate at which the full £270 million was allotted thus fell from £4 18s. 1.43d. per cent to £4 17s. 1.81d. per cent, easily the lowest rate for the period covered by the 5½ per cent Bank rate, and roughly ¼ per cent below the highest point reached in the second quarter of the year (in mid-October). The immediate cause of this movement was the market's desire to replenish its portfolios of 91-day paper, since these had been depleted by outside competition and by the fact that it had been virtually obliged to take up large amounts of 63-day bills during the eight weeks (from end-October) when these were on offer.

The keenness of the demand for bills reflects a conviction that the next move in Bank rate will be downwards—and a rising hope that the move may not be long delayed. It is hard to see how such hopes can be reconciled with the Chancellor's pronouncement on monetary policy early last month; but the fact that the Treasury bill rate has fallen steadily for three weeks seems sufficient proof that this easing is not contrary to the wishes of the authorities. Moreover, the money market last Monday enjoyed an exceptionally easy year-end—by midday credit supplies were so abundant as to lead the Bank of England to mop up the surplus by resales of short bills. This ease was partly attributable to precautionary market borrowings of seven-day money at the Bank on two days after the holidays, but the major factor was its large holdings of maturing bills. Although the purpose of the offering of 63-day paper is to enlarge the maturities during the heavy tax-gathering weeks of the new year, the first batch of these bills started with a December 31st maturity, for which the market tendered heavily. To this extent the pressures of the year-end were transferred to the Treasury, which over the turn of the year required £4 million of Ways and Means advances from the Bank of England.

Martins Dividend

Martins Bank, as usual the first of the clearing banks to announce its annual results, has confirmed one expectation and disappointed another. All the English banks have almost certainly gained more from the swing than they have lost on the roundabouts of higher interest rates—and Martins reports a small increase in its published profits, from £930,616 to £944,780. Some City optimists, however, had been hoping for some increase in bank dividends, encouraged perhaps by the increase that is to be made by Lloyds Bank arising from its capital reorganisation. These hopes have been dimmed, if not dashed, by the Martins decision: the bank's final maintains the year's distribution at the 17½ per cent paid since 1953. Significantly, the allocations of retained profits are again confined to inner reserves—£200,000 to premises and £300,000 to contingencies.

Amending the Indicator

At the end of the calendar year, *The Economist* ordinary share indicator is re-based and linked back to the original base (average 1953 = 100) by a conversion factor, as explained in these columns on October 27th when the indicator was introduced. Secondly, the 50 constituent stocks are reconsidered and changes are made to bring in

THE ECONOMIST ORDINARY SHARE INDICATOR

	Average, 1953=100	End-Dec., 1955=100	Yield
1955:—			
Dec. 28	206·3	100·0	5·01
1956:—			
Jan. 4	210·4	102·0	4·90
„ 25	195·1	94·6	5·29
Feb. 15	179·5	87·0	5·76
„ 29	181·7	88·1	5·71
Mar. 7	174·6	84·7	5·95
„ 28	183·5	89·0	5·67
April 25	199·5	96·7	5·35
May 2	201·7	97·8	5·32
„ 9	201·7	97·8	5·37
„ 30	193·9	94·0	5·61
June 27	191·0	92·6	5·74
July 25	197·2	95·6	5·59
Aug. 29	198·1	96·1	5·56
Sept. 26	189·2	91·7	5·83
Oct. 31	183·8	89·1	5·97
Nov. 23	170·0	82·4	6·45
Dec. 31	189·2	91·7	5·91
1957:—			
Jan. 2	190·5	100·7*	5·75

* December 31, 1956=100.

stocks which are of high current market interest. The latest re-basing has been taken as an opportunity to introduce Burmah Oil £1 units and Joseph Lucas (Industries) £1 units into the indicator in the place of London Brick £1 units and Wall Paper Manfacturers £1 deferred units, a substitution decided upon after consultation with a number of leading stockbrokers. The list of London Active Securities appearing on page 67 has also been revised.

The Economist Indicator shows that over the calendar year ordinary share values fell by just over 8 per cent. At the end of November, after the repercussions of the Suez crisis, these values showed a fall over eleven months of about 17½ per cent. Thus in December leading active stocks rallied sharply—much to the relief of those who value their portfolios at the year end. Following a further rally in the market, the indicator, in its slightly amended form, had risen to 190.5 by the close of dealings on January 2nd.

Better Discount Results

The good running margins enjoyed on financing bill portfolios and the recovery in short bond values during 1956 have enabled those discount houses that were hard hit by the onset of dear money in 1955 to make good some of the damage then done. The National Discount Company, one of the two big houses that was last year obliged to reduce its dividend and to show a substantial uncovered depreciation on its bond portfolios, is maintaining its distribution at the lower level (10 per cent, against 12 per cent in 1954), but this time the payment is apparently being made out of a current surplus—the disclosed "balance of profit" of £202,103 is computed after making a provision "towards" depreciation on securities—whereas in 1955 the "balance for the year" (of £105,725) reflected transfers from inner reserves. After the remainder of the contingency reserves had been applied to writing down investments, there remained a book depreciation of £3,228,203; this has now narrowed to £2,493,573, and thus is just covered by the published reserves and carry-forward.

The Union Discount, the only one of the big houses that succeeded in 1955 both in maintaining its dividend and in valuing investments at or below current market prices, is also maintaining its dividend this year at 12½ per cent. Its published profit is £420,000, in place of the "balance for year" of £391,000 reported for 1955. The 1954 profit was £505,000.

Dearer Tea

The steady advance in prices of plain tea is now being passed on to the British public. Several blenders have raised their retail prices by between 4d. and 8d. a lb, and other firms will soon follow suit. The rise in prices is mainly the result of the shortage of tea in London following the closing of the Suez Canal. In the two months before the Christmas holidays the official quotation for plain tea in London rose by 2s 1½d to 5s 6½d a lb, and it has only dropped by 2d a lb since then. Prices of the better grades, however, have been falling steadily. That fall chiefly reflects the seasonal decline in quality, and hence it does not fully offset the higher cost of plain tea. Three months ago the "concertina" between plain and best tea stretched from 3s 6d to about 10s a lb; now it has shrunk to between 5s 4d and about 6s 4d a lb. Arrivals of tea via the Cape are now being landed in London, and the quantities put up for auction here are increasing. Buyers are naturally hoping that prices of plain tea will weaken further.

Cooler Fusion

Scientists at the University of California believe that they have been able to bring about fusion between two atoms without having to resort to the immense heats of 100 million degrees centigrade that once seemed an indispensable part of the fusion process whether it occurred naturally, as in the sun, or artificially, as in a hydrogen bomb. Full details of the Californian experiments are not yet available but they seem to have demonstrated that fusion between two hydrogen atoms can be brought about through the medium of nothing more formidable than an obscure and enigmatic atomic particle known as a meson. The function and nature of mesons are far from clear; they are reputed to play an important part in holding together the variety of particles, some electrically charged and some uncharged, that make up an atom. They are described as mid-way in size between an electron (the small particle that circles the nucleus) and a proton (the relatively large particle that goes to make up the nucleus). But the fact that a meson lives only for two millionths of a second makes its study difficult; at the end of this brief existence, moreover, it is quite liable to turn itself into an electron.

The mesons studied in California did not all do this. Some of them began to circle the single-particle nucleus of hydrogen atoms for all the world as if they were electrons, but as they were heavier, they got so close to the nucleus that they became what is termed "mesic atoms." In some way, yet to be explained, these mesic atoms have a special affinity for the nuclei of atoms of heavy hydrogen (which differ from "light" or ordinary hydrogen by having two particles, not one, in their nuclei). Revolving around the nucleus of the ordinary hydrogen atom, the mesic atom tends to force it to fuse with a heavy hydrogen atom, probably because its presence so close to the hydrogen nucleus cancels out the forces that normally repel one nucleus from another. The mesic atom remains unaffected by the fusion and if its life were long enough, it would travel off to bring about more reactions. In fact, the life is so brief that a meson cannot often bring off one reaction, even under the most favourable laboratory conditions. It takes vast particle accelerating machines driven by equally large quantities of electricity to provide a stream of mesons adequate enough to conduct even these preliminary experiments.

The importance of the Californian results is twofold. First, it makes a big contribution to basic knowledge of nuclear physics and the intense, highly individual lives of the particles of an atom. Secondly, it adds point to the

search for still unidentified particles that would behave like mesons but have a longer life. Russian scientists say such a particle exists; if it does, "cold" fusion may yet become a practical way of releasing atomic energy. Work on similar lines is being carried out at Harwell.

The Advantages of Immortality

A SERIES of meetings by shareholders of the various tea companies in the management of Alex Lawrie and Company have drawn the attention of tea investors to a new problem and possibly to the solution of it. The Indian Government collects estate duty on the death of British shareholders of British registered companies if the business happens to be in India. The duty is 7½ per cent on the market value of the shareholding if the value of that shareholding (not of the deceased estate) exceeds 5,000 rupees (about £375). It is a small but persistent drain on the resources of many companies. The Alex Lawrie group (of which Jokai is the best known company) is now altering the articles of association of the companies, so that the burden will fall on the deceased estates and not on the companies.

The precedent may or may not be followed; the agency houses are not all of one mind on the wisdom of this particular method. But it seems certain that all groups will point out to their larger shareholders that immortality is cheap and easy to achieve. For a modest fee—sometimes for no fee if the shareholder is a good customer of his bank—some banks will allow registration in the name of the bank nominee company. Bank nominees never die.

Insurance in 1956

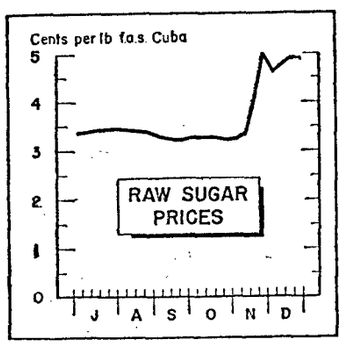
IT seems certain that last year's new ordinary life assurance business has comfortably exceeded the 1955 record of £1,108 million net new sums assured. Staff pension and life assurance schemes are being arranged with the life offices as freely as ever. But the machinery for "Millard Tucker" pension contracts for the self-employed has taken time to run in; it is doubtful if there was any substantial business from that source in 1956.

Further increases in bonuses to the with-profit policy holders of the life offices and the life departments of the composite insurance companies testify to excellent trading profits, the dominant source of which is the steadily rising yield on the invested funds. But the assets, naturally, have suffered depreciation and that has had to be covered out of inner reserves. Those inner reserves have, with very little respite, taken the strain of a decade of falling prices of fixed interest stocks in which—with a few exceptions—life offices invest towards half their assets. In 1956 there was no escape from depreciation by holding British equities. According to the Actuaries Investment Index, debentures fell by 8.2 per cent, preference shares by 9.0 per cent and ordinary shares by the same proportion. A representative life office holding—3 per cent Savings Bonds—fell by 5.2 per cent. On an average distribution of its assets, a life office will have done well in 1956 to avoid depreciation of about 5 per cent of its market value at the beginning of the year. Most life offices and life departments of composite companies must still have some fat left in their inner reserves. All of them can with propriety raise the rate of interest underlying the actuarial valuation of their liabilities in line with the increase in the yield on the invested funds and use the reserves released to write down their assets.

New Start for the Sugar Scheme

BY January 1st sufficient exporting and importing countries had either accepted the revised International Sugar Agreement, or expressed their intention of accepting by July 1st, to bring the scheme into immediate effect. The agreement, which seeks to regulate the price and marketing of raw sugar in the "free" world market, has virtually the same membership as before. It remains for the exporters outside the old agreement—Indonesia, Peru and Brazil—to signify their intentions. Brazil, which took no part in the negotiations last year, is most unlikely to join.

The scheme comes into force when the outlook for the free world market is much brighter than for several years. World demand is buoyant; the burdensome stocks of earlier years have been worked off; the new European beet crop is smaller than last year's and it seems unlikely that the East European exporters will have much sugar to spare. The latent strength of the market was shown dramatically after the fighting in Egypt broke out. In three weeks the spot price jumped by 1¾ cents to 5 cents a lb fas Cuba, the highest level reached for over four years.



When the Sugar Council meets in London on January 29th it will almost certainly have to decide to leave exports unrestricted; this would be the first such occasion in the history of international sugar schemes. There are now four "datum" points for the adjustment of export quotas: 3.15, 3.25, 3.45 and 4.0 cents a lb. When the average price for seventeen consecutive market days is between those points there are complicated provisions for the adjustments of quotas—partly automatic and partly at the council's discretion. When the average price is below 3.15 cents the effective quotas can be cut by a maximum of 20 per cent of the basic export tonnages; when the average price is above 4.0 cents all restrictions on exports are to be removed. The Cuban spot price is now about 5.10 cents a lb and the London price about 49s. 9d. a cwt cif. Forward prices in the London market, which resumed trading in futures this week, suggest that traders are not expecting any radical decline in the next few months.

Shipyards Below Capacity

BRITISH shipyards completed just under 1½ million tons of new ships last year, which was about the same as in 1954 and more than in any other year since the war. But this country was ousted as the world's leading shipbuilder by Japan, which turned out about 1,650,000 gross tons, having doubled its output in 1956. Moreover, the British shipbuilders themselves now argue that they have the labour and the capacity to build more than 1¼ million gross tons of ships a year; what holds them back is lack of steel. The steel industry, while aware that it lacks sufficient steel plate capacity, would presumably reply that its deliveries of steel products in general to shipbuilding rose by about 12 per cent last year, and its deliveries of plates by about 11 per cent.

During the year the yards booked another 2 million tons of orders for new ships, leaving the order books at the end of the year at roughly 6 million tons. This leaves most yards booked into the early sixties; about half this accumulation of orders are for tankers, a third for dry-cargo freighters, and the rest for passenger ships and specialised vessels. The industry has had a number of orders for tankers increased in size during the last few months; it is anxious to argue that several British yards are now capable of building 65,000-ton tankers, and could increase their berths in size to build even bigger vessels. How fast this could be done is doubtful: and if a fleet of super-tankers is required, it will probably take all the available capacity in Britain and abroad to get a significant number afloat before the end of this decade.

SHORTER NOTES

The Central Electricity Authority installed generating plant with an output capacity of 1,797,000 kilowatts during 1956, and about 140,000 kW of generating capacity was commissioned in the power stations now owned by the South of Scotland Electricity Board, which were planned by the former British Electricity Authority. The total of 1,937,000 kW installed last year was a record, as the 1,721,000 kW brought in during 1955 had been. The annual capacity which it had "permission" to bring in during both 1955 and 1956, according to its last annual report, was set at 1,550,000 kW. The authority used to complain that its expansion was being limited by Government orders during the years when it was failing to commission as much as the Government had allowed.

★

In the same inquiry in which it found that the British Oxygen Company's almost complete monopoly of oxygen and dissolved acetylene manufacture and supply in this country operated against the public interest (referred to in a Business Note on page 59) the Monopolies Commission reported that the conditions of monopoly laid down in the 1948 Act existed in the supply of propane in this country, in that Esso, Shell and BP supply over 60 per cent of this industrial gas, and ICI supplies 37 per cent. But it found no evidence of any restrictive practices by these suppliers that operated against the public interest.

★

The Bank of England has transferred, in accordance with the Anglo-Egyptian agreement of 1955, £20 million from Egypt's blocked No. 2 account to its No. 1 account. This has no practical effect, as the current account has been blocked since the nationalisation of the Suez Canal at the end of July.

★

The total value of clearings at the London Clearing House and the twelve Provincial Clearings reached £160,889 million in 1956. This represented an increase of 5.4 per cent; the increase in 1955 was 5.8 per cent, but that in 1954 was 17.0 per cent and in 1953 11.6 per cent. The figures do not include cheques in branch clearings within individual banks or those cleared under local arrangements.

★

The order for 20 Vickers Vanguard airliners placed this week by Trans-Canada airlines is the largest single dollar order ($67 million) to be placed here since the war, and it marks the first sale of the Vanguard abroad. Airlines have been marking time while they weighed the merits of large turbo-props like the 102 seat Vanguard against the smaller jet airliners, British, French, American—and Russian.

Company Notes

DORMAN LONG. The decision by the directors of Dorman Long to leave the ordinary dividend unchanged at 8 per cent surprised no one—at least no one who is aware of the conservative inclinations of the board. What surprised some was the fall in gross profits before tax from £8,152,000 to £7,271,000. Sir Ellis Hunter's statement with the full accounts now makes it clear that much of this decline occurred in the group's bridge building, engineering and chemical divisions. Here gross profits fell by £878,000 to £2,734,000, reflecting chiefly a decline in activity in South Africa but also a "substantial" exchange loss on the devaluation of the Argentine peso. In the iron and steel division, gross profits fell by £313,000 to £4,537,000 as a result of higher costs and the embargo on overtime working by the maintenance men.

The prospect for the group, as new capacity comes into production this year and next, seems to be of rising profits, though not necessarily of bigger profit margins. Against this, ordinary shareholders must set the increase in fixed interest charges. In the last financial year the group spent about £12¼ million on capital account, £11¾ million of it in the steel division. To pay for this the company called up from ISHRA another £750,000 on the 5½ per cent preference shares and the remaining £9 million of 4½ per cent unsecured loan stock. Capital commitments are shown in the balance sheet at £11¾ million, but this is by no means the full cost of development. Before the end of the current financial year, the remaining balance of £3¾ million will be called up on the preference shares and "according to present estimates" the remaining £14¾ million of the loan arranged with the Finance Corporation for

Industry. Investors looking at the yield of 6.8 on the £1 shares at 23s. 6d. xd. may come to the conclusion that an increase in the dividend, welcome though it would be, is still not in sight.

★

COTTON RESULTS. Lancashire is used to hard times, and when the immediate prospects for the cotton industry look a little brighter its spokesmen are seldom jubilant. Two instances of their ingrained reticence came to the notice of investors at the turn of the year.

Lancashire Cotton Corporation's full report for the year to October 31st showed that the directors' unexpected decision to raise the ordinary dividend from 12½ to 17½ per cent was fully justified by reserves and strong liquid resources. The report also showed that trading profits had risen from £2,865,376 to £2,929,715 and total income from £3,015,537 to £3,250,265. Over the same period the value of stocks went up from £5,941,592 to £7,273,519. The profit figures are surprisingly good, but the chairman, Mr Roger Lee, does not tell shareholders how they were achieved. He tells them instead of the difficult times the Lancashire industry experienced in the first months of 1956, owing to the uncertainty about the disposal of the American cotton surplus.

Part of the explanation of the increase in profits may perhaps be found in Mr Roger Lee's references to the acquisition of three new spinning subsidiaries (included for the first time in the 1955-56 accounts), to "successful bulk production" of new yarns, and to the production of man-made fibres for the tufted carpet industry. Mr Lee now reports that order books have lengthened and are "satisfactory."

The reticence of **Fine Spinners and Doublers** is of a different kind. Announcing the repetition of an interim ordinary dividend of 5 per cent, the directors say a good deal about the state of trade but publish no profit figures, merely saying: "results for the first half of the year have been moderate." Yarns spun wholly from rayon and synthetic staple fibres by Fine Spinners have enjoyed "a steady trade," but blended yarns of cotton and rayon staple have had to face "exceptionally keen competition." Since early autumn, they add, there has been the usual seasonal improvement in all sections of the business, "stimulated this year by the crisis in the Middle East." Orders are sufficient to carry the group well into the current calendar year.

★

RALEIGH INDUSTRIES. "The sellers' market has come to an end rather more abruptly than many of us expected." So says Mr George Wilson, the chairman of Raleigh Industries. At the end of last July the group effectively had no cash resources; it had borrowed over £650,000 from the banks; and it has plans to spend another £4,500,000 in the next few years on capital account. Most boards of directors, confronted with these facts, would have been content to leave the ordinary dividend unchanged. Yet the Raleigh directors decided to increase the dividend from 12½ to 13½ per cent, an increase in line with the rise in trading profits from £2,192,593 to £2,367,374 and the consequent increase in payments under the profit sharing scheme.

Raleigh Industries has become increasingly dependent on overseas sales. In 1955-56 export sales rose by 27 per cent, but sales at home fell by 15 per cent (compared with a decline of about 30 per cent in the industry as a whole). Over 70 per cent of the group's production of bicycles goes into export markets. So far in the current financial year, export sales have been maintained, but these may be affected by the closing of the Suez Canal and by the repercussions of the Middle East crisis. At home sales are running below those of the last financial year, though in recent weeks they "have taken a turn for the better." This may not be unconnected with the introduction of "an improved and more attractive easy payment scheme with reduced interest charges." It is difficult to infer from this report that another increase in profits is likely this year, and without higher earnings a bigger dividend seems unlikely.

LONDON STOCK EXCHANGE

Next Account begins: January 16th

Next Contango Day: January 16th

Next Settlement Day: January 8th

THE firmness of gilt-edged securities has been a feature of the market since the holiday. The short-dated stocks have continued a move upwards; 4 per cent Conversion 1957/58 gained another ⅜ to 98⅞ and the movement was continued throughout the list, 3½ per cent War Loan improving 1⅛ to 71. Industrial stocks did little more than hold their recent gains up to the close of the old account, but the new account brought a general rise in prices.

Bank shares were often slightly lower. Martins £1 losing 1s. 6d. to 64s. 6d. following the results, but District "A" rose 3s. to 74s. 6d. Discount houses showed sizeable gains and finance houses also advanced. Ford was outstanding among motor shares, rising 2s. to 31s., and Dunlop recovered 1s. 1½d. to 16s. 9d. A further swift rise occurred in textile shares: British Celanese gained 1s. 3d. to 14s. 9d. and Courtaulds 1s. 4½d. to 34s. 7½d.; Patons and Baldwins picked up 1s. 10½d. and Jute Industries jumped 3s. 3d. to 19s. Marks and Spencer rose a further 2s. 10½d. to 63s. 9d. Shipbuilding shares were well supported, but steels were again in decline. London and Overseas Freighters and Borax both advanced on the stock splits.

American plans for the Middle East helped oil shares to stage a sharp recovery on Monday, but after rising 10s. to 144s. British Petroleum then eased to 41s. 6d. Kaffirs showed many sharp rises; Buffelsfontein was 3s. up at 33s. 1½d. and Doornfontein rose 2s. 7½d. to 25s. 6d.

***The Economist* Ordinary Share Indicator was re-based on December 31, 1956, and linked back to the original base (Average 1953 = 100). The opportunity was taken to replace London Brick £1 units and Wall Paper Manufacturers £1 deferred units by Burmah Oil £1 units and Joseph Lucas (Industries) £1 units in the 50 ordinary shares used.**

LONDON ACTIVE SECURITIES

Prices, 1956 High	Prices, 1956 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Dec. 27, 1956	Price, Jan. 2, 1957	Net Yield, Jan. 2, 1957 § £ s. d.	Gross Yield, Jan. 2, 1957 £ s. d.
97		Funding 2½% 1952-57	99⅛	99⅛	3 8 9	4 15 3
93½		War Loan 3% 1955-59	95⅛	95⅛	3 6 3	4 14 8
88⅝		Funding 2½% 1956-61	90	90⅛	3 16 1	4 19 10
99		Exchequer 5% 1957	100⅛	100⅜	2 8 0	4 15 9
97		Conversion 4% 1957-58	98⅜	98⅛	3 7 0	5 2 9
95½		Serial Funding 2½% 1957	97⅛	97⅛	3 15 6	4 18 1
91		Conversion 2% 1958-59	94⅞	94⅞	4 1 1	4 18 6
88⅛		Exchequer 2% 1960	91⅝	91⅝	3 18 9	4 19 0
92½		Exchequer 3% 1960	94⅜	94⅜	3 10 9	5 0 3
83		Savings Bonds 3% 1955-65	86¼	87⅛	3 9 7	4 18 9
77⅛		Funding 3% 1959-69	79⅛	79⅛	3 16 8	5 6 7
84½		Funding 4% 1960-90	86⅜	87½	6 13 11 / 2 18 2	8 13 1 / 4 16 0
75½		Savings Bonds 3% 1960-70	77½	78⅛	3 17 2	5 7 10
97⅝		Conversion 4½% 1962	98⅝	98⅜	3 2 1	5 4 3
88⅜		Exchequer 3% 1962-63	89⅛	90⅜	3 9 1	4 16 5
85⅜		Exchequer 2½% 1963-64	84⅛	85⅛	3 15 1	4 18 10
76½		Savings Bonds 2½% '64-67	78⅛	79⅛	3 17 0	5 1 9
71½		Savings Bonds 3% 1965-75	73⅝	74⅜	3 13 6	5 5 2
78		Funding 3% 1966-68	79½*	80⅞*	3 16 5	5 5 1
90		Victory 4% 1920-76	91⅛	91⅜	3 7 8	5 5 10
81⅞		Conversion 3½% 1969	83½	84⅜	3 14 3	5 8 7
74⅜		Treasury 3½% 1977-80	75⅝	77⅛	3 8 11	5 4 3
74⅛		Treasury 3½% 1979-81	76⅛	77⅜	3 8 8	5 4 11
64½		Redemption 3% 1986-96	66½	68	3 3 4	4 17 6
73⅛		Funding 3½% 1999-2004	74½*	75⅝*	2 19 5	4 16 1
76		Consols 4% after Feb. '57	76⅛*	77⅜*	2 19 4	5 3 0
68		War Loan 3½% after 1952	69⅜	71	2 16 10	4 19 1
67⅜		Conv. 3½% after Apr. 1961	69⅝	71½	2 16 11	4 19 6
58⅜		Treas. 3% after Apr. 1966	61⅜	62⅜	2 15 8	4 17 4
49⅜		Consols 2½%	51⅜*	52⅝*	2 14 4	4 14 7
50		Treas. 2½% after Apr. '75	51⅜	53	2 14 8	4 15 6
90		Br. Electric 4½% 1967-69	91⅜	92⅞	3 8 8	5 10 9
72⅜		Br. Electric 3% 1968-73	74⅜	75⅛	3 15 7	5 6 7
71¼		Br. Electric 3% 1974-77	72⅞	74	3 11 8	5 3 3
85½		Br. Electric 4½% 1974-79	86⅜	87⅛	3 4 10	5 5 11
74⅝		Br. Electric 3½% 1976-79	76½	77⅜	3 9 1	5 4 6
84⅛		Br. Gas 4% 1969-72	85⅝	85⅜*	3 10 2	5 7 3
80		Br. Gas 3½% 1969-71	81¼	82⅛	3 13 1	5 7 9
65⅛		Br. Gas 3½% 1990-95	67	68⅜	3 3 6	4 17 3
72⅝		Br. Transport 3% 1968-73	74⅞	75⅛	3 15 7	5 6 7
81⅜		Br. Transport 4% 1972-77	83⅜	84⅜	3 7 0	5 5 0
65⅛		Br. Transport 3% 1978-88	67⅜*	68⅜	3 7 0	4 19 10

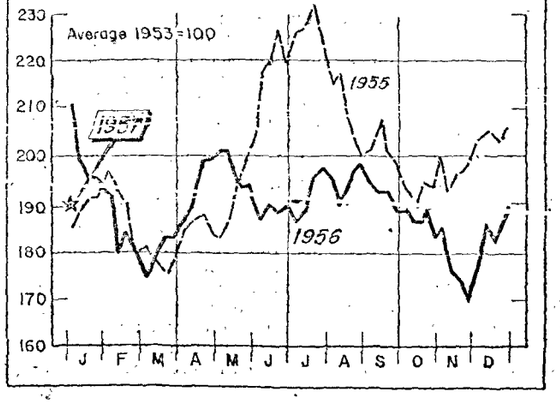
Prices, 1956 High	Prices, 1956 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Dec. 27, 1956	Price, Jan. 2, 1957	Yield, Jan. 2, 1957 £ s. d.
74⅞		Australia 3½% 1965-69	77⅛	76⅜*	5 19 0
92⅛		Fed. Rhod. & Nyas. 5% 1975-80	92½	92⅝	5 11 10
70		S. Rhodesia 2½% 1965-70	71⅝	72	5 11 11
80½		N. Zealand 4% 1976-78	81	81⅛	5 10 6
99⅛		L.C.C. 5½% 1977-81	101½	101⅜	5 8 3
83½		Agric. Mortgage 5% 1959-89	89*	89½	5 14 3
61		Met. Water Board 'B' 3% 1934-2003	63½	64½	5 1 0
71		German 7% 1924 (Br. Enfaced) 5%	77½	78¼	...
159½		Japan 5% 1907 (Enfaced)	164	164	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c) High	Last Two Dividends (a) (b) (c) Low	ORDINARY STOCKS	Price, Dec. 27, 1956	Price, Jan. 2, 1957	Yield, Jan. 2, 1957 £ s. d.
92/6		% 5 b	% 2 a	BANKS & DISCOUNT Bk. Ldn. & S. Amer. £5	96/3	97/6	7 3 8
39/10½		7 b	5 a	Barclays Bank £1	47/9	46/3	5 3 9
27/9		4 a	4 b	Barclays D.C.O. £1	35/-	34/6	4 12 9
32/9		7½a	7½b	Chartered Bank £1	34/-	35/3	8 10 2
42/10½		...	...	Lloyds Bank £1	50/9	49/9	5 4 6
61/-		9 b	9 a	Midland Bank £1	68/3	68/6	5 5 1
29/3		5 a	5 b	Nat. Discount 'B' £1	33/6	35/-	5 14 3
40/6		6½b	6½a	Union Discount £1	44/9	48/-	5 4 2
75/-		43½b	30 a	INSURANCE Commercial Union 5/-	83/3	84/9	4 6 11
16⅜		37½b	12½a	Legal & General £1	25½	27	1 17 0
18⅜		†47½b	†20 a	Pearl £1	20	20	5 16 6
38		†117½c	†125 c	Prudential 'A' £1	41½	42½	5 2 3
19/4½		6 b	4 a	TEXTILES Bradford Dyers £1	22/10½	24/1½	8 5 10
13/-		5 b	1½a	British Celanese £1	13/4½	14/9	8 16 3
20/7½		6½b	2½a	Coats, J. & P. £1	23/7½	23/7½	7 8 2
29/-		6 b	4 a	Courtaulds £1	33/1½	34/7½	5 15 6
12/4½		5 b	5 a	Fine Spinners £1	18/4½	19/9	10 2 6
22/3		5 a	12½b	Lancashire Cotton £1	35/1½	35/-*	10 0 0
26/-		2½a	10 b	Patons & Baldwins £1	30/10½	32/6	7 13 10

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c) High	Last Two Dividends (a) (b) (c) Low	ORDINARY STOCKS	Price, Dec. 27, 1956	Price, Jan. 2, 1957	Yield, Jan. 2, 1957 £ s. d.
172/6	133/9	20 a	50 b	MOTORS & AIRCRAFT Anglo-American .10/-	142/6	143/9	4 17 4
40/-	22/6	†2½a	†7½b	Cons. Tea & Lands £1	27/-	26/6	13 2 8
130/7½	91/3	120 b	80 a	De Beers Def. Reg. 5/-	95/7½	95/-	10 10 6
25/-	19/7½	...	...	Doornfontein .10/-	23/3	25/6	...
10/11½	8/6	30 c	10 a	London Tin 4/-	9/10½	10/-	12 0 0
16⅜	11⅜	112½b	25 a	Nchanga Cons. £1	12⅜*	12⅛*	11 7 10½
64/-	52/6	30 a	40 b	President Brand .5/-	55/7½	55/7½	6 5 11
58/-	42/-	25 a	50 b	Rho. Selection Tst. 5/-	47/-	47/9	7 17 0½
61/9	37/6	30 b	12½a	United Sua Betong £1	48/6	48/9	17 8 8
81/9	64/4½	30 a	40 b	Western Holdings 5/-	77/6	77/6	4 10 3

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c) High	Last Two Dividends (a) (b) (c) Low	ORDINARY STOCKS	Price, Dec. 27, 1956	Price, Jan. 2, 1957	Yield, Jan. 2, 1957 £ s. d.
119/6	106/-	10 a	33 b	BREWERIES, ETC. Bass £1	115/-	112/6*	7 12 11
24/10½	18/7½	11½b	6 a	Distillers 6/8	22/-	22/6*	5 3 8
45/10½	36/9	10 a	15 b	Guinness 10/-	40/9	40/6*	6 3 5
76/-	61/9	14 b	7 a	Whitbread 'A' £1	64/-	63/6	6 12 4
85/6	64/-	8 b	7 a	STEEL & ENGINEERING Babcock & Wilcox £1	72/6	73/3	4 1 11
13/-	9/4½	14 c	4 a	Cammell Laird 5/-	11/7½	11/10½	5 17 10
35/-	22/9	3 a	5 b	Dorman Long £1	24/10½	23/6*	6 16 2
54/9	39/-	8½b	3½a	Guest Keen N'fold £1	45/9	46/3	5 3 9
55/6	41/6	6 b	4 a	Metal Box £1	44/6*	46/6	4 6 0
75/-	51/2½	5 a	12½b	Stewarts & Lloyds £1	61/7½	58/3*	6 0 2
49/9	32/-	4 a	8½b	United Steel £1	33/9*	32/6	7 13 10
44/7½	32/4½	7½b	2½a	Vickers £1	41/1½	41/9	4 15 10
9/-	5/9½	4 a	8½b	MOTORS & AIRCRAFT British Motor 5/-	7/1½	6/9½	9 3 6
34/3	25/9	2½a	5 b	Ford Motor £1	29/9	31/-	4 16 9
49/3	29/9	3 a	7 b	Hawker Siddeley £1	38/1½*	36/10½	5 8 6
47/3	38/10½	10 c	12½c	Leyland Motors £1	42/3	42/3	5 18 6
115/10½	85/6	12½b	5 a	Rolls-Royce £1	110/3	113/6	3 1 8
14 c	3 a			SHOPS & STORES Boots Pure Drug 5/-	15/3	15/-	4 13 4
41/4½	29/-	7½a	20 b	Debenhams 10/-	35/7½	34/6	7 19 5
44/9	30/1½	47½b	15 a	Gt. Universal 'A' 5/-	33/6	33/6	9 6 7
71/1½	54/9½	32½b	20 a	Marks & Spen. 'A' 5/-	60/7½	63/9	...
25/10½	19/-	20 b	12½a	United Drapery 5/-	21/7½	21/1½	7 13 10
64/10½	51/-	36⅔b	20 a	Woolworth 5/-	60/7½	60/3	4 14 1
183/9	99/-	†10 b	†5 a	OIL British Petroleum £1	132/6	141/6	3 13 9
117/9	63/-	12½b	5 a	Burmah £1	85/7½	88/10½	3 18 9
17 7/16	11⅜	14 b	7½a	Royal Dutch 20 fl.	£16½	£16⅛	2 5 11½
171/-	103/3	†13⅔b	†5 a	Shell £1	147/6	158/-	3 6 1d
58/6	33/3	...	...	Ultramar 10/-	56/1½	61/3	...
38/9	28/6	...	6½a	SHIPPING Brit. & Com'wealth 10/-	38/6	40/-	4 0 0g
27/-	20/4½	7½b	3 a	Cunard £1	23/6	24/-	8 6 8m
35/9	27/-	5 b	3 a	P & O Defd. £1	33/-	33/-	4 16 11
75/3	45/-	15 c	7½a	MISCELLANEOUS Assoc. Electric £1	65/6	66/-	4 10 11
45/6	34/3	7 b	3 a	Assoc. Port. Cem. £1	39/6	40/3	4 9 5p
22/9	17/9	10 a	Beecham Group 5/-		18/3	18/9	8 0 0
60/9	38/6	7½b	4½a	Bowater Paper £1	40/9	43/3	5 11 1
81/10½	40/4½	8 b	4 a	Br. Aluminium £1	68/6	67/-	3 11 8
60/-	45/3	†7½b	†10⅝a	Br. Amer. Tob. 10/-	50/6	51/7½	5 17 11i
19/9	15/4½	15 b	7½a	B.E.T. 'A' Defd. 5/-	17/6	18/-	6 5 0
54/9	45/3	8½b	4 a	Br. Ins. Callenders £1	50/-	50/3*	4 19 6
42/-	32/9	6 b	4 a	Br. Oxygen £1	35/3	33/9	5 18 6
$69	$56⅜	3 a	4 b	Canadian Pacific $25	$65⅛	$64⅛	5 2 0
37/10½	24/9	43½c	14½a	Decca Record 4/-	29/7½	30/6	5 14 9
25/9	14/4½	10 b	2½a	Dunlop Rubber 10/-	15/9	16/9	7 9 3
37/-	22/6	15 c	15 c	Elect. & Mus. Inds. 10/-	24/-	26/-	5 15 5
66/1½	43/6	8½b	4 a	English Electric £1	47/9	48/3	5 3 7
65/6	40/9	4½a	9½b	General Electric £1	48/6	49/6	5 13 1
49/10½	36/-	6 b	4 a	Imp. Chemical £1	38/-	39/4½	5 1 7
62/9	42/3	12½b	8½a	Imp. Tobacco £1	45/7½	46/7½	9 0 2
$211	$141⅛	$2·90c	$3·75c	Int'l. Nickel n.p.v.	$201	$203	3 6 0
40/3	28/6	2½a	5 b	J. Lucas Inds. £1	31/-	32/-	4 13 9
30/3	21/3	15⅔a	6½b	Monsanto Chem. 5/-	23/9	24/-	4 13 9
19/4½	15/1½	20 c	5 a	Ranks 5/-	17/6	17/6*	5 14 3
75/4½	42/9	15 b	6 a	A. E. Reed £1	49/9	52/3	6 2 6n
16/4½	11/7½	20 c	Sears Hldgs. 'A' 5/-		13/4½	14/0½	7 2 9
69/1½	54/1½	4½a	12 b	Tate & Lyle £1	62/3	62/3	5 6 0
69/6	49/9	6½a	7½b	Tube Investments £1	57/9	59/9	5 0 5o
115/6	92/6	5 a	22½b	Turner & Newall £1	104/4½*	106/9	5 3 0
82/9	61/7½	9½b	6 a	Unilever Ltd. £1	71/6	72/9	4 6 7
41/9	22/9	†7½a	†4½a	United Molasses 10/-	40/-	39/6	5 5 1
				MINES, ETC.			
142/6	143/9	4 17 4		Anglo-American 10/-			
27/-	26/6	13 2 8		Cons. Tea & Lands £1			
11 7 10½	12⅜*	12 7/8*		De Beers Def. Reg. 5/-			
55/7½	55/7½	6 5 11		Doornfontein 10/-			
47/-	47/9	7 17 0h		London Tin 4/-			
48/6	48/9	17 8 8		President Brand 5/-			
77/6	77/6	4 10 3		Rho. Selection Tst. 5/-			

"THE ECONOMIST" ORDINARY SHARE INDICATOR



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1956/7	Indicator*	Yield %	1956 High	1956 Low	1955 High	1955 Low
Dec. 5	176·4	6·24				
„ 12	185·8	5·96				
„ 19	183·5	6·03	210·4 (Jan. 4)	170·0 (Nov. 28)	232·1 (July 20)	175·2 (Mar. 23)
„ 31	189·2	5·91				
Jan. 6	190·5	5·75				

"Financial Times" Indices

1956/7	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956 High	1956 Low	1955 High	1955 Low
		%		%					
Dec. 24	177·8	6·14	91·75	4·85	4,478	205·5 (Jan. 3)	Low 161·5 (Nov. 29)	253·9 (July 27)	Low 175·7 (Mar. 15)
„ 27	177·9	6·14	91·79	4·84	3,853				
„ 28	178·2	6·13	91·70	4·83	5,907				
„ 31	178·8	6·11	92·08	4·76	10,790				
Jan. 1	178·9	6·10	92·12	4·74	7,668				
„ 2	180·4	6·05	92·25	4·73	9,006				

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

New York Closing Prices

	Dec. 27	Jan. 2		Dec. 27	Jan. 2		Dec. 27	Jan. 2
	$	$		$	$		$	$
Can. Pac.	33⅞	32½	Am. Viscose	35⅜	34⅞	Nat. Distill.	25⅞	26⅛
N.Y. Cent.	33⅜	34½	Col. of Am.	15½	15⅜	Sears Roebuck	28½	28⅝
Pennsyl.	21⅝	21⅞	Chrysler	70¼	69¼	Shell	91⅜	88
Amer. Tel.	168⅜	171½	Gen. Elec.	61¼	59⅜	Std. Oil of N.J.	58⅜	58
Stand. Gas	11⅜	11⅜	Gen. Motors	43⅞	43½	U.S. Steel	72⅜	71½
W. Union Tel.	19	19⅛	Inter. Nickel	104⅜	109⅜	Westinghouse	57¼	57½
Am. Smelting	57	56⅝	Inter. Paper	106⅜	107	Woolworth	43⅜	43⅝

Ex dividend. † Tax free. ‡ Assumed average life approx. 10½ years. § Less tax at 8s. 6d. in £. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 15% tax free. (e) To earliest date. (f) Flat yield. (g) On 16%. (h) After Rhodesian tax. (i) On 17½% tax free. (j) On 13%. (k) On 10%. (l) To latest date. (m) On 10%. (n) On 16%. (o) On 15%. (p) On 9%.

ECONOMIST, JANUARY 5, 1957

Statistics

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

British		Overseas	
Prices and Wages	Dec. 29th	Western Europe:	
Production and Consumption	This week	Production and Trade	Dec. 22n
Manpower	Dec. 15th	British Commonwealth	This wee
External Trade	Dec. 22nd	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	Dec. 15
Industrial Profits	Oct. 13th	United States	Dec. 29
		World Trade	Oct. 13th

UK Production and Consumption

M = Monthly averages or calendar months. W = Weekly averages. Stocks at end of period.

		Unit	Monthly averages 1953	1954	1955	1955 Sept.	Oct.	Nov.	1956 Aug.	Sept.	Oct.	N
INDUSTRIAL PRODUCTION												
Index:												
All industries		1948=100	121	130	137	140	146	147	113	140	142	144
„ „ *seasonally adjusted*		„				*138*	*138*	*139*	*135*	*137*	*135*	*136*
Mining and quarrying		„	109	110	108	110	117	119	81	109	116	
Building and contracting		„	111	115	116	...	...	121 [6]	126 [5]	...	...	
Gas, electricity and water		„	134	145	153	139	155	169	131	144	162	
Manufacturing, total		„	123	133	142	146	152	152	114	145	146	
„ „ *seasonally adjusted*		„				*143*	*143*	*144*	*137*	*141*	*139*	
Engineering, shipbuilding, electrical goods		„	129	140	155	158	168	166	120	157	...	
Vehicles		„	138	155	172	176	178	181	114	158	...	
Chemical trades		„	153	168	179	178	185	188	163	198	...	
Textiles and clothing		„	114	116	116	122	126	124	96	124	...	
Food, drink and tobacco		„	114	116	117	114	120	124	109	118	...	
BASIC MATERIALS												
Production of:												
Coal [1] [3]	W	'000 tons	4,300	4,298	4,250	4,375	4,623	4,673	3,157	4,255	4,526	4
Pig-iron	W	„	215	229	240	246	249	253	236	253	261	
Steel, ingots and castings	W	„	339	356	381	398	399	409	341	417	419	
Sulphuric acid	M	„	156·3	170·2	174·6	172·3	181·8	177·6	168·1	173·4	...	
Newsprint	W	„	11·60	11·77	11·91	12·21	13·21	13·20	10·50	12·66	...	
Electricity [1]	M	mn. kwh	5,459	6,075	6,679	5,988	7,022	7,589	5,868	6,384	7,657	
MANUFACTURING												
Textile production:												
Cotton yarn, single	W	mn. lb.	17·97	19·17	16·91	16·37	17·68	17·93	13·56	16·25	17·76	18
Worsted yarn	M	„	18·40	18·80	18·48	19·85	20·18	21·90	14·40	19·32	22·74	
Rayon and synthetic fibres, total	M	„	34·94 [7]	37·30 [7]	39·32	41·18	39·45	40·88	33·45	35·53	40·24	41
„ „ „ „ staple fibre	M	„	16·85 [7]	19·00 [7]	19·94	21·53	20·08	20·49	16·93	18·51	21·64	23
Cotton cloth, woven	W	mn. yds.	35·2	38·3	34·3	31·3	34·9	34·2	28·1	30·4	33·3	
Wool fabrics, woven	M	mn.sq.yds	34·3	34·5	34·2	37·4	36·9	39·0	25·3	33·7	39·1	
Engineering production:												
Passenger cars and chassis	W	'000s	11·44	14·51	17·26	18·06	18·83	18·81	6·43	11·95	12·92	15
Commercial vehicles and chassis	W	„	4·61	5·07	6·53	7·14	7·34	7·37	3·01	4·91	5·01	
Metal-working machine tools	M	'000 tons	12·63	11·39	12·52	12·85	12·64	13·45	11·03	...	...	
Internal combustion engines	M	'000 BHP	311	356	408	430	378	454	336	...	...	
BUILDING ACTIVITY												
Permanent houses completed: [1]												
Total	M	'000s	26·56	28·97	26·42	27·98	27·34	27·87	23·71	25·57	26·78	
By private builders	M	„	5·24	7·55	9·46	11·01	11·13	10·96	10·50	10·92	11·62	
By local housing authorities	M	„	19·91	19·58	15·93	15·89	15·29	16·06	12·55	13·72	14·39	
Other	M	„	1·41	1·83	0·98	1·08	0·92	0·85	0·66	0·93	0·77	
WHOLESALE SALES [1]												
Textile houses:		Av. value										
Total home sales		1950=100	95	95	98	134	141	130	88	134	148	
Women's and children's wear		„	96	96	98	134	138	122	96	138	147	
Men's and boys' wear		„	91	90	94	127	131	132	75	129	142	
Piece-goods		„	66	63	62	75	80	65	54	69	66	
RETAIL SALES [1]		Weekly av. value										
All kinds of business:		1950=100										
All retailers			...	...	140	136	151	154	140	144	152	
Independent retailers		„	...	...	136	131	145	145	136	136	144	
Multiple retailers		„	...	...	148	142	156	157	151	151	159	
Co-operative societies		„	...	...	142	142	150	154	143	155	158	
General department stores		„	...	...	117	115	139	143	100	116	132	
By kind of shop:												
Food		„	...	...	148	145	150	153	155	152	156	
Clothing and footwear		„	...	...	121	110	132	131	113	120	133	
Household goods		„	...	...	150	153	191	180	142	153	169	
STOCKS												
Basic materials:												
Coal, distributed [1]		'000 tons	17,626	15,682	18,340	17,772	19,192	19,642	18,081	19,135	19,984	19
Steel		„	1,051	899	1,280	1,323	1,257	1,249	1,612	1,562	...	
Copper [4]		„	55·3	61·5	76·2	93·7	75·5	77·8	72·1	62·3	...	
Sulphur [8]		„	66·8	67·2	85·2	103·2	95·6	87·9	104·9	122·9	...	
Newsprint		„	110·6	97·5	105·0	101·7	105·9	107·5	128·3	128·9	...	
Textiles:		Av. value										
Wholesale houses, total [1]		1950=100	89	95	90	110	98	97	125	122	109	
Large retailers, clothing and footwear [1]		„	102	107	110	120	125	131	123	134	139	

[1] Great Britain. [2] Provisional estimate. [3] 1954 figures onwards exclude all screening losses normally amounting to around 5,000 tons a wee
[4] Excluding government stocks. [5] Average for third quarter. [6] Average for fourth quarter. [7] Rayon and nylon production only. [8] Includi
filter cake from May, 1956

British Commonwealth

PRODUCTION OF FUEL AND POWER [1]

Monthly averages or calendar months	Coal: Australia	Canada	India	S. Africa	Crude Petroleum: Canada	Pakistan	Electricity: Australia	Canada	India	N. Zealand	S. Africa
	'000 tons						million kwh				
3	1,232	1,255	2,511	1,969	139	5·3	728	3,714	381	204	772
4	1,647	952	3,074	2,404	1,062	21·4	1,206	5,761	627	312	1,220
5	1,607	931	3,185	2,646	1,429	22·6	1,340	6,358	707	336	1,363
5, May	1,773	889	3,314	2,910	1,591	22·8	1,545	6,896	826	331	1,533
June	1,720	759	3,197	2,729	1,752	22·8	1,568	6,733	797	345	1,541
July	...	700	3,165	2,807	1,887	...	1,655	6,673	798	396	1,591
August	...	679	3,307	3,216	...	...	...	6,854	794	399	1,552
September	...	865	3,189	2,606	...	...	...	6,887	...	372	1,499

PRIMARY PRODUCTION [2]

Monthly averages or calendar months	Copper: Canada	N. Rhodesia	Rubber: Ceylon	Malaya	Tin: Malaya	Steel: Australia	Canada	India	S. Africa	Gold: Australia	Canada	S. Africa
	'000 tons									'000 fine ounces		
3	16·3	17·4	7·9	58·2	4·14	106	238	104	49	73·8	294	965·4
4	19·5	31·5	7·8	48·7	5·93	185	237	140	117	93·2	364	1,102·3
5	21·6	28·9	7·8	53·3	6·89	183	337	142	130	87·4	379	1,213·7
5, July	24·7	32·8	10·5	54·7	5·27	230	394	146	136	94·5	352	1,369·7
August	23·2	33·7	9·1	53·3	5·94	203	404	142	130	...	353	1,386·4
September	25·3	24·0	7·6	52·0	6·61	216	388	...	132	...	353	1,350·1
October	22·5	37·9	7·9	53·0	...	...	366	...	...	...	...	1,327·9
November	...	...	...	...	...	...	...	...	...	...	...	1,345·9

EXTERNAL TRADE [5]

Monthly averages or calendar months	Australia: Imports	Exports	Canada: Imports	Exports	India: Imports	Exports	New Zealand: Imports	Exports	Pakistan: Imports	Exports	S. Africa [6]: Imports	Exports
	mn. £A		mn. $C		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
18												
41												
23	28·2	33·8	220	259	537	382	10·71	12·27	85·9	136·1	29·5	11·4
4	56·6	67·9	341	329	547	495	20·48	20·33	96·0	99·0	36·6	27·6
5	70·1	63·4	393	363	567	503	23·93	21·55	90·5	125·4	40·2	30·7
1, 6, June	63·4	73·1	491	429	643	465	23·1	21·9	124·4	140·7	42·8	32·4
July	57·3	64·2	483	430	594	421	...	22·3	111·2	91·6	...	...
August	78·8	58·5	474	427	666	499	...	24·2	134·6	114·2	...	...
September	53·6	60·9	441	409	768	497	...	...	...	...	...	...
October	...	...	546	457	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES [4]

	Gold and Foreign Exchange Holdings: Australia [8]	Canada	India [8]	New Zealand [9]	S. Africa	Cost of Living: Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesia
	End of period: mn. US dollars					1953 = 100						
18	1,265	1,011	3,355 [7]	237	652	56	84	...	74	89 [8]	77	73
4	1,133	1,955	1,782	239	416	101	101	95	105	98	102	100
5	835	1,910	1,791	179	368	104	101	90	107	94	105	101
6, July	...	1,904	1,632	257	304	...	103	100	}	{ 98	103	106
August	...	1,894	1,573	258	314	...	103	102	} 113	{ 99	107	105
September	...	1,917	1,539	242	324	...	103	...		...	107	105
October	...	1,926	...	224	334	...	104	...	...	...	...	106
November	...	1,946	...	...	351	...	...	...	...	...	...	...

[1] Electricity production for New Zealand represents about 87 per cent of total generation. [2] Copper and tin refer to metal production. [3] General trade (including re-exports) except for Canada, which is special trade only. Imports are cif except for Australia, Canada and S. Africa which are fob; exports are fob. Trade for India includes that going by land; annual figures for India are for 12 months beginning April 1st of year stated and for Australia 12 months ended June 30th. [4] Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for S. Africa and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. [5] Including foreign investments. [6] Including semi-processed gold. Beginning January, 1955, including South-West Africa. [7] In July, 1948, part of holdings was transferred to the State Bank of Pakistan. [8] April, 1948—March, 1949. [9] Including some long-term securities.

Financial Statistics

EXCHEQUER RETURNS

For the 16 days ended December 31st, 1956, there was an "above-line" deficit (after allowing for Sinking Funds) of £107,270,000 compared with a deficit of £48,087,000 in the previous week and a deficit of £50,201,000 in the corresponding period of last year. Net expenditure "below-line" was £42,264,000, bringing the total deficit to £927,470,000 (£809,435,000 in 1955-56).

£'000	Estimate, 1956–57	April 1, 1955 to Dec. 31, 1955	April 1, 1956 to Dec. 31, 1956	14 Days ended Dec 31, 1955	16 Days ended Dec. 31, 1956
Ord. Revenue					
Income Tax	2085,500	720,148	801,002	51,506	55,046
Surtax	144,000	48,200	53,300	5,300	3,600
Death Duties	170,000	132,100	120,700	5,200	3,500
Stamps	58,900	53,800	45,900	2,100	1,700
Profits Tax, EPT	216,750	151,300	149,150	5,000	6,100
Excess Profits Levy	4.000	16,000	3,850	500	250
Special Contribution and other Inland Revenue	1,000	350	210	...	...
Total Inland Rev.	2680,150	1121,898	1174,112	69,606	70,196
Customs	1204,000	878,133	909,256	37,085	42,768
Excise	953,350	629,200	675,335	22,500	28,225
Total Customs and Excise	2157,350	1507,333	1584,591	59,585	70,993
Motor Duties	92,000	24,178	26,417	664	1,075
				Dr.	*Dr.*
PO (Net Receipts)	...	...	3,250	9,250	11,200
Broadcast Licences	28,000	17,800	19,600	3,000	3,200
Sundry Loans	30,000	27,442	30,315	1,040	1,784
Miscellaneous	200,000	143,413	130,439	30,253	2,215
Total	**5187,500**	**2842,064**	**2968,724**	**154898**	**138263**
Ord. Expenditure					
Debt Interest	670,000	505,517	570,197	48,142	52,828
Payments to N. Ireland Exchequer	61,000	39,477	44,802	2,329	2,811
Other Cons Fund	10,000	6,569	5,502	80	49
Supply Services	3941,918	2636,863	2907,601	154288	188554
Total	**4682,918**	**3188,426**	**3528,103**	**204839**	**244243**
Sinking Funds	37,000	24,990	25,276	260	1,290
"Above-line" Surplus or Deficit	—	—	—	—	—
	371,352	**584,655**	**50,201**	**107270**	
"Below-line" Net Expenditure	438,083	342,815	16,349	42,264	
Total Surplus or Deficit	—	—	—	—	—
	809,435	**927,470**	**66,550**	**149534**	
Net Receipts from:					
Tax Reserve Certificates	166,118	194,521	27,128	20,754	
Savings Certificates	12,300	48,000	800	— 200	
Defence Bonds	— 12,473	— 33,393	7,064	— 2524	
Premium Savings Bonds	...	51,500	...	1,400	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1955					
Dec. 31	3,520·0	2,061·7	246·8	...	5,828·4
1956					
Sept. 22	3,590·0	1,325·1	254·5	...	5,169·6
„ 30	3,610·0	1,338·2	238·0	...	5,186·2
Oct. 6	3,610·0	1,338·8	253·7	2·3	5,204·8
„ 13	3,610·0	1,322·7	248·3	1·0	5,182·0
„ 20	3,620·0	1,342·2	255·9	...	5,218·0
„ 27	3,610·0	1,378·9	245·2	0·8	5,234·9
Nov. 3	3,610·0	1,360·2	263 6	...	5,233·7
„ 10	3,610·0	1,341·2	258·7	1·8	5,211·6
„ 17	3,610·0	1,283·0	293·4	2·3	5,188·6
„ 24	3,610·0	1,265·9	239·6	0·8	5,116·2
Dec. 1	3,630·0	1,276·5	227·3	1·0	5,134·8
„ 8	3,620·0	1,340·9	208 5	2·0	5,171·4
„ 15	3,610·0	1,343·7	200·2	...	5,153·9
„ 31	4,959·5		234·6	4·0	5,198·1

THE MONEY MARKET

THE discount market made a further increase in its bid at the Treasury bill tender before the year-end, by 3d. to £98 15s. 9d. per cent. This marked a discount rate of just over $4\frac{31}{32}$ per cent and brought the fall in the rate over the previous three weeks to over $\frac{3}{16}$ per cent. The allotment was down by £10 million, to £270 million, and total applications fell by slightly less; the proportion of the market's application to be allotted remained at 68 per cent.

The market anticipated that the customary year-end squeeze would this year be obviated by the first maturities of 63-day bills. In the event, while credit was in acute demand on Thursday and Friday before the weekend, necessitating fairly large borrowings from the Bank by five or six houses on each day, on Monday itself the very large turnover resulted in a large surplus of funds, taken up by fairly large special sales by the Bank. There was a further surplus on Tuesday, but the Bank did not then intervene. There was a large turnover of maturities, March dates being dealt in at $4\frac{3}{4}$ per cent and February maturities at $4\frac{11}{16}$ per cent. Conditions became tight again on Wednesday, partly as a result of subscriptions to the ICI issue; the Bank made small special purchases.

The Bank return shows a rise in discounts and advances by £34.3 million to £45.3 million, reflecting last week's borrowing by the market.

LONDON MONEY RATES

	%		%
Bank rate (from $4\frac{1}{2}$% 16/2/56)	$5\frac{1}{2}$	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	$4\frac{15}{16}$–5
Bank	$3\frac{1}{2}$	3 months	$4\frac{13}{16}$–5
Discount houses	$3\frac{1}{2}$*	4 months	$4\frac{13}{16}$–5
		6 months	5 $5\frac{1}{8}$
Money Day-to-day	$3\frac{1}{2}$–$4\frac{1}{2}$	Fine trade bills:	
Short periods	$4\frac{1}{4}$	3 months	6–$6\frac{1}{2}$
Treas. bills 2 months	$4\frac{13}{16}$	4 months	6–$6\frac{1}{2}$
3 months	$4\frac{23}{32}$	6 months	6–7

* Call money.

BANK OF ENGLAND RETURN

(£ million)	Jan. 4, 1956	Dec. 26, 1956
Issue Department:*		
Notes in circulation	1,848·3	1,997·7
Notes in banking dept.	52·1	27·7
Govt. debt and securities*	1,896·2	2,021·2
Other securities	0·7	0·7
Gold coin and bullion	0·4	0·4
Coin other than gold coin	3·0	3·0
Banking Department:		
Deposits:		
Public accounts	22·8	11·6
Bankers	231·5	203·6
Others	72·5	74·9
Total	326·8	290·1
Securities:		
Government	204·5	250·9
Discounts and advances	72·4	11·0
Other	17·0	16·8
Total	293·9	278·7
Banking department reserve	54·4	29·6
"Proportion"	16·4	10·1

* Government debt is £11,015,100, capital £14 Fiduciary issue increased to £2,025 million from £1,9 on December 12, 1956.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Amount (£ million): Applied for	Three Months: Average Rate of Allotment
1955	*91 Day*		s. d.
Dec. 30	260·0	385·6	81 5·40
1956			
Sept. 28	280·0	406·0	101 9·86
Oct. 5	280·0	424·9	101 1·51
„ 12	280·0	403·6	102 2·21
„ 19	280·0†	392·9	100 2·12
	91 Day *63 Day*		
„ 26	200·0 60·0	412·4	99 9·85
Nov. 2	200·0 70·0	405·8	99 11·55
„ 9	200·0 80·0	419·1	99 10·86
„ 16	190·0 90·0	396·1	100 0·00
„ 23	210·0 80·0	440·6	100 3·34
„ 30	220·0 70·0‡	403·3	100 4·69
Dec. 7	220·0 60·0	441·0	100 10·28
„ 14	230·0§ 60·0	424·9	99 1·54
	91 Day		
„ 21	280·0	379·8	98 1·43
„ 28	270·0	372·5	97 1·81

* On December 28th tenders for 91 day bills at £9 secured 68 per cent, higher tenders being allotte *The offering yesterday was for £270 million at 91* † Allotment cut to £260·0 million. ‡ Allotment cut million. § Allotment cut to £220·0 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: January 2	Market Rates: Spot: December 27	December 28	December 29	December 31	January 1	Ja
United States $	2·78–2·82	2·78$\frac{1}{4}$–2·78$\frac{1}{2}$	2·78$\frac{3}{8}$–2·78$\frac{1}{2}$	2·78$\frac{1}{4}$–2·78$\frac{3}{8}$	2·78$\frac{3}{8}$–2·78$\frac{3}{8}$	2·78$\frac{3}{8}$ 2·78$\frac{7}{8}$	2·78
Canadian $	...	2·67$\frac{1}{8}$–2·67$\frac{3}{8}$	2·67$\frac{1}{8}$ 2·67$\frac{1}{4}$	2·67$\frac{1}{8}$–2·67$\frac{3}{8}$	2·67$\frac{3}{8}$–2·67$\frac{5}{8}$	2·67$\frac{3}{8}$–2 67$\frac{5}{8}$	2·67
French Fr.	972-65-987-35	983$\frac{1}{2}$–983$\frac{3}{4}$	983$\frac{1}{2}$–983$\frac{3}{4}$	983–983$\frac{1}{4}$	982$\frac{3}{4}$–983$\frac{1}{4}$	983 983$\frac{1}{4}$	98
Swiss Fr.	12·15$\frac{1}{2}$–12·33$\frac{1}{2}$	12·24$\frac{1}{4}$–12·24$\frac{3}{4}$	12·24$\frac{1}{4}$–12·24$\frac{1}{4}$	12·23$\frac{3}{4}$–12·24$\frac{1}{4}$	12·24–12·24$\frac{1}{4}$	12·24–12·24$\frac{1}{4}$	12·24
Belgian Fr.	138·95–141·05	140·35–140·40	140·40–140·45	140·37$\frac{1}{2}$–140·42$\frac{1}{2}$	140·45–140·50	140·42$\frac{1}{2}$–140·47$\frac{1}{2}$	140·4
Dutch Gld.	10·56–10·72	10·66$\frac{1}{2}$–10·66$\frac{3}{4}$	10·65$\frac{3}{4}$–10·66	10·65$\frac{1}{4}$–10·65$\frac{1}{2}$	10·64$\frac{1}{2}$–10·65	10·64$\frac{1}{2}$ 10·64$\frac{3}{4}$	10·6
W. Ger D-Mk.	11·67$\frac{1}{8}$–11·84$\frac{1}{8}$	11·71$\frac{1}{4}$–11·71$\frac{3}{4}$	11·71$\frac{1}{4}$–11·71$\frac{3}{4}$	11·70$\frac{3}{4}$–11·71	11·71$\frac{1}{4}$–11·71$\frac{3}{4}$	11·71$\frac{1}{4}$ 11·71$\frac{3}{4}$	11·71
Portuguese Esc.	79·90–81·10	80·00–80·10	80·00–80·10	80·00–80·10	80·00–80·10	80·00 80·10	80·0
Italian Lire	1736$\frac{1}{2}$–1762$\frac{1}{2}$	1754$\frac{1}{2}$–1755$\frac{1}{2}$	1755–1756	1755 1756	1755–1756	1755 1756	175
Swedish Kr.	14·37$\frac{1}{2}$–14·59$\frac{1}{2}$	14·44$\frac{1}{2}$–14·45$\frac{1}{4}$	14·44$\frac{1}{2}$–14·45$\frac{1}{4}$	14·44$\frac{1}{2}$–14·45$\frac{1}{4}$	14·45$\frac{1}{2}$–14·45$\frac{7}{8}$	14·45$\frac{1}{2}$ 14·45$\frac{1}{2}$	14·4
Danish Kr.	19·19$\frac{1}{2}$–19·48$\frac{1}{2}$	19·37$\frac{1}{2}$–19·37$\frac{3}{4}$	19·37$\frac{1}{2}$–19·38	19·37$\frac{3}{4}$–19·38$\frac{1}{4}$	19·37$\frac{3}{4}$–19·38$\frac{1}{4}$	19 37$\frac{1}{2}$ 19 38$\frac{1}{4}$	19·3
Norwegian Kr.	19·85–20·15	19·92$\frac{1}{2}$–19·93$\frac{1}{2}$	19·92$\frac{1}{2}$–19·93$\frac{1}{2}$	19·92$\frac{1}{2}$–19·93$\frac{1}{2}$	19·92$\frac{1}{2}$–19·93$\frac{1}{2}$	19·92$\frac{1}{2}$ 19·93$\frac{1}{2}$	19·9
One Month Forward Rates							
United States $		$\frac{1}{8}$–$\frac{1}{16}$c. pm	1–$\frac{1}{2}$c. pm	1–$\frac{1}{2}$c. pm	$\frac{1}{8}$–$\frac{3}{4}$c. pm	$\frac{1}{2}$ $\frac{3}{4}$c. pm	$\frac{1}{4}$
Canadian $		$\frac{1}{4}$c. pm–par	$\frac{1}{4}$c. pm–par	$\frac{1}{4}$c. pm–par	$\frac{1}{4}$c. pm–par	$\frac{1}{4}$c. pm–par	$\frac{1}{4}$c.
French Fr.		1–2 dis	1–2 dis	1 2 dis	1–3 dis	1 3 dis	1
Swiss Fr.		4$\frac{1}{4}$ 4c. pm	4$\frac{1}{4}$ 4c. pm	4$\frac{1}{4}$–4c. pm	4$\frac{1}{4}$–4c. pm	4$\frac{1}{4}$ 4c. pm	4$\frac{1}{4}$
Belgian Fr.		$\frac{1}{4}$ $\frac{1}{2}$ pm	$\frac{1}{4}$ $\frac{1}{2}$ pm	$\frac{1}{16}$–$\frac{1}{8}$ pm	$\frac{1}{4}$ $\frac{7}{8}$ pm	$\frac{3}{8}$ $\frac{7}{8}$ pm	$\frac{3}{4}$
Dutch Gld.		3$\frac{1}{2}$ 3$\frac{1}{2}$c. pm	3$\frac{1}{2}$ 3$\frac{1}{2}$c. pm	3$\frac{1}{2}$ 2$\frac{1}{2}$c. pm	3 2$\frac{1}{2}$c. pm	3 2$\frac{1}{2}$c. pm	2$\frac{1}{2}$
W. Ger. D-Mk.		3$\frac{1}{2}$ 3pf. pm	3$\frac{1}{2}$ 3pf. pm	3$\frac{1}{2}$ 3pf. pm	3 2$\frac{1}{2}$pf. pm	3 2$\frac{1}{2}$pf. pm	3 2
Italian Lire		3 pm–par	3 pm–par	3 pm par	3 pm par	3 pm par	3
Swedish Kr.		3–1o pm	3–1o pm	2$\frac{1}{2}$ $\frac{1}{2}$o pm	2$\frac{1}{2}$ $\frac{1}{2}$o pm	2$\frac{1}{2}$ $\frac{1}{2}$o pm	1$\frac{1}{2}$
Danish Kr.		5–2o pm	5–2o pm	5 2o pm	5–2o pm	5 2o pm	5
Norwegian Kr.		2o pm–par	2o pm–par	2o pm–par	2o pm par	2o pm–par	2o
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/7	250/7	...	250, 8$\frac{1}{2}$	...	

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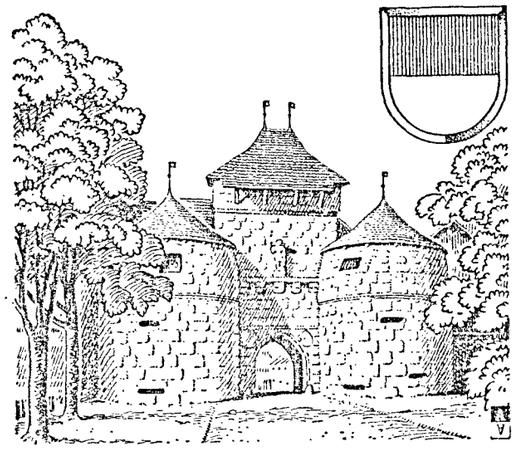
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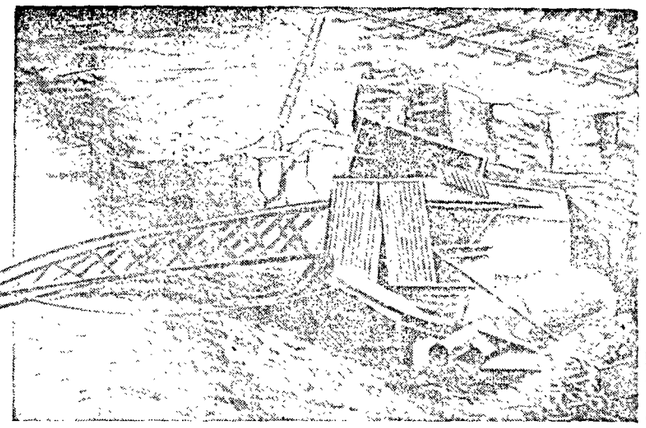
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COMPANY MEETINGS

DOWSON & DOBSON LIMITED

(Incorporated in the Union of South Africa)

(Engineers, Merchants and Contractors)

IMPROVED RESULTS DESPITE GROWING DIFFICULTIES

INADEQUATE TAX ALLOWANCE TO COMBAT INFLATION

MR S. T. FIRMAN ON ABSORBING RISING COSTS

The thirty-ninth annual general meeting of Dowson & Dobson Limited was held on December 20th in Johannesburg.

The following is the statement by the chairman, Mr S. T. Firman, on the year ended June 30, 1956: The year which ended on June 30, 1956, has been one of great interest and intense effort in the face of growing difficulties. It is therefore pleasing to refer to your Directors' Report of November 20, 1956, and to the accompanying Accounts, both of which have been in your hands for some time, which show a Consolidated Net Profit rather higher than in each of the previous three years. The Dividend declarations have been maintained at 17½ per cent on the Ordinary Shares and 5½ per cent on the Preference Shares.

ACCOUNTS

During the year there has been no change in the Nominal Capital of your Company. The issued Ordinary Share Capital was rounded off to £300,000 from £292,000, as intimated in my Statement of December 14, 1955, by the issue of 32,000 Ordinary 5s. shares at 10s. each. The total Issued Capital is now £500,000, being £300,000 in 5s. ordinary Shares and £200,000 in £1 Preference Shares.

The Consolidated Net Profit for the year, prior to taxation, is £224,713 which is £17,893 more than in the previous year. This, however, includes a profit of £7,260 on the sale of certain Fixed Assets. The amount carried forward from the previous year was £694,464, so that the total amount to be dealt with was			£919,177
From this amount was deducted :—			
Provision for taxation		£64,171	
Dividends Nos. 15 and 16 on Preference shares	£11,000		
Dividends Nos. 39 and 40 on Ordinary shares	£51,700		
		£62,700	
			£126,871
Balance carried forward			£792,306

This balance of £792,306 is £97,842 greater than the comparable amount brought in at the beginning of the year and is retained and invested in your business, as is the Share Premium of £8,000 already referred to.

From this balance of £792,306 may now be deducted £30,000, being the 10 per cent Final Ordinary Dividend No. 41 declared on December 10, 1956, in respect of the year ended June 30, 1956.

Interim Ordinary Dividend No. 40 of 7½ per cent plus Final Ordinary Dividend No. 41 of 10 per cent total to 17½ per cent already mentioned in respect of the year ended June 30, 1956; and Preference Dividends Nos. 15 and 16 total to 5½ per cent for that year.

Preference Dividend No. 17, absorbing £5,500, was declared on December 10, 1956, in respect of the six months ending December 31, 1956.

Your Directors have given very serious thought to, and have closely examined the possibility of, increasing the dividend rate on the Ordinary Shares. This has not been possible in the current year due to the increased amount of cash required to finance the contracts which the company has been able to secure and which have yet to be carried out, and to finance the other requirements of an expanding business. It will be noticed from the Balance Sheet that Loans at Call plus the Unsecured Loan amounted to £65,000 at June 30, 1956. Loans on the security of the Company's properties have been increased by £19,000 since June 30, 1955, and stand at £75,000 at June 30, 1956.

The maintenance of Dividends at the previous levels has been achieved despite the continuing inflation which has been noticeable, especially on goods imported from various parts of the world. At the same time and owing to the relaxation of Import Control, competition has again become international in character and the costs of selling and administration have steadily risen. These difficulties have been met by strenuous selling efforts resulting in considerably increased turnover and by selecting those activities carrying better profit margins. The technical staff has been increased in number and in range of technical abilities and the area of activity is being slowly widened to cover portions of Africa not hitherto served.

I am pleased to report that the order book as at June 30th last is greater than in the previous year.

TAXATION AND INFLATION

I trust I may be forgiven for referring to the high taxation rates applicable to Public Companies. Adequate allowance is not provided in the Income Tax Act to cover inflationary factors, with the result that the "effective" tax rate is far higher than the Statutory rate.

I think it cannot be denied that Net Trading Profits should be applied to cover four general classes of appropriation—namely, inflationary factors, taxation, dividends, and that essential "plough back" without which development and progress is barely possible. I think you will agree with the view that the current tax rate is too high for a young developing country, and this position is accentuated by the operation of an Undistributed Profits Tax. Such taxes make it very difficult under conditions of international competition to cover the three other requirements and they tend to encourage the payment of Dividends which are legally out of Profits but are essentially out of Capital, with consequent damage to Company resources and eventual reduction in the amount of tax accruing to the State.

PREMISES

The Directors' Report sets out the properties owned by your Company and it will be observed that Removable Workshops and Store Buildings are being erected on the leased property at Salisbury for the Earth-moving Division of your Company.

Final decision has not yet been taken regarding premises at Durban.

In continuance of your Company's policy of thorough service to its Customers and proper coverage for its Principals, a small branch is now being established at Nelspruit in rented premises.

Arrangements have recently been made for a representative from the Company to reside in Nairobi to ensure that certain important products of your Company will be available to users in East Africa.

THE FUTURE

Conditions in the Central African Federation remain satisfactory.

The Krugersdorp Works continue to be fully occupied with the production of goods for Mines and Railways and for the Building and Heavy Industries. Owing to its versatility it is proving invaluable in the execution of the varied and increasing number of engineering contracts entrusted to the Company.

The Water Treatment Division has enjoyed a successful year and has secured a number of large contracts for completion during the next two to three years in various parts of Central and South Africa.

The range of Industrial Furnaces constructed by the Company was extended during the year by the completion of Licensing Agreements with well-known overseas firms. Encouraging results are already evident.

The franchise for the supply of Wheel and Crawler Tractors, Bulldozers and allied equipment has been extended to cover the Cape Province, where the Company's officers are in close touch with the farming community.

Your Company is fortunate in having accumulated many years of specialised technical knowledge and with the assistance of its overseas Principals, Licensors, and Advisory Engineers, can expect to continue participating in the business offering in South, Central and East Africa.

GENERAL

The prosperity of the Company continues to depend in large measure on the trust placed by its Customers and its Principals in the technical and administrative ability and integrity of your senior Executives, whose sustained efforts are enthusiastically given in your interests. I wish to express the thanks of the Board to the Executive Staff, Branch Managers and all personnel for their loyal and able services rendered during the year.

DIVISIONS

BASE MINERALS DIVISION.
BUILDING MATERIALS DIVISION.
CERAMIC SERVICE AND INDUSTRIAL FURNACE EQUIPMENT DIVISION.
COMPRESSED AIR DIVISION.
EARTH-MOVING EQUIPMENT DIVISION.
ELECTRICITY GENERATING DIVISION.
HEAVY DUTY VEHICLES DIVISION.
LATEX AND P.V.A. EMULSIONS DIVISION.
MANUFACTURING & ERECTION DIVISION.
MEASUREMENT & AUTOMATIC CONTROL DIVISION.
MINING & INDUSTRIAL EQUIPMENT DIVISION.
PIPES AND FITTINGS DIVISION.
RAILWAY EQUIPMENT DIVISION.
REFRIGERATION (INDUSTRIAL) DIVISION.
TELECOMMUNICATIONS & ELECTRONICS DIVISION.
VENTILATION, INDUSTRIAL CLEANING & MINERAL DRESSING DIVISION.
WATER TREATMENT DIVISION.

BRANCHES

JOHANNESBURG (Head Office).
CAPETOWN, PORT ELIZABETH, EAST LONDON, QUEENSTOWN, DE AAR, DURBAN, WELKOM, KRUGERSDORP (Works), PIETERSBURG, NELSPRUIT, BULAWAYO, SALISBURY and KITWE.

MERCANTILE CREDIT COMPANY

YEAR OF CHANGE

The twenty-third annual general meeting of the Mercantile Credit Company Limited was held on January 2nd in London. In the absence of the chairman, Sir Mark Turner presided.

The following is an extract from the circulated speech of the chairman, Sir Edward de Stein, for the year ended September 30, 1956:

The financial year now under review has been notable for the changing circumstances with which we have had to cope, for all that we do both at home and overseas has now to be performed within new limits prescribed by law. At the beginning of the financial year these were much less onerous than they are today.

Although the operating profit for the year is little different from that of 1955, the parent company's balance sheet shows some reduction in outstandings, and shareholders should realise that the operations of previous years are partly responsible for our relatively good results.

Ever since the end of the war we have closely watched the Canadian and American scene in instalment financing, and in so doing have learned a great deal. In reverse, we have always welcomed finance company executives from those countries and believe that they have learned from us. It is not surprising therefore that grounds for co-operation should have been found with one such company, Interprovincial Building Credits, Limited, of Toronto.

The report and accounts were adopted.

THE PLESSEY COMPANY

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

GREATER VOLUME OF BUSINESS EXECUTED

CURBING INFLATION MOST PRESSING PROBLEM OF OUR TIME

MR A. G. CLARK ON FURTHER BROADENING OF ACTIVITIES

The thirty-second annual general meeting of The Plessey Company Limited was held on December 28th in London, Mr A. G. Clark (chairman and managing director) presiding.

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

The following is the statement by the Chairman which had been circulated with the report and accounts: We now submit accounts for the year to June 30, 1956. They result in a total profit before taxation of £1,544,712, which is some £10,000 below the profit for the preceding year. The reduction in profit is not, in itself, of great consequence, but it is of importance as indicating that profit margins are tightening. The volume of business done in 1955-56 was greater than the volume done in 1954-55, and we should have been in a position today to report an increased profit had it not been for the disturbance of business resulting from the credit squeeze, and had it not been for the increase in operating costs resulting from the inflationary drift which continued throughout the twelve months under review.

So far as concerns the disturbance of business resulting from the credit squeeze we do not complain. Whatever the complications and difficulties which have been caused by the credit squeeze, the purpose of that squeeze is to curb inflation. To prevent any further surge of inflation is, above all other things, the most pressing of the problems of our time, and if only this problem can be solved the hurts we suffer in the task of solving it are of little importance, and must be borne cheerfully and willingly.

PRIOR IMPORTANCE OF OVERALL STABILITY

Since the squeeze became tighter in the spring of 1956 there have been altogether too many complaints that some one or another trading interest was being badly hit. With these complaints I must admit to having little sympathy. The overall financial stability of the country must take priority over all sectional interests. For without overall stability, we are all heading for trouble. Granted that stability can be obtained, then I am quite confident that this country can maintain its place in the world as a manufacturing power. In this cause no sacrifice is too great.

So far as concerns the increase in operating costs, the increase is the inevitable consequence of the inflationary tendency of recent years, and the risk that we shall price ourselves out of world markets, if that tendency continues, is a real one. We are continually engaged in efforts to improve your Company's manufacturing efficiency, so as to lessen the effect of rising costs. There is a limit, however, to what can be done in this direction, and despite all our efforts the plain fact is that on balance the average product costs us more to produce today than it did two or three years ago.

In February last we made the "rights" issue of 800,000 Ordinary Shares of 10s. each which were offered to Shareholders at 50s. each. This issue brought in £2 million of additional capital, and the effect on our liquid position is reflected in our Balance Sheet. In addition to Stocks and Debtors totalling approximately £6.5 million, we have over £1.5 million in Treasury Bills and Cash. Accordingly we are well placed to finance the further broadening of the base on which the Company operates.

RESEARCH AND DEVELOPMENT

Our work in regard to Research and Development continues to widen this base and to lead to production work of increasing importance. The problems of design and materials which arise today in such fields as Electronics and Aircraft Engineering are such that, even although all avoidable delay is eliminated, many years may be required to progress from initial conception to ultimate production.

We are only today beginning to profit from research initiated several years ago, and are already at work upon the design of projects which will not go into production until the sixties. But, as the dreams of yesterday become the realities of today, horizons widen and a picture takes shape of the direction in which your Company should travel if it is to take full advantage of the technological progress of our age.

Feeling, as I do, that our future plans are founded upon a careful and accurate appreciation of the technical development that will take place over the ten or fifteen years ahead of us, and knowing, as I do, the resources and the effort that we are able to bring to bear to secure the accomplishment of those plans, I look to the future with confidence, for I believe that only international political or financial factors outside our own control can frustrate us.

We now recommend to you the payment of a final dividend of 15 per cent, which will make a total for the year of 30 per cent.

May I say how grateful I am for the good work which has been done during the year by our managers, staff and workpeople? It has represented a very material contribution to the results achieved.

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

The retiring directors, Mr E. J. Earnshaw, MA, MIEE, FRAeS, and Mr J. A. Clark, were re-elected and the remuneration of the auditors, Messrs Deloitte, Plender, Griffiths and Company, having been fixed, the proceedings terminated.

DORMAN LONG AND COMPANY LIMITED

SIR ELLIS HUNTER'S REVIEW

HIGH DEMAND : SEVERE LABOUR SHORTAGE: FACTORS IN THE STEEL INDUSTRY'S DEVELOPMENT

The Sixty-seventh Annual General Meeting of Dorman Long and Company Limited will be held in London on Wednesday, January 23, 1957. The following are extracts from the statement by the Chairman and Managing Director, Sir Ellis Hunter, circulated with the report and accounts.

After transferring £1,250,000 to the Fixed Assets Replacement Reserve of Dorman Long (Steel) Limited (last year £1 million), and after charging depreciation based on historical cost and excluding items extraneous to the year, the group profits before taxation amounted to £7,487,293. From this there falls to be deducted the profits of subsidiary companies attributable to outside shareholders which, also before taxation, amounted to approximately £216,000, leaving approximately £7,271,000, which arose broadly as follows:

	1956 Amount	%	1955 Amount	%
	£		£	
Bridge building, engineering and chemicals ..	2,734,000	38	3,612,000	43
Iron and steel	4,537,000	62	4,850,000	57
	7,271,000	100	8,462,000	100

The Bridge Building and Engineering results depend on contracts completed during each year, and for this reason may be expected to fluctuate from year to year. The substantial fall in 1956 is, however, almost entirely due to circumstances affecting our subsidiaries operating in Africa and the Argentine. The profits of our South African subsidiary, Dorman Long (Africa) Limited, showed a substantial reduction owing to the falling off in major capital works in that country, which resulted in keener competition. In conjunction with Dorman Long (Africa) Limited, we formed a new subsidiary in Rhodesia, the operations of which had not, at the end of its first year's trading, reached a profit-earning stage. Following the change in the Argentine Government in September, 1955, Argentine currency was heavily devalued. As a result, although our subsidiary operating in the Argentine earned a satisfactory profit in pesos, its accounts when converted to sterling showed a substantial loss arising from the necessary revaluation of the net current assets.

DORMAN LONG (STEEL) LIMITED

For the first time our production of ingots has exceeded 2 million tons and at 2,056,000 tons was 106,000 tons higher than in the previous twelve months. Unfortunately, output of rolled steel was down by 39,000 tons at 1,500,200 tons. This fall in production of finished steel arises from the craft unions' embargo on overtime which lasted three months and affected maintenance work. It would have been heavier but for the skill and adaptability of the staff who showed great devotion to duty.

Demand for heavy steel has not only been maintained but intensified. Much more heavy steel could be exported at substantial premiums but for the need to ensure reasonable tonnages to home consumers. The industry has voluntarily limited its exports to the 1954 levels, which were lower than in 1955, and the export of plates is subject to licence in the interests of UK shipbuilding.

In the closing weeks of 1956 half of the new South Bank coke ovens came into production and also one of the two new blast-furnaces at Clay Lane. Both plants are situated at our Cleveland Works. In these new units we have first-class plant, comparable with any in the country, and they will make a valuable contribution to the efficiency of the undertaking.

Work on the combined Universal Beam and Heavy Section Mill at Lackenby has been as rapid as possible under the circumstances but has been further hampered by delay in the delivery of heavy iron and steel works plant. American deliveries have been affected by strikes in the USA and British manufacturers have also failed to live up to the target dates set them.

If production from the existing plants had not been so well maintained the adverse effects of these delays would have been even more pronounced.

SEVERE SHORTAGE OF LABOUR

Our present rate of finished steel production is approximately 7 per cent lower than a year ago. There are two main reasons for this. One to which I have already referred, is the backlog of maintenance resulting from the three months' restriction of work by craft labour. The other is the shortage of craft labour, which is becoming a most serious matter and is largely outside our control as it is almost entirely due to housing shortage in the area.

Our own capital expenditure is directed towards increasing outputs by higher productivity with little increase in the labour force employed, and this by itself would create no housing problem. There is, however, a big expansion in chemical and other industries in this district and our difficulties arise from these other developments which are absorbing a large amount of local labour, particularly craftsmen, at an extremely rapid rate.

FACTORS IN THE STEEL INDUSTRY'S DEVELOPMENT

The labour shortage to which I have just referred is not likely to be the only limiting factor. There is also the possibility of a shortage of raw materials and of transport. The United Kingdom is not the only country importing iron ores; there are other industrial nations which have large and growing needs. Although steps are being taken to develop new sources of supply the ore will have to be transported to the United Kingdom by sea. Here again future shipping needs have been anticipated to some extent, but there is no certainty that cargo carrying capacity will be readily available for any rapid increase in imports.

Any increase in production of home ores will involve mining, and the National Coal Board's experience in attracting labour to the coal mines suggests that the manning of iron ore mines will also be difficult.

The steel industry uses water in very large quantities, and without adequate supplies projects for further expansion of steel making will be checked in any areas affected in this way.

Any further big advance in steel production will involve a corresponding increase in inland transport facilities. It is obvious that the railways will need to take this fully into account in the large capital programme they now envisage.

For supplies from overseas, including iron ores and scrap, we are in competition with steel industries in other countries but in manpower, inland transport facilities and water supplies steel is in competition with other developing industries at home.

A realistic assessment of these factors is essential when considering long term prospects for expanding steel production. The difficulties are probably not insuperable but they are very real and should check facile expectations of large steel output increases year by year comparable with those achieved over the past decade.

DORMAN LONG (BRIDGE AND ENGINEERING) LIMITED

The Middlesbrough and London constructional shops have been working at a high level throughout the year and have order books representing from one to two years' work. Although output of fabricated steelwork was higher in the twelve months under review costs tended to rise and offset some of the advantage which would otherwise have resulted from higher productivity.

The Bridge Department has been well occupied during the year, completing this month (December) the construction of the Volta River Bridge on the Gold Coast. New overseas contracts taken and started include two in Iraq for bridges over the Euphrates —the Qurnah and Nasiriyah Highway Bridges—together representing work valued at £1,059,000, and further bridge orders for Iceland. These orders were secured against keen foreign competition which shows no indication of diminishing.

DORMAN LONG (CHEMICALS) LIMITED

Sections of the new tar distillation and benzole refining plant at Clarence chemical works are now in operation. The plants will soon be dealing with the augmented throughput of tar and crude benzole arising from the new coke ovens at South Bank, and we expect to secure economies in operation and increased efficiency.

In our case there is an additional advantage. As large producers of tar fuel products we can use them for steel melting.

RALEIGH INDUSTRIES LIMITED

ANOTHER RECORD YEAR

MR GEORGE WILSON'S STATEMENT

In his statement to the shareholders, reporting the Company's record production and sales, the Chairman, Mr George Wilson, says:

It is agreeable for me to be able to tell you that our Accounts for the year show a record profit of £2,367,374. After providing for taxation and after deducting the interest of the minority shareholders, there remains £1,175,033 available for appropriation.

On these results we feel justified in raising the amount of our distribution to the Ordinary Shareholders and we have recommended that the dividend for the year be increased to 13½ per cent as compared with 12½ per cent in the previous year. As a matter of interest this represents almost exactly the same sum as the increased distribution which we are making to our workpeople under our new Profit Sharing Scheme.

TRADING REVIEW

In spite of the fact that the past year has brought its problems of rising costs and adverse trading conditions I am happy to tell you that our business has continued to expand and sales of bicycles, gears and components have increased by over £1,400,000 compared with the previous year, thus enabling us to continue unbroken our record of having achieved an increased turnover in each year since the end of the War.

The cycle industry has, generally speaking, experienced a poor year's trading on the Home Market. The sales figures for the industry are down by approximately 30 per cent, against which your Company's sales are down by approximately 15 per cent. Fortunately our export business has been able to take up this slack and has achieved a 27 per cent increase in sales over last year. Export markets now absorb over 70 per cent of our total bicycle production.

OVERSEAS COMPANIES

I am pleased to report that all our overseas companies have experienced a successful year's trading and have, in the aggregate, made a record contribution towards our profits.

REVIEW OF PROSPECTS

Since the end of the financial year conditions of trading have again become more difficult. Sales in the Home Market, where we have had to increase prices, are running at a level below that of last year, but in recent weeks I am pleased to report that they have taken a turn for the better.

We are still maintaining export sales at last year's level but it is only to be expected that we shall suffer repercussions from the serious situation in the Middle East. The long haul round the Cape will inevitably increase the cost to the consumer in many of our important markets and we may also have to face a loss of business in certain markets within or sympathetic to the Arab World.

From the long-term point of view, however, I am satisfied that the demand for bicycles on a world-wide basis will continue to grow as the more undeveloped parts of the world are opened up, and that we shall be assured of increasing sales opportunities. It is, however, vital if we are to take advantage of such conditions that we remain fully competitive.

COMPANY'S FACTORY EXPANSION

The new factory to which I referred last year, in which we are to concentrate the manufacture of our Sturmey-Archer products, is progressing most satisfactorily, and we anticipate that it will be in production by Autumn of next year. This expansion, the greatest in the Company's history, will give us an additional covered floor space of nearly 20 acres and will cost approximately £5 million in all to erect and equip.

Although conditions of trade have hardened since the time when we took the decision to proceed with this expansion, we are confident that this is no more than a passing phase and that the long-term prospects of the Company are excellent and fully justify the completion of this great new extension.

PROFIT SHARING

As announced in my statement last year we have now introduced a profit-sharing scheme for our factory employees under which we allocate to them 13 per cent of group profits in each year, after deducting an allowance at the rate of 10 per cent on the capital employed in the business at the beginning of that year.

During the year under review the scheme has made available for distribution the sum of £230,615 compared with the sum of £194,679 for the previous year when no profit-sharing scheme was in operation.

INFLUENCE

We have served no purely sectional interest nor have we been subordinated to any political purpose. Rather have we concentrated on giving a banking service in keeping with the leading commercial bank of the country.

The condition of the business prior to the sequestration showed a strong and liquid position. Our Bank enjoys an excellent business connection representative of the entire business community throughout the country. The fact that we have the privilege of being Egypt's oldest existent Bank is perhaps the best indication of the value placed upon our services by the public as a whole. It is our hope that the sequestrator, in fulfilling his function, will continue to maintain our high standard of regard for the interests of the Bank's customers, and carry out faithfully the duties which we feel are owed to them. We also hope that he will give the same consideration to our staff that they have come to expect from us.

SENSE OF PROPORTION NEEDED

I do not want to conclude on too pessimistic a note. We need more than ever today a sense of proportion, and it seems to me that we do no service to ourselves, or to others, by wrapping everything in a mantle of gloom. The average man will feel that in 1956 political leadership throughout most of the World has been shown up in an unusually poor light.

Yet it may be that the events of recent months will have served to dispel some illusions, and even if the process is likely to be a long one, we may at least hope that some lessons will be learnt from them so that more realistic and intelligent policies may be followed in the years to come.

AMENDMENT OF ARTICLES

The Chairman then referred to the Bill which the Bank was promoting in Parliament to amend The Colonial Bank Act 1925 under which the Bank operated. He mentioned that the Articles of Association of the Bank were a schedule to The Colonial Bank Act and the opportunity had been taken to revise them so as to bring them up to date to comply with modern practice and with such sections of the Companies Act 1948 which were applied to the Bank.

He said it was necessary for the stockholders to approve the revised Articles at this meeting and they would be asked to approve the Bill at an extraordinary general meeting which would follow immediately after the annual meeting. He mentioned that the only new amendment to the Articles was one permitting four Vice-Chairmen instead of two. The Chairman also said he had given an explanation of the amending Bill in his Statement to the stockholders.

THE DIVIDEND

The Chairman then moved the adoption of the Report of the Directors and the Statement of Accounts and the payment of a final dividend of 4 per cent actual on £12,932,250 Ordinary stock, making 8 per cent for the year, less income tax at the standard rate of 8s. 6d. in the £.

The motion was seconded by Mr A. C. Barnes, Deputy Chairman, and carried.

The retiring directors, Mr Arnold Tiffany Dudley, MC, Captain Derek Fitzgerald and Marshal of the Royal Air Force The Right Honourable The Viscount Portal of Hungerford, KG, GCB, OM, DSO, MC, were re-elected. The Chairman proposed, and Mr Barnes seconded, a resolution to elect Colonel Sir Thomas Ellis Robins, KBE, DSO, to the Board, which was carried unanimously.

On the motion of Mr L. E. D. Bevan, seconded by Mr John Newson-Smith, the auditors, Messrs Deloitte, Plender, Griffiths and Company, Price Waterhouse and Company, Peat, Marwick, Mitchell and Company and Cooper Brothers and Company, were reappointed.

The special resolution approving the revised Articles of Association was moved by the Chairman, seconded by Mr A. C. Barnes, and was carried unanimously.

VOTE OF THANKS

A vote of thanks to the staff, proposed by Mr G. F. Lewis, a director, was seconded by Mr Joseph Nissim, a stockholder, and carried unanimously. It was responded to by Mr J. F. Cade, a general manager.

This concluded the business of the annual general meeting, and at the extraordinary general meeting which followed, the Bill to amend The Colonial Bank Act of 1925 was approved by the stockholders.

A vote of thanks to the Chairman was proposed by Sir Oscar Hobson and carried unanimously.

BARCLAYS BANK DCO

ANNUAL GENERAL MEETING

POSITION IN EGYPT

MR J. S. CROSSLEY'S SPEECH

The thirty-first Ordinary General Meeting of Barclays Bank DCO was held on December 28th at 29 Gracechurch Street, London, E.C.3.

Mr Julian Stanley Crossley (the Chairman) presided.

The Secretary, Mr C. F. S. Pringle, read the notice convening the meeting and the auditors report to the stockholders.

With the concurrence of the stockholders present, the Report and Accounts and Statement by the Chairman, which had been previously circulated, were taken as read.

The Chairman reviewed the position of the Bank's affairs in Egypt as a consequence of the Suez crisis. He said: In my Annual Statement, which was published at the beginning of the month, and which had to be in the printer's hands several weeks earlier, I referred to the position in Egypt and said that I would try to give you more up-to-date information at the time of this Meeting.

I have already said in my statement that with the development of the Egyptian economy and its consequent growth our business has now become self-contained and self-supporting.

THE STAFF

Your principal anxiety will no doubt have been, as mine has been, on the score of our personnel in Egypt. The staff of the Bank there is of course mainly of Egyptian nationality, but 27 are ex-patriate British officials and there are many others of non-Egyptian nationality. I am pleased to be able to tell you that all the ex-patriate British members of the staff are now back in this country, and that the majority of our local officials of British and French nationality have arrived either here or in France.

We shall do everything in our power to help those of our staff who have left Egypt and who may have suffered misfortune through no fault of their own, and those who remain will, we hope, still be working in the Bank there.

SEQUESTRATION ORDER

At the beginning of November a sequestrator was appointed by the Egyptian Government, and all acts of the Bank in Egypt since that date have been carried out under his authority. We have no means of knowing what is taking place, neither, of course, can we exercise any control over the actions of the sequestrator. The Sequestration Order, which applies to all British and French controlled businesses, covers, we believe, something like eleven Banks, comprising a large proportion of the banking system in Egypt. In these circumstances it may be that the policy of the sequestrator will be to carry on the business, as he is empowered to do, with as little disturbance as present conditions allow. It would, I think, be useless at this juncture for us to speculate upon the future. All that we know about the sort of position that obtains today is that it is susceptible of rapid change.

It is important that we should keep a sense of proportion, and it may be of interest to you to know that our Egyptian business represents only slightly more than 5 per cent of the total business of this Bank. In saying this, however, I do not wish to minimise in any way the value which we attach to our business in Egypt. Apart from merely business considerations we have many personal ties of friendship extending back, in some cases, for generations.

NEARLY A CENTURY OF SERVICE

It may interest some of you to know that the Anglo-Egyptian Bank first opened for business in Egypt in 1864. This means that our Bank is the oldest bank operating in Egypt. Since that date, nearly 100 years ago, we can, I think, fairly claim that our Bank has contributed a valuable stabilising

W. & A. GILBEY LIMITED

The Board of W. & A. Gilbey Limited announce that as a result of recent negotiations, National Distillers Products Corporation are acquiring from them for cash their minority shareholding in W. & A. Gilbey Limited of Delaware. At the same time arrangements have been entered into whereby National Distillers will be licensed on a permanent royalty basis to continue the production and marketing of Gilbey brands in the USA.

The Board also announce that Gilbey's Canadian branch, which is expanding rapidly, is being formed into a wholly owned Canadian Company, and finance has been arranged in Canada which will enable that Company to be self-sufficient.

These two developments should be of substantial advantage to Gilbeys, since they should satisfy the immediate requirements of the Group for additional capital while, at the same time, maintaining and possibly increasing its income.

The Directors estimate that the profits of the Group for 1956 will be maintained at approximately the same level as for 1955.

The close of 1956 marks the end of the first hundred years in the life of the business and it enters its second century with confidence in an enterprise that is now world-wide.

THE LANCASHIRE COTTON CORPORATION LIMITED

TRADING PROFIT INCREASE

The following is an extract from a Statement circulated by the Chairman, Mr R. M. Lee, with the Accounts for the year ended October 31, 1956:

ACCOUNTS

During the year we acquired all the Share Capital of the Durban Mill (Holdings) Limited and of the Eagle Spinning Company (Holdings) Limited, and we have continued to operate the mills owned by these Companies. I am glad to be able to report that we have found these to be very satisfactory acquisitions.

I am pleased to report to you an increase in the trading profit of £124,345, making the Trading Profit for the year £2,929,715. I am particularly gratified at this increase, which has taken place during a very trying year for the Textile Industry, to which I shall refer later.

We have allocated to General Reserve £400,000 which brings the total of this Reserve to £6,500,000. In addition £400,000 has been allocated to Replacement of Fixed Assets Reserve, making the total of this Reserve £3,900,000.

Last year we allocated £250,000 to Process and Stock Reserve in view of the uncertainty which prevailed with regard to the level of raw cotton prices. Fortunately the outlook on raw cotton prices is much less uncertain and in consequence we have not felt it necessary to increase the Process and Stock Reserve which stands at £1,250,000.

For many years the Company has ploughed back profits and utilised them in the purchase of modern plant and machinery, and when considering the final dividend your Board decided that the time has now come when an increase in the return should be made to the Ordinary Stockholders. They accordingly recommend a final dividend of 12½ per cent less tax, against 7½ per cent less tax paid last year. An interim dividend of 5 per cent less tax was paid last August, as in the previous year. The interim dividend absorbed £232,675 and the dividend now recommended absorbs £581,686. The amount carried forward is £964,276, of which £56,517 is retained in the accounts of our Subsidiaries.

MACHINERY

The year has seen a further expansion of our policy of constantly improving our machinery. We have continued to install the most modern large package ring frames incorporating all the latest labour-saving devices. The year has also seen the development of new yarns and techniques from the experimental stage to successful bulk production. One instance of this is the tufted carpet industry, for which we are providing very substantial quantities of yarn in both colour and grey, using different man-made fibres.

YARN AND CLOTH IMPORTS

The importation of yarn and cloth free of duty from India and Hongkong continues to be a disturbing feature.

As a result of the meeting between the Prime Minister, Sir Anthony Eden, and Mr Nehru, it was suggested that a delegation from the Industry should visit India to discuss this matter with the leaders of the Industry in India. This suggestion is being followed up, and I am glad to report that our Managing Director, Colonel J. B. Whitchead, has been appointed a member of the delegation which is leaving shortly for India and Hongkong. We earnestly hope that the efforts will be successful in bringing about a more equitable and reasonable state of affairs.

EXPORTS

Competition has intensified throughout the year in practically every one of our export markets, and restrictions and quotas have hindered our efforts in many cases. In these circumstances it is very satisfactory that our Export Department has succeeded in selling a greater weight of yarn, especially to dollar markets, than in any other year since 195[illegible] We hope during the current year conditions will enable us to repeat and indeed to improve on this achievement, although the recently concluded trade agreement with Australia, which is our best overseas market, does give us grounds for certain misgivings.

APPOINTMENTS

OXFORD UNIVERSITY INSTITUTE OF STATISTICS

Research worker required to assist in study of economic aspects of innovation in production methods in the engineering industry. Good knowledge of economics essential, acquaintance with industrial problems an asset. Appointment for 1 year, salary £550-£900 according to age and qualifications.—Application forms obtainable from the Secretary, Institute of Statistics, St. Cross Road, Oxford.

ELECTRICAL ENGINEER
INDIA

ELECTRICAL ENGINEER required for construction of large steel works at Durgapur undertaken by well established, internationally known firm of Engineering Contractors.

Age 30-45. Previous experience of large civil engineering contracts essential. Must be excellent organiser and fully conversant with high-tension ring main switching up to 11 k v with load demands up to 10 megawatts.

Previous experience abroad particularly desirable. Candidates should be A.M.I.E.E. or have equivalent professional qualifications. High degree of integrity with good liaison ability essential

Attractive four-figure salary with tax concessions and substantial bonus. Free passages (essential applicant and family. Tour initially for two and a half years with approximately 2½ months' leave at end of tour, with free passages. Local leaves additional. Housing facilities attractive. If appointment is satisfactory the opportunity of a further tour can be expected.

This is an excellent opportunity for an experienced and technically well qualified, active, and ambitious Electrical Engineer in good health. All replies in GUARANTEED STRICTEST CONFIDENCE.

Apply, stating details of place and date of birth, education, travel, names of firms, positions held with salaries and dates. Private contact telephone number will facilitate acknowledgements.

Dr. P. S. de Q. CABOT.

P. S. CABOT AND COMPANY,
37-41 Bedford Row,
London, W.C.1.

PERSONNEL OFFICER for London factory. Main responsibility is to assist his Production Unit Manager to deal effectively with all aspects of Personnel policy. This includes development of emerging techniques in studying organisation and specific jobs and matching people to them. (Training will be given.) Qualifications: Degree or comparable qualifications in engineering, natural or social science, or law; experience in industry, preferable in work study and personnel. Age 25 to 35. Commencing salary to £1,000.—Personnel Manager (Ref. 6/9), Glacier Metal Co., Ltd., Ealing Road, Wembley, Middlesex.

A NATIONALLY known modern manufacturing Company will shortly have a vacancy for a Chief Statistician due to an internal promotion.

Applications are invited from suitably qualified men who should have a degree in statistics (honours preferred) plus a very sound background in economics; in addition a degree in economics would be an advantage as would several years' industrial experience.

The Statistical Department provides a full statistical service to all divisions of the Company. The Chief Statistician's position is therefore very wide in scope and he must be able to cope with and undertake forecasting and advise on sampling techniques used by the marketing and consumer research departments of the Company.

The starting salary will not be less than £2,000 per annum and applications should be sent to the Chief Personnel Officer, Box 592. Envelopes should be endorsed "Chief Statistician."

THE SCOTTISH GAS BOARD

STATISTICIAN:

Applications are invited for a Statistician at Board Headquarters in Edinburgh. Applicants should be suitably qualified (University Degree with specialisation in Statistics or other appropriate qualification). Preference will be given to applicants with some commercial experience and knowledge of mechanical aids. The successful applicant will be responsible to the Chief Financial Officer for collection, analysis and interpretation of data throughout the Area. The salary for the appointment will be within the scale £1,025-£1,145 per annum. Applications, stating age and giving particulars of education, training, experience and qualifications, should be addressed to the undersigned within fourteen days of the appearance of this advertisement.

(Signed) A. T. HERD,
Secretary.

26 Drumsheugh Gardens, Edinburgh 3.
December 22, 1956.

PERSONAL ASSISTANT TO MANAGING DIRECTOR

A young CHARTERED ACCOUNTANT is sought by the Managing Director of a well-known Public Company, with Head Office in London, to be his Personal Assistant.

His duties will include the collation and interpretation of management statistics and information. As such they will give ample scope for the use of his accountancy training but more importantly they will also provide a unique insight into the management of a live and forward-looking company.

The successful applicant must have had a first-class general education, preferably public school, and since qualifying have completed at least two years in practice or with an industrial concern. It is essential that he has a first-class command of the English language, both written and spoken with correspondence in at least one other language as a desirable but not essential qualification.

This is a first-class opportunity for an outstanding young man who, on completion of 2-3 years' successful service in this initial capacity, could expect promotion to a responsible executive appointment.

Applications (preferably typewritten), containing full details of education, qualifications, experience and present salary, should be sent, in complete confidence, to Box No 597, c/o Charles Barker & Sons Ltd., Gateway House, London, E.C.4.

MANAGEMENT SELECTION LIMITED have been retained to advise on the selection of the

MEDICAL DIRECTOR

for an ethical pharmaceutical company in London. He will be responsible for the development of new products including direction of pharmaceutical laboratories, initiation and evaluation of clinical trials, advice on marketing and technical approval of promotional literature.

This well-established company is part of an internationally known U.S. organisation whose leading status is being maintained by an annual expenditure of about 8 million dollars on research and development. It is intended to augment the U.K. development programme and there are plans to build a new factory and laboratories. The position includes some overseas travel in order to maintain personal liaison with leading medical scientists at home and abroad.

Enquiries are invited from physicians (M.D. or M.R.C.P. an advantage) who have experience of originating or conducting clinical trials of new drugs. They must also have a flair for weighing technical, professional and commercial viewpoints and provide evidence of an imaginative and constructive approach. Salary according to reputation, but will interest those at present earning £3,000 or more.

Please send brief details, in strict confidence, to R. A. Beverley (S.241), Management Selection Ltd., 17 Stratton Street, London, W.1. No information will be passed to our clients without candidates' permission after full personal discussion at which the identity of the Company will be disclosed.

MARKET RESEARCH.—The Metal Box Company requires a woman based London to supervise small staff of field investigators, and play an active part in the collection of information and planning of surveys. Previous experience in market research, preferably among retailers, essential.—Write MJ/MR, The Langham, Portland Place, W.1.

APPOINTMENTS

UNIVERSITY OF BIRMINGHAM

Applications are invited for a senior research post in connection with the Birmingham Redundancy and Rejection Study. Applicants should have experience organising social research. The post will be tenable for two years at a salary, according to qualifications, of £1,250 per annum, plus F.S.S.U.

Applications (two copies), with the names of three referees, should be sent not later than January 31, 1957, to the Registrar, The University, Birmingham, 15, from whom further details may be obtained.

MANAGEMENT SELECTION LIMITED have been retained to advise on the selection of a

SALES AND ADVERTISING EXECUTIVE

for a two-year-old subsidiary of an old-established American Company manufacturing and marketing a variety of domestic electric appliances. The new offices and factory situated in Scotland, already occupy 200,000 sq. ft. and are being rapidly extended. The Company's policy is that the development of the British subsidiary shall be by promotion to the highest Board level from within.

Duties will include responsibility for all advertising, sales promotion, marketing and sales of the Company's products and for advising the Board on the introduction of new and the improvement of existing products. He will also have the opportunity to play an important part in building and developing the Company.

Candidates must be educated to at least School Certificate level and a degree in statistics or economics would be useful background. Essential qualifications are experience of sales management at senior level, a successful record of marketing new consumer products and a knowledge of advertising and modern market research techniques.

Probable age 34 to 45. Minimum salary £3,500.

Please send brief details, in confidence, quoting reference (S.228) to P. J. H. Fryer, Management Selection Limited, 17 Stratton Street, London, W.1. No information will be disclosed to our clients until candidates know their identity and have given permission.

(Administration)

for a pharmaceutical manufacturing company in London, with subsidiaries overseas. It has recently been acquired by a progressive U.S. concern of international repute, and a vigorous policy of re-thinking and expansion has been launched, including plans for building a new factory. There is scope for a man who can justify a starting salary of up to £3,000 and who will be responsible initially for reviewing selling prices, supervising distribution arrangements at home and abroad and stream-lining office organisation and methods. Success in these tasks would make him a logical contender for a seat on the Board within two years.

Candidates must be graduates with a progressive record of achievement in industry, including experience of distribution of consumer goods and of reorganising office procedures; consultancy experience in these fields would be particularly valuable. Age limits 38 to 42; generous pension and life insurance coverage.

Please send brief details, in strict confidence, quoting reference (S.234) to: R. A. Beverley, Management Selection Limited, 17 Stratton Street, London, W.1. No information will be passed to our client until candidates have been told their identity and have given permission after full discussion.

TRAINING OFFICER required by The Steel Company of Wales Limited (Steel Division), Port Talbot.

The successful candidate will be responsible to the Education Officer for the selection and training of potential foremen and for the administration of development projects for existing foremen in a large integrated and expanding Steel Company.

An honours degree in social subjects such as psychology, sociology or economics would be an advantage.

Those wishing to apply should write for official Application Form to:
Superintendent, Personnel Services,
The Steel Company of Wales Limited
(Steel Division),
Abbey Works,
Port Talbot, Glam.

MANAGEMENT SELECTION LIMITED have been retained to advise on the selection of a

GENERAL MANAGER

for a company in the North making equipment for bulk materials handling. It is a leading company in the specialised field and has good development prospects.

Appointment will carry seat on the Board. Responsible to the Managing Director for Production, Sales and Technical Development.

Degree in mechanical engineering desirable; engineering apprenticeship and professional qualification essential. Must have experience in medium to heavy engineering industry, including production and design. Experience of technical sales an advantage.

Essential qualities are a capacity to handle at top management level a wide range of technical and commercial problems and a genuine interest in modern management techniques.

Age limits 45-55, but preferably a man of 50-55 who with his experience and judgment yet retains a strong liking for new ideas. Salary about £4,000. Pension and other benefits which go with a normal post at this level.

Applications, with brief details, in strict confidence, to H. E. Roff (S.123), Management Selection Limited, 17 Stratton Street, London, W.1. No information will be passed to our client without the candidates knowing their identity and giving permission.

THE UNITED KINGDOM ATOMIC ENERGY AUTHORITY

DEPUTY COMMERCIAL MANAGER

(Industrial Relations)

Applications are invited for a senior appointment in the Commercial Department of the Technical Policy Branch at Risley, near Warrington, Lancs.

The post is one of considerable responsibility in a rapidly expanding field and will provide opportunity of working in close collaboration with British Industry in the development of industrial applications of Atomic Energy. The commercial activities will be concerned not so much with product selling in the generally accepted sense but rather with the exploitation of technological information, and will include associated negotiations.

Candidates should have a sound technical/commercial background and be experienced in conducting top-level negotiations and drawing up commercial agreements. They must possess the ability to appreciate the commercial value of technological work and have some knowledge of patents procedure. They will be called upon to work in close co-operation with other sections of a large industrial organisation.

Preference will be given to candidates with a degree in one of the applied science and/or economic disciplines or membership of one of the senior professional institutions.

It will be necessary for the successful candidate to acquire an understanding of the technical processes and plants for which the Industrial Group is responsible, a reasonable period of initial training will be allowed for this purpose.

Salary will be assessed within the range of £2,000 to £2,500 per annum.

Assistance for removing by the successful candidate if married may be available in due course; alternatively substantial assistance may be given towards legal expenses incurred in private purchase. There is a contributory pension scheme.

Application forms may be obtained from the Civil Recruitment Officer, Industrial Group Headquarters, United Kingdom Atomic Energy Authority, Risley, near Warrington, Lancs.

Closing date January 30, 1957.

ACCOUNTING.—A light engineering Company in West London has vacancies for accounts assistants. Duties will include (a) Sales and Cost Sales analysis, (b) Maintenance of finished stock records by quantity and value, (c) Sales budgets. Experience of punched-card accounting an advantage. Salary £900-£700.—Box 595.

THE UNIVERSITY OF SHEFFIELD

CHAIRS OF ECONOMICS

Applications are invited from economists in any branch of the subject for two CHAIRS of ECONOMICS, both vacant at the end of September, 1957, one by the retirement of Professor G. P. Jones, and the other a newly created Chair. One of the professors will be appointed Head of the Department of Economics. In addition to its present functions the Department will in future assume responsibility for the conduct of teaching and research in Business Studies for which exceptional local facilities are available. Salary £2,350 a year, with F.S.S.U. provision and family allowance.—Further particulars should be obtained from The Registrar, The University, Sheffield 10, to whom applications (25 copies, or only from overseas candidates) should be sent by February 16, 1957.

HOUSING TRUST CHIEF EXECUTIVE DESIGNATE

The Western Region Production Development Board, with the approval and support of the Government of the Western Region of Nigeria, intends to establish a Western Region Housing Trust. The objects of the Trust will be the development of Housing Estates as well as fostering the growth of home ownership. Applications are invited for the post of Chief Executive Officer Designate of the Trust. In the preliminary stages his chief duties will be to assist in drafting legislation and in drawing up plans for the establishment and operation of the Trust. During this period he will be engaged on the staff of the Board but, subject to satisfactory performance, will become the Chief Officer of the Trust when formed. His duties will then include (a) organising the development of housing estates and (b) promoting home-ownership on building society lines.

Applicants should possess wide administrative experience in such fields as planning, development, and financing of housing areas and of home ownership schemes. Academic and professional qualifications will be an advantage.

Salary will be £2,500-£3,500, point of entry depending on qualifications and experience.

Further details of the proposed Trust and of the Board's Terms and Conditions of Service can be obtained from:
The London Representative,
Western Region Production Development Board,
18 Grosvenor Gardens,
London, S.W.1,
to whom applications, giving full details of experience, qualifications, etc., should be addressed; replies to reach him not later than January 31, 1957.

General Terms of Employment: House, with basic furniture, provided at rental of £150 per annum; Provident Fund; Outfit Allowance £60; Free Medical Service; Free passage for wife; home leave at full pay at the rate of five days per month of overseas service. Low income tax.

CHIEF MECHANICAL ENGINEER

Leading, well-established and expanding Group of Companies requires Chief Mechanical Engineer. Successful candidate, 35-50, should have university degree or equivalent, and associate membership in one of the senior professional institutions.

Site or shop experience essential with approximately ten years on project design, with proved ability in the design of mechanical handling machinery layouts, pressure vessels, heat exchangers, pumping installations, and associated electrics and instrumentation. Candidates must be knowledgeable in industrial economics and estimating applied to plant design. Experience of modern construction methods essential. Should be able administrator. Substantial four-figure salary, bonus, pension plan and assistance accommodation, etc.

Responsibilities include development of mechanical handling machinery, designs for industrial plants, and management of team of design engineers and related personnel.

Apply in GUARANTEED STRICTEST CONFIDENCE in accordance with professional ethics, giving details of date and place of birth, education, background, names of firms, positions held with dates and salaries to

Dr P. S. de Q. CABOT.

P. S. CABOT & COMPANY,
37-41 BEDFORD ROW,
LONDON, W.C.1.

WOMEN between the ages of 21 and 25 years with good educational background who wish to follow a progressive career in Market Research, are invited to apply for posts with a nationally known Company. An interest in travel, meeting people and studying changes in market conditions will be given scope, and there is considerable opportunity for using initiative. Ability to drive is an advantage, although not essential; the work is outdoor and requires a good standard of health. Salary and working conditions are excellent. A Pension Fund and Group Life Assurance Scheme are in operation. Successful applicants would be expected to fill these posts in February or March; early interviews will therefore be arranged and applications should include full particulars of education, qualifications and age, and should be addressed to Box 591.

EDUCATION OFFICER required for provincial area of political party organisation. Applicants should be University graduates preferably between 25 and 45. Commencing salary, according to experience and qualifications, not less than £750.—Write to Conservative Political Centre, Abbey House, 2-3 Victoria Street, London, S.W.1.

LONDON COUNTY COUNCIL
GARNETT COLLEGE

Training College for Technical Teachers)
Lower 83 New Kent Road, S.E.1

Applications invited from suitably qualified persons for appointment as LECTURER: person appointed will be required to as LECTURER in instruction relating to General Theory and part in instruction relating to reference to Further Practice of Education, with special tutorial responsibility Education, and undertake some applicable to subjects of other work on teaching method of Young Workers; teaching experience in an establishment of further education essential, and experience with young people in industry an advantage. Training College Salary. Appointment will be to the Council's service with assignment to the college.—Application forms and further particulars obtainable from and returnable to Principal at college (S.A.E. wrapp) by January 21. (2478)

APPLICATIONS are invited for the post of Secretary of British West Indies Sugar Association (Incorporated), with headquarters at present in Jamaica, but to be established permanently in Barbados at an early date.

Qualifications for the post include experience in administration and also as secretary of high level conferences. Knowledge of the B.W.I. Sugar Industry would be useful but not essential. The post is one of considerable responsibility and will carry a substantial salary commensurate with the experience and background of the candidate selected.

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II.—Jordan Must Choose

Torn-up Checks?

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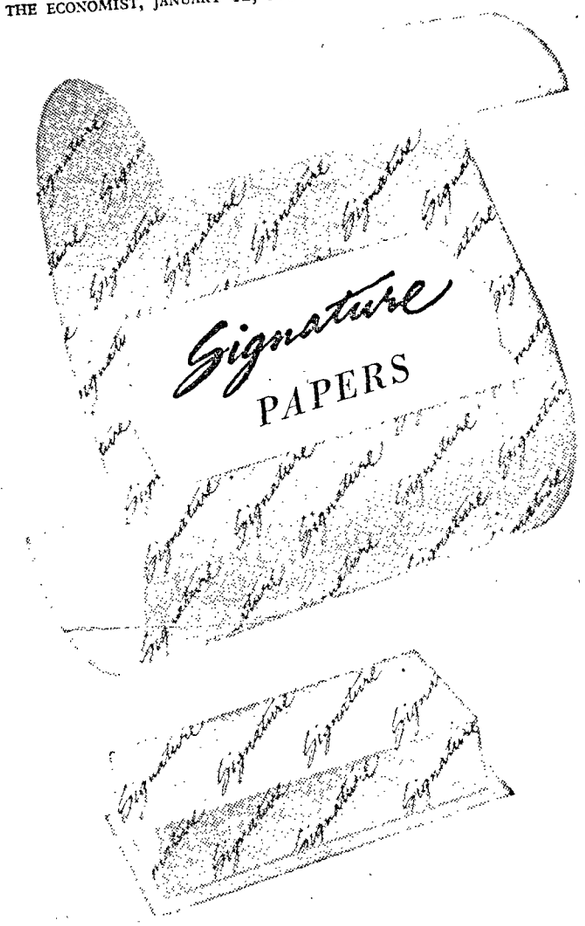
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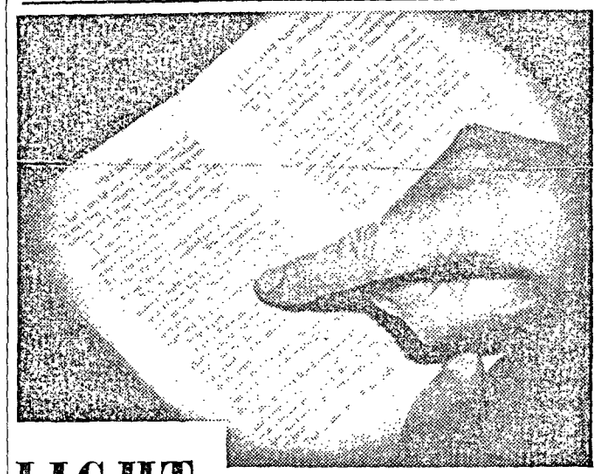
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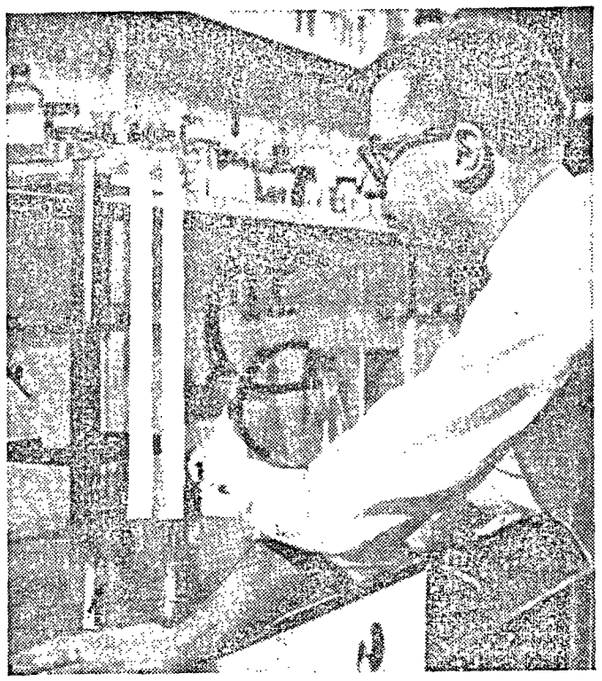
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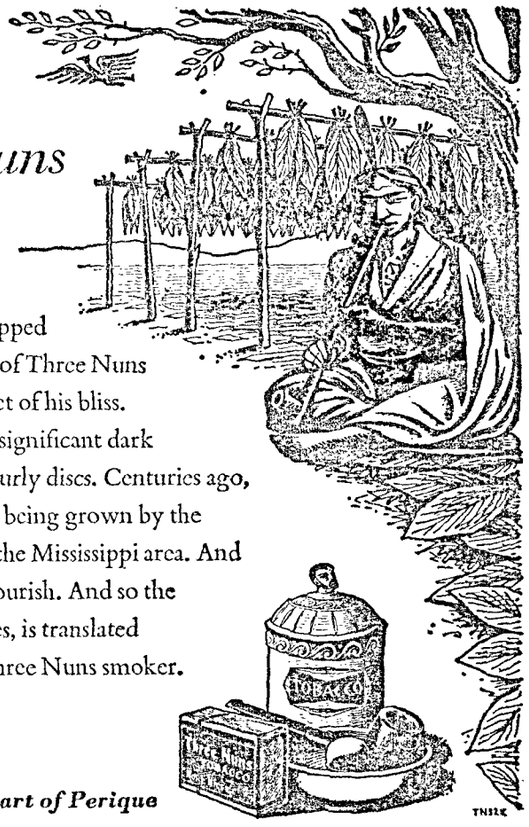
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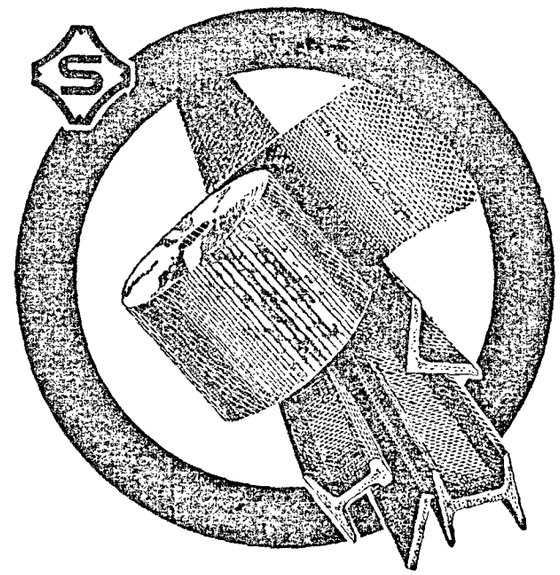
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State and municipal bonds and notes	30,500,104
Other bonds and securities	10,459,849
Loans and bills purchased	390,961,831
Accrued interest, accounts receivable, etc.	4,241,934
Stock of the Federal Reserve Bank	1,800,000
Investments in Morgan Grenfell & Co. Limited, Morgan & Cie. Incorporated, and 15 Broad Street Corporation	2,560,000
Banking house	3,000,000
Liability of customers on letters of credit and acceptances	19,668,342
	$854,614,967

LIABILITIES

Deposits: U. S. Government	$ 15,311,493
All other	690,486,092
Official checks outstanding	39,768,812
	$745,566,397
Accounts payable, reserve for taxes, etc.	11,058,079
Acceptances outstanding and letters of credit issued	20,157,629
Capital—300,000 shares	30,000,000
Surplus	30,000,000
Undivided profits	17,832,862
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The Successor

THE startling event in the past few dramatic days has not been the sudden decision of Sir Anthony Eden to resign, on doctors' orders. It has been the Queen's choice, properly taken on the advice of the Conservative party's elder statesmen, including presumably the retiring Prime Minister, of Mr Macmillan, instead of Mr Butler, to replace him. To say this is not to question the talents, the energy, the astuteness and the power of decision of the new Prime Minister. He is entitled, like every new head of the country's Government, to the fairest wind. It is rather to question the complex of forces and personalities which has caused the Conservatives to break the apparent succession in their leadership.

There will be only respect and sympathy for Sir Anthony Eden in the bitter withdrawal he has felt bound to make. He has made it with the same sense of personal responsibility that has inspired his thirty-three years of public service to his country. It was this sense of personal responsibility, let it be frankly recognised, that inspired his resolve last summer to cut the Suez knot by force; and none of those who have deplored that resolve because of its inevitable consequences would wish either to detract from the courage of his conviction then or to make light of the real personal tragedy which his departure now, ill and harassed, represents. It is the unhappy end of a brief Prime Ministership, so long awaited and so well earned when it came.

It would be less than honest, however, to disguise the opinion that, personal tragedy though it is, Sir Anthony's resignation could be, politically, the nation's gain in the light of all that has flowed from the Suez miscalculation. He has not resigned because his policies have failed, but because his health has broken down. The fact stands that his policies have failed, and his successor should have a better chance than Sir Anthony of putting matters right. Probably the reason for the change—ill-health and not the renunciation of the retiring Prime Minister's policies—will be widely disbelieved abroad. Paradoxically, there could be advantages in this scepticism, for there is no doubt that the first tasks of the new Government should be to give new leadership in a fresh start. It is not difficult to say what these tasks now entail: to rebuild the American alliance, to restore Commonwealth confidence and to recover British initiative in Europe; to recapture expansion at home, to press on with removing the remaining distortions from the economy, and to implement the policies of progressive Conservatism—which are so largely connected with the name of Mr Butler. It would again be less than honest not to say that the chief obstacle at the moment to such a proper balancing of national policies, and to the assured leadership it requires, is the need to set aside the mood that evoked the Suez enterprise and, looking forwards not backwards, to bind up the wounds it caused; and the choice of Mr Macmillan, or rather the reasons which may have produced this choice, must give cause now for some disquiet.

Mr Macmillan's appointment is presumably intended to bind up the wounds of Suez, but what it has really enswathed beneath the bandages is not, at first sight, the harm to the nation, but the hurt feelings of the Conservative party itself. Both those who think that this bandaging is a good thing, and those who are disappointed by it, must turn this weekend to consider the foreign and domestic implications, as they appear now, of the decision to pass over Mr Butler.

Two arguments were clearly advanced against Mr Butler. One was that throughout the Suez crisis he was generally supposed to have been ambiguous and non-committal in his support for Sir Anthony Eden. It has to be recognised, of course, that constitutionally all the members of the Cabinet were collectively responsible for the policies pursued ; this is a fact that should not be forgotten, and Mr Gaitskell has naturally drawn attention to it. But Mr Butler nevertheless managed to give the impression that of all the Ministers he was farthest from spontaneously approving the invasion of Egypt. This might not seem to be a strong argument against him, since whatever its share of responsibility in past failures the new Government will need to pursue a new policy. But, in terms of party confidence, it clearly carried weight, even for Conservative opponents of what was done, who might have preferred Mr Butler to take a stronger line of opposition. He has not in these past few months shown himself to be a very heroic figure—though he may well have been a very sensible one.

★

It is easy enough to speculate on the arguments that Mr Butler may have thrashed out with himself, if he did indeed have doubts about the Suez invasion while still remaining in the Cabinet that launched it. By remaining in the Cabinet, and voicing the views of the moderate element within it, he may have helped to limit the liabilities that were incurred. If Mr Butler had resigned in late October or early November—and it has to be emphasised that all this is, necessarily, speculation—then the affair might still not have ended any earlier or with any less damage than has in the event been done ; and the Conservative party would have been split in a way that might not have healed sufficiently for it to be able to win a general election for many years.

Moreover, in any realignment of political forces that might have emerged, Mr Butler's group would have been in the middle—and groups in the middle in British politics are the groups that usually get crushed. Would the destruction of some of the main forces of progressive Conservatism, which are by far the most hopeful domestic forces in British politics today, really have been preferable to the pattern of events which has in fact emerged ? It is easy to see how the argument ran. Even so, as Prime Minister, Mr Butler might have been shadowed by the doubts of both foes and friends. But the decision that has now been taken is on the face of it designed to placate the doubts of his foes only. The national advantages that might flow from Sir Anthony's resignation—in the shape of an assumption abroad that Britain was disassociating itself from the failures of past policies—could now be thrown away. They may not easily be recaptured even if, as is conceivable, Mr Butler becomes Mr Macmillan's Foreign Secretary.

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This leads on to the second argument that was advanced against Mr Butler. It was said that, because of the doubts which, among some, amount to charges of disloyalty, his accession would have split the Conservative party. What was meant by this was that, while those Tory MPs who would prefer him as leader are likely still to be willing to serve under Mr Macmillan, because they (like Mr Butler himself) are of a generally accommodating sort, those who prefer Mr Macmillan may include up to thirty or forty bitter right wingers who might have been constantly threatening to renounce the Butlerite whip. Once again, when one remembers who these right-wingers are, this would seem to be an argument in favour of Mr Butler rather than against him. But once again, too, a saving clause must be admitted. There is always the danger that a Macmillan government, because its formation is a compromise with these right wing forces, will follow compromise policies. But there was the fear that a Butler government, too, because its formation would be regarded as a challenge to these forces, might follow compromise policies, even in Mr Butler's own field of progressive economic and social reforms, in order to appease the malcontents. This apprehension (which we would not share, though we recognise the risk) arose from the fact that Mr Butler, although fundamentally the most forward-looking and administratively efficient figure in British politics today, has never quite managed to overthrow a suspicion that he might also be fundamentally lacking in resolution.

It is therefore fair to say that the new Prime Minister, surprising though his appointment is, could conceivably start under certain real advantages. The possible advantages are that, because his elevation will in itself be widely considered to be a placation of the worst influences in the Conservative party, he need not be under such great compulsion to placate them in his policies. His aim must be to press forward and carry through those policies of progressive Conservatism which Mr Butler has himself so largely fathered, where they will be unpopular no less than where they will be popular. His duty will be to make it quite clear that he would resort at once to a general election if his right-wing followers,—jubilant in his accession now, but possibly frustrated if he does not cash their cheques then—sought to make it impossible for the Government to tread the progressive path at home or abroad. It is right to be uneasy, impossible to be optimistic, but very likely wrong, in view of Mr Macmillan's well-known eclecticism, to be despondent about the prospect ahead.

Middle Eastern Priorities

Generally speaking, the Eisenhower doctrine for the Middle East is welcomed, there and elsewhere, by all interested parties who fear Russia—the Turks, the Iranians, the western countries with vulnerable oil interests, and the Middle Eastern governments (though not necessarily the peoples) that count on oil revenue to alter local standards of living and well-being. Equally, it is mistrusted by all Middle Easterners who fear tutelage and old colonialism more than they fear communism and the brand of imperialism Russia displayed in Hungary, and for whom "war" implies the menace not of Russia but of Israel. These include the Syrian government, the left-wing section of the governing Junta *in Cairo, and the man in the street in Egypt, Syria, Jordan and Iraq.*

Typical of this second attitude are broadcasts and newspaper articles describing the Eisenhower doctrine as a "nineteenth century imperialist way of replacing British and French with United States influence" (from Jordan), or as an innovation which "makes us wonder whether our countries are going to become a battlefield" (from Iraq).

In between these two extremes, a broad belt of opinion considers the proposition, as stated so far, too limited in scope to be applauded or condemned out of hand. It is "vague," says Colonel Anwar Sadat on Cairo radio, and "we ask our listeners throughout the Arab world to try and find out its meaning," says Baghdad. When these doubts are further analysed they reduce to a highest common factor : all deplore the President's reluctance at this stage to be specific about a single internal problem of the region. American proposals on these matters may well come later ; they will become imperative before very long. The two leading articles which follow set out two urgent local problems of the kind that will confront American policy in its new and active phase ; and our special correspondent looks at the Eisenhower doctrine from Amman on page 122.

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I.—Egypt and the Charter

WHEN Mr Dulles amplified the Eisenhower doctrine for the benefit of the foreign affairs committee of the House of Representatives on Tuesday, he is said to have explained (the session was secret) that the doctrine did not embrace the internal problems of the Middle East, which must "remain within the domain of the United Nations." But—this axiom cannot be repeated too often—the United Nations is only what its members make it ; indeed, when action has to deal with a recalcitrant member, it is only what its great power members are ready to make it.

In the Suez Canal dispute and the Egypt-Israel dispute, in the course of which two of those great powers (Britain and France) have played themselves into the dock, Uno is bound to be no more than what the United States makes of it ; it can do no more than what the Americans, assisted probably by Canada and possibly by India, can prompt or cajole a two-thirds majority into deciding ought to be done—and even then, only if the decision is resolute to the point of setting up machinery for action. What are these key members going to make of Uno in order to handle the three questions of the hour: the future of the Gaza strip, prevention of blockade of the international shipping channel into the Gulf of Aqaba, and freedom of passage for the ships of all nations (including Israel's) through the Suez Canal ?

The reaction of most UN members to the hard fact that Uno is what they make of it is, at the moment, flabby. If there is one topic that, more than any other, catches and holds their attention it is their duty to redress aggression. The classic act of aggression, which is invasion by an army, or bombing from the air, infringes the most sacred of all their notions—the concept of sovereignty—and so long as someone's sovereignty remains infringed, they are so hypnotised by the sight as to be oblivious to all other topics. The victim's share in provoking the aggression, or the question whether he as well as the aggressor merits an exercise of UN discipline, are eclipsed in their minds. Egypt, so long as its sovereignty remains violated, can count on retaining the sympathy in Uno which it captured on the night of October 30, 1956. Can it also count on the obliviousness of a majority of governments to its own infringements of, and threats to infringe, UN resolutions and other undertakings that it is pledged to fulfil ?

The Egyptians are making the most of a heyday of sympathy, and an interlude of obliviousness to Egyptian shortcomings and misdemeanours. They have demanded, first, that all British and French troops should quit Egypt unconditionally ; secondly, that all Israeli troops, also unconditionally, should quit not only Egyptian soil but also the Gaza strip and the islands that command the channel into the Gulf of Aqaba ; Gaza and the islands, though till lately occupied by Egypt, are not Egyptian soil in law. Thirdly, they have assented to clearance of their obstructions from the Suez Canal at the expense and by the skill of other nations, while hinting (on their radio, though not from the lips of their President or government—the distinction could be important) that when the canal is clear, it might be usable as an instrument of discriminatory Egyptian policy. In New York, their officials seem to be moving slowly towards resuming talks with the canal's principal users on future management, but, unofficially, they are priming their home public with the thought that Egypt is going to be in a position to grant or withhold the right of passage in order to be able

to coerce any one of three adversaries—Britain, France or Israel. It is relevant to add that their radio is using language that incites their people to be bellicose, and that the fedayeen they have trained are still raiding Israel from Jordan (where Israel is also hitting back).

In a word, the Egyptians are claiming the rights and privileges of a victim in terms of the Charter, and of a nation at peace, but are simultaneously fingering the instruments of a nation at war. At what stage are the UN and the United States going to turn their attention to this one-way conception of working the Charter? Can they do so before the Israeli invader has surrendered all the bargaining counters he captured; or must they wait till after all foreign troops, except their own force, Unef, have left Egyptian soil; or will they never muster the resolve to do it at all?

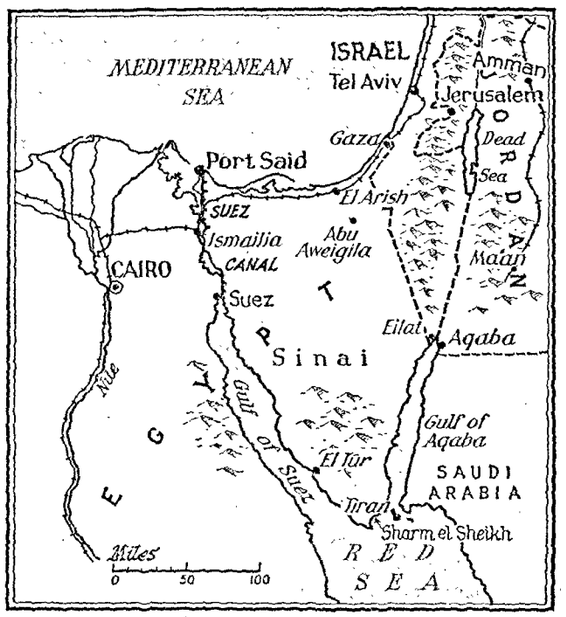
It is likely that the United Nations will, willy nilly, be pushed to a decision on this matter, and that the push will occur within a week or two. For a test of its members' intentions, and of their collective capacity to act, is imminent in Sinai. So far, the Israel army has been retreating, and Unef advancing in its wake, across the wastes and ravines of central Sinai without hitch or demur. This unobtrusive movement into new positions was easy going in an area that has been likened to the low cards in the game of beggar-my-neighbour—useless except in conjunction with a court card.

A court card is about to be turned up. The Israeli public has suffered so considerably from Egyptian techniques of undeclared war that it is difficult to see how any Israel government could countenance a surrender of two of the points that its army captured, without first getting a solid assurance that these points will not again be used for raiding and blockade. The two points in question are the frontier area at its Mediterranean end (between Abu Aweigila and the sea and including the Gaza strip) and the island of Tiran and the shore batteries near Sharm el Sheikh in southern Sinai from which, intermittently and unpredictably, Egypt has since 1949 conducted a sea blockade.

These are areas in which not only Israel, but other UN members, are entitled to demand that Egypt must apply the article of the Charter that forbids acts which endanger peace (Article I, paragraph 1) at the same time as they apply against Egypt's opponents the article forbidding aggression and the infringement of sovereignty (Article II, paragraph 4). It is relevant to add that the latest UN resolution on the subject—that of November 2nd last—called not only on Israel to quit, but on Egypt to call off the fedayeen. For how long is Israel to be the only party to be adjured to obey it? For how long is President Nasser to be exempt from any obligation to give undertakings for Egypt's good behaviour if Uno clears his territory of intruders and his canal of obstructions?

If, as seems likely, the Israeli army stops its withdrawal short of the points which will threaten its security if they are restored to Egyptian hands, Unef is not in a position to force it to keep moving. In this likely event, Mr Hammarskjöld is bound to go back to the Assembly for fresh instructions. How are Assembly members, including Britain, to vote on the handling of this test case for international authority?

Each individual voter would seem to be faced, like the swineherd of folklore, with three choices. One course is to accept the Nasser doctrine that Israel must hand back its gains unconditionally to Egypt, merely hoping that means may be found later to prevent Egypt from using the vantage points for the old familiar purposes. A second course is to exact conditions from Egypt while Gaza and the mouth of the Gulf of Aqaba are still in Israeli hands. The drawback of the first choice is that it prolongs a lopsided application of the



Charter and increases the likelihood that Egypt, flushed with success, will be arrogant and intractable about right of passage through the canal. The drawback of the second is that the Egyptian reply to any conditions sought by the UN at this stage might be an injunction to cease canal clearance; any injunction would infringe the 1888 Convention, yet few states will be ready to run a risk that hurts Egypt less than it hurts several canal users. The third course, and by far the best, is for Uno, in instructing Israel to withdraw, to undertake itself to prevent raiding and blockade by holding the Gaza strip and the mouth of the gulf pending conversion of the armistice into a peace treaty.

Of course, there are snags to this proposition; one of them is that the United Nations force would need reshaping to a size and form compatible with a longer life than was intended when it was created. But a list of the drawbacks, however long, is offset by possible advantages. The arrangement would eliminate all chance of territorial gain from aggression and kill the

legend, still rife all over the Arab world and the oil area, that the UN and the western powers lack the will to keep Israel within its bounds. It would insulate two points at which, perhaps more than at any other, an "incident" is likely to spark off a war; and it could provide a precedent for international management.

The only discernible alternative to a bold step in this new direction is a lapse, by default, to the *status quo ante*, which must be the prelude to more undeclared war, renewed retaliation, fresh risks that the Soviet Union will openly take sides, and more likelihood of a call on the United States to exert armed force.

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II.—Jordan must Choose

THE townspeople of Jordan, who dictate that country's politics, desire to be independent of Britain. A parliament elected in October on a pledge to end the Anglo-Jordanian Treaty is suspended between promise and fulfilment by the small matter of about £12 million which Britain pours annually into a poor country to keep it going. The government is therefore asking other Arab countries for guaranteed subsidies to replace those of Britain, being encouraged in this effort by promises from Egypt, Syria and Saudi Arabia.

The Foreign Minister, Abdullah Rimawi, did in fact say that all was settled by his visit in December to Damascus; there only remained the problem of "modalities." As it now appears, the unsettled modalities include the amount of aid, who will pay it, and how and when it will be paid. In short, Syria has agreed to pay money it has not got; Syria's financial difficulties are such that the moderates are glad that a government of the left has now to face the economic problem of the country. Egypt's accustomed financial difficulties have been made worse by the events of the last five months. Saudi Arabia has made it clear that its exchequer cannot bear the burden alone. In these circumstances it is reasonable to assume that Jordan cannot easily do without British money yet.

King Hussein might even not be sorry to see his popular government taught the hard fact of Jordan's economic life. Certainly it would carry more weight with the townspeople if it were the present government, committed as it is up to the hilt to abrogation of the treaty with Britain, that had to confess to the country that adequate aid was not forthcoming from the Arab states. The more Arab nationalism is forced to face reality, the better the chances for ultimate stability of government.

But it does not necessarily follow, as some people seem to assume, that Britain would benefit from this particular revelation. To be convinced of beggary does not always make the beggar feel warmly towards the solvent and charitable outsider, as some people in Britain who resent United States loans might recognise. The Jordanians may be forced to face the facts, but they cannot be forced to like them; Britain can score a point but will not thereby win a partner. Jordan's frustrated nationalists might even, in their anxiety to cock a snook at Britain, fall for the illusion of "string-less" aid offered, perhaps, by Soviet Russia.

This may be pessimism, but the mood and mind of Jordan justify pessimism. Nor could the mood and mind be changed radically by British propaganda. It has been argued in London that "better propaganda" could have prevented the attempt to bring Jordan into the Baghdad Pact from collapsing in bloodshed and disorder, as though by mere loudness of voice Britain, or maybe Iraq, could have shouted Jordan into the pact. But neither Egyptian propaganda nor Saudi Arabian money made Jordanian opinion what it is today. If Jordan had voted freely in the later days of King Abdullah, when that gracious but strong man ruled firmly with his loyal legion, the views of the electorate would not have been markedly different from those which produced the present parliament. President Nasser and the Egyptian revolution gave impetus and encouragement to the Baath Party of Abdullah Rimawi, for example, but the opinions of Rimawi pre-date both. To no small extent President Nasser learnt from the Arab nationalists, not they from him; his propaganda succeeded because it repeated and embroidered the thoughts which the Jordanians harboured already. Can Britain promise to destroy Israel, or brand Nuri es-Said as an "imperialist stooge"? There is nothing that a Voice of Britain can say to change the thinking of refugees and frustrated Palestinian townsmen, or to stay the increasing assent which their ideas enjoy in Amman and other towns east of the river Jordan.

If Jordan must now face the harsh facts about money, so must Britain now face the harsh fact that the attitude of Jordan to the British connection is not a temporary aberration produced by propaganda or an extreme government. Jordan wants to be rid of its British ties. Jordan's financial dependence cannot give Britain a progressive and constructive position in the country. The Jordanians feel they are manacled to Britain by their need for money and that the "perpetual" Anglo-Jordanian Treaty—perpetual in that it makes no provision for denunciation by either party—is the manacle. Revision would not meet their case, for they would say they had been compelled to it by economic necessity.

During these weeks in which the Jordanian government is hunting a philosopher's stone which will turn Arab promises to gold, it would be appropriate to inform Jordan that Britain is equally manacled and equally dislikes it. The £12 million which Britain pays yearly does not b a vital strategic position. This money that Britain an ill afford purchases three military bases, but with a heavy mortgage—and the unenviable

need to defend Jordan against Israel if the Jordanians call for help. It is increasingly evident in Britain—and Jordan should be told so—that Britain can very well do without the financial commitment, without the defence commitment, without the bases, and without the odium which goes with all three.

The R.A.F. has a base at Amman which was evacuated early in November to avoid the hostility of the neighbouring population at the time of the Anglo-French action at Port Said, and another at Mafraq which was deprived of water for ten days in November by a politically inspired strike of tank car drivers. Fuel is brought to the base from Beirut by civilian contractors who must drive through an unfriendly Syria. Food is flown in. There are 1,000 men at Mafraq and the army has some 1,500 at Aqaba, who give Britain a toe-hold at the head of the north-east arm of the Red Sea. These military establishments were valueless in the invasion of Egypt because Jordan would not permit their use for the purpose. Although Mafraq has runways long enough for any aircraft flying today, it is at least open to doubt whether it or any other base in Jordan could make a worthwhile contribution to a war against Soviet Russia. Their retention ensures the antagonism of the local population and strengthens interest in communism ; and although such leanings are often exaggerated, they show how subversion can sap the security of the bases. Recent experience tends to show, in fact, that the only certain use the bases can have is in a war with Israel, the only war for which Jordan would permit their use.

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It is clear that almost all the assets in Jordan have vanished. There is no more King Abdullah, firm in the conviction that his frontiers were safest if bolstered by alliance with Britain. There is no longer a friendly and co-operative Jordanian army with Glubb Pasha at its head. King Abdullah is dead, a victim of the passions which now torture the country ; General Glubb has been dismissed, on account of those same passions, by the late king's grandson. The mutual defence clause, which had advantages for the British before Israel existed, now commits Britain to defend Jordan against Israel ; Sir Anthony Eden's anxious warning to Israel in October revealed how embarrassing that commitment could be. There remain for Britain only the three isolated footholds over which there is bickering and sometimes conflict with the people they are meant to serve ; these and the annual bill for £12 million. Only Jordan gains.

Yet Jordan frets to be rid of it all. Then let Britain offer an early quittance. Rather than rejoice that economic necessity might force King Hussein and his government unwillingly to Britain's breast, why not grant them a new and unforeseen freedom of choice ? Now is the time to call for a mission from Jordan, to ask what it wants and to tell it, firmly and flatly, that, on the present showing, Britain has now no use for the treaty ; that Britain, like the Jordanian nationalists, wants no more than a friendly relationship " based on equality and respect for each other's sovereignty "; that Britain desires, in any case, to put an end soon to the subsidies.

Few people in Britain can wish harm to Jordan or would force greater poverty on that poor and vulnerable country, or on the host of refugees that overburdens it. But the British taxpayer, too, has enough burdens not to want to buy hate at £12 million a year. It is no more than decent to give the Jordanian government time enough to find the money elsewhere, but it should not be indefinite time ; there must be a clearly defined full stop in prospect.

Britain would thus be rid of embarrassment and expense ; but there is more than that to it. Present Jordanian policy is the negation of constructive effort. It is, in fact, an aggregate of several resistances, but primarily of resistance to Israel and Britain. By removing the resistance to Britain, the nationalists are at once compelled to sacrifice a major part of their *raison d'être* and to seek positively a relationship which will quickly satisfy the urgent needs of the nation. This is as essential to the nationalists as it is to Britain, which has to establish a new and natural relationship with Jordan.

Jordan may after all get the aid from Egypt, Syria and Saudi Arabia and so move into the camp of closer relations with Soviet Russia ; but if this happens, it will happen irrespective of Britain's decision, and will create a situation in which Britain has no choice but to leave without dignity. Alternatively, Jordan might say, as Britain has said, that there is no provision for unilateral abrogation of the treaty and that Britain must therefore continue to pay until the Jordanian government is ready to waive the subsidy. There is, however, evidence in the statements of the Jordanian Prime Minister and Foreign Minister to show that their intention is to abrogate the treaty unilaterally.

Britain should promptly inform the United States of its own intentions, because the United States, if it wishes, can provide some or all of the funds which Jordan requires, and because the Eisenhower doctrine is presumably relevant to the possibility that Jordan may now turn more directly towards Russia. The west gains if the United States can adequately fill the financial gap left by Britain ; but neither the United States nor the west would gain if the gap were filled in such a manner as to confirm a common Arab view—that the Eisenhower doctrine is merely the American way of replacing British power and is deserving of the same calumny. How to come to terms in this or other matters with the tortuous and tortured minds of the Arab nationalists is a problem which the United States government now has to face in detail. There is no simple solution, but at least this can be said: if Jordan wants aid its government must be left to ask for it, so that in the end it is clear that the United States, if willing to give, is not forcing its money on a weak state to make it subservient.

Torn-up Checks?

WHEN Parliament reassembles the week after next, it is to be hoped that MPs—in spite of (indeed because of) all the other things that now command their attention—will also have done some fairly drastic rethinking about the whole function of Parliament and parties in the British system of government. MPs are not usually accustomed to indulge in such thinking (some of them would even say that it is not their job) ; and any attempt at dispassionate discussion of the things that clearly went wrong in the last parliamentary term is too apt to become entangled with passionate argument about who was right in the issue that precipitated all the trouble. Yet, the attempt, and the disentanglement, should be made. Here then, in the hope that they may worry MPs as much as they have certainly worried some outside students of government, are some nagging constitutional reflections, prompted by observation of the proceedings at Westminster between October 30th and December 21st of last year.

It is sometimes said that the British system of government is a cabinet *dictatorship* limited by quinquennial elections. Constitutional theorists from abroad have often been very disturbed about this, for a general election is obviously a crude instrument of discipline—particularly, perhaps, in a country where one party (not at the moment the governing party) has pretended to base domestic politics upon the emotional excitements of a cold class war. A quinquennial election offers only a general judgment on the comparative merit of government and opposition ; it cannot yield a verdict on individual policies ; its efficacy as a restraint must vary enormously with its nearness ; and, in any event, if dictatorial powers were really given to a cabinet which was limited only by its liability to be totally changed in composition and philosophy every five years, there would be impossibly wild quinquennial aberrations in the course of national policy. So much, one imagines, is common ground.

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The saving grace in this apparently illogical and dangerous system—or so we are accustomed to reassure ourselves—is that the vast powers given every five years to eighteen or so men (led by a prime minister with not easily definable responsibilities) are also subject to a series of more continuous intangible and centripetal restraints. It is these famous " checks and balances " in the British constitution that some people now feel need to be looked at anew.

Those who express disquiet usually start by saying that what might be called the first line of restraints seems to have been overridden in the handling of Suez policy. To take three examples. For the first time in a century a Government went to war, whether rightly or wrongly, without making some prior effort to secure the concurrence of the Opposition. Singularly few civil servants, it is said, even at the highest level, were asked to sift the implications before the ultimatum to Egypt was sent (there is a wry comment here on the intangible nature of the restraints ; civil servants always say that they do not make decisions of policy, but witness their fury in the one case where this happened to be true). And, finally, the process of detailed argument within a divided cabinet itself may also have been cut immoderately short on October 30th by the Prime Minister's resolve to reach a decision before the French plenipotentiaries arrived.

These charges may well be true. But, probably, they are not charges to get too excited about. For one thing, any overrunning of the normal checks this time almost certainly means that careful regard to them is more (not less) likely next time ; the turn of recent events may even lead to the reinforcement in the future of the customary restraints on foreign policy, in the shape of more consultation with the Commonwealth and the United States of America. For another thing, these " unofficial " checks and balances cannot in any case be written more strongly into an unwritten constitution by tangible measures of reform. And, for yet another, this first line of restraints is made to be burst through on occasions when prompt decisions are needed ; the important thing is that there should be an efficient mechanism for measuring the cabinet's good sense when this happens. Political observers have much more reason to be concerned about the strength of the ultimate bulwarks of democracy, on to which policy breaks when this first line of restraints is—as it sometimes legitimately can be—cast aside. According to most of the textbooks, there are three main ultimate checks of this kind. All of them must now be called in to question.

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The first of these ultimate restraints on cabinet irresponsibility is supposed to be the safety valve of personal conscience and the possibility of parliamentary defeat ; we have always told ourselves that we have a flexible system of government, with the cabinet continuously answerable to, and liable to be thrown out by, the House of Commons. That is the theory: but the fact is that the last time a government with a clear parliamentary majority was brought down in peacetime by a vote in the House of Commons was in 1895. With that in mind, let us look at what happened in the Suez crisis.

What happened was that the most explosive political issue of the last fifty years produced only two resignations of protesting non-cabinet members in the upper

reaches of the government side, and no public dissociation from the Labour party line on the shadow cabinet's side. Lower down the parties, there were only half-a-dozen open revolts by MPs of either persuasion. Yet it is plain that many more politicians than this, including some on both front benches, had grave misgivings about their parties' policies.

Moreover, the reason why so many MPs stifled their qualms was made explicit in the debates. Throughout November and December the speeches of rebellious Conservatives, on both wings of the party, made it clear that, to virtually all of them, a Conservative government, however much in error, seemed preferable to any action which might bring about a Labour government; and how many people believe that Labour members, in a similar situation, would not have said precisely the same thing? Yet, unless MPs exist who in some circumstances would prefer their government to be defeated, the first check in the British constitution must now be assumed to have been thrown away. If, indeed, the belief gains ground that for the other side to take office is the ultimate disaster, then where do we stand as regards Lord Balfour's stated prerequisite for the survival of our system of government: "that the parties are so fundamentally united that they can safely afford to bicker"?

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These forebodings might seem to be exaggerated, were it not for the experience of what has happened in the past three months to the second assumed check in the constitution, which is the presumption of tolerance within the major parties towards those MPs who defect from the majority party line. Hitherto, a great deal of nonsense has been written about this. Despite all the sternness and rigidity of the party system, there does not seem to have been any instance—until this latest crisis—when an MP has had his parliamentary career terminated, or re-nomination refused, because he had expressed misgivings with his party's *ad hoc* decisions on a single issue of policy. But the fates of Mr Nigel Nicolson, Conservative MP for Bournemouth East, and Mr Stanley Evans, Labour MP for Wednesbury—not to mention whatever did happen to Mr Anthony Nutting—surely suggest that constituency parties are being allowed, by the public and by other MPs, to arrogate much more power than ever before over their members' freedom of action and expression.

Why are they being allowed to do this? Do the public in general, and MPs in particular, honestly believe that members' conduct would be wiser, or more in the public interest, if directed more closely by local committees? If not, why have we not heard more from MPs in defence of their profession's proper liberties—with Labour members saying loudly that, much as they disagree with Mr Stanley Evans's recent opinions on this single issue of Suez, they stand firmly by his right to express them, and with Conservative members saying the same about Mr Nigel Nicolson? In future, perhaps, Ostrogorski's ancient nightmare of caucus government will not be so lightly dismissed.

The third favourite bulwark cited in the constitutional textbooks is the British Parliament's machinery for scrutiny of (as distinct from judgment upon) government policy. Here again the past three months have surely brought cause for concern. Question time has scarcely lived up to its reputation as one of the most vital of British institutions. Indeed, it has been singularly ineffective as a means of clarifying a confused situation: major issues have been consistently evaded by means of irrelevant answers and bland self-contradictions. There can be little doubt that a handful of MPs using the procedure of a select committee—or of a responsible American investigating committee—would have been able to elicit as much information from the Prime Minister or the Foreign Secretary in thirty minutes of interrogation as has emerged from all the confused and repetitive exchanges at question time since the ultimatum was launched.

This is an unexpected conclusion to have reached. In the last two Parliaments reports of select committees have often been criticised in these columns; on detailed matters of administration—for example, investigations by the select committee on estimates into operations of departments such as the Ministry of Works—these badly instructed groups of private members seem to have an almost unique ability to seize on precisely the wrong ends of sticks. It is now beginning to appear, however, that the one sort of investigation for which a select committee might possibly be a relatively efficient instrument would be an investigation into the reasons for, and the methods of arriving at, a high policy decision; and that is the one sort of investigation a select committee is never—at present—allowed to make.

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These are some thoughts for MPs, and others, to mull over in these last ten days of the Christmas recess. They may not be welcome thoughts to the present generation of MPs, which has lately evinced some peculiar ideas about the sort of actions they consider most likely to bring the institution of Parliament into contempt. The argument of this article has been that in its Suez policy the Government—rightly or wrongly—rode over some of the restraints normally active in the constitution, brought its policy up for judgment and scrutiny against the ultimate bulwarks of British democracy, and that those bulwarks then proved to be startingly inefficient in both operation and conception. Which sort of government—which shade of Conservative or of Labour—would one expect to be most likely in future to resort to policies that might need to be tested against those apparently weakened bulwarks again? There, surely, is a really nagging thought for Conservative MPs. Which? Which? Which?

Notes of the Week

By Whose Choice?

The newspapers were completely unprepared for shocks when Sir Anthony Eden went to see the Queen at Sandringham on Tuesday; the assurance that the visit was a normal one, and held no political implications, was taken at its face value. It will be a fascinating subject for future historical revelation how many people knew how soon that something was in the wind. The formal interviews that Her Majesty held on Thursday morning with Lord Salisbury and Sir Winston Churchill do not necessarily mean that there had been no earlier consultations about what should be done in this emergency.

The first suggestion of those who were eager to block Mr Butler's accession was that the Queen should not appoint a Prime Minister until the 345 Conservative MPs (who have been democratically elected) and a greater number of Conservative candidates, peers and party officers (who have not) had met to choose a new party leader. The Conservative Central Office announced that it rejected any idea of this solution, on the formal grounds that it was not for it to interfere with the Queen's prerogative. The Suez group of MPs, to its credit, never really put their support behind this suggested gimmick for giving themselves (possibly) more weight. Their solution on Wednesday evening—when they thought that Mr Butler was about to be called to the palace—was that Mr Macmillan, as the older man, should take over after "doing a deal" with Mr Butler about the date of his own retirement. There was no evidence on Thursday that there had been such a deal; the right wing seems to have gained its immediate objective without it.

Labour's official view is that the change means that there should now be a general election; as its official view about any development now is that it means that there ought to be a general election, perhaps not too much weight should be given to that. The country could not vote now on what to do in the Suez incident, because the Suez incident is past. It could only vote on what to do about broader domestic and foreign policy problems ahead. The Conservatives' mandate to handle them is not yet run; it remains to be seen how Mr Macmillan will consider that that mandate is to be interpreted.

Hungary and the United Nations

Mr Hammarskjöld presented a discouraging report this week to the General Assembly about United Nations action on Hungary. The group that he asked to investigate the Hungarian situation in November has virtually thrown in its hand, on grounds that are unconvincing. The three members (of all of whom better things might have been expected) found that since the Kadar regime would not let UN observers into Hungary, "what we have looked at is the available and generally known material which does not put us in a position to add anything significant to what is common knowledge about the situation in Hungary." They conclude that it might be better to suspend investigations "for the present."

Their conclusion is wrong. The West is flooded with material—much of it eye-witness material—about the Hungarian revolt on the basis of which it is perfectly possible to make a detailed and reliable analysis of what happened. So much information exists that, merely to find out what happened, the UN observers need not at this late stage go to Hungary at all; even the misleading Kadar propaganda is fully available to them outside the country. In any case, the Assembly does not need an exclusive and exhaustive history of the Hungarian revolt. It needs to place on the record its authoritative statement, so that it has a solid basis on which to pursue its further efforts to liberate the Hungarians.

Fortunately the flabby attitude of the three-member group is not the end of the matter. Mr Hammarskjöld suggested in his report that a new *ad hoc* committee should be set up by the Assembly to investigate the Hungarian situation, and that it should be specifically authorised to take evidence from refugees. His suggestion has been taken up in a resolution. The Assembly should also consider making use of the Peace Observation Commission that it set up in November, 1950; reports from the diplomatic or consular representatives of member governments in Budapest would be a useful source of information on current developments. Mr Kadar is now so anxious for western economic aid that he will think twice before trying to put a stop to these. Although it is not probable that any United Nations action can affect the immediate course of events in Hungary, it is essential, both for Hungarian morale and for its own reputation, that the Assembly should keep its teeth in the problem.

Two Days' Strike?

A demonstration of mass lunacy was given by the national committee of the Amalgamated Engineering Union on Tuesday; and on Thursday a conference of the Confederation of Shipbuilding and Engineering Unions was held to decide whether to follow its most important constituent union round the bend. The AEU committee voted by 28 to 23 to call for a 48-hour strike of the whole

confederation, in support of the wage claim of 10 per cent which the employers rejected outright a few weeks ago. First, however, it had rejected a proposal from a communist delegate for a strike lasting a week. That had been vigorously opposed by Mr John Boyd, the Scottish member of the executive, who said that he was not convinced that union members were prepared to take action contrary to the country's interests:

> Never have the workers of this country been so country conscious. They know that if the economy of the country breaks down they would break down with it. A week's stoppage would do irreparable harm to the country.

Mr Boyd's argument came back to self-interest, but it was certainly enlightened, and his speech was the more courageous in that he is seeking the support of these lunatics in the coming election to the union's general secretaryship.

What casts such doubt on the engineers' sanity is that a strike, whether for a week or for two days, would be so obviously against their self-interest. Far from forcing the employers to make a counter-offer the threat could well have stiffened their resistance. The AEU's decision to threaten a strike before the end of February went with a decision to seek new talks with the employers meanwhile. But the employers seemed likely—and most certainly would be right—to refuse to talk under duress. If the unions were unable to fix a meeting and it really came to a strike they would be in an unhappy position indeed. Many of their members would be puzzled to see how, by walking out in February and then walking back again two days later, they would advance either the willingness or the ability of their employers to pay; it is therefore by no means certain that a strike call in February would have met with solid support. It might well have been a woeful exhibition like the strike over dismissals at the British Motor Corporation last summer, when men were set against men, some striking, some working, all at sixes and sevens.

The confederation, however, has prudently decided to make a new approach without any specific threats, merely authorising its executive to say that, failing satisfactory results, action must be taken. Trade union leaders—even more ardently than the rest of the country—must hope that it has thereby saved the AEU from its own folly.

On Making Peace with Mr Cousins

MR COUSINS, general secretary of the Transport and General Workers' Union, has this week shown what can be done in one field without strikes or threats of strikes—and how sensible his executive was in refusing the busmen power to call one. After their claim for £1 a week had been rejected by London Transport with a counter offer of about 6s., Mr Cousins himself took charge of the negotiations, and the upshot is that he has pushed up the offer, first to 6s. 6d. and then to 7s. 6d. This was some way from the 9s. that he sought to cover the cost of living increase that has taken place since the busmen last had a rise; but even this has largely been conceded in an ingenious form which does not set too dangerous a precedent. The men are to get better rates for Saturday afternoon duty, which will yield them on an average just about 1s. 6d. a week more than hitherto. These rates are already paid on the provincial buses. For London Transport the settlement will mean spending an extra £1½ million a year and probably raising fares again—though the extra passengers forced on to the buses by petrol rationing make the timing and amount of the rise uncertain. But presumably it was thought worth while to reward Mr Cousins's patient negotiating approach, and thus make it unnecessary for him to go on the rampage so early in his career. Those who have to negotiate with him may be well advised to spread the idea—not least to Mr Cousins himself—that this new Colossus is at heart a very moderate man.

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There was nothing in this settlement seriously to upset the Associated Society of Locomotive Engineers and Firemen: they therefore decided at a conference on Wednesday to accept the 3 per cent which the railways tribunal offered them to cover the rise in the cost of living since their last increase. This is a far cry from the 15 per cent which they had sought, but Mr Albert Hallworth, the general secretary, soothed the delegates by pointing out that this left the executive free to make another claim when they judged the moment ripe, which he thought might be quite soon. The ASLEF's acceptance will not please the National Union of Railwaymen, who were disposed to reject the 3 per cent for themselves; but all three railway unions must be quietly satisfied that the tribunal should have recognised the dubious principle that railway wages should automatically follow rises (although not falls, presumably) in the cost of living index.

That principle is actually enshrined in the industrial agreement for the building industry, and it was in accordance with this that the employers this week granted the builders an extra penny an hour, or 3s. 8d. a week—a sum which, they say, will add £12 to the cost of a three-bedroomed house. As usual, however, the unions want more than a cost of living addition, and they presented a new demand for an increase of 4d. an hour, or 14s. 8d. a week, as well as various other benefits. This must be firmly resisted. The pattern, let us hope, is now set: at about 3 per cent, to cover the rise in the cost of living, it is not excessively more than the country can afford.

No Compromise from Mr Kadar

MR KHRUSHCHEV and Mr Malenkov flew to Budapest on New Year's Day and there held a secret four-day meeting with the top communist leaders of Hungary, Czechoslovakia, Rumania and Bulgaria. Last Sunday, a few hours after a communiqué on this meeting had been published, Budapest Radio broadcast the long-awaited statement of policy by Mr Kadar. Clearly there was a close connection between the two events. In spite of official denials, it is generally believed in Budapest that Mr Kadar tried to get some non-communist political leaders to co-operate with him, on his terms, and that he failed. Presumably he then appealed to Moscow for guidance and backing. Moscow provided both, and in addition, took the opportunity to give other communist leaders, assembled in shattered Budapest, an object lesson in the dangers of going too far with destalinisation. Only the east Germans, who were already begging for economic help in Moscow, and the Poles were missing. Mr Gomulka either was not invited because the Russians feared he might prove a discordant element, or refused to come because he did not wish to lose popularity at home by subscribing to the Russian version of the Hungarian "counter-revolution."

Mr Kadar's declaration has been received with sullen and bitter disappointment by the Hungarians. There are a few minor concessions—a better deal for individual craftsmen, a guarantee of religious teaching in schools for those who want it; a promise never to return to the methods of the "Rakosi-Geroe clique"; and pious platitudes about cutting down the state bureaucracy, overcoming economic difficulties and so on. But to the basic political demands for which the Hungarians have never ceased to press Mr Kadar returns a blank refusal. The dictatorship of the proletariat is reasserted categorically. Mr Nagy graduates from being merely misguided and incompetent to the designation of traitor. "Counter-revolutionaries" and "imperialist agents"—that is, opponents of the regime—are threatened with the utmost rigour of the law. The Soviet forces in Hungary have been of "great assistance"; their position will be settled by "friendly negotiation."

Mr Kadar, in short, shows less readiness to compromise than ever. Yet this did not deter him from announcing that he would try to persuade non-communist leaders to help him carry out his programme: not an easy task, as he added in a superb under-statement. The immediate prospects in Budapest seem to be prolonged deadlock—or possibly another angry explosion.

Mr Malenkov to the Fore

MR GOMULKA'S absence and the presence of Mr Malenkov were two striking features of the international communist meeting in Budapest. Poland is fast becoming odd man out in the Soviet block; its press greeted Russian intervention in Hungary with scarcely veiled hostility, and its public opinion continues to express feelings of sympathy for the Hungarian people. In these circumstances Mr Gomulka could not have identified himself with the proceedings. Mr Malenkov, for his part, was staging an international come-back.

Since Mr Khrushchev is the party's first secretary, Mr Malenkov was in Budapest formally, in all probability, as the representative of the Soviet government. But since his demotion two years ago he holds the lowest government post of all the members of the politbureau; he is only a deputy premier, while most of his colleagues are at least first deputy premiers. His selection as Mr Khrushchev's companion marks a return to the limelight which has a political significance.

Stalinism in its political aspects was to a great extent the result of Stalin's economic policies—the rapid industrialisation, high rate of investment, and relative neglect of the consumer, all of which required coercion and repression to impose them on an unwilling people. Mr Malenkov during his twenty-two months at the helm showed signs of understanding that political relaxation must, therefore, be accompanied, or preceded, by economic concessions. After his fall the priority of heavy industry was reasserted and pledges to the consumers toned down in a manner which contributed to the political restlessness. Russia is still paying the penalty for this contradiction between its economic and its political courses; it is now compelled to make economic concessions in eastern Europe without getting any political return. Perhaps it was awareness of this lesson which caused the Soviet central committee to send the more cautious and statesmanlike Malenkov to Budapest to keep an eye on his blundering successor.

Kenya Line-up

THE announcement that the United Country Party of Kenya has been finally dissolved will not surprise anyone. But it is a matter for great regret. The party was founded when the "Blundell group" of European members of Kenya legislature were in a far more liberal and hopeful frame of mind than they are now: it was an attempt to create a genuine multiracial party supporting multiracial government. But from the first it failed to carry conviction, because Mr Blundell did not feel immediately able to open its membership to Asians and Africans. He considered that an offer of eventual membership was as far as, perhaps farther than, a successful European politician could afford to go—and the subsequent treatment of his venture at the hands of the press and in Kenya social circles has largely shown this fear to be true. The final blow came when the Blundell group lost a seat at the recent elections to the Briggs group, which has always held, not only that white leadership and supremacy must be indefinitely maintained, but that party politics in Kenya are too dangerous and that the Europeans must present a solid white front to the other races.

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As an inevitable reaction, the African elected members, divided though they are on many matters, have formed their own solid front. Thus the Legislature is divided along the lines of colour and the stage is set for a struggle between the races for power. This will now be fought out on constitutional lines, but the pattern of inevitable concessions has already been set with the appointment of another African minister. There is reason to hope that in the African elections next March a relatively moderate, because small, black electorate will choose the anti-extremist candidates; but the white settlers have seen to it that, anti-extremist or not, African policy will still be one of African nationalism—Kenya for the black man. The right-wing Europeans believe that they can handle this situation, and profess to prefer it in the open. The Africans are likely to settle down to a campaign for increased representation, which in the end would give to them—not to a multiracial "Kenyan" party—control of the country. The Briggs group believe that a solid European front can indefinitely frustrate this African ambition; Mr Blundell's party was started precisely because he read the signs of the times differently, and believed that this was not only reactionary—but absurdly wishful—thinking in history's despite.

Sir Roy's Politics

SOUTH of Kenya there has been another disappointment for liberals in the past week, and it has come from a man whom many have hitherto regarded as Africa's main white hope. Sir Roy Welensky, whose Federal party is in political difficulties, has evidently decided to outbid the Dominion party opposition in Central Africa by demanding more independence for the Federation and an end to Colonial Office "interference"; he has done so in a speech made while Mr Lennox-Boyd was still in the country. By a clever piece of casuistry, Sir Roy is arguing that it is the Africans, not the whites, who are repudiating the basis of racial partnership on which the federation stands; he takes as proof of this the fact that the African nationalist leaders still denounce federation and say that their aim is the establishment of African states on the Gold Coast model. So long as the Colonial Office has responsibilities in Rhodesia and Nyasaland, says Sir Roy, the Africans will turn from the local governments to it in their search for support in this ambition.

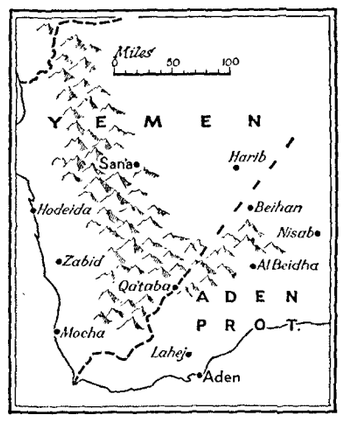
All this will seem entirely convincing to the white electorate in Rhodesia. But it will not convince many people in Britain. Sir Roy himself has repeatedly said in London that federation stands or falls by its ability to win African co-operation. He seems to be making very few allowances in an attempt to secure it. The emphasis now should not be on the undoubted existence of some individual African crackpots: the blunt fact is that the broad mass of Africans have not yet heard how their interests will be safeguarded if and when the Colonial Office, and British responsibility, is eliminated. Plans for a federal citizenship were drawn up over a year ago. Lord Malvern blurted something about a two-tier franchise and then went mum. All that has happened since is a rising European claque against the Colonial Office, and a demand for independence.

The suspicion has not entirely unreasonably grown in African minds that the independence demanded, in advance of the due date, is to be for whites only. Every incident in the copperbelt and elsewhere has magnified this suspicion. A recent one was Mr Lennox-Boyd's snub to Mr Nkumbula, put partially right by a last-minute meeting with him this week; the latest is the highly regrettable refusal by the industrial arbitrator to give the African mineworkers any advance in pay against their claim. Sir Roy knows all this. He knows the dangers of endlessly frustrating native peoples under a quasi-liberal semi-apartheid regime. It is a pity to see him swept out of his course by events, instead of shaping them.

Yemen on the Bandwagon

NOMADIC populations, maze-like tribal affiliations and the frequent absence of any well-defined natural landmarks combine to make the demarcation of desert frontiers, whether by territory or by people, an extremely difficult thing. Yemen's frontier with the Aden protectorate has never really been marked out on the ground. The British-Yemeni Treaty of 1934 reaffirmed the status quo on an incompletely defined boundary, and the boundary commission provided for in the 1950 treaty was never formed. Yemen does not want a firm frontier because it would also solidify the frontier of the federation of Aden's protected principalities, to which the Imam Ahmed, ruler of Yemen, is opposed. Not only has he territorial claims; he sees in the federation the seed of an organised Arab neighbour, related through its subjects of the Shafii sect to the Shafiis of Yemen, challenging the supremacy of his own Zaidi sect in his country.

Since Britain launched the federation plan in 1950 the Imam Ahmed has constantly fostered the tribal troubles of the frontier with guns and money, denouncing as aggression any protective action taken from Aden in reply. It is difficult to believe that the fighting which has produced the exchange of protests between Yemen and Britain this week is more than another, somewhat larger, example of the Imam's policy, although exact details from that frontier are hard to come by and not easily intelligible. The Yemen, once jealous of its isolation, has discovered the power of propaganda and seems inclined to exploit Britain's new-found reputation as an "aggressor" for its own ends. In words which are a straight crib from one of the November broadcasts of Cairo radio, the Yemeni chargé d'affaires in Bonn has told journalists that his government would be forced "to call on volunteers from all over the world to resist the British aggression." It may be that "all over the world" in this context means Egypt, Syria and Saudi Arabia, with which the Yemen is associated in military pacts. The frontier situation could get worse.



The Colonial Office might usefully arrange to have faster and fuller news of the frontier troubles than has Yemen, which always manages to have its protest in first. It is strange that Yemen should beat the Aden government in the modern technique of communications. There might also be good reason to send an expert Arabic-speaking mission to the protectorates so that Britain can have an independent report on the situation and the needs of the population there. Its report would have no effect on Yemen; but if the Imam is being given aid from his allies to increase border troubles, it would be an advantage if the Commons and the British people could be told a little more than they know at present about the matter.

Oil for Middle East Lamps

SINCE yesterday the Lebanese Government has been unable to export oil to Syria and Jordan from its depleted supplies. It informed the two governments that, as a result of the sabotage of the Iraq Petroleum Company pipelines in Syria, the stocks in the IPC tanks at Tripoli would be exhausted by January 11th and the Aramco oil at Sidon would only meet the Lebanon's requirements. The Suez affair has created a shortage of oil in Egypt, too. All the Sinai fields are out of action: the Sudr and Asl fields because the Israelis removed the pumps and plugged the wells, Ras Matarma because of a fire, and Bala'im is closed down. Egypt is therefore left with only the Ras Gharib field on the opposite shore of the Red Sea, and with only one tanker capable of carrying about two-thirds of the Ras Gharib output to the refineries at Suez. As Egypt, in any case, imported about a third of its oil requirements, the extent of the shortage is obvious. The stocks in Egypt must have carried the country through to the end of the year, but the government has been forced to impose rationing of kerosene—by far the most important domestic fuel in Egypt. The black market is flourishing.

Both Syria and Egypt have sought American and Russian help, and have received it; Russia has sent in the oil and American companies have distributed it. Syria is reported to be as well off for oil as before the crisis. Russia has also sent some kerosene to Alexandria. Now the American companies are under pressure to meet Egypt's needs in full by bringing crude oil from the Persian Gulf to the refineries at Suez. They have agreed to supply after securing assurances about payment and profits which were unobtainable before the crisis.

It would be tempting to suggest that oil could in this case be used as a weapon to secure Syria's permission to repair the IPC pipelines and to ensure that Egypt does not discriminate against British and French traffic through the Suez Canal. The situation exemplifies the difficulty of American policy in the Middle East: how to preserve a position and influence—and therefore some western position and influence—without encouraging recalcitrance. In this case, the United States will need to release Egypt's dollar holdings in New York to enable the oil to be bought. From the point of view of the oil companies concerned, the problem is simpler. Since they expect to continue trading in the Middle East they could hardly allow themselves to be used as a stick to beat the host governments.

(*A Note on Texas oil on page 113 and two Business Notes on page 133 indicate the present prospect for British oil supplies.*)

Canal Users Rally

THE Suez Canal Users' Association has emerged from the blast hole into which it was driven by the attack on Egypt. Representatives of the fifteen member nations are taking stock this week and, endowed with an Administrator and £50,000, have to determine what the one will do with the other. The formation of Scua occupied the period between the failure of the Menzies mission to Cairo and the reference of the canal dispute to the Security Council. President Nasser's rejection of the eighteen powers' proposals for internationalisation of the canal produced a state of indecision into which Mr Dulles brought the idea of a users' association; taken up by Britain and France, it was endorsed in general terms by a second London conference. On October 1st the association was formally inaugurated, and in the following weeks it appointed several committees and an Administrator, Hr Eyvind Bartels, the Danish consul-general in New York. The members also agreed on a scale of contribution, the USA and the United Kingdom heading the list by each paying 20 per cent of the initial funds. This was as far as Scua had got when its career was abruptly halted.

Scua was hamstrung from the first by different interpretations of its purpose. Even the three proponents were not at one, and Mr Dulles either failed to make his own position clear, or actually changed it. The British and French wanted to use the association to coerce Egypt whether militarily or economically; Mr Dulles disagreed. The divergence became precise over the payment of dues. Mr Dulles had at first agreed with Britain and France that it was part of the association's job to collect dues and pay a proportion to Egypt, but it later transpired that he was not prepared to insist on this point until Scua was a going concern and had entered into a working agreement with Egypt. By mid-October, Mr Dulles seemed to be thinking of Scua mainly as a negotiating body waiting to talk to the Egyptians.

Events since then have narrowed the choice: either it will become a medium for negotiation, or it will pass out of the picture for good. Some of the members would like to establish now a small committee to be ready to negotiate at an appropriate time. But although Scua represents nine-tenths of canal traffic, it would gain from wider membership and particularly from the inclusion of India. Before the resort to force, India declared that the association could be useful as a liaison and consultative body and proposed an enlarged membership. Only developments of this order can save the association from a useless life and an early death.

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On the Border

BOTH Irish governments are now working hard to suppress the border warfare which has at last led to three fatalities. As the party that has suffered from flagrant aggression, the Ulster government must perhaps be allowed its mead of bitterness: it is rather inclined to take it. Mr Topping, in welcoming Mr Costello's broadcast, pointed out that it had come late in the day; and Lord Brookeborough was hardly intending to soothe the feelings of his Roman Catholic minority when on television he referred to Ulster as Britain's oldest colony populated by Scotsmen, Englishmen and Welshmen. The Ulster government has now outlawed Sinn Fein as well as the IRA. In the south, despite discouragement from their Church, thousands turned out for the funerals of the IRA men who were killed in the Brookeborough raid, and there were signs that there would be a wave of resolutions from local authorities sympathising with their aims.

The most heartening development, however, is that Mr Costello has successfully met the challenge that in sending troops and police to the border, arresting suspects (some of whom have been sentenced), and denouncing IRA activities, the Republican government is "treacherously" assisting Belfast. He curtly refused the request of some of

his supporters in the Dail to reverse his policy; and he has received, as was hoped for and expected, Mr de Valera's support for his statement that illegal forces could not be allowed to usurp the functions of parliament and government. The Irish Prime Minister has in fact gone rather further than any of his predecessors in the direction that both international law and common sense demanded. In deploring the deaths of the three Irishmen killed (two raiders and an Ulster constable), he upheld the thesis that the border does not divide two peoples, and that the death of an Ulsterman is the death of an Irishman, as much the concern of Dublin as of Stormont. Protestants are not enemies. Whether this point will sink in in the Republic remains to be seen. It is clear that the interest of the forces for disorder lies wholly in a rise of the political temperature to the point at which reason and sense are swept away, since they are, according to Mr Costello—who should know—divided into four or five warring factions, united only in the desire to raid Ulster, recruit impressionable young men and earn foreign support and funds. If this is so, a firm hand, and careful deflation of their pretensions, should reduce them, at least for the time being, to impotence. It is possible to be rather more optimistic about the Irish situation than seemed likely four weeks ago.

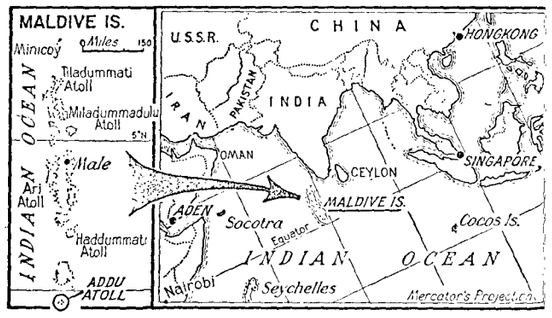
The Dartford Tuppennies

THE sheet of two hundred and forty imperforate twopenny stamps, which last week netted a profit of some £10,000 for their purchaser, has set off some interesting ethical and economic speculations (or, in other words, a wave of grand jealousy), a Post Office drive to enforce the regulations against the sale of "imperfects," and—prospectively—at least one parliamentary question. Non-philatelic comment upon the matter must start by pointing out that nobody will be hurt, and at least two people will presumably gain, by the transfer of £10,000 to the lucky dealer in Dartford from whatever collector is going to feel that it is worth paying at least this for the stamps. If the Post Office nevertheless still objects to this sort of transaction—and it is difficult to see why it should—its wisest course would be to sell unlimited quantities of imperforate twopennies over its counters, to destroy the Dartford dealer's scarcity profit. If it does not object, then the question arises: why does it not imitate the astuteness of Mr James Farley, who, when the United States Post Office unwittingly provided a similar windfall for a quick-witted collector, duplicated and re-duplicated it in just sufficiently *limited* quantity to reap a public profit of half a million dollars?

The British Post Office will apparently not consider the Farley technique. Its attitude is not precisely similar to the attitude of the British Treasury towards betting, which is that there may be something improper in making too much public money out of supposed vice; its attitude is that, as a post office, it must treat philately as if it does not exist. This is in line with the traditional post office policy of Britain—a policy reflected by the sublime omission from its stamps of any indication of origin. At the other end of the scale stand those countries that have the reputation of bringing well-timed issues (perhaps octagonal, round or oval, certainly king-sized and gloriously coloured) to the rescue, or indeed to the regular support, of their budgets. The British taxpayer must assess the gain in dignity in terms of the cost to himself. The one group that will certainly gain if the GPO continues to treat philately with its present lack of sympathy is philatelists themselves.

By-passing Bandaranaike

THE agreement with the government of the Maldiv Islands permitting Britain to re-establish and opera the former airfield on Addu Atoll (an atoll is a ring of cor islands) has been under negotiation for some time; urgenc was imparted to it by the slow progress made with th Ceylon government over the retention even of the mo basic user-facilities for the RAF after the bases at Katun yake and Trincomalee were handed over to Ceylon. M Bandaranaike has already made it clear that neither the ai nor the naval base would be open to Britain in an arme conflict in which Ceylon was not involved; and the proces of going cap in hand every year to a disapproving Ceylo government even for user facilities in peacetime has becom about as pleasant as getting a liquor-licence in India on th plea of addiction to alcohol. The Navy long hoped to ge the sort of agreement with Ceylon as that which it has wit South Africa for the use of Simonstown, but this has provec quite impossible. Both services would still like to hav



some facilities in Ceylon; but the agreement with th Maldives ensures that the link with Australia will not b broken whatever Mr Bandaranaike (or Mr Nehru) ma choose to do.

Addu Atoll is in the extreme south of the Maldives, o which there are 2,000 islands strung on a necklace betwee latitude 10° N and the equator. In all the Maldives ar 800 miles long, sparsely inhabited by about 90,000 devou Moslem fisherfolk of mixed Sinhalese, Arab, Chinese an Malay ancestry. They are ruled by an elective Sultanat with a Majlis of 50 members representing the various atolls their international status is that of an independent stat under British protection. The base should be ready by th time the Britannias and Comet IIs of the RAF airlift are i operation, and is well placed to refuel them and provid simple repair facilities and wireless and radar communica tions. The base was used for anti-submarine aircraft in th last war, but could hardly serve large-scale operations. I will make it possible to fly men and equipment from Britai to Singapore via Aden or Nairobi, and to reinforce bombe (but not fighter) forces in the Far East. The terms of th lease give the RAF full freedom of action.

Kashmir Essentials

NEXT week the Kashmir dispute will be back, after four years, on the United Nations' plate. Alongside the Middle Eastern conflict, it may seem a small thing. Yet, like Suez, it puts members of the Commonwealth in a painful quandary, and its repercussions are widespread and dangerous. It calls for all the attention that weary ministers and officials can drag away from other preoccupations.

At the Security Council, both Pakistan and India will inevitably lean hard on each other's past misdeeds and on UN rulings of bygone years. For other parties, anxious for an end to a problem that has tainted the Asian air for nine years, the task is to cut firmly through the tangle of recriminations and quotations to the essentials. These are relatively simple. First, the prime interest of India and Pakistan is to live together in friendship. Their inability to do so affects 450 million people directly, and an area wider even than all Asia indirectly. Secondly, friendship and calm cannot be attained while Pakistanis have to watch Kashmir being run as a police state, and there is no prospect of India being able to run it as anything else—even after it has been solemnly taken into the constitutional bosom of the otherwise democratic Indian Union. Thirdly, any change in its status will send out ripples of passion, and if these are to be minimised the change, too, must be kept to the minimum needed to enable Indo-Pakistani friendship to flourish.

All this points straight to the one solution that has never been properly aired—to leave with India and Pakistan those sections of Kashmir that are visibly content to stay with them, and to offer a choice only to the people of the Srinagar valley. Neither country is as yet disposed even to look at this solution. There is all the more need for others to press it upon them. The members of the Commonwealth, the "Bandoeng" group of Asian and African states, indeed the whole UN fraternity could perform no better service than to urge India to drop its self-injurious stubbornness and Pakistan to modify its all-or-nothing claims.

Would the communist powers put a spoke into such a wheel if it began to turn? That need not be taken for granted. A year ago, Mr Khrushchev flitted into Kashmir and told its people that their fate was settled; but last month Chou En-lai told the Pakistanis that he would have to study the problem before saying anything about it. One is inclined to regret Communist China's absence from next week's Security Council debates.

From Sollum to Casablanca

FRANCE intends to behave as a plaintiff, not as a defendant, when the General Assembly of the United Nations tackles the Algerian question later this month. This was the impression left by the French prime minister on Wednesday and by M. Pineau's statements before he left for New York. The French delegation will question the competence of the assembly to deal with the matter and, if a censure is debated, it will walk out; if one were voted, it might even stay out for the rest of the session. Some of its members have already said that they are prepared to question the moral credentials of some UN members.

French confidence is hardly justified by the facts. The situation in Algeria has so deteriorated in recent months that the prospect of a peaceful settlement with the Algerian resistance seems more distant than ever. M. Mollet, in his declaration on Wednesday, did little to help. It is useless to guarantee the freedom of elections three months after the cease-fire, when there is little hope of reaching such a truce. Still, M. Mollet's first official reference to negotiations with the rebels could be a hopeful sign that the government is willing to look beyond the fields of battle, though it is to be feared that France will be even less inclined to compromise after the UN debate.

For France more is involved in this question than merely its moral standing in the outside world. The visit of the Libyan prime minister to Tunis has provided M. Habib Bourguiba with a new occasion to sketch his favourite vision of a North African community, extending it this time "from Sollum to Casablanca"; Libya would thus be linked with the three former French territories. Once again M. Bourguiba warned the French that in this struggle Tunisians "stand with the Algerian people against France," and he reiterated the choice which confronts France, in his view: either to wage a hopeless, never-ending war, or to try boldly to forge new links with a North African federation looking towards Paris rather than Cairo.

An Algerian Mystery

MYSTERIOUS hints of a very abortive military coup in Algiers came from Paris this week. The discreet official statement merely refers to "verbal imprudences" which made necessary a penalty and several warnings. It has been announced that Brigadier-General Jacques Faure, deputy commander of the Algiers division, has been placed under arrest for thirty days, but the rest of the story has to be pieced together. Rumour in Paris has it that other high officers were involved in a plot concerted with extremists among the settlers, and having as its purpose the substitution of military for civilian rule in Algeria. According to these unofficial versions, M. Lacoste, the minister resident, and several other high officials were to be arrested while on tour, a military dictatorship was to be installed in Algiers, and Paris faced with an accomplished fact. Military attempts to take decisions in North Africa over the head of the French government are not entirely new. "Power to the army" was heard as a slogan in recent disturbances in Algiers.

As yet there is no indication that the colonialist diehards have found much support among the higher commanders of the French expeditionary forces. The plot, as far as is known, had no important backing in France, and there has been no suggestion that any potential French *caudillo* dreamt of crossing the Mediterranean to "establish order" in the home country. Yet nobody can foretell the result of an alliance between settlers guided by blind despair and generals with an Indo-Chinese chip on their shoulder, particularly when such a coalition is faced with a hesitant

government at a loss for a policy. The abortive coup in Algiers may turn out to have been a farce, but the gap between tragedy and farce is often narrow. To argue that the fate of the French Republic is at stake in Algeria may not be unduly alarmist.

Caribbean Capital

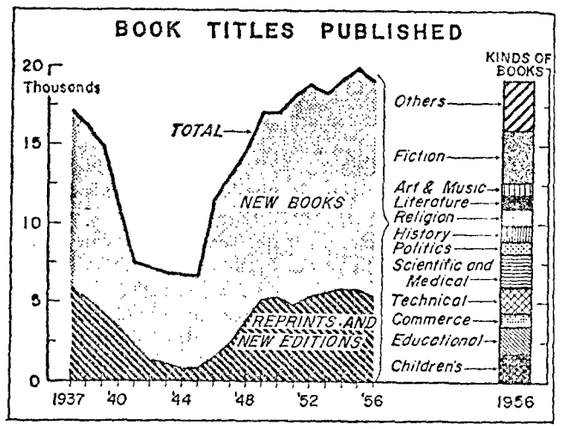
BARBADOS will almost certainly be chosen as the site of the capital of the British Caribbean Federation. The commission for recommending a site has nominated Barbados, Jamaica and Trinidad in that order, and although there is sure to be a display of insular patriotism at the Federation meeting later this month, Barbados is the obvious choice by elimination. None of the Leeward or Windward islands has the basic facilities for a "federal shop window," while the choice of either Jamaica or Trinidad would not only be resented by the other, but would also alarm smaller islands which fear big brother domination.

Believing that diplomats, ministers and civil servants make dull company for one another, the commission turned down the idea of an entirely new town. But they were attracted by the notion of twin towns: a federal capital growing up close to a hospitable base. Possible bases were judged on their amenities and communications and on their social and political atmosphere. Kingston ran second to Bridgetown, the capital of Barbados, partly because of the thousand-mile gap between Jamaica and the other islands but mainly because the commission thought it a mistake to choose the largest island. Trinidad came a bad third: the rest of the Federation would resent adding to Trinidad's comparative wealth. This was sufficient reason; the commission was ill-advised to add strictures on its East Indian population and its past tolerance of corruption in public life. There may also be some scepticism about the way the report skates over colour prejudice in Barbados, but this should not clog the wheels of federation.

Business in Books

IS book publishing on the decline? Last year 19,107 titles (including reprints and new editions) were issued; this was 850 fewer than in 1955 and nearly a hundred fewer than in 1954, according to the annual count made by *The Bookseller*. But these figures are not a measure of the output of the book trade, since they take no account of how many copies of each book were published. A best-seller may have a print approaching a quarter of a million copies, a specialised book one of a few hundred; both are reckoned only once in the statistics of new titles. A better guide to the prosperity of the book trade is provided by publishers' turnover. In the first half of 1956 this was 15 per cent higher than in the same months of 1955; over the same period the average retail price of new books (again, however, based on titles only) rose only 5 per cent. The figures for the second half of the year, when prices rose more steeply, may be less encouraging. But it will be surprising if they show that the long boom in books, although it may be slowing down, has yet gone into reverse.

There is no doubt, however, that the trade must be keeping a watchful eye on reading habits. Last year,



fiction continued its postwar decline in importance, accounting for only 18 per cent of titles compared with 22 per cent five years ago and 30 per cent twenty years ago. But two or three times as many engineering, technical and scientific books are now published as in 1937.

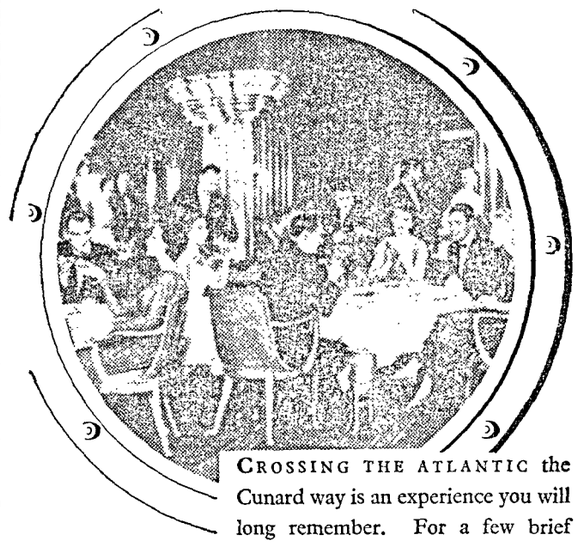
Importance of Commerce

Commerce is in itself the widest and the most liberal of the institutions of the world. It effects upon the grandest scale an exchange of good offices between people of all climes and separated from each other by seas and continents, and that upon principles of the most perfect independence of all. If it confers obligations, it equally *and at the same moment receives them.* In spite of all bad laws and restrictions, wherever it exists, it works out the most perfect reciprocity. If, therefore, while we are congratulating ourselves upon the great success and rapid expansion of the trade of this country, we find that remarkable progress is not confined to ourselves, but is going on, if not by such wonderful strides, yet with a rapidity hitherto unknown, in other countries, so far from feeling any jealousy of such facts, we ought to regard them as the best guarantee for the soundness of our own position. . . . It is the peculiarity of every extension of trade, wherever it takes place, to create directly and indirectly new fields of enterprise, new wealth, new sources of consumption, which, considering the multifarious character of British trade, necessarily benefits some portion of it. If, therefore, we feel a national exultation in the fact that during the year which has just expired the export trade of the United Kingdom has increased by *twenty millions*, and has reached, what only ten years ago would have been regarded as a fabulous amount, the sum of £115,000,000, it is an additional satisfaction to find that the trade of all the principal countries in the world has been progressing at the same time. Let us feel assured that a great country like England cannot prosper on the ruin of other countries; but that it is only in proportion as other nations are industrious, enterprising and successful, that our own prosperity will be perpetuated.

The Economist

January 10, 1857

The Stately Ships of Britain

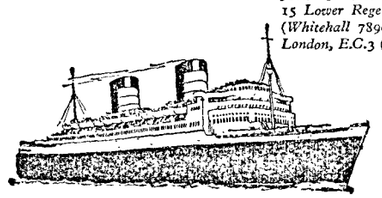


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The Saxons called the first month 'Wulf Monath' and no doubt they had their reasons. In our calendar, however, the name derives from Janus, the Roman deity who kept the gate, looking simultaneously back into the past and forward into the future.

WINTER isn't what it was. There may or may not be snow and ice and arctic winds, but no wolf slinks after you with calculating eye as you go to circus, pantomime or play. And two-headed gods, if they came your way, could expect to receive no better welcome than that accorded to pennies which, by art or nature, have been similarly endowed. Yet this is to do Janus less than justice. There are many occasions when two heads are still better than one, particularly if the second 'head' is ours. And there you have the reason why so many people habitually 'talk things over with the Midland' before they take action in matters of business and finance.

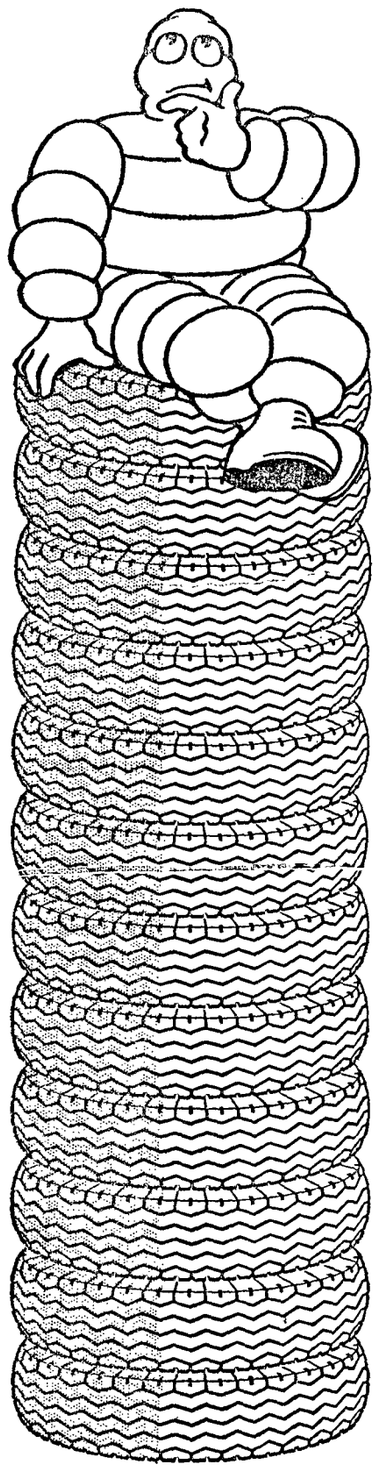
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Letters to the Editor

Battle of the Border

SIR—As a former member of the Government of Northern Ireland, with which I was and am in full accord, and the present Grand Master of the Grand Orange Lodge of Ireland, I deprecate certain statements in your issue of December 22nd. Under the heading of "The Ulster Government," your article states that while the Special Constabulary are reasonably in hand, the Orange Lodges can produce "ugly bigots with firearms who could emulate the I.R.A. (and probably more efficiently) if they were roused."

The much-maligned Orange Order is an orderly and peaceable institution, as has been frequently stated by observers who, with pre-conceived ideas, came to Northern Ireland to see the imposing Twelfth of July demonstrations and departed after expressing their surprise to find from personal experience that they had been misled. To suggest that the Order can produce ugly bigots with firearms is grossly unfair and untrue. Your article states that the Specials are "reasonably" in hand; there is nothing to justify the use of the word "reasonably." It is common knowledge that the Special Constabulary is a well-disciplined force which, despite persistent provocation, has behaved with great gallantry and exemplary forbearance.

The summing up which pictures the Ulster Government considering the pros and cons of playing up the IRA outrages at home and playing them down abroad reveals serious lack of knowledge of the Ulster outlook. To Ulster the union with Great Britain is a matter of life or death.

Lord Brookeborough has stressed that although Ulster and Eire cannot unite, they can be good neighbours on the condition that each recognises the right of the other to shape its destiny in its own way without interference.—Yours faithfully,

WILLIAM MCCLEERY

Ballymoney, Co. Antrim

The Refugees

SIR—May I suggest that South America holds the answer to the massive refugee problems, now enhanced by the Hungarian tragedy, and for years forming scabs upon the conscience of mankind.

Brazil, Argentina, Paraguay, in particular, absorbed more than 2 million refugees between the wars. They came in their shiploads, men, women and children, from all Central Europe, Poland, Jugoslavia, Czechoslovakia, the Saar, Germany, all fleeing from terror or hopeless want. Many arrived without funds; yet in South America they found new lives for old. Tens of thousands found real happiness and prosperity, and enriched the lands to which they came.

First in the Chaco war, and later on a special journey in 1938, I visited scores of settlements, some established in the early 1920s and others in the course of establishment, mainly along the littoral of the Alto Parana in the Misiones territory of Argentina and in Paraguay. Everywhere the settlers were thriving, their homes reflecting their national architecture, and the place names of Central Europe beginning to dot the map. The Yerba (maté), maize, mandioca, cotton, rice, tobacco, and citrus plantations were driving back the forest and the pests that go with it.

In this land of rivers there is always a road to the sea, an outlet. North, west and east of Paraguay on a baseline through Posadas and across Paraguay to the Pilcomayo, the fertile forest lies unbroken to the Orinoco, the Andes and the Atlantic coast, a tract of land larger than the USA, a tract of land that could contain all India, breathtaking in its immensity and possibility.

Thirty years ago when I first went that way it used to be said in South America that the continent could absorb 400 million people—and needed them. In that great land I know men, women and children can find new lives, prosperity and happiness. Such funds as those now growing in the hands of the Lord Mayor of London can remove some of the difficulties.—Yours faithfully,

R. W. THOMPSON

Sudbury, Suffolk

Capital in Manufacturing

SIR—As chairman of a little old west-country firm (of tanners and shoemakers), I was very much interested in your account of Dr Barna's lecture and statistics in your issue of November 24th.

First, I agree entirely that insurance value (i.e. full replacement) is the only significant value for such studies—because it is unaffected by the accidents of date of building or buying, or "valuing" (for balance sheet purposes); or by widely varying practices as to depreciation. It has the further merit of producing the least flattering answer—which is always the right one!

Secondly, fixed assets are fixed assets and unlike any other. But "stock" is only one of two or three classes of liquid assets, and the others (especially "debtors") cannot be ignored. Stock and fixed assets have little in common—except that both are and always must be in the balance sheet at far below insurance value. Nor should "debtors" be taken as roughly equal to and cancelled by "creditors"—sometimes they are, and sometimes they are not. But, in my experience, it is the sum total of gross debtors, plus stock at cost, that decides our very widely fluctuating need of day-to-day money, or working capital. If stock-plus-debtors varies by £500,000, between June 30th and December 31st (as, in our case, it may) then so does our overdraft or other outside finance.

We in business are always and ordinarily and rightly concerned with *our owners'* capital, and what return we are earning on it. But you will find, as I have found, that as much again may be employed in the business, at any "stock-taking," *not* by the owners at all, but by outside interests. For instance, in 1955, this total (bank, etc., creditors, tax, mortgage) was substantially less than the value-by-assets (*not*, of course, the insurance value) of the business; but in 1956, it was substantially more. This outside capital has got to be taken into account in assessing the profitability of the business, or any part of it—even though the creditors and the Inland Revenue charge nothing for their "accommodation," and the banks (and other lenders) only a small fixed rate of interest.

It is in relation to this total capital employed, reasonably corrected for day-to-day fluctuations during the period under review, that one can and should measure (i) one's turnover *vis-à-vis* such capital, and (ii) one's net profit (prior to tax)—for one's various factories, etc. These are the significant figures, and they have the important advantage that they tie up with the audited profit-and-loss account.—Yours faithfully,

H. F. SCOTT STOKES

Glastonbury, Somerset

Three Little Sins, One Little Clown

SIR—Owing to my absence from England here (on business), I have only just seen Mr Schwartz's letter published in your December 15th issue. Objectively, his present attack on planning boils down to the assertion that *laisser faire* is good because it brings about *laisser passer*, the freedom of individuals to move. Historically, he is wrong. Economic *laisser faire* often went with political repression and control over personal movement (e.g., Napoléon III). Conversely, feudal states have encouraged to a remarkable extent the immigration of foreign experts and granted them exceptional privileges; and personal liberty need not be infringed by limitation over private economic activity. The two are on different planes and the discussion on petrol rationing has shown that, on occasion, this is recognised even by those who usually violently assert the contrary.—Yours faithfully,

T. BALOGH

Kingston, Jamaica

Books & Publications

America and Bolshevik Russia

SOVIET - AMERICAN RELATIONS, 1917-1920: *Volume I, Russia Leaves the War.*
By George F. Kennan.
Faber. 557 pages. 50s.

MR KENNAN is rightly renowned as one of the foremost experts on Russia in the United States. He is also a diplomat of distinction. In this monumental volume he has blended the two sides of his experience to produce an enthralling account of a brief but vital period of the diplomatic history of the United States. The time covered is short: the four months bounded by the October Revolution and the Treaty of Brest-Litovsk. But the assiduous research of the scholar is here combined with the vision of the artist. The result is a memorable study which enriches our understanding of the chequered relations of the West with Bolshevik Russia with a wealth of hitherto unpublished detail.

Mr Kennan has naturally given a much fuller picture of American policy than of the conflicts behind the scenes on the Bolshevik side. He steers his way through a confused and not always creditable story with a combination of skill and fairness that marks the true scholar, who is the master and not the slave of his opinions and his materials. He shows how the various official and unofficial American emissaries inside Russia pursued each his own line without firm guidance or indeed any clear direction on policy from either the State Department or the President. Of the unofficial representatives, at least three believed themselves to be personally entrusted with a mission by the President. One of them, Colonel Robins, whose relations with Trotsky seem at times to have been franker than those with his own government, believed passionately that the Bolsheviks could, if handled the right way, be persuaded to renew the fighting against the Germans. Another, Mr Thompson, believed that the Bolsheviks were "kindly, earnest men, heartily desiring to live at peace with their fellow men." The Ambassador, Mr Francis, deprived of normal diplomatic channels to the Russians, was bewildered by a situation which he did not begin to understand. It is not surprising that in the end the Bolsheviks fooled them all. President Wilson, too, as Mr Kennan shows, was to some extent influenced in drafting his Fourteen Points by the skilful Bolshevik peace propaganda. The foundations of misunderstanding of the true significance of Bolshevism were certainly well and truly laid in these four months. Mr Kennan is concerned to analyse and not to judge. He does not speculate whether more skilfully organised diplomatic relations could have produced a better assessment of the situation or a wiser policy. Certainly his account of the American side of the picture provides no cause for complacency on this side of the Atlantic. If the records were available to the same extent in Britain or in France it is not likely that a much more flattering story would emerge.

Mr Kennan has done his work so well that it may seem ungrateful to cavil. And yet one cannot help regretting that he has almost entirely omitted discussion of one aspect of the story. This is the question of the German subsidies to the Bolsheviks and their influence on Lenin's policy, on which much new information has become available in the captured German Foreign Office documents. Mr Kennan, who has, incidentally, used these documents, deals in passing with the question of this money when discussing the Sisson papers, only to dismiss German money as a factor influencing Lenin's policy after November, 1917. He does not deal with the evidence of the German documents (some of them have already been published, by Dr Katkov in *International Affairs*, and others are due for publication shortly), which apparently suggests continuing very substantial subsidies before and after November, 1917.

Of course, it may well be that Lenin was determined to get out of the war irrespective of the fact that he was being paid by the Germans to do so. There is much evidence to show that his main motive in making peace at any price was not even so much the cause usually alleged, the disintegration of the army (which has probably been exaggerated), but the fact that a resumption of hostilities would inevitably have led to the overthrow of the Bolsheviks. For the portions of the army which retained their morale were the anti-Bolshevik units. Nevertheless, a "revolutionary war" in the event of the Germans insisting on "imperialist and annexationist" terms had been the avowed policy of the Bolsheviks, including Lenin, and many of Lenin's followers sincerely believed in February and March, 1918, that such a war was their duty. It is disappointing that Mr Kennan has not found it possible to analyse the new evidence which is now available on this very controversial question.

Fight Against Secrecy

FREEDOM OR SECRECY.
By James Russell Wiggins.
Oxford University Press. 253 pages. 24s.

MR WIGGINS joined *The Washington Post* nearly ten years ago and is now Executive Editor (anglice Editor) of *The Washington Post and Times-Herald*, the only morning paper in the most important capital in the West. Nobody therefore could be in a better position to observe the devious ways of official secrecy and his observations have led him into the thick of the battle against the departments. He is concerned to see that the public gets all the information it has a right to—on what goes on in its legislatures and courts, what its government, and particularly the military establishment, is up to and even about a wide field of private transactions —and that the press is free to collect, publish and distribute it.

Because in the United States officials talk more freely than in England, because there is no comparable Official Secrets Act and the libel laws are less strict, it may well be asked why Mr Wiggins or anybody else needs to get worried. After reading this book it is easy to see why. The American press may have many privileges, but it needs them to protect the public against the competing privileges of others. Members of Congress, for example, as individuals and Committees of Congress as official bodies are accorded immunities and privileges no Member of Parliament would claim. Mr Wiggins believes that there is a serious threat in the fact that "judicial power has emigrated from the courts . . . to quasi-judicial agencies in the executive branches of government" (by no means a negligible threat in many other democracies) and "to legislative agencies not suited to the trial of issues and not equipped by experience for it." Mr Wiggins produces plenty of evidence to support his fears.

Sometimes, of course, like all men dedicated to a cause, he seems to go too far. It is surely doubtful, considering the disagreements of historians when all the documents are available, whether any amount of information on the military establishment would enable the contemporary voter and taxpayer to "know enough to estimate the training, ability, judgment or genius of the military commanders into whose hands they have put the lives of their sons, the greater part of their fortunes, and the military destiny of the nation." It is possible to recognise that the military are adept at using the security they need to hide their blunders as well, and must be smoked out at intervals, without going as far as Mr Wiggins.

He is also perhaps a little ingenuous in claiming to believe that "what a man does even with his own property is of public concern" in view of the extreme secrecy that surrounded the purchase of *The Washington Times-Herald* by *The Washington Post*. It was surely of public concern that a monopoly was being

established, but the citizens of Washington only learned about this marriage, which concerned them rather directly, when it had been consummated.

But such exaggerations are rare in "Freedom or Secrecy," which is generally a sober, serious and well-documented book and one to be recommended to anyone who feels complacent about the position nearer home.

Testaments of Friendship

FRIENDSHIP'S HARVEST.
By Violet Markham.
Max Reinhardt. 227 pages. 25s.

IN "Return Passage" Miss Markham has already shown her capacity for mingling in her reminiscences, whether of personal or public matters, an easy narrative touch, vivid portraiture, and, unobtrusively but unmistakably, a testimony to the truth that is in her. In "Friendship's Harvest" the same qualities appear; but with portraiture to the fore. This is a gallery of men and women with whom, in many different stations of society and over a long lifetime, Miss Markham has, in her own words, "shared happy adventures of work or friendship." Dr Thomas Jones; Sir Arthur Markham, her brother; the Haldane family; Cecil Torr; Sir Ernest Budge; Mary Macarthur; Hilda Cashmore; John Buchan; Countess Raczynska; Mrs Herbert Paul; Mackenzie King; these are her subjects, and it is interesting to speculate on the common factor that unites them.

Distinction? yes; but of disconcertingly different kinds. Comparing the charming, eccentric, lazy scholar Cecil Torr and the saintlike settlement worker Hilda Cashmore, the *panache* of Countess Raczynska and the sobriety of Mackenzie King, the granitic figure of Sir Robert Morant and the live flame of Mary Macarthur, one reaches the certain conclusion that a high proportion of Miss Markham's friends must have found one another intolerably uncongenial. And yet there is, after all, a common factor. Each was, of his or her own kind, absolutely genuine; each had that high seriousness which is not incompatible with gaiety; each—even, in his own way, Cecil Torr—was a spender, not a hoarder, whether of energy, talent or affection. For fribbles, fakes and the stingy, Miss Markham—despite her mother's recorded opinion that she "had a heart like an artichoke, with a leaf for everyone"—might contrive to find charity, but hardly friendship.

This is a book to be read for pure enjoyment—it is full of good stories—for historical insight, and for something more; wisdom. Ours is not, on the whole, a society which highly regards the counsel of elders; at least, not as such. It may give them gratitude and personal respect, but it is apt automatically to discount the value of their opinions a little further for each year beyond retiring age. Length of experience is useless when most of that experience is irrelevant to a much-changed, ever faster-changing world; such is the modern view, and it is probably, as a general rule, correct enough. But every now and then it is splendidly falsified. By some happy combination of steadiness, suppleness and sympathy, the years are turned into assets; and a reminder and example are provided of what it was that earlier societies expected, and got, from their sages. Here is the essential quality of "Friendship's Harvest."

Physics for Everyman

AN APPROACH TO MODERN PHYSICS.
By E. N. da C. Andrade.
Bell. 241 pages. 25s.

PROFESSOR ANDRADE's book was first published twenty-five years ago under the title of "The Mechanism of Nature." He has now largely rewritten it and given it a somewhat more non-committal title, which may unconsciously reflect a slight change of attitude. Certainly the present outlook in physics lacks the robust self-confidence of the thirties, not so much because recent discoveries have proved earlier ideas to be wrong, as that they now seem to be so much more complicated than was suspected in the era when quantum theory and wave mechanics were giving a revolutionary, and what seemed might be the ultimate, insight into "the mechanism of nature." At the present time, though not daunted by the bewildering variety of new problems that face them, the physicists may perhaps be a little more conscious of "the great ocean of truth all undiscovered" before them, and a very proper note of caution is sounded here and there in this book.

Professor Andrade makes a serious attempt to make modern physics comprehensible to the layman, and knows that it is impossible to do this without first giving a grounding in the basic principles of so-called classical physics. He therefore devotes a full half of his book to the familiar classroom subjects of heat, light, sound and electricity, but unfortunately with little success. In the limited space available, with few diagrams and no mathematics, he just does not manage to make the important things clear enough, in spite of careful writing and a wealth of somewhat avuncular analogies. In fact, the average reader will find that the "approach" offered here will bring him about as close to modern physics as an invitation to a Royal Garden Party would bring him to royalty.

However, Professor Andrade is a member of the royal household of science, and his invitation is quite as irresistible as the other would be. The second half of the book, devoted mainly to atomic and nuclear physics, is extremely readable; some of the analogies are vivid and illuminating; and altogether the reader will get quite a coherent idea of what the physicists believe, though in places he will be far from clear why they believe it. A special virtue of the later section, so often absent in books of this sort, is that some account

is given of the actual way in which observations are made and remote deductions drawn from them; behind most of the big discoveries lie much patience and tedium and disappointment that do not get into the headlines. This is as true of the great modern factory-size investigations as of the "sealing-wax-and-string" experiments that are still capable of really fundamental discoveries, as Professor Andrade points out with the relish to be expected of one who was brought up at Rutherford's feet. A minor complaint concerns the photographs; why, when there are so few of them, were so many wasted on such subjects as the atomic explosion cloud, whose appearance is all too familiar, or the carcases of machines, whose outside appearance is almost irrelevant to their actual operation? One of the greatest attractions of physics is the wealth of visual, almost tangible, demonstrations that can be made of the invisible world of the infinitely small, and any popular book cannot have too many of them.

Turbulent Period

FEUDAL BRITAIN.
By G. W. S. Barrow.
Edward Arnold. 452 pages. 25s.

ON no period of English history have more labour and talent been lavished than on the two and a half centuries between the Norman Conquest and the death of Edward I. Not only have many of our best historians spent their best energies on the study of these years, but there has been a surprising absence of revolution in opinion since the days of Stubbs and Maitland. Despite all that has been done since then, it is remarkable how much of their work still stands. The existence of this long-established tradition makes it, in one way, relatively easy to write an introductory sketch, for the author can step with confidence along an assured path. But in another way it is difficult, for what is assured can easily become dull. Moreover, it is hard, through such a cloud of witnesses, to make the facts themselves seem more real than the things that have been said about them. Mr Barrow has grasped the opportunities opened up by the work of his predecessors and has avoided the pitfalls with great skill. He has a clear mind, an attractive style, a perfect command of the literature on the period, and a faculty for choosing illustrations which put well-worn truths in a new light. This faculty does not come without much hard work, but the machinery never creaks.

It is characteristic of this book that nothing is vague or shadowy. If we miss something of the chaos, squalor and uneasy turbulence of the period in the lucid and orderly narrative, this is a reflection of the tradition in which it is written. The sobriety of its judgment on controversial subjects, like the origin of Parliament, or King John, is also a mark of this tradition. The author is at his best in dealing with questions on which recent scholars have sometime

spoken rashly. He deals out justice with *a firm hand.* The limitations of the series in which the volume appears make it impossible to wander far or often from the beaten track, but it is good to have so much on Wales and Scotland. Nor are these subjects, as too often happens, dragged in out of regard for the susceptibilities of our neighbours: they are made an essential part of the story and move the writer to some of his best pages. Equally, agrarian history has a large part unobtrusively provided for it, and it is treated with a vividness that is in striking contrast to the faded generalities so often pressed into service in an introductory book. As an introduction to the most rewarding period of medieval English history this volume could scarcely be bettered.

Mongolian Prospect

LAND OF BLUE SKY: *A Portrait of Modern Mongolia.*
By Ivor Montagu.
Dobson. 191 pages. 25s.

FOR Mr Ivor Montagu, Mongolia is a land where every prospect pleases and not even man is vile. Its Communist administration endears it to Mr Montagu, and his political sympathies endear him to the Communist administration, which has for a long time now been adverse to the travelling of unscreened foreigners in the country. Indeed, more was known of Mongolia from free travel forty years ago than can be known of the new People's Republic with the facilities for observation which *have existed since* 1930. We must be grateful, therefore, to Mr Montagu and others of his faith for the information they provide, even though their testimony gives only the case in favour of the present regime.

The case is a strong one, for Mongolia —that is to say, the Mongolian People's Republic or Outer Mongolia, as distinct from Inner Mongolia, which remains a part of China—is probably the most successful and well-rooted of all the Communist regimes created with the aid of Russian arms outside the boundaries of the Soviet Union. This is due to the Mongols' fear of the movement of Chinese population, which has already overwhelmed their people over a broad belt of territory between the Great Wall of China and the Gobi desert; the desire to be rid of Chinese rule led the Mongols to seek Russian protection already in Tsarist times. The Russian protectorate over Outer Mongolia dates from 1912; when the Chinese reconquered the country in 1919, the Mongols invoked the aid of the "White" Russian army of Baron Ungern, but this involved them in the Russian civil war, and the affair ended with the Bolsheviks in occupation. The People's Republic owed its origin to them, and Soviet influence has always been paramount there, but it has never been difficult for Moscow to maintain it, because the only alternative has been subjection to China, and the risk of that is more effective than any coercion would be.

Materially also, the Communist regime has been very effective in developing the rich natural resources of the country and creating units of modern industry. Mr Montagu has much to say about the skill and energy of present-day Mongol industrial workers in contrast to former travellers' tales of Mongol indolence; he quotes the experience of a former mining promoter who had to import Chinese labour from a thousand miles away because Mongols "refused at any price to work in the mines." But the Mongols were not alone in the idea that the pasturing of horses and cattle is the only way of life worth following. Socialist industrialisation in Mongolia and Kazakhstan and capitalist industrialisation in Bantu Africa have both had to overcome the same initial disinclinations of tribal herdsmen and warriors for mine and factory. In both cases industry has now got its labour.

Nature of Taboo

TABOO.
By Franz Steiner.
Cohen and West. 154 pages. 18s

THE author of this short book was a refugee scholar from Czechoslovakia who died at the beginning of a promising academic career. Professor Evans-Pritchard commends it in a preface in which he pays tribute to the author's character and learning. The book is indeed packed with erudition of a kind that is rare among anthropologists of today. It follows the traditions of pre-war Continental scholarship and its British nineteenth century antecedents, the encyclopaedic researches of men like Frazer and Tylor. In fact most of the book is devoted to an historical and critical analysis of the theories concerning the nature and origins of the institution of taboo in primitive cultures that were held by the most eminent nineteenth century authorities on the subject. More recent and current theories are discussed chiefly to show how they fit in with the later development of ideas derived from these nineteenth century writers. Dr Steiner points out that taboo was a topic of absorbing, almost morbid interest to Victorian thinkers and scholars concerned with the question of religion. He makes a nice point when he argues that this was probably a consequence of the rigid and taboo-ridden morality of the period and was also related to the emergence of rationalist polemics.

The word *taboo* came into English when Captain Cook's narrative of his third voyage was published in 1784. Dr Steiner gives a summary of Cook's descriptions of Polynesian taboo customs and then examines the voluminous later literature to establish what precisely was the significance of this term and the practices it stood for in this area. He reaches no firm conclusions but draws attention to the importance of taboos as a means of maintaining the powers of chiefs and rulers. The Victorian scholars did not understand this. They regarded taboo as a typical primitive trait and explained it as a magical prohibition followed blindly and irrationally. When they found similar customs in oriental and "higher" religions they explained them away as "survivals." It is only recently that anthropologists have observed the connection between such prohibitions and the rationally intelligible institutions for safeguarding law and morality found in the simpler societies.

This point of view is the background to the main chapters of the book, which discuss in detail the theories of the great Victorian orientalist W. Robertson Smith and his famous colleague Sir James Frazer, and compare them with some of their less well-known critics and successors. Dr Steiner's judgments are moderate and balanced, but he does not hide his opinion that Frazer's contribution was of mediocre worth in comparison with those of some of his contemporaries and successors. Yet the theories current at present, for all their Freudian or functionalist colouring, do not seem to be more cogent than those of seventy years ago. Dr Steiner's book shows that a new study of taboo, using the results of modern field research, is much needed.

Shorter Notice

CIVIL LIBERTIES IN THE UNITED STATES.
By Robert E. Cushman.
Cornell University Press. London: *Oxford University Press.* 261 pages. 22s. 6d.

The Cornell Studies in Civil Liberties have shown how truly great the dogged thoroughness of American scholarship can be on those rare occasions when it is infused with some sense for, in the words of the late Mr Justice Holmes, "The felt needs of our times." The volumes on the American conscientious objector by Messrs M. O. Sibley and P. E. Jacob; on the House Committee on Un-American Activities by Professor R. K. Carr, and on the law of immigration by Professor M. R. Konvitz, have been especially solid and worthy. Now the advisory editor of the series, Professor Robert Cushman, provides a kind of résumé of them all—indeed of the whole field of "civil liberties"—but written for the general reader as well as for the academic, in a clear and pleasant style, untripped by footnotes, though discreetly shod by bibliography.

Here then are a series of clear and well digested answers to questions, about, *inter alia*, the law of libel and slander, postal censorship, academic tenure, separation of church and state, freedom of the person and racial discrimination. It is just straightforward exposition; but some people, although they will find the book very useful indeed, will also be left with an acute feeling of the hollowness of a certain kind of liberalism. Tolerance alone can be a virtue as clammy as much organised charity. Praise for Professor Cushman's book would be unbounded could he but have shown a hint of sympathy at the dilemma typified by the desperate self-assertion of Mr Peter Arno's famous drunk: "I hate everyone, regardless of race, religion or place of national origin." The furthest the author goes from the golden negatives of a John Stuart Mill is to show a touch of envy at the greater ease with which English judges, compared to American, can punish newspaper editors for contempt of court.

American Survey

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

The "Doctrine" in Congress

Washington, D.C.

IN its initial response to Mr Eisenhower's programme for countering the communist threat in the Middle East, Congress has again demonstrated that, while it can deflect, undermine, or embarrass foreign policy, it can neither make nor unmake that policy. When the President presented his three-point programme of economic aid, military assistance, and the discretionary use of armed force to halt external communist aggression last week, Congress was in a mood of evident dissatisfaction; it applauded the President during his half-hour address only five times, and then only perfunctorily. The most fervent clapping greeted his statement that the Middle East was the birthplace of three great religions; one Democratic Senator cynically but privately explained: "We all have Jewish and Christian voters and you never know when a Moslem may show up in your district."

> The **joint resolution** to implement the President's Middle Eastern programme, as proposed by the Administration and now being considered by Congress, would authorise the President to:—
>
> 1. Co-operate with and assist any nation or group of nations in the general area of the Middle East in the development of economic strength dedicated to the maintenance of national independence.
>
> 2. Undertake military assistance programmes with any nation or group of nations of that area desiring such assistance.
>
> 3. Employ the armed forces of the United States as he deemed necessary to secure and protect the territorial integrity and political independence of any such nation or group of nations requesting such aid against overt armed aggression from any nation controlled by international communism. Such employment must be consonant with the treaty obligations of the United States and with the Charter of the United Nations and with actions and recommendations of the United Nations.
>
> **Mr Rayburn's alternative** states simply that:—
>
> the United States regards as vital to her interest the preservation of the independence and integrity of the states of the Middle East and, if necessary, will use her armed force to that end.

Comment by the more important congressional leaders was reserved and cautious. There were a few vagrant cries of dismay from inveterate isolationists in the President's own party and one or two bitter dissents from Democrats who suggested that the Secretary of State should resign. They could not resist contrasting the President's request for authority to use troops, if necessary, with his pre-election assurance to the voters that American armed forces would not be used in the Middle East crisis. But there was no doubt that, barring some unforeseen development, both Houses of Congress would approve the President's request with heavy bipartisan majorities, though perhaps not in the language suggested by the Administration. Mr Rayburn, the Democratic Speaker of the House, has circulated an alternative resolution in a mere thirty-four words, without any reference to economic assistance and without the long explanatory preamble of the Administrations' draft. It seems likely that final action by Congress will not come before early February and that a compromise will be worked out between the two resolutions during the several weeks of debate in committee and on the floor.

In any event most Republicans will probably support the resolution in some form because the President is the leader of their party, while Democrats welcome his show of national initiative, even though they are disappointed that Mr Eisenhower did not provide a clear line of American policy on specific issues such as the future of the Suez Canal and the Arab-Israel dispute. Moreover, most Democrats think that Congress should never override the President directly in his dealings with foreign countries. If he believes that a congressional resolution warning the Russians to keep out of the Middle East is necessary, then Congress cannot, it is widely held, reject such a resolution without seeming to invite the Russians to intervene. Where the Soviet Union is concerned, bipartisanship is the inevitable stepchild of common apprehension.

This enforced unity is frustrating to almost every faction in Congress. Strict constitutionalists of both parties deplore the way in which Congress's theoretically exclusive right to declare war would be vitiated by the granting of a "blank cheque" to the President. The dwindling band of isolationists regrets the necessity of having any Middle Eastern policy at all. Some members are strongly sympathetic to Israel; others share a lingering agreement with the purposes, if not with the execution, of the Anglo-French intervention in the Suez area; while still others believe that the Administration's foreign policy now relies too heavily on the United Nations or, on the other hand, fear that the new programme

may undercut the United Nations. In short, there are advocates of almost every conceivable general attitude or specific panacea, but this welter of opinion dissolves into common irresolution and resignation.

The President has also astutely shored up his relations with the Democrats in Congress. Their former Senator, Mr George, was already on his staff as Ambassador to the North Atlantic Treaty Organisation ; Mr Eisenhower has now named former Representative James Richards, the retiring chairman of the House Committee on Foreign Affairs, also a Democrat, as chief of a special mission to survey Middle Eastern problems. But in spite of these precautions, the debate will be prolonged, since the terms of

"Say, What If She Doesn't Want Her Honor Protected?"



Herblock in *Washington Post*

the President's request for congressional backing were sufficiently vague to raise more questions than they answered. Mr Eisenhower and Mr Dulles, in his subsequent testimony before the House Foreign Affairs Committee, were both at pains to emphasise the continuity between the proposed resolution and long-standing American policy dating back to the Truman Doctrine of 1947. But the parallel struck most observers as laboured and inexact, since Greece and Turkey welcomed American support, while Egypt and some of its Arab neighbours do not.

Nor was it certain what impact the new policy would have on the dispute between Israel and Egypt. Although Israeli sources in Washington at first responded warmly to the prospect of " military assistance," Mr Dulles reminded the House Committee that it was the settled policy of both this and the preceding Administration not to contribute to the arms race in the Middle East by supplying weapons in any large quantities either to Israel or the Arab states. Moreover, the implicit pledge to defend Turkey, Iran and Pakistan, the " northern tier " of the Baghdad Pact, against Russian attack, would have to be " consonant " with existing obligations under the UN Charter. In view of this, it was hard to see what value a restatement of the American intention to uphold collective security could have beyond its usefulness as a psychological gesture to jog the Kremlin's memory of the Korean War.

The principal and quickly agreed reservation about the President's request for authority to use armed forces at his own discretion was that a time limit should be set on this power. " We do not want this blank cheque bouncing around indefinitely if Nixon should ever become President," remarked a Democrat stalwart in the Senate. Since Senator Knowland, the leader of the Republican minority, is no admirer of Vice President Nixon's capacities, diplomatic or otherwise, he promptly made this limitation into a bipartisan suggestion.

Economic aid is a thornier subject. Hostility to foreign economic assistance has been rising steadily in Congress in recent years. Nothing Mr Dulles has done was more popular in Congress than his abrupt cancellation of the Aswan Dam project last July. The President originally intended to ask for an immediate authorisation of $400 million to carry out the economic portion of his programme but, after Mr Dulles had conferred with congressional leaders, he advised the President to drop this idea. Mr Eisenhower instead announced that he would ask for $200 million a year for the next two fiscal years beginning in July ; he has also asked for authority to use $200 million already in hand for the Middle East. Senator Russell of Georgia, the dean of the Democratic southern block, then demanded that important, long-term projects should receive specific congressional approval. If this further restraint is written into the resolution, as now seems possible, the President's area of discretion would be severely circumscribed.

The Administration wants to use the proposed funds to finance basic development projects such as the long stalemated Jordan River plan, a master highway system linking the capitals of Turkey, Lebanon, Iraq and Iran, and the expansion of the Tigris-Euphrates river scheme in Iraq to include Syria. Members of Congress are not necessarily averse to these projects, but they are doubtful whether they deserve to be included in an emergency programme. River development, for example, is not likely to check Syria's rapid deterioration to the status of a Soviet satellite quickly enough. Mr Eisenhower attempted to counteract this anticipated criticism, by declaring:

> Experience shows that indirect aggression rarely if ever succeeds where there is a reasonable security against direct aggression, where the government possesses loyal security forces and where economic conditions are such as not to make communism seem an attractive alternative.

Congress is prepared to give its grudging assent to these abstract propositions, but has no real conviction that in practice they will prove feasible.

The President also readily conceded that his programme " will not solve all the problems of the Middle East " such as those of the Arab refugees, the control of the canal, the Arab-Israel tension, and so on. But it is precisely on these matters that Congress would like to intervene. There is growing sentiment, for example, in favour of a permanent UN Police Force to patrol the Gaza strip. Congress, however, has neither the constitutional authority nor the policy-making mechanisms to propose or execute any solutions for these specific problems. It can only act in broad generalities in support of the President's initiative. Grumbling and dissatisfied though its mood may be, Congress is now prepared to do this. The rest is up to President Eisenhower.

Texas in the Saddle

SINCE Europe is now dependent on American petroleum the rise in the price of crude oil in Texas must be reflected sooner or later both in the balance of payments and in the price of fuel in Britain. But under present emergency conditions this rise may also be the most effective method of assuring the minimum supplies of oil (75 per cent of normal) on which the present rationing system in Britain depends. When the Humble Oil and Refining Company, the largest purchaser of Texas crude oil, set off the rise last week by increasing the price it offers by an average of 35 cents a barrel, or about 12 per cent—the first significant increase since 1953—it did so because at existing prices it had been unable to obtain the additional supplies needed by its associated company for export to Europe.

So far emergency supplies of American oil for Europe have come mainly out of stock but, although the stocks of crude oil in America still appear, on paper, higher than they were at this time last year, the remaining surpluses are so situated that they can be moved to the coast only with the greatest difficulty. When the leading oil buyers asked the Texas Railroad Commission, the state regulatory body, to raise permissible output in Texas in January by nearly 10 per cent, they hoped that this would enable them to secure more oil from the fields most readily accessible from the Gulf of Mexico. The request was opposed by producers in the less accessible fields who would not benefit without additional pipeline connections to move more oil from their wells and who had no objection to forcing an increase in price for such oil as they could move.

The commission owes its powers over the state's oil and natural gas industry to the producers' desire to prevent a repetition of the wasteful and unprofitable over-production from the Texas oilfields in the early nineteen-thirties. It interprets its functions as a state conservation agency on a broad front, covering not only the enforcement of efficient engineering practices but also the regulation of output in Texas (which accounts for over 40 per cent of the oil produced in the United States) so that the supply of oil does not exceed the demand for it in the United States as a whole. With stocks of crude throughout the country at a high level (even though they are not readily available for export) and stocks of petrol even higher, a further increase in Texas output to meet a temporary export demand might, in the commission's conservative view, lead to a glut later. It therefore refused to allow Texas production in January to go above the equivalent of 16 days' output a month at the maximum rates consistent with efficient engineering. This has given the misleading impression that Texas wells are producing at little over half of their capacity. In practice it is almost impossible for the commission's engineers to check the producers' estimates of their maximum efficient rates ; consequently the producers, knowing that they will be allowed to produce only a portion of their theoretical maximum, often inflate their estimates ; their true capacity is therefore much less than it appears to be.

As a result of the commission's caution, exports from the United States to Europe in January are almost certain to fall below the planned rate of 500,000 barrels a day. The temporary nature of the export demand inhibits the industry from making large capital investments in the additional pipelines needed to move the oil that is available inland, and the American government has shown no sign of providing special assistance. In any case these would take time to lay, even if the steel pipe were immediately available. Texas is always zealous in asserting its independence, and no pressure exerted on the commission by the federal government is likely to help Europe. But the higher prices now ruling for crude oil, which should do much to soften the producers' opposition to higher " allowables," suggest that the commission may also become less intractable when it meets on January 18th.

Senate Scene Shifting

FOR a short time last week the Democrats feared that they might be going to lose their narrow control of the Senate before they had ever established it. As the curtain rose on the session, the new Senator from Ohio, Mr Lausche, was discovered in his voting place. He had let it be known that, although elected as a Democrat, he might support the Republicans, but it had been thought that he would wait in the wings until after the first vital votes on the organisation of the Senate ; these settle which party will be in charge of the committees. Although Senator Lausche kept the Democrats in suspense, he finally voted on their side—for this all-important once, at least.

Mr Lausche's was not the only demonstration of political unity. The Democratic chiefs in Congress took breakfast with the party's new advisory committee, even though they had refused to join it and had left no doubt that they resented its announced purpose of supplying Democrats with more militant guidance than they were receiving from the compromises of their congressional leaders. More important, one of the militant and liberal Democrats, although not one who belongs to the new committee, Senator Mike Mansfield, has been appointed assistant leader of the party in the Senate. Since he comes from Montana, his appointment is a post-election recognition of the growing importance of the western states to the Democratic cause. The Republicans have also made some half-hearted concessions to their left wing in their official organisation, by the promotion of Senator Saltonstall of Massachusetts to be chairman of their senatorial conference and of Senator Dirksen of Illinois to succeed him as whip. Mr Dirksen is not as firmly established a liberal as Mr Saltonstall (neither is a noticeably enthusiastic one) but he has recently followed the Eisenhower line.

Meanwhile, however, the leader of the Republicans in the Senate, Mr Knowland, has put a great strain on party loyalty and has openly drawn attention to one of the underlying frictions of the coming session: the fact that both parties are looking for a new presidential candidate for 1960. The Senator has announced his retirement at the end of his term early in 1959. In Washington this means that his followers will no longer feel so bound to do what he asks and that his potential successors will be intriguing for position. In his home state of California this is thought to mean that he intends to run for Governor in 1958 ; if he wins he would then control the state's huge delegation to the Republican presidential nominating convention in 1960 and would be in a strong position to challenge the candidacy of his rival Californian, Vice President Nixon, at present the most fancied heir to Mr Eisenhower.

Speech Unlimited

ONCE more the filibuster, the sacred right of each member of the Senate to obstruct by talking on any subject, relevant or otherwise, until he drops, has come through fire unscathed. By fifty-five votes to thirty-eight, cutting right across party lines, the Senate last week killed an attempt by a bipartisan group of reformers to draw up a completely fresh set of rules. This was a flanking manœuvre to bring about the introduction of an effective system of closure; without one, legislation to protect the civil rights of Negroes is extremely hard to pass, since the Southerners use the filibuster as a last-ditch defence. The sponsors of last week's motion, headed by Senator Anderson of New Mexico, did not directly seek to change Rule XXII, under which closure can only be adopted by the affirmative vote of sixty-four Senators, because, under another of its provisions, debate cannot be limited at all on a motion to amend rules. Rather than see the business of the Senate blocked until the last southern Senator had sunk exhausted to his knees, Senator Anderson's group challenged the usual assumption that the Senate's rules automatically carry over from one Congress to another.

But this ingenious strategy had the disadvantage of shocking conservatives outside the South who hold that, with the terms of only a third of its members expiring with each Congress, the Senate is immortal and its rules never lapse. Senator Lyndon Johnson of Texas, the Democratic leader, took full advantage of this sentiment to dispose of the assault with the managerial skill at which he excels. After lining up an assured majority against Senator Anderson, he persuaded everyone to agree to a unanimous waiver of the rules to permit a debate of precisely seven hours before a vote.

Thus faces and tempers were preserved all round. The northern reformers had enough debate to prove their zeal for civil rights and a vote to show that they had nearly doubled their strength since a similar test four years ago, while the Southerners knew in advance that they would win the vote. But in this carefully scripted production there was one interpolation. Vice President Nixon, from the chair, gave an advisory opinion that Rule XXII's ban on closure during debates on the rules violated the constitutional guarantee to each House of the right to adopt its own rules. Since this ruling was advisory it did not interrupt Senator Johnson's show; since it was made, it added to Mr Nixon's stature among Negroes and upholders of civil rights.

New Model Army

FROM A SPECIAL CORRESPONDENT

THE United States Army is about to begin a very considerable reorganisation of its divisions in order to fit them for atomic warfare without reducing their ability to take part in a non-atomic conflict. At the December meeting of the North Atlantic Council Mr Dulles informed his diplomatic colleagues that the five divisions now assigned to Europe would gradually be placed on the new basis and that their fighting power would be strengthened, even though there would be a reduction of manpower within each division. The military chiefs of the Nato countries were provided with some details, but the complete enterprise will not be unfolded until the defence budget is laid before Congress.

Great claims are being made for the dual functions of the future infantry, airborne and armoured divisions, symbolised by the name "pent-a-na," a mnemonic for the five-group structure with an ability to handle equally an atomic or a non-atomic war. But one of the architects of the new organisation admits candidly that priority is to be given to the atomic side: firstly, because action with atomic weapons will need to be so swift that forces-in-being must be prepared for it at all times; and secondly, because the new weapons now being acquired, and still more those of the near future, are extremely expensive. As there is no doubt that they must be acquired at whatever cost, and as defence funds are limited, lavish expenditure on "modern" weapons can only be achieved by reducing outlays on other types.

The pioneering of the new structure has been carried out by the 101st Airborne Division, the experimental unit at Fort Campbell, Kentucky. While the airborne division of the future will have only 11,500 officers and men, compared with the present standard strength of 17,100, the new infantry division will need 13,800, as against an orthodox infantry division of 17,455, because its tanks and other heavy equipment cannot be transported by air. Otherwise these two types of division will have a similar lay out, with the familiar pattern of three regiments and three accompanying artillery battalions giving way to a five-group array. In order to keep the historic regimental numbers of the old Army, each of the new groups will be called a regiment, but otherwise it will be very different. It will be smaller; its artillery, mainly missiles, will be as much a part of it as the infantry itself; and in increasing measure it will be carried by air. Its mobility will call for wireless communications far more complex and efficient than in the past.

It will shortly be announced which divisions are to be converted first. They will probably move forward only two at a time, because the shuffling of officers, the issuing of new equipment, and the study of new organisation and tactics will put the unit effectively out of action for three or four months. Because of the firm plan to keep the five divisions at present in Germany at peak strength there will probably not be any conversion there. Instead, the divisions will be replaced bodily, one at a time, by divisions whose conversion and retraining will have been completed in the United States. Many experiments with the new formations have in fact been going on for the past two years in the European command. Unlike the airborne and infantry divisions, the armoured divisions, with a strength of 14,684 each, are already so largely reconstructed and retrained that only minor alterations are likely to be necessary to bring them into the new pattern.

The men saved by the reductions in the size of the infantry and airborne divisions—3,700 and 5,600 respectively—will still be used. They will simply be released for other combat duties at corps and army levels. Most of them will serve with the artillery, a term that persists although the weapons will increasingly be the kind of missiles that can be fitted alternatively with nuclear or non-nuclear warheads. This development illustrates significantly the rapid progress being made with the new weapons,

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STATEMENT OF CONDITION, DECEMBER 31, 1956

ASSETS		LIABILITIES	
Cash and Due from Banks	$2,072,851,139	Deposits	$6,927,736,057
U.S. Government Obligations	1,073,035,283	Foreign Funds Borrowed	5,186,222
State, Municipal and Other Securities	439,038,629	Reserve for Taxes	31,246,176
Mortgages	192,153,713	Other Liabilities	38,367,918
Loans	3,731,987,213	Acceptances Outstanding $189,962,709	
Accrued Interest Receivable	16,031,944	*Less : In Portfolio* *15,165,957*	
Customers' Acceptance Liability	169,650,278		174,796,752
Banking Houses	44,532,226	Capital Funds :	
Other Assets	17,666,893	Capital Stock ($162,500,000 (13,000,000 Shares — $12.50 Par)	
		Surplus 337,500,000	
		Undivided Profits 79,614,193	
			579,614,193
	$7,756,947,318		$7,756,947,318

Of the above assets $327,501,725 are pledged to secure public deposits and for other purposes, and trust and certain other deposits are preferred as provided by law. Assets are shown at book values less any reserves.

OVERSEAS BRANCHES : *Paris . Frankfurt/Main . Beirut . Tokyo . Osaka . Havana . Marianao . San Juan, P.R. Santurce . Rio Piedras . Panama . Colon David . Cristobal . Balboa*

Offices of Representatives :
Mexico, D.F. . Buenos Aires . Rome . Bombay

LONDON BRANCHES :
6 Lombard Street, E.C.3 **46 Berkeley Square, W.1**

THE CHASE MANHATTAN EXECUTOR & TRUSTEE CORPORATION LIMITED
6 Lombard Street, E.C.3.

MANUFACTURERS TRUST COMPANY

NEW YORK

Statement of Condition, December 31, 1956

RESOURCES		LIABILITIES		
Cash and Due from Banks	$898,913,039	Capital (5,039,000 shares—$10 par)	$50,390,000	
U.S. Government Securities	697,433,284	Surplus	100,000,000	
U.S. Government Insured F.H.A. Mortgages	71,182,775	Undivided Profits	56,263,500	
State, Municipal and Public Securities	177,327,654			$206,653,500
Stock of Federal Reserve Bank	4,511,700	Reserves for Taxes, Unearned Discount, Interest, etc.		22,031,632
Other Securities	30,618,488	Dividend Payable January 15, 1957		2,519,500
Loans, Bills Purchased and Bankers' Acceptances	1,164,754,950	Outstanding Acceptances		36,741,020
Mortgages	30,410,254	Liability as Endorser on Acceptances and Foreign Bills		21,737,262
Banking Houses	18,073,969	Other Liabilities		2,126,742
Customers' Liability for Acceptances	35,713,419	Deposits		2,845,221,115
Accrued Interest and Other Resources	8,091,239			
	$3,137,030,771			$3,137,030,771

United States Government and Other Securities carried at $120,969,440 are pledged to secure public funds and trust deposits and for other purposes as required or permitted by law.

Chairman: HORACE C. FLANIGAN

International Banking Department : 55 BROAD STREET, NEW YORK

Member FEDERAL RESERVE SYSTEM *Member* NEW YORK CLEARING HOUSE ASSOCIATION *Member* FEDERAL DEPOSIT INSURANCE CORPORATION

Representative Offices :
1, CORNHILL, LONDON, E.C.3 — VIA LAZIO 9 (Corner VIA VENETO) ROME
ROSSMARKT 23, FRANKFURT, a.M. — DAI-ICHI BUILDING, YURAKUCHO, TOKYO.

Incorporated with Limited Liability in U.S.A.

The **FIRST**

NATIONAL CITY BANK

of New York

Incorporated with limited liability under the National Bank Act of the U.S.A.
Head Office : 55 Wall Street, New York
75 Offices in Greater New York
70 Overseas Branches, Offices, and Affiliates
London Branches : 117 Old Broad St., E.C.2
11 Waterloo Place, S.W.1

Statement of Condition as of December 31, 1956

ASSETS

Cash, Gold and Due from Banks		$1,861,534,344
U.S. Government Obligations		1,184,240,523
State and Municipal Securities		393,110,101
Other Securities		103,286,313
Loans and Discounts		3,708,099,539
Real Estate Loans and Securities		30,358,844
Customers' Liability for Acceptances		76,872,228
Stock in Federal Reserve Bank		15,000,000
Ownership of International Banking Corporation		7,000,000
Bank Premises		35,916,024
Other Assets		11,561,124
Total		$7,426,979,040

LIABILITIES

Deposits		$6,672,390,362
Liability on Acceptances and Bills	$95,640,167	
Less : Own Acceptances in Portfolio	15,953,896	
		79,686,271
Due to Foreign Central Banks (*In Foreign Currencies*)		26,774,500
Items in Transit with Branches		7,064,915
Reserves for :		
Unearned Discount and Other Unearned Income		27,512,039
Interest, Taxes, Other Accrued Expenses, etc.		37,769,767
Dividend		6,400,000
Capital	$200,000,000	
(*10,000,000 Shares—$20 Par*)		
Surplus	300,000,000	
Undivided Profits	69,381,186	
		569,381,186
Total		$7,426,979,040

Figures of Overseas Branches are as of December 23.
$435,076,964 of United States Government Obligations and $28,136,600 of other assets are pledged to secure Public and Trust Deposits and for other purposes required or permitted by law.
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Chairman of the Board HOWARD C. SHEPERD — President JAMES S. ROCKEFELLER — Vice-Chairman of the Board RICHARD S. PERKINS

CITY BANK FARMERS

Trust Company

Head Office : 22 William Street, New York
Affiliate of The First National City Bank of New York for separate administration of trust functions

Statement of Condition as of December 31, 1956

ASSETS

Cash and Due from Banks		$47,833,974
U.S. Government Obligations		79,950,577
Obligations of Other Federal Agencies		2,996,983
State and Municipal Securities		17,454,634
Other Securities		2,603,419
Loans and Advances		2,482,497
Real Estate Loans and Securities		1
Stock in Federal Reserve Bank		600,000
Bank Premises		2,360,498
Other Assets		4,922,597
Total		$161,205,180

LIABILITIES

Deposits		$120,591,249
Reserves		7,812,154
(*Includes Reserve for Dividend $601,142*)		
Capital	$10,000,000	
Surplus	10,000,000	
Undivided Profits	12,801,777	
		32,801,777
Total		$161,205,180

$6,490,234 of United States Government Obligations are pledged to secure Public Deposits and for other purposes required or permitted by law.
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Chairman of the Board HOWARD C. SHEPERD — Vice-Chairman of the Board LINDSAY BRADFORD — President RICHARD S. PERKINS

We shall be glad to send a complete copy of the 1956 "*Report to the Shareholders*" of The First National City Bank of New York and City Bank Farmers Trust Company to anyone who requests it.

Bank of America

NATIONAL TRUST AND SAVINGS ASSOCIATION

Condensed Statement of Condition
December 31, 1956

(*Figures of Overseas Branches are as of December 24, 1956*)

RESOURCES

Cash and Due from Banks	$1,718,256,449.87
United States Government Securities and Securities Guaranteed by the Government	1,770,054,622.81
Federal Agency Securities	36,514,528.04
State, County, and Municipal Securities	602,128,591.20
Other Securities	109,603,940.31
Loans Guaranteed or Insured by the United States Government or its Agencies	1,431,492,136.64
Other Loans and Discounts	3,921,543,854.55
Bank Premises, Fixtures, etc.	98,352,466.57
Customers' Liability on Letters of Credit, etc.	240,717,554.62
Accrued Interest and Other Resources	63,177,867.09
TOTAL RESOURCES	**$9,991,842,011.70**

LIABILITIES

Capital	$160,000,000.00	
Surplus	290,000,000.00	
Undivided Profits and Reserves	112,867,000.86	
TOTAL CAPITAL FUNDS		$562,867,000.86
Reserve for Possible Loan Losses		80,581,352.98
DEPOSITS Demand	$4,677,014,617.52	
DEPOSITS Savings and Time	4,316,226,381.78	8,993,240,999.30
Liability for Letters of Credit, etc.		242,387,523.06
Reserve for Interest, Taxes, etc.		112,765,135.50
TOTAL LIABILITIES		**$9,991,842,011.70**

Main Offices in the two Reserve Cities of California

SAN FRANCISCO · LOS ANGELES

Branches throughout California

LONDON BRANCH : 27-29 *WALBROOK E.C.4.*
WEST END BRANCH : 29 *DAVIES STREET W.1*
Other Overseas branches : Manila, Tokyo, Yokohama, Kobe, Osaka, Bangkok, Guam.

Incorporated in U.S.A. with Limited Liability

Bank of America

(International)

A wholly-owned subsidiary

Condensed Statement of Condition December 31, 1956

Home Office—New York, N.Y.

Branches: Duesseldorf · Singapore · Paris Beirut

(*Branch figures are as of December 24, 1956*)

RESOURCES

Cash & Due from Banks	$135,427,260.86
United States Government Obligations	21,049,000.00
Other Securities	3,857,312.85
Loans and Discounts	105,103,392.59
Customers' Liability on Letters of Credit, etc.	178,555,948.66
Accrued Interest and Other Resources	4,409,853.26
TOTAL RESOURCES	$448,402,768.22

LIABILITIES

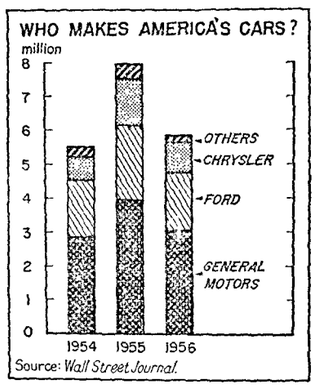
Capital	$13,000,000.00
Surplus	6,000,000.00
Undivided Profits	951,705.45
TOTAL CAPITAL FUNDS	$19,951,705.45
Reserve for Possible Loan Losses	1,635,281.96
Deposits	245,267,430.17
Liability for Letters of Credit, etc.	179,242,636.49
Reserve for Interest, Taxes, etc.	2,305,714.15
TOTAL LIABILITIES	$448,402,768.22

since a short time ago nobody thought of having atomic warheads handled at such a low level. It was only when such a warhead was successfully reduced to an 8-inch calibre that it became possible to think of aiming it with precision by means of accurate launching devices ; and only then could it be entrusted to field forces engaged in tactical as distinguished from strategic warfare.

While the divisions themselves will be smaller, the supplying forces will have to be larger because of the wider dispersals, the more numerous fuel and ammunition dumps, and the longer and swifter hauls which they necessitate. The eventual size of the total force—it is now nineteen divisions, with five in Europe, three in the Far East, nine in the continental United States, and one each in Hawaii and Alaska—will of course be dependent on a budget which Congress invariably scrutinises closely for months. But every assurance has been given that the forces in Europe will not lose in power.

Brake or Accelerator ?

THE automobile companies, chastened by a relatively lean year, entered 1957 at an unexpectedly cautious pace ; output of the new models got off to a slow start. Only 5.8 million cars were turned out last year, compared with the bumper crop of 7.9 million in 1955. But the firms which have sunk record sums in retooling and new plant to make their new models even lower, longer and faster than those of 1956, are fairly confident of persuading 6.5 million Americans to buy one of them. Even with credit tight, and some resistance to higher prices, they think that people who stayed out of the market last year are now ready to trade-in their 1955 models. Besides changes in style to tempt the buyer, the industry in December revived the national automobile show, which had not been held since 1940. It came too late to unveil the new models, most of which had been on the roads for a month, but interest was brisk in displays of fuel-injection power systems and in special super-luxury "limited editions" such as Cadillac's Directeur, an office on wheels complete with stock exchange tape, telephone, and secretary's chair and typewriter.



Fierce competition to hold and increase shares in the market for cars was responsible for the overproduction of 1955. The revival of the national show was taken to be a sign of greater readiness to co-operate in promoting the interest of all manufacturers in a larger market. There are some signs, too, that the industry has learned the lesson that driving the market too hard in one year has to be paid for in the next. Spokesmen for the Chrysler Corporation and the Ford Company have suggested that they aim at greater stability of output, although this may make a virtue of necessity: under a new law, dealers may not be forced to accept more cars from the manufacturers than they think they can sell and manufacturers are now in the middle of the first full year of supplementing unemployment benefits for their workers.

At the show itself, however, Mr Henry Ford, one of the five automobile presidents to open it with a blast on a horn, blew his own company's trumpet with a vigorous announcement that it would seek to increase its share of the market from 28.7 per cent to 31.5 per cent. As the Chrysler Corporation hopes to capture a fifth of the market, and the General Motors Corporation refuses to take the hint that it should be content with 50 per cent, instead of 52.7 per cent, stability in the industry may be forced to take a back seat.

Republicans' Sore Thumb

FROM A CORRESPONDENT IN ST LOUIS

LAST November Missouri achieved the distinction of being the only state outside the South to vote for Mr Stevenson and the only one to come over to his side after having voted for Mr Eisenhower in 1952. Local Democrats took quiet satisfaction in this remarkable demonstration of Missouri's superior discrimination and intelligence, while Republicans angrily reproached each other for the shift which made the state stick out like a sore thumb from their national triumph. But in 1952 Missouri was not typical of the country in the size of the majority it gave to Mr Eisenhower—only 29,000 votes or less than two per cent more than it gave to Mr Stevenson. Thus only a fractional change in the vote was needed to throw the state to the Democratic candidate in 1956—and such, indeed, was the change this year. Mr Stevenson carried Missouri by only 4,729 votes out of 1,832,293 cast.

Basically, Missouri is a one-party state. Although Republican presidential candidates can win there in landslide years, and sometimes carry Republicans into Congress with them, the usual pattern in state and local elections is that of a strong Democratic party, which attracts most of the political talent and campaign funds, tilting against a confused and divided Republican organisation, and almost always winning. St Louis, the leading city, which accounts for nearly one-fifth of the votes in the state, is heavily Democratic ; in some wards Republicans have only the shadow of an organisation. Kansas City has a strong Democratic machine, remaining from the days of boss Tom Pendergast, which can usually count on carrying the city, though by a smaller majority. There are two rural sections, one along the Missouri river across the central part of the state, and another in the cotton-growing Mississippi delta country of the "bootheel"; these were settled by Southerners and still follow the Democratic political patterns of Tennessee and Arkansas.

Republicans traditionally predominate in the northern corn-hog counties which belong, economically and socially, to Iowa. They also claim as their own the Ozark counties in the south-western corner of the state, surrounding the city of Springfield ; this "mountain" country bears a strong political and social resemblance to the backwoods of

eastern Tennessee, which also votes Republican. It is alleged that natives of that region voted happily for Franklin D. Roosevelt during the nineteen-thirties under the impression that it was his Republican cousin Theodore who was running.

In the last 25 years, Republicans have won the Governorship and seats in the United States Senate only when political scandals or strongly-felt emotions have upset ordinary voting habits. Even though President Eisenhower on the strength of his personal popularity managed to carry Missouri in his first campaign, the Republican organisation remained weak, a prey to internecine quarrels, personal struggles, absentee control and all the other symptoms of a party out of power. In 1956 it reached the depths by losing the presidential vote, all but one seat in the House of Representatives (even the veteran Mr Dewey Short succumbing to a bright young advertising and radio executive), the fights for the seat in the United States Senate and for the Governorship, both houses of the State Legislature, and a host of county offices. In these circumstances it was surprising, not that Mr Eisenhower should lose the state, but that he should come so close to winning it again. Indeed, he did carry most of the farm counties and small towns, winning a majority of 71,000 in those parts of the state outside the two main metropolitan areas.

★

The farm vote might have been expected to weigh heavily in Missouri, but the returns bear out the generalisation that there is no farm vote any more. Mr Eisenhower lost ground in some of the counties hardest hit by drought, and some rural voters who were dissatisfied with declining farm income turned against him. But these defections were largely offset by the Republicanism of the larger farmers, who were generally better off than their neighbours, and above all by the votes in the market towns and county seats. With Mr Eisenhower in the field, the normal tendency of small merchants and business men to identify themselves with the interests of their farm customers broke down. Taking the rural areas as a whole, it seems apparent that they divided generally on the same issues and along the same emotional lines as the rest of the country, rather than on farm issues alone.

Significant changes were also taking place in the voting of the metropolitan areas. The city of St Louis cast 54,000 fewer votes than it did in 1952, with the result that Mr Stevenson's majority there went down by 19,000. But in the suburban areas of St Louis, hitherto heavily Republican, which have been growing with boomlike speed while the city stood still, Democrats took over local offices which they had not succeeded in penetrating for twenty years, and Mr Eisenhower's majority in the county as a whole fell from 21,000 in 1952 to 11,000. One reason was that Democratic voters had migrated from the city to the working class and lower middle class suburbs. Another was the extraordinary effort, far more effective than that of the official Democratic organisation, put forth by the Volunteers for Stevenson, composed largely of intense women who believed in him with a fierce intellectual zeal.

Inside the city proper, principal interest centred upon the Negro vote, which accounts for about 18 per cent of the total. In 1952 the Negro wards had given Mr Stevenson majorities of 75 to 82 per cent. This year, his vote fell off by 8,000 but, curiously enough, Mr Eisenhower polled almost exactly the same total he won four years ago; therefore, despite his losses, Mr Stevenson carried the Negro wards by only slightly smaller percentages. But the storm signals are plainly flying. Those Negroes who expressed their disenchantment with the Democrats by staying home in 1956 may well enlarge their numbers and shift to the Republicans next time.

For the present, however, Democrats have everything their way in Missouri. The new Governor, Mr James Blair, should bring a fresh vigour and political intelligence to the party leadership in the state. Senator Thomas Hennings, just re-elected with no significant opposition, made an unusual record for liberalism, courage and probity during his first term. As chairman of the Rules Committee, he will be one of the few non-Southerners in an influential position in the next Congress. Senator Stuart Symington, a former Secretary of the Air Force, has plain sailing ahead for re-election in 1958, and is confidently expected to be a leading contender for the 1960 presidential nomination. The Mayor of St Louis, Mr Raymond Tucker, is one of the most respected and effective mayors in the city's history. Missouri Democrats, in short, have a wealth of talent and their organisation has the strength which is fostered by consistent victories at the polls.

Shut-ins Shut Out

RHODE ISLAND, the smallest state in the union, has just been the scene of the loudest and most protracted election dispute for many years. Governor Roberts, a Democrat, owes his fourth term to a decision of the State Supreme Court, handed down only last week, that there was a constitutional defect in the absentee voting law for civilians. This decision disfranchised nearly 5,000 voters, and the Republican State Senate showed its resentment by refusing to take part in the traditional joint inaugural session. In 1953 Governor Roberts, with a flourish, had signed a Bill allowing absentee voters and shut-ins—the term for those prevented by age or infirmity from getting to the polls—to cast ballots on or before election day. Last week the Governor's lawyers successfully argued that the state constitution does not authorise the legislature to permit voting before election day. Into the discard with the premature ballots went the narrow popular victory of Mr Del Sesto, the Republican candidate.

Among the reasons for the voters' preference for Mr Del Sesto—beside his appeal to his fellow Italian-Americans—were suspicions that Governor Roberts had played politics with judicial appointments. But even if the decision was technically correct, it leaves a bad taste. The Democrats did not decide to challenge the election law until it was found that the absentee vote would clinch Mr Del Sesto's victory; Governor Roberts himself had promised, in a high-principled statement, that he would accept office only if this was the clear will of the people. The Governor's willingness to swallow his principles means that, if the 89-year-old Senator Green dies during the next two years, a Republican Governor will not be able to destroy the paper-thin Democratic majority in the United States Senate by appointing a Republican to fill the vacancy. But in 1958, when Mr Del Sesto has promised to run again, the Governor may find that Democratic gratitude is no substitute for the confidence of the voters.

Guaranty Trust Company of New York

Condensed Statement of Condition, December 31, 1956

RESOURCES			LIABILITIES		
Cash on Hand, in Federal Reserve Bank, and Due from Banks and Bankers		$592,861,933.74	Capital (5,000,000 shares—$20 par)		$100,000,000.00
U.S. Government Obligations		689,044,619.53	Surplus Fund		200,000,000.00
Loans and Bills Purchased		1,573,333,374.66	Undivided Profits		107,269,602.03
Public Securities	$63,308,792.30		Total Capital Funds		$407,269,602.03
Stock of Federal Reserve Bank	9,000,000.00		Deposits		2,542,690,186.07
Other Securities	27,820,853.49		Foreign Funds Borrowed		150,000.00
Credits Granted on Acceptances	23,548,665.61		Acceptances	$36,246,909.92	
Accrued Interest, Accounts Receivable, etc.	47,440,368.63		*Less:* Own Acceptances Held for Investment	11,716,792.22	
Real Estate Bonds and Mortgages	20,357,873.63			$24,530,117.70	
		191,476,556.76	Dividend Payable January 15, 1957:		
Bank Premises		8,942,442.48	Regular	4,000,000.00	
			Extra	4,000,000.00	
			Items in Transit with Foreign Branches	483,888.06	
			Reserve for Expenses and Taxes	27,132,262.92	
			Other Liabilities	44,402,992.39	
					104,549,171.07
Total Resources		$3,054,658,959.17	Total Liabilities		$3,054,658,959.17

Assets carried at $230,242,178.05 in the above statement are pledged to qualify for fiduciary powers, to secure public moneys as required by law, and for other purposes.

LONDON OFFICES

Main Office: 32 Lombard Street, E.C.3 **Kingsway Office: Bush House, Aldwych, W.C.2**

PARIS NEW YORK BRUSSELS

Incorporated with limited liability in the State of New York, U.S.A.

BANKERS TRUST COMPANY

NEW YORK

Condensed Statement of Condition—December 31, 1956

ASSETS		
Cash and Due from Banks		$805,071,720·74
U.S. Government Securities		421,619,194·74
Loans		1,469,234,943·97
State and Municipal Securities		14,250,733·73
Other Securities and Investments		17,529,899·58
Banking Premises		20,849,287·18
Accrued Interest, Accounts Receivable, etc.		8,797,611·21
Customers' Liability on Acceptances		49,156,087·40
Assets Deposited against Bonds Borrowed		14,355,000·00
		$2,820,864,483·55

LIABILITIES		
Capital (par value $10 per share)	$40,299,500·00	
Surplus	150,000,000·00	
Undivided Profits	52,519,333·59	
		242,818,833·59
Dividend Payable January 15		2,820,965·00
Deposits		2,434,079,904·15
Reserve for Taxes, Accrued Expenses, etc.		22,387,930·92
Acceptances Outstanding	55,100,912·93	
Less Amount in Portfolio	3,942,643·62	
		51,153,269·31
Liability under Bonds Borrowed		14,355,000·00
Other Liabilities		3,243,550·53
		$2,820,864,483·55

Assets carried at $91,734,630·51 on December 31, 1956, were pledged to secure deposits and for other purposes.
Member of the Federal Deposit Insurance Corporation

London Office: 26, OLD BROAD STREET, E.C.2.

Incorporated with Limited Liability in U.S.A.



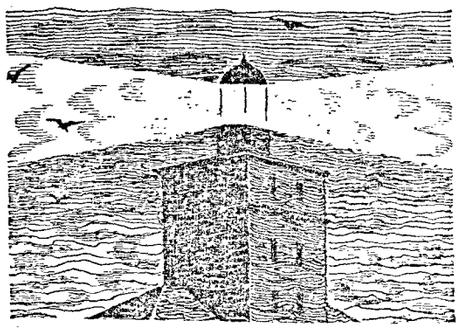
France streamlines coal-mining

In just seven years, from 1948 to 1955, output per manshift down new and modernised French coal mines jumped by as much as 64 per cent. In these mines, where methods and equipment are the latest, productivity is the highest in Europe; and throughout the industry generally, output has never been greater. Now, with a need for more and more new seams of coal, France is drilling up to 125 miles of galleries a year to search for them.

In this vital development work which is going on all the time below the French coalfields, speed is all-important. The answer has been compressed air drilling equipment. By bringing in Atlas Copco lightweight rock drills and Sandvik Coromant drill steels, French mining engineers have found the most efficient and fastest possible method of opening up the way to further sources of coal—and the way to maintain the present high rate of production.

When fog shrouds Table Bay

Compressed air is versatile. Atlas Copco provide the means for all its many applications. In the lighthouse at Mouille Point near Capetown, a small Atlas Copco air compressor supplies air to operate a siren in dense fog.
The Atlas Copco Group of Companies is responsible for the manufacture of compressed air equipment and its distribution and servicing in ninety countries throughout the world.
Group Headquarters: Atlas Copco AB, Stockholm 1, Sweden.



Atlas Copco puts compressed air to work for the world

The World Overseas

South Africa's Reichstag Fire Trials

FROM OUR CORRESPONDENT IN SOUTH AFRICA

THERE is a good deal of cynicism in South Africa over the present mass trial of 153 men and women of all races on treason and other grave charges. This feeling is strengthened by a conviction that the government has overplayed its hand and blundered. It hoped to produce drama by the pre-dawn swoops on private homes, by fleeting court appearances outside normal hours, by the use of military aircraft to rush the suspects to Johannesburg for a mass trial, and by the wholesale refusal of bail, followed by a wholesale granting of bail some days later. Instead it produced only melodrama and anti-climax, aggravated by inept crowd control by the police in the early stages of the trial.

The trial has been called in private Nationalism's "Reichstag fire trial"; once more Communism is among the pretexts, only now it is "statutory Communism," a variety peculiar to South Africa. Communism was outlawed six years ago, but after the recent arrests the Minister of Justice declared that although Communism in its "active form" had been "completely destroyed," it was now working behind the scenes. Few really believe that all the accused are Communists. Most of the latter, and all the effective ones, were banned years ago, and to uncover only now a sizeable plot argues one of two things: either police incompetence or a high degree of skill on the part of men with radical ideas which they are determined to disseminate. There is some truth in both points; but the list of those arrested shows that it is members of multi-racial bodies fighting for what they believe to be freedom, democracy and human rights for all, who are primarily under suspicion.

The Congress of Democrats, formed in 1952 as a White ally of the influential non-White Congress organisations, is obviously a primary target, and the trial is likely to centre on "The Freedom Charter," a document adopted at the Congress of the People in 1955 which contains a medley of aims, some Victorian, others radical in a deliberately vague way. It declares, for instance, that all national groups shall have equal rights, share in the government as well as in the country's wealth, and be equal before the law. If there is sedition or treason in the Freedom Charter, it is not obvious to the ordinary man. In any event, the prosecution has already admitted that if "subversion" was planned, it was all done at public meetings.

Inevitably South Africans are asking why the Cabinet felt it necessary to go to these elaborate lengths to squash its more outspoken opponents. There are some obvious explanations: it finds ideas and arguments easier to handle (and exploit) than real problems; it is determined to deprive the politically conscious non-Whites of leadership; and it hopes to intimidate all who might wish to participate in multi-racial movements aimed at gaining political rights for non-Whites. And finally, by a mass prosecution it hopes to generate some pre-election enthusiasm among unattached voters and waverers. It can hardly hope to embarrass the United Party, which is already so frightened of being accused of being "soft" to Communism that it bends over backwards to avoid the charge.

The sad fact is that the rule of law ceases to have any real meaning when there is as much statutory discrimination against people of colour as there is in South Africa. In eight years of Nationalist rule the country has, in the words of its most outspoken newspaper critic, "been wrenched from its democratic traditions." For two-thirds of its people South Africa is virtually a police state. Even the highly privileged and free White minority is having its rights reduced—trade unionism has been further injured by the new Industrial Conciliation Act; the independence of universities on racial issues is nearing its end, more extensive censorship of literature is on the way, passports are given as a privilege, the Union's constitution is lamed, the judiciary undermined, and public comment and criticism are inhibited.

A glance at a few of the statutes passed by the Nationalists shows the degree to which individual freedom and liberty have been undermined. The Suppression of Communism Act (1950) not only contains a definition of Communism which is so all-embracing as to be absurd—"a person who professes to be a Communist or who is deemed by the Governor-General to be a Communist on the ground that he is advocating, advising, defending or encouraging . . . the achievement of any of the objects of Communism or any act or commission which is calculated to further the achievement of any such object." It also gives the Minister the most fantastic powers over individuals, without any real opportunity of a challenge in the courts.

The Public Safety Act of 1953 conferred wide powers for the proclamation of a state of emergency where public disorder takes place or is deemed to be threatened, and gave the Minister absolute discretion over the destinies, actions, livelihood, property and liberty of any individual—without the right of appeal to the courts. Newspapers may be suspended and persons detained in gaol without charge and without trial. The Criminal Law Amendment Act of 1953 contains this draconian provision:

> Any person who in any manner whatsoever advises, encourages, incites, commands, aids or procures any other person or persons *in general*; or uses any language or does any act or thing calculated to cause any person or persons in general to commit an offence by way of protest against

a law or in support of any campaign against any law, or in support of any campaign for the repeal or modification of any law or the variation or limitation of the application or administration of any law, shall be guilty of an offence.

There is also the old Riotous Assemblies Act, with its powers of banishment and banning; the Citizenship Act which makes the granting of citizenship and therefore the franchise to newcomers the absolute prerogative of a cabinet minister; the Group Areas Act which confers powers to uproot helpless individuals and groups; the Urban Areas Act which gives local authorities the power to banish any African for any reason; the Interdicts Act which prohibits an African from asking for the protection of the courts until it is too late to benefit him; and the Native Administration Act which gives fearful dictatorial rights over the liberties of the subject.

Obsessed with its theories of race and of White supremacy, the Nationalist Party has convinced itself and its bemused followers that the European in South Africa is doomed unless he retains absolute political control for all time. Moreover, within that framework, the Nationalists maintain, it is necessary for them to retain power, otherwise the White dyke may be breached and the "Black flood" will pour through. Everything the Nationalist government does, therefore, is intended to consolidate Afrikaner Nationalism's hold on the country, even to the length of abusing the parliamentary processes and changing the character of the judiciary by the appointment of relatively junior and inexperienced counsel to the Bench, and the passing over of senior Appeal Court judges in the nomination of a Chief Justice.

And the ultimate political tragedy is that however strongly people may feel about it, there is no effective opposition to this drift to disaster. The United Party, whose challenge in the past has too often lacked vigour and conviction, is inhibited because the majority of its followers believe in some form of *apartheid*. Its new leader, Sir de Villiers Graaff, will not lead the party in a more liberal direction, and it remains to be seen to what extent the party's effectiveness will be improved by the dropping of Mr Strauss. The vast majority of the European electors is still convinced by arguments about the need for White domination. And the non-Whites, politically voiceless, are being cowed by a ruthlessly efficient ruling group, and are in consequence becoming more embittered and desperate. It is a picture of gloom relieved, on the one hand, by the knowledge that, as Hungary has shown, the human spirit is irrepressible; and on the other, by the growing realisation of a small minority of Europeans that the road the Nationalist government is following must end in disaster for all.

The Arab Mood

FROM OUR SPECIAL CORRESPONDENT IN AMMAN

THE plan for the Middle East, presented by President Eisenhower to Congress, is more acceptable to Arab opinion than earlier news leaks suggested. The omission of the word "vacuum"—which is thoroughly offensive to nationalist sentiment—has been noted and it is conceded that the statement was drafted with careful regard for local susceptibilities.

But the Arab governments are likely to adopt an attitude of formal reserve to the American guarantee of support against communist aggression. If the Arabs welcome the guarantee they admit by implication the possibility of communist attack; if they admit that possibility they must logically impose on themselves some restraint in their dealings with communist states. Such restraint is precisely what the Arabs reject. They claim full freedom to develop their foreign relations in any direction they please. The compelling factor behind this claim is their desire for a free hand to call in Russia to redress the balance in the event of the West supporting Israel against them—a suspicion never far from Arab minds.

Yet the military aspect of the Eisenhower doctrine is unlikely to provoke too much fuss in the Arab world, especially as it does not call for action on the part of the Arabs themselves, except to appeal for help in the event of actual attack. That appeal would be forthcoming quickly enough with or without an Eisenhower doctrine to invite it.

The crucial issue is likely to be the division of the $400 million, or whatever sum is ultimately voted, among the states of the area. The Arabs argue that American aid, even on the past scale, not only enabled Israel to survive and prosper, but also has provided resources to build up a formidable military machine which it has not hesitated to use. Unless the distribution of future aid between the various states in the area is revised, the United States will become the target of much of the anti-western odium now falling exclusively on Britain and France.

Palestine the Test

The problem of Palestine remains the starting point of all Arab political thought; if anything, opinion here has hardened in the past few weeks. The current Arab attitude is diametrically opposed to that of the West. While western opinion regards the recent explosion as a decisive argument for seeking a final settlement of the Palestine problem, the Arabs take the contrary view. For a Palestine settlement implies recognition of Israel in some shape or form; and the recent invasion of Egypt confirmed the Arabs in their view that Israel should never exist as a state. Revenge is not only in the air. It is deep in the souls of the people. A politician of the old school, who held high office in the days of British "influence," proposed to your correspondent a compromise between the United Nations resolution of 1947 and the present armistice lines, but hastened to add that it would be a "provisional" compromise only. The permanent existence of Israel cannot be recognised by any Arab who values his political future.

Current nationalist thinking is much influenced by the Baath Socialist movement. Abdullah el-Rimawi, leading Baath Socialist intellectual and Foreign Minister, offered the following destructive analysis of any possible Palestine "settlement." There are, he said, three possible ways of settling the problem within the framework of western thinking: 1. There is the current theory of equilibrium, or preserving a balance of power between the Arabs and the Jews. Events have shown the equilibrium established is unstable. The Jews have not hesitated to upset it whenever they held an advantage. The implication that the Arabs would do likewise if events favoured them was left unspoken but could be felt. 2. There is the possibility of a settlement by a decision of the United Nations and imposed by force. This would mean a *cordon sanitaire* between Israel and the neighbouring Arab countries in the form of a United Nations army. Such an army would be in an impossible strategic situation. The Jews and the Arabs could pierce the cordon at will, alleging aggression by the other side as justification. This settlement is therefore impracticable. 3 A settlement along the lines of a western guarantee to Israel. A guarantee of that nature would automatically drive the Arabs to seek assistance from the Soviet Union. Far from settling the question, it would intensify the great power embroilment in the area with grave dangers to world peace.

Having ruled out all means of settlement, the minister inevitably concluded that the wise course was to leave the problem unsettled at present. It was not part of Arab nationalism to drive the Jews into the sea; but the existence of Israel as a state was contrary to the trend of history in the Middle East and must inevitably come to an end. Many Jews, he said, wished to emigrate from Israel but were prevented from doing so by the Israeli government. Those who wished to stay were welcome to do so and would be encouraged to live harmoniously among their Arab neighbours, as they had done for centuries. Neither Jews nor Arabs were happy under Turkish rule; but at least they shared the same lot and lived peaceably with one another.

The ferment of such ideas among Arab youth and intellectuals of the middle classes is matched by the improvement of the techniques of agitation. The influence of Cairo Radio can scarcely be exaggerated. The offices of the ministers are flooded by telegrams and petitions. A recent protest against President Eisenhower's "vacuum theory" was signed by 400 "workers of Amman." The students' strike at the UNRWA vocational school at Qalandia, near Jerusalem, was another symptom of feelings running dangerously high. The occasion for the strike was the return of three British instructors, who were evacuated at the height of the crisis. The students refused to work under "enemy" tutelage and although the delegation of youths to Amman was exhorted by no fewer than four cabinet ministers to return to work, they remained adamant. Another straw in the icy winds now blowing over Amman is the report of the impending departure of Jordanian students for Czechoslovak universities.

German Liberals Change Leaders

FROM OUR BONN CORRESPONDENT

THE west German Free Democrats are in a hurry to close their ranks, formulate policy and tactics, and plunge with a splash into the Bundestag election campaign. They reckon that only three parties will surmount the five per cent barrier at the polls in September—the Christian Democrats, the Social Democrats, and themselves. Quite understandably they like to see themselves destined before the year is out to be the final arbiter of policy, without whose assent no government can act.

Internal dissensions have obscured their aims and discredited their leadership; they are trying in three stages to get into position to do better. The first was accomplished at Stuttgart on Sunday, when Dr Reinhold Maier, who is about to be elected party chairman in succession to Dr Thomas Dehler, expounded his views for all to contemplate. The second is set for the end of this month, when the executive meets in Berlin to elect the chairman formally and enunciate principles. The third will be reached at Hamburg early in May, when a delegate meeting approves an election programme of specific good works for the next four years.

Although he is going gracefully, the business of unseating Dr Dehler is unpleasant to most members of the party. Dr Dehler is a very likeable man, modest, open, spontaneous, and sincere. But as a leader, too often tactless and quick-tempered, he has landed the party in many an embarrassing rumpus. Of Dr Maier, though he enjoys a scrap as much as anybody, it is said that he always takes thought and counsel before heaving a brick that is likely to provoke reprisals. Dr Dehler cannot wait. Even his friends reluctantly admit that his impetuosity has been largely responsible for the Free Democrats' poor showing before parliament and public.

The ambitions of others have also been undermining Dr Dehler's position. Dr Dehler is 59, Dr Maier 67. To the clamorous group who have been dubbed "the young Turks" but call themselves "the Düsseldorfers," Dr Dehler could be in the way too long. Dr Maier, who shows no hankering after high office, would be ripe for retirement just about when the itching Düsseldorfers reckon they will want to come to the top, which is not all that far ahead.

Hasty Journey to Weimar

The Düsseldorfers are of that hitherto remarkably reserved generation, now entering middle age, whose rough finishing schools were the Wehrmacht and the internment camp. Impatiently contemptuous of 81-year-old Dr Adenauer and his cautious, constantly westward-looking approach to the problem of reunification, they have been urging new tactics. Two of them, Erich Mende (40) and Wolfgang Doehring (37), set off precipitately for Weimar last autumn to talk to the east German "Liberals." They achieved little. Painfully timid, the east Germans shied away from all proposals for a next stage, such as exchanging public speakers across the border.

The man who would have most liked to be present at these talks stayed behind in Düsseldorf. As Minister of Finance and Reconstruction in the coalition government of North Rhine-Westphalia, Herr Willi Weyer thought it advisable to keep away for the time being. Yet he was the moving spirit behind the reconnaissance. At party headquarters they talk of Herr Weyer, who is now 39, as "the battleship in the background." There, it is he, not the more experienced Herr Mende, who is regarded as Dr Maier's eventual successor. Herr Mende is a highly decorated officer who makes a special point of speaking for the ex-servicemen. Better versed than Herr Weyer in federal affairs, and endowed with a more engaging public manner, he is not gifted with the creative mind and energy of Herr Weyer, to whom he is taking second place in the inner councils. Happily scouting for the battleship in the background is the destroyer Doehring. Brash and racy, Herr Doehring claims to have drunk of the fountain of pure liberalism during his wartime captivity in England.

After all the pother they have made about the urgency of cultivating contacts with the east Germans, the Free Democrats are inviting no east Germans to their important gathering in Berlin at the end of the month. Dr Maier seems to

have persuaded the Düsseldorfers that at the moment it is more pressing to prepare for an election which may bring the party a degree of power out of all proportion to its numbers.

Dr Maier's personal programme parade on his home ground at Stuttgart was a dexterous performance and should engender much useful discussion, if not clarification, at Berlin and Hamburg. Its colourful cloudiness is explained by the party's decision not to commit itself in advance to coalition with either of the two major parties. Until September the way must be kept open for co-operation with both. Dr Maier demands of the Christian Democrats that they tend more lovingly the paths that might lead to reunification, particularly the moss-grown one that begins at the Soviet embassy in Bonn. He scolds them for acting as though the Federal Republic were more than provisional. And he rebukes the romanticism of the "German Europeans" who would like to restore Charlemagne's empire and "have written off Germany beyond the Elbe, including pagan Berlin." Yet in the same breath Dr Maier points out that federal Germany is irrevocably committed to the West, and that this entails a contribution to western defences, even though it may not become effective as quickly as was originally planned.

The Social Democrats would quarrel with little, if any, of this. But Dr Maier rejects their partnership if it means any further nationalisation. Although he did not say so, the Free Democrats suppose that the Socialists would accept an agreement to develop the social services as a fair price for restraint in the fields of ownership.

There is good reason to believe that, should it come to the point, one of the Free Democrats' terms for a coalition with the Christian Democrats would be Dr Adenauer's retirement. Dr Maier carefully refrained from offending the Chancellor's devotees. He contented himself instead with putting it like this: "All too often Germans have said 'Let your Kaiser do your worrying, your King, your Bismarck, your Hindenburg, your Adenauer. They'll put things right'." In other words Dr Maier was saying that it is high time more Germans began to think for themselves. Few will have failed to notice the sly omission of one very famous name from his list.

Poland Prepares for Elections

FROM A SPECIAL CORRESPONDENT IN WARSAW

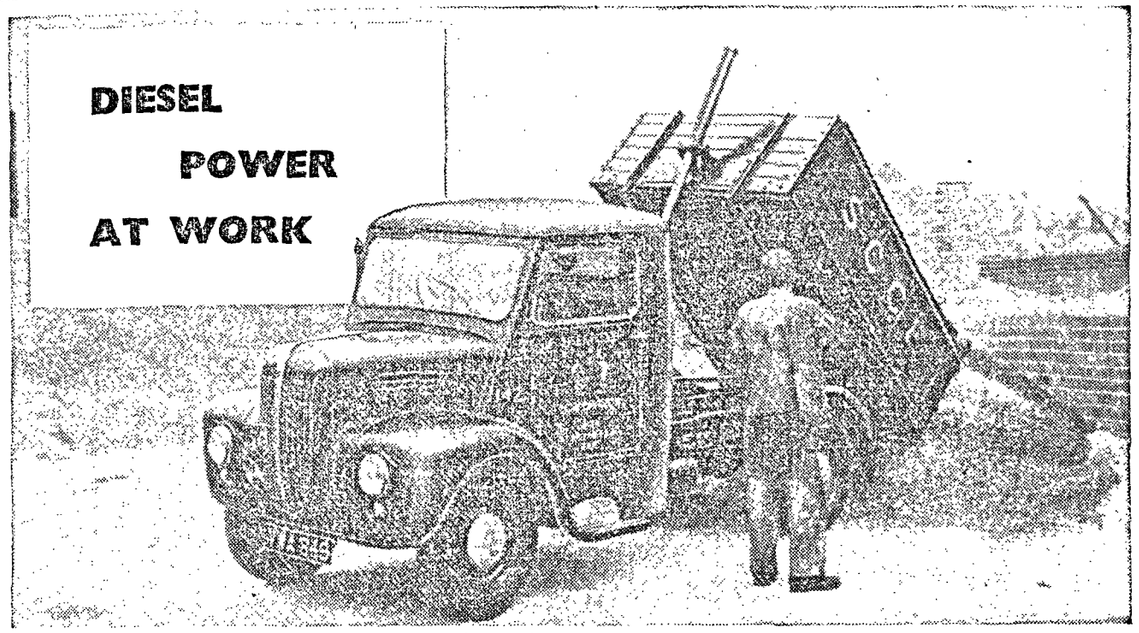
IN contrast with the press, the wireless and the embryonic, rather imperfect, television, the Polish people show singularly few signs of electoral fever. The majority of voters, for instance, have not yet bothered to check their names on the electoral registers which have been available for inspection since the middle of December. Apart from the weather, the reason is probably that the election comes as an anticlimax after the momentous and stormy days of the Polish October revolution. It is generally admitted that by supporting Gomulka and his programme the Polish people played a vital role in changing the leadership and the general political line of the ruling party. In the election they will merely be asked to confirm that line formally and to help choose the men who for the next four years will attempt to see it carried out. Moreover, although the last parliament underwent a miraculous renaissance at the end of its last session, the Sejm and the electoral system are still largely discredited. All are agreed that the new Sejm will be a very different body, but real confidence in it cannot be created overnight.

The new electoral law adopted by the Sejm on October 24, 1956, follows two earlier laws in its general principles of universal, equal, direct franchise, secret ballot, a minimum age of 18 for voters and 21 for candidates and so on. The machinery for conducting the elections is also similar. But this time the commissioners at all three levels (from the state commissions at the top, through the area commissions down to the 15,000 district electoral commissions) were chosen in real consultation with the local bureaus of the political parties, and the social organisations. Perhaps about half of them are communists, but like the rest they tended to be chosen for their professional standing and personal integrity rather than for their party militancy. Sometimes the commissions have been influenced by political considerations; for example, the submission of dissident lists in one or two areas was promptly disallowed. Nevertheless, few believe that the final results can or will be falsified. Large numbers of independent people will be involved in counting the votes; permission has been given for official representatives of the organisations and groups represented on the lists to be present at the count and, in general, there is a kind of vague but real determination to watch the behaviour of the government and the communist party.

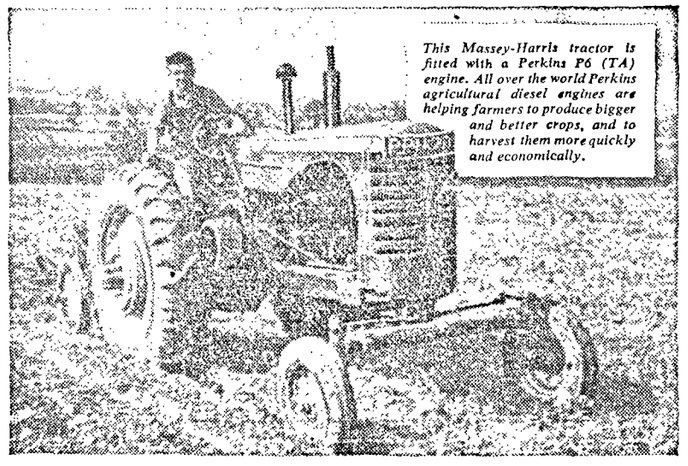
Still Only One List

The present electoral law differs not merely in spirit but also in letter from its Stalinist parent of 1952. The most significant change is that it makes it possible to put up to two-thirds more names on each list than the number of deputies to be elected in that constituency. This means in practice that, for example, in the number one constituency in Warsaw the list has ten candidates for six seats and these are placed on the ballot in the order agreed by the members of the electoral block. The voter may cross off the list the names he dislikes and no candidate can be elected if he fails to get an absolute majority of the valid votes cast. From those who thus qualify the six candidates with the highest number of votes will be declared elected. If no names are crossed off, the six top candidates on the list will be automatically elected. It is generally expected that the voters will avail themselves freely of their right to cross off names, and this, combined perhaps with a low poll in some areas, may make some second ballots necessary.

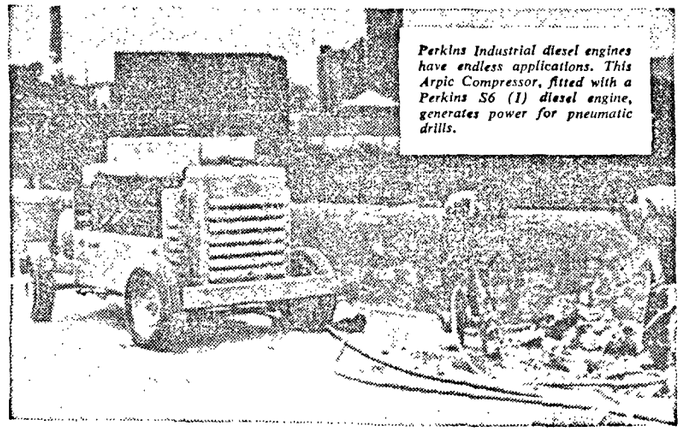
A total of 723 candidates has been put up to fill 459 seats. The need for more than one list has always been officially denied, and from the start it was a foregone conclusion that the parties and organisations would fight the election as one block. But this still left scope for lively electioneering before the candidates were actually selected. The trade unions, co-operatives and other organisations forming the National Front began to dominate the front's local committees. They were encouraged by the growing liberalism of the state and party apparatus, and greatly stimulated by the events of October 19th-22nd; no doubt, too, they profited from the amount of reorganisation and disorganisation in the political parties. Nearly 70,000 nominations poured in, some from spontaneously organised electoral meetings, some formally



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the things they say!



Everybody keeps talking about increasing production — but how are we going to do it, if we don't have more people in our factories?

We'll all have to work more efficiently — managements included.

I've heard that one before. Most of us work hard enough as it is.

I didn't say harder — I said *more efficiently*. We've got to learn to cut out all forms of waste in the way we use our machines and materials.

Most important of all, we've got to stop wasting human effort.



And how's that done?



By studying the way we work in our factories and offices.

By raising our productivity, in fact.

And are we actually raising it now?

Certainly. The national average is going up at the rate of 3% each year.

Is that the best we can do?

Not if the more progressive firms are any criterion. In I.C.I., for example, since the war productivity has been increasing, on the average, at nearly *three times* the national rate.

ICI

[S]

sponsored by front committees and some others submitted by would-be candidates. For years the National Front committees had remained without power, prestige or real political activity, and they were staffed by men unused to taking responsibility or showing initiative.

Quick action was necessary to preserve the key position of the parties and social organisations in the selection of candidates and to retain a degree of central control over the lists. On November 22nd, after consultations at the highest level, the leaders of the bodies grouped in the National Front set up a central co-ordinating commission of political parties and social organisations, to which representatives of progressive Catholic intelligentsia were added. This body rapidly spawned regional local commissions all over the country, which played an important part in fixing the proportions of candidates, sifting and selecting reasonably competent and popular individuals and deciding the order of names on ballot papers. The lists were finally submitted to the area electoral commissions by December 16th.

The governing party had won the first round of the electoral fight, but not without effort and sacrifice. The non-communist parties and organisations, which were in process of evolving from satellites into allies, had bargained fairly hard ; there were all night sittings of the co-ordinating commissions and many last minute submissions of lists. In many rural areas the selecting bodies were more or less forced to accept certain candidates from fear of personal unpopularity, abuse and the threat of demonstrations and even of the storming of their meetings. Many other far-reaching concessions were made to popular opinion which were welcomed for their own sake by the most radical democratic wing of the party. A considerable number of recently rehabilitated politicians have been placed on the lists. The proportion of so-called central candidates, i.e., leaders of national organisations divorced from the constituencies in which they stand, shrank to a mere ten per cent. They make up most of the 83 deputies from the previous Sejm who are standing again.

According to statistics published by the Polish press agency only about 50 per cent of the candidates are members of the hitherto almost monopolistic Polish United Workers Party (PZPR) ; 25 per cent belong to the United Peasant Party (ZSL) ; 10 per cent to the Democratic Party (SD) ; while 15 per cent are non-party or represent progressive Catholic groupings. Now, after the lull caused by the Christmas holidays, the second phase of the electoral struggle has begun in earnest ; this is to make the candidates popular and secure the highest possible poll on January 20th.

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Signor Reale's Revolt

BY A CORRESPONDENT

HOW hollow was Signor Togliatti's victory at the eighth congress of the Italian Communist party has speedily become apparent. A widespread reaction is now under way, captained by one of the party's former leaders, Signor Eugenio Reale. Marked out as a potentially dangerous dissenter he was excluded from the congress, even as an observer: his protests developed into polemical exchanges in the press, and he has now been expelled from the party by a procedure which, in denying him any opportunity to state his case before his comrades, violates the party's own statute. His case against Togliatti is overwhelming. By slavishly following Moscow, he asserts, the party has not only been forced to suppress internal discussion, it has also forfeited its role as guide to the working classes in the country.

Signor Reale's former position in the party makes his revolt of great significance. A life-long communist and once a close friend of Signor Togliatti, he created the party at Naples and refounded it after the war ; he served as undersecretary of state for foreign affairs in successive coalition governments after the war under Signore Bonomi, Parri and De Gasperi, and for two years was ambassador at Warsaw. Subsequently he was responsible for the organisation of commerce with the countries of Eastern Europe through a number of trading organisations which were closely linked with the Italian Communist party and which provided it with an important source of income. He has long been critical of the party's policy (since 1951 he has not sat on its central committee) but only now has he decided to come into the open. Knowing so many of the party's secrets he is a formidable opponent. Nor is he in the isolation which formerly surrounded such rebels as Signore Cucchi and Magnani in 1951. Not only has he recently been joined by a number of the party's leading intellectuals—including Signor Crisafulli who was its nominee to the Constitutional Court, and two noted contributors to *Unità*—he is also assured of support within the party from his many friends and former collaborators.

Hazardous Course

The problem evidently is whether to bring these dissidents out of the party with him or to stimulate internal opposition to Signor Togliatti's apparatus. For the moment it appears that he is seeking the second course. But it is a hazardous and uncertain undertaking. Part of the problem, as he recognises, is that there is no alternative candidate of the intellectual stature of the present party secretary: and it may well be that the new generation of die-hard Stalinists such as Signor Mario Alicata will cheerfully face any number of expulsions and defections rather than jettison their mentor and protector. The present signs, at all events, point to a considerable fall in the membership of the party: in Turin, for example, only some 36-37 per cent have so far renewed their subscriptions out of the 38,000 who were supposed to be members last December.

If things continue in this way it may well be, as Signor Reale asserts, that the party will eventually become merely the home of the unemployed and the landless agrarian labourers, the vehicle of the extreme, impoverished and

revolutionary sections of society. For the many thousands thus cast loose from their political moorings a united socialist party would evidently offer the nearest and surest haven. This has yet to come into existence, but this new reason for its creation will surely influence the debate at the congresses of the two socialist parties which are shortly to take place.

The Arab Refugees

THE problem of the Arab refugees is again casting its dismal shadow before the United Nations. The annual report of Mr Labouisse, the director of the United Nations Relief and Works Agency, is waiting discussion, and once more the General Assembly will be forced to recognise how unsatisfactorily an emergency palliative has been stretched over the years, and how any more imaginative approach towards resettlement of the 900,000 refugees is stymied by political and economic obstruction. The report covers the year ending the month before the Suez canal was nationalised; since then a new crop of difficulties has shot up. National antipathies have been intensified; there are fresh obstacles to an Arab-Israeli settlement; the Israeli seizure of the Gaza strip, where two-thirds of the population are refugees, has imposed extra strain and expense on UNRWA. Yet the coin has another side, for it is just possible that the urgent need to find an answer to the Gaza problem may act as a catalyst for the whole refugee stalemate.

The report is a sad document admitting failure in the long-term, and unsatisfactory performance of the immediate, tasks. The greater part of the blame for the refugees' plight lies with those Middle Eastern countries who play politics with human suffering by blocking any solution commensurate with the problem. As a by-product of this intransigence many of the refugees, sullen and looking ever backwards, accept a meagre dole and, except for the elite, show small interest in schemes for self-support; while the United States and Britain and the very few other contributing nations ease their consciences by providing enough money to allow each refugee something like £10 a year.

Rations for the Dead

The Agency's short-term job of keeping the refugees on the right side of the subsistence line is thwarted by the attitude of the host governments, the apathy of the refugees, and, most of all, by lack of funds. Both in Syria and Egypt the agency has been restricted in the appointment and movement of its staff and bedevilled by hostile propaganda. But the prime example of non co-operation is provided by the refusal of the Jordan government to register refugee deaths. As the 500,000 refugees in Jordan (numbering one-third of the population) have the right to vote, their political pressure is strong, but in order to iron out a situation in which rations are being given to the dead, the Agency are not supplying relief to children born after 1951: a cruelly inequitable solution. Mr Labouisse has asked the Assembly for fresh instructions on this specific score, as well as for a wide re-definition of the Agency's functions. Are operational control and responsibility to remain in its hands or those of the host governments? Mr Labouisse implies that the situation as it is at present in many areas has become intolerable.

Even if the host countries were to become more accommodating, UNRWA still needs more money from members of the United Nations. Its present budget is inadequate to supply even the bare minimum of food and shelter to all the displaced persons who need it. Over and above this, the Agency is well aware that it should be supplying supplementary food to children (at present only 5 per cent of the refugees get cooked meals), new shelters for refugees in Gaza and for the Bedouins in Jordan, and a higher level of education. There is also the distressing situation of claimants for relief who come outside the Agency's mandate. At its last session, the General Assembly appealed to private organisations to help these people, who include many villagers on the Jordan frontier whose land was annexed by Israel, but Mr Labouisse reports that it has been found impossible to do anything for them.

The Agency's eventual task of making the refugees self-supporting waits upon a political settlement between the Arabs and Israel. Until this happens, the Arabs will continue to make propaganda out of the refugees' plight and the Israelis will continue to use them as bargaining counters. Each side accuses the other of inhumanity: neither will give an inch. The refugees themselves are hostile to plans for resettlement since this would end their hopes for a return to Palestine. But their *animus revertendi* is one of time rather than place: they want to return not to Israel but to Palestine as it was before 1948.

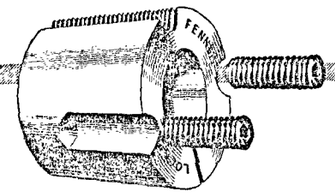
Bitter Hatred for Israel

The agency has a particularly hopeless assignment in trying to make the refugees self-supporting in Jordan, where opportunities for work hardly exist. In this connection, Mr Labouisse has asked for an ambitious extension of his mandate to cover the provision of loans or grants for general economic development which would only indirectly help the refugees. But although this plan is imaginative, it will remain academic unless financial contributions become less mean and dilatory.

The Israeli occupation of the Gaza strip, where less than a quarter of the population is able to support itself, has highlighted the problem. By introducing their currency and stamps and by starting some small-scale development schemes the Israelis show signs of wanting their occupation to be more than temporary. But the refugees' bitter hatred for the Israelis has been fanned both by the original bombardment of Gaza and by subsequent violent incidents, magnified in the telling. Apart from all other considerations, the Israelis would find the administration of 200,000 hostile refugees a heavy liability.

So far there has been no Israeli move to offer even a sample of Gaza refugees the choice of repatriation or compensation. Repatriation is a false trail: it is believed that a very small proportion of the refugees would agree to return to Israel as it is now. The United States and Britain have jointly promised to lend the money for compensation. But until the Arabs accept the existence of Israel, the refugees will continue to live in the past, the Arabs will balk at resettling them and the Israelis will regard the refugees as a trump card in the political battle.

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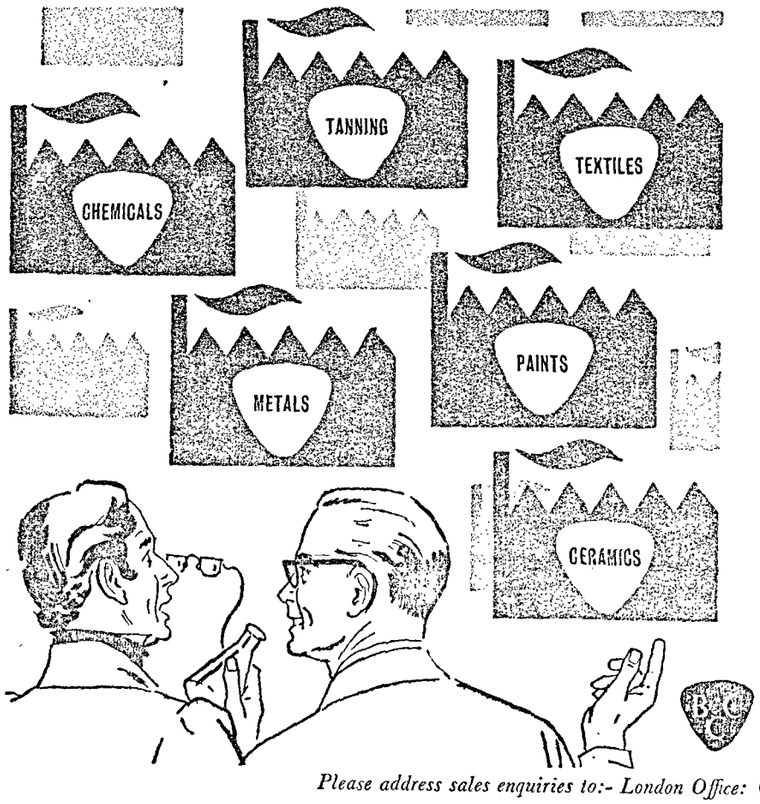
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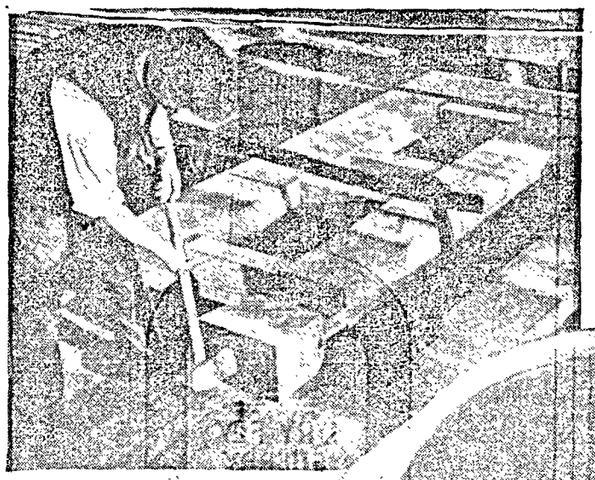
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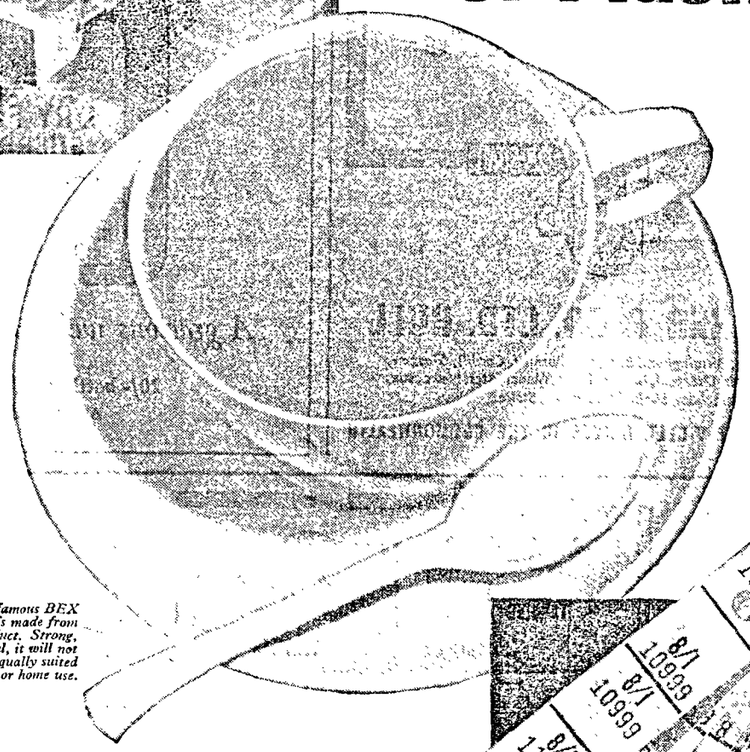
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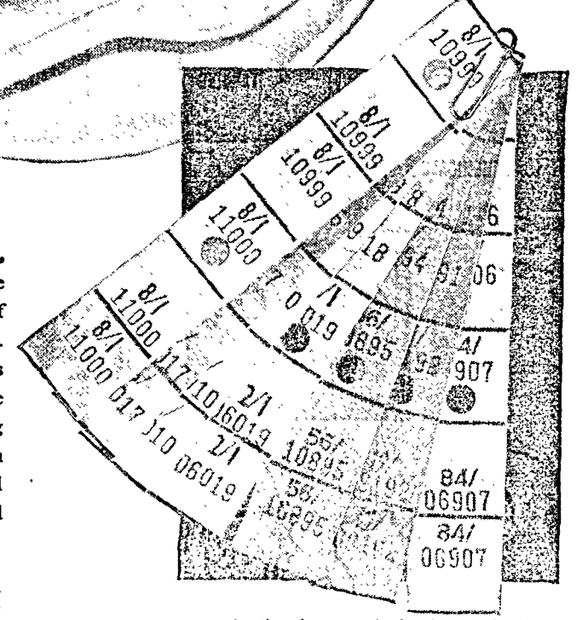


British Waterways workman assembling a lock gate at Tipton, Staffs. The gate is the first of its kind to rely on resin adhesives instead of eighty cold-driven rivets, and Beetle Adhesive—a B.I.P. product—is the chosen bonding material.

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THE BUSINESS WORLD

Sterling on the Mend

THE past week has seen welcome signs of strength in sterling on the world's foreign exchange markets. The rate against the US dollar has risen to \$2.79⅜ for the first time since the end of July, when the nationalisation of the Suez Canal caused a sudden intensification in the flight from sterling. Transferable sterling which was under \$2.75 at the beginning of the month and had been as low as \$2.73½ at the depth of the November depression, has risen modestly to \$2.75½—a significant move when it is realised that official support of transferable sterling cost substantial sums in dollars during November and December. The other variety of sterling—security sterling—has changed little this week, but the rate of \$2.60 shows a remarkable improvement on the figure of \$2.47½ that was touched in mid-November when the premium on dollar securities quoted in the London market hit its recent maximum of 13 per cent over the official rate.

More striking than these movements in the spot rates has been the improvement of sterling for forward delivery, which is usually more sensitive to speculative sentiment. The discount on sterling three months' forward against the dollar touched 3⅜ cents, little more than a month ago, equal to an annual rate of interest of just on 5 per cent, and was still 2½ cents at the beginning of this month; now it has come down to 1½ cents. This last figure is equivalent to a rate of interest of 2.4 per cent per annum, a figure which does little more than bridge the gap between the Treasury bill rates in New York and London. Equilibrium in forward exchange markets is reached when the premium or discount compensates the differential in short-term interest rates between the two financial centres concerned. Then there is no inducement to move short-term money from one centre to another because the gain in interest is exactly cancelled by the cost of covering the exchange risk.

In the market for sterling in terms of the most important currencies that balance has almost been restored—which suggests that, for the time being, the barometer of speculative sentiment in sterling is around normal. This is confirmed by the evidence of the spot market in sterling which, during the last few days, has given clear signs of covering purchases by bears. As speculative forward sales of sterling mature, they are not being renewed, but are being closed by spot purchases; this accounts both for the narrowing of the discount on forward sterling and for the rise in the spot rate. But while there has been evidence of bear covering, there is no indication yet of any substantial rebuilding of working balances in sterling, the depletion of which played so important a part in the drain on the reserves in the second half of 1956.

The starting point in the recovery of sterling was the massive fortification of the reserves announced on December 11th, by the drawing of \$561 million from the International Monetary Fund, the securing of the balance of the United Kingdom quota of \$1,300 million as a standby credit, and the pledging of the dollar securities owned by the Government as collateral for a \$500 million line of credit with the Export-Import Bank. These operations stopped the flight from the pound, but they did not produce any substantial reverse flow or covering of speculative positions in sterling until this week.

This belated response is surprising, in view of the end-year gold and dollar reserve figures. The fact that these showed an appreciable increase in the reserve (though one that was much less than the inflow of borrowed dollars from the IMF) seems to have brought home to speculators the reality of the recent reinforcement of the reserve and the strength of the forces against which they were pitting their own operations.

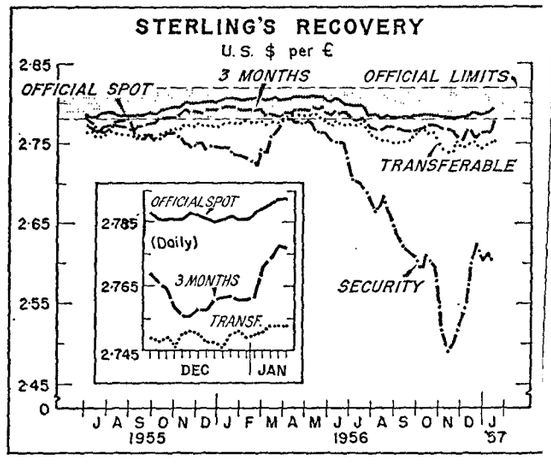
These speculative operations reflect a nervousness about sterling that has persisted since the summer of

1955. It dates from the well-publicised secret debate on the widening of the range for fluctuations of exchange rates of currencies adhering to the European Payments Union. That discussion, held within the ministerial council of OEEC and the management board of EPU in Paris, was the starting point from which expectations of some depreciation in the value of sterling and a concurrent appreciation in that of the deutschemark, grew. The subsequent denials of the then Chancellor of the Exchequer, Mr Butler, at the Istanbul meeting of the IMF, had a temporarily reassuring effect. But with evidence of strain in the UK balance of payments and, later, with the advent of the Suez crisis, memories harked back to the theme of exchange flexibility.

The operations mainly responsible for the weakness of sterling and the depletion of the reserve in 1956 fall mainly under the highly elastic heading, "speculative." If the pressure on sterling has owed anything to current commercial transactions this would be attributable more to the outer sterling area than to the United Kingdom. The explanation that springs to mind is the running down of India's sterling balances which, when the full tale of the sterling area's balance of payments for 1956 is told, will probably be shown to have involved substantial claims on the gold and dollar reserve. This influence on sterling should by now have spent most of its force because India's sterling balances have fallen close to their present statutory and working minimum.

If, however, there is to be an appreciable recovery in the reserve it must come from a reversal of the speculative influences to which sterling has recently been subjected. These speculative operations range from the familiar hastening of commercial foreign exchange purchases by sterling area importers, and the corresponding retarding of sterling purchases by importers in non-sterling countries, to the outright sale of forward sterling by foreign speculators. Between these extremes there lies a wide range of transactions that are prompted by any serious weakening of confidence in sterling. For example, subsidiaries of foreign firms operating in sterling countries tend to remit profits which, in more normal circumstances, would be retained in the country of operation. When sterling is under suspicion, foreign firms which have to maintain substantial sterling assets for their business take the trouble and incur the expense of covering these by forward sales of sterling. Most important of all in its recent effect on sterling and the reserves is the tendency to run down working balances in sterling when fear of devaluation or depreciation is in the air. During the past six months working balances of most European countries have been drawn down to the irreducible minimum. There has also been some reduction in certain, though by no means all, Middle Eastern balances.

One deterrent to these speculative operations is their cost. Nothing is easier for the non-resident operator than to sell sterling three months forward. The immediate cost, even at the depth of the recer despondency in the market for sterling, was abou 5 per cent per annum. That represents the differenc between the spot and the forward rate calculated as a annual rate of interest. This, however, does not exhau the risk involved. When towards the end of la November the speculator sold sterling forward for thre months he did so on the basis of a spot rate of $2.78 and paid a discount of 3½ cents for the facility delivering his sterling three months hence. The co of the swap was about 5 per cent, based on the spo and forward rates which then prevailed. Since the however, the spot rate has been moving up and it ma well be that it will have moved up further by th time the contract matures and the speculator has to g into the spot market and buy the sterling which he ha undertaken to deliver. If, by the time he has to delive the spot rate has moved to the other extreme of i permissible fluctuations, namely, to $2.82, and he ha to buy at that rate, the swap would have cost him, n 3½ cents, but 7¼ cents, representing a loss of intere at the rate of over 10 per cent per annum.



The main deterrent to speculation and the mai encouragement to an immediate covering of bea accounts is the unnerving sight day-by-day of a gradu improvement in the spot rate. This, at a time whe sterling is moving into its normal period of season strength, is inducing many bear speculators to cove and cut their loss. The speculators have been covering but so far there has been no new real investment i sterling. Before working balances are restored an foreign investment in sterling securities is reactivate clearer evidence will have to be available that some the underlying reasons for loss of confidence in sterlin have been removed—in particular, that economic states manship in Britain can still produce a lithe and tau economy, instead of one in which cost increases wer to be had for the asking. Foreign opinion on sterlin will not be basically reassured until there is evidenc that the new government can tackle the reduction expenditure and cut taxation.

Business Notes

Mr Macmillan's Boost

Any observer can see from the Stock Exchange closing prices of Thursday that the choice of Mr Macmillan as Prime Minister was welcomed in the City. Gilt edged securities had a good rise; industrials with a mixed bag of net changes showed little change on the day, the *Financial Times* industrial index falling from 180.5 on Wednesday to 180.1 on Thursday. Oil shares recovered and gold shares held steady. The premium on dollar stocks in London which was 7¾ per cent (over $2.80 to the £) on Wednesday touched 8 per cent on Thursday but soon dropped back again to 7½ per cent. Sterling rallied fractionally and the three months discount narrowed. Several commodity prices also rose.

The day's trading opened with jobbers widening their prices to protect themselves and it is fair, if harsh, comment that through the morning each time the name of Butler was mentioned the market eased and with each mention of Macmillan it recovered. Mr Macmillan it was and the market closed buoyant, though without a great volume of business. The outcome was particularly fortunate for ICI, which on Thursday went to allotment for its £40 million 5½ per cent convertible loan stock, not only without any withdrawals but with the reasonable hope that dealings would start at a premium of around 3½. Applications for up to £200 stock have been allotted in full and the larger applicants get an eighth of the amounts applied for. Subject to appropriate minimum allotments.

One item of new discipline in the gilt edged market should go on record. It will no longer be permissible to interpolate small placings of local authority stock out of turn in the queue of gilt edged issues. These placings with their special appeal to the trustee savings banks have met with some popularity until the movement grew in scope. Now it is intended that—apart from two placings already partly arranged that will take their place along with two public issues during the next two weeks—all these placings will take their turn. The ruling may have the odd effect that after these two there will no further placings for local authorities until about 20 public issues have been worked off.

Fuel Oil Prospects

It is up to Texas, as the executive committee of the OEEC pointed out in a plea to the American government this week, whether Europe will be able to maintain its oil rations, especially of fuel oil, at the existing level. The attitude of the Texas Railroad Commission, which controls output in Texas, is discussed in an article on page 113. Exports from the Gulf of Mexico in January are now almost certain to fall below the planned level. And there is still an appalling waste of tanker tonnage in the 100,000 barrels a day of Middle East oil (some of it even taken from the Mediterranean terminal of Tapline) that is still being delivered to the eastern seaboard of the United States because refineries there cannot get enough extra crude from the Gulf of Mexico.

The most urgent need in Europe is for fuel oil, which was short on both sides of the Atlantic before the Suez canal was blocked. European refiners are making as much fuel oil as they can from their crude throughput, but there is practically no fuel oil available for import as such, and this is the season of peak fuel oil consumption in the United States. Although Europe as a whole may still be importing a bare 75 per cent of its normal supplies of petroleum, it is now getting less than 75 per cent of its fuel oil. In Britain, after allowing for the one-third reduction in supplies for central heating, and for the conversion of some power stations from fuel oil to coal, the actual level of fuel oil deliveries is now about 80 per cent of normal. Even this has been achieved only by running down fuel oil stocks in Britain, although these are not yet at a dangerously low level. When the Texas Railroad Commission next meets it is almost certain to sanction an increase in crude oil output for February, although less likely to alter its decision not to raise output in January. The key question therefore for the British and other European governments is whether the anticipated increase in Texas output in February is sufficiently certain, and the time lag in transporting and refining the increased supplies sufficiently short, to warrant further inroads now into their stocks of fuel oil in order to maintain the existing level of deliveries. Whether these deliveries are maintained or not, the increase in the price of Texas crude oil last week, and the renewed rise in the prices of heavy Venezuelan crudes and Bunker "C" heavy fuel oil, make it virtually certain that British consumers will soon be asked again to pay more for their fuel oil.

The government is certainly right to refuse to waste scarce tankers in carrying cut price petrol from America, when the urgent need is for fuel oil or for crude from which fuel oil can be refined. Although the opposition to an increase in crude oil production in Texas would be lessened by evidence of heavy exports from the embarrassingly high American stocks of petrol, the cost in terms of fuel oil forgone of earning the goodwill of independent refiners in the United States would be far more than this country could possibly contemplate.

European Co-operation on Oil

One of the most encouraging aspects of the European fuel shortage has been the extent of the co-operation achieved between the various European governments in

dealing with it. When the OEEC oil committee meets next week it is expected to give its approval to a comprehensive allocation scheme which will attempt to equalise the burden of the shortage between the separate European countries. Up to now, partly because the economies of some European countries are based more on imported oil than others, and partly because the oil companies serving some countries have been more successful in securing emergency supplies than have the companies serving others, there have been major variations in the severity of the oil shortage in individual countries.

It is now proposed that each country should receive, for each main group of products, a "European basic ration" at a fixed proportion of the total supplies it would have received, under normal conditions, in the first quarter of 1957. These supplies include indigenous production, which means that a country such as Germany, which has considerable oil production of its own, is being asked to make a correspondingly greater reduction in its imports. On top of the "European basic" there will be a supplementary allowance dispensed at the discretion of the OEEC oil committee—acting as a sort of European petroleum board—from a special central reserve pool to those countries such as Sweden, Denmark and Italy, whose economies are most dependent on oil. The size of the European "kitty"—how much "basic" and how much "supplementary"—and its composition in terms of products, has yet to be agreed.

The political difficulties of the scheme are enormous; but if the OEEC oil committee can overcome them it will have provided the best instance yet of really workable European co-operation, and even of integration.

United Steel Seeks £9 Million

UNITED STEEL COMPANIES was the first steel undertaking to be denationalised and it is the first to come to the public for more money. The company (whose results are examined on page 146) is seeking to raise about £9 million by a rights issue of six million ordinary £1 shares at 30s. per share. The rights are in the ratio of three new for every seven shares held. This will provide a substantial instalment towards the £20 million needed over the next few years for three major schemes of development—the strip mill at Steel Peach and Tozer, the electric melting shop at Samuel Fox and improvements at the Appleby-Frodingham plate works.

That is a satisfactory contribution, but it may be wondered why the company is proceeding by way of an ordinary share issue when investors are leaning towards fixed interest stocks. Possibly it was because it has recently called up the remaining £5½ million on its 4¾ per cent debenture 1968-78 provided by the holding and realisation agency. Possibly the board feels that with £19 million of prior charges already outstanding half equity and half prior charges is preferable to three equity to five prior charges—quite apart from the complication that the prior charge capital is still held by the agency and the ordinary capital by the public. Secondly shareholders may wonder why the rights have been pitched so low. With the ordinary shares at 32s. 4½d. they were worth on paper merely 8½d. per share and the new shares opened in the market on Thursday at around 3d. per share, but quickly rose to 10½d. (nil paid). Messrs Morgan Grenfell and Co. have underwritten the issue at 9d per share, with sub-underwriting at 6d. A wide response is evidently expected from the company's 60,000 shareholders to whom the appeal must be a well covered 8½ per cent yield (the highest in the steel share list), for the rights are not specially attractive and there is no promise of an increased dividend. But the board does indicate that they believe production will expand and, if it does not, that profits arising from recent capital expenditure should tend to counteract any slackening in demand. That, together with the recent increase in steel prices, will encourage shareholders to think that the present 12½ per cent dividend is secure.

Rumbling Steelmasters

WAS it an accident that on the same day last week the British Iron and Steel Federation published forecasts that British steel output might be expanded between now and 1962 by about 7½ million ingot tons and Sir Ellis Hunter included in his annual statement to shareholders of Dorman Long remarks about "facile expectations of large steel output increases year by year comparable with those achieved over the past decades"? This week the chairman of South Durham, Mr B. Chetwynd Taylor, had some comments to make about the federation that were more directly slighting, though also more opaque in meaning. He began by advocating

> a wider approach to the subject of fixation of steel prices . . . on lines similar to the formula operated in the United States over a long period of years . . . (including) reasonable margins to take care of demands outside the direct control of the industry.

Later he complained of the restrictions upon steel exports imposed on the industry, and went on to question whether the British Iron and Steel Federation, "since approximately 75 per cent of ingot production has been restored to private ownership," should continue to act as a medium for discussions between the Government and the steel industry. His alternative would be "more direct forms of contact between the Board of Trade, the Iron and Steel Board, and the industry."

It is hard to appreciate the inwardness of all this. The "formula of steel pricing operated in the United States" presumably refers to the pricing policy of the United States Steel Corporation, which may exercise price leadership, but certainly would not admit to "price fixation." The restrictions upon the total volume of steel exports accepted by the industry are at least partly offset by the fact that extra profits on selling steel at export premiums—those very regular windfalls—are left out of account in settling the level of steel prices inside Britain. Certainly, with the interposition of the Iron and Steel Board between the federation and the Government, the industry's contacts have become less direct; but this was part of the package deal of denationalisation. The public airing of complaints about the federation, however, may be more significant than the content of particular complaints. Much of the power of this trade association and several of its main postwar functions have certainly been taken over by the state-appointed board; and recently it has displayed a certain malaise, partly

Ebb Tide in Profits

NO oracular powers were required twelve months ago to say that the rate of increase in company profits was slowing down and would slow down still more as the months of 1956 passed by. It was one factor that lay behind the decline in industrial shares prices at that time. Intelligent investment is always anticipatory and investors could see that increases in wages and other prime costs would eat into margins and that many industries would be able to maintain total profits only by producing and selling more. And for some industries, notably the motor and hire-purchase trades, the credit squeeze made it certain that sales would decline.

The facts, based on the results of the 459 companies that published their accounts in the last quarter of 1956, confirm these forecasts. Most of these accounts relate to financial years that ended between June 30th and September 30th last year. The trading profits of the 459 companies rose by £6½ million to £281 million. But this increase of 2½ per cent is smaller than that of 4 per cent in the third quarter, of 11½ per cent in the second and of 12½ per cent in the first. Profits are on the ebb. The capital employed by these 459 companies (at net book values) went up from £891 million to £982 million, so that earnings per £ of invested capital were lower.

Yet it has to be recognised that an increase of 2½ per cent in profits is not an unsatisfactory result for a quarter in which the motor manufacturers' results loom large. It was achieved in spite of a decline of 17½ per cent (from £80.8 million to £66.7 million) in the trading profits of motor, cycle and aircraft companies. That fall was substantially offset by the advance in profits scored by the capital goods industries. Profits earned by building companies rose by 16 per cent, profits of engineering companies by 9 per cent, and profits of the "iron and steel" group (which in this particular sample represented steel-using and heavy engineering firms and not steelmakers) by 27½ per cent. A big increase—of 30 per cent—is reported by companies in the food, confectionery and allied trades. Breweries, another group with a big weight in the sample, achieved an increase of 6½ per cent.

The increase in earnings was based on bigger outputs and bigger sales. And that in turn was based on more real capital investment in the industries concerned. Yet those companies with a mind to expansion (and many of them were of that mind) did not find the going easy. The 459 companies did not plough back as much as in the previous year and equity earnings fell from £108½ million to £101 million. Why, then, did ordinary dividends increase from £31.2 million to £33 million? The answer is that this is an apparent increase only. Dividends are shown net after tax; grossed up and related either to issued capital or to employed capital the return was smaller. Gross returns of 15½ per cent on issued capital and 5.8 per cent on employed capital compare with returns of 16½ per cent and 6.1 per cent in the previous year. Prudence took its seat at the board-room table.

Prudence and financial conservatism were not guests that the directors and managers dare ignore. Within these 459 concerns, money to finance an increase of £137 million in fixed assets (at gross values), of £83½ million in stocks and of £34½ million in debtors had to be found. Borrowed money was dear and hard to get. But bank overdrafts rose by £10½ million to £83.7 million and liquid assets were run down from £280½ million to £248½ million. In spite of the net reinforcement of £103 million to depreciation and other reserves and of an increase in the companies' own debts to their suppliers, appeals had to be made to the capital market. Debenture capital went up by £15½ million, preference capital by £1½ million and ordinary capital (excluding free scrip issues) by £15½ million.

That there will be more capital to service at high rates is one reason why investors do not see equity payments going up this year. But that is not the main reason. In almost every industry investors expect the squeeze on profit margins to become increasingly apparent in published accounts. They are prepared to see a fall in industrial profits as a whole even though some companies continue to make good money. This decline may not occur in the current quarter, which will be dominated by the steelmakers; their accounts show an advance in profits from higher production and the use of new equipment. But, it is argued in Throgmorton Street, the decline in profits (and in a few instances in dividends) has been anticipated and discounted and the shrewd investor is planning his purchases for the day when profits will turn upwards—the day when the benefits of current capital investment will be realised. That seems sensible if he is prepared to wait.

COMPANY RESULTS PUBLISHED OCTOBER TO DECEMBER, 1956

(£'000)

Capital, Liabilities and Reserves	459 Companies		Assets	459 Companies		Profit and Loss Account:	459 Companies	
	Previous Year	Latest Year		Previous Year	Latest Year		Previous Year	Latest Year
Capital (Parent Companies):—			**Fixed Assets:—**					
Debenture	102,157	117,549	Land, property and plant	816,622	1,053,935	Gross trading profit	274,456	260,899
Preference	149,993	151,405	Less depreciation	295,247	345,293	Income from investments	6,087	7,710
Ordinary	331,327	369,419				Other current income	607	445
						Non-recurring credits	13,469	8,372
	583,477	638,373		621,375	708,642	**Total Income**	294,619	297,426
Reserves and Surplus:—								
Capital reserves	163,644	171,952				Depreciation	45,462	51,258
Revenue reserves and carry forward	395,896	440,314	**Trade Investments**	35,848	34,475	Income tax	97,484	96,302
						Profits tax	17,573	21,189
Total Capital Reserves and Surplus	1,143,017	1,250,639	**Intangible Assets**	41,463	42,830	Directors' emoluments	9,409	9,643
						Administrative charges	2,033	2,166
Outside Interests in Subsidiaries	28,898	34,630				Contingencies and provisions, etc.	15,261	6,058
						Pensions	3,429	4,280
Current Liabilities and Provisions:—			**Current Assets:—**			Minority interests	1,733	1,842
Bank overdraft and loans	79,299	83,721	Stocks	486,107	569,627	Loan interest	4,185	4,716
Creditors	451,966	518,745	Debtors	383,959	388,741	Preference dividends	4,642	5,002
Other current liabilities		188,634	Gilt-edged securities	41,021	40,234	Profits retained by subsidiaries	30,644	25,748
Future taxation	100,088	98,570	Other marketable investments	24,723	27,364	Ordinary dividends	31,239	33,025
Other provisions	21,446	18,070	Cash	214,238	181,136	Reserves (parent company)	24,965	31,975
						Brought in (parent company)	48,549	54,939
	646,799	707,789		1,120,028	1,207,102	Carried forward (parent company)	54,939	69,963
	1,818,714	1,993,049		1,818,714	1,993,049	Year's Free Scrip Issues	—	22,611

through the loss of a significant number of key people and the consequent overburdening of those who remain. What changes some Steelmasters may have to propose—or whether they would like to do without a central spokesman altogether in "more direct contacts" with governments that may not always be Conservative—remain to be seen.

Bumper Bank Profits

THE season of banking results, although disappointing some wishful thinkers in the stock markets, has matched the pattern foreshadowed in these columns a fortnight ago: every one of the big banks has announced an increase in profits, but the only increased distribution has been that promised by Lloyds Bank last September in connection with its scheme for simplification of capital. Aggregate disclosed profits of the Big Five rose by £1,031,000 to the new peak of £12,243,000, or by 9.2 per cent, the largest increase for many years; the rise in 1955 amounted to 5.9 per cent (but a substantial part of that resulted simply from the effect of the reduction in the income-tax rate upon the net cost of the dividends). As will be seen from the accompanying table, the five banks show an unusual consistency: the highest increase is Barclays' 10.3 per cent and the lowest the National Provincial's 7.9 per cent.

BANK PROFITS AND DIVIDENDS, 1953–56

	1953	1954	1955	1956	Change in 1956
	£	£	£	£	%
Barclays	2,300,150	2,549,399	2,645,381	2,917,112	+10·3
	10	*12*	*12*	*12**	
Lloyds	2,083,781	2,186,072	2,322,439	2,541,793	+ 9·4
	11·2	*12*	*12*	*13†*	
Midland	2,127,202	2,397,597	2,654,110	2,888,443	+ 8·8
	16	*18*	*18*		
N. Prov.	1,765,768	1,827,044	1,882,139	2,030,483	+ 7·9
	17	*18*	*18*	*18*	
Westminster	1,474,736	1,623,197	1,708,316	1,865,050	+ 9·2
	14·4	*16*	*16*	*16*	
"Big Five" Total	9,751,637	10,583,309	11,212,385	12,242,831	+ 9·2
Martins	819,921	918,477	930,616	944,780	+ 1·5
	17½	*17½*	*17½*	*17½*	
District	559,744	588,863	636,784	663,060	+ 4·1
	20	*20*	*20*	*20*	
"Big Seven" Total	11,131,302	12,090,649	12,779,785	13,850,721	+ 8·4

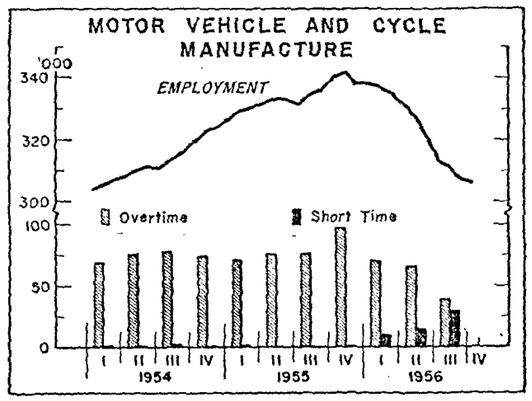
* "Special" dividend of 2% paid in 1954–55 now consolidated into basic dividend.

† Final payment of 7% on new single-class capital makes equivalent of 13% (against 12%) on former "A" capital and £5 8s. 4d. per cent (against 5%) on former "B" capital.

The two northern banks show notably smaller increases, perhaps because they, like the National Provincial, are apparently still adhering to the traditional practice of valuing securities at or below market prices, and may therefore be the more concerned to strengthen inner reserves before striking their declared profits. In any case, it is noteworthy that each of these three banks is again returning the whole of its retained (published) profits to such reserves: the National Provincial again puts £1 million and Martins and the District again put £300,000 each to contingencies account, and Martins also repeats its £200,000 allocation to premises fund. The only other bank to follow this policy in the disposal of published profits is the Midland, which this year raises its allocation to contingencies from £1 million to £1,150,000 and that to premises from £85,000 to £150,000. Barclays and the Westminster again put the whole of their disclosed surpluses to published reserves (Barclays' transfer is raised from £1 million to £1,250,000) while Lloyds divides its £1 million of allocations equally between the two kinds of reserves.

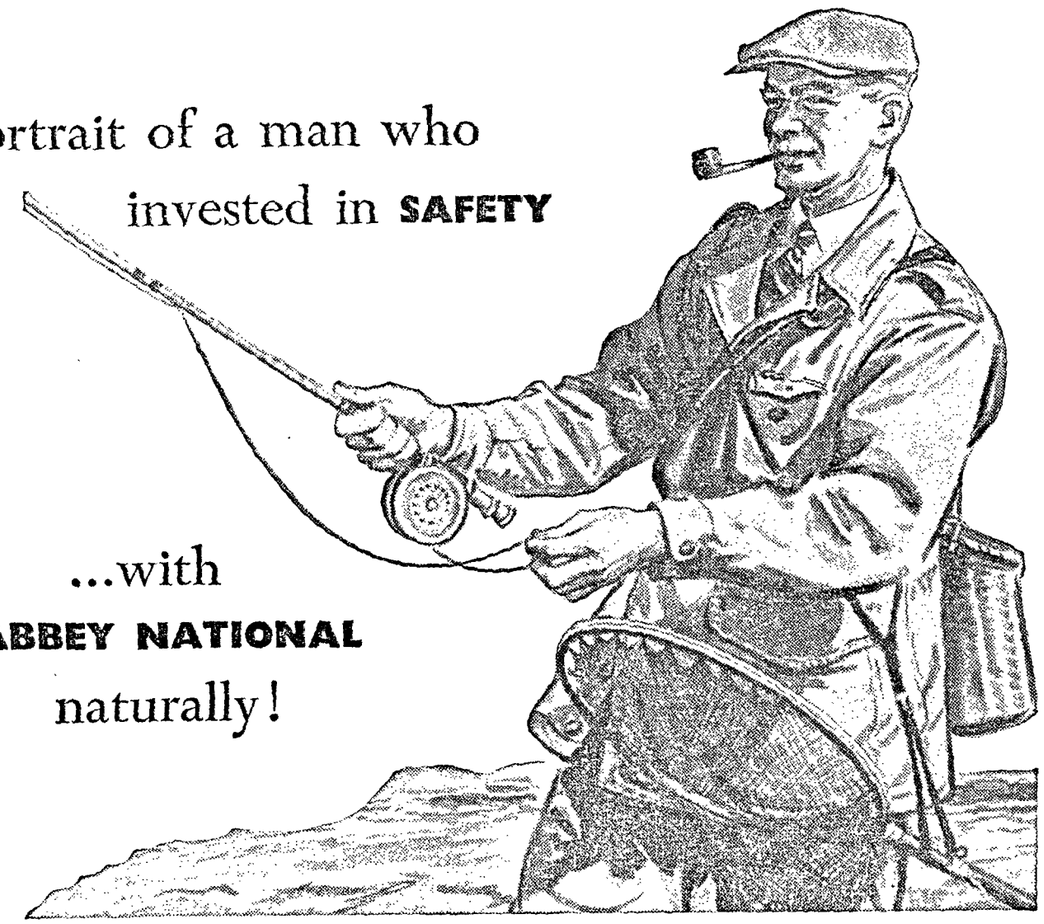
More Motor Dismissals

THE latest batch of dismissals in the motor industry may not be the last before petrol rationing ends. Current output at several plants is as much as 40 per cent below last January and drastic revisions have been made to future production schedules; but most managements have been hoping to keep their already much slimmer labour forces for the time being by putting more people on short time working. British Motor Corporation, Ford, Rootes, Standard and Vauxhall have all put some plants on a three-day week. But Ford has found already that there is a fairly early limit to the amount of short time working that is economically bearable. Early in December it switched most of its car plants to a four-day week. Some dismissals would also have been necessary at the Briggs car body plant but at the request of the unions it withheld redundancy notices and tried three-day working instead. It took only a few weeks for the company to change its mind and, despite some resistance from the shop stewards, it has given notice to 500 of the 16,000 workers there this week and expects to have to lay off another 2,500 before four-day working can be resumed. However this week three-day working spread to the car assembly plant at Dagenham, involving a third of the 7,000 employees. At Doncaster, where the Ford Popular is made, the unions chose dismissals rather than short time working, even though this meant that nearly a third of the total labour force would have to be laid off.



Like Ford, both Rootes and Vauxhall were able to keep free of the rest of the industry's troubles early last year. But since September Rootes has laid off 600 of its total

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strength of about 13,000 and most of the rest are now working three or four days in the week. Vauxhall is also working three or four days a week and has dismissed about 2,000 people since July. Both Standard and BMC shed about a tenth of their total labour force last summer, but they also have had to cut back again in the last month after enjoying a slight revival and a few more men have been laid off. Most of the Standard car assembly lines are working three days a week. Between 10 and 15 per cent of the workers at the Nuffield factories in the BMC group are now on short time: the MG and Riley plants are working four days in five and the commercial vehicle lines for only three days a week. Austin is still working a full week with a few departments on short time ; but output of the Austin A35, like the Morris Minor, is well up, and the full 5-day week is being worked with some overtime.

Buoyant Life Assurance

NEW ordinary life sums assured in 1956 by 68 offices totalled £1,168 million, compared with £1,056 million in 1955, according to an announcement by the life offices' associations: the rate of increase was thus about 11 per cent, compared with 14 per cent in 1955 and 16 per cent in the previous year. This is a record figure, and includes the ordinary branch business of the industrial-cum-ordinary offices. Two companies, the Prudential and Legal and General, are well ahead of the field both in the amount and buoyancy of their new business. The sharp fall in the new business of the Co-operative may have been due to restrictions on house purchase loans: all offices were inundated last year with applications for assistance to borrowers whom the building societies could not supply.

Overseas business has continued to forge ahead, despite the closing of the Indian market, where life assurance was nationalised at the beginning of 1956. At home, where the bulk of the business of the British offices is done, the 1955 records of £700 million new sums assured by individual policies and £245 million by group life policies must each have been broken. The preliminary returns suggest that the group side of the business was particularly active. It looks, too, as if more deferred annuities than ever were issued last year under staff pension schemes. Only the UK figures of the Commonwealth offices that operate in this country are included in the analysis.

It seems that such "Millard Tucker" type pension policies as have been taken out have been mainly with the industrial-cum-ordinary offices. But it still remains to be seen how popular the Chancellor's concession will turn out to be and how much such policies may cut into the bread-and-butter business of the offices. The Industrial Life Offices Association records new sums assured in the "home-service" branch so far announced of £309 million, compared with £296 million by the same offices in 1955 (when aggregate new industrial life sums assured were £302.7 million). Personal savings through the life offices are, however, measured not by the new business transacted but by the growth of the funds of the offices. The funds of the ordinary and industrial offices combined must have grown in 1956 by upwards of £300 million.

ORDINARY LIFE NET NEW BUSINESS
(New Sums Assured £ million)

Office	1954	1955	1956	Office	1954	1955	1956	Office	1954	1955	1956
Alliance	10·1	10·2	11·0*	Law Union & Rock	6·4	6·8	6·7	Phoenix	7·3	10·1	8·9
Atlas	7·0	7·4	9·5	Legal & General	101·2	115·0	136·0	Prov. Assoc. of London	10·9	12·2	13·0*
Avon	0·5	0·9	0·7	Licenses & General	1·1	1·5	1·3*	Prov. Mutual	6·9	7·8	9·6*
Beacon	7·0	8·7	13·1*	Life Assn. of Scotland	3·0	3·3	3·5	Prudential	142·9	154·1	176·0*
Britannic	7·3	7·6	8·4	Liverpool & Lond. & Globe	9·2	10·8	12·0	Refuge	15·0	16·4	17·5*
Caledonian	3·6	3·9	4·3	Liverpool Victoria	5·7	6·6	5·8	Reliance Mutual	0·8	1·2	1·3
Canada Life†	8·4	10·2	12·5	London & Manchester	4·2	4·8	5·4	Royal	17·3	19·5	21·5
Clerical, Medical & General	8·5	9·8	10·1*	London Assurance	7·4	8·9	10·4*	Royal Exchange	8·9	9·6	9·5
Colonial Mutual†	10·3	11·2	14·9*	London Life	4·0	4·8	4·4	Royal London	8·7	10·3	10·6
Commercial Union	20·3	22·7	22·0*	Manufacturers' Life†	10·5	11·9	13·6	Scottish Amicable	10·1	12·1	12·7*
Confederation Life†	4·3	5·3	5·5*	Marine & General	2·6	2·9	3·1	Scottish Equitable	4·7	5·9	5·6*
Co-operative	25·2	29·8	23·7	Mercantile & General	16·0	21·0	25·0*	Scottish Life	6·9	8·8	9·0*
Crusader	4·3	5·3	5·0‡	Midland Employers'	1·6	1·9	2·2	Scottish Mutual	3·7	4·5	5·0
Eagle Star	56·8	59·7	61·5*	National & Colonial	1·6	2·8	2·1*	Scottish Provident	9·5	9·7	11·1
English	...	2·6	6·0	National Farmers' Union	5·4	5·9	5·6	Scottish Union	6·3	6·4	7·8
Equitable	5·2	5·6	5·3	National Mutual	2·2	2·4	2·6	Scottish Widows'	16·8	20·2	26·0*
Equity & Law	11·5	12·3	10·5	National Provident	6·9	6·4	6·9*	Standard	39·6	46·3	54·5
Friends' Provident	22·0	23·1	29·8	N. British & Mercantile	11·4	13·8	14·4	Sun Life	44·4	55·7	56·1
General Life	7·2	8·4	9·3	Northern	23·5	26·9	29·0*	U.K. Provident	9·0	9·6	10·5
Gresham Life	12·5	12·0	12·5*	Norwich Union	61·7	68·3	70·0*	University Life	1·0	1·2	1·1
Guardian	10·6	15·1	17·3	Pearl	22·3	29·9	38·1	Wesleyan & General	4·5	5·1	4·4
								Yorkshire	20·3	22·6	24·0*

* Approximation. † U.K. business only. ‡ Gross

Britannia in Service

THE Britannia airliner goes at last into regular scheduled service with the British Overseas Airways Corporation on February 1st. In spite of the delays that have persistently pushed back the introduction of the Britannia it remains the only big turbo-prop airliner in the world ready for commercial use and is likely to remain so for several years. After a period during which it has struggled with an inadequate and out of date fleet against competition from better equipped rivals, BOAC may now have the satisfaction of seeing the Britannia capture passenger traffic on the South African and Australian routes as the smaller Viscount captured it for British European Airways. The last of the route proving trials were taking place this week.

The introduction of the Britannia less than a month after the opening of the North Atlantic services with the new Douglas Seven Seas does, however, have its problems for

the corporation. Fortunately, the Britannia is not a new aircraft in the sense that it has barely been broken into commercial routine. The mechanical snags that kept it out of commercial service have not prevented the aircraft from being extensively flown on a variety of operations ranging from trooping to the moving of Hungarian refugees. But there still remains the problem inseparable from introducing two new types of aircraft almost simultaneously. After nearly two years of operating with a depleted fleet, BOAC is confronted almost with a surfeit of new machines. All 15 of this first, smallest type of Britannia should be delivered by the end of March, and all ten Seven Seas by the end of the summer. A Britannia carries a crew of 10, four of them cabin staff, and training and recruiting of crews on this scale is not going to be easy, especially since with the Britannia BOAC is venturing for the first time into extensive use of two-class aircraft, 19 first-class seats to 48 tourist. The use of a new gas turbine aircraft for predominantly tourist services, with their spartan conception of leg room, is a sign of the change that has come over passenger traffic even during the few years that have elapsed since the introduction of the Comet which flew on these same routes, booked to capacity, exclusively as a first-class aircraft.

Courtaulds' Price Increase

THE surprise about the increase in rayon prices announced by Courtaulds on Monday is not that it should have occurred but that its incidence should be so restricted. Prices of viscose and acetate textile yarns which have remained unchanged since 1951 are being raised by about 10 per cent. Courtaulds' £1 shares rose 6d. to 35s. 6d. after the announcement. All the staple fibre (which represents in bulk well over half Courtaulds' output) and all the industrial yarns (which possibly account for nearly 30 per cent of the remainder) are excluded from the change. It is easy to see why the increase has been necessary. The company's interim statement of last October noted "a general rise in costs not compensated by any general increase in selling prices." Moreover the speeches by chairmen of three smaller viscose producers—Harbens, British Enka and Kirklees—all argued that prices were unreasonably low. It seems certain therefore that present increases will be generally followed.

Why then has the company decided to leave unchanged the prices of industrial yarns and of staple fibre? Industrial yarns go largely into tyres and the motor trade is already under severe economic pressure. Competition in that field has also increased. Harbens, for example, has switched its production towards strong viscose rayon for tyres. Courtaulds may have felt that the traffic would not easily bear an increase. It must be simply to keep viscose rayon staple as the cheapest textile raw material and to maintain a reputation for price stability that the price of viscose rayon staple has been held unchanged. It was last moved in July, 1953, when it was reduced from 27d. to 24d. per lb. It is clear that production has to be on a large scale to be profitable but equally it is clear that profits from such heavily capitalised production are not so much at the mercy of an increase in prime costs as other forms of textile production.

Alexanders' Dividend Maintained

ALEXANDERS DISCOUNT COMPANY, the third of the discount houses that make up their accounts at the end of the calendar year, has, like the National Discount, maintained its distribution at the lower rate paid for 1955. But this company had cut its payment more sharply than did any other discount house—from 12½ to 7½ per cent—and last summer it also reduced its interim from 3¾ to 2½ per cent. It now reports a net profit, after provision "towards" depreciation of securities, of £65,400, whereas last year it announced merely a "balance for the year" (of £67,400, before directors' fees) after drawing upon inner reserves. This change reflects the improvement in current trading conditions that the market has enjoyed during the past year; but the increase in the final dividend from 3¾ per cent to 5 per cent requires a substantial draft on the carry-forward. This is reduced by £45,000 to £167,000; the net cost of the 7½ per cent distribution is £103,500. Investments, again valued "at or under cost and below redemption values," show almost the same short-fall below market value as at end-1955—£2,612,218, compared with £2,613,663.

Management Merger

WHEN the British Institute of Management was formed in 1948 with immense *éclat*, and a blessing as well as a subsidy from Sir Stafford Cripps, it was linked with a number of small specialised management institutes already in the field. Among these was the Institute of Industrial Administration—the only body holding examinations in "general management," and on the results of which it awarded its associateship. The IIA became the "professional wing" of the BIM, which though it has both corporate and individual members, got most of its income from the former, which now number over 2,000. It was never a perfect arrangement, for the IIA was the pioneer body, and was taken over, rehoused (and its examinations remodelled) to give the BIM a clear run. Now the two are to be merged and the BIM becomes the professional organisation of Britain's general managers.

If change there had to be, this is perhaps the right time for it, when the BIM has been undergoing some reorganisation, and will in future have to get along without government subsidy. Though it still gets some conditional aid, it must in future mainly rely on its professional and corporate members for its income, which has risen to £90,000 in 1955-56. But the 3,330 members of the IIA and the 4,800 of the BIM include a mere fraction of the professional and practising managers of British industry and commerce. The BIM remains a minority body; the great bulk of British managers remain unconvinced that membership of a professional body can either serve their collective interests or raise the standards of their art. The BIM's achievements in education and research are not insignificant, but it has yet to impress the average British businessman with that fact.

The $67 Million Vanguard

THE signature last week by Trans Canada Air Lines of an order for 20 Vickers Vanguard airliners, valued at $67 million, marks a turning point in the Vanguard's fortunes. Vickers have invested approximately £8 million in the development of the Vanguard, which is a private venture unaided by any government funds. This aircraft is roughly twice as big and twice as expensive as the Viscount and flies twice as far: it is a measure of the changing values of air transport that such a 100-seat giant can still be classed as of "medium range." The market for this particular type of medium-range transport is, however, one that has attracted the attention of almost every major aircraft manufacturer. Where the Viscount is still the only aircraft of its type in the field ten years after its first flight, the Vanguard has had to contend with other turbo-prop transports like the small Britannia and the Lockheed Electra, and also the prospective competition of small versions of the big Transatlantic jets.

When the opinion of the major airlines swung decisively in favour of jet engines for long-range North Atlantic and intercontinental operations, operators also began to wonder whether jets were not also suitable for the 1,500-3,000 mile ranges. This, after all, had been the chosen field of the first Comets, and North American operators were in a mood to be strongly impressed by arguments that traffic would go to whichever airline offered the fastest service. The difference in cruising speed between jets and turbo-props does not save much time on short journeys, but over, say, 2,000 miles it is still big enough to make a noticeable difference to journey times. These doubts were enough to put into cold storage many promising negotiations for Vanguard sales. It has taken TCA two years to decide that the turbo-prop Vanguard was the best proposition for its medium range routes although, like all the other big operators, it intends to use jet airliners on the North Atlantic. This announcement may well be the start of a swing back in favour of turbo-props, and Vickers expect to have at least one more Vanguard order signed before the month is out. The company's dollar sales of Viscounts and Vanguards, which now stand at nearly $230 million, would then top $250 million, of which between a quarter and a third would represent Rolls-Royce's contribution as suppliers of the engines.

Marks and Spencer's Scrip Issue

DISTASTE is aroused by the non-voting ordinary share when, by a mere stroke of the pen, the holders of a controlling interest can sell half their investment without diminishing by a single vote the control they exercise over the fortunes and direction of a public company. That is what the family controlling Marks and Spencer could achieve, if it wished to do so, by the scrip issue of one new "A" non-voting ordinary share for every one ordinary and "A" ordinary share held, by the capitalisation of £9,046,983 from reserves. No doubt the directors of Marks and Spencer, who have made many free scrip issues in the past, wish simply to bring issued capital in line with employed capital, with the incidental advantage of making the share price less heavy. But it is to be regretted that the amount of voteless capital has at the same time to be so greatly increased.

Marks and Spencer is a company with a heavy weight of non-voting ordinary shares which has not ignored the claims of the voteless shareholder, and there is no reason to suppose that it will do so now. Its dividend policy has been liberal, and the news of another scrip issue has naturally set Throgmorton Street thinking about the size of the next final dividend, for which the new shares will rank. For 1955-56 the company paid 50 per cent. Since then the interim payment has been increased from 17½ to 20 per cent. The market is framing its estimates of the final payment on the increased capital at between 17½ and 20 per cent. If it is right, the 1956-57 full payment would be equivalent to between 27½ and 30 per cent on the increased capital, against an equivalent of 25 per cent a year ago. After the announcement of the capitalisation, the 5s. "A" shares went up by 4s. 7½d. to 7os.

Savings Package Sells

IN 1956 the national savings movement had its best year since 1948. Net receipts through the various channels reached £77¾ million (and £127½ million after crediting accrued interest); in 1955, by contrast, receipts fell short of withdrawals, by £4 million. Lord Mackintosh, the chairman of the national savings committee, recognises that the recovery is attributable to the inducements offered in the Budget. These covered all four of the traditional media—introducing new and higher-yielding issues of defence bonds and national savings certificates, exempting from income tax the first £15 of interest on deposits in the Post Office and Trustee savings banks, and raising the limit of deposits in the special investment departments of the trustee banks from £1,000 to £2,000. But the most distinctive feature of Mr Macmillan's savings package was, of course, the innovation of the prize bonds, which have been on sale since November.

Until the introduction of the new savings certificate in August, there was a continued deterioration in national savings—though this was attributable in part to encash-

Retail Business

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ments of the older issues in anticipation of the new one. In the last five months of the year the net inflow into all forms of national savings even after the Christmas withdrawals reached no less than £77 million. Since the beginning of the fiscal year on April 1st the net inflow has been £51½ million; in the corresponding period of 1955 there was a net outflow of nearly £62 million.

Last year's surplus happens to correspond almost exactly with the receipts from premium bonds. But there was also a big improvement in certificates (net receipt of £48 million against £12 million), in the Post Office savings bank (net withdrawals of £50 million, against £73 million) and in the Trustee banks (net receipt of £1½ million, against net withdrawal of £16 million). There was, however, a deterioration in defence bonds, net sales of which (excluding redemptions on maturity) fell from £15 million to £1 million. Part of the big increase in "national" savings in the second half of 1956 undoubtedly represented switching from other forms of saving; but in so far as the switch was from bank deposits—as a fair portion appears to have been—that was in line with the Chancellor's declared intention of helping to fund short-term debt.

Tea, Windows, and the Public

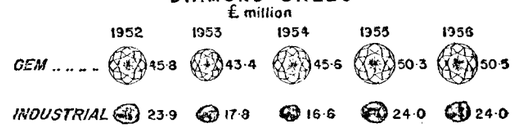
LAST week the Monopolies Commission had to admit that it could think of nothing useful to do to restore competition in an industry overwhelmingly dominated by a monopoly company that it considered was operating against the public interest. This week it had happier duties. Having investigated two other trades, in both of which elements of restriction exist, it was able to report that it had found practically nothing prejudicial to the public interest in the operations of either.

The Commission reported that since the members of the Metal Window Association supply about 90 per cent of the standard metal frames used in Britain, and one member alone, Crittall Manufacturing, supplies about 40 per cent, the conditions to which the Monopolies Act of 1948 applies do exist in this industry. The association operates a common pricing scheme, quantity rebates, individual price maintenance, and uniform delivered prices; but the only practice that the commission recommends should be ended is the association's arrangements for selective price reductions to counter outside competition. It also found that neither Crittall's share of the trade nor its part ownership of Darlington and Simpson Rolling Mills, the principal supplier of window sections, operate against the public interest.

The Commission secondly reported that "the tea trade in this country is conducted on keenly competitive lines," and that the sharp fluctuations in tea prices that have occurred since the decontrol of prices were not caused by "monopoly" conditions or restrictive practices in the tea trade. This inquiry, which followed from a reference of the trade to the Commission by Mr Peter Thorneycroft, as a most dubious sop to vociferous housewives, might perhaps have been rejected out of hand by the Commission a year ago: but the organisation of the London tea auctions, and the arrangements for regulating sales there, did formally bring the trade within "the conditions to which the Act applies," and required fuller study.

Diamonds Still Glitter

THE central selling organisations for diamonds—the Diamond Trading Company and Industrial Distributors (Sales)—have raised the price of both gem diamonds and industrial stones. All gem stones rise immediately by 5.7 per cent. Two of the four main grades of industrial diamonds—dresser stones which are used for grinding and tool stones used in cutting tools each rise by about 8½ per cent. A third main grade of industrial diamonds, crushing boart, also used for incorporating in

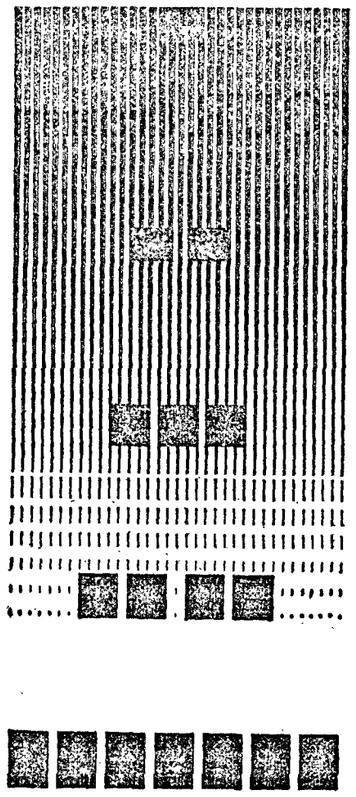


grinding tools, was raised by about 9 per cent (from 16s. 9d. per carat to 18s. 3d.) in November. One of the main grades, drilling stones, remains unaffected.

The background of this increase is a buoyant demand for both gem and industrial diamonds and a supply that has proved most difficult to increase. Big stocks held at the end of the war were quickly liquidated: they moved from the central selling organisations to the strategic stockpiles. Stockpile buying has continued since, but production has responded slowly. The record 1956 output, valued at £74.5 million, probably owes something to the expansion of capacity by Williamson Diamonds in Tanganyika. The large expansion of recovery capacity (principally for gem stones) by Consolidated Diamonds of South West Africa has done more to assure output some years forward than currently to increase it, and the prospect that Mr Jack Scott will prove and exploit diamonds in Swaziland remains only a prospect. So far the end of stockpile buying (which in recent years has caused Sir Ernest Oppenheimer to introduce a warning into his speeches to the De Beers shareholders) has not materialised. The central selling organisations, monopoly though they are, have nevertheless held the prices of rough stones below the economic maximum. Last year's record in sales probably owes a little to prices as well as to quantity, because gem stones were raised by 1½ per cent in January and crushing boart in November. In total, however, gem stones have only been raised since the war by about 11½ per cent, and industrial diamonds have suffered only the recent increases (plus for both classes, the equivalent of the devaluation of sterling against the dollar in 1949). At most periods since the war, including the present, demand for diamonds has tended to outrun supplies.

Keeping Scientists Informed

ABOUT a year ago the Department of Scientific and Industrial Research was given the responsibility of planning a national lending library for science and technology; last week it disclosed a first tentative outline of how it proposes to carry out this job. Most urgent among the needs that the new library is designed to fill is



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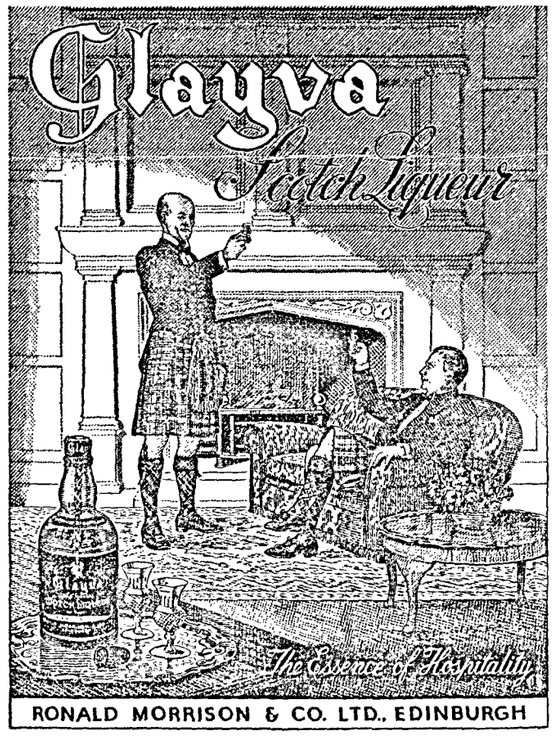


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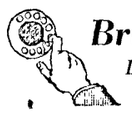
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Sound planning

With the current need for fuel economy, greater care than ever must be taken to ensure that there is no unavoidable wastage of transport resources, and B.R.S., in close collaboration with British Railways, will be exerting all their efforts to meet the national needs to the very best of their ability. To this end, the keen and experienced representatives of British Road Services are eager to discuss your transport problems with you, to advise on the best way of despatching your traffics and on the types of vehicles available for your special requirements, and to co-operate with you in improving methods and promoting all possible economies. Just telephone your local man. Action will follow immediately.



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for a more comprehensive store in Britain of foreign scientific periodicals which can be lent out to supplement the incomplete resources of other libraries. Only half of the current output of Russian periodicals, for example, ever reaches this country, even in single copies, and only a fraction of them is available for inter-library lending. The Science Museum Library, which has the most comprehensive collection of scientific literature in Britain, now has only 34 per cent of the contents of the World List of Scientific Periodicals. It contains only about 58 per cent of the scientific journals that are searched by the very efficient abstracting services in Russia (which abstract about six foreign scientific journals for every one published inside Russia). The new library, to be reasonably comprehensive, must therefore aim at acquiring double the present supplies of the Science Museum library, and expect to double in size every 16 years, if the experience of the big American libraries is a reliable guide.

The bulk of the routine work of the library—the cataloguing of books and periodicals and the maintenance of records of borrowings, for example—may be undertaken by electronic data-processing systems. If economically practicable, such computers would provide greater speed and flexibility, both in carrying out the routine operations and in answering special requests. Mechanical translators from the Russian, Chinese or other languages now under development, might also be employed. But it has not yet been decided how far the library, and its research department, could help in filling the urgent current need, not only for more Russian and other foreign scientific literature, but also for more comprehensive and accurate abstracting and translation services.

In other respects the planning is along traditional lines. The material will be both stored and lent in traditional paper form, and the books will be despatched and returned through the ordinary postal services. For this reason a central location, somewhere north of Birmingham, is preferred. Even if the plans are speedily approved and the money is forthcoming, it is likely to be at least four years before the new library could be opened. But any papers and volumes acquired before then can be put to good use in the lending department of the Science Museum library.

Japan and Sterling

DURING the Anglo-Japanese commercial talks that have been proceeding in London for some time, the Japanese representatives were informed that the British Government no longer wished to continue the arrangements that have hitherto governed payments between the sterling area and Japan. The intention of the British representatives was simply to inform the Japanese that the remaining vestiges of bilateralism in these arrangements should disappear and that payments should henceforth conform to the normal practice followed by all members of the transferable sterling account area. The only change of substance envisaged was the abrogation of the exchange of notes between the two governments that provided that there would be consultation between them if at any time the balance of payments between the yen and the sterling areas was to get seriously out of equilibrium.

The implication that payments between the two areas should be kept in approximately bilateral balance is out of keeping with the multilateral philosophy represented by the extension of the transferable sterling account area. It has earned some muted reproaches for Britain from the Organisation for European Economic Co-operation. It also offends against the International Monetary Fund code. And it was not achieving equilibrium in yen-sterling payments. The time had clearly come for its disappearance. The Japanese appear to have been surprised by this move and have been looking for ulterior motives, of which the British initiative is innocent. The withdrawal of this exchange of notes should have no effect either on the mechanism of payments or on the volume of trade between the two areas, which will now depend on commercial factors alone.

SHORTER NOTES

Regional Transport Commissioners will now make final assessments on applications for supplementary fuel for goods vehicles and—at the request of road hauliers—will issue coupons in equal monthly instalments. Of the 107,000 applications that have arrived since December 17th—less than half the number expected—25,000 have been refused, 45,500 have been given interim allocations, and only 18,500 have been finally assessed. The Ministry of Transport has also eased the C licence rules to allow traders to carry other firm's goods; as a result insurance companies have decided to extend existing policies to cover these other traffics.

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Sir Francis Hopwood, a managing director of the Shell Petroleum Company and a principal director of N.V. De Bataafsche Petroleum Maatschappij, the two parent operating companies of the Royal Dutch/Shell Group, is to retire from these offices on June 30th. Mr H. Wilkinson, CMG, president of Canadian Shell, has been appointed as from July 1st a managing director of Shell Petroleum Company and a principal director of N.V. Bataafsche Petroleum Maatschappij.

★

Woolwich Equitable Building Society, which closed its financial year on September 30th, has as usual shown its principal figures also as at December 31st. Total assets at the end of 1956 amounted to £128.0 million compared with £119.9 million at the end of 1955 and with £125.7 million on September 30th. Mortgage advances for the calendar year amounted to £17.3 million against £21.6 million in 1955 and £17.7 million for the year ended September 30, 1956.

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The International Bank for Reconstruction and Development has made an issue in the United States of $100 million of 4½ per cent twenty year bonds. Marketing of the bonds is being handled by a nationwide group of 161 investment firms and banks headed by Morgan Stanley & Co. and The First Boston Corporation. This marks the first issue of World Bank bonds in the United States for exactly three years, during which issues have been made in Britain, Switzerland and the Netherlands.

Results from the Steelmakers

One worthwhile relic of the nationalisation of the iron and steel industry is that the companies make up their accounts to a common date at the end of September. Their reports are now appearing thick and fast. The reports do not adopt a common accounting format, though in most of them net profits are shown after deducting appropriations to fixed assets replacement reserves; in the accompanying table the net profits figures have been adjusted to this basis, which is not exactly the same computation of the cost of replacing fixed assets as the Steel Board uses in fixing steel prices.

The surprise of the season is the United Steel offer of ordinary shares (discussed on page 134 of this issue), but the reports themselves tell a common story. Profit margins were squeezed as costs rose. Where total profits have fallen or have been barely maintained, the embargo on overtime working by the maintenance men has been largely to blame. Where profits have risen, the rate of expansion has been governed largely by the timing of the various development programmes. Dividend policies have been most cautious.

Development has gone on apace, but there is still much more to do. Working capital commitments are heavier. And the steelmakers are short of liquid resources. Some of them—but perhaps not immediately—may have to follow United Steel's approach to the capital market. The timing of such appeals turns in some degree upon the size of their uncalled loan facilities with ISHRA and with Finance Corporation for Industry. Ploughed-back profits will continue to be the mainstay of development. Hence, though production and profits should increase again this year, an ultra-conservative attitude towards dividends is likely to prevail. That prospect has already led to rumblings of dissent in Throgmorton Street. There it is argued that slightly bigger dividends cannot seriously jeopardise the financing of development, that investors are entitled to some share in the returns accruing from the developments already completed and that bigger payments would improve the status of the companies in any further capital issues.

Stewarts and Lloyds had already issued an informative preliminary statement, discussed in these columns on December 15th. Its full report, attractive though it is, lacks a chairman's statement, though it adds a few more facts. Of these the most important is a gross trading account. While sales rose from £98 million to £114 million the cost of bought-in materials went up from £39 million to £46 million and wages from £25 million to £28½ million. Thus an increase of £16 million in sales produced an increase of about £3 million in gross profits. This was achieved without any startling increase in fixed assets (which rose in net values from £44.3 million to £47.5 million), but stocks rose from £25.7 million to £31.2 million. But the two figures which may hypnotise investors are capital development plans of £27 million and net cash resources of less than £350,000. Preference capital of £10 million and loan stock capital of another £10 million have already been paid up.

United Steel spent over £11 million on capital account in the year to September 30th. Since then it has called up the balance of £5½ million on the debenture stock owned by ISHRA. But it plans to spend another £20 million on development, of which just under £9 million will come from the new issue of ordinary shares. The developments already completed should, Sir Walter Benton Jones tells shareholders, ensure an increase in profits this year. With developments uncompleted, United Steel achieved only a small increase in production last year and though the value of its sales rose by £10 million to £100½ million, gross profits, thanks to the rise in costs and the ban on overtime working, fell slightly—from £12.8 million to £12 million. At the end of the financial year, which witnessed a rise in stocks from £18 million to nearly £23 million, the group had just under £2 million in liquid assets, though it had ploughed back about £8 million into the business.

Thomas Firth and John Brown, a much smaller company which is as much a steel fabricator as a steelmaker, has been a shade more liberal on dividends than the bigger companies, as it could afford to be. Its capital expenditure of under £1 million looks minute beside their programmes, and so does its development plan of about £3½ million. Moreover, at the end of the financial year, it had over £4 million in liquid assets. Thus, following an increase in gross profits from £2,835,521 to £3,227,720, the directors were able to raise the ordinary dividend from 9 to 10 per cent.

South Durham Steel and Iron, too, achieved an increase in production and in gross profits. They rose from £2,754,717 to £3,222,817. But the ordinary dividend is 8 per cent, as forecast in the offer of sale of its shares. During the year the group spent about £4 million on capital account, leaving commitments outstanding at £9½ million. One sentence in the chairman's report which should be welcome to shareholders is Mr B. Chetwynd Talbot's comment that the "directors are only too conscious of their responsibilities to endeavour to maintain the values of the equity capital at a high level and, when the international position becomes clearer, to consider the desirability of raising the rate of distribution."

Lancashire Steel has reported only a minute increase in its gross income, from £2,942,366 to £2,985,652, and its net income shows a slight decline, from £1,497,366 to £1,465,652. The ordinary dividend was left unchanged at 11 per cent. The trading results disappointed the market because new capacity was coming into production last year. This new capacity should make its contribution this year and as Lancashire Steel's development programme is expected to be completed by the end of this year investors naturally hope that this company will be among the first to give shareholders a bite at the cherry.

John Summers' results were well received. Though the ordinary dividend was left unchanged at 12 per cent, gross profits have risen from £8,674,289 to £9,443,033—a satisfactory result for a steel company which was particularly affected by the labour dispute. Net profits have fallen from £2,897,809 to £2,770,601, but this decline can be attributed to the increase in replacement reserve appropriations (charged before arriving at net profits) from £800,000 to £912,500. This group's current development programme, costing about £16½ million and being financed by ploughed-back profits, is due to be completed by the end of 1958.

STEEL PROFITS, SHARE PRICES AND YIELDS

	Gross Profits*		Net Profits*		Ordinary Dividends		Issue Price	"High" 1956	"Low" 1956	Current Price	Ordinary Dividend	Yield
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	s. d.	s. d.	s. d.	s. d.	%	%
Stewarts & Lloyds	16,355	19,930	4,846	6,431	1,006	1,006	35 0	74 6	52 0	56 3xd	17½	6·2
United Steel	15,303	14,763	5,252	5,009	1,006	1,006	25 0	49 4½	32 4½	32 3	12½	7·8
South Durham	2,755	3,223	1,463	1,269	44	368	27 6	27 7½	23 0	25 0	8	6·2
Thos. Firth & J. Brown	3,401	3,899	1,244	1,462	285	316	25 0	32 9	25 3	27 9xd	10	7·2
Lancashire Steel	3,317	3,986	1,497	1,466	285	285	22 0	41 0	30 0	31 7½	11	6·9
John Summers	8,674	9,443	2,898	2,771	621	621	24 6	47 9	30 0	33 0	12	7·3

* In years to end-September; net profits are shown after depreciation, tax, debenture interest, etc., and after charging appropriations to replacement reserves.

Company Notes

CARRERAS. Ordinary shareholders in Carreras, the cigarette and tobacco manufacturers, must feel satisfied with the results for the year to October 31st revealed in the company's preliminary statement. The figures, showing that the "net profit attributable to members of Carreras" has risen from £503,325 to £780,732 and the net profit of the parent company from £181,372 to £318,267, confirm the earlier indications by the directors that in spite of intensive competition Carreras was getting its breath back after the heavy blows it had suffered. When they announced the passing of the interim dividend the directors said that the half-yearly results were "slightly more favourable" and before then the chairman had said that better results were to be expected from the home trade. Now the directors say that "severe and intensive competition in the home trade continued during the year, but an improved net profit has been achieved despite a large increase in advertising and sales promotion expenditure, all of which has been charged to the accounts. The export trade was fully maintained throughout the year."

Thus shareholders are left to assume that Carreras did sell more in the home market, but they are still left wondering what part subsidiaries, notably the Canadian subsidiary, have played in the results. Their ordinary dividend has been left unchanged at 8¾ per cent.

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WATNEY COMBE REID and ARTHUR GUINNESS. "It is a matter of growing concern that the tremendous expenditure on new houses, and on rebuilding and improvement of existing houses, does little more than conserve turnover and as an investment produces no additional return." So says Mr S. H. Combe, speaking perhaps as much for the brewing industry as for his company, Watney Combe Reid. Yet spend money the brewers must to remain active in a highly competitive struggle in what perhaps is a shrinking market.

The roads open to the brewers are now well known and Watney has followed most of them. It has spent money on improving its public houses; it has sold a few of its houses where site values outran investment values to the brewer; it has modernised its brewing and bottling plants; it has encouraged its licensees to be caterers as well as retailers of beer; it has expanded its free trade and thus has put a good deal of emphasis on the sale of its bottled beers; and it has tried, with some success, a new venture for this country of building and running "motels." The directors have even considered selling, for its site value, the Stag Brewery in Pimlico, though the chairman now says that there is "no prospect of any foreseeable offer providing a sufficient margin to warrant expectations of any capital repayment to the equity shareholders." Watney, in fact, has been as progressive as almost any other firm in what is traditionally a conservative-minded industry. Yet the end-result of its efforts was only that its trade remained "fairly steady."

But Watney, like the other brewers, has plans to spend money on capital account which must exceed the statutory figure of over £1 million appearing as commitments in the accounts. Arthur Guinness, a company different from Watney in that it has been long-established in the free and export trades in bottled beers, is another which has firm capital commitments of about £1 million. The length of time a brewer has been established in the free and export trades is significant. His goodwill with the customer is well-established and when brewing profits improve, as they did slightly last year, it is not surprising to find Guinness achieving an increase rather better than the average. The moral is clear: these are income stocks, with only an occasional touch of equity in them.

LONDON STOCK EXCHANGE

Next Account begins: January 16th

Next Contango Day: January 16th

Next Settlement Day: January 22nd

THE recovery in gilt-edged continued this week under the influence of a lower Treasury bill rate and speculation on the course of interest rates. On Thursday prices improved on Mr Macmillan becoming Prime Minister. The *Financial Times* index of Government securities reached 85.92 on Wednesday from the low point of 82.38 at the close of November. Industrial stocks also improved on Thursday.

Unchanged dividends led to small losses among bank shares. Alexanders Discount and Union Discount declined, but National Discount rose following the dividend announcements. Benskin's Brewery gained 2s. 6d. to 48s. 6d. and Northampton Brewery jumped from 59s. 6d. to 65s. on the possibility of merging its interests with P. Phipps. Associated Commercial Vehicles fell heavily from 54s. 6d. xd to 50s. 7½d. Marks and Spencer gained 4s. 7½d. to 70s. on the free scrip issue and Maple improved 3s. 6d. to 29s. Shipbuilding shares were firm, Hawthorn Leslie rose 2s. 3d. to 41s. 6d. and Swan Hunter 9d. to 62s. 6d. Vickers remained at 41s. 9d. following the orders for the Vanguard. Steel shares declined; prior to the announcement of the rights issue United Steel fell to 32s. 3d. and Stewarts & Lloyds were 2s. down at 56s. 3d. xd. Turner and Newall gained 2s. 9d. to 109s. 6d. and International Nickel $10 to $213 (London terms), but Borax in its new form eased to 24s.

Shell Transport gained 2s. 6d. to 160s. 6d., but British Petroleum dropped back 7s. 3d. to 134s. 3d. Lobitos and Anglo-Ecuadorian rose. Good support persisted for the new South African gold mines and the increase in diamond prices assisted a sharp recovery of 10s. to 105s. in De Beers deferred. Consolidated Zinc continued to advance, rising another 5s. 9d. to 79s. 3d. Assam teas were firm.

THE ACTUARIES INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100)			Average Yields (per cent)		
	Dec. 28, 1955	Nov. 27, 1956	Dec. 27, 1956	Dec. 28, 1955	Nov. 27, 1956	Dec. 27, 1956
Ordinary Shares :—						
Electrical engineering	158·2	126·4	132·0	4·58	5·88	5·67
Engineering	188·3	148·9	158·8	4·39	5·83	5·51
Motors and aircraft	189·5	150·1	160·3	4·57	6·18	5·81
Chain stores	274·3	226·1	252·8	3·70	5·03	4·48
Cotton textiles	102·9	96·4	108·4	8·86	9·02	8·26
Chemicals	208·4	164·5	168·9	4·54	5·78	5·66
Oil	235·6	289·3	312·2	5·30	4·80	4·89
Shipping	174·0	193·6	198·9	5·01	5·66	5·54
Investment trusts	226·0	219·1	222·8	4·49	5·37	5·27
Industrials :—						
Ordinary (all classes)	154·5	133·5	140·6	5·64	6·76	6·48
Preference	81·3	74·8	74·0	5·61	6·11	6·18
Debenture	76·7	71·4	70·4	5·36	5·75	5·85
Total (capital goods)	179·0	144·0	151·5	4·74	6·09	5·82
Total (consumption goods)	127·6	105·6	111·0	6·44	7·79	7·40
Consols 2½%	79·6	70·8	72·6	4·45	5·00	4·88

STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1956/7	Indicator*	Yield %	1956 High	1956 Low	1955 High	1955 Low
Dec. 12	185·8	5·95				
,, 19	183·3	6·03				
,, 31	189·2	5·91	210·4 (Jan. 4)	170·0 (Nov. 28)	232·1 (July 20)	175·2 (Mar. 23)
Jan. 2	190·5	5·75				
,, 9	190·5	5·75				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956	1955
		%		%		High	High
Jan. 2	180·4	6·05	92·25	4·73	9,006	203·5 (Jan. 3)	233·9 (July 21)
,, 3	180·9	6·04	92·36	4·73	9,741		
,, 4	182·9	5·97	92·57	4·71	9,062	Low	Low
,, 7	182·8	5·97	92·86	4·68	12,847	161·5 (Nov. 29)	175·7 (Mar. 15)
,, 8	181·1	6·03	92·88	4·71	10,657		
,, 9	180·5	6·05	93·12	4·68	9,321		

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

LONDON ACTIVE SECURITIES

Prices, 1956 High	Prices, 1956 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Jan. 2, 1957	Price, Jan. 9, 1957	Net Yield, Jan. 9, 1957 £ s. d.	Gross Yield, Jan. 9, 1957 £ s. d.
99⅛	97	Funding 2½% 1952-57	99¼	99 5/8	3 7 10	4 15 6
95 11/32	93¼	War Loan 3% 1955-59	95 13/32	95 12/32	3 6 4	4 14 11
91⅜	88 13/32	Funding 2½% 1956-61	90⅛	90 3/32	3 15 8	4 19 7
100 7/16	99 15/32	Exchequer 5% 1957	100 5/32	100 3/32	2 2 8	4 12 6
99 15/32	97	Conversion 4% 1957-58	98 1/16	98⅜	3 4 1	5 0 3
97⅛	95½	Serial Funding 2½% 1957	97 3/32	97 1/16	3 15 5	4 18 6
94 23/32	91	Conversion 2% 1958-59	94 1/16	94 3/32	3 19 9	4 17 4
92⅛	88 15/16	Exchequer 2% 1960	91 1/16	91 3/32	3 19 10	4 17 2
95 1/16	92¼	Exchequer 3% 1950	94 3/32	94 1/32	3 9 6	4 19 1
88¼	83	Savings Bonds 3% 1955-65	87 31/32	87 3/4 *	3 8 3	4 15 5
82⅞	77⅛	Funding 3% 1959-69	79⅛	80 1/8	3 15 3	5 5 0
92⅛	84½	Funding 4% 1960-90	87½	88⅜ }	6 8 3	3 7 6
81⅞	75½	Savings Bonds 3% 1960-70	78½	78 15/16	3 15 9	5 6 4
98⅝	97⅛	Conversion 4½% 1962	98⅜	97 1/4 *	3 2 6	5 0 7
91⅞	88¼	Exchequer 3% 1962-63	90 3/4	90⅝	3 7 8	4 15 11
87½	83 3/8	Exchequer 2½% 1963-64	85 1/16	85⅛	3 13 9	4 17 7
81 1/16	76½	Savings Bonds 2½% '64-67	79⅛	80 7/8	3 15 7	5 0 4
79¼	77⅛	Savings Bonds 3% 1965-75	74 7/8	74 1/2 *	3 5 2	5 2 6
83 1/16	78	Funding 3% 1966-68	80 1/16 *	80 1/8 *	3 15 6	5 4 1
96⅛	90	Victory 4% 1920-76	91⅜	91 3/8	3 7 3	5 5 4
88⅜	81⅞	Conversion 3½% 1969	84 3/16	84 1/16	3 13 0	5 7 3
83¾	74⅜	Treasury 3½% 1977-80	77 1/16	78⅜	3 7 8	5 2 8
84½	74 1/16	Treasury 3½% 1979-81	77⅜	77 3/8 *	3 7 8	5 2 5
72⅝	64½	Redemption 3% 1986-96	68	68⅜	3 2 8	4 16 8
81½	73½	Funding 3½% 1999-2004	75⅝	76½ *	2 18 8	4 15 0
84⅜	76	Consols 4% after Feb. '57	77⅜	78 1/8 *	2 18 5	5 1 6
77	68	War Loan 3½% after 1952	71	71¼	2 16 2	4 17 11
76¼	67⅜	Conv. 3½% after Apr. 1961	71¼	72⅛	2 16 3	4 18 5
66⅛	58⅜	Treas. 3% after Apr. 1966	62¼	63	2 15 2	4 16 6
56⅛	49⅞	Consols 2½%	52⅛ *	53⅛	2 13 11	4 13 9
56⅜	50	Treas. 2½% after Apr. '75	53	53½	2 14 2	4 14 8
98⅛	90	Br. Electric 4½% 1967-69	92⅞	91 1/8 *	3 7 11	5 7 10
80½	72⅝	Br. Electric 3% 1968-73	75 11/16	76 1/16	3 14 6	5 5 4
79½	71½	Br. Electric 3% 1974-77	74	74⅜	3 10 3	5 1 8
95	85½	Br. Electric 4½% 1974-79	87 1/16	88⅜	3 3 7	5 3 8
83 1/16	74⅝	Br. Electric 3½% 1976-79	77⅜	78⅛	3 7 8	5 2 10
90⅛	84½	Br. Gas 4% 1969-72	85 1/16 *	86⅛	3 8 3	5 5 1
87 1/16	80	Br. Gas 3½% 1969-71	82½	83⅛	3 11 0	5 5 5
73½	65¼	Br. Gas 3% 1990-95	68 1/16	69⅛	3 2 8	4 16 2
80 7/16	72⅜	Br. Transport 3% 1968-73	75 1/16	76 1/16	3 14 6	5 4 4
90⅞	81 1/16	Br. Transport 4% 1972-77	84½	85⅜	3 5 7	5 3 5
73½	65¼	Br. Transport 3% 1978-88	68 3/16	69 1/16	3 6 1	4 18 9

Prices, 1956 High	Prices, 1956 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price Jan. 2 1957	Price, Jan. 9, 1957	Yield, Jan. 9, 1957 £ s. d.
80⅞	74⅞	Australia 3½% 1965-69	76⅛ *	77⅛ *	5 18 7
98⅛	92⅛	Fed. Rhod. & Nyas. 5% 1975-80	92½	92⅝	5 11 10
76	70	S. Rhodesia 2½% 1965-70	72	72½	5 10 7
83⅛	80⅛	N. Zealand 4% 1976-78	81½	82½	5 8 9
101⅜	99⅛	L.C.C. 5½% 1977-81	101⅜	101⅜	5 7 0
97⅛	88⅛	Agric. Mortgage 5% 1959-89	89½	90	5 13 8
68⅜	61	Met. Water Board 'B' 3% 1934-2003	64⅛	65	4 19 9
81⅛	71	German 7% 1924 (Br. Enfaced 5%)	78⅛	79½	...
169⅜	159½	Japan 5% 1907 (Enfaced)	164	164½	...

Prices, 1956 High	Prices, 1956 Low	ORDINARY STOCKS	Last Two Dividends (a)	(b)	(c)	Price, Jan. 2, 1957	Price, Jan. 9, 1957	Yield, Jan. 9, 1957 £ s. d.
		BANKS & DISCOUNT	%	%				
105/-	92/6	Bk. Ldn. & S. Amer. £5	5	b	2 a	97/6	101/3	6 18 3
50/-	39/10½	Barclays Bank £1	5	a	7 b	46/3	45/3	5 6 1
35/9	27/9	Barclays D.C.O. £1	4	a	4 b	34/6	33/-	4 14 10
41/9	32/9	Chartered Bank £1	7½	b	7½ b	35/3	37/3	8 1 1
51/-	42/10½	Lloyds Bank £1	...		7 b	49/9	49/6	5 5 0
72/4½	61/-	Midland Bank £1	9	a	9 b	68/6	69/9	5 3 3
46/-	29/3	Nat. Discount 'B' £1	5	a	5 b	35/-	37/-	5 8 1
50/-	40/6	Union Discount £1	6¼	b	6¼ b	48/-	47/6	5 5 3
		INSURANCE						
92/6	75/-	Commercial Union 5/-	43½	b	30 a	84/9	84/6	4 6 11
29	16½	Legal & General £1	37½	b	12½ a	27	27½	1 16 4
25½	18⅜	Pearl £1	†47½	b	†20 a	20	20½	5 13 2
43½	38	Prudential 'A' £1	†117½	c	†25 c	42½	43½	4 19 4
		BREWERIES, ETC.						
119/6	106/-	Bass £1	10	a	33 b	112/6*	111/-*	7 14 11
24/10½	18/7½	Distillers 6/8	11½	b	6 a	22/6*	22/6*	5 3 8
45/10½	36/9	Guinness 10/-	10	a	15 b	40/6*	40/3*	6 4 3
76/-	61/9	Whitbread 'A' £1	14	b	7 a	63/6	63/9	6 11 9
		OIL						
183/9	99/-	British Petroleum £1	†10	b	†5 a	141/6	134/3	3 17 9
117/9	63/-	Burmah	12½	b	5 a	88/10½	86/3	4 1 2
17⅞	11½	Royal Dutch 10 fl.	14	b	7½ a	£16¾	£16⅝	2 5 1
171/-	103/3	Shell £1	†13½	b	†5 a	158/-	160/6	3 5 0
58/6	33/3	Ultramar 10/-	...		...	61/3	60/10½	...

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10½ years. § Less tax at 8s. 6d. in £. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 15% tax free. (e) To earliest date. (f) Flat yield. (g) On 16%. (h) After Rhodesian tax. (i) On 17½% tax free. (j) On 13%. (k) On 20%. (l) To latest date. (m) On 10%. (n) On 16⅔. (o) On 15%. (p) On 9%.

Prices, 1956 High	Prices, 1956 Low	ORDINARY STOCKS	Last Two Dividends (a)	(b)	(c)	Price, Jan. 2, 1957	Price, Jan. 9, 1957	Yield, Jan. 9, 1957 £ s. d.
		STEEL & ENGINEERING	%	%				
45/6	34/3	Babcock & Wilcox £1	7	b	8 a	73/3	72/-	4 3 4
22/9	17/9	Cammell Laird 5/-	10½	b	14 a	11/10½	12/-	5 16 3
60/9	38/6	Dorman Long £1	5	b	4 a	23/6*	23/1½*	6 18 7
31/10½	40/4½	Guest Keen N'fold £1	3½	a	8½ b	46/3	44/9	5 7 3
60/-	45/3	Metal Box £1	4	a	6 b	46/6	46/3	4 6 5
75/-	51/2½	Stewarts & Lloyds £1	12½	b	5 a	58/3*	56/3*	6 4 5
60/-	47/3	Swan Hunter £1	3	a	11 b	61/9	62/6	4 9 7
49/9	32/-	United Steel £1	8½	b	4 a	32/6	32/3	7 15 0
44/7½	32/4½	Vickers £1	2½	a	7½ b	41/9	41/3	4 16 11
		ELECTRICAL						
75/3	45/-	Assoc. Elec. Inds. £1	7½	a	15 c	66/-	65/9	4 11 3
54/9	45/3	Br. Ins. Callenders £1	8½	b	4 a	50/3*	50/-*	5 0 0
37/10½	24/9	Decca Record .. 4/-	14 7/9	a	14 c	30/6	30/10½	5 13 4
37/-	22/6	Elect. & Mus. Inds. 10/-	15	c	15 c	26/-	26/6	5 13 2
65/6	40/9	English Electric £1	8½	b	4 a	48/3	48/-	5 4 2
		General Electric £1	9½	b	4½ a	49/6	51/6	5 8 9
24/9	19/4½	TEXTILES Bradford Dyers £1	6	b	4 a	24/1½	23/1½	8 13 0
23/7½	13/-	British Celanese £1	1½	a	5 b	14/9	14/1½	9 4 1
25/10½	20/7½	Coats, J. & P. £1	2½	a	6½ b	23/7½	23/6	7 8 11
44/-	29/-	Courtaulds £1	6	b	4 a	34/7½	34/9	5 15 1
37/3	22/3	Lancashire Cotton £1	12½	b	5 a	35/-*	33/3*	10 10 6
33/3	26/-	Patons & Baldwins £1	10	b	2½ a	32/6	33/7½	7 8 8
		SHOPS & STORES						
18/10½	12/9¼	Boots Pure Drug 5/-	3	a	14 c	15/-	15/-	4 13 4
44/9	29/-	Debenhams 10/-	20	b	7½ a	34/6	35/9	7 13 10
44/9	30/11½	Gt. Universal 'A' 5/-	15	a	47½ b	33/6	35/3	8 17 4
71/1½	54/9½	Marks & Spen. 'A' 5/-	20	a	32½ b	63/9	70/-	3 15 0
25/10½	19/-	United Drapery 5/-	12½	a	20 b	21/1½	22/3	7 6 1
64/10½	51/-	Woolworth 5/-	36½	b	20 a	60/3	61/-	4 12 11
		MOTORS & AIRCRAFT						
22/1½	16/-	Bristol Aeroplane 10/-	3½	a	6½ b	19/6	19/1½	5 4 7
9/-	5/9½	British Motor 5/-	8½	b	4 a	6/9½	6/9	9 5 2
44/3	25/9	Ford Motor £1	5	b	2½ a	51/-	30/6	4 18 4
49/3	29/9	Hawker Siddeley £1	7	b	3 a	36/10½	36/1½	5 10 9
47/3	38/10½	Leyland Motors £1	12½	a	10 c	42/3	42/-	5 19 1
115/10½	35/6	Rolls-Royce £1	5	a	12½ b	113/6	112/3	3 2 4
9/3½	5/5½	Standard Motor 5/-	12	c	3 c	6/-	6/-	6 13 4
		SHIPPING						
38/9	28/6	Brit. & Com'wealth 10/-	6½	a	...	40/-	40/6	3 18 9
27/-	20/4½	Cunard £1	7½	b	3 a	24/-	25/3	7 18 5
35/9	27/-	P & O Defd £1	5	b	3 a	33/-	33/6	4 15 6
		MISCELLANEOUS						
45/6	34/3	Assoc. Port. Cem. £1	7	b	3 a	40/3	40/3	4 9 5
22/9	17/9	Beecham Group 5/-	10	b	10 a	18/9	19/-	7 17 10
60/9	38/6	Bowater Paper £1	7½	b	4½ a	43/3	44/3	5 8* 6
31/10½	40/4½	Br. Aluminium £1	8	b	4 a	67/-	65/9	3 13 0
60/-	45/3	Br. Amer. Tob. 10/-	†7½	b	†10½ a	51/7½	52/6	5 15 11
19/9	15/4½	B.E.T. 'A' Defd. 5/-	15	b	7½ a	18/-	18/-	6 5 0
42/-	32/9	Br. Oxygen £1	6	b	4 a	33/9	32/6	6 3 0
$69	$56½	Canadian Pacific $25	3	a	4 b	$64½	$64*	5 1 8
25/9	14/4½	Dunlop Rubber 10/-	10	b	2½ a	16/9	16/-	7 16 3
49/10½	36/-	Imp. Chemical £1	6	b	4 a	39/4½	39/-	5 2 7
62/9	42/3	Imp. Tobacco £1	12½	b	8½ a	46/7½	47/6	8 16 10
$211	$141½	Int'l. Nickel n.p.v.	$2·90	c	$3·75 c	$203	$213	3 2 11
40/3	28/6	J. Lucas (Inds.) £1	2½	a	5 b	32/-	31/3	4 16 0
30/3	21/3	Monsanto Chem. 5/-	15⅞	a	6¾ b	24/-	23/9	4 14 9
19/4½	15/1½	Ranks 5/-	20	c	5 a	17/6*	17/6*	4 14 3
75/4½	42/9	A. E. Reed £1	15	b	6 a	52/3	52/-	6 3 1
16/4½	11/7½	Sears Hldgs. 'A' 5/-	20	c	20 c	14/0½	13/7½	7 6 9
69/1½	54/1½	Tate & Lyle £1	4½	a	12 b	62/3	63/3	5 4 4
69/6	49/9	Tube Investments £1	6½	a	7½ b	59/9	58/9	5 2 2
115/6	92/6	Turner & Newall £1	5	a	22½ b	106/9	109/6	5 0 5
82/9	61/7½	Unilever Ltd. £1	9½	b	6 a	72/9	74/-	4 5 2
41/9	22/9	United Molasses 10/-	†7½	b	†4½ a	39/6	39/6	5 5 0
		MINES, ETC.						
172/6	133/9	Anglo-American 10/-	50	b	20 a	143/9	142/6	4 18 0
40/-	22/6	Cons. Tea & Lands £1	†7½	b	†2½ a	26/6	28/6	12 4 0
130/7½	91/3	De Beers Def. Reg. 5/-	120	b	80 a	95/-	105/-	9 10 6
25/-	19/7½	Doornfontein 10/-	...		...	25/6	26/-	...
10/11½	8/6	London Tin 4/-	30	c	10 a	10/-	10/4½	11 11 4
16 1/16	11 3/16	Nchanga Cons. £1	112½	b	25 a	12 1/16 *	12 1/16 *	11 1 2½
64/-	52/6	President Brand 5/-	30	a	40 b	55/7½	53/9	6 10 3
53/-	42/-	Rho. Selection Tst. 5/-	25	a	50 b	47/9	48/9	7 13 11½
37/6	30/6	United Sua Betong £1	30	b	12½ a	48/9	49/-	17 6 11
64/4½	30	United Tin 5/-	30	a	40 b	77/6	75/7½	4 12 7

New York Closing Prices

	Jan. 2 $	Jan. 9 $		Jan. 2 $	Jan. 9 $		Jan. 2 $	Jan. 9 $
Can. Pacific	32⅛	33⅛	Am. Viscose	34⅞	36⅜	Int'l. Nickel	109⅛	103⅛
N.Y. Central	34½	34⅝	Beth. Steel	195⅛	190½	National Dist.	26⅝	26⅛
Pennsylvania	21⅞	22	Chrysler	69⅛	68⅝	Sears Roebuck	28⅝	28⅛
Amer. Tel.	171⅛	176½	Crown Zeller	54⅜	54⅛	Shell Oil	88	85⅛
Standard Gas.	11⅜	11⅜	DuPont de Nm.	190½	187½	Std. Oil of N.J.	58	58⅛
Western Union	19⅜	20⅛	Ford Motors	55⅜	55⅛	U.S. Steel	71⅛	69¼
Alumin'm Ltd.	119½	116½	Gen. Elect.	59⅜	42½	West'house E.	57⅛	55½
Am. Smelting	56⅞	55⅞	Gen. Motors	43⅛	42½	Woolworth	43⅞	44⅛

Industrial Profits and Assets

THE tables below continue the analysis of company balance sheets and profit and loss accounts which was introduced in *The Economist* of January 22, 1949; the figures are discussed on an earlier page in this issue.

Comparative analysis of 459 profit and loss accounts published October-December, 1956 (£'000)

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(32)		(13)		(21)		(6)		(1)		(21)		(48)		(15)	
Year	Prev.	Latest	Prev	Latest	Prev	Latest	Prev.	Latest	Prev	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	*19,478*	20,720	*5,466*	5,325	*21,338*	27,711	*7,580*	7,083	*33*	38	*10,168*	11,784	*23,691*	25,894	*17,391*	22,191
Income from investments	*670*	779	*66*	90	*532*	637	*20*	15	...	...	*241*	232	*411*	614	*426*	574
Other current income	...	...	...	...	*5*	...	*3*	2	...	...	*1*	12	*32*	51	*83*	...
Non-recurring credits	*582*	287	*467*	61	*1,143*	551	*127*	443	...	...	*300*	656	*1,488*	958	*398*	359
Total Income	***20,730***	**21,786**	***5,999***	**5,476**	***23,018***	**28,899**	***7,730***	**7,543**	***33***	**38**	***10,710***	**12,684**	***25,622***	**27,517**	***18,298***	**23,124**
Depreciation	*2,037*	2,082	*699*	660	*5,162*	5,186	*436*	513	*3*	2	*2,184*	2,437	*3,390*	4,174	*3,017*	4,128
Income tax	*6,887*	7,389	*1,835*	1,902	*7,391*	8,267	*2,804*	2,719	*11*	11	*3,394*	3,755	*8,012*	8,772	*6,072*	8,126
Profits tax	*1,789*	2,341	*405*	452	*1,139*	1,569	*779*	849	*2*	3	*720*	864	*1,483*	1,934	*1,092*	1,441
Directors' emoluments	*647*	669	*340*	291	*674*	605	*268*	271	*11*	7	*373*	405	*1,294*	1,376	*540*	609
Administrative charges, etc.	*68*	60	*42*	21	*141*	141	*150*	130	*5*	5	*140*	128	*169*	186	*13*	139
Contingencies, provisions, etc.	*1,126*	130	*261*	57	*1,900*	1,548	*730*	29	...	...	*397*	149	*1,803*	295	*12*	193
Pensions	*155*	187	*70*	91	*191*	728	*43*	11	...	...	*218*	260	*280*	226	*61*	191
Minority share in profits	*124*	126	*18*	11	*307*	311	*226*	247	...	...	*23*	61	*74 Dr.*	*12*	*176*	143
Loan interest	*1,173*	1,201	*836*	282	*108*	272	*220*	145	...	...	*144*	202	*129*	200	...	...
Preference dividends	*593*	607	*260*	229	*633*	659	*170*	271	...	...	*300*	333	*166*	177	*228*	232
Profits retained by subsidiaries	*715*	723	*226*	680	*934*	2,499	*638*	679	*3*	4	*810*	1,166	*2,730*	2,997	*1,189*	1,480
Ordinary dividends	*3,319*	3,487	*556*	489	*1,576*	1,819	*1,228*	1,112	*6*	6	*1,061*	1,285	*3,203*	3,521	*1,751*	1,965
Revenue reserves	*1,882*	2,753	*781*	282	*2,730*	4,814	*216*	430	...	...	*850*	1,427	*2,545*	3,019	*3,437*	4,286
Brought in (parent company)	*4,651*	4,866	*609*	779	*2,400*	2,526	*1,020*	842	*56*	48	*2,005*	2,102	*5,608*	5,952	*2,799*	3,509
Carried forward (parent company)	*4,866*	4,897	*779*	818	*2,526*	3,007	*842*	979	*48*	48	*2,102*	2,314	*5,952*	6,604	*3,509*	3,690

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(5)		(5)		(16)		(30)		(10)		(83)		(3)		(7)	
Year	Prev	Latest	Prev.	Latest	Prev	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	*3,738*	3,927	*4,464*	4,853	*10,217*	11,082	*80,852*	66,724	*4,048*	4,457	*40,229*	43,033	*745*	1,822	*2,006*	1,821
Income from investments	*139*	202	*170*	236	*110*	192	*518*	748	*210*	264	*1,172*	1,249	*160*	154	*34*	46
Other current income	...	...	...	...	...	...	*232*	151	...	...	*7*	6	*17*	6	...	...
Non-recurring credits	*321*	24	*101*	95	*822*	140	*3,085*	1,838	*220*	126	*1,606*	1,293	*11*	1	*575*	402
Total Income	**4,198**	**3,153**	**4,735**	**5,184**	**11,149**	**11,414**	**84,687**	**69,461**	**4,478**	**4,847**	**43,014**	**45,781**	**933**	**1,983**	**2,615**	**2,269**
Depreciation	*525*	578	*929*	1,056	*1,426*	1,688	*13,480*	15,189	*509*	535	*7,328*	8,310	*356*	516	*442*	472
Income tax	*1,280*	1,411	*1,120*	1,392	*3,691*	4,138	*30,400*	22,576	*1,527*	1,694	*14,137*	15,250	*141*	609	*622*	488
Profits tax	*259*	323	*326*	374	*683*	789	*4,110*	4,371	*295*	364	*2,376*	2,998	*63*	106	*181*	179
Directors' emoluments	*131*	154	*218*	221	*483*	555	*1,233*	1,227	*222*	170	*1,844*	2,028	*30*	37	*187*	156
Administrative charges, etc.	*8*	7	*69*	54	*83*	50	*158*	201	*15*	14	*411*	513	...	2	*44*	50
Contingencies, provisions, etc.	*629*	159	*320*	251	*181*	110	*1,566*	518	*60*	58	*3,756*	1,628	*140*	...	*100*	35
Pensions	*20*	20	*183*	227	*333*	46	*1,524*	1,872	*25*	26	*172*	192	...	...	*59*	58
Minority share in profits	...	...	*11*	5	*84*	99	*862*	535	*33*	17	*158*	241	...	...	...	*Dr 9*
Loan interest	*13*	13	*163*	151	*122*	135	*284*	336	*42*	63	*194*	282	...	...	*168*	163
Preference dividends	*55*	56	*139*	139	*106*	174	*677*	755	*166*	169	*551*	600	*37*	39	*54*	38
Profits retained by subsidiaries	*444*	209	*22*	49	*686*	566	*18,897*	11,089	*131*	126	*2,172*	*3,062 Dr.*	*7 Dr.*	*188*	*87 Dr.*	*2*
Ordinary dividends	*465*	495	*538*	570	*1,317*	1,442	*6,720*	6,947	*630*	653	*4,312*	4,588	*121*	146	*380*	303
Revenue reserves	*283*	672	*655*	609	*290*	1,165	*3,156*	2,984	*318*	404	*5,207*	5,959	*50*	491	*675*	338
Brought in (parent company)	*931*	1,017	*460*	502	*3,172*	4,836	*6,894*	9,014	*2,272*	2,771	*9,084*	9,480	*189*	191	*1,274*	894
Carried forward (parent company)	*1,017*	1,073	*502*	588	*4,836*	5,293	*9,014*	9,875	*2,771*	3,325	*9,480*	9,610	*191*	416	*894*	887

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS 459 Companies	
No. of Companies	(6)		(7)		(9)		(1)		(65)		(19)		(36)			
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	*439*	407	*1,708*	1,826	*4,028*	3,760	*1,119*	1,290	*4,069*	4,475	*4,741*	3,450	*6,917*	7,226	***274,456***	**280,899**
Income from investments	*10*	11	*24*	19	*200*	229	*39*	85	*169*	281	*100*	111	*666*	742	***6,087***	**7,710**
Other current income	*1*	...	...	...	*4*	2	...	...	*100*	48	*35*	55	*87*	112	***607***	**445**
Non-recurring credits	*23*	7	*58*	18	*830*	174	...	...	*522*	439	*105*	24	*685*	476	***13,469***	**8,372**
Total Income	***464***	**425**	***1,790***	**1,863**	***5,062***	**4,165**	***1,158***	**1,375**	***4,860***	**5,243**	***4,981***	**3,640**	***8,355***	**8,556**	***294,619***	**297,426**
Depreciation	*149*	151	*240*	250	*1,627*	1,683	*375*	411	*205*	214	*271*	275	*672*	748	***45,462***	**51,258**
Income tax	*82*	48	*525*	595	*920*	958	*388*	505	*1,477*	1,740	*2,069*	1,374	*2,699*	2,573	***97,484***	**96,302**
Profits tax	*25*	27	*138*	153	*246*	259	*4*	8	*433*	605	*348*	377	*674*	803	***17,573***	**21,189**
Directors' emoluments	*65*	67	*156*	160	*256*	228	*19*	20	*106*	113	*93*	43	*220*	231	***9,409***	**9,643**
Administrative charges, etc.	*1*	3	*9*	4	*54*	41	...	...	*162*	132	*65*	56	*226*	229	***2,033***	**2,166**
Contingencies, provisions, etc.	*11*	12	*55*	43	*467*	7	...	...	*1,001*	550	*276*	56	*458*	250	***15,261***	**6,058**
Pensions	*1*	1	*12*	11	*17*	22	...	...	*12*	12	*65*	19	*58*	80	***3,499***	**4,280**
Minority share in profits	...	...	*19*	15 *Dr*	*3 Dr.*	*8*	...	...	*10*	7	*90*	104	*21*	42	***1,733***	**1,942**
Loan interest	*27*	25	*24*	24	*149*	148	...	...	*36*	22	*25*	22	*832*	1,030	***4,185***	**4,716**
Preference dividends	*15*	15	*42*	43	*109*	111	...	...	*4*	8	*36*	34	*301*	313	***4,642***	**5,002**
Profits retained by subsidiaries	...	14	*49*	41	*552*	126	*61*	123	*39*	45	*70*	86	*300*	174	***30,744***	**25,748**
Ordinary dividends	*52*	43	*252*	231	*416*	355	*173*	173	*987*	1,222	*897*	794	*1,279*	1,379	***31,239***	**33,025**
Revenue reserves	...	35	*205*	255	*231*	520	*125*	50	*316*	537	*614*	415	*399*	518	***24,965***	**31,973**
Brought in (parent company)	*312*	349	*771*	775	*772*	733	*333*	346	*956*	1,028	*354*	416	*1,747*	1,963	***48,549***	**54,939**
Carried forward (parent company)	*349*	333	*775*	813	*733*	448	*346*	431	*1,028*	1,064	*416*	401	*1,963*	2,149	***54,939***	**59,063**

* This group includes canals and docks, entertainment, finance and land, hotels and restaurants and warehousing.

Comparative analysis of 459 balance sheets published October-December, 1956 (£'000)

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(32)		(13)		(21)		(6)		(1)		(21)		(48)		(15)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	138,002	145,554	20,825	22,762	87,363	103,284	28,589	30,945	127	135	38,536	44,436	63,246	72,019	51,680	62,102
Trade investments	3,094	3,191	236	253	6,943	3,011	153	267	...	...	1,316	1,310	1,544	1,570	2,703	2,815
Stocks	19,879	21,550	13,088	13,947	59,666	69,662	9,856	10,317	176	194	18,524	20,890	49,106	49,056	27,415	37,320
Debtors	11,024	10,107	2,538	2,725	23,496	27,666	10,956	9,585	89	143	13,472	15,652	30,319	34,993	25,456	32,097
Net balances due to parent company	9	...	4	168	1,145	604	...	28	...	...	...	...	278	102	1,097	434
Gilt-edged	4,582	4,025	218	450	2,164	1,401	...	...	...	...	645	650	4,717	3,287	652	1,115
Cash	16,256	14,179	5,046	3,755	15,215	15,806	2,079	1,709	22	13	5,741	5,158	19,372	19,107	5,958	11,703
Other marketable investments	917	815	250	279	1,241	1,496	349	335	...	...	4,115	4,029	1,102	1,261	388	2,481
Intangible assets	3,794	3,935	2,174	2,349	2,919	3,629	12,864	12,857	...	...	373	388	610	620	1,541	2,116
Total Assets	197,550	203,356	44,379	46,688	200,152	226,559	64,367	66,034	414	490	82,722	92,513	161,294	182,015	116,791	152,240
Bank overdrafts and loans	1,756	1,311	835	923	19,249	4,964	3,223	2,229	131	219	1,479	1,931	3,427	3,453	589	5,025
Reserve for future income tax	7,476	7,839	2,224	2,727	6,628	7,722	3,440	3,367	7	11	3,279	4,163	10,366	11,151	6,114	8,375
Depreciation and obsolescence	16,628	18,677	5,026	5,169	35,327	41,094	1,137	951	3	4	15,935	18,031	24,156	27,215	16,527	21,598
Capital reserves	15,107	16,307	5,844	6,200	11,548	13,268	12,764	14,138	18	19	3,774	4,438	10,924	15,075	16,204	18,755
Other provisions	965	874	89	117	5,312	745	1,141	1,255	...	...	392	432	1,943	1,962	384	306
Creditors	28,638	25,854	7,457	5,277	37,351	32,880	10,248	5,383	60	18	16,299	12,415	23,188	21,859	20,878	19,023
Other current liabilities		13,269		2,294		28,269		5,146		19		5,272		15,219		9,405
Revenue res. and carried forward	40,495	42,294	5,676	6,146	39,328	44,329	9,608	10,621	95	99	16,699	19,157	34,763	40,004	33,976	39,805
Net balances due to subsidiaries	...	1	...	...	2,786	2,640	...	...	...	...	...	116	4	...	6	106
Minority interests	4,015	4,021	410	209	4,484	6,635	4,929	5,030	1	1	688	1,074	995	1,077	1,340	1,676
Debenture capital	29,589	28,846	5,603	5,905	2,470	7,704	3,549	3,642	...	...	4,052	4,225	3,306	4,647	...	...
Preference capital	18,171	18,333	5,843	6,005	19,166	19,166	7,319	7,210	...	...	8,316	8,311	5,477	5,632	7,789	7,799
Ordinary capital	31,699	35,757	5,369	5,716	16,493	17,143	6,932	7,062	100	100	11,396	12,944	32,245	34,741	12,993	20,369
Total Liabilities	197,550	203,356	44,379	45,688	200,152	226,559	64,367	66,034	414	490	82,722	92,513	161,294	182,015	116,791	152,240
Year's Free Scrip Issues	—	720	—	487	—	650	—	...	—	...	—	500	—	972	—	40

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(5)		(5)		(16)		(30)		(10)		(85)		(3)		(7)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	12,008	12,899	14,137	15,956	20,385	23,957	176,037	227,322	11,152	12,385	116,996	130,624	7,508	7,920	16,042	17,407
Trade investments	556	464	2,511	2,557	2,477	2,916	2,941	3,105	1,225	1,233	4,393	5,223	292	192	257	261
Stocks	6,951	13,569	7,550	9,537	23,414	27,232	143,593	179,140	4,397	5,257	69,170	72,910	9	18	9,651	6,954
Debtors	3,115	3,566	4,096	4,566	19,683	19,272	84,642	91,507	4,091	4,350	66,618	71,129	830	1,159	2,544	5,255
Net balances due to parent company	...	...	138	386	...	...	89	27	54	61	149	262	...	...	96	713
Gilt-edged	874	784	4,238	2,347	248	257	2,658	538	183	1,570	14,384	17,523	9,046	2,048	81	103
Cash	4,390	4,053	1,055	1,082	4,546	5,014	68,964	35,734	5,329	4,729	35,837	34,276	512	988	2,168	1,250
Other marketable investments	2,734	2,631	93	2	93	107	1,437	1,125	1,579	1,757	907	947	1,285	1,885	28	25
Intangible assets	51	1	2,786	2,880	2,221	2,425	2,025	2,080	4,671	4,673	3,253	2,528	...	...	103	335
Total Assets	30,679	38,047	36,531	39,313	73,097	81,180	482,404	540,578	32,682	36,015	311,616	335,422	12,482	14,210	30,900	32,354
Bank overdrafts and loans	...	...	772	2	3,438	5,160	3,160	19,382	334	913	15,824	15,236	...	...	252	493
Reserve for future income tax	1,277	1,438	2,059	2,106	3,148	3,193	29,223	23,266	1,725	1,772	13,331	12,858	529	866	658	576
Depreciation and obsolescence	6,347	6,821	4,322	5,206	8,022	9,509	77,858	95,741	4,821	5,179	52,631	59,844	2,295	2,663	4,441	5,259
Capital reserves	1,184	1,151	3,647	3,928	3,651	4,653	22,824	13,012	1,842	1,964	20,275	31,996	2,074	2,355	3,172	3,321
Other provisions	105	114	21	3	287	280	2,650	3,279	10	10	5,114	5,397	99	250	...	...
Creditors	6,390	3,882	6,302	4,772	20,255	18,181	145,591	102,615	4,474	2,279	67,577	51,105	1,961	2,268	1,757	1,723
Other current liabilities		8,929		2,558		5,881		48,374		2,324		21,076		203		1,431
Revenue res. and carried forward	8,542	8,852	3,953	4,655	13,297	14,570	73,858	86,015	9,237	10,108	60,943	64,862	2,870	2,951	5,406	6,650
Net balances due to subsidiaries	57	44	...	563	...	72	...	...	93	...	232	16	...	...	...	...
Minority interests	...	..	137	135	906	810	5,325	7,653	567	609	3,693	3,115	..	...	19	43
Debenture capital	250	250	3,324	3,301	2,700	2,865	8,309	8,788	839	2,117	4,611	7,600	...	...	4,029	3,919
Preference capital	1,527	1,577	5,222	5,273	5,559	5,771	24,547	24,703	4,672	4,669	16,749	17,832	1,186	1,186	1,598	1,739
Ordinary capital	4,950	4,989	6,663	6,813	11,634	12,235	89,059	107,750	4,071	4,071	41,667	44,485	1,468	1,468	6,568	7,190
Total Liabilities	30,679	38,047	36,531	39,313	73,097	81,180	482,404	540,578	32,682	36,015	311,616	335,422	12,482	14,210	30,900	32,354
Year's Free Scrip Issues	—	40	—	100	—	238	—	16,266	—	...	—	1,713	—	...	—	...

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS 459 Companies	
No. of Companies	(6)		(7)		(9)		(1)		(65)		(19)		(36)			
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	3,776	4,057	4,982	5,259	21,971	23,878	4,172	4,465	19,578	20,108	8,654	10,068	50,577	56,393	916,632	1,053,935
Trade investments	4	4	169	190	1,453	1,405	...	...	549	502	447	431	2,682	3,574	35,848	34,475
Stocks	1,681	1,565	9,181	8,665	19,766	10,316	265	275	1,984	2,053	2,643	2,460	6,286	6,642	486,107	569,627
Debtors	544	659	2,677	3,290	3,952	4,295	289	334	805	974	2,657	2,392	36,090	39,471	349,961	385,193
Net balances due to parent company	...	...	...	...	393	529	...	...	1	...	8	...	18	184	3,428	3,548
Gilt-edged	14	64	...	...	80	80	...	...	1,315	1,784	649	1,288	1,272	919	41,021	49,234
Cash	370	263	1,266	1,424	2,502	2,253	2,648	3,048	6,498	6,614	4,909	4,829	4,195	4,175	214,788	181,136
Other marketable investments	149	148	...	...	1,647	1,918	8	8	575	834	70	45	5,838	5,256	24,723	27,364
Intangible assets	128	128	517	414	791	239	...	...	40	31	120	125	1,112	1,033	41,463	42,830
Total Assets	6,666	6,888	19,095	19,236	42,925	44,913	7,382	8,130	31,636	32,900	20,137	21,636	108,070	117,625	2,113,971	2,338,342
Bank overdrafts and loans	302	171	2,861	2,725	914	1,031	12	...	77	56	136	296	14,537	18,196	73,299	83,721
Reserve for future income tax	83	48	722	795	1,692	1,682	218	218	1,521	1,747	1,646	1,099	1,718	1,577	100,088	98,570
Depreciation and obsolescence	2,929	2,188	2,142	2,557	4,410	5,653	3,425	3,746	2,616	2,723	1,477	1,431	3,633	4,234	295,257	345,293
Capital reserves	377	409	1,079	1,159	7,128	7,136	3	163	3,470	3,739	2,329	2,126	5,448	6,634	163,644	171,952
Other provisions	13	13	33	33	116	147	...	...	1,290	1,388	79	119	1,351	1,346	21,446	18,070
Creditors	585	527	2,304	2,304	5,411	3,555	921	244	3,864	2,188	4,999	1,835	18,201	10,650	448,717	318,785
Other current liabilities		164		667		1,726		766		2,421		3,671		5,992		185,076
Revenue res. and carried forward	1,012	1,041	4,249	4,459	9,935	10,404	1,599	1,784	4,946	5,104	3,290	3,543	12,189	12,863	395,895	440,314
Net balances due to subsidiaries	...	...	...	...	...	...	...	...	...	...	...	...	72	...	3,249	3,558
Minority interests	...	...	158	166	418	1,028	...	...	176	179	311	747	320	422	28,898	34,630
Debenture capital	500	534	587	580	3,612	3,712	...	...	618	358	620	479	23,539	28,977	102,157	117,549
Preference capital	445	445	1,350	1,200	4,246	4,036	...	...	139	42	964	964	9,455	9,515	149,593	151,405
Ordinary capital	1,311	1,348	2,716	2,791	4,973	4,823	1,204	1,204	12,928	12,955	4,266	5,326	17,601	18,139	331,327	369,419
Total Liabilities	6,666	6,888	19,095	19,236	42,925	44,913	7,382	8,130	31,636	32,900	20,137	21,636	108,070	117,625	2,113,971	2,338,342
Year's Free Scrip Issues	—.	...	—	...	—	...	—	...	—	...	—	585	—	300	—	22,611

Statistics

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

British		Overseas	
Prices and Wages	Dec. 29th	Western Europe:	
Production and Consumption	Jan. 5th	Production and Trade	Dec. 22nd
Manpower	Dec. 15th	British Commonwealth	Jan. 5th
External Trade	Dec. 22nd	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	Dec. 15th
Industrial Profits	This week	United States	Dec. 29th
		World Trade	This week

World Trade

(Million US Dollars)

	Exports (f.o.b.)					Imports (c.i.f.)				
				Annual Rate					Annual Rate	
	1938	1954	1955	April to June, 1956	July to Sept., 1956	1938	1954	1955	April to June, 1956	July to Sept., 1956
WORLD										
Total (1)	20,856	77,541	84,109	94,885	...	23,556	79,486	88,337[b]	98,800	...
STERLING AREA										
Total	5,627	18,872	20,499	22,316	...	7,784	20,702	23,473	24,371	...
United Kingdom	2,603	7,771	8,468	9,583	8,613	4,496	9,447	10,889	11,160	10,501
UK dependencies	867	3,401	3,793	4,086	...	903	3,567	4,209	4,621	...
Hong Kong	185	424	444	610	537	188	601	651	862	750
Malaya and Singapore	328	1,016	1,358	1,286	1,267[4]	315	1,026	1,249	1,353	1,411[4]
Gold Coast	52	294	244	215[4]	...	50	199	246	234[4]	...
Nigeria	47	418	370	418	...	42	319	380	420	...
Other sterling countries	2,157	7,700	8,238	8,647	...	2,385	7,688	8,375	8,590	...
Australia	530	1,656	1,747	2,168	1,646	527	1,869	2,160	2,052	1,920
Ceylon	104	380	407	363	384	86	293	307	313	357
India	621	1,182	1,277	1,107	1,188	575	1,297	1,361	1,608	1,702
Pakistan		359	401	289	259[4]		348	290	273	310[4]
Iraq	68	489	519	...	...	46	204	273	...	...
Ireland	119	322	309	282	312	203	503	572	517	437
Kuwait	...	720	830[b]	905[b]	950[4]	...	...	...	...	...
New Zealand	225	683	724	794	782[4]	225	688	804	734	...
Northern Rhodesia	50					28				
Nyasaland	5	411	484	538	527[4]	4	393	435	499	525[4]
Southern Rhodesia	30					51				
South-West Africa	17	103				13	70			
Union of South Africa	161	912	1,056	1,139	1,229[4]	503	1,365	1,485	1,572	1,580[4]
EPU COUNTRIES										
Total continental countries	6,565	21,471	24,442	27,330	26,263	7,803	23,694	27,138	31,678	30,631
Belgium-Luxemburg	733	2,300	2,776	3,331	2,981	765	2,535	2,830	3,250	3,134
Denmark	334	948	1,042	1,090	1,047	354	1,163	1,173	1,335	1,274
France	881	4,181	4,798	4,670	4,263	1,324	4,221	4,688	5,872	5,342
Germany, Federal Republic	...	5,248	6,135	7,579	7,305	...	4,571	5,793	6,594	6,749
Italy	553	1,638	1,857	2,023	2,142	593	2,439	2,706	3,185	2,934
Netherlands	594	2,414	2,688	2,961	2,792	803	2,858	3,208	3,738	3,763
Norway	192	583	634	759	745	292	1,019	1,089	1,362	1,088
Sweden	464	1,583	1,726	2,021	2,084	525	1,776	1,997	2,289	2,130
Switzerland	301	1,225	1,307	1,372	1,405	365	1,300	1,489	1,748	1,771
Turkey	115	335	313	304	256	119	478	498	438	595
Total dependencies (excl. sterling area)	719	3,076	3,223	3,418	...	780	4,156	4,284	4,483	...
Netherlands Antilles	187	773	803	858[4]	...	253	966	980	1,046[4]	...
NORTH AMERICA										
Total	4,020	19,537	20,311	25,054	24,012	3,259	15,657	17,526	20,470	19,929[4]
United States	3,102	15,110	15,548	19,672	18,628	2,465	11,108	12,361	13,602	13,604
Canada (2)	918	4,427	4,763	5,382	5,384	794	4,549	5,165	6,868	6,325[4]
LATIN AMERICA										
Total	1,660	7,837	7,969	8,282	...	1,539	7,308	7,264	7,605	...
Dollar countries	695	4,284	4,562	4,966	...	572	3,820	3,938	4,535	...
Cuba	143	558	594	755	...	119	527	535	597[4]	...
Mexico	147	563	669	617	...	114	789	884	1,120	...
Venezuela	181	1,690	1,912	2,042	...	107	1,029	992	1,166	1,135[4]
Other countries	965	3,553	3,407	3,316	...	967	3,488	3,326	3,070	...
Argentina	408	1,062[5]	1,026[5]	861	923	440	955[5]	1,087[5]	1,160	1,038
Brazil	289	1,562	1,423	1,487	1,566[4]	295	1,630	1,306	1,048	1,294[4]
REST OF THE WORLD										
Total	2,265	6,748	7,665	8,485	...	2,391	7,969	8,652	10,293	...
Egypt	147	397	397	515	268	185	463	525	612	578
Indonesia	381	856	932	865	936[4]	275	629	604	913	...
Iran	146	111	...	...	...	79	230	...	...	...
Japan (3)	767	1,629	2,011	2,404	2,480	759	2,399	2,471	3,228	3,296

Figures cover general trade as far as possible. Area totals include estimates for countries for which data are not available. Data refer to calendar years with the following exceptions in 1938:—India and Pakistan, year beginning April; Iran, year beginning June.

(1) Excludes China (mainland), USSR, and non-reporting countries of Eastern Europe. (2) Including the trade of Newfoundland in 1938, amounting to $36 million in exports and $31 million in imports. (3) Excluding trade with Taiwan in 1938. (4) Based on two months' data. (5) Partly estimated.

Financial Statistics

EXCHEQUER RETURNS

For the 5 days ended January 5th, 1957, there was an "*above-line*" *surplus* (*after* allowing for Sinking Funds) of £35,752,000 compared with a deficit of £107,270,000 in the previous 16 days and a surplus of £82,492,000 in the corresponding period of last year. Net expenditure "below-line" was £49,208,000, bringing the total deficit to £940,926,000 (£737,595,000 in 1955-56).

£'000	Estimate, 1956-57	April 1, 1955 to Jan. 7, 1956	April 1, 1956 to Jan. 5, 1957	Week ended Jan. 7, 1956	5 Days ended Jan. 5, 1957
Ord. Revenue					
Income Tax	2085,500	807,838	853,460	87,740	52,458
Surtax	144,000	61,200	66,300	13,000	13,300
Death Duties	170,000	134,400	123,700	2,300	3,000
Stamps	58,900	55,200	45,900	1,400	1,000
Profits Tax, EPT	216,750	155,100	154,200	3,800	5,050
Excess Profits Levy	4,000	16,400	4,150	400	300
Special Contribution and other Inland Revenue	1,000	500	310	150	100
Total Inland Rev.	2680,150	1230,688	1249,020	108790	74,903
Customs	1204,000	898,444	925,377	20,311	16,121
Excise	953,350	638,825	680,655	9,625	5,320
Total Customs and Excise	2157,350	1537,269	1606,032	29,936	21,441
Motor Duties	92,000	37,357	34,156	13,179	7,759
PO (Net Receipts)	...	950	2,500	950	*Dr.750*
Broadcast Licences	28,000	17,800	19,600	...	...
Sundry Loans	30,000	28,442	30,358	1,000	43
Miscellaneous	209,000	146,112	131,089	2,699	650
Total	**5137,500**	**2993,618**	**3072,756**	**156554**	**104032**
Ord. Expenditure					
Debt Interest	670,000	514,939	580,805	9,422	10,608
Payments to N. Ireland Exchequer	61,000	42,488	48,246	3,011	3,444
Other Cons. Fund	10,000	8,915	7,966	2,346	2,464
Supply Services	3941,918	2695,363	2958,301	58,500	50,700
Total	**4632,918**	**3261,705**	**3595,318**	**73,279**	**67,215**
Sinking Funds	37,000	25,773	26,341	783	1,065
"Above-line" Surplus or Deficit	—	**233,360**	**543,903**	**82,492**	**35,752**
"Below-line" Net Expenditure		448,735	392,023	*10,561*	49,208
Total Surplus or Deficit	— **737,595**	**940,926**		**71,931**	**13,456**
Net Receipts from:					
Tax Reserve Certificates		152,609	199,666	13509	5,145
Savings Certificates		14,100	48,400	1,800	400
Defence Bonds		−21,542	−32,792	−9089	601
Premium Savings Bonds		...	52,300	...	800

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
Jan. 7	3,440·0	2,083·7	249·7	...	5,773·3
Sept. 30	3,610·0	1,338·2	238·0	...	5,186·2
Oct. 6	3,610·0	1,353·8	253·7	2·3	5,201·8
„ 13	3,610·0	1,322·7	248·3	1·0	5,182·0
„ 20	3,620·0	1,512·2	255·9	...	5,213·0
„ 27	3,610·0	1,378·9	245·2	0·3	5,234·9
Nov. 3	3,610·0	1,380·2	243·6	...	5,233·7
„ 10	3,610·0	1,271·2	254·7	1·3	5,211·6
„ 17	3,610·0	1,233·0	295·1	2·5	5,183·6
„ 24	3,610·0	1,255·9	250·6	0·3	5,116·2
Dec. 1	3,630·0	1,276·5	227·3	1·0	5,134·8
„ 8	3,620·0	1,349·9	298·5	2·0	5,171·4
„ 15	3,610·0	1,543·7	2·0·2	...	5,155·9
„ 31	4,990·5		234·6	4·0	5,198·1
1957					
Jan. 5	3,550·0	1,430·3	215·7	1·8	5,097·5

THE MONEY MARKET

The Treasury bill rate fell for the fourth successive week at the tender on Friday last. The discount market raised its bid by a further 4d. to £98 16s. 1d. per cent. This brought the rise in the bid since December 7th to 1s. 4d. per cent, marking a reduction in the discount rate by just over ¼ per cent, to 4⅜ per cent. At last week's tender a sharp increase in bids was made also by outside applicants, and the market's allotment rate dropped from its high level of 68 per cent to 54 per cent; the offer of £270 million was under-allotted by £10 million, and total *applications rose steeply by £34.2* million to £406.7 million. At yesterday's tender, the offer was £260 million.

Credit was short in Lombard Street before the week-end, but on the first three days of this week conditions were comfortable. On Thursday last the market faced the first of the heavy new year tax transfers, and in addition five or six houses had to make repayments at the Bank; nonetheless, thanks to the additional maturities of £60 million from the 63-day bills, the market covered requirements with only trifling special assistance. On the Friday special purchases were very large, but *in the first half of this* week market supplies have been adequate.

The price of gold in London has fallen sharply as a result of the big rise in sterling. The price on Wednesday was just 250s. an ounce, compared with 250s. 7d. a week before.

LONDON MONEY RATES

	%		%
Bank rate (from 4½%, 16/2/56)	5½	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4⅞–4¾
Bank	3½	3 months	4⅞–4¾
Discount houses	3½*	4 months	4⅞–4¾
		6 months	5–5⅛
Money Day-to-day	3–3½	Fine trade bills:	
Short periods	4½	3 months	6–6½
Treas. bills 2 months	4⅝	4 months	6–6½
3 months	4⅝	6 months	6–7

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	Jan. 11, 1956	Jan. 2, 1957	Jan. 9, 1957
Issue Department:*			
Notes in circulation	1,811·6	1,968·9	1,923·4
Notes in banking dept.	33·7	56·4	47·0
Govt. debt and securities*	1,846·3	2,021·2	1,971·3
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	17·7	18·0	18·5
Bankers	228·1	212·4	219·9
Others	69·6	75·3	74·5
Total	315·4	305·7	312·7
Securities:			
Government	250·3	203·2	257·9
Discount and advances	23·5	45·3	10·6
Other	17·0	17·0	17·4
Total	295·8	265·5	281·9
Banking department reserve	41·0	58·4	48·9
"Proportion"	12·3	19·0	15·6

* Government debt is £11,015,100, capital £11,553,000. Fiduciary issue reduced to £1,975 million from £2,025 million on January 9, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered		Amount (£ million) Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
1955	*91 Day*			s. d.	%
Jun. 4	260·0		387·0	81 4·97	57
Oct. 5	280·0		424·9	101 1·51	56
„ 12	280·0		405·6	102 2·21	55
„ 19	280·0†		392·9	100 2·12	66
	91 Day	*63 Day*			
„ 26	200·0	60·0	412·4	99 9·85	30
Nov. 2	200·0	70·0	405·8	99 11·55	36
„ 9	200·0	80·0	419·1	99 10·85	27
„ 16	190·0	90·0	396·1	100 0·00	39
„ 23	210·0	80·0	440·6	100 3·34	30
„ 30	220·0	70·0‡	405·3	100 4·69	52
Dec. 7	220·0	60·0	441·0	100 10·28	24
„ 14	230·0§	60·0	424·9	99 1·54	55
	91 Day				
„ 21	280·0		379·8	98 1·43	68
„ 28	270·0		372·5	97 1·81	68
1957					
Jan. 4	270·0†		406·7	95 9·11	54

* On January 4th tenders for 91 day bills at £98 16s. 1d. secured 54 per cent, higher tenders being allotted in full. The offering yesterday was for £260 million at 91 day bills. † Allotment cut to £260·0 million. ‡ Allotment cut to £60·0 million. § Allotment cut to £220·0 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: January 9	Market Rates: Spot: January 3	January 4	January 5	January 7	January 8	January 9
United States $	2·74–2·82	2·78⅞–2·79	2·79–2·79¼	2·79 1/16–2·79⅜	2·79⅜–2·79⅞	2·79½–2·79¾	2·79½–2·79¾
Canadian $	...	2·67 15/16–2·67 15/16	2·68⅛–2·68⅛	2·68⅛–2·68⅜	2·68⅜–2·68⅝	2·68 5/16–2·68 7/16	2·68 5/16–2·68 7/16
French Fr.	972·65–987·35	984½–984⅞	984½–985	984½–985	985⅛–985⅝	985⅛–985⅝	985⅛–985⅝
Swiss Fr.	12·15⅝–12·33⅝	12·25⅛–12·25⅜	12·25⅛–12·25⅛	12·25⅛–12·25⅛	12·25⅛–12·25⅛	12·25⅛–12·25	12·25⅛–12·25⅛
Belgian Fr.	138·95–141·05	140·57½–140·62½	140·57½–140·62½	140·55–140·60	140·20–140·25	140·20–140·25	140·27½–140·32½
Dutch Gld.	10·68–10·72	10·64⅛–10·64⅜	10·65⅛–10·65⅜	10·65⅛–10·65⅜	10·65⅛–10·65⅜	10·65⅛–10·65⅜	10·65⅛–10·65⅜
W. Ger. D-Mk.	11·67⅞–11·81⅛	11·72⅛–11·73⅛	11·73⅛–11·73⅛	11·73⅛–11·73⅛	11·73⅜–11·73⅝	11·73⅛–11·73⅝	11·73⅜–11·73⅝
Portuguese Esc.	71·90–81·10	80·00–80·10	80·00–80·10	80·00–80·10	80·00–80·10	80·00–80·10	80·00–80·10
Italian Lire	1757–1762½	1757–1757½	1757½–1758	1758–1759	1758½–1759½	1758–1759	1758½–1759½
Swedish Kr.	14·37½–14·59½	14·47⅝–14·47½	14·47½–14·48	14·47½–14·48	14·48½–14·48⅝	14·48½–14·49	14·48⅜–14·49⅛
Danish Kr.	19·19½–19·48½	19·38–19·38½	19·38–19·38½	19·38–19·38½	19·38½–19·38⅝	19·38⅜–19·38⅝	19·38½–19·38⅝
Norwegian Kr.	19·85–20·15	19·94–19·94½	19·94½–19·95½	19·94½–19·95½	19·95½–19·96½	19·95½–19·95	19·95½–19·96½
One Month Forward Rates							
United States $		⅜–½c. pm	⅜–½c. pm	⅜–½c. pm	⅜–½c. pm	⅜–½c. pm	⅜–½c. pm
Canadian $		½c. pm–⅜c. dis	⅜c. pm–⅜c. dis	⅜c. pm–⅜c. dis	⅜c. pm–⅜c. dis	⅜c. pm–⅜c. dis	⅜c. pm–⅜c. dis
French Fr.		1–3 dis	1–3 dis	1–3 dis	1–3 dis	1–3 dis	par–2 dis
Swiss Fr.		4–3½c. pm	3½–2½c. pm	3½–2½c. pm	3–2½c. pm	2½–2c. pm	2½–2c. pm
Belgian Fr.		¼–¼ pm	¼–¼ dis	¼–¼ dis	¼–¼ dis	¼–¼ dis	¼–¼ dis
Dutch Gld.		2½–1½c. pm	2½–1½c. pm	2½–1½c. pm	2–1½c. pm	2–1½c. pm	2–1½c. pm
W. Ger. D-Mk.		2½–2½pf. pm	2½–2½pf. pm	2½–2½pf. pm	2½–2½pf. pm	2½–2½pf. pm	3–2½pf. pm
Italian Lire		5 pm par	5 pm par	5 pm par	5 pm par	5 pm par	5 pm par
Swedish Kr.		15 pm par	15 pm par	15 pm par	10 pm par	15–10 pm	15–15 pm
Danish Kr.		5–20 pm	5–20 pm	5–20 pm	5–20 pm	5–20 pm	5–20 pm
Norwegian Kr.		25 pm–par	25 pm–par	25 pm–par	25 pm par	25 pm par	25 pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/5½	250/4½	...	250/0½	249/11½	250/0

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JAMES MUIR, *Chairman and President*
K. M. SEDGEWICK, *General Manager*
A. F. MAYNE, *Associate General Manager*
(Non-Domestic Business)

Condensed Annual Statement

as on 30th November, 1956

ASSETS	
Cash on hand and due from banks (including items in transit)	$585,749,787
Government of Canada and provincial government securities, not exceeding market value	715,005,707
Other securities, not exceeding market value	492,218,188
Call Loans, fully secured	165,289,376
Total quick assets	1,958,263,058
Other loans and discounts	1,295,093,026
Mortgages and hypothecs insured under the N.H.A. (1954)	186,200,416
Bank premises	30,690,073
Liabilities of customers under acceptances, guarantees and letters of credit	93,174,380
Other assets	7,877,367
	$3,571,298,320
LIABILITIES	
Deposits	$3,278,375,435
Acceptances, guarantees and letters of credit	93,174,380
Other liabilities	13,046,872
Total liabilities to the public	3,384,596,687
Capital paid up	50,298,893
Rest Account	135,737,122
Undivided profits	665,618
	$3,571,298,320

Over 870 Branches

In CANADA, ARGENTINA, BRAZIL, BRITISH GUIANA, BRITISH HONDURAS, COLOMBIA, PERU, URUGUAY, VENEZUELA, CUBA, HAITI, PUERTO RICO, DOMINICAN REPUBLIC, BRITISH WEST INDIES. Offices in NEW YORK, LONDON and PARIS. Correspondents the world over.

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W. S. Hunter, *Asst. Manager.*
C. F. Stuart, *Asst. Manager.*

West End Office: 2/4, COCKSPUR STREET, S.W.1.
R. B. Murray, *Manager.*
A. P. Harvey, *Asst. Manager.*

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Head Office:
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London Office:
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G. D. BIRLA, Esq., Chairman.

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SUBSCRIBED CAPITAL - Rs.40,000,000
PAID-UP CAPITAL - - - Rs.20,000,000
RESERVE FUND - - - - Rs. 9,500,000

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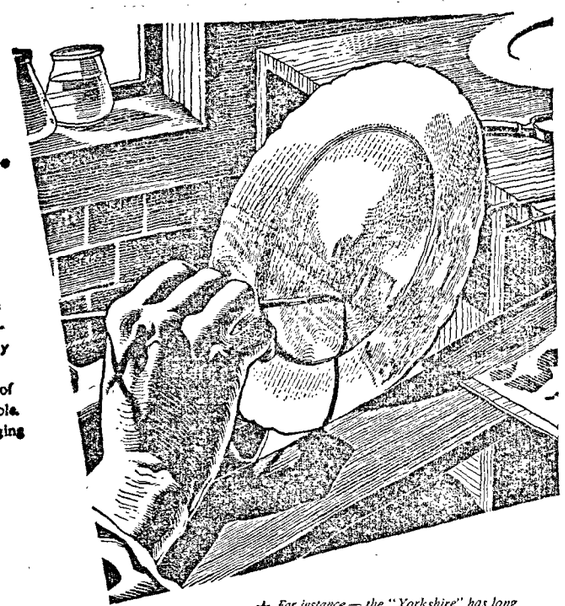
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RESERVE FUNDS STERLING	£8,000,000
RESERVE LIABILITY OF MEMBERS	$25,000,000

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Chairman: C. BLAKER, M.C., E.D.
Chief Manager: MICHAEL W. TURNER
London Office: 9, Gracechurch Street, E.C.3.
London Managers: S. W. P. Perry-Aldworth; M. D. Scott

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CEYLON
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DJAWA
Djakarta
Surabaja
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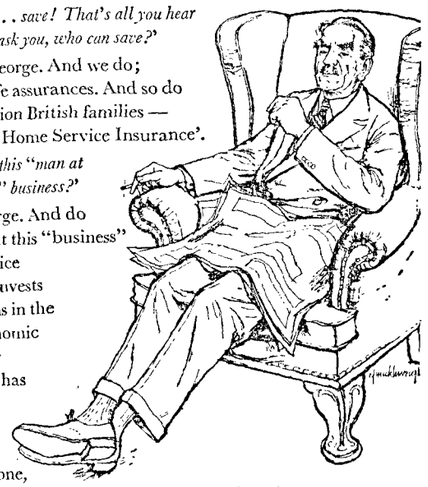


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'Ah! You mean this "man at the door" business?'

'Exactly, George. And do you realise that this "business" — Home Service Insurance — invests enormous sums in the country's economic welfare? Over £300,000,000 has already been invested in Industry and Commerce alone, while probably twice that amount has gone into Government Securities, Mortgages and the like'.

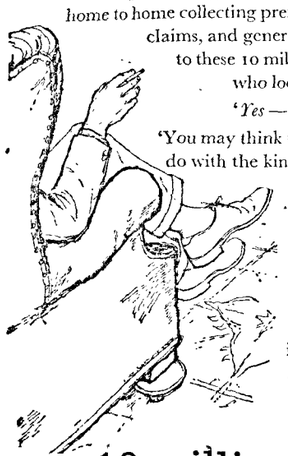
'Really? You astonish . . .'

'And these savings are now increasing at the rate of about £60,000,000 a year, which I think you'll admit is pretty good'

'Yes — but . . .'

'And all this comes about through that well known personality, the Insurance Man, who goes from home to home collecting premiums, paying claims, and generally being counsellor and guide to these 10 million families who look on him as a personal friend'.

'Yes — but how . . .'



'You may think that all this has nothing to do with the kind of insurances you and I hold. You couldn't be more wrong. The Home Service Insurance Man also does a substantial proportion of the "ordinary" life assurance business in this country, as well as a lot of fire and accident insurance. All in all, George, as an instrument of our economic survival, the Insurance Man is doing a good job of work'.

10 million families save through HOME SERVICE INSURANCE

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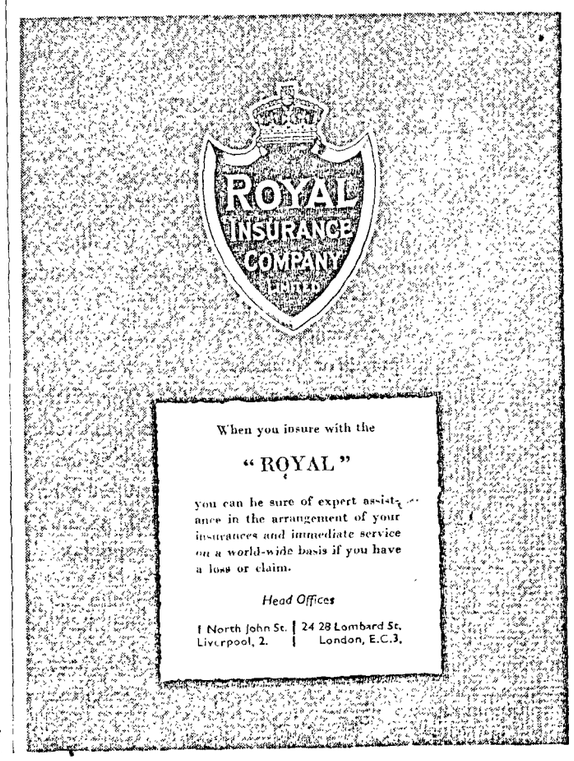
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COMPANY MEETINGS

SOUTH DURHAM STEEL & IRON COMPANY, LIMITED

RECORD LEVEL OF EARNINGS: WIDER APPROACH NEEDED TO FIXATION OF PRICES

BIG INCREASE EXPECTED IN DEMAND FOR STEEL PLATES

MR B. CHETWYND TALBOT ON EXPORT PROBLEMS

The Fifty-eighth Annual General Meeting of South Durham Steel & Iron Company, Limited, will be held on January 30th at the Great Hall, Caxton Hall, Westminster, London, S.W.

The following is the statement by Mr B. Chetwynd Talbot, TD, which has been circulated with the report and accounts:

In forwarding to you the report and accounts for the financial year which ended on September 29, 1956, I include my address to shareholders which will be made at the company's annual meeting in London on January 30, 1957, and which will appear in the press in advance of that date.

PROPRIETORSHIP

The annual meeting, which is the fifty-eighth since South Durham was incorporated as a public company in 1898, is the first opportunity I have had as the chairman of your board of directors of addressing myself to the proprietors of the Equity capital of your company which was placed on the market 12 months ago. Therefore, before I proceed to refer to the results of the past financial year's trading and my remarks in general I give you the details as to the proprietorship of the 8 million of Equity capital issued in the offer of sale by the Iron and Steel Holding and Realisation Agency made a year ago.

The number of holders of the 8 million Ordinary shares exceeded at December 1, 1956, 18,500 and represents an average holding of 433 shares. Likewise the holders of the 3 million 5¼ per cent Debenture stock created at the same time amount to 1,880 and represents an average holding of £1,600 Debenture stock.

It is very gratifying to your directors to know that firstly both the private investor and the investment institutions have a large measure of faith in the future of South Durham and secondly it is further proof that the policy of the Government to return the industry to private ownership has been endorsed by the individual investor and the argument of the opponents of this policy asserting control of the industry would pass into a few hands has been refuted.

FINANCIAL RESULTS

I now turn to the financial results for your company's past year and to the circumstances which have contributed to affect adversely the levels of profits. These principal factors I refer to in detail later in my statement. Your company's gross trading profit for the past financial year amounted to £3,222,817, to which requires to be added £14,518 income from investments. The total gross profit of £3,237,335 represents an increase of £471,878 over the preceding financial year and constitutes a record level of earnings in the history of the company.

In my letter contained in the Offer for Sale, I indicated for the past financial year a reasonable estimate for the level of profit, after charging depreciation but before providing for taxation, interest on the Debenture issue and on the borrowing facilities arranged with our bankers, *Barclays Bank Limited*, should amount to £2.25 million. Despite restrictions affecting levels of production and the progressive increases in costs, and after charging £850,000 for depreciation and an amount of £40,785 in respect of directors' fees, pensions, audit fee and Debenture stock trustees' remuneration as recorded in the profit and loss account, the net profit has exceeded by an amount of £96,550 the amount postulated in the Offer for Sale and comprises a total of £2,346,550.

BALANCE-SHEET FIGURES

In commenting on the balance-sheet figures for the financial year I would draw your attention to the sum of £4,043,460, *including routine* capital expenditure, expended during the year on the development schemes as outlined in your company's capital expenditure commitments contained in the Offer for Sale. The capital commitments at October 1, 1955, amounted to a figure of £9,984,002 and subsequent additions approved by your directors during the past financial year to increase efficiency and to secure higher levels of rolled steel and pipe production comprised an amount of £3.5 million, making, after the deduction of the sum of £4 million expended during the year, an amount approximating £9.5 million.

Due to increases in the levels of production during the year and to the incidence of the higher levels in costs of raw materials and to the values and amounts of work in progress as compared with September, 1955, stocks and work in progress increased by £1,275,000 to an amount of £5.3 million. For similar reasons trade debtors have increased by an amount exceeding £500,000 to a figure of £2.9 million.

The amount owing to our bankers at September 29, 1956, amounted to a sum slightly in excess of £1.4 million, and I refer in detail at a later stage to the factors which have contributed to these facilities being utilised to this extent.

CAPITAL STRUCTURE

Due to the complete reconstruction and increase in your company's capital structure and to the issue of £3 million 5¼ per Cent Debenture stock, the present capital structure of your company is not comparable with that for previous years. I would, however, draw your attention to the following alterations in the capital of the company, the *capital reserves and the revenue reserves. You will remember that in the offer for sale* the authorised capital was increased to 12 million Ordinary and Unclassified shares, of which amount 8 million Ordinary shares were issued. This capital structure compares with the combined amount of Preference and two Ordinary share issues amounting in total to 1,237,820 shares in February, 1951, the date when all the assets of the company were acquired by the Iron and Steel Corporation of Great Britain. During the periods while the assets of the company were held firstly by the Iron and Steel Corporation of Great Britain and subsequently after the passage of the Iron and Steel Act of 1953, by the Iron and Steel Holding and Realisation Agency, these three denominations of shares were merged into Ordinary stock and at the same time the three separate outstanding Debenture issues of South Durham and Cargo Fleet were redeemed and replaced by an equivalent amount of loan which was increased from time to time to meet the expanding levels of capital expenditure. At the end of September, 1955, your company's indebtedness to the Iron and Steel Holding and Realisation Agency in loans amounted to £5.5 million, including approximately £1.8 million of the three original Debenture issues, and was liquidated immediately prior to the offer for sale. The liquidation of these loans was achieved by absorption of these amounts in the sale by the Iron and Steel Holding and Realisation Agency of the 8 million Ordinary shares and included the payment of a special dividend to the Iron and Steel Holding and Realisation Agency amounting to £1,262,180, which was deducted from revenue reserves. The debiting of this special dividend, the capital duty on the £4 million unclassified shares authorised but not issued, and expenses of stamp duty for the 5¼ per Cent Debenture issue, together with the expenses of reorganisation and issue and the discount on the issue price of the Debenture stock, explains the reduction by the sum of £1,409,109 in the amount standing to *revenue reserves at the termination of the last financial year.*

During the last financial year investment allowance reserve has been increased by £350,000 to an amount of £930,000 and replacement of fixed assets reserve by £300,000 to an amount of £600,000. These appropriations are incorporated together with the sum of £500,000 transferred to general reserve as detailed in the profit and loss *account.*

In the offer for sale Barclays Bank undertook to provide borrowing facilities up to £4 million in order to cover the incidence in the immediate future of "hump" expenditure and to finance increases in stocks and work in progress. Under normal conditions these borrowing facilities should prove to be self-liquidating and will be obtained from increases in the annual level of profits and sums retained by way of depreciation, amount placed to general reserve, and taxation allowances.

As I mentioned previously capital expenditure during the last financial year amounted to £4.04 million, and the proportion of this expenditure secured during the year from your company's resources by way of amounts set aside for depreciation and transfers to reserves approximated 51 per cent of the capital expenditure involved.

I now refer to factors which have sub-

stantially contributed to affect the level of profit for the year. As you may remember, for a period of 15 weeks from April 22, 1956, to August 7, 1956, an embargo was imposed by the officials of the Allied Craftsmen's Unions on all overtime, including week-end work from mid-day on Saturday to six o'clock on Monday morning. I think it would be appropriate to state this unfortunate decision was made by the officials of the craftsmen's unions concerned, the large majority of whose members are employed in many industries other than the iron and steel industry. Due to this withdrawal of labour the essential maintenance of plant and machinery was gravely affected and necessitated routine maintenance being carried out during the normal working week, thus seriously impeding the level of production. The completion dates for new plant to become operative were affected and the benefits from increases in production and the corresponding decreases in operational costs were accordingly postponed.

You will doubtless have observed the long overdue increases in the controlled selling prices of a large range of steel products were made public on December 15 and became operative from December 17, 1956. I consider I should remind you that since March, 1956, the steel industry has been carrying in three stages progressive increases in the costs of production without having received during a period of nearly nine months any compensatory adjustments in the home market for the controlled levels of prices for steel products. The first of the three principal items affecting production costs was occasioned by the increases in the agreement negotiated between the industry, the Confederation and the Allied Craftsmen's Unions with regard to the basic level of the scale of wages. The two further items reflecting on the costs of production were imposed on the industry by the British Transport Commission and the National Coal Board at short notice and have been carried by the industry up to the middle of last December. The implications arising from these progressive increases in production costs have imposed a heavy burden on the industry and further increases both direct and indirect have not been taken into account in these recent adjustments. Due to the disruption of normal supplies from the Middle East on which the United Kingdom and Western Europe rely for a substantial proportion of their requirements of oil products, the industry may well be faced in the immediate future with further increases which will tend to offset the full benefit secured from the recent price adjustments.

Naturally the storm of criticism which arose on the publication of these modest increases was anticipated and comprises the continuation of similar statements over a long number of years by consuming industries endeavouring to explain away their own inabilities to compete in export markets. The recent Press announcement stated that the general level of steel prices in the United Kingdom would be 8 per cent below the average levels of prices charged by the Western Europe steel producers to their internal consumers and amounted to an average increase of 6 per cent on costs to the consumer in the home market. By a simple method of arithmetic it will be appreciated that industry in this country has been securing its steel supplies to a degree of nearly 15 per cent below the prices charged to their Continental competitors and though in the recent price adjustments this disparity has been decreased an advantage of 8 per cent in cost is still enjoyed. It has been evident for a long while to many of us entrusted with the responsibility of operations and developments that adequate attempts are not being made by industry to keep in step with their competitors abroad, and an overhaul of methods of production is desirable.

I consider it would be in the interests of both consumers of steel products and the steel industry if a wider approach to the subject of fixation of steel prices is considered on lines similar to the formula operated in the United States over a long period of years. This proposal would include adequate price levels for specified periods in the home market. It would be essential to include reasonable margins to take care of demands outside the direct control of the industry and these proportions contained in the statutory prices would require to be co-related to the length of the period during which the prices of steel products would remain static.

NEW STEEL PIPE DEPARTMENT

During the year the new steel pipe department at Stockton has come into active production. This development has enabled your company to secure contracts of great magnitude in Canada, Venezuela and the Middle East. By the end of November, 1956, the quantity of steel pipes delivered for the final construction of the Westcoast Transmission pipe line was equivalent to a distance of 195 miles. The usages of the vast resources will play an essential part in the economic development of industry in the Western area of this great Dominion. The total mileage of the Westcoast Transmission line amounts to 662 miles and the actual mileage of steel pipes destined under normal conditions to be shipped by your company over the period January, 1956, to March, 1957, is equivalent to a distance of 312 miles and represents 47 per cent of the total length of the line. A contract for a substantial proportion of the pipes for the Trans-Canada project to convey the natural gas from Western Canada to the industrial and more heavily populated eastern section amounting to 636 miles was secured by your company in May, 1956. The first deliveries of pipes are due to commence in March, 1957, and owing to climatic conditions causing cessation of construction during the winter months deliveries will require to be spread over a long period, namely to July, 1959. The tonnage of steel involved in these two contracts amounts to 264,300 tons and the value exceeds $52 million at present levels of prices. Your directors are satisfied that the clauses incorporated in both contracts together with the arrangements made with our bankers covering the forward sales of dollars and firm freight rates secured are adequate to safeguard the financial implications of these two contracts.

In addition to the two large Canadian orders, contracts of similar magnitude have been secured from the principal oil companies for substantial increases in the development of pipelines for the conveyance of oil from the extensive oil-producing areas in the Middle East to ports of shipment. I write these remarks in the middle of December and accordingly it is unwise to prejudge events in that turbulent part of the world, but should these contracts be frustrated or suspended due to international conditions the tonnages in question will, in my opinion, be readily taken up for pipeline construction in other parts of the world.

Before I depart from this new and important sphere of the activities of South Durham I consider you would desire to have full information on the progress which has been achieved in the last 12 months in the development of this industry and the important part this specialised product is playing in the economic progress of the United Kingdom and the Commonwealth. From the experience I have gained during recent years from my visits to Canada and the United States I feel confident that the policy of that great member of our Commonwealth, after determining the ability of its own industries to meet the requirements of its rapidly expanding economy, comprises the intention to secure from the United Kingdom the maximum quantity of plant and machinery for capital investment which we can supply subject to the essential conditions with regard to quality, price and delivery.

CAPITAL EXPENDITURE

I referred earlier in my address to the fact that capital expenditure during the financial year amounted to £4.04 million and the principal items, beyond completion of the new steel pipe plant at Stockton, which have come into operation during the past financial year, comprised at the West Hartlepool works (i) the final stages of the erection of the ore preparation and handling plant, (ii) the completion of the 22 ft. 6 in. diameter blast furnace, which commenced production of iron in April, (iii) the gantry and overhead cranes for the direct handling of hot metal to the steel plant, (iv) additional heating facilities for ingots and slabs to increase plate production, and (v) the installation of the second 4-high stand in the medium plate mill and extensions to finishing facilities to deal expeditiously with the increasing level of steel plate production. The other principal items on which a high level of expenditure during the year has been incurred and which are due to become operative during the present financial year comprise (i) a sinter plant with an annual capacity of half a million tons to secure improvement in the quality of materials charged into the blast furnaces and so obtain a reduction in coke consumption and an increase in iron production; (ii) the construction of a third battery of coke ovens which, on completion, will enable the West Hartlepool works at this stage to be self-reliant as far as coke requirements are concerned.

At Cargo Fleet the principal items of capital expenditure incurred, though not yet operative, comprise (i) extensions to the discharging facilities on the River Tees to enable two ore carriers to be discharged simultaneously, (ii) construction of the ore stocking ground, (iii) replacement of a sinter plant, installed during the war years as an emergency, by a modern unit, and (iv) construction of the 22 ft. 6 in. blast furnace together with ancillary equipment to increase pig iron and ingot production. Subject to no unforeseen delays being incurred, it is anticipated the blast furnace will come into production during the first half of 1957 and the sinter plant during the latter part of 1957.

The principal items contained in the sum of £9.5 million authorised by your directors during the last financial year on capital expenditure outlined above comprise the installation of turbo-alternators of the most modern type to generate the electrical energy requirements of the West Hartlepool works and extensions to the level of steel pipe production at Stockton.

OTHER ACTIVITIES

I now outline the other activities of steel production and fabrication which your company has developed over a period of years. The steel products rolled at the West Hartlepool and Cargo Fleet works play their part in the endeavour to build up the economy of our country. During recent years your company has been entrusted by the Central Electricity Authority and by private enterprise with the fabrication and erection of seven power stations for the generation of electricity. Recent orders secured indicate a continuity in this specialised type of constructional work will be secured. In the range of fabricated steel work required as a matter of urgency for the early completion of the necessary facilities for handling oil products at the refineries constructed recently at Aden and at Kwinana in Western Australia your company has contributed. The supply of fabricated steel work of a similar nature, both for the home and export markets, is continuing to be secured.

A further development during recent years comprises at Stockton extensions to facilities to increase production of storage tanks and industrial plant. Your company has supplied and erected plant of a considerable magnitude to develop treatment of bauxite in Jamaica. Further contracts of a similar nature have been secured for extensions not only in Jamaica but also in British Guiana. The value of these contracts in course of completion and for future extensions amounts to £1.78 million.

During recent years your company has been developing in export markets the sale of a specialised steel product, namely Larssen Steel Piling, rolled at Cargo Fleet. In co-operation with the firms who handle these sales in certain export markets valuable connections have been built up, including among other important contracts secured in Canada the supply of the steel piling for the Toronto Harbour extensions, and during the recent financial year the steel piling for the wharf construction of the Canadian British Aluminium Company Limited at Baie Comeau on the St. Lawrence. Your company also secured during the last year the contract for the supply of steel piling and fabricated steel work, against heavy Continental competition, for the construction at Bluff Harbour in the South Island of New Zealand, which will ultimately play a prominent part in the exports from this Dominion. These negotiations were spread over a period of many months and, as I have placed on record previously, this contract is a further indication of our intention to strengthen the bonds between the members of our Commonwealth.

I have given you an outline of your company's large range of fabricated and specialised steel products the production and marketing of which, both for consumption at home and for export to the Commonwealth and world markets, are the direct responsibility of the directors and officials of your company.

EXPORT RESTRICTIONS

I consider it is my duty to draw your attention to the contradiction in policy which is becoming manifest with regard to the restrictions of steel exports imposed on the industry. In this respect it is hardly necessary for me to remind you of the recent remarks of Ministers regarding the vital necessity not only of maintaining the existing levels of export but in particular of increasing the proportions to the countries from which the essential currencies are secured in order to safeguard our national economy. In my view it has become apparent in recent years that by the restoration of the iron and steel industry to the control of individual investors the approach to these problems and the methods of execution necessitate careful examination. In recording these remarks I appreciate the important part which during a period of some 22 years the British Iron and Steel Federation has exercised in achieving the present level of efficiency in the industry. During the years when the future of the iron and steel industry was afflicted by divergent political opinions I do not question that the firmness of policy in discussions with the Government of the day received during those difficult years the full approval of those in an executive capacity on whose judgment the future of the industry largely depended. In my view it is in the interests for the further development and expansion of the industry as outlined in the Press report of December 15th that a more direct method of approach to discuss these problems requires to be established than exists today. Before the passage of the Iron and Steel Act of 1953 I do not question the correctness of empowering the British Iron and Steel Federation to act as a medium for discussions between the Government of the day and the industry, but since approximately 75 per cent of ingot production has been restored to private ownership I raise the issue whether the British Iron and Steel Federation should be entitled to continue exercising these powers. Your board of directors assumed the responsibility of all facts contained in the offer for sale and likewise these responsibilities continue for the future prosperity of your company. In concluding these opinions it is necessary to bear in mind that the British Iron and Steel Federation has never possessed executive powers with regard to the financial obligations of individual companies nor responsibilities affecting earning powers. In my opinion this position now requires revision to endeavour to secure that more direct forms of contact are established on these vital matters between the Board of Trade, the Iron and Steel Board, and the industry.

DIVIDEND

Your directors have considered in all aspects whether it would have been prudent to increase the dividend for the year over and above the amount of 8 per cent indicated in the Offer for Sale. I have already made reference to the factors which have contributed to the reduction in the level of profits during the past financial year. I ask you to bear in mind that since last June the incidences of the rise in production costs to which I have referred previously have been borne to their full extent and during the first 2½ months of the present financial year these impositions have continued to be carried. Due to the disruption of the normal supply of oil from certain countries in the Middle East additional costs in the level of production have arisen comprising a direct increase in the cost of oil and likewise an amount, from which the full implications will take time to be measured, on freight charges on the import of raw materials. The overall effects of these increases, which may well be of a substantial nature, were not included in the recent increases in selling prices, since both the duration and amounts cannot readily be forecast. Your directors feel in approaching the decision with regard to an increase in the rate of the final dividend these factors are of paramount importance, also bearing in mind the commitments on capital expenditure which have been entered into in order to increase the outputs of the products manufactured by your company. Your directors are only too conscious of their responsibilities to endeavour to maintain the values of the Equity capital at a high level and, when the international position becomes clearer, to consider the desirability of raising the rate of distribution.

FUTURE TRENDS

The Iron and Steel Board and the industry make a detailed study at regular intervals of the trends of the anticipated future levels of steel requirements by industry in the United Kingdom and to maintain a reasonable level for export to Commonwealth and world markets. From a review of the future trend of demand in the near future it is evident a substantial increase of heavy plate production is essential to enable the United Kingdom to maintain and to increase the prominent part which the industry of the United Kingdom has played over a long number of decades in building up the standards of living in the free world.

Arising from experiences gained by your directors in both Europe and the United States it is evident the demand for steel plates during the immediate future is destined to show an increase of considerable magnitude. In my view the demands will arise firstly from the urgent necessity to increase both the carrying capacity and the availability of modern tankers in order to meet the increasing demands for the supply of oil. Secondly, in order to carry economically to the iron and steel producing countries the essential supplies of ore an increase in the number of specialised ships of this nature is required. Thirdly and finally, from the experiences gained during the months the Stockton steel pipe department has been in production an equivalent increase in the demand for steel plates will automatically arise for the construction of trunk lines to transport both oil and gas.

Your directors, after taking into consideration these factors necessitating expansion of steel plate production at West Hartlepool, are submitting proposals to ensure a substantial addition to the level of steel plate production can be achieved.

CONCLUSION

I have stated previously during the financial year the steel pipe department at Stockton commenced production. I now feel I should draw your attention to the great efforts made at West Hartlepool to ensure that plates of the highest quality to comply with the strict requirements of these specifications were rolled and to the whole-hearted co-operation of your managers and employees at Stockton to ensure the quality of this new product would be on a comparable basis with the standards demanded in this specialised industry. I would also draw your attention to the efforts so readily made by all managers, members of our staff and employees to minimise to the greatest extent the handicaps which were encountered during the last financial year arising from the restrictions on overtime working.

Since the end of the financial year your directors have appointed Mr T. J. Williams to the position of group general manager, steel production, and I am confident you would like me to extend to Mr T. J. Williams our wishes for his success in his increased responsibilities.

I intend to add two more remarks. Firstly, you will have observed in your directors' report that Mr J. E. Shepherd has reached the age of 70, and that under Section 185 of the Companies Act, 1948, his reappointment as a director requires your confirmation. Mr Shepherd has been with your company for a period of 33 years and I know full well I am expressing not only the opinion of your directors and of myself of our satisfaction at the decision of Mr Shepherd to continue in his capacity as an executive director, but also to the fullest measure of every member of the staff. Secondly, during the year certain of the officials of your company have retired due to increasing years of age. I would like to place on record to you the value of their services over a long number of years in building up the prospects of your company. During their years of loyal service in the interests of your company I can assure you their successors have been most adequately trained.

THE UNITED STEEL COMPANIES LIMITED

INCREASED PRODUCTION

CONTINUED GROWTH OF DEMAND

SIR WALTER BENTON JONES ON EFFECT OF STRIKES

The annual general meeting of The United Steel Companies Limited will be held on January 31st at the Iron and Steel Institute, 4 Grosvenor Gardens, London, S.W.

The following is the statement by the chairman, Sir Walter Benton Jones, Bt, circulated with the report and accounts for the year to September 30, 1956:

The report of the directors and the accounts covering the twelve months ended on September 30, 1956, are enclosed with this statement. The report shows the growth of steel production, the result of the year's working and refers to the continuing modernisation and expansion of the works and the need to enlarge our capital.

DEMAND AND PRODUCTION

The growth in world demand for steel continues. Steelmaking countries increase their productive capacity year by year and some newcomers have entered the field. World production in 1955 was 265 million tons, which was 35 million tons more than in 1953. But production is still insufficient to overtake demand.

WORLD PRODUCTION

According to the industry's statistical returns there are about thirty countries in the world for which separate production figures are given. The table below arranges them in five groups and gives the production of each group and the total of them all in the years 1953, 1954 and 1955, and compares them with 1937, the highest prewar year.

STEEL PRODUCTION
(in million tons)

	1937	1953	1954	1955
United States of America	50·57	99·65	78·85	104·50
European Coal and Steel Community (E.C.S.C.)	35·67	39·00	43·10	51·76
British Commonwealth	16·70	25·85	26·55	29·24
Russia and satellites*	22·19	50·04	54·21	59·35
Japan	5·71	7·54	7·63	9·26
Others	2·67	8·41	9·65	11·07
	133·51	230·49	219·99	265·18

* Includes Yugoslavia but excludes China.

There was a halt in the USA in 1954 as a result of the steel strike in that country which appears to have cost it and the world 21 million tons. Otherwise every steel producing country has continued its progress year by year and the USA in 1955 surpassed its previous record which was made in 1953.

UNITED KINGDOM PRODUCTION

In the United Kingdom the 1955 production was 19.79 million tons, a gain of 1.27 million tons over the previous year. Imports amounted to 1.86 million tons, and after allowing for re-usable material and stock changes the total supply of steel was 21.57 million tons. Of this the home markets used 85 per cent and 15 per cent went abroad in direct exports. All these figures are taken from published statistics, and even if they are abc to many, not all will know or remember how striking they are.

The capital sum which has been expended in this great expansion in a long period of rising costs far exceeds the proportionate gain in productive capacity and this high capital cost in relation to gain in capacity, it must be assumed, will continue to rise.

With regard to the future, forecasts for the United Kingdom put the demand in 5 or 6 years time at 28 million tons of steel, including some increase for direct export. This would require an addition of 8 million tons to 1955 production.

THE COMPANY'S PRODUCTION

Our Company in the year 1955 produced 2,585,000 tons of crude steel which was an increase of 92,000 tons over the previous year. It is expected that we shall be able to contribute 700,000 tons towards the 8 million tons estimated additional production required for the United Kingdom.

CAPITAL EXPENDITURE

The expansion of our Company and the cost of it has been reported to you from time to time. In 1945-46 our production in round figures was 1,604,000 tons, in 1954-55 it was 2,559,000 tons. The money spent on capital account in that time has been £54 million. In addition, in our last financial year we spent £11 million, bringing the total over these years to about £65 million. Of this sum about £50 million has come from internal resources, £7 million has been brought in from coal mines compensation and the net realisation of investments and £7,700,000 has been found from new capital.

Only a small part of these sums has been spent on new capacity in terms of steel ingots. Part has been applied to replacing and increasing the productive efficiency of existing ingot capacity, part to modernisation, and part to installing plant and equipment for making larger numbers of products and more highly finished products.

FUTURE EXPANSION

With regard to the future, doubtless there may be temporary fluctuations, but there is no doubt that world demand will continue its upward trend and it may well be that supply will lag behind for a considerable time.

It needs no argument to demonstrate that the expansion in steel production throughout the world is too large and is moving too fast to be provided entirely by the internal savings of steel producing companies however owned. Very large contributions have been made and will continue to be made from this source. But the speed at which production is to be increased in order to keep in step with rising demand cannot be governed by the rate at which steel companies as a whole are able to save money.

It has been the policy of our Company to proceed with profitable developments in modernisation as fast as its development staff can design them, and the heavy engineering industry of the country can supply what is needed. So long as this policy is followed there will be times when expenditure will be more than can be met from accumulated financial resources and it will be necessary to augment them with new money.

During the past year work on development has progressed rather more quickly than would have been expected a year or two ago. Besides this earlier call on internal financial resources the amount of money locked up in stocks continues to increase; in eleven years it has risen by more than £18 million.

FUTURE TRADING RESULTS

Trading results since the close of the last financial year have been affected very little by current conditions arising from credit restrictions and the international situation. In particular, the demand for heavy steel products has shown no signs of contraction.

It is difficult to foretell whether the Company's activities will be influenced in the immediate future by circumstances outside its control, but on the other hand the benefits arising from the capital expenditure of recent years, which is large, are now being reflected in the Company's results. This factor would increase profits if existing circumstances remain unchanged and, conversely, it would be a counteraction if circumstances become less favourable. The effect of the increases in costs has been carried since the middle of the year without any compensating advance in steel prices.*

THE ACCOUNTS

The accounts in their present form and the explanatory notes and schedules which have become part of them leave little need for further comment. Capital expenditure amounted to £11,134,000. This has been met from retained earnings and net current assets.

There have been considerable movements in certain items of current assets and current liabilities and the net figure is lower by £2,513,000. The increase in the figure of creditors is mainly due to the presentation of large accounts for capital expenditure in the last month of the year. The comparative figures of taxation show an increase of £1,902,000 which is a reflection of the relative profits of 1955 and 1954.

* Note: Since this statement was written a general increase in steel prices has been announced.

Stocks have increased by £4,787,000 partly due to rise in prices, and partly due to increase in volume arising from growing turnover but also to a considerable extent from the need to provide for temporary interruption to normal movement of materials during major developments.

It is a pleasure to record once again our appreciation and thanks to the staff and all employees at every branch. They display unfailing industry and interest in the operations of the Company and take pride in the contribution which they are able to make to the prosperity, not only of their Branch, but of the Company as a whole.

BRANCHES

All the major productive departments throughout the Company have been fully employed. At many steelworks all over the country production was disturbed to a greater or less extent by what came to be called the craftsmen's embargo, but this disturbance did not reach a significant level at any of the Company's Branches.

The following are the most interesting features of the Branches most of which are the developments:

CUMBERLAND GROUP

Number of employees: 6,307.

When Her Majesty The Queen on her tour of West Cumberland opened the first electric power station to be operated by atomic energy at Calder Hall we were honoured by her visit to our Workington works. Here Her Majesty put into operation a link between the electrical system and the local power lines of the Electricity Grid thus making these works the first steel works in the world to be operated by means of atomic energy. This link makes possible an interchange of current which is estimated to save the consumption of 15,000 tons of coal a year.

The replacement and electrification of the rail mill and secondary mills are now complete and are in operation.

At Distington there has been considerable expansion at the iron foundry which specialises in heavy iron castings such as ingot moulds and slag ladles for our own works and for sale. This production together with general castings has now reached about 2,000 tons per week.

SHEFFIELD GROUP

Number of employees: 16,507.

Samuel Fox and Company Limited.—The trade of this subsidiary is particularly dependent on the activity of the road vehicle industry and it has been affected to some extent in regard to certain products by the difficulties which this industry has experienced during the year.

Nevertheless, a high rate of activity has been maintained and ingot production has for the first time exceeded 300,000 tons in one year.

Production of stainless steel has advanced by 10 per cent over the preceding year, though there has been and still is anxiety about the situation in respect of the supply of nickel, which is an essential constituent of the most popular varieties of this steel.

Rather more than one-fifth of the national production of alloy and stainless ingots during the year was produced at the Stocksbridge works.

Works developments have included the installation of new mills for blooming ingots and for the cold rolling of strip. A combined bar and rod mill is being built and preparations are under way to install later next year another large arc furnace alongside the one which started work in November, 1954, and which has been in successful and continuous operation since that time.

Steel, Peech and Tozer Branch.—The demand for all the products of this branch except railway springs has been heavy and consistent throughout the year, and the recession in the motor industry has produced no appreciable change in our order books.

Steel production exceeded one million ingot tons for the first time. This was achieved partly by the completion of the conversion of the Templeborough furnaces to 100 tons capacity, and partly by operating as many as twelve out of fourteen furnaces at Templeborough. Until five years ago not more than ten furnaces were maintained in operation, but since then numerous advances in furnace repair techniques and a greater use of mechanisation have gradually increased furnace availability to give the present 20 per cent improvement. A still further improvement will come in the present year.

Another four soaking pits of a much improved type have come into operation at the cogging mill thus providing ingot heating capacity which increasing production from the mill itself made necessary.

There has been much concentration on development schemes which cannot be included in the present report but which will reach completion in the present year. These include the Brinsworth Mill, the 30 in. mill expansion, a new cold rolling mill and a new bundling press.

YORKSHIRE ENGINE COMPANY LIMITED

Orders and deliveries increased by over 40 per cent in value. Steam shunting locomotives completed during the year were probably the last steam powered units to leave the works. Diesel locomotives were more than doubled in number and value and orders in hand will allow at least a further doubling of output. The plant has been maintained in good condition and labour relations have been co-operative, in spite of minor incidents that received rather wide publicity.

UNITED COKE AND CHEMICALS COMPANY LIMITED AND ORE MINING BRANCH

Number of employees: 2,273.

The major undertaking during the past financial year has been the continuation of the building of a battery of 43 coke ovens to replace a similar number of obsolescent ovens. These are scheduled to come into operation in July, 1957.

At the Ore Mining Branch a W 600 Dragline has been completed and put to work at the Crosby Warren pit at Scunthorpe. This is a Ransomes and Rapier machine with a bucket capacity of approximately 10 cu yds and is the first of its type to be built.

The output of the Dragonby Mine has been increasing over the past financial year and has now achieved the level of 10,000 tons a week.

LINCOLNSHIRE: APPLEBY-FRODINGHAM STEEL COMPANY BRANCH

Number of employees: 10,724.

The Branch again established record outputs in their plate mills, their section mills and their melting shops. The fact that no record was broken in their blast furnace output may perhaps be regarded as due to the arbitrary nature of the period of a financial year. The two largest furnaces were both relined during the year and iron production is now proceeding on record high levels of output and record low levels of coke consumption.

The large programme of work on replacements and extensions is proceeding to schedule. It includes the additional turbo blower for the ironworks and the additional steel melting furnace which is due for completion early in the new year.

TAXATION

The burden of taxation is a common subject in the statements of company chairmen as it is wherever two or more people are gathered together. No one can deny that a levy of near 50 per cent of income is a heavy weight to carry. But the root of the matter is not really taxation. The root of the matter is State expenditure, and although taxation appears to each one of us as a painful extraction, it is by and large the only source of State income. So long as the State is required by the taxpayer to undertake, or takes on itself, tasks which have to be paid for, the cost of these tasks must be met by taxation. It is a pity there is no glib word for State expenditure, nevertheless we should make more impression if every time we complained about the level of taxation we substituted the words, State expenditure. Most of us think it can be reduced and we are probably right, but if we studied State expenditure and talked about it as much and as often as we talk about taxation our breath might not be wasted.

Here are two examples which alone illustrate the magnitude of State expenditure.

The first example is State expenditure on fixed capital assets. In 1955 this expenditure by the Central Government, the Local Authorities and the Public Corporations amounted to £1,300 million which was 45 per cent of the total amount of public and private spending on fixed capital assets.

The second example is State employment. In 1955 the state directly and indirectly through nationalised services and industries, employed and paid the wages of 6,200,000 persons and this number is 26 per cent of the employed population.

PRODUCTIVITY AND STRIKES

But there is another side of the account which we have come to call productivity. In my statement a year ago I talked about industrial relations and I would now like to add a word which has a bearing on productivity. While we are making strenuous endeavours to increase productivity we still indulge in strikes which have the opposite effect. It is true that they cause less loss of time than in days gone by and it may be that the time lost is not large in relation to time worked, but the effect of the loss cannot be measured in men-days lost by the strikers themselves nor by reference to the area to which they may seem to be confined. The actual individuals who strike may seem to lose only their own wages but indirectly they lose much more and many other people also suffer injury.

Strikes affect the prosperity of the works in which the strikers are employed, they affect the activities of those who supply them with materials and services and those who buy their products. More widely and indirectly the income of the whole country, which is what we have to live on, is lowered and still more remotely the strikers inflict

damage on our goodwill in the markets of countries with whom we trade and in others with whom we hope to trade. In a word the strikers lower the prosperity and prestige of their country which causes a loss not only to themselves but to every one of their countrymen.

NEED FOR BROADER OUTLOOK

In these days we have secured for ourselves a high standard of living and we pride ourselves on having reached a high level of civilisation. It seems unbelievable that in industry with our complete and long established wage negotiating machinery we should ever resort to strikes as a final arbiter. And it is even more unbelievable that public opinion still permits an odd man or an odd number of men for some reason or other and perhaps unknowingly to break their contracts of service with the express object of leading what we have come to call unofficial strikes. Can we not take a broader outlook and allow differences in industry to be settled by arbitration?

To make such a suggestion may seem unrealistic. But is it? These conflicts and this irresponsibility may appear relatively small and the injury they inflict may seem to be confined to those directly concerned. But the harm they do and the reduction in productivity which they cause cannot be measured. It is not confined to the few directly concerned, it harms our country as a whole, in both the commercial and the political world to which we look for a living and in which we hope by example to strengthen the cause of peace.

THE ROYAL BANK OF CANADA

INFLATION STILL THREAT TO CANADIAN ECONOMY

CENTRAL BANK MAY NEED BROADER POWERS FOR EFFECTIVE CONTROL, SAYS MR JAMES MUIR

The Eighty-eighth Annual General Meeting of shareholders of The Royal Bank of Canada was held on Thursday, January 10th, at the Head Office in Montreal. Mr James Muir, Chairman and President, in the course of his address, reviewed some of the economic development which has taken place during 1956, with particular reference to the rising tide of inflationary pressure, pointing out that some of them are from new and unexpected quarters. He expressed the view that it might become necessary to enlarge the powers of the Central Bank of Canada to keep under control the forces which threatened the "integrity of our money."

INFLATION STILL A THREAT

"During 1956, the bugbear of inflation became a reality," said Mr Muir, "and inflationary pressure broke through to raise the price level. Nevertheless flexibility in the economy, plus the impact of governmental and private decisions, notably in the financial world, combined to reduce the inflationary effects below what they might have been.

"Consumption and investment expenditure can rise together only if there is an increase in goods and services, or a rise in prices. The flexiblity necessary to increase our output of goods and services is likely to be smaller in 1957 than it was in 1956. In 1957, therefore, it is even more urgent to curb the rising trend in total money expenditure."

BANK CURBS EFFECTIVE

Mr Muir said that the Bank of Canada and the chartered banks have co-operated within the broad framework of monetary policy to reduce to almost negligible proportions the net inflationary effect of chartered bank operations.

"Consumer credit continues to expand, but consumer credit directly or indirectly financed by banks fell off during the second half of the year, while similar loans by loan companies and credit unions continued in 1956 the rising trend established in 1955. Retail consumer credit by instalment finance companies rose through 1956 to a new high, while chartered bank loans to instalment companies fell steadily during the second half of the year.

"These favourable results, so far as chartered bank credit is concerned, were due to a monetary policy that kept the brakes on the expanding money supply, thereby allowing market rates of interest to rise with the increased demand for funds.

"In addition to overall policy on money supply and money rates, the Bank of Canada continues the ban on term loans, as well as its requirement, fully effective in May, 1956, that chartered banks maintain second-line reserves of treasury bills and day-to-day loans sufficient, with existing statutory cash reserves of 8 per cent, to establish a 'liquidity ratio' of at least 15 per cent of deposit liabilities.

TWO NEW DANGER SPOTS

"I believe that there are at least two sources of inflationary pressure which the Central Bank, with its present powers, will find it difficult to reach.

"First, it is possible, even with no increase in money supply, to increase the activity of that supply by putting otherwise idle funds into the hands of spenders through the ordinary devices provided by the capital market.

"Second, it is possible, with no increase in the money supply, to increase the funds available to businessmen and consumers from sources other than the financial institutions ordinarily controlled by our monetary authorities.

"In a market where interest rates are rising and are expected to rise still further, some borrowers float capital issues to provide cash balances which they may need later. In other words, there is a growing tendency for some, who have future but undefined and as yet unplanned expansion in mind, to go into the capital market unduly far in advance of their actual needs. With high short-term rates for the temporary use of these funds, the net additional cost may not be great; and the general deterrent effect of high rates is weakened by the expectation that rates are going even higher. What we have is a sort of panic: a panic to get money now for fear it will not be available later. This is an unexpected cousin of the typical inflation—it is inflation of the capital funds market.

"As a result, corporate securities may be sold to non-bank investors, who presumably either have surplus funds or divest themselves of other assets, such as government securities, to those who have these funds. Thus, otherwise idle money may be put into the hands of spenders.

"It would seem highly desirable that those who employ the capital issues device to build up speculative cash balances should voluntarily impose upon themselves a greater measure of restraint. Nobody, I am sure, wishes to see any attempt at the direct supervision of capital issues such as might result from an undue limitation, through these speculative transactions, of the effectiveness of our monetary policy.

"The second source of additional inflationary pressure is the result of the growth of non-bank repositories of funds. Some of these are subject to governmental regulation or control but not by our monetary authorities, and not for purposes appropriate to monetary policy."

BROADER POWERS NEEDED?

"The curtailment of bank credit may have little direct effect on the supply of funds from non-bank sources. Even those institutions, such as the finance companies, with traditionally large bank loans, have alternative sources of funds, and these sources become more significant as the non-bank sector of the business community increases in importance as a repository of liquid funds.

"It would seem, therefore, to be at least open to doubt whether the present facilities and techniques available to our monetary authorities are sufficiently wide in scope to deal with present-day problems of credit control.

"It may be taking too positive a view of a distant scene, but it would at least appear that, in order to be fair and in order to achieve the best results, our monetary and credit control may have to embrace a wider area of our financial world than it now does."

ASSETS EXCEED $3,500,000,000

Mr K. M. Sedgewick, General Manager, commenting on the bank's financial statement, noted that assets had reached the impressive figure of $3,571,298,320 and deposits had passed the $3,250,000,000 mark, both new high points in Canadian banking history. Capital Funds now stand at $186,701,633, an increase of approximately $36,000,000 during the year. The bank's liquid position continued strong, with total quick assets of $1,958,263,058, representing 57.8 per cent of all liabilities to the public. "General business has been conducted at an active tempo since our last review," said Mr Sedgewick. "We play a part in practically all phases of Canada's development, and it is our aim that we shall continue to do so." Referring to the bank's extensive foreign organisation in Central and South America and the West Indies, Mr Sedgewick mentioned that in addition to the bank's present well-located branches abroad, there was under consideration the possibility of opening at two new points. "It has long been our policy to select business carefully," commented Mr Sedgewick, "and as a result, the asset position of our branches abroad continues at a high standard."

ENI

ENTE NAZIONALE IDROCARBURI
ROME, ITALY

(Italian State Corporation for Oil and Natural Gas)

DEVELOPMENT OF PROSPECTING, PRODUCTION, TRANSPORT AND DISTRIBUTION ACTIVITIES

INVESTMENTS FOR LIT.180,000 MILLION OVER A PERIOD OF THREE YEARS

The ENI balance sheet for the year ending pril 30, 1956, was published recently. The eport of the Board of Directors, which ccompanies it, illustrates the situation in taly, as well as throughout the world, in the ydrocarbon sector, and touches upon the hief problems concerning the development f power resources. It covers the activity of he Group, examines its prospects for the uture, and comments upon items in the alance sheet.

PROSPECTING AND PRODUCTION ACTIVITIES

The prospecting activities of the ENI roup of Companies were developed further n the area exclusive to it, as well as in the emainder of Italian national territory and broad. Geological surveys in 1955 in parcular covered extensive areas in Peninsular taly and Sicily.

Geophysical surveys were conducted by 7 crews, totalling 137.5 crew-months, an ncrease of about 20 per cent as compared with the preceding year.

In 1955 AGIP Mineraria and affiliates sank 28 exploration wells in Italy on their own account, with a total depth of 214,526 ft, 10 of which proved productive, and 53 production wells with a total depth of 315,898 ft. In carrying out this activity, considerable supply difficulties had to be overcome owing to the fact that drilling sites were very far apart.

AGIP Mineraria affiliates started and continued their activity abroad. In Egypt, prospecting continued in the permit areas along the coast of the Gulf of Suez and ten wells were drilled (eight of them now completed), totalling some 66,000 ft in depth In Somaliland, an exploration well was sunk in Northern Midjurtinia.

ENI Group Companies further drilled a total of 25,906 ft in Italy and abroad, on account of other companies.

The Group's drilling rigs in operation at the end of 1955 numbered 34, 16 for great depths and 18 for medium and shallow depths. Two additional 16,400 ft drilling rigs started operating in 1956.

The Group's intense exploration activities produced remarkable results. In the Po Valley, gas deposits were found at Pandino (Milan), Orzivecchi, Bagnolo Mella (Brescia), and Budrio (Bologna). In the Abruzzi, at Casalbordino, Tocco Casauria, Vallecupa and Madonna della Croce, some wells drilled by SOMICEM encountered oil-bearing strata in limestone formations which, according to tests, should offer interesting production possibilities. In Sicily, exploration activity was continued in the Cisina gas fields and in the area south of Catania. Drilling near Ardizzone (Catania) tapped a gas-bearing structure.

The total production of natural gas by the ENI Companies ("AGIP Mineraria," "Ravennate Metano" and "Mineraria Sicilia Orientale") in 1955 rose to 117,935 million cu ft, as compared with 95,337 million cu ft in 1954, an increase of 23.8 per cent. During the first four months of 1956, production reached 54,730 million cu ft, showing an increase of 33.5 per cent compared with the corresponding period of the preceding year (40,994 million cu ft).

Total output of liquid and liquefiable hydrocarbons in 1955 amounted to 114,851 metric tons, including 54,700 tons obtained through gasoline recovery at the Cortemaggiore plant.

TRANSPORT AND UTILISATION OF NATURAL GAS

In 1955 both transport activities and production increased considerably. During the year, ENI Group Companies dealing with the transport and distribution of natural gas, built and installed 286.8 miles of new gas pipelines. In the aggregate, the gas pipeline network in use on December 31, 1955, reached a length of 2,531.9 miles, involving the use of 180,000 metric tons of steel. A further 155 miles of pipelines were either being installed on the same date, or were already installed but not yet in use.

At the end of 1955 there were 1,720 industrial users served by the SNAM and "Azienda Metanodotti Padani" network. The number of users connected with the city networks of the ENI Companies, which distribute gas for domestic use only, rose from 10,191 to 15,830 during the year.

In 1955 the ENI Group distributed a total of 123,790 million cu ft of natural gas, of which 95.4 per cent represented its own production; this figure is equivalent to 97 per cent of Italian consumption as a whole. In almost every sector of consumption the increase in sales over the preceding year was considerable. The greater increase in relative value refers to domestic and civil uses (31 per cent) and chemical processing uses (29 per cent). For industrial thermal appliances the increase was 22.4 per cent; the most striking increases were registered by the following industries: food (60.2 per cent), chemicals (28.6 per cent), rubber processing (27.1 per cent), and metallurgical (27 per cent).

PETROLEUM TRANSPORT AND PROCESSING

The AGIP tanker fleet in service at the end of 1955 comprised 11 units with a total deadweight capacity of 109,930 tons. Transport in 1955, measured in tons-per-mile, was 79 per cent higher than in 1954, chiefly because of the entry into service of two new tankers, *Alderamine* and *Cortemaggiore*, which took place during the year.

In March of the current year an order was placed with the Ancona Cantieri Navali Riuniti for a turbine tanker with a total deadweight capacity of 36.000 tons, driven by a 16,000-hp steam turbine.

In the sector of hydrocarbon processing, the activity of the Group's Companies in 1955 was chiefly concerned with the qualitative improvement of products, by means of technical improvements to installations.

In 1955, two catalytic reforming plants went into production at the IROM Refinery in Venice and the STANIC Refinery in Leghorn. The Cortemaggiore distillation and catalytic cracking plant for processing the crude obtained from this field was also taken into service.

During 1955, the refineries connected with the Group processed about five million tons of crude, and utilised plant capacity to an impressive degree.

DISTRIBUTION OF PETROLEUM PRODUCTS

Sixty-two per cent of the Group's output was sold on the home market and 38 per cent on foreign markets; in the preceding year the percentages had been 55 per cent and 45 per cent respectively.

Sales registered a remarkable increase in 1955, in spite of keen competition. The new 98-100-octane "Supercortemaggiore (RM)" petrol, placed on the market by AGIP in April of this year, was given a most favourable reception by the public on account of its high efficiency, and the new fuel oil, "Fluid AGIP Extra." which is particularly suited for automatic burners, has found wide acceptance for central heating systems, as well as in industrial plants.

In the sector of liquefied petroleum gas an increase was registered throughout Italy —and especially in the South—in the sales of bottled liquid gas (AGIPGAS), and centralised distribution systems were completed, which were already serving 800 users by the end of the year. In many localities the conversion of coal-gas networks into distribution networks for propanised air or pure propane is in the planning stage.

A new company, "AGIPGAS Città," was set up at the beginning of 1956 by "Nuovo Pignone" and "Metano Città" for the installation and operation of such networks.

PETROCHEMICAL AND MISCELLANEOUS ACTIVITIES

In 1955 and during the first few months of 1956, the bottling plants for liquefied gases at Cagliari, Leghorn, Arma di Taggia, Fabriano, Viterbo, Palermo and Bologna, went into production. The Foggia plant is under construction.

Work on the ANIC petrochemical plant at Ravenna, which will process natural gas for the production of synthetic rubber and nitrogenous fertilisers, began in 1955 on a plot of land purchased from the municipality.

The road network, some plant buildings, the warehouses, the wharf along the Candiano canal, and the first residential building have reached an advanced stage: and the initial equipment will be installed next autumn. The major plants, such as the thermoelectric power station, plants for air liquefaction and the production of oxygen and nitrogen, installations for purifying and

separating gases for the production of ammonia, and plants for synthesising butadiene, as well as a considerable portion of the equipment used in rubber production, have already been ordered.

In the engineering industry sector, "Nuovo Pignone" developed its reconversion programme in 1955, and switched production over to installations and equipment for the petroleum, chemical and mining industries, thus fulfilling the aim of complementing the activities of the other Companies of the ENI Group. The output of compressors, engine-compressor units and equipment for the production and distribution of petroleum products, was increased considerably, and the production of drilling equipment started.

Società Termoelettrica Italiana (STEI) produced 804 m. kWh in the Tavazzano power station last year, registering an increase of 13 per cent over the 1954 output. Compared with the aggregate of "large producers," this figure represented about two per cent of the total electric power produced, and about 12 per cent of thermo-electric power.

In December, 1955, the San Donato Milanese "Study Centre," on which building work started in 1953, was inaugurated. The Centre buildings cover a total area of about 323,000 sq ft.

NUCLEAR ENERGY

In the field of exploitation of nuclear energy for industrial purposes, the ENI Group launched some projects for the training of technical and specialised personnel, and for prospecting for radio-active minerals, reaching positive and highly interesting results which warrant further developments of ENI's activities in this field.

PROGRAMMES AND PROBLEMS

Activity programmes outlined in the report of the ENI Board include about Lit. 180,000 million for investments to be effected during the three-year period 1956-58. The funds needed will be secured partly from internal sources and through recourse to ordinary credit, and partly by floating a bond issue for Lit.60,000 million divided into three annual series of Lit.20,000 million each.

Investments are contemplated for an amount of about Lit.45,000 million for petroleum processing plants and related transport and distribution activities; and almost equal investments are anticipated for the construction of the Ravenna petro-chemical plant. The largest share, however, will be destined for hydro-carbon prospecting and production activities, for which an investment of about Lit.75,000 million is envisaged, half of which will be for use in Peninsular Italy.

SUMMARY OF BALANCE SHEET

The Profit and Loss Account at April 30, 1956, shows a net profit of Lit.4,157,689,299, which the ENI Board proposes to distribute as follows:

Lit.831,535,899—or 20 per cent, to the ordinary reserve fund;

Lit.2,720,500,000—or 65 per cent, being the share reserved to the State, to increase ENI's capital endowment fund, pursuant to the provisions of the Act of February 10, 1953, No. 136.

Lit.623,653,400—or 15 per cent, to finance scientific studies and research on hydrocarbons and other sources of power.

ENI

(Ente Nazionale Idrocarburi)

ROME, ITALY

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED APRIL 30, 1956

EXPENDITURE	Lit.	Lit.
Financial Charges :—		
Interest Payable and Misc. Loan Charges	667,331,975	
Misc. Interest and Bank Charges	3,198,865	
		670,530,840
Operating Expenses :—		
Wages, Salaries, Social Security and Insurance Contributions	271,703,924	
Severance Pay Fund Allocation	24,046,439	
Services	64,307,223	
Laboratories, Studies and Research	93,601,488	
Publicity	5,611,429	
Administrative and General Expenses	42,386,720	
		501,657,223
Taxes :—		
Corporate Tax and Tax on Loans	331,960,100	
Misc. Taxes	1,168,674	
		333,128,774
Amortisation and Depreciation :—		
Buildings, Furniture and Equipment	34,939,268	
Natural Gas Bottles	54,839,497	
		89,778,765
Total Expenditure		1,595,095,602
Net Profit for the Financial Year		4,157,689,299
	Lit.	5,752,784,901

RECEIPTS	Lit.	Lit.
Dividends on Participations :—		
AGIP	468,000,000	
AGIP Minerria	1,645,875,000	
ANIC	330,641,910	
SNAM	1,859,902,875	
ROMSA	20,001,280	
		4,324,421,055
Interest on Loans		1,138,079,368
Interest on Bank and other Accounts		3,089,488
Coupons and Interest on Misc. Securities		58,899,410
Hire Fees for Gas Bottles owned by ENI		89,591,567
Commissions on Guarantees		99,963,108
Misc. Revenue		38,740,895
	Lit.	5,752,784,901

The President : Enrico Mattei

The Board of Auditors : Romolo Sartori (*Chairman*), Antonio Baglio, Giuseppe Castana, Sergio Ruggeri, Guido Cerutti.

The Court of Accounts Delegate : Gino Calvari.

ANNUAL REPORT AND STATEMENT OF THE CHAIRMAN . . . HAWKER SIDDELEY GROUP

Sir Thomas Sopwith reviews Hawker Siddeley Group 21st Anniversary

PERIOD OF GREAT ACTIVITY: EXPANDING INTERESTS IN OTHER FIELDS

The 21st Annual General Meeting of the Hawker Siddeley Group was held on January 9th at the Dorchester Hotel, London. During the course of his speech Sir Thomas Sopwith, CBE, the chairman, said:

As this is our 21st Anniversary, it is fitting that I should deal with our progress since the Group was formed.

The last twenty-one years have been a period of intense activity and development. Our companies have produced more than 44,000 aircraft.

In the Second World War companies of the Group made over a quarter of the aircraft used by the Royal Air Force.

Among many other products during the period were a wide range of aero engines, motor cars, diesel engines, factory-built houses and industrial buildings—and it must not be forgotten that we produced the Gloster-Whittle E.28/39, the first Allied jet aeroplane, which played no small part in changing the entire face of aviation.

From a small beginning the Company has become the largest group of aircraft and aero engine designers and manufacturers under one control in the British Commonwealth and is expanding its interests in other fields. A. V. Roe Canada Ltd. has, in the space of eleven years, become one of the major industrial units in Canada.

We have had another satisfactory year's trading, and the profits of the Group for the year ended 31st July 1956, before taxation, amounted to £12,847,867, compared with £12,675,537 last year.

I have on several occasions laid stress on the need to retain large sums for keeping the Group thoroughly up-to-date as regards plant and equipment including the latest developments in nuclear power and electronics. Your Board is continuing this policy which is essential to ensure successful trading results in the future. In addition, we are embarking on the design and manufacture of a civil turbo-jet transport aircraft and other private ventures without Government assistance.

Your Board is recommending a final dividend on the ordinary shares of 7% less tax, making, with the interim dividend already paid, a total dividend for the year of 10%. Your directors feel it is essential to retain in the business a substantial part of the profits after taxation, to finance research, capital expenditure and a high volume of production.

Although we have been able to retain nearly £5 million in the operating companies this year, it has been necessary to set aside more than £7 million for taxation.

In Canada 500,000 new common shares of A. V. Roe Canada Ltd. have been sold to investors there. This was the fulfilment of a desire by your Board to give the Canadian public an opportunity to participate in a company which is one of the largest in the Dominion.

Highlights of the year include:

1. AIRCRAFT IN SERVICE

The Avro 'Vulcan', Hawker 'Hunter' and Gloster 'Javelin' are all in service with the Royal Air Force.

2. CIVIL AIRCRAFT MARKET ENTERED

A world-wide market awaits the right aircraft in the civil transport field and we believe that the Armstrong Whitworth civil aeroplane is an answer.

3. INVESTMENT IN TECHNICAL FACILITIES EXPANDED

At home and in Canada big investments have been made in providing technical facilities without which it is impossible to survive in this fast-moving technical world:

Sir W. G. Armstrong Whitworth Aircraft Ltd. are incurring substantial expenditure on expansion of facilities in connection with guided missiles and aircraft.

A self-contained establishment for Armstrong Siddeley Motors' research work in gas turbines and rockets is nearing completion.

At A. V. Roe & Co. Ltd. expansion of facilities was continued and a new wind tunnel capable of providing very high speeds will shortly be available. A special building equipped to investigate the 'heat barrier' will be ready early in 1957.

At Hawker Aircraft Ltd. new premises are being built to house increased design, research and development staffs.

In Canada, considerable expansion has been necessary to Orenda Engines' facilities to cope with the new intensive programme on the 'Iroquois' engine.

Canadian Steel Improvement Ltd. have just completed an extensive expansion programme.

4. GUIDED MISSILE PROGRESS

Practice firing missiles designed and built by Sir W. G. Armstrong Whitworth Aircraft Ltd. have been fired from H.M.S. Girdle Ness. The A.W.A. research establishment will include a laboratory where all the conditions of the launching and flight of guided missiles can be simulated.

5. RESEARCH INTO NUCLEAR POWER

Hawker Siddeley Nuclear Power Co. Ltd. are engaged in studies of certain nuclear reactor systems, in particular, the liquid metal fuel type of reactor.

6. NEW ERA FOR CANADA FOR MANUFACTURE OF RAILWAY ROLLING STOCK

Canadian Car and Foundry Co. Ltd. have made arrangements with the Budd Co. to manufacture the famous line of Budd railway passenger cars required by the Canadian Railways. Development is also proceeding in the diesel-driven rail cars of special types suitable for the North American Continent.

7. CANADIAN AUTOMOTIVE FIELD BROADENED

The Canadian Car & Foundry Co. Ltd. are building the first diesel-powered truck designed in Canada.

I will now deal with other activities of the major companies.

AIRCRAFT

Production of the 'Vulcan' is now in full swing but development still proceeds. Avro's now possess one of the largest technical and research teams in this country.

Delivery of Hawker 'Hunters' to Denmark and Peru has been completed and good progress made towards fulfilment of the larger order from Sweden.

We have hopes that the new 'Hunter' Two-seater will add further to our order book both at home and abroad.

Production of the Gloster 'Javelin' 1 is now completed, and later versions are on the production line.

Avro Aircraft in Canada are making satisfactory progress with the development of the CF-105 while continuing production on schedule of the CF-100.

AERO ENGINES

Armstrong Siddeley turbo-jet and turbo-prop engines are now flying in 23 types of military aircraft. More than 10,000 Sapphire type engines have been produced at home and in the United States.

During the last ten years Armstrong Siddeley Motors have paid particular attention to rocket motor development and now have a considerable stake in this important power plant of the future.

In Canada, Orenda Engines Ltd.'s new engine, the 'Iroquois,' has been running for some time and has passed a stringent endurance test at a high power.

MOTOR CARS

In company with other manufacturers, Armstrong Siddeley have experienced a falling off in sales, but plans are going ahead for the future.

METALS

The commercial side of High Duty Alloys' business, which has been showing promising growth, was affected last year by the credit squeeze but the ground lost has now, to some extent, been recovered. The company have maintained a high level of supplies for military and civil aeroplanes.

Canadian Steel Improvement Ltd. have made considerable advances in forging techniques, particularly in titanium.

Canadian Steel Foundries (1956) Ltd. operate the largest and most modern foundry of its kind in Canada.

DIESEL ENGINES

Armstrong Siddeley Motors Ltd. have expanded their range of engines and applications and increased their sales.

HOUSES AND CIVIL ENGINEERING

Hawksley S.M.D. Ltd. have continued the use of aluminium for the building and civil engineering industries.

Kelvin Construction Co. Ltd., the steel construction branch of the Group, have had a successful year and have completed many industrial buildings during this period.

BUSES AND RAILWAY ROLLING STOCK

Canadian Car & Foundry Co. Ltd. have completed a large number of railway wagons and trucks. On the automotive side a steady production flow was maintained and future prospects are highly satisfactory.

AIR TRAINING

There has been a substantial increase in the number of students at Air Service Training Ltd.

IN CONCLUSION

Before I conclude I must strike a note of warning.

In the future aviation could be the means of saving civilisation.

Other countries are spending more and more money on the construction of aircraft, and we must speak from similar strength.

We must continue, to evolve better and better aircraft, missiles and all manner of defence equipment.

If defence is cut to very low limits there is the serious danger that our teams of experts will disintegrate and it must always be remembered that a healthy aircraft industry is a most profitable source of export business, which is the life blood of the country.

The nation has every right to be proud of its technical achievements. We in the Group are proud of our own, the products of the skill and experience of our technicians and craftsmen who are second to none in their ability, knowledge and enthusiasm.

The welfare of our Group lies in the direction of diversification, both in the type of its business and its location. Already our Canadian Company has become an important part of its country's economy and opportunities for expansion and consolidation will not be missed either at home or abroad. Our efficiency will be maintained so that we are in a position to take advantage of world prosperity which, when sanity prevails, must lie ahead.

In assessing our record for the year I am sure you will join me in expressing our thanks to the 75,000 executives and employees who have made it possible.

The report and accounts were adopted.

BANK OF CEYLON

AN EVENTFUL YEAR

FOREIGN AID WITHOUT POLITICAL STRINGS WELCOMED

MR H. V. PERERA ON NEW GOVERNMENT'S OBJECTIVES

The annual general meeting of the Bank of Ceylon was held on December 29th at Colombo.

The following is an extract from the statement by the Chairman, Mr H. V. Perera, QC, on the report and accounts for the year ended September 30, 1956:

Since I addressed you last year in December we have witnessed many events of political and economic significance both at home and abroad. In the international sphere political events both in the Middle East and Europe have threatened to disrupt world peace; but the United Nations Organisation has successfully demonstrated that, backed by moral force, it is possible to ensure that the rights of every nation, big or small, are recognised.

Political tension over the Suez Canal dispute followed by military action has interfered to a considerable extent with international trade and commerce. It is hoped that before long normal conditions will be restored.

Ceylon was admitted early this year to membership of the United Nations Organisation. I have no doubt that Ceylon will make its due contribution towards furthering the aims and objectives of this great organisation.

In our own country a new Government with a new political, economic and social programme came into power in April, 1956—a Government which has among its objectives, non-alignment with power blocks and the rapid development of a socialistic pattern of society.

In the field of economic activity it is gratifying to note the grant of 5 million dollars in economic aid by the United States of America out of its foreign aid appropriations for 1955/56. This, together with Colombo Plan aid, will greatly assist our economic progress and provide additional finance for schemes of development already being planned by our Government. Our Prime Minister has stated that foreign aid without political strings, from whatever country it is offered, would be most welcome and I am certain that, in the absence of a sufficient rate of capital accumulation in our country, foreign assistance will provide a useful and much-needed source of finance for economic development.

TEA

This year average prices of tea sold in Colombo have not shown the wide fluctuations experienced in 1955. The steadier conditions are welcome in that they are conducive to expansion of trade and contribute to the stability of the industry, but crop forecasts in North India for the next few months seem to indicate that annual production will be well ahead of last year and that world supplies will be in excess of world demand. A world shortage of good quality high grown tea has in the course of the year benefited producers of tea at high elevations, but growers in the low-country districts have had to bear a substantial drop in their sales prices. In the light of these conditions the renewal of the international tea agreement would appear to be desirable to give market confidence and to provide safeguards for the growers of tea especially in low-country areas which appear to be most vulnerable to fluctuations in market prices.

The ownership of some tea lands in Ceylon has recently been passing to a few Ceylonese speculators who, thinking more of their immediate personal gain than of the economic size of the tea estate, have broken up estates with results which would prove disastrous for the industry if carried out on a large scale. This fragmentation does not augur well for the future of Ceylon's chief industry, and prompt action on the part of the Government to protect this industry is a vital necessity.

The subject of replanting has not received sufficient attention, and progress, if any, has been tardy. Replanting has already been undertaken in India and it is likely that a centrally organised replanting scheme will soon be put into operation in that country. If we are not to be confronted with the prospect of competition from low-cost tea from Indian estates it is essential that we modernise our tea gardens and replant old areas in contour system by vegetative propagation. If owners will not voluntarily undertake these responsibilities, provision should be made by Government to make it obligatory for them to do so. If necessary, Government should levy a replanting cess on exports and give all assistance in framing, co-ordinating and implementing a replanting scheme.

RUBBER

Rubber has lived up to its reputation for elasticity in price and in the course of the year market values have registered many fluctuations which have been caused chiefly by political events and by reversals in the fortunes of the motor industry. Production of synthetic rubber has been increasing in the United States and elsewhere to meet increasing world demand for rubber while production of natural rubber has been lower than last year and still lags behind consumption. With the advance in scientific processes and the production of a more "natural" form of synthetic rubber, competition between natural and synthetic tends to hinge more and more on the price factor, and consequently producers of natural rubber should concentrate on effecting a reduction rather than an increase in the price of their product. The development of synthetic rubber in consuming countries makes it imperative for the producer of natural rubber to rationalise his industry so as to make it competitive in world markets.

COCONUT PRODUCTS

World production and per capita consumption of fats and oils in 1956 are likely to be slightly higher than in 1955, but world exports are estimated to remain more or less unchanged. World exports of copra and coconut oil are expected to be slightly higher than in 1955, but the annual figures of Ceylon's share of these exports, when they are finally known, will probably reflect the decline in coconut production caused by the recent drought. Prices on average have not, however, shown much change in comparison with last year and foreign demand for our produce has continued to be satisfactory.

Competition from synthetic detergents still looms large both abroad and at home, but, as I have said on previous occasions, the future of our coconut oil lies rather in its use for the manufacture of margarine and cooking fats than as a raw material in the production of soap.

EXTERNAL TRADE

The declining income from our exports, chiefly tea, and the increased expenditure on larger, and sometimes more expensive, imports have necessarily reduced the balance of trade in our favour in comparison with the record results achieved last year. An examination of the composition of our exports and imports reveals that the three main export commodities still account for about 90 per cent of our total exports and that expenditure on imports of food forms about 40 per cent of total import expenditure. It has been said before, but it will bear saying again, that a diversification in the composition of our exports and less reliance on foreign countries for essential items of food are highly desirable.

The United Kingdom remains our most important trading partner in the field of both exports and imports, while India, China, Burma and the United States are also prominent in our trading transactions. Our trade with the dollar area continues to give us a fair balance in our favour and our exports to China have increased substantially. It is not the intention of the Government that Ceylon should practise a rigid conservatism in our trade relations, and the diversification of the existing pattern of trade to cover the Communist block of countries will spread our external trade over a wider field.

BANK OF CEYLON

The total deposits of all commercial banks rose during the year under review from Rs. 891 million to Rs. 1,028 million, an increase of 15.4 per cent. During the same period the total deposits of your bank rose from about Rs. 367 million to about Rs. 439 million, an increase of 19.6 per cent. Your bank continues to control over one-third of all commercial bank deposits of the country. I think you will agree that this is a very satisfactory position.

Cash on hand and Balances with Banks rose from Rs. 92.5 million to Rs. 122.5 million. The percentage of Cash to total deposits is thus 27.9. The percentage of Cash, Treasury Bills, Loans Receivable at Call and Money at Short Notice to total deposits is 37.2; and if Trade Bills and Investments maturing within one year are included the percentage is 45.8.

The net profits of the Bank are slightly higher on balance than a year ago, in spite of increasing overhead charges and the heavier burden of taxation. Your Directors are recommending payment of a final dividend of 7½ per cent, making a total of 15 per cent for the year.

As against a paid-up capital of Rs. 4,500,000 we have free published reserves aggregating Rs. 10,500,000 in addition to substantial free inner reserves.

The report and accounts were adopted.

APPOINTMENTS

UNIVERSITY OF NATAL

SOUTH AFRICA

Applications are invited from suitably qualified persons for appointment to the vacant post of LECTURER IN ECONOMICS, Durban.

Salary scale £800 x £50—£1,050 per annum

In addition to the above salary scale, a temporary cost of living allowance of £234 per annum will be paid to married men only.

Application forms and further particulars are obtainable from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close, in South Africa and London, on *February 22, 1957.*

THE UNITED KINGDOM ATOMIC ENERGY AUTHORITY

ASSISTANT CHIEF ENGINEER

Applications are invited by the Industrial Group for a senior appointment in the Inspection and Progress department of the Engineering Branch at its headquarters at Risley, near Warrington, Lancs.

The selected candidate will be responsible to the Chief Engineer for the organisation and control of staff engaged on inspection and progress duties in connection with the manufacture by outside contractors of engineering plant and equipment, the design of which is often novel in application and technique.

Applicants should have served a recognised engineering apprenticeship and be corporate members of the Institution of Mechanical or Electrical Engineers. Wide experience of control of inspection work on mechanical and electrical plant and equipment at manufacturers' works, and an up-to-date knowledge of modern manufacturing and production methods and inspection techniques are essential.

Salary will be assessed within the range £2,000 to £2,500 per annum.

A house for renting by the successful candidate (if married) may be available in due course. Alternatively, substantial assistance may be given towards legal expenses incurred in private purchase. There is a contributory pension scheme.

Application forms may be obtained from the Chief Recruitment Officer, Industrial Group Headquarters, U.K.A.E.A., Risley, near Warrington, Lancs.

Closing date—January 30, 1957.

YOUNG MEN, 23-25 years of age, single, with fluency in at least one foreign language, are required to be trained as Overseas Sales Representatives. Initial training in this country. These vacancies are within a large industrial company in the United Kingdom with associated companies abroad. Good salary offered. Write stating education, commercial experience and other qualifications to Box A.231, c/o Central News Ltd., 23 London Wall, E.C.2.

RESEARCH ASSISTANT with some qualifications in production statistics and company finance required to help in investigation into sector of British business East. Engagement for approximately fifteen months from early 1957. Free travel out and back and monthly salary of £110. Would suit appropriately qualified woman.—Box 593.

MANAGEMENT SELECTION LIMITED have been retained to advise on the appointment of an

EXECUTIVE VICE-CHAIRMAN

for a company employing upwards of 3,000 which is part of a new group and which operates a number of factories making a range of domestic products having a world-wide market, some 50 per cent of the output being exported, mostly to North America. The position of Vice-Chairman is a new one and will also carry a seat on the Board of the parent company.

The vice-chairman, apart from his general responsibilities will have special and direct responsibility for sales and marketing policy.

Candidates must be good administrators whose record shows ability to direct, maintain and develop a successful management team; they should have reached top management level in a company of comparable size by way of a successful career in marketing and sales. *Experience must have been in a consumer trade*—preferably in an industry requiring some artistic knowledge and appreciation of design.

Probable age 45 to 50. Starting salary in the order of £5,000 with pension scheme, car, etc.

Please send brief details in confidence quoting reference (S 223) to R. A. Denerley, Management Selection Limited, 17 Stratton Street, London, W.1. No information will be disclosed to our clients until candidates know their identity and have given permission.

TRADES UNION CONGRESS invites applications for post of Assistant in Research and Economic Department. Sound knowledge of economics and related subjects essential; industrial background an additional qualification. Further particulars before January 22nd from Sir Vincent Tewson, Trades Union Congress, 23-28 Great Russell Street, London, W.C.1.

LONDON COUNTY COUNCIL

GARNETT COLLEGE

(Training College for Technical Teachers)

83 New Kent Road, S.E.1.

Principal: C. Jameson, M.Ed., B.Sc.

Applications invited from suitably qualified persons for appointment as LECTURER; person appointed will be required to take part in instruction relating to General Theory and Practice of Education, with special reference to Further Education, and undertake some tutorial responsibility and other work on teaching method applicable to subjects included in the general education of Young Workers; teaching experience in an establishment of further education essential, and experience with young people in industry an advantage. Training College Salary. Appointment will be to the Council's service with assignment to this college.—Application forms and further particulars obtainable from and returnable to Principal at college (S.A.E. f'scap) by January 21. (2478)

CHIEF MECHANICAL ENGINEER

Leading, well-established and expanding Group of Companies requires Chief Mechanical Engineer. Successful candidate, 35-50, should have university degree or equivalent, and associate membership in one of the senior professional institutions.

Sale or shop experience essential with apprenticeship ten years on project design, with proved ability in the design of mechanical handling machinery, piping layouts, pressure vessels, heat exchangers, pumping installations, and associated electrics and instrumentation. Candidates must be knowledgeable in industrial economics and estimating applied to plant design. Experience of modern construction methods essential. Should be able administrator. Substantial four-figure salary, bonus, pension plan and assistance accommodation, etc.

Responsibilities include development of mechanical handling machinery, designs for industrial plants, and management of team of design engineers and related personnel.

Apply in GUARANTEED STRICTEST CONFIDENCE in accordance with professional ethics, giving details of date and place of birth, education, background, names of firms, positions held with dates and salaries to

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37-41 BEDFORD ROW,
LONDON, W.C.1.

OPERATIONAL RESEARCH

COURTAULDS LIMITED have the following two vacancies for Senior Assistants in their Central Operational Research Department in Coventry. This Department is concerned with a very wide range of problems in the management, production and technical fields and offers ample scope for originality.

(a) *Mathematical Statistician*

Applicants should hold a good degree in statistics, or in mathematics with post-graduate study or experience in statistics. This post offers considerable opportunities to suitably qualified men. Investigations in hand at present include: queueing and related topics, experimental design, programming techniques and electronic computer applications. There is also scope for mathematical research of a fundamental character into special problems in the production field. Reference number C.60.

(b) *Scientist or Engineer*

Applicants should hold a good degree in one of the following subjects: Physics, Chemistry, Mechanical, Electrical or Chemical Engineering. *Corresponding industrial experience would be an advantage.* The post requires primarily a man with practical insight and constructive imagination. He should have an interest in mathematics and candidates with some acquaintance with statistical methods are particularly welcome. Reference number C.82.

A good starting salary will be paid in both cases depending on qualifications and experience and the appointments are pensionable.

Candidates should write for a detailed form of application to the Director of Personnel, Courtaulds Limited, 16 St. Martin's-le-Grand, London, E.C.1, quoting the appropriate reference number.

SALES MANAGER

Applications are invited for the post of Sales Manager to cover the activities of a Chemical Engineering firm in the Chemical, Pharmaceutical and general industrial fields.

The position requires a good knowledge of fabrication techniques, preferably in stainless steel and aluminium, supported by engineering qualifications and a broad appreciation of chemical processes. Adequate commercial experience is required, with proved ability in management of staff.

The position, which is pensionable, will be responsible to the Sales Director of the Company, and the salary will be fully commensurate with the responsibilities which are substantial.

Applications, in confidence, should be made in writing with fullest details, to the Sales Director, the A.P.V. Company, Limited, Manor Royal, Crawley, Sussex.

AN Economist, aged about 20-25, is required to join an existing team engaged on research into commercial and operational aspects of shipping. Some practical knowledge of shipping necessary. Full scope available for personal initiative and development of fresh ideas. Salary in accordance with age and experience.—Apply Box 599.

A GRADUATE STATISTICIAN is required by the Milk Marketing Board for work in connection with statistics from their Creameries and Central Laboratory. Post is permanent and pensionable. Age 25 to 30. Experience an advantage. Commencing salary £600/£700 according to age and experience. Applications to Establishment Officer, Milk Marketing Board, Thames Ditton, Surrey.

PUBLIC RELATIONS

A leading Pharmaceutical Company is seeking the services of an Assistant to their Public Relations Officer.

Essential qualifications are lucidity of expression together with the ability to process complex scientific material for non-specialists. Formal scientific or academic qualifications are desirable but not essential.

The post offers work of a varied and interesting nature with ample scope for initiative.

A high standard of performance will be expected of the successful applicant.

A salary commensurate with experience and/or performance will be paid.

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Applications, which will be acknowledged, giving full personal details, résumé of career to date, interests, etc., should be addressed to Box 597, quoting reference F/AO/157.

A VACANCY exists for an experienced journalist to be trained as Publicity Officer of a large British technical organisation with world wide interests. Headquarters in London. A high educational standard and ability to write good English are essential. Some knowledge of ships and engineering an advantage. Applications will be treated in confidence.—Box 598.

N.Z. REPRESENTATIVE. Graduate in engineering with business experience and contacts in both New Zealand and Australian industry wishes to become associated with Principals in developing manufacture and/or sale in Australasia, preferably New Zealand. Prepared to visit U.K. immediately suitable proposition is offered.—Reply P.O. Box 2319, Wellington, N.Z.

MANAGING DIRECTOR, age 41, proved administrator after six years as M.D. of specialised manufacturing company, now seeks wider scope. Though non-technical, accustomed to lead team and co-ordinate efforts of senior executives and technicians; financial, commercial and personnel policy, successful negotiator in U.K. and overseas.

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ATOMIC POWER FOR PEACEFUL USE . .

[some more facts of interest

IS NUCLEAR FUEL EVERLASTING? The closed-circuit boiling water type of reactor, which Mitchells believe to be ideally suitable for use in remote areas and for Commonwealth development, consumes very little fuel. A reactor producing 60 megawatts of electric power 'burns up' *230 lb* of fuel per annum out of the charge of 50 tons. The equivalent consumption of coal would be *275,000 tons*. Limited renewal is, therefore, necessary, but this is a routine job presenting no difficulty.

IS NUCLEAR POWER SAFE? The boiling water reactor is inherently safe and self-regulating. A nuclear explosion *cannot occur in it*. Any faulty operation which might cause over-rapid heating would also create pockets of steam which would automatically reduce radio-activity and heat production.

IS NUCLEAR POWER COSTLY? Nuclear fuel has to be processed and is at present expensive, but such efficiency has already been achieved in converting it into electric power that operating costs are in every way competitive for small-load units and for remote areas. These costs will be lowered progressively as nuclear fuels are themselves manufactured more cheaply.

MITCHELL DEVELOPMENTS in the field of atomic power are the logical outcome of 35 years' exceptionally wide experience in all branches of engineering and electrical supply. The agreement between Mitchell Engineering Ltd and AMF Atomics Inc of New York, will undoubtedly have far-reaching effect in applying atomic power for the benefit of mankind.

MITCHELL COMPANIES are at present engaged on the important contracts for the United Kingdom Atomic Energy Authority.

MITCHELL

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94 JAN 1958

AIR EDITION

The Economist

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JANUARY 19, 1957

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A New Team

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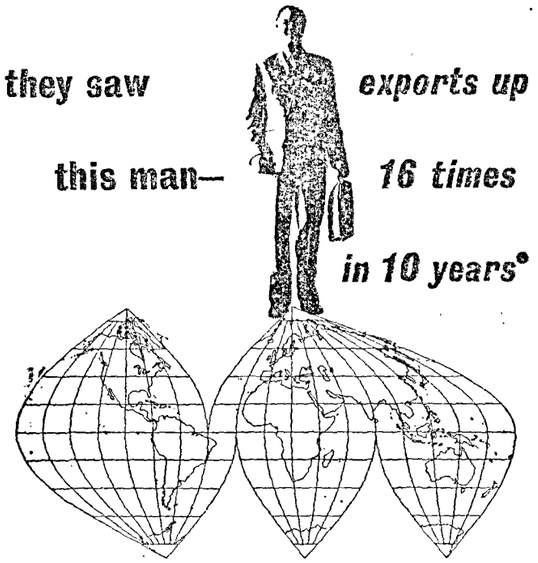
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CRC 16

To remind you...

that if you have a vacancy to fill, junior or senior, skilled or unskilled, you should get in touch with The Officers' Association. This organisaton is an Employment Bureau, and it has on its books much promising material. If The Officers' Association introduces a man, you may be sure that he is a candidate of complete integrity, potentially suited for that particular job, and well worth interviewing. Next time you have any vacancy whatsoever, why not first try The Officers' Association? Ring them at ABBey 2556, or write to Dept. P.2, The Officers' Association, Windsor House, Victoria Street, London, S.W.1.

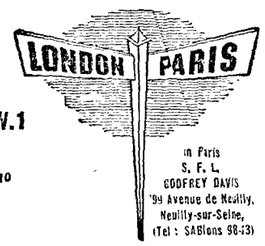
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There is no beer sold under the name of Evershed and Vignoles Ltd.

And even when you drive your car home from the same Sunday morning ritual (assuming that coupons permit) we don't expect that you will think of Evershed. Think rather of your driving; after all, Evershed's do not make cars—even parts of cars.

And as you let yourself in, overtly or covertly, and absorb the appetising smells from the kitchen, you need not think of Evershed's.

There is no cooker, no food, not even a knife or fork marketed under the name of Evershed and Vignoles Ltd.

But the truth is that almost every feature of your Sunday life and, indeed, your everyday life, utilises Evershed equipment at some point. Every time you take a glass of beer, use petrol to drive a car, make a journey by public transport, eat a cooked meal—somewhere along the line Evershed instruments or instrumentation equipment will be involved. Instruments for testing, recording, analysing; small electric motors and marine equipment; specialist control systems both large and small for use in essential industries and public utilities.

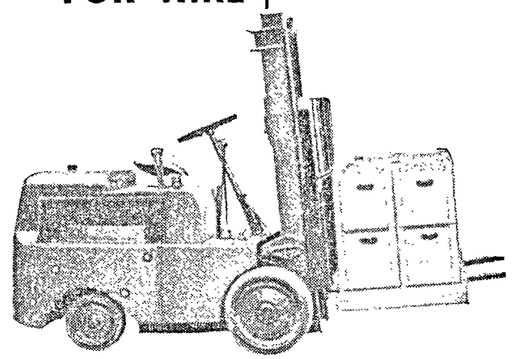
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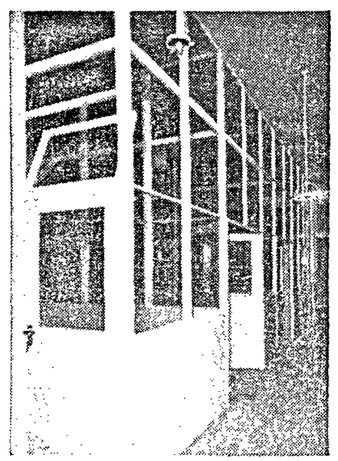
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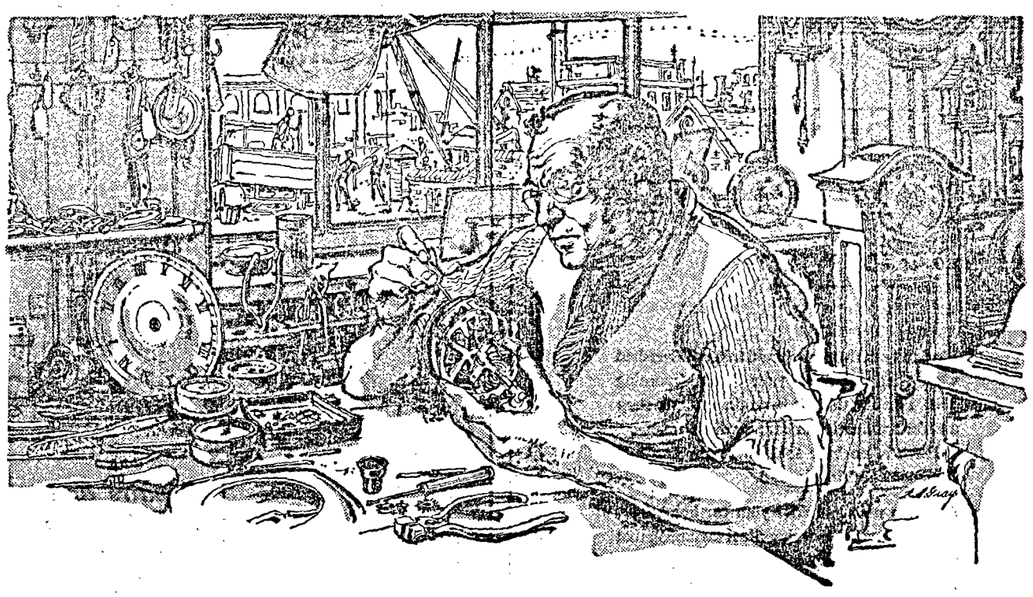
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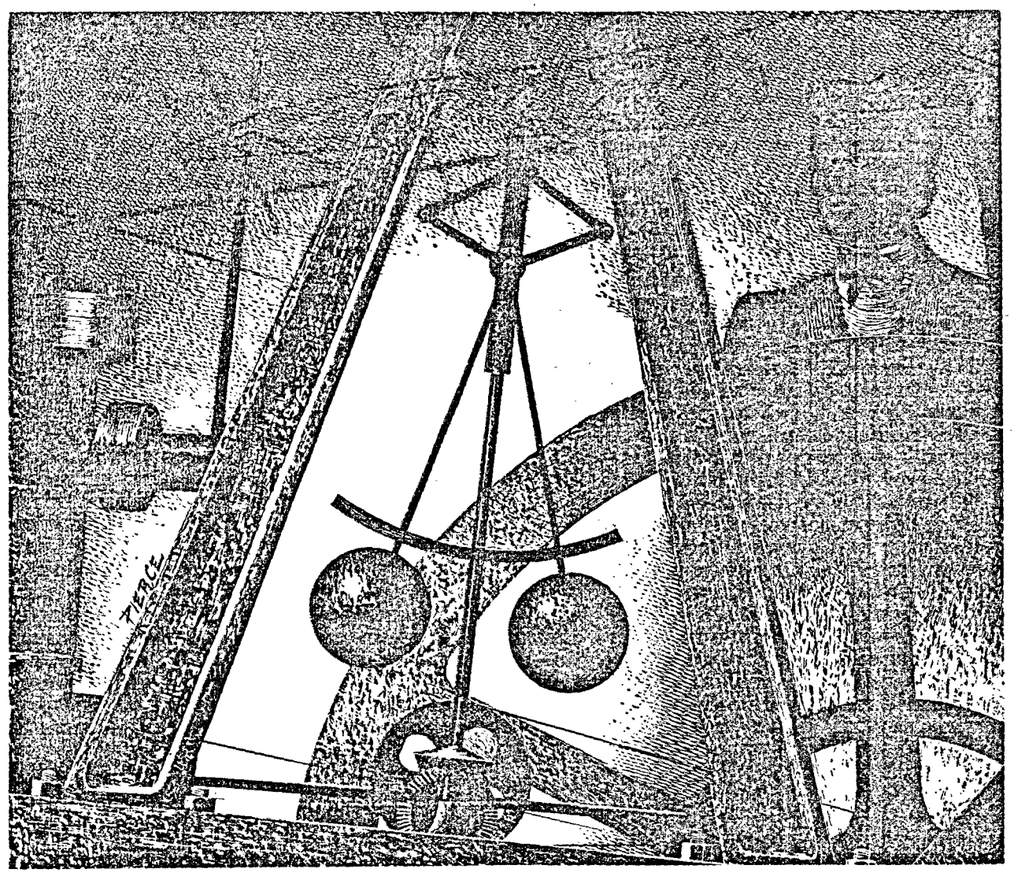
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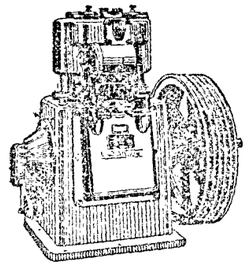
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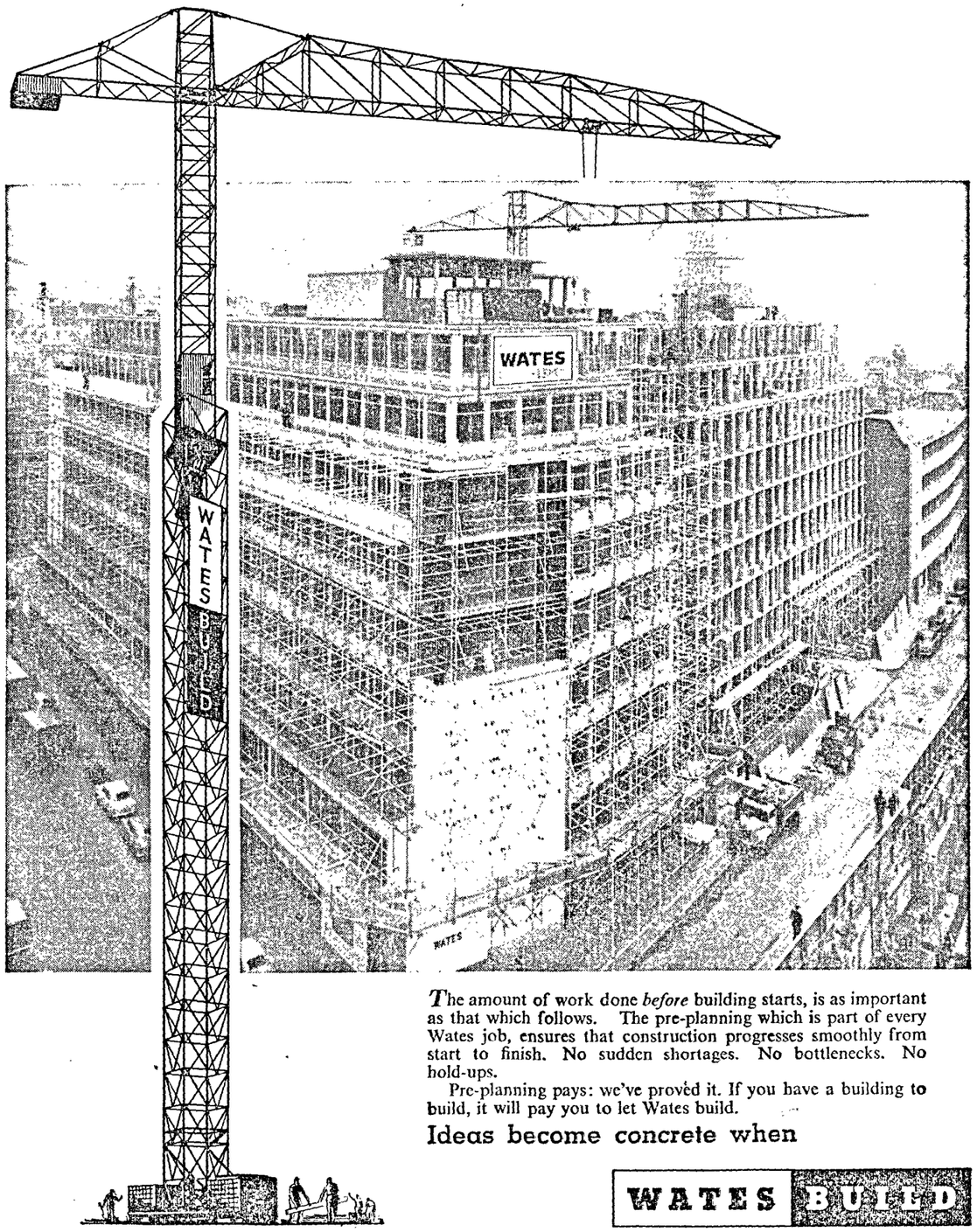
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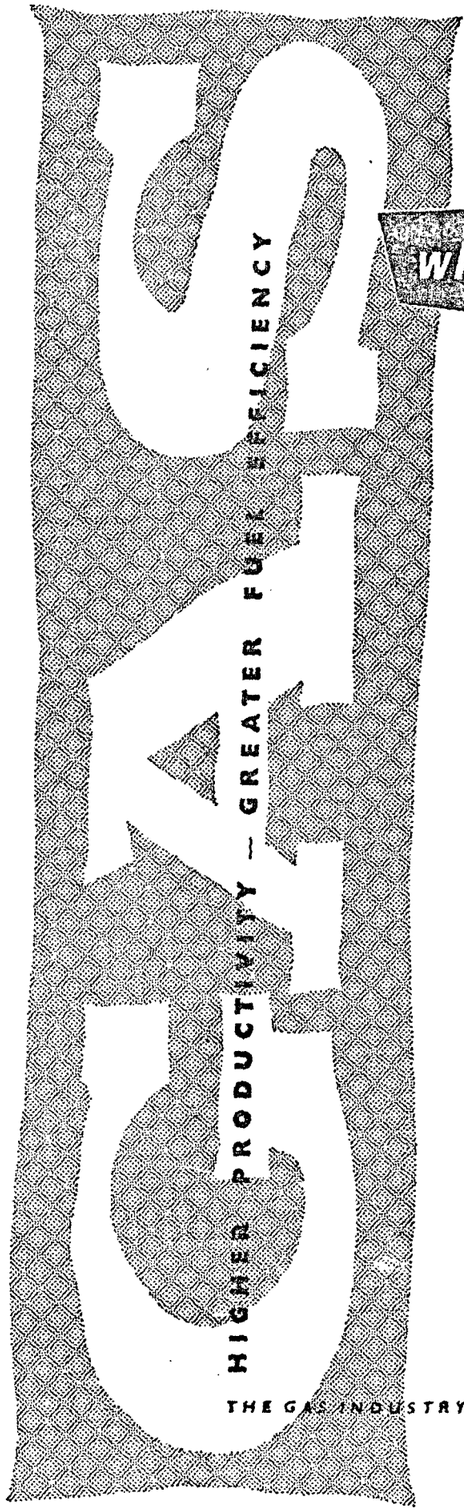
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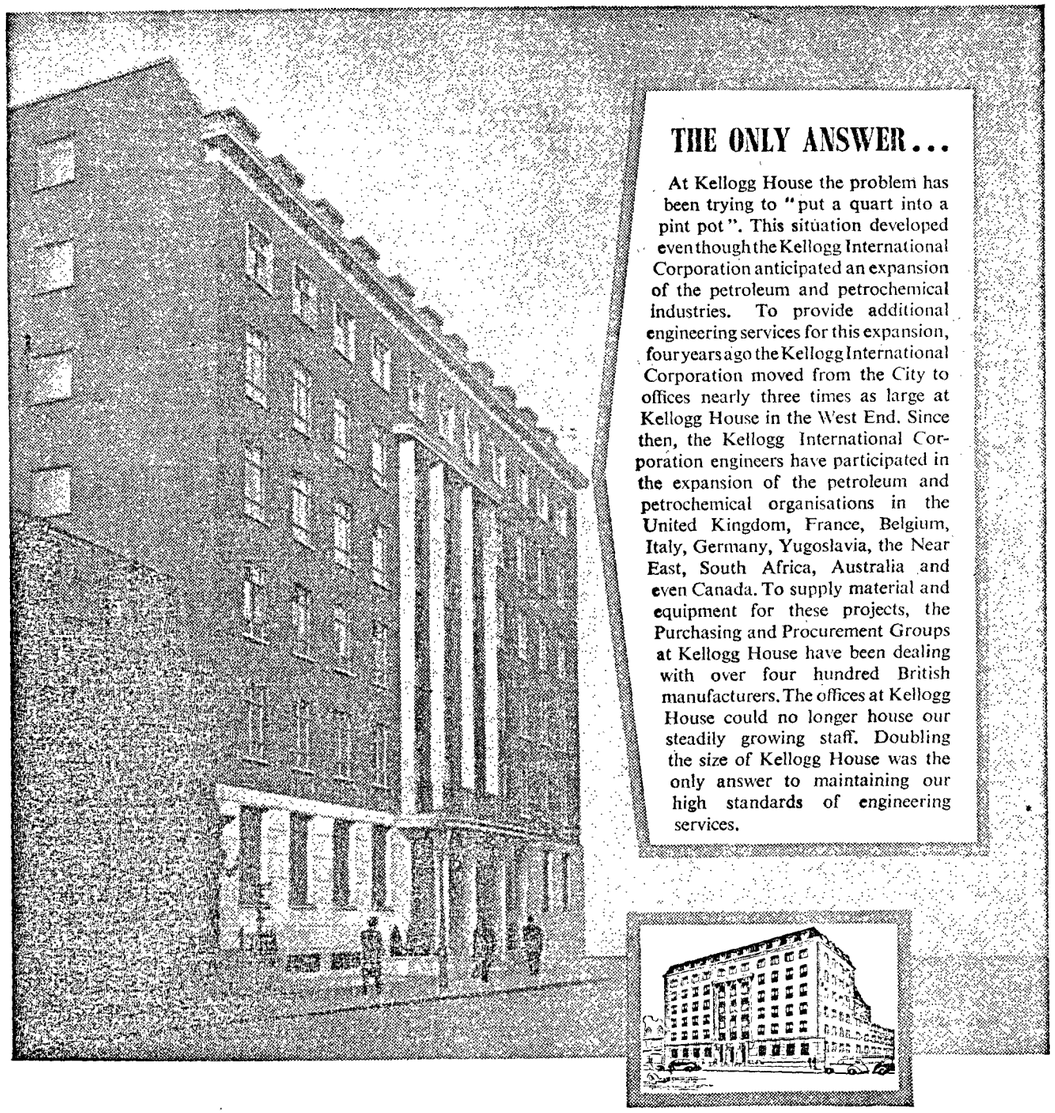
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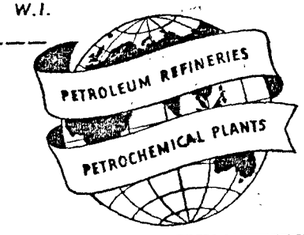
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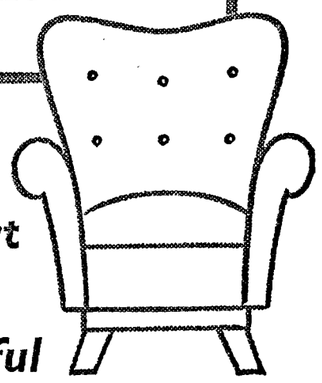
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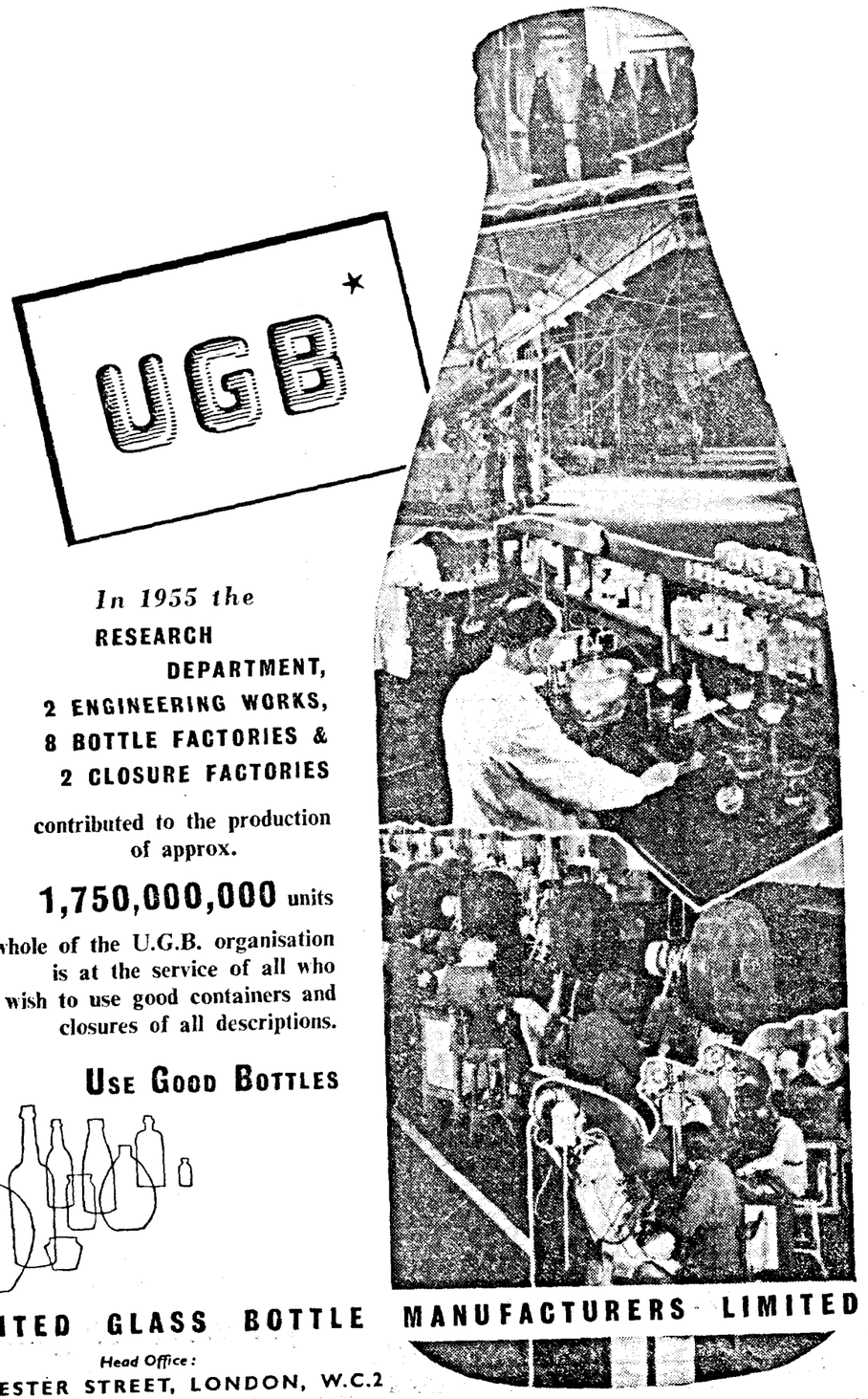
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The Year is 1957

WHEN Sir Winston Churchill formed his great administration in May, 1940, he told the House of Commons that his policy was to wage war. With equal simplicity, Mr Harold Macmillan might be recommended to say that his policy will be to face facts. The shock of the Suez adventure and its aftermath has brought the country to one of those rare (and usually brief) moments when there is a willingness to question some of the taboos and to re-examine what is normally taken for granted. It is a gain to be set against the losses lately incurred that there is an opportunity now for realism to thrust some wedges into the wishful thinking which has been the bane of public opinion, and of public policy, all through the postwar years. This can do nothing but good; there is hardly a problem facing the country today that will not be eased by a dash of cold realism.

Neither party, and no section of opinion, has been exempt from this weakness. Not merely has there been a wish that the awkward facts of life did not exist, but policy has been built on the assumption that they would go away if they were not molested. The Labour party's favourite illusion is that wealth can be distributed without having to be created; that this illusion is still in full flower is demonstrated every time a trade union demands that its members should be allowed to take more out of the pot without putting any more in. The Conservatives' favourite illusion is that an appearance of dynamism can be fashioned out of a number of hard-fought rear-guard actions. There is an almost universal unwillingness to live in the present and to come to terms with its realities. Between those who try to wield the authority of 1927 long after it has vanished, and those who try to spend the wealth of 1987 long before it has been created, there is imposed on the mechanism of the British state a burden far heavier than it can carry.

This is perhaps most apparent in the external sphere of Britain's relation to the outside world, and it is here where reality has now most savagely broken in. There are few left who doubt that Britain has been trying to play a bigger role than can be sustained by the resources, political, military or financial, that it can bring to bear. Indeed, there are some signs that the reaction has gone too far; there are some people who seem to think that there are no intermediate steps between The Empire On Which The Sun Never Sets and the fate of Nineveh or Byzantium. It is hard to say whether more harm is done by the people who assert that Britain is now a second-rate power or by the plaintive defensiveness of those who write letters to the papers to say that it is very wrong even to harbour any such thought. Nobody outside this island bothers his head about these exercises of classification; prestige among the nations is not to be won by the colour of a ribbon or by words on a label.

The essential fact to be faced is that Britain, together with at least 68 out of the 70 nations of the world, is no longer fully independent,

in the sense of having a full and free choice of its course of action. There is surely no disgrace in admitting this fact, which is imposed by the realities of geography and technology. Nor need it follow that Britain must now abandon all the objects of its policy around the world; that would be to turn from pride to the sulks. The essential lesson to be learned is that the objects can only in future be attained in association with others. Other nations cannot be expected to accept our objectives, or to support us in our means of reaching them, unless they agree with them; and agreement is not to be had by incantations to the world's need for British leadership, but by patient and open debate and discussion on a basis of sincere parity and of a wish for true partnership. If the world (or parts of it) is moving towards a system of government by discussion among equals, the British should feel more flattered than affronted.

★

In this respect, one of the features of the new Government is very welcome. Whether by accident or design, there is a combination of "good Europeans" in the important offices. The new Prime Minister himself is committed to the reversal of the policy of standing aloof from Europe; Mr Peter Thorneycroft, the chief progenitor among Ministers of the policy of association with the "common market," moves to the Exchequer; and Sir David Eccles, his successor at the Board of Trade, has taken political risks in the past for his Europe-mindedness.

Nevertheless, even in this connection, a word of warning may still be needed. The cause of closer association with Europe has received many new recruits in recent months, and one cannot escape the suspicion that too many of them regard it as an alternative to, almost as a *riposte* against, the alliance with the United States, Canada and the rest of the outside world. It needs to be made unmistakably plain that any attempt to found a new policy of empire-building in Europe on the ruins of the old in Asia will founder on the opposition of the other European countries. Association with Europe, as with the Commonwealth, is possible (and desirable) only in concert with an Atlantic alliance. Talk of a "third force" as an alternative to that alliance is beating the air fully as much as the yearning for a self-sufficient Commonwealth.

★

These external illusions, disastrous though they have proved to be, have done no more harm than the great domestic illusion from which all sections of the British people have been, and still are, suffering. This is the illusion that wealth grows on trees and that growth is painless. It is true that we have been living through a decade when, for all the foolish things that were done, the economic chickens could always be persuaded to postpone their return to roost. But recent months have revealed the precariousness of the economy. It has been shown, especially, how terribly dependent it is on one commodity moving through a single ditch. Even before the Suez crisis, one industry after another was learning that the world will not always be ready to buy British out of admiration for the British moral character. The British balance of payments, which means the British standard of living, is in more danger than it has been for many years. The leeway provided by the devaluation of 1949 has been used up, and we are back in the period when special efforts and the perpetuation of what were meant to be temporary restrictions are needed simply to keep our head above water. It is another illusion that anyone can be the world's banker without being solvent.

No doubt it is possible to double the standard of living in twenty-five years: but only if limits can be set on present consumption, and if both the resources can be set free, and some incentive provided to use them, for the imaginative enterprise that can alone perform the miracle. The immediate task for the Government is not merely to reduce the burden of taxation, but to do so in such a way that the major benefit accrues to investment in the means of production and not to consumption, to rewards for work and not to "fair shares." It will be a test of the realism of the public whether such measures are attacked as "reactionary," or whether they are accepted for what they are, the necessary means to economic progress for the benefit of all.

★

To say that the great need of the moment is for the shattering of illusions is not, then, to advocate pessimism or to be despondent of the future. On the contrary, it is only by facing facts that the road ahead can be planned. This is not a lowering of ambitions; it is more akin to the way in which a good rider will "collect" his horse before a jump, which may make all the difference between getting over safely and coming a cropper. It is the effective application of accurately assessed resources.

It may be that other times have been, or will be, luckier for the British people than the present; it is certain that other times in the past have brought more satisfaction to individual British citizens, whether in the exercise of authority or in the enjoyment of wealth. But they have gone beyond recall. Those who will build the future are those who recognise and master the present. And those who will master the present are not those who wish they could live at some other time; they are those who will seize with zest the opportunities it offers.

The most essential of all the facts that Mr Macmillan and his Cabinet colleagues, and the whole British people, have to face can be read on the calendar. The year is 1957.

A New Team

ONE normally moderate newspaper has attacked Mr Macmillan's chosen Ministry as giving the impression of "an unreconstructed, almost die-hard group." This is quite unjust. In domestic affairs the new team looks—although with certain reservations—as if it could be more progressive and liberal than the old. In foreign affairs it is necessary to retain both a sense of proportion and a realisation of the problems ahead.

Mr Selwyn Lloyd returns to the Foreign Office down a long, cold arch of raised eyebrows. But fairness should prompt the reflection that he has had to carry the can of collective Cabinet blunders round the most awkward places of the world; he has deserved not a little sympathy at home, and earned much abroad, as he took all the bludgeonings. There is no real danger that Mr Selwyn Lloyd's continuance in office will revive the period of mutual pique in Anglo-American relations. What it may prolong, however, is the period of polite covering of mutual embarrassment; and this —contrary to what has been written in most circles about this reappointment—may mean that the creation of a new foreign policy, which is essential, may still have to go forward with Britain in an unduly impeding attitude of apology. For who, honestly, do the Conservatives think will have the most embarrassment to cover?

Mr Macmillan's difficulty was presumably to find an alternative. The delegation of the Foreign Secretaryship to Mr Butler—which would have been the best solution—was apparently ruled out. The appointment of Lord Salisbury (who may still have a special voice in this field) was made difficult by his peerage, by his health and by the fact that it might have been cynically—unworthily cynically—read as a personal reward by the Prime Minister for recent services rendered. There remained the choice between the reappointment of Mr Selwyn Lloyd (which has the real advantage that the Cairo newspapers will not be set crowing) or the elevation of some other minister who might have had more chance to start doing for Conservative foreign policy what Mr Butler has done for its home policy. On balance—but only on balance —the latter would have been the better course; a good choice would have been Mr Heathcoat-Amory.

★

In domestic affairs Mr Macmillan was in no such quandary. The welcome appointment is that of Mr Thorneycroft as Chancellor of the Exchequer. This is a case where virtue has been rewarded, after having threatened so often to bring Conservative party vengeance. In these last five years of remarkable achievement in internal and overseas liberalisation, Mr Thorneycroft has so often looked like Huskisson and so rarely like Mr Thorneycroft that one had sometimes come unworthily to wonder whether he really was Mr Thorneycroft.

His task now could be a delicate one, in view of the presence beside (and above?) him of his two predecessors. Mr Butler, when Chancellor, believed in an economy flat out for expansion and freedom; Mr Macmillan (partly on the advice of his Treasury staff) favoured a little more emphasis on the brakes and often threatened (without ever in fact doing so) to use physical controls as part of them. Mr Thorneycroft would be wise to steer a middle way between the two precedents, but a little nearer the Butler formula. He should now be watching out for the right moment for re-expansion (though not to the point of 1955 recklessness) and should abjure obeisances to physical controls in his perorations as well as in his policies.

★

All this presumes that the Prime Minister's interventions in domestic affairs will be neither over-cautious nor unexpectedly overbearing. On this presumption Mr Butler's influence in domestic policy could even be slightly strengthened in the new line-up. When he took up the post of Lord Privy Seal in the Eden Government, he hoped to be able to keep a watching brief over all aspects of home policy, save those that fell within the province of the Chancellor. There were two main difficulties in the arrangement. One was that the ideas passed down by Mr Butler tended to clash with the slightly different ideas intermittently passed down by the Prime Minister and constantly passed down by the Chancellor; Butlerites who compare the present situation with what was, instead of with what might have been, should take comfort from the reflection that Mr Macmillan's elevation from the Chancellorship to the Premiership—and Mr Thorneycroft's accession to the former post—may have increased the degree of Butlerism in both these offices.

Mr Butler's other main difficulty under the old Government was that he lacked the authority of a great department of state (and the help of its civil service) behind him, and this made it difficult for him to inculcate his influence into other great departments (including, especially, Mr Lloyd-George's Home Office). Mr Butler has now had that problem solved for him by being allowed to take over the Home Office himself. Paradoxically, however, the main casualty of this decision could be the many reforms that are required in the Home Office's own field: recasting of the betting laws, liquor licensing, the Shop Hours Bill, the laws of Sunday observance and obscenity, prison reform and the rest. Mr Butler will not have the time to do the

detailed thinking that is required on these matters, while still carrying on his other functions as Lord Privy Seal and Leader of the House. He would be well advised to delegate the job to whoever is to be his Under-Secretary.

The streams of influence on domestic policy coming down from the Prime Minister, Mr Butler and Mr Thorneycroft could therefore converge into something near to the right mixture. One place where the views of this triumvirate probably will, and should, meet some sensible resistance is in the Ministry of Defence. Mr Macmillan had three choices of method here. Either he could continue the tradition that this Ministry acts as part-bargainer and part-arbitrator among the competing service departments, a role which Mr Head promised to play at least as well as (probably better than) his predecessors ; or he could install an ambitious hatchet man to carry through the cuts in defence expenditure which both Mr Macmillan and Mr Butler, and the public generally, want ; or he could install a strong man who, commissioned to combine economy with efficiency, would make up his own mind and —after explaining to the Cabinet the considered reasons for his conclusions—stick to it. The third choice was the best ; and by appointing Mr Sandys, the Prime Minister may possibly have made it. Mr Sandys's pertinacious methods of securing compliance with his wishes can be criticised, but it is right to have a Minister in this office who will not mind whether he is liked in the subordinate service departments, provided that he is respected. One may hope that certain service shibboleths will now be no more inviolate than some former local authority ones, or even than Christ Church meadow.

★

Lower down the Cabinet list, but right at the top of the list of surprises, comes the appointment of Sir Percy Mills as Minister of Power. One has an uncomfortable feeling that this device of Mr Macmillan's may prove, like his premium bonds, to be not so much a device as a gimmick. The idea of bringing in an outsider of great energy, to handle a vitally important task where energy is certainly required, is one which Mr Macmillan shares with great men, such as Sir Winston Churchill and President Eisenhower ; but in British political life it has often failed. A main aim of the new Ministry should be to press forward with the atomic energy programme. There are indications that a first phase of this battle may already have been won by Sir Percy's able predecessor, but the prospect of a continuing fight remains. One obstacle for the new Minister to overcome will be the other claimants in the queue for scarce capital resources. Another obstacle will be the untimely fears of the Coal Board that in certain circumstances it might not be able to sell its coal, and of the Central Electricity Authority that atoms represent new-fangled competition with traditional methods of production ; here Sir Percy, as Minister for all Power, will have to argue with himself, or rather with groups in his own Ministry. A third obstacle is the conservatism in some parts of the Treasury. These are tasks of great political delicacy, and it remains a crucial question whether (even with Mr Maudling's aid) a businessman with no experience of politics is really the right person to handle them.

The formation of this new Ministry has been hastened by the oil shortage that has followed the Suez crisis. The elevation of the Minister of Transport to the Cabinet owes much to the same development. This, surely, is a mistake. The point about the Ministry of Transport is that it always seems to be an important job, because it could easily provide full-time employment for at least two men, but not men of Cabinet rank. Mr Macmillan's reaction to his realisation of this importance has been to make more claims on the time of the one man who is trying to do the job already. The busy Mr Watkinson, in his present office, has had many ideas (most of them rather good) and done many things (some of them rather bad). He can be counted upon by his nature to enter into the business of wider Cabinet consultation with considerable and possibly rather regrettable enthusiasm.

★

Among the other Cabinet appointments, Sir David Eccles goes to the Board of Trade as one of the three former "European Unity" devotees to get promotion (the others are Mr Sandys and the new Secretary for Scotland, Mr Maclay). This week's new stage in the discussions about a free trade area with Europe therefore starts under a fair wind. It is a necessary function of a Conservative President of the Board of Trade to get into trouble with some of his party's paymasters, and it may be useful practice for Sir David to risk his first dose of this for a cause in which he believes.

Lord Hailsham, who succeeds Sir David Eccles at the Ministry of Education, has a proper ambition to make the most of whatever is his designated province ; his departure from the Navy is therefore timely, and it is probably a mercy that he has not been moved to anything foreign or colonial. He should be warned, however, in the friendliest way, that it is probably easier to get into unexpected hot water by making unconsidered speeches in his new Ministry than in almost any other department. Finally, Mr Henry Brooke may find his great experience of local government a disadvantage in his new office as Minister of Housing and Local Government ; this Ministry properly has considerable powers of control, and it is better that a novitiate in it should start with an inclination to protect the public against local councils rather than the other way round. One would guess—and hope—however that Mr Brooke will carry through the remaining stages of the Rents Bill with courage, even although the complete freeing of "middle-class" properties is causing considerable furore in his own constituency of Hampstead.

Such, then, together with the expected appointment of Dr Hill as the Government's megaphone and the retention of the six men who remain in their former offices, is Britain's new Cabinet. Every Ministry, both in set-up and personnel, inevitably reflects the personal experience, predilections and preferences of the Prime Minister who chooses it. It also reflects the pressures upon him. Mr Macmillan's predilections have always been a bit of a mystery. Originally a man on the Fabian left of the Tory party, he seemed for a time, when the surge of postwar Conservatism went (and went much more sensibly) to the liberal left, to be less sure than other "new Tories" that change really was Conservatism's ally. But the lurch away from liberalism that was forecast in some circles after his accession cannot honestly be discerned in the men he has chosen. The test will be what they do.

Cracked Monolith

THE new year has brought much to-ing and fro-ing in the communist world. In Budapest, Marshal Bulganin and Mr Khrushchev have had a "comradely and friendly exchange of views" with communist leaders from Czechoslovakia, Bulgaria, Rumania and Hungary. Herr Grotewohl has been having talks in Moscow. Mr Chou En-lai is circulating between Moscow, Warsaw and Budapest. And last week the harassed Mr Kadar suddenly flew off to Moscow, where he was closeted with his recent guests from Russia and his prospective guests from China.

These mid-winter peregrinations are accompanied—as might be expected—by a chorus extolling the solidarity of the communist camp and urging that everything should be done to keep it this way. In fact, the monolithic empire created by Stalin is in greater danger of division, and even of disintegration, than at any time in the past ten years. The damage already done is plain to see. The lingering revolt of the Hungarian people has revealed the bankruptcy of communism's claims to be a popular system of government. The Hungarians' stubborn insistence on political freedom has shown that the answer to Moscow's problem does not simply lie in providing, or promising to provide, more food, clothes and television sets. The intervention of the Soviet army to crush the Hungarian revolt has not only troubled and divided communists throughout the world ; it has also exposed the true nature of the cement that binds the Soviet block together—a cement which would obviously be better hidden under layers of whitewash.

In Poland, Mr Gomulka has asserted a measure of independence from Russian control. This has enabled him to damp down Polish aspirations for more freedom —at any rate for the time being. But in taking advantage of Mr Khrushchev's admission that there is more than one road to socialism, he is, in the Russians' view, jeopardising their primacy. He has, moreover, taken up with the Jugoslavs (representatives of the two parties have been conferring in Warsaw) just when Soviet-Jugoslav relations have again become painfully strained. The Warsaw-Belgrade axis which seems to be forming will not appear as a welcome innovation to the Russians. Two years ago they hoped to strengthen their empire by enticing the one prodigal son back home. Instead, they now find Marshal Tito leading a second member of the communist family astray and engaging in an ideological free-for-all with the rest.

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Finally, in counting up the damage to the communist block, one must include the consequent weakening of its military position and its economic disorganisation and difficulties. Formerly the ring of buffer states in eastern Europe was a clear military asset to the Russians. Now it looks more like a military liability ; one country is openly held down by Russian tanks, a second has circumscribed, by treaty, the rights and position of Soviet troops stationed within its borders, and the trustworthiness of the armed forces of the rest has been called in question by the behaviour of the Hungarian armed forces last November. The economic strains within eastern Europe are described in detail on page 212. Moscow's efforts to integrate the economies of the block into a close-knit whole have been riddled through by the near-collapse of the Hungarian economy, by the Poles' insistence on cutting their coat, economically, according to their cloth, and by the sheer inability of the rest to reach the production targets set.

The Russians' reaction to the present discontents is to close the ranks and, without reverting to the intense repression of Stalin's later years, to reaffirm the basic tenets of communism. In their view, the movement towards more liberal policies, which has been gathering momentum for the past year, is getting out of hand. "Proletarian internationalism" is in danger of becoming a shadow of its former self. The Poles and the Jugoslavs muddle it up with mere co-existence between communists and other workers' movements and harp on the need to avoid any "trend towards hegemony." *Pravda* rejects this definition on the revealing grounds that it lacks the essential "militant revolutionary appeal" of proletarian internationalism, tends to ignore the continued validity of the slogan "workers of the world unite," and ignores the "liberation struggle of

colonial peoples" and their need to fight against "bourgeois nationalism and reformism." The doctrine that there is more than one road to socialism, in fact, is undermining the leadership of Moscow, while the attack on "Stalinism" is threatening to develop into an attack on communism itself. The Russians still subscribe in theory to the view that every communist party must find its own way and that all have something to learn from each other. But while all are equal the Russians are, in effect, more equal than the rest; "different roads to socialism" are all right only as long as they do not challenge Soviet domination.

"The false slogan of so-called 'national communism,'" as *Pravda* puts it, has been "invented by the imperialists" with the object of splitting the communist movement. It has been taken up, says the Czech paper *Rude Pravo,* by Mr Dulles and "every child knows that Dulles is as fond of communism as the devil is of holy water." "Stalinism" is another invention of the imperialists. Stalin had all the right ideas and went astray only over the cult of personality. The Chinese communists have lent their weighty voice to this campaign of "restalinisation." After discussing Stalin's record at length they have concluded that his "mistakes take second place to his achievements."

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Behind all these arid exchanges are two main impulses. The Jugoslavs, backed, in private at least, by Mr Gomulka and his friends, believe that if the communist system is to thrive, it cannot be confined within one ideological straitjacket manufactured in Moscow—or for that matter in any other communist capital—especially as, in their view, the Russians under Stalin committed far greater and more far-reaching mistakes than they are apparently now prepared to admit. They maintain that, far from splitting the communist movement, they are merely trying "to perceive what is rotten (in the movement) and do away with it mercilessly and honestly"; they want to avoid "ideological stagnation." The Russians, on the other hand, profess to fear that the attack on "Stalinism" is developing into an attack on the dictatorship of the proletariat and other essentials of Marxism. Backed now by the Chinese, they are strongly opposing any attempts to revise the basic principles of Marxism-Leninism.

Neither the Jugoslavs nor the Poles, nor any other communists of an independent turn of mind, would ever admit that they were guilty of "revisionism." But they do desire to shake off the close control of the Russians, and so long as Moscow seeks to preserve its empire, it will attack those communists who threaten to disrupt it, not for their real sin but for their alleged treachery to Marxism-Leninism. The fact is that, when the ideological jargon is stripped away, all communists, whether in Moscow, Peking, Warsaw or Belgrade, are seen to be exercised by the same problem; how to remain in power. Mr Gomulka believes that his regime would be stronger if it could be shown to be really independent of the Russians. Yet other communist leaders in, say, Prague or Bucharest, probably feel that unless their dependence on Russia is close and obvious, their countries may go the way of Hungary. The dilemma is plain. The Jugoslav communists have won their independence of Moscow, but they cannot feel completely secure so long as the independence of other communist regimes is not recognised in both theory and practice; and the armed Soviet intervention in Hungary has reawakened all their fears of Russia's "hegemonistic tendencies." The Chinese, too, are no great lovers of "great power chauvinism": but, in their view, the communist block must be maintained as a base from which communism can be spread; and they are willing to endorse Russian leadership for the strictly practical reason that they badly need Russian economic help.

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In internal affairs, the argument is whether a popular explosion on the Hungarian model is more likely to be averted if the safety valve is tightly screwed down or if it is somewhat loosened. On Sunday, Mr Gomulka is putting to the test his theory that, within limits, it is best loosened. He finds himself in the unusual position—for a communist—of awaiting the verdict of the polls with some apprehension; for although the Polish voter had been given only a very circumscribed freedom of choice, he yet has a real opportunity of intimating whether or not he approves the present regime. If the elections turn out badly for Mr Gomulka, then the argument of the "Stalinists" that almost all concessions are dangerous will be greatly strengthened throughout the communist world.

But Mr Gomulka has said bluntly that, whatever happens on Sunday, the Polish communists intend to stay in power. It is this determination to hang on to power that makes it premature to regard the communist world as in danger of early dissolution. There is in fact no sign that the Poles or the Jugoslavs (or Mr Kadar) have any intention of allowing free elections or of opening the door to a return of "bourgeois democracy." All would no doubt subscribe to the Chinese party's statement that "however many twists and turns may await us . . . humanity will eventually reach its bright destiny—communism. There is no force that can stop it." But the ferment of ideas throughout the block, the accumulation of economic difficulties, the growing popular exasperation at Russian dominance and the presence of Soviet troops will continue to subject the communist regimes to very great strain. Moscow could conceivably lessen that strain by working out some more acceptable relationship with lesser communist states and by turning from an exploiter into a genuine beneficiary. But all the events of the last few months give grounds for hope that the days of communist tyranny, though they may still be prolonged, may also now be numbered.

Notes of the Week

Europe's Moment

M. SPAAK'S visit to London three days after Mr Macmillan had become Prime Minister was a remarkable conjuncture. M. Spaak came as secretary of the committees of the six continental powers which are working to create a common market and a European atomic agency. He was able to report that the treaties are nearing completion, driven by a common political will in France and Germany which could hardly have been conceived a year ago. He has been welcomed by a new British Government more sympathetic to European integration than any since the war; and he has gone home aware that the project for a wider free trade area around the six-nation common market, which Britain threw up last summer, is impelled by a keen political drive and perhaps too by a new sense among the public here that Britain cannot go it alone. "Europeans" have more cause for hope than at any time since the death of EDC.

In practical terms, however, M. Spaak's visit did more to clarify problems than to solve them. He made it clear that the common market and "Euratom" treaties are too far advanced, and the need for swift political action too great, to allow the treaties to be delayed or tailored to the requirements of the free trade area. The common market treaty, whose emerging shape is described in an article on page 210, may make some provision for later alterations, but the Six will obviously want to keep changes to the minimum. The extensive powers given to the central institutions of the common market may not, however, be easily acceptable to the countries interested in the free trade area.

Two other problems also emerged more clearly than ever. Britain reaffirmed that its preferences with the Commonwealth required it to exclude agriculture altogether from the free trade plan; if agricultural countries like Denmark and Holland are to accept the scheme, Britain may have to give them special bilateral compensation for this omission. It is also increasingly clear that Portugal, Greece and Turkey cannot face the competition which the free trade area involves; a special status may have to be worked out for them.

Seen from Westminster

THE change at 10, Downing Street will, for the moment, make for greater political stability. Mr Gaitskell was wise to discount the possibility of a Tory split. The Tory party, playing true to form, has leapt eagerly and athletically on the new leader's band wagon.

There will always be backbenchers convinced that ability (as represented by themselves) has not been given its due reward; but, by and large, Mr Macmillan's Cabinet has had a favourable party reception. He has painlessly moved out the more obvious sleeping partners, and brought in some competent new men. By slightly thinning the Etonian content (from 10 to 7) and increasing the non-U element, Mr Macmillan should have particularly pleased the fifty or so self-consciously non-U Tory backbenchers, who were beginning to complain with carefully assumed stridency that they were being forgotten.

The two big question marks at Westminster hover over Mr Selwyn Lloyd and Sir Percy Mills. Labour regards the Foreign Secretary as a sufficiently attractive target to be secretly glad that he has been kept within range, and it is sharpening even more hatchets for Sir Percy Mills: a new peer, an old industrialist and one whom the trade unionists have determinedly billed as not particularly progressive.

Prods in their Backs

BY the time MPs reassemble on Tuesday afternoon, Mr Macmillan will be not only Prime Minister but officially leader of the Conservative party. The curious mass meeting which performs this rite has been summoned for noon of that day, which indicates that Mr Macmillan's election is expected, no doubt rightly, to be as swift, unanimous and embarrassingly fulsome as that of his predecessors. There may, however, be a different sort of embarrassment by the time Ministers get to the despatch box, for most of the new team's political problems over the next few weeks will involve it with its own backbenchers rather than with its official opponents.

The list of possible revolts is formidable. Mr Sandys becomes Minister of Defence at a moment when demands for better value for money (and for less money, at that) are rising to a crescendo. Mr Butler, in his new role of Home Secretary, faces not only the complexities of the hanging controversy, but a unanimous Tory dislike of the restrictive passages of the Shops Bill. Sir Percy Mills (and Mr Maudling) will have the dubious pleasure of trying to satisfy Mr Nabarro and Co. in their ceaseless desire to better the nationalised industries. Mr Brooke will have to deal with the backbench pressure for some easing of the Rents Bill. Mr Watkinson, now promoted to the Cabinet, will not escape the grouses about the impact of petrol rationing on the road hauliers. Mr Thorneycroft and Sir David Eccles, while apparently pursuing the European free trade goal with welcome energy, will have to face the guerilla activi-

ties of those who still believe Lord Beaverbrook's chains were not self-imposed. Above all, the Tories will anxiously watch the new Prime Minister for some signs of masterful direction. More than any single policy decision, the Tories long for a government which does not seem in a constant state of breathlessness.

The Minor Ministers

THE twenty-two "second rank" ministerial appointments announced on Wednesday night completed the list of ministers with full departmental responsibilities and of Ministers of State. The under-secretaryships remain to be allotted, and in these Mr Macmillan will be expected to throw carefully-selected bones to some of the best-known backbenchers, including several who have been labelled as Suez extremists. There should be no excited criticism if he does: dogs who are eating bones can do less barking. The most interesting appointment on Wednesday was Mr Maudling's knight's move across the Government board to the peculiar post of Paymaster General, with the still more peculiar role of acting as spokesman for the new Ministry of Power in the Commons. Mr Macmillan ought to be very grateful to Mr Maudling; nobody else would be likely to fulfil this very ticklish political task half as well. The fact that Mr Maudling is to be succeeded in the Ministry of Supply by Mr Aubrey Jones presumably means that this ministry is not to be disbanded; Mr Maudling is believed to have recommended that it should be, and many of its functions handed to the Ministry of Defence, which

Constitution and Choice

THE Labour party has got hold of the wrong end of the stick in its fretting—in so far as it is fretting, and not merely ragging the Cecils—about the constitutional implications of the way in which the Prime Minister was appointed last week. It—and some unexpected allies—have given an airing to two suggested alternatives to the present constitution, on the grounds that they would "save the Queen from embarrassment." These are:

(1) *The idea of the Deputy Party Leader.* Labour is quite wrong in believing that the situation that arose last week could not arise while Labour was in power, because of the Parliamentary Labour party's system of choosing a deputy leader as well as a leader at the beginning of each Parliamentary session. If Labour were to come to power tomorrow, and Mr Gaitskell were to drop down dead the day after, is it really suggested that Labour would be unanimous that Her Majesty should then send for the present deputy leader, Mr Griffiths, instead of Mr Bevan?

(2) *The idea of the Interim Prime Minister.* In a letter on page 195 a distinguished Canadian jurist recommends the Australian system, whereby twice an interim Prime Minister has been appointed for a few days until the majority party has chosen its own leader. But the thought of the empire-building, job-bargaining, caucus-making and lobbying to which this system could give rise is surely rather shuddering. It seems much better that the party counsellors, after taking proper soundings, should advise the Queen which leader appears to have emerged, before this sort of bargaining has taken place. Thereafter—if they have advised her wrongly—the House of Commons obviously has, as always in the past, the power to reject the choice. (So—if they ever wished to—would the members of the majority party in the country, when they came to elect a new party leader.)

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The really interesting question is how the party counsellors have interpreted their functions in the past few weeks. It is clear that there was fairly formal sounding of the views of Cabinet members; while some fascinating letters from Tory MPs in the *Daily Telegraph* this week reveal how backbench opinion made itself felt in a shoal of letters written around Christmas time to the party whips. (The people who wrote at that time will have been mostly people who wanted to block the accession of Mr Butler—then a clear favourite in the betting—but presumably the whips, whose personal inquiries were pretty extensive, made allowance for this in counting heads.) Nobody, incidentally, seems to have sounded the views of the Conservatives' rather absurd electoral college—which includes Conservative peers, prospective candidates and some party officials, as well as MPs—but the fact that this body for the election of a party leader is widely regarded as a cipher is the Tories' own concern.

Once all the information was collected and made available, however, there could still have been three attitudes on the Thursday morning to the main constitutional question:

(1) The view that the Queen should send for "the most prominent politician in the party that had a majority in the House," provided she were satisfied he could carry that majority with him.

(2) The view that the Prime Minister should be the majority choice of MPs of the majority party.

(3) The view that the Prime Minister should be the man who would command the largest and most rock-solid majority in the House.

Obviously argument (1) did not prevail last week; up to Thursday midday Mr Butler was a more "prominent politician" than Mr Macmillan, and he clearly could still have kept some sort of majority in the House. The decision was therefore taken, in so far as it was thought out, on arguments (2) or (3), or on a mixture of them. Everything that has happened since last Thursday suggests that argument (2)—which must now be assumed to be the dominating argument—was satisfied: Mr Macmillan was, in the circumstances, the majority choice of Conservative MPs. This remains true even though many of those who are now saying that they are glad Mr Macmillan was chosen might have voted for Mr Butler in any secret ballot last week.

Is there, therefore, any ground for constitutional uneasiness about what happened? There is just one shadow of a ground, though it should not be over-stressed. It is to be hoped that any part that attitude (3) may have played in the decision—and it did play some—will not be written down as a precedent for the history books. For it could be read in the future to mean that the Prime Minister must be the man who is least bitterly opposed, not the man who is most widely supported, in his party in the House; the qualification for a Prime Minister would then be not that he should do what the majority of his party wants, but that he should not do anything that might give even a wing of his own party grave offence. This would obviously be a formula for the production of sheep, not for the production of Prime Ministers.

would then be in a better position to control the subordinate service departments.

Among the other 22, no one doubts the competence of such men as Mr Molson (going to Works), Mr Vosper (to Health), Lord Selkirk (to the Admiralty) and Mr Ward (to Air), but these names will not stir one corpuscle of blood in the party; indeed the accumulation of three relatively new men in the service departments may be designed as another way to strengthen Mr Sandys's control over defence. The reappearance of Mr Marples's name in a Government list no doubt reflects Mr Macmillan's wish to reward his old No. 2 of Housing Ministry days, and there may be some virtue in the curious move of Mr Birch from Air Minister to Economic Secretary to the Treasury. He will obviously be much happier handling an economic brief; he has not been allowed to do so since Opposition days (it was he who called out so memorably, after Dr Dalton's resignation, that "they've shot our fox"). Three moves which can be wholly applauded are those of Mr Walker-Smith to help Sir David Eccles at the Board of Trade, Mr Enoch Powell (to Financial Secretary to the Treasury), and Mr David Ormsby-Gore (to Minister of State, Foreign Office). All these are able men, and, with Mr Maudling, Mr Heath (the Chief Whip) and Mr Aubrey Jones (now Supply Minister) seem to represent the only prospective Cabinet timber in the whole 22. Mr Ormsby-Gore is to be given special responsibility for European affairs; that will leave Commander Noble as the Minister of State dealing primarily with the United Nations.

Where Uno Stands or Falls

EVERYTHING the United Nations Assembly has achieved since November is at stake this week. Uno's own authority—and therefore its whole value as a peacemaking instrument—will evaporate, together with the prospect of a real settlement in the Middle East, if its members shut their eyes to their urgent duty. That duty was set before them coldly and plainly by the Secretary-General on Wednesday. He reminded the Assembly that its resolution on Sinai called for more than just a cease-fire and withdrawal; these two things were merely priorities, and now that they were nearing fulfilment it should give "urgent attention" to ensuring similar fulfilment of its other rulings and aims. Mr Hammarskjöld referred to the need for scrupulous observance of armistice terms, including an end to border raiding; to the right of free passage through the Gulf of Aqaba; and to the basic function of the UN emergency force—"to help to maintain quiet." Gently but firmly, he invited the Assembly to consider charging the force with some of the responsibilities hitherto carried by the tiny band of truce observers.

In Ottawa on Monday, Mr Lester Pearson, who originally sponsored the force, called for an extension of its life; but up to now there has been little backing for this in the Assembly, where, moreover, both the Asian-African block and the United States have been insisting on unconditional and total Israeli withdrawal without procuring any Egyptian guarantees for the future. By next week, the Israelis will hold only Gaza and the toehold in south-eastern Sinai which protects them against a renewed Egyptian blockade of the Gulf of Aqaba. If the Assembly ignores Mr Hammarskjöld and Mr Pearson, and merely persists in its present course, then either Israel will defy it and expose its impotence, or the old familiar problems that underlie the present situation will re-emerge as dangerously as ever. This week is the time of testing. It will show, incidentally, which members of the Asian-African group are capable of rising above mere racialism in order to make Uno work.

Two nettles have to be grasped. One is the future of the UN force. The other is Egypt. President Nasser evidently intends to claim that he can restrict canal traffic until the Israelis have left Gaza and south-eastern Sinai—after which, if the UN force does not replace them, Egypt will be in a position to resume its blockade and border raiding. Nothing to justify this Egyptian claim can be found in the UN resolution of November 2nd, which, on the contrary, emphasises speedy resumption of canal traffic and demands an end to border raids. The weight of international opinion should now be turned on Egypt, so that President Nasser understands clearly that UN action was taken not just to save him but to restore the peace which his actions had helped to destroy.

Two Years After Malenkov

THE Supreme Soviet is hardly the centre of Russia's political life, but its sessions often provide a platform for important declarations of policy, and the one beginning on February 5th may prove of particular interest. Shortly before Christmas the Communist party central committee announced that the current five-year plan would be pruned, and that the resources saved would be used to step up the housing programme. The Supreme Soviet will now presumably put its stamp on the revised version.

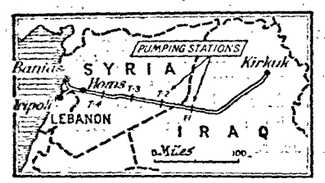
The extent to which the revision of the plan, and the budget (which, if precedent is followed, this meeting will also endorse) reflect a shift in economic thinking, will have an impact on politics and possibly on personalities. Two years ago, at a similar budgetary session in February, the post-Stalin economic controversy was clinched in favour of heavy industry and Mr Malenkov resigned the premiership on the grounds of "incompetence." Now the pendulum seems to be swinging in the opposite direction. Moscow may have concluded that more pledges to the consumer are the best insurance against ill winds blowing from Eastern Europe; but how much is it willing, or able, to pay for such insurance? If the price is high, the leadership may be due for another reshuffle.

Lean Years for Syria

THERE comes a point at which lands of transit, however ill-disposed to the traffic that wants to cross them, either feel the pinch for lack of transit profits or begin to see drawbacks in antagonising the customers at both ends of their line. Egypt has agreed to clearance of the Suez

Canal, and its Syrian satellite is wondering whether to be left behind. It is facing a budgetary deficit of unprecedented size, and seems short of certain foreign currencies; both facts may prompt it to consider how long to go on denying itself the funds obtainable from the transit of oil from Iraq.

The Iraq Petroleum Company has told the Syrian government that, contrary to first reports, pumping at a reduced rate could be resumed at short notice—it is said, within a week. The three pipelines from Iraq to the Mediterranean travel uphill as far as Homs and, of the four pumping stations which service them, the three in Syria were blown up in November. It is now known that the destruction at these three scarcely affected the pipeline manifolds, which are so arranged that the oil flow can bypass the pumps. Therefore the surviving station, which is inside Iraq, could be used to boost oil past the three wrecked stations in Syria—at the rate of 11 million tons a year, as opposed to 25 million when all four pumps were working. How long the Syrian pumps will take to repair is still unknown, as piles of rubble still conceal machinery that may be irreparable; much hangs on the expertise with which the explosives were placed.



If the pumps prove to be wrecked, none of the possibilities open to the company and the Iraq government holds out hope of quick returns for Syria. One is to recognise that all new investment inside Syria is insecure, and therefore to pump only as much oil as can be boosted by adding to the apparatus in Iraq, and then redressing the fall in Iraqi production by increasing output from the southern Iraqi field at Basra, which does not have to export through Syria. The other course, if Syria agrees, is to repair one pumping station only; even for that, the apparatus that had already been ordered for an additional line, carrying a further 9 million tons a year across Syria, would have to be used, and the project for this extra throughput would thus be indefinitely postponed. Either way, Syria's vista of an ever-increasing revenue from the transit of oil will have vanished, for a long time to come, in the puff of smoke that blew up the pumps.

Mr Head's Last Cuts

THE defence cuts announced this week have been made in accordance with two principles of defence reorganisation which were laid down long ago, but which none of Mr Head's predecessors succeeded in following to their logical conclusion. The first principle is that in terms of world war—the sort of war that would involve this island—reserve forces which would require a lengthy period of retraining no longer make any sense at all; the other is that it is just as pointless to think of home defence in terms of obsolete weapons. The pointlessness of the part-time training given to the national service men with the Territorials and Army Emergency Reserve has become increasingly obvious; and it is a gain in realism—if a grim one—that part-time training with the Mobile Defence Corps is also to be abandoned.

The decision to disband the Royal Auxiliary Air Force and the air arm of the Royal Naval Volunteer Reserve is part of the same logic. The RAF's 20 auxiliary squadrons operated Meteors, which would be useless for interception if this country were attacked; they only made sense on the assumption that there would be time to retrain the auxiliary pilots to handle modern fighters—and the decision to cut the production of Hunters suggests that "modern fighters" is now to mean machines still further up in the supersonic class. The Navy may regret its air reservists more, because carrier-based aircraft continue to be far less advanced. But the usefulness of these reserve fighter pilots would really be confined to a limited war in which the most modern aircraft would not be used—and such a war would surely usually be fought by regulars.

The recommendations of General Hull's committee on Army "streamlining," of which some details have now leaked, follow the same line of thought. Besides lopping the tail of regular and reserve formations, and getting rid of more artillery (on the reasonable assumption that atomic missiles are on their way), they propose to do some rough surgery on those excrescences in the War Office caused by the operation of Parkinson's law—the swollen directorates and command staffs. In all, the economies that have been announced or anticipated this week may come to about £20 million a year. They represent the last throw of Mr Antony Head, who had promised to be a much better Defence Minister of his type than most military commentators have realised. His successor, however, may have come into office with at least a "target figure" of defence cuts that is higher than Mr Head was willing to accept. Including perhaps—and at last—the replacement of total by selective conscription?

Dumping Needs Definition

ACCORDING to the announcement before the recess, the first business of Parliament next week is to be the second reading of the Anti-Dumping Bill and the third reading of the Railway Finances Bill on Tuesday; these will be followed by two days of the committee stage of the Homicide Bill on Wednesday and Thursday. The Anti-Dumping Bill calls for some prior comment. It is a *quid pro quo* to certain protectionist parts of British industry for the projected advance to a free trade area with Europe, and it includes the kind gesture to agriculture and horticulture (although they will not be affected by the freer trade proposals) that is usually thrown in on these occasions. No doubt Mr Thorneycroft and Sir David Eccles will have been talking about the bill to M. Spaak this week, and trying to persuade him (on the whole rightly) that the concessions to be made to British protectionism are not very big ones. The European countries could theoretically stand on the principle that—since the common market scheme itself will forbid discrimination in selling prices on grounds of nationality, although not apparently discrimination on grounds of favouritism to good customers—even small concessions are wholly unnecessary. But one presumes that they will not be too stubborn.

Nevertheless, Parliament ought to have some questions to ask about the bill. It is going to give the Board of Trade power to impose and vary customs duties on goods that are considered to be dumped here; the danger, of course, is that Sir David Eccles and his successors may be constantly waylaid by pressure groups with peculiar definitions of what dumping means. The definition in the bill seems to be a reasonably rigid one. Although a certain amount of alarm has been caused in importing circles by a vague reference in Clause I to the fact that unfair foreign subsidies may have been "directly or indirectly" given, the overriding definition of dumping seems to be that it only occurs when export prices of foreign goods are below their "fair market price" in the country of export or origin.

The fair market price means the price at which goods are actually sold for consumption or use in the producing or exporting country, "subject to any necessary adjustments, whether for differences in conditions and terms of sale, for differences in taxation or otherwise"; it would be useful to have a very precise statement about what this last phrase means, and also about the Board of Trade's intended yardsticks for assessing the fair market prices of goods that are never in fact sold in the country of origin (the Board is empowered to make its judgments here by reference to those rather vague concepts "cost of production" and "export prices of similar goods"). In theory, of course, if foreigners are foolish enough to want to sell their goods to Britain below their cost of production, British consumers should welcome their bounty; in practice the best—but also the least—that can be asked of Parliament is that, by careful clause-by-clause vetting in committee, it should ensure that the avenue now opened to protectionists will be a very narrow avenue, for those who suffer from genuine dumping only.

Zik's Bank

THE curious circumstances in which the Eastern Region Finance Corporation, a government body of the Eastern Region of Nigeria, purchased 784,000 £1 shares at par in the African-Continental Bank, founded by Dr Azikiwe, the premier—and then deposited over £1 million of its funds with the bank, at a moment when it was, in strict audit terms, insolvent—have now been probed by the Tribunal of Inquiry set up last August by the Colonial Secretary. It is an enthralling, if unedifying, tale. The tribunal is satisfied that Dr Azikiwe remained a powerful influence in the bank even when he had resigned as chairman on becoming prime minister of the region. He remained deeply interested in it through his Zik companies that banked with it. But for the Finance Corporation's purchase of shares, on terms so satisfactory to the shareholders whose scrip was in fact worthless—and equally satisfactory to the bank's creditors who stood to lose heavily—the bank would probably have been forced into liquidation. It was quite unable to meet the requirements of the banking ordinance for registration at the end of the period of grace extended to it.

The tribunal concludes that Dr Azikiwe was "guilty of misconduct as a minister," and that his conduct has "fallen short of the expectations of honest, reasonable people." Nobody who reads the tribunal's report will feel that these words are unduly strong; but it would be jumping to unwarranted conclusions to assume that they are strong enough to make Dr Azikiwe resign.

This will put the new governor in almost as awkward a position as the original intervention in the matter put the previous governor, Sir Clement Pleass, who retired so suddenly last autumn. Dr Azikiwe may, however, reflect that with this report in circulation it will be open to the delegations from the Northern and Western regions, who have had their regional elections, to cast uncomfortable doubts on his standing as the East's representative at the forthcoming constitutional conference, unless he renews his mandate at the polls. With the example of Dr Nkrumah's overwhelming victory in the Gold Coast after the (much less personal) revelations of the cocoa enquiry before him, Dr Azikiwe may well feel he runs no undue risks in going to the country: he will be able to flourish the paragraph in the tribunal's report which admits that his "primary motive was to make available an indigenous bank with the object of liberalising credit for the people." The bank is now comfortably liquid, thanks to its public depositors, and if Dr Azikiwe burks the challenge it will indeed be a sign that he is losing his grip—or else that Nigerians are fussier about clean hands in the administration than is generally thought of their sunny and tolerant mentality.

Defence in the Cairo Trial

ONLY lawyers registered at the Egyptian Bar can plead in Egyptian courts. It is thus almost certainly incorrect to say—as was asserted last weekend—that British counsel can defend the four Britons charged with espionage in Egypt; but British lawyers could presumably attend their trial, even if it is in a military court. The Egyptian Director of Information has always insisted that he wants the world to witness the trial.

British counsel might not improve the chances of the four accused; it is just possible that they would do more harm than good. The Egyptian legal system is based largely upon the French; and the indictment, which contains important summaries of evidence, and the *proces verbal*, which runs, it is said, into hundreds of pages, are in Arabic. Although some of the evidence and cross-examination must be interpreted for the accused, the pleadings will be in Arabic, and arguments in law as to what constitutes espionage seem likely to be an essential part of the defence. Reliable opinion in Egypt has held that it would be virtually impossible for a British lawyer to advise an Egyptian lawyer in these circumstances.

After careful study, the employers of two of the accused, Mr Swinburn and Mr Stanley, retained two distinguished Egyptian lawyers, Maitre Ahmed Rushdi, leader of the Egyptian Bar, and Maitre Zaki Diab. (The defence of the other two accused, Mr Pittuck and Mr Zarb, was awaiting the decision whether Maitres Rushdi and Diab could also defend them.) These two lawyers are of unquestionable integrity, ability and courage, and their prestige protects them against pressure or intimidation; but their position might be weakened if British counsel appeared at their side while the patriotic temperature of Egypt was high.

Yet there has been and still is a natural desire to have a British lawyer present. The picture of four men standing

trial on a grave charge without anyone from their own country at hand is an unhappy one. The employers might yet send out a British lawyer as an observer ; or a friendly "neutral," drawn from a country with a legal system similar to that of Egypt, might be sent to provide independent advice and observation without impairing the position of the Egyptian defence lawyers.

Financing a Free Malaya

TENGKU ABDUL RAHMAN will apparently return home reasonably satisfied with his talks in London on future relations between Britain and the soon to be sovereign Federation of Malaya. He pitched his demands high, asking in all, it is believed, for some £97 million to finance a development plan twice as extensive as the one already blessed by the World Bank. The Colonial Office, pointing out the lack of administrative machinery for such a plan, and the fact that finance on such a scale is far beyond immediate British resources, persuaded the Chief Minister to moderate his requirements. But he will launch out on independence with a substantial nest-egg. Britain is to pay £3 million annually towards the anti-terrorist "emergency" until 1961, and more in the last two years of that period up to a total of £11 millions ; to devote any unspent balance on this account towards the Federation army up to a total of £6½ million ; to provide another £5½ million for purchase of British equipment and £1,300,000 for local purchases of army equipment ; and to hand over about £4½ million to cover all uncompleted schemes started under Colonial Development and Welfare.

Under a defence treaty Britain will have the right to station the Commonwealth strategic reserve in the Far East in Malaya, and will provide British troops to help the Federation forces to fight the communists. The expenditure on these troops, which will of course fall on the British taxpayer, will benefit the Malayan economy. The Tengku is also evidently to be given facilities to raise a loan in London in the ordinary way. He has wisely prepared the way for this by emphasising that the Federation will give every encouragement to foreign investors and will protect their existing interests. He has indicated strongly that in tariff and other commercial policy the Federation would be independent of Singapore. The rubber industry is keener at present to repatriate capital than to invest more ; but if the Tengku is genuinely liberal in his approach, and shows resolution in fighting communism, he is likely to gain on balance.

Big Noise, Small War

THE Yemen has submitted the Aden frontier situation to the United Nations and has suggested that a neutral mission should study it. The British Government should be able to make out an effective case, and it could demonstrate its confidence by welcoming an international mission, however doubtful it may be about its effectiveness. But there are few people in the world and almost none at all in the Arab League who understand what the trouble in that rugged desert area is really about ; while a UN mission might elucidate it for an audience of largely uninterested nations, it is too much to expect that the inevitable spate of propaganda that would follow would yield a constructive solution.

Yemen wants the propaganda. A Yemen delegate at Uno has this week laid claim to Aden. Yemen regulars in olive green battledress are giving the necessary stiffening to the haphazard tribal warfare on the frontier. The whole business involves, according to the special correspondent of *The Times*, about 120 men on the Aden side and 300 to 400 Yemeni tribesmen on the other. It is a tiny "war," big only in the signs of more deliberate effort on the part of the Yemen government and the words that are going to the description of it.

Britain must protect the protectorate. Were its determination to do so put in doubt by debates in the General Assembly, the tribes on the Aden side of the frontier would quickly take out insurance policies in the Yemen. They are already anxious about Britain's intentions ; and the two platoons of the Durham Light Infantry in the Beihan region are perhaps as much an earnest of those intentions as a military force. But it is not enough to stand fast. Yemen should be pressed more and more to join in the demarcation of the frontier, and the intended meeting of Aden and Yemeni officials on the border is useful even if the Yemen's intentions are suspect. Furthermore, it is wise to re-examine British policy in the protectorate and check whether the federation plan is practical and useful at this time. The more right Britain is, the more wrong Yemen is. So far this obscure matter rests on the opinion of the Aden government and the Colonial Office, but there are many Arabic-speaking British specialists who could make an impartial check and produce a valuable White Paper for the education of Britain. The British must not only be right but appear to be right—if only to themselves.

Upper Income Brackets

MR NIGEL BALCHIN once remarked that "the middle-class income is about as near to the middle of the real scatter of incomes as the thirty-third inch is to the middle of the yard." The Oxford Institute of Statistics in its experimental survey* of the financial position and savings habits of what it flatly calls the upper income classes—those with more than £1,000 a year—spurns such sophistry. The sample on which its survey is based is small, amounting to no more than 305 individuals living in and around London ; it is drawn arithmetically from names in *Debrett*, the *Directory of Directors* and other directories ; it contains a fair cross-section of professional and managerial incomes, but excludes the self-employed businessman. And it shows some surprising things.

Among these three hundred families, few non-surtax payers managed to save at all last year. Those with incomes of between £2,000 and £3,000 a year saved £150 to £200, those with incomes between £3,000 and £10,000 about £300 or £400, while the really rich put aside £1,000 or so.

* Savings and Finances of the Upper Income Classes. By L. R. Klein, K. H. Straw, Peter Vandome. Bulletin of the Oxford University Institute of Statistics. November, 1956. Basil Blackwell. 10s. 6d.

Safety Crossing

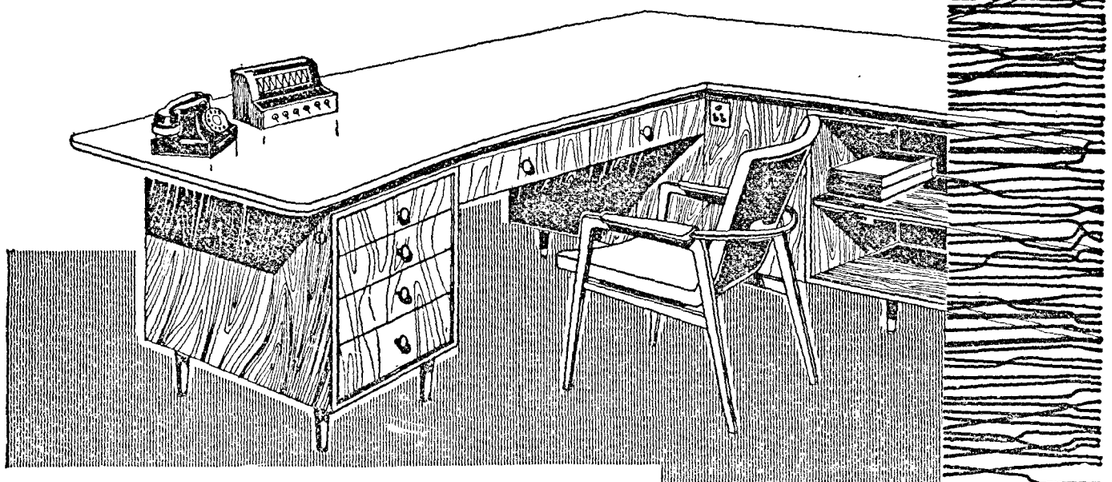
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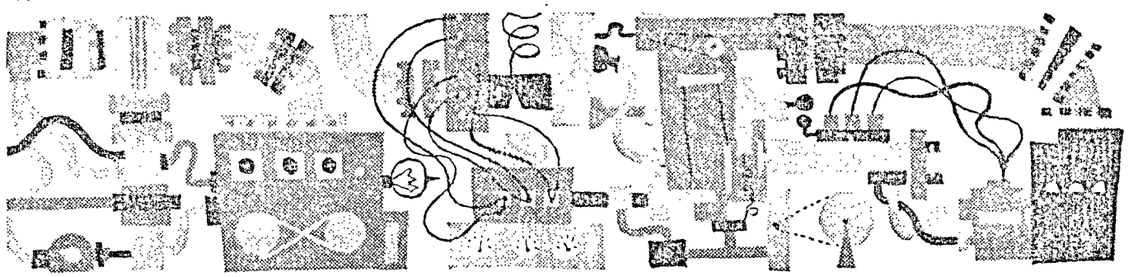


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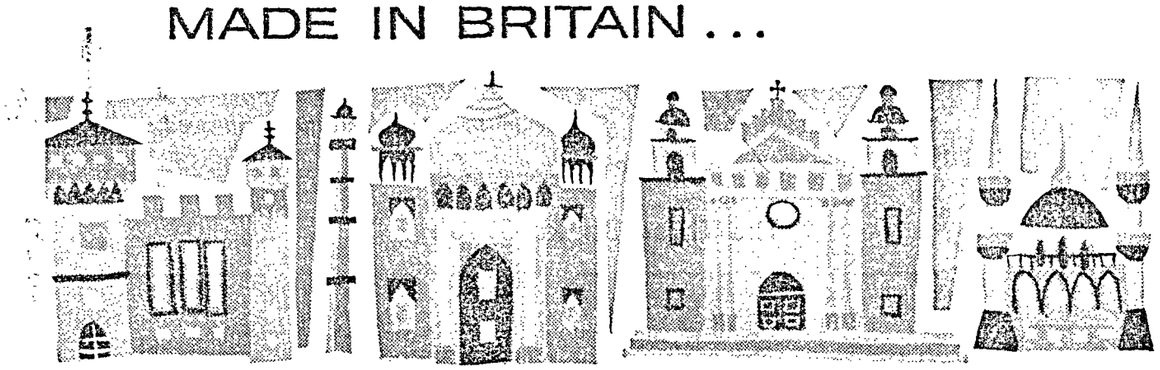
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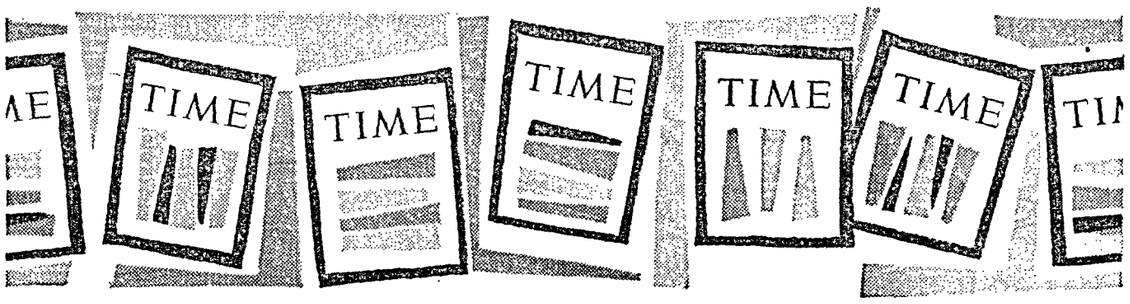
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Much of this saving was through insurance, mortgage repayments and the like; non-contractual savings became significant only over £3,000 a year. A rather astonishing revelation was the extent to which most of these people ran overdrafts, rather than current accounts, at the bank; the largest amounts overdrawn—an average of rather more than £400—were by those people selected from *Debrett*. But on the credit side of the balance sheets, the personal wealth of these well-to-do people—their financial and property assets less their debts—averaged nearly £17,000, of which £1,600 was in the form of liquid assets and nearly £10,000 in securities.

Rather surprisingly, few replies showed any particular concern with the legal avoidance of taxes: this apparently becomes important only around the £6,000-a-year mark. Nor did the exploitation of expense accounts appear nearly as conspicuously as it does in popular mythology; but then the self-employed businessman was not represented, and in any case this is a point which the most conscientious of respondents would soft-pedal. The majority of these people were pessimists, looking forward to more inflation and more taxation: an even bigger majority of those with school-age children were educating them entirely without recourse to the state system, avoidance of which would seem to rank much higher as a middle-class objective than either accumulation of wealth or peace of mind. There are social, as well as statistical, morals to be drawn from this survey.

Schoolboy Earners

IT is entirely comprehensible that the Headmasters' Association should, as its recent conference made clear, be worrying about the effect of part-time jobs on the education of grammar-school pupils. The grammar-school curriculum is an exacting one; the connection between part-time work and a gradual—indeed often rapid—loss of scholastic standing has been demonstrated over and over again in teaching experience, as has a similar connection with the "wastage" of early leavers. The sort of firm that employs a bright child on Saturday mornings, with the deliberate intention of luring him into full-time earning as soon as he passes his fifteenth birthday, is becoming a national menace.

But some of the headmasters should think again about the remedies they proposed. To suggest stiffer by-laws or national legislation against the employment of teen-age pupils is surely the wrong course. There are three points one would have liked to have seen made:

(1) In a sense, every activity other than eating, sleeping, and restorative recreation competes with booklearning. Hobbies and sociability, the housework expected in reasonable or unreasonable measure of daughters, the hours devoted to television, movie-going, or the dance-hall, are just as time-consuming. They may be more or less salutary occupations than a Saturday morning tradesman's round; but they are in no way made innocuous by the mere fact of not bringing in any money.

(2) What the schools are really up against is the fact that a large and growing proportion of their pupils come from homes where the necessary conditions for adequate education, in respect not only of part-time earning but of everything else, are not yet understood. It is easy to identify the boy who is losing ground because he comes to school late and tired after a newspaper round; it is less easy to spot the one whose homework is done—or neglected—in a dimly lit family living room containing six other people, the "telly" in full blast, and no books except those in his satchel.

(3) There is something deeper-rooted than ignorance or incomprehension to deal with: a matter of popular *mores* and ethics. To be an earner, on however small a scale, is to prove one's worth in an adult world. In working-class opinion, this graduation to manhood belongs to the middle teens; whoever does not take at least the half-step constituted by a part-time job is, unless his surroundings are quite exceptional, marked out as a freak and a sissy. The middle-class ethic is different; but the joy and pride of any youngster, of whatever origin, at his first (quite possibly illegal) earnings are an object lesson to sociologists.

So long as education gets its proper, overriding priority, there is no inherent reason why part-time earning should not be simply one option among others open to the youngster with time and energy to spare: part of an out-of-school life complementing the experience of the classroom. But to make it so does call for a patient campaign of persuasion and education and the building up of co-operation between teachers and parents. Legislative interference would be no substitute for that.

Wrong Bait for "Neutrals"

IN his testimony before the committees of Congress on the Eisenhower "doctrine," Mr Dulles has said that Middle Eastern countries must be "dedicated to fighting against international communism" if they are to get any of the proposed financial aid. Thus the two parts of the plan are tied together. Mr Eisenhower proposes to fight Soviet aggression with cash and, in the last resort, with guns.

More and more the doctrine fades as a policy for the Middle East and sharpens as American policy for resisting Russia. Dr Charles Malek, the Lebanese Foreign Minister, at his press conference in London this week, said that one could judge the degree of Soviet penetration in any Arab country by the amount of fear of Russia in that country; those most deeply penetrated feared it least. The implication for the Eisenhower doctrine is that those countries which are least penetrated will get the aid, while those drifting into the Soviet camp will not.

Egypt, Syria and, to an increasing extent, Jordan are in the latter group, and present the most severe threat to the western position in the Middle East. Mr Dulles has stated specifically that Egypt and Syria will get the aid only "if that aid is stipulated to fight against international communism." President Nasser does not permit a communist party in Egypt; but this can hardly be what Mr Dulles means, as he relates the plan to the boost which Egyptian policy has given to the communist powers. He is really offering to buy Egypt and Syria back into the western fold.

This can mean only one of two things. Either the State

Department still believes that sheer necessity, or cupidity, will compel drifting states such as Egypt and Syria to stop drifting; or it believes that the only thing to do is to support the Baghdad allies and others, such as the Lebanon, Libya and the Sudan, which are already inclined to resist the drift. There is no evidence that Arab states will join the western camp simply to get aid. There is much to indicate that they will resist the west more strongly if excluded for political reasons from getting aid offered to others.

A more perceptive policy lies ready to hand. Much as the Council of Europe lately called on its member countries to respect the neutrality of any east European states that free themselves from Russia, so the west should demand no more than neutrality from those Arab countries which at present, while claiming to be neutral, in fact incline towards Russia. To support their neutrality would tend to make it more genuine. Egypt and Syria might be encouraged to balance Soviet infiltration by new western connections. To ask them to commit themselves to oppose Russia—which offered them "volunteers" when Britain and France invaded Egypt—is to ensure a rebuff.

Leaning on the Law

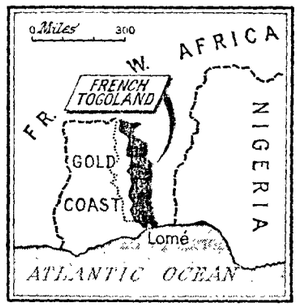
It seems to be taken for granted, and probably quite truly, that on the assembling of Parliament, Committees of both Houses will be appointed to examine the whole subject of banking, and the laws which at present regulate that branch of business. . . . Men have a passion for leaning upon the law. The natural indolence of our nature encourages it: the habit of shrinking from individual responsibility even in the management of our own affairs favours it: the consolation of having the Government, or someone clothed in Parliamentary power, to blame if anything goes wrong, recommends all these schemes of legal guarantees. Men hate the trouble, the irksomeness of feeling that to their own watchfulness, attention, and care alone, must they look for their security. The public funds offer at once all the ease, the certainty, the security and the simplicity as an investment which they desire: but then the interest is at the most *three and a half per cent.* Joint stock banks and other public companies offer five, six, or even ten per cent. The public, always unreasoning and generally unreasonable, want the security of Consols without submitting to the low interest: they want the high profits of speculating businesses without incurring the risk attending them, and without taking the labour and trouble of looking after them. They are constantly in search of impossibilities: they seek for advantages without paying the price: and in this, as in so many other things in life, they want at the same time "*both to eat their cake and to keep it.*" The Duke of Wellington advised the Peninsular officers that "a high interest meant a bad security": and no doubt it does so, or an investment which involves certain labour, care, and responsibility in managing it. But the common practice of empirics is to persuade the public, always sufficiently gullible, that safe substitutes can be found for these essentials in Parliamentary enactments and regulations: in Government control and interference: in official forms and ceremonies. An attempt is about to be made to re-enact this farce before Committees of Parliament in relation to joint stock banks.

The Economist

January 17, 1857

French Togoland in Trust

Although French Togoland is to remain a ward of the United Nations for the time being, its new political status has the UN Assembly's tempered blessing. The balance sheet for France after an acrimonious debate is more black than red. Confronted with the serried ranks of anti-colonialism in the Assembly, France dropped its request for an immediate end to UN trusteeship, and concentrated on securing recognition of the "autonomous republic" within the French Union which was established by statute and referendum last autumn. Everyone, including the French, wanted a United Nations mission to go out to Togoland and report back. But while America, Canada and others merely wanted the mission to study the working of the statute, India flatly demanded a complete re-examination. The Indian resolution was eventually passed by a large majority, but it was by then so dressed up in amendments that it looked more like the milder proposals, and, although it gave no formal recognition of the republic's existence, it was supported by France and split the Afro-Asian vote.



France has more at stake than this narrow strip of land with its jumbled loyalties. Its formula in Togoland is an experiment in empire saving. By French standards the concessions that have been made are liberal. Togoland has considerable local autonomy but—in return for economic aid—its finances, foreign policy and defence are administered from Paris. Conscious of having given too little too late in North Africa and Indo-China, France has given Togoland quite a lot in a hurry. The experiment was caught in a storm of disapproval for two reasons. The United Nations resented France's conjuring trick in presenting a ready-made republic while Togoland was still in trust. More important, nationalists no longer put much store by qualified sovereignty. The opposition leaders who pleaded against the ending of trusteeship did not demand complete sovereignty now, but they wanted the chance of it later on; and this is not provided for in the statute. Uno has postponed its decision for a year, but it will get no easier in the keeping.

Two Roads for Milk

The Milk Marketing Board is amending its policies. It is encouraging a partial switch back from winter to summer milk production. It proposes to make future price adjustments monthly instead of (as now) concentrating them at the end of the year—to the farmers' occasional disgust. And, now that nearly 70 per cent of milk is tuberculin tested, it proposes to increase the differential for TT milk as a means (a very gentle one) of persuading lagging farmers to hasten the inevitable changeover. These are wise decisions; but there is also a sinister ring in Sir Thomas Peacock's further statement that the Board will make "a serious study" of restrictive quotas and similar devices, which it thinks may be necessary some day—although "that time is not now."

It is now, however, that milk policy should be decided. Basically there are only two choices. The first is to carry on as at present, allowing production to increase very much faster than liquid consumption. There will then come a point when the rising losses incurred in the disposal of surplus milk for manufacture will lead a majority of producers to utilise Sir Thomas's "serious studies" and impose upon their colleagues some form of restrictionism. The result would be an inefficient milk industry and a severe blow to further nutritional advance.

The only alternative is for the Board to face the heavy initial unpopularity of accepting a cut in producer prices—or at any rate of not pressing for price increases when costs rise. This would slow up the rise in production but not reverse it—for there are many efficient milk producers who are eager enough to expand (if it is not too wicked to say so) at the expense of their weaker competitors. This course would make it possible to lower retail prices—thus boosting liquid milk to the joint eventual advantage of both consumers and producers, while simultaneously cutting losses upon the remaining milk surplus. To step up liquid milk consumption has always been the Board's professed aim. Do Sir Thomas Peacock and his colleagues still hold to it—or are they content to drift gradually into expedients which they know very well to be wrong?

Germany Slackens the Squeeze

In response to a slackening in investments, notably in private building, the Bank Deutscher Laender has reduced the west German bank rate by a cautious ½ per cent to 4½ per cent. The move is welcome in London, for the high German rate, intended to squeeze credit, was tending to defeat itself by attracting short-term money from abroad.

The German rate is now down to where it was in May, 1956, when, to Dr Adenauer's frank irritation, it was suddenly raised to 5½ per cent. The Chancellor then objected that the higher cost of borrowing would hurt the enterprising "little man" who has been doing so well for himself and for Germany since currency reform. But the central bank's judgment, backed at the time by the ministers of economics and finance, seems to have been sound. The cost of living has not risen as steeply as in many other parts of Europe. The loss of the mark's purchasing power in the past year is estimated at a mere 3 per cent. The "little man" is still getting along comfortably.

Yet the thirteen-week-old metal workers' strike in Schleswig-Holstein, the spread of the 45-hour week, and the pending wage concessions to farm workers all show that the inflationary danger is still present. The central bank, again supported by Herr Erhard and Herr Schaeffer, has resisted industry's powerful demand for still easier loans.

Although he resents their independence, Dr Adenauer has reason to be grateful to the shrewd men who have been looking after Germany's economy as a whole. Sometimes the politician in him seems to overlook how much their success has helped to make his government accepted.

Letters to the Editor

Choosing a Prime Minister

Sir—Might not the procedure followed in Australia by the Head of State in two cases in recent years where the Prime Minister of the day died suddenly in office have provided a sound model for the United Kingdom upon Sir Anthony Eden's resignation, especially since this procedure had the advantage in Australia of avoiding any possible criticism of the political wisdom or fairness of the choice actually made by the Head of State in those cases?

When Mr J. A. Lyons, the then Prime Minister of Australia, died in 1939, the United Australia Party, of which he was leader, had at the time no deputy leader, Mr Menzies having just resigned that office following a policy disagreement with Mr Lyons. The Governor-General of the day promptly selected the then leader of the Country Party and Deputy Prime Minister, Sir Earle Page, as Prime Minister to head a Caretaker Cabinet until such time as the UAP could meet and elect a successor to Mr Lyons: Sir Earle Page held office for 19 days as caretaker Prime Minister, resigning as Prime Minister (and, incidentally, also his Cabinet seat) on the election of Mr Menzies as UAP leader.

Some years later when Mr Curtin died in office as Prime Minister, the Governor-General of the day appointed the then deputy leader of the Labour Party and Deputy Prime Minister, Mr F. M. Forde, as Prime Minister, Mr Forde holding office for six days until the Labour Party had met to elect Mr J. B. Chifley as leader, after a ballot in which Mr Forde was an unsuccessful candidate.

Applied to the United Kingdom immediately upon the resignation of Sir Anthony Eden, such practice would have involved the commissioning of the number two ranking Cabinet Minister (or alternatively, perhaps, some elder statesman who was not a candidate for succession to the party leadership) either as Prime Minister or as Acting Prime Minister, if the latter styling be preferred, until such time as the Conservative Party could meet to make its own majority choice as party leader known. Such a procedure, besides eliminating any possibility of criticism of the Queen and the distinguished advisers with whom she consulted, would also be in line with present-day constitutional trends towards the limitation or elimination of the use of discretionary powers by the non-elective organs of government.—Yours faithfully,

Edward McWhinney
University of Toronto

The Successor

Sir—Why should you fear that right wingers could make it "impossible for the Government to tread the progressive path at home and abroad" under Mr Macmillan? In the 1930s he was the acknowledged leader of the YMCA Tories, and his book "The Middle Way" was certainly progressive. He is the grandson of a poor Scottish crofter, and because he has intimate knowledge of business on both sides of the Atlantic, he knows the wage earner's problems.

Why, therefore, should he become a prisoner of the reactionaries when the bulk of the Conservative party are liberal-minded men like himself? He knows full well that any surrender to reaction would (1) produce great pressure from the moderates; (2) stand

no chance of winning general support for the drastic economic policies he must pursue; and (3) have no hope whatever of winning the next general election. Lord Woolton (Manchester Grammar School and some time welfare worker) boasted that many Conservative leaders came from Liberal stock; and we backbenchers do not see why the practical idealism which both Mr Macmillan and Mr Butler share should be jettisoned because the one and not the other was chosen. We certainly prefer our method of choosing to the public Dutch-auction favoured by our opponents.

Surely the real problem before the new Government is not whether it is progressive or not, but whether it can make the ordinary people of these islands really understand the economic perils that lie ahead, and can inspire or frighten them into making the necessary sacrifices in work and service to ensure our national survival.—Yours faithfully,
House of Commons CYRIL OSBORNE

Lorries in a Muddle

SIR—The answer to your question regarding slowness in applying for extra commercial petrol (January 5th) is surely not "Sheer dilatoriness," but the requirement—rescinded in mid-December without adequate publicity—that applications for supplementary petrol would only be entertained when half the basic ration had been used up. This stipulation, which you described as stupid in a previous issue, is printed in italics on the application form for the basic ration. It is therefore hardly surprising that there has been some delay in the receipt of applications, for which the main blame attaches to the authorities and not to the hauliers and C licence holders.—Yours faithfully, P. KAUFMAN
Caterham, Surrey

★

SIR—The article in your issue of January 5th suggests that the railways may take advantage of an unexpected opportunity to obtain and to retain certain business which is now being forwarded by road. As one who is responsible for the carriage of some tens of thousands of tons of foodstuffs annually, I have been busily engaged in finding ways to serve my employers' customers by rail, and do not see any signs that the railways are really trying to meet the competition of road hauliers, which no matter how difficult the transport situation may become within the next few weeks is bound in the fairly near future to return to the status quo ante Suez.

The following are examples of rates offered to me during the past four weeks:

	By Road Per ton	By Rail Per ton
5 tons daily London to Midlands	32 3	83 11
5 tons daily Manchester to Midlands	35 0	86 6
5 tons daily London to East Anglia	33 9	75 6
5 tons daily London to West of England ...	43 0	65 11

The road services give delivery next day, at a specified hour, in time for redistribution on that same day by local transport. The railway offers next day delivery but actual time of receipt is problematic, and is always too late for redistribution on day of receipt.

I must add that most road hauliers accept a greater degree of responsibility for damage than do the railways, e.g., goods packed in cartons which do not bear the Railway Clearing Houses Certificate are carried by the railways as "damageable goods improperly protected by packing," and the consignor has, generally speaking, no redress for damage unless he can prove it to be due to wilful misconduct of the servants of the railway.

One staple foodstuff selling at around £300 a ton shows so small a gross margin that an increase of £2 per ton in delivery cost necessitates either increase of consumer price or cessation of delivery. The railway officials dealing with the case are efficient and understanding, but state they are still tightly bound, not by "statute" but by "costings." They cannot, therefore, spread the very heavy overheads by taking advantage of the probably very low additional actual cost of utilising existing capacity to the full.—Yours faithfully,
London TRAFFIC MANAGER

Shop Hours Bill

SIR—May I comment on your attitude to the Shop Hours Bill.

The idea that compulsory closing should not apply to the one-man shopkeeper was examined and rejected by the Gowers Committee of Enquiry into shop closing hours in its report of 1947. I do not, however, wish to debate that aspect here. It is the suggestion in the article that there is no need for statutory regulation of shop hours at all that I think calls for a word or two.

The Union of Shop, Distributive and Allied Workers is a strong union. It has throughout its existence been fully engaged in protecting the interests of shop workers. It seeks wherever possible to promote the regulation of wages and conditions in shops, including hours, by voluntary collective agreement. It does not seek legislation for legislation's sake. Unhappily, with certain noteworthy exceptions, the greatest possible opposition is put up by employers and their organisations in retail trade to any suggestion of collective bargaining on the voluntary basis traditional in this country. Approaches made by the union for agreements which will deal with conditions are flatly rejected. Indeed, the union is told that the employers will do nothing jointly with the union which they are not compelled to do by legislation. This is why, at the present time, shop workers over by far the larger field of retail trade have to rely upon the limited and restricted protection offered to them by the statutory wages councils (capable only of fixing a minimum "floor" in wages and conditions) and by the Shops Act which deals with closing hours and health and welfare conditions.

Putting it bluntly, this means that the employers will respond only to force—*this at a time when public opinion and* enlightened industrial practice expects and encourages joint action by both sides to avoid strikes and to settle labour problems by agreement, in a civilised manner. This my union is always ready to do at all times. Yet even as I write *this letter we are confronted by a flat* refusal of one large chain-store organisation to enter into discussions on proposals for an agreement on the wages and conditions of our members affected, notwithstanding the intervention of the conciliation department of the Ministry of Labour.

It is in this context that shop closing laws and other protective legislation affecting shop workers must be considered.—Yours faithfully,
J. D. HISCOCK
Assistant General Secretary,
Union of Shop, Distributive and
Manchester, 14 Allied Workers

Rents Bill

SIR—I see that you have supported the new Rents Bill. I set out my circumstances which are quite general.

I live in a flat assessed at £72 p.a. for which the landlord is responsible for internal repairs. During the last five years, *as I enjoy full security of tenure under existing legislation* I have spent several hundred pounds on internal improvements and decorations and cleared and re-stocked a large garden. I have no objection to a reasonable increase in rent provided my landlord *maintains the property in the present* condition, but I consider that the present Bill is inequitable as it takes away my security of tenure. May I suggest that the Bill should provide that existing tenancies should continue to be subject to control for the duration of their personal occupation. This would give the landlord an increased rent but would safeguard the tenant's tenure.—Yours faithfully, TENANT
Dulwich

Poland Prepares for Elections

SIR—Your special correspondent's report from Warsaw is certainly most interesting. However, very many people in Poland do not share his belief that the final election results will not be falsified. Though most anti-communist politicians favour the crossing out by voters of communist or fellow-travelling candidates, there is—according to many letters—a widespread inclination to boycott the elections completely, and this—it is feared—might make it easy for the regime to have their votes dropped into the ballot-boxes. After all, the situation for the government is much too grave to allow for the luxury of an electoral defeat.—Yours faithfully,
London, S.W.1 A. A. ROMER

Books & Publications

The Commonsense of Development

DEVELOPMENT FOR FREE ASIA.
By Maurice Zinkin.
Chatto and Windus. 271 pages. 21s.

AS the discussion on development for backward areas gathers scope and momentum, the number of points of view, analyses, prospects and judgments grows in the same measure. Between the optimists who see in it the Philosopher's Stone of all future diplomacy and the pessimists who believe it to lie beyond Asia's powers there is virtually no common ground. Nor is there much between the various dogmatisms now invading the argument—between the nationalists who see nothing but "imperialism" in foreign investment or the liberals who can accept no role for government action or the Marxists who accept nothing else.

It is one of the great merits of Mr Maurice Zinkin's timely and able study of the problems of economic development in free Asia that he avoids the preconceived ideas and fixed positions and brings to the issue of development a remarkable combination of sound commonsense, direct experience and a mind as clear as Dr Johnson himself could wish of any form of cant. This approach is possible in part because of Mr Zinkin's unique experience first as civil servant and then as business man in India; he knows from inside the possibilities and the limitations of public and private activity. But the dual experience would have hardly yielded so much shrewd inside and informed judgment if Mr Zinkin had not possessed gifts of observation and detachment to a rare degree.

As a result, his study may be read as a most valuable corrective to all the contradictions and dogmatisms of the contemporary debate on development. To the pessimists, he points out the analogies between Asia's present condition and the pre-industrial state of many European communities, reminds them of how much better the processes of economic advance are now understood and reassures them that outside aid, far from "flowing down the rathole," has an indispensable and far from impossible task to perform. For the optimists, he underlines the obstacles to any magic advance inherent in many of Asia's deeply grounded institutions—in forms of family life, inheritance, landholding, in traditional beliefs and prejudices.

To the dogmatists who believe solely in state action, he recalls the indispensable dynamism of private and indeed foreign enterprise and also the limitations of state action when, for instance, the question is the provision of credit to millions of small peasant property owners. And to the believers in private enterprise as the only instrument of advance, he demonstrates the need for state action in societies which largely lack not only an entrepreneurial class but even those primary public utilities without which such a class can hardly operate.

Above all, these distinctions and corrections are discussed and explained with so much concrete, factual illustration and such good-humoured acceptance of diversity and difference that Mr Zinkin corrects without irritating and enlarges vision while hardly seeming to have any such aim. The word "indispensable" is badly overworked in the reviewers' current vocabulary, but for those who wish to study development in backward areas not as a theory nor an abstraction, nor a political pipedream, but as practical politics in a dynamic world, Mr Zinkin's book is truly indispensable. Nowhere else will they learn so much or find information and experience marshalled with an easier style.

Squaring the Philosophic Circle

FOUNDATIONS OF INDUCTIVE LOGIC.
By R. F. Harrod.
Macmillan. 307 pages. 24s.

MR HARROD'S book is an attempt to give a general justification of argument by induction. To argue by induction is either to argue from particular observations to a general law based upon them, or to argue from particular observations to the probable truth of a general law based upon them. Neither form of argument is logically valid. Neither argument is valid, that is, in the way in which the argument from a general law to a particular application of that law is valid, or in the way in which the argument from the fact that a figure is circular to the fact that it is not square is valid. In fact the inductive argument is not even consistent, for one set of particular observations fits in with many different, incompatible, generalisations; so that predictions made by using one of these generalisations will sometimes contradict predictions made by using another. Therefore the inductive argument gives equal probability to two contradictory predictions; it gives the same probability to the assertion that an event will happen, as it gives to the assertion that it will not.

Attempts to prove that the inductive argument is logically valid have their counterpart in attempts to prove that it is possible to square the circle. But whatever the prejudice that led mathematicians to suppose that it must be possible to square the circle, philosophers are led to try to prove the logical validity of induction by the prejudice that no opinion counts as knowledge unless it is based entirely upon experience; a prejudice known as empiricism. The fact that induction is not logically valid is fatal to empiricism: we base our beliefs in scientific laws upon a limited number of observations, and the laws go beyond those observations. Therefore our belief in the laws is not entirely based upon experience: experience does not logically determine what generalisations we accept.

Mr Harrod follows Keynes into the error of supposing that, while Hume showed that the inductive argument does not establish certainty, he failed to show that it does not establish probability. But in fact Hume showed both. He proved that if opinion counts as knowledge only when it is determined entirely by experience, then we can have neither certain nor probable knowledge of the future. Mr Harrod does not accept these proofs; his own attempt to prove that the inductive argument is logically valid, when used to establish probability only, runs like this:

> A man walks along a road. As he walks he keeps on making assertions about how long the road will continue. Suppose that he keeps on asserting that the road will continue for at least as long again as it has already continued. He asserts this regularly, so that the number of assertions he makes is proportional to the distance he travels. Then his first wrong assertion is made when he has travelled half the length of the road. Therefore the proportion of his assertions which are correct is one half.

Now Mr Harrod assumes that this proportion gives the probability of any one of the man's assertions being correct. He does this by analogy with statistical probabilities, for example with the fact that the probability of being correct in asserting that a penny will fall heads is given by the proportion of heads. But the analogy does not hold: the heads and tails occur at random, while the correct and incorrect assertions of the man on the road do not, for all the correct assertions come first. If the proportion of correct assertions gives the probability of any one of the assertions, then this probability is the same for his earlier assertions as for his later ones. But as he travels farther his assertions become more ambitious, for each time his assertion is that the path will continue for as long again as it has already continued. Therefore, since the probability of his being correct about these increasingly ambitious assertions remains the same, the probability of an assertion that does not become more ambitious increases. The farther a road has gone on, the more probable is it that it will continue for another mile.

More space is needed for a proper

discussion of this argument. But a parallel application of it seems to be a *reductio ad absurdum*. Just as Mr Harrod calculates the probability of his man's assertions, so it is possible to calculate the probability of an assertion based upon a general hypothesis. The probability of such an assertion being correct will be the proportion of correct assertions based upon that hypothesis. Suppose that a man never uses an hypothesis again once it has misled him. Suppose that with a certain hypothesis he gets *ninety-nine* correct results before he gets an incorrect one. On Mr Harrod's reasoning the probability of any one of these predictions being correct is 99/100, or .99.

Although the justification of induction by the argument about the man on the road is the main purpose of the book, it is not the whole of it. The discussion of the problem of induction is straightforward, readable and often ingenious. But Mr Harrod's philosophy belongs to an Age of Reason which has gone.

Swiss Achievement

NATIONALISM AND LIBERTY: *The Swiss Example.*
By Hans Kohn.
Allen and Unwin. 133 pages. 13s. 6d.

THIS book is part of a larger study by Mr Kohn on "The Age of Nationalism"; but the author, feeling that the Swiss example in the achievement of nationalism and liberty through federation is of particular relevance to western Europe today, has brought it out as a separate essay. Mr Kohn hopes that it may help towards turning Nato into a western European federation. In any case, it stands successfully on its own merits.

The Swiss federation began in almost exactly the same way as Nato: an alliance of sovereign states for collective security. At first the small peasant states were much alike and all spoke the same language. But the Reformation divided them religiously, and new alliances and conquests added French and German speaking populations to the original German. The strand of brilliant commonsense, which had induced the original cantons to band together, began to be crossed by the other strand of plain good luck, which is such a strong feature of Swiss history. The religious divisions were exceedingly bitter, and the German cantons often treated their subject French and Italian populations almost as oppressively as the feudal lords whom they had replaced. But these unpromising factors produced surprising results. Despite the internal strains, the surrounding dangers were strong enough to hold the federation together, while the religious differences were such that Switzerland was unable to be involved in the religious wars that devastated the rest of Europe, and so remained relatively prosperous. Later on, the fact that there were large French and Italian speaking minorities saved the Confederation from being overwhelmed by the rising tide of German nationalism.

The idea of personal freedom dated back to the earliest days of the Confederation and historical liberties were jealously guarded. Up to the time of the French Revolution, patriotism in Switzerland meant participation in local affairs and respect for human rights—already a great advance over most of the rest of Europe—and when the new ideas of national unity and democracy flooded into Switzerland they could be put to more practical use there than almost anywhere else, for they found people who had always been used to managing their own affairs in town and canton. Later, when the 1848 constitution came into being, practical politicians, who had been active for many years in their own cantons as legislators and administrators, were available to make the machinery work. By contrast, the German parliament of the same year, full of high-minded and intelligent professors and journalists, but without administrative experience, wasted months on theoretical debates. There are many morals to be drawn from Mr Kohn's book, but the two most important seem to be that nationalism need not be based on common ethnic or linguistic ground, but can rest on a mixture of common outlook and expediency; and that the working of a federal democratic state depends largely upon experience in self-government locally.

Mazzini the Revolutionary

MAZZINI AND THE SECRET SOCIETIES.
By E. E. Y. Hales.
Eyre and Spottiswoode. 226 pages. 30s.

MR HALES'S book about Mazzini is scholarly, entertaining and short. True the author has confined himself to the earlier part of Mazzini's life, before the exile in London, but this is the formative period upon which the rest, including the potent Mazzini myth, was built. Mr Hales is more interested in the man than the myth and his study is revealing, though never, as it might so easily have been, unkind. He puts Mazzini into his context where he should be, and where, too often, he is not. Mazzini's "theology" has been skimmed off and served in a final chapter, apart, where the author suggests it can conveniently be studied or skipped.

This is kind to the reader but a little hard on Mazzini, for what remains is essentially the story of his deeds, and Mazzini's record as a practical revolutionary, a hatcher of abortive plots, writer and recipient of indecipherable letters in forever invisible ink, employer of false agents and promoter of a ludicrous expedition, is hard to reconcile with his established and still valid reputation as a prophet. We continually need to be reminded that, in his own day and to those contemporaries who were not, like Guerrazzi or Buonarroti, potential rivals, Mazzini's plan seemed reasonable, he himself perfectly convincing. The secret societies were a reality of the *times*. The despots trembled, and plots not apparently less hair-brained than his had succeeded, or were later to succeed. It was probably not Mazzini's fault if, during the four or five years that he so desperately tried to make them do so, the people of Italy obstinately refused to "rise."

But it is disconcerting to learn of his casuistry. Doubtless "the means are always sacred in whatever colour they may present themselves." One does not boggle much at the dagger which was to cut off Charles Albert or Louis Philippe. Kings must expect that sort of thing. What disturbs us is his idea that it might be useful to denounce innocent men as conspirators or get real conspirators arrested so that public opinion should be stirred and Italy moved to rise. These means he recommended to others, though he could not use them himself because, he said, "I am honest." Of course he reckoned the false conspirators would be given fair trial and acquitted—despots were gentlemen in those days. But what of the others?

The Strasbourg Experiment

THE COUNCIL OF EUROPE.
By A. H. Robertson. Foreword by Guy Mollet.
Published under the auspices of the London Institute of World Affairs. *Stevens.* 265 pages. 42s.

THE assertion of moral authority by the General Assembly of the United Nations over the Suez Canal crisis illustrates, if somewhat crudely, the application of the democratic process to the conduct of international relations. A similar purpose, in a different context, inspires the fumblings and gropings of the Consultative Assembly of the Council of Europe at Strasbourg. Here, for the first time in history, is an institution designed to train the searchlight of opinion on the governments' management of foreign affairs and continually to jog their elbows. Because this embryonic parliamentary control over the actions of the national executives operates as a normal process and not specifically in an emergency—and, moreover, is confined to the European sphere—its impact is limited, and its present efficacy, to say the least, doubtful. Yet Dr Robertson is justified in affirming, in this well-documented study of a far too little known institution, that the Council of Europe is an important landmark in political development.

The book has no frills. It is a clear and straightforward presentation of the council, what it is and what it is trying to do. (The story is taken up to the opening of the Assembly's Eighth Session last April.) Nor does the author, writing from inside knowledge, cherish any illusions about his subject. Just as the Assembly has no real powers and is therefore little more than a glorified debating society on European affairs, so the Committee of Ministers, by the terms of the statute, makes recommendations to member governments and no more—whereas the council of OEEC has power to take decisions for implementation by its members. Consequently, there is

little to show in the way of tangible achievement: some ten or eleven European conventions and a series of joint programmes providing for co-operation in different fields. The value of the Strasbourg experiment lies rather, as the preface has it, in "the intangible factors inherent in the evolution of new methods of international action."

The author gives good reasons for the multiplicity of organisations in the European field—which so often provokes criticism. And he does well, in this connection, to remind us of the so-called "Eden Proposals" of 1952-53, when liaison between the various bodies, existing or projected, first became an acute problem. The council seeks to be "the general framework of European policy"; it is in fact the crucible of all new projects for European unity, though the actual implementation of them may be left to other organisations (for instance, the Coal and Steel Community).

Ensa

THE THEATRE AT WAR.
By Basil Dean.
Harrap. 573 pages. 36s.

THE reader's interest in Ensa is most unlikely to match the author's, but nobody will deny that this book is written with passionate conviction and a driving sense of mission. Ex-soldiers will remember with mixed feelings what Ensa did for them, but Mr Dean is in no doubt that in organising entertainment for the services at home and abroad and for factory workers he and his "praetorians" at Drury Lane were playing a leading part in keeping up the spirits of the nation. They served a total audience of 300 million in 2,656,565 performances.

At times it was amazing that the shows could be mobilised at all, and when military and civil service obstruction were added to all the other difficulties it is enormously to Mr Dean's credit that he kept going. Of course, he had reason to regard himself as the top expert on entertaining the troops since he did it in the first war as well. To put it mildly, there were imperfections about Ensa in all its work, some of them springing from the conditions of wartime, some from the fact that neither in the theatrical profession nor in Whitehall was there unanimity about what ought to be done or how. If everybody concerned had had Mr Dean's singleness of purpose (some of his colleagues had it of course) it might all have been a good deal more satisfactory; but much of it was amazingly effective, and although it is permissible to feel doubtful whether Mr Dean's private army was as important as he thinks, it would be most unfair to pretend that it did not, at times and in places, make the war effort less tiring. As a minor volume of war history "The Theatre at War," in more than 500 pages, is designed on the grand scale—the only scale that Mr Dean really seems to approve of.

Shorter Notices

HENRY VARNUM POOR.
By Alfred D. Chandler, Jr.
Harvard University Press. London: *Oxford University Press.* 362 pages. 52s.

Standard & Poor and Moody's in America fill, very much more fully, the roles performed in Britain both by Exchange Telegraph and Moody's Services and also by the Stock Exchange Official Year Book. And Henry Varnum Poor was the man who started it all. The Manual of the Railroads of the United States is the solid achievement which he left behind. He was born in 1812 and died in 1905; so his life covered the whole Industrial Revolution in America up to the days of Henry Ford. The manual was not published till 1868; and the subject of the book is how Poor was prepared by his experience in New England and New York for the task of editing the manual and setting investment analysis on a solid basis.

In 1848 the editor of the American Railroad Journal decided to sell the paper and go to California for the gold rush; the buyer was Poor's brother and he installed Henry as editor. So Henry came from his law office in Bangor, where he had been very active in the railroad affairs of his family and of Maine, to run a trade paper in New York. It was just at this time that the New York capital market began to expand and supersede Boston and Philadelphia as the centre for railroad finance. The problem which Poor tackled in the early fifties was the raising of capital for the roads; in the late fifties he had transferred his interest to the investors whose money was being used. He told the roads that if they wanted money they must give ample and accurate information; he told the investors what information they should look for and how they should use it.

It was this experience from 1848 to 1861 which, after the Civil War and various activities in Washington and on Wall Street, equipped him so superbly for the production of the manual.

★

INTERNATIONAL ECONOMIC PAPERS: *No. 6.*
Translations prepared for the International Economic Association.
Macmillan. 211 pages. 15s.

The sixth collection of "International Economic Papers" carries on the policy inspiring its predecessors, that of intellectual cross-fertilisation. Even in the major languages, valuable contributions to the advancement of economic knowledge may fail of their full and deserved effect; the mind on which their influence might be most seminal or usefully corrective may be precisely the mind of someone who does not read, or reads only with difficulty, the language concerned, and this applies *a fortiori* to languages less widely spoken. Language difficulties apart, certain topics drop out of fashion and lose, perhaps only in appearance, their relevance to current preoccupations. Such collections as this can focus attention on contributions whose intrinsic value and interest would not otherwise save them from neglect.

Some papers here included may seem to exemplify an extreme view of this policy. The elucidation by Professor Paul Lambert of an obscure point in the history of theory is a very esoteric item; an article on railway rates by Gustav Cassel demonstrates mostly how far the relevant thinking has progressed since it was first published in 1900 (though progress might have been much more rapid had this essay enjoyed a wider circulation); and Zasserhaus's "Theory of Economic Planning" similarly offers little more than a sidelight on the controversies of the 1930s. But it is rewarding to watch an intelligent Russian trying to find a safely Marxist equivalent for the abhorred opportunity cost concept of the bourgeois economists (Novozhilov, "On Choosing between Investment Projects"); there is a fine example of Italian virtuosity in the handling of fiscal theory, two solid Scandinavian contributions to interest theory and, last but not least, either in bulk or in importance, the germ of a great unwritten book—Schumpeter's "Money and the Social Product," dating from 1917-18.

★

BRITISH HUSTINGS, 1924-1950.
By Arthur H. Booth.
Muller. 292 pages. 21s.

British politics are often difficult to understand because they are so largely conducted beyond the gaze of the newspapers and because historians wait so long before attempting to document what happened. For the inside story of politics since the first world war the main source of evidence still tends to be autobiographical. And with a few exceptions the historical value of politicians' reminiscences has been limited. Therefore every attempt, at whatever level, to provide an objective record about the events of the recent past is to be welcomed.

Unfortunately Mr Booth's book does little to fill the vacuum. He tries to describe the period between 1924 and 1950 in terms of its six general elections and the personalities and events which he thinks must have influenced them. A veteran agency correspondent, he offers a capricious essay in popular journalism, replete with irrelevances, omissions, purple passages, and, it must be added, amusing stories. What he has written is neither good history nor good psephology. It must indeed be classed as yet another political autobiography; although discreetly veiled in the third person it has exactly the quality of the reminiscences of a garrulous, opinionated, Dickens-loving back-bencher whose wealth of anecdotes and character-sketches conceal for a while his absence of any true sense of historical judgment.

★

AMERICAN LOCAL GOVERNMENT AND ADMINISTRATION.
By Harold F. Alderfer.
New York and London: *The MacMillan Company.* 681 pages. 41s. 6d.

Here, as Martin Marprelate said of Hooker's "Ecclesiastical Polity," is a book that contains all knowledge and is easy to carry, "if thy mare be not too weak." Dr Alderfer's exhaustive American college textbook is offered to the English reader (complete with "Ten Subjects for Further Study" at the end of each chapter), presumably to redress the balance of detail against generality in understanding the United States. To the general reader it may offer little, but to the specialist in public administration it will appear more reliable and up to date than any similar book, and especially interesting in its clear account of American local revenues and administrative management — while the chapter on traffic control, with a section on "parking meters," should have wider interest.



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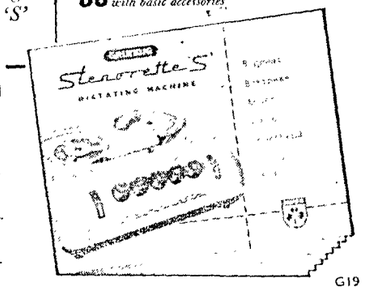
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American Survey

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are *written* in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

State of the Financial System

Washington, D.C.

PRESIDENT EISENHOWER'S message last week on the State of the Union had been robbed of its ceremonial impact as the opening event of the legislative year by his special message on the Middle East five days before. In any case it was a milder, more generally-phrased statement than usual ; a more complete presidential programme for the new Congress has now appeared in this week's Budget message. The one on the State of the Union referred specifically, and even then with little detail, to only a few proposals for action in the foreign field—legislation dealing with refugees and immigration, authorisation of American participation in the Organisation for Trade Co-operation and the International Atomic Energy Agency, continued negotiation over disarmament, more funds for propaganda abroad ; and to even fewer domestic questions —agricultural difficulties, the importance of water, the need for legislation to foster school building and civil rights. It seems likely that the most lasting importance may go to a single paragraph, in which Mr Eisenhower proposed the creation of a group comparable to a Royal Commission to review the country's financial and monetary system. This move may bring the major economic debate of the next few years.

Leading up to this proposal, there was throughout the address an emphasis on the perils of inflation, both to the generation currently at work, and to the citizens living on savings or pensions. In particular, the President urged businessmen to watch their pricing policies, and warned industry and labour jointly about the importance of relating wage increases to increases in productivity and sharing with the general public the benefits of improved technology. The warning was accompanied by a request to Congress to authorise the appointment of a commission of " able and qualified citizens " to inquire into the

> nature, performance and adequacy of our financial system, both in terms of its direct service to the whole economy and in terms of its function as the mechanism through which monetary and credit policy takes effect.

The last such review, by the Aldrich Committee nearly half a century ago, was undertaken as a result of the panic of 1907 ; it led to the establishment of the Federal Reserve System in 1913. A century ago, the panic of 1857 preceded passage of the National Bank Act of 1863. After the bank holiday of 1933, Congress authorised a broad group of new government agencies, some to provide special types of financing, for agriculture, housing, rural electrification, others to exercise regulatory powers. But there is no such urgency about the Administration's present desire for a comprehensive survey of America's financial institutions. The need for change, as the White House sees it, is neither critical nor specific. What is wanted is a thorough analysis of the many recent developments in the financial structure, and then, if necessary, recommendations for congressional action to ensure the soundness of money and credit. Among new factors to be analysed are the rapid growth of savings and loan associations ; the emergence of life insurance companies as large-scale lending agencies ; the rise of finance companies providing credit for consumers as they invest in durable goods ; the part to be played by pension funds and trade union welfare funds as major sources of investment capital.

In such a setting, how general in fact are " general " monetary controls ? How well equipped is the government to carry out its responsibilities for promoting maximum employment under the Act of 1946, particularly with monetary policy in the hands of the independent Federal Reserve Board ? Are there conditions under which the application of selective credit controls might be preferable to a general tightening of credit ? In a period of rising costs, how successful are efforts to give selected groups—ex-servicemen, for instance—differential access to credit ? Can traditional interest rates be maintained by state and local governments ? If not, how can they best be given access to the credit pool ? If new techniques are adopted, would additional controls have to be applied to other users ? To request that a search be made for answers to such questions is very different from calling an inquest after something has gone wrong. Nothing has now gone wrong. The White House has chosen to ask for a review at a time when, in its opinion, not only the past record but the future prospect of the economy is healthy.

★

Elsewhere in Washington and in some financial circles outside the capital the need is held to be somewhat more pressing. As long ago as last May Mr Allan Sproul, then president of the New York Federal Reserve Bank, began urging the appointment of a commission such as the President now proposes, and more recently, before a congressional committee, Mr Elliott Bell, New York State Bank Superintendent under Governor Dewey and now publisher of *Business Week*, advocated a " basic re-examination of

our entire monetary and financial networks," remarking that "there exists today more widespread concern and questioning about the working of our money system than at any time since the banking crisis of 1933." Along the corridors of the Federal Reserve building it is felt that price increases are in the offing which are beyond control and that the problem is how to restrain the further inflation which may be added to what is already unavoidable.

To what extent, Federal Reserve officials ask, have Congress and the public grasped that unemployment is more likely to result not from depression following slackened demand but from inflation pressed to the point where rising and rigid costs squeeze out profit margins and bring cutbacks in production? Among the politically-minded there is speculation on whether businessmen can be induced to continue practising the self-discipline which the President presses on them now that the election is won. Cynics credit the slogan, "Keep it sweet for November," with having had real effect last autumn in holding down to $8.50 a ton a rise in steel prices which had been expected to be half again as much.

The problem of too many claimants crowding into a limited pool of credit, moreover, may settle this year on the government's own doorstep. Two years ago the major inflationary pressure was from consumers investing in durable goods. Last year, outlays by private business for plant and facilities reached a record level. This year, and next as well, government spending is due to go up, by nearly $3 billion in the 1958 fiscal year. Most of this increase is for defence and national security purposes, and this will leave only an extra $400 million to be spread over all other functions of government. During the State of the Union message, two of the five rounds of applause were for the high priority given to the school construction Bill by the President. There is a great need for funds among educational authorities, but their need for credit is greater; they cannot now find money at anything like the traditional rates of interest. Similarly, the Budget proposes

Budget for 1958

The Budget which President Eisenhower presented to Congress this week, for the 1958 fiscal year, which begins on July 1, 1957, is his fourth; he takes no responsibility for the 1954 fiscal year, which began five months after he came to office. Mr Eisenhower is proud that, if all goes according to plan, when the accounts are finally added up on June 30, 1958, the Budget will have been balanced for the third year in succession. But the President's emphasis on this point also serves to gloss over the embarrassing fact that, although the Republican Administration has always pledged itself to economise, government expenditures are going up steadily. As a result no reductions in **taxation** are in prospect and before April 1st Congress will have to continue certain excise and corporation taxes which are due to go down then at a loss of about $2 billion in annual revenue. These estimates presume, moreover, that the country will continue to be prosperous, with a rising national income, and therefore that tax yields will continue to go up.

RECEIPTS

Fiscal years ($ billion)

	1956 actual	1957 estd.	1958 estd.
Income taxes:—			
Individual	35·3	38·5	41·0
Corporation	21·3	21·4	22·0
Excise taxes	10·0	9·2	8·9
Other taxes	2·2	2·4	2·6
Miscellaneous	3·0	3·0	3·3
Refunds (—)	—3·7	—3·9	—4·2
Total	**68·1**	**70·6**	**73·6**

To a limited extent the growth of the United States is responsible for the increase in **expenditures.** Mr Eisenhower points out that during the 1958 fiscal year the population will reach a total of 172 million; schools, roads, houses and hospitals are already inadequate. The government must therefore help to build more, even though the President is discouraging public investment in other fields in order to increase inflationary pressure as little as possible.

EXPENDITURES

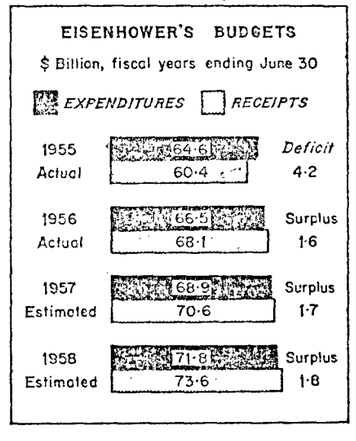
Fiscal years ($ billion)

	1956 actual	1957 estd.	1958 estd.
Protection:—			
Defence	35·8	36·0	38·0
Mutual security	4·2	4·1	4·4
Atomic energy	1·7	1·9	2·3
Others	0·7	0·7	0·6
Civil benefits	15·3	16·5	16·9
Interest	6·8	7·3	7·4
Administration, etc.	2·0	2·4	2·2
Total	**66·5**	**68·9**	**71·8**
New obligational authority	63·2	70·5	73·3

But most of the increase in expenditure comes under "protection," which accounts for 63 per cent of the total outlays. Under this head, $2 billion more than will be spent in the current year will be needed in 1958 for military purposes alone according to the estimates. And of the total budgeted increase of $2.9 billion in expenditure, only $400 million comes under the head of "civil benefits," which make up 24 per cent of all spending and include aid for agriculture and for the development of natural resources, as well as for housing, schools and so on. The President does not hold out any hope of a coming drop in expenditures, for in 1958 he wants another increase in authorisations for future spending (new obligational authority) which affect outlays in future years.

Finally, another ominous sign, from the inflationary point of view, is to be found in the so-called **cash budget**, which includes the trust funds, established to deal with old age and disability insurance and now, for the first time, with road building as well. (Financial transactions under the new highway programme, approved by Congress at its last session, are excluded from the normal Budget estimates, and figures for 1957 and 1958 are therefore not strictly comparable with previous years.) When the Budget is calculated on this cash basis, while the government is still receiving more than it is paying out, the estimated cash surplus is falling, from $3.5 billion in the current year, to $3 billion in 1958; in 1956 it was actually $4.5 billion.

But at least the **national debt** is satisfactorily going down at the close of the 1958 year, it will, it is estimated, be only $269.2 billion, compared with $272.8 billion on June 30th last year.



to make available $1 billion in new credit for the sagging housing industry; one-fifth would show up in government accounts, while the rest would be found from the money market with the help of special government guarantees. In these circumstances pressure for the recognition of "social priorities" in the allocation of credit is sure to grow.

So if the commission on the financial system is authorised, it will not lack for an agenda. But there will be a further contest over the appointment of its members. The President wants a group of independent persons outside government, while Congress fully intends to share in the undertaking, both because the Democratic leaders consider it likely that the President would "name a bunch of Republican bankers," and because several committee chairmen believe themselves well equipped to do the job. Altogether, while the State of the Union message seemed mild enough at the time, some of its repercussions are apt to be both lively and lasting.

Question-time in Congress

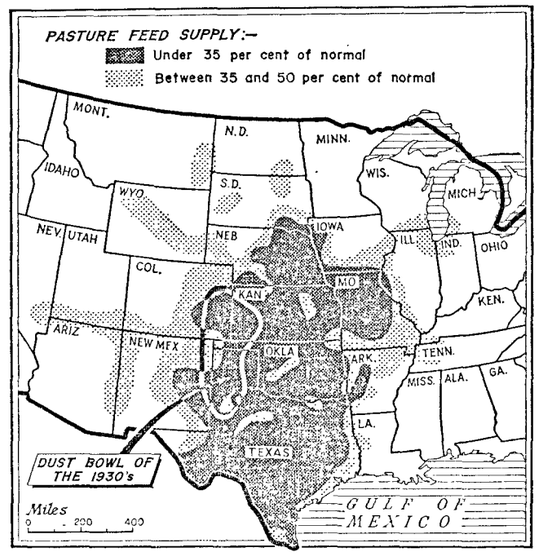
THE Secretary of State was subjected to a rapid fire of questions when he appeared before a joint session of the Foreign Relations and Armed Services Committees of the Senate, to explain the President's proposals for the Middle East. The determination of Senators to leave no stone unturned, coupled with the suspension of hearings until after the inauguration, means that the Administration is unlikely to see the resolution passed, as it had hoped, before the end of January. But Mr Dulles painted the risks of inaction in such lurid colours that no major changes are likely to be made in the President's authority to respond to requests for military help from countries in an area which the Secretary of State has now defined as stretching from Libya on the west to Pakistan and from Turkey to the Arabian peninsula.

To Mr Acheson, President Truman's Secretary of State, such legislation in advance on foreign policy seems both unnecessary and undesirable; before the House Foreign Affairs Committee he argued that the President already had the powers he was asking Congress to reaffirm, and that power to repel aggression would not in any case meet the real problems of subversion and Arab-Israeli hostility. Mr Dulles has refused, however, to make any concessions toward the Democratic alternatives which would simply have conveyed, without the force of law, the "sense of Congress" that the security of the Middle East must be maintained. In the Secretary's view, whatever constitutional theory may say, the Soviet Union will be more powerfully deterred and the Arab states more reassured if Congress places itself behind the President. Discontented as some Democrats are, they are not sufficiently united to defy the views of Mr Eisenhower and their own ex-President and accept responsibility for possible Russian domination of the Middle East.

On economic aid, which gives the Administration the vital authority to bargain with the Arab states, Mr Dulles has had to take account of much deeper opposition in both parties. He has promised that aid would go only to countries resisting communism—a concession to Senate opinion which he may have to pay for in the Middle East—and he has agreed to alter the language in the resolution to make it clear that it does not empower the President to enter into long-term foreign aid commitments. He has also said that the resolution in no way commits Congress to future appropriations. What is essential, in his view, if the Middle East is not to be lost before the summer is out, is that Congress should untie the restrictions on present appropriations so that the President can use as he sees fit up to $200 million at once. This is necessary because the President's emergency fund is nearly exhausted.

Return to the Dust Bowl?

NO pall of dust from Oklahoma and Texas hangs over the nation's capital as it did twenty years ago to remind Congress of the dust bowl. But President Eisenhower's flight to the southwest, the fulfilment of a promise he made during the election campaign, will draw the eyes of the whole country to the scorched ranges, dried-up rivers, and baked earth which have followed the most persistent and widespread drought on record. The last year has been in many places the driest of seven dry years on the Great Plains, stretching from Texas to the Canadian border. Texas, Oklahoma, New Mexico, Colorado, and



Kansas, all states the President saw for himself, are the worst hit; even 200-year old trees are dying. America's great prosperity has passed 20 million Americans by; in some counties in Texas three out of four farmers are lining up for free food. According to the Department of Agriculture, 29 million acres are "ready to blow" if there are fierce winds in the next three months. If they do, it will be the delayed harvest of short memories; high prices for wheat and good rainfall in the nineteen-forties led to the ploughing up of acres which should be permanently in grass.

So far, partly because farmers know better how to prevent wind erosion, damage to the topsoil has been very much less than it was twenty years ago. Nor have people been uprooted on a scale approaching the flight of the "Okies." Farmers have been able to hang on to their land (and land values have been kept up) because of government relief measures and the opportunities which now exist for work in industry. Under the great plains programme authorised by Congress last summer, farmers turning cropland into pasture can be financed by the federal government. But, if there are no soaking rains by next spring, it is doubtful whether ranchers will be able to hold on to their breeding stock.

The President, as soon as his tour was completed, said he would ask Congress for another $76 million for current programmes of relief and conservation. These have cost nearly half a billion dollars since 1952. In Texas and Colorado powerful political voices crying disaster are demanding more government purchases or leasing of land in order to force the immediate return to grass of the 25 per cent of cropland which the Conservation Service feels is necessary. But the President, for all his concern for the human tragedy, is unlikely to change his view, which he expressed in his message on the State of the Union, that conservation of land and water, however urgent, is the task of the federal and state governments and local bodies working together, not of a paternalistic government in Washington.

Filibuster on its Knees

MR LYNDON JOHNSON, the astute leader of the Democratic majority in the Senate, evidently believes that if you cannot beat the enemy you should join him—or at least go to meet him half-way. That at least is one explanation of Senator Johnson's unexpected co-operation with the almost equally unexpected attempt being made by Senator Knowland, the Republican leader, to get the Senate's rules amended after all and to curtail the filibuster—the privilege of talking a Bill to death. During the opening days of the session, Senator Johnson's masterly political manœuvres defeated the attack on the filibuster made by a coalition of progressive Senators. But the vote showed that a substantial number of members had turned against the filibuster since the matter was last argued in 1953. Moreover, a ruling by Mr Nixon, in his capacity as president of the Senate, provided a new weapon against the filibuster for future use.

As a result of all this it was widely held that at last the day of the filibuster was almost over. Senator Johnson presumably shared this view; at any rate he joined Senator Knowland in sponsoring a resolution which would limit the filibuster, although not end it entirely, by permitting debate to be closed on a vote of two-thirds of the Senators present and voting, instead of only on the almost unobtainable vote of two-thirds of the total membership. This hardly goes far enough for the progressive coalition which wants some form of simple majority vote; but Mr Johnson's move has encouraged a number of other moderate southern Democrats to support the resolution, and its prospects are good. Meanwhile, priority is apparently to be given to civil rights for Negroes, although such legislation almost always provokes a filibuster—and for that reason has been almost impossible to pass. But on this occasion, it is reported, the liberal Democrats are ready to filibuster against the inevitable filibuster by the reactionary Southerners until the Senate as a whole is so exhausted that it votes for closure on the debate under the present rule. The actual civil rights legislation to be discussed will probably go beyond the four-point programme which President Eisenhower again asked for in his State of the Union message.

Behind all this manœuvring there are four basic situations. Violence and resistance to the Supreme Court has been mounting in the South, centring at present round the decision against separate seating for Negroes in buses. Secondly, the election showed that the Democrats must find some new attraction for the Negroes if their trend to the Republican party was to be checked. Thirdly, the progressive northern Democrats believe that in Congress their party should challenge President Eisenhower instead of playing ball with him, as Senator Johnson does. And finally, the moderate Mr Johnson is prepared to make some moderate concessions to this view for the sake of party unity.

Committee Prizes

NOTHING in the career of a Senator or Representative, apart from election itself, is so important as his congressional committee assignments. This session the Republicans have handed the prizes round with their usual orthodoxy: promotion from a lesser committee to a more interesting or influential one has gone strictly by length of service, and the new boys have been given all the boring jobs. This brings Senator Jenner of Indiana, a foaming reactionary against President Eisenhower and all his works, on to the crucial Finance Committee, which handles taxes and such matters as American membership of the Organisation for Trade Co-operation—and the British request for a waiver of interest on the American loan. It has condemned Senator Javits of New York, one of the strongest newcomers to the ranks of the Eisenhower Republicans, to the unimpressive Committees on Rules and the District of Columbia.

Senator Lyndon Johnson, the Democratic leader, on the other hand, has again been more creative in his "cabinet-making." The most interesting promotions are those of Senators Kennedy of Massachusetts and Gore of Tennessee, both young, progressive Democrats and both presidential possibles for 1960, to the Committees on Foreign Relations and Finance, respectively. Senator Gore's appointment widens the breach, opened by Senator Douglas of Illinois last year, in the monopoly of the Finance Committee hitherto preserved by the conservatives of both parties. To some extent Senator Kennedy, the women's political idol, may owe his advancement to the unpopularity among his colleagues of Senator Kefauver, who outranks Mr Kennedy in length of service. But his presence will add a touch of boyish New England dash to the solid phalanx of liberal Democrats—Senators Fulbright, Mansfield, Humphrey and Morse—who, now that Senator George is out, dominate this committee. The presence of so many vigorous and articulate partisans on the Democratic side will intensify controversy over foreign affairs, particularly

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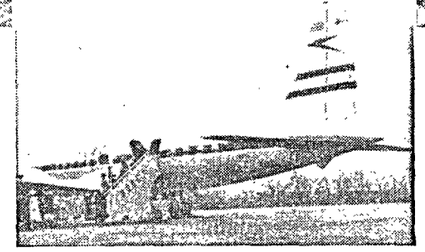
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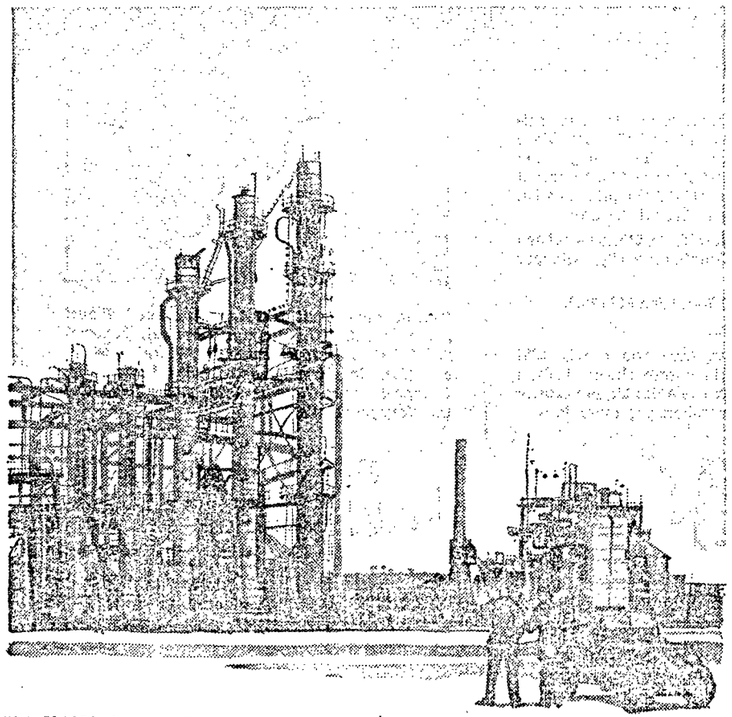
STATEMENT OF CONDITION

DECEMBER 31, 1956

RESOURCES	
Cash and due from Banks	$187,828,755.01
United States Government Securities	134,849,592.62
Municipal and Other Public Securities	3,969,890.28
Other Securities	7,571,979.67
Loans and Discounts	255,400,283.32
Banking Houses	6,350,150.26
Customers' Liability for Acceptances	13,082,613.90
Accrued Interest and Other Resources	1,851,786.92
	$610,905,051.98

LIABILITIES	
Capital (160,000 Shares—$100 Par)	$ 16,000,000.00
Surplus	18,000,000.00
Undivided Profits	8,383,445.50
Reserve for Contingencies	2,463,998.48
Dividend Payable January 2, 1957	480,000.00
Deposits	546,612,949.86
Acceptances	13,324,220.23
Reserve for Taxes, Interest, etc.	4,280,096.76
Other Liabilities	1,360,341.15
	$610,905,051.98

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as the Republican members, apart from Senator Knowland, are either pedestrian or eccentric. But, on the other hand, left-wing Democrats as a group tend to press the President to show initiative abroad.

Again unlike the Republicans, the Democrats have seen to it that each of their new Senators serves on one interesting committee, out of the two or three to which all Senators are assigned. Senators Carroll and Church, from Colorado and Idaho, whose constituents want federal money to help develop their natural resources, have been shrewdly allotted to the Interior Committee, which deals with such schemes. And the Democrats have shown at least one imaginative touch in the House of Representatives—Mr Saund, the first native of India to be elected to Congress, has, exceptionally for a freshman, been placed on the Foreign Affairs Committee.

Unsafe Atoms?

LAST week the Atomic Energy Commission opened the first public hearing ever held to examine local protests against the licensing of an atomic power plant. Three trade unions, including the United Autoworkers, many of whose members live and work in the great industrial centres of Detroit and Toledo, are protesting against the siting of a breeder reactor in the neighbouring town of Monroe, Michigan. The reactor, with a capacity of 100,000 kW, is being undertaken at a cost of over $43 million by a group of twenty-six firms, headed by the Detroit Edison company. The AEC hopes that, if it is ready on time, in the summer of 1960, it will be an effective answer to the charge that, by relying on private industry alone, the United States is falling behind in the race for commercially competitive atomic power. The unions, which have been advocating a "crash programme" of government-built reactors to put the United States in front, claim that in its eagerness to discredit the arguments for such a policy the AEC is taking chances with the safety of a densely-populated area.

The trade unions' case against the reactor's safety is based on the refusal of the AEC's own advisory committee to give it a clean bill of health because of an accident that had occurred in a small experimental model. Although the commission has only allowed preliminary construction on the condition that the group must overcome these misgivings before being allowed to go ahead with the actual reactor, the unions argue that, once a large investment has been made in the project, the commission will be reluctant to interpret the evidence unfavourably. Their real objection, however, is that if Mr Strauss, the chairman of the AEC, had not been so dogmatically opposed to public ownership, the government could have experimented with a full-scale breeder reactor in an out-of-the-way place; the unions allege that the present site was chosen so that the Detroit Edison company could feed the power into its grid.

The commission itself, in a further effort to overcome the charge of sluggishness, has just offered more liberal encouragement to private firms willing to try out new types of reactors and complete them by the end of June, 1962. This move is unlikely to deter the unions' Democratic friends in Congress from repeating their proposals for publicly-owned reactors. And the present hearings, with the commission acting as the ultimate judge in its own case, will fortify the argument for establishing a separate regulatory commission for the industry.

Modern Lotus Eaters

FROM A SPECIAL CORRESPONDENT

THE pursuit of happiness in the United States appears to be becoming a flight from anxiety since the introduction, two and a half years ago, of the tranquillising drugs. Bearing such not very soothing names as chlorpromazine, reserpine and meprobamate, the tranquillisers have been hailed for their efficacy in alleviating tension without being habit-forming. Apparently combining the advantages of alcohol, caffein and aspirin with none of their disadvantages, the tranquillisers have been publicised as, among other things, eliminating sleeplessness without inducing sleepiness or loss of memory, or impairing driving ability, as possibly improving ability to work, and as being generally beneficial for high blood pressure. If they live up to early expectations, they could greatly alter the treatment of mental illness by making patients calmer and more accessible to therapy. But if they are swallowed wholesale by the general public, they might create a modern land of lotus eaters.

Many Americans, thanks to the permeation of Freudian psychology, are more and more conscious of their anxieties and tensions, and they have been elevated to a state of euphoria by the very idea that such complaints could be banished with a "happiness pill." They have been besieging their doctors for prescriptions, visualising a future where men escape hangovers, dogs no longer bite postmen and the well-adjusted race-horse conserves its energy for winning the purse. According to a recent estimate, five per cent of the population is getting a possible eight million doses of meprobamate a month. The concentration of popular tranquillisation is thought to be greatest in such centres of neuroses as Hollywood and New York City whose inhabitants, several years ago, were taking benzedrine to "hop them up" and are now taking Miltown (a trade name for meprobamate) to calm them down. A special refinement, the Miltini, concocted of gin and Miltown, may accomplish both purposes simultaneously. Meanwhile, with sales of these drugs probably running at over $75 million a year and, with the addition of new ones, expected to double by the end of 1957, a second look is now being taken at the implications of the "pharmacological era," and is eliciting from some observers gloomy predictions of moral atrophy and even the advent of "1984."

Despite the legal controls exercised by the Food and Drug Administration and strong warnings from psychiatrists that indiscriminate use of the tranquillisers for the relief of everyday tensions is a danger to society, there are reports that unprescribed use of the drugs is widespread. In addition, many doctors find that perhaps two or three out of every four patients come to them with vague complaints of a possibly emotional origin, psychiatric equivalents of the common cold; they used to prescribe barbiturates for such complaints, but they are now giving "peace-of-mind" drugs. An estimated three out of every ten compounds prescribed in 1955 were tranquillisers.

Considerably more is known of the effects of the tranquillisers on psychotic patients in mental hospitals, where controlled experiments are possible, than about the reactions of normal people which cannot easily be tested clinically. Although they vary in their particular uses and effects, in general the new drugs provide a sense of detachment from life and a consequent imperviousness to its more agonising aspects. They can be extremely useful tools in assisting a mentally ill person, beset by unreal fantasies, to come closer to reality, but paradoxically they may make a normal person unable to appraise his situation realistically.

Experiments have revealed that unsuspected variables in the patient's personality and background, and his relations with the doctor, may strongly alter his reaction to drugs, and that different drugs may affect him very differently. When tranquillisers were given to 8,200 people at the University of Oregon's Medical School, 80 became depressed enough to attempt suicide and 126 felt so much better that they neglected to take other medical measures and eventually became worse. The dangers of unusual reactions to the drugs and of errors in diagnosis are clear.

★

The role of the tranquillisers in bringing about the "revolutionary" changes in state mental hospitals which are widely attributed to them is difficult to determine, according to psychiatrists in the Public Health Service. For example, a reversal in the trend towards constantly increasing numbers of patients, generally credited to the tranquillisers, may have complex causes. Admission and discharge rates are poor measures of the effectiveness of drugs since the rates depend on the varying policies of the different hospitals and on the subjective decisions of physicians in charge and are also affected strongly by attitudes in the community and family, opportunities for jobs, outpatient facilities and other conditions. The marked changes in the atmosphere of mental hospitals are the result not only of the drugs but also of improved care of patients in recent years. The "morale factor" is likely to be quite as important as specific remedies, as is shown by patients who react almost as well to dummy tablets as to tranquillisers. The drugs are altering rather than diminishing problems of staffing. By making therapy possible they are changing the kind of care which is needed, and are likely to throw additional strains on the nation's seriously limited resources of psychiatrists and trained personnel.

The tranquillisers raise new questions with every one they answer. Together with other new behaviour-influencing drugs such as lysergic acid (LSD) which produces hallucinations like those in psychoses, the tranquillisers have given new impetus to research in the whole field of behaviour, and the possible biochemical roots of mental and emotional disorders. That a "twisted thought" may be due to a "twisted molecule," which is capable of being returned to normal through the action of a drug, is the subject of a line of investigation being sponsored by the Ford Foundation. Under a congressional appropriation of $2 million, the Psychopharmacology Service Centre has been set up in the National Institute of Mental Health to develop and co-ordinate a nation-wide research programme on the whole subject.

Meanwhile, experiments conducted by pharmaceutical houses and universities on the effect of these drugs on animals make fascinating but disturbing reading for the layman. Siamese fighting fish, when given reserpine and meprobamate, stop fighting and swim backwards; guppies, on the other hand, swim backwards on a dose of LSD but stop when given reserpine. Imprinting in mallard ducklings (the rapid process by which when twelve hours old they learn to follow a moving object, usually their mother but sometimes an inquiring scientist) is prevented or postponed by doses of meprobamate. The ordinary human being who would rather not take a chance on swimming backwards and who is not sure whether or not his troubles stem from following his mother (and/or scientists) had perhaps better stick to aspirin.

Two-Party Oregon

WHEN he took the oath on Tuesday, Mr Robert Holmes, the new Governor of Oregon, established the first Democratic administration of the state in eighteen years. When President Eisenhower was first elected there was not a single Democrat in any important Oregonian office, and in the state legislature the party was too small to offer an effective opposition. Now the Democrats hold both seats in the United States Senate, the Governorship and three of the state's four seats in the House of Representatives. They enjoy a clearcut majority in the lower house of the state legislature and, to the embarrassment of all, there is a tie in the state senate, a situation for which no provision was made by the drafters of the state constitution.

This complete reversal of fortunes dramatises a recent trend in several northern states which have habitually been Republican. While the Republicans have been prospering at the national level, at the state level Democratic parties have been expanding from minority "rumps" functioning only in the big cities to the point where they are in a position to offer the voters a genuine alternative. The present development in Oregon has come about because a large influx of industrial workers and the complete revamping of the Democratic organisation by a group of young liberals aided by the trade unions has coincided with a decline in the wisdom of the Republican leadership. Conservative Republicans, known to their critics as "the Arlington Club clique," forgot that their party owed its long hegemony in Oregon to its skill in finding a place within its ranks for all shades of opinion, even including the advocates of public ownership of hydro-electric power. They began making life uncomfortable for their own left-wing just at a time when the Democratic party in the state was sloughing off its conservative, minority-minded leaders.

The interesting features of Mr Holmes's victory were, firstly, that he was the choice of the trade unions, whose political efforts were acknowledged by the Democratic chairman, when he invited them to name a candidate; and secondly, that, given this chance, the unions should have chosen a sincere and quietly attractive businessman, a person so untypical of the successful American politician. If the Republican party is to make a comeback, the Arlington Club will have to get out of the way of the progressively-minded leaders who are available if they are only given scope.

The World Overseas

Hongkong: The Persistent Colony

FROM OUR SPECIAL CORRESPONDENT

THE uniqueness of Hongkong is threefold. To the traveller from the south, it is a refreshing oasis of efficiency; secondly, it is not merely in China's shadow, it is part of China and its separate existence is an enduring miracle; finally, it is the only British colony where self-determination is an academic issue.

It is tempting to think of the efficiency of Hongkong—the split-second timing of the ferries to Kowloon, the profusion of goods and the speed of the services provided, the drive and energy of the apparently hopeless task of resettling the squatters—in western terms. True, the administrative framework is British, so are the standards set; but more than 99 per cent of the population is Chinese: in its infinite ingenuity, adaptability and industry, Hongkong is a Chinese achievement.

Not all of Hongkong's feverish activity is hay-making while the sunshine lasts, but much of it is: for instance, the lightning erection of blocks of flats or tenements, by Chinese *entrepreneurs* who hope, on the basis of past experience, to recoup their capital outlay in not more than seven years, and often in two or three years. Rents of £100 a month are not uncommon. And one should not ignore—or magnify—the significance of the actions of a few firms that have sold their premises to Chinese buyers, only to remain in business as tenants in their former homes: there is safety in liquidity. But there are equally telling examples of confidence in the further future: on the government's side, the enlargement of Hongkong's dangerous airport by land reclamation (in fact, the landing space is being extended by dumping rocky soil from the colony's backdrop of hills into the sea); in the private sector, the plan of the Chartered Bank (which has its headquarters in London and only a branch office in Hongkong), to spend more than £1 million on an 18-storey skyscraper that will top even the Peking regime's Bank of China. There are other, and even taller, buildings in the offing, too.

Over all these projects hangs the question mark of the colony's future. The leased territories—Hongkong's tiny hinterland—revert to China in 1997. Can the ceded territories—Hongkong island and Kowloon—exist after that date? Will any part of the colony remain in British hands even that long? The answer to these questions lie in the delicate and shifting balance of incentives and disincentives on China's side; in Britain's own determination, so far more ambiguous than it need be; and in Formosa and American policy. Hongkong in British hands is certainly useful to China, but less so than it would be in its own hands if the transfer of power were peaceful and agreed. In British hands, the colony is China's major source of sterling. Last year, Hongkong exported about £11,347,000 worth of goods (visible trade) to China, but imported £56,103,000 worth. Invisibles bring the balance in China's favour to probably more than £100 million. Indeed the Bank of China is reported to have accumulated sterling assets of more than £300 million in its London account, the bulk of which has probably been converted into Swiss francs and transferred to Zürich since the Suez crisis, to avoid any possibility of freezing. In addition, Hongkong is a source of American dollars, between 1,500,000 and 2 million of which change hands *every day* in the colony.

In China's hands, however, Hongkong would be an important centre of light industry—as, indeed, it already is, for the profit of Britons and expatriate Chinese—and a major port and shipbuilding area. But these advantages would accrue to China only if the transfer of power took place peacefully without destroying the Colony's installations and facilities—an empty shell is a poor reward for aggression. Moreover, aggression now would probably mean American intervention and a major war: Hongkong is the beneficiary of the obsolescence of wars, even little ones.

There are certainly other means of pressure, but in today's circumstances none of them is altogether satisfactory. One method could be the fomenting of riots or industrial unrest. The terrible disorders of last October showed how inflammable is the human material beneath the peaceful surface of the Colony's life; but, as shown in the Governor's report of January 2nd, the disorders were basically non-political, despite Peking's propaganda and the fact that they began with the tearing down of a Kuomintang flag (not because it was a Kuomintang flag but because of a minor police official's zeal in enforcing a by-law against the posting of *any* flag on any building). Besides, Hongkong's population is, almost by definition, unresponsive to communist propaganda. More than 700,000 of its people are refugees from China, economic rather than ideological refugees, it is true, but still refugees. They are in Hongkong either because they want to be there or because they do not want to be in communist China and have nowhere else to go. Most of the older established inhabitants are in the same position. This is, indeed, one reason why the question of self-government does not arise and why political activity is so anæmic compared to Singapore. Peking tolerates a British-ruled Hongkong; it could never tolerate an independent one.

Another form of pressure could be food, but much has

been done in the past few years to lessen the Colony's dependence on mainland food supplies. Regulations ensure that not more than 16 per cent of the basic food—rice—comes across the border, and in the right seasons the Colony now grows up to 60 per cent of its vegetable requirements. Against that, some 90 per cent of the Colony's pig and poultry supplies come from the mainland, but Formosa is beginning to emerge as an alternative source of these. A further and more insidious pressure—in full swing for more than a year—is the cultural offensive. Chinese business men and even government officials are being invited to Peking, offers to send "cultural" troupes are constantly made, and everything is done to make the Hongkong Chinese look towards Peking as their ultimate protector. In the nature of things, however, this is a long-term offensive.

With so many imponderables to consider, no term can be set to Hongkong's separate existence. But more and more people are coming to realise that perhaps the most important imponderable is the evolution of American-Chinese relations.

The Treaties of the Six—I

The Common Market takes Shape

FROM OUR SPECIAL CORRESPONDENT LATELY IN BRUSSELS

SHUT away from the world in a chateau outside Brussels, a small group of experts is working far into the night, completing the treaties—for years only a pipe-dream—which are to set up a European common market and a European atomic energy authority. Only three months ago the basic concept of the common market—that the six countries (France, Germany, Italy and Benelux) should commit themselves in advance to remove internal tariffs over a definite period (say twelve years)—seemed threatened by unacceptable French demands. Now a compromise has been reached. Instead of being able to opt out of the treaty after the first four-year stage, France will only be able to prolong this stage to six years; in return it has been allowed to retain certain special protective taxes and subsidies, though not customs duties. Compromises have been reached on most other vital issues and the treaties are expected to be ready for signature by mid-February.

For Britain, deeply interested in the possibility of joining with the common market in a wider free trade area, the treaty is encouragingly pragmatic: it is a good deal more flexible and practical than its rather scholastic parent, the Spaak report. The method chosen for reducing tariffs has been simplified and much improved. This is particularly important since it will be easier to set up the free trade area if it can simply adopt the same rules as the six. These now provide for a simple average tariff cut of 10 per cent in each of ten periods. The decision on which individual tariffs should be reduced is left to the discretion of each country, but an all-round minimum reduction of 5 per cent is required in each period, and a more stringent all-round minimum in each of the three four-year stages of tariff reduction.

The institutions for the common market have also been modified. The Spaak report foresaw a European Commission, on the lines of the High Authority of the Coal and Steel Community, which would execute the treaty and enjoy great powers over governments. Federalists hoped it would take on ever greater powers in the economic field, and eventually become the nucleus of a European government. This doctrinaire concept has been somewhat watered down. The treaty still assumes that the removal of trade barriers will raise a host of problems which will require permanent institutions; and a permanent executive European Commission, a Council of Ministers and an Assembly are to be set up. But the Commission is not given such sweeping general powers as in the Coal and Steel Community. In practice the Commission will have great influence because in general the Ministers may act only on its "proposals." But they will have the final say. Their decisions on certain matters must be unanimous for the first four years; beyond that, they are generally to be taken by what is called a "qualified majority"—one able to overrule a single large power by itself, but not a large power plus Belgium or the Netherlands. National sovereignty can thus be overridden in many fields, but by a council of governments, not by a "supranational" European body.

Assault on Sovereignty

In certain specific fields, however, the Commission is given great power by the treaty. The most vital of these is that of "safeguards" or escape clauses, when a country runs into balance of payments troubles or an individual industry or region is suffering badly. In the last resort it is the Commission which grants the country a "safeguard clause," giving it the right, for instance, to impose temporary import restrictions. The Council of Ministers can only modify or annul this by a qualified majority—a negative power.

The most sweeping of the Commission's specific executive powers, however, concern national finances. Export subsidies, within the common market, for example, are specifically banned. The Commission may require a country to remove any existing subsidies and examine and veto any proposed new ones. It may require a country to alter tax practices which produce a "distortion" of trade and competition within the common market—say a discriminatory purchase or turnover tax. Some form of appeal to the Council of Ministers may be introduced here but the power to order national governments or parliaments to change tax policy remains a remarkable assault on sovereignty.

Yet outside the narrow field of taxes directly affecting trade, the common market treaty is cautious about fiscal policy. France's sacred cow of "harmonisation," the demand that the countries' social burdens and taxation systems be totally aligned, has become a very thin and mangy beast. There is no compulsion to align general fiscal and monetary policies nor any mention of the notion of a European central bank, which some economists think will eventually be necessary in an effective common market. The European Commission may make suggestions for aligning fiscal policies and a committee for consultation on monetary policy has been set up. But different national policies could still be pursued and could make nonsense of the common market. No rules have been laid down to compel governments to behave in a "European way"; the common market will rely on the quiet pressures of the tariff reductions. "Supranationalism" has also suffered a defeat over the investment fund; it will be less a political body than an independent bank, lending according to economic principles.

In some matters, cartels, for instance, there has not been time to work out detailed machinery, only general rules. Price discrimination on a national basis will be banned from the start and some other trade practices—price agreements and market-sharing, for instance, at a later date. In agriculture, too, the shape of a European market is far from clear. The removal of tariffs without any compensation obviously conflicts with that measure of protection which has become a permanent political fact in every country. So the aim of the treaty is less to create a common free market than to facilitate agricultural progress within the framework of a common protection. Quotas and internal tariffs will be removed; but minimum prices will be introduced instead in the separate countries; the treaty lays down that by the end of the twelve or fifteen year transition period, either a common price level or a genuine common marketing policy, with common marketing boards for instance, will exist. One important rule is that marketing boards in each country will give preference in their buying to all common market countries, even, to some extent, when their prices are above world levels.

This concept is hardly a liberal one and may conflict with Gatt. Yet in another significant matter—that of the common tariff with the outside world—the low tariff countries, Holland and Belgium, have succeeded in gaining a fairly liberal solution. The common tariff is to be based on an arithmetical average of existing tariffs. But in working out the average, no existing tariff on a raw material will be considered to be more than 3 per cent, no tariff on semi-manufactures more than 10 per cent; there may be a maximum for manufactures too. And the difficulty of defining a "semi-manufacture" may give the external tariff a lasting flexibility.

Satisfactory compromises have been found over every vital political and economic issue but one—the relation of the common market to the overseas territories of members. France demands a common investment fund for these territories, whose spending would amount in time to some $1,000 million per year. Its five partners concur that investment and development in Africa is in their interests too. But there has not been time to work out the sort of detailed conditions for investment under the fund which will satisfy them that the money will not sink into a bottomless pit of political trouble. France may have to be content with a vague promise that a fund will be set up. In the current debate in the French Assembly critics are likely to seize upon this vagueness as the most vulnerable aspect of the treaty.

(To be concluded)

Suez Impact on the Sudan

IT was inevitable that the British position in the Sudan should have been damaged by the Anglo-French landings at Port Said. For the conglomeration of leftists and extreme nationalists and for those who have been staunch to ideas of union with Egypt, it provided the perfect ammunition for a propaganda campaign. Those Sudanese who remain deeply suspicious of Egypt, all those who believe that with British help the Sudan can most rapidly make progress, were silenced. There are many who dislike the Nasser regime in Egypt and would not readily raise a finger to save it; but their roots are also in the struggle for independence and they could not in their hearts condone what was to them an act of flagrant aggression. By political necessity and natural sentiment they were driven to isolate themselves from the British Embassy, which found itself almost cut off from contacts in the heart of Khartoum. There are, indeed, grounds for belief that the Umma Party, upon which British administrators in the Sudan based so much of their hope, is now swinging in favour of Egypt and Nasser. Meanwhile, on the other side, the campaign against Britain and particularly against the few remaining British officials reached new heights of virulence.

For Ismail el-Azhary, as he campaigns to recover the premiership, the situation was a godsend. His support still lies among the urban people and the extremists of the town see in him their best bet. The students, through whom el-Azhary created his early political position, are anti-western to a man, whether they are fanatical Moslem Brothers or communists. They still support him.

How far the present situation will affect the results of the elections, due in March or April, it is impossible to say. By that time, it is hoped, the constitution will be ready. Sub-committees are working on the first draft prepared by the Attorney-General while the leading politicians debate among themselves the primary issue of the presidential powers. The present government of Abdullah Bey Khalil appears to support the idea of a president, rather on the French style, who lacks executive power. Others, among them Azhary, want a president with executive power, as in the United States.

Persuasive Russians

Three or four months, during which a constitution must be completed, provides enough time for changes of political fortune in the Sudan. If the uneasy co-operation between Sayed Abdel Rahman el-Mahdi, leader of the Ansar sect, and Sayed Aly el-Mirghany, leader of the Khatmia, holds until the elections, the influence of the two sects should be powerful enough to secure a government something like the present coalition and to defeat Azhary. One could be certain of it except for the problem of the non-Moslem tribes of the south, whose factions can be bought with promises of independence and sometimes with money and patronage. Egyptian propaganda will undoubtedly play its part and has gained by the Port Said affair, but for the moment it is showing greater moderation than in the extravagant and, for Egypt, disastrous days of the Salah Salem period.

There are also reports that Soviet propaganda is taking a hand, particularly in the outlying areas of the cotton schemes. In these areas the congregation of peoples in co-operative enterprises provided the opportunity for primitive forms of communist propaganda. The Kosti disaster in which nearly 200 peasants lost their lives in a sealed room last year was the indirect outcome of such propaganda. The Russian approach to the urban population is also quiet and persuasive. A women's delegation from the Sudan was impressed by its reception last October for the Women's Conference in Moscow and Soviet agricultural mechanisation and hydro-engineering proved equally impressive to the Sudanese delegation to the FAO conference in Moscow. The delegates heard lectures from Soviet

agriculturists and were taken on a month-long tour of Soviet stations.

Perhaps the greatest danger of the present situation lies in the extremist propaganda being poured out by Azhary and his associates. In order to compete with him, the moderates may be forced into the competition of slogans and so commit themselves to policies from which they cannot easily retreat later. Elsewhere in the Middle East and notably in Egypt this has happened time and time again, and has often paralysed the government.

So far the Sudan has been clever at avoiding the worst evils of its wordy warfare. Azhary himself set the pace in reasonableness when, after winning the first elections with Egyptian money on a pro-Egyptian policy, he eased himself slowly but surely into support of independence when he saw that the country had clearly moved in that direction. There was a recent example in the Khartoum University, where the students exempted their 63 British teachers from their general campaign against the West and British "imperialism," realising very sensibly that there would be no one to teach them if they drove the teachers out. (The university is, in fact, seeking to recruit another 25 British teachers.) It would be a pity if the common pattern of political campaigning should unseat the foundation of Sudan's common sense.

The effects would stretch far beyond the Sudan and be more damaging than Egyptian propaganda in the adjoining colonial territories. Since the Sudan gained its independence, the peoples of these territories, notably the Belgian Congo, have been watching Khartoum closely. Belgian newspapers saw the signs very early in the day, and sent correspondents to cover the first independent elections in the Sudan.

Pakistan Ins and Outs

FROM A CORRESPONDENT

WITH the Kashmir dispute back at the Security Council this week, public expectations in Pakistan have been so intensified that any prolongation of the deadlock may have serious internal repercussions. On this issue all political factions are in line with the national mood. While Mr Suhrawardy's abundant energies have been diverted to score a foreign policy success, the opposition, too, has chosen the same field for its line of attack. The Prime Minister has received and returned Chinese hospitality, brought about some degree of rapprochement with Afghanistan, and, in the course of a hastily organised tour of the Middle East, helped to prop up the Baghdad Pact.

Mr Suhrawardy's aim is to show that within the framework of his country's defensive alliances, he can exercise a measure of independence. He has not hesitated to demand the support of Mr Chou En-lai over Kashmir, and in return he has pressed the question of China's admission to the United Nations in a personal letter to Mr Eisenhower. But it is in regard to Middle East policy that he is gambling on a success, and it is in this same sphere that he has been sharply criticised by the formidable Maulana Bhashani, a key figure in his own party, the Awami League. The gist of the complaints made against him by Bhashani and others is that instead of leaving the Commonwealth and reducing the Baghdad Pact to a purely Muslim alliance, he has tried to play down the effects of Anglo-French intervention in Egypt. He has defended his attempts at salvaging the Baghdad Pact by arguing that events in the Middle East created a breeding-ground for subversion far more serious than the intervention itself. His position was strengthened when his campaign for Muslim solidarity elicited some response in Lebanon and Saudi Arabia, while his talks this week with the neutralist Syrian President may placate the Pan-Islamists at home.

In view of these preoccupations, it is not surprising that the prime minister has been unable to give domestic problems the urgent attention which they demand. He has settled the question of communal electorates, but little headway has been made towards putting democratic principles to the test. With India about to hold its second general elections, Mr Suhrawardy's admission that Pakistan's first cannot be held before February, 1958, will only increase impatience. After its historic Dacca session last October, the National Assembly has had its meetings put off from month to month, and it is doubtful whether at the next session time will be found for enacting the electoral laws.

All this offers the "unreconstructed" elements in the Muslim League an opportunity to seek a come-back by exploiting a fierce, uncompromising Pan-Islamism. Mr Suhrawardy's ally in West Pakistan, the Republican party, which a year ago rose phoenix-like from the ashes of the discredited Muslim League, can see the writing on the wall, for two recent by-elections show that the League is regaining support. The Republicans' failure to tackle land reform, together with the defection of their secretary-general, who resigned because, as he claimed, they had neither formulated a policy nor built up an organisation, sound like echoes of the Muslim League's own past sins of omission.

A Republican setback in West Pakistan may not immediately affect the coalition at the centre. But it seems clear that the government will suffer if it goes on putting off the elections by pleading lack of preparation; that Mr Suhrawardy will have to instruct the electorate in the problems of democratic government, just as he has sought to expound the principles of his foreign policy; and that he will have to work hard to prevent his duties as prime minister from widening the distance between himself and the Awami League party apparatus which he helped to set up.

Satellites in the Red

THE searching reappraisal of economic policy going on in Moscow has been inspired not only by Russia's own problems but by economic strains in eastern Europe. The new co-ordinated five-year plans had hardly begun last year when east European leaders began to point out that they could not fulfil them without more outside help. Russia granted a loan to East Germany in July, halving its occupation costs at the same time, and further loans to Poland and Hungary in September. Autumn and winter have brought more urgent calls. In eastern Europe only the Czechs had a good harvest last year. Poland, which had a grain deficit of as much as three million tons, and the rest of the block are being baled out with deliveries of Russian grain.

In November, Mr Gomulka won from the Russians concessions which undermine the basic form of Russian economic exploitation. For years east European countries have been forced to sell key raw materials to Russia at cut prices, often under secret agreements, and to make for Russia, at uneconomic cost, engineering products which are unmarketable elsewhere. The Poles have forced the Russians to agree to pay world prices in future for their coal and uranium as well as for other goods, and to cut Russian imports of Polish coal so that they can sell it in other markets. Last month the Rumanians made pilgrimage to Moscow and came away with promises of grain and economic credits. The latest in the queue are the east Germans, who were in Moscow last week, and who got a credit of 340 million roubles and a promise of steady deliveries of coal, coke and other materials to replace Polish supplies. Finally, if the Hungarian economy is not to collapse, massive economic aid will clearly be necessary; the Russians have already promised large credits.

Chain Reaction

Eastern Europe's demands reflect chronic economic weaknesses, which have continually dogged the backward economies in their efforts to erect an industrial system by enforcing a high rate of saving and investment through a crude system of central planning. Now the weaknesses which were masked, or overcome at great human cost, so long as Russia remained in political command of eastern Europe, have been brought to a head by political change. In some countries wages have been raised and prices cut in an effort to revive production and appease the consumers; in present circumstances this policy is more likely to lead to rampant inflation than to plenty.

The weakness of each state has reacted on the others. Poland, suffering a serious fall in coal output, has slashed vital coal exports to the Czechs and Germans. The cut has widely affected east German industries and power stations, and the east Germans have in their turn fallen behind with deliveries of machinery and chemicals. Poles, Czechs and Germans have all suffered from the sudden extinction of Hungarian supplies of grain and vegetables, ores and industrial goods.

Russian help cannot quickly solve eastern Europe's problems. Rising Russian oil production and assistance with the development of atomic power will help to overcome the fuel problem in the long run; the record Russian grain crop has saved the Soviet block from famine this winter. But the harvest may not be so good another year; and in the short run eastern Europe needs coal, not oil, to keep its fires alight. But Russian plans for coal have themselves been upset by the cut in Polish exports, and last year coal was one of the sectors in which Soviet output itself fell short of its target. Western Europe has been able to turn to the United States to fill the gap in coal supplies; eastern Europe cannot do the same with Russia. Nor can Russia quickly satisfy its acute needs for certain types of capital goods, let alone the demands of the neglected consumer.

Almost all the states of eastern Europe are therefore modifying their plans. In Hungary, of course, the five-year plan has had to be completely scrapped. In Poland the economic plans that are emerging under the pressure of popular feeling involve not only more moderate aims, but a radical change of direction in favour of consumer goods, housing and agriculture. Rumania is modifying its five-year plan—it is not yet clear exactly how much—in order to improve living standards more quickly. East Germany has already announced that expansion and investment will slow down this year.

The jettisoning and changing of national plans has in turn upset the Russian attempt, begun last year, to bind the satellite economies together into an integrated whole under the guidance of the Moscow-directed Council for Mutual Economic Aid (Comecon). Poland's independent course is forcing Russia to concentrate its efforts for economic integration on the faithful Czechs and Germans. At a Comecon meeting last month new arrangements to integrate and specialise between the Czech and east German engineering industries were made.

Poland's new independence in foreign trade was shown when it announced that it will not join this year in triangular trade arrangements with Russia and Finland, as it has done in the past. The move was inspired by the wish to trade more with the West. Helped by Russia's agreement to cut coal imports, Poland has already succeeded in negotiating bigger trade agreements with France, west Germany and Britain. Western coal seems vital if the Hungarian economy is to recover, and even east Germany has shown a special interest recently in western trade.

But trade with the West, like trade with Russia, will only bring a radical improvement to the east European economies if big credits are granted. France has already made a start, granting Poland a long-term credit of 10 billion francs; Germany, too, has granted a $9 million credit in the course of normal trade. But these are mere beginnings. The Kadar regime in Hungary has been appealing repeatedly for western credits. The Poles have not disguised their great interest in credits, even from the United States, but they have made it clear that there must be no political strings. This implies criticism of the western strategic embargo, and some western traders are already putting forward the view that Poland has now attained such economic independence from Russia that the embargo on exports to Poland might be separately relaxed. The trend towards more trade with the West is not new; it began in 1953. But the Czech and east German trade offensives were directed from Moscow and aimed in particular at the under-developed world. Poland's new interest in westward trade differs in kind and purpose, being impelled by the Polish national interest alone.

The Poles are becoming more and more aware that they cannot afford to conduct their foreign trade within the framework of bilateral agreements which are politically conditioned, or within a rigid planning system which fails to make the best use of resources. With imports, as with exports, the view is gaining ground that price and quality

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rather than politics must be the sole criteria of purchasing, and that there must be greater flexibility in the methods of foreign trade, so that imports can stop gaps, fill emergency needs, and provide the elasticity which the liberal trading world enjoys.

Such thoughts are making progress in other east European countries as well. Just as the growing decentralisation within each planned economy can weaken economic and political power at the centre, so in the east European trading area the greater independence of one member is weakening Moscow's ability to direct the block as a whole and is pushing the other partners towards greater flexibility.

Indonesia's Army Takes A Hand

FROM OUR CORRESPONDENT IN JAKARTA

PRESIDENT SUKARNO is reported to be about to form a "Revolutionary Council," which would supersede parliament as the body to which the government is responsible. This drastic action may not provide a long-term solution to Indonesia's political troubles, but it is easy to see that the only alternative to a bold gesture of this kind might be a military dictatorship. The President's plans, reported this week in the well-informed newspaper *Merdeka,* are being formulated at a time when the Sastroamidjojo government is rapidly disintegrating as a result of the withdrawal of the moderate Islamic *Masjumi* party and two minor Moslem parties.

The month-old cabinet crisis arose out of a complicated army rebellion in Sumatra, which revealed the government's complete lack of authority in outlying areas, and made the *Masjumi,* one of the three main parties in the coalition, decide that it could no longer support a discredited administration. In common with many Sumatran leaders and a number of other political parties in the capital, it has turned to Dr Hatta, who resigned last month, believing him to be the only man capable of leading the new government. Dr Hatta, who had modestly retired to a mountain resort (conveniently near Jakarta) to start life as a private citizen, is said to be prepared to accept the premiership provided that he is given a free hand until the next general election (due in 1959), and is allowed to carry out an uninhibited anti-corruption drive.

But the Nationalist party (PNI), to which the prime minister belongs, and the Communists (whose parliamentary support has become essential to the government since the *Masjumi* resigned) have taken the strictly constitutional line that the government must not be brought down by the action of the army; "if it has to fall it must fall in parliament." (Dr Sastroamidjojo's last cabinet resigned after a dispute with army officers over an appointment in the army command, and he is determined that this shall not happen again.) The orthodox Islamic *Nahdatul Ulama* also believes that it would be irresponsible to force a complete change of government; they favour a cabinet reshuffle with the prime minister temporarily holding the offices of minister of foreign affairs and of defence.

The crisis began on December 16th when forty-eight senior army officers in Sumatra signed a resolution urging the central government to take firm steps to overcome the general dissatisfaction felt in the young Indonesian republic; they then drank to the success of their enterprise and smashed their glasses as a symbolic break with the prevailing conditions in their country. Four days later one of them, Colonel Ahmed Hussein, announced that in order to deal with the prevailing unrest he had taken over the control of central Sumatra and was administering it with the help of a Banteng (Buffalo) council of present and former army officers. Colonel Simbolon, the commander in north and central Sumatra, followed suit the next day but 27 of the officers who had signed the original protest decided that he had gone too far and refused to support him.

The news of the two bloodless coups rocked the capital; the coalition government was already struggling with wrangling government parties, with demands for a cabinet reshuffle, and with nation wide criticism of its failure to carry out its construction programme or deal with corruption. The attorney-general had announced that there was reason to suspect the foreign minister, Mr Abdulgani, of breaking the foreign exchange regulations; Colonel Lubis, the former deputy chief of staff, had attempted a *coup d'état;* the vice president, Dr Hatta, had resigned and it was rumoured that President Sukarno was thinking of proclaiming a state of emergency, and using his authority as commander-in-chief in order to check any further deterioration.

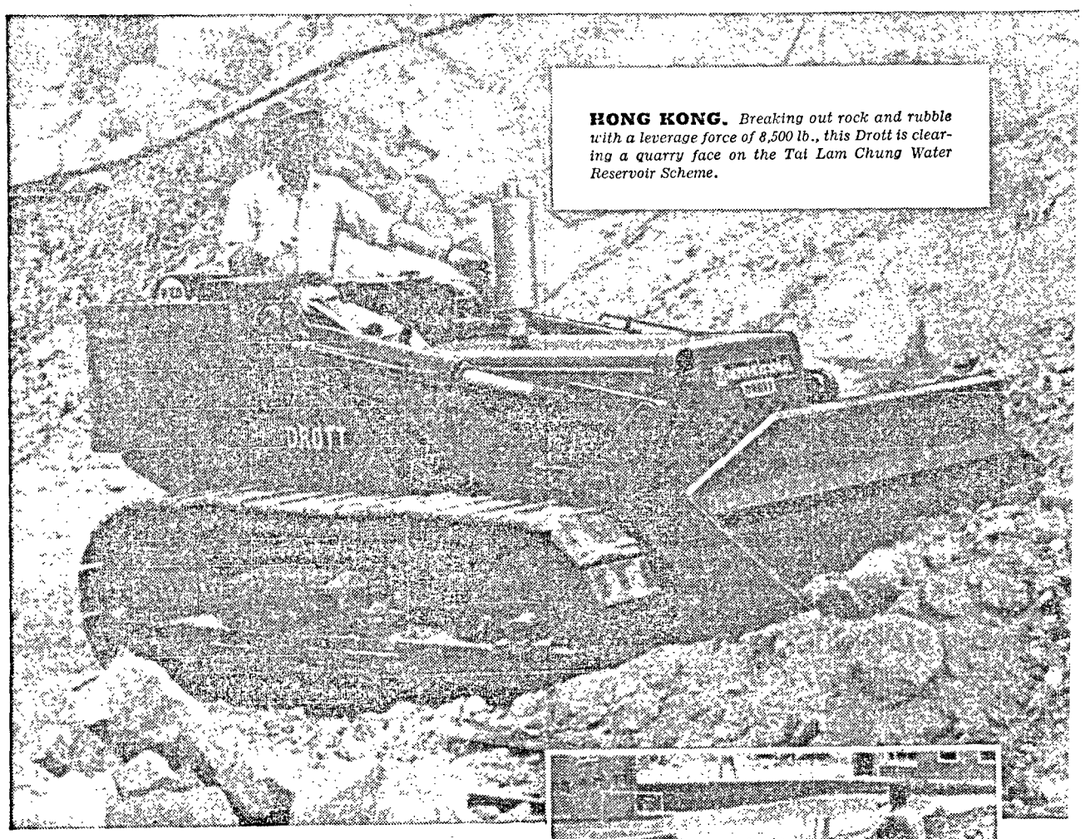
It was therefore essential to deal with the new problem promptly. After a series of emergency sessions the cabinet decided to relieve Colonel Simbolon of his post and sent another officer, Colonel Ginting, to take over. This, after the cabinet decision had received the full weight of President Sukarno's authority, Colonel Ginting managed to do—much to the government's relief. But his success has solved only a small part of the problem. Colonel Simbolon is at large and some troops are still loyal to him; two of the three regiments in north Sumatra have refused to obey Colonel Ginting although they recognise the authority of the army chief of staff, and in central Sumatra another regiment is quietly but firmly administering an entire province. In south Sumatra, where there was no military rebellion, the governor announced, on Christmas eve, that in order to prevent an explosion in the province he intended to use all revenues from taxes and customs to finance local development projects instead of paying them to the central government.

Sukarno and Hatta

Both in Sumatra and Jakarta many people are saying that only Dr Sukarno and Dr Hatta, working in alliance, can hope to solve the problem and every effort is being made to reunite these two men, whose opinions differ on many subjects. If these efforts succeed, Indonesia could recover its stability quickly; if not, the political crisis may continue indefinitely, even if the military problem is settled through the army's loyalty to President Sukarno, and Sumatra is placated by the granting of local autonomy. The dynamic, popular president, who is said to incline towards an Indonesian version of a people's democracy, and the anti-communist economic expert Dr Hatta, are the only two men whose authority extends throughout the archipelago; they seem complementary by nature and they have been pictured as the symbol of Indonesian unity ever since they proclaimed their country's independence. Indeed it might be concluded from the course of events since Dr Hatta's resignation, that they represent the unity of the infant democracy in more than a symbolic sense. Personality is still of prime importance in Indonesian politics.

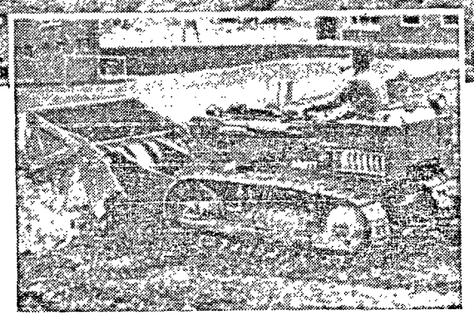
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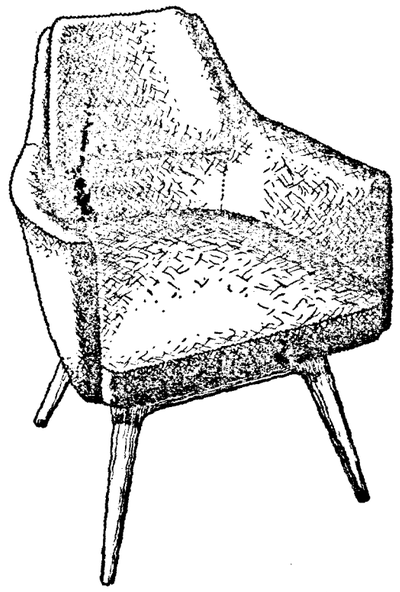
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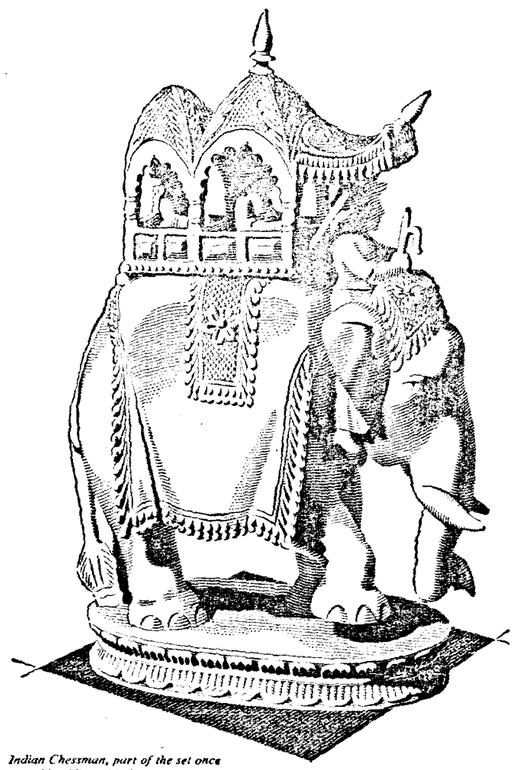
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THE BUSINESS WORLD

Amalgam of Accountants

IF marriages are made in heaven, wedding guests should be charitable in their judgments. But the publishing of the banns to unite the Society of Incorporated Accountants with the Institute of Chartered Accountants is an event too important for those who are concerned with the future of accountancy as a discipline and a profession to hold their peace. The courtship began about two years ago, and it remained a well-kept secret until the official announcement came at Christmas. Evidently the institute has had the dominant say in the marriage settlement.

The proposals to integrate the two bodies are outlined on the next page. But consummation, however devoutly wished by the leaders of the institute and society, depends upon two-thirds of the members of the institute of England and Wales who vote in the poll being in favour of the scheme. This is the decisive vote. If a two-third's majority is obtained, polls at the Scottish and Irish institutes will be taken. Finally, the society will have to obtain the assent of three-quarters of its members polling on a resolution to wind up.

The reactions of the small chartered practitioner are likely to be decisive. The institute's memorandum seems to have been designed deliberately to appeal to the practising chartered accountant in Middle Accountingham. It is aware of his prejudices and tries to soothe his fears (with some risk of alienating the many chartered accountants serving in industry). His prejudices are clear : he knows the cachet that the word "chartered" carries ; it may give him a valuable professional advantage over the competing incorporated accountant across the street. Why, he will say, must he share this professional totem with his rival in future ? To this it is justifiable to retort that in accountancy, as in other professions, the man counts first and the qualification second.

But this answer, just though it is, may not appease those who are jealous on points of professional pride. It is possible that the proposals will be defeated ; if so, it will be for the wrong reasons. In a generation's time accountants may look back on the integration and realise that it was inevitable. To be blunt, the society has lost its impetus. This came from the "bye-law" candidate, the accountancy clerk whose parents could not afford a premium for articles and who received a larger salary than the articled pupil. Premiums on articles have almost disappeared ; salaries have improved ; and there is no difficulty in placing a good student under articles without a premium to a chartered accountant. Members of the society, looking to the future with real foreboding, argue that it must move either towards the institute (with its insistence on training under articles in a public accountant's office) or towards the Association of Certified and Corporate Accountants (which accepts training in industry as a suitable qualification). If the scheme fails, which in itself would weaken its standing, the society may have to consider the possibilities of allying itself with the association. Such an alliance, recognising two different methods of entry and training as equally suitable qualifications, might be less desirable than the proposed integration of two bodies which have both frowned upon industrial training.

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If the scheme goes through, a professional body, more massive than before, with rigorous standards of training and qualification, and speaking, if it chooses to speak, with a single voice for public accountants, will have been established. No one can doubt that articled service gives an accountant an invaluable foundation of professional independence and judgment, even if its inescapable concentration upon taxation and auditing leaves too little opportunity for developing accounts as a tool of managerial and industrial control. But, equally, no one can doubt that the days of effective rivalry between institute and the society were good for

both. Twenty years ago the society spoke with the powerful voice of Henry Morgan and members of the institute learned to speak up, too. But in recent years the "recommendations" of the institute have borne the stamp of the highest common factor of agreement, and to many outside the profession it has seemed too low. A docile form of agreement (if only to differ) has had an inhibiting effect on the public discussion of principles and practice. The enlarged institute will be monolithic, and unexposed to any competitive professional ideas.

More than this, an itegrated institute may see accountancy and its many problems through the frosted windows of the practitioner's office. His can be a narrow view. The scheme will widen the rift between the professionally trained and the industrially trained accountant; it may also tend to separate the chartered accountant in private practice and in industry. One sentence in the institute's memorandum reads:

> It would clearly be a retrograde step for the accountancy profession as a whole and for the public at large if the society were forced to relax the standard of its training so as to allow it to be based to a large extent on commercial rather than on professional experience.

As a comment on training this may be acceptable. But it is not the only passage that carries overtones of less than parity of esteem for qualified accountants engaged in industry. Any widening of the gap between them and their colleagues in private practice would be a retrograde step in an age when both kinds of accountants and their different viewpoints are of increasing importance not merely to the profession but also to the whole economy. The enlarged institute will have a public duty to represent the views as well as the interests of qualified accountants serving industry.

If the institute fails in this, it may ultimately find itself simply the representative body of public accountants, with accountants in industry (whether trained there or not) seeking other means to make their voices heard. Integration is not a final solution. Is there not a case for extending the period which an articled pupil can spend training in industry? Might the institute not throw the weight of its authority behind any efforts to encourage articled clerks to profit from independent views on the profession?

If the society is integrated with the institute, the new body will have to look and to think forward. In the hope that it will do so, and with a real tinge of regret that the society has almost found itself on the shelf, the business community will raise its glasses to the couple.

The Shape of the Proposals

THE outlines of the proposals to integrate the Society of Incorporated Accountants with the Institute of Chartered Accountants are as follows:

(1) The three institutes of England and Wales, Scotland and Ireland will retain their separate identities. A joint standing committee is to be formed.

(2) Members of the society whose qualifications include practical experience in the offices of public accountants in this country (these include the "bye-law" candidates of the society) are to become associates of the institute. Those who have been in practice as public accountants for five years will be eligible to become fellows of the institute.

(3) Members of the society whose qualifications do not include such experience will become incorporated accountants of the institute, with the opportunity (after three years' service in a public accountant's office in this country) of becoming chartered accountants of the institute. These include members of the society who either served their qualifying period of service abroad or in the treasurer's department of a public or local authority.

(4) Existing students will be able to complete their training with a view to becoming either chartered or incorporated accountants.

(5) All new students will have to be articled pupils for five years with a member of the institute engaged in public practice as a principal or partner. Thus "bye-law" candidates of the society will disappear and gradually over the years the incorporated accountants will disappear too. The number of pupils allowed to each partner will be increased from two to four. At the discretion of the council of the institute this number can be further increased, thus allowing the big firms with a small number of partners to keep up recruitment.

(6) The proposals to integrate members of the society with the Scottish and Irish institutes follow similar lines, with two important exceptions. First, the number of pupils (apprentices) has never been limited in Scotland and will remain unlimited. Secondly, the Irish and Scottish institutes do not propose to create a separate class of incorporated accountants. The numbers eligible for such a class are small and provision has been made for them to become incorporated accountants of the English institute.

(7) *Accountancy*, the official journal journal of the society, will become the official journal of the enlarged institute.

The Numbers Involved*	English Institute	Scottish Institute	Irish Institute	Total
Incorporated accountants who are already chartered accountants	539	33	17	639
Incorporated accountants eligible for admission as chartered accountants	7,794	93	354	8,241
Incorporated accountants eligible for admission as "incorporated" accountants of the institute:				
(*a*) at home	1,140	...	...	1,140
(*b*) abroad	925	...	...	925
Membership of the Society	10,443	126	371	10,945
Membership of Institutes	19,112	5,947	936	26,045
Integrated membership†	*28,971*	*6,010*	*1,310*	*36,351*

* Estimates as on June 30th, 1956.
† After deducting incorporated accountants who are already chartered accountants.

Safety in the Crowded Air

IT takes a major disaster, like the mid-air collision of two airliners over the Grand Canyon or the crash of the Vulcan bomber at the approaches of London airport, to focus public attention even momentarily, on the traffic hazards of civil aviation Yet the race between the rising volume of air traffic and the technical and human resources at the disposal of the men attempting to control it is becoming too close for comfort. At some airports, of which London is the most successful example, the controllers have stayed in front, but at some others the system is dangerously near a breakdown.

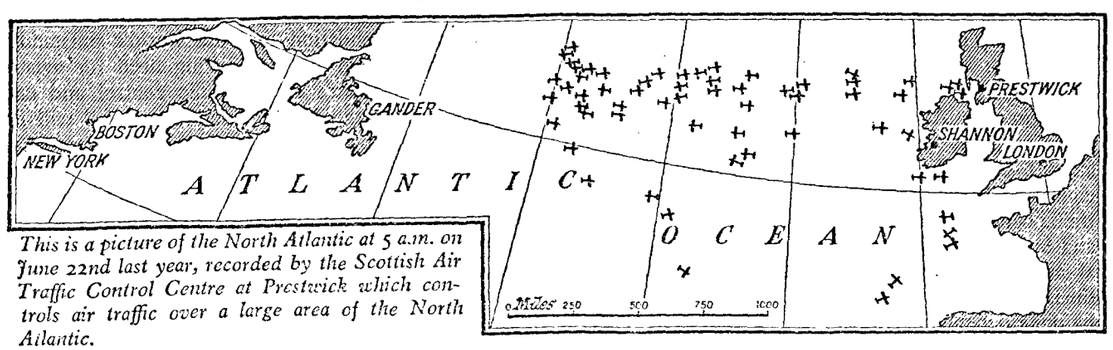
Inadequate ground control carries some real risks. A pilot's only protection against them is to rely on his unaided judgment and put the widest safety margins between himself and any other aircraft. The alternative is heavy capital expenditure to bring ground services up to a point where they can deal adequately with the traffic offered. It is never easy to get this kind of expenditure approved, particularly as somebody not directly concerned is always asked to pay: air transport does not ordinarily provide its own terminal facilities. Even in this country the period of negotiation needed to get Treasury sanction for a new air control installation may run up to two years. In other, poorer countries, the major foreign airlines have sometimes no option but to provide the equipment themselves.

An apparently limitless sky becomes congested when an ever-growing number of aircraft converges on the main air terminals, most of them during the peak hours favoured by passengers and all attempting to approach by the most economical route. The control of this traffic is based on something approximating to a three-dimensional railway system. Aircraft flying into busy areas keep to defined traffic lanes, channels of air provided primarily for the use of transport aircraft. As the aircraft move into these channels from different directions, the ground controller becomes responsible for seeing that they keep a safe distance from each other. Under present international standards (without radar), each aircraft must fly at least 1,000 feet above the one beneath it, and must stay the equivalent of 10 minutes' flying time—in practice about 40 miles—behind the machine immediately ahead in the lane.

As the volume of air traffic increases, currently at the rate of 15 per cent a year, the only way to prevent congestion in these lanes is either to force airliners to fan out along the routes, which increases their mileage and costs (and in any case is impossible in Europe where many routes intersect) or to reduce the distance between aircraft. This can be done without compromising safety if the ground controllers know accurately the position of the aircraft in their district. At the approaches to London airport, for example, the separation between aircraft has been reduced, by the extensive use of radar, from about 40 miles, the equivalent of 10 minutes' flying, to 3 miles, and the result is that the airport can handle one aircraft every two minutes in practically every kind of weather. The degree of separation between each aircraft is set by the accuracy of the instruments monitoring them and the speed at which the controller who instructs the pilot can work. There is fairly general agreement that London airport has carried the refinement of its control system further than most; conditions at other big airports in the world range from the passable to the near-chaotic and the downright alarming.

The chances of congestion are in some ways worse outside the air lanes. Operators in the North Atlantic, where air space is nominally free, are beginning to find it uncomfortably crowded. They might not do so if navigation aids along the route were more reliable; but polar interference with radio communications can leave an aircraft for long periods without any contact with the land, so that neither pilot nor the traffic controllers to the east and west of him know precisely where the aircraft is. To give an adequate safety margin under these conditions, aircraft crossing the North Atlantic are separated from each other at

RUSH HOUR ON THE ATLANTIC



This is a picture of the North Atlantic at 5 a.m. on June 22nd last year, recorded by the Scottish Air Traffic Control Centre at Prestwick which controls air traffic over a large area of the North Atlantic.

any given altitude by the equivalent of 30 minutes' flying. At present speeds this is about 150 miles.

Because most people like to fly the Atlantic by night, the aircraft tend to take off from both sides at roughly the same time. The eastward and westward streams cross in mid-Atlantic, as the map shows ; 161 aircraft crossed on the day illustrated, and about 100 aircraft are generally crossing at the same time. With this volume of traffic it is becoming increasingly common for a pilot when he files his plan of flight for the crossing to be told by the traffic controllers that there are several other aircraft ahead flying at the heights he wants to use. This week, the International Civil Aviation Organisation showed that this happened to 40 per cent of the flights last summer, and that more than half of the total flights met difficulties that arose either from traffic control or communication hold-ups. Radio black-outs of one to two hours were quite common. Airliners are so often obliged to take the less economic routes across the Atlantic because of the traffic density ahead of them, that it is beginning to affect profits.

Few people would suggest that these safety standards are exaggerated. The instruments carried by aircraft are not 100 per cent accurate, and the most accurate of them all, the altimeter, is subject to 16 different sources of error. These errors increase as the aircraft flies higher ; this explains the recent agreement that at the high altitudes which jet airliners use, the vertical separation distances are to be doubled from 1,000 feet to 2,000 feet, if not more. Jets also increase the already real risk of mid-air collisions. Two aircraft flying at 500 miles an hour converge on each other at a thousand miles an hour. At these speeds pilots cannot see each other ; an aircraft that first appears as a dot in a clear sky several miles off could crash into another flying towards it in a matter of seconds. There is a well-documented case in the United States of a lone bomber crashing head-on through a formation of bombers, breaking five feet off the tail of one, and tearing loose the engine of another without any single one of the pilots, the intruder included, seeing each other or knowing that anything had happened until they landed.

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The air lines are seriously concerned about what will happen when they bring their jets into service. Unless they can fly at their optimum altitudes, cost calculations will go seriously awry, but the separation distances agreed are not going to leave much room in the Atlantic for large numbers of these aircraft at any one time. These distances between aircraft could be reduced if better navigation aids could be developed (so that the North Atlantic traffic controllers at Gander on the west, and Prestwick and Shannon on the east, could tell where aircraft were at any time during their crossing) or if the aircraft themselves knew their positions. How soon this could be done depends on the success of trials soon to begin with a new Decca system of tracking aircraft by means of land stations on the east and west linked to equipment carried in the aircraft. An alternative is to separate the east and westbound traffic crossing the Atlantic, sending one north and one south of the low pressure area that lies in the centre of the shortest crossing (and is assiduously avoided by pilots who fly in a loop to make use of tailwinds). Development of the Polar route would also thin out the traffic at its worst points.

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The volume of air traffic that is expected to develop in the early 1960s, even without the introduction of jet airliners, cannot be solved by rerouting. The North Atlantic was too small for the 43,000 aircraft that crossed it in 1956. By 1960, 70,000 aircraft, carrying one million passengers, must somehow be channelled through the same space. This will require technical aids that can fix the position of every aircraft accurately, and do so with such speed that the traffic controllers can still keep one step ahead of the aircraft crowding into their sectors. The human element of fatigue is already a factor in air traffic control, not on the North Atlantic but in regions like Europe and inside the United States when short-haul air traffic is booming. It can partly be countered by increasing the number of controllers on duty: one man can deal with about 30 aircraft an hour. But the point is reached quite soon when the confusion caused by large numbers of controllers trying to keep each other informed begins to affect the efficiency of the system. Experiments using electronic computers to take a load of mental calculation and docketing of information off the controller and leave him free to concentrate on his essential job of taking decisions are now being started.

The crash of the Vulcan at London airport serves, however, as a reminder that even the best mechanical systems are fallible. Both the bomber and the whole machinery of traffic control and landing aids that buttress London airport from such disasters were in full working order. Yet were they in fact properly co-ordinated ? Some experts point out that the essential element of experience was lacking. Neither the pilot nor the ground controller had ever taken part in a "talk-down" landing of a Vulcan, with the special handling characteristics that rise out of its odd shape.

The slightly desperate reference in this week's ICAO recommendation to "the world's outstanding case of immediate and compelling need for aviation improvement relates to air traffic control and communications in the North Atlantic region," will find echoes in other parts of the world. In Europe and other areas of dense traffic, the problem is primarily a human one of potential fatigue among controllers dealing with large numbers of short haul traffic. In less populated areas of Asia and Africa the dangers arise from inadequate equipment and control staff that lacks experience and a cool head. The North Atlantic presents a clear need and the best technical opportunity of improving navigation in the air.

Business Notes

Gilt-Edged Forge Ahead

THERE is no halt to the rise in the gilt-edged market. The table shows the extent of the rise over the week and since the low point at the end of November. The movement has gathered momentum and business in the short and short-medium dated stocks has gathered volume this week as the market, encouraged by the reduction in the West German rediscount rate and talking freely—perhaps too freely—of a fairly early reduction in bank rate here, made up its mind that the downward trend in interest rates had been confirmed. Buying by the banks at the shorter end of the list has probably continued. Outside the banks demand has been spreading towards the longer dated stocks. Some banks apparently like the 4½ per cent conversion stock of 1962. There has also been a broadening demand for the British Electricity 4½ per cent stock 1967-69 and the Treasury 3½ per cent stock 1979-81. These are all stocks that the Government broker can supply and the rising market has provided the occasion for substantial funding by selling from the official portfolio.

GILT-EDGED NET PRICES

	Nov. 30, 1956	Dec. 31, 1956	Jan. 9, 1957	Jan. 16, 1957
Funding 2½% 1952/7.....	93 27/32	99 1/2	99 5/32	99 5/16
Exchequer 3% 1960.....	94 15/32	94 1/4	94 15/32	94 15/32
Conversion 4½% 1962.....	96 1/2	96 21/32	97 11/32	97 21/32
Brit. Elect. 4½% 1967/9...	89 3/32	90 3/32	91 1/32	92 1/32
Treasury 3½% 1979/81....	74 1/16	76 1/32	77 13/32	78 5/32
Brit. Trans. 3% 1978/88 ..	65 23/32	68 1/2	69 7/32	70 11/32
Funding 3½% 1999/2004..	72 3/4	75 1/2	76 17/32	78 7/32
Consols 2½%	50 7/32	52 17/32	53 11/32	54 9/32

Speculative operators have certainly been in the movement. Their activities have something to do with the rise in the undated stocks and a great deal to do with the massive oversubscription of the Tanganyika Government's issue of £3 million stock, of which only £2½ million was offered to the public and £500,000 taken up by Colonial Government Funds. The stock carries interest at 5¾ per cent (giving it the distinction of bearing the highest interest coupon in the colonial list) and is dated 1978-82 to give a running yield at the issue price of 99½ of £5 15s. 7d. per cent and a gross redemption yield to the final date of £5 15s. 9d. per cent. The stags judged it ideally suited to the market's mood and to their own, since only £10 per cent was payable on application. The rush of applicants was so great that it was not possible to get allotments posted on Thursday and dealings could not start this week.

The buoyant tone of the gilt-edged market has not been reproduced in other sections. The industrial market, with the new account starting on Wednesday has held a little better than steady. *The Economist* Indicator reached 192.8 compared with 190.5 a week earlier. Activity, however, has centred round a few specialities. The new London and Overseas Freighters 6 per cent debenture (£20 paid) placed privately at £97½ a few weeks ago made its début in the market on Tuesday and quickly established a premium of 3¾. Great activity has accompanied the start of dealings in the ICI 5½ per cent convertible loan stock on Friday of last week. On the opening day a premium of 5⅛ was established and by Wednesday of this week the premium had risen to 7½ in a market that suggested that some of the jobbers must have been caught short of stock. There is indeed an equity flavour in the ICI stock arising from the right to convert into ordinary shares in July, 1958, 1959 or 1960. But the real demand for such stocks as the ICI and London and Overseas Freighters issues is based on the appetite of the institutions for industrial prior charges, of which they can seldom buy as much as they would like.

Power in the Cabinet

THE terms of Sir Percy Mills's appointment as Minister of Power, with their specific reference to "extending the use of atomic energy as a source of industrial power," signal a change in the importance attached to atomic electricity in Whitehall rather than any shift in the administrative responsibilities of the Atomic Energy Authority. The authority, which gives at least as much thought to the production of atomic weapons as it does to the development of atomic energy, is responsible to the Lord President of the Council, and amending legislation would be needed to alter this state of affairs. There is nothing in Sir Percy Mills's appointment to suggest that the government intends to do this or to put Sir Percy's re-vamped Ministry into the weapons business, which is what full responsibility for the AEA as such would involve.

The atomic power programme which will be carried out by the electricity supply industry always did fall within the over-riding responsibility of the old Ministry of Fuel and Power, with the AEA functioning as its technical adviser, so far as English stations are concerned: those in Scotland are formally at least the business of the Secretary of State for Scotland. It is fair to say that the claims of atomic fission to be considered as a major source of power, along with the older, fossil fuels, have taken a long time to be accepted within the Ministry and within the Central Electricity Authority. The new Minister may, however, find it the easier to exercise his particular responsibility for atomic energy through the revised organisation of the electricity supply industry, in which it has already been laid down that the new central generation board will concern itself particularly with developing nuclear generation. The new Electricty

Bill, which has had its second reading and is now in the committee stage, proposes to abolish the Central Electricity Authority. It has been criticised in some quarters for giving the Minister too much direct power over this generation and transmission board and the area boards that distribute electricity. This direct relationship, combined perhaps with the appointment of a chairman from atomic energy to the generation board, should prove convenient for a Minister given this special duty to boost nuclear development.

The Minister's only really new responsibility, iron and steel, can be transferred without legislation, but it will be exercised less directly. He is responsible for appointing the Iron and Steel Board, but this board supervises operations, development and prices in the industry; the directions that the responsible Minister can give it are confined to such matters as the import of steel products, though he can ask the board to consider matters affecting employment and "the national interest." He has the power, if advised by the board, to take over plant that might otherwise be closed down and to invest in new steel plant if private steelmakers are not prepared to take the risk. In practice, the Board has submitted its changes in price to the Government by gentleman's agreement, in the same way as the National Coal Board does; the electricity and gas industries are not ordinarily affected by this form of informal price control. The new Minister's relations with the National Coal Board are bound to be interesting; this is a vast, worried industry that is touchy about pressure from above and currently apprehensive about what changes in fuel investment policy may mean for it.

Bigger Nuclear Programme

CHANGES in the atomic power programme have been under discussion for months. They have a particular urgency because the decisions taken now cannot begin to be put into effect before 1962-63 at the earliest, and the longer the choice is delayed, the longer it will be before the economy reaps the benefits that additional atomic power in the mid-sixties can bring. The amount by which the Central Electricity Authority needs to increase its generating capacity each year is roughly fixed by the steady pattern of demand; 2 million kW each year for the time being, close upon 3 million kW in the 1970s. The choice lies between how much of this new plant should be coal-fired, or oil-fired, and how much should run on uranium.

At some critical date, the CEA will cease to build any more coal-fired stations. The original atomic power programme, drawn up two years ago, suggested that date must lie between 1965 and 1970. The principal incentives to put it forward are strategic and economic: dangers of greater dependence on the Middle East, the difficulty of finding the extra tonnage of coal each year for new power stations and the high price paid for imported fuel to fill the gap. The arguments against early action speak with two voices, one counselling caution before the first atomic power stations have had time to prove themselves, the other protesting against the immense capital expenditure that the country will have to meet if the atomic programme is accelerated. Atomic power stations cost roughly twice as much to build as a coal-fired plant; their low fuel costs tend to cancel out this difference so far as total power costs are concerned, but the fact remains that the initial investment bill is twice as high. The Treasury, in particular, is finding this a difficult pill to swallow.

No drastic changes of plan can be made effective before 1962 or 1963, because of the time that it takes to lay plans for new power stations, especially atomic power stations with their heavy demands on steel plate and special materials. The number of stations that it was originally planned to build between now and 1965 cannot be altered very radically; another three may be added to the 12 originally proposed. But the size of the stations has already been fortuitously doubled by engineering developments that had not been foreseen when the plans were drawn up two years ago, and in place of the 1.5 million to 2 million kW of atomic electricity originally expected, 5-6 million kW may have been commissioned by 1965, and the investment in atomic plant alone will have jumped from the original £300 million to £600 million with another £150 to £180 million for the initial investment in uranium fuel. The plans, in short, will have trebled, partly by choice and partly by chance, but the bill will not. This is the reward for economies of scale.

The interesting choice is what happens after 1965. It will not be surprising if the Government does in fact decide to stop building any further coal-fired stations quite early in the 1960s. The coal-fired stations already under construction at that time will gradually be coming into commission right up to the 1967-68 period, but no new ones would have been begun after, say, 1963. This time-lag between the start and completion of building makes estimates of atomic power inevitably confusing, but if these assumptions are right, by 1965 the CEA will be accepting tenders for between four and five new atom stations each year—the number that it needs to meet the whole of its annual increase in capacity.

Sharing Europe's Oil

EIGHTEEN western European governments—all the 17 OEEC members and Spain—have now given their formal assent to the scheme designed to secure each of them a fair share of Europe's reduced oil supplies. After this allocation scheme comes into effect on February 1st the oil companies will do their best to ensure that each country will receive the same percentage share of the supplies it would have received under normal conditions. There is only one exception: about 600,000 tons a month, or roughly 8 per cent of Europe's normal requirements of each product, will be dispensed at the discretion of the OEEC oil committee to countries such as Sweden, Denmark, Italy, and perhaps Greece and Turkey, which are in a peculiarly difficult position. This means that countries such as Britain, France, the Netherlands and Norway, which have special advantages derived from their control of oil supplies or tankers, or Germany, which has considerable crude oil production of its own, have agreed not only to forgo these special advantages, but even to give up some of their own shares to countries where industry is more heavily dependent on oil. Britain, for example, cannot conceivably expect to obtain any supplementary fuel oil supplies from the 330,000 tons of fuel oil put into the "kitty" each month, for British industry, which obtains only about 13 per cent

of its energy from oil, can stand a given percentage cut in fuel oil supplies far better than, say, Sweden, where industry relies on oil for about 40 per cent of its energy.

The OEEC oil committee is not yet able to assess the effectiveness of the various rationing schemes adopted by each country, and undoubtedly some countries have fared much better than others up to now. But by equalising supplies the committee hopes to achieve fair shares without meddling with internal rationing schemes, which will still remain the responsibility of the individual governments. These are all highly satisfactory arrangements, and due credit must be given to those countries, including Britain, that are making sacrifices to help the more vulnerable countries. No American administration could ask for a better evidence of European co-operation than this. The rub comes in the exceptionally low supplies of fuel oil in January.

Bigger Cuts in Fuel Oil?

AFTER the OEEC oil committee and its petroleum emergency group, OPEG, met this week, some figures were given of the probable decline in Europe's oil stocks during the four-week period from January 1st to February 10th. The demand for petrol falls off in Europe in the winter, and the supplies of petrol arriving are expected to be sufficient to maintain consumption at the level to which it has already been restricted without reducing stocks. Supplies of gas and diesel oils are likely to fall a little short of the current restricted rate of consumption, but the consequent fall in stocks should not be serious enough to warrant further restrictions on consumption. As expected the really critical shortage is of fuel oil. During the four weeks ending on February 10th, Europe's fuel oil supplies are expected to amount to no more than 65 per cent of its normal requirements. Even allowing for the current restrictions on consumption, the total stocks of fuel oil in Europe, excluding only ship's bunkers and certain government strategic reserves, are expected to fall from 3¾ million tons on January 1st to only 2½ million tons by February 10th —a mere two weeks' consumption, even at current reduced levels. Unless something happens to improve the estimates this clearly is an absolute minimum level of stocks, and for some countries it is bound to be below a safe minimum.

Whether further fuel oil restrictions will have to be imposed rests with two authorities—the Texas Railroad Commission and the Syrian government. In November American oil arrived in Europe at the rate of 231,000 barrels a day of crude and 150,000 barrels a day of products; in December the rate of arrivals was stepped up to nearly 300,000 b/d of crude and over 200,000 b/d of products. But the January arrivals will be lower, and of the products shipped, scarcely any will be in the form of fuel oil. The recent rise in American crude oil prices may squeeze a little more out of stocks, but an anxious eye is being kept on the Texas Railroad Commission, which is meeting as we go to press, to decide whether to raise its limit on the oil that may be produced in Texas in February. The other eye is on the Syrian government, which is debating whether to allow the Iraq Petroleum Company to carry out the partial repairs which after only a week's work would allow oil to flow again through the pipelines to the Mediterranean at a rate of over 200,000 barrels a day. The prospects for a favourable decision are discussed in a Note of the Week on page 187. It could make an almost immediate addition of some 8 per cent of Europe's normal requirements, but its most significant virtue is the saving it would permit in tanker tonnage. Europe's oil shortage is basically a tanker shortage, and it would require less than a third of the tanker capacity to move oil from Banias and Tripoli across the Mediterranean to Italy and the southern French ports as it takes to haul the same volume of oil round the Cape.

Bankers on Bank Rate

THOSE City circles that have been hoping for a reduction in Bank rate were again disappointed on Thursday—even though it was unrealistic, in any case, to look for a change so soon after the appointment of a new Chancellor. If Mr Thorneycroft should be wondering whether he ought to resist the growing demands for an easing of rates, he will find little support among those bank chairmen whose annual statements have appeared in the past week—Mr A. W. Tuke, of Barclays Bank, and the chairmen of the three northern banks. Admittedly, none of these bankers makes any outright appeal for an early reduction of Bank rate, and Mr Tuke plainly shows that he would not have favoured a reduction in recent months. But in discussing the effects of high rates he puts much emphasis upon their disadvantages while saying little about the advantages. In such arguments, notably about the impact upon the interest costs of the overseas sterling balances, he is paralleled by Sir Thomas Barlow, of the District Bank, and Sir Eric Carpenter, of Williams Deacon's. It is conceded that the increase in Bank rate had psychological advantages, by proving that Britain "meant business"; but, says Mr Tuke, "psychology is rather expensive at that price." Only Sir Harold Bibby, of Martins, steers clear of this particular controversy: he is content to record that, before Suez, "dearer money and the credit squeeze were slowly and surely having effect." But even he, like the other chairmen, would evidently prefer disinflation by government retrenchment to disinflation exerted by monetary policy.

This theme again bulks large in the arguments from Mr Tuke and Sir Thomas Barlow—though the former gives the government credit for a "welcome stiffening of attitude" towards its own expenditures. For further relief he would concentrate the attack upon capital expenditure—and especially upon the device of postponement of projects. Like the other bankers—with the possible exception of Sir Harold Bibby—he thinks, however, that the time may be approaching for relaxation of restraints upon the private sector, and suggests rather surprisingly that there may soon be need to stimulate internal consumption. One would have expected the bankers to take the view that, when relaxation becomes feasible, it should rather be directed towards productive investment. That is certainly the opinion of Sir Eric Carpenter and of Sir Thomas Barlow, both of whom fear that undue damage may be done if present restrictions are kept on "for too long."

Rising Deposits

THE bank balance sheets present some interesting contrasts with those for 1955. In that year aggregate bank deposits of the clearing banks dropped sharply—gross deposits were down by £329 million—and by November last they were still showing a small decline on the annual comparison. But at the year-end both of the big banks whose accounts have so far appeared were showing a perceptible expansion on balance—the Midland's deposits are up by £13 million at £1,475 million and Barclays' are up by £23 million at £1,413 million. Increases are also shown by Martins and Glyn Mills—indeed, proportionately larger ones—but the District, Williams Deacon's and Coutts report small declines. A similar contrast is apparent in advances ; five of the seven banks whose accounts are available show increases—the Midland by £12½ million and Barclays by nearly £11 million.

In spite of this reversal of the former trend of advances, several of the banks show exceptionally high liquidity. The Midland, which has allowed its investment portfolio to run down—it has reinvested only a modest proportion of the funds accruing from the maturing of its large holding of 1954-56 War Bonds—has raised its liquid ratio from 38.2 to 41.3 per cent. Martins, in spite of a modest increase in its investments, shows an even higher ratio (42.1, against 39.8, per cent). Barclays, however, regarded its liquidity during the year as excessive, and increased its investments by no less than £29 million, with the result that the liquid ratio has declined from 37.9 to 36.3 per cent. Sharper declines than this are shown by the District and Williams Deacon's, and especially by the two smaller banks (both of which had exceptionally high ratios at end-1955). Williams Deacon's, it should be recorded, has announced a much bigger increase in its published profits than any of the other clearing banks (their profits were discussed in a Note last week), and is the only one to have raised its dividend (from 14 to 16 per cent). But, apart from Glyn Mills, it is the only clearing bank that is a subsidiary of a larger group: both these banks are controlled by the Royal Bank of Scotland.

Practice in valuing investments follows the same pattern as in 1955. The northern banks and the two smaller banks adhere to the tradition of valuation at or under market worth, while the Midland and Barclays value their government securities at "under cost and below redemption price." On this basis, the Midland has succeeded in narrowing its depreciation from £23.7 million to £20.2 million (4.92 per cent, instead of 5.15 per cent). Barclays, on its increased portfolio, shows a slightly bigger depreciation—£15.5 million, instead of £15.2 million—but the proportion is down from 3.54 to 3.37 per cent. Both banks hold only dated securities ; the majority of Barclays' and all the Midland's are redeemable within 10 years. The Midland further discloses that the average life is within 5 years.

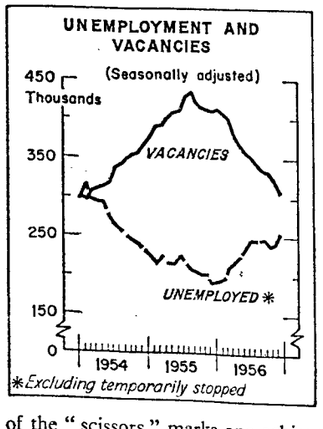
Sterling in Demand

STERLING continues in active demand against United States dollars, and, even more markedly, against most Continental currencies. The official rate against the dollar has hardened to $2.79¾, the rate for transferable sterling has been up to $2.76⅞ and that for security sterling to $2.65. Among Continental currencies the strength of sterling has been most apparent against the Swiss franc, the German mark and the guilder, which happen to be principal currencies of the bear speculators against sterling. Much of the buying of sterling may therefore represent the closing of short accounts. The movements in forward rates—particularly the narrowing of the premium on forward dollars—supports that view.

But there has also been considerable commercial business in two directions. At this time of the year seasonal demands for sterling are high and the recent firmness of sterling commodities, together with the high level of industrial activity in the United States and on the Continent, imply that the commercial purchases of sterling are well up to the seasonal normal. On the other hand the demand for dollars, not merely from Britain but from the whole of Western Europe, is being stimulated this year by the need to import dollar oil. Dollar oil purchases for Britain alone are running at around $30 million a month. Payment for them appears to be canalised through the foreign exchange market, even though the final impact on the gold and dollar reserve may be veiled by drawing on the Export-Import Bank line of credit. Including such drawings, and allowing for the fact that another substantial gold payment had to be made this week to cover the December EPU deficit, the net movement in the reserve for January has so far probably been adverse. The movement of the spot rate over the remainder of the month may, however, induce further covering of the bear account in sterling, which remains substantial. There are still hopes of a true gold and dollar surplus for January.

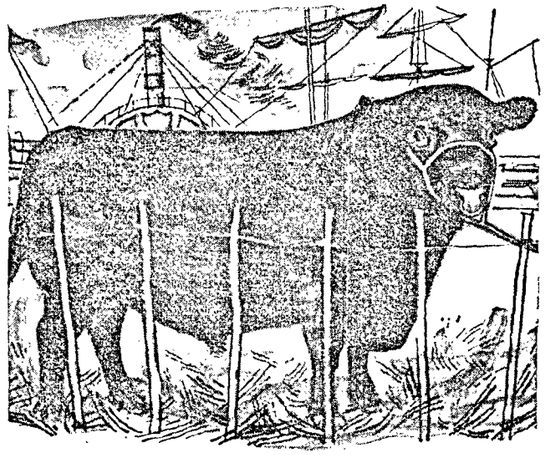
Employment Back to the Brim

UNEMPLOYMENT rose to just short of 300,000 in December and exceeded, for the first time for three years, the number of vacancies recorded by the Ministry of Labour. But nearly 30,000 of those out of work were only temporarily stopped and if the seasonal changes in employment that are customary for this time of the year are also excluded — as has been done in the accompanying chart —then the gap between jobs on offer and persons looking for them had not quite closed, though it has been narrowing steadily over the past twelve months.



This virtual closing of the "scissors" marks one achievement of recent disinflationary policy and will no doubt be used by some observers to reinforce their arguments that some more restrictions should be relaxed now rather than later in the year, when present policy and the economic

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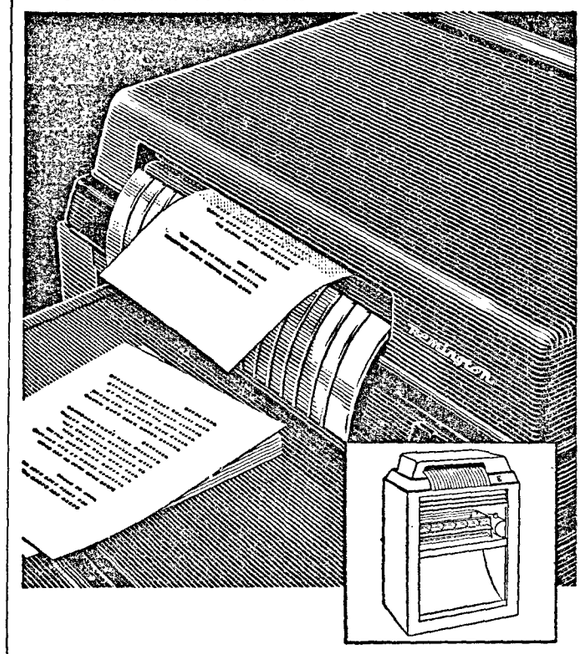
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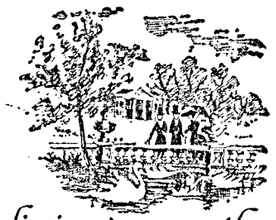
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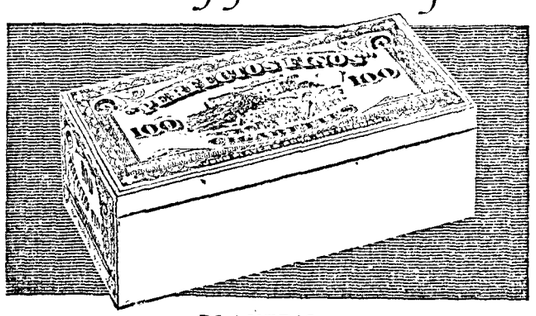
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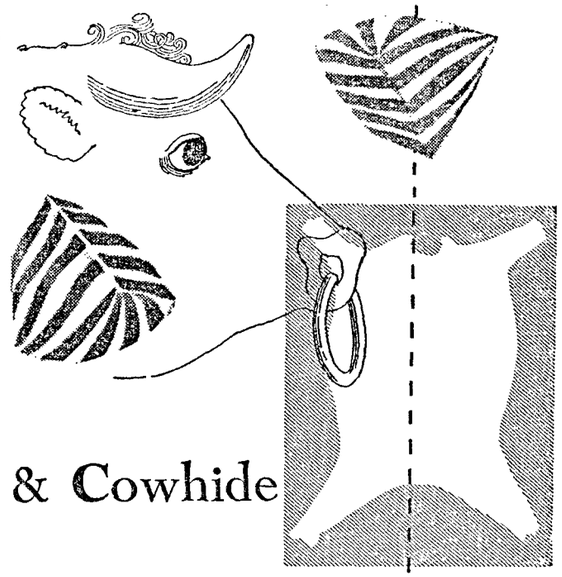


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repercussions of Suez might have brought about an actual fall in industrial production. Petrol restrictions should not have affected employment figures for mid-December. But the Ministry of Labour estimates, from information, that cannot be precise, that 8,000 persons had been laid off by January 4th as the result of the oil shortage and that 66,000 had been put on short time in addition to the 74,000 who were already working less than a full week.

Disinflationary policy has not, however, had any marked success in bringing about desirable shifts in manpower between industries during 1956. The movement of labour into the "right" industries has been negligible. Manufacturing employment fell by 122,000 between the end of November, 1955, and last November, most of the losses occurring in engineering, metal goods, and vehicles, and in the textiles industry. There was hardly any change in chemicals, metal manufacture, mining, and gas, electricity and water: the numbers in agriculture fell; and employment in transport, building, distribution, and other services was a little higher. Altogether, total civilian employment fell by 84,000 while the numbers unemployed rose by only 56,000.

Australia Opens Half a Door

AUSTRALIA has announced a relaxation of import quotas amounting to £A30 million a year from January 1st. As this edition of *The Economist* goes to press, only the barest outlines of the relaxations are known, but it is clear that the Australian move has been cautious, significant and timely. It is cautious because Australia in its first major relaxation of import restrictions since 1954, has gone back less than all the way on its most recent restriction, the cut of £A40 million imposed in July. It is significant because it marks a notable improvement in Australia's balance of payments that has received little public recognition. And it is timely because it is announced in the week when the wool markets are taking and apparently surmounting their severest test of this selling season. All that is known so far of the details is that the increase in import quotas will include the £A3 million relaxation on certain types of textiles announced last month, and that with that inclusion it is likely to admit into Australia increased quantities of some important chemicals, unbleached piece goods from Japan and machinery.

Australia's balance of payments has been fortified by the import restrictions of last July, though significantly, relaxation comes almost before that restriction has had time to make its full effect felt. It has been eased by recent loans from the International Bank, but it stems mainly from the strength of the wool market and particularly from the big rise in wool prices since Suez. The trade balance in the second half of 1956 showed a surplus of £A99.7 million, compared with a deficit of £A26.6 million in the second half of 1955. The overseas balances of the Commonwealth (mainly held in London), accordingly rose between the end of June and early January by £A55.6 million to £A328 million. This compares with the low point of mid-April last of £A256 million.

On the wool side, the big question mark is how far the firm markets helped by Suez fears, but not entirely caused by them, will be maintained in the second half of the wool-selling season; the Australian Government has had the courage to act in the very week in which the maximum quantity of wool has come under the hammer. Altogether about a quarter of a million bales of wool have been on sale this week in Australia, New Zealand, South Africa and London. Prices in Australia and New Zealand, having eased since the November peak, have been moving upwards again, with Japan a notable buyer in the Australian auctions. In London this week Australian wools have established a modest premium over the primary markets, and prices have been firm on the close of the last London sales on December 7th,.

Record Year for Exports

IT is too early to assess the effects of the closure of the Suez Canal on the volume of British trade or its pattern. It can only be claimed so far that, though exports declined by £38.2 million in December, the first two months' figures of trading without the canal show a much smaller average adverse balance of visible trade than did the first ten months of the year with the canal in use. By December British exporters were finding it more difficult to secure shipping space for their goods on the longer trade routes. But imports (measured at their point of arrival, whereas exports are measured at the point of departure) had been sharply reduced. The adverse balance of visible trade therefore narrowed. That relief is largely statistical: if goods that would have been imported already are instead spread out along longer sea routes, or are still waiting to be shipped, the figures look better, but the British economy does not make a lasting gain.

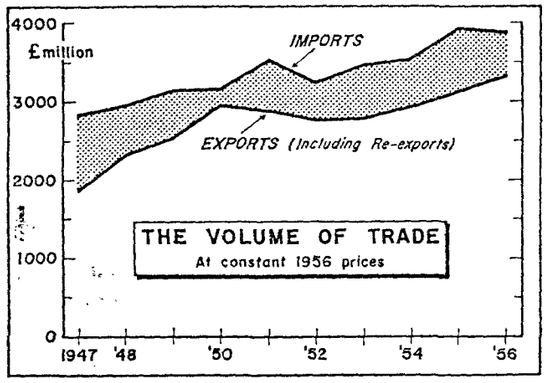
(£ million)	Imports (cif)	Exports (fob)	Re-exports (fob)	Visible gap
Nov., 1956*	319·6	291·9	14·8	12·9
Dec., 1956*	307·8	253·7	11·2	42·9
Monthly Averages:–				
Ten months Suez Canal open:– Jan./Oct., 1956	326·5	362·7	12·0	51·8
Two months Suez Canal closed:– Nov./Dec., 1956	313·7	272·8	13·0	27·9
Annual Totals:–				
1955	3,884	2,905	119	859
1956	3,890	3,173	146	572

* Provisional.

In the latest month's figures allowance must be made for the fact that December, 1956, contained only 24 working days, compared with 26 in November, 28 in October and 23 in December, 1955. Allowing for that difference exports still showed a decline to below the year's average. For the year 1956 at a whole, however, British exports reached a record of £3,173 million, Suez notwithstanding. The record remains valid even after excluding the £20 million of lease-lend silver returned to the United States, and it is not illusory, for the volume as well as the value was unsurpassed. The Board of Trade puts the genuine increase in the value

of British exports last year at 10 per cent, of which 4 per cent was due to prices and 6 per cent to volume.

British overseas trade over the postwar decade, expressed in terms of volume, shows a rising trend in exports, and over the last five years alone the advance is 13 per cent—an



encouraging gain was won in the face of growing international competition. Imports have risen too—at times much more steeply, and then the adverse balance of visible trade has reached an unreasonable size. It has also at times been possible to check the flow of imports without apparently leaving industry short of raw materials. It was checked last year ; the volume of imports was slightly reduced though their value was a little up, and the visible adverse balance fell by £288 million.

The Old Lady's Court

IMPORTANT changes are impending in the Court of directors of the Bank of England, extending beyond those formally announced at the end of last week. As from March 1st, Mr Maurice H. Parsons and Mr John M. Stevens become directors for the standard four-year term, appointed by the Crown under the procedure laid down in the nationalisation statute, in succession to Sir Kenneth Peppiatt and Sir Andrew Naesmith, whose terms of office expire at the end of next month and who then retire. But whereas only one of the retiring members of the Court—Sir Kenneth Peppiatt—is a full-time executive director both of the new appointments are to this special category. The explanation is that one other of the present team of four executive directors—who, with the governor and deputy-governor, comprise the full-time inner group—is about to relinquish his executive appointment but will retain his seat in the Court room as a part-time director ; this director is Sir George Bolton. Hence the changes affect two of the key appointments at the Bank. Sir George has been identified with the foreign exchange and external relations side of the Bank's work from the earliest days of the Exchange Equalisation Account—he joined the Bank in 1932—and in recent years has been responsible first for the creation and then the progressive relaxation of the system of exchange control. He is now relinquishing these executive responsibilities to take up one or more outside City appointments: it has already been disclosed that he will join the Bank of London and South America as director and deputy-chairman, and hopes to be able to develop further that bank's role in the drive for British exports in Latin America. Sir Kenneth Peppiatt, whose service with the Bank dates from before the first world war, has reached retirement age. His special sphere has been home finance, including not only the handling of government borrowing operations and management of the gilt-edged market but also the Bank's relationship with the money market, which has become so important again since the revival of active monetary policy in 1951—a revival in which Sir Kenneth played a key role. He was one of the few who had experience of the Bank rate mechanism before 1932.

The sphere that has been Sir George's will now, apparently, fall to the two new executives, Mr Maurice Parsons and Mr John Stevens, at present senior officials of the Bank and both experienced in external finance. Home finance, it is understood, will now be the special concern of Mr F. C. Hawker, already an executive director. Sir Andrew Naesmith, the other retiring (part-time) director, is a former trade unionist from the cotton industry. Evidently in preparation for his retirement, the appointment was made last year of Sir Alfred Roberts (on the retirement of Lord Piercy on attaining the age of 70), who has connections similar to those of Sir Andrew.

Nationalisation in Egypt

THE Egyptian government this week announced the nationalisation of British and French banks, insurance companies and commercial firms. Other foreign banks and insurance companies are to be taken over within five years. This week's move, therefore, is more than the taking over of what the decree calls "enemy companies" ; it is also a major step in the "egyptianisation" of all banking and insurance enterprises in that country. The British and French banks in Egypt had been sequestrated and placed under the control of an administrator appointed by the Egyptian government within a day or so of the Anglo-French ultimatum to Egypt. Since the beginning of November the London offices of British banks in Egypt have had no direct contact with these branches though they have learned from third parties that they have continued to transact business under the management of the Egyptian sequestrators.

The British banks mainly involved are Barclays DC & O, the Ionian Bank, the Commercial Bank of the Near East, and the Ottoman Bank—the last being registered in Turkey but controlled by British and French nationals. The French banks mainly affected are the Comptoir National and the Credit Lyonnais. The assets involved, other than the buildings, cannot be considerable. Normal prudence has for some time induced foreign banks operating in Egypt to match their assets and liabilities in that country and to reduce hostages to political fortune to a minimum. The Egyptian decree announces that fair compensation, to be assessed by an Egyptian tribunal, will be paid. If the assessment were indeed fair, it is more than doubtful whether Egypt, desperately short of foreign currency, could pay in any form except blocked local currency. It is probable that this compensation will be one of the many items that will have to be brought into the vast exercise of claim and counter-claim that must one day mark the financial close of the Suez episode.

What Follows the Hunters ?

THE appointment of Mr Aubrey Jones to be Minister of Supply can be interpreted as a reprieve for this much discussed Ministry but not for the aircraft industry. The massive defence orders placed in the early 1950s have been forcibly docked more than once, and the latest cancellation of 100 Hunters drives the knife in further. Painful though these cuts are to the individual factories, they only bring work on those production lines to a standstill a few months before the orders would have run their course ; what is of much deeper concern to the industry is the pattern of work for the future.

The table shows how military and civil work is distributed among the industry's major companies. It shows only projects that are in production, or seem likely to lead to production orders fairly soon. Thus it excludes development contracts that have yet to prove themselves. This week's defence cuts imply that the government has decided to abandon the conventional manned fighter, epitomised by the Hunter, in favour of defence by guided missiles. This

ORDERS IN HAND

Company	Civil Aircraft	Military Aircraft
Bristol	Britannia ; 65 ordered ; 6 delivered	Helicopters Orpheus and Olympus engines
de Havilland	Comet IV : 33 ordered Heron : 124 ordered ; 108 delivered Dove : 490 ordered ; 480 delivered Propellers for Rolls Royce, Bristol, Napier, Armstrong-Siddeley	d.H. 110 fighter Air-to-air missiles Engine development for Saunders Roe rocket-jet fighter Vampire trainers
English Electric	—	P.1 fighter Ground to air missile Canberra bomber
Handley Page	Herald : 35 ordered	Victor bomber
Hawker Siddeley	—	Hunter fighter Javelin fighter Vulcan bomber Sapphire engines
Rolls Royce	Conway ; Avon ; Tyne ; Dart engines	Conway Avon engines rocket motor development
Vickers	Viscount : 357 ordered ; 169 delivered Vanguard : 40 ordered	Valiant bomber, production due to end this year Supermarine N.113 fighter, production just begun

is leading to the gradual concentration of all fighter production on two types, the English Electric P.1 and a small Saunders-Roe fighter that has still to fly. In the same way, bomber production seems gradually to be concentrating on the Handley Page Victor. The Canberra continues to be built in large numbers because alone of the modern aircraft it is backed by a consistent steady export demand.

Up to last October, the last date for which figures are available, the industry's employment was still rising and had reached nearly 260,000. Its future level depends on how far rising civil production can take up the slack caused by the reduction and streamlining of military orders. One of the biggest single units, the Hawker Siddeley group, is facing the end of three major production runs with no immediate civil developments on which to fall back, whereas Vickers-Armstrongs, whose Valiant orders are also near their end, is busy building jigs for Viscounts on the tail of the retreating Valiant production line.

With fighter production drastically cut, the future pattern of work in the industry depends largely on what decisions the government makes about guided missiles. Most of these companies, and some others, are working on missiles of various types. There are about five major projects in hand including the two shown on the table. Some projects have already been abandoned, and if the numbers are cut any further the industry's future will depend largely on the orders that it can wrest from the highly competitive market for civil aircraft.

Mechanising the Mines

ABOUT 18 per cent of the coal now being produced from British mines is cut and moved from the coalface by power-loading machines: the tonnage handled by them in 1956, some 35 million tons, was nearly half as much again as in 1955. This is the first result of a drive started by the board in July, 1955, to extend power-loading as widely as possible throughout the industry. If comparable increases can be achieved in the next few years, they should improve at least the productivity of the industry: these machines have a prodigious capacity for getting and moving coal, though not all the mines using them manage to make full use of this. It is less easy to be optimistic about any short-run increase in output as a result of their introduction. The board's chairman, Mr James Bowman, expects total output from the mines to rise only about a million tons this year.

Some of the most productive of the power-loading machines—for example, the Dosco, which offers a productivity of nearly 11 tons a man-shift, and the Joy Continuous Miner, which does about 21 tons a man-shift—produce a large proportion of their output as small coal. The increase in power-loaded output, therefore, accentuates the tendency towards breaking down coal into small pieces that is associated with general mechanisation in the mines ; more than 85 per cent of all British coal is cut by machine. Output of large coal in Britain accordingly declined about 5 million tons last year ; unfortunately, demand for it did not, because railway engines and householders with open grates prefer nice big lumps. The need to supplement supplies of large coal was given by the board this week as one of the reasons why it is continuing to import, although its stocks are good and it expects to be able to deal comfortably with the extra demand from customers who switch back from oil, unless there is some major stoppage in production. Over the year, however, its balance of total demand and supply does not look encouraging. Mr Bowman expects output to go up by about a million tons and inland consumption to rise by perhaps 2½ million tons (it rose by 3 million tons last year, in spite of the fact that industrial

production remained level). Its exports last year amounted to only about 8½ million tons; this year they might have to be reduced further.

Not a Golden Fleece

WOOLWORTH'S dividend is always an occasion, but this year it is an anticlimax. Before the announcement the 5s. ordinary stock units had climbed to 63s. but within a few hours after it they were back to 59s. 9d. The ordinary dividend, which has been raised from 56⅔ per cent to 60 per cent, was not a disappointment; it was as many had expected.

But investors had been hoping for a free scrip issue. There had been talk along Throgmorton Street of the possibilities of a revaluation of the company's properties and a consequential capitalisation. Moreover the upward trend in profits seems to have become much less steep. Last year gross trading profits went up from £22,523,066 to £23,319,355 but this increase of 3½ per cent compares with an increase of 10 per cent in 1955. The net ordinary dividend absorbs £7,762,500 from net earnings of £10,731,666. Whether the slackening in the rate of increase in profits is due to a rise in costs or to a slower advance in sales, the result has disappointed investors who have learned to take automatic growth in the Woolworth earnings for granted.

Control Over Steel Exports

REINTRODUCTION of a licensing system for exports of many other steel products as well as plate and sheet, which are already subject to licensing, was carried out by the Board of Trade this week on the advice of the Iron and Steel Board—but under its normal powers concerning exports, not under the powers as the "production ministry" for iron and steel that it is to transfer to the new Ministry of Power. The board advised export licensing in order "to safeguard supplies of steel for the United Kingdom constructional, engineering and shipbuilding industries." Exports of iron and steel are normally held down by an understanding between the board and the steel companies, but in its last annual report the board complained that "this did not prevent a significant increase in steel export deliveries in 1955." Steel exports last year seem to have remained at about the same level as in 1955, though many consumers continued to complain of shortage of certain steel products and large tonnages had to be imported—more finished steel, indeed, than in 1955.

IMPORTS AND EXPORTS OF FINISHED STEEL IN 1955 AND 1956
(Thousand tons)

Product	1955		1956	
	Imports	Exports	Imports	Exports
Plates	60	295	190	235
Heavy sections and bars	83	186	205	190
Light sections and bars	128	250	236	271
Wire rods	48	30	44	42
Strip	79	101	56	87
Sheet	460	397	208	303
Tinplate	89	321	46	307
Other finished steel	14	845	19	838
Total exports	961	2,424	1,004	2,374

Significant export premiums can still be earned on many steel products, even after the recent increase in British steel prices; moreover, since 1955 the industry has ceased to bear the extra cost of importing foreign finished steel, except for tinplate, and consumers here have had to buy abroad at the full foreign prices. This may have moderated their demand—though it does not seem to have prevented them from increasing their steel stocks over the year as a whole. The board has presumably decided that in today's circumstances it cannot rely on the industry's understanding to keep exports down. That being so, export licensing is logical. It is certainly distasteful to impose on any industry run by private enterprise; but the steel producers long ago bartered away freedom in pricing, and show no signs of wanting it back. Control over their access to the free price system for steel abroad is a more or less inevitable concomitant.

Slump in Premium Bonds

IN the second month of premium bond sales—December, 1956—about 5½ million £1 bonds were sold, compared with a revised figure of £48½ million in November. With the Stock Exchange offering few attractions last November many investors were prepared to have a go at the first lucky dip. The odds of winning a prize of some sort in the first draw in early June were calculable. They were roughly 2,100 to one against for the holder of a single £1 unit and no worse than one to four against for the holder of the maximum stake of 500 units. For the incalculable odds in the second draw, in July there have been few entrants. And just because the entrants in December were few, the odds against them have probably lengthened. There will be a notional six months' interest at 4 per cent per annum on £5½ million of new money ranking, and one months' notional interest on the £48½ million ranking for the second time.

"Motor Business"

The December issue of this quarterly research bulletin for the motor and allied industries is now available. It includes:
The outlook for 1957.
The French motor industry.
The East African market for motor vehicles and tractors.
The Bulletin is fully illustrated by charts, amongst which are:
Price indices of used cars and vans.
New registrations in Great Britain, and the hire purchase share of the market.

For full particulars of this Bulletin apply to:
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WHItehall 1511, Ext. 49.

That looks like odds of 8,300 to one against for the £1 holder and sixteen to one against for the maximum holder. The odds have indeed worsened but the actual figure should be accepted with the utmost reserve. It is based on the assumption that all £54 million of bonds will still be there at the end of June, and that assumption can hardly be true. A proportion of the original £48½ million must have come in for one draw only. Therefore the ratio between November bonds bringing in one months' interest and the December bonds bringing in 6 months' interest will not in the end be what it now appears to be. Moreover, for the November purchaser the second draw marks the start of monthly drawings at poor odds not comparable with the reward for six months' waiting which the first draw with better odds will represent.

Yardsticks for Uranium Shares

EXPECTATIONS that those South African gold mines producing uranium would soon be giving their shareholders more information are now fulfilled. The first returns for the December quarter—from the Anglo American group—set the new pattern. Shareholders are told the grade of ore treated, the production of uranium oxide, and the yield per ton. They get the development results in terms of reef width and uranium content. They already know the uranium profit; they can now calculate the profit per ton either before or after amortisation of the plants (which are to be fully written off during the present ten-year contract). What shareholders are not told is the price that the South African Atomic Energy Authority pays for uranium oxide and the working costs of the plants. But there are enough informed guesses around to fill those gaps too. The price which varies from mine to mine must nevertheless be near to £4 per lb and the lower limit of payable grade for easily accessible material must approximate to 0.2 lb per ton or a shade more.

Armed with this new information, the investor can appraise gold-cum-uranium shares with greater precision. But there are a number of pitfalls. First, the uranium development results (like the gold development returns) express values found over inches of width. For example, Vaal Reefs—one of the most promising gold-cum-uranium mines—has actually been producing about half a pound of uranium oxide per ton of ore treated; its development results show about 5 pounds per ton over about 8½ inches. That does not mean that the profits are about to be increased many times. Much more rock than the narrow band of rich ore will have to be extracted and some values will be lost in mining. In due course the investor will learn to think of inch/lbs of uranium just as he now thinks of inch/dwts of gold. Secondly, uranium ore reserves are not all of one piece. In the older mines they consist both of newly mined tailings and of old slime dumps, some of which are of a lower value. Thirdly, the process of extraction is technically less efficient than the extraction of gold. The table indicates that about 85 per cent of the uranium in the ore treated is actually being recovered. Lastly the mines of the Anglo American group in the Orange Free State are members of a pooling arrangement under which they supply their slimes to two common treatment plants. They participate in profits and contribute to costs in proportion both to grade and quantity of slimes but the plants choose the most economic slimes to work first. The mines participate fairly, but the grade treated need not in any period correspond with that shown by any one mine.

With those qualifications the profit per ton, even after amortisation of the plant, is high—comfortably over £1 10s. per lb of oxide. It is doubtless that margin of safety plus the fact that uranium is a by-product with few direct mining costs of its own that gives the directors the courage to forecast a continued market for South African uranium when the industry, with its plant written down to nothing but without a guaranteed market, has to go out and find a buyer.

SOUTH AFRICAN URANIUM VALUES

Company	Tons treated		Uranium oxide produced—lbs.		Yield lbs. per ton		Residue lbs. per ton	Values of Reserves				Profit per lb. after amortization	
								Ore		Slimes			
	3rd qtr 1956	4th qtr. 1956	3rd qtr. 1956	4th qtr. 1956	3rd qtr. 1956	4th qtr. 1956		tons ('000s)	lbs. per ton	tons ('000s)	lbs. per ton	3rd qtr. £ s.	4th qtr. £ s.
Vaal Reefs	142,059	160,694	72,426	90,360	0·510	0·562	0·094	1,480	0·766	...	...	0 11	1 18
Western Reefs	634,156	622,116	158,329	161,158	0·250	0·259	0·046	4,562	0·441	9,050	0·34	1 11	1 11
Daggafontein	373,714	368,442	141,070	126,639	0·377	0·344	0·073	4,587	0·435	3,000	0·4	1 8	2 1
*President Brand	171.661		55,146	51,511	0·321	0·266	0·042	2,501†	0·346†	...	...	‡	‡
*President Steyn	267,358		77,869	72,405	0·291	0·266	0·042	3,102†	0·355†	...	...	2 10	1 13

* Since October these and other mines have participated in a new joint production scheme and the yield in lbs. per ton is an average yield of total production. † As at 30th September, 1956. ‡ Not available.

A Smokeless Fuel for Manchester

THE smokeless fuel "Phimax" that the North Western Gas Board will market from Monday in the Manchester area is a product of the "Rochdale" process of gas making it developed some three years ago. The Rochdale system was evolved from ideas first put forward forty years ago and involves the injection of gas at the base of vertical gasmaking retorts in order to speed up the heating process and thus the rate of gas making and coal throughput. Ordinarily, steam is injected to cool the coke before it is discharged from the bottom of the retort; the carburetted water gas used in the Rochdale process

acts as a cooler and also carries most of the heat back up the retort for re-use. Thus the time required for carbonisation can be considerably reduced—with good carbonising coals throughput can be nearly doubled.

The Board has found that it is also practical to carbonise rather lower grade coals with this process and to carbonise them quickly at temperatures of 700° to 800° C., against the conventional 1100° C., which removes the smoke-producing elements in the coal while leaving most of its volatile or heat-giving elements intact. This is in fact what has been done to produce Phimax. By injecting gas to speed up the rate of carbonisation of lower grade coals drawn from the East Midlands coalfield, the Board has been able to maintain roughly the same rate of throughput as with higher grade carbonising coals, and to produce a low temperature refined coal with qualities rather similar to "Coalite" and "Rexco." The Board claims that Phimax ignites quickly and burns well, and that it can be used in ordinary stool bottom grates with a ⅜ in. grating. The delivered price at £9 7s. 9d. a ton, or 9s. 6d. a cwt, has clearly been set to make it competitive with Coalite and Rexco which sell in the Manchester area at a few more pence a cwt. Smokeless fuels are far from abundant and Phimax will be a welcome addition, but there may be a limit to its supply. The present rate of production is 130 tons a day which could be doubled or trebled by next winter. But this expansion will come from the adaptation of existing retorts to the Rochdale process: with new retorts, based on current capital costs, the economics of Phimax may be less attractive.

SHORTER NOTES

The Transport Commission has set up an Electronics Advisory Panel and appointed an Electronics Advisory Officer to take charge of its programme of developing electronic devices for use in railway operations and in its other undertakings. The new Advisory Officer, Mr G. H. Hinds, was formerly Director of Weapons Research at the Ministry of Supply.

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The Furness Withy group of shipping companies has bought from the Treasury 405,613 £1 ordinary shares of Royal Mail Lines at a price which has not been disclosed; Royal Mail Lines stand in the market at 38s. 3d. The Furness Withy group already had a substantial interest in Royal Mail Lines, but this additional purchase of about 10 per cent of its capital will not make the company a Furness Withy subsidiary. The shares involved were collateral in respect of Trade Facilities Act loans, acquired by the Treasury owing to the Kylsant crash.

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The Board of Trade reports that the amount of the nation's hire purchase debt at the end of November was still, but more slowly, moving downwards. The index (basis December, 1955, equals 100) was not quotably changed at 81, but the debt was estimated at 20 per cent below the end-1955 figure of "at least £450 million." New hire purchase business by the retailers increased in November to an index number of 93, compared with 88 in October, but with 106 in November, 1955. New hire purchase business done direct by the finance houses declined with the fall in the demand for second hand cars, commercial vehicles and motor cycles. The index was 86, compared with 90 in October and 112 in November, 1955.

Company Notes

COLVILLES spent over £8 million on capital account in 1955-56, turning a cash balance of about £5 million into a bank overdraft of £1,430,000. It also has capital commitments outstanding of over £10 million. Thus it is not surprising that after the end of the financial year on September 30th it called up the balance of 15s. each outstanding on 4 million £1 preference shares owned by ISHRA though it has also made arrangements with that agency to defer the date on which the balance of the 4½ per cent debenture (£10 paid) needs to be subscribed. Thanks to new equipment the group achieved an increase in production (reflected in the rise in stocks from £10.9 million to £13.7 million) and despite the ban on overtime working by the maintenance men its trading profits went up from £6,994,123 to £7,656,068. The directors say that order books are full for some time ahead "although there has been some easing in the demand from the automobile industry." At a price of 31s. 4½d., the £1 shares yield 7 per cent on the maintained dividend of 11 per cent.

Consett Iron, when its ordinary shares were sold back to the public, took the opportunity of streamlining its capital structure. It now has an issued ordinary capital of £10 million and a debenture of £4 million held by the agency. This structure was in keeping with the development programme the company has carried through. To date it has cost about £20 million and one of the attractions of the Consett Iron's ordinary shares to investors was the belief that its major programme was practically complete. Though that was true the company now has outstanding captial commitments of £2,600,000 against a cash balance of £2,400,000. And, to judge by a guarded remark made by the chairman, Mr Clive Cookson, the company may participate in any further development schemes designed to increase capacity for making steel plates and billets. This helps to explain why the dividend of 7½ per cent is no better than had been promised in the offer for sale, notwithstanding that the net profit (after putting aside £600,000 for replacement) was up from £761,246 to £1,007,574. At the current price of 23s. 1½d., which compares with the issue price of 25s. 6d., the £1 shares yield 6½ per cent.

Richard Thomas and Baldwins, like the Steel Company of Wales both in being a producer of strip steel and in being still owned by ISHRA, has reported a decline in profits. Its trading profits fell from £11,299,650 to £10,075,840 and net profits from £5,578,252 to £4,313,848. Net profits are shown before appropriating £1,200,000 (against £1,660,000) to fixed assets replacement reserve.

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CENTRAL MINING, SELECTION TRUST AND WESTERN DECALTA. The Central Mining and Investment Corporation received the equivalent of over $25 million for its shares in Trinidad Oil. It is now going back into oil in the Western hemisphere, but this time into the much riskier business of oil development in Canada. Acting through Canadian subsidiaries, Central Mining and Selection Trust are acquiring in a 60/40 ratio an interest in Western Decalta Petroleum of Calgary, Alberta, for $6,150,000. Central Mining, putting up $3,690,000, and Selection Trust, putting up $2,460,000, have come into the field behind some of the American oil giants. No doubt Central Mining wished to re-establish its interests in oil. No doubt, too, it wished to spread its investments over a wider field than gold mining and industry in South Africa and the money from the Trinidad Oil deal has given it the means to do so. In gold mining, its interests, apart from Harmony, are in the older producers and the new venture, the first hint of redeployment, has come at a time when negotiations for a merger with Consolidated Gold Fields must be near completion.

The details of the investment follow a familiar pattern. Of the $6,150,000, $4,500,000 will be provided on a 5 per cent loan (on which repayments will begin almost immediately) and $1,650,000 by subscription to 1 million common shares at $1.65 a share. No dividend has yet been paid on the common shares, but currently they are quoted in Toronto at $2.47. The two participants have the option, arising on the convertible rights of the loan, to buy 900,000 common shares at $2.50 a share before February, 1959, and a further 750,000 shares at $3.00 each before February, 1961.

Western Decalta has interests in a number of producing wells in Alberta, but the amount of "wildcatting" development it may do is limited to the surplus revenue after servicing the loan. The company is acquiring the common stock of another oil company, Carleton Oils of Calgary. When this acquisition is complete its issued common stock (excluding the Central Mining-Selection Trust participation) will be $3,200,000. If Central Mining and Selection Trust, which will each be represented on the board of Western Decalta, exercise their share options in full they will hold about 35 per cent of the Decalta equity—a proportion big enough to ensure effective control, especially as no big American company has a large stake in the stock.

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RADIO RENTALS. In the year to August 31st last the trading profits of Radio Rentals went up from £2,182,313 to £2,695,593. The increase in net profits, from £531,313 to £569,053, was less sharp, for the company has always written down its radio and television sets heavily and quickly. In 1955-56, the depreciation charged on these sets came to £1,466,000, bringing the total charge up to £5,803,521, against a book cost of £10,390,000.

These surprisingly good trading results and the effective increase in the ordinary dividend from 20 to 22½ per cent were discussed in these columns on December 22nd. Shareholders will now turn to the address of Mr P. Perring-Thomas, the chairman, to find out how the company continued to do so well in spite of restrictions both on hire purchase and on rental agreements. Having turned, they will admire, and perhaps still wonder. The control order on rentals led to a sharp decline in the number of radio sets rented, but television rentings were less "seriously affected." Since the introduction of the new controls, the proportion of sales orders to rental orders has "increased materially" and the results of the sales branch of the group have improved. Yet this was achieved under the hire-purchase restrictions. In the consolidated balance sheet, "the net book value of radio and television sets in course of acquisition under hire-purchase agreements" amounted to £2,218,434 and hire-purchase instalments outstanding on the sets amounted to £1,141,315; in the previous year the figures were £967,077 and £613,004 respectively.

Mr Perring-Thomas tells shareholders that in the first four months of the current financial year the demand for the company's television service was high and "a very satisfactory volume of business" was transacted. He offers no forecast, but the price of the ordinary shares, yielding only 4⅛ per cent at 23s. 3d. xd., suggest that investors believe that growth should still continue.

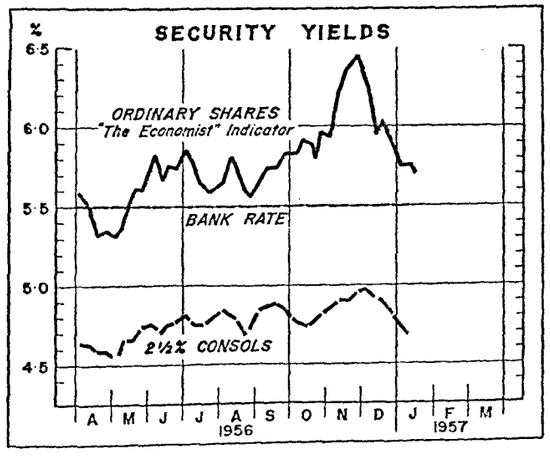
LONDON STOCK EXCHANGE

Next Account begins: January 30th
Next Contango Day: January 30th
Next Settlement Day January 22nd

The recovery in gilt-edged developed this week into an upward surge of prices which carried the *Financial Times* index of Government securities from 85.92 last week to 87.50 on Wednesday. The new 5½ per cent LCC stock rose 3½ over the week to 105¼. To some extent the strength of gilt-edged drew away support from industrial stocks which showed only a small improvement, *The Economist* indicator rising 2.3 to 192.8.

Insurance shares were extremely strong; London and Manchester rose 16s. 3d. to 135s. and Equity and Law Life 8s. 9d. to 153s. 9d. Westminster Bank "B" gained 2s. to 75s. 9d. xd. and Martins appreciated on the capital reorganisation scheme. Hire-purchase finance shares were also a good market. Participants in the nuclear power programme were supported; Head Wrightson gained 2s. 6d. to 118s. 1½d. xd. and Babcock and Wilcox 4s. to 76s., while AEI rose 4s. and GEC and English Electric both picked up 3s. 6d. Steel shares advanced, Dorman Long recovering 2s. 10½d. to 26s. and the new United Steel shares reaching a premium of 2s. 4½d. Rolls-Royce gained 4s. 7½d. to 116s. 10½d., but Hawker Siddeley lost 2s. 9d. to 33s. 4½d. following the cut in Government orders. Lodge Plugs fell 1s. 9d. to 12s. 6d. after the interim dividend was passed. The new ICI convertible loan stock rose strongly to 7½ premium. EMI lost 1s. 9d. to 27s. United Tobacco (South) rose 1s. 6d. to 17s. 4½d. following the increase in dividend, and BAT gained 1s. 9d. to 54s. 3d. The Woolworth results disappointed the market and caused a fall of 3s. 3d. to 59s. 9d., while the passing of interim dividends brought a set-back to Canadian and English stores. Shipping shares were active.

Kaffirs eased and copper producers lost an earlier rise. Selection Trust and Union Corporation rose on consideration of their interest in Tsumeb Corporation. Tin shares showed small rises.



STOCK EXCHANGE INDICATORS
"The Economist" Indicator

1956/7	Indicator*	Yield %	1956 High	1956 Low	1955 High	1955 Low
Dec. 19	183·3	6·03				
„ 31	189·2	5·91				
Jan. 2	190·5	5·75	210·4 (Jan. 4)	170·0 (Nov. 28)	232·1 (July 20)	175·2 (Mar. 23)
„ 9	190·5	5·75				
„ 16	192·8	5·71				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956 High	1955 High
		%		%		203·5 (Jan. 3)	233·9 (July 21)
Jan. 9	180·5	6·05	93·12	4·68	9,321		
„ 10	180·1	6·06	93·24	4·68	8,495		
„ 11	181·3	6·02	93·59	4·63	9,625	Low	Low
„ 14	180·7	6·04	94·22	4·59	14,326	161·5 (Nov. 29)	175·7 (Mar. 15)
„ 15	180·6	6·05	94·46	4·58	12,404		
„ 16	180·6	6·05	94·70	4·56	11,480		

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

LONDON ACTIVE SECURITIES

Prices, 1956 High	Prices, 1956 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Jan. 9, 1957	Price, Jan. 16, 1957	Net Yield, Jan. 16, 1957 § £ s. d.	Gross Yield, Jan. 16, 1957 £ s. d.
99¼	97	Funding 2¾% 1952-57....	99⅛	99⅛	3 6 10	4 15 10 *l*
95 17/32	93½	War Loan 3% 1955-59...	95⅛	95⅛	3 5 1	4 13 11 *l*
91⅞	88 18/32	Funding 2½% 1956-61....	90 11/32	91 3/32	3 13 5	4 17 4 *l*
100 3/32	99 16/32	Exchequer 5% 1957.....	100 3/32	100 5/32	2 0 0	4 12 1
99 13/32	97	Conversion 4% 1957-58..	98⅛	98⅜	3 3 10	5 0 6 *l*
97⅞	95½	Serial Funding 2½% 1957.	97 15/32	98	3 11 4	4 15 0 *l*
94 28/32	91	Conversion 2% 1958-59..	94 12/32	95 1/32	3 15 0	4 12 8
92⅛	88 16/32	Exchequer 2% 1960.....	91 28/32	92¼	3 17 6	4 14 11
95 1/32	92½	Exchequer 3% 1960.....	94 13/32	94 18/32	3 5 10	4 15 6
88¼	83	Savings Bonds 3% 1955-65	87⅜*	87⅜*	3 7 8	4 14 10 *l*
82⅞	77½	Funding 3% 1959-69.....	80 16/32	81⅜	3 12 11	5 2 6 *l*
92¼	84½	Funding 4% 1960-90.....	88⅛	90	5 17 2	7 16 2 *e*
					2 15 9	4 12 11 *l*
81⅞	75¼	Savings Bonds 3% 1960-70	78 16/32	80	3 13 4	5 3 8 *l*
98⅛	97⅛	Conversion 4½% 1962....	97⅛*	97⅜*	3 1 2	4 19 3
91⅛	88¼	Exchequer 3% 1962-63...	90⅜	91	3 6 6	4 13 11 *l*
87½	83 16/32	Exchequer 2½% 1963-64..	85⅞	86½	3 12 8	4 16 6 *l*
81 16/32	76½	Savings Bonds 2½% '64-67	80 16/32	81	3 14 3	4 18 11 *l*
79½	71½	Savings Bonds 3% 1965-75	74 16/32*	75 7/32*	3 10 7	5 0 8 *l*
83 16/32	78	Funding 3% 1966-68.....	80⅞*	81½*	3 13 6	5 2 0 *l*
96⅛	90	Victory 4% 1920-76	91⅛	92⅜	3 4 11	5 2 10‡
88⅛	81⅞	Conversion 3½% 1969....	84 16/32	86	3 10 5	5 4 6
83⅜	74⅛	Treasury 3½% 1977-80...	78⅛	79½	3 6 1	5 0 11 *l*
84½	74 16/32	Treasury 3½% 1979-81...	77⅛*	78½*	3 6 2	5 0 8 *l*
72⅝	64⅛	Redemption 3% 1986-96.	68⅛	69⅝	3 1 7	4 15 3 *l*
81 16/32	73¼	Funding 3½% 1999-2004..	76 16/32*	78½	2 17 1	4 12 10 *l*
84⅛	76	Consols 4% after Feb. '57	78 16/32*	80 16/32*	2 17 4	4 19 8 *f*
77	68	War Loan 3½% after 1952	71⅛	73⅞	2 14 8	4 15 4 *f*
76⅞	67½	Conv. 3½% after Apr. 1961	72⅛	73⅝	2 14 11	4 16 1 *f*
66⅞	58 16/32	Treas. 3% after Apr. 1966	63	64½	2 14 1	4 14 8 *f*
56⅜	49⅞	Consols 2½%	53⅜	54⅞	2 12 5	4 11 3 *f*
56⅜	50	Treas. 2½% after Apr. '75	53½	55	2 12 8	4 12 2 *f*
98⅛	90	Br. Electric 4½% 1967-69.	91 8/16*	92 3/16*	3 6 5	5 6 2 *l*
80½	72½	Br. Electric 3% 1968-73..	76 8/16	77⅜	3 12 1	5 2 8 *l*
79½	71½	Br. Electric 3% 1974-77..	74½	76	3 8 6	4 19 8 *l*
95	85½	Br. Electric 4½% 1974-79.	88⅞	90⅜	3 1 8	5 1 4 *l*
83 14/32	74⅜	Br. Electric 3½% 1976-79.	78⅜	79⅞	3 5 11	5 0 10 *l*
90⅝	84⅛	Br. Gas 4% 1969-72.....	86 24/32*	87 3/32*	3 6 6	5 3 2 *l*
87 16/32	80	Br. Gas 3½% 1969-71	83½	84½	3 8 8	5 2 10 *l*
73⅜	65½	Br. Gas 3% 1990-95	69 16/32	70 8/32	3 1 0	4 14 0 *l*
80 16/32	72⅜	Br. Transport 3% 1968-73	76 16/32	72⅜	3 12 1	5 2 8 *l*
90⅝	81 14/32	Br. Transport 4% 1972-77	85⅜	86⅜	3 4 3	5 1 10 *l*
73⅜	65½	Br. Transport 3% 1978-88	69 16/32	70 13/32	3 4 3	4 16 5 *l*

Prices, 1956 High	Prices, 1956 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Jan. 9, 1957	Price, Jan. 16, 1957	Yield, Jan. 16, 1957 £ s. d.
80⅜	74½	Australia 3½% 1965-69	77⅛*	78⅜	5 14 8 *l*
98⅜	92¼	Fed. Rhod. & Nyas. 5% 1975-80 ...	92¼	92½	5 11 10 *l*
76	70	S. Rhodesia 2½% 1965-70.....	72⅛	73⅛	5 8 0 *l*
88¼	80½	N. Zealand 4% 1976-78	82⅛	83⅛	5 7 0 *l*
101⅜	99⅛	L.C.C. 5½% 1977-81.....	101⅜	105½	5 1 3 *l*
97⅜	88½	Agric. Mortgage 5% 1959-89	90	91	5 12 3 *l*
68⅜	61	Met. Water Board 'B' 3% 1934-2003	65	66⅜	4 16 0 *l*
81½	71	German 7% 1924 (Br. Enfaced 5%)..	79⅛	79½	...
169⅜	159½	Japan 5% 1907 (Enfaced).....	164⅜	166	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c) % %	ORDINARY STOCKS	Price, Jan. 9, 1957	Price, Jan. 16, 1957	Yield, Jan. 16, 1957 £ s. d.
			BANKS & DISCOUNT			
105/-	92/6	5 *b*	2 *a* Bk. Ldn. & S. Amer. £5	101/3	102/6	6 16 7
50/-	39/10½	5 *a*	7 *b* Barclays Bank £1	45/3	46/-*	5 4 0
35/9	27/9	4 *a*	4 *b* Barclays D.C.O. ...£1	33/-	31/6	5 1 7
41/9	32/9	7½ *a*	7½ *b* Chartered Bank ...£1	37/3	38/6	7 15 10
51/-	42/10½	...	7 *b* Lloyds Bank £1	49/6	50/-*	5 4 0 *j*
72/4½	61/-	9 *a*	9 *b* Midland Bank £1	69/9	70 9*	5 1 9
46/-	29/3	5 *a*	5 *b* Nat. Discount 'B' ..£1	37/-	38/-*	5 5 3
50/-	40/6	6½ *a*	6½ *b* Union Discount....£1	47/6	51/-	4 18 0
			INSURANCE			
92/6	75/-	43½ *b*	30 *a* Commercial Union 5/-	84/6	86/-	4 5 6
29	16½	37½ *b*	12½ *a* Legal & General...£1	27½	29½	1 13 11
25½	18½	†47½ *b*	†20 *a* Pearl £1	20⅜	22	5 6 9
48⅜	38	†117½ *c*	†125 *c* Prudential 'A' £1	43⅜	44⅞	4 16 11
			BREWERIES, ETC.			
119/6	106/-	10 *a*	33 *b* Bass £1	111/-*	111/-	7 14 11
24/10½	18/7½	11½ *b*	6 *a* Distillers.....6/8	22/6*	22/7½	5 3 2
45/10½	36/9	10 *a*	15 *b* Guinness.....10/-	40/3*	40/9	6 2 9
76/-	61/9	14 *b*	7 *a* Whitbread 'A'.....£1	63/9	63/6	6 12 3
			OIL			
183/9	99/-	†10 *b*	†5 *a* British Petroleum..£1	134/3	134/4½	3 17 8
117/9	63/-	12½ *b*	5 *a* Burmah £1	86/3	86/3	4 1 2
17 1/16	11 11/16	14 *b*	7½ *a* Royal Dutch....20 fl.	£16⅜	£16	2 6 11 *k*
171/-	103/3	†13½ *b*	†5 *a* Shell £1	160/6	162/6	3 4 3 *d*
58/6	33/3	...	... Ultramar 10/-	60/10½	63/-	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c) % %	ORDINARY STOCKS	Price, Jan. 9, 1957	Price, Jan. 16, 1957	Yield, Jan. 16, 1957 £ s. d.
			STEEL & ENGINEERING			
85/6	64/-	8 *b*	7 *a* Babcock & Wilcox .£1	72/-	76/-	3 18 11
13/-	9/4½	14 *c*	4 *a* Cammell Laird....5/-	12/-	11/10½	5 17 10
35/-	22/9	3 *a*	5 *b* Dorman Long £1	23/1½*	26/-	6 3 1
54/9	39/-	8½ *b*	3½ *a* Guest Keen N'fold £1	44/9	45/3	5 6 1
55/6	41/6	6 *b*	4 *a* Metal Box £1	46/3	48/-	4 3 4
75/-	51/2½	5 *a*	12½ *b* Stewarts & Lloyds £1	56/3*	59/6	5 17 8
60/-	47/3	11 *b*	3 *a* Swan Hunter.....£1	62/6	63/3	4 8 6
49/9	32/-	4 *a*	8½ *b* United Steel.....£1	32/3	31/6‖	7 18 9
44/7½	32/4½	7½ *b*	2½ *a* Vickers £1	41/3	42/7½	4 13 10
			ELECTRICAL			
75/3	45/-	15 *c*	7½ *a* Assoc. Elec. Inds...£1	65/9	69/9	4 6 0
54/9	45/3	4 *a*	8½ *b* Br. Ins. Callenders.£1	50/-*	51/3	4 17 7
37/10½	24/9	43½ *c*	14 7/16 *a* Decca Record 4/-	30/10½	31/3	5 12 0
37/-	22/6	15 *c*	15 *c* Elect. & Mus. Inds. 10/-	26/6	27/-	5 11 1
43/6	31/6	4 *a*	8½ *b* English Electric ...£1	48/-	51/6	4 17 1
65/6	40/9	4½ *a*	9½ *b* General Electric ...£1	51/6	55/-	5 1 10
			TEXTILES			
24/9	19/4½	6 *b*	4 *a* Bradford Dyers....£1	23/1½	22/10½	8 14 10
23/7½	13/-	5 *b*	1½ *a* British Celanese....£1	14/1½	13/10½	9 7 4
25/10½	20/7½	6½ *b*	2½ *a* Coats, J. & P.....£1	23/6	23/1½	7 11 4
44/-	29/-	6 *b*	4 *a* Courtaulds £1	34/9	34/7½	5 15 6
33/3	26/-	10 *b*	12½ *b* Lancashire Cotton .£1	33/3*	33/6	10 8 11
			2½ *a* Patons & Baldwins £1	33/7½	32/4½*	7 14 5
			SHOPS & STORES			
18/10½	12/9½	14 *c*	3 *a* Boots Pure Drug..5/-	15/-	14/9	4 14 11
41/4½	29/-	20 *b*	7½ *a* Debenhams 10/-	35/9	36/-	7 12 9
47½ *b*	30/1½	15 *a*	Gt. Universal 'A'..5/-	35/3	36/6*	8 11 3
32½ *b*	24/9½	20 *a*	Marks & Spen. 'A' 5/-	70/-	70/6	3 14 5
20 *b*	12½ *a*		United Drapery ..5/-	22/3	22/-	7 7 9
20 *a*	40 *b*		Woolworth.....5/-	61/-	60/7½	4 18 11
			MOTORS & AIRCRAFT			
22/1½	16/-	6½ *b*	3½ *a* Bristol Aeroplane 10/-	19/1½	19/7½	5 2 0
9/-	5/9½	4 *a*	8½ *b* British Motor.....5/-	6/9	6/7½	9 8 8
44/3	25/9	5 *b*	2½ *a* Ford Motor £1	30/6	30/9	4 17 7
49/3	29/9	3 *a*	7 *b* Hawker Siddeley...£1	36/1½	33/4½	5 19 10
47/3	38/10½	10 *c*	12½ *c* Leyland Motors....£1	42/-	42/6	5 17 8
115/10½	85/6	12½ *b*	5 *a* Rolls-Royce £1	112/3	116/10½	2 19 10
9/3½	5/5½	12 *c*	8 *c* Standard Motor...5/-	6/-	6/-	6 13 4
			SHIPPING			
38/9	28/6	...	0½ *a* Brit. & Com'wealth 10/-	40/6	40/6	3 18 9⅔
27/-	20/4½	7½ *b*	3 *a* Cunard £1	25/3	25/6	7 16 10 *m*
35/9	27/-	5 *b*	3 *a* P & O Defd £1	33/6	33/6	4 15 6
			MISCELLANEOUS			
45/6	34/3	7 *b*	3 *a* Assoc. Port. Cem...£1	40/3	39/-*	4 12 4 *b*
22/9	17/9	10 *b*	10 *a* Beecham Group ..5/-	19/-	19/6	7 13 10
60/9	38/6	7½ *b*	4½ *a* Bowater Paper £1	44/3	45/3	5 6 1
81/10½	40/4½	8 *b*	4 *a* Br. Aluminium £1	65/9	68/9	3 9 10
60/-	45/3	†7½ *b*	†10⅜ *a* Br. Amer. Tob. ..10/-	52/6	54/3	5 12 2 *j*
19/9	15/4½	15 *b*	7½ *a* B.E.T. 'A' Defd...5/-	18/-	18/6	6 1 8
42/-	32/9	6 *b*	4 *a* Br. Oxygen £1	32/6	31/6	6 7 0
$69	$56¾	3 *a*	4 *b* Canadian Pacific..$25	$64*	$63¾*	5 2 10
25/9	14/4½	10 *b*	2½ *a* Dunlop Rubber..10/-	16/-	15/6	8 1 3
49/10½	36/-	6 *b*	4 *a* Imp. Chemical.....£1	39/-	40/4½	4 19 1
62/9	42/3	12½ *b*	8½ *a* Imp. Tobacco £1	47/6	48/1½	8 14 6
$211	$141½	$2·90 *c*	$3·75 *c* Int'l. Nickel....n.p.v.	$213	$206½	3 5 7
40/3	28/6	2½ *a*	5 *b* J. Lucas (Inds.) ...£1	31/3	31/6	4 15 3
30/3	21/3	15½ *a*	6¾ *b* Monsanto Chem...5/-	23/9	23/6	4 15 9
19/4½	15/1½	20 *c*	5 *a* Ranks.....5/-	17/6*	17/3	5 16 11
75/4½	42/9	15 *b*	6 *a* A. E. Reed.....£1	52/-	53/6	5 19 7 *n*
16/4½	11/7½	20 *c*	20 *c* Sears Hldgs. 'A'...5/-	13/7½	13/9	7 5 5
69/1½	54/1½	4½ *a*	12 *b* Tate & Lyle.....£1	63/3	64/3	5 2 8
69/6	49/9	6½ *a*	7½ *b* Tube Investments..£1	58/9	59/6	5 0 10
115/6	92/6	5 *a*	22½ *b* Turner & Newall...£1	109/6	110/6	4 19 6
82/9	61/7½	9¾ *b*	6 *a* Unilever Ltd.....£1	74/-	76/6	4 2 4
41/9	22/9	†7⅞ *b*	†4½ *a* United Molasses .10/-	39/6	41/3	5 0 7
			MINES, ETC.			
172/6	133/9	20 *a*	50 *b* Anglo-American .10/-	142/6	146/3	4 15 9
40/-	22/6	†2½ *a*	†7½ *b* Cons. Tea & Lands £1	28/6	28/6	12 4 0
130/7½	91/3	120 *b*	80 *a* De Beers Def. Reg. 5/-	105/-	103/1½	9 13 11
25/-	19/7½	...	... Doornfontein....10/-	26/-	26/-	...
10/11½	8/6	30 *c*	10 *a* London Tin 4/-	10/4½	10/6	11 8 7
16 3/16	11 7/16	112½ *b*	25 *a* Nchanga Cons. £1	12 7/16*	12 11/16	10 16 9
64/-	52/6	30 *a*	40 *b* President Brand ..5/-	53/9	53/1½	6 11 9
58/-	42/-	25 *a*	50 *b* Rho. Selection Tst. 5/-	48/9	48/-	7 16 3
61/9	37/6	30 *b*	12½ *a* United Sua Betong £1	49/-	48/-	17 14 0
81/9	64/4½	30 *a*	40 *b* Western Holdings 5/-	75/7½	73/9	4 14 11

New York Closing Prices

	Jan. 9 $	Jan. 16 $		Jan. 9 $	Jan. 16 $		Jan. 9 $	Jan. 16 $
Can. Pacific ..	33½	33	Am. Viscose..	36⅜	36½	Int'l. Nickel..	109½	110
N.Y. Central .	34½	33	Beth. Steel...	190½	185½	National Dist.	26⅛	25⅛
Pennsylvania .	22	21½	Chrysler	63⅜	66⅞	Sears Roebuck	28⅜	27½
Amer. Tel. ...	176⅜	175½	Crown Zeller..	54½	55⅜	Shell Oil	86⅛	85
Standard Gas.	11⅛	11⅛	DuPont de Nm.	187½	181⅛	Std. Oil of N.J.	58⅜	57½
Western Union	20⅛	19⅜	Ford Motors..	55⅞	54⅜	U.S. Steel	69⅜	66⅞
Alumin'm Ltd.	116⅜	116	Gen. Elect....	57⅜	55½	West'house E.	55⅜	55¼
Am. Smelting.	55⅞	54⅜	Gen. Motors ..	42½	41½	Woolworth ...	44½	44½

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (*a*) Interim dividend. (*b*) Final dividend. (*c*) Year's dividend. (*d*) On 15% tax free. (*e*) To earliest date. (*f*) Flat yield. (*g*) On 16%. (*h*) After Rhodesian tax. (*i*) On 17½% tax free. (*j*) On 13%. (*k*) On 20%. (*l*) To latest date. (*m*) On 10%. (*n*) On 16%. (*o*) On 15%. (*p*) On 9%.

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	Dec. 29th	Western Europe:	
Production and Consumption	Jan. 5th	Production and Trade.....	Dec. 22nd
Manpower.....	This week	British Commonwealth	Jan. 5th
External Trade.....	Dec. 22nd	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits	Jan. 12th	United States	Dec. 29th
		World Trade.....	Jan. 12th

Manpower in Great Britain

	Unit	Monthly averages 1953	1954	1955	1955 Oct.	Nov.	Dec.	1956 Sept.	Oct.	Nov.	Dec.
TOTAL MANPOWER (1)											
Working population:											
Total	'000s	23,373	23,667	23,912	24,103	24,135	24,018	24,100	24,095	24,099	...
Men	"	15,883	15,974	16,084	16,157	16,145	16,122	16,190	16,185	16,179	...
Women	"	7,490	7,693	7,828	7,946	7,990	7,896	7,910	7,910	7,920	...
Armed Forces	"	865	839	803	786	783	779	780	779	775	...
Civil employment:											
Total	"	22,238	22,604	22,933	23,101	23,136	22,998	23,084	23,063	23,052	...
Agriculture, forestry and fishing	"	1,087	1,074	1,066	1,042	1,022	1,012	1,052	1,022	1,002	...
Mining and quarrying	"	877	867	862	857	857	858	861	860	860	...
Building and contracting	"	1,437	1,453	1,486	1,498	1,489	1,463	1,516	1,518	1,507	...
Distributive trades	"	2,664	2,743	2,811	2,857	2,908	2,869	2,860	2,877	2,916	...
Public administration	"	1,320	1,326	1,289	1,287	1,286	1,284	1,291	1,291	1,291	...
Manufacturing industries	"	8,746	8,976	9,206	9,358	9,384	9,337	9,254	9,265	9,262	...
CHANGES IN EMPLOYMENT (1)											
Increase or decrease since June, 1954:											
Employees in engineering(2)	"	− 125	...	+ 190	+ 266	+ 279	+ 272	+ 219	+ 223	...	...
" " consumer goods industries(3)	"	− 67	...	− 13	+ 34	+ 43	+ 10	− 4	+ 2	...	...
UNEMPLOYMENT											
By duration:											
All durations—total	"	342·0	284·8	232·2	215·2	225·9	215·6	247·6	254·1	264·6	297·0
" " —men	"	218·2	184·4	146·7	133·1	141·9	139·0	158·8	160·1	167·5	199·7
" " —women	"	123·8	100·4	85·5	82·1	84·0	76·6	88·8	94·0	97·1	97·3
Temporary or under 2 weeks—men	"	68·7	58·0	51·5	50·3	49·0	43·9	58·1[7]	53·6	52·4	75·3
" " " —women	"	43·9	36·4	36·7	39·0	35·6	26·7	37·9[7]	34·6	33·0	29·7
Over 8 weeks—men	"	96·7	81·7	67·7	50·7	55·1	58·8	62·2	64·8	69·7	73·4
" " —women	"	46·3	37·1	26·5	20·6	23·0	25·4	23·2	26·5	29·8	32·8
By industry (4):											
Textiles	%	1·4	0·9	1·6	1·6	1·2	1·0	1·5	1·2	1·1	1·0
Clothing	"	1·3	1·3	0·9	0·8	0·8	0·9	1·1	1·0	1·1	1·1
Vehicles	"	0·8	0·5	0·4	0·4	0·4	0·3	0·9	0·8	0·6	2·2
Engineering, etc.	"	1·4	1·1	0·8	0·7	0·7	0·7	1·1	0·9	0·9	0·9
Coal-mining	"	0·2	0·2	0·1	0·1	0·2	0·1	0·1	0·2	0·2	0·2
Distributive trades	"	1·5	1·3	1·0	0·9	0·9	0·8	0·9	1·1	1·1	1·1
By regions (4):											
Great Britain	"	1·6	1·3	1·1	1·0	1·0	1·0	1·1	1·2	1·2	1·4
London and South Eastern	"	1·2	1·0	0·7	0·6	0·7	0·6	0·7	0·8	0·9	1·2
Eastern	"	1·3	1·3	0·9	0·8	0·8	0·9	0·8	0·8	0·9	1·2
Southern	"	1·4	1·1	0·9	0·8	1·0	0·9	0·9	1·0	1·1	1·2
South Western	"	1·6	1·5	1·2	1·1	1·3	1·3	1·1	1·3	1·5	1·6
Midland	"	1·1	0·6	0·5	0·5	0·5	0·4	1·1	1·0	1·0	1·0
North Midland	"	0·7	0·6	0·5	0·4	0·5	0·5	0·6	0·6	0·6	0·8
East and West Ridings	"	1·2	0·9	0·7	0·7	0·7	0·6	0·8	0·8	0·8	0·9
North Western	"	2·1	1·5	1·4	1·3	1·3	1·1	1·4	1·3	1·3	1·4
Northern	"	2·4	2·2	1·8	1·5	1·6	1·5	1·4	1·5	1·6	1·6
Scotland	"	3·1	2·8	2·4	2·1	2·2	2·3	2·4	2·2	2·3	2·5
Wales	"	3·0	2·5	1·8	1·7	1·8	1·7	2·0	2·2	2·2	2·3
VACANCIES											
Unfilled vacancies notified to employment exchanges (5):											
Total	'000s	270	338	382	401	388	382	334	318	300	279
Men	"	147	191	214	225	220	214	184	177	168	152
Women	"	123	147	168	176	168	168	150	141	132	127
DISPUTES (6)											
Workers involved	"	114	87	55	60	40	16	41	59	22	...
Working days lost:											
Total	"	182	205	315	187	285	114	225	197	68	...
Mining and quarrying	"	33	39	93	58	39	13	44	93	34	...
Engineering, etc.	"	127	62	57	104	230	95	171	79	22	...
Other industries and services	"	22	104	166	25	16	6	10	25	12	...

(1) Annual figures are for June of each year. (2) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered *as unemployed* expressed as a percentage of the estimated number of employees. (5) From June, 1956, onwards comparison with earlier figures is affected by the revocation of the Notification of Vacancies Order, 1952. (6) United Kingdom. (7) There was a reduction in this month due to discontinued registration of persons losing title to unemployment benefit.

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
WHOLESALE PRICES (1) (1953 = 100)												
1948	42	94	74	65	90[2]	...	78	101	75	66	72	94
1954	105	99	100	93	98	112	93	101	101	102	100	110
1955	103	101	103	98	101	120	101	101	102	104	104	119
1956, July	111	103	108	101	102	130	...	102	103	110	109	136
„ August	112	103	108	103	102	129	...	101	104	110	109	131
„ September	111	103	107	102	102	129	...	101	104	110	108	...
„ October	112	104	107	102	103	129	...	102	...	110	109	...
„ November	...	...	108	103	...	...	...	...	...	111	...	...
COST OF LIVING (3) (1953 = 100)												
1948	50[4]	95	81	60	93	63	79	86	78[4]	74	77	89
1954	103	101	101	100	109	115	100	103	104	104	101[2]	110
1955	105	101	107	101	102	122	103	106	106	105	104	119
1956, July	107	104	113	102	105	127	...	111	108	111	109	137
„ August	108	104	...	102	105	126	103	111	108	111	110	131
„ September	108	104	...	103	105	126	...	112	110	110	109	...
„ October	110	105	114	103	105	126	...	...	109	110	109	...
„ November	111	105	...	103	...	...	...	...	...	...	...	...
IMPORT PRICES (1) (1953 = 100)												
1948	37	84	84[5]	59	...	...	82	93	85	80	72	113
1954	95	96	97	93	95	118	101	93	95	98	99	104
1955	94	96	98	97	100	118	104	101	97	100	99	103
1956, June	98	97	103[10]	102[10]	104	124	103	104	101	107	102[10]	...
„ July	95	93	...	...	104	123	110	106	100	98	104	...
„ August	96	93	...	...	104	126	107	...	101	100		...
„ September	97	...	...	...	104	124	110	...	100	102		...
„ October	...	...	...	...	102	...	...	...	...	101	...	...
EXPORT PRICES (1) (1953 = 100)												
1948	42	95	91[5]	68	...	...	78	103	97	84	76	91
1954	99	94	99	95	96	121	93	99	100	99	98	97
1955	102	97	100	96	98	133	101	102	101	107	102	111
1956, June	110	103	102[10]	101[10]	102	143	99	106	105	111	103[10]	...
„ July	103	103	...	...	102	130	99	105	99	114		...
„ August	109	101	...	...	102	137	98	...	100	117	105	...
„ September	107	...	...	...	102	140	96	...	103	113		...
„ October	...	...	...	...	100	...	...	...	...	120	...	...
TOTAL MONEY SUPPLY (7)												
End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	'000 mn. kroner	mn. liras
1948	...	154·0	7,110	2,165	11·3	1,984	110·3	1,939	7,285	6,937	6·27	1,715
1954	28·26	187·3	7,369	5,266	26·4	9·30[9]	152·2	4,036	9,099	9,162	9·20	3,869
1955	28·62	...	7,438	5,916	29·1	11·97	154·7	4,477	9,840	9,357	9·30	4,832
1956, June	28·56	...	7,456	6,171	23·8	12·65	144·1	4,375	9,673	9,333	8·73	...
„ July	28·80	...	7,249	6,309	29·1	12·71	148·2	...	9,786	9,452	8·47	...
„ August	29·12	...	7,423	6,305	29·3	12·83	148·1	...	9,711	9,472	8·39	...
„ September	29·24	...	7,345	6,303	29·3	...	151·6	4,545	9,594	9,430	8·56	...
„ October	29·32	...	7,361	6,230	29·5	...	153·3	...	9,378	9,456	8·81	...
GOLD AND FOREIGN EXCHANGE HOLDINGS (7) (mn. US Dollars)												
1948	62	938	84·0	...	295	6·2	209	539	343	140·6	233	192
1954	412	1,046	143·4	1,369	2,636	10·8	260	1,041	1,276	137·3	479	206
1955	357	1,146	133·1	2,120	3,076	10·9	242	1,237	1,284	165·3	470	211
1956, July	375	1,216	131·5	1,702	3,761	...	225	...	1,213	154·5	438	203
„ August	394	1,224	130·7	1,643	3,848	...	223	...	1,281	159·3	434	224
„ September	403	1,244	127·8	1,655	3,993	...	225	...	1,338	164·6	443	224
„ October	417	1,217	135·8	1,638	4,118	...	230	...	...	168·1	451	223
„ November	414	1,197	136·3	...	4,194	...	...	...	...	173·1	466	222

(1) Relates to wholesale prices in Athens and Piraeus only for Greece. Figures for Ireland from 1953 onwards are for home produced goods only. (2) July-December. (3) Relates to prices in capital cities only for Austria, France, Greece and Turkey. Belgium and Austria exclude rent. Denmark includes direct taxes. Figures for Ireland are based on August, 1953=100. (4) Including direct taxes. (5) Including trade with Faeroe Islands. (6) Index numbers of unit value which compare the current average value of trade with its value in 1953; they are influenced by changes in the composition of trade as well as price movements. (7) Deposit money and notes and coins held by business, individuals and foreigners. Except for Greece holdings of the issuing authority and other banks are excluded. (8) Holdings of the government and central bank at end of period. Figures for Greece are gold reserves only. Foreign exchange figures for Norway exclude government holdings; Norway and Sweden include foreign investments. Ireland includes some long-term securities. (9) Beginning May, 1954, a new drachma equal to 1,000 old drachmas introduced. (10) Average for second quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended January 12th, 1957, there was an "above-line" surplus (after allowing for Sinking Funds) of £134,584,000 compared with a surplus of £35,752,000 in the previous 5 days and a surplus of £164,487,000 in the corresponding period of last year. There was a net expenditure "below-line" last week of £13,695,000, bringing the total deficit to £820,037,000 (£580,337,000 in 1955-56).

£'000	Estimate, 1956-57	April 1, 1955 to Jan. 14, 1956	April 1, 1956 to Jan. 12, 1957	Week ended Jan. 14, 1956	Week ended Jan. 12, 1957
Ord. Revenue					
Income Tax	2085,500	993,838	1017,215	185950	163735
Surtax	144,000	74,200	77,800	13,000	11,500
Death Duties	170,000	137,200	126,700	2,800	3,000
Stamps	58,900	56,200	48,400	1,000	1,500
Profits Tax, EPT	216,750	159,100	158,700	4,000	4,500
Excess Profits Levy	4,000	16,590	4,150	190	...
Special Contribution and other Inland Revenue	1,000	550	360	50	50
Total Inland Rev.	2680,150	1437,678	1433,325	206990	184305
Customs	1204,000	921,108	945,034	22,664	19,657
Excise	953,350	643,350	685,575	4,525	4,920
Total Customs and Excise	2157,350	1564,458	1630,609	27,189	24,577
Motor Duties	92,000	56,463	51,812	19,105	17,656
FO (Net Receipts)	...	...	2,700	*Dr 950*	200
Broadcast Licences	28,000	17,800	19,600	...	...
Sundry Loans	30,000	28,501	30,482	59	124
Miscellaneous	200,000	153,252	131,115	7,140	26
Total	**5187,500**	**3258,152**	**3299,644**	**259534**	**226838**
Ord. Expenditure					
Debt Interest	670,000	523,735	587,349	8,796	6,544
Payments to N. Ireland Exchequer	61,000	42,488	48,246	...	...
Other Cons. Fund	10,000	8,915	7,966	...	...
Supply Services	3941,918	2780,713	3043,301	85,350	85,000
Total	**4682,918**	**3355,851**	**3686,862**	**94,146**	**91,544**
Sinking Funds	37,000	26,673	27,101	900	760
"Above-line" Surplus or Deficit	**124,373**	**414,319**	**164437**	**134584**	
"Below-line" Net Expenditure	455,964	405,718	7,229	13,695	
Total Surplus or Deficit	**580,337**	**820,037**	**157258**	**120889**	
Net Receipts from:					
Tax Reserve Certificates	68,181	139,921	84428	59745	
Savings Certificates	16,800	50,700	2,700	2,300	
Defence Bonds	−21,841	−33,927	− 299	−1135	
Premium Savings Bonds	...	53,700	...	1,400	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
Jan. 14	3,380·0	2,057·3	254·8	...	5,692·1
Oct. 6	3,610·0	1,338·8	253·7	2·3	5,204·8
„ 13	3,610·0	1,322·7	248·3	1·0	5,182·0
„ 20	3,620·0	1,342·2	255·9	...	5,218·0
„ 27	3,610·0	1,378·9	245·2	0·8	5,234·9
Nov. 3	3,610·0	1,360·2	263·6	...	5,233·7
„ 10	3,610·0	1,341·2	258·7	1·8	5,211·6
„ 17	3,610·0	1,283·0	293·4	2·3	5,188·6
„ 24	3,610·0	1,265·9	239·6	0·8	5,116·2
Dec. 1	3,630·0	1,276·5	227·3	1·0	5,134·8
„ 8	3,620·0	1,340·9	208·5	2·0	5,171·4
„ 15	3,610·0	1,343·7	200·2	...	5,153·9
„ 31	4,050·5		234·6	4·0	5,198·1
1957					
Jan. 5	3,630·0	1,430·0	245·7	1·8	5,207·5
„ 12	3,640·0	1,386·3	267·1	...	5,093·5

THE MONEY MARKET

THE discount market made no change in its bid of £98 16s. 1d. per cent for 91-day bills at the Treasury bill tender on Friday of last week. Outside applicants, however, did make a further increase last week, and the average discount rate on the total allotment fell by 4d. to £4 15s. 5.30d. per cent.; this brought the fall since December 7th to 5s. 5d., or over 17/64, per cent.

Last week's offer of £260 million was under-allotted by £20 million (whereas total applications fell by only £5 million, to £401 million). For the bills to be taken up yesterday, which were 90-day maturities owing to the incidence of Good Friday, the market bid at £98 16s. 5d. per cent, and received a full allotment of its bid; on the 91-day bills it was allotted 35 per cent, and its average allotment dropped on the week from 54 to 40 per cent.

In Lombard Street seasonal stringency has again been eased by the additional maturities of 63-day bills. On Thursday of last week these enabled the heavy tax payments to be met with ease; though on the following day one or two houses had to take a small amount of loans at Bank rate, whilst on Saturday the Bank gave moderate assistance through special purchases. On the first three days of this week however market supplies of funds have again been adequate; on Wednesday a small surplus was mopped up by official sales.

LONDON MONEY RATES

Bank rate (from 4½%, 16/2/56)	5½	**Discount rates**	%
Deposit rates (max.)		Bank bills: 60 days	4⅞–4 13/16
Bank	3½	3 months	4½–4 13/16
Discount houses	3½*	4 months	4⅝–4 13/16
		6 months	5–5⅛
Money Day-to-day	3½–4½	Fine trade bills:	
Short period	4½	3 months	6–6½
Treas. bills 2 months	4⅜	4 months	6–6½
3 months	4 3/16	6 months	6–7

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	Jan. 18, 1956	Jan. 9, 1957	Jan. 16, 1957
Issue Department:*			
Notes in circulation	1,786·5	1,928·4	1,889·8
Notes in banking dept.	38·9	47·0	35·6
Govt. debt and securities*	1,821·2	1,971·3	1,921·3
Other securities	0·8	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	12·5	18·5	13·7
Bankers	232·9	219·9	219·0
Others	70·3	74·3	73·3
Total	315·7	312·7	306·0
Securities:			
Government	246·0	253·9	259·3
Discounts and advances	32·9	10·6	10·0
Other	17·1	17·4	17·3
Total	296·0	281·9	286·6
Banking department reserve	41·2	48·9	37·5
"Proportion"	12·9	15·6	12·2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £1,925 million from £1,975 million on January 16, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Amount (£ million): Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
1956	*91 Day*		s. d.	%
Jan. 13	240·0	379·7	81 4·90	50
Oct. 12	280·0	403·6	102 2·21	55
„ 19	280·0[1]	392·9	100 2·12	66
	91 Day *63 Day*			
„ 26	200·0 60·0	412·4	99 9·85	30
Nov. 2	200·0 70·0	405·8	99 11·55	36
„ 9	200·0 80·0	419·1	99 10·86	27
„ 16	190·0 90·0	396·1	100 0·00	39
„ 23	210·0 80·0	440·6	100 3·34	30
„ 30	220·0 70·0[2]	403·3	100 4·69	52
Dec. 7	220·0 60·0	441·0	100 10·28	24
„ 14	230·0[3] 60·0	424·9	99 1·54	55
	91 Day			
„ 21	280·0	379·8	98 1·43	68
„ 28	270·0	372·5	97 1·81	68
1957				
Jan. 4	270·0[4]	406·7	95 9·11	54
„ 11	260·0[4]	401·4	95 5·30	35

* On January 11th tenders for 91 day bills at £98 16s. 1d. secured 35 per cent, higher tenders being allotted in full. The offering yesterday was for £240 mn. at 91 day bills. [1] Allotment cut to £260·0 mn. [2] Allotment cut to £60·0 mn. [3] Allotment cut to £220·0 mn. [4] Allotment cut to £240·0 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: January 16	Market Rates: Spot: January 10	January 11	January 12	January 14	January 15	January 16
United States $	2·78-2·82	2·79 7/16–2·79 9/16	2·79 7/16–2·79 9/16	2·79 7/16–2·79 7/16	2·79 7/16–2·79 7/16	2·79 7/16–2·79 7/16	2·79 7/16–2·79 7/16
Canadian $	...	2·68 11/16–2·68 13/16	2·69–2·69 1/16	2·68 11/16–2·69	2·68 11/16–2·68 13/16	2·68 11/16–2·68 13/16	2·68 11/16–2·68 13/16
French Fr.	972·65–987·35	985½–985½	985½–986	985½–985½	985½–985½	986–986½	986½–986½
Swiss Fr.	12·15 3/8–12·33 1/8	12·26–12·26¼	12·26¼–12·26¼	12·26¼–12·26¼	12·26¼–12·26¾	12·26¼–12·27¼	12·27¼–12·27½
Belgian Fr.	138·95–141·05	140·32½–140·37½	140·37½–140·42½	140·35–140·40	140·37½–140·42½	140·47½–140·52½	140·47½–140·52½
Dutch Gld	10·56–10·72	10·65⅝–10·65⅞	10·65⅝–10·66	10·65⅝–10·66	10·65⅝–10·66	10·66–10·66⅛	10·66⅛–10·66⅜
W. Ger. D-Mk.	11·67 3/8–11·84 1/8	11·73⅛–11·74⅛	11·74⅛–11·74⅜	11·74⅛–11·74⅜	11·74⅛–11·74⅜	11·75–11·75⅛	11·75⅛–11·75⅜
Portuguese Esc.	79·90–81·10	80·00–80·10	80·00–80·10	80·00–80·10	80·00–80·10	80·00–80·10	80·00–80·10
Italian Lire	1736½–1762½	1759–1760	1759–1760	1759–1760	1759–1760	1760–1761	1759–1761
Swedish Kr.	14·37½–14·59½	14·49–14·49¼	14·49¼–14·49¼	14·49¼–14·49¼	14·49¼–14·49¾	14·50–14·50¼	14·50¼–14·51
Danish Kr.	19·19½–19·48½	19·38½–19·38¾	19·38¾–19·39	19·38¾–19·39	19·38¾–19·39	19·38¾–19·39	19·39–19·39¼
Norwegian Kr.	19·85–20·15	19·96–19·96½	19·96½–19·97½	19·96½–19·97	19·97–19·97½	19·98–19·98½	19·98½–19·99
One Month Forward Rates							
United States $		⅝–⅜c. pm	⅝–⅜c. pm	⅝–⅜c. pm	⅝–⅜c. pm	⅝–⅜c. pm	¼–⅜c. pm
Canadian $		⅛c. pm–⅛c. dis	⅛c. pm–par	⅛c. pm–par	⅛c. pm–par	⅛c. pm–par	⅛c. pm–par
French Fr.		par–2 dis	par–2 dis	par–2 dis	par–2 dis	par–2 dis	par–2 dis
Swiss Fr.		2–2⅛c. pm	2–2⅛c. pm	2¼–2⅛c. pm	2¼–2⅛c. pm	2¼–2c. pm	2½–2c. pm
Belgian Fr.		¼–½ pm	¼–½ pm	¼–½ pm	¼–½ pm	¼–½ pm	¼–½ pm
Dutch Gld		2–1⅛c. pm	2–1⅛c. pm	2–1⅛c. pm	1½–1c. pm	1½–1c. pm	1½–1c. pm
W. Ger. D-Mk.		2¼–2¼pf. pm	2¼–2pf. pm	2¼–2pf. pm	2¼–2pf. pm	2½–2pf. pm	2½–2pf. pm
Italian Lire		3 pm–par	3 pm–par	3 pm–par	3 pm–par	3 pm–par	3 pm–par
Swedish Kr.		2–1o pm	2–1o pm	2–1o pm	2–1o pm	2–1o pm	2 1o pm
Danish Kr.		5–2o pm	5–2o pm	5–2o pm	5–2o pm	5–2o pm	5–2o pm
Norwegian Kr.		2o pm–par	2o pm–par	2o pm–par	2o pm–par	2o pm–par	2o pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)	249/11½	249/9	...	249/6½	249/4½	249/3½	

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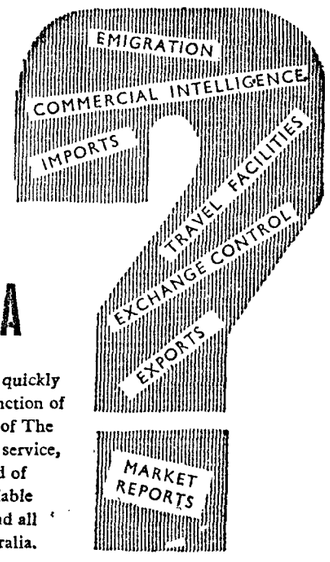
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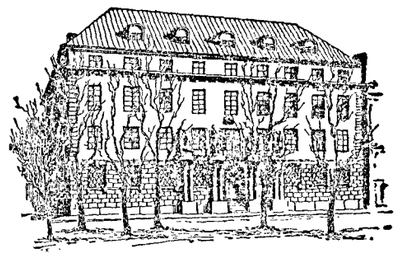
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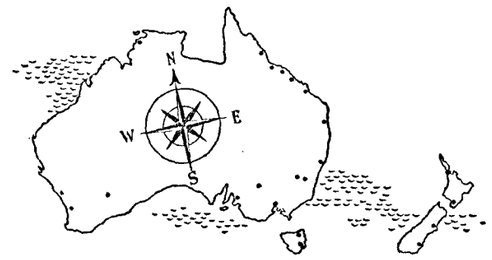
Subscribed Capital	*£ 10,560,428*
Paid-up Capital	*£ 2,976,428*
Reserves	*£ 4,000,000*
Deposits	*£241,909,016*
Total Assets	*£267,669,625*

31st DECEMBER, 1956

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DIFFICULTIES A CHALLENGE TO OUR FAITH AND INGENUITY

MR A. W. TUKE'S REVIEW OF FINANCIAL AFFAIRS

It will be understood that this Address was in print before the resignation of Sir Anthony Eden and the appointment of Mr Harold Macmillan as Prime Minister.

The annual general meeting for the year 1957 of the Stockholders of Barclays Bank Limited will be held at the Head Office, 54 Lombard Street, London, E.C.3, on February 6th.

The following is the address by the Chairman, Mr Anthony William Tuke, which has been circulated to Stockholders with the Report and Accounts for the year ended December 31, 1956:

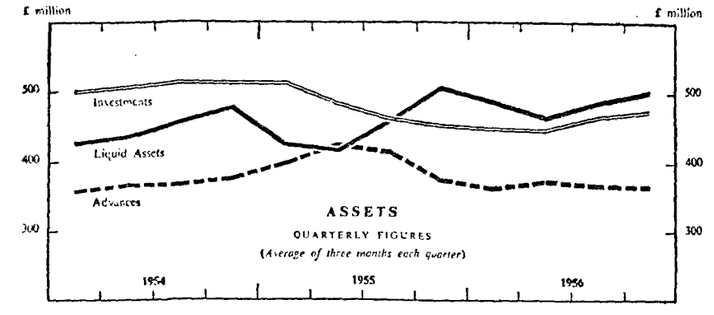
I have, first of all, to report with much regret the death of our colleague and friend, Mr Henry Anthony Birkbeck, who was one of our most senior Directors, having been a member of the Board since 1928 and a Local Director since 1919 in the Eastern Counties. Colonel Sir Edward Bolitho, who this year is among the Directors due to retire by rotation, has told me that on account of his age he does not wish his name to come forward for re-election. "The Colonel," as so many of us have known him for so long, joined the Board as long ago as 1925, and he has been a faithful counsellor and a firm support to successive Chairmen for over thirty years. We shall miss him very much. During the year Mr Anthony Charles Barnes who, as Stockholders will know, is a Deputy Chairman of Barclays Bank DCO, has asked to be relieved of his duties as a Vice-Chairman of our Board, and in his place we have elected as a Vice-Chairman Mr John Thomson, who has for some years past represented our Oxford District on the Board and has recently also served as a Local Director at Reading. We have also elected as a new Director Mr George Dawnay, who is a Local Director at Norwich and also at Peterborough. We have appointed as an additional General Manager Mr J. L. Northcott who has had wide experience in various executive posts in Head Office and elsewhere; and Mr E. Brimelow will retire from that office in April, after which, I am glad to say that he has agreed to continue to serve the Bank as a Local Director of our Pall Mall District.

PROFITS IN 1956

The increase in the Bank Rate at the beginning of the year to the abnormally high figure of 5½ per cent, with corresponding increases in the rates which we earn on certain of our assets, has had the effect of enabling us to show a substantially increased profit in respect of the year's working. These results, if not the underlying reason for them, are naturally a matter of considerable satisfaction to the Board, but it is necessary, I think, to sound a note of caution regarding their permanence. Costs, of which by far the largest proportion represents payments made to or on account of the Staff, have continued to increase, and this increase has not been due, except very indirectly, to the factors which have caused the increase in our gross income. When these factors no longer operate and money rates return to normal the increased expenses will probably still remain, and if profits are to be maintained at their higher figure we shall have to rely upon increasing business and greater efficiency. Fortunately, we have plenty of scope for increasing our lendings, which are our most profitable asset, as soon as we are no longer obliged in the national interest to curtail them. As Stockholders will observe, we have used the additional profit to increase our transfer to Reserve Fund on this occasion from £1,000,000 to £1,250,000, which we regard as prudent in the circumstances, and we are recommending a repetition of the same payment to Stockholders as a year ago, although there is a slight difference in its form, which is explained in the Directors' Report.

BALANCE SHEET FIGURES

If we examine the Balance Sheet, we shall find that the deposits stand at £1,413,000,000 compared with £1,390,000,000 a year earlier, but a comparison on the twelve monthly balance dates in 1956 with the corresponding dates in the previous year reveals that, on the average, current and deposit accounts have fallen by approximately £20,000,000. The further effect of the credit squeeze is more directly disclosed in the fall of £36,000,000 in the monthly average of our advances to customers bringing them down to only 27 per cent of our average deposits. On average our liquidity increased; so much so that throughout 1956 our liquid assets have formed the largest of the three main items on that side of the Balance Sheet, in spite of the fact that we have increased our investments substantially during the year. The fluctuation of these items over the past three years is shown on the chart below. This excessive liquidity has been possible only because there has been such a plentiful supply of Treasury Bills arising mainly from the expenditure by the Government of borrowed money, to which I refer more fully later, and it means, in effect, that monetary management, which some critics deride, has not yet been really put to the test in modern conditions. In this respect our position is very different from that of most of the banks in the United States and Canada, where the liquidity position has become much tighter, largely owing to the very heavy demands for bank lending, and where, in consequence, the banks have become much more susceptible to monetary policy.



FINANCE FOR EXPORTS

In recent years we have felt justified, in view of the relatively low proportion of our advances, in stretching our normal practice by giving consideration to a number of propositions for the provision of medium-term finance for the export of capital goods. This business is of the highest importance to the expansion of export markets, and this is recognised by the fact that the Government, through the Export Credits Guarantee Department, are prepared in approved cases to guarantee the eventual fulfilment of the buyers' contracts. During the past two or three years we have considered propositions of this character to the value of many millions of pounds, and have assented in principle to a large number of them. Un-

fortunately much of this business does not materialise for one reason or another, and the amount which we have outstanding under this heading at the present time is quite small.

THE VOLUME OF WORK

The number of accounts open with the Bank continues to grow steadily year by year, and this is especially marked in the current accounts which have risen in number by over 50 per cent since before the war. The activity on these accounts has increased to an even more marked extent. The number of cheque forms issued to customers for their use each year is estimated at about 150 million. The amount of cash paid out over our counters is approximately £2,000,000,000 *per annum, all of which must first have been* received by the Bank from customers or from other banks. This might be greatly reduced if the Truck Acts are amended. But even if it is made lawful to pay wages by cheque, the adoption of this method on a large scale would give rise to problems of a far reaching nature, and it is questionable whether such schemes will be of much value to the community as a whole if the cheques are immediately converted into cash. This is a matter which requires full consideration before any action is taken. Our Clearing Department at Head Office may handle in the course of a single busy day as many as 750,000 cheques drawn on Barclays Bank; and that does not include the very large number which are exchanged locally without coming to London. It will therefore easily be understood how greatly we are interested in the Bill which is now before Parliament for rendering unnecessary the endorsement of the great majority of these cheques. Provided that various questions relating to the liability of the collecting and paying banker can be satisfactorily disposed of, we shall welcome the considerable saving of time and effort which are now expended by our Staff in the examination of endorsements. In saying this I must add that, contrary to a rather fantastic estimate which has been published and frequently repeated, I cannot foresee any substantial monetary saving to the banks, as this could come about only through a large *reduction in Staff as a result of the change,* which does not appear to be probable.

REVIEW OF FINANCIAL AFFAIRS

I should like to begin my wider review of financial affairs during the past year by quoting some of the words with which I finished that part of my review of 1955: "If the Government after the recent changes can persuade people at home that they really mean to play their part in the future more adequately than they have done hitherto, the banks' task in helping them to carry out their good intentions will be greatly eased. Hitherto the weight of the restrictions has been borne almost entirely by the private sector of the economy, and it is evident that under this limitation the medicine acts too slowly. The Government are full of good intentions, but deeds, not words, are required. Appeals and exhortations are no substitute for resolute action. . . ."

It may be said at once that on the home front during the past year there has been a welcome stiffening in the attitude of the Government towards expenditure under its own control. Those who had been so busy for so long in searching for motes in the eyes of others were at last enabled to perceive the beam in their own. That is not to say that they have yet succeeded in casting it out; but they have at least acknowledged its existence. This awakening which probably occurred about the beginning of the year may have been minimised in some quarters, but it is none-the-less evident, and its effect has been noteworthy, though we have been far removed from the ideal position in a time of over-full employment, namely, that there should be at least an overall balance in the nation's annual accounts. In that sense, the only time since the war when our budgetary finances have been on a sound basis was when Sir Stafford Cripps was Chancellor. The present Chancellor has said that he could do his job better if he had at his disposal bigger and better and more up-to-date statistics When you must use statistics, I suppose there is something to be said for their being accurate and up-to-date, but I must confess that I shudder at this sublime faith in the validity of the answer which is mathematically correct, but which takes no account of the instinctive reactions of human beings. I should be much more encouraged if I heard that he had called into consultation one sensible housewife, who could tell him how many beans make five; though a Scotsman, who has had experience of business, should not really need advice on that subject.

PRICE STABILISATION

In these days stabilisation of prices at their current level, however inflated that may be, is probably the best that we can hope for; a major reduction in the price level would involve severe deflation and excessive unemployment, which any Government would would avoid at almost any cost, and rightly so. Mr Macmillan's metaphor of a plateau of stability is a very apposite one. It is possible to shave the soil off the surface; even that needs a bulldozer; but it is quite another thing to cut down into the solid rock. To have held the price level stable for six months, from April to October, thus represents a real success; and it is most regrettable that extraneous influences then intervened which are bound, if they continue, to upset the hard-won equilibrium. I refrain, advisedly, from discussing the contentious political aspect of the international problems from which these influences have sprung. For nations, as for individuals, riches bring power and power brings responsibility though not always popularity. When we were a rich and powerful nation we, on the whole, realised our responsibilities and tried to fulfil them. Riches and power have now gone elsewhere, but the sense of national responsibility remains. Let us hope that it will not evaporate in succeeding generations, whose sense of personal responsibility is being constantly whittled away by grandmotherly legislation. Our present troubles, we may hope, will pass, though with some damage to our economy remaining to be painfully repaired. The problem of controlling the volume of credit will still remain with us, and will, I fear, have been aggravated by the international crisis, though he would be a bold man who would predict whether the immediate effect in this country will be more inflationary or deflationary. A *reduction in profit margins* had begun to manifest itself in industry before this crisis arose, and this was already tending to reduce the inflationary pressure and the excessive competition for labour in certain areas. In the face of this salutary change the Chancellor's decision to increase the duty on petrol as well as rationing it is enough to make the angels weep. Intended to prevent additional inflation, and theoretically calculated to do so, it will almost certainly increase it by causing increases in price in the innumerable classes of goods which are transported by road, and it is unlikely that these increases will all be recovered when the additional impost it removed. O for that sensible housewife! She would have told him not to listen to the mathematicians on this subject, but to keep his eye on his plateau.

GOLD AND DOLLAR RESERVES

The fact that the Government's achievements in curbing demand at home have not been fully reflected in movements in the gold and dollar reserves is due, in part at least, to the extraneous influences to which I have referred; it is certain however that, but for the underlying improvement in our foreign trading position, sterling would have been that much less able to withstand the pressures to which it was subjected on the exchanges in the second half of the year. Sterling is today, for all practical purposes, a convertible currency to all the world except to those who are most concerned with it, ourselves and the rest of the sterling area; and we must, therefore, expect and prepare to meet pressures of this kind. In each of the first seven months of the year there was some improvement in our reserve of gold and dollars; but these are the more favour*able months, and in the late summer and* early autumn we met the usual seasonal pressure on the pound, the full effect of which was masked by the sale for dollars of the shares in The Trinidad Oil Company. Then in November, coinciding with the active military operations in Egypt, came the catastrophic fall in our reserves which more than wiped out in one month the painful gains of the first ten months of the year. To a large extent this loss of dollars reflects the speculative views of those whose business requires them to buy or sell sterling, and to that extent we may expect it to be counteracted in future months. In so far as it proves to be permanent it represents the price of failure, or part of it; a failure for which we may perhaps be bearing more than our fair share of the responsibility. Be that as it may, the Government were clearly right to mobilise some of our other reserves in the shape of *dollar assets to help us through a difficult* phase, of the outcome of which we may feel confident, so long as our trading position remains sound, as it has been throughout the past year. On the experience of recent years, November is a month of equilibrium on commercial account, and so also is December if the annual loan payments are excluded. In December last we appear to have lost $150,000,000 in support of sterling on the exchanges, but fortunately there are now signs that the pressure on the pound is abating.

BANK RATE

External solvency depends on internal strength, and it is right and proper, therefore, that we should continue to look first at what we have done, and ought still to do, to help ourselves, before we consider, as we must, those external problems of international economic and financial relationships which must be solved if a lasting balance is to be obtained in the world's economy. In the early weeks of the year the general financial situation was evidently considered to be far from satisfactory and on February 16th the Bank Rate was increased from 4½ per cent to 5½ per cent. This increase surprised many people and doubts have been expressed whether on balance it was helpful or the reverse. Its traditional effect of discouraging internal borrowing is, I believe, much less potent with taxation at its present levels. Similarly it no longer provides so powerful a magnet as in the past to attract additional overseas balances to this country. The foreigner has not forgotten the devaluation of 1949, and if he has any doubts about the safety of his capital, they will not be removed and may even be increased by the offer of a

higher rate of interest on it. One certain effect of the further raising of the rate was to increase by many millions the cost of servicing the overseas sterling holdings, which are in the neighbourhood of £3,500,000,000, and thus to impose an added burden on our balance of payments. One beneficial result was probably the psychological one of demonstrating to the world that we mean business, but psychology is rather expensive at that price. It would, I believe, have been *far better to concentrate on* reducing the supply of money, and to increase the Bank Rate only if that became necessary in order to give recognition to the natural results of supply being unequal to demand. That is not to say that I believe that Bank Rate ought to have been reduced in recent months. That would have carried implications quite at variance with the truth of our situation, though the time may be approaching when a different policy may be required to stimulate internal consumption, or at least to prevent the velocity of circulation from running down too quickly. When that time comes a general relaxation of the restrictions on hire-purchase will probably take effect more *quickly than any other available stimulant.* So long as depressive action is still required, the enforced artificial contraction in bank advances, known as the credit squeeze, is one factor which can bring it about; but a much more potent factor, for better or worse, in influencing the supply of money is the volume of Government expenditure which has to be financed by borrowing from the banks on Treasury Bills, because it is not covered by revenue or savings.

If the expenditure of the public sector is excessive, the efforts which the Government make to press down bank advances, and thereby to reduce the deposits in the banking system, will be negatived by the creation of additional credit in the form of Treasury Bills, which will provide the banks with abundant liquidity and have their counterpart in increased deposits. It is very discouraging, in fact infuriating, when one is laboriously pulling in rope, to find that someone else is incontinently paying it out. There is said to be virtue in not letting your left hand know what your right hand is doing; but I doubt its application to this particular set of circumstances. Perhaps it is not for me, as a banker, to complain of this when it makes life easier for me. But I know that this is not the time for an easy life, and I would much rather see the country's credit improving more rapidly, both at home and abroad.

IMPROVEMENT IN NATIONAL SAVINGS

We hear much of the need for reducing the Floating Debt, and it has therefore been encouraging to see the improvement in National Savings this year, an improvement which must have reduced official reliance on Treasury Bills. On the assumption that the Government must overspend its income, it is very desirable that the money spent should be recovered in this way. If a pail of water has been upset, it is very desirable that everyone shall turn to and help to mop up the mess. But how much better it would have been not to kick the pail over in the first instance, and not to go on kicking over more and more pails as fast as each mess is cleared up.

GOVERNMENT EXPENDITURE

The Government are never backward in telling us how difficult it is to reduce their expenditure, though they expect everyone else to do so without complaining too much. As far as current expenditure is concerned, it must be admitted that no major savings have been found possible hitherto, as witness the pitiful expedients to which the Chancellor has been reduced in order to try to make good his promise to save £100,000,000 on the budgetary estimates; a saving which, even if he is able to achieve it, will merely have reduced an estimated increase of £200,000,000 to one of £100,000,000. The succeeding troubles in Malaya, Kenya, Cyprus and now in the Middle East have made it painfully evident that up to now at any rate it would have been most unwise to make major reductions in our military preparedness. But the stupendous capital expenditure at home which is incurred or financed by the Government, or which requires Government sanction in the course of the year, is a different matter. On the assumption that the continuous extension of Government intervention in our everyday affairs is really good for us, all Government expenditure is no doubt necessary, and much of it overdue. Let that be admitted, at any rate for the sake of argument; though personally I consider that it is possible to go much too far, and that for the sake of making life easy for the feckless five per cent of the population we are in danger of pauperising the vast majority of our people who would much rather stand on their own feet. The essayist, Herbert Spencer, writing a hundred years ago on the subject of State Tamperings with Money and Banks (an activity which he evidently disliked) said "the ultimate result of shielding men from the effects of folly, is to fill the world with fools."

If, then, the country cannot afford all these luxuries at once, how are savings to be achieved in this field? In my view we should concentrate our attack on the capital expenditure, and in my experience there are two, and only two, ways of curbing that type of activity. The first, if I may use what might be called an Irishism, is to stop it before it starts; that is, before any plans are drawn up. The second, which I consider preferable for our present purpose, is to sanction the project and to allow the plans and specifications to be completed, but then to halt the machine and to consider, before going to tender, whether it can in the circumstances be postponed for a time. No doubt some projects must go straight ahead, such as those for atomic development, but some could wait for a year and others, perhaps, for six months or three. A job which is scheduled to be completed in two years will very likely take two-and-a-half years in any case; if the start is postponed for six months and its completion is delayed till the end of the third year, probably no one will be very much the worse and few any the wiser. If in any one year the start of all this work could be delayed by an average of three months, the total of this expenditure in that year would be reduced by 25 per cent and the beneficial effect on an inflationary economy would be very far-reaching.

PRIVATE ENTERPRISE

I would go so far as to say that, if the Government could have seen their way quietly to apply this simple remedy to expenditure in the public sector when they first became aware of the inflationary danger (say towards the end of 1954), they might well have been able to cure the disease without even telling the patient that he had contracted it, and without imposing damaging restrictions on the productive industry of the country, as they have done. Moreover, this method has the additional and very important advantage that it provides a ready means of stimulating the activity of the economy, if and when that becomes necessary, by the release of the pent up expenditure, the plans for which can be put into operation immediately, at least to the extent that our physical resources and external reserves permit. But why, it may be asked, should all the remedial action be applied to Government expenditure? Does it make any difference to the effect of increasing the demand for goods and services, whether the expenditure is incurred on behalf of the Government or of private enterprise? Surely expenditure incurred on behalf of private enterprise may also be inflationary? That is true; but private enterprise is apt to spend its money more economically than governments, and private expenditure normally creates assets which become immediately profit earning; whereas the capital expenditure of governments, however beneficial to the community in the long run, in the short run creates additional liabilities in the form of increased expenditure on upkeep. This doctrine is, no doubt, unpalatable to many people, but it is not for that reason untrue. The experience of the last ten years has clearly demonstrated that what is needed is fewer pleas for restraint to the private sector and more positive action in the public sector. In this regard, as I have said, we may take some encouragement from the policies which have been followed during the past year.

ATOMIC DEVELOPMENT

Another encouraging development during the year was the opening at Calder Hall of the first atomic plant in the world for the production of power for industry, and the announcement that progress in this field is likely to be much more rapid than had previously been expected. In atomic energy lies the possibility of our taking the lead in a coming industrial revolution, as we did in the first, and our best hope for a real improvement in our standard of living. But we must be prepared to pay our scientists properly and to stop robbing them of all incentive by excessive taxation of their incomes. Similar benefits should be derived from increasing mechanisation of our industrial processes, which when it reaches a certain level is now dignified with the new title of automation. Already claims are being staked for the enjoyment of whatever profit may accrue from the application of this development. "The workers must have it: it must not go to the greedy stockholders." Our foreign competitors will not be so foolish as to argue on these lines. They will use automation, and also atomic energy when it is available to them, to improve their competitive position in world markets by reducing labour costs, and that is what we must do if we want to survive. If the resultant reduction in prices is applied to the home market, as should happen, the benefit will be spread over the whole community as it should be. It needs vision as well as intelligence to see that this should be our objective in both cases.

When we look towards the almost unbounded hopes which may be founded on the discovery of a new industrial process, we may with advantage also turn our thoughts towards our oldest industry, agriculture. The recent conference, held at Brighton under the auspices of Imperial Chemical Industries, produced ample evidence that the potential growth in production of our land is still great, and now that a long-term policy has been laid down by the Government for the industry the necessary confidence to invest additional capital should be gradually built up for the purpose of winning more production and perhaps, too, of lowering costs.

EXTERNAL PROBLEMS

The account of what the country has been doing to help itself may not be as good as

we should like it to be. But I hope that it is not entirely discreditable, and I feel justified in proceeding to consider our external problems, which turn on the functions of the creditor nations. Relatively few people, I think, realise to the full the implications of the change in our status from that of a creditor to that of a debtor nation. It should never be forgotten that when England gains a dollar to augment its precious hoard, some other country loses that dollar; or alternatively that some citizen of the United States has spent that extra dollar in buying more of our goods, or has decided to invest an extra 7s temporarily or permanently in the sterling area. The whole question of investment in the sterling area is, I believe, the crux of our problem today. When we were the world's creditor there were attractive opportunities, as there are today, for individuals to invest their savings in the development of "new" countries overseas, and by doing this we accumulated a vast fund of long-term overseas investment. We were thus building up and fortifying our position as the international market in short-term finance, and were incidentally rectifying the day-to-day exchange problems of the debtors. Our great fund of overseas investments has been much reduced since 1914, first and foremost because we were forced to bear the brunt of the financing of the early stages of both world wars, and, although there has been some slow recovery in recent years, we still stand as a debtor nation on capital account. It remains true that 50 per cent of world trade is conducted in sterling, but this is an advantage which will not long endure unless we can maintain a surplus on our current balance of payments. Our position is precarious and we should all like to see it fortified; firstly, by our own exertions, and, secondly, by the willingness of all countries which have surplus earnings to spend them on imports from abroad, or to invest them in the development of the latent resources of the world.

In speaking of creditor nations I am naturally thinking first and foremost of the United States of America; secondly, on a much smaller scale, but relatively just as powerful, Switzerland; and possibly in the near future, Germany. It may well seem to be an impertinence, or worse, to suggest to the people of the United States, who since the end of the war have, as taxpayers, given away (not invested) hundreds of millions of dollars to put so many of the devastated countries of the world on their feet, that their duty is not yet complete. In this regard they have, indeed, done their duty; without this help probably nothing could have saved Europe from Communism, and it was only a very rich creditor nation who could give it. But it is not good for the recipients to live for too long on charity, and gifts or even investments by governments are to be distinguished from investments in productive enterprise by private individuals or companies. Anything which a government touches is liable to be infected by some political motive. The motive may be good, in our eyes at least, when it is designed not only to relieve destitution, but to put up barriers against the spread of the vile doctrine and practices of Communism, but, at the best, considerations other than those of pure charity or ordinary common-sense are likely to be given a weight which they do not deserve.

VALUE OF SPECULATIVE INVESTMENT

What I am advocating is speculative investment, using that term in its best sense, by private companies and individuals in projects which will take time to mature, but which, if successful, will bring benefit to the inhabitants of the area, and profit in varying degree to the investors whose capital has made the development possible. It must be recognised that not all these projects will be equally successful. If one prospects for oil, and no oil is found, the investors in that project will lose their money. On the other hand, if much oil is found, and an immensely prosperous industry is built up, it may happen that the Government of the State in which the industry is situated will become jealous of the prosperity of the foreign owners, and in the sacred name of national rights will tear up its own solemn legal obligations undertaken in earlier years. British investors have had several unhappy experiences of this description in their time. Nevertheless, between these two extremes, there are great opportunities for very profitable long-term investment, the consideration of which I would respectfully commend to those who now have the means of taking advantage of them.

In this connection an interesting and, I believe, important step has recently been taken in the setting up of the International Finance Corporation as an adjunct of the International Bank. The money initially subscribed, $78,000,000, will not in itself go very far towards solving the problem, but the judicious distribution even of this sum, perhaps, in partnership with groups of private investors, may point the way for others to follow on their own initiative. Ideally, development finance of this description should take the form of equity capital, so that no question of default arises if there is no immediate return on the investment, which there is not likely to be. I think it is, perhaps, a pity that this form of participation is specifically forbidden to the new Corporation, as this will restrict the field in which it can operate. It may mean in practice that it will concentrate much of its attention on financing the expansion of existing activities, rather than the creation of entirely new ones, relying on the income from the existing operations to provide the interest on the new money. Perhaps, after all, it is wiser, if not very enterprising, to help only those who have already proved their ability to help themselves.

CASE FOR FULL ECONOMIC INTEGRATION

I may, perhaps, be told that Barclays Bank, with its extensive interests in certain underdeveloped territories, notably on the continent of Africa, has a very special interest in the acceptance of the project which I have adumbrated. So be it, and we have a little axe of our own to grind, in the shape of the Barclays Overseas Development Corporation, which we try to keep sharp, to be used to cut away some of the tangled undergrowth in these parts so that useful and profitable enterprises may be built up. But we have a much greater interest, which we share with the whole of the population of these islands and of many countries in other parts of the world, in the removal of every obstacle which hinders the free exchange of goods and services, and therefore of money, between the nations of the world. Every expedient short of this can be only a temporary and partial solution: the ultimate and permanent solution lies, I believe, in the full economic integration of all nations, or at least those of the Western World, so that as between nations there are no debtors and no creditors, no rates of exchange and, therefore, no exchange speculators. This is a beautiful vision, which carries with it the promise of an ever-improving standard of living in the less developed countries; but reality compels me to point out that it is very difficult to reconcile it with complete national independence, the desire for which seems so very urgent today to those countries which have not hitherto enjoyed it fully. But their adherence, if it is to be permanent, must be made of their own free will, and so, perhaps, a period of complete independence is a necessary preliminary to a state of interdependence. The problem of integration is especially complicated for this country in that we have to hold a balance between the interests of Europe and the interests of the Commonwealth. The solution will not be found easily, and it goes without saying that it must be acceptable to the United States of America, which on account of its immense industrial strength must eventually form the linchpin of the organisation. It is tempting to speculate whether it might have been better to try first to find some form of integration between the Commonwealth and the United States. If that could be achieved it would act as a magnet so powerful that the countries of Western Europe would surely be drawn in. But as things are today it would seem that the first stage towards a closer association between sovereign states lies in the integration of Europe and the Commonwealth, towards which we have the ability and the duty to provide much of the motive power, though I would by no means exclude the participation of the United States from the start, if they were willing to be included. It is in this sense that I welcome the recent ministerial pronouncement that we are to participate in the forthcoming discussions on free trade in Europe, even if our attitude towards this project has at times been regrettably hesitant and apologetic. I regard the difficulties, not as insuperable obstacles, but as a challenge to our faith and ingenuity.

HOULDER LINE LIMITED

The Annual General Meeting of Houlder Line Limited will be held on January 30th in London.

In the course of his circulated statement, Mr Walter C. Warwick (the Chairman) said that general freight rates had maintained a high level throughout the year and in recent months had further increased, as a result of the Middle East emergency, to a level which could scarcely be regarded as altogether healthy.

Trading profit amounted to £859,268, and Income from Investments to £92,280. The improved trading result inevitably carried a heavy increase in liability for taxation and £500,000 had been provided to meet that prospective liability. The directors proposed to increase the Fleet Replacement Account to £1,900,000 by a transfer of £347,723. After allowing for the 5 per cent Interim Dividend on the Ordinary Stock, the Board recommended a final dividend of 7½ per cent, leaving £91,822 to be carried forward.

Mr Warwick continued: There is an increasing tendency for formation of subsidiary Companies abroad to operate ships. With the present penal level of taxation this procedure may ultimately prove the only practical method of avoiding total extinction of many shipowning Companies which are quite unable to provide the increasingly large funds necessary for replacement. We do not view with any enthusiasm the transfer of control of British Shipping outside of the Mother Country, and it is greatly to be hoped that the Chancellor will find it possible so to arrange matters that this vital industry will be able to derive the relief which it needs.

WILLIAMS DEACON'S BANK LIMITED

ECONOMIC EFFECTS OF SUEZ

SCHEME FOR FREE TRADE IN EUROPE

SIR ERIC A. CARPENTER'S ANNUAL STATEMENT

The Annual General Meeting of Williams Deacon's Bank Limited will be held in Manchester on Thursday, February 14, 1957. The following is the statement by the chairman, Sir Eric A. Carpenter, OBE, on the report and accounts for the year ended December 31, 1956:

The proceedings at the Annual General Meeting will be restricted to the transaction of formal business and I propose to continue the practice of recent years in issuing a brief statement on the Bank's affairs in advance of the Meeting.

In March Mr J. G. Beevor resigned his Directorship, following upon his appointment to the International Finance Corporation in Washington, and the good wishes of all his colleagues go with him in his new and important post. We have elected Viscount Simon, CMG, to the Board and in your name I offer him a very cordial welcome.

ACCOUNTS

I will take first the Accounts, from which you will see that Deposits stand at £135,284,888, a decrease of £1,792,460. A fall in banking deposits was not unexpected in view of the conditions which obtained during most of 1956.

On the Assets side, the liquid items, namely Cash, Money at Call and Bills Discounted, amount in total to £43,541,146 or 32 per cent of our Deposits.

British Government Securities stand at £37,280,695. Gilt-edged prices have fallen during the year, and the longer dated ones have touched new low levels. Even the short-dated securities which form so large a part of the investments of the Clearing Banks have suffered. We have, however, as always, valued our British Government Securities at market price or less.

Advances at £49,140,144 show an increase of £4,065,444 as compared with December, 1955.

The figure was inflated by some special items at the year end, but during 1956 our advances have, on the average, been less than in 1955.

NET PROFIT

Our Net Profit, after making the usual provisions (which include contributions to Staff Pension and Widows' and Orphans' Funds and appropriations to Contingencies Account), is £394,248, an increase of £62,799 on the year. With the balance brought forward of £191,528 this gives a total of £585,776 to be dealt with. After transferring £150,000 to Pension Funds we propose to pay dividends at the rate of 9 per cent on the "A" Shares (making 16 per cent for the year) and 6¼ per cent on the "B" Shares (making 12½ per cent for the year, the maximum) and to carry forward £240,815. I feel sure you will agree that these results are satisfactory.

During the year Branches have been opened at Lancaster, Mayfair (Curzon Street, London, W1) and Tottenham Court Road (London, W1). The number of offices open is therefore increased to 220.

GOLD AND DOLLAR RESERVES

I now turn to a wider field: 1956 was a chequered year dominated by the Middle East and Hungary, but on the other hand there were important events of a happier nature, including the opening of Calder Hall Atomic Power Station, the amicable settlement of the Saar problem between France and Germany, the conception of a free trade area in Europe and, lastly, the realisation of the fact that this country has established an undoubted lead in atomic development for peaceful purposes.

In the economic sphere the measures taken early in 1956 resulted in small but satisfactory increases in the gold and dollar reserves up to June, and there seemed good reason to think that inflation was in process of being halted.

Unfortunately the events set in motion by the Egyptian nationalisation of the Suez Canal in July have weakened confidence and upset the economy of all the countries of Western Europe now so dependent on Middle Eastern oil. It is to be hoped that in the near future a permanent settlement of the whole Middle East area can be arranged, including proper arrangements for the control of the Canal.

The effect, direct and indirect, of these events on our gold and dollar reserves during the second half of the year was almost catastrophic and led to the formal announcement in December of the Government's determination to maintain the value of the pound sterling and to utilise all the considerable resources at its disposal to do so. Yet the immediate trading position of the country itself is much better than the bare figures of the movements in the reserves show, as these have to bear not only speculative movements but also the drawings of other members of the Commonwealth, some of whom have recently been making heavy calls.

We now face a position in which the confidence factor should not cause a great deal of further trouble, but we shall feel the economic effects of Suez in the form of dollar oil purchases and shipping delays affecting exports.

Bank Rate was raised to 5½ per cent in February last and has remained at that figure ever since. It is the highest rate for 25 years and has lasted longer than the 6 per cent rate current for a period of five months in 1931. To find so high a rate for so long we have to go back to 1921 at the time of the boom following the First World War, though high rates lasted nearly as long in 1929. In other words, such high rates have only held for any length of time at periods of severe crisis.

Voices have been raised of late to suggest that the time is approaching when a reduction could usefully be made. A high rate increases the cost of the national debt, including that part of it held by foreigners, and to that extent is to some degree detrimental to the balance of payments. It also discourages investment in industry, and whilst there has been little evidence of this so far, the plans for 1957 show a reduction in some forms of investment which we can ill afford if we are to remain in the forefront as an industrial nation.

I should like to refer in more detail to the position of our gold and dollar reserves because there has apparently been such a complete reversal of fortune since the middle of the year. The difficulty is to assess the effects of the speculative factors. The fact remains that the gain to the end of June was almost entirely lost by the end of September if we ignore the Trinidad oil shares sale, and there were further losses of $84 million in October and $279 million in November. These were in spite of steadily increasing exports and reduced imports, the latter in part due to the closing of Suez, though the latter half of the year is normally less favourable to this country because of seasonal factors.

We must not forget, however, that the reserves are those of the whole Sterling Area and that there have been heavy drawings by some of its members. In particular, India has reduced her balances in 1956 by £150 million or by the whole amount it was expected she would use during the period of the second five-year plan.

In addition to this, the very fact that it was felt to be necessary to counter the seizure of the Suez Canal by a blocking of Egyptian balances here was bound to create some degree of nervousness since sterling is so generally used as the leading currency in international trade, and the deficits in the following months have arisen more from a reluctance to hold sterling than from an inherently unsound trading position here.

NEED FOR SOUND TRADING POSITION

The effects of these special and temporary strains on the reserves can only be mitigated in the long run by a sound trading position throughout the whole sterling area and in the short run by the sort of measures the Government has taken to show its determination to defend the pound sterling.

These have included arrangements to draw on the International Monetary Fund, to sell short-term United States securities and to borrow against American securities. In addition it was decided to ask for a waiver of the interest on the Canadian and United States war-time loans due at the end of the year. It is very encouraging that the IMF has at once agreed not only to provide dollars to the amount of this country's immediate drawing rights of $561 million, but also to "stand by" facilities making the total available no less than $1,300 million. The United States Export and Import Bank has also very promptly agreed to a loan of $500 million against the US securities. These are massive resources and mean that sterling should be safe against any assaults that can be made upon it.

INCREASE IN EXPORTS

We have every reason to be pleased with the performance of British industry in the export markets in 1956, and particularly in the all-important dollar markets. In addition the terms of trade, the relation between

import prices and export prices, improved from our point of view until towards the end of the year but even now are not unfavourable.

The increase in exports has been well spread over the metal goods section, especially iron and steel, machinery, electrical goods and vehicles. Other categories have also improved on last year, though textiles, cotton in particular, have fared less well. Perhaps the most satisfactory part of the record is the proportion of exports going to North America. The United States took more whisky, more woollen goods and appreciably more electrical apparatus and vehicles. Canada also took more cars, electrical goods and woollen fabrics.

Imports were virtually unchanged in amount for the first eleven months compared with the same period in 1955, but some of them have been delayed by the closing of the Suez Canal. On the other hand import prices rose only very slightly and allowing for these special influences and for the disturbances due to strikes in 1955 the result is much more satisfactory than our experience of the previous year. In other words, monetary policy is having its effect in discouraging imports perhaps at the expense of some reduction in stocks. Moreover, imports from the dollar area have cost us less, though we have been taking more from Western Germany.

PROPOSED FREE TRADE AREA IN EUROPE

An interesting development one might almost say in the progress of the human race has seen the light during the year. I refer to the proposal for a large free trade area in Europe. Free trade in this context is a relative term and is only a step towards *the absolute freedom of trade practised by* this country alone when it was the principal workshop of the world. It is, however, a recognition that economic forces are, in the long run, the most powerful in the world, and that this is the day of large units.

Under present arrangements France, Germany, Italy and the Benelux countries will form a common market and gradually reduce tariffs until there is free movement of capital, labour, goods and services between them, but a common tariff against the rest of the world. We, and others, would enter the arrangement to allow free entry of goods from the other members but retain our own special tariffs on other imports so as to be able to continue the preferences we give to Commonwealth countries.

The scheme is not without its difficulties, but it has been recognised that we can hardly remain aloof from a scheme which covers one-fifth of both our imports and our exports. It seems to me we would be well advised to participate in the framing of the scheme.

It is also interesting historically to see different parts of the world in different stages of evolution—Asia cultivating an intense nationalism, very resentful of anything which can remotely be considered to be interference from outside, and Europe recognising that a market of even 50 million people is no viable unit, if it ever was. It might be that by such a scheme Western Europe might regain in large part the commercial leadership of the world.

Productivity was disappointing in 1956 and when the final assessment can be made it will probably show little or no increase on the year. In so far as this follows from reduced production of consumer goods with a high import content, it is a desirable thing for the time being and what the restrictions were meant to achieve. There is some reason for thinking that this is in fact what has happened and that it is the future which needs to be carefully watched.

Fortunately the credit squeeze does not seem to have had any disastrous effect on industrial investment during 1956 and though there are differences between the various industries, plans for 1957 are similar in total amount. Such slowing down as there has been is in the rate of increase in investment and it follows therefore that British industry is in a good state to take advantage of an upsurge in activity. The risk is that it might be held back if restrictions were kept on for too long for there is no point in creating increased productive resources and then not using them fully.

In the meantime it should be borne in mind that our principal rivals, the United States and Germany, have both had further rises in productivity during the year.

Wage increases negotiated in the first half of 1956 added 6½ per cent to wage rates. In the same period retail prices rose by 2 per cent and productivity hardly at all, so there was some addition to the inflationary pressure. It was at this point that the Chancellor made his appeal for a halt to increases in wages and prices and many firms agreed to fix their prices for a period ahead. Although the TUC would not agree to wage restraint and applications have set in for further increases, they have so far been settled at a more modest figure and in the interests of the community as a whole it is to be hoped that this course will continue. There is a real danger that we could be priced out of the export markets.

Everyone wants a rising standard of living for the whole population but it can only be attained by acting with a sense of responsibility, by using our resources of brains, labour and materials in the best possible way, and avoiding all waste and inefficiency whether due to disputes, faulty methods or out of date machinery.

In his first Budget, Mr Macmillan made quite a number of changes, deliberately self-cancelling, so that the net effect on the Revenue should be small and the general effect slightly deflationary. His main object, he said, was to encourage savings and in that connection his excursion into Premium Bonds is an interesting one. This may appeal to those who are not normally savers but it has the curious effect of being particularly attractive to those in the highest income brackets, which is an endorsement, if one were needed, of the disincentive effects of our present taxation system.

The relief given to the self-employed in respect of premiums to provide pensions for their old age was long overdue and the cost of it is being obtained, *inter alia*, by yet another increase in profits tax. The two things are not necessarily unconnected since the premiums received by insurance companies will be invested, in part at least, in companies who will be liable for the increased profits tax. I have said before that the Profits Tax is a thoroughly bad tax and unfortunately to that must be added that it has become a political counter which has all the appearance of "making the other fellow pay," though, in fact, the shareholders who suffer are more usually, in these days, people of small means and their widows.

The abolition of the bread subsidy and the cut in Government expenditure, since partly negatived by the cost of the Suez crisis, must be welcomed. It is better to give direct aid to the needy than to continue a wartime expedient long after it has ceased to serve its original purpose.

THE SHIPPING POSITION

Shipowners have had another good year in respect of freight rates, both time charter rates and tramp freights having soared to the record "Korean" level of 1951. Whether fluctuations of such violence in rates are a good thing in the long run is a matter on which there must be considerable doubt, and the immediate benefits of necessity go to the tax gatherer rather than to replacement reserves. There was already a shortage of dry cargo tonnage before the Suez Canal was closed, since, though both world trade and the world's shipping fleets have increased by about a half since before the War, the increase in the fleets has been predominantly in tankers—due, of course, to the ever-increasing demand for oil. The closing of Suez has accentuated the shortage of cargo ships by reason of the longer haul round the Cape but in addition more tonnage has been called for to carry grain across the Atlantic following a poor harvest in Europe. To some extent the shortage of shipping has been offset by the greater speed of new ships since the War but this, in turn, has tended to be nullified by slower turn-round in ports.

This leads one to a topic under constant discussion in shipping circles and indeed which has resulted in a good deal of action in the past year. I refer to the operation of ships through foreign companies and under flags of convenience, of which Liberia has been the favourite recently, though British companies, including some of the largest in the industry, have announced the formation of associated companies in Bermuda, all with the object of avoiding heavy British taxation. This course has been forced upon them because of the heavy cost of replacing tonnage and the need to build up reserves. To some considerable extent the investment and depreciation allowances have given relief, but by registering ships abroad where there is little or no taxation owners can arrange that the only portion of their profits which must suffer tax is that portion paid out in dividends. Such a course ought not to be necessary. We already have stringent rules as to what can be called a British ship and fly the Union Jack, but there must be many now sailing under other colours which are British in everything but name and it should not be impossible so to arrange our affairs that British owners are not compelled to use such devices as the formation of subsidiary companies abroad, even in the Commonwealth, to keep up with their competitors.

Shipbuilders, too, have had a good year and end it with an increased order book giving prospects of employment for yards for several years. Although half the orders are still for tankers, more passenger and cargo ships have been booked in 1956.

In present conditions time of delivery is the governing factor and in this we are at a disadvantage. A favourable price for steel is offset by shortage of supplies and unevenness of delivery of parts at the yards, causing inefficient use of labour and delays in construction. Meanwhile our competitors, Japan and Germany especially, are able to give better terms both as to price and date of delivery.

INDUSTRY

Coal output has been equal to, or a little better, than, 1955, thanks to increased production from opencast sites though from a slightly smaller labour force. On the other hand, absenteeism has been greater, particularly of face workers. By way of showing what could be done, however, in the week of peak production before Christmas total output was the biggest for nearly 20 years. By reducing exports to two-thirds of 1955 it has been possible to cut expensive imports by about half, and as consumption has been slightly reduced, stocks were higher at the year end than they have been at any other time since the end of the War.

Steel output for 1956 reached yet another record and it would have been appreciably higher but for the ban on overtime by maintenance men which lasted for over three months in the middle of the year.

Pig-iron production was again easily a record and a matter for congratulation. This is due to a continuation of the considerable investment since the War which has been accompanied by reductions in fuel used per ton of output and other improvements in methods which have greatly increased output per man.

As we must in the future look more and more to metal products to help us to pay our way in the world's markets, it is most important that investment in the iron and steel industry should continue and the industry's plans to raise steel production appreciably over the next six years are to be welcomed.

The Cotton Industry has had another poor year with again a distinctly brighter outlook at the end clouded by shortage of labour to take advantage of fuller order books.

Fortunately a sizeable proportion of the large stocks of raw cotton in the United States have been disposed of at prices which have not disturbed world markets unduly, and this alone has produced more confidence in the price level and a greater willingness to place orders.

At the same time competition, particularly from India and Hongkong, continues unabated and the tendency for the industry to contract has been evidenced by the closing of more mills. In general, however, closing down has been undertaken voluntarily and before losses compelled such a course, and labour has easily been absorbed elsewhere.

Labour indeed continues to be a problem for the industry, as operatives once lost are hard to get back and new recruits are not readily forthcoming.

The wet summer seemed at one time likely to be disastrous for farmers but modern harvesting methods and a little relief from the worst of the weather in September improved matters a little. The banks were in consequence called upon to help where necessary.

The new long-term guarantees announced by the Government in November and the scheme for capital grants should give the farmers all that they need to ensure a steady income for a long period ahead. The new arrangements limit very severely the Government's power to reduce the subsidies, although the annual price review will continue.

INCREASE IN BANK'S ACTIVITIES

Towards the end of the year, you will be pleased to know, we received favourable reports of a high state of activity in nearly all the areas in which the Bank is represented. In particular, those districts concerned with various branches of the engineering industry and with iron and steel production report greater activity than ever. So far as the Bank itself is concerned, I am pleased to say that there has been a very satisfactory increase in its activities, and the Foreign Departments in particular have had a very busy year.

In conclusion, I should like to take the opportunity of expressing on behalf of myself and of all my colleagues on the Board to Mr King, the General Manager, to the Assistant General Managers and to all members of the Bank's Staff throughout the service, our best thanks for their devoted efforts in the Bank's interests during the year and our great appreciation of their efficiency and enthusiasm.

WILLIAMS DEACON'S BANK LIMITED

(Member of the London Bankers' Clearing House)

HEAD OFFICE:
MOSLEY STREET · MANCHESTER

CITY OFFICE:
20 BIRCHIN LANE, E.C.3

CAPITAL ISSUED	£8,525,000
CAPITAL PAID UP	£2,275,000
RESERVE FUND	£2,275,000

TOTAL ASSETS
£151,951,347

31st December, 1956

Associated Banks:
The Royal Bank of Scotland : Glyn, Mills & Co.

GROSVENOR CONSOLIDATED INVESTMENTS

RECORD TURNOVER AND PROFIT

The eleventh annual general meeting of Grosvenor Consolidated Investments, Limited, was held on November 30, 1956, at Johannesburg, Mr L. Donnelly, chairman, presiding. The following is an extract from his circulated statement for the year to June 30, 1956:

The tenth year of operation reflects the largest turnover and profit to date. On total sales of approximately £8,225,000 the group's trading profit was £527,000 before tax (after providing for all normal operating expenses and deducting profit on an investment of £8,750), £354,000 after tax.

Prompted by results, and resources suitably strengthened in preceding years, your directors felt that an increased ordinary dividend would be justified; accordingly 1s. 9d. was paid for the year, compared with 1s. 6d. It is interesting to note that the break-up value of each ordinary share is now 24s., against the current quoted market price of 17s.

The main features of turnover and profit performance over the last four years are set out below, and should be of interest and enlightenment.

The schedule shows that satisfactory results come mainly from a high ratio of turnover to issued and employed capital. Skill is required to manage this kind of situation which calls for close supervision and control.

Although the retail motor trade is obliged to operate on one of the lowest margins of gross profit—14.9 per cent off selling price—it is subject nowadays to more criticism than it deserves. Speaking for the retail side there is no room for further reduction of the gross profit margin; rising costs and competition are more than taking care of the situation.

The consolidated balance sheet shows that no transfer to the general reserve has been made this year; your directors felt that the round figure of £1 million should stand for the time being. The unappropriated profits balance has now risen to £596,174.

The report and accounts were adopted.

	Turnover	Shareholders' Funds	Trading Profit			Return (After Tax)	
			Before Tax	Tax	After Tax	On Turnover	On Shareholders' Funds
						%	%
1953 ..	6,035,000	1,555,000	407,000	140,000	267,000	4·4	17·2
1954 ..	6,545,000	1,705,000	396,000	139,000	256,000	3·9	15·0
1955 ..	6,845,000	1,990,000	479,000	145,000	334,000	4·9	16·8
1956 ..	8,225,000	2,200,000	527,000	173,000	354,000	4·3	16·0

MARTINS BANK LIMITED

STATEMENT BY THE CHAIRMAN SIR A. HAROLD BIBBY, DSO, DL

A JUST SETTLEMENT OF SUEZ NEEDED

BANK'S PROGRESSION

The one hundred and twenty-sixth Annual General Meeting of members of Martins Bank Limited will be held at Head Office, Liverpool, on February 6th. In his statement circulated to members, the Chairman, Sir A. Harold Bibby, DSO, DL, writes:

The net profit for the year ended December 31, 1956, is £944,780, which compares with £930,616 in 1955. In the light of the conditions ruling during the year the Board consider this satisfactory.

A final dividend of 8¾ per cent, less income tax, is recommended which with the interim dividend of 8¾ per cent makes 17½ per cent, less income tax, for the year, being the same as for the previous year.

After providing for the dividend, appropriations from published profits of £300,000 have been made to Reserve for contingencies and £200,000 to Premises Redemption.

Total assets as shown in the comparative balance sheet are £359,044,484 against £342,791,010 a year ago. Customers funds and other accounts are £324,455,334 against £310,299,379.

We have again deemed it wise to continue to maintain a high degree of liquidity, our total liquid resources being £136,866,747 (1955—£123,557,280) and the ratio of these resources to our deposits is 42.11 per cent compared with 39.76 per cent. It will be observed that the Bank's investments stand at £88,507,564 as compared with £84,600,018 a year ago and continue to be valued at or under market prices. All British Government securities have fixed maturity dates and the majority mature within seven years.

Our advances at £85,981,432 are reduced by £2,857,503 compared with a year ago. This is not altogether attributable to the credit squeeze but has a certain element of natural repayment of debt which has not been replaced by other borrowings of a like kind. The placing of long term finance by commercial undertakings who were temporarily borrowing on overdraft has also played a substantial part in the reduction.

THE DIRECTORATE

I have to record with deep regret the sudden and untimely death of Sir John F. R. Reynolds, Bart, MBE, in August last. He was elected to the General board in 1937 and had rendered great service to the Bank. By his death we have been deprived of a colleague whose quite exceptional qualities were recognised not only in Liverpool but over a wide area.

I also regret that Mr Wilfred Turner, OBE, a member of our Leeds board since 1927 who retired at the end of September in view of declining health, has since died. We deplore the loss of a valued colleague with his special knowledge of local affairs.

During the year Mr D. I. Crawford, CB, DSO, TD, DL, and Sir John N. Nicholson, Bart, CIE, joined the General board. Their wide knowledge and experience of business affairs generally will be an added source of strength. Both these appointments will require confirmation at the Annual General Meeting. We have also been pleased to enlist the valued collaboration of Mr J. H. Keswick, CMG, whom we have welcomed to our deliberations on the London board.

Mr T. H. Naylor, on assuming the Chairmanships of the Royal Insurance Company Limited and of The Liverpool & London & Globe Insurance Company Limited, has felt compelled not to seek re-election as Deputy Chairman of this Bank, a position he has held with distinction since 1951. The Board wish to place on record their appreciation of his services and their pleasure that he will continue as a director. I owe him my sincere thanks for all the help he has given me during his deputy chairmanship.

There have been several changes of note among the more senior officers of the Bank. Mr W. H. T. Laidlaw, who has had considerable experience on the administrative side, having held the position of Chief Accountant of the Bank over twelve years, has been appointed Assistant General Manager (Administration). His successor as Chief Accountant is Mr T. I. Bond. Mr T. A. Samuel, our Leeds District General Manager, has retired after a distinguished banking career of forty-six years. Mr J. Servant, Assistant District Manager, who has for many years been concerned in our affairs particularly in that area, has been appointed to succeed Mr Samuel. In July last, Mr W. S. Roberts, LLM, who has been our Trustee Manager for the past ten years, retired and we record our appreciation of his most valuable service to the Bank extending over forty-four years. He has been succeeded as Trustee Manager by Mr H. C. S. Whalley, ACA, hitherto Trustee Sub Manager.

CAPITAL STRUCTURE AND RESERVES

The Bank's progression reveals a satisfactory picture and perhaps if, instead of looking just at the past year, we look at the past ten years we shall get our view in better perspective.

In the past ten years £1,989,958 have been added to our published reserves and these now stand at £6,150,000 or £1,834,904 in excess of our paid up capital.

Several times in recent years your Board has discussed the desirability of eliminating the callable and reserve liability on the partly paid shares. Once again this is under consideration and if a scheme proves feasible it will be submitted for your approval at the earliest possible moment.

Our deposits have expanded more than three times since 1938 and since the end of the war we have opened sixty-two new branches affording extra facilities to our customers, old and new, and added promotion to our staff. In addition, many of our older branches have been modernised and re-equipped. Overall, the number of our customers has increased by 16 per cent in these last ten years.

The other side of the picture is not so encouraging. Over these years expenses have mounted in an alarming manner and the profit margin has fallen. For instance each debit item now costs the Bank nearly double compared with ten years ago.

We are doing our utmost to employ the most economical methods and, in conjunction with other banks, giving the closest study to electronics and every possible mechanical aid in the hope that increases in bank charges can be avoided.

We are proud of our staff. It is their service, efficiency and courtesy on which the goodwill of the Bank ultimately depends and we gratefully acknowledge our thanks to them.

In the ten years our male staff has increased by 29 per cent and our female staff by 50 per cent, the latter figure being due mainly to increased mechanisation in the medium and larger branches. The increase in our total staff is 35 per cent and in the same period the volume of our routine work has increased by over 50 per cent. Although chiefly engaged on routine work our female staff are also encouraged to take higher responsibility so that they may fill posts for which they are suited.

Our Trustee and Overseas Branches show the same trend of continuing expansion.

Our association with agriculture grows steadily and this has been assisted by the opening of new branches in the farming areas.

THE ECONOMIC SCENE

Turning from domestic to national affairs during the first seven months of this year all seemed to be going according to the national plan.

The Government of the day, through varying controls and pressures, can and does canalise and direct the main stream of the country's economy.

The dearer money policy and the credit squeeze were slowly and surely having effect.

The balance of payments position had definitely improved, an annual deficit of £100 million for the whole of 1955 was converted into a similar surplus in the first half of 1956.

The pace of inflation had been checked though not halted and the price of consumer goods rose by only 2 per cent during the first half of this year.

The value of our exports had increased overall: the floating debt had fallen.

So much for the credit side. Now let us look at the debit side.

In spite of a huge expenditure on new works and new modern machinery, there has been little or no rise in productivity as related to man hours and a positive decline as related to cost in terms of wages.

Coal production has not responded as expected to the vast expenditure on mechanical equipment.

The sum of this means that our exports cost more and this at a time when we are meeting keener competition from other manufacturing countries.

In addition to high production costs, we have to carry a higher taxation load than any of our competitors, which further weights the scales against us.

This high level of taxation is our greatest single handicap. Not only has its own weight to be earned by productive industry but it is in itself a direct discouragement to greater efforts in that it almost kills all incentive. It encourages extravagance in maintenance on plant, be it buildings, machinery or ships, which are obsolete and should be scrapped but cannot be because maintenance is a charge against untaxed income whereas a new asset has to be paid for out of taxed income.

INCENTIVES NEEDED FOR NATIONAL SAVINGS

Profits and ploughed back profits are essential if industry is to exist, let alone expand.

These undistributed profits are industry's savings and are as essential as personal savings, individual or collective, in providing the new risk capital which is vital if our economy is to expand and not contract.

The National Savings Movement is doing a most praiseworthy task in encouraging thrift and so moderating current spending power in the home market, but these very savings at present are all converted into Government funds where there is no safeguard that they are not unproductively spent and thereby serve no positive purpose.

There are two sorts of savings. Compulsory saving is forced on each of us by direct and indirect taxation and this is required for the national expenditure and the servicing of the National Debt.

The voluntary savings are undistributed profits and personal savings, and these form the sources of funds for capital investment when subscribed to new commercial issues.

However, those millions invested in National Savings schemes are denied to industry and merely add to the Treasury's harvest.

If these savings were specifically earmarked for the improvement of our roads they would materially add to the country's productive efficiency.

In normal times the man hours wasted, the petrol consumed, the wear and tear to vehicles starting and stopping and the immobilisation of a large proportion of our motor fleet by traffic congestion on the roads, must add up to some gigantic figure during the year and make even the large sum required to provide new and better roads a sound and profitable proposition.

Admittedly, many acres of good agricultural land would be required for arterial roads but this could be compensated for by restricting new building to the many vacant sites of little, if any, agricultural value within the urban areas and by demolishing old and wasteful properties and erecting modern multi-storied buildings in their place.

If this and other incentives to definite objects were given to supporters of the National Savings schemes the response would surely increase.

The whole tax structure requires a complete overhaul, free from its old inhibitions and framed to encourage and not discourage thrift, venture and reward, and is the most urgent necessity to which the Chancellor should give his immediate attention.

SELLING ABROAD

When many manufacturers could sell the bulk of their output in the home market for prompt cash, the incentive to sell abroad under fiercer competitive conditions was small.

This is especially so when foreign customers demand deferred credit and the exporter has to comply with a host of clerical obstructions relating to licences, customs formalities and so forth.

The whole emphasis should be to encourage manufacturers to sell abroad rather than at home and one of the most useful contributions to this object would be a drastic simplification and, when possible, abolition of the formalities at present inherent in carrying through the simplest shipment abroad.

The era of easy, and often too easy, profits is rapidly passing and this should call for higher efficiency and determined effort. Many firms have courageously pegged their selling prices for many months ahead. Provided prices in other directions can be held in check, these firms should reap their reward not only in adding a spur to their own efficiency but also in making a major contribution in halting inflation.

Restrictive practices whether exercised by the workmen or by the employers are suicidal to both. The worker who denies the most economic use of the latest machinery is, in the long run and not a very long run, certainly working himself out of the very job that he imagines he is thereby retaining. Equally, the employer who refuses to re-equip his works will soon find himself out of business being unable to compete with his more venturesome competitors.

In a time of full and overfull employment, employers bidding against each other, in the belief that the additional cost can easily be passed on to their customers, is all too tempting as is the practice in times of temporary transition of keeping men not fully employed or on short time when they could and should be fully employed elsewhere and making a contribution to the national effort.

If we lived in a closed economy and were nationally self-sufficient all would be easy but, unfortunately, for our existence at all we have to buy food and raw materials from the world around us and that means that we have to sell our goods to others who are as keen buyers as ourselves and under no obligation or even interested in maintaining here a standard of living which we may think we deserve.

SAFEGUARDS FOR SUEZ

Since Colonel Nasser illegally seized the Suez Canal in July and the events which have followed, the whole picture for the world, Western Europe and ourselves, in particular, has become completely blurred and will remain in a state of uncertainty for some considerable time.

What is crystal clear is that the Suez Canal must be put back into full commission at the earliest moment, the existing plans for deepening and widening must be carried through in the next few years and real and effective safeguards secured to ensure that it will be open and remain open to ships of all nations for all time without fear or favour.

These safeguards will have to be something stronger than pious resolutions passed or vetoed at UNO. Past and present experience has shown how these are scoffed at and ignored. For the past five years Colonel Nasser has flouted all UNO requests to allow passage for ships to or from Israel and the position of Hungary today does not warrant any faith that UNO orders will be carried out.

Let us pray that a sound and just basis of settlement will be reached to give the world a chance of better living where faith in international good behaviour is justified, for if these things do not come about we, in this country as in others, will see unemployment and poverty in our midst.

MARTINS BANK LIMITED

STATEMENT OF ACCOUNTS, 31st December, 1956

LIABILITIES

Capital paid up	£4,315,096
Reserve Funds	6,150,000
Current, deposit and other accounts (including Profit and Loss Account)	324,979,508
Acceptances and engagements on account of customers	23,599,880
	£359,044,484

ASSETS

Cash in hand and at Bank of England	£28,009,384
Balances with, and cheques in course of collection on, other banks in the British Isles	18,591,505
Money at call and at short notice	25,918,500
Balances with banks abroad	381,023
Treasury Bills	79,425,000
Bills discounted	3,513,863
Investments	88,507,564
Advances to customers and other accounts	85,981,432
Martins Bank Executor and Trustee Company (Channel Islands) Limited	100,000
Trade Investments	641,728
Bank Premises	4,374,605
Liability of customers for acceptances and engagements	23,599,880
	£359,044,484

LONDON DISTRICT OFFICE: 68 LOMBARD STREET, E.C.3

HEAD OFFICE: WATER STREET, LIVERPOOL, 2

DISTRICT BANK LIMITED

CORRECTIVE MEASURES NEEDED FOR TEMPORARY PROBLEMS

COTTON INDUSTRY'S VARYING FORTUNES

SIR THOMAS BARLOW REVIEWS ECONOMIC DIFFICULTIES

The Chairman, Sir Thomas D. Barlow, GBE, has circulated, with the report and accounts, the following statement to the shareholders of District Bank Limited, prior to the 127th annual general meeting, to be held on February 8th, at the Head Office, Spring Gardens, Manchester :

Since our last meeting, Sir Robert Burrows has relinquished the office of Deputy Chairman, and Mr Leslie Shaw has joined Colonel Marshall Brooks as a Deputy Chairman. Mr Shaw has also become a member of the London Committee, and I am very pleased to have his help in both capacities.

During the year there have been some changes among the higher officials of the Bank. Mr F. A. Rushton, a Joint General Manager, has been appointed Deputy Chief General Manager. In September, Mr J. L. Riley, another Joint General Manager, retired on grounds of ill health, and I should like to take this opportunity of extending to him our best wishes for the future. Mr H. J. Higginbottom, General Manager (London), and Mr K. Ashton, an Assistant General Manager, have become Joint General Managers. Mr J. F. Walker, Assistant General Manager (London) is now General Manager (London).

STATEMENT OF ACCOUNTS

Compared with the previous year, our deposits show only a small variation, and stand at £241,909,016.

Turning to the assets side of the Balance Sheet, you will see that Cash, Money at call and short notice, Treasury Bills and Bills of Exchange show a liquid position. The total of these items represents 35.8 per cent of our liability to depositors.

During the year we added £3 million to our holdings of British Government Securities : all of these are repayable at fixed dates and a high proportion reach maturity within ten years. Investments again appear in the Balance Sheet at less than their market value.

Although the total of our advances is higher, the average level of lendings has been less than that of the previous year. The Authorities have emphasised more than once during the past twelve months their wish for a continuance of credit restraint, but it is becoming increasingly difficult for our customers to curtail their requirements any more drastically. There is, in fact, much to be said for some relaxation of the present restrictions, so that enterprise and the flow of business shall not be further impeded. As a brake on inflation, the limitation of banking facilities for the conduct of industry and commerce is an imperfect substitute for economy in Government expenditure.

The higher figure for Bank Property is explained by the purchase of properties during the year and by the rebuilding and extension of some of our existing premises. In the last twelve months, new branches have been opened at Eastbourne, Gloucester, Hereford and Worthing, and plans are well advanced for opening offices in other centres.

FOREIGN AND TRUSTEE SERVICES

The facilities offered by our Foreign Department were utilised very fully last year. That our customers should have found these services increasingly useful during recent years is most satisfactory because greater recourse to them is an indication of an expansion in overseas trade. No less satisfactory is the fact that progressive relaxations in the requirements of the Exchange Control Authorities continue to ease the burden of unproductive work.

As a consequence of the unsettled state of the Foreign Exchange Market and the pressure against sterling during much of the year, foreign exchange trading has been particularly active. On the other hand, the decision of many spinners to refrain from forward covering of hedges in the New York Cotton Futures Market led to a substantial decline in the level of our outstanding liabilities under forward exchange contracts. The effect of the interruption to the normal flow of this business is plainly visible in the much lower figure recorded in the Balance Sheet for Endorsements, Guarantees and other obligations on account of Customers.

Early in the year the Chief General Manager, accompanied by the Foreign Manager, visited Canada and the United States. In the course of their extensive tour they called upon many friends in banking and business and, in view of the Bank's intimate connections with the cotton trade, they made a special point of visiting correspondents in the Cotton Belt.

The services provided by our Trustee Department are in constant and increasing demand and all the Trustee offices continue to make good progress. A record amount of new business has been undertaken during the year and the total number of trusts under administration is now greater than at any time in the history of this Department.

THE YEAR'S PROFIT

Our Net Profit for the year, after the usual provisions have been made, is £663,060. This is an increase of £26,276 over the figure for 1955 and is satisfactory bearing in mind the constantly rising level of our working costs. Adding the amount brought forward there is for disposal £1,098,639 and of this we propose to allocate £300,000 to our reserve for contingencies. After this deduction and after providing for dividend payments at the same rate as last year there remains a sum of £474,520 to be carried forward to the next account.

Mechanisation has its place in modern banking, but it cannot be a substitute for personal service and it is a tribute to the management and staff that such good results have been achieved in a year which has not been without its difficulties. I should like to express appreciation and thanks to all concerned for the excellent way in which they have performed their tasks throughout the year.

NATIONAL ANXIETIES

Although the economic difficulties of which we were all so conscious this time last year remained operative throughout 1956, it was beginning by the late summer to look as if the Chancellor's corrective measures might prove sufficiently effective to ensure a gradual stabilisation of the economy. But the Suez incident changed the situation and the outcome is so uncertain that it is foolish to indulge in prophecies.

Naturally enough we are still much preoccupied with the very serious short-term consequences of recent events. Nevertheless these should not blind us to the fact that, as a member of the North Atlantic Treaty Organisation, we have undertaken responsibilities in regard to defence altogether beyond the capacity of our resources. Without implying that we have been selfless beneficiaries or that we have not, up to a point, been wilfully impractical in the economic ordering of our way of life, it does seem that our present overstrained position is largely due to these heavy obligations. This certainly appears to be so when it is considered that compared with the rest of Western Europe we devote a much larger share of our resources to defence and that of our national expenditure on research and development two-thirds are absorbed by defence. Much to the point, too, is the fact that our acceptance of relatively heavy commitments has so lightened the load for other countries that they have been able to develop new industries. Admittedly, if we do not participate in their establishment, others will: it would moreover, be grotesque to suppose that we can survive on our internal trade. Yet industrialisation has now reached a point where many countries in the pursuit of nationalistic aspirations not only manufacture for themselves goods hitherto supplied by us, but seek an outlet for their products in our home market. Disconcerting as may be this state of affairs, we must accept the situation, and be prepared to feel an even more severe impact from these newly formed overseas industries.

Yet that is not the only adverse factor with which we have to wrestle. Whilst we have eased the burden for other countries, some of which as a consequence enjoy comparative freedom from economic anxieties, we have deflected materials and manpower to defence in such quantity as to accelerate the upward movement of prices and wages and so aggravate our inflation. This relatively heavy outlay has meant that we have the lowest rate of internal investment in Europe: in other words, that we have relatively less of our national income available for the development of our essential productive industries. Plainly inflation and the lack of capital for these industries are serious embarrassment for a country which has to live by its foreign trade, and it seems to me more than time that we took steps to restore, and thereafter greatly strengthen, their competitive power. Urgent as may be these internal investment needs, the capital requirements for our nuclear energy programme are even more pressing, since imported coal and oil form an unrealistic basis for this country's economic growth.

THE NEED FOR ECONOMIC STRENGTH

This is not to suggest a complete reversal of policy but rather that we should bring our commitments into line with our existing resources. After all, it is becoming increasingly apparent that real strength is economic strength and we shall serve ourselves and others best by making sure that we have a margin over and above our obligations sufficient to enable us to expand our economy and build up our gold and dollar reserves.

Just how successful we shall be in this will greatly depend on how speedily we can produce larger quantities of saleable and suitably priced exports. But equally important is a profitable and expanding overseas market for the increased output which will result from our efforts. Here it seems to me that we cannot ignore the European free market which is now under discussion even though it may present severe problems to particular industries. Admittedly, we shall not gain a footing in this wider trading area without encountering keen competition from other members but, provided dumping and export subsidies are controlled, this competition should act as a spur to our greater efficiency in production and salesmanship and be accounted a benefit rather than the price we should have to pay for the larger market.

THE DOMESTIC ANGLE

Since, however, the European plan is in embryo and without immediate significance, it must not be allowed to deflect our attention from present necessities. Many of these are the outcome of years of economic improvidence. With too little regard for the hard work and the saving essential for the creation of wealth, we have been over-lavish with the accumulated resources of the past on luxuries and a too easy way of life. "The fault, dear Brutus, is not in our stars, but in ourselves, that we are"—profligate. Our persistently prodigal attitude is indeed largely responsible for our present weakness and it is high time that we came down to realities in domestic as well as foreign affairs.

That there is need to fortify our internal economy is made clear by the depletion of our gold and dollar reserves. But serious as this is, the Suez trouble has made the position more precarious by giving impulse to both inflationary and deflationary forces. Dearer imported food and raw materials, with higher freight and road transport charges, are forcing prices upwards. Although the rise in the cost of living has so far been relatively small, it has already resulted in demands for more wages. It is to be hoped that any such claims, unless supported by increased productivity, will be resisted: otherwise, instead of tightening our belts as we ought, we shall again be adding to productive costs. Against these inflationary pressures has to be reckoned the fact that falling profits are bound to induce a more cautious attitude towards development plans. But of more immediate importance is the running down of industry through the dislocation of supplies consequent upon the re-routing of shipping.

THE CORRECTIVE MEASURES

In view of the exigencies of our economic position and the resultant pressure on sterling, the decision to reinforce the pound by borrowing must be regarded as unavoidable. In fact, this support was forthcoming with a readiness which amounted to an acknowledgment of the importance of sterling to international trade. However, because any loans which we accept will have to be repaid and do not therefore in the long run add to the level of our reserves, it would be disastrous if we lacked the courage to turn the breathing space these financial facilities afford us to good account. As the Chancellor considers our trading position is strong and our payments gap will be manageable, it would appear that it is temporary problems rather than any fundamental disequilibrium in our economy with which corrective measures will have to deal. To the extent that their task is to curb home consumption it is satisfactory to know that they have not included physical controls, seeing that these are so damaging to production, and it is to be hoped that the restraints will prove effective enough without the need for a further increase in taxation or more stringent monetary measures. Nevertheless the situation calls for the utmost vigilance, since in certain circumstances inflationary or deflationary forces could necessitate speedy adjustments to fiscal and monetary policies.

But whether the steps that have already been taken will restore confidence in sterling is another matter. In this connection it can be argued that existing measures will have to be reinforced by a still more repressive fiscal policy and by dearer money. But it seems to me that it is the disciplinary measures as a whole rather than the level of taxes and interest rates through which foreigners will regain their faith in the pound. In point of fact to tax further our already overtaxed economy would tend to destroy rather than to create foreign confidence and, although monetary stringency may be called for, high short-term interest rates may make things more difficult than they need be. After all a high Treasury Bill rate did not enable us to retain short-term funds in the Autumn of last year. Yet such a rate means that we are having to pay millions of pounds abroad in interest and this imposes an additional strain on our external payments. That is one aspect of the problem, but a high Treasury Bill rate also encourages the public in this country to indulge its preference for liquidity and so prevents a long overdue funding of the Floating Debt. Surely the better way to create an overseas investment interest in sterling is to make a really serious attempt to cut down all unnecessary public expenditure. Some determination here would enable us to reduce taxation and thereby stimulate the inflow of long-term capital from overseas. Determination here would also make it possible for us to quicken the reduction of both short-term interest rates and short-term indebtedness: in other words we could cut down more decisively the cost of servicing our overseas balances and the volume of Treasury Bills at one and the same time.

It will indeed be extremely serious if our present troubles do not make us realise how pressing is the need for a curtailment in State spending. But how are we to do this? Parliament's continued inability to act vigorously in this matter may well be due to Members' understandable disinclination to incur the criticism of their constituents. Logically this leads up to a measure for which there is a precedent, namely the creation of an impartial body, acceptable to both sides of the House, empowered to examine Departmental expenditure and to effect all practicable economies. In my opinion this is the only way which seems to offer any hope of achieving worth-while retrenchment.

I think it would be right to say that we have muddled through the recurrent troubles of recent years because the difficulties with which we have had to contend were not formidable enough to reveal our hidden deficiencies. The present situation, however, is of so stern a character that it ruthlessly exposes accumulated internal weaknesses as well as external dangers. If, as a consequence, we have the vision to see what is needed and the resolution to exert ourselves so that appropriate remedies and readjustments are vigorously applied, then I think we may eventually be able to record that the critical period through which we are now passing has served to redirect us towards prosperity.

THE TEXTILE INDUSTRY

Needless to say the Bank has a great interest in all branches of the textile trade. Inevitably in such a complex industry different sections experienced varying fortunes over the course of the last twelve months.

In the cotton section neither home nor export trade provided much ground for satisfaction during the first half of the year. Indeed shipments overseas were less than the disappointing figures of the previous year. The uncertainty about raw cotton was one of the main reasons for the slackness of trade. Early in 1956, owing to the large volume of visible supplies, there was considerable apprehension about the trend of prices and buyers were reluctant to enter into commitments. But later on with unexpected and heavy sales by Egypt to Czechoslovakia and other countries the finer grades of cotton available were greatly reduced and values were inevitably affected.

The most outstanding factor in the situation, however, was the policy of the United States Government which, already faced with a large carry-over from previous crops, again augmented these stocks by taking off the market a substantial quantity of the new crop. The removal of this cotton and the subsequent sale at reduced prices of a considerable amount prevented Futures Markets from functioning in a normal manner. Hedging therefore became a perilous operation and had unfortunate consequences for many firms who in the ordinary way look to such transactions as the best insurance against price fluctuations. In these circumstances and also having regard to import regulations as well as exchange controls it is understandable that the Liverpool Market has found it extremely difficult to function properly.

Another serious problem confronting the trade has been the steady increase in our imports of cheap cloth and made-up goods. Their unrestricted and duty-free inflow from India and Hong Kong, which has been so menacing, continued unabated at least until the closure of the Suez Canal curtailed shipments. Before these imports are resumed it is to be hoped that the discussions which are taking place between the representatives of Far Eastern and United Kingdom industries will, both in their interests and ours, result in a satisfactory agreement.

Despite these complications and adverse influences there has recently been some improvement in the volume of business for the industry as a whole. It remains to be seen whether this is merely reaction from the earlier reluctance to buy and whether sales to distributors at current prices will be maintained. Since with the present improvement a shortage of labour is causing delay in the execution of orders the need is emphasised for modernisation and a highly trained labour force which will permit more continuous operation of costly machinery.

Meanwhile it is encouraging to see that noticeable headway is being made in the production of new yarns and new fabrics. In these developments man-made fibres are playing an increasingly important role and are helping to broaden the basis of trade. In assessing the prospects for textiles it is therefore essential that the opportunities for expansion presented by change and innovation should be fully taken into account.

FINMECCANICA

(SOCIETÀ FINANZIARIA MECCANICA) ROME, ITALY

DURING 1956 the companies in the Finmeccanica group sold abroad machinery and equipment worth about 60,000 million lire.

The following is an indication of the group's exports:

Turbine tanker of 36,120 tons (Cantieri Riuniti dell'Adriatico Shipyard, Trieste, and Cantieri Ansaldo of Sestri) for the tanker fleets of British Petroleum, Esso Standard and Panama Transport.

Motor passenger ship *Gripsholm* of 24,000 tons (Cantieri Ansaldo, Sestri) for Sweden.

Destroyer of 1,300 tons displacement (Cantieri Ansaldo, Leghorn) for the Venezuelan navy.

Hydraulic turbines, alternators and transformers (Ansaldo San Giorgio, Genoa) for the power stations at Stugun (Sweden), Ybbs Persenburg (Austria), Los Quiroga (Chile), Bihar, Madras, Travancore, Cochin (India), Los Molinos (Argentina) and Puerto Cabello (Venezuela).

Chemical plant (Ansaldo-Montecatini) for producing fertilisers at Sindri (India).

Rotary furnaces (Ansaldo) for cement works in Brazil, Colombia and Venezuela.

Buses and trolleybuses (Alfa Romeo, Officine Meccaniche Pistoiesi, Ansaldo San Giorgio) for the municipal authorities of Montevideo and Mexico City.

Electric trains (Imam, Aerfer, Officine Meccaniche Pistoiesi) for India; locomotives (Ansaldo) for Greece, India and Chile; freight cars (Cantieri Riuniti dell'Adriatico and Officine Meccaniche Pistoiesi) for India, Pakistan, Iran and Chile; sleeping cars (Ansaldo) for the International Sleeping Car Company.

Cotton spinning and weaving plants (Nuova San Giorgio, Genoa) for Iran.

Fixed and travelling cranes of 34 to 20 tons capacity (Navalmeccanica of Naples, Ansaldo, Cantieri Riuniti dell'Adriatico) for the port installations at Valparaiso (Chile), for the Assouan dam in Egypt, and for the Indian and South African railways.

Refrigeration plants (Termomeccanica of Spezia) for Yugoslav farm produce markets.

Cartridge-making plants (Fabbrica Macchine Industriali, Naples) for the Indonesian Government.

Tractors (Ansaldo-Fossati of Genoa-Sestri) of 150 hp for the Colonisation Institute at Madrid.

Motor lorry parts (Alfa Romeo) for the Fabrica Nacional de Motores of Rio de Janeiro.

"Giulietta Spider" cars (Alfa Romeo) for the United States.

Turbo-alternators of 6,000 KW (Ansaldo) for the power station at Rioturbio in Argentina.

180-ton lathe (Stabilimenti di S. Eustacchio, Brescia) for the Argentine navy.

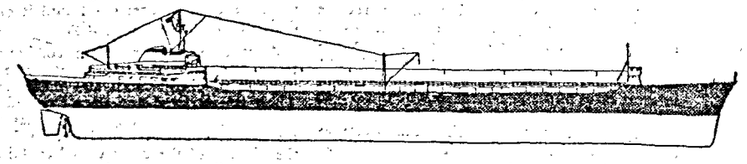
Radar equipments (Microlambda of Naples) for the Belgian navy.

FINMECCANICA'S FOREIGN ORGANISATION

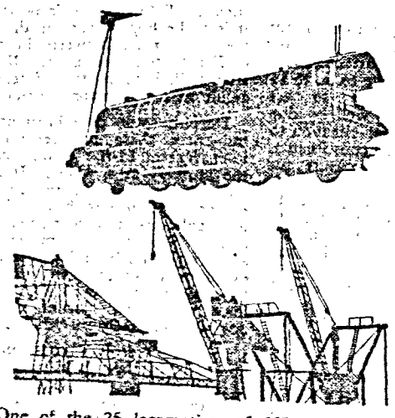
Seven representative agencies at New Delhi, Karachi, Rio de Janeiro, New York, Mexico City, Buenos Aires and Madrid.

The firms which make up Finmeccanica's trading organisation abroad are 275 in number, comprising 112 in Europe, 35 in Africa, 65 in the Americas, 53 in Asia and 10 in Oceania.

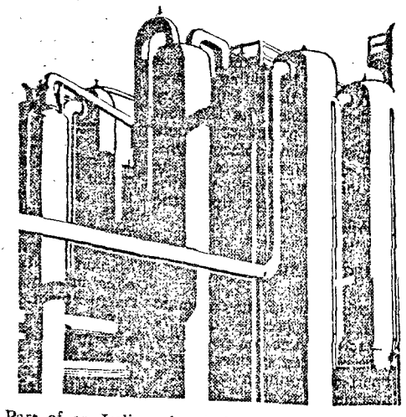
FINMECCANICA—44, Via Torino—Rome.



A 52,000-ton turbine tanker now being built at the Ansaldo Shipyard, Genoa



One of the 25 locomotives of 103½ tons weight supplied by Ansaldo to the Indian railways being shipped at Genoa on February 23, 1956



Part of an Italian chemical plant under construction at Sindri in India for producing 884 tons of fertiliser per day

J. H. FENNER & COMPANY (HOLDINGS) LIMITED

The twentieth ordinary general meeting of this Company and subsidiary companies was held on January 14, 1957, at the Queen's Hotel, Leeds. The following extracts are taken from a Joint Statement by Mr C. Bradshaw, FCA, the Chairman, and Mr S. B. Hainsworth, FTI, the Deputy Chairman and Managing Director.

FINANCIAL POSITION

The consolidated net profit of the Group is £428,096, compared with £407,914 for the year ended August 31, 1955. After adding the balance brought forward from the last account of £261,597 the sum of £689,693 has been appropriated as follows: Transfer to Mortgage Debenture Stock Sinking Fund £9,518, Provision for Taxation £266,756, Transfer to Capital Reserve £42,874, Transfer to General Reserve £150,000, Dividend on Preference Shares £3,953, Dividend on Ordinary Shares £35,938, leaving a balance to carry forward to next year of £180,654. It should be noted that in the provision for taxation amounting to £266,756 we have included a sum of £20,000 to cover any increase of taxation which might be brought into effect, and that the proposed Dividend on the Ordinary Shares has been computed on the increased Ordinary Share Capital resulting from the Bonus issue which was made during the year. It has been thought expedient to bring up the General Reserve to £250,000 by transferring £150,000 from the Profit and Loss Account and £50,000 from the Dividend Equalisation Account.

The trading results shown are, in the opinion of the Directors, satisfactory, and for your further information we now summarise the activities of your Companies.

FENNER MECHANICAL POWER TRANSMISSION EQUIPMENT

It can now be said that our V-belt pulleys with Taper-Lock bushes have been standardised by most of the leading industries in the United Kingdom.

It is clear that this business has developed, and will continue to expand, at the rate which we anticipated and, in order to cater adequately for the progress, we have found it necessary to curtail our operations at Heckmondwike in West Yorkshire and to transfer the manufacture of iron goods to a new factory built on our Marfleet site at Hull, which has been erected and is being equipped with machine tools at a cost of £350,000. Much additional expense will be incurred during the removal and as the result of the training of new staff.

Thus the manufacture of our entire range of mechanical power transmission equipment will be centralised in Hull, and we make daily deliveries to the eighteen stock-carrying branches which we maintain to serve our customers quickly throughout the United Kingdom.

The increasing demand for Torque-Arm reduction units for a wide variety of uses has been most satisfactory. It is clear, from field reports received over the past two years, that a high standard of engineering skill well maintained, coupled with good design work and first quality materials, can produce goods which find ready acceptance by industry on an increasing scale.

The demand for roller chain drives from the outset of the sales campaign encouraged us to lay plans and commence development work on an extension to the initial range of equipment. Duplex and Triplex sprockets have now been designed, capable of transmitting up to 90 hp, and with the necessary Taper-Lock bushes already available as part of the standard stock carried at Fenner branches, these larger chain sprockets will be available in the coming year.

The patented "Hainsworth" Variable-Speed Drive, whereby the driven speed can be adjusted to suit the varying requirements of a machine or installation simply by rotating a hand wheel, continues to be recognised as an indispensable component by both manufacturers of original equipment and users alike. The distinctive, robust, and scientifically designed belts ensure good life and service under most arduous conditions.

Much development work has been accomplished on flame-resistant and anti-static conveyor belts for use in National Coal Board pits; but it is doubtful whether any manufacturer has solved all the problems associated with the provision of such belts for use under the new conditions which apply as the work at coal faces is mechanised. It is, however, certain that the conveyor belt is still the quietest, most simple medium which can be employed for moving coal.

OVERSEAS TRADE

The products of J. H. Fenner and Company Limited, the manufacturing Company, and its subsidiaries, are marketed abroad by the Overseas Company through a quite separate and specialist organisation conversant with the many requirements of markets for our equipment throughout the world.

The Executives of the Group, according to the particular needs of the assignment, are available to go abroad for short or extended tours. One of us, your Managing Director, Mr S. B. Hainsworth, was in India, Pakistan, and Ceylon for two months in the early part of the year for consultation with the agents in those territories, visiting also the subsidiary, J. H. Fenner and Company (India) Limited, in Calcutta, and attending the opening ceremony of the new factory which is producing Fenner and Cockill products at Madurai, South India.

Other tours undertaken for the purpose of assisting in technical field representation covered such important markets as the Scandinavian countries, Western Europe, the Middle East, British East Africa, the Central African Federation, and Australia. We know that our many good friends in such widely separated places appreciate this real interest in their affairs and the assistance which we give in developing their business still further; equally we are always pleased to extend hospitality for discussion and training to overseas visitors, who take advantage of these facilities on an increasing scale as the years go by.

FENNER COCKILL, LIMITED

During the year the new Fenner Cockill factory in India has been built and operated with the co-operation of our good friends, Messrs A. and F. Harvey Limited, of Madurai, and production for sale has started. The organisation and installation of the plant and the starting of machinery was in the hands of Mr Alfred Reeder, a Director of the new Company. At the time of the preparation of this Report, the unit at Madurai is producing woven belting, spindle tapes and industrial V-belts to a satisfactory standard of quality and in satisfactory quantities. Thus the long established Fenner and Cockill names and brands in India will continue to be made available in that market.

FENNER DODGE LIMITED

It is with real pleasure and satisfaction that we are able to report that a new Company, Fenner Dodge Limited, has been created whereby the common interests of the two companies in the development of new and improved mechanical power transmission equipments are placed on a practical basis. Mr David Firth, Vice-President in Charge of Engineering at Dodge, was nominated as a first Director of the new Company.

SCOTTISH AGRICULTURAL INDUSTRIES LIMITED

LEITH FERTILISER WORKS NEARING COMPLETION

MR W. D. SCOTT OUTLINES NEW SAI CONTRIBUTION TO PROSPERITY OF SCOTTISH AGRICULTURE

The twenty-ninth Annual General Meeting of Scottish Agricultural Industries Limited was held in the North British Hotel, Edinburgh, on January 17th. The Chairman, Mr W. D. Scott, presided. In the course of his remarks, the Chairman said:

In the Report which was sent to you before Christmas, there are certain points on which I wish to comment. You will recall that on June 7th you gave us authority to increase the capital of the Company, using £826,400 of our Capital and Revenue reserves. Your Directors recommend a final Ordinary dividend of 5 per cent, which with the interim dividend of 3 per cent makes 8 per cent for the year. Last year the dividend was 11 per cent, but this was on the old capital and is equivalent to 7 6/7th per cent on the present increased capital. There has, therefore, been a fractional increase which accords well with the views we expressed last May. We have already replaced, out of the year's profits, the sum of £174,191 taken from Revenue reserves towards last year's capitalisation. The turnover for the year reached the record figure of almost £24.2 million, compared with £23.2 million in 1955, largely due to increased consumption of fertilisers. Our profits before taxation have gone down by £71,570 from £1,162,945 to £1,091,375, but these are not unsatisfactory when we consider that during the financial year under review our dealings in farmers' grain were reduced as a result of the harvest in 1955 being early and that in 1956 being late. You will have observed that stocks have risen over the year by more than £700,000. This is due partly to a deliberate increase in our stocks of fertiliser raw materials, particularly phosphate rock, which is mentioned specifically in the Report, but it is also due in part to the fact that farmers did not take early delivery of fertilisers as they did in August and September, 1955. Then farmers had enjoyed an easy harvest and before them was the prospect of price increases for fertilisers. Last August and September there were no such incentives and the deliveries, and the trading profits to which they give rise, will come into the current year's accounts.

FUEL RATIONING

I should now like for one moment to refer to the effect of the Suez developments upon future deliveries of fertilisers. Petrol and oil rationing will seriously affect road delivery services during the peak spring months immediately before us. Costs are rising and, despite all our efforts, price increases appear to be inevitable sooner or later. There is, therefore, every reason for the farmer to take his supplies early, and we are doing all we can to persuade our customers to draw from the stocks of granular compound fertilisers which we have ready for immediate delivery.

CAPITAL EXPENDITURES

We have spent, and will be spending, large sums of money to keep in the forefront of our business. You will have read in your Directors' Report of the progress made at our Leith Works during the year under review. When this works is completed, it will have cost more than £3 million, by far the largest sum spent on one project since the founding of your Company. The Leith factory is being built on a new site and although it will incorporate all the latest techniques of fertiliser manufacture, it is still essentially a replacement of our existing manufacturing capacity with, of course, sufficient in addition to meet expansion of the market. We will accordingly, only to a limited extent be entering new markets and finding new sources of profit with the products of this new works. The money for this project will be found from the Company's existing internal resources and from further funds becoming available as the work proceeds. We expect to achieve this and at the same time maintain dividends at the present level.

Your Board believes that the money and skill which are being devoted to the building of Leith Works will make a substantial contribution both to the prosperity of Scottish agriculture and to that of your Company.

The report and accounts were adopted.

ALLIED BAKERIES LIMITED

At an Extraordinary General Meeting of Shareholders, held on January 15th, in London, the Chairman, Mr W. Garfield Weston, reviewed the background leading up to the resolutions before the meeting, and said:

As a result of large retentions of profit, our issued share capital is very much less than the actual capital employed in our businesses and we have obtained the consent of the Capital Issues Committee to the capitalisation of £2,796,426 from our Reserves. If you approve the resolutions which will be put before you this morning, that amount will be applied to the paying up in full of 5,592,851 each of our "A" and "B" Ordinary Shares which will be issued to our existing Ordinary Shareholders in the proportions of one "A" and one "B" Ordinary Share for every two "A" or "B" Ordinary Shares held.

I think I may reasonably anticipate that the profits of our year which ends on March 31st next will be not less than those for the previous year.

Your Directors have followed a very conservative policy with regard to the payment of Dividends but increased earnings resulting from the employment of additional capital justify them in deciding to make some increase in the amount to be distributed.

You will be aware that a first Interim Dividend of 15 per cent, as against 10 per cent last year, has been paid. We hope that it will be possible to maintain this higher level in the amount distributed when we come to consider the payment of the remaining two dividends in respect of the current financial year, but the rate of dividend will need to be halved to 7½ per cent on the increased capital.

The resolutions were passed.

JOSHUA HOYLE & SONS

FACTORS AFFECTING THE INDUSTRY

The Annual General Meeting of Joshua Hoyle & Sons, Limited was held on January 10th at India Mill, Bacup, Mr A. Duckett, JP, the Chairman, presiding.

The following are extracts from his circulated statement: Group trading profit amounted to £378,106, which after deducting exceptional writing down of stock of £269,237, leaves £108,869, compared with £632,983 for the previous year.

The Company has experienced another very difficult year of trading. Not the least of the very disturbing factors throughout our industry is the increasing volume of imported Commonwealth and foreign cloth, providing extremely severe competition both in our home and export trade. If the Government continues to pursue the present policy of allowing duty free goods into the country, there will necessarily be a greater contraction of the whole industry in Lancashire, the damaging effects of which on the national economy cannot be over-emphasised.

When the US Government introduced a two-price system for the marketing of raw cotton, retaining one price for their domestic market and, at the same time, subsidising raw cotton exports, we were involved in a loss of £269,237, as a direct consequence of this unforeseeable change in marketing principles.

Our Technical Research Departments continue to investigate fully the many man-made fibres at present available. In addition to our activities in the fields of filament and spun rayon and nylon, we are directing our attention to the production of cloths made from "Terylene" and acrylic fibres.

The report was adopted and the total dividend distribution of 8 per cent approved.

R. A. LISTER & COMPANY LIMITED

The Annual General Meeting of R. A. Lister & Company Limited was held on January 11th at Dursley. The following are extracts from the speech made by Sir Percy Lister, the chairman, who presided:

From the Consolidated Accounts you will observe that during the financial year ended September 30th last, once again a record year has been established by your Group of Companies, and for the first time the profits have passed the £1 million mark.

These satisfactory results have accrued as a result of the continuous and steady expansion over the past ten years of your Group's productive capacity at home, and the progressive development of your Group's distributing organisations in the domestic and overseas markets. It can be truly said that today there is no country in the world in which the products of your Company are not known and do not enjoy an enviable reputation on account of their quality and value.

It is perhaps fitting that your attention be drawn to another important contributory factor, namely the wide variety of the products of your Group of Companies which are either from a sales or production point of view, of a complementary nature. As evidence of this, you may be interested to know that the same factory that produces the many thousands of packing cases every month is also responsible for the production of the ever-growing volume of garden seats and furniture specialities, and a very large percentage of the Lister sheep shearing and horse and cattle clipping machines is driven by Lister Engines.

A year ago I made reference to the issue of 5 per cent Unsecured Loan Stock, repayable in 1965 or earlier at the Company's option, and it is of interest to note that in the last two financial years we have made a profit of £2 million of which approximately £1 million has been paid to the Chancellor in taxes, £500,000 to the shareholders, and £500,000 has been retained in the business—a healthy provision towards the future capital requirements of the business, in which today the capital employed is £3,940,000 from Share Capital and over £2,100,000 of reserves and undistributed profits, a total of over £6 million.

During the year under review, amongst the interesting contracts which have been awarded to our Group of Companies, were a repeat order from the British Railways for Blackstone Diesel Engines for Shunting Locomotives, a contract for Marine Propulsion Engines for Oil Tankers, and a substantial contract from Egypt for Pumping units for Rural Water Supply. In connection with the latter contract whilst current circumstances will not permit of any payment on account of any unshipped portion of the contract, any losses which may occur from abnormal influences on trade resulting from the "Suez Canal Problem" will, I am happy to say, be small, and have so far as is possible been provided for in the figures before you.

The expanding range of our new Lister Air-Cooled Diesel Engines and the Lister and Blackstone range of Marine Propulsion and Marine Auxiliary Engines is attracting a lively interest and growing demand in the home and export markets, and our contribution to the dollar needs of the nation shows a steady and healthy expansion. The new Multi-Level Loader and the small Diesel-Engined Runabout Truck introduced during the year under review have met with an encouraging demand, and the new products to be introduced during the current financial year will, we believe, meet with a like response.

The effect of varying forms of restriction on imports in many Overseas Markets, together with the growing tendency towards the encouragement of secondary production in such markets, coupled with the fact that, as markets for political or economic reasons close, the competition in the remaining ones left open becomes more intense, makes it essential that nationally and individually we "cut our coat according to our cloth." It will be obvious that the nation must limit the burden of taxation and the burden of the continual rises in the charges of our nationalised industries if the inflationary repercussions resulting therefrom are to be kept within reasonable bounds.

Only by the increased effort of every firm and individual can we as a nation continue to face the ever-increasing foreign competition and retain that share of the export trade which above all else is so essential to the well-being of our people.

The report was adopted.

APPOINTMENTS

THE UNIVERSITY OF SHEFFIELD

CHAIRS OF ECONOMICS

Applications are invited from economists in any branch of the subject for two CHAIRS of ECONOMICS, both vacant at the end of September, 1957, one by the retirement of Professor G. P. Jones, and the other a newly created Chair. One of the professors will be appointed Head of the Department of Economics. In addition to its present functions the Department will in future assume responsibility for the conduct of teaching and research in Business Studies, for which exceptional local facilities are available. Salary £2,150 a year, with F.S.S.U. provison and family allowance.—Further particulars should be obtained from The Registrar, The University, Sheffield 10, to whom applications (25 copies, one only from overseas candidates) should be sent by February 16, 1957.

UNIVERSITY OF WESTERN AUSTRALIA

Applications are invited for the *CHAIR OF ECONOMICS*, the present occupant of which will retire in December, 1957.

The salary of the Professor will be £A3,024 per annum, which includes a present cost of living allowance of £24. An allowance is made towards travelling expenses.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

The closing date (receipt of applications, in Australia and London, is *March* 31, 1957.

NATIONAL HEALTH SERVICE

TRAINING POSTS IN HOSPITAL ADMINISTRATION

The Minister of Health and the Secretary of State for Scotland invite applications for up to sixteen training posts in hospital administration.

Successful applicants will hold these posts for a maximum of three years, beginning in the autumn of 1957, and will be given practical experience of all branches of hospital administration, together with courses of instruction at the University of Manchester or at the Hospital Administrative Staff College of King Edward's Hospital Fund for London.

A short list of applicants will be called for interview by a Selection Committee.

Applicants should be not more than 30 years of age at 1st September, 1957, but the Selection Committee has discretion to accept applicants up to 35 years. If already employed in the hospital service they should either

(i) be a graduate of a British university, or
(ii) be the holder of a professional qualification acceptable to the Selection Committee, or
(iii) have had at least three years' experience in the hospital service on 1st September, 1957, and to have passed at least the intermediate examination for a professional qualification.

If not employed in the hospital service they should either

(i) be, in September, 1957, a graduate of a British university, or
(ii) be, in September, 1957, the holder of a professional qualification acceptable to the Selection Committee.

Applicants should have discharged their obligation for national service.

Applications will be considered from students who are due to take their final examinations in 1957.

The salary during the training period begins at £540 plus a small duration allowance, and is subject to an increment of £20 in the second and third years. Applicants already in the hospital service will retain their present salary scale if higher than this. Training fees will be met.

Further information and application forms can be obtained from University Appointments Boards or by writing to the Secretary, Department of Health for Scotland, St Andrew's House, Edinburgh, 1, or to the Secretary, Ministry of Health, Savile Row, London, W.1. Applications should be completed and returned to the Secretary, Ministry of Health, not later than Thursday, 28th February, 1957.

DUNLOP RUBBER COMPANY LIMITED

invite applications for the position of:

DEPUTY CHIEF ENGINEER

of its rubber factories, the appointment being next in line for the position of Chief Engineer.

Candidates, preferably in their forties, should have a degree in Engineering or comparable qualifications; a wide practical experience in mechanical engineering in its broadest aspects, in the U.K. or abroad, and have held positions carrying executive responsibility not necessarily in the Rubber Industry.

Foreign languages an advantage.

The post is based on the Company's Head Office in London.

Applications in writing, giving full particulars of qualifications and experience, to: Secretary, Dunlop Rubber Company Limited, St. James's House, St. James's Street, London, S.W.1.

NATIONAL COAL BOARD, East Midlands Division invite applications for a responsible post in the Training Branch of the Staff Department.

The successful candidate will deputise for the Divisional Staff Training Officer in his absence and assist him in all aspects of the education and training of non-industrial staff and junior officials and the education of industrial employees including apprentices. A degree or equivalent qualification is desirable and some previous experience in the field of Staff Training would be an advantage.

The post is superannuable, and salary will be on a scale of £1,085 to £1,475, according to qualification and experience.

Applications, in fullest detail, to Staff Director, East Midlands Division, National Coal Board, Sherwood Lodge, Arnold, Notts, not later than January 25, 1957, quoting S.V.683.

ST. ANNE'S COLLEGE, OXFORD

Applications are invited for the post of BURSAR and SECRETARY to the GOVERNING BODY, for general administrative duties and management of college property and finance. The woman appointed would be eligible for an official FELLOWSHIP after one year. The post might be combined with some academic work. Salary £900 × £25, rising to a maximum, in the case of a graduate of £1,250; starting point according to age and experience. The post is pensionable under F.S.S.U.—For further particulars apply to the Principal.

EMPLOYEE MANAGEMENT RELATIONS

MOBIL OIL COMPANY LIMITED offers opportunities to men who want a career in Employee Relations or who recognise the value of experience in this field as a qualification for promotion in another function. Due to extension of activities candidates are sought for two positions in London Headquarters Employee Relations Department. Appointment and subsequent progress will give opportunity to explore whole field of Employee Relations, including labour relations, recruitment, research, policy development, salary administration and job evaluation—at headquarters and plant levels.

Candidates, not over 30 years, and with a record of progress, must have good educational background, preferably with Honours Degree—arts or technical—and possess personal qualities colloquially described as management potential.

For one position, experience in Employee Relations is required. For the other position, several years' general experience in industry might be acceptable if combined with high personal qualities. The Company is advanced in Employee Relations policies and practices, thus salary, benefits and conditions of employment are good.

Apply in writing to Employee Relations Manager, Mobil Oil Company Limited, Caxton House, Tothill Street, S.W.1, quoting Ref. E.R.3.

McCANN-ERICKSON ADVERTISING LIMITED

In the course of further expanding its Research Department, McCann-Erickson has a vacancy for another RESEARCH EXECUTIVE. Applications are invited from men or women with recognised professional qualifications in psychology, and with sound experience in some field of practical research. Initial salary within range £900-£1200, depending on qualifications and experience. Applications in full detail to Director of Research, McCann-Erickson Advertising Ltd., McCann-Erickson House, Fetter Lane, London, E.C.4.

MANAGEMENT SELECTION LIMITED have been retained to advise on the selection of the

GENERAL SALES MANAGER

for a substantial engineering company in the South with a turnover of several millions in domestic electrical appliances. The company is preparing to augment its range of products and duties will include expansion of sales of present lines and marketing of new ones to meet targets based on market research data.

Candidates must have extensive experience of sales and sales management using modern techniques in competitive selling to a mass market: this should include marketing of consumer or industry, government or municipal posts. The degree (preferably in statistics or economics) would be an asset and desirable age 35 to 40. Starting salary will be not less than £3,000 with prospects of wider responsibilities if results give proof of ability.

Please send brief details, quoting reference (S222), to H. E. Roff, Management Selection Limited, 17 Stratton Street, London, W.1. No information will be passed to our clients until candidates have been told their identity and have given permission after personal discussion.

ASSISTANT IN LABOUR DEPARTMENT

Applications are invited for the appointment of an Assistant in the Labour Department at the Redbourn Works of Richard Thomas & Baldwins Ltd. This works is a fully integrated steel plant employing approximately three thousand people.

The successful candidate will require to have a keen mind which can be brought to bear on wage negotiation and general labour problems. Experience in these matters, although an advantage, will not be as essential as the general outlook of the applicant towards industrial labour problems, and his capacity for negotiation.

A good starting salary will be paid.

Application forms are available from the Labour Officer, Richard Thomas & Baldwins Limited, P.O. Box No. 7, Redbourn Works, Scunthorpe, Lincs.

CHARTERED or Incorporated Accountant or member of A.C.W.A. required as assistant to the Internal Auditing Section of Group of manufacturing companies, headquarters in London. Factories are situated in London and the North. The vacancy and prospects are particularly suitable to a recently qualified man or one in his final year age 23-30. Write details of age, education and experience and indication of salary level to Box 602.

YOUNG SOLICITOR required by large industrial corporation for post in their Legal Department in London. The post would suit a recently qualified man with sound training but limited experience, who will be engaged principally upon work in connection with Common Law claims and Town and Country Planning matters, including local enquiries. Good opportunities for gaining a wider experience of the law. Appointment (superannuable) with initial salary between £834 and £962, but an able and energetic man can expect advancement when he has proved his worth.

Write, with full particulars of age, education, qualifications and experience, to Box 603, before January 28, 1957.

OPERATIONAL RESEARCH

COURTAULDS LIMITED have the following two vacancies for Senior Assistants in their Central Operational Research Department in Coventry. This Department is concerned with a very wide range of problems in the management, production and technical fields and offers ample scope for originality.

(a) *Mathematical Statistician*

Applicants should hold a good degree in statistics, or in mathematics with post-graduate study or experience in statistics. This post offers considerable opportunities to suitably qualified men. Investigations in hand at present include: queueing and related topics, experimental design, programming techniques and electronic computer applications. There is also scope for mathematical research of a fundamental character into special problems in the production field. Reference number C.80.

(b) *Scientist or Engineer*

Applicants should hold a good degree in one of the following subjects: Physics, Chemistry, Mechanical, Electrical or Chemical Engineering. Corresponding industrial experience would be an advantage. The post requires primarily a man with practical insight and constructive imagination. He should have an interest in mathematics and candidates with some acquaintance with statistical methods are particularly welcome. Reference number C.82.

A good starting salary will be paid in both cases depending on qualifications and experience, and the appointments are pensionable.

Candidates should write for a detailed form of application to the Director of Personnel, Courtaulds Limited, 16 St. Martins-le-Grand, London, E.C.1, quoting the appropriate reference number.

STATISTICIAN with good knowledge of sales analysis, market research and business organisation needed by firm of international repute in the food industry. Good scope for successful applicant. Age 26-35 years. Reply to Box 601.

PERSONAL SECRETARY

to Senior Executive. Highly experienced, early 30's, proficient stenographer seeks responsible post (London) requiring intelligence and efficiency.—Box 604.

UNIVERSITY OF LONDON

A lecture on "Ministerial Responsibility in France Today" will be given by Professor R. Pinto (Paris) at 5 p.m. on January 29th at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. ADMISSION FREE, WITHOUT TICKET. James Henderson, Academic Registrar.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

Notice is hereby given that the SHARE TRANSFER BOOKS of this Corporation will be CLOSED from March 1 to March 15, 1957, both days inclusive, for the purpose of preparing for payment of dividend for 1956.

B.Sc.(ECON.) LONDON UNIVERSITY

UNIVERSITY CORRESPONDENCE COLLEGE provides postal tuition for the above Degree (obtainable without residence), which is a valuable qualification for those seeking executive appointments in commerce or industry, government or municipal posts. The College, established 1887, is an Educational Trust. Highly qualified Tutors. Low fees. Prospectus of U.C.C. Courses for London Degrees and Diplomas, G.C.E. free from the Registrar, 60 Burlington House, Cambridge.

CITY OF JOHANNESBURG

5 PER CENT REDEEMABLE STOCK 1959/62

NOTICE is hereby given that in order to prepare the Warrants for Interest due March 1, 1957, the Transfer Books of the above mentioned Stock will be closed from February 1st until February 8, 1957, both dates inclusive.

For Barclays Bank D.C.O.
(London Registrars of the above stock).
G. A. D. HARRISON, Manager.

Circus Place, London Wall, E.C.2.
January 8, 1957.

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DIVIDEND No. 278

Notice is hereby given that a DIVIDEND of 50 cents per share upon the paid-up capital stock of this Bank has been declared for the current quarter and will be PAYABLE at the Bank and its branches on and after March 1, 1957, to shareholders of record at the close of business on January 31, 1957.

By Order of the Board.
K. M. SEDGEWICK.
General Manager.

January 16, 1957.

EXPERT POSTAL TUITION

for Examinations—University Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus—and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2).

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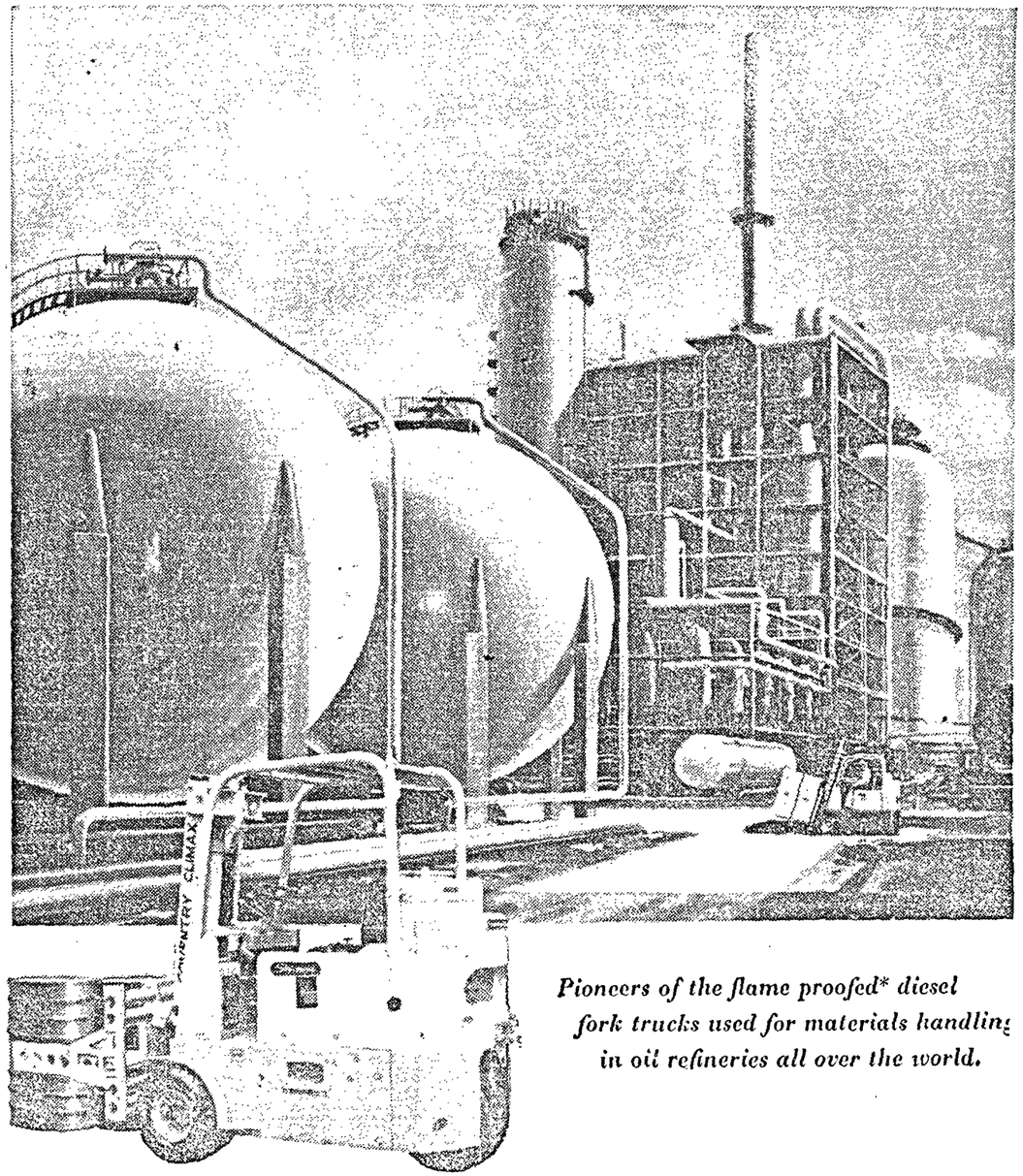
or call at 30 Queen Victoria Street, London, E.C.4.

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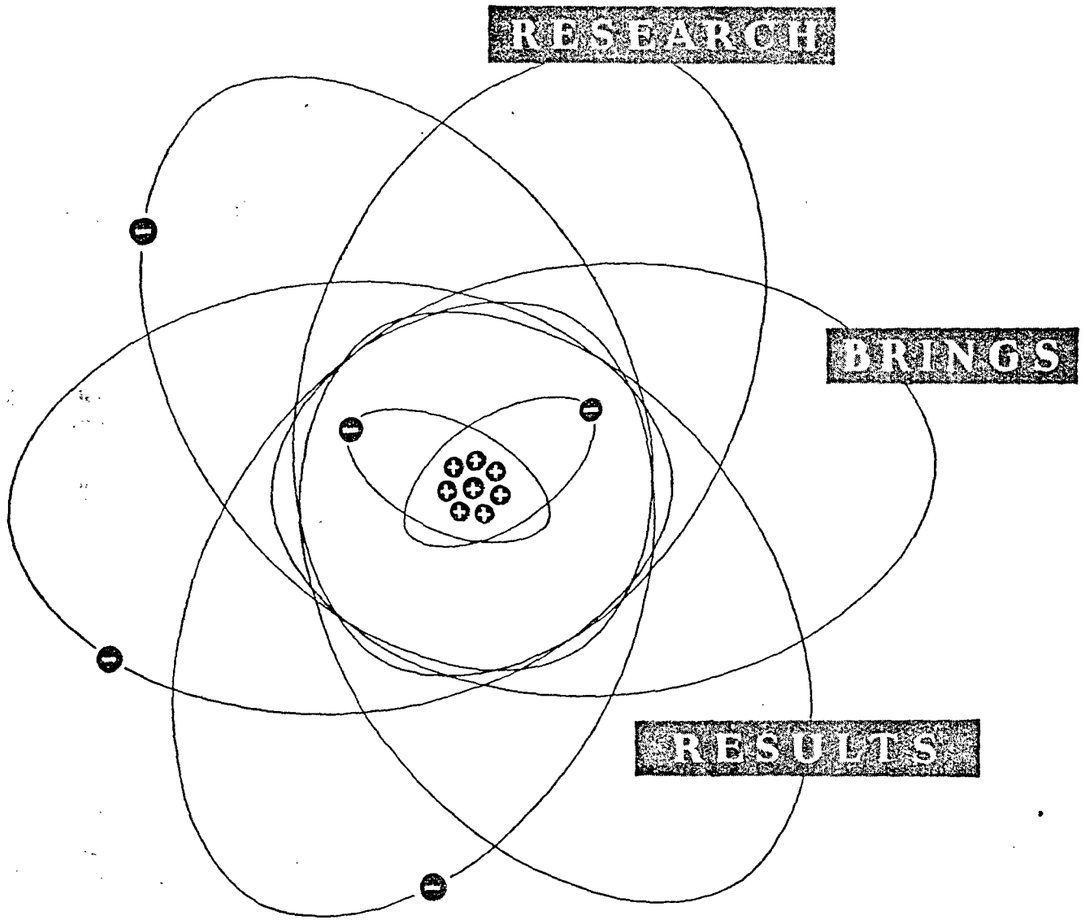
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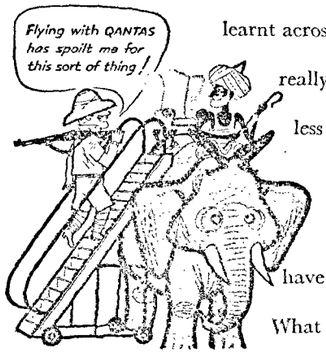
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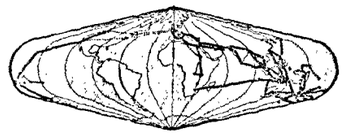
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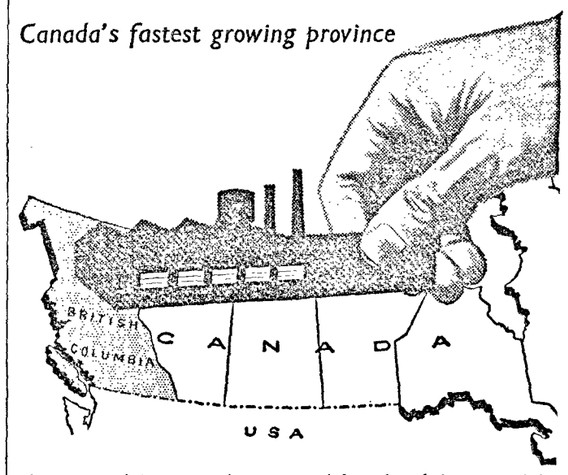
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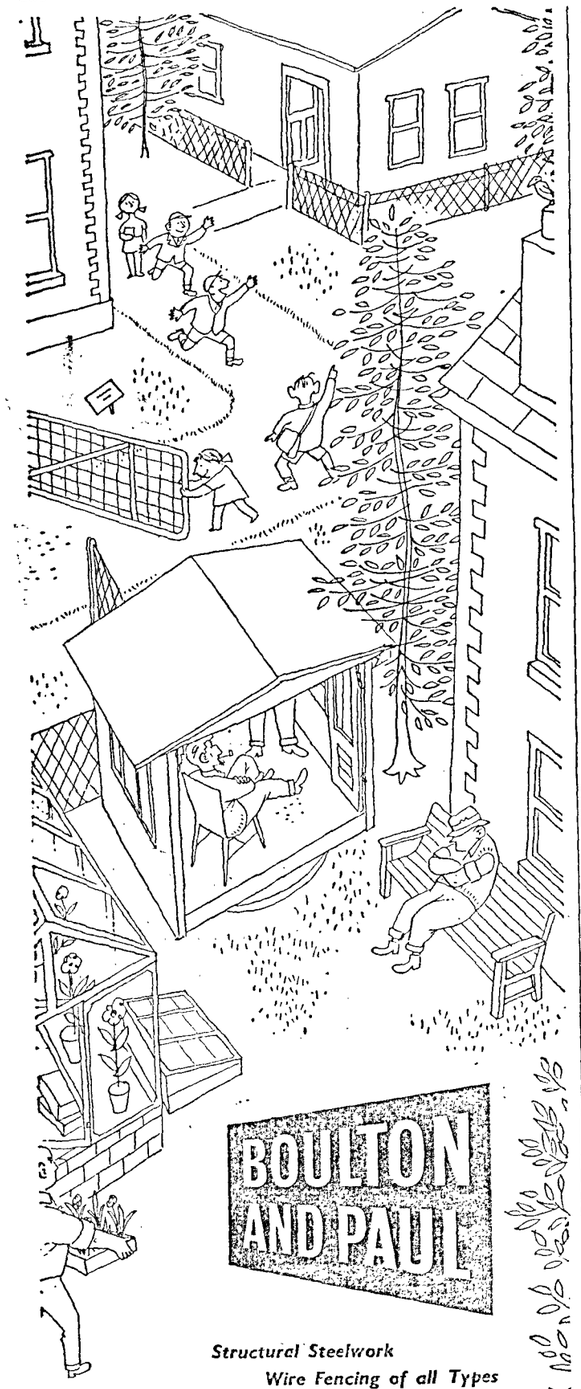
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DEPARTMENT OF TRADE & INDUSTRY

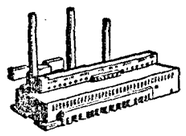


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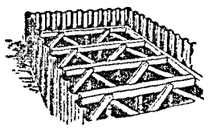
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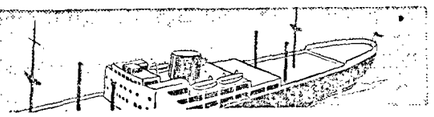
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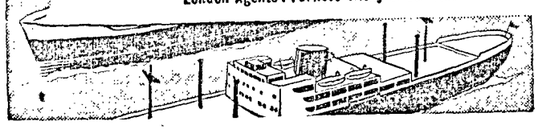
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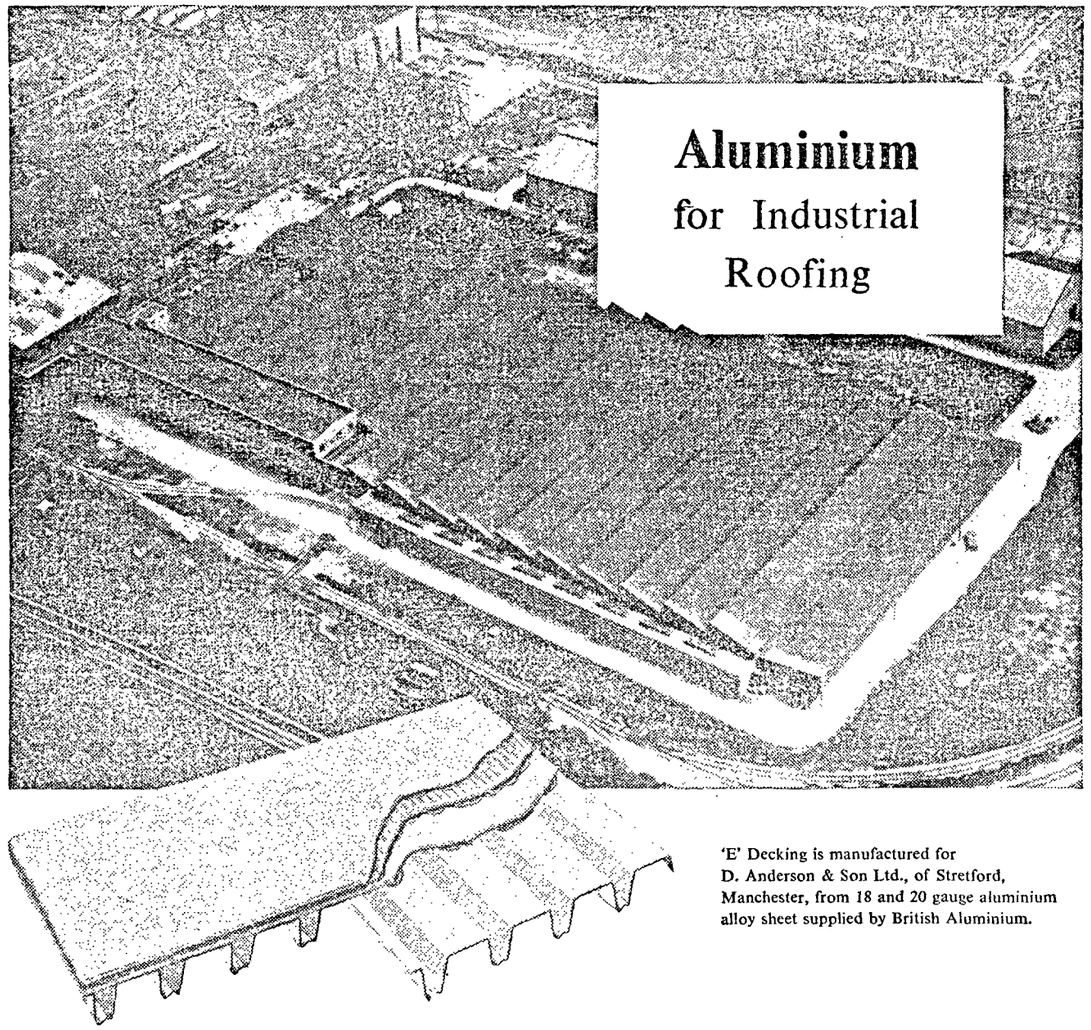
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Britain into Europe

THE need to work closely with Europe is a favourite theme of Mr Macmillan's. As Prime Minister, he has now to put it into practice. But he, and other Conservatives, need to get their emotional impulses for and against this venture sensibly disentangled. A proper emotional impulse behind the burgeoning alliance is the recognition that, in the past twelve years, one of the saddest aspects of British policy has been the disillusion of the hopes which many Europeans placed in Britain. Britain has played a part in co-operative bodies like the Organisation for European Economic Co-operation, but it has baulked at each political gesture—like joining the Coal and Steel Community (remember Mr Strachey's talk of a " plot ") or the European Defence Community—which would have involved a wholehearted commitment. In war, Britain stood for Europe and won a great capital of affection and respect ; it was a bitter disappointment to many Europeans that it surrendered that status in peace. Mr Macmillan has a chance to recover some of the country's credit.

The wrong emotional impulse in favour of the venture, very prevalent among some Conservatives, is the desire, not so much to back up Europe and get its backing, as to back into it. Ernest Bevin's instincts were certainly right in 1949 when they told him, as the Russian threat towered over Europe, that no European relationship must ever be allowed to mar our friendship with the United States ; nor must it impair our special ties with the Commonwealth. The notion of a mythical " third force " in Europe, separate from or opposed to the United States, enjoys no more acceptance on the Continent than in Britain, and perhaps even less ; the European partners would not play such a dangerous and barren game even if—which is, it must be hoped, unlikely—Britain were to wish it.

A wrong emotional instinct *against* the change in these last ten years, however, has been the feeling that Britain can best protect these special Commonwealth ties, like a husband anxious not to compromise himself in his wife's eyes, by an attitude of huffy and uninfluential isolation towards the special ties now being forged among our neighbours. Here we have merely misinterpreted our own self-interest. To the continental countries Britain's overseas links are one of the assets which recommend Britain as a partner ; similarly, the English-speaking world would welcome stronger British links with Europe. Left to themselves, continental countries have, it is true, struggled forward with forms of integration whose federalist element has been unacceptable to Britain. But both EDC and the Coal and Steel Community might have taken very different forms if Britain had played a part in their creation from the start. The folly of Britain's European policy has been that, though Britain has moved closer to Europe than ever before and played a real part (within certain severe limits) in the inevitable trend towards greater unity, it has moved in such a grudging and reluctant way that it has earned resentment instead of credit, and European plans have been moulded by others.

Mr Macmillan's task is to dispel this mood, to see Europe's need for solidarity as a political opportunity, to take new initiatives towards greater co-operation (above all in the economic field) and yet to cast them in a liberal pattern which will guard intact Europe's political and economic ties with the wider western world. The best immediate hopes lie in three strictly practical developments. First, a good start has been made with the project for a free-trade area around the common market which six continental countries hope to set up, and with which nearly all western Europe will join provided we do. The free-trade plan was inspired in part by fear that the common market would shut out British exports. But it is also imaginative and far-seeing, presenting perspectives of growth and challenge that would outweigh its risks even if the common market were to fall by the wayside. At a time when Commonwealth preferences are rapidly dwindling away, it will open to British industry the swiftly growing markets of industrialised western Europe—competitive, but rich and diverse in promise like those which British exporters are beginning to tap in the United States. At home, it will bring new competition, but though this may be painful for certain industries, it may well be the most rewarding aspect of the plan for the British people as a whole.

Inevitably, there is some threat of Little Europeanism in this venture: preferential tariff reductions in Europe are not so good as world-wide cuts. But it has long seemed clear that some forms of protection against the dollar will be necessary to Europe and the sterling area. A free trade area linked with the overseas territories of European countries may offer the most liberal way to this, and at the same time provide Europe with a weapon to bargain for reductions in America's own tariffs in times of boom and—there is no need to burke mention of this point—with an association for maintaining prosperity if ever America should slump. By playing a leading part in these European schemes from the start, Britain has the chance to ensure that they are used in this sort of way, not as a protection in good times, but primarily as a step towards still greater freedom in world trade—which is the American desire, too.

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This much is now almost accepted policy. But the second practical field of opportunity is one which Britain at present looks like neglecting. Now, surely, is the time for a surge of British initiative in it, like the movement in official policy that started so astonishingly a year ago and has carried Britain forward to the threshhold of the free-trade area. This field is nuclear power. The advantages for Britain of establishing a special relationship with Euratom ought to be apparent: if we stay wholly outside, Germany is eventually going to establish a preponderant position as an atomic power on the Continent (which could have awkward political, as well as economic, implications); Euratom itself might become a largely restrictive block; British atomic development would be in danger of suffering from the distortions of small scale. Britain is at present so far ahead of all other European countries in this field that it feels that the damage is not immediate, and it is naturally averse to sharing too many of its hard-won commercial secrets. But there surely must be some way, while still preserving—indeed consolidating—the advantages of our long start, of looking just a little farther than the end of our present proudly upturned nose; and in the interchange of new ideas and developing techniques there can be the opportunity of avoiding some of the possible disadvantages, eventually, of being first in the field.

The third field of opportunity is arms manufacture: the inexorable growth in costs must in time force European countries to collaborate more and more in both production and development. Collaboration with America is indispensable: Mr Sandys, as a note on page 270 discusses, will soon be on his way to Washington for talks. But it is clear that, in this age of atomic explosives and guided missiles, European countries will eventually have themselves to make at least some of the strange new weapons that are becoming the artillery and air force of modern war. They can only afford to do this collectively, and it will be in Britain's economic and political interest to be a leading member of the partnership. Rising costs will also tend to impel the European countries to common production of conventional arms. Now is the time to take an initiative, when a separate German arms industry is still unborn.

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These large functional developments once more raise the question whether Britain must commit itself to any wider political association with Europe. But it is not a question that needs to be answered yet. Some new forms of ministerial consultation, arising out of the institutions of the common market and OEEC, will be necessary to steer the free-trade area; some executive machine, a secretariat at least, will be needed to work it; but beyond that the existing institutions should suffice. Politically, it is not new institutions, but a new and vigorous participation in the formation of common European policies, that is required from Britain. Weak in isolation, the European powers can certainly do more to protect their common world interests if they act together. Even in the Middle East, though time is very short, a common European policy, pressed on the United Nations and United States, might still play a helpful part in bringing about a settlement between Israel and Egypt. It is too often forgotten that other European countries as well as Britain have special relationships with the outside world which could be used in the common interest. Italy, for instance, which Mr Selwyn Lloyd visited last weekend, is a Mediterranean power whose many useful links both with the Arab world and with Greece and Turkey might enable it to play a special mediatory role in both the Cyprus and Middle East disputes.

With its diplomatic position so much impaired by recent events, Britain today has a special need for the support and co-operation of other European powers. But it cannot expect these to spring up at once in defence of its interests; we can only hope for a general—and self-interested—response if we reveal a clear and determined political will to work with them for defined practical ends, and if we take care to consider their interests when our own policies are being formed. That is what Mr Macmillan's new Europeanism ought to mean. The Europeans will have to be convinced that Britain's new interest in them is not a passing political distraction from less pleasant matters, but a real and lasting change of heart.

Protecting Parliament

IT is the essence of Parliament, Bagehot said, that it is a dignified assembly. The House of Commons is admirable when, whether in great matters or small, it shows that dignity, but can be deplorable when it stands on it. When the House reassembled on Tuesday, it showed both these faces. First, after all the recent acrimony and political convulsions, it greeted the new Government with good humour and paid its proper all-party tribute to the retired Prime Minister. Then, straightaway, it plunged into more complaints of the alleged breach of its privileges represented by press and broadcast criticisms of the petrol allowances for politicians.

To discuss these matters is uncommonly difficult for three reasons, one of principle and two of practice. The reason of principle is that the "ancient and undoubted privileges" which Mr Speaker demands for Parliament at the start of a new session do indeed both deserve respect and, in so far as they enable members to perform their duties unhindered and unmolested, should be upheld. One practical reason for restraint in comment is that the House of Commons, which called before it on Thursday the editor of the *Sunday Express*, who had been found guilty of contempt by its Committee of Privileges, had still to decide on the committee's report as we went to press. The other practical reason, and the most burdensome one, is that any comment is liable to be regarded as itself contemptuous.

This last risk ought to be taken. It ought to be taken, first, in order to make clear that the misgivings about the extended application of the plea of privilege—and these petrol cases are only the latest instances—are not inspired by the desire of newspapers to claim "a special privilege" for themselves; the test is whether the prestige and influence of Parliament are in fact enhanced by these enlargements. It should be made quite clear, secondly, that the misgivings do not necessarily depend upon agreeing with the protests against the ample apportionment of petrol for political activities; it might be argued that a rationing scheme which reduced too much the mobility of politicians who may wish to take up the case against it would be wrong. The argument is rather whether criticisms, misguided or not, of an administrative arrangement (administered by petroleum officers or, as in the case of MPs themselves, by the little-known Fees Office) ought to be the subject of these parliamentary comminations. Has not the time come for a new self-denying ordinance and a truce to pomposity, for Parliament's own sake?

The plea—to the Crown, it should be noted—in each new Parliament is "that the best construction shall be put upon all their proceedings." It is the product of long-gone and long-won battles to preserve parliamentary freedom against kingly and executive encroachment. Now the same plea is employed, increasingly, against the accusations and innuendoes of plebeian critics. The sole test, now as then, is whether the plea is in fact necessary to ensure the independent and indispensable discharge of MPs' functions. There can be no question of Parliament's rights in these affairs; both of its Houses have the right to pass their own judgment on breaches of their privileges and to censure or commit offenders; and, included among the offences approved by law and custom, are "indignities to its character and proceedings," as well as "assaults, insults and libels" upon its members. But it has to be asked all the time why these powers have arisen. They grew as the defence of Parliament's members against outside intimidation or interference. They are, for MPs, the safeguard that they will be able to speak their mind and speak for their constituents without fear or favour. They embody, in our parliamentary democracy, not so much a right of politicians as a right of the people whom the politicians represent. They are not, either rationally or historically, a privilege in the ordinary sense of the word. (This is true, too, of the press; its freedom is a "*right*" not of newspapers but of their readers.)

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The question, then, is whether the recent claims by MPs to crack down on certain kinds of comment and criticism are, in fact, in Parliament's and the public interest. The answer, admittedly, can be given only by Parliament itself. Certain of its ancient privileges are unassailable: freedom of speech "not to be questioned in any court or place outside" is the prime immunity. Freedom from arrest, essential in the days of tussle between executive and legislature, has reasonably in more settled times been reduced within narrow limits. The issue now, it must seem to detached devotees of

the parliamentary system, is whether freedom from popular criticism, however irresponsible or inaccurate, is a proper application of the ultimate, and essential, privilege of Parliament. Or is it fast becoming a foolish presumption ?

The Leader of the House of Commons said on Tuesday of the latest cases that the questions involved in them were two: whether the critics had, in Parliament's view, committed contempt ; and what were the facts about the political petrol ration. But the two important questions are different. They are, first, whether these cases are worth Parliament's while ; and, more narrowly, whether the process of trial by parliamentarians, when such cases are taken up, is satisfactory —whether it is reassuring, from any point of view, when one offender is forgiven because he "has not sought to justify his conduct" and another, who did seek, however inadequately, to justify himself, is additionally blamed for "his demeanour."

The House of Commons acts in these matters as a court of law, and the best available legal advice is that all the rules of court privilege and contempt may apply to the reporting of, and commenting on, both the procedure adopted and the decisions made. This is the real risk of such comment as we have felt bound to make. Let us in conclusion say three things. The first is to repeat that Parliament is entirely within its rights to act in these matters as it thinks fit. The second is to admit that we have not yet come to the state foreboded by Junius when he wrote that:

> We can never really be in danger till the forms of Parliament are made use of to destroy the substance of our civil and political liberties.

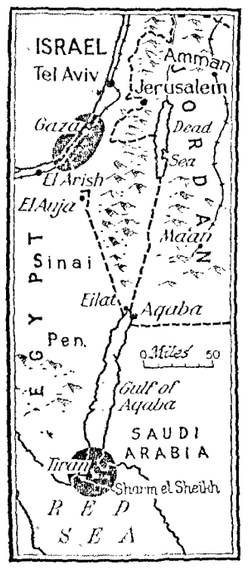
But the third is that this danger will be ruled out, and the present argument be reasonably resolved, only if Parliament stops being, as it seems, ridiculously touchy.

Urgent—For Uno

SLOWLY and unsurely, the United Nations Assembly has begun to face the real problems of a Middle East settlement. In the past week it has shown signs of responding to Mr Hammarskjöld's patient coaxing. Commonwealth, European and American delegates have joined the Secretary-General in advancing the idea that the UN emergency force should soldier on. The Asian-African group, suddenly doubtful whether it could get a two-thirds majority for a mere denunciation of Israel, toned down its resolution so much that a Soviet delegate incautiously called it "inadequate." The resolution, carried by 74 votes, maintained the demand that Israel should complete its withdrawal. But, in asking the Secretary-General to report again almost at once on his efforts to secure Israel's withdrawal, the Assembly obliquely recognised the problem beyond withdrawal. It virtually invited Mr Hammarskjöld to present in an official UN document the reasons why Israel dare not now give President Nasser the free run of the Gaza strip and the Aqaba straits.

Thus the Assembly, putting one foot tentatively forward, at least held open the door that threatened to swing shut upon the hope of Middle Eastern peace. It encouraged the Secretary-General to pursue the course, which he had already sketched out, of widening the content of debate. But, by the nature of his office, Mr Hammarskjöld can do no more than that. Only the member governments can now decide whether to take a broad, constructive view of their responsibilities, or a narrowly legalistic and lazy one: whether to try to bring real peace to the Middle East, or to hand it back the same old bloodstained sword.

At present, Israel seems to intend to bargain with Uno, offering to trade withdrawal against visible guarantees. Mr Ben Gurion even told the Knesset on Wednesday that Sinai should be demilitarised (implying that Egypt must leave its Sinai oilfields and mines unprotected). Egypt will not even bargain ; it insists that, in Sinai as in Port Said, the UN force must quit as soon as it has eased out the invaders. But it is not the duty of the United Nations to defer to the susceptibilities of either party ; its duty is to work out what ought to be done to establish peace securely between the two, and to ensure, to the extent of its power, that this is done. Several factors make this a less formidable task than Uno has faced on previous occasions. Neither Egypt nor Israel is a major military power. The UN force is in being and in Sinai. The Gaza strip, one of the immediate bones of contention, is a territory over which neither Egypt nor Israel has a valid claim of sovereignty. And most of Uno's non-communist member nations have lately had a sharp reminder of their interest in Middle East stability.



Admittedly there are also unfavourable factors. The UN force was never designed to fight a war, but rather—to borrow a haunting phrase—to "interpose itself between the belligerents." The countries that contributed to it did so on the understanding that its life would be limited ; Uno has no means of stopping them if they choose to take their men away. The Soviet propaganda apparatus and its Arab dupes are ready to denounce as an "imperialist plot" any move to extend the force's life. And the prospects of mustering a two-thirds majority in the Assembly in favour of an extension are not being improved by the utterances of British Ministers, who, having had the force firmly thrust upon them in November, still claim all the credit for inventing it. Indeed, the best service the Foreign Secretary and his assistants can render to a Middle East settlement at the moment is to refrain altogether from speeches such as Mr Lloyd made on Tuesday.

What is now urgently needed is a rallying together of the broadest possible front of nations to underwrite a UN programme that will bring peace and stability, not just the old familiar bloody flux, to Sinai. To give moral weight to such a programme, the same massive majorities in the Assembly as went to the condemnation of Britain and France will need to be mobilised. The minimum elements in the programme would have to include provision against a second blockade of the Aqaba straits and against the use of the Gaza strip as a base for guerrilla raids. Uno would be justified in insisting that, to balance its retention of a position on Egyptian soil at the straits, its troops should also enter Israel. For the Assembly, the first necessary step is an extension of its resolution of November 2nd, from which all subsequent action has flowed, and a clear injunction for the Secretary-General to draw up plans to ensure that Uno's authority is confirmed in action—that the catastrophe of 1947-48 is not repeated.

If Egypt protests that its sovereignty would be violated by Uno's programme, the answer need not merely be that it has Uno to thank for the preservation of that sovereignty, nor that a country which refuses to acknowledge the sovereignty of its neighbour can expect little respect for its own. Those answers can be given, and may need to be ; but the argument needs to be lifted on to a broader plane, that of the peace-

Between Egypt and Israel

The Gaza Strip. Thirty miles long and seven wide, the Gaza strip is not legally Egyptian territory. It was part of Palestine, and was occupied by Egypt during the Palestine war of 1948-49. The armistice line, cutting between the opposing armies as they stood at the 1948 cease-fire, confirmed Egypt's tenancy until last November.

Economically, the strip is a liability. It cannot provide a livelihood for its 100,000 normal inhabitants, far less for twice that number of Arab refugees, who fled there from Palestine in 1948 and depend on the United Nations Relief and Works Agency. Even with goodwill, the opportunities for self-support are meagre in the extreme. Most of the permanent inhabitants are even worse off than the refugees.

Only a quarter of the territory is cultivated. Barley, melons, citrus fruit and dates are among the main crops. Surplus produce is sold outside the strip, and last year exports to Egypt and other Arab states were valued at £500,000, about half being citrus fruit. But imports were about four times the size of exports. Occupation of Gaza is an expensive business, entailing free and subsidised food distribution for the inhabitants, the carriage of supplies for the refugees (one of the few costs carried by the occupying power and not the Agency), maintenance of the inadequate social services, and security.

Israel has given its occupation an air of permanency. Superimposed on the conditions of a military occupation—curfew from dusk till morning, screening of teachers, strict non-fraternisation—are more positive and peaceful tactics. Arrangements have been made to sell Gaza fruit through the Israel Citrus Marketing Board ; Israeli stamps and currency have been introduced ; there has been talk of land development schemes. The refugees, who had in any case no reason to like the Israelis, were further alienated by the disruption of their supplies and by the "incidents"—a series of appalling blunders which caused the massacre of large numbers of refugees. The local population is, however, gradually being wooed.

But these schemes are only the trimmings of Israeli policy. The main issue is security. Apart from its Egyptian and Palestinian Arab garrisons, Gaza was a base for the more organised type of fedayeen raid. The Israeli police have been busy, but they can only cut down the organisation, not root it out. It is Israel's case that if its security forces leave the strip, no United Nations army can prevent the roots from branching.

Gulf of Aqaba. From the Red Sea the gulf runs for a hundred miles between the Sinai Peninsula and Saudi Arabia, the coastline on each side being harsh and almost uninhabited desert. The frontiers of Egypt, Saudi Arabia, Jordan and Israel converge at the head of the gulf, where there are two ports: Aqaba in Jordan and Eilat in Israel. For most of its length, the gulf is 12 to 17 miles wide, but at its mouth on the Red Sea the islands of Tiran and Senafir split it into two narrow streams, the navigable route being the three-mile channel between Tiran and Sinai.

The status of the islands is obscure. They lie within the six miles of territorial water claimed both by Egypt and by Saudi Arabia. Towards the end of 1949, the two countries agreed that Egypt should erect military installations on the islands. A few months later, Egypt installed a garrison at Sharm es Sheikh and gun emplacements at Ras Nasrani, two points on the Sinai coast directly overlooking the Tiran straits. From 1950 onwards only a diminishing number of specified goods was allowed through to Eilat.

The gulf is Israel's trading link with the Indian Ocean and the Far East. Since the capture of the Egyptian gun positions early in November and the re-opening of the Tiran straits to Israeli trade, Israel has publicly underscored its determination that the blockade should not be resumed by going ahead fast with development schemes. The port facilities of Eilat, which is a new town dating only from 1949, are being enlarged ; the road between Eilat and Beersheba is being asphalted and the extension of the Haifa-Beersheba railway to the gulf is planned.

Even with bad roads and no railway, Israel is experimenting with trade through the gulf. A first cargo of hides and coffee from Ethiopia destined for Genoa is being transported by lorry and rail from Eilat to Haifa. The Israelis cherish the scheme of a major pipeline running from Eilat to the Mediterranean. On a smaller scale they have started to lay an 8-inch pipeline from Eilat to Beersheba to serve their home market.

Israel is gambling on the gulf being kept open. If Egypt were put in a position to close it again, the development of Eilat as a southern outlet for Israeli trade would be too risky an investment.

maker, not the lawyer. For the United Nations peace must come first. Of course, if its members cannot agree on a constructive programme, they will presumably have to withdraw the UN force, assure President Nasser that his sovereignty is now safe from hurt at their hands—and leave Israel in possession. Egypt may have to be reminded that this is one possible alternative. But any such abdication would be as fatal for Uno as for Egypt and Israel. The United Nations now has the opportunity of establishing, as a vital precedent, its right not merely to halt a conflict but to probe and eradicate its causes. But it also confronts the bleak fact that failure to act constructively will destroy all the prestige it has gained, and more.

The present test for Uno is a far more severe one than that of November. Then, in a moment of almost universal alarm, the ranks were swiftly rallied behind a simple call for a halt. Now, in an atmosphere of relative calm, the Assembly has to devise and agree upon a long-term plan which cannot be expected to please any of the parties concerned. But the alternative is a return to anarchy in the Middle East, and, for the world as a whole, a violent setback to the prospects of organising peace. The United Nations, as an institution, might very well survive this setback, perhaps for many years; but the very nations—those that are small and weak—which look most anxiously to international institutions to protect them against the strong would have helped to ensure that they will never enjoy that protection.

Britain's Schools—I.

Eleven Minus

The junior leaving examination—which corresponds to the "eleven plus" elsewhere—was held in London this week. Our special correspondent visited two London primary schools to write the first article in a series about different types of state and private schools in Britain.

"THE trouble is the parents," said the headmistress. "One of our girls was told by her mother last week: 'If you don't pass the scholarship, I'll murder you.' That is the way they still talk, although it is officially called the junior leaving examination now, and we go to endless trouble to impress on both parents and children that its purpose is simply to help us decide what kind of secondary school would suit each pupil best, and that there is no question of passing or failing. The children themselves would be quite happy about it if it weren't for the parents."

The headmistress was obviously not talking merely to soothe or to impress. She had just been preparing the private reports which she sends to the education department of the London County Council and which, even more than the examination marks, are used to determine at what kind of school each child shall be offered a place: at a grammar school with a six or seven year course from the age of eleven; at what used to be called a "central school" with a five-year course (the parents call this "passing" too); or at a "non-selective" school with only a four-year course.

In her reports the headmistress of the primary school has to say whether the child is likely to be able to stay at school beyond the age of fifteen and to note any special circumstances which may influence his development, such as his health or his home background. The home background, in this rather tough district, is all too often a handicap. Many of the parents have gone to live with somebody else, and some are sojourning in Her Majesty's prisons. The headmistress finds therefore that much of her work is in the nature of social work. Any parent can come and see her in her cramped little office, and she finds that, as a married woman herself, she is much exposed to mothers with matrimonial troubles—to which she consents to listen if these affect the children. But she draws the line at a parents-teachers association (which many schools have), because she does not want the parents interfering with the running of the school.

Problem parents, a visitor would judge, are not the only disadvantage from which this particular primary school suffers. It has a depressing building, dating from 1874, and it looks particularly forbidding in contrast to the new Church of England primary school in the same district. No glass walls and bright colours in the council school: the corridors are dark and the bricks are grimy. But the headmistress refuses to be depressed. It is true that children choose the handsome Church school in preference to hers, but that leaves her spare space, which allows her a library and an art room, and an extra classroom or two to give flexibility to the timetable. It is true that the building is, from her point of view, over-used. It turns into an evening institute after the children have gone home, and this can lead to irritating discoveries next morning—a cigarette stubbed out in the bulb bowl, or carefully preserved information rubbed off the blackboard. As some of the grown-up pupils are about in the daytime too, complete strangers (as far as the school is concerned) are wandering about its corridors day and night. There is also a play centre, which is held in the assembly hall after school finishes when, confusingly, the children are allowed to break the rules that obtain at other times of day. However, says the headmistress, the children seem pleased enough with the eighty-year-old school building, which is luxurious compared with the houses that most of them come from. Truancy has fallen to nothing, and with it delinquency—for it is when they stay away from school that they get into trouble.

The fact that there is a bit of spare space unfortunately does not mean that there are small classes. On the average there are over 40 children in each, which is the official maximum for primary schools. This means hard work for the teachers: so many books to mark, so many children to keep in order, and such a wide range of ability to be coped with at the same time. Moreover, teachers in primary schools normally have a class each and stick to it, unlike secondary school teachers, who circulate from class to class and so get the occasional free period. Primary school teachers in general are thus rather indignant at the Ministry's recent proposal that those of their number who are suitable and willing should be encouraged to transfer to secondary schools, whither the "bulge" in the school population is now moving. They feel that they have borne their share of the bulge, and it is now their turn to have smaller classes (the secondary schools, officially, have a maximum class of 30).

In big classes, with a wide range of ability, the fashionable "project" method is often used. It is useful, because the class can work as individuals, each going at his own pace. One may take a subject such as bread and find out all about it—where the wheat comes from, how flour is made, and so on. Even the child with the IQ of 80 can stick appropriate illustrations into a scrap album and join in a visit to the local bakery; while the bright child will have learnt something of history and geography as well as something about bread, and all in painless pursuit of his chosen subject. At this primary school, begrimed with London soot, the youngest class (not one of whom had a garden) had "adopted" a farm in Kent, and were completely *au courant* with what was going on there. Some day they hope to visit it, but meanwhile they are borne along by their own imagination and the inspiration of the enthusiastic Scotswoman (in full vigour at over the retiring age) who teaches them.

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A brief visit, indeed, certainly left the impression that the children were enjoying their schooling in this unattractive building, perhaps no less than in one of the 96 new primary schools that the LCC has built since the war. To go on from there to one of these new schools, all light and colour and meticulous planning, was not to alter that conclusion. The headmistress of the new school said she thought that to work in beautiful surroundings gave the children a pride in their school and in their work; and no doubt this is true. But she, like her colleague in the tough area, was of the opinion that a school is made or marred by its traditions, its staff, and its pupils—which means the kind of background from which they come. This headmistress has her school in a middle and lower class area, and numbers among "her parents" members of Parliament and professional people, as well as other classes. "Lovely parents," she said. They, it seems, really have grasped the idea that they must not make their children wretched with menacing remarks about "failing in the scholarship." It seems a safe bet, however, that those of middle-class parentage who do "fail" are promptly sent to an independent school, where they never abandon the hope of driving academic knowledge into the heads of the dull and unwilling.

Critics of the state system fasten on just this difference. What about all those ten-year-olds who on Tuesday will have sat in tears over the examination paper because they could not even read it? Does not this new-fangled teacher training, with its gentler methods, induce one to give up hope too easily? The answer to illiteracy, however, lies not so much in hope. It lies in more time and special classes to give backward children the individual attention that they need. It lies in better and more sympathetic homes that will help the children to learn. But quite intractably, it also lies in a higher general level of intelligence. Those who blame the primary schools forget just how stupid most people's children can be.

Recession in Trade

More symptoms of distress have been exhibited in the metropolis in the week. Large numbers of men have been roaming through the streets begging, have applied at workhouses for relief, and have received it or have rejected it when combined with the usual workhouse test of labour. Though . . . many of the sufferers themselves are much to blame . . . and the workmen are censurable for persisting in combinations and unions to force up the rate of wages beyond the fair market level—the distress cannot be passed over as undeserving notice. It is in accordance, unfortunately, with the slightly diminished consumption of some articles which we noticed last week, and with the complaints made to the Chancellor of the Exchequer by a deputation which waited on him on Tuesday. The deputation from the Society for the Protection of Trade represented tradesmen, shopkeepers, clergymen, clerks, and mechanics whose earnings fluctuated somewhere about £150 a year, and they asked that all persons having incomes less than this sum should be altogether exempt, and that "from incomes above that amount the first £150 should be allowed for." Amongst others, the principal speaker said "the grocers felt heavily the oppression of the tax, and they were a class well entitled to consideration, for they paid a large amount of indirect taxation in the duties on tea and sugar." . . . The most obtrusive consequence of the want of increasing prosperity is not however the worst. The . . . tradesmen, shopkeepers, clergymen, clerks, and mechanics, instead of bearing the infliction with patience and patriotism, seek selfishly to be relieved themselves, and seek to throw an additional burden on others. . . . The middle classes of England . . . exhibiting some of the wolfishness of human nature, under the combined pressure of a little adversity and heavy taxation, are only anxious to relieve themselves at the expense of their neighbours.

The Economist

January 31, 1857

Notes of the Week

Back Towards Normal?

THE mere fact of a change of Prime Minister produced a markedly quietening effect when MPs reassembled this week. The Tories were steadier, Labour cannier and the whole temperature lower than in the frenetic weeks before Christmas. Once again, there has been a reminder of what an unpredictable business politics is. The Tories broke up before Christmas in what can most politely be described as an unusually unbalanced state, and the events of January 9th-10th were of the sort that would normally be expected to produce a split. But there is no split; and, ironically enough, the man who is being billed as hero of the rehabilitation is Mr Butler. His good wishes to the new Prime Minister, containing none of the reservations for which the gossip writers so eagerly looked, have healed the breach which yawned so privately during the 48 hours of dramatic change. To unite to cheer a good loser is an understood thing in the Tories' code book; they gave Mr Butler a notable ovation at the party meeting when they duly elected Mr Macmillan to be their leader.

There could conceivably soon be more interesting developments in personal relationships on the Labour side. After some ill-thought-out initial reactions, a more cautious Opposition attitude seems to have arrived with Mr Gaitskell from the United States. At the Shadow Cabinet meeting on Monday the constitutional hare was hastily stuffed back into its burrow; but there has been no Labour comment on another development. While Mr Gaitskell has been in the United States, Mr Bevan has been saying that a third world war will be inevitable if "we see the crisis in the communist world as an opportunity to mobilise all our resources . . . in order to bring about the destruction of communism"; and that "the proposals of President Eisenhower for the Middle East were conceived—indeed they were stated—in just that aggressive spirit." This is not precisely what Mr Gaitskell has been saying in America. Some Tories see in this apparent discrepancy a hope that politics may be returning to their normal order; in that normal order high-level splits and recriminations between party leaders are things that Tories enjoy hugely, because they occur only on the other chaps' side.

The Sandys Mission

THERE seems to be good authority for the belief that Mr Sandys has taken office as Minister of Defence after promising to try to make defence economies on a scale which Mr Head thought was either impossible or unjustified; it is with this resolve behind him that he goes to Washington next week. Mr Sandys was last in Washington as Minister of Supply in 1954, when he negotiated a concordat to exchange information about new weapons other than atomic; though it hardly came up to his hopes, it is reasonable to assume that Mr Sandys's aim now is to go further and to try to eliminate overlapping in research on, and production of, new weapons as between Britain and America.

The ideal result would be so to dovetail production that Britain should tie up its productive capacity and research resources only in projects in which the technical and industrial lead is held this side of the Atlantic; where the Americans are ahead—as they are with most types of missile—Britain should try to exchange the know-how gained in the work done so far for firm undertakings (they must be very firm) to sell or supply the equipment as part of an integrated allied defence effort. Even if such an agreement can be reached, however, until American legislation is changed Britain would have to continue work on atomic warheads for missiles. Mr Sandys should have a fair question to ask here: as British mastery of atomic technology is demonstrated, is not the American refusal to share atomic information on security grounds becoming increasingly meaningless?

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Since the Americans are ahead not only in ballistic rockets—the future method of delivering the deterrent—but also in the ground-to-air missiles which offer the only, if slender, hope of home defence, any decision will be of far-reaching importance. For with it would go the decision, which follows logically, to cut drastically fighter command and fighter aircraft production. Does this mean that Mr Sandys will try to overcome the difficulties, hitherto insuperable, of buying American fighters and so carrying integration further? It is impossible to guess the economies which might emerge from such an agreement, but they would be considerable, though the cost of bought-in equipment must be set against them. Clearly, however, the scale of cuts which is being so widely forecast—something like £300 million—could be reached only if general conscription were also abolished, and probably if the naval building programme were also cut or abandoned. Many of the economies now being mooted would not be of full immediate benefit to the Exchequer accounts for 1957-58, because compensation would have to be paid for contracts broken; but they would bring speedier relief to the pressure on resources, which is what really matters. What is important for next week, however, is that Mr Sandys should, in the harsh light of atomic strategy, judge wisely between the projects we should keep and the projects we should try to trade.

Mr Kadar Gets Tough

MR KADAR has decided to get tougher. His decision followed his recent series of meetings with Soviet and Chinese leaders; but it has also been forced on him by non-communist political leaders who have refused to play along with him. The most prominent among them, the leader of the Smallholders' party, Mr Bela Kovacs, has announced his retirement from politics on the ground of ill-health. In his case this is not merely a diplomatic excuse, but an equally compelling reason must have been Mr Kadar's refusal to admit anyone to his government who was not prepared to be a communist stooge.

Thwarted in his efforts to give his regime a more respectable façade, Mr Kadar has abandoned all pretence that he might be moving away from a dictatorship. His minister of state, Mr Marosan, has stated bluntly that there would be no Social Democrat party because the Communists could not allow the "unity of the working class" to be destroyed. During Mr Chou En-lai's brief visit, Mr Kadar, while virtually admitting that there was a strong demand for a "general democracy" firmly denied that he would substitute this for a "socialist democracy."

In the same speech, Mr Kadar (who clearly feels he is sitting on a rumbling volcano) called for a "considerable strengthening of state and party discipline." The proceedings of the courts administering martial law have been made even more summary (or farcical) and their powers have been enlarged; they can now sentence to death anyone believed guilty of trying to cause a strike. A number of judges have resigned in protest. There has been a fresh wave of arrests; the new secret police (whose activities are described further on page 296) are coming into their own. Colonel Maleter, the popular leader of the revolt, has been sentenced to death after a secret trial. At least two other leaders of the rising have been hanged, and about 400 leading members of the revolutionary councils set up during the rising are believed to be under arrest. The Writers' Union and the Journalists' Association have been banned, and prominent writers and journalists are among those now being arrested and brought to trial. The terror now prevailing in Budapest is just as bad as it was at the height of the Rakosi regime.

Britain Stands By

WHETHER or when Britain can resume active partnership in the Baghdad Pact depends mainly on Iraq. The meeting in Ankara of the members, excluding Britain, demonstrated how strongly and how willingly they adhere to the pact, but it also drew the line more sharply between the non-Arab members and those countries of the Arab Middle East which oppose it. The Ankara meeting had no truck with ideas of neutrality; its eyes were firmly fixed on the dangers from Russia and its subversive activities. Nuri es-Said, the Iraq Prime Minister, did not yield any part of his policy in response to the nationalist pressures exerted against him ever since the invasion of Egypt, but it was too early for him to withdraw Iraq's objection to the presence of the British.

Pakistan and Iran appear to want Britain to resume membership quickly. Turkey agrees, but is less pressing. Nuri es-Said, although no doubt he desires to see Britain return, must approach the matter more circumspectly because he cannot afford to forgive Britain publicly so soon. The shock to Iraqi opinion by the Port Said landings may have subsided enough in the next few weeks for Britain's membership of the pact to be faced more calmly in Baghdad. Britain, for its part, is unlikely to press the matter as long as Nuri Pasha is embarrassed.

It might perhaps be asked whether Britain could not do as much for the pact from the outside as the inside. There is something to be said for undercutting Egyptian and Asian opposition by leaving the pact to its territorial members and giving support when called on to do so. This still appears to be the policy of the United States, even though the Eisenhower doctrine is designed to help the anti-communist powers in the region. But the pressure for actual membership, of the United States as well as Britain, has come from the members of the pact themselves, and as long as this is the case it is difficult to reconsider the wisdom or otherwise of British membership.

Confidence is An Ally

DESPITE the understandable plea of *The Times* that "rules for successful television appearances should be left to the mediocrities who have need of them," Mr Macmillan was wise to heed the reported advice of his party experts and not to crack any jokes in his television appearance last week. The television audience is used to Mr Thomas Trinder and other performers who try to amuse; they have a much less professional standard of comparison for those who try to inspire them. The Prime Minister's theme that "Britain has been great, is great, and will stay great" was deliberately poised to catch the present incoming tide of emotions. For the longer term, however, it could be of more doubtful political value. After having failed to convince the electorate in 1955 that "Tory prosperity does not work," Labour should always find it easier to persuade a jaundiced electorate that Tory promises of greatness are not being fulfilled, if only because greatness is a term less capable of instinctive definition. This may be especially true when the new Government's first step towards maintaining national greatness is apparently to be to make a sharp economy in Britain's military power.

The Tories would therefore be wise to keep the image of economic expansion as their propaganda dynamic. This is what Mr Thorneycroft appeared to be trying to do in two ebullient speeches last week. Despite the fact that his reference to the "fundamental economic strength" of Britain was immediately followed by a promise that "we are not oblivious to the need to increase it," Mr Thorneycroft has had a wigging from some stern realists for these speeches; and it is true that the comparisons of achievement he cited—"the United Kingdom's rate of increase in production from 1948 to 1956 has been as big as that of the United States" and "compared with 1938 our increase in productivity is the greatest in Europe"—relied on a rather crafty choice of

base dates. (Note, particularly, that in 1938 British, but not German, production was in a state of cyclical recession.)

But to face facts does not mean to revel in pessimism. The Chancellor would deserve censure if by shouting Dutch courage into the teeth of a storm he led foreign bankers to think how inflationary we might be going to be. But he did not in fact do this; at the beginning of this week sterling was sharply rising. Provided he is cautious in his policies, and never comes to regard these hortatory exercises in public relations as substitutes for them, Mr Thorneycroft can render one positive service in his speeches: to attempt to recapture that atmosphere of confidence about the real prospects for British expansion which, under Mr Butler's Chancellorship from 1952 to 1955, was one of the main allies of the British economy. He has made a very tolerable start, though it can be made good only by what he does, not what he says.

Bourgeois Rents

FOR the time being, the heaviest political pressure against the Rents Bill is pressure on behalf of the so-called "middle class" tenants: the 800,000 odd tenants, renting properties with a rateable value of over £40 a year in London and Scotland and over £30 in the rest of England and Wales, whose homes are the only ones that will be totally removed from control six months after the passing of the bill. To put the problem in its most brutal but honest perspective: many of these people have been getting a present of up to £100 a year from the rest of the community, and they are naturally going to suffer disturbance now that the gift is to cease.

MPs of all parties—possibly including sufficient Tories to threaten the balance of voting power on the bill—are therefore busily, but not always carefully, thinking up compromise amendments to limit that disturbance. The usual suggestion is that there should be a period of up to eighteen months of continued control, during which tenants could discuss future terms—or arrange long leases, to come into effect immediately—with their landlords. It is said that everybody will agree that there should be a sufficient period "to allow a smooth transition."

Why? It would seem to be in the best long-term interests of many of the people concerned if the change came, instead, with a bump. If houses were trickled out in small batches from the controlled to the uncontrolled list, then charges for them would inevitably gravitate towards the present high level of uncontrolled rents; if the tenant did not pay, he could be turned out. But, if, six months after the passing of the bill, these 800,000 houses and flats come suddenly on to the uncontrolled list, rents cannot possibly be moved right up to the present uncontrolled level; a lot of accommodation of the same general type would become suddenly empty if they were.

The proper way to implement the policy of gradually abolishing the Rents Acts would, indeed, be for the Minister to release fresh categories of accommodation, in largish batches, on to the uncontrolled list as soon as uncontrolled rents seemed to be getting too high. Probably there is no hope that the Government will handle the operation quite as scientifically as that. But it is to be hoped that Mr Brooke will stand firm—certainly against any amendments that would reduce the number of houses due for total decontrol (because that would mean much higher rents for those that still did come off the list) and preferably also against amendments which would merely prolong the agony under the guise of extending security of tenure. So much of the present apprehension is based on an appalling misunderstanding of the way in which a free market works.

The Bandoeng "Block"

WHETHER the 80-member UN Assembly can now assert itself for any real settlement in the Middle East depends largely on the 27 Asian and African members. Decisions require a two-thirds majority of votes cast; and the "Bandoeng" states have, therefore, a collective power of veto—with or without communist support.

Thus, if Egypt is backed by the full Asian-African group regardless of circumstances, no resolution distasteful to President Nasser can be carried. Under attack by Britain, France and Israel, Egypt could count on a combination of Arab, Moslem, anti-colonial and anti-western sentiments rallying the whole Bandoeng world behind it. But Bandoeng solidarity may not continue if Egypt itself obstructs a settlement.

The Bandoeng group is not "monolithic," like the Soviet block. In Assembly votes it splits as often as it unites, and the pattern of its splitting varies. An analysis of its attitudes during the present Assembly reveals two rival nuclei within it, of roughly equal voting strength, and a "floating" vote larger than either nucleus. The two nuclei are:

A. The Baghdad and Seato allies—Iran, Iraq, Pakistan, Philippines, Siam, Turkey—plus Ethiopia and Liberia. (8 votes.)

B. The group headed by Egypt and India, normally embracing Afghanistan, Indonesia, Saudi Arabia, Sudan, Syria and Yemen. (8 votes.)

The "floating" vote comprises Burma, Cambodia, Ceylon, Japan, Jordan, Laos, Lebanon, Libya, Morocco, Nepal, and Tunisia.

The table below shows how the total Bandoeng vote was divided between the two attitudes represented by the nuclei, A and B, on five issues: (1) postponing discussion of the Chinese seat, November 16th; (2) demanding Soviet withdrawal from Hungary, November 21st; (3) a similar demand and a condemnation of Russia's actions, December 12th; (4) resolution on Korea, January 8th; (5) resolution on French Togoland, January 14th. In each case group A voted for the resolution, group B opposing (o) or abstaining (a).

	With A	With B	Neither
China.....	10	10 (o)	6
Hungary 1 ..	13	13 (a)	–
,, 11 .	15	11 (a)	–
Korea	16	11 (a)	–
Togoland....	10	11 (o)	6

The 11 Arab states were no more agreed on these issues than were the Bandoeng members as a whole. On China, 3 Arab votes (Iraq, Lebanon, Morocco) went with group A, 4 with B, and 4 abstained. On Togoland, only Tunisia voted A; 8 Arabs, including Iraq, voted B; Lebanon and Morocco abstained. In the second Hungarian vote, Lebanon, Libya and Tunisia joined Iraq, which had been the only Arab A voter in the first vote.

The five "Colombo Powers" and their South Asian neighbours were likewise divided. Burma and Ceylon voted A with Pakistan on Hungary, went B with India and Indonesia on China and Korea, and abstained, following neither lead, on Togoland. Afghanistan broke away from India over Togoland, whereas Iran joined the B list. Nepal sided with India only over China; on Korea and Hungary it voted A. Cambodia cast 3 A votes and one B, Laos 4 As.

Since Japan's admission before Christmas it has twice sided with group A.

Egypt will probably continue to muster the full Bandoeng vote of 27, and perhaps 40 more votes, too, while it appears as the injured innocent. But a protracted obstruction of UN peacemaking efforts might leave Egypt with only its "hard core" of 8 group B votes, plus 3 or 4 other Arab and 9 or 10 communist votes. That would not suffice to block a resolution which had, say, 45 votes behind it.

The Last Posts

MR MACMILLAN'S third and final list of Government changes rounded off the most drastic reshuffle since the Churchill Government was formed just over five years ago. Apart from the whips, two jobs out of every three have changed hands. The most notable names in the third list were those of Sir Edward Boyle (as under-secretary to Lord Hailsham at the Ministry of Education) and Mr Julian Amery (as an under-secretary at the War Office). The spiking of two such potentially effective rebel guns is a sensible thing for Mr Macmillan to do, and the two young men themselves were sensible to accept the appointments. Sir Edward Boyle's return may seem, at first sight, indecently soon after his resignation; but the policy he opposed has been abandoned in practice, if not in Tory mythology, and the man who launched it has disappeared from the scene. Ironically, Mr Amery might legitimately have more qualms about joining his father-in-law's administration; however much Ministers may claim that history will justify the Suez adventure, their current policy takes its tone from the withdrawal which Mr Amery and his friends so hotly opposed. But not too much should be made of that.

Although the satisfaction of special interests should never be a main consideration, Mr Macmillan has also carefully ransacked all corners of his back benches to fill the junior posts. As with the higher posts, Old Etonian shares have slumped in the political market, and the "Non-U" element moved up. It is possible to think of another dozen or so backbenchers worthy of promotion, and to question the worth of one or two now named; but the elevation to bigger jobs of such young men as Mr Alport and Mr Ian Harvey, and the promotion from the back benches of such as Mr Simon, Mr Vaughan-Morgan and Mr Neave not only underpins the present Government but guarantees a future supply of departmental heads. For once there seems to have been less attention paid to mere party wheelhorses. Looking at the team on all levels, this is probably the most competent (though not the most characterful) Tory administration since the war, exceptionally strong on the economic side, a little more "business-like" than liberal in some of the lower reaches but not enough to be really worried about, and lacking experience only in overseas affairs.

M. Faure Meets the Sultan

FRANCE is still busy mending the North African ties that were broken in the autumn. Sunday's meeting in Cannes between M. Maurice Faure, the French deputy minister for foreign affairs, and the Sultan of Morocco was the first official contact between the two countries since five Algerian leaders were kidnapped in transit by air from Tunisia to Morocco. Both sides are trying to repair the damage; apparently they have managed to arrest the exodus of French officials from Morocco. Agreements on financial and administrative questions are to be concluded soon. At the same time, preparations are being made for M. Faure to visit Tunis, where talks with M. Bourguiba could pave the way for the resumption of diplomatic relations with Tunisia.

The kidnapping, however, was merely a tiresome symptom of the persistent Algerian disease. The Tunisian and Moroccan votes in the United Nations debate on Algeria will show the gap separating them from France. Efforts are being made in New York to devise a compromise which would enable France to accept a United Nations verdict without losing face. But in Algeria itself the situation is tense. French troops are massed to break the general strike through which the Algerian National Liberation Front wants to impress delegates to the United Nations while the debate is in progress. Is this not the moment to do what the kidnapping prevented, namely to use Moroccan and Tunisian good offices to find a compromise not merely in New York, but in Algeria itself?

Money or their Lives

WHEN it last debated a report from the director-general of UNRWA the General Assembly showed a distinct reluctance to find an extra penny for the Arab refugees. His latest report, to which reference is made on page 278, presents this year's Assembly with the problem in grimmer form: a steady decline in the standards of relief—already too low—or the provision of more money urgently.

If the Assembly wants to be brutal it can force a partial settlement of this intractable problem by refusing additional funds. This would force the Arab governments and the refugees to new efforts at self-support; but it would equally heighten the danger of disorders, of epidemics, and of financial crisis in the Arab countries. As costs are rising and the number of refugees increasing, this is the alternative to the provision of more money.

Since at present a third of the member states contribute, it ought to be possible for Uno to raise more money. But Russia, that benevolent friend of the Arabs, is apparently prepared to see the refugees die of starvation, for it pays nothing. If more money is found, Uno should see that the Arab governments cease their obstruction of UNRWA work and give much more active co-operation. It is, for example, absurd that some of the governments should tax the imports freely given by other nations to sustain the lives of destitute Arabs. If there is a fault in the report of Mr Labouisse it is that he does not present the

Assembly's responsibility in this matter in stronger language.

The mandate of UNRWA runs to 1960, but there is not the slightest chance of its task being finished by then. No major plans of resettlement have been possible because of the resistance of the refugees, their exploitation by political factions, and the opposition of the Arab governments. In these circumstances, the Assembly might well adopt Mr Labouisse's proposal that the refugees should be given the right of repatriation or compensation. If the Assembly reaffirmed strongly enough the perpetual existence of Israel, as it reasonably might, few of the refugees would then choose repatriation, for their demand is to return to an Arab Palestine, not to Israel. Almost certainly, the net effect would be the transfer of a small number to Israel and the request for compensation from a larger number. Mr Labouisse seems to exaggerate the effect of this in removing the Arab refugee problem, but it would certainly cut into it and help to disarm the propaganda against resettlement.

Indonesia in Flux

THE Sumatran crisis is destroying the present Indonesian political system, but a new system has not yet emerged. President Sukarno has announced that he will use his special powers to form an "advisory council" (not, he emphasises, a revolutionary council), which will be independent of parliament, but he has not yet defined its composition or powers. According to one report, it will contain one representative for every twelve members of parliament, so that all parties would be included. Such a body would be entirely dependent on the president, and its political divisions would prevent it from providing any effective constitutional check on him. President Sukarno has not indicated what prime minister he has in mind, and until he has defined his plans Dr Sastroamidjojo's administration will stagger on. The seven cabinet vacancies created by the resignation of three parties from the coalition have not been filled, because, it is said, the remaining government parties cannot decide how to share them. The prime minister will not have to face a vote of confidence until February 9th, and by then the whole constitution may have been altered.

In Sumatra the situation has shown little change, although the prime minister asserts that disloyal army units in the north have been disbanded and that the whole province is under control. This statement has been heard before; and even if it is true, it is of little importance, since the army revolt in the north was half-hearted from the beginning and the civilians there have never given any trouble. In central Sumatra the "Banteng council" led by Colonel Hussein is still in full control and Dr Sastroamidjojo has sent the central Sumatrans nearly £630,000, which indicates how anxious he is to placate them. But it is in the south that the situation is most serious. A revolutionary council has been formed of business men, former soldiers and tribal chieftains; it is demanding about £24 million for local construction work and has said that it could make Southern Sumatra "non-active in its relations with the government" if its demands are not complied with. This threat to cut adrift from Indonesia is open blackmail, and it is difficult to see how Dr Sastroamidjojo can deal with it; his successor may be in a stronger position.

The Plateau Did Exist

DESPITE the increase in petrol tax on December 4th—and the strange things that some amateur statisticians said about it—there was virtually no increase in the cost of living index in the month to December 11th; the index therefore stood only 3½ per cent higher than it did in January and only 3 per cent higher than in the previous December. This compares very favourably with a rise of 7 per cent during 1955. Several trade unionists have said that this apparently favourable picture must be due to the inclusion of "too many luxury items" in the index. Mr Campbell, of the National Union of Railwaymen, has taken along to the Transport Commission sample budgets showing that his members spend much more than the statisticians' sample 35 per cent of their income on food. He deserves a friendly warning about what this would prove.

Although full details of the different items in the December index have not yet been published, enough information is available to show that the rises between January and December can be grouped in the following categories:

Between 6½ and 5 per cent. Transport and vehicles. Services (mainly hairdressing, laundering, shoe-repairing, dry cleaning, domestic help, cinema tickets, telephone charges). Fuel and light. Tobacco.

Between 5 and 4 per cent. Miscellaneous goods. Rent and rates.

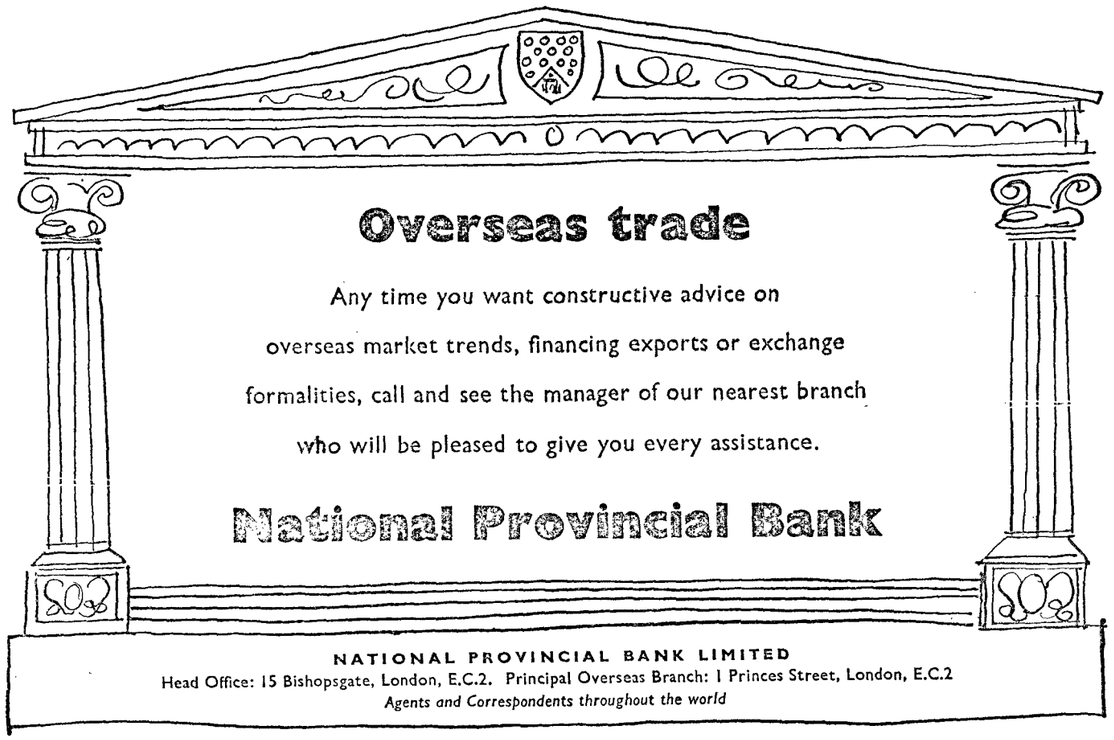
Between 3 and 2 per cent. Drink. Food.

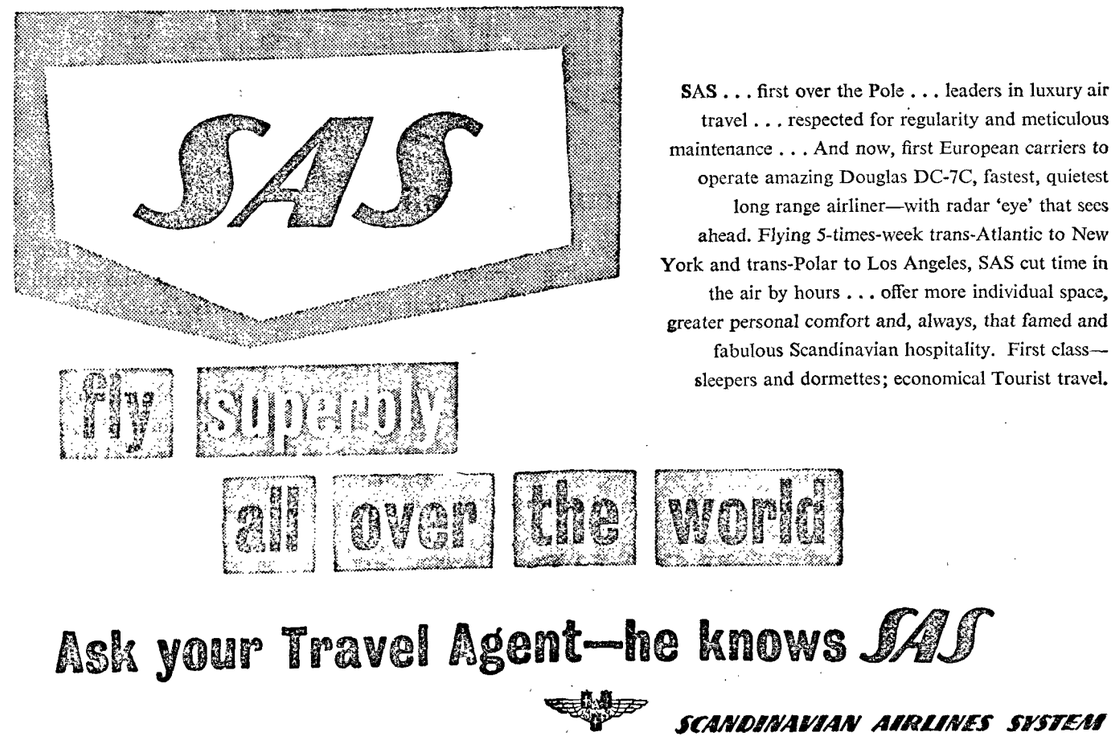
Between 1½ and 1 per cent. Household goods. Clothing.

It will be seen that food comes well down this list; dearer bread and some other increases raised food prices by 6 per cent between January and April, but since then—although not all wives may have acquainted their husbands with the fact—they have fallen by some 4 per cent. Price increases last year were not concentrated on the subsistence items; the cost of food, housing, fuel and clothing went up on the average by less than 3 per cent—that is by less than the index as a whole.

★

It would be rash to make forecasts about the immediate future. The cost of living usually does rise seasonally in the early months of the year. This year it may rise more than seasonally; increases already known to be in the pipeline—dearer milk, higher bus fares and higher costs of distribution—seem to be enough together to add about another point to the index. Even so, wage-rates, which rose 6 per cent in the first eleven months of last year, will still have something in hand. It may be significant that a recent poll of the British Institute of Public Opinion suggests that the cost of living is becoming of less importance in people's minds as a major problem facing the Government.





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When Nets Profit

IN THE VILLAGES of Old Russia along the Volga, they flung a fishing-net over the bride on her wedding day to protect her from sorcerers. For similar protection the bridegroom and his companions were often girt with pieces of net. Before the wicked wizard could do any harm he had to untie all the knots in the net. A knotty problem. But problems of protection have always had a way of extending the human imagination.

Modern businessmen are keenly concerned with protection. Industry today is girt with a vast network of safeguards. But manufacturers who wish to guard their products all the way from factory to shop avoid the bizarre. For the best protection—reliable packaging—they place their trust in stout "Fiberite" cases, and crisp, attractive cartons made from "Thames Board". These economic packaging materials are made by Thames Board Mills Limited, in whose modern factories efficiency blends with skill in a fine productive effort.

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Zik Goes Home

DR AZIKIWE, premier of the Eastern Region of Nigeria, has lost no time in acting upon the advice of his critics and wellwishers. Following upon the appearance of the report of the tribunal of inquiry into the Anglo-Continental Bank, he has very properly resigned with his government, less properly issued a fighting repudiation of the tribunal's findings, and defiantly called elections. The successes of his party in the Lagos municipal elections last weekend suggest that he is likely at least to maintain his majority. Before resigning, Dr Azikiwe arranged to have the bank, which to the profit of the shareholders had already passed under the aegis of the government-controlled finance corporation, fully and finally nationalised by the regional government—of which he is, and is likely to remain, by a head and shoulders, the outstanding figure. With all the taxpayers' money behind the bank, instead of only the cocoa farmers', it should be able to present an insouciant face to the world, and forget the days of desperate touting for deposits when reserves ran low and of attempted tie-ups with British imperialist banking institutions.

The results are, first, that Dr Azikiwe looks like coming out of all this even stronger; and, secondly, that it is questionable whether he will arrive in London for the constitutional conference in a particularly amiable mood. But the Colonial Office presumably feels that his goodwill is well lost, so long as principle has been upheld and precedents for ministerial behaviour laid down on paper.

Cows and an Obvious Course

THE annual general meeting of the National Farmers' Union took place this week, in an atmosphere of greatly increased optimism created by the Government's new system of long-term price guarantees. But any hope that farmers might temporarily forget their economic worries was quickly dispelled: delegates lost no time in registering fresh complaints. Two complaints from small farmers were the most interesting. To one of them Mr Heathcoat-Amory should turn a deliberately deaf ear; to the other he should not.

First—and most foolishly—the union decided, by a small majority, to press this year for a price structure which would favour milk at the expense of other commodities. The profits of dairy producers are falling because of a lack of demand; the suggested policy would inevitably increase the size of the milk surplus and the losses on its disposal, which mainly fall on producers themselves in a collective capacity. For farmers deliberately to try to concentrate upon their least profitable branch of production is a most curious act—which can only be explained in terms of the vulnerability of the union leadership to the plaints of small dairy farmers (particularly Welsh ones).

Secondly, there were many complaints that the government's proposed improvement grants will not adequately aid the small farmer, because he will find it difficult to raise the stipulated two-thirds of the capital cost himself. Unfortunately, it is all too true that these grants will mainly benefit the larger and more efficient farmers, who simply do not need them. It is by a change here that Mr Heathcoat-Amory should help the small farmer, not by offering him more money to produce more milk which the market does not want.

A German Party Fusion

NOT a year ago, on February 26, 1956, sixteen of the 48 Free Democrats in the Bundestag formed their own Free People's Party in order to remain in Dr Adenauer's coalition and there represent the right-wing liberal cause. Their main assets were some financial backing here and there in industry, and two competent ministers, the deputy chancellor, Herr Blücher, and the Minister of Housing, Herr Preusker. But they had no distinguishing ideas and little support in the country. Their poor showing in the communal elections warned them clearly enough that the party is generally considered to be superfluous.

Faced with the now stiff-looking 5 per cent hurdle of the electoral law, the Free People's Party has decided to throw in its lot with the right-wing German Party, which also anticipates the need for a bit of a leg-up in September if it is to get back into the Bundestag in any sort of useful shape. The deal is scarcely impressive. The Free People's Party, which comes more and more to look like a handful of deputies only, gives up its name entirely to the German Party, except in the south and the south-west. A common programme has yet to be formulated. In the meantime the two parties claim to be united in one negative principle, "bitter resistance to collectivising tendencies."

Herr Blücher is not happy at the merger; he took no part in the negotiations and seems to be thinking seriously of going over to the Christian Democrats. Unkind Germans are calling the new partnership "the naked and the dead." To the Christian Democrats, anxious for allies in the next Bundestag, it is, however, a convenience. If a party fails to get five per cent of the votes cast in September it can yet secure seats in proportion to its strength if it can win three constituencies outright. The Christian Democratic Union will find it well worth while to refrain from opposing the new partnership in three constituencies in return for their support later; it would hardly have been willing to give the two partners separately three seats each.

Benelux Out of Step

IN the European business cycle, Belgium and Holland both seem out of step. While Germany and Britain are both thinking of easier credit, the Dutch and Belgian governments are introducing new measures against inflation. In Holland the slower growth of exports as a result of deflationary policies abroad, and the continuing growth of consumption at home, combined last year to produce gathering payments difficulties. In Belgium rising prices,

the result of boom abroad and rising import costs, have aroused alarm. Such delayed reflections of the international conjuncture are not uncommon in these two trading nations.

But they are also out of step with their neighbours in another sense. While Britain and Germany have clung fairly resolutely to credit restrictions as their main deflationary weapon, new taxes, and agreed restriction of prices and wages, backed by the threat of physical controls, promise to play the leading part in Benelux. In Holland this is no more than a continuation of a long postwar tradition, a disappointment for those who had been hoping for greater flexibility. But in Belgium the sweeping powers to control wages and prices which the government is asking are a sharp departure from a tradition of orthodoxy ; and they have met bitter political opposition.

Belgium's problem—of meeting an "imported" inflation—is a difficult one, as Germany has also found. A rise in interest rates often cannot stop a rise in prices which derives from booming exports or an increase in prices abroad. But orthodox critics hold that the past strength of the Belgian franc resulted, not from success in holding prices down, but from the fact that prices, wages and profits have been allowed to take their natural course. Belgium, land of economic freedom, has combined one of the highest price levels in Europe with one of the hardest currencies ; Holland, the planned economy, is suffering from a payments crisis despite its low prices and wages.

Finland Waits for a Leader

THE Prime Minister of Finland, Mr Fagerholm, recently remarked in a newspaper article that the leaders of his party, the Social Democrats, "have been proceeding in an atmosphere so confused that it might be said that the party is no longer being led. . . . The disagreements could be considered comic if the position were not so serious." This, although a remarkable statement for a prime minister to make, revealed nothing that the Finns did not know already, and can have no political repercussions since there is no real alternative to the present Social Democrat-Agrarian coalition. The lack of leadership, which is unlikely to be overcome until the Social Democrat Congress at Easter, would matter less if Finland did not need a government strong enough to push through unpalatable economic reforms.

Hitherto every cure suggested for the inflation which is dogging the country has been blocked, either by pressure groups whose interests would be damaged, or by experts who have different ideas of what is required. An economic council which was asked to produce a plan for stabilising the economy recommended, after months of work, a wage settlement and economic truce, combined with devaluation of the Finnish mark and the application of "rational economic principles" to the incomes of the heavily subsidised smallholders. But this was "very poorly received" by the Agrarians, and the governor of the Bank of Finland refuses to consider devaluation, so the plan was dropped. The trades union council (S. K) have refused to abandon their right to an increase in wages corresponding to the rise in the cost of living, which the employers refuse to pay, while the Bank of Finland and the commercial banks blame each other for the steady fall in savings. Not even a strong government could settle these disputes without becoming unpopular with some sections of the community, and the various factions among the Social Democrats do not intend to risk making enemies until they have settled the contest for leadership. Fortunately for them the electorate seems quite content to wait.

Arab Refugees

THE United Nations General Assembly is expected to debate the report of the Director-General of the Relief and Works Agency for Palestine Refugees next week. That report sets out clearly the fact that at present levels the subscriptions of member states are not enough to sustain existing—already low—standards of relief.

The report covers the twelve months ended June 30th last year and therefore does not include the period of the Suez crisis. A supplementary report, particularly concerning the Gaza refugees, shows, however, that the financial position was made worse by the Israeli invasion. Even so, the agency's position was already grave by last June. There was a deficit on both the relief and rehabilitation accounts, which was met by drawing on available working capital, which consequently fell from $20 million to $14 million. "At current rates of expenditure," says the report, "the available capital would last the agency less than six months."

Contributions should be seen as commodities such as food and clothing and other materials. Reluctance to increase the contributions means a reduction in actual aid because prices are rising. Moreover, the number of refugees on relief increases, because births outpace deaths and resettlement.

The problem is therefore simply to maintain the existing standards, although the Advisory Committee on refugees has supported the director-general's proposal for higher relief scales. (An extra 100 calories a refugee a day would cost about a million dollars a year.) Other, genuine, claimants for relief are not now provided for at all, and when the director-general asked for funds for them in 1955 he was referred to voluntary agencies which, as was expected, proved inadequate. Plans to provide tenting for 53,500 bedouin in Jordan could not be implemented, and now the tents of these people "are in rags." Other examples of failure for lack of funds are dotted about the report.

The problem is immense. There are now 922,279 registered refugees (as compared with 905,986 the previous year) and every plan costs a lot of money. For example, about $3.5 million would be required to house 56,000 families. But it is wrong to believe that the United Nations provides the funds ; in fact, two countries provide 94 per cent, 21 provide 6 per cent and the other members of Uno provide nothing at all. The world's resources have therefore not been mobilised.

Yet the responsibility lies with the General Assembly, which, as the director-general rightly points out, must provide adequate funds or decide what sort of relief must be eliminated. In theory, at least, the Assembly could throw health or education into the lap of the host governments and so cut costs.

His report also draws attention to other matters which should be dealt with by the Assembly. One of them is the failure of host governments to co-operate. The most notable is the refusal of the Jordan Government to co-operate on registration (*The Economist*, January 12th, page 128), but there are other cases, such as the imprisonment of two international officers by the Syrian Government and its restrictions on the movements of the agency officials. It seems clear from the report that there has been a deterioration in the relations between the Arab governments and the agency. It should have firmer backing from the Assembly.

UNRWA gets no credit as a life-saving force. On the contrary, Arab governments and refugees tend to load it with the disfavour that the Assembly acquired by its part in the creation of Israel. There is a belief that relief is a right not requiring gratitude, a suspicion that UNRWA is really a political instrument intended to disperse the Palestinian Arabs beyond any chance of return to their homeland. All this is perhaps understandable among the refugees, despairing and dejected as they are, but it is unforgivable on the part of governments.

Viewing By Halves

A NEAT statistic has been pulled out of the bag—half the population of the United Kingdom now have television sets in their homes. The Audience Research Department of the BBC estimates that at the end of last year nearly 19 million adults could receive BBC television ; of these, 7¾ million could also receive ITA programmes. Since sets are believed to be in use for about 40 per cent of programme time, this means that, when television is on in an evening, one out of every five adults is likely to be watching it: this is well over double what the audience was three years ago. Moreover, from being at the outset predominantly made up (*pace* the intellectuals' popular myth) of the wealthier classes, the audience must now come close to being a cross-section of the population. The tastes of this cross-section ? According to the BBC's own finding, out of every hundred viewers whose sets can receive both programmes it would be usual to find 38 looking at the BBC and 62 at the ITA.

Progress with the Parks

SINCE its creation seven years ago the National Parks Commission has proved itself an active and vigilant body. There are now nine (and may shortly be ten) national parks in England and Wales covering altogether 4,700 square miles—one twelfth of the country. Probably there are enough national parks, and possibly too many. The commission is now turning to the protection of other stretches of beautiful country where development might be controlled without setting up such elaborate machinery. Both in these areas and in the national parks the commission's task is often to back up local planning authorities in their resistance to such big public bodies as the Forestry Commission and the electricty boards. Much has been done to reduce the number of aerial masts by sharing, but the commission is up against cost problems in its aesthetically laudable desire to get power lines carried under rather than over the ground. The choice is often between disfiguring natural beauty and making the consumer of other things than country walks pay a very high price to preserve it by burying cables.

There has been little money to spend on national parks in recent years. In so far as this has delayed the removal of ugly shacks and hoardings, and the provision of better facilities for walkers and campers, this is a misfortune. But it would be a great mistake to have the parks, and particularly the remoter ones, too fussily planned and controlled, with rustic notices and signposts everywhere, paid wardens and the rest. Opening up the parks with new roads would destroy their distinctive beauty still more: much of their charm is dependent upon a moderate degree of inaccessibility. It is perhaps as well that there is little money for such "improvements"; far more worthwhile is the expenditure outside the parks in creating new rights of way (which now make it possible to circumambulate Devon and Cornwall) and the disciplining of outdoor advertising.

De Minimis

A LEGAL case of peculiarly esoteric charm has just been settled in the Commercial Court, Queen's Bench Division: that between the Peter Cassidy Seed Co. Ltd., and—the wildest fantasy of a Beachcomber or a Timothy Shy could devise nothing better—a Finnish firm of ant-egg exporters, Osuustukkukaupa I.L. The latter had contracted in 1953 to supply a quantity of ant eggs as soon as their export licence had been obtained ; had failed to obtain it, and so to fulfil their contract ; and had thereby, in the view of the arbitrators to whom both parties had agreed to submit disputes, rendered themselves liable for damages. This decision has now been legally confirmed.

The case is illuminating in more ways than one. It is, for one thing, a striking reminder of what planned economies can let themselves in for. Veterans of the Ministry of Food still cherish painful memories of that long, gruelling campaign which, leading the panzers of control deeper and deeper into the tangled by-ways of minor commerce, triumphed over the successive threats to the British balance of payments offered by imports of sweetened fats, icing mixtures and—ultimate manifestation of sweet-toothed resourcefulness—piping jelly. No doubt a wildly uninhibited trade in ant eggs would be equally menacing to the delicately poised economy of Finland ; in the friendliest and most sympathetic way one may suggest that it is better to avoid a poise as delicate as all that. Further, the unfortunate Osuustukkukaupa I.L. was stymied, in its attempt to get a licence, by the opposition of that majestic body the Finnish Ant Egg Exporters' Association—whose advice is legally binding on the State Board of Licences and which invariably vetoes licence applications from non-members. To establish this kind of alliance between "self-governing" business groups and official planning organs is the dearest wish of the restrictive-minded everywhere ; but its results are generally more discreetly wrapped up. It is salutary to have them demonstrated at so little cost (with all due sympathy for the frustrated aquarists and their ant-egg-starved charges) to the public weal. Finally, it is noteworthy that the law comes out of the affair rather well. It took the trade's arbitration system—one of those tortuous *ad hoc* affairs, specially designed by businessmen to short-circuit the law's delays—three expensive years to reach a provisional decision. It took Mr Justice Devlin an hour and threequarters.

Letters to the Editor

The Way to Cut Defence

SIR—In your issue of January 5th you said that the burden of armaments "falls particularly heavily on the engineering and electronics industries and on research resources, with correspondingly adverse effects on exports and industrial re-equipment."

But it may be argued that so far from being a burden the armaments programme is the only stimulus which maintains a substantial volume of research and a high level of technical skill in the electronics and engineering industries of Britain. Who stimulated (and paid for) the development of radar? Of UHF radio communication? Of electronic computers? Of jet and turbo-jet aircraft engines? Of nuclear reactors? (Is not the manufacture of plutonium even now one of the functions of Calder Hall?) Of the techniques of automatic-control (servo) systems? There is a risk that British industry may by now be so accustomed to relying on the risk-free development contract from the Ministry that it would be reluctant to undertake novel work at its own risk—the more so if the withdrawal of the Ministry contracts occurred at a time of financial uncertainty.—Yours faithfully, D. A. BELL

Birmingham.

Constitution and Choice

SIR—You are well aware that the power to reject the Sovereign's choice rested on something which has long ago disappeared: the readiness of the candidate's own party to risk a split if need be and precipitate a General Election. But it did not take the disappearance of this safeguard to make your distinguished predecessor question the procedure. In his "English Constitution," published in 1867, Bagehot wrote:

> Let us suppose the House of Commons—existing alone and by itself—to appoint the Premier quite simply, just as the shareholders of a railway choose a director. At each vacancy, whether caused by death or resignation, let any member or members have the right of nominating a successor; after a proper interval, such as the time now commonly occupied by a ministerial crisis, ten days or a fortnight, let the members present vote for the candidate they prefer; then let the Speaker count the votes and the candidate with the greatest number of votes be Premier.

Bagehot wrote before the days of the party leadership election meeting or he would have substituted this for the House of Commons. At any rate he acknowledged that "this mode of election would throw the whole choice into the hands of the party organisation, just as our present does except in so far as the Crown interferes with it." Against the "lobbying" you quote as an objection, Bagehot points to the influences behind the Crown's choice and says: "Very many will intrigue when Parliament is perplexed, when parties are divided, when alternatives are many, when many evil things are possible, when cabinet government must be difficult."

His conclusion may be found in his own words:

> The judgment of the Sovereign will often be worse than the judgment of the party and he will be very subject to the chronic danger of preferring a respectable commonplace man, such as Addington, to an independent first-rate man, such as Pitt.

There is the final point that whatever its imperfections, the electoral system in Bagehot's day managed more often than not to produce a Parliament which reflected the different moods of the country. Today not only is no independent voice heard but a party without an overall majority of votes may nevertheless secure a majority of seats. If we run the risk of being governed by a minority, should we not at least ensure that it is by a majority of that minority rather than by a minority of a minority?—Yours faithfully,

Huby, near Leeds S. E. GRAHAM

The Successor

SIR—You attempt, understandably but I think unworthily, to explain away the fact that for once one of your most confident predictions has proved wrong, namely that Mr Butler was the certain, in fact the only possible, successor to Sir Anthony Eden.

There is today a large body of opinion which believes in the sanctity of agreements and of treaties, in honest diplomacy, and which feels also that we have been shamefully treated by our American allies (so called). Now the people who hold these opinions are not just a recalcitrant minority on the right wing of the Conservative party; they are not all Conservatives, but they constitute, in my opinion, more than half the nation. They have no wish to apologise for the Suez expedition.

The fact that it was mismanaged and not pushed to its pre-ordained conclusion has left this body of opinion feeling bitter and frustrated. It is wounded, and has therefore just as much right to be included under your all-embracing "bandage" as the numerically much weaker body of opinion represented by the *Observer*, the *Manchester Guardian*, and you, Sir. Would it not be more in keeping with your traditions to admit that Mr Macmillan's appointment has proved that on occasions even the best newspapers can be wrong?—Yours faithfully, TEMPLEMORE

Arthurstown, Co. Wexford.

Kenya Line-up

SIR—As a late colleague and close friend of all the European elected members, I suggest that your article of January 12th is very wide of the mark.

There never has been during my 35 years' experience of our Legislative Council, nor is there now, any European "line-up" against the African. The basic issue always has been and is the Indian question. The Indian problem was the underlying issue in the recent general election, exacerbated by Pandit Nehru's late posturing. If it had not been for positive election assurances that they would resist any further encroachment on the Executive by Indians, as distinct from Muslims, one additional European Minister would certainly have been defeated and the other would have had a much more difficult passage.—Yours faithfully,

EWART S. GROGAN

Nairobi

Squaring the Philosophic Circle

SIR—Your reviewer of my book affirms that the Age of Reason has gone. It seems that the Age of Authority has come in with a vengeance. In his preamble to the review he tells us what we have to think about a number of difficult questions in a tone implying short shrift for deviationists.

In fairness to myself, in the face of your many readers who are unlikely to see my book, I ask leave to point out that he has made an elementary howler in relation to the one argument of mine that he deigns to discuss. He thinks that he can draw an analogy between successive experiences that vindicate a hypothesis and my argument relating to experience on a continuity. My very lengthy discussion of the many complex and subtle matters relevant to the vindication of hypotheses should have made this analogy seem to him entirely out of place. But let us waive that. He writes that, by this analogy, if a man made predictions on the basis of a general hypothesis, and if the hypothesis was verified on each of 99 successive occasions before it was falsified, the probability of any one of these predictions being correct would be 99/100. In fact by this analogy only *the last* of the predictions would have that probability of being correct. And that, on the face of it, is not so very "absurd."—Yours faithfully, ROY HARROD

Christ Church, Oxford

Amalgam of Accountants

SIR—Sir David Eccles has inherited an opportunity and a duty: he should secure the withdrawal of the proposed merger of chartered and incorporated accountants. The Board of Trade is being ignored by the Institute of Chartered Accountants in England and Wales. The slight stems from paragraph 19 of the institute's memorandum to its members, which says in effect: if the merger fails and the Society of Incorporated Accountants accepts approved accountancy service in industry, integration would probably be removed "for all time" and the Society and the Association of Certified and Corporate Accountants (which already accepts such service) would be acting "against the long-term interests both of the profession and of the public."

But it is the Board of Trade (not the institute) which has the duty under section 161 of the Companies Act, 1948, to pronounce on matters of public moment and it has done so and recognised the association equally with the institute and the society.

And why this provocation of the association? Only two years ago the institute, the society and the Board of Trade gave their blessing to a scheme whereby about 1,000 persons in non-statutory accountancy bodies were to become members of the association and therefore become eligible to audit the accounts of public companies. This scheme was later defeated by members of the association. The background to the scheme was to pave the way for amending legislation to extend statutory qualifications to exempt private companies. Yet the institute, which approved these persons gaining statutory authority through membership of the association, now says unmistakably that the association's qualification is against the interests of the public.—Yours faithfully, COLIN PERRY

Sutton, Surrey

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SIR—A factor playing an important part in the deliberations of the "Chartered" and "Incorporated" Accountants is the question of "articles." It seems to be taken for granted that this is the most efficient method of training accountants. How can it be? Just because a person is an efficient and capable accountant, it does not make him, automatically, a good teacher of the accountants' craft. Whilst many accountants do have "training schemes" for their articled clerks and the student societies of the institute and the society are excellent there are still many cases of the articled clerk being "an unpaid human adding-up machine."

The rule that all accountants should be allowed to take articled clerks should be revised, and greater publicity should be given to the excellent scheme devised by the three main accountancy bodies whereby would-be accountants may take a three-year University course leading to B.Sc (Econ) during the course of their articles.—Yours faithfully, JOHN PAXTON

Shepton Mallet, Somerset

Books & Publications

Cities in the Motor Age

THE METROPOLITAN TRANSPORTATION PROBLEM.
By Wilfred Owen.
USA: *The Brookings Institution.* London: *Faber.* 311 pages. 32s. 6d. $4.50.

IN the United States, as in Britain, advocates of improved motor roads between cities are today encountering the argument that these roads will deliver so much more motor traffic into the cities as to choke traffic circulation within them, accelerating "the decay of downtown." The difference is that in the United States the motorways have come before the argument (and keep on coming): in Britain the argument has come before even the first of the motorways.

In many American cities, the complaint is true enough: the turnpikes and the urban expressways feeding in from them have created more congestion, not less. No major American city except Los Angeles is really adapted to the automobile age (and even the freeways of Los Angeles put a good deal of strain on the car commuter, while it is arguable that the meaning of the word "city" has to be stretched to include that vast encampment of motorised humanity.) Most other American cities have problems of public and private transport broadly similar in kind to those of European cities though more acute in degree: more of their travel in and out is done by car; but their roads, in the centre and on the fringes, are wider, and more off-street parking inside the city usually exists, so that the emphasis of the problem is sometimes comparable. No American city, except metropolitan New York, has nearly as small a percentage entering it by car as most European cities (and even in New York the figure is about 17 per cent, against 1-2 per cent in London): but in the United States a low percentage usually means that congestion has driven many people to leave their cars at home, while in Europe far fewer of the suburban population possess cars to give them the choice.

Another difference is that in the United States no proposals for restrictive solutions of this problem have a chance: they would be foreign to the American temper. Traffic engineers may advise the banning of cars or trucks from the centre of their cities; but in the very few cases where any measures to cut down motor circulation at the centre have in fact been put into practice, they have been complemented with off-street parking close to the centres, or with freight terminal areas fairly well in from which the goods can be delivered in fewer trucks. In most urbanised areas in America, as this well-documented study from the Brookings Institution emphasises,

> Neither economic analysis nor transportation history suggests a return to public transportation on a scale that would be decisive. . . . Planning of the urban area must recognise that car ownership has become a necessary adjunct to home ownership.

The United States is thus too far committed to the automobile age to spare thought upon freezing or recreating pre-motorised patterns of urban transport. The process is less advanced in Britain, and it is reasonable to talk about avoiding other people's mistakes: nevertheless, people who have to reckon with transport in British and European cities would do well to accept the same basic assumptions. Public transport systems on this side of the Atlantic are less moribund; but they are already facing the same problem of slackening total demand with maintained or increasing demand at peak hours that has hamstrung so many American transit services.

The trend from public to personal transport seems certain to continue if living standards rise in Britain—and London Transport, for example, recognises this. Development of public transport must be knit into the provision of improved motor circulation within cities—for example, the operation of high speed buses along lanes in urban expressways reserved exclusively to them at peak hours, and the co-ordination, in pricing and time tables, of fringe parking outside the city centre, fast tube services, and disincentive charges for kerb parking in the heart of cities.

Mr Owen is concerned more to expose the problem than to solve it by any neat formula. But he does conclude that the redesign of major surface streets, within the constant process of renewal of every city, must aim either to move traffic or to give access to urban property: the attempt to do both has failed. He holds that in the United States—as certainly in Britain—too large a proportion of highway expenditure goes on rural road improvement, too little on the city road systems, which carry the heaviest traffic (and because of land values are inherently more expensive to improve). Mr Owen also believes that more scientific pricing of transport (and parking) services is required to maximise revenues; and that the pooling of transport revenues—probably under combined transport authorities—may be the most promising way to improve city transport as a whole. Provision of better

transport facilities, he adds, can moreover only improve matters if all chances of staggering working and shopping hours are seized, and if geographical and population limits are imposed on the metropolitan sprawl—which means congestion of living and working, as well as travelling.

Mad Madge of Newcastle

MARGARET THE FIRST: *A Biography of Margaret Cavendish, Duchess of Newcastle,* 1623-1673.
By Douglas Grant.
Rupert Hart-Davis. 253 pages. 25s.

THE susceptible Pepys did not "like her at all." He thought "Mad Madge of Newcastle's" deportment "ordinary," and her "antick dress" and patches unattractive. He saw her, not as Lely painted her, but as a contemporary Gilray might have drawn her. And Mrs Evelyn and Dorothy Osborne disliked her curls, gestures and "airy rambling conversation." Yet the widowed Earl of Newcastle (Charles II made him a duke later), recently defeated at Marston Moor, fell in love with her at Henrietta Maria's exiled court; and despite a gap of thirty years in their ages, their love, attested by letters and poems as well as by her biography of him, endured.

Married in 1645, they lived precariously abroad till the Restoration; she sold her trinkets for food; creditors besieged them; he had to remain in Antwerp as a surety while she was in London in 1651 beseeching the Commonwealth Commissioners to release forfeited funds to pay his debts—a hopeless mission for the wife of "a notorious royalist"; but she relieved her prolonged frustration by writing "Poems and Fancies" published in 1653. Twenty other books followed, published at Newcastle's expense—philosophic and scientific speculations (including a theory of the atom) plays, orations (undelivered) and "space-fiction." She despised grammar, and her spelling is bewildering even by seventeenth century standards. Her renown was inflated by the readiness of college libraries (particularly in practical Cambridge) to accept her works in the hope of ducal benefactions. Trinity proclaimed her "Minerva and Athens."

The threads of autobiography in her writings are skilfully woven by Mr Grant into a story in which she lives; though both her "speculations" and his comments might well be pruned. Her prophetic enthusiasm for the scientific arguments which heralded the eighteenth century enlightenment and industrial revolution, her cheerful courage in civil war and exile, and her devotion to her husband more than counterbalance her ostentatious eccentricities. Unique among the few women writers of her day, she wished to be called "Margaret the First." Despite her versatility she was hardly "Minerva"; but perhaps one can think of her, not unkindly, as a seventeenth-century mixture of Marie Corelli and C. S. Lewis.

Supplying the Middle East

FOOD AND INFLATION IN THE MIDDLE EAST, 1940-1945.
By E. M. H. Lloyd.
Stanford University Press. London: *Oxford University Press.* 389 pages. 48s.

THE author of this important work, a publication sponsored by the Food Research Institute of Stanford University as one of a group of studies on food and agriculture in the last war, has had a long and distinguished career as a governmental expert on problems of food and agriculture. In 1943-44 he served as Economic Adviser to the Minister of State in the Middle East. This book is written, with the aid of official papers, in the light of that experience.

His theme covers a period in which British influence in the Middle East was at its zenith. British troops were stationed throughout the area. The Axis control of the Mediterranean had cut the Middle East off from many of its traditional markets and outside sources of supply. British military expenditure was pumping money into the area on an unprecedented scale, at a time when the demands of the war made any but the most essential imports and exports impossible for lack of shipping space. At the same time, Britain's power was dangerously extended, and Rommel was loose in Cyrenaica. Uncontrolled inflation and famine meant riots and civil strife throughout the Middle East at a time when tranquillity was essential.

The theoretical means of fighting inflation—increased taxation, forced loans, savings campaigns and the sale of gold—all require, except for the last of these, a degree of governmental control and competence which was not present in many of the countries concerned. Gold sales were used on a small scale, but the need to conserve Britain's gold and dollar balances made this only of limited value. Control of inflation depended on the control of food prices. This could be maintained only if the operation of a private market were prevented, and this meant the collection and distribution by government agencies of the food supplies produced in the area.

The importance of this was reinforced by the threat of famine in the Middle East after the exceptionally bad harvests of 1941, a threat that necessitated the diversion of over 600,000 tons of shipping to carrying cereals into the areas at the height of the Battle of the Atlantic. It became clear that local production would have to be expanded to avoid the recurrence of such a necessity, and that the control of imports and reserve stocks of cereals would have to be centralised. Only by the Middle East acting as a unit could its needs be met from its own resources. This became the task of the Middle East Supply Centre.

Inevitably, in the light of the present problems of the Middle East with the continuous pressure of population on resources, it is the work of the Middle East Supply Centre that is of the most interest today. Mr Lloyd provides a good deal of evidence on the economic aspects of the centre's work. But he has not set out to write a history of the centre, only to discuss the economic problems it faced. He makes it clear that the centre succeeded in avoiding any major disturbance to the customary patterns of food consumption; that its influence was important in avoiding a worse inflation than in fact occurred; and that the degree to which it was successful was governed ultimately by the amount of co-operation shown by the local governments. What he does not throw much light on, however, is the political basis on which the centre's success was founded, and the control of imports, including the vital imports of fertilisers, through the control of shipping. Plans to revive the Middle Eastern Supply Centre need to recognise the unique, the unrepeatable conditions for the centre's success.

Sex-War Correspondent

WOMAN, THE DOMINANT SEX.
By Hendrik de Leeuw.
Arco. 192 pages. 16s.

HOW bad can a book be? A real book, that is; not a horror-comic, a paperback garnished with screaming blondes, or the printed equivalent of a feelthy picture, but a book decently printed, bound in stiff covers, substantially priced, and sent to reputable periodicals for review? It is this question, rather than that of subject-matter, attitude and treatment, which is primarily posed by "Woman, the Dominant Sex"—subtitled "From Bloomers to Bikinis." Mr de Leeuw (described as a sociologist) has a theme of genuine interest and importance; the changing relation between the sexes, with special, though not exclusive, reference to America. It is a theme that can be, and has been, treated from many different angles—those, for instance, of Miss Margaret Mead, Mr Philip Wylie, Dr Kinsey, Mr James Thurber, and the anonymous composers of limericks; and in any of these classes an example may be, as the cowboy said of the pancake, good of its kind. What passes comprehension is the motive—other than that of cashing in on the word "sex" in the title—of Mr de Leeuw's publishers in producing this frenzied sputter of bad temper, ill-digested reading, irrelevance and illiteracy. Samples: "These wenches and cloth horses, who undulate and ambulate their well-proportioned torsos especially for the delectation of fusty sugar-daddies" . . . "The English surgeon, William Acton, even stressed the fact in a book that to attribute sexual feeling to a woman was a 'vile espersion.'" . . . "Using feminine pulchritude wherever same is possible, sexy sensationalism of headlines is therefore the lucrative pitch." . . . "This ushered in another changed look into, what became known as, the Edwardian or Gibson Girl era." . . . The foregoing are chosen for brevity alone; at paragraph length even worse is available.

Little new can be learned here about American women or indeed any others. What the reader does discover is that Mr de Leeuw has a card index stocked with odd facts about ceremonial defloration, frigidity, the Early Christian Church, advertisers' slogans, suffragettes, the abortion rate in Japan; that he carries a chip on his shoulder and some more noxious insect than a bee in his bonnet; and (since he has half a dozen books to what may be called his credit) that he knows what will find a publisher and, when published, sell. This last piece of information is perhaps more sociologically significant than anything contained between the shocking-pink covers of "Woman, The Dominant Sex"; it is certainly at least as depressing.

The End of Weimar

GESCHICHTE DER WEIMARER REPUBLIK: *Volume II.*
By Erich Eyck.
Eugen Rentsch Verlag, Zürich. 621 pages. DM.22.80.

NOT everyone likes Eyck. That much one learns from the author's foreword to the second volume of his history of the Weimar Republic. He pleads with his German readers not to reject the lessons they may learn from history with the facile formula of *Emigranten-Ressentiment.* In that foreword—in the need for it—is the crux of the matter.

This concluding volume takes us from the Treaty of Locarno to the torchlight procession that celebrated Hitler's accession to power. Dr Eyck has a large canvas and paints his picture in broad, sure strokes, with the care, sweep, and shrewd observation of the true historian. However much the German reader apostrophised in the foreword may disagree with the interpretation of some details, he must—he should—recognise the probity of the approach, the justice (admittedly rough in one or two places) of the whole. (Incidentally there are also a few slips and printing errors.)

Judgment is not withheld. To mince words, says the author, would be a sin against the future. The Social Democrats' ineptitude, Hindenburg's treachery, the nationalists' bestiality—from Hugenberg's impenetrable illogic to Hitler's congratulations to convicted murderers—are all set down. The atmosphere of violence is recreated and in it takes place the struggle between those to whom the recovery of their class or nation was not synonymous with the suppression or downfall of others, and those to whom it was. The latter won.

One of the things that emerges with particular clarity is how the nationalists treated the true patriots. The account of the Locarno Conference is most moving, as is Stresemann's entire story up to his early death—and beyond it, to Briand's pilgrimage to his grave. Stresemann is the hero of the book, defended even against the accusation of having ignored secret German rearmament. If he did, says the author, he was in the company of the Entente Governments, which lifted controls instead of raising permitted limits. He does not think that matters would have been helped, and German democracy preserved, by earlier or greater concessions. The nationalists were ungrateful and unappeasable. They were intransigent and violent within, and intransigent and bent on violence without; and they were as cynical about their people's misery as were the communists.

Interim Report

ENGLISH PEOPLE IN THE EIGHTEENTH CENTURY.
By Dorothy Marshall.
Longmans. 288 pages. 30s.

MISS MARSHALL'S sensible, unpretentious survey is intended as a "background book"; appropriately, the illustrations are excellent. She has her minor fads and fancies; at times she can be verbose and repetitive; while in balance between topics, and in scale of treatment, there is some puzzling differentiation. However, this is a thorough and readable account of life in eighteenth-century England, and the many readers it deserves should be grateful that so sound a scholar has undertaken a very difficult task. Yet they may also feel some disappointment and a certain irritation—which will not be entirely Miss Marshall's fault.

Historians used to see the past as a progression, in which the clear-cut stages were firmly labelled and dramatically presented. In their personal relations there was something of the same clarity and violence. Dirty linen was publicly washed, and dog ate dog in the quarterlies. Nowadays the profession is more discreet, both in ideas and behaviour. In the privacy of their journals, historians still persecute one another, and proclaim the epoch-making significance of trivialities. But when they turn to confront the outside world their manners improve and the ranks are closed. Scholarly caution becomes acute, and qualified statement the order of the day. To stress change is out of fashion, even improper; continuity is what historians look for and usually find. No wonder that much is made to seem flat, blurred and baffling; no wonder the entertaining amateurs and the academic renegades are so prosperous.

Miss Marshall is a respected professional, across whose book lie the shadows of Ashton and Namier. She would no more think of talking about "the Industrial Revolution" than of political parties in an eighteenth-century parliament. However, it is one thing to demolish the old, exciting myths, essential as this may be; it is another to make contemplation of the wreckage a satisfying substitute for the patterns broken up. Until the history of the century has been revised to take account of the brilliantly destructive criticism of almost a generation, no really adequate introduction can be provided for the common reader. Miss Marshall's agreeable volume is an interim report, which has the defects of its virtues. She is too competent an historian not to spread doubt and uncertainty as well as sweetness and light.

Hungarian Premier
NICHOLAS KÁLLAY
A personal account of a nation's struggle in the second world war. (Columbia U.P.) 42s. *net*

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R. S. SAYERS
Professor Sayers discusses some aspects of central banking in the light of English experience since Bagehot's classic *Lombard Street.* 18s. *net*

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HENRY G. AUBREY
The author makes a new approach to the solution of 'the dollar problem', by examining the prospects of greater American imports over the next twenty years. He shows convincingly that the rise is likely to be much greater than has been commonly assumed. 21s. *net*

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COMING MARCH

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A Dig

THE BURIED PYRAMID.
By M. Zakaria Goneim.
Longmans. 174 pages. 18s.

THE author is the Chief Inspector of Antiquities at Saqqara, the vast cemetery of Memphis, the second capital of Egypt in antiquity, which was situated about twenty miles south of Cairo. The necropolis in his charge served almost uninterruptedly from the beginning of Egyptian history down to Roman times, well over three thousand years. In this labyrinth of tombs Zakaria Goneim chose for excavation in 1951 a site which looked on the air photographs like a vast buried rectangle. This soon revealed itself as an enclosure wall built of local limestone with a casing of finer limestone from quarries on the other side of the Nile. In workmanship it closely resembled the enclosure of King Djoser of the Third Dynasty, which lies at a short distance to the north-west. Djoser's enclosure having a step pyramid in its centre, the excavator naturally searched for one inside the new enclosure and found it there, though unfinished, for it had only a maximum of 23 feet instead of the planned 230 feet in seven steps. Outside the pyramid to the north the entrance was discovered, leading first through a deep ditch then through a rock-cut passage to the burial chamber situated under the pyramid. The passage was blocked with stones at three points and these blockages seemed undisturbed. The alabaster sarcophagus, which was the only object found in the burial chamber, could therefore still be expected to contain the mummy of the royal builder of the pyramid together with his funeral equipment, and it was a great disappointment when it was found empty, probably never having been used for a burial.

The close resemblance to the enclosure and pyramid of Djoser suggested that the new pyramid complex must also be of Third Dynasty date, though a little later than Djoser to judge by the more developed technique of its stone building, and therefore the date postulated for it is roughly 2750 BC. Owing to its unfinished state valuable indications could be ascertained about the way in which pyramids were built—a vexed and much discussed problem. The king's name was found on clay sealings—Sekhem-khet, a hitherto unknown king—but apart from these sealings and the sarcophagus the finds were rather meagre: a few hundred stone vessels, a small hoard of golden bracelets, and 61 papyri dating from the sixth century BC, still unread, but which on closer examination might easily turn out to be the most informative objects of the whole dig.

The excavator had the felicitous idea of having his manuscript recast by Leonard Cottrell, an experienced narrator and himself author of a thrilling book on excavations in Egypt. The present account is thus not only accurate, but also very readable. The selecting of the spot for the dig, the excavation with its incidents, hopes and disappointments, the description of the buildings and objects found, all are presented in an enthusiastic and fascinating manner. Moreover, there is no need for the reader to hunt in reference books for information to understand the historical and archæological aspect of the excavations, for the book opens with an introduction into the history of Egypt, containing also all the necessary information on pyramids in general and that of Djoser in particular, including their religious background. Elsewhere in the book useful digressions are found wherever required for the understanding of an archæological phenomenon.

Man and His Culture

MAN, CULTURE AND SOCIETY.
Edited by Harry L. Shapiro.
Oxford University Press. 393 pages. 45s.

THE editor of this collective work is chairman of the Department of Anthropology of the American Museum of Natural History and his fellow contributors are leading professionals in this field, mainly American, but including one French and four British. Its object is to give "the intelligent reader" and "the beginning student" an understanding of the scope of anthropology in the broad meaning of that term. How far the book will in fact appeal to "intelligent readers" who do not happen to be "beginning students" is problematic: collective authorship, however necessary for works of broad scope at an advanced level, hardly lends itself to attractive exposition and is surely unnecessary in an elementary book; nor can it be said that the volume is likely to attract by its external appearance and general make-up. Yet the book covers a subject of great human interest in a thoroughly competent, if seldom inspired, manner, and may confidently be recommended to anyone desiring to know more about anthropology.

Dr Shapiro begins with an admirably succinct account of the physical attributes of man and of his evolution, but the rest of the book is concerned with aspects of his cultural life. Of the five chapters dealing with the more or less remote past, that most likely to interest English readers deals with Pre-Columban man in North America and provides the most up-to-date outline at present available. There follow chapters based primarily on the study of contemporary societies and dealing with broad aspects of social life: the nature and growth of culture; invention and cultural change; language and writing; human groupings and the family; religion; primitive economics. Finally, as if to emphasise the relevance of modern anthropological studies, Robert Redfield writes on "How Human Society Operates."

The day is indeed long past when anthropology could be regarded as the province exclusively of those who devote themselves to primitive peoples. The categories in which modern social anthropologists deal are relevant to all societies and, indeed, the more highly integrated society becomes the greater the scope for applying the insights gained from comparative study of simpler societies. This has been recognised for some years in North America where the professional consultants hired by business corporations have for some time included experts in this field. One has the impression that in Britain such weighty matters as sales promotion, labour relations and even shareholder management have hitherto been left to the intuitive or amateur anthropology of business executives. If America is a mirror of our own future, we may expect a new profession before we are very much older. Anyone wishing to be in on the ground floor might well consider the expenditure of 45s., even if for the time being he intends to retain his amateur status.

Shorter Notice

PORTRAIT OF GREECE.
By Lord Kinross and Dimitri.
Max Parrish. 127 pages. 35s.

This is a book both for the armchair and the genuine traveller. It gives the former a very clear idea what Delphi, Olympia, Athens, Crete, Rhodes, Mount Athos and so on look like; and it gives those who can visit these places for themselves a lively and illuminating survey of their history and background. Text and photographs (by the Greek photographer, Dimitri) complement each other and are nicely balanced. The photographs are coloured—sometimes, one suspects, over-coloured; the prose is unobtrusive and always excellent. In addition there is a swift survey of 4,000 years of Greek history in not much more than four pages, which is a model of what such a survey should be.

This is not primarily a book about the Greeks of today—although there are some memorable descriptions of them, making the most of a trip between the islands, for instance, or at Epidaurus watching "in a mood of enthralled concentration . . . the work of a familiar and favourite playwright, Euripides." There are only 120-odd pages of text, so the author has eschewed most of the minutiæ of travel—the crush in the bus or the eccentric attire of the café proprietor—which make or mar most travel books. But he has clearly enjoyed describing, with light-hearted erudition, the trials and triumphs of the ancient Greeks (particularly, one feels, their dealings with the Delphic oracle). Inevitably, those who retrace some of their own travels in Greece when reading this book will sometimes feel with regret, and perhaps even a sense of grievance, that Lord Kinross has not emphasised what seemed to them the best view or the most striking mosaic. But most would agree that his attempt to describe, in two brief paragraphs, the effect that the Parthenon has on those who visit it is a very good attempt indeed.

Books Received

CONSEQUENTIAL LOSS: *Insurance and Claims.*
By Denis Riley. *Sweet and Maxwell.* 373 pages. 50s.

INCOME TAX: *Law and Practice. Twenty-Seventh edition.*
By Cecil A. Newport and H. G. S. Plunkett. *Sweet and Maxwell.* 484 pages. 30s.

American Survey

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Atomic Powers for the Services

Washington, D.C.

THE share of defence in President Eisenhower's new Budget, for the year ending on June 30, 1958, reaches the predicted grand total of $38 billion, without including spending on foreign military assistance, stockpiling or the Atomic Energy Commission. This is $2 billion more than the estimates of military spending for the current, 1957, year. As always in peacetime, it is a compromise between what the military chiefs and their supporters say is necessary for a sound defence and what the nation's fiscal authorities feel is the most that is consistent with the maintenance of a sound national economy. Despite the immediate protests of the Secretary of the Treasury against extravagance, and the soft laments of General Twining for the billions refused to the Air Force, the figures shocked no one. All the services habitually fix their "absolute minimum requirements" at a point higher than their expectations. This year their minimums totalled $47 billion, or $9 billion more than the President approved. Actually this was fairly close, by budget standards. A few years ago when the services' pleas for new money added up to $104 billion they were sheared to $60 billion.

How Congress will react during the coming months of extended committee hearings in both houses will obviously depend a good deal on world developments, in the Middle East and elsewhere. The air-minded members, who are highly vocal, will undoubtedly press for an increase in the Air Force's funds larger than the proposed rise from $16.8 billion this year to $17.6 billion. They will hardly be mollified by a defence spokesman's assurance that much of the extra $900 million forced on the Administration by Congress last year has never actually been spent and in effect is being transferred into the air funds for the coming year. Another lively subject is sure to be the question of which service is to produce which missile. The Budget says very little about this issue, which involves the ambitions of all three services. But criticisms of the defence spending which, the President says, affords "a wise and reasonable degree of protection" will have to await fuller knowledge of just what is hidden in the massive totals of expenditure.

Research and development for all three services, for example, are set down as costing only $1.66 billion, against $1.68 billion in the current year. But the figures are misleading. An immense element of research is involved in testing and evaluating new weapons. But by the peculiar magic of cost-accounting this item is buried invisibly in "operations," while "new facilities" includes another large amount, equally invisible, and also logically chargeable to research. One expert on the Budget estimates that these hidden items would bring the total to about $6 billion, against $5.2 billion this year. Only in the committee hearings, themselves largely secret, will some of these matters be made clear enough for intelligent criticism.

★

Much is in the open. There will be none of the big reductions in manpower which seemed likely a few months ago. All the armed services will remain about as they are at present (Army 1,000,000 officers and men, Navy 675,000, Marines 200,000, Air Force 925,000). Firepower, however, will be increased appreciably by the new weapons. Purchases of missiles (as distinguished from research into new missiles) will call for $2.6 billion. This represents a moderate increase. While many of the missiles will of necessity carry conventional warheads, President Eisenhower's message states plainly that the United States "will continue to increase the number and variety of nuclear weapons." It is significant that the emphasis will be on tactical weapons and those producing less radio-active fall-out. This may possibly indicate a belated admission by the Atomic Energy Commission (which contracts for all nuclear weapons) that there is, after all, some justification for the biological scientists' persistent protest against weapons with a large fall-out of the obviously perilous radio-active dust.

The emphasis to be placed on tactical nuclear weapons, rather than on strategic, long-range (and less accurate) devices, underlines the belief of the Administration, which is shared by the military, that the smaller the fission-type mechanism can become, the fuller can be the employment of nuclear warheads by the surface forces. In 1945, technology was able to produce only a nuclear bomb of immense dimensions. The 280 mm. (roughly 11 inch) gun developed by the Army showed how much smaller the atomic package could be, and encourages the belief that by this time it may be suitable for field guns of even smaller calibre and shorter range. This would mean that there has been success in reducing the fall-out; otherwise a field commander could not risk using such a weapon lest a shifting wind bring lethal radio-active dust back on his own forces.

The announcement that the Army will develop six "atomic support commands" in the coming year was one of the few surprises in the Budget. This helps to explain the decision to reduce the number of field-strength divisions from 18 to 17, and to start reducing the size of the standard division itself so as to make it more mobile. The new weapons will

provide it with even greater fire-power. The combat men squeezed out of divisional organisations will be channelled into corps and army artillery (largely missiles from now on) and notably into these new atomic support commands. Only guarded descriptions of the atomic commands are available, because they are still partly experimental. The closest prototype is provided by the Southern European Task Force (SETAF), which has been developed in the past year to help defend Italy's northern and eastern frontiers. It has about 6,000 men, is armed with the Corporal and Honest John atomic missiles and will have the newer types of weapons shortly. At present it is divided into three elements based at Leghorn, Verona and Vicenza, but by reason of its cellular construction it can be broken down into company and battalion elements of impressive firepower and extraordinary mobility. The plan to create five more units of comparable power and flexibility has a bearing on American readiness to provide some measure of atomic support to members of the North Atlantic pact.

The Air Force programme calls for 100 more of the great B-52 bombers, three of which have just completed their epochal around-the-world flight. This means that by the middle of 1958 practically all the B-36s should be replaced by this eight-jet successor. As had been expected, the much talked-of goal of 137 wings for the Air Force as a whole is cut to 128. The reductions will affect the Strategic Air Command's fighter-escorts and some of the Tactical Air Command's fighter-bombers. New developments have made the 137-wing plan seem obsolete ; time will show whether, in fact, the missiles can always take the place of the aircraft which are being discarded.

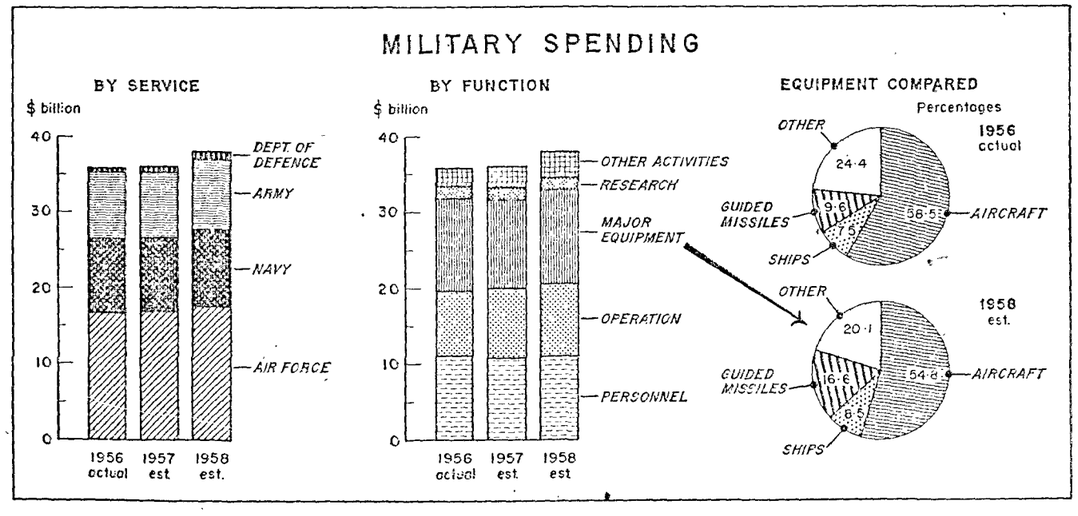
The Navy has no audible complaints. The ships it is getting include the first nuclear-propelled aircraft carrier, four more of the scheduled nuclear-propelled submarines and 13 destroyer types. Conversions of existing ships will result in another Oriskany carrier receiving her angled-deck, four radar pickets (for the greatly enlarged outer defence lines), three guided missile cruisers, a seaplane tender (apparently related to the revolutionary Seamaster jet-seaplane), and three ships designed for rapid surveying of seabottoms as an essential part of the enlarging work in undersea warfare.

Last Inaugural

THE high spirits with which Republicans celebrated their return to power four years ago gave way this year to a more sober mood as America paused to mark the start of the second Eisenhower Administration. The President, in his inaugural address, which under today's Constitution must be his last, drew on his capacity for moral fervour to lay stress on the responsibilities and sacrifices which the United States must undertake, in a " tempest of change," to build " a peace with justice in a world where moral law prevails." Former President Hoover was on hand to hear President Eisenhower pronounce the obsequies on " Fortress America " and accept " our deep involvement in the destiny of men everywhere." Alongside isolation the President buried the early excesses of his own Administration's policy of liberation. He had a warm message of friendship for the Russian people and promised that neither the captive nor the free nations would have to " barter their sovereignty " or copy American institutions to secure American aid. Though the President spoke in generalities—and it is the specifics which are in dispute—he struck a magnanimous and large-spirited note.

Mr Eisenhower and Mr Nixon, whose terms expired on Sunday, had been sworn in privately, the Vice President by his rival, Senator Knowland. The press, which in America includes all the paraphernalia of television and the newsreels, was excluded, to its indignation. For this there was good precedent ; besides, it meant that none of the shine was taken out of Monday's ceremonial and public repeat performance at the Capitol and the brilliant and costly festivities. This year's inauguration cost about a third more than that of 1953, when Republican enthusiasm was at its height, and tickets along the route of the parade were far from sold out last week.

If there was less exuberance, it was easier for Republican organisers to avoid the exhaustion, traffic-jams and gate-crashing which marred their first inauguration. The parade, which then straggled on until after dark, was severely



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TOP TEN RATINGS

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WEEK ENDING JAN. 13TH, 1957

1	STARTIME	GRANADA	75%
2	DRAGNET	GRANADA	70%
3	TAKE YOUR PICK	GRANADA	69%
4	PLAY OF THE WEEK	GRANADA	67%
5	THE CARROL LEVIS SHOW	GRANADA	66%
6	TELEVISION PLAYHOUSE	GRANADA	66%
7	DOUBLE YOUR MONEY	GRANADA	63%
8	DO YOU TRUST YOUR WIFE?	GRANADA	62%
9	MY WIFE'S SISTER	GRANADA	62%
10	SPOT THE TUNE	GRANADA	62%

% of homes reached during all or any part of the programme except homes viewing only one to five minutes. These figures reveal the audience in the Northern Region television homes capable of receiving both BBC and ITV programmes. ITV programmes are rated on the viewing to the Winter Hill and Emley Moor transmitters. Viewing in the Northern Region to the Birmingham ITV station is therefore not included.

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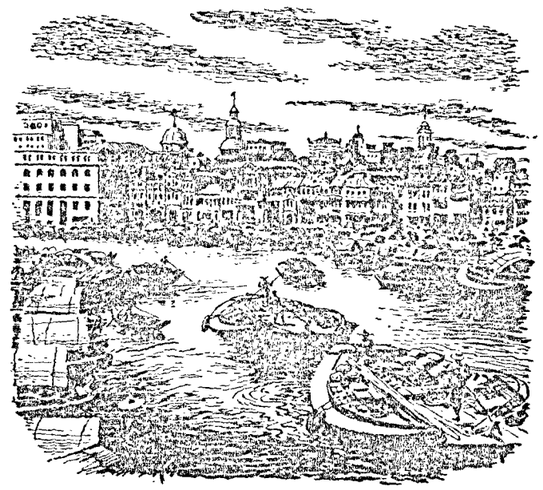
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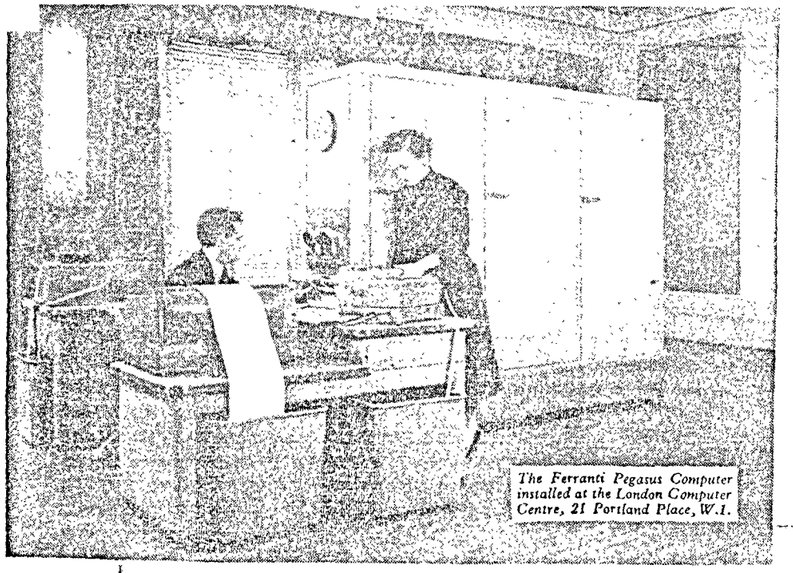
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pruned; states were allowed only one float to illustrate the difficult theme of "liberty and strength through consent of the governed," and the venerable atomic cannon was discarded as too slow in favour of today's guided missiles. In the evening, instead of two inaugural balls, there were four spinning at the same time at which the President and Vice President had to make short appearances. Among those unable to be present—presumably because a part of any profits were to go to Hungarian relief—were the Russian and Hungarian Ambassadors. Washington's merchants, who guaranteed the expenses of the whole affair, except the ceremony at the Capitol, were, however, not hopeful, on a colder day and a soberer occasion, of rivalling the $122,000 earned in 1953.

Nobody's Budget?

GRUMBLES from such fiscal purists as Senator Byrd, a Democrat, and Mr Taber, a Republican, were to be expected when President Eisenhower sent to Congress the largest peace-time Budget in history and one only $2.2 billion smaller than Mr Truman's last Korean war budget, which the Republicans came into office pledged to cut by



Herblock in the Washington Post

$14 billion. But no one expected the chorus of the frustrated to be led by Mr George Humphrey, the Secretary of the Treasury and the reputed strong man of the Cabinet. Expenditures in the last four Budgets have gone up steadily from $64.6 billion to $71.8 billion; to Mr Humphrey, such spending, much of it on unproductive armaments, is inflationary, rules out tax relief, and will lead to a depression "that would curl your hair." Asserting that there were plenty of places where the Budget could be cut, the Secretary of the Treasury in effect invited Congress to try where the Administration had failed. This is indeed a counsel of despair; Congress is too vulnerable to local pressures to wield the shears with zeal or discrimination.

Despite his office, Mr Humphrey is not responsible for drawing up the Budget; this is the task of the Director of the Budget, who views quite calmly the prospect of even larger spending in a country whose population is growing as fast as that of the United States. Mr Humphrey was careful to indict no one except the Soviet leaders and the "public psychology"; yet for a time it seemed hardly possible that so outspoken a dissenter could remain in the Cabinet. But Mr Eisenhower, whose concern about inflation reappears in this week's Economic Report, has now agreed that it is the duty of Congress to cut the Budget where it can, as long as—and there lies the rub—national security is not endangered and essential services to the country are not cut. He shares Mr Humphrey's distaste for big spending and preference for small government—but only in the long term, when relaxation in international tensions makes reductions in armaments possible. The President parted company with Mr Humphrey over deficit spending and tax reduction to fight a depression; but this is academic at the moment.

This then, is nobody's budget—except perhaps Mr Nixon's. He is said to believe that the Republicans can become the majority party only if they adopt the free spending for the public welfare favoured by Rooseveltian Democrats. The hallmark of the "New Republicanism" is its support for "civil benefits"; at $16.9 billion, these will go up next year by $1 billion, unless Congress, as the President hopes, makes the Post Office recover most of its $600 million deficit from the public. But this is still only half the increase in military spending.

Chairman Without Coat-tails

WHEN Mr Leonard Hall, chairman of the Republican national committee and organiser of the Republican campaign, handed in his final report, it contained a warning to the committee that in 1958 the party must put forward "able and attractive candidates who can win on their own merits" without clinging to a popular President's coat-tails. Mr Hall, who found those coat-tails coming away in his hands when the Republicans lost both houses of Congress, is expected to receive a high government appointment and to run in 1958 for the Governorship of New York. His successor, Mr H. Meade Alcorn, who must organise Republican victories without the benefit of President Eisenhower's popularity, was the personal choice of the White House; the committee bowed to the President's wishes despite the misgivings of many western and middle western members who feared that Mr Alcorn, the national committeeman from Connecticut, might fail to understand their problems, particularly the close relation between the discontents of farmers and Republican chances in the congressional elections.

There was a brief sensation last week when members of the committee reported that they had received telegrams, purporting to come from Mr Harold Stassen, the President's

adviser on disarmament, urging liberals to take a stand "against the Nixons and the Knowlands" by electing Mr Alcorn. Mr Stassen, whose attempt to prevent the Vice President from being nominated last summer was such a humiliating failure, stoutly denied that he had anything to do with the telegrams. In fact, the appointment of Mr Alcorn is taken as signalising both the capture of the party machinery by Eisenhower Republicans and a step in the campaign to secure the presidential nomination in 1960 for Mr Nixon. It is thus a set-back for his fellow-Californian, Senator Knowland, whose candidacy would be supported by the conservative Taft wing of the party. Mr Alcorn is a friend of Mr Sherman Adams, the powerful presidential assistant, and of former Governor Dewey, Mr Nixon's political ally. But before Mr Alcorn can think about 1960 he must clear the awkward hurdle of the congressional races in 1958.

Two Tangles in Texas

I.—Over Oil for Europe

THE refusal of the Texas Railroad Commission to permit more than a fractional increase in the output of crude oil in Texas in February is not an attempt to gouge more dollars out of hard-pressed European consumers—although it will help to maintain the increase in crude oil prices that has already occurred. The leading buyers of crude oil and those producers with ready access to the coast have consistently favoured higher output to meet Europe's needs. But the independent producers in the heart of Texas, especially in the remote western part of the state which has most of the surplus capacity, have just as consistently opposed any raising of the limit on production.

On purely economic grounds this opposition is not as unreasonable as it may look from Europe. These producers normally supply crude oil to inland refineries, and have no pipelines to carry any additional output down to the coast for export. They therefore now have two objectives: to persuade the major buyers to build more pipelines from the interior to the coast; and to ensure that a healthy demand for crude oil at present prices continues to come from the inland refiners which they normally supply. The emergency export demand may not last long enough to make it profitable to build new pipelines, and as soon as the tanker shortage eases the leading buyers are expected to revert to their normal, unpopular practice of importing cheaper oil from the Middle East. The independent producers stand to gain more, therefore, by protecting their normal home demand.

As inland stocks of crude oil cannot easily be moved to the coast they have not been much depleted, and for the same reason any general increase in crude oil output would tend to add to stocks, and weaken prices. This risk could be avoided by permitting a selective increase in fields where the whole of the additional output could be exported, but the commission maintains that all wells in Texas, however unfavourably placed, must be treated alike. A more difficult problem is posed by the stocks of petrol, which are now 30 million barrels—nearly 20 per cent—above normal. If higher output of crude oil were permitted, then refiners on the coast would make more fuel oil for export and add to the unwanted stocks of petrol in the process. The higher the stocks of petrol, the greater the danger that the inland refiners would be forced to cut their purchases of crude oil from the independent producers. The recent rise in crude oil prices, which started on the Gulf Coast in Texas and has now spread over most of the United States, has long been sought by the independent producers to cover rising costs of exploration and production. But there is only an acute shortage of crude oil on the Gulf of Mexico, and it is touch and go whether the higher prices will hold elsewhere. Any substantial increase in stocks of crude oil or petrol would almost certainly pull the price down again.

Although the price rise has so far failed to bring forth adequate supplies of crude oil for export, it has brought the emergency closer to the United States by touching the pockets of American consumers, who have retaliated with the customary charges against the oil companies of collusion and conspiracy to fix prices. The companies will indeed have to explain why the increased price for crude oil has spread from the Gulf of Mexico to inland areas where the supply was already sufficient to meet all demands for it. Moreover the refiners, squeezed between rising prices for crude oil and a sluggish demand for petrol, have pushed up petrol prices as well, even in the face of a glut of supplies, on the theory that the demand for petrol is relatively inelastic.

This apparent flouting of the law of supply and demand has naturally produced a spate of demands for inquiries by congressional committees, the Department of Justice and the Federal Trade Commission. First off the mark was the Senate's anti-trust subcommittee, which is to investigate the increases in oil prices as part of a broader study of the operations of the Middle East Emergency Committee through which 15 oil companies co-ordinate the oil lift to Europe. Senator O'Mahoney, the acting chairman of the Senate committee, is in favour of closer government control over the emergency activities of the oil companies, and opposes the Administration's view that the determination of prices should be left to the industry.

II.—Over a Senator for Washington

FROM A CORRESPONDENT IN DALLAS

A SPECIAL election for a United States Senator is to be held in Texas on April 2nd. That a date has at last been fixed has done something—although not much—to clear up the political confusion which has existed in Texas ever since last August when Senator Price Daniel won the Democratic nomination for the State Governorship and, therefore, in effect, the office itself But until two hours before he took over from Governor Shivers on January 15th there was unceasing intrigue as to how and when another United States Senator should be chosen. Then at the last moment Mr Shivers named Mr William Blakley to fill the vacancy until an election was held: one of Governor Daniel's first acts was to fix the date for that election.

After November 6th the confusion had been confounded by the fear that Governor Shivers, an Eisenhower Democrat, might appoint a Republican supporter to the vacancy and thus deprive the Democrats of their narrow majority in the Senate. This immediate danger was removed when Senator Blakley announced that he would vote with the Democrats, but it may only have been postponed until next April. For the guiding thread through the long tangle over the new Senator is to be found in the deep divisions of opinion and loyalty among Texas Democrats, divisions which may possibly give the election to the Republicans. Normally the Democrats fight out their differences and pick their candidates in a preliminary (primary) contest. But Texas law does not provide for this when a special vacancy is to be filled: then there is only a single election open to all comers from all parties. Mr Blakley does not intend to try for a permanent seat in the Senate, but even without him there are already four Democrats—and rumours of more to come—in the field and one Republican, Mr Thad Hutcheson of Houston, a young member of a distinguished Texas family.

The Democrats are Representative Martin Dies, once notorious as the head of Congress's Un-American Activities Committee; another conservative, Mr Bracewell, a State Senator who is running as an Eisenhower Democrat; and two liberals—Judge Hart, well known and respected as a former Chief Justice of the State Supreme Court and as head of the University of Texas; and Mr Ralph Yarborough, a perennial seeker after Democratic nominations in the state. Mr Yarborough is also a perennial loser, but he has gradually built up a solid block of personal support and his last race, in August against Mr Daniel for the Governorship, was his best so far; he has real ability in the rough and tumble of political campaigning, even though he is sometimes tactless and overbearing. He is expected to do better than Judge Hart and probably also better than any of the right-wing candidates, whether Democratic or Republican, who will split the substantial conservative vote in the state. But there is a movement in the State Legislature to provide for a second contest between the two leading candidates should no one win a clear majority on April 2nd; the right-wing advocates of such a law hope that Mr Dies will be the runner-up and believe he would beat Mr Yarborough in a straight fight.

Weaving a Japanese Pact

AFTER digging in their toes through months of negotiation, Japanese exporters of cotton textiles have now agreed to limit their shipments to the United States to an extent which is apparently fairly satisfactory even to the American textile manufacturers. American growers of cotton may not be so content, but the basis of the case against the Japanese is that, under the American government's programme for disposing of its surplus cotton, they have been paying less for the raw material which they buy from the United States than does the American textile industry and that they pay their labour only a tenth as much. These lower costs have enabled Japanese textiles to flood into the American market in the last few years. They have hardly swamped it, for even in 1956 imports from Japan amounted to only 2 per cent of domestic output. But in certain fabrics the wave was mounting alarmingly: imports of gingham went up from three million square yards in 1953 to 70 million in 1956, equal to a third of American output.

Now gingham imports will be held to 35 million square yards a year and velveteen imports will also be cut in half, down to 2.5 million square yards a year. There are also specific restrictions on various other fabrics and manufactured goods—blouses, in particular—within the comprehensive quota which will limit total exports of Japanese cotton textiles to the United States to 235 million square yards a year, compared with 270 million in 1955 and nearly 300 million last year. The agreement runs for five years, although the details can be renegotiated annually; it gives the American industry a welcome stability for future planning and some guarantee that the Japanese will not cause fresh uncertainties by concentrating on a few other types of cotton textiles for export as substitutes for those which are now most severely restricted, or by cramming their exports into certain months of the year in order to benefit from seasonal demands.

The particularly drastic limitations on gingham and velveteen draw attention to the threat which finally pushed the Japanese into accepting such a stringent "voluntary" agreement. The Tariff Commission is considering a plea from gingham manufacturers for either a mandatory quota or an increase in import duties, as protection against Japanese competition, and had already recommended that similar steps be taken to check imports of velveteen. President Eisenhower had postponed his decision on this recommendation—obviously, although not admittedly, in the hope that his decision might be facilitated by an agreement with Japan such as has now been arrived at. Without this agreement, Congress would almost certainly have insisted on curbing Japanese imports even more severely, and its enthusiasm for quotas on imports from other countries would have been harder to control. If the President had resisted Congress, his other efforts to loosen trade restrictions would have been frustrated endlessly. Now the atmosphere should at least be clearer.

Jurisdictional Disputes

OFFICIALS of the International Brotherhood of Teamsters, with much experience of disputes about which trade union has jurisdiction over the workers in a particular firm, have been taking advantage of a dispute about which congressional committee has jurisdiction over the trade unions. At the risk of being cited for contempt of Congress, these officials have been refusing to answer questions from Senator McClellan, chairman of the investigating subcommittee of the Senate Committee on Government Operations, on the grounds that he has no authority to investigate labour racketeering and misuse of union funds. This is also the contention of members of the Senate Labour Committee; they would like to reserve for themselves the helpful publicity which seems certain to spring from what promises to be a sensational inquiry going on all over the country for months, if not for years. Labour leaders also would prefer to have this committee conduct the hearings, since its members are far more sympathetic to trade unionists than is Senator McClellan—or Senator McCarthy, the chief Republican on the committee.

Mr McClellan admits that his committee's existing claim to jurisdiction—based on the legal requirement that trade

unions must file financial statements with a government agency, the National Labour Relations Board—is insufficient to justify a full investigation on his part. His hearings last week were intended to reinforce his demand for a special grant of additional authority—and additional funds—by displaying the evidence of wrong-doing which his agents had collected during the past few months. It seems certain that the Senator will get what he wants, although a joint group may be set up so that the Labour Committee can share the limelight.

The abuses which Mr McClellan is exposing, found mainly in smaller but strategically-placed trade unions, have long been recognised. Such legal sanctions as exist are clearly inadequate and the President has now asked for legislation to deal with an aspect of the problem which is of increasing importance. He wants a law requiring the registration of employee pension and welfare funds to protect the interests of the beneficiaries. The growth of these funds during the last ten years, as a result of the so-called fringe benefits which are now included in most wage agreements, has put new temptations in the way of trade unionists—and of their employers—and has opened up fresh and profitable opportunities for dishonesty.

Tennessee Tree Farmers

FROM A SPECIAL CORRESPONDENT

EVERY American schoolboy knows how Tennessee lost its thick carpeting of forests in a few generations, watched its topsoil slide and blow away and woke up in the late nineteen-thirties to find itself famous. The story of the Tennessee Valley Authority has become such a classic that outsiders—and, indeed, Tennesseeans themselves—are liable to believe, not only that the great project is rounded and complete, but also that all of Tennessee's remarkable progress has been an integral part of it. Reafforestation was certainly—and still is—one of the TVA's major achievements in the state, as is now readily appreciated in both the saw mills and the pulp and paper mills. But the now almost legendary Civilian Conservation Corps of unemployed, who gave back to Tennessee its indigenous southern pine to control soil erosion, never foresaw the full value of their work. Nor did they imagine how much further it would be carried by agencies outside the TVA.

About ten years ago a chemist in Georgia discovered a way of treating all varieties of southern pine to make it suitable for wood pulp. Hitherto it had been virtually useless commercially except for pit props. Between the eighteen-eighties and the nineteen-twenties Tennessee had been the leading state for production of hardwood and the TVA's reafforestation programme aimed, at first, to replant whenever possible with hardwood. Locust trees, because they are leguminous and put the much-needed nitrogen back into the soil, were the first choice. But later, when pulp and paper mills came into the state, to benefit from cheap electricity as well as the forests, huge plantations of southern pine were laid down, largely by the new industries themselves.

Many of the stands planted by the TVA during the depression have already been harvested and gone, literally, into print. That is the beauty of the southern pine. It matures in its early twenties. In other words, an average southern farmer can harvest twice in his lifetime a tree crop of his own planting. He is encouraged to regard this as a regular part of his farm rotation by the Tennessee Forest Industries Committee, set up and inspired very largely by foresters employed by the Bowater Southern Paper Corporation, a British company. This committee spreads the gospel by offering as awards Tree Farm certificates, lapel badges and conspicuous signs. Already there are over 10,000 Tree Farmers.

Tennessee has about 12 million acres of forest, much of it predominantly pine and thus eyed covetously by the big newsprint and lumber concerns. There is little doubt now that the pine will flourish, if properly cared for, almost anywhere in Tennessee. But proper care in this instance means a highly expensive control of the scrub hardwoods which not uncommonly swamp the pine and almost invariably reduce the value of a forest both to the newsprint and the lumber industries. Recently the Bowater company, which in four years has already planted nearly 40 million pine trees in Tennessee and thus outstripped even the TVA itself, has been using helicopters to spray herbicide on the worst rashes of scrub hardwood. In spite of opposition from naturalists, this programme is generally rated worth while. But the margin of success has not vastly impressed the experts. Why, they have been asking for a long time, cannot some way be discovered of utilising this hardwood?

In Coos Bay, Oregon, far away in the Pacific Northwest, Bowater recently leased a pilot plant in which to experiment. So far the prospects are encouraging. It seems more than probable that a small amount of hardwood will mix with southern pine to make good newsprint as well as being useful in the manufacture of fibre board. It is definitely not intended to use large-size trees which would give a better return as commercial timber; nor, if the experiment proves successful, will genuine hardwood forests be discouraged in Tennessee. The achievement would lie in doing away with the tree-farmer's problem of how to keep the "weeds" down and bring in the harvest without irritating delays. And one does not have to be a farmer to know what a joy it would be to find that weeds are profitable after all.

SHORTER NOTE

Two recent convictions for contempt of Congress broaden the power of congressional committees to set for themselves the limits of interrogation. Mrs Mary Knowles, who two years ago refused to answer questions about possible communist associations put by the Senate Internal Security subcommittee, failed in her plea that she was protected by the guarantees of free speech and belief contained in the First Amendment. She was sentenced to 120 days in gaol and fined $500. The same judge also convicted Mr Robert Shelton, one of four employees of the *New York Times*, who refused to answer similar questions. Mr Shelton, whose original appearance before the committee was due to confusion with another journalist of the same name, invoked the First Amendment's guarantee of freedom of the press and also argued that the questioning served no legislative purpose and was, in effect, a reprisal against the *Times* for its criticism of the subcommittee. Judge Rizley dismissed both contentions as "patently unsound."

The World Overseas

Hobson's Choice for the Poles

FROM A SPECIAL CORRESPONDENT IN WARSAW

OPINIONS will differ about the character of Sunday's general election in Poland and about the significance of its result. The high poll and the small number of voters who exercised their right of striking candidates off the lists represent, first of all, an immense personal success for Mr Gomulka, whose popularity and authority are without a recent parallel in Polish affairs. They form a principal asset of the party which made him its leader in October. Secondly, the election constitutes a victory of the new collective leadership of the communist-dominated PZPR and its allies, who were seeking a popular mandate under the collective designation of a "Front of National Unity." Thirdly, the election has demonstrated general support for the programme of national renovation, outlined by Mr Gomulka at the October plenum of the PZPR Central Committee. The chief principles of this programme, summed up in one of the election posters as "Sovereignty, Democracy, Socialism," has now received formal popular endorsement.

This is not the whole picture; it does not mean that the ultimate aims of the mass of the population and of its rulers are the same. "Sovereignty, Democracy, Socialism" on the lips of the average Pole probably do not have the same implications and nuances that they have in the mind of the "national communists," Mr Gomulka and his colleagues. Behind the appearance of uniform support, motives are diverse; this is an important fact, and it is bound to affect the work of the new Sejm and the climate of political life in the years to come. It may grow more important still as the list of immediate changes and reforms in state and society, on which agreement is strongest, is worked through and turns out, perhaps, to have merely whetted the appetite for more substantial and controversial changes. What can, however, be asserted is that the gap between the people and its communist leaders has become unusually narrow. This is caused in part by the awakening of a patriotic conscience and common sense in the party itself, in part by a striking sense of realism within the country at large, in part by the particularly difficult international position of the country. The Catholic Church joined in by exhorting people to vote. None of these factors might have prevailed if there had not been in Mr Gomulka a statesman able and willing to take over national leadership at the decisive moment.

The election of January 20th has, however, yet another aspect; it can be regarded as an experiment in democratisation. Democratisation, of course, does not mean democracy, but merely a process which seems, or is intended, to lead to democracy in some sense or other. Democratisation in Poland was not set in motion by the fiat of supreme authority, by decree from above; the people itself, under the guidance of its bolder elements, communist and non-communist alike, started it by a steady pressure on the machinery of government. After the death of Stalin and the fall of Beria, in conditions of a changed party atmosphere and a laxer censorship, and with the secret police on the defensive, the Polish masses began to enter the political arena by means of louder and freer criticism and increasing resort to representations, marches, rallies and strikes. The absence of intimidation in Sunday's election was thus an achievement of a few years' evolution. The same freedom equally manifested itself during the election compaign.

The meetings with candidates, which formed the main feature of the campaign, were frequent, long and well attended, and gave rise to many searching questions and biting criticisms of the faults and mistakes of the previous system. The candidates most exposed were naturally those of the PZPR, especially its top leaders, since they bore the largest share of responsibility for the past. But motives of a less rational kind also played their part in electioneering, and individual men sometimes fell victim to whispering campaigns based on rumours, suppositions and unverified allegations. The main question: is X fit to carry out the programme of the Front of National Unity? tended to be asked in the most personal way. Gradually a definite opinion against many candidates began to crystallise, and it became obvious that the electorate intended to make ample use of its privilege of deleting names. Its determination was accompanied and to some extent strengthened by the activities of a kind of political underground. Leaflets directed against particular men or against PZPR candidates as a body, or even calling for a complete boycott of the election, began to circulate; posters and lists of candidates were torn or defaced; provocative questions began to be heard at election meetings. It is debatable whether the trend, if it had continued unchecked, would have led to the election of a *minority* of PZPR candidates, thus compromising the party seriously; at all events, the party leadership appeared to think so, and to panic. On January 9th, at the end of an electoral meeting, Mr Gomulka made an appeal to the country to vote *en masse* for the Front of National Unity, to express confidence in it by not striking out names, and thereby to ensure the election of the top candidates nominated by the central organ of parties and associations. In an atmosphere of growing crisis Mr

Gomulka's appeal was echoed by various organisations, groups and individuals, to be finally repeated by himself in a powerful broadcast on the night before the election.

Mr Gomulka well knew that he could not rely on the rank and file of the party to stem the tide by intensive canvassing. The method was too discredited and the party too disorganised and divided to make any real impact. In the absence of any other means only an appeal of this kind had a chance of succeeding. It must be added that on the day of the election another factor seems to have reinforced it, viz., a kind of fear of displaying nonconformity before the gaze of fellow-voters and election commissioners. With real but concealed disappointment and regret the Polish electorate renounced the right which they had been looking forward with such gusto to exercising. They seemed to agree with Mr Gomulka that in the prevailing circumstances the country could not afford the luxury of choice, and that the election had in fact become a plebiscite for or against him. Rightly or wrongly they voted for him.

Mr Gomulka has got the Sejm for which he asked: a Sejm in which his party has a bare majority, which contains enough able and enough independent members to carry out its functions, but which is a good deal less popular than himself. The work of such a Sejm will probably be more closely watched and more critically examined than if it were a more direct emanation of the general will. This is not unhealthy.

Challenge to Canada's Liberals

FROM OUR OTTAWA CORRESPONDENT

CANADA has produced from an unexpected source a significant challenge to the doctrines and policies of its sempiternal Liberal government. After 21 years of Liberal rule, the orthodox economic views held by (for example) Mr C. D. Howe had become hallowed with age and hard usage and appeared almost sacrosanct. Canada has certainly prospered under them during these last ten years, but many Canadians have been growing increasingly doubtful whether the policies which may have served well so far are equally good for the decades ahead. This questioning mood has received a big stimulus from the Preliminary Report, just issued, of the Royal Commission on Canada's Economic Prospects.

The Commission's task was reviewed in *The Economist* on May 28, 1955, soon after its establishment had been announced by the then new Finance Minister, Mr Walter Harris. It was well manned and its chairman, Mr Walter Gordon, is a well-respected Toronto accountant who has several times conducted investigations of civil service operations. Its preliminary report has upset all the political pundits and confounded the prophets. Popular rumour had it that the Gordon Commission would produce a platform on which the Liberals could fight the election next June. The cynics had supposed that after all these years the only possible function of a Liberal-appointed Royal Commission would be to add a thin veneer of independence to a fresh statement of government policies. What it has actually done is to trample with hob-nailed boots on most of the most deeply-cherished policies of the government's senior ministers. Those who suffer most are Mr C. D. Howe and Mr J. G. Gardiner, both of whom have been in the cabinet ever since 1935 ; Mr Gardiner's sphere of interest is largely limited to agriculture, but Mr Howe has dominated government policies in far wider fields—trade, water-power, natural gas, resources development, foreign ownership, and wheat marketing. On all of these subjects the Commission makes recommendations which are quite unacceptable to Mr Howe, to the senior government officials who have worked under his ægis for so long, and to many of his colleagues.

One or two opposition Members of Parliament, unable to resist the opening provided by the government's evident embarrassment, have rushed in with hasty gibes suggesting an uncritical acceptance of the Commission's recommendations. But the new Conservative leader, Mr John Diefenbaker, has been far more cautious. He has been launching almost daily darts in the form of questions about when the government proposes to implement this, that or the other recommendation. He obviously means to make the most of the government's embarrassment without committing himself as either "pro-Gordon" or "anti-Gordon."

A Jigsaw Report

This preliminary report is an uneven and in some ways cryptic document. It is eventually to be backed up by a considerable series of full studies and a much longer and fuller final report. But in the meantime little of the evidence or argument behind the first set of recommendations has been revealed, and they are thrown out without any very coherent pattern as a series of proposals on a variety of subjects which the Commission felt to be important. The 110-odd pages of the report form a jigsaw containing nearly a score of separate pieces. It is possible, though it seems unlikely, that in the final report the pieces may be put together to form one new complete picture ; but as presented so far they do not appear to involve any logical interconnection. One can reject utterly the Gordon Commission on wheat and accept it wholeheartedly on, say, the problems of the Atlantic Provinces or of foreign investment. In political terms it would all be good, clean fun if only there were not going to be a general election this summer.

The subjects which fascinate the politicians—and in this case they probably judge correctly the interests of the public—are in this order: wheat, control of foreign investment, export of minerals, export of power. The section on wheat has dumbfounded more people than anything else in the report. The Commission proposes, though no one has been able to discover where it got the idea, a new system of operation for the Canadian Wheat Board. At present the Board sets an "initial price" each spring, and it pays this price to the wheat farmers for all wheat delivered at the country elevators. Supplementary payments are made to the farmers after the Wheat Board has sold the grain according to the price it actually realises. When, as in the last two years, the prairies produce more grain than the elevator system can handle, the Wheat Board has to impose a quota on farmers' deliveries ; but the farmer is paid only for the wheat which the Board can accept into the elevator system. The government has always refused to pay for grain left on the farms, though it did go so far last year as to pay the cost of storing the grain on the farm. The Commission now proposes that the Wheat Board should make a commitment early each year to pay its stated price on a specified quantity of wheat, and that it should have to buy this quantity whether it could take delivery of it or not. This would ensure that each farmer knew each year how much wheat the Board would be bound to buy within the crop year. It would require the Board to make a forecast of what it could sell each year and to allocate this amount amongst the farmers. Over-estimates might prove expensive. Under-estimates would be politically dangerous. There is no chance of the present government accepting this system.

While wheat falls under Mr Howe's authority, the Gordon Commission's proposals for the restraint of foreign control over Canadian business are pitched right into the lap of the Finance Minister, who was responsible for the Commission's appointment. It advocates, first, tax concessions to Canadian oil and gas companies which would give them as great allowances for initial development expenses as American companies now get ; second, a system of tax incentives which would give advantages to foreign-controlled companies if they sell about a quarter of their shares to Canadians and meet other possible conditions about "Canadianisation"; third, a system of accelerated write-offs for tax purposes open to Canadian secondary industry in order to help it to keep fully equipped with modern machinery and to strengthen its competitive position against American imports.

Taken singly, the most acceptable of these proposals would probably be the tax measures designed to encourage "Canadianisation" of American subsidiaries in this country. But taken together, the proposals amount to a deliberate use of the tax system to impose a measure of restraint and direction on foreign investors which this country has never before contemplated. To a good many Canadians, impressed with the overwhelming degree of control which American firms have established in some of the most dynamic sectors of the economy, the proposals will be most welcome. They seem to offer a practical means of reasserting Canada's determination to control its own housekeeping without resorting to severe measures of restriction which might discourage new foreign capital. But whether there is yet enough support, either among the public or in the government, remains to be seen.

Mr Harris, as sponsor of the Commission, will presumably want to make some use of its recommendations. Other members of the government—and notably Mr Howe, who was opposed to the Commission's appointment in the first place—would like to forget all about it as quickly as possible. The election looming in June gives them little time to devise some means of drawing electoral support from this awkward document. The decisive move will probably be Mr Harris's budget, which does not require normal Cabinet approval, but will have to be acceptable at least to the Prime Minister.

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Jordan's Money

FROM OUR MIDDLE EAST CORRESPONDENTS

THE government of Suleiman Nabulsi had committed itself so completely to end Jordan's financial dependence on Britain that it could not afford to fail. The Cairo agreement, by which Egypt, Saudi Arabia and Syria are pledged to pay Jordan £12.5 million annually, has therefore saved the government in the eyes of the people and delighted the nationalists ; but it is more than likely that the full gravity of the government's decision has not yet been fully realised by most Jordanians.

More than half the revenue of Jordan is obtained from Britain. The budget falls into three parts: the Regular Ministries Budget, amounting to £7.7 million, is financed almost wholly by taxes, fees and other internal revenues ; the Military Budget, £9.2 million, and the Development Board Budget, £2.3 million, are financed almost entirely by British contributions. Strictly speaking, Britain does not *give* Jordan £12 million yearly. Part of the sum consists of interest-free loans, the first of which was made in 1950. These advances now total £6 million, and repayment, which should be in 15 annual instalments, is due to start shortly. These loans are not written into the treaty and therefore could continue ; but if Jordan rejected the alliance and tied itself to states that can hardly be considered less than hostile, the British Government might well decide not to give them, particularly as the prospects of repayment are slight.

Jordan also receives from the UN Relief and Works Agency (UNRWA) about $16 million a year for the relief and rehabilitation of Palestinian refugees, who are now Jordanian citizens. The only other sources of assistance is Point IV grants for development projects which are now running at the rate of just under $8 million a year. The revenue of the Regular Ministries Budget is derived from income tax, which provides half the direct tax revenue, land and animals taxes, fees and a variety of indirect taxes, of which customs duties, providing 60 per cent of the indirect tax revenue, are the most important. Some extra income could be obtained by raising the taxes and fees, but it could never amount to more than a small fraction of the sums hitherto received from Britain.

Can They Pay?

There is already every sign of acute financial stringency in Jordan. Delay in the payment of part of the development loan, earmarked for the new desert road from Amman to Aqaba, led to considerable agitation in official quarters. A similar delay in the payment of the grant-in-aid for the armed forces gave rise to anxiety that army pay would fall into arrears—and punctual payment of the army is essential to the stability of the state.

The Cairo agreement provides that the entire sum to be given by the three Arab states will go to the armed forces, but some of it will be paid in kind rather than cash. This possibly means that Egypt can escape its immediate responsibility for £5 million by giving some unwanted British military equipment. In so far as funds go into Jordan for the armed forces, as pay for the men and to buy indigenous supplies, the grants to the forces fertilise the general economy of the country. The army's dependence on Britain has long been a sore point with the nationalists and the

Cairo agreement suggests that the main endeavour is to emancipate it. One must presume, also, that an effort will be made to secure aid for other purposes, including development, from countries outside the Arab world. The Jordan government is, however, highly critical of the Eisenhower doctrine and has so far done nothing to encourage further aid from the United States.

The most puzzling aspect is Jordan's faith that Syria and Egypt, of the three countries pledged to pay, can in fact meet the obligation. Even £2.5 million is a substantial sum for Syria to find at any time and seems clearly beyond its means at present. Indeed, the Syrian government is talking about an austerity campaign to save the nation's finances. It could, of course, remedy the situation to some extent by allowing the Iraq Petroleum Company to resume pumping oil through the Syrian lines which could quickly restore more than half Syrian transit dues; and it is probable that the IPC could be encouraged to repair the pumping stations and restore the full flow in due course. But Syria's ability to pay regularly will always remain in doubt—a season of poor rainfall immediately affects its economy; it has had to turn to Saudi Arabia for financial aid in the last few years.

Information about Egypt's economic situation is not readily available but the general opinion is that President Nasser is facing an acute economic crisis. Dr Abdel Moneim el-Kaissouni, the Finance Minister, announcing the "egyptianisation" of British and French banks and insurance companies last week, accused these banks of conducting a policy which caused a slump in cotton prices and "exhausted Egypt's entire free currency reserves." They had "undermined Egypt's economic situation." This admits a bleak economic condition which could not have been caused by the foreign banks. At the end of November, there was an adverse balance of trade of £45 million and this is worse than it appears because the net deficit disguises surpluses with the Soviet block and Japan and deficits almost everywhere else.

Furthermore, the balance of payments is affected by the loss of the greater part of the "invisible export" of Suez Canal income. It is evident that this situation will continue, not only because the income from the canal is not yet available, but because the cotton crop was below average and the stocks of cotton fell at the beginning of the current season (August) to 900,000 cantars, nearly 2 million cantars less than at the opening of the preceding season. In addition, Israeli forces put all but one of the Egyptian oilfields out of action, compelling the government to buy oil, largely with dollars, at the rate of between £2 million and £2.5 million a month. Altogether, Egypt's economic future is not by any means rosy and hardly seems to justify the assumption that £5 million a year can be found for Jordan.

New Year in Budapest

FROM A CORRESPONDENT

IN Budapest nights begin at 6 pm, when the last trams and buses leave. Most people are anxious to get home before that. Few shops keep open after midday, because there is very little to sell and even the junk peddled by street traders is snapped up quickly. Queuing for food, (which seems to require considerable expertise and knowledge of the locality) takes up hours each day. Cinemas (last performance at 2 pm) are showing old French, Italian and other quasi-capitalist films, scraped up from God knows where, but not a single Russian film is advertised on the hoardings. The government apparently has not yet got round to "restoring order" on the film front, and indeed on many other "fronts" officials with a disposition to take risks are quietly circumventing government policy. The party newspaper *Népszabadság* (People's Freedom), which those with a feeling for rhyme persist in calling *Néphazugság* (People's Lie), is still boycotted. Until recently the only other paper, *Népakarat* (a third paper is now published in the evening), published by the trade union federation, was less reticent about facts, but only early risers could get a copy, which was then passed from hand to hand; it was seriously contended in Budapest that *Népakarat* was more decent because there were only enough out-and-out traitors among journalists to turn out one paper.

Judged by Western standards, the economic situation is as bad as it could be, but Hungarians take comfort in saying that it was worse after the siege in 1945, yet Budapest recovered. Their main fear is that the five-year plan will be revived again in some form: the word "planned economy" is quite genuinely associated with "misery" and "shoddiness" in their minds. However, many young people say that "planning" could be good if it were not done by rascals and fools. Knowing their Marx, they believe that Russian policy will aim at reducing the exploitation of the workers by the State so as to eliminate the economic basis of discontent, while re-establishing, by successive turns of the screw, the terror which breeds political discipline. People will be allowed to eat better, and even to engage in small-scale capitalist activities such as retail trade and the running of "basement factories." On the other hand, they must be cured of their political presumptions.

All Six "Democratic Workers"

The Russians, acting through the "democratic workers of Hungary," of whom all six according to a popular saying, are ministers in Mr Kadar's government, seem determined to drive home the lesson that it is futile and self-destructive to challenge the political power of the State. Those who have done are trying to shelter behind an early tactical ambiguity in the official "line." The "line" at first admitted that there was a revolution in Hungary, which degenerated into a counter-revolution aimed at restoring "Horthyism" (whatever that may mean). People who took part in the revolution, and would not or could not escape to the West, are therefore adopting a tongue-in-cheek attitude. They pretend that their revolt was against "Stalinism," and not for the counter-revolutionary idea of free elections. However, the "line" has now veered around, the revolution has become an unfact, and only the counter-revolution remains in the official vocabulary. Pretensions no longer help. After sporadic arrests of individual members of the various revolutionary bodies, it is now the bodies as such which are attacked. Factory workers' councils are being bullied into reconstituting themselves. Their only remaining function will be to act in an advisory capacity to the government-appointed managers on "problems of production." Hungarian sarcasm finds much scope in quoting, with a straight face, Lenin's 1917 slogan: "All power to the soviets!"

Sarcasm, however, makes little impression on the new security police. On this curious band of men, now number-

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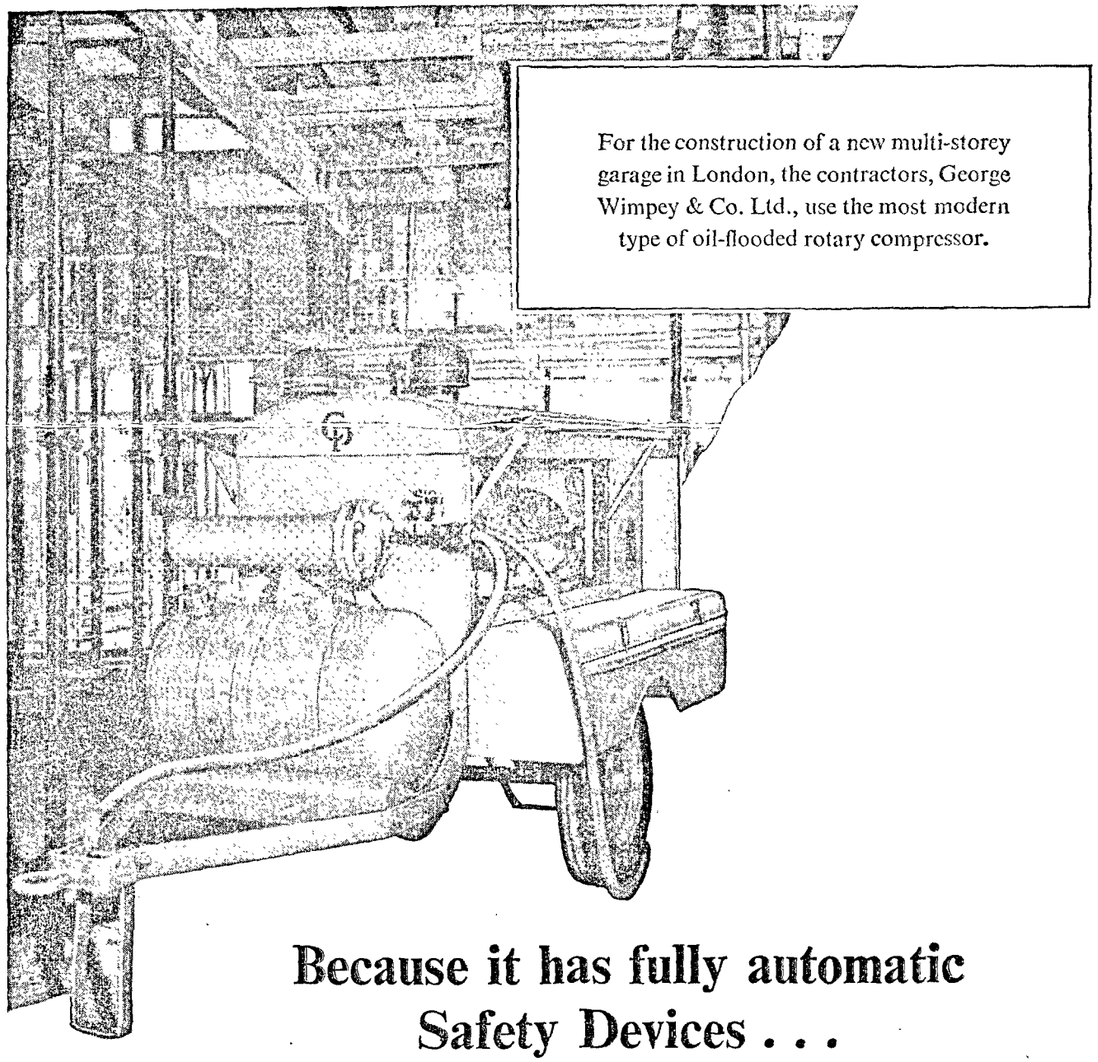
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ing perhaps ten thousand, hinges the enforcement of the whole Kadar policy, for there is literally nobody who would obey the government were it not for them. "The influence of our government extends from the Parliament building all *the way to the No. 2 tram line*"—people in Budapest assure one solemnly. (The No. 2 tram runs just behind the Parliament building.) In fact, however, though as yet thinly and sporadically, it extends over the whole country, for the teams of security police are working with great industry, and people are beginning to realise that eventually these men will get round to looking into each nook and cranny of post-revolutionary Hungarian life. They are mostly former AVH professionals, reinforced by selected army officers and party and trade union officials. The latter are serving in order to save their fairly substantial salaries; they were dismissed by the Nagy government. It is said that facing the hatred and contempt of the population is a great strain on them, and they seldom venture to work alone.

On the December day when the *Washington Post* and the *Christian Science Monitor* published the inspired leak about American willingness to do a "deal" with Russia involving a mutual withdrawal from Europe, the mood of the Hungarian security police underwent a breathtaking change. The more articulate ones began rapidly to talk about democratic socialism and the "evolutionary way"; others buttonholed acquaintances and explained in undertones that they "hate Kadar as much as you do, but so long as the Russians are here, we must do this, you see." The prospect of being left alone with the population in a tête-à-tête far more terrible than the last days of October, 1956, was frightening them deeply. They argued that only a semblance of firm Communist rule could persuade the Russians to refrain from a "Baltic solution." The next day, both *Népszabadság* and *Népakorat* carried news of an official American denial of any intention to "trade" Nato for a Russian evacuation of the satellites. The people of Budapest cursed Mr Dulles and Admiral Radford, and the security police, their peace of mind restored, resumed their activities.

M. Mollet Pleads for Europe

FROM OUR PARIS CORRESPONDENT

M. MOLLET has gained a genuine victory in obtaining the French Assembly's approval, by 322 votes to 207, for the negotiations on the common market which the Six are holding in Brussels. He obtained it without putting a motion of confidence, and without submitting his negotiators in Brussels to the kind of conditional clauses that helped to wreck the European Defence Community Treaty. The resolution does lay down conditions on social charges, agriculture, and the French Union's links with the common market. But it asks, on social charges, for confirmation of what the government has obtained; on agriculture, for the preferential marketing system which it seems likely to obtain; and on the French Union for the acceptance of the principles it has already proposed. The last point will be the difficult one, and M. Mollet has accordingly suggested a conference of heads of governments to settle it before the end of February, the date when the common market—and Euratom—treaties are now due to be signed. The intransigence which the government will probably have to show on this point to satisfy the deputies, coupled with the difficulty with which M. Mollet won his victory over a host of doubts, still casts a shadow on the chances of the treaty.

The atmosphere, however, was quite unlike that which surrounded the EDC three years ago; since the Suez adventure, integration schemes, far from being suspected as "American plots," have a third force halo. Economically, too, three years' prosperity has given French industry a greater taste for expansion, and the farmers the headache of permanent surpluses to sell. Thus the employers' and farmers' associations, like the non-communist trade unions, are, with varying reservations, relatively favourable to the common market, at worst as the lesser of prospective evils. Since the convinced opponents and supporters of the common market are about 200 on either side, the parliamentary balance hinges on the conservative Independents and right-wing Radicals, who back European integration politically but are highly susceptible to protectionist arguments. Consequently the opponents of the customs union (the Communists, the Poujadists, and the few Mendèsistes in particular) have been on the defensive; they have been most effective when, as M. Mendès-France did in the Assembly, they paid lip-service to the European ideal while harping Cassandra-like on the catastrophic dangers of a common market. The result has been a searching debate on the real issues, in which the conservatives, wooed by all, have been torn between their general belief in Europe and their particular desire for more guarantees than M. Mollet has obtained in Brussels.

Flood of Demands

Those guarantees are in fact already astonishing. Nevertheless, the deputies unloosed a flood of demands for further guarantees. The massed ranks of the rural conservatives demanded that no decisions should be taken by the Council of Ministers of the customs union by a majority vote before agricultural policy had been unanimously fixed. Deputies asked, at one time or another, for the highest possible external tariff for the customs union; for the ironing out of all national differences in charges—social, and fiscal costs, transport and power included—as customs duties were lowered; for contributions to investments in the French Union fixed in strict proportion to each country's national income; and a host of other safeguards. A resolution signed by four ex-premiers, M. Edgar Faure (reputed an anti-European), but also by MM. Reynaud, Pinay and Laniel (known as "Europeans") even proposed to exclude all foreign firms established in Europe from the benefits of the common market; and to renounce the principle of an automatic, gradual lowering of duties, which is the basis not only of the common market but of Mr Macmillan's free trade zone as well. The conservatives, M. Reynaud in particular, quickly dismounted this war-horse; had they been prepared to fight on it, the outlook for ultimate ratification of the treaty would have been black. This "Four Premiers Resolution" leaves behind it a whiff of uncertainty for the future, since despite everything, deputies may plead, when ratification comes, that their votes were given the government this week essentially to strengthen it in the forthcoming Algerian debate in the United Nations. But, in fact, it seems clear the conservatives, especially M. Reynaud, an ardent European of long standing, went further than they had intended and promptly retreated.

The French negotiators at Brussels may well obtain substantial concessions on agriculture and something on the French Union. In France, the chances of the common market treaty being ratified may well depend on the government's future relations with the Independents. One great complicating factor in these relations has so far been surprisingly absent: arguments against the common market based on the coming balance of payments crisis. M. Maurice Faure, the brilliant deputy minister for foreign affairs, even won applause from the right when he said: "Supposing the common market took effect next January 1st: the first reduction of customs duties would follow on January 1, 1959. We shall have to solve our payments crisis long before two years are out." This may not be the mood in July when the bill for Suez must be met by new taxes and the country's trading difficulties will be clearer to the public. M. Mendès-France has once more argued that the French economy must be reformed before it is plunged into a common market. The European reply, best expressed by M. Pleven, is that those reforms cannot be obtained unless competition in a common market stimulates French industry and agriculture to reform themselves. The traditional French response would have been to back M. Mendès-France's view. But the majority this week chose the European thesis.

Whether temporary or not, this choice would have been unthinkable even a year ago. It may be that, though the common market involves risks, the whole point of setting up a community is, as M. Mollet said, that all are responsible for each, and that in such circumstances catastrophic situations will not be allowed to occur. It is also probably true that, as M. Pleven said, the common market, which involves only a fifth to a quarter of French trade, and is to be introduced over 12 to 17 years, can hardly be called a revolution. But the change in mental attitudes required to shift the whole direction of the protected French economy—and in the long run French policy as a whole—is a revolution. It is still unfinished, and this week's vote still leaves an element of uncertainty. Nevertheless, the vote seems a considerable step towards ratification of the treaty.

Moscow's Moslems

RUSSIA's own Moslems are now in the limelight. The Uzbek, Kazakh, Turkmen, Tadjik and Kirgiz Soviet republics of Central Asia have just been awarded the order of Lenin for their services. Mr Khrushchev himself went to Tashkent to present the Uzbeks with their medal, while President Voroshilov, Marshal Bulganin and Mr Mikoyan have been carrying out the same duty elsewhere in Soviet Central Asia. Ostensibly these republics have won their distinctions for economic achievements, but the timing of the ceremonies seems to suggest that all this fuss is not unconnected with events elsewhere in the Arab world.

Admittedly, last year was a successful one for the economy of these countries, particularly in agriculture. The bumper crop on the reclaimed virgin lands of Kazakhstan is the main reason why last year's Soviet harvest was the biggest ever; with deliveries to the state of over 16 million tons Kazakhstan has become the largest Soviet granary. Last year was apparently favourable for cotton as well and for the first time the total crop probably exceeded 4 million tons, since 3.8 million tons were delivered to the state.

Another period of rapid industrialisation is scheduled for Central Asia in the current five year plan. Kazakhstan, with a fast expanding output of coal, iron ore and copper,



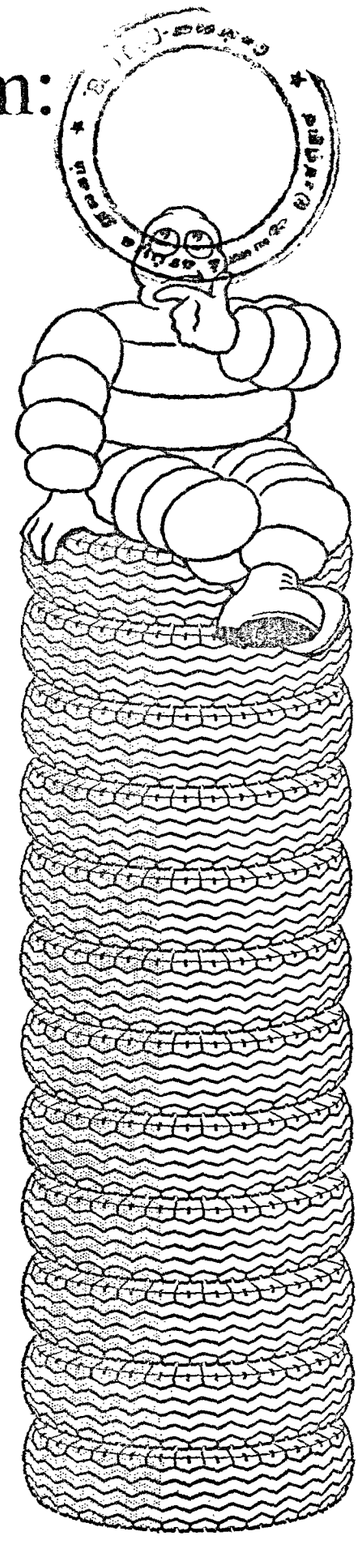
leads the way. Oil production in the Uzbek and Turkmen republics is to be stepped up and the engineering industries are being fostered throughout the area on the basis of local fuel and ore resources. This continued economic expansion brings with it a rapid growth of an educated professional class in an area which after the first world war was still predominantly illiterate.

The existence of a large native *intelligentsia* normally gives rise to a nationalist movement. Although there are many Russians and some Ukrainians in key posts in Central Asia, the industrialisation drive was, and still is, compelled to rely largely on local skill. Stalin's attempts to "russify" Central Asia provoked a great deal of unrest and after his death it was decided to pay more attention to national susceptibilities. Books describing Tsarist conquests as "liberation" and national heroes as "foreign agents" were in process of being withdrawn or revised. But the campaign seems to have been suspended. The Soviet leaders may consider that a measure of economic decentralisation, foreshadowed recently in Moscow, is a safer way at this stage to keep the Central Asian republics contented.

News about nationalist unrest in recent months has been coming from the Ukraine, the Baltic states or the Caucasus rather than from Central Asia. There, the Soviet press still seems to complain chiefly about "feudal survivals," the preservation of old Moslem practices or the refusal to admit the equal status of women. The present blandishments may thus be designed as a prophylactic measure. Moscow may well fear that one does not play with Islam without risks and that the wave of nationalist feeling in Moslem countries might well spread to what many consider as Russia's soft underbelly in Central Asia. On the other hand, all this may be merely window-dressing aimed at attracting other Moslem customers.

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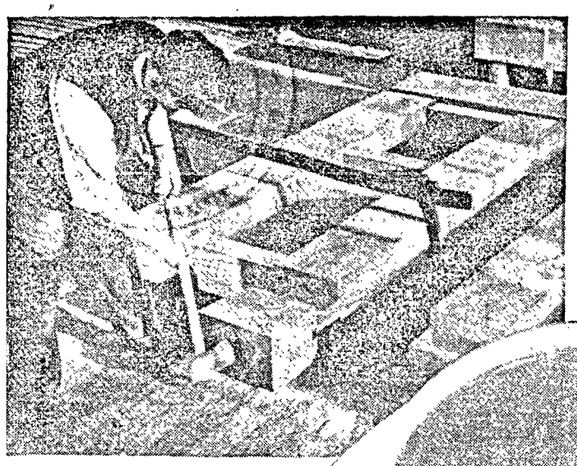
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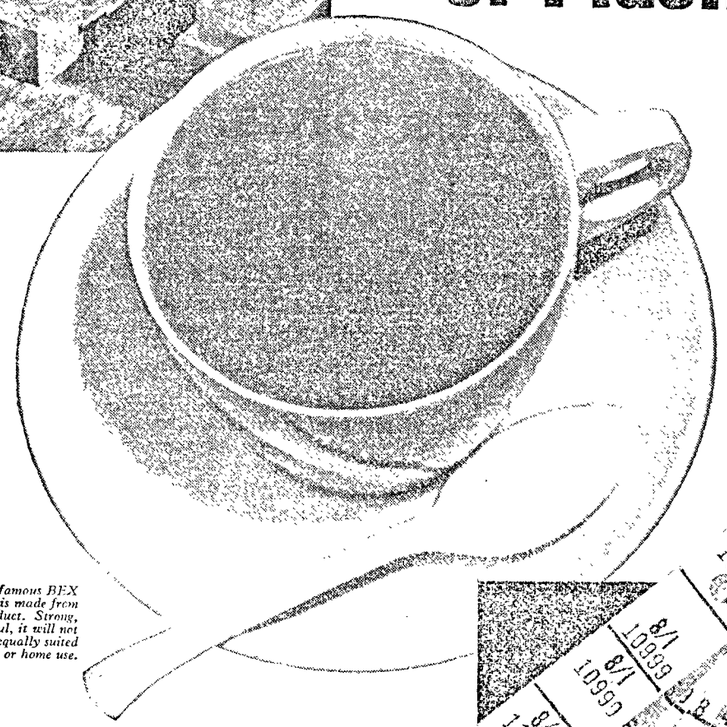
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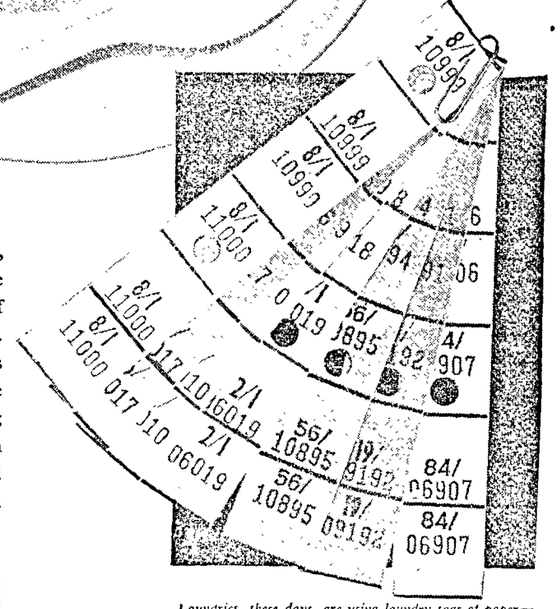
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THE BUSINESS WORLD

Bankers and Bank Rate

THURSDAY brought disappointment to the many people in the City and in the country who had convinced themselves that a reduction in Bank rate from the high level of 5½ per cent to which it was raised nearly twelve months ago would occur this week. It would have gone well with the show of confidence that Ministers have been displaying since the new government took office. It had been signalled for several weeks by the fall in the Treasury Bill rate—unusually sharp at the tender a week ago. And in a week when sterling regained and topped its parity for the first time since June last year, a reduction in Bank rate might have seemed the fitting crowning of a new and precocious mood of confidence that the country, rightly or wrongly, has caught. But it did not occur.

The arguments for a reduction in Bank rate, though not nearly as axiomatic as some would believe, have clearly drawn strength from the annual statements of the bank chairmen. This week Lord Aldenham, of the Westminster Bank, echoing the words of the Governor of the Bank of England before the Suez crisis, has emphasised that "we shall none of us feel comfortable" until short-term rates can be reduced. He rubs in the point, of which much has been made since money rates were raised, that the cost of interest on the sterling balances held by overseas countries has become burdensome—joining on this point with his colleagues, Mr A. W. Tuke, of Barclays; Sir Thomas Barlow, of the District Bank; and Sir Eric Carpenter, of Williams Deacon's.

Lord Aldenham, like Sir Eric Carpenter, also complains that high short-term interest rates check capital investment in industry. This is a criticism on a different plane. The purpose of monetary restraint is to protect the economy against inflation by cutting down an excess of demand; the restraint rise in the cost of the national debt and of the sterling balances is part of the price that has to be paid. But the argument against dear money on the ground that it impedes investment goes far deeper; it attacks the whole process, and not merely its consequential costs.

At this central point of the argument, some of the bankers and probably a majority of the laity meet on common ground. But it is ground full of pitfalls. One of the biggest is forcefully cleared by Sir Oliver Franks, of Lloyds Bank. What limits investment is the supply of savings. When the economy is inflated because investment runs ahead of spontaneous savings, then the process of disinflation can only take the form of curtailing investment, unless and until saving is increased by the stimulus of higher interest rates or by smaller Government spending. The point is made implicitly by Lord Aldenham; he would welcome "a small reduction in short-term rates," but only on condition that it could be made "without giving the green light for a faster increase in our investment programme than our current savings enable us to afford." To argue for an easing of interest rates on the ground that high rates are a deterrent to investment is to get caught in a logical *cul de sac*. The justification for an easing of high rates is not that high rates deter, but that the deterrent has become less necessary and can be safely relaxed. But the timing and conditions of a reversal of policy are matters on which the bankers are not prepared to commit themselves at this stage. Sir Eric Carpenter, for example, admits the fear that investment might be unduly limited "if restrictions were kept on for too long"; but he finds no evidence that the credit squeeze had any disastrous effect on industrial investment last year, and expresses no such apprehension about 1957. And Mr D. J. Robarts, of the National Provincial, argues that the investment programmes already under way will continue to impose "for a considerable period" an excessive

strain on the country's productive resources simply because the deterrent effects of higher rates and tighter money take so long to make themselves felt.

Among the bankers, then, there are differences in emphasis about the effects of high interest rates on investment and economic activity that run as deep as the differences in public discussion. Yet the general tone of their statements, with all their differences of emphasis, is cautionary. It is one thing to argue the feasibility of a further reduction in short-term money rates; it is quite another thing (they clearly suggest) to be too precipitate in changing the broad direction of monetary policy—to stop taking the medicine before the fever of inflation has been demonstrably reduced. The bankers, like more ordinary men, find it difficult at this moment to assess the direct and psychological effects of the Suez crisis. Several of them hold that it has provoked a mixture of inflationary and deflationary forces—though they find it impossible to guess where the balance will eventually lie. But Sir Oliver Franks, at least, is emphatic about the effects that are visible to date. Suez has "complicated still further the problem of eradicating inflation"; this remains for the present "the great danger," and he concludes that "the maintenance of overall monetary restraint is more imperative than before."

Outright views of this kind are a welcome retort to the prevalent boosting talk that is to be heard in other parts of the City. A cut in rates will make many people feel happy. But the only economic ill that would justify a major relaxation of monetary discipline would be the serious under-use of British resources now or within the predictable future. That might happen as the resultant of Suez; but it would presuppose a shattering break in business confidence of which there is, at present, no sight whatsoever. It is safer, though it may not be more popular, to resist the argument for a quick (if small) reduction in Bank rate, and to weld all acts of economic policy into a consistent whole that will, when the time comes, provide a springboard for expansion, but not so springy that the economy balloons into mid-air in yet another inflationary somersault. There are, in fact, three main ingredients of such a policy. One, when the time is plainly right for it, is a loosening of the curb of high interest rates on investment plans. Another, for which the time has long been overdue, is a reduction of government expenditures and a reversal of the whole drift of policy that has compelled Chancellors to rely upon saving enforced through budget surpluses. On this last point Sir Oliver Franks shares the views of most of the other bank chairmen, though he does not join in their plea for government retrenchment.

The third component is a more technical one, and it explains why the bankers have concentrated their arguments for a reduction in money rates on those that govern short-term bills and bonds. One main feature of last year's banking experience (clearly evident in the accompanying summary of the year-end balance sheets of the banks) was that the relatively high liquidity with which the banking system entered 1956 was still intact at the end of the year. In 1955, the liquidity of the banks had been severely squeezed (and with it their ability to lend and to hold investments); during 1956, the average ratio of liquid assets to deposits never fell below 33.1 per cent, and the banks were never forced to protect their liquid assets by the kind of massive selling of gilt-edged securities that was necessary in 1955. The result is that the banking system has ceased to be taut and has been allowed to become flaccid.

Corrective action for this state of affairs calls for a substantial funding of floating debt (which counts as liquid assets in the banks' calculations of their own policy) into long-term debt (preferably subscribed by the public by drafts on their deposits). This point is recognised by most of the bank chairmen, and most explicitly by Sir Oliver Franks, who wants to see banking liquidity so tightened that it resumes its normal place "as the major influence preventing an undue expansion of bank credit." But a dilemma now appears. The greatest scope for such funding is encouraged by a fall in short-term rates relatively to long-term rates. High short-term rates impede the process of funding because they encourage people to keep their funds in the most liquid forms. The bankers, then, are entirely logical in the emphasis that they put on the appropriateness of a reduction in short-term rates and in their silence (ambiguous though it may be) on the desirable course for long-term rates. So a Gilbertian proposition arises: a reduction in Bank rate could be disinflationary, provided that the pressure taken off the short-term market were switched to the long. And, as the final step in the argument, the tightening of liquidity that would then result should enable the authorities to dispense with the control of bank advances by reference to governmental directives—a strait-jacket that all bankers heartily dislike.

TABLE I.—LONDON CLEARING BANKS
(£ million)

At End-December	1954	1955	1956	As % of Gross Deposits: 1954	1955	1956
Gross deposits	6,941	6,612	6,656	...	...	...
"Net" deposits *	6,558	6,261	6,305	...	...	...
Liquid assets	**2,382**	**2,471**	**2,491**	**34·3**	**37·4**	**37·4**
Cash	571	565	571	8·2	8·5	8·6
Call money	498	506	505	7·2	7·7	7·6
Treasury bills	1,199	1,271	1,275	17·3	19·2	19·1
Other bills	114	129	140	1·6	2·0	2·1
Investments and Advances	**4,259**	**3,667**	**3,393**	**61·2**	**58·5**	**58·5**
Investments	2,353	2,016	1,980	33·9	30·5	29·8
Advances	1,897	1,851	1,913	27·3	28·0	28·7

* Excluding items in course of collection.

TABLE II.—BANKING TRENDS COMPARED*
(£ million)

At End-December	Deposits		Advances		Investments	
	1955	1956	1955	1956	1955	1956
Barclays	1390·0	1412·9	358·3	368·5	450·3	479·2
Lloyds	1192·3	1200·3	323·3	351·6	391·8	373·9
Midland	1461·3	1474·6	385·6	398·1	462·3	411·3
Nat. Provincial	835·1	816·0	265·2	256·7	222·9	221·1
Westminster	850·8	856·8	252·0	258·1	249·3	242·4
Martins	310·3	324·9	83·9	86·3	85·2	89·1
District	244·0	242·5	67·0	72·9	69·8	72·8
Williams Deacon's	137·5	135·7	45·1	49·1	34·5	38·3
Glyn Mills	55·5	57·1	15·5	21·3	13·1	13·7
Coutts	51·1	49·4	16·8	16·3	11·9	14·4
National	83·4	85·4	33·5	33·3	24·8	23·7

* As computed for *monthly* statements.

But the creation of conditions in which funding of excessive short-term debt is encouraged remains something wholly apart from a major reversal of monetary policy. Because many people want this to happen does not make it good for the British economy. The bankers reach no conclusions that the time for radical change has arrived; and most objective observers will agree.

Is Water Short?

THE one natural resource of which this country would seem to be in the least danger of running short is surely water. Rainfall averaging 40 inches a year, or rather more than 2,500 gallons a day per person, gives Britain a potential supply vastly greater than either its present or its likely future needs. Not all this water could be practically or economically tapped. But even after a generous allowance is made for normal loss by evaporation (probably about half) and for the minimum flow needs of rivers and streams, the total volume of water that could be tapped from the remainder still comfortably exceeds the present average of some 50 gallons a head that is drawn daily from the public supply system.

Bitter complaints of shortage from several areas in the last few years are therefore hardly symptoms of a genuine dearth of water. Nor do temporary and local shortages today spring wholly from the awkward fact that not all this annual bounty falls in the right part of the country or at the right times of the year. No water engineer has yet been baffled by the purely technical problem of making good deficiencies of rainfall in time and space in this country. Economic limits to the development of further water sources are also a long way off, though most of the richer sources have already been tapped and opening up new ones may become relatively more expensive. The water supply industry's chief difficulty for the best part of the last two decades, however, has been that of securing adequate financial and physical resources to undertake the replacement and expansion that it—and many of its customers—have considered necessary.

Postwar restrictions upon investment by water undertakings have in fact been continued to the point where it would seem positively harmful not to slacken the screw a notch or two. In a number of areas the total volume of water currently available from the public system has either placed definite limits upon the pace of industrial expansion for the time being or has involved restrictions upon the use of water in recent summer dry spells of a more severe nature than in most other parts of the country. For a while in 1954 and 1955 the limits placed upon capital spending by this industry were eased considerably, but restrictions were imposed again in October, 1955. Between 1948 and 1955, it has been estimated, the industry spent about £230 million gross on capital works, but in net terms this was not enough for the industry to overtake its heavy wartime arrears in its replacement and development let alone to keep abreast of all the increases and shifts in demand for water since the thirties.

In October, 1955, the Minister of Housing invited the Central Advisory Water Committee (which had been revived earlier that year after an inept economy gesture in 1952) to advise on the supply of and demand for water. Two sub-committees were appointed: one to survey the country's water resources and the other to consider the extent to which demand was increasing and the cost of meeting it. Neither sub-committee has concluded its task. The second, however, has probably found its work handicapped by the sheer lack of information about water usage in this country—and precisely where it is drawn from. Detailed consumption figures are not readily obtainable even for the public supply system, which is in the hands of nearly 1,250 separate undertakings. Total drawings are now approaching 2,500 million gallons a day, and have been growing since before the war at the rate of roughly two per cent a year. But it is virtually impossible to estimate where all this water is used. Just under two-thirds is supplied to non-metered users, which very roughly can be identified with domestic and commercial consumers, and most of the balance would probably represent drawings by industry.

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Over and above this figure, however, a substantial quantity of water is pumped, mainly again by industry, from private bore-holes or drawn from rivers, streams, and canals. Just how much water is in fact thus obtained from outside the public supply no one can say, but industry certainly draws more from outside sources than it gets from local undertakings. It seems probable that water consumption from all sources has been rising in recent years at an annual rate of rather more than two per cent, which has given rise to guesses, ranging from 15 years to 30, of the period in which the country's demand for water might double. One can expect, presumably, that domestic consumption will continue to grow beyond the present average level of 30-40 gallons daily per person.

Agricultural demand is also likely to increase ; the value of intensive irrigation is becoming more widely recognised as an aid to higher yields, and the relatively expensive programme of linking isolated farmsteads to the public mains is still a cherished object of rural development policy. But both of these sectors of water demand may be overshadowed by the mounting needs of industry. Most of the growing industries upon which this country's hopes of higher living standards depend have enormous appetites for water, and the availability of copious supplies has become an increasingly important factor in deciding the location of their new plant.

Estimates of the present water consumption by some industries seem staggering. The electricity supply industry, which is one of the largest consumers, uses up to 15,000 million gallons a day. Nuclear power stations will need relatively more, even more than conventional stations. Dounreay, it is estimated, will need about 200,000 gallons of fresh water daily. The steel industry, which uses about 350 million gallons a day, and the chemical industry, which takes about 820 million gallons a day (against 600 million in 1946 and a possible 1,200 million in 1966) are also large users. Most of this water can, of course, be re-used and re-cycling is extensively practised, but mainly in areas where there are physical—or economic—limits to greater supplies. In steel production about nine-tenths is used again, so that actual rate of consumption is probably only about 35 million gallons a day—say 3-4 tons net of water per ton of steel. Most of this water, too, need not be good enough to drink (though it often has to meet certain specifications about quality), and is not a direct burden on local water undertakings. The paper industry, for example (which used, it estimates, about 200 million gallons daily last year and may need 250 million gallons a day by 1966), drew only four per cent of its total consumption from the public mains.

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Nevertheless, the growing demands from industry borne by some water undertakings are causing a certain amount of alarm, particularly where the marginal capacity of existing supply and drainage arrangements is inadequate for further development. A scrutiny of recent consumption figures for twelve large undertakings gives some point to this. Between them these twelve undertakings supply about 7½ million people, a seventh of the total population but probably a rather larger part of industry. In 1955 they supplied just over 350 million gallons a day, 44 per cent more than in 1938. During this period of seventeen years their total population grew by six per cent ; consumption by users drawing unmetered supplies rose by eight per cent a head ; and metered consumption (mainly industrial) more than doubled.

The first conclusion that the second sub-committee of the Central Advisory Water Committee may well draw from its own study of demand for water is that the Ministry must expect to be rather more liberal in granting permission to the industry to undertake new schemes of development. It may also exhort industry to conserve their present supplies of water by adopting practical methods of re-cycling in areas where physical limits upon the rate of drawings have not already made this necessary. If industrial production rises at anything like the Butlerian rate, the pressure of demand for water might become acute and the cost of supplying it a major programme. This will be another powerful argument for the Ministry to intensify its pressure on the industry to re-group most of its small, local undertakings into units large enough to promote and operate large capital works. The history of the water supply industry is marked by a succession of amalgamations and absorptions of neighbouring authorities, as the demands placed upon any one of them have become too large for its own finances and its indigenous sources. Since 1945 the number of separate undertakings has fallen by about 150, but there are still nearly 1,250—which is at least six times as many as are needed.

The four largest undertakings, the Metropolitan Water Board and Birmingham, Manchester, and Liverpool Corporations, between them supply nearly a quarter of England and Wales, and the 150 largest supply three-quarters. Efficiency does not necessarily coincide with size even in an industry where overheads are as large a proportion of costs as in water supply, but the most inefficient suppliers, in terms of ability to meet present and future demands, are found among the multiplicity of puny undertakings scattered over many rural areas and on the fringe of the major centres of population and industry. Efficiency is also far from determined by the nature of the water undertaking. There are about a hundred statutory water companies, supplying nearly a fifth of Britain, including some very large and some very go-ahead concerns. Undertakings run by town or district councils, or by joint boards on which several councils are represented (which sometimes make for what seems to be a top-heavy organisation) also vary greatly in size and efficiency.

But if the Ministry, by using its powers under the 1945 Water Act, which include the power to make a compulsory order for re-grouping, can cut the present number of separate undertakings by half in the next few years it will probably be well pleased. This Act placed upon the Ministry (originally the Ministry of Health) the duty of promoting "the conservation and proper use of water resources and the provision of water supplies in England and Wales, and to secure the effective execution by water undertakers, under (its) control and direction, of a national water policy." Since 1945 the Ministry's powers of direction have been lightly used, and its main task has had to be an unpleasant one of choosing between many urgent schemes of development. Its emphasis ought now perhaps to be to secure water supply a higher place in the queue.

Business Notes

Bank Rate Markets

THE Stock Exchange at the moment is a Bank rate dominated market. It happened that the decision this week was against a change and that the market, expecting something soon rather than something immediate, was scarcely affected. Medium-dated stock rose a little further, suggesting that institutions were still buying, and long-dated stocks declined, suggesting that speculators were not. But what people expected about money rates (and what many of them still expect) seems capable of continuing to dominate markets until the issue is put beyond doubt. Gilt edged have naturally led the rally and as the table shows it can be argued that the market in general already discounts rather more than a bank rate reduction of ½ per cent. With few exceptions yields are more than a half per cent per annum lower than they were when the market reached its low point last November, and almost a quarter per cent lower than they were when bank rate was raised to 5½ per cent in February last year.

HOW INTEREST RATES HAVE MOVED

	Feb. 16, '56 Bank rate raised to 5½%	Market trough Nov. 30, '56	Latest
	%	%	%
Treasury bill rate (as a rate of interest)	5 9/16	5 9/32	4 3/8
7-day loans to Local Authorities	5 3/16	5 1/8	5 1/8
Gross Redemption yields	£ s. d.	£ s. d.	£ s. d.
Conversion 4% 1957–58	5 0 8	5 9 1	4 17 11
Exchequer 2% 1960	5 3 2	4 17 6	4 14 1
Electricity 4½% 1967–69	5 3 3	5 14 4	5 2 8
Treasury 3½% 1979–81	5 0 1	5 8 9	4 19 8
Transport 3% 1978–88	4 19 2	5 4 7	4 15 0
Funding 3½% 1999–2004	4 15 4	5 0 1	4 11 6

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Industrial shares have moved up also. *The Economist* indicator at 198.0 shows a further rise of 5.2 on the week ended on Wednesday, and prices remained firm without much further advance on Thursday. Business has also expanded ; the number of bargains marked in the first three days of this week (which is a poor substitute for a real measure of trading volume) exceeded 40,000, the highest since the halcyon days of the summer of 1955. But buying of industrial shares has still been specialised and reasonably circumspect.

Issue Market Revival

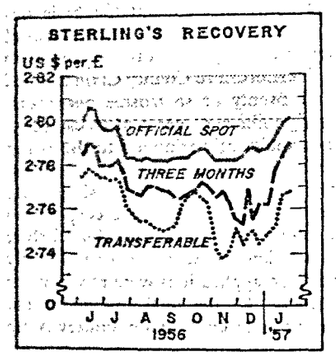
MARKETS now offer much encouragement to the sponsors of new issues and those of them that have been lucky enough to get an early date look forward with some assurance to success. The heavily stagged 5¾ per cent Tanganyika loan set the pace. Applicants for up to £3,000 stock received only £100, and above that amount the basis was about 5 per cent of the amount applied for. A premium of 2½ points over the issue price (of £99½) was established in the first day's dealings. Hertfordshire County Council stood next on a waiting list of twenty or so trustee borrowers. The price of 98½ for its £5 million 5¼ per cent stock, 1965, as it turned out, was not sufficiently trimmed to the rising market. Hertfordshire is an excellent borrower, and the gross redemption yield of £5 10s. per cent to the single date was attractive compared with some comparable corporation stocks. The list closed promptly on Thursday (long before the Bank rate decision was known) with the issue heavily oversubscribed. Over 21,000 applications were received for about £63 million of stock. Of the total amount of the issue, £1.6 million had been taken firm on underwriting terms.

The first big borrower in the industrial market turned out to be Ranks, the flour milling company, which has not raised capital since the end of control or indeed since the end of the war. It is now to raise about £6¼ million in a one for three rights issue of 9,231,197 10s. ordinary shares at 14s. per share and to use the money to modernise mills and extend storage facilities. The issue is combined with a 100 per cent free scrip issue which takes the form of increasing the nominal value of each existing ordinary share from 5s. to 10s. The total ordinary dividend of 20 per cent for the past year thus becomes 10 per cent on the new capital. An interim payment of 5 per cent (equal to 2½ per cent on the new capital) has already been announced, and the final dividend for which the new cash issue will also rank is expected to be 7½ per cent. On a 10 per cent annual dividend the new shares yield £7 2s. 10d. per cent. The price for the existing shares is 17s. 1½d. which makes the rights worth approximately 10d. per share—a margin doubtless sufficient in a strong market to ensure success. Dealings (nil paid) in the new shares are not expected to begin until February 18th.

Further big industrial refinancing operations are queueing up to follow those already launched. This week will see the underwriting by the London and Yorkshire Trust of £15 million of convertible loan stock for the Bowater Paper Corporation. The stock, designed to appeal to investors in North America as well as in this country, is expected to be modelled on the highly popular ICI loan stock. Associated Commercial Vehicles is also planning an issue of £3½ million loan stock without conversion rights.

Sterling Touches Par

STERLING staged its third big advance at the beginning of this week since the resurgence started with the announcement of the IMF loan in mid-December; and the progress has been dramatised by the fact that on Tuesday the rate crossed the parity line of $2.80 though it slipped back to 2.79\frac{13}{16}$-$\frac{7}{8}$ on Thursday. Sterling has also advanced against most Continental currencies. The foreign exchange market has been fairly quiet and the movements in rates this week have in the main been due to genuine commercial purchases of sterling coming on to a market in which supplies can no longer be made available by continued running down of working balances and other capital transactions. The period of seasonal strength for sterling is beginning and on Tuesday, when the rate against the dollar shot up from 2.79$\frac{1}{4}$ to 2.80$\frac{1}{8}$, the most potent influence in the market appeared to be commercial buying to cover sterling area commodity transactions.



In addition to the now favourable trend of commercial operations there is also a persistent, though by no means massive, covering of bear accounts. Some speculators in the New York market have been cutting their losses—and the loss has been considerable, as may be gauged from the fact that the outright three months' rate for sterling in New York was 2.76\frac{3}{8}$ at the beginning of the year and has since risen to 2.79\frac{1}{4}$. This rise is the joint product of the improvement in the official spot rate and of a further narrowing of the discount on forward sterling. The discount on forward sterling against the dollar has now returned to the equilibrium of interest rate parity. With the New York bill rate at 3$\frac{1}{4}$ per cent and the comparable rate in London at 4$\frac{1}{2}$ per cent the interest rate differential is 1$\frac{1}{4}$ per cent. In terms of the three months' rate on sterling against the dollar, this would be equal to a discount of 0.98 cents. The three months' discount narrowed early this week to a quotation of 1 to $\frac{3}{4}$ cents so that the actual rate quoted then exactly measured the interest differential. The three months' discount subsequently widened to 1$\frac{1}{4}$-1$\frac{3}{8}$ cents but, new bear accounts are not being opened and some of the outstanding positions are being covered, usually by a purchase of spot sterling. It may be expected that more bears will be on the run before long.

Less American Oil for Europe

IN terms of Texan commercial interest, the arguments against any increase in allowable output there (which are discussed in an article on page 290) are not as unreasonable as they appear from Europe. There is no reason at present to assume that the commission will find them any less compelling when it comes to decide about Texas output in March. What, then, are the practical effects of this restriction on Europe's oil supplies?

Of the 90,000 barrels a day increase granted, probably not much more than half will be available for Europe. The increase is "across the board": it will include some wells that cannot achieve their allowable output, and others so placed that they cannot transport the extra output to the coast. The MEEC committee of oil companies in Washington now estimates that supplies of American oil to Europe in the first quarter of 1957, which had been planned to exceed 500,000 barrels a day, will now average little more than 130,000 barrels a day of crude oil and just over 200,000 barrels a day of products—and that of the products the major share would be in the form of gasoline, which Europe does not need as urgently as fuel oil. Even these crude oil figures allow for shipments of 50,000 barrels a day over the quarter out of stocks, a feat that will be hard to achieve as the most accessible stocks have already been depleted. On the most hopeful construction, therefore, supplies of oil from the United States during the quarter are likely to fall some 2-300,000 barrels a day below the least that had been expected.

Fortunately crude output in Venezuela has risen steadily and is now some 350,000 barrels a day higher than it was when the emergency began. But some of this extra output is going to refineries on the East coast of the United States, which have been unable to make good from Texas the Middle East crude that they formerly imported. For the same reason some 60-80,000 barrels a day of Middle East crude are still being hauled across the Atlantic to the eastern seaboard of the United States—a glaring exception to the planned economy in the use of scarce tanker tonnage.

Because supplies in the Gulf of Mexico have fallen below expectations a much larger number of tankers than had been intended has now been routed back to the Persian Gulf round the Cape. As a result, even an unexpected improvment in the availability of Texas crude could not help much now: these tankers could not return to the Caribbean until after making a double trip round the Cape and discharging their cargoes in Europe. There remains only the possibility of the rapid partial reopening of the IPC pipelines through Syria, but the prospects of a favourable decision by the Syrian government are now dimmer than they were last week, and in any event it would take time to re-route tankers back to the Mediterranean terminals. The sum of this depressing story is that Europe's fuel oil supplies, which are expected to amount to only 65 per cent of normal consumption in the 40-day period ending on February 10th, may fall even further in the rest of February and March.

Britain's Oil Stocks

LORD MILLS has given British industry his guarantee that further restrictions on the use of fuel oil will not be imposed before the end of February, but he has made no promises beyond that time. As the consumption of fuel oil in Britain is averaging about 80 per cent of normal, while supplies are arriving at a rate of only about 65 per cent of normal, and may fall even further in February and March, it is clear that further restrictions on consumption can be avoided only by making substantial withdrawals from stocks. Fortunately for industry, both fuel oil tankage and the actual level of fuel oil stocks in Britain are considerably higher in relation to consumption than they are in the rest of Europe, and much higher than they are in Italy, France and the Scandinavian countries. By the middle of April, moreover, some seasonal decline in the consumption of fuel should begin to make itself felt, both in Europe and in America. But nothing much can be done now to change the depressing supply picture significantly before the end of March. Therefore a decision not to impose further restrictions in March would be justified only if the prospects for an increase in arrivals of fuel oil in April were sufficiently bright to warrant running stocks down to a dangerously low level in March.

In one respect the British supply position should improve a little. Owing to their extensive ownership of overseas oil resources and tankers the British oil companies could have obtained for the British market more than its fair share of the supplies available. In fact, this "law of the jungle" was never followed, and it appears that the oil companies have leant over backwards to honour their obligations to their customers on the Continent, even at the expense of consumers in Britain, on the reasonable grounds that stocks were relatively high in Britain. Consequently the new procedures that have been agreed in the OEEC oil committee, which will equalise new supplies between all European countries (though without correcting the existing disparity in stocks), should mean that Britain will be allocated rather more oil than it would have received if the oil companies had continued to favour their Continental customers. This will be true even though Britain has made no claim on the "kitty" of supplementary supplies which is being allocated initially to Italy, France, and the Scandinavian and other countries whose position is much more desperate than Britain's.

Verdict on the Vulcan

IT will never be quite clear what happened to the Vulcan bomber that crashed in the rain at London Airport last October. Just before Christmas Mr Nigel Birch gave the House of Commons what could be called the RAF version of the accident, namely, that the pilot had left it dangerously late to break off the attempted landing if conditions looked too difficult, but that the immediate cause of the accident was failure of the ground controller to warn him that he was flying dangerously low. This did not satisfy the Ministry of Transport, which commissioned Dr Touch, electronics expert at the Ministry of Supply, to carry out a separate inquiry into the way the ground control system had worked. His findings were published this week.

Dr Touch says frankly that the evidence was conflicting and scanty. His report leaves a picture of a relatively new ground controller, who only received his rating as GCA controller late in August, monitoring an aircraft that oscillated unevenly about the glide path. It was coming in faster than civil aircraft normally do and the controller instinctively speeded up his instructions, rattling them off at 146 words a minute compared to the average of 80 to 126 words for similar landings. A more polished controller might have been able to help the pilot correct his deviations from the glide path, which probably contributed to the final disaster. Having been told that he was 80 feet too high the pilot lost height so rapidly that the aircraft hit the ground more than half a mile from the end of the runway.

Could the controller have saved the aircraft? The last information he gave the pilot about height was that he was 80 feet above the correct path; after that he was preoccupied with the Vulcan's side-to-side deviations and did not mention height again. Dr Touch stresses that there could be no excuse for not warning the pilot he was dangerously near the ground, yet the critical period of three to five seconds after the last message about height, the only time during which corrective action might have worked, was so short that the controller could not be blamed for not giving the warning. The time to save the Vulcan, if it could have been saved at all, was much earlier along its approach to the runway.

There will be widespread agreement with Dr Touch's recommendations that "military aircraft of advanced design" should not normally land at civil airports—where the controllers have not been trained to deal with them. He also touched on a point of general importance to all civil aircraft. Aircraft are landing at higher and higher speeds, and the control system has to be streamlined to keep pace with them. Unnecessary words and unnecessary information must be cut out and the GCA controller, who now gets part of his information from his assistant, ought to be able to see all the data about the aircraft on one screen in front of him. These changes are already being discussed and some of them introduced. The Vulcan accident serves to show how vital they are.

Appointments and Disappointments

ONE of the outstanding appointments to the National Coal Board was announced this week: Mr H. W. Hembry was appointed, presumably to take broad responsibility for finance. The board has been without any such finance member since Mr J. Latham became deputy chairman last year, and Mr Latham appears to have continued to carry this responsibility along with his many extra ones. Mr Hembry, who became deputy chairman of the board's Northern Division early in 1955, had been its finance director for the previous five years. A successor to Mr W. H. Sales, who leaves the Coal Board at the end of the month to become chairman of its Yorkshire Division, has still to be appointed; and since Mr Sales, an ex-miner, is responsible for the board's labour relations, this appointment is a crucial one. The new Minister of Power inherits the chance to introduce some alternative experience into the industry's top-level wage bargaining. Other "appointments and disappointments" may follow.

Arriving from outside into the sphere of nationalised industry, Sir Percy Mills has no doubt already encountered the difficulties that beset any minister trying to find the best men for the top jobs in these industries. Among members of the central and divisional boards, the

range of salaries and conditions of service is fairly narrow; key men asked to accept bigger responsibilities—and often positions much more vulnerable to public criticism—can be offered hardly any incentive in net income. This means that some of the best men in an industry such as coal prefer to stay where they are rather than move upward in the hierarchy. It also means, unfortunately, that the only moves which may attract them are moves out of the industry, when private enterprise bids; and this seems largely a one-way traffic. The last Minister of Fuel and Power made perfectly plain how he was hampered in getting the right men for the boards by the Treasury's dog-in-the-manger attitude to paying anybody more than top-grade civil servants. Sir Percy Mills may have more success in persuading Whitehall what business ability costs.

Wavering on the Waiver

THE British government's request for a waiver on the interest payments that were due at the end of last year on the US and Canadian lines of credit is running into strong political cross-currents in Washington. Under the terms of the loan agreement, the granting of the waiver seems to be a virtually automatic administrative decision by the US government, provided that the required initiative had been taken by the United Kingdom and that the International Monetary Fund found that circumstances justified the request. It was no surprise to the United Kingdom government, however, when Washington decided to submit the whole matter to Congress and requested the United Kingdom to pay the interest into a special account pending congressional investigation. For some years past the appropriate departments in Washington had advised the British government that if the waiver were ever claimed the matter would have to be referred to Congress and could not be decided by a directive from the Treasury or the White House. The main reason for this was the change in the circumstances surrounding the sterling liabilities of the United Kingdom government and the virtual impossibility of honouring the clause in the agreement which requires that, if the waiver is granted, similar reductions will be made in Britain's payments to its sterling creditors.

Since this clause cannot be made effective the situation calls for a drastic amendment of the loan agreement; that is embodied in an act and amendment must perforce go through the congressional mill. The Secretary to the US Treasury has made it plain in the discussions that have already begun that, although changing circumstances may have made the text of the agreement something of an anachronism, the spirit is perfectly plain—that some relief should be given to the United Kingdom in time of balance of payments and reserve difficulties.

The main question that has arisen in congressional discussion of this amendment of the agreement is whether the clause referring to parallel treatment of sterling obligations should be struck out without further ado, or whether the abandonment of this clause should be compensated by some provision by which any successful invocation of the waiver would involve not a cancellation but only a postponement of the interest payment due thus shifting the whole schedule of annuities payable under the agreement one year forward. Under the original schedule the annuities spread just into the next century. It may, perhaps, be of small consequence whether a payment due under the waiver clause is cancelled outright or involves a new liability due in the year 2003 or so. But if the principle incorporated in the original agreement is to be maintained, a payment forgiven under the waiver should be forgiven for good.

Atomic Progress

THE most heartening of all the statements made about atomic energy during the week-end came, not from this country, but from Japan. The technical mission that came to Calder Hall in November is reported to have advised the Atomic Energy Commission, and the Commission to have advised the Japanese government, to buy a commercial atomic power station of the Calder Hall design from Britain. Japan is one of the biggest potential export markets for atomic plants, with a fuel problem much like the one faced in this country. It has received much atomic help from the United States and the decision to come to Britain for commercial atomic power is a major victory for Sir Christopher Hinton, who first impressed the Japanese with the possibilities of the Calder Hall design. A second mission is now expected to come to this country to discuss details about the type and size of plant and the formalities of an Anglo-Japanese agreement on the provision of atomic fuels for the power station and of the necessary technical information.

The second confirmation of atomic progress came from the chairman of the Central Electricity Authority, Lord Citrine, who is usually most taciturn on the subject of atomic power. Last Friday, visiting the site of one of the CEA's two atomic power stations, he committed himself to the extent of confirming estimates that the atomic power programme would "probably" be trebled, by 1965, although this would not involve a big increase in the number of stations planned. This capacity represents the equivalent of 12 million tons or more of coal a year. Sir John Cockcroft, who was speaking in Paris during the week-end, carried the estimates a decade further to suggest that by 1975, atomic energy would be generating the equivalent of 60 to 70 million tons of coal's worth of electricity, nearly a six-fold increase in atomic capacity in ten years between 1965 and 1975.

Sir John also gave some information about the progress of work on atomic reactors for shipping. Design studies at Harwell have concentrated on two projects, a submarine engine where operating costs were a secondary consideration, and a merchant ship in which economic performance was essential. Both projects are a long way from being actually built, but some time this year a small experimental reactor will be built along the principles on which scientists think that a power unit for shipping should be designed. An atom-powered super-tanker makes, according to Sir John, an "interesting study" in the sense that a big bulk carrier would get the most advantage out of the operating characteristics of an atomic reactor. But it is likely to be some time before such a tanker is laid down in British yards.

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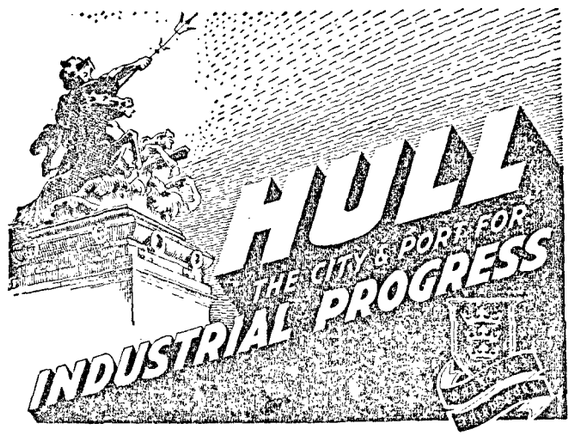
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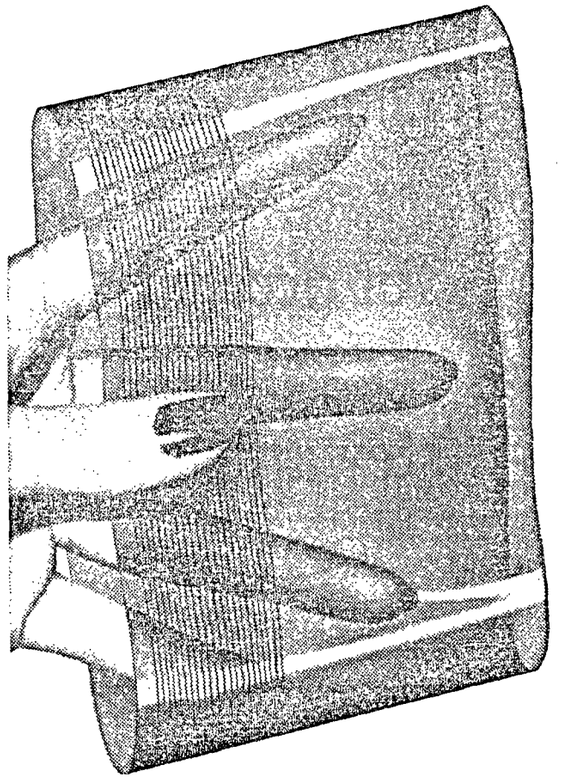
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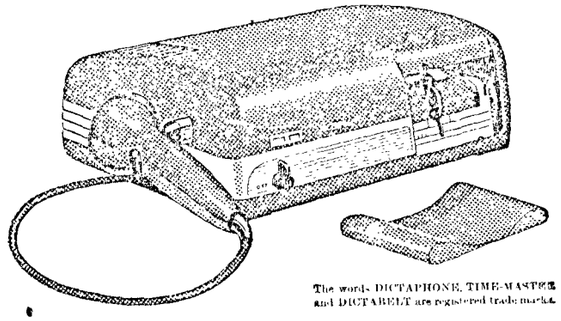
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Motor Investment Matures

NO other major British industry since the war has experienced as abrupt a decline as the motor industry's collapse from an output of more than 26,000 vehicles a week in November, 1955, to less than 14,500 a week in December, 1956. The average output for 1956 was 22 per cent down for cars and 13 per cent down for motor vehicles from the output levels of 1955; and the December figures published this week showed a decline of 41 per cent in car output from December, 1955, and of 36 per cent for commercial vehicles. About 57,000 of the industry's workers are on short time; and the labour force in "motor vehicle and cycle manufacture" has fallen by probably 40,000 since the end of 1955.

Exports have fallen less than home sales, and to that extent the industry's "export performance" may be said to have improved during this unhappy year for it: it has indeed bettered its sales to the United States and Canada during recent months. For the moment, certainly, it is the specialised makers that concentrate on export models, plus certain economy cars of the popular makes, that are managing to sell: Jaguar goes back to a five-day week on Monday. But the sharp cut in total output has enabled Germany to pass Britain in the production of motor vehicles as well as of steel.

Vauxhall, too, is going back to five-day working on Monday, and will be taking back some of the 1,800 men it has laid off in recent months. But this does not mean it is suddenly selling more cars; the extra labour is required to redeploy production at Luton throughout the company's new plant. This extension will roughly double Vauxhall's capacity; like some of the other major expansion schemes in the industry it was begun late in 1954. This one is coming into commission when the home and export markets are inadequate to absorb such an expanded output; most of the other major schemes, too, will be maturing fairly soon. The companies were too far committed by 1956 to cut this expansion back significantly, had they wished to; in fact, most of them continue to profess confidence that 1956-1957 is merely a temporary setback.

Inquest on Aircraft

THE Select Committee on Estimates spent 5½ months last year hearing evidence about the supply of military aircraft during the preceding ten years, giving the Ministry of Supply a most severe grilling. The committee's report does not reveal many new facts; moreover, it exposes a depressing poverty of ideas about how to organise the supply of aircraft in future. "Astronomical" sums of money that the Ministry has "wasted" on failures must be seen in perspective to judge the system fairly. The Ministry of Supply spent £1,800 million between 1945 and 1955 on the production and development of military aircraft; of its many projects, fifteen, for various reasons, never went into production. The bill for failures came to £18 million, one per cent of the total, which is perhaps not disproportionate to the risks. One of the biggest items on this bill was the Vickers V1000, which cost £4 million before it was abandoned half-built. The complex reasons that kept this project going long after it should have been stopped cannot be laid exclusively at the door of the Ministry of Supply, which would have acted sooner had it been free to do so. Another costly project was the Short Sperrin bomber, only two of which were built for a total of £3½ million. This bomber was scrambled together at the height of the Korean scare to have a jet bomber of some kind on the stocks in case of emergency; this was a sudden strategic decision, not one made in the normal process of supply.

This is not to suggest that the Ministry of Supply always acts wisely about military aircraft. There is a radical weakness in any organisation that has to spend £33 million on a project like the Swift, which was stopped after reaching production, before it will admit failure. But it is not possible to embark on a policy of aircraft development without being prepared for some mistakes, though it is important, as the committee stressed, to recognise them in time.

Competition in Limbo

ALTHOUGH it sifted a mass of evidence, the Select Committee on Estimates shut its eyes to the reason that predisposes the Ministry of Supply to expensive errors of judgment in developing aircraft. This is the practice of placing orders with a manufacturer which invite him to produce an aircraft to satisfy a general specification and giving him a blank cheque for doing so. The Services tell the Ministry they would like a certain type of machine; the Ministry then gives an order to whichever manufacturer offers the most promising suggestion. Experience shows that it is impossible to judge at this early stage which project is capable of translation into a successful aircraft.

At one period the Ministry tried to reduce the risk of failure by sponsoring two competing projects, of which one would be chosen for production. Seven such projects were written off at a cost of £5½ million; half of this sum was spent on the de Havilland 110 all-weather fighter, which was adopted by the Navy after it had been turned down by the RAF in favour of the Javelin. The committee condemns this policy of limited competition as being unnecessarily extravagant—though it approves its application to the Vulcan and Victor bombers which were both put into production. If the system of limited competition is abandoned, as Ministry witnesses assured the committee it had been, what can replace it? It is one thing to say that the aircraft industry has been overloaded in the past and that "preferably with the agreement of the industry, steps should be taken to limit the number of firms receiving government contracts." How would one choose the right companies—and would the remainder of "the industry" agree? This industry cannot be neatly divided into black and white.

It has been repeatedly suggested in *The Economist* that one way to reduce the odds against sponsoring the wrong project is to require the companies to show enough confidence in their own designs to produce some hard evidence of the way they are shaping before irrevocably committing

the services and the taxpayer to supporting any one of them. The number of projects independently financed by aircraft manufacturers, from the Folland Gnat to the Vickers Vanguard airliner and the fighter and air freighter both being developed within the Hawker Siddeley group, disproves the argument that the aircraft industry has insufficient resources to finance the primary stages of development. With every effort being made to find economies in the defence programme, development projects need the most careful scrutiny; the best way is not by placing curbs on the aircraft industry but by asking for something concrete to scrutinise.

Trade Keeps Flowing

BRITISH exports in December suffered surprisingly little from the closure of the Suez Canal. Though the total value of £253.7 million fob was nearly £40 million (13½ per cent) below the average of the two previous months the daily rate of shipments fell by less than three per cent (the December accounts covered 24 working days, three fewer than the October-November average). The detailed returns this week showed that while exports of ships and boats, at £11.9 million, were even higher than the October-November average, exports of most other groups of commodities fell by about 15 per cent. Shipments to the Middle East fell by a quarter, but shipments to destinations east of Suez did not fall by much more than the general average of 15 per cent. Shipments to the dollar area fell by one-fifth, owing partly to the usual winter fall in shipments to Canada, but shipments to the OEEC area fell by only 12 per cent. Does the comparatively favourable outcome for December imply that the shortage of shipping has yet to be fully reflected in the export returns, or will the shortage prove less severe than was expected? The January returns should provide the answer.

Imports fell further in December to £307.9 million cif, £11.7 million below the previous month's figure. Substantial reductions, partly seasonal, occurred in imports of

OIL IMPORTS BEFORE AND AFTER SUEZ
(million gallons)

	Jan./Oct. average	Oct.	Nov.	Dec.
Crude	650·9	684·6	419·1	507·8
All products	215·7	213·4	159·5	181·1
of which fuel oil	68·1	58·5	30·0	33·0
gas oil	45·0	57·7	29·6	42·4

certain foods and materials but arrivals of goods—other than oil—normally shipped via Suez were little lower in total than before the canal was blocked. As the table shows the quantity of oil imported recovered slightly in December, reflecting larger arrivals from the United States. The average volume of crude oil imported in November and December, however, was still 29 per cent below the average of the previous ten months, a decline that unfortunately occurred while the trend of demand was strongly upwards, and the average volume of petroleum products was 21 per cent lower. Arrivals of fuel oil were the hardest hit, falling by nearly 54 per cent. As exports of fuel oil in November and December were two per cent higher than in the previous ten months the real shortfall was larger still.

Turn in Terms of Trade

ONE part of the cost of the Suez crisis is now beginning to be reflected in the terms of trade; last month the ratio of import to export prices worsened by a further point to 101 (1954=100). The average price of imports rose by two points to 109, the highest level of the year, mainly because of a jump of 11 points to 126 in the index for fuels. That sharp rise was in turn chiefly the result of the advance in freight rates for oil; the full advance in oil prices has yet to be felt. Food prices rose by an average of two points to 106, the higher cost of sugar and tea more than offsetting the drop in butter and other dairy produce. Export prices

HOW PRICES HAVE MOVED
(1954=100)

Import Prices	Food and Tobacco	Basic Materials	Fuels	Manufactures	Total
1955	101	104	102	109	103
1956	101	106	110	110	105
1st qtr.	100	105	107	115	105
2nd qtr.	102	105	107	113	106
3rd qtr.	99	106	107	107	103
4th qtr.	104	108	119	107	107

Export Prices	Engineering products	Metals	"Other manufactures"	Total	*Terms of Trade*
1955	103	104	102	102	*101*
1956	107	112	104	106	*99*
1st qtr.	105	110	105	105	*100*
2nd qtr.	105	111	104	105	*101*
3rd qtr.	108	112	104	106	*97*
4th qtr.	109	112	104	107	*100*

rose too, by an average of one point to a new peak of 108. Engineering products, the largest single item, were one point higher at 110; metals rose by two points to 114, largely owing to the increase in steel prices, and "other manufactures" rose by two points to 105. Textiles, after falling in the previous three months, recovered by one point to 99. Though the terms of trade have recently been moving adversely, the average ratio for the year was 99, still two points more favourable than the 1955 average. Export prices rose by four per cent over the year whereas import prices rose by only two per cent.

Secrets in the Tank

THE "secret formula" for a petrol substitute recently concocted by a Sheffield engineer has been considered by the Ministry of Power, which is satisfied that at least it includes no rationed materials. As the "three liquids" used

in its manufacture are also said to be free from the excise tax on motor spirit and power alcohol, the formula cannot be merely another alcohol blend. It remains to be seen whether its inventor can fulfil his promises of an initial production rate of 30,000 gallons—say 100 tons—a month and a subsequent "great increase" in the production of a fuel "equivalent to 85 octane petrol."

Suppliers of all of the more common substitutes for petrol—ethyl alcohol, methanol, acetone and the liquified petroleum gases, butane and propane—have been asked by the Ministry of Power to ensure that the full requirements of their normal industrial customers are met before any of these fuels are diverted to emergency uses. As butane, propane and a large proportion of the industrial alcohol are all derived from petroleum there is clearly no scope at present for any significant increase in their output, and producers will have little to spare after meeting the Ministry's request. Coal gas and producer gas are not very suitable for use in vehicles owing to the complicated apparatus required to obtain satisfactory performance. Methane gas from sewage works has been used successfully in some local authority vehicles, but it would be difficult to obtain in any quantity.

The remaining possibility is ethyl alcohol made by fermentation from molasses. There is spare capacity for the production of natural ethyl alcohol in Britain, as this method of production has been progressively abandoned in favour of the more economic synthetic production from petroleum. These plants are, however, in the hands of a few large producers who regard the production of power alcohol as hopelessly uneconomic. One petrol-alcohol blend, Cleveland Discol, remains on the market, but as the anti-knock performance of ordinary petrol has risen so the special advantages of a petrol-alcohol blend have diminished. Although the most suitable and readily available molasses come mostly from Cuba, and have to be paid for in dollars, the output of sterling molasses in the West Indies could be raised, if the government were prepared to foot the extra bill. And the production and consumption of power alcohol in Britain could be stimulated by granting government subsidies or tax preferences over hydrocarbon fuels—a policy that has been followed for many years in France. But this heavy cost could only be justified if it were the most economic way of making Britain less dependent on Middle East oil. In practice it would be cheaper to import oil from the Western Hemisphere than to import the molasses to make an equivalent amount of alcohol. Moreover, the crux of Britain's problem is the shortage not of oil, but of tanker capacity. The same tankers can be used to carry either molasses or oil, and it takes five times as many tankers to transport the molasses to make a given amount of alcohol as it does to import the same quantity of oil.

New Liner for P & O

THE design of the new passenger liner ordered from Harland & Wolff, Belfast, for the Australasian and Pacific services of the Peninsular and Oriental Steam Navigation Company, represents a departure from tradition in many respects. Not only will the ship be the largest and fastest ever designed for this service, being of 45,000 tons gross and 27½ knots speed, compared with the 29,000 tons and 22½ knots of the latest ships, but it will be able to accommodate more passengers than either of the Transatlantic *Queens*—1,650 in tourist class and 600 in first class cabins. Her twin-screw turbo-electric machinery of 85,000 shaft horsepower, itself unorthodox for a ship of this size, will be situated aft, as in the Shaw Savill liner *Southern Cross*, thus eliminating engine-room space midships and allowing much greater freedom of layout for the passenger cabins and public rooms, as well as more deck space.

The new liner will be air-conditioned throughout, and a number of inboard cabins will in addition be served with natural air and light by arrangement round a central court or verandah extending to the ship's side. Other recent ideas are the use of escalators for galley service to dining rooms, and electric conveyors and elevators for baggage and stores. The lifeboats, which will be of glass-reinforced plastic, will be stowed not on the uppermost deck but nearer the waterline three decks below.

This liner, due for delivery in 1960, will run alongside the Orient Line's new ship, which has similar performance features, in the group's joint service. Since the war the group has provided six passenger liners costing some £30 million for the Australian service, and the two new ones are expected to cost not less than £25 million. These two latest ships, however, will be able to do the work of three ships of the *Iberia* class, and it is believed that they will prove more economical in operation, despite the higher speed and fuel consumption.

The Australian Import Changes

IN the relaxation of Australian import restrictions by £A30 million a year from January 1st about £A10 million is accounted for by the changes announced a few weeks ago.* Substantial increases, "some on a non-recurring basis" in licences for capital plant, machinery and agricultural implements account for the remaining £A20 million. As these goods are in the Administrative category the licences are varied as the authorities see fit, and the treatment given to particular items is unlikely to be announced.

The earlier changes affected goods in categories A and B, and do not benefit the British motor industry. Textiles are the main beneficiaries. Textiles for manufacturing purposes were transferred from B2 to category A, and the quotas were increased by 60 per cent, from 37½ to 60 per cent of actual imports in the year ending June 30, 1955. Other textiles, mainly piece goods, remained in category B2, and the quotas were increased by 20 per cent, from 37½ to 45 per cent of imports in 1954-55. A further change is that from April 1st the licensing period will cover four months instead of three.

Co-operative Building Society Progress

RESULTS of the Co-operative Permanent Building Society for 1956 announced this week may give a foretaste both of the problems and of the hopes that now confront the big societies. The Co-operative Society

* Details were given in the Board of Trade Journal of January 5th and 12th.

experienced a fall of nearly £8.5 million to £21.5 million in the amount advanced on mortgage; it shows a rise of £19.3 million to £137.8 million in investors' balances, a rise of £6.7 million to £20.9 million in liquid assets (at balance sheet values) and a rise of £20.0 million to £143.7 million in total assets. Reserves rose from £4.0 million to £4.3 million. The liquidity ratio has thus enjoyed a formidable reinforcement and amounts to 14.58 per cent against 11.49 per cent, while the reserve ratio has suffered an unfortunate shrinkage to just below 3 per cent of total assets, compared with 3.24 per cent a year ago.

The year 1956 fell into two halves—a depressing first half when the societies kept their eyes closed to a 5½ per cent Bank rate and found that they lost shareholders and depositors in consequence, and a prosperous autumn after they had raised the rate of interest on shares to 3½ per cent net. Money then poured in again. For the Co-operative the issue was complicated by the merger with the Exeter Benefit Society which has involved £69,590 of realised losses on mortgages and may involve a further £60,000, but which has brought in £66,000 of reserves and some useful new accounts. In the end it is hoped that there will be no net loss. Meanwhile investment money, checked only temporarily and to the tune of about £250,000 by the premium bond rush in November, continues to come in well. The society's loans are still below the demand, but the rate of lending has been increased and it seems possible that the society might lend on mortgage £30 million this year. If that occurred it would represent an increase of £8½ million on 1956. It would be comfortably within the funds that seem likely to be available, but the reserve ratio inevitably would suffer again in the process.

Rising Liner Freights

THE increase of 10 per cent in freight rates to North America by the North Atlantic Westbound Conference is only one of a series of rises that have taken place in recent months in most of the principal liner trades. This increase, which will come into effect on April 1st, affects cargoes from the United Kingdom and Eire to United States and Canadian ports, including the Great Lakes; a similar increase came into effect last April. Eastbound conference rates are increased with effect from February 1st. In the Australian and New Zealand trades the current increase in freight rates is one of 14 per cent, following the increase of 7½ per cent announced a year ago.

"Motor Business"

The December issue of this quarterly research bulletin for the motor and allied industries is now available. It includes:
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These rises give some idea of the general increase in ship operating costs that have occurred over the last two years. In justifying the increase the liner conferences imply that a proportion of these increasing costs have been absorbed in recent years, but that they cannot continue to do so without adversely affecting the standard of service. All the main operating expenses, such as bunker prices, repairs and maintenance costs, wages, port charges and cargo-handling costs, have risen. These increases in conference tariff rates, however, are not directly attributable to the closing of the Suez Canal. The disruption of liner services by this event has affected some trades seriously and others scarcely at all; its main effect has been the big consequential increase in oil fuel prices. Temporary "Suez surcharges" have been introduced to cover these temporary extra costs: they vary according to circumstances from 5 to 50 per cent. The West African Conference lines, for example, although not directly affected by the closing of the canal, which they do not use, have imposed a temporary surcharge of 5 per cent because of the 40 per cent rise in oil bunker prices in European ports.

Strategic Stock Sells Lead

AFTER consulting the trade the Board of Trade has settled the details of its disposal of lead from the strategic stock. About 30,000 tons will be sold for delivery and pricing over the nine months beginning in March. About 4,000 tons are to be offered by open competitive tender; the remainder will be offered to the original suppliers or their agents. This is the usual practice. The total quantity is equal to only about one month's consumption in Britain and is closely in line with the trade's expectations. The effect of the announcement on prices was small: lead in London had dropped by £1 a ton before closing on Thursday at £115 10s. for prompt and £113 10s. for three months metal.

Despite the recession in the motor car industry and the lessened demand for lead as an additive to petrol, prices have held up well. The market is underpinned by the support operations of the American stockpile, which absorbs the surplus of domestic lead and zinc in the United States and also takes in the foreign metal that the Administration receives in exchange for surplus farm products. At current prices in London and New York there is no incentive to ship lead from here to the United States, but the net effect of the extra 30,000 tons becoming available here may be that an equivalent quantity moves into the American stockpile. The Board of Trade has yet to announce the details of its disposal of zinc from the strategic stock.

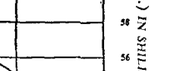
Windfall in Sugar

THE Sugar Board has started its career in a way that few government agencies do—by making a mint of money. The board buys 1½ million tons a year of Commonwealth sugar at a fixed price and sells it to British refiners at the

Why do fish prices go up - and down?



Winter or Summer, fair weather or foul, there is always fish for you and your family to enjoy. But why is it that the price often varies?
The answer: because trawling depends on the weather. When the weather is good, trawling is comparatively easy: the catch is large, supplies are abundant, and the price of fish goes down.
When there are storms, and you hear gale warnings on the B.B.C., our trawlers battling in distant Arctic waters find the going hard. Fishing is more difficult, the catch is smaller, and as supplies become scarce, the dockside price of fish goes up. However, trawlermen do not fix the price of their catch. Fish is sold by free auction at the dockside, in a highly competitive market.
Look at the chart below. It shows the rise and fall of prices in relation to the gale season. But remember—however bad the weather, British Trawlers are continually striving to bring a plentiful supply of good, fresh fish to these shores and fish landed in Britain is fresher, in better condition, and cheaper than anywhere else in Europe...

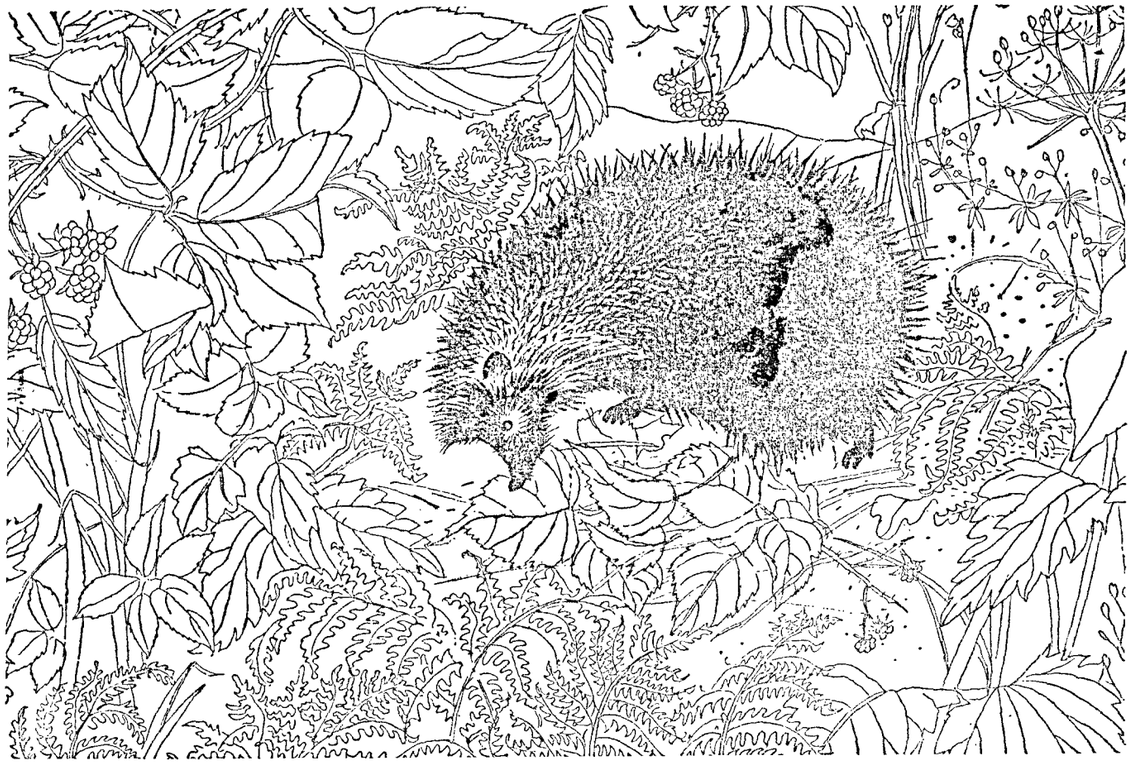


THE CHEAPEST FIRST-CLASS FOOD MONEY CAN BUY

BRITISH TRAWLERS
Hull / Grimsby / Fleetwood

THE BRITISH TRAWLERS' FEDERATION LIMITED

DESPITE STORMS AND GALES—FISH REMAINS THE CHEAPEST FIRST-CLASS FOOD MONEY CAN BUY



'I would like,' said the Hedgehog,
'to make a point or two on behalf of my colleague, the British farmer, with whom
I enjoy a most happy co-operation.'

BUT TOWN MOUSE SAID

What! Not again!

'Everyone around here,' he continued, 'seems obsessed by these farmers. Just what have they got that I haven't got—apart from their miles of land?'

HEDGEHOG (*severely*) 'Just what have you got to eat that they don't have a great hand in providing? I'll have you know more than half our food is now home grown! And don't talk about miles of land. Most British farms are small—average size is about 80 acres.'

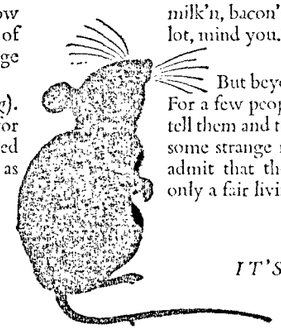
TOWN MOUSE 'I know! I know! I've been told (*mimicking*). And most farmers work a 90-hour week for about £10-£12 *and* production's doubled since 1939 and there are now four times as many tractors. *I know.*'

HEDGEHOG (*even more severely*) 'Then why are you so remarkably unwilling to prick up a whisker for a fine job well done?'

TOWN MOUSE 'Because! Anyway with all the sympathy there is about, why should it matter what *I* think? Not that I don't like butter'n, cheese'n, eggs'n, milk'n, bacon'n, fruit'n, wheat'n all that lovely lot, mind you.'

* * *

But beyond that he simply wouldn't go. For a few people are just made that way. You tell them and they seem to understand. But for some strange reason they will never actually admit that the British farmer, in return for only a fair living, does us really proud.



IT'S FISONS FOR THE FARMER

world price. As the chairman of Tate and Lyle, Mr Ian Lyle, pointed out this week the fixed price this year, shorn of the amount of the preference and at present rates of freight, is roughly 46s. a cwt and the world price at present is nearly 60s. a cwt cif UK (the board has to sell free at side in the country of origin, but the cif comparison is a fair indication of the surplus being made). The board is also receiving the proceeds of the surcharge levied on all imports of sugar to offset the loss incurred if the world price falls below the fixed price. As the surcharge, which is now 1s. 2d. a cwt, is to be varied at infrequent intervals there are times when, as now, no surcharge is necessary. Moreover the British Sugar Corporation, which refines home beet and sells it at the world price, is also making a windfall surplus that would in time accrue to the board.

If the world price should remain at anything like the present level the surcharge would be reduced, if not withdrawn. A part of the board's surplus could then be distributed to the persons paying sugar duty, and the domestic price would be reduced. In the long run the consumer will pay no more than the real cost of Britain's imports. There is little immediate prospect of a radical fall in world prices. World stocks are low and demand is buoyant. Since the beginning of the year the UK spot price has risen still higher, by over 11s. to 59s. 10½d. a cwt cif, and the domestic price of granulated sugar has risen by over 12s. to 85s. 9d. a cwt. There is no shortage of supplies as a whole in this country; shortages occurred in some areas because consumers anticipated a rise in retail prices by stocking up.

ISHRA Reports

TIMING is the essence of the unscrambler's art. That was recognised when in 1953 Sir John Morison as chairman of the Iron and Steel Holding and Realisation Agency was set the task of reselling the nationalised steel undertakings without time limit. He got off to a slow start, but sold vigorously in 1954 and 1955. Business dried up in the year ended September 30, 1956, partly because the agency had already sold much of what it could easily sell, but chiefly because the new issue market had died when the Stock Exchange boom died. So ISHRA sold state-owned securities to the value of only £35.9 million in its third year compared with £74.1 million in its second year and £78 million in the first.

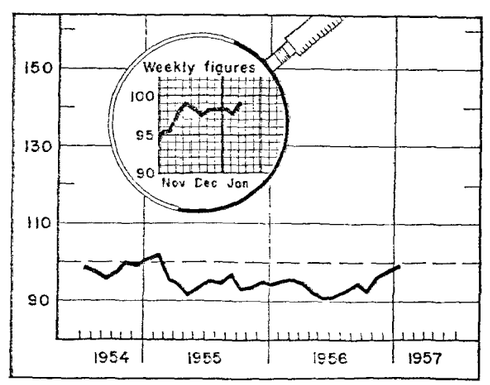
Since the agency announces its transactions as they occur, the report contains little that is new, but some useful guidance can be obtained from a closer look at that part of the steel industry that is still government-owned. Out of the 71 nationalised companies that ISHRA took over it has 28 still in its shop window as wholly-owned subsidiaries. Most of that stock in trade does not look particularly saleable. It contains 15 companies of a book value of under £1 million each. It contains eleven medium to small companies, several of which must be described as of second quality. It includes finally the two giants, Steel of Wales and Richard Thomas and Baldwins. Here it is not quality but sheer size and the size of the projected development that make a sale by public offer difficult. In the better markets that now exist Sir John Morison is doubtless trying again to get enough City support to move ahead with one of them. Meanwhile, he will, it may be guessed, press ahead with sales by private treaty of his small companies.

It is going to be much more difficult for the Agency to show a book profit on the sales it makes at the tail-end of its list. The 37 companies that have been already wholly or partly sold represent nearly three-quarters of the British steel industry, whether it is measured by employment, by production or by sales. It is the least saleable quarter that remains. The agency claims justly to have made a profit of £9.9 million on 27 companies entirely sold during the three years. But many of its most important sales have been partial, the agency retaining substantial prior charge capital for later sale. Those prior charges were tailored to sell at about par when the capital was rearranged and the prospectuses issued. But what, for example, is the 4½ per cent debenture (1975-85) of Colvilles worth at the moment?

Export Insurance Expands

THE Suez crisis was an unpleasant reminder of the political hazards to which exporters are exposed, and it may help to explain the increase in business insured with the Export Credits Guarantee Department in the fourth quarter of last year. The number of short-term commercial policies current at the end of that quarter was 4,112, an increase of 86 on the third quarter, and of 208 on the end of the fourth quarter of 1955. The reduction in premiums introduced at the beginning of April may also have helped. For the year as a whole, however, the share of British exports insured with the department showed no increase; it remained at about 13 per cent, as it has done for many years. The rise in the value of shipments covered on commercial account—from £384 million in 1955 to £409½ million in 1956—simply kept pace with the growth of British exports. The department believes that many more exporters could profitably use its cover.

COMMODITY PRICE INDICATOR
1952 = 100 MID-MONTH FIGURES



SHORTER NOTES

Both the electricity supply industry and the gas industry promised last summer not to raise their prices until the end of their financial years on March 31st. During the last few days the electricity industry has let it be known that in some areas at least electricity prices will probably go up as soon as the period of this promise ends ; and the gas industry has said that, while making no promises, it hopes not to have to increase gas prices for some time after March.

★

The Government has decided to extend the life of the Furniture Development Council in spite of a request from the industry for its winding-up. The FDC conducts much of the research into the strength and stability of furniture on behalf of the industry and its earlier findings are the basis of furniture standards now published by the British Standards Institution and used as an indication of durability.

★

A note on the price of rough diamonds in *The Economist* of January 12th stated, on the basis of information obtained from trade sources, that the price of drilling material was not affected by the increase of 8½ per cent on certain grades of industrial diamonds. The price of this grade of diamonds was in fact increased by approximately 13 per cent in

November, 1956. Since 1953 the price of drilling material has risen in total by 26½ per cent, and the price of tool and dresser stones by approximately 14 per cent.

★

The Bombay Millowners' Association has announced that an "understanding" has been reached with a delegation from the British cotton textile industry. Details are to be published later. The delegation went to India to try to persuade the local industry to accept some limitation on exports of cotton cloth to Britain.

★

Larger cocoa crops in West Africa have led to a further fall in prices ; Accra cocoa for prompt shipment is now about 182s. 6d. a cwt cif UK, 13s. a cwt cheaper than at the beginning of January.

★

One steel company which has not found it impossible to raise its ordinary dividend is Brown Bayley, makers of stainless and alloy steels. A year ago the dividend was 8 per cent, compared with the prospectus forecast of 7½ per cent, and now it has been increased to 9 per cent in spite of a fall in net profits from £332,814 to £289,316.

Company Notes

THE STEEL COMPANY OF WALES *has the newest integrated strip* mill in Britain. In the year to September 30th it spent £19 million on capital development, of which about £9 million came from retained profits (including depreciation and the tax equalisation account). The loan made by ISHRA to the company went up by £12.6 million to £40 million. The company has to spend another £12 million to complete the second development programme and another £50 million on the third programme, due to be completed by the end of 1959. The chairman, Mr Harald Peake, says that "a substantial proportion" will be found from retained profits. In 1953-54 the company retained about £11 million, in 1954-55 nearly £15 million and in 1955-56 (when trading profits fell from £18 million to £14 million) £9 million. Present developments will cost about £20 million annually over the next three years. At the moment, though the demand for plate and tinplate continues to be good, the demand for sheet steel has been reduced.

The service charges on the company's loan capital—£15 million in debentures, £28.2 million from FCI and £40 million from ISHRA—have gone up. And the £15 million of 3 per cent debentures is due for repayment at 101 per cent on July 16th this year. Sir John Morison's ambition to sell SCOW's ordinary shares to the public has not wilted ; but figures and problems of this magnitude cannot make it easy to realise this ambition.

Richard Thomas & Baldwins has the oldest integrated strip mill in Britain. It is not old by the standard of some of Britain's other steel plants but if another strip mill is to be built Richard Thomas & Baldwins is generally considered the producer most likely to build it. The capital costs of such a mill would be higher than those of SCOW. The chairman, Sir Ernest Lever, in his statement to the sole shareholder, ISHRA, says "the broad lines of our development policy have now been considered by the directors and proposals for the first stage of such development are being discussed with the appropriate authorities." Later he refers to "major developments." In 1955-56, the group spent about £4½ million on capital account and its immediate capital commitments come to another £4½ million. The loan it made to ISHRA has been reduced from £9¾ million to £2½ million ; in addition to this nearly liquid asset it has £3½ million in tax reserve certificates and nearly £1½ million in cash.

Thus it appears that the question whether or not another strip mill is to be built, and if so who is to build it, needs to be settled before RTB's ordinary shares are sold back to the public. This question has an importance for the standing of the RTB equity.

Dorman Long's shareholders declined on Wednesday on a show of hands to approve the report and accounts. They subsequently did so after a poll had been demanded, and after the chairman had disclosed his massive proxies. The demand for a poll was then withdrawn. Nevertheless Sir Ellis Hunter can have been left in no doubt that the unchanged 8 per cent dividend was not unanimously supported. It is worth re-examining the stand that Sir Ellis maintains (a year after the steel dividend front was broken) in the light of the additional facts he produced at the meeting. In a prepared statement he dealt with the argument that a low dividend might prejudice the compensation payable to shareholders in the event of re-nationalisation. The parent company, he emphasised, had been hived off into a holding company with eight trading subsidiaries. Three of them operate wholly abroad. Only one—Dorman Long (Steel)—would be affected by re-nationalisation and that company had no market quotation that could be effected by the rate of dividend.

That may have been an answer to the demand for a higher dividend as a defence against re-nationalisation. It is no answer to the clear demand for a higher dividend just because the profits are there to pay it. Sir Ellis Hunter fell back upon the line that this is the peak year of the company's capital programme with about £20 million to find. It is being found in part from profit retentions and in part from the Finance Corporation for Industry which is charging ¾ per cent over Bank rate (6½ per cent). An extra one per cent on £15 million

capital apparently would cost only about £100,000 net—not a disproportionate sum in relation to the amounts that the company is to invest this year or to last year's undistributed profit of £1.7 million. The £1 shares may well continue to command a 6 per cent yield but that will be because shareholders believe that the weight of argument against their chairman is building up to an irresistible point.

★

CHARTERHOUSE INVESTMENT TRUST. Sir Nutcombe Hume, chairman of the Charterhouse group, makes at least three observations that merit serious thought, though not everyone will agree with them. First he in effect declares himself a bull of the market at its present level. The parent company, the investment trust, has been holding liquid balances of £400,000. Throughout the year ended November 11th they were invested only in short-term deposits. In the last few weeks part of this cash has been invested in high class investments. Secondly the group is clearly not looking towards the new issue business of Charterhouse Finance Company capital issues as likely to produce the main source of its future profit. The current year's prospects for Charterhouse Finance Corporation (largely dependent on the new issue market) should, he says, be regarded with caution. Lastly Sir Nutcombe hopes that credit restrictions will soon end.

The last point in relation to the recent experience of the group is the most vital. Charterhouse did well last year, credit restrictions notwithstanding. The parent company's net profit before tax was £184,894, compared with £159,214. The final dividend of 6 per cent again made 10 per cent for the year, but the final payment covered £900,000 of ranking capital, against £750,000, and that was exactly what shareholders had been promised. The rub is that the industrial development company has, as Sir Nutcombe Hume explained, habitually used bank money first and funded it later by capital issues. Its nursing activities thus depend first on the availability of bank credit and secondly on a reasonably active issue market. Without those advantages it must rely on profit retentions and distribute to the parent only a small part of its earnings. There remains, however, a third possibility that it should sell to the public that already holds its preference capital some additional ordinary shares. The idea fits well with the chairman's view that in the course of time the company will both increase its dividend and issue more capital.

★

WESTINGHOUSE BRAKE AND SIGNAL. The chain reaction effect of capital development is illustrated clearly in the accounts of Westinghouse Brake and Signal Company for the year to September 29th. The parent company will be a prime beneficiary of the modernisation and re-equipment plan for British railways, and its order books for railway equipment, from customers at home and abroad, and for colliery equipment and rectifiers are at record levels. Its trading profits are rising ; in 1955-56 they went up from £1,325,059 to £1,733,122.

To meet the demands on its capacity it has to invest more, and the directors "have it very much in mind that further cash will be necessary, during the current year, to finance the group's increased activities, and they wish to be free to combine this with a capitalisation of some of the reserves." A rights-cum-scrip issue of ordinary shares thus seems probable. Last year Westinghouse acquired Douglas (Kingswood), which makes the "Vespa" in this country, but it seems to have bought the concern as much for its factory space as for the goods it makes. On the increased capital the ordinary dividend for 1955-56 was again 18 per cent. Looking ahead shareholders may see the possibility of a "bonus" element in the terms of a rights issue. Looking still further ahead they seem—to judge by the yield of 4.7 per cent at the current price of 76s. 6d. xd on £1 ordinary shares—to expect an increase in dividend payments.

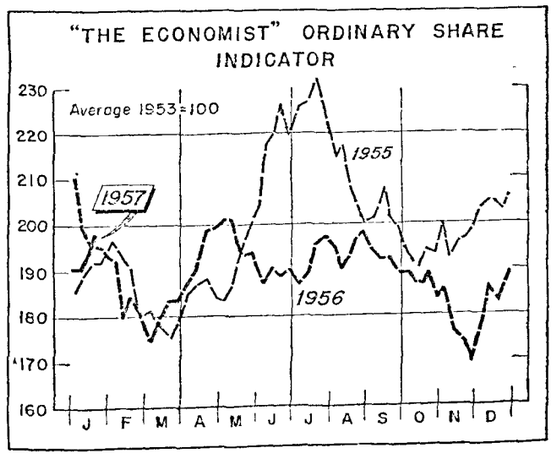
LONDON STOCK EXCHANGE

Next Account begins: January 30th
Next Contango Day: January 30th
Next Settlement Day: February 5th

A FURTHER fall in the Treasury bill rate and a burst of strength by sterling in the foreign exchange market helped to carry gilt-edged prices higher this week. Medium-dated stocks were in demand and gains in excess of 1 were common. Following the heavy over-subscription, the Tanganyika loan climbed to 2¼ premium. After the decision to leave Bank rate unchanged medium-dated stocks advanced further while long-dated stocks declined slightly. A high level of activity was maintained and industrial stocks shared in the improvement. By Wednesday *The Economist* indicator reached 198.0, a gain of 5.2 over the week.

Martins were a feature among bank shares, the £1 shares rising 6s. 6d. to 70s. 6d. xd and the partly-paid stock 12s. 6d. to 178s. 9d. xd. Power shares were again prominent, constructors and boilermakers showing large gains. Morgan Crucible rose 5s. 6d. to 49s. 6d. Motor shares were firmer ; Ford improved 2s. 6d. to 33s. 3d., Jaguar rose 2s. to 20s. before the announcement of a return to five-day working, while Rolls-Royce picked up 3s. 1½d. to 120s. Before the disclosure of the proposed loan stock issue ACV dropped back to 49s. Hawker Siddeley was almost unchanged after fluctuating sharply. Marks and Spencer went further ahead, the "A" rising to 73s. 9d. and Woolworth recovered to 62s. Other stores were very firm ; GUS "A" was 2s. higher and New Day jumped 1s. 1½d. to 10s. 2½d. John Summers and United Steel rose 1s. 9d. and 1s. 6d. to 35s. 3d. xd and 33s. respectively in a steady steel market. Textiles improved and hire-purchase houses rose ; United Dominions Trust gained 3s. 6d. to 77s. 6d. and Olds Discount 1s. 6d. to 23s.

Oils were depressed, Shell losing 3s. 1½d. to 159s. 4½d. and British Petroleum 3s. 4½d. to 131s. Kaffirs were generally dull, although OFSIT improved 1s. 6d. to 50s. 9d. Some tin shares showed sharp rises, but coppers declined.



STOCK EXCHANGE INDICATORS
"The Economist" Indicator

1956/7	Indicator*	Yield %	1956		1955	
			High	Low	High	Low
Dec. 31	189·2	5·91				
Jan. 2	190·5	5·75				
„ 9	190·5	5·75				
„ 16	192·8	5·71	210·4 (Jan. 4)	170·0 (Nov. 28)	232·1 (July 20)	175·2 (Mar. 23)
„ 23	198·0	5·55				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956	1955
		%		%		High	High
Jan. 16	180·6	6·05	94·70	4·56	11,480	203·5 (Jan. 3)	233·9 (July 21)
„ 17	181·1	6·04	95·07	4·56	11,083		
„ 18	183·3	5·97	95·55	4·51	10,635	Low	Low
„ 21	184·6	5·93	95·98	4·50	15,934	161·5 (Nov. 29)	175·7 (Mar. 15)
„ 22	185·3	5·90	95·96	4·51	12,363		
„ 23	186·1	5·88	96·04	4·50	11,854		

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

LONDON ACTIVE SECURITIES

Prices, 1956 High	Prices, 1956 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Jan. 16, 1957	Price, Jan. 23, 1957	Net Yield, Jan. 23, 1957 £ s. d.	Gross Yield, Jan. 23, 1957 £ s. d.
99⅛	97	Funding 2½% 1952-57	99 3/32	99 3/32	3 5 8	4 16 1
95 31/32	93½	War Loan 3% 1955-59	95 1/16	95⅛	3 3 8	4 12 7
91⅜	88 13/16	Funding 2½% 1956-61	91 1/32	91¼	3 10 11	4 14 11
100 7/32	99 13/16	Exchequer 5% 1957	100 3/32	100 3/32	1 17 0	4 11 7
99 1/16	97	Conversion 4% 1957-58	98⅛	98 1/16	3 0 9	4 17 11
97⅞	95⅛	Serial Funding 2½% 1957	98	98	3 11 11	4 16 2
94 3/4	91	Conversion 2½% 1958-59	95 1/16	95 3/32	3 14 3	4 12 1
92⅛	88 5/16	Exchequer 2% 1960	92¼	92 1/32	3 16 7	4 14 1
95 1/16	92¼	Exchequer 3% 1960	94 15/16	95⅛	3 4 5	4 14 2
88⅛	83	Savings Bonds 3% 1955-65	87⅛*	83 3/4*	3 5 8	4 12 10
82⅞	77⅛	Funding 3% 1959-69	81⅛	85⅛	3 9 7	4 19 0
					5 8 10	7 7 10
92⅛	84⅛	Funding 4% 1960-90	90	91⅛	2 14 6	4 11 5
81⅞	75⅛	Savings Bonds 3% 1960-70	80	80½*	3 10 6	4 19 2
98⅛	97⅛	Conversion 4½% 1962	97⅛*	98*	2 19 9	4 13 0
91 7/8	88⅛	Exchequer 3% 1962-63	91	92	3 3 1	4 10 5
87⅛	83 3/8	Exchequer 2½% 1963-64	86⅛	87 3/8	3 9 9	4 13 5
81 1/16	76⅛	Savings Bonds 2½% '64-67	81	82⅛	3 11 2	4 15 7
79⅛	71⅛	Savings Bonds 3% 1955-75	75 7/8*	76⅛*	3 8 5	4 13 3
83 3/16	78	Funding 3% 1966-68	81⅛*	83 3/8*	3 10 2	4 13 6
96⅛	90	Victory 4% 1920-76	92⅜	93*	3 1 4	4 16 8
88⅛	81⅜	Conversion 3½% 1969	85	86 3/8*	3 7 7	4 19 8
83⅜	74⅜	Treasury 3½% 1977-80	79⅛	80⅛	3 4 11	4 19 6
84⅛	74 15/16	Treasury 3½% 1979-81	73⅛*	79 1/4*	3 5 3	4 19 8
72⅜	64⅛	Redemption 3% 1986-96	69⅜	70⅛	3 0 4	4 15 3
81⅛	73⅛	Funding 3½% 1999-2004	78⅛	79⅜	2 16 1	4 11 6
84⅜	76	Consols 4% after Feb. '57	80¼*	80⅜*	2 16 10	4 18 10
77	68	War Loan 3½% after 1952	73⅞	74 1/8	2 14 2	4 14 7
76⅞	67⅜	Conv. 3½% after Apr. 1961	73⅞	74⅛	2 14 6	4 15 5
66⅜	58⅛	Treas. 3% after Apr. 1965	64⅛	65⅛	2 13 5	4 13 5
56⅛	49⅜	Consols 2½%	54⅛	55⅛	2 12 0	4 10 6
56⅜	50	Treas. 2½% after Apr. '75	55	55⅛	2 12 3	4 11 5
98⅜	90	Br. Electric 4½% 1967-69	92⅛	94*	3 3 2	5 2 3
80⅛	72⅜	Br. Electric 3% 1968-73	77⅜	78⅜	3 10 0	5 0 5
79⅛	71⅛	Br. Electric 3% 1974-77	76	77⅛	3 6 9	4 17 3
95	85⅛	Br. Electric 4½% 1974-79	90⅜	91⅜	3 0 1	4 19 6
83 15/16	74⅜	Br. Electric 3½% 1976-79	79⅜	80⅜	3 4 7	4 19 3
90⅜	84⅛	Br. Gas 4% 1969-72	87⅛*	88⅜*	3 4 5	5 0 10
87⅛	80	Br. Gas 3½% 1969-71	84⅛	86 3/8	3 5 3	4 19 1
73⅜	65⅛	Br. Gas 3% 1990-95	70⅞	71 1/16	2 19 11	4 12 8
80 7/16	72⅜	Br. Transport 3% 1963-73	77⅛	78⅛	3 10 0	5 0 5
90⅞	81 13/16	Br. Transport 4% 1972-77	86⅛	87 1/16	3 2 5	4 19 9
73⅞	65⅝	Br. Transport 3% 1978-88	70 1/16	71 1/16	3 3 0	4 15 0

Prices, 1956 High	Prices, 1956 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Jan. 16, 1957	Price, Jan. 23, 1957	Yield, Jan. 23, 1957 £ s. d.
80⅛	74⅜	Australia 3½% 1965-69	78⅜	81⅛	5 6 3
98⅝	92⅛	Fed. Rhod. & Nyas. 5% 1975-80	92⅛	95⅛	5 7 0
76	70	S. Rhodesia 2½% 1955-70	73⅛	75⅛	5 3 0
88⅛	80⅛	N. Zealand 4% 1976-78	83⅜	86⅛	5 2 0
101⅜	99⅜	L.C.C. 5½% 1977-81	105⅛	105⅛	5 1 0
97⅛	88⅛	Agric. Mortgage 5% 1959-89	91	92	5 10 9
68⅜	61	Met. Water Board 'B' 3% 1934-2003	66⅛	68⅛	4 13 6
81⅛	71	German 7% 1924 (Br. Enfaced 5%)	79⅛	79	...
169⅞	159⅛	Japan 5% 1907 (Enfaced)	166	164⅞	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 16, 1957	Price, Jan. 23, 1957	Yield, Jan. 23, 1957 £ s. d.
		% %	BANKS & DISCOUNT			
105/-	92/6	5 b	2 a Bk. Ldn. & S. Amer. £5	102/6	105/-	6 6 8
50/-	39/10½	5 a	7 b Barclays Bank £1	46/-*	46/3*	5 3 9
35/9	27/9	4 a	4 b Barclays D.C.O. £1	31/6	32/6	4 13 6
41/9	32/9	7½a	7½b Chartered Bank £1	38/6	38/-	7 17 11
51/-	42/10½	...	7 b Lloyds Bank £1	50/-*	51/3*	5 1 6
72/4½	61/-	9 a	9 b Midland Bank £1	70/9*	71/-*	5 1 5
46/-	29/3	5 a	5 b Nat. Discount 'B' £1	38/-*	38/6*	5 3 11
50/-	40/6	6½a	6½b Union Discount £1	51/-	51/-	4 18 0
			INSURANCE			
92/6	75/-	43½b	30 a Commercial Union 5/-	86/-	87/-	4 4 0
29	16½	37½b	12½a Legal & General £1	29½	29½	1 13 11
25½	18⅛	†47½b	†20 a Pearl £1	22	20⅝	5 12 0
48⅜	38	†117½c	†125 c Prudential 'A' £1	44⅜	44⅜	4 17 1
			BREWERIES, ETC.			
119/6	106/-	10 a	33 b Bass £1	111/-	111/6	7 14 3
24/10½	18/7½	11½b	6 a Distillers 6/8	22/7½	22/10½	5 2 0
45/10½	36/9	10 a	15 b Guinness 10/-	40/9	41/6	6 0 6
76/-	61/9	14 b	7 a Whitbread 'A' £1	63/6	65/6	6 8 0
			OIL			
183/9	99/-	†10 b	†5 a British Petroleum £1	134/4½	131/-	3 19 8
117/9	63/-	12½b	5 a Burmah £1	86/3	85/9	4 1 7
17 7/16	11⅜	14 b	7½a Royal Dutch 20 fl.	£16	£15½	2 7 5
171/-	103/3	†13½b	†5 a Shell £1	162/6	159/4½	3 5 6
58/6	33/3	...	... Ultramar 10/-	65/-	61/6	...

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 15% tax free. (e) To earliest date. (f) Flat yield. (g) On 16%. (h) After Rhodesian tax. (i) On 17½% tax free. (j) On 15% (k) On 20%. (l) To latest date. (m) On 10%. (n) On 16%. (o) On 15%. (p) On 9%.

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 16, 1957	Price, Jan. 23, 1957	Yield, Jan. 23, 1957 £ s. d.
		% %	STEEL & ENGINEERING			
85/6	64/-	8 b	7 a Babcock & Wilcox £1	76/-	80/-	3 15
14 c		4 a	Cammell Laird 5/-	11/10½	11/9	5 19
35/-	22/9	3 a	5 b Dorman Long £1	26/-	26/6	6 0
54/9	39/-	8½b	3½a Guest Keen N'fold. £1	45/3	48/-	5 0
55/6	41/6	6 b	4 a Metal Box £1	48/-	49/-	4 1
75/-	51/3½	5 a	12½b Stewarts & Lloyds £1	59/6	60/9	5 15
60/-	47/3	11 b	3 a Swan Hunter £1	63/3	63/3	4 3
49/9	32/-	4 a	8½b United Steel £1	31/6‖	33/-	7 11
44/7½	32/4½	7½b	2½a Vickers £1	42/7½	43/10½	4 11
			ELECTRICAL			
75/3	45/-	15 c	7½a Assoc. Elec. Inds. £1	69/9	70/-	4 5
54/9	45/3	8½b	4 a Br. Ins. Callenders £1	51/3	51/3	4 17
37/10½	24/9	14½a	Decca Record 4/-	31/3	32/-	5 9
37/-	22/6	15 c	15 c Elect. & Mus. Inds. 10/-	27/-	27/9	5 3
65/6	40/9	8½b	4 a English Electric £1	51/6	54/6	4 11
		4½a	9½b General Electric £1	55/-	57/-	4 13
			TEXTILES			
24/9	19/4½	6 b	4 a Bradford Dyers £1	22/10½	22/7½	8 16
23/7½	13/-	5 b	1½a British Celanese £1	13/10½	14/1½	9 0
25/10½	20/7½	6½b	2½a Coats, J. & P. £1	23/1½	23/4½	7 9
		6 b	4 a Courtaulds £1	34/7½	34/7½	5 15
37/3	22/3	5 a	12½b Lancashire Cotton £1	33/6	34/6	10 2 1
33/3	26/-	10 b	2½a Patons & Baldwins £1	32/4½*	32/7½*	7 13
			SHOPS & STORES			
13/10½	12/9½	14 c	3 a Boots Pure Drug 5/-	14/9	15/6	4 13
41/4½	29/-	7½a	20 b Debenhams 10/-	36/-	38/4½	7 3
47½	30/11½	15 a	Gt. Universal 'A' 5/-	36/6*	38/6	8 2
32½		20 a	Marks & Spen. 'A' 5/-	70/6	73/9	3 11
20	19/-	12½a	United Drapery 5/-	22/-	24/-	6 15
20		40 b	Woolworth 5/-	60/7½	62/-	4 16
			MOTORS & AIRCRAFT			
6½		3½a	Bristol Aeroplane 10/-	19/7½	19/10½	5 0
4		8½b	British Motor 5/-	6/7½	7/1½	3 15
2½		5 b	Ford Motor £1	30/9	33/3	4 10
3		7 b	Hawker Siddeley £1	33/4½	33/4½	5 19
10		12½c	Leyland Motors £1	42/6	43/6	5 14
12½		5 a	Rolls-Royce £1	116/10½	120/-	2 18
12		8 c	Standard Motor 5/-	6/-	6/1½	6 19
			SHIPPING			
...		6½a	Brit. & Com'wealth 10/-	40/6	39/9	4 0
		3 a	Cunard £1	25/6	26/-	7 13
		3 a	P & O Defd. £1	33/6	36/3	4 3
			MISCELLANEOUS			
7		3 a	Assoc. Port. Cem. £1	39/-*	39/-*	4 12
10		10 a	Beecham Group 5/-	19/6	19/9	7 11
7½		4½a	Bowater Paper £1	45/3	46/-	5 4
8		4 a	Br. Aluminium £1	68/9	67/6*	3 11
8		†10½a	Br. Amer. Tob. 10/-	54/3	56/3	5 8
15		7½a	B.E.T. 'A' Defd. 5/-	18/6	19/3	5 16
6		4 a	Br. Oxygen £1	31/6	34/-	5 17
3		4 b	Canadian Pacific $25	$63¾*	$62*	5 5
10		2½a	Dunlop Rubber 10/-	15/6	16/3	7 13
6		4 a	Imp. Chemical £1	40/4½	41/9	4 15
12½		8½a	Imp. Tobacco £1	48/1½	49/-	8 11
$2·90c	$3·75c		Int'l. Nickel n.p.v.	$206½	$206½	3 4
5		5 b	J. Lucas (Inds.) £1	31/6	31/3	4 16
21/3	15⅝	6¾b	Monsanto Chem. 5/-	23/6	23/7½	4 15
20		5 a	Ranks 5/-	17/3	17/6	5 14
42/9		6 a	A. E. Reed £1	53/6	53/6	5 19
20		20 c	Sears Hldgs. 'A' 5/-	13/9	14/0½	7 2
54/1½		4½a	Tate & Lyle £1	64/3	66/6	4 19
49/9		6½a	Tube Investments £1	59/6	61/9	4 17
92/6		5 a	Turner & Newall £1	110/6	113/6	4 16
61/7½		9½b	6 a Unilever Ltd. £1	76/6	76/9	4 2
22/9		†7½b	†4½a United Molasses 10/-	41/3	40/-	5 3
			MINES, ETC.			
133/9		20 a	50 b Anglo-American 10/-	146/3	145/-	4 16
22/6		†2½a	†7½b Cons. Tea & Lands. £1	28/6	26/9	13 0
91/3		120 b	80 a De Beers Def. Reg. 5/-	103/1½	101/10½	9 11
19/7½		...	Doornfontein 10/-	26/-	24/10½	..
8/6		30 c	10 a London Tin 4/-	10/6	11/1½	10 16
11⅞		112½b	25 a Nchanga Cons. £1	12⅛	12½	11 0
		30 a	40 b President Brand 5/-	53/1½	53/9	6 10
42/-		25 a	50 b Rho. Selection Tst. 5/-	48/-	47/10½	7 16
37/6		30 b	12½a United Sua Betong £1	48/-	47/-	18 1
64/4½		30 a	40 b Western Holdings 5/-	73/9	73/9	4 14

New York Closing Prices

	Jan. 16 $	Jan. 23 $		Jan. 16 $	Jan. 23 $		Jan. 16 $	
Can. Pacific	33	32⅝	Am. Viscose	36½	35½	Int'l. Nickel	110	1
N.Y. Central	33	31½	Beth. Steel	185½	182	National Dist.	25½	
Pennsylvania	21½	21½	Chrysler	66½	66½	Sears Roebuck	27½	
Amer. Tel.	175¾	174¾	Crown Zeller	55¾	54	Shell Oil	85	
Standard Gas.	11⅝	11⅝	DuPont de Nm.	184½	182½	Std. Oil of N.J.	57½	
Western Union	19⅝	19⅝	Ford Motors	54⅝	55	U.S. Steel	66⅝	
Alumin'm Ltd.	116	117½	Gen. Elect.	55½	55¼	West'house E.	55¼	
Am. Smelting	54⅝	54	Gen. Motors	41½	41	Woolworth	44½	

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages	Dec. 29th	Western Europe:	
Production and Consumption	Jan. 5th	Production and Trade	This week
Manpower	Jan. 19th	British Commonwealth	Jan. 5th
External Trade	This week	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	Jan. 19th
Industrial Profits	Jan. 12th	United States	Dec. 29th
		World Trade	Jan. 12th

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages 1954	Monthly averages 1955	Monthly averages 1956	1955 Oct.	1955 Nov.	1955 Dec.	1956 Sept.	1956 Oct.	1956 Nov.	1956 Dec.
VALUE											
Imports:											
Total	£ million	281·2	323·4	324·1	333·8	341·5	335·9	295·2	354·3	319·6	307·9
Food, drink and tobacco	"	110·5	120·1	121·0	122·1	126·4	123·9	107·6	139·4	126·4	119·9
Basic materials	"	85·4	93·6	92·0	94·8	98·3	94·2	90·2	93·6	88·4	88·7
Mineral fuels and lubricants	"	27·4	34·0	34·5	34·5	35·9	36·6	31·0	36·9	26·2	31·5
Manufactures	"	56·6	74·5	75·5	81·1	79·7	79·6	65·1	82·7	77·6	66·3
Exports of UK produce:											
Total	"	222·9	242·1	264·3	268·0	262·2	253·7	222·3	294·9	291·9	253·7
Manufactures	"	180·9	199·0	218·4	219·7	214·3	206·0	179·5	241·1	238·2	202·9
Re-exports	"	8·4	9·9	12·2	12·8	10·0	10·7	9·2	12·7	14·8	11·2
Balance of trade (exports *less* imports)	"	— 49·9	— 71·4	— 47·6	— 53·0	— 69·3	— 71·5	— 63·7	— 46·7	— 12·9	— 43·0
VOLUME											
Imports	1954=100	100	112	...	...	114[2]	...	100	118	105	...
Exports	"	100	107	...	...	114[2]	...	97	126	124	...
BY AREA											
Imports:											
Dollar area—total	£ million	51·6	70·2	71·0	74·4	77·4	73·1	68·0	82·5	89·2	72·3
" USA	"	23·5	35·1	34·0	40·3	42·5	37·0	33·1	39·9	47·2	40·5
" Canada	"	22·7	28·6	29·0	28·3	29·0	29·3	28·4	33·9	33·8	24·8
Non-sterling OEEC countries	"	68·1	79·6	81·1	84·8	90·1	81·1	79·9	90·6	81·1	72·4
Sterling area	"	124·8	131·1	126·5	125·4	124·3	137·7	107·7	129·4	109·1	125·2
Exports:											
Dollar area—total	"	31·3	34·8	45·2	41·9	35·5	39·4	39·9	51·2	53·7	41·5
" USA	"	13·3	16·6	21·6	20·6	16·5	20·6	21·4	26·3	26·5	20·2
" Canada	"	11·3	12·1	15·2	14·2	12·7	13·1	12·9	16·9	18·5	12·1
Non-sterling OEEC countries	"	64·7	68·1	75·7	70·9	76·8	71·3	64·1	91·1	84·8	77·5
Sterling area	"	112·2	121·0	122·4	135·3	129·9	120·6	101·3	131·7	131·2	116·8
Balance of trade (exports *less* imports):											
Dollar area	"	— 20·3	— 35·4	— 25·8	— 32·5	— 41·9	— 33·7	— 28·1	— 31·3	— 35·5	— 30·8
Non-sterling OEEC countries	"	— 3·4	— 11·5	— 5·4	— 13·9	— 13·3	— 9·8	— 15·8	+ 0·5	+ 3·7	+ 5·1
Sterling area	"	— 12·6	— 10·1	— 4·1	+ 9·9	+ 5·6	— 17·1	— 6·4	+ 2·3	+ 22·1	— 8·4
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	288·6	374·3	399·6	355·5	319·4	368·7	277·4	422·9	382·0	319·2
Meat	"	56·3	67·1	72·3	73·3	73·7	89·5	60·7	74·7	83·4	61·1
Sugar, unrefined	"	221·2	186·2	194·9	205·7	169·1	185·4	128·0	223·0	165·4	243·7
Raw cotton [1]	"	30·8	24·2	27·1	21·3	24·4	24·8	27·8	24·9	27·6	32·7
Raw wool, sheep's and lambs' [1]	mn. lb.	51·6	55·1	53·5	37·8	49·2	60·9	30·3	35·5	53·9	69·0
Rubber, natural and synthetic [1]	'000 tons	20·6	24·6	18·3	20·8	25·0	31·8	24·1	23·1	1·6	17·2
Softwood	'000 stds.	122·0	140·6	105·8	187·5	171·2	110·5	136·2	137·8	117·5	99·3
Woodpulp	'000 tons	159·8	187·0	183·4	172·2	196·1	171·8	211·8	204·3	202·2	183·9
Crude petroleum	mn. galls.	606	602	618	587	568	636	590	685	419	508
Exports of UK produce:											
Coal, including bunkers	'000 tons	1,351	1,196	836	1,395	1,341	1,357	682	815	881	782
Woven piece-goods—cotton	mn. sq. yds	53	46	40	43	47	39	33	43	43	40
" " wool [3]	'000 sq. yds.	8,204	8,963	9,102[2]	9,895	9,278	8,790	7,748[2]	10,476[2]	9,708[2]	7,532[2]
Passenger cars and chassis	number	30,487	31,100	26,499	29,961	27,757	25,833	21,376	25,683	24,366	20,930
Commercial vehicles and chassis	"	10,525	13,121	12,098	14,884	12,868	12,514	9,702	10,621	10,509	9,204
Agricultural tractors	"	8,908	8,720	7,483	7,235	6,544	6,972	5,382	6,451	7,044	5,006
Machinery—electrical	£'000	4,923	5,163	5,302	5,497	5,419	5,059	3,820	5,561	5,443	4,130
" other	"	30,553	34,687	38,657	38,282	37,018	37,517	31,249	40,771	40,933	36,217
Chemicals, elements and compounds	"	4,214	4,422	4,948	4,635	4,404	4,417	4,561	5,559	5,244	4,761

[1] Retained imports. [2] Average for fourth quarter. [3] Excluding fents from January, 1956.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (1) (1953 = 100)												
1948	54	87	82	79	...	52	70	62	70	70	90	69
1954	114	106	109	109	112	122	103	109	110	109	104	109
1955	133	116	112	121	129	130	107	118	118	113	111	...
1956, June	146	127	114	139	138	134	106[6]	130	130	124	117	...
„ July	133	111	75	131	135	134	} 100	{ 135	129	78	61	...
„ August	137	118	115	94	134	132		{ 110	121	119	110	...
„ September	...	...	121	131	143	135		{ 133	122	123	120	...
„ October	...	...	124	137	144	...	...	...	133	129	123	...
VALUE OF EXTERNAL TRADE (2)												
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas[3]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lira
IMPORTS (c. i. f.)												
1948	243	7,249	285	56·08	264[5]	152[4]	11·36	70·36	414	310	413	64·2
1954	1,416	10,561	674	123·11	1,601	825	14·99	127·04	905	606	766	111·6
1955	1,922	11,790	678	136·74	2,029	955	17·03	140·93	1,016	649	851	115·1
1956, June	2,118	13,687	767	175·39	2,419	1,181	15·66	176·04	1,222	792	954	91·9
„ July	2,391	13,156	689	166·24	2,391	1,119	15·15	169·37	1,227	661	880	112·4
„ August	1,993	13,213	768	150·03	2,314	1,021	11·51	148·43	1,156	657	915	83·0
„ September	1,975	12,899	759	151·11	2,381	1,178	12·25	138·94	1,191	621	961	81·3
„ October	...	...	824	181·36	2,602	...	...	172·32	1,341	780	1,993	71·2
EXPORTS (f. o. b.)												
1948	165	6,171	228	36·18	151[5]	39[4]	4·11	47·99	226	172	332	45·9
1954	1,321	9,581	554	121·94	1,832	380	9·61	85·33	764	347	633	73·1
1955	1,514	11,566	603	139·94	2,142	457	9·19	96·72	851	377	744	73·1
1956, June	1,919	13,873	711	138·90	2,760	266	9·28	106·57	899	449	974	44·6
„ July	1,870	12,148	604	134·68	2,580	197	9·51	116·87	796	427	923	37·6
„ August	1,848	12,131	623	119·96	2,448	213	8·41	108·35	857	419	839	36·8
„ September	1,988	12,991	610	118·06	2,630	342	9·89	109·08	999	483	934	45·1
„ October	...	...	672	144·04	2,866	...	...	133·60	1,016	542	947	59·2
BALANCE												
1948	− 78	− 1,078	− 57	−19·90	− 113	− 113	− 7·25	−22·37	− 133	− 138	− 81	− 18·3
1954	− 95	− 930	− 120	− 1·17	+ 231	− 445	− 5·38	−41·71	− 141	− 259	− 83	− 33·5
1955	− 403	− 224	− 70	+ 3·20	+ 113	− 498	− 7·84	−44·21	− 165	− 272	− 117	− 43·0
1956, June	− 199	+ 186	− 56	−36·49	+ 341	− 915	− 6·38	−69·47	− 323	− 343	+ 10	− 47·3
„ July	− 521	− 1,008	− 85	−31·56	+ 189	− 922	− 5·64	−52·50	− 431	− 234	+ 43	− 71·8
„ August	− 145	− 1,082	− 140	−30·07	+ 134	− 803	− 3·10	−40·14	− 299	− 238	− 76	− 46·2
„ September	+ 13	+ 92	− 149	−33·05	+ 249	− 836	− 2·36	−29·86	− 192	− 133	− 27	− 36·3
„ October	...	...	− 152	−37·82	+ 204	...	...	−38·72	− 325	− 233	− 146	− 12·0
VOLUME OF EXTERNAL TRADE (2) (1953 = 100)												
IMPORTS												
1948	48	86	59	84	...	...	90	57	64	71	85	46
1954	139	110	121	103	125	117	93	104	126	114	115	99
1955	198	122	120	122	152	135	103	113	141	119	128	91
1956, June	209	131	129[6]	154	175	159	95	135	162	136	142[6]	...
„ July	244	125	...	147	173	146	91	122	164	123	} 129	{ ...
„ August	201	126	...	133	168	136	71	...	154	121		{ ...
„ September	196	...	...	135	173	160	74	...	160	112		{ ...
„ October	...	...	...	...	192	...	...	...	...	142	...	...
EXPORTS												
1948	37	69	48	48	...	...	55	66	34	70	69	55
1954	122	109	108	116	124	111	102	107	113	115	110	95
1955	136	127	118	134	142	121	94	124	124	117	115	71
1956, June	160	136	121[6]	124	175	64	100	136	126	133	132[6]	...
„ July	159	118	...	117	164	53	103	152	118	125	} 135	{ ...
„ August	155	123	...	106	156	55	92	...	126	119		{ ...
„ September	170	...	...	108	167	86	110	...	143	141		{ ...
„ October	...	...	...	...	186	...	...	...	...	150	...	...

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark excludes mining; Greece, mining and manufactured gas; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Germany excludes West Berlin. (2) Special trade (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxemburg. Italy includes Trieste. (3) New drachmas introduced May 1, 1954 (1 new drachma = 1,000 old drachmas). (4) Thousand million drachmas. (5) Bizonal area. (6) Average for second quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended January 19th, 1957, there was an "above-line" surplus (after allowing for Sinking Funds) of £129,848,000 compared with a surplus of £134,584,000 in the previous week and a surplus of £124,590,000 in the corresponding period of last year. There was a net expenditure "below-line" last week of £35,323,000, bringing the total deficit to £725,512,000 (£471,425,000 in 1955-56).

£'000	Esti-mate, 1956-57	April 1, 1955 to Jan. 21, 1956	April 1, 1956 to Jan. 19, 1957	Week ended Jan. 21, 1956	Week ended Jan. 19, 1957
Ord. Revenue					
Income Tax	2085,500	1145,732	1169,173	151894	151958
Surtax	144,000	81,700	88,300	7,500	10,500
Death Duties	170,000	140,400	130,900	3,200	4,200
Stamps	58,900	57,600	49,500	1,400	1,100
Profits Tax, EPT	216,750	162,100	161,700	3,000	3,000
Excess Profits Levy	4,000	16,690	4,150	100	...
Special Contribution and other Inland Revenue	1,000	550	360	...	...
Total Inland Rev.	2680,150	1604,772	1604,083	167094	170758
Customs	1204,000	942,310	965,757	21,202	20,723
Excise	953,350	647,690	690,300	4,340	4,725
Total Customs and Excise	2157,350	1590,000	1656,057	25,542	25,448
Motor Duties	92,000	71,385	53,284	14,922	1,472
PO (Net Receipts)	...	...	3,050	...	350
Broadcast Licences	28,000	17,800	19,600	...	...
Sundry Loans	30,000	28,501	30,917	...	435
Miscellaneous	200,000	155,985	145,250	2,733	14,135
Total	**5187,500**	**3468,443**	**3512,241**	**210291**	**212597**
Ord. Expenditure					
Debt Interest	670,000	523,735	587,349	...	...
Payments to N. Ireland Exchequer	61,000	42,488	48,246	...	...
Other Cons. Fund	10,000	9,416	7,975	501	9
Supply Services	3941,918	2865,273	3125,401	84,560	82,100
Total	**4682,918**	**3440,913**	**3768,971**	**85,061**	**82,109**
Sinking Funds	37,000	27,313	27,741	640	640
"Above-line" Surplus or Deficit	+ 217	+ 284,471	+ 124590	+ 129848	
"Below-line" Net Expenditure	471,642	441,041	15,883	35,323	
Total Surplus or Deficit	**471,425**	**725,512**	**108707**	**94,525**	
Net Receipts from:					
Tax Reserve Certificates	6,358	83,951	−61823	−55970	
Savings Certificates	19,100	53,000	2,300	2,300	
Defence Bonds	−21,447	−33,940	394	− 13	
Premium Savings Bonds	...	54,800	...	1,100	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
Jan. 21	3,390·0	1,998·8	253·8	...	5,642·6
Oct. 13	3,610·0	1,322·7	248·3	1·0	5,182·0
„ 20	3,620·0	1,342·2	255·9	...	5,218·0
„ 27	3,610·0	1,378·9	245·2	0·8	5,234·9
Nov. 3	3,610·0	1,360·2	263·6	...	5,233·7
„ 10	3,610·0	1,341·2	258·7	1·8	5,211·6
„ 17	3,610·0	1,283·0	293·4	2·3	5,188·6
„ 24	3,610·0	1,265·9	239·6	0·8	5,116·2
Dec. 1	3,630·0	1,276·5	227·3	1·0	5,134·8
„ 8	3,620·0	1,340·9	208·5	2·0	5,171·4
„ 15	3,610·0	1,343·7	200·2	...	5,153·9
„ 31	4,959·5		234·6	4·0	5,198·1
1957					
Jan. 5	3,530·0	1,430·0	245·7	1·8	5,207·5
„ 12	3,440·0	1,386·3	267·1	...	5,093·5
„ 19	3,320·0	1,487·0	244·0	...	5,051·0

THE MONEY MARKET

THE fall in the Treasury bill rate was resumed at the tender on Friday of last week. The discount market raised its bid by 8d. to £98 16s. 9d. for the 91-day bills. A smaller increase seems to have been made by outside applicants, and the average rate of allotment fell by 2s. 4d. per cent to £4 13s. 1.40d. per cent. This is only just over ½ per cent higher than at the last tender before Bank rate was raised from 4½ per cent in February last.

The offer of £240 million included 92-day maturities offered owing to the incidence of Easter Monday. For these the market bid at £98 16s. 6d. per cent (1d. more than for the 90-day bills of the previous week) and its application was allotted in full; its allotment of 91-day bills was 53 per cent.

Credit tightened sharply at the beginning of this week; and as the Bank of England gave no special assistance the market was forced to take loans at the penal rate. On Monday five or six houses were involved, for a moderate amount, and on Tuesday one or two houses, for a very small amount. Dealing rates in April maturities hardened to 4⅞ per cent.

The Bank return shows a further fall of £22.5 million in the active note circulation in the week to Wednesday last. This brings the post-Christmas reflux to £130.4 million, compared with £117.9 million last year.

LONDON MONEY RATES

	%		%
Bank rate (from 4½%, 16/2/56)	5½	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4⅞–4 13/16
Bank	3½	3 months	4⅞–4 13/16
Discount houses	3½*	4 months	4⅞–4 13/16
		6 months	4⅞–5
Money Day-to-day	3½–4½		
Short periods	4½	**Fine trade bills:**	
Treas. bills 2 months	4⅝	3 months	5⅜–6⅛
3 months	5⅛	4 months	5⅜–6⅛
		6 months	5⅜–6⅛

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	Jan. 25, 1956	Jan. 16, 1957	Jan. 23, 1957
Issue Department:*			
Notes in circulation	1,771·7	1,889·8	1,867·3
Notes in banking dept.	53·7	35·6	58·0
Govt. debt and securities*	1,821·3	1,921·3	1,921·2
Other securities	0·7	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	11·9	13·7	14·8
Bankers	235·9	219·0	212·9
Others	70·2	73·3	71·8
Total	319·0	306·0	299·5
Securities:			
Government	234·8	259·3	200·5
Discounts and advances	32·8	10·0	39·7
Other	17·1	17·3	17·7
Total	284·7	286·6	257·9
Banking department reserve	56·0	37·5	60·0
	%	%	%
"Proportion"	17·3	12·2	20·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £1,925 million from £1,975 million on January 16, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1956	*91 Day*		s. d.	%
Jan. 20	240·0	387·3	81 4·02	45
Oct. 19	280·0[1]	392·9	100 2·12	66
	91 Day *63 Day*			
„ 26	200·0 60·0	412·4	99 9·85	30
Nov. 2	200·0 70·0	405·8	99 11·55	36
„ 9	200·0 80·0	419·1	99 10·86	27
„ 16	190·0 90·0	396·1	100 0·00	39
„ 23	210·0 80·0	440·6	100 3·34	30
„ 30	220·0 70·0[2]	403·3	100 4·69	52
Dec. 7	220·0 60·0	441·0	100 10·28	24
„ 14	230·0[3] 60·0	424·9	99 1·54	55
	91 Day			
„ 21	280·0	379·8	98 1·43	68
„ 28	270·0	372·5	97 1·81	68
1957				
Jan. 4	270·0[1]	406·7	95 9·11	54
„ 11	260·0[4]	401·4	95 5·30	35
„ 18	240·0	391·2	93 1·40	53

* On January 18th tenders for 91 day bills at £98 16s. 9d. secured 53 per cent, higher bidders being allotted in full. The offering yesterday was for £200 mn. at 91 day bills. [1] Allotment cut to £260·0 mn. [2] Allotment cut to £60·0 mn. [3] Allotment cut to £220·0 mn. [4] Allotment cut to £240·0 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: January 23	Market Rates: Spot: January 17	January 18	January 19	January 21	January 22	January 23
United States $	2·78–2·82	2·79 11/16–2·79 13/16	2·79 11/16–2·79 13/16	2·79 11/16–2·79 13/16	2·79½–2·79⅝	2·80–2·80⅛	2·79⅞–2·80
Canadian $	...	2·68 11/16–2·68 12/16	2·68 13/16–2·68 15/16	2·68½–2·68¾	2·68 13/16–2·68 15/16	2·68 11/16–2·68 12/16	2·68 15/16–2·68 17/16
French Fr.	972·65–987·35	986¼–986½	986–986½	986–986½	985⅞–986¼	986–986½	985⅞–986¼
Swiss Fr.	12·15½–12·33½	12·27½–12·27⅝	12·26½–12·27⅛	12·26⅝–12·27⅛	12·27⅛–12·27⅜	12·27⅛–12·27⅜	12·27⅜–12·27½
Belgian Fr.	138·95–141·05	140·45–140·50	140·40–140·45	140·35–140·40	140·37½–140·42½	140·47½–140·52½	140·47½–140·52½
Dutch Gld.	10·56–10·72	10·66½–10·66¾	10·66–10·66¼	10·66–10·66¼	10·66⅜–10·66⅝	10·66⅜–10·66⅝	10·66⅜–10·66⅝
W. Ger. D-Mk.	11·67½–11·84½	11·75½–11·75¾	11·74¼–11·74½	11·74¼–11·74½	11·74¼–11·74½	11·74¾–11·74¾	11·74¼–11·74½
Portuguese Esc.	79·90–81·10	80·00–80·10	80·00–80·10	80·00–80·10	80·00–80·10	80·00–80·10	80·00–80·10
Italian Lire	1736⅜–1762⅞	1760–1761	1759¾–1760⅛	1759½–1760⅛	1759⅜–1760½	1759⅜–1761½	1759½–1960½
Swedish Kr.	14·37½–14·59½	14·50¼–14·50½	14·50–14·50½	14·50–14·50½	14·50–14·50½	14·50¼–14·50½	14·50⅛–14·50⅜
Danish Kr.	19·19½–19·48½	19·39½–19·39¾	19·39½–19·39¾	19·39½–19·39¾	19·39¼–19·40	19·40–19·40½	19·39¾–19·40½
Norwegian Kr.	19·85–20·15	19·99¼–19·99½	19·99¼–19·99½	19·99¼–19·99½	19·99¼–20·00¼	19·99½–20·00¼	19·99¼–20·00¼
One Month Forward Rates							
United States $		⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm
Canadian $		¼c. pm–par	¼c. pm–par	¼c. pm–par	¼c. pm–¼c. dis	¼c. pm–¼c. dis	¼c. pm–¼c. dis
French Fr.		par–2 dis	par–2 dis	par–2 dis	par–2 dis	par–2 dis	par–2 dis
Swiss Fr.		2½–2c. pm	2½–2c. pm	2½–2c. pm	2½–2c. pm	2½–2c. pm	2½–2c. pm
Belgian Fr.		⅛–¼ pm	⅛–¼ pm	⅛–¼ pm	⅛–¼ pm	⅜–½ pm	⅜–½ pm
Dutch Gld.		1½–1c. pm	1½–1c. pm	1½–1c. pm	1½–1c. pm	1½–1c. pm	1½–1c. pm
W. Ger. D-Mk.		2½–2pf. pm	2½–2pf. pm	2½–2pf. pm	2½–2pf. pm	2–1½pf. pm	2–1½pf. pm
Italian Lire		5 pm–par	5 pm–par	5 pm–par	5 pm–par	5 pm–par	5 pm–par
Swedish Kr.		2–1o pm	2–1o pm	2–1o pm	2–1o pm	1½–1o pm	1o pm–par
Danish Kr.		5–2o pm	5–2o pm	5–2o pm	5–2o pm	4–2o pm	4–2o pm
Norwegian Kr.		2o pm–par	2o pm–par	2o pm–par	2o pm–par	2o pm–par	2o pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/4½	249/3	...	249/2½	248/11	249/–

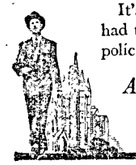


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COMPANY MEETINGS

LLOYDS BANK LIMITED

A YEAR OF CONTINUED EXPANSION

EFFECTS OF CREDIT SQUEEZE AND SUEZ CRISIS

NEW PHASE IN NATION'S ECONOMIC AFFAIRS

MAINTENANCE OF OVERALL MONETARY RESTRAINT IMPERATIVE

SIR OLIVER FRANKS ON LONG-TERM PROBLEMS

The annual general meeting of Lloyds Bank Limited will be held on February 15th at the head office, 71 Lombard Street, London, E.C.

The following is the statement by the chairman, The Right Honourable Sir Oliver Franks, GCMG, KCB, CBE, circulated with the report and accounts for the year to December 31, 1956:

I have to record with regret the retirement of Mr C. E. Lloyd and Lieutenant Colonel J. B. Neilson. Mr C. E. Lloyd first joined the Board in 1925 and is a direct descendant of our founder, Sampson Lloyd. His unrivalled knowledge of industry in Birmingham and the Black Country enabled him to play a distinguished part in our counsels both as a member of the Board and of the Birmingham Committee. We shall also miss the wide knowledge of the steel industry which Colonel Neilson brought with him.

We welcome as Directors Sir Wilfrid Ayre, Mr F. N. Lloyd, Sir John Carew Pole, Bt., DSO, TD, and Mr D. M. Oppenheim. The Right Honourable Viscount De L'Isle, VC, DL, has also rejoined the Board. He had been a Director but retired in 1951 on becoming Secretary of State for Air.

Sir Wilfrid Ayre, Pesident of the Burntisland Shipbuilding Company, Limited, has succeeded Mr W. H. Fraser as Chairman of our Scottish affiliate, The National Bank of Scotland, Limited. Mr F. N. Lloyd is Chairman of F. H. Lloyd and Company, Limited, iron and steel founders and engineers, and by his membership of the Board provides continued representation of the founder's family. Sir John Carew Pole has been Chairman of the Cornwall County Council since 1952 and strongly reinforces our interests in Devon and Cornwall. Mr D. M. Oppenheim brings to us a wide knowledge of commercial affairs as Chairman of the British-American Tobacco Co., Limited.

We congratulate Major Egbert Cadbury on the knighthood conferred upon him for public services in Somerset and Gloucestershire.

There have been changes on the Local Committees, especially at Birmingham. Ineluctable reasons for advancing years compel us to say farewell to Lieutenant Colonel R. K. Morcom, Chairman of the Birmingham Committee, Mr C. E. Lloyd and Mr S. P. Cherrington. Mr A. B. Waring becomes Chairman of the Birmingham Committee, of which he has been a member since joining the Board.

At Salisbury I must record with deep regret the death of Mr R. C. Chambers.

During the year Sir Austin Harris ended a long and distinguished connection with the Bank when he resigned from the Salisbury Committee. He first joined the Board of the Bank in 1910 and was Deputy Chairman from 1922 to 1947. Lord Teviot also retires from this Committee. He, too, gave years of service to the Board and has been a valued member and Chairman of the Committee.

In Yorkshire we have to record with regret the loss by death of Mr Cecil Berry, a member of the Yorkshire Committee and a former District Manager of the Bank.

To Lord Cobham, of the Birmingham Committee, we offer our congratulations upon his appointment as Governor General of New Zealand.

We also congratulate Lieutenant Colonel T. Eustace Smith, of the Newcastle-upon-Tyne Committee, and Brigadier Kenneth Hargreaves, of the Yorkshire Committee, on the conferment of the honour of Commander of the British Empire.

I regret to have to report the death of Mr W. T. C. Parker. He was until a few months ago General Manager of our Eastern Branches. He spent his life in the service of the bank, nearly all of it in the East. He was a very distinguished servant of the bank and we owe him gratitude in particular for the wisdom and judgment he displayed in the difficult circumstances after the partition of India and Pakistan.

REORGANISATION OF CAPITAL

The balance sheet reflects the reorganisation of the bank's share capital, approved by the "A" shareholders and "B" stockholders at meetings held last October and subsequently confirmed by the Court in respect of the reduction of capital involved. The issued capital of the bank in its new form, emerging from the reorganisation, consists of 18,565,070 shares of £1 each, all of one class and all fully paid. That is a modern, convenient and tidy structure. It gives the bank greater freedom of action and the shareholders a better market for their shares, both real advantages.

Your directors had no doubt that their proposals were in the best interests of the bank and of both classes of shareholders. This view was confirmed by the general welcome accorded the scheme. Proxies in favour were received from shareholders representing nearly 9 million votes, for whose active support I am most grateful; those against were negligible in number.

The only real reduction of capital involved in the scheme was the writing down of the "B" Stock by £838,425, which now appears on the liabilities side of the bank's balance sheet as part of the Reserve Fund. The security of the depositors, therefore, remains exactly as it was before, apart from the uncalled reserve liability on the former "A" Shares. Being a reserve liability, this could not be called except in the event of the winding up of the bank and then only if necessary to meet the liabilities of the bank. Such reserve liability had, in our opinion, ceased to have any material significance under today's conditions.

PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

The profit for the year, at £2,541,793, is £219,354 higher than last year, and in conformity with the intention announced in the circular letter to shareholders dealing with the scheme of capital reorganisation, since carried into effect, we propose a dividend of 13 per cent per annum, an increase of 1 per cent compared with 1955.

Our earnings have benefited from the high rates for money in force throughout the year, notwithstanding the increased interest paid on deposit accounts. Any expansion in our main earning asset, Loans and Advances, has of course been limited by governmental directive.

I warned you last year that a further rise in operating costs must be expected; this in fact happened, with substantial increases both in staff costs and in all other items of expenditure. Our business in general continues to expand year by year, as evidenced, for example, by the growth in the number of accounts. We are, therefore, vitally interested in the possibility of devising more economical methods of working. Two of our officials have recently visited the United States to investigate the progress made in that country in the field of electronic book-keeping; I am sure it is in that field that we must seek an answer to the problem of continually rising costs, but a rapid start must not be expected.

British Government securities stand in our balance sheet at £326,055,546, being valued at or under cost and below redemption value. Their market value at December 31, 1956, was £317,930,506, a difference of £8,125,040.

We have made no further transfer from reserves or profit and loss account to provide for this depreciation. All the securities are redeemable at fixed dates, the majority within ten years, when any depreciation will be recovered. In the ordinary course of business the bulk of our investments are held broadly to maturity; when we need to reduce

our portfolio, we do so in the very short-dated stocks.

During the year we opened a number of branches in developing areas or in areas where our business suffered from a lack of representation, the more important being at Langham Place, London, at Morecambe, Lancashire, and at London Airport.

To all the Staff I offer my warm thanks for their good work in a year which has not been an easy one.

EXECUTOR AND TRUSTEE DEPARTMENT

The business of our Executor and Trustee Department continues to expand but we can hardly expect its growth to be maintained at the rate experienced since the end of the war. The Department has thirty area offices throughout the country with a staff fully qualified to deal with this specialised type of work.

The bank not only acts as executor and trustee under wills, but also as trustee under new settlements and deeds of covenant and as trustee of provident and pension funds. This part of the Department's activities grows steadily in importance.

REGISTRAR'S DEPARTMENT

For some years we have acted as registrars for certain public companies and, as the demands for our services in this way are on the increase, we have recently decided to open a special Department domiciled at Charles II Street, S.W.1 to deal with this type of business, in which we look for expansion as the usefulness of the service is more widely appreciated.

LLOYDS BANK (FOREIGN) LIMITED

The trading results of our subsidiary company, notwithstanding a further rise in operating costs, were satisfactory. They cover a period of a full year, against nine months in the previous accounts.

Our branches in Belgium, Switzerland and Monte Carlo contributed substantially to these results and, notwithstanding a continuance of difficult conditions for banking in France, our earnings in that country showed improvement.

The net profit shown has again been added to reserve.

THE CREDIT SQUEEZE

Throughout the year, our lending operations have been governed by the principles of the so-called "credit squeeze" initiated by the Chancellor's appeal for credit restraint originally made in July 1955 and reaffirmed, among other occasions, as recently as November last.

In my last annual Statement, I showed that this particular method of restricting lending, while no doubt unavoidable as an emergency measure, was bound to have other and less desirable effects. We look forward to the day when the directives can safely be withdrawn.

This can only come about when the Treasury are able to effect a sufficient contraction in the amount of the floating debt to enable the authorities to keep a tight rein on the liquid assets of the banking system; and that was not the situation throughout the greater part of 1956. Indeed, by late October, the tender issue of Treasury bills was running almost £200 million above the level of a year earlier. As a result, the liquidity ratios of the banks as a whole were distinctly on the high side, while between April and October the underlying trend of bank deposits was rising slightly.

It may be that conditions are now becoming more favourable to the long-awaited funding of floating debt. Since October, the over-abundance of Treasury bills has been greatly reduced, a fact reflected in declining rates at successive Treasury bill tenders. In part, this reduction in the supply of Treasury bills must reflect the inflow of funds to the Exchange Equalisation Account as the counterpart of the heavy losses of gold during the Middle East crisis. At the same time, the Treasury has had the benefit of one genuine improvement in the domestic financial situation, namely the increased flow of subscriptions into savings issues of all kinds. Then, for a few more weeks we can expect a continuance of the contraction in floating debt that always takes place at this time of year as a result of the peak revenue collections, while conditions in the gilt-edged market have become more propitious for sales of long term securities to the public.

This is a combination of factors which is likely to reflect itself in a fall in the liquid assets of the banks and in bank deposits, with a reduction in the liquidity ratio. Thus, the stage may not be too far off when liquidity ratios will resume their normal place as the major influence preventing any undue expansion of bank credit.

TREND OF ADVANCES

Meanwhile, we continue to give effect to the Chancellor's wishes. In June, 1955, our normal advances to domestic customers, falling within the purview of the Chancellor's directives, amounted to £298.5 million. By December last, their total had been reduced to £278.4 million. This contraction masks a substantial increase in our lendings to customers in a group of industries—engineering, iron and steel, shipping and chemicals, whose contribution to exports and to the strength of the economy in general has justified larger borrowings from the banking system.

These figures, of course, relate only to part of our total business. At each of the dates mentioned, the aggregate figure of loans and overdrafts appearing in our published statements was about £50 million higher than those I have just quoted. And that was the case even though our loans and overdrafts total does not include certain items that are commonly included under the heading of advances: namely "Items in transit," "Balances with banks abroad" and "Other assets and accounts." All these are shown as separate entries in our published statements.

The margin of £50 million to which I have referred was made up of three special categories of lendings falling outside the scope of the directives. One of these is advances to the nationalised industries. As is well known, finance for these industries is being provided as a temporary measure by the Treasury. Our own lendings have thus fallen substantially and in November last amounted only to about £10 million. For the rest, the margin is accounted for by two other categories of lending, both of which have been expanding during the period of the squeeze.

EASTERN BRANCHES

First, it happens that alone among the clearing banks we have a number of branches in three overseas countries, whose figures are included among our balance sheet totals. These are our twenty offices in India, Pakistan and Burma. The lendings of these Eastern branches naturally fall outside the ambit of the United Kingdom credit squeeze, since these are rupee advances made against rupee deposits. In India especially, with an economy expanding so rapidly, there is an incessant demand for bank accommodation which, owing to tightness of funds, banks do not always find easy to meet to the full. This demand is reflected in our own advances, which show material expansion.

The increasing business is being handled in a most satisfactory manner by our staff in the East, both European and Asian, and to them I would express our appreciation of their good work.

MEDIUM TERM CREDITS

The second special category of lendings consists of a relatively new form of accommodation, namely medium term credits extended to overseas buyers to enable them to purchase capital equipment manufactured in this country.

These operations are not altogether novel, since we have entered into transactions of *this kind in a number of years since* the war. The way to an expansion of this method of assisting exporters was, however, opened by the Budget of April, 1954, which authorised the Export Credits Guarantee Department to provide direct guarantees to British banks for a large proportion (normally 85 per cent) of the amounts in question.

Medium term finance is, of course, on a different footing from other advances, for it is the traditional principle of British banking that advances are repayable on demand, whereas medium term credits are repayable by instalments spread over a number of years. They represent none the less a perfectly sound banking operation; the Export Credit guarantee embraces by far the greater part of the lending and any unguaranteed portion *is covered by normal banking procedures.* And it should be understood that such credits are extended only in connection with very sizeable export contracts, which not infrequently run into millions of pounds. In one respect, too, these credits are actually more liquid than an investment in bonds of similar maturity, for under the terms of the contract a substantial proportion of the outstanding amount is coming back each year.

We have made facilities available in this form to assist the export of capital equipment for such projects as power stations, railways, steelworks and hydro-electric schemes overseas, and in some cases this has enabled British manufacturers to secure valuable contracts that would otherwise have gone elsewhere. Among the more important transactions of the kind have been medium term credits to finance the export of large numbers of civilian jet air-liners to dollar markets. So far as the bank is concerned, I am sure that these operations combine safety and enterprise, offering a profitable use for our resources. At the same time, it is satisfactory to have been able to play our part in developments so clearly and directly in the national interest.

APPROACH TO MONETARY STABILITY

The "credit squeeze" is, of course, only one strand in a far wider programme of disinflationary measures. Prior to the crisis in the Middle East, these seemed steadily to be achieving their aim. Indeed, in one most important respect they had already brought satisfactory results, namely in swinging our balance of payments back from a deficit of £107 million in the second half of 1955 to a surplus of £144 million in the first half of 1956.

This movement is one more convincing demonstration of the truth that our recurring overseas crises since the war had their origin in an excess of demand at home. Conditions in the outside world did not change substantially between 1955 and 1956. The significant change lay in the steps taken to reduce the overburden on the British economy. The improvement in the balance of payments was due to the combination of two factors: a check to the rising trend of imports and an increase of close on 10 per cent in the value of our exports. Some damping down of the domestic boom was a necessary condition, both to restrain the accumulation of inventories and to release resources for the export markets. This favourable turn in the balance of payments could not have come about but for the disinflationary measures.

Both in social and economic terms, the cost of this strengthening of our external position has been slight indeed. Unemployment has remained in the neighbourhood of 1 per cent. Capital formation by industry is still running at a high level. Consumption, too, has been slightly higher than in 1955. It is true that there has been a check to the former expansion in production: the past year brought no further advance beyond the peak level achieved towards the end of 1955; but there has been no appreciable downturn. In the light of this, we should hear no more of the cry that *any* measure of disinflation, however gently applied, can result only in wholesale slump and unemployment. On the contrary, should we find ourselves in a similar situation in future, the authorities ought to be emboldened by this experience to act more promptly and effectively, to be less inhibited by fears of overshooting the mark.

IMPORTANCE OF PRODUCTIVITY

Nevertheless, it is sometimes argued that even a temporary check to production is too high a price to pay for the achievement of monetary stability. It would indeed be difficult to exaggerate the need for this country to step up the rate of investment and thereby the rise in productivity. We have to put more horse-power and better machinery behind the efforts of every member of the labour force. Upon this depends not only our hope of greater material well-being but also our hope of keeping pace with other leading industrial nations on both sides of the Iron Curtain and ultimately, perhaps, our whole status in the world.

This being so, it is no doubt perplexing and disheartening to many to see measures being taken to check a domestic investment boom almost before this had got well under way. But let us not suppose that in the absence of corrective measures domestic production could have gone on rising without limit, and so fall into the trap of counting a less of this potential output as the price of disinflation. It cannot be sufficiently emphasised that the limiting factor is the supply of saving; it is this which sets an upper limit to the amount of investment that can be sustained. For a time, no doubt, the amount of voluntary saving which is forthcoming can be supplemented by the forced savings imposed by inflation. Even so, there comes a point at which any further increase in domestic capital formation tends to be offset by a deterioration in the external balance of payments: the resources needed to finance the extra investment at home are provided not by the savings of the domestic population —even forced savings—but by means of borrowing from the outside world or running down our gold reserves or other external assets.

Once that point has been passed, as it had been in 1955, a further rise in domestic capital formation will make no net contribution to our national wealth: the addition to our domestic assets will be offset by an increase in external debt or a loss of external assets. No advantage is to be gained from building factories and paying for them by the loss of gold. On the contrary, for a country in our position in the world, and with a gold reserve already painfully inadequate, there is a very great disadvantage. The real need, therefore, is not to press ahead with domestic capital formation regardless of what is happening to the balance of payments. It is rather to create conditions in which a revival of saving will make it possible to press on more rapidly, at one and the same time, with additions to our domestic wealth *and* with the rebuilding of our overseas capital.

Saving, however, takes many forms. The undistributed profits of companies, the current surpluses of local authorities and the public corporations, the surplus on the budget, as well as the unspent income of private persons—all these are tributary streams which combine to make up the flow of saving as a whole. It is this combined flow of saving in the aggregate that we have to augment.

REPRESSIVE EFFECTS OF TAXATION

Last April's budget was designed to produce a large surplus in order to compensate for a deficiency in other forms of saving. But, as Mr Macmillan himself pointed out, what may be necessary for an emergency cannot be erected into a permanent system. There is a danger that the high rates of taxation needed to produce a sizeable surplus will not only react adversely upon other forms of saving but in time stifle the very well-springs of enterprise. It is disquieting, for example, to see young men who could make a valuable contribution to British industry preferring to make their careers in other countries where taxation is lower and their efforts are likely to be more adequately rewarded. In his recent Stamp Memorial Lecture, Lord Heyworth pointed to the steep rate of progression of tax on managers' salaries as the greatest single handicap to the conduct of an international business in this country. Nor should we overlook the danger that it would in any case be difficult to maintain a large budget surplus for very long in the face of natural political pressures: it is almost certain to be dissipated either by remissions of taxation before these can safely be undertaken or by increased public expenditure.

Fortunately, one of the most encouraging results of the disinflationary measures has been the indication of a substantial increase in personal savings, a revival most strikingly manifest in the recent figures of the National Savings Movement. Nothing could be more welcome. There have been other signs of progress. For example, the overburden on the economy has been reflected in a great excess in the number of vacancies on offer compared with the numbers seeking work. Throughout most of 1956 the gap was narrowing rapidly, and by the end of the year had disappeared. Up to November, too, the index of retail prices showed no further rise on balance after April, notwithstanding the round of wage increases in the early months of the year.

NATIONALISED INDUSTRIES' FINANCES

In all these ways, the situation has shown improvement. Yet it cannot be taken for granted that, even in the absence of the Middle East crisis, this progress would have been maintained and the aim of monetary balance have been fully achieved. Some tendencies have been pulling in the opposite direction. In particular, the weak financial position of the nationalised industries has remained an unsatisfactory feature of the situation. Nobody questions the need for very heavy investment outlays to improve the capital equipment of these basic industries. What may be criticised is pricing policies that render the public corporations as a whole incapable of providing even for the replacement of capital used up in their current operations, far less of financing new capital expenditures.

In round figures, it appears that in 1955 more than £300 million was needed to maintain intact the capital used in these industries, yet the combined surpluses of the public corporations themselves covered barely half of this. The remaining half, together with the whole of the funds needed for new investment, had to be raised by borrowing—to the tune of more than £400 million—savings generated in other sectors of the economy. What would be thought of the future of any private enterprise that failed to provide even for the maintenance of capital? The contrast with private industry is very marked indeed. It seems clear that, in relation to their costs, the nationalised industries as a group have been fixing uneconomically low prices for their products; and this is particularly serious if the products in question are fuel and power, where the seeming impossibility of raising the output of coal means that everything should be done to stimulate economy in consumption.

PRICE RESTRAINT HAZARDOUS

We are all familiar, of course, with the argument advanced in favour of price restraint; it is the fear that any advance in price, however justified, will be made the pretext for an increase in money incomes and so give fresh impetus to the inflationary spiral. Yet the experience with the food subsidies is sufficient proof of the difficulties into which this line of thought may lead us. Inflation itself means that the flow of voluntary savings is inadequate to finance the amount of investment that is going on. Yet if prices are maintained unchanged in face of a rise in costs, this will reduce the amount of saving in the form of the surpluses of public corporations or the undistributed profits of companies. And this may go far towards offsetting an increase in personal saving resulting from anti-inflationary measures proper.

The expedient of pegging prices is thus a hazardous one. Adopted at precisely the right moment, with everything else pulling in the right direction, it could afford us a momentary breathing space and so help in breaking the price-wage spiral. But it is bound to be a gamble; for the pegging of prices will tend to increase real purchasing power when the basic problem of checking inflation is to reduce it. Unless output is falling, rising costs mean rising incomes. And rising incomes combined with stable prices mean an increase in inflationary pressure, unless one condition is satisfied: it is that the increase in incomes should be cancelled out, or more than cancelled out, by an increase in voluntary saving. In an inflationary situation, we can safely create purchasing power only if there is real assurance

that the additional claims upon output will not for a time be exercised.

WITHDRAWING PURCHASING POWER

What if the condition is not satisfied, if the broad flow of saving remains insufficient yet it is desired both to maintain the rate of investment and to avoid inflation? Clearly, some means has to be found of withdrawing purchasing power. What form is this to take? In the final analysis, there are only two ways of doing it. One is the method of the budget surplus, the limitations of which I have already stressed. The other method is to allow prices to rise.

If the method of a budget surplus is used and the enhanced surplus is provided by means of direct taxation, then it is generally accepted that nobody has a good claim for a compensating increase in money income. As a matter of logic there is not the slightest reason why the situation should be any different if Parliament decides to curtail purchasing power by imposing indirect instead of direct taxation. But under our present arrangements, the effects will in fact be quite different.

Higher indirect taxes will raise the market prices of the goods in question. And, as the cost of living index is based on market prices and not upon the cost of the factors of production, this means that particular sections of the community whose incomes are linked to the index have an automatic dispensation exempting them from increases in indirect taxation, whatever the intentions of Parliament. If the index rises, whether for this or any other reason, two million wage incomes will go up automatically and more general demands for increases will be regarded as justified, either by the rise in prices itself or by the need to preserve the usual differentials. The position is, of course, the same if prices are raised not by an increase in indirect taxation but by producers—yet a rise in price may serve not only to withdraw purchasing power in general but to curb consumption where that is most needed.

These are nothing more, in the last analysis, than so many ways of effecting a withdrawal of purchasing power that, in an inflationary situation, may be necessary. It is to be regretted that the rules of the game as practised in this country impel us almost irresistibly to choose that particular method —a budget surplus generated by penal rates of direct taxation—which is least calculated to promote our national well-being in the long run. The warning given by Mr Macmillan, as Chancellor of the Exchequer, of a possible rise in income tax shows that this is a problem that may confront us in more acute form in the near future. It is a problem, I suggest, on which there is urgent need for further thought unimpeded by the shibboleths of the past.

THE NEW PHASE

It may be, then, that the programme of disinflationary measures would have required some reinforcement if we were fully to achieve the goal of monetary stability during the coming year. That can now be no more than a matter of speculation. For, whatever else may be in doubt, it is clear that the events in the Middle East have opened a completely new phase in our economic affairs. Our long term problems are unchanged; we still have to maintain the value of sterling and to speed up the rate of accumulation. What has gone is the prospect of a smooth transition to a state of monetary equilibrium in the course of the next few months.

A new chapter has been opened. At best, we must reckon with an interruption of some months in the advance towards our long term objectives. Fortunately, American co-operation has been forthcoming in the measures taken to avert some of the more serious possibilities that were at one time feared. We can now count upon a sizeable flow of oil across the Atlantic and also upon dollar facilities to help in paying for it. Moreover, the danger to sterling arising out of speculative attacks has been dispelled by the action of the International Monetary Fund, under the leadership of Dr Per Jacobsson, in making available for use, if necessary, the whole of our quota.

MONETARY RESTRAINTS ESSENTIAL

All this gives us an excellent start in the task of facing the new situation. But we do not yet know how long it will take to find a satisfactory solution of the Middle East problem and to reopen the Suez Canal to the ships of the world. We do not know, therefore, how great the strain on our economy is going to be, nor how long it may endure.

What seems clear is that, for the time being, these events have complicated still further the problem of eradicating inflation from the system. The worldwide rise in shipping freights is bound to raise the price of some of our imports and that in turn must tend to react, however slightly, upon retail prices. For the present, inflation is still the great danger. The maintenance of over-all monetary restraint is even more imperative than before.

If, on the other hand, the crisis drags on, our problem will cease to be the clear-cut one that we have been facing for the last two years. We must face the possibility that a shortage of supplies of fuel, coupled perhaps with some loss of export markets and difficulties in shipping goods abroad, may at some stage be reflected in a fall in the level of industrial production. In such a situation, nothing could prevent some temporary loss of employment in particular industries. Some redeployment of the labour force may be inescapable, and that cannot take place rapidly without some transitional unemployment as workers move from old jobs to new. What is important to remember is that there will be no lack of purchasing power to expedite the reabsorption of large numbers of workpeople into new employment. Too much significance should not be attached during the next few months, therefore, to the over-all statistics of unemployment, including those out of a job for very short periods.

A large increase in the numbers of those out of work for an appreciable period, such as two months or more, would be a very different matter. For it is prolonged unemployment that means real social hardship. The nation as a whole may have a heavy bill to pay; but it would be contrary to natural justice and to all our principles to permit an unfairly large share of the burden to rest upon the shoulders of those who happen to become displaced from their normal employment. To combat a serious increase in prolonged unemployment, special measures certainly should be taken. If the need arises, we must be prepared at short notice to relax the general policy of monetary restraint in whatever direction may promise to be most helpful, whether by way of tax remissions and other relaxations or by stimulating investment projects. However, present indications are that this danger is still less threatening than that of a further twist of the inflationary spiral.

THE OVERRIDING PRINCIPLE

At this moment, nobody can really assess the magnitude and likelihood of these conflicting influences. The situation we face is a complex one, calling above all for flexibility and resolution. One overriding principle alone is certain: it is that we must seek to emerge from this temporary period of difficulty with our ability to achieve our long term objectives unimpaired.

Let me restate those objectives. We have to maintain the position of sterling as a world currency, fully viable on the basis of existing rates of exchange. This in turn means that we must maintain and improve our position in export markets. We must also be prepared during the emergency to draw upon the reserves to pay for necessary food and raw materials. Only so can we hope to achieve our second and parallel objective, which is to maintain a high level of production and employment. We must be thankful that the reserves now seem large enough to permit these two objectives to be reconciled —but also resolute to use the respite given to produce a lasting consolidation of the position.

A great task of reconstruction lies ahead of us. To a very large extent, this task is a political one. We have to restore relationships that have been gravely damaged with many of our overseas friends and allies, above all our relationships with the other members of the Commonwealth and with the United States. These are not subjects which the annual statement of a bank chairman can properly discuss at length. But success in these endeavours so conditions the speed with which we can hope to solve our economic problems that it would be equally inappropriate to end without stressing their paramount importance.

BROOME RUBBER PLANTATIONS

The twenty-third annual general meeting of Broome Rubber Plantations Limited was held in London on January 23rd, Sir Lionel Smith-Gordon, Bt (the Chairman), presiding.

The following is an extract from his circulated statement:

The trading profit was £135,130 compared with £94,502 the previous year. This satisfactory result was a consequence of a larger crop and a higher average selling price.

After making all necessary provisions, including taxation, £61,476, and transferring £10,000 to General Reserve, dividends have been declared totalling 17½ per cent for the year as against 15 per cent for the previous year.

The crop, which amounted to 3,364,900 lb and was nearly 5 per cent greater than in the previous year, was sold for an average of 31¾d. per lb landed London equivalent, and the cost was 23¾d. per lb London equivalent, an increase of 4d. over last year, as a result of heavy taxation and higher rates of wages.

Competition with synthetic rubber is a very pressing one and we must do our utmost to maintain and increase efficiency. Our first duty is to replace our old areas of seedling rubber with up-to-date high yielding trees. During the year under review we replanted 188 acres, and we have just completed the replanting of a further 310 acres.

As foreshadowed last November the board hope to be able to pay an interim dividend on account of the year 1956/57 within the next three months.

The report and accounts were adopted.

MIDLAND BANK LIMITED

VULNERABLE POSTWAR ECONOMY OF UNITED KINGDOM

PREREQUISITES OF MODERN PLANNING

LORD HARLECH ON HAZARDS CONFRONTING MANAGEMENT

The One hundred and twenty-first Annual General Meeting of Midland Bank Limited will be held on February 15th at the Head Office, Poultry, London, E.C.

The following are extracts from the Statement by the Chairman, The Right Honourable Lord Harlech, KG, PC, GCMG, on the report of the directors and balance sheet for the year to December 31, 1956:

In terms of business conditions in general, 1956 could scarcely be reported upon as a year of expansion, and this remark holds true of banking. Our own balance sheet for December 31st last shows a slight increase, in both deposits and advances, over the figures for a year earlier. On the other hand, the average of our deposits over the year has been very slightly below the level of 1955. Advances too, on the average, have been appreciably lower, the continued, widely spread contraction, coupled with reduced calls upon the banks for loans to nationalised undertakings, having been only partly offset by increased accommodation to essential industries, particularly engineering.

This movement, along with the reduction in investments, has been reflected in the larger volume of Treasury bills carried in our portfolio, and as a consequence our liquidity ratio has been lifted on to a higher level—well above 35 per cent on the average for the year as against less than 32 per cent in 1955. Having regard to the state of the market and the general outlook, we decided that this higher degree of liquidity was prudent and justified. With regard to investments, well over sixty per cent of our holding is due finally to mature, in successive blocks, within periods ranging from less than one to less than five years, and the rest within less than ten. The nominal depreciation on our holding, which for reasons explained in past Statements is shown in a note on the balance sheet, was proportionately a little less on December 31st last than a year earlier.

Although in respect of total resources 1956 was not an expansive year—although, further, there was a slowing down of the growth of turnover on current accounts—banking profits tended to increase. The direct effect on earnings of the decline in the average level of advances and in the investment holding would in any event have been largely offset by the fact that, in the structure of rates ruling over the past two years, the yields on short-term liquid assets have risen relatively to those on other assets. In addition, however, the whole range of rates was lifted on to a higher plane by the one per cent rise in Bank rate early last year.

Our larger trading revenue was partly absorbed by higher salaries and other running costs. Nevertheless, the net profit for 1956 after tax showed an increase of about nine per cent on the figure for the preceding year. Unfortunately, it cannot be said that stability of running costs has yet been established; the trend is still upward. Further, 1956 may prove to have been a year of exceptionally high interest rates, while the business outlook is not, on the whole, so reassuring as to support an assumption that recent banking experience as regards bad and doubtful debts will be extended indefinitely. Accordingly your Directors are of the opinion that the additional profit of the past year should be applied wholly to strengthening the position of the Bank, and recommend that the dividend be continued at the same rate as a year ago.

ECONOMIC DISTURBANCES

Turning to matters of wider concern, as already indicated, no one could describe 1956 as "a good year." The course of events in the first half was moderately gratifying, and there were signs that the national economy was moving in the right direction. The second half was marked by a sharp check to the advance towards a firm equilibrium. Once again the authorities had to resort to extreme measures to cope with an emergency that threatened to overstrain inadequate resources. Altogether, a year in which interest rates were lifted on to a still higher level, tax burdens further increased, a scheme of Government prize bonds introduced as an incentive to saving, capital investment restricted and hire-purchase controls widened and stiffened, petrol rationing reintroduced, arrangements made for fresh borrowing abroad, and a waiver of interest sought on Government debts in the United States and Canada—such a year could not be regarded otherwise than as revealing once again the narrowness of the margin of resources upon which the United Kingdom economy has been working ever since the end of the war.

With the statistics so far available it is impossible at this stage to draw up a national revenue account or balance sheet for a period of so much disturbance. Indeed, there is some ground for the argument that the publication of incomplete current figures may in some circumstances do more harm than good, as when a heavy decline in the gold and dollar reserves is recorded without enough accompanying evidence to show whether it results from over-spending or from a strengthening of the capital position by the reduction of external liabilities. This at least is certain, however, in the light of experience in 1956 as in 1951, 1949 and 1947: that Great Britain, in its exceptional position as a great trading national and financial centre, has insufficient liquid resources and economic resilience to absorb, unshaken, the shock of such unforeseen events as occurred in the latter part of last year. The margin for swift response to the challenge of violently changing circumstances is too narrow for safety. The story underlines also the magnitude and complexity of the problems of planning and management to which we have to adjust ourselves in modern conditions.

PROBLEMS OF PLANNING

If we set aside for the moment the risks of international conflict and the consequences of the oil shortage, it is possible to distinguish two contrasting attitudes towards the business situation in this country. Some people will ask, as they have been asking themselves again and again over a period of years: How long can things go on as they are; can the post-war high level of business activity and employment be maintained indefinitely? Others will ask: Why should we ever have another slump; what reason is there to fear that anything like the long depression of the thirties will ever be repeated? For the more sceptical observers, recurrently acute weakness of the balance of international payments, inadequate monetary reserves and the implications of a debtor position on international capital account all suggest that a day of reckoning may be near. For the more confident, on the other hand, the development of governmental responsibility in economic affairs, together with improved knowledge and deeper understanding, removes the ground that may have existed for fearing serious under-employment of labour and capital resources and holds out the prospect that full employment can be maintained without further depreciation of the currency.

In practice the course of business is set by a multiplicity of decisions by individuals, whether in business or administration. It can be of cardinal importance, for example, that many businesses have made up their minds to increase or diminish their stocks of raw materials or finished goods and are taking steps to do so, or that public authorities and business undertakings are enlarging and speeding up their capital extensions or have decided to modify their long-term development plans. It is, then, in the shaping and carrying through of plans by public authorities and private businesses that we find the crucial element in the determination of the ups and downs of economic activity.

It seems often to be assumed that "planning" is the simple answer to the problem of economic instability, whereas in practice the timing and balancing of plans, in such a way as to ward off or allow for economic fluctuations, is a most delicate and difficult operation. This is true for both government and business, even though government, besides full authority over its own plans, has extensive powers to influence those of other public bodies and of private business. These powers the Government of our own country has repeatedly called into use in recent years —with not altogether happy results.

A prerequisite of successful economic policy is full knowledge of the facts, obtained in time to prompt any corrective action that may be found necessary. In this respect remarkable progress has been made, and the Government is now better equipped for its new responsibilities than it ever was. It has, for example, more comprehensive estimates of consumers' expenditure and various other elements in the composition and disposal of the national income; improved measurements of industrial production; data concerning actual and prospective capital outlay; and more reliable and detailed figures about the balance of payments. Indeed, one expert (Prof. R. G. D. Allen, *Economica*,

November, 1956) has given it lately as his judgment that "British economic statistics are now amongst the best in the world," though we lag behind the United States in the frequency and promptitude of their appearance. Recently, moreover, steps have been taken to fill remaining gaps in current statistics and to reduce delay in detecting significant movements. Quite apart from the value of such material as a guide to policy, publication thereof helps to shape opinion and influence business decisions and to spread understanding of what the authorities are trying to do, and why.

Great difficulties remain, however, even when adequate statistics are forthcoming. One weakness lies in a tendency to presume that statistics are the *only valid kind* of information for economic planning. In fact, non-statistical information, particularly the day-to-day knowledge and impressions of people close to the fields of operation, may sometimes be of greater practical help than the bare statistics in detecting a turning-point in the course of affairs. A government authority concerned in such matters should take steps to ensure constant sensitiveness to the "feel" of things, especially as to the development of business plans concerning capital expenditure and stocks, the prospective course of prices, sales, orders on hand and so on.

It is important, too, that the authorities should be fully aware of changes that may be taking place in the structure and processes of business—changes that may be important in relation to the working out of an effective monetary policy. No one, for instance, can follow the fluctuations in the total volume of credit, provided outside the banking system, by manufacturers, traders, hire-purchase finance companies and other bodies whose operations have become more significant in recent times and may under some conditions move contrary to policy applied through the banking system. Again, little information is available, at least until long after the event, about fluctuations in the flow of long-term finance from various sources. No one will deny the importance of the switching of local authorities' borrowings from the Public Works Loan Board to semi-public bodies like savings banks, the new issues market and other channels of private capital, yet no one knows the changing proportions of resort to these various sources of funds. We have no information, even belated, such as is readily available in the United States, about the disposition of Government debt among various classes of holder. The regular Exchequer returns are in many ways obscure, particularly as a guide to the actual cash out-turn of Exchequer operations—an important element in monetary affairs. All these, and others that might be cited, are matters which bear upon and reflect the actual course of monetary conditions. Yet those who are responsible for shaping and carrying out monetary policy have to operate with very imperfect knowledge of what is happening.

Even when all is known, or can readily be discovered, there remains the need for judgment, and human judgment, well-trained and well-informed though it may be, is always fallible in both diagnosis and treatment. It is likely, however, to be more right than wrong *if fully equipped with up-to-date balanced* information about the direction and force of key factors in the current situation. Without balance, the availability of data about some aspects of a changing situation may attract too much attention to arithmetical tests of success or failure in monetary policy. In recent times, for instance, there has been a tendency to regard any reduction of bank advances, or any contraction of bank deposits, as something desirable in itself or as proof of something having happened that is helpful to the re-establishment of a healthier condition in the national economy. In some circumstances, however, if the facts were examined, a diminution of either deposits or advances might represent little or no curtailment of the liquid resources being used in current business and little or no diminution of the flow of public and private spending. This would be so, for example, if money which had long been standing on a deposit account at a bank were placed in Treasury bills, or if money previously held by a private individual with a bank were deposited with a hire-purchase finance company and applied by it to reducing its bank overdraft. Both of these processes have occurred within the past two years under the influence of high interest rates and the credit squeeze.

The conclusion to which all this leads is that "planning" by central authorities to keep the national economy on an even keel, while moving in an expansive direction, is a most difficult task. Success in such a task ought not to be lightly presumed. It calls for the use of a wide variety of instruments, for provision of the fullest and most up-to-date information, and for objective comment by those who, while not directly responsible for policy, can contribute much to the attainment of its aims.

HAZARDS OF PRIVATE BUSINESS

While recognising all these requirements, there is much to support the view that the world-wide extension of official responsibility for shaping the course of economic affairs has reduced the probability, if it has not ruled out the possibility, of a repetition of prolonged depression such as occurred in the 'thirties. For some purposes it has been argued that this development has correspondingly reduced the risks of private business, which has thus come to reap uncovenanted benefit accruing to the owners of the equity of business undertakings, whether they be company shareholders or partners or individual traders. We may well ask, therefore, whether official "management" of the national economy as a whole has made any easier the task of "planning" in private business. It is true that business undertakings can plan ahead with greater assurance if fears of general and prolonged depression can be set aside as outdated. It is equally true, on the other hand, that major risks and uncertainties remain, and that these, moreover, are added to by the very fact and forms of official "intervention."

A high level of business activity in general does not afford a guarantee that any particular branch of industry and trade, or any particular business undertaking, will be maintained in full prosperity. Many familiar, well-recognised risks remain—changes in demand, fluctuations in prices of raw materials, international disturbances and so on. Moreover, the maintenance of steadiness in the economy as a whole, for which governments have responsibility, calls for measures which themselves may prove highly disturbing to particular industries or undertakings. The experience of the motor industry during the past year or so provides an illustration of this fact. What business nowadays has to face, over and above the older types of risk, is the chance of changes in official regulations affecting, for example, new capital issues or the terms of hire-purchase transactions, and of variations in taxes, such as changes in rates of purchase tax or profits tax and in depreciation allowances, imposed for reasons of economic policy.

The new uncertainties of business can be illustrated by giving a few examples of this kind of experience, taken from among many that might be cited by customers of this Bank. The various forms of restriction imposed, particularly from about the middle of 1955, fell with all the greater severity on many businesses because of the optimism generated by an expansionist budget following the lifting or relaxation of controls.

Many of our customers, in both manufacture and distribution, have been affected with more or less severity by the successive steps taken in the field of hire-purchase control. Typical among them was the experience of an undertaking which, following the removal of those controls in 1954, had expanded its productive capacity, introduced new models and built up its stocks of materials and components correspondingly, to find itself suddenly confronted with all the problems arising from a sharp contraction of demand for its products. In circumstances like these some firms managed to switch to other activities, such as sub-contracting on defence orders, only at the cost of expensive re-organisation. Some had to resort to price reductions and rapid realisation of stocks before settling down on a lower level of activity than had been foreseen.. Some found themselves forced to part with specially trained employees, whether by laying them off or hastening retirement, and will have to face higher costs with new employees when conditions call for re-expansion. Here and there the benefits of shift-working had to be forgone, and even a short working week introduced. All these were necessities which not even the most enlightened management could be blamed for failing to foresee.

In many undertakings the impact of hire-purchase restrictions has been added to by the raising of rates of purchase tax. One, for example, had to report to its shareholders three distinct blows: first the restriction by nationalised industries, at the Government's request, of their activities in promoting sales of domestic heating and cooking appliances; secondly the reimposition and stiffening of hire-purchase controls; and thirdly the increase in rates of purchase tax and extension of its range to bring in articles previously tax-free. In some retail establishments the higher tax rates have forced a reduction of stocks, and of the range of choice offered, because of the amount of money that is locked up in the financing of the actual tax payments This added burden fell with particular severity upon companies which, by the seasonal nature of their business, were heavily committed, at the time of the tax-rate increase, to taking delivery of quantities of goods which they had contracted to sell at prices already fixed.

The secondary effects of these measures, again, are noticeable over a wide range. Thus, for example, a company making insulating materials has had to cut down its staff in consequence of reduced orders following hire-purchase restrictions on sales of domestic appliances, while specialised textile manufacturers have had to curtail their operations and run down stocks because of the incidence of these restrictions on the furnishing trades. Some branches of the timber trade, which ordinarily works on the planning of purchases for up to a year ahead, have similarly suffered the secondary effects of the contraction of retail trade in "consumers' durables."

Variations in the enforcement of capital issues control have been another source of disturbance of business plans—and this quite apart from voluntary response to official appeals to hold back capital expenditure that is not urgently required on current tests of national necessity. Many examples could be given of prospects of business expansion having to be set aside because of unforeseen inability to raise the required financial resources. In one case the indefinite postponement of arrangements for new finance, enforced by the increased severity of the control, is reported to have entailed cutting down the range of stock carried and a consequent loss of sales. Financial stringency has been intensified also by the reinstatement of the "initial allowance" in place of the short-lived "investment allowance" in computing the tax liability on profits.

To cite these examples is not to debate the necessity of the use of such instruments of national economic policy as have been mentioned, nor to discuss the wisdom or unwisdom with which they have been applied. The purpose is simply to show that their operation gives rise to a set of uncertainties which was unknown to business men on any wide scale down to 1939. It follows that the hazards confronting those responsible for managing a business may be just as great as ever they were. Business is still a venture; and a national policy of "full employment" does not remove the element of risk from the conduct of business undertakings large or small.

"COMMUNICATION" WITHIN THE MIDLAND BANK

We are constantly alive to the possibilities of improving our system, on both the human and the mechanical sides, just as we are actively exploring the applicability to banking of new scientific developments, for example in the field of electronics.

Efficient communication is of crucial importance for an undertaking whose management and staff are scattered widely and unevenly over the country in a head office organisation and well over two thousand branches and sub-branches, each conducting business with the public, receiving and carrying out customers' instructions and making arrangements to meet their individual needs. In such an undertaking, integration would be unattainable without constant exchange of information and guidance.

The description that follows relates solely to the Midland Bank itself. Our affiliated companies—the Belfast Banking Company in Northern Ireland, the Clydesdale and North of Scotland Bank mainly in Scotland, and the Midland Bank Executor and Trustee Company, whose records again bear ample testimony to their sustained good service—have their own arrangements within their own fields of operation.

As a matter of pure mechanics, the fact that customers of the Bank are operating on a vast number of accounts at over two thousand branch offices entails an elaborate network of inter-branch arrangements. Cash and clearing processes involve the work of a large proportion of the staff and of numerous machines and other pieces of equipment—the major concern of a special Machines Department and of accounting sections at head office and branches. This great bulk of transactions is carried through by voluminous recording operations. At our head office alone over 400 people are engaged in the clearing departments, with the aid of adding machines and photographic and other equipment.

BENEFITS FROM DIRECT CONTACT

In this Bank we speak of "head office" in the singular, since there are no district head offices to stand in the way of direct contact between the centre and the circumference. When a branch manager needs advice or requires a prompt decision on any particular proposition, he is able to make an immediate approach to head office, including any of the specialised departments maintained there for his assistance.

The entire operations of the Bank are controlled by the Management Committee at head office, which meets every morning and works on the principle of full corporate responsibility, though each joint general manager is especially concerned with affairs in a particular geographical division. It is essential to the work of the Committee that it should be fed constantly with information about the operations of branches and from officials engaged in specialised fields such as the Bank's day-to-day transactions with the money market and its foreign exchange activities. On the other hand, it is the duty of the Committee to issue clear instructions to officials operating at head office and to the branches throughout the country. The branches must be informed, too, of guiding principles, modifications of policy and mechanical arrangements for carrying on the business of the Bank.

From head office go out each day 1,600 letters to full branches and fifty or more large canvas sacks containing cheques, other bookkeeping vouchers, instructions and correspondence. A similar movement takes place from branches to head office. The outlay on postage by the Bank as a whole now exceeds £300,000 a year.

MAJOR RELIANCE ON TELEPHONIC SYSTEM

In banking business, however, innumerable occasions arise in which mail services are inadequate, most commonly for reasons of time. Telegraph and cable services are widely used, especially for prompt communications with agents and correspondents abroad—a sector of external communications which is of special importance to this Bank, with its exceptionally large volume of overseas business. Within the organisation, however, major reliance is placed upon the telephone system. The Bank's expenditure on telephone services and the like amounts to well over £120,000 a year.

All these arrangements relate to the actual transactions of the Bank: but something more is required if full and harmonious co-operation is to be maintained. There must be the more personal pooling of information and ideas that counts for so much in the working of a large and scattered organisation, involving a staff of roughly 17,700 men and women in groups ranging from nearly a thousand at our Overseas Branch in the City of London to a "three-man" branch in a small country town. The head office organisation, housed in one building and grouped around the Management Committee, is designed to secure full integration of policy and practice, and it is a vital part of the responsibility of a general manger and his assistants, not only to consult with head office colleagues, but also to maintain contact with branch managers within his division and to be accessible to them as occasion may demand. On the other hand, the comments and recommendations of the man on the spot, whether upon particular questions or upon general business conditions in his locality, are indispensable to informed decisions at head office. It is one of the tasks of a special department at head office, for instance, to sift and collect, for the use of general managers, reports regularly sent in by a wide range of branches on local business conditions. In addition, general managers and their assistants take all possible opportunities of visiting branches within the areas of their particular responsibilities.

The same kind of result is achieved, both at managerial and staff levels, by courses provided at our residential college at Oxted and at the training branches.

SIR GEORGE GODFREY AND PARTNERS (HOLDINGS) LIMITED

MR W. D. L. THEED'S REVIEW

The Second annual general meeting of Sir George Godfrey & Partners (Holdings) Limited was held on January 23rd in London, Mr W. D. L. Theed, ARAeS (the chairman), presiding.

The following is an extract from his circulated review: The combined profits before taxation have been maintained at almost the same level as those for the preceding year, namely £521,333 as against £534,131. The increased charge for taxation (£59,500) plays the major part in the reduction of the profit after taxation from £279,259 last year to £237,406 this year.

AIRCRAFT ACTIVITIES

Although it is invidious to select names, I am gratified that we are supplying our air conditioning equipment to the Viscount and Britannia aircraft which are having such success here and overseas.

We have during the year successfully concluded arrangements with the Swedish firm, Svenska Rotor Maskiner, for a licence to manufacture and develop their rotary compressor for use on aircraft. These arrangements will enable us to offer a range of cabin superchargers which will meet any requirements likely to be demanded by the civil airline operator.

Another important development during the year has been the conclusion of an agreement with the Stratos Division of the Fairchild Engine & Airplane Corporation, New York, for the interchange of technical information.

The past year has seen increased activity with many branches of the Admiralty and our cooling units are being installed in HM ships for carrying out certain specialised services. Our mobile conditioning trucks and static units have been specified for use on aircraft carriers.

GUIDED MISSILES

A large section of the Company's Research and Development personnel is devoted to this new field and we intend to press on with its development. We have to date concentrated on the design and production of apparatus to deliver cooling air to missiles. At the same time we have designed a method of distributing cold air to a missile before firing, and also of making the necessary electrical contacts for transmission of signals to the interior of the weapon.

INDUSTRIAL ACTIVITIES

The Industrial Company has continued to expand. Sales have risen steadily and considerable extensions to the Industrial factory are now in progress.

I confidently expect this expansion to continue during the coming year and I believe that the future of the Industrial Company is full of promise.

After commenting on the progress of the overseas subsidiaries, the review concluded, Our Order Book shows an increase over the figures at the same time last year and business is satisfactory.

The report and accounts were adopted and the dividend of 22½ per cent, less tax, for the year was approved.

NATIONAL PROVINCIAL BANK LIMITED

COUNTRY'S ECONOMIC PROBLEMS AND CORRECTIVE MEASURES

GREATER ECONOMIES IN GOVERNMENT EXPENDITURE URGENTLY NECESSARY

NO JUSTIFICATION FOR STERLING DEVALUATION FEARS

MR D. J. ROBARTS'S REVIEW OF FINANCIAL DEVELOPMENTS

The one hundred and twenty-fourth annual general meeting of National Provincial Bank Limited will be held on February 14th at the head office, 15 Bishopsgate, London, E.C.2.

The following is the statement by the chairman (David John Robarts, Esq.), which has been circulated with the report and accounts for the year ended December 31, 1956:

BOARD OF DIRECTORS

Since our last Annual General Meeting, Mr D. H. Illingworth, JP, has retired from the Board of the Bank and from the Local Board at Bradford. Mr Illingworth was a Director of the Bank for 14 years and a Local Director for 37. Also Sir Herbert Merrett has found it necessary for family reasons to lessen his business engagements and to resign from the Board of the Bank after 7 years' service.

Both these former colleagues carry with them into their retirement our good wishes and our sincere thanks for their loyal services during their terms of office. They leave behind them in the Bank many happy memories of friendship.

We offer our congratulations to the Right Honourable J. S. Maclay, CMG, MP, on his appointment as Secretary of State for Scotland, and we wish him all success in his high office. In accordance with custom Mr Maclay resigned from the Board of the Bank upon becoming a member of the Government, and we thank him for the services he has rendered to the Bank.

On April 1st last Mr L. J. Williams became a Director following his retirement from the post of Chief General Manager of the Bank. I will be asking you to confirm his appointment at our Annual General Meeting.

Mr Williams joined the Bank as an apprentice in Southampton in the year 1911. His talents were soon in evidence and after filling a number of responsible positions he became a Controller in the Advance Department in 1928, Joint Chief Controller in 1930, Head of the Advance Department with the status of Assistant General Manager in 1939, Joint General Manager in 1943 and Chief General Manager in 1951. Throughout these years and in these positions of increasing responsibility, Mr Williams handled many intricate problems with the skill, tact and foresight which those of us who have worked with him will always remember with high respect. There are many monuments in the business connections of the Bank to Mr Williams's work, and we count ourselves fortunate in having his wise advice and wide knowledge still available to the Bank in his position as a Director.

On May 30th last, Mr Gerald Steel, CBE, who has served as a Director of our Sheffield Local Board since 1949, was appointed to the main Board of the Bank. Mr Steel brings to our Board long experience in industry, which we are confident will be of much value to the Bank. I will ask you to confirm Mr Steel's appointment at the Annual General Meeting.

Mr W. Mauger, a member of our Guernsey Local Board since 1928, decided to retire at the end of 1956. We thank him for his past services and wish him all happiness in his retirement.

Mr K. W. Parkinson, a prominent figure in business in the Bradford area, has been elected a Director of the Bradford Local Board. We are fortunate to have his intimate knowledge of the woollen textile industry available to the Bank and we offer him our warm congratulations on the Knighthood which, as recently announced, Her Majesty has been pleased to confer upon him.

COUTTS AND COMPANY

The Balance Sheet of Coutts and Company as at December 31st last accompanies our own Report and Accounts.

STATEMENT OF ACCOUNTS

The Balance Sheet and Accounts of the Bank together with the Directors' Report are before you.

It will be seen that the liabilities of the Bank to its Current, Deposit and other Account holders have fallen during the year by £19,265,582 to £814,523,969.

The total of our liquid assets—Cash, Money lent at Call and Short Notice, and Bills—represents 37.3 per cent of our deposit liabilities. This compares with 38.7 per cent twelve months ago.

Investments in securities of, or guaranteed by, the British Government continue to be shown at a figure which is below their market value. The Balance Sheet value of £215,961,946 gives a ratio of 26.5 per cent to Deposits as against 26.2 per cent last year. We hold no undated government securities and the majority of our holdings mature within ten years.

Our Advances stand at £256,730,398, which represents 31.5 per cent of our Deposits. The corresponding figures at December 31, 1955, were £265,204,772 and 31.8 per cent.

PROFIT AND LOSS ACCOUNT

The account shows a net profit for the year of £2,030,483, compared with £1,882,139 for 1955.

Together with the amount brought in of £605,511, there is a balance for disposal of £2,635,994. An interim dividend of 9 per cent has been paid, taking £490,559, leaving available £2,145,435.

It is now proposed to deal with this balance as follows:

	£
To pay a final dividend of 9 per cent	490,560
To appropriate to Contingencies Account ...	1,000,000
This will leave to be carried forward	654,875

The proposed final dividend of 9 per cent makes, with the interim dividend of 9 per cent paid in July last, a total dividend of 18 per cent in respect of the year 1956.

MANAGEMENT AND STAFF

Mr F. Keighley was appointed to succeed Mr Williams as Chief General Manager of the Bank from April 1, 1956. Mr Keighley entered the Bank in 1915 and has occupied many important posts during his upward progress in the service. After wide experience covering most of the country, Mr Keighley was appointed an Assistant General Manager in 1951, and later that year a Joint General Manager. We are confident that in Mr Keighley we have a Chief General Manager thoroughly fitted to fulfil the heavy responsibilities attaching to this post.

Mr R. V. Abbott, who had occupied the position of Assistant General Manager since 1953, was appointed a Joint General Manager on April 1st last.

The results which are disclosed by our accounts for 1956 are made possible only by the loyalty and efficiency of our staff. The Bank is served by a fine body of men and women, and I would like, once again, on behalf of the shareholders and directors of the Bank, to express our gratitude to them for their excellent work during the past year. The maintenance of the high standard and efficiency of our staff is one of our constant preoccupations. We select our staff with the greatest care; we encourage them to acquire an adequate technical knowledge; we provide them with specialized training and give them all the mechanical and electrical aids which can be economically introduced to improve the quality of our service to the public.

TRAINING COURSES

Early in his career a new entrant to the Bank's service attends a course at our Junior Training Centre at Chalfont St. Peter. There, under ideal conditions, he learns the rudiments of banking, meets many of his colleagues, and sees something of the various jobs to which he can aspire. He is given an overall picture of the Bank and of the opportunities open to him in a career which teems with interest. Since the centre was opened in July, 1955, 403 young men have attended a residential course.

At a later stage in his career, normally when he reaches a point at which he is ready for his first important promotion, he attends a course at Unsted Park, Surrey. During this course he receives specialized training for more senior duties and is encouraged to take an active part in debates and discussions and to mix freely with his colleagues. Since Unsted Park was opened in April, 1950, 1,816 men have attended residential courses.

It is now more important than ever that our younger men should be given every opportunity to develop fully their abilities

and personalities. The proportion of men to total staff continues to decline, and in consequence a greater proportion of the male staff will be required to fill an increasing number of managerial and other executive positions. The opportunities for our younger men are greater than they have ever been, and promotion will tend to come at an earlier age.

MECHANICAL AIDS

We keep in constant touch with developments of mechanical aids over the whole range of our activities, from the handling of cash to machine book-keeping. The progress of machine book-keeping over the past 30 years is well known, and all branches where the volume of work justifies it are now in some measure mechanized.

It is probable that in the near future it will become practicable to design electronic machines capable of dealing with many of the processes involved in handling the millions of cheques which are now used more commonly than cash for making payments in this country. The very important developments which are taking place in this type of equipment are under our constant notice.

During the past few decades there has been an enormous growth in the number of current accounts and in the use of the cheque. The maintenance of such accounts has become the chief characteristic of the joint stock banks in this country. The convenience of the cheque and of the record provided by the bank statement have proved invaluable both to the business house and the private customer.

ANCILLARY SERVICES

At the same time, ancillary services have been developed to meet the convenience of customers. The standing order, the night safe, the cashing cheque authority, the safe custody of securities, the provision of foreign currency, the issue of travellers' cheques, obtaining passports and visas, the administration of estates and trusts are some of the services which have become part of modern banking.

Since our Trustee Department was opened, we have proved about 14,000 wills and, in all, administered some 20,000 trusts of all kinds, involving some hundreds of millions of pounds. This is, perhaps, sufficient evidence of the value which the public place upon this service and of their recognition of the many advantages in appointing the Bank as trustee

OVERSEAS BRANCH

Our Overseas Branch provides one of the most important services of all, particularly in present circumstances which require a further expansion of our export trade. Overseas Branch is equipped to deal with all aspects of overseas business and its services and advice are available at our local offices throughout the country. The Overseas Branch is highly specialized, is in touch with correspondents all over the world and handles a large volume of business of all kinds. It provides a complete and efficient service available to all our customers.

PERSONAL RELATIONSHIP

It has sometimes been said that the modern bank has lost some of the intimacy of the local bank where the relationship of banker and customer was more personal. We believe we have maintained this relationship to a very high degree by the careful selection of competent men of undoubted integrity for branch management and by giving them a very wide discretion in conducting their local business. At the same time we have greatly increased their effectiveness by the development of specialist central departments, the accumulated experience and specialised knowledge of which are freely accessible to all. No other method, we are convinced, could make available to customers such a vast field of knowledge and experience.

COURSE OF EVENTS IN 1956

At the Eighth Annual General Meeting of the Proprietors of the National Provincial Bank of England, held in Bishopsgate on May 13, 1841, the Chairman of the meeting during his speech made the following comment:

"The commencement of last year was marked by some favorable symptoms—by an influx of bullion—an abundance of money, and a slight revival in several branches of trade. . . . As the year advanced, political difficulties increased, the Foreign Exchanges suddenly became adverse, and the Banking and Trading interests were again placed in a state of difficulty. . . ."

These words could be used with little variation to describe the course of events in 1956.

During the early months of 1956 the credit squeeze, which had been in operation in an intensified form since the middle of 1955, began to have a noticeable effect on the economy of the country. Bank advances and hire-purchase borrowing were falling, gold and dollar reserves rising, albeit slowly, and the intense demand for consumer goods showed some signs of slackening. The policy of using the interest rate and restriction of bank credit to curb domestic expenditure and so to free goods for export was, within the limited field of the private sector of the economy, having its effect. Many months had elapsed since these policies were first adopted and perhaps the lesson to be learned from our experience of their working in a modern industrial state is that they take a great deal longer than is generally realized to achieve the ends for which they are designed. Large programmes of modernization and development had been arranged in most branches of industry—both public and private—before the squeeze began and this trend, so far from being checked, was accentuated during the course of 1955, with the result that the execution of these programmes in the prevailing conditions has imposed, and is likely for a considerable period to impose, an excessive strain on our productive resources.

The banks have had many difficult problems to face and decisions to make in carrying out the task of reducing the volume of bank lending with the minimum of inconvenience and hardship to the public who are our customers. It is worth noting that, despite the inflation which has occurred, the advances of the clearing banks are less today than they were five years ago. We shall welcome the day when the restriction of bank lending as an economic weapon is no longer necessary.

The close consultation which is maintained between the Bank of England and the banking industry is of the utmost value in conditions such as we are experiencing at this time.

BUDGET ESTIMATES

Mr Macmillan introduced a Budget last April among the main features of which was a total expenditure "above" and "below the line" of £5,766 million, of which £1,499 million was in respect of defence. The "above the line" estimates showed a prospective surplus of £460 million. The prospective deficit "below the line" was £453 million without taking account of the needs of the nationalized industries, estimated at £350 million. The decision to finance these needs from the Exchequer resulted in an overall prospective deficit of £343 million, but there would have been a small surplus if the financing of the nationalized industries had been excluded. This compares with a realized deficit of £141 million for 1955/56; £68 million for 1954/55 and an average of £220 million in the past five years, *exclusive* of the financing of the nationalized industries (other than the Coal Board—which has always been financed in this way). Thus, the estimates this year show a welcome move towards an overall balance in the national accounts.

The statement, made by Mr Macmillan as Chancellor, that the deficit "below the line" will be substantially lower than originally anticipated and that the overall outturn of the Budget will be better, and not worse, than he had forecast is all the more encouraging. The danger of inflation, which has been such a menace to our economic life since the war, cannot be exorcized until such an overall balance is achieved and regularly maintained. The effort to cut expenditure by £100 million, though modest when set against the background of the total of Government expenditure, is welcome. It is to be hoped that, despite the cost of the military operations in the Middle East, this policy of retrenchment will continue. Far greater economies in Government expenditure of all kinds are urgently necessary and the overall balance of the Budget should be achieved by such economies rather than by increasing the present excessive burden of taxation.

EMPHASIS ON SAVINGS

In his Budget speech last April, Mr Macmillan laid emphasis on savings. The need for this movement has never been greater than it is at present. It is satisfactory to see that savings are increasing. During the period April 1st to December 31st net receipts from National Savings Certificates, Defence Bonds and Premium Bonds amounted to £66.1 million, of which Premium Bonds accounted for £51.5 million. From March 31st to November 30th deposits in the Trustee Savings Banks and the Post Office Savings Bank increased by £32.1 million—a satisfactory achievement.

REASSURING MEASURES

Any survey of events during 1956 must be dominated by the Suez crisis and the strains upon the economy of Europe to which it has given rise. At this time many of these effects have probably not made themselves felt to their full extent. Clearly, sterling has been under exceptional pressure during November and December, as the movements in the gold and dollar reserves show. But the measures taken to increase our available reserves and especially the credits arranged with the International Monetary Fund are reassuring. Taken with Mr Macmillan's statement that over the year July 1, 1956 to June 30, 1957 our external current trading account will be roughly in balance, it is clear that fears of a devaluation of sterling have no justification. Her Majesty's Government have emphasized that they will take all necessary steps to maintain the exchange value of the pound, and it is salutary that their determined policy in this vital matter has the support of all parties.

CONCENTRATION ON EXPORTS

Any forecast of economic conditions in 1957 would be a rash venture at this time. Our economy is so intimately bound up with oil that any doubt about the supply of oil must dominate consideration of our trading prospects. One thing, however, seems clear. We must keep consumer demand at home in check and concentrate on production for export, and we must do our utmost to prevent an increase in the costs of production which will price us out of the export markets. Only by earning a substantial balance of export proceeds over import costs can we hope to rebuild the gold and dollar reserves we have lost and to make these reserves adequate in relation to the liabilities of this country as the banker to the sterling area. It should be borne in mind that half of the world's trade is still conducted in sterling.

APEX (TRINIDAD) OILFIELDS, LIMITED

The thirty-seventh annual general meeting of Apex (Trinidad) Oilfields Limited was held on January 23rd in London.

Mr F. R. Cottell, chairman, in submitting the accounts for the year ended September 30, 1956, said that after provision for depreciation of fixed assets, net oil revenue was £1,347,000.

After providing £833,000 for taxation in Trinidad and the United Kingdom, the net profit for the year was £616,000.

The Directors recommended the payment of a final dividend of 1s. 6d. free of income tax per 5s. unit of stock requiring £330,000, making a total dividend for the year of 1s. 9d. free of income tax per unit of stock. The dividend would be paid on January 30, 1957.

Capital and reserves employed in the business totalled £5,622,000 and current assets at £6,132,000 exceeded current liabilities and future taxation by £4,238,000.

The production for the year was 2,972,000 barrels of crude oil and 3,749,000 gallons of casinghead gasolene.

During the year 110,462 feet were drilled. Eighteen wells were drilled in the Main Field, 3 in the Synclinal area and 1 in the Cedros area of the south-west Peninsula.

The price received for oil and casinghead gasolene continued to be on a basis related to United States prices and was virtually unchanged for the year under review.

The decrease in the revenue was accounted for only in part by the slight fall in production, the main factor being the further rise in expenses.

The report was adopted.

The Trust Company of Cuba

HABANA, CUBA

BOARD OF DIRECTORS

AGUSTIN BATISTA
President and Chairman of the Board

ANTONIO RANGEL
Chairman Executive Committee

JOSE I. DE LA CAMARA
Vice Chairman of the Board

GONZALO R. ARELLANO
President, Por Larrañaga Fábrica de Tabacos, S. A.

JORGE BARROSO
President, Cia. Azucarera Central Cuba

JULIO BATISTA
Secretary

JOSE M. BOSCH
President, Cia. Ron Bacardi, S. A.

EUTIMIO FALLA
Sucesión de L. Falla Gutiérrez

ALFONSO FANJUL
Vice President, Cuban Trading Company

PAUL MENDOZA
President, Banco Hipotecario Mendoza

JUAN J. MARABOTTO
Vice Chairman Executive Committee

JOSE A. MESTRE
Manager

LUIS RANGEL
Vice President

CESAR RODRIGUEZ
President, Almacenes Ultra, S. A.

HUMBERTO SOLIS
Secretary, Solis Entrialgo y Cia., S. A.

CONDENSED STATEMENT OF CONDITION AS OF DECEMBER 31, 1956

ASSETS

Cash on Hand, in Banco Nacional de Cuba and Due from Banks	$ 70.959,310.70
Republic of Cuba Bonds and Other Public Securities	57.829,300.00
Stock of Banco Nacional de Cuba	488,000.00
Other Securities	2.332,909.77
Loans and Discounts	69.060,280.16
Banking Premises	2.972,752.24
Customers' Liability on Acceptances	3.212,012.06
Items in Transit with Branches	6.528,002.81
Other Assets	2.854,726.02
	$216.237,293.76

LIABILITIES

Deposits	$201.225,980.23
Acceptances under Letters of Credit	3.212,012.06
Other Liabilities	452,302.15

Capital Funds:

Capital	$ 5.000,000.00	
Surplus	6.000,000.00	
Undivided Profits	346,999.32	11.346,999.32
		$216.237,293.76

DEPOSITS		CAPITAL FUNDS	
December 31, 1956	$201.225,980.23	December 31, 1956	$ 11.346,999.32
December 30, 1955	174.557,736.31	December 30, 1955	10.463,536.22

WESTMINSTER BANK LIMITED

IMPROVEMENT IN EARNINGS

POSSIBLE BENEFITS FROM EUROPEAN FREE TRADE

LORD ALDENHAM ON SUEZ ACTION

The annual general meeting of Westminster Bank Limited will be held on February 13th at the head office, 41, Lothbury, London, E.C.

The following are extracts from the statement by the Chairman, The Right Honourable Lord Aldenham, circulated with the report and accounts for the year to December 31, 1956 :

During the year 1956 Mr Walter Worboys, a director of Imperial Chemical Industries, joined our Board, and has already proved to be a most valuable addition. Two of our colleagues, Lord Weeks and Sir Austen Anderson, received well deserved recognition of their services to the nation in the Birthday Honours List.

The Accounts for the year reveal an increase of £156,000 in our profits, an increase which is in the main attributable to the higher interest rates ruling since last February.

SATISFACTORY EXPANSION

Our Current, Deposit and Other Accounts have risen by nearly £6 million. You will recollect that this time last year I had to report a fall in this item of nearly £65 million, the result of the stringent monetary and credit policies introduced by the Government during 1955.

On the other side of the balance sheet the rise of approximately £6 million in Advances may at first seem somewhat out of line with present policy. This is not the case, however, for it is more than accounted for by the increase in our lending to the Nationalised Industries. Much as we should have liked to have been allowed to go our own way in this important side of our activities, we have continued to play our part in the credit squeeze in accordance with the Government's wishes.

Whilst our earnings have improved, the rise last February in the Bank rate not only had the immediate effect of increasing rates of interest on advances generally, but also resulted in an increase in the rate paid on deposit accounts—a fact which customers were not slow in recognising.

INVESTMENTS

Regarding Investments, our other main earning asset, we accepted redemptions during the year which, after a measure of reinvestment, reduced our figures by nearly £7 million.

The deficiency in the market value of our British Government securities is less than it was in December 1955. During a particularly difficult year, both economically and politically, the gilt-edged market has fluctuated violently and it is, and has been, very comforting to know that our Government securities are all dated, the great majority maturing within ten years, and that unless circumstances were to enforce untimely realisations, the whole deficiency, and indeed much more than that, would be recovered.

EXPENDITURE

Our principal item of expenditure continues to be that comprising payments made to or for the benefit of staff such as salaries, wages and pension fund allocations. With a serving staff of over 13,000, and the number of pensioners and annuitants increasing and now totalling over 3,500, it will not surprise you to know that these costs have grown once again—and materially—largely as a result of the introduction in January 1956 of an improved basis of remuneration for the active staff. Additionally we have continued to give greater emphasis in our consideration of rises in salaries, both annual and upon taking over new responsibilities, to the merits and achievements of the officers concerned ; we have felt that this special consideration is entirely warranted as the reward for special endeavours to augment business.

Here I should like to pay tribute to our Managers and to other members of our staff who, despite the difficulties of the day, have not forgotten that we are still in a competitive business and that we hope soon to be in even keener competition. Our business must continue to rely for its growth and prosperity upon the efforts of its officers to maintain, to improve upon, and to sell to the community—private and business alike—our high standards of service. The result of these efforts for 1956 has been extremely encouraging. I propose to digress for a few minutes to take this opportunity of telling you of certain factors which have contributed to the further progress of our Bank. Over recent years we have appreciably extended our Branch representation and thereby consolidated and improved our business. During the past year we opened 25 new banking offices. This brought the total number to 1,171 and, whilst in present economic conditions our progress in this direction may be regarded as satisfactory, I must emphasise that it in no way represents the full implementation of our plans.

MECHANISATION DEVELOPMENT

Another and very important aspect of our development over the past years has been in the field of mechanisation. I feel sure that many of you noticed the Press references last May to the completion of a scheme designed to make available to all those who bank with us, at all our Branches throughout the country, a detailed machined statement of account. We believe it is advantageous to our customers to have such a typewritten statement at their disposal indicating details of cheques paid with names of payees, credits received and day-to-day balances, representing as it does a handy and permanent record of their affairs. This achievement, for as such we regard it, is one which is unique in the field of country-wide banking and represents a milestone in our own mechanised development. It is no more than that, however, for the possibilities in this sphere are immense.

Much has been written lately on the subject of automation and electronics in banking, and in particular of the great strides made in this direction in the United States of America. That there has been a very rapid rate of progress in that country is incontrovertible but it must be remembered that conditions there are not readily comparable with those obtaining in this country where the basis is a widely dispersed Branch system. We have problems not encountered by our friends in the United States but we can, nevertheless, learn much from a study of their methods, machines and processes.

With this thought in our minds, we sent three senior officials of our Bank on a mission to the United States and Canada for a period of three months in the latter half of the year and we are most grateful to our banking friends there for the help which they gave to them. They have brought back a great deal of interesting and useful information and we hope in due time to derive considerable benefit from their visit and indeed from the further visits which will from time to time be necessary in order to keep us up to date. Inevitably, progress towards the ultimate goal of the maximum possible use of automation and electronics consistent with the highest standards of service, working conditions and economic efficiency, will be gradual, but in the meantime we shall continue the installation of such mechanical and photographic aids as prove useful.

At this point, it would be appropriate to mention that a large number of our staff who are engaged daily in the operation of machines and other equipment readily appreciate that the full advantage we have taken of new and practical developments in the field of mechanisation has greatly improved their working conditions and has provided them with the opportunity to offer our customers the best banking service available. Moreover this mechanised development has enabled us to refrain from making undue demands upon the labour market, notwithstanding the opening of new Branches and the gratifying expansion in our business activity generally.

FOREIGN BUSINESS AT HIGH LEVEL

I am pleased to be able to tell you that our foreign business has continued at a high level. I have in recent years made it a practice to report in this Statement on any overseas tours undertaken by our senior officers in furtherance of our desire to expand our business abroad. During 1956 members of our Foreign Branch Management covered a wide area in South America and Europe. These tours, I feel sure, are of very great value to our Bank, and I again commend the zeal and initiative of the officers concerned.

Our subsidiary, the Ulster Bank, has again had a successful year's trading. Mr Sloan has taken the place of Mr Cochrane as the senior Director, and we know that he shares the spirit of enthusiasm which pervades the whole of our organisation. Mr Cochrane is now enjoying his well-merited retirement and can look back with pride and satisfaction upon his 47½ years' service with the Bank.

You will notice that Westminster Foreign Bank is showing improved results ; here again it is a pleasure to record our appreciation of the efforts of Mr Rabino and the many hundreds of our staff to further our business in France and Belgium. It may well be that they will in the future have an even greater scope for the exercise of their skill and initiative and I feel sure that they will see to it that our Bank plays a full part in any expanded business activity which may in due

time result from the present discussions for a European Free Trade Area.

MIDDLE EAST CRISIS

The closing months of 1956 were darkened by the Suez Canal crisis, and it is as yet impossible to measure the economic consequences to this country of our joint action with the French in stopping the spread of war in the Middle East. But we should remember also that we shall never be able to measure what the consequences would have been had we been content to drift along, leaving the war unchecked, and leaving Egypt to continue her open defiance of the views of the United Nations on the proper use of the Canal.

All the possible courses of action were fraught with danger for this country: nothing but a choice of evils lay before our Government. The action that we did take angered the Government of the United States, and their criticism of our action angered us. It is most heartening that already the difference between the views of the two Governments as to what should be done in the Middle East seems to be lessening. Both nations must certainly regard the restoration of the unity and strength of Nato as the most important task of all for 1957.

The shock caused by the Middle East crisis coming so suddenly to a head has been all the more disappointing in the light of the economic improvement here during the first half of 1956. Both the value and the volume of our exports had steadily increased, and the gap between our exports and our imports had been narrowed in spite of the restrictions which two of our best customers, Australia and New Zealand, had been compelled to enforce. It was especially pleasing that our exports to the dollar area had grown, and that we had got nearer to paying for our essential dollar imports, the rate of growth of our exports to Canada having been more striking than that to any other of our main customers.

NINE YEARS OF ACHIEVEMENT

It is never very convincing to compare one year's figures with those of its immediate predecessor, but looking back over only nine years, it is surely a very fine achievement to have nearly doubled the volume, and nearly trebled the value of our exports.

Our gold and dollar reserves had been steadily mounting during January to June in sharp contrast to the drain which had occurred during 1955, though it must be remembered that part of the reserves used during 1955 bought raw materials which helped to provide the big increase in our exports of manufactured goods shown during the first half of 1956. But the Suez crisis has changed all that, and the dollar gap must now be greatly increased by the purchase of oil with dollars, instead of with sterling: in addition, our production of goods for export may receive a check from shortage of fuel, and already some of our exports have been frustrated by the shortage of shipping.

In these circumstances it was not unnatural that there should be some doubts abroad as to the stability of the pound sterling; and it was therefore most satisfactory to note the prompt and effective steps taken by the Chancellor of the Exchequer to make sure that there should be no new devaluation, though it is much to be deplored that one of those steps had to be the request for a waiver of the interest due in December to Canada and the United States. But this determination to defend the present value of sterling must be backed up, not only by the borrowing of dollars, but also by appropriate action here at home by both the Government and the nation to ensure that our balance of payments position continues to justify that present value. If we as a nation can show restraint in the matter of profits and wages, and quickly restore the trading position of the first six months of 1956, we shall help to make those who doubted sterling regret their doubts, and we shall help also to avert inflation, which has rightly been described as "the harshest tax of all."

CREDIT SQUEEZE INTENSIFIED

The credit squeeze by the banks had to be maintained and even intensified during the year, and has at last been reinforced by a somewhat similar squeeze in the sector of public finance; though I still feel that, by contrast wtih the Central Government and with Local Authorities, the banks have been asked to carry more than their fair share of the task of exercising monetary restriction. The published figures of the movements in the different categories of advances show clearly that the squeeze has been selective, in that advances to farmers have been but little reduced while advances to some of our chief exporting industries have actually shown increases—but these increases have been much more than offset by the decreases to those industries which are deemed to be less essential to the maintenance of the balance of payments. This selective nature of advances policy has already gone a little way towards enabling the most essential industries to attract more labour. It is sincerely to be hoped that in the relatively near future we shall be enabled to judge all applications for assistance purely on their merits from a banking standpoint and not with the spectre of "directives" looking over our shoulders.

It is natural for employers to wish to retain their best workpeople by working short time when markets are poor, but it is clearly very wasteful of the nation's resources at a time like the present when many jobs are left unfilled; and it is therefore a good thing that some steps towards making notices of redundancy less painful have been achieved in recent months.

BETTERMENT OF FACTORIES AND PLANT

Great progress has been made in bettering our factories and plant during 1955 and 1956, and, judging by plans already approved, that progress should continue during 1957. An important and far-seeing step has been taken by many leading industrialists in setting up a fund to assist in the training of more technicians for the management of those improved factories. Money is needed for both these purposes if we are to maintain and improve our competitive position; and that money must come from savings.

It was therefore wise of the Chancellor to lay so much stress on savings in his April Budget: and the stress was not only verbal, for he made the rewards of saving more attractive and endeavoured to establish his "plateau" of a stable price level in order to ensure that such savings would not lose their purchasing power.

The several channels of National Savings which were favourably affected by the Budget measures have all shown increased figures; but these increases have no doubt been drawn in part from savings which already existed in other forms, and they have not been sufficient to achieve much check to personal consumption, which has again risen a little both in volume and in value.

PRODUCTION OF MANUFACTURED GOODS

In spite of three favourable features—the improvement of our fixed assets, the larger number in civil employment than ever before, and the fewer man-hours lost in labour disputes—production of manufactured goods has not increased during 1956. Part of the explanation of this apparent contradiction lies in the fact that the overall figures for employment conceal a good deal of short-time working, particularly in the motor industry. But this is not the whole story. Government policy has aimed at securing a redeployment of manpower, reducing the numbers engaged in the manufacture of consumer goods and diverting them to the production of capital goods and to the export industries. During 1956 this process has been going on and the lag in production that has occurred is part of the price that we are having to pay to secure a redistribution of manpower.

Though our exports have increased, that has been achieved in a larger total of international trade, and some part of our percentage in that larger total has been lost to West Germany. It is to be feared that this trend will continue if we allow our costs to rise more quickly than those of Germany and the United States: judging by the retail price levels, they have again been allowed to rise rather more quickly than in those countries during the past twelve months.

Circumstances compelled the authorities to show the red light of high short-term rates of interest but, as the Governor of the Bank of England said a few months ago, we shall none of us feel comfortable until they can be reduced. They raise the cost to this country of the sterling balances held by foreigners, they hamper any attempts the Government must wish to make to fund short-term debt, and they check capital investment in industry. A small reduction in short-term rates of interest would therefore be welcomed, always provided that it can be made without giving the green light for a faster increase in our investment programme than our current savings enable us to afford.

EUROPEAN FREE TRADE AREA

One of the most interesting and most promising events of the year has been the more or less general acceptance in principle of the idea of a European Free Trade Area for manufactured goods. I believe that the creation of such an area is in the interests of this country, and that not only can we not afford to stay outside but that we should gain positive advantages from joining. Our most active competitor, West Germany, would be inside it, and such of our industries as can barely meet German competition now would inevitably lose their European markets if we were to stay outside. Our most efficient industries would benefit by such greatly increased open markets, our less efficient industries would receive a needed incentive, and throughout the Area the consumer would gain by the increase in effective competition: it is high time that the interest of the consumer should be considered. The large deficits of the Sterling Area in the European Payments Union during recent months are some indication that the project will have to be approached slowly and with many safeguards as it is bound to cause dislocation—but not, it is to be hoped, so slowly that no one will be hurt and no one be helped.

In any summary of the year 1956, it would be idle to deny that events in the Middle East have given a severe setback to the national economy, yet with so much achieved in the last few years it would be faint-hearted indeed to let that temporary setback fill us with dismay.

THE STEEL COMPANY OF WALES LIMITED

COMPANY REPORT

CHAIRMAN'S STATEMENT

MR HARALD PEAKE ANNOUNCES LOWER PROFITS BUT EXCELLENT PROGRESS WITH DEVELOPMENT

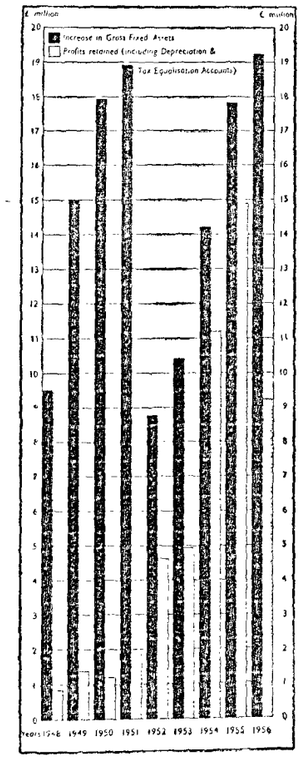
RISING OUTPUT OF TINPLATE

In a year during which excellent progress has continued to be made with development work, it is particularly disappointing to record a reduction in Trading Profit (before depreciation) from £18,313,299 to £14,228,057. The latter figure is almost identical with the 1954 result.

A year ago it seemed reasonable to hope that the higher rate of profit would at least be maintained for the reasons that important sections of the second development plan would be coming into production during the year and further improvements in production methods were being effected. The resulting profits might well have made up for the increases in costs which could then be foreseen.

The main cause of the fall in profit was the national embargo on overtime working by maintenance craftsmen which affected operations in the Steel Division from April 30th to August 7, 1956. This is estimated to have reduced the Company's production of steel ingots by 200,000 tons.

Between March and June, 1956, wage rates throughout the industry were increased by ten shillings a week. Freight charges were increased by five per cent and coal prices by six per cent. There were also increases in the prices of ingot moulds, common and refractory bricks and other articles.



The fall in profit would have been greater but for the official increases in iron, steel and tinplate prices, averaging about five per cent which became effective from May 7, 1956. These resulted from an application by the industry made in the early part of that year and based on the increased costs of imported ore and scrap.

Outstanding events of the year were the starting up of ninety additional coke ovens and of the fourth blast furnace, believed to be the largest in Europe, in January, 1956. The vast new tinplate works at Velindre, five miles north of Swansea, on which approximately £21 million is being spent, started production on a small scale in July, 1956. Units of these magnitudes take some months to achieve economic rates of production.

SECOND DEVELOPMENT PLAN

At the end of the year £42,400,000 had been spent out of the total cost estimated to be £54 million. The larger units remaining to be completed under this plan are numbers eleven and twelve open hearth furnaces in the melting shop at the Abbey Works. These should be in production in 1957. There is also a considerable amount of work to be completed at Velindre before the output reaches the full capacity.

The plan was designed to raise the annual production of steel ingots to 2,400,000 tons and it is expected that this rate of production will be reached during 1958.

THIRD DEVELOPMENT PLAN

A year ago I concluded my statement by saying that the Company was playing an important part in the economic recovery of the country and that, if, in the national interest, still greater demands were made on it, I was confident that they would be met quickly and efficiently.

At that time a third development plan was in course of consideration and in March, 1956 it was possible to announce details.

In summary, provision is made for the construction at Margam of eighty additional coke ovens and a fifth blast furnace, together with three Bessemer Converters. These are designed to increase the annual production of steel ingots from 2,400,000 to 3,000,000 tons. The existing slabbing mill will be modified to enable it to handle the increased quantity of ingots. A proportionate increase in finished products will be achieved by the installation of a new 4-stand cold reduction mill to process light gauge sheets.

It is estimated that the plan will be completed towards the end of 1959 and that it will cost approximately £50 million. A substantial proportion will be found from internal resources.

Contracts for a large part of the work have now been signed. Good progress has been made with the preparation of the sites and the driving of concrete piles to carry foundations.

Actual expenditure incurred during the year on the third development plan amounted to £747,000.

CAPITAL STRUCTURE

The only change during the year in the share and loan capital is the increase of £12,600,000 from £27,400,000 to £40 million in the loan from the Iron and Steel Holding and Realisation Agency.

Expenditure on fixed assets during the year amounted to £19,229,632 compared with £17,794,543 during the previous year.

Profits retained during the year (including depreciation, amounts set aside for future taxation and transfers to fixed assets replacement reserve) amounted to £9,216,927 compared with £14,888,613 during the previous year.

At the end of the year the average rate of dividend and interest being paid on the ordinary shares, debenture stock and the loans was 5¼ per cent.

The £15 million 3 per cent First Mortgage Debenture Stock becomes due for repayment at 101 per cent on July 16, 1957. It is too early to say how this matter will be dealt with but an announcement will be made at the earliest possible date.

THE ACCOUNTS

The Consolidated Profit and Loss Account summarises the results of the year's trading. Reference has already been made to the reduction in trading profit. Provision for depreciation increases in proportion to the additions to fixed assets.

Interest on loans has increased by £1,166,510 following the raising of interest rates by the Agency and by the Finance Corporation in March and April, 1956.

The amount provided for taxation this year is £1,950,000 compared with £5,650,000 for last year—a reduction of £3,700,000 due to the lower profit and to the fact that the charge for the year has been relieved to the extent of £1,300,000 arising from investment allowances.

The allocation to Fixed Assets Replacement Reserve is £1,700,000 this year compared with £1,400,000 last year.

The rate of dividend on the Ordinary Shares is again 4 per cent, being the rate prescribed for the time being by the Agency.

After making the provisions and allocations referred to above, the amount carried forward to the credit of Profit and Loss Account is increased by £1,910,868 from £7,991,373 to £9,902,241.

In the Consolidated Balance Sheet there is little that calls for comment on the liabilities side. Under "Other Creditors" the provision for current taxation is increased by £2,292,121 for the reason that for the first time in the history of the Company there is a current liability to income tax as well as profits tax.

On the assets side the "Freehold and Leasehold Land, Buildings, Plant and Machinery and Sundry Equipment at cost" have increased by £32,421,106 and "Expenditure to date on Plant not yet in operation" has decreased by £14,859,483, making a net increase during the year on the two headings of £17,561,623.

Increases of £1,828,785 in the value of "Loose Plant and Tools" and of £5,214,040 in "Stocks and Stores" reflect the larger requirements resulting from the starting up of new production units. Increased prices are also a contributory factor.

Amounts due by other Subsidiary Companies of the Agency and "Other Debtors and Prepayments" require to be taken together. The large variations result from the Company having set up its own selling organisation in the spring of 1956. In view of the continuing increase in annual turnover it is satisfactory to report a reduction of £320,284 under these headings.

STEEL DIVISION

The Division has had an exceptionally busy, difficult, but in many ways successful year. The lighting up of the new coke ovens, the fourth blast furnace and two of the new open hearth furnaces were all major operations and it is satisfactory to report that all of them have now achieved the outputs for which they were designed.

As a result of starting up the new battery of coke ovens the output of coke increased from 720,000 tons to 956,000 tons. The opportunity was subsequently taken to put in hand the replacement of a number of the older ovens.

The production of No. 4 blast furnace enabled No. 2 blast furnace to be laid off and relined during the second half of the year. This has now been blown in and No. 3 blast furnace has in turn been laid off for relining. So far as the capacity for production of iron is concerned the position is tremendously improved as compared with a year ago. The actual output of pig iron increased from 943,000 tons to 1,018,000 tons during the year.

The output of steel ingots fell from 1,748,000 tons to 1,729,000 tons. But for the embargo on overtime by the craftsmen, which has already been referred to, the output would have exceeded 1,900,000 tons. The national dispute affecting the wages of craftsmen employed on maintenance work was the subject of a Court of Inquiry appointed by the Minister of Labour and National Service. It is estimated that the loss of output resulting from the embargo accounted for a reduction in the profit for the year of £2,900,000 and that the wages lost by the workpeople during the period of the embargo amounted to over £500,000.

TINPLATE DIVISION

The highlight of the year was the coming into operation of the cold reduction tinplate plant at Velindre in July, 1956. Started in July, 1953, this works is designed to produce 450,000 tons of tinplate a year thereby doubling the present output of cold reduced tinplate. The designed capacity will not be reached until 1958 but production is building up month by month—slightly ahead of schedule.

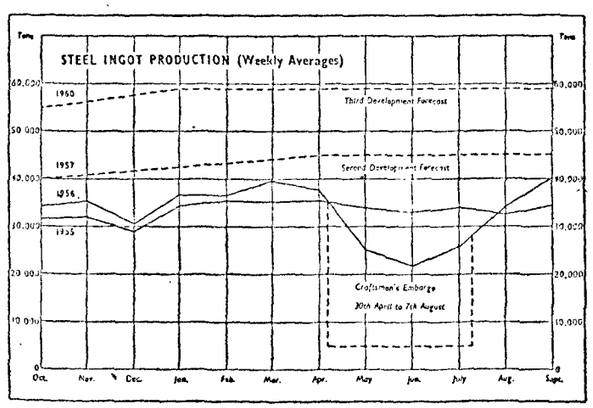
The works at Trostre has more than fulfilled expectations and the quality of tinplate has never been better.

The old type hand mills have continued to make a valuable contribution towards meeting market requirements. With the increase in production at Velindre, a reduction in the demand for hand mills tinplate is to be expected. Not only is the cost of production at the hand mills substantially higher than at the strip mill, but the quality of the tinplate is less popular with customers.

NEWPORT DIVISION

At the Orb Works 2,260 persons are employed on the production of a complete range of electrical sheets and also in the production of galvanised sheets. A large part of the raw material is obtained from the Steel Division in the form of coiled strip. In the well-equipped laboratories much research work is done relating to the properties of the highly specialised electrical sheets for which there is an increasing demand in industry and of which this Works supplies over 50 per cent of the home market.

During the year £430,000 has been spent towards the £2 million sanctioned for the development of new processes.



MARKETS

The demand for the Company's products remained good up to the end of the financial year.

During the past year steel sheets, steel plates or tinplates have been exported to sixteen countries in the British Commonwealth and, in addition, to twenty-six foreign countries. These exports accounted for 21 per cent of the turnover of the Company last year.

In all of these countries personal investigations have been made into market requirements and questions of quality, packing and delivery have been discussed. Generally speaking the prospects for increased exports are excellent.

EMPLOYEES

The Company now employs on operations 22,350 men and women compared with 20,750 a year ago. The number of men employed on new construction is 5,140 compared with 5,750 last year.

It is interesting to compare the number of men and women employed totalling 22,350 with the net value of total fixed assets in the balance sheet amounting to £119,283,175. This shows that for every employee, whether chairman, technician, newly joined apprentice or canteen waitress, an average capital investment of over £5,000 has been made to provide the plant, tools and amenities for production. This fact should bring home to all of us the confidence which a large body of people have placed in us and also the obligation that is placed upon every one of us to see that the confidence is fully justified.

In spite of the rapid rate of expansion in the number of employees a strong team spirit is being developed, backed by a determination that SCW will become known throughout the markets of the world as a hall-mark of fine quality and of good service.

MILFORD HAVEN

Since the close of the financial year the Company has entered into an agreement, jointly with Guest Keen Iron & Steel Company Limited, to acquire a site on the south side of Milford Haven suitable for the discharge and transhipment of ore from ships of the largest tonnage that can at present be envisaged. No early developments are projected. The Directors are of the opinion that this is a wise provision for possible future requirements.

PROSPECTS

The economic consequences of the blocking of the Suez Canal are far reaching and users of our products are being adversely affected, more particularly in the motor industry. This has led to a reduction in the demand for steel sheets. The demand for plate and tinplate continues to be good. On the production side we may have to contemplate a further reduction in oil supplies, and the necessity to utilise larger quantities of pitch and creosote mixture. There have been substantial increases in freights, and costs tend to rise in other directions.

Some relief will be derived from the increases in maximum prices announced by the Iron and Steel Board and which operated from December 17, 1956. It has been made clear by the Iron and Steel Board that the increases do not take into account any of the effects of the closing of the Suez Canal.

In spite of the difficult times in which we live and work I view the prospects of the Company with confidence.

ALEXANDERS DISCOUNT COMPANY

SIR ERIC GORE BROWNE'S STATEMENT

The eighty-ninth annual general meeting of Alexanders Discount Company Limited will be held on February 14th, in London.

The following is the circulated statement of the chairman, Sir Eric Gore Browne, DSO, OBE, TD: Once again it is my privilege to present the annual Accounts of your Company to you and to make my comments upon them.

As you will see from the Report which has been circulated to you, Mr J. P. R. Glyn has been elected Deputy-Chairman of your Company. I know that I speak for all of you as for all my colleagues and for myself in congratulating Mr Glyn on this distinction.

In the year for which we now account the Government continued to pursue a dear money policy. On February 16th the Bank Rate was raised to 5½ per cent, and this was followed in March by an issue of £300 million Exchequer Bonds, carrying interest at 5 per cent and maturing in June, 1957. You will appreciate the adverse effect which the rise in the Bank Rate had on our then current portfolio of Bills and Bonds.

In the early part of the year your Board decided to reduce the holding of short-dated Government securities, which involved a realised loss but enabled us to increase our income. We were able to take this action by the employment of reserves which had been accumulated over the years. The result is reflected not only in the 1956 Balance Sheet, but also in the Profit and Loss Account.

EFFECTIVENESS OF CLASSICAL BANK RATE THEORY

In considering the value of the classical Bank Rate theory, and its effectiveness under present-day conditions, either in combating inflation, or restoring confidence abroad in our economy, and thus attracting foreign deposits—a problem to which I referred in my statements to you both in 1954 and 1955—it must not be forgotten that in the year 1957 the Government has to meet maturing liabilities on previous bond issues of about £900 million and, if the present policy is continued, the cost of this conversion must make a considerable addition to the heavy burden which is already carried by the British taxpayer in respect of interest on the National Debt. And I must remind you that overseas holdings of sterling balances are to a very considerable extent invested in Treasury Bills. It has been stated that, mainly as a result of the increase in short-term rates in the United Kingdom, disbursements made on account of dividends, interest and profits transfers have risen to the extent of about £100 million per annum since the end of 1951, a great handicap surely to our efforts to establish a satisfactory surplus in our external account. Hence it may be argued that a high Bank Rate does in fact, in some degree, have an opposite effect to that which is generally regarded as part of its object. One thing is, I think, clear, namely, that it is in the best interests of the Government and of the British taxpayer that every possible effort should be made by all concerned to reduce short-term interest rates without undue delay. Whether this policy, if adopted, can be made effective depends not only on drastic economy in Government expenditure, but on national and international confidence in the £ sterling.

THE ACCOUNTS

Now, if you will turn to the Accounts, you will see that our capital, share premium account and general reserve, subject to Note 3, remain unchanged, that the balance carried forward is reduced to £167,000, and that our holdings in Government securities, to which I have already referred, are reduced from £53,144,924 to £32,223,649, and the Profit and Loss Account shows a balance of profit of £77,400.

We propose to recommend a final dividend of 3 per cent, less tax, on the Cumulative Preference Shares, a final dividend of 5 per cent, less tax (making 7½ per cent, less tax, for the year) on the Ordinary Shares, and to reduce our carry forward from £212,000 to £167,000. As I have so often told you, the maintenance of these dividends must depend on the results of future years.

In conclusion, I have once more to express our sincere thanks to the Banks for the unfailing consideration which they show to the London Discount Market, and to Sir Antony Macnaghten, Mr Dawkins and to all our staff for the good work which they have done for us in the year for which we now account.

ALEXANDERS DISCOUNT COMPANY LIMITED.

Statement of Accounts, 31st December, 1956

LIABILITIES

	£	£
Authorised Capital:—		
100,000 Preference Shares of £2 each and 2,400,000 Ordinary Shares of £1 each		2,600,000
Issued Capital:—		
100,000 £2 6% Cumulative Preference Shares, fully paid		200,000
2,400,000 £1 Ordinary Shares, fully paid		2,400,000
		2,600,000
Share Premium Account	533,750	
General Reserve	1,466,250	
Profit and Loss Account	167,000	
		2,167,000
		4,767,000
Loans, Deposits and Sundry Creditors (including liabilities of £88,504,569 secured on certain assets per contra)		89,150,553
Final Dividends (*less* Tax) recommended		72,450
		£93,990,003

NOTES:—
1. There is a contingent liability in respect of Bills Re-discounted excluding Treasury Bills of £2,021,295.
2. Taxation recoverable to date has been included in these accounts.
3. British Government Securities are included herein at or under cost and below their redemption values. In the aggregate, the amounts thereof exceed their market value at 31st December, 1956, by £2,632,218 (1955 £2,615,068). Provision for this difference has not been made and is regarded as unnecessary as all the securities are redeemable at fixed dates.

ASSETS

	£
Balances at Bankers and Cash in Hand	218,552
Bills Discounted (*less* Provision for Rebate)	60,191,316
British Government Securities (quoted)	32,223,649
Corporation and Dominion Government Securities (quoted)	642,615
Loans on Security and Amounts Receivable	713,871
	£93,990,003

24, LOMBARD STREET, LONDON, E.C.3

THE CHARTERHOUSE GROUP

PROFITS—MAIN SOURCE OF GROWTH

"A high standard of life must be earned by each succeeding generation and the history of our country shows that, in our case, it must be earned by increasing our trade overseas," states Sir Nutcombe Hume, KBE, MC (Chairman), in his Review which has been circulated to Stockholders of The Charterhouse Group, comprising Charterhouse Investment Trust, Charterhouse Industrial Development Company, Charterhouse Finance Corporation, Charterhouse Australia, Charterhouse Canada and S. Japhet and Company Limited.

"Peering ahead into the current year," says Sir Nutcombe Hume, "one can only feel inclined to refrain from any form of prophecy: but I share the view that Great Britain and its Commonwealth and Empire can remain great and grow in strength if we will refrain from adopting a frame of mind that the country is 'finished' or has become a second-class power. We must approach the future with the same determination as our forebears and realise that the high standard of living enjoyed by a small proportion of the world's inhabitants resident in the more highly developed countries, and this certainly includes our own, is not something to which they have any inherited right.

"There must be at least two thousand million people in the world who are living at a bare subsistence level and long for the means to buy more of the good things of life. The dramatic and exciting opportunities resulting particularly from the development of nuclear power, electronics and auto-

mation seem to indicate this as the great moment when dreams can be made to come true. If an increase of only one shilling each per week is placed in these people's hands, their aggregate spending power rises by the enormous sum of five thousand two hundred million pounds a year. There, surely, lie the markets of the future and it should not be beyond the wit of man to develop them. Governments must obviously take the lead by providing the basic needs for roads, railways, ports, electricity and other public services. Once they are available private enterprise can be relied upon to play its part.

"In this country there seems to be a welcome and necessary moderation in the pressure for increased wages and one sincerely hopes that responsible leaders of labour now realise that higher wages can only come from increased production and not from putting up prices to the consumer. Profits must always provide the main source from which growth can take place, and the theory that they are all available to pay away either to labour or to shareholders is now, I hope, exploded. No one can take out of the common pot more than he puts into it and each of us must in fact take out less, for from what is left in the pot comes the resources to bring about the development to which I have referred. The compulsory cutting back of personal spending by controls, credit squeezes and so on will not solve this problem. People themselves must be able to save and invest, and to do so the burden of taxation must be lightened."

WEBSTERS PUBLICATIONS (HOLDINGS)

SATISFACTORY TRADING PROFIT

The second annual general meeting of Websters Publications (Holdings) Limited was held on January 21st at the Waldorf Hotel, Aldwych, London, W.C., Lieutenant Colonel W. D. Gibbs, chairman, presiding.

The following is his statement, circulated with the report and accounts :

The Board have pleasure in presenting the Balance Sheet and Consolidated Accounts for the year ended August 31, 1956. During the year your Company acquired a further 3.1 per cent of the issued share capital of Websters Publications Limited, thus increasing its holding to 94.6 per cent.

In accordance with a request made at the last Annual General Meeting, shareholders were circularised on April 27, 1956, and an interim report on the first seven months' trading was given. This report referred to the unfavourable conditions resulting from the printers' dispute where production was first severely curtailed for four weeks as a result of the go-slow strike and then completely suspended for a further period of six weeks. It was estimated that a reduction in profit, amounting to £15,000, had, in consequence, been sustained; and it was mentioned that it was not possible to gauge the effect which the stoppage would have on future sales. I am sure you will agree that in the circumstances the trading profit of £88,992 is satisfactory.

The Board recommend the payment of a final dividend of 22½ per cent, making, with the 7½ per cent interim paid, a total of 30 per cent for the year.

I should like to add that the first three months of the present year are encouraging and the turnover figures are in advance of last year.

The report and accounts were adopted.

RICHARD THOMAS & BALDWINS, LIMITED

(Iron, Steel, Sheet and Tinplate Manufacturers)

SIR ERNEST LEVER'S STATEMENT

The annual general meeting of Richard Thomas & Baldwins, Limited, will be held on February 14, 1957, at 47 Park Street, London, W.

The following is the statement by the Chairman, Sir Ernest Lever, circulated with the report and accounts for the year ended September 29, 1956:

FINANCIAL RESULTS

As will be seen from the accounts, the Group profit before taxation and allocations for additional depreciation and to reserves is £8,370,245, a decrease of £1,651,175 compared with the corresponding figure for the previous year.

This decrease is made up as follows:

Decrease in manufacturing and trading profit	£1,223,810
Increase in depreciation	265,623
Decrease in dividends and interest receivable	182,903
	£1,672,341
Less : Decrease in interest on debentures and secured loans	21,166
	£1,651,175

Several causes contributed to the decline in the manufacturing and trading profit, some of them common to the industry as a whole, and others of a domestic character.

So far as the industry as a whole is concerned, it is common knowledge that during the financial year to which the accounts relate, the industry had to bear the burden of increases in wages and in raw material, freight and other costs without any offset in increased selling prices, and that labour difficulties, particularly in relation to maintenance workers, beset the industry in the course of the year. These events did not leave our Company unscathed.

A contributory cause of the fall in profits was that the running-in costs of the new 5-stand mill at Ebbw Vale, incurred during the year, had to be met. The profit at this works has also been affected by the necessity of continuing manufacturing operations while major developments were still in progress.

Readjustments consequent on the termination of the joint administration of Richard Thomas & Baldwins, Limited, and The Steel Company of Wales, Limited, reported last year, have now been completed so far as our Company is concerned.

SELLING ORGANISATIONS

Consequent on the discontinuance of the joint selling arrangements between Richard Thomas & Baldwins, Limited, and The Steel Company of Wales, Limited, the merchanting and selling Companies in Australia and New Zealand, Canada and the Argentine, have become wholly-owned subsidiaries of Richard Thomas & Baldwins, Limited.

PARTRIDGE JONES & JOHN PATON, LIMITED

Since the end of the financial year we have acquired from the Iron and Steel Holding and Realisation Agency, all the issued share capital of Partridge Jones & John Paton, Limited. Among the assets thus taken over are old-type steel, sheet and tinplate works, a dolomite quarry, two foundries and land and house property in the Ebbw Vale and Pontypool districts.

COLLIERY COMPANIES

The compensation values for the assets vested in the National Coal Board having been agreed, the following companies have been placed in voluntary liquidation:

Lancaster's Steam Coal Collieries, Ltd.
The New Sharlston Collieries Co., Ltd.
The Swansea Navigation Collieries, Ltd.

ANALYSIS OF INCOME

The following is an analysis of the income of the past trading year showing the disposal of each £1 of gross income. Out of each 20s. of gross income we expended on:

	s.	d.
Raw materials, and materials for maintenance work	12	0
Wages, salaries and remuneration generally	4	0
Miscellaneous expenses	1	4
Taxation	1	1
Depreciation		6
Retained in the business		11
Dividends, net		2
	20	0

FUTURE PROSPECTS AND DEVELOPMENT

In my statement last year I indicated that so far as long-term planning was concerned the Directors were faced with two main problems, namely, in what form and where to create new manufacturing capacity to replace out-of-date plant which will, sooner or later, have to be scrapped, and how best to make our contribution to the increase in manufacturing capacity necessary to meet estimated future demand.

In this context it is of the utmost importance to bear in mind that major developments in the Iron and Steel Industry take several years to complete and decisions as to the nature and magnitude of such developments must, therefore, not be too greatly influenced by current events and difficulties.

In common with the rest of the industry and with the Iron and Steel Board, we are satisfied that, after taking everything into account, the Iron and Steel Industry must increase its manufacturing capacity if estimated future demand is to be met and that, although there may be limiting factors to such expansion, such as the availability of raw materials, there is much that can be done. As a leading Company in the industry we must obviously play our part in this expansion.

The broad lines of our development policy have now been considered by the Directors and proposals for the first stage of such development are being discussed with the appropriate authorities. It must be borne in mind that no major schemes of development can take place in the Iron and Steel Industry without the consent of the Iron and Steel Board and, in our case, of the Iron and Steel Holding and Realisation Agency also.

The fact that proposals for major developments have been put forward should be evidence that the Directors not only have confidence that this country will recover from its present economic malaise but have clearly in mind the part that the Company must play in helping to bring this recovery about.

Schemes of the magnitude contemplated will require highly trained employees of all kinds and it is vital that steps be taken to ensure, so far as is humanly possible, that the necessary trained personnel will be available from within the Company when they are needed.

A comprehensive recruitment and training policy for management, supervisory grades and operatives has been worked out and, as part of this policy, a staff training college is being established at Stoke d'Abernon in Surrey and an apprentices' hostel at Llangattock Park in Breconshire.

RESEARCH

Since the end of the year central research collaboration between ourselves and The Steel Company of Wales, Limited has been discontinued. The Directors of your Company are, however, more convinced than ever of the importance of research to the future prosperity of the Company and the Central Laboratories at Aylesbury will be operated in future for Richard Thomas & Baldwins, Limited only.

PERSONAL

The somewhat difficult period through which we have satisfactorily passed has demanded of management, staff and workpeople a high degree of efficiency, adaptability and devotion to duty. These qualities have been abundantly manifest and your Directors accordingly wish once again to record their sincere appreciation of admirable teamwork.

Finally, I welcome to the Board Sir Hugh Beaver and Sir John Green, whose wide industrial experience is already proving of great value to the Company.

TATE & LYLE, LIMITED

AN ANALYSIS OF INCOME AND EXPENDITURE IN 1956

	£	£	*Proportion of each £1 of Income* s.	d.
GOODS AND SERVICES PURCHASED FROM OUTSIDE :—				
Raw Materials (including Duty of £11,505,099)	103,811,042		16	2½
Fuel and Power	1,751,284			3½
Packing Materials	4,598,876			8½
Other Refinery Expenses	1,356,078			2½
Other Expenses including Advertising (£48,779), Selling and Distribution	4,470,970			8½
		115,988,250		
VALUE ADDED OR NET OUTPUT :—				
Wages, Salaries, National Insurance and Employees' Benefits	6,475,939		1	0½
Provided for Renewal of Plant and Machinery and Depreciation of other Fixed Assets	1,455,693			2½
United Kingdom Taxation on Profits	2,267,480			4½
Amount placed to Reserves	934,138			1½
Dividends to Ordinary and Preference Stockholders (Net)	872,913			1½
		12,006,163		
TOTAL		£127,994,413	£1 0	0
VALUE OF EXPORT SALES (including Duty Drawback)	£5,614,970	28,354,345	4	5½
VALUE OF HOME TRADE SALES AND OTHER INCOME		99,640,068	15	6½
TOTAL INCOME		£127,994,413	£1 0	0

FLOWERS BREWERIES

INCREASED TRADE

The Fifty-ninth Annual General Meeting of Flowers Breweries Limited was held at Luton on January 21, 1957, Mr Bernard Dixon, Chairman, presiding. The following are points from his statement:

The trade of your Company shows a very substantial increase, particularly relative to the national trade figures, despite unfavourable weather.

The development of our Keg Bitter organisation is effective and a considerable amount of Flowers Original Bitter is now sold in Keg form. This development is particularly suitable to Flowers Bitter.

At this stage we are mainly concerned with the retention and increasing of our existing Original Bitter trade, which might have been affected by the development of Bottled Beer. A very large capital sum has had to be employed in providing the costly plant and equipment which is essential to this Keg development. Our long established reputation as Bitter Beer Brewers has materially assisted the progress we have made with our Original Bitter in Keg.

During the year in order to improve liquidity a Debenture of £1,170,000 was raised.

PROGRESS OF CONSOLIDATION PROGRAMME

The first phase of our consolidation programme has been completed and we are now well ahead with the second phase, which involves the consolidation of Bottled Beer production. Our existing Luton Bottling Stores is having its output increased by approximately two-thirds of its previous capacity. Great difficulties in obtaining steel and machinery has involved the Company in far greater expense than was estimated. It is anticipated that in January 1957, we will be back to normal working at our Luton Bottling Stores.

It has for long been apparent that Bottling units of greatly increased capacity would come into common use. It is clear that those Breweries who could deal with very large quantities of Bottled Beer at one point will eventually be more favourably situated from the point of view of overheads. To build entirely new buildings would involve several million pounds. All our expenditure on Bottling is building up to the use of exceptionally large capacity equipment. An example is the new ferroconcrete building now being erected at the Luton Brewery. This represents the most advanced design of stainless steel equipment for fermentation of

Beer and its subsequent treatment. The process which will be carried out in this new building is the result of many years of research on the part of our technical staff.

The new Wine and Spirit Bond was completed and came into use, together with adjoining buildings which have been developed to cope with the very considerable increase which has taken place in the sales.

We are concentrating subsidiary companies' accounts at Head Office. A major feature of this plan involves Punched Card Accountancy. Powers Samas equipment was installed during the early part of 1956.

Our overall advertising allocation has been increased by 40 per cent during the year.

CHAIN OF OFF-LICENCES

On October 1, 1956, we acquired the whole of the Ordinary Shares in Thresher and Company Limited, who operate a large chain of modern Off-licences in the Metropolitan area.

Your Company has entered into a trading agreement with Friary Meux Limited, and this will be beneficial to both Companies.

We are now substantially involved in our programme for building new Licensed premises. This is going on steadily. It will reach a peak during the next two years.

Expenditure on maintenance of Licensed properties has increased and represents a heavy charge on profits.

I am pleased to report that relations between the Company, its licensees, staff and employees continue to be on a very friendly level.

The report and accounts were adopted.

THE MIDLAND BRIGHT DRAWN STEEL AND ENGINEERING COMPANY

ANOTHER FINE ACHIEVEMENT

The tenth annual general meeting of The Midland Bright Drawn Steel and Engineering Company Limited was held on January 23rd in Birmingham, Mr H. Hipkiss, MInstBE (Chairman and Managing Director), presiding.

The following is an extract from his circulated statement :

I am happy to be able to report another exceedingly profitable year. The Group Trading Profit amounted to £356,599, as against £353,664 for 1955 ; a fine achievement when you bear in mind that the profit for 1955 showed an increase of 63½ per cent over 1954.

Last year I said that the halting of inflation presented us with one of the most pressing of our immediate problems. Since that time this has become more evident, and the effects of the continued upward movement in prices and wages are reflected in the Accounts for the present year.

The group turnover increased by nearly 8 per cent, and was the highest on record, but the benefit derived from the higher sales and increased efficiency was, however, offset by these factors.

Your Board are again recommending a final Dividend of 27½ per cent, subject to Income Tax, making a total distribution of 45 per cent for the year.

The report and accounts were adopted.

MONTAGUE BURTON LIMITED

(Tailors and Manufacturing Clothiers)

STEADY INCREASE IN SALES

POSITION CONSOLIDATED

MR LIONEL JACOBSON'S STATEMENT

The Twenty-seventh Ordinary General Meeting of Montague Burton Limited was held on January 22nd at the Registered Office of the Company, Leeds.

Mr Lionel Jacobson (the Chairman) presided.

The Secretary (Mr H. V. Evans, ACA) read the notice convening the Meeting and the report of the auditors.

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

These accounts are for a period of twelve months ending August 31, 1956. The comparative figures cover a period of seventeen months to August 31, 1955. Your Group has succeeded in returning profits for the last twelve months broadly equal to the whole of the previous period of seventeen months. That period included two spring seasons when turnover is normally at its peak. Accordingly the results now before you clearly prove that the Group has consolidated its position at the forefront of our particular industry.

GROWTH IN NORMAL OVERHEADS

Over the past three years there has been a steady growth in normal overheads, and moreover we have had to face severe expense due to the reorganisation and the general expansion of the business. It will no doubt be a source of satisfaction to you to learn that the increase in the volume of retail sales has absorbed these additional charges although today the percentage of gross profit is lower than that ruling five years ago. Whilst the Group has continued to advance we have been able to give steadily increasing value to our many hundreds of thousands of customers.

More than 250 branches have been modernised and many have been the subject of major structural alteration. Since the abolition of building restrictions we have planned and are undertaking a prudent but full programme of rebuilding on new and war-damaged sites.

PLANT MODERNISATION

There has been a steady increase in sales figures throughout the retail organisation Two new Works have been opened, considerable modernisation and replacement of plant and machinery carried out. There is in consequence an increase of £1,442,121 in the property, plant, fixtures, etc., of the Group.

Works' output is more closely aligned to Group requirements and the manufacturing organisation makes a healthy contribution to the overall success of the Group.

You will remember that last year the Group had suffered from an acute shortage of ready-to-wear garments. This position has now been corrected and stocks are a little higher than last year but are now in conformity with the general requirements of the business.

The effect of the year's trading has been to add some £552,953 to Group revenue reserves after providing for all taxation on profits earned to date, dividends, appropriations amounting to £108,269 for the redemption of Debentures and Preference shares and £55,000 as an additional contribution to Pension Funds. I feel, therefore, we have reason to be satisfied with the accounts now presented.

TRAINING CENTRE AT GUISBOROUGH

You will be interested to know that the Group has endowed and equipped a Clothing Management Training Centre at Guisborough. This is a non-profit-making enterprise, the intention being to create an establishment to provide opportunities for learning, discussion and interchange of experience between young men from the various divisions of our manufacturing organisation and thus to equip for managerial positions those younger men who in their everyday work reveal capacity and enthusiasm. This College is not confined to our own employees who will benefit from their association with men from other undertakings. The College makes provision for a twelve-months course for some sixteen resident students. We are confident that in pursuing a policy of diffusion of experience and knowledge beyond the limits of Technical Institutes we shall make a valuable contribution to the future management of our organisation and the industry as a whole.

The Works' Pension scheme mentioned last year came into operation on January 1, 1956, and the proportionate cost of the scheme from that date has been charged to the accounts. The suggested amendments to the Staff scheme are still the subject of discussion with the Revenue Authorities, but should be resolved in the very near future.

CONFIDENCE IN THE FUTURE

It is customary for the Chairman to make some forecast with regard to the future. I am always reluctant to do so and in these uncertain times I feel it is sufficient to state that between the end of the financial year and the date of preparation of these accounts the turnover of all companies within the Group continues to give cause for satisfaction and reasonable confidence in the future.

It is my privilege at the conclusion of my first year as Chairman to present these accounts to you and at the same time to extend my grateful thanks and appreciation for the loyal support of my colleagues, staff, and personnel of both our Retail and Manufacturing divisions.

The report and accounts were unanimously adopted. The Directors retiring in accordance with the Articles of Association were re-elected to the Board and Messrs Price Waterhouse & Company and Messrs Volans, Leach & Schofield were reappointed auditors.

The Meeting concluded with a vote of thanks to the Chairman.

ALFRED CASE & CO., LIMITED

(Non-Ferrous Rolled Metal Manufacturers)

The nineteenth annual general meeting of Alfred Case & Company, Limited, was held January 12th in Birmingham, Mr K. E. West (chairman and managing director) presiding.

The following is his circulated statement: During the past year the turnover of the Company showed an increase on the previous year, though there was a slight reduction in the tonnage of metal produced. The market prices of metals fluctuated considerably (in the case of copper between £264 and £437 per ton) and it was not always possible to cover rises in the costs of production.

Having regard to the difficulties in trading, outside our control, the Directors consider that the results for the year are satisfactory. After providing for Taxation and for the Dividend of 25 per cent, the carry forward balance in the Profit and Loss Account has been increased by approximately £18,000, thus adding to the strength of the Company's reserves.

During the year the Directors appointed Mr T. M. West to the Board. Mr T. M. West has held an executive position with the Company for a number of years. The service contracts with the other three Directors expired on September 30, 1956, and, at his own request, Mr H. A. West gave up his position as Chairman and Managing Director. On the unanimous proposition of the Board I was appointed to both these offices in his place.

Mr H. A. West has worked full time in the business for over twenty years and has been Chairman and Managing Director since the business became a public Company. On behalf of the Board I wish to thank Mr H. A. West for his services to the Company over these years. He has agreed to continue service with the Company for a further five years and I am fortunate in knowing that his advice and considerable experience of the trade will be available to me.

All the Directors who were under service contracts have accepted new contracts for a further five years, but Mr H. A. West is not now required to devote himself whole time to the service of the Company. There has been some rearrangement of remuneration, but on the basis of the profit of last year the aggregate future remuneration of the Directors will not exceed the aggregate remuneration under the former agreements, after taking into account the remuneration of Mr T. M. West as a former executive.

Present orders on hand are encouraging and the Company is well equipped to deal with them.

The Company's employees, Management, Staff and Operatives have again rendered excellent service throughout the year and I thank them for their continued loyalty.

The report was adopted.

H. & G. SIMONDS, LIMITED

SUBSTANTIALLY INCREASED EARNINGS

HOME AND OVERSEAS SALES EXPANSION

The Annual General Meeting of H. & G. Simonds, Limited, was held on January 21st at Reading.

General Sir Miles Dempsey, Chairman, presided. The following are extracts from his circulated statement.

FINANCE

The balance from trading during the year showed a substantial increase at £1,016,185. This improved result reflects a greater quantity of beers and wines and spirits sold, together with larger profits from the managed house side of our business.

Production and distribution costs have risen again. On the other hand, there were several favourable factors which helped our profits, chief amongst them being the lower price of barley and the inclusion of a full year's trading results of the Octagon Brewery against nine months in the previous year.

The profit before taxation was £763,976, as compared with £629,162 for the previous year. The profit after taxation was £28,103 higher at £328,119. The Board are convinced that it is in the best interests of stockholders to maintain the ordinary dividend at the same rate as for the past four years and to strengthen the working capital by ploughing back a greater proportion of the profits.

TRADE

Our sales of beer showed a further increase during the year, due in part to the additional Octagon trade. On the home market bottled beer now represents as much as 49 per cent of our total output.

Our export trade showed a welcome improvement in which sales of our "Tavern Ale" in cans played no small part. We are confident that this product has an important future.

Once again our wa... increased substantially. ...pirit trade in-

It is impossible to make any forec... the future which is overcast by the international situation. The indications are, however, that the rationing of fuel alone will cause a fairly severe contraction in our business, which depends largely on the prosperity of industry as a whole, and to a lesser extent on the freedom of the public to travel by road.

LICENSED PROPERTIES

In common with most brewers, we find that the shifting pattern of the population, out of the centres of overcrowded towns into new towns and housing estates is likely to involve us in great expense, and we realise that over the next several years it will be necessary to find substantial sums of money out of our retained profits in order to finance new construction.

Our Hotels and Catering Department celebrated the twenty-first year of its existence by achieving a record turnover and profit and by the opening of the "Chevalier" at Exeter, a fine house in the modern manner, whose bars and restaurants we commend to any who may be travelling in the west country.

We have continued to expand the retail business under the name of Arthur Cooper during the year and now have 42 off-licence shops under our control ; more are planned. We are satisfied with the progress made in this enterprise.

PLANT

A number of improvements has been completed or put in hand during the year, which also witnessed at last the opening of our new bottling stores at Newport.

The continued pressure of our trade in bottled, and more recently in canned beer, together with the rising labour costs, have obliged us to consider further expansion and increased efficiency in our plant.

ASSOCIATED COMPANIES

Dividends and interest from our investments overseas again showed an increase.

STAFF

Once again we have received the most loyal support from our staff and employees, tenants and managers. To them all I give our thanks and appreciation.

The report and accounts were adopted and the retiring Director re-elected.

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APPOINTMENTS

BUCKINGHAMSHIRE EDUCATION COMMITTEE

SLOUGH COLLEGE OF FURTHER EDUCATION

(Principal: R. Fear, M.Sc., M.A.)

Applications are invited from suitably qualified persons for the post of Senior Lecturer in Management Studies. Salary will be paid in accordance with the Report of the Burnham Committee (Silver Scales) of Salaries for Teachers in Establishments of Further Education, 1956. (£1,350 x £50 to £1,550.)

Further particulars and application forms may be obtained from the Principal, College of Further Education, William Street, Slough, Bucks, to whom completed forms must be returned within two weeks of the appearance of this advertisement.

AN AMERICAN ORGANISATION IS EXPANDING ITS ACTIVITIES IN INDIA

A European Financial Executive is required to direct the financial activities of the Indian Company in Bombay. The position would suit a man between 25-35, with a financial background, who is anxious to commence or continue a career in India. A knowledge of Company Law would be advantageous. The work will include recruiting suitable Indian Staff and dealing with all matters which normally come within the scope of Treasurer, Accountant or Controller. A challenging opportunity for the right man. The position, which will ultimately qualify for a seat on the Board, is one of trust and responsibility, and requires initiative and patience. Salary, not less than £3,000 per annum, will be commensurate with qualifications, responsibility and personality considerations in India.—Write, Box E 504, L.P.E., 55 St. Martin's Lane, London, W.C.2.

INTERNATIONAL TRADE UNION organisation (London headquarters) offers position as Translator/Interpreter/Reporter/Secretary post with non-contributory superannuation scheme. Three weeks' annual paid holiday. Applicants, whose mother-tongue should be English, must be able to translate and interpret from French, German and one or more Scandinavian languages. Should also be capable of producing reports and minutes of meetings. Previous trade union experience an asset. —Applications, stating age, qualifications, previous experience and salary required, together with references, should be forwarded to Box 611.

CENTRAL ELECTRICITY AUTHORITY

HEADQUARTERS

require the following in the Station Development Sub-Branch in London:

(a) SECOND ASSISTANT ENGINEER.
(b) THIRD ASSISTANT ENGINEER.
(c) FOURTH ASSISTANT ENGINEER.

The Sub-Branch is responsible for the planning of generating capacity throughout England and Wales; selection of station sites to implement the Nuclear Power Programme; selection of sites for ordinary power stations; obtaining statutory and other consents for both.

Candidates should possess an Honours Degree or qualifications for membership of the I.Mech.E., I.C.E. or I.E.E., and, preferably, experience of economic studies or the problems of siting power stations, e.g., geology, ground exploration, thermal and hydraulic aspects of the use of river and sea water for cooling purposes, discharge and dispersal of chimney emissions or questions of town and country planning.

Salaries within scales:
(a) £1,045—£1,395 p.a.
(b) £977—£1,190 p.a.
(c) £772—£956 p.a.
according to ability.

Application forms (AE.6), obtainable from D. Moffat, Director of Establishments, Wimley Street, London, W.1, should be returned by February 8th. Quote Ref. E/25.

ASSISTANT STATISTICIANS

required by N.C.B.'s Statistics Branch (Technical Section) at London Headquarters. A degree in mathematical statistics, or in mathematics with appropriate qualifications in statistics is required. Experience in the application of statistical techniques and a knowledge of punch card equipment is desirable. Appointments (superannuable) according to qualifications and experience within inclusive ranges £1,006-£1,286 male, or £834-£1,031 female.

Write, with full particulars of age, education, qualifications and experience, to National Coal Board, Staff Dept., Hobart House, London, S.W.1, marking envelope X/5741E, before February 11, 1957.

IBM UNITED KINGDOM LIMITED, manufacturers and distributors of Punched Card Accounting Equipment and Electronic Data Processing Machines, require men of the highest calibre for intensely interesting work, comprising the investigation of accounting and book-keeping methods and systems, the preparation of reports and proposals, and the subsequent installation of recommended machine accounting methods. Applicants should be under 35 years, preferably with a degree or professional qualification, or with a wide experience of commercial and/or industrial systems and methods, or experience in a large Punched Card installation. Recent graduates without experience will, however, be considered. Nine to eighteen months' training is given, and salaries, based on individual earnings and requirements, are paid during this period. Subsequent earnings will be in the very high income group.—Applicants for the next course (April, 1957) should write, giving full particulars of education, qualifications and experience, to the Personnel Manager, 101 Wigmore Street, London, W.1, quoting Reference E.M./7.

ASSESSORS required for Investigation Branch of East African Income Tax Department on two years' probation for admission to permanent and pensionable establishment. Salary according to age and experience in scale including Inducement Pay, £939, rising to £1,563 a year. Outfit allowance, £30 in certain circumstances. Free passages. Liberal leave on full salary. Candidates, not over 35, must be members of a recognised body of professional accountants, preferably with experience of tax work.—Write to the Crown Agents, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience, and quote M1B/43/70 D.N.

QUALIFIED INTERNAL AUDITOR is required by old-established firm near Morecambe. Permanent, pensionable position. Full details of age, training, experience and salary required.—Box 606.

FINANCIAL CONTROLLER

required for
CUMMINS ENGINE COMPANY LIMITED,
an American subsidiary company, establishing facilities for manufacturing high-speed diesel engines, in Shotts, Lanarkshire, Scotland, invites applications.

Must be Chartered Accountant in the age group 30-45, with previous experience in commerce and in top level administration. Primary responsibility of the Financial Controller will be for the general accounting functions of the Company, including costing, budget control and management, reporting through a mechanised accounting system. Salary by arrangement. Pension scheme.—Apply to Personnel Manager, giving complete details of background and experience.

GENERAL SALES MANAGER

Applications are invited for the post of General Sales Manager to cover the activities of an old-established Engineering firm in Structural Steel Fabrication, General Engineering (including presswork, machining and fabrication), Grey Iron Founding. The position requires a good knowledge of engineering possibilities, commercial experience with proved ability for Sales promotion and management of Area Sales Staffs. The salary will be fully commensurate with the responsibilities which are substantial.—Applications in confidence to be made to Box 613.

DEPUTY TO CHIEF CORSETRY CONSULTANT

Able woman wanted to be Deputy to Chief Corsetry Consultant of Spirella Company of Great Britain Limited, Letchworth, makers of individually made corsets and brassieres. The female Consultancy organisation operates over all of Great Britain, and trains and maintains contact with Corsetieres who fit and sell garments in the home. This is most interesting, satisfying and constructive work for the successful applicant. Experience of garment trade desirable, but not essential. Ability to control women Consultants is necessary; also to help them continue to work efficiently and harmoniously with men in the business. Should have "stare-sense", and "presence," and be able to help organise efficient demonstrations of the fashion-show type. Preferred age, 35 to 40, but would consider up to 43 in case of exceptional merit. Do not apply unless you have had experience of being in control of sizeable number of women. Salary minimum, £800 per annum, and in range up to £1,500 per annum envisaged, according to ability and qualifications. Pension scheme. Three weeks' holiday. To live Letchworth or easy distance. To be free and entirely willing to travel during week all over Great Britain, visiting and encouraging Consultants. Must be good "mixer." Should preferably have had experience of selling in some form or other; but must have instinctive and lively appreciation of importance of salesmanship. Company's own staff are being invited to apply.—Applications, in strictest confidence, to Marketing Director, Spirella Company of Great Britain Limited, Letchworth, Herts.

CHIEF PERSONNEL OFFICER

Large and leading internationally known manufacturer of engineering products in the Midlands requires CHIEF PERSONNEL OFFICER to be in complete charge of well-established department.

Age 35-45. University degree and I.P.M. membership desirable but not essential. Must have had more than ten years practical administrative experience in personnel activities with at least five in engineering. Only applicants currently holding a senior personnel position in industry need apply. Successful applicant must be first-class administrator and thoroughly familiar with various training schemes and up-to-date recruitment and selection methods as well as being well-informed on all matters relating to engineering, Trade Unions, and Employer's Associations. This is a senior appointment with a good four figure salary and well-established staff superannuation scheme. An excellent opportunity for the right man.

Apply in GUARANTEED STRICTEST CONFIDENCE in accordance with professional ethics, giving contact telephone number, details of date and place of birth, education, background, names of firms, positions held with dates and salaries to

Dr. P. S. de Q. CABOT,
P. S. CABOT AND PARTNERS,
37-41 BEDFORD ROW,
LONDON, W.C.1.

AMERICAN Organisation in Europe wants social scientist with research and writing experience. Knowledge of Eastern Europe and experience in audience analysis particularly desirable. Good salary plus housing. —Reply to Box 609.

GENERAL SALES MANAGER required by a Printing and Packaging Group of Companies, with factories and sales offices in a number of centres. Responsibilities will include sales co-ordination, sales development and marketing research, together with a commercial study of new projects.

This is a senior appointment for a man in his early forties, who has proved his ability. A high level of general education and a wide industrial and commercial experience is essential, and for the right man there is opportunity of even higher promotion within the Group.

The salary offered is in the neighbourhood of £4,000 per annum, with an appropriate pension.—Write, giving full particulars, in confidence, to Production Engineering Ltd., 12 Grosvenor Place, London, S.W.1, and mark the letter U.M.

ASSISTANT required for research in the Faculty of Commerce and Social Science in particular in the fields of Commerce and Statistics. Degree an advantage. Initial salary up to £455 a year according to age and qualifications.—Particulars of education, experience, age to Clerk to the Faculty of Commerce and Social Science, The University, Birmingham, 15.

MARKET RESEARCH.—The Metal Box Co. requires a woman, based London, to supervise small staff of Field Investigators, and assist in the collection of information and planning of surveys. Previous experience in Market Research, preferably among retailers, essential.—Write (MJ/MR), The Langham, Portland Place, W.1.

BATTERSEA POLYTECHNIC, LONDON, S.W.11.

(COLLEGE OF ADVANCED TECHNOLOGY)

Applications are invited for a Lectureship in Professional Background Studies for Science and Engineering students from graduates with a B.Com. or B.Sc.(Econ.) (Industry and Trade) degree. Salary £1,236 or £1,248 x £30-£1,398, less statutory deductions.—Further particulars from the Clerk to the Governing Body, by whom applications should be received as soon as possible.

MILK MARKETING BOARD FOR NORTHERN IRELAND

APPOINTMENT OF GENERAL MANAGER

Applications are invited from suitably qualified persons for the post of General Manager of the Board. The Board are responsible for the marketing of over 100 million gallons of milk per annum and operate a number of factories and a large transport fleet. The post calls for a man with a flair for administration and organisation and the ability to apply modern techniques to the marketing of milk.

The salary scale is £2,300 x £100 to £2,800 per annum. If the successful candidate possesses exceptional qualifications, the commencing salary may be considerably above the minimum point on the scale.

Applicants, who must be of British nationality, must have had wide experience, in a senior administrative capacity, of the problems involved in the management of a large-scale marketing organisation, preferably in connection with milk. The successful applicant will be responsible, subject to the direction of the Board, for the general control of all the Board's activities.

Preference will be given to suitably qualified ex-Service candidates.

The appointment will be subject to the Conditions of Employment laid down by the Board, which include a provision that eligible staff shall contribute to the Northern Ireland Local Government Officers' Superannuation Scheme.

Applications must be made on the prescribed form, copies of which may be obtained from the Secretary, Milk Marketing Board for Northern Ireland, Castlehill Road, Belfast.

The closing date for the receipt of applications will be Thursday, February 28, 1957.

OPERATIONAL RESEARCH

COURTAULDS LIMITED have the following two vacancies for Senior Assistants in their Central Operational Research Department in Coventry. This Department is concerned with a very wide range of problems in the management, production and technical fields and offers ample scope for originality.

(a) *Mathematical Statistician.*

Applicants should hold a good degree in statistics, or in mathematics with post-graduate study or experience in statistics. This post offers considerable opportunities to suitably qualified men. Investigations in hand at present include: queueing and related topics, experimental design, programming techniques and electronic computer applications. There is also scope for mathematical research of a fundamental character into special problems in the production field. Reference number C.80.

(b) *Scientist or Engineer.*

Applicants should hold a good degree in one of the following subjects: Physics, Chemistry, Mechanical, Electrical or Chemical Engineering. Corresponding industrial experience would be an advantage. The post requires primarily a man with practical insight and constructive imagination. He should have an interest in mathematics, and candidates with some acquaintance with statistical methods are particularly welcome. Reference number C.82.

A good starting salary will be paid in both cases, depending on qualifications and experience, and the appointments are pensionable.

Candidates should write for a detailed form of application to the Director of Personnel, Courtaulds Limited, 16 St. Martins-le-Grand, London, E.C.1, quoting the appropriate reference number.

A NATIONAL MANUFACTURERS' Trade Association in London requires an Assistant to train in all aspects of its activities, with special emphasis upon labour relations. The position is a progressive one, and can lead to an executive appointment. The initial salary will be attractive, and increments will be full rewarded. Candidates should be under 35 years and should have had a sound education, preferably to University level, and should possess either a professional qualification in economics or accountancy or have had some industrial management study experience.—Candidates should apply, giving full details of their age, education, qualifications and experience, to Box 615.

DEXION LIMITED require a young man (25-35) to take over and develop important new work connected with Sales Statistics and Costing in their fast-growing U.K. Sales Division. The job involves contact with many aspects of the company's activities, so as to maintain constant surveillance of sales expenditure and the collection and preparation of policy-making sales information for management. Applicants should be G.C.E. at A. Level (or an equivalent qualification) in two subjects, of which one should be Mathematics. They should preferably also have at least a year's experience in a sales or commercial organisation. Some knowledge of accounts procedures, including punched-card systems, would be a great advantage. This background is important, but equally vital is the ability to develop the job creatively and with the minimum of supervision. Strong evidence of this will carry as much weight as experience and qualifications.—Write for application form to Personnel Dept. (SC4), Dexion Ltd., 65 Maygrove Road, London, N.W.6.

THE BRITISH INSTITUTE OF MANAGEMENT has the following vacancies: 1. In its EDUCATION DEPARTMENT. This post is an administrative one and involves supervision of an office concerned with examination systems. This appointment would be suitable for a woman 25-35 with a good education and some experience of office routine. University education an advantage but not essential. Salary in the range £450-£550. 2. A fully qualified Shorthand Typist is required for work of a secretarial nature for the office of the Assistant Director (Operations). Previous experience and high speeds essential.—Applications, in writing, to the Assistant Director (Operations), Ref.: AR.

AMERICAN Radio Organisation in Europe wants Polish, Czechoslovak and Hungarian language analysts with social science or journalistic background. Good salary, including housing. Thorough knowledge of English and ability to prepare audience research reports required.—Reply to Box 608.

ECONOMICS GRADUATE (23-26) required as Assistant in Economics Section of Library Intelligence Service Department. The work involves the analysis of statistical data and preparation of reports on overseas markets. Knowledge of German and French would be an advantage. Salary will be in accordance with experience.—Write to Central Staffing Department, Richard Thomas & Baldwins Limited, 47 Park Street, London, W.1.

APPOINTMENTS

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of Investigational Officer in the Department of Agricultural Economics. Candidates should have academic qualifications and/or practical experience in Agriculture, Economics or Accountancy. Salary scale £450 x £25 to £550 x £50 to £650 per annum, with membership of the F.S.S.U. and Children's Allowance Scheme; graduates would have an initial salary of £500 per annum. Investigational Officers may be considered, on reaching a salary of £550 per annum, for promotion to the grade of Senior Investigational Officer (salary scale, £650 x £50 to £1,050 per annum).—Applications should be sent not later than February 18, 1957, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

UNIVERSITY OF THE WITWATERSRAND JOHANNESBURG

SOUTH AFRICA

Applications are invited for appointment to the newly created CHAIR OF STATISTICS within the Department of Mathematics. The Professor of Statistics will be responsible to the Head of the Department, who is the Professor of Mathematics, for the courses he is called upon to give in statistics and related subjects. Duties are to be assumed on a date to be arranged.

The salary attached to the post will be according to the scale £1,700 x £50—£2,000 p.a. In addition, a married man with children will receive the cost of living allowance which at present is £234 per annum.

Membership of the Provident Fund is compulsory and involves a contribution at the rate of 7 per cent of the salary paid. Membership of the Staff Medical Aid Fund is obligatory in the case of an officer who is found eligible for membership in terms of the rules.

Applicants are advised to obtain a copy of the information sheet relating to this vacancy from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close in South Africa and London on February 28, 1957.

MANAGEMENT SELECTION LIMITED have been retained to advise on the selection of a

GENERAL MANAGER

for a large engineering company supplying components to the aircraft, motor and agricultural (machinery) industries. It is part of a world-famous group, and has the largest and most up-to-date plant of its type in the world. Turnover has increased thirty-fold in the last 15 years, and the current expansion programme creates an opportunity for a man whose breadth of experience will qualify him for a seat on the Board after an initial period as General Manager. He will be responsible to the Deputy Managing Director for all manufacturing and commercial aspects of the business. Salary subject to discussion, but would interest those at present earning about £4,000.

Candidates should have an engineering degree, A.M.I.Mech.E., or similar qualification. They will probably be aged 42 to 55, and have already acquired sound experience in (i) works administration in an engineering company making components for the general market; (ii) cost control; and (iii) business negotiations at a high level. Knowledge of aircraft or motor industries helpful.

Please send brief details in confidence, quoting Reference (S 224), to P. J. H. Fryer, Management Selection Limited, 17 Stratton Street, London, W.1. Any information will be disclosed to our clients until candidates know their identity and have given permission.

ACCOUNTANT REQUIRED by IBM United Kingdom Limited for their works at Greenock, Scotland, manufacturing electric typewriters and punched-card accounting machines. This British associate of the world-wide company has been established for five years, and now employs 1,000 at Greenock. It is extending into electronic calculators, and the works are about to be considerably enlarged. The vacancy arises due to the present accountant taking over a new department at the works. Applicants should be aged 30-40, qualified, with wide industrial and also punched-card accounting experience. The successful candidate will be responsible to the Factory Controller for accounting, costing, wages and, later, budgeting, and will be remunerated at a starting salary in the £1,500-£1,800 bracket. A free insurance plan is in operation, and removal expenses will be paid.—Apply in writing, giving full details of age, education, qualifications, experience and present salary, to the Personnel Manager, 101 Wigmore Street, London, W.1, or IBM United Kingdom Ltd., Spango Valley, Greenock, marking envelope "WA Confidential." Preliminary interviews will be arranged in London, Glasgow or Manchester.

BRITISH NYLON SPINNERS LIMITED invite applications from women, aged 21-25, for vacancies in their Consumer and Retail Research Section in Monmouthshire. The work will provide opportunities to contribute to all aspects of Market Research. Preference will be given to graduates who can offer Economics as one of their subjects. A good standard of health is important, as considerable travel is involved and much of the work takes place out of doors.—Apply in writing to Personnel Manager, Pontypool, Mon.

DIOCESE OF CHESTER.—Applications are invited for the appointment of Diocesan Secretary.—Particulars and forms of application may be obtained from Messrs. Gamon & Co., 2 White Friars, Chester.

THE UNIVERSITY OF MANCHESTER

HALLSWORTH RESEARCH FELLOWSHIPS

Applications are invited for the above Research Fellowships for advanced work in the field of Political Economy and Public Administration. The value of the Fellowships will normally be within the range of £700-£1,500 per annum, according to experience and qualifications. Regulations governing the award of the Fellowships may be obtained from the Registrar, the University, Manchester, 13, to whom applications should be sent not later than March 1, 1957.

RESEARCH FELLOWSHIPS OF THE COUNCIL OF EUROPE

Since 1953, the Council of Europe has awarded annually a number of Research Fellowships, each of the value of 300,000 French francs and tenable for a period of eight months from July 31st. The Selection Committee will meet in Strasbourg at the end of June to make the awards for 1957.

The object of the Fellowships is to encourage research into the following subjects, considered in the light of their present-day importance: (a) political, economic, social, educational and scientific problems connected with European integration; (b) European civilisation (philosophy, history, literature and the arts).

Candidates must normally be nationals of a Member State of the Council of Europe. An exception, however, is made in favour of refugees from European countries non-Member States of the Council of Europe, provided that they are legally resident in the territory of a Member State.

The British Council assists in publicity and recruitment for these Fellowships in the United Kingdom. Further particulars and forms of application, which must be submitted before March 15, 1957, may be obtained from The Controller, Education Division, The British Council, 65 Davies Street, London, W.1.

FISONS LIMITED require a SENIOR ECONOMIST. The work will consist principally in the preparation of surveys and forecasts dealing with the following:

(a) The general economic situation of the country both short and longer term.

(b) General forecasts on the future of agriculture in this country in relation particularly to world conditions.

(c) Advice on major raw material availability and price trends.

Applicants should preferably be under 40 years of age and have a First Class Honours degree in economics or commerce. Experience in this type of work is not essential. The Company employs a number of economists and has a large body of information referring to economic conditions affecting its activities. What is required is outstanding imagination and analytical ability. Contributory pension schemes.

Applications to Personnel Officer (E112), Fisons Limited, Harvest House, Felixstowe, Suffolk.

SCHOLARSHIPS ABROAD 1957-58

Applications are invited from British students for scholarships offered by Austria, Belgium, Brazil, Denmark, Finland, France, Germany, Iceland, Iran, Italy, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and Yugoslavia. The awards are mainly for university graduates and under-graduates and are tenable for periods varying from a few weeks to twelve months during the academic year 1957-58.—Full particulars and application forms, for which a stamped addressed foolscap envelope should be sent, are obtainable from the British Council, 65 Davies Street, London, W.1, or from any British Council office in the United Kingdom.

PERSONNEL MANAGEMENT OVERSEAS

Cambridge honours graduate, 39, ten years' experience in Middle East and India since war service, covering all phases of indigenous labour management (including trade union negotiations and industrial disputes), European staff relations and Employers' Federation work, desires permanent senior personnel management post overseas, preferably Middle East, Central or East Africa.—Box 614.

EXPORT EXECUTIVE (38) seeks opening with London area Manufacturers, Merchants or Distributors. Public School, energetic, sound all-round experience of the Export trade. Willing to travel abroad.—Box 617.

EXPERIENCED SENIOR EXECUTIVE, with 11 years active managerial background, seeks administrative appointment, preferably London area. Thorough knowledge overseas marketing. Aged 35. Fluent French. Understands hard work and difficulties.—Box 605.

DANISH ECONOMIST, 27, with industrial economics as major subject, and with some banking experience, seeks employment with British or Canadian firm of Industrial Consultants as from June or later this year.—Box 610.

PRIVATE SECRETARY, quick, presentable, reliable. Experienced politics, journalism, public relations and business, wants responsible and interesting post. Used to taking charge in absence of employer. Last post £1,000 a year.—Box 616.

MIDDLE EAST.—Graduate (43), fifteen years' service in area. Fluent Arabic (Iraqi), French, Urdu, fair Turkish, Persian; experience mainly administrative, public relations, commercial, seeks managerial or representational position. Highest references.—Box 612.

SAVILE ROW CLOTHES. Cancelled export orders direct from eminent tailors, Lesley & Roberts, Huntsman, Kilgour, etc. Lounge, Dress Suits, Overcoats, etc., from 10 gns. Regent Dress Co., (2nd floor), 17 Shaftesbury Avenue, Piccadilly Circus, W.1. GER 7180 (next to Café Monico).

THE Economists' Bookshop has the world's widest range of books on Economics, Politics, History, Anthropology and the Social Sciences. World-wide mailing service. Second-hand books bought.—11-12 Clements Inn Passage, Aldwych, London, W.C.2.

UNIVERSITY OF EDINBURGH

RESIDENTIAL COURSE FOR BUSINESS MANAGERS

The third Residential Course for Business Managers will be held in the University from July 13 to August 2, 1957. The aim is to encourage the development of a broader understanding of business problems and of the environment in which business operates, and thus to assist in the transition from specialised to general management.

PROGRAMME OF STUDY.

There will be three principal fields of study: (i) Business in a Changing World; (ii) Problems of Business Policy; (iii) Aspects of Internal Administration. In addition to syndicate work and case-studies, seminars will be led by practising business and professional men, as well as University teachers drawn from several departments, including Commerce, Political Economy, Accounting and Psychology.

ADMISSION.

To encourage the exchange of knowledge and experience among members of the course, the number admitted will be strictly limited. There are no formal educational requirements. The fee for the course, including residence, is 90 guineas. Further particulars and nomination forms may be obtained from Professor N. C. Hunt, University of Edinburgh. Early application should be made. The closing date is March 16, 1957.

CHARLES H. STEWART,
January, 1957. Secretary to the University.

FOR SALE.—The Economist, 1949-56, bound. P.C. for details to Hopwood, 30, Vicarage Lane, Poynton, Cheshire.

SUCCESSFUL TUITION FOR THE B.Sc.(ECON.) DEGREE

Wolsey Hall (Est. 1894) provides Postal Courses on a wide range of subjects for the two examinations for Lond. Univ. B.Sc.(Econ.) (three if Entrance is included). Moderate fees, instalments. Over 1,000 Wolsey Hall students have secured this valuable degree since 1925.—Prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. P.16, WOLSEY HALL, OXFORD.

FOR SALE: Complete set of The Economist, unbound, August 1946 to August 1950.—Box 607.

ASHANTI GOLDFIELDS CORPORATION, LIMITED

Notice is hereby given that the Board of Directors yesterday recommended a Final Dividend (No. 120) on the Issued Capital of the Corporation at the rate of 9.6d. per Unit of Stock, less Income Tax at 8s. 6d. in the £. This Dividend, which is in respect of the year ended September 30, 1956, to be payable on and after April 4, 1957, to all Stockholders on the Registers on February 13, 1957.

The Transfer Books will be Closed from February 14 to February 20, 1957, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,
E. W. MORGAN, Secretary.

Registered Address:
10 Old Jewry, London, E.C.2.
January 16, 1957.

THE ECONOMIST and Economic Journal. Bound volumes, each complete with index covering the following important periods, offered for sale: Economist—14 volumes, 1945 to 1951, for £28 or offer. Economic Journal—4 volumes, 1948 to 1951, for £4 or offer.—Box No. 1,000, Dorland Advertising Ltd., 18-20 Regent Street, S.W.1.

WANTED—The Economist, Vols. 1-113.—Please report any to Librarian, University College of Swansea.

B.Sc.(ECON.) LONDON UNIVERSITY

UNIVERSITY CORRESPONDENCE COLLEGE

provides postal tuition for the above Degree (obtainable without residence), which is a valuable qualification for those seeking executive appointments in commerce or industry, government or municipal posts. The College, established 1887, is an Educational Trust. Highly qualified Tutors. Low fees. Prospectus of U.C.C. Courses for London Degrees and Diplomas, G.C.E. free from the Registrar, 60 Burlington House, Cambridge.

WORK STUDY.—Next four-weeks full-time course March 11th. Details of this and seven other courses, including evening and correspondence, from the School of Time & Motion Study, 29 Cork Street, Piccadilly, W.1.

MIDDLE EAST MARKETS—WHAT FUTURE? The Middle East Economic Digest, a new subscription weekly starts shortly. Accurate up-to-the-minute information from Middle East sources.—Details from Economic Features, 84 Chancery Lane, W.C.2. CHA. 8533-4.

PRIVATE CLIENT URGENTLY REQUIRES AN AGRICULTURAL INVESTMENT

The Estate should be in the Southern half of England, preferably Southern and Western Counties.

UP TO £475,000 AVAILABLE.

Units of not less than £50,000 preferred. Immature woodland an asset.—Please send particulars to "Tanker," c/o Messrs. KNIGHT, FRANK AND RUTLEY, 20 Hanover Square, London, W.1. Immediate inspection of all likely Estates.

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for Examinations—University Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus—and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4.

ANNUAL AIR SUBSCRIPTION RATES

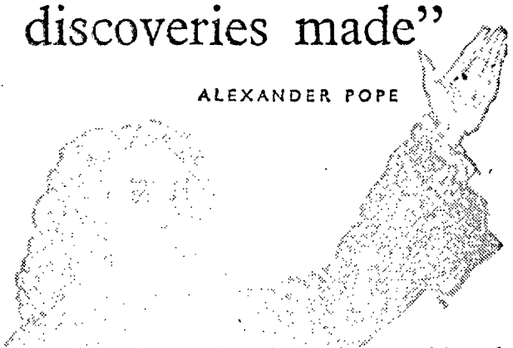
Subscriptions to most countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is either because the alternative is not available or not recommended.

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great deeds are done and
great discoveries made"

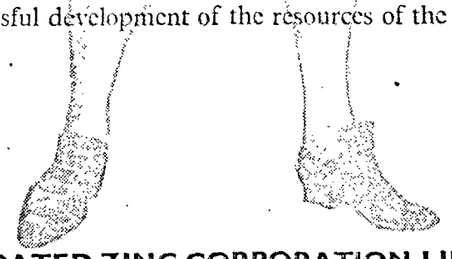
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The discovery of a profitable mineral deposit is rarely accidental. It is the result of prolonged struggle by many men to wrest her secrets from Mother Earth. The struggle begins with a long scrutiny, as patient and as detailed as that of Sherlock Holmes, by geologists in a prospecting party. If the results of this study indicate the possible existence of an economic ore deposit the diamond drillers take over the search, working over the area to seek further evidence of the existence of ore reserves. As the shape of a profitable ore-body emerges, capital must be sought to finance its opening-up. Mining engineers move in, and design the shafts and mining works necessary to bring a mine to production.

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It is by such full and co-operative use of its resources in men, materials and finances that Consolidated Zinc carries on the searches which precede discovery, and tests the discoveries, so that they may grow into new mines which contribute to the successful development of the resources of the Commonwealth.



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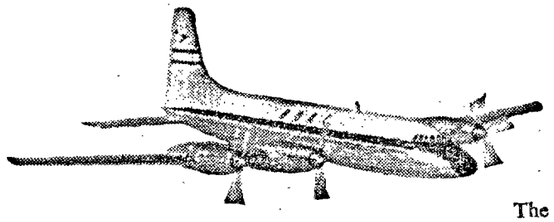
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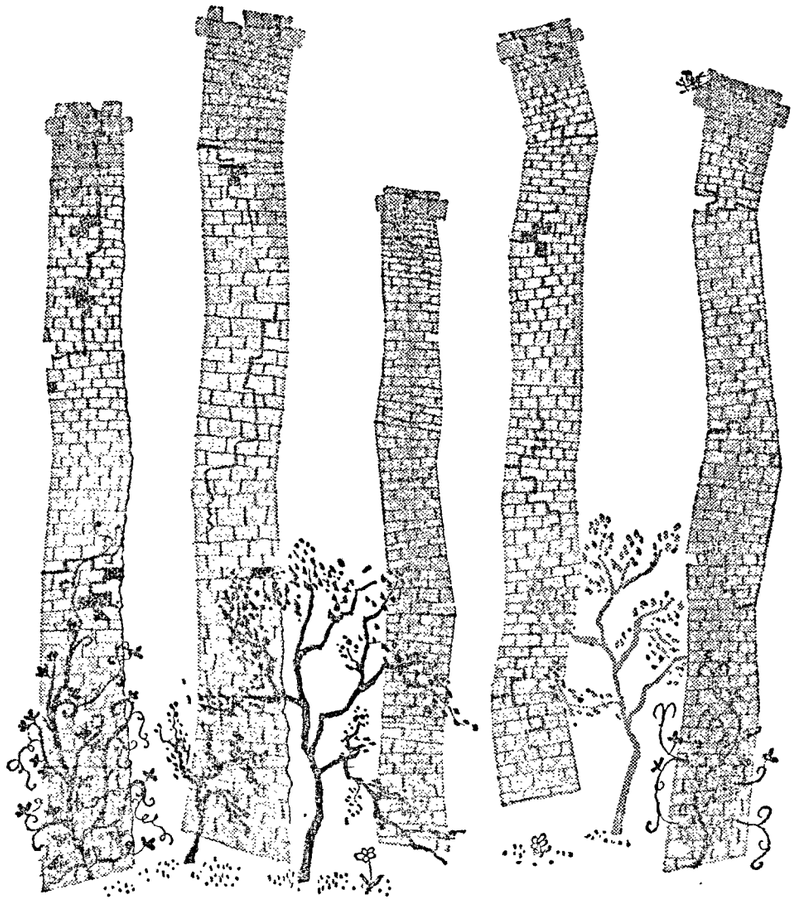
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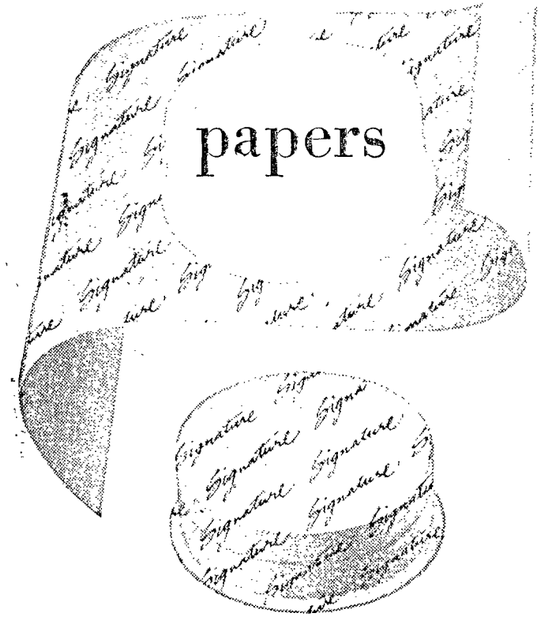
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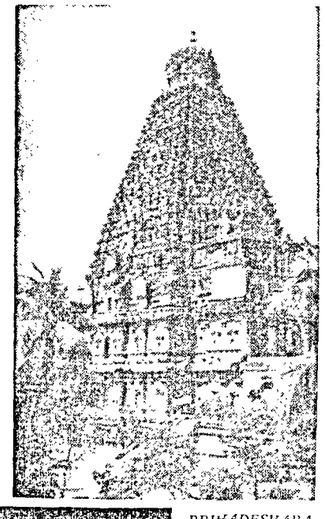
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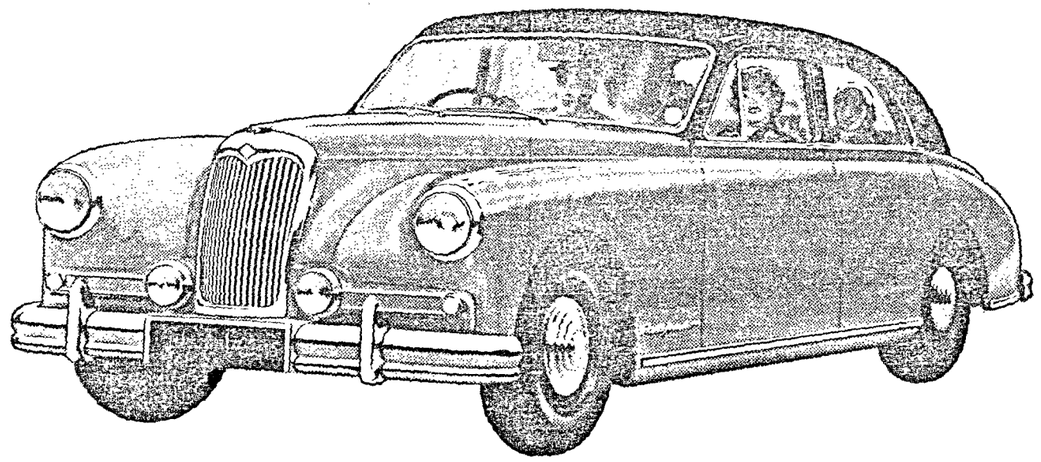
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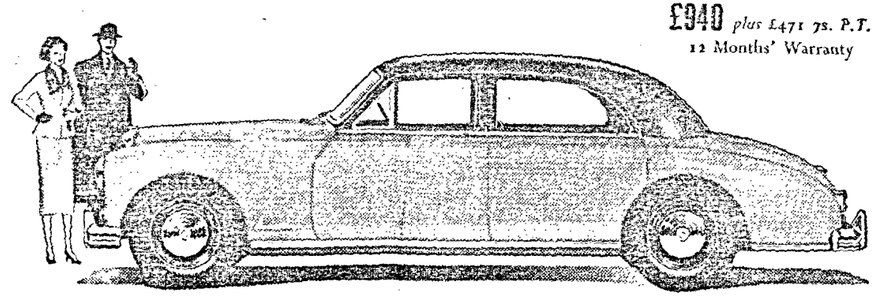


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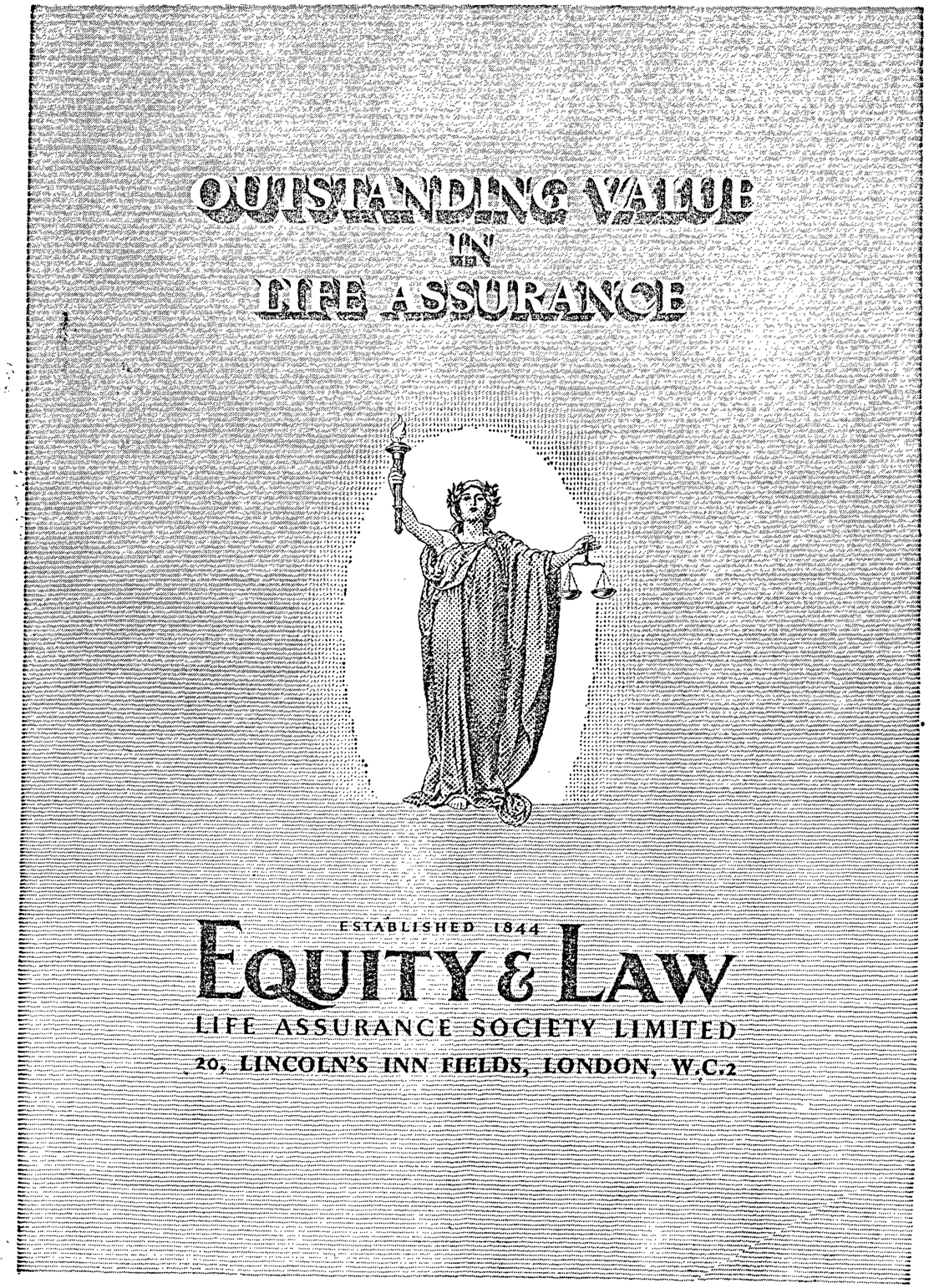
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The Adenauer Era

SINCE its foundation in 1949 the German Federal Republic has been governed at the centre by a single group of men around Dr Adenauer, whose name has become identified, to the outside world at least, with the Republic itself. The third Bundestag is to be elected in September, and the national election campaign has for practical purposes opened already. Dr Adenauer, at 81, has every intention of forming his third administration in October ; restored to health and in sparkling form, he dominates the political life of Bonn as easily as ever. Thus the Social Democratic leader, Herr Ollenhauer, was able on January 18th to state the issue for the electors with classical simplicity: the purpose of his party's campaign is, he said, "to put an end to the Adenauer era."

No statesman of 81 will complain much at hearing his name put to an era ; equally, it is understandable that this should be the call that summons the Opposition to the chase. Because "the Adenauer era" has covered the whole life of the postwar German state so far, the citizens of the German Federal Republic are tempted to regard Bonn, the Christian Democratic Union, and Dr Adenauer as one and the same thing. Until a state has changed its government at least once, it cannot be wholly certain of its continuity as a state. When the German electors become disposed to rate the attractions of a change higher than the advantage of things as they are, Bonn's western allies will have to accept the change and adjust themselves.

For the German voter, the solid advantages of things as they are must weigh heavily. Dr Adenauer and the governing group at Bonn have done, in general, very well indeed. From the position of an occupied territory and a client of the western powers, they have led the Federal Republic—admittedly, with the determined support of the former occupying powers themselves—to an independent, equal status in a powerful alliance. It is true that the great economic and social recovery in the same period has been a united national effort, which the government parties could not have achieved without practical Social Democrat and trade union support. Still, it remains true that the direction of economic policy has proved itself sagacious and enlightened ; ministers like Professor Erhard and Herr Schäffer have conducted their departments with imagination and prudence combined, and with, all told, an amazing consistency. They can show for their efforts a solid and buoyant economy, in the building of which the whole population has benefited.

The Christian Democrats, in their campaign for a third term of power, will inevitably seek to convince the electors that the benefits won will be hazarded if the Adenauer era is brought to an end this year. Once again they will argue that the country's economic policy and its foreign relations would be totally unsafe in other hands than theirs. These are legitimate arguments to use in party politics, but when Dr Adenauer used them in 1953, the present western allies of Germany (then the occupying powers) took him literally and believed

every word. This year, while as foreign countries they will be well advised not to interfere, they will be keenly interested in the two-sided argument as it unfolds. German policy concerns them. What are the candidates for the next government ? How, given power, might they be expected to behave ?

★

West Germany has not yet reached a two-party system ; the erosion of the small parties is persistent but not yet complete. Dr Adenauer's unprecedented victory of 1953 gave the Christian Democratic and (Bavarian) Christian Social Unions a majority of one in the Bundestag ; nevertheless, he formed a four-party coalition to assure himself of a two-thirds majority. Once it had served its purpose and brought the defence agreements safely home, he allowed the 1953 coalition to disintegrate ; the Christian Democrats now govern with only a remnant of allies—the small German party and a handful of secessionists from his former allies. These remnants are likely to be further thinned out in September ; unless the Christian parties can come fairly close to their 1953 performance—and that would be against the present evidence—they will need to recover some of the allies they have lost. The new Free Democrat leader, Dr Reinhold Maier, is a personal opponent of the Chancellor, and the current in his party is running against a return to the Adenauer alliance.

In 1953, when the Christian parties achieved 48.9 per cent of the popular vote, the Social Democrats gained only 31.9 per cent. The distance between them will almost certainly be narrowed in September ; but Herr Ollenhauer will not be able to introduce a new era unless the gap is sufficiently narrowed, and the Free Democrats in addition do sufficiently well, for the Socialists and Free Democrats together to form a majority in the new House.

The German Free Democrats, in their wanderings in search of the truth, have yet to decide whether they are a liberal or a nationalist party. Dr Maier has just been elected chairman with unprecedented unanimity, and he is certainly a liberal ; still, in his platform speech on his election he declared it " the task of the Free Democratic Party to make the German people into a nation once more." This was something, he added, that " the great old man " could not do. From the right, as from the left, Dr Adenauer is being attacked for his supposed lukewarmness about the German national cause. It is on this plank of German unity that the two opposition parties may join, if power comes within their grasp in September. One effect of their union would be to restrain the Social Democrats from any radical economic experiments. This would be the Free Democrats' price for their alliance: no nationalisation, no rigid planning or return to controls. Dr Adenauer has never regarded the Free Democrats as dangerous associates for his own party ; would they be dangerous as allies of his opponents ?

The struggle for the next Chancellorship in Germany will be fought out in large part on the terrain of foreign policy, with initiatives for German unity as the weapons. Foreign policy in Germany is largely concerned with the solution of the German problem itself ; thus, in German feelings and politics, it takes precedence over most matters, now that the basic tasks of reconstruction and recovery have been mastered. Defence policy in Bonn has been tempered to realities, as an article on page 389 explains, and does not offer such an easy target for attack as the Opposition at one time expected. In any event the brutal Soviet reconquest of Hungary has shocked many Germans out of the idea that it is safe to live in Central Europe without an army.

But the impression of upheaval and fissure in Eastern Europe persists, and election year is bound to maintain the restless pressure in Germany for exploration towards a German settlement. In the Bonn government the opinion decidedly prevails that the communist reaction in Russia and Eastern Europe this winter has gone too far to leave scope for German or western diplomacy there at present. But this recognition will not free the Bonn party leaders from the pressure of the currents of feeling ; pessimists or not, they will have to take pains to appear as flexible men, full of resource, receptive to any ideas which might lead to German unity. Thus Dr Adenauer suddenly declared himself on January 11th interested in a " thinned-out zone " of limited armaments in, and bordering on, Germany ; he added, to the general surprise, that his government had been studying the idea since 1953.

★

For all the implications it might have of a radical change in the present Nato system, such an excursion creates no great disturbance when it comes from Dr Adenauer. His foreign policy is known ; it has always been based on actual, not hypothetical, considerations ; it rests firmly on the western alliance and above all on the United States. No German government can afford any longer to shut the door on a possible future solution of the German problem—and any solution, unless it is to be obtained by war, will require an accommodation of some sort with the Russians. The solution is still distant ; the interest of the western powers, however, is not to prevent it but to ensure that they are parties to it if and when it comes.

When German Opposition leaders talk of loosening up the great power front that runs through their country, and of seeking new security pacts to make German unity possible, Germany's western friends are more perturbed ; they have no familiarity with the conduct of Herr Ollenhauer and his colleagues in office to reassure them. The Social Democrats still hold Germany's entry into Nato to have been a mistake, because it made the country's reunification more difficult. They still hold that Bonn ought to seek negotiations with the Russians for a European security pact and a German settlement. In doing so, they would be prepared to negotiate about Germany's future membership of Nato. This is part of their programme ; if they come to power, they will have to make the attempt.

In explaining his party's intention, however, Herr Ollenhauer said this month that he would pursue it only in concert with the western powers ; further, there would be no question of Bonn leaving Nato before a German settlement was reached. West Germany's membership of Nato would end with the entry of the new all-German state into a European security system, not before. It is just such a restriction on the future freedom of action of a reunited Germany that the present Bonn government has refused to consider. Leaving past disputes aside, this is the main difference between government and opposition at Bonn about future foreign policy. Two things narrow it down : it is hard for either party to believe that the Russians would in fact consider giving up their zone of Germany in any definable period of time ; and no west German government, however constituted, could refuse to explore such a chance if it began in fact to look possible.

West Germany has become a sovereign state since the present Bundestag was elected, but, like many other sovereign states, it is still not a wholly free agent in its foreign relations. Germany is not a prime mover in great power diplomacy, but can only hope to take advantage of situations which the Germans cannot by themselves create. When the wind blows from the east, it blows cold in Germany as in the rest of Europe, and a west German government of either political complexion, Christian or socialist, will be likely to keep the greatcoat of the western alliance well buttoned up. There are men on both sides at Bonn who incline to believe that the Soviet troubles in Eastern Europe have made a Russian withdrawal from Germany east of the Elbe for the present less likely than before, because the military risks of a withdrawal may now appear, to the Russians, prohibitive.

When the wind one day blows the other way, it will be a mistake to expect any west German government to sit tight and refuse to explore. The striving for reunification is far too commanding a theme in German life for either party to neglect it ; a change in the east-west climate will force Bonn to become active in its relations with Eastern Europe.

Voices Off

THERE is a fairly simple recipe for that much discussed and much misunderstood subject, Government information policy. It is right that Ministers should wish, by whatever means, to make quite clear both at home and abroad what their policies are, and what national interests the policies are designed to serve. It is wrong for them to suppose that there is some trick, whether it is called propaganda, publicity or public relations, whereby their policies will be understood and accepted. It is in this light, after the Suez misadventure, that the appointment of Dr Charles Hill as Chancellor of the Duchy of Lancaster—with the task of " co-ordinating Government information, especially on the overseas side "—is at present being critically examined. The struggle that some people fear may now be in prospect deserves to be discussed from a pressman's point of view ; for it is through the press that most information, to overseas countries as to the home public, still emerges.

Until early last November, the structure of Government press relations could be broadly—although in places controversially—described as follows. At the highest workaday level, in general usefulness to the press if not in strict terms of status, was the press relations adviser to the Prime Minister. This was Mr William Clark, who relinquished his post at the time of the Suez crisis; his office is now being (temporarily ?) tenanted by his relatively junior former Number 2, Mr Richardson. In undefined relationship with this office there were, and are, the well-established press relations departments attached to the individual ministries ; they range from very good ones at the Foreign Office and the Treasury to ones at certain minor departments which should be less kindly described. There is also the Central Office of Information, which produces useful speakers, tracts and facts.

The press's relations with these official publicists are supplemented in two ways. First, there are what might be called the specialist groups of correspondents with access to fairly frequent—but, as it seems, increasingly formalised—off-the-record press conferences on their particular subjects. The Parliamentary lobby can be counted as one, although of course the most senior, of these specialist groups. There are also, however, swelling groups of specialised correspondents attached to most of the main Ministries.

Although the formal press conferences given to these specialist groups seem to be growing in number, there is some case for suggesting that they may be—for that very reason—diminishing in importance. They tend to become platforms for whatever view the department concerned wants to propagate at that moment, rather than intimate (and critical) *causeries*. And this development has seemed for some time to be restoring, healthily, the importance of the second sort of unofficial Government line of communications with the press : the line of the private contact, which depends upon the journalist's own enterprise and knowledge. Sometimes these contacts take place between specialist correspondents (or, in the case of overseas newspapers, chief foreign correspondents) and sources important in their own field. They also take place when Ministers or

senior officials meet or lunch with editors, leader writers and newspaper proprietors.

The present Tory demand that this necessarily haphazard system of press relations should be co-ordinated has three roots : the belief that to understand all about British policy is to forgive all ; the conviction that therefore Government information (especially to overseas) should be given a more " purposive direction " ; and the desire to minimise the possibility, arising from the haphazardness, of muddles and misconceptions. Some of the recent comment in Parliament, however, seems to have missed the main point at issue here. The main practical issue for the press is whether Mr William Clark's former office at Downing Street is to be restored to its previous importance, under some senior incumbent (a favourite " tip " is Mr Clement Leslie, Mr Macmillan's former PRO at the Treasury) to carry on at least part of this job of co-ordination ; or whether it should be left untenanted, in the belief that the task of co-ordination can be made more " politically respectable " by being put into the hands of a Cabinet Minister, Dr Hill.

★

Most newspapers undoubtedly want a new Mr Clark to be appointed ; they are quite right about this, even though the most widely-circulated fear of the projected Dr Hill system is almost certainly exaggerated. It has been alleged that the demand for more " purposive direction " can only mean a demand for more propaganda, and that the Government might seek to turn such bodies as the overseas service of the BBC and the British Council into instruments of merely Government publicity, and so diminish their natural effectiveness. Probably, however, the pressures that could be mobilised against such a course are strong enough to make the fear far-fetched.

A more likely outcome is that the trend towards " purposive direction " will simply be for Dr Hill to make more general speeches about, say, the situation in the Yemen himself ; for more ministerial press conferences to be given (which is, in itself, a good thing) to foreign correspondents—the new Prime Minister has already met the chief American correspondents in London, but not domestic correspondents, which has caused some resentment ; but mainly for the attempt to be made to " polish up " departmental information offices without introducing any great change in their functions. After all, Ministers with very similar terms of reference to Dr Hill have been appointed before ; they have set out along their road, and never achieved very much. And that is one of the troubles about the new system ; for—it now needs to be whispered—there could be some good in the demand for more " purposive direction," provided it is exerted in the right way and through the right channels.

The best way for a policy to be stated clearly is, of course, for the responsible Minister to state it, publicly in a speech or privately to another Government. Another way, however, too little regarded in this country, is the American technique of what can be called the calculated leak. The important thing when there is misunderstanding between allies is not to cover up and retreat into an indignant shell. If, for instance, the exasperation with Mr Dulles's inactive Middle Eastern policies which simmered to the boil in British official circles during the early part of last year had gone on in America, detailed, inspired and authoritative articles about it would have appeared in the American press. As it was, all that happened here was a vague, oblique and unexplained irritation. The happiest outcome of present re-thinking about publicity would be re-thinking about this sort of delicate point. But if this is to happen, if indeed there is not to be an actual deterioration in channels of information, the question then arises: how should such authoritative " background," as well as ordinary " off-the-record," information be handled in the day-to-day press of business ? Up to a point, of course, this is a matter for the departmental information arrangements. But beyond that point there is the crucial problem. It can be posed by asking a simple question : could the sort of inquiries that previously went to Mr Clark be handled by the press departments attached to *different* ministries (under Dr Hill's co-ordinating eye) or even canalised through Dr Hill's own office ?

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Perhaps this can be answered by taking a specific example of current newspaper speculation, and examining how journalists would have handled it in Mr Clark's day. " Look here, William, these stories that the defence cuts to be aimed at are about £300 million a year now have some reputedly high-level backing. Should I play them or underplay them ? If you say you cannot comment I am going, on the information I have available, to play them." One could not constantly be ringing up a Cabinet Minister to ask that sort of question ; if one asks a high spokesman of defence he is sure to say, up to and beyond the last ditch, that big cuts in his vote are impracticable ; and one could not easily expect any reply but " no comment " if one rang up a senior spokesman directly attached to a Cabinet Minister, whose main job was to purvey information—and who might put his job in jeopardy if more senior Ministers objected to the way some information had been purveyed. Almost certainly, the job can only be done by some sensible official, whom the press trusts, who is attached to, and also trusted by, the one Minister who cannot be sacked because of his supposed lack of caution. In other words, the job can only be done from 10, Downing Street. Otherwise it will not be done at all. It is to be hoped that Mr Macmillan will quickly come to realise this, and announce a senior appointment, to supplement Dr Hill's work, in his own private office.

Formosa Today—I

Island with a Future?

FROM OUR SPECIAL CORRESPONDENT LATELY IN TAIPEH

FORMOSA, the " island beautiful " of the Portuguese explorers, has become *terra incognita* to the British press and public. It is as though a shutter was drawn across people's minds in 1950, when the British Government decided to recognise Mao Tse-tung's communist regime. Since then, broadly speaking, attention has been drawn to the island home of President Chiang Kai-shek's Republic of China only by one of his more outrageous promises to reconquer the mainland, or by a resumption of the shooting war between the mainland and the offshore islands of Quemoy and the Matsus.

Yet it takes no more than twenty-four hours spent in Formosa's expanded provincial capital, Taipeh, to realise how false is the mental image of 1950 and how illusory are the comfortable projects for a " solution " of the Formosa problem dreamt up in western drawing rooms. Among the observers of China's final agony in 1948 and 1949 were many who saw in the Kuomintang government the ultimate brutality, inefficiency and corruption of which a government was capable. The regeneration of that government since the days of humiliation, demoralisation and defeat is the first major observation a visitor must make. Broadly speaking, the government is in the same hands as it was in 1949. The Kuomintang has become, inevitably in the circumstances, a self-perpetuating body. This question, together with the myth of the " return to the mainland," which sustains the government, will be dealt with in another article.

It may be said now, however, that the myth has not prevented the Nationalist government from successfully carrying out plans for land reform and economic development. Admittedly, the progress of the past few years could not have been accomplished without the massive American aid programme that still continues ; just as physical survival in the face of the communist threat could hardly have happened without American military help and political backing. But of itself, American aid could have accomplished nothing. In the last resort, the survival of the Nationalist regime depended on its capacity to learn from its misfortunes and recognise where its enlightened self-interest lay. This dictated the purge of the administration, the eradication of corruption and an example of austerity. The first of these points is a matter of history. The third is visible and easy to check : a cabinet minister earns about £28 a month in purchasing power and denies himself the comfort of air-conditioning for the long and sweltering summer. It cannot, however, be claimed that corruption in high places has been wiped out. A member of the Control Yuan (the Republic's " watchdog " organisation) was recently gaoled for five years and deprived of civil rights for a further three years on a bribery charge. Embezzlement charges have been pressed against a dozen senior members of the provincial forestry administration. The charges and sentences show that corruption—in the broadest sense—continues ; they also show that is is now difficult to get away with it, and that the penalties are heavy.

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A more remarkable example of enlightened self-interest than the reform of the administration has been the land reform programme. Its full importance can be assessed only in relation to the circumstances in which it was launched. When the Nationalist government moved to Formosa in December, 1949, chaos reigned and the local population was still seething with resentment against the mainlanders for their brutal repression of the Taiwanese (Formosan) uprising of 1947. But when the Nationalists settled down at Taipeh for the long haul, they soon realised that they could not hope even to dig themselves in on Formosa unless they improved the lot of the local population, created and maintained conditions and living standards more attractive than those on the mainland, and carried out certain social reforms. The most important of these has been land reform. As a result, the proportion of farmers owning all or part of their land has increased from 57 to 75 per cent, while the proportion of tenants has fallen from 36 to 19 per cent, the remaining 6 per cent being farm labourers. The originality of the Formosan land reform consists in its scheme of compensation for landlords. Whereas on the mainland and in North Vietnam the communists murdered landlords, real or supposed, the Chinese Nationalists, in effect, transformed them into industrial capitalists. The government paid the landlord 70 per cent in land bonds, and 30 per cent in the form of stocks in government-owned industries.

The bulk of the work of the land reform programme has been carried out by the Chinese-American Joint Commission on Rural Reconstruction, probably the most successful example of American co-operation with technical personnel in a country receiving economic aid. Indeed, in more general terms, Formosa itself is probably the most successful example of American aid in Asia. Much of it has gone into the development of power resources, communications and water reservoirs for irrigation purposes. In addition, the Americans have sponsored the growth of light industries with the dual object of stimulating production for export or reducing the need for imports. As a result of these programmes and activities, and in spite of the

growth of the population from 7½ million in 1950 to nearly 10 million today and a rate of growth of more than 300,000 a year, the island has not merely remained self-sufficient in food, but has maintained exports at a high level, and in some sectors increased them.

It might be thought that Formosa has a promising economic future as an independent island state. But it is not an independent island state. Until the great men of China have completed their struggle over its future, it is the seat of the exiled government of the Republic of China, and it is a Chinese province, by Peking's reckoning as well as Taipeh's. This overcrowded island has to bear the crushing burden of a dual administration (" national " and provincial) and of a modern, highly trained army of *600,000 men. To be sure, it is the* United States that is bearing the burden ; without American aid, Formosa would be unable to support its army and would be ripe for the picking. It follows that the most that can be expected from the island's spectacular economic progress is some reduction in its economic dependence on America.

(To be concluded)

Defence Machine

IT was widely expected that Mr Macmillan would take the opportunity offered by the formation of a new Government to make drastic changes in defence organisation. The idea that service ministers might be reduced to the level of ministers of state was canvassed and that the Ministry of Supply would finally disappear. The changes announced last week fall well short of such centralisation. The most significant of the changes is the appointment of the chairman of the chiefs of staff committee as chief of staff to the Minister of Defence, to whom in future his first loyalty will lie. The rest of Mr Macmillan's statement amounts to a directive to all departments that the new Minister of Defence is to exert all the authority already latent in the powers given to him under existing legislation. Mr Macmillan, like George III's mother, is urging the full use of considerable if neglected prerogatives: Mr Sandys is being told to be a Minister of Defence, and not a postmaster-martial. Men matter more than the machinery.

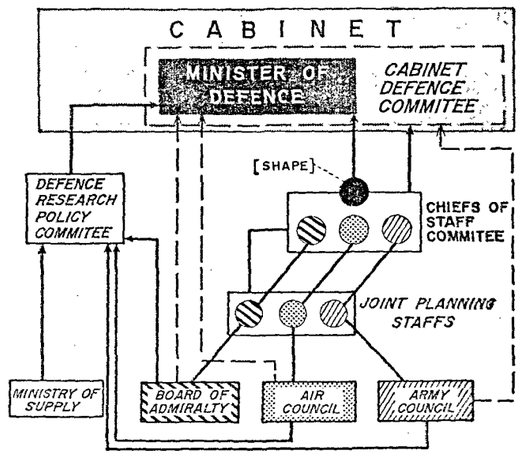
The fairest interim judgment is that this is probably all that is called for at this stage. Mr Macmillan, as one of the six successive Tory defence ministers, must know that the machinery for organising defence has never really been tried. The idea behind the machine is that the Ministry of Defence should be responsible for long-term planning, strategy, appraisal and control of scientific developments, the allotment of resources and thus the general shape of the services ; but the carrying through of all this should be decentralised in the service ministries. These in turn should be able to deploy the basic technical experience and professional advice on which top planning must be based in all the discussions of the Ministry of Defence.

The two vital elements in the transmission system that links the Ministry of Defence (and the Cabinet) to the military know-how of the service ministries are the chiefs of staff committee and the joint planning staff. The latter, which consists of the three service directors of planning, works within the Ministry of Defence, though linked through the individuals on it to the services ; the former is the service chiefs, individually responsible to their ministers, but in their corporate capacity directly to the Government. In the past the three chiefs of staff gave their views to the Prime Minister or the defence committee of the Cabinet—an *ad hoc* meeting of ministers which is concerned with the particular matters at issue. The creation of a Ministry of Defence simply made the Minister the Prime Minister's deputy in defence matters. To help him he was given a staff officer who sat in on chiefs of staff meetings—it was, and is, open to the Minister of Defence to take the chair at such meetings. Otherwise the chairmanship rotated between the services until, a year ago, a permanent chairman was appointed. It is here that Mr Sandys has been given more leverage. The chairman (Marshal of the RAF Sir William Dickson) has now been made *Mr Sandys's own chief of staff, directly representing* the Ministry of Defence view.

This type of organisation has been evolved to avoid two dangers. The first is the creation of a type of combined general staff, like the German *Oberkommando der Wehrmacht,* which might tend to plan and organise remote from the administrative limitations and operational experience of the services themselves. The other and opposite danger is the creation of a super-ministry in which every problem of detail as well as of planning and principle could be laid at the door of the Minister of Defence, so that basic thinking about defence problems would not get done, let alone be implemented. To swamp the Ministry of Defence with administration would destroy it as a collective, multi-purpose service brain ; it is a secretariat and not a department. The need for this would remain even if the services were " integrated."

It follows, however, that there is a limit to the extent to which the three service ministers can be demoted in the interest of giving the Minister of Defence " control over the services as a whole." If under " complete integration " the service ministers became ministers of state, senior staff officers would tend to take every big issue to the minister ; in losing control over their chiefs of staff the ministers would lose their standing in the House of Commons except on *minor matters ; and they would* shrink from major decisions. But if the service ministers are, as ministers, to help carry the load of decisions, their jobs must be worth having, with true ministerial functions to perform, answer for, and found a reputation upon. The cardinal principle, as in all administration, is to make clear what the responsibility at each point is, and where it lies.

HIGHER DEFENCE ORGANISATION



It has evidently been decided that these arguments also apply to the Ministry of Supply. Perhaps the continuance of this Ministry is the one part of the new set-up on which judgment should be reserved. It is no secret that the previous Minister recommended its disbandment. He must have done so against established departmental interests, and recommendations so made are often more right than wrong. As an agent of the service ministries it is even more subordinate functionally than they are. To combine it with the Ministry of Defence would admittedly, be to load the latter with the administrative detail from which the present structure keeps it free: this detail extends to the operation of scores of complex research plants from Farnborough to Woomera. Yet the special importance of the relation between the Ministries of Defence and Supply is shown in the Defence Research Policy Committee, on which all five ministries are represented, and which is supposed to provide independent advice in the allocation of scarce research resources and scientific trends to enable the Minister of Defence to control service research and development projects. If the Ministry of Supply ever is disbanded, most of its activities as a common agency should certainly be related directly to the Ministry of Defence ; it would be retrograde to scatter its functions widely among the service ministries.

It may be argued that if the defence machine had worked to the specifications claimed, there would have been no need for overhauls—for the sudden discovery that expensively produced weapons are outmoded, strategy is wrong, commitments too heavy for the economy. Such miscalculations feed public suspicion that the shaping of the forces is usually settled not by an integrated view from above, but by deals between service vested interests. But this is what happens when the controls exist but are not applied ; the worst way to get them applied is to so overburden the Minister with responsibility for details that he has no time to think about anything. The vital proviso in the Prime Minister's brief was that the Minister is to have the powers " which in his opinion are of special importance." The control mechanism exists, the problem is to work it. That primarily depends now on two men—Mr Sandys and Sir William Dickson.

The Stoker's Dilemma

BY A CORRESPONDENT

ONE of the advantages enjoyed by the secretary of a hospital is the receipt of a regular flow of pamphlets from the Ministry of Health, guiding his footsteps, extending his duties and adding to his work. They are written by ministry experts in great detail, and the number circulated since 1948 is about 1,000. They illuminate life at many points ; bound and indexed they would make quite an encyclopædia.

A recent pamphlet is devoted to the education of steam stokers.* It announces, in effect, a new faculty which will educate all stokers in the hospital service. It is to provide classes and intensive home study. It will put every stoker (unless he be a recusant) through a six months' course and set each man under a director of studies. It ordains a curriculum on the scientific study of heat, the chemistry of fuels and kindred subjects. In conjunction with an Institute it will hold examinations and reward the successful with a Boiler Operator's Certificate. There is no conscription or compulsion, but the official attitude is very definite:

> The Ministry [the pamphlet says] hopes that every hospital steam stoker will acquire this qualification.

England expects that every stoker will do his homework.

It would be a pity to encourage wastage of fuel, and wrong to deny that many stokers are skilled modern craftsmen, operating shiny modern machines. But, equally, some hospital steam stokers are not. Let us therefore consider—perfectly seriously, taking every word of his suggested ordeal from this closely written, 11-page long pamphlet—the case of Sam

* H.M. (56) (84553) W.T. 8067. 999. 8600. 12/56. DL/372.

Binks. Sam is 48 years old and most of his life has been spent in stoking. For eight years he has stoked the boilers at St. Sebastian's hospital, working conscientiously, respected by his boss, and proud to be a government employee. Being the man he is he will certainly join this new post-graduate course, if only to please the Minister for whom he has a great regard.

Sam is married and has three children. His house has three bedrooms and a parlour, and Sam usually sits in the kitchen, which he prefers. His daughter—Eth—is being courted by a promising young fellow named Ron, and every evening the young couple have the parlour to themselves. Once a week Sam and his wife go to the pictures, and once or twice Sam walks to the local. He left school thirty-four years ago with a rather sketchy knowledge of arithmetic. On the fingers of one hand you could count the books he has read in adult life. He is not a subscriber to *The Economist,* but he gets much pleasure on Sundays from the *News of the World.* When a letter has to be written he gets his wife to write it, and his own penmanship is confined to football pool entries. His daily round is not what intellectuals call a full, free and rich life; but then he is not an intellectual. On the other hand he is honest, happy and content with his lot. In fact, a very decent bloke.

That is Sam's life as it is lived today, and so it will go on until next July. After that things will be different. On July 1st his extra-mural course begins, and Sam's daily routine will be revolutionised. He will begin by interviewing his director of studies, who will give general instructions and provide him with notes to cover his homework during the first month. The notes will deal with the theory of heat (" sensible, latent and total "), and with the chemistry of fuels (" their proximate analysis and heating value "). They will explain the difference between the qualities of " saturated steam and superheated steam," and emphasise the " importance of dry steam." In a month's time, having mastered the notes and written the necessary essays, Sam will attend the stokers' class, at which his work will be corrected by his director of studies, and any difficulties (latent or total) will be ironed out. If he cuts a lecture his name will be reported to the authorities.

*

At home, Sam will have to reorganise his household. Ron and Eth must find somewhere else for their courting. The parlour (now his study) is henceforth reserved for Sam's prep. Mrs Sam will go to the pictures alone. The local will see Sam no more. After twenty weeks of intensive private study and tuition, Sam will sit for his preliminary exam. If he gets through that he will have his practical, and later on take his intermediate. He will attend for this first exam at a hospital examination centre, at which every precaution will be taken to prevent him cheating. He will, of course, be allowed " to use a slide rule and drawing instruments," but he will be watched to see that he does not make signs to a fellow-examinee.

Five feet will separate him from his neighbour, to make sure that he does not crib. Even if he manages to dodge the precautions it is quite likely that he will gain nothing, for a good many hospital stokers are illiterate in English. They come from distant parts of the Commonwealth and, naturally, they will have the papers translated for them, each man into his own tongue—Tamil, Greek or Maltese ; so Sam could look over their shoulders till his eyes popped without getting any illicit help from their answers. Sam's examination will last three hours, and he will not be allowed to leave the hall till one hour of the three is past. If he is obliged to leave the hall (as the rules prettily put it) " for any personal reason," he " must be accompanied by an Invigilator or a person authorised by an Invigilator."

In this matter we must face facts bravely and declare that Sam's chance of reaching the Intermediate are negligible. He might perhaps wangle a medical certificate from one of the consultants, and so get an aegrotat ; but that line is not very hopeful. Sam, however, is not a man to admit defeat. Failing in December, 1957, he will try again in June, 1958 ; December, 1958 ; June, 1959 ; December, 1959 ; and so on. His studies will become more and more intensive. He will grow pale and acquire a scholar's stoop. Perhaps he will weaken, collapse and die before his time. If so, there is an epitaph all ready for his tombstone:—

Fair Science frowned not on his humble birth
And Melancholy marks him for her own.

Alternatively, of course, Sam may leave the hospital service and go and stoke boilers somewhere else. But perhaps the Ministry of Health—which has just changed its political head—has not thought of that.

Importance of Journalists

Journalism has acquired a vast influence over society, and the controversies, involving the interests, moral and physical, of mankind, which formerly originated in colleges, were embodied in huge folios, and carried on by seraphic doctors, now begin and end, the writers being anonymous, in journals, which are like the all-encompassing sea, and literature, arts, and sciences run into them. Only as they cast these treasures on their surface are they perceived and appreciated. They are not merely great teachers, but they so fill space that they stop the avenues to all other teaching. Their plaudits stimulate, and their sneers or their censure repress, our actions. If formerly it were necessary that errors should not be propagated by great BOOKS and learned doctors, it must now be necessary that they should not be propagated by unlearned scribes in either large or small journals. Being subject to no other censorship than that of the public or of one another—and none other can be desired—it is a matter of duty in the public and in the journals to check error in journalism wherever it sprouts forth. For any one journal such a task would be an impossibility ; but all to some extent perform it, and so the controversies of journalists are the real and best correctives of their own many and very important errors.

The Economist
January 31, 1857

Notes of the Week

Dulles Doctrine?

MR DULLES'S ever-open mouth is an easy target, even when he is not being pressed hard. Last week he was undergoing sharp cross-examination by senators who wanted his blood (the hearings on the Middle East are further discussed in American Survey on page 383) ; and his remark about American soldiers feeling happier if British and French troops were not at their side deserves to be read in its context. Senator Morse, the maverick, had demanded an assurance that Americans would not be expected to " go it alone " in defence of any Middle Eastern country while their allies stood idly by. The Secretary of State not unnaturally asked Mr Morse to consider what reception British or French soldiers might get in present circumstances ; and then, instead of closing his mouth, he put his foot in it. The State Department might have saved itself the trouble of trying to explain that Mr Dulles meant no offence. The damage was done.

The Secretary of State's characteristically unhappy choice of words was not, however, the real point of the episode. Indeed, his clumsiness and the inevitable violent reaction to it have together obscured the point, which is an important one. Behind the Aunt Sally is the man, and behind the man the mood. The American Administration has no intention of presenting itself to the Asian-Arab world as the partner of Britain and France, except in the defined spheres of the North Atlantic and South East Asia defence treaties. It is keenly aware of the massive effort that the communist propaganda machine has been making to depict America as the real prime mover behind Anglo-French actions in the Arab world. In the event of a full-scale Soviet onslaught on the Middle East, these considerations would be swept aside. But at present the task which Mr Dulles has set himself is to check the spread of communist influences ; and, undeterred by congressional banderilleros, he has held to his entirely understandable thesis that, while a pledge of American support may stiffen some Arab backs, an offer of tripartite western backing would now get a cold shoulder. Bitterly as British ministers and back-benchers may resent this attitude, it is important that they should see it clearly for what it is, and not delude themselves into thinking that it is all just a slip of Mr Dulles's tongue.

The Big Bang

PREPARATIONS to complete the British £100 million thermo-nuclear research project by testing a fission-fusion-fission bomb in the megaton ranges (as well as some " clean " atomic warheads) are proceeding, and a large area of ocean in the vicinity of Christmas Island has been scheduled as closed to shipping in the months ahead. Already the Japanese have begun complaining that this not only reduces their normal fishery in the south seas, but involves their catching large quantities of unsaleable and unprofitable radioactive fish elsewhere. Nor will the British test be particularly welcome in the United Nations bodies embroiled with disarmament, though it may heighten the sense of urgency in getting such tests rationed or banned. The report of the UN scientists' committee on the effect of the tests so far made is not expected until 1958.

Recent Russian tests have rated only small headlines in the western press. The British test may produce rather more excitement. There is, however, no sign that the government will be deflected from completing the decision made in 1955 to have the hydrogen bomb and announced by Sir Winston Churchill at that time. Having it, and being seen to have it, may offset some of the impression given by the expected defence cuts. For though the possession of the supreme deterrent may be useless in day-to-day British diplomacy, it is a warning and guarantee that if the worst came to the worst the country's dying sting would be not merely dangerous but lethal.

Rents in the Rents Bill?

THE Rents Bill is making very slow progress through Standing Committee upstairs in the House of Commons ; the only amendment accepted so far is one ensuring that certain controlled tenancies covered by leases or special agreements should not have their rents raised with the rest. But the Government's general intentions are becoming clearer. It looks as if it is going to stand commendably firm about rises in the rents of houses that will remain under control, despite the political furore this is causing. Great play is being made with the fact that up to two-thirds of the 4¼ million houses remaining controlled will have their rents doubled, and that some 2½ million of them may suffer increases of more than 7s. 6d. a week ; but both these points are reflections of the extraordinary fact that almost threequarters of these houses at present have rents below 10s. a week. If the bill receives the Royal Assent somewhere around June, then —since the bill will become operative a month after receiving the Royal Assent, and since all rent increases will require three months' notice and increases over 7s. 6d. a week nine months' notice—the impact should be felt between about October of this year and late spring of next year. This will approximately coincide with the period of settlement of the next round of wage demands, but it should also be something like eighteen months to two years before the date of the next general election.

The one place where the Government is going to beat a retreat was indicated when Mr Henry Brooke told a Kensington audience this week that it is "thinking out the best method of easing the transition from control to decontrol" of the 800,000 middle-class houses and flats which, under the bill as it stands, would be thrown on to the free market on six months' notice from the landlord. Any yielding to pressure here will be deplorable, but there can be differing degrees of deplorability in whatever is to be done:

(1) The worst course would be to reduce the number of houses to be freed; that would make the rise in rents of the remainder much steeper. Fortunately, there is no sign that the Government is considering this course.

(2) One possibility is that the Government may limit the rise in rents that will be allowed, at any rate for a period; it might limit the new rent to twice the gross rateable value plus service charges, so that the main difference between these houses and fully controlled houses would be that the tenants of them would still be deprived of security of tenure. Oddly, some of the property-owning companies would not greatly object to such a decision; their main immediate eagerness is to be allowed to get rid of bad tenants, and they (although apparently not the protesting tenants) know quite well that in a free market most of these 800,000 rents will not rise above twice the gross rateable value anyway. But, in that case, why impose the restriction and thus prevent some flats and houses in exceptional demand from being shaken out on to the free market?

(3) The Government's most likely course is perhaps to say that the full new rents, and the ending of security of tenure, cannot become operative until, say, twelve or eighteen months after the operative day of the bill, so that tenants should be able to try to negotiate longer leases giving them varying degrees of security of tenure.

Of these three courses, the third—despite all the disadvantages discussed in *The Economist* last week—would nevertheless be, by a short head, the least deplorable. It would also, however, delay until nearer the next general election a storm which has some day simply got to be faced.

Two Attitudes Struck

THREE points each can be made about two individual Labour displays of deep emotion in the past week, beginning with Dr Summerskill's charges against the conduct of British operations at Port Said. First, all independent evidence—including especially Sir Edwin Herbert's admirably reasoned account—suggests that some of Dr Summerskill's original charges were inaccurate both in imputation and fact. What she said on television on Monday really carried a very different *nuance* from what she said when she first got off her aeroplane. Secondly, if she believed these charges to be true, she should not be attacked for having uttered them; there has even been a queer, though deplorably self-excited, sort of courage in what she has done. Thirdly, when a Cabinet Minister says that "Dr Summerskill has given ammunition to this country's enemies," he must expect to arouse wry smiles from Labour members; for everybody at Westminster knows that she has really given ammunition to the Conservatives. After certain demonstrations in favour of female emancipation in a previous visit to the Middle East, Dr Summerskill's evidence is likely to be regarded in the Arab world as that of a very strange lady; the damage she has done there is not great. Domestically, however, like Mr Bevan's long-remembered lapse about vermin, the stigma of this piece of bad reporting and worse politics is likely to stick.

There should be an electoral stigma attaching to another private Labour initiative in the past week, but unfortunately there will not be. A number of Labour MPs have signed a motion protesting against the projected appointment of the German General Speidel to command Nato ground forces in Central Europe. The reasoned argument against this appointment is that he will be a German general without very many German soldiers; the even more reasoned reply to that, however, is that his appointment is more likely to ensure that there will be more German soldiers, which is what Nato wants. A protest could also be understood if General Speidel were the sort of man to whom personal exception could be taken; he is not, although it is quite probable that less desirable sorts of German military leaders may come on to the scene later—because exceptionable people of all nationalities sometimes make very good generals. But the real basis of the private Labour motion is to be found in neither of these arguments. It is to be found in pure racialism; and anti-German racialism in Europe can be just as unpleasant a thing as anti-black racialism in South Africa.

Step by Step

THE outline of Mr Hammarskjöld's report to the General Assembly on the opposite page shows that he is neither so vague nor so evasive about the problem of Israeli-Egyptian relations, and the United Nations' duty in regard to them, as many accounts of the report have suggested. The Assembly must, in his opinion, call upon both countries to adhere once again to the armistice agreement, observance of which is the essence of the November 2nd resolution from which UN action and the creation of the emergency force developed. And, to re-establish the armistice agreement, Israel must complete its withdrawal from Egypt. His aim is to restore the *status juris*, not the *status quo ante*, a distinction important to his concept of progressive action towards a settlement.

At this stage his recommendations do not go beyond the demand for assurances from Egypt and Israel that they will keep to the armistice agreement; there are no concrete guarantees of the sort Israel seeks. It is, however, implied in his report that the guarantee should be the assembly's grip on the problem. Uno is at present tied to the agreement, as much as the two parties, by the fact that the Security Council approved it, but if the agreement is destroyed by the refusal of either or both countries to restore it in practice, then presumably the assembly will be free to consider new action. Mr Hammarskjöld, in his step-by-step approach, might then be expected to point to the action that should be taken.

By refusing to withdraw completely and by claiming that the armistice agreement is dead, Israel is restoring the assembly's right to consider the situation as a whole. As

The Hammarskjöld Policy

THE Secretary General, in his report of January 25th to the UN General Assembly on Israel's failure to complete its withdrawal from Egypt, makes clear his view that scrupulous observance of the armistice agreement is the essence of the Assembly's resolution of November 2nd, and the proper starting-point for all action to pacify the Egyptian-Israeli frontier. Further, the armistice agreement was approved by the Security Council and must be respected "whatever new arrangements the UN may now wish to make." Therefore the UN cannot accept Israeli control over the area "even if it were of non-military character."

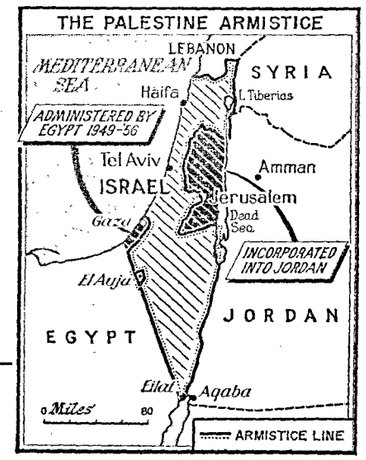
Gaza Strip. Mr Hammarskjöld considers that the Israeli proposals for the Gaza strip are incompatible with the armistice agreement. To broaden the functions of the UN emergency force in Gaza would need the consent of Egypt. So would any widening of UN administrative responsibilities in Gaza; the Assembly could recommend it but could not demand compliance. Nevertheless, he concludes that the Assembly might have to face "added responsibilities" in the strip.

Access to Aqaba Gulf. He gives quasi-legal advice against Egypt's right to blockade the Gulf, though he points out that the International Law Commission refused to define the legal position of straits such as Tiran ("straits forming part of the territorial sea of one or more states and constituting the sole means of access to the port of another state.") He argues that claims to belligerent rights in the straits should be limited to "clearly non-controversial situations" and that in any case the international significance of the gulf might justify the right of innocent passage.

The Suez Canal. Mr Hammarskjöld points out that the Security Council's resolution of September 1, 1951, which ruled against the belligerent rights claimed by Egypt against Israel in the Suez Canal, was based on the "permanent character" of the armistice agreement. If Israel withdrew behind the armistice lines the Assembly could then conclude that the agreement was still in force and that neither side had belligerent rights (which would mean Egypt had no right to close the canal to Israeli shipping).

Action. He likens the armistice agreement to a non-aggression pact and considers that progress towards a solution of problems would only be impeded if the agreement were by-passed. He therefore calls for scrupulous observance by Israel and Egypt particularly of Article I, which rules out aggressive action, and Articles VII and VIII; these restrict the deployment of forces on both sides of the armistice lines and limit Egypt and Israel to "defensive forces" in their respective areas of the front. He suggests that if El Auja were demilitarised in accordance with the armistice agreement, the UN emergency force might be stationed on the Israeli side of the Armistice line, at least in that zone.

His report clearly directs the Assembly to the view that the Egyptian blockade of the gulf is wrong and the denial of the Suez Canal to Israeli shipping is also wrong; but the essential prerequisite is to re-establish the validity of the armistice agreement by the withdrawal of Israeli forces completely behind the demarcation lines. Implicit throughout the report is the Secretary General's view that this would be the starting point for fresh action, not the end of the Assembly's responsibilities. He concludes that by securing observance of the armistice agreement the Assembly would have made "a significant step in preparation for further constructive action" and would then "be able to turn to constructive tasks."



The Palestine Armistice

MR HAMMARSKJÖLD'S sheet-anchor as he manœuvres between Israel and Egypt is the 1949 armistice agreement between the two countries. This, in common with the other three agreements which Israel signed later that year with Lebanon, Jordan and Syria, was engineered by the United Nations mediator, Dr Ralph Bunche, to bridge the period between the cease-fire and the formal ending of the Palestine war by peace treaty. Since the agreements have never been replaced by peace settlements, revised, or abrogated, they are still legally in force however much their conditions have been violated in the past eight years.

The Israel-Egypt agreement, which set the pattern for the others, was an attempt to freeze the military situation. The signatories affirmed the cease-fire (fighting was supposed to have stopped about six months earlier but through the winter of 1948-49 both sides were still skirmishing for position), forswore hostile acts against each other and agreed, at least temporarily, to a frontier.

Since the United Nations had given up their attempts to partition Palestine by criteria other than military victory, the demarcation line, with very few deviations, cut between the two armies. But the Israelis, resenting the loop round the Gaza strip, had a qualifying clause written into the Egyptian agreement (but not into the others) stating that the armistice line was not to be construed as a political boundary and did not prejudice the ultimate rights of either party.

In an attempt to immunise the frontier between Israel and Egypt, the agreement limited the strength of the armed forces which could be stationed on either side of it. The area round the village of El Auja on the Israeli side of the border was to be completely demilitarised and used as the headquarters of the truce supervision organisation.

Both the letter and the spirit of the agreement have been consistently broken. The most flagrant abuses were the double blockade of Israel, the never-ending raids across the border and the Israeli attack last October. Although the Security Council on several occasions called the two sides to order, the provisions of the agreement were never enforced and consequently mainly ignored. The peace settlement has never materialised, and a situation which is intrinsically at boiling point could not be kept on ice.

The armistice agreement contains the provisions for peaceful coexistence. But it can only be respected if all its conditions are fulfilled: blockades, boycotts and guerrilla warfare are hostile acts as much the seizure of territory. The Israelis claim that the agreement is in ruins: it needs some powerful scaffolding if it is to be rebuilt.

this is what the Israeli government wants, it can be expected to continue to refuse; but it is also probable that its conditions for withdrawal—such as the demand for the demilitarisation of Sinai—need not be taken at their full face value.

The president of the Assembly has adjourned the formal debate while the Secretary General's report is discussed in the lobbies. This is no doubt necessary if enough support is to be rallied to give any new resolution the required two-thirds majority. But, if the speech of the Soviet delegate on Tuesday is any guide, he will be at work to perpetuate the unrest in the Middle East by obstructing any constructive use of the UN emergency force.

Double-Headed King

KING SAUD, who is at present visiting Washington, must present an interesting problem for the State Department as it restudies Middle East policy. On one side he is unquestionably anti-communist, for his antique and absolute monarchy cannot stomach even a hint of reform from anywhere but itself. On the other side his policy is completely identified with that of Egypt and Syria, the two countries whose false neutrality has allowed the very communist penetration that the United States now seeks to combat.

Probably he is permitting himself in Washington a few grimaces at the policies of the Egyptian and Syrian governments. The association, one can be sure, is being presented as a marriage of convenience forced upon the faithful of Arabia by the wicked imperialism of the British. ("Now if only the United States would do something about his rights in Buraimi and be more tactful about the Baghdad Pact which upsets that nuisance of a fellow Nasser . . .") This must seem an appropriate time for King Saud to tell the President and Mr Dulles what a warm place awaits America in the hearts of the Arabs if only Britain is ditched.

One must hope that those American diplomats who are not readily deceived by this approach are in action; for the mainspring of Saudi Arabian activity for years has been the determination to isolate Iraq, not because that country is friendly to the West, but because of the enmity of the two royal families. In his single-minded pursuit of this end, King Saud has muddied the broad stream of Arab nationalism with his money, and has without hesitation made common cause with communism when it suited. To no small extent he has been paymaster for President Nasser in other Arab countries.

He is reported to want money and arms from the United States; these requests must be seen against his agreement with Egypt and Syria on January 19th to finance Jordan's rejection of the treaty with Britain. By this agreement the three countries undertook to arm Jordan; and it seems clear that aid to Saudi Arabia will release other funds and money for this purpose. King Saud's oil income last year was about £82 million.

His strongest card is the United States air base at Dhahran on the Persian Gulf. The five-year agreement by which America holds this base expired in June, and King Saud is taking his time about renewing it, knowing perfectly well its strategic importance since the United States gave up the wartime airfields in Iran and Egypt.

The Railwaymen's "No"

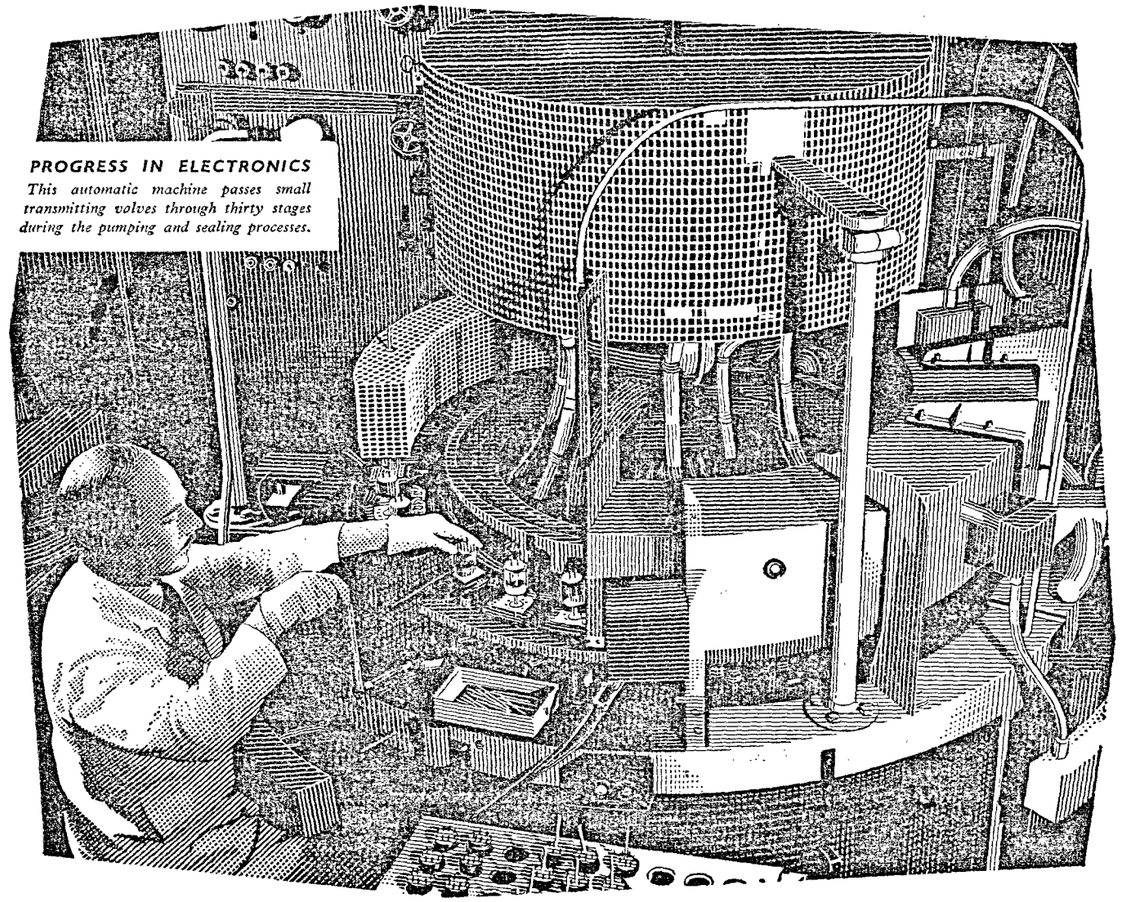
THE National Union of Railwaymen, in rejecting the latest offer of the British Transport Commission, threatens to renew the old and costly strife between the railway unions. Three weeks ago the Associated Society of Locomotive Engineers and Firemen decided to accept the increase of 3 per cent awarded to them by the railways' arbitration tribunal, although they had claimed as much as 15 per cent. The National Union of Railwaymen, meanwhile, which was engaged in separate negotiations with the Transport Commission, had rejected an offer of 3 per cent. Mr Campbell, the general secretary, argued that this would give only 4s. to the lowest paid, a sum which he claimed (according to his arithmetic) would not compensate them for the higher prices of necessities. The transport commission then raised its offer to 5s. 6d. at the bottom of the scale, and to 7s. instead of 6s. 6d. at the top. This would have given an average increase of about 3½ per cent since the railwaymen's last increase. But the negotiating committee was still not satisfied, and the union's executive confirmed the rejection. They want a percentage increase, but one nearer to their claim of 10 per cent—which they will now take to arbitration.

What do they expect the tribunal to say? They hope that it will be impressed by their argument (which the ASLEF did not use) that they are hardly treated compared with other nationalised industries. The railways tribunal has not always been notable for its consistency, but could it, after making its award to the locomotive men expressly and solely on the basis of the cost of living, now act on some entirely different principle? The NUR may find itself offered only the same 3 per cent—less than the transport commission's offer, which has now been withdrawn. What then? The railwaymen would find the nation very unsympathetic towards any attempt to exploit the present dependence on their services.

Middlemen Vindicated

IT is a favourite theme of both the National Farmers' Union and the Labour Party that the honest toiler and the hard-pressed housewife are being jointly exploited by inefficient "middlemen." This claim seems particularly plausible in the case of fruit and vegetables: commodities suffering from widely fluctuating prices and periodic unsaleable surpluses, together with a highly intricate marketing system whose chief feature appears to be long, slow hauls to and from the appalling maelstrom of Covent Garden. It is therefore very remarkable—and to anyone who still believes in genuine competition most refreshing—to discover how well the despised middleman emerges from the careful and detailed investigations of the Committee on Horticultural Marketing (Cmd 61):

> (a) *Is the present system of horticultural marketing basically inefficient?* Definitely not. Multiple handling and long hauls are not evidence of waste but essential elements in meeting the rapidly changing pattern of supply and demand for a large number of partially inter-changeable products.



This machine is part of the product

In the final stages of manufacture, Mullard valves and television tubes part company with the machines on which they are processed. But until they do, the machines are virtually part of the product.

Machines on which electronic valves and tubes are manufactured can be used for no other purpose. Their design is so closely related to the design of the product that the introduction of a development in one is rarely possible without a modification or adjustment in the construction of the other. In many cases, the valves or tubes are activated while still on the machines which process them.

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Overheard at Half-time at a Flood-lit Soccer Match.

So I said to my Chairman . . .

**The Independent Survey conducted by the Institute of Practitioners in Advertising.*

"So I said to my Chairman, it's all very well to talk about big readerships, but when it comes to selecting the papers to advertise in you've got to reckon where those readers live."

"And what did he say?"

"He said he couldn't care less where they lived as long as they had the money to buy our goods, which gave me the perfect opening to tell him about the eight major conurbations in the I.P.A. Survey.*"

"Conurbations? That's a very high-falutin' word."

"It's quite simple, really. They are the eight largest industrialised areas in the country. The areas where the big wages and salaries are earned, and I told him that to be sure of getting our goods talked about in those areas we should advertise in the papers which are read there. And the top three, of course, are the Daily Mirror, Daily Express and the News Chronicle. He was particularly pleased about the Chronicle, because he reads it himself. He says it's the one popular daily which encourages its readers to think for themselves, and therefore must appeal to the intelligent type of person, irrespective of his social or income group."

"So those are the papers you're going to advertise in?"

"Certainly. There's no point in his having an Advertising Manager if he doesn't take his advice, is there?"



NEWS CHRONICLE
AND DAILY DISPATCH

(b) *Are middlemen's profits excessive?* Generally speaking—No. Distributive costs absorb about one-third of the total value of horticultural sales, which compares reasonably well with European countries and is much lower than the distributive margin in the United States.

(c) *Do retailers keep up prices unfairly in times of glut?* Not on the whole. Retail margins are relatively rigid, but they do move in sympathy with the prices received by producers. Drastic price-cutting in a glut is usually no solution, because of the public's limited capacity suddenly to stuff itself with fruit and vegetables.

(d) *Could producers go into horticultural marketing with advantage?* In a sphere where flexibility is the first and basic essential, the creation of compulsory marketing boards would be a major blunder. Producers' co-operatives may naturally develop, but there is no point in subsidising them, and there are "no easy pickings" to be had in the wholesale trade—it is far too competitive.

(e) *Is there sharp practice by unscrupulous wholesalers?* Many producers are convinced that there is, and the committee concedes that it sometimes occurs, although primarily at the expense of the Chancellor of the Exchequer. Its recipe is an Institute of Salesmen, which would control by public censure the few disreputable firms and individuals.

(f) *Should imports be limited in order to protect the home crop?* Definitely not. Other considerations apart, since both supply and demand of most fruits and vegetables are fairly erratic, such protection could only work by permanently under-budgeting for imports—to the consumers' great disadvantage.

These are all negative conclusions. There is of course also much scope for improvement—but in the direction of lubricating the present system (by way of improved market intelligence, better grading schemes, etc.), not of compulsory marketing. The committee recommends that a Horticultural Marketing Council should be set up, to promote development, research, and publicity. It also offers proposals for some decentralisation from, and more improvements at, Covent Garden.

Soviet Show in Cairo

RUSSIA is working hard to establish a pre-eminent position for the eastern block in Egyptian trade. The latest move is the Soviet industrial exhibition now being held in Cairo, where people are flocking to see the products that Russia can offer. The range is wide, covering everything from gramophone records to helicopters. Particular attention has been paid to agricultural machinery and tractors.

Britain and France have dropped out of the Egyptian market; the communist countries are stepping in. This situation was made worse by the Suez crisis but not created by it. British trade, which before the war constituted over a quarter of Egypt's foreign dealings, has steadily declined to the point at which the National Bank of Egypt can refer to it as of "secondary" importance. In the first half of 1956—that is, before the crisis—Egypt sold goods worth only £4.4 million to Britain; and although Britain sold £14 million worth of goods to Egypt, this was because of the £20 million released by Britain from the sterling balances. Czechoslovakia, on the other hand, bought £11.8 million as compared with only £2.8 million in the corresponding half of the year before. Iron Curtain trade, including that of China, now constitutes about 38 per cent of Egypt's foreign business.

In the concentration upon President Nasser's politics, it is not always remembered in this country that Soviet influence in Egypt can almost exactly be dated from the start of closer trading with the Soviet block in 1954. In combating Soviet influence in Egypt, a revival of western trade, when the time is opportune, is more important than Eisenhower aid

Light and Shade in Kashmir

AS entertainment for the connoisseur, some of last week's developments in the Kashmir dispute rivalled the hearings on Bernard Shaw's will. Mr Krishna Menon, in the course of an eight-hour filibuster, assured the Security Council that no "zero hour" was approaching. Just two days later, India announced that the new Kashmir constitution had come into force. Mr Menon insisted that the new constitution made "no difference." The Soviet delegate insisted that it made all the difference; by its adoption, he said, "the question of Kashmir has been settled by the people of Kashmir themselves." (Mr Sobolev thus deviated both from the Moscow and from the Peking lines; for while Mr Khrushchev declared the question settled in 1955, before the constitution had been adopted, Mr Chou still reserves judgment.)

The Council, however, got in under the wire with a resolution recalling its previous rulings, accepted by both India and Pakistan, that Kashmir's fate should be decided by a plebiscite under UN supervision. Ten of the eleven members supported the resolution. Russia, which could have vetoed it, abstained. This looked decidedly odd after Mr Sobolev had denounced the resolution so strongly. One explanation offered is that Russia was paying Mr Nehru out for his unbrotherly remarks about Hungary; another, that it did not want Kashmir to come before the UN Assembly and thereby further embarrass both Russia and India. Moscow is unlikely to explain the enigma, but its present eagerness to court Moslem opinion may well be explanation enough.



Unfortunately, behind these intriguing antics lie some sad realities, of which Pakistan reminded the Council by such vivid means as circulating an appeal addressed to Uno by Sheikh Abdullah, the deposed premier of Kashmir, from the jail where India has kept him without trial since 1953. The coming elections in Indian-held Kashmir (open only to pro-Indian parties) seem no more likely to resolve the real problem than did the accession to India of a fugitive maharaja in 1947. On a real view of its own interests,

Delhi would surely be wise to welcome and explore Mr Suhrawardy's offer to let Pakistan troops in Kashmir be replaced by a UN force. That withdrawal would remove what Mr Menon, Mr Bakshi and other spokesmen for India call "the only issue," and provide new hopes of ending a quarrel which only Russia—not even China—finds profitable.

The Strike at Briggs

Our Special Correspondent visited Dagenham to report on the complicated strike which sprang up there this week. He writes:

THREE shop stewards at Briggs Bodies, a subsidiary and neighbour of the Ford Motor Company's factory, wanted to attend a meeting of the Ford national joint negotiating committee on January 24th. An official of their union, the Amalgamated Engineering Union, had asked the employers to allow them to attend: the employers asked the secretary of the committee, Mr Hallett, also of the AEU, whether their presence was necessary, and he said it was not. The three were then warned not to take time off in this way, but they went to the meeting and were therefore suspended from their employment for three days. Two of their fellow stewards organised small protest strikes: one of these was also suspended for three days, and the other was at first suspended and later sacked. By Wednesday the whole of the Briggs factory had come to a halt because of the strike, and the stoppage of Briggs caused the stoppage of Fords. Speeches at the mass meetings on Wednesday were scattered with phrases like "Our patience is running out" or "The workers are always under duress." An "Open Letter to the Public" issued by their committee speaks of the prospect, if the management win this struggle, of a return to "sweated labour and horrible working conditions."

The company pointed out that, had they wanted to get rid of these men, they could have done so along with the 1,750 men dismissed in January. They say that the reason for suspending the stewards was simply that they absented themselves without leave and failed to abide by the agreed negotiating machinery. But they must have been pleased, after years of trouble, to enforce procedural agreements (although they have no backlog of cars to keep up their flow of exports), and they must have been glad to have a chance to get rid of at least one trouble-maker. This shop-stewards' committee has for long been dominated by extreme militants, and Briggs has a record of continuous strikes and stoppages which are always amply covered and encouraged in the *Daily Worker*. Opportunities for making trouble have been increased by the fact that Fords took over Briggs in 1953, and the attempt to bring conditions of service in the two factories into line has caused some inevitable friction. The management may to some extent be responsible for increasing its own troubles, for employers throughout the motor industry have tended to build up the shop stewards, as the men on the spot, at the expense of the union officials.

More than half the labour force at Briggs directly joined the strike. At the mass meetings there was plenty of disagreement as to the right time and place for the next meeting, but none was voiced about the rightness of the strike action: all speakers professed determination that the shop stewards—the men who make a fuss on their behalf—should not be "victimised." As this goes to press the AEU and Fords, unable to meet officially until work is resumed, are having unofficial meetings which may help to solve the present deadlock. But it will not be easy to bring long-term peace to Briggs.

Screening Civil Servants

THE Three Advisers who have to judge the reliability of civil servants who are "employed in connection with work the nature of which is vital to the security of the state" have been given new terms of reference; they were set out this week in reply to a parliamentary question by Mr Powell, the new Financial Secretary to the Treasury, and it is right that they should cause some initial concern. The meaning of "having been associated with communists" or of "being susceptible to communist pressure" leads tautologically back to being unreliable in the view of the Three Advisers; and the onus of proving that he is not unreliable lies on the accused, who will be told of the charges that have been laid against him, but not so fully that he can guess by whom the charges have been laid. On legalistic and libertarian grounds, it is possible to think up many criticisms of this procedure; unfortunately, it is not so easy to suggest a better system if security is to be preserved.

Probably the most sensible—if slightly cynical—view is that the best salve for uneasiness can be found in the unofficial checks and balances which an alert public conscience has caused to be built up. Britain's witch hunt is a gentlemanly one. The penalty of being found unreliable is not usually crushing. Genuine efforts are made to see if the man so judged can be transferred to another job; if it is less to his liking, well, the communist sympathiser who takes up physics cannot complain if his field of research is changed from atomics to fish manure. Promotion may be prejudiced, and the man accused (even when accused only of being "susceptible to pressure") cannot but become in closed circles a subject of gossip—but he risked that in the nature of the private life he is adjudged to have chosen to live. What if he is wrongly adjudged? The best safeguard against this probably does not lie in the rules, but in Ministers' knowledge that every doubtful action they take—*together with some certainly correct ones*—will set the watchdogs of civil liberty barking. More power to their barking, but do not let it have too hysterical a ring.

Common Market Nearly Home

THE treaties of the Common Market and Euratom seem to be nearly home, to signature at any rate, if not to the final haven of ratification. In Brussels this week the ministers of the six countries had some difficult moments, but their differences were not fundamental. The Dutch were indignant at the rather small weight they seem to have been given in the voting system and they still fear that the highly qualified form of common market in agriculture may not give their exports proper scope. But neither this, nor even the vexed issue of the overseas territories, seems likely to thwart the signing of the treaties this month.

In the French and even perhaps the German parliaments, however, the vague formula found for the overseas territories may still cause trouble. The whole political interest of the treaties, indeed, will soon be turning from the green table in Brussels to national assemblies, above all the French. Good public relations rather than diplomacy will be needed then; and here the British Government has a part to play. It is remarkable how little French opinion has yet appreciated the genuineness of the change in British policy towards Europe. Some opponents of the common market are still arguing that there is no point going into it because Britain is trying to sabotage it; others, like M. Mendès-France, seem to hold that France ought to sabotage it, because a loose free trade area with Britain would be preferable. They seem to forget that Britain's initiative towards free trade in Europe has been partly prompted by the common market scheme. The OEEC council meeting in Paris later this month will be a good opportunity for Britain to make clear once more to French opinion the seriousness of its new European policy.

M. Poujade's Eclipse

PARISIANS voted last Sunday in the second ballot of a by-election which was the most important test of French opinion since M. Mollet came to power a year ago. More than half a million voters are registered in the big constituency on the Left Bank. Admittedly, the results did not give an undistorted picture of the national mood. Fewer people vote in a by-election (nearly 42 per cent abstained on Sunday, against only 18 per cent in the general election a year ago). The centre of Paris—in contrast to its red belt—is predominantly middle class and rather conservative. Yet the comparatively good showing of the parties that back M. Mollet's Algerian policy must comfort him.

The collapse of the Radicals, a Communist setback and the success of conservative candidates were the chief features of the first ballot. The right-wing *Indépendants*, the main beneficiaries of the nationalism which has swept the middle classes, have now pocketed the one seat which is all that was at stake. The Radicals, associated with the less jingo stand of M. Mendès-France, seem to have been victims of the same mood, though the ambiguous position of this ever-divided party must have contributed. The Communist share of the total vote did not drop as much as some expected; but it fell, reflecting the uneasiness provoked by recent events among its usually faithful supporters.

Most significant in the second ballot, however, was the defeat of M. Poujade. The wave which swept more than 50 Poujadist deputies into parliament has been receding; discontented shopkeepers could see no return for their support; the deputies themselves were getting restless in uneasy isolation. To redress the position, the Poujadist chief himself decided on a trial of strength, and put forward his own candidature at the last moment in a district where his chances were in any case slender. The result was disastrous: he kept hardly more than half the votes which one of his followers won a year ago. This failure is bound to bring to a head the ferment which has been at work in the Poujadist group ever since the Suez expedition.

Ireland on Election Eve?

Our correspondent in Dublin writes: It seems almost certain that there will have to be an early general election in the Irish Republic. By and large, as a result of that election, most people will expect to see Mr de Valera and his *Fianna Fail* come back to power again. Mr Costello's coalition government, made up mainly of *Fine Gael* and Labour supporters, has recently had a majority of six in the Dail; it came down to that figure after two net *Fianna Fail* gains in by-elections. This week Mr MacBride's three *Clann na Poblachta* members, who have hitherto voted with Mr Costello, have announced that they will withdraw their support from him. If they vote with *Fianna Fail*, that would nominally leave a dead-heat in the Dail. One can make various niggling and possible corrections to this estimate: the Speaker, who is a Labour member, could have a casting vote; there is a by-election pending, which on form should certainly be won by *Fianna Fail*; one Labour supporter of Mr Costello might not vote on an early no-confidence motion, because his solvency is at present a matter for the courts. But Mr Costello can hardly hope to hang on to power by hair's breadths of this kind; his wisest course would probably be to seek an immediate dissolution.

In withdrawing his support from Mr Costello, and tabling a motion of no confidence, Mr MacBride spoke in the first place of his dissatisfaction with the economic situation. This is a bit hard. The programme laid down at the meeting of the parties supporting the government in October last is being implemented. A capital budget, on which the programme largely depends, will be presented to the Dail in some weeks' time. In the meantime, the trade figures for 1956 were rather more favourable than might have been expected, and it seems probable that the deficit in the balance of payments has been reduced from £35 million in 1955 to between £13 million and £15 million. On the other hand, unemployment now runs at about 90,000. It can be argued that such figures reflect the inability of

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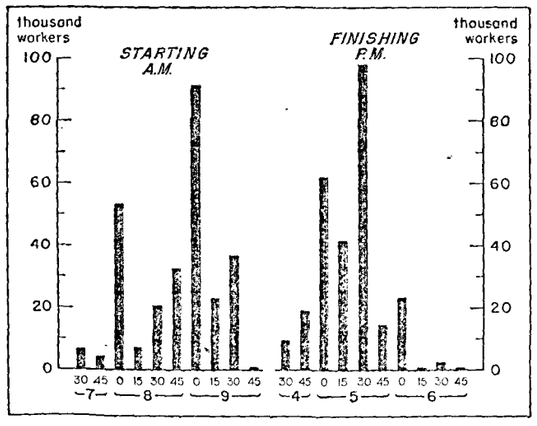
a number of artificially fostered industries to stand up to changes in trade, or that Irish labour has helped to price itself out of its own market. These are not attractive electoral arguments.

Many people, however, will feel that Mr MacBride's statement is to be judged on that passage which refers to the "unnecessary and provocative measures of a coercive nature" taken by the government in recent weeks. In other words, he is cross with Mr Costello for trying to do what he thought he politically could to stop the Ulster border raids. The *Sinn Fein* party, which may be taken as the political front of the IRA, has announced its intention of putting forward candidates at the general election. The poll is therefore unlikely to take place under propitious conditions, but its results may clear the air.

Rush Hour and Crush Hour

THAT unpleasant London phenomenon, the rush hour, makes the average worker's daily travel a penance far more exhausting than an equal period spent on the job; it also raises the cost of travel by making it necessary to provide an extra fleet of vehicles, to handle peak hour traffic, which stands expensively idle for the rest of the day. Because the crowding is so familiar, there is cynicism about proposed remedies for it: and cynicism in full measure has greeted the report of the Committee for the Staggering of Working Hours in Central London.

But the cynicism is wrong. For the report reveals an important new fact. Replies to a questionnaire sent to the 2,000 biggest employers in Central London have disclosed inside the familiar "rush hours" (extending roughly from 8 to 9.30 in the morning, and from 4.30 to 6 in the evening) a succession of well-marked super-rush-hours or "crush



hours" which far exceed, in intensity of traffic, the periods immediately preceding and following them. The 8 o'clock morning influx is some ten times as great as that due a quarter of an hour earlier, and eight times as great as that due a quarter of an hour later; nearly three times as many workers arrive at 9 as at 8.45; the 9.15 contingent is down again to a quarter; at 9.30 the arrivals rise again steeply, and by 9.45 they have fallen to an insignificant figure. The evening pattern also has two well-marked peaks, one at 5, the other (considerably worse) at 5.30; from 5.30 to 5.45 there is a precipitous drop of five-sixths or more, followed by a slight but perceptible rise at 6.

At a rough calculation, the charted figures show that, even within the present limits of the rush periods, a smooth distribution of arrivals and departures between the quarter-hour intervals shown would cut the worst crush-hour crowds by a half. The committee now intends to work out detailed proposals, taking the geography and communications of central London into account, and to ask for voluntary co-operation. It should be much easier to persuade employers, on the basis of these figures, to shift their hours ten or twenty minutes either way, than to induce the more drastic staggering needed to spread the rush hour itself beyond its present limits. For the first time, there is hope on the straphanger's horizon.

South African Universities

ONE by one the anomalies in apartheid society are being expunged. Now it is the turn of the universities. During the present session the South African parliament will be asked to vote large sums for the creation of purely non-European universities. Later, the Minister of Education will probably ask for the power to exclude Africans, Coloureds and Indians from the two universities that are now non-racial, once alternative facilities are available. For several years the government's slogan has been "separate but equal" university training for non-Europeans, but now that educational specialists have roundly declared that there can be no question of equality in separation, the more flexible expression "comparable facilities" is being used.

There are nine universities and colleges in South Africa, five of which are for whites only. Natal University is segregated into sections for the two groups, and Fort Hare is for non-Europeans only. The remaining two, Witwatersrand and Cape Town, are open to any race, and about 5 per cent of their student bodies are non-European. For the white population of approximately 2¾ million, there are about 19,000 students: for the other 10¾ millions, only 1,000. The education provided at Fort Hare and Natal is, by and large, of a lower standard than at either of the open universities: the teaching staff are paid less and there are not enough of them. South Africa is no longer attracting competent lecturers from abroad and its own resources are already over-stretched.

The great majority of staff and students at Witwatersrand and Cape Town are united against the government's proposals, which are considered an invasion of university autonomy, a retrograde step for race relations and a waste of limited staff and money. Mixed education has worked well in the two universities for over forty years and provides almost the only equal meeting ground for the two groups. Moreover, since all existing universities are very poor, the public money to be spent on the new establishments is bitterly grudged. But their protest, however authoritatively backed, has as weak a chance as Canute against the wave of Nationalist policy.

Letters to the Editor

Mr Head's Last Cuts

SIR—You imply that in the event of the outbreak of world war we would have no opportunity to use the Auxiliary Air Force squadrons because of the time that would be required to train, or "re-train," the pilots and ground crews of these squadrons up to the necessary state of operational efficiency.

But these pilots and ground crews are already trained up to a high degree of operational efficiency in terms of flying skill, tactics, aircraft maintenance and so on. Their "re-training," or, rather, their conversion to more advanced types of aircraft, would in fact take only a very short time, and indeed could well largely be accomplished before an outbreak of hostilities occurred.

However, assuming that it be true that it would take too long to "re-train" these already highly trained units for their retention to be justified, then surely the logical extension of this argument is that it would equally be a complete waste of time for the Government to call up any reservists at all—or to adopt any form of conscription for the armed forces. For, after all, the great mass of men of military age in this country would be in an infinitely less advanced state of training for modern warfare than would our auxiliary forces.

Are you, then, implying that the next war will see a return to the state of affairs of a century and more ago, when small and mainly volunteer armed forces only were employed, with the great majority of our citizenry remaining free to follow their normal occupations? In other words, may we expect that there will be no conscription for military service and no recall of reservists to the colours in a future conflict? If that is not to be the case, then surely your argument in favour of the disbandment of reserve units is completely erroneous.—Yours faithfully, E. L. BURNE

Chelmsford, Essex

Sir Roy's Politics

SIR—You imply in your Note of January 12th that nothing has happened with regard to the Central African Federal Government's plans for the franchise since "Lord Malvern blurted out something about a two-tier franchise." This is not quite true. Recently discussions were held between the four heads of government, but no agreement was reached. After that Sir Roy Welensky described to the press the scheme which he had been backing: two "common" rolls, one to elect the ordinary members requiring a higher qualification than the present Southern Rhodesian common roll and thus disqualifying a large proportion of Africans now eligible, the other for the "special representatives" on a lower roll which would be mainly African. This scheme horrified many liberals in the country even more than Lord Malvern's earlier remarks had done. Control of government would still be in the hands of the ordinary members, who would, under this scheme, be in even less danger of having to consider the African voters in their constituencies than they are under the present Southern Rhodesian system. Moreover, any system of two rolls, one mainly black, the other mainly white, is little better than communal representation and could only lead towards increasing extremism among candidates on both sides.

Meanwhile, a lot has been heard in recent months from unofficial organisations and individuals about alternative franchise schemes. The Capricorn Africa Society wants a multiple voting scheme, but would probably compromise on another system which would give all an equal opportunity of "earning" a vote, would permit Africans to have some political say and would not encourage racialism in politics. There is one scheme which satisfies these criteria and which at the same time might be fairly widely acceptable, and that is "cross-voting": constituencies to have two members, one white, one black, each appealing to all voters on a single roll with financial or educational qualifications, or both. Unfortunately, the Federal Party leadership is unlikely to accept any scheme as liberal as this.—Yours faithfully, R. J. D. ACHESON

Mufulira Copper Mines

The Rent Bill

SIR—Under the Rent Bill 92 per cent of rented houses will remain under control in Scotland.

In striking contrast to the position in England and Wales, many of the owners, most of whose houses have been continuously under control since 1914, will in terms of this bill actually have less rent than in 1914. In the City of Edinburgh (the most favoured area) the increase over 1914 rents will be only 57 per cent. Modifications to the disrepair certificate procedure do not extend to Scotland, where owners are being left at the mercy of local authorities.

This grotesque situation is brought about by the failure of the Government to allow for the effect of the interaction of the (about-to-be-amended) rating system and of the Rent Acts in terms of which owners in Scotland have, since 1920, been debarred from passing on to tenants increases in rates. The Valuation and Rating (Scotland) Act, 1956, provides that owners of controlled houses must reduce rents in 1957 by the amount of rates paid by them in the present year. These rates are in fact the highest ever. It is to the rents thus reduced that the 25 per cent increase (on rents before they were reduced) is to be added.—Yours faithfully,

Glasgow, C.2 W. J. I. MUIR

South African Trial

SIR—The arrest and trial in South Africa of the 150 and more opponents of apartheid on charges of subversive activities against the safety of the state is already responsible for great hardships, particularly to the many Africans involved. For example, it is reported from Port Elizabeth that 10 of the accused from that city have lost their jobs, including one man who had held the same post for seventeen years. But before the trial is over matters will get worse.

The preliminary hearings have been resumed and will probably continue for a couple of months or so; then will follow the preparation of the cases for the defence and, afterwards, the trial itself—the whole process can hardly end for at least six months. But the counsel for the defence will not all be able to appear at the preliminary hearings because the funds available in the Defence Fund in South Africa, of which the Bishop of Johannesburg, Mr Alan Paton, the Hon Frank Lucas and Mrs Ellen Hellman of the Institute of Race Relations are trustees, are insufficient and will have to be conserved for the trial itself and to maintain the hard-pressed families.

Christian Action invites subscriptions to the special Christian Action fund, whose purposes are (a) to provide for legal defence of the accused; (b) to aid their families and dependants; and (c) to help ensure that the conscience of the world is alive to the issues at stake. A very large amount of money will be required if the legal defence of the accused and the necessary aid to their families is to be adequately provided for.

Christian Action is keeping in the closest touch with the committee responsible for the Bishop of Johannesburg's Defence Fund in South Africa. Money subscribed in Britain to the Christian Action fund will be distributed through and in consultation with this committee.

Please send your gift, made payable to Christian Action and earmarked for this special South African fund, to the Secretary, Christian Action, 2, Amen Court, London, E.C.4.—Yours faithfully,

Amen Court, E.C.4 L. J. COLLINS

Books & Publications

Queen and Commons

ELIZABETH I AND HER PARLIAMENTS, 1584-1601.
By J. E. Neale.
Cape. 452 pages. 30s.

WITH this volume Sir John Neale completes his trilogy on the Elizabethan Parliaments. It is a major achievement, distinguished both for its scholarship and its humanity. His first volume gave a brilliant analysis of the House of Commons, a body predominantly composed of the gentry, rooted in local and family interests but exposed to the influence of the great men and to the urgent pressure of the Puritans. Now, with the story of the last six Parliaments of the reign, he completes his narrative. It is a period crowded with drama and incident: the last great Puritan campaign of the eighties; the execution of Mary Queen of Scots; the deliverance from the Armada and the successive alarms of Spanish invasion; the struggle for power between Cecil and Essex; and the mounting economic discontents of the nineties. Throughout this period the government depended on Parliament for supplies to carry on the war; and though Elizabeth preferred to part with lands rather than with her prerogative, her continual political ascendancy over both Council and Commons remains an astonishing achievement. As before, Sir John Neale makes the queen's tenacious defence of her prerogative his main theme; and, as before, he pays tribute to her skill by giving all her speeches in full.

The volume is enriched by much new material and by the freshness and vigour of Sir John's interpretations. He is not afraid to use modern analogies freely: expressions such as "cold war," "revolutionary conspiracy," "party discipline," "witch-hunting" and "the welfare state" frequently recur. He is particularly concerned to lay stress on the formidable nature of the Puritan movement in the eighties, when the zealots in the Commons were supported by an elaborate organisation in the country, using all the weapons of propaganda and lobbying. He holds that by 1587 this movement, which had threatened "revolution in both Church and State," had been exposed and defeated; and he argues that the last Parliaments of the reign were much more quiescent than their predecessors, and that the queen did not share Robert Cecil's alarm over the monopolies campaign. There are difficulties in stating the contrast so sharply, and perhaps Sir John Neale has been unduly influenced by the queen's own views and by the decline in the quality of the sources for the later period. Burghley himself and other councillors showed themselves surprisingly sympathetic to the so-called revolutionary conspirators. Sir John represents the Tudor constitution resting, even after the defeat of the Puritans, "on little more than the masterful nature and unique personality of an ageing Queen"; and in 1597 the initiative in social and economic legislation was taken by committees of the Commons, not by the government. Sir John has a curiously ambivalent attitude towards the Puritans: for him they were fanatics engaged in a subversive conspiracy, and yet he feels that with their defeat or silence "the House of Commons had lost something of its old virtue." Certainly he has no sympathy for the Puritans' great opponent, Whitgift, on whom he fastens the adjectives "repellent," "sinister" and "noxious."

But if Sir John's interpretations are not always clear and consistent, it is largely because of the range and sensitivity of his sympathies: he has become too much of a "parliament man" himself to analyse the institution dispassionately. The quality of the book lies in its wonderfully vivid and careful reconstruction of the debates, committees, manœuvres and of the sudden changes in the mood and temper of the Commons. Considered as a portrait gallery alone this is an exceptionally rewarding book. The newly discovered speeches of Sir Christopher Hatton reveal him as a remarkably effective and weighty government spokesman. The discovery of three speeches by Job Throckmorton, full of vigorous vituperation, allows Sir John to strengthen the suggestion of Throckmorton's identity with Martin Marprelate. Burghley's cautious but firm sympathy with the radicals emerges very clearly. And, at the end of the reign, when men were wearying of the war and the war controls, there are interesting expressions of economic liberalism. "Men," said the merchant Henry Jackman bluntly, "are not to be compelled by penalties, but allured by profit, to any good exercise." Raleigh had an effective trick of deflating proposals for paternalistic legislation by using statistics to demonstrate their impracticability.

Something has been lost by separating the analysis of the first volume from the narrative of the second and third. "There were no party politics in the Elizabethan period," we were told in the first volume; and yet much of the present narrative turns on the struggle between "the extremist or root and branch party" and "the Church party, under Whitgift's leadership." In the first volume Sir John laid great stress on patronage in determining the composition of the Commons. In this volume he is only occasionally able to hint at this as a factor in political action, as in the suggestion of Leicester's influence on the Commons' agitation of 1586-87. But if it is only professional historians who will recognise fully just how much Sir John Neale has enlarged and corrected our knowledge of parliamentary and Elizabethan history, all readers will recognise the richness and interest of the material, and the skill and enthusiasm with which it is here displayed.

Champion and Impresario

THE LIFE OF HILAIRE BELLOC.
By Robert Speaight.
Hollis and Carter. 567 pages. 30s.

HILAIRE BELLOC died in July 1953. He had outlived his reputation; to a new generation, he was simply the author of the Bad Child's Book of Beasts and of a few over-quoted verses about Sussex, laughter and the love of friends—or, at best, half of that engaging monster the Chesterbelloc. Such lapses are usual enough. Whatever elements in a writer's or thinker's work are most closely related to the *Zeitgeist* of his productive years lose interest as that *Zeitgeist* is succeeded by another—and involve in that loss, for the time being, even those other elements which owe nothing to modishness. This is as true of the rebels, the Angry Young Men of their day, as of the *Zeitgeist's* most enthusiastic spokesmen; and the more they are of their time, the more complete is their neglect.

Belloc suffers doubly from this process. He was a contemporary, only slightly younger, of Wells, Shaw, and the Webbs. Their reputations too have ebbed, but their protest was practically effective; of them it can be said (in whatever tone the speaker finds appropriate), *si monumentum requiris, circumspice*. Belloc's protest was in vain. As eager as any to shape and reform his time, he failed entirely. Nothing of what he worked for came to pass. If his name is to live, it must be by reason of his personal character and for those qualities in his work which are independent of politics, economics and propaganda—an idea that he would certainly have detested.

Mr Speaight's official biography does full justice both to these timeless qualities and to the political and religious master-themes of Belloc's life. Vivid, well-constructed, and absorbing to a degree that makes it seem half its length, it presents a living picture of a formidable, complex and psychologically fascinating personality. The picture is not uncritically drawn and is not entirely pleasant. Belloc's championships and polemics had something in common with those of his *bête noire*, Rudyard Kipling: an attribute, hard to define, for

which the adjective "bogus" would be too unkind and "bumptious" too crude, but which suggests a never-quite-outgrown schoolboy self-consciousness. Behind the champion of medieval Christendom, as behind the tribal bard of the Island Race, one is aware of a shadowy impresario insistently calling attention to a creditable performance. This is how a Man should live, says the Belloc *impresario, this is what a Man should be*: full-blooded in his loves and hates, quaffing wine, striding over the hills, making songs and singing them loudly, valorously upholding his faith, wielding words like a sword; an heir of the paladins, sounding Roland's horn in a degenerate age; watch this Man. No one with an atom of perception would accuse Belloc of insincerity. His heart is *in every role; that of Belloc the demolisher of Whig historical fallacies*, Belloc the European patriot, Belloc the master of a Sussex homestead, Belloc the scourge of the Party System and the Money Power, above all Belloc the pilgrim. If only the impresario would shut up and turn off the stage lighting . . . But he sticks closer than a brother, he is an *alter ego*, hardly, indeed, even *alter*. Under the limelight, the Man becomes a caricature—to be further caricatured by that frightful crowd of imitators, exhibitionist ballad-bawlers, conscientious swillers, Sussex-fanciers, Pyrenee-snobs and Merrie Englanders, whose mutual admiration Mr Kingsley Amis's portrait of the Welch family may with luck have finally punctured.

It is a major merit of Mr Speaight's book that it does switch off the impresario's distorting limelight and discloses a much more dignified and human figure; subject to frankly admitted errors, capable of absurdities and blind spots, but a great artist and a lovable man. No non-Catholic can, indeed, accept outright Mr Speaight's evaluation of the "good things" for which Belloc fought. But one can feel for the fighter, with all his schoolboy defects—the streak of callousness, the sentimental violence, the inveterate self-projection—more respect than is won by many an ally; as Belloc himself felt for Saladin. Whichever side he is on, the champion is a more attractive figure than the crassly indifferent neutral.

The Hungarian Rising

LA TRAGÉDIE HONGROISE.
By François Fejtö.
Editions Pierre Horay. 314 pages. 690 frs.

IN some ways it is a pity that Mr Fejtö should have risked his reputation by rushing a mainly secondhand account of the recent history of Hungary into print—and misprints. Yet his readers will probably decide that it is well worth while to have this analysis from someone so intensely aware of the Hungarian past and at the same time so closely associated with the formerly Communist writers who inspired the revolution of October, 1956. It was on November 10, 1955 (although it did not become public until eleven months later), that the Writers' Union drew up a memorandum demanding from the authorities the abandonment of the oppressive system in force which, the writers declared, paralysed intellectual life and destroyed the prestige and influence of the party.

Mr Fejtö has named the national uprising "une révolution d'uranium." For last June it became known in Hungary that uranium had been discovered near Pécs, and that Rákosi had promised the Russians the exclusive right to mine it. Mr Fejtö believes that Rákosi's fall from power in July was directly caused by his betrayal of the country's uranium. "La conscience collective hongroise," writes Mr Fejtö,

> se cristallisa autour de cette richesse susceptible de fournir une base matérielle à l'indépendance du pays. C'est bien cette conscience qui donne au nationalisme hongrois un aspect très moderne . . . digne d l'ère atomique.

Mr Fejtö writes with pride and with anguish but never loses his equilibrium; his statement tallies with those made by competent eye-witnesses. No one, however, has explained quite satisfactorily why the demands in Budapest for the restoration of several political parties proved fatal. Why will the Russians allow to Finland what they will not allow to Hungary? Was the real crux the Hungarian demand for neutrality? Did the uranium mines affect the Kremlin's decision?

A Progressive's Folly

THE FRIGHTENED GIANT.
By Cedric Belfrage.
Secker and Warburg. 235 pages. 18s.

MR BELFRAGE is an Englishman who lived for nearly thirty years in the United States and was deported in 1955 as a "subversive alien." He could probably have stayed for the rest of his life if he had not drawn the attention of the authorities to himself and his views by starting a weekly magazine called the *National Guardian*. Begun in 1948 to promote the presidential candidacy of Mr Henry Wallace, it continued to be, in Mr Belfrage's own modest phrase, "against the government." This book is an account, interspersed with routine left-wing reflections on the decay of American liberalism, of the four months he spent in gaol before leaving.

Mr Belfrage asserts that he is not a Communist but a progressive. It hardly seems to matter, however, because he thinks that "the Communist Party is a political organisation that is trying in its own way to advance the cause of socialism"; he calls Russia and the *satellites* "the socialist countries"; he admits to "fellow-travelling . . . because Communist parties are moving in the direction of history"; and about the only criticism he has to make of the party is that it has become "too compromised with capitalism" and has forgotten its objective of "revolutionary change." After reading him for an hour or two one begins to feel something almost akin to sympathy for Senator McCarthy.

But Mr Belfrage should not be taken too seriously. He is only a romantic adolescent with a certain vulgar facility for sentimental journalism. He is still in love with Walt Whitman and what he calls "Walt's America," which he thinks will somehow return. He has no glimmer of understanding that Whitman was the product and the prophet of a country still reaching out towards its frontiers and that he ceased to have any *political relevance fifty years ago*. He knows nothing of the economic reasons why the United States can no longer welcome unreservedly "your tired, your poor, your huddled masses yearning to be free" (the standard use is made of the unfortunate Emma Lazarus). And he has fallen for the Republican Party's propaganda about the New Deal being a programme for leading the United States to socialism.

The editorial policy of the *National Guardian*, we are solemnly told, was "to *work for the return of America to the* path it followed under Franklin D. Roosevelt," a policy the paper pursued by supporting the Communist line on Korea, the Rosenbergs and nearly every other important occasion. It is possible, however, to recommend unreservedly, in its application to Mr Belfrage, one sentence in the book—the first. "One is supposed," it runs, "to develop a little wisdom as one goes along, but it begins to seem hopeless."

505,586,029

Quite a vast figure, and it is hard to imagine that this is, in fact, the number of coins struck for circulation in the Royal Mint during 1955. Only about half of this amount comprises United Kingdom currency, the remainder being for various Commonwealth and foreign countries. The annual report of the Deputy Master and Comptroller gives many interesting details of the work of the Royal Mint providing fascinating reading for both collector and layman alike. Illustrated. 5s. (*post* 4*d*.)

HMSO

from the Government Bookshops or through any bookseller

Atomic Arms Race

ATOMIC WEAPONS AND EAST-WEST RELATIONS.
By P. M. S. Blackett.
Cambridge University Press. 113 pages. 8s. 6d.

PROFESSOR BLACKETT'S thesis is twofold: first, that it was wholly erroneous to suppose that unilateral possession of nuclear weapons secured peace until the Soviet tested their own in 1949, but that, on the contrary, there is much more chance of it under the present "H"-bomb stalemate; second, that the arguments for graduated deterrence should be reviewed because the policy of massive retaliation is a futile answer to minor aggressions. Looking back over the course of atomic developments, one can dissent strongly from some of the miscalculations of official thinking—both British and American—without, however, accepting all of Mr Blackett's logic.

It is true that there has been peace during the period when both sides had atom bombs, just as there was peace during the period when only the Americans had them (1945-1949). It is also true that during the first period the cold war was colder than it was when Professor Blackett was giving these lectures; and it is undoubtedly true that Russia, despite not having atomic weapons, secured a good many political gains. But it is very doubtful if Professor Blackett's deductions can be fairly drawn from these facts. The Russians were not cowed by the west's possession of bombs—though they were careful not to risk war over Berlin, or a major war over Korea (when they had bombs, but only a few). But it is arguable that this was because the Russians very well knew that unless really powerful provocation were offered over a major western interest, western public opinion ensured that the bombs would not be used—as a minority urged they should be used—in a preventive war. If, however, Russia had had the bombs, would the west have stood out against aggression or atomic blackmail; would, indeed, Russia have refrained from a preventive war against capitalism? But it is, of course, true that the west would have sought to catch up, as Russia caught up—far ahead of predictions by people supposedly in the know. Mr Blackett may perhaps be on rather better ground in asserting that Sir Winston Churchill was wrong in saying that only America's A-bombs stood between the west and its destruction by Russia in 1945-49, for if that bomb had not existed perhaps neither America nor Britain would have disarmed or withdrawn from Europe so fast; but, in view of popular feeling about Russia at the war's end, it is doubtful if they would have been so cautious. In practice, Sir Winston may have been perfectly right.

Today, as Mr Blackett declares, there is a temporary and perhaps permanent stalemate; but the *détente*, which he said was the direct result of Russia's greater sense of security in having the massive deterrent equally with the west, seems not to have lasted as well as he expected. He is right in pointing out that, caught up by Russia, the west is now much more amenable to ideas of disarmament—but then the west always had to face the possibility that it would be caught up, and knew that until it was, or nearly was, caught up, there was no chance of Russia coming empty-handed to the disarmament table. It is still far from certain that the *détente* (such as it is) between east and west will produce disarmament; the search for some means to deliver a surprise attack that would smash the other side so completely that it could not retaliate may go on—especially in the technology of missiles—for some time yet. Until it is definitely clear that in any circumstances to make global war with atomic weapons is to blow oneself up along with the enemy, the "stalemate" cannot be assumed to be complete.

But all that Mr Blackett says about the absurdity *now* of prescribing the massive deterrent as the only answer to a challenge from Russia anywhere and everywhere is well taken—in fact, it is no longer current military doctrine except in the outmoded pages of the 1956 defence white paper. Graduated deterrence is in fact the basic, even if unstated, Nato policy. Nor is it necessarily wrong that the policy is unstated—for how far it is practicable with the weapons available is not certain. Mr Blackett is less than fair to the "brass hats" who live today in a strategist's nightmare; but this book deserves to be read and pondered by everyone, including the Strategic Air Force. Until more is known about tactical weapons, however, some of its arguments must remain simply unproved assertions.

Canada in a Capsule

CANADA LOOKS AHEAD.
By Grace Laugharne.
London and New York: *The Royal Institute of International Affairs. Oxford University Press.* 167 pages. 11s.

THIS little book is a gallant attempt to compress into fewer than 200 pages an account of the spectacular economic developments going on in contemporary Canada in their historical and political setting. It contains much that is revealing and interesting, bringing together a mass of material and raising a number of important problems, such as the proper policy on conservation of non-renewable resources.

Unfortunately, there are some fundamental omissions and a certain lack of perspective. For example, the basic role of the Canadian Shield and the significance of the St Lawrence axis as opposed to the "natural" north-south pull of other geographic features are neglected. Repeated emphasis is given to the idea that Canada has too few people and that there "is still plenty of land" without examination of the technical and other factors which limit the rate at which a larger population can be absorbed. Characteristically Canadian resources can be developed only by the application of highly sophisticated techniques which require massive investment in proportion to manpower. The summary treatment of complex problems, such as the supply of power, and of some individual developments, such as that of the Columbia River, involves questionable generalisations and omissions of crucial factors. There are a number of inaccuracies, some verbal and some factual: the comparative importance of the pulp and paper industry, great as this is, is exaggerated, and the British Columbia Electric Company must be surprised to find its operations listed among "projects recently undertaken by government authorities." Some of the maps are inadequate. For example, in the general map the Saskatchewan River never reaches the sea and the Mackenzie system has a gap between Lake Athabasca and Great Slave Lake. It is surprising not to find any reference in the reading list to the work of D. G. Creighton or H. A. Innis.

This is all a great pity as this is very nearly an exceedingly useful publication.

Books Received

URBAN MORTGAGE LENDING.
By J. E. Morton. *Princeton University Press.* London. *Oxford University Press.* 207 pages. 32s.
A review of the American edition of this book was published in our issue of September 15, 1956.

THE LAW RELATING TO MONOPOLIES, RESTRICTIVE TRADE PRACTICES AND RESALE PRICE MAINTENANCE.
By The Right Hon The Viscount Hailsham and Robin McEwen. *Butterworth.* 117 pages. 22s. 6d.
This book is reprinted from "Butterworth's Annotated Legislation Service."

AMERICAN POLITICS IN A REVOLUTIONARY WORLD.
By Chester Bowles. *Harvard University Press.* London: *Oxford University Press.* 140 pages. 15s.

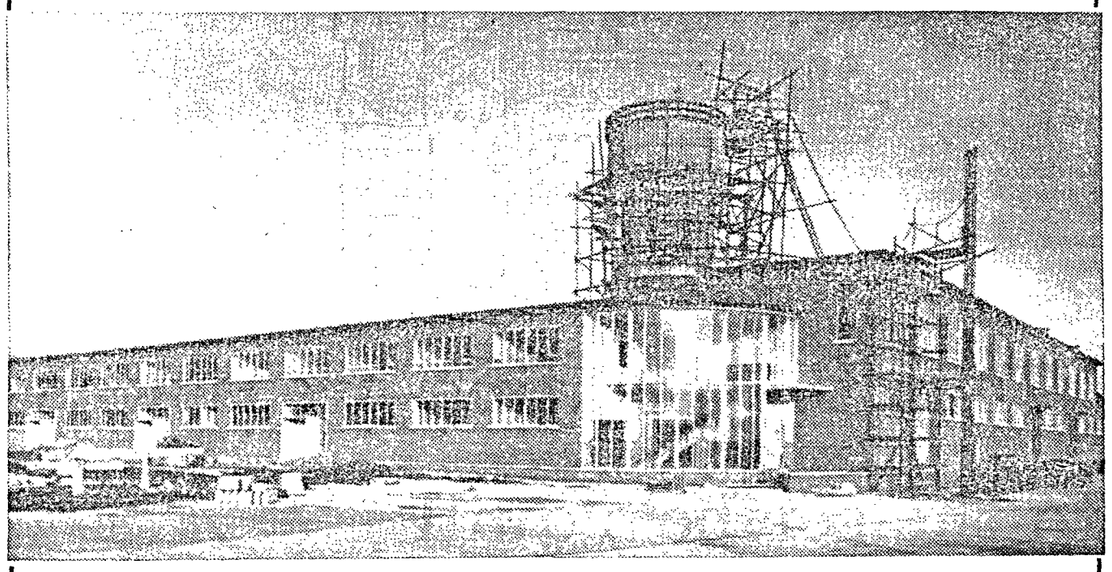
PHILADELPHIA WORKERS IN A CHANGING ECONOMY: *Industrial Research Studies.*
By Gladys L. Palmer. *Pennsylvania University Press.* London: *Oxford University Press.* 203 pages. 48s.

ECONOMY AND SOCIETY: *a Study in the Integration of Economic and Social Theory.*
By Talcott Parsons and Neil J. Smelser. *Routledge and Kegan Paul.* 343 pages. 35s.

SURVEY OF EDUCATIONAL TRAVEL.
Fourth Publication. *Central Bureau for Educational Visits and Exchanges.* 3s.
Under the auspices of Unesco, this bureau is concerned to foster travel abroad by British young people and others, in the interests of their wider education. In this pamphlet is an extensive list of bodies which can help in organising such travel, and of suggestions for teachers and others whose job it might be to do so. It is helpfully indexed.

FBI REGISTER OF BRITISH MANUFACTURERS, 1957: *29th edition.*
Published for the Federation of British Industries by *Kelly's Directories and Iliffe.* 1,129 pages. 42s.

Another new firm for Northern Ireland



Summerson's announce new enterprise

Mr. H. P. R. Scott, Managing Director of Summerson Holdings, Ltd. and Light Alloy Construction, Ltd., says:—
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Why did we select Northern Ireland for this important development to the Summerson Group of Companies? We had a good idea for a new product for home and overseas including dollar markets. We wanted to get into production quickly. The Northern Ireland Government offered a new factory on a new industrial estate, with all services including housing. The rent for the first ten years is attractive. We know from the new firms already expanding in Northern Ireland that the labour is suitable and trainable.

We have had every help with the minimum of red tape. Summerson's, who have been concerned with the moving of goods from the days of George Stephenson, are delighted to be joining the many industries* which are setting up in Northern Ireland."

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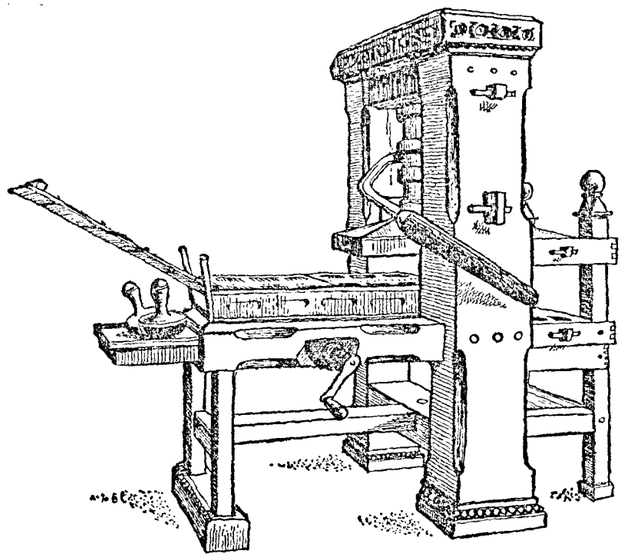
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BESSBROOK PRODUCTS LTD.
BALLANTYNE SPORTSWEAR CO. LTD.
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They will join over 100 new firms which have set up there since the war.

WRITE IN STRICT CONFIDENCE for detailed Memorandum *to*
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(Chairman, Lord Chandos)
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Tel: WHItehall 0651
(U.S. Office: One Wall Street, New York 5, N.Y.)
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American Survey

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Facts of Economic Life

Washington, D.C.

BETWEEN the lines of the President's two major economic messages in January two disquieting admissions stand out. The first is that government spending cannot and will not be reduced except in the unlikely possibility of a disarmament settlement with the Russians. The second, perhaps worse, is that the tools available to the government to halt rising prices cannot do the job, unless they are used so vigorously that they may create an evil greater than the one they are curing.

The more the Budget message, which conveyed the first of these glum tidings, is analysed, the more it becomes obvious that all the significant items of expenditure are, in varying degrees, beyond the control of the government. It is not laxity in the drive for economy that has produced a spending estimate, a record for peacetime, of $71.8 billion; nor is it even the extensions of the welfare state which have been adopted by this Administration over the angry protests of its more conservative supporters. All the new spending on welfare, health and education put together comes to much less than $1 billion (though in future years these programmes will have a somewhat greater financial impact). Six things have caused the main rise in spending over the past three years: the revolution in military technology; the inevitable effect of an otherwise desirable policy of monetary restraint on the interest charges on the national debt; the need for the government, like everyone else, to pay higher salaries; the pressing demands of a growing and aging population on previously established schemes, such as old age assistance and ex-servicemen's pensions; the political obligation to do something about the farm slump; and the delayed effect on the Budget of certain financing devices adopted in the early nineteen-fifties to make spending on housing appear to be lower.

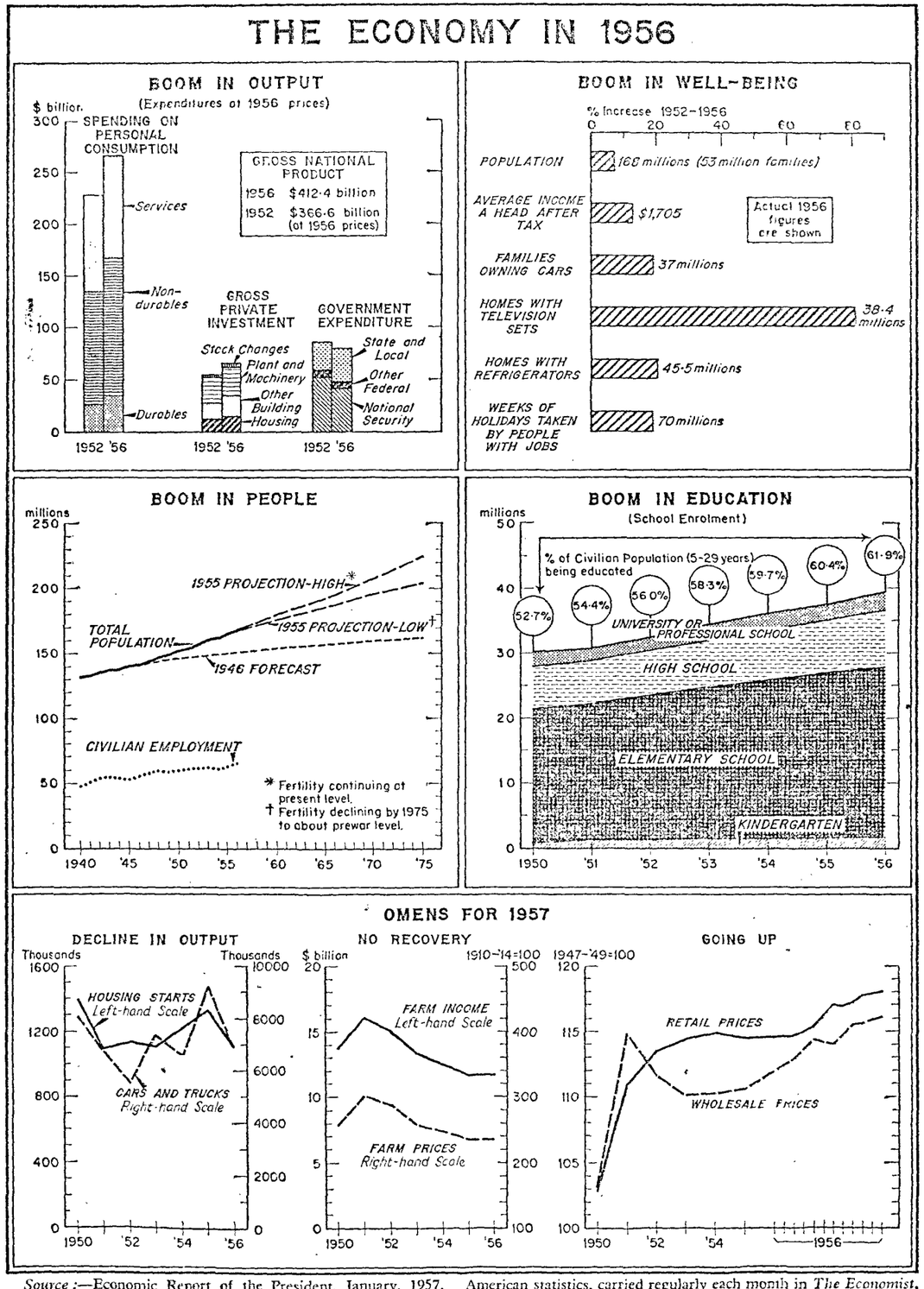
Over a long period of time, the cost of aid for farmers may quite possibly be reduced and, with the total of the national debt now declining modestly, there is a good chance that interest costs will at least be stabilised. But the other items seem headed nowhere but up. This, indeed, is specifically indicated in the Budget by the request for total appropriations for future use somewhat higher than estimated spending next year—particularly for defence. Although the unreconstructed Secretary of the Treasury, Mr Humphrey, will not concede as much, the Budget has demonstrated for all to see that the facts of life, not the degree of dedication to "economy in government," determine federal spending; and the facts of life argue convincingly that the trend in the future must be upward. *Fortunately this picture does not absolutely rule out future* tax cuts, inasmuch as the increase in revenue produced by the growing economy may well exceed the future growth in federal expenditures. But it certainly limits the optimism with which American taxpayers, whose burdens are high, too, can view the years ahead.

★

The discussion of inflation in the President's Economic Report was somewhat elliptical, but the gloomy message was apparent there as well. The President paid high tribute to the effectiveness of the central government's restrictive monetary and fiscal policy in halting the "excesses that often accompany prosperity." But then he continued with a surprising admission:

> At the same time, this experience [of recent years] suggests that fiscal and monetary policies must be supported by appropriate private policies to assure both a high level of economic activity and a stable dollar. When production, sales and employment are high, wage and price increases in important industries create upward pressures on costs and prices generally. To depend exclusively on monetary and fiscal restraints as a means of containing the upward movement of prices would raise serious obstacles to the maintenance of economic growth and stability. In the face of a continuous upward pressure on costs and prices, moderate restraints would not be sufficient; yet stronger restraints would bear with undue severity on sectors of the economy having little if any responsibility for the movement toward a higher cost-price level, and would court the risk of being excessively restrictive for the economy generally.

Behind that statement are two conclusions which his Administration has accepted. The first is that present taxes are, on the whole, too high for safety: this means that the small surplus in the Budget cannot safely be increased by raising taxes (even if that were politically feasible). Thus, with spending more or less uncontrollable, fiscal policy cannot properly be made a stronger weapon against inflation. The second—more revealing, given the reputation of Republicans for conservatism—is that there is some merit in the complaints of those who, to an increasing extent, have been criticising general monetary restraint. These complaints centre around the allegedly unfair and socially undesirable impacts of the impartial rationing of a limited supply of credit through market forces. Small businesses, the housing industry, and school building are said to have suffered disproportionately, with bad social and



Source :—Economic Report of the President, January, 1957. American statistics, carried regularly each month in *The Economist*, are to be found on page 417.

economic effects. The Administration makes no excuses for the present degree of stringency, but it has apparently decided that enough is enough. There is good reason to believe that the central bank would agree with this, but mainly on the ground that more severe restraint might curb business activity unduly.

The disturbing corollary is, of course, that a large part of the burden of keeping prices stable is being shifted to people—management and labour—who in the nature of human beings and of prosperity are not likely to assume it. The President points out that productivity does not seem to have risen much last year ; the reason, though he did not say so, was apparently that an economy straining at capacity tends to employ marginal labour and machinery. He then urges trade unions and business men to reach wage agreements "consistent with productivity prospects and with the maintenance of a stable dollar." But this argument is unlikely to carry much weight with individual negotiators. To many of the unions in the industries that set the wage pace, every penny of recent increases has appeared to be deserved on the basis of productivity. Business managements are scarcely likely to prefer a costly strike to the less disagreeable alternative of higher prices which, in prosperous times, are not likely to harm sales much. Perhaps most important of all, many of the service industries are forced to raise wages to keep workers, even though there may be little possibility of increasing their productivity through additional capital investment.

This problem has surged to the forefront of economic discussion because of the rather sharp increase of nearly 3 per cent in living costs last year. Food prices went up for reasons largely unconnected with the wage-price spiral ; but prices of manufactured goods rose for the first time in four years, and service prices continued a steady increase that began during the last world war. Indeed, it is now clear that much of the price stability during the past four years was artificial to the extent that food prices were, from the farmers' point of view, too low, and that prices of manufactured goods were merely resting momentarily after the upsurge associated with the Korean war. What the President's report foresees and warns Americans against is inflation of costs, as distinct from the inflation of demand which was induced in the past by perpetually easy money and the Budget deficits of wartime. But cost inflation can be just as painful to the saver—and to the unorganised worker and consumer—as any other kind.

Starting with a Post-mortem

PRESIDENT EISENHOWER'S tribute to Mr Dulles—"an outstanding, dedicated man, doing a terrific job under difficulties"—shows how mistaken Senator Fulbright and Senator Humphrey were if they imagined that their attacks on the Secretary of State would lead him to resign or the President to dismiss him. Like Mr Truman, the President does not abandon his subordinates when they are under fire. And Mr Dulles's trials this week have been legion. All the warmth of Mr Eisenhower's personal welcome to King Saud at the airport in Washington could not make up for the chilly reception this medieval monarch had been given in New York by a mayor who saw an opportunity to advance both his principles and his political interests. Hard on King Saud's heels comes Prince Abdul Illah, of Iraq, from the other end of the middle eastern spectrum. Mr Dulles is having to start the intricate negotiations to implement the Eisenhower doctrine before it has even been accepted by the Senate and under the clearest notice that powerful and ambitious Democrats on the Senate Foreign Relations Committee have declared war on him.

Senator Fulbright's demand that the Secretary of State should justify the whole course of his middle eastern policy before the Senate voted on the President's request for new military and economic powers never had much likelihood of success. But the Senator's allegations of the damage done by Mr Dulles to Britain, France, and western unity, his scepticism about the need of the oil-rich Middle East for financial help, and the Democrats' resentment at being unable to reject the new initiative have commanded a price. Anxious to choke off the attack and avoid further delay, the Administration and the Republican members of the Senate Foreign Relations and Armed Services Committees have agreed to a full-scale review of middle eastern policy, provided it goes back through the Truman Administrations to 1946 and does not hold up a vote on the Eisenhower doctrine.

The House this week voted overwhelmingly to give the President all he wants, and Mr Eisenhower has probably saved the day in the Senate by insisting that, without a freer hand to use some of this year's foreign aid money in the Middle East, the military authority will be useless. Moreover, the promise wrung from Mr Dulles that he would give Congress notice of where and how the money was to be spent goes part of the way to overcome a major objection. But a vendetta against the Secretary of State bitter enough to call his good faith as well as his competence into question is no cheerful augury either of future appropriations for the Middle East or of an effective foreign policy in other parts of the world. Mr Dulles is in danger of becoming the Republicans' Mr Acheson.

Priority for Schools

THE emphasis which the House of Representatives gave to federal aid for school construction by putting it first on the list of pending bills has been repeated by the President, who has made it the subject of his first detailed request to Congress on a domestic matter. The two proposals are very similar, as they were last year. The Democratic sponsors in Congress offer more federal money to the states over a longer period than does the President—$3.6 billion to be spread over six years instead of $1.3 billion over four years, and the Democrats do not relate their offer so directly to varying local needs as does the President. But there is no responsible argument over the growing emergency presented by the shortage of classrooms and other school facilities or over the principle that federal aid is the only answer.

Mr Eisenhower pointed out that the number of children in publicly financed elementary and secondary schools has been increasing by over a million a year for the past five years and is expected to go on rising at the same rate for another five years. Already there are in these schools over two million children in excess of the normal capacity of the

buildings and local authorities are failing to make adequate progress in reducing the shortage, even though they are breaking all records for classroom construction. During the past year the rising costs of borrowing money and of building have made it noticeably more difficult for state governments and local school boards to carry out their programmes and have given new urgency to proposals, put forward by both the President and the Democrats in Congress, under which local borrowing for school construction would be supported by federal funds.

These arguments for aid from Washington were underlined during last autumn's election meetings by the almost universal concern then shown by the public at the country's educational weaknesses and at Congress's failure to remedy them. The chances are therefore good that the legislators will at last be firm enough to cut through the prejudices which have strangled school bills in the past. But the President will also have to use all his influence on behalf of his programme. Already, in spite of his plea that the Bill should not again be complicated by attempts to deal in it with racial problems, Mr Powell, the Negro Representative from New York, is pressing once more for the denial of federal funds to schools where racial segregation is practised. But less may perhaps now be heard from those who fear that federal grants would be an attack on the historic freedom of states and local communities to control education. The President reiterated that there would be no federal interference with this responsibility and that federal aid would end with the emergency, as soon as the accumulated shortage of classrooms was overcome.

Fears in Panama

FROM A CORRESPONDENT IN PANAMA

THE Panama Canal is far more vulnerable than Suez. A single ship sunk at a strategic point in or near one of the three twin locks could close the canal indefinitely. American sensitivity on this point has been illustrated by the special treatment accorded to Russian ships going through the canal. These are not usually routed through Panama, but the closing of Suez has made a change necessary. About twenty ships are expected to pass through the canal in the near future, compared with the normal rate of about one a year. The Americans are bound by treaty to allow free passage to ships of all nations, but they are making it clear that the Russian vessels are not only unwelcome, but suspect. They are prohibited from refuelling in the canal zone, charts and maps are refused them, crews are not allowed ashore, cameras are impounded, armed American marines are placed aboard each ship for the duration of the passage and American soldiers are stationed on each of the locks. The Russians are offended by this behaviour: as one disgruntled captain asked half-jokingly: "Are we at war with the United States already?"

The Suez emergency has also stimulated American thinking about a new sea level waterway through Central America. This plan has been mooted for over half a century but it was discussed with new interest when the directors of the Panama Canal Company met last Monday, particularly since freighters and tankers now being built will be too wide for the existing canal. The construction of a sea level canal is estimated to cost $4½ billion, but security reasons make this project more attractive than the far cheaper expedient of widening the present channel. If a new canal were built, it would probably run through Nicaragua, which has already offered to give up all sovereignty over the necessary strip of land from the Atlantic to the Pacific. It would, in fact, become American territory.

The alternative is a canal close to the existing one. This is in disfavour for two reasons. On security grounds the authorities dislike the idea of two canals side by side, while the rising tide of Panamanian nationalism suggests that a canal in another country might be advisable. President Nasser's apparently successful coup in taking over the Suez Canal was not lost upon violent nationalists in Panama. At present they are demanding that Panama should have a say in the administration of the canal and a share of profits rather than an annual rent. There is no likelihood that the United States will comply with these demands. But the American position is weakened by the fact that Congress has not acted to implement certain supplementary provisions of the treaty with Panama signed in 1955. These would involve the transfer of some territory from the United States to Panama and the construction of a $20 million bridge. Extreme nationalists, alleging bad faith, are using these shortcomings as a pretext for trying to abrogate the whole treaty.

Mr Wilson Off Guard

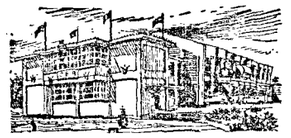
THE cause of creating a more effective system of ready reserves for the armed forces suffered a setback this week when the Secretary of Defence once more showed how hard it is for him to avoid slipping into the offensive. Mr Wilson's ill-chosen remarks about the National Guard being a sanctuary for conscription-dodgers during the Korean War have angered the Guard's powerful friends in Congress to whom it was already looking to preserve its privileged position. The National Guard is made up of state units which are subject to control from Washington only when they are mobilised for federal duty.

The President himself, though he deplored Mr Wilson's indiscretion, stands firmly behind the programme to provide ready reserves of 2.5 million men by 1959. It requires, among other things, that after April 1st new members of the National Guard must, like other reservists, undergo six months of basic training. Four-fifths of them have never done so. The Guard, which has 405,000 members, protests that recruiting will fall off disastrously if its members have to spend more than three months on active duty. The Department of Defence has also now decided that men between the ages of 18½ and 25 may discharge their military obligations by volunteering for a six-month enlistment followed by service in the ready reserves for seven and a half years. Since 1955 youths below the call-up age have been able to avoid conscription in this way. However, the proportion of men between 18½ and 26 being called up is now so low that some escape doing any military service at all.

Mr Wilson, author of the famous antithesis between "bird-dogs and kennel-dogs" among the unemployed, will need to keep a more careful watch on his tongue if Congress

BRUSH to MAURITIUS

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Little Maria is a child of Mauritius — island of sugar far out in the Indian Ocean. Maria's mother wants her baby to grow up healthy and happy and to enjoy some of the comforts of life. But the fruits of civilisation seem a long way off, for Mauritius has only limited resources. Projects like the 10-year development programme of the island's Central Electricity Board with its new power station at Port Louis, the capital, are a hope and an inspiration to the people of Mauritius. Perhaps the future is bright for little Maria.

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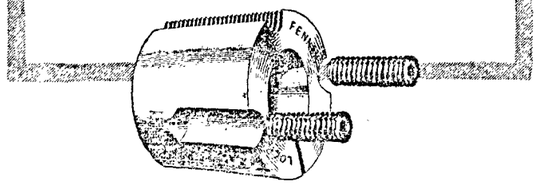
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LARGEST MAKERS OF V-BELT DRIVES IN THE COMMONWEALTH

is to approve proposals which have just been submitted to him for improving the efficiency of the forces by relating pay to productivity. According to the Cordiner committee, the antiquated system of payment according to length of service is responsible for the expensive loss of Army-trained technicians to industry. Most of the men who re-enlist are those doing "soft" jobs. With the services more and more dependent on technicians, the committee recommends a system of pay increases according to skill, which would apply to about 15 per cent of the men who re-enlist.

Hunting Snarks

BRAZIL has at last accepted an agreement with the United States for the establishment of a much-needed base on the island of Fernando de Noronha, about 125 miles off the north-east coast of Brazil. From here American technicians will be able to track the guided weapons which will, it is hoped, fly 5,000 miles over the sea along the experimental range from Patrick Air Force Base, near the tip of Florida, to Britain's Ascension Island in the middle of the South Atlantic. That negotiations for the Brazilian base had been going on for nearly a year was discovered early in December when an American misguided missile, the long-range pilotless Snark, disappeared untracked into either the ocean or the Amazon jungles instead of returning to Florida on its scheduled boomerang course. Then came a special letter from President Eisenhower to President Kubitschek of Brazil, quickly followed by reports of an agreement. But in fact it took another month to overcome the opposition of the Brazilian nationalists and communists—or perhaps for Mr Kubitschek to make up his mind to override that opposition.

The agreement meets one of the nationalist objections—that Snarks are merely the latest instruments of Yankee imperialism—by providing that the installations on the island shall be under Brazilian command and Brazilian flags. But the American negotiators firmly refused to promise additional economic aid to Brazil in return for the right to build the base. This, they felt, should be part of Brazil's contribution to the defence of the western hemisphere under the mutual assistance pacts signed in 1947 and 1952. But Brazilians will certainly now expect even more sympathetic attention than usual from Washington for their economic needs—though it is said to be only coincidental that, on the day after the agreement was signed, Brazil requested that part of last year's loan from the American Export-Import Bank, for railway equipment, should be made available immediately.

Television's Guinea-Pig

WITH annual sales valued at over $1 billion for the last two years, the Radio Corporation of America is rather large for a guinea-pig. Yet, according to its chairman, it was partly because it was filling this experimental function for its competitors in the television industry that the company's earnings fell in 1956, by about one sixth, to $2.60 a common share; the main explanation, however, was higher costs and lower prices. During 1956 RCA, the pioneer of colour on the air, lost almost $7 million on developing and promoting colour television sets and programmes. The company actually sold just over 100,000 colour receivers during the year, instead of the 250,000 which had been predicted. The prediction and the hope that colour will become profitable have now been transferred to 1957, but their chances of coming true do not seem much better. Even in Chicago, where a station owned by RCA's subsidiary, the National Broadcasting Company, has been putting out programmes in colour for as much as 42 hours a week for many months, customers, it is reported, have shown little interest in colour sets. The poor quality of both pictures and programmes is partly to blame, while high prices—about $500 a set with additional heavy service charges—are also a serious deterrent. Last year's real successes, from the buyer's point of view, were the portable black and white receivers, which accounted for over 20 per cent of the year's sales of 7 million television sets But this portable equipment sells at under $100, which means an unsatisfactorily small margin of profit for both manufacturer and retailer.

The Department of Justice also seems to be making RCA act as guinea-pig in a different type of experiment. For the first anti-trust suit ever filed in connection with television broadcasting has been brought against RCA and NBC. They are charged with restraining trade by squeezing out competition; in particular they are said to have brought pressure to bear on the Westinghouse Broadcasting Company to induce it to hand over its Philadelphia station in exchange for two NBC stations in Cleveland, a less important centre in terms of the population and retail trade on which depend the advertising profits of a television station. The exchange had been authorised, as required by law, by the Federal Communications Commission and the significance of this suit may lie in the argument over whether one government agency can undo what has been approved by another. It has also been suggested that, if the Department of Justice succeeds in this case, it may then try to break up the television broadcasting industry as it did the film industry, by separating station ownership from production facilities. The monopolistic aspects of television have already been interesting Congress for some time.

Postponed Take-off

FROM A SPECIAL CORRESPONDENT

OVER-EXPOSURE to solar radiation ended the career of an early birdman, Icarus of Crete, while he was testing an experimental prototype over the Aegean. But his father, Daedalus, an exponent of research and development, successfully completed the scheduled run to Italy where, according to Virgil, he hung up his wings in the Temple of Apollo. Protecting modern airmen from excessive radiation of a different and more lethal kind is only one of the many knotty problems that confront the eleven large companies now actively engaged in the development of a nuclear-powered aircraft in the United States.

During the election campaign, the Administration's plans for the industrial application of atomic power were heatedly debated and the argument seems sure to be revived in the

hearings to be held by the Joint Committee on Atomic Energy. But professional interest in the laboratories and in the Department of Defence is occupied with the sluggish progress of the programme for nuclear aircraft. In January last year, the McKinney panel, in its report to the Joint Congressional Committee on Atomic Energy, fixed the cost of developing military aircraft propelled by atomic energy at between half a billion and one billion dollars. It has become commonplace in this progress-conscious and dollar-minded country to attach a convenient price tag to hypothetical scientific accomplishments, including the prevention of cancer, lengthening the span of human life, and harnessing nuclear fission. But in the present case, the forecast has an appearance of accuracy. The atomic aircraft programme has already cost $300 million; it is now absorbing $100 million a year, and the rate is rising.

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The best informed guess today is that it will take five or six years to produce a nuclear aircraft; thus, it should make its debut in 1962 or 1963. By that time, well over three-quarters of a billion dollars will have been invested in the project; by comparison, the total cost of developing the successful atomic submarine *Nautilus* was about $150 million. Many of the top officers of the Air Force take a more pessimistic view; they feel that at least ten years will be required to get the aircraft off the ground, and fear that the Russians may fly one earlier. They point out that the date for completion of the project has been put off twice, with greater priority now being given to the development of so-called "chemical fuels." But some nuclear scientists who guessed right about the hydrogen bomb and the submarine programme go to the other extreme; they say that two or three years may be enough to develop a reactor adaptable to existing aircraft, such as the giant Martin Seamaster.

The project, which has become more, rather than less, subject to secrecy as it progresses, is largely a joint venture of the Air Force and the Atomic Energy Commission, with the nuclear-conscious Navy playing, at present, a subordinate part. The commission is charged with primary responsibility for developing the reactor. This will employ highly enriched fuel, that is, uranium containing an artificially increased number of isotopes of U-235, the only naturally fissionable material known. Thus a smaller amount of fuel will be required to start the chain reaction in which atomic nuclei are split and heat released. Furthermore, it will have to be a "fast reactor," with little attempt being made to slow down the speed of the neutrons by the use of heavy moderators.

There are two parallel Air Force programmes (both bearing the cryptic designation WS-125A) for the development of the structure of the aircraft and its engines. In one, the General Dynamics Corporation is working on the air frame with the General Electric Company responsible for the reactor; in the other, the Lockheed Aircraft Corporation is teamed with the United Aircraft Corporation's Pratt and Whitney Division.

Out of this work has come a singular procession. The Convair Division of General Dynamics has recently been flying a modified version of its now outmoded B-36 over isolated areas of the vast State of Texas. This is the first airborne nuclear test, for the giant bomber contains a one megawatt atomic installation far back in its fuselage, marked on the outside by two huge airscoops. On the tail of the oddly shaped "XB-36H" is painted a strange bright symbol —the three-vaned device heralding the presence of radiation. If the programme is successful, this device will become more familiar in the airlanes of the world, for good or ill. A few miles behind and above the converted bomber flies a C-97 transport; its personnel includes ten engineers trained in two seemingly disparate modern disciplines—nuclear physics and parachuting. In the event of an accident affecting the reactor, their job is to jump near the disaster area and cordon it off from the public. Their presence underlines a danger which will accompany all nuclear propelled transport, by land, sea or air, and will unquestionably limit its future usefulness.

Even when confined to a reactor, radiation constitutes a threat to the surrounding environment. Invisible alpha and beta particles, gamma rays and neutrons can kill or injure men and do severe damage to the materials ordinarily found in aircraft. Conventional instruments are useless in the presence of the lethal emanation. The problems of Icarus were simple compared to this; he had only to cruise at a proper altitude. Today's designers must safeguard the crew without making a nuclear-powered aircraft too heavy or unwieldy. It will probably have an extremely long cigar-shaped fuselage with the power plant at one end and the crew at the other. Closed circuit television systems will be used to monitor the reactor controls. To achieve better aerodynamic balance, the bulk of the shielding may be divided between the reactor and the crew compartment; to save weight it may also be severely attenuated on the sides and toward the tail assembly. Instead of attempting to cut off all radiation from the reactor, some designers are concentrating on the rather easier task of providing a radiation proof cabin for the crew.

★

The limits of human tolerance to radiation are now being studied at the aero-medical centre at Wright Field. There has even been discussion of a "one-shot crew" policy, an entire crew which would fly only a single wartime mission and then be shifted to non-atomic duties. In this way higher doses of radiation would be permissible. But this concept, however dramatic, does not jibe with strategic thinking. The Air Force views the atomic plane as an unexcelled retaliatory weapon, capable of staying aloft indefinitely, and serving as a powerful deterrent to a sneak attack. For a task of this kind, as the Navy has been quick to point out, a large water-based aircraft has many advantages; there are two seaplanes now in production which may be convertible to nuclear power. Among the companies doing preliminary work for this project are Glenn L. Martin, Curtiss-Wright and General Dynamics.

The fruits of the more rigorous research programme have begun to appear. Last autumn the General Electric Company achieved what was termed a "breakthrough of the thermal barrier," by developing equipment which can withstand intense radiation and high temperatures. Ceramics, titanium, lead pellets and ceramic-coated wire are some of the new materials being used. General Electric probably also designed the turbojet aircraft engine which was successfully powered by heat applied directly from an experimental reactor at Arco, Idaho, earlier last year. The problems still to be solved before the engineers and scientists now engaged on the project can hang up their wings are tremendous, but so would be the achievement of a supersonic bomber of unlimited range—the goal of their effort.

The World Overseas

Germany Raises an Army

FROM OUR BONN CORRESPONDENT

IT would be wide of the mark to suppose that the new Federal Defence Minister has abruptly reduced the whole tempo of German rearmament. Certainly Herr Strauss has halted the improvident stampede to get 500,000 men into uniform, any old how, by 1959 for the sake of an approving nod from Mistress Nato. But at the same time he has actually expedited preparations for raising a force of real military value, relatively small though it will be at first. The Soviet intervention in Hungary roused those responsible for security to contemplate the possible consequences of Federal Germany's present military impotence. Disconcerted, they have quickly adopted a workable plan of action. This is to have three grenadier divisions and two armoured divisions, each composed of some 13,000 regulars, ready for assignment to Nato by the end of the year. They will not have developed by then beyond the stage of battalion training. But they could be useful straight away; and by the middle of 1958, if they have not been sifted to provide new cadres, these five German divisions will be in fighting trim as divisions.

While these preparations are urgently afoot only some 10,000 conscripts out of a pool of 100,000 are being called up. They are being singled out now at leisurely medicals and the chosen will report to their training depots in April. The defence minister's plans for 1957, which in addition include forming cadres for one mountain division and one airborne, are thus on the whole clear and businesslike.

Moving-in Day

The scale, character, and pace of German rearmament after 1957 are still so obscured by the mists of inaugural debate and strategic procrastination as to be more or less indeterminable. The young ex-officer who complained four years ago of bedlam in the "Office of the Federal Chancellor's Commissioner for Questions connected with the Augmentation of Allied Troops" would probably reach for the same word were he in the expanding Ministry of Defence today. The visitor still gets a decided impression of having called on moving-in day. Within the bleak precincts youngish men in civilian suits, aspirants for commissioned rank, can still be seen standing stiffly to attention before some remembered senior, similarly clad and similarly aspiring, whom chance has brought to the Ministry at the same hour. Many decisions, affecting many fortunes, have yet to be made. Herr Strauss makes no bones about it. He is waiting to see which way the wind of "reappraisal" blows before he commits the Bundeswehr to long-term establishments, timetables, and contracts.

Once common western strategy has been clarified, and the domestic uncertainties arising from election year have been dispelled, it is not improbable that Federal Germany will impressively accelerate the business of rearming. With such an end in mind some seasoned staff officers have already proposed that the Bundeswehr might profitably revive the old Reichswehr's device of duplicating every unit within the training battalion. Under this arrangement the commander alone has no counterpart. And lest he should come to favour one at the expense of the other he is not told which of the twin battalions he himself will be given ultimately to keep. This proven system of multiplication would undoubtedly be seriously considered should it be thought imperative to breed soldiers quickly.

The Blessing of the Brass

While Herr Strauss and his advisers are waiting to see whether it is ever going to be necessary to put as many as 500,000 Germans at Nato's disposal they seem to have made up their minds to go ahead with plans for raising a force of 100,000 that will not come under the command of Nato at all. An integral part of the Bundeswehr, it is a force earmarked for anti-aircraft, pioneering, and other strictly defensive duties within the frontiers of the Federal Republic. Germany has undertaken to consult Western European Union before raising independent troops of this kind and has already brought the subject up without encountering significant opposition. But it will be a year or so before the first of the home defence contingents are visible.

Many developments depend upon the passing of the armed forces' organisation bill, which Herr Strauss has yet to submit to parliament. One such is the exercise of authority at the top. At present a rather awkwardly-pulling military council, composed of five equals, comes after the civilian Minister of Defence, who is commander-in-chief, and his civilian State Secretary. The quinquevirs today are Lt.-Gen. Heusinger (chairman), Lt.-Gen. Speidel (chief of the armed forces branch of the Defence Ministry), Lt.-Gen. Roettiger (army), Lt.-Gen. Kammhuber (air force), and Vice-Admiral Ruge (navy). With the blessing of all Brass, past and present, Herr Strauss proposes to introduce an Inspector-General, with the rank of full General, as the senior military personage. The moment is propitious.

General Speidel will shortly be off to Paris to command

Nato land forces, Central Europe, and General Heusinger may soon be translated to the highest Nato regions in Washington. The anomalous posts these two seniors hold now will be abolished. General Heusinger might yet become the first Inspector-General. But it is objected in some quarters that he has never held high command in action, and it is known that Herr Strauss would prefer to give the job to General Wenck, the commander of the hastily assembled Twelfth Army which failed to relieve Berlin in 1945; General Wenck made a good name for himself as a fighting general on the eastern front. Herr Wenck, however, may turn the post down. In industry he is earning more than would ever come his way as Inspector-General. Moreover, he is said to be uneasy at the prospect of the civilian controls to which he anticipates he would be subjected, and to doubt whether he would last long should a different government take over in September. Herr Erler, the Social Democrat exponent of defence policy, has expressed himself as doubtful of the wisdom of appointing "Hitler's last general" as the first soldier of the Federal Republic. Until the Inspector-General has been nominated many Bundeswehr projects are bound to hang fire.

Admirable Gusto

Confused and tentative as the picture of Germany's military revival still is, some noteworthy features can be discerned. The whole painful process has become markedly less contentious. The Bundeswehr, for better or worse an established fact, is playing a smaller part in internal politics. The dissent of the Social Democrats becomes less vociferous as it becomes less confident. Simultaneously there is a conspicuous slackening of the reins of civilian control. The board set up by the Bundestag to approve the first senior military appointments has almost completed its task and will disappear in due course. On January 9th the Bundestag defence committee abolished the four sub-committees which it established in April in order to be able to cope more thoroughly with particular problems. The sub-committees tackled their work with admirable gusto, travelling hither and thither to see and hear for themselves. It was they who called attention to the lack of accommodation for the number of troops planned and to the imprudence of hastily placing large orders for obsolescent arms. The chairmen of the two most active sub-committees were members of opposition parties. The parent committee called in its four children on the ground they were making an obstructive nuisance of themselves. It is a disquieting move.

British observers cannot but note the extent of American influence on the development of the Bundeswehr. There are now no fewer than thirty first-class United States army companies on federal territory training the Bundeswehr in the use of American equipment, and there is a constant coming and going of Bundeswehr officers across the Atlantic. Whether the association will continue to be as close as the Pentagon would like, remains to be seen. There are signs of an awakening desire among the Germans to shake off foreign tutelage. Thus, while the Bundeswehr is being virtually compelled to take either M48 or Centurion tanks (probably both) for its first three armoured divisions, Messrs Henschel of Kassel are already far advanced with prototypes of a tank which the defence ministry considers superior to anything the British or the Americans have to offer.

Haute Couture's Shoestring

FROM A CORRESPONDENT IN PARIS

PARIS fashion houses are now showing their spring collections. Occult rumour says that Dior may insist on longer skirts and be "resisted"—which would apparently be serious, as he was "resisted" when he insisted on shorter skirts, a few collections ago. Dior, though, is one of the few couturiers whose status—as opposed, maybe, to inspiration—is not threatened by the ten-year cycle that eclipses the average house. He began in 1946, with the backing of Marcel Boussac, the textile magnate and race-horse owner; today twenty companies, based on New York, London and Caracas, sell his ready-made clothes, scents and stockings. He is not the same kind of thoroughbred as Balenciaga, whose name brings, even among fashion experts, a moment's silence; but he is almost the only runner safely attuned to modern conditions.

High fashion, and its dependent trades, face the problem of all luxury industries based on the artisan: inability to meet rising costs by higher productivity. Nothing can industrialise the fact that it takes 80 hours to make a *couture* dress, and that under 5 per cent of the work is done by machines. Labour accounts for two-thirds of costs. The wages of the 6,000 women in the Paris workshops remain low—round 2s. an hour—but social security now adds 44 per cent to them, as against 15 per cent prewar. Taxation adds 20 to 25 per cent to the final cost price. A leading house gave us an estimate for an afternoon dress priced at £85. The material cost £9; the net profit was £4 10s.

Meanwhile the number of women rich enough to pay these prices steadily decreases. Official estimates claim 5,000 survivors from slumps, wars and social revolution. Only America still supplies private custom in strength. The industry estimates that the leading 32 houses earn only £6 million a year from their models, which means many are working on a very thinly gilded shoestring.

The couturiers have tried to compound with these facts. Some have contracts with ready-made firms; virtually all have boutiques selling ready-made clothes, accessories and the pervasive scent. These help to aliment the twice-yearly collections (costing round £15,000 each) which are the industry's real show-window, chiefly designed for commercial buyers. Relations with foreign buyers have become steadily more important—60 per cent of the industry's trade now is overseas—and defining them has taken up much, perhaps too much, of the industry's organised efforts.

These relations are chronically complicated by copyright problems. Using a couturier's name is obviously dishonest. (At the moment, three Swiss are awaiting trial for making and selling 40,000 hats bearing the "griffe," the house trade mark, of Balenciaga, Dior and Fath; with almost disarming insolence, they apparently had ribbons of the sacred symbols run off by the kilometre.) Using a couturier's ideas is legally more complex. It is, of course, expert copying he fears (a woman making a dress from a photograph is not copying but paying a compliment), and there is a good deal of clamour about the industry's inadequate protection against it. French law since 1952 has put a couturier's rights alongside other artistic copyright; but elsewhere the battle continues—and will probably never be settled outside law-courts so long as the addition of a button or bow makes "copying" disputable. A great advance in America was hailed last year when a New York court found in favour of four Paris houses against a Mr Milton who had been sending wholesalers sketches of new models during the collections. But Mr Milton had been at work for over five years, and the four couturiers are suing him for only £1,350,000 jointly; which points up the relatively small economic stakes. Perhaps the *haute couture's* organised efforts have gone too much into these politico-legal sorties, and not enough into trying to rationalise the industry's whole basis.

It would be wrong to talk of crisis; but the industry's economy has a hectic flush. The risk is that the gulf between costs and prices may one day grow too wide to be bridged by small ready-made and boutique expedients. Its leaders acknowledge this uneasiness in their current, well-drilled slogan: "We must become a laboratory." A clinical laboratory, selling its research in world markets? Or a commercial laboratory, attached to some kind of productive machinery? The industry at present tends towards the first, which merely extends present practice. It is integrated into the world fashion scheme; but has no sound roots in large-scale production in France itself. Private contracts between houses and ready-made firms are small, and relatively undeveloped. This is partly because the French ready-made trade itself is sadly under-developed. Traditionally, most Frenchwomen wear dressmaker or home-made clothes. The success of good design in cheap English chain-store experiments has no parallel—though Boussac may be hatching one. At higher levels, "*prêt à porter*" still has a stigma.

Alliance With Ready-Made Trade?

One idea canvassed by the *haute couture's* organisers has been that the couturiers themselves start a jointly owned ready-made chain. It hardly seems practicable: who would dare apportion profits—and inevitable losses—among such highly strung partners? Another idea is of an alliance between the *haute couture* and the new, self-assertive high-quality (and highly priced) French ready-made trade that is rapidly emerging. The leaders of the latter think in terms of the unexploited French market rather than of export; and express impatience with the *haute couture's* business methods and mentality. Both sides are imaginative, proud and independent; an alliance would need long and patient negotiation. But it seems the *haute couture's* best promise of compromise; and there are signs that the ready-made leaders might, with dignity, welcome it.

The *haute couture* naturally feels reserve. Are too few prosperous houses sheltering too many weak ones, that neither initiate nor dominate but honourably make ends meet till their span is run? Well—with a shrug—it was always so. Must the *haute couture* commercialise itself? That might endanger its standards. There are more gestures here; plump men pluck at their suits and smooth their hips to show the mystical relation of Balenciaga clothes to the body. For everyone agrees, once the protectionist talk is over, that a Paris model is inimitable; it is only to the uninitiate that a good copy still looks good. Paris is supreme; any Parisian pundit can persuade you of it. Italian competition is a trivial, meridional breeze. America proved during the war it could not create a fashion at all. Why? "Our buildings . . . history . . . tradition . . . look at our women. . . ." But it is not the quality of French *haute couture* that is in question; it is its commercial enterprise.

The Treaties of the Six—II

Atomic Bridge to Europe?

FROM OUR SPECIAL CORRESPONDENT LATELY IN BRUSSELS

A FRENCH expert on energy, a German politician and an Italian scientist will be visiting Britain next week on a mission important for both Britain and Europe. As the representatives of "Euratom," the atomic agency which six continental countries are preparing to set up beside the common market, their purpose is to see how much Britain is prepared to help the venture. They are at present on a similar quest in the United States. Both visits are a crucial part of the wider task entrusted to the "three wise men," as they have been called—to sketch out the broad dimensions of Europe's needs for nuclear power and to suggest priorities for research and development in the first stage of Euratom's existence. For Euratom, generous help from Britain and the United States might bring forward its power programme by some three years. For Britain, a close relationship with the agency may enable it to play a leading commercial role in Europe's nuclear developments.

The wise men's visit is only one sign of the swift practical progress which the Euratom project has made in the last few months. The treaty itself, which was torn for so long between the French desire for a strong political body to control Germany and German resistance to this, has been swept to completion a good deal quicker than the common market; for the Middle East crisis has lent a new urgency to nuclear power development in Europe as well as in Britain. In negotiation, the new atomic agency has been shorn of some of the political status which the French originally conceived for it, but it has been given practical powers and tasks in research and planning which should make it the pilot of Europe's voyage into the nuclear age.

A European Harwell

The treaty has reached the stage of a probably final draft. In research, it provides for the setting up of a common centre, with at least five reactors for a start—a European Harwell. An initial research budget of some $250 million has been agreed, to cover costs in the first five years. An atomic university will be set up as well. Research can still go on outside these bodies, in private industry and government laboratories for instance, but the Euratom agency will have a technical committee entrusted with co-ordinating outside research, and it may keep outside projects more effectively within its orbit by sharing in their finance. Above all, the Euratom centre will take on a capital importance in western Europe through the simple fact that it is first in an almost virgin field.

Its importance will be further enhanced by its powers over atomic knowledge. Euratom has a monopoly right to make agreements with countries outside the community for acquiring this knowledge; and all members which have agreements with outside powers—Belgium, for instance, gets classified information from the United States—are obliged to seek a transfer of their rights to Euratom. Inside the community Euratom can require any government to surrender a patent or specific piece of knowledge. There is no practical way of compelling a private laboratory to give Euratom the daily results of its research, but it is an essential

principle of the treaty that those who draw on the centre's great fund of imported or discovered knowledge, should contribute to the pool what they learn themselves. A private patents pool is established, too ; firms depositing patents in it may use others in the pool under non-exclusive licences. Euratom, leading research itself, will also be the custodian and centre of a growing pool of common knowledge.

In production, the role of Euratom is not so great. Power production will be mainly undertaken by the separate countries, though investment should be fitted into the framework of plans and estimates drawn up by the agency. Common installations are also envisaged in the treaty, but it will be some time before it becomes clear which installations are needed most. The chief project, which both OEEC and Euratom are at present considering, is an isotopic separation plant to produce enriched uranium as fuel. France has long pressed for this, since it would both reduce Europe's dependence on the United States for fuel and give Euratom greater importance in the community. But the economic value of this costly plant is a subject of argument ; and if the United States will guarantee long term fuel supplies, it may be found unnecessary.

Military Aspects

In one vital sector of production, however—atomic weapons—Euratom may take on an importance unforeseen by its original creators. The agency was originally designed for peaceful purposes alone and it was hoped that the exclusion of arms might provide a simple answer to the nasty political problems associated with their manufacture in Germany or France. To France, however, the right to manufacture atomic weapons if it wishes, however costly or useless, is apparently a political necessity, and the other powers have had to agree to a French military programme. This could not be outside Euratom, for in German eyes at least it would have destroyed the whole principle of a community of knowledge. France, if it wants to make the bomb, will do it under all the Euratom rules—including those about exchange of knowledge—and Euratom will have to take any security measures needed. The agency's powers have thus been preserved, but only by extending them into a new and hazardous domain. The French example might one day encourage a German request to make atomic arms and Euratom might then be forced to find a more radical solution.

The military aspect gives an unexpected political significance to the great powers of control over fissile material and those who use it which Euratom has been given. It has sweeping rights to inspect all installations which use fissile material, a monopoly of its purchase from outside the community and a first claim on any sold within. Under German pressure, the rules about material have been made flexible enough to protect the consumer from any arbitrary planning. In normal times, Euratom cannot use its monopoly of material as a means of pressure on users to alter their plans, for instance. It is merely an agent selling on commission at world prices. But its monopoly and powers of control remain highly effective sanctions behind the treaty, an insurance that members behave. Some of Euratom's creators hoped to give it still greater theoretical power, by making it the owner of all fissile material as well, but in practice this would be a superfluous addition to the powers of control it has already been given.

(Concluded)

Moscow-Belgrade Fall-Out

FROM A CORRESPONDENT IN BELGRADE

THE "minor differences" between the Jugoslavs and the Russians, mentioned by Marshal Tito when he set out for Moscow last summer, have proved not to be so minor after all. Public controversy about "proletarian internationalism" and the "dictatorship of the proletariat" has replaced the mutual admiration and back slapping, the vodka drinking, and the recognition of "differing roads to socialism." Moreover, Russian criticism has been aimed not only at Jugoslavia's foreign policy—its attitude to the West, its dependence on Western "imperialist" aid—but at domestic trends too ; the Kremlin has been pouring scorn on the "discrepancy" between Jugoslav words about "democratisation" and the "withering away of the state" and Jugoslav practice as demonstrated in the trial and imprisonment of Mr Djilas.

The missionary role which the Jugoslavs took upon themselves in eastern Europe is encountering serious obstacles and the Jugoslavs find themselves once again excluded from the Soviet "family" ; this time, however, they have one friend, Poland. But the Poles are so preoccupied with their own difficulties that they can only sympathise mildly and somewhat surreptitiously. The Jugoslavs, however, though privately admitting that Russia's present aim is to isolate their country and insulate the satellites against its influences, still profess their incurable optimism about the ultimate triumph of their own conceptions ; they still regard the present hardening of the Soviet line and the reintroduction of a firmer centralism within the Soviet block as purely temporary phenomena.

Ever since the sudden visit of Mr Khrushchev to Belgrade last autumn and the subsequent trip of Marshal Tito to the Crimea—even before these two visits—it was clear that the "honeymoon" between Belgrade and Moscow was ended. The Jugoslavs insist that the trouble lay in the Russians' persistent efforts to persuade them to rejoin the Eastern block so that Soviet supremacy over a "disciplined" Jugoslavia could be re-established and the impact of the reopened links between Belgrade and the east Europeans could be neutralised. They maintain that their country's special position encouraged others to agitate for similar recognition and the Russians began to realise the dangers of having a separate policy for Belgrade.

For some time, the Jugoslavs exercised considerable restraint. Their press was directed to avoid giving offence to Moscow and indeed observed the injunction to an extent

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that was difficult to understand. Since early last year Jugoslav newspapers exercised their "freedom" to the utmost in attacking western policies, but were singularly "unfree" when it came to handling Russia. This restraint was justified on the dubious argument—dubious, at least in the extent to which the Jugoslavs carried it—that were they to express openly their disagreements and criticisms of the Russians they would only strengthen the "opposition"—i.e., of the diehard Stalinists—in the Kremlin. This, the Jugoslavs argued, would prevent them from exerting further influence in eastern Europe and would instead strengthen the Stalinists' position there.

The decision to publish Marshal Tito's Pula speech last November was the first spectacular departure from this stand—a move prompted, it is said, by a realisation that with so many points of controversy piling up it was no longer either possible or useful to keep silent and, furthermore, that the old "Stalinist methods" were again being injected into the relations between Jugoslavia and the Soviet Union. There were also compelling internal considerations—above all, Marshal Tito's own prestige which had suffered through his acceptance and support of Mr Gerö on the very eve, as it turned out, of the Hungarian uprising and the fact that Gerö was then so rapidly overthrown. His explanation of how and why he came to lend his backing to Gerö was, in essence, a defence of his own reputation and judgment.

Unholy Glee

Although, however, the Jugoslavs are again isolated, there is as yet no evidence that the members of the Soviet block are going to follow up with all-out campaigns against the Jugoslavs as in the rancorous years after 1948. At this stage, it looks as though the Russians are content, once they feel confident that Jugoslav influences on the satellites and their internal "Tito-ists" have been adequately checked, to conduct their policy along general ideological lines. Trade arrangements between the Jugoslavs and the Russians are proceeding largely according to plan. There is a certain delay in the matter of the atomic reactor promised by the Russians and the joint Russian-East German plan for the development of Jugoslavia's aluminium industry (a subject which Marshal Tito may well care to discuss if he goes to Washington). But a Jugoslav trade delegation is now in Moscow and might well come away with an agreement to increase trade exchanges in 1957 above the $110 million level reached last year. The delay over these talks seemed to arise from changes in Russia's own internal planning, rather than from any wish to inconvenience the Jugoslavs. But it would not be surprising if the Russians, with their increased commitments in eastern Europe, no longer felt so enthusiastic about helping Marshal Tito with loans and credits as they were less than a year ago. For economic assistance, the Marshal will certainly continue to rely chiefly on the United States.

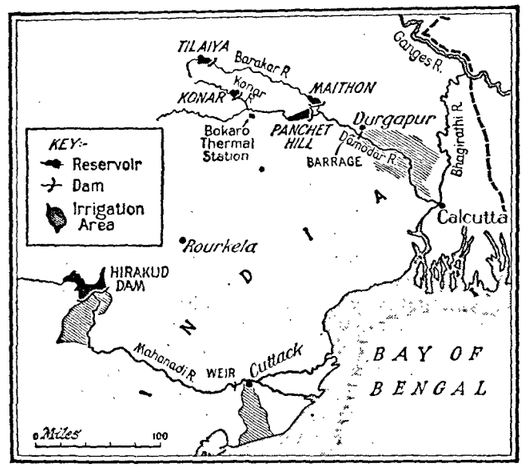
If, in their isolation, the Jugoslavs feel one disappointment more bitterly than any other it is the stand taken by the Chinese—however much they now insist they had not "expected" support from Peking. But behind this mortification, a typically unholy glee is apparent—that Moscow, though gratified at the Chinese reaffirmation of faith, cannot be happy that the Chinese have emerged as the arbiter in the conflict between the Kremlin and Belgrade.

NOTES FROM INDIA

BY OUR SPECIAL CORRESPONDENT LATELY IN INDIA

Dams, Dams, Dams

ANYONE who collected a dozen dams last year must be allowed his personal favourite ; it is Flumendosa in Sardinia, impressive as all dams are, but beautiful without being overpowering. Indeed it is modest by comparison with the Hirakud dam in Orissa which Mr Nehru opened three weeks ago. The Mahanadi (Big River) which Hirakud has broken in for useful work is a maverick that has hitherto run 500 unpredictable and wasteful miles through Orissa to expend itself in a delta below Cuttack that is drowned by its flood waters. At Hirakud there are sixteen miles of dam and earth dykes to hold back the Mahanadi ; they contain a spread of nearly 300 square miles of water ; some 2½ million acres will eventually be irrigated below the dam and at the delta ; generating capacity of nearly 200,000 kW is being installed at two hydro-electric power houses ; all told, the cost of the full schemes will exceed Rs 100 crores or £75 million.



Hirakud has a spiritual significance for Orissa and India that matches its physical ambitions. It is the first in a string of big projects that is within sight of full achievement. Orissa compares itself with the backward Ukraine before the Dneiper dam was built 25 years ago. It sees Hirakud as the focus of an industrial complex, feeding power to a new aluminium factory to be built alongside the dam, to the new steel plant that the Germans are building at Rourkela, to coal mines, a ferro-manganese factory, cement and paper plants. The State of Orissa does not attempt, at this stage, to work out any clear estimate of return on this gigantic scheme. Any such calculation, it seems to suggest, would at this moment be almost sordid ; what has finance to do with the immense achievement of delivering a dam from such travail ?

There is no doubt about the travail. It is questionable whether Hirakud is ideally sited ; the project was altered (and improved) in important ways after work had started ;

there were miscalculations about plant and stores, noisy scandals, a fight for discipline and an endless struggle to get engineering staff, and an ambiguous control split between Orissa and New Delhi. The substance of the Hirakud scheme is now in being. But its construction has taught many lessons, and in some respects it compares unfavourably with what is being done in the complex of schemes on the Damodar River to the north.

And Damodar

THE Damodar schemes themselves have not been trouble-free. (They are not now ; where else in the world would workers protest against redundancy by hunger strike ?) Yet in terms of value for money the returns from the Damodar Valley Corporation's investment (about the same as Hirakud) seem more assured. Its constitution as an autonomous body on the lines of the Tennessee Valley Authority has been an unmistakable advantage, producing better (though not perfect) planning, clearer responsibility, and a more precise matching of returns against costs.

The DVC has built two smaller dams at Tilaiya and Konar, the Maithon scheme is well on the way to completion, and Panchet Hill, until recently starved of large scale concrete batching and earth moving plant, is now going ahead faster. Self-loading strippers fill Euclid trucks, which move in endless procession carrying their loads to the dam site. They are a portent of the new India, but on their way they pass evidence of the old—symmetrical heaps of granite that has been cut, trimmed and graded entirely by hand. These schemes when completed will irrigate a million acres, serve over 100,000 kW of generating capacity, and buttress the Bokaro thermal power station which has been in service for nearly four years. This has three 50,000 kW units and a fourth is being installed ; it burns coal of remarkably low grade with equally remarkable efficiency.

These essays in large-scale construction with the bare minimum of outside help have given India valuable experience which may be worth the cost. But perhaps the most dramatic project of all is the Bhakra-Nangal scheme 200 miles north of Delhi. The Nangal dam was completed 2½ years ago ; but the Bhakra dam a few miles up the Sutlej river is still pushing up its vertical concrete face towards the 700 feet limit. By any measure, this is among the most challenging enterprises undertaken by man in harnessing nature. It is the biggest concrete pouring job ever known outside the United States—10,000 tons a day for several years on end, with the prospect of power and completed irrigation works early in the 'sixties. Here the driving force behind the construction comes from Mr Harvey Slocum, an American engineer. Between them Bhakra and Maithon will go a good way towards founding a school of Indian dam builders that can build fast with modern machinery. In the Bhakra gorge there is no option but to use big machines ; in other projects it is not clear that they have yet established a decisive advantage over ancient methods using low-paid men and women.

The New Engineers

AT the Sindri fertiliser plant, one of India's new industrial showpieces, a notice alongside an instrument panel says " Go and look at the gasholder "; there was, apparently, one regrettable occasion when the needle failed to tell the truth. In a continuous process plant of this kind, engineering maintenance is of imperative importance, and Sindri is looking after its own needs, and those of other industries, by running a comprehensive training centre for young engineers and tradesmen. India, developing in a rush, is having to learn its engineering in a rush too ; fortunately it is uncovering considerable engineering talent that has hitherto been latent.

Foreign technical aid has played some part in unearthing and bringing along these new skills. At the Chittaranjan Locomotive Works the management (which is among the most impressive in India) acknowledges the part that the North British Locomotive Company played in helping to found a plant that is clearly efficient by any standards. Here Indian productivity runs British standards pretty close—1 to 1.4, with wages comparing 1 to 4. A locomotive that cost 535,000 rupees to import in 1949 can now be made for 450,000 rupees at Chittaranjan. Already the senior engineers there are beginning to talk of the possibilities of electric traction at 25,000 volts, on the most modern French standard.

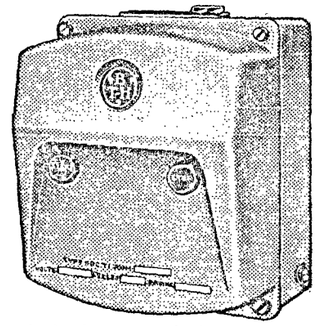
German co-operation is to be seen at Tata Locomotive and Engineering where a link with the Mercedes-Benz company for the assembly of diesel trucks is being extended in a new plant to manufacture 12,000 trucks on the spot, with locally made engines. Such ambitions would be impossible unless there were the prospect of an expanding supply of skilled engineering manpower. Where jobs can be broken down into component operations, training is relatively easy. Men who have gained more comprehensive experience at the machine bench sometimes show a marked inventive ability of their own. One such example, to be seen in a sewing machine factory near Calcutta, is a prototype automatic machine doing seven milling operations in 1 minute 40 seconds that had previously taken 3½ minutes as separate jobs. The inventor spent six months on this problem and has come up with a radical technical solution.

Sacred Cows

THREE lines of hooting traffic oppose each other in Calcutta's busiest streets, separated as likely as not by cows in each lane. At night it takes a powerful headlight to pick them out asleep in the middle of the roads. On the country roads they will start to cross from one over-cropped verge to the other at the precisely critical distance from an approaching car, confident, it seems, in their sacred security and wholly unconcerned at the nerve strain they inflict on the motorist. Scrawny in Bengal, they seem much better bred and cared for in the south. But for the most part they are skeletal miseries, stripping what herbage there is and barely able to keep themselves alive.

The miracle that will cull the worst third of these useless herds has yet to occur. Before partition it was possible to square religious principles with commercial opportunities by droving cows to the Muslim areas ; what happened to them thereafter was not the concern of the Hindu. There are still remnants of the trade on which blind eyes and backs are turned. But it is impossible to make real headway on the scientific elimination of the bad animals and up-breeding from the good. What is the use of developing artificial insemination, using stud bulls, if their offspring are allowed in turn to breed with scrub animals ? Pitiful as a producer of milk, prohibited for meat, unreliable for transport and unfruitful for the land (for its dung is used as a staple fuel), the cow is a sacred diseconomy that India cannot afford. If India is to have a modern industry and a modern agriculture, how long can this tabu survive ?

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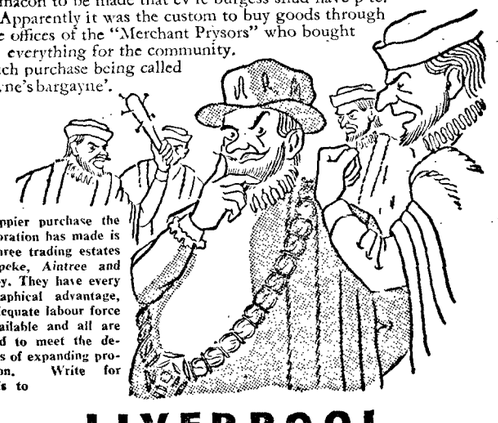
LIVERPUDLIANA No. 5

Merchant Prysors of Liv'pul

Extract from Liverpool precedents (Municipal records) Circa 1572

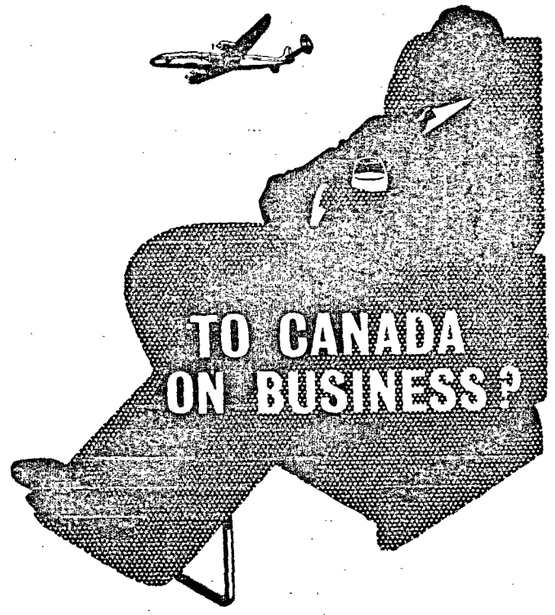
'This yere Mr. Mayre bought a certen numbre of Stryks of Manske (Manx) Barlie of Mr. Henrie Stanley, gentylman, late Capitaigne in th' Isle of Man (4th Earl of Derby) at iijs jd (3.1d) the Stricke, and the towne was not well contentyd because he made the bargayne hymselffe. And aftr he caused p'clamacon to be made that ev'ie burgess shud have p'te.'

Apparently it was the custom to buy goods through the offices of the "Merchant Prysors" who bought everything for the community. Each purchase being called a 'towne's bargayne'.



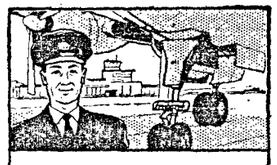
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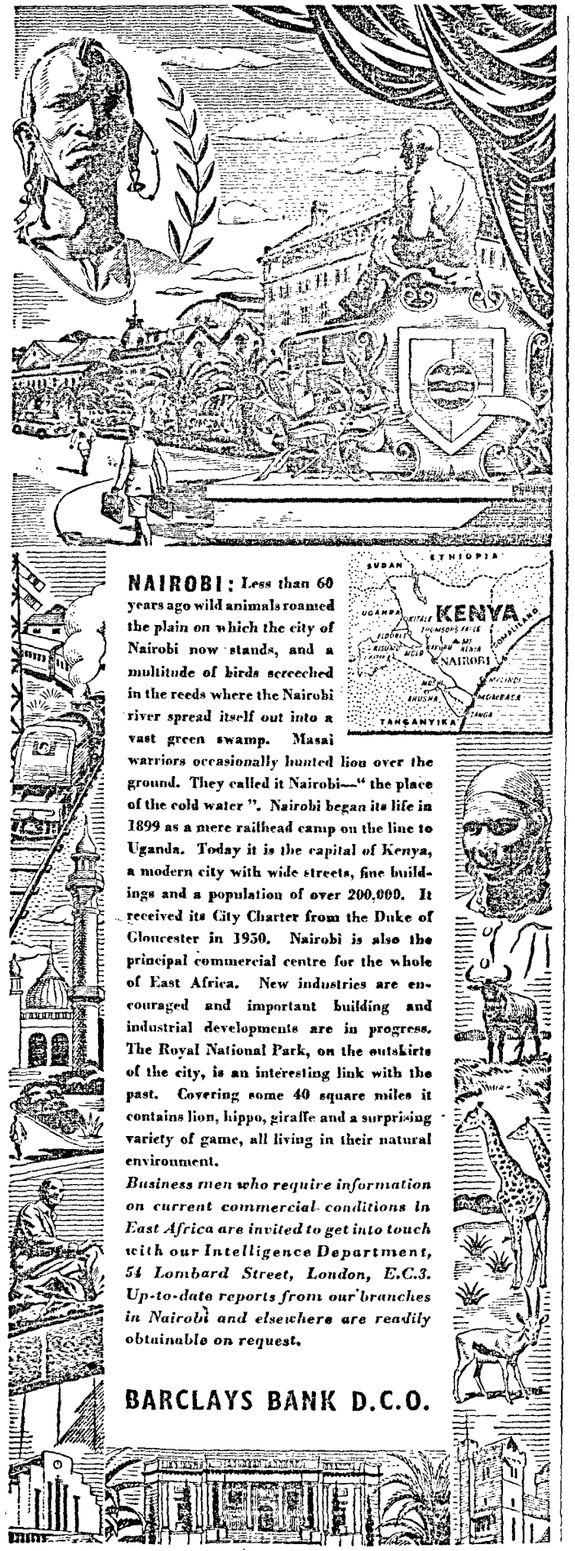
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CVS-423

THE BUSINESS WORLD

Economics of Super-tankers

There are more ways than one, technically, in which the West can try to moderate the future growth of its dependence upon oil sailed through the Suez Canal. No one of them, and perhaps no combination, can in the medium run offer complete insurance against that political risk—certainly not against the underlying risk inherent in drawing more oil from Middle Eastern sources, however we may arrange to collect it. None, that is to say, makes a political solution less vital.

All the technical expedients involve extra investment: this is the political insurance premium. Commercial considerations only decide which expedient, or which mixture of them, may offer the margin of insurance most economically. More nuclear electricity; more oil storage capacity and dual-firing equipment: more exploration for new oil and secondary recovery from depleted reserves in safer places; more research to bring down the cost of distilling oil from shale, tar sands, or cheap coal; more pipeline capacity—all these have to be assessed.

But one particular form of "Suez insurance" deserves separate assessment—the super-tanker. If they have to, these big crude carriers can move oil comparatively cheaply round the Cape. The building of super-tankers, by the oil industry or even by governments, today seems to many people a panacea. How far would it be?

COLONEL NASSER did not create the political risk of reliance upon the Suez Canal; he merely, but brutally, advertised it. Nor did he create the need to consider alternative ways of moving more oil to the West than the canal, as it exists and was in any case likely to be developed, could handle; but he may have brought forward the date when it must be expected to become inadequate.

Early last year, well before nationalisation of the canal, the oil companies were considering the alternatives after that date arrived. The Suez Canal Company's "Plan VIII" offered, by the sixties, transit capacity for, say, 160-180 million tons of oil a year; and pipeline capacity from Iraq and Arabia to the Mediterranean, in 1956 some 40 million tons a year, might by then have been up to 60 million tons a year or more. Guesses about exactly when the West might want more than 200-240 million tons of Middle East oil a year varied from a year or so before 1965 to a year or two after.

The alternatives, in mid-1956, were various:

The Suez Canal could be further widened or deepened, or doubled up with extra canals along the same route or from the Gulf of Akaba to the Mediterranean;

Further pipelines could be laid from the Persian Gulf and Iraq to the Mediterranean; from the Gulf of Akaba to the Mediterranean; or alongside the canal; or

Oil could be carried round the Cape, in the least uneconomical size of tanker available;

From the standpoint of early 1957, and assuming no permanent political solution, some of these alternatives look less practicable. Extra pipeline capacity from the Gulf to the Mediterranean—which would certainly be the most economic way to expand oil transit capacity to the West—may look rather riskier now.

Moreover, it now looks more uncertain whether existing plans for expanding the capacity of the canal or the pipelines can be counted upon. Thus the date when that existing transit capacity must be expected to become inadequate for oil needs may have been brought some years nearer. The possibility that significant tonnages of oil may have to be moved round the Cape in the normal run of things, beginning in about five years' time, has to be faced now—even if the existing canal and pipelines are kept open. And the cheapest way to sail that oil would be in very large tankers.

Unless the possibility of a sane political solution were quite to disappear, and with it the chance of substantially increasing pipeline and canal capacity to the Mediterranean, the oil companies must inevitably seek a compromise—the best vessel for both canal and Cape routes. What is the best compromise tanker with which the oil companies can hedge these political risks?

Compromise at 65,000 Tons?

Economics of scale in the building and operation of tankers are discussed in detail on page 399. Here it need be said only that the major oil companies operating in Britain now broadly agree on the size of tanker that will give the best compromise and most economical insurance. If Plan VIII of canal development is carried out fully, the biggest tanker that will be able to pass through the canal fully loaded will be in the 38,000-42,000 tons deadweight range. The biggest tanker that will be able to pass partly loaded or in ballast will be in the 65,000-70,000-ton range. But it fortunately so happens that from about 38,000 tons right up to 60,000-65,000 tons deadweight, the total cost per ton of moving oil *via* Suez does not much differ.

Such a 60,000-65,000-ton tanker has to sacrifice about a third of its potential load to pass the canal, and "topping up" at pipeline terminals in the Mediterranean may not justify the extra delay. On the other hand, the journey round the Cape to Western Europe and back to the Gulf (even *via* Suez in ballast) adds roughly 50 per cent to the mileage *via* Suez both ways. So such a tanker can carry roughly as much oil in a year going either way.

Here, then, is the tanker for the compromise. It is true that no oil terminal in Britain and few in the Western world can today handle such a tanker regularly. Its draught of about 40 feet would be too much for anchorages or harbour bars at most existing British oil ports except Finnart on Loch Long which serves Grangemouth. But British Petroleum is building a pipeline terminal at Milford Haven, which could handle up to 100,000 tonners, and Esso has leased the land for a possible refinery there; Shell plans to build an oil terminal near Tranmere that will be able to handle 65,000 tonners to serve Stanlow.

How many of these 65,000-ton tankers ought tanker operators to be building? To provide against the limitations of routes *via* the Mediterranean in the sixties, it could include increasing numbers of such tankers in its plans for tonnage to be delivered in 1961 and 1962 onwards. To provide, in the meantime, against the risks attached to the existing canal and pipelines might in theory require the shifting of tanker orders for earlier delivery into the 60,000-65,000-ton range—or even the building of some additional "reserve fleet of super-tankers" during the next few years. In practice, it seems that very few more big tankers than are already on order could be had before 1961-62 anyway.

At the end of 1955 the world tanker fleet totalled about 40 million tons deadweight; and an expert from one of the oil companies, contributing to a symposium upon future oil demand last summer, guessed that by 1965 about 60 million tons dw of tankers would be needed to move the world's oil. Allowing for replacement of tonnage reaching the end of its useful life, he estimated that about 25 million tons dw of new tankers would have to be built during the decade 1956-65.

Today, the world fleet totals about 45 million tons dw, and nearly another 30 million tons are on order: orders for some 12 million tons dw were placed in the last six months of 1956 alone. The world's shipyards have experienced their biggest boom of tanker orders ever in the last two years. As a result, it is impossible to get delivery of a tanker ordered now from any European yard before 1961-62; even from Japan and the United States, one cannot get delivery before 1960.

Capacity for Tankers

Today, only two tankers of 50,000 tons dw or more are afloat; and in the 30 million tons to be delivered between now and 1962-63, there are only about 40 more, totalling about 2¼ million tons dw. None of the major shipbuilding countries has more than a handful of yards prepared to build such vast crude carriers. By the early sixties it may be possible to build vessels of 65,000 tons dw, if not more, at about five or six yards in Britain, three in Germany, one each in France, Holland and Italy, the big American-owned yard in Japan, and two of the established yards in the United States. Even this will call for considerable re-arrangement and development of shipbuilding capacity.

Expansion of shipbuilding capacity is generally said to be limited, in Britain and nowadays in other major shipbuilding countries, by supplies of steel plate. Certainly, plate output has not expanded as much as total demand from the shipyards and from many newer customers. In Britain, the shipbuilders have sometimes blamed lack of labour and sometimes lack of steel for preventing them from increasing output more; their delivery periods lengthened before those of any other country; and certainly this has lost them some orders in the latest tanker boom. Limits on effective capacity in British yards, possibly due to lack of plate, may therefore have reduced Britain's share of the existing tanker order-book throughout the world.

But there is not much evidence that lack of shipbuilding capacity throughout the world has seriously limited the building programmes of the world's oil companies and the tanker operators who serve them; existing orders, after all, offer additions to the tanker fleet of about 10 per cent each year up to 1960-62.

Within the existing tanker order book, there is no doubt that plate supplies will be strained if shipbuilders are to keep their delivery promises, from now until about 1962, even with the extra plate from new mills coming into commission in Britain and elsewhere. But those promises to deliver were made against forward estimates of plate deliveries. Nor would steel plate supplies necessarily affect the size of tankers that could be built in the shipyards. Out of a given amount of steel plate, one can get more deadweight carrying capa-

The Advantages of Very Big Tankers

THE case for the super-tanker rests almost entirely on the economies of scale. Broadly speaking, the bigger the tanker the less it costs to build and to operate—per ton mile of oil carried. Beyond a certain structural size problems begin to offset any further gain in building costs, and running costs turn sharply upward. Even before this point, when by increasing size lower building and running costs could still be achieved, such gains may be offset because tankers become less flexible in operation as they grow larger, or require more ancillary investment on shore.

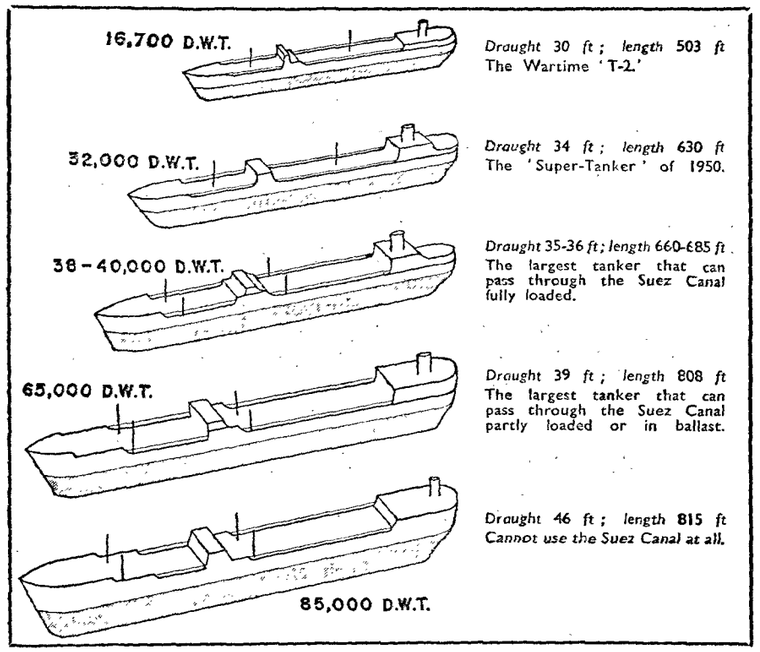
It requires less than twice as much labour, steel and other materials to build one tanker to carry 60,000 tons of crude oil as it takes to build two tankers to carry 30,000 tons each. This reduction in construction costs per ton holds good over a wide range, but becomes less marked after about 50,000 tons. The stresses that have to be borne by the very largest ships are so great that stronger steel plate is required to make the ship safe; and when the ship exceeds the size that can be driven by a single screw, the extra cost of machinery may even cause construction costs per ton to rise.

THE WORLD TANKER FLEET

Percentage of total deadweight tonnage in each size	In Service end-June 1956	On Order*	Total Fleet (exist'g + orders)
2,000 to 23,999 dwt.	80·0	22	55
24,000 to 37,999 "	18·0	39	27
38,000 to 44,999 "	1·3	17	8
45,000 to 49,999 "	0·7	14	6
50,000 dw and over	—	9	4
	100·0	100	100

* Including launchings since June, 1956

It requires less than twice as much shaft-horsepower to drive one 60,000-ton ship at a given speed as it takes to drive two 30,000-ton ships at the same speed; thus less fuel oil is burned per ton of cargo as the ship is increased in size. The crew needed on a 60,000 tonner is little larger than on a 30,000 tonner, and—up to a point—insurance costs per ton of cargo also fall as size is increased. The need to use twin-screw engines after a certain point, with a corresponding increase in fuel consumption, would limit this reduction of running costs. The maximum shaft-horsepower that can be obtained from a single screw is not much more than 20,000—sufficient to propel a 60-65,000-ton ship at 17-18 knots. If a single screw is used in larger ships, then the speed has to be correspondingly reduced—to 14½ knots in an 84,000 tonner.



On these considerations alone, the optimum size of tanker, given present methods of propulsion, would appear to be between 60-65,000 tons and 80-85,000 tons. But ideally, a tanker should be able to load anywhere, discharge its cargo anywhere, be overhauled in any existing dry dock, and follow any sea route between its loading and discharging points. When ships are larger the number of loading and discharging points is limited and sea-routes are restricted, and it becomes more difficult to arrange an economic programme for the operation of the tanker fleet.

Flexibility can be maintained by enlarging ports and terminals; by building new dry docks; by building submarine lines so that tankers can discharge from an offshore anchorage; by discharging into lighters or small coastal tankers; or by discharging into a few very large terminals from which redistribution is made either by pipeline or coastal tanker. But all of these methods of regaining flexibility cost money. And the larger the tanker, the more ancillary investment in shore facilities it is likely to need per ton of oil carried.

The limit to the size of ship that can use the Suez Canal is set partly by the draught, which at present is only 35 feet; and partly by the cross-sectional area of a ship (its draught times its beam) in relation to the cross-sectional area (depth times width) of the canal. If the cross-sectional area of the ship exceeds a quarter of that of the canal, then so much water becomes piled up at the sides of the ship that it cannot be propelled through the canal and tends to "sit down on the bottom."

If the canal were certain to stay open, and certain to be able to handle any volume of shipping likely to want to use it, then it seems clear that tankers of 38,000 to 42,000 tons dw would be the most economic on the Persian Gulf-Western Europe haul. Counting the additional investment required in terminals for tankers larger than this, it seems doubtful whether any larger tanker could operate as cheaply, whether it went through the canal both ways partly loaded or round the Cape fully loaded and back through the canal in ballast. But if the canal were clogged with shipping, or arbitrarily closed, the larger ships would be more economic on the enforced haul round the Cape.

These considerations have led the oil companies to regard the 60-65,000 tonner as the most suitable compromise for the Persian Gulf-Western Europe run. On the route from the Persian Gulf to the Eastern seaboard of the United States the mileage saved by going through the canal is much less; and oil shipped from the Persian Gulf or from the Far East to California would not go through the Suez Canal in any case. On these routes, therefore, the 85,000 and 100,000 tons dw giants may have the advantage.

city by building 65,000-ton tankers than by building 38,000-tonners.

Shipbuilding capacity, and plate supplies, certainly impose a limit on the building of extra super-tankers between now and 1960 as a reserve against further interruption to transit *via* Suez. In the United States it might be possible to build some vessels for such a reserve by a "crash programme." In Britain, steel plate could be rationed more tightly, exports banned, and the steel industry ordered to invest in more plate mills than they are already committed to; the yards might be forced to rearrange their capacity more rapidly. But it seems highly doubtful whether such a plunge back into priorities would yield much extra super-tanker tonnage in the next two or three years.

Political Insurance Premium

Tankers now on order for the world oil industry represent at current prices a capital investment of the order of £1,750-£2,000 million. Such amounts of capital are a problem even for an industry as vast as oil—it has, in any case, even larger capital requirements elsewhere. In Britain, as abroad, the oil companies are now seeking the co-operation of financial institutions in financing these tankers. Such co-operation may take various forms, apart from the straight ship mortgage. A loan may be raised at the time of launching, secured on a ship that is given a charter covering the whole period of its useful life; this releases the capital used in its building to be "circulated" in the construction of further ships.

These tankers now on order, moreover, already represent more tonnage than the industry recently supposed that it would need delivered between now and 1965. Its guesses may have been conservative; but the latest surge of orders, particularly since the Suez Canal was nationalised, might thus be said already to include some element of insurance, in the form of extra tonnage. It is understandable that the oil companies should be reluctant to tie down even more capital to obtain further political insurance.

The oil companies are therefore far from enthusiastic about any new and over-riding programme of priorities aimed at getting more super-tankers earlier than they, the shipbuilders, and the steel industry are contemplating. Some tanker experts in the companies, indeed, are predicting that with the huge volume of new tonnage coming on to the tanker market during the next few years there will be a temporary surplus, a dip in rates, and a wave of scrapping before the next great wave of ordering—assuming that the canal remains open. So they are doubly reluctant to have the market overshadowed by some American or British reserve of Government super-tanker tonnage.

The number of tankers of 50,000 tons or more that the oil industry is building (or governments might be able to add) will form only about 4-5 per cent of the world tanker fleet ten years from now. Super-tankers offer a margin of insurance, but it is a fairly costly one. If alternatives such as the multiplying of pipelines from the Persian Gulf to the Mediterranean should seem practicable once more by the early sixties, the routeing of oil round the Cape to Europe, whatever the size of tanker, will still be uneconomic; there will be better routes on which to take advantage of the economies of scale of monster tankers. The 65,000-ton tanker sailing part-loaded through the canal is essentially only a 40,000-45,000-ton tanker with excessive capital charges; and the 100,000-tonner moving oil round the Cape could not compete with itself moving oil from Mediterranean pipeline terminals.

The super-tanker is one of the West's best bets in the next ten years; but it does not in some way suddenly make it shorter to go round two sides of a triangle, if all other things are equal. Economically, those other elements in the supply of oil from the Middle East could be "made equal." Whether they will be remains a political question.

Business Notes

A Sketch of 1956

NEW information about national expenditure coincided this week with customary information about industrial production to present an official sketch of the British economy during 1956 with rather more shading in of the background than Whitehall hitherto has been able to offer so soon after any year ended. In broad outlines, the picture is of an economy in which both general and specific monetary controls were succeeding in restraining the growth of total internal demand, enabling a continued and slightly faster growth of exports to be achieved without any real growth at all in imports. Total industrial output remained unchanged during the first nine months of the year at about the level it has been during the last nine months of 1955; by the last quarter it was dropping off very slightly. This steadiness of total output during a year

in which output of metal consumer goods, in particular, was sharply cut by discriminating monetary controls shows that some effective switching of effort was taking place during the year into capital goods production and into exports. But until the end of the year there were few signs of much net movement of labour into these industries. Broadly, the policy of credit restraint was working, though some disconcerting features remained; for example, the very dubious estimates of stock changes suggest that these were continuing to rise during the first nine months of 1955, and steel imports last year stayed obstinately as high as the year before. It may be inferred from the estimates of spending, moreover, that consumers were not saving much more of their higher incomes.

The new quarterly estimates of national expenditure in the first nine months of 1956, which are discussed in detail on page 407 show that total internal spending in the economy had risen in real terms by only about 2 per cent over the same months of 1955, although increases in prices brought the increase in actual money spent to more than 8 per cent. The money spent for personal consumption rose by 5 per cent, but there was little change in the volume of goods bought. Total investment throughout the economy was about 3 per cent up, in real terms, though investment in manufacturing rose far more than this; by the third quarter of last year the upward curve of investment was flattening off. Government expenditure rose by 9 per cent in money. The small increase in total output throughout the economy will have come entirely from the non-industrial trades and services. Within industry, there was some shift of emphasis from manufacturing into the construction and utilities industries; manufacturing output seems indeed to have fallen very slightly between the two years.

Fixed Interest Stocks in Demand

THE rise in gilt edged prices and steady investment buying spreading towards the longer dates remain the features on the Stock Exchange which a second deferment of the widespread expectations of a reduction in Bank rate has not checked. Indeed it can momentarily be argued that a small reduction in Bank rate could be the event most likely to check the advance. Prices must now discount something more than a reduction of a half per cent. For more than three weeks the *Financial Times* index of Government securities has risen on every trading day. At 89.27 on Wednesday it compared with 82.38 at the end of November. The market has been wondering how much longer official portfolios will be able to supply the "steel" stock (Treasury 3½ per cent 1979-81); its price has been edged upwards to 79$\frac{13}{16}$. That is a far call from the first tentative purchases of the 4 per cent Conversion stock 1957-58 in December.

The strength of the gilt edged market overshadows a reasonably steady performance by ordinary shares which advanced a little on balance with the start of a new Stock Exchange account on Wednesday. The *Economist* Indicator shows another small rise of 0.9 at 189.9. A steady demand for fixed interest stocks other than gilt-edged has also been obscured by the activity of gilt edged. Debenture stocks, preference shares and loan stocks have been in strong demand. Price comparisons for these stocks are slightly erratic because of the much smaller and more uneven supply,

INDUSTRIAL PRIOR CHARGES

Price at end of	June, 1956	Nov., 1956	Dec., 1956	Jan., 1957
Debenture Stocks				
Babcock & Wilcox 4½% 1980	85½	85	83⅜	86⅜
British Oxygen 5¾% 1981-6.	—	97	101½	105½
British Petroleum 5% 1974-8	95	88½xd	90½	95½
Esso 5½% 1974-78	—	94	97	99¾
London & Overseas Freighters 6% (£20% Paid)	—	—	20	23¾
P & O 5% 1975/80	95¼	93½	92½	93½
Loan Stocks				
Fisons 6% 1976-81	—	—	98½	105⅜
General Electric 6% 1976/81	—	101	103½	104½
ICI 5½% Conv. 1977-9.....	—	—	—	106½
Mor. Rich. 6% Conv. 1967-72	—	—	103¾	109
Rugby P. Cem. 4½% 1957-62	90½	91½	90½	92
Preference				
AEI 4½% "B"	17/-	15/6xd	15/-	16/7½
English Electric 6½%.....	23/3	22/6	22/6	23/6
Ind Coope 6½%	21/-	21/-	20/9	22/3
Reyrolle 4%	14/6	14/-	14/1½	14/10½
Shell 7% 2nd	24/3	22/9	24/-	25/-
Unilever 7%	22/9	22/6xd	22/6	25/6
Lancashire Steel 5¾%	19/6	18/6	18/6	19/-

but the table indicates that the losses of the second half of last year have been roughly recovered, and among the recent issues the recent advance has been sharp.

Issues in Flood

INVESTMENT markets have recently been active enough to absorb easily the flow of new issues. That flow is worth closer inspection, for two reasons. Its very existence draws attention to the safety valve through which the head of steam now pressing some sections of the market upwards may be released—it draws attention to it, but it does not measure it. The massive sales by the government broker in the last few weeks must greatly exceed the amount of stock sold on the published prospectuses of gilt-edged borrowers and industrial companies together. Secondly, the type of new issue that has succeeded sheds some light on what both investors and issuing houses are expecting from the market. Thanks to a modest rights value, 95 per cent of the issue to shareholders in United Steel Companies of 6 million £1 ordinary shares at 30s. was taken up and applications for 3,220,000 excess shares made the issue a notable success. But there is little evidence yet of a demand for ordinary share issues without some additional bait.

Investors like fixed interest stocks. They liked the *Hertfordshire* 5¾ *per cent stock so well that applicants* for up to £2,500 stock received only £100 stock; from £2,600 to £10,000 the basis was £400 and above that figure 2.44 per cent of the amount applied for. A premium of 1¾ points over the issue price of £98¼ was established at the opening. They also like North Riding of Yorkshire's £1 million of 5¾ per cent stock 1966 placed at £98.

The flat yield of £5 7s. 2d. per cent and the gross redemption yield of £5 10s. 8d. per cent recognise the further rise in the market since the Hertfordshire terms were fixed, but it opened at 1½ premium.

But investors like best a two-way option—a fixed interest stock with a spice of equity in it on the ICI model. That is what makes the issue of £15 million 5¾ per cent convertible unsecured loan stock 1978-82 in the Bowater Paper Corporation much the most exciting issue in the market this week. It is offered to holders registered on January 18th of the company's debenture, loan, preference and ordinary stocks (not as rights) at £97 10s., and it carries the option to convert into ordinary shares at 46s. 6d. per share in July, 1959, at 48s. 9d. per share in July, 1960, and at 54s. 3d. in July, 1961. With Bowater ordinary at 45s. 3d. the conversion option is, allowing for stamp duty, already of interest. Shareholders who might in less favourable markets have thought twice about following the rapid growth of the Bowater capital structure further, will rush for it. With a flat yield of £5 18s. per cent and a gross redemption yield to 1982 of £5 18s. 9d. per cent the stock has investment merits without the conversion option. It is most unfortunate, since there are many American shareholders that the American law will not allow them to post application forms.

The Missing £200 Million

THE Treasury bill rate, the fall in which has played so large a part in stoking up the gilt edged boom, eased further at last week's tender—by almost ⅛ per cent, to an average of slightly under 4 9/16 per cent. Seven weeks previously it had almost touched 5 1/16 per cent. A big contributory factor in the acceleration of this movement in the past few weeks has been the wholly abnormal contraction of the supply of bills. It is usual for maturities of bills to exceed new issues in the big tax-gathering weeks, because the Treasury employs part of its seasonal cash surplus to repay floating debt carried in this form. The seasonal contraction of the tender bill issue, however, was normally much less than the surplus, partly because it was technically difficult for the authorities to arrange a sufficient concentration of maturities of such bills in the few weeks affected. In the past two years this difficulty has been met by the device of issuing 63-day as well as 91-day bills in the last quarter of each (calendar) year; in consequence, the maturities squeezed into the five weeks now ending reached the extraordinary total of £1,680 million.

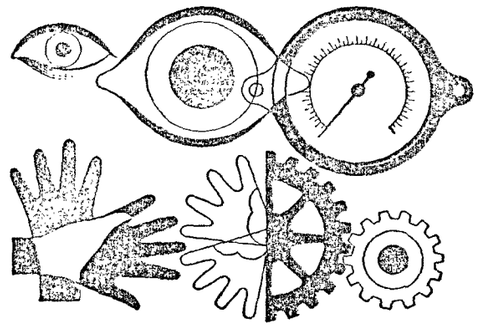
A big reduction of the tender issue this month thus became technically possible; but the surprising fact about the reduction that has actually occurred is that it has far surpassed the amount of cash visibly available to the Treasury to finance it. In the first four weeks of 1956, when the technical concentration of tender bill maturities was first achieved, the total outstanding issue declined by £180 million. But in the corresponding period this year, the contraction has amounted to no less than £390 million, carrying the outstanding issue down to £3,210 million by January 26th. Yet in the first twenty-six days of January the Treasury's above line surplus was some £45 million smaller than in the most nearly comparable period of 1956, and its below-line deficit was some £55 million larger—a total deterioration of £100 million that was offset to the extent of £40 million by a reduction in net repayments of tax reserve certificates. After allowing for small savings (including an estimate for savings deposits, which do not figure in the Exchequer return) the final deterioration appears to have amounted to about £45 million, making the total net sum "visibly" available to the Treasury roughly £215 million—before taking account of the reduction of the fiduciary note issue.

This big discrepancy between the decline in the tender bill supply and the Treasury's apparent surplus is evidently, to a very substantial extent, a reflection of the recent success of the "departments" in selling gilt edged stocks from internal portfolios. It is impossible to say how much of the disparity is attributable to this cause, because the periods covered by the two sets of figures cannot be precisely aligned, and because the Exchequer return does not necessarily indicate exactly the flow of funds to or from the public sector within the precise periods stated. Aside from the possibility of statistical distortions of this sort, the only other major source through which the discrepancy could be explained would be the Exchange Account—but even if there was a further net loss of gold and dollars in this period (thus providing the Treasury with an equivalent sum in sterling) it certainly could not amount to more than a modest part of the sum involved. The conclusion, therefore, is that the departmental net sales of stock must have been very large: behind the scenes a substantial funding of Treasury bills has been in progress.

A Risk Worth Taking

LORD MILLS has extended for one month—until the end of March—the promise that no additional restrictions will be imposed on the consumers of fuel oil. This implies dangerously rapid drawings upon the civilian stocks of fuel oil held in this country during February and March, but there are convincing reasons why the government felt justified in taking the risk. Consumption of fuel oil by the steel industry has already been cut by 15 per cent; in other industries there has been a 10 per cent reduction; central heating has taken a 25 per cent cut; and the Central Electricity Authority has reduced its relatively small fuel oil consumption by 80 per cent. The effect of these cuts has been mitigated by the ingenuity of consumers in switching to other less scarce fuels, such as creosote pitch for steel-making and coal for electricity production, so successfully that the Federation of British Industries was able to say this week that industrial output had not been significantly affected by the present level of restrictions (although industry is by no means operating at full capacity). But there is a limit to industry's flexibility; and any additional cuts would begin to affect output and employment more seriously.

At the present rate of withdrawal from stocks Europe as a whole may soon be down to a bare two weeks' supply of fuel oil, but the position in Britain is not as critical as this. What the decision not to impose additional restrictions now does mean is that the existing restrictions will have to be kept on longer in order to rebuild stocks. A more severe cut now, even if it meant that restrictions could be lifted



How Automatic Can You Get?

In modern production processes it is normal to control automatically a number of related variables. The eventual product is analysed. If it is found that there could have been a more effective setting of the process controllers, they are changed for the next day's run.

But imagine that, as the product comes off the production line or out of the pipe line, it *is immediately analysed and the process controllers automatically* re-set to the optimum settings to produce an even better product.

Although this cannot yet be realised, it is no pipe dream. It is something which Sunvic Controls have been working on for many years—and is just one example of the extra facilities they will be offering in the course of time towards increased production efficiency in industry. This kind of research naturally attracts some of the best brains in industry, and there is always room at Sunvic for younger men with scientific or technical qualifications who are interested in joining a fast-expanding Company engaged in absorbing and important work.

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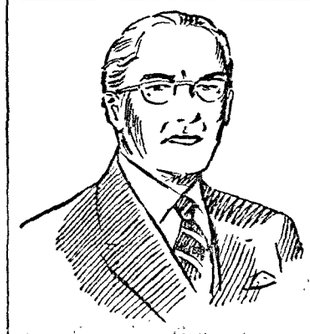
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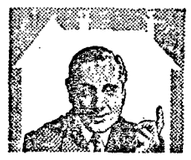
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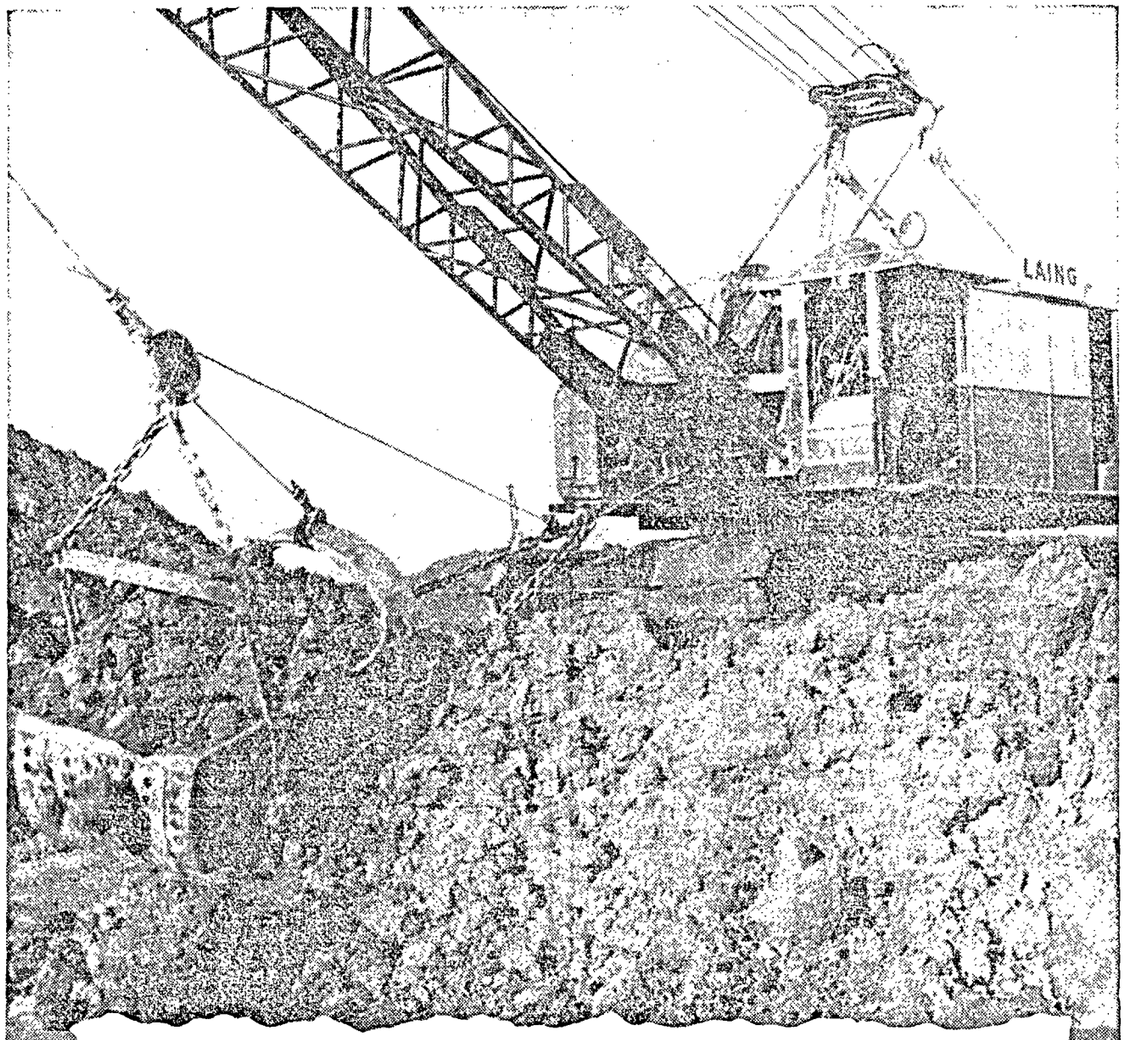
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BRANCHES AND AGENCIES THROUGHOUT THE COUNTRY



A Time for Greatness

Times of crisis are times for greatness. In this country, nuclear power must play its part in meeting the critical shortage of fuel, and therefore the building of a nuclear power station becomes an urgent as well as a thrilling task.

Work began on the nuclear power station at Berkeley in Gloucestershire on January 7th and was planned with all the care of a military operation. The preparation of the foundations for the first reactor has already started and the site from the air looked like a Normandy beachhead. Men and heavy vehicles were moving everywhere, building this great nuclear power station.

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completely at an earlier date, would still damage output more.

On the supply side it is certainly premature to predict that the rate of fuel oil arrivals will improve substantially even by April, but there are a few straws in the wind. The government is apparently banking on the Suez Canal being open to small tankers of 10,000 dw by some time in March; more important is how soon larger tankers will be able to use it partly loaded or in ballast (which would save the Cape trip at least in one direction). In Syria the Iraq Petroleum Company has paid £4.9 million in pipeline royalties covering the period up to November 2nd, when the pumping stations were blown up, without waiting for its claims for compensation to be met. But it is a moot point whether the gesture of putting money in the Syrian exchequer will make that government more or less intractable in its refusal to permit repair work on the pipelines to commence.

Building Prospects

THE building industry is easily the largest capital goods industry. In the last five years new building has accounted for almost half of all new capital investment in this country—and house building for about a quarter. As it is an industry where the production line moves along from product to product it is also a "labour-intensive" industry, its capacity being very largely accounted for by its large labour force—now more than a million men. So building has probably the most flexibility, for periods of expansion or restraint, of any capital goods industry.

Last year, however, building work as a whole showed no sign of slackening, even though the number of new houses that were put up fell from 317,000 to about 300,000. Final figures are not yet available, but during the first nine months new construction rose by 15 per cent and repair work by 6 per cent. Allowing for the rise in the cost of labour and materials and for a slightly higher labour force, this meant a physical expansion of about 6 per cent in all forms of work and a welcome rise in productivity. Some builders, particularly in rural areas, are now growing short of work however and another significant sign is that there is now noticeably less work in preparation in architects' and surveyors' offices. The National Federation of Building Trades Employers, which issued its annual report last week, feels that if total demands on the industry in 1957 are not more than 10 per cent lower than last year, there would be "no justification for pessimism or drastic measures." It recognises that some reduction in the pressure of demand on the industry would be beneficial for the country—and for the industry, too, since it would help builders to complete their contracts on time and to give more attention to preparation and planning and to the efficiency of their site activities.

But is building work likely to fall by 10 per cent this year? The number of new houses built may decline by that amount, to 270,000, and defence work will also decline again. But these now account for only a third of its total output whereas the industry has two years' factory building on its order book, the volume of school building under construction is at a record level, and the road programme is slowly expanding. For the small jobbing builder, too, the Rents Bill holds out the prospect of more house repair work. The federation might perhaps be more justifiably concerned about the outlook for 1958. The time-lag between the conception and execution of a building project is such that if the credit squeeze lasts for most of 1957, the industry could be faced with marked redundancy in a year or two.

Aircraft Re-shuffled

THE de Havilland Aircraft Company and the British Overseas Airways Corporation must share a mutual relief that the scheme by which de Havilland would produce a multi-purpose jet airliner for BOAC has been dropped. It has always been difficult to see how the corporation could effectively employ an aircraft poised uncomfortably between the medium-range requirements of BOAC's Commonwealth routes and the exacting non-stop performance needed for the North Atlantic. With an eye to the big world market for medium range aircraft of all types, de Havilland has already been showing a tendency for limiting, rather than increasing, the range of its Comets in order to boost their carrying capacity.

This leaves the Bristol Britannia as the only North Atlantic aircraft being built in this country—indeed it will be the only turbo-prop aircraft capable of the non-stop crossing. The long-range prototype left for North America this week. The medium range Britannia goes into passenger service on Friday. The project originally conceived at the Royal Aircraft Establishment at Farnborough for a supersonic airliner may, however, lead to a new process of concentration in the aircraft industry. The Ministry of Supply has made no secret of its views that individual British manufacturers no longer had the resources to handle big development projects singlehanded. Its success in bringing the leading manufacturers in the industry round a table to discuss this project is therefore a tactical victory. No good aircraft ever emerged from a committee, but out of such a committee might come a design team capable of building one.

Credit Still Expanding

THE heavy tax gatherings of the early weeks of the new year failed to check the disappointing credit trend evident in the closing weeks of 1956. During November the Treasury's receipts from premium bonds and the large amounts of sterling accruing to it from sales of gold had produced a contra-seasonal contraction of bank deposits. But in the last six weeks of the year, in spite of further large gold sales in the first half of that period, the rise in deposits was resumed—and even accentuated. Aggregate net deposits of the clearing banks rose in those six weeks by £217 million, in contrast with increases of only £149 million and £126 million in the corresponding weeks of 1955 and 1954. Now, in the first sixteen days of January, net deposits have contracted less than seasonally, by £81 million. This is a somewhat larger movement than occurred

in the early weeks of last year, but an appreciably smaller one than that of the average for 1953-55; Lloyds Bank's index (1948 = 100), which had jumped from 105.0 to 106.3 at the end of 1956, rose further, to 106.8.

	Jan.16, 1957		Change on Month	Change on Year
	£mn		£mn	£mn
Deposits	6533·3		+122·5	+70·3
"Net" Deposits*	6223·6		+ 81·3	+32·7
	£m	%†		
Liquid Assets	*2447·2*	*(37·4)*	*−44·3*	*+17·3*
Cash	525·0	(8·0)	−46·4	+ 1·0
Call Money	465·4	(7·1)	−39·2	+14·2
Treasury Bills	1303·4	(20·0)	+28·0	−15·1
Commercial Bills	153·4	(2·3)	+13·3	+17·2
Investments and Advances	*3856·2*	*(59·0)*	*−36·7*	*+14·9*
Investments	1992·2	(30·5)	+11·8	−23·7
Advances	1864·0	(28·5)	−48·5	+37·7
To State Boards	*95·1*		*−13·9*	—
All other	*1768·9*		*−34·6*	—

* After deducting items in course of collection.
† Ratio of assets to published deposits.

Up to mid-January, therefore, no reflection of the exceptionally rapid reduction achieved since the turn of the year in the supply of tender Treasury bills was to be found in the banking figures. During the sixteen days the banks' aggregate liquid assets contracted by only £44 million—a slightly bigger movement than in 1956, but a much smaller one than in either 1955 or 1954—while their holdings of Treasury bills rose by £28 million. Advances to the state boards, which rose by £21 million, to £109 million at the end of 1956, declined by £14 million. Other advances thus appear to have fallen by nearly £35 million, but this movement, like the apparent rise of £9½ million in the preceding period, was distorted by extraneous influences at the year-end. The only safe conclusion from these figures is that, over the whole period from November 21, there was a further perceptible decline in borrowings by the private sector. Thanks mainly to purchases by the Midland Bank (which at the year-end had shown an abnormally high liquidity ratio), total investment portfolios have expanded by £12 million. The combined liquidity ratio is unchanged at 37.4 per cent, which is fractionally less than the January figure last year, but substantially higher than that for any of the four preceding years.

Third Class Flying

On Monday the airlines confer at a meeting of the International Air Transport Association in London to decide how, when and at what price they are to introduce third class fares on the North Atlantic. The principle of third class fares was approved last summer after long and stormy meetings at which for some time an incongruously matched pair of airlines, British Overseas Airways Corporation and Pan American World Airways, were lone supporters of the scheme. Many airlines remain unhappy about the decision that was then reached. Next week's London meeting faces the difficult task of differentiation between tourist (or second class) and third class fares and of fixing the gap between them. The fiercest complications arise on the North Atlantic services. Unless some existing type of service is dropped, four different charges might result—luxury first class, a standard first class, a tourist fare and the new third class rates, the last three separated from each other by prices differences of about 16 per cent, and physical differences of several inches of leg room.

The setting of physical standards (for seating or for sandwiches) has always been the trickiest matter for IATA to solve. Its members show a subversive tendency to push standards of comfort higher than was originally intended; this happened when tourist fares were first introduced in 1952. Great diplomacy will be needed if the London meetings are not to bog down in wrangles about the size and composition of the lunchboxes the new passengers will carry and how little room they can be expected to occupy.

Five Shilling Bank Shares

The first five shilling shares in the bank share market will be those of Martins Bank and they may be expected to open somewhere near 14s. 6d. The bank's capital reorganisation plan also cancels all uncalled liability, and foreshadows a small increase in dividend and a small free scrip issue. The existing issued capital comprises 939,556 £20 shares, £2 10s. paid, and 1,966,206 fully paid £1 shares, a total paid up capital of £4,315,096. This is to be replaced by £5,276,425 in a single class of 5s. shares, entailing the capitalisation of £961,329 from published reserves (to be restored in part by a transfer from inner reserves). There will be a scrip issue of one for five for the holders of the existing £2 10s. shares (on which the uncalled liability of £17 10s. is to be cancelled), so that each existing £2 10s. share, standing in the market at about 172s. 6d., will be exchanged for twelve 5s. shares. For holders of the £1 shares fully paid, which stand at 72s., the scrip issue is one for four, so that the eventual holding will be five 5s. shares. The directors announce their intention of paying a dividend of 15 per cent for the year; this would be equivalent, on the present capital, to 18 per cent on the £2 10s. shares and to 18¾ per cent on the £1 shares. The payment for 1956 was 17½ per cent.

Wages at 30 mph

The order raising the legal speed limit for heavy lorries from 20 mph to 30 mph is now before Parliament and, if it is passed, will come into force on May 1st. But discussions on the revisions this may involve for drivers' schedules and the way their wages are calculated seem to have languished for the time being while hauliers and the unions consider the more immediate problems arising from fuel rationing. These consequent changes have been the rock upon which previous attempts at raising the

The New Bradshaw

With the publication this week of the first quarterly estimates of national expenditure, Mr Macmillan's Bradshaw is beginning to take on its new look. Much of the recent improvement in economic statistics has been directed towards filling in the gaps which have prevented any quarterly assessment of changes in supply and demand. Some of these gaps have now been closed.

By adding the different kinds of domestic expenditure on goods and services to the value of exports of goods and services and then deducting imports, a total is built up which represents the value of all the goods and services produced by the nation—the gross domestic product. This differs only from the usual conception of national income in that it excludes income received from abroad in the form of interest and dividends. The new series on this basis has been calculated from the beginning of 1954 until the third quarter of last year and is published in a supplement to the January issue of "Economic Trends" (HMSO, 2s. 6d.); the main figures are reproduced in the table at the foot of the page. According to this reckoning, Britain's output rose from £12,196 million in the first nine months of 1955 to £13,226 million in the same period of 1956, that is, by £1,030 million, or about 8½ per cent. About three-quarters of this increase is said to reflect higher costs, leaving a rise of 2 per cent in real terms.

But this is only one way of measuring national income. The total is a sum of expenditures; it is also a sum of the nation's output; it is also a sum of incomes. There are still some links missing before full quarterly statistics can be produced on either the production or income side, but a preliminary estimate from direct output data suggests that the gross domestic product rose in real terms by no more than one per cent in the first nine months of last year.

Why the discrepancy between these two sets of estimates which leaves in the air some £100 million or £150 million? It reflects not only the errors which cannot be avoided in these complicated accounts, but also the difficult concept of a measure in real terms which eliminates the changing value of money. Clearly too much must not be read into small differences and certainly not into changes from one quarter to another; in the official phrasing "only guarded conclusions should be drawn." Quarterly figures will be less accurate than annual ones and movements will be influenced by seasonal factors which, until the series has been running for a longer time, Whitehall is not prepared to iron out. With what awe, therefore, mingled with some inescapable doubt, does one look at the unofficial quarterly estimates of national income and expenditure recently started by the *London and Cambridge Economic Service* which stop at nothing and not only purport to eliminate price changes but also seasonal influences.

But with all these hedged-in warnings a lot can be learnt from the new indicators about general trends. In the first nine months of last year, consumption, current expenditure by public authorities on goods and services, and fixed investment all apparently increased

GOVERNMENT EXPENDITURE

(Central Government + National Insurance Funds)—£ million	First Three Quarters 1955	1956
Goods and services	1,763	1,912
Of which: *Defence*	*1,125*	*1,218*
Health	*371*	*408*
National Insurance benefits	*448*	*500*
Other current grants to persons	326	327
Debt interest	492	530
Subsidies	234	249
Grants to local authorities	352	385
Current grants abroad	49	46
Transfers to capital account	85	86
Total	**3,749**	**4,035**

in real terms—and probably each by around £50 million in 1955 prices. But by the third quarter any increase over twelve months before had disappeared in both consumption and investment; only government expenditure seemed to be still expanding, although much of the increase at current prices was due to higher pay for the armed forces. In spite of the credit squeeze stocks were being built up last year, but by the third quarter the rate had slackened.

These new estimates are an important addition to the statistical arsenal and their quality will improve. The national accounting now most needs reinforcement on the income side, and here profits have been the main stumbling block; the Inland Revenue has now begun to collect quarterly information from a sample of companies and industry is believed to be co-operating well. It can also presumably supply a quarterly national wage and salary bill. But is this enough? Could not monthly payroll figures be collected? It will be a pity if Bradshaw fails here.

THE GROSS DOMESTIC PRODUCT—(*£ million*)

	Consumers' expenditure	Public authorities' current expenditure	Gross domestic fixed capital formation	Value of physical increase in stocks and work in progress	Total domestic expenditure on goods and services	Exports of goods and services	Imports of goods and services	Taxes on expenditure	Subsidies	Total expenditure on the gross domestic product*
Annual Totals:										
1954	11,995	3,128	2,549	75	17,747	3,598	3,600	2,481	426	15,690
1955	12,783	3,192	2,865	250	19,090	3,908	4,138	2,620	346	16,586
Quarterly:										
1954 1st qtr.	2,707	817	604	60	4,188	903	881	621	121	3,710
2nd ,,	2,937	745	624	— 35	4,271	920	863	596	107	3,839
3rd ,,	3,094	763	641	135	4,633	911	919	617	69	4,077
4th ,,	3,257	803	680	— 85	4,655	864	937	647	129	4,064
1955 1st qtr.	2,906	841	649	215	4,611	970	1,035	662	97	3,981
2nd ,,	3,122	761	678	30	4,591	982	982	616	75	4,050
3rd ,,	3,288	782	719	110	4,899	911	1,059	663	77	4,165
4th ,,	3,467	808	819	— 105	4,989	1,045	1,062	679	97	4,390
1956 1st qtr.	3,092	842	742	165	4,841	1,059	1,064	714	107	4,229
2nd ,,	3,311	865	748	80	5,004	1,107	1,046	664	79	4,480
3rd ,,	3,399	898	758	45	5,100	1,070	1,059	673	79	4,517

* Total domestic expenditure on goods and services plus exports of goods and services less imports of goods and services less taxes on expenditure plus subsidies.

limit have foundered, but the Minister of Transport decided last year that it would be silly to postpone this particular piece of reform any longer. The unions and the hauliers have been able to agree that there shall be no reduction in pay for doing the same work (that is the same distance even though it is covered in less time) and that where productivity is higher the benefit should be shared; but have made no headway yet in translating these general principles into detailed arrangements. It is this lack of agreement that has led the Labour party—rather unnecessarily—to oppose the order.

The difficulty is that not every haulier and lorry driver may benefit from the higher legal speed limit—for example those running short hauls in built-up areas or operating lorries of less than 3 tons unladen weight which can already travel legally at speeds of up to 30 mph. The suggestion made by General Russell of British Road Services recently that some mileage element should be introduced into wages calculations ("hauliers sell ton-miles so why should they not buy miles from their drivers?") would still not meet this difficulty—if it is in fact a real stumbling-block. A large organisation such as BRS might be able to make adjustments to the pay of drivers not affected by the change in speed limits, but small private hauliers would be less able to do so. Another complication is that the private hauliers alone are governed by the statutory wages machinery for the industry, though both BRS and traders with C licence fleets usually fall into line. It is quite possible that May 1st may come and go before the hauliers and the unions reach agreement, but when it is reached it seems clear that some mileage element may have to be incorporated in the new arrangements and some widening of differentials between grades of drivers accepted. The latest wage claim from the unions would in fact mean a considerable widening of present differentials; and this might give the employers an opportunity to secure some compromise settlement on arrangements for the new speed limit.

Conclusions about the Vulcan Crash

A VERDICT of accidental death was given at the inquest on the four men who died in the Vulcan crash at London Airport last October. In evidence, the two pilots asserted that their two altimeters showed the bomber as being much higher than in fact it was, so that it touched the ground sooner than they had expected. Altimeters are known to be prone to errors for which pilots have to make due allowances. A witness from the RAF experimental establishment at Boscombe Down explained that when an aircraft was near the ground, the "normal" error of 70 feet in the altimeter reading was almost doubled, and on top of this there was a possible manufacturer's error of anything up to another 70 feet. This could explain why, when the Vulcan was about to hit the ground, the cockpit altimeters showed it to be 150 feet up. Two official reports on the crash, one military and the other civil, emphasised that both the pilot and the ground controller had taken risks in neglecting the precise height of the aircraft. The pilots' account of peering through raincloud searching for approach lights that were found too late to be on their left instead of beneath the bomber leads to a conclusion that neither report has mentioned. Responsibility for the crash rests in part on the men in the cockpit and the controller on the ground; but those who instructed the pilots to bring an aircraft of advanced design into a civil airport strange to them, with a control system that had not been designed for machines of that kind, cannot escape blame. Sometimes such risks come off; in this case they did not.

Small-Scale Atom Power

AN agreement signed this week between a British firm of consulting chemical engineers, Humphreys and Glasgow, and the American Locomotive Company covers the manufacture in this country of the small so-called "packaged" atomic power unit that Alco is developing for the US army. Small atomic reactors cannot produce electricity as cheaply as big reactors. Costs at the first 300,000 kilowatt British power stations are likely to lie between 0.6 and 0.7 pence per unit; the best costs that Alco can promise range between 1½d. and 2d. per unit from a 10,000 kW installation and at least 2½d. a unit from small plants of 1,000 to 2,000 kW. (This is half what power from the first prototype is likely to cost.) The capital cost of a 10,000 kilowatt installation is put at £2 million, or £200 per kilowatt capacity compared with £100 to £120 for a full-sized station: costs rise progressively as size declines.

In isolated regions, the generation of electricity in limited quantities from atomic plants needing a minute weight of enriched uranium may have advantages, though diesel generating sets can probably produce power for roughly the same cost.

Contraction in Lombard Street

THE onset of dear money in 1955 brought hard knocks to the dealers in money; faced with its continuance through 1956 the discount houses drew in their horns. The profits statements of the Union Discount Company, the National Discount and Alexanders showed that profit had been restored to current trading; and dividends were maintained. The full balance sheets now show the measure of the consolidation—enforced mainly by the fall in bond prices, the increasing competition for bills and the consequent depletion of bill portfolios.

The sharpest contraction is that shown by Alexanders. This house shows a further reduction in loans and deposits of £39.8 million, to £89.1 million—compared with £149.6 million at end-1954; holdings of bills are down by £19.1 million to £60.2 million, whilst the bond portfolio is slashed from £53.1 million to £32.2 million, barely two-fifths of the portfolio two years ago. The chairman, Sir Eric Gore Browne, states that the reduction in short-dated bonds "involved a realised loss but enabled us to increase our income"; however, the company shows virtually no reduction in its book depreciation, at £2.6 million, now equivalent to over 8 per cent of the reduced holding. The Union Discount, the giant of the market, also shows a big drop in

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However scientifically a construction job may be organised, however widely its operations may be mechanised, successful completion depends on human factors—on the skill, loyalty and morale of the men to whom the work has been entrusted

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THIS VITAL ASPECT of construction has always been fully recognised by John Laing and Son Limited. Although the Company's operations are widely spread over a large number of frequently isolated sites, every care is taken not only to promote the wellbeing of workers on these sites but to keep alive the sense of a common objective, of being part of a team.

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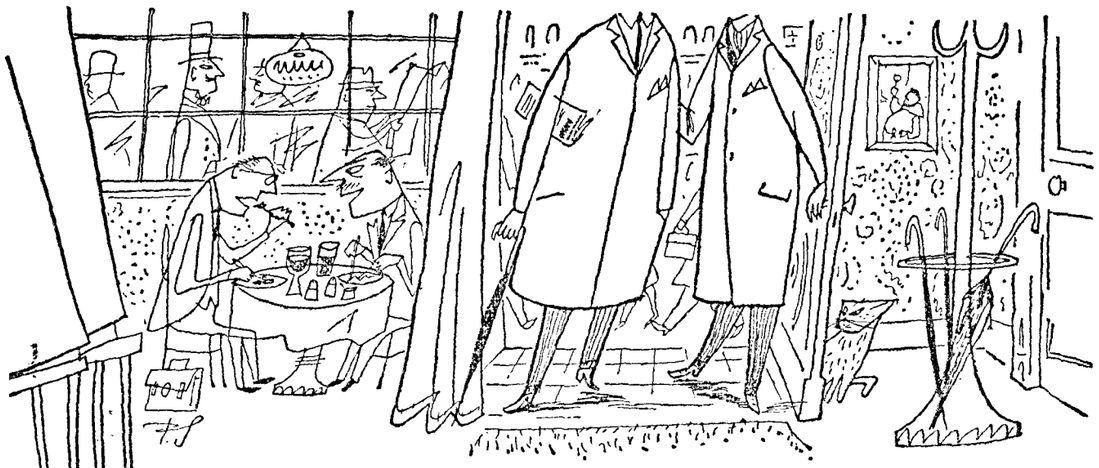


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This Voluntary Society has 4,500 Boys and Girls in its care (including spastics, diabetics and maladjusted) depending on YOUR HELP

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DONATIONS *can help us NOW*

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CHILDREN'S SOCIETY
formerly WAIFS AND STRAYS
Old Town Hall, Kennington, London, S.E.11



the things they say!

I.C.I. exported £71 million of products in 1955, I see.



Yes, they've been doing well.

How do they manage it, I wonder?

One reason is that they've built up a sales organisation all over the world. Indeed, they have subsidiary companies in 42 countries, and agents in nearly all the rest.



And what's the other reason?

Well, foreigners have come to trust the quality of I.C.I. products and the technical service that goes with them.

Is Britain, then, a force to be reckoned with in the chemical field?

Yes. And high quality isn't the only reason. Thanks to our research workers, we in Britain now have hundreds of outstanding chemical products to sell to the world.



Such as?

Polythene, for instance, and the powerful 'Gammexane' range of insecticides, brilliant new dyes like 'Alcian' Blue, and drugs like 'Paludrine' and 'Antrycide'. They're all I.C.I. discoveries, you know.

And they're helping us in world markets?

They are, indeed. What's more, I.C.I. are spending over £9 million a year on research and development. So far as they can, they mean to ensure that British chemicals stay in the lead.

ICI

bills, by £34.3 million to £163.6 million, but this follows an increase of £24.4 million in 1955; its bond portfolio is slightly increased, following the big 1955 drop. The National Discount is alone in showing a substantial increase in bill holdings, by £22.9 million to £101.0 million, but this was still not sufficient to make good the big depletion of the previous year. The running down of £19.0 million in its bonds is more than accounted for by the maturity of its 1954-56 War Bonds, stated at end-1955 to be £32¾ million.

The chairman of the Union Discount, Lord Kennet—who is chairman also of the Capital Issues Committee—states that the business has now settled down to "conditions which are stable in relation to a high Bank rate." Lord Kennet does not consider it appropriate to pronounce upon national financial policy, but suggests that monetary policy alone is not enough and needs to be accompanied in particular by economy in public expenditure. But his fellow-chairmen, Commander Coke, of the National, and Sir Eric Gore Browne, of Alexanders, give strong emphasis to the pain and cost of dear money. Commander Coke argues that it is becoming increasingly clear that "high interest rates, by themselves, have comparatively little effect nowadays either in restricting domestic credit demands or in attracting foreign deposits"; whilst Sir Eric makes much of the effect of high rates in increasing the cost of servicing the external debt.

Heat Saving by Compulsion?

PRESENT government policy for promoting fuel efficiency in industry is a blend of exhortation and incentives, to which there has lately been added a dose of coercion in the form of the Clean Air Act which indirectly should

Costly Airports

THE trenchant criticisms of the Ministry of Transport by the Select Committee on Estimates for consistent losses on the 28 government-owned civil airports are not unmerited. Since the Select Committee's report at the end of 1955 (which gave for the first time an idea of how much airports were costing), the annual rate of loss has risen further by 11 per cent and at the end of the financial year 1955-56 it was running nearly £2 million a year. Nor is consolation to be drawn from a point made by the Minister of Transport last Tuesday that in 1951 airports lost £2 million, but handled only half the number of passengers; the Select Committee had earlier been told by Ministry of Transport witnesses that losses would go down as traffic rose and traffic is now up by 18 per cent. The Select Committee concluded with a certain brusqueness that "the operation of the aerodromes is either so inefficient or so financially insolvent that the more traffic there is . . . the greater the loss becomes."

The report does not demand that the airport should cover their expenses fully; if that were the policy, allowance for interest and amortisation on the £30 million invested in airports would raise the annual loss to a notional £7 million. But it does expect them to cover current outgoings. So by all accounts does the Ministry, yet its intentions seem to be continually defeated by circumstances. A case in point is the big jump in the bill for London airport last year. By April, 1955, the terminal buildings in the central area were brought into commission piecemeal and so were not pulling their weight in handling passengers or producing rents from concessions for the full financial year. On top of this, the technical services provided from London in the way of regional traffic control were becoming more expensive.

The result was a loss of £400,000 on operations at London airport—nearly three times as big as the year before. But what brought down the wrath of the Select Committee was the "incomprehensible" inaction of the Ministry in face of rising costs. The Minister can increase revenue at any time by raising the landing fees; these have not changed significantly since 1948.

Strong opposition from the airlines to any increase is only to be expected. The Ministry seems to have given far too much weight to arguments that higher charges would divert traffic from London, and so has held its hand for far too long. Mr Watkinson has now promised an increase in landing charges, having postponed one until a report on the whole subject of airport charges was published by the International Civil Aviation Organisation. London airport is expensive to run because it is technically efficient. There is no reason why airlines should not pay for the extra cost of up-to-date technical services.

AIRPORT COSTS, 1955-56

	Running Costs £	Technical Services £	Revenue £	Net Operating Costs £	*Change on 1954-55* £	Passengers	*Change on 1954-55*	Staff	*Change on 1954-55*
London Area:									
London	1,669,127	466,268	1,734,964	400,431	*+281,548*	2,769,618	*+906,276*	1930	*+141*
5 Others ...	515,183	183,757	412,337	286,603	*−103,997**	217,515	*−420,787**	507	*−125*
Prestwick ..	313,944	148,271	305,767	156,448	*+ 3,448*	215,996	*+ 25,090*	478	*+ 20*
13 Others ..	821,775	475,401	511,017	786,159	*− 955†*	1,186,861	*+171,236*	1,113	*+ 14*
8 Scottish...	180,844	68,400	22,900	226,344	*+ 9,064*	137,316	*+ 5,604*	125	*− 1*
TOTAL	£3,500,873	£1,342,097	£2,986,985	£1,855,985	*+£189,108*	4,527,306	*+687,619*	4,153	*+ 49*

* Northolt closed † One fewer airport.

secure a more efficient use of fuel burning plant. The National Industrial Fuel Efficiency Service provides the main element of exhortation, and investment allowances and the revolving fund of loans to help instal fuel saving equipment are the incentives. But this is not enough for one private promoter of fuel efficiency. Mr Gerald Nabarro wants to widen the sphere of coercion and his Thermal Insulation (Industrial Buildings) Bill, which he introduced in the Commons on Wednesday under the ten minute rule for private members' bills, would make it compulsory for occupiers of all industrial buildings using space heating to comply with certain minimum standards of thermal insulation to be devised and laid down by the Minister of Housing—on pain of paying a fine of up to £500 if they default.

The national interest in the current and prospective fuel situation might well be used to argue for more compulsion, and the classic method of raising prices does not seem to be very practical in the case of fuel since fuel costs form a heavy proportion of total costs for some industries and a minute element for others, even though these small consumers, between them, have a significant share of total industrial consumption. But is Mr Nabarro's method a more practical or desirable alternative? The bill suggests that enforcement should be undertaken by local authorities (many of whom have adopted the Ministry's model by-law on thermal insulation of new houses) and it would give occupiers of existing buildings a period of grace of four years or more before they had to comply. Certainly it would be easier to apply the bill to new factories (few of them are properly insulated at present) and local planning machinery could be used to administer it. But its application to existing buildings would be fraught with difficulties and special cases. Devising a workable and equitable code of regulations for different types of buildings and space heating methods would not be a pleasant task.

"Free" Sugar Set Free

On Thursday the International Sugar Council, which administers the International Sugar Agreement, announced for the first time in the agreement's history the removal of all restrictions on exports. As the average spot price for seventeen consecutive market days had been far above the point at which restrictions must lapse (4.0 cents a lb) this was a foregone conclusion. By itself this action cannot increase the supply available to the market. But at anything like present prices importing countries with a little sugar to spare are tempted to sell, and even that is of some help.

Prices of raw sugar in the "free" world market continue to fluctuate at a high level. Early this week the spot price dropped sharply by 0.85 cents to 5.50 cents a lb fas Cuba. Only a tiny business was done at that figure, however, and the price rallied later. The relapse was mainly the result of speculative operations in New York; physical supplies of sugar remain tight. The real strength of the market was indicated by the sale of 100,000 tons of Cuban sugar to the German government at 5.65 cents a lb.

A Kite in Ceylon

CEYLON'S minister of agriculture and food, Mr Gunewardena, is one of the small marxist group in Mr Bandaranaike's cabinet which is trying to jolly the prime minister along the road of nationalisation, without as the prime minister's latest statement suggests forcing the pace very successfully. Mr Gunewardena believes in nationalisation but not in excessive compensation. His plan for nationalisation of the European tea estates—an acreage of 260,000 out of 456,000 tea acres in Ceylon—is so devised. He would pay the owner Rs 925 (£69 7s. 6d.) an acre spread apparently over four years, and raise the money by requiring the nationalised estates to pay a special tax of 5½ cents (1d. per lb on their exports).

Ceylon tea shares fell sharply on this announcement—not because of heavy selling, but because the jobbers were determined not to buy stock; at the lower prices there was a little buying from the agency houses that manage the tea companies. They were betting fifty to one against the present nationalisation plan being adopted, and now that the prime minister has come out clearly against precipitate action the odds seem reasonable. Such a monstrous hybrid as a tea industry (far the biggest item in Ceylon's economy), half nationalised and half in private ownership, half paying a special tax which its competitor escapes, would surely be a first-class blunder, and Mr Gunewardena's compensation proposals are certainly not calculated to stimulate a flow of foreign capital into Ceylon.

Tea acres, highland or lowland, neglected or well tended, are not all worth a single price of £69, or any other figure. The market price of the shares values some tea gardens below £69 an acre and others at more than £160 an acre. Some experts would argue that, for example, Nuwara Eliya, standing in the market 28s. 6d., might break up between 16s. and 17s., while Consolidated Estates at the same price might break up above 40s. Upwards of £200 an acre has been paid by Ceylonese buyers for European-owned tea acreage and this is not necessarily dear; to bring a tea garden to maturity now costs about £300 an acre or almost £500 an acre if the factory and equipment are included. Investors and managers must now assume that nationalisation is not rejected but merely postponed. Therefore so far as the hitherto liberal Ceylon exchange control permits it, dividends are likely to be liberal. And bids for estates by Ceylonese will be much more likely to be accepted.

Standard Month for Exports

BEGINNING with the January returns of overseas trade, the Board of Trade is adopting a "standard" month for exports of 25 or 26 port working days. Since the civil service went on to a five-day week last July the Customs Department has been unable to clear export documents as rapidly as before. To conform with the timetable for the import returns, which cover a calendar month, it therefore became necessary about every other month to close the export returns one day earlier. The number of working days covered by the export returns, which formerly varied between 24 and 27, was stretched to between 23 and 28. As the volume of exports handled is fairly closely related to the number of working days the recorded figures showed sharp fluctuations unconnected with changes in the actual flow of trade. To get over these anomalies the "export" month will be adjusted so that there will be 26 working days in each of the 31-day calendar months, and 25 in the other five months. (The "import" month remains a calendar month.) Comparison between quarters will also be improved.

Fall in Cocoa

LAST year cocoa prices became stable at around £200 a ton. Since then prices have dropped by over £15 a ton. In the London market Accra cocoa for March-May shipment is now about £181 a ton cif UK, and the British West African marketing boards are asking £190 a ton for Accra cocoa and £182 10s. a ton for Nigerian for April-June shipment. At these prices the Gold Coast board is losing about £28 a ton and the Nigerian board about £16 a ton. The guaranteed price to producers in Nigeria this season was reduced by £50 to £150 a ton, the same as in the Gold Coast. Allowing for export duty and marketing expenses, the Gold Coast board needs £248 a ton cif to break even, and the Nigerian board about £206 a ton.

There is little prospect of such a recovery. The weakness in prices reflects the expansion in world production, assisted by favourable weather. The main crop in the Gold Coast may well exceed 255,000 tons this season, compared with an official estimate of 225,000 tons and with a crop of about 220,000 tons in 1955-56. The Nigerian main and light crops together promise to be at least 135,000 tons, or more than 20,000 tons higher than last year. Barring bad weather world production is likely to remain high, for prices are still extremely profitable to the growers. Hence the outlook turns mainly on the growth in world consumption. Manufacturers have frequently urged the producing countries to expand production; now that expansion has come, too few manufacturers seem ready to absorb it.

SHORTER NOTES

Cable and Wireless (Holdings) is to pay an ordinary dividend of 10 per cent for 1956; this rate was foreshadowed nearly twelve months ago by Sir Edward Wilshaw. The group's earnings after tax have risen from £575,442 to £620,000.

★

The consolidated balance sheet of Carreras, the tobacco manufacturers, shows stocks to have fallen from £17 million to just over £14½ million in the year to October 31st, with a consequent reduction in bank loans and overdrafts from £10¼ million to £7¼ million.

★

Copper prices are drifting downwards. On Thursday cash copper closed at £253 a ton, a decline of £15 a ton on the month.

Company Notes

JOHN SUMMERS. Steel company chairmen speak with differing voices about dividends. The attitude of the chairman and board of Dorman Long was discussed last week. Now Mr Richard Summers, chairman of John Summers, says of the financing of that company's expansion plans: "It should be possible to pursue a policy which will provide a substantial amount for this expansion out of the industry's own resources, and which will at the same time make investment in the steel industry worth while. We are not unmindful of the shareholders' legitimate claims, and in due course I hope that it will be possible to give tangible proof of these sentiments."

For 1955-56, John Summers left its ordinary dividend unchanged at 12 per cent and retained about £5 million of its profits. The group's current development programme—due to be completed in 1959, somewhat later than had originally been thought—will cost another £16½ million and the directors have under review arrangements for financing it.

Mr Summers is also reassuring about the immediate prospects for sheet steel. Although sheet steel stocks are "substantially above normal" and demand has fallen, the directors are not unduly worried about their ability to keep the plants working somewhere near maximum capacity. This view is based on three facts. First, the industry will be allowed to export more sheet steel this year; secondly, up to this year Britain had still to import sheet; and thirdly some of Britain's own domestic production has come from old-fashioned hand mills. With a modern works at Shotton, the directors of John Summers are not being unreasonable in implying that any slack is likely to be taken up elsewhere. On the 12 per cent dividend the £1 ordinary shares at 34s. yield 7 per cent.

★

Stewarts and Lloyds will spend about £28½ million on its development programme in the next four years or so. Last year the company had on occasion to borrow from the banks, and it will probably have to do so again this year. It has made a 100 per cent free scrip issue and has increased its authorised capital to 10 million £1 ordinary shares. Clearly a cash issue some day is not ruled out, but the company will not, as many expected, follow United Steel's example and make an immediate offer. The chairman, Mr A. G. Stewart, like other steel spokesmen, argues that the group must finance most of the development programme out of retained profits. "It is difficult," he concludes, "to forecast the cash needs of a large business, but it does still appear that it will not be necessary to raise fresh capital in the immediate future."

★

Hadfields secured control of Millspaugh last year after a stiff battle. This acquisition seems to have had some influence on the company's dividend policy. The company formerly paid an interim of 3½ per cent; after the purchase and after the issues made in connection with it the final payment was 4 per cent. Now, for 1955-56, the company's ordinary dividend is 9 per cent on the enlarged capital. Unfortunately the announcement of this dividend (on which the £1 shares at 25s. 6d. yield 7 per cent) is accompanied by only a meagre reference to earnings. "Before taxation and ascertainment of pre-acquisition profits and the minority interests of Millspaugh" the group's profits were £1,335,549, of which £923,887 came from Hadfields and £411,662 from Millspaugh. The comparative figures for 1954-55 were £826,663 for Hadfields and £408,419 for Millspaugh.

Whitehead Iron and Steel is not a big participant in the development programme of the steel industry. But like the majority of the steel makers it has left its dividend unchanged—at 20 per cent—in spite of an increase in profits, from £1,227,567 to £1,345,857—a satisfactory increase for a company which as a producer of strip steel cannot have been unaffected by the ban on overtime working and by rising costs. At 61s. 6d. the £1 ordinary shares yield 6½ per cent.

★

TEXTILE BIDS. It is ironical but not paradoxical that at the time when **Bradford Dyers** has decided to close down one of its branches in Paisley there should be a sudden crop of take-over bids in the textile industry, including one for a Glasgow company. It is possible for an industry to feel the need of concentration and even—as with cotton—to be suffering a long-term shrinkage and yet for a small number of big units, with cash in hand, to need new investment outlets. Not all the textile industry is on the decline but within it there are a number of small concerns with plants and sites attractive to bidders with money to spare. And if there is trade recovery in the air, as there now is in textiles, the time is ripe for bids.

Lancashire Cotton has gone outside its normal area of operations and has bought a small concern in Glasgow, Tullialan Fabrics, manufacturers of chenille cloths. This, Mr R. M. Lee claims, is in keeping with the "policy of seeking new and profitable outlets for financial resources." **Fine Spinners and Doublers** has made an offer of £576,000 for Moorfield Spinning of Oldham; the bid is worth 4s. 6d. per ordinary share, compared with the recent Oldham market price of 3s. Moorfield Spinning produces rayon yarn. **Patons and Baldwins** has acquired William Thompson, the oldest spun silk spinners in this country. The directors of Patons and Baldwins intend to continue the spinning and processing of spun silk yarns at the Galgate mill but it is also intended to develop and extend the new subsidiary's activities in spinning yarns from synthetic fibres, a side of the textile business in which Patons and Baldwins is taking a growing interest.

The bid for **Lyle and Scott,** the Hawick firm making high quality knitwear, falls into a different category. It is the recurrent tragedy of the paternal family business where the "proprietors" have worked largely for their employees, taking little for themselves, and have failed to realise that outside capital demands adequate remuneration. The directors of Lyle and Scott, who claim that the firm has been built up "for the benefit of employees and shareholders," have asked for the support of Scottish MPs against the bid, with which the name of Mr Hugh Fraser is now associated. This suggests a parochialism reminiscent of the Scottish Motor Traction struggle. The irony is that the particular shareholders that have requisitioned an extraordinary general meeting and propose to unseat some of the present board and to put Mr Fraser on the new one, happen to be a group of eight Scottish investment trusts which became shareholders in 1949.

★

F. W. WOOLWORTH. There was some disappointment when the announcement of Woolworth's results and dividend for 1956—discussed in *The Economist* of January 19th—was not accompanied by free scrip issue proposals. The 5s. shares fell back from 63s. to 60s. They recovered subsequently to 63s. 6d. The announcement of a free scrip issue has duly been made. The issue of one new 5s. share for each two held requires the capitalisation of £11,250,000, of which £6,250,000 will come from the general reserve and £5 million from a capital reserve of £13,081,474 "created as a result of a recent revaluation of freehold and leasehold properties by the directors based on an interim certificate given by valuers now engaged in revaluing the whole of the company's properties." At the current price of 62s. xd. the 5s. units in their old form yield 4¼ per cent.

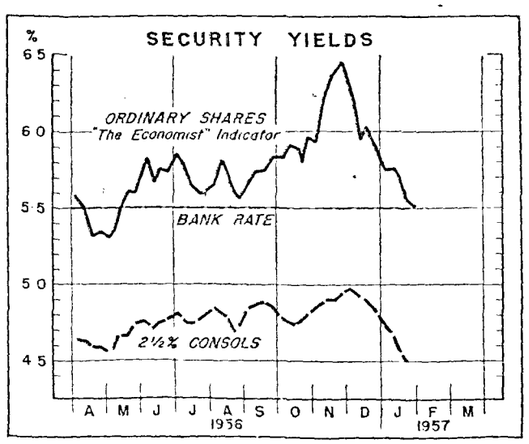
LONDON STOCK EXCHANGE

Next Account begins: February 13th
Next Contango Day: February 13th
Next Settlement Day: February 5th

GAINS among dated gilt-edged stocks have again been considerable, but the advance has not been uniform; on both Tuesday and Wednesday the market has reacted only to recover once more. On Thursday there was a further strong advance. 2½ per cent Funding 1956/61 rose ⅝ to 92⅜, 4½ per cent Electricity 1967/69 1⅞ to 95⅛ xd, 4 per cent Transport 1972/77 rose the same amount to 88⅛, and 3½ per cent Funding 1999/2004 1⅛ to 80⅜. Victory bonds gained 2⅛ to 94⅛ xd and 4 per cent Consols led the undated stocks with a rise of ¾ to 81½ xd.

Industrial stocks were firm up to the start of the new account; stores and tobacco shares showed sharp rises, as did domestic appliance suppliers, whose shares were affected by indications of an expansion in hire-purchase business. Motor shares were mainly firmer, although easing on the labour disputes, and accessory producers improved; Birfield gained 2s. 4½d. to 58s., Chloride Electrical "A" 3s. 3d. to 65s. 9d. and Triplex Safety Glass 3s 6d. to 34s. 9d. Aircraft shares lost ground. Westinghouse Brake jumped 4s. to 80s. 6d. and Enfield Cables rose on rumours of a bid, although electrical shares were generally lower. Express Dairy "A" gained 2s. 4½d. to 21s. 1½d. and Ranks put on 1s. 3d. to 18s. 9d. on the rights issue. Part of the 3s. 6d. rise in GUS "A" to 42s. was attributable to expectations of a scrip issue and Debenhams and Montague Burton were similarly affected. Bradford Dyers lost 1s. 9d. to 20s. 10½d. on the closing of one of its factories.

Oil shares recovered strongly on Thursday, Shell reaching 158s. 3d. and BP 134s. Kaffirs were again quiet, Western Holdings slipping back 1s. 3d. to 72s. 6d. Ceylon tea shares were weak following the nationalisation proposals, but recovered some ground later. Consolidated Zinc jumped to 81s. 6d. but coppers weakened.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1956 High	1956 Low	1955 High	1955 Low
Jan. 2	190·5	5·75	210·4 (Jan. 4)	170·0 (Nov. 28)	232·1 (July 20)	175·2 (Mar. 23)
„ 9	190·5	5·75				
„ 16	192·8	5·71				
„ 23	198·0	5·55				
„ 30	198·9	5·52				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956	1955
		%		%		High 205·5 (Jan. 3)	High 233·9 (July 21)
Jan. 23	186·1	5·88	96·04	4·50	11,854		
„ 24	186·9	5·85	96·32	4·51	10,887		
„ 25	187·6	5·83	96·62	4·49	10,955	Low	Low
„ 28	186·8	5·86	96·74	4·49	14,052	161·5	175·7
„ 29	186·9	5·85	96·78	4·49	11,655	(Nov. 29)	(Mar. 15)
„ 30	187·0	5·85	96·80	4·49	10,993		

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

LONDON ACTIVE SECURITIES

Prices, 1956 High	Prices, 1956 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Jan. 23, 1957	Price, Jan. 30, 1957 §	Net Yield, Jan. 30, 1957 § £ s. d.	Gross Yield, Jan. 30, 1957 £ s. d.
99½	97	Funding 2½% 1952-57	99 7/32	99 9/32	3 2 9	4 14 8
95 13/32	93½	War Loan 3% 1955-59	95 5/32	96 3/32	3 0 11	4 10 0
91 5/8	88 15/16	Funding 2½% 1956-61	91½	92 3/16	3 7 10	4 11 10
100 1/16	99 15/16	Exchequer 5% 1957	100 3/32	100 1/16	1 13 8	4 11 2
99 1/32	97	Conversion 4% 1957-58	98 13/16	98 15/16	3 0 0	4 17 7
97 5/8	95 3/4	Serial Funding 2½% 1957	98	98 3/16	3 10 1	4 14 11
94 13/32	91	Conversion 2½% 1958-59	95 1/32	95 1/16	3 14 7	4 12 7
92 1/16	88 3/16	Exchequer 2½% 1960	92 1/32	92 1/16	3 16 1	4 13 8
95 1/16	92½	Exchequer 3% 1960	95 1/32	95 1/16	3 6 7	4 12 0
88 1/4	83	Savings Bonds 3% 1955-65	88 3/16*	89 1/16*	3 2 7	4 9 7
82 5/16	77 1/8	Funding 3% 1959-69	83 1/8	84	3 7 9	4 17 0
92 1/8	84½	Funding 4% 1960-90	91 1/32	91 1/16	5 5 1	7 4 1
					2 14 0	4 10 8
81 7/32	75 1/8	Savings Bonds 3% 1960-70	80 1/16*	91 1/16*	3 8 10	4 17 4
98 3/32	97 3/32	Conversion 4½% 1962	98*	98 1/16*	2 18 11	4 17 3
91 1/16	88 3/4	Exchequer 3% 1962-63	92	92 1/16	3 2 1	4 9 6
87 1/4	83 3/16	Exchequer 2½% 1963-64	87 1/16	87 1/8	3 8 0	4 11 9
81 1/16	76 1/4	Savings Bonds 2½% '64-67	82 1/4	83	3 9 4	4 13 9
79 3/4	71 3/4	Savings Bonds 3% 1965-75	76 3/4*	77 3/16*	3 7 2	4 16 9
83 1/16	78	Funding 3% 1966-68	83 1/16*	84 1/16*	3 8 2	4 16 4
96 1/2	90	Victory 4% 1920-76	93*	94 1/16*	2 17 10	4 12 10
88 3/8	81 7/8	Conversion 3½% 1969	86 1/16*	87 1/16*	3 5 5	4 17 3
83 1/8	74 3/8	Treasury 3½% 1977-80	80 1/4	80 3/16	3 4 3	4 18 10
84 1/4	74 15/16	Treasury 3½% 1979-81	79 1/16*	79 1/16*	3 4 7	4 18 11
72 1/8	64½	Redemption 3% 1986-96	70 3/4	71 1/8	2 19 4	4 12 3
81 1/4	73 1/4	Funding 3½% 1999-2004	79 3/8	80 1/8	2 15 3	4 10 4
84 3/8	76	Consols 4% after Feb. '57	80 1/2*	81 3/8*	2 16 5	4 18 2
77	68	War Loan 3½% after 1952	74 3/8	74 1/2	2 14 0	4 14 3
76 1/8	67 3/4	Conv. 3½% after Apr. 1961	74 1/4	74 3/16	2 14 2	4 14 11
66 1/2	58 3/4	Treas. 3% after Apr. 1966	65 1/4	65 1/8	2 13 0	4 12 10
56 1/2	49 3/4	Consols 2½%	55 3/8	55 3/8	2 11 9	4 10 2
56 1/2	50	Treas. 2½% after Apr. '75	55 1/4	55 1/8	2 12 2	4 11 3
98 3/8	90	Br. Electric 4½% 1967-69	94*	95 1/16*	3 0 11	5 0 3
80 1/8	72 1/8	Br. Electric 3% 1968-73	78 1/2	79 1/16*	3 8 4	4 18 7
79 1/8	71 1/4	Br. Electric 3% 1974-77	77 1/8	77 1/2	3 5 10	4 16 8
95	85 1/2	Br. Electric 4½% 1974-79	91 1/8	92 1/8	2 19 7	4 18 10
83 1/16	74 3/8	Br. Electric 3½% 1976-79	80 1/2	81 1/4	3 4 1	4 18 8
90 3/8	84 1/4	Br. Gas 4% 1969-72	88 3/8*	89 1/16*	3 2 11	4 19 3
87 1/16	80	Br. Gas 3½% 1969-71	86 1/16	87 1/8	3 3 7	4 17 3
73 1/4	65 1/4	Br. Gas 3% 1990-95	71 1/16	72 3/8	2 19 1	4 11 7
80 1/16	72 3/8	Br. Transport 3% 1968-73	78 3/4	79 1/16	3 8 4	4 18 7
87 1/8	81 1/2	Br. Transport 4% 1972-77	87 1/16	88 1/16	3 5 1	4 18 5
73 1/2	65 1/4	Br. Transport 3% 1978-88	71 1/16	72 1/4	3 2 3	4 14 0

Prices, 1956 High	Prices, 1956 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Jan. 23, 1957	Price Jan. 30, 1957	Yield, Jan. 30, 1957 £ s. d.
80 3/4	74 3/8	Australia 3¼% 1965-69	81 1/4	81 1/4	5 6 3
98 3/8	92 1/4	Fed. Rhod. & Nyas. 5% 1975-80	95 3/8	96 1/8	5 5 1
76	70	S. Rhodesia 2½% 1965-70	75 1/2	75 1/2	5 2 11
88 1/2	80 1/4	N. Zealand 4% 1976-78	86 1/2	87 1/2	4 19 6
101 3/8	99 3/8	I.C.C. 5½% 1977-81	105 1/4	105 3/8	5 1 0
97 1/2	88 1/4	Agric. Mortgage 5% 1959-89	92	92 1/4	5 10 0
68 3/4	61	Met. Water Board 'B' 3% 1934-2003	68 1/2	69 1/4	4 13 0
81 1/4	71	German 7% 1924 (Br. Enfaced 5%)	79	78 1/2	...
169 3/4	159 1/2	Japan 5% 1907 (Enfaced)	164 3/4	164 1/2	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 23, 1957	Price, Jan. 30, 1957	Yield, Jan. 30, 1957 £ s. d.
		% %	BANKS & DISCOUNT			
105/-	92/6	5 b	2 a Bk. Ldn. & S. Amer. £5	105/-	115/-	6 1 9
50/-	39/10½	5 a	7 b Barclays Bank £1	46/3*	46/-	5 4 4
35/9	27/9	4 a	4 b Barclays D.C.O. £1	32/6	33/6	4 15 6
41/9	32/9	7½ a	7½ b Chartered Bank £1	38/-	38/9	7 14 10
51/-	42/10½	...	7 b Lloyds Bank £1	51/3*	50/6	5 3 0
72/4½	61/-	9 a	9 b Midland Bank £1	71/-*	71/9	5 0 4
46/-	29/3	5 a	5 b Nat. Discount 'B' £1	38/6*	39/6	5 1 3
50/-	40/6	6¼ a	6¼ b Union Discount £1	51/-	50/3*	4 19 6
			INSURANCE			
92/6	75/-	43½ b	30 a Commercial Union 5/-	87/-	89/-	4 2 3
29	16½	37½ b	12½ a Legal & General £1	29½	29½	1 13 11
25½	18½	†47½ b	†20 a Pearl £1	20½	20½	5 12 0
48¾	38	†117½ c	†125 c Prudential 'A' £1	44½	45½	4 15 0
			BREWERIES, ETC.			
119/6	106/-	10 a	33 b Bass £1	111/6	110/-	7 16 4
24/10½	18/7½	11½ b	6 a Distillers 6/8	22/10½	22/4½	5 4 3
45/10½	36/9	10 a	15 b Guinness 10/-	41/6	41/9	5 19 9
76/-	61/9	14 b	7 a Whitbread 'A' £1	65/6	66/6	6 6 4
			OIL			
183/9	99/-	†10 b	†5 a British Petroleum £1	131/-	130/7½	3 19 11
117/9	63/-	12½ b	5 a Burmah £1	85/9	85/-	4 2 4
17 1/16	11 3/4	14 b	7½ a Royal Dutch 20 fl.	£15½	£15¼	2 7 5
171/-	103/3	†13½ b	†5 a Shell £1	159/4½	156/3	3 6 10
58/6	33/3	...	... Ultramar 10/-	61/6	62/-	...

Prices, 1956 High	Prices, 1956 Low	ORDINARY STOCKS	Price, Jan. 23, 1957	Price, Jan. 30, 1957	Yield, Jan. 30, 1957 £ s. d.
45/6	34/3	7 b	3 a Assoc. Port. Cem. £1	39/-*	40/6	4 8 10
22/9	17/9	10 b	10 a Beecham Group 5/-	19/9	19/9	7 11 11
60/9	38/6	7½ b	4½ a Bowater Paper £1	46/-	45/3	5 6 1
81/10½	40/4½	8 b	4 a Br. Aluminium £1	67/6	65/9	3 13 0
60/-	45/3	††8½ b	†10⅝ a Br. Amer. Tob. 10/-	56/3	58/3	5 4 6
19/9	15/4½	15 b	7½ a B.E.T. 'A' Defd. 5/-	19/3	19/6	5 15 4
42/-	32/9	6 b	4 a Br. Oxygen £1	34/-	33/-	6 1 3
$69	$56⅜	3 a	4 b Canadian Pacific $25	$62*	$62*	5 5 2
25/9	14/4½	10 b	2½ a Dunlop Rubber 10/-	16/3	17/1½	7 6 0
49/10½	36/-	6 b	4 a Imp. Chemical £1	41/9	43/3	4 12 6
62/9	42/3	12½ b	8½ a Imp. Tobacco £1	49/-	50/6	8 6 4
$211	$141⅛	$2·90c	$3·75c Int'l. Nickel n.p.v.	$206⅜	$205	3 5 5
40/3	28/6	2½ a	5 b J. Lucas (Inds.) £1	31/3	32/6	4 12 4
30/3	21/3	15⅝ a	6⅜ b Monsanto Chem. 5/-	23/7½	23/6	4 15 9
19/4½	15/1½	20 c	5 a Ranks 5/-	17/6	18/9	5 6 8
75/4½	42/9	15 b	6 a A. E. Reed £1	53/6	52/9	6 1 4
16/4½	11/7½	20 c	20 c Sears Hldgs. 'A' 5/-	14/0½	14/6	6 17 11
69/1½	54/1½	4½ a	12 b Tate & Lyle £1	66/6	67/1½	4 18 4
69/6	49/9	6¼ a	7½ b Tube Investments £1	61/9	61/6	4 17 7
115/6	92/6	5 a	22½ b Turner & Newall £1	113/6	115/-	4 15 8
82/9	61/7½	9⅜ b	6 a Unilever Ltd. £1	76/9	74/3	4 4 10
41/9	22/9	††7⅛ b	†4⅛ a United Molasses 10/-	40/-	41/3	5 0 7
			MINES, ETC.			
172/6	133/9	20 a	50 b Anglo-American 10/-	145/-	146/3	4 15 6
40/-	22/6	†2½ a	††7½ b Cons. Tea & Lands. £1	26/9	26/-	13 7 5
130/7½	91/3	120 b	80 a De Beers Def. Reg. 5/-	101/10½	101/10½	9 11 10
25/-	19/7½	...	... *Doornfontein* 10/-	24/10½	24/6	...
10/11½	8/6	30 c	10 a London Tin 4/-	11/1½	10/10½	11 0 10
16 1/16	11 1/16	112½ b	25 a Nchanga Cons. £1	12½	12¼	11 4 5
64/-	52/6	30 a	40 b President Brand 5/-	53/9	52/6	6 13 4
58/-	42/-	25 a	50 b Rho. Selection Tst. 5/-	47/10½	47/-	7 19 6
61/9	37/6	30 b	12½ a United Sua Betong £1	47/-	47/-	18 1 8
81/9	64/4½	30 a	40 b Western Holdings 5/-	73/9	72/6	4 16 7

New York Closing Prices

	Jan. 23 $	Jan. 30 $		Jan. 23 $	Jan. 30 $		Jan. 23 $	Jan. 30 $
Can. Pacific	32⅜	32⅜	Am. Viscose	35¼	33⅝	Int'l. Nickel	108⅞	108
N.Y. Central	31½	31⅝	Beth. Steel	182	183¼	National Dist.	26	25⅞
Pennsylvania	21½	21¼*	Chrysler	66⅜	66	Sears Roebuck	27¼	27⅜
Amer. Tel.	174⅜	177⅜	Crown Zeller	54	53	Shell Oil	80¼	77¼
Standard Gas.	11⅜	11⅜	DuPontdeNm.	182⅝	184½	Std. Oil of N.J.	57⅜	58
Western Union	19½	19	Ford Motors	55	56⅞	U.S. Steel	64⅞	64⅞
Alumin'm Ltd.	117½	119	Gen. Elect.	55½	53⅝	West'house E.	54⅝	54⅛
Am. Smelting	54	54½	Gen. Motors	41	40⅜	Woolworth	44⅞	44⅛

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 15% tax free. (e) To earliest date. (f) Flat yield. (g) On 16%. (h) After Rhodesian tax. (i) On 17½% tax free. (j) On 13%. (k) On 20%. (l) To latest date. (m) On 10%. (n) On 16%. (o) On 15%. (p) On 9%.

Statistics

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

British		Overseas	
Prices and Wages	This week	Western Europe:	
Production and Consumption	Jan. 5th	Production and Trade	Jan. 26th
Manpower	Jan. 19th	British Commonwealth	Jan. 5th
External Trade	Jan. 26th	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	Jan. 19th
Industrial Profits	Jan. 12th	United States	This week
		World Trade	Jan. 12th

Prices and Wages

	Unit	1954	1955	1956	1956			1957			
		mid-June			Jan. 17	Jan. 24	Jan. 31	Jan. 8	Jan. 15	Jan. 22	Jan. 29
WORLD PRICES											
Commodity Price Indicator: [1]											
All items	1952=100	99	93	91	94	95	94	98	99	99	93
Food	,,	119·6	92·0	90·8	89·4	88·4	87·3	100·0	104·2	103·8	101·3
Fibres [1]	,,	88·7	83·2	81·5	81·9	82·5	82·9	93·3	93·3	93·8	92·9
Metals	,,	81·5	95·7	95·6	106·0	108·8	107·2	94·5	95·2	95·0	94·1
Other items	,,	93·5	106·9	96·1	104·6	105·5	104·8	104·0	102·0	99·9	100·5
		Monthly averages			1955			1956			
BRITISH WHOLESALE PRICES		1954	1955	1956	Oct.	Nov.	Dec.	Sept.	Oct.	Nov.	Dec.
Materials used in:	June 30,										
Non-food manufacturing (excl. fuel)	1949=100	143·5	152·4	156·2	153·1	153·1	155·3	157·1	155·4	159·3	161·1
Mechanical engineering	,,	150·4	168·1	177·4	173·2	174·6	176·1	178·7	177·8	178·6	131·0
Electrical machinery	,,	160·5	185·7	190·0	189·7	192·8	195·8	188·1	185·8	186·6	187·3
Building and civil engineering	,,	131·4	137·3	142·4	139·4	139·8	140·5	143·2	143·1	143·3	144·5
House building	,,	130·7	137·1	142·3	139·4	139·7	140·3	143·0	143·2	143·4	144·5
Products of:											
Non-food manufacturing (excl. fuel)	,,	125·5	129·6	135·6	131·4	132·0	132·5	136·5	136·5	136·7	137·3
Food manufacturing	,,	139·1	143·9	148·1	144·3	144·2	144·5	147·7	150·9	151·8	154·1
Commodities:											
Cotton, raw [6]	,,	155·0	149·7	154·0	143·8	138·2	139·1	153·2	153·5	157·1	159·8
Wool, raw	,,	160·8	142·0	145·3	130·9	131·2	134·5	156·3	152·8	158·3	161·0
Rubber, No. 1 RSS, one month future	,,	197·9	329·9	281·2	360·0	350·9	371·5	280·4	268·6	309·8	321·3
Softwood, imported	,,	145·0	154·9	155·9	156·1	156·3	156·3	155·6	155·4	155·9	155·9
Copper, ex-warehouse [3]	,,	213·4	295·7	230·5	306·7	319·7	330·4	259·2	242·9	239·5	234·9
UK RETAIL PRICES											
Interim index:	June 17,										
All items	1947=100	143	149	157	152	154	154	157	158	158	159
	Jan. 15,										
All items	1952=100	107·7	112·6	102·0 [4]	114·4	116·2	116·2	102·1 [4]	102·7 [4]	103·1 [4]	103·4 [4]
Food	,,	114·2	122·8	102·2 [4]	125·9	123·0	127·1	100·8 [4]	101·8 [4]	102·5 [4]	102·3 [4]
All items	1938=100 [5]	232	242	254	246	250	250	254	256	257	257
Food	,,	239	257	269	264	268	266	265	268	270	269
Rent and rates	,,	134	138	145	139	140	140	146	147	148	148
Clothing	,,	255	256	263	256	258	260	263	264	264	264
Fuel and light	,,	216	228	251	236	244	247	253	254	259	263
Household durable goods	,,	281	283	303	291	300	303	309	309	309	309
Drink	,,	257	260	264	261	261	261	266	268	268	268
Tobacco	,,	387	389	411	383	397	397	418	418	418	418
Purchasing power of £ (based on all consumer spending)	1938=100	41	39	37	39	38	38	37	37	37	37
UK TERMS OF TRADE											
Import prices:											
All items	1954=100	100	103	105	103	104	105	104	106	107	109
Food, drink and tobacco	,,	100	101	101	98	100	101	99	103	104	105
Basic materials	,,	100	104	106	105	104	105	107	107	109	109
Export prices:											
All items	,,	100	102	103	103	103	104	107	107	107	108
All manufactures	,,	100	102	105	104	104	105	107	107	106	108
Metals	,,	100	104	112	107	107	109	111	111	112	114
Engineering products	,,	100	103	107	104	105	105	109	109	109	110
Textiles (excluding clothing)	,,	100	100	99	99	98	98	101	100	98	99
Terms of trade:											
Ratio of import to export prices	,,	100	101	99	100	101	101	97	99	100	101
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	86·1	127·7	157·0	148·9	135·5	140·1	156·1	153·6	171·4	189·4
UK WAGES											
Weekly wage rates:	June 30,										
All workers	1947=100	142	151	163	153	154	154	165	165	165	166
Men	,,	140	150	162	152	152	153	163	163	164	164
Women	,,	146	155	166	156	157	158	168	169	169	169
Weekly earnings: [5]											
All workers	s. d.	171 9	187 2	...	187 2	...	...	197 9 [7]	...	...	...
Men	,,	204 6	222 11	...	222 11	...	...	235 4 [7]	...	...	...
Women	,,	103 2	115 5	...	115 5	...	...	119 9 [7]	...	...	...
	Oct.,										
All workers	1938=100	323	351	...	351	...	...	371 [7]	...	...	...
Men	,,	296	323	...	323	...	...	341 [7]	...	...	...
Women	,,	333	365	...	365	...	...	368 [7]	...	...	...

[1] The Alexandria spot quotations for Karnak and Ashmouni cotton have been replaced by the current month futures quotation at Alexandria. [2] Figures up to July, 1953, relate to delivered prices and subsequently to ex-warehouse prices of H.C. electrolytic copper; from May, 1955, onwards the proportion of copper sold at fixed prices has been taken into account. [3] The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. [4] New series based on January 17, 1956=100. [5] Surveys made twice a year; annual figures relate to October survey. [6] Revised series based on Liverpool spot market prices, as from July 1, 1954. [7] Latest figures which are for April 1956

US Statistics

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

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1955 prices
	1947-49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	45·97
1955	110·7	89·6	114·5	110·9	103·7	120·0	119	102	117	304·6	76·52	76·52
1956	114·3	88·4	116·2	111·7	105·5	121·7	...	...	...	344·8	80·13	...
1956, August	114·7	89·1	116·8	113·1	105·5	122·2	122	105	116	359·4	79·79	78·23
,, September	115·5	90·1	117·1	113·1	106·5	122·5	123	106	116	344·8	81·40	79·57
,, October	115·6	88·4	117·7	113·1	106·8	122·8	123	106	116	341·6	82·21	79·97
,, November	115·9	87·9	117·8	112·9	107·0	123·0	...	...	...	338·5	82·42	80·10
,, December	116·2	88·6	118·0	112·9	107·0	123·5	...	...	...	344·0	84·05	...

PRODUCTION AND MANPOWER

	Gross national product	Total industrial production	Manufacturing production						Building	Civilian employment [1]		
			Durable goods			Non-durable goods						
			Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals and petroleum products	New construction seasonally adjusted annual rates	Total labour force	Total employment	Unemployed as % of labour force
	Seasonally adjusted annual rate											
	$ billion	Index 1947-49=100; seasonally adjusted							$ billion	thousands		% rate
1939	91·1	58	49	54	47	66	80	49	8·2	55,230	45,750	17·2
1955	390·9	139	155	140	203	126	109	159	43·0	65,847	63,193	4·0
1956	...	143	159	137	199	129	108	167	44·2	70,387	67,530	3·8
1956, August	413·8 [2]	142	158	124	194	129	107	167	44·7	68,947	66,752	3·2
,, September		145	163	148	196	130	108	168	44·4	68,069	66,071	2·9
,, October	...	146	164	147	203	131	111	167	44·0	68,082	66,174	2·8
,, November	...	146	165	147	216	129	107	166	44·4	67,732	65,269	3·6
,, December	...	147	166	149	219	131	107	169	44·7	67,029	64,550	3·7

TRADE

	Personal consumption Annual rates	All business [2]		Total retail [2]		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1948=100	
1939	67·6	10·8	20·1	3·5	5·5	190	62	41	260	139	76	53
1954	236·5	46·7	76·9	14·2	22·1	853	200	193	1,247	811	120	119
1955	254·0	51·7	82·2	15·5	23·9	944	237	231	1,279	782	134	120
1956, July	266·8	52·7	85·8	16·0	23·8	1,045	248	236	1,602	1,048	144	145
,, August		54·5	86·1	16·3	23·7	1,041	262	248	1,507	876	145	138
,, September		53·9	86·5	16·0	23·4	996	244	229	1,506	820	137	137
,, October	...	55·0	87·2	16·0	23·3	1,131	280	286	1,644	886	156	150
,, November	...	55·8	87·9	16·4	23·5	999	...	...	1,504	...	...	...
,, December	...	...	...	16·4	...	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics [3]		Budget expenditure [4]		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion; end of period		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	— 3·9	0·023	...	3·01
1954	287·3	201·8	12·5	32·29	23·57	85·3	70·6	67·8	— 3·1	0·953	2·52	2·90
1955	306·1	217·4	11·7	38·65	29·02	78·3	82·6	64·6	— 4·2	1·753	2·80	3·06
1956, July	324·3	231·3	11·5	39·48	30·30	72·4	87·1	5·5	— 2·1	2·334	2·97	3·28
,, August	328·1	234·4	11·7	39·88	30·64	73·6	87·5	5·9	— 0·9	2·606	3·15	3·43
,, September	329·5	235·8	11·6	40·07	30·71	73·5	88·5	4·9	+ 1·3	2·850	3·19	3·56
,, October	332·5	237·1	12·8	40·20	30·81	73·7	88·8	6·0	— 2·8	2·961	3·18	3·59
,, November	333·6	238·1	12·4	40·63	31·02	74·4	89·6	5·7	— 0·9	3·000	3·30	3·69
,, December	...	...	...	...	...	...	...	...	...	3·230	3·43	3·75

[1] 1939 figures calculated on the basis of a smaller sample. [2] 1939 figures not strictly comparable with rest of series; stocks are at end of period. [3] All commercial banks. [4] Annual figures are totals for the fiscal year ended June 30th. [5] Average for third quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended January 26th, 1957, there was an "above-line" surplus (after allowing for Sinking Funds) of £151,208,000 compared with a surplus of £129,848,000 in the previous week and a surplus of £125,460,000 in the corresponding period of last year. There was a net expenditure "below-line" last week of £2,582,000, bringing the total deficit to £576,886,000 (£358,848,000 in 1955–56).

£'000	Estimate, 1956–57	April 1, 1955 to Jan. 28, 1956	April 1, 1956 to Jan. 26, 1957	Week ended Jan. 28, 1956	Week ended Jan. 26, 1957
Ord. Revenue					
Income Tax	2085,500	1285,722	1326,684	139990	157511
Surtax	144,000	89,200	96,300	7,500	8,000
Death Duties	170,000	145,300	133,800	2,900	2,900
Stamps	58,900	59,100	50,500	1,500	2,000
Profits tax, I.P.T.	216,750	165,260	164,900	3,100	3,200
Excess Profits Levy	4,000	16,890	4,150	200	...
Special Contribution, etc.	1,000	550	410	...	50
Inland Revenue					
Total Inland Rev.	2680,150	1759,962	1776,744	155190	172661
Customs	1201,000	964,372	985,035	22,062	19,278
Excise	953,350	661,120	704,991	13,430	14,691
Total Customs and Excise	2157,350	1625,492	1690,026	35,492	33,969
Motor Duties	92,000	80,664	75,609	9,279	22,325
PO (Net Receipts)	...	...	5,700	...	2,650
Broadcast Licences	23,000	21,700	19,600	5,500	...
Sundry Loans	30,000	28,935	30,917	434	...
Miscellaneous	200,000	162,144	150,447	6,159	5,197
Total	**5187,500**	**3878,497**	**3749,043**	**210054**	**236802**
Ord. Expenditure					
Debt Interest	670,000	523,735	589,056	...	1,707
Payments to N. Ire.					
Land Purchase	61,000	46,209	52,625	3,721	3,779
Other Consd. Fund	10,000	9,416	8,343	...	368
Supply Services	3941,918	2945,776	3204,801	80,503	79,100
Total	**4682,918**	**3525,136**	**3854,225**	**84,223**	**85,254**
Sinking Funds	37,000	27,683	28,081	370	340
"Above-line" Surplus or Deficit		+ 125,677	+ 133,263	+ 125460	+ 151208
"Below-line" Net Expenditure		484,161	443,623	12,519	2,582
Total Surplus or Deficit		**358,484**	**576,886**	**112941**	**148626**
Net Receipts from:					
Tax Reserve Certificates	— 35,507	38,717	— 39865	— 45234	
Savings Certificates	20,300	55,400	1,200	2,400	
Defence Bonds	— 21,133	— 34,582	314	— 642	
Premium Savings Bonds	...	55,200	...	400	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
Jan. 28	3,340·0	1,994·6	236·7	...	5,571·4
Oct. 20	3,623·0	1,342·2	255·9	...	5,218·0
" 27	3,610·0	1,378·9	245·2	0·8	5,234·9
Nov. 3	3,610·0	1,360·2	263·6	...	5,233·7
" 10	3,610·0	1,341·2	258·7	1·8	5,211·6
" 17	3,610·0	1,283·0	225·4	2·5	5,188·6
" 24	3,610·5	1,265·9	239·6	0·8	5,116·2
Dec. 1	3,610·0	1,276·5	227·3	1·0	5,134·8
" 8	3,623·0	1,349·9	208·5	2·0	5,171·4
" 15	3,610·0	1,343·7	200·2	...	5,155·9
" 31	4,959·5		234·6	4·0	5,198·1
1957					
Jan. 5	3,530·0	1,430·0	245·7	1·8	5,207·5
" 12	3,643·0	1,385·3	267·1	...	5,095·6
" 19	3,520·0	1,437·0	244·0	...	5,051·0
" 26	3,210·0	1,515·5	221·0	...	4,947·5

THE MONEY MARKET

ANOTHER fall in the Treasury bill rate at the tender on Friday of last week brought it to £4 11s. 0.81d. per cent; the total reduction since early December amounts to only a shade under ½ per cent. The discount houses raised their bid by 6d. per cent, to £98 17s. 3d. But the offer was under-allotted by £10 million, to £190 million; this was £50 million below the previous week, whilst total applications were up by £22.8 million, to £414 million. The upshot was that the market's allotment fell to 36 per cent, compared with the previous week's average, including the special 92-day bills, of 58 per cent. Yesterday the offer was £190 million.

Credit in Lombard Street was again difficult at the beginning of this week; on Monday the market had to repay a moderate amount of seven-day loans, and despite moderate special aid, given mainly through purchases from the banks, the market had to re-borrow a small sum. No official intervention was needed on Tuesday or Wednesday, but dealing margins were kept tight, the banks' purchases being made at between 4 13/32 and 4½ per cent. Before the weekend, Thursday's tax transfers were again aided by the large surplus of maturities, but the Bank gave some small special help, mainly indirectly through the banks.

Sterling has remained at around $2.79 13/32–7/16 in the past week, following its momentary scaling of the parity of $2.80.

LONDON MONEY RATES

	%		%
Bank rate (from 4½%, 16/2/56)	5½	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4 11/16–4½
Bank	3½	3 months	4 11/16–4½
Discount houses	3½*	4 months	4 11/16–4½
		6 months	4½–4⅝
Money Day-to-day	3½–4½	Fine trade bills:	
Short periods	4½	3 months	5½–6½
Treas. bills 2 months	4½	4 months	5½–6½
3 months	4⅝	6 months	5½–6½

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	Feb. 1, 1956	Jan. 23, 1957	Jan. 30, 1957
Issue Department:*			
Notes in circulation	1,770·7	1,867·3	1,861·6
Notes in banking dept.	54·6	58·0	63·7
Govt. debt and securities*	1,821·3	1,921·2	1,921·2
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·9
Banking Department			
Deposits:			
Public accounts	14·9	14·8	14·4
Bankers	233·6	212·9	232·1
Others	73·2	71·8	75·9
Total	321·7	299·5	322·5
Securities:			
Government	247·8	200·5	222·4
Discounts and advances	21·5	39·7	31·9
Other	17·2	17·7	17·9
Total	280·5	257·9	275·2
Banking department reserve	56·9	60·0	65·7
"Proportion"	17·5	20·0	20 3

* Government debt is £11,015,100, capital £14,553,230. Fiduciary issue reduced to £1,925 million from £1,975 million on January 16, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1956	*91 Day*		s. d.	%
Jan. 27	250·0	390·1	81 4 97	51
	91 Day *63 Day*			
Oct. 26	200·0 60·0	412·4	99 9·85	30
Nov. 2	200·0 70·0	405·8	99 11·55	36
" 9	200·0 80·0	419·1	99 10·86	27
" 16	190·0 90·0	396·1	100 0·00	39
" 23	210·0 80·0	440·6	100 3·34	30
" 30	220·0 70·0‡	403·3	100 4·69	52
Dec. 7	220·0 60·0	441·0	100 10·28	24
" 14	230·0‡ 60·0	424·9	99 1·54	55
	91 Day			
" 21	280·0	379·8	93 1·43	68
" 28	270·0	372·5	97 1·81	68
1957				
Jan. 4	270·0‡	406·7	95 9·11	54
" 11	260·0‡	401·4	95 5·30	55
" 18	240·0	391·2	93 1·40	55
" 25	200·0‡	414·0	91 0·81	35

* On January 25th tenders for 91 day bills at £98 17s. 3d. secured 36 per cent, higher tenders being allotted in full. The offering yesterday was for £190 mn. at 91 day bills. ‡ Allotment cut by £10 million. ‡ Allotment cut by £20 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: January 30	Market Rates: Spot: January 24	January 25	January 26	January 28	January 29	January 30
United States $	2·78–2·82	2·79 11/32–2·79 13/32	2·79⅜–2·79⅝	2·79⅜–2·79⅝	2·79 11/32–2·79 13/32	2·79 11/32–2·79 13/32	2·79⅜–2·79⅝
Canadian $	...	2·68⅛–2·68⅜	2·68⅛–2·68⅜	2·68⅛–2·68⅜	2·68⅛–2·68⅜	2·68⅛–2·68⅜	2·68⅛–2·68⅜
French Fr.	972·65–987·35	985½–986	985½–986	985½–986	985½–986	986¼–985⅞	985½–986¼
Swiss Fr.	12·15⅞–12·35⅞	12·27½–12·27¾	12·27½–12·27¾	12·27½–12·27¾	12·27½–12·27⅝	12·27½–12·28	12·27½–12·27¾
Belgian Fr.	138·95–141·05	140·47½–140·52½	140·50–140·55	140·50–140·56	140·55–140·60	140·60–140·65	140·52½–104·57½
Dutch Gld.	10·66–10·72	10·66¾–10·66¾	10·66¾–10·66¾	10·66¾–10·66¾	10·66¾–10·66¾	10·66¾–10·66¾	10·66¾–10·66¾
W. Ger. D-Mk.	11·67⅞–11·84⅛	11·74–11·74¼	11·74–11·74¼	11·74–11·74¼	11·74–11·74¼	11·74–11·74¼	11·74–11·74¼
Portuguese Esc.	79·90–81·10	80·00–80·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15
Italian Lire	17363–17621	1759–1760	1759–1760	1759–1760	1759–1760	1759½–1760½	1759½–1760½
Swedish Kr.	14·37½–14·59½	14·50–14·50½	14·50–14·50½	14·50–14·50½	14·49½–14·50½	14·50–14·50½	14·49½–14·49⅝
Danish Kr.	19·19½–19·48½	19·39½–19·40½	19·39½–19·40½	19·39½–19·40½	19·39½–19·40½	19·39½–19·40½	19·39½–19·39⅝
Norwegian Kr.	19·85–20·15	19·99½–20·00½	19·99½–20·00½	19·99½–20·00½	19·99½–20·00½	19·99¾–20·00½	19·99½–20·00⅛
One Month Forward Rates							
United States $		7/16–⅜c. pm	⅜–7/16c. pm	7/16–⅜c. pm	7/16–⅜c. pm	½–7/16c. pm	½–7/16c. pm
Canadian $		½c. pm–⅝c. dis	½c. pm–⅝c. dis	½c. pm–⅝c. dis	½c. pm–⅝c. dis	½c. pm–⅜c. dis	½c. pm–⅝c. dis
French Fr.		par–2 dis	par–2 dis	par–2 dis	par–2 dis	par–1 dis	par–1 dis
Swiss Fr.		2½–2c. pm	2½–2c. pm	2½–2c. pm	2½–2c. pm	2½–2c. pm	2½–2c. pm
Belgian Fr.		¾–1 pm	¾–1 pm	¾–1 pm	¾–1 pm	¾–1 pm	⅞–⅞ pm
Dutch Gld.		1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm
W. Ger. D-Mk.		2–1¼pf pm	2–1¼pf pm	2–1¼pf pm	2–1¼pf pm	2–1¼pf pm	2–1¼pf pm
Italian Lire		3 pm–par	3 pm–par	3 pm–par	3 pm–par	3 pm–par	3 pm–par
Swedish Kr.		1⅝ pm–par	1⅝ pm–par	1⅝ pm–par	1⅝ pm–par	1⅝ pm–par	1⅝ pm–par
Danish Kr.		4–2⅝ pm	4–2⅝ pm	4–2⅝ pm	4–2⅝ pm	4–2⅝ pm	4–2⅝ pm
Norwegian Kr.		2⅝ pm–par	2⅝ pm–par	2⅝ pm–par	2⅝ pm–par	2⅝ pm–par	2⅝ pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/2	249/1½	...	249/2½	249/1½	249/2½

ALLIANCE

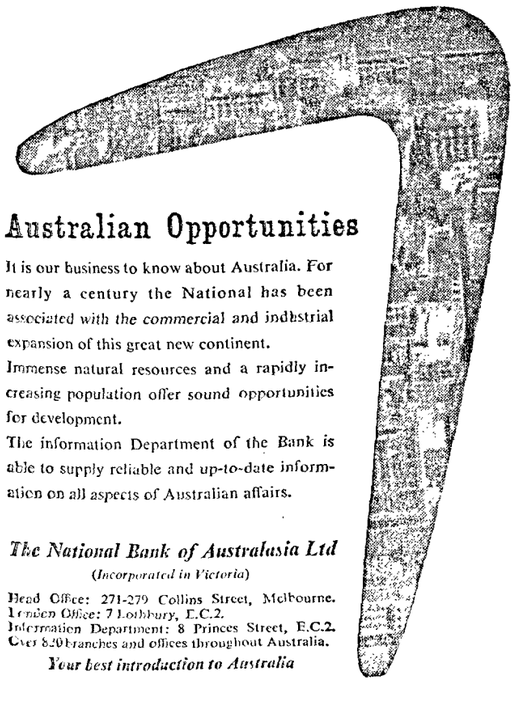
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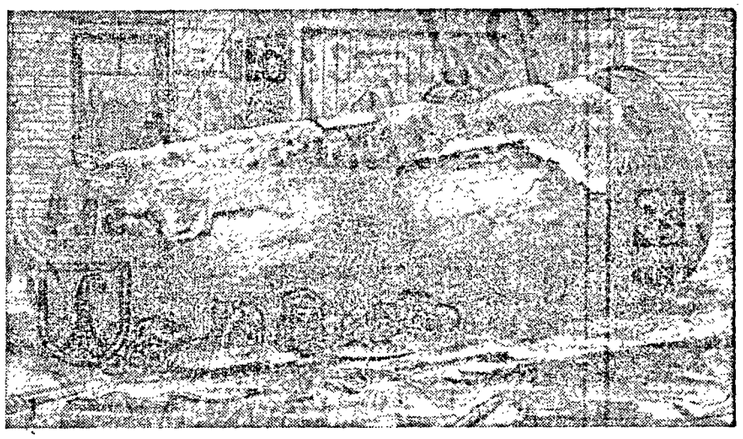
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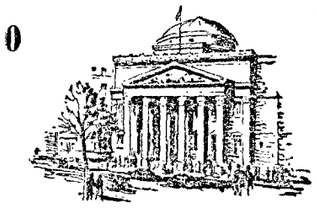
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BAY HALL TRUST LIMITED

Summary of Directors' Report for the year ended 31st December, 1956, and of the accompanying Statement by the Chairman, Sir Charles Hambro, K.B.E., M.C.

The gross revenue amounted to **£251,950** compared with **£228,042** in 1955. After charging Debenture Interest, Taxation, Directors' Fees, Management and General Expenses amounting to **£119,533** the net profit is **£132,417.** Adding **£119,727** brought forward, the total available for appropriation is **£252,144.** The Directors have placed **£25,000** to General Reserve and recommend a dividend of 16 per cent. less tax, which will absorb **£97,000,** leaving **£130,144** to be carried forward.

Full provision has been made in the Profit and Loss Account for United Kingdom taxation in respect of all income to 31st December, 1956. Double taxation relief allowable to the Company amounting to 4s. 6d. in the £ has been taken into account in arriving at this provision.

At market prices on 31st December, 1956 (or where no market price existed at the valuations by the Directors at that date amounting to **£292,938**), the Share and Debenture Holdings and British and Foreign Government Securities had an aggregate value of **£2,811,209** as compared with their book value of **£1,921,831.** There is thus an indicated appreciation of **£889,378** over book cost.

At the valuations taken at 31st December last, over 89 per cent. of the investments are situated in the United Kingdom, Union of South Africa and other parts of the British Commonwealth. About 89 per cent. of the investments are in ordinary stocks and shares and the balance in fixed-interest bearing securities.

COMPANY MEETINGS

STEWARTS AND LLOYDS, LIMITED

INCREASED TRADING PROFIT

FULL BENEFIT OBTAINED FROM NEW PLANT

CONTINUALLY RISING COST OF RAW MATERIALS

POLITICAL THREAT A SERIOUS HANDICAP TO INDUSTRY'S DEVELOPMENT

MR A. G. STEWART'S CONFIDENCE IN LONG-TERM OUTLOOK

The Sixty-Seventh Annual General Meeting of Stewarts and Lloyds, Limited, was held on January 29, 1957, in the Merchants' Hall, 30 George Square, Glasgow, Mr A. G. Stewart (the Chairman) presiding.

The Chairman said: Ladies and Gentlemen, further improvements have been made in the layout of the Accounts. The Profit and Loss Account now shows the value of Turnover, and it is interesting to note that the consolidated Sales to Customers amount to rather more than £114 million. The charges against these sales are shown and form, together with the sales, a summarised Trading Account.

In the notes on the Balance Sheets we have shown, in addition to commitments on Capital Expenditure, the unexpended balance of schemes approved by the Directors at the close of the financial year. There is also shown the estimated amount required for further investment in The Indian Tube Company. These three items together amount to approximately £28,500,000, which is a large amount of money, but expenditure will be spread over the next four years or over an even longer period.

During the year under review the cash position of the UK Companies improved, as compared with the previous year, by £986,000, after deducting increased borrowings from associated companies. This clearly indicates that over the year the Companies were self-financing, although some £11,300,000 in all had to be found for assets of one form or another.

For some months in the year an overdraft was necessary, principally to meet taxation payments, and overdraft conditions will, no doubt, recur during 1957. In these uncertain times it is difficult to forecast the cash needs of a large business, but it does still appear that it will not be necessary to raise fresh capital in the immediate future.

PROFITS AND DIVIDENDS

It will have been observed that the major contribution to the increase in the group trading profit was Stewarts and Lloyds, Limited, but I must caution shareholders against taking too optimistic a view of the 4 per cent increase in the profit of Stewarts and Lloyds, Limited, as shown in the Directors' Report.

I suggest that it would be a mistake to consider Stewarts and Lloyds, Limited's profits for 1956 in isolation. In the previous year, Stewarts and Lloyds, Limited's outputs were substantially up, and the increase in profit was only 5 per cent. In 1956 we obtained the full benefit of some new plants which had outgrown the teething troubles of earlier years and had reached a profit-making stage. At the same time the proportion of new plant brought into operation for the first time in 1956 was comparatively small, with the result that initial running-in expenses and losses were low.

Shareholders should recall that the dividend, including the 2½ per cent cash bonus, was increased by 5 per cent last year. This year it is proposed to consolidate the cash bonus, leaving the total distribution on the Ordinary Shares unchanged at 17½ per cent.

At an Extraordinary General Meeting which will follow this meeting, it will be proposed that a one for one bonus should be issued to the Ordinary shareholders, and the Directors consider that this proposal is the natural consequence of the policy of ploughing back profits. It will also be proposed that the Authorised Capital be increased by 10 million Ordinary Shares of £1 each.

We are certain that the policy of ploughing back profits is correct and that with the large capital expenditure programme before us it is desirable to continue to provide a large proportion of our Capital from our own resources. It would not be prudent to rely on always being able to raise new Capital just when we needed it.

Shareholders from time to time have expressed anxieties about the political risks involved in investing in the Steel Industry, but this is a question which each must judge for himself. I can only say that it would be a most irresponsible step for any Government to take action which would throw this great and growing industry back into the melting pot of party politics, with all the uncertainties that would be created, which, in turn, could only have the effect of holding up development and damping initiative.

It cannot be too strongly stressed that the Iron and Steel Corporation which was set up at the time of nationalisation had neither the knowledge nor a sufficiently long term of office to assume active control of the industry. Little damage was done at the time because development plans were well under way and were completed without interference. But there is little doubt that in the end the Corporation would have felt compelled to interfere more and more in all the details of management.

I am quite sure that under the present Iron and Steel Act and with a strong Iron and Steel Board acting in co-operation with the British Iron and Steel Federation there is sufficient general supervision of the industry. Why should any Government, with all its many responsibilities, wish to add one further, extraneous, responsibility — one which, in my view, Government is not equipped to carry and which would lead to the establishment of a huge bureaucratic machine? This would seem to be just one further step towards Totalitarian Government to which the country, at the moment, seems to be almost unanimously opposed.

It is certain that this political threat increases the cost of raising new capital. This threat is also a serious handicap to the industry in its commercial and technical arrangements all over the World.

TRADING POSITION

Stewarts and Lloyds, Limited.—I gave you last year figures from the Board of Trade indices illustrating the relative increases between 1950 and October 1955 in the prices of steel tubes, iron and steel generally, and coal. These showed that the prices of steel tubes had risen proportionately by considerably less than the prices of iron and steel generally, and of coal. This trend has continued. The Board of Trade indices show that between October 1955 and September 1956, steel tube prices rose by 5.2 per cent compared with an increase for iron and steel in general of 5.6 per cent, and an increase in coal prices of 9.2 per cent.

In May 1956 there were increases in home trade steel and tube prices to take account of increased costs of imported raw materials and semi-finished steel, and of scrap; but we also had to bear increased wages awards in the early part of the year; increased freight charges on iron and steel in April 1956; and an increase of about 8 per cent in the price of coal in June 1956. These increased costs were not recovered in home trade prices until, after the end of the year under review, in December 1956 a general price increase was authorised by the Iron and Steel Board.

In 1956 the tube works of Stewarts and Lloyds, Limited, were operating at 101 per cent of rated capacity. It is important that this should be taken into account when reviewing the results.

In today's circumstances it is, perhaps, easier to take a long-term look ahead than to forecast trading conditions for the immediate future. I am confident that in the long-term, the requirements of our customers at home and overseas will justify the capacity we have installed and are planning.

In the short-term the position is not so clear cut. You might like to know that the oil shortage has not interfered with our production or sales up to date. Apart from this, there has been some falling off in demand in the largest single section of our trade which consists of general purpose tubes in sizes up to 4 in. diameter. At the beginning of the financial year 1956 our order book for this class of material in the home trade had swollen to an unprecedented size. Owing to increased outputs we have been able to reduce the home order book substantially and, at the present time, the rate of supply is greater than the rate at which new orders are coming in.

As against the relative slackening in demand in the home trade for general purpose tubes in these sizes, the demand for quality tubes in this size range and for all tubes of larger diameter continues to increase, reflecting in particular the requirements of the shipbuilding and general engineering industries and those concerned with power generation, and we are finding difficulty at the present time in meeting these requirements.

Demand from the Oil Industry, our deliveries to which in 1956 increased by 16 per cent over the figures for the previous year, continues at a very high level and still exceeds our capacity to supply.

I referred last year to our recognition of the home trade demand as having the chief claim on our resources. Our effort to meet home trade demand in 1956 is shown by the fact that the whole of the increase over 1955 in supplies of tubes, other than for the Oil Industry, was delivered in the home market. As a result, our deliveries of general purpose tubes for export amounted to no more than those in 1955. There continues to be a steady overseas demand for general purpose tubes, but this market is subject to severe competition.

Manipulated pressure pipework supplied by the Company during the year reached a record total and there is a heavy order book in hand.

The high standard of quality which it has always been our object to maintain and the research work which is continually carried on make us well able to deal with the still increasing temperatures and pressures for Power Station work.

We are equipped to supply the pipework requirements of nuclear power plants and orders are in hand for these projects.

Substantial progress has again been made by our Subsidiary, Tubewrights Limited, despatches showing an increase of 50 per cent over the preceding year.

The use of the steel tube is now firmly established with structural engineers, and Tubewrights are now one of the largest makers of conveyor gantries, and also important suppliers of large factory buildings.

Recent developments which seem to be of interest to users include collapsible crates and tubular steel drums for rope or cable.

Further orders have been received for tubular jibs for large walking draglines, and an order has been received from the National Coal Board for a second, and larger, coal-boring tower for exploratory drilling in the North Sea, two to three miles off the Durham coast.

In a disused quarry at Wirksworth, known as the Monkey Hole, we have developed a fully mechanised structures testing station capable of testing towers up to 150 feet high. Heretofore, there has been a lack in this country of adequate facilities for testing tall masts and towers. The primary purpose of installing this testing station is to assist Tubewrights Limited, in the development of tubular structures, but the station will be made available for other organisations wishing to conduct tests.

Stanton.—Sales of foundry pig iron to customers suffered a reduction, but this was more than offset by the increased tonnage of basic iron supplied for steelworks use.

Deliveries of pipes and special castings showed a slight reduction as compared with the previous year and the pattern of markets showed a substantial change. Home deliveries were some 37,000 tons lower, mainly as a result of the Government's economic policy in the restriction of capital expenditure. Despite increased sales in export markets, deliveries to which in 1956 constituted a record, the effect of reduced overall orders at the end of the financial year is now being felt and Stanton have been obliged to cut back production of pipes and special castings by approximately 25 per cent, and at the present time capacity for pipe production exceeds demand.

Deliveries of concrete products, including lighting columns, exceeded 100,000 tons for the first time, though here again the effect of the Credit Squeeze is now being felt. The first orders for prestressed concrete pipes were satisfactorily executed during the year.

PRODUCTION AND DEVELOPMENT

Ironstone.—Our production of ironstone during the year was practically unchanged at 5.2 million tons.

Whilst the use of imported ore in this country has been increasing at a greater rate than home ore, our own blast furnaces are almost entirely dependent upon home ore and provision has been made to increase our production to meet their future requirements. The Company controls large areas of ironstone-bearing land on which an increasing programme of exploratory boring work has to be carried out to keep pace with these demands.

Before development can begin, permission has to be obtained from various authorities and persons, and the whole undertaking is subject to many statutory requirements. The development of large scale opencast or underground operations is a lengthy process. For example, in certain circumstances it may be 10 years before a new mine can be brought up to full capacity. It will be clear from this that a quick expansion of home ore production is not easily obtainable and any increase in production involves much forward planning.

Production of ironstone in this country now involves working stone at a greater depth as the shallower beds become exhausted, and this means a heavier capital outlay. Recently we have had to order two large walking draglines for removing overburden, each costing £750,000. Compared with this, 20 years ago the largest excavating machine required for our opencast quarries cost less than £50,000.

During the past year the development of the new underground mine to which I referred last year has proceeded steadily.

Limestone.—The limestone quarries of Bowne and Shaw at Wirksworth, which supply some 300,000 tons per annum of limestone to our iron and steel works, have recently been mechanised and this has resulted in increased production with a considerable saving in labour.

Iron and Steel.—The steel production of the Company now amounts to 1½ million tons per annum. It is perhaps of interest to note that the annual steel production of Corby Works alone now closely approaches one million tons.

The progressive programme of extension to the present capacity of our iron and steel works, and measures to increase technical and operating efficiency, continued throughout the year.

At Corby, the installation at the blast furnaces of new blowing equipment of greater capacity has been started, together with schemes of extension to the gas cleaning plant and water supply. Good progress has been made towards the completion of the additional ore preparation plant, which should be available for service by the end of the present year. A start has been made on the installation of 50 new coke ovens. These ovens are designed to keep pace with the increased coke requirements of the blast furnaces and to provide an opportunity to rebuild the original coke oven batteries. This coke oven programme represents nine to ten years' work. The plant to produce oxygen in bulk is well advanced and should be available for full service in the current year. Development trials are already taking place. Progress continues in the reconstruction of the heavy rolling mills and the new ingot reheating furnace has been brought into operation. Work has commenced on the second stage of modernising these mills.

At Bilston, full benefit from the pressurised blast furnace has been obtained throughout the year, and steel production exceeded 300,000 tons for the first time. Work has now been started on the installation of another open hearth furnace, and the existing furnaces are being redesigned and rebuilt as opportunity permits. Plans are now under consideration to increase still further the steelmaking capacity at Bilston and to replace the existing rolling mills by modern equipment.

At Clydesdale, the installation of an additional open hearth furnace, making five furnaces in all, has been completed, and the output of round ingots required by the rotary forge tube plants was a record.

In the early summer of 1956, the steel industry as a whole lost some tonnage, due to the craftsmen's embargo on overtime, and, in some instances, the total withdrawal of their labour. Your Company was fortunate in that while Bilston was not implicated, a splendid effort by the works staff at Corby and Clydesdale avoided any appreciable interruption of full production.

At Stanton, the blast furnace capacity will be further increased by enlarging the hearths of the smaller furnaces when they come off for relining. A new ore preparation plant is being installed, and when completed a more consistent quality of pig iron and an important reduction in coke consumption will be achieved.

Steel Tubes and Pipes.—As I have already said, the tubeworks operated at a high rate throughout the year, producing a record output of 973,000 tons, an increase of 126,000 tons over the previous year.

The new rotary forge tube mill at Clydesdale Works, to which I referred last year, was recently brought into commission and the additional tonnage from this plant from now on will contribute substantially towards alleviating present shortages and give an augmented supply of casing and linepipe.

It has now been decided to proceed with the second stand for this mill, which when completed in about one year's time will

increase the capacity to almost twice the present rating.

To meet the ever increasing demand for small size seamless tubes, and to replace certain obsolete plants, plans are now under consideration to install an extrusion plant and a new rotary forge tube mill at our Works in the Midlands, and to recondition the existing Tollcross plug mill, adding new cold draw equipment.

RESEARCH

Our immediate post-war plans included the construction of new laboratories at Corby for our Department of Research and Technical Development.

Preference, however, had to be given to schemes more directly concerned with the creation of new steel and tube capacity, so the expansion of the Research Department—which has had to match our increased scale of operation—was dealt with by the use of temporary hutments.

It is now necessary to provide adequate accommodation for this important department of the Company, and work has recently commenced at Corby on a modern building specially designed to meet our needs. It is expected that this will be completed by the spring of 1958.

OVERSEAS COMPANIES

India.—As you know, The Tata Iron & Steel Company and ourselves formed The Indian Tube Company (1953) Limited to make steel tubes in India from Tata's steel.

Last year I informed you that The Indian Tube Company's first plant—a continuous weld plant for the production of commercial quality tubes—had just started to operate.

It was officially opened by the Chief Minister of Bihar on March 7, 1956.

A good start was made and 17,000 tons of tubes had been produced by the end of September.

Our prior training of Indian personnel in this country enables the plant to work with Indian operators only, and chiefly under Indian supervision.

The continuous weld plant can, of course, produce a much greater tonnage and the Company therefore has the capacity to satisfy the expanding Indian demand for this class of tube for some time to come.

Satisfactory progress has also been made with the electric resistance weld tube plant and ancillary cold strip mill, and it is expected that these plants will start operation early in 1957 as I forecast in my speech last year. The Government of India have also sanctioned the installation of the seamless tube plant to which I referred last year. Orders have been placed for the buildings, plant and equipment and it is hoped that it will be completed towards the end of 1958.

The Indian Tube Company also acts as our selling agents in India for certain of our products, in particular those which it is likely to make in the future.

Our subsidiary Stewarts and Lloyds of India, Private Limited, continues to represent us for our other products and to fabricate and manipulate pipework in Calcutta of which it also undertakes the erection. The Company has had a successful year. Business in fabricated and manipulated pipework has substantially increased and it has been decided to extend facilities for this work.

South Africa. — Stewarts and Lloyds of South Africa, Limited, had a record year. Their turnover was £13 million, as compared with £11,700,000 in the previous year.

Southern Rhodesia.—The South African Company has a subsidiary in Southern Rhodesia which makes tubes from steel produced at the Iron and Steel Works near Que Que. Whilst supplies during the year were better than previously they were well short of what could have been used. These Steel Works are at present owned by the Government of Southern Rhodesia. A Company has been formed to take over, reconstruct and develop the Works. Amongst others, Stewarts and Lloyds, Limited, and The Lancashire Steel Corporation, Limited, have been invited to take up shares on the basis that these two Companies will be jointly responsible for the reconstruction and modernisation of the Works with the object of increasing the ingot tonnage from 53,000 tons per annum to 150,000 tons per annum. The site is capable of producing up to 500,000 tons per annum. Stewarts and Lloyds, Limited, have been asked to take up for cash 500,000 £1 Ordinary Shares, and whilst no quick return is expected on this outlay, your Directors are satisfied that a modernised Steel Works in this fast-developing Federation cannot be other than a good long-term investment, and they welcome the action of the Southern Rhodesian Government in offering this business to Private Enterprise. Negotiations are proceeding.

Australia.—Our associated Companies in Australia had another good year and production in terms of steel consumed rose to a figure of 270,800 tons. However, a definite down turn in the demand became apparent during the closing months of their financial year and the new period opened quietly.

Considerable additions to plant and distributing facilities were made during the year and all the Companies are well equipped to meet and satisfy any likely requirements of their markets.

Canada.—The first full year of operation of Stewarts and Lloyds' and Stanton's Canadian subsidiaries has proved satisfactory. Sales into Canada increased during the year and we are satisfied that the establishing of these Companies in Canada has strengthened our position in the market.

New Zealand.—The Steel and Tube Company of New Zealand Limited has had another satisfactory year. Trading conditions in New Zealand have been somewhat difficult in comparison with the previous year, due to credit restrictions, but demand for steel products has been reasonably well maintained.

Eire.—The Dublin Warehouse for stocking, finishing and fabrication of tubes is now in operation, having been opened on November 1, 1956, by Mr William Norton, Minister of Industry and Commerce.

RECRUITMENT AND TRAINING

Your Directors have continued to pay the greatest attention to the training of employees, and the various schemes in operation are doing much to improve their quality. We also play our part in contributing to the funds of organisations which are concerned in one way or another with Training or Education.

The need to step up the numbers of technical men, referred to recently in the Government White Paper on Technical Education, and to provide the managers of the future, has turned our attention to further ways and means of achieving this.

We feel that an important source of talent which has not been fully tapped lies in the older school leaver from the public schools and the grammar schools. Not all of these young men will wish or be able to go to a university and the qualities possessed by many of them are those which can best be developed by company training in which the practical goes along with the theoretical, to the end that they should make first-class members of the management.

We are now in the process of building new training centres and workshops to cater for these young men.

We hope by so doing to be able to attract them to the Company, give them a thorough training along the lines best suited to them and to find later on that they are strong candidates for important and responsible posts in the Company.

We shall also be the better placed by these facilities to play our part in receiving into industry the increasing numbers, commonly called "the bulge," of young people to be expected from the schools in the next five or six years, an economic and social problem of which the full implications have yet to be worked out.

THE BOARD

As you will see in the Directors' Report, Mr S. W. Kaye has been appointed to the Board. Mr Kaye joined the Company in 1936 and has held several senior appointments both in India and at home. His knowledge and experience will, I am sure, add to the strength of the Board.

STAFF AND EMPLOYEES

As you will have seen from the notes on the Profit and Loss Account, a Works Pension Fund was introduced during last year. For many years your Company has operated what was known as the Employees' Benefit Fund, under which pensions to workmen and widows were paid, entirely at the Directors' discretion. These payments were greatly appreciated, and will continue to the present recipients, but they had become virtually fixed pensions, and your Directors felt that the time had come to institute a Fund for future pensions. The basic pension is non-contributory, but provision is made for the voluntary purchase of additional pension by the individuals. Life Assurance cover is provided by the Company. The scheme has been well received by the workers. It may interest shareholders to know that pensions under the old schemes are presently being paid to 1,800 retired workmen and to 1,650 widows of workmen. Your Company was one of the pioneers in introducing any form of pension benefits for its workmen.

Improvements have also been made to the Staff Pension Fund.

I am happy to be able to record again our appreciation of the efforts of our employees. We consider ourselves fortunate in the quality and loyalty of our staff and workpeople at all levels. Any difficulties which do arise can usually be traced to the activities of pure troublemakers who show no loyalty to anyone, but these, happily for us all, are rare.

The Report and Accounts were adopted and the dividend recommendations were approved. The retiring Directors, Mr A. G. Stewart, Mr F. Le Neve-Foster, Mr J. C. Lloyd and Mr S. W. Kaye, were re-elected. The remuneration of the Auditors (Messrs Cooper Brothers and Company) having been approved, the proceedings terminated.

At the Extraordinary General Meeting which followed, resolutions were passed approving an increase in the Authorised Capital of 10 million Ordinary Shares of £1 each, and the issue of 10 million fully paid Ordinary Shares of £1 each.

POTGIETERSRUST PLATINUMS LIMITED

(Incorporated in the Union of South Africa)

STATEMENT TO MEMBERS BY THE CHAIRMAN, MR D. A. B. WATSON, ON THE DIRECTORS' REPORT AND ACCOUNTS FOR THE YEAR ENDED AUGUST 31, 1956

(Issued to Members prior to the Thirty-second Annual General Meeting, held in the Board Room, Consolidated Building, corner of Fox and Harrison Streets, Johannesburg, on January 31, 1957.)

The Report and Accounts for the year ended August 31, 1956, have been in the hands of members for some time, and there is nothing that I can usefully add to the information contained therein.

In accordance with usual practice, members also received as annexures to this Company's Report and Accounts copies of the Annual Report and Accounts of Rustenburg Platinum Mines Limited. A statement by the Chairman of Rustenburg Platinum Mines Limited has been issued to the members of that Company, and it has been decided that that Statement should be made available to the members of this Company before the Annual General Meeting to be held on January 31, 1957. The Statement is accordingly annexed hereto.

January 22, 1957.

RUSTENBURG PLATINUM MINES LIMITED

(Incorporated in the Union of South Africa)

STATEMENT TO MEMBERS BY THE CHAIRMAN, MR D. A. B. WATSON, ON THE DIRECTORS' REPORT AND ACCOUNTS FOR THE YEAR ENDED AUGUST 31, 1956

(Issued to Members prior to the Twenty-fifth Annual General Meeting, held in the Board Room, Consolidated Building, corner of Fox and Harrison Streets, Johannesburg, on Thursday, January 31, 1957, at 9.15 a.m.)

CURRENT OPERATIONS

PRODUCTION

The 1955-56 expansion programme proceeded satisfactorily, and by the end of December, 1956, milling was at the rate of approximately two million tons per annum. Small quantities of additional platinum arising from the increased scale of operations are now beginning to reach the market, and these quantities will increase steadily during 1957.

Labour charges and the cost of stores and materials have suffered the same inflationary trends as those which have affected other industrial undertakings in recent years, and the costs incurred in production have again increased during the year.

SALES AND REVENUE

The demand for platinum remains strong, and all available quantities of refined metal are being sold. Upward revisions of price were made during the year, the latest being in February, 1956. The average price received during the financial year was approximately £3 per ounce higher than that received in the previous year. Revenue derived from the sales of platinum amounted to approximately 75 per cent of the total gross revenue from the sales of all metals.

The total production of refined copper and nickel was sold, the revenue from the sale of these two metals representing approximately 15 per cent of the total gross revenue from the sale of all metals. The average price received for copper during the year under review was £357, which was about £50 per ton higher than that received in 1955, while the price of nickel remained unchanged.

Sales of the other associated metals, which accounted for the remaining 10 per cent of the gross revenue, were less than in the financial year 1955, during which year your company was able to dispose of the major portion of the previously accumulated stocks of palladium. The current market value of the quantity of refined associated metals added to stocks during the year represented about 4 per cent of the total revenue derived from the sales of all metals during the same period.

PROFIT AND APPROPRIATIONS

The profit from the year's operations, after providing for the State's share of profits and taxation, and after adjusting the Stock Realisation Reserve, amounted to £2,277,035, compared with £2,258,681 in the previous year. The increase in revenue from the sales of metals was offset by an increase in expenditure which arose partly from the general rising trend of costs referred to above, and partly from the cost of increasing the scale of operations at the mine, the effect of which is felt prior to the receipt of revenue from such an increase.

The unappropriated profit brought forward from the previous year amounted to £593,110 and this, together with the current year's profit of £2,277,035, gave a total of £2,870,145 which was dealt with as follows:

Appropriated for capital expenditure	£ 688,233
Transferred to General Reserve to finance the increase in the value of stores and materials (other than capital equipment)	£ 173,897
Dividends totalling 40s. per share	£1,694,780
Total	£2,556,910

leaving an unappropriated profit of £313,235. It is satisfactory to note that dividend payments were again increased during the year despite the increase in the number of shares issued.

CAPITAL EXPENDITURE

The cost of the 1955-56 programme has been in accordance with the estimates. Capital expenditure during the year amounted to £1,368,433, which amount included £1,285,620 spent on plant and equipment, buildings, etc., whilst the balance was made up by the cost of an increase in the stocks of stores and materials required for the capital expansion programme, and by the amount of a loan repayment. Of the total expenditure, the sum of £680,200 was financed out of funds raised by the issue of new shares during the financial year, whilst the balance of £688,233 was appropriated from profits as mentioned above. At August 31, 1956, an amount of £350,000 remained from the proceeds of the new share issue and will be utilised to provide part of the funds required to meet capital expenditure during the year ending August, 1957.

STOCK REALISATION RESERVE

It was decided during the year to change the method used to determine the cost of and therefore the value of platinum and other metals on hand and the consequential appropriations to the Stock Realisation Reserve. Since 1942, when this accounting procedure was inaugurated, the total mine costs had been allocated equally over all metals without making a distinction between platinum and the associated metals. Until recently, this basis has been satisfactory, but with the gradual increase in the overall cost of production, the cost allocated against certain of the associated metals has in some cases exceeded their current market prices and any sales of such metals therefore resulted in an apparent book loss. In deciding upon the new method

of allocating cost, due consideration was given to the fact that the associated metals arise as inevitable by-products of the process of mining, recovering and refining platinum, and it is only at the very last stage of their ultimate refinement and preparation for market that there is any choice as to whether or not to produce these metals. The cost of this final operation is small and, in consequence, the saving in expenditure which would flow from a decision not to complete the refining process would be negligible. Having regard to these facts, it is reasonable that, with the exception of a notional amount of £1 per ounce in the case of the associated platinum group metals and gold and £1 per ton in the case of nickel and copper, the whole cost of mine production should be charged against the production of platinum. This procedure was put into effect during the financial year ended August 31, 1956.

A schedule has been included in the Directors' Report showing the net revenue from sales of metals and the transfer to Stock Realisation Reserve calculated both on the old and the new bases. As will be seen from that schedule, although on the new basis the net revenue from sales is some £703,000 less than on the old basis, the transfer to the Stock Realisation Reserve is reduced by an equal amount and the amount of profit available for appropriation remains the same in each case. It is considered that the new method provides a more realistic picture of the results of trading operations.

FUTURE OPERATIONS

MARKET OUTLOOK

The demand for platinum during the past year exceeded supplies, and during the coming year this position is likely to continue. The amount of metal offered from Russian sources and the prices paid for such offerings cannot be accurately determined, but these do not seem to have been such as to affect the market materially during the past year. It is difficult to forecast future trends in the price of platinum, but it appears at present that no major variations are likely to take place during the current financial year, ending August, 1957. This statement must be accepted with reserve as the position could change rapidly under the influence of unforeseen factors.

Demand for the associated platinum group metals remains unchanged. The entire output of some of the metals is sold while stocks of others continue to accumulate. In order that these accumulations may be viewed in their proper perspective, it should be noted that approximately 94 per cent of the total weight of all platinum group metals brought into a refined state during recent years has been regularly and readily sold. The balance of 6 per cent includes associated metals which are not readily saleable, though sales of such metals are effected from time to time.

The demand for copper and nickel is such as to absorb the whole of the output and it is expected that this position will be maintained. The average price for copper for the financial year was £357 with a peak of about £436 in March, 1956. At the end of December, 1956, the price had declined to approximately £273 and it appears unlikely that the high prices ruling in the last financial year will be obtained during the current year. On the other hand, the price of nickel was increased from £519 to £600 on December 6, 1956. Variations in the accepted world price of this metal are infrequent and it may be assumed that the present price is unlikely to be reduced in the near future.

SCALE OF OPERATIONS

Towards the end of the financial year it became apparent that the indicated demand for platinum during the next few years was such that consideration should be given to the desirability of again increasing production.

Current demand, and the estimated future demand, arise chiefly from the expanding industrial uses of platinum, the most important of which at the present time is as a catalyst in the process of refining petrol. The policy of this company has in the past been to endeavour to meet the requirements of industrial users to an extent which will enable them to plan ahead on the basis of a steady supply at steady prices, although the rapid increase in the use of platinum by the Oil Refining Companies during recent years has to an extent overtaken our efforts to make adequate supplies available.

In considering the question of further expansion, due consideration has been given to the fact that the needs of the Oil Industry are of a capital nature and that, on completion of the refineries which are at present being built or which have been planned, there is likely to be a decline in the demand for platinum by this particular branch of industry. The present estimated requirements over the next few years are, however, such that it has been decided that further production beyond that contemplated in the 1955-56 programme is desirable, and a further expansion scheme, known as the 1956-57 programme, has been put in hand. On the completion of this programme the combined milling rate at the two mines will be approximately 2,500,000 tons per annum and the rate of production of platinum will be approximately 80 per cent greater than the rate for 1955. It is of interest to note that when this programme is finished, the rate of production will be almost eight times as great as that obtained ten years ago.

The additional milling capacity required will be obtained by erecting a second reduction plant at the Rustenburg Section. This has been placed some distance from the existing plant with a view to balancing operations between the eastern and western sections of the mine, thus minimising the transport required to handle the ore mined over the eight miles which comprise the strike length of the present mining area. Numerous ancillary items of plant, such as compressors, smelters, converters, etc., will be required, and it is necessary to increase accommodation both for Europeans and for Natives. Work on the scheme has already started and it is expected that milling will reach the full designed rate during the second half of the calendar year 1957. Some additional refined platinum arising from this programme should begin to reach the market from the beginning of 1958.

In view of the increasing scale of operations, steps have been and are being taken to increase still further the mining areas available to the company.

FINANCE

The cost of the 1956-57 scheme will be of the order of £1.8 million and the greater proportion of this will be spent during the current financial year.

After considering the means by which this could be financed, the Board has decided that under present conditions the expenditure involved can reasonably be met from the company's resources. It is realised that the continuing schemes of expansion which have been undertaken during recent years have necessitated large appropriations from current profits. As a result of the length of time required for the treatment and refining processes there is considerable delay between the expenditure involved in the completion of the expansion programmes on the mine and the receipt of the additional revenue and profits which ultimately arise from such expansion. In order to meet this position to some extent, the present intention of the Board is to take cognizance of the fact that, in determining the profits available for distribution during the next two years, the whole of the capital expenditure incurred during any one year or any one period need not necessarily be met by appropriations from the profits earned during that period. Consideration will be given to the possibility that, in order to relieve to an extent the burdens placed on present shareholders, some portion of the appropriation necessary to meet the cost of the 1956-57 expansion scheme may reasonably be carried over into the period during which the benefits of this scheme will begin to be felt.

If necessary, the advisability of arranging temporary loan facilities will be considered; such facilities, if required, are unlikely to be extensive and would be of short duration.

MATTE SMELTERS

The plant of Matte Smelters (Pty.) Limited, continues to operate very satisfactorily and is being increased to deal with approximately 50 per cent of the total matte production which is expected to arise on the completion of the 1956-57 expansion scheme.

CONCLUSION

It is estimated that by the end of 1957 the annual working expenditure in South Africa both on the mines and at the plant of Matte Smelters will be approximately £6 million, and that approximately 1,600 Europeans and 15,000 non-Europeans will be employed at these mines. The operations of your company are, therefore, on a scale which is of importance not only to the districts in which the mines are situated, but also to the country as a whole.

As has been stated in the past, it is difficult accurately to forecast the future demand for platinum. With the assistance of our refiners and marketing agents, Messrs Johnson, Matthey & Company, Limited, the developing requirements of the world are closely watched, and your company will continue in its endeavours to further the use of platinum by ensuring that the needs of industry are met in so far as may be possible and by following a price policy which will inspire the confidence of our customers.

January 22, 1957.

UNION PLATINUM MINING COMPANY LIMITED

MR E. S. HALLETT'S STATEMENT

Statement by the Chairman, Mr E. Stanley Hallett, on the Directors' Report and Accounts for the year ended August 31, 1956, which was circulated to members prior to the Annual General Meeting held in Johannesburg on January 31, 1957.

The Annual Report and Accounts of Rustenburg Platinum Mines Limited for the year ended August 31, 1956, were incorporated in this company's Annual Report and gave details of the affairs of that company.

Satisfactory progress was made with the 1955-56 expansion programme during the year, and by the end of December, 1956, the combined rate of milling at the Rustenburg and Union Sections had been increased to approximately 2 million tons per annum.

The profit of the Rustenburg Company for the year ended August 31, 1956, after providing for State's share of profits and taxation and adjustment of Stock Realisation Reserve, amounted to £2,277,035 compared with £2,258,681 for the previous year.

After allowing for a transfer to general reserve and an appropriation for capital expenditure, two dividends were paid totalling £1,694,780, equivalent to a rate of 40s. per share.

This compares with a rate of 34s. per share for the previous year. The profit unappropriated at August 31, 1956, was £313,235.

The Union Company exercised its rights in the offers of shares made by Potgietersrust Platinums Limited and Rustenburg Platinum Mines Limited and, at August 31, 1956, the shareholdings in these companies were 88,000 shares and 151,933 shares respectively.

THE YEAR'S RESULTS

During the twelve months ended August 31, 1956, the Union Company received revenue from dividends and interest amounting to £302,192 which is £71,422 less than the revenue earned during the fourteen-month period ended August 31, 1955. With regard to this decrease in revenue, Members are reminded that during the latter period, due to the financial year having been changed to coincide with the financial year of Rustenburg Platinum Mines Limited this company received three half-yearly dividends on its shareholdings as against only two half-yearly dividends during the year under review.

The net profit for the year, after deducting Administration and General Expenses of £4,174 and Directors' Fees of £2,000, amounted to £296,018, to which must be added the unappropriated profit brought forward of £4,238 and a transfer from Investment Reserve of £1,285, making a total of £301,541. Of this amount Taxation accounted for £193, while Dividends Nos. 11 and 12 of 8d. per share and 1s. 2½d. per share respectively, together absorbed £299,375, leaving an unappropriated balance of £1,973.

EXPANSION PROGRAMME

Towards the end of the financial year it became apparent that the rate of output expected to arise as a result of the recent programme of expansion at Rustenburg will still be inadequate to satisfy the estimated requirements of the market during the next few years. In consequence the Board of the Rustenburg Company decided to expand still further the scale of operations, and work in connection with this expansion has already been put in hand. On the completion of this programme, the combined milling rate of the two mines will be approximately 2,500,000 tons per annum and the rate of production 80 per cent greater than the rate in 1955.

The cost of the 1956/57 scheme will be of the order of £1.8 million, and the greater portion of this will be spent during the current financial year.

The Board of the Rustenburg Company has decided that under present conditions the expenditure involved can reasonably be met from the company's resources. However, it is realised that the schemes of expansion which have been undertaken during recent years have necessitated large appropriations from current profits, and accordingly, in order to relieve to some extent the burden placed on present shareholders, consideration will be given to the possibility that some portion of the appropriation necessary to meet the cost of the 1956/57 expansion scheme may reasonably be carried over into the period during which the benefits of the scheme will begin to be felt. If necessary, the advisability of arranging temporary loan facilities will be considered. Such facilities, if required, are not expected to be extensive and would be of short duration

WATERVAL (RUSTENBURG) PLATINUM MINING COMPANY LIMITED

MR E. S. HALLETT'S STATEMENT

Statement by the Chairman, Mr E. Stanley Hallett, on the Directors' Report and Accounts for the year ended August 31, 1956, which was circulated to members prior to the Annual General Meeting held in Johannesburg on January 31, 1957.

The Annual Report and Accounts of Rustenburg Platinum Mines Limited for the year ended August 31, 1956, were incorporated in this company's Annual Report and gave details of the affairs of that company.

Satisfactory progress was made with the 1955-56 expansion programme during the year and by the end of December, 1956, the combined rate of milling at the Rustenburg and Union Sections had been increased to approximately 2 million tons per annum.

The profit of the Rustenburg Company for the year ended August 31, 1956, after providing for State's share of profits and taxation and adjustment of Stock Realisation Reserve, amounted to £2,277,035, compared with £2,258,681 for the previous year.

After allowing for a transfer to general reserve and an appropriation for capital expenditure, two dividends were paid totalling £1,694,780, equivalent to a rate of 40s. per share. This compares with a rate of 34s. per share for the previous year. The profit unappropriated at August 31, 1956, was £313,235.

The Waterval Company exercised its rights in the offers of shares made by Potgietersrust Platinums Limited, Rustenburg Platinum Mines Limited and Union Platinum Mining Company Limited and at August 31, 1956, the shareholdings in these companies were 647,625 shares, 340,417 shares and 165,000 shares respectively.

THE YEAR'S RESULTS

During the twelve months ended August 31, 1956, the Waterval Company received revenue from dividends and interest amounting to £717,379 which is £168,843 less than the revenue earned during the fourteen-month period ended August 31, 1955. With regard to this decrease in revenue Members are reminded that during the latter period, due to the financial year having been changed to coincide with the financial year of Rustenburg Platinum Mines Limited, this company received three half-yearly dividends on its shareholdings as against only two half-yearly dividends during the year under review.

The net profit for the year, after deducting Administration and General Expenses of £5,589 and Directors' Fees of £2,000, amounted to £709,790, to which must be added the unappropriated profit brought forward of £5,886 and a transfer from Investment Reserve of £4,684, making a total of £720,360. Of this amount Taxation accounted for £414, while Dividends Nos. 14 and 15 of 8½d. per share and 1s. 3½d. per share respectively, together absorbed £718,594, leaving an unappropriated balance of £1,352.

FURTHER EXPANSION

Towards the end of the financial year it became apparent that the rate of output expected to arise as a result of the recent programme of expansion at Rustenburg will still be inadequate to satisfy the estimated requirements of the market during the next few years. In consequence the Board of the Rustenburg Company decided to expand still further the scale of operations and work in connection with this expansion has already been put in hand. On the completion of this programme, the combined milling rate at the two mines will be approximately 2,500,000 tons per annum and the rate of production 80 per cent greater than the rate in 1955.

The cost of the 1956-57 scheme will be of the order of £1.8 million, and the greater portion of this will be spent during the current financial year.

The Board of the Rustenburg Company has decided that under present conditions the expenditure involved can reasonably be met from the Company's resources. However, it is realised that the schemes of expansion which have been undertaken during recent years have necessitated large appropriations from current profits and, accordingly, in order to relieve to some extent the burden placed on present shareholders, consideration will be given to the possibility that some portion of the appropriation necessary to meet the cost of the 1956-57 expansion scheme may reasonably be carried over into the period during which the benefit of this scheme will begin to be felt. If necessary, the advisability of arranging temporary loan facilities will be considered. Such facilities, if required, are not expected to be extensive and would be of short duration.

THE STANDARD TRUST

INCREASED REVENUE

The fifty-fourth Annual General Meeting of The Standard Trust Limited will be held on February 22nd in London.

The following is the circulated statement by the Chairman, Mr Basil G. Ivory, CA :

The issue of £100,000 additional Ordinary Capital last year contributed in some measure to the increase of £19,625 in our gross revenue, and after all charges, including taxation, the net revenue is higher by £12,778 at £137,802. The deduction of the Preference dividend leaves an amount of £118,828, equivalent to earnings of 22.96 per cent on the £900,000 Ordinary Stock, compared with earnings of 23.05 per cent on £800,000 Stock last year.

After transferring £25,000 to General Reserve, bringing this to £350,000 and providing for the increased Ordinary dividend of 17 per cent the balance of Revenue carried forward is £79,952, an increase of £6,070.

The Balance Sheet calls for little comment except perhaps to mention the appreciation of our investments, which is shown to amount to 61.71 per cent, compared with 66 per cent last year. It should be noted that this year the London premium, equivalent at December 31st to 6¼ per cent over the official exchange rates, has been added to the valuation of our dollar securities, as it was felt that this gives a more realistic figure for valuation than by omitting the premium as in past years.

If allowance is made for the new Ordinary capital issued last year the " break-up " value of the Ordinary Stock as at December 31st last differed but little from that of a year ago.

From the classification of the investments it will be seen that our holdings in the USA and Canada have been further increased in accordance with the policy outlined in my statement last year.

The present international situation, clouded by Suez and Middle East complexities, and the economic problems of this country make it difficult to assess future prospects, but in spite of these problems it is confidently anticipated that earnings for the current year will provide adequate cover for maintenance of the present rate of dividend.

THE ELY BREWERY COMPANY LIMITED

FOUNDED *1896*

ENCOURAGING OUTLOOK

The sixtieth annual general meeting of The Ely Brewery Co., Ltd., was held on January 21 at the New Inn Hotel, Pontypridd, Mr. L. Nidditch, F.F.S.(Eng.), F.R.Econ.S., F.V.I. (chairman and managing director, financial director) presiding.

The following are extracts from the Directors' Report for the year ended August 31, 1956 :—

In the opinion of the Directors, the licensed properties of the company, based on calculations by the Inland Revenue and Customs and Excise for monopoly value and their state of repair, are approximately half a million pounds in excess of present book values.

Stockholders will have received an income on their holding of Ordinary Stock after the confirmation of the accounts and resolutions, 3½% tax free and 8½% less tax for the year under review, compared with 8½% less tax for the previous year. When the reconstructed Board took over almost ten years ago under the present Chairman, Mr. L. Nidditch, the Company was in a position of difficulty as to liquidity for its liabilities, reparation of the brewery plant and its 256 licensed houses in a distressing condition. Since 1947, the Board has approved the proposals of the Chairman for the re-opening of 600 various dilapidated rooms unoccupied for 20 or 30 years. There were also about 200 rooms in which takings amounted to only £2 to £5 per week per room. All these have been repaired, modernised and refurnished during the period and are now successful licensed lounges with a good regular patronage comparable with the best licensed bars and rooms in the country.

As a consequence of these improvements, it has been essential to minimise dividend payments and plough back sufficient working capital to ensure consolidation of assets. For these reasons your Board has felt it equitable that stockholders should receive bonus issues to compensate them and consolidate their holdings approximating to the ploughed back undistributed capital and improved asset values arising from the successful reorganisation, trading and enhanced reputation of the Company.

The board feel confident, based on the explanations which the Chairman pointed out in his Review last year, which have now been confirmed by successful trading, that the profits for the current year, subject to no unforeseen or extraordinary happenings, should at least be maintained and probably show some increase. Your board are encouraged by the profits showing such improvements, and dividend allocations will reflect these results in future years.

CHAIRMAN'S REMARKS

Addressing the meeting, the Chairman said:—I am happy to present to you today accounts that indicate, I believe, the greatest percentage increase of profits comparable in relation to the number of licensed houses and capital employed, with any brewery in Great Britain.

A year ago, under our own direct control, we engaged musicians, M.C., etc., for running dances at certain premises. This policy has proved successful, and it is intended to widen the sphere of this policy.

Two years ago we erected larger garage facilities. Next week we are starting on the foundations of another garage providing for a further 6-8 lorries and a general store for furniture, etc We must keep pace with rising costs, but not at the expense of our quality product savings. We have only this week drawn plans for two very up-to-date motels on the lines of American motels, each of which will also include a dance and banqueting hall to help overheads and area amenity.

The report and accounts were unanimously adopted without question or comment, and the other formal business transacted.

The proceedings terminated with a cordial vote of thanks to the chairman, directors, staff and employees.

" AT A GLANCE "

Year	Profit Subject to Taxation	Taxation Overprovided and Refunded	Taxation	5% Preference Dividend Gross	7% Preference Dividend Gross	Ordinary Dividend Gross	Bonus Issues	Earnings on Ordinary	Book Value of Net Assets per £1 of Ordinary Stock	Total Assets
	£	£	£	£	£	£	£	%	£ s. d.	£
1948	238,613	...	140,500	8,249	...	69,000	25,875	31	1 8 0	2,483,698
1949	190,155	...	98,500	9,647	...	75,900	13,800	30	1 18 8	2,678,558
1950*	177,790†	...	88,000	25,940	10,437	41,400	34,500	23	1 19 4	2,576,859
1951	159,066	...	105,000	17,293	10,625	43,987	49,226	20	1 17 4	2,590,196
1952	195,186	2,600	118,000	17,293	10,625	47,131	117,824	24	1 13 0	2,686,056
1953	191,953	51,000	110,000	22,792	10,625	48,813	143,633	22	2 2 0	3,195,323
1954*	231,222	18,194	113,000	24,363	16,221	64,802	29,625	24	1 19 0	3,235,714
1955	188,512	35,000	106,000	24,363	12,217	64,802	37,030	19	2 0 7	3,163,438
1956	237,215	15,000	137,000	25,289	13,254	64,802‡	27,771‡	25	1 19 10	3,175,783

Year	Staff Pensions: Paid	Staff Pensions: Future Provision	Amortisation and Depreciation	Sundry Creditors	Capital: Total	Capital: 5% Pref.	Capital: 7% Second Pref.	Capital: Ordinary	Surplus
	£	£	£	£	£	£	£	£	£
1948	1,639	15,000	1,000	144,474	835,000	165,000	...	690,000	325,133
1949	1,747	2,500	10,000	135,401	1,035,852	345,852	138,000	552,000	511,751
1950	2,511	1,500	12,750	164,949	1,049,652	345,852	151,800	552,000	532,961
1951	2,172	1,500	13,000	142,707	1,084,152	345,852	151,800	586,500	504,109
1952	2,135	1,500	19,500	153,804	1,201,596	424,401	151,800	628,395	404,185
1953	2,014	1,500	19,250	157,568	1,312,321	487,241	151,800	673,280	745,893
1954	3,056	2,500	19,750	177,276	1,387,604	487,241	159,755	740,608	744,742
1955	2,658	2,500	17,700	174,009	1,417,228	487,241	189,379	740,608	761,782
1956	2,377	3,000	18,000	173,967	1,454,258	524,271	189,379	740,608	735,895

* Accounts for 1950—15 months. Accounts for 1954—14 months.

† Refer to Chairman's 1950 Review, page 10, left hand side, paragraphs 5, 6, 7, 8 and 9.

‡ Tax free distribution of £27,771 paid in lieu of Interim Dividend.

NUMERICAL DETAILS OF SHAREHOLDERS REGISTER.

TOTAL SHAREHOLDERS 1947—1612
1956—3253

INDIVIDUAL SHAREHOLDINGS AS AT 31ST AUGUST, 1956:

Ordinary (Shares 2/6 Stock units 2/6 each)	2,359
5% Cumulative Preference (Shares 10/- Stock units 10/- each)	2,640
7% Cumulative Second Preference (Shares 5/- Stock units 5/- each)	2,044

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JOHN SUMMERS & SONS LIMITED

SATISFACTORY RESULTS

EFFECTS OF RESTRICTIONS AND CREDIT SQUEEZE

FUTURE OUTLOOK FOR SHEET STEEL

MR RICHARD F. SUMMERS ON THE YEAR'S PROGRESS

The annual general meeting of John Summers & Sons Limited will be held on February 20th at The Iron and Steel Institute, 4 Grosvenor Gardens, London, S.W.

The following is the statement of Mr Richard F. Summers, chairman of the company, circulated with the report and accounts for the fifty-two weeks ended September 29, 1956:

The Balance Sheet this year has been produced on substantially the same lines as on previous occasions, and I hope you will agree that it sets out the Company's financial position in as simple a way as possible under modern conditions. I personally hold the view that it is unnecessary for a Chairman in his remarks to go over all the various items in a Balance Sheet. These should for the most part speak for themselves ; where they do not they should be amplified in the Directors' Report, and this is the policy which we have adopted.

There is, however, one item to which I should like to refer, and that is the net surplus available for distribution of £2,759,244. When comparing this with last year's figure of £2,856,743 there are a number of factors which must be taken into account. Firstly, the increased depreciation required to cover those items of plant and equipment which came into operation during the year under review. Secondly, the effect that the ban on overtime by the Craft Unions had on our production figures and on the efficiency of our operations, and thirdly, the increased costs that we had to bear in wages, transport and fuel, which were not covered by the increase in prices fixed by the Iron and Steel Board in May. Taking these factors into consideration I think we can consider the results as satisfactory, and as an indication of what we can expect from our expansion programme.

DIVIDEND

From the report you will see that we are recommending the same dividend as last year. I am well aware that there has been much comment in the press about the conservative dividend policy pursued by the steel industry, but at the same time we are being urged to increase production and expand our plants. Clearly if the nation needs increased quantities of steel, then it is up to us to see that the necessary additional productive capacity is provided ; but there is a limit to the amount of money that can be raised from outside sources, and I am sure all will agree that a substantial part of this development must be met out of retained profits. I personally hold the view that it should be possible to pursue a policy which will provide a substantial amount for this expansion out of the industry's own resources, and which will at the same time make investment in the steel industry worth while. Last year I made it clear that we were not unmindful of the shareholders' legitimate claims, and in due course I hope that it will be possible to give tangible proof of these sentiments. As you know, at the moment we are committed to a large amount of capital expenditure to increase our output still further, and it is for this reason that we are once more retaining in the business approximately £5 million by Depreciation and transfers to Reserves.

PROGRESS OF DEVELOPMENT SCHEMES

During the year two of the last large units of the second part of the postwar development scheme came into production, and we expect that in the next few months the whole of this part of the scheme will be completed.

Since the end of the craftsmen's ban on overtime practically every department at Shotton has created new output records, and we were hoping that the current year would show a still further improvement, but a new uncertainty has been introduced by the difficulties in the Middle East. So far I am glad to say that we have not been seriously affected by the rationing of oil and petrol, as satisfactory arrangements had been made to substitute home produced fuel in place of imported fuel oil, but we have yet to learn what effect the reduction in supplies may have on some of our customers, and how far deliveries by road will have to be curtailed.

DEMAND

During the past year demand remained at a high level, and in many instances we were unable, in spite of higher production, to supply all our customers' needs. There were signs towards the end of the financial year that the restrictions on hire purchase and the credit squeeze were adversely affecting a number of our consumers. The position was further complicated by the fact that there were still substantial quantities of sheets being imported by some of the consuming industries under contracts placed before the slowing up in home consumption. These imports in 1956 amounted to approximately 200,000 tons with the result that at the moment we are faced with the fact that the stocks of sheets in the hands of consumers are substantially above normal. It may be, as sometimes happens, that during the period of acute shortage the estimates of the requirements were somewhat exaggerated. This increase in stocks and the fall in demand seems likely to suggest that the most difficult period might lie immediately ahead.

So far as this Company is concerned we are not unduly worried about our ability to keep our plants working somewhere near their maximum capacity because, as I have said on a number of occasions, we have always tried to treat all our customers fairly, to maintain our quality and technical services, and to sell our product in the widest possible field, so that we do not become too dependent on any one industry. I think it is apparent that this established policy is standing us in good stead now that the pressure of demand is not quite so great. A further factor that is going to help us is that the Board of Trade, as a result of representations by the industry, has agreed that there shall be somewhat greater flexibility in the licensing of exports of sheets, and has authorised an increase in the permissible tonnage for the first half of 1957. This increase, though perhaps not quite as much as we had hoped for, will, we feel sure, be welcomed by our many overseas customers.

COATED SHEETS

Once more I should like to refer to the fact that we have been pioneers in this country of the continuous galvanising of steel strip, and the application of zinc and other metals by the electrolytic process. These coated sheets, sold under such names as Galvatite, Zintec, Nitec, etc., possess for some uses many advantages over uncoated sheets. We are firmly convinced that there is a great future for the steel sheet coated with various materials, and that there is much scope for development in this direction. We have carried out a good deal of research into the matter, and before long we hope to be in a position to have a new product to offer, which we feel will again widen the field in which we can be of service to our customers.

PRODUCTION FIGURES

In the past I have refrained from quoting any figures of production, as these can in certain instances be somewhat misleading, especially during a period when large schemes of alterations and additions are in progress. I feel now, however, that perhaps I might quote some figures which may be of interest to shareholders. Below I give the totals for the year under review of the main items for the Shotton and Shelton works combined:

	Tons
Coke	1,078,000
Pig Iron	855,000
Steel Ingots	1,209,000

FUTURE OUTLOOK

The recession in demand to which I have already referred does of course bring up the question of the future policy, not only for this Company, but for the industry as a whole. There have been many statements made as to the likely total future demand for steel in this country ; the question now is whether these are in fact reliable both as to the total quantity and the dates by which such quantities will be required. I have said on previous occasions that the demand for sheets is bound to increase throughout the world so long as the standard of living is on the upgrade, because such a large quantity of sheet steel is used by the industries providing articles which make life easier and more pleasant. But these are the very articles which are largely controlled by political and economic expediencies ; if the balance of payments is going the wrong way, one of the corrective measures is to control the consumption of consumer goods in the home market, either by the tightening up of hire purchase arrangements, by a higher

purchase tax, or by the credit squeeze or by a combination of all three. Nevertheless, I think it is safe to assume that these set-backs, by their very nature, must be of a temporary character, and that the rise in the standard of living throughout the world will continue.

My personal view is that the happenings of the last twelve months have shown that the original estimate of the speed at which this expansion will take place has been exaggerated, and whereas I think that the ultimate figures of demand that have been mentioned may very well be achieved, I would expect to see the achievement come somewhat later than it was originally thought would be the case. If this assumption is correct, it could turn out as a blessing in disguise, as I think there has always been some doubt as to whether in fact it would have been possible for the industry to have reached the output envisaged in the comparatively short time available. It must be remembered that the engineering trade, on which we have to rely for a very large part of this expansion, is still very heavily committed in many directions other than steel.

When assessing the outlook for the sheet industry, the fact must not be overlooked that during the peak year of consumption (1955) imports amounted to no less than 457,000 tons, and a considerable tonnage was still being produced on the old-fashioned hand mills. These facts I think should enable one to view in its proper perspective the effect that the present falling off in demand for sheets is likely to have on the output of the strip mills. We have in no way altered our views on the desirability of increasing the production at Shotton. We still look upon this as fully justified, and in fact vitally important from the national point of view, but unfortunately I am afraid that the scheme is going to take rather longer to complete than we had originally hoped. We are, however, doing all we can to speed up progress, and the present temporary slackening in demand has not lessened our anxiety to get it finished at the earliest possible moment, as it is obviously desirable that the importation of sheets at considerably higher prices than those prevailing at home should be avoided.

SUBSIDIARY COMPANIES

At our Shelton works at Stoke-on-Trent, where they roll sections, joists and rails, there has been no diminution in demand, and pressure there is as high as ever. Once more they have made a satisfactory contribution to the overall results of the Group; their works have been well maintained, and their operations have been conducted with the usual efficiency.

The Castle Fire Brick Company has had a successful year, although the level of demand for building bricks has not been quite so high. The Company continues to make progress in the development of the refractory side of the business, and those of its products which have been used in our steelworks have given excellent results. During the year two further brick works in the Buckley area were acquired.

In October last year we purchased from the Iron and Steel Holding and Realisation Agency for £350,000 the whole of the share capital of Burnell & Company, Limited, black and galvanised sheet manufacturers. We are satisfied that the Burnell works, which are situated in Ellesmere Port, Widnes and Liverpool, are efficiently run and well maintained, and it is our intention that they should continue to produce sheets so long as they can get raw materials and labour, and so long as they can dispose of their output on a reasonable basis.

TRIBUTE TO EMPLOYEES

In conclusion I would once more like to pay tribute to all those employed in the Companies of the Group for their loyal service during the past year, and for the contribution that they have made to the results achieved. I feel that the somewhat changed conditions present a challenge to all of us to increase our efficiency, and to spare no effort in providing such a service to our customers as will ensure that we retain their goodwill.

KOLOK MANUFACTURING COMPANY LIMITED

(Typewriter Ribbon and Carbon Paper Makers)

NEW RECORDS

The forty-eighth annual general meeting of the Kolok Manufacturing Company Limited was held on January 25th at the registered office, Rochester Works, Tottenham, N.17, Mr E. S. Dumont, chairman and managing director, presiding.

The following is an extract from his circulated statement:

The net profit of the company for the year under review is £169,318 and the net profit of the group is £195,251 as compared with £134,912 and £160,796 respectively for the previous year. This result you will agree is very satisfactory. Nevertheless, I must point out that whilst the demand for your company's products has continued at a high level, a part of the increase in the net profit is due to exceptional circumstances which may not be repeated during the current year.

DIVIDEND INCREASED

Your Directors propose to recommend the increase of the normal Ordinary dividend by 2½ per cent, making 25 per cent for the year, and to mark the very satisfactory results of the year by the recommendation of an additional special dividend of 5 per cent. The final dividends, if approved, will then be 17½ per cent plus the special dividend of 5 per cent mentioned above.

The financial strength of the group has again been improved, the surplus current assets over current liabilities amounting to £420,266 as compared with £375,808 for the preceding year.

CURRENT YEAR'S OUTLOOK

The prospect for the current year is impossible to forecast in view of many uncertain factors. So far, incoming orders are at a satisfactory level and although competition in export markets continues to be severe and costs are higher, we believe that we can meet the challenge in export markets by means of the improved methods and increased manufacturing resources applied and installed during recent years.

It is customary on your behalf to express in formal terms an appreciation of the services rendered by your executives, staff and all other employees in the service of the company. In doing so I want to emphasise that our thanks are not a formality but very sincerely recognise their loyalty, conscientiousness and the excellent manner in which they have carried out their duties. Also, I thank my colleagues on the Board for their support.

The report and accounts were adopted.

AVELING-BARFORD LIMITED

INCREASED EXPORT TURNOVER

The sixty-second annual general meeting of Aveling-Barford, Limited, was held on January 24th at Grantham, Mr Edward Barford, MC (Executive Chairman), presiding. The following is an extract from his circulated statement:

The profits of the Group for the year ended September 30th last, amounted to £687,934 against £734,600 in the previous year. The net profit after taxation is £283,872 against £361,941.

Having regard to the trading conditions prevailing during the year, your Directors consider the results not unsatisfactory.

SLIM PROFIT MARGINS

We were successful in increasing turnover for the year by over 20 per cent—all for export. Notwithstanding this great effort overall profit margins were so slim that no benefit accrued to the company. Approximately 75 per cent of the output is now exported and this has been achieved at no small expense, and with the wholehearted co-operation of our overseas sales staff and service engineers, who have worked, often in uncomfortable and sometimes in dangerous circumstances.

Our subsidiary companies in France and South Africa are developing faster than our expectations, fully justifying forming these companies. Our interests in Australia have suffered severely from the economic conditions now operating in that country. Our sales into the dollar areas have been greatly increased.

In the latter part of the year, credit squeezes in this country and abroad had a serious effect upon our sales and it became necessary to cut back production programmes.

Since our manufacturing cycle is approximately fifteen months, it will be some months yet before the measures taken become fully operative. In the meantime, the company is undergoing a period of abnormally heavy stocks, destined principally for export. It is anticipated that the heavy bank overdraft will be substantially reduced during the next few months, if business continues at its present level.

ORDER BOOK POSITION

In regard to the future, the order book position has weakened during the past four or five months, but appears to have levelled off at a figure which, while not regarded as satisfactory, does not give reason for despondency. The international situation is affecting our overseas trade and any improvement would undoubtedly be of great benefit to the company.

The manufacturing facilities receive constant attention, and are kept in first-rate order. The plant is modern and working conditions are good.

It is now two years since the fine old-established business of Goodwin-Barsby and Company, Limited, became a member of our Group. Its reputation is second to none in its own particular sphere, and we foresee increasing advantages in the association as time goes on.

The Directors recommend that the final dividend should be 7½ per cent as against 10 per cent for last year, making a total of 12½ per cent for the year.

The report and accounts were adopted.

ILLINGWORTH, MORRIS & COMPANY

(Worsted Spinners)

STRONG DEMAND DESPITE DIFFICULTIES

LORD WILMOT ON HIGH LEVEL OF ACTIVITY

The thirty-seventh annual general meeting of Illingworth, Morris & Company, Limited, was held on January 24th in Bradford, The Right Honourable Lord Wilmot of Selmeston, PC, JP (the Chairman), presiding.

The following are extracts from his circulated statement:

The net profit of the group for the year after taxation is £345,309. This compares with a profit of £177,969 for the previous year. To this year's profit has been added the £472,741 balance of profit brought forward from last year, making a group total available for appropriation of £818,050. The dividends for the year, including the recommended 7½ per cent final dividend on the Ordinary Stock, absorb £132,250, and £142,625 has been transferred to General Reserve. This leaves a group balance to be carried forward of £543,175.

The Group Current Assets amount to £5,167,134, showing an excess over Current Liabilities and Dividend of £3,931,587, and the Group Revenue Reserves are now shown at £1,443,175

During the year there has been much variation in wool prices. Since the middle of March there has been a continuous rise, caused in the main by abnormal circumstances such as the Australian Dock Strike, which disorganised our buying programmes at the beginning of the year and also by the threatened cancellation of wool auctions owing to the shearers' strike in the Brisbane area. There were other minor disputes in Australia which led to shipping doubts and finally came the Suez crisis, with all its attendant uncertainties which are still with us.

These influences have all tended towards higher prices, though some of these uncertainties have been removed. High prices are by no means welcome; they can easily result in demands shifting to lower qualities, to the detriment of the sale of our fine quality production.

PROBLEM OF LABOUR SHORTAGE

Despite these difficulties the demand for our products throughout the year has been strong. At all our factories we have worked full hours and at many of them overtime and evening shifts were possible, and this is continuing. Our main problem is that of securing sufficient labour to operate our plants. We are trying all we can to recruit more workers.

Just before the end of the financial year there was imposed an increased American tariff on wool cloth, which if continued in its present form could have an effect on our industry, particularly to the high class trade in which we are pre-eminent. So far, however, our customers report very good orders from America for this Autumn Season and there is evidence that our very best qualities still have a ready market there.

Good progress is being made in the reorganisation of our subsidiary company John Smith (Field Head) Limited and this year this Company has made a valuable contribution to our results.

Work has continued on the extension of our James Tankard branch as part of the scheme of re-organisation there which I mentioned last year.

As to the future, our Order Book is as full as we could wish; indeed we are having great difficulty in keeping our delivery time down to our customers' requirements. We can certainly see full work ahead for a longer period than twelve months ago. In these circumstances I think we can confidently look forward to a good year.

The report was adopted and the total distribution of 10 per cent was approved.

TANGANYIKA CONCESSIONS LIMITED

SIR ULICK ALEXANDER'S REVIEW

INCREASED USE OF TRANSPORT FACILITIES IN CENTRAL AFRICA

The Annual General Meeting of Tanganyika Concessions Limited was held on January 24, 1957 at the Head Office of the Company, Tanganyika House, Salisbury, Southern Rhodesia, the Right Honourable Sir Ulick Alexander, GCB, GCVO, CMG, OBE, the Chairman, presiding.

The following is an extract from his circulated Review:

The accounts in respect of the year ended July 31, 1956, show a record profit of £3,982,612 and the Directors have been pleased to propose for the consideration of Stockholders at the Annual General Meeting a Final Dividend on the Ordinary Stock of 7s. 6d. per unit, which, if approved, will make a total dividend of 9s. 0d. per unit for the year.

Once again the Union Miniere du Haut-Katanga has been the main source of the Company's revenue, while the Benguela Railway Company has also made an important and substantial contribution. The excellent results achieved by the Union Miniere du Haut-Katanga enabled that Company to increase its total net dividend from Belgian Francs 1,600 to Belgian Francs 2,200. The Benguela Railway Company has not only paid the interest for the year on both series of debentures, effected the normal redemption payment and again distributed a dividend of Esc. 11 per share, but has also redeemed a further £404,900 of the 4 per cent Income Debentures.

CHAIRMAN'S ADDRESS

The Chairman addressed the Meeting as follows:

It is with regret I refer in my Review to the resignation of Mr Harry B. Lake due to the difficulty he finds in dealing with the Company's affairs owing to his residence in the United States of America, and I should like to take this opportunity to thank Mr Lake for his services to the Company.

The Board were very pleased that Sir Mark Turner was able to accept their invitation to fill the vacancy.

I am glad to be able to report that since the publication of my Review the Union Miniere du Haut-Katanga has declared an Interim Dividend of 700 francs per share in respect of the year 1956, which compared with the previous year is an increase of 100 francs. That Company has also indicated they are likely to pay a further Interim in February and that the Final will be declared in May.

During July, 1956, the Union Miniere du Haut-Katanga, in which your Company holds a 14 per cent interest, celebrated its 50th anniversary in the Belgian Congo, together with the Bas-Congo Railway Company and the Forminiere Diamond Company, both of which were formed at the same time.

At the official opening of these celebrations, tributes were paid to the great pioneer work carried out in the Katanga by Tanganyika Concessions Limited, and its founder, Sir Robert Williams.

Representatives of your Board of Directors who attended these celebrations returned much impressed, not only by the enormous scope of the mining effort and technical progress made in the Katanga region of the Belgian Congo during the past fifty years, but also by the great achievements of civilisation and social progress which stood to the credit of the three companies concerned. From a remote area of bush, depopulated by famine, disease and tribal warfare, a thriving community with its own industrial resources, a mining production of world importance, and railway communications linking it with the principal African ports, has been developed. Today a healthy, peaceful and native population [illegible] same region and enjoy the opportunities of worthwhile employment and technical training offered by the great Belgian companies such as the Union Miniere. In addition, native employees are provided with free education, medical and welfare services, and are given every opportunity to increase their social status by the company for whom they work. Tanganyika Concessions Limited is proud to have been associated with the Union Miniere du Haut-Katanga in this development and progress.

HYDRO-ELECTRIC POWER

An impressive achievement of the Union Miniere during this period has been the progressive harnessing of the Lufira and Lualaba rivers to provide hydro-electric power for their mining and industrial effort. At the end of July last year, the first turbine group of their fourth hydro-electric power plant, recently erected on the Lualaba river and named Le Marinel, was inaugurated. Le Marinel will have an installed capacity of 248,000 kW. to be provided by four groups of 62,000 kW. each, and, when completed during 1957, will double the previously available power in the upper Katanga bringing it to about 500,000 kW.

As this will provide a surplus during the immediate future, arrangements have been made to transmit some of this power to the Rhodesian Copper Belt under a five-year agreement, thus filling the gap until the completion of the first stage of the Kariba project. A high-voltage transmission line between Le Marinel and Kitwe has been constructed, and the supply of power began last September. The existence of this power link should prove of great importance to Rhodesia in the immediate future, as it will alleviate fuel problems on the Copper Belt will reduce the tonnage of coal required for the generation of electric power, and in con-

sequence the demand on the hard-pressed Rhodesian Railways. It is an excellent example of the spirit of friendly co-operation existing between neighbouring African territories.

The valuable services to the British Commonwealth and to our Company of Monsieur Edgar Sengier, Chairman of the Permanent Committee of the Union Miniere, were signally recognised at the time of these cefebrations by the award of an Honorary Knight Commander of the Order of the British Empire, conferred on him by the Queen.

BENGUELA RAILWAY'S SUCCESS

You will have seen from my Review the highly successful results in 1955 of our subsidiary company, the Benguela Railway. These show a Net Revenue from the working of approximately £235,000 in excess of 1954, and it would seem from the figures now available the excess in 1956 will be appreciably larger. I am sure shareholders would wish me, to express to the Chairman, Dr Pinto Basto, and the Board of the Benguela Railway Company their appreciation and thanks for these very satisfactory figures.

LINK FEDERATION AND WEST COAST

You will remember that last year I discussed the important part which this railway could, and should, play in serving the Federation, particularly the Copper Belt areas, and in assisting the Rhodesia Railways. At the same time, I gave a brief history of the reasons why this had not been made possible in the past.

It is therefore with particular gratification [illegible] to report that, as a result of discussions which have taken place during this last year between the Rhodesia Railways, the Chemin de Fer du Bas Congo au Katanga and the Benguela Railway, an agreement has now been concluded and ratified by the Governments concerned by which a reasonable and practical through rating system between Lobito and the Federation came into force on January 1st of this year.

The first link between the Federation and the West Coast of Africa has thus, at long last, been formally established, and by the use of the Port of Lobito, Northern Rhodesia has been brought over 2,500 miles nearer to Europe. The effect of this agreement on the economy and future development of the Federation and Central Africa needs no emphasis.

I am very happy to refer to these arrangements as they could only have been reached by the desire on the part of the three railways concerned to co-operate together, and to co-ordinate their efforts, and they mark an important step forward in the development of the Central African Federation.

During the year 1956 your Company has also been pleased to participate in the formation of the Merchant Bank of Central Africa and in the flotation of the Rhodesian Iron and Steel Company Limited, formed to take over the responsibilities of controlling and developing the Rhodesian Iron and Steel Industry, with effect from January 1, 1957. We are always pleased to participate in suitable investments in the Federation.

Before concluding I should like to pay a well-deserved tribute to the staff for the efficiency they have displayed in rendering valuable services during the year, and I am sure shareholders would wish me to express on their behalf grateful thanks for their untiring efforts.

The Report and Accounts were adopted, the payment of the final dividend was approved, and the retiring Directors were re-elected.

SAN FRANCISCO MINES OF MEXICO

CONTINUED IMPROVEMENT IN EARNINGS

MR A. V. CONRAD ON STAGGERING BURDEN OF TAXATION

The forty-fourth annual general meeting of San Francisco Mines of Mexico, Limited, will be held on February 21st, at the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.2.

The following is the statement by the chairman, Mr A. V. Conrad :

It is my sad duty to report the death, last June, of our former Chairman, Colonel Clive E. Temperley. He played a great part in the affairs of our Company, having been associated with its management for 30 years, for most of this period as a Director and latterly as Chairman. The Company has lost an able servant, and your Directors have lost a loyal colleague and friend.

For the year ended September 30, 1956, we have done rather better than in the previous year. Earnings before taxes rose from £3,433,000 to £4,070,000 and net profit from £490,000 to £609,000. After taking into account the amount of £405,000 Brought Forward, £1,014,000 is available for distribution. From this sum, the Directors have appropriated £50,000 to Contingencies Reserve. Stockholders are aware that the Board decided last September to return to the prewar practice of declaring an interim dividend. It is the intention of the Board in future to declare a modest interim dividend towards the close of the Company's financial year whenever conditions permit. Stockholders will appreciate, however, that in lean years it may be necessary to eliminate interim payments. Your Directors now recommend the payment of a final dividend of 3s. 3d. per unit, less tax, making with the interim of 1s. 3d. per unit, less tax already paid, a total for the year of 4s. 6d. per unit, less tax. This total distribution, together with the Directors' Additional Remuneration thereon, will absorb £537,000, leaving £22,000 to be added to the Balance Carried Forward, which becomes £427,000.

The improvement in the results for the year is largely due to the higher prices received for our products. In December, 1955, the New York price of lead rose to 16 c. per lb. and the following month the East St. Louis price of zinc rose to 13½ c. per lb. Thanks to stockpiling by the United States Government (including the so-called "Barter Programme," whereby lead and zinc are exchanged for surplus agricultural products), these prices have since been maintained. The Company also benefited from the higher prices received for copper, although the price weakened towards the end of the year.

As a result of shortage of railway waggons we were unable during the year to sell our full output of lead and zinc. Accordingly, notwithstanding increased production of these metals, sales of lead declined and sales of zinc were only slightly higher than in the previous year. Sales of copper, on the other hand, increased owing to our temporarily forgoing the right to receive returnable copper from the smelter with the consequent reduction in the quantity of our copper tied-up in process. On balance, the benefits of the increase in production and the improvement in metallurgy, to which I refer below, are not fully reflected in the Accounts.

TAXATION

The most striking feature of our Accounts continues to be the staggering burden of taxation suffered by the Company. Last year this amounted to £3,461,000—85 per cent, or 17s. in the £, of our earnings! Practically the whole of this is Mexican taxation. Much of it consists of taxes on gross revenue and includes the heavy Export Tax, increased from approximately 18 per cent to 28 per cent in April, 1954, when the peso was devalued, but still retained notwithstanding that peso operating costs in terms of United States dollars have again risen almost to the pre-devaluation level. The attention of the Mexican Government has been repeatedly drawn to the serious effects of this penal taxation on the future of the Mining Industry in Mexico. Government action to date has been restricted to granting relief of taxation for a limited period of years only to new mines and to old mines which have been re-opened after having been closed down for more than ten years. These are palliatives which merely tackle the fringe of the problem. So far from tackling the heart of the problem, as from January 1, 1956 the rate of Mexican Income Tax on our profits was actually increased from 33 per cent to 39 per cent and the incidence of Excess Profits Tax was also increased. The fact that this Company still makes a return on the capital invested is due to the richness of the deposit and the fact that the investment was made at a very much lower cost than would be practicable today.

There are other ways in which the larger mining companies in Mexico are penalised. For example, we are now paying very high rates for our electric power, largely because the Power Company is precluded by the Government from charging economic rates to small consumers.

Turning now to the technical side of our operations, there are three aspects on which I would like to comment, namely, Tonnage Milled, Metallurgy and Development.

TONNAGE MILLED

As stated in the Directors' Report, the tonnage of ore milled reached a new high record for the fifth year running. The higher output of recent years has in turn accelerated the need to stope from deeper levels. These two factors are placing undue strain on our present hoisting capacity at the North Shaft. We have accordingly acquired a larger hoist to replace the existing one. By the end of the year the necessary excavation work for the hoist and the new transformer house had been completed.

METALLURGY

When I visited the mine three months ago I was particularly impressed with the changes effected in the mill and the consequential improvements in metallurgy. The outstanding feature was the increased percentage of zinc recovered notwithstanding the reduction in the zinc assay of the millhead. The improvement is reflected in the reduction of approximately one-third in the zinc assay of the tailings, which were reduced to less than 1 per cent zinc. Of course, in a mill such as ours, producing three different kinds of concentrate, it is desirable that the recovered metals should be distributed between the concentrates in such a way, having due regard to costs, as to maximise the payment we receive. Thus, it is important that the zinc should be recovered in the zinc concentrate where it is paid for and not in the lead concentrate where it is not. In this respect, too, mill results improved. Finally, by increasing the assay of lead in the lead concentrate and of zinc in the zinc concentrate, we were enabled to make significant savings in freight costs.

DEVELOPMENT

The results of our underground development work—so important to our future—were again very satisfactory. 6,365 metres were driven on veins of which 47 per cent was in ore, the corresponding figures in the previous year were 6,024 metres and 33 per cent respectively. These results are particularly encouraging as so much of the work has been done on the new veins, such as the Don Pablo discovered in 1955. A satisfactory feature of the new veins being developed is that they are in the main situated in the Frisco Mine fairly close to the existing shaft system, thereby facilitating the extraction of the ore contained in them. Despite the record tonnage milled during the year, the favourable development work enabled the ore reserves to be further increased by some 60,000 tons to 5,073,000 tons—over six years' supply for the mill.

THE OUTLOOK

European demand for lead and zinc has recently slackened, while apart from declaring its readiness to continue the Barter Programme for the time being the United States Government's plans for future stockpiling of these metals has not been made public. Further, this year we must expect a lower income from copper and we are faced with negotiating the renewal of our Collective Labour Contract. However, provided United States Government stockpiling of lead and zinc at present prices continues and provided our operations proceed without interruption, we may reasonably expect within the limits imposed by Mexican taxation to enjoy a satisfactory year.

I am pleased to have this opportunity of paying tribute to my colleague on the Board, Mr Henry Hanson, who is also our General Manager in Mexico and on whose shoulders falls the responsibility of handling our affairs there. He is assisted by Mr A. B. O'Neel, Assistant General Manager, Mr H. G. Dudley, General Superintendent, and a loyal and efficient staff. On your behalf I send them congratulations and thanks on the results which they have achieved together with our best wishes for the future.

THE UNION DISCOUNT COMPANY

IMPROVED RESULTS

LORD KENNET ON STEPS TO MEET PREVAILING CONDITIONS

The annual general meeting of The Union Discount Company of London, Limited, will be held on February 21st at the offices of the company, 39 Cornhill, London, E.C.3.

The following is the statement by the chairman, The Right Honourable Lord Kennet of the Dene, PC, GBE, DSO, which has been circulated with the report and accounts:

In my statement last year I dealt with the earlier history of the effect upon the business of our Company of the sharp rise in bank rate from 3 per cent to 4½ per cent in January and February, and of the attendant restriction of credit and rise in money rates ; and I referred to our initial measures to deal with the new conditions by limiting our holding of bonds, especially those of longer maturity, and promoting business in bills.

The year under review has seen the further rise in bank rate, on February 16th, to 5½ per cent, and further pursuit by the authorities of measures to reduce the creation of new short-term debt, by economies, by a savings drive, and by funding. Thus, during the year, having had full warning of the restrictions thought necessary, we have been engaged in the process of completing the accommodation of our current business to the prevailing conditions, in such a manner as to be prepared either for the relaxation of restrictions, or their increase, in any measure probable.

It may be said that the process of accommodation has been achieved with success, and that we have settled down, as it were, to conditions which are stable in relation to a high bank rate, and to restrictions on credit.

THE ACCOUNTS

The following are in this respect the significant comparative figures in our accounts.

The high Treasury Bill rate prevailing through the past year has attracted money away from us and consequently our figure of Loans secured on assets of the Company is reduced by £24,748,569 to £225,984,255. This reduction is reflected in the balance sheet by a substantial fall in our holding of Bills discounted.

Our holding of quoted Securities, shown at less than Market Value, and which continue to be in the main of the shorter dates, is £7,599,146 higher at £71,027,312.

In Note 1 you will observe the contingent liability on Commercial Bills rediscounted is £11,138,314 lower at £21,344,758, but the actual volume of our Commercial Bill business was higher than in the previous year.

The unexpected year-end ease of money is indicated to some extent by an increase of £5,905,189 in Loans on Securities and Amounts Receivable.

Despite the reduction of £19,863,039 in the Balance Sheet total to £252,566,712, our Company has traded successfully, as indicated by the increased profit figure of £420,769, compared with a balance figure for 1955 of £390,937.

NATIONAL FINANCIAL POLICY

The interests of a trading company are particular and not general ; and I do not think it appropriate for me to address you about national financial policy in general. The stability of our currency is, however, a matter of general concern which is also of particular interest to the discount market, and we follow its fortunes from a good viewpoint. I may say then that recent experience suggests that monetary policy alone is not enough to maintain that stability. It is prudent to use it, and it has been of service for the purpose. But it is prudent also to recognise that it needs to be accompanied by other measures, of which the chief is economy in public expenditure.

Mr M. R. Norman, OBE, has, since the last Annual General Meeting, been appointed a Director, and your Board commends the appointment for your confirmation.

Let me lastly thank our staff [illegible] industrial times, and all good work in [illegible] friends and customers for their co-operation.

The Union Discount Company of London Ltd.

The Rt. Hon. LORD KENNET OF THE DENE, PC, GBE, DSO (Chairman)
ERIC O. FAULKNER, MBE (Deputy Chairman)
The Hon. Sir GEOFFREY C. GIBBS, KCMG J. IVAN SPENS, OBE
DAVID JOHN ROBARTS MARK R. NORMAN, OBE Sir ARCHIBALD JAMIESON, KBE

STATEMENT OF ACCOUNTS AT 31st DECEMBER, 1956

Liabilities	£	£
CAPITAL (in £1 Units of Stock):		
Authorised		7,500,000
Issued		5,544,000
RESERVE		2,456,000
		8,000,000
PROFIT AND LOSS—Balance carried forward		900,517
		8,900,517
LOANS secured on Assets of the Company	225,984,255	
DEPOSITS, OTHER LIABILITIES AND RESERVE FOR CONTINGENCIES	17,382,595	
DEPOSITS BY SUBSIDIARIES	100,107	
PROPOSED FINAL DIVIDEND less Income Tax	199,238	
		243,666,195

NOTES:
(1) There is a contingent liability in respect of Bills Re-discounted (excluding Treasury Bills) of £21,344,758 (1955, £32,483,072).
(2) Income Tax suffered by deduction and now recoverable, less Profits Tax payable, has been included in Loans on Securities and Amounts Receivable.

		£
		252,566,712
CURRENT ASSETS		
CASH AT BANKERS AND IN HAND		5,791,391
BILLS DISCOUNTED less rebate and reserve		163,612,481
SECURITIES at less than Market Value: British Government, British Corporation, Public Board, Dominion and Colonial Government and Corporation		71,027,312
Unquoted: British Corporation and Public Board Mortgages		1,649,196
LOANS on Securities and Amounts Receivable		10,286,225
		252,366,605
FIXED ASSETS		
SHARES IN SUBSIDIARIES at cost		100,107
The net assets of Subsidiaries at 31st December, 1956, are represented by Deposits with the Company (per contra).		
FREEHOLD PREMISES, including Furniture and Fittings, at cost, less amounts written off		100,000
		£252,566,712

39 CORNHILL, LONDON, E.C.3

BIRD & COMPANY (AFRICA), LIMITED

SIR ELDRED HITCHCOCK ON THE SISAL OUTLOOK

The Thirty-ninth Annual General Meeting of Bird and Company (Africa), Limited, will be held on February 23rd, at Tanga, Tanganyika.

The following is an extract from the circulated statement of the Chairman and Managing Director, Sir Eldred Hitchcock:

The net profit for the year was £386,831 compared with £246,015 in 1954-55, and after taxation £315,331 against £198,515. This result followed increased production, and intensive management and control of costs and expenditure, and without reducing salary or wage rates.

PRODUCTION

Production for the year to June 30, 1956, was 17,044 tons against 14,455 tons and 12,772 tons in the two previous years. During the current year we should again achieve that output. Our six months' production to the end of 1956 was over 9,000 tons, but owing to the prolongation of serious drought —the rains of October entirely failed—the sisal production of the territory, including our own, is likely to decline in 1957.

Since 1950, the company exported just under £10 million value of sisal to all markets of the world.

DIVIDEND AND BONUS ISSUE

During the year the board announced two interim dividends of 7½ per cent and 10 per cent, making 17½ per cent, less tax, for the year, and are not recommending any final dividend. They propose to maintain this procedure in the future. The board propose the issue of a free bonus share of one in five Ordinary stock, and it is their intention to maintain the dividend rate of 17½ per cent on the capital, increased from £750,000 to £900,000 (or 3,600,000 Ordinary shares of 5s. each), which compares with the total capital now employed in the business of £3,021,386, the bulk of which over the years has been put back into the business from so-called profits.

THE SISAL OUTLOOK

The economic strength of sisal depends, apart from its intrinsic natural qualities, upon its relative cheapness. Last year we exported at an average price at East African port of 6d. per lb. No competitive fibre or synthetic of similar quality can be successfully produced at this price level. The highly efficient and large scale plantation industry in Tanganyika is competitive with any country in the world apart from artificial factors such as exchange manipulation. I have little apprehension concerning the commercial future of sisal in meeting the growing agricultural, industrial, and transport needs of the world for twines, cordage, and rope, and a growing variety of other purposes.

TEA DEVELOPMENT

Whilst our sisal development is now more or less stabilised and is unlikely to be substantially increased unless special circumstances arise, we propose to accelerate our tea development programme. Our Ngua estate consists of 1,200 acres, of which 300 acres are planted with tea.

We have now acquired on a 99-year lease the adjoining Kwamkoro estate of 1,100 acres, with some possible extension.

It is proposed as the first part of our programme up to 1960 to plant, in addition to the 300 acres already planted at Ngua, 200 acres per annum at a capital cost, including factory of £200,000. That will give a total planted area of 1,100 acres which should produce 1,250,000 pounds of tea. Our tea interests should in course of time be a valuable and growing asset to this business.

EAST AFRICAN TAXATION COMMISSION

We have welcomed the Taxation Commission, which recently visited East Africa, to examine the system and scale of taxation, which supports public spending which is out of gear with the viable economy of the country and its orderly economic expansion. The terms of reference of the Commission are, however, disappointingly narrow. An important issue pivots on the scale of public expenditure, which is too high. The test of sound policy on public expenditure is its relation to resources, and their use for expanding private enterprise upon which the real prosperity of the country has always depended. One of the prime causes of "under-saving" is inflation, while a main cause of "under-investment" is taxation.

PERSONAL

I have been associated with the business, as a founder member shareholder and director—since 1920. That is a large part of a man's life. For years I have carried the responsibilities of management, over the lean and difficult as well as the more prosperous times. On June 30, 1955, I completed a 10-year agreement as managing director—one of a series—and contemplated retirement then, at least as far as day-to-day responsibilities were concerned. At the request of my colleagues I agreed, however, to continue for a further five years, after which it is my intention to shed the burden of management, although I would be glad to continue the responsibilities of chairman. Your directors continually have in mind the question of continuity of good management.

RAMBUTAN LIMITED

MR D. W. THOMAS'S STATEMENT

The Fifty-first Annual General Meeting of Rambutan Limited was held at the Registered Office of the Company, Station Hill, Redruth, on January 23, 1957.

Mr D. W. Thomas (Chairman), presided.

The Reports and Accounts for the year ended June 30, 1956, having been circulated for the prescribed time, were taken as read, as was also the Chairman's Statement, circulated with the Reports and Accounts, which was as follows:

The Accounts for the financial year ended June 30, 1956, show a profit of £21,797 after payment of Royalty of £16,806 to the Malayan Government in respect of Tin-ore sold during the year and the provision of £27,624 for United Kingdom and Malayan Taxation.

The decreased output was due to a reduction in the volume of ground treated, 415,400 cubic yards as compared with 840,700 cubic yards in the previous year when, owing to favourable conditions, the yardage treated was exceptional. The average recovery was higher at 0.81 kati per cubic yard as compared with 0.47 kati per cubic yard in 1954-55.

Dividends totalling 6s. 6d. per share were paid in respect of profits for the year and absorbed a net amount of £18,688.

A sum of £1,426 has been written off Capital Expenditure and the balance standing to the credit of Profit and Loss Account is increased from £15,098 to £16,973, which the Directors propose to carry forward.

PROSPECTS FOR CURRENT YEAR

The attention of Members is drawn to the Report of our General Managers, Messrs Osborne and Chappel, circulated with the Accounts which gives particulars of work done at the Mine during the period under review. Shareholders will note that it is stated that prospects for the current year are satisfactory although a somewhat lower rate of output is anticipated.

The Return for the first five months of the current year is 71¼ tons as compared with 101 tons for the corresponding period of the previous year.

The International Tin Agreement came into force on July 1, 1956, and the Tin Control (Buffer Stock) Regulations, 1956, became operative in September, 1956. Your Company's cash contribution to the Buffer Stock is being made from current production according to the scale laid down by the Malayan Government. The amounts of your Company's contributions during the months of October and November were £601 and £609 respectively.

CAPITAL REPAYMENTS

In May, 1956, the Shareholders by Special Resolution approved a reduction in the Capital of the Company from £100,000 divided into 100,000 shares of £1 each to £62,500 divided into 100,000 shares of 12s. 6d. each, such reduction to be accomplished by returning to Shareholders of the 100,000 shares capital to the extent of 7s. 6d. per share. At the same time a Resolution was passed restoring the nominal Capital of the Company to the original amount of £100,000 by the creation of 60,000 unissued additional shares of 12s. 6d. each.

These Resolutions were later approved by the Court and the sum of 7s. 6d. per share was returned to Shareholders in August of the current year, free of liability for Income Tax and Surtax in their hands.

With the subsequent coming into force of the International Tin Agreement and the publication of the Tin Control (Buffer Stock) Regulations, 1956, your Board was able to further assess the Company's future financial commitments and to recommend a second capital repayment of 7s. 6d. per share. At an Extraordinary General Meeting held on November 7, 1956, Shareholders unanimously approved a Special Resolution giving effect to this recommendation and the application to the Court for Confirmation has now been made.

Security conditions on the property remain satisfactory and no incidents occurred during the year under review.

In conclusion I would like to express to our General Managers, the Resident Manager and Staff in Malaya, and the Secretary and Staff at Redruth, the Board's sincere appreciation of all that they have done for the Company during the year under review.

The Statement of Accounts and Balance Sheet, together with the Directors' Report, were received and adopted.

THE LAW DEBENTURE CORPORATION

IMPROVED RESULTS

The sixty-seventh annual general meeting of The Law Debenture Corporation Limited will be held on February 22nd at Winchester House, Old Broad Street, London, E.C.2.

The following are extracts from the statement by the Chairman, Mr R. Ashton Hamlyn, OBE, FCA:

It is with great regret that I have to report the death of our Chairman, Sir A. George Allen, DSO, MC, who unfortunately had only a brief tenure of office as Chairman although he had been a director of the Corporation for 13 years.

The Profit and Loss account shows increases in investment income of £2,685 and in profits on sales of securities of £3,405. On the other hand sundry commissions show a decrease of £3,294 due to a reduction in underwriting commissions and certain non-recurring commissions received in the previous year. There was a reduction of £1,098 in fees received as Trustees and Registrars. However, as in 1955, we received arrears of fees amounting to £2,250 our true figure for fees as Trustees shows an increase of approximately £1,100. The final result is an increase in gross profit of £2,859.

There has been a reduction in the liability for Income Tax for the year of £12,707 which is due to the realisation of certain investments which had been written down in previous years out of taxed profits. A similar reduction is not likely to occur in the future. In view of this it is recommended that the greater part of the resulting increase in net profits be carried to general reserve.

Net profit carried down shows an increase of £14,445 at £94,381, which together with £22,570 brought forward from the previous year makes a total of £116,951 available for appropriation. Your Board has decided to place £30,000 to general reserve bringing this reserve up to £345,000; and after payment of the usual Preference dividend recommends a final dividend of 12 per cent on Ordinary Stock which, with the interim of 7 per cent already paid, makes a total of 19 per cent for the year. The amount of undistributed profits to be carried forward is increased by £3,719 to £26,289.

The book value of our holdings of Debentures and Loan Stocks has been further reduced from £161,481 to £55,972. The total of the holdings of Preference shares shows little change but Ordinary shareholdings have been increased by £123,807. The market value of our investments at December 31, 1956 plus net current assets shows a decline of 7.2 per cent compared with the same date last year. Over the same period The Financial Times Indices adjusted to the proportions of our various fixed interest and ordinary shareholdings (including an adjustment for North American holdings) show a decline of 9.3 per cent.

THE OUTLOOK

Stockholders will appreciate that consequent upon the aftermath of the Suez crisis the outlook for some of the industries in which your Corporation has invested cannot be as good as it has been in the past year. Therefore, although it is hoped to present a satisfactory result for the current year, a further increase in investment income such as has been experienced in recent years is not expected.

BRITISH TABULATING MACHINE

A YEAR OF GREAT ACTIVITY

The fiftieth annual general meeting of The British Tabulating Machine Company Limited was held on January 25th in London, Sir Cecil M. Weir, KCMG, KBE, MC (the chairman), presiding.

The following is an extract from his circulated statement:

The past financial year has been one of great activity. Broadly, this activity falls into three main fields: meeting a steadily increasing demand for normal punched card equipment, bringing into everyday use electronic equipment to which I have referred in previous statements as developments, and finally, both broadening the base and stepping up the rate of our technical development, particularly in the electronic field.

Output in the year of new electronically operated machines has been double that of the previous year, and the output of other punched card equipment has been appreciably more than in any previous year.

Our overseas turnover has expanded in step with our business at home and we anticipate that this will reflect itself in due course in the profitability of those sections of our business.

The general outlook is an encouraging one. We have made progress in the development of new machines, those previously developed in the electronic and electro-mechanical field are giving satisfaction to Users and the order book for all types of our equipment is fuller than ever before. The report was adopted.

APPOINTMENTS

GENERAL SALES MANAGER

Applications are invited for the post of General Sales Manager to cover the activities of an old-established Engineering firm in Structural Steel Fabrication, General Engineering (including presswork, machining and fabrication), Sectrial Iron Founding. The position requires a good knowledge of engineering possibilities, commercial experience with proved ability for Sales Promotion and management of Area Sales Staffs. The salary will be fully commensurate with the responsibilities which are substantial.—Applications, in confidence, to be made to Box 613.

AMERICAN Organisation in Europe wants social scientist with research and writing experience and knowledge of Eastern Europe and experience in audience analysis particularly desirable. Good salary plus housing.—Reply to Box 618.

APPLICATIONS are invited for a senior post with leading Management Consultancy. A life of unusual interest and variety can be expected, due to the range of problems embraced by the nature of the work. Success can only be achieved by those possessing imagination and analytical ability of a high order, coupled with the flexibility of outlook necessary in applying efforts successfully to all branches of industry and commerce. Preference will be given to those, aged between 35 and 45, who have a proven record of executive and administration ability in commerce or industry, and can demonstrate a clear understanding of management problems and their solution. Other essential features are academic qualifications, backed by sound training in a major field, such as technology, production, marketing, or accounting. Applications will only be considered when age, education, qualifications and experience are fully detailed.—Letters should be addressed, in confidence, to A.H., c/o R. Anderson (Advertising) Co., Ltd., 14 William IV Street, Strand, London, W.C.2.

BRITISH NYLON SPINNERS LIMITED invite applications from women, aged 21-25, for vacancies in their Consumer and Retail Research Section in Monmouthshire. The work will provide opportunities to undertake to all aspects of Market Research. Preference will be given to graduates who can offer Economics as one of their subjects. A good standard of health is important, as considerable travel is involved and much of the work takes place out of doors.—Apply in writing to Personnel Manager, Pontypool, Mon.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of Investigational Officer in the Department of Agricultural Economics. Candidates should have academic qualifications and/or practical experience in Agriculture, Economics or Accountancy. Salary scale, £450 x £25 to £550 x £50 to £650 per annum, with membership of the F.S.S.U. and Children's Allowance Scheme; graduates would have an initial salary of £[illegible] per annum. Investigational Officers may be considered, on reaching a salary of £550 per annum, for promotion to the grade of Senior Investigational Officer (salary scale, £650 x £50 to £1,050 per annum).—Applications should be sent not later than February 18, 1957, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

ABILITY and opportunity together govern advancement. Have you the ability without—so far—the opportunity? Could you develop the power to sell intangible ideas? If so, you might communicate with advertisers, a leading Life-Insurance Company expanding activities and prepared to train for interesting, highly paid and pensionable sales-careers high-calibre men possessing outstanding potential and possible management qualifications. —Fullest details, confidentially, to Box 619.

STATISTICIAN with good knowledge of sales analysis, market research and business organisation needed by firm of international repute in the food industry. Good scope for successful applicant. Age 26-35 years.—Reply to Box 601.

EXPERIENCED SENIOR EXECUTIVE, with 11 years active managerial background, seeks administrative appointment, preferably London area. Thorough knowledge overseas marketing. Aged 35. Fluent French. Undeterred by hard work and difficulties.—Box 605.

ADVERTISER urgently requires H.M. Customs and Excise Annual Statement of Trade of the United Kingdom (especially Volume II) for 1934 and 1938; alternatively any other year containing figures relating to 1934 and 1938 would be acceptable.—Write, with price required, to Box X487, c/o Streets, 110 Old Broad Street, E.C.2.

WORK STUDY.—Next four-weeks full-time course March 11th. Details of this and seven other courses, including evening and correspondence, from the School of Time & Motion Study, 29 Cork Street, Piccadilly, W.1

THE UNIVERSITY OF MANCHESTER

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A course of two lectures on (i) "The Family in the Process of Social Change in Yugoslavia" and (ii) "Citizens' Management in the Social Services in Yugoslavia" will be given by Professor E. Pusić (Zagreb) at 5 p.m. on February 7th and 14th at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. Admission free, without ticket.—James Henderson, Academic Registrar.

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SOME FACTS ABOUT ATOMIC POWER . . .

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▸ **EFFICIENCY**	Uranium 235 is theoretically capable of producing 3 million times the energy obtained from an equal weight of coal. At the same time it can save the cost of haulage, storage and handling and plant maintenance as well as the cost of ash disposal.
▸ **SUPPLY**	The world's store of atomic fuel is virtually inexhaustible — whereas coal and oil supplies are limited and insufficient to meet future world needs.
▸ **CONVENIENCE**	Nuclear fuel is compact and easily transportable. It can be carried to parts of the world where the transport of conventional fuels is impossible or where means of transport do not exist.
▸ **SAFETY**	Boiling water reactors are safe and in the United States are being built in centres of population. There, they are also being erected at various universities for training students in this all-important development.

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Executive material

—HOW IS IT TO BE FOUND?

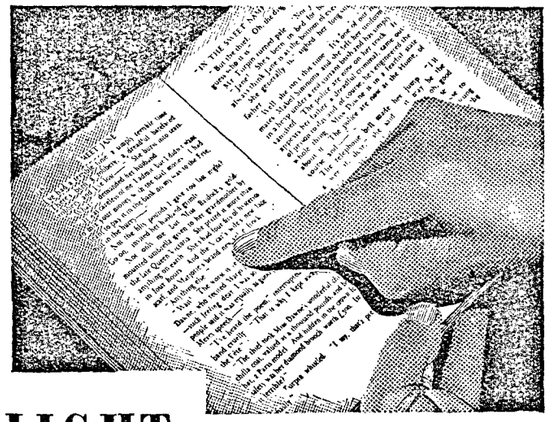
For the fourth year in succession, the Manchester Guardian is helping employers tackle this problem by putting them in touch with intelligent youngsters keen on making a worthwhile career.

On each weekday until March 4, thirty-one leading companies are taking turns to present a whole-page announcement about the careers each of them offers to graduates and school-leavers. The response to last year's announcements was so successful that many of the same firms are taking part again, together with new ones. Here is an interesting and imaginative approach to the problem of staff-recruitment which you may well find worth looking at.

MANCHESTER GUARDIAN

To remind you...

that if you have a vacancy to fill, junior or senior, skilled or unskilled, you should get in touch with The Officers' Association. This organisation is an Employment Bureau, and it has on its books much promising material. If The Officers' Association introduces a man, you may be sure that he is a candidate of complete integrity, potentially suited for that particular job, and well worth interviewing. Next time you have any vacancy whatsoever, why not first try The Officers' Association? Ring them at ABBey 2556, or write to Dept. P.2, The Officers' Association, Windsor House, Victoria Street, London, S.W.1.



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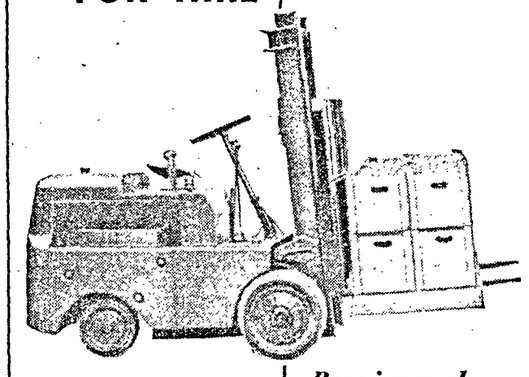
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problems in management:

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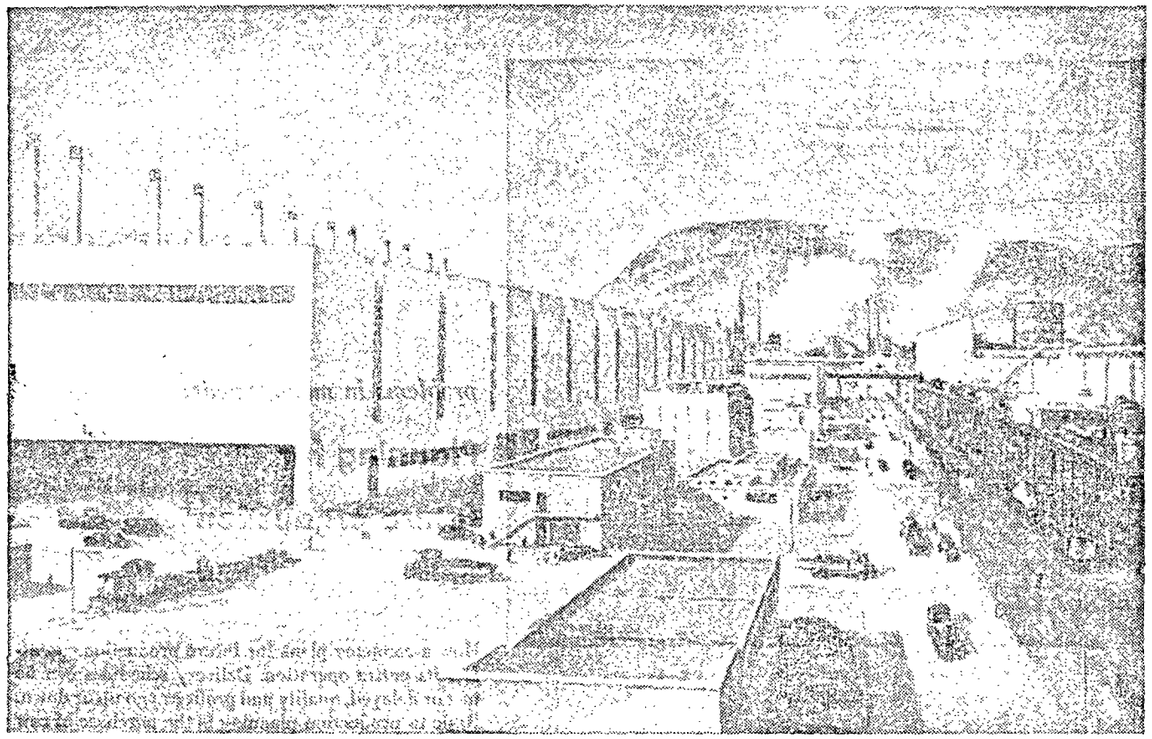
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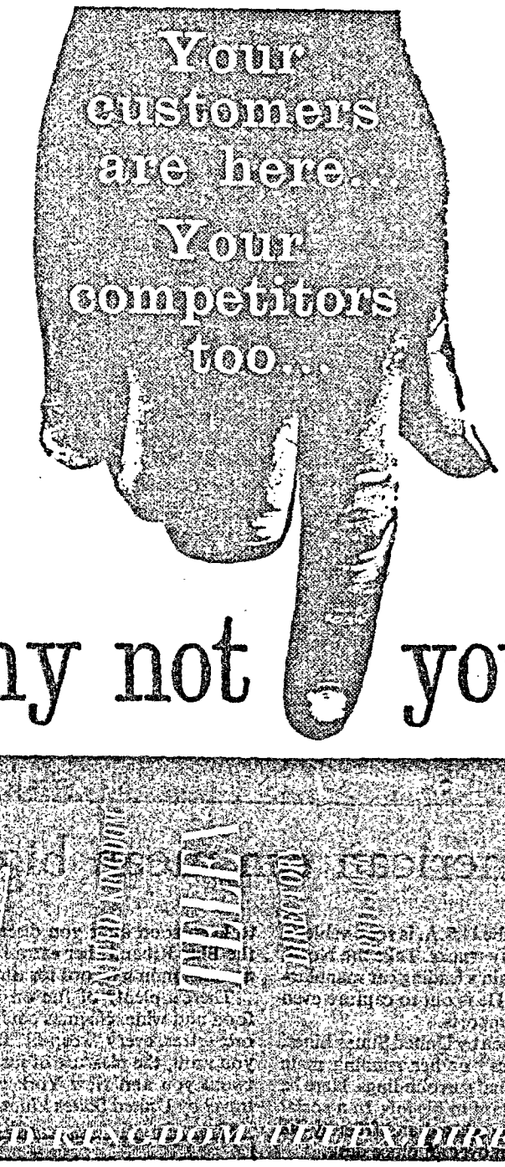
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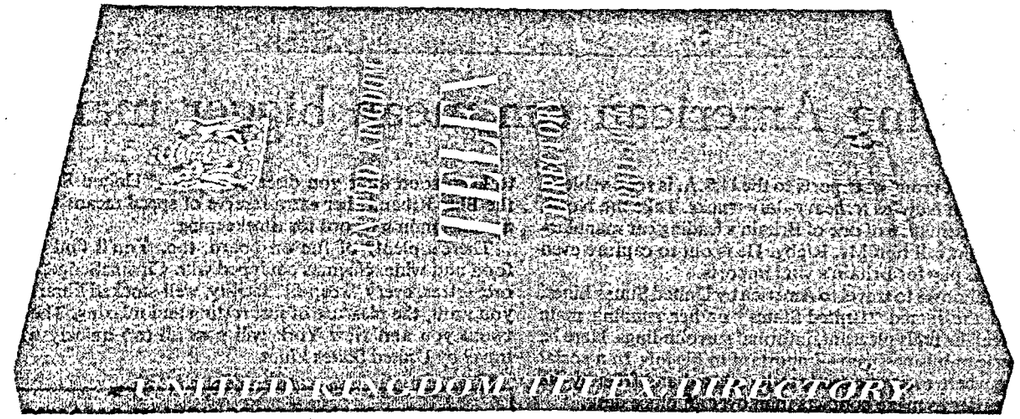
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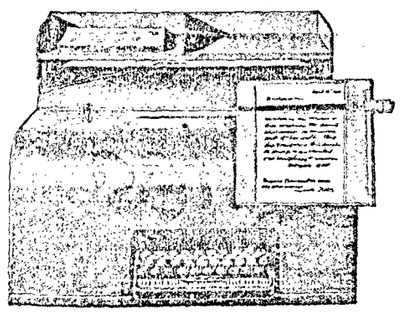
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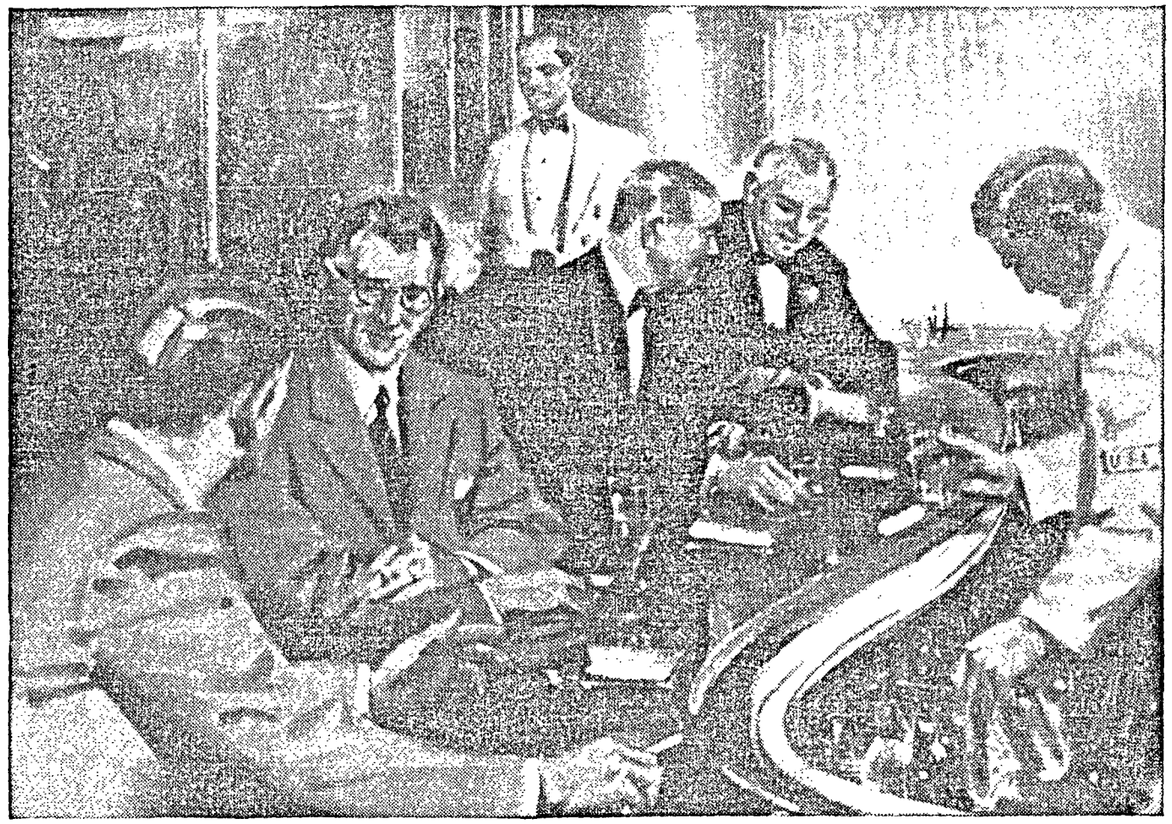
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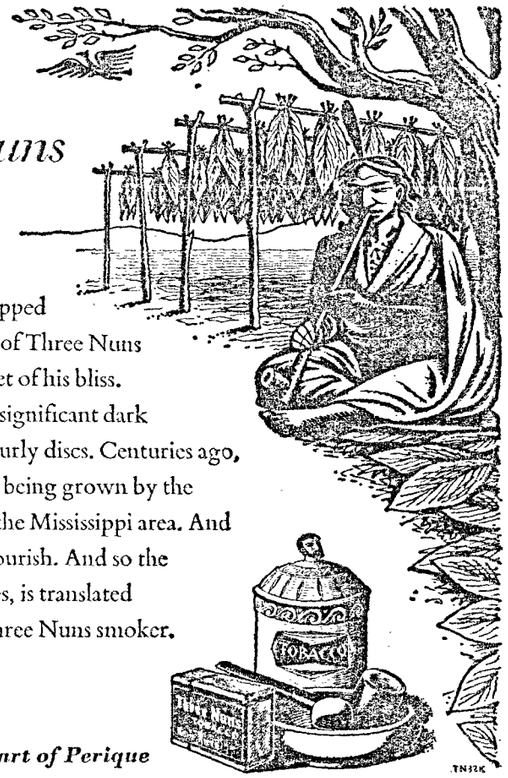
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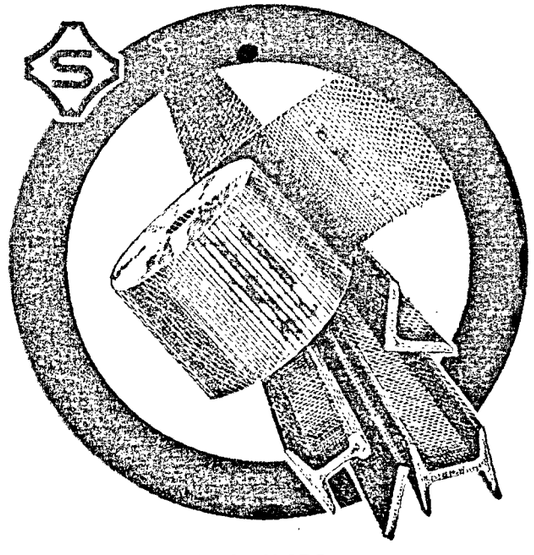




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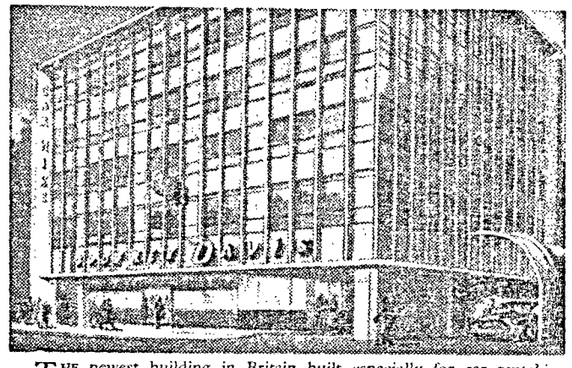
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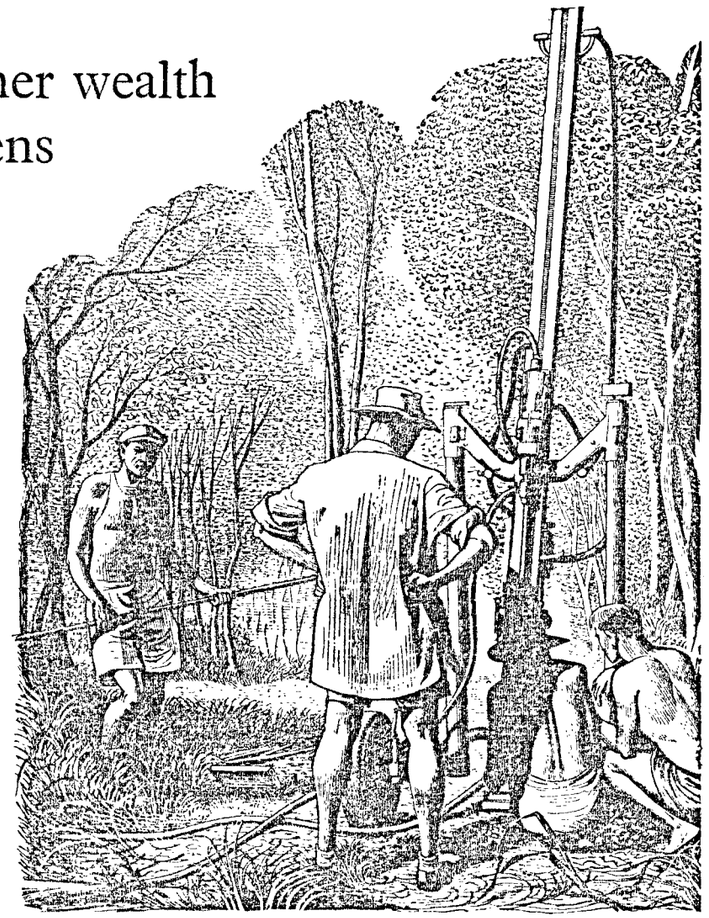
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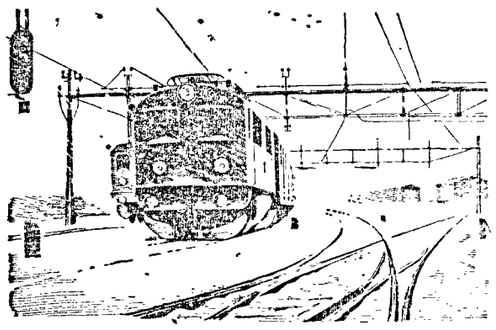


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Amber over Green

THE reduction in Bank rate on Thursday was mainly a technical money market operation ; it is discussed in Business Notes on page 491. It does not mean that the authorities have decided upon a policy of progressive relaxation ; indeed, the fact that the persistent drop in the Treasury bill rate had almost forced them into this reduction may mean that they will feel that they have less room to afford relaxations in other things. But it does mean that the new Chancellor has been thrust, almost certainly unwillingly, into an early step that will have an effect upon the great debate about the future of the British economy, which has suddenly emerged from under the cloud of the Suez misadventure, and is still shadowed by its consequences. There are two apparently contrasting voices. One speaks with increasing insistence of the danger that Britain will lose ground in the world race because of the restraints imposed upon investment and output in the past eighteen months. This is the voice of growth and expansion. The other speaks no less insistently of the limits set to the activities of this crowded trading island by the balance of its payments with the rest of the world, and of the renewed perils of inflated costs and prices if demand is now enlarged again. This is the voice of stability and precaution.

It is with these two voices sounding in his ears that the new Chancellor has now to set about constructing his April Budget, and to decide whether, after this reduction in Bank rate, he will have to tighten up taxation (as Mr Macmillan half threatened to do before he became First Lord of the Treasury), or can leave things as they are or further slacken the screw. Mr Thorneycroft will do well to recognise the fact, which the present controversy may disguise, that this is not an argument about ends but about means. There can be no dissent from the truism that the first objective of economic policy should be to stimulate the productive investment upon which the nation's future standard of life, and its stance in the world, entirely depend. But the opportunity of moving forward into another industrial revolution, with an almost boundless prospect, by building up the nation's capital of machines, its resources of power and its apparatus of communications is constantly overlaid by a dilemma ; the dilemma is that the expenditure of the nation's means on other things—on consumption, on social programmes and the concerns of government, including defence—has not left room enough for the necessary high volume of investment in production. In other words, there has not been the volume of savings to finance it ; and it was to arrest the chronic instability caused by persistent inflation and repeated crises, or threats of crisis, in the balance of payments that the decision was made in 1956 to choke off demand.

The question now, quite simply, is whether the time has come to put expansion first again. The argument is between those who believe that if production is now allowed to go ahead, so that factories and machines can work to the top of their capacity, sufficient safeguards

against renewed inflation and exchange difficulties will be generated in the shape of more goods, higher productivity, lower labour costs and lower overheads—and sufficient savings ; and those who say, with the chairman of Lloyds Bank, that the real need " is rather to create conditions in which a revival of saving will make it possible to press on more rapidly, at one and the same time, with additions to our domestic wealth *and* with the rebuilding of our overseas capital."

On the need " to press on more rapidly," then, there is no dispute. The question is : When ? The advocates of " expansion now " put a strong case. The potential increase in output last year, judged by the number of investment projects that were coming to fruition, must have been at least £750 million ; yet production stood still. And this year, because the rate of investment was still high in 1955-56, there should be a similarly large addition to productive capacity which may, again, not be used. Why, it may be asked, is this state of affairs not reflected, as it would have been before the war, in a considerable rise in unemployment ? The answer is that it is reflected instead in a slowing down of productivity, in short-time working, and in the withdrawal from industry of " marginal " workers—in a new sort of " suppressed deflation."

Whatever the success of the policy of disinflation in producing a balance of payments surplus of probably over £200 million last year, the expansionists say, in the field of labour mobility and labour costs it has just not worked. Despite the constant coming and going of workers between jobs there has not been the " purposive " movement into the more efficient and the export industries that was hoped for. Many of the men have merely slowed down their output or gone on to a two- or three-day week instead. Clearly, looking backwards, a fair criticism of the Government's policy eighteen months ago is that it did not, when it instituted disinflation, move at the same time against the blockage in the housing market by introducing the Rents Bill then. Since production has stopped rising, labour costs per unit of output (which it was one of the purposes of disinflation to contain, because in 1955 they were increasing faster than those of our competitors) have risen not less, but slightly more, rapidly than before.

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There is the core of the argument, which is both widely and respectably supported, for a return towards the " flat-out production " policy of 1953-55 : that a country which has indefinitely to keep down its rate of production cannot prosper ; and that the country's competitive position, which has not improved during the slow-down, will be worse still in a year's time. Mr Thorneycroft will surely not under-estimate the weight of these arguments ; nobody can fairly suppose that a few days in Treasury surroundings can have committed him to restrictive and defensive attitudes ; his wish will be—it must be—to give what encouragement and incentive he can. What " he can " ; there is the test of judgment and the touchstone of decision. As the Chancellor settles down to make, not a blue-print for the next twenty years, but a Budget for the next financial year in the light of this year's and next year's facts, he is obliged to weigh also with care and responsibility the other arguments which would set the signals now not at green but at red.

Whatever his aspirations, it is in fact to the immediate outlook for the public finances and for the national economy that the Chancellor must necessarily address himself first. On the Budget proper, while civil expenditure (in real as well as in money terms) threatens to rise sharply, the projected reductions in defence expenditure are more likely, in 1957-58 as distinct from subsequent years, to be counted in tens rather than in hundreds of millions. The barometer for the economy at large must be the prospective balance of payments. Normally, on the basis of the external surplus of £200 million or more achieved last year, domestic demand might reasonably be somewhat enlarged this year. But the cost of Suez has to be paid, in both real and money terms. The current six months may well show a further shortfall in the balance of payments ; and the possibility of industrial expansion in coming months will, in any case, be limited by the availability, and the cost, of oil supplies. Wage rates and, as the expansionists themselves argue, labour costs per unit of output are still rising ; and prices are likely to rise again from the " plateau " that was achieved in the last nine months of last year. And Britain has already thrown in its second line of dollar reserves, which are in any case —and this is the nub of the problem—not adequate to serve a properly flexible policy.

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These are dampening thoughts, which Mr Thorneycroft, with the best will in the world, cannot avoid. He can argue, fairly enough, that foreign confidence in the pound will not be sustained for long if British production stays indefinitely stagnant. But neither will it if the balance of payments deteriorates again—in the long run (and not so long a run at that) it is trade, not psychology, that determines the value of the currency. There is the dilemma ; and the trouble is that the credit squeeze and austere budgeting (with tax levels already penal), instituted to make possible a larger advance on a more even keel after a pause, have had such a delayed or diminished effect in restoring the balance between supplies and demands, between resources and requirements.

What, then, should be the Chancellor's mood as he broods at his desk ? Undoubtedly he should be eager to do as much as possible, without courting a calamitous setback, to re-activate the upward cycle of investment and output, and certainly, by keeping in good heart those who have to make decisions this year, to prevent an actual, and deeply damaging, downturn later on.

Equally he is bound to set his face against simply letting things rip. In the field of monetary policy he has resisted the powerful technical and other arguments for lowering Bank rate for some three weeks longer than the money market itself had expected ; now he must face the fact that, as things are, this weeks' reduction in the price of money may merely mean relying more on the continued rationing of its supply, undesirably, by physical controls (directives to bankers, etc.). But his main instrument of policy must clearly still be his Budget; and there the lower and upper limits are plain. Presumably, at the one extreme, he will not, despite Mr Macmillan's warning, put income tax up. Probably, at the other, he will find it hard to go as far in relaxation as both to restore the investment allowances and to implement all the " Royal Commission " reforms in taxation (to the extent of £150 to £200 of tax reliefs). But, equally plainly, his right course will be to go as far as he dare, if only in reshaping the intolerably heavy tax burden to reinstate incentives in some degree. In choosing between the green light and the red, the Chancellor will probably be wise to set up a new signal, unknown to the Ministry of Transport, of amber over green.

Liberty, Equality, Sorority

ONE aspect of the Suez venture has not yet been fully explored: its ultimate effect on the Commonwealth bond. In November, while the Government's supporters found comfort in reassurances from Australian, New Zealand, and some private Canadian sources, its critics—among them *The Economist*—were quick to point to the intense strain it had straight away imposed on the bond. While Canada pressed for a quick shift into reverse gear and the South African Nationalists publicly washed their hands, in Asia Mr Nehru, Mr Suhrawardy and Mr Bandaranaike each breasted angry waves of " quit the Commonwealth " agitation. They were helped to ride these waves by the speed with which Britain and France agreed to cease fire and withdraw ; and with the completion of the withdrawal the immediate crisis was passed. But the long term effect is another matter.

Nobody seriously denies that the attack on Egypt has left a permanent mark on the Commonwealth relationship. To date, however, most discussion has turned on the over-simple issue of the size of the mark. The Left depicts it as hugely sombre ; it adds that the Asian member countries would probably have snapped the bond at once if they had not seen that the British themselves were divided. The Right asserts its confidence that the bond will hold ; but is sometimes heard muttering that it might be no bad thing if it did snap: " Then we'll know who our real friends are." What seems missing is any awareness that these events have probably affected the nature of the Commonwealth relationship quite as much as its strength. And in this change of character there is one encouraging element—though it is not of a kind to encourage Blimps.

The underlying psychology of the pre-Suez relationship could have had no more vivid illustration than the way the Asian member peoples reacted to the attack on Egypt. Their indignation was at once channelled into demands that their countries should leave the Commonwealth. Yet its eight—soon to be nine—sovereign member states are constitutionally equals, wholly independent of one another ; and anyone who doubts the genuineness of this independence has only to study their varied voting records in the United Nations, or their attitudes on issues ranging from Nato to China via Kashmir. Now, if one member of a club offends another by his behaviour, it is an odd and unusual reaction for the offended party to think of severing his ties with the whole club. Yet never for a moment was it suggested that it was the offender, rather, who should be expelled or suspended from membership. When taxed with this at the time, even Indians who are articulately proud of their country's republican status, independent policy, and prominent place in world affairs, tended to retort with the argument that, after all, " you have the Queen here."

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Is it, then, not unfair to say that at least up to November Britain's seven sister nations were not fully adjusted to the equality of status they had attained ? In public, sisterhood was being tirelessly reaffirmed ; but in the privacy of many Asian, as well as Canadian or Australian, hearts, Britain was still regarded as mother—and expected to pour the tea.

Britain's historical role as mother country is not in dispute. But a conventional mother-daughter relationship ends when the daughters are mature enough to handle their own affairs. A certain time-lag may occur before the daughters see their emancipation clearly, especially if the old lady preserves a reputation as a shrewd adviser. But if Mum is caught pinching hats in Oxford Street, the relationship changes abruptly. She is now in need of advice herself. The daughters may appreciate that she has lately been under severe strain ; but they have lost their mother-figure. And, to be blunt, it was high time they did.

There is no point in pretending that the Commonwealth is at this moment a particularly happy family. But it would be equally silly to read too much into such portents as an Oxford Union resolution that Commonwealth membership is now " meaningless." Long before Suez, membership had ceased to be based on a stereotyped " loyalty " implying blind acquiescence

in any course Her Majesty's Government in the United Kingdom might take. Today the basis for membership is the visible interest of the sovereign members in belonging to a large, inter-continental, and yet familiar group. The material advantages of their association are, admittedly, sometimes shared by non-members—as in the cases of the sterling area and the Colombo Plan; nevertheless, without the Commonwealth neither sterling area nor Colombo Plan would have evolved. The looseness of their bond even leaves room for bitter dispute between individual members—as witness Kashmir. The flaw in their relationship in recent years has not been a lack of "loyal" uniformity, but rather their seeming inability to appreciate that Britain's apron strings are now no more substantial than the emperor's new clothes.

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Some kind of shock was probably needed to bring their psychological relationship into line with the constitutional. In providing this shock, Sir Anthony Eden's government may have contributed as decisively to the evolution of the Commonwealth as Mr Attlee's did when it transferred sovereignty to India, Pakistan and Ceylon. But it should not be supposed that only the Asian members have been affected, or stood in need of shock treatment. Canadian critics who have long assailed their government with the charge of adopting a moral posture in world affairs, but doing nothing much to help matters, now have the gratification of seeing Mr Lester Pearson, the godfather of the United Nations emergency force, and General Burns, its commander, in the thick of the struggle to restore Middle Eastern peace. In the antipodean Realms there are signs of a re-examination of the simple tenets—"wherever Britain stands, we stand"—beloved by Mr Holland and others. And realms and republics alike will welcome signs that Britain, too, has taken the point. The oldest among them has in the past been irritated as much as the youngest by the bland proprietorial references of some Westminster politicians to "our Commonwealth."

Many people in this country will not find it easy to make the mental adjustment that is now called for. In their mood since the Suez crisis there is a strong element of what might be termed ingrowing imperialism: not aggressive but possessive, not a wish to strike out but an impulse to clutch at something that is vanishing. No impulse could be more misguided. As one of a sisterhood, Britain enjoys the prospect of a long, lively, sometimes quarrelsome, but always healthy, life in the family of nations that has grown up around it. In the capacity of elder sister, it has a clear and special responsibility towards the other members—notably in the event of a threat to the common weal. But if it tries to keep up the role of a dominant Mum, it will not only hamper their efforts to play their full part in the affairs of a world that needs the utmost they can offer; it will also be shortening the life of the Commonwealth. The Government would be well advised to give a lead to public opinion by some gesture indicating that it recognises and welcomes the transition to real sisterhood. The obvious gesture is a proposal that the next meeting of the Prime Ministers of the Commonwealth should be held, for the first time, not in London but in one of the sovereign members' other capitals.

FORMOSA TODAY—II

Aspects of a Myth

FROM OUR SPECIAL CORRESPONDENT LATELY IN TAIPEH

THE impermanence of communism is an article of faith in Taipeh and in Washington. This belief explains the persistence of the Chinese Nationalist myth of an impending return to the mainland. That communism—in China as elsewhere—contains within itself the seeds of its own disintegration is common ground between Chinese Nationalists and American officials concerned with Chinese affairs. This permits Americans to subscribe to the myth without necessarily accepting the Nationalist view of how to translate it into reality.

After all allowance is made for the element of propaganda in Nationalist promises to "recover the mainland" soon, or in a stated year, there remains a hard, unshaken core of belief that President Chiang Kai-shek, or his successor, *will* regain control of China, by means that are not stated. There are certainly Americans who share this belief, but the highest American officials tend to interpret it as meaning that (later, perhaps, rather than sooner) communism will collapse in China, to be replaced by a nationalist regime. The advent of such a regime, it is argued, would make possible the reunification of Formosa and continental China; thus the "return to the mainland" would be accomplished. Implicit in this argument—though it is seldom explicitly stated—is an assumption that the leaders of the new nationalist regime would not necessarily be Chiang Kai-shek or his successors.

It is important to realise that this distinction exists, because the extent to which the myth is a real danger to world peace depends on the time and the manner in which it is to be translated into reality. It is not the purpose of this article to examine possible means of reducing or eradicating the danger, but an understanding of the myth is essential to an understanding both of the international problem which Formosa presents and of the domestic state of the island. Without

reference to the myth, the existence of two governments—central and provincial—and two bureaucracies on Formosa would be unintelligible. The myth has itself become a political fact. It explains why there can only be "local" elections on the island—not national ones (more than 99 per cent of China's population being on the mainland). It is a reason why the creation of a separate and independent "Republic of Formosa" is at present a political impossibility. The myth, however interpreted, helps to justify America's wholehearted support for the Chinese Nationalist regime and refusal to recognise its powerful rival.

Considering the limitations inherent in acceptance of the myth, the regeneration of the Nationalist government and the resurgence of the Kuomintang as a party are phenomena that surprise the visitor to Formosa. Like the Long Parliament, the government of the Republic of China goes on and on; unlike the Long Parliament, it has managed not merely to stay alive, but (as an article in *The Economist* last week explained) to improve itself. The National Assembly that now sits in Taipeh was elected in China in 1948, and the terms of its members have been extended indefinitely; so have those of members of the Legislative Yuan, whom the National Assembly elects. Chiang Kai-shek was re-elected as President in February, 1954; his second term expires in 1960.

The self-improvement is evident, but the major anomalies of the dual administration could be removed only if the myth itself—the justification and condition of survival—were discarded. Thus the cumbrous apparatus of the old Chinese government, with its five Yuan (branches), continues to function as though the territory under its purview still covered four million square miles, instead of less than half the area of Scotland. The Executive Yuan (cabinet) is kept busy, of course, though some of its functions are duplicated by branches of the provincial government. But the other four Yuan—Legislative, Judicial, Control, Examination—are sometimes under-employed; and their search for occupation does not always serve efficiency.

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Within the limitations of its national claims, however, the Nationalist government has done much to reduce the cumbrousness of the administrative machine. The central government bureaucracy has been pruned and is outnumbered nearly four to one by the 81,000 civilian employees of the provincial and local authorities. Local autonomy is now reasonably satisfactory, municipal and district councils having been elected by direct and secret ballot since 1950-51; five mayors and sixteen district commissioners are likewise elected; so is the provisional Provincial Assembly of 57 members. In all these elections, an overwhelming proportion of Taiwanese (Formosan-born Chinese) candidates were successful. The general direction of local affairs remains, however, firmly in the central government's hands through its appointee, the Governor of Formosa.

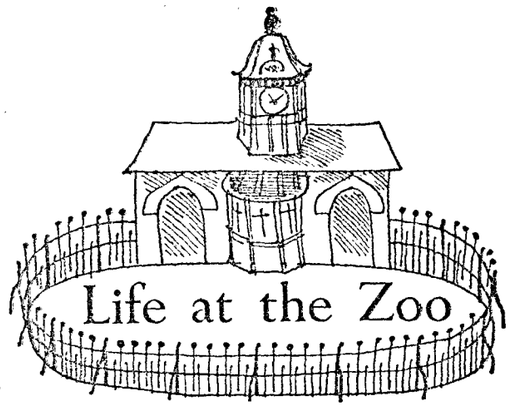
In the artificial circumstances of Formosa, political, as distinct from administrative, life tends to stagnate. As determined by the yardstick of the Chinese elections of 1947-48, the Kuomintang continues to be the dominant party. Two other anti-communist parties, the Young China party and the Democratic Socialists, flourish, however, and the first of these is represented in the central government. The need for security has limited the full application of the freedoms guaranteed by the 1946 Constitution, but it would be wrong to think of Formosa as being in a state of terror. It may be impolitic to question the myth; but the atmosphere, whether in Taipeh or elsewhere, is extraordinarily friendly and relaxed, and speech is uninhibited.

Though constantly under threat of war, Formosa is more secure internally than, say, South Vietnam, and the encroachments on personal liberty are consequently fewer. Most of the time, people are left alone and the privacy of their correspondence is respected. Then a sample check may be made and further action taken if deemed necessary. The Nationalist government is haunted, however, by the fear of airborne landings. As a result, stringent security restrictions curtail movement in the mountainous interior of Formosa. Your correspondent had to obtain a special pass, authenticated by a photograph, before being allowed to visit a power house in central Formosa—and credentials were scrutinised at police check-points in the forbidden area. Apart from these precautions, there is complete freedom of movement in Formosa. The term "free China" is more than a figure of speech.

The international cloud of uncertainty that hangs over the future of Formosa inhibits speculation about the future of Nationalist China's leadership. But it is reasonably certain that so long as President Chiang is alive and in good health, he will remain the unquestioned leader of his fragment of a divided nation. If death or incapacity were to remove him within the next few years, it may be assumed that he would be succeeded by the Vice-President, General Ch'en Ch'eng, who, at 59, is ten years younger than the Generalissimo. Ch'en Ch'eng, a fervent Nationalist and an able administrator, can claim much of the credit for the success of the land reform programme, and for restoring good relations between the mainlanders and the Taiwanese during his term of office as Governor. With him in office, the powerful but shadowy figure of the President's son, General Chiang Ching-kuo, would no doubt remain in the background, charged, as now, with security and intelligence.

Beyond that—beyond the deaths or retirements of Chiang Kai-shek and Ch'en Ch'eng—it is impossible to see. Whether the *de facto* separation of Formosa from the mainland would then be enshrined in the creation of a separate state would depend as much on developments on the communist mainland as upon the evolving attitudes of the Nationalists. All that can be said with certainty after a visit to Formosa is that today such a possibility does not enter into politics.

(Concluded).



IN the quiet streets north of Regent's Park the Zoological Society of London has brought together the closest concentration of varied animals in the world, a total of some 3,300 (excluding fish and non-vertebrates), which are joined each year by more than two million human vertebrates on the other side of the bars. It has now entered upon a programme of considerable improvements and development, of which the first part—an animal hospital—was opened last month. Together with the society's complementary park at Whipsnade outside London, the zoo attracts some 2.6 million visitors each year ; on that basis, it can probably claim to have a larger custom than any other single British place of entertainment offering an unvarying daily programme. Regent's Park and Whipsnade are the most famous British zoos, but there are some dozen others (and a larger number of near-zoos) all over the country.

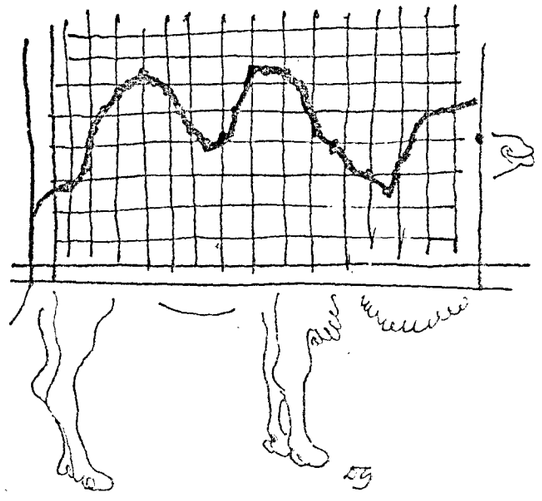
Most zoos are run by private companies in conjunction with fun-fairs and circuses : they have the advantage over those run by scientific or quasi-scientific societies that they need to keep only the larger and more spectacular animals, many of which are comparatively easy to feed and care for. The London zoo, on the other hand, has the almost unfair advantage of 36 acres of Crown land in the middle of the biggest mass market; it is none the less remarkable that it should continue so successfully to combine the pursuit of knowledge with popularity, in an age when other bodies with similar original objects find it increasingly hard to reconcile the two.

The Zoological Society was established by a group of eminent scientists—including Sir Stamford Raffles and Sir Humphrey Davy—in 1826, with the good nineteenth century aims of "the advancement of Zoology and Animal Physiology, and the introduction of new and curious subjects of the Animal Kingdom." Shortly after its foundation it received its Royal Charter and opened the gardens, since when it has never looked back. It is, first of all, a scientific body. It publishes learned monographs and, to encourage research, sends expeditions to foreign countries to work in zoology. And the public is prepared to pay for the pleasure of looking at its animals to such an extent that it contributes roundly to the scientific expenses.

Running the Regent's Park zoo is in itself an expensive business. Provisions for the animals alone cost the society over £90,000 a year, despite the fact that it has a farm at Whipsnade which produces large quantities of fodder. A large elephant, for example, eats about a hundredweight of hay a day, along with oats, bran, fruit and vegetables, as well as the delicacies he may pick up from his fans ; his official food alone may cost £400 a year. A lion, eating ten or twelve pounds of meat a day, may have £200 spent on his food in a year. These mouths, however, are not the hardest to fill, although friends of the zoo may help out in difficulties. A noble earl helps to keep the giraffes supplied with the evergreen oak of which they are so fond, and another friend of the zoo charged himself with providing earthworms for a kiwi, which ate some 300 lb last year. Locusts and flies are bred as food on the premises: of more ordinary provisions, the zoo consumes 100 tons of meat a year, 14,000 eggs and 13,400 pints of milk.

All this expenditure is rather more than covered by the zoo's several sources of income. In 1955 the society earned more than £210,000 from admission charges at Regent's Park, £21,000 from fellows' subscriptions at £3 a time, and nearly £25,000 from catering profits and the sale of guides and souvenirs. The chimpanzees earned more than another £1,000 on admissions to their tea-party, and charges for rides on animals brought in nearly £5,000. The total income at Regent's Park in 1955 exceeded £295,000 (against £281,000 of expenses); income at Whipsnade exceeded £110,000 (against £93,000 of expenses) ; and both zoos probably showed another profit last year.

The "introduction of new and curious subjects of the Animal Kingdom" to Regent's Park is effected partly by purchase (£11,000 was spent on cost and carriage of animals in 1955), but also by presents to or deposits in the zoo from kind friends. Sir Winston



Churchill, for instance, lent a lion which was presented to him and which would no doubt have been a nuisance around the house ; and he has recently done the same with some small tropical fish. His name is included in the list of donors, together with—to cite from the 1955 list—some intriguingly varied colleagues: "Leckford Estates Ltd., one Falcated Teal," "the Ministry of Works, one Tufted Duck," "Master S. Atkinson, three House Mice," and—surely most alarming of all—"General Post Office (Returned Letters Section), three Spotted-head Snakes." One should not forget, too, the small, ordinary bear presented by Mr Khrushchev to Prince Charles last spring, which would have proved a bit much for the Private Household.

In addition to these contributions from donors in this country, the society has friends abroad who present animals, or it may arrange an exchange with some foreign zoo or society. (The 1955 list of donors includes "the Zoological Gardens at Prague, two Hungarian skunks and four Smooth Snakes.") The society's research expeditions may also take the opportunity of collecting some animals of special interest, so that the fruits of the expedition may help to pay for it.

The greatest boon to the zoo's receipts is, however, the way in which certain animals catch the public fancy. Before the war the arrival of the giant pandas from China increased the number of visitors enormously, but the supply of these absurd and delicate bears has been cut off by political troubles. The biggest boom of all was caused by the birth of the polar bear cub, Brumas, in 1949 ; she brought almost a million more people into the zoo in that year. But Brumas is a big girl now ; interest in her has waned, and the attendances have fallen again to their "normal" annual level of two million odd.

At present, then, the desire to look at animals seems both deep-rooted and steady : it also seems unlikely to be harmed by those customary scapegoats of unsuccessful entertainers—television and the cinema. A nodding acquaintance with Little Men from Mars seems rather to whet the appetite for crocodiles and gorillas, and the joy given to thousands of children by those apes with coloured behinds is unlikely to fade until colour TV enters British homes. In fact, one of the strongest claims of television to be educational is that it has stimulated interest in animals ; the BBC used to have a zoo series, and a regular weekly programme from Regent's Park has recently been arranged with an independent TV contracting company. This year the London zoo may benefit even more because of petrol rationing and the difficulty of getting out of the city. How nice to know that those exhausting afternoons with the children and that uneasy sense of kinship with the chimpanzees will serve to advance the cause of science.

Notes of the Week

Mr Sandys Returns

IT will now be for the service chiefs to appraise, digest and argue about the practical military implications of Mr Sandys's mission to Washington—which, be it noted, was an exclusively civilian one. There is likely to be a lot of appraisal, digestion and argument between now and the publication date of the defence white paper, which was originally due this month but will now probably be delayed until nearer the beginning of the new financial year. Mr Sandys's course is a tricky one. The only economising achievement that can reasonably be expected of him in the immediate future is to turn the defence estimates for 1957-58 over the hump, to start them falling instead of perpetually rising ; the question is whether those of his advisers who, at heart, deplore the economy campaign (and they have some perfectly reasonable arguments on their side) will try to play on this point sufficiently to block the Government's second and major aim. This second aim is to get into the right posture for reducing the eventual defence bill—by, say, the end of this Parliament in 1959 or 1960—to a level more in line with that of other European members of Nato, and thus to save those not-quite-chimerical hundreds of millions of pounds.

Mr Sandys has brought back from Washington two contributions to these aims. First, he has apparently got the right sort of rocket: Britain is to receive American missiles, including the medium-range ballistic missile (which should eventually lead to economies in the V-bomber deterrent force) and various other rather less apocalyptic devices that are discussed in an article on page 487. By relieving British industry of the need to go it alone in the research on, design and production of, every type of weapon, this could considerably relieve the long-term strain upon Britain's scarce and precious resources of scientific and very skilled technical manpower ; but the economies, in money terms, will not be great. The real question for those who want large defence economies is when and whether Mr Sandys can start getting rid of general conscription. The communiqué issued after the Washington talks reflected General Norstad's anxiety that "military capacity, conventional as well as nuclear, must be kept in a high

state of readiness"; but it went on to recognise that "financial and economic stability is an essential foundation of military strength, and that this must be taken into account in assessing a country's defence contribution." Translated from the communiquese, this appears to mean: if (or, rather, when) Britain cuts down the number of its conventional forces in Germany and elsewhere, on the grounds of economy, the United States will not take this as any justification for a commensurate reduction in its own forces. To have secured this intimated assurance is a considerable personal achievement for Mr Sandys.

Sinai and the Assembly

THE General Assembly of the United Nations was right to stress in its resolution of February 2nd that scrupulous observance of the 1949 armistice by both Egypt and Israel is the aim to be sought. It should not, in its anxiety to secure complete Israeli withdrawal from Sinai, lose sight of the fact that freedom for Israeli shipping in the Gulf of Aqaba and the Suez Canal are included in the armistice requirements. How to secure withdrawal *and* the maritime freedom of Israel is the issue.

The first resolution of February 2nd "deplored" Israel's failure to complete the withdrawal from Sinai and Gaza and "called upon" Israel to do so without further delay. The second "called upon" both countries to observe the armistice and "considered that" the UN emergency force should take up positions on the demarcation line. The guarded language of the second is explained by the need to get a two-thirds majority for it. The voting upon it nevertheless contained a mite of promise for the future. India and Indonesia were among the sponsors and the Asian block, with the exception of the Arab states, voted solidly for it. Even the Arab states were content to abstain.

The Secretary-General was requested, by the same resolution, to consult the parties and report back. When he does so it will be to tell the assembly that Israel, lacking the guarantees it seeks, has refused to withdraw. The assembly might reasonably expect to know at the same time whether Egypt intends to keep the canal and the Gulf of Aqaba closed to Israeli shipping; for according to the principle it has itself enunciated, total observance of the armistice is the intention. Israel has told Mr Hammarskjöld that if Egypt renounces its claim to blockade the gulf, withdrawal will be made easier. The degree of condemnation of Israel ought to take account of Egypt's willingness, or unwillingness, to observe the agreement. If, in the end, sanctions are considered (which would itself be unfortunate), they must surely depend on Egypt's renunciation of belligerent rights.

A great deal of responsibility now rests on the United States. Mr Lodge approached the problem warily on February 2nd, perhaps because his government's anxiety to secure a favourable reception by the Arabs of the Eisenhower doctrine made him over-sensitive to Arab opinion. The effect was to put upon Mr Hammarskjöld more responsibility for action than his office can bear. His report will put the matter back in the assembly's lap, and the day will be nearer when the Israeli withdrawal, and Egypt's observance of other parts of the armistice will call for action of equal urgency.

Russia Slackens Pace

THE Supreme Soviet opened its budgetary session in Moscow on Tuesday with a heavy programme before it. In addition to the economic plan and budget for the current year, the deputies will be asked to endorse the long-awaited new legal code; finally, they will hear a review of the international situation. Changes in the government, if any, can be announced at any stage, as Mr Malenkov's resignation was announced two years ago.

The session has already begun with a portent of apparent change of policy. Mr Pervukhin, the new chairman of the State Economic Commission, announced that Soviet gross industrial production this year would increase by 7.1 per cent. Although it is still a high rate of growth by general world standards, this represents a considerable slackening of pace compared with the general pattern of Soviet development since the war, or with last year's rise of 11 per cent. Heavy and light industry will both be affected by the fall, and unless production is to be speeded up in the following years, it will fall far short of its targets even in such basic branches of the present five-year plan as coal and steel. The prospect of such a revision is more striking than the further reduction of the military budget from 102,460 million to 96,700 million roubles, which brings the direct share of defence down from 18 to 16 per cent of total expenditure.

A closer scrutiny will be needed to decide whether this declining rate of growth is a temporary feature brought about by technological requirements, or whether it marks a change in the direction of Soviet economic planning. Even if the Russians choose to depart from their established principle of mortgaging the present for the future, it will remain a question who is most likely to benefit from such a relaxation: domestic consumers, or the eager claimants from Eastern Europe or China. The new emphasis on housing would indicate that pressure at home is likely to prove the strongest. The foreign affairs debate in turn may show how far, in the Russian view, the state of international politics justifies a period of economic relaxation.

Pensions from the Moon

THE Labour party's embryo plan for pensions has reached the stage—usual for a Labour document some two to three months before publication—where plausible leaks about it are getting into the newspapers. There are two kind things, and one very unkind one, that may need to be said about it. It is clear that Labour is going to propound the principle that both pensions and contributions should vary with income; that is a most commendable advance. The reputed aim of at least "half-pay for everyone on retirement," if it could really be paid for, would also be a redistribution scheme of the right kind; the sort of social service that is needed now is not a further equalisation of incomes between different people, but greater equalisation of each person's standards at different stages of his or her life. Unfortunately, the principal question remains: whether this plan is to be regarded as a policy or as a propaganda device

will depend on the way in which it is proposed that it should be financed.

The first indications are depressing. The figures published in some newspapers last Sunday strongly suggest that Labour, having left aside all such nuisances as demands for actuarial balance, is falling back into one of the oldest arithmetical delusions in the business: since the number of current contributors is always likely to be several times the number of current pensioners, 8 per cent paid out in respect of each contributor (including 5 per cent paid out by the state) might seem to suffice to "finance" pensions at near to half-earnings. This would be a variant of the old chain-letter trick: today's recipients are paid for by today's contributors, and today's contributors will be paid, when they become recipients, by contributors of tomorrow.

It is no answer to say that nearly all state pension schemes, including the present national insurance scheme, fall into some sort of actuarial deficiency. The size of the strain that is then put on the national economy depends on the size of the deficiency; and it is not really difficult to understand how the strain would have to be met. Savings for old age are the larger part of the nation's normal personal savings; when these savings are transferred to support the current spending of pensioners they are dissipated, and have to be replaced by new savings forced through higher taxation. That higher taxation would be additional to the contributions proposed under the scheme. The Tories may be going to have great fun employing actuaries to work out how astronomical this additional taxation would have to be. If the Labour executive has been handed the sort of proposal one fears, its best course is clear: it should scrap the present draft, make a general statement of aims, draw frank attention to the actuarial problems, and say that Labour will refer the question to a Royal Commission or the Government Actuary as soon as it gets into power. It will be a pity if the party is going to make a laughing stock of itself by parading as a policy any arithmetical enormities Mr Richard Crossman may have thought up in his bath.

To the Guillotine

PARLIAMENT'S machinery will only work if there is sensible co-operation between the two sides, and the past week has presented observers with two depressing instances of what happens when such co-operation is not forthcoming. The first was over the Death Penalty Abolition Bill. Although nominally sponsored by Miss Alice Bacon, this was in fact the bill which Mr Silverman piloted through the Commons last session, only to see it thrown out by the Lords. If the Commons could have passed it again this session, the Lords' veto would have been overridden. But it was only second on the list for debate in private members' time last Friday. Ahead of it was a minor bill about advertising hire purchase, and Tory MPs chose to speak about this for the whole five hours of the sitting. One Tory spoke for over an hour. Filibustering is against the rules of the House, but the Labour abolitionists clearly felt that the Tories would not have been nearly so loquacious if the second bill had been one they liked. Nor they would; but Labour members would have resorted to precisely the same practice if it had seemed to be to their advantage.

The proof of this is to be found in the second example of the Parliamentary machine getting jammed in the past fortnight. This has been over the Rents Bill. So little progress was being made by the standing committee considering it in detail that the Government has had to wheel on the "guillotine," and impose a timetable for the rest of the bill's progress through the Commons. Labour made the usual outraged noises, but the "guillotine" has now been used several times since the war by both Labour and Tory Governments: at each application, the arguments on both

Letter to the Editor

SIR,—In addressing to you a series of letters upon banking, I do not pretend to have any perfectly new theory to advance. On a topic of which the literature is already so copious, absolute novelty would be scarcely a recommendation, but on a complicated question it is desirable that the various lights in which its details strike individual minds should be continually expressed. . . . There is another reason for its being desirable that much should be written on the currency. It is peculiarly a subject on which men are apt to follow the course of their own thoughts. . . . There is a kind of hot-headedness in the pursuit of very abstract truth; a mind which has once made the painful puzzling effort will not allow a question as to the value of the result. In a little while a man's system becomes part of himself; he has so ingrained his mind with the repetition of a single argument, that to doubt his own theory seems like doubting his own understanding. The only way of avoiding all this, is that many people should be allowed to give their opinions, and that each should be at the pains to follow and master the opinions of the others. Every now and then money is scarce, and people begin to think why it is scarce. . . . The knowledge so acquired is very much like the degree of attainment which desultory men sometimes acquire in a language. . . . The public are always in the grammar of the currency; they give no such day by day consecutive attention to it as is necessary to thorough knowledge. The subject cannot, however, be really settled until it has been duly reflected upon by able and considerate men of business. These are the only sure judges. . . . Men of business in England do not, however, like the currency question. They are perplexed to define accurately what money is; *how* to count they know, but *what* to count they do not know. On one point only is there a true agreement. All real Englishmen are firm bullionists. They understand coin; there is something substantial in that; but that rectangular slips of oddly marked paper should be fancied to have inherent value puzzles them, bores them, and angers them. . . . There is nothing indeed in the subject which should frighten really thoughtful men of business. I do not say it can be achieved by a rushing man in a railway train, but there is nothing in it to deter quiet, composed, considerate men of action.

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The Economist

February 7, 1857

This extract comes from a long letter on "The General Aspect of the Banking Question," signed "A Banker," which was Walter Bagehot's first contribution to THE ECONOMIST. *From it and the letters that followed arose an invitation to James Wilson's house to discuss the question further and Bagehot's meeting with Wilson's eldest daughter to whom he became engaged at the end of* 1857.

sides get more perfunctory. The conclusion to which one is being driven is not that this trend to perfunctoriness should be reversed, but, rather despairingly, that it might be better to agree to introduce a timetable from the start of any bill certain to arouse controversy—except, of course, financial and constitutional measures. The case for "guillotining" the Rents Bill was unanswerable. After nine effective sittings, the committee was still dealing with only the second of the eighteen clauses and eight schedules. Now it is given another eighteen sittings to finish its job. Probably that will be enough; but any slight danger of skimping discussion on the later clauses would have been avoided if the committee had been dealt a maximum of twenty-seven sittings to consider the bill from the start. A still better remedy, of course, would be for MPs to come to realise that delaying tactics do not add to their parties' reputations, and for them to be sharply told this whenever they indulge in them. A growl of disapproval deserves to be uttered, this week, towards both right and left.

Voices On

THE case was put in *The Economist* last week for the appointment of another Mr William Clark as press relations adviser to the Prime Minister. The arguments of some Conservative politicians against this course—their fear that a lively figure in this office can become a power behind the scenes, and might even propagate his own policies instead of the Government's—have been made at least equally plain. The appointment on Tuesday of Mr Harold Evans, until now chief information officer at the Colonial Office, to sit at Mr Clark's former desk is an interesting compromise between these views. By going to the conventional government information offices instead of to Fleet Street for their man, the Government may in effect be throwing out an assurance to Tory critics that the new incumbent's communications to the press should tend to be somewhat stodgier than Mr Clark's; this effect is likely to be mitigated by the fact that Mr Evans is known to pressmen who have had dealings with him as an able, personable and diplomatic man.

The main argument in *The Economist* last week was that the post should be attached to Mr Macmillan's office instead of to Dr Hill's; the ingenious compromise now decided upon is that Mr Evans is to be press relations adviser to both. There is an argument for this. Mr Clark's excellent service to the press was based on his close, and until the last few weeks incessant, personal relationship with the former Prime Minister; it was this closeness which aroused some Tory suspicions, and Mr Macmillan's reaction might have been to shut up before his press relations adviser like a clam. Now Dr Hill, musing in Cabinet without portfolio, is likely to have the main responsibility for judging what background information can best be passed through Mr Evans to the press, and Mr Evans will presumably find Dr Hill more easily accessible than Mr Macmillan if some particular issue sets his telephone constantly buzzing. The important point, however, is that Mr Macmillan will be standing by as Mr Evans's joint boss and shield; this will almost certainly enable Mr Evans to be less ultra-cautious than if he had been Dr Hill's adviser alone. Although this is not precisely the system *The Economist* would have chosen, it is reasonably near to it. Because of the recent press and political controversy about his office, however, Mr Evans is likely to have to earn every penny of his £3,000 a year.

Free Trade Sketch

THE OEEC committee which was asked to study the possibility of setting up a free trade area in Europe around the common market has published its report this week. It broadly concludes that such a scheme is technically possible, though a problem would arise from the area's tariffs with the world outside. Internally, both the free trade area and the common market are intended to remove tariffs altogether. But against the outside world, while the common market will set up a common tariff wall, the free trade nations will retain different national tariffs. This means that goods entering the area might cost more in one country, say France, where tariffs are high, than in another, say Sweden, where they are lower. Somehow traders must be prevented from taking advantage of these differences to evade the higher tariffs. Drawing a great deal on British experience, the experts concluded that some system of certificates of origin to show where goods come from could overcome this danger, and thus make the whole scheme feasible.

In the actual reduction of tariffs, the report emphasises, there must be a definite timetable which countries must stick to, as well as firm rules about the removal of quotas. Balance of payments crises and difficulties in a particular industry or region may compel a country to abandon these commitments temporarily. But such exceptions must be brief and rare. Indeed, if the whole scheme is not to be jeopardised by one bad boy continually running into trouble, "escape clauses" must be subject to strict rules—and perhaps to prior authorisation by some central body of the area. This is a far-reaching political notion. The report clearly suggests that "the system of prior authorisation may lead to the abandonment of the unanimity rule" in OEEC.

To take such central decisions and run the area, institutions will be needed; a Council of Ministers, a managing committee and a body of a "fact-finding and possibly judicial character" are suggested within the framework of OEEC. These seem rather similar in structure to the institutions visualised for the common market, and the need for close liaison between the two is a continuous theme of the report. On the methods of tariff reduction, liaison between the two groups of negotiators has already led the common market to devise rules which might simply be taken over by the free trade area. And on several other matters, the procedure suggested for escape clauses, for instance, and the "rules of competition," there are signs of parallel thought, which should speed the free trade treaty.

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The free trade area countries, however, have still to face many of the wider political problems which the common market has overcome. Agriculture is the worst of these. Few countries in fact want free trade in agriculture, but most are pleased politically to say they do; agriculture is therefore theoretically included in the common market, even though a protective system will in fact be maintained. For Britain, on the other hand, because of its Commonwealth preferences, it is a political necessity to proclaim that agriculture must be left out, and so the free trade report records a head-on collision between Britain and its partners. The free trade area, too, has still to decide how the less developed members of OEEC, Greece, Turkey and Portugal, are to fit into its orbit. All the old problems of the common market negotiations—social harmonisation, France's special subsidies and the whole question of concerting national economic policies—will have to be thrashed out once again.

Lords Reformers

HOUSE OF LORDS reform cannot, and should not, be expected to take a high place in the new Government's agenda; but as a white paper, setting out a provisional plan, is expected in the spring or summer, some other Ministers besides Lord Salisbury should be giving the problem some thought. An interesting reform scheme has just been proffered in a Fabian pamphlet by Mr Anthony Wedgwood Benn, a young Labour MP who—as the eldest son of a peer—is under threat of being banished to the Lords himself. He suggests that the House of Lords should be kept only for ceremonial purposes, and that the Privy Council should be turned into the legislative second chamber. This would exchange for an unwieldy and unrepresentative body of nearly 900, one of only 200 with a much fairer party balance and a more distinguished membership. (The full strength of the Privy Council is about 280, but some 80 are MPs and so would not be eligible for the new second chamber.) The big disadvantage of the proposal, however, is that such a House would be heavily weighted with ex-Ministers. Most reformers feel that the second chamber needs to recruit more, not fewer, people who have come in from ordinary life instead of up from the House of Commons.

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Mr Benn's scheme is not therefore really a very good one. But it contains a hint for the Government. Lord Salisbury, it is reliably believed, wants to introduce a block of life peers but to retain a large slice of hereditary peers, elected by the present House. The difficulties before this proposal are obvious. One cynical objection is that if peers are to be paid sessional allowances under the new scheme—and to attract Labour life peers they will have to be—backwoodsmen coming up from the country for a theatre in town will presumably be able to sign in at the House and draw £3 a day to finance their excursion. But the biggest difficulty is that the Labour party is unlikely to co-operate in any reform that does not give it some real prospect of a second chamber not permanently Tory. Cannot Lord Salisbury mould his proposals in a way that would proffer it this prospect, in return for a tacit understanding that Labour should then drop its obsession about the Upper House's powers? Mr Benn suggests that the delaying power should be cut from twelve months to three, but a second chamber which could be relied upon to give sensible judgments should be allowed to make the first chamber occasionally think again for a year.

Czechs in Moscow

THE Czech Communists have won the unenviable reputation of being the good boys of the Soviet block; they have disseminated all the approved ideas about the Hungarian revolt; their attitude to the Jugoslavs is disapproving. They have now received some reward for their services. A large delegation has been received in Moscow as—in the words of their President, Mr Zapotocky—"friends, brothers and equals"; their Russian hosts made a great fuss of them; and they have returned home apparently well pleased. They have put the best possible face on their promise to go on supplying uranium to the Russians. They themselves have been promised some additional economic help; the Czech economy is not in such a mess as those of other satellites, but it has not escaped the effects of last year's changes and upheavals in Poland and Hungary. The Czechs have also agreed to strengthen the Warsaw Treaty. What this involves is not yet clear, but it may mean much: no Soviet troops have been stationed on Czechoslovak soil yet.

Two joint statements—one by the two governments, the other by the two parties—were issued at the end of the visit. Both contained indications of the ways in which the Russians propose to repair the ravages that the Poles and the Hungarians have wrought on the economic and political solidarity of the "socialist camp." Plans for the close co-ordination of national economies under the auspices of the Comecon have so far been made principally at the inter-satellite level. The Russians now apparently intend to strengthen the economic links that radiate from Moscow; plans are to be drawn up for close co-operation between individual Russian and Czech industries. In this way, the Russians may hope to limit the disruptive economic consequences of any further outbreaks of political trouble in Eastern Europe. Politically, the strong emphasis on bilateral contacts between the Czech and Soviet Communist parties suggests that Moscow is feeling its way very cautiously with the rumoured plans for setting up a new Communist organisation on the lines of the Cominform. The Poles are probably a major stumbling-block. If they came in, unwillingly, they might prove an uncomfortable disruptive influence. But if they defiantly stayed outside, the disunity of the block would be glaringly exposed.

Algeria Reaches Uno

ALGERIA has finally found its way to the political committee of the United Nations Assembly. The French, while still questioning Uno's competence, did not walk out this time—at least, not at the start. M. Pineau, their foreign minister, claimed that his government joined in the debate merely to show good will and to confound its critics. In a marathon speech he emphasised French achievements and plans; he also revived the old bogeys of foreign intervention and communist infiltration to explain why the Algerian revolt is still alive after two years. For once the French did an excellent public relations job, and efforts are still being made to reach a compromise resolution, innocuous

enough for them to be able to accept it. They are also in a strong legal position in arguing that this is a matter of domestic jurisdiction.

To ease the national conscience, the French press is busily proclaiming that "Arab slave-owners" and "the executioners from Budapest" are now trying to sit in judgment on their country. The United Nations would never pass any judgments if the moral credentials of its members were to be investigated in each case. Nor can a legal fiction camouflage the reality of a situation. Last week brought another proof that Algeria is a very peculiar "part of France." A one-week strike called by the National Front of Liberation was obeyed first by the bulk and then by a dwindling proportion of Moslems in Algeria. But would a French Socialist premier have dared to send soldiers to break open shops if the strike had taken place between the Mediterranean and the Channel?

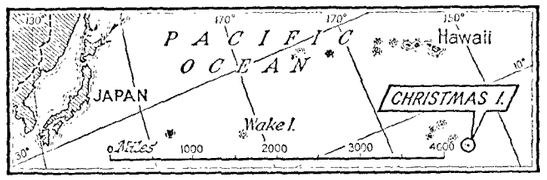
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Algeria will not become more French by any incantation of legal formulæ. France can always get away with it in the United Nations; even if a hostile motion musters two-thirds of the votes in the General Assembly, M. Pineau can always wield the argument of Uno's legal "incompetence." But the revolt itself will not respect that argument. France needs to find a solution because half a million of its soldiers are now in Algeria, because the war is costly and seemingly hopeless, and because its continuation threatens French prospects, not only in North Africa, but also in other overseas territories. True, France has shown that it can live for a long time with a painful external disease, but is it always necessary to wait until the operation has to be performed without anæsthetics? It seems that a peaceful solution must involve the promise of some form of independence to Algerians at the end of the road.

Japanese Nightmares

THE Japanese request that Britain should suspend its hydrogen bomb test, which is due to take place near Christmas Island next summer, is prompted more by pressure from the electorate than by any alarm which the Japanese government itself feels. Understandably, the Japanese are sensitive on the subject of atomic explosions, particularly since the American test at Bikini in 1954, when the radio-active ashes of an island, which was unexpectedly destroyed by the bomb, were carried beyond the official danger zone and eventually killed part of the crew of a fishing boat. This accident gave a focus for popular indignation, but most Japanese were more alarmed by the mild radio-activity found in fish caught soon afterwards. In most of the fish the quantity was far too small to do any harm but there was naturally a general scare; housewives rushed to buy geiger-counters; about a million pounds of fish were declared unsaleable and had to be destroyed.

The present test should not produce nearly such alarming results; the bomb is to be exploded a mile and a half up, and so should suck up very little dust; the prohibited danger zone is large and now that much more is known about the effects of the bomb an accident is most unlikely. There seems to be no reason why Japan should be more affected than any other Pacific country by the drift of radio-active dust. (Russian explosions in central Asia constitute a greater threat; they, too, have been the subject of government protests.) Japanese fishermen have most to complain about. In their contention, Christmas Island

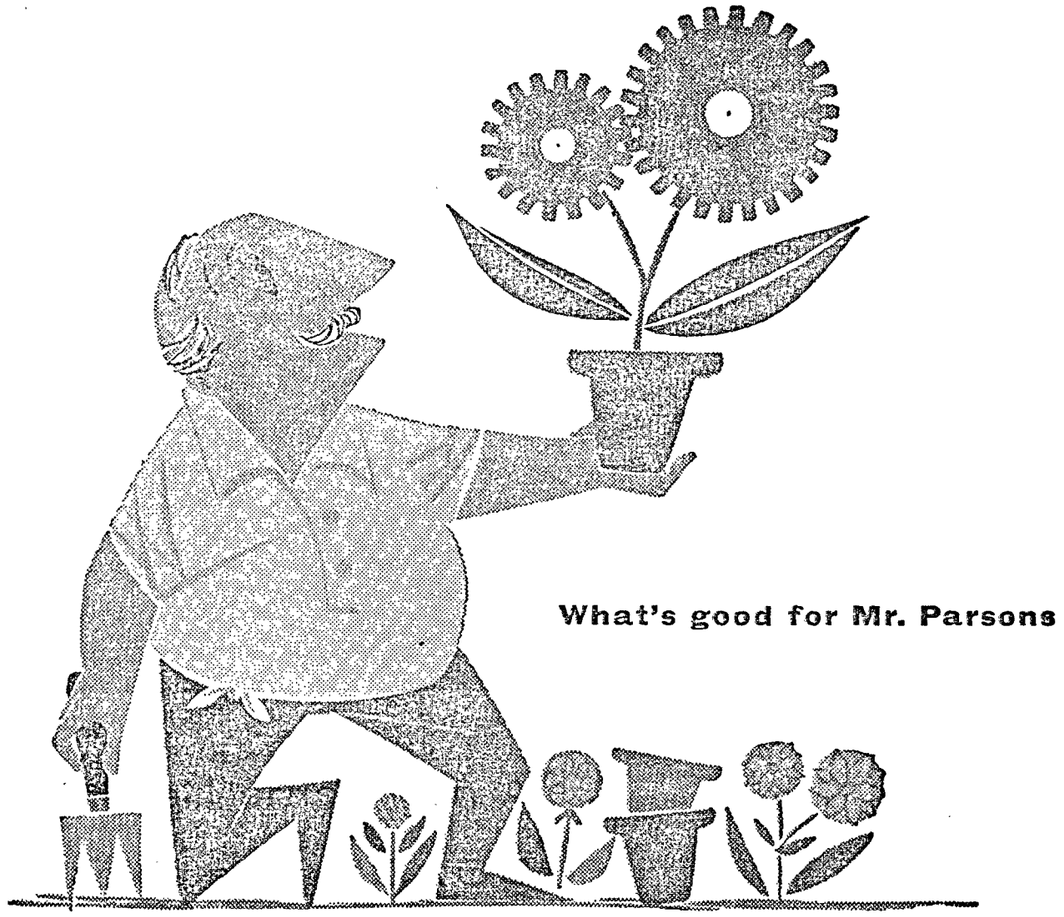


is one of the best tuna fishing grounds, and the test will cost them about £2.7 million. They will probably lose more if the Japanese public allows itself to be stampeded into a fresh scare and refuses to buy fish after the bomb has been exploded. A serious and exact examination of the risks is likely to be of more use in limiting the effects of the explosion than an almost hopeless request for a suspension; but the Japanese government had to make the gesture.

The Feet of the Young Men

ARE the pick of Britain's young people really being driven overseas by lack of outlets for their legitimate ambitions, and all the other things middle-class people write to *The Times* about? Two recent polls have been prayed in aid of this thesis. On Tuesday the *News Chronicle* Gallup poll revealed that the extraordinary proportion of 41 per cent of the population of this country said that they would like to emigrate if free to do so; this was back to the previous high-water mark of 42 per cent in the austerity days of March, 1948, and it compared with only 28 per cent in December, 1955. It is a very revealing index of the tendency to grizzle since living standards stopped rising, but—in view of the form in which the question was put—is it really much more?

The second and more interesting poll was published in the Cambridge undergraduate magazine *Varsity*: 5,183 men and 420 women—the entire second and third year student body of the university—were asked the much more definite questions, "Have you decided to emigrate when you have graduated?" and "If not, have you considered doing so?" Only 6 per cent of the men and 10 per cent of the women bothered to answer these leading questions; of these respondents, 11.3 per cent of the men and 34.1 per cent of the women had decided to leave, and 27.6 per cent of the men and 14.9 per cent of the women were considering doing so. A little arithmetic discloses—on the rather presumptive, but not wholly unreasonable, assumption that failure to answer would generally be equivalent, in this instance, to a "No"—that the serious prospective emigrants total 54 out of 5,603 persons, with some three times that number "considering" the possibility. The proportion is higher, certainly, than that of emigrants in general to total population; so if all these intentions were carried out they would constitute something of a selective drain. It should not simply be scoffed at. But the contrast with the



What's good for Mr. Parsons

. . . is good for expanding industry

Now that he has retired, Mr. Parsons has all the time in the world to tend that precious garden. And everything in the garden is lovely—thanks to a pension secured through Life Assurance.

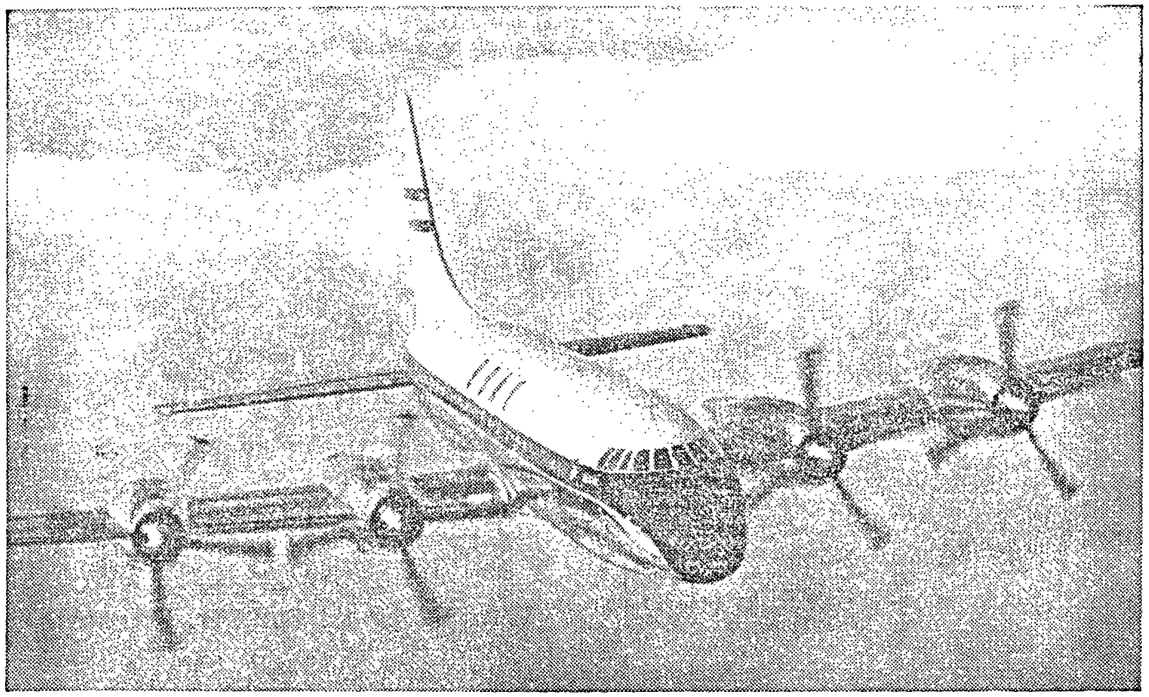
Yet Mr. Parsons is not the only one to benefit. Money paid in premiums was invested by his Life Office, and much of it was used to provide vital development capital for British industry.

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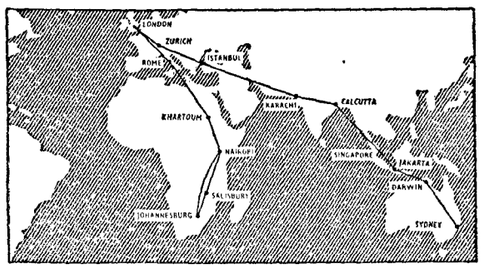
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Britannia

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Gallup inquiry is notable, especially as the younger respondents to Gallup are likely to have been more dissatisfied than the older. The contrast, of course, is between saying one "wants" and saying one has "decided" to emigrate. It is a large difference; but so is the difference between "deciding" and actually going—let alone staying away.

It is sad, no doubt, that the respondents' intentions to go should be mostly based on dissatisfaction, disgruntlement, and a general tendency to sell Britain short, rather than on a fine constructive Commonwealth-building idealism. But disgruntlement is nowadays a creditably modish attitude, while constructive Commonwealth-building idealism is, if not non-U, at all events decidedly non-OK. On balance, the *Varsity* survey is rather a reassuring than an alarming document.

New Corporations for Old Colonies

One can understand all the reasons why Labour and some Tory critics have protested against the Government's decisions that Colonial Development and Welfare funds will no longer be available to Ghana after its independence day next month, and that the Colonial Development Corporation will be unable to embark on any new project there. It is a pity that the Lord Chancellor, in a rather abstruse speech, appeared to base the Government's case on a merely legalistic view. There is no clear alternative to the development and welfare fund as a source of grants for emerged colonies; and, although there are several possible ways of borrowing money, none of them is as favourable as the CDC, which charges low interest, does not insist on an immediate return and provides technical advice. Moreover, the immediate sums that would be involved are much smaller than the eventual commitments. Ghana will be followed into independence by Malaya this year, and probably by Central Africa, Nigeria and the Caribbean Federation within the next five years. The same financial problems will recur: in some cases more acutely than in Ghana, a relatively wealthy country whose share in colonial funds has been small. In ten years, Ghana was allotted just over £4 million from development and welfare funds, and although the CDC had several projects in view, its only completed operation was on roads, and cost less than £250,000.

Nevertheless, the Government's decision was the right one. The CDC, which wants to extend its empire, is not the right instrument for financing independent countries; the need is for a separate (and small) fund which will help to tide over these new countries until they establish their own creditworthiness, not for the mixture as before. The question of development in new dominions is a general one, which could not appropriately be dealt with by way of an amendment to the independence bill. Lord Home has promised a comprehensive review in consultation with the rest of the Commonwealth and, if a case is made, amendment of the Overseas Resources Development Act. The only really justifiable criticism is that if the Commonwealth is to make some special provision for its members, it is a pity that this was not arranged before Ghana's independence, since the bill has cut off aid with an unfriendly abruptness.

Charity or Compensation?

British refugees from Egypt can now queue for relief on an official staircase; but compensation on a scale to take many of them out of the queue altogether is still denied. The Government, tardily awaking to the fact that its responsibilities do not end with the bare provision of bed and board in isolated hostels, has set up the Anglo-Egyptian Resettlement Board to take over most of the functions of the Anglo-Egyptian Aid Society, the small voluntary organisation which for the last two months has been palliating official churlishness with impromptu generosity. The Board will now give the refugees money to cover their immediate needs, and will try to find them accommodation and jobs; so far only a quarter of the 1,200 registered with the labour exchange are in work. The Society will supplement this basic charity with social and educational welfare.

The Board hopes to dispense official money without losing the warmth of a voluntary organisation. But there is not much warmth in its initial budget. For the financial year ending in April, the Government has allotted £475,000 for the refugees and of this about three-quarters is spent on the upkeep of the hostels. The Society has received only £30,000 from the remainder, and has therefore had to work largely on voluntary subscriptions; it has been spending about £2,000 a day. The unexpended £70,000 of the Government grant is to go to the Board to cover small cash payments and working expenses. Refugees are still drifting across Europe to England, but on the present estimate of 4,000, the sum works out at £17 10s. a head.

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The grant ought to be raised; but a basic criticism of Government policy is its irresponsible attitude towards compensation. The Prime Minister made it clear on Tuesday that, at present, the Treasury has no intention of compensating either firms or individuals for capital losses or for loss of income. Instead, the claims are to be recorded in the expectation of eventual Egyptian repayment. Consequently, the many people with perfectly legitimate claims have to beg peanut charity. Many of them lost £3,000 or so in Egypt. With such a sum they would have the chance to set themselves up again or, as several hundred want to do, migrate to Australia. The Government has edged in the right direction by promising to make advances on Egyptian pensions, but this policy could be carried further. Claims on Egypt would not be prejudiced by advances to the claimants in full. And no less is due.

King Saud and Prince Abdulillah

The meeting of King Saud and Emir Abdulillah, Crown Prince of Iraq, hard on the heels of the King's meetings with President Eisenhower and Mr Dulles, could prove more important than the discussions with the State Department. The conflict between Saudi Arabia and Iraq is at the root of much trouble in the Middle East; and the support of the United States for the Baghdad Pact powers

is in conflict with the policy of Saudi Arabia, Egypt and Syria. King Saud has been reassured about the Eisenhower doctrine by which aid will be given to countries "dedicated to the fight against international communism," and among these countries Iraq must certainly be counted. If King Saud and Emir Abdulillah find themselves broadly in agreement on American policy and on resistance to international communism, Saudi Arabia's links with Syria and Egypt will be weakened. Iraq might then begin to emerge from its near-isolation in the Arab Middle East.

This would be no small triumph for American diplomacy, but there are difficulties in other directions. The United States seems unwilling to pay the rent demanded by King Saud for the American base at Dhahran or to meet in full his request for military equipment. Nor could Mr Dulles influence Britain to make the concessions regarding Bureimi and the Trucial coast in general that King Saud would like to see. If, after prolonging his stay in Washington, King Saud leaves dissatisfied, he may well find himself less inclined to accept the Eisenhower doctrine than he appears to be at the moment.

Agreeable Talks in Amman

THE Prime Minister of Jordan said on Monday at the opening of the negotiations in Amman that the termination of the Anglo-Jordanian Treaty would herald a new era of friendly relations with Britain. Certainly the discussions need not take long. Britain wants "the minimum of delay"—as the British Ambassador put it—in getting rid of a treaty which costs the British taxpayer more than £10 million a year, contains an embarrassing commitment to defend Jordan against Israel (or any other nation), and provokes the hate of a large part of the Jordanian people. The new era would be welcome. Jordan, for its part, wants to be free of British ties and has the promise of annual subsidies from Egypt, Syria and Saudi Arabia.

In giving up its three military bases in Jordan, the British Government desires to take away the stores and movable installations worth altogether about £12 million. It wishes those installations that remain to be bought by Jordan—which, lacking the means to pay for them, would have to buy on credit. Britain has the right under the treaty to sell the stores and installations or to take them away, but they may be the most difficult subject to deal with in the discussions; there are some that Jordan will be unwilling to see go.

The development loans to Jordan do not come into these talks, but the payment of just over £10 million for defence, and to supplement the budget, would end automatically with the treaty. The loans may continue, at least until such current projects as the Aqaba road are completed; but the House of Commons will want to see the friendliness of the new era before going further.

Lewisham North

Our special correspondent visited Lewisham North to report on the crucial by-election there next Thursday:

THE constituency which has suddenly become the centre of the national political battle is mainly a London dormitory area, but not a particularly wealthy one. It contains large and increasing numbers of council houses (because they are increasing, Labour is furious at the "Tory trick" which has called the election for the day before this year's register comes into force), many houses built on land whose 99-year leaseholds are coming to an end, and a considerable number that will be affected by the Rents Bill. It has not much industry, but a number of industrial workers live there, and it also contains part of the professional Blackheath district. The forces in the constituency are summed up in the fact that Lewisham South (Lab. majority 6,343) is represented by Mr Herbert Morrison, and Lewisham West (Con. majority 4,325) by Mr Henry Price of the Middle Class Alliance. Lewisham North (Con. majority 3,236) lies between. It would require a swing of just under 4 per cent for Labour to win it in a straight fight; this is not going to be a straight fight (there is an Independent Loyalist candidate who must draw off some votes from the Tory), and the swing to Labour in recent by-elections has been over 5 per cent. The question whether disgruntled Tories really will abstain in an election where their demonstration would lose the Government a seat is therefore about to be put to the test. Nationally and arithmetically, this would be just about the final seat that Labour could expect to capture from the Tories in a general election where it was going to win a majority of precisely 60 in the House.

Mr MacDermot, the Labour candidate, is a barrister and an intellectual: a meeting of his on Tuesday, addressed by himself and Mr Anthony Wedgwood Benn, certainly had terrific moral tone. The candidate's enthusiasm became apparent when he spoke of "the complexity of the modern world" and of the need to strengthen the United Nations, but (surprisingly and commendably) he seemed less eager to stir up wrath against the Rents Bill, where his easiest field must lie. His performance was capable and downright rather than fiery, with heavy emphasis on the rising cost of living: he may win the respect rather than the affection of his working-class supporters, but his appeal could be strong to some more prosperous voters. He lays emphasis on the need for leasehold reform and on the provisions for individual home-ownership in Labour's "Homes for the Future."

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Mr Farmer, the Conservative candidate, bluntly considers his feet to be more firmly on the ground than his opponent's: he declares himself no politician but a business-man, a local council-school boy who has worked himself up. He is a governor of local schools and a London County Councillor: the lorries of his family business are a familiar sight in Lewisham. His party staff are determined that rents are not the prime issue in the election, but will not substitute any other issue: their tactic seems to be a reaffirmation of the splendidness of everything Tory, especially Mr Farmer, and of the frightfulness of most things Labour, especially Dr Summerskill. The candidate claims to be converting the doubtful "at the rate of three to one"; at a meeting of his it was sociologically pleasing to find a man in the front row with a genuine big cigar, and a crowd farther back who had come to have a nice heckle. The first supporting speaker and the candidate had a rough time: they were followed by Mr Enoch Powell, Financial Secretary to the Treasury, who was to explain the advantages to everyone of the Rents Bill. Confronted with an audience of hostile tenants, he relegated the bill to question time, and adopted the Lord Chancellor's tactic of making a speech so dull that it sent even the jolly hecklers to sleep. When questioned on rents he began firmly: "As the bill stands *at the moment*," and wriggled adroitly clear. Mr Farmer may gain votes through being a local man and firmly entrenched in the middle-class of the constituency; he seems unlikely to gain them by force of persuasion.

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"Greene lights the way to British Independence, free from the shackles of Dollar Dictatorship" is one of the less snappy slogans of the third candidate, Miss Leslie Greene, who is backed by the League of Empire Loyalists. Her assets are an agent with a splendid beard, considerable cheerfulness and energy, and a neat tongue with a phrase: when asked whether her anti-Americanism led her to find common ground with the Bevanites, she said that such ground would be a treacherous bog. Her disadvantages are those resulting from a passionate belief in principles and a total lack of policy. She likes Australians, Canadians and white South Africans. She does not like Americans, Indians, West Indian immigrants or any British political party. She does not think she will lose her deposit. Will her intervention lose the Government the by-election? Labour is quietly confident that it will.

Ireland to the Polls

OUR Correspondent in Dublin writes: Mr Costello has decided to take the initiative. The Dail will be dissolved on Tuesday next; polling will be on March 5th and the new Dail will meet on March 20th. It will be the sixteenth since the General Election of 1918; as only five administrations have held office since 1922, the Irish democracy obviously has a habit of changing its parliamentary representatives more frequently than its governments. It remains to be seen if the coming election will bring a further change. Although the tide has hitherto been strongly against the present government parties, they may gain from the general anger that a dissolution has been forced at a time when economic policies have still to be reshaped. It is recognised that Mr Costello's decision was inevitable, but Mr MacBride will get little thanks for making it so. Mr De Valera, who is the potential beneficiary, might well prefer to have waited longer.

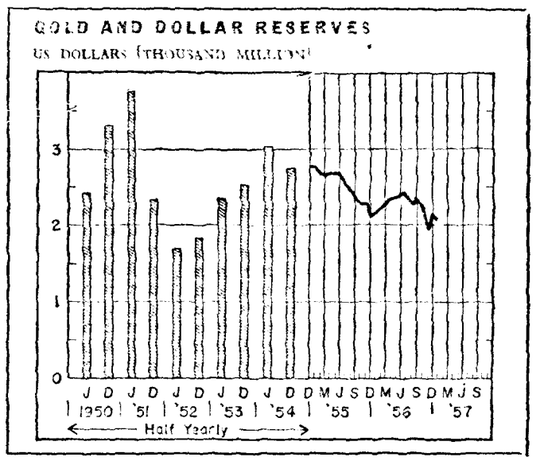
The principal point of interest will be the showing of *Sinn Fein*, the political front of the border raiders. They have stated that if they win a majority, they will set up a parliament for all-Ireland, thus repeating the gambit of the first Dail; indeed, Sinn Fein do not accept the legality of anything that has happened in Ireland since 1922. It is not expected that this long-preserved virginity will attract the electors; it is thought that Sinn Fein may win only a couple of seats or so, probably at the expense of Mr MacBride and his associates. This might amend first thoughts about the inappositeness of the election from the point of view of Anglo-Irish relations: it could be an actual advantage that the real extent of support for Sinn Fein should be shown.

Britain and European Trade

THE issue of a white paper on the free trade area offers welcome assurance that the Government is determined to push on with it. The OEEC report on the scheme makes clear that it can be made to work. The way seems clear for a firm political decision, when the OEEC council meets next week, to draft a treaty or convention. The OEEC report, summarised on page 454, shows that there are big problems to be tackled before it can be completed; but, given a political will, it seems fair to hope that a treaty draft can be completed by the end of the year and put into practice in 1958.

The common market treaty, however, which originally inspired the whole free trade project, is still hanging fire. An article on page 484 describes the objections which have burst out into the open in Holland at the eleventh hour, as the public has become aware how much the common market has been modified to satisfy the French. The Dutch are not likely to torpedo it at this stage, but their rearguard action, together with the last-minute struggle over the French overseas territories, is consuming precious time. M. Spaak's target date for the signature of the treaties, first put at mid-January, then at mid-February, then at the end of the month, has now been postponed once more to March 10th. These delays are disquieting, for the political conjuncture so favourable to ratification of the treaties, with Dr Adenauer in power in Germany and M. Mollet in France, may not last long. Already there are ominous suggestions from France that to deal with the growing payments crisis measures are being hatched which sharply conflict with the whole spirit of the common market.

If the common market were to fail at the last minute, the free trade scheme can and should go forward anyway. Many people in the common market countries, particularly in Germany and Holland, would actually prefer this. But a collapse of the common market project, like the collapse of EDC, would deal a bitter political blow at the whole movement towards greater European unity. In Britain, in France, in Germany, its advocates would be, like Sisyphus, back at the start of a cruel uphill task.



Letters to the Editor

Safety in the Crowded Air

SIR—Your very interesting article on air safety (January 19th) focuses attention on many problems of air transport that are not confined to the Atlantic area. It is on the internal routes of the United Kingdom that some of the greatest collision risks exist.

The aim of en-route air traffic control is the separation by a safe margin of each aircraft from all others: this separation to be vertical, lateral or both. Clearly the first requirement is that the controllers have all the facts, and to this end a coast-to-coast radar coverage is planned in the United States at a cost of $9 million. Canada is to spend $5 million on a similar plan. In Britain no such schemes have been announced, and only the South-east and North-west of England boast extensive radar cover. Many miles of airways, let alone the flight information regions (the "free air" between the airways), are outside the radar ken of the controller. In addition, height can only be checked by the pilot, whose technically inadequate altimeter is the sole criterion, since height-finding ground radars are seldom used.

Once the controllers can see the traffic picture, the next requirement is that they should be in a position to exercise control. In Britain the difficulty is a fundamental one: civil and military movements are not subject to a unified control. A certain amount of co-operation exists between these two users of the air, but until control of all aircraft is integrated, the solution of the "near-miss" problem must be the pursuit of a will-o'-the-wisp. It is not by chance that cases of near-collision in the air constantly show one participant to be civil and the other military. The sky is not divided: control of aircraft cannot be divided either.

If the facts are to be fully presented on the ground, the same is required in the air. The British Air Line Pilots' Association has recently drawn attention to the need for more accurate altimeters. The "plan-view" picture is happier, where aircraft are equipped (as many now are), with the Decca Flight Log, which gives the pilot a constant pictorial display of his position.

Your article rightly mentioned the importance of fatigue as a factor influencing the efficiency of ground controllers. Exactly the same factors affect aircrew, for a mistake by controller or by pilot can cause the same disaster. And let us note that fatigue can be caused not only by working hours that are too long, but also by working short periods at high intensity with too small a staff. Lorry drivers are the subject of more safeguarding legislation than are passenger-carrying airline pilots.

At this point it may be asked whether a cockpit full of radio and electronic "black boxes" cannot be manned by fewer pilots, since so much of their work is now done by machinery. Unfortunately the answer is No, since all these aids to navigation (Decca most of all) require constant monitoring by the crew if action based on incorrect data is to be avoided. It may be suspected therefore that the operation of some medium-sized aircraft with a crew of two (and to a greater extent the operation of certain smaller airliners with a crew of only one) cannot contribute to air safety, no matter how many automatic navigation aids are carried. Enough pairs of eyes, moreover, as well as better visibility from the cockpit, would enable the crew to keep a far better "look-out" in clear weather.

A further aid is a collision-warning device in the cockpit to warn of the proximity of other aircraft.—Yours faithfully,

R. A. TWOMEY
Cambrian Airways

The Stoker's Dilemma

SIR—It must indeed be a hard fate for anyone with the literary pretensions of the correspondent, who wrote on "The Stoker's Dilemma" in your February 2nd issue, to be incarcerated, as one imagines he is, in a hospital secretary's office. How nice to escape from all those doctors, preoccupied with the sordid facts of life and death, from the even more mundane routine of hospital meals or fuel supplies, and let one's imagination really run riot with the Ministry of Health's pamphlet on the training of stokers.

Government pamphlets are fair game, but the Ministry should have no difficulty in standing by this one—if they *can identify it beneath your correspondent's* elaborations. Had he been interested in the facts, he could have discovered from the City and Guilds of London Institute that over 1,400 "Sams" took the examination for the Boiler Operators' Certificate last summer, and 80 per cent were successful. One hundred and eighteen of the candidates, by the way, were employed by the hospital boards in Scotland. Like many another would-be comic, your correspondent has only succeeded in making himself ridiculous.

What is objectionable about the article is the implication that because stoker Sam sits in his kitchen and not his parlour, does not read *The Economist* and has a daughter by the name of Eth, he is neither capable of nor interested in learning how to do his job better. In fact, the interest and enthusiasm shown in groups, similar to those which the Ministry of Health now proposes, is quite remarkable. I am sorry that *The Economist* should lend support to any suggestion that there is a level in industry, or the public service, below which self-improvement is not to be encouraged.—Yours faithfully,

ANGUS MACFARLANE
National Industrial Fuel Efficiency Service, London, W.1

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SIR—As an active lay trade unionist I have knowledge of recent interest shown by members who are stokers (I am not) by requesting from their union officer details of courses proposed locally; and I am aware of special meetings of stoker members being arranged to give full details of the schemes. There may not be in our industries the training courses demanded by modern methods, and it has never been easy to secure full support for those that exist. In my view, however, the stoker schemes ought to be encouraged by such a serious paper as *The Economist*, not made fun of.—Yours faithfully,

J. DESMOND BROWN
Bristol

Suez Impact on the Sudan

SIR—The article in *The Economist* of January 19th was so generalised that some detail is necessary if a fair opinion is to be formed regarding the effect of *the situation on the March elections.*

The proposal to cut relations with Great Britain and France was brought up in Parliament by the "Azharites" in the middle of December, 1956, when the Government coalition was strong. It was defeated because the relations between the pro-Egyptian parties (Azharites and People's Democratic Party) were not at their best. Since then great changes have taken place. The defection of the PDP from the Government and its co-operation with Ismail el Azhari is again possible. Sudanese political parties have no clear-cut lines of demarcation; the wandering MP is a feature of our parliamentary life.

The Prime Minister, Sayed Abdullah Bey Khalil, who is also Secretary-General of the Umma Party, was about to convince everybody that his party's western outlook was fruitful. Then the allied forces landed in Port Said and anti-western feeling reached its climax. Thanks to Soviet aggression on Hungary, the feeling did not last long enough to force him into a competition of slogans and commitments with Ismail el Azhari. When he swings towards America (and there is reason to believe he is already doing so) he will be prompted by the necessity to avoid economic collapse rather than a desire to maintain the badly damaged friendship with Britain and France. This is now the plight of the friends of Britain in the Sudan.

But when Abdullah Bey Khalil takes this step he is not certain to get the support of the PDP who, though at present his allies, depend on Egypt for moral and other support. He therefore needs a majority without them in the coming elections. This may be possible. There is tension between the Azharites and President Nasser, who gave them financial and moral support in the last elections, and accusations of corruption and favouritism against the earlier government of Azhari are not without plausibility. On the other hand, the shrewd Azhari has represented the Umma Party as a sympathiser of the Baghdad Pact. He has been helped in this by Egyptian propaganda, to which the townspeople have been deplorably susceptible.

Britain, in her anxiety to win Azhari, completely neglected the "faith in Britain" of the non-Moslem Southerners and left them open to Egyptian temptations, to which some of the ambitious Southern politicians were pitifully susceptible. In the long run, the Liberal Party of the South (which with the Umma and the PDP forms the Government coalition) is the only hope of the Umma Party; but Britain must help the Umma by ceasing to woo Azhari and by recovering the Southerners' faith.

Soviet propaganda, referred to in the article, does not come into the open in the Sudan. The Egyptian Embassy in Khartoum has completely relieved Russia of this work.—Yours faithfully,

OMER EL ZEIN
Khartoum

The Dartford Tuppennies

SIR—In your January 14th issue you referred to the fact that when I was Postmaster-General of the United States I handled a similar situation and was able to reap a profit of a half-million dollars for the Post Office. For your information, I checked my report for that year and found that the profit on the imperforated and unglued stamps was $1,645,478.70. They were sold in the Department within a thirty-day period and the profit was net as they were sold to collectors.—Yours faithfully,

JAMES A. FARLEY
The Coca-Cola Export Corporation

Zik Goes Home

SIR—With reference to the Note in your issue of January 26th, may I point out that the Action Group in fact won the municipal elections in Lagos. We would make the further comment that the Action Group holds the view that it is unprecedented in the history of the Commonwealth that a premier should dissolve a legislature because he alone was found guilty of misconduct instead of resigning himself. The Action Group believes that the staging of the elections cannot cleanse Zik of serious charges in the Tribunal findings, as the wrong impression appears to have been created abroad that Nigeria has a lower standard of public morality than that accepted in other parts of the civilised world.—Yours faithfully,

AYOTUNDE ROSIJI,
Federal General Secretary,
Lagos, Nigeria Action Group

Books & Publications

From Desperation to Audacity

THE WAR AT SEA 1939-1945: *Volume II, The Period of Balance*
By S. W. Roskill.
Her Majesty's Stationery Office. 539 pages. 42s.

MAY one ask, courteously but firmly, that Sir Charles Webster and Mr Frankland (or those who supervise their work) should give us soon the first volume of their study of the strategic offensive waged by Bomber Command in the last war? Until they do, it will not be possible to bring to bear on the arguments of today the full lessons of yesterday; and the naval historian, in his quiet, good-tempered way, will go on raising doubts about the manner in which our expanding air strength was used in the period when we moved from desperate defensive to the audacious offensive. What, above all, will they reply to the suggestion that we nearly lost the war in the winter and spring of 1943 for lack of long-range aircraft and the neglect of Coastal Command?

One hastens to say, at this point, that Captain Roskill's manner of capping narrative with comment is quite unobjectionable. He records criticism of air strategy without ever grousing at the *Air Ministry. For example, the third* chapter of this volume, about maritime air operations in 1942, is admirably impartial. It is only when he is describing the convoy slaughter of March 1943, or the destroyer casualties of the previous year in the Mediterranean, that remonstrance breaks through.

It is generally agreed, on the strength of his first volume, that this author has distinction both of style and judgment. What are the best things in his elaborate and complex tapestry of battle at sea? For vividness, the account of Admiral Vian's conduct of the second battle of Sirte; for balanced allocation of blame and skilful merging of British and enemy sources, the analysis of the passage of *the Scharnhorst and the Gneisenau* through the Channel; for deep relief recollected in tranquillity, the chapter on the triumph of the escorts, both air and naval, in the Battle of the Atlantic between March and June 1943; for a picture of the interdependence of all arms, the chapters on the Malta convoys. *Here is the moral drawn:*

> If the Army was driven back on land and the advanced airfields were lost, the Royal Air Force could no longer cover our Malta convoys, nor could our striking forces attack the enemy's traffic to Tripoli. If Malta could not be supplied, the naval and air forces based there were bound gradually to become ineffective. If that happened, the enemy's supply route was made much safer and he could therefore reinforce the Afrika Corps quicker than we could build up the Army of the Nile. This in turn would make our condition on land more precarious. The circle was a complete one.

In the desperate battles of January-July 1942 only seven British supply ships of the thirty that tried to get to Malta survived with their cargoes; while Rommel lost 163,000 tons of supply shipping in the same period. It is difficult to believe that the spectacular North African landings came at the end of the following autumn.

These 450 pages, admirably indexed and charted, take us to the Arctic, to the Pacific with the Americans, to the Indian Ocean (where only good fortune saved us from disaster) with the Japanese, to the South Atlantic with the commerce raiders. A five-ocean war with a two-ocean navy, writes the author. In no volume of this series so far have we been given a more vivid sense of the grand strategy of an island at war, with a great power coming to its aid in the nick of time.

What, lastly, are we to think of the convoys to Russia? Admirals King and Pound agreed at one moment; "a most unsound operation." Political reasons for persisting with them are obvious, as they were for the Dieppe operation. But the strain on the Home Fleet, with all the consequences for the Mediterranean, was disproportionate; unless, of course, the cargoes made all the difference between Russian survival and defeat. *But did they?* The Russians never seriously tried to harass the U-boats that waited off the Kola inlet; nor did they give the fighter protection against the German bombers from Norway that they could have given. It is a sad story; and those who worked under Dudley Pound will remember that the political pressure to get convoy PQ 17 through must have had much to do with his conduct of the operation.

Two criticisms can be made. Captain Roskill should tell us more about changes in weapons and ships—invention played a large part in regaining initiative from the enemy. Secondly, he should tell us more about crews. How were the great casualties of the regular service being replaced? How long did it take to train an officer and a technician from civil life? It is part of his theme that human quality prevailed; we would like to know more about the human beings.

Feuilleton d'outre Tombe

MY SECRET DIARY OF THE DREYFUS CASE 1894-1899.
By Maurice Paléologue.
Secker and Warburg. 230 pages. 21s.

IT was not for nothing that M. Paléologue admired Chateaubriand. As a young and junior official of the Quai d'Orsay he had dealt with the Dreyfus case; in his old age he sold to his publishers what he described as a lightly touched-up version of his diary of the time, to be published four years after his death; and he added the valuable assurance that he had destroyed all the documents on which his manuscript had been based. The result is a most entertaining book which inspires no belief. M. Paléologue emerges from the modest niche which he occupies in most histories of the Affair to a central position of the greatest influence. With his accustomed sense of drama, he unfolds an Ouida-like version of the tale, seasoned with *l'amour, le hig-lif* and other such gaieties, and weighted by substantial doses of foresight, hindsight and anything but insight. He adds (without evidence to speak of) a couple of extra culprits beside Esterhazy; but he has little except gossip to add to the known story.

The book is wholly absurd. But this does not mean that it is insignificant or unreadable. It is significant as an example of the most froth-brained attitude that could be held by an honest Frenchman who, hampered by a typically Gallic lack of logic, nevertheless sought for the truth and succeeded in changing his opinion about Dreyfus's guilt. Most of all it is significant as showing the utter disregard for the processes of law of a Frenchman whose training ought to have taught him better, and who was not blinded by passion. His account of how he tried to influence the members of the Rennes court-martial would be scarifying if it were believed. After a talk with Lord Russell of Killowen, he says, with great truth: "I could thus judge the extent to which the French mind, which is so open to the sense of justice, is closed to the notion of law."

Finally, though shallow-minded, the book is well constructed and very readable. It may tempt new readers towards more serious versions of one of the world's most enthralling stories.

Intelligence in Action

THE LION AND THE HONEYCOMB.
By R. P. Blackmur.
Methuen. 317 pages. 25s.

OF all that brilliant school of literary critics at work in the United States during the past three decades, Mr Blackmur is perhaps the finest. "Perhaps," because some of his major works—studies of Henry Adams and of Dostoevsky—are, as yet, unpublished. Thus the full range of his perceptions, of his subtle and tenacious insight, are known only to his immediate students. Often, a reader of the essays in this fascinating collection will have the impression of viewing fragments of a more explicit vision, of hearing on a piano parts of a score whose orchestration exists but is concealed. There are words and phrases which are, for Mr Blackmur and those who know the totality of his work, charged with a peculiar density of meaning and resonance. Used in these essays they add a touch of mystery to a style already resistant; but, as in Coleridge, it is a touch that excites the mind and compels it to better work. And that is the gift of a great critic.

Mr Blackmur ranges widely. Unlike some of the other "new critics," who tend to concentrate their scrutiny on a small number of seventeenth-century and contemporary writers, he extends his sensibility far outside the canon, to Plato and Racine, to the Russian novelists and T. E. Lawrence. Mr Blackmur is at his finest in that complex area where religious experience and systematic morality shade over into orders of feeling more traditionally associated with literature. In what is probably the best essay written on Mr Eliot's critical standards and methods, Mr Blackmur quotes the following sentence: "To judge a work of art by artistic or by religious standards, to judge a religion by religious or artistic standards should come in the end to the same thing. . . ." That says much about the quality of his own ideals.

With Coleridge and Baudelaire, Mr Blackmur shares a gift for the illuminating phrase, for the flash of imagery in which scholarship and criticism coalesce. He writes of T. E. Lawrence: "He walked always with pebbles in his boots." He says, "Montaigne descended all the stairs of doubt (an action which is one of the great poems of the mind) because he loved life herself so much." Or of I. A. Richards: he "read Coleridge in the early 'thirties; it was love in ambush. . . ." And, always, Mr Blackmur relates the specific apprehension, the act of literary judgment, to the wider ordering of humane values. His entire work is a plea for the kind of awareness in which the moral, rhetorical and imaginative proclivities of the mind are fully engaged.

For this is more than a book of essays on Dante and T. S. Eliot and Henry James and T. E. Lawrence and the poetics of Yeats. It is written "in the hope of straightening things out." It is a protest against the "new illiteracy" of those who know how to read slogans and trash, but who have forgotten how to read words. There is a dark strain in Mr Blackmur's thought: he looks at the world "with terrified sympathy, like the horror of being about to fall." He is seeking to enrich and heighten the individual intelligence so that the work of art, in which much of our small progress of understanding is stored, may be experienced and understood. "Some people call the mode of this intelligence in action criticism. It had better be called the charity of compassionate understanding."

"The Lion and the Honeycomb" cannot be read quickly. Most of the essays call for sustained tension of thought and in a few, such as the one on Dante's letter to Can Grande, the difficulties of Mr Blackmur's method and the hint of preciosity in his language tend to obscure the subject. But that is rarely the case. This is an extraordinarily exciting and important book, and here too there are "poems of the mind."

Those Damned Frigates

THE NAVAL WAR OF 1812.
By C. S. Forester.
Michael Joseph. 261 pages. 21s.

"THOSE damned frigates," as the Duke of Wellington called them, play a much more important part in American than in British history. A story, which was going the rounds towards the end of the last war, illustrates the ignorance of the average Englishman about the war that founded the American Navy but which, to English eyes, is a minor episode compared with the epic struggle against Napoleon. "Don't you realise that you burnt Washington?" complained an American to his English colleague. "Good God, did we? I know that we burnt Joan of Arc."

There can be no excuse for such ignorance after the publication of Mr Forester's book. When a popular novelist turns to writing straight history some eyebrows may be lifted, though not by those who have long admired the accuracy of detail in the Hornblower series. Nevertheless Mr Forester remains, as might be expected, more interested in men and tactics than in the legal quibbles and constructional statistics which were so important in 1812. On the vexed question of impressment he does not, for example, throw any new light on the contemporary rumour that most of the petty officers in American ships were deserters from the Royal Navy. Although he rightly calls the naval constructor Joshua Humphreys the real architect of victory in the famous frigate actions at the start of the war because he built what we should call pocket-battleships and called them frigates, he is reluctant to give comparative gunnery details. No authorities are quoted, nor does he seem to be aware of recent publications describing American activities in European waters. He describes the war from the American point of view, though he is remarkably fair to the other side with the single exception of Broke, whom he unwarrantably charges with bad taste. As might be expected of a narrative writer of his eminence, the tactical details of the various actions are admirably described, but one still has to go to Mahan to realise what a disastrous effect the numerical superiority of the British had on the American economy, once the Admiralty had been shaken out of a complacency bred of too many victories over European opponents.

The peace treaty settled none of the problems which caused this unnecessary and inconclusive war, but two important

results did emerge. One was a marked improvement in British gunnery, and the other was Mr Madison's reluctant admission that a navy, far from creating the tyrannical aristocratic caste he had feared, was essential for the United States. It is for this reason that the ensigns of the captured British frigates are today displayed with pride at Annapolis.

Puritan Legacy

THE PURITAN TRADITION IN ENGLISH LIFE.
By John Marlowe.
The Cresset Press. 148 pages. 16s.

THE part played by Puritanism in the making of modern English society has been an important one, but historians have never been in complete agreement about it. This latest essay, neatly written and very tidily arranged, demonstrates the strength and weakness of historical generalisation. It has a thesis: that the achievements and limitations of Victorian middle-class England derive from the theological theories and religious opinions of the sixteenth- and seventeenth-century Puritans. The eighteenth century was a sort of interlude when Puritanism went underground: the twentieth century is a period of decline, though not necessarily of fall. "There may be another harrowing and Puritanism may once more seep upwards through English society."

Prophecies apart, this compact thesis is weak in both terminology and logic. No attempt is made until the last chapter to relate Puritanism to Protestantism in general; no relevant comparisons are made with other countries (Scotland, for instance, or Puritan New England) to separate out wheat and chaff, cause and coincidence, in English social history; internal transformations within the various English Protestant sects are very sketchily handled; and terms like "state," freely applied when referring to other formal categories like "medieval" and "modern" collectivism, need much more careful handling than the author offers. Finally, many particular generalisations, which seem to be based on a shelf-full of respectable secondary authorities, can be challenged: for instance, a view of the nineteenth century which focuses attention on "the apogee of the propertied middle class between the passing of the Reform Bill in 1832 and the passing of the second Reform Bill in 1878" [*sic*]; and even the lock, stock, and barrel acceptance of the familiar but by now much-qualified thesis that hard work and business initiative were products of Puritanism.

It is also very disputable whether the public schools owed much to Puritanism—Thomas Arnold's religion can only be related to Puritanism by a much more subtle argument than Mr Marlowe sets out—or whether Mr Gladstone can be confidently pigeonholed as a great Puritan. Indeed, an interpretation of mid-Victorian England which seems to depend on an assumption that "we're all Puritans now" is one of the weakest sections of this book. A careful study of Matthew Arnold's writings and a comparison of his arguments with those of his father would do more to illuminate this tangled subject than a hundred pages of broad generalisation, for the Victorians, Puritan or not, knew far more about Puritanism than we do. They saw its achievement and its limitations at a time when the "key of prison house" was still locked. Mr Marlowe has done well to open locked doors again, but his essay, for all its assurance, is far from a safe guide to the intricate passages within the house.

Byronic Mystery

LORD BYRON'S MARRIAGE.
By G. Wilson Knight.
Routledge and Kegan Paul. 313 pages. 30s.

AN immense admiration for Byron's genius, already expressed in his book "Lord Byron: Christian Virtues," is the motive that has impelled Professor Wilson Knight to investigate the episode that resulted in Byron's social ostracism and his sinister reputation—the breakdown of his marriage. He brings to the problem a scholar's mind and an imaginative critical method in the weighing of evidence. He has succeeded in providing an extremely plausible thesis, based upon Byron's homosexual inclinations, to account for the sudden change in Lady Byron's attitude to her husband after a year and more of marriage, and for her subsequent campaign of defamation that culminated in the destruction of the poet's Memoirs. Mr Knight proves that the scandal of incest was a smoke-screen raised and fanned by Lady Byron after the rupture of the marriage in order to obscure the real issue, which she wished to conceal at all costs, since it might have involved revelations shaming to herself as well as to Byron.

The clue to the mystery Mr Knight finds in the Don Leon poems, which other critics have ignored as mere obscene libel. He attributes their authorship to George Colman, an accomplished playwright and versifier, and a notorious homosexual, with whom Byron was on friendly terms. These poems seem to have aroused in Mr Knight the same sensations as Chapman's Homer did in Keats: "a new planet," he says, "swims into our ken." They are certainly written with skill and force and an abundance of indecent wit; but—important? great? Important for the purpose of evidence, yes; although we do not know for certain that Byron did discuss with Colman the details of his sexual relations with his wife. And if he did, surely he was guilty of a caddish disloyalty that is far more blamable than any sexual irregularity. This aspect of the case seems to have been overlooked by Professor Knight, who bids us forgive Lady Byron for her malice and regards Byron as the injured party. She, too, was disloyal as well as unwise if (as appears likely) she discussed her husband's sexual practices with her former governess, whose horror was a devastating shock to Annabella; but at least she had the excuse of inexperience. She presumably talked because she needed counsel; Byron, if he did confide in Colman, can only have done so from bravado.

The story is a sordid one; and though it may be necessary to probe into the separation scandal in order to get Byron's personality and genius into truer focus, one cannot help wishing that Mr Knight's immense gifts as a literary critic had been employed on worthier material.

Americans Discover Poverty

FROM THE DEPTHS: *The Discovery of Poverty in the United States.*
By Robert H. Bremner.
New York University Press. 377 pages. $5.50.

HERE is a fascinating book, likely by its grace of style and its richness of material to attract the general reader as well as the student of American social and intellectual history. But it is hard to treat the book as a definitive study, for the question then arises, a study of what? In part the book deals with the history of American social legislation (mainly since the Civil War), but not thoroughly. In larger part, the book deals with the growth of an awareness of the existence of poverty in the United States and with the attitude of Americans towards it.

This second group of themes demands to be set in the context of American political and social thought. Dr Bremner notes that "excessive individualism" was largely responsible for society's refusal to face the post-Civil War problem of urban poverty, but he does not relate this to the whole question of the limitations of the ingrained liberalism in American life. But if the wood is lost in the trees, rarely have the trees been so lovingly outlined. The transition from indiscriminate individual charity towards "scientific philanthropy" is well shown. This transition was largely the work of the settlement movements, taken from the English model of Toynbee Hall; these started as "lady bountiful" schemes to bring "a little light and culture" to the poor and to tell them to stay sober and to live frugally. But, to their own surprise, the settlement workers soon passed beyond the view of poverty as merely the sum of individual failings. Their settlements became sources of accurate knowledge about the social problem of poverty and even of deliberate research into it. But Dr Bremner is wrong to imply that "scientific philanthropy" always denoted a body of knowledge concerned with social reform. The notion of a "science of philanthropy" had its origins in the sociology of Herbert Spencer and his American followers like William Graham Sumner (and even Andrew Carnegie), who preached the folly of all conscious social reform and that only those should be helped who helped themselves. Surely it was this

Social-Darwinism, the belief that direct charity merely supported the unfit and hindered the survival of those fittest who were the guarantee of social progress, that kept American social legislation, right into the nineteen-thirties, so under-developed by European standards ?

Dr Bremner shows clearly how widely, in the "progressive era" early this century, spread the belief that the mere publication of the "facts" would lead to reform, and he criticises this limited view. But his criticism offers no alternative viewpoint itself, precisely because it has not been so much the case, in the long run, that social reform has triumphed, as that gross poverty has, indeed, vanished, with the rising national income. The book is thus at its best as a history of attitudes to poverty, not of policy about poverty. And his account of these attitudes in American art and literature is fascinating, though social history such as this must surely draw on the files of newspapers also if it is to be a history of common opinion, not just of uncommon opinion, however perceptive.

Home Thoughts on Abroad

THE CHANGING ENVIRONMENT OF INTERNATIONAL RELATIONS: *Brookings Lectures,* 1956.
By Grayson Kirk, Harrison S. Brown, Denis W. Brogan, Edward S. Mason, Harold H. Fisher and Willard L. Thorp.
The Brookings Institution, Washington, D.C. London: *Faber.* 167 pages. 18s. 6d. $2.50.

THE time has come when some American educational foundation should make an additional cash grant to organisations which have already been given the money for a series of public lectures—with the condition that these lectures are not published. Either this, or else a five-year moratorium on symposia in international relations, is badly needed.

Books like this cannot be ignored in case they contain something new. But this one does not. These were probably stimulating lectures to hear (and some grand "bull sessions" may have followed); but in print they can only serve as an introduction to American thinking about foreign policy, and there are already better introductions. Mr Grayson Kirk, the president of Columbia University, does assure us that it is not just party spleen for Mr Stevenson to try to make an issue of the Administration's "complacency" in foreign policy. He speaks about the "grim and disturbing" fact of the decline of Western influence in Asia. "Economic and technical aid are important and must be continued . . . but there is no historical evidence to show that peoples have ever been politically influenced by gratitude." This is a welcome reminder. But his argument seems to hint that what is really required is an ideology as well as guns, ball-bearings and butter. However, it could equally follow from his premises that what internationalist Americans need most to realise is that no scheme at all, of technical aid or propaganda, can guarantee gratitude. They may have to become reconciled to a world in which American subsidies will be constantly demanded, but will be constantly wasted and even used to unfriendly purposes. It is the curse of published lectures that they offer such a barrage of warnings and hopes that they tempt the unwary reader to think that the limits of manœuvre are wider than they are.

Professor Brogan is the English contributor. If he covers familiar ground to reach familiar conclusions (that countries misunderstand each other because they live differently), it is better to travel with him than to arrive with the others. This is one of his best essays, witty, sparkling, brilliantly impressionistic, a storehouse of odd information—he is almost the Dylan Thomas of political scientists. Professor Thorp offers some handy statistics of American-Asian trade; Professor Mason ably summarises American hopes for the expansion of international trade; Professor Brown threatens us with either an "Age of Darkness" or else the triumph of "science and technology"; and Professor Fisher argues with a kind of higher pragmatism that Asians will be of most use to the West if they are helped for their own sake alone and not because they can be of use.

Guide to Ireland

THE STORY OF IRELAND.
By Brian Inglis.
Faber. 270 pages. 16s.

IT is a rare pleasure to review a book about Ireland that can be recommended unreservedly. There are so many Irish issues still unresolved, some of them indeed still undefined, that the usual book about Ireland is either a wholly partisan text or achieves impartiality only by taking both sides of the road, thus lengthening the reader's journey and reducing its interest even more drastically. Mr Inglis has produced a well-written survey, on a convenient scale, which tells a coherent story. The stranger will get all the history that he needs to know. He will get an admirably balanced account of the economic problems of the country. And there is a useful concluding chapter, which reviews Ireland on both sides of the border since the Treaty.

All this is conveyed to the reader with a grace that is only too rare in books of this kind. Most books about Ireland have been written to prove or disprove some *thesis.* Heroes and villains abound; the virtue of faith is constantly invoked at the expense of charity. Mr Inglis has let us off that. This is the book for anybody who wants to know what makes up modern Ireland without plunging into the depths of historical detail.

The survey of the Irish background is made by the development of three principal themes—nationalism, land and people, culture and religion. That these are the dominant themes in Irish society no one will dispute. The extent to which they still underlie current policies and political attitudes is made clear. Possibly Mr Inglis has underestimated the pull of the Gaelic past. Modern Irish nationalism may flow from Wolfe Tone and Davis or from O'Connell, but its idiom is deeply coloured by older traditions and ways of thought. But that is a comment rather than a criticism.

When he comes to revise a further edition, Mr Inglis might possibly develop some points further for the benefit of the English visitor. The divergence between values and institutions in the two countries has grown greatly. Fifty years ago, Tom Kettle wrote that "Ireland is separated from England by the Irish Sea and the Act of Union." Today, one might substitute the second war and the general election of 1945. Mr Inglis, one hopes, will develop that point. In the meantime he has provided a first-class guide to Irish history.

Shorter Notices

IN SILENCE I SPEAK: *Cardinal Mindszenty and Hungary's "New Order."*
By George N. Shuster. *Gollancz.* 315 pages. 21s.

This is a disappointing book. The account it gives of Hungary under communist rule, and in particular of the communists' relations with the churches, does not add anything of much significance to what is already known, nor does it throw any fresh light on the struggle that has been going on in Hungary. Neither the author's laudable attempts to make clear what communism means to the individual peasant, worker, clergyman and so on, nor his more general discussions of the nature and purpose of communist rule, are particularly illuminating; perhaps his wordy and discursive style is partly to blame. The central figure in the book is Cardinal Mindszenty. There are detailed accounts, based on first-hand evidence from some of the Cardinal's associates, of his background, his career, his relations with his mother, and what details were then known of his imprisonment. Surprisingly, however, there is no account of his trial. Although, like all communist show trials, this was a travesty of justice, it does not deserve to be passed over in silence, since it had an important and significant place in the development of the communist attack on the Hungarian churches.

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BUSINESS PRACTICES, TRADE POSITION, AND COMPETITION.
By Oswald Knauth.
Columbia University Press. London: *Oxford University Press.* 181 pages. 24s.

In this short book, Mr Knauth, a distinguished figure in American business, ranges over a vast territory, in which the principal recurring landmarks are the inadequacy of economic theory concerning competition and monopoly, and the shortcomings of American anti-trust policy. But the reader is hurried along too fast, and he is given too short a glimpse of each of many items. The book touches on many interesting points, though it raises few new ones.



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American Survey

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Keeper of the Quotas

Washington, D.C.

PRESIDENTIAL proposals for major changes in the laws governing immigration, such as those Mr Eisenhower dispatched to Congress last week, inevitably provoke, as a kind of reflex action, the comment that nothing of importance is likely to happen. The racial composition of the American population is a field which by tradition Congress feels especially competent to till. The inclination of Presidents to be more generous has usually been overridden by the legislature, which is more susceptible to the prejudices of the rural areas against the cities with their distinctive racial blocks, to the dislike of the Anglo-Saxon South and the "old immigrants" of German and Scandinavian stock in the Bible belts of the Midwest for the "new immigrants" from southern and eastern Europe, and to the anxiety of the craftsmen's unions to be protected against competition from incoming foreigners.

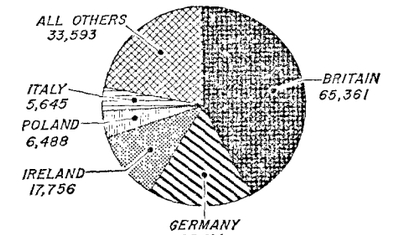
The largest number of people to cast themselves into the legendary American melting pot in a single year was over a million and a quarter in 1907. After 1890 Italy, Russia and the Balkans had succeeded Ireland, Germany and Scandinavia as the main source of immigration, but despite successive anti-foreign movements, of which the "know nothings" of the eighteen-fifties made the loudest noise, no important restrictive legislation was enacted before 1921. Since then exclusion, couched in the guise of discrimination, has been the reigning principle, and Ellis Island, until recently the internment centre for newcomers whose papers were not in proper order, has replaced Bedloes Island, site of the Statue of Liberty, as the symbol of America's welcome to aliens.

The present basic statute, the McCarran-Walter Act, which was passed in 1952 over Mr Truman's veto, is, like the law of 1924 of which it is a recodification, frankly racist in inspiration. It is founded on the proposition that Irishmen, Swedes and Germans are more assimilable than Italians, Greeks or Russians, and that the "liberties of the American people" can only be preserved if its "culture pattern" is stabilised. By a statistically questionable exercise the "national origins" of the American population of 1920 were computed, and immigration quotas, bearing a proportionate relationship to the existing racial structure, assigned to each foreign country. The total annual quota, fixed at one-sixth of one per cent of the total white population living in the continental United States in 1920, is approximately 155,000. By far the largest shares are reserved for Britain, Germany and Ireland. Mainly because neither the British nor the Irish are settling in the United States in anything like the numbers allowed, the average annual immigration by quota is only about 80,000, and the racial mixture, instead of favouring the north and west of Europe over the south and east by more than four to one, only does so by about five to four.

This does not by any means account for all the immigration into the United States every year, or even half of it, since there are about 155,000 non-quota immigrants, made up of refugees, spouses and children of American citizens, and inhabitants of the western hemisphere, who are not restricted by this type of legislation. Indeed, since the war, under special Acts for displaced persons and refugees, the United States has played a modest part in coping with the great forced migrations of the time. But the countries most suffering from an excess of their own population, some of them, like Italy and Greece, now bound by close ties of alliance to the United States, still have minute quotas and long waiting lists. As one member at least of the House of Representatives' Judiciary Committee recently found out to his surprise and dismay, "every Greek school child knows the figure 308," which is the annual number of Greeks which the United States finds it safe to absorb. In fact even that meagre figure is misleading, since half the Greek quota has been "mortgaged" until 2018. When Congress admitted displaced persons under a special scheme after the war, it charged off the numbers

IMMIGRATION TODAY

ANNUAL QUOTAS: Total 154,657 persons



WAITING TO COME at end of 1956

	Persons	Annual Quota
Chinese	5,240	105
Greeks	104,200	308
Italians	131,520	5,645
Germans	42,230	25,814
French.....	21,710	3,069
British.....	None	65,361

against future years, so that the "cultural pattern" should right itself in time.

No one now believes, since the frontier has disappeared, that there should be a return to unlimited immigration. Liberals, following the findings of President Truman's Commission, usually advocate the abolition of the national origins principle and a "unified annual quota" of about 250,000. The President's requests, cleaving closely to his unheeded message of last year, come remarkably near to this without requiring the complete abolition of the McCarran-Walter Act. His most striking proposals, and those least likely to succeed, call for a switch to the 1950 census, from that of thirty years before, as the basis for all calculations, which would increase the total quota by 65,000; the distribution of unused quotas to countries that need them; and the carry-over of places that have been unclaimed from one year to the next. These proposals combined would increase quota immigration from the present 80,000 a year to 220,000. In addition, by abolishing the system of mortgaged national quotas, the President would allow in possibly a further 8,000 a year. Finally he would regularise the manner in which an airlift was flown through a small loophole in the existing law to bring 18,000 Hungarian "parolees" into the country. He wants authority to bring in up to 67,000 people a year who may have to flee under comparable circumstances, with the Attorney General having the power to grant them permanent residence, subject to congressional veto of any individual.

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Besides these fundamental proposals, which would change the whole drift of the McCarran-Walter law, the President has repeated his endorsement of a number of minor modifications in its administration that would bring more than proportionate gains in humanity and common sense. Many refugees, for example, filled in false papers at some time or another to avoid deportation behind the Iron Curtain and this at present renders them automatically ineligible for admission. The President urges leniency in such cases and in two instances shows himself aware of the bad impression made by inflexible laws affecting temporary visitors. He asks that they should not have to be fingerprinted and that those merely passing through on their way elsewhere should not have to satisfy the full security standards. It is a pity that the President did not also cut through the undergrowth of security regulations which have forced so many scientific conferences to be held outside the United States.

People who think that this is a favourable year for legislation on aliens, since the worst of the security scare is over and something will obviously have to be done about the Hungarians, may have reckoned without Mr Francis Walter. The surviving partner of the two untypical Democrats from Pennsylvania and Nevada who sponsored the present law, Mr Walter has established an extraordinary personal ascendancy in the House of Representatives. Congressmen of both parties, even if they detest his views, respect him for his gentlemanly manner, unfailing courtesy, and encyclopedic knowledge of what is regarded as a difficult, technical subject. He regards the McCarran-Walter Act as his monument and few Congressmen, many of whom received small kindnesses from him when they were new to Washington, are anxious to be the first to discompose him.

Because of Hungary and the more sympathetic attitude of the Senate since Senator McCarran's death, it is likely that some legislation helping refugees and including some of the minor modifications will go through. But the major proposals are another matter, unless the White House is prepared to fight for them.

Some Hope for Oil

PRESIDENT EISENHOWER at least shows more awareness than his Secretary of State of the urgency of Europe's oil shortage. But it is not clear from the comments he made at his press conference on Wednesday just how he proposes to bring something more effective than exhortations to bear on the reluctant Texas producers. Up to now the federal government has taken the position that it has no authority to order the Texas Railroad Commission to raise its limit on the State's output of oil, on

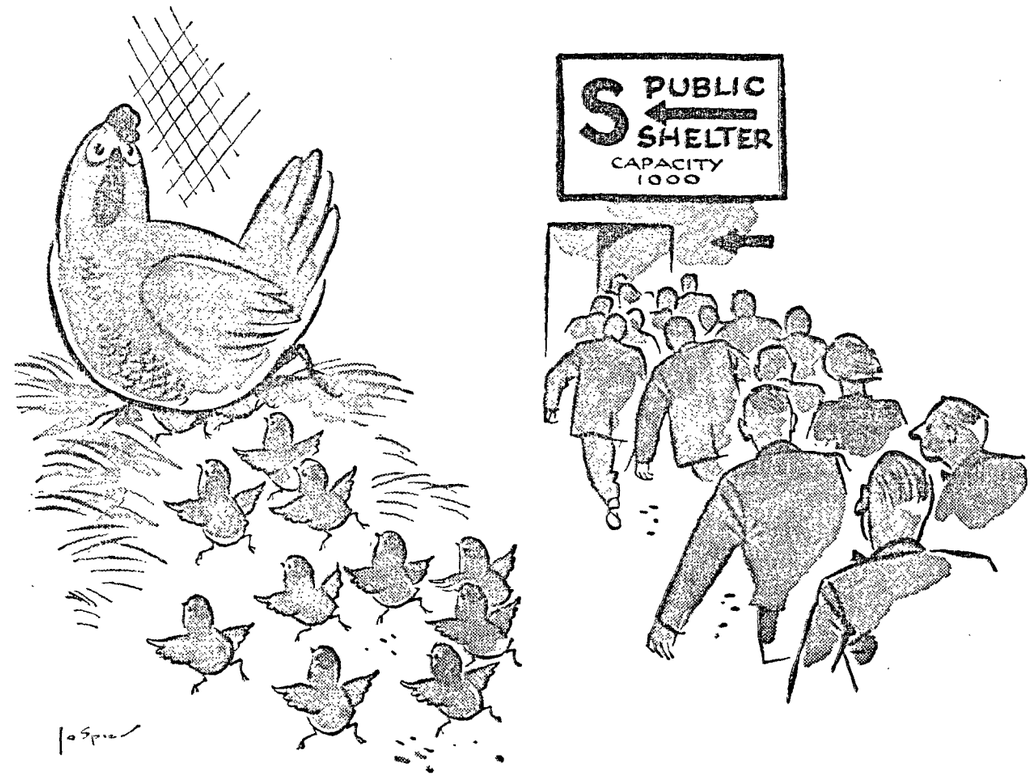
"By Ginger! We Might Even Try Negotiating With the Oil Potentates of Texas"



Herblock in the *Washington Pos*

the ground that this is a power reserved to Texas under the jealously guarded constitutional guarantees of states rights. The President now implies that the powers of his office would enable him to supersede the state authorities if the national interest required it—once he had found that his ends could not be achieved by "friendly persuasion." He made it clear, however, that he still hopes this will suffice.

Appeals from the Administration for an increase in the output of crude oil in Texas are hardly likely to be effective unless Texas is conceded a *quid pro quo* in the form of a promise that oil imports will be restricted once the emergency is over. Such a long-term treatment would



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have worse international effects than the present temporary disease. Just before the Suez Canal was blocked there was even heavier pressure than usual from domestic oil producers, the so-called independents, for restrictions, especially on oil from the Middle East. These imports, it was argued, were holding down the price of American oil in the face of rising production costs; thus they were eating away the profits out of which come the funds for finding and developing the new oil fields on which the United States must rely for its reserve capacity in an emergency. With the emergency came proof that the United States and Europe were indeed heavily dependent on America's reserve capacity. The domestic producers are now playing their strengthened hand with skill, trying to improve their permanent bargaining position still more before the struggle over import restrictions is resumed. In particular they insist that imports, which are still coming in at a rate of about 800,000 barrels a day, mainly from Venezuela, must be reduced to a trickle before domestic output is increased.

The Assistant Secretary of the Interior now appears hopeful that the importing companies can be persuaded to divert these imports to Europe without any assurance that additional supplies to replace them will be available from Texas. The companies could do this by complying with another of the Administration's appeals—that American refiners should use less crude oil and thus release more for export. Stocks of petrol in the United States are well above normal, and any domestic shortage of heavy oils that might result from reduced refinery operations could be alleviated by drawing on the government's strategic stocks. Under the Defence Production Act the President does have the power to order refiners to use less crude oil, if the national interest requires it, and his emergency powers, if he has to use them, might be more successfully applied in this field than in Texas.

Meanwhile, the partial failure of the oil lift to Europe, when Europe's needs are being cited as the excuse for charging higher prices to American consumers, has given the government's critics plenty of live ammunition. Their first salvoes were directed against the Administration which authorised, and the major oil companies which compose, the Middle East Emergency Committee, the body responsible for co-ordinating the flow of oil to Europe. The oil companies are probably more susceptible to pressure from Congress than from the Administration. But if the special Senate committee which has taken command of the investigations continues as it began this week, the real issues may be lost in a wide-ranging, but largely irrelevant, attack on the whole oil industry, long a favourite target of the monopoly hunters.

Boom Running Down?

THE economic speculation of the past month has been concerned with whether the huge General Motors Corporation may not be running down. First, the company's share of the automobile market has slipped below what has become its normal half or more; in January it was responsible for only 48 per cent of total car output. Secondly, it postponed building two new plants, one in the Ohio valley, the other south of San Francisco; this suggested that General Motors thought the time for expansion was over. According to the president of the firm, this postponement affects future years rather than this year and will not in fact reduce planned outlays on new plant and tools in 1957. Nevertheless, several other large companies have announced cutbacks in their programmes of expansion and there has been a decline in contracts for new industrial building. Some people are therefore now beginning to wonder whether capital spending, which has put so much of the lift into the present boom, will go up this year as much as was forecast earlier.

Meanwhile, motor car output remains disappointing—and is directly responsible for the recent falling-off in orders for steel for future delivery. But here the blame falls directly on General Motors, for its output in January was 4 per cent below its figure for January, 1956, while the Ford Company's output was up by 25 per cent. Dealers, it is said, could sell both more Fords and more cars from the Chrysler Corporation, the other member of the industry's Big Three; General Motors seems to be failing to attract customers as a result of not having redesigned its cars this year. But car makers are holding back their output in order not to overload their dealers with stocks as they did in 1956. Then the usual spring upturn in demand, on which the industry relies, did not materialise, yet the industry is once again relying on it this year.

Obviously the credit squeeze which the authorities have been applying for so long is at last actually slowing down the boom, as it did some time ago for housing, instead of merely keeping the boom from speeding up. It is significant that the Federal Reserve System, which before Christmas seemed about to tighten the squeeze by yet another rise in its discount rate, has not yet done so and is no longer expected to do so. There has in recent weeks been an accumulation of economic weaknesses, none of them very important in themselves, but all of them together apparently worrying to the stock market. However, the economists for government and private agencies who were testifying last week before Congress all expected 1957 to be a slightly better year than 1956, the best ever, in spite of the inflation about which the President is so concerned.

Teamsters Without Team Spirit

FROM A LABOUR CORRESPONDENT

WHEN the executive council of the American Federation of Labour and Congress of Industrial Organisations held its midwinter meeting last week at Miami Beach, Florida, political temperatures rose nearly as high as that of the semi-tropical air outside. For after just over a year of marriage, the merger between the two great trade union groups is still more one of name than of fact, except at the top. Indeed, all through the year disputes between former members of the AFL and of the CIO, over which should have the right to recruit certain types of worker, have prevented the new federation from conducting campaigns to increase trade union membership. And in the large industrial states the frequent absence of any effective merger between the rival AFL and CIO councils at the local level has undermined much of labour's

potential political influence. On top of all this, the public attention recently focused on corruption and gangsterism in trade unions forced the council last week to concentrate on drawing up an ethical code for the 680,000 officers of its member unions.

But, whatever private disputes on other questions may separate the unions making up the federation, there has been a public show of remarkable unanimity on this issue. Only one group, the huge teamsters' union, with 1,330,000 members the largest single affiliate of the AFL-CIO, has failed to approve the stand taken by the executive council against what is broadly known as racketeering. It was the recent refusal of several leading teamsters to answer questions put to them by the latest congressional investigation into violence, extortion and misuse of funds by trade union officials which forced the executive council to concentrate on this problem at last week's meeting.

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The teamsters' union, whose members now drive lorries and vans, not horses, has always troubled the rest of the labour movement. At present, the union is coming more and more under the domination of its ninth vice-president, Mr James Hoffa of Detroit, Michigan, an extremely energetic, capable and almost ruthless man, who has fought his way up from the ranks and who today, although only 44 years old, seems sure to succeed Mr Dave Beck as president of the teamsters before long. Mr Hoffa and a number of his close associates are among those who have refused to answer questions put by a series of congressional committees, on the constitutional grounds that they might incriminate themselves. And one of Mr Hoffa's friends, Mr Johnny Dio, a convicted extortionist, is at present awaiting trial for allegedly planning the blinding of a New York journalist who was exposing gangster elements in the trade unions. Mr Hoffa has been charged with utilising such elements, with the help of Mr Dio, to gain control of the New York teamsters, and thus to extend his empire throughout the east coast.

But Mr Hoffa is by no means simply a strong-arm man whose power rests on his demonstrated ability to suppress opposition with violence. He has many friends in the business community, and some employers in the road transport industry have even been his partners in a variety of enterprises. Mr Hoffa's financial connections with these employers and with officials of the insurance company which underwrites the health and welfare plans of his union have been under government scrutiny for some time; thus far, nothing illegal has been proved against him. A trade union leader with the standards of a businessman, Mr Hoffa sees nothing wrong in having financial relationships with employers with whom he also negotiates working contracts for the union members whom he represents. Although he is not a millionaire like Mr Beck, he is comfortably well off. Mr Hoffa maintains, however, that he ought to be highly paid, since he has brought great benefits to the members he represents.

There is little doubt that these benefits have been an important factor in enabling him to extend his power, as have the changes he has made in the structure of the teamsters' union. Dealing with a fragmented industry, composed of thousands of small road transport units, Mr Hoffa has negotiated area-wide agreements with uniform conditions applicable throughout large sections of the country. One such agreement, for example, covers twelve midwestern states, and its provisions apply to every road transport company employing lorry drivers in the area. Within the industry, Mr Hoffa's allies are the larger companies, able to pay the higher wages he negotiates in his contracts; such wages may often mean the death of smaller enterprises.

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Because of the strategic part played by the teamsters' union in the American distributive economy, it is almost indispensable for other union leaders, whatever they may feel about the unrestrained imperialism of the teamsters, to develop a working relationship with them. By refusing to cross a picket line or by providing financial help, the teamsters can make all the difference to the outcome of many a labour struggle. There are many union leaders who are thus dependent upon the teamsters, no matter what public stand they take against them.

Last week the AFL-CIO executive council accepted the resolution proposed by its ethical practices committee opposing any financial relationship which hinders a union leader from carrying out his obligations. Simultaneously, the council also condemned "kickbacks" or "under-the-table" payments to union leaders and called upon its affiliated unions to expel any official or member found to be indulging in these or other malpractices, or found to be a communist or a fascist. Indeed, in its very zealousness, the council has short-cut some of the legal guarantees normally accorded to every citizen, by recommending that action against alleged crooks be taken by unions even before their legal guilt is established. The council also advocated the expulsion of union officials who exercise the constitutional right of not giving evidence for fear of incriminating themselves. This indicates the deep concern felt by labour leaders over the increasing attention being paid to the conduct of union officials and over the ugly revelations which may be made in the coming congressional hearings.

It is entirely possible that not even the aggressive and powerful teamsters will be able to resist this pressure. They have already agreed to co-operate with the congressional investigation, now that a special committee has been set up which has an undisputed right to conduct such an enquiry. And even though in the past Mr Beck and Mr Hoffa have publicly defied the AFL leaders, they have never carried out their threat of withdrawing from the federation. In this case, too, they may prefer to remain within the federation, while they seek support from other unions for their position. Even now, they have pledged their aid to the building trades group in its fight with former CIO unions over who should organise the men who are building new facilities inside large industrial plants.

Should these internal strains lead to an open split in the AFL-CIO, Mr Hoffa will be ready to take advantage of the disagreement for his own and the teamsters' benefit. Indeed, divorce proceedings might have begun already were it not for the strong personality of Mr George Meany, the president of the AFL-CIO, and the great respect in which he is held by all groups. One of the main contributions which Mr Meany, who came originally from the AFL, has made to labour unity has been the forthright support which he has given to the attack, led by men from CIO unions, on corrupt practices. But even Mr Meany is finding it increasingly difficult to keep all these factions under the same roof.

State of New York

LIKE President Eisenhower, Mr Harriman, the Democratic Governor of New York, has just sent his third and his biggest budget to a legislature controlled by the opposition, which in this case is Republican. Mr Harriman, the last of the prominent New Dealers in high office, hopes to go the President one better in the year beginning on April 1st: he plans to increase spending, decrease taxes slightly, and still balance the budget as state law requires, although admittedly only by drawing on reserves and the proceeds of bond issues. There has been Republican grumbling over the $400 million increase in state costs since Mr Harriman went to Albany three years ago. But the needs of the richest and most populous state are real and with both Mr Harriman and the two leading Republicans in the legislature determined to enter the race for the Governorship next year, there is not much dispute about giving the voters what they want.

Spending is estimated at $1.6 billion in the Governor's budget, $176 million above that in the current year and $86 million more than revenues. Most of it goes on education, health, highways and public welfare, and the increases in these categories are hardly controversial. Republicans will also probably concur with Mr Harriman's proposal to extend rent control though they do not like it; they can oppose his electoral reforms only at the cost of making the Governor appear to be the champion of the people against a stubborn legislature. He wants to lower the voting age to 18, let the voters choose their parties' candidates at primary elections, allow citizens to initiate constitutional amendments, and pave the way for permanent registration of voters.

The real fireworks are likely to come over New York City's share of the $875 million to be given to local communities for education, health, and so on. The city has long complained that as it has about half the people in the state and pays more than half the taxes, it deserves more than 40 per cent of this aid. Mayor Wagner, who faces an election this autumn, asked for $55 million more; the Governor, in the interests of equity and Democratic solidarity, proposes $17 million. A Republican legislature, most of whose members come from small towns, is likely to turn a colder shoulder than usual to this request from a Democrat whose city's budget is larger than that of the state and who makes no secret of his desire to make usefully timed tax concessions to his own supporters.

Repealing the Corn Law

THE Secretary of Agriculture's most urgent business with the new Congress is to secure repeal of one corn law and passage of another. Corn (or rather maize) growers did not rally quite enough votes last December to continue the allotment of 51 million acres they were allowed to plant last year; their failure to do so brought back into force a law which would reduce plantings to a mere 37 million acres. Rather than make so drastic a reduction, farmers probably would sacrifice their rights to price support and participation in the soil bank scheme for withdrawing land from use. Neither Mr Benson nor Republicans from the middle west can risk the overproduction and slump which might follow, not only in maize, but also in hogs and livestock. Mr Benson has now agreed to support maize prices for three years at 70 per cent of parity (a figure estimated to give farmers a fair return); his freedom to fix supports as low as he liked was the chief reason why farmers turned down the larger acreage.

The Administration may have to pay a higher price for passage of its corn law before plantings begin in March. As Mr Poage of Texas remarked: "We have no objection to helping the corn boys. But they'll have to play ball." Spokesmen for other crops—cotton, wheat, and tobacco—are all looking for a free ride for their pet schemes on the maize waggon, and Congressmen from the drought areas have more ambitious ideas than the $76 million more for relief which Mr Benson wants. But no frontal assault on the Administration's flexible price schemes is looked for until 1958, an election year. If inventories are excluded, there was a 5 per cent rise in farm income in 1956, the first since 1951; this has strengthened the feeling that the soil bank scheme should be given a fair run. The best year for farm exports since 1926—the result of the Administration's cut-price disposal schemes and perhaps of temporary developments abroad—is also making Congressmen think twice about a return to high, rigid price supports.

At the end of November the Department of Agriculture still had $8.1 billion invested in farm commodities. But for the first time since 1952 the mountain of surpluses was a trifle lower. President Eisenhower was able to report that in 1956 the Administration had disposed of $3.3 billion worth of surplus farm commodities. He is virtually certain to get the new authority he asks to incur another $1 billion of losses in selling surpluses abroad for foreign currencies, as well as the relaxation of the prohibition on bartering surplus commodities for strategic materials with countries in the communist block.

Campaign Cheques

THE Senate sub-committee on political spending sat grimly in Washington throughout the campaign, but this does not seem to have exerted much restraining influence. Its report, published last week, submits a total of $33 million for money spent during the election compared with $23 million reported in 1952. And the committee is the first to point out that this is far below the true figure, which may be three or four times as great. Nor has the committee uncovered much that was not known before, although it provides some fascinating detail and underlines situations which a democracy can ignore at its peril.

It has long been recognised that the federal limit of $3 million on the spending of political committees is obsolete. When television and radio time alone claims $9 million, avoidance is the only course, and this is done through a proliferation of committees, each with its own $3 million limit. Individuals may not give more than

$5,000 to a political committee, but they may endow as many as they like. A federal structure adds to the loopholes. Local and state committees need not report to Washington, while candidates for Congress are only required to account for their personal disbursements. In Oregon, for example, there was heavy and approximately equal spending by the supporters of Senator Morse and Mr McKay. Yet Senator Morse, on whose behalf $266,000 was spent, submitted to Washington only his personal accounts for $7,360. Mr McKay, whom the Administration pushed into the race, sent in a truer bill for his defeat: it was for $214,776.

Special interests play a dangerously large part in elections. Corporations and trade unions are not allowed to contribute directly, but twelve wealthy families contributed $1.1 million, 90 per cent of it to the Republican cause. Organisations set up by the labour movement spent $941,000, almost all of it on Democratic candidates. Senator Curtis, the Republican colleague of Senators Gore and Mansfield, would not sign their report because he felt, almost certainly wrongly, that more complete reporting of labour's contribution would have brought Democratic spending, put at $11 million, close to the Republicans' $20 million. Contributors are also concentrated geographically; New Yorkers signed the biggest proportion of the large cheques for both parties.

The sub-committee's recommendations that limits on spending should be raised to a more realistic and enforceable level, that more complete reporting should be required, and that means should be taken to broaden the financial basis of both parties are all steps long overdue and largely uncontroversial. The pity is that they do not seem to arouse much interest in Congress, at least between elections.

Abundant Aluminium

WITH 1957 the aluminium industry entered its first year of plenty and probably a series of them. For domestic output of primary aluminium went up in 1956 by 7 per cent, to nearly 1,700,000 tons, more than double the amount produced in 1950. With imports from Canada and reclaimed scrap, the actual supply available for the year was nearly 2,500,000 tons, and by 1960 it should be about 3 million tons. During the next few years the last of the new facilities which were built with government help, to meet expanded defence needs after the Korean war, will be coming into production. Such help is no longer available, nor is the government buying aluminium for its stockpile any more. This is another reason why supplies have now become plentiful, but the producers are welcoming the new abundance.

In the past many manufacturers have been reluctant to expand their use of aluminium because they could not count on regular supplies of the metal. Now the producers feel justified in encouraging the development of new uses for aluminium and are confident that demand for it will grow as rapidly as output. Apart from anything else, its price already compares favourably with that of other non-ferrous metals and competition may drive it down. So more and more skyscrapers are likely to be sheathed in coloured aluminium plates, more and more electric impulses to be carried by aluminium wires and more and more food to be wrapped in aluminium foil. Additional needs of all kinds for the metal are likely to be found in building, in transport equipment, in consumer goods and many other products.

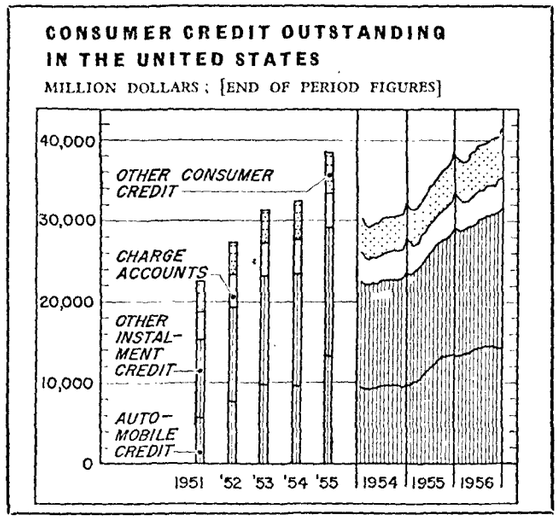
The new plenty is bringing a change in the geographic pattern of the industry. Now that they are no longer mainly dependent on the demand for aluminium which comes from the aircraft industry, which is to a great extent concentrated on the west coast, producers are finding it more profitable to put their new plants in the great manufacturing centre of the country near to the factories which process the aluminium. This is also near to the coal fields which now provide the industry with a growing proportion of its fuel. The Pacific Northwest can no longer offer the hydro-electricity at cheap rates which drew the infant aluminium industry to Washington and Oregon during the war years; indeed, at present, there is none to spare at any price. Now that the adult industry is on its own, it is setting up house in the valley of the Ohio River instead of in that of the Columbia.

SHORTER NOTES

A recent advertisement in the *New York Times* offers a new opening to young women with doctorate degrees from any accredited university. The Flamingo Hotel at Las Vegas, Nevada's famous gambling resort, is staging a lavish production built around sixteen such girls, who are not, the advertisement points out, chorus girls although "slight dancing ability" and good looks are required. Given a name which combines that of a famous college society, reserved for the more intellectual students, with that of the most genuine way of reproducing music, they will be known as the "Hi Phi Betas." Already two PhD's, two doctors of home economics, and one each of anthropology and physics have been recruited. Masters of Arts will not be accepted.

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Hawaii has sent a Democratic delegate to Washington for the first time since 1932, but it remains to be seen whether he is any more successful than his Republican predecessors in obtaining statehood for the Territory.



The World Overseas

Norstad's Divisions

FROM OUR DEFENCE CORRESPONDENT

DURING his first visit to London next week as Supreme Commander, Allied Forces in Europe, General Norstad expects to discuss the way in which British defence economies will affect him. This is not only, and perhaps not even primarily, a military issue. In Paris this week he has forcefully underlined all that he said in New York about the importance of achieving the agreed minimum shield of thirty Nato divisions. What concerns him is not so much the possibility of losing one or two British divisions at this stage, but the development of the idea that any member of the alliance may make such economies, dictated by national and perhaps temporary exigencies, on a unilateral reassessment of the strategic requirements of Nato as a whole. For if one can do it, so can all, and the purpose and coherence of the whole alliance, together with the authority of Shape, will dissolve. It is one thing for Britain to want to withdraw a division or cut the RAF in Europe; it is another for it to find any reasons to justify such a withdrawal other than those of economy. It can be taken for granted that General Norstad will press very strongly indeed for a public explanation of any British economies in terms which will leave the strategic decisions about Nato's needs very definitely in Paris.

The Supreme Commander is also bound to resist such economies on any grounds, though he is in fact well aware of the reasons which prompt Britain to consider them. He has not got thirty divisions; he has only fourteen or fifteen. The five divisions which he expects to get from Germany by the end of the year—though they will still be under training—and an additional division from Holland will bring him to twenty. The full thirty is now not expected until 1961 or so; and he therefore remains well below strength. That strength is the Shape estimate of what is necessary to ensure that Europe cannot be overrun at vital points too swiftly for the atomic deterrent to take effect. The present deficiency is bound to offer, in Shape's view, a permanent temptation to the Russians to make a smash and grab raid on a calculation that gains could be snatched without incurring atomic retaliation. Continued deficiency in Shape divisions may give rise in Russian minds to the dangerous idea that the West is not resolute, rather than that it is simply relying on a thin tripwire. It is true that so far Nato has got away with its forces heavily under strength; but this was, in Shape's view, achieved by relying on an atomic preponderance that no longer exists. The unrest in eastern Europe may offer a short further breathing space.

It is in fact unlikely that the British defence chiefs will resist this argument. But against even a temporary withdrawal of substantial British ground forces, General Norstad is bound to point out that the time is highly inopportune. The Germans are now offering financial concessions on a scale which reveals their great anxiety to keep the British divisions intact. There is the very real difficulty of countering the persistent suspicions of other Nato members that any withdrawal is simply the first move of Britain to disengage itself entirely. This would affect the speed with which other Nato divisions, especially French and German, are being formed. From Shape's point of view, if cuts must be made in British commitments, the four divisions are the last that should be touched; Nato commanders would rather have a further cut made in the RAF, even though it has been cut almost every year. To halve RAF strength would only reduce Nato's air strength by 10 per cent, and this could be absorbed. Still lower in priorities from Shape's point of view is the V-bomber force (whose role the Strategic Air Command could take over).

The Royal Navy comes last of all. The physical presence of Britain in the alliance is symbolised by strong ground forces more than by anything else. If these forces must take a cut, Shape will press first for a specific undertaking that it is purely temporary; second, that the command structure of four divisions should remain (even if this reduces the military effectiveness of the British forces). Finally, it will certainly be stressed that economies of this or of any less damaging kind must not be unilateral, but must be proposed to, and accepted by, Nato as a whole.

Unfortunately for General Norstad, a reduction of Britain's land forces in Germany offers the quickest hope of budgetary economies in 1957-58, compared with cuts in research and development, or even in the Navy and RAF. Such economies would also make a more immediate contribution to easing the balance of payments. They hold out, too, most promise of ending conscription. There is, however, another question about the minimum point below which the British commitment cannot fall: if the land forces were cut (and a reduction of 30,000 men out of 80,000 is gloomily talked of in the corridors of Shape), and the RAF by several more squadrons, could Britain expect to fill so many senior command positions in the chain, or expect to exert anything like its present influence at headquarters? The answer must probably be no; if Britain's contribution were to fall almost to the level of Holland's, it could not expect to carry its present weight simply on the

strength of a (from Paris or Bonn) invisible atomic strike force and invisible navy. Yet if the British brasshats departed, belief that Britain is committed to Nato would be further undermined. General Norstad is not only going to London for men and arms; but for some emphatic official statements which will carry conviction to every corner of the area behind what he calls "the most dangerous frontier in the world in the atomic age."

Iraq Stands Fast

FROM OUR SPECIAL CORRESPONDENT

THOSE who get their news of Iraq from Cairo, Damascus and other ill-disposed sources have been hearing a great deal about Iraqi dissatisfaction with life. The visitor to Baghdad and its neighbourhood gets rather a different impression. The sounds that split his eardrum are those of hammering, concrete mixing, welding and other deeds of construction. At the south gate of the town, where men are working overtime to finish the new Tigris bridge in time for opening in March, the din outdoes the hooting and the street cries. In the country, the normal monotony of the plain between the rivers is broken by the phut-phut of new generators, the landscape is dotted with dumps of yellow bricks waiting labour, and the skyline by the wiry outlines of cranes and excavators at work on ditches or roads. In all large towns, and in many rural areas, Iraq is busy.

Nothing short of swift and drastic action would have kept this building boom going without disturbance when, in November, the dropping of the British bombs on Egypt furnished political dynamite, ready-made, to every agitator in the Arab world. Fortunately for Iraq, it had a government with the resolve and the capacity to keep things quiet. Yet that government had received a shattering body-blow. For Nuri Pasha's government is founded on two main pillars—in foreign affairs, support of the Baghdad Pact and, at home, "development" financed by revenue from oil; and here (as Iraqis saw it) was the British member of the pact both fighting alongside Israel, and heedlessly inviting Arab counteraction against Iraq's main artery—the oil pipeline through Syria. Both pillars were knocked away.

Collapse was missed by a hair's breadth and the building boom offers at least part of the explanation why. Demonstrations of the classic anti-western type, once so easily engineered by a quick whip round the slums, have become more difficult for the usual agents to organise, because men earning 15 shillings (unskilled) to 30 shillings (skilled) a day are buying watches and radios and are no longer willing to risk a broken head or a spell in gaol. Only in Mosul, which is notoriously hot-tempered, and Nejef, where "development" has not yet blossomed much, were there riots of the old shape and temper. The phenomenon is the more remarkable because Nuri Pasha's government was already under fire, not merely from the anti-western, anti-colonial grumblers who are "against" almost any government, but from one or two more responsible conservative groups who think it someone else's turn for office after the unprecedentedly long term of two and a half years.

Very broadly speaking, the Iraqi reading and listening public can be divided into two groups—a small but well-led one consisting of "doers" who know what hard work it is putting plans into practice, and an enormous but leaderless one consisting of talkers who do not. Also broadly speaking, the first group sees western connections, help and advice as the shortest road to raising the standard of living and the second has not actually mapped any route, long or short, towards that end. The merchant class, which craves stability in the present good times, can be said to belong to the first group. All students, many ill-paid teachers and, usually, the labouring classes mill about in the wake of the second. The difference between the crisis of 1956 and all earlier crises was that prosperity had, anyway temporarily, transferred a sizeable section of the workers into the first group. Only the students attempted to riot; the rest of Baghdad kept to the pavement and watched them rush by in numbers the police were able to handle.

But the severe shaking that the Nuri government got from the Suez earthquake has embroiled it in some drastic and unpopular action on the home front. Any member of the opposition who sowed alarm and despondency (and some who did not) were clapped into gaol; press censorship was imposed; police vans paid night calls; all schools and colleges were shut down; and, more recently, jamming apparatus has been bought and installed to stop the rumours sown by Damascus and Cairo radios. The trouble with such a policy is that it is difficult to relax; this is happening, but too slowly for most tastes. The worst college ringleaders, instead of being exempt from military service, have been drafted. (Apparently the army can take it.) The schools have reopened on a basis of parental bonds of £100 demanded in the case of suspects.

Aerials in Mud Villages

Though the clamp is still screwed down, there is pertinence in a story going the rounds—that when three exiles, an Egyptian, a Syrian and an Iraqi, met to exchange grievances in Beirut, the third dumbfounded the others by leaving early to catch the plane for Baghdad. Iraq today is a despotism, in that its prime minister handpicked its Parliament, but it is a benevolent one, in that, given the ingredients, no other system would have produced, in the time, a pace, system and spread of development that far surpass the present rate of progress of any other neighbouring state.

Nevertheless, there is a widespread sense of frustration. Outlets have been stopped up, and sources of information denied without enough attempt to provide people with substitutes. Baghdad radio, for instance, is poor and behind with the news by comparison with the forbidden stations. It is also reticent where it could afford to be frank. No one expects it to blossom overnight into the insidious moderation of Cairo's best broadcasts, but a straight and ample news service on BBC lines would earn it dividends not only at home but abroad (where no one ever bothers to turn it on). The scope for better information services is obvious to anyone who watches the nightly crowd round any Baghdad shop that keeps a television set in its window, or counts the aerials in the mud villages. They might even sober the student by informing him of a fact unknown to him—that there is a job waiting for every young Iraqi who is minded to get himself even a modest technical qualification.

The government is still panting from the strain put upon it by the Suez crisis. It needs a fillip if it is to recover its wind. It is hoping for good news of help as a result of the ex-Regent's present visit to America. But the boost it really wants (and that would be equally imperative for any successor) is a resumption of the lost oil revenue. Without it, the ordinary budget is bound to be in deficit when the financial year ends in March; even the Development Board, though it has an unspent balance of nearly £70 million, can scarcely commission the new jobs on its programme, though it can keep existing ones going for some time. No government would be secure if, after a taste of better things, the Iraqi worker were to have to drop back into the old life of hungry idleness on £10 to £15 a year.

French African Autonomy

FROM OUR PARIS CORRESPONDENT

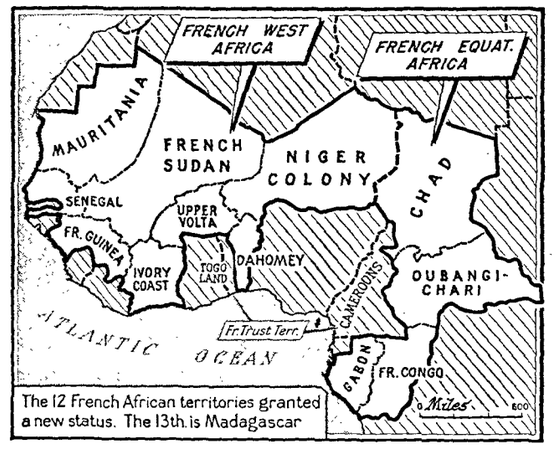
THE precedent of partial self-rule, newly granted to the "Autonomous Republic of Togoland"—with officially recognised "possibilities of evolution"—is already proving a contagious example for the rest of French Africa. A similar statute has been offered to the other Trust territory, the Cameroons. And the government, which seemed a pioneer with its more modest colonial reform bill eight months ago, was made to look almost retrograde during last week's Assembly debate on the bill's detailed terms, until it gave almost equal freedoms to the other territories. African opinion is evolving fast.

Significantly, M. Apithy, a deputy from Dahomey, which lies between Togoland and the Gold Coast on the west and Nigeria to the east, led the campaign for concessions. This despite his being the most conservative of the Assembly's forty negro deputies, since he sits with M. Pinay's Independents. The government's bill set up "Government Councils" in each of thirteen French African territories, with a majority of ministers elected by the local Assembly and a minority chosen by the Governor, acting as permanent, unassailable prime minister. M. Apithy demanded that all the ministers be elected by the Assembly, and an African prime minister be responsible to it. In fact, bar the wording, the negro deputies wanted Togo-style autonomy.

Unfortunately, the government, though willing, could not acknowledge such a local sovereignty in its non-Trust territories. That would have strained the Constitution, and the conservatives, too far. The 1946 Constitution inconveniently proclaims the Republic "one and indivisible"—still another argument against written constitutions. So the decree finally voted is a compromise which gives the Africans as much as the Constitution and the conservatives will yield. The ministers, including a "vice-premier," will all be elected by the Assembly, and "can" all resign if the Assembly withdraws its confidence—rather leaving the Governor high and dry. The Assembly, to which another fine subtlety has given "deliberative" but not "legislative" powers will nevertheless be elected by universal suffrage and control the purse-strings. The subterfuge is transparent. And everyone eloquently agrees the Constitution must, of course, be changed. But when? Meanwhile, in the territories, the new Assemblies will be elected in late March and the Government Councils set up immediately afterwards.

The autonomy offered is strictly local. The Government Councils are responsible only for local affairs, the Assemblies only for the limited local budgets (at present about £6 million in a "rich" territory). Most of the major powers of co-ordination between the territories will remain in French hands: foreign affairs, army and police, overall economic policy and French investment funds, even the telegraph service, air services and universities. Autonomy for the Africans means, essentially, a real forum for political aspirations in the Assemblies; control of local government; and the quicker growth of a negro civil service.

Whatever its limitations, the new system is far the biggest step to emancipation ever taken freely in the French Union. The African deputies themselves do not, for the moment, ask for more. It may appear surprising but does not seem simply to be tactics. African leaders are acutely aware that France provides nearly $200 million a year of irreplacable and often far from immediately profitable investment, and that the common market scheme could double this figure. Further, is not such "interdependence" a sign of the times?



The 12 French African territories granted a new status. The 13th is Madagascar

France itself is tiptoeing into European unity. Some African politicians tend to see the advantages of European "interdependence"; they have no universally accepted code, like Islam, to rally them against the French, whose culture is in fact one of their own élite's common bonds. But one third of French Africans are Moslems, and the Algerian waves are rippling southwards. The demand for independence is never far from the surface, especially among the students and trade unions. There are, however, still good chances for "interdependence."

The question is, in what form? First, in Africa itself. M. Senghor, one of the two main African leaders, objects that local autonomy in the territories would lead to the "Balkanisation" of Africa. He wants autonomy at the level of the regional groupings, French West Africa and Equatorial Africa, which have till now been the centres of French rule, but will now confine themselves mainly to economic co-ordination. This idea certainly rides the present African current of unity. The main parties, especially the powerful RDA, or African Democratic Rally, whose leader, M. Houphouët-Boigny, is one of M. Mollet's ministers, stretch throughout French Africa; so does the newly-united trade union movement. But, as breeding-grounds of representative government, the vast, heterogeneous regional groupings would be more artificial than the admittedly ill-delimited territories. There will be monthly meetings of the "vice-premiers" and some technical co-operation, but immediately, at least, no real federalism.

M. Senghor, however, goes further. He would want the regional federations to enter as equals with France in a confederal Union, where France, like any other member, would obey the Union's decisions. Meanwhile, as his African Convention Party's programme cryptically puts it: "The question of independence is reserved." Such a Union is obviously not for today; most Frenchmen have certainly not yet worked round to the thought of France no longer being the metropolis. Yet the French must, sooner or later, either give political substance to "interdependence" or accept African independence within a "Commonwealth." What they cannot do is reject both. The reform bill (which seems to incline towards a "Commonwealth") hastens the choice, but gives both the French and the Africans a better chance to think it out calmly.

China's "Delirium of Reason"

FROM OUR SPECIAL CORRESPONDENT

THERE is a Delirium of Reason inside China today which makes the western visitor feel deranged, sinful and guilty. The traffic policeman admonishes a reckless cyclist: "You understand, comrade, that if you had been killed by that truck, it would have been my fault?" "I admire your sincerity, comrade." "It is my duty to the state and my responsibility to Chairman Mao to prevent the deaths of comrades in the street." "I promise, comrade, to announce and reflect on my error at self-criticism tomorrow." Or your guide gently separates two brawling children on the street; "Young Pioneers do not quarrel in the new China," he chides. Or you ask in surprise why the two imperial lions have been quietly restored, within the last few months, to their former position at the entrance to the old Hongkong Bank on the Shanghai Bund. "But why not? We are not superstitious about stone lions." "Well, then, why take them away in the first place?" "Doubtless there was a reason." Or you inquire whether Mr Feng, the Editor of *Chinese Literature*, who has been lauding the encouragement to free literary criticism, would publish an article critical of Comrade Mao Tse-tung in his next issue. "But"—reasonable, if surprised—"what possible criticism could validly be offered against Chairman Mao?"

Vice-Premier Chen Yun is similarly reasonable about a reversion to the free market to help correct the mistakes which have affected pig, poultry and vegetable sales under co-operativism. And he is sweet reason itself over the growing activities of "secret factories" operating quite illegally in rivalry to state enterprises: "These secret factories are generally engaged in useful work." The former capitalists are reasonable enough to become managers of the businesses which they have surrendered to the state; the state is reasonable enough to pay them 5 per cent on the value of their property until a reasonable period of transition of seven years has passed. The Party is reasonable enough to tolerate a loyal and democratic parliamentary "opposition," whose spokesman, Mr Sa Kung-liao, explains that the reasonable duty of a reasonable opposition is "not to oppose, but to consult with, the Communist Party and so ensure long-term political co-existence." The Shanghai prostitute is not ordered into the reformatory; she is reasoned with, by the police and her friends and members of her local street committee, until—in despair, one imagines—she "volunteers" reasonably to enter the reformatory.

This Delirium of Reason has helped to produce a stifling atmosphere of purity and righteousness, logic and virtue, which the rough, carnal western visitor finds hard to take. He feels guilty if he locks his bedroom door behind him; he hastily picks up a match which he drops on the stairs; he aches to see an offensive drunk on the streets. (Literally, the only drunk this correspondent saw in either Peking, Canton or Shanghai was being helped, shamefaced, into a pedicab by a reasonable policeman, who paid his fare for him.)

Communism—for the time being, at least—seems, indeed, to have become a religion for the Chinese, who are normally more interested in philosophy than religion, and in devils rather than a god. This spiritual reaction is a result and a projection of the astonishing flexibility of Chinese Communist policy, of the adaptability and persuasiveness of Chinese Communist leaders. No one now is forced to do anything in China; he is persuaded, as a reasonable Chinese, to join a united and agreed course of action which wiser and even more reasonable Chinese have designed for him.

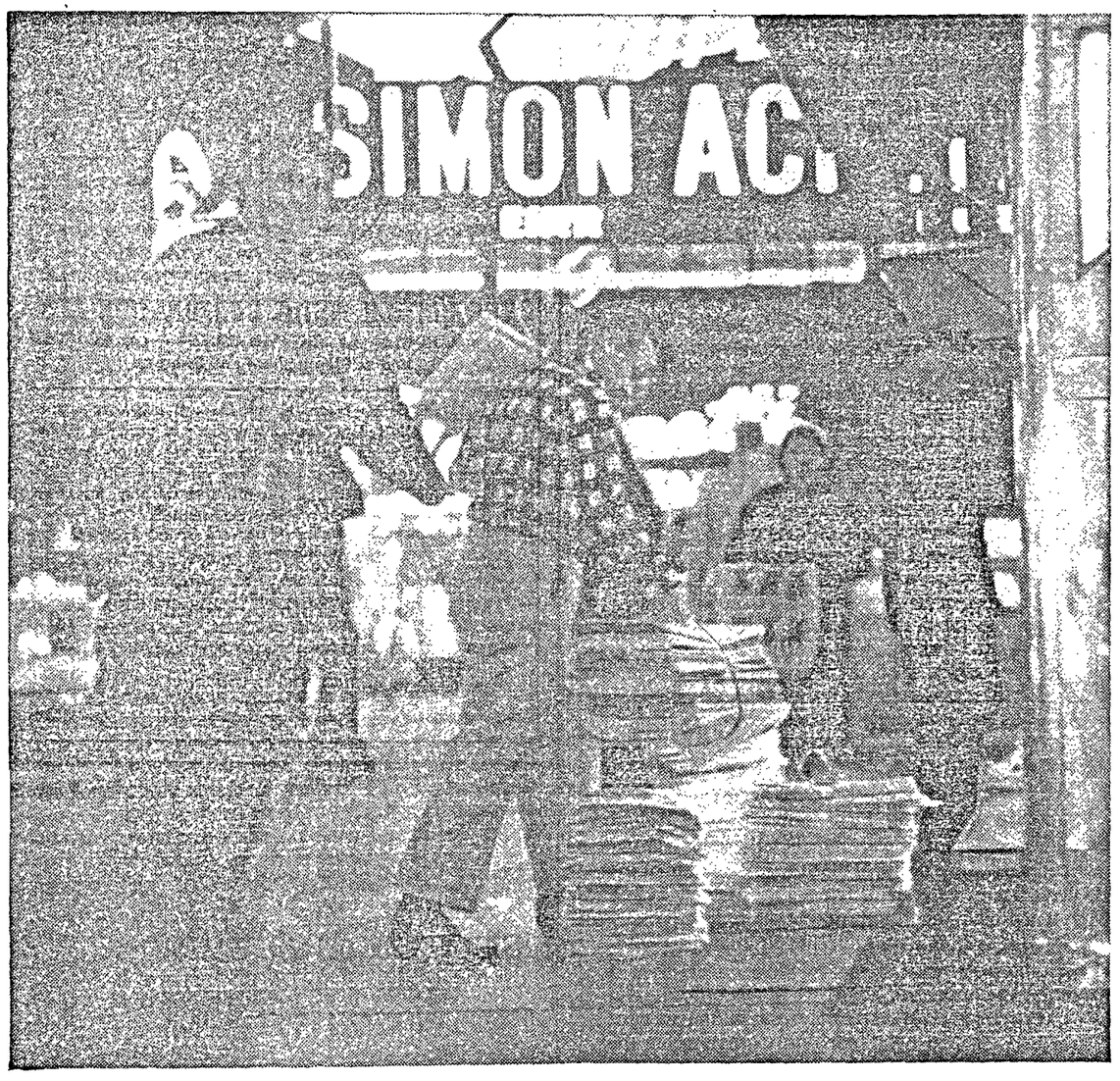
So much for the faithful. For the hierarchy, Comrade Mao is the most reasonable of patriarchs, and Comrade Chou the most reasonable of evangelical missionaries. All the evidence makes it clear, however, that the hierarchy is far from happy over developments in Eastern Europe and entertains some scepticism of the reasonableness of present Soviet policy. Selfish interest, as well as enlightened reason, made it certain that Peking would stand by Moscow; but diplomatic observers in Peking were surprised by the force and explicit detail of the manifesto of loyalty to "the centre of world communism" published on December 29th.

It can be taken for granted that the voice of Mao Tse-tung, promulgating doctrine and dogma for world communism, will be heard with increasing assurance—with or without the cordial approval of the Kremlin. But, being realistic as well as reasonable men, the Chinese will permit no breach with Russia: their dependence upon Soviet aid will probably be greater during the second five-year plan than during the first. The army of Soviet technicians and advisers who laid the foundations of the north-eastern industrial complex have now moved west, where development plans are even more ambitious. It is now accepted by all objective western observers on the spot that the unknown measure of Soviet aid, in advice and materials, has been far greater than previously reckoned or suspected, and that the Chinese blandly expect it to increase still further. As reasonable men—and reasonable allies—of course.

Cold War in the Levant

FROM OUR MIDDLE EAST CORRESPONDENTS

RELATIONS between Syria and Lebanon are worse now than they have ever been since the two countries gained their independence from France. They are fighting a cold war; at present it is a war of words, but there are ominous signs that Syria intends to take economic action against Lebanon in an effort to force its adhesion to the Syrian-Egyptian-Saudi block. The blunt and level-headed Prime Minister of Lebanon, Sami es-Solh (whose family



Tomorrow comes to Times Square

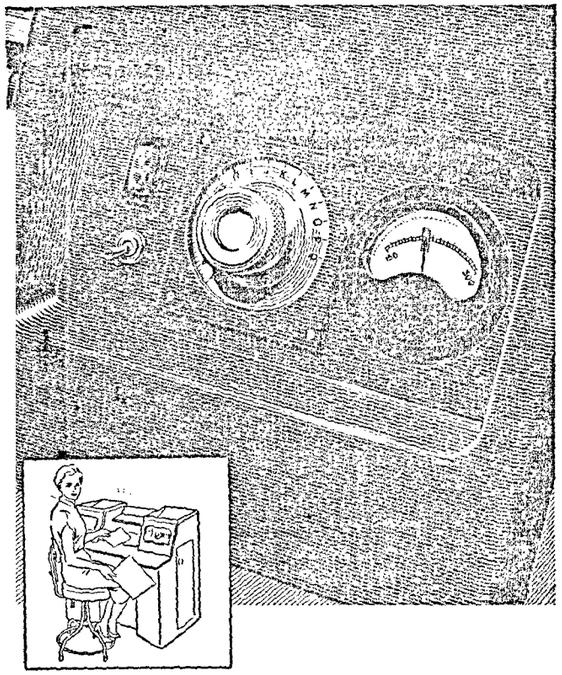
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name means "peace" in Arabic), gave notice last week: "I *am a man of peace.* Anyone who wants peace can have it, but anyone who wants war can have that, too."

Sami Bey did not mean armed conflict. He was expressing the developing Lebanese mood of open anger against Syria, a mood which demands that pressure from Damascus, whether in the form of propaganda or economic sanctions, be resisted. The Syrian government started the trouble. The Lebanese government, conscious of its weakness and its need for the transit trade to Syria and beyond, was, until mid-January, most scrupulous in its efforts to avoid offence; its censors took great pains not only to restrain the newspapers of Lebanon, but even to delete unfriendly references to Syria from despatches sent overseas.

The situation is different now. The Christian press of Lebanon is fighting back strongly and with the wit which is one of its most striking contributions to Middle East journalism. (One columnist has written a number of searing articles against the Syrian government of Sabri el-Assali, calling it "the government of Sabri Kadar.") The public is being warned against the "agents" of Abdel Hamid Sarraj, the strong man of the Syrian Army, who is considered the power behind the scenes. It is being called on to "vote Lebanese" in this year's general election in opposition to those candidates who toe the Syrian-Egyptian line. Of even greater significance is the guarded tone of the Moslem press of Lebanon, usually friendly to Syria; it is calling for restraint on *both* sides.

The continuously uneasy, sometimes antagonistic, relations between the two Levant states has generally had economic causes, but this latest conflict has its roots in the Syrian dislike of political moderation in Lebanon. The Syrians accuse the Lebanese of being half-hearted in support of Arab causes. They are particularly angry that Lebanon did not break off diplomatic relations with Britain and France, and that, more recently, it has openly welcomed the Eisenhower doctrine.

The Syrian government also accuses the Lebanese government of conniving at plots which Syrian exiles are reported to be hatching in Lebanon. The Lebanese refusal to extradite some Syrians accused of conspiracy in the court martial now in progress in Damascus is the particular case at issue. The Lebanese government contends that they are genuine political exiles entitled to sanctuary.

Economic Sanctions?

For their part, the Lebanese have real grievances. They have lost their oil transit revenues by the cutting of the Iraq Petroleum Company's pipelines and are losing essential airport income by the refusal of Syria to permit British and French airlines to use its airspace. During the Port Said affair, the Lebanese newspapers took a restrained attitude about the cutting of the pipelines although in private they complained of it. Now there are open protests that Syria ought not to have acted without consulting other Arab states and that the delay in permitting repairs is damaging the economies of three states: Iraq, Lebanon, and Syria itself. Further, any hope that existed of influencing Syria by diplomacy was dashed last week when Mohamed Sabra, Lebanese Minister of Public Works, stated that it was useless to make any further *démarches* in Damascus.

Rumours are current in Beirut that Syria is considering new economic sanctions to influence Lebanese foreign policy. Already the Syrian government has banned the export of livestock from Syria to Lebanon and has banned the transit of livestock to Lebanon from other countries, notably Turkey and Iraq. Prices of meat have consequently risen in Beirut; but the first consignment, part of a gross order of 7,500 sheep, has arrived from Jugoslavia. Turkey is also to send 10,000 sheep and Iraq is switching its supplies through Turkey (instead of Syria) and thence by sea to Beirut.

It may well be that the Syrian campaign is going too far and may have an effect contrary to the one intended. The Christians of Lebanon have always looked down the Mediterranean for a western protector against the Moslem hinterland. Far from turning against the Eisenhower doctrine and the western connection, they are now likely to seek the financial benefits of their innate anti-communism. Their tendency will be to look for help from the United States and to commit themselves at least in spirit to the westward-looking policy of the Baghdad powers. If the Syrian policy also hits the livelihoods of the commercially minded Lebanese Moslems, there is likely to be much less Moslem resistance to the policy.

Down to Earth on Disarmament?

FROM OUR UNITED NATIONS CORRESPONDENT

THE prospects for the next round of disarmament talks now seem even more uncertain than usual. The five-nation UN sub-committee (comprising Britain, Canada, France, Russia and the United States), which has long been the effective theatre of debate, is expected to meet at Lancaster House in London in mid-March. By a unanimous vote in the Assembly, the sub-committee has been asked to study and report on all the proposals, old and new, that have hitherto been tabled. Most delegates were content to have achieved this unanimity, even if it was only on a procedural resolution. At the previous Assembly the Soviet block had been forced into the position of having to vote against a western resolution on disarmament. A triumph of this kind is cheap and short-lived, and this year the western delegates wisely sought Russian agreement, and got it. But last Friday their hopes were somewhat dashed by the issuing in Moscow of an official statement accusing the West of putting forward new conditions "which have brought the whole question to final stalemate," and America of "stepping up preparations for atomic war."

The heartening fact remains, however, that the disarmament debate in this Assembly was much more down to earth than on previous occasions. Canada, Norway and Japan—"the new northern block," as one diplomat commented—proposed a rationing system for tests of nuclear weapons, while Sweden and Finland asked for a complete suspension of tests pending a full report from the UN scientists' committee on the effects of radiation. The Polish delegate surprised and delighted the Assembly by delivering a completely objective speech in a Jugoslav accent. M. Jules Moch did much to restore French prestige by a dazzling if disheartening analysis of the disarmament problem, and this was followed by an ill-tempered intervention from Mr Krishna Menon, who has now succeeded Mr Vyshinsky as the most controversial, the unpredictable and entertaining character at UNO.

Much of the credit for the realistic nature of the discussion was due to Mr Harold Stassen. He commented wrily not long ago that it is sometimes harder for him to move policy within the US government than it is to move it within another government. Mr Stassen used his fortnight in New York in January to engage in serious discussions with the Russians while, in his spare time, sniping cheerfully at Vice President Nixon. He thinks—or, at least, he thought before last Friday—that the possibility of a limited agreement on disarmament was being brought nearer by three recent Soviet switches of policy. The Russians now accept at least the principle of aerial reconnaissance. They have unequivocally accepted the West's proposals for military manpower ceilings for the first phase of disarmament. And their proposal about a phased withdrawal of foreign troops from Nato and satellite countries in Europe is one which the Americans would at least like to discuss.

Dutch Qualms about the Common Market

FROM OUR CORRESPONDENT IN HOLLAND

THE great expectations which the Dutch once cherished on the economic integration of Europe have faded almost to vanishing point now that the time has come for practical steps and specific, far-reaching decisions. There is a general feeling in Holland, in political as well as in business circles, that what is happening now in Brussels does not correspond at all with the original concept of the common market and the customs union, which was in fact a Dutch initiative, submitted to the Messina conference by the Benelux ministers. It provided for a supranational authority with real powers, independent of the national governments. The draft treaty of Brussels, as it is interpreted here, puts all the decisive powers in the hands of the council of national ministers. The original (Dutch) plan would have assured Holland of a free market for its agricultural products, with an external tariff not too high in view of the dependence of Dutch industries on supplies from outside Europe. Finally, the Dutch plan included transport as a separate branch of enterprise which would find in the common market an area of free competition. Little of all this is realised in the Brussels draft.

Possibly the Dutch objections will be met in the final agreement and Holland will be treated as a special case. But the original enthusiasm of the Dutch has gone. Eight leading Dutch businessmen published a statement last week that the Brussels draft is unacceptable for Holland's economy. They raised four main objections. The high external tariffs would increase the costs of production of industrial commodities. Holland's greatest source of competitive power in foreign markets, its relatively low costs, would disappear. This disadvantage would not be compensated, in their opinion, by a bigger European market; there, indeed, the Dutch fear German competition in industrial products.

The second objection raised in the statement was against the French claim for minimum prices of agricultural products. These would deprive Holland of one of the main advantages of a common market. About 40 per cent of Holland's total export trade is agricultural, and 60 per cent of its total agricultural exports go to the five Messina countries. The proposed system of minimum prices threatens to make real economic competition within the common market impossible in this field and would even deprive Holland of some of its existing markets for agricultural produce. In effect, a penalty is imposed on the best organised agriculture of the six with its low production costs. The third objection is to the proposed harmonisation of social provisions. This again would raise costs considerably and worsen the terms of trade with areas outside the common market. Finally, nothing has been done to make transport competitive, to abolish government subsidies and to assure free water traffic.

All these complaints are shared by government officials and by large sections of public opinion. There is an increasing pressure on parliament and on the government not to sign or ratify the drafts until the Dutch requirements are met. M. Spaak's quick visit to the Hague has improved the chances, but more time will be needed for negotiation.

On one point the Dutch government will be intransigent: the French proposal for capital investment in overseas territories. The Dutch foreign minister, Dr Luns, has made it perfectly clear to his Belgian colleague that he will not sign the drafts if this proposal is not fundamentally changed. The Dutch government understands that the French are asking for an amount of investment capital in overseas territories about equal to the defence expenditure of the six countries. But the Dutch government does not want to provide backing for French colonial policy; and this, it is felt, is what the French are after.

There is a growing tendency in Holland now to look to the British plans for a European free trade area in preference to the common market which is—as a government official put it—beginning to look like an organisation for consolidation of national interests rather than a means of integration. As yet the British plans are so vague that a definite opinion is impossible. Holland cannot stay outside the common market and at the same time maintain the Benelux Union, assuming that Belgium accepts the Brussels treaty. The Dutch may therefore be forced into a position in which they have to accept the common market in order to save Benelux which is beyond any question advantageous for the Dutch economy. Perhaps the declared preference of the eight Dutch businessmen for the free trade area must be looked at as a tactical manœuvre to back their government's struggle in the Brussels negotiations, and not as a serious alternative. For in the final analysis Holland cannot afford to stay outside "little Europe," and it is aware of this.

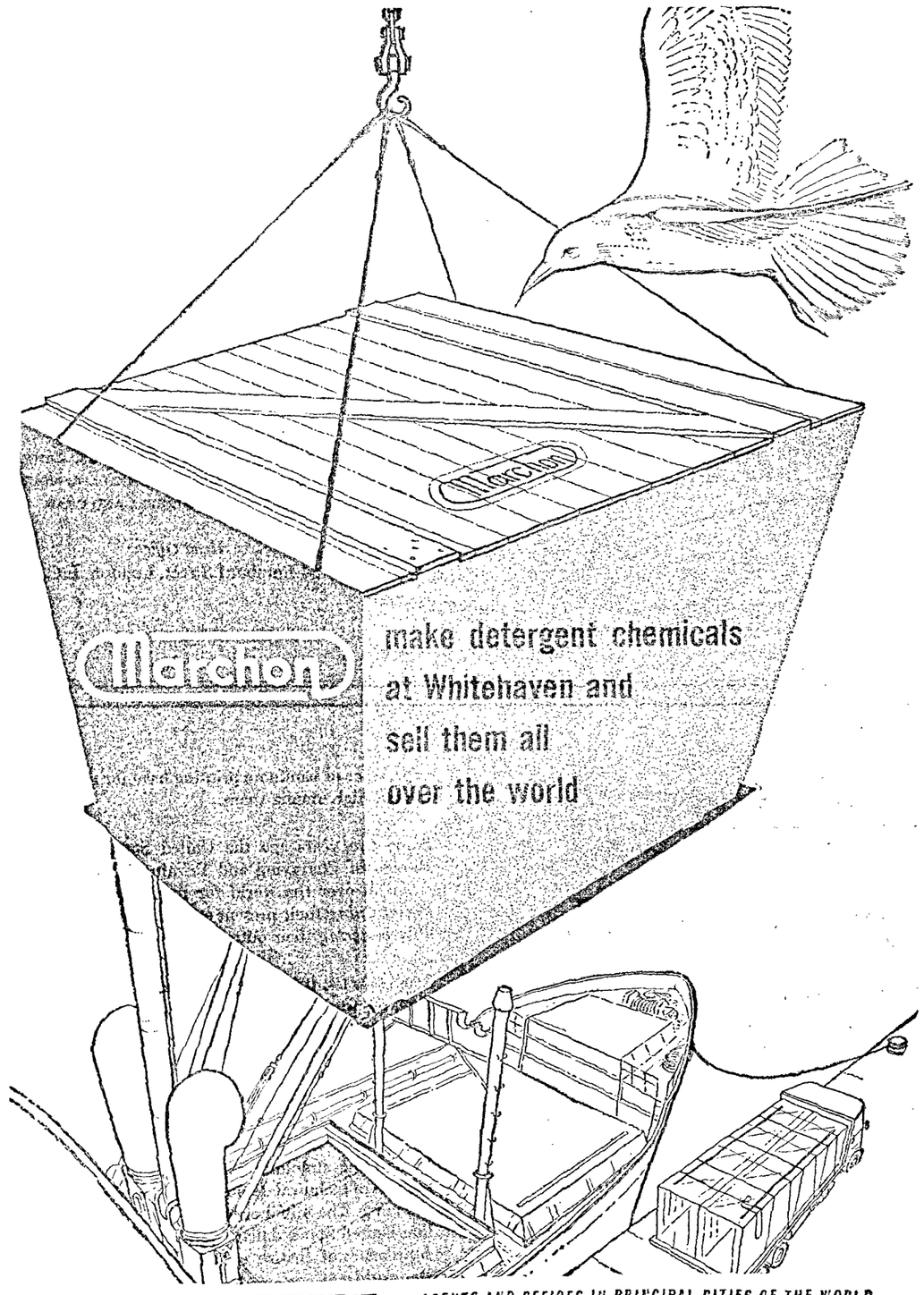
[*The state of negotiations for the Common Market is discussed in a Note on page* 461.]

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The contract, it is *finally announced*, goes to De La Rue, the world's largest printers of foreign currency. The new fully automatic machines developed by the Company will make available to the U.S. Treasury the most modern methods of printing currency at speeds which will double the present attainable output.

Behind the announcement of this award lie many months of technical demonstrations and transatlantic voyaging. The initial order will bring Britain 1½ million United States dollars—and further establish the supremacy of *British security printing* throughout the world.

Thomas De La Rue & Co Ltd 84-86 Regent Street, London W1

THE BUSINESS WORLD

Mr Sandys's Shopping List

WHAT the Minister of Defence offered to buy and the Americans offered to sell by way of guided weapons during the recent talks in Washington will probably remain secret for some weeks. But when the details are announced it may help the layman to form his own opinion of the success of the mission if he has an idea of the choice of weapons that are available in the American supermarket for guided missiles—as well as the state of Mr Sandys's own larder at home.

The practice of calling every weapon with a rocket motor at one end and a warhead at the other a "guided missile" is slovenly but understandable. Top and tail, however, are the resemblances between the vicious little rocket fired from a fighter and the lumbering 40-ton weapon designed to fly 5,000 miles to its target. Missiles can most simply be classified by considering what kind of conventional weapon they are designed to replace. They may perform the same broad function as artillery; as aircraft cannon; as anti-aircraft batteries; or as bombers. To each of these roles, missiles bring their own special contribution in the form of increased range, because they carry their own motors, or of increased accuracy because they carry sentient electronic mechanisms that help to lead them to their target even when the target is attempting to evade them. The price of this extra range and accuracy is very high. In money, time and manpower, it costs as much and takes as long to develop a guided weapon as to develop a manned aircraft to perform the same function—some £20 to £30 millions, for example, for a fighter aircraft or for an anti-aircraft missile that does the same job.

Britain's defence machine is going through a difficult period of transition today. The replacement of conventional weapons by guided missiles in each of the four broad categories is accepted as inevitable; but the missiles themselves are not reliable enough to justify abandoning their conventional counterparts. It will be at least five years before real confidence could be placed in an air defence system relying wholly on missiles. Two parallel systems of defence, based on different technical principles, need to be kept in being for a considerable period.

This is the background against which Mr Sandys went to Washington. No attempt has been made in this country to develop either the "artillery" or the "bomber" categories of missile until recently, when work started on a long-range weapon. Five design teams made up of aircraft and electronics manufacturers are working on projects in the two middle categories, namely airborne and anti-aircraft missiles.

The first to go into production is the relatively elementary Fairey Fireflash, developed by Fairey Aviation, Plessey and E. K. Cole and described by the RAF as an airborne training weapon. It rides a radar beam to its target. Far more sophisticated, and reputed to be ahead of anything of the same type in the United States, is the airborne weapon developed by de Havilland and Mullard. This probably homes on the heat from its target's engines. After a period during which it was as easily distracted as a puppy, this has grown up into a well disciplined and reliable hunter. The three other projects are for anti-aircraft type missiles, one developed by English Electric, a second with a ram-jet as well as a rocket designed by a Bristol Aeroplane-Ferranti team and a third, designed by Armstrong Whitworth and the General Electric Company, which is for use on ships. A sixth project, far less advanced than these, is for a 1,000-mile rocket. Rolls-Royce has an agreement with North American Aviation that covers rocket motors big enough for a project of this kind; English Electric seems another probable contractor.

In the United States there are about forty guided weapons of various kinds under development or in service. Nearly three times as much money has been spent on developing them as was spent to develop the atom bomb. They have not all come along any faster than

in this country; the American missile programme has had its ups and downs; but work started several years earlier and this lead has never been lost. Most of the American weapons now in service date back to 1946-47.

Of the American weapons in the artillery category, Britain has already ordered quantities of the *Corporal* missile built by Firestone, with a range of 20 to 50 miles. This is guided principally by radar and an improved version is going into production. There is less interest in this country in the Douglas-built *Honest John* and its successor, *Little John*, which are rockets with 20-mile range and no guidance or in unmanned bombers that fly up to 400 miles. Of the airborne weapons available, the de Havilland-Mullard missile is believed here to have an edge over its American counterparts, the radar-homing Hughes *Falcon* and Sperry *Sparrow* (used by the US Navy) and the Philco *Sidewinder* which is attracted to its prey by heat. But work has recently been started by Douglas on a project, *Ding-Dong*, which is intended to have an atomic warhead. This, even if the guidance system is none too accurate, may still blast any bomber out of the sky.

The chief interest of Mr Sandys's mission, however, centres on the last two categories of missile. The Douglas-built *Nike* that has been set up in batteries around American cities is inefficient and needs huge ground services. But the less publicised *Talos*, originally designed by Bendix for the US Navy but now adapted for land defences, is an anti-aircraft weapon more formidable than anything available in Britain. Talos might become the standard anti-aircraft weapon of Nato. It seems certain that Talos batteries will be erected around the US Strategic Air Command's British airfields, which are at present defended for SAC by the Royal Air Force, and highly probable that the design will be built in Britain. Talos uses a combination of rocket and ram-jet, and its roots go back to 1945.

It is in long-range ballistic rockets that American work is so far ahead of anything contemplated in Western Europe. These are of two types. First, there is the rocket-powered Convair *Atlas*, weighing 40 tons and designed to fly 5,000 miles with a nuclear warhead, and its partner *Titan* built by Martin, described as a "back-stop" to Atlas and using the same components. Out of this has also come a project for a shorter, 1,000- to 1,500-mile missile, the *Thor*, built by Douglas. Thor's development has been rapid because it uses so many Atlas data and parts. This group of missiles carry a detailed plan of the course to their target; instruments in the missile check continuously how far the flight is departing from this ideal course and make their corrections. So does the medium range *Jupiter*, designed for the US Army by the V2 inventor, von Braun.

The other project is the North American *Navaho*, intended to have the same range as Atlas, but using a ram-jet engine to achieve it. Where Atlas climbs 800 miles above the earth before turning over to curve down on to its target, Navaho is designed to cruise at 90,000 feet, beyond fighter range but still with the atmosphere. Its guidance depends on steering by the stars—though when its purpose is considered there may be a touch of blasphemy in the term "celestial guidance." The Northrop *Snark*, which is designed to fly 4,000 miles at subsonic speeds (and recently lost its way on test), uses the same guidance. These formidable weapons are a long way from service and some months from full-dress trials. The performance figures quoted are those that it is hoped they will reach, not those that have been demonstrated under test. But there is little reason to suspect that they will fall far short of their designed capabilities.

In these warheads lies an obstacle that could rob an Anglo-American missile agreement of much of its value. Without the devastating explosive power of a hydrogen or atomic warhead, long-range weapons like Atlas, Thor and Navaho, and even short-range artillery ones like Corporal, are extravagant, unreliable toys. But the American Government is legally bound neither to sell fission or fusion warheads nor to release any information about their design. Corporal comes to this country without its warhead.

The heart of a fission or fusion bomb is not a wodge of uranium packed like TNT into the space the weapon designer has allowed. It is a carefully machined assembly in which the explosive charge consists of several components formed into shapes that have been worked out with great precision by scientists for each type of weapon. Each atomic and hydrogen warhead is tailored for its designated weapon. If, while providing data on guided missiles, and even the missiles themselves, the United States continues to withhold information about these warheads, all work on them will have to be duplicated laboriously in this country. If Mr Sandys has gained any concession here, the success of his mission will have exceeded expectations.

A Missile Glossary

Guided Missile. One of which the course can be controlled after launching and throughout its flight.

Methods of guidance. **Beam riding,** in which the missile follows a radar beam locked on to the target. **Command systems,** in which the missile is guided to its target by direct instructions from the ground. **Homing systems** in which **active** homing involves the missile tracking a target illuminated by ground radar and **passive** homing in which the missile picks up signals sent out involuntarily by the target.

Speeds: 2,000 mph or approximately Mach 3 are minimum speeds.

Power Plant. Solid or liquid fuelled **rockets. Ramjets** (simplified jet engines without moving parts and capable of high speeds) improve fuel consumption but restrict a missile's altitude because they need oxygen.

Fuels. Ramjets use kerosene. Solid fuelled rockets burn cordite. Liquid fuelled use mainly liquid oxygen or hydrogen peroxide with a hydrocarbon fuel such as kerosene.

Guidance systems. Entirely electronic. Preliminary ground radar forms an integral part of a missile defence system. Actual homing depends on a wide variety of "signals" sent out by moving target, whether manned bomber or unmanned missile. Radar emissions or reflections, heat, noise, vibration, static electricity, or ionised air around a target are all susceptible to electronic tracking—this makes defence against ballistic missiles theoretically possible. Ballistic missiles fly either by **celestial guidance,** using the stars, or **inertial guidance,** following a pre-set course with the missile correcting its own deviations. On nearing its target, **terminal guidance** may help it to home on, for example, the heat emitted by a city or a factory.

Warhead: severely limited in size by the high fuel consumption of rocket motors. A missile carries about ten times the weight of its warhead in fuel. Long-range missiles useless without atomic or preferably hydrogen warhead. Atomic warheads are being considered for anti-aircraft missiles; they would reduce the accuracy required in guidance. Missiles launched to attack other missiles also need atomic warheads in order to ensure destroying warhead of incoming missile.

Limitations. Guidance systems can be deflected by counter-measures taken by target. Early types of motors, rocket controls, and guidance mechanism were far from perfect, but are improving. Vibration is a constant danger to the electronic mechanisms in a missile.

EROSION OF THE TAX BASE—I

The Tax Skyscraper

TECHNICAL language often jargonises commonsense into obscurity, but the expression "the erosion of the tax base" which was adopted by the Royal Commission on the Taxation of Profits and Income expresses exactly the process from which many of our present fiscal discontents spring. Income is the classic measuring rod of taxable capacity; but income lacks precise definition and neither accounting practice nor fiscal law sets a clear boundary between it and capital. When tax rates were low, dispute about what was income and what capital was not serious. With present high rates the distinction between the two, arbitrary as it has to be, becomes fundamental. More important, the income tax is exposed (in the words of the Royal Commission) to the danger that successive concessions, designed to take care of special situations, will cause a progressive erosion of the tax base until its efficacy as an instrument of taxation is seriously weakened. Double taxation relief, capital allowances, fair treatment for losses, and relief for retirement benefits, are improvements, entirely justifiable in themselves, which have contributed to the whittling-down process. As the process continues, it leaves less income chargeable to tax and it pushes ever higher the rate of tax that is necessary to yield a given revenue.

Income is becoming increasingly uncertain as the tax base; indeed Mr Kaldor, its leading critic, has written: "Our present nominal rate structure would produce fantastic results if taxable capacity were measured directly into a sound vessel instead of through a sieve." Hence the search for an alternative. The greatest awareness of the problem is shown by the left who unfortunately think it can be solved largely by catching capital gains and countering avoidance. The real problem is much more serious; present rates of taxation have to be raised from too narrow a base. The consequences are all too evident. Those who can escape do so; companies, playwrights, and (TUC, please note) skilled technicians, emigrate. Those who remain have to be sheltered by a variety of expedients—initial and investment allowances, fringe benefits, and the like. The consequential fall in voluntary individual savings has to be counterbalanced by forced saving by the State through budget surpluses or by the ploughing back of profits by corporations. Taxes on personal incomes of the order of £15,000 million produce £2,300 million, a flat rate of 3s. 1d. in the £; a standard rate of 8s. 6d. and a maximum rate of 18s. 6d. seem excessive for so modest an average.

Historically, erosion can be said to have started from the exemptions from tax designed to encourage saving. Relief from income tax for life assurance premiums is over one hundred years old. Tax-free interest has been paid on national savings certificates since the first world war and Mr Macmillan extended the principle to post office and trustee bank interest in his last budget. Employees contributing to approved superannuation funds have enjoyed relief since 1921 and this relief, too, was extended last April to enable the self-employed to get tax exemption on the premiums they pay to provide for their own retirement. All these reliefs are offered for particular forms of saving, and not to savings generally. An individual may, indeed, qualify for all of them and yet actually be dissaving. They all involve the principle of an expenditure tax, charging a differential rate on income according to use to which it is put. The Royal Commission found no principle of equity to support such tax preference for personal saving, and it might have been more outspoken on the point if it had foreseen the extension of tax-free interest which was to come. Savings may be a good thing, but particular forms of tax preference for them ought not to be allowed to erode the tax base further. Many would prefer to be encouraged to make their own savings in their own way if a lower standard rate of tax allowed them room.

Battering by the waves breaks down cliffs and fertile land is lost for ever in the sea; so also a permanent loss

of taxable capacity results from nationalisation. The nationalised industries are expected to pay their way and there is general agreement with the Royal Commission's view that they should bear a proper share of taxation in common with other corporations. But their prices are "political" and their enterprise varies; the result is less income to be taxed. Last year the turnover of the Central Electricity Authority exceeded £380 million. What would its tax bill have been under private enterprise—£20 million or 1 per cent of the yield of the income tax? Last year the United Kingdom tax bill of a single oil company amounted to £8.7 million. This comparison does not touch the merits or demerits of nationalisation; but once incomes are removed from the private sector to the public sector of industry and accorded different tax treatment the burden on the private sector must be increased.

One of the newest forms of tax erosion arises from the non-distribution of corporate profits. The retention of profits on a large scale is a post-war development. By 1955 such retentions amounted to £1,500 million, after tax had been paid on them; if they had been paid out as dividends the gross distributions would have been twice as large. Here must lie one main explanation of the lagging yield of surtax. The modest increases in the number of surtax payers from 105,000 to 259,000 between 1938 and 1955, and in the yield from £59 million in 1939-40 to £126 million in 1953-54 (in spite of steep increases in rates) offend the evidence of one's eyes. There are no statistics to show the amount of surtax that is lost because profits are not fully distributed. The 1955 report of the Inland Revenue put the total investment income of surtax payers at £407 million. A broad, but not a wild, guess shows what is at stake. Take the gross undistributed profits of 1955 at £3,000 million and assume first that one half of this was paid out in dividends and secondly, that one-half of these dividends went into the pockets of surtax payers. The total increase in surtaxable income would be £750 million. If this paid tax at 3s. 6d. in the £—the rate applicable to incomes between £3,000 and £4,000—it would yield £131 million—as much as the present surtax revenue.

Ploughing back is commonly reckoned to be virtuous and is encouraged by the Government. It provides a fund of saving which is thought to be greater than would be the saving by individuals if larger dividends were paid. With incomplete logic, Labour Chancellors supposed that ploughing back was an instrument to control inflation; their policy reinforced both the distaste of their supporters for dividends and the inborn predilection of many industrialists to hang on to their profits (until frightened by a take-over bidder) by introducing heavy profits tax on dividends.

The Inland Revenue is well aware of the loss of surtax which follows the retention of profits by corporations. As long ago as 1921 legislation was aimed at private companies that did not pay reasonable dividends; before the war one of the main worries of directors of successful private companies was to escape a "surtax direction." In 1948 the contradiction between exhortations to follow a conservative dividend policy and the long-standing provisions by which private companies could be charged to surtax on the ground that they had distributed too little led to the Cripps "umbrella"; this undertaking still gives protection to most private trading companies.

Retention of profits by both private and public companies has led to many contradictions and distortions. It has facilitated the expansion of existing companies at the cost of denuding the capital market of funds for financing new enterprises. Limitation of dividends has kept the market prices of shares below their true values, and thus encouraged the activities of the take-over bidder. The expansion of assets, and of profits in consequence, has gradually led to an increase in share values. Undistributed income, after paying income tax and profits tax at the lower rate, has been transmuted into capital, and has never entered into individual surtax returns. Hence the investor's emphasis on "growth" stocks; hence also the campaign for a capital gains tax to catch the fish which escape the surtax net.

In this context, it is blind to deny the case that can be made out for a capital gains tax. But allowing that case, serious objections remain. Capital gains can result from other elements beside retained profits—from the goodwill accruing to successful entrepreneurship, for example, which has a claim to be pure capital. Some paper gains are not true gains at all; the growth of the value of assets resulting from inflation certainly has no real taxable capacity. It would be doubtful wisdom to saddle the Revenue and the taxpayer with another highly complicated tax involving considerable administrative difficulty, offering the prospect of a modest and uncertain yield.

What is the alternative? Would it be just to remove the protection of the Cripps "umbrella" from private companies and leave public companies unaffected? It is unthinkable technically that anything like the surtax direction procedure could be applied to public companies. Does not logic point to putting the profits tax arrangements into reverse? Instead of charging distributed profits at a high differential rate, let undistributed profits bear the burden. An encouragement to distribute, with a charge in lieu, as it were, of surtax on profits not distributed, would promote a more rational system of savings, widen the basis of income on which tax is levied, and thus lead to a scaling down of rates. The increase in dividends, and hence of share values, which would result would no doubt cause the left much more sorrow than the increase in surtax yield would bring joy. But the insulation of £3,000 million of profits from any charge to surtax now creates a dust-bowl of taxable capacity. The consequences of this and of other examples of tax erosion will be examined in a second article.

(To be concluded)

Business Notes

Bank Rate: 5 Per Cent

BANK rate came down on Thursday by ½ per cent from the high level of 5½ per cent established almost twelve months ago. Having disappointed market hopes several times since the turn of the year, the Bank in the end succeeded in again achieving a measure of surprise. Hopes of a Bank rate reduction had been most clearly apparent in the sharp fall that had occurred in the Treasury Bill rate since early December, from nearly 5⅛ per cent to under 4⅛ per cent; but in recent weeks the authorities have been trying to put a brake on this movement, and that had suggested to some observers that the reduction was not, after all, imminent. The hesitancy of the authorities in following the market movement, it is now clear, was due to fears that the reduction would be construed as a "green light" for the economy implying that the need for disinflation had diminished. This, emphatically, is not the signal that the lower Bank rate is intended to give. Its avowed purpose is to change the technical character of the monetary effort to achieve disinflation, and perhaps thereby to make it more effective. The role of Bank rate, it is now argued, has become exaggerated since its use was revived in 1951—it has become a grand signal rather than a flexible technical instrument. For this change in the public's attitude to Bank rate the authorities have only themselves to blame—the traffic light metaphor was their own invention—but it now seems that they are seeking to educate the public out of its excessive regard towards Bank rate.

★

Whether these purposes can be achieved without untoward effects will depend less upon the way in which this Bank rate easing is publicised than upon the manner in which monetary technique is now developed. The underlying principle, evidently, is that effective credit control depends upon tautness in the liquidity ratios of the banks; this tautness requires due control of the supply of liquid assets—mainly Treasury bills— and this in turn requires a market condition that enables the Treasury to finance itself more by sales of medium and long-dated stocks and less by bills. A reduction of money rates, consolidated by the cut in Bank rate, may promote this technical objective. But it will not achieve the fundamental purpose of keeping credit restraint at least as effective as before unless the sale of stocks is pressed relentlessly forward, thus putting a brake on any rise in the gilt-edged market. In principle, effective control certainly can be achieved by these means; but it has to be remembered that at one point the restraint indubitably has been eased—by the consequential reduction in the rates charged by the banks on loans and overdrafts. If that reduction goes hand in hand with a further significant fall in gilt-edged yields, the authorities will find it all the more difficult to persuade the public that they have not indeed given a green light.

Impact on Money Rates

FOR the present, at least, these precepts seem to be well in mind. The Chancellor, when questioned in the House after the Bank rate reduction, emphasised that, so far from being a "signal for bankers or others controlling sources of finance to relax credit or to ease restrictions on lending," it was "designed to enable the Bank of England to maintain the full effectiveness of monetary policy." Moreover, so long as there was need for restraint in order to make room for exports and essential investment, "we shall continue to make full use of the interest rates to discourage spending and to encourage saving"—to which assurance the Chancellor added the reminder that an effective monetary policy is concerned "not only with the Bank rate but with the market operations associated with it."

If these principles are to be successfully followed, and if the risk of giving a green light is to be cut to a minimum, it is important that the Bank rate move should not be allowed to touch off a further substantial fall in rates—even within the money market. It is not yet sure, however, that such a response will be avoided. Inevitably, the move was immediately followed by a corresponding fall in the basic banking rates that are keyed to Bank rate. The clearing banks' interest allowance on deposits subject to seven days' notice was reduced from 3½ to 3 per cent, and their agreed minimum charge for short loans to the money market came down from 3¾ to 3½ per cent (this rate is in practice applicable only to a portion of the banks' loans to the market, the so-called "regular" money). It was naturally impossible to gauge on Thursday what the consequential effect would be on the following day's Treasury bill tender. Since the Treasury bill rate was already, before the Bank's action, almost 1 per cent below Bank rate, it was arguable that it ought not to fall much further, and certainly should not drop by the full extent of the Bank rate reduction. First indications suggested that it was likely to fall by around ½ per cent, and possibly by rather more than that. On a slightly longer view of the course of rates, much will obviously depend upon the behaviour of sterling. It is impossible to attach great importance to Thursday's small movements in sterling: the spot rate against the dollar was edging gently down before and immediately after the Bank rate announcement; but it recovered to close at $2.78\frac{13}{16}$.

Stage Set for Funding

If there ever was a Bank rate move that City markets could take in their stride, this week's was the one. Markets had been signalling it for weeks through the strength of gilt-edged, and Stock Exchange betting on Thursday morning varied between even money and six to four against. They seldom get closer than that in picking a particular Thursday. So markets took the reduction in their stride. The move was well managed, too; immediately on the announcement the market learned that the Government broker was a potential seller of substantial quantities of a list of long-dated and irredeemable stocks at prices unchanged from Wednesday. As some of his prices were nevertheless a fraction above current market prices there was still room for small advances. But broadly the Bank of England has pegged at least temporarily long-dated stocks against a rise, and that clearly is its way of saying "No green light."

	Nov. 30 1956	Dec. 31, 1956	Feb. 1, 1957	Feb. 6, 1957	Feb. 7, 1957
AEI	60/-*	66/6	67/3	66/3	67/6
ICI	37/6	38/10½	42/7½	41/9	42/3
P & O	30/3	33/-	36/6	35/3	35/6
Stewarts & Lloyds	26/4½	30/9	28/9	27/9	28/7½
Turner & Newall	99/-	105/6*	114/3	112/6	114/-
Unilever Ltd.	65/6*	72/-	74/-	72/6	73/-
Savings 3% 1965/75	71 ¼	73 ¼	77 ¾	77 ¾	77 ¾
Conversion 3½% 1969	81 ¾	82 ¼	87 ⅜	87 ⅛	88 ⅛
Treasury 3½% 1979/81	74 ¼	76 ¼	80 ¼	79¾	79 ⅞
Consols 2½%	50 ⅜	52 ⅛	55 ⅜	55 ⅜	55 ⅜
War Loan 3½%	68 ⅝	70 ⅝	74 ⅝	73 ⅝	73 ⅝
Financial Times :— Govt. Securities	82·33	84·74	89·50	89·06	89·21
Financial Times :— Indust. Ord.	163·5	178·8	186·4	183·1	185·5

* Ex-dividend. Gilt-edged prices are shown net.

Market reactions therefore were confined to a tiny rise in long-dated gilt-edged, a fairly substantial rise at the short-dated end of the gilt-edged list, a modest rise in industrial ordinary stocks, and it contributed to the rally in metals. The table shows some of the salient movements on Thursday which was not as it turned out a day of big business. One amusing side line was the two new corporation stocks —Walsall's issue of £2 million 5¼ per cent stock 1967-69 at £99½, and Dundee's issue of £1¼ million on identical terms. Lists for both had opened and closed on Wednesday, and both had been casualties in the small market recession of the first half of the week, underwriters of the Walsall issue having had to take up 75 per cent and underwriters of the Dundee issue 69 per cent. When both stocks opened on Thursday morning at 10s. discount, with only £10 per £100 paid, they became ideal deep Bank rate hedges. Each of the scrips closed at ¼ premium: the speculators had relieved the underwriters.

Naturally not all the interest rates that hang more remotely on Bank rate are yet clearly defined. The Building Societies Association was ready with its now familiar statement. The fall in Bank rate will have no immediate effect on the rates paid and charged by the societies. Whether it will ultimately have an effect depends on whether the decrease leads to a general reduction in interest

rates. Oddly, the societies have not pointed out, as they might have done, that the increase in their own rate of tax now makes it unusually difficult to adjust down to a minor reduction in interest rates. There are still some doubts, too, about the rates that stock jobbers will have to pay for bank accommodation. On the assumption that these will come down by ½ per cent to about 4¼ per cent for gilt-edged jobbers and about 5½ per cent for industrial jobbers, the cost of carrying a jobbing book will be materially lightened, with consequent benefit to the breadth of the market.

Another factor that should make for better markets is the acceptance of the view that heavy selling by Government Departments is better achieved on a firm market than on a depressed one. The third, and perhaps most important influence, is the present market frame of mind that already talks of the 5 per cent Bank rate as just a step towards 4½ per cent. Against these influences the "No Green Light" slogan is not going to be easy to sustain. It will need to be sustained by a refunding issue by the Government itself though perhaps not immediately. Despite the brave front that offered a wide range of long and irredeemable stocks on Thursday the market is beginning to feel that the Government broker may soon have little beyond Treasury 3½ per cent 1979-81 and Conversion 4½ per cent that he can still regularly offer.

Gold and Oil

The gold figures for January were the best for any month since Colonel Nasser's seizure of the Suez canal at the end of July; and after some initial confusion, they were recognised as such by the exchange market, sterling again momentarily touching its parity of $2.80. The reserves fell by $49 million; but no drawings have yet been made on the line of credit with the Export-Import Bank, nor on the standby credit with the International Monetary Fund. After taking account of defence aid of $4 million, there was thus a dollar deficit of $53 million; the comparable deficits net of special items were $218 million in December, $313 million in November, $91 million in October, $128 million in September and $119 million in August.

THE PRESSURE ABATES

($ million)	EPU Settlement*	Direct Dollar Balance	Aid and Special Payments or Credits	Change in Reserves	Reserves at end of Period
1956—					
August	−51	− 63	− 10	−129	2,276
September	−34	− 94	+180†	+ 52	2,328
October	−23	− 63	+ 7	− 84	2,244
November	−23	−235	+ 34‡	−279	1,965
December	−49	−169	+386§	+163	2,133
1957—					
January	−17	− 36	+ 4	− 49	2,084
February	+19				

* Relates to balance in *previous* month. † Includes $177 mn. from sale of Trinidad Oil. ‡ Includes $30 mn. from official sale of US government bonds. § Balance of drawing of $561 mn. from IMF, defence aid of $6 mn. and end-year instalments of $181 mn. on US and Canadian postwar loans.

Furthermore, $17 million of last month's deficit was attributable to the gold settlement of the December deficit with the European Payments Union; the January balance with EPU came out at a surplus of £9 million—the first surplus since May last, which will this month bring in a gold receipt of $19 million. Reckoning the EPU settlement to the month in which it relates, the true deficit for January is only $17 million—compared with the massive deficits of $178 million in December and $334 million in November.

The new year recovery, foreshadowed by sterling's progress in the market, reflects the virtual ending of the speculative attack on sterling. The gold figures seem to confirm the impression from the markets that the capital account was probably near neutral last month. The small net dollar deficit was the resultant of a belated surplus on normal sterling area transactions—stultified earlier by the speculative leads and lags—and of the special payments for dollar oil.

Those payments have been estimated to be running at around $30 million a month on account of Britain's requirements alone; in January they may have fallen somewhat short of that figure, as supplies from the Western Hemisphere lagged behind expectations. But further dollar expenditure was being incurred on Western Hemisphere oil for re-export to Western Europe. Thus in effect the Treasury is financing oil imports 100 per cent in dollars and being reimbursed through EPU for exports of refined products to Europe 75 per cent in dollars.

£30 Million for Tankers

Three exacting parties have been satisfied in the formation of Tanker Finance Limited. This new company, formed under the auspices of M. Samuel and Co. is purchasing £30 million of new tankers, which are building for the Shell group in British and European yards and are being delivered during the next three years. It provides, that is, a block of long-term finance for tankers that leading spokesmen for the Shell group have repeatedly urged the City to undertake. There have always been difficulties, concerning not the security but the shape of such an investment; to the banks a loan over the life of a tanker is unthinkably long and to the insurance offices and pension funds it is unattractively short, averaging ten years over a twenty-year life.

These problems are neatly solved by the new company. The sponsors have arranged, in conjunction with Hoare and Co. and Joseph Sebag and Co., for Tanker Finance Ltd. to borrow £22½ million from the institutions and £7½ million from Lloyds Bank. The institutions' money will be repaid by a cumulative sinking fund over a period from the ninth to the twenty-fourth years, giving an average life of 17.8 years. The bank money will be repaid over the first eight years by equal annual instalments. Both the institutional and the bank loans will be secured pari passu by a mortgage on the ships and on the charters that the Shell group is to enter into for periods of twenty-four years at fixed rates of hire. Shell will be responsible for working the ships, and at the end of the mortgage period, the tankers will revert to them.

In effect, therefore, the arrangements amount to a rent charge on the security of Shell—which is in itself an attractive proposition. Tanker Finance Ltd will own the ships; Shell will charter them; and the charters will be arranged to balance precisely the service and repayments of the loans. Shape and security will thus march together in a new form of financing that is likely to set a precedent for similar operations in future. The information given about the scheme does not disclose what the effective rate of interest will be; nor does it specify at what rate the loans will be taken up. To satisfy both borrowers and lenders (on an excellent but non-quoted investment) the rate may presumably lie in the range of 6½ to 7 per cent. And the money, presumably, will be provided by instalments over a period of three years or so as the tankers come into service.

Fuel Oil Prices

Since the price of fuel oil in Britain was raised by 3½d. a gallon on December 4th the basic price of Bunker "C" fuel oil in the Caribbean and the Gulf of Mexico has risen by a further 40 cents a barrel, equivalent to nearly a penny a gallon. Heavy Venezuelan crudes which have a high fuel oil yield have risen by 25 cents a barrel since December 4th, and the Texas and other American crudes by an average of 35 cents a barrel. Crude oil prices in the Middle East have not risen in line with the Caribbean—indeed because of the enforced haul round the Cape they are no longer competitive with even the highest priced Caribbean and Texas crudes delivered to the US east coast or to Western Europe. The other emergency costs—the re-routing of tankers for the longer haul round the Cape, the higher level of freight rates, and the higher refining and inland distribution costs per gallon of oil handled—are still as high as they were in December. It is therefore clear that oil companies in Britain are absorbing at least part of the increase in basic prices that has occurred since December. How long this restraint will continue must depend on their assessment of the longer term outlook for fuel oil prices.

The ceiling for fuel oil prices in Britain is set by the cost of importing marginal supplies from the Caribbean. The Caribbean price, in turn, must be competitive with US Gulf crude delivered to refineries on the east coast of the United States. The effective limit to that price is set by the need to remain roughly competitive, on a thermal basis, with the price of local American coal. This limit appears to have been reached, if not exceeded in places, and as America is already half-way through the season of peak winter demand, the price of fuel oil there is unlikely to rise much further, even if competition from coal would let it.

The first basic price relationship to be settled after the Suez Canal and Mediterranean pipelines are reopened will be that between Persian Gulf, Caribbean and US Gulf crudes. One of the main factors governing this will be the extent of any restrictions that may be imposed on the import of crude oil into the United States. If the present Persian Gulf price is unchanged, and tanker freights fall substantially with the return to normal trading, and if no barriers are raised against the import of Middle East oil into the

United States, it could undercut the new US Gulf price, and perhaps bring this and Caribbean prices down. As Middle East supplies improve the European demand for crude and fuel oil from the Western Hemisphere will decline and some of the recent exceptionally high demand for bunker fuel oil (for ships carrying coal, for example) may also fall off. Now that consumers have been starkly exposed to the risk of interrupted supplies inherent in any decision to switch to fuel oil, the European demand for fuel oil may not continue to grow at its recent remarkable rate. But the problem of refinery balance in Europe, with fuel oil short and low grade petrol over-plentiful, seems likely to persist. To alleviate it, the oil companies will still be forced to obtain quite substantial quantities of fuel oil from the Western Hemisphere. On balance, the pressure on fuel oil prices may ease—but not by much.

The Shrinking Surplus

It is now certain that the out-turn of the budget for the current year will fall far short of the hopes expressed by Mr Macmillan shortly after the Suez cease-fire, and it is even questionable whether it will match the more conservative forecast made a few weeks later. On the first occasion Mr Macmillan hoped that his originally estimated above-line surplus of £460 million would be "largely realised"—except to the extent of an estimated £35-50 million of Suez expenditure. On the second occasion he expected the total out-turn of the Exchequer accounts—including the "below-line" items—to better the budget estimates. These estimates, it should be recalled, did not take credit for the £100 million of economies that were promised in the budget speech. Now, up to February 2nd, the above-line account still shows a cumulative deficit, of just under £14 million, whereas at the corresponding date last year there was a surplus of £271 million. This deterioration of £285 million contrasts with the improvement of £63 million provided for in the budget—before crediting the £100 million. If in the remaining weeks of the fiscal year net receipts are no larger than in the same period last year (in the past five weeks they have been smaller), the final above-line surplus will be little more than £100 million. This week the Treasury issued civil supplementary estimates totalling £94½ million and a Ministry of Defence estimate of £1.7 million; this follows last week's supplementary for the Army of £39 million. The net revision in the supplementary estimates comes to £107½ million.

Some consolation for this depressing performance can, however, be found in the below-line account. Because of the new procedure for financing the nationalised industries direct from the Exchequer, net below-line expenditure was expected to rise from £538 million to £803 million: up to date, it has fallen by £42½ million, to £449 million. The main influence here has been the extraordinarily sharp reduction in net borrowings by local authorities from the Public Works Loan Board. These demands had been expected to fall in the full year from £297 million to £176 million; actually, they have so far fallen from £292 million to only £67 million—£109 million of new borrowings being offset by £42 million of repayments. The other big factor has been the lag in the new system of financing the state boards; up to date they have absorbed £218½ million, compared with the £350 million originally expected to be provided in the full year. At present, therefore, the overall account shows a deficit of £463 million, or £242 million more than at the similar date last year, whereas for the full year the expected deterioration was £202 million.

More Goods by Rail

There has clearly been some transfer of traffic from road to rail since fuel rationing began, but it is not possible yet to measure it in any precise terms. The Ministry of Transport has produced some rough estimates prepared with unusual haste by the Transport Commission about rail tonnages last week—it normally takes a month for full returns to be ready—and these suggest that the shift so far has been quite small. General merchandise traffic in the week to February 1st is thought to have been about 8-9 per cent higher than in the comparable week last year, minerals traffic about 3-4 per cent higher, and coal traffic—where there was probably less room for transfer—about 2 per cent up. In total the increase in tonnage may have been about 3-4 per cent; but the order of increase in ton mileage—which would be a better measure of fuel saving on the road—will not be known for several weeks.

But even if these gains are entirely due to fuel rationing, they still fall a long way short of what was thought likely. Tentative estimates in these columns a month ago suggested that, even with a 15 per cent saving in fuel by all road goods vehicle operators, about a tenth might still have to be added to present rail tonnages by transfers from the road throughout the period of rationing, and slightly more of the ton mileage. There may have been room for fuel economy in road operations of more than 15 per cent; but the next few weeks should show whether rather more road traffic will have to be transferred. All the fuel set aside for the issue of supplementary rations has now been allocated to the 211,000 goods vehicle operators that applied—about half the total but roughly the number the Ministry expected.

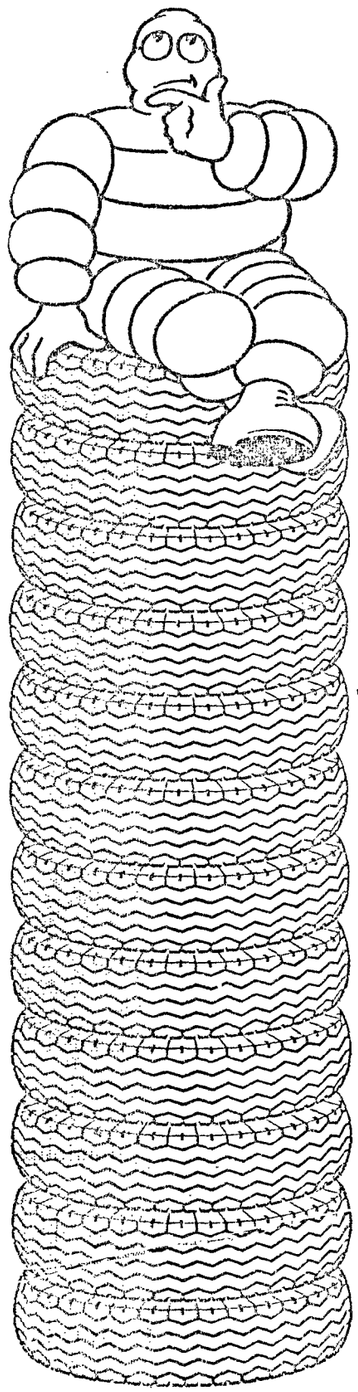
The switch in passenger traffic has been more marked, however. Last week the railways carried about 20 per cent more passengers than a year ago; and London Transport reports an 8 per cent increase in train journeys and a 6 per cent increase in bus journeys. Most urban public transport operators have experienced an unaccustomed ease in running with the decline in private traffic and the disappearance of congestion. Sir John Elliot, Chairman of London Transport, has argued, as was to be expected, that "it would be a stupendous piece of folly if the biggest real improvement in travel conditions since the war were thrown away." But neither fuel rationing nor any licensing system of private traffic are adequate solutions of the problem of urban congestion, and the report the Ministry of Transport has asked the Road Research Board to prepare of traffic conditions in London during rationing is unlikely to reveal any better solutions than the ones the Minister has already been offered.

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National Provincial Capital

ANOTHER of the big banks is to simplify its capital by getting rid of uncalled liability and establishing a single class of fully-paid shares. The National Provincial Bank has at present three classes of capital, which rank *pari passu* for dividends, only one of which is fully paid—the £1,170,000 of £1 shares. The other two classes comprise 600,000 "A" shares of £5, on which only 14s. is paid up and 7,889,420 "B" shares of £5 on which £1 is paid; of the uncalled portions £3 6s. 8d. in each case represents reserve liability. The bank proposes, subject to the assent of the Court as well as of shareholders, to cancel the whole uncalled liability on these classes and then to consolidate the resultant paid-up units into £1 fully paid shares. This operation should improve the marketability of these classes. The board also considers that the scheme should "recognise" the "better marketability" at present enjoyed by the existing £1 (fully paid) shares. It therefore offers them a one-in-fifteen free scrip issue from the share premium account—which seems a generous rating of the counterpart of what is being done for the "A" and "B" classes.

After this change, all three classes are to receive a one-in-ten bonus from the share premium account (making the total draft on that account £1,033,742, out of £1,144,950). The aggregate capital of all classes will then be £10,513,162 all in £1 fully paid shares. This compares with a present paid-up capital of £9,479,420. The directors hope to maintain in 1957 the 18 per cent dividend paid for 1956—"subject to the maintenance of satisfactory profits and in the absence of unforeseen circumstances." On this basis the effective return to the "A" and "B" shareholders will be increased by one-tenth, and that to the existing £1 shares by slightly more than one-sixth. There would seem to be room for controversy about a difference in treatment as perceptible as this.

Retail Trade Picks Up

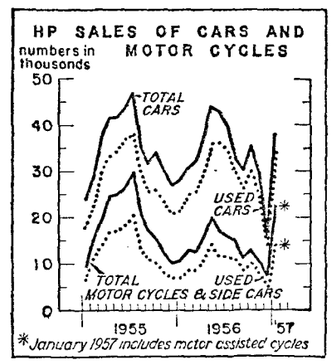
RETAILERS ended 1956 in a rosy Christmas glow. In November and December came the first signs that customers were becoming either accustomed or resigned to higher rates of purchase tax and hire purchase restrictions, both by then nearly a year old. In November the value of retail sales was five per cent higher, and in December seven per cent higher than in the same months of 1955, a year when the autumn budget had first sent customers through the household departments like locusts to clear them of goods at the old rates of tax, and then induced a frame of mind in which customers almost boycotted those same shops. The rising volume of hire purchase business now being transacted probably explains why, furniture sales, for example, rose 12 per cent in December and the multiple furniture shops' share rose 16 per cent—these shops had been the worst hit by hire purchase restrictions. Radio and cycle shops reported as much as 20 per cent more business. Compared with this, business in clothing, which formed the backbone of trade during most of 1956, was ticking over with a mere 5 per cent increase, and for once the multiple clothing chains failed to set the pace for the others. Christmas is often the time when department stores come into their own, and their sales were 9 per cent higher than the year before.

Taking the year as a whole, the Board of Trade estimates that the steady 5 to 6 per cent increase in retail spending did represent a small increase in the volume of goods sold as well as an increase in their prices. But at this stage the shift in trade between different departments probably interests retailers much more than its average level. In the past few years customers have played an infuriating ding-dong game between durable consumer goods (bought on hire purchase) and "soft" goods like clothing and textiles, leaving alternate departments comparatively empty for months at a time. December's revival in household goods must have many traders wondering whether this is the start of another pendulum swing.

Hire Purchase Boomlet

AT the turn of the year the minimum hire purchase deposit on most types of motor vehicles was dropped from 50 per cent to 20 per cent—a concession by the Treasury and the Board of Trade that, it was thought, looked big but would have small effect. Hire purchase of consumer durables was rallying from the swingeing restrictions imposed in February, 1956, but in the motor trade petrol was rationed and dearer; second-hand car prices and public confidence were both low; the public, it seemed, might make only a limited use of the easier terms.

Hire purchase contracts in January, normally an inactive month in the motor business, provide occasion for thinking again. Private cars hire purchased totalled 38,232, well over twice the December figure of 16,537 and over a third more than in January last year. Most of the increase was as expected in second-hand cars, but the rise was from 14,105 in December to no less than 34,086 in January; there was also a modest recovery in hire purchase sales of new cars. Motor cycles and side cars show the biggest jump — no fewer than 22,639 contracts recorded compared with 7,285 in December and 10,807 in January last year; here is evidence of the rapidly growing popularity of motor scooters (and also of the inclusion of power-assisted cycles in the figures for the first time).



January's figures must contain some contracts held over from November and December, and perhaps some element of anticipation by people who have been tempted by low prices to buy early a second-hand car for the summer.

Perhaps some have even bought a second vehicle for the sake of its petrol entitlement. These are transient influences and they may be less than the full explanation of January's recovery. Will the next few months show that motor hire purchase, like the hire purchase trade of the retail shops, has passed the trough of its decline and resumed its long term rise? This would have been an opportune moment for the Government to produce its promised bill on hire purchase finance—if it had been ready.

Vanadium Bids

VANADIUM, used in steel making, in high-temperature alloys and in the construction of nuclear power stations, is a rare metal. Outside the United States the big producing area is South West Africa, where the South West Africa Company (SWACO) mines the metal in association with lead at three small mines and has exclusive rights in the development of any vanadium-bearing ores discovered in an area of 3,000 square miles. Vanadium may not be the major source of SWACO's profits, but its industrial and strategic importance is the key to the two bids which have been made for the 531,807 13s. 4d. shares of SWACO. These have been changing hands on the London market at over £5 this week.

The first bid came from Tsumeb, a company mining copper, lead and zinc in South West Africa; a majority of its 4 million 5s. shares (which are not quoted) are owned by American mining interests. The offer was of one Tsumeb share plus 20s. in cash for every four SWACO shares. This offer requires acceptance by holders of not less than 75 per cent of SWACO's shares. If Tsumeb gains control it will apply for a transfer of SWACO's domicile to South West Africa (with obvious tax benefits) and for a London quotation for the Tsumeb shares issued to SWACO shareholders. In Throgmorton Street a tentative price range of £18 to £22 for the Tsumeb shares (on which an interim dividend of 35s. has already been paid) has been suggested; but it has been questioned whether a free market could be established on the basis of the small number of shares released by the bid. The second offer came from a group made up of New Consolidated Gold Fields (apparently as the senior partner), the Anglo American Corporation and the British South Africa Company. It is of £5 per share for two out of every three shares in SWACO, thus leaving each shareholder with a continuing but minority interest in the company (but again with a narrow market unless more shares were released). No change in SWACO's domicile is contemplated by this group.

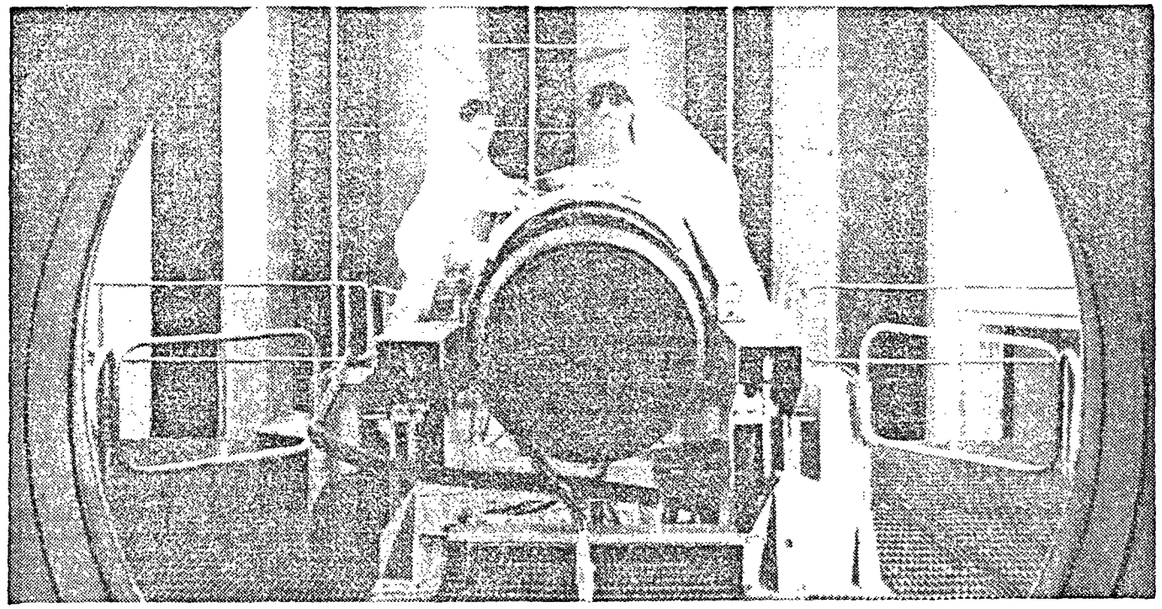
The arithmetic worth of the two bids does not appear to be greatly different. The future of SWACO may be decided more by the Treasury's attitude towards a change in domicile (it refused SWACO's own request for such a change a few months ago) and control than by straightforward investment considerations. There are already close links between Tsumeb and SWACO: 95,000, or 2.37 per cent, of Tsumeb's shares are owned by SWACO; recently Tsumeb and its associates have bought SWACO shares; and the two companies, whose properties are in the same area, have an agreement on prospecting. A spokesman of Tsumeb has said that if his company's bid were successful SWACO's vanadium would continue to be sold in this country for sterling. He is right to emphasise this point, for vanadium colours and may in the end decide the issue.

The Support Costs of Coal

IN common law as in common sense, property on the surface of the land used to have an absolute right not to be disturbed by tunnelling underneath; but in history, this right of support or compensation for damage was often disposed of by landowners along with the original permission to take minerals from beneath their land. Colliery owners, and the National Coal Board that succeeded them, could therefore argue that they had paid "once for all" for any succeeding disturbances of the surface, and the damage that these might cause. Legislation during the last hundred years gave certain authorities the right to prevent the working of coal under their property, but on the other hand made it possible for a private owner's common law right of support to be overridden, on payment of compensation, "in the national interest." When the ownership of coal in the ground was nationalised (in 1938, eight years before the mines were), the "right of support" of surface property was converted into a right to compensation.

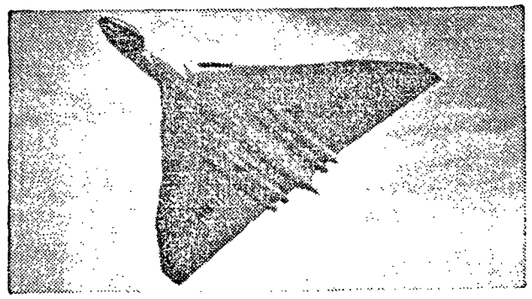
The Coal Board took over ownership of the coal as well as the collieries: it succeeded to a mixture of rights to mine without further compensation for subsidence and of obligations to support or compensate property-owners if it did not. A committee, reporting on mining subsidence in 1949, recommended that new over-riding rights to compensation, regardless of what existed or had been sold before, should be created: but that the Exchequer should make a grant to the Coal Board covering the extra liabilities, theoretically already paid for once, that this imposed on them. In 1950 the Labour Government extended this principle to small houses affected by subsidence, but granted the NCB only half of its costs under the extra liability. The Coal Mining (Subsidence) Bill that had its second reading last week proposes to extend the over-riding right to compensation to all owners of surface property: but to make the Coal Board and hence the coal consumer pay all the compensation for subsidence.

In the Commons last week the Government and the Opposition took up wholly predictable positions of "principle" on the question of where the liability should be borne. Only Sir Hugh Lucas-Tooth broke the neat party division by arguing that the Exchequer might bear the cost of the subsidence for which the Coal Board or its predecessors had paid once already—though the NCB should bear the cost of new liabilities for future subsidence, as the bill provides. More conventional party supporters managed to blur the logic of this distinction: Conservatives averred stoutly that this was an entirely new obligation to avoid nuisance that they were placing upon the industry, as they had done on others, and Labour supporters, grumbling darkly that "this wouldn't have been done to the coal-owners," managed to convince themselves that the taxpayer ought to bear the burden of new as well as old obligations to make good damage due to the subsidence caused by mining coal.

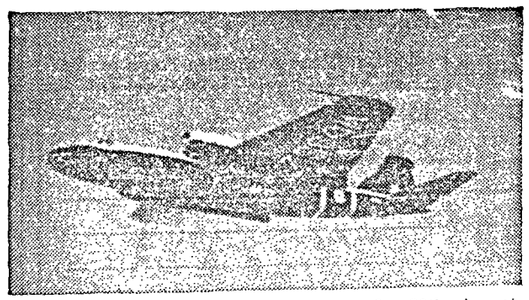


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A Banker on Credit Controls

THE Duke of Buccleuch, governor of the Royal Bank of Scotland, in his annual statement issued earlier this week argued that the time might be approaching (" if indeed it has not already arrived ") when the restrictive credit policy of the past two years " might be put into reverse." He did not wish to see more than a slight easing of the brakes. The best course, he held, would be to reduce interest rates (which was quickly satisfied on Thursday), but to retain the governmental directive on advances. He holds that direct credit controls have been more effective weapons of control than higher interest rates.

The Royal Bank's balance sheet shows a fall in deposits in the calendar year 1956 by £8.2 million to £120.1 million. The gilt-edged portfolio, shown at or under market value, is down by £4.2 million to just under £40 million ; advances are down fractionally to £44.9 million. The net profit, after providing for taxation and investment depreciation, declined slightly from £640,936 to £638,801. The other Scottish bank that makes up its accounts on December 31st, the Clydesdale and North of Scotland Bank, again follows its parent bank, the Midland, in valuing its investments at or under cost and below redemption value, and in stating that no transfers have been made, either from inner reserves or current profits, to cover the market depreciation below book value. The Clydesdale shows an increase in that depreciation from 7.1 to 7.4 per cent (£6 million on the book portfolio of £81.1 million). Its net profit is down from £487,956 to £481,832. These results (and also those of the Scottish banks reporting in the autumn) contrast with the bumper profits announced by the English banks ; one reason for the contrast has been the considerably larger proportion of deposits in interest-bearing accounts north of the border.

Metal Exchange's Lost Surplus

THE London Metal Exchange grew to greatness because a buyer or seller could always deal there, at a price, and having grown great it attracted surplus metal from all over the world. When a surplus existed the exchange could offer satisfactory hedging facilities to holders of metal because quotations for forward delivery commanded a premium over prompt supplies. Since the war it has rarely been able to fulfil that function. For many years supplies were scarce ; latterly such surpluses as have appeared have generally not been allowed to reach London.

As the chairman of the committee, Mr Philip G. Smith, pointed out at the exchange's 75th anniversary celebrations this week, the United States government has taken the surplus of lead and zinc off the market. It is supporting prices by taking into the stockpile the surplus of domestic metal, and also by exchanging its surplus farm commodities for foreign metal. The British Metal Corporation, in its latest annual review, estimates that the American government bought nearly 60,000 tons of domestic lead in 1956 (making close on 180,000 tons in all) and about 60,000 tons of foreign lead ; its purchases of domestic zinc are estimated at 100,000 tons last year (making nearly 270,000 tons in all) and of foreign zinc at about 150,000 tons. Now copper is in surplus : will producers allow at least a reasonable quantity of metal to flow to market and test the exchange's ability to do its job ?

162857

Sponsoring Fundamental Research

SPONSORED research, as it exists on a large scale in the United States and a much smaller scale in this country, is generally applied research work done by an independent organisation on behalf of an industrial customer on strictly defined problems. The detailed findings become the customer's property, and are not generally published in full. The new Scottish venture announced last week by Arthur D. Little, the oldest and most widely capable of all the commercial sponsored research organisations in America, is rather different. Its purpose is to engage in " fundamental scientific investigations "; though industrial customers will provide the money and specify the subject, they will not direct the research ; and the findings will be published freely, not confined to the firm that paid for the work.

From the American side, this may represent one reaction to the fear now widely expressed across the Atlantic that too little basic and fundamental research is being done there to inspire the vast machinery for applying research results that exists throughout American industrial research departments. These American industrial laboratories, moreover, have in the past relied to a considerable extent upon a transatlantic flow of fundamental research findings from Europe ; of late, they find this flow is slackening. This change, plus the quality of European scientific training, is one reason why American research laboratories have recently been recruiting on a large scale over here.

The opportunity to take advantage of an established research team in Scotland arose from a conversation about a year ago between Mr Raymond Stevens, president of Arthur D. Little, and Dr F. N. Woodward, then director of the Institute of Seaweed Research. This institute was

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set up by the Scottish Council about twelve years ago to study the development of industrial uses of seaweed in the highlands and isles of Scotland: from its work has developed an alginates industry with a total output now worth about a million pounds a year. The institute's pioneering work in now largely done, though some research on seaweed products will be continued. The American company has bought the laboratories at Inveresk Gale near Glasgow; and the research team now employed there, which is to be enlarged, will work almost entirely on its behalf. Eight projects have been agreed on to begin with, mainly in the chemical field; the first three, on which work is now starting, are on aspects of polymerisation, sugar chemistry, and corrosion. All so far are for American clients: but the laboratory will be ready to do fundamental research for any British organisation willing to finance this and allow free publication of the results.

Expansion in Bowaters

EXPANSION is never far from the minds of the directors of Bowater Paper Corporation; there is an exuberance both in their plans and their ways of announcing them. In setting out the details of the £15 million issue of the 5¾ per cent convertible loan stock (1978-82) at 97½ (on which the market still hopes for a premium when dealings begin), Sir Eric Bowater reveals the size of the Corporation's development programme.

In Britain the programme, already well under way, will cost in all about £36½ million; in North America the current programme, costing about $186 million, will be extended at a cost of a further $60 million. The timing of these programmes ensures some addition to profit earning capacity each year until about 1960 and Bowaters Southern Paper hopes to pay its first common dividend in 1959. Sir Eric believes that the increased capacity planned by the newsprint makers "will in the not distant future again fall short of meeting world needs." In the meanwhile, he estimates that profits of Bowater Paper in 1956 were higher than those in the previous year and anticipates "some increase" in the ordinary dividend. Sir Eric's forecast sent the price of the £1 ordinary shares up to 46s. 3d.; allowing for dealing costs that is above the first conversion price on the loan stock.

Outlook for Softwood

THE start of the new timber trading season brings expectations of a closer balance between supplies of softwood and estimated needs than existed last year. Supplies should be lower because high freight rates from Pacific coast to this country may deny Canadian shippers any effective comeback on the British market for some months. Reduced offers are also expected from Sweden and Finland; sawmills there, faced with rising costs and lower profits, are cutting their output. Austria, the third largest European timber exporter, will also be producing less timber but it appears that Russia intends to be an active and competitive seller.

The British timber trade enters the new year with commercial stocks of softwood of less than 500,000 standards compared with about 620,000 standards at the beginning of 1956. But the gradual sales from the British Government's strategic reserves buttress those stocks and give the trade reason enough for not holding more; the recent invitation from the Board of Trade for tenders for an additional 140,000 standards from the stockpile, including 60,000 standards unsold from last year's offers, is understood to mark the final clearing of government holdings of softwood. It will be surprising if softwood consumption this year exceeds the estimated 1956 total of nearly 1.4 million standards, as indications point to a decline in total building this year. Moreover, the outlook in other timber using industries is not rosy while credit restrictions are retained.

How will prices react to that prospect? Cautious buying by British importers throughout last year helped to bring about a steady decline in shippers' prices of all grades of softwood. Now many Scandinavian, especially Finnish, sawmills are finding it difficult to operate without higher prices. The opening gambit has come from the Russians, whose offer of 190,000 standards to Britain at reduced prices has been well received. The Scandinavians do not appear unduly worried. Their forward sales are reported to be satisfactory and even if British buying remains slow over the coming weeks they will probably sit tight.

Sterling Area's Trade Gap

IT is some comfort to learn that the sterling area's visible balance of trade with the rest of the world was showing an improvement last year up to the time when the big purchases of dollar oil upset the accounts. Figures published by the Board of Trade show that in the first nine months of 1956 the gross deficit with non-sterling countries fell by £56 million to £721 million, compared with the same period of 1955. While imports from non-sterling countries rose by eight per cent to £3,408 million, exports to those countries rose by 13 per cent to £2,687 million. Britain can take most of the credit for that improvement: its imports from non-sterling countries rose by only three per cent to £1,757 million, but its exports rose by 18 per cent to £1,350 million; the result was a fall in Britain's own deficit with the non-sterling world of £149 million to £407 million. The overseas sterling countries together, on the other hand, spent £1,650 million on imports from non-sterling countries, an increase of 14 per cent, while the sales rose by only nine per cent to £1,335 million.

STERLING AREA TRADE WITH NON-STERLING COUNTRIES

Percentage Change Jan.-Sept., 1956 over Jan.-Sept., 1955

Exports to:	Dollar Area	OEEC Area	Other Countries	Total
from—				
U.K.	+32	+10	+19	+13
Rest	− 1	+ 5	+22	+ 9
All	+14	+ 8	+21	+13
Imports from:	**Dollar Area**	**OEEC Area**	**Other Countries**	**Total**
into—				
U.K.	− 2	+ 5	+ 9	+ 3
Rest	+ 6	+15	+19	+14
All	+ 1	+ 9	+15	+ 8

The value of Britain's sales was swollen by an increase in prices, whereas prices of the overseas sterling countries' exports as a whole had fallen. In the fourth quarter of 1956, owing largely to the Suez crisis, the prices of several major sterling commodities increased. Some of the overseas sterling countries were more spendthrift than others—India especially: India's imports from non-sterling countries rose by £78 million to £261 million in the first nine months of 1956, while its exports fell by £13 million to £153 million. Australia, once so prodigal, had completely reformed; its imports from non-sterling countries dropped by £9 million to £199 million while its exports—helped by higher prices for wool and wheat—rose by £27 million to £236 million.

SHORTER NOTES

S. Pearson Industries, which is controlled by the Pearson family trust, of which Lord Cowdray is chairman, has arranged to buy the shares in The Financial News Limited owned by the Eyre family trusts. The purchase involves the transfer of the controlling interest in The Financial News Limited, which in turn has been the principal shareholder in the Financial Times Limited since 1945 when the shareholdings of Lord Camrose and his family were acquired. Following the purchase Mr R. T. B. Gibson has joined the boards of both companies and Colonel O. E. Crosthwaite Eyre, MP, has resigned from them. Lord Bracken remains chairman of both companies, whose management and policy are to continue unchanged.

The Bank of London and South America announces a final dividend of 7 per cent, against 5 per cent, making 9 per cent for 1956, against 7 per cent. Net profit after tax is shown at £560,047, against £391,694.

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Prices of elephant tusks showed a fall of about five per cent at the first auctions in London this year. Soft Mozambique sound tusks weighing between 81 and 100 lb sold for £125 to £130 a cwt; bangles, oversize, fetched £81 a cwt and bangles, defective, fetched £60 to £62 a cwt. Scrivelloes, ball, weighing 14 to 20 lb sold for about £80 a cwt.

★

Sir George Bolton, who at the end of this month relinquishes his executive responsibilities at the Bank of England, is to become deputy chairman of the Commonwealth Development Finance Corporation. As previously announced, Sir George also becomes deputy chairman of the Bank of London and South America, and remains on the Court of the Bank.

★

The International Sugar Council, after noting that all restrictions on exports had lapsed (reported in *The Economist* of last week), called upon exporting members of the sugar agreement to release for export the minimum stocks held and decided that exports made before the next meeting of the council should not be charged against quotas when these are reintroduced. The next meeting is due on March 6th.

Company Notes

IMPERIAL TOBACCO. The news that Imperial Tobacco Company's ordinary dividend was to be 21 per cent for the third year running and that gross profits had barely been maintained in the year to October 31st was enough to knock 2s. 1½d. off the price of "Imps." The stock now stands at 47s. 3d. to yield £8 18s. per cent. It is still an income stock, but the touch of equity in it is not simply occasional; it is rare. Even a giant with a dominant say in the market, it seems, is not immune from competition. Imperial Tobacco can perhaps afford to look with detachment on the fierce struggle among the smaller tobacco companies but it can hardly afford to ignore the thrust of its biggest competitor, Gallaher.

The directors of Imperial Tobacco have had to report that "the company's cigarette and tobacco sales were not fully maintained in the second half of the year, with the result that there was a slight fall in the total weight of sales for the year." The gross trading profits of the parent company (which is in effect the tobacco company shorn of ancillary operations in making paper and board for the trade) show little change at £19,895,434 (against £19,872,496). Investment income has risen, thanks in large part to the bigger dividends paid by "BATs," from £4,988,827 to £5,314,203 but taxes, too, are higher and net profits after tax have fallen from £12,021,323 to £11,339,637. The earnings cover for the dividend remains slender—one reason for the high yield on the stock.

The paper and board-making subsidiaries of Imperial Tobacco have in the past given a small but welcome fillip to consolidated trading profits. But this was not the case in 1955-56. The group's gross profit came to £23,363,843, only a few pounds higher than the £23,310,352 earned in 1954-55. The tax provision rose from £14,420,685 to £15,395,483 and consolidated net profits fell from £12,966,504 to £12,369,764. These earnings do not include the exceptional profit of £1,188,844 which arose from the increase in the rate of tobacco duty last April; in accordance with the company's usual practice this profit has been carried direct to contingencies reserve.

RHODESIAN COPPER. Profits of the **Rhodesian Selection Trust** group of copper companies declined further in the December quarter. **Roan Antelope** sold rather more copper, and **Mufulira** rather less, than in the September quarter, and the average price realised dropped by roughly £10 a ton; moreover operating expenses—though not costs per ton—were higher because the output of both mines rose quite sharply. Roan's estimated gross profit fell by £8,000 to £1,917,000, and Mufulira's more sharply, by £324,000 to £2,839,000. The figures for the six months to December—the first half of the financial year—are shown in the table. No six-monthly comparison with 1955-56 can be made for **Chibuluma**, for that mine did not come into production until last March. Chibuluma's output in the December quarter was 2,111 tons, less than half as much as in the previous quarter, but sales were 293 tons higher at 4,263 tons. The gross profit was a trifle higher at £439,000, bringing the profits for the first six months to £872,000. Dividends from Chibuluma, of which RST holds 64.29 per cent of the capital, are subject to restriction until the £5 million loan from the American government has been repaid. The gross profit of Mufulira and Chibuluma attributable to Rhodesian

Selection Trust fell by £208,000 to £1,868,000, thanks entirely to the decline in Mufulira's profits.

Copper has fallen further since the December quarter, when the average price realised by Roan Antelope was £269 a ton. This week cash copper in London touched £246 a ton; the RST group cut its fixed price to UK consumers by £20

	Six months ended Dec. 1955	Dec. 1956
	(£'000s)	
Roan Antelope:		
Sales (long tons)	*40,107*	*38,368*
Revenue from sales	13,074	10,485
Estimated gross profit*	6,442	3,842
Mufulira:		
Sales (long tons)	*45,703*	*43,737*
Revenue from sales	15,079	12,269
Estimated gross profit*	7,513	5,354
Rhodesian Selection Trust:		
Estimated gross profit attributable to parent company	4,759	3,944

* After provision for replacement which is subject to revision.

to £250 a ton and the American producers cut their price by two cents to 34 cents a lb (£272 a ton). Although consumption has slackened, the main reason for the weakness is that production is expanding and has not been checked—as so often in the past—by strikes. But if the price were to fall much lower it would not be long before the major producers, in the United States at least, started to restrict output.

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CENTRAL MINING and CONSOLIDATED GOLD FIELDS. Arithmetic is not always everything in a take-over bid or a merger, and sometimes the conclusion that emerges reflects the impact of personalities as much as the drift of the figuring. Certainly, all the arithmetic associated with the proposed merger between Central Mining and Consolidated Gold Fields suggested that it would have been an admirable match. Consolidated Gold Fields was and is looking towards investment in metals other than gold. Central Mining's interests, with the exception of Harmony, are concentrated upon the older gold producers and after the Trinidad Oil deal it has plenty of cash to invest (even though its profits on share dealings are subject to tax). Yet the proposed marriage after detailed examination and discussions has been called off. The price of Consolidated Gold Fields' shares has subsequently come down from 60s. to 58s. and of Central Mining's shares from 55s. 3d. to 52s. 6d. Central Mining is left with funds seeking an investment outlet, which might one day still make a match with some other organisation attractive.

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BOWMAKER. Criminal proceedings are pending against the former managing director of Bowmaker, a leading hire purchase finance house. Until these proceedings are completed the company's accounts for the year to October 31st will not be issued nor will the annual general meeting be convened. In the meantime the directors have announced that the audit for the year has been completed. Completion was delayed because "the directors considered it advisable to have a further investigation of the company's books and records to December 19, 1956 (the date on which the former managing director was removed from office)."

The audit now shows that the group's profit after tax (other than the profits tax on distributions) for the year to October 31st was £195,266, compared with £279,948 for 1954-55. In that year the company paid an interim of 7½ per cent and a final of 15 per cent on the ordinary shares; for the latest year the interim was 10 per cent and it is now to be followed by a second interim of 10 per cent. There will be no final dividend, so the full year's payment is 20 per cent, against 22½ per cent. The directors say that "the company's operations continue on a normal basis and show a satisfactory trend." Public confidence, inevitably shaken by such events, should be at least partly restored by the preliminary announcement; the 5s. shares stand at 16s. 9d. and yield a few pence under 6 per cent.

LONDON STOCK EXCHANGE

Next Account begins: February 13th
Next Contango Day: February 13th
Next Settlement Day: February 19th

WITH the Treasury bill rate steady at last week's tender the market was less willing to absorb stock. Gilt-edged prices lost ground on Monday and Tuesday, but responded quickly to buying on Wednesday afternoon in front of the Bank rate reduction. After the announcement, selling by the Government broker limited the rise in the long-dated and irredeemable stocks, but the "shorts" rose sharply. Underwriters were left with 60 and 75 per cent respectively of the Dundee and Walsall loans, which opened at a small discount, though they were bought in the morning as a Bank rate hedge and closed at a small premium. Industrial shares rallied late on Wednesday, after slipping back steadily throughout the week, *The Economist* indicator falling 4.9 to 194.0. After the reduction in Bank rate to 5 per cent, prices improved.

Following the increased dividend Bank of London and South America jumped 15s. to 132s. 6d., and National Provincial rose after the capital reorganisation proposals. Other bank shares moved up in step. Benskin's Brewery gained 5s. 6d. to 54s. on the merger discussions with Ind Coope. Guinness fell 1s. 6d. to 39s. 3d., following the meeting. Stores were generally easier. Liebig's lost 4s. 6d. to 51s. 9d. on the fall in profits, but Rio Flour climbed to a peak of 46s. 3d. before easing to 41s. 9d. Imperial Tobacco sank back after the dividend announcement to 47s. 3d., a loss of 3s. 3d. over the week. Aircraft were again unsettled, Blackburn losing 1s. 3d. to 14s. on the redundancy announcement. Steels were easier and Stewarts and Lloyds fell 2s. 4½d. to 27s. 9d. ex capitalisation.

Kern Oil rose to 28s. 9d. on the bid from Rio Tinto, while other oil shares were little changed on balance. South-West Africa Company jumped to 101s. 3d. after the counter-bid for the shares. Central Mining lost 3s. 3d. to 52s. 6d., and Consolidated Gold Fields lost 2s. 9d. to 57s. 9d. on the breakdown of the merger.

THE ACTUARIES INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100) Jan. 31 1956	Dec. 27 1956	Jan. 29 1957	Average Yields (per cent) Jan. 31 1956	Dec. 27 1956	Jan. 29 1957
Ordinary Shares:—						
Electrical engineering	143·4	132·0	143·3	4·37	5·67	5·03
Engineering	177·3	153·8	173·0	4·66	5·51	5·05
Motors and aircraft	174·0	150·3	163·7	4·94	5·81	5·74
Chain stores	257·5	252·3	284·3	4·25	4·48	4·14
Cotton textiles	104·6	103·4	107·5	3·64	8·26	8·38
Chemicals	199·7	168·9	180·3	4·75	5·66	5·34
Oil	228·3	312·2	322·6	5·43	4·30	4·76
Shipping	175·6	193·0	211·3	5·02	5·54	5·19
Investment trusts	217·7	222·8	238·9	4·99	5·27	4·92
Industrials:—						
Ordinary (all classes)	147·1	140·6	150·1	5·90	6·43	6·09
Preference	80·4	74·0	77·1	5·53	6·18	5·99
Debenture	75·0	70·1	71·4	5·42	5·85	5·77
Total (capital goods)	168·2	151·5	163·3	5·03	5·32	5·42
Total (consumption goods) ..	122·1	111·0	118·7	6·59	7·40	6·95
Consols 2½%	78·0	72·6	78·0	4·54	4·33	4·54

STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1956 High	1956 Low	1955 High	1955 Low
Jan. 9	190·5	5·75				
,, 16	192·3	5·71				
,, 23	193·0	5·55	210·4 (Jan. 4)	170·0 (Nov. 28)	232·1 (July 20)	175·2 (Mar. 23)
,, 30	193·9	5·52				
Feb. 6	194·0	5·65				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½ Consols Yield %	Bargains Marked	1956 High	1955 High
						203·5 (Jan. 3)	233·9 (July 21)
Jan. 30	187·0	5·85	95·89	4·49	10,993		
,, 31	187·4	5·84	95·99	4·50	10,301		
Feb. 1	186·4	5·87	95·97	4·50	10,624	Low	Low
,, 4	185·4	5·90	95·74	4·52	13,631	161·5 (Nov. 29)	175·7 (Mar. 15)
,, 5	183·8	5·93	96·57	4·55	10,337		
,, 6	183·1	5·97	96·55	4·54	10,056		

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

LONDON ACTIVE SECURITIES

Prices, 1956 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Jan. 30, 1957 £	Price, Feb. 6, 1957	Net Yield, Feb. 6, 1957 §	Gross Yield, Feb. 6, 1957
99⅛	97	*Funding 2¾% 1952-57*	99⅜	99⅛	£ s. d. 2 12 3	£ s. d. 4 5 10
95⅜	93¼	*War Loan 3½% 1955-59* ..	96⅜	96⅛	3 0 2	4 9 5
91⅜	88½	*Funding 2½% 1956-61*	92⅝	92⅜	3 7 2	4 11 3
100⅞	99⅛	*Exchequer 5% 1957*	100⅛	100⅛	1 10 1	4 10 7
99½	97	*Conversion 4% 1957-58* ..	98⅜	98⅜	2 19 8	4 17 10
97⅛	95⅞	*Serial Funding 2½% 1957*	98⅜	98⅛	3 9 10	4 15 3
94½	91	*Conversion 2½% 1958-59* ..	95⅛	95⅛	3 13 6	4 11 8
92¼	88⅝	*Exchequer 2% 1960*	92¼	92⅜	3 13 3	4 10 11
95⅛	92¼	*Exchequer 3% 1960*	95⅞	95⅛	3 6 4	4 12 0
88½	83	*Savings Bonds 3% 1955-65*	89¼*	89⅜*	3 3 3	4 10 5
82⅝	77⅛	*Funding 3% 1959-69*	84	84⅛	3 7 6	4 16 9
92⅛	84½	*Funding 4% 1960-90*	91⅞	92¼	5 3 0 / 2 13 8	7 2 3e / 4 10 4
81⅞	75½	*Savings Bonds 3% 1960-70*	81¼*	81¼*	3 9 2	4 17 9
98⅜	97⅛	*Conversion 4½% 1962*	98½*	98⅜*	2 17 11	4 16 4
91⅜	88⅜	*Exchequer 3% 1962-63* ...	92⅛	92¼	3 2 1	4 9 7
87½	83 3/16	*Exchequer 2½% 1963-64* ..	87⅜	87⅜	3 7 9	4 11 7
81⅛	76½	*Savings Bonds 2½% '64-67*	83	82⅞	3 9 9	4 14 4
79⅜	71⅞	*Savings Bonds 3% 1965-75*	77⅞*	77⅞*	3 7 8	4 17 5
83⅛	78	*Funding 3% 1966-68*	84⅛*	84⅛*	3 8 1	4 16 4
96½	90	*Victory 4% 1920-76*	94⅞*	95*	2 17 0	4 11 11
88⅝	82⅞	*Conversion 3½% 1969*	87⅜*	87⅜*	3 5 0	4 16 10
83¾	74⅛	*Treasury 3½% 1977-80* ...	80⅝	80⅛	3 4 3	4 18 10
84⅛	74 5/16	*Treasury 3½% 1979-81* ...	79⅛*	79⅛*	3 4 8	4 19 1
72⅝	64¾	*Redemption 3% 1986-96* ..	71⅛	71⅛	2 19 6	4 12 7
81⅛	73½	*Funding 3½% 1999-2004* ..	80⅝	80⅛	2 15 5	4 10 7
84⅝	76	*Consols 4% after Feb. '57*	81¼*	81⅜*	2 16 7	4 18 5
77	68	*War Loan 3½% after 1952*	74⅛	74⅛	2 14 4	4 14 11
76⅞	67⅞	*Conv. 3½% after Apr. 1961*	74⅛	74⅛	2 14 5	4 15 4
66⅛	58⅜	*Treas. 5% after Apr. 1966*	65⅝	65	2 13 7	4 13 10
56⅛	49⅞	*Consols 2½%*	55⅝	55⅛	2 12 3	4 11 1
56¼	50	*Treas. 2½% after Apr. '75*	55⅝	55⅛	2 12 6	4 12 0
98⅛	90	*Br. Electric 4½% 1967-69*	95⅛*	95⅜*	3 0 2	4 19 5
80½	72½	*Br. Electric 3% 1968-73* ..	79⅛	79⅛	3 8 6	4 18 9
79⅛	71⅛	*Br. Electric 3% 1974-77* ..	77⅛	76⅞*	3 6 2	4 15 10
95	85½	*Br. Electric 4½% 1974-79*	91⅞	92	2 19 11	4 19 5
83 3/16	74⅜	*Br. Electric 3½% 1976-79*	81⅛	81⅛	3 4 4	4 19 1
90⅞	84½	*Br. Gas 4% 1969-72*	89⅜*	89⅜*	3 2 9	4 19 0
87⅛	80	*Br. Gas 3½% 1969-71*	87⅛	87⅜*	3 3 4	4 15 6
73⅜	65½	*Br. Gas 3% 1990-95*	72⅝	72⅝	2 19 3	4 11 9
80⅛	72⅜	*Br. Transport 3% 1968-73*	79½	79½	3 8 6	4 18 9
90⅛	81½	*Br. Transport 4% 1972-77*	88⅞	88⅛	3 1 6	4 18 9
73⅜	65½	*Br. Transport 3% 1978-88*	72½	72⅝	3 2 4	4 14 2

Prices, 1956 High	Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price Jan. 30, 1957	Price, Feb. 6, 1957	Yield, Feb. 6, 1957
					£ s. d.
80⅞	74⅜	*Australia 3½% 1965-69*	81¼	81¼	5 6 3l
98⅜	92½	*Fed. Rhod. & Nyas. 5% 1975-80*	96½	96½	5 5 1l
76	70	*S. Rhodesia 2½% 1965-70*	75½	75½	5 3 7l
88⅛	80⅛	*N. Zealand 4% 1976-78*	87⅛	87⅛	4 19 6l
101⅜	99⅛	*L.C.C. 5½% 1977-81*	105⅜	105⅛	5 1 6e
97⅜	88⅛	*Agric. Mortgage 5% 1959-89*	92⅛	92⅜	5 5 8l
68⅜	61	*Met. Water Board 'B' 3% 1934-2003*	69½	68¾*	4 14 8l
81⅛	71	*German 7% 1924 (Br. Enfaced 5%)* ..	78⅛	78	...
169⅞	159½	*Japan 5% 1907 (Enfaced)*	164¾	164½	...

Prices, 1956 High	Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 30, 1957	Price, Feb. 6, 1957	Yield, Feb. 6, 1957
		% %	BANKS & DISCOUNT			£ s. d.
105/-	92/6	2 a	7 b Bk. Ldn. & S. Amer. £5	115/-	132/6	6 15 10
50/-	39/10½	5 a	7 b Barclays Bank £1	46/-	44/3	5 8 5
35/9	27/9	4 a	4 b Barclays D.C.O. ... £1	33/6	32/9	4 17 9
41/9	32/9	7½a	7½b Chartered Bank £1	38/9	38/6	7 15 10
51/-	42/10½	...	7 b Lloyds Bank £1	50/6	49/-	5 6 1j
72/4½	61/-	9 a	9 b Midland Bank £1	71/9	71/6	5 0 8
46/-	29/3	5 a	5 b Nat. Discount 'B' ... £1	39/6	38/6	6 3 11
50/-	40/6	6½a	6½b Union Discount £1	50/3*	48/9*	5 2 6
			INSURANCE			
92/6	75/-	43½b	30 a Commercial Union 5/-	89/-	88/-	4 3 4
29	16⅞	37½b	12½a Legal & General ... £1	29½	28⅛	5 15 3
25½	18⅜	†47½b	†20 a Pearl £1	20⅞	20⅞	5 13 2
48⅜	38	†117½c	†125 c Prudential 'A' £1	45½	44½	4 17 9
			BREWERIES, ETC.			
119/6	106/-	10 a	33 b Bass £1	110/-	109/-	7 17 9
24/10½	18/7½	11½b	6 a Distillers 6/8	22/4½	21/6	5 8 6
45/10½	36/9	10 a	15 b Guinness 10/-	41/9	39/3	6 7 5
76/-	61/9	14 b	7 a Whitbread 'A' £1	66/6	67/6	6 4 5
			OIL			
183/9	99/-	†10 b	†5 a British Petroleum .. £1	130/7½	131/10½	3 19 2
117/9	83/-	12½b	5 a Burmah £1	85/-	84/4½	4 2 11
17 1/16	11½	14 b	7½a Royal Dutch .... 20 fl.	£15½	£15⅛	2 8 6k
171/-	103/3	†13½b	†5 a Shell £1	156/3	155/-e	3 7 4d
58/6	33/3	...	... Ultramar 10/-	62/-	62/3	...

Prices, 1956 High	Low	ORDINARY STOCKS	Price, Jan. 30, 1957	Price, Feb. 6, 1957	Yield, Feb. 6, 1957
		STEEL & ENGINEERING			£ s. d.
85/6	64/-	8 b 7 a Babcock & Wilcox . £1	79/9	72/6	3 17 5
13/-	9/4½	14 c 4 a Cammell Laird 5/-	12/1½	12/3	5 14 4
35/-	22/9	3 a 5 b Dorman Long £1	26/3	25/3	6 6 9
54/9	39/-	8½b 3½a Guest Keen N'fold . £1	49/-	47/6	5 1 1
55/6	41/6	6 b 4 a Metal Box £1	51/9	51/-	3 18 5
75/-	51/2½	5 a 12½b Stewarts & Lloyds . £1	60/3	27/9	6 6 2q
60/-	47/3	11 b 3 a Swan Hunter £1	66/6	66/9	4 3 11
49/9	32/-	4 a 8½b United Steel £1	33/-	31/6	7 18 9
44/7½	32/4½	7½b 2½a Vickers £1	44/-	40/6	4 18 9
		ELECTRICAL			
75/3	45/-	15 c 7½a Assoc. Elec. Inds. . £1	68/3	66/3	4 10 7
54/9	45/3	8½b 4 a Br. Ins. Callenders . £1	50/9	48/9	5 2 7
37/10½	24/9	14⅓a 4 a Decca Record 4/-	32/3	33/7½	5 4 1
37/-	22/6	15 c 15 c Elect. & Mus. Inds. 10/-	27/6	27/-	5 11 2
66/1½	43/6	8½b 4 a English Electric ... £1	52/6	51/6	4 17 1
65/6	40/9	9½b 4½a General Electric ... £1	56/-	54/6	5 2 9
		TEXTILES			
24/9	19/4½	6 b 4 a Bradford Dyers £1	20/10½	21/7½	9 5 0
23/7½	13/-	5 b 1½a British Celanese... £1	13/9	13/4½	9 14 5
25/10½	20/7½	6½b 2½a Coats, J. & P. £1	23/6	23/9	7 7 4
44/-	29/-	6 b 4 a Courtaulds £1	33/6	32/1½	6 4 6
37/3	22/3	5 a 12½b Lancashire Cotton . . £1	33/3	33/1½	10 11 4
33/3	26/-	10 b 2½a Patons & Baldwins . £1	32/4½	32/4½	7 14 5
		SHOPS & STORES			
18/10½	12/9½	14 c 3 a Boots Pure Drug . . 5/-	16/3	15/6	4 10 4
41/4½	29/-	7½a 20 b Debenhams 10/-	39/-	38/-	7 4 9
47½b	30/-	15 a 15 a Gt. Universal 'A' . . 5/-	42/-	41/3	7 11 6
32½b	20 a	12½a 10 a Marks & Spen. 'A' 5/-	73/6	72/6	3 12 5
25/10½	19/-	20 b 12½a United Drapery . . . 5/-	24/4½	23/3	6 19 9
64/10½	51/-	20 a 40 b Woolworth 5/-	62/-*	59/9*	5 0 5
		MOTORS & AIRCRAFT			
22/1½	16/-	6½b 3½a Bristol Aeroplane 10/-	19/4½	19/6	5 2 7
9/-	5/9½	4 a 8½b British Motor 5/-	7/2½	7/3	8 12 5
44/3	25/9	2½a 5 b Ford Motor £1	33/9	34/3	4 7 7
49/3	29/9	3 a 7 b Hawker Siddeley . . . £1	32/7½	33/3	6 0 3
47/3	38/10½	10 c 12½c Leyland Motors . . . £1	44/-	43/-	5 16 3
115/10½	85/6	12½b 5 a Rolls-Royce £1	118/9	116/10½	2 19 11
9/3⅜	5/5½	12 c 8 c Standard Motor . . 5/-	6/3	6/5½	6 4 3
		SHIPPING			
38/9	28/6	... 6½a Brit. & Com'wealth 10/-	39/3	39/-	4 2 1g
27/-	20/4½	7½b 3 a Cunard £1	26/3	25/9	7 15 4m
35/9	27/-	5 b 3 a P & O Defd. £1	36/9	35/3	4 10 9
		MISCELLANEOUS			
45/6	34/3	7 b 3 a Assoc. Port. Cem. . £1	40/6	39/6	4 11 2p
22/9	17/9	10 b 10 a Beecham Group . . 5/-	19/9	19/9	7 11 11
60/9	38/6	7½b 4½a Bowater Paper £1	45/3	45/6	5 5 6
81/10½	40/4½	8 b 4 a Br. Aluminium £1	65/9	64/6	3 14 5
60/-	45/3	†7½b †10⅝a Br. Amer. Tob. . . 10/-	58/3	56/9	5 7 3j
19/9	15/4½	15 b 7½a B.E.T. 'A' Defd. . . 5/-	19/6	19/3	5 16 10
42/-	32/9	6 b 4 a Br. Oxygen £1	33/-	32/6	6 3 1
$69	$56⅜	3 a 4 b Canadian Pacific . . $25	$62*	$60⅜	5 8 6
25/9	14/4½	10 b 2½a Dunlop Rubber . . 10/-	17/1½	16/1½	7 15 0
49/10½	36/-	6 b 4 a Imp. Chemical £1	43/3	41/9	4 15 10
62/9	42/3	8½a 12½b Imp. Tobacco £1	50/6	47/3	8 17 9
$211	$141⅜	$2·90c $3·75c Int'l. Nickel . . . n.p.v.	$205	$197	3 7 10
40/3	28/6	2½a 5 b J. Lucas (Inds.) . . . £1	32/6	32/-	4 13 9
30/3	21/3	15⅝a 6½b Monsanto Chem. . . 5/-	23/6	22/4½	5 0 7
19/4½	15/1½	20 c 5 a Ranks 5/-	18/9	18/6	5 8 1
75/4½	42/9	15 b 6 a A. E. Reed £1	52/9	51/-	6 5 6m
16/4½	11/7½	20 c 20 c Sears Hldgs. 'A' . . 5/-	14/6	15/6	6 8 10
69/1½	54/1½	4½a 12 b Tate & Lyle £1	67/1½	66/-	5 0 0
69/6	49/3	6½a 7½b Tube Investments . . £1	61/6	59/3	5 1 3d
115/6	92/6	5 a 22½b Turner & Newall . . . £1	115/-	112/6	4 17 9
82/9	61/7½	9½b 6 a Unilever Ltd. £1	74/3	72/6	4 6 11
41/9	22/9	†7⅜b †4½a United Molasses . 10/-	41/3	39/3	5 5 9
		MINES, ETC.			
172/6	133/9	20 a 50 b Anglo-American . 10/-	146/3	142/6	4 18 3
40/-	22/6	12½a †7½b Cons. Tea & Lands. £1	26/-	27/3	12 10 10
130/7½	91/3	120 b 80 a De Beers Def. Reg. 5/-	101/10½	101/3	9 17 9
25/-	19/7½	... ... Doornfontein . . . 10/-	24/6	23/-	...
10/11½	8/6	30 c 10 a London Tin 4/-	10/10½	11/-	10 18 3
16 3/16	11 3/16	112½b 25 a Nchanga Cons. £1	12¾	11¾	11 19 0
64/-	52/6	30 a 40 b President Brand . . 5/-	52/6	51/10½	6 14 11
58/-	42/-	25 a 50 b Rho. Selection Tst. 5/-	47/-	44/-	8 10 6
61/9	37/6	30 b 12½a United Sua Betong . £1	47/-	46/6	18 5 7
81/9	64/4½	30 a 40 b Western Holdings 5/-	72/6	71/10½	4 17 3

New York Closing Prices

	Jan. 30, $	Feb. 6, $		Jan. 30 $	Feb. 6 $		Jan. 30 $	Feb 6 $
Can. Pacific ..	32⅜	31½	Am. Viscose ..	33⅜	33	Int'l. Nickel ..	108	105¼
N.Y. Central .	31⅞	31½	Beth. Steel . .	183½	177⅜	National Dist.	25⅞	25*
Pennsylvania .	21¼	20⅜	Chrysler	66	66½	Sears Roebuck	27⅜	26⅜
Amer. Tel. ...	177⅜	176½	Crown Zeller . .	53	52⅜	Shell Oil	77¼	75⅞
Standard Gas.	11⅜	11⅞	DuPontdeNm.	184½	183½	Std. Oil of N.J.	58	56*
Western Union	19	18⅜	Ford Motors . .	56½	56½	U.S. Steel	64⅞	61⅞
Alumin'm Ltd.	119	119½	Gen. Elect. ...	53⅜	53	West'house E.	54⅜	54⅜
Am. Smelting .	54½	53	Gen. Motors . .	40⅜	40⅜	Woolworth ...	44⅜	44

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 15% tax free. (e) To earliest date. (f) Flat yield. (g) On 16%. (k) After Rhodesian tax. (i) On 17½% tax free. (j) On 15%. (k) On 20%. (l) To latest date. (m) On 10%. (n) On 16%. (o) On 15%. (p) On 9%. (q) On 8¾%.

Statistics

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

British		Overseas	
Prices and Wages	Feb. 2nd	Western Europe: Production and Trade	Jan. 26th
Production and Consumption	This week	British Commonwealth	This week
Manpower	Jan. 19th	Western Europe: Prices and Money Supply	Jan. 19th
External Trade	Jan. 26th	United States	Feb. 2nd
Financial Statistics	This week	World Trade	Jan. 12th
Industrial Profits	Jan. 12th		

UK Production and Consumption

M=Monthly averages or calendar months. W=Weekly averages. Stocks at end of period.

		Unit	Monthly averages 1954	1955	1956	1955 Oct.	Nov.	Dec.	1956 Sept.	Oct.	Nov.	Dec.
INDUSTRIAL PRODUCTION												
Index:												
All industries		1948=100	130	137	137	146	147	138	140	143	145	134–135
" " *seasonally adjusted*		"				*139*	*139*	*141*	*137*	*136*	*137*	*137–139*
Mining and quarrying		"	110	108	...	117	119	110	109	115	110	...
Building and contracting		"	115	116	...	...	121	...	126	...	...	...
Gas, electricity and water		"	145	153	...	155	169	174	144	162	179	...
Manufacturing, total		"	133	142	...	152	152	142	145	147	149	...
" " *seasonally adjusted*		"				*141*	*141*	*147*	*141*	*139*	*141*	...
Engineering, shipbuilding, electrical goods		"	149	155	...	163	166	159	156	...	...	...
Vehicles		"	155	173	...	178	181	173	160	159	...	...
Chemical trades		"	168	179	...	185	189	181	198	...	...	...
Textiles and clothing		"	115	115	...	126	134	108	124	124	...	...
Food, drink and tobacco		"	115	117	...	120	124	118	118	128	...	...
BASIC MATERIALS												
Production of:												
Coal [1] [2]	W	'000 tons	4,298	4,250	4,270	4,623	4,673	4,282	4,255	4,526	4,600	4,285
Pig iron	W	"	223	240	253	249	253	250	253	261	263	262
Steel, ingots and castings	W	"	356	381	397	399	409	382	417	419	426	376
Sulphuric acid	M	"	170·2	174·6	...	181·8	177·6	188·6	173·4	184·7	193·3	...
Newsprint	W	"	11·77	11·91	...	13·21	13·20	11·84	12·66	13·59	13·84	...
Electricity [4]	M	mn. kwh	6,075	6,679	7,263	7,022	7,583	8,098	6,384	7,661	8,271	8,456
MANUFACTURING												
Textile production:												
Cotton yarn, single	W	mn. lb.	19·17	16·91	16·33	17·63	17·93	15·96	16·25	17·76	18·13	15·99
Worsted yarn	M	"	18·80	18·43	...	20·18	21·90	18·47	19·32	22·74	23·46	...
Rayon and synthetic fibres, total	M	"	37·30 [7]	39·32	40·20	39·45	40·88	40·40	35·53	40·24	41·57	36·60
" " " " staple fibre	M	"	19·00 [7]	19·94	21·30	20·08	20·49	20·52	18·51	21·64	23·27	19·30
Cotton cloth, woven	W	mn. yds.	38·3	34·3	...	34·9	34·2	30·2	30·4	33·3	34·3	...
Wool fabrics, woven	M	mn.sq.yds	34·5	34·2	...	36·9	39·0	32·7	33·7	39·1	37·0	...
Engineering production:												
Passenger cars and chassis	W	'000s	14·51	17·26	13·61	18·33	18·81	17·21	11·95	12·92	13·72	10·24
Commercial vehicles and chassis	W	"	5·07	6·53	5·71	7·34	7·37	6·62	4·91	5·01	5·15	4·42
Metal-working machine tools	M	'000 tons	11·39	12·52	...	12·64	13·45	14·73	13·48	...	...	...
Internal combustion engines	M	'000 BHP	356	403	...	373	454	433	363	433	...	...
BUILDING ACTIVITY												
Permanent houses completed: [1]												
Total	M	'000s	23·97	25·42	25·03	27·34	27·87	28·45	25·57	26·78	27·19	27·77
By private builders	M	"	7·55	9·46	10·35	11·13	10·96	11·05	10·92	11·62	11·43	10·73
By local housing authorities	M	"	19·53	15·93	13·86	15·29	16·06	16·47	13·72	14·39	15·08	16·14
Other	M	"	1·83	0·93	0·82	0·92	0·85	0·93	0·93	0·77	0·68	0·91
WHOLESALE SALES [1]												
Textile houses:		Av. value										
Total home sales		1950=100	95	93	...	141	130	99	134	148	127	...
Women's and children's wear		"	96	93	...	133	122	93	138	147	117	...
Men's and boys' wear		"	90	94	...	131	132	104	129	142	130	...
Piece-goods		"	83	82	...	80	65	54	69	66	60	...
RETAIL SALES [1]		Weekly av. value										
All kinds of business:		1950=100	...	140	148	151	154	179	144	152	161	191
Independent retailers		"	...	135	140	145	146	168	136	144	149	175
Multiple retailers		"	...	148	156	156	157	199	151	159	169	213
Co-operative societies		"	...	142	154	150	154	166	156	158	168	185
General department stores		"	...	117	121	139	143	166	116	132	146	181
By kind of shop:												
Food		"	...	143	156	150	153	172	152	156	161	173
Clothing and footwear		"	...	121	127	132	131	175	120	132	141	184
Household goods		"	...	150	153	191	180	181	153	169	180	295
STOCKS												
Basic materials:												
Coal, distributed [1]		'000 tons	15,682	13,340	17,391	19,132	19,642	18,340	19,135	19,955	19,813	17,391
Steel		"	899	1,280	...	1,257	1,243	1,280	1,563	1,486	1,437	...
Copper [1]		"	61·5	76·2	...	75·5	77·8	76·2	62·3	58·9	55·9	...
Sulphur [5]		"	67·2	85·2	...	95·6	87·9	85·2	122·9	115·4	114·7	...
Newsprint		"	97·5	105·0	...	105·9	107·5	105·0	128·9	131·9	129·5	...
Textiles:		Av. value										
Wholesale houses, total [1]		1950=100	95	90	...	93	97	90	122	109	107	...
Large retailers, clothing and footwear [6]		"	107	110	118	125	131	110	134	139	142	113

[1] Great Britain. [2] Provisional estimate. [3] Excluding all screening losses normally amounting to around 5,000 tons a week. [4] Excluding government stocks. [5] Average for third quarter. [6] Average for fourth quarter. [7] Rayon and nylon production only. [8] Including filter cake from May, 1956.

British Commonwealth

PRODUCTION OF FUEL AND POWER [1]

Monthly averages or calendar months	Coal: Australia	Canada	India	S. Africa	Crude Petroleum: Canada	Pakistan	Electricity: Australia	Canada	India	N. Zealand	S. Africa
	'000 tons						million kwh				
1948	1,232	1,255	2,511	1,969	139	5·3	728	3,714	381	204	772
1954	1,647	952	3,074	2,404	1,062	21·4	1,206	5,761	627	312	1,226
1955	1,607	931	3,185	2,646	1,429	22·6	1,340	6,358	707	336	1,363
1956, June	1,691	759	3,197	2,729	1,752	22·8	1,568	6,733	797	345	1,541
" July	...	700	3,165	2,807	1,887	...	1,655	6,673	798	396	1,591
" August	...	681	3,307	3,216	2,129	...	1,652	6,854	794	397	1,552
" September	...	865	3,189	2,606	2,003	...	...	6,887	813	372	1,499
" October	...	1,054	3,164	2,871	...	...	...	...	...	371	1,523

PRIMARY PRODUCTION [2]

Monthly averages or calendar months	Copper: Canada	N. Rhodesia	Rubber: Ceylon	Malaya	Tin: Malaya	Steel: Australia	Canada	India	S. Africa	Gold: Australia	Canada	S. Africa
	'000 tons									'000 fine ounces		
1948	16·3	17·4	7·9	58·2	4·14	106	238	104	49	73·8	294	965·4
1954	19·5	31·5	7·8	48·7	5·93	185	237	140	117	93·2	364	1,102·3
1955	21·6	28·9	7·8	53·3	5·89	183	337	142	130	87·4	379	1,213·7
1956, August	23·2	33·7	9·1	53·3	5·94	207	404	142	130	85·2	353	1,386·4
" September	25·3	24·0	7·6	52·0	6·61	229	388	143	132	91·4	353	1,350·1
" October	22·5	37·9	7·9	53·0	6·35	227	416	...	133	86·8	...	1,327·9
" November	26·3	34·3	9·7	48·7	6·16	...	...	...	...	...	...	1,345·9
" December	...	...	11·4	58·8	...	...	...	...	...	...	...	1,315·8

EXTERNAL TRADE [3]

Monthly averages or calendar months	Australia: Imports	Exports	Canada: Imports	Exports	India: Imports	Exports	New Zealand: Imports	Exports	Pakistan: Imports	Exports	S. Africa [4]: Imports	Exports
	mn. £A		mn. $C		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1948	28·2	33·8	220	253	537	382	10·71	12·27	85·9	136·1	29·5	11·4
1954	56·6	67·9	341	329	547	495	20·48	20·33	96·0	99·0	36·6	27·6
1955	70·1	63·4	393	363	567	503	23·93	21·55	90·5	125·4	40·2	30·7
1956, July	57·3	64·2	483	430	594	421	23·7	22·3	110·7	91·7	43·1	37·2
" August	78·8	58·5	474	427	666	499	...	24·2	136·1	114·2	...	...
" September	53·6	60·9	438	439	767	496	...	17·6	176·5	84·2	...	...
" October	57·1	96·4	546	457	709	552	...	...	...	...	...	...
" November	...	...	527	426	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES [4]

	Gold and Foreign Exchange Holdings: Australia [4]	Canada	India [5]	New Zealand [6]	S. Africa	Cost of Living: Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesia
	End of period: mn. US dollars					1953 = 100						
1948	1,265	1,011	3,355 [7]	237	652	56	84	...	75	89 [8]	77	73
1954	1,133	1,955	1,782	239	416	101	101	95	105	98	102	100
1955	835	1,910	1,791	179	368	104	101	90	107	94	103	101
1956, August	...	1,894	1,573	258	314	113 [10]	103	102	112 [10]	99	107	105
" September	...	1,917	1,539	242	324		103	102		100	107	105
" October	...	1,928	1,470	224	334	...	104	...	...	...	108	106
" November	...	1,972	1,374	201	351	...	104	...	...	...	...	106
" December	...	1,976	...	...	367	...	...	...	...	...	...	...

[1] Electricity production for New Zealand represents about 87 per cent of total generation. [2] Copper and tin refer to metal production. [3] General trade (including re-exports) except for Canada, which is special trade only. Imports are cif except for Australia, Canada and S. Africa which are fob; exports are fob. Trade for India includes that going by land; annual figures for India are for 12 months beginning April 1st of year stated and for Australia 12 months ended June 30th. [4] Gold and foreign exchange holdings are those of the government and central bank: only figures for Australia include holdings of commercial banks. Cost of living for S. Africa and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. [5] Including foreign investments. [6] Including semi-processed gold. Beginning January, 1955, including South-West Africa. [7] In July, 1948 part of holdings was transferred to the State Bank of Pakistan. [8] April, 1948—March, 1949. [9] Including some long-term securities. [10] Average for third quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended February 2nd, 1957, there was an "above-line" surplus (after allowing for Sinking Funds) of £119,510,000 compared with a surplus of £151,208,000 in the previous week and a surplus of £145,698,000 in the corresponding period of last year. There was a net expenditure "below-line" last week of £5,692,000, bringing the total deficit to £463,068,000 (£220,538,000 in 1955-56).

£'000	Estimate, 1956-57	April 1, 1955 to Feb 4, 1956	April 1, 1956 to Feb. 2, 1957	Week ended Feb. 4, 1956	Week ended Feb 2, 1957
Ord. Revenue					
Income Tax	2085,500	1416,989	1457,791	131267	131107
Surtax	144,000	98,600	103,800	9,400	7,500
Death Duties	170,000	148,300	139,800	5,000	6,000
Stamps	58,900	60,600	52,000	1,500	1,500
Profits Tax, EPT	216,750	468,000	167,400	2,800	2,500
Excess Profits Levy	4,000	17,090	4,150	200	...
Special Contribution and other Inland Revenue	1,000	630	410	80	...
Total Inland Rev.	2680,150	1910,209	1925,351	150247	148607
Customs	1204,000	982,905	1007,976	18,533	22,941
Excise	953,350	704,540	733,294	43,420	28,303
Total Customs and Excise	2157,350	1687,445	1741,270	61,953	51,244
Motor Duties	92,000	85,294	79,639	4,630	4,030
PO (Net Receipts)	...	...	2,350	...	1,650
Broadcast Licences	28,000	21,300	23,300	...	3,700
Sundry Loans	30,000	28,935	30,917	...	...
Miscellaneous	200,000	174,725	151,962	12,581	1,505
Total	**5187,500**	**3907,908**	**3959,779**	**229411**	**210736**
Ord. Expenditure					
Debt Interest	670,000	523,755	589,056	..	...
Payments to N. Ireland Exchequer	61,000	46,209	52,025	..	...
Other Cons. Fund	10,000	9,459	8,582	43	239
Supply Services	3941,918	3029,206	3295,787	83,430	90,986
Total	**4682,918**	**3609,609**	**3945,451**	**83,473**	**91,226**
Sinking Funds	37,000	27,323	28,081	240	...
"Above-line" Surplus or Deficit	**271,376**	**13,753**	**145698**	**119510**	
"Below-line" Net Expenditure	491,914	449,315	7,753	5,692	
Total Surplus or Deficit	**220,538**	**463,068**	**137945**	**113818**	
Net Receipts from:					
Tax Reserve Certificates	−49,744	32,638	16237	−6079	
Savings Certificates	20,300	61,900	.	6,500	
Defence Bonds	−21,806	−34,569	−673	15	
Premium Savings Bonds	...	57,100	...	1,900	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
Feb. 4	3,280 0	1,965·4	205·0	...	5,450·5
Oct. 27	3,610·0	1,378·9	245·2	0·8	5,234·9
Nov. 3	3,610·0	1,360·2	263·6	...	5,233·7
" 10	3,610·0	1,341·2	258·7	1·8	5,211·6
" 17	3,610·0	1,283·0	293·4	2·3	5,188 6
" 24	3,610·0	1,255·9	239·6	0·8	5,116·2
Dec. 1	3,630·0	1,276·5	227·3	1·0	5,134·8
" 8	3,620·0	1,340·9	208·5	2·0	5,171·4
" 15	3,610·0	1,343·7	200·2	...	5,153·9
" 31	4,959·5		234·6	4·0	5,198·1
1957					
Jan. 5	3,530·0	1,430·0	245·7	1·8	5,207·5
" 12	3,440·0	1,386 3	267·1	...	5,093·5
" 19	3,320·0	1,487·0	244·0	...	5,051·0
" 26	3,210·0	1,516·5	221 0	...	4,947·5
Feb. 2	3 120·0	1,507·0	204·9	...	4,831·9

THE MONEY MARKET

BANK rate was reduced to 5 per cent on *Thursday, just under a year after it was* raised from 4½ to 5½ per cent. After the close of business, the clearing banks announced a reduction of ½ per cent in deposit rate, to 3 per cent; the minimum notice of withdrawal remains unchanged at seven days. The clearing banks' minimum rate on day-to-day loans to the discount market was also reduced by ½ per cent, to 3½ per cent.

Credit was in short supply in the money market on Thursday, and business was confused by the uncertainty about rates, *in particular about* the outcome of yesterday's Treasury bill tender. No dealings took place after the Bank rate change, and *the upshot was that*, notwithstanding very large special purchases by the Bank, four or five houses sought seven-day loans at *the new Bank rate.*

At the Treasury *bill* tender on Friday last the discount market made no change in its bid of £98 17s. 3d. per cent. However, a further increase was made by outside tenderers, so that although total applications for the unchanged offer of *£190 million dropped by nearly £30* million, to £384.1 million, the allotted portion of the market's bid slumped further to the exceptionally low figure of 21 per cent. The average rate of allotment fell by another 2¾d., to £4 10s. 10.07d. per *cent. At yesterday's tender*, the offer was again unchanged at £190 million.

LONDON MONEY RATES on Feb. 7

	%		%
Bank rate (from 5th inst., 7/2/57)	5	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4¼
Bank	3	3 months	4¼
Discount houses	3*	4 months	4¼
		6 months	4⅛–4¼
Money Day-to-day	3½–4½	Fine trade bills:	
Short periods	4¼	3 months	5⅛–6
Treas. bills 2 months	...	4 months	5⅛ 6
3 months	...	6 months	5⅛–6⅛

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	Feb. 8, 1956	Jan. 30, 1957	Feb. 6, 1957
Issue Department:*			
Notes in circulation	1,777·4	1,861·6	1,865·1
Notes in banking dept.	48·0	63·7	62·2
Govt. debt and securities*	1,821·2	1,921·2	1,921·3
Other securities	0·7	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	9·4	14·4	14·1
Bankers	254·4	232·1	228·0
Others	70·6	76·0	73·1
Total	314·4	322·5	315·2
Securities:			
Government	237·4	222·4	229·3
Discounts and advances	31·3	34·9	32·5
Other	17·1	17·9	17·6
Total	285·8	275·2	269·4
Banking department reserve	50·3	65·7	64·2
"Proportion"	15·8	20·3	23·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £1,925 million from £1,975 million on January 16 1957

TREASURY BILLS

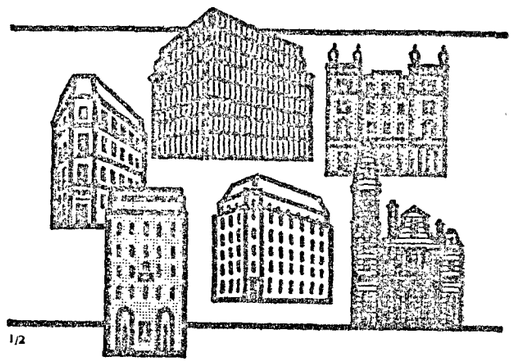
Date of Tender	Amount (£ million): Offered	Amount (£ million): Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max Rate*
1956	*91 Day*		% d	%
Feb. 3	250·0	395·4	82 6·14	44
	91 Day *63 Day*			
Nov. 2	200·0 70·0	405·8	99 11·55	56
" 9	200·0 80·0	419·1	99 10·86	27
" 16	190·0 90·0	398·1	100 0·00	39
" 23	210·0 80·0	440·6	100 3·34	39
" 30	220·0 70·0[1]	405·3	100 4·69	52
Dec. 7	220·0 60·0	441·0	100 10·28	24
" 14	230·0[2] 50·0	424·9	99 1·54	55
	91 Day			
" 21	280·0	379·8	98 1·43	68
" 28	270·0	372·5	97 1·81	63
1957				
Jan 4	270·0[3]	406·1	95 9·11	51
" 11	260·0[4]	401·4	95 5·30	53
" 18	240·0	391·2	93 1·40	53
" 25	200·0[5]	414·0	91 0·81	56
Feb. 1	190·0	384·1	90 10·07	21

* On February 1st tenders for 91 day bills at £98 17s. 3d secured 21 per cent, higher tenders being allotted in full. [1] The offering yesterday was for £190 mn. at 91 day bills [2] Allotment cut by £10 million. [3] Allotment cut by £20 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: February 6	Market Rates: Spot: January 31	February 1	February 2	February 4	February 5	February 6
United States $	2·78-2·82	2·79½–2·79⅝	2·79⅛–2·79⅜	2·79⅛–2·79⅜	2·79⅝–2·80	2·79⅛–2·80⅛	2·79⅛–2·79⅜
Canadian $	...	2·68 2·68⅛	2·68⅛ 2·68⅜	2·68⅛ 2·68⅜	2·68⅜ 2·68⅝	2·68⅛ 2·68⅛	2·68⅛ 2·68⅜
French Fr.	972-65-987·35	986-986½	986-986½	986⅝ 986⅞	986¾ 987	986¼ 986½	986¼ 986½
Swiss Fr.	12·15⅜–12·33⅜	12·27½–12·27¾	12·27½–12·28	12·27¾ 12·28	12·28 12·28¼	12·27½ 12·28	12·27½ 12·28
Belgian Fr.	138·95–141·05	140·52½–140·57½	140·55–140·60	140·55–140·60	140·62½–140·67½	140·65 140·70	140·62½ 140·67½
Dutch Gld.	10·56-10·72	10·66½–10·66⅝	10·66½–10·67	10·66½ 10·67	10·67–10·67½	10·67–10·67½	10·67–10·67½
W. Ger. D-Mk.	11·67⅜–11·84⅜	11·74⅜–11·74⅝	11·74⅝–11·75⅛	11·74⅝ 11·75⅛	11·75⅛ 11·75⅜	11·75⅛ 11·75⅜	11·75⅛–11·75⅜
Portuguese Esc.	79·90-81·10	80·00-80·15	80·00 80 15	80·00-80·15	80·00-80·15	80·00 80·15	80·00-80·15
Italian Lire	17353–17625	1759½–1760½	1759½ 1760½	1760-1761	1760-1761	1760½–1761½	1760½–1761½
Swedish Kr.	14·37⅜–14·59⅜	14·49⅜–14·50⅛	14·49⅜–14·50⅛	14·49½–14·50	14·50⅛–14·50⅜	14·50⅛–14·50⅜	14·49½–14·50
Danish Kr.	19·19⅜–19·48⅛	19·39-19·39½	19·39-19·39½	19·38½–19·38⅝	19·38½–19·38⅝	19·38⅝–19·39⅛	19·38½–19·39
Norwegian Kr.	19·85-20·15	19·99½–20·00⅛	19·99½–20·00⅛	19·99½–20·00⅛	20 00-20·00⅛	20·00-20·00⅛	20·00⅛–20·00⅜
One Month Forward Rates							
United States $		½–⅜c. pm	⅜–⅜c. pm	⅜–⅜c. pm	⅜–⅜c. pm	⅜–⅜c. pm	⅜–⅜c. pm
Canadian $		⅛c. pm–⅛c. dis	⅛c. pm ⅛c. dis	⅛c. pm ⅛c. dis	⅛c. pm–⅛c. dis	⅛c. pm–⅛c. dis	⅛c. pm–⅛c. dis
French Fr.		par–1 dis	par 1 dis	par 1 dis	par–1 dis	par–1 dis	par–1 dis
Swiss Fr.		2½–1¾c. pm	2½–1¾c. pm	2–1¼c. pm	2–1½c. pm	2–1½c. pm	2–1¼c. pm
Belgian Fr.		⅜–⅛ pm	⅜–⅛ pm	½–⅜ pm	½–⅜ pm	½–⅜ pm	⅜–⅛ pm
Dutch Gld.		1½–1c. pm	1½–1c. pm	1¼–1c. pm	1¼–⅜c. pm	1½–⅜c. pm	1¼–1c. pm
W. Ger. D-Mk		1¾–1¼pf. pm	1¾–1¼pf. pm	1½–1pf. pm	1½–1pf. pm	1½–1pf. pm	1½–1pf. pm
Italian Lire		2 pm–par	2 pm par	2 pm–par	2 pm–par	2 pm–par	2 pm–par
Swedish Kr.		1o pm–par	1o pm–par	1o pm–par	1o pm–par	1o pm–par	1o pm–par
Danish Kr.		4–2o pm	4–2o pm	4–2o pm	4–2o pm	4–2o pm	4–2o pm
Norwegian Kr.		2o pm–par	2o pm–par	2o pm–par	2o pm–par	2o pm–par	2o pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/3½	249/3½	...	249/2½	249/1	249/3½

Six heads are better than one

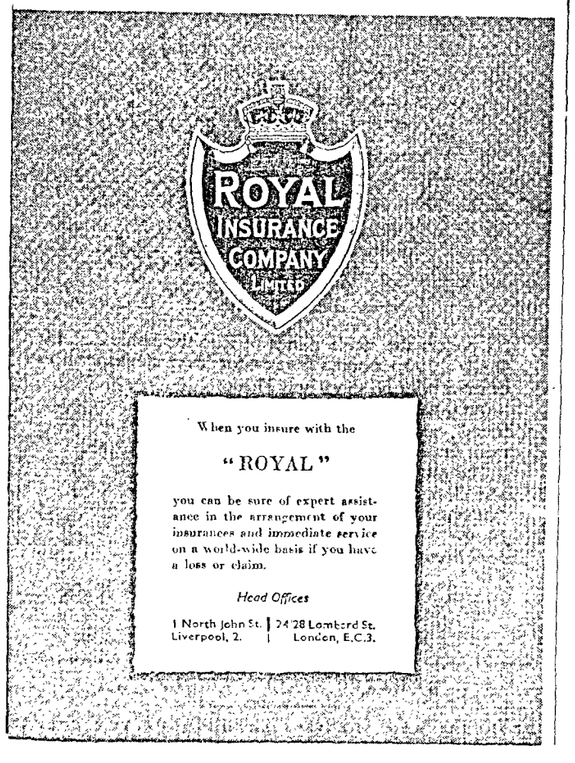


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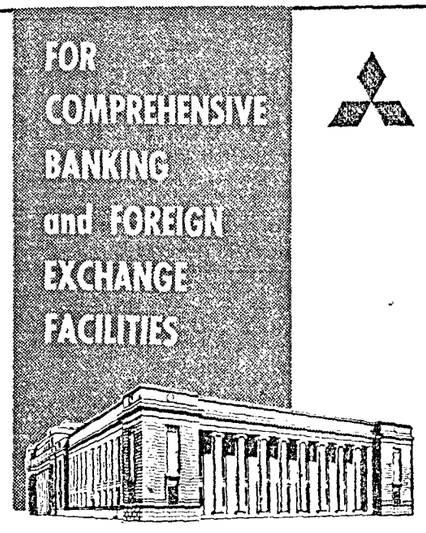
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COMPANY MEETINGS

COLVILLES LIMITED

(Steel and Iron Manufacturers)

LARGER SALES BUT INCREASED COSTS

DEMAND CONTINUES STRONG

SIR ANDREW McCANCE ON DEVELOPMENT PLANS

The twenty-sixth annual general meeting of Colvilles Limited was held on February 8th at Glasgow.

The following is the statement of Sir Andrew McCance, DL, DSc, LLD, FRS, chairman and managing director:

In the early part of last year, Sir John Craig expressed his wish to retire from the position of Chairman, which he had occupied with distinction for forty years. His association with the Company, extending over sixty-eight years, has been so exceptional, so fruitful and of such a determinative character that the Board believed many friends of the Company would like to possess a record of his outstanding career. They arranged for a short biographical brochure to be prepared and sent to all shareholders, and many expressions of thanks and appreciation have been received in terms of affectionate regard for a great personality. I am glad he is continuing as a Director of the Company.

I thank my colleagues on the Board for the expression of their confidence in appointing me Chairman in succession to Sir John Craig.

ACCOUNTS

In comparing the accounts for 1956 with those for the previous year, there is one noticeable difference in the fixed assets—the item under the heading "Development Expenditure and Construction Work in Progress" which now stands at £11,412,025. This represents the amount expended up to September 30, 1956, on the new blast furnace and steelworks plant at Ravenscraig and the unloading arrangements for ore ships at General Terminus on the Clyde.

We are now passing through the peak rate of our expenditure on this development, the total at the present time being approximately £1 million per month. In due course this rate of expenditure will ease off as the plant nears completion.

This development expenditure also accounts for the item "Bank Loan" which on September 30, 1956, stood in the Balance Sheet at £1,430,000. Since that date, the Iron and Steel Holding and Realisation Agency has paid up the outstanding balance of £3 million on the 4 million 5½ per cent cumulative preference shares, this having taken place on October 20, 1956.

OUTSTANDING CALL ON DEBENTURE STOCK

They have also agreed that the outstanding call on the £10 million 4½ per cent debenture stock, on which £10 for each £100 has already been paid, will be made available during 1957, which will provide the financial requirements of the first stage of our development programme.

In our original estimates, an allowance of 4½ per cent per annum was made for increasing costs and escalation during the period of construction, and from experience so far this adjustment has been only just adequate. With the present disturbed state of the world, the outlook on this matter is far from clear, but it would seem that during the next twelve months there may be further increases in costs and prices of plant and construction.

Another aspect of the present uncertainties is the desirability and the need to provide against temporary interruptions in the supply of raw materials, which are liable to occur when they are least expected. For this reason the value of our stocks has risen sharply and stocks of iron ore and other raw materials have contributed materially to the increase from £10,916,035 to £13,678,016 shown in the Consolidated Accounts for stocks and work in progress.

A favourable feature is the reduction in the charge for income tax which has fallen from £3,477,564 to £3,340,344 in spite of the increase in profits. This is due to the relief in respect of investment allowances on the capital expenditure during this financial period. This allowance is applicable to capital contracts placed not later than February 17, 1956. Fortunately, we had already placed the major part of the contracts for Ravenscraig before this date.

IMPROVEMENT IN SALES

On the trading side, the improvement in sales has been approximately £10,900,000, but against that there has been an increase in costs of £10,200,000.

The cost of fuel during 1956 was £1,976,000 more than the expenditure in 1955, while the total wages, etc., paid increased by £1,718,000, or nearly 17 per cent more than last year.

Greater deliveries of steel during the year and reductions in conversion costs brought about by plant improvements, together with tax savings arising from investment allowance on capital expenditure, have brought the profit available for appropriation to £2,674,393.

Dividends.—After careful consideration of all circumstances, the Board decided to recommend a final dividend of 8 per cent, making a total of 11 per cent for the year.

NEW PLANT AT RAVENSCRAIG

As mentioned already, the new blast furnace and melting shop at Ravenscraig are now at a stage which requires a heavy rate of expenditure. The proportion of that expenditure relating to the blast furnace and coke ovens is clearly in respect of additional capacity and this was provided for in the changes in the share structure made when the Company was denationalised. The new melting shop equipment mainly replaces old and out-of-date furnaces which will be closed down whenever the Ravenscraig plant is in full production. The original cost of the old plant has been largely recovered by the depreciation allowance received over the years of its existence, but in terms of cash this is pitiably inadequate today to reinstate these units as modern productive assets. If the earning power of the business is to be maintained, these and similar exhausted assets must be replaced and the cost of replacements must come, as far as possible, from current earnings or from the accumulated reserves which have arisen from surplus earnings in previous years.

Unfortunately, the current high rate of taxation materially retards the progress of this replacement, but additional funds for modernisation are a necessity and the Board propose to transfer to Capital Reserve the sum of £1,500,000 for this purpose.

SUBSIDIARY COMPANIES

The activities of our subsidiary companies form an important section of Group production and make a substantial contribution to Group profit. During the present financial year, this has amounted to approximately 38 per cent of the total trading profit.

For some years a policy has been followed which aimed at restricting the range and variety of products rolled at each of the works and of developing the appropriate plant for their special production at each location. This limitation of variety assists materially in lowering the cost of production, a matter of ever-increasing importance under present-day conditions. It is hoped that during 1957 the major part of such rearrangements in regard to heavy sections will have been completed.

The works of the Lanarkshire Steel Company Limited with its large 36-inch mill is specially suited for the production of heavy joists and sections of all kinds. A redesign of the existing layout with modernisation of the mill drives and handling equipment, now almost finished, will add 1,000 to 1,500 tons per week to the capacity at a low capital cost.

CLYDE ALLOY STEEL COMPANY

The Clyde Alloy Steel Company Limited devote their attention to the production of all varieties of alloy and special steels and to medium and light castings for the engineering industry, and the demand has grown steadily for all their specialities during the postwar period.

The growth in the consumption of alloy steel has in fact exceeded in recent years the growth in the producing facilities of the companies engaged in this trade and there have been some noticeable shortages in consequence.

All the open hearth billets rerolled by the Clyde Alloy Steel Co. into finished products have hitherto been produced at the Dalzell Works of Colvilles. The pressure of this demand, coupled with the greater demand for the mild steel products also produced at Dalzell, has indicated that some further specialisation of function is necessary.

HALLSIDE WORKS

It has been decided therefore to rebuild the Hallside Works of the Steel Company of Scotland Limited into a unit wholly devoted to the production of alloy and special steel billets for this developing trade. Sections rolled there will in future be rolled at our other works, notably Lanarkshire and Glengarnock, so that two mills will now produce what has hitherto required the facilities at three mills to produce and economies will inevitably accrue.

When completed, the capacity of Hallside for special steels will be 150,000 tons per annum and the alterations are estimated to cost £2,500,000. In designing the layout and plant, the possibility of utilising automatic rolling methods has been kept very much in mind as experiments on one of our smaller mills have already indicated its advantages.

In the supply of accurately sized light castings of high quality, the Clyde Alloy Steel Company has been particularly successful and the demand has exceeded their capacity. A large extension to the light foundry has therefore been authorised and work has already progressed on its construction. This extension, which will cost approximately £400,000, will constitute in itself a complete mechanised production unit and will bring the capacity for steel castings at the Clyde Alloy foundries up to 250 tons per week. Much thought has been put into this extension and we are confident it will prove a highly successful addition.

SMITH & McLEAN

Smith & McLean Limited have had a satisfactory year. At the works devoted to the manufacture of galvanised sheets and to general galvanising, metal spraying and sheet iron work, demand has varied from time to time but on the whole they have been well employed throughout the year. The demand for sheets and light plates has continued good, and the steadiness of employment is helped by the fact that these works produce sizes and qualities not readily procurable—if procurable at all—anywhere else.

The Board recognises the changes which have taken place in the modern methods of steel sheet production. They are giving their serious attention to the problem of methods suitable for the type and qualities of product for which this Company has established its reputation.

The Mossend Works of the Colville Constructional Company Limited have been employed to capacity during the year, the most important of many contracts which they have undertaken being the construction of the new melting shop at Ravenscraig. Their production of welded fabrication at Glengarnock expands steadily and an extension to their shops is under construction. The concentration of structural work at Mossend and welded fabrication work at Glengarnock is another instance where specialisation of function has brought its rewards. The activities of this Company maintain steady progress and during the past six years the annual turnover has doubled.

FULLWOOD FOUNDRY

A record output of ingot moulds has been produced by the Fullwood Foundry Company Limited supplying the requirements of our own works and other users. Favourable comments on the mechanised production methods developed in this foundry have been made by visitors from other countries.

The progress made in alternative types of fabrication is having its impact on the demand for ordinary iron castings and markets will undoubtedly suffer some progressive contraction on this account. On the other hand, the market for iron castings of special composition with improved properties is showing a compensating growth and more and more the jobbing foundry department of Fullwood is being concentrated on this class of work in the development of which the technical resources of the Group can give important assistance.

The pig iron produced at Dixon's Ironworks Limited has helped our supply position during the past year and this Company has made a small profit. The steady advances in the cost of imported ore, coal and labour, insofar as they have not been adequately reflected in the selling price of basic iron, however, have now adversely affected the results from this plant. It is the intention to transfer the production of pig iron from Dixon's to Ravenscraig in due course.

ETNA IRON AND STEEL

The Etna Iron and Steel Company Limited has proved most helpful in providing facilities for the rolling of the small order and the odd size, thereby removing these sometimes troublesome features from the programmes of the high production mills. Plant improvements and production changes have resulted in useful economies and this Company has had a satisfactory year.

In 1948 and 1952 Colvilles acquired shares in Blanchland Fluor Mines Limited and most of the fluorspar used in the steelworks has since come from this source. During the past year we had the opportunity of purchasing a further holding and, our total holding being now more than 51 per cent, this Company becomes a subsidiary of Colvilles Limited as from October 1, 1956.

DEVELOPMENT

An investigation into the demand for steel within the area for which the Company is the principal supplier, taking into account the trend in the growth of demand shown by the experience of recent years, has been completed. The conclusion is indicated that an annual ingot capacity of 2,500,000 tons is necessary to meet the requirements of the immediate future.

The policy which has been followed of expanding pig iron production must be continued in development schemes to meet this increased steel demand. The main problem in the further expansion of pig iron in Scotland is the problem of coking coal supplies, but discussions with the National Coal Board, Scottish Area, have resulted in assurances that adequate supplies will be available in due course for a second blast furnace at Ravenscraig.

While the melting shop at Ravenscraig has been designed to permit of additional open hearth furnaces being constructed as they may be required, changes in the methods of steelmaking are engaging the attention of metallurgists all over the world and as a result greater production from existing units may be brought about by pretreatment with oxygen of liquid iron. Experiments of this kind on a pilot-plant scale are already being tried out at Clydebridge Works. The results so far are encouraging, but it is too early to forecast what the final conclusions will be.

The replacement of the cogging mill at Dalzell with a larger mill at Ravenscraig has also been planned. When this cogging mill is installed, it will enable the present plate mill at Dalzell to be replaced by a high production 4-high plate mill in keeping with modern production requirements.

At Glengarnock Works the electrification of the finishing stands of the section mill is nearing completion and this with the rail bank extension should increase the capacity of the Works by 1,000 to 1,500 tons per week. The melting furnaces have already been suitably enlarged to meet this extra output.

The 3-high plate mill at Clydebridge Works, which was installed in 1923, although modified in many ways during the intervening years, is also due for replacement and plans for this purpose embodying a 4-high mill of modern design have been prepared.

The above schemes have received the approval of the Iron and Steel Board and the Development Committee of the British Iron and Steel Federation.

It will be seen that the plans for expanding the steel production of the Company are making active progress.

PRESENT AND FUTURE OUTLOOK

In spite of a slight unevenness which has taken place during the past six months, the demand for steel continues strong. This is particularly the case in heavy sections and plates, and light sections and bars. For these products, our output has already been taken up for a large part of the next financial year.

The great change which has overtaken the motor car industry has had its repercussions on alloy bars and ancillary light products and on the demand for drop forging billets.

Nevertheless, it is hoped that the large volume of long-term construction of all kinds already placed with the engineering industries should act as a corrective to temporary weaknesses in other fields and should give a useful supporting action to the general market.

IMPORTANCE OF RAW MATERIALS

While the demand for steel in all parts of the world continues to mount upwards and while no doubt has so far been cast on the assumption made by economic experts that a yearly percentage increase on a compound interest basis is likely to continue, this rate of expansion clearly cannot go on indefinitely. The raw material position must determine the rate of expansion.

The essential raw materials for steelmaking are coking coal and iron ore. All other materials are ancillary. Scrap, for instance, which is used in large quantities, is economically advantageous, but future progress and expansion must be governed by the availability of the two essential raw materials.

The reserves of coking coal in Britain are not unlimited and alternative methods of making pig iron economically without the use of coking coal have made little progress so far. The problem of coking coal supplies is one that may remain with us for some time.

WORLD IRON ORE RESERVES

The resetves of iron ore in the world, fortunately, seem more than adequate to cover the foreshadowed expansion of the steel industry for many years to come. The discovery of new deposits is more than keeping pace with the exhaustion of the older deposits. New mines, however, take a long time to bring into active production, particularly when they are situated in out of the way localities as many of them are. The difficulties of transporting the ore from the mines to the centres where it can be used, involving as it does both rail and sea carriage, are already making themselves evident.

The rate of expansion in steel production must be determined by the rate of progress in the development of the ore fields, both old and new. Whether that development and progress are moving fast enough at the present time to keep pace with the world's demand for steel is not yet clear.

All these new ore fields are situated outside Britain and, unfortunately, this country is no longer in any position to take a prominent part in the promotion or encouragement of schemes demanding foreign investment. We have been forced, or we have forced ourselves, into a secondary position in such matters so that the question of determining the rate of progress lies in other hands. Be that as it may, the likelihood must not be excluded that during the next decade some slowing down in the rate of construction of new steel capacity may be brought about by the rate of progress in the development of raw material supplies.

On the other hand, it cannot be said that any change is likely in the estimated growth of demand. Higher standards of living demand higher earnings which can only be realised from higher production and a greater volume of trade, and experience has shown that from whatever angle it is regarded, increased trade can only be maintained and kept in being by increased supplies of steel. In consequence, it does not seem likely that the difficulties of past years in regard to supplies are going to change rapidly.

The year under review has been particularly difficult in this respect and I would like to express the appreciation of the Board for the splendid assistance and support given to the Company by all members of the staff at the Head Office and Works, whose successful efforts are deserving of the highest praise.

DEATH OF SIR JOHN CRAIG

Since this Statement was printed, it is with deep regret that I have to advise shareholders of the death on February 1, 1957, of Sir John Craig.

Chairman of the Company from 1916 to 1956, his passing deprives Colvilles and the Scottish steel industry of a great personality and a great leader.

APPENDIX

ANALYSIS OF INCOME AND EXPENDITURE

	1956 (£'000)	1955 (£'000)
Income from sales, interest, etc.	68,085	57,128
Cost of materials, trade expenses and services bought	34,758	28,219
Cost of fuel	12,460	10,434
Depreciation	1,087	1,031
Debenture interest	45	35
	48,350	39,769
Balance available for wages, salaries, taxation, dividends and re-investment by way of reserves	19,735	17,359
Distributed as follows:		
Wages, salaries, national insurance and superannuation contributions	12,014	10,235
Taxation	2,850	2,931
Dividends—Gross	1,155	1,167
Reserves	3,716	2,915
	19,735	17,359

Note.—Since wages and salaries are paid before deduction of tax, dividends have been treated on the same basis and the amount of taxation has been adjusted accordingly.

THE AVON INDIA RUBBER COMPANY

NEW SALES RECORD

The sixty-seventh ordinary general meeting of The Avon India Rubber Company, Limited, was held on February 4th, at Melksham, Wilts., Mr C. M. Floyd, OBE (the Chairman), presiding. The following is an extract from his circulated statement:

The group profit for the year after providing for taxation of £186,273, amounted to £277,734, compared with £247,132.

Conditions in the Home Market have been less favourable than in previous years, but in spite of this sales have again beaten all previous records and the value of our export sales shows a substantial increase.

Your Company has acquired the whole of the Spencer Moulton issued capital at a cost of £352,492 and has purchased further shares in J. W. & T. Connolly Limited, to give Avon a controlling two-thirds interest.

To continue the provision of new equipment, your Directors obtained the consent of the Capital Issues Committee to the issue of a further £600,000 Loan Stock. A part of this Loan Stock is required to cover your Company's share of the new capital being raised by the tyre manufacturers of Great Britain to establish a British synthetic rubber plant. A further part is required to finance stocks overseas, necessary to the continued development of our export business.

Conditions are becoming more and more competitive, but your Directors have confidence in your Company's ability to continue to make progress.

The report was adopted.

THE NATIONAL BANK OF KUWAIT LIMITED

Established 1952

Under Charter granted by H.H. Shaikh Sir Abdulla Al Salim Al Subah, K.C.M.G., C.I.E., Ruler of Kuwait

BALANCE SHEET as at 31st DECEMBER, 1956

LIABILITIES	Indian Rupees	ASSETS	Indian Rupees
Capital, Authorised, Issued and Paid Up	13,100,000	Cash and Balances with Banks	139,325,728
General Reserve	5,000,000	British Government Treasury Bills	102,041,150
Current, Deposit and Other Accounts (including Provisions for Contingencies)	353,037,531	British and Other Government Securities (at under market value as at 31.12.56)	18,222,589
Dividend Payable	1,310,000	Other Investments at cost	1,000,000
Profit and Loss Account Balance	490,416	Advances to Customers, Bills Discounted and Other Accounts	111,948,490
Confirmed Credits and Guarantees on behalf of Customers, as per contra	73,506,882	Land and Buildings, less amounts written off	400,000
		Liability of Customers for Confirmed Credits and Guarantees, as per contra	73,506,882
		NOTE: There is a contingent liability of Rupees 1,000,000 in respect of uncalled capital on "Other Investments."	
	446,444,829		446,444,829

AHMED SAOUD ALKHALED, *Chairman.* KHALIFA KHALED GHUNEIM, *Deputy Chairman.* A. E. MEDLYCOTT, *General Manager.*

PROFIT AND LOSS ACCOUNT for the Year ended 31st December, 1956

	Indian Rupees		Indian Rupees
Transferred to General Reserve	1,400,000	Profit after charging all expenses, making provisions for contingencies and writing down assets	2,880,756
Provision for payment of dividend of 10%	1,310,000	Balance brought forward from last year	319,660
Balance carried forward	490,416		
	3,200,416		3,200,416

London Correspondents: Midland Bank Limited. Eastern Bank Limited. Chase Manhattan Bank. Lloyds Bank Limited.

New York Correspondents: Irving Trust Company. Chase Manhattan Bank. Bank of America.

Correspondents in all principal countries

A COMPLETE BANKING SERVICE FOR TRANSACTIONS WITH KUWAIT

THE ROYAL BANK OF SCOTLAND

POSITION OF STRENGTH AND LIQUIDITY

EFFECTS OF SUEZ CRISIS ON COUNTRY'S ECONOMY

TIME APPROACHING FOR CAUTIOUS EASING OF RESTRICTIONS

HIGH TAXATION THE LIMITING FACTOR IN ECONOMIC DEVELOPMENT

THE DUKE OF BUCCLEUCH ON GOVERNMENT EXPENDITURE AND GREATER PRODUCTIVITY

The Annual General Court of Proprietors of The Royal Bank of Scotland will be held on February 26th, in Edinburgh.

The following is the circulated statement of the Governor of the Bank, His Grace the Duke of Buccleuch and Queensberry, KT, PC, GCVO, LLD.

Following the procedure adopted last year, I have the pleasure to submit to you my review of 1956 along with the Annual Report and Accounts. I wish at the outset to refer with regret to the loss which the Bank has sustained through the death of Mr Gerard Powys Dewhurst, an Extraordinary Director of the Bank since 1949. Previously he was for many years Chairman of Williams Deacon's Bank, Limited, and an Ordinary Director of the Royal Bank.

Today we have confronting us a very different economic picture from that of a year ago. The inflationary pressures on our economy were then still causing concern despite the Bank Rate increases of 1955 and the squeeze on bank lending which had been operating for approximately six months. The decision in February of last year to make a further increase of 1 per cent in Bank Rate did not therefore come as a surprise. This raised the Rate to 5½ per cent, at which level it stood throughout the remainder of the year. An upward adjustment of our deposit and loan rates and all the other rates which affect our earnings followed and I shall have something to say later about the effect of these higher rates on our results for the year. Meantime, however, I wish to comment on a few more general topics.

DISINFLATIONARY MEASURES INTENSIFIED

In my Statement last year I outlined the measures which the Government had taken in the monetary field as part of its policy against inflation and I explained that the necessity for the directive issued to the Banks in July 1955, to secure a positive and significant reduction in the level of their overdrafts, had arisen because the orthodox monetary controls imposed in the earlier part of the year had been slow in their effect. This two-pronged attack was intensified by the increase in the Bank Rate in February to which I have referred and there is no doubt that the policy of credit restriction, embracing also the restrictions on hire purchase lending, met with an increasing measure of success as 1956 progressed. Gradually the force was taken out of the inflationary pressures. The employment situation changed. By late summer overtime working in many industries had been reduced and, while there was no significant increase in the unemployment figures, it was becoming clear that the state of over-full employment was ending. Consumer demand at home was slackening off; prices were being held reasonably stable; the volume and value of our exports were rising and more promising national savings figures were being recorded.

The whole situation was drastically transformed by the Suez crisis. It is still difficult to assess the full effects which this will have on our economy. It may cause serious dislocation to many industries and has already had harmful repercussions on the motor car industry. Its impact on the economy already moving along the disinflationary path has given rise to fears that the movement may be accentuated to such an extent that, if the squeeze on credit is not relaxed, we may soon be faced with problems of deflation.

NEED FOR CAUTION

Claims for relaxation of the present controls over credit have thus gathered momentum in recent weeks. They have gained encouragement from the reductions which have taken place in the Treasury Bill Rate and from the easement of the Hire Purchase regulations applicable to sales of motor cars. I agree that the time may be approaching, if indeed it has not already arrived, when the policy of the past two years might be put slowly into reverse, but I feel that we should proceed cautiously. There is, I think, a danger that, if we move too soon or go too far all at once, we may lose the benefit of much that has been achieved, for I am not altogether convinced, despite the changes which have taken place, that our economic climate has yet changed sufficiently to justify more than a slight easing of the brakes.

If, then, this is to be the policy, how is it to be carried into effect? Should the first step be to bring about a reduction in interest rates or to withdraw the direct controls? For the reasons I have given, I feel it might be unwise to do both at this time, and I lean on the side of those who take the view that the best course would be to reduce interest rates while maintaining the direct controls, at least for the present. There are differing views about the relative merits of interest rates and of the directive as effective measures of control. My own view is that in the field of credit in the conditions of today direct controls are the more effective weapon, and I think this is borne out by the experiences of the past two years, for I consider it has been the squeeze on advances by the banking system rather than the relatively high interest rates which has exercised the more effective check on the inflationary pressures.

TAXATION AND INTEREST RATES

Last year I referred to the fact that high taxation had tended to blunt the effect of the traditional method of controlling the supply of credit through movements in interest rates and, while I personally do not like direct controls being imposed through the banking system, I am more than ever convinced that the interest rate weapon cannot any longer be relied upon by itself, nor at any rate unless we are prepared to see Bank Rate pushed up to a level which would be harmful in other directions. For one thing, high interest rates increase the cost of Government borrowing and are thus a burden on the taxpayer. They also place an additional strain on our external payments account by increasing the cost of servicing overseas holdings of Sterling. These considerations alone make it desirable that the Government should not maintain high interest rates any longer than necessary and I think we may look forward to a downward movement of interest rates.

As I have indicated, I do not consider that this need necessarily be accompanied by relaxation of the directive on bank lending. At the same time, however, I feel bound to add that I regard the directive as essentially a short-term expedient and at best an imperfect instrument of control. It should, therefore, be the policy of the Government to authorise its withdrawal at the earliest possible moment. For my part, I shall welcome the day when Bankers are again free to consider applications for advances solely on their merits as banking propositions.

STRENGTHENING OF STERLING

The Middle East crisis brought Sterling under almost continuous pressure in the second half of the year. Official support was given to maintain both the official and transferable account rates and the cost of this to our gold and dollar reserves was substantial, resulting in the loss in a space of five or six months of approximately one-quarter of the reserves held before the trouble started. In December, however, the Authorities took steps to fortify the reserves by exercising drawing rights on the International Monetary Fund and by arranging borrowing facilities from the Export-Import Bank. This has restored confidence in the ability and the determination of the Government to maintain the value of the Pound and, as a result, there has been a very appreciable strengthening of the value of Sterling in terms of all foreign currencies in recent weeks. We shall have heavy Dollar payments to make for the substantial purchases of Western Hemisphere oil which have been arranged to replace, as far as possible, supplies lost through the closure of the Suez Canal, but with the increased reserves now available there is confidence that these can be met without further danger to Sterling.

Nevertheless, the impact of the crisis will be felt throughout industry. Production will be curtailed and this may, in the long run, have a detrimental effect on our exports. It has also brought home to us the extent to which our failure to secure a higher production of coal has made us increasingly dependent on oil for the expanding fuel needs of industry and has stressed the necessity of pushing ahead as far as possible with our nuclear power programme. The rationing of petrol and oil will have a serious effect on every branch of our economy; it will create particular difficulties for those who are entirely dependent on fuel oil supplies.

A SPUR TO INFLATION

Criticism has been levelled at the decision of the Government to increase the customs duty on petrol and oil and I feel that it may have been a mistake to take such a quick and seemingly *ad hoc* decision, for it has undoubtedly given rise to a widespread belief that the Government think that all our ills can be cured by increases in taxation. On this ground alone it may have been a bad decision. It was surely also psychologically unwise to suggest that it might be necessary to increase the standard rate of income tax in the next Budget, for until more information was available as to the full consequences of the crisis and its probable duration no reliable forecast of the full financial effect could possibly be made. Surely, too, every effort must be made to avoid further increases in taxation. I am convinced that the high level and the incidence of our existing taxation are factors limiting our economic development at the present time. Taxation is a spur to inflation; a brake on all those qualities of which we are so much in need today—initiative, enterprise, and the will to work. It reduces the ability and the desire to save and encourages waste and extravagance. Surely, therefore, the aim must be to reduce rather than increase it further and, what is perhaps of equal importance, the Government should let the people know that it regards this as one of its major tasks. Has the time not arrived for making a further review of Government expenditure, because there is a widespread belief that substantial economies are possible? Furthermore, one of the main problems facing us today is the fact that the Government is unable to meet the whole of its expenditure out of the vast sums taken in taxation and is still financing the balance by increases in the money supply. This continual creation of additional money in excess of increased production has been one of the chief causes of our recurring financial crises. It is inflationary and some means of reducing the expenditure of the Government should be sought. If in the end it is found impossible to secure any large measure of reduction, we shall have to depend on securing greater productivity in industry to provide for the increased capital investment needed in the private sector of the economy. I have previously spoken about this question of productivity and I make no apology for referring to it again. Increased productivity is one of the things which we need most of all today. There are good grounds for believing that it would not be impossible to achieve the small increase in the overall rate which would go a long way towards solving our difficulties, and every effort should be made to secure this by increasing incentives through a lowering of taxation and in other ways. We should also encourage by all means in our power the removal by employees and by managements of restrictive practices which are prevalent in industry today and which are very often carried on in the mistaken belief that they benefit those who impose them.

A WONDERFUL OPPORTUNITY

Turning now to Scottish industry and trade, I refer first to our staple industries in the shipbuilding and engineering field, upon which the well-being of so many of our people depends. These industries have had a good year and seem assured of a high level of activity for many years ahead. The whole world is now committed to a large shipbuilding programme, not only for tankers which have featured so much in the news recently, but also for vessels of all descriptions. This presents our shipbuilders with a wonderful opportunity to secure orders sufficient to keep our shipyards busy for a long time to come. They must, however, maintain their efficiency at the highest level in order to keep their prices competitive with those of shipbuilders in other countries. The demand for steel products both for home requirements and for overseas markets continues to rise and, despite increased production, still remains unsatisfied. We are grateful to the shipbuilding and steel industries for the substantial contribution they make to our earnings of foreign currencies.

In 1956 the whisky industry again set up a new record of sales overseas and maintained its position as Britain's greatest dollar earner. Scotch Whisky remains in demand throughout the world. It has qualities which cannot be matched by whiskies produced elsewhere and, with additional supplies now becoming available, it is confidently expected that fresh export records will be set up in the years ahead.

It is quality, too, which has been responsible for the creation of the world-wide demand for cashmere knitwear, hosiery and the other products of our mills in the Borders and elsewhere. In fact, the whole range of our textile products—knitwear, woollen cloth, cotton fabrics, household linen and jute goods—makes a very substantial and valuable contribution to our earnings overseas.

FARMING INDUSTRY'S SUCCESS

Our farmers again had very difficult conditions to contend with in 1956. The drought of the previous year extended well into the summer and when it broke it was followed by a long period of abnormally heavy rainfall. Notwithstanding the consequent difficulties of harvesting, the yield of our agricultural products was generally good. The heavy rains again led to serious flooding in some parts of the country and, while not on the scale experienced in 1948, this was nevertheless a serious matter for those affected. It caused not only a loss of produce at the time but may also have a detrimental effect on the future cropping of the land. Despite these periodical set-backs, the farming industry is having marked success in its all-out efforts to lessen our dependence on imports of foodstuffs and, because of the facilities we extend to the industry, we feel justified in claiming some share of the credit. Unfortunately, the drift from the land, particularly in the remoter areas, continues and we seem no nearer a solution of this problem, despite the improvement which has taken place in the conditions of employment of those engaged in agriculture and forestry.

Unemployment in Scotland still continues to run above the level of the average of the United Kingdom. This is largely due, as is well known, to the lack of a proper diversification of our industry. The Scottish Council (Development and Industry) and others have done much to improve the situation by extending the range of our economic activity. They have brought new industries to Scotland; helped to provide better factory accommodation in new industrial estates and given encouragement and advice to businesses engaged in the newer industries upon which we are placing so many of our hopes for the future. In many other directions the Council has dealt with the problem in a realistic and practical way. Notwithstanding this, however, we are still unduly dependent on our heavy industries to provide employment for our people.

One of the most heartening features of recent years is the development of the petroleum chemical industry taking place at Grangemouth. Great advances have been made in the past few years and Grangemouth is fast growing into one of our major industrial areas, and I pay tribute to those farsighted individuals to whom we are indebted for this progress. I wish also to add a word of thanks to all those concerns throughout the whole country—some of them relatively small—with no established market overseas who are, through strenuous efforts, increasing their sales to foreign buyers.

RESULT OF YEAR'S OPERATIONS

In regard to our own affairs, the year's operations have resulted in a Profit of £638,801 after making allocations to the Staff Pension and Widows' Funds and after providing for all taxation and making transfers to Reserves for Contingencies, out of which provisions have been made for all bad and doubtful debts, fluctuations in the value of Investments and other contingencies. This was a reduction of some £2,100 on the Profit of 1955, reflecting the fact already disclosed by the results of other Scottish Banks that the year was generally less favourable to the Scottish Banks than to Banks south of the Border. The main reason for this difference lies in the higher proportion of deposits bearing interest held by the Scottish Banks, which makes our earnings less subject to variation as a result of changes in the level of interest rates than appears to be the case with the English Banks. In our case, another factor which affected our earnings was the reduced resources available to us throughout the year. Our Deposits at just over £120 million show a drop of £8 million as compared with the figure at December 31, 1955, in large measure due to competition from Tax Reserve Certificates and Treasury Bills. We also know that many of our customers, because of the impact of the credit squeeze, have had to operate on much lower working balances than normally.

Our Advances at £44,900,000 were £300,000 down on the figure at the end of the previous year, and this is mainly due to the curtailment of credit through the operation of the squeeze. Applications for accommodation continue unabated and, as many of our customers at the end of the year had not fully drawn against limits previously agreed, it will be surprising if we are able to prevent the total from rising in the current year.

Our Investments, in conformity with our traditional practice, are shown at or under the market value at the date of the balance. The total at which they appear in the Balance Sheet is approximately £4,300,000 less than the figure at the end of the previous year. While the year has been a fairly difficult one, the result of our operations is regarded as satisfactory and the position shown by our Balance Sheet reflects strength and liquidity. These remarks apply also to the consolidated figures of the Group.

The payment of a final dividend at the rate of 7 per cent actual, making 14 per cent for the year, the same rate as paid in 1955, will be recommended at the Annual Court of Proprietors on February 26th, and this, together with the interim dividend paid in September, will absorb £478,975. Of the remaining balance, it is proposed to allocate £150,000 to our Reserve for Contingencies, leaving a sum of £143,353 to be carried forward.

Looking at the Group as a whole, the consolidated Profit amounted to £900,679, an increase of £41,000 over the figure for 1955. Williams Deacon's Bank, Limited, had a very successful year and continues to expand its branch system in areas where it has not hitherto been represented. The experience of Glyn, Mills & Company was very much the same as our own and, consequently, their

profit for the year showed a slight reduction. At the end of the year the total Deposits of the Group amounted to £311,686,000, and the Advances to £115,133,000.

TRIBUTE TO EXECUTIVES AND STAFF

Finally, I should like, on behalf of the Court, to pay a special tribute to the whole of the Bank's Staff, from the General Manager, Mr Ballantyne, and his team at Head Office to the newest joined recruit. It is team work that makes for success, and all of them have contributed in their varying capacities to the smooth working of the organisation. To them all I would like to express our appreciation for the manner in which they have carried out their duties.

WEST RIDING WORSTED AND WOOLLEN MILLS

SIR JOHN KEELING'S STATEMENT

The twenty-eighth annual general meeting of West Riding Worsted and Woollen Mills Limited was held on February 7th, at Bradford, Sir John Keeling (the Chairman) presiding.

The following is an extract from his circulated statement :

I am glad to be able to report that in the year under review our operating subsidiary companies were well employed, leading in most cases to considerably higher production. This, and the efficiency of our plants, enabled us to offset the narrow margins of profit obtainable. We subscribe to the need for restraint in prices as a practical measure to combat the inflationary forces at work in the national economy, but the principal factor affecting prices in the Wool Textile Industry is fluctuation in the price of its raw material.

The trading profit of the Group for the year was £1,184,468, before Taxation, compared with £1,007,923 for the previous year, an improvement of 17½ per cent.

The Chairman then referred to the upward movement in Merino Wool values which occurred during the last few months of their financial year, and to what had happened to wool values in general since that, and continued : The rise has been too rapid and its causes too suspect to be other than an anxiety.

Another disturbing feature is that production costs continue to rise and to eat into profit margins. When it comes to foreign trade, they are an additional and most serious handicap.

On the subject of foreign trade, I must refer to the recent decision of the United States Government to put a "quota barrier" in the shape of a penal tariff to any further expansion in the weight of worsted and woollen cloth imports. The United States has been an important market for specialised manufactures, in which one of our operating subsidiaries has been established for something like 70 years. It is disappointing, to say the least, to have to face the limitation of dollar exports which are so vital to the economy of this country.

On the other side of the picture, I can tell you that we have secured our share of business since the end of our financial year, and have been able to maintain an excellent level of activity. Orders are sufficient to ensure the continuation of this position for some months to come. Accordingly, and despite the difficulties I have mentioned, I feel we have reason to anticipate a not unsatisfactory result from the current year's operations.

The report and accounts were adopted.

BARCLAYS BANK LIMITED

ANNUAL MEETING OF STOCKHOLDERS

The Annual General Meeting for the year 1957 of the Stockholders of Barclays Bank Limited was held on February 6th, at the Head Office of the Bank, 54 Lombard Street, London, E.C.3. Mr A. W. Tuke (the Chairman) presided.

The Secretary read the Notice convening the Meeting and the Report of the Auditors.

The Chairman moved :

"That the Report of the Directors of the Company now produced, together with the Accounts annexed as at December 31, 1956, duly audited, be received, approved and adopted, and that there be declared, payable on the 20th instant, to the Stockholders registered in the books of the Company on January 13, 1957, a Final Dividend of 7 per cent, making 12 per cent for the year, on the Ordinary Stock, and a Final Dividend of 10 per cent, making 20 per cent for the year, on the Staff Stock, less income tax at the standard rate in each case."

Sir F. Cecil Ellerton, Deputy Chairman, seconded the motion, which was carried.

Mr Theodore David Barclay ; Mr Mungo Campbell, CBE ; the Hon George William ffolkes Dawnay, MC ; Mr Cuthbert Fitzherbert ; Mr Richard Evelyn Fleming, MC ; Mr Alexander Ludovic Grant ; Sir Albert Henry Stanley Hinchliffe ; and Mr David Wyamar Vaughan, retiring Directors, were re-elected Directors of the Company, and other ordinary business was transacted.

A vote of thanks to the Staff and a vote of thanks to the Chairman for presiding at the Meeting were unanimously accorded, and the proceedings terminated.

MARTINS BANK LIMITED

ANNUAL GENERAL MEETING

The one hundred and twenty-sixth annual general meeting of Martins Bank Limited was held on February 8th at the head office, Liverpool. Sir A. Harold Bibby, DSO, DL, Chairman of the Bank, presided.

The notice convening the meeting and the auditors' report were read. The report and accounts for 1956 were adopted.

The Chairman said that brief particulars of the scheme for reorganising the Bank's capital had, supported by advice, been published in the press as it was felt to be in the best interest of members to disclose the correct details without delay. He added that no useful purpose would be served by discussing the matter at the moment, but it was hoped to post circulars to members on February 11th for consideration at meetings on Wednesday, March 6th.

Resolutions were passed re-electing the retiring directors and fixing the auditors' remuneration.

A vote of thanks was unanimously accorded to Sir A. Harold Bibby for presiding.

The chief general manager, Mr M. Conacher, replied to the tribute to the staff.

THE RAFIDAIN BANK

Balance Sheet as at 31st March, 1956

LIABILITIES

	I.D.	I.D.
Authorised and Paid Up Capital		1,000,000
Reserve Fund		2,000,000
Current, Deposits and Other Accounts :—		
Iraq Government Departments and Institutions	23,037,754	
Public	12,492,210	
		35,549,964
Sundry Credit Balances		618,978
Provision for Income Tax		364,000
Liability Under Credits, Guarantees, etc. On Account of Customers:— As per Contra (of which I.D. 3,660,000/— Bills for Collection and Deposits for Safe Custody)		8,984,000
Profit and Loss Account :—	I.D.	
As per last Balance Sheet	72,626	
Net Profit for the year ended 31st March, 1956	1,168,671	
Less : Provision for Income Tax on the Results for the year ended 31st March, 1955	358,607	
	810,064	
		882,690
		49,399,662

ASSETS

	I.D.	I.D.
Cash in Hand and at Banks, at Call and at Short Notice		12,971,219
Iraq Government, British Government and Other Securities at or Under Cost		2,316,213
Bills Discounted, Advances, etc. (*Less :* Provision for Doubtful Debts):—		
Bills Discounted	12,776,960	
Advances, etc.	11,927,905	
		24,704,865
Sundry Debit Balances		442,033
Lands, Buildings, Furniture and Fittings at cost *less* Depreciation		891,327
Customers Liability Under Credits, Guarantees, etc. As per Contra (of which I.D. 3,660,000/—Bills for Collection and Deposits for Safe Custody)		8,984,000
		49,399,662

We have verified the Assets and Liabilities of the Rafidain Bank as set forth in the above Balance Sheet. In our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the Bank's affairs at 31st March, 1956, according to the best of our information and the explanations given to us and as shown by the books of the Bank.

(*Signed*) WHINNEY MURRAY & CO.,
Chartered Accountants,
Auditors.

Profit and Loss Account for the Year ended 31st March, 1956

	I.D.
To Total Charges for the year, including Depreciation	403,466
„ Net Profit for the year ended 31st March, 1956	1,168,671
	1,572,137
	I.D.
By Total Income from Banking, etc.	1,572,137
	1,572,137

RADIO RENTALS LIMITED

EFFECT OF SEVERE GOVERNMENT RESTRICTIONS

MR P. PERRING-THOMS ON CURRENT TRENDS

The twentieth annual general meeting of Radio Rentals Limited was held on February 5th at Grosvenor House, Park Lane, London, W.1, Mr P. Perring-Thoms (chairman and managing director), presiding.

The Secretary (Mr A. O. B. Wall, CA) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts: The Accounts for the twentieth financial year of the Company show a new record profit.

After providing for all charges other than Taxation the Group profit is £1,028,586, an increase of £226,300. The net profit of the Group after providing an extra £189,182 for Taxation is £37,118 above last year.

In the Consolidated Profit and Loss Account I would draw your attention to the provision for Depreciation of no less than £1,533,901, which reflects your Directors' continuing prudent and conservative policy. Staff Bonus, Pensions Scheme and Staff Welfare Fund shows a comparatively small increase due to a certain amount of bonus being commuted to basic wage.

All the subsidiary companies except Rentevision Ltd., which has not traded, operated at a profit for the year under review.

Turning now to the items of appropriations, your Directors recommend the payment of a final dividend of 17½ per cent payable on the Capital as increased by the bonus issue in October last of 1,796,253 Ordinary Shares of 5s. each. It is also proposed to transfer £400,000 to General Reserve.

In the Consolidated Balance Sheet you will note the increase in the cost of radio and television sets on or for rental. All these new stocks were manufactured by our subsidiary, Mains Radio Gramophones Limited, and I am happy to tell you that their products have been much admired by the public and are well thought of by our own technical field staff.

The expenditure on 14 new retail shops during the year and the re-siting of 13 other branches is partly reflected in the increase in freehold and leasehold fixed assets. The only other item of interest in the Consolidated Balance Sheet is the reduction in the amounts receivable in respect of Hire Purchase Service Agreements which, of course, follows on the larger hire purchase deposits now required by Government Order.

IMPACT OF DIFFICULT TRADING CONDITIONS

Shareholders are aware of the difficult trading conditions recently imposed upon your Company, and will no doubt be interested to assess their impact upon the year under review, also the possible effect on the future. I briefly mentioned in my last review the increase of Purchase Tax of October, 1955. This disturbance to trading was followed by a serious tightening of the credit squeeze. You will appreciate that in this business we cannot healthily and economically develop on share capital alone, as a material measure of temporary finance is essential during a period of growth.

Having adjusted our trading to make the best of the circumstances the next obstacle to planned progress came on February 17, 1956, when for the first time rental of radio and television became the subject of a Control Order requiring that nine months' rentals for any radio or television set must be paid in advance of installation. That control is the most serious legislative restriction in peacetime that has ever affected the Group and but for this the results for the year under review would, I am convinced, have been materially better.

The impact of the Order is particularly heavy on the radio renting branch of the business, and the decrease in the number of subscribers renting our radio sets is unparalleled in the history of the Company. On the other hand Radio Rentals (Sales with Service) Limited, which deals with the sales branch of the Group's trading, has improved its results and indeed since the introduction of the Order the proportion of sales orders to rental orders has increased materially.

In the meantime we are concentrating on television rental which is now the major part of our business, and here I am pleased to report that conditions have proved less difficult to the extent that we have been able to complete a satisfactory programme during the last half-year of the year under review, and for the following four months to Christmas, 1956. In my opinion the reason why television has been less seriously affected is due to its being a very new industry and also because as yet the complicated business of the disposal of re-hire sets does not arise to the degree that it does in radio renting.

While the authorities continue to insist on placing the Radio and Television Rental Industry at an unfair disadvantage to the rest of the trade we shall do everything possible to overcome the handicap and every effort will continue to be made to obtain a just modification of the Control of Renting Order.

CONFIDENCE IN THE FUTURE

I have no wish to emphasise or belittle the difficulties of trading under controls, seeking only to inform you as briefly as possible of the position. I can also give you the brighter side of the picture because there are two factors in our favour which are most important in our television business. The public are becoming increasingly aware that a television set is a scientific instrument requiring expert attention, the service and maintenance of which can more effectively and economically be provided by a rental service organisation especially where, as in our case, they are also the manufacturers. Secondly, I am pleased to inform you that a growing percentage of our new rental business is being done with members of the public who previously owned a set and who required a replacement. Whilst this tendency can be maintained I have every confidence in the profitable future of our Group. In the first four months of the current financial year public demand for our television service has been high and a very satisfactory volume of business was transacted.

In July, 1956, Sir Giles Guthrie, Bart, and Mr G. W. Parker were appointed Directors of the Parent Company and the subsidiaries, and I would take this opportunity of recording my appreciation of their contributions to the deliberations of your Board.

Finally, I must pay my annual tribute to the staff for their energetic and enthusiastic work for the Group during the year. At the present time petrol rationing is causing them severe dislocation of work and personal inconvenience, but their loyal co-operation in meeting the problem is worthy of the highest praise. I have much pleasure in according to the staff of the Group the thanks of the Board and the shareholders.

The report and accounts were adopted and the retiring directors, Sir Giles Guthrie, Bart, Mr G. W. Parker and Mr J. L. Wilkie, CA, were re-elected.

LLOYD'S PACKING WAREHOUSES (HOLDINGS) LIMITED

YEAR OF RISING COSTS AND FALLING MARGINS

The sixty-first Annual General Meeting of Lloyd's Packing Warehouses (Holdings) Limited, was held on February 1st in Manchester, Sir Eric A. Carpenter, OBE (the Chairman), presiding.

The following is an extract from his circulated statement:

The Consolidated Profit and Loss Account shows the Group Trading Profit at £406,658, a decrease of £174,149 compared with the previous year. After making provision for Taxation £234,276, as against £299,656 net last year, there is an Aggregate Net Profit of £172,382 compared with £281,151 a year ago. Deducting £13,205, the proportion attributable to outside shareholders' interests, and adding the balance brought forward from the previous year £290,839, there is an available balance in the Group of £450,016. From this sum, £25,000 has been allocated to General Reserve.

Your Directors recommend the payment of a final dividend of 7 per cent less tax on the ordinary stock, making 12 per cent less tax for the year. This dividend, together with the preference and ordinary dividends already paid, will absorb £110,388 leaving, after making the allocation to Reserve referred to, a balance to carry forward in the Group of £314,628 as against £290,839 brought in.

Referring to the Consolidated Balance Sheet, Current Assets at £2,329,598 are £300,366 less than a year ago, this being attributable to reductions in stocks and debtors. Current Assets exceed Current Liabilities by £1,565,227 and Combined Capital and Revenue Reserves total £1,377,626, as against £1,350,475 a year ago.

The Consolidated Accounts of Regentone Products Limited, show a Trading Profit of £34,229 for the year under review, compared with £427,753 for the eighteen months to September 30, 1955. After providing £9,075 for Taxation, the balance of £25,154 is carried forward to the credit of Profit and Loss Account.

The statement then reviewed the activities in the main Divisions constituting the Group and after referring to the very considerable fall in the profits of Regentone as a result of the credit restrictions and increase in the rate of Purchase Tax imposed by the Chancellor during the year, the Chairman continued :

Needless to say, following the measures taken by the Chancellor, immediate steps were taken to reorientate the nature of business more in keeping with market requirements. From the commencement of our new financial year to date, the turnover compares favourably with the corresponding period of the previous year, up to which time the results were satisfactory.

SUMMARY

The year under review has been one of rising costs and falling margins. Reductions in costs which can be brought about by installation of more modern plant are constantly overtaken by increases in wages, and those overhead expenses over which we have no control.

The results demonstrate the grave danger, from the point of view of the national economy, if inflation is not checked. The activities of the Lloyd's Group of Companies are, in large measure, related directly or indirectly to exports and there is abundant evidence that, as a nation, our competitive ability in the export field is being seriously challenged. The radio and television industry, in which the Group has a substantial interest, has a valuable export potential, but its efficiency is essentially based upon the home market. The export potential will be impaired if the industry is to be subjected to rates of purchase tax and hire purchase deposits which have a crippling effect on its home sales.

I conclude with expressing my gratitude to Mr F. L. Chaplin, the Managing Director, my Colleagues on the Board, and to Management and Staffs throughout the Group, for their valued services. I feel sure Stockholders will wish to join me in that expression.

The report and accounts were adopted.

ARTHUR GUINNESS SON AND COMPANY LIMITED

CONTINUED EXPANSION OF BEER SALES

The Annual General Meeting of Arthur Guinness Son and Company Limited was held on January 31st at Park Royal Brewery, London, N.W.10.

The Earl of Iveagh, KG, CB, CMG, Chairman of the Company, who presided, said: Your 1956 gross profits increased over 1955 by nearly three quarters of a million, due to increased beer sales. On the brewing side the straight increase was over £800,000, due to record sales. In spite of rising costs our bulk sale price has remained unchanged for the last six years. This is only possible by expanding sales, and although we are always on the search for economies, yet there is not scope in all the possible economies to offset rising costs. Looking into the immediate future the picture is not rosy ; in my opinion we shall be fortunate if we are able in this present year to hold our sales and our profits.

A very large part of gross profits has disappeared in taxation, partly due to tax adjustments but principally because higher profits attract higher income tax. The effect of the two budgets of last year in regard to profits tax was to make the maintenance of our dividend much more costly than before.

CONFECTIONERY GROUP RESULTS

William Nuttall Group profits have fallen, as was anticipated by Major Allnatt last year ; but even this lower figure shows a very handsome return on the money invested. Sales have been expanding, and our very well managed subsidiary is extending into new areas. There were large reserves in the Group accumulated from undistributed profits. Part of these have been capitalised ; so that the share capital is now £1 million.

RECORD OVERSEAS SALES

Our beer sales overseas have been a record, and I would draw your attention to the Exports Supplement in the Annual Report. In Guinness Exports Limited we have an exceedingly enterprising and imaginative Chairman in Mr A. W. Fawcett, and it is due largely to his drive and to his fine team that the results are so good. They have regained our old American export market and are slowly extending it ; but it is still small. During the year we took over the minority interest in Guinness Exports which is now wholly owned by us.

ALE BREWING IN USA AND IRELAND

The arrangements by which the Goebel Brewery of Detroit in the USA was licensed to brew Guinness Beer and Guinness Ale under our direction have been terminated. It became clear that heavy expenditure would be needed to break into the tough beer world of America and we were not prepared to adventure the money. Neither the experiment nor its termination involve your company in loss.

In Ireland our ale sales fell. During the year we took an interest in Smithwicks Brewery, Kilkenny, and are represented on their board.

NORTHERN IRELAND SUBSIDIARY

We have established a separate company at Belfast which is entirely responsible for selling, distribution and advertising of Guinness in Northern Ireland.

The Earl of Iveagh concluded by paying a tribute to staff and employees, to whom a bonus of one month's pay had been given. He made special reference to those who had retired on pension during the year, including more than sixty with over forty years' service and several with over fifty years'.

The Report and Accounts were unanimously adopted and the recommendation of the Directors approved for the payment of final dividends on February 1st of 3 per cent on the Preference Stock and 15 per cent on the Ordinary Stock, both less Income Tax.

APPOINTMENTS

THE QUEEN'S UNIVERSITY OF BELFAST

The Senate of The Queen's University of Belfast invites applications for the post of Tutor in Practical Work in the School of Social Studies from September 1, 1957, or such later date as may be arranged. Initial placing on the salary scale of £650 x £50 to £1,000 plus F.S.S.U. benefits will depend on qualifications and experience. Candidates should hold a University degree and have had practical experience in a family case work agency recognised for training, but arrangements to gain such experience can be made for a successful candidate who is otherwise well qualified. Postgraduate qualifications in specialist fields of social work would be an advantage. Applications should be submitted by April 1, 1957.—Further particulars can be obtained from G. R. Cowie, M.A., LL.B., Secretary.

ECONOMIST.—Economics Graduate, aged 25 to 35, is required to work and write on economic problems connected with nuclear power and nuclear power station design. Analytical ability and adaptability are more important than a previous technical background, as the applicant appointed will have every opportunity to learn about the technical aspects of the work. Previous industrial experience an advantage.—Write, giving details of educational qualifications and career, to Personnel Manager (G), The Power Jets (Research & Development) Limited, Fraser & Chalmers Engineering Works, Erith, Kent.

MARKET RESEARCH OR MARKETING

Men with an aptitude for statistics, and some experience in the use of Marketing Research are invited to apply for an appointment in one of the larger Advertising Agencies. The job is to assist the account executives in the planning side of their work—interpreting sales figures, suggesting and making arrangements for specific Research, collaborating with the client's own Research Department and so forth. Although this is obviously a responsible position, men with relatively short experience of Market Research would be considered.—Box 625.

THE National Institute of Economic and Social Research invites applications for the post of Senior Research Officer. The successful candidate will take charge of research on the measurement of the comparative economic position of different socio-economic groups. The appointment, which is for three years starting at a date between March 1 and October 1, 1957, will carry a salary within the range £1,100 to £1,450 p.a., with F.S.S.U. provision and family allowances. A special appointment at a higher salary would be considered for a candidate of exceptional qualifications.—Applications to the Secretary (from whom further particulars may be obtained) at 2 Dean Trench Street, London, S.W.1, not later than February 28th.

THE ROYAL COLLEGE OF SCIENCE AND TECHNOLOGY GLASGOW

(Affiliated to the University of Glasgow)

DEPARTMENT OF INDUSTRIAL ADMINISTRATION

APPOINTMENT OF SENIOR LECTURER

Applications are invited for a Senior Lectureship in the Department of Industrial Administration.

Candidates should possess a good academic degree, or equivalent qualification, and have had experience in industry or administration, preferably in such fields as Industrial Engineering, Work Study, Planning and Control, Operational Research or Accountancy. The salary scale will be on the scale £1,400 x £50 to £1,550 with superannuation and a scheme of family allowances. There may be some revision of this scale in the near future.

Forms of application may be obtained from the Secretary-Treasurer, The Royal College of Science and Technology, George Street, Glasgow, C.1.

MARKETING.—Applications are invited for a Senior Executive position of unusual scope and interest with a large manufacturing Company. The appointment will involve the direction of a unit engaged in forecasting short and long-term market trends and carrying out continuous investigations in fields affecting commercial policy. The Company is interested in Graduate Economists or Statisticians, preferably with post-graduate research experience, who have a wide knowledge both of the study of economic trends and of the organisation of consumer research ; the work will cover home and overseas markets. Previous experience in the administrative aspects of controlling a small department will also be of advantage. This appointment offers an attractive career and the starting salary will be in the region of £1,750 or possibly more, depending upon experience and qualifications. Applications will be treated in strict confidence.—Box 620.

QUALIFIED ACCOUNTANT with fluent French is required for professional appointment in the Belgian Congo. Administrative ability, energy and intuitive essential. Exceptional prospects for the right man.—Write Box X.496, c/o Streets, 110 Old Broad Street, E.C.2.

NOTTINGHAM AND DISTRICT TECHNICAL COLLEGE

Principal : D. A. R. Clark, M.Sc.(Tech.)

Applications are invited for the following appointment : LECTURER IN MANAGEMENT STUDIES, with Work Study experience.

Salary in accordance with the Burnham Technical Scale as follows : (Men), £1,200 x £30 to £1,350 per annum.

The policy of the College is to encourage staff and students to undertake research work, on an appreciable amount being in progress at the present time.

Further particulars and form of application may be obtained from the Principal, Nottingham and District Technical College, Shakespeare Street, Nottingham, to whom completed forms should be returned as soon as possible.

W. G. JACKSON,
Clerk to the Joint Education Committee

PERSONAL ASSISTANT TO SENIOR EXECUTIVE

Applications are invited for the post of Personal Assistant to a Senior Executive with a prominent Developing Organisation. Candidates must be men between the age of 25 and 33 and should have a good University degree (Arts or Science) or equivalent professional qualification, and at least 2 years' post graduate experience in industry or commerce. It would be an advantage for candidates to have had civil engineering, building, or housing or estate management experience.

Requirements include a high level of intelligence, marked administrative ability, socially impressive personality, robust health and marked drive and ambition. It is proposed to allow the chosen candidate about six months' practical training on the job before he is given major executive responsibilities.

The post will be in London, but some travelling within Great Britain will be involved. Starting salary will be about £1,500 p.a., and there are excellent prospects of rapid increase of salary.

Candidates are asked to make their applications on the standard form which is available from : The Secretary (C21), 14 Welbeck Street, London, W.1 (Telephone : WELbeck 1144).

ADVERTISING/SALES PROMOTION MANAGER required by Leading Food Manufacturer near London. Applicants (30-42 age group) should have wide knowledge of techniques of advertising with emphasis on promotional experience with branded packaged products. Substantial salary and attractive amenities including non-contributory pension.—Applications, stating age, full details of experience and present salary, to Box 622.

APPOINTMENTS

THE UNIVERSITY OF MANCHESTER

HALLSWORTH RESEARCH FELLOWSHIPS

Applications are invited for the above Research Fellowships for advanced work in the field of political Economy and Public Administration. The value of the Fellowships will normally be within the range of £700-£1,500 per annum, according to experience and qualifications. Regulations governing the award of the Fellowships may be obtained from the Registrar, the University, Manchester, 13, to whom applications should be sent not later than March 1, 1957.

THE UNIVERSITY OF LIVERPOOL

Applications are invited for a Leverhulme Postgraduate Fellowship in any Department of the Faculty of Arts. The Fellowship will be tenable for one year at a value of £500, but may be renewed for a second year at a value of £550.

Applications, three copies, stating age, qualifications and experience, proposed field of research and the names of two referees, should be received not later than March 1, 1957, by the undersigned, from whom further particulars may be obtained.

STANLEY DUMBELL,
Registrar.

THE UNIVERSITY OF LEEDS

THE FACULTIES OF ARTS, ECONOMIC AND SOCIAL STUDIES AND LAW
POSTGRADUATE SCHOLARSHIPS

Applications are invited for not more than three Postgraduate Research Scholarships tenable at the University of Leeds by graduates of other Universities. These Scholarships, each of the value of £330 a year plus fees, will be tenable from October 1, 1957, for advanced study or research in the Faculties of Arts, Economic and Social Studies and Law, and will be renewable annually. Maximum tenure three years.—Applications (including those of students who will graduate in June, 1957), should be submitted on forms obtainable from The Registrar, The University, Leeds 2. Closing date May 1, 1957.

MANAGEMENT SELECTION LIMITED have been retained to advise on the selection of the

GENERAL SALES MANAGER

for a company (3,000-4,000 employees) making and marketing quality domestic electrical appliances. The appointment results from policy and organisational decisions, which form part of a determined attack on this market. The Company has plans for a very considerable expansion in the next few years. Responsibility will be to the Sales Director (who retires in 1-2 years) for the policy, planning and control of sales throughout Great Britain. Headquarters in London.

Candidates must have had successful experience in a highly competitive market, including managing a consumer goods sales organisation, and directing a large field force selling in the retail trade. Knowledge of the domestic electrical appliance field an advantage but not essential. Good general education necessary, preferably with a University degree. Age 35-45, salary £3,000-£5,000.

Please send brief details, in strict confidence, to H. E. Roff (S249), Management Selection Limited, 17 Stratton Street, London, W.1. No information will be passed to our clients without candidates' permission after full personal discussion at which the identity of the Company will be disclosed.

ATTRACTIVE OPPORTUNITIES are offered to QUALIFIED ACCOUNTANTS (age limit 30 years) in the Unilever Audit Department. Candidates need not have had any previous commercial experience. The work provides excellent experience in progressive auditing techniques and in modern methods of accounting and commercial control in a wide variety of process industries. A certain amount of travel in the U.K. is entailed although the work is based on London or Port Sunlight. Audit Department is a recognised training ground for men suitable for promotion to commercial positions in the Concern—not confined solely to accounting. There is also considerable scope for advancement within the Audit Department. Successful candidates will be eligible for consideration for the Concern's Management Development Scheme which is designed to train young men for managerial positions. The commencing salary will depend on qualifications and experience, but will not be less than £650 per annum for men who have completed National Service.

Applications, accompanied by a brief summary of education and experience, should be sent to Personnel Division (GOS 141), Unilever Limited, Unilever House, Blackfriars, London, E.C.4.

RELAYS

High level TECHNICAL COMMERCIAL MANAGER is sought by a large company in the London area to assume responsibility for the control of its Relay Division. This responsibility covers designs, selling and production. Applicant should preferably be technically qualified, having experience in this field or associated products. The starting salary should be commensurate with experience but will be right applicant should not be below £2,500 per annum. Good pension scheme and other benefits.—Applications, in strictest confidence, to Box 624.

STATISTICAL OFFICER (female) required for interesting post at Felixstowe, dealing with agricultural contract spraying. Applicants should have B.Sc. (Economics), previous experience in statistical work and typing ability. Attractive terms of appointment.—Applications quoting No. 13161, stating age, qualifications, experience and salary required, to Personnel Manager, Pitons Pest Control Limited, Bourn, Cambridge.

UNIVERSITY OF CAMBRIDGE

DEPARTMENT OF ESTATE MANAGEMENT

The Department of Estate Management proposes to award, from October 1, 1957, grants for research in economic, legal or social problems related to the ownership, tenure or development of land.

Essential qualifications : good honours degree in History, Economic History, Economics, Agricultural Economics, or Law, or a degree with a high class in Estate Management, or evidence of likelihood to obtain such a degree not later than July, 1957.

Value of a grant £400 a year, plus University and College fees. Normally tenable for two years.

Particulars from Secretary, Board of Estate Management, 74 Trumpington Street, Cambridge. Completed applications should reach him by March 15th.

ROLLS-ROYCE (AERO ENGINE DIVISION)

have several vacancies in their ENGINEERING AUDIT DEPARTMENT AT DERBY

which is concerned with work study, budgetary control, office organisation and methods, and other special duties on behalf of the management.

Candidates should be between the ages of 25 and 35, and whilst preference will be given to those with a good engineering degree or its equivalent, together with some experience in work study or industrial consultancy, consideration will be given to those with accountancy or commercial qualifications supported by appropriate industrial experience. Initiative, personality, and the ability to deal successfully with people at all levels, are essential requirements.

Those interested should write for an application form to the

Staff Appointments Officer,
Rolls-Royce Limited,
P.O. Box 31, Derby.

CHIEF PERSONNEL OFFICER

Large and leading internationally known manufacturer of engineering products in the Midlands requires CHIEF PERSONNEL OFFICER to be in complete charge of well-established department.

Age 35-45. University degree and I.P.M. membership desirable but not essential. Must have had more than ten years practical administrative experience in personnel activities with at least five in engineering. Only applicants currently holding a senior personnel position in industry need apply. Successful applicant must be first-class administrator and thoroughly familiar with various training schemes and up-to-date recruitment and selection methods as well as being well-informed on all matters relating to engineering, Trade Unions, and Employers' Associations. This is a senior appointment and a good four-figure salary and well-established staff superannuation scheme. An excellent opportunity for the right man.

Apply in GUARANTEED STRICTEST CONFIDENCE, in accordance with professional ethics, giving contact telephone number, details of date and place of birth, education, background, names of firms, positions held with dates and salaries, to

Dr. P. S. de Q. CABOT.

P. S. CABOT AND COMPANY,
37-41 BEDFORD ROW,
LONDON, W.C.1.

MANAGEMENT ACCOUNTING

Manufacturing-distribution Company of international repute with 8,500 employees and London Head Office seeks Chartered Accountant with two or three years' experience since qualifying. Must have first-class brain, be willing to learn the business and to assume responsibility for financial forecasting and control within five years. Pension. Salary by arrangement.—Box 621.

INTERNATIONAL TRADE UNION organisation (London headquarters) offers position as Translator/Interpreter/Reporter. Permanent post with non-contributory superannuation scheme. Three weeks' annual paid holiday. Applicants, whose mother-tongue should be English, must be able to translate and interpret from French, German and one or more Scandinavian languages. Should also be capable of producing reports and minutes of meetings. Previous trade union experience an asset. —Applications, stating age, qualifications, previous experience and salary required, together with references, should be forwarded to Box 611.

APPLICATIONS are invited from professionally qualified accountants for the appointment of LECTURER in the DEPARTMENT OF AIRCRAFT ECONOMICS AND PRODUCTION. Applicants should have had industrial experience in accountancy, stock control and use of costing and accounting machines. A University degree and ability to lecture on industrial economics are advantages. Salary dependent on qualifications and experience, with superannuation under F.S.S.U., and family allowance. Normally term and vacation conditions apply and a house on the College estate may be available.—Applications, giving full particulars of qualifications and experience, and quoting the names of three referees, should be forwarded to the Recorder, The College of Aeronautics, Cranfield, Bletchley, Bucks, from whom further particulars may be obtained.

MINISTRY OF EDUCATION requires, for England only, H.M. Inspectors (men and women). Preferably under 50. Good educational qualifications and experience in Adult Education desirable. Qualifications in Economics, Philosophy and Psychology particularly desirable.

Permanent posts, non-contributory pension. Present Salary (increases under consideration) London (men) £1,300 x 12 increments to £2,050 ; (women) £1,232 by 12 increments to £1,930 (being improved by equal pay scheme). Elsewhere slightly less. Appointment may, if appropriate, be made above the minimum. Higher posts filled by promotion ; also some with £115 allowance.

Application form from The Secretary (Inspectors' Section), Ministry of Education, Curzon Street, London, W.1. Closing date March 16, 1957.

EXPERIENCED SENIOR EXECUTIVE, with 11 years active managerial background, seeks administrative appointment, preferably London area. Thorough knowledge overseas marketing. Aged 35. Fluent French. Undeterred by hard work and difficulties.—Box 605.

TECHNICALLY QUALIFIED COMMERCIAL EXECUTIVE, 43, Public School and University Graduate (Chemistry), seeks responsible post in Dominions or other overseas territories where hard work and ability appreciated. Import/export and Home Sales experience with extensive personal contacts Chemical and Plastics industries. Fluent French, moderate German. Would welcome position offering responsibility for production and/or sales development of a new project.—Box 623.

PERSONAL ASSISTANT.—Man, 38, public school, seeks position as personal assistant to a Director of a progressive company in London. All-round experience of export marketing, sales, costing, purchasing and advertising. Will travel as required.—Box 618.

B.SC.(ECON.) LONDON UNIVERSITY

UNIVERSITY CORRESPONDENCE COLLEGE provides postal tuition for the above Degree (obtainable without residence), which is a valuable qualification for those seeking executive appointments in commerce or industry, government or municipal posts. The College, established 1887, is an Educational Trust. Highly qualified Tutors. Low fees. Prospectus of U.C.C. Courses for London Degrees and Diplomas, G.C.E. free from the Registrar, 60 Burlington House, Cambridge.

THE POLYTECHNIC

REGENT STREET, W.1.
SCHOOL OF COMMERCE

A special evening course of six lectures on Automatic Computers in the Field of Accountancy and Banking will be given by a group of specialist lecturers on Thursdays from 7 to 8.30 p.m., February 28th to April 4th. Syllabus and enrolment forms from the Director of Education. Course fee 11s.

PROFESSIONAL SANTA CLAUSES.—What to do with your 350 days holiday now it's all over. May we suggest you renew your acquaintanceship with Duff Gordon's El Cid Sherry ?

ADVERTISER urgently requires H.M. Customs and Excise Annual Statement of Trade of the United Kingdom (especially Volume II) for 1934 and 1938 ; alternatively any other year containing figures relating to 1931 and 1938 would be acceptable.—Write, with price required, to Box X487, c/o Streets, 110 Old Broad Street, E.C.2.

SUCCESSFUL TUITION FOR THE B.SC.(ECON.) DEGREE

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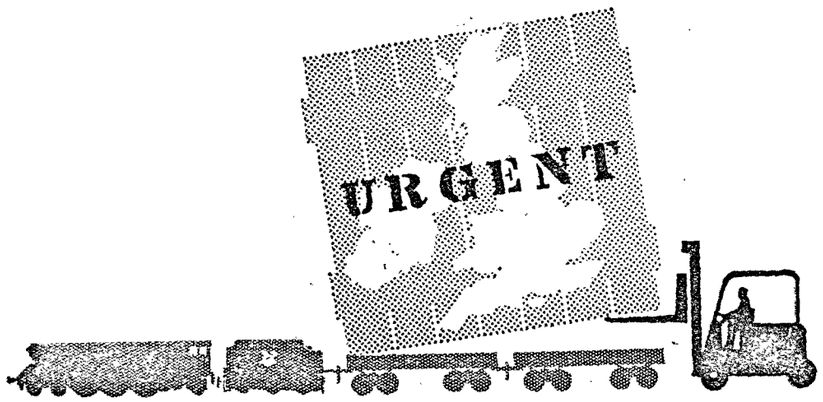
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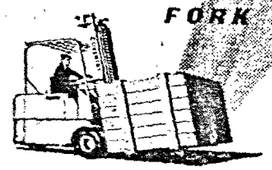
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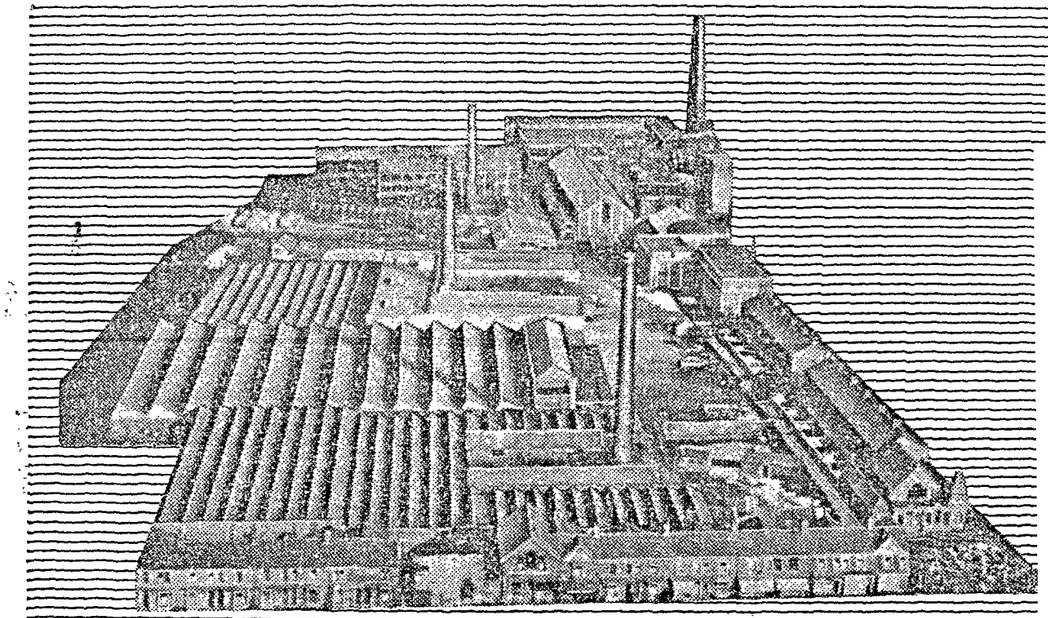
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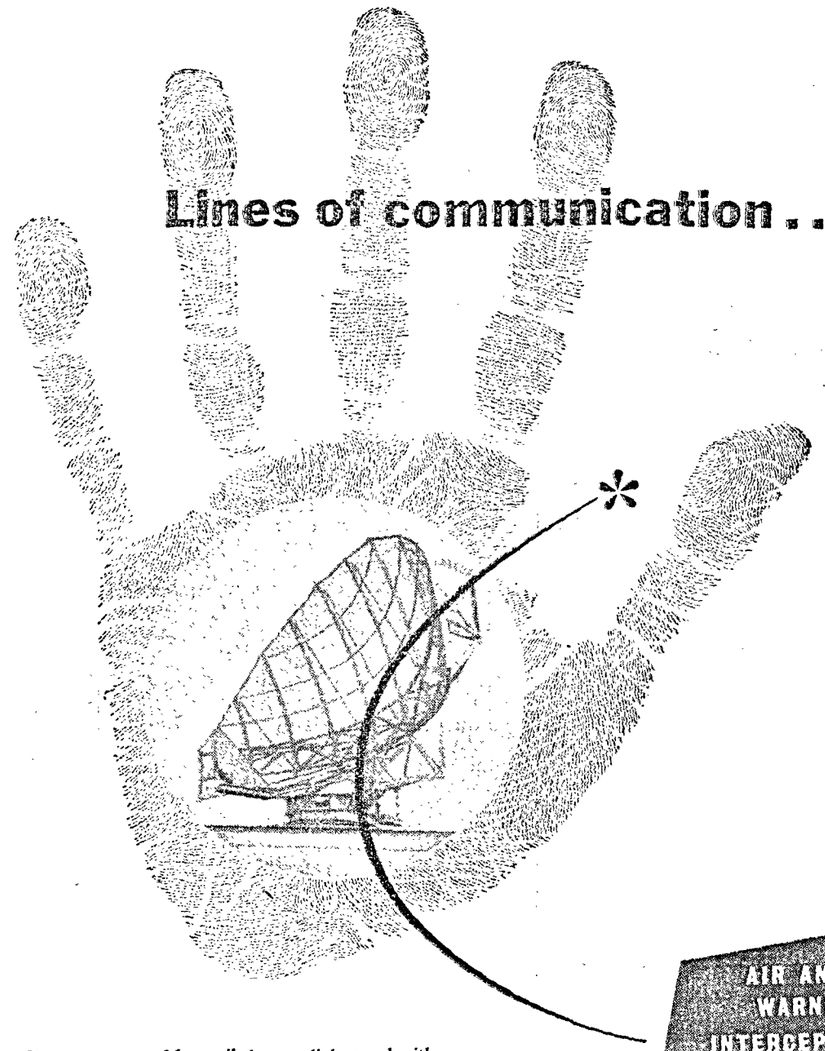
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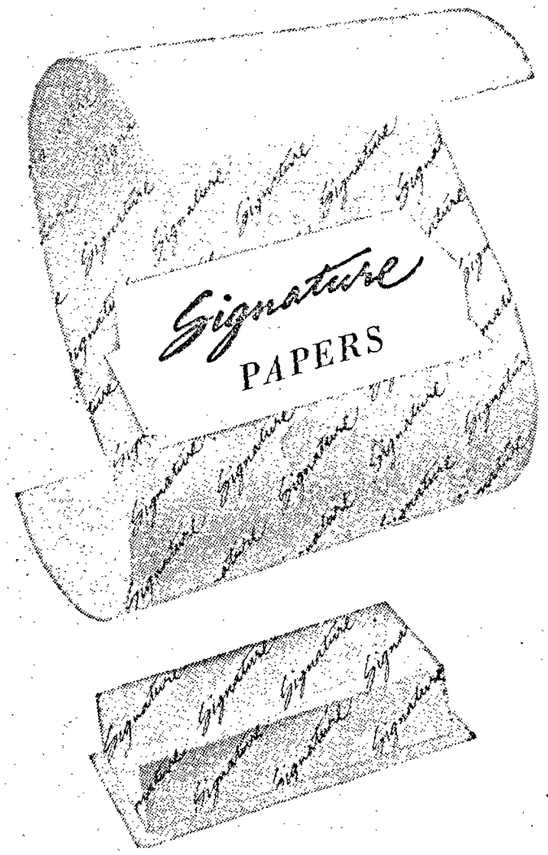
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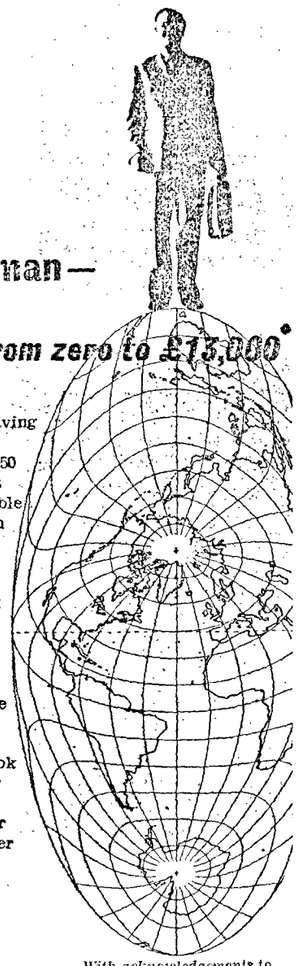
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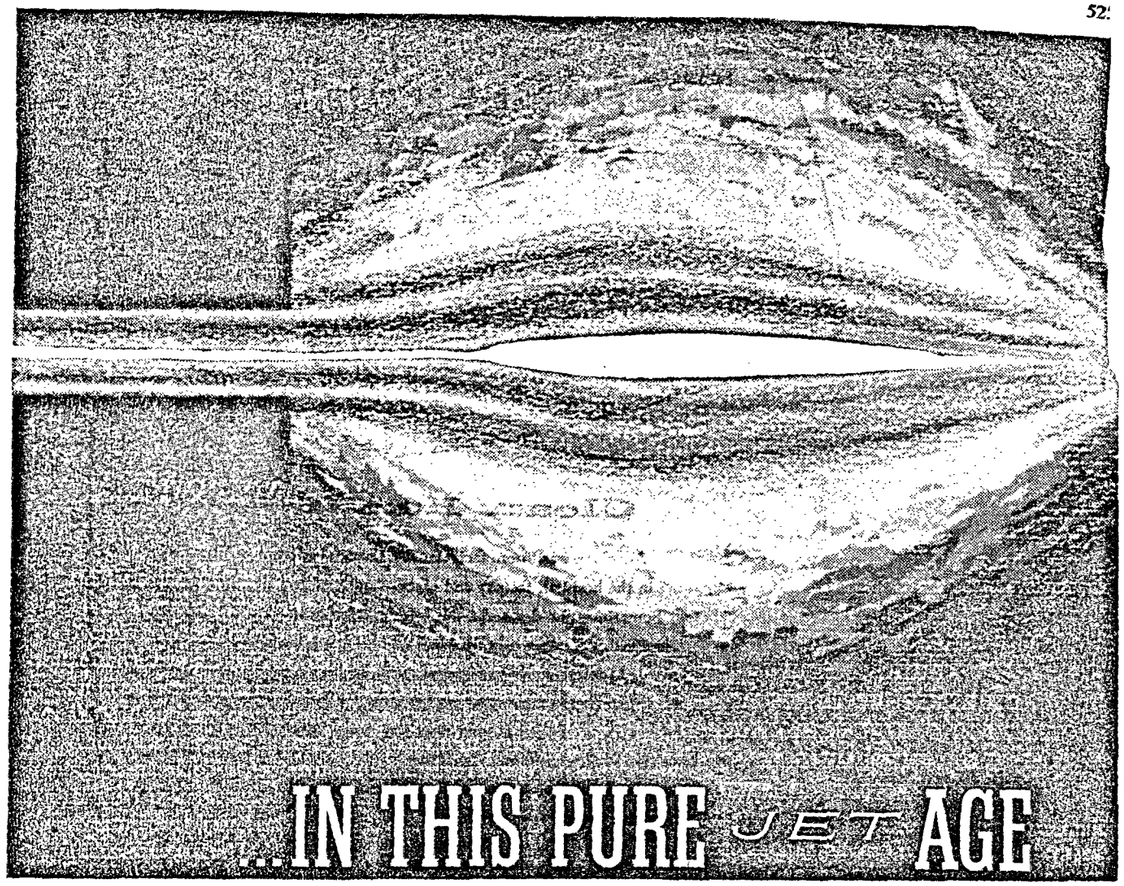
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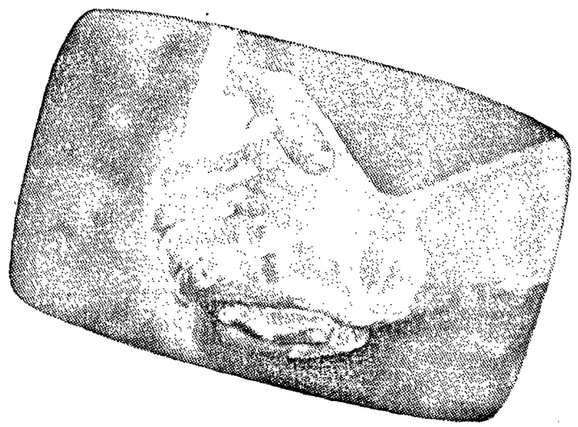
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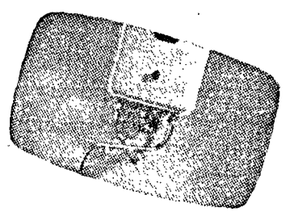


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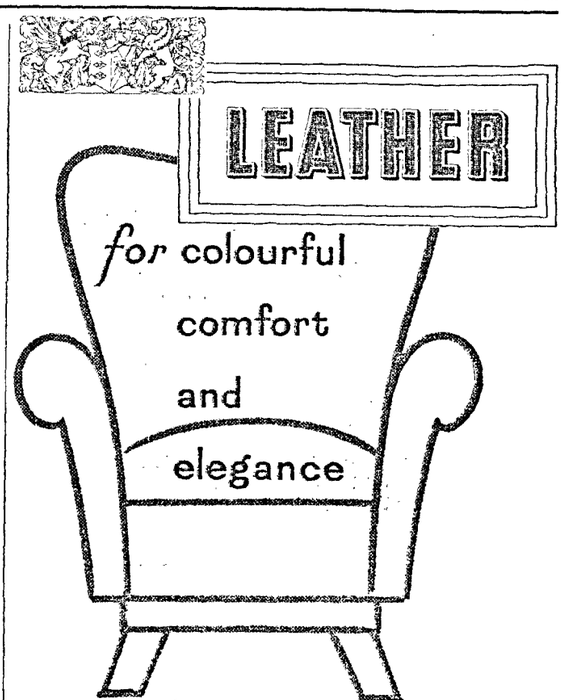
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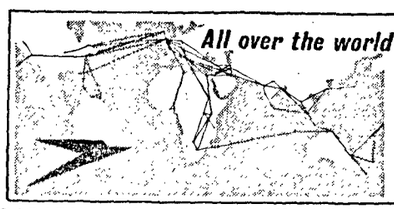
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Last Chance for Local Government?

THERE is only one sure way of arousing excitement about local government finance: that is to put the rates up. Of all British prejudices, the belief that local rates should never rise, whatever may happen to other prices and taxes, is the most deeply rooted—and, for all that, perhaps the most frequently frustrated. The first response to Mr Henry Brooke's statement of last Tuesday has been in the best tradition. The Minister of Housing and Local Government recently decided to reduce the rates on shops and offices by 20 per cent (a "good thing," especially for shopkeepers). Now most people think that he is about to increase the rate burden on industry by 100 per cent (and that they deplore as a "bad thing"). This is not only the wrong response to those particular proposals; it also ignores the major reforms proposed by Mr Brooke in the financial relations between central and local government. These, together with the collateral reforms of the structure and functions of local government, offer perhaps the last chance of securing more independence and infusing more vigour in local government.

It has long been clear that the only hope of making local government more self-reliant lies in some loosening of the financial nexus between central and local government. Local authorities in England and Wales now receive £490 million a year in rate revenues; but they also receive £581 million in grants from the central purse. There is no proposal—certainly there should be no immediate hope—of reducing the total amount of Exchequer assistance in any large way. Indeed, what Mr Brooke is proposing sounds at first hearing aridly technical; it is to replace the specific grants made to the local councils by "a general grant of an amount fixed in advance for a short period of years, though not necessarily at the same level for each year of the period." This may seem like a mere change of form. Yet it touches the most obstinate weakness of local government finance.

An illustration will make plainer the fundamental character of the Minister's proposals. Of the £581 million of government grants, £73 million are being distributed to the poorer authorities as equalisation grants to make up for their poverty. These are to be retained, though the way in which they are calculated will be revised, and some part of them will go direct to the district councils, instead of by way of county halls. The rest of the grants—now running at £508 million—go at present to local authorities in aid of specific services, and most of them take the form of a percentage grant in reimbursement of actual spending. By far the biggest is the education grant, which is currently costing about £300 million a year and is designed basically to cover 60 per cent of the local education authorities' net expenditure. Now, in the new proposals, this specific grant is to go, together with others, such as the grants for the fire and local health services. In place of these earmarked grants, the Minister proposes that the local councils shall receive general grants with no strings attached which they will be able to

spend as they think best. A general grant of some £280 million, plus the equalisation grant, appears to be contemplated.

Rearrangements of this kind inevitably create disturbance, because some lose while others gain. Even if the wisdom of angels could find a perfect formula for the grant, using the nicest calculations of the populations of the counties and county boroughs that receive it, some of them would still be full of dissatisfaction. Mr Brooke will not have an easy time when he comes to spell out his proposals in detail to the representative bodies of these authorities. And powerful bodies in the field of education will entertain the darkest mistrust of his motives. Yet this single step, technical though it may appear, is the first move of major importance to release local government from its thraldom to central direction and central finance. To put the matter bluntly, when a local education authority is responsible for finding only 8s. out of every pound it spends, its eye is bound to be fixed more on the ends than on the means. That is natural and human. To make the point is not to say that education authorities have been viciously wasteful or to argue that the nation's total bill for education should, or could, be slashed. But in future, what they will spend will pass more directly under the test of need and economy. Mr Brooke's proposals are a move for making better use of money, not a manifesto for skinflints.

What the new system aims at securing is greater scope for local decisions about local requirements. It will be for the local authorities themselves to weigh competing claims against their resources (one major element in these being the untied grant that they receive from the Exchequer), and to justify their own choices to their own ratepayers. Many of them will not like this, for they have enjoyed a postwar regime of easy access to capital and the automatic receipt of tied grants. Spirit and democratic purpose have largely disappeared from local government because it has in considerable measure positively cultivated this dependence, and has concerned itself much less with what its own ratepayers wanted—and were prepared to vote for and to pay for out of their own pockets.

★

So the untying of a major part of the grant will widen the area of democratic decision that will be open to local government. Will the local authorities be willing and able to seize their new opportunities? Clearly, many can; local treasurers and finance committees have been re-learning for a year or two the simple rules of housekeeping that match ends to means. But it cannot be supposed that all councils will relish these changes or, indeed, that all of them are immediately able or ambitious to draw from them new energies and resourcefulness. Mr Brooke's proposals hold out the opportunity, almost at the last minute, of rebuilding democratic strength in what used to be a vigorous training ground for British democratic institutions.

That is the essence of the task. It is unlikely to be a quick job. If the Minister's discussions occupy most of the summer, legislation can hardly be through in time to become effective before April, 1959. The prospect of a general election will inevitably, if unfortunately, be a major influence upon the deliberations; hence, no doubt, Mr Brooke's reference to the need for "some transitional grant arrangements" after the main changes are introduced. But it must be earnestly hoped that the Government will not allow short-term political considerations to frustrate the main purpose—for that is the long-term stuff of democracy. Too much has already been compromised for comfort in local government finance. The Minister's clear declaration on the maintenance of the rating system is welcome; it is a miracle that the system continues to work as well as it does after the ravages of inflation, interference and indecision that have afflicted it since the war. But its present state would be charitably described as a mess. Houses are assessed on the basis of 1939 values, and they will not be rated on current values until the 1961 valuation. Shops and offices are currently valued, but are to be 20 per cent derated. Industrial properties, too, are currently valued, but even when their contribution is raised, as the Government has concluded "is now right," it will be from 25 per cent to 50 per cent of the full rate, leaving them, as from that still undetermined day, still 50 per cent derated.

★

The second task in the reform of local government finance to which Mr Brooke has set his hand must be to end these anomalies and anachronisms—and to bring in some contribution from agriculture, too. As in national taxation, so in local finance: expedient reliefs for certain sections of the community have had the effect of increasing the burdens falling on others in a wholly disproportionate way. The integrity and vitality of the rating system will never be restored in full until all properties are valued on a current basis, and all classes of property are contributing equitably to the pool of rate revenues. There is a long history of political shiftiness in handling these touchy problems, and Mr Brooke will soon find himself under the same pressures that proved too much for so many of his predecessors. He should not falter.

To untie the bulk of the grants from the Exchequer, therefore, represents only a first stage in financial independence for local government. Rating has to be made to work, its foundations have to be strengthened, and it must be kept abreast of changing conditions and changing money values. When that is done, many contradictions in local finance will disappear. Local needs will be met by local decisions, and financed to a critical extent out of local pockets. These aspirations may perhaps be dismissed as echoes from the parish pump. But it was around the parish pump that democracy learned to work before the man in Whitehall was ever heard of.

M. Mollet's Record



M. MOLLET, when he arrives in Washington for his talks with President Eisenhower on February 26th, will have had a longer uninterrupted tenure of office, by one day, than any other prime minister of the Fourth Republic. (M. Queuille's first administration lasted 391 days; M. Mollet was invested on January 31st last year.) Measured by days, his record will be unchallengeable; how does it stand if measured by performance?

If the circumstances in which this minority government came to power are recalled, M. Mollet's record is astonishing. Nothing in the composition of the new Assembly gave any ground for supposing that it would produce any greater governmental stability than the Assembly which preceded it. Two Frenchmen out of five voted for parties hostile to the parliamentary regime; some 150 Communists and more than 50 Poujadists found their way to the Palais Bourbon. Hemmed in by these two wings, the two centre block parties which had fought the election against each other emerged with less than 200 deputies apiece. Because the voting had shown a slight swing to the left, the Republican Front of Socialists and orthodox Radicals, led by MM. Mollet and Mendès-France, was asked to form the government in preference to a coalition of conservatives (*indépendants*), Catholics (MRP), and dissident Radicals. But from the start M. Mollet was condemned to a balancing act; his Front could directly command less than a third of the Assembly's votes.

Disciplined Socialist support is the real secret of M. Mollet's long tenure of office. The 100 or so Socialist votes are, in fact, an indispensable element in any governmental equation in this divided assembly. As general secretary of his party M. Mollet could claim, paraphrasing Louis XIV, "la stabilité c'est moi." After over a year of rule the principle is still arithmetically true, but it is losing force because of one important change in the present parliament: the decreasing pressure from the wings, which tends to relax the formerly imperative pressure for discipline in the parties of the centre.

The Communists returned to the Chamber in confident mood as by far the largest single party. Determined to force the Socialists into "unity of action," they at first hesitated to attack the government's Algerian policy. When they finally came out to attack, two terrible blows from outside the ring sent them back into their corner. Mr Khrushchev's indictment of Stalin threw the most Stalinist party in Western Europe into panic; and scarcely had its leaders had time to close the ranks and restore a semblance of order when the party was further shaken by the news from Hungary. It may even be said that the Soviet tanks in Budapest removed the possibility of a popular front in Paris. For some time to come the French Communists are condemned to political isolation.

The Poujadists, on the other wing, are tending to return to the republican fold; like other right-wing rebels before them, they have found a position of irreconcilable detachment from the current flow of politics impossible to maintain. Uneasy in their fruitless isolation, they responded instinctively to the nationalist appeals of their colleagues on the right. At the same time, the two million or so discontented Frenchmen who had pinned their hopes on M. Poujade could see that they were not getting value for their votes; and his own defeat in a recent Paris by-election may mark the eclipse of a movement which succeeded for a brief period in channelling the powerful forces of discontent that always threaten any French republic from the right.

The orthodox conservatives have cause to rejoice. Strong nationalist currents are running in French opinion, set in motion largely by the struggle with Arab nationalism for control of north-west Africa. The Egyptian expedition caused few heart-searchings in France, where a mood which puts simple national interest first is tending to pull the electors to the right. In parliament the disintegration of the Poujadist group is likely to bring new adherents to the conservatives. Finally, the threat of a popular front (always present in the minds of the French politicians, though M. Mollet has never used it) has receded. Encouraged by all these developments, M. Pinay's followers are no longer content to exact concessions of policy from a Socialist-led government; by now they want a share of office for themselves. An early government crisis cannot, therefore, be ruled out. M. Mollet is immune until he returns from Washington, but perhaps not for long after.

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What did M. Mollet achieve while his parliamentary position was less precarious? His apologists produce a short list of social reforms, including three weeks' holidays with pay, higher pensions and outlines of long-term programmes for housing and education. The list is short because the government was thrown on the defensive on the economic front. No manipulation of the retail price index, designed to prevent the automatic working of the sliding scale of wages, can camouflage inflationary pressures on the scale on which they have appeared in France. Though a successful loan was floated last year and industrial expansion went on, the budgetary deficit is rising. In the last two years government expenditure increased by about £800 million a year, of which defence has absorbed nearly half. Expenditure is still tending to rise, while production

has begun to slacken, and this is bound to affect revenue. No wonder that M. Ramadier, the finance minister, is now reaching for the budgetary axe instead of the socialist textbook. And the balance of payments is causing even greater concern. The trade gap widened last year by more than $1,000 million. Foreign exchange reserves, comfortable at the end of 1955, slumped by about $750 million last year, and are now approaching a stage at which not even the expected appeal to the International Monetary Fund may prove sufficient to avert a crisis for the franc. The feeling is spreading in Paris that the long period of "expansion in stability" is drawing to an end.

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It is less on what he has done than on what he is going to do that the advocates of prolonging M. Mollet's term of office rest their case. Having eliminated the Saar as an obstacle to better relations with Germany, he is generally regarded as the pilot best suited to get the Euratom and common market treaties through the French Assembly. In "making Europe," so the argument runs, he will solve all France's problems; the wind of competition will bring new vigour to its old-fashioned economy, while politically "Europe" will provide France with a new purpose, curing it of its inferiority complex and of introspective brooding on past glories. The chances of M. Mollet getting the treaties through are good, though it would be a mistake to underestimate the Assembly's capacity for procrastination and last-minute surprises. But the European policy cannot be treated in isolation. A disaster in Algeria would give the European common market a most inauspicious start; or a balance of payments crisis, compelling the French, say, to impose new import restrictions, might nip the whole project in the bud.

M. Mollet's balance-sheet of achievement and failure cannot be made up without taking account of the central issue of French politics, the war in Algeria. The Republican Front fought its electoral campaign with a pledge to bring peace to Algeria; and it is here that the government's performance is weakest. M. Mollet started by mismanaging his first visit to Algiers, where he gave way to the angry French settlers. Many misfortunes can probably be traced back psychologically to that disastrous day: the kidnapping of the Algerian leaders on their way from Morocco to Tunis in October; even, perhaps, the Suez campaign itself, which for Frenchmen was a short-cut—which went astray—to success in Algeria. M. Lacoste, the minister resident in charge of Algerian affairs, has wasted much of his effort in the fruitless attempt to disarm the anger of the settlers. He has not won them over (the prospect of a single chamber dominated by Moslems angers them), but he has succeeded in throwing moderate Moslems into the arms of the rebels. The rebellion, far from being crushed, continues to be kept alive by the succession of terror and reprisals. Elections have been promised for three months after the cease-fire; but when is that? The Arab leaders, who at one time welcomed M. Mollet's government as an administration capable of coming to terms with them, are now waiting for its successor.

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It must be recognised that M. Mollet's Algerian policy has had broad support at home. Though half a million troops are tied up in Algeria, and the conflict costs more than a million pounds a day, these sacrifices have not in fact aroused great passion. On the contrary, *Mendèsisme*, which a year ago seemed to be a growing force in French politics, has appeared to dissolve, and M. Mendès-France, having withdrawn from the government, finds himself without power and with little influence. Must he stay in the wilderness until there is another disaster like that of Dien Bien Phu? France is better able to fight in Algeria than it was in Indo-China, but each day weakens its links with Morocco and Tunisia, poisoning what once promised to be a good and fruitful relationship. Even the bold new project to set French colonies on the road to some sort of commonwealth requires a solution in Algeria. And what impact an enforced flight from Algeria might have on home politics nobody can foretell.

The United Nations debate on Algeria can bring no answer to the problem. For the moment the mere threat of intervention from the UN Assembly has acted as a brake on French internal dissensions. His visit to Washington will provide M. Mollet with another respite. But the conservatives and Catholics clearly feel that their time to take office has almost come. If they hesitate beyond next month, it will be because some among them prefer to delay the attack until M. Mollet has carried through the European treaties. That, if it is done, will be his outstanding achievement. When he falls, there is no reason to expect that his successor will find the problem of French government less intractable than he has found it.

Britain and Europe

In addition to the two leading articles on following pages on British participation in the proposed European free trade area and relations with the common market, and on the need for a close British association with the proposed European atomic community (Euratom), a despatch from our Paris Correspondent on page 569 sums up the discussion of the free trade project this week by the Council of Ministers of the Organisation for European Economic Co-operation.

A Nearly White Paper

THE negotiations have now been launched within the Organisation for European Economic Co-operation on the details of the European free trade area. An article from our Paris correspondent on page 569 describes the discussions at the Chateau de la Muette this week, and the system of detailed treaty-building that has now been set up under Mr Thorneycroft's "co-ordination." Meanwhile, and from the domestic point of view most important, a white paper (Cmnd 72) has set out the British Government's views about what the aim of these negotiations should be. This sort of white paper inevitably tends to be caviare to the general, but the broad impression given by it deserves wide publicity: after having been extraordinarily liberal in grand design, more congratulations are now due to the Government for seeking to be so liberal in small detail. There are so many places in the twenty-four paragraphs of this closely-written white paper where Britain could have struck a jarring note, and in very few has it done so.

Broadly speaking, Britain is going to be opposed to escape clauses. There had been some fear that, while supporting reductions in tariffs, the British Government might be on the less liberal side on such matters as quantitative import restrictions, but the white paper recommends flatly that progressive annual liberalisations should lead to the abolition of quantitative restrictions "well within the transitional period contemplated for the reduction of tariffs." In the one field, besides agriculture, where some British illiberalism was inevitable, the white paper states (but note the sternness of the language) that "in the event of acute balance of payments difficulties, it is clear that the imposition of [import] quotas must be permitted and this without prior consultation, though it should be made subject to frequent and stringent examination." Moreover it recommends, with quite startling importance, that the decisions passed down by OEEC on whether "a country is carrying out its obligations"—together with any decision on a request by a country to be allowed to default on its obligations for any reason other than a balance of payments crisis—should not be subject to the unanimity rule. This, surely, is a braver recommendation for some derogation from national sovereignty than has yet been generally realised.

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So far, so good. On two positive points, the white paper is even better. It shows scant sympathy with those who fear unemployment, in the unimportant sense that some workers may have gradually to change their jobs; indeed, it says frankly that "increased specialisation" of production within the free trade area should be one of the sought-after advantages of the whole scheme. (There may be a case for a compensation fund to ease the movement of resources out of affected industries; but this should be treated as a domestic matter, and is not discussed in the white paper.) The Government, however, has seized upon the point that the possibility of unemployment spread through too stern deflationary policies in some continental countries could be a different kettle of fish; it calls for consultations on "the avoidance of marked divergences between the policies pursued by member countries" and on "the maintenance of satisfactory multilateral payments arrangements." The impression emerges that Britain may (and should) seek the creation of some institutional mechanism that could be brought into play if the free trade area should ever run on the rocks of, say, a deflation-hard D-mark. And the British Government is more specific than some others have been about the need for certainty in the timetable, "so that industry in each country can plan its production and its investment in advance knowledge of how it is likely to stand in relation to the tariffs of other countries and of what the position of imports from other countries into its own market will be."

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There remain the two features of the British memorandum that have naturally ruffled most liberals abroad. The first, which caused the biggest row at Paris this week, concerns Britain's insistence that agriculture should be totally excluded from the scheme. The more one examines the tariff schedules concerned, the more convinced one becomes that the tying of this decision to the need to maintain imperial preference is mainly a red herring; most of the commodities Commonwealth countries send to Britain are commodities that Europeans simply do not produce. The real reason for the ban on freer trade in food is that "the United Kingdom and most other European countries protect their home agriculture by one means or another for well-known reasons" (this means reasons of political votes), "and will wish to continue to do so." But European agricultural nations that have hotly protested about this can fairly be asked, by non-agricultural and non-political Britons who dislike Britain's excessive agricultural protection quite as much as they do, to ponder how long they really think that Britain will be able to maintain this one blatant moral weakness in its reservations once the trend to freer trade in industrial goods is afoot. The point to note is not simply that, without this exclusion of agriculture, Britain would not join the free trade area; it is that if Britain remained outside the area there would be little hope of ever loosening our agricultural protectionism, while now we are coming in useful pressures will surely arise. Liberals

—on the continent as in Britain—should think this one out—with an inscrutable smile.

The other question concerns the white paper's rather too loud protestation that "Her Majesty's Government consider it indispensable that the free trade area should be formed in such a way as to be wholly consistent with the existing objective of a collective approach to the widest possible system of multilateral trade and payments." These resounding polysyllables are unobjectionable in good times, but what about in bad ones? It is to be hoped that the negotiators at Paris will not be so carried away with their resonance that they intrude unnecessary clauses about perpetual non-discrimination —under all circumstances—into the agreement. It is another subject for an inscrutable smile that a free trade area, if sensibly drawn up, could conceivably be a useful mechanism for maintaining European production if ever there should be an American slump.

Foster Parent for Euratom

THE six continental countries which are preparing to set up the common market have also drafted a treaty for a European Atomic Community—"Euratom." It was announced in Washington last week that the United States had agreed to help Euratom with knowledge, technicians and supplies of enriched uranium. Next week, the three emissaries of Euratom who have had such success in America are coming to Britain on a similar quest. The association with America is indispensable in practice and invaluable in its wider implications, but it would be a mistake to leave the United States to be Euratom's only foster-parent. A link with Euratom must be found for Britain, so that the technical lead that Britain has built up in the last decade can be used to give it a proper part in nuclear development in Europe during the next.

Some of the grounds for active British association with Euratom are familiar: the political virtue of strengthening Europe; the economic advantage of pooling European resources in the task of developing the costly new nuclear industries; the danger that, if Britain stays out of the venture, Germany with its great chemical, metallurgical and electrical industries may in a few years dominate Western Europe in this new field, with the United States alone as a senior external partner. But what has not perhaps been sufficiently realised in this country yet is the size of Europe's stake in nuclear power, and the crucial part which Euratom may play in the next phase of European economic development.

Euratom's "three wise men," entrusted with the task of sketching out the six countries' needs for atomic power, have suggested that the members of the proposed community should instal some 15 million kilowatts of nuclear power capacity within the next ten years. The fact is that the growing fuel imports of the Euratom countries, which may otherwise reach the equivalent of some 175 million tons of coal by 1965, can be kept within bounds only if nuclear power stations are built on a massive scale. The Euratom agency is designed to be the centre of a collective effort to do this, a brain centre of research and power programmes. Hitherto Britain has confined its co-operation with Europe in nuclear development to the Organisation for European Economic Co-operation and the European Organisation for Nuclear Research, where some useful work has been done as a supplement to national efforts. Euratom offers a vastly broader prospect. It is time not only to decide on a close British association with it, but also to consider what interests this must marry and what form it should take.

Britain's most obvious first interest is in the expanding European market for reactors and power stations. Within a few years British industry will have the capacity to build power stations on a large scale in Europe; its technical experience should enable it to make good use of this, provided the market is kept open. Free trade for British equipment is the first prize for British association with Euratom. The first gesture of association by the British Government could very sensibly be an offer to join the common market in nuclear equipment and materials which the Euratom treaty envisages. More is needed than the mere renunciation of quotas and tariffs. The political associations which hang round the atom have helped to create a strong pressure in every country to set up its own nuclear industry, and British contractors, seeking power station contracts in Europe, have already run up against this to their cost. Britain needs to secure a political guarantee that national discrimination will not drive British industry from the markets of Euratom, once its designs and experience have been shared. The association must, therefore, be such that the British industry is considered a permanent and founder member of the Euratom partnership, with its productive capacity and knowledge serving European plans and requirements.

On its side, Europe's chief interest is in British scientific and technical knowledge, especially in the next few years; and in return for free and full entry to the European market Britain should give this generously. There is no reason why it should not consider accepting the Euratom rules on exchange of information, with the exception of military knowledge. This would mean, it should be recognised, that Harwell would place its great fund of scientific knowledge, and much that is concerned with its industrial application, at the disposal of Euratom; but it would mean, too, that Britain would obtain access in return not only to the European market, but also to all that Euratom and its members will learn. These proposals may naturally be resisted by those of Britain's atomic experts who feel that the best way to keep Britain's lead in nuclear power is to guard it jealously; and certainly the quid pro quo—access to the market and to the future fund of knowledge—must be assured. Technically, it is true at the moment, Britain has everything to offer Europe and Europe has, as yet, little to offer in return. But as an objection this may be technically shortsighted as well as politically unfruitful. Not even the United States has the resources to try out all the hundreds of types of reactors which may bring results in nuclear power. In Western Europe the need to pool much smaller resources of money and trained men seems obvious, for Britain as well as other countries. Britain can help Euratom now with skill and information—for instance relating to the Calder Hall type reactor, perhaps the most economical for the first phase of Europe's power programme. But tomorrow, when the western European countries, starting technically at the point which Britain has reached now, are together devoting far greater resources to nuclear research, Britain will have much to learn from them—the fruits, say, of a concentrated Euratom programme of research into the use of plutonium as fuel. And it is a hard practical fact that an imaginative British participation in Euratom from the start—the sending of British scientists to work at its research centre, for instance—will do more, perhaps, than any guarantees to ensure that British industry and British methods will play an active part in the industrial applications that follow.

A community of knowledge and an open market in contracting are the countervailing essentials for a British link with Euratom. There may not be the same need for Britain to be associated with its wider powers —the near-monopoly of sale of fissile material, for instance, and the expensive powers of control over those who use it. But it has nevertheless to be borne in mind that these powers may later have special political value. Euratom was originally designed only for peaceful development; French insistence on the right to make the bomb has forced its creators to extend its powers to cover military production, too. As, day by day, atomic warheads become more and more commonplace explosives, the pressure for their use and eventual manufacture by other European countries, above all by Germany, will grow. And when that pressure becomes irresistible, Euratom will provide the best collective instrument. Western European Union has the political task of co-ordinating Europe's defence effort and controlling the German contribution. A strong Euratom, with Britain intimately associated, may provide it with an indispensable tool.

PARKINSON LOOKS AT RETIREMENT—I

All the R-age

"The Economist" has secured rights to another startling discovery by the author of Parkinson's Law.

SOME recent events have raised in our minds the question: at what age should a man retire? This problem has been the subject of many commissions of inquiry, but the evidence heard has always been hopelessly conflicting. Where the retirement age is fixed at 65, successors of the man who retires will always have found, by experience, that mental powers and energy show signs of flagging at 62.

This would be a most useful conclusion to have reached had not a different phenomenon been observed in organisations where the age of retirement has been fixed at 60. There, we are told, people are found to lose their grip, in some degree, at the age of 57. Similarly, all men whose retiring age is 55 are known to be past their best at 52. It would seem, in short, that efficiency declines at the age of R minus 3, irrespective of the age at which R has been fixed. This is an interesting fact in itself, but not directly helpful when it comes to deciding what the R-age is to be.

It may, however, serve to suggest that the investigations hitherto pursued have been on the wrong lines. Let us therefore struggle to set them along the right ones. The fact is that the age of retirement should not be related in any way to the man whose retirement we are considering. It is his successor we have to watch.

According to our researches, a business man will pass through the following stages in a successful career:

(1) Age of qualification = Q
(2) Age of promotion = P (Q + 10)
(3) Age of authority = A (P + 8)
(4) Age of achievement = AA (A + 7)
(5) Age of distinction = D (AA + 9)
(6) Age of dignity = DD (D + 6)
(7) Age of wisdom = W (DD + 3)
(8) Age of obstruction = OO (W + 7, which is also Q + 50)

The above scale is governed by the value of Q, which is to be understood as a technical term. It does not mean that a man at Q knows anything of the business he will have to transact. It is the age at which a professional or business career begins, usually after an elaborate training which has proved profitable only to those paid for organising it. It will be seen that if Q = 22, our business man (let us call him X) will not reach OO (the age of obstruction) until he is 72. So far as his own efficiency is concerned, there is no valid reason for replacing him until he is 71. But our problem centres not on him but on Y, his destined successor. How are the ages of X and Y likely to compare? To be more exact, how old will X have been when Y first entered the department or firm?

This problem has been the subject of prolonged investigation. Our inquiries have tended to prove that the age-gap between X and Y is exactly fifteen years. (It is not, we find, the normal practice for the son to succeed the father directly.) Taking this average of fifteen years, and assuming that Q = 22, we find that Y will have reached AA (the age of achievement) at 47, when X is only 62. And that, clearly, is where the crisis occurs. For Y, if thwarted in his ambition through X still retaining control, enters, it has been proved, a different series of stages in his career, following upon stage 3. These stages are as follows:

(4) Age of frustration (F)=A+7
(5) Age of jealousy (J)=F+9
(6) Age of resignation (R)=J+4
(7) Age of oblivion (O)=R+5

When X, therefore, is 72, Y is 57, just entering on the age of resignation. Should X at last retire at that age, Y is quite unfit to take his place, being now resigned (after a decade of frustration and jealousy) to a career of mediocrity. For Y, opportunity will have come just ten years too late.

The age of frustration will not always be the same in years, depending as it does on the factor Q, but its symptoms are easy to recognise. The man who is denied the opportunity of taking decisions of importance begins to regard as important the decisions he is allowed to take. He becomes fussy about filing, keen on seeing that pencils are sharpened, eager to ensure that the windows are open (or shut) and apt to use two or three different coloured inks. The age of jealousy reveals itself in an emphasis upon seniority. "After all, I am still somebody." "I was never consulted." "Z has very little experience." But that period gives place to the age of resignation. "I am not one of these ambitious types." "Z is welcome to a seat on the Board—more trouble than it is worth, I should say."

The theory has been advanced that the age of frustration is also marked by an interest in local politics. It it now known, however, that men enter local politics solely as a result of being unhappily married. It will be apparent, however, from the other symptoms described, that the man still in a subordinate position at 47 (or equivalent) will never be fit for anything else.

The problem, it is now clear, is to make X retire at the age of 60, while still able to do the work better than anyone else. The immediate change may be for the worse but the alternative is to have no possible successor at hand when X finally goes. And the more outstanding X has proved to be, and the longer his period of office, the more hopeless is the task of replacing him. Those nearest him in seniority are already too old and have been subordinate for too long. All they can do is to block the way for anyone junior to them: a task in which they will certainly not fail. No competent successor will appear for years, nor at all until some crisis has brought a new leader to the fore.

So the hard decision has to be taken. Unless X goes in good time, the whole organisation will eventually suffer. But how is X to be moved? For the benefit of our many readers now at the age of authority, but not yet in top command, an article next week will set down the modern, scientific, humane and uncounterable methods of how to get rid of the boss.

(To be concluded.)

Notes of the Week

Bermuda

MR MACMILLAN'S rendezvous with President Eisenhower (at Bermuda, March 21st to 24th) has been announced, together with M. Mollet's (Washington, February 26th and 27th) in a week when Soviet notes and declarations are as thick in the sky as swallows in autumn. Marshal Bulganin presses the Prime Minister for his views on a convenient date to visit Moscow, since May will not do. Marshal Bulganin reminds Dr Adenauer of the need for a "decisive fresh orientation of relations between the Soviet Union and the Federal Republic of Germany." Mr Shepilov offers a draft four-power declaration to put things right in the Middle East.

This burst of Soviet diplomatic rock and roll will do no harm if it reminds the western statesmen about to meet of the world ridden by menace and uncertainty in which their three governments have been divided and are now to be reconciled. The President and Mr Macmillan will be going to Bermuda less to transact specific business than to conduct a public reconciliation: that is the overriding purpose, without which the subject-matter of the briefs would have been left to more routine handling.

If the reconciliation is to mean much, the manner in which it is effected will be important. Tact will be needed, no doubt; but tact without candour will achieve little. It is hardly more than a year since the President and Sir Anthony Eden met in Washington; the soporific "Joint Declaration" in which, no doubt to please British self-esteem, their feeling of a vague community of outlook and purpose was wrapped up can be re-read now and found meaningless. Candour may require the President to say *some unwelcome things* at Bermuda about British hankerings after power which the United States will not support, and British commitments which it finds irrelevant and embarrassing to its own affairs, in different parts of the world. Candour should prompt Mr Macmillan to ask for more definition of Washington's view of the extent and depth of the Anglo-American alliance: where and when does it, and does it not, apply? If London and Washington could concert their ideas better on matters which lie outside the text of the Nato treaty, Britain in Europe would be a more useful and a less expensive friend.

Mr Shepilov Not So Pink

MR SHEPILOV'S review of the international situation was the highlight of the closing session of the Supreme Soviet. In a lengthy speech the Soviet foreign minister balanced hopes with fears and promises with threats. He began by recalling that the first Geneva conference in 1955 had opened perspectives; but "certain imperialist circles" attempted last year to reverse the trend, with a measure of success. Intervention in Egypt and the "counter-revolutionary putsch in Hungary" were just two examples of the same kind of warmongering plot to Mr Shepilov. People in the West who expected Russia to get "pink," or who pinned hopes on the spread of national communism, would be disappointed. Nevertheless, Mr Shepilov did repeatedly emphasise Russia's desire to come to terms with the West.

His speech was marked by a new manner towards France and Great Britain—no longer villains in chief, but victims of American rapacity. Japan and Germany gain in strength and importance, while Britain and France are squeezed out; Mr Shepilov remarked with sorrow that Britain, which once controlled four-fifths of Middle East oil, was now left with a mere third.

The Soviet peace offensive has been in a bad way since the rising in Hungary. Mr Shepilov revived it. His speech contained a plea for disarmament, an appeal for more trade, and, once again, a proposal for an international economic conference. An important passage dealt with the Middle East. Mr Shepilov may not have expected his idea of a four-power agreement to demilitarise the Middle East to be taken up by the three governments to which it was addressed. But, read in conjunction with the Notes to them and with the resolution submitted at the United Nations, his speech gives clear notice that Russia has no intention of leaving the initiative in President Eisenhower's hands.

Caution in the Treasury

TWO main points emerged from Tuesday's economic debate in the Commons. First, the Government now believes that in the year to June 30th next—the period most affected by the Suez crisis—Britain looks like earning "a small but by no means unsubstantial surplus" on its balance of payments, instead of ending barely all-square as the Prime Minister had previously forecast. With shipping schedules distorted all over the world, the freakishly bad trade figures in January are apparently to be read as mainly the reverse side of the medal to the freakishly good ones in November; the average visible gap in the three months since the Suez invasion is now shown to have been almost precisely the same as the average gap *in the ten months* before it. Because of the drop in Britain's oil profits in the Middle East, invisible earnings are now clearly much smaller than before November, but apparently this is not expected to wash the surplus in the year to next June entirely away.

Secondly, however, the Treasury—speaking through its new Economic Secretary, Mr Birch—still considers that "it would be the greatest possible mistake if we were to start stimulating home demand." The Treasury's eyes are not on all those unofficial prophecies that productive capacity a year hence could be at an annual rate some £1,500 million higher than present intentions to produce; they are perforce on the balance of payments and therefore—presumably—on the desirability of giving no net reliefs in the budget in some seven weeks' time. If official estimates about the course of the balance of payments were too sanguine—and one still has an uneasy feeling that they could be—few people would question this cautiousness. But since one can hardly support the Treasury's policies on the grounds that one disbelieves its prognostications, a battle is clearly—and not surprisingly—emerging between the Treasury and some other Ministers (and several outside economists) about the desirable shape of the budget. This lends particular interest to remarks made—and omitted—about the probable course of demand in the two ministerial utterances in the Commons debate this week, as well as in Mr Thorneycroft's own speech to leading industrialists and trade unionists last weekend.

The Course of Demand

IN his speech last weekend Mr Thorneycroft said that "the beginning of an answer to those who foresee too little demand in 1957" is that export demand "is strong and still rising." Clearly, however, it is only a beginning. Even leaving aside (in our view rightly) any exaggeratedly deflationary gloominess arising from Wall Street's latest bout of the jitters, export demand is not likely to rise enough in 1957 to take up all the slack of which the most ambitious expansionists speak; moreover—since the immediate internal consequence of a rise in sales would probably be to raise profit margins from their present low ebb, rather than greatly to raise personal incomes—the multiplier effect on the domestic economy of any increase in demand this year is likely to be low. The only other sort of demand about which the Treasury has hazarded a forecast for 1957 is investment demand, which Mr Birch thinks is likely to show a "slight increase" over 1956; private investment has flattened out, but Mr Birch thinks that a fall in housing "will be more than compensated by increased capital expenditure in certain basic services and basic industries." Nothing was said about consumption in the debate; there is a good argument that consumption out of stable incomes

might well rise by more this year than in 1956—partly because a significant part of last year's personal incomes was obligatorily diverted to repaying hire purchase debt—but no Treasury spokesman has yet advanced it.

Among the other two possible sources of demand, is current Government spending on goods and services expected to rise this year? Although much of the rise that has been publicly foreshadowed in Government expenditure seems to be on capital account (and thus is included in Mr Birch's calculation already mentioned), the trend of current expenditure is no doubt in the same upward direction. But Mr Thorneycroft will get into a row from the Governor of the Bank of England if he does not try to resist it. What about stocks? The argument that any great expansion in production this year might lead to excessive stockbuilding of overseas materials has become one of the most respectable weapons in the armoury of arguments for a stern budget. But if the Chancellor is right in his belief that export demand—and therefore presumably world trade—is rising, might it not be wise to lay in the stocks now (or rather as soon as the canal is cleared), rather than to wait until after world prices have risen?

To pose these questions is not to say that the Treasury's present course is necessarily wrong, still less to propagate the myth of an imminent grave deflation; the signs, for what they are worth, are that demand probably will be high enough to raise output somewhat this year, once the oil shortage is over. But are the authorities prepared to allow it to rise by as much as some other people think it safely could, or are they merely (with their better sources of information) estimating that outside influences will make it rise by more than most private commentators have been estimating? The material for judging this is simply not being made available. Next time he speaks the Chancellor should indicate frankly how much under-production he envisages will have to be tolerated if he is to accomplish his design of a "regular" external surplus of more than £150 million a year. The debate could then proceed in a less airy and unsatisfactory manner than it did in the House this week.

The Reluctant Débutant

THE defence debate on Wednesday was singularly uninformative, but the time was ill-chosen to get worthwhile answers either on financial economies or national service. Mr Sandys has been in office less than two months, and General Norstad was still in London discussing the delicate but crucial question of British commitments in Europe. It would have been more worrying to hear the Minister laying down definite defence doctrine on this début than to read the discourse he actually made on Wednesday, which hardly suggested that he had any answers in the bag at all.

He was, of course, stonewalling. He again disclaimed any intention of "slashing about indiscriminately" and did not even repeat in public what is being said in private: that though in 1957-58 the Government will only aim to get defence expenditure over the hump, its hope is that economies somewhere near the scale widely discussed may appear in the years thereafter. He would not be drawn on conscription, and certainly not about that horrible thistle, selective service, which alone promises to contribute sizably to the manpower and cost economies he talked about. He set out all the right questions: how big an army do we need for our European and overseas treaty commitments; when to abandon fighters in the face of Russia's growing battery of atomic V-2s; what to do about a navy designed to fight global war when the only hope for Britain is to spend the money on the deterrent to such a war. He then provided none of the answers, and did not even promise to give them next month. Probably this is wise. It may well be that Mr Sandys's best course now would be to decide to postpone the annual defence white paper not merely until March but until later this year, and to introduce the estimates simply on a statement of foreseeable service needs. The rumblings in the debate on Wednesday should not serve to hurry him. Mr George Brown was reasonably right in saying that in defence Britain has reached one of those turning points that do not often occur. The wrong way to go round a turning point is at a showy political trot. But Mr Sandys has raised expectations which he must satisfy: when the white paper does appear it must make a clean break with its predecessors in getting to grips with the defence dilemma.

Mr Dulles and the Straits of Tiran

SOME obscurities still surround the American plan to break the deadlock between Egypt and Israel at the United Nations, but Mr Dulles has let it be known that he has, at least, a plan. He is not only proposing free navigation in the Gulf of Aqaba, but is apparently prepared to take action to secure and guarantee it; this is the great need of Israel if it is going to develop Eilat as its southern outlet to the sea. The opening of the gulf and the development of Eilat may, in the long run, be important for Europe's supply lines as well.

In regard to the Suez Canal, in contrast, Mr Dulles does not seem to contemplate action outside the United Nations to enforce freedom of navigation; American gunboats can hardly shepherd Israeli ships through the canal; but he would like to see the principle reaffirmed. No plan has been elaborated yet for the future of the Gaza strip beyond stationing UN forces there or enlarging the truce observer corps. Do these proposals mean that the strip reverts to Egyptian administration? The insistence that Israel must leave suggests that it does. The strip must, in any case, be linked to the economy of either Egypt or Israel; it cannot exist on its own. If Uno took over the administration, as has been suggested, the strip could trade with both Israel and Egypt, since Uno could hardly join in a boycott of Israel. The Arab States and Egypt will not want it to stay under Israeli administration or be administered by the United Nations; Israel will oppose its return to Egypt.

If Israel gets the Aqaba Gulf open to its shipping it will have scored an important point, and there is every reason why the United Nations should maintain pressure to secure freedom for Israeli shipping through the Suez Canal. But Israel possibly exaggerates the importance of the Gaza strip from a security point of view. At best it is only one of the jumping off grounds for the fedayeen of Egypt; they are organised and trained elsewhere and can, if necessary, jump

off from other places. The Israeli plans to deal with the problem of the refugees in the strip are much more important; the UN should not forget that the restlessness and incursions of the refugees were the real start of the trouble in that area.

Dues at Suez

UNLESS an interim arrangement can be agreed upon for the collection of Suez Canal dues, Britain, France and some other maritime powers will have a difficult problem to face in March. President Nasser told Mr Hammarskjöld before clearing began that when the canal reopened to shipping, all dues would have to be paid to his national administration. He had not pressed this claim in the summer because it would have precipitated trouble, notably with Britain and France, which insisted that their ships paid dues to a blocked account of the old company: now that military intervention has failed he has no such inhibitions. What will Britain, France and some other countries do if he stops their first ships for non-payment of dues? Or will they pay up and look pleasant?

They hope to avoid the issue by securing an interim agreement with Egypt by which the dues would be paid to a holding authority, pending a definitive agreement regarding the canal. President Nasser is not likely to recognise the Suez Canal Users' Association; one of the ideas being discussed is that dues should be paid in part to the World Bank and in part to Egypt. The United States (which allowed its ships to pay to the Egyptian administration) is in broad agreement with Britain and is working to recruit support in the lobbies of the United Nations. So far, another seven countries have promised their support.

President Nasser's position, as expressed to Mr Hammarskjöld, is unchanged as far as anyone knows; but it may be that his urgent need to secure the $50 million blocked in America may encourage him to avoid a crisis which would postpone their release. No one is suggesting, in any case, that the arrangement should be other than temporary; and the agreement could specify that it was made without prejudice to the final settlement to be negotiated, one assumes, from the six points approved by the Security Council and from Mr Hammarskjöld's letter of October 20th to the Egyptian Foreign Minister. President Nasser's international reputation would be strengthened by reasonableness on this point; but few people in London or Washington expect it.

Haste in Jordan

THE anxiety of the Jordan government to assure its own people that its pledge was being fulfilled was responsible for the brief hitch last weekend in the negotiations in Amman. So much had been said about ending the Anglo-Jordanian treaty that Suleiman Nabulsi wanted at the outset to produce, like a rabbit from a hat, a joint announcement of its early termination, to satisfy the feeling which he and his party had themselves aroused.

The suggestion that the British were using delaying tactics was nonsense, as the Jordanian prime minister knew when he made it; the British are just as ready as he to finish the business quickly. First, however, they needed assurances about the timetable for withdrawal of the British forces, the security of stores and equipment, and the right to sell or remove them.

The need for such assurances is clear now that it is known that the Jordan Army helped itself to the Zerqa stores, valued at about £3,500,000, which the British left in its charge at the end of October when, in face of hostile demonstrations by the local people, they evacuated Zerqa. (And, one is inclined to say, if British forces cannot defend their own stores, it is high time for them to leave.)

Pros and Cons of an Inquiry

AS the trouble at Briggs' Motor Bodies has dragged on, some people have thought it a pity that the Minister of Labour did not immediately follow the suggestion of the National Union of General and Municipal Workers, one of the unions involved, and hold an inquiry into the background to the succession of disputes and stoppages that have taken place at the firm's Dagenham factory during the last two years. Mr Macleod would no doubt argue that industry's confidence in his Ministry's conciliation service (which settles far more disputes than are ever mentioned in the newspapers) depends on his reputation for impartiality, and on his playing the role of a friend whose advice is to be sought, rather than of a schoolmaster who intervenes to apportion blame. He would also maintain that if the procedural agreements worked out within industry are to have any force he must not intervene until agreed procedures are exhausted and there is complete deadlock. Even then he would make sure that nothing more could be done by his conciliation officers before he took the exceptional step of calling for an inquiry: the findings of committees of inquiry might lose their moral force if they were three a penny.

These are strong arguments. They might even prove to be justified arguments in this particular case. If the Briggs' men, in the ballot which has been ordered by the Amalgamated Engineering Union, do not vote to strike on the issue of reinstating their shop steward Mr McLoughlin, the Minister will be generally congratulated for his inaction to date; and an interesting industrial precedent will have emerged. But if the majority vote is in favour of a strike, Mr Macleod will be widely expected to act. Under the Industrial Courts Act he may appoint an orthodox court of inquiry into the circumstances of the dispute.

The trouble is that this orthodox inquiry would not be the kind of inquiry which Mr Matthews of the NUGMW has asked for, and which the employers say they would welcome. It is the background that Mr Matthews—and the public—want investigated, not just the immediate dispute. A wider examination might produce all sorts of useful lessons for both sides of industry: for example, how not to manage men, how not to put too much power into the hands of shop stewards, and—above all—how not to be led by the nose by communists. The gain from all this should outweigh the unorthodoxy of the step. There

is a precedent in the Leggett inquiry, in 1951, into unofficial stoppages at the docks—whereas the last orthodox court of inquiry into a dock strike quite failed to bring out the machinations of a few individuals (which were an open secret among all journalists covering the case at the time). If he is called upon to act in the Briggs' affair Mr Macleod should not stand too rigidly by his Ministry's book of etiquette, but should make the terms of any inquiry as wide as possible.

Voices Everywhere

THE House of Lords had an irritating debate last week on Lord Strang's motion drawing attention to the "inadequacy of the provision made for the external broadcasting services of the BBC." It would be nice if there could be a sense of proportion about these. The value of the BBC's overseas services is not, as so many peers alleged, "incalculable." It is considerable and varying. As a personal judgment, the programmes range, in ascending order of importance, from the corporation's cosy chats to Britain's west European friends, through its talks to our instinctive enemies, to the special programmes needed for the colonies, up to the generally excellent material broadcast to peoples under communist subjection. The pattern of importance is changing all the time as a result of such developments as the growth of television in richer territories and the physical crowding of the air waves; this last factor, leading to the sheer difficulty of tuning in to programmes by those without a hair line accuracy in the twiddling of knobs, is in some cases diminishing the usefulness of programmes broadcast from London and increasing that of recordings and other canned means of sending information overseas.

The most justifiable of the BBC's complaints is that, in a service where Governments are always tempted not to raise the annual grant-in-aid by quite enough to compensate for the annual rise in costs, haphazard cuts are made, on no very sensible basis, practically every year. There is need for a long term review. Dr Hill, the Chancellor of the Duchy of Lancaster, is engaged on such a review at the moment. As the first fruit of it, the BBC's Arabic service is to be doubled, from 4½ hours a day to 9 hours; there can be arguments about the advisability of this (partly depending on what is going to be in the programmes), but it is clearly likely to have to be balanced by cuts elsewhere—most probably and most sensibly in the BBC's services to western Europe.

It is against these cuts that the close friends and associates of the BBC—in Parliament, public life and the press—are now being deployed in an awesomely distinguished protest parade. The protest tends to be a blanket and unreasoning one, declaring that on no account must any part of any overseas service be cut; the fear that the Government might try to dictate the content of BBC programmes overseas (as Lord Halifax and some other Tories would like, and as certain bovine Foreign Office actions at the time of Suez seemed to threaten) is also now being deliberately overplayed as part of the anti-economy, not of the anti-interference, campaign. One conclusion might be that if BBC publicity in overseas broadcasts is as good as BBC publicity about overseas broadcasts, the country must indeed be well served. But is it only those who object to pressure groups who are beginning to wonder whether, in both fields, the corporation is able to distinguish between an admirable sufficiency and just that last little lick too much?

Agreement in Ghana

THE danger has been averted that the new Commonwealth state of Ghana might fall apart like a badly made sand castle immediately the mould of British authority is removed from the Gold Coast on March 6th. Ashanti will rejoice, not secede, on independence day. For this outcome, great credit is due to the Colonial Secretary, Mr Lennox-Boyd, and the Governor, Sir Charles Arden-Clarke; for though as independence, and with it civil war, drew nearer the saner heads in Dr Nkrumah's ministry—and in the Asantehene's entourage—wanted a settlement on any reasonable terms, the exact moment had to be chosen and the right arguments marshalled. Almost all the concessions have been wrung from Dr Nkrumah's side—as is indicated by the last-minute flurry by two of his Ministers (Messrs Botsio and Gbedemah) in London and by Dr Busia's triumphant comment: "we have made it very difficult for anyone to establish a dictatorship in the Gold Coast."

Necessarily, the Ashanti and Northern Territory opposition parties have had to abandon their dream of a federal constitution; they have also given up their demand for a second chamber, composed largely of chiefs, to safeguard tribal traditions from the impious hands of legislators and to block any future changes in the constitution. Otherwise their demands for checks upon the powers conferred on the executive by a sovereign and unitary unicameral constitution have been met—on paper. The outstanding points, set out in a British Government White Paper (Cmd 71), are as follows:

Amending the Constitution: Dr Nkrumah will not be able to amend the constitution (which is embodied in an Order in Council in accordance with section 6 of the schedule to the Act of Independence) merely by use of his two-thirds majority in the House of Assembly. For anything of importance he will also require the agreement of two-thirds of the regional assemblies. As there will be five of these, Ashanti or Northern Territories will have to support any amendment. The regional assemblies are, however, to be elected for three years, against five for the national assembly; the government could appeal to a local electorate to change its mind about blocking an amendment during one parliament's lifetime.

Regional Assemblies will consist of an elected house and, for tribal affairs, a House of Chiefs. Their greatest importance will be to provide the check described above; but they are also to have something like County Council functions. They still, however, will have no taxing power, no control over the police beyond vague watch committee functions, and apparently (contrary to the recommendations of the Bourne report) no representation on corporate bodies such as marketing boards (which are the source of so much patronage). Moreover, their exact functions and composition are only to be determined by a commission after independence.

The Chiefs are to have their functions guaranteed in the constitution; their appeals will lie to an arbitrator appointed by the Judicial Service Commission, not to the mistrusted Nkrumah government.

The Judicial Service Commission, composed of the Chief Justice, the Attorney-General and three other senior officials, will remain as at present, appointing judges and judicial officers, but as vacancies occur it will itself be appointed by the government of the day. *The Public Service Commission* will, as now, control all but a handful of senior appointments and public service discipline, but will itself also, as vacancies occur, be appointed by the government in consultation with the Leader of the Opposition.

Thus Dr Busia has reason to be hopeful. At the worst it would take some time to pack the civil service and judicial commissions and force or bribe through constitutional amendments. But a very complex constitution is being imposed on a very inexperienced and divided country, whose trained white administrators are departing fast. The nature and working of the crucially important regional assemblies are left rather in the air; the government will have a majority on the commission determining them, and its strong centralising and authoritarian propensities must be expected to make themselves felt. But there is hope, first, that the struggle will now be peaceful and, second, that the opposition will feel temporarily secure enough to settle down to win the only real safeguard—enough electoral support to make it permanently the alternative government in being.

Bargaining for Malta

IF, as Mr Mintoff claims, three-quarters of the plan for absorbing Malta in the United Kingdom is in the bag, the last quarter still sticks awkwardly out. The financial and constitutional meaning of integration is now being worked out at the Colonial Office, and it is evident that both over Malta's economic relationship with Britain and over the definition of defence and foreign affairs (which are to be administered from London) Maltese and British interpretations do not quite fit. Mr Mintoff was not satisfied with the interim subsidies he got last year, and he has large ideas on what the island should have by way of a permanent private income. He cannot afford to accept too dusty an answer from Britain on this mission. There is to be a general election in Malta on the integration issue at Easter, and it looks like being a desperately close one. At the referendum on integration last February, only 44 per cent of the population voted in favour, while another 40 per cent followed the Opposition policy of boycott. Since then, the continual squabbles over money between Mr Mintoff and the Colonial Office are unlikely to have added to integration's charms, and there have been reports of a swing the other way.

Mr Mintoff likes to say that integration will raise Maltese standards of living to British levels: at present they are estimated to be rather under half as high. Obviously, no political union can bridge that gap—only a gradual increase in productivity could—but he is hoping for a sufficient increase in British subventions to enable him to advertise to his people that they are on the way towards what he calls "economic equivalence." While long-term development for Malta is obviously desirable, the harbour is its only major asset, and for several years to come Malta's economy will depend on servicing the naval base and on Exchequer grants.

Mr Mintoff can base his arguments for more British help on both moral and practical grounds. Morally, Britain has considerable responsibility for Malta's condition. The island has been an important naval base since the Napoleonic wars, but in all these years Britain has done virtually nothing to make Malta more self-sufficient and less dependent on a single source of income. Agriculture, fishing and tourism (all potential sources of revenue) have been neglected and the harbour lacks deep water berths and dry docks. But Mr Mintoff will probably make more play with his other bargaining counter: the strategic importance of Malta as a base. And both parties in the negotiations know that integration would be a feather in the cap of the colonial policy of a British Government which must have a nagging fear that otherwise the island might turn—some day—into another Cyprus. Mr Mintoff has a strong hand if he does not overplay it.

Germany's "Productivity" Pensions

THE new west German pensions scheme may stimulate those in the Labour party and elsewhere who are incubating a new system of pensions for Britain. The German scheme, which has now passed through all its parliamentary stages, links old age and invalid pensions to the current level of wages and salaries. Thus it promises the pensioner not only protection against inflation, but, in addition, a share of the increase in the general prosperity and productivity of the community.

Each year a standard, based on an average of the earnings of employed persons during the previous three years (some £30 a month in 1953-55), is worked out. The pensioner who earned an average wage during his life will, if he has retired after 40 years' work, get a pension of 60 per cent of this standard (£18 a month when the scheme starts, or a good deal more than the £2 per week he would get in Britain). Pensions will retain a personal element as well, based on personal income and on the number of years' contributions. Assuming that a man has 40 years' insured employment to his credit, if he earned 10 per cent less than average during his working life, he will get a ten per cent lower pension; if he earned ten per cent more, a proportionately higher pension, and so on up to an initial maximum of about £38 10s. a month.

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Critics in Germany and Britain will at once ask two vital questions about this generous project: who is to pay for it?—and will it, in seeking to shelter pensioners from inflation, produce inflation itself? Contributions are increased and will continue to cover the bulk of the cost; no doubt the increase, whether of the worker's or the employer's share, will tend to push labour costs up. The government's share of the cost is enlarged, too; it becomes some £315 million in the first year of the scheme; and

this amount will tend to grow as wages (and pensions) rise. The Christian Democrats, who fathered the scheme, quailed at the last minute before this blank cheque drawn on future governments, and introduced provision for the legislature to review the standard by which pension scales are calculated—that is, to change the relationship between pensions, wage rates, and national product if it becomes necessary. But the principle that the three must be linked remains. Dr Adenauer's government has not only brought off an electoral scoop, but introduced the most radical change in German social insurance since Bismarck. Whether it will work must depend on the soundness of German financial policy and the development of the economy in future years.

Absent from Court

It has long been possible for a defendant to write a letter to a magistrates' court instead of appearing in person to hear his case dealt with. In so doing, he saves himself time and money. But the time of the police is not saved, because, in the present state of the law, the case has to be proved even when the defendant's letter admits his guilt; details of the vast number of hours of police time that are spent in magistrates' courts in the Metropolitan Police District were given by the departmental committee on the summary trial of minor offences, which reported in July, 1955 (Cmd 9524).

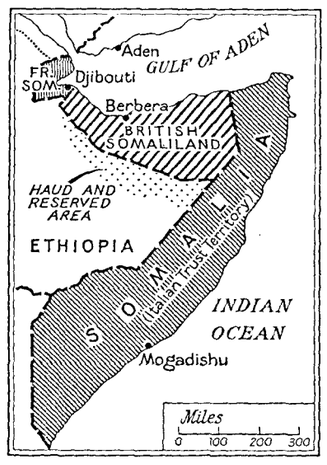
The new Magistrates' Courts Bill, published last week, seeks to give effect to the committee's recommendations. It proposes that where a defendant has pleaded guilty in writing the court can dispose of his case in his absence and in the absence of the prosecution. The new procedure will not apply to juvenile courts, or to offences that can be tried on indictment or to those which may carry a sentence of more than three months' imprisonment. Further, the court, after convicting an absent defendant, will not be able to sentence him to imprisonment or impose any disqualification on him (that is, from driving a vehicle) without adjourning to enable him to appear before sentence is passed.

However, as the committee pointed out, not many of the offenders who will be subject to the new procedure can be punished by imprisonment on a first conviction. It also pointed out that a disadvantage of the present procedure of allowing a defendant to absent himself is that he can thereby prevent his previous convictions from coming to the notice of the court. In his absence, the court will not accept a statement from the prosecution of his previous convictions unless they are formally proved—which would often take a disproportionate amount of time and money. The new bill therefore proposes to allow a court to take account of any alleged previous convictions against a defendant whom it has convicted in his absence, provided that notice of these convictions has been served on him at least seven days before the hearing. This should effectively prevent a person, simply by staying away, from being repeatedly convicted as an apparent first offender. The bill does not include the much more controversial proposal of "fining on the spot"—which the committee rejected—and it should get general support.

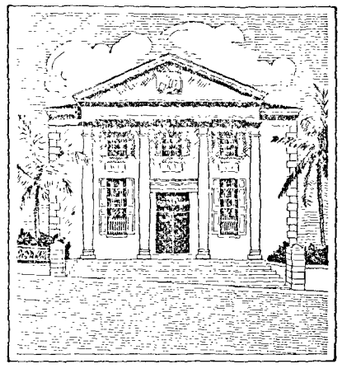
Bananas and Influence in Somalia

SOMALIA is moving steadily towards independence—and bankruptcy. United Nations trusteeship ends in 1960, and already the Italians who have been running the country are slowly pulling out. But a World Bank mission which has been visiting Somalia reports that the country will be in need of exceptional foreign aid, possibly for as much as 20 years after independence. At present it depends on Italian generosity: about half its revenue comes from direct grants and most of the rest from Italian-subsidised exports of bananas. The bananas, Somalia's only important export, cannot be sold competitively in Italy, and without preferential treatment the industry would collapse. Even with it, they are still more expensive than fruit from elsewhere. There are no quick ways of raising alternative revenue when Italian support stops. The mission has calculated that if the banana subsidy ceases Somalia will need an annual grant of about $6 million to maintain its present very humble standard of life. A decision on how this money is to be raised should not be delayed.

Somalia is a harsh country about the size of Spain with uncompromising climate, infertile soil, and small natural resources; about two-thirds of its people live as nomads on their flocks. Since the irrigated European concessions have developed on the basis of an artificial banana economy, their future is very uncertain. American and Italian companies are hunting for oil, but they have found none yet.



Similar problems are in store for British and French Somaliland, neither of which is likely to put up with foreign rule once Somalia has become independent. Already in the towns there is a Greater Somalia movement, which once found Mr Bevin's approval; it is led from Mogadishu by the Somalia Youth League, once a boys' club, now an aggressive political party. United Somalia would be no more viable than the territories are by themselves; foreign influence from one quarter or another is inevitable. Somalis do not care for any foreigners much, but if pushed they prefer Moslems to Christians and anyone to Ethiopians. The natural pull will be towards the Arab League, and Egypt is already planting the roots of influence in schools in Somalia. The British have lost credit because of their failure to protect tribesmen in the Haud grazing grounds, and French authority is undermined by communist influence in Djibouti. A lot of western money will be needed to keep the horn of Africa friendly.



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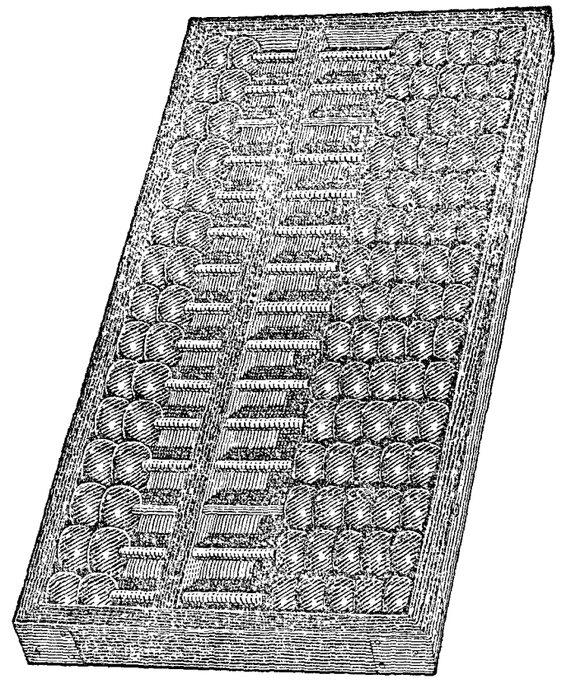
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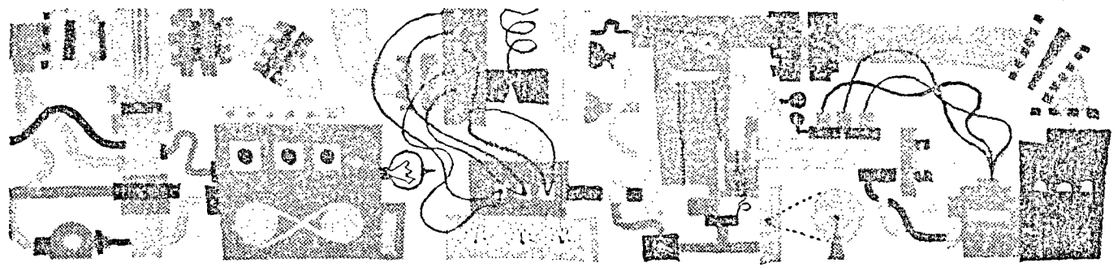
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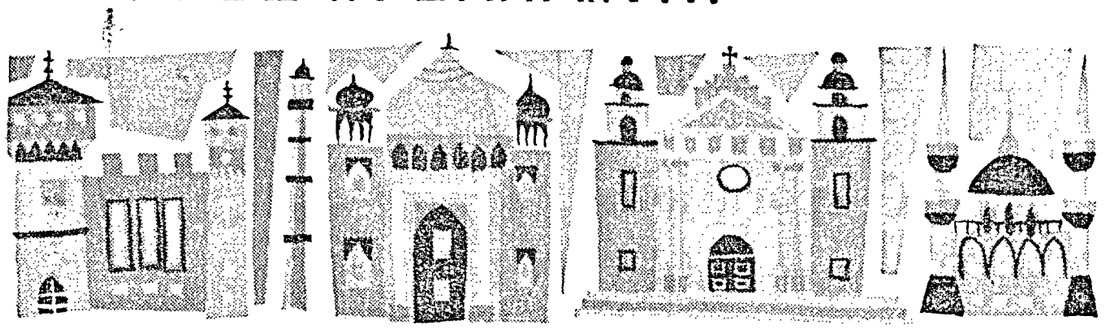
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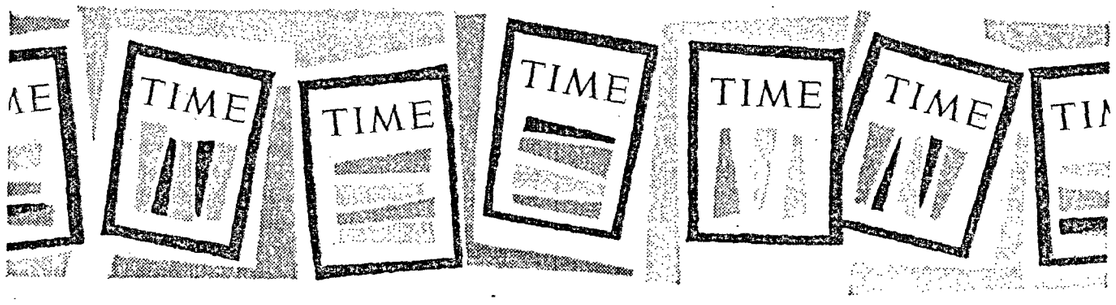
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Fetters for Public Enterprise?

THE committee stage of the Electricity Supply Bill has raised an important point of political and economic principle. As the bill now stands the Central Electricity Generating Board inherits the power, bestowed by the original nationalising Act on the Central Electricity Authority, and not hitherto used, to manufacture electrical equipment. A group of Conservatives led by Mr Nabarro wants this power withdrawn, on the ground that it threatens private electrical equipment manufacturers with unfair competition and even, were a future Labour Government so minded, with nationalisation by the back door. The Government's original resistance to this pressure was based on the principle that public corporations should conduct themselves like commercial bodies and be similarly free to branch out into ancillary activities; it has now, however, promised a "compromise" solution whereby the Board will only be able to manufacture its own equipment under certain stringent conditions.

Defence Cuts and Taxes

After the discussions which took place on the first night of the session, the public must be agreeably surprised at the amount of the estimates as now presented to Parliament for the War Departments. On that night arguments were founded and charges made on the assumption that in the second year of the peace the country would still find itself saddled with an expenditure for those departments amounting to not less than £25,000,000. Now, however, that the truth is before the country, we find the amount to be just over £19,900,000. . . . But though much progress may have been already made towards bringing down the expenditure for these great services to that of the ordinary peace establishments, yet unfortunately the war has left behind it the usual disagreeable legacy of an increased annual charge upon the finances of the country, in the form of back reckonings to be cleared up, and of certain additions to the interest of the public debt. . . . Such is the substance of the case presented to the House of Commons last night by the Chancellor of the Exchequer. The actual war estimates have disappeared:—the portion of the income tax imposed for the war he entirely gives up, and brings it down to the rate at which it stood in 1854 at the commencement of the war. The rate of *sevenpence in the pound*, with which twelve years of profound peace, but of great fiscal reforms, had made us familiar, is to be continued three years longer. In 1860, Parliament will have the opportunity of again dealing with the whole question, as Mr Gladstone provided in 1853 that it should. But when Mr Disraeli talks of the compact of 1853, by which the income tax, terminating in 1860, should be reduced first to *sixpence* and then to *fivepence* in the meantime, it was not contemplated that we should have to encounter a Russian war; and it was just as much a breach of any implied compact entered into in 1853, that the income tax should be raised from *sevenpence* to *sixteenpence* during the war, in place of being reduced to sixpence as provided by the Act of 1853, as it would be now to continue the income tax at *sevenpence* for three years in order to redeem the obligations of the war, in place of allowing it to drop at once to *fivepence*.

The Economist
February 14, 1857

Given certain important provisos, the Government's original view was certainly right, and its subsequent compromise correspondingly wrong. One of the stock anti-nationalisation arguments has always been that public enterprise is bound to get into a rut and lose dynamic energy. This loss is generally thought of in terms of technical progress and adaptability to customers' needs. But in the long run the hallmark of dynamic business is the ability to expand, contract or shift the frontiers of "the industry" in the light of these new techniques and needs, and no surer recipe for stagnation could be devised than a rigid set of *ultra vires* prohibitions on public-corporation enterprise. The conditions in which it is exercised are, however, important. Private enterprise, contemplating such ventures, weighs profit and loss and in theory hazards only its own resources. Public enterprise, whatever its statutory obligations to "break even," has the consoling knowledge that no error, however expensive, will be actually fatal; the taxpayer will in the last resort have to come to the rescue. That knowledge could encourage irresponsible forays into unsuitable territory, whose only results would be damage to private competitors.

Admittedly, it is not only of public enterprise that this is in practice true. A big enough private enterprise outgrows the sanction of bankruptcy, and would get some public succour in the last resort (like the Cunard White Star in the 1930s). The difference is that this last-resort recourse to the public purse has been established, for public enterprise, as a first resort, automatically preceding, for instance, the adoption of a politically unpopular price policy. The right to a commercial body's freedom goes with the duty of keeping up to commercial standards of costing and price policy—and indeed, given the privileged position of public enterprise, of improving on them. The dissident Conservatives—and the Government—would have been wiser to emphasise this duty than to try to balance existing political fetters on public enterprise with new fetters of their own.

Clenched Fist in Hungary

MR KADAR'S recent denial that his government was ruthless is not being borne out by the behaviour of members of the regime, who have in fact been adopting an increasingly uncompromising line; in a characteristic statement one leading Communist said last week that the government would pursue its "clenched-fist policy" until the "total liquidation of the counter-revolution."

The signs of Russian overlordship are no longer carefully disguised. Red stars are being hoisted again over factories and mines; Soviet war memorials are being restored; in the schools (where, according to Mr Kadar, "counter-revolution is on the attack") the teaching of Russian has again been made compulsory, though in some schools the children are refusing to co-operate. The reopening of the universities, which had been closed for three months, was preceded by a series of precautionary police raids on students' hostels in Budapest; some caches of arms and ammunition were discovered, and some students arrested. Mr Konya, the government commissioner for education, appealed to the students to oppose "counter-revolutionary elements . . . who were constantly inciting them to make

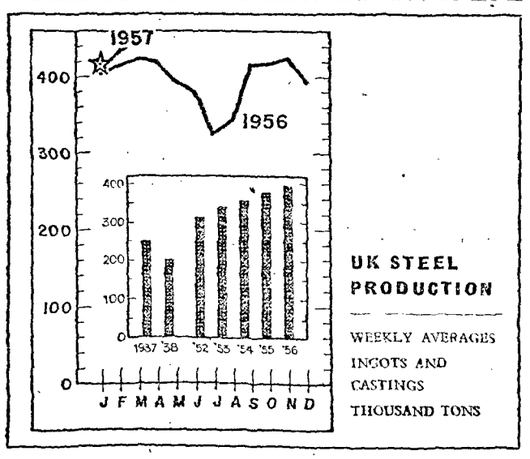
trouble"; he uttered a blunt warning that the universities would be closed if these elements gained any ground.

Increased political repression is accompanied by growing poverty and hardship. Government spokesmen over-state the recovery in coal production and, in general, put the best face they can on the economic situation. But the truth keeps breaking through. Production in January reached only about 50 per cent of the October level. There are widespread dismissals, falling wages and a growing threat of unemployment. But those who are driven to seek a more tolerable life in the West may find the way far more dangerous. If caught trying to escape, they are now to be tried on a criminal charge; those who help, or even encourage, others to flee are also liable to long terms of imprisonment.

Austrian Tightrope

RUSSIAN and Chinese newspapers have been accusing the Austrian government of violating its neutrality; attacks have been most bitter against Chancellor Raab's alleged encouragement of "large groups of fully armed Fascists" to come and go over the Hungarian border and to use Austrian airfields as bases for their supply of weapons and ammunition. But the Russian papers have also protested against Austria's proposed membership of the Coal and Steel Community. This may prove to be serious. *Izvestia* says that "since all the other members of the pool are also members of the North Atlantic Treaty Organisation, Austria's membership would in fact mean direct economic assistance to the aggressive policy of the Atlantic block and participation in the arms race." The attack may have been partly inspired by the current campaign to reinforce the Warsaw pact by playing up German ambitions; Austria's wish to join the Coal and Steel Community is said to be the result of the desire of German magnates for "the economic annexation of Austria."

Membership of the Coal and Steel Community would inevitably bring Austria into close relationship with west European powers. But a close economic relation need not conflict with neutrality; nor, indeed, need a close political association, provided that military links are firmly excluded.



No doubt the truth is that the Russians are particularly sensitive about these western European bodies by association with the defunct European Defence Community.

A Strange Decision

THE Government has behaved both curiously and uneconomically in refusing permission to a private company which wants to build a complete new town for 25,000 people at Allhallows-on-Sea in Kent. The initial purpose of the town would be to house about two thousand workers from the nearby oil refinery, who at present travel considerable distances daily to their work. But the promoters are also hopeful that the site's natural (and highly topical) advantages for exporting to the European continent might induce other industries to settle there, if housing and other facilities are made available. Kent County Council, however, refused planning permission for the project because of the high agricultural value of the land, much of which produces two crops a year; and the Minister of Housing, on appeal, has now taken up the same attitude.

The Government wants to encourage the development of new towns as a means of relieving congestion in London, and this particular project would help this policy without entailing any use of compulsory powers of purchase or of public subsidies—save to the extent that the London County Council might enter into an agreement in return for nominating some of the tenancies in the new town. If only as an experiment it would surely be a good Conservative idea to have one private new town to set beside the fifteen official ones—especially as the Allhallows project has been designed and planned by an experienced architect. It is true that the anticipated new industries may not materialise, but if they do not the promoters will only be losing their own money. And assuming that the project has reasonable prospects of success (as it appears to have), is it really right that such a large and important development should be blocked in the interest of shielding 650 agricultural acres? The Government must have a strange estimate of the difference between the market price and the real value of market gardens. Mr Brooke will probably be given a chance to think again about this decision. He should certainly do so.

SHORTER NOTE

The Economists' Bookshop first opened its doors at 11-12 Clements Inn Passage, W.C.2, on February 17, 1947. Its tenth birthday is being marked by a series of exhibitions of which the first, from March 25th to April 12th, has been arranged with the help of the Oxford University Press and its associated American University presses. The bookshop is a joint venture of the London School of Economics and of this journal, and was founded in the belief that the staff and students of the School and the readers of *The Economist* all over the world would both find a use for a bookshop specialising in the literature of the social sciences and public affairs. This expectation has been more than fully justified, and the bookshop moves into its second decade with a worldwide clientele and a healthy balance sheet.

Two famous Companies, American and British, bring new basic industry to

Northern Ireland

DU PONT and BRITISH OXYGEN announce new developments

THE decision of the Du Pont Company (United Kingdom) Ltd. to construct a neoprene synthetic rubber plant in Northern Ireland brings a new and important basic industry to the Province. This will be the first neoprene synthetic rubber plant to be constructed in the United Kingdom and the British Commonwealth.

Because neoprene synthetic rubber will be made from acetylene, Carbide Industries Ltd., a subsidiary of the British Oxygen Company Ltd., will build, at the same time, a plant to supply acetylene to the Du Pont Company (United Kingdom) Ltd.

The two plants will be located side by side at Maydown, near Londonderry. The Du Pont Company (United Kingdom) Ltd. will commence construction on their site of over 300 acres in mid-1957. An initial labour force of over 300 men will be required to man the plant.

Carbide Industries Ltd. will build their plant on a neighbouring 50-acre site and building work will start as soon as possible. When in production over 300 workers will be employed.

Thus two world-famous companies, one American and one British, now join over 100 firms which have set up factories in Northern Ireland since the war.

In recent months announcements of new developments in Northern Ireland have been made by

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FLEXIBOX LTD.
BESSBROOK PRODUCTS LTD.
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Twelve new Government factories are planned or building now to rent (for as little as 9d. per square foot). Also available are factories on repayment and capital grants for plant, machinery and new buildings.

* * *

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NORTHERN IRELAND DEVELOPMENT COUNCIL
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Tel: WHitehall 0631
(U.S. Office: One Wall Street, New York 5, N.Y.)
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Letters to the Editor

Liberty, Equality, Sorority

SIR—I have just read the interesting article in your issue of February 9th, but to my surprise I found that it ended in the middle of its argument.

Assuming that the recent events referred to will prove to have jerked the various member states of the Commonwealth into realising that they are not tied by any political apron-strings to a mother country (which is what, if I read it aright, the article was suggesting ought to happen), then what will happen should at some future date Britain get itself involved in another Suez-type mess? Presumably the other Commonwealth members, having learned the lesson pointed out by the article, will not again talk about their own leaving the Commonwealth, but will meet to expel Britain from the Commonwealth.

This having been done, what then is the position of Her Majesty the Queen? Presumably the other member states could solve the problem by electing some other person as Head of the Commonwealth, but they may insist that they still wish her to continue in that office. If so, will she herself have any say in the matter, or will she be obliged to leave Britain to take up residence in, say, India, Ghana, or the Caribbean Federation? Or will she divide her time between the two offices of being Queen of England, Scotland, Wales and Northern Ireland, and Head of the Commonwealth which no longer includes these countries? And if so, will Prince Charles automatically succeed her in both offices?

These are some of the points which were in my mind when your article came to its end. I hope very much that a second article will carry on and deal with them.—Yours faithfully, D. HARRISON

London, W.8

The Feet of the Young Men

SIR—We were honoured to read the mention of our emigration survey in your columns last week. However, it is regrettable that the comment should have been written from a false basic premise with the consequence that all that followed is grossly misleading.

You stated that "5,183 men and 420 women—the entire second and third year student body of the university" were asked to answer the survey. The note then said "only 6 per cent of the men and 10 per cent of the women bothered to answer." In fact approximately 450 questionnaires were sent out to a representative cross section of those in their second and third years at the university, the actual number of answers received after frivolous and otherwise "spoilt" papers had been rejected was 384. This represented 6.5 per cent of the total number of men and 11.6 per cent of the women in their second and third year. We believe this was an adequate sample for a survey of this kind. Far from only 6 per cent bothering to answer the questions, 90 per cent of the questionnaires were returned. 11.3 per cent of the men and 34.1 per cent of the women answered "Yes" to the question, "Have you decided to emigrate when you have graduated?" And to the second question, "If not, have you considered doing so?" 27.6 per cent of the men and 14.9 per cent of the women said "Yes."

Your conclusion that the total number of serious prospective emigrants is 54 is thus completely misleading. Allowing a margin of error of 1.3 per cent, the total number of men who are emigrating is 518. Further, the *Varsity* poll is very close to the figures revealed by the *News Chronicle* Gallup Poll. The latter showed that 41 per cent of the population of this country would like to emigrate if free to do so, our poll showed that 38.9 per cent of the men and 49 per cent of the women questioned were more or less seriously considering emigration.

Your comment concludes by saying that the *Varsity* survey is "rather a reassuring than an alarming document." We feel that the loss of one-tenth of the future leaders of Britain is of the utmost gravity.—Yours faithfully,

TIMOTHY S. GREEN,
Editor, *Varsity*
N. E. CLARKE,
News Editor

Cambridge

Exporting to Undeveloped Countries

SIR,—Over four years just completed in Burma, with visits to neighbouring Far Eastern countries, and short spells in the Middle East have made me wonder whether British industry is fully aware of the changing export conditions in "underdeveloped" countries.

Most of these countries are introducing varying degrees of economic nationalism. As a result, old-established "foreign" trading concerns are shrinking in activity and becoming less effective as exporters' agents; commercial operations are becoming immensely complicated by official tendering procedures; the almost total lack of local mechanical labour means that strong preferences are shown to the offers of imports which are accompanied by some form of additional technical services.

To keep an export market, let alone develop it, new forms of oversea representation are becoming necessary. The traditional types of agent, who covered a multitude of products and whose initiative was bought by agency fees on goods sold will no longer do, because the criteria of quality, price and satisfactory delivery dates are of themselves no longer sufficient to attract buyers.

Our main competitors, for example in the engineering field, the Germans and Japanese, are setting up specialised "engineering services" for maintenance and advisory work and are appointing technicians as part of the permanent staff of carefully selected "national" concerns. In contrast to this, the representation of British electrical manufacturers in Burma, for example, comprises, with one or two exceptions, a mixture of old-established "foreign" trading firms, each displaying a list of agency activities as long as one's arm from tinned baby's food to bulldozers (I was recently directed to one of them to have my fountain pen repaired), and little one-roomed shops displaying native medicines and musical instruments, tucked away behind pavement stalls in the main thoroughfares or down dingy side streets.

Successful representation overseas must be permanent and it must be specialised. Permanency means having exporters' technical staff placed in "market" countries to watch for new contracts, progress and tendering for potential ones and help with general technical advice. Many forms of organisation are possible, starting with the setting up of "regional" offices to cover groups of countries, but the most effective would be to post technicians to carefully chosen "national" firms in countries comprising those regions. Specialisation can be brought about by group representation of firms producing similar or related goods.

All this involves a commitment to varying degrees of overhead expenses. Such a commitment cannot be safely undertaken without a survey of sales potentialities. The material of such "market surveys" exists in abundance in countries with plans for economic and social development, but the questions arise: are British manufacturers properly equipped to carry out such surveys for themselves? If not, are there other British organisations which could be commissioned to do the detailed work required? The present answer to these questions would, I suggest, be negative. —Yours faithfully, A. STANWIN

Hampstead.

Back Towards Normal?

SIR—I have always appreciated how you feel about the party represented by this club, but your attitude towards the agricultural community is a mystery. However, the explanation may be found on page 270 of the issue of January 26th by the following remark made in a different context:—

> . . the constitutional hare was hastily stuffed back into its burrow.

Can it be that your knowledge of the countryside is confused?—Yours faithfully, JOHN W. GREY

Constitutional Club

Books & Publications

Tuscan Tycoon

THE MERCHANT OF PRATO.
By Iris Origo.
Cape. 380 pages. 35s.

HOW often, when tacking sluggishly between shoals of dynasties and sandbanks of feudal campaigning, the reader of medieval history—or most other history for that matter—longs for a brisk breeze of reality, a fresh breath to put flesh and blood on the stiff bodies and mask-like faces, to give a sense of contact with living humanity under the alien robes and "Anglo-Saxon attitudes." Social histories and historical novels cater in their different way for this desire, but it is refreshing to find scholarship and imagination so finely allied that the result is both an exhaustive social survey and a vivid evocation of men and women in the reality of their daily lives.

Marchesa Iris Origo has achieved this balance brilliantly in her study of Francesco Datini, merchant of Prato in fourteenth-century Tuscany. The searcher after facts will find them in prodigious quantity. The reader hoping for imaginative insight into medieval, or rather pre-Renaissance, society will be rewarded with the vision of a whole community. Yet, so unobtrusive is Marchesa Origo's scholarship and so pervasive her sympathetic understanding, the scholar's imagination will also be stirred and the casual reader's learning insensibly extended.

The achievement is due in part to the material itself. In 1870, when the documents of Francesco Datini were brought to light—after lying in sacks for some 400 years—the store included over 150,000 letters, 500 account books and ledgers, 300 deeds of partnership, 400 insurance policies and thousands of bills of lading and exchange, cheques and business instructions. Some of this material has been worked over, and a full account of Datini's trading interests is already in existence. But Marchesa Origo has made the first comprehensive study of both the commercial and domestic papers left by Datini, and it is unlikely that any richer or more informative sources will be brought to light. Datini and his wife—unlike most medieval merchant couples—spent much of their time apart and the husband's letters of instruction, written twice and thrice a week, and his wife's replies are unique in the cumulative information they give about the domestic life of the time.

But the wealth of the material is only a precondition of success. Inadequately digested, it would have engulfed, not enlightened the reader. The art lies in the selection and arrangement of evocative fact from a mass of trivia and repetition. While the Marchesa gives the main line of Datini's career so that we see him in his early days in Avignon, in his years of expansion and prosperity as an international trader and in the last years of anxious opulence, the separate aspects of the man—as merchant, as banker, as husband, father and householder—are skilfully disentangled, and to the thread of his life are also strung chapters of absorbing detail, describing the food, drink, medicines, clothes, pieties and household arrangements of the day.

In a sense, it is a strange and fascinating labyrinth—full of pungent herbs and spices, where pies are baked with twenty rich ingredients to avoid the limitations of the sumptuary laws (an earlier austerity?), where gowns are trimmed with miniver and fringe (sold for the equivalent of nearly £2 an ounce), where stinking poultices are recommended for fertility, where men drink wine and a little toasted bread of a morning to fend off the Black Death, where domestic slaves are bought and sold from Africa and Tartary, slaves who rob their mistresses, produce little bastards and live to see these children brought up, legitimised and dowered by their natural fathers.

Yet, through all the strangeness, two qualities persist—the note of a common, shared humanity and, which is more surprising, a strange accent of modernity. The portrait of Datini's friend, Ser Lapo Mazzei, is one of almost archetypal goodness—the man of "measure," of modest ambition, warm affections, and unchanging loyalty whom the Stoics, St. Thomas Aquinas and Confucius would have equally approved.

But in Francesco Datini himself we find, as Marchesa Origo points out, something else—the driving cupidity, allied to unlimited energy and industry, upon which private enterprise in the west has been built up. And with it go the restless anxiety, the nervous tension and high pressure of living associated so often with the proverbial trials and ulcers of the modern business executive. In Datini's day, the mood was termed *maninconia.* Today we would no doubt talk of neurosis. But it is revealing to learn how early the peculiar conditions of high pressure commercialism took their toll in human *angst.*

The Expansion of Parliament

THE APPROACH TO SELF-GOVERNMENT.
By W. Ivor Jennings.
Cambridge University Press. 204 pages. 16s.

TO the British way of thinking the granting of independence to a colony and the creation of some form of democratic representative government to inherit British sovereignty and take over British institutions of law and government already implanted in the colony are inseparable parts of the same process. Yet it repeatedly leads to trouble, for it is frequently found that the nationalist movement which united the colonial people against British rule do not correspond to a normal majority party once independence is granted, but to a racial or religious majority with a desire to assert conformity, and to whose rule the minority will not submit even in conditions imitated from British parliamentary life. The economic, racial and cultural background does not correspond to the political realities on which British parliamentary institutions are founded.

All this, of course, finds a reflection, before independence is granted, in various adaptations of the British system, of which the commonest is some form of federalism, and, in racially diverse areas, of communal electorates or "fancy franchises." Even in so-called "homogeneous" colonial areas, like the Gold Coast or Uganda, the fears of minorities may lead, as in the Ghana constitution, to the creation of checks upon Parliaments' power which are alien to normal British ideas. Even so, these adaptations are often severely strained by the actual tension in the body politic. The problems of meeting them have now been most thoroughly and authoritatively analysed by Sir Ivor Jennings in a book that not only throws a flood of life on the adaptability or otherwise of British-type constitutions to politically underdeveloped countries, but also on the conditions, usually unrecognised, in which they work so well at home. In that sense, "The Approach to Self-Government" is the complement to Sir Ivor's three previous books on the British constitution, and is based on valuable comparisons between the working of transplanted parliamentary institutions in the Asian countries and in Burma, in the old Dominions and the unitary and plural societies of the colonies.

Sir Ivor himself has helped to make a number of colonial constitutions, notably Ceylon's; and this book is impregnated with the view that constitutions cannot be imposed according to Benthamite propositions, but must first be tailored as closely as possible to local conditions and then must stretch and contract naturally to fit them as it is worn. Even so, the remarkable thing is that the British constitutional framework of crown, cabinet and house or houses of parliament based on universal suffrage and usually single-member constituencies works so well in such a variety of circumstances—in Pakistan, fragmented into two; in Ireland, anxious above all to be different—and is the choice of wholly different societies like Malaya or the Gold Coast. No one prefers American, French or even Swiss models. It fits very different systems of law—Roman-Dutch, French, Spanish and Hindu and Muslim law; even African tribal law. Yet the problem is to stretch it to cover far deeper divisions than those of distance or language or religion, such as are experienced in Canada or Australia. It is in getting down to the basic point of the unit which can be governed by British methods, once British overlordship has gone, that Sir Ivor is at his brilliant best.

He takes the five conditions that make an area a possible state: homogeneity of population; economic viability; capacity for self-defence; capacity to support a government; adequate administrative personnel; ability to retain the citizen's loyalty. These conditions affect the working of a British-type constitution at every point—the organisation of secret ballots, for example, from the maintenance of a register of voters to the use of symbols on ballot papers. Sir Ivor shows what badly needed to be shown, that neither in Britain nor anywhere else does the counting of heads lead to "one vote, one value" in the strict form that many nationalist demagogues demand; and his study of how communalism can work in Asia should be studied by every African politician. He has wise words to say about the qualifications of candidates as well as voters ("A mere handful of illiterates in a legislature of a hundred persons is not likely to obstruct government"); on administration ("to confer self-government merely because there are competent politicians available is to invite difficulties in practical administration"); and party ("a party system is needed for cabinet government; but one way to encourage the development of a party system is to establish cabinet government, even if it be partial. . . .").

Sir Ivor is clearly convinced that good government—in the widely understood sense of a democracy that will work in practice—is more important than self-government which ends in bloodshed; he is for a reasonably slow pace in ensuring it; he takes the view that Britain's failure is not in the defects of this or that dominion constitution, but in the abandonment of Palestine to civil war in 1948 simply because the problem looked insoluble. To him, a British-type constitution is an infinite boon, for it does demonstrably work in such diverse conditions; it is the natural starting point for independence because it can be adapted so well, for it is itself the product of adaptations to a society that has in Britain passed through so many phases. He stands up strongly and cogently, therefore, for the "transitional constitution" in the last but not necessarily brief stages before independence—an argument of vital relevance to the colonies today.

Novels and Readers

THE RISE OF THE NOVEL.
By Ian Watt.
Chatto and Windus. 319 pages. 25s.

THIS is a first-rate piece of literary history: learned, sensible, well-balanced, and the work of a scholar who is also a very good critic. It will fully satisfy both the professional student of literature and those whose interest in the novel arises from its documentary value as illustrating the development of English society in the eighteenth century and after. Mr Watt begins with the philosophical background. From Descartes stems the modern assumption that individual experience rather than collective tradition affords the best basis for the pursuit of truth; and in England Locke made legitimate a method whereby thought is allowed to spring from the immediate facts of consciousness.

And the novel starts here. Its technical characteristics as they emerge in Defoe and Richardson have "an aim which the novelist shares with the philosopher—the production of what purports to be an authentic account of the actual experiences of individuals." The true nature of the novel's realism is a formal realism, residing not in the kind of life presented, but in the manner of presentation: one allowing "a more immediate imitation of individual experience set in its temporal and spatial environment than do other literary forms." And the new aim produces new canons of style. The writer is concerned "to make the words bring his object home to us in all its concrete particularity"; traditional extrinsic beauties are sacrificed in the interest of just such a close correspondence of words to things as was being recommended, in another field, by the Royal Society.

In all this there was much to offend or disconcert conventional literary expectation; and the new form might not have established itself had it not been able to appeal, in part at least, to a new reading public. This is a subject upon which there has been much easy generalisation, and Mr Watt approaches it with an admirable caution and thoroughness. Literacy, leisure, the cost of books in their several categories, such tolerably reliable figures as exist on the size of editions and the currency of newssheets and journals, the beginning and growth of the circulating libraries: these are all carefully reviewed. The division of labour is shown to be of great importance. Just as today the cake-shop's "Why bother to bake?" entices housewives to settle down before the television screen, so in eighteenth century London did the fact that beer, candles and soap need no longer be made in the home enable a new class of society to beguile itself with "Moll Flanders" and "Pamela." Pamela herself, indeed, in seeking fresh domestic employment which shall free her from Mr B's importunities, is disposed to bargain for "a little Time for Reading." She thus has some claim to be regarded as Mr Watt's heroine as well as Richardson's; her very ignorance made her receptive of originality; she has at least her humble place as illustrating the new social context of literature that enabled the English novelists to lead the way in breaking with the matter and manner of previous fiction.

From general topics such as these Mr Watt passes to a consideration of particular novelists and novels. He is better, perhaps, on Defoe than on Fielding—and certainly best of all on Richardson. "Clarissa" is by far the greatest work of art with which he is concerned, and he rises to it magnificently.

Portraits of the Artists

MODERN ENGLISH PAINTERS: *Lewis to Moore.*
By John Rothenstein.
Eyre and Spottiswoode. 345 pages. 35s.

THIS is the companion volume to an earlier one sub-titled "Sickert to Smith." The subjects are arranged in chronological order of their dates of birth, with the result that most of the painters in the present volume, unlike the first, are still alive. In a walk of life where resentments and passions run unusually high (as who should know better than Sir John Rothenstein?), the possibility that an offended painter might turn up at the Tate Gallery in fighting mood might, one would think, be somewhat inhibiting. Perhaps, indeed, in the critical appreciation of these painters'

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IT WAS during the freeze-up and fuel crisis of February, 1947, that The Economists' Bookshop was born. In celebration of its tenth year of bookselling, The Economists' Bookshop proposes to hold a series of exhibitions of books that have been published during this decade.

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work the accent is on appreciation. But as the son of Sir William Rothenstein, Sir John was particularly well qualified, by personal recollections and access to letters as well as by his own expertise, to write this book, and the result is lively and informative.

There are some good stories and some glimpses into the jungle. The chapter on Wyndham Lewis for example (the Lewis referred to so anonymously in the sub-title) shows what ruthless vendettas the Bloomsbury circle would pursue against those who were not their friends, persistently vilifying them, if they could not be ignored, in the columns of *The Nation*. The book also tells what made these artists become artists, what influences shaped their work and what they meant to achieve. The first world war was the catalyst for several of this group. It weaned Paul Nash from the nice but slight paintings that he used to do in his youth, though Stanley Spencer says that it permanently clouded the bright vision of his own youth.

The book is supplied with 32 reproductions of paintings—which is fairly generous. But ideally far more are needed to profit fully from the discussion of the paintings, especially as many of the works cited are in private collections. Nevertheless this book is interesting to read and valuable to have on the shelf—a book to be referred to again and again as the painters with whom it deals are represented in exhibitions.

Arabian Journey

SULTAN IN OMAN.
By James Morris.
Faber. 165 pages. 16s.

IN the autumn of 1955, the Imam of Oman fled from his capital at Nizwa before the advance of the British-led troops of his sovereign the Sultan of Muscat. To affirm his rule over the disputed middle section of his territories, the Sultan journeyed from Salala, on the shore of the Arabian sea, across the south-east corner of Arabia to Muscat, calling at Nizwa on the way and taking the submission of tribes and villages that had wavered in their loyalty. "The journey had never been made before, least of all by motor vehicle. No such crossing had been made of the Jaddat al Harasis; no one had driven from Dhufar to Muscat; the mountains of Oman were almost unexplored; even the Wadi Jeziz, the pass between Bureimi and the sea, had (until a few years ago) been described only by the hardiest of Arabian travellers." Mr Morris, then resident correspondent of *The Times* in the Middle East, journeyed with the Sultan and has described the historic episode in this book.

Mr Morris shoots the fleeting minute on the wing in the dusty wake of the Sultan's racing truck or pauses in patience while he holds state in ragged corners of the desert or mountain; the pace of his prose slides easily to a tranquil halt after the screeching of brakes. There was no time for the ponderous learning of the great Arabian travellers; but, perhaps because of this, the landscape and the people, whether in the howling wilderness of the unknown regions or by lantern light on the seashore at Muscat, emerge with particular vividness from the pages. In short, Mr Morris, who writes well, has again written well, and the result is one of the most easily read books of Arabian travel.

It has also historical and some geographical importance. But he is not happy with the complicated politics of the region which he brushes in with broad and, one feels, impatient strokes. Doubtless he desired no more than to give the journey its political perspective, but the trouble with Mr Morris is that he writes so well that he can often with a phrase carry the wrong conviction. His romanticism savours the British officers of the Batinah Force but does less than justice to the adventuring oilmen whose existence he seems to regret as much as he does the politicians of Cairo or Damascus. The political perspective is distorted by some urbane prejudices. Even these are expressed entertainingly.

The Cup that Stimulates

THE PENNY UNIVERSITIES: *a History of the Coffee-Houses.*
By Aytoun Ellis.
Secker and Warburg. 307 pages. 30s.

IF they can stimulate disgruntled or mildly seditious talk in congenial surroundings, new drinks have little difficulty in catching on when existence seems drab and uncertain. The appearance of the coffee-house in Cromwell's England is perhaps no more surprising than the rise of the Espresso bar in Butskell's. But the longevity of the vogue is astonishing. For a hundred years or so, the hopeful, the ambitious and the smart found their chosen houses the right milieu for both business and pleasure, whether they were courtiers, merchants, highwaymen or merely intellectuals. Then quite suddenly, in the latter half of the eighteenth century, the pub, the chop-house and, above all, the club ousted the coffee-house.

In the end, no doubt, men needed something stronger to drink; somewhere to eat; and, still more, greater privacy and comfort to contain their cliques. But no one has fully explained the remarkable survival of a fad, or its swift demise. Only in the City, that home of conservatism, did the houses linger on to become institutions like Lloyd's and the Baltic Exchange.

Mr Ellis has no novel interpretation to offer for a phenomenon of some interest. His approach is that of the antiquarian, recording rather than analysing; and he has assembled a mass of agreeable anecdote. His chronicle is obviously a labour of love, admirably produced by its publishers; the reader is filled with admiration for the industry and perseverance which have gone into its compilation. But the coffee-houses are worth serious inquiry, and still await their historian.

Pensions for the Retired

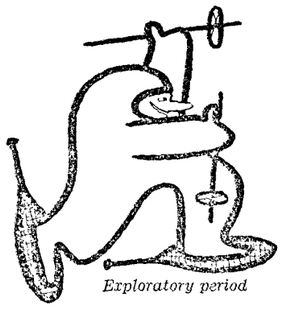
PENSION SCHEMES AND RETIREMENT BENEFITS.
By Gordon A. Hosking.
Sweet and Maxwell. 380 pages. 42s.

THE author has brought up to date and extended a previous book "Superannuation Schemes," dated 1948 and written by himself and R. C. B. Lane. Despite the growth of interest in pension schemes, particularly in the postwar years, these books represent the only serious attempt at a comprehensive textbook on the subject, and Mr Hosking is to be congratulated on having produced so soon a volume that includes an exposition of the pension clauses of the Finance Act 1956. In addition to the mass of technical information given, there are chapters on the broader issues of pensions in relation to the national economy, and on the approach to pension problems in the United States.

Tax reliefs are of vital importance in any type of pension arrangement, whether in connection with employer/employee schemes or the new "self-employed" class admitted last year. The relevant sections of the Income Tax Act 1952, which consolidated previous enactments, and of the Finance Act 1956 are given in full in the appendices, and the conditions and limitations necessary if the most favourable tax treatment is to be obtained are explained fully and clearly in the text.

A wide variety of schemes is possible and each type is dealt with in turn; but it is plain that the author's preference is for the self-administered or private fund, and a large part of the book is devoted to the machinery required to set up a private fund. All matters, including consideration of benefits to be provided, types of schemes, actuarial calculations, investments and administrative organisation, are thoroughly covered. Less than justice is, however, done to insured schemes. Insurance offices have made a considerable contribution to the development of pension arrangements, particularly since the war, and it is unfortunate that credit has not been given to them. Although chapters dealing with the new self-employed pension arrangements are most interesting and informative, little attention is paid to the variety of contracts on offer from insurance companies, although the possibilities (and desirability) of some form of self-administered fund are fully explored.

It seems likely that, at some time, the mass of legislation on pension schemes will be tidied up and some of the existing anomalies removed—indeed the process may be said to have started last year. In the meantime this book will serve as an admirable work of reference and an exposition of the diverse and complex factors involved in pension schemes, but it would be improved by a fuller treatment of insured schemes so that a less biased picture is given, especially when comparisons are made with private funds.



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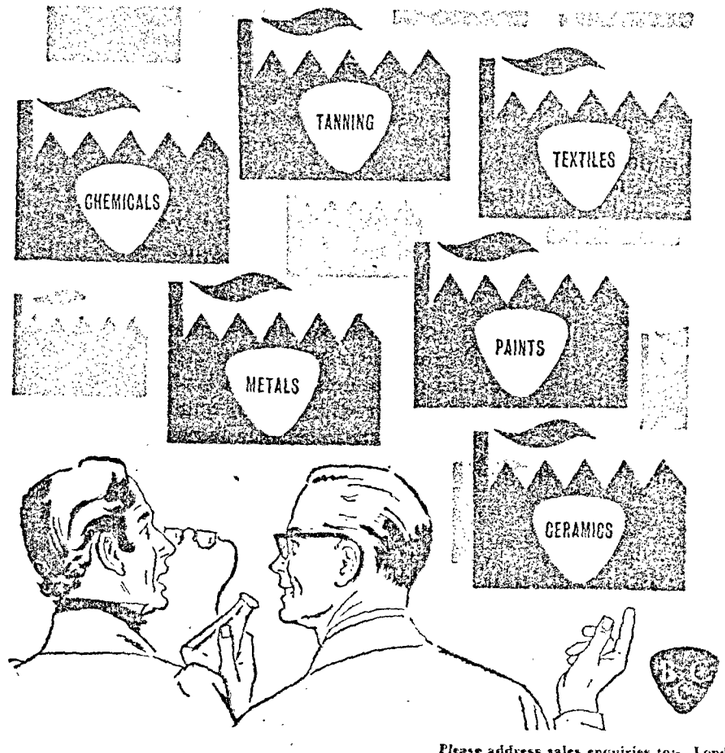
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American Survey

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Between Arab and Jew

Washington, D.C.

MR HAMMARSKJÖLD'S opposition to the use of sanctions against Israel has come as a great relief to the Administration which, having placed so much weight on the Secretary-General's shoulders, would have felt morally bound to uphold him if he had made an issue of confidence out of the adoption of sanctions. Moreover, the clear distinction in the Hammarskjöld report between the binding effects of a decision of the Security Council and a mere recommendation of the General Assembly has reassured many people in Washington who were expressing a mounting sense of uneasiness at the idea of American policy being determined by shifting majorities in the unwieldy and eccentrically weighted Assembly. Significantly enough, a speech in the House of Lords by Lord Cherwell on the defects of the United Nations has recently been reprinted both in the Congressional Record and in a widely read news magazine and has caused much comment.

But the postponement of the Afro-Asian block's resolution on sanctions will be of little help to Mr Dulles unless, before it comes to a choice, he can induce the Israelis to trust to a new American declaration on Gaza and the Gulf of Aqaba. According to reports, the United States would promise to support freedom of navigation for all countries in the Gulf, and United Nations action to ensure that the Gaza strip was not again used as a base for attacks on Israel. The Americans hope that this will be enough to enable Mr Ben Gurion to order the withdrawal of Israeli troops without being repudiated by his own people, but not enough to enable the Israelis to boast of crowning a military success with political victory and thus threaten the Arabs with loss of face. If the American declaration does not provide the cover behind which the Israelis would be willing to withdraw, Mr Dulles will find himself back in the same unenviable dilemma in which he found himself a week ago.

After his highly successful week of Arab diplomacy in Washington, which confirmed him in the belief that his judgments during the Suez Crisis and over the issuance of the Eisenhower Doctrine had been sound, Mr Dulles confronted the prospect of all these gains disappearing forthwith like a desert mirage if he allowed the Israelis to get away with their defiance of the United Nations. All his Arab visitors—the most pro-American of them, Dr Malik of the Lebanon, being also the most forceful—had made it clear that the American attitude to Gaza and Aqaba was the touchstone by which the President's good faith would be judged. Dr Malik indeed said bluntly that American influence would never be accepted in the area until the Arabs were disabused of the idea that, whatever the merits of a dispute, the United States would in the last resort always support Israel. This phrase echoes one used by Mr Dulles himself to the Senate Foreign Relations Committee exactly a year ago. It is an idea which has obviously inspired much of American policy in the intervening period.

Until the last minute the President and Mr Dulles, with their usual optimism, seem to have thought that, simply because Israel was a democracy, it would be willing to display "a decent respect for the opinion of mankind," without being so disagreeable as to insist on guarantees. But Mr Eban, the Israeli Ambassador whose flawless elocution and unfailing debating skill are a source of endless irritation to American officials, promptly pointed out that the President's phrase was a quotation from a passage of the Declaration of Independence, explaining why the colonists felt they should set out their motives for defying the opinions of the majority of foreign governments. And, as it became increasingly apparent that the Administration was resigning itself to support sanctions in the United Nations if really forced into a corner rather than to forfeit the goodwill of its Arab guests, the political friends of Israel began to mobilise their powerful forces.

Agitation against penalising Israel by Mr Ives and Mr Javits, the two Republican Senators from New York, was only to be expected. Even Senator Knowland, who hopes to succeed Mr Eisenhower as President in four years' time, could for this reason be discounted, to some extent, as he rumbled on about the "double standard" of the United Nations in threatening Israel and looking helplessly at Kashmir and Hungary. But when Mr Wiley, the State Department's most dependable mouthpiece in the Senate, gave notice that on this subject it would not get his help and, above all, when a protest came from Senator Thye of Minnesota, an unemotional Republican internationalist who has been almost invariably responsive to the President's lead, then it became clear that any move which would really hurt Israel, such as the cutting off of private American remittances, would have absolutely no political support.

★

The Administration was caught between the imperatives of its self-chosen Arab policy and the shrinkage to disappearing point of its domestic political base, with a last-minute reversal of Israeli recusance as its only hope. The

position was made the more embarrassing by the failure of Mr Dulles's presentation of the Eisenhower Doctrine to shock the Senate out of the leisurely tenor of its ways, and by the decision of a group of Democrats that they would turn the Administration's legislative importunity into an occasion for harrying, insulting and discrediting the Secretary of State. The Eisenhower Doctrine sprang from the urgent plea of the ambassadors of the Asian members of the Baghdad Pact, when they saw Mr Dulles jointly in mid-December, for a clear American commitment. After the National Security Council had debated and rejected the idea of joining the Baghdad Pact, it was first decided to call a special session of Congress, at which the military commitment, which Iran in particular regarded as imperative, would be clothed in a big new authorisation for economic aid. On the advice of congressional leaders, first the special session, then the request for new money were dropped in the hope of obtaining prompt compliance: all that was left under the economic head of the resolution was a request for freedom to spend without legislative restrictions $200 million which had already been appropriated.

Yet the hearings in the Joint Senate Committee have dragged on, and the debate on the floor will not now start until next week. Moreover, the elucidation of substance, as so often with Senators who like to feel themselves on a footing with the Founding Fathers, has become bogged down in wrangles over constitutional law. Senator Fulbright seems to be arguing simultaneously that the delegation of authority to the President to engage American troops in certain circumstances in the Middle East is an unwarranted aggrandisement of the Presidency and that, by unnecessarily confirming powers which the President has already, it will unwisely limit his future actions elsewhere. As a result, the resolution has now emerged from the Senate Committee with its military clause weakened. Moreover, however much foreign critics of Mr Dulles may secretly rejoice in the violent words spoken in debate about the shifting sands of his expository technique, they cannot possibly feel that American policy will be improved by such rough handling of the man at the wheel at this most delicate moment.

Siege of New York

BUSINESSMEN who have been building up stocks of sugar, tea, coffee and wool found their pessimism justified this week when the greatest port in the world became doubly strike-bound. A strike of tug-boat crews, now entering its third week, makes the berthing of ships dangerous and has immobilised the barges which normally bring in two-thirds of New York's fuel oil and coal; other more expensive means of transport are being tried, but a really cold snap would cause hardship. Then, on Tuesday, the International Longshoremen's Association renewed the dock strike suspended last November under the Taft-Hartley Act. The New York dockers turned down the employers' last offer by the overwhelming vote of 14,458 to 1,185, and dockers in other ports from Maine to Virginia followed suit.

Only twice before in the history of the Taft-Hartley Act has a cooling-off period failed to produce a settlement, and the ILA was the trade union involved in one of those cases. But there is recalcitrance on both sides, not so much over wages as over strategic power. The ILA was expelled from the American Federation of Labour four years ago for the corruption and criminal connections of some of its officers. To outmanœuvre the rival organisation set up by the AFL, it is holding out for some progress toward the right to bargain for all the Atlantic and Gulf ports, even though this time the dockers in the Gulf and South Atlantic ports signed a separate agreement in January, and even though the National Labour Relations Board has declared the demand for such a "master contract" illegal. The ILA accepted the federal mediators' formula which contained a vague gesture in this direction; it was the employers who drew back after their preliminary acceptance. One point they would like to include is a "right to work" clause; the ILA's attempt to dictate the working of the piers, coupled with repeated costly stoppages, may end by sending shipping elsewhere.

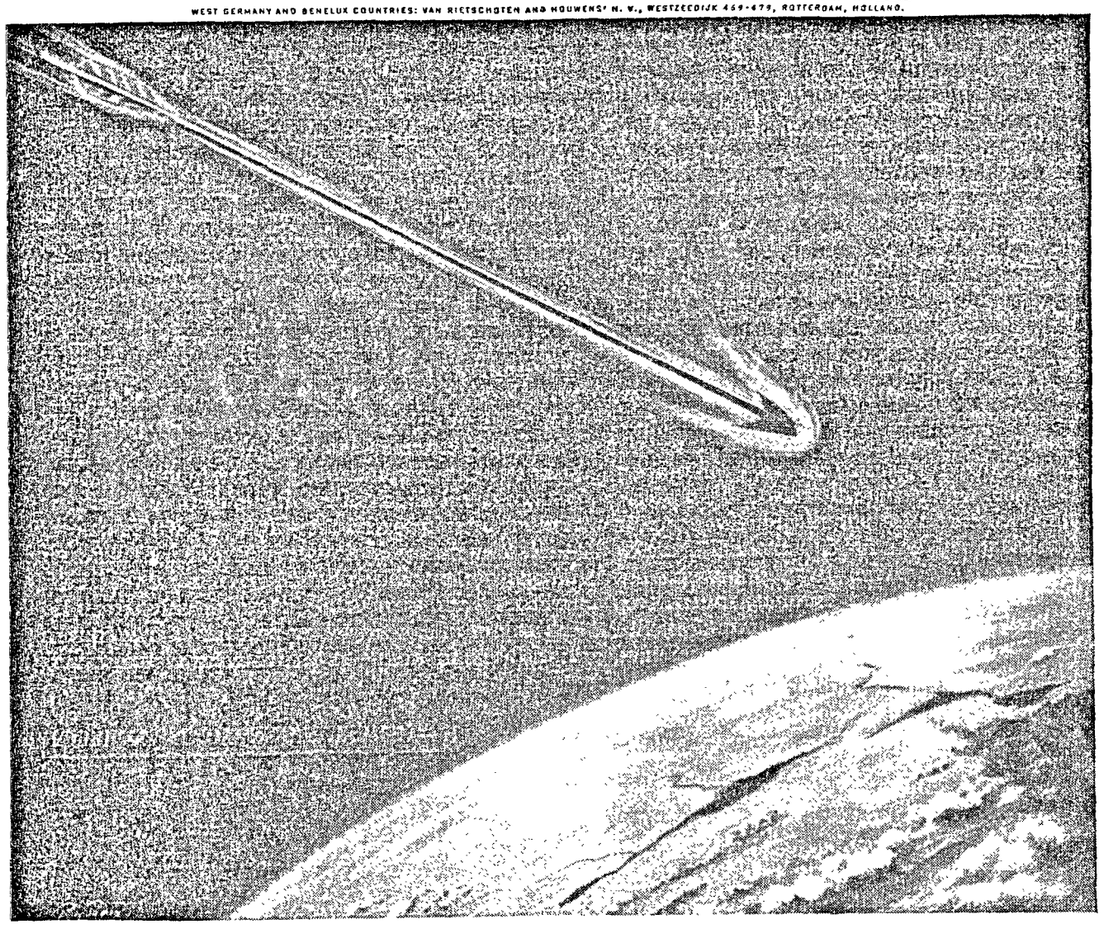
A mysterious and sinister figure in New York this week has been Mr Harry Bridges, the head of the west coast dockers, who have also been expelled from the AFL. The ILA is insisting that its new contract should end when Mr Bridges's does. The objections of the New York shippers seem to be mainly that this date, August 1st, would come at the peak of the transatlantic season, but the day of national dock stoppages may not be far off. Meanwhile, the government in Washington, which has thrown all its resources of mediation into the present strike, has one more duty under the Taft-Hartley Act: the President must submit proposals for a settlement to Congress.

A Promising Visit

EVEN though King Saud and his romantically robed retinue of sixty Saudi Arabians did not arrive by magic carpet, their glamour—and their generosity—seem to have charmed most Washingtonians, even if not all Americans, out of their earlier prejudices against the public and private lives of their visitors. On his side the King, after his unusually long state visit, seems to have gone away genuinely convinced of the goodwill of Americans and of the peaceful purpose of President Eisenhower's offer of military protection and economic aid to the middle eastern countries. Since King Saud was already genuinely convinced of the dangers of communism, there is real hope that he may prove an effective intermediary between the United States and the other neutralist Arab countries—especially Egypt and Syria. This was the purpose for which the King was invited.

In return for this indefinite promise to use his good offices on America's—and the world's—behalf, the King received what, from the official communique, seemed almost as indefinite a promise of military aid. But it is reported from Washington that he is in fact to get $50 million worth of military supplies this year and enough during the next four years to build up his army to a strength of 40,000 from its present 15,000; the additional cost is estimated at another $200 million. This army will be organised into two divisions, with about 100 tanks and 100 aircraft, and the King has given his word that none of it will be used

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against Israel. Whether this will satisfy Israel's friends in America remains to be seen, but it will be difficult for them to make an effective protest since Saudi Arabia is to pay for the arms out of its oil revenues. The King's main argument for these military supplies was that he was under heavy pressure to accept similar equipment from the Russians but had refused to have anything to do with them.

If the reports are correct, the only direct dollar payments which Saudi Arabia is to get as a result of the King's visit is $10 million for improving the port of Damman, which is used by the American oil companies, and $10 million a year for facilities at the Dhahran air base for another five years. This is an increase of $7 million a year for something which the Americans insist is really only an air junction ; the extra money is to be spent on training more Saudi pilots and troops, nominally so that they can guard the air field. The Administration, it is said, was very relieved that the King did not ask for any large economic grants, since Congress would undoubtedly have posed awkward questions about feudal conditions in his country and about his huge oil revenues which, it is estimated, will double in ten years, reaching an annual figure of $600 million. The Administration was equally relieved that he did ask to join the World Bank as this should mean that the oil revenues will be put to work on development projects, with the help of a technical mission from the Bank to straighten out the Saudi finances ; such a group could not be accused of attempting an American infiltration into the country, as was the ill-fated Point Four mission which King Saud threw out in the first year of his reign.

Guards Go To School

FROM A DEFENCE CORRESPONDENT

THE tripping tongue of Mr Charles Wilson, the Secretary of Defence, has ensured that during this year's hearings in Congress on military matters a disproportionate amount of time, effort and indignation will be expended on a scheme to intensify the training of the National Guard. Mr Wilson, a genius in the production of both motor-cars and ill-timed remarks, did his cause immeasurable harm by a breezy reference to "draft-dodging," by enlistment in the National Guard, as having been "a sort of scandal" during the Korean war. By exploiting this unpleasantry as an "insult to all National Guardsmen," his critics were able to create a silly but telling diversion from the main issue of how the country is best to create a reliable ready reserve force. In fact those units of the National Guard which actually reached the front line in any of the last three wars acquitted themselves well. The real point is that, in almost every case, they only got there after a prolonged period of field organisation and training. That is a luxury which the Army cannot now expect to enjoy in a modern war employing weapons of great speed and range.

In spite of their title, units of the National Guard are in peacetime first and foremost state troops, direct descendants of the colonial militia units whose colours and uniforms are still treasured. They are commanded by the Governors of their respective states, who occasionally call on them to maintain order in times of disaster or rioting. National Guard officers enjoy considerable political influence and social cachet within the state, which gives them a strong claim on the attention of their local members of Congress when their privileges seem in danger. On the other hand, the Guard is supposed to constitute the principal component of the Army's reserve establishment and to be available for national service immediately on mobilisation. For this purpose its 400,000 men are organised into 27 divisions, 18 regimental teams, 8 field artillery and 123 anti-aircraft battalions, with support units. The Guard's weakness lies in its lack of any solid period of basic training ; as a result, during the evening and weekend drills and summer camps, the permanent staff is so busy teaching elementary lessons to floods of young recruits that there is little opportunity for the unit training which prepares men for battle.

To correct this situation the Army has devised a plan which, having won the approval of the Department of Defence and of the President, is supposed to go into effect in April. Its essential requirement is that all recruits, for the National Guard or any other military unit, must first of all receive six uninterrupted months of basic training before undertaking any part-time commitments. The opposition argues that, unless the National Guard can continue to offer to youths between seventeen and eighteen and a half the chance of staying at school or at work, immune from conscription, in return for two hours' training a week and two weeks of continuous service in the summer, the National Guard will find its stream of volunteers drying up. Underlying this is the National Guard's traditional suspicion that the Regular Army wishes to eliminate it altogether and have its main functions absorbed by the Organised Reserve ; this is directly under the Army's control and consists at present almost wholly of skeleton units of officers and non-commissioned officers, which would need to be filled out on mobilisation with fresh and completely untrained recruits. In addition, the Southerners are afraid that, if the federal authorities control recruitment, Negroes may be posted to units which are determined to remain wholly white.

It is safe to say that a large number of Congressmen, and certainly a majority of the most vocal ones, have been more impressed so far by the spokesmen of the National Guard than by the most reasoned arguments of the Army. They seem particularly sympathetic to the Guard's compromise proposal of an eleven-week (as against a six-month) period of concentrated training, to be followed by a similar period the following year. This would permit youths between seventeen and eighteen and a half to get their training in the long summer holidays and avoid interference with academic terms. The Army contends that this would be inadequate and would waste effort and money. But it is doubtful whether Congressmen, habitually sympathetic to the "home-folks" and constitutionally suspicious of professional soldiers, will accept the official plan.

Perhaps, however, the argument may lead to a little more realistic thinking about the sort of ground forces that are most likely to be needed in a future war—which is the real underlying question. The present reserve establishment is based on the requirements of the last world war, with some modifications, and the whole frame of reference of the present debate seems to stand in need of much more rigorous examination than either the Army or the Reserve has yet seen fit to give it.

Great Wall of America

THE Secretary of State has so many more important things on his mind that it seems a pity he should so stubbornly defend a decision that was wrong. Last August the State Department refused to allow a number of highly qualified newspapermen to accept an invitation to visit Communist China which expelled all foreign correspondents in 1949. Three, less well known, went anyway and are now threatened with invalidation of their passports and other penalties. Mr Gardner Cowles, the publisher of *Look* magazine, which sent two of them, is demanding a public hearing and the American Society of Newspaper Publishers has protested, in the name of freedom of the press, against the ban and against any punishment of journalists who disobey it.

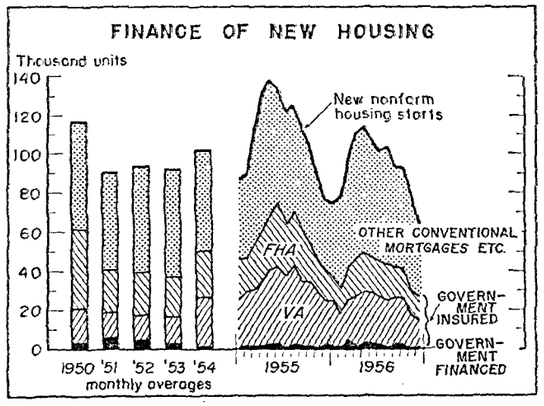
The State Department's argument is that where it has no representatives it cannot protect American travellers; nor has it forgotten the $120,000 the United States paid Hungary to secure the release of four airmen, or the concessions exacted by Hungary as the price of letting Mr Vogeler go. Then, too, it is understandably irritated after three years of fruitless negotiation with the Chinese over the prisoners they hold. Journalists, nevertheless, have special claims to run risks and democracies ought to accept some in the interests of truth. Last week, however, Mr Dulles produced a new twist: that the Chinese were offering to release their ten American prisoners if the journalists were allowed to come and that the United States would not submit to such "blackmail." In principle, it is wrong to link the two, but in practice the bargain is one in which America gains on two counts—if the State Department believes in a free press.

Unfortunately Mr Dulles went on to say that, even if the prisoners were released, the State Department was unlikely to issue passports for a country it did not recognise; "this is never done." The newspapers have been quick to point out that there were American correspondents in Russia throughout the long period of non-recognition; more recently reporters have travelled to Mongolia and Eastern Germany. Mr Dulles has backed himself into the position that Americans are safer behind an intellectual great wall just as the Chinese have begun to dismantle theirs.

Shelter for Housing?

THE fact that 200,000 fewer houses were started in 1956 than in 1955 looks to many Congressmen like a black cloud; they are all for hoisting a government umbrella. To the Administration, on the other hand, it has much more the appearance of a patch of blue in a stormy inflationary sky. Last year increases in business investment and spending by the states and localities more than made up for the declines in housing and automobiles; prices would have risen more than they did if housebuilding had continued at 1955's clip of 1.3 million homes begun. The chairman of the Federal Reserve Board, far from being apologetic about the credit squeeze, thinks it should have been sharper; the building of more schools and houses, in his view, should be deferred until other demands for credit slow up, unless Congress is prepared to increase taxes.

Builders, who have some remedies like cost-cutting in their own hands, may be too pessimistic when they prophesy that only 900,000 houses will be built in 1957. All the Administration now proposes to ensure a "fair but not excessive" level of activity is to ask Congress for a $1 billion increase in the lending power of the Federal National Mortgage Association, which provides a market for govern-



ment-insured mortgages, and an increase to 5 per cent in the interest paid on mortgages guaranteed by the Veterans' Administration. The rate on those insured by the Federal Housing Administration went up last December when it was found that lenders were putting their money into conventional mortgages yielding 6 per cent. Most of the fall last year was in housing financed by government-insured mortgages; these are the bread and butter of the industry.

Many powerful members of Congress, listening to the cries of house builders and home hunters, would prefer to use some of the reserves of the servicemen's life insurance fund to provide direct government loans at 4½ per cent. Such a raid would be vetoed as inflationary, as requiring the Treasury to borrow an equivalent amount elsewhere, and as a reversal of the trend to private financing of building which is the Administration's pride. But the empty till of FNMA may force the government to make other concessions. Congress is showing a tendency to vote only stop-gap replenishments until it is sure of some shelter for the housing industry, and if the economic weather worsens, even the Administration may help to provide it.

Boom in Trade

THIS week President Eisenhower sent his first annual report to Congress on the working of the Trade Agreements Act, as required under the amended law passed in 1955, preceded by yet another plea for congressional approval of United States membership in the Organisation for Trade Co-operation. Congress is just as suspicious of this project as it has always been even though, in the President's view, it is essential if the trade agreements programme is to be made even more effective. But last year proved, what has always been obvious, that the really effective stimulus to a continued growth of profitable world trade,

which the Act is supposed to promote, is not legislation but prosperity.

The preliminary figures for American foreign trade in 1956 show that both exports and imports broke all earlier records. Exports of merchandise were valued at well over $17 billion, about $3 billion more than in 1955, and in addition $1.7 billion worth of military aid shipments were sent overseas last year. The gains are in part explained by the success of the government's efforts to dispose of its agricultural surpluses abroad. Another notable increase was in exports of coal to Europe, in consequence of the growing demand of industry there for fuel—and at the end of the year exports of oil were of course rising. These growing demands of industry abroad, especially in Canada, were also responsible for what was the most important dollar increase in exports, the gain in shipments of machinery for mining, building and manufacturing. Expansion, but this time in the United States, also explains the gain in imports, valued at about $12.5 billion in 1956, some 10 per cent higher than in 1955. American manufacturers were using more raw materials and Americans in general were drinking more coffee and buying more newspapers; more important from the point of view of Britain, they were also drinking more whisky and buying more woollens and antiques.

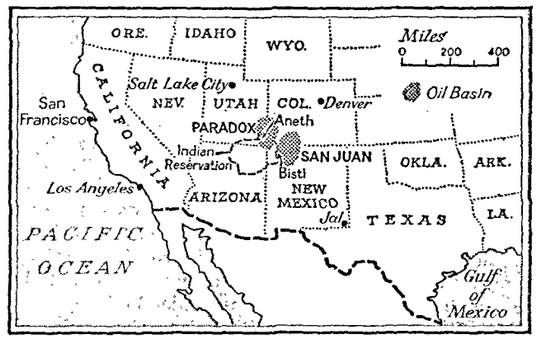
But imports did not go up enough to prevent another record being set—by the trade gap. United States exports in 1956 were worth about $6.5 billion more than imports, compared with a difference of just over $4 billion in 1955. This gap was, however, satisfactorily filled, not by dollars provided by the American taxpayer—foreign aid outlays were much the same in both years—but by increases in spending by American tourists and in private investments abroad. The latter went up by about 10 per cent in 1956, to a total of nearly $32 billion. Much of this is explained by comparatively low interest rates in the United States, which encouraged Americans to lend money abroad. The final result was that, for the first time since the immediate postwar years, net foreign investment added about $1.4 billion to the gross national product of the United States instead of subtracting from it.

Corners in Oil

THE establishment last week of the Four Corners Pipe Line Company by a group of leading oil firms, including the Shell Oil Company and the Standard Oil Company of California, seems to have solved the main difficulty of America's newest oil field. Expected to become an abundant producer, the field is situated in a desert region in the Rocky Mountains where four states meet—the only place in the United States where they do—and where there is practically no use for oil and practically no means of carrying it away. But there is plenty of use for it in California, the nearest important consuming centre and a rapidly growing one which is no longer producing enough for its needs.

The new pipeline will carry 60,000 barrels a day—and later as much as 160,000—of crude petroleum 600 miles from Four Corners to refineries in Los Angeles. It may begin to do so soon after the end of the year; much of the preliminary work has already been done and the necessary pipe is available—which is not always the case just now. Oil pipelines are common carriers available to all comers, and it therefore appears possible that, at least until the region is more fully developed, nothing more may be heard of the other projects, put up by competing companies, for pipelines to take the oil to refineries in Salt Lake City, or to join existing pipelines at Jal in New Mexico which go to the Gulf coast.

With a pipeline on the way, the drilling of new wells will be stepped up as the weather improves; most of the leading oil companies are already active in the region. There are two areas being developed: the Paradox Basin, where the chief discovery so far is the Aneth field, struck just a year



ago, with a number of other productive areas nearby, which may turn out to be either the same pool or separate ones; and the San Juan Basin, around existing natural gas wells which are supplying California and the Pacific Northwest with this fuel. Here the Bisti field, discovered in the autumn of 1955, is so far the main producing area. While it is not difficult to find oil here, many of the wells are less lucrative than are the much more prolific Aneth ones; indeed, some of them are hardly worth exploiting commercially. The Aneth field, of a very different geological type, produces a light oil which is said to have good lubricating qualities, well suited to Californian needs.

All of this adds up to a development which may turn out to be more profitable than the disappointing Williston Basin, far north in Montana, which a few years ago was arousing so much excitement, although the experts were never so enthusiastic about it as was the press. For one group the new development is already profitable: the 78,000 poverty-stricken Navajo Indians whose reservation includes Four Corners. They made $33 million (as much as their tribe's annual income) when oil leases on 400,000 acres of their land were put up for auction last November, the royalties on the oil produced are still to come.

Bankers Out on a Branch

FROM A CORRESPONDENT IN NEW YORK

BANKERS all over America are watching a move in New York State to widen the scope permitted to bank holding companies. It is less than a year since Congress finally passed a law to control holding companies, which the independent bankers hoped was a political victory for the traditional American single office bank. The failure of the

law to deal with mergers, the most popular method of concentrating banking resources, was its most glaring loophole and one through which the Transamerica Corporation, the big western holding company which was the main target of the measure, slipped while Congress was debating the restrictive legislation. Now the First National City Bank of New York, an eight billion dollar giant, is seeking to satisfy the Federal Reserve Board, as it must under the new law, that its use of a holding company to acquire a bank in White Plains, New York, would be in the public interest and consistent with sound banking and the maintenance of competition. It will be a bitter blow to the independent bankers if it succeeds.

They cannot even count on the New York law to block the expansion of big Wall Street banks like the First National City. A Bill is being introduced in the State Legislature to make it legal for a bank in one of the state's banking districts to acquire a bank in another district through the device of a holding company. In New York, which like the other forty-seven states imposes its own banking regulations side by side with federal requirements, new needs arising out of new conditions are pressing against old laws expressing deep prejudices. For many years the issue of bank holding companies has been confused and their growth stunted by the regulations to which branch banking must submit. Only one bank holding company doing state-wide business exists in New York. It is the Marine Midland Corporation of Buffalo which is said to control about 18 per cent of the commercial banking resources in the state outside New York City. It was not affected when regulations governing branch banking were adopted and has so far remained unscathed. These state regulations owe their present form to the banking holiday of 1933, which led to an examination of all banks and a virtual relicensing of those strong enough to open. When the dust had settled, almost two hundred communities found that they had no banking facilities whatever, and applied for the relief that branch banking, then limited to big cities, might bring.

After long debate the Legislature passed a law dividing the state into nine districts, each containing three or more counties, each "constituting a natural commercial and trade area," within which branch banking would be allowed, provided that the State Superintendent of Banks and two-thirds of the State Banking Board agreed. The fact that this law did not mention bank holding companies was not interpreted as an invitation to expand them. On the contrary, there seems to have been a tacit understanding that the Act regulating branch banking casts doubt on any attempt to create a new bank holding company. In part this was due to New Deal attacks on all holding companies, in part, perhaps, to a confusion which still persists in the highest quarters over the difference between the operations of a bank holding company and a branch banking system. In any event, for twenty years the districting Act has proved a deterrent to both types of expansion.

Meanwhile, during the long years that Congress was considering a federal law to control bank holding companies, circumstances and banking requirements in the state changed. Population has grown, and standards of living have risen. Cities have spread into suburbs, and not always in accordance with the lines that define bank districts. For example, New York City is in the second banking district; but many of its former residents now live in Nassau County, which is in the first district, in Westchester County which is in the third, or in New Jersey which has its own very different rules. These ex-urbanites have not been able to take their banking connections with them. City banks have been losing customers to suburban banks, and suburban banks have been faced with demands for expansion in services and lending power which they are not equipped to meet.

The situation has become particularly acute in Westchester County where, during the last five years, deposits of insured commercial banks have risen by 35 per cent while those in New York City were rising by only 3.5 per cent. Not only are the city banks looking with longing at the rich field over the district line, but the suburban banks, competing for new business and beset by the problems inherent in expansion, are also beginning to reach out for capital from New York City. There is a rumour that the request of the First National City Bank to be allowed to form a holding company, the First New York Corporation, to control both the parent bank and the County Trust Company of White Plains, was made in answer to a plea for aid from the smaller bank. Although it is the largest bank in Westchester County, it is said to have felt that its competitive position was endangered by the threat that Rockefeller money might flow into the capital structure of a competitor.

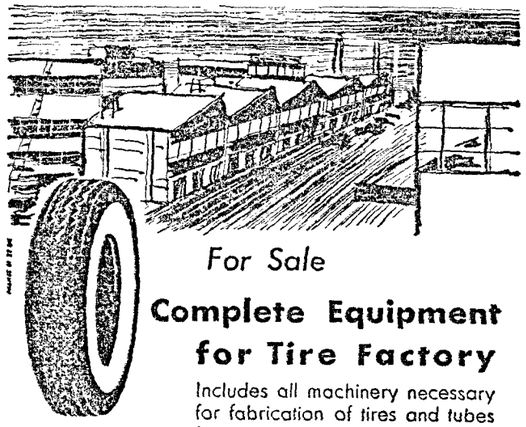
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The formal request was made in November, and hearings before the Federal Reserve Board and the state authorities followed in January. The decisions have not yet been handed down, but the publicity which accompanied the hearings gives some clue to the complexity of the issues and interests involved. All the familiar jousting teams sprang into action, small banks against big banks, big banks against big competitors, unit banks against branch or holding company banks, Congressmen against the hint of trusts, city interests against country interests, Democrats against Republicans, the advocates of states' rights against federal encroachment, the Justice Department against anti-trust violations.

The hope is that the State Legislature, spurred on by its joint legislative committee to revise the banking law, will pass an Act which will allow bankers to meet the state's needs for banking facilities without encouraging monopoly. The Federal Reserve Bank in New York City has lent the committee one of its own officers to help in drafting the Act, which somehow will have to try to hold the balance between unit banking, branch banking, bank holding companies and the new pattern of federal regulation which is emerging. Meanwhile, the Federal Reserve Board is far from happy in its task of administering the federal Act. It is not accustomed to conducting formal administrative hearings, and for those on the request by the First National City Bank the board had to borrow a trial examiner from the National Labour Relations Board. Some observers predict that Congress will repeal the bank holding company Act if it proves to be a disappointment to its sponsors. Others insist that, despite its inadequacies and the confusions it creates for the states, the Act does lay down needed ground rules and remove uncertainties which have stunted the growth of banks. Even to the initiated it becomes clear why there are repeated demands for a national commission to study the entire money and credit system.

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The figures in the table on immigration on page 469 of *The Economist* of February 9th were based on statistics given in the *New York Times*.



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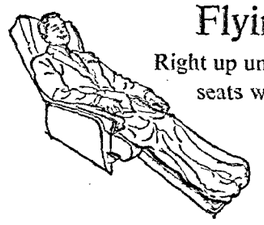




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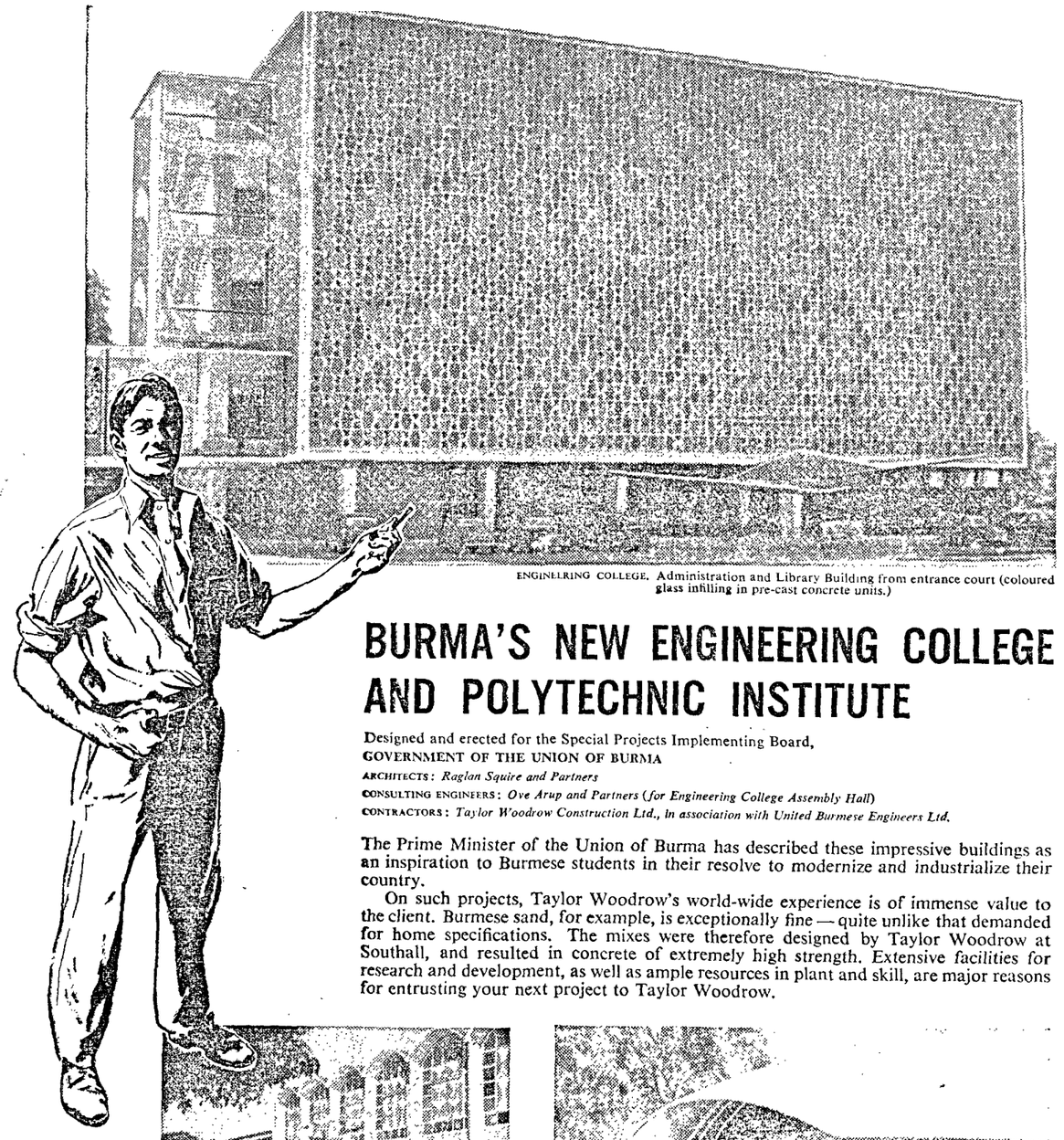
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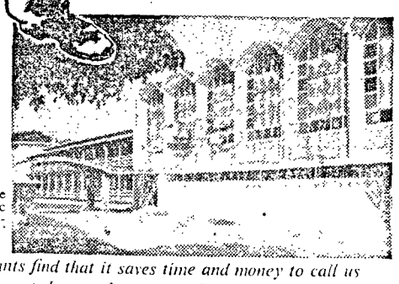
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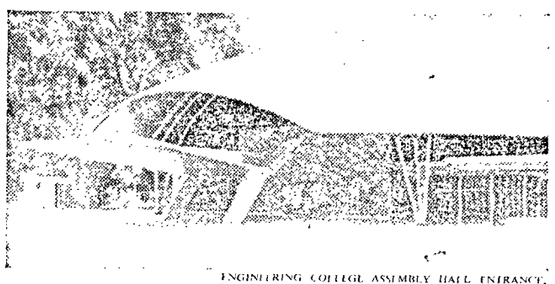
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The World Overseas

Italian Socialists in Travail

FROM A SPECIAL CORRESPONDENT IN VENICE

THE seven hundred delegates of the Italian Socialist party who met last week in Venice for the 32nd congress of the party were called upon to define the future relations of the party with the communists; to pronounce upon the prospect of socialist reunification (and hence on future relations with the Social Democrats from whom they split ten years ago), and to consider the creation of a socialist alternative to the present centre coalition which has governed Italy since 1947. As the presence of Mr Morgan Phillips, M. Commin, and Mr Bevan showed, the chances of creating a strong and reunited Italian socialist party are of much more than purely Italian significance.

The congress was preceded by several months of harsh polemic within the party. Signor Nenni's meeting last August at Pralognan with Signor Saragat, the leader of the Social Democrats, at which an initial discussion of reunification took place, produced an angry reaction from those in the party who, headed by its vice-secretary, Signor Pertini, objected to any move which was likely to weaken the party's ties with the communists. It was expected that at Venice these dissenters would make themselves heard. But in fact few of them did so. This was a matter of tactics rather than a change in their conviction: they calculated that an overt opposition to the new line would only confirm their minority position and strengthen Signor Nenni's hand. No modifications to the secretary's opening speech were therefore proposed: no contrasting final motions were presented, and no list of opposition candidates appeared for the election to the new central committee. There was, as a result, a certain air of unreality about the proceedings: a show of unanimity which only in part masked the underlying differences of interpretation advanced, cautiously and in a proliferation of verbiage, by many speakers.

A number of fundamental decisions nevertheless emerged. In the first place it is clear that the old *frontismo* with the communists has been discarded. All the delegates were firmly opposed to the adoption of an anti-communist policy, but all equally called for a new autonomous socialist policy which should lead, rather than be led by, the other forces of the Left, and which should seek to become the rallying point of the political aspirations of the working classes of the country. There was general agreement, too, on the need for democracy both within the party and the state, for the toleration of minorities and for reform by parliamentary means. Signor Nenni himself explicitly stated that the old maximalist view of socialism through bloody revolution had to be abandoned, and although most of the delegates from the base of the party continued to talk of reformism with the utmost disdain, it was clear that in fact they have begun to think in terms of the methods pursued by the other social democrat parties in western Europe. The very warm welcome given to Mr Bevan and the many references to the valuable experience of the British Labour party were highly significant: the Soviet world has ceased to exert an exclusive fascination upon Signor Nenni and his followers.

There was general, if somewhat imprecise, agreement about the need for reunification of all socialist forces in the country. There is a wealth of anger in the party against Signor Saragat for the compromises which his alliance with the Christian Democrats has forced upon him. But at the same time the party sees that electorally it needs the help of his followers. In internal policy it proposes nothing that should prove to be unacceptable, at least on ideological grounds: in foreign policy it proposes Italian neutrality between the two blocks, though it is willing to accept Italy's participation in Nato on a strictly defensive basis, and to consider favourably further European economic integration with the proviso that participation should contribute to the wellbeing of the working classes of the country. The party's neutralism has hitherto been in strident conflict with the policy pursued by the Social Democrats, but it may be that the changing situation will ease the way towards a compromise.

About many of the details of future policy there remains a penumbra of uncertainty. Signor Nenni made an urgent appeal for a modern formulation of socialism which would face the imminent problems of the second industrial revolution, but few of his followers demonstrated any clear grasp either of what these are or how they can be met. The lack of political education at the base of the party remains one of its most grievous weaknesses: even in trade union matters there was little evidence of positive ideas. The congress did, however, listen with great attention to its two most eminent trade unionists, Signori Foa and Santi, who both argued strongly for an independent trade unionism. Great though the difficulties of this are, the personal triumph of Signor Foa (who headed the poll for the new central committee) is a promising sign. But the party still has to make up its mind about its attitude to the great mass of workers who vote for the Christian Democrats, and it is difficult to see how its aim of working-class unity can be obtained at the same time as it opposes the party which so many workers support.

The presentation to the country of a future united socialist party as an alternative government must inevitably present

the party's leaders with many difficult problems of this sort. The composition of the new central committee arouses some doubts of their ability to face them with vigour and singleness of purpose. In the vote for the committee's 81 members many of the muffled doubts heard during the congress found expression in the election of a considerable number of representatives of groups not entirely in agreement with the secretary of the party. How strong their reservations will prove to be depends much on the skill of Signor Nenni himself, who, by his presentation of the case for a new policy, confirmed that he remains the one person of sufficient stature to guide the party towards its fulfilment.

Strains in Spain

FROM OUR CORRESPONDENT IN MADRID

READING the Spanish press one would hardly guess that the Franco state is in crisis. The papers carry plenty of news and comment about the trials and troubles of other lands, but practically nothing about the situation at home, which is bad and getting worse. It is impossible, of course, to conceal from the public what it already knows, such as that prices are rising and the value of the peseta falling. So the controlled press keeps one jump ahead, or tries to, by expatiating on the troubles of other countries. Thus one finds headlines like these: "The European Market will force devaluation of the franc"—"The value of the dollar is half what it was in 1940"—"Inflation threatens the American economy."

Still, once in a while a significant fact or a pertinent comment trickles through. "On the whole, prices are stable," observed *El Dia* in gentle irony recently. "It is true that oil, butter and meat have risen, but Chinese vases and French masters of the 19th century have fallen back." *Pueblo*, organ of the labour syndicates, indignantly pointed out that "whereas our workers are poorer than the workers in other countries our rich are as rich, or richer, than the rich elsewhere."

People are worried; they have shown it in Barcelona and Madrid by boycotting the trams, the only way they could protest collectively without running foul of the law. The government is trying not to show that it, too, is worried; but there is not much to be cheerful about, judging from the symptoms of a rapidly deteriorating economy which are, in the words of one observer, "almost too awful to contemplate."

Inflation is gaining ground. Wages have been raised twice in the past ten months by an average total of almost 30 per cent, without any commensurate increase in production. The effect of these wage increases has been cancelled out by an equivalent rise in the cost of living. The drain on the nation's dollar reserves is like a hæmorrhage. From $94 million in December, 1955, reserves had dropped to $28 million in December last year, to $21 million in January this year, and are now reportedly around $10 million. (Spain has a gold reserve, so far untouched, of $120 million.) The value of the peseta has dropped from a steady 43 to the dollar in June to around 54 now. Fiduciary circulation has increased by 24 per cent in a year. The budget deficit has swollen to 16 billion pesetas.

The export of citrus, Spain's biggest earner of foreign exchange in normal years, has been crippled by last year's great frost; by January 20th only 97,964 tons had been exported compared with 441,775 tons up to January 22nd of last year. The terms of trade have shifted to Spain's disadvantage. In 1955 (January to August) the average price a ton of imports was 236.42 gold pesetas; in the same period last year it had risen to 275.75 gold pesetas. Prices earned by the average ton of exports moved the other way: 132.25 gold pesetas in 1956 (January to August) as against 155.38 for the same period in 1955.

Spain is in the grip of a shortage of two major staples: olive oil and wheat. It consumes 465,000 tons of olive oil a year; this year's crop will be only between 335,000 and 350,000 tons. Consumption of wheat is 4.3 million tons; this year's crop will probably be around 3.5 million tons. It is hoped that American sales (for pesetas on the basis of a 40-year loan) of surplus vegetable oils and grain will bridge the gap. But besides hurting the wheat crop, lack of rain is affecting Spain's supply of hydro-electric power, so that power cuts have had to be imposed three days a week and industrial production is slowed down.

Looking to Washington

The Spanish government is turning to the United States for help. It has asked for an extra $30 million in aid for 1956-57 and hopes for $130 million in 1957-58. At the same time General Franco is trying to talk the Russians into returning the $560 million worth of gold which Dr Negrin's Republican government shipped to Odessa in February 1937. Moscow's price may be the establishment of diplomatic relations. Or it may be higher: perhaps abandonment of the American alliance.

American aid since 1954 amounts to $458,800,000. This does not include what has been spent on building up the armed forces. About $278 million consisted of agricultural sales to make up shortages and to help keep food prices down. It is by no means certain that the United States government will come to an easy decision regarding future and larger outpourings of economic aid to Spain. For one thing, Americans have begun to feel that the weather cannot be blamed for all of Spain's troubles. They consider that the government has been living beyond the country's means, spending too much on non-productive projects like the grandiose labour universities and the architecturally remarkable but probably very expensive (nobody seems to know what it cost) *Valle de los Caidos*, to be the final resting place of the Civil War dead. The sentiment exists, moreover, that the Franco government has not gone as far as it might in encouraging investment of foreign capital which would develop the Spanish economy and relieve the American taxpayer of some of the burden of keeping Spain (and the Franco regime) going. There are the bases to consider, but there is also the fact that General Franco has been losing popularity. Opposition is growing in right-wing quarters, among those who were with him and for him during the Civil War and after, and who today have lost their old enthusiasm. Throughout the country discontent seems to be becoming more general; it is spearheaded by the students through agitation in the streets; clandestine leaflets attack the government.

Given these facts, along with the major economic and political crisis now building up, it may not be long before Washington feels the need for an agonising reappraisal of its Spanish policy.



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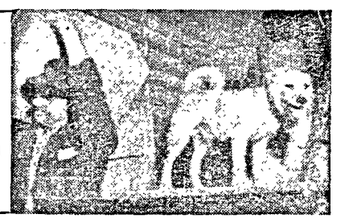
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The Sultan and his Ex-Protector

BY OUR SPECIAL CORRESPONDENT

WHEN Sultan Mohammed V of Morocco visited General Franco this week he must have seen the Caudillo's Moorish bodyguard. These horsemen are one symbol of the ties which entangle Spain with Morocco, ties which the two countries have lately been trying to loosen. Although the Sultan was on a private visit, he and General Franco have now signed a diplomatic agreement, by which they will consult with each other on matters of common interest, and also an agreement by which Spain will still provide the northern zone of Morocco with judges. But after three months of discussions the largest knots are as firmly tied as ever.

The tangle dates, of course, from the Spanish protectorate of the northern zone of Morocco. This began in 1913, a year after France and Spain agreed to divide Morocco (excluding the international city of Tangier) between them. It ended last year, under pressure of Moroccan terrorism in the French zone. Yet the three zones of Morocco are still divided by frontiers, and in the northern zone you would almost think that the protectorate still exists. The road from Tangier to Tetuan, winding over the bare, brown rolling countryside, is as full of pot-holes as any main road in Spain. At first sight Tetuan seems an Andalusian town—all fountains and gardens, whitewash and curly green tiles, flowered balconies and wrought iron. But the streets are filled with a far more motley crowd: Spanish policemen and Moors in their straight, hooded robes; Madrid fashions and the eternal dusty black of the Mediterranean peasant; white bundles with only the eyes showing, and lumpy Berber women with huge straw hats surmounting wimples made of bath towels. On the main square a minaret towers behind the Spanish buildings and from your café table you see the muezzin call the faithful to prayer. Through a white archway in a corner of the square is the Arab town, the *medina,* its narrow arched streets teeming with people and lined with open shops; and in another corner is the entrance to the palace of the khalifa Moulay Hassan, the Sultan's representative during the Spanish protectorate, who is shortly to come to London as Morocco's first ambassador. But the square itself is called the Plaza de España.

★

The Spanishness of the northern zone keeps Morocco divided. In the southern zone the currency is the Moroccan franc, which is linked to the French franc; but in Tetuan it is mainly the Spanish peseta. Important services belong to Spaniards—the railways and the airport, for example, and there are Spanish post offices. The judicial system is Spanish for Europeans and Moslem for the Moslems, and it has to be absorbed into a single system for Morocco as a whole. The Spanish High Commissioner, who reigned with all the pomp of a viceroy, has gone and in his place, from a crimson velvet office, reigns Abd el-Khalek Torres, the former nationalist leader, as Governor of the northern zone. But there are still Spaniards at the head of some of the departments of state, and most of the lesser officials are Spanish. Above all, unification is delayed by the fact that the level of wages and prices in the northern zone is Spanish, being perhaps 30 per cent lower than in the southern zone. To lift the frontier would be to cause a rush of people and goods from north to south.

The underlying cause of delay, however, is that neither country is quite single-minded about integration. For the sake of prestige the Spaniards would regret the disappearance of the peseta from North Africa; but its circulation there, and its quotation on Tangier's free market, is a horrid demonstration of its weakness, as well as a leak in Spanish exchange control. In one sense again, the Spaniards do not want to go on subsidising the budget of the northern zone; but they are continuing to do so for the present because the zone's bankruptcy would greatly harm Spanish interests—most of the zone's meagre industry is Spanish and, above all, so are the iron ore mines, perhaps 60 per cent of whose profits go to Spain. Aid, moreover, is consistent with General Franco's pro-Arab policy—and he has a particularly soft spot for the country from which he launched his *coup.*

The Moroccan government, for its part, wants the northern zone integrated with the southern and Spanish influence reduced—when it thinks in political as opposed to economic terms. Presumably it is to this end that Mr Torres is to go as ambassador to Egypt, to be replaced, no doubt, by someone less vice-regal, more manageable, and of longer standing with the Istiqlal party. (Mr Torres used to have a nationalist party of his own.) On the other hand, Morocco does not want to lose Spanish financial support or Spanish officials—there is no one to put in their place. Mr Torres told your correspondent that the Spaniards in government service are co-operating well; and he was pleased, too, with the Spanish army, which keeps itself to itself in the ancient *presidios* of Ceuta and Melilla (which are still Spanish), and does not move about the country without asking him first. Of Ceuta and Melilla nothing has yet been said.



Not everyone in Morocco would share Mr Torres's satisfaction with the Spaniards. The system of commissions, which some might crudely call bribes, has not speeded public works, and some people were a bit annoyed when the viaduct on the new road to Ceuta collapsed before it was opened. Moroccans, however, believe in the commission system themselves. They have indeed, a lot in common with Spaniards. These may have left their zone almost as undeveloped as they found it; but by doing nothing they have not roused antagonism and jealousy as French zeal has done. The Spaniards, again, may have kept all the best jobs for themselves, but they did so more out of self-interest than through the feeling of superiority which has earned such hatred for French settlers. Racial superiority, indeed, would be out of place between two peoples who have been invading each other's territory for twelve hundred years. If the Spaniards own the factories of Tetuan, the Moors of Chauen still claim to have the keys of their ancestors' houses in Seville.

King Hussein's Message

FROM OUR SPECIAL CORRESPONDENT IN AMMAN

DEBATE still continues in Jordan on the subject of the message sent by King Hussein to Prime Minister Suliman Nabulsi, warning him against the danger of communist infiltration. The message is certainly the most startling, if not the most important, development in Jordanian politics since the new government was formed after the general elections last October. Although undoubtedly disconcerted by this unexpected intervention from the Palace, the government has taken immediate steps to curb communist propaganda by stopping the showing of Russian films, the distribution of Tass bulletins and the publication of a new communist weekly, *Al Jamahir.* In addition, bookshops have been searched for communist literature.

The King's message was ably drafted. It took its stand firmly on Arab nationalism and its Islamic associations. Its real purport was that the coincidence of communist and Arab interests in recent months was purely accidental and that their long-term interests would certainly diverge. The key sentence was: "We will not replace the colonialism that is disappearing from the Arab world by a new form of imperialism."

It might seem that there was nothing in the message to which Arab nationalists could object. But there is more to it than meets the eye. The Egyptian and Syrian governments, together with their powerful allies in Jordan, deny the existence of the communist menace, and the King's warning seems an implied contradiction of the official line emanating from Cairo and Damascus. It disturbed the more extreme nationalists, who saw in it a deviation from the course pursued by the Jordanian government. Their disturbance was reflected by the Egyptian press, which spoke of a "grave crisis" in Jordan. The view has been expressed in Amman that the message gave the communists undue publicity and even an aura of martyrdom.

Visitors at the Palace

The timing of the King's message has come in for comment. Although he certainly knew his words would be unpalatable to certain members of the government, he can hardly have intended to force a cabinet crisis amid the negotiations for the termination of the treaty with Britain. Ending the British link is still a step that appeals strongly to the Jordanian public, and anything delaying it would bring odium on the heads of those responsible. The act of termination is likely to mark the springtide of popularity of the present government. The testing time will come thereafter when serious economic problems must be faced without the boost supplied by nationalist issues.

Some attention has been attracted by the fact that the King within the last few days has been conferring with several politicians of the old school, including at least four who held the office of prime minister in days of British influence. Inevitably, some have concluded that the King's message was inspired by "reactionary influences." In the absence of proof, judgment is perforce suspended. But many of the warier observers, with the welfare of the dynasty and the independence of Jordan at heart, hope that no drastic step is contemplated at the present juncture.

The Nationalist tide is still running strongly, and there is no doubt that the present government, a combination of nationalist and radical elements, reflects the opinion of the majority in the country. Any attempt to stem the tide is likely to store up dangerously explosive forces. If moderation is to come at all, it had better come from within the government as a natural result of the discharge of the responsibilities of office. At any rate, during the present delicate stage of transition, many would prefer to have the extremists in the government rather than in the streets.

New Life for OEEC

FROM OUR PARIS CORRESPONDENT

THE OEEC countries have taken the free trade area scheme into the negotiating stage. All the countries are willing to join the talks; this had been doubtful. The ministers at their meeting this week have therefore taken a big step forward, and new life has been injected into a body which had seemed to be growing dangerously anæmic.

The decisions taken, although procedural, in fact reflect an initial negotiation. It has been decided to appoint a political co-ordinator, Mr Thorneycroft, in his capacity as OEEC chairman; he is to be the Spaak, as it were, of the free trade zone. He will co-ordinate working groups, of which there will be at least three. The first will deal with the general problems of setting up a free trade area. The other two will tackle the major stumbling blocks that have emerged: agriculture and the status of the less developed countries (Greece, Turkey, Portugal, Ireland and Iceland). The intention is that as much of a draft convention as possible should be ready by July.

There was trouble in getting a clear distinction between the working groups accepted. It suits Britain to isolate the agricultural problem, and the problem of the poor countries, from the free trade area proper. For industrial free trade the British Government is a purist. Tariffs and quotas must be lowered automatically (though the kind of protection provided by double price systems, for instance, will not be dented); escape clauses must be reduced to a minimum. But Britain remains a non-taker on agriculture, and it fears that the special needs of countries like Greece, if introduced into the central discussion, will blur the issues. Naturally the countries interested in these problems would prefer to stir the whole brew in one pot. Apart from Switzerland, no one clearly backs Britain in excluding agriculture, though it is recognised that the common market powers themselves propose a regulated agricultural market, not a free one. The Danes, who risk being excluded from the common market without compensation in the free trade area, are particularly anxious. As for the poorer countries, they realise that unless they get special concessions, in particular an investment fund to help finance their development, the free trade area will not benefit them much.

Britain, for all its objections to including agriculture in the area, will sit on the relevant working group. The other countries take this as a warrant for hoping that some compromise may be possible in practice, however immaculate the principle remains. Could agricultural goods be more

narrowly defined than the British Government has done? Could guarantees be obtained of increased British purchases from food exporters ?

Whether separating these questions will keep the central talks pure from the British point of view is a moot point. The French will certainly want at least the same far-reaching safeguards as they have obtained in the common market. In general, the problem of co-ordination with the common market will raise complicated issues. For instance, the British view is that a country in acute balance of payments trouble can reimpose quotas without consulting its colleagues. The Swiss have asked whether countries affected by these acts could likewise retaliate without consulting anyone. If the answer were "yes," the free trade principle would be wobbling dangerously on its tightrope. It is in any case certain that in the common market a different line would be taken—a country would be less free to act, but its neighbours would be more obliged to succour it with credits for instance. Could France, to take a far from implausible case, be treated one way in the common market and act in another way in the free trade area ? Clearly not. Such problems are not insoluble but are looming much larger now that the ministers are penetrating into the foothills of negotiation.

It is worth noting that the Six have not spoken in chorus. Though M. Spaak read a joint declaration, their ministers also spoke each for his country. In fact they run the whole gamut of attitudes from Germany, which is near the British position, to France at the farther pole. They will not directly contradict one another, neither will they speak as one. The distinction may considerably affect the negotiations.

No one is committed yet to a free trade area, which is still only a rough outline. Despite the clearing of the undergrowth done by the Six on the common market it is hard to see how a draft convention could be ready by July. Mr Thorneycroft will be busy as European panjandrum as well as British Chancellor.

Brazil Attracts the Foreign Investor

FROM A CORRESPONDENT IN RIO DE JANEIRO

PRESIDENT KUBITSCHECK'S government has completed its first year in office. On his election, the president announced that his five-year term would advance Brazil fifty years. In the first year the country's economy has undoubtedly progressed, but the conventional economist would be hard pressed to explain how. Not only did Snr Kubitscheck take office in a more bitter political atmosphere than did any of his predecessors but his legacy of economic discord was longer. He inherited thirty years of profiteering and inflation, and the leap-frogging of prices and wages has become as inexorable as the seasons. Last year, the prices of even modest necessities increased by an average of 40 per cent. The sanguine official economic forecast is that inflation will reach saturation point and will result in a "natural stabilisation on new levels."

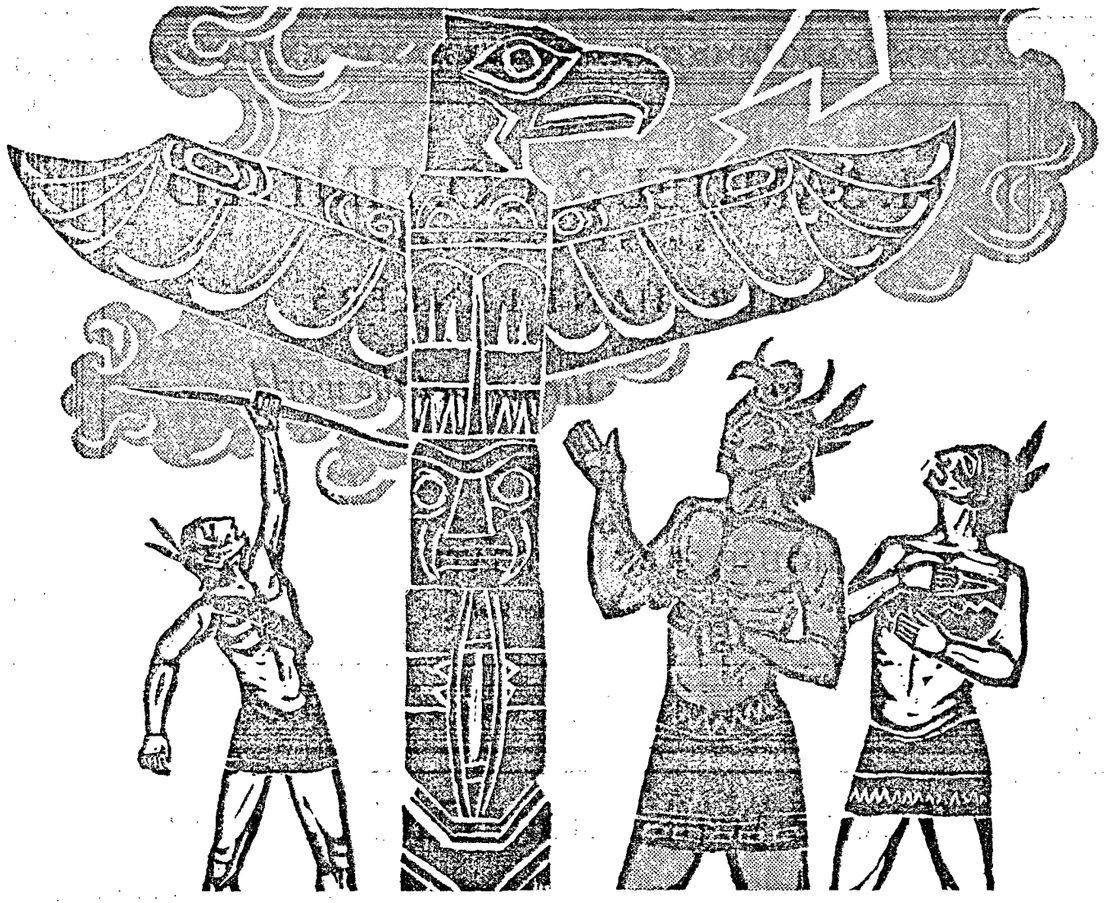
But Brazil's ability to ride a crisis has often confounded the experts. The licking political fire which at one time threatened the government has now died to a spluttering of bitterness and mistrust. The passive philosophy of the average Brazilian may provide licence for shameless profiteering and inept management of domestic affairs, but it also provides the best guard against political extremism. On the economic front, the value of the cruzeiro is hardening despite the unpromising conditions. And the political upheavals of a year ago have not discouraged foreign investment. The United States alone supplied Brazil with more than $400 million last year, about half as long-term loans from the Export-Import bank and the rest in the form of development schemes, private capital, surplus farm products, and technical aid. German industrial investment made great strides forward during 1956; the rate of German economic and commercial expansion in Brazil is claimed to be well ahead of the American. The Brazilian government has been able to advance many of its development plans, and if, in addition, it would recognise that the country's sovereignty is sufficiently assured to allow in foreign money to develop natural resources—notably oil—President Kubitscheck would be well on his way to achieving his fifty years of progress in five.

Britain Falls Behind

Brazil's natural wealth, growing population and central position are its main attractions for investors. With a population which should reach 100 million in twenty years' time, it is an expanding market far from likely trouble spots, and surrounded by other growing markets. Moreover, a steady process of industrialisation combined with a restrictive exchange policy have made it a shrinking market for imported manufactured goods, and former exporters who want to retain Brazilian custom have found that to do so they must start manufacturing locally. By doing this, they are not only able to retain the Brazilian market but are in a position to supply Brazil's neighbours.

In the new wave of investment there have been only a few drops of British money. Although for British interests, there are understandable objections and limitations to investment in Brazil, there is also a stolid scepticism and an almost defiant ignorance in the United Kingdom about Brazil, which Brazilians put down simply to disinterest bred by inability to compete. Brazilian buyers and manufacturing interests often do not now think of Britain as a possible supplier or partner; visitors from London are sometimes brought up with a jerk when Brazilians, showing them round shining new German-equipped factories, assume sympathetically that as Britain "has fallen so far behind competition," their visit is a sightseeing, not a business one. As Brazil's policy is to favour first-comers many British manufacturers have probably by now lost their chance. In the meantime, well known German, Swiss, Italian, French, Swedish, American and Japanese undertakings set up local subsidiaries to produce everything from steel to paper, jeeps to bicycles, chemicals to fountain pens.

While British exporters of manufactured goods may have to write off this market in the not so distant future, British suppliers of capital equipment are being squeezed out mainly through lack of financing. It seems that some directors of the World Bank share Britain's apparent scepticism about Brazil, for the Bank continues to hold back from financing development schemes. This policy is depriving Europe, and particularly Britain, of the chance of competing for orders, which since the Export-Import Bank is far bolder, go unchallenged to American suppliers; last year orders amounting to almost £100 million went to American firms, their prices unquestioned.



Fly Away, Thunder Bird

FOR THOUSANDS of years before Columbus sailed, Redskins roamed the prairies and forests of North America. Although as hunters and trackers they knew the ways of nature, they remained ignorant of the causes of most natural phenomena, and so were a prey to many fears. Above all they dreaded thunder—the awesome clamour of the Thunder Bird's beating wings. To protect themselves from this deity when lightning flashed from its eyes, they offered gifts to it in effigy.

Today, in industry, much thought is given to protection in all its forms. But effigies are not in demand. Modern manufacturers, well versed in cause and effect, take logical steps to see their goods are properly protected — effectively guarded by reliable packaging materials. The majority pick stout "Fiberite" cases, and crisp, attractive cartons made from "Thames Board". They know this tried and trusty protection is backed by the skill and reputation of Thames Board Mills Limited, the largest manufacturers of packaging materials in this country.

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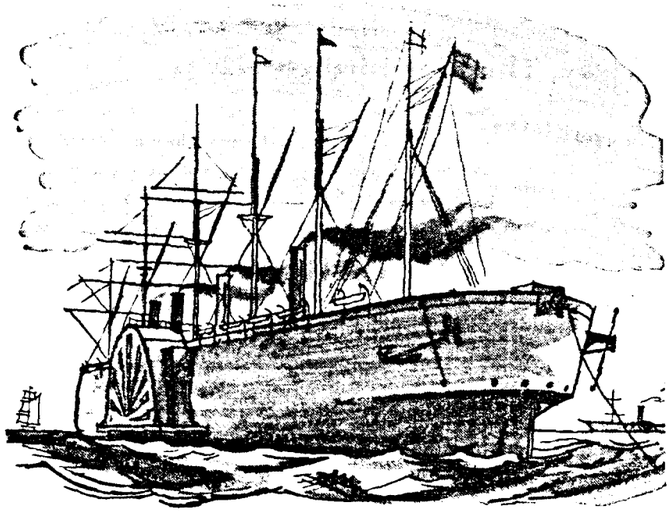
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THE BUSINESS WORLD

The Big Screen Shrinks

LAST year, by a coincidence, the British public seems to have spent roughly as much on buying new television sets—some £105-£110 million—as it did on going to the cinema : and the Exchequer may have taken about £30-£35 million of this in each case. These two ways of buying visual entertainment, on capital and on current account, are not directly comparable. Most people buy their television sets on instalments, and prudent ones may insure against repairs and tube replacements, or even provide for replacing the set itself eventually : and if he rents the set, a viewer pays for his television on current account, at the price of about four cinema seats a week. But however they are paid, all these are fixed charges. Once the set is in the drawing room, the programmes cost no more than a few units of electricity (and so many hours off the tube's expendable working life). Any particular programme appears virtually free, and the more time one spends looking in the better value one gets for one's capital investment in the set. The cinema business, by contrast, simply sells visual entertainment to customers who come out to get it and pay for it at the time.

Nevertheless, the two compete indirectly for the public's disposable income, which has been increasing in recent years, and quite directly for its disposable time, which has not. Television's share of that income and that time is continuing to increase. The cinema's share of both is continuing to fall. That is the real problem of the British film industry ; all others are secondary.

Among the less apparent accomplishments with which Mr Peter Thorneycroft arrived at the Treasury last month was an unusual knowledge of the problems of the British film industry : he found there a unique opportunity to finish what he had begun to do about them. As President of the Board of Trade, Mr Thorneycroft had been responsible for initiating a bill, now before Parliament, which might be said to refurbish about two-thirds of a Government policy towards this industry. Last month he inherited the power to complete the other, most important third of that policy : a comprehensive review of entertainments duty.

The Cinematograph Films Bill, which was introduced in the House of Lords and has completed its committee stage there, is designed to polish and bring up to date most of the threefold policy of protection for film production in Britain that dates back to 1927 :

> The oldest armour in this policy is the quota system under which a prescribed percentage of the films that British cinemas show have to be made in Britain.
>
> The second support for British films is the National Film Finance Corporation, which for the last eight years has been putting up the risk capital for British film production. It has lent more than £12 million since 1948, and has had to write off nearly £5 million.
>
> The third form of support given to British producers is the "Eady levy" introduced in 1950. This is a levy on box office takings that is distributed direct to the makers of films in Britain without paying the normal margins for distribution, exhibition or duty. The levy is nominally a voluntary contribution by exhibitors ; but it was introduced under government pressure, with a remission of duty to enable exhibitors to pay it.

Today, the Government is concerned to strengthen, not to alter, this established policy. The bill proposes to extend the quota system for ten years, though the Board is now promising to discuss the weaknesses of the system with the trade after this bill becomes law and to clear them up in amending legislation later. The lending powers of the National Film Finance Corporation are due to end at the beginning of March this year, and the bill proposes to extend those powers for ten years. The corporation's responsibilities, however, will be subtly altered : it is now told for the first time to conduct its business so as to avoid defaulting on any of the loans it may obtain from the Board of Trade or other financial institutions. Its job is no longer, that is to say, simply a rescue operation.

Rather more of the burden of protecting British film production is shifted in this bill on to the levy from the

box office receipts. This is now to be made a statutory levy on exhibitor's turnover, instead of a voluntary one. The change seems mainly designed to rob the trade of bargaining power when it comes each year to argue about entertainments duty: the Government is anxious to fortify the fiction that the levy and the duty have nothing to do with each other.

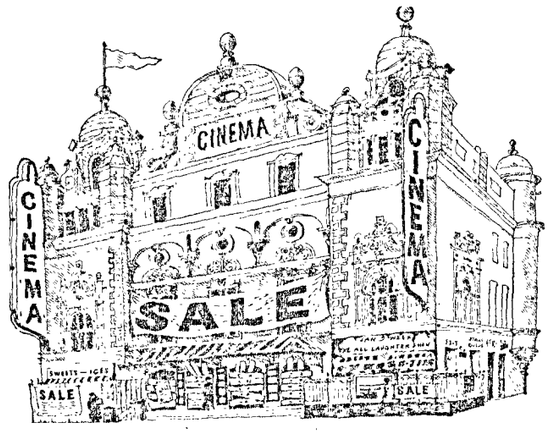
However, during the years while the Government has been fiddling with the shares of the box office pie that ordinary commercial bargaining would give the people concerned—after first taking its own huge slice—the size of that pie has been steadily shrinking. For during those years cinema audiences have been steadily diminishing. Attendances in 1949-1950 totalled about 1,400 million a year; nearly four million people were going to the cinema every day. At that time there were only about 240,000 television sets in British homes. Last year, cinema attendances seem likely to have totalled about eleven hundred million, or three million people a day; the number of sets has reached about 6½ million. For every television set bought, the cinema trade has lost about one admission a week.

By charging those people who still come to the cinema more for their seats the trade has managed to keep its total takings fairly level over the last seven years, at about £105-110 million a year. Entertainments duty is now taking about £33 million a year and the levy about £2½ million; so "net takings" are about the same—roughly £68 million a year. The exhibitors keep some £44 million a year out of this; the distributors take about £9 million; and about £15 million a year reaches the film producers. But because 70 per cent of the films shown in Britain come from abroad, only about £3¾ million a year of this goes to British film producers. The levy at present increases their income from British showings by about £2½ million a year, or 65 per cent; and British films also earn about £1½ million a year from overseas.

None of these participants in box office takings believes that he is getting nearly enough. The exhibitors say that in 1956 Britain's 4,400 cinemas had an operating profit of barely £2½ million a year from showing films. These cinemas admittedly earn much more profit—about £7½ million a year—from showing advertisements and selling ice-cream; but their total surplus of £10 million is reckoned before providing for any depreciation or any profit. At book value, the cinemas in Britain represent an investment of about £100 million; on a replacement basis, excluding site values, their current value has been rather conservatively put at £250 million. The industry argues that proper depreciation would require £7-7½ million a year, and that the cinema owners as a group ought to be able to expect a profit of at least fifteen per cent on book value, or £15 million a year.

Film producers, in their turn, publish some estimates of their own costs and revenue. Even taking the present rate of levy into account, they calculate, the revenue producers obtain from home and overseas has recently fallen about £750,000 a year short of their total expenditure. They claim that film production employs about £11-12 million of capital. Film production is an extremely risky business, and they argue that an investor in it would need at least 25 per cent on his capital; that would require another £2½ million a year for profit—which would mean an annual levy of about £5 million. The distributors are content to point out that their revenue has now declined, while their operating expenses have continued to increase.

These accounts of insolvency have been deployed to persuade the Chancellor that the industry needs, not only a levy of £5 million a year for producers alone, but also a reduction in entertainments duty of some £21 million a year—in order to keep all the exhibitors, distributors, and producers in the British film business



at present happy and prosperous. It may be added that even with a cut of two-thirds in duty, the trade would not propose to pass any reduction in duty on to its patrons: many exhibitors doubt whether cuts in prices would attract patrons back. They may be right; they certainly sound defeatist, though it is fair to say that healthier profits might allow them to compete in quality, with better films. In their arguments to the Chancellor, fatalistically, they quote an independent estimate that attendance may fall by another 10 per cent by 1960; from their own experience, they think this forecast rather optimistic.

Over the years British politicians of all shades have become committed to keeping British film producers in business. That in itself is no reason why the Chancellor should today feel committed to keeping the whole trade in a style to which on its own evidence it has recently become thoroughly unaccustomed. Many of the people concerned in film production have recently benefited from an immense hardening of the market for what is somewhat euphemistically called "talent," with the advent of commercial television; and producers' own opportunities have widened. As to exhibition, it seems very doubtful whether in 1960 Britain will exert enough commercial demand to keep open all the cinemas in business today: the industry certainly has a peak load problem, but it also has considerably more cinema seat

per head than in most other countries. The closing of cinemas that has begun—the number operating fell by about 200 last year—is part of an inevitable process of rationalisation and adjustment to a smaller share of the public's leisure hours.

Nevertheless, the trade can fairly argue that the public is still prepared to pay for cinema entertainment about £33 million a year more than it now receives for providing that entertainment. And it does seem hard that a losing competitor in entertainment should be hampered by a tax burden that is not necessarily larger than that of its winning rival, but which hampers its power to compete considerably more. It has always been said that a straight reduction in entertainments duty would benefit American producers far more than British. This is true; but this year the Motion Picture Association of America has undertaken that any increase in revenue its members might receive from a change in duty would be employed in Britain, not remitted in dollars. This in its turn would promote the production of yet more "British-American" films over here, which enjoy advantages in the United States for which other British films have to struggle bitterly. This should not be allowed to blur the strong case for a substantial reduction in this duty, if this Chancellor can afford reductions this year.

EROSION OF THE TAX BASE—II

Finding the Fiscal Mean

AN article last week examined, from the distance of a broad perspective, some of the reasons why rates of income tax are so high. They are high largely because the British people have piled fiscal burdens on themselves that would frighten any other country in the world. But they are high, too, because every attempt to ease the tax load on particular groups of people means a bigger load for the rest; every anomaly of tax treatment, and every element of avoidance, means a higher rate at the margin for taxpayers who cannot legally escape the net. The base of the income tax structure is income; but the conception of taxable income has been progressively eroded, and tax rates are in consequence so much the higher.

Erosion can happen from inaction as well as action. A good example is to be found in the Schedule A tax on owner occupiers. This is based on a notional income from a right of occupation which could produce a money income if the owner let his property; by his own choice he enjoys an income in kind of a value equivalent to the income forgone. Schedule A assessments are historically designed to represent rack rentals, but the last valuation was in 1935 and net assessments are now so out of line with contemporary values that they often represent a mere 1 per cent or 1½ per cent of present-day capital values. A private house, assessed at £50, can often be let for £250. The consequences are fatal to fiscal equity. Of two taxpayers each with taxable incomes of £2,000 who is the better off: the one with a salary of £1,950, together with a house assessed at £50, or the other with £2,000 wholly from salary?

In 1936-37 Schedule A assessments totalled £337 million out of a total of £3,231 million; in 1954-55 they had declined to £315 million out of a total of £13,196 million. To the extent that low Schedule A values are deductible in arriving at Schedule D assessments (when the taxpayer pays correspondingly more) their lowness is not so serious; similarly when properties are let the difference is mopped up by an excess rent assessment. But in the case of owner occupiers, erosion persists—and moreover they enjoy maintenance reliefs which set present-day repair bills against 1935 rack rents. The yield of Schedule A tax on owner occupiers is estimated at £25 million. Such a modest yield may be justified on the non-fiscal ground that owner occupiers deserve a perquisite to match the privileges enjoyed by rent-restricted tenants; this justification, for what it is worth, is about to disappear.

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A collector's piece prized by connoisseurs of tax erosion is provided by the exemption from profits tax on dividends given to companies controlled by overseas corporations. When such relief was first given in 1947 the basic rate of profits tax (then deductible for income tax assessments) was 5½ per cent and the additional rate for distributions 8¼ per cent. The difference between the rates was small and this particular exemption could be justified because other countries granted reciprocal relief and because it encouraged overseas investment in this country. Now the basic rate is 3 per cent and the rate on distribution 27 per cent. No conscious decision has been taken to increase the advantage offered to foreign corporations from 1s. 8d. to 5s. 6d. in the £; the privilege grew unnoticed as the emphasis of profits tax was switched from total profits to distributed profits. What is the cost of the relief, and can it still be upheld by the argument of reciprocity?

At first sight the capital allowances would seem to be a classic example of erosion. The ordinary annual allowance, by definition, is "five-fourths of what is just and reasonable." The twenty per cent initial and investment allowances clearly seem to be greater than is consistent with a true balance of profit. But the apparently generous allowances given for wasting assets are generous only when they are related to historical costs. Measured against the current value of the assets used up in earning current revenue, they are more reasonable; they offer a rough-and-ready substitute for

the allowance of wear and tear on a *replacement basis*. But the allowances ought to be watched—especially the investment allowances which either give those items of expenditure on which they are still available (ships, fuel saving, appliances, and scientific research) more than they ought to have, or discriminate against all other forms of capital investment which do not at present qualify for them.

Benefits in kind provide an alarming example of the way in which the volume of income entering into tax returns can be limited. Here again innocent precedents have developed into widespread leakage. When a bank or colliery manager was required to live on the job in a house and district not of his own choice the advantage of living rent free could reasonably be regarded as outside the charge to tax. But that is a far cry from the multiplicity of service tenancies that exist today. Houses, cars, pensions, health services, meal vouchers (which are becoming almost negotiable instruments), sports clubs, welfare facilities of all kinds, national insurance contributions—the list grows longer each day. The benefits all form part of the rewards enjoyed by the employee, and all by-pass the PAYE card. The Royal Commission's comment was a masterpiece of moderation: "The provision of untaxable benefits in kind is capable of becoming an abuse of the tax system." Their suggestion that untaxable benefits may have to be dealt with by special legislation might have been given more precision and emphasis. A new Truck Act is needed.

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Tax avoidance has been left to the last, not because it is unimportant, but to correct the common idea that it is the only cause of the erosion of the tax base. It is indeed important, but it is the result of high taxation, rather than its cause. Emotional resentment against people who, by some rearrangement of their affairs, seem to be paying less than their "fair" share is easy to arouse. But no tax system has ever achieved natural justice in the distribution of the burden between different taxpayers in different circumstances. Nor can it be asserted as a matter of moral principle that a man has a duty not to alter the disposition of his affairs in order to save tax. If the state imposes a maximum personal rate of 92½ per cent it cannot complain if some of its citizens have a propensity for leisure after working a three or four day week.

The problems of definition of avoidance are formidable. The happy couple who choose to be married on the 5th, rather than on the 6th, of April are clearly guilty of avoidance. What of the self-employed man who at last has the opportunity of avoiding tax by paying a retirement benefits premium? No one would criticise a householder who makes a maintenance claim to save Schedule A, but what about the owner of two companies, one successful and the other unsuccessful, who marries them so that subvention relief may save Schedule D? Opinion, moreover, changes with the passage of time. Thirty years ago many thought it near the knuckle to make charitable subscriptions under covenant; now it is thought uncharitable not to do so.

Indiscriminate criticism of tax avoidance leads to some strange contradictions. Should a wealthy taxpayer refuse to buy the maximum holding of National Savings or Tax Reserve certificates because, by reason of their tax privileges, they offer the equivalent of gross yields of 56 per cent and 40 per cent, respectively? Is an industrialist to retain inefficient boiler plant because the installation of fuel saving equipment would bring him a 20 per cent subsidy on his capital expenditure? Should a farmer refuse to modernise his labourers' cottages on the ground that the agricultural capital allowance is extravagant? To crown it all, should a board of directors keep dividends down to avoid paying profits tax at the higher rate?

Fulmination about tax avoidance is not enough; Criticism of citizens who do what the law permits has no value. If Parliament considers that a course of action is wrong, it can legislate against it; indeed it does so increasingly. Tax avoidance must bear its full share of the responsibility for the erosion of the tax base, but any attempt to stop it by direct action is doomed to failure. At best it will merely plug holes. The root causes of avoidance are the high marginal rates of tax that inevitably result when attempts are made to produce a quart of tax out of a pint pot of income and to drive egalitarianism to excess.

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These articles have been concerned with diagnosis, not prescription. But it is not difficult to end on a constructive note. If erosion is to be stopped, even at this late stage, it is essential that there should be a general awareness of what is happening. Public sympathy has always been on the side of the taxpayer and no Chancellor ever lost popularity by giving concessions. The trouble is that a particular relief usually helps a few people a lot and hurts the rest only a little. If an industry can be saved at the cost of an additional farthing on the standard rate nobody grumbles. But farthings add up and when they total 8s 6d the consequences have to be faced. With this awareness must go a recognition of the transformation that would be produced if, say, the same total revenue were collected by imposing half the present rates of tax on double the present taxable income. The advantages of avoidance and evasion would wither. Emigration of companies and individuals would be replaced by immigration. The disincentives of high marginal rates of tax would disappear. Corporate and personal business extravagance would quickly come under the control of self-interest. The present bias towards corporate saving would be modified and a healthier capital market would emerge.

These changes would only be gradual. Breeding geese to lay golden eggs is more difficult than killing them, though a far-sighted Chancellor would find it vastly more rewarding. He has two tools to his hand: he can direct his budget surpluses primarily to the relief of direct taxation and he can swing the balance of taxation towards indirect taxes. In the course of time, he would find himself able to resist further erosion and then to recover fiscal ground that is now lost. Such suggestions are not inimical to those who strive for a more equal society; but they recognise the fact that levelling through too progressive a fiscal system leads to levelling down instead of up. Thanks to Mr Kaldor there is a growing understanding by the left that overcropping is a major cause of erosion, but his solution of a nomadic migration to the new lands of the expenditure tax is too radical. It would be better by careful husbandry to put the taxable capacity of the country into good heart.

Business Notes

£300 Million Government Issue

THE Government's refunding operation—at least the first instalment of it—has come much sooner than the market expected and in a form that the market did not foresee. The issue was announced on Monday and lists opened and closed on Thursday for a further £300 million of the "Eternity three and a halves"—the Funding 3½ per cent stock 1999-2004. The issue price of £80 (with a first interest payment of £1 18s. 10d. on July 14th) was closely aligned to the market price of the existing £143 million of this stock, and contrasted sharply with the price of 103 at which that earlier issue was made in July 1954. The Treasury and the Bank of England by their action laid themselves open to two lines of criticism—first that they had produced a new issue too hot on the heels of a Bank rate reduction for strict propriety, and secondly that they had produced a stock that is likely to be too long in date to fit the tastes of those who could buy it.

Redemption Yields on Long Dated Stocks

	Funding 3½% 1999-2004	Gas 3% 1990-95	Transport 3% 1978-88	Treas. 3½% 1979-81	Conv. 4½% 1962
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
February 6th					
Gross	4 10 7	4 11 9	4 14 2	4 19 1	4 16 4
Net with tax at 8s. 6d.	2 15 5	2 19 3	3 2 4	3 4 8	2 17 11
Net with tax at 7s. 6d.	2 19 6	3 3 0	3 6 1	3 8 8	3 2 5
February 8th					
Gross	4 10 6	4 11 11	4 14 4	4 18 10	4 14 4
Net at 8s. 6d.	2 15 3	2 19 4	3 2 5	3 4 5	2 15 11
Net at 7s. 6d.	2 19 5	3 3 1	3 6 2	3 8 6	3 0 5
February 13th					
Gross	4 11 3	4 12 4	4 15 0	4 19 2	4 14 8
Net at 8s. 6d.	2 15 10	2 19 7	3 2 11	3 4 9	2 16 1
Net at 7s. 6d.	3 0 0	3 3 5	3 6 8	3 8 9	3 0 2

All yields to latest date.

There are indeed some oddities in the operation but in this crude form criticism is not well founded. The authorities did not profit by their own previous change of Bank rate to issue a stock at a higher price. The price of the stock in the market was just the same on the day before the Bank rate change as when the issue was announced, and the issue price of £80 is exactly equivalent allowing for accrued interest to the market price of £79⅞ of the old stock. It happens also that the gross redemption yield of 4½ per cent is the lowest gross redemption yield that can at the moment be found in the market except among the shortest dated stocks. The action of the Bank of England in sending the Government broker to the market last Thursday to offer substantial quantities of long-dated stocks at unchanged prices, the Chancellor's "no green light" speech last week and the Governor's speech this week can now all be construed as indicating that the Bank rate change is not intended to reduce long-term interest rates and will not be allowed to do so. But to hold the market steady the Government broker has to be supplied with long-dated stock that he can sell. His brave offers last week may not have been a bluff, but the policy could not have been continued for long without a replenishment of the holdings that the Government broker has to offer.

"Failure" According to Plan

THE Government issue was clearly designed to be in the common phrase a "failure." With an industrial issue that is underwritten the terms "success" and "failure" serve well enough. The public subscribes and it is a success or the underwriters have to have some of it and it is dubbed a failure. With Government issues which run to hundreds of millions and which are not underwritten, in the market the terms cease to have meaning. There are no hundreds of millions that investors can mobilise on a single day without selling other stocks. The object of the issue was to provide some stock that can be sold gradually on the market in the weeks and months to come. The cryptic words of Thursday's announcement that "applicants for over £1 million received full allotment and larger applicants about 91 per cent of their applications" imply

that most of the issue must have gone into official portfolios as intended. The operation takes care of £240 million not of funding in the strict sense but of replacing the issues maturing this year. The total amount of those maturities should not be forgotten. The compulsory maturities—the 2¾ per cent Funding stock 1952-7, the 5 per cent Exchequer stock 1957, and the 2¼ per cent Funding Stock 1957—amount to £904 million. If it were decided to deal also with the optional maturity of the 4 per cent conversion loan 1957-8 this year, the total would be £1,580 million. That may provide the answer to those who ask: Why bring a long-dated stock now, when the main demand from investors is for short dates? The shorts, and perhaps the mediums, will have their turn, and in the meantime their urgency is less because official holdings can still sell Conversion 4½ per cent 1962 and Treasury 3½ per cent 1979-81.

A question much less easy to answer is why a stock was chosen for this operation (and therefore for substantial future selling in the market) that has never been popular with the market though it enjoys a limited demand from the pension funds. The choice of the longest stock apart from the irredeemables, certainly did take the market by surprise. It was not even realised that the Government had nothing left to sell out of the first £143 million of the same stock issued 2½ years ago. But it is now clear that that first tranche did move into safe hands quite quickly.

Mr Governor on Bank Rate

MEANWHILE, some additional light has been shed upon Bank rate policy by the Governor of the Bank himself. In an address prepared for the annual dinner of the Coventry Chamber of Commerce (but actually delivered by the deputy-governor) Mr Cobbold took the unusual step of explaining some of the technical considerations behind the Bank rate decision. In recent years, he recalled, "the foreign exchange position has been on a see-saw, swinging sometimes just above and sometimes just below the danger-line." There are signs that "we may now be due for one of the swings in the right direction"; but after the experiences of these years, and in view of the fact that sterling's recent recovery has been largely due to the external credit, "this time . . . the country as a whole must really give a heave—so that we pull ourselves well clear of the danger line and give ourselves that margin for future swings which recently we have not had."

Therefore the change in the Bank rate, which the Governor regards as an adjustment to market conditions, required "a cautious approach." There was "much to be said . . . for first allowing market rates to move to a new level and settle down, and thereafter adjusting Bank rate to take account of the new structure." This is what the Bank feels that it has done; and the Governor even went so far as to make the point by likening his recent policy to that now followed by the Bank of Canada, which adjusts its rediscount rate every week into precise relationship to the Treasury bill allotment rate. Fortunately, the Governor is evidently not intending to push this principle of "following the market" to this ultimate limit: "there are many occasions when we here should wish to use Bank rate more positively, to mark a change of policy or a reinforcement of policy. But the present is not one of those occasions." The reduction has therefore to be regarded as an adjustment of technique "with no implication of a change of policy."

This harmonises with the Chancellor's statement that no "green light" was intended; but on the nature of the new technique to keep money restraint effective, and thus to avoid the green light signal, the Governor was less candid. He merely said that there had been no decision to abandon the use of interest rates in favour of other ingredients of monetary control. "We have every intention of continuing to use the influence of interest rates, together with the other ingredients, in such mixtures as seem suited to the needs of the moment." Among the non-monetary ingredients, the Governor would like to see a greater admixture of restraint in government and other public expenditures. It is one of the prime duties of the central bank, he said, "to sound warning bells when government and near-government spending is putting too heavy a burden on the country's resources." This is a bell that Mr Cobbold's speeches have been ringing for some time past.

More Flexible Money Rates?

IN the money market, the technical readjustments to the 5 per cent Bank rate have been unusually protracted and uncertain. On the morrow of the reduction the discount houses raised their basic price for tendering for the weekly offer of Treasury bills by 1s. 7d. to £98 18s. 10d. per cent, and mainly for this reason the average rate of discount on the whole allotment dropped by nearly $\frac{5}{16}$ per cent to slightly less than 4¼ per cent. Since the bill rate had previously fallen to almost 1 per cent below the 5½ per cent Bank rate, this was a rather larger reduction than had been generally expected. The first tender after a Bank rate change is not, however, usually a dependable guide to the future, so that suggestions that the bill rate may now begin to discount yet another fall in Bank rate may be premature. A further fall in the bill rate now would reinforce that impression, which seems to be contrary to the wishes of the authorities. It is possible, therefore, that to avoid this risk the market sought to leave room in its initial tender for an upward rather than a downward readjustment of rates.

A major source of this uncertainty has been the attitude of the clearing banks. They did not, immediately upon the reduction in Bank rate, make a clean and clear corresponding reduction in the minimum rates fixed under their arrangements for making short loans to the money market. Since early 1955, when the banks ceased to lend to the market at virtually inflexible rates (scaled in three tiers according to the security) the principle of operation has been that approximately two-thirds of the money should be lent at the basic rate (1¼ per cent below Bank rate) and that the remainder should carry fluctuating rates dependent upon conditions in the market. This system could not in practice be operated with precision, and deviations from the broad "target" distribution have tended to become more marked. Even so, the effect has been to enable other lenders, who have no large proportion of their money lent at a minimum (and in practice unvarying) rate, to secure a higher average return for their lendings than could be secured by the clearing banks. Accordingly, after last week's Bank rate change, several clearing banks suggested more flexible arrangements—and one suggestion was that the principle of lending a part of the money at a stable rate should be abandoned altogether.

These possibilities, which were not favoured by all the banks, have been under discussion with the market throughout most of the past week. The upshot seems to be that in future there will be no attempt to reach any agreed principle between the banks as a group on the one hand and the market on the other. The two-to-one principle has now, it appears, been abandoned, and no alternative common formula has been put in its place. But since the ratio could never be closely observed in practice, the change in this respect is not of much consequence. The likely practical result seems to be that the individual banks will mostly manage their money in much the same way as they have lately done. The discount market has also recently made a modest and unobtrusive move towards flexibility in its arrangements for concerting its Treasury bill tenders. Since the early days of the war these arrangements have rested on the principle that the market's total application should "cover" the total amount offered. The corollary of this principle is the concerted tender rate, but it has recently been recognised that a modest flexibility in rates is not only feasible but is desirable to meet the sometimes sharply divergent interests of the several houses. Now, therefore, any house is at liberty to submit a moderate proportion of its tenders at a price slightly above (i.e. a lower interest rate) the basic agreed price.

Man in the Middle of Coal

IF Mr James Crawford, who was appointed "labour relations member" of the National Coal Board last week, was chosen as a compromise between somebody outside the trade unions, and a nominee of the National Union of Mineworkers the compromise has not turned away the union's wrath. It once appeared, indeed, that Mr Aubrey Jones, the former Minister of Fuel and Power, was on the point of blandishing the NUM into accepting a man completely outside the unions. But what they might have accepted from the softly-spoken Mr Jones, the NUM leaders were not prepared to accept from Lord Mills, reputedly a strong man with no excessive love for trade unions. Lord Mills, in his turn, may not have been anxious to begin office with a trial of strength, but his appointment of a trade unionist from outside coal has not mollified the NUM, which this week issued a protest about "a person without any mining experience."

This pretty exercise in the art of the possible has not been without amusement, watched from the outside: moreover, Mr Crawford, a most distinguished trade unionist, is no doubt an excellent negotiator. But a lifetime of seeking to raise wages relative to output is not necessarily the ideal training for seeking, in a different hat, to raise output relative to wages. And it is ridiculous that the National Union of Mineworkers should claim the right to insist upon one of their own men in this key job. Mining is an industry unlike any other, and its dependence upon sheer physical human effort is so great that labour relations offer perhaps the richest potential field for improving the whole industry's performance. Moreover, morale can be of decisive importance to the industry, and it is not entirely sentimental to say that the Board needs to seek the trust of its miners. But the proof of that trust today is the presence and position of Mr James Bowman.

Electricity to Rule

ON the promise of the Minister of Labour to inquire into its dispute with the Central Electricity Authority and the area boards, the Electrical Power Engineers' Association on Thursday evening withdrew its threat to work to rule—a threat that might have meant power cuts within the next few weeks. Tactically the association had picked the right month. Although this winter has been a mild one so far, February is often the heaviest month for electricity demand. At some stations the margin of spare capacity is now uncomfortably small; a dispute of this kind could have been very serious, since most of the 16,000 technical engineering staff employed by the authority and boards, ranging from foremen to station superintendents, are members of the Electrical Power Engineers' Association. Working to rule could have meant taking a plant out of service for maintenance immediately it failed to keep to the high testing standards instead of waiting for the following weekend or other period of light load.

The dispute has arisen out of a claim the association put in in November, 1955, for a restoration of 1948 salary differentials and for the up-grading of a number of its members' posts. The engineers had to choose their methods of bringing pressure to bear with some care, since by law employees of the electricity supply industry are in danger of committing a criminal offence if they break their contracts knowing that it could lead to a breakdown in supplies.

Wall Street and London

IT is common ground among investors that the London market could not remain isolated if there were a big setback on the New York market. But this week has shown that the repercussions on London of a limited decline on Wall Street need not be serious—unless investors were in the mood to heed it as the beginning of a big break. The break on Wall Street has not so far looked frightening to operators in the London market. There has been little of that marked expansion in turnover as prices fell that is normally associated with the early stages of a Wall Street break. Nor are there real grounds for thinking that the American monetary authorities, with their record of skilful management, would be sluggish in keeping a market or a business adjustment healthy and within bounds.

Nevertheless, the fall on Wall Street has been marked. Since the beginning of February the Dow Jones Industrial average has come down from 479.16 to 462.14. A low point was touched on Tuesday of this week at 454.82. The rail

average, 148.79 at the end of January, touched a low point of 139.23 on the same day. The downward adjustment had been long and widely anticipated; its repercussions were small. There was some weakness at the end of the Stock Exchange account on Tuesday, but on balance *The Economist* indicator shows a modest net gain in the week ended on Wednesday at 195.9 against 194.0. The market is cushioned against (but not isolated from) a minor American recession partly because it expected it and by two additional facts: distributions by British industrial companies have generally been conservative, so that a decline in profits does not as frequently mean a reduction in dividend as it would in the United States; moreover, with few exceptions Americans who have bought in the London market seem unlikely to attempt to resell. Such weak holders as there were probably sold in November, and in this month (which is not the season for tax selling) there have been few such sales.

In London, gilt-edged securities as well as industrials have declined. At 88.84 the *Financial Times* index of Government securities shows a fall of 0.37 since the Bank rate decision. That decline springs not from Wall Street but from the fact that a firm line on long-dated interest rates was shown just when Bank rate was reduced. It has not had a material market effect. The Northern Ireland Electricity issue of £3 million 5 per cent stock (1975-77) at 98½, with a 5 per cent coupon obviously tailored to the lower Bank rate to offer a redemption yield of £5 2s. 4d. per cent, was nevertheless just comfortably oversubscribed, applicants for over £12,000 receiving 70 per cent of their requirements. The stock opened at par, but a discount of ⅛ was soon established.

Petrol Rationing for How Long?

LAST week's guarded optimism of the OEEC oil committee, when it reassessed earlier and more gloomy forecasts of Europe's oil shortage, should be taken as an assurance that the present restrictions on consumption will not have to be intensified, rather than a sign that their complete removal is imminent. Total oil supplies for the first quarter are now expected to amount to 80 per cent of Europe's normal requirements—5 per cent more than had been forecast earlier. These supplies will comprise about 87 per cent of its normal requirements of petrol, 75 per cent of its gas and diesel oil needs, and nearly 80 per cent of normal fuel oil supplies. Part of the apparently striking improvement in fuel oil supplies—earlier estimates put fuel oil arrivals at less than 65 per cent of normal—seems to have come from an earlier statistical muddle. Helped by the long spell of mild weather, Europe still has, on the average, over three weeks' supply of fuel oil in stock. But the rate of withdrawal has been rapid, and as even the restricted consumption of gas, diesel and fuel oils is still greater than the improved rate of arrivals, these stocks are still declining. Priority is therefore still being given to imports of black oils, in an attempt to rebuild stocks to a safe level before next winter.

Relatively easy supplies of petrol have already encouraged some countries on the Continent to loosen or abandon rationing. Britain, itself, is probably now receiving over 90 per cent of its normal supplies of petrol. And as motorists have been hoarding coupons, petrol consumption in Britain has been running well below 75 per cent of normal. So stocks have actually been rising and they are now as high as usual for the time of year. It is tempting to draw from this the conclusion that Britain, too, could abandon petrol rationing when the present period ends on April 17th.

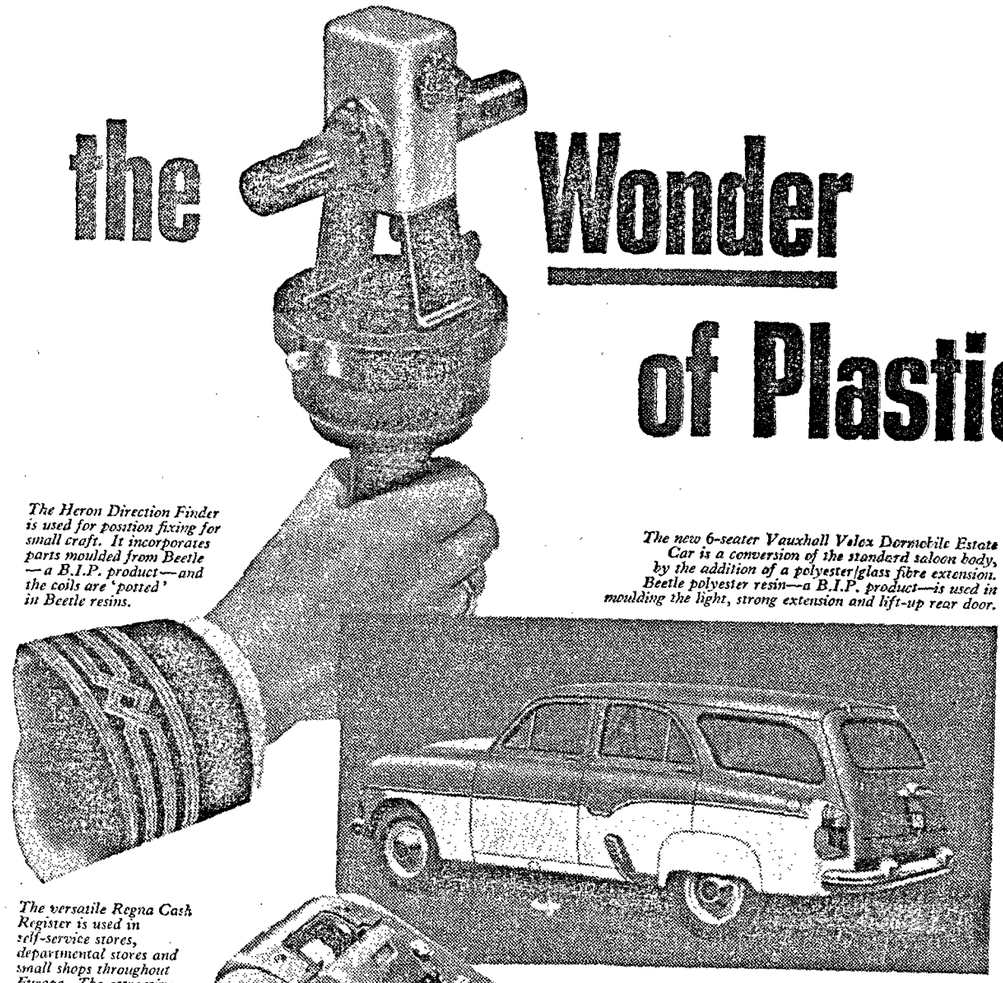
But in normal circumstances Europe's consumption of petrol begins to rise sharply in March, and in the second quarter it is about a third higher than in the first. In Britain the seasonal rise is slightly less, but when Easter is in the second quarter a 25 per cent rise can be expected—and motorists now hoarding coupons will cash them later. Before rationing could be safely abandoned, the present rate of petrol arrivals would therefore have to be increased by at least a third in the second quarter. There is little in the latest news from Egypt or Syria to give this assurance, and the cut back in refinery throughput in the United States offers Europe a net addition of only about 3 per cent in crude oil supplies after tankers have been diverted from the Cape run to fetch it. Statistically, therefore, there is no case for ending petrol rationing yet; and it would be politically impossible to reimpose restrictions once they had been taken off. Higher supplementary allowances, and possibly a higher basic ration, with the government still controlling consumption but under a looser rein, would seem to be a safer course.

Ill Wind for Middle East Oil

THE ill wind cutting across the Suez Canal and across the oil pipelines to the Mediterranean has blown good to Iran, where the consortium of oil companies has exceeded its targets for the production of both crude oil and refined products in the contract year that ended on January 29, 1957. Under its agreement with the Iranian Government the consortium had guaranteed to produce 27.5 million cubic metres (rather less than 27 million tons) of Iranian crude in 1956-7. Overfulfilment of this guarantee by some three million tons, which has helped Iran to recover some of the ground it lost in 1951 to 1953, has been facilitated by the ban on the shipment of Arabian crude to the refinery at Bahrain. The relatively small output of Bahrain crude has not been affected, but has been supplemented by importing crude from Iran across the Persian Gulf, instead of from Saudi Arabia. Arabia, although still delivering its crude through Tapline to the Mediterranean at a rate of about 16 million tons a year, has suffered both from the ban on shipments to the Bahrain refinery and from the general embargo on all shipments of Arabian oil to Britain or France. As a result output there has been cut back by about 40 per cent, storing up further problems for the time when the royalty payments next come to be examined.

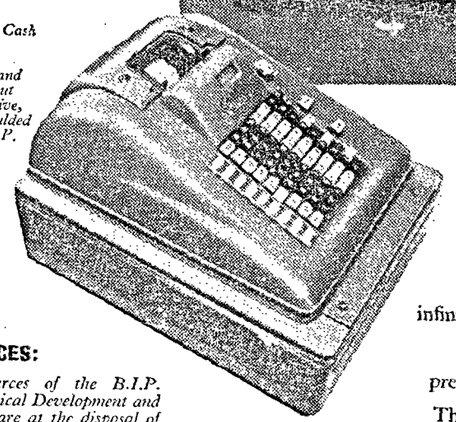
Production in Kuwait, which averaged 4.8 million tons a month during the first nine months of 1956, fell sharply to 2.3 million tons in November when few tankers were available to lift it in the Persian Gulf. By December it had risen again to 3.4 million tons, and has improved further in January, although Kuwait must still be losing a quarter of its normal revenue. Output in Qatar has been recovering after an earlier shortage of tankers. Worst hit of all, owing

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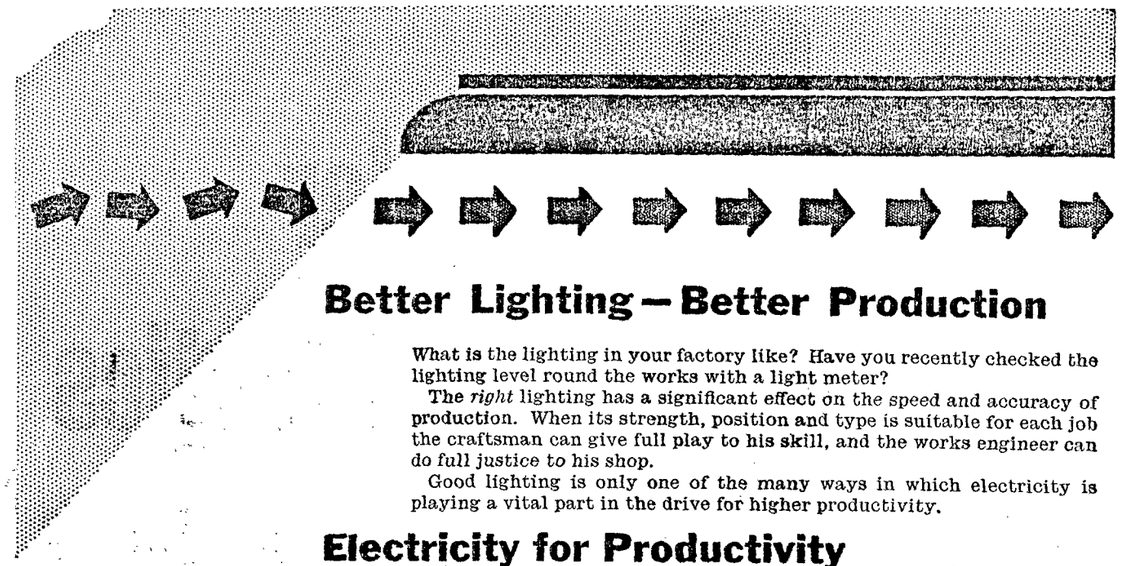
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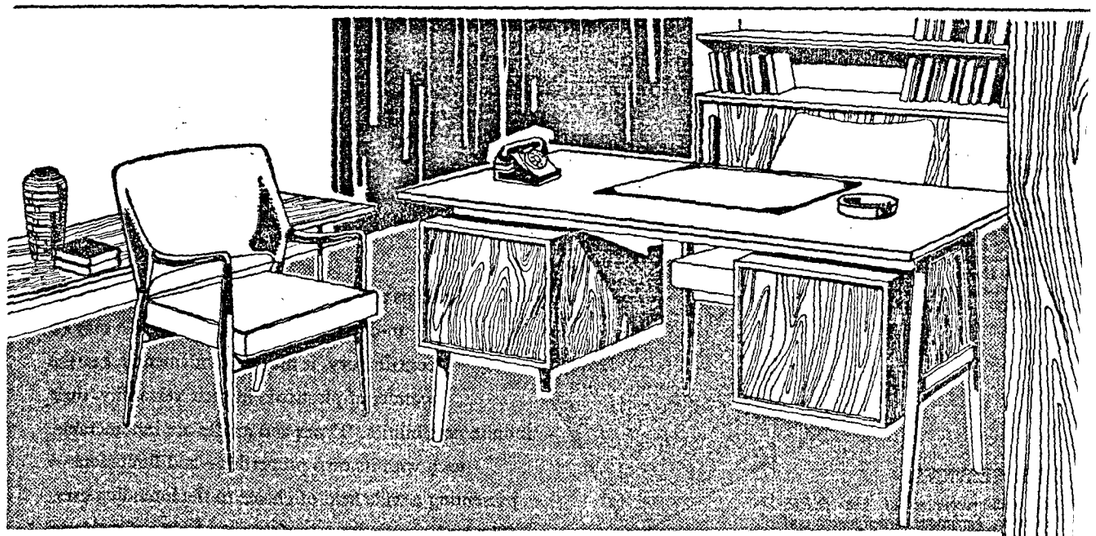
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to the closure of the pipelines to the Mediterranean, is Iraq. Production in the Basrah field in the south has been maintained at its capacity rate of just over 8 million tons a year, as this can be piped down to tankers loading in the Persian Gulf. But the 25 million tons supplied annually from the fields in northern Iraq has now been shut in completely—except for about 1 million tons for local consumption—until the pipeline outlets are reopened. It remains to be seen whether the Iraq government will accept without question the resultant drastic reduction in its royalty income as the inevitable outcome of its neighbour's sabotage.

Valves, Tubes and Profits

It would have been interesting to know what conclusions about the public interest the Monopoly Commission would have drawn about conditions ruling in the electronic valve industry. But its investigation, published this week, into the supply of radio valves and cathode tubes was turned three-quarters of the way through into a straight fact-finding inquiry which will now, presumably, provide the Registrar of Restrictive Practices with data against which to consider the agreements between valve manufacturers that are soon to be registered with it. The facts are fairly startling. Nothing was known publicly about the numbers of valves produced until this week. The Monopolies Commission now reports that in 1954, production was running at more than 54 million valves and 1.6 million tubes a year, more than 90 per cent of which were produced by the six members of the British Valve Manufacturers' Association, and the remainder by ten relatively small concerns. Head and shoulders above the rest stands one giant, Mullard Ltd., a member of the BVA and responsible for 67 per cent of all the radio valves and 51 per cent of all the cathode tubes supplied in this country, imports included.

The fact that manufacturers sold their goods to set-makers at prices far lower than those to the general public has been well known and defended by the trade on the grounds that it kept down the price of receivers. But the Commission's report provides data for the first time on how wide the gap was. In 1954, most manufacturers were selling cathode tubes to manufacturers at a loss to themselves—nearly 20 per cent below cost—and making on average a profit of nearly 18 per cent on those sold to the public, although some manufacturers made a loss here too. Mullard, whose costs were far lower, was making a profit on both transactions, some 12 per cent on sales to manufacturers but nearly 73 per cent on sales to the public. On radio valves fewer manufacturers showed a loss on sales to set-makers.

The industry has already abandoned collective resale price maintenance, which has become illegal, and has also abandoned its common price policy. It claims, too, that the high profits recorded by the Commission have since vanished. They arise in the first place for the need for self-financing on a vast scale and for a high rate of expenditure on research. Some figures to illustrate this argument were given by Mullard. The last year for which the Commission obtained figures, 1954, was a good one for the radio industry, with Mullard's operations showing a profit of nearly 40 per cent on capital employed. Heavy capital expenditure, the firm says, has since brought this figure down to 16 per cent, while other manufacturers say that they are showing a net loss, which will not be recouped until new equipment begins to pay its way in several years' time. This is an industry in which technical efficiency is everything, and Mullard's growth is the result of economies of scale in an industry where big output leads inexorably and inevitably to bigger output. But it happens also to be one of the few industries of which the Commission found quite a number of customers ready to complain, admittedly in answer to questionnaires, about the restrictive agreements enforced by the BVA.

Lancashire Keeps Trying

The Cotton Board has published a guarded statement on the report of the delegation that recently went to India and Hongkong to try to persuade these countries to accept a limit on their exports of cotton textiles to Britain. The Indian industry, it is stated, accepted the possibility of a ceiling for three years on their own exports, "subject to satisfactory arrangements." The satisfactory arrangements, it may be presumed, would be the acceptance of a ceiling by Hongkong and Pakistan also. No agreement was reached with the Hongkong industry, but it is hoped that one may be eventually. In the meantime the delegation will offer to go to Pakistan. It seems that the proposed ceiling would be UK imports of cloth (including cloth for processing and re-export) and made-up goods in 1956. These were: India 141 million square yards, Hongkong 85 million and Pakistan 7½ million. Any unused portion of a quota, it is believed, could be carried over into the first six months of the following year.

If Hongkong should come to accept a ceiling in principle the difficulty will be to negotiate an agreement with Pakistan. That country would surely refuse to accept a quota based on its exports last year, for its young textile industry is just starting to build up an export trade. But would a more liberal quota be acceptable to the other two countries?

Bank Shareholders' Rights

An unusual problem of shareholders' rights has been raised by the decision of two banks—Martins and the National Provincial—to cancel shareholders' uncalled liability, to distribute scrip issues, and simplify their capital structures into single classes of fully paid capital. Both banks have fully paid and partly paid shares and each has given a more generous slice of the new equity to the fully paid shareholders than it seemed bound to offer. Holders of Martins Bank fully paid shares are offered a free scrip issue of one in four and the holders of partly paid shares a free scrip issue of one in five. National Provincial Bank is distributing a one for fifteen free scrip issue to holders of its fully paid shares before distributing a further one for ten bonus to all classes. In each case, the result favours the fully paid against the partly paid shareholders.

What is the justification for such inequality of treatment? Dividend rights in both banks are *pari passu* to the amounts paid up on the capital. The capital rights in the remote contingency of liquidation are *pari passu* for the National Provincial shares. In Martins Bank counsel's opinion is that the partly paid would in liquidation, after repayment of the amounts paid up on both classes, rank as though each £20 share (£2 10s. paid) were 20 £1 shares, which seems to lean in favour of the partly paid. And Martins Bank's circular concedes that the terms for the fully paid shareholders are better than they could have expected if the free scrip issue had been made in accordance with legal dividend rights. The two boards have evidently been using market prices as their yardsticks. There has been a persistently better price (and lower yield) on the fully paid shares. In Martins Bank the long effect has been that the partly paid shares have stood 6.6 per cent below the fully paid and the extra distribution to the fully paid shareholders is less than that differential implies.

The market assessment of those shares reflects the fact that dealings in partly paid shares are automatically limited. The banks are obliged to scrutinise transferees and some investors, for example trustees, are not in a position to assume liability for a call however remote it may be. The uncalled capital is not all callable at will. Martins Bank, with £17 10s. per share callable, can call only £5 10s. at the directors' discretion and £12 a share in liquidation. The National Provincial can call at will 19s. 4d. on the "A" shares and 13s. 4d. on the "B" shares, leaving £3 6s. 8d. on each class callable only in liquidation. Those liabilities —both the callable and the "reserve"—are the theoretical extra security to depositors which common sense says is no longer needed. They can also be said to afford extra protection for the fully paid shareholders to the extent only of the callable part of the liability. Cancellation could therefore be regarded as a sacrifice by the fully paid shareholders. But does it merit the compensation that is offered?

At Par with the Mark

THE main event on the foreign exchange market this week has been the rise of sterling to parity with the Deutsche-Mark. By Tuesday sterling had risen to 11.75¾-76 and had thus reached parity for the first time since December, 1955. Sterling has also been strong in terms of other continental currencies. In relation to the French franc the rate is now touching the figure of 987.35 at which the French authorities will be called upon to intervene in support of the currency. For a considerable time the French franc has been at or near its support point in relation to the D-Mark and it is largely as a result of the consequent supporting operations in Paris that the French authorities have been sustaining the losses of foreign exchange reserve that are shown with monotonous weekly regularity in the returns of the Bank of France. The gold and dollar reserve of the bank itself has so far not been touched and remains at the sacrosanct figure of $570 million. But the gold and dollars in the Fond de Stabilisation are ebbing away.

is the more impressive for the fact that it has persisted in spite of the disappointing trade figures for January. The foreign exchange market reports that the business passing is comparatively small and that most traders who require sterling are still living from hand to mouth. There has so far been little evidence of covering of short accounts in sterling, most of which are against US dollars. Some of these accounts opened during the past year cover periods of up to three years, many of them being on behalf of American firms with British subsidiaries. It is a remarkable testimony to the flexibility of the forward market that it has been able to accommodate such abnormal forward sales. These open accounts are being allowed to run on, but there is little evidence of new ones being opened except with genuine commercial justification. The forward market is therefore now in equilibrium. The premium of ⅞ cent on three months' forward dollars represents 1¼ per cent per annum and is almost exactly equal to the margin between the US Treasury bill rate of 3.05 per cent and the sterling Treasury bill rate of 4¼ per cent. In the spot market the demand for sterling on commercial account has this week gathered sufficient momentum to offset the persistent additional demand for dollars in respect of oil imports and the dollar rate, which closed at 2.79^{13}_{16}$ on Bank rate day (and not at $2.78$$^{13}_{16}$ as erroneously stated here last week) has since recovered to $2.79⅞.

Building Societies on Looser Rein

ONE half of one per cent off Bank rate will not bring any early change in the rates at which building societies borrow and lend, but a further reduction to 4¼ per cent, should it occur, could make the societies reconsider the rates paid to shareholders and charged to mortgage borrowers. One reason why the societies will not change their interest rates now is that the composite rate of tax has been raised from 4s. 10d. to 5s. 4d. in the £ for the current year.

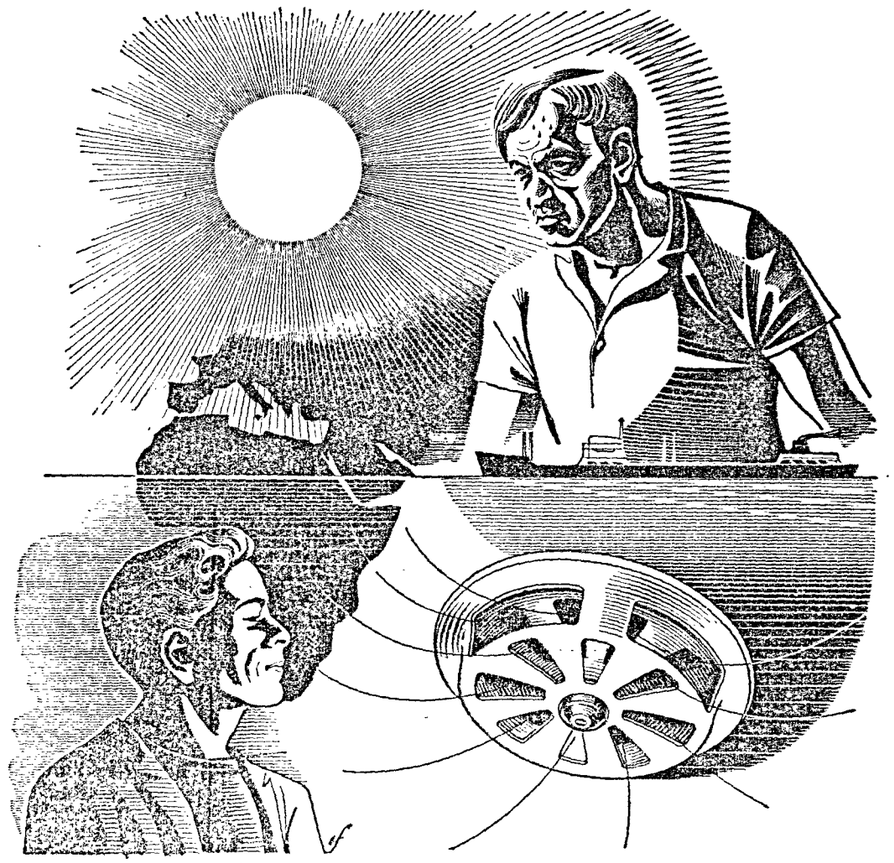
The bigger societies have entered this year in an easier frame of mind just because they have found an equilibrium in interest charged and paid which promotes the flow of savings without stifling the demand for mortgages. Last year when withdrawals were mounting and the inflow of new savings was dwindling, they had to ration mortgage lending, laying down inelastic quotas for their branch offices. The largest society of all, the Halifax, has now abandoned rationing and the other leading societies have increased their

BUILDING SOCIETY FUNDS AND MORTGAGES
(£ million)

	Inflow		Withdrawals		New Lending		Repayments	
	1955	1956	1955	1956	1955	1956	1955	1956
1st qtr	97·6	98·7	59·5	75·7	83·1	74·8	61·4	65·5
2nd qtr	82·1	85·7	59·5	71·8	100·5	77·3	67·0	67·0
3rd qtr	107·6	96·9	73·2	73·1	93·8	69·7	68·4	68·9
4th qtr	104·0	92·6	67·1	65·4	79·7	73·0	72·0	73·7
Total	**391·3**	**373·9**	**259·3**	**286·0**	**357·1**	**294·8**	**268·8**	**275·1**

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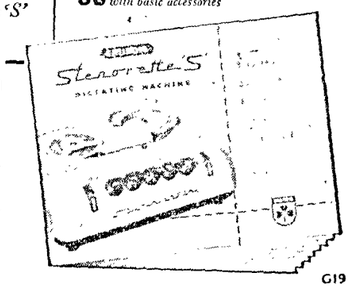
Did he hear that tap on the door I wonder? Yes he did. Here we go again.

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Expansion is always dear to the hearts of building society men and expansion—though at a cost in terms of the ratio of reserves to total assets—is now possible. The increase in mortgage rates did not curtail the demand for loans, but the increase in rates on shares and deposits checked heavy withdrawals and, despite the competition of the new forms of savings, new investments continue to flow into the societies. The figures shown in the accompanying table include those of the Halifax Building Society (which is no longer a member of the Association) and thus relate to 209 societies representing about 90 per cent of the total assets of the movement. At the end of last year the combined assets of these societies came to £2,018 million, against £1,886 million at the end of 1955. The figures show that the rate of withdrawals dropped sharply in the last quarter of the year. Having lent about £300 million on new mortgages over the year (which is nevertheless a substantial reduction compared with 1955), the societies were in balance and were poised for a further advance.

Trade Deficit Soars

LAST month Britain's visible balance of trade showed a sharp deterioration that was largely the obverse of the fortuitous "improvement" recorded in the previous two months. Imports in November and December were held back by the dislocation of shipping that followed the closure of the Suez Canal. In January the pipeline filled up and imports shot up to the record figure of £376.2 million cif; the rise in commodity prices and freight rates played a part in that increase. The average value for the three months November to January, however, was £335 million, only two per cent higher than the average for the first ten months of 1956. Exports, on the other hand, amounted to £261 million fob, only £7.3 million higher than the low figure recorded in December. The average value for three months was £269 million, two per cent higher than the average for the first ten months. Exports in January should normally compare favourably with the fourth quarter's average of £280 million. The shortfall may not be wholly attributable to the lack of shipping. Exports of ships and boats, which were exceptionally high in the fourth quarter, may well have fallen off; the loss of business in Middle East markets may have become more pronounced, and shipments of motor cars to the Continent presumably suffered from petrol rationing there.

UNITED KINGDOM TRADE
(£ million — monthly averages or calendar months)

	Imports c.i.f.	Exports f.o.b.	Re-exports f.o.b.	Trade deficit
1956	324·1	264·3	12·2	47·6
1st quarter .	328·3	258·3	13·6	56·4
2nd " .	330·6	272·0	13·1	45·5
3rd " .	312·3	247·2	9·0	56·1
4th " .	325·2	279·9	13·0	32·3
October	354·3	294·9	12·7	46·7
November ..	319·6	291·9	14·8	12·9
December .	307·9	253·7	11·2	42·9
1957 January* ..	376·2	261·0	11·7	103·6

* Provisional.

With re-exports at £11.7 million, the gross trade deficit jumped by £60.7 million (compared with December) to no less than £103.6 million; the average deficit for the three months, however, was £53 million, almost the same as the average for the first ten months of 1956. Next month the deficit should fall to a more normal level. Most of the backlog of imports was probably cleared last month, and more shipping will have become available to move exports.

Strip-Tease at Luton

VAUXHALL has chosen to titillate public fancy by disclosing the details of its new Victor four-cylinder car bit by bit. Last week they displayed the car, enveloped in a vaudeville show, to foreign distributors and correspondents, and this week they announced that 7,000 have already been ordered: but so far all that have been divulged to the British public are its price, its engine and passenger capacities, and a few vague phrases about its appearance. The Victor apparently has an engine of 1,500 c.c. (believed to be that at present used in the Wyvern, of $3\frac{1}{4}$-in. bore and 3-in. stroke) a four-seater body, with a very large boot, and a very modern appearance—which, rumour says, includes a wrap-around windscreen and a generous acreage of chrome. These scrappy details are interesting indeed. It is not easy to imagine how full use can be made of a $1\frac{1}{2}$-litre engine to convey only four persons and a reasonable amount of impedimenta. One would have thought that 1,200 c.c. was the upper limit of engine size called for, and that greater capacity would exact a forfeit in weight of the engine, and therefore, also in additional structure weight, in material cost, and, above all, in fuel consumption. But Vauxhall knows its job, and—unless American influence has deflected the aim—it is hard to believe that the company will not get pretty close to its commercial target.

It was announced some time ago that the present Vauxhall expansion scheme is aimed at a yearly output of 250,000-260,000 units. Vauxhall's output of commercial vehicles has always been a high proportion of its total, and a split of 80,000-85,000 commercial vehicles, and 170,000-175,000 pleasure cars might be a fair guess for the planned output. A machining rate of 65 units an hour for one important component of the Victor has been mentioned, which on a *single-shift* basis would mean 130,000 units a year, or, say, 110,000 Victors a year. This would leave 60,000-65,000 for a six-cylinder, six-passenger car—the Velox/Cresta, with, presumably, a new body and perhaps a slightly larger engine than the present 2,250 c.c. power plant, if it is to match the 2,553 c.c. engines of the six-cylinder Fords.

Frustrated Airlines

BY bidding to buy the Central African Government's insolvent airline, Central African Airways Corporation, Hunting-Clan may have found a way to sidetrack some of the licensing regulations that today cause such frustrations

among British operators. Hunting-Clan and Airwork operate between them one of the few regular services run by independent airlines along routes that bring them into direct competition with the nationalised corporations. This is a third-class service between London and Central Africa. The fare is substantially lower than BOAC's tourist rate and permission to operate is given only on the condition that the standard of service must be substantially lower too.

While both operators freely agreed to the conditions laid down when they accepted their seven-year licences, neither of them expected the terms to be interpreted with full stringency. The severest restriction has been the refusal by the licensing body, the Air Transport Advisory Council, to allow them to use any type of aircraft but the Vikings with which the service started. Vikings were obsolescent then; they are obsolete today and more expensive to run than alternative types that both companies want to use. Airwork has Hermes aircraft bought second-hand from BOAC: Hunting, more optimistically, ordered five new Viscounts. It sold the first three some years ago without ever putting them into service. Late last year the remaining two were delivered and have been standing idle while Hunting negotiated vainly for permission to use them.

If, however, Hunting-Clan succeeds in buying Central African Airways, it will take over the traffic rights enjoyed by CAA, which include routes to London, South Africa, and the Middle East. On those routes it will not come under the jurisdiction of the Air Transport Advisory Council and will be free to use whatever aircraft it can afford. There must be better ways of protecting the two nationalised air corporations from indiscriminate poaching of their traffic by independent operators than by insisting that the only aircraft the independents shall use are not only old when the service begins, but shall continue to age along with it, so that the competitive position of the independent service deteriorates steadily with time.

Reaction in Rubber

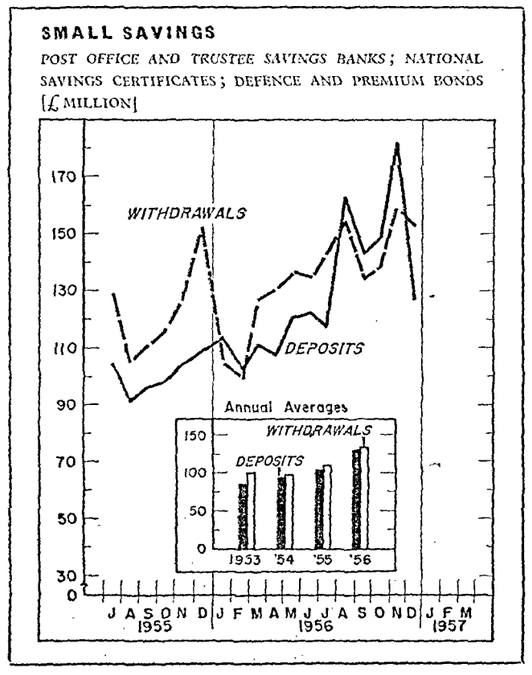
At around 26d. a lb for spot, natural rubber has come to rest a shade above the low point of last week but fully 6d. a lb lower than at the beginning of this year. Some reaction after the Suez rise could not have been avoided, though speculative operations in the East postponed it for a time. Manufacturers who had bought heavily to cover the interruption of supplies due to the closing of the Suez Canal could afford to wait; the demand for tyres, particularly in Britain, suffered further from the introduction of petrol rationing; and sales of motor cars in the United States proved to be smaller than expected.

The weakness of prices was accentuated last week by short selling from dealers who were apparently expecting the failure of a Chinese dealer in Singapore. It now seems clear that a crash will be avoided. Consequently some short sales have been covered and that has helped to steady the market. Manufacturers in Britain appear to be buying regularly again for their current requirements; Russia has also been buying, though selectively and probably not in quantities as large as last year.

Third Class up the Pole?

An intensive series of talks carried out at two separate levels is gradually setting a new pattern of air travel between this country and the American continent. At the lower of the two levels, the airlines that operate on the North Atlantic dispersed last weekend after a week's discussions on how to operate the third-class services that they have agreed to introduce in the spring of next year. Some of the European carriers are still deeply unhappy about the project, but other operators went to the meeting determined to allow no back-sliding from either the principle of third-class fares or the low rate of £150 return. There was also a strong feeling that the new services should not be allowed to creep up in amenities until they threatened the existing tourist services. A special study is going to be made of seating arrangements which give up to five inches less leg-room than present tourist seats (why not try arrangements to cut off passengers' legs at the thigh before embarking, or to quick-freeze people and fold them up?). But the question of meals remains as wide open as when the meeting started. Galleys, even lunch boxes, and the cabin staff they require all take up room that could be used for extra seats; yet passengers cannot be required to fast for entire journeys of 9 to 13 hours. Although the rational solution seems to be the purchase of packed meals by each passenger at the airport, some airlines cling to the tradition of serving them in the air, and even of serving them free at the cost of a slight increase in fare.

Talks on a higher level start next week between the British and United States governments on traffic rights between the two countries. Without government approval





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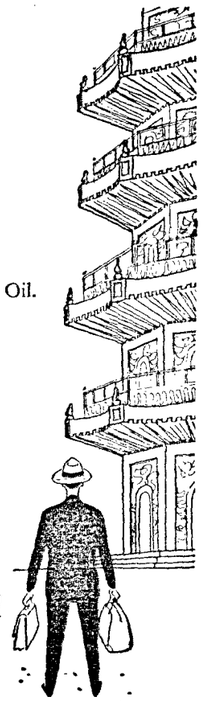
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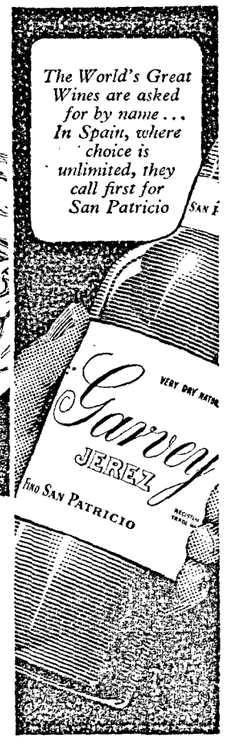
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they can neither land on nor fly over that country's territory. Next week's meeting at Bermuda is concerned largely with negotiations to open the important Polar route between North America and this country. This route has certain advantages over the North Atlantic as a means of reaching points in the midwest and far west of the United States. The British government has not given permission for a polar service to Britain before because the British Overseas Airways Corporation did not possess the aircraft to operate a similar service to the United States. Now that BOAC is getting such aircraft, and wants to exercise more of its rights to serve points west of New York, the government is prepared to discuss giving rights to American carriers in return for concessions from the US government to BOAC.

The Battle of Hawick

IT is to gain possession either of assets which may not have been exploited fully or of earnings which may not have been distributed freely, or both, that the take-over bidder makes his bid. It is because the real worth of such a business is not reflected to the full in the value of its shares that he gets his opportunity. And because his action may lead to a more rational deployment of resources that the discipline of the free market gives its blessing.

In the attempt associated with the name of Mr Hugh Fraser to secure control of the non-exempt private company Lyle and Scott, the Hawick knitwear firm, extra colour is added to the pattern. About 37 per cent of the shares are owned by employees, including its present chairman, Mr Charles Oliver, who adopts a paternal attitude to the business. The remuneration of shareholders is not the only object for which the business is run. Mr Oliver fought back when eight investment trusts and five individual shareholders requisitioned an extraordinary general meeting in order to unseat Mr Oliver and two other directors and to replace them by Mr Fraser and two other directors from the House of Fraser. This group now has over 50 per cent of the shares. A weapon lay to Mr Oliver's hand in the articles of association which, as is necessary in private companies, impose some restriction on the transfer of shares. In his earlier telegram to Scottish MPs, asking for their support against "the secret bid," Mr Oliver, seemingly taken by surprise, said that the investment trusts had become shareholders in Lyle and Scott in 1949 "on the basis that if they desired to transfer any of their ordinary shares they would in the first instance offer them to the other shareholders." Article 9 reads:

> No registered holder of more than one per cent of the ordinary share capital shall, without the consent of the directors, be entitled to transfer any ordinary shares for a nominal consideration or by way of security, and no transfer shall take place for an onerous consideration so long as any other ordinary shareholder is willing to purchase the same.

In the Court of Session, Edinburgh, Lord Strachan found that there was a *prima facie* ground for thinking that those bidding for and now possessing control had not followed the procedure of article 9 and he granted an interim interdict, restraining the eight investment trusts and five individual shareholders from voting at the extraordinary general meeting. This judgment has been upheld in the Court of Appeal. A further legal action, which will take some time before it comes before the courts, is pending on the legality of the share transfers.

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22 Ryder Street, London, S.W.1.
Whitehall 1511 Extension 48.

Using Less Steel

BRITISH industry did not use all the extra steel that it bought last year, and by the last quarter of the year it was actually using less than at the end of 1955. Steel consumers' stocks, which showed some sign of being run down in the autumn, have again increased; at the end of the year, they held 3,865,000 tons, while merchants held about 356,000 tons in stock. The two together were about 15 per cent higher than at the end of 1955; so were the steel industry's own stocks (mainly of ingots and semis), which amounted to 1,440,000 tons. But steel production had increased by about 5 per cent during the year; output in the steel-using industries probably increased much less, though within them emphasis was shifting to the capital goods industries that consume a much larger amount of steel.

The steel industry is already comparatively well informed about stocks, in comparison with most others; but it still does not find them simple to interpret. The Iron and Steel Board this week suggested cautiously that during the last few months of 1956 less steel was being used to build up the volume of work in progress among its customer industries; stocks of partly fabricated steel, that is to say, were being brought down to balance a lower rate of output. It feels that this check to the expansion of steel consumption will not last long; but may not stocks of steel held before fabrication also be brought down into balance in the next few months?

The stock figures also throw an odd light upon the much-publicised shortage of steel plate. Supplies during the last three months of 1956 were 13 per cent higher than a year before; but in spite of the complaints about scarcity, three-quarters of this extra steel went into stocks. Consumers'

stocks of plate increased by 140,000 tons during last year as a whole; and during recent months exports of plate have been exceeding producers' deliveries for export quite significantly, which suggests that merchants and customers have been selling some of what they managed to get at home on the far more remunerative foreign market.

SHORTER NOTES

The buyer who through much of last year was acquiring Standard Motor 5s. units has now been named. It is Massey-Harris-Ferguson of Canada. It is disclosed that that company now has an 18½ per cent interest in Standard's 27,710,000 ordinary 5s. units.

★

Imperial Chemical Industries this week reduced its prices for wrought titanium and titanium alloy products by about 10 per cent. Its raw titanium has been the cheapest in the world for the past year.

★

The Pressed Steel Company proposes to issue to holders of its preference and ordinary stock £2 million of debenture stock which will carry an option of conversion into ordinary shares in the four years 1958 to 1961. Terms of the issue and of the conversion option have not yet been disclosed.

★

Distillers Company foreshadows proposals for simplifying the group capital structure by offering holders of the preference and preferred shares in certain subsidiaries "a suitable stock" in the parent company in exchange.

★

The fall in tea prices in London was checked this week after the news that the quantity to be offered during the next two weeks was to be reduced. The official quotation for plain tea rose slightly by 2d. to 4s. 1d. a lb.

Company Notes

BORAX. Stockholders of Borax (Holdings), whose dividend of 8½ per cent (equal to 25 per cent on the old capital) gives them a yield of about 1.8 per cent at 23s. 3d. hold their shares in two expectations—that Borax has great growth before it and that the rearrangement of the business last year which made Borax a holding company with American and other operating subsidiaries will produce a big tax saving. The preliminary statement justifies both those beliefs, but it also provides a rough measure of them—and optimism is best when it is restrained by fact. The profit before tax for the year ended September 30th was over £700,000 higher. The British Income tax went down sharply and the overseas tax rose somewhat less sharply, so that in the end the total tax charge of £1¼ million showed a reduction (notwithstanding the higher profit) of about £200,000. The company only paid in taxes 30 per cent of its total income against 44 per cent in the previous year. The last conclusion needs careful qualification. The main step in the company's rearrangement was taken at the end of April last year. The accounts are drawn to September 30th. Nevertheless, it is understood that roughly a year's tax advantage has come into the present figures. It will be subject, however, to subsequent negotiations with the tax authorities and to possible adjustment. It is hoped that the chairman's speech may help stockholders to a closer understanding of what is necessarily a complicated calculation.

	Years to Sept. 30, 1955		1956	
Consolidated earnings:	£'000s	%	£'000s	%
Income	2,808	*100*	3,537	*100*
Taxation	1,251	*44*	1,043	*30*
Other charges .	444	*16*	779	*22*
Dividends	443	*16*	477	*13*
Retentions* ..	670	*24*	1,238	*35*

* Excluding tax provisions written back (1955: £36,000; 1956: £160,000).

★

F. W. WOOLWORTH AND COMPANY'S 90 million 5s. stock units are widely spread and the company's name is familiar to everyone. Yet its full reports are never as informative as they could be. Shareholders have been told of the forthcoming 50 per cent free scrip issue and of the revaluation of the company's properties. No doubt they expected to be given a few more details when the full accounts were published. They will be disappointed; not a word in the chairman's speech nor a figure in the accounts refers to the revaluation.

Mr Reginald Berridge does tell stockholders that turnover went up again last year (though he does not say what its value was) but trading profits, advancing from £22,942,772 to £23,649,863, did not expand as quickly as sales. The increase in purchase tax cut the demand for some of the goods Woolworth sells on its cash and carry basis and "expenses were substantially higher, mainly due to wages and rates payments." Over the year the company opened 42 new stores (12 of them with self-service) bringing the total up to 955 (including 29 self-service stores) and by the end of this year the company is likely to have nearly 1,000 stores open. In the balance sheet, fixed assets are shown at cost and after depreciation have a value of over £27¼ million, against £21¼ million. The company is still rich in liquid assets as its trade requires it to be and Mr Berridge explains again that the figure for cash at the end of the year is not necessarily indicative of the state of the company's funds over the rest of the year, for stocks on December 31st are "substantially lower than during the year and particularly at the commencement of the Christmas trade." On the increased dividend of 60 per cent, the 5s. ordinary shares yield 5.1 per cent at 58s. 9d.

	At December 31, 1955	1956
Consolidated balance sheet:	£	£
Net fixed assets	21,297,745	27,672,111
Net current assets ...	24,844,925	21,672,033
Stocks	14,041,997	14,973,705
Investments at market prices	3,644,627	3,538,664
Cash, etc.	32,954,180	30,683,792
Revenue reserves	10,544,445	13,513,611
Ordinary capital.....	22,500,000	22,500,000

★

BRITISH SOUTH AFRICA COMPANY. The main source of the income of the "Chartered" company is mineral royalties, notably from copper, in Rhodesia. It will under the present agreement continue to earn these royalties until 1986, when the mineral rights revert to the Government of Northern Rhodesia. The company always retains part of the net income earned from these royalties and from this money it is building up its investment portfolio. It is a big investor in the Rhodesian copper companies and in the South African finance houses but in recent years the spread of its portfolio has been widened. Looking ahead to 1986, the policy of the company is to build itself up gradually as an investment trust and as it does so it looks beyond South Africa and metals.

The year to September 30th witnessed high prices for copper and thus, as was expected, the net income of the "Chartered" company has risen sharply—from £5,617,654 to £6,974,156. When its full accounts are published, it will not

be *surprising if they* reveal that investment income came to over £2 million (it came to £1.8 million in 1954-55) while mineral royalties may be more than £2 million up on the 1954-55 figure of £10 million. But it is clear that royalty income, thanks to lower copper prices, will fall in the current year. Yet the directors have raised the ordinary dividend from 30 to 35 per cent and, judging by the company's past dividend record, they would not have done so unless they were reasonably confident of their ability to maintain this rate. On this dividend the 15s. units, at 68s. xd, yield 7.7 per cent. They provide one of the least risky routes into investment in Rhodesian copper.

★

SHAW AND KILBURN. Because Mr Charles Clore's bid for Sears (True Form) was the most important and most spectacular example of his forte, the take over bid, his name and that of Sears Holdings are *automatically associated* with the boot and shoe trade. Through further purchases, Sears has indeed a big say in that trade but the company also has big interests in shipbuilding, hosiery machinery, general engineering and, through Scottish Motor Traction, it has garages and a vehicle distribution agency.

Asset values are not all Mr Clore looks for. *Declining industries never seem to* catch his eye. He seeks opportunities where he sees chances of expansion. His latest bid, for the £150,000 of ordinary shares in Shaw and Kilburn, falls into this category. Shaw and Kilburn is the principal Vauxhall distributor in a large part of London and the home counties; through SMT, Sears owns a similar Vauxhall agency in Scotland. SMT has surplus cash; hire purchase is an integral part of any vehicle distribution agency; and a direct link between SMT and Shaw and Kilburn is probable.

The mechanics of the bid follow Mr Clore's usual practice. Owners of every six 5s. Shaw and Kilburn shares are offered five non-voting 5s. "A" ordinary shares in Sears Holdings. The directors of Shaw and Kilburn recommend acceptance. It is small wonder that they do so, for the terms of the offer, when set against the *market price* of the Shaw and Kilburn shares at any time since they were first quoted in June, 1954, are attractive. At a price of 14s. 4½d. on the Sears "A" shares, the value of the offer is 12s. 6d. for each Shaw and Kilburn share. A few days ago they stood at only 7s. 6d., for investors were anticipating a drop in profits when the accounts for 1956 were published. In two days they climbed to 11s. 10½d.

★

LINEN THREAD. Before charging depreciation and repairs, the gross profits of *Linen Thread company* in the year to September 30th fell from £1,505,258 to £1,349,289. In the preliminary report the directors attribute this decline to uneconomic prices for weaving yarns sold in the United Kingdom, smaller profit margins on threads and netting because of increased wages and fuel costs, a provision for a decline in the market prices of flax stocks and exceptional expenditure on the transfer of machinery between mills. They do not say anything about the experience of the American mills, which account for about half the assets and turnover of the group; a year ago they expressed confidence in their ability to maintain sales and profits in the United States.

After tax, net profits have fallen from £379,955 to £231,292 but £350,000 (against £300,000) has been written back as a tax provision no longer required and the ordinary dividend, absorbing £151,800 net, has been left unchanged *at 8 per* cent. On this dividend the yield is £7 7s. *per cent with the £1 units standing at* 21s. 9d. xd. Linen Thread is one of the bigger companies in the textile industry which has made a bid for a smaller concern; about a fortnight ago its directors announced that the company controlled over 53 per cent of the ordinary share capital of Ulster Spinning, for whose 1s. shares Linen Thread had made a bid of 3s. a share.

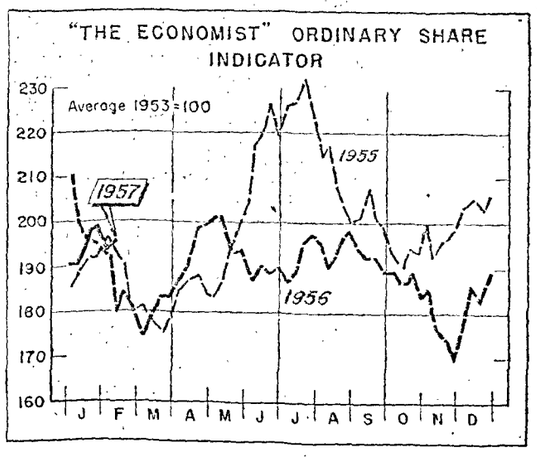
LONDON STOCK EXCHANGE

Next Account begins: February 27th
Next Contango Day: February 27th
Next Settlement Day: February 19th

In spite of several unfavourable influences prices were mainly steady this week. Gilt-edged stocks recovered on Wednesday afternoon after the weak spell that followed the announcement of the Government's funding operation and the disclosure of the larger trade gap for January. Undated stocks were lowered and the existing 3½ per cent Funding Stock 1999/2004 dropped back on balance to 79⅞, but shorts rose again on the sharp fall in the Treasury bill rate. The new Northern Ireland Electricity loan was fully subscribed, but slipped back to a discount of 1/8 on Thursday after opening at par. The economic situation and falling prices on Wall Street unsettled industrial stocks, but there was some recovery with the start of the new account on Wednesday, and over the week *The Economist* indicator gained 1.9 to 195.9. Dollar stocks recovered sharply on Thursday after drifting lower during the week.

Bank shares were enlivened by the capital reorganisation proposed by National Provincial. Midland partly paid jumped 7s. 6d. to 172s. 6d. and District "A" 5s. to 78s. Benskin's Brewery rose a further 7s. to 61s. Motor shares improved; Standard gained 6d. to 7s. (the large buyer was revealed as Massey-Harris-Ferguson). *Following the fire* Jaguar dropped to 20s., recovering later to 21s. Aircraft shares were again weak, Folland losing 2s. 6d. to 10s. 3d. and Westland 7½d. to 6s. 4½d. Courtaulds gained 2s. 4½d. to 34s. 6d. and Calico Printers 1s. 9d. to 45s. 9d., but Linen Thread fell back to 21s. 9d. xd following the fall in profits. Rank Organisation rose 9d. to 9s. 9d., but other cinema shares weakened.

On Wednesday a sharp *rise in* Middle East Oil shares occurred and Suez Canal issues *improved. Copper shares were* mainly weaker. Diamond shares receded on the report of a possible substitute and tea shares declined on lower tea prices.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1956 High	1956 Low	1955 High	1955 Low
Jan. 16	192·8	5·71	210·4 (Jan. 4)	170·0 (Nov. 28)	232·1 (July 20)	175·2 (Mar. 23)
„ 23	193·0	5·55				
„ 30	193·9	5·52				
Feb. 6	194·0	5·66				
„ 13	195·9	5·61				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956 High	1955 High
		%		%		203·5 (Jan. 3)	233·9 (July 21)
Feb. 6	183·1	5·97	96·53	4·54	10,056		
„ 7	185·5	5·90	96·67	4·52	9,544		
„ 8	187·0	5·85	96·69	4·54	9,631	Low	Low
„ 11	186·6	5·86	96·68	4·54	12,759	161·5 (Nov. 29)	175·7 (Mar. 15)
„ 12	184·7	5·92	96·58	4·57	11,667		
„ 13	185·0	5·91	96·58	4·57	10,221		

Bases:—* 1953=100. † July 1, 1935=100. ‡ 1923=100.

LONDON ACTIVE SECURITIES

Prices, 1956 High	Prices, 1956 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Feb. 6, 1957	Price Feb. 13, 1957	Net Yield, Feb. 13, 1957 § £ s. d.	Gross Yield, Feb. 13, 1957 £ s. d.
99⅛	97	Funding 2½% 1952-57	99⅜	99⅜	2 8 2	4 3 9
95 17/32	93⅛	War Loan 3% 1955-59	96	96	2 18 5	4 7 10
91⅛	88 15/32	Funding 2½% 1956-61	92	92	3 5 5	4 9 7
100 5/32	99 15/16	Exchequer 5% 1957	100	100	1 4 1	4 8 1
99 15/32	97	Conversion 4% 1957-58	98⅜	99	2 15 6	4 14 2
97⅞	95⅞	Serial Funding 2½% 1957	98⅛	98	3 5 4	4 11 4
94 31/32	91	Conversion 2½% 1958-59	95	95	3 10 8	4 9 0
92⅛	88 5/16	Exchequer 2% 1960	92	93	3 9 4	4 7 0
95 1/16	92⅛	Exchequer 3% 1960	95	95	3 2 10	4 8 6
88⅛	83	Savings Bonds 3% 1955-65	89	89	3 3 3	4 10 5
82⅞	77⅛	Funding 3% 1959-69	84	84	3 7 2	4 16 6
92⅛	84⅛	Funding 4% 1960-90	92¼	92¼	5 3 8	7 3 2
81⅞	75⅛	Savings Bonds 3% 1960-70	81⅛	81⅛	3 9 4	4 17 11
98⅜	97⅜	Conversion 4½% 1962	98 31/32	99	2 16 1	4 14 8
91⅞	88⅛	Exchequer 3% 1962-63	92⅜	92¼	3 0 11	4 8 5
87⅛	83 1/16	Exchequer 2½% 1963-64	87⅜	88⅛	3 6 8	4 10 6
81 1/16	76⅛	Savings Bonds 2½% '64-67	82⅝	83⅞	3 8 6	4 12 11
79¼	71⅛	Savings Bonds 3% 1965-75	77⅝	77⅜	3 7 11	4 17 9
83 3/16	78	Funding 3% 1966-68	84	84⅛	3 7 10	4 16 1
96⅛	90	Victory 4% 1920-76	95	94⅜	2 17 8	4 12 9
88⅝	81⅞	Conversion 3½% 1969	87⅜	88⅛	3 4 2	4 16 0
83⅜	74⅜	Treasury 3½% 1977-80	80⅛	80⅜	3 4 3	4 18 10
84¼	74 1/16	Treasury 3½% 1979-81	79 11/16	79 11/16	3 4 9	4 19 2
72⅞	64⅛	Redemption 3% 1986-96	71⅜	71¼	3 0 1	4 13 5
81⅛	73⅛	Funding 3½% 1999-2004	80¼	79⅜	2 15 10	4 11 3
84⅝	76	Consols 4% after Feb. '57	81⅜	81⅜	2 16 8	4 18 7
77	68	War Loan 3½% after 1952	74⅞	74⅛	2 14 6	4 15 3
76⅞	67⅛	Conv. 3½% after Apr. 1961	74 1/16	74⅛	2 14 8	4 15 9
66⅜	58⅜	Treas. 3% after Apr. 1966	65	64⅞	2 13 8	4 14 1
56⅜	49⅞	Consols 2½%	55⅛	54⅜	2 12 8	4 11 10
56⅜	50	Treas. 2½% after Apr. '75	55⅛	55⅛	2 12 9	4 12 5
98⅝	90	Br. Electric 4½% 1967-69	95⅜	96⅜	2 18 10	4 18 0
80⅛	72⅛	Br. Electric 3% 1968-73	79 1/16	79⅛	3 8 10	4 19 2
79⅛	71⅛	Br. Electric 3% 1974-77	76⅜	76⅝	3 6 5	4 16 2
95	85⅛	Br. Electric 4½% 1974-79	91⅝	92⅜	2 19 5	4 18 10
83 1/16	74⅝	Br. Electric 3½% 1976-79	81⅛	81 1/16	3 4 4	4 19 1
90⅞	84⅛	Br. Gas 4% 1969-72	89 15/16	90⅛	3 1 10	4 18 1
87 1/16	80	Br. Gas 3½% 1969-71	87 1/16	86⅜	3 2 10	4 15 0
73⅛	65⅛	Br. Gas 3% 1990-95	72⅜	72	2 19 7	4 12 4
80 1/16	72⅜	Br. Transport 3% 1968-73	79 1/16	79⅜	3 8 10	4 19 2
90⅜	81 15/16	Br. Transport 4% 1972-77	88 1/16	88⅝	3 1 4	4 18 7
73⅜	65⅛	Br. Transport 3% 1978-88	72 1/16	72	3 2 11	4 15 0

Prices, 1956 High	Prices, 1956 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Feb. 6, 1957	Price, Feb. 13, 1957	Yield, Feb. 13, 1957 £ s. d.
80⅜	74⅞	Australia 3½% 1965-69	81¼	81¼	5 6 3
98⅛	92½	Fed. Rhod. & Nyas. 5% 1975-80	96⅜	96⅜	5 5 1
76	70	S. Rhodesia 2½% 1965-70	75⅞	74⅝	5 5 6
88⅛	80¼	N. Zealand 4% 1976-78	87¼	87⅛	4 19 6
101⅜	99⅛	L.C.C. 5½% 1977-81	105⅜	105½	5 1 6
97⅜	88⅛	Agric. Mortgage 5% 1959-89	92⅜	92⅜	5 9 8
68⅜	61	Met. Water Board 'B' 3% 1934-2003	68⅛*	68*	4 15 3
81⅛	71	German 7% 1924 (Br. Enfaced 5%)	78	77½	...
169⅞	159⅛	Japan 5% 1907 (Enfaced)	164⅞	164⅝	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Feb. 6, 1957	Price, Feb. 13, 1957	Yield, Feb. 13, 1957 £ s. d.
		% %	BANKS & DISCOUNT			
105/-	92/6	2 a	7 b Bk. Ldn. & S. Amer. £5	132/6	128/9*	6 19 10
50/-	39/10½	5 a	7 b Barclays Bank £1	44/3	44/-	5 9 1
35/9	27/9	4 a	4 b Barclays D.C.O. £1	32/9	31/6	5 1 7
41/9	32/9	7½a	7½b Chartered Bank £1	38/6	37/6	8 0 0
51/-	42/10½	...	7 b Lloyds Bank £1	49/-	48/6	5 7 3
72/4½	61/-	9 a	9 b Midland Bank £1	71/6	73/-	4 18 8
46/-	29/3	5 a	5 b Nat. Discount 'B' £1	38/6	40/6	4 18 9
50/-	40/6	6¼a	6¼b Union Discount £1	48/9*	49/6	5 1 0
			INSURANCE			
92/6	75/-	43½b	30 a Commercial Union 5/-	88/-	89/-	4 2 1
29	16⅜	37½b	12½a Legal & General £1	28⅜	28½	1 15 1
25½	18½	†47½b	†20 a Pearl £1	20⅜	21⅜	5 9 9
46⅜	38	†117½c	†125 c Prudential 'A' £1	44½	45¾	4 16 0
			BREWERIES, ETC.			
119/6	106/-	10 a	33 b Bass £1	102/-	109/6	7 17 1
24/10½	18/7½	11½b	6 a Distillers £1	21/6	22/1½	5 5 6
45/10½	36/9	10 a	15 b Guinness 10/-	39/3	38/9	6 9 0
76/-	61/9	14 b	7 a Whitbread 'A' £1	67/6	68/6	6 2 9
			OIL			
103/9	99/-	†10 b	†5 a British Petroleum £1	131/10½	133/6	3 18 2
11/9	6¾/-	12½b	5 a Burmah £1	8¾/4½	8⅝/6	4 0 11
17⅞	11⅜	14 b	7½a Royal Dutch 20 fl.	£15⅜	£15½	2 8 3
171/-	103/3	†13½b	†5 a Shell £1	155/-	154/6	3 7 7
38/6	33/3	...	... Ultramar 10/-	62/3	63/3	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Feb. 6, 1957	Price, Feb. 13, 1957	Yield, Feb. 13, 1957 £ s. d.
		% %	STEEL & ENGINEERING			
85/6	64/-	8 b	7 a Babcock & Wilcox £1	77/6	79/3	3 15 8
13/-	9/4½	14 c	4 a Cammell Laird 5/-	12/3	12/6	5 12 0
36/-	22/9	3 a	5 b Dorman Long £1	25/3	24/9	6 9 4
54/9	39/-	8½b	3½a Guest Keen N'fold. £1	47/6	48/6	4 18 11
55/6	41/6	6 b	4 a Metal Box £1	51/-	50/7½	3 18 3
75/-	51/2½	5 a	12½b Stewarts & Lloyds £1	27/9	27/3	6 8 5q
60/-	47/3	11 b	3 a Swan Hunter £1	66/9	69/-	4 1 2
49/9	32/-	4 a	8½b United Steel 5/-	31/6	31/6	7 18 8
44/7½	32/4½	7½b	2½a Vickers £1	40/6	42/1½	4 14 11
			ELECTRICAL			
75/3	45/-	15 c	7½a Assoc. Elec. Inds. £1	66/3	66/-	4 10 11
54/9	45/3	8½b	4 a Br. Ins. Callenders £1	48/9	48/9	5 2 7
37/10½	24/9	43⅞ c	14⅜a Decca Record 4/-	33/7½	34/-	5 2 11
37/-	22/6	15 c	15 c Elect. & Mtns. Inds. 10/-	27/-	27/-	5 11 1
66/1½	43/6	8½b	4 a English Electric £1	51/6	52/3	4 15 8
65/6	40/9	9½b	4¾a General Electric £1	54/6	54/3	5 3 3
			TEXTILES			
24/9	19/4½	6 b	4 a Bradford Dyers £1	21/7½	21/7½	9 5 0
23/7½	13/-	5 b	1½a British Celanese £1	13/4½	13/6	9 12 7
25/10½	20/7½	6½b	2½a Coats, J. & P. £1	23/9	23/7½	7 8 1
44/-	29/-	6 b	4 a Courtaulds £1	32/1½	34/6	5 15 11
37/3	22/3	5 a	12½b Lancashire Cotton £1	33/1½	33/9	10 7 5
33/3	26/-	10 b	2½a Patons & Baldwins £1	32/4½	33/1½	7 11 0
			SHOPS & STORES			
18/10½	12/9½	14 c	3 a Boots Pure Drug 5/-	15/6	15/9	4 8 10
41/4½	29/-	7½a	20 b Debenhams 10/-	38/-	39/-	7 1 0
44/9	30/11½	47½b	15 a Gt. Universal 'A' 5/-	41/3	42/3	7 7 11
71/1½	54/9¾	32½b	20 a Marks & Spen. 'A' 5/-	72/6	73/9	3 11 2
25/10½	19/-	20 b	12½a United Drapery 5/-	23/3	24/6	6 12 8
64/10½	51/-	20 a	40 b Woolworth 5/-	59/9*	58/9	5 2 1
			MOTORS & AIRCRAFT			
22/1½	16/-	6½b	3½a Bristol Aeroplane 10/-	19/6	18/9	5 6 8
9/-	5/9¾	4 a	8½b British Motor 5/-	7/3	7/5½	8 8 1
44/3	25/9	2½a	5 b Ford Motor £1	34/3	33/9	4 8 11
49/3	29/9	3 a	7 b Hawker Siddeley £1	33/3	34/-	5 17 8
47/3	38/10½	10 c	12½d Leyland Motors £1	43/-	44/-	5 13 8
115/10½	85/6	12½b	5 a Rolls-Royce £1	116/10½	115/4½	3 0 8
9/3⅛	5/5½	12 c	8 c Standard Motor 5/-	6/5½	7/-	5 14 3
			SHIPPING			
38/9	28/6	...	6½a Brit. & Com'wealth 10/-	39/-	38/-	4 4 3g
27/-	20/4½	7½b	3 a Cunard £1	25/9	24/9	8 1 Tm
35/9	27/-	5 b	3 a P & O Defd. £1	35/3	36/3	4 8 3
			MISCELLANEOUS			
45/6	34/3	7 b	3 a Assoc. Port. Cem. £1	39/6	39/3	4 11 9p
22/9	17/9	10 b	20 a Beecham Group 5/-	19/9	19/9	7 11 11
60/9	38/6	7½b	4½a Bowater Paper £1	45/6	45/3	5 6 1
81/10½	40/4½	8 b	4 a Br. Aluminium £1	64/6	64/6	3 14 5
60/-	45/3	†7½b	†10⅝a Br. Amer. Tob. 10/-	56/9	58/6	5 4 1j
19/9	15/4½	15 b	7½a B.E.T. 'A' Defd. 5/-	19/3	19/6	5 15 4
42/-	32/9	6 b	4 a Br. Oxygen £1	32/6	32/9	6 2 2
$69	$56¾	3 a	4 b Canadian Pacific $25	$60⅜	$57½	5 15 3
25/9	14/4½	10 b	2½a Dunlop Rubber 10/-	16/1½	16/1½	7 15 0
49/10½	36/-	6 b	4 a Imp. Chemical £1	41/9	41/4	4 16 8
62/9	42/3	8½a	12½b Imp. Tobacco £1	47/3	45/6*	9 4 3
$211	$141½	$2·90c	$3·75c Int'l. Nickel n.p.v.	$197	$191	3 11 8
40/3	28/6	2½a	5 b J. Lucas (Inds.) £1	32/-	32/4½	4 12 8
30/3	21/3	15⅝a	6⅝b Monsanto Chem. 5/-	22/4½	22/4½	5 0 7
19/4½	15/1½	20 c	5 a Ranks 5/-	18/6	18/6	5 8 1
75/4½	42/9	15 b	6 a A. E. Reed £1	51/-	51/6	6 4 4n
16/4½	11/7½	20 c	20 c Sears Hldgs. 'A' 5/-	15/6	15/-	6 13 4
69/1½	54/1½	4½a	12 b Tate & Lyle £1	66/-	63/10½	5 3 4
69/6	49/9	6¼a	7½b Tube Investments £1	59/3	59/-	5 1 9d
115/6	92/6	5 a	22½b Turner & Newall £1	112/6	114/6	4 16 1
82/9	61/7½	9½b	6 a Unilever Ltd. £1	72/6	73/-	4 6 4
41/9	22/9	†7½b	†4½a United Molasses 10/-	39/3	40/9	5 1 10
			MINES, ETC.			
172/6	133/9	20 a	50 b Anglo-American 10/-	142/6	138/9	5 0 11
40/-	22/6	†2½a	†7½b Cons. Tea & Lands £1	27/3	25/6	13 12 9
130/7½	91/3	120 b	80 a De Beers Def. Reg. 5/-	101/3	96/3	10 7 3
25/-	19/7½	...	... Doornfontein 10/-	23/-	22/9	...
10/11½	8/6	30 c	10 a London Tin 4/-	11/-	10/6	11 8 9
16⅜	11⅛	112½b	25 a Nchanga Cons. £1	11⅜	12	1 10½
64/-	52/6	30 a	40 b President Brand 5/-	51/10½	53/1½	6 13 2
58/-	42/-	25 a	50 b Rho. Selection Tst. 5/-	44/-	44/-	8 10 6h
61/9	37/6	30 b	12½a United Sua Betong £1	46/6	46/6	18 15 7
81/9	64/4½	30 a	40 b Western Holdings 5/-	71/10½	71/10½	4 17 3

New York Closing Prices

	Feb. 6 $	Feb. 13 $		Feb. 6 $	Feb. 13 $		Feb. 6 $	Feb. 13 $
Can. Pacific	31½	31	Am. Viscose	33	31½	Int'l. Nickel	105½	102½*
N.Y. Central	31½	28½*	Beth. Steel	44⅜	43⅞	National Dist.	25*	25
Pennsylvania	20⅜	20⅜	Chrysler	66½	67½*	Sears Roebuck	26⅜	26⅞
Amer. Tel.	176½	174½	Crown Zeller	52½	52½	Shell Oil	75⅜	74½
Standard Gas.	11¾	12½	DuPont de Nm.	183½	178⅜	Std. Oil of N.J.	56*	54⅝
Western Union	18⅛	18⅜	Ford Motors	56½	54⅜	U.S. Steel	61⅜	60½
Alumin'm Ltd.	119½	116	Gen. Elect.	53	54¼	West'house E.	54¾*	53⅜
Am. Smelting	53	51⅞	Gen. Motors	40⅜	39½	Woolworth	44	43⅜

* Ex dividend † Tax free. ‡ Assumed average life approx. 10½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 15% tax free. (e) To earliest date. (f) Flat yield. (g) On 16%. (h) After Rhodesian tax. (i) On 17½% tax free. (j) On 13%. (k) On 20%. (l) To latest date. (m) On 10%. (n) On 18%. (o) On 15%. (p) On 9%. (q) On 8¼%.

Statistics

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

British		Overseas	
Prices and Wages	Feb. 2nd	Western Europe:	
Production and Consumption	Feb. 9th	Production and Trade	Jan. 26th
Manpower	This week	British Commonwealth	Feb. 9th
External Trade	Jan. 26th	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits	Jan. 12th	United States	Feb. 2nd
		World Trade	Jan. 12th

Manpower in Great Britain

	Unit	Monthly averages			1955		1956				1957
		1954	1955	1956	Nov.	Dec.	Jan.	Oct.	Nov.	Dec.	Jan.
TOTAL MANPOWER (1) (2)											
Working population:											
Total	'000s	23,667	23,912	...	...	24,073	...	24,223	24,225	24,037	...
Men	"	15,974	16,034	...	...	16,144	...	16,245	16,236	16,207	...
Women	"	7,693	7,323	...	...	7,929	...	7,978	7,989	7,830	...
Armed Forces	"	839	803	...	...	779	...	779	775	761	...
Civil employment:											
Total	"	22,604	22,933	...	...	23,053	...	23,191	23,178	22,989	...
Agriculture, forestry and fishing	"	1,074	1,066	...	...	1,006	...	1,025	1,005	994	...
Mining and quarrying	"	857	862	...	...	857	...	857	858	859	...
Building and contracting	"	1,453	1,436	...	...	1,472	...	1,544	1,533	1,491	...
Distributive trades	"	2,743	2,811	...	...	2,834	...	2,905	2,944	2,904	...
Public administration	"	1,326	1,239	...	...	1,290	...	1,298	1,296	1,294	...
Manufacturing industries	"	8,976	9,206	...	...	9,351	...	9,300	9,296	9,226	...
CHANGES IN EMPLOYMENT (1)											
Increase or decrease since June, 1954:											
Employees in engineering (2)	"	...	+ 190	...	+ 279	+ 272	+ 282	+ 223	+ 224	...	...
" " consumer goods industries (3)	"	...	− 13	...	+ 43	+ 10	+ 10	+ 2	− 2	...	...
UNEMPLOYMENT											
By duration:											
All durations—total	"	284·8	232·2	257·0	225·9	215·6	263·9	254·1	264·6	297·0	382·6
" " —men	"	184·4	136·7	168·8	141·9	139·0	173·2	160·1	167·5	199·7	267·7
" " —women	"	100·4	85·5	88·2	84·0	76·6	90·7	94·0	97·1	97·3	114·9
Temporary or under 2 weeks—men	"	58·0	51·5	62·7	49·0	43·9	62·6	53·6	52·4	75·4	103·2
" " —women	"	36·4	36·7	35·5	35·6	26·7	39·9	34·6	33·0	29·8	44·3
Over 8 weeks—men	"	81·7	67·7	65·7	55·1	58·8	63·3	64·8	69·7	73·4	90·6
" " —women	"	37·1	26·5	27·4	23·0	25·4	28·8	26·5	29·8	32·8	40·3
By industry (4):											
Textiles	%	0·9	1·6	1·4	1·2	1·0	1·1	1·2	1·1	1·0	1·1
Clothing	"	1·3	0·9	1·0	0·8	0·9	1·0	1·0	1·1	1·1	1·3
Vehicles	"	0·5	0·4	1·2	0·4	0·3	0·4	0·8	0·6	2·2	2·8
Engineering, etc.	"	1·1	0·8	0·9	0·7	0·7	0·8	0·9	0·9	0·9	1·1
Coal-mining	"	0·2	0·1	0·1	0·2	0·1	0·1	0·2	0·2	0·2	0·2
Distributive trades	"	1·3	1·0	1·0	0·9	0·8	1·1	1·1	1·1	1·1	1·5
By regions (4):											
Great Britain	"	1·3	1·1	1·2	1·0	1·0	1·2	1·2	1·2	1·4	1·8
London and South Eastern	"	1·0	0·7	0·8	0·7	0·6	0·8	0·8	0·9	1·2	1·5
Eastern	"	1·2	0·9	1·0	0·8	0·9	1·1	0·8	0·9	1·2	1·7
Southern	"	1·1	0·9	1·0	1·0	0·9	1·0	1·0	1·1	1·2	1·7
South Western	"	1·5	1·2	1·2	1·3	1·3	1·4	1·3	1·5	1·6	2·1
Midland	"	0·6	0·5	1·1	0·5	0·4	0·6	1·0	1·0	1·0	1·5
North Midland	"	0·6	0·5	0·6	0·5	0·5	0·6	0·6	0·6	0·8	1·1
East and West Ridings	"	0·9	0·7	0·8	0·7	0·6	0·8	0·8	0·8	0·9	1·0
North Western	"	1·5	1·4	1·3	1·3	1·1	1·4	1·3	1·3	1·4	1·7
Northern	"	2·2	1·8	1·6	1·6	1·5	1·9	1·5	1·6	1·6	2·0
Scotland	"	2·8	2·4	2·4	2·2	2·3	2·7	2·2	2·3	2·5	3·0
Wales	"	2·5	1·8	2·0	1·8	1·7	1·9	2·2	2·2	2·3	2·9
VACANCIES											
Unfilled vacancies notified to employment exchanges (5):											
Total	'000s	338	332	279	388	382	373	318	300	279	256
Men	"	191	214	152	220	214	207	177	168	152	134
Women	"	147	163	127	168	168	166	141	132	127	122
DISPUTES (3)											
Workers involved	"	37	55	42	40	16	27	59	23	10	...
Working days lost:											
Total	"	205	315	174	285	114	83	196	67	32	...
Mining and quarrying	"	39	93	42	39	13	24	93	33	10	...
Engineering, etc.	"	62	57	85	230	95	45	79	22	17	...
Other industries and services	"	104	166	46	16	6	14	24	12	5	...

(1) Annual figures are for June of each year. (2) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) From June, 1956, onwards comparison with earlier figures is affected by the revocation of the Notification of Vacancies Order, 1952. (6) United Kingdom. (7) There was a reduction in this month due to discontinued registration of persons losing title to unemployment benefit. (8) Figures have been revised back to July, 1955, on the basis of the mid-1956 count of National Insurance Cards but the complete series is not yet available; it will be published at a later date.

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
WHOLESALE PRICES (1) (1953 = 100)												
1948	42	94	74	65	90 [2]	...	78	104	75	66	72	94
1954	105	99	100	98	98	112	98	101	101	102	100	110
1955	108	101	103	98	101	120	101	101	102	104	104	119
1956, August	112	103	108	103	102	129	101	101	104	110	109	131
" September	111	103	107	102	102	129	101	101	104	110	108	130
" October	112	104	107	102	103	129	...	102	105	110	109	...
" November	112	106	108	103	104	132	...	103	...	111	109	...
" December	113	...	110	104	...	...	...	...	...	112	...	...
COST OF LIVING (3) (1953 = 100)												
1948	50 [2]	95	81	60	93	63	79	86	78 [4]	74	77	89
1954	103	101	101	100	100	115	100	103	104	104	101 [2]	110
1955	105	101	107	101	102	122	103	106	106	105	104	119
1956, August	108	104	...	102	105	126	108	111	108	111	110	131
" September	108	104	...	103	105	126	...	112	110	110	109	131
" October	110	105	114	103	105	126	...	111	109	110	109	...
" November	111	105	...	103	106	126	107	111	109	110	110	...
" December	...	105	...	103	...	...	...	...	...	...	...	...
IMPORT PRICES (5) (1953 = 100)												
1948	37	84	84 [6]	59	...	...	82	98	85	80	72	113
1954	96	96	97	98	96	118	101	98	95	98	99	104
1955	94	96	98	97	100	118	104	100	97	100	99	103
1956, July	95	98	} 104	{ ...	104	128	110	106	100	98	} 104	{ ...
" August	96	98		{ ...	104	126	108	105	100	100		{ ...
" September	97	...		{ ...	104	124	110	105	100	102		{ ...
" October	97	...	...	...	102	127	110	...	102	101	...	...
" November	97	...	...	...	101	...	...	...	...	103	...	...
EXPORT PRICES (5) (1953 = 100)												
1948	42	95	91 [6]	68	...	...	78	103	97	84	76	91
1954	99	94	99	95	96	121	98	99	100	99	98	97
1955	102	97	100	96	98	133	101	98	101	107	102	111
1956, July	108	103	} 103	{ ...	102	130	99	105	99	114	} 105	{ ...
" August	109	101		{ ...	102	137	98	106	100	117		{ ...
" September	107	...		{ ...	102	140	96	106	103	113		{ ...
" October	102	...	...	...	100	140	97	...	104	120	...	...
" November	101	...	...	...	101	...	...	...	...	115	...	...

TOTAL MONEY SUPPLY (7)

End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	'000 mn. kroner	mn. liras
1948	...	154·0	7,110	2,165	11·8	1,984	110·3	1,989	7,285	6,937	6·27	1,715
1954	28·26	187·3	7,369	5,266	26·4	9·30 [8]	152·2	4,036	9,099	9,162	9·20	3,869
1955	28·62	...	7,458	5,916	29·1	11·97	154·7	4,477	9,837	9,357	9·30	4,882
1956, July	28·80	...	7,249	6,309	29·1	12·71	148·2	...	9,786	9,452	8·47	...
" August	29·12	...	7,423	6,305	29·3	12·83	148·1	...	9,711	9,472	8·39	...
" September	29·24	...	7,345	6,242	29·3	...	151·6	4,548	9,595	9,430	8·56	...
" October	29·26	...	7,361	6,230	29·5	...	153·3	...	9,360	9,456	8·81	...
" November	29·45	...	7,713	6,308	30·2	...	156·8	...	9,357	9,466	8·84	...

GOLD AND FOREIGN EXCHANGE HOLDINGS (7) (mn. US Dollars)

1948	62	938	84·0	...	295	6·2	209	539	643	140·6	233	192
1954	357	1,146	133·1	2,139	3,076	10·9	242	1,237	1,284	165·3	470	221
1955	402	1,196	131·2	1,416	4,291	...	234	...	1,077	178·3	473	230
1956 August	394	1,224	130·7	1,648	3,848	...	223	1,338	1,162	159·3	434	224
" September	405	1,244	127·8	1,655	3,908	...	225	1,358	1,138	164·6	448	224
" October	417	1,217	135·8	1,658	4,118	...	230	...	1,138	168·1	451	223
" November	414	1,197	136·3	1,560	4,194	...	235	...	1,080	173·1	466	223
" December	402	1,196	131·2	1,416	4,291	...	234	...	1,077	178·3	473	230

(1) Relates to wholesale prices in Athens and Piraeus only for Greece. Figures for Ireland from 1953 onwards are for home produced goods only. (2) July-December. (3) Relates to prices in capital cities only for Austria, France, Greece and Turkey. Belgium and Austria exclude rent. Denmark excludes direct taxes. Figures for Ireland are based on August, 1953 = 100. (4) Including direct taxes. (5) Including trade with Faeroe Islands. (6) Index numbers of unit value which compare the current average value of trade with its value in 1953; they are influenced by changes in the composition of trade as well as price movements. (7) Deposit money and notes and coins held by business, individuals and foreigners. Except for Greece holdings of issuing authority and other banks are excluded. (8) Holdings of the government and central bank at end of period. Figures for Greece are gold only. Foreign exchange figures for Norway exclude government holdings; Netherlands, Norway and Sweden include foreign investments. Gold includes some long-term securities. (9) Beginning May, 1954, a new drachma equal to 1,000 old drachmas introduced.

Financial Statistics

EXCHEQUER RETURNS

For the week ended February 9th, 1957, there was an "above-line" surplus (after allowing for Sinking Funds) of £144,859,000 compared with a surplus of £119,510,000 in the previous week and a surplus of £108,270,000 in the corresponding period of last year. There was a net expenditure "below-line" last week of £21,273,000, bringing the total deficit to £339,482,000 (£123,972,000 in 1955-56).

£'000	Estimate, 1956-57	April 1, 1955 to Feb. 11, 1956	April 1, 1956 to Feb. 9, 1957	Week ended Feb 11, 1956	Week ended Feb. 9, 1957
Ord. Revenue					
Income Tax	2045,500	1514,918	1591,017	97,929	133226
Surtax	144,000	105,500	115,800	6,900	10,000
Death Duties	170,000	151,700	143,300	3,400	3,500
Stamps	58,900	61,800	53,200	1,200	1,200
Profits Tax, EPT	216,750	170,300	169,600	2,300	2,200
Excess Profits Levy	4,000	17,290	4,150	200	...
Special Contribution and other Inland Revenue	1,000	630	460	...	50
Total Inland Rev.	2680,150	2022,138	2075,527	111929	150176
Customs	1204,000	1002,026	1035,757	19,121	27,781
Excise	953,350	764,610	778,670	60,070	45,376
Total Customs and Excise	2157,350	1766,636	1814,427	79,191	73,157
Motor Duties	92,000	85,922	84,233	628	4,594
PO (Net Receipts)	...	...	12,350	...	5,000
Broadcast Licences	28,000	21,300	23,300	...	...
Sundry Loans	30,000	29,572	31,407	637	490
Miscellaneous	200,000	174,796	153,940	71	1,988
Total	**5187,500**	**4100,364**	**4195,184**	**192456**	**235405**
Ord. Expenditure					
Debt Interest	670,000	528,746	592,942	5,011	3,886
Payments to N. Ireland Exchequer	61,000	49,220	56,455	3,011	3,430
Other Cons. Fund	10,000	9,644	8,583	185	1
Supply Services	3941,918	3104,156	3377,287	74,950	81,500
Total	**4682,918**	**3691,766**	**4034,268**	**83,157**	**88,817**
Sinking Funds	37,000	28,953	29,811	1,030	1,730
"Above-line" Surplus or Deficit	**+ 379,645**	**+ 131,106**	**+ 108270**	**+ 144359**
"Below-line" Net Expenditure	503,617	470,588	11,703	21,273
Total Surplus or Deficit	**123,972**	**339,482**	**96,567**	**123586**
Net Receipts from:				
Tax Reserve Certificates	−71,197	3,695	21453	−28943
Savings Certificates	21,200	66,900	900	5,000
Defence Bonds	−22,146	−35,138	−340	−569
Premium Savings Bonds	...	57,980	...	880

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
Feb. 11	3,280·0	1,875·4	219·2	2·0	5,376·5
Nov. 3	3,610·0	1,360·2	263·6	...	5,233·7
„ 10	3,610·0	1,341·2	258·7	1·8	5,211·6
„ 17	3,610·0	1,283·0	293·4	2·3	5,188·6
„ 24	3,610·0	1,265·9	259·6	0·8	5,116·2
Dec. 1	3,630·0	1,276·5	227·3	1·0	5,134·8
„ 8	3,620·0	1,340·9	208·5	2·0	5,171·4
„ 15	3,610·0	1,343·7	200·2	...	5,153·9
„ 31		4,939·5	234·6	4·0	5,198·1
1957					
Jan. 5	3,530·0	1,430·0	245·7	1·8	5,207·5
„ 12	3,440·0	1,586·3	267·1	...	5,093·5
„ 19	3,320·0	1,487·0	244·0	...	5,051·0
„ 26	3,210·0	1,516·5	221·0	...	4,947·5
Feb. 2	3,120·0	1,507·0	204·9	...	4,831·9
„ 9	3,050·0	1,486·7	197·4	...	4,734·1

THE MONEY MARKET

At the Treasury bill tender following last week's reduction in Bank rate the average rate of allotment fell by 6s. 1¼d. per cent, to £4 4s. 8.29d. per cent. This marks a margin of just over ¾ per cent below Bank rate; after the Bank rate increase in February last the margin was under ½ per cent. The discount market's bid last week was raised by 1s. 7d. per cent to £98 8s. 10d. per cent; applications for the unchanged offer of £190 million fell by £12.6 million to £371.5 million, and the market's allotment rate picked up from 21 to 38 per cent. After the tender rates on bank bills were marked down further.

Credit supplies have been generally short in the past week; but the Bank has consistently made good the deficiency through special purchases. Official help was needed on a moderate scale around the week-end, and on Monday the special purchases were very large. They dwindled to very small proportions on Tuesday, and on Wednesday market supplies were just adequate. The Bank's help has been given mainly through the banks, which have passed on the money at 4⅞ and even 4¾ per cent; rates on fresh loans from market sources have ranged up to 4 per cent, but have also been down to the clearing banks' new minimum of 3½ per cent on the "regular" portion of money. Dealings in April and May maturities have been generally at 4⅝ per cent.

LONDON MONEY RATES

	%		%
Bank rate (from 5[th]m., 7/2/57)	5	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4⅜ 4⅝
Bank	3	3 months	4⅜ 4⅝
Discount houses	3*	4 months	4⅜ 4⅝
		6 months	4½ 4⅝
Money Day-to-day	3½ 4½	Fine trade bills:	
Short periods	3½	3 months	5½ 6
Treas. bills 2 months	4⅝	4 months	5½ 6
3 months	4½	6 months	5½ 6½

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	Feb. 15, 1956	Feb. 6, 1957	Feb. 1 1957
Issue Department:			
Notes in circulation	1,779·2	1,863·1	1,852·
Notes in banking dept.	46·1	62·2	63·
Govt. debt and securities*	1,821·3	1,921·3	1,921·
Other securities	0·7	0·7	0·
Gold coin and bullion	0·4	0·4	0
Coin other than gold coin	3·0	3·0	3·
Banking Department:			
Deposits:			
Public accounts	12·9	11·1	16·
Bankers	249·8	228·0	235·
Others	70·7	75·1	72·
Total	333·4	315·2	314·
Securities:			
Government	265·8	229·3	213
Discounts and advances	23·8	22·5	30·
Other	17·0	17·6	18·
Total	306·6	269·4	267·
Banking department reserve	48·4	64·2	65
„	„	„	„
"Proportion"	14·3	20·3	20·

* Government debt is £11,015,100, capital £14,553,0[illegible]. Fiduciary issue reduced to £1,925 million from £1,975 mill[illegible] on January 18, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Amount (£ million) Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
1956	*91 Day*		s. d.	%
Feb. 10	260·0	389·6	82 8·71	52
	91 Day *63 Day*			
Nov. 9	200·0 80·0	419·1	99 10·86	27
„ 16	190·0 90·0	396·1	100 0·00	30
„ 23	210·0 80·0	440·6	100 3·54	35
„ 30	220·0 70·0[1]	403·3	100 4·89	33
Dec. 7	220·0 60·0	441·0	100 10·28	24
„ 14	230·0[1] 60·0	424·9	99 1·54	55
	91 Day			
„ 21	280·0	379·8	98 1·43	68
„ 28	270·0	372·5	97 1·81	61
1957				
Jan. 4	270·0[1]	406·7	95 9·11	58
„ 11	260·0[2]	401·4	95 5·30	55
„ 18	240·0	391·2	95 1·40	53
„ 25	200·0[1]	414·0	91 0·81	36
Feb. 1	190·0	384·1	90 10·07	21
„ 8	190·0	371·5	84 8·29	34

* On February 8th tenders for 91 day bills at £98 18s [illegible] secured 38 per cent, higher tenders being allotted in [illegible]. The offering yesterday was for £190 mn. at 91 day [illegible]. [1] Allotment cut by £10 million. [2] Allotment cut by £20 mill[illegible]

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: February 13	Market Rates: Spot: February 7	February 8	February 9	February 11	February 12	February [illegible]
United States $	2·78-2·82	2·79⅛-2 79⅝	2·79⅛ 2·79⅝	2·79⅛ 2·79⅝	2·79⅛ 2 79⅝	2·79⅛ 2·79⅝	2·79⅛ 2·[illegible]
Canadian $	...	2·67⅛ 2 68⅛	2 67⅛ 2·67⅝	2·67⅝ 2·68	2·67⅝ 2·68⅛	2·68⅛ 2·68⅝	2·68⅛ 2·[illegible]
French Fr.	972·65-987·35	986½ 986¾	986½ 986¾	986½ 986¾	986½ 987	986½ 987½	986½ 98[illegible]
Swiss Fr.	12 15⅝-12 33⅝	12 27½ 12 27½	12 27½ 12 27½	12 27½ 12 27½	12 27½ 12 28	12 27½ 12 28	12 27½ 12 [illegible]
Belgian Fr.	138·95-141·05	140·60-140·65	140·57½-140·62½	140·57½-140·62½	140·60-140·65	140 62½-140·67½	140·60-[illegible]
Dutch Gld.	10·56-10·72	10·66½ 10·67½	10·66½ 10·67½	10·66½ 10·67½	10·66½ 10·67½	10·66½ 10·67½	10·66½ 10·67½
W. Ger. D-Mk.	11·67⅜-11·84⅜	11·75 11·75½	11·75½ 11·75½	11·75½ 11·75½	11·75½ 11·75½	11·75½ 11·76	11·75½ 11·[illegible]
Portuguese Esc.	79 90-81·10	80·00 80·15	80·00 80·15	80·00 80·15	80·00 80·15	80·00 80·15	80·00 80·[illegible]
Italian Lire	1735⅜-1762½	1760 1761	1760 1761	1760 1761	1760½ 1761½	1760½ 17·61½	1760½ 17·[illegible]
Swedish Kr.	14·37⅞-14·59⅛	14·49⅞-14·50⅜	14·49⅞-14·50⅜	14·49⅞-14·50	14·50⅜ 14·50⅞	14·50⅜ 14·50⅞	14·50⅜ 14·50⅞
Danish Kr.	19·19⅛-19·48⅜	19·38⅞ 19·39⅛	19·39⅛ 19·39⅜	19·39⅛-19·39⅜	19·39⅛ 19·40⅛	19·40⅛ 19·41	19·40⅛ 19·[illegible]
Norwegian Kr.	19·85-20·15	20·00 20·00¼	20·00 20·00¼	20·00 20·00¼	20·00 20·00¼	20·00 20·00¼	20·00 20·[illegible]
One Month Forward Rates							
United States $		⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm	⅛ ⅜c. pm	⅛ ⅜c. [illegible]
Canadian $		⅛ c. pm-⅛ c. dis	⅛ c. pm ⅛c. dis	⅛ c. pm ⅛c. dis	⅛ c. pm ⅛c. dis	par-⅛c. dis	⅛c. pm ⅛ [illegible]
French Fr.		par-½ dis	par ½ dis	par ½ dis	par ½ dis	par ½ dis	par ½ dis
Swiss Fr.		2 11/16c. pm	2 11/16c. pm	2 11/16c. pm	1 11/16c. pm	1 11/16c. pm	1 11/16c. [illegible]
Belgian Fr.		⅛ ¼ pm	⅛ ¼ pm	⅛ ¼ pm	⅛ ¼ pm	⅛ ¼ pm	⅛ ¼ [illegible]
Dutch Gld.		1¼ 1c. pm	1¼ 1c. pm	1¼ 1c. pm	1¼ 1c. pm	1¼ 1c. pm	1¼ 1c. [illegible]
W. Ger. D-Mk.		1¼ 1¼pf. pm	1¼ 1¼pf. pm	1¼ 1¼pf. pm	2 1¼pf. pm	2 1¼pf. pm	1¼ 1¼p[illegible]
Italian Lire		2 pm par	2 pm par	2 pm par	2 pm par	2 pm par	2 pm [illegible]
Swedish Kr.		1o pm par	1o pm par	1o pm par	1¼ 1o pm	1¼ 1o pm	1¼ 1o [illegible]
Danish Kr.		4-2o pm	4 2o pm	4 2o pm	4-2o pm	4 2o pm	4 2o [illegible]
Norwegian Kr.		2o pm par	2o pm par	2o pm par	2o pm par	2o pm par	2o pm [illegible]
Gold Price at Fixing							
Price (s. d. per fine oz.)		249 5½	249 5½	...	249 6	249 6	249 6

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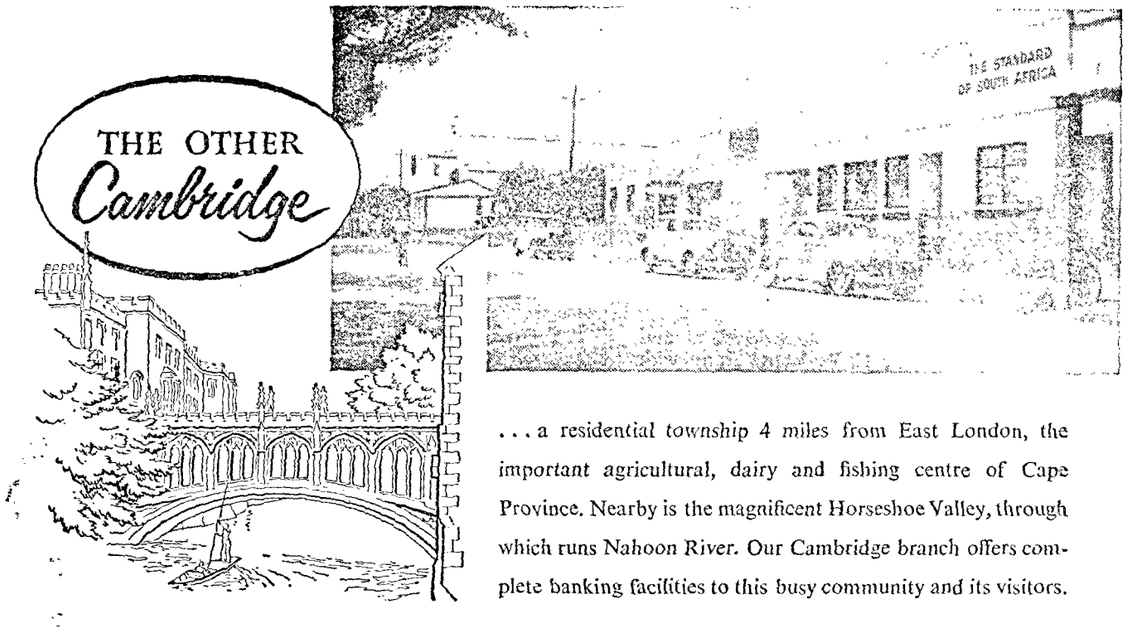
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ESTABLISHED 1833

Statement of Liabilities and Assets
December 31st, 1956

LIABILITIES

Capital paid up...	£9,479,416
Reserve Funds (Including Share Premium Account £1,144,950)	13,250,000
Current, Deposit and other Accounts	815,978,948
Liabilities for Acceptances, Endorsements, Engagements, etc.	36,213,261
	£874,921,625

ASSETS

Coin, Bank Notes and Balances with the Bank of England	£72,037,229
Balances with, and Cheques in course of collection on, other Banks in the United Kingdom and Ireland, and Cheques, Drafts, etc., in transit	48,113,361
Money at call and short notice	62,180,000
Bills Discounted	169,466,435
Investments	218,342,390
Advances to Customers and Other Accounts ...	256,733,065
Trade Investments	5,004,089
Bank Premises	6,831,795
Liabilities of Customers for Acceptances, Endorsements, Engagements, etc.	36,213,261
	£874,921,625

HEAD OFFICE:

15 Bishopsgate, London, E.C.2

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HEAD OFFICE: ROME
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HEAD OFFICE HALIFAX YORKSHIRE

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COMPANY MEETINGS

THE LANCASHIRE STEEL CORPORATION

A NOTEWORTHY ACHIEVEMENT

BENEFITS FROM DEVELOPMENT PROGRAMME

SIR JOHN JAMES ON NEED FOR REVISION OF PRICE-FIXING POLICIES

The Twenty-seventh Annual General Meeting of The Lancashire Steel Corporation Limited was held on *February 12th* at Warrington.

Sir John James, Chairman and Managing Director, who presided, said: Gentlemen, Once again it is my privilege to present to you the Directors' Report and Accounts for the year just ended, and in moving their adoption take the opportunity of giving you my review of the results for that year and the present position and prospects of the Company.

Before doing so, however, it is my sad duty to refer to the recent death of Mr Sinclair Kerr. Mr Kerr had been associated with the Company for almost 30 years, and the valuable work which he did can hardly be over-estimated, particularly in the years immediately preceding and after the formation of the present Company. Although in the last two or three years his health had been far from good, his sudden death came as a great shock to us all.

The Directors' Report and Accounts are in your possession and, with your permission, I shall take them as read. (Agreed.)

THE YEAR'S RESULTS

The total income of the Group for the 52 weeks ended September 29, 1956, shows little change compared with that of the previous year, amounting in fact to £2,986,000 as against £2,942,000. It should be noted here, however, that the figures for 1956 are after charging Depreciation of £650,000 and Reserve for Replacement of Fixed Assets of £350,000, making a total charge of £1 million as compared with £875,000 in 1955. The increase in Depreciation is due to the large expenditure on Fixed Assets which came into operation late in the financial year and on which Depreciation is now being provided for the first time.

In presenting the Accounts for last year I drew your attention to the fact that the profit was a record in the history of the Company, and although the current year's increase is small, it again, of course, constitutes a new record. This is all the more noteworthy as although the output of our products exceeded in most cases that of the year before, we had to bear alarming increases in costs of production in May and June. The full effect of these was felt until December last before the overdue revision of steel prices was made. The increased costs were much too large to be absorbed either by increased effort or efficiency, and it is disturbing that the increases given last December still leave a balance of increased cost yet to be made good. I shall refer to this question of steel prices later.

The present economic difficulties resulting from the closure of the Suez Canal, particularly with their effect on the difficulties of obtaining raw material and especially of oil supplies of which, in common with all other Steel Makers, the Company has made increasing use in recent years, makes it extremely difficult to forecast the future, but the extensions to the Works which are now coming into operation give me every hope that when these difficulties are surmounted, as I am sure they will be, the present figures should not by any means be regarded as exceptional, provided always that the industry can enjoy a fair world price for its products both at home and abroad.

After providing for Taxation of £1,520,000, or rather more than half the total income, the net income of the Group amounted to £1,466,000 compared with a similar figure for 1955 of £1,497,000, thus enabling the Directors, after making the usual allocation to General Reserve of the same figure as last year (except for the small addition of £927 to round up the General Reserve to £5,500,000), to recommend again a Final Dividend of 8 per cent, making 11 per cent for the year. It will be my duty later in this Meeting to recommend this for the Shareholders' approval.

GROUP'S FINANCIAL STRENGTH

Turning to the Consolidated Balance Sheet of the Corporation and its Subsidiary Companies, I am again pleased to draw attention to the Group's financial strength, Current Assets amounting to £11,706,000 compared with Current Liabilities and Provisions of £5,126,000, a surplus of £6,580,000. Although this represents a decrease of approximately £900,000 compared with the surplus a year ago, it should be noted that Capital Expenditure during the year amounted to the substantial figure of £2,917,000. To incur this expenditure without materially affecting the financial strength of the Group is, I think, very gratifying.

DEVELOPMENT PROGRAMME

Turning to the work of the year under review, it has been a great disappointment to me that such slow progress has been made with our Development Programme, but I can now see the advantages making themselves felt. They will have an incerasing effect upon the future prospects of the Company.

With our Accounts are photographs of three of the main items of the Development Programme which have now been completed. That on the inside front cover shows our first large Blast Furnace which has just been put into production after constructional delays arising from the difficulty in obtaining delivery of fabricated steel and electrical equipment. The new structure embodies the most modern equipment and, as the picture shows, is situated on the site of the old furnaces.

We have also recently put into use our new Blast Furnace Bunker installation which when complete, will bring our raw material handling equipment up to the best modern standards and greatly facilitate and improve internal traffic, as belt conveying has been installed in place of locomotives and trucks.

The other photographs are of our new Steel Plant. This Plant is situated on an entirely new site from which steel ingots can pass into the Rolling Mills quite independently of, and without interference with, the existing Plant. The new Plant consists of a 600-ton Active Mixer and two 250-ton Steel Furnaces, of which the first is now in production. Although we are short of molten iron, a deficiency which, however, is rapidly being made good, the Plant is working satisfactorily and the second Furnace is ready to go into production. I hope that by April this whole unit will be working to its nominal capacity and for the first time in our history giving us the ingots to keep our Rolling Mills fully employed without the necessity of buying steel.

As an ancillary to these productive units we have installed a further 21 Coke Ovens of modern design adjoining our existing batteries. These Ovens came into production at the end of January. This will enable us to begin the rebuilding programme of the existing Ovens, some of which have been working continuously for 25 years.

Our new raw material sidings are now nearing completion; included with these is a new railway connection giving direct access to British Railways and providing an alternative means of access to the Works, the lack of which has given us great concern in the past. Not only will this facilitate the reception of raw materials, but it will also enable us to handle the increased internal transport arising from increased production without further addition to our present equipment, and will lower the cost by more efficient working of our transport.

To meet our Development Programme we are installing equipment to increase the rate of discharge at our wharf on the Manchester Ship Canal. This will enable modern ocean-going ships, carrying some 10,000 tons, to be discharged continuously at a rate of up to 1,000 tons per hour so that they can be ready for sea again within 24 hours of arrival. We hope this will encourage Shipowners to modernise existing, and design their future, Iron Ore Carriers to our mutual advantage.

Finally, before passing from the Development Programme I should mention that amenities for our employees have not been forgotten. Amongst others I may mention

the installation of new canteens and considerable extension of the welfare services.

This Development Programme has already entirely altered the appearance of the Irlam Works, and I firmly believe that, when finally completed, the Works will be one of the most efficient units of its size in the country.

SUMMARY OF POSITION

To summarise the position we have reached, I would say that by the end of this year the Irlam Works will have been developed to a stage where it is capable of producing some 650,000 tons of ingots per annum. To complete this stage, together with further expenditure to which we are already committed and which is planned to achieve operating economies and to expand the flexibility of our programmes and the services and products which we can offer to our customers, will involve further expenditure of some £1¾ million. I am confident that, assuming our margins will be adjusted fairly to meet those rising costs which are beyond our control, our increasing output should enable us to meet this further expenditure from our own resources.

In our main Subsidiaries, Rylands Brothers and Whitecross, satisfactory progress has been made in increasing the production of Hard Steel. Two Patenting Furnaces of new and improved design are now in operation and three new high-speed continuous wiredrawing machines have been installed, while two more will be starting up very shortly.

The demand for wire and wire products has been well maintained and the heavy demand for Nails in the Export Market is encouraging, but the incidence of myxomatosis both here and in Australia has been responsible for a falling away in demand for Wire Netting.

During the year competition from the Continent in the Export Market has shown a steady increase and is likely to become more severe during the coming year.

Before turning from our own affairs you will, I am sure, be interested to realise the development which has taken place since the end of the war in 1945. By the end of this year total expenditure on Capital and Development will amount to approximately £15 million. As a result of this expenditure the range of our products has been considerably extended and the ingot output will have been increased from some 330,000 tons in 1945 to some 650,000 tons per annum—an increase of almost 100 per cent. This increase will have been achieved at a cost of £47 per ingot ton, which is far below the present cost of a new integrated Steel Works.

STEEL PRICES

This increased output will enable us to extend the range of our products either on the lines with which we are traditionally associated or in some new field. It is, however, a matter of great concern to us that during 1956 many of our present products have been subject to very unsatisfactory awards in the matter of steel prices. For instance, in the case of one of our main products, prices have been fixed on a basis which, after depreciation, allow a return of only some 9 per cent on the full replacement cost of our new Plant. Even this 9 per cent is before taxation of 50 per cent, and the cash return is, therefore, on present margins only 4½ per cent. Surely this cannot be regarded as an economic return encouraging Makers to expand their production of a commodity in great demand throughout the country and which serves as the raw material for many other industries.

The unfortunate effect of these arbitrary price-fixing policies in the Steel Industry has been a matter of common knowledge for many years For example, I need only mention the extreme and continuing shortage of steel plates which has hampered the efforts of our shipbuilders to give reasonable delivery against foreign competition, and the shortage of heavy sections which has delayed construction urgently needed for the expansion of the country's basic industries. These shortages arose, no doubt, in the first instance through the impact of full employment on an industry which before the war produced only some 10/11 million tons of steel per annum against some 21 million tons today, but the continuation of these shortages throughout 12 years is, in my opinion, largely the direct result of the inadequate return which has been allowed on such products. As a consequence, the steel firms have naturally felt reluctant to install the enormously expensive machinery necessary to produce plates and heavy sections in the volume required today. I hope that the same tendency which appears to be developing in the case of our own products will be rectified before it drives us into other and more remunerative fields, thus creating serious shortages amongst our customers and the industries which they themselves supply.

In my opinion, the time is overdue for a complete review and new thinking over the principles on which price-fixing in the Steel Industry is based. The whole future well-being and power of expansion of this great industry depends upon a reasonably remunerative return, out of which money can be ploughed back to help in financing improvement and development, and at the same time providing a reasonable return on invested Capital, far too often prejudiced by historic value. It must not be forgotten that this country very largely depends upon the well-being and efficiency of the Steel Industry.

OVERSEAS DEVELOPMENT

With a view to extending our trade relations overseas, as so many British Companies are doing nowadays, you will have noted that your Company, together with Stewarts and Lloyds, proposes to take a part in the reorganisation and expansion of the Iron and Steel Industry in Southern Rhodesia, and to assume a financial interest in a new Company which is being formed for that purpose. I have great hopes that this will prove to be a profitable investment in the future, and as the proposed new Company is also acquiring very large reserves of high-grade iron ore in Southern Rhodesia, and as long-distance handicaps are rapidly being overcome by modern shipping, I fully expect that this will prove in years to come a most valuable source of the ore required by the British Steel Industry. The proved tonnage is estimated at about 80 million tons, and I understand these deposits can be worked, when adequate rail and port facilities are available, at around 2 million tons per annum. In our case, we also hope to develop our interest in Rhodesia by the installation of a Wiredrawing Plant for producing a wide range of the wire products so urgently needed in that developing country.

In concluding my remarks, I must pay my own and the Directors' tribute to the efforts of all employees of the Companies in the Group. 1956 was in many respects a most difficult year, and their efforts have contributed largely to what I hope you regard as a satisfactory result.

The report and accounts were adopted.

Den norske Creditbank

Established 1857

HEAD OFFICE, OSLO

18 Branches in the Provinces

BALANCE SHEET, 31st DECEMBER, 1956

ASSETS		Kr.
Cash in Hand and at Bank of Norway		124,552,093.24
Treasury Bills		15,000,000.00
Norwegian Banks and Savings Banks		66,307,088.83
Foreign Banks		101,672,646.05
Securities:	Kr.	
Government Bonds	37,539,284.64	
Municipal Bonds	15,556,576.37	
Bonds of Industrial Companies, etc.	17,046,291.33	
Shares	10,289,558.45	
Mortgage Bonds	136,979,188.33	
		217,410,899.12
Commercial and Finance Bills		300,244,506.53
Foreign Bills		9,752,260.73
Advances to Customers and other Accounts		334,438,235.59
Clients' Accounts in Foreign Currencies		2,356,718.02
Commercial Credits		56,538,197.08
Bank Buildings		5,420,719.00
(Total Assessment Value—Kr.8,547,360.00)		
In Account with our Branch Offices		17,033,161.45
Sundry Assets		189,642,602.07
		Kr. 1,440,369,127.71

LIABILITIES	Kr.
Current Accounts	355,127,906.83
Deposit Accounts	512,320,309.20
Norwegian Banks and Savings Banks	109,370,262.57
Foreign Banks	36,604,209.82
Cheques in Circulation	15,356,690.66
Commercial Credits	58,757,960.57
Clients' Accounts in Foreign Currencies	56,339,990.59
Interest for 1957 of Bills discounted	*3,681,478.86*
Sundry Deposits	228,775,842.37
Share Capital, fully paid	36,000,000.00
Reserve Fund	18,000,000.00
Fund for Taxes	6,000,000.00
Extra Reserve Fund	3,000,000.00
Balance carried forward to 1957	1,034,476.24
Guarantees, Kr. 318,537,770.34.	
	Kr. 1,440,369,127.71

CLYDESDALE & NORTH OF SCOTLAND BANK

HIGHLY SATISFACTORY RESULTS

SIR HAROLD E. YARROW ON NEED FOR MAXIMUM PRODUCTION AND EFFORT

The one hundred and nineteenth Annual General Meeting of Shareholders of Clydesdale & North of Scotland Bank Limited was held on February 13th in the Head Office, St. Vincent Place, Glasgow.

Sir Harold E. Yarrow, Baronet, CBE, LLD, Chairman of the Bank, presided, and in the course of his speech said:

I think you will agree that the results are highly satisfactory.

As compared with the previous year, our Deposits have increased by £2 million and our Note Circulation by a further £1,300,000. Offsetting these increases the total of Acceptances, Confirmed Credits and Engagements on account of Customers has fallen by £2,600,000.

Our liquid position remains strong. Cash, Balances with other Banks and Money at Call and Short Notice in London amount to £74 million representing 38 per cent of our liabilities to the public in respect of Deposits and Notes in Circulation—a very satisfactory liquidity ratio. Our holding in British Government Securities at just over £81 million is higher on the year by about £500,000. At the time of making up our figures, the Book Value of our investments was £6 million in excess of the Market Value. Advances to Customers and other Accounts show a reduction on the year of just over £1 million and now stand at £41,059,150.

The net profit for the year at £481,832 shows a decrease of just over £6,000 as compared with 1955. This fall may be attributed to the increase in the Bank Rate to 5½ per cent. The year's dividend remains unchanged and the carry forward to 1957 is £200,732.

Following the restrictions imposed by the wartime Defence (Finance) Regulations the banks have been under more or less constant restraint by the authorities for fully eleven years and since 1955 the pressure has been intensified. Throughout this whole period they have willingly responded without regard to the effect on their earning capacity or to the unwelcome task they have had to face in refusing accommodation to customers whose requests would normally be regarded as sound and, indeed, in every way desirable. The banks are justified in asking—and certainly in wondering—whether the task of operating the credit squeeze should fall upon them quite so heavily as it does, especially since borrowers unable to secure accommodation from them can now frequently find the finance elsewhere. The fact that the banks have been willing in the national interest to see their traditional functions suspended should not be taken as willingness to have these usurped by other financial institutions. I think it can be claimed that the operation of the credit restriction policy by the banks has served the Country well in so far as it was designed to influence decisions rather than to make things difficult for those who had made genuine business commitments. It has certainly put an end to bank borrowing for speculative purposes. Having achieved these aims, it seems about time for consideration of some relaxation and this could be offset by a more vigorous and much needed attack on public expenditure as the main source of inflation.

After a detailed review of the activities of the Scottish Industries, the Chairman continued:

NATIONAL NEEDS AND OPPORTUNITIES

If recent events have provided any lesson of value in the shaping of economic policy, it surely is that of growing international interdependence, and it must be the general hope that this fact will be increasingly appreciated throughout the world.

For Britain, there are, however, other considerations the regard for which points to one overriding conclusion—that if she is to play her appointed role in world affairs she must be economically strong. Yet if the past year has demonstrated the need for a healthy national economy as a basis of world influence, it has also emphasised afresh the vulnerable condition Britain has reached in the postwar years. The most efficient combination of our native skill and producing techniques must be constantly maintained if we are to ensure the progressive wellbeing of our Country. It needs to be remembered that the large population of these Islands cannot be maintained, far less improved in their standard of life, save on a basis of a large and successful volume of international trade. Happenings in the Middle East thus underline the need for a revision of our whole attitude towards economic matters.

Wherein, then, has our policy been wrong? It has, I believe, been mistaken in one major respect. We have been impatient to reap the harvest of industrial production before the crops were ripe for gathering—in other words, we have sought to secure improvement in our current standard of living before we have rebuilt our economy from its war-weakened state and given it that added stability necessary in a competitive world. Partly the general standard of living consists of leisure; and to enjoy leisure we must have economic security so far as that is obtainable in a dynamic world.

If, therefore we are to secure the advantages which the remarkable advances in science in these days make possible, we must adjust our outlook in order to satisfy two basic requirements. The first is that we must provide the means for applying these scientific advances to industrial purposes, and the second is that once they are provided we must make the fullest and most efficient use of them in increasing production. Production, in a word, is the keynote. From it, all else flows—the means to maintain and improve our standard of life through trade at home and abroad, and the means to provide the savings for capital investment essential to our further prosperity. Only when the full significance of increased production is realised by everyone and the maximum co-operation and effort developed over the whole field of industry can our economic position be regarded as at all assured.

The report and accounts were adopted.

CLYDESDALE & NORTH OF SCOTLAND BANK LIMITED

DIRECTORS:

Sir Harold E. Yarrow, Baronet, C.B.E., LL.D., Chairman.

Robert Laidlaw, Deputy Chairman.

John S. Allan, C.B.E., D.L.
The Rt. Hon. The Earl of Feversham, D.S.O., D.L.
The Rt. Hon. Lord Harlech, K.G., P.C., G.C.M.G.
Alexander Logan McClure, W.S.
Lachlan Mackinnon, C.B.E., D.S.O.
Andrew Mitchell.
Robert Alistair Murray.
The Rt. Hon. Lord Boyd Orr of Brechin, D.S.O., M.C., LL.D., F.R.S.
Sir Albert G. Stern, K.B.E., C.M.G., D.L.
William Thyne.
The Rt. Hon. Lord Maclay, K.B.E.

NORTHERN AREA LOCAL BOARD:

Alexander Lyon, D.S.O., D.L., Chairman.
Sir George W. Abercromby, Baronet, D.S.O.
James A. Mackie, O.B.E.
The Rt. Hon. Lord Boyd Orr of Brechin, D.S.O., M.C., LL.D., F.R.S.
George Robb.
Lachlan Mackinnon, C.B.E., D.S.O.

Sir John J. Campbell, General Manager.

STATEMENT OF ACCOUNTS — 31st DECEMBER, 1956

Liabilities	1956 £	1955 £
Paid-up Capital	2,441,000	2,441,000
Reserve Fund	3,700,000	3,700,000
Notes in Circulation	24,341,501	22,995,673
Current, Deposit and Other Accounts	172,993,988	170,921,798
Acceptances and Engagements	9,410,404	12,022,260

Assets	1956 £	1955 £
Coin, Notes and Balances with Bank of England	28,023,142	25,795,382
Balances with and Cheques on other Banks	27,425,580	28,128,555
Money at Call and Short Notice in London	19,150,000	16,885,000
Bills Discounted	122,165	179,398
Investments	86,633,301	85,818,983
Advances to Customers and other Accounts	41,059,150	42,199,376
Liability of Customers for Acceptances and Engagements	9,410,404	12,022,260
Bank Premises and Other Properties	1,410,205	1,382,233

HEAD OFFICE: 30 St. Vincent Place, Glasgow.
LONDON (Chief Office): 30 Lombard Street, E.C.3.
EDINBURGH (Chief Office): 29 George Street, Edinburgh.
ABERDEEN (Chief Office): 5 Castle Street, Aberdeen.
OVERSEAS (Chief Office): 91 Buchanan Street, Glasgow.

MICHAEL NAIRN & GREENWICH

ADVERSE FACTORS AFFECT PROFITS

The thirty-fifth annual general meeting of Michael Nairn & Greenwich Limited was held on February 8th at Kirkcaldy.

Sir Robert Spencer-Nairn, Bart, chairman, in the course of his speech, said: The total earnings of the group, after providing £538,828 to meet taxation based on income for the year, amount to £320,341 and show a decrease of £249,139 over the results of the previous year. The results reflect the more difficult trading conditions experienced during the past year. The Board recommend the payment of a final dividend of 5¾ per cent, less income tax, on the Ordinary Stock which makes 7 per cent for the year.

The reduction in net earnings from last year's figures can be attributed to a variety of adverse factors affecting both the manufacturing and sales side of our business. Throughout the period covered by the accounts our production costs have tended to rise, and the increase in linoleum costs has been only partially recovered in selling prices. Then again, due partly to credit restrictions at home and to intensive competition, quota and currency obstacles in overseas markets, our sales of linoleum have barely reached last year's level.

The rapid growth of the "Do-it-Yourself" movement in this country has led to increased sales of our attractive range of Linoleum Tiles and Congowall wall-covering which lend themselves admirably to application by home handymen and women.

The report and accounts were adopted.

THE NATIONAL BANK LIMITED

DIVIDEND RAISED BY ONE PER CENT

LORD PAKENHAM MAKES NEW CALL FOR FINANCIAL ENQUIRY AND FOR A STRONGER CENTRAL BANK FOR IRELAND

The one hundred and twenty-second Annual General Meeting of the proprietors was held at 34 College Green, Dublin, on February 7th. Lord Pakenham, PC, Chairman of the Bank, referred to changes in the Directorate by reason of the retirement of Lord FitzAlan and Sir Cornelius Gregg, and the appointment of Mr Cecil M. Rait and Mr E. H. Nugent; also to the appointment of Mr John Leydon as Chairman of the Irish Board in place of Sir Cornelius Gregg.

ACCOUNTS AND PROFIT

Concerning the Report, Balance Sheet and Profit and Loss Accounts, the Chairman pointed out that the net profit for 1956 was up by £15,000 and the distributable sum was £447,000. After careful thought it had been decided that the dividend should be increased from 6 per cent to 7 per cent making 12 per cent for the year.

ENGLAND AND IRELAND COMPARED

Lord Pakenham said that the year in each country had been dominated by the struggle against inflation and the connected phenomena of declining reserves, an adverse trade balance, and a shortage of savings in relation to expenditure. The Governments had shown themselves acutely aware of the inflationary menace to the economic life of the people. The improvement in the balance of trade was pronounced.

The need for increased saving had been stressed in both countries with encouraging results in England. However, even apart from the aftermath of Suez, there were facts to be set on the gloomy side of the account, to some extent at least, the price paid for the improvements. There was an obvious distinction between the fundamental problems of Ireland—an under-developed country with an unemployment problem and heavy net emigration—and those of fully employed postwar England; but on a closer examination the analogies were just as striking. The wisest heads in each country were at one in attaching a priority to their national reserves. Ireland as a creditor country without pretensions as an international banking centre had here some advantage over Britain, but in each case a long-term policy for maintaining the reserves (in England building them up to a much more adequate level) was a *sine qua non* of self-preservation. Both regarded full employment as a supreme social objective and each was increasingly concerned with the necessity for much more productive investment. In a negative sense each had brought its economy into balance, but the problem of passing from stagnation to expansion without destroying the balance so precariously acquired remained elusive in both countries. Last year Lord Pakenham called for a far-reaching financial reappraisal. He now repeated this suggestion. In Ireland certain Committees had been established. He welcomed particularly the Capital Investment and Advisory Committees and the decision to bring forward a separate Capital Budget. In England it was encouraging to notice that the request for a fundamental enquiry had recently been given influential support. It had been stated that the economic future of Britain depended on her changing from a country of low investment to that of high investment. This applied equally to Ireland.

A STRONGER CENTRAL BANK FOR IRELAND

There was one feature, or rather absence of such in the Irish banking system, which although easily explainable in history was now a serious liability. Ireland did not possess a Central Bank which could play a leading part in the credit policy of the country. It would be absolutely disastrous to steer along a road that led towards tampering with the admirable arrangements which secured parity between the Irish and British currencies. But in Ireland the present system of negotiations between the Department for Finance and the Banks—friendly though they were—were vitiated institutionally by the existence of a vacuum in the place usually reserved for a Central Bank. A strong Irish Central Bank empowered to play a vital constructive part in formulating and operating a national and financial policy was patently overdue.

STAFF

On behalf of the Board Lord Pakenham expressed thanks to the staff in Ireland, England and Wales. He mentioned that the Bank expected to open new branches during the year, the first to be opened in England since 1922. With higher profits in the last two years the Bank had been able to offer slightly more generous rewards in certain directions. They could do worse than follow the old instruction of St Benedict in fixing the scope of the Abbot's discretion—*sic omnia temperet, ut et sit quod fortes cupiant, et infirmi non refugiant*—"Let him so temper all things that the strong may have something to strive after and the weak nothing at which to take alarm,"—a careful blend of accents on "opportunity" and the "Welfare State." He could think of no better motto for the Governments of Ireland or England or any country which sought to conduct its affairs on lines of Christian prudence.

Lord Pakenham concluded by saying:

"A Bank is not a charitable institution. But neither is it an instrument of torture for grinding the faces of the needy. Sound commercial principles are an essential condition of its prosperity. But an indispensable service to the Public, courteously rendered, is the justification of its very existence. It exists to fertilise the talent that would otherwise moulder in a napkin; its professional life calls forth the whole combination of qualities that between them generate trust. One Bank at least I have found to be a very human affair."

The Report and Accounts were adopted. The retiring Directors, Lord Pakenham, PC, Mr Hubert Briscoe, Sir Evan M. Jenkins, Mr Cecil M. Rait and Mr E. H. Nugent were re-elected.

F. W. WOOLWORTH AND COMPANY

CONTINUED PROGRESS

The forty-eighth annual general meeting of F. W. Woolworth and Company Limited will be held on March 8th in London.

The following are extracts from the Statement by the Chairman, Mr R. J. Berridge, circulated with the report and accounts for the year to December 31, 1956:

The year 1956 constituted the forty-eighth year of trading of the Company and I trust that the Report of the Directors and the Accounts now presented will give satisfaction.

The Company's progress continued during 1956. For yet another year turnover increased substantially—to a greater extent than during 1955 in fact. It is thus reasonable to conclude that the Company's policy of meriting in still greater measure the confidence of the shopping public through the merchandise values on the stores' counters was successful.

LOWER PROFIT MARGINS

On the other hand the trading profit of the parent Company increased by no more than 2.88 per cent, for the reasons that follow. Gross Profit margins were lower as a whole, partly due to the Purchase Tax increases levied in October, 1955. In particular the public did not take kindly to the entirely new 30 per cent tax on many household goods which had always been free of tax previously, even during the War years. As a consequence, shoppers virtually imposed a buying freeze on these articles.

Expenses were substantially higher, mainly due to wages and rates payments; wages represent the major proportion of total overheads and so when they stride ahead, profits are reduced materially. The new Valuation Lists for Rates resulted in the substantial increase of £500,000 per annum being levied on the Company's Stores for the full year from April 1, 1956 or £375,000 for the nine months to December 31, 1956.

The proposed 20 per cent reduction of Rateable Values of Shops dating from April 1, 1957, is thus most welcome, but I suggest it is no more than an equitable adjustment in relation to other classes of property.

NEW STORES AND IMPROVED STORES

During last year 42 new stores were opened in areas where the Company had not been represented previously, together with the last of the blitzed stores at Kingsbury, North London. These additions raise the grand total to 955 stores in operation at the end of 1956. A considerable number of existing stores also were either enlarged and/or modernised.

The new stores already referred to include 12 Self-Service stores, giving an overall total of 29 operating on this basis. Self-Service has become more popular with the public during the past year, but as the problems set by their mode of operation are not entirely solved, the Board's policy is to continue with this type of development with some caution.

The programme for new stores and improvements to existing stores for the current year is on much the same scale as for last year and new stores likely to open will bring into sight the target of 1,000 stores. It is noteworthy that the new Super-store in Cornmarket, Oxford, is expected to be completed for opening during the latter part of 1957 and it will be characterised by extensive new and up-to-date facilities.

Subsidiary Companies.—In addition to the two stores already operating in Jamaica and Trinidad, the purpose-built store in Barbados opened for business in October last and it has been well received there. It will be remembered that Barbados may possibly become the Capital of the Federation of the British Caribbean, which would add considerably to its importance and prosperity. Additional sites have been acquired in Jamaica and Trinidad and will be developed as soon as possible.

PROFIT AND DIVIDEND

Net Profit before Taxation amounted to £23,319,355 compared with £22,523,066 for 1955. The increase was thus £796,289 or 3.54 per cent. It will be noted that the Subsidiary Companies contributed £44,057, this amount being attributable to the Kingston, Jamaica, store (for the full year to June 30, 1956) and to the Port of Spain, Trinidad, store (for the eight months to June 30, 1956). These profits augur well for the future and are beginning to represent a good yield for the investment made in those areas.

The proposed appropriation to General Reserve is again £2 million, as for several years now. The proposed Final Dividend payable March 9, 1957, is 2s. per unit of Ordinary Stock compared with 1s. 10d. per unit of Stock last year.

Net Current Assets at £21,672,033 compare with £24,844,925 at December 31, 1955, or a decrease of £3,172,892. This reduction can be related in a direct way to the higher investment in Subsidiary Companies and to the rise in Net Fixed Assets of £6,374,366.

Revenue Reserves: with the proposed transfer of £2 million from Net Profit for 1956 General Reserve now stands at £9,500,000 and the Profit and Loss Account Balance after proposed appropriations is £969,166 higher at £4,013,611. As a consequence Revenue Reserves now total £13,513,611 compared with £10,544,445 or £2,969,166 higher than a year ago, so that there is substantially more in hand for future developments.

PROSPECTS

What can be said of the prospects for 1957? It must be encouraging to all of us to read of the steps that are to be taken to put this country of ours in a stronger position economically. To achieve this, mention has already been made of incentives. So that the whole population will play its part, a reduction of taxation in one form or another is undoubtedly a prerequisite, applicable both to individuals and to Companies alike.

In this new and encouraging atmosphere the Company's trading will participate in any greater prosperity that results with the horizon dimmed only by the prospect of overheads rising at a greater rate than the gross profit on additional business.

TRINIDAD SUGAR ESTATES

The thirty-fourth annual ordinary general meeting was held on February 7th in London Mr E. Cassleton Elliott, CBE, FSAA (the chairman), presiding.

The following is an extract from his circulated address:

The year under review was a disappointing one compared with 1955 as owing to the weather conditions and Froghopper damage the Crop was lower by 1,205 tons.

The average price per ton realised for sugar including by-products, after deducting the levies of £2 15s. per ton made under the Trinidad Sugar Industries Special Funds Ordinance, was £44 5s. 7d. compared with £43 3s. 5d. in 1955. As a result of the smaller production of sugar our costs in Trinidad rose from £37 6s. 5d. to £41 5s. 3d. per ton so that the profit per ton in Trinidad was £3 0s. 4d. compared with £5 17s. in 1955.

The Company's financial position remains satisfactory, the surplus of current assets over current liabilities and provisions being £173,500 compared with £168,904 last year.

With regard to the prospects for 1957 Crop, the latest estimates available are that we shall have a tonnage of Estate and Farmers canes about equal to last year.

The Sugar Act has now been passed by Parliament and came into operation as from January 1st. This will not affect the price which we obtain for our sugar under the Commonwealth Sugar Agreement.

The report was adopted and a dividend of 6 per cent approved.

LIEBIG'S EXTRACT OF MEAT COMPANY

OXO ACHIEVES RECORD SALES

The ninety-second annual general meeting of Liebig's Extract of Meat Company Limited, will be held on March 7th in London. The following is an extract from the circulated statement of the chairman, Mr Kenneth M. Carlisle:

The depreciation in value of the Argentine and Paraguayan currencies accounts almost entirely for the net exchange loss of £181,000. These losses are an important factor in reducing Profits less Losses before Taxation by £383,000 to £1,502,000.

Oxo Limited achieved a record turnover showing a substantial increase over previous years. In common with the general tendency the fruits of the higher turnover have very largely been applied towards absorbing increased costs of manufacture and distribution. At the same time, we have in general maintained (in certain important instances, reduced) selling prices to the consumer—a policy which we shall continue to pursue as long as possible.

QUALITY AND VALUE

Sales of Oxo Cubes have risen again both to the trade and over the counter. Results disclosed for the first four months of the new financial year give me reason to believe that this improvement is being maintained. I regard this state of affairs as the best possible vote of confidence in the quality and value of the Oxo Cube. A similar forward impetus is also apparent in the other major division of Oxo Limited's operations.

Sales, distribution and market share achieved by our well-known Fray Bentos brand Canned Meats and Preserves for the year were greater than in the previous year.

Europe.—The general tendency has been towards increased turnover in all established proprietary products containing Extract of Meat. Diversifications and new products have helped to swell the total. The same pattern of rising costs is evident but, by dint of increased mechanisation and improved processes, our companies have been able over the past year to absorb these rising costs.

River Plate.—In the Argentine the Provisional Government is still making a study of the Meat Packing Industry, but at the time of writing there is no change in the situation. In respect of operations since 1946, we do not know whether the Company owes money to the Meat Board, or the Meat Board owes money to the Company. The sums involved are substantial, but we consider that we have been conservative in the amounts for which we have taken credit over these years. We have done what we can, during this long period of uncertainty, to maintain the efficiency of our plant, machinery and transport, and to introduce improvements, but much more has still to be undertaken.

After a detailed review of the Group's other world-wide activities, the Statement concluded:

Current Year.—Sales in the first few months of the current year have, in general, shown consistent increases as compared with a year ago. The crisis in the Middle East, however, and the consequent dislocation of transport, which has resulted in higher freights, petrol rationing in the United Kingdom and restrictions in the use of fuel on the continent, must increase costs of manufacture and distribution throughout the Group. Our sales forces will be considerably less mobile and our efforts to maintain or increase profits through higher turnover will therefore be severely handicapped.

BERGENS PRIVATBANK

Established 1855

OFFICES: BERGEN & OSLO, NORWAY

Branches all over the Country

BALANCE SHEET, JANUARY 1st, 1957

ASSETS	Kr.	LIABILITIES	Kr.
Cash and at Bank of Norway	142,534,010.93	Deposits at Call	316,175,740.37
Treasury Bills	40,000,000.00	Deposits at Notice and at Fixed Term	648,518,034.32
Norwegian Banks	64,778,630.85	Norwegian Banks	154,606,988.02
Foreign Banks	231,667,788.33	Foreign Banks	19,471,976.69
Bonds and Shares	118,766,857.28	Acceptances	1,561,772.36
Mortgages	50,946,525.49	Cheques and Collections ...	16,898,885.34
Bills Discounted	210,877,192.07	Foreign Exchange Accounts	55,017,427.24
Foreign Bills	10,992,639.46	Documentary Credits ...	39,457,386.14
Advances...	402,590,165.79	Other Accounts	192,909,398.78
Documentary Credits ...	42,846,709.02	Share Capital, fully paid Kr. 26,000,000.00	
Bank Premises	8,168,158.98	Reserve Fund Kr. 13,000,000.00	
Other Accounts	188,453,248.51	Reserve for Taxes Kr. 9,000,000.00	
		Special Reserve Kr. 10,000,000.00	
		Balance carried forward Kr. 10,004,317.45	68,004,317.45
	Kr. 1,512,621,926.71		Kr. 1,512,621,926.71

Guarantees Kr. 312,687,626.47

Dr. Profit and Loss Account for the year ended December 31st, 1956 Cr.

	Kr.		Kr.
General Expenses	17,880,138.90	Transfer from last Year ...	6,987,661.56
Taxes	7,556,215.50	Profits on Interest, Discount, Commission and Exchange	39,781,779.03
Allocated to Reserve for Contingencies	7,000,000.00	Other Accounts	1,161,231.26
Net Proceeds Kr. 8,506,655.89			
Transfer from last year Kr. 6,987,661.56			
At disposal Kr. 15,494,317.45			
Appropriated as follows: Transferred to—			
Centenary Funds ...	500,000.00		
Special Reserve	1,000,000.00		
Reserve for Taxes ...	2,000,000.00		
Dividend 8%	2,080,000.00		
Balance carried forward ...	9,914,317.45		
	Kr. 47,930,671.85		Kr. 47,930,671.85

SECOND BRITISH ASSETS TRUST

A YEAR OF UNCERTAINTIES

MR A. C. BLAIR ON CURRENT REVENUE OUTLOOK

The Seventy-eighth Annual General Meeting of Second British Assets Trust Limited will be held on Thursday, March 7, 1957, at the registered office of the Company, 9, Charlotte Square, Edinburgh.

The following is the review by the Chairman, Mr Alastair C. Blair, CVO, WS, which has been circulated with the Report and Accounts for the year ended December 31, 1956.

The Annual Report this year comes to you in a new form. We have felt for some time that we should try to make it clearer and more interesting and I hope that we have achieved our object.

You will find in the Report a table of distribution of investments which not only gives the usual geographical spread but also the distribution between different industries with comparative figures for the previous year. For some time we have been trying to eliminate the weaker investments from our portfolio and to concentrate on those Companies that are growing and whose management is progressive. This has resulted in a reduction in the number of holdings in Ordinary and Common Stocks (which comprise 88.2 per cent of our total funds) to about 160 Companies. The tables, on page 10 of the Report, show that this has led to growth both of income and capital. We hope for the future that such growth will continue and that our policy may in the short run minimise for us the effect of any industrial set-back.

CURRENT YEAR'S ESTIMATE SATISFACTORY

The summary of quarterly figures in the Report indicates both soundness and spread by the evenness of our income quarter by quarter, but it also shows that the rate of increase in income is slowing down. In part at least this is due to the shortage of money, as in this country many Companies whose profits have risen have not increased their dividends, while in the USA there is a growing tendency to distribute "stock dividends" rather than pay out dividends in cash. Although money is likely to be in short supply for many a long day, nevertheless our estimate for 1957 is satisfactory, and in these circumstances we have felt justified in continuing to recommend a fairly full distribution of our income—only 13½ per cent of our net divisible income this year being carried to Reserve.

A year ago I said that 1956 would be a year of uncertainties. This has been only

too true, and it was difficult at any time during the year to make long-term investment plans. The credit squeeze intensified in the United Kingdom; the American Presidential election hung over us for most of the year; but above all the blocking of the Suez Canal has caused world uncertainty and created serious problems for industry in this country. In the light of such difficulties it is satisfactory to record that our valuation was slightly better at the end of 1956 than a year ago.

In all the present circumstances it is natural to regard the immediate future with caution. Apart, however, from exchange speculation against sterling caused mainly by the Suez crisis, the British economy is now in better condition than it has been for some years. Credit restrictions have removed surplus home demand and encouraged exports. Considerable additions to manufacturing capacity have been made by industry over the past few years and provided international politics do not continue to disrupt world trade a further increase in the nation's output should be possible.

APPOINTMENT

THE REPUBLIC OF THE SUDAN

The Ministry of Education invites applications from suitably qualified candidates for the post of lecturers in the following subjects in the Khartoum Technical Institute:—(a) Civil Engineering, (b) Mechanical and Electrical Engineering, (c) Commerce. Qualification for (a) and (b) is a degree in Civil, Mechanical or Electrical Engineering, or technical equivalent, e.g., A.M.I.Mech.E., A.M.I.E.E., A.M.I.C.E., A.R.I.B.A., etc. Teaching experience in a similar appointment would be an advantage. For (c) a degree in Economics or Commerce or equivalent qualification in Accountancy is required. Minimum age 25 years. Successful candidates for (a) and (b) will be required to teach their subjects up to Higher National Certificate and will also be required to supervise certain Workshop and Laboratory activities. Candidates for (c) will be required to teach their subjects, Accountancy or Economics up to professional standards.

Appointment will be on Short Term Contract with bonus for a period up to five years. Salary scale ranges from £1,075 to £1,675 per annum. Point of entry into the scale will be determined by age, qualifications and experience. A Cost of Living Allowance which is reviewed quarterly is payable. An Outfit Allowance of £E.50 is payable on appointment.

Please write, preferably on a postcard, for application forms and further information to the Sudan Embassy, Personnel Section, Cleveland Row, St. James's, London, S.W.1, quoting "Lecturers 4/1027."

THE Operational Research Department of the Steel Company of Wales Ltd. (Steel Division), Port Talbot, invites applications from qualified men who have completed National Service.

The Company operates the largest modern Integrated Steel Plant in Europe, laid out on South Wales seaboard in spacious and pleasant surroundings with ideal working conditions. A further £50 million project is in hand. There are good residential districts within easy reach of the works.

On appointment successful candidates will be engaged in a wide range of stimulating problems concerned with all aspects of the efficiency and development of this complex plant: there is ample scope for originality of approach and initiative.

All the usual facilities are provided including an attractive pension scheme, salaries in keeping with age, qualifications and experience.

Removal expenses will be paid for a married man (maximum of 5 per cent of salary).

Vacancies available for:—

1. Statistician with honours degree in Mathematics or Statistics and a few years' experience.
2. Junior Statistician.
3. Three or four graduates in Science or Engineering who seek to apply their training to industrial problems.

Applicants should write, giving briefly age, qualifications and any information which they consider important in connection with the position they are applying for, to:—

Superintendent, Personnel Services,
The Steel Company of Wales, Limited
(Steel Division),
Abbey Works,
PORT TALBOT, Glam.

THE COUNCIL OF INDUSTRIAL DESIGN requires two Industrial Liaison Officers each to cover a group of manufacturing industries, and to assist in promoting the Council's object of raising standards of industrial design through The Design Centre and by other means. About a quarter of the time is spent visiting manufacturers in industrial areas. General qualifications are a good general education and for post (a) training as a mechanical engineer and experience as a designer, preferably of consumer goods; for post (b) architectural training, experience of kitchen and other domestic equipment and an interest in street furniture. Age 28-45. Starting salary according to qualifications and experience, in the scale £1,070-£1,410, or £1,355-£1,610. Contributory pension scheme.—Application forms, to be returned within a fortnight of this advertisement, obtainable with further details from the Establishment Officer, 28 Haymarket, S.W.1.

EXCELLENT prospects exist for a young man or lady speaker with a national NON-PARTY organisation of over 30 years' standing. Must be prepared, after training, to address both outdoor and indoor audiences. Lack of experience is no handicap for a young man or lady with the right personality who is interested in the problems of the nation. Reply, giving full particulars.—Box 629

KILLINGHALL (RUBBER) DEVELOPMENT SYNDICATE LIMITED

MR ADDINSELL'S STATEMENT

The forty-seventh annual general meeting of this company was held on February 11th in London, Mr Jack Addinsell, chairman, presiding

The following is an extract from his circulated statement:

Net proceeds from our sales of rubber amounted to £40,958 as against £34,233, an increase of 4½d. per lb. Cost of production went up 3½d. per lb, of which, however, 2½d. per lb related to higher duty and cess. An important item in our revenue is the income we receive in the form of tin tribute from Killinghall Tin Limited and this showed a fall of £4,252.

Profit before taxation, at £34,022, was practically the same as for 1954-55. Your Directors recommend a final dividend of 30 per cent, making, with the interim of 10 per cent paid in July, a total of 40 per cent, the same as for the previous year. Current assets at £83,496 exceed current liabilities, including future taxation, by £45,728 and your Board have decided to return 10s. per £1 Stock Unit, as being in excess of our needs, to the stockholders by reducing the Company's capital to £26,250.

Crop for the first five months of the current year amounted to 175,600 lb, which compares with 162,600 lb for the same period in the year under review. Yields from our postwar rubber planted in 1947 and 1948, and which first came into tapping in 1954, are making a good showing with current production in excess of 1,000 lb per acre per annum.

The report was adopted and at a subsequent extraordinary general meeting the proposed return of capital was approved

THE EDINBURGH AND EAST OF SCOTLAND COLLEGE OF AGRICULTURE

Applications are invited for the post of ADVISORY ECONOMIST and HEAD of the ECONOMICS DEPARTMENT of the College.

Salary: Grade I (Int.), £1,380 to £1,950.

The post is superannuable under F.S.S.U.

Applicants should hold an Honours Degree in Economics or Agricultural Economics, should have wide experience of post-graduate work, lecturing and administration.

Application Forms, further particulars and conditions of service may be obtained from the Secretary, 13 George Square, Edinburgh, 8. Applications should be submitted within two weeks of the appearance of this advertisement.

THE ALIMI CO-OPERATIVE MARKETING UNION LIMITED

FORT JAMESON, NORTHERN RHODESIA

Applications are invited for the position of Manager of the above Agricultural Produce Organisation. Age limit 30 to 45 years.

Qualification: A sound knowledge of business commercial methods. A Degree in Commerce or Economics an advantage, but not essential. Ability to work with Africans essential.

Salary: Commencing salary according to qualifications and experience, but not less than £1,200 per annum. Free passages and housing will be provided.

Further details can be obtained from the Commissioner for Northern Rhodesia, 57 Haymarket, London, S.W.1, to whom applications (3 copies), giving details of educational qualifications and experience, should be sent, together with copies of references, before March 15, 1957.

A VACANCY occurs in the INVESTMENTS BRANCH of a world-wide industrial organisation for a man of exceptional ability, age 27-30, who by his experience has already shown that he possesses a real grasp of investment problems. A good University Degree is preferable, but it is essential that he has an enquiring and analytical mind and the ability to work independently, largely without supervision. The position offers excellent prospects. Write, giving full details of qualifications and previous experience, quoting reference H.4033, to Box 5130, c/o 191 Gresham House, E.C.2.

ECONOMISTS. A leading manufacturing Company will shortly be making appointments at various levels in its Market Research Department. These will be suitable for men or women in the approximate age bracket 23/35 who graduated with first-class honours, though a slightly lower standard might be considered if there is other evidence of exceptional ability whether at school or university, during National Service, or in commercial or industrial posts held. A full personal history should be given. All applications will be acknowledged and interviews for those selected arranged at an early date.—Box 631.

EXECUTIVE required for leading Financial and Investment Group. Must be experienced in administration, investments, publicity and salesmanship. Age 30-45. Excellent prospects.—Apply Box 627.

ORGANISING SECRETARY (male) required for the INTERNATIONAL DAIRY CONGRESS, London, June 29-July 4, 1959. Appointment would be for 2½ years (July 1, 1957-December 31, 1959). Experience in the dairy industry and a speaking knowledge of at least one foreign language (preferably French or German) are desirable but not essential. Letter of application, in own handwriting, accompanied by details of experience, qualifications, age, and salary required, should be sent immediately to UNITED KINGDOM DAIRY ASSOCIATION, 17 DEVONSHIRE STREET, LONDON, W.1

A FIRM supplying packaging materials to a wide range of industrial outlets has a vacancy in its Market Research Department for others in the West End of London) for an assistant to interpret, and supervise the collection of, sales and other statistics and to prepare reports on economic subjects. Applicants should be aged 21/27 and should have a degree in economics and/or appropriate experience. The post offers possibilities of later development to outside market investigations and within the marketing division of the company. Salary according to qualifications and experience.—Box 632.

WELL-ESTABLISHED City firm, Textile and Packaging Machinery Overseas Sales, require for expansion programme two Executives. Languages advantageous. Travelling involved. Write Box F1746, c/o 95 Bishopsgate, E.C.2.

MILK MARKETING BOARD FOR NORTHERN IRELAND

APPOINTMENT OF SALES DEVELOPMENT OFFICER

Applications are invited for the post of Sales Development Officer (Male) on the staff of the Board who are responsible for the marketing of over one hundred million gallons of milk per annum.

The salary scale is £990 per annum rising by annual increments to a maximum of £1,195 per annum. The commencing salary will be determined by reference to qualifications and experience.

The duties attached to the post relate mainly to the promotion of the sale of milk for consumption in liquid form, and milk products. This will involve market research, the application of sales technique and assisting in the organisation of events relating to sales development.

Applicants, who must be of British nationality, should have a good general education, experience in the carrying out of market research, a knowledge of advertising and modern sales technique and the ability to speak in public. Some knowledge of the milk industry would be an advantage.

The work is interesting and requires initiative and imagination. There will be ample opportunity for the development of original ideas.

Preference will be given to suitably qualified ex-service candidates.

The appointment will be subject to the conditions of employment laid down by the Board which include a provision that eligible staff shall contribute to the Northern Ireland Local Government Officers' Superannuation Scheme.

Applications must be made on the prescribed form, copies of which may be obtained from the Secretary, Milk Marketing Board for Northern Ireland, Castlehill Road, Belfast.

The closing date for the receipt of applications will be THURSDAY, FEBRUARY 28, 1957.

GENERAL MANAGER FOR CALICO PRINTING WORKS

Seedhill Finishing Company, Limited of Paisley, a subsidiary of William Hollins and Company, Limited, of Nottingham, require a *General Manager, aged about 35-45, for their* Cloth Printing Works at Aelesion, Paisley. University or other technical qualifications and good practical experience, preferably including wool and cotton unions, essential.

This is a senior appointment covering all activities of management, with a commencing salary of from £2,000 to £2,500 a year, depending on qualifications, and holding excellent prospects, including the possibility of a Directorship.

A good house is available and the company has a Superannuation Scheme in force.

Apply, in confidence, to The Managing Director, Seedhill Finishing Company, Limited, Paisley, Scotland.

RESEARCH ASSISTANT. Opportunity for appointment in economics department of large financial institution in London to man or woman with good economics degree, aged 22-30. Starting remuneration varies with age: at 25 (subject to short probation): £680 (men), £600 (women). Non-contributory pension. Write to Box No. 697, c/o Charles Barker & Sons, Ltd., Gateway House, London, E.C.4

EXECUTIVE (Accountancy qualification an advantage), age 25-45, required by large manufacturing company West London, to take charge Office Department controlling works planning and progressing; knowledge of works procedures essential, but main requirement lies in institution and control of adequate records, both office and works, covering wide variety of products. The successful applicant must be of strong personality, and able handle staff. Knowledge punched cards an advantage. The position is a senior one in the organisation, the commencing salary being according to experience but not less than £1,250 per annum. Contributory Pension Scheme.—Apply, giving age, details past experience and salary earned, in confidence, to Box 628

YOUNG Public School man required for important City organisation. Applicants should have completed their National Service. Maximum age 23. While vacancies only available in London, candidates may indicate whether they desire to serve overseas. Generous salary scale. Three weeks' annual leave, lunch provided, contributory pension scheme, five-day week. Apply in own handwriting to Box 630.

STATISTICIAN with good knowledge of sales analysis, market research and business organisation needed by firm of international repute in the food industry. Good scope for successful applicant. Age 26-35 years.—Reply to Box 601.

APPOINTMENTS

THE UNIVERSITY OF MANCHESTER

Applications are invited for two full-time posts of ASSISTANT SECRETARY to the Appointments Board. The possession of a University degree is desirable.

The first post is open to both men and women and will be concerned mainly with science and technology students and graduates. Initial salary within the range £1,000 to £1,350 per annum according to experience and qualifications.

The second post is open to women only and will be concerned mainly with women students and graduates. Initial salary within the range of £650 to £1,050 per annum according to qualifications and experience.

Both appointments will carry membership of the F.S.S.U. and Children's Allowance Scheme. Duties to commence as soon as possible.—Forms of applications and further particulars may be obtained from the Registrar, the University, Manchester 13, to whom applications should be sent not later than March 1, 1957.

UNITED KINGDOM ATOMIC ENERGY AUTHORITY

ENGINEERS, CHEMISTS AND PHYSICISTS

Applications are invited by the Industrial Group of the United Kingdom Atomic Energy Authority for vacancies in the Commercial and Overseas Departments of the Technical Policy Branch at Risley, Warrington, Lancs.

A. COMMERCIAL DEPARTMENT (Reference No. 1745)

The duties will be concerned with the exploitation of technological information and sales of materials, particularly nuclear fuel, by the Authority, both in the United Kingdom and Overseas. There will also be opportunities for working in collaboration with British Industries and the Electricity Supply Authorities in the development of industrial applications of atomic energy.

A sound technical/commercial background is called for with the ability to appreciate the commercial value of technological development work. Candidates should have had previous experience of (a) high-level industrial negotiations and the drawing up of commercial agreements and/or sales contracts, and/or (b) working in close liaison with the Research Engineering and Production Departments of a major industrial concern.

Selected candidates will be given facilities to acquire an understanding of the technical processes and plants of the Industrial Group.

B. OVERSEAS DEPARTMENT (Reference No. 1747)

The responsibilities will cover a wide range of duties including negotiations with foreign government departments and industrial concerns; the implementation of international agreements on the peaceful use of atomic energy and attendance at international conferences. In the technical field all aspects of atomic power generation will be covered, including design and construction of power reactors and chemical plants, together with design and fabrication of nuclear elements.

Preference will be given to candidates in their early thirties with a background of technical achievement and ability to appreciate detail rapidly. Previous experience of overseas liaison and a knowledge of economics will be an advantage.

QUALIFICATIONS :—

Candidates for all posts should possess a degree in one of the Applied Sciences and/or be corporate members of one of the Senior Professional Institutions.

Salaries will be assessed within the following scales:—

Grade I £1,705—£1,980 per annum
Grade II £1,235—£1,655 per annum

A contributory Pension Scheme is in operation.

Authority houses for renting by successful married candidates may be available in due course, or alternatively, substantial assistance may be given towards legal expenses incurred on private purchase.

Send a postcard asking for an application form and quoting appropriate reference number to The Recruitment Officer, United Kingdom Atomic Energy Authority, Industrial Group Headquarters, Risley, Warrington, Lancs. Closing date—March 4, 1957.

CREDIT CONTROL

The U.K. Sales Division of DEXION LIMITED is expanding its activities to market its products through a nation-wide network of distributors. To help with this, the company seeks a man to initiate and develop the job of Credit Control Officer. He will be centred in London and will be required to work with U.K. Sales Regions in advising on all matters connected with distributors' accounts. This is a senior appointment and applicants should possess wide knowledge of this type of work. Equally important, however, is the ability to develop a job from scratch with the minimum of supervision. Please write in the fullest possible detail of education and experience to:—Personnel Dept. (CC5), Dexion, Ltd., Musgrove Road, London, N.W.6.

ROLLS-ROYCE

(AERO ENGINE DIVISION)

have several vacancies in their
ENGINEERING AUDIT DEPARTMENT
AT DERBY

which is concerned with work study, budgetary control, office organisation and methods, and other special duties on behalf of the management.

Candidates should be between the ages of 25 and 35, and whilst preference will be given to those with a good engineering degree or its equivalent, together with some experience in work study or industrial consultancy, consideration will be given to those with accountancy or commercial qualifications supported by appropriate industrial experience. Initiative, personality, and the ability to deal successfully with people at all levels, are essential requirements.

Those interested should write for an application form to

Staff Appointments Officer,
Rolls-Royce Limited,
P.O. Box 31, Derby.

MIDDLESEX COUNTY COUNCIL

APPOINTMENT OF ESTABLISHMENT OFFICER

Applications are invited for the above post in the office of the Clerk of the County Council. Duties involve general staff management of all employees (except teachers and firemen) and O. & M. work. Salary £2,500 x £100 —£3,000 p.a. Pensionable and subject to medical assessment and prescribed conditions.—Applications, stating age, qualifications, previous appointments, experience and names of three referees to reach the undersigned not later than March 4, 1957. Detailed list of duties on application. (Quote U.543 E.) Canvassing disqualifies.

Guildhall, KENNETH GOODACRE.
Westminster, S.W.1. Clerk of the County Council

PERSONAL ASSISTANT TO SENIOR EXECUTIVE

Applications are invited for the post of Personal Assistant to a Senior Executive with a prominent Developing Organisation. Candidates must be men between the age of 25 and 33 and should have a good University degree (Arts or Science) or equivalent professional qualification, and at least 2 years' post-graduate experience in industry or commerce. It would be an advantage for candidates to have had civil engineering, building, or housing or estate management experience.

Requirements include a high level of intelligence, marked administrative ability, socially impressive personality, robust health and marked drive and ambition. It is proposed to allow the chosen candidate about six months' practical training on the job before he is given major executive responsibilities.

The post will be in London, but some travelling within Great Britain will be involved. Starting salary will be about £1,500 p.a., and there are excellent prospects of rapid increase of salary.

Candidates are asked to make their applications on the standard form which is available from: The Secretary (C21), 14 Welbeck Street, London, W.1 (Telephone: WELbeck 1144).

NATIONAL COAL BOARD

NORTH WESTERN DIVISION
DIVISIONAL HEADQUARTERS

ASSISTANT SECRETARY required. The successful applicant will assist the Divisional Secretary and deputise in his absence. Duties involve a considerable amount of and other minutes and papers and general assistance in the administration of the Secretary's Department. Proved administrative ability accompanied by a good command of the written and spoken word and a sound education (preferably up to Degree standard) essential. Previous experience of similar work an advantage. Salary scale £1,085 x £35 to £1,475 per annum.—Applications, giving full details of age, education, qualifications, experience and present position to Staff Director, 40 Portland Street, Manchester, 1, within 7 days.

DIVISIONAL CHIEF FINANCE OFFICER REQUIRED BY WEST MIDLANDS COAL BOARD

An accountant of outstanding ability holding recognised accountancy qualifications and who has had experience in large-scale industry is required for the post, which will become vacant shortly.

Normal salary range is £2,000-£2,600 but up to £2,850 would be paid to a man of exceptional qualifications and experience.

Duties comprise financial control of capital and revenue expenditure, including development of budgetary control, and general advice on financial matters throughout the Division.

Applications, within 14 days of this date, to Divisional Chief Staff Officer, National Coal Board, West Midlands Division, Himley Hall, Dudley, Worcs.

IBM UNITED KINGDOM LIMITED require a number of outstanding men, aged 25-40, with initiative, drive and real organising ability, for positions concerned with Electronic Data Processing Machines. Qualifications should include a wide experience of systems and methods in Commerce and/or Industry preferably but not essentially including Punched Card Systems. A degree or other professional qualification is desirable. Necessary training will be given (the next course commences in London on April 1, 1957) and a salary commensurate with qualifications and experience will be paid during this period. A number of graduate mathematicians interested in programming, with or without experience in this field, is also urgently required. These openings, which occur in London, Birmingham and Manchester, represent excellent opportunities in a field with an enormous future.—Full details, please, to the Personnel Manager, 101 Wigmore Street, London, W.1, quoting reference EDPM 4.

QUALIFIED ACCOUNTANT with fluent French is required for professional appointment in the Belgian Congo. Administrative ability, energy and initiative essential. Exceptional prospects for the right man.—Write Box X.496, c/o Streets, 110 Old Broad Street, E.C.2.

ECONOMIST—Economics Graduate, aged 25 to 35, required to work and write on economic problems connected with nuclear power and nuclear power station design. Analytical ability and adaptability are more important than a previous technical background, as the applicant appointed will have every opportunity to learn about the technical aspects of the work. Previous industrial experience an advantage.—Write, giving details of educational qualifications and career, to Personnel Manager (E), The General Electric Company, Limited, Fraser & Chalmers Engineering Works, Erith, Kent.

A GRADUATE STATISTICIAN is required by the Milk Marketing Board for work in connection with statistics from their Creameries and Central Laboratory. Post is permanent and pensionable. Age 25 to 30. Experience an advantage. Attractive salary according to age and experience.—Applications to Senior Staff Officer, Milk Marketing Board, Thames Ditton, Surrey.

STOCKBROKERS who deal mainly for institutional clients require young man with experience in an investment department for statistical work. Ample scope for promotion and ability will be well rewarded. Bonus, pension scheme and free luncheon vouchers.—Box 626.

UNIVERSITY OF CAMBRIDGE

DEPARTMENT OF ESTATE MANAGEMENT

The Department of Estate Management proposes to award, from October 1, 1957, grants for research in economic, legal or social problems related to the ownership, tenure or development of land.

Essential qualifications: good honours degree in History, Economic History, Economics, Agricultural Economics, or Law, or a degree with a high class in Estate Management, or evidence of likelihood to obtain such a degree not later than July, 1957.

Value of a grant £400 a year, plus University and College fees. Normally tenable for two years.

Particulars from Secretary, Board of Estate Management, 74 Trumpington Street, Cambridge. Completed applications should reach him by March 15th.

SCIENTIFIC COMPUTING IN IBM.—Young men and women trained as mathematicians, or as engineers or scientists, with a good mathematical background, are needed to help in the formation of a scientific and technical computing group. Members of this group will operate a scientific computing centre in the London area, based on a high-speed digital computer. They will also work with outside organisations throughout the country advising on the use of IBM equipment for scientific work and assisting in the setting up and operation of computing installations within these organisations. Members of this group will be provided with an initial period of training in the London data processing centre. Opportunities will be provided later for specialisation within this centre on particular types of equipment or computing applications. Other opportunities will arise for regional work in connection with assistance to outside organisations.—Please write, in first instance, to the Personnel Manager, IBM United Kingdom Limited, 101 Wigmore Street, London, W.1, quoting reference SC2.

SUCCESSFUL Company Director (39, Fellow of Institute) seeks change; widely experienced all aspects Management, Costing, Budgetary Control, Sales and Personnel work. Capable organiser, strong personality, and good mixer.—Box 634.

EXPORT—top executive with major industrial concern seeks change. Graduate, linguist, widely travelled, age 33. Fully experienced all aspects export trade.—Box 633.

NORANDA MINES LIMITED

DIVIDEND NOTICE

Notice is hereby given that an interim dividend of Fifty Cents (50c) per share, Canadian Funds, has been declared by the Directors of Noranda Mines Limited, payable March 15th to Shareholders of record February 15, 1957.

By Order of the Board,
Toronto, Ontario, C. H. WINDELER,
February 5, 1957. Secretary.

MIDDLE EAST MARKETS—WHAT FUTURE? The Middle East Economic Digest, a new subscription weekly starts shortly. Accurate up-to-the-minute information from Middle East sources.—Details from Economic Features, 84 Chancery Lane, W.C.2. CHA. 8533-4.

UNIVERSITY OF LONDON

A lecture entitled "Some Thoughts about the Pattern of Trade" will be given by Professor A. J. Brown (Leeds) at 5 p.m. on February 22nd at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. ADMISSION FREE, WITHOUT TICKET. James Henderson, Academic Registrar.

GOVERNMENT OF SOUTHERN RHODESIA

4½ PER CENT INSCRIBED STOCK 1958/68

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3½ PER CENT REDEEMABLE STOCK 1959/60

NOTICE is hereby given that in order to prepare the Warrants for Interest due April 1, 1957, the balances of the several accounts in the above-mentioned stocks will be struck on the night of March 1st, and that on and after March 2nd the stocks will be transferable ex dividend.

For BARCLAYS BANK D.C.O.
(London Registrars for the above stocks),
G. A. D. HARRISON, Manager.
Circus Place, London Wall, E.C.2.
February 11, 1957.

SUCCESSFUL TUITION FOR THE B.SC.(ECON.) DEGREE

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YOU threw a party last night, didn't you? If you can pluck up courage to look into what used to be the drawing room, you may find a bottle of Duff Gordon's El Cid Sherry among the debris. You may.

SAVILE ROW CLOTHES. Cancelled export orders direct from eminent tailors, Lesley & Roberts, Sandon, Huntsman, Kilgour, etc. Lounge, Dress Suits, Overcoats, etc., from 10 gns.—Regent Dress Co. (2nd floor), 17 Shaftesbury Avenue, Piccadilly Circus, W.1. GER 7180 (next to Café Monico). Est. 1922.

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for Examinations—University Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus—and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2),

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or call at 30 Queen Victoria Street, London, E.C.4.

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the things they say!

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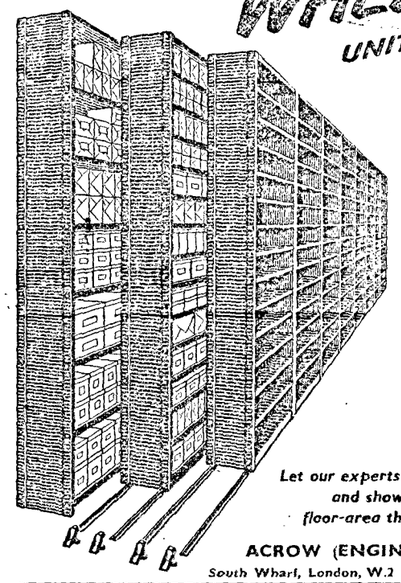
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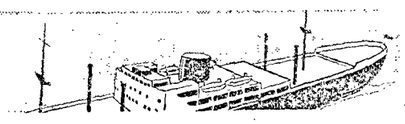
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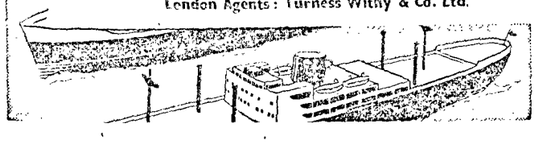
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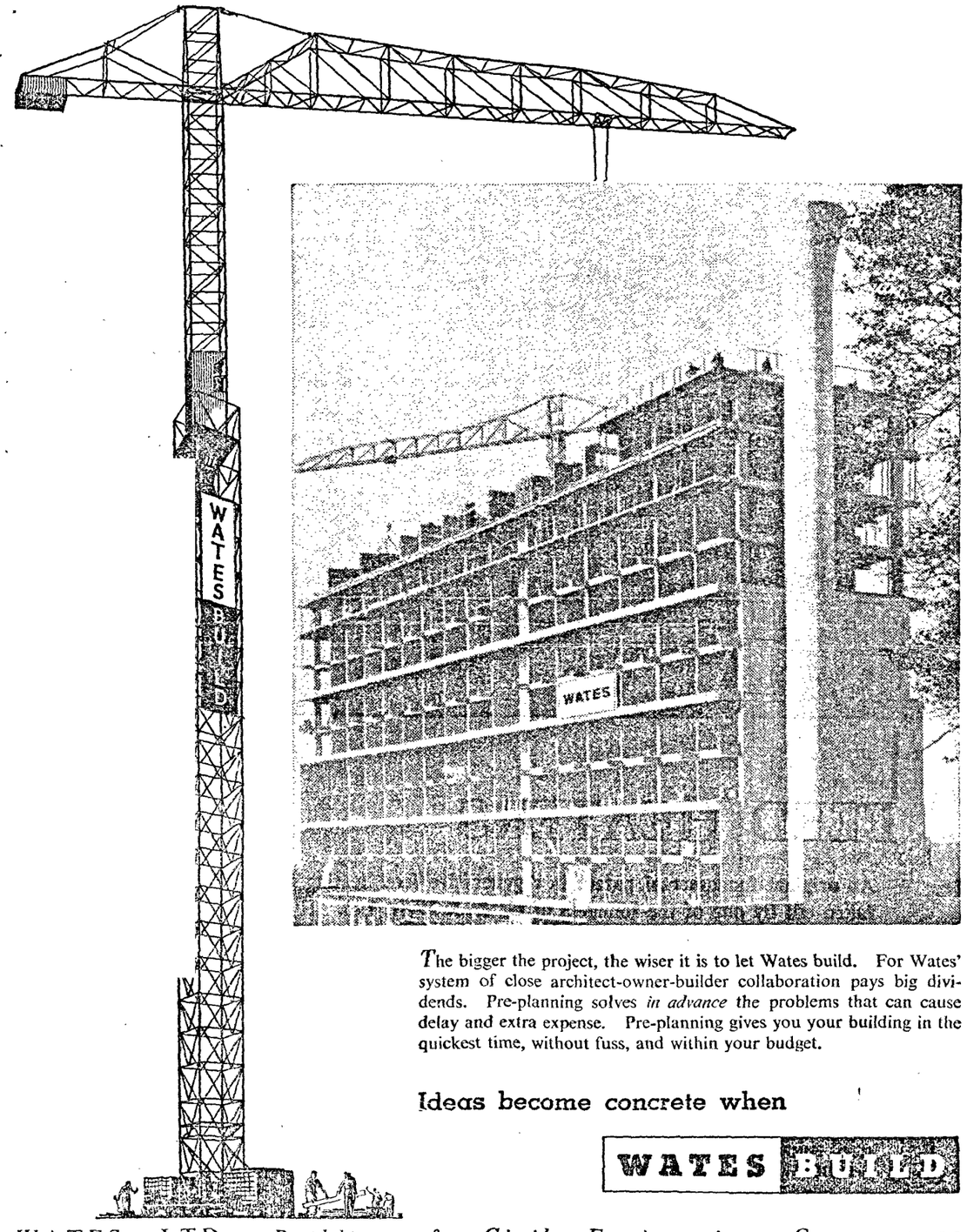
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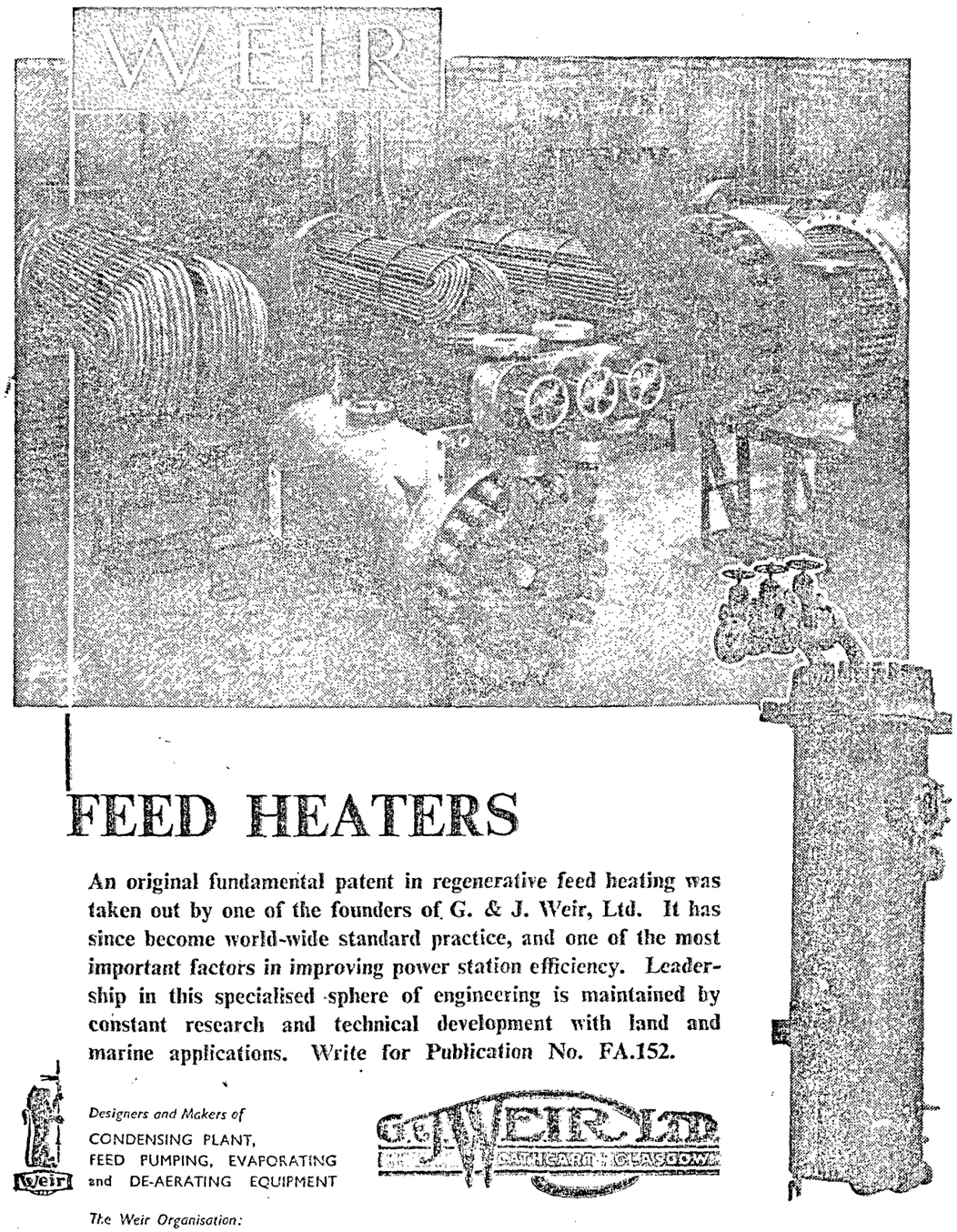
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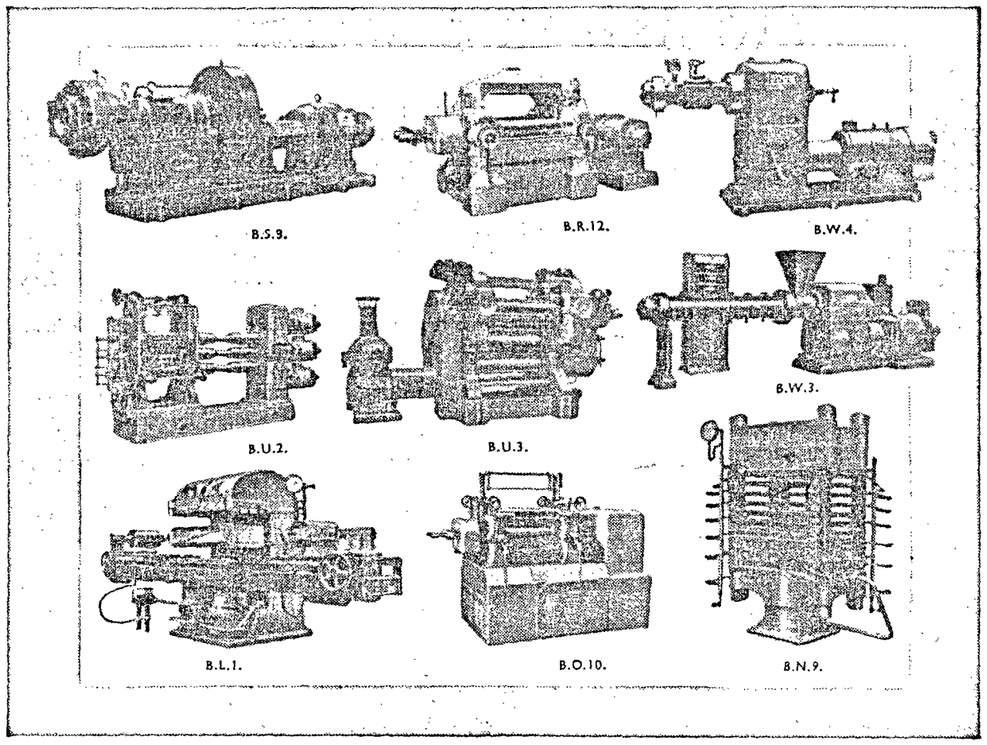
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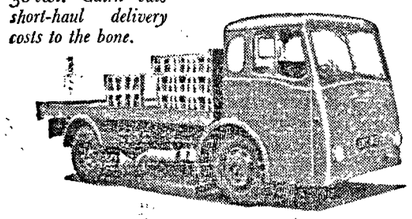
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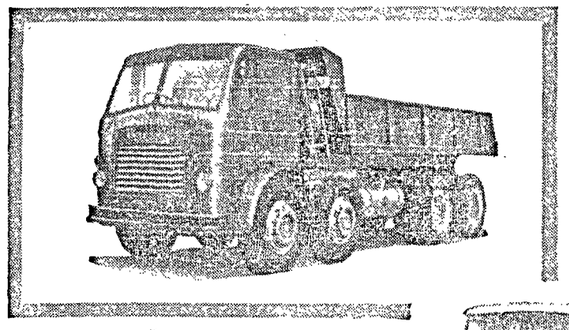
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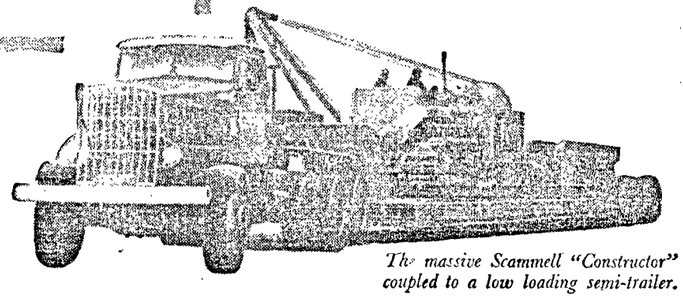
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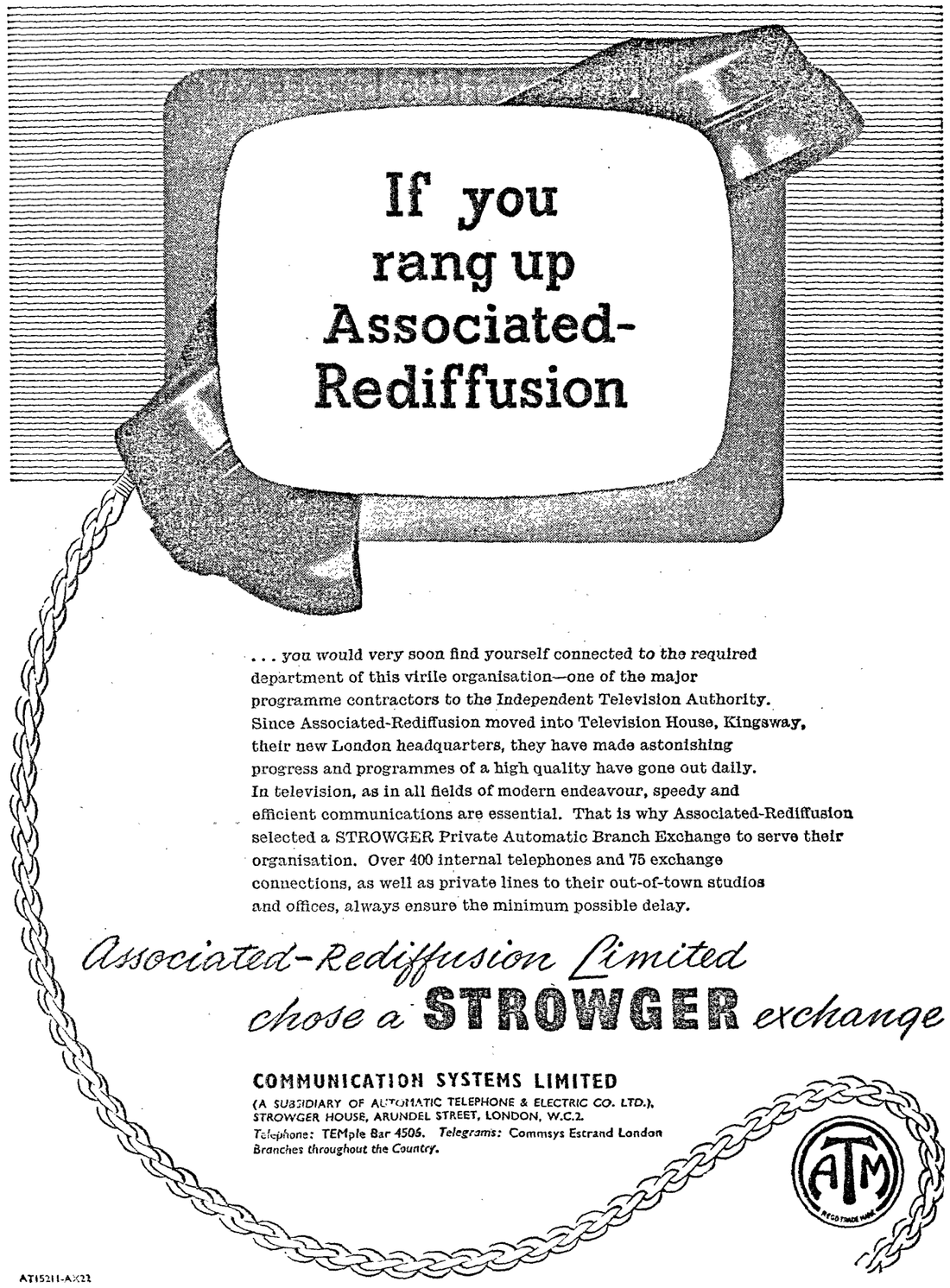
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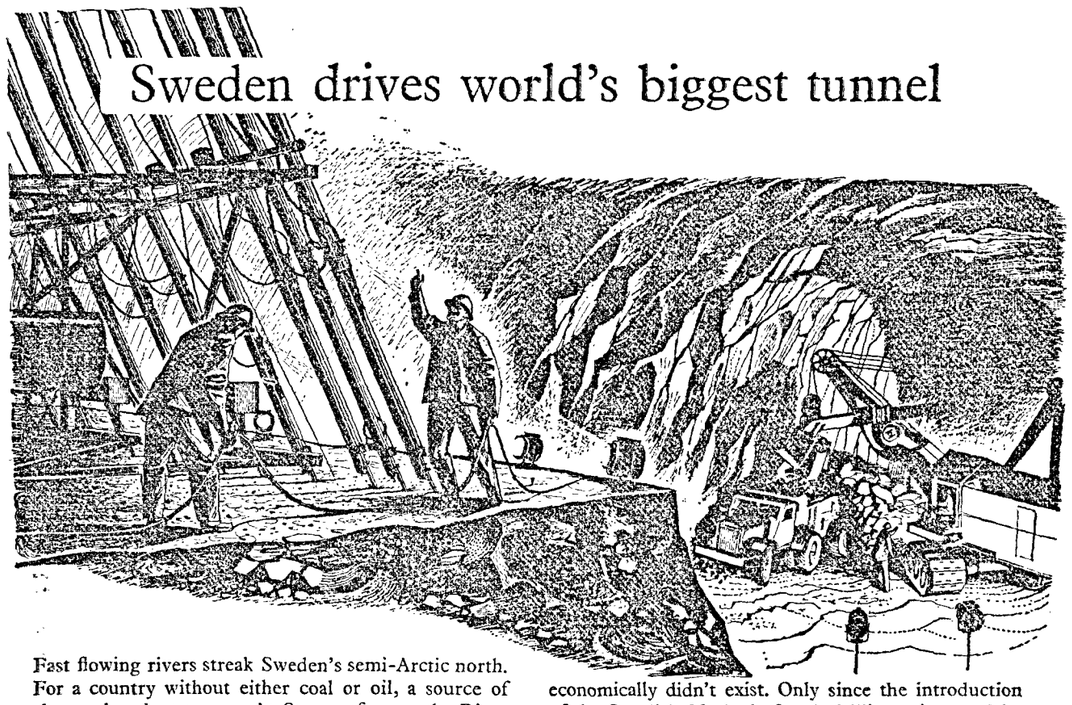
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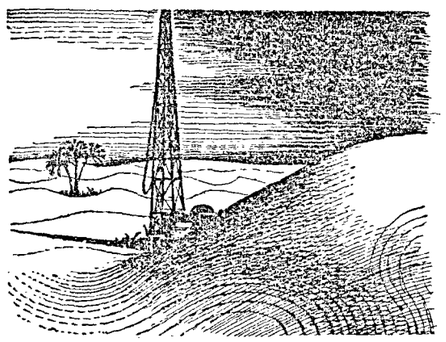
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Democracy's Way

THE week after the Lewisham by-election, a week which has seen what was in effect yet another miniature budget, finds the Conservative party facing three questions. Where do they stand now? Why? And even more important, what should they do?

To the question of where the Conservatives stand North Lewisham does provide a clue, provided it is rightly read. All sorts of wrong reasons are being conjured up for Labour's victory, after a by-election which, with its old-time spectacle of fully-attended meetings and its high final poll, perhaps gave some excuse for romantic political illusions. But when all the personal explanations have been attempted—and when the Suez crisis (which everybody says did not affect the voting) and the Rents Bill (which everybody says did) are also given their electoral weight—the fact remains: the result of the by-election was dead on the fourteen-month-long statistical trend against the Government.

If one makes the too pro-Government assumption that all Miss Greene's 1,487 supporters would have voted Conservative in her absence, the swing to Labour was 3½ per cent; if one makes the slightly too anti-Government assumption that they would otherwise have abstained (or divided equally between Conservative and Labour), the swing to Labour was 5½ per cent. Since the end of 1955 the swing to Labour in by-elections has oscillated between the lower of these figures and what can be regarded as the Tonbridge maximum (June, 1956) of 8½ per cent. In a marginal constituency, where there usually is an accretion of support to the party in previous control of the seat, one would expect the result to be near the bottom, rather than the top, of the recent range. The analyst can guess, as analysts will, that the instinct to give a chance to a new Government and the fact that the election was fought on an old Tory-weighted register should have pushed the swing still lower on this occasion, that the Suez venture (which was certainly not generally unpopular, although its failure was) was a neutral factor, and that it was opposition to the Rents Bill which pushed the swing fatally up again. But these are the ripples on the surface. The obstinate undertow of reality is that a consistent swing now indicates that any general election since the early winter of 1955-56—pre-Suez or post-Suez, pre-Rents Bill or post-Rents Bill—would have been likely to be won by Labour, with a majority, probably, of between 50 and 150 in the House. It is on this persisting swing, not on the Lewisham result in isolation, that the Tories should fix their eyes.

What happened in the winter of 1955-56, to set the trend off? It is not easy to give a confident answer, apart from the simple fact that the Tories had by then been four full years in office and had lost Sir Winston as Prime Minister. But another simple fact is surely significant; it was at the end of 1955 that living standards stopped rising. Until then, the Conservatives had been able to propagate the dynamic idea of an acquisitive and expanding society, within which everybody would seek to emulate each other in trying to get richer

and—most important—in which nearly everybody succeeded; and to point, in proof, to an increase in the national income of some 3 to 4 per cent a year. All this naturally had a greater appeal than Labour's promise to do all sorts of painful things in order to effect a once-for-all redistribution of 1 or 2 per cent of that income from the rich to the poor. The vote was for carrots, not sticks. That is democracy's way.

★

But the process tended to outrun itself. The rate of growth in this island's income is conditioned by two things: by the need to prevent the value of the currency from being continually undermined by inflation at home; and by the need to prevent the value of the pound from being undermined abroad by an unfavourable balance of payments. When the demands of consumption and investment, of the people and the Government, showed ahead of the resources—and the savings—available, when the diversion of effort from exports became threateningly high and foreign confidence in sterling wavered, the advance had to be slowed down. There can be dispute about the efficacy of the monetary and budgetary means adopted to restrain the excess demands; there can be none about the proposition that it is no use having a fast car if it skids and turns over at the corners. The test, of course, of the measures adopted during the past eighteen months is their success in restoring the equilibrium of the economy so that the advance can be resumed. But, meanwhile, it has been arrested; and the sad truth is that, so long as the rise in income is slowed down, the majority vote is always likely nowadays to go against a Conservative government in power, because there is a majority of people who think that when Labour says it would redistribute income towards the hard pressed, the hard pressed means them. "Fair shares" climb back on to the centre of the electoral hustings. That is democracy's way, too.

What, then, should the Conservatives do? Clearly there is only one answer to this; in so far as their guns are trained in the right direction they should stick to them. Their proper response to the unfriendly electoral trend is not to abandon the policy of restoring the balance of the economy but to press it forward, with all speed, to the point of success. It involves especially, at this season of the year, looking to the balance of the national finances, as well as of the national economy, and to the part which a recasting, if not a reduction, of taxation can play in the process of recovering a safe momentum. In the measures which they have announced in this post-Lewisham week they have recognised at least half of the pikestaff. They cannot win the next election (and, more important, advance the wealth and welfare of the country) by not annoying people. The Tories therefore need not be too worried if tenants' associations clamour that their moderate retreat on Clause 9 of the Rents Bill is insufficiently precipitate, and if the Labour party makes great play with the increases in health service contributions and the price of school meals. The questions are rather, first, whether they are doing all that they can, within the limits of their policies, to reduce the demands of public expenditure by these and other means; and secondly, how far it will be possible, without upsetting the applecart again, for Mr Thorneycroft to include in his Budget some at least of the tax changes which the "opportunity State" to which his leader has pledged himself requires.

The sort of Budget that is needed for a new advance is plain enough. Ideally, it would restore the investment allowances; it would raise the starting point for surtax on earned (but not unearned) incomes; it would possibly make some reliefs in other direct taxes (if necessary counter-balanced by some increases in indirect ones); and it might even make a start in halting, if not reversing, the erosion of the tax base (especially on company profits) which was the subject of two articles in *The Economist* last week and the week before. What prospect is there now that the Chancellor could afford anything of this kind in April?

The conclusion that emerges from a study of the estimates, and economies, announced this week is that by next autumn real Government expenditure on current goods and services should be at a rate at least slightly lower than it has been in the past year. The £110 million increase over this year's total estimates, of which Mr Thorneycroft spoke, does not include the £20 million to be saved on the health service and whatever is to be saved on defence; and, most important, since the prices of things that the Government buys must have risen by some 3 or 4 per cent, any rise in the estimates of less than about £120 to £160 million is likely to mean that the Government is setting some real resources free. The question before Mr Thorneycroft is whether he thinks that private demand on its own, in the absence of tax reliefs, would rise this year by more than the resources that will be available.

This is an economic question and Mr Thorneycroft should not be asked, either by his party colleagues or by more detached critics, to rig the answer for political reasons. A dozen Lewishams do not matter beside the task of putting the economy securely into balance. But, even within the terms of his economic brief, the Chancellor has two objectives: if the first is to resist a return to inflation, the second is to look ahead to the end for which this policy is the means. That end, on political and economic grounds alike, is a return, not to inflation, but to a steadier expansion. It is to that end that incentives in the Budget, if they can honestly be afforded, should be directed—in particular, to maintain the confidence of business men as they make their decisions about investment in the course of the coming year. If the Chancellor of the Exchequer does decide, as he well may, that there is no room for tax reliefs, or opportunity for redressing the tax burden, he may reasonably be asked whether he ought not to have made more room and opportunity by still sterner cuts this week. But though the question should certainly be asked, it should not be asked too hectoringly. The Chancellor's dilemma is that of the nation itself: how to marry stability and progress. And probably it could ultimately be resolved only if the British people themselves were willing (and were encouraged) to work like the Germans, to save like the Swiss, and to compete like the Americans. Perhaps the real message that should be heeded from Lewisham is not the one that came out of it to the Tories last week, but the one that came from there a hundred years ago. The constituency that Labour has just captured is the former home of Samuel Smiles.

How Strong a Shield?

TWO and a half years ago, when the western European governments faced the collapse of the European Defence Community, the British government was credited with a diplomatic triumph in winning French assent to a German army by the promise.

> to maintain on the mainland of Europe . . . four divisions and the tactical Air Force, or whatever the Supreme Commander regards as equivalent fighting capacity. The United Kingdom undertakes not to withdraw these forces against the wishes of the majority of the Brussels Treaty Powers, who should take their decision in the knowledge of the views of the Supreme Allied Commander.

This undertaking still stands between the British government and big defence cuts.

The difficulty is not merely one of finding foreign exchange, for instance, through "support costs." Beyond the drag on the British balance of payments, the commitment to keep something approaching 100,000 men in Germany indefinitely makes almost impracticable any early abolition of conscription, along with all the economies this would yield to the British taxpayer, since it ties up more than half the number of men likely to be produced for the regular army by ordinary recruitment. Other commitments elsewhere can be cut when they no longer serve a real national interest. But they would have to be slashed almost to vanishing point to be met by the remaining 50,000 volunteers likely to be forthcoming; there could be almost no preparations to meet limited wars "round the periphery" at all. As it is, the reduction in the Army's strength will leave it with 360,000 men in addition to Rhine Army's 80,000.

General Norstad, the Supreme Allied Commander, has made it plain that he cannot regard a major cut in the British commitment in Europe as justified by anything that has happened since it was entered into. Militarily, he is not halfway to the goal of 30 divisions which was then agreed to be the minimum for a shield in Europe, even taking the new atomic artillery into account. He can accept a temporary 25 per cent cut in the British forces on compassionate grounds, but not on grounds that would lead to other countries following suit and so leave him with, say, nine effective divisions instead of his present twelve or thirteen; and the plea that the original commitment can be met by fewer men (or fewer planes) is, apart from sensible pruning, an obvious self-deception. It is open to the British Government to decide that large defence savings are unavoidable on economic grounds; it is not open to the government to pretend that it can have both radical cuts and adequate defence as defined in Nato planning.

The problem is not merely to provide a shield, but to maintain an alliance. If the strength of the shield fails to give confidence, then the alliance will dissolve. With the French tied up in Algeria, the Germans not yet in the line, the British preparing a reduction of their contingent, and the Americans feeling both their flanks somewhat in the air, the shield and the alliance are both in a critical state. But how important is the shield, and what practical purpose does it serve? It can be argued that successive allied commanders have for ten years held western Europe with a mere dozen divisions backed by the threat of the strategic air force. Even another dozen divisions would not make the threat of retaliation by long-range bombers any less important as the real deterrent to aggression in Europe. To this two answers are offered. The first is that the Russians may soon equal the West in its power of strategic bombing. The second is that, under the Nato plan, the shield has an important part of its own to play in the deterrent. Its existence is supposed to make sure that the Russians could not advance into Europe without being involved in heavy land fighting. If they had the power in a few hours to seize capitals and governments *in situ*, it might be difficult to retaliate with atomic weapons; and this possibility could be a permanent temptation to a fatal smash-and-grab raid.

But the plans for the shield have always been much more ambitious than to provide a few hours' fighting while armageddon got going. The European governments have to be offered the hope that they will not be overrun by the Russians and have to be liberated afterwards. Planning at Shape therefore has been in terms of forcing the aggressor, however deep his penetration, to retreat. Tactical atomic weapons have been mounted in numbers for the precise purpose of "pinching off" attacking forces by atomic air strikes and missile attacks upon their communications. But the ultimate hope goes further than this: it is to develop an atomic defence with low-yield weapons of such density, accuracy and selectivity that even along the long land frontier between East and West could not be penetrated.

That is the ideal—the ultimate hope of Nato governments for a complete defence; and the ideal can seldom be achieved—or afforded. But the immediate nightmare of Shape commanders is of an attack so swift and made at so many points that their screen forces would be unable to prevent their artillery from being overrun even before the command to fire it was given; that by the time the command was given (and it is quite obscure who would give it) the invaders would be so mixed up with the inhabitants that it would be impossible to fire tactical atomic weapons at all.

General Norstad cannot, therefore, be blamed for resisting any action that would reduce his holding forces still further now. As things are, there is a balanced American army of 150,000 men with five divisions, and a British army of 80,000 with four divisions; the French "division" is no more than a series of training cadres; the Belgians have three very under-strength divisions amounting to 32,000 men; the Dutch have one division of 10,000; the Canadians and Danes amount to another. To add up General Norstad's "divisions" is thus like adding lemons and oranges. But to present a cut of 20,000 men in Rhine Army as a useful "streamlining" of four British divisions, soon to be completed by the new guided missiles artillery regiment, is not likely to impress Western European Union. In terms of "equivalent fighting capacity" it represents the loss of a British division to the shield.

From this analysis of the forces in Europe and their present allotted task it is not easy to draw any easy or comforting conclusions. The shield, even if it is not weakened, is not strong. On practical military grounds, a request at the forthcoming WEU meeting that British economies should at least be delayed until the five German divisions are ready would be difficult to resist. But even when they are ready, the British Government is not released from its pledge; on the contrary, it is then that the conditions are fulfilled for which the original commitment was made.

There is still every reason to press the search for the most economical and effective use of the men in Rhine Army and in Second Tactical Air Force. The phrase "equivalent fighting capacity" ought to be a stimulus to better army organisation. It seems likely enough that some useful pruning in headquarters staffs of the Rhine Army is possible. There is sense in deciding just how long a campaign modern atomic divisions are expected to have to sustain, for upon this depends the size and cost of the supply and maintenance "tail." More mobile forces may be more economical of manpower—if not of transport and maintenance—than larger, more static formations; the British are thinking increasingly of the brigade group as the basic formation, while the Americans plan smaller divisions—but more of them organised in self-contained combat groups. The equipment of the Canberras with tactical A-bombs may justify cutting the air force. And there are other ways in which Britain could make its contribution to WEU; the role of supplying atomic tactical weapons and instruction to non-American allied forces could be Britain's. The auspicious start made in dovetailing research and development of weapons among the European Nato governments can be followed up.

But when all these economies have been made, and the improvements to efficiency have been achieved, an expensive commitment remains—short of a revolutionary change in strategic and tactical thinking. And to default on that commitment could prove very much more expensive in the end. On the necessary minimum of concerted defence in Europe depends the hope that a more favourable political situation may eventually emerge, offering real security at lower cost. Mr Sandys is now announcing cuts; but in the defence debate he did show himself well aware of the binding nature of the pledge.

The Antagonists

ATTEMPTS at New York and elsewhere to reduce the dispute between Egypt and Israel to simple principles are more difficult than is often supposed. President Eisenhower based his broadcast on Wednesday (which is further discussed on page 624) on one such principle, in itself unexceptionable, that an assailant must not profit from an armed attack. From this he concluded that the United Nations has no choice but to exert pressure on Israel first. But a study of the matters actually at issue between Israel and Egypt suggests that a choice does, in fact, exist.

In 1947, the General Assembly of the United Nations voted the partition of Palestine, and when in the following year the Arab states tried to upset this decision by force, the Jews proceeded to take by force more than the territory allotted to them. The frontiers so established acquired a legal, if not permanent, status by the armistice agreements of 1949; it is the line then drawn between Egypt and Israel which is now bedevilling discussions in the General Assembly. Israel accepted that line when it signed the armistice with Egypt, and was therefore at fault to breach it by the invasion of 1956; on that ground the General Assembly was therefore right to require Israel to withdraw.

The parallel that has been assumed between the Israeli invasion and the Anglo-French landing is not, however, particularly apposite. Whatever justification Britain and France may produce for their military action, it had nothing to do with the armistice agreement. Israel, on the other hand, can argue that

the armistice, by which its action stands condemned, had already been broken before the invasion took place. In an obscure way, and under compulsion of Israeli resistance to its demands, the Assembly has recognised this distinction. At the same time as it has called on Israel to relinquish its latest conquests, the Assembly has also prodded Egypt to relinquish its claim to belligerent rights in the Suez Canal and the Gulf of Aqaba, which was a prior part of the broken armistice. Neither Israel nor Egypt has yielded, and there is little that the Assembly can do about it; sanctions against Israel, which are again being suggested, might not command a two-thirds vote and, even if they did, are unlikely to command the co-operation of all the members, or to bring Israel to heel.

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The only power clearly expressed in the Middle East at the moment is that of Israel, a taut-muscled featherweight which has knocked the middleweight of Egypt groggy. The immediate danger to peace does not lie in Egyptian strength destroying a feeble Israel, but in Israel, declaring a plague on all houses, holding tight to all that it has, and, if driven to it, taking more. Israeli propaganda has used the fedayeen threat deftly; but the fedayeen, no doubt a real irritant, are not a threat to Israel's national existence. If the Gaza strip were returned to Egypt, guerrilla activity could scratch more virulently but could not undermine the stability of the Israeli state; without the Gaza strip, Egypt could still (and, no doubt, would) send fedayeen into Israel from Sinai or from other Arab states. Gaza is interesting to the Israelis in part as a trophy of war, because the strip was the base and headquarters of the army which they defeated; in part because it shelters 230,000 refugees who would become at once a burden and a test of Israeli concepts of Arab-Jewish relations. If he were able to isolate these refugees from extreme Arab opinion, Mr Ben Gurion could give them a chance to choose between compensation and repatriation: the chance to go back with money into the Arab world or to stay and settle within the Israeli state. In short, he would like to use the Gaza strip to prove that the refugee problem is not insoluble. No one knows whether he is right or wrong.

But the heart of the Israeli anxiety looks beyond immediate difficulties to the long-term interests of the state. Mr Ben Gurion is working with careful foresight to get Uno to complete the work of 1947 by giving his country its economic freedom; that, in the case now before the United Nations, means access through the Gulf of Aqaba or the Suez Canal, or both, to southern waters. It would be at best a single step forward, a crack in the surprisingly solid armour of the Arab boycott; but to achieve it the Israeli government is ready to force grim austerity upon its people and risk economic sanctions. Our correspondent in Israel describes what this means on page 649.

Israel has always sought a return of Uno to the substance of the question, which means an effort to give Israel more permanent frontiers than armistice demarcation lines and to establish free relations with all states, including its Arab neighbours. Mr Hammarskjöld's mission to Israel and the Arabs last year showed how strong was the resistance of the Ben Gurion government to any efforts to perpetuate the situation as it was then. The policy of massive retaliation by the Israeli army against limited frontier infringements by the Arabs was designed not only to deter the infiltrators who came over from the refugee camps and were a nuisance, but to keep the world alive to the temporary and dangerous nature of present arrangements. It can be asserted that the policy is wrong, but, whether right or wrong, it remains true that Israel wants a long-term settlement, and uses every means, including raids and invasion, to resist any effort to solidify the truce. To restore the armistice agreement, as Mr Hammarskjöld proposed in his report to the General Assembly, would be acceptable if it meant free passage for Israel shipping in the Suez Canal and the Gulf of Aqaba, because it would advance the long-term claims of Israel; to withdraw, and restore the past imperfect truce, would mean defeat for Israel, not for Egypt.

By contrast, the Arab case is rooted in the belief that the natural growth of 40-odd million Arabs, ranged against less than two million Israelis and allied to ever-increasing revenues from oil, will one day enable them to destroy the state of Israel. The Arabs, and therefore Egypt, oppose a definitive settlement or anything likely to contribute to it.

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Egyptian diplomatists appear to run counter to this policy by hinting in New York and Washington at an unexpected moderation. The reason is clear: Israel *did* inflict a defeat. Egypt's military strength is gravely impaired. Its oilfields in Sinai are wrecked. The national economy, while lacking the fundamental weakness of Israel's, equally lacks that support from other nations on which Israel can confidently count. Cotton exports for the first five months of the current season are less than half the figure for the comparable period of last season, partly because there is no trade with Britain and France but partly, and more significantly, because the Soviet block is buying less. Whatever fulminations the press and radio of Cairo permit themselves, Egypt is in no shape to make war tomorrow or for many tomorrows to come. President Nasser needs a breather; his problem is, in getting it, to give away as little as possible of a permanent nature.

He must find it difficult to yield on the canal or the gulf because the passage of Israeli ships would break the blockade of Israel which has been the Arabs' main weapon, and which was its weapon for four years before he came to power in Egypt. By being the first to give way on this point, he would risk weakening his hold on Egyptian opinion and losing the leadership of Arab

nationalism as well. Mr Ben Gurion is also bound to notice that opinion in Israel is strongly in favour of holding in the north the Gaza strip, and in the south the Sharm el-Sheikh headlands that overlook the Gulf of Aqaba. Each can push the other too far. Nevertheless, President Nasser depends on Uno to win his case for him ; he cannot win it by military action. Both he and Mr Ben Gurion must desire an end to the economic difficulties which the present situation forces on them ; at some stage they should be prepared to sacrifice some part of their claims to break the deadlock. President Nasser might reasonably calculate that the free navigation of the Gulf of Aqaba has less impact on the minds of the Arabs than the thought of Israeli trade and shipping passing through the Suez Canal. Mr Ben Gurion, for his part, while he may hold that the Gulf of Aqaba is vital to the future, of Israel, could perhaps admit to himself that the Gaza strip is not. The General Assembly could work upon this narrow margin of potential compromise.

The Assembly has not been able to do this because of its somewhat blinkered adherence to the principle that the attacker, Israel, must first give up all its conquests. This was the advice of Mr Hammarskjöld ; but he also indicated that the armistice had already been broken earlier, among other things by Egypt's exercise of belligerent rights in the canal and the gulf. The principle is certainly not as clear cut as the votes in the General Assembly made it appear. If the aim is peace in Sinai and not simply a legal formula, there is no reason at all why Mr Hammarskjöld should not be instructed to seek a bargain between Egypt and Israel "under the counter" before the Israeli withdrawal is completed.

PARKINSON LOOKS AT RETIREMENT—II

How to Get Rid of the Boss

THE first article in this series discussed the need to emulate in business a custom once well known in African tribes: that of liquidating the chief at a certain point in his career. In this, as in so many other matters, modern science is not at a loss. The crude methods of the past have been superseded. In days gone by it was usual, no doubt, for the other directors to talk inaudibly at board meetings, one merely opening and shutting his mouth and another nodding in apparent comprehension, thus convincing the chairman that he was actually going deaf. But there is a modern technique which is far more effective and certain. The method depends essentially on (a) *Air travel* and (b) *The filling in of forms*. Research has shown that the high official who is given enough of each will very soon begin to talk of retirement.

The opening step in this technique is to lay before the great man a programme : consisting, say, of a conference at Helsinki in June, a congress at Adelaide in July, and a convention at Ottawa in August, each lasting about three weeks. He is assured that the prestige of the department or firm will depend on his presence and that the delegation of this duty to anyone else would be regarded as an insult by all others taking part. The programme of travel will allow of his return to the office for about three or four days between one conference and the next.

The essence of the technique is so to arrange matters that the conferences are held at places the maximum distance apart and in climates which offer the sharpest contrast in heat and cold. There should be no possibility whatever of a restful sea voyage in any part of the schedule. It must be air travel all the way. No particular care need be taken in the choice between one route and another. All are alike in being planned for the convenience of the mails rather than the passengers. It can safely be assumed, almost without inquiry, that most flights will involve take-off at 2.50 a.m., reporting at the airfield at 1.30 and weighing baggage at the terminal at 12.45. Arrival will be scheduled for 3.10 a.m. on the next day but one. Going one way round the world it is possible and indeed customary to have breakfast about three times. In the opposite direction the passenger will, with any luck, have nothing to eat for hours at a stretch.

Most of the flight time will, of course, be spent in filling in various declarations about currency and health. How much have you in dollars (US), pounds (sterling), francs, marks, guilders, yen, lire, and pounds (Australian) ; how much in letters of credit, travellers' cheques, postage stamps and postal orders ? Where did you sleep last night and the night before that ? (This last is an easy question, for the air traveller is usually able to declare, in good faith, that he has not slept at all for the past week.) When were you born and what was your grandmother's maiden name ? How many children have you and why ? What will be the length of your stay and where ? What is the object of your visit, if any ? Have you had chicken-pox and why not ? Have you a visa for Patagonia and a re-entry permit for Hongkong ? The penalty for making a false declaration is life-imprisonment. Fasten your seat-belts, please. We are about to land at Rangoon. Local time is 2.47 a.m. Outside temperature is 110°F. We shall stop here for approximately one hour. Breakfast will be served on the aircraft five hours after take-off. Thank you. No smoking, please.

It will be observed that air travel, considered as a retirement-accelerator, has the advantage of including a fair amount of form-filling. But form-filling proper is

a separate ordeal, not necessarily connected with travel. The art of devising forms to be filled in depends on three elements: (a) *obscurity*, (b) *lack of space* and (c) *the heaviest penalties for failure*. In a form-compiling department, obscurity is ensured by various branches dealing respectively with *ambiguity*, *irrelevance* and *jargon*. But some of the simpler devices have now become automatic. Thus, a favourite opening gambit is a section, usually in the top right-hand corner, worded thus:—

Return rendered in respect of the month of	

As you have been sent the form on February 16th, you have no idea whether it relates to last month, this month or next. Only the sender knows that, but he is asking you. At this point the ambiguity expert takes over, collaborating closely with a space consultant, and this is the result:—

Cross out the word which does not apply	Full Name	Address	Domicile	When Naturalised and why	Status
Mr..... Mrs. ..... Miss					

Such a form as this is specially designed, of course, for a Colonel, Lord, Professor or Doctor called Alexander Winthrop Percival Blenkinsop-Fotheringay of Battleaxe Towers, Layer-de-la-Haye, near Newcastle-under-Lyme, Lincolnshire-parts-of-Kesteven. Follows the word "domicile," which is practically meaningless except to an international lawyer and after that a mysterious reference to naturalisation. Lastly, we have the word "status" which leaves the filler-in wondering whether to put "Admiral (Ret'd)," "married," "American citizen" or "managing director."

Now the ambiguity expert hands over the task to a specialist in irrelevance, who calls in a new space allocator to advise on layout:—

Number of Your Identity Card or Passport	Your Grandfather's full name	Your Grandmother's maiden name	Have you been vaccinated, inoculated, when and why?	Give full details

Note : *The penalty for furnishing incorrect information may be a fine of £5,000 or a year's penal servitude or quite possibly both.*

Then the half completed work of art is sent to the jargon specialist who produces something on these lines:—

(253)	
What special circumstances are alleged to justify the adjusted allocation for which request is made in respect of the quota period to which the former application (143) relates, whether or not the former level had been revised and in what sense and for what purpose and whether this or any previous application made by any other party or parties has been rejected by any other planning authority under sub-section VII (35) or for any other reason, and whether this or the latter decision was made the subject of an appeal and with what result and why.	

Finally, the form goes to the space technician who adds the space-for-signature section, the finish which crowns the whole:—

I/We (*block capitals*) ..... declare under penalty that all the information I/we have furnished above is true to the best of my/our knowledge, as witness my/our signature signed this ..... day of ..... 19.....

(*Signature*) .....

Witness :—

Name .....

Address .....

Occupation .....

Photograph Passport Size

Seal .....

Thumb print

This is quite straightforward except for the final touch of confusion as to whose photograph or thumb print is wanted, the I/we person or the witness. It probably does not matter, anyway.

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Experiment has shown that elderly men in responsible positions will soon be forced to retire if given sufficient air travel and sufficient forms. Indeed, at the first mention of a conference at Stockholm or Vancouver, they often realise that their time has arrived. Very rarely nowadays is it necessary to adopt methods of a severe character. It used to be the custom not only to arrange tours to overseas countries, but to plan details of inspection tours and banquets there. It will suffice to cite from the case-book of one such tour. By the fifth day the distinguished visitor concerned could walk only when supported by a secretary on one side and a personal assistant on the other. On the sixth day he died, thus confirming the general impression that he must have been tired or unwell. Such methods as these are now discountenanced and have, indeed, proved needless. People are learning to retire in time.

But a serious problem remains. What are we ourselves to do when nearing the retirement age we have fixed for others ? It will be obvious at once that our own case is entirely different from any other case we have so far considered. We do not claim to be outstanding in any way but it just so happens that there is no possible successor in sight. It is with genuine reluctance that we agree to postpone our retirement for a few years, purely in the public interest. And when a senior member of our staff approaches us with details of a conference at Teheran or Hobart, we promptly wave it aside, announcing that all conferences are a waste of time.

"Besides," we continue blandly, "My arrangements are already made. I shall be salmon fishing for the next two months and will return to this office at the end of October, by which date I shall expect all the forms to have been filled in. Goodbye, until then." We knew how to make our predecessors retire. When it comes to forcing our own retirement, our successors must find some method of their own.

Notes of the Week

Washington and Jerusalem

WHEN the texts of the exchanges between the United States and Israeli governments were published this week, they showed that the assurances offered by Washington were less concrete than the first inspired "leaks" had suggested. In particular, what was said about freedom of passage in the Gulf of Aqaba did not amount to a guarantee. The United States was "prepared to exercise the right of free and innocent passage" on behalf of ships of American registry, in the absence of a decision to the contrary by some such body as the Hague Court. It was prepared "to join with others to secure general recognition of this right." But nothing was said of enforcement. The right of innocent passage is one that the Egyptians have always handsomely conceded—maintaining, however, that their own rights of belligerency overrode it in the case of ships bound for Israel.

Replying to the American Note, the Israelis offered to withdraw if they got a precise guarantee "for the specific protection of Israeli-bound shipping," or, alternatively, if arrangements could be made to station the UN Emergency Force

> along the western coast of the Gulf of Aqaba until a peace settlement is achieved, or until an agreed and permanent arrangement for freedom of navigation is otherwise procured.

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Mr Eisenhower's broadcast on Wednesday made it clear why the President is unwilling to consider these (in themselves, sensible) suggestions. To him it is cardinal that a state which "attacks and occupies foreign territory in the face of United Nations disapproval" should not be allowed to impose conditions; he refuses to accept that "armed attack can properly achieve the purposes of the assailant." Conceding that the Israelis had had grave provocation, he holds that the "renewed and earnest effort" to secure justice for all the parties must wait until Israel has withdrawn.

The President's sincerity carries authority with it and endows even an intellectual muddle with moral dignity. But is it irrelevant that the assailant's purposes must be recognised as legitimate? Need it really be supposed that the play cannot go on until the furniture has been put back where it was? Egypt and Israel have both given offence to the United Nations; so have many other countries; Egypt, for one, has said nothing to suggest that it will not cheerfully give offence again. Each side has a grievance. The two offences could be purged, and the two grievances removed, together. To tackle them together might conceivably produce a settlement; the alternative, entrenchment on a moral position arbitrarily chosen, is unlikely to do as much.

The Politics of the *Edgar Bonnet*

EGYPTIAN frogmen are taking another look at the *Edgar Bonnet*, a tug said to be laden with explosives which is sunk in the Suez Canal. Until they remove the cargo, render it harmless, or admit it is not there, General Wheeler's salvage craft cannot remove the hull and thereby open the canal to ships of 10,000 tons. The *Edgar Bonnet* has therefore political importance; by delaying work on it, Egypt can delay the opening of the canal without being too obvious about it. Once the tug is removed, Egypt must tell the maritime nations frankly whether ships can pass through the canal before Israel evacuates the Sinai and the Gaza strip. Politics apart, there is no reason why the Egyptians should not have tackled the explosive cargo before now.

If anyone wanted to be awkward, he could send a vessel of 300 tons now, for an Egyptian ship of that size has already passed through the canal and the principle is the same whether the tonnage is 30,000 tons or 300. But before ships start using the canal there is the question of dues to be settled. The British Government is asking Mr Hammarskjöld to take up this matter with Egypt. After consultation with some of the users, Britain suggests an interim agreement by which Egypt would receive half of the canal income and half would be paid to the World Bank or the United Nations to be held for maintenance and development of the canal, pending a final settlement.

Between the nationalisation of the canal and its blocking at the end of October, the ships of some nations paid their dues to the Egyptian administration. Ships of others paid them either into blocked accounts in their own countries or to the Suez Canal Company. Under this arrangement, Egypt was getting about 40 per cent of the dues, enough to keep the canal running from day to day. The Egyptian income under the British scheme would therefore be higher than before; even so, it is doubtful whether President Nasser will accept.

The Rent Concessions

THE Government's concessions over Clause 9 of the Rents Bill are not highly damaging to the bill's purpose, but they are not very sensible either. The most important change is to delay by nine months the decontrol of the 800,000 rented houses covered by Clause 9: no rent demand or notice to quit will now take effect until 15 months after the bill becomes law, that is, until somewhere around the autumn of 1958. To encourage voluntary agreements in the meantime, a second amendment provides that agreed rent increases may take effect immediately so long as the new contract guarantees a minimum of three years' security of tenure. Finally, for a period of three years, it will be made illegal for any landlord to demand a premium as a condition of continued occupation.

The argument put forward for the postponement of decontrol is that, after eighteen years of absolute security, six months is rather a short period for tenants to uproot themselves; the Government's conclusion seems to be that tenants need between now and September of next year to ponder the possibility of making a move. The incentive to early voluntary agreements between landlords and their sitting tenants is also intended, in the current jargon, to "ease the impact of decontrol"; its effect will be that the new agreements must be concluded in ignorance of what free market rents will really be, and some of them will probably be pitched too high. Moreover, the greater the number of tenancies that is held off the free market for three years in this way, the greater is likely to be the rise in rents of those that are decontrolled in September, 1958; all the 800,000 tenancies will not now be thrown on to the free market at one bump. The third amendment, the prohibition of premiums, is intended to protect the more gullible tenants, and seems economically unobjectionable; it may therefore be ungracious to point out that it will also be very difficult to enforce.

From a national point of view, it has always been obvious that the initial uprooting of some tenants is bound to be an unpleasant business whenever it occurs, and that it is only later on (at least a year after decontrol) that the very real benefits of a larger free market in rented property will begin to appear. Mr Brooke's amendments will delay this very desirable consummation, and also set back the timetable for further instalments of decontrol. In political terms, too, the Conservatives seem to be running an uncalculated risk: under the new rent timetable the next general election will very likely arrive after the shocks but before many of the benefits.

Tale of Three Rebels

ONCE upon a time there were three politicians—a Liberal, a Labour man, and a Tory—who all disagreed with their party lines about the invasion of Suez. Their subsequent histories make interesting reading.

The Liberal, Mr Davies, has been asked to contest one of the only six Liberal seats in the country, at Carmarthen, at least partly because he disagreed with his party's Suez line, and agreed with the Tories. The reason for this is that the coming by-election at Carmarthen looks like being a desperately close one; Lady Megan Lloyd George needs only a 3½ per cent swing to win it for Labour; and if the Liberals had put up a man who agreed with their majority views on Suez, the Tories might have entered a candidate of their own and split the anti-Labour vote.

The Labour MP—the colourful, independent and often very sensible Mr Stanley Evans—resigned his seat at Wednesbury in face of a unanimous vote of "no confidence" from his local executive. Labour can fairly claim that Mr Evans's support for the Government on Suez was only the latest of a fairly long line of disagreements with official policy, and that he has shown by a subsequent newspaper article that at the end he retained few points of contact with official party thinking. Mr Evans, however, was elected as MP for the borough of Wednesbury, not for the local Labour party. The local Socialists had no right to expect him to resign from Parliament, nor was there any reason for him to volunteer to do so. It is a pity Mr Evans is not fighting the coming by-election as an Independent. Even with the party machines against him, the result might be surprising.

The Tory is Mr Nigel Nicolson, MP for Bournemouth East. The Bournemouth Tories have now chosen a new candidate for the next election, washing their hands of him because of his opposition to the Suez policy. Mr Nicolson has quite rightly refused to give up his seat, and will contest the general election as an Independent.

Wednesbury and Bournemouth should think carefully where their intolerance is leading. By seeking to crush any independence of spirit, by seeking to make every MP lobby fodder, the local parties are striking, not only at the institution of Parliament, but at their own future. It surely no coincidence that the men at present marked out to become Foreign Secretary and Chancellor of the Exchequer in the next Labour Government were both in open rebellion only five years ago, and that the last three leaders of the Tory party were all rebels at some time in their careers, Sir Winston Churchill more often than not, and Mr Macmillan for a time even refusing the Tory Whip. The tale of the three Suez dissenters is one of the most disturbing commentaries possible on the state of British politics in 1957.

German Concern About Rhine Army

ALREADY at the time of the Suez crisis the commander-in-chief of the fledgling Luftwaffe, Lt.-Gen. Kammhuber, was complaining that the British forces in Germany had been so plundered of technicians and equipment as to be no longer fighting fit. So it is scarcely surprising that the proposals for new and much more substantial reductions in the size of Rhine Army and Second Tactical Air Force have provoked some anxious questioning at the German Foreign Office and Ministry of Defence.

The immediate reaction at the Federal Foreign Office was sympathetic: "We see and acknowledge" Britain's limitations. But the strategists of the defence ministry, supported by the Chancellor himself, who has repeatedly declared that in the peculiar conditions of divided Germany conventional weapons count as much as ever they did, are uneasy at the prospect of a weakening of west Germany's already tenuous defences before even five German divisions are ready. The Federal Cabinet has been deciding this week what observations Herr von Brentano should make when the Ministers of Western European Union meet in London on Tuesday, and it looks as though General Norstad can rely on German backing if he presses Britain to think again.

While German officialdom and most of the press continue to show a remarkable courtesy towards Britain in present

troubles, some individual newspapers and politicians are not so sparing. The question "Why should the German taxpayer have to contribute more than last year to the upkeep of British troops when their number is about to be reduced?" is a natural. But those who raise it are being firmly told that the contingency has been discounted in the negotiations on support costs, which are still dragging along tortuously, though on the whole amiably, in Bonn.

Bonn, Moscow, and the German Question

No hopes have flickered on either side of the Elbe at the prospect of representatives of Britain, France, the United States and west Germany meeting in Washington next month to review the problem of reunifying Germany. The deadlock is so complete that it is impossible to see what new observations or acceptable proposals the one-sided working party will be able to make in its report to the Nato council of ministers on May 2nd. The most they can do is to restate the known arguments, remap the familiar stumbling blocks, and speculate once again how the Russians might be coaxed out of their misgivings and their intransigence. Only Dr Adenauer is likely to gain. It was he who first mooted the project, fully appreciating the value in election year of obtaining formal allied confirmation—which he is bound to get—of the wisdom of his uncompromising stand for free all-German elections and no dealings with the puppet regime in east Berlin.

Marshal Bulganin sounded here and there a friendly note in his latest letter to the Chancellor, but he cleared no new path out of the German predicament. Dr Adenauer has already replied unofficially. There are not two German states, he points out, legally entitled to negotiate with each other on equal terms. There is only one German state: east Germany is occupied by 22 Russian divisions and ruled by an illegally elected government.

The Chancellor's insinuation that the one German state must therefore be the Federal Republic as it is today has been promptly challenged by the opposition. The Free Democrats recall that the Basic Law of 1949 expressly lays down that the Federal Republic was founded "to give a new order to political life for a transitional period." By seeming to presume that there can be no constitutional or economic changes after reunion, Dr Adenauer, the Free Democrats object, is unnecessarily antagonising the Russians and many east Germans whose fear that militarism, social injustice, and other evils of the past might be restored in a reunited Germany is genuine and understandable. Of this more will be heard during the election campaign.

Marshal Bulganin is pressing once again for a full-blown trade agreement. It is very doubtful whether he will get it, at any rate in the near future. The west Germans have less to gain at the moment from trading with Russia than the Russians have. A trade agreement is a strong card for Germany, not to be lightly discarded when so much still remains at stake.

Mr Shepilov and Mr Gromyko

MR SHEPILOV'S sudden resignation from the ministry of foreign affairs on the morrow of his major speech on the international situation came as a surprise. A glimpse at the background and personalities involved in this latest Soviet reshuffle should add some substance to speculation.

The Theoretician. *Dimitri T. Shepilov* was born in 1905 in Ashkabad (Turkmenia). He came to Moscow as a student, first of law, then of agricultural economics, and his gifts were rapidly recognised. He fell foul, however, of the purging machine and his appointment as head of a state farm in Siberia in the early 1930's was tantamount to exile. He came back to Moscow to lecture at the Lenin Institute of Economics. His theoretical background, writing ability and oratorical gifts destined him for propaganda and he became the head of the party's *Agitprop* in 1948. Soon after, he suffered a second setback for his connections with N. Voznessensky, Stalin's most prominent postwar victim. He came back as editor of *Pravda* and was elected to the central committee in 1952 (at the 19th congress).

After Stalin's death the rise of Mr Shepilov coincides with that of Mr Khrushchev. He launched the attack on the heresy of "priority of consumer goods" which preceded Mr Malenkov's resignation in February, 1955. Five months later Shepilov was included in the party secretariat headed by Mr Khrushchev; at the 20th congress last year he was elected to the party presidium as a candidate member. Though he succeeded Mr Molotov at the ministry of foreign affairs only last June, he had been understudying him for some time, as in his visits to Cairo and Belgrade.

Mr Shepilov is probably the most able man of the younger Soviet generation, and his career is not at an end. It may even be that his very assets qualified him to woo restless intellectuals at home and improve relations with foreign communists—the job apparently assigned to him in the secretariat to which he now returns. Nevertheless, his sudden resignation has a political significance.

The Bureaucrat. *Andrei A. Gromyko* was born 47 years ago in Byelorussia. He, too, studied agricultural economics and then lectured at the Lenin Institute in Moscow. He entered the foreign service in 1939, when Mr Molotov succeeded Litvinov as foreign minister. He was counsellor and then ambassador in Washington, and in 1946 became Soviet representative to the United Nations. He took part in all the important international conferences. Recalled to the headquarters he remained there for five years as deputy minister before coming as ambassador to London in 1952. After Stalin's death he returned to Moscow as first deputy foreign minister.

Mr Gromyko's assets are professional skill, technical knowledge, tenacity and the ability to carry out orders. A man capable of shaping policy has been replaced by the perfect bureaucrat. Mr Shepilov was associated with the bolder policy carried out under Mr Khrushchev's guidance. Some of its recent vagaries may have displeased a group in the collective leadership. His resignation need not mark a change in Soviet foreign policy; it foreshadows, however, a tighter control by the party presidium over foreign affairs.

Last week's events could be read as a setback to Mr Khrushchev. On the other hand, he played first fiddle in the meeting of the central committee which decided upon the change, and the other nominations seem to favour him.

The Party Boss. *Nikolai S. Patolichev*, who now replaces Mr Gromyko as first deputy minister, is a typical party boss. He has served as party secretary in many parts of the country. Though he graduated from a military academy in 1937, during the war he was put in charge of a region beyond the Urals, important for wartime production. In 1946 he served for a brief period under Khrushchev in the Ukraine, but subsequently became first secretary of the party in Byelorussia. Accused of "russification," he was somewhat in the background after Stalin's death and he apparently owes his comeback to Khrushchev.

The Newcomer. *Frol S. Kozlov*, the new candidate member of the party presidium, hitherto limited his activity to Leningrad, where he climbed the ladders of party hierarchy. He gained prominence early in 1953 during the so-called "doctors' plot" by his vociferous attacks against "spies" and "bandits." For this reason he seemed in danger after Stalin's death, during the short Malenkov-Beria interlude, when the purgers were being purged. Later in the year, however, after Beria's fall, he actually replaced Malenkov's man Andrianov as head of the party in Leningrad. This he owes to Mr Khrushchev, who can rely on yet another ally in the party's highest council.

No Change on Cyprus

CYPRUS has been discussed at length this week in both New York and London. Neither discussion has brought a solution any closer. The United Nations General Assembly witnessed the distasteful spectacle of two old friends slinging mud at each other. The British delegate accused the Greek government of shipping arms and ammunition to the terrorists in Cyprus. The Greek foreign minister demanded self-determination for Cyprus and claimed to have proof of British atrocities against Cypriots. The American delegate urged both parties to drop their resolutions. At the time of writing the debate is not concluded; but whatever the outcome, the fund of Anglo-Greek goodwill will be still further diminished.

In the House of Commons, Mr Lennox-Boyd said that British policy "must be based on reality and not on fantasy." But reality is precisely what this policy appears to lack. The pleas of Opposition speakers that the Government should break out of the present deadlock with some new political initiative met with no response. Government spokesmen stuck to their old brief—that self-government cannot be introduced until internal security is restored. This cannot be denied, but it gives no ground for the Government to use the campaign against Eoka as an excuse for going slow in the search for a political settlement. On the contrary, it is surely clear that it must act with more energy and initiative in order to dispel the poisoned and suspicious atmosphere that repression is inevitably creating.

Government spokesmen also continued to insist that Archbishop Makarios must stay where he is until he denounces terrorism. But whatever this political prelate's connection with Eoka, the fact remains that he could negotiate on behalf of the Cypriots, and apparently no one else can. Until he is brought back from the Seychelles (not necessarily to Cyprus) the deadlock will remain.

Political discussions should be started; but whether they would lead to a settlement is another matter. The Greek government has unnecessarily made the worst of the Radcliffe constitution. Mr Lennox-Boyd has not helped matters by his very ambiguous attitude over the extent to which it could be altered by negotiation. And even if agreement could be reached on the Radcliffe proposals, there remains the further obstacle of self-determination. The Greeks will probably insist on a definite promise on this as part of a settlement. Mr Lennox-Boyd believes that the Turks will not tolerate it unless the Turkish minority has self-determination too. There is not much light at the end of the Cypriot tunnel; what there is reveals the spectre of a bizarre and perilous partition.

A Constitution for Malaya

THE constitutional commission for Malaya, of which Lord Reid was chairman and Sir Ivor Jennings a member, has grasped its nettles. The proposed federal form of government, even though of the "strong" type, which retains all the rulers as constitutional monarchs electing a federal constitutional monarch from their number every five years, fits Malayan history and Islamic predilections. More controversial is the commission's endorsement of *jus soli*—the recommendation that on Merdeka day all should become citizens: both those who are citizens of the states now (which excludes many Chinese) and those who have lived for five years in Malaya previously (which would include them). Residents of the former settlements, now to be states, are to possess dual British and Malayan nationality. Unless some differential franchise is adopted, or the condition that citizenship requires an elementary knowledge of Malay is oppressively interpreted, this means that at the next election (postponed to 1959) the Tengku's government will have to appeal much more for Chinese support for its policies.

★

Though it will be neither a realm nor a republic, Malaya is to remain in the Commonwealth by recognising the Queen as Head of the Commonwealth. This new pattern need cause no heartburnings, though it brings Malaya's status at the outset nearer to India's status on achieving Commonwealth membership than was Ceylon's. The Prime Minister of the Federation will come to Commonwealth premiers' conferences (and should come to the next, even if it antedates Merdeka slightly); more immediately, the common problems of Malaya, Britain and the Commonwealth in meeting communist subversion will be met by the treaty of defence under which the Commonwealth reserve in South-East Asia will be stationed—though as unobtrusively as possible—on Malayan soil.

But there is not much time between now and August 31st, the target day for independence, for the Malayan government, legislature and rulers to accept the constitution so devised with or without amendment; there must be time to pass it through Parliament at Westminster. There is much that could be argued, both about nationality and about the provisions to safeguard Malayan jobs and rights in the land. It looks as if the last-minute rush on Malayan independence will rival the Gold Coast photo-finish.

Farm Politics

SOME more changes in agricultural policy are expected shortly. The most immediately practical reform to which the Government should be pressed is to reduce the excessive security of tenure now enjoyed by tenant farmers. A landlord can at present only rid himself of a bad tenant by proving his case to a county agricultural committee; since landlords are understandably reluctant to stir up trouble, and since the committees often lean over backwards to protect tenants, the procedure works very badly. The Government (through these committees) has its own powers for removing inefficient farmers. The result of the court case over Lady Garbett's eviction was a striking vindication of the fairness with which these powers are now used and a complete repudiation (by no less a person than Lord Goddard) of any suggestion of bureaucratic tyranny. Yet what is the advantage of powers whose mildest and rarest use provokes a public outcry? Mr Heathcoat-Amory would probably willingly sacrifice his own powers of coercion in favour of restoring the landlords' right to terminate a tenancy—subject to reasonable notice and adequate compensation. He should do so without further delay.

Meanwhile, this year's farm price review has already started. From the Government standpoint, the review can best be regarded as a holding operation. Under the new long-term agreement between Government and farmers' unions, it is not possible to cut the total value of the agricultural guarantees by more than 2½ per cent (about £29 million), assuming costs are constant. But costs have not been constant. Increases in farm wages (up by £10 million a year), in the prices of fuel and of some other things have mopped up most of the £29 million margin, and the limit of Government ambition may well be to hold the guarantees at their present level. Since Mr Heathcoat-Amory is already committed to finding extra money for improvement grants, while the current subsidy bill has exceeded expectations, it will be an unhappy outlook if he fails in this modest ambition. He will also have the luckless but vital task of resisting the demand for specially favourable treatment for milk producers which the National Farmers' Union—in deference to its weaker brethren—is pledged to press.

Economy and Electronics

IN seeking his economies in defence Mr Sandys's problem will always be to keep a margin on what he gains on the manpower swings after making his losses on the electronic and atomic roundabouts. This week the votes on account for the services (which are based on the trend under the present staggered conscription plan, not on any anticipated policy changes) forecast the reduction of 65,000 men in the combined strengths of the Army, Navy and RAF by March, 1958. At the same time the training of the Royal Artillery with the Corporal missile has begun, and the appointment of an Admiral (human, not robot) with responsibility for nuclear propulsion has been announced. The Corporal and the Admiral are not likely to be forces for economy. A little experience with missile batteries will probably fairly quickly indicate how surprisingly much manpower—mostly highly skilled electricians, transport and supply and maintenance "tail"—is needed for a substantial backing of ground forces by atomic artillery. Nuclear propulsion for the navy means not only new engines but new ships—as well as the further apotheosis of the one-time stoker into atomic pile maintenance artificer.

It need not, however, always follow that new gadgets tend to swallow up savings made elsewhere in defence costs. Intelligently used by the RASC, electronics could work the other way. The Third Report from the Select Committee on Estimates recently had hard but despairing things to say about the services' stores depots. Items ranging from clothing to chairs, from bren ammunition to bicycles are fantastically over-ordered. Dumps of slow-moving stores cover acres, the happy hunting ground of disposals tycoons. Clearly, the services should visit the US Seventh army in Europe, and investigate the IBM system of supply and stock control which has replaced a corps of clerks by punched card machines. The Americans have found that 90 per cent of a field army's recurrent needs amount to 30,000 items—the other 400,000 items which the army has hitherto stocked in bulk are now held in small dumps in the United States or in the makers' warehouses, and flown in when required. Not only has this saved men and dollars all round, but it has reduced the maximum time taken to replace a "low consumption" part from 120 days to two weeks.

Doctors on the Warpath

ALL that the doctors have secured from a new Minister of Health is the promise of a royal commission to review their remuneration, and the dentists' as well. Mr Macmillan announced on Wednesday—the day the doctors' negotiating committee had the postponed talks with Mr Vosper—that the Government had decided that it could not entertain the claim for a general 24 per cent increase in remuneration at the present time, though in the House of Lords it was announced that junior hospital staffs are to have some increase.

Faced with gross expenditure on the health service totalling £690 million, the Government could hardly be blamed for refusing to give the doctors all they were asking for, especially as this would have looked as if it accepted the doctors' interpretation of the Spens formula, which would give them an automatic guarantee that their pay would rise with the cost of living. But it is, after all, five years since the Danckwerts award, which itself related to incomes for 1950-51, put the doctors in a favoured position, compared with other professions, by allowing them for 1950 a 100 per cent increase on what the Spens committee thought they ought to have earned in 1939; and in the course of the last year, as the increased estimates for the cost of the health service show, rises in pay have had to be given to most branches of hospital staffs—but not including the doctors—and to chemists. If the Government had offered the doctors something on account, pending a review by an independent body, the doctors' representatives would have been well advised to have accepted it. But they can be forgiven for being up in arms at the prospect of waiting for an increase until the cumbersome machinery of a royal commission has creaked out its findings. If the Government genuinely wanted an independent review of medical and dental earnings, it could obtain one by a much simpler body. By setting up a royal commission it shows itself merely anxious to buy time.

Hungary's Good Neighbours

ABOUT half the refugees who fled from Hungary are still in camps in Austria and Jugoslavia, their future uncharted. The United Nations has been more generous with sentiment than with cash or hospitality. In December, the Secretary-General appealed for $10 million to relieve Austria, but with several members absorbed in supporting their own intake of refugees, not much more than half this sum was collected, and Dr Lindt, the New High Commissioner for Refugees, has had to go to New York to ask for more. There are some 60,000 refugees in Austrian camps, and of these the League of Red Cross Societies, helped by the UN fund, has undertaken to care for 45,000 until July: after that, if no more money is raised, the full burden will fall on Austria, which is already paying out $80,000 a day.

On a smaller scale, the Jugoslavs are struggling with the same problem. When escape from Hungary into Austria was blocked last month, over 17,000 refugees poured into Jugoslavia instead, and they are still trickling across. The Jugoslavs have received only trifling help from outside. A few hundred of the refugees there have been offered homes in Europe and the High Commissioner has sent $50,000: enough money to keep the refugees for only two days. The burden on Jugoslavia is almost as great as on Austria. While richer nations measured their generosity with coffee-spoons, these two countries have never questioned the right of all Hungarians to asylum on their soil, and both carry a grossly unfair share of what is acknowledged as an international commitment.

The exodus from Austria and Jugoslavia cannot be hurried up until the United States has made up its mind how many more refugees it will accept. At least half of them want to go there, and will not consider alternative destinations so long as there is still a chance. Dr Lindt, as well as raising funds, is also trying to get the American quota increased. But settling the Hungarians is bound to be a slow business if they are not again to be sent to countries where they do not want to stay permanently. Theoretically, there are homes for all of them: France, for instance, has offered sanctuary to anyone who undertakes to stay. Canada, Australia, Venezuela, Columbia and Brazil are all possible hosts, but transport is slow to organise and in some cases there is no fare money. Meanwhile, the kitty is nearly empty.

Reforming Local Government

WHEN Mr Brooke revealed his new financial proposals for local authorities last week, he also announced that there is to be a debate in the Commons on the white paper on areas and functions which Mr Sandys produced last summer. There needs to be. The Government's present proposals for local government reorganisation are weak and muddled in the extreme. It is proposed to set up another Local Government Commission, but one which will not be allowed to go beyond the minimum of agreement reached by the four local authority associations. Only in the big "conurbations" (i.e. the urban sprawls around Britain's major cities) would the commission be encouraged to raise its eyes and prescribe boldly—with, however, little hope of the Government endorsing its proposals unless Ministers show more courage than hitherto. If the commission is to be something more than half a dogsbody and half a stalking-horse, it is essential that fruitful "principles" should be laid down for its guidance, and that Mr Brooke should not be deterred by local vested interests masquerading as ancient institutions. Here are some concrete suggestions, starting (as any Conservative Government ought to start) at the bottom rung:

(1) *Amalgamate and integrate the smaller urban and rural authorities.* It would be a great mistake to confer increased powers and financial independence (as is now proposed) upon authorities which are potentially too small for efficient administration. Most of the 500 authorities below 10,000 population fall in this category. The only way of creating effective units which are not too remote is by uniting the smaller towns with their rural hinterlands. The service requirements of town and countryside are becoming increasingly similar, and the best way to make farmers and shopkeepers co-operate would be to put them on the same council.

(2) *Provide fair and consistent treatment for the medium-sized towns.* The four seaside resorts of Hastings, Eastbourne, Hove and Worthing have all much the same population and financial capacity. Two are county boroughs (and run all their services), two are not (and run very few). These anomalies should be ended by giving to similar towns the same status. A middle-sized town (i.e. one of roughly 60,000 to 200,000 population) should no longer be regarded as completely self-sufficient, but it can reasonably operate most services.

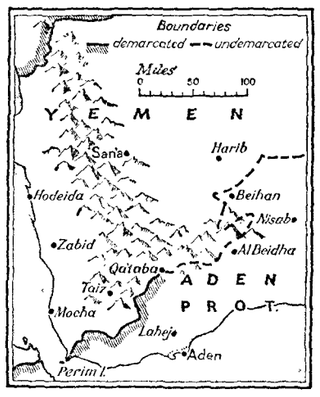
(3) *Unite some of the weaker English counties.* This is not only intrinsically desirable for administrative efficiency, but is a necessary corollary of the other proposals—which would have the effect of confirming more powers upon the smaller authorities and of concentrating the counties' duties upon services that need to be planned over fairly broad areas. The Welsh counties, being much weaker units, need separate consideration. (Conceivably, of course, some counties should not merely be merged with others, but split and divided up among neighbours.)

(4) *Establish new authorities in the "conurbations."* In several provincial conurbations, there seems little doubt that the best solution would be to set up an elected major authority which would operate certain services of concern to the entire urban area and its immediate environment—such as town and country planning, water supply, main highways, sewage disposal, fire services and perhaps police. Its boundaries ought to be drawn wide enough to deal with the intractable "overspill" problem which now plagues local government relations in these areas. Thus, the new authority would in effect be a special sort of county council, covering a radius of 20 or so miles from the urban centre. In the case of Greater London, any such approach would encounter stormy objections and special difficulties—and it is for dealing with the problems of London local government that a genuine Royal Commission would, perhaps, be wise.

Arms For and Against Yemen

NEWS of the delivery of Soviet arms to the Yemen, and of Egyptian officers training Yemeni troops in Hodeida and Sana'a, is disquieting. It almost certainly means that there will be more and graver trouble on the Aden Protectorate frontier, and no doubt that is the reason why Sir Pierson Dixon brought it to the attention of UN delegations last weekend.

Already the use of automatic weapons has been noted among tribesmen who normally are armed with antique rifles. There have been some British casualties. An Aden newspaper has lately reported that a Russian ship has delivered the residue of the Yemen arms order. As the trading caravans usually bring fairly reliable information into Aden, the report probably contains some truth; although it is hard to believe that the cargo included 50 Stalin tanks and 30 Mig planes. (The report states that the total order cost $20 million, of which the Soviet government waived $15 million and "the Soviet people" subscribed $4 million.) At least one can conclude that there are likely to be more arms available to feed the endemic disputes in the Aden tribal area.



Meanwhile, elements of the British 33rd Paratroop Field Regiment armed with 75-mm howitzers are arriving in Aden and will be deployed as a mobile force in the defence of the frontier region. The howitzers are bigger than any weapons that have yet been used in the fighting in that area. They are doubtless necessary to protect the loyal sheikhs and may intimidate some dissident tribesmen; but it is difficult to see how artillery can compel disaffected tribesmen to behave themselves so long as Imam Ahmed of the Yemen continues to provide a sanctuary for the rebellious when things get hot.

Social Services and the Taxpayer

THE Vote on Account, which was published this week, shows the cost of the social services that will fall on the taxpayer in the coming year. Since the estimates do not include expenditure from the rates, or expenditure that is offset from the national insurance fund, the table does not give a complete picture of the cost of the services. Thus of the total expenditure on the health service of £690 million, foretold by Mr Thorneycroft in the House of Commons on Tuesday, only £550 million will, under present arrangements, be paid for out of taxation. About £40 million at present is paid out of the insurance fund towards the cost (the increased amount which the fund is to pay has not been allowed for in the new estimates; but it is hoped that the relief will be of the order of £20 million in 1957-58, and £40 million in a full year); while another £26 million falls on the rates.

Patching Insurance Benefits

THERE will have to be another National Insurance Bill when the Government gives legislative form to its proposals for levying a greater share of health service costs from insurance contributions. In the meantime the National Insurance Bill that was published last week is a miscellany, ironing out some anomalies in the present law and giving effect to various recommendations of the national insurance advisory committee.

Most of these are concerned with dependants' allowances and abolish hard cases: for instance, the lack at present of any widowed mother's allowance for a mother whose divorced husband had been contributing to their children's support before his death. More important is the provision enabling pensioners to surrender their pensions temporarily, return to work and earn pension increments by paying contributions until they reach the age of 70 (65 for a woman) and are "deemed to have retired." At present, retirement is considered an irrevocable act, and a retired pensioner who elects to return to work cannot earn increments to his pension even if his pension is totally extinguished by his wages and the operation of the earnings rule. The new measure should encourage some pensioners to return to work and is therefore satisfactory as far as it goes. But the number who will be persuaded to return to a full-time job by the prospect of a few shillings increase in their pension cannot be large. The new bill will remove a deterrent rather than provide an incentive.

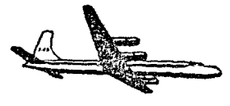
In its proposal for unemployment benefit, on the other hand, the bill does neither. It provides that a worker on a five-day week will no longer receive benefit for his free day (usually, of course, his Saturday) unless he is unemployed on all his normal working days in that week. At present he has to be unemployed for only one other day in a week in order to receive benefit for two days. But the bill does nothing to encourage workers to move from an industry hit by recession to another job where they are really wanted, or to deter employers from spreading less work among the same number of men. Decisions given by the national insurance commissioners last year showed that the case law on the unemployment benefit payable to a worker who has a guaranteed week—whether of wages or of hours of work—is anomalous. But, even if the guaranteed week muddle could not be cleared up in this measure, the Government could at least have restored the prewar practice of paying benefit only when a worker has been unemployed for three days out of six. The present law, enabling him to receive benefit when he has missed only two days, gives an incentive to workers to hang on to their jobs and to employers to hang on to their men. It is a subsidy to stagnation and immobility, and ought to have been removed.

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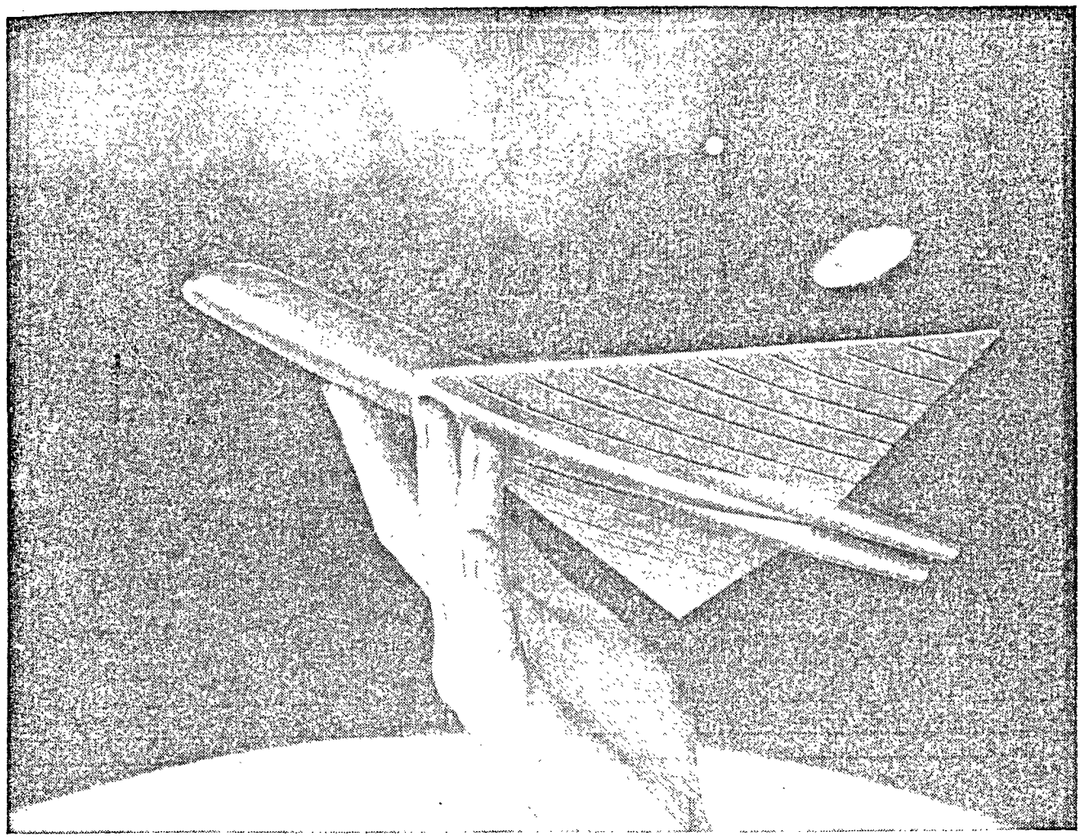


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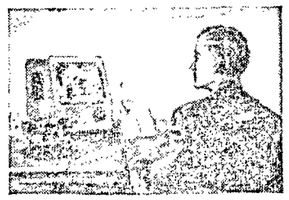
The shape of steel to come

NEVER has the steel industry had so much to contribute to Britain's future scientific progress, as well as to her basic services and other industries. What is the next great project that will challenge the steel industry's versatility and skill? The devising of special steels to help tomorrow's aircraft break the 'heat barrier'? Co-operation with research physicists to build new plant for atomic power stations? This much is certain — Britain's future is closely linked to the growth and development of steel. What is the state of this vital industry?

Output is continually rising. New plant is coming into service. Advanced instrumentation in the works is streamlining the whole process of steel production. Raw materials, too, are used with ever-increasing efficiency and economy. Ore treatment has made great strides and fuel consumption per ton of steel has been reduced by 15% since the war. The pattern of steelmaking is changing its shape. The whole industry is growing.

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But the greatest increase in social service expenditure in the coming year is the £42 million for the education vote. It would be £3½ million more but for the extra 2d. to be charged for school meals. If the expenditure of local authorities on education is added, the total for England and Wales

CENTRAL EXPENDITURE ON THE SOCIAL SERVICES
(£ million)

	Estimated expenditure		Increase or decrease
	1956-57*	1957-58	
Education (including universities)	403	445	+42
Health Service	529	550	+21
National Insurance (including family allowances)	220	225	+5½
National Assistance	129	133	+ 4
Housing	77	79	+ 2

* Including supplementaries.

alone would be £570 million. A large rise was only to be expected in view of the additional 150,000 children in the secondary schools next year. They will cost £77 per year per pupil (England and Wales again), and the extra expenditure will only partly be offset by a decrease of 80,000 children in primary schools at a cost of £47 per year per pupil.

O and M and More Pay

THE Civil Service Clerical Association has put before the Treasury a plan for overhauling the structure of the clerical grades of the civil service. The main object, of course, is more money for the association's members; but the bait offered to the Treasury is a reduction in numbers and a better use of man and woman power.

The grade concerned has two sections, clerical assistants and clerical officers. Since the war, the rates of pay have not attracted school leavers as they used to do, and a scheme was started for recruiting people over 40. Only 5 per cent of the grade is now under 25. Here, one would think, is a good way of making use of people who want to come back into jobs in middle life. But Mr Green, the association's secretary, thinks that these are not the people who will take most readily to office automation, and that more must be done to attract the school leaver. He also thinks that as a contraction of the clerical grades seems inevitable, because of recruiting difficulties, better use should be made of those that remain. His recipe is that some of the less exacting tasks now performed by clerical officers should be done by assistants, and that in consequence the officers should be reduced in numbers while the assistants get more pay.

Is this a good idea? In a time of full employment it is clearly sensible to save man and woman power, but whether the present scheme would save money would depend on the size of the contraction and the size of the increase given to the assistants. The scheme really has the unspoken corollary that some of the work of executive officers should be done by clerical officers—who would in turn get more pay—and that some of the work done by the administrative grade should be done by the executive grade—who would in turn get more pay. The pyramid, in other words, would be broadened at the base.

There is reason to think that the base is too broad already. It is already said of the Treasury that it will scarcely notice the employment of five new people at £700 while making a great fuss about one person at £2,000—although the senior appointment might save far more money than the difference in salaries. Under civil service procedure too much work is fed in at a low level of the hierarchy, and too much time and money wasted as it passes upward from grade to grade with successive memoranda attached. The questions that should be asked are whether much of the work now done could not be cut out altogether, and whether the present staffing of the Organisation and Management Division is adequate to produce anything other than minor economies.

Dr Jagan Celebrates

AN invitation to the Ghana independence celebrations is a fine feather in the cap of Dr Cheddi Jagan, the ex-chief minister of British Guiana and leader of the People's Progressive Party. Dr Jagan and Mr Burnham, the Marxist (but not Moscow-inspired) leader of the PPP splinter, are far and away the most significant politicians in their territory, and their selection is not unreasonable: however, it is on the cards that Dr Nkrumah has enjoyed cocking a mild snook at the Colonial Office, which disapproves deeply of Dr Jagan and does not care much for Mr Burnham. It would be a great pity if their journey to Ghana were foiled by the difficulty of getting United States transit visas; both are on the American black list. No harm, and possibly some good, can come from these two Guianese leaders meeting other Commonwealth members—particularly the leaders of the British Caribbean Federation.

The Colonial Office had hoped that in the four years since the constitution was suspended, some strong rival political party might emerge. But the PPP, though split, is still expected to sweep the board at the elections promised for the early autumn. The two factions do not in fact tread very heavily on each other's toes, since Dr Jagan has allegiance mainly from the Indian labourers on the sugar plantations, while Mr Burnham's followers are chiefly in Georgetown.

None of the parties is enthusiastic about the very limited return to constitutional government. Fourteen members are to be elected to the Legislative Council, but the Governor can (and undoubtedly will, if the PPP is returned) nominate another fourteen, and there is no office of chief minister. Dr Jagan called in December for a united front to wrest a more advanced constitution from the Colonial Office by means of strikes, boycotts and non-co-operation. Although Dr Jagan has never concealed his communism, he has never before displayed it so plainly as in that statement: a Muscovite web of dogma, abuse and self-criticism spun with skilful confusion. But the strength of PPP depends on overcrowding and poverty, not on dogma. Government development schemes have so far only skimmed the problems of land reform and reclamation.

Spotlight on Incomes

STATISTICS about the size of incomes are not as easy to come by as might be expected—even for the tax-gatherers. Because income from different sources is assessed separately, estimates of people's total incomes have to be based on sample surveys made from time to time. The results of a survey in 1954-55, covering 5 per cent of taxpayers, were published last week in the 99th report of the Commissioners of Inland Revenue. It estimates that there were then 20.3 million taxpayers, with incomes which averaged out at £560 before tax and £500 after tax. At the top, 315,000 came within the surtax range but, after tax, only 138,300 had incomes of over £2,000 and only 7,300 exceeded £4,000.

These incomes are struck after deducting national insurance and superannuation contributions, expenses, depreciation and mortgage interest. On this basis, for every £10 of personal income before tax coming from earnings, profits and pensions, another £1 came from investment. Just over half of this investment income was drawn by non-surtax payers. One out of every four people with a gross income around £500 drew some money from investment, although it made up only 3 per cent of their income; at the £1,000 mark these proportions had doubled.

How does income vary with family size? If the upper income classes are defined as those with more than £1,000 a year before tax, they are relatively most numerous among married couples with two children (among which, in 1954-55, they formed 10 per cent of the total) and relatively least among married couples with four or more children (6 per cent of the total) and among single people (3 per cent only). The falling-off of top incomes among larger families reflects the tendency of the unskilled manual worker to have the most children. But whether there was one child or four in the family, rather more than three-quarters of these family incomes fell in the range £400-£1,000

The New Tyranny

Conservatism properly consists in resisting all new and crude political changes, and never was conservatism in this sense more needed than now. The wild speculation which heretofore dissipated the national capital in fruitless commercial enterprises, ending in bankruptcy and convulsions, is at present let loose on legislation. A flood of imagination, extremely fertilising in the regions of romance and poetry, now pours itself over political institutions, and innumerable schemes of supposed improvement are propounded. . . . A combination of circumstances—Parliamentary reform, the general progress of intelligence, the increase of population, of wealth, and of the influence of the middle classes—has, in truth, so completely identified the Executive Government and the Legislature with the nation at large, that no individual now dreams that either will wilfully commit, on any portion of the people, an act of oppression. Mistaken they both may be—mistaken the whole public may be—but no man now dreads tyranny from either. The danger now to be dreaded is very different. . . . In the name of philanthropy it is urged to interfere with labour, and in the name of humanity to regulate trades. We are no longer in danger of oppression from the Government: we have now to guard against the Legislature being made the instrument to promote, by the national power, the separate objects and serve the separate interests of different classes. If we are to have the legal profession, the medical profession, the men of science, philanthropists; humanitarians, landlords, capitalists, labourers, merchants, bankers, farmers, manufacturers, each class in turn, inveigling or intimidating the Legislature into doing its bidding and serving its purpose, the new statute book, we may be quite sure, will be a greater disgrace and affliction for our descendants than is for us our present jumble of laws and codes and systems.

The Economist

February 21, 1857

Hardly Cricket

FOURTEEN states and two international sports federations have co-operated with Unesco to produce a study called "The Place of Sport in Education." * One of their difficulties in answering the secretariat's questionnaire was in saying what they meant by sport. Hungary, for instance, had this shot at defining it:

> The characteristics of this activity are the maximum exertion of completely voluntary effort, the renunciation of comfort and of the satisfaction of natural desires incompatible with the manner of life required by the improvement of "performance," and the joy of attaining a distant objective.

The Danes include as a sport "rhythmical gymnastics exercises with musical accompaniment," while the Australians include life-saving.

In addition to the fact that they did not have a satisfactory definition of the questions they were supposed to answer, the officials of the various countries were clearly anxious that their countries should be represented in the accepted way abroad. The Australians hark back to the playing fields of Eton, while the Poles say, apropos of not very much but with considerable pride, that "criticism is fairly intense," and that an objection to successful sportsmen is that they tend to become individualists. In Poland, we are told, sport is "a basic part of socialist educational theory"; in Spain, also, it falls into the province of the Youth Front. Endearingly, "the situation in Honduras is not very favourable . . . the attitude of the teachers . . . is one of *laisser faire.*"

The reflections on the status of international sport are sour and pointed, as when New Zealand points out that "the Olympic Games are now regarded by many as merely a testing ground for two great political units." The British and the Danes (whom we managed to beat at football last year) perhaps reveal a certain pique when they deplore the fact that "victories gained in international competitions are so inevitably bound up with national prestige." The Australians bluntly say that "the sportsmen of the world are, on the whole, not renowned for great intelligence and culture, and probably make relatively inferior ambassadors." The total effect of this propaganda, pessimism and muddled thinking, presented in intolerable confusion, is to make one seize with joy on a French mention of those who regard sport as "a somewhat pointless form of play. . . ." What, one wonders, would be their definition of certain Unesco activities?

* HMSO. 63 pages. 2s.

Letters to the Editor

Suez and the Sudan

SIR—Sayed Omer's letter is all the more interesting as its conclusions are similar to those of Mr Ian Colvin, who has recently visited the Sudan. These conclusions are:

(1) That all would be well for Britain in the Sudan if a strong alliance between the Umma party and the Southern Liberal party could be formed.

(2) That the "post-Suez" feeling is nothing more than a temporary boost to the pro-Egyptian elements, which are somehow identified with communist influence.

(3) That there is a temporary vacuum in Sudanese political life which Sayed Omer thinks may be filled by America: a situation which he describes as "the plight of Britain's friends in the Sudan." Mr Ian Colvin, on the other hand, describes it as: the last foothold of Britain in the Middle East.

According to this analysis, the Sudanese general elections in March will arrive to find Azhari at the head of a "popular front" composed of the townspeople, the major part of the intelligentsia, the Communists, and a big section of the People's Democratic party, while the Umma party is expected to look westward and to rally the "non-Moslem" South for its support. If such a situation comes about, then Mr Omer's prophecy, that a majority for the Umma party and the Liberals (of the South) "may well be possible," is unfounded. Indeed, it is the decisive victory of the Azhari Coalition which would be highly likely. The results of the 1953 elections may be repeated. It is unlikely, however, that two such watertight coalitions will fight out the next elections in the Sudan. As Sayed Omer said, the mobility of members between Sudanese parties is very high—a phenomenon which reflects the fact that the policies of the major parties are similar.

This makes it much more likely that the immediate contest will be one between slogans designed to appeal to the electorate, rather than one between principles. An issue of principle is, however, bound to crop up—at least as far as foreign policy is concerned. Until its independence, the Sudan was virtually insulated from Arab politics. It is now in the middle of the picture and is thus exposed to the impact of the Palestine problem, the implications of the Suez venture, and the alleged failure of the only western alliance in the area: the Baghdad Pact. These will deter any prudent Sudanese statesman from declaring himself for the West—at least as far as northern statesmen are concerned. Nor will it help to appeal to the fact that the Southern Sudanese are less sensitive to Middle Eastern currents, as there is a widely held conviction that Northern Sudanese political parties should not, in the interest of the unity of the country, drag the South into a partisan conflict. There is, on the other hand, no major Sudanese party which would declare itself a communist alliance.

To conclude, therefore, I think it is highly unlikely that the coming contest in the Sudan will be between a pro-Egyptian coalition and a pro-British coalition; that a "West" versus "East" contest is out of the question; and that neutralism with a Bandoeng flavour may ultimately be the official policy of the major Sudanese political party.—Yours faithfully, SADIK EL MAHDI

Oxford

Charity or Compensation

SIR—I wish to refer to your article of February 9th. As a British national (Maltese) expelled from Egypt I am particularly happy about the favourable and sympathetic articles which the English press has published on this subject. The Government has decided to take the problem more fully in its own hands, and none too soon. There are three complex points to this problem:

(1) *Employment:* The great majority of refugees are clerical workers, and there seems to be a tendency not to engage non-Anglo-Saxons for this kind of work. The Government should exert pressure on firms to accept those who are seeking office employment. I do not see why we should change our way of life. Is it not enough that our mothers, sisters and wives will have to find work, which most of them did not have to in Egypt, if they expect a minimum standard of living?

(2) *Compensation:* It is not a question of who is going to effect payment, but of time to be reckoned in months and not years. Our assets were lost because of the policy of the British Government, and we expect this Government to pay compensation. The calculation for payment to those who have lost tangible assets will be quite easy. But what about those who have lost their indemnities, pensions and insurance policies after 20 or 30 years' service with a firm? They are too old to start life anew and will find it difficult, if not impossible, to find employment.

(3) *Immigration:* The Maltese in Egypt had as assistance a special fund to help them immigrate to Australia. Immigration was open to all without discrimination of age or qualifications. The money was lent to the prospective immigrant, who pledged to repay it by weekly instalments. Is this fund still in force? Its function would certainly solve a big part of the problem.—Yours faithfully, CLAUDE PEREIRA

London, S.E.5

All the R-age

SIR—Your assertion that men enter local politics solely as a result of being unhappily married, while broadly true, requires some qualification, at least as regards boroughs—conditions are different in counties and in urban and rural districts.

Boroughs have mayors, and mayors have mayoresses. You might some time consider it worth investigating how many men are currently sitting on borough councils solely because their wives fancy themselves as mayoresses.

This has a weighty side-product. Since the only way of getting on to most borough councils is to join the dominant party, the party's councillors tend in time to contain a high proportion (thought in some cases to be 100 per cent) of men whose political convictions are quite other than those inferred by the labels that every three years they expose to the electorate.

Granted, aspirations to be mayoress in no way preclude marital unhappiness. But there is a chicken and egg problem here that is not to be solved by glib generalities.—Yours faithfully,

Scarborough MEREDITH WHITTAKER

Sacred Cows

SIR—May I add to your article of February 2nd and that although cows in India are ill-bred, ill-fed and ill-maintained, and produce less milk per cow than in any country in the world, our Government is now seriously trying to improve them.

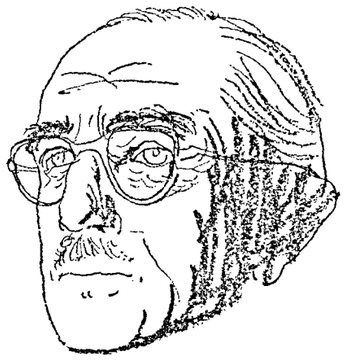
An All-India Central Stud Farm was started in Bangalore in 1955. An Agricultural Research Institute has undertaken to build up pedigree herds. The Five-Year Plan has approved the "Key Village Project," whose aims are better cattle and more milk. Old and unproductive stock is to be segregated, and a special day is observed to create enthusiasm in the general public. Lastly, although orthodox Hindus treat cows as sacred, several hundred "satyagrahis" (offering passive resistance to cow-slaughter) have lately been imprisoned. Mr Nehru and other leaders have criticised these agitators and marvelled at their sympathy for cows which, under their care, would be "skeletal miseries." Of course, the Government opposes indiscriminate slaughter.—Yours faithfully, AMITAVA GUPTA

London, N.2

Books & Publications

Statesman and Soldier

THE TURN OF THE TIDE 1939-1943.
By Arthur Bryant.
Collins. 766 pages. 30s.



THOSE who may often have wondered what the Chiefs of Staff thought in response to those strenuous memoranda imbedded in the gleaming appendices of six Churchillian volumes may now enjoy discovering for themselves what was passing, at the end of one long day after another, through the mind of the vehemently able chairman of that able body, as he jotted down his staircase thoughts to relieve his feelings, clear his head and—a privilege denied, for security reasons, to more junior officers—inform his wife. To assist the historian of the Royal Regiment, Lord Alanbrooke annotated these wartime diaries with more tranquil "Notes on My Life," which explain, mellow, but do not tamper with the original; and Sir Arthur Bryant has now unobtrusively stitched the staccato fragments into a flowing narrative.

A natural leader, trained in the hardest tests, twice salvaging hopeless propositions, Lord Alanbrooke thrice had that command in the field for which he was so pre-eminently fitted snatched away, because he was indispensable as CIGS or because of the exigencies of the Grand Alliance. Only now may one sense his disappointment, in these diaries, which came to represent the nearest to relaxation he allowed himelf throughout the war, save for brief spells of bird-watching or with his young family at Ferney Close. His capacity for sheer hard work stretched to the utmost—all the Chiefs of Staff had done more than a full day's work before they attended upon the nocturnal strategic cud-chewings of the Minister of Defence—it is a wonder (and to us a godsend) that the CIGS managed to keep a diary as well as fulltime watch and ward. One can thus hardly expect a rounded picture (even with his second thoughts and Sir Ian Jacob's diaries superadded) either of the Field Marshal himself, the first to recognise that "a diary is necessarily an impulsive and therefore somewhat unbalanced record of events," or of the great master he served with an intensely critical devotion and a frequently exasperated enjoyment. It was Lord Alanbrooke's peculiar contribution, more than any other man's, to achieve a relation of the brilliant, but immediate and sometimes contrary, hunch to the long haul: to enforce in stubborn argument a strategic coherence upon the bewilderingly restless Churchillian genius without the sacrifice of its astonishing impetus and fertility. By its inevitable emphasis upon this straining after coherence (indeed, perhaps from Sir Arthur Bryant's very skill in providing coherence) this first volume may serve, quite inadvertently, to yield less than justice to the greatest war leader ever to serve this country. For the book's point of view is, quite properly, that of the greatest of his lieutenants, whose sharp eye at very close quarters, late at night (and on occasion admittedly "liverish") sometimes seems to have observed not "warts and all," but just the warts.

Neither—statesman or soldier—could have done as much without the other; nor may we measure their personal contributions as if they were the sort of logistical problems with which the CIGS would so often confront the impulsive genius he "would not have missed the chance of working with . . . for anything on earth." To have worked so long and so closely together is a tribute at once to Sir Winston's perspicacity and to Lord Alanbrooke's strength of mind, character and physique. Not always keeping his temper, he never lost his head. Not a patient man—his brain moves too fast—he schooled himself to the long haul without developing tunnel vision. It was a high-spirited, high-tempered, exhausting and astonishingly successful partnership: enriched by fun, growing dividends and a tremendous mutual respect.

Junior officers must often have been struck by the considerable awe in which "Brookie" was held by their seniors: and not just because he was CIGS. They recognised him, it was evident, as the best soldier of them all: none has ever questioned that; and many have since gone out of their way to say so. He knew his stuff, and could out-think the lot of them. Further, he was as straight as a die: men knew where he stood and where they stood with him. He was utterly lacking in "side" or self-seeking. Again, he was a good picker, with a sensitive knowledge of the field to draw upon. In his demanding and abrupt efficiency, he knew when to scold, when to encourage, when to protect. Men admired, feared, and liked him: in that order, perhaps. He became, in peculiar, the conscience of the Army: a dark, incisive, round-shouldered, Irish eagle, the reluctant chairman of a council of war, frustrating, in selfless but far from patient service, those talents that could not otherwise but have forced him into the company of the great captains. And here he is—in his shirt-sleeves.

Political Missionary

THE LIFE OF RICHARD STAFFORD CRIPPS.
By Colin Cooke.
Hodder and Stoughton. 414 pages. 30s.

THIS careful sympathetic life of Sir Stafford Cripps has one large fault: its subject does not come to life. Why is this, when so much is so thoroughly told and so well documented? Why does the man escape Mr Cooke's industrious grasp?

Certainly the first reason is that Mr Cooke has been much too weighed down by his task. The frame of the portrait is too conscientiously wrought. It is fun to be told that Sir Stafford's father played on the winning side against the Arsenal in an FA Cup Final. But the family annals of Cripps and Potter are too dutifully drawn-out; and the careful background discourses on social life, the law and the like distract from the central riddle of Sir Stafford.

But the second reason is the personal riddle itself, which neither the painstaking (but solemnly readable) record of his career nor the pretentious essay on "greatness in politics," which begins the book, succeed in resolving. How was it that this pious Christian son of pious Christian gentry became first a famous legal precisian; then an alarming socialist doctrinaire; then during the war, after a dispiriting embassy to Russia, a political missionary in India as well as fleetingly a missionary of another kind at home; and finally, after protesting against Mr Churchill's "hand to mouth" ways of running the war, a minister of the highest administrative skill—and then the Iron Chancellor? Neither the man himself nor his relations with his Labour colleagues (except Mr Lansbury) come into proper focus.

There are clues here, of course, though the riddle remains at the end. Sir Stafford Cripps was both a lifelong churchman and, more than any other political leader of his time, an intellectual. He carried both his Christian principles and his political ideas to logical conclusions that were often as utterly unreal as they were honestly—and confidently—held. He turned to the Labour party because, under the influence of his father and Bishop Burge (who had been his headmaster at Winchester), he saw foreign policy as the extension into international relations of the movement for Christian unity; and because, like William Temple and Professor Tawney, he saw in Labour socialism a potentially practical recognition "of the familiar commonplace that 'morality is of the nature of things' and that men are all, in very truth, members one of another." Thus persuaded of both the virtues of "pacifism" and the social sin of unemployment, he called during the thirties, not only for a Popular Front, but also for a Labour programme that would end (to quote Tawney again) "the capitalist dictatorship in which democracy finds everywhere its most insidious and most relentless foe." Like Professor Laski he could not believe that, if Labour came in, the capitalists would not kick over the ballot boxes.

The same sentiments and convictions that sent this Wykehamist into the Labour party gave him a special sympathy for the aspiring peoples of the Empire; and his precise confidence of mind enabled him, after only a few days on holiday in Jamaica in 1938, to furnish Mr Manley with a 10-point programme for his new political party, just as four years later it enabled him at the summit of his wartime influence, to grapple with the problem of Indian independence and to come so near, despite Mr Gandhi and the limits of his own brief, to a solution. It was altogether suitable that in 1946 he should have been the leading spirit in the delegation that found a way—by a surgical partition—to set India free; and no parts of this book show the man better than the Indian (and Jamaican) passages.

One more clue to the riddle of Sir Stafford Cripps is that, rarely among politicians, he was by early inclination and training something of a scientist. This not only gave him one lever to his very great legal success in specialised work at the bar; together with his devoted work during the first world war as assistant superintendent of the Queensferry explosives factory, it also helped to give him the bent of mind that made him, rarely among ministers, a "manager." Mr Cooke claims that "the stimulation of active thought on the management of industry is one of Sir Stafford's legacies to his country." Certainly his striking work as Minister of Aircraft Production in the second war and as President of the Board of Trade afterwards led on to his stern—and principled—management of the wider national economy at the Exchequer.

It all adds up, for those who did not know Sir Stafford's kindly, sensitive, friendly self, to a strange and somewhat forbidding amalgam. "Perhaps," a profile-writer in the *Observer* said some years ago, "if Stafford could for once say 'I don't know the answer' or 'Yes, I was wrong,' the barriers would disappear, and Elijah would stand forth, glittering in his glory and visible to us all." That he was a good man, a deeply sincere man and a memorable public servant is unmistakable; whether he was a great man is, *pace* Mr Cooke's piety, still unproven.

Hungary's October Days

THE HUNGARIAN REVOLUTION.
By George Mikes.
Deutsch. 192 pages. 12s. 6d.

THE fate of Hungary has faded from the headlines, but the Hungarians are by no means reconciled to Mr Kadar's Moscow-controlled regime. It is, therefore, very appropriate that Mr Mikes, and his publisher, should have produced so quickly this short and useful account of the origin and course of the Hungarian revolt that began last October. Mr Mikes, himself a Hungarian by birth, does not claim to have been a real eyewitness of what happened. During the revolution he spent a few days in Hungary with a BBC television team. Later, in Vienna, he interviewed scores of refugees from all levels of society.

The book begins with a brief survey of the history of Hungary between 1919 and 1945. It goes on to a lively account of the Communists' gradual seizure of power and of the Rakosi regime—an account in which the author's controlled indignation at the brutalities of the system is mingled with his neat mockery at its stupidities.

In his account of the revolution last October, Mr Mikes provides a coherent picture of what, to many newspaper readers, must have been a number of confused impressions. There are some vivid and moving accounts of individual incidents; one in particular that sticks in the memory is the original demonstration on October 23rd at the statue of the Polish General Bem. The next day, October 24th, Suslov and Mikoyan paid their lightning visit to Budapest during which they kicked out Gerö and installed Nagy as prime minister. Mr Mikes believes that he is able to give the first accurate (and highly dramatic) explanation of why, in his first broadcast a few hours later, Mr Nagy failed to disclaim responsibility for calling in the Russian army.

Mr Mikes describes clearly the way in which the revolution gradually swept Mr Nagy along a path on which he was bound to come into disastrous collision with the Russians. He believes, and his belief is borne out by the timetable of events, that it was Mr Nagy's promise of free elections on October 30th rather than his later declaration of neutrality that made the Russians decide on a second intervention. Mr Mikes also argues, ingeniously but less convincingly, that if the Anglo-French ultimatum to Egypt had come a month later, Hungary would be a second Poland today. On present evidence, it seems more probable that the attack on Suez did no more than smooth the path for aggression in Hungary.

The account of what happened after November 4th is not so good as the description of the October days. And it is a pity that so little space is given to the origins and nature of the workers councils that sprang up all over the country and for some time wielded much more effective power than did Mr Kadar himself. Moreover, in a book that owes so much to the restraint and wit with which it is written, it is a pity, even though it is understandable, that in the concluding pages the author's bitterness at the failure of the West to save Hungary should have got the better of him—especially as he is able to suggest no course by which the West might have saved Hungary without risking a third world war.

The publisher's net profits from the sale of this book are to be given to the Hungarian refugees.

Eve of War

DOCUMENTS ON GERMAN FOREIGN POLICY, 1918-45: *Series D, Vol. VII, The Last Days of Peace, August 9-September 3, 1939.*
Her Majesty's Stationery Office. 746 pages. 40s.

VOLUME VII of the German Documents at last fills the gap that had been left between August 8 and September 4, 1939: at the same time, by providing, in a series of appendices, papers which have been found too late to fit into their chronological place, it fills various gaps unavoidably left in earlier volumes. The cross-references make the whole into something of a scholars' paradise.

Many familiar stories are here rounded off: there are, for example, some seventy documents on Russia that did not appear in "Nazi-Soviet Relations." The German Embassies in London, Paris and Washington report accurately on last moment public opinion. In view of its position, Slovakia assumes decisive strategic importance. Meanwhile Hungary incurs rather more than Hitler's usual suspicion, partly because of its claims to Slovak territory. Equally unwelcome are the Magyar claims in Rumania, whose oil makes its friendship at least as desirable as that of Slovakia; further, the German minority in Rumania objects to the Hungarian revisionist programme. Finally the Hungarians are so indiscreet as to betray their sympathy for Poland.

The sting of Volume VII is, however, in its tail, for the appendices provide unexpected excitements. Appendix III, Section K, reveals for the first time a military directive dated December 21, 1937, and based upon the famous Hossbach Protocol of November 5th of that year. Section B (i) (c) supplies the recorded conversation between Goering and the Prince of Hesse when the references to Czechoslovakia were deleted from Hitler's letter to Mussolini after the Anschluss, so that the letter might be published with safety. Appendix I very usefully makes public Halder's diary. Here on August 28th is recorded a meeting at which Hitler privately addressed Reichstag deputies and "several Party notables." He was evidently much concerned to conceal his real proceedings and to reassure the Nazi Party, for, although to Mussolini and his intimates he boasted of the eternal understanding he had achieved

with Stalin, on this occasion he described his Moscow agreement as "A pact with Satan to cast out the Devil." Further he declared that "the Duce's attitude serves our best interests" piqued though he certainly was by Mussolini's non-belligerency. The editors of these volumes suggest that the meeting described by the Italian Ambassador (see Italian Documents, Series VIII, vol. XIII, No. 346) as having taken place on August 27th was probably the same one, though Attolico's account diverges considerably; at all events no other record has been found hitherto of any such meeting either on August 27th or 28th.

Labour of Love

A KEY TO RICARDO.
By Oswald St Clair.
Routledge and Kegan Paul. 389 pages. 35s.

THIS book admirably fulfils the promise of its title. Ricardo is not an easy writer. His style is clear, his simplifications have been justly described as heroic; but between those simplifications and the complex reality of economic life a tension is set up which results, too often for comfort and clarity, in formulations resembling the "agreed" communiqués of deadlocked opponents at international conferences.

Mr St Clair has an admirable eye for these ambiguities and an admirable skill in isolating their contradictory components. Disarmingly, he claims "one qualification not possessed by professional economists, namely, a considerable obtuseness"; anything which he has succeeded in making clear to himself must, he feels, be perfectly clear to the average reader. The notion of an "average reader" making any detailed study of Ricardo at all is perhaps an odd one. Economics today is in full retreat from the Ricardian approach that, thanks first to the discipleship of Mill and then to the piety of Alfred Marshall, dominated British thinking throughout the nineteenth century. The genealogy of current ideas can be traced back rather to Adam Smith, preoccupied with the roots and processes of economic growth, and to Malthus, preoccupied with the roots and processes of economic disharmony, than to Ricardo; unless one looks eastward at the all too prolific patriarchy of Marxian illegitimates. That is, indeed, Mr St Clair's conclusion, as it was Schumpeter's and Jevons's; Ricardo "shunted the car of Economic science on to a wrong line."

"It has been worth while, I think," says Mr St Clair, "to study the way in which this state of affairs came about." Has it? To the specialist student of the history of economic ideas, yes. Such a student will find this "Key" an invaluable companion to Professor Sraffa's great ten-volume edition, a hardly less valuable supplement to Schumpeter's unsympathetic chapter. To Mr St Clair himself, evidently, yes; an amateur economist, like Ricardo before him, he has performed with unmistakable and contagious zest a labour of love. But is it, as Professor W. H. Hutt asserts in his foreword, a virtue to avoid any assessment of Ricardo's ideas in the light of *modern* theory, or any application of them to the problems of today? Never mind. There is something rather refreshing about a piece of work done very well indeed for the love of it; and it is a reminder that economics is a timeless humane study as well as a present tool of material betterment.

The Contemporary Novel

CATASTROPHE AND IMAGINATION.
By John McCormick.
Longmans. 338 pages. 25s.

THIS is an interpretation of the recent English and American novel in its political and social context. Mr McCormick finds the present state of the world wholly inimical to the arts. "World War I," he writes, "dislocated the life of imagination, and World War II induced virtual paralysis." Our plight is to be seen all over the place: "Business Administration is followed as a respectable intellectual discipline; the Geiger-counter becomes mightier than the pen." Confronted by this situation, the novelist must, above all things, not run away. More than ever before, he must realise that the health of his art consists in its being rooted in society. A universally enjoying and suffering *humanity is no doubt his ultimate theme*, but if it is to be rendered powerfully it had better be in terms of what is dynamic in an actual, contemporary and observed community. In a last analysis, the novelist's job consists in getting at society.

Starting off from some such tenets as these, Mr McCormick naturally distributes the emphasis of his attention and commendation in consonance with them. To admire Mr E. M. Forster, he implies, lays one open to the suspicion of being "culturally an Edwardian." He has little regard for those frontiers of the novel which look towards parable or fantasy; briskly attacks Mr Wyndham Lewis as "an amateur Kafka, English-bred . . . like a man playing bad tennis in the twilight"; displays no interest in Miss Compton-Burnett; and denounces as "Cyrillism" (the reference is apparently to Mr Connolly) that sort of polite English fiction which preserves "the elaborate arcana of the upper-middle-class atmosphere." Only Miss Iris Murdoch, Mr Wain and Mr Amis, he thinks, get away from this and so "promise better things." It is odd to be told, immediately after this, that both "Hurry on Down" and "Lucky Jim" "are negligible as novels." Mr. McCormick might here, in fact, catch a glimpse of the chief weakness of his customary critical approach: its failure to give the same alert consideration to the quality of writers as to their materials, attitudes and obsessions. Nevertheless, this is an honest and vigorous book, based on wide reading and lively convictions, and likely to be of great interest to the few readers who give an equal regard to the novel's development on either side of the Atlantic.

Home Life Observed

FAMILY AND NEIGHBOURHOOD.
By J. M. Mogey.
Oxford University Press. 197 pages. 30s.

THIS short and interesting book describes how ordinary people live in two parts of Oxford: the slum of St Ebbe's, which huddles between Christ Church and the gasworks, and the postwar Barton housing estate up at the north-east corner of the city. Although the result recalls in places Olivia's "item, two lips, indifferent red; item, two grey eyes, with lids to them"—most families, it appears, breakfast between seven and nine, and married couples prefer to have children—nothing has been taken for granted, and even the most obvious conclusions have been reached in an irreproachably scientific way. The tendency of working-class people to "keep themselves to themselves" is still very marked; families in St Ebbe's hardly ever enter each other's houses, unless they are near relations, and indeed two out of every three households there do not admit to having any "friends" at all. Bad as their living conditions are, it is noteworthy that they complain about them less than do those who live in the much more modern houses at Barton; it seems that the appetite for better housing facilities comes not from leaky roofs and cramped quarters, but from experience of better things.

This pair of studies, based on material six years old, is described by Professor G. D. H. Cole in a foreword as a pilot survey; lack of money has unfortunately delayed further progress. Clearly the preliminary work will have been invaluable to the team who carried it out; and much here set down will be useful to sociologists working on similar problems, or using the technique of the "free interview" which Dr Mogey describes clearly. This technique seems to be limited in value by the difficulty that ill-educated people in Midland towns have in expressing ideas that are at all complicated or out of the ordinary run.

Family Law

A CENTURY OF FAMILY LAW.
Edited by R. H. Graveson and F. R. Crane.
Sweet and Maxwell. 477 pages. 35s.

THIS book is the joint work of professors and other lawyers at King's College, London—thirteen of them responsible, some for one chapter and some for two. The accruing royalties will go to a charitable trust established for the Law Faculty; and if the book gets the sale it deserves, the charity will enjoy a handsome addition to its funds.

The work marks or celebrates the centenary of divorce (in the modern sense) in this country. In 1857 the first Matrimonial Causes Act came into force and gave to the civil courts the power (which they had never before possessed) of terminating a marriage. But it did more than that. It started a chain of

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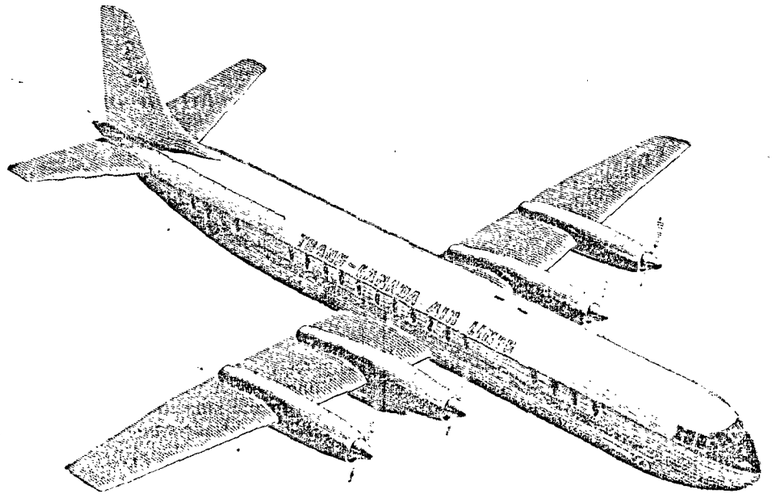
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legislation that emancipated the married Englishwoman and converted her from a slave to a free citizen. The Act of 1857 was followed by married women's property Acts which, for the first time, permitted married women to hold their own property and enjoy their separately earned incomes. It led through laws and judgments of the courts to the opening of the professions, to the Parliamentary vote, and to the abolition of a husband's freedom to chastise and imprison his wife.

Until 1891—only sixty-six years ago—an English husband had the right—or was believed by the highest authorities to have the right—under common law, of flogging his wife if she disobeyed him and imprisoning her if she wanted to leave him. And it was not till Lord Halsbury delivered judgment, in *Regina v.* Jackson, that the husband lost it. Jackson, the husband, with the help of a lawyer's clerk, kidnapped his wife in 1891 as she was leaving church, drove her to a house he had leased, and kept her there a prisoner *incommunicado* until her relations secured a writ of habeas corpus.

The book covers a wide field apart from the immediate relationship of man and wife. There are chapters on the rights of children, family settlements, the entry of women into politics, the universities, medicine and other professions, and the conflict between English family law and the corresponding law of foreign countries. The chapters vary a good deal in character. Some of them are practically textbooks and others are made up mainly of narrative. But, taken all in all, the book, considering its subject, is surprisingly readable—surely a remarkable achievement.

Round the Postwar World

THE FIVE POUND LOOK.
By Tom Houston.
Weidenfeld and Nicolson. 284 pages. 21s.

THE author himself disarms criticism on the ground that his story is taken directly from life and therefore avoids the dishonesty of shape or pattern; he admits that it has a hazy beginning, too much middle and no end in sight, and that if the digressions were deleted there would be little or no book left. With these drawbacks premised the reader is left to consider the "digressions."

The story begins with a young Oxford graduate who has resigned from an excellent industrial job because he wanted something a bit more individual, and has jettisoned a possible one with a leading daily paper by declaring that he did not really want to be a journalist but was one of the odd fellows, who cannot fit in anywhere else, to whom Fleet Street offers jobs. In this frame of mind he took up the Duke of Edinburgh's challenge that a graduate should be capable of working his way round the world on £5. He took off as a groom in charge of bloodstock travelling by air to New York, and immediately began his digressions, which soon included matrimony. Thereafter the Houstons meandered on their unworldly way, meeting with lucky breaks and great kindness, supporting hardships cheerfully, working their passage in various unconventional ways with the courage and stamina to be expected of their kind. (A map would have been helpful.) The writer's comments on people and customs are thoughtful, tolerant and amusing, and he avoids the awful itch of the cursory traveller to pontificate on what ought to be done.

The disappointing feature of this entertaining book is that it is about an intelligent and able-bodied young man who, with every advantage of environment and education, was unemployed and could not decide what to do, and after a nine months' uninhibited caper was not very sure what to do next. "That," says Mr Houston, "is the end of my story." One hopes not.

Shorter Notices

LIFE AND LABOUR IN NEWFOUNDLAND.
By C. R. Fay.
Heffer. 261 pages. 18s.

It is right that Newfoundland should once more be brought to our attention. Until 1949 our oldest imperial asset (or liability, according to the way one looks at it), it presented a problem usually shirked or shelved by the Colonial Office but now, under Canadian federal dispensation, nearing a solution. Now that the fishing is being put into its modern economic context—a polite circumlocution—and surrendering men to the safer and more profitable demands for newsprint, fuel and power and, in due course, the tourist industry; now that, in other words, Newfoundland is on the boom, we need to know more about it.

It is remarkable how few standard works there are on the subject and how much one is obliged to depend on newspaper and periodical files for information. The few volumes available are apt to be for the specialist and, unless one is forced to lump it, indigestible. This volume is, unfortunately, no exception. The title is misleading, for all but the last two chapters are concerned with the history of the Newfoundland connection. One must sympathise with the learned author. The Colonial Office records abound in source material which he, as the world's leading expert on the island, finds so interesting that he is at a loss to condense and present it fairly. For serious students, such as those at the Memorial University in St. John's Newfoundland for whom in lecture form he originally gathered this material, this book is clearly important. To others, casually drawn to brush up on the island, it is too formidable.

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25 ECONOMIC ESSAYS IN HONOUR OF ERIK LINDAHL.
Ekonomisk Tidskrift, Stockholm. 412 pages. 20 Sw. kronor.

The *Festschrift* notoriously, at the best of times, presents its reviewer with a sticky job. It is a distillation of many brews, generally high-powered; it has no uniting principle except, perhaps, the character and special interests of the individual in whose honour it is prepared; and it is meant for expert reading only. The *Festschrift* offered to Professor Erik Lindahl is to all other *Festschriften* as Minoan Linear A to mere ordinary Greek; for in addition to all the above attributes it is written, in spite of its English title, predominantly in the Scandinavian languages and German, not to mention mathematics.

English language contributions are "Macro-economics and linear programming," by Ragnar Frisch; "On Wage-Drift: A problem of Money-Wage Dynamics," by Bent Hansen and Gösta Rehn; "Methods of Dynamic Analysis," by J. R. Hicks; "The Gross Domestic Product of Sweden, 1861-1951," by Ohf Lindahl; "Stability Problems in the Australian Economy," by Erik Lundberg; "The Research Work of the Secretariat of the Economic Commission for Europe," by Gunnar Myrdal; "Capital Accumulation and National Wealth in an Expanding Economy," by Ingvar Svennilson; "The Transactions Demand for Money," by Ralph Turvey; "Marginal Productivity with Different Agricultural Products," by Gustav Akerman; and "The Cumulative Process," by Johan Akerman. One may hope that some at least of these will appear more accessibly—and less expensively—in learned journals.

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CURRENT LEGAL PROBLEMS 1956.
Edited by G. W. Keeton and G. Schwarzenberger.
Stevens and Sons. 282 pages. 32s. 6d.

This collection of legal essays from *University College, London,* begins with an off-beat address by Mr Justice Devlin to the Bentham Club. Many lawyers take the view that the common law, if it were allowed to be properly used, would be adequate to protect the subject against bureaucratic erosion. While claiming that he was not presiding over the liquidation of the common law, Sir Patrick ventured to say that the lady is not so young as she once was, and that she cannot any longer indulge in activities which in her youth she would have taken in her stride, and that perhaps the time has come for her to hand over a part of her former responsibilities. He thought that the common law no longer has the strength to keep the executive under proper control.

The other essays do not attain to the realism of Sir Patrick's. In his observations on security of tenure under the Landlord and Tenant Act, 1954, Mr E. H. Scammell misses the opportunity of depicting the movement from contract to status in the relations between landlord and tenant, a movement that is about to be stemmed by the proposed amendments of the Rents Acts.

Mr E. R. H. Ivamy questions whether it is not now necessary to amend the Sale of Goods Act, 1893, which apart from one amendment two years ago has stood firm amid the shifting legislative sands. He suggests that there might well be a partial interference by statute with the freedom to contract for the sale of goods, by making it illegal to exclude in all such contracts terms similar to those which were implied by law in every hire-purchase agreement.

Professor Dennis Lloyd contributes a useful review of the law relating to obscenity, and there is a penetrating analysis of the constitutional future of Malta by Professor R. C. Fitzgerald. To demonstrate how up to date the book is, Mr Bin Cheng devotes several pages of an essay on air law to considering the legal status of outer space, artificial satellites and space travel.

American Survey

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

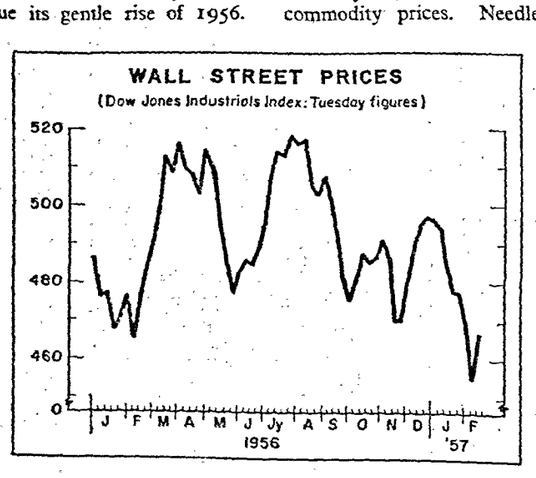
Economic Jitters

Washington, D.C.

THE weekly and monthly deluge of statistics, major and minor, is beginning to suggest that, during this year, the United States may have to face a dilemma not unlike that which now confronts the British Government: whether it should reflate the economy at a time when the original reasons for restraint are still apparent. Because the balance of payments is not a problem for Americans, the dilemma can be nothing like as painful as the one across the Atlantic. Nor is it yet at all certain that the choice will have to be made; there is at least an even chance that this year the American economy will continue its gentle rise of 1956. But the capable economists around the President and in the central bank are aware that they may have to choose, and they have been discussing what they should do if in fact the pace of business falters.

The signs so far, while rather faint, are numerous enough to convince most of the experts that much of the exuberance has gone out of the boom, for the moment, at least. Many traders on Wall Street obviously share this view. Even though the stock market, taken as a whole, rose very little, if at all, during 1956, share prices in general remain high in relation to earnings. The moment when investors decide that the prospects for growth—the one thing that justifies current market prices—are dimming, prices are bound to become vulnerable. The current nervousness in the market apparently arises from a combined realisation that the boom may be slowing down a little, and that the kind of wage-cost-price spiral which is afflicting parts of the economy often makes its first impact on business profits. In any case, while the steep decline early this month was quickly halted and reversed even after breaking through several technical resistance points, the stock market remains jittery and may well go down some more.

What, then, are the signs that the economy as a whole may be about to pause? The list includes a drop in new orders for machine tools; disappointing figures for railway freight traffic this winter; the continued fall in housing starts, which are now running about 14 per cent below the level of a year ago; a decline in bank loans to business in the first six weeks of the year that was apparently considerably more than seasonable; the announcement by a scattering of large firms, such as the General Motors Corporation, that projects for expansion will be postponed; slow sales and layoffs of work people in the television and appliance industries; the lack of improvement in motor car sales and production compared even with the reduced levels of last year; and the weakening of a number of sensitive commodity prices. Needless to say, none of these is conclusive, nor do they prove anything definite even when they are all taken together. It is often forgotten that last year, too, there were jitters in the late winter, and that, on the whole, they proved to be unfounded. Yet the signs cannot be altogether ignored.



The government economist assessing the situation has every reason to believe that the underlying forces of demand remain very strong indeed. Witnesses at the annual hearings before the Congressional Joint Economic Committee, which were more than usually fruitful this year, painted roughly this picture: government spending at all levels is certain to rise in 1957; consumer spending, bolstered by incomes at record heights and an exploding population, is likely to be strong, though not sufficient by itself to offset possible depressing factors elsewhere; business spending on plant and equipment is certain to show a total at least as high as last year, but equally certain to increase, if at all, far more slowly than in the past two years; buying for inventory is unlikely to go up, and may become a depressing factor; residential building is almost bound to decline, but other construction is equally bound to be strong; and finally, export demand, while probably good, is threatened by the potential impact on Europe of a prolonged closing of the Suez Canal.

It all adds up to a picture that led private economists testifying before the Joint Economic Committee to predict almost unanimously that the gross national product this year would be higher than last year's $412 billion. Furthermore, if monetary theory has any validity at all, a slowing down in one part of the economy should, in conditions where restraint has held back activity for over a year, release resources for expansion elsewhere. If the Federal Reserve System has succeeded in tempering the boom by curtailing many desirable activities, such as homebuilding, then these "postponed" activities may well rush in to fill the gap caused by, for example, a pause in the expansion of plant and equipment.

Secondly, however, the government economist is aware, from evidence given at the Joint Committee hearings by trade union economists and by others, such as Mr Leon Keyserling, who was President Truman's chief economic adviser, that it is the unanimous view of the left that there is no pervading inflationary threat to the economy and that total growth has been far too slow. These men want, immediately, easier credit, higher wages, more consumer buying power and a slowdown in capital investment by industry. They hint at a contraction or recession to come, and mourn the alleged injustices of the policy of restraint. None of this is taken very seriously, but there have been times when the left has produced accurate assessments of the situation and has prescribed just the right medicine.

Finally, of course, in the government economist's mind is the fact that prices are rising and the memory of what actually happened as a result of the policies with which the government fought the recession of 1953 to 1954. The Federal Reserve people believe that easy money was then perpetuated too long, and that this is a reason for the recent rise in wholesale and retail prices. Needless to say, the first move by the government to head off a slump this year would have to be in the monetary field, but the central bank does not want to be responsible for a panicky action that could only raise prices further in the end. There is a genuine hatred of inflation in the Eisenhower Administration (although much of the testimony from the left at the Joint Committee hearings frankly accepted a little inflation as a price worth paying for other desirable objectives). In short, it will take a substantial number of unmistakeable signs that the economy is slipping before counteraction is taken. Though they would not say so publicly, officials of both the Administration and the Federal Reserve believe at the back of their minds that a little temporary unemployment is a small price to pay for preserving the value of the dollar.

This, as always, is the heart of the potential dilemma. How is it known whether the unemployment will be "little" and "temporary"? And how is the public clamour for remedial action at the first sign of widespread layoffs to be resisted? To make the problem worse, the American economy has such stickiness in its price structure that it might well take a genuine recession to halt convincingly the creeping rise in prices which characterised last year. For example, in 1954, output in many industries was curtailed while prices were maintained or even, in some cases, increased. It is quite clear that neither the Administration nor the Federal Reserve wants a full-fledged recession; but it is equally clear that restraint will continue to be the order of the day for at least a little longer. If the reaction in Wall Street to the recent signs has at times approached panic, the reaction in Washington has been closer to relief.

Doctrine's Dilemma

IF Mr Ben Gurion rejects the President's last and most urgent plea to withdraw Israeli forces from Gaza and the Straits of Tiran before the United Nations begins its twice postponed debate on Friday, the Administration will be plunged back into the painful dilemma from which Mr Dulles has been struggling to extricate it. A bipartisan front against imposing sanctions on Israel, which no doubt encourages Mr Ben Gurion to resist, has been formed just as the Senate begins to debate the resolution giving the President a freer hand in the Middle East. Senator Knowland's objections have been reinforced by demands from Senator Johnson, the Democratic leader, and from the Democratic Policy Committee that the United States should oppose any attempt to apply sanctions. The Democrats, indeed, are believed to be behind the President's hasty return from his holiday in Georgia; they were not content to discuss the problem with Mr Dulles.

No meeting of minds emerged from Mr Eisenhower's session with members of the Foreign Relations, Armed Services and Appropriations Committees. But his sudden decision to go over the head of Congress in a radio and television speech to the country shows him to be unshaken in his belief that the future of peace in the Middle East and of the United Nations itself is at stake unless Israel withdraws without demanding further assurances than those Mr Dulles has already set out. Neither the President nor Mr Dulles said that the United States would vote for sanctions; both were exceedingly vague about their nature, the President speaking of "moral pressure" similar to that applied to the Soviet Union. Perhaps a way out can be found along these lines. Otherwise the President seems doggedly and, in the context, courageously prepared to risk his own great popularity in a congressional storm in order, as he believes, to uphold the authority of the United Nations and convince the Arab states that they can count on impartial justice from Washington.

Last week the committees which have concluded their hearings on the Eisenhower Doctrine urged the Senate to approve it and went out of their way to insist that their alteration of its wording reflected a purely domestic disagreement over the President's powers and in no way detracted from their strong support for the substance of the proposal. Even so, the Administration must regret more than ever the long and arid dispute over this point between Mr Dulles and the Democrats, which has entangled the final debate in the differences over Israel.

Texas Catches the Oil Bus

NO sooner had the Administration decided that the oil crisis was at last being met adequately than the Texas Railroad Commission at last brought itself to admit that a crisis existed. At least such an admission seems implicit in the commission's decision to allow the state's output in March to go up by 210,901 barrels a day, double the increase authorised this month, to a total of 3,733,054

barrels a day. Only last week General Thompson, one of the commission's three members, had told a congressional committee that Europe's oil emergency was "melting away" if, indeed, it had ever been more than a newspaper scare. Yet this week the commission has for the first time taken emergency action by permitting a much greater increase in production than had been expected.

The President's appeal a fortnight ago, and the bad publicity which Texas was getting as a result of its obstinacy, may have had something to do with this change of heart. While he was in Washington General Thompson may also have been convinced that the big importing companies are really going to send to Europe the crude oil which they have been bringing into the east coast of the United States from Venezuela. The Texas producers have always insisted that imports must be checked before domestic production is stepped up, in order that prices should not be weakened by the increased supply. More important, the Texas Legislature is said to have put pressure on the commission, in order that the state revenues should not lose the benefit of the additional taxes which would be paid on the higher output.

Indeed, the oil producers, as well as the legislature, may have realised that, if Texas did not act quickly, it was going to miss the bus. For the Administration had apparently written off any hope of getting more oil for Europe from Texas and its sudden optimism last week showed that it believed Europe might manage without Texas. The optimism sprang in part from a reassessment of the complicated and confused figures for European oil supplies and in part from the substantial reductions in refinery runs, averaging about 5 per cent, by the leading companies. This has been releasing an extra 200,000 barrels of crude oil a day for Europe and thus makes it possible for the refiners to do without a large part of their imports from Venezuela. Shipments of oil to Europe during the first week of February were only just below the goal of 500,000 barrels a day, for the first time since the beginning of December, and nearly all of this was in the form of crude or fuel oil. Whether or not this satisfactory figure can be maintained depends on the weather in the United States. Moreover, it is becoming urgent to rebuild stocks of crude oil there, for they are now well below what is considered a safe minimum for the time of year. Some at least of any increase which comes from Texas is certainly needed for this purpose.

Democratic Opposition

LAST weekend the Democratic National Committee met in San Francisco, the first time it had ever crossed the Mississippi River. This is where the marginal seats were won which gave the party its present congressional majority, and where the liberal wing hopes to find, in the future, the strength to shoulder aside the conservative southern Democrats now in control of Congress. From this friendly territory salvoes were launched, not only at the Administration—Mr Stevenson declared its foreign policies had led the country close to disaster—but also, indirectly, at the party's own congressional leaders; it is they who in the past have blocked the legislation on Negro rights and other progressive measures which are a matter of political life and death to Democrats in the north and west.

At San Francisco Mr Paul Butler, the national chairman who was swept into the wings when Mr Stevenson seemed to have some chance of winning the Presidency, was re-elected for two years to the rather thankless task of running the party's Washington headquarters while it is out of office. What was more surprising was the decision of the committee to give Mr Butler's brainchild, the National Advisory Council, power to formulate and interpret party policy between conventions. Mr Butler's original scheme was framed to give the party's leaders outside Congress a voice in legislation; this foundered on the determination of Senator Johnson and Mr Rayburn, the Democratic leaders in the Senate and House, to have nothing to do with the council. With such progressives in command as Mr Truman, Mrs Roosevelt, Governor Williams of Michigan, and Governor Harriman of New York, the council lost no time in calling on Democratic members of Congress to carry out the platform of the party by passing legislation protecting Negro rights. The council's voice may not carry to Washington, but the voters will be reminded that the Southerners do not speak for the whole party when it has no spokesman in the White House.

The split over policy would be more pressing and important if the next election were a presidential, not a congressional, one. In 1958 national issues will be less important than state issues, and Democrats, because so few of their seats in the Senate fall vacant, have sound hopes of increasing their majorities. The real problem, and one discussed anxiously behind the scenes, was how to refill the party coffers and pay off its debts—something both factions understand.

Competition for Savings

OVER 40 million holders of savings bonds are at last likely to receive a modest share of the higher interest rates other investors are enjoying. The Treasury has asked Congress to give it the power to raise the interest on savings bonds to 4¼ per cent, although at present it only proposes to increase the return from 3 to 3¼ per cent. Greater generosity might have started a landslide of exchanges, which the Treasury is anxious to avoid; this is one good argument against even considering the "purchasing power" savings bond which some economists advocate. Over $40 billion is invested in the small denomination E and H series; when other savings bonds are included, the total of $57 billion is about a fifth of the whole public debt.

Savings bonds are no longer to be issued in big denominations, and only $10,000 rather than $20,000 may be invested in them in any year. This is because the more sophisticated investors, who used to find these bonds paid slightly more than long-term government issues, have been cashing big amounts. They can get 3½ or 4 per cent on other government or high-grade corporate securities. The smaller savers are more loyal or just less knowledgeable; moreover, seven or eight million of them save automatically under pay-roll deduction plans, something which the Treasury relies on and to some extent exploits. But even small savers have been cashing more bonds in the past six months than they have been buying, and in January, when commercial banks were allowed to raise the interest they pay on savings deposits, redemptions of small savings bonds were the highest for eleven years.

Congress probably will agree to do something for the small saver, although it has a prejudice against giving the Treasury all the discretion it asks. This should help to stop a drain which has financially embarrassed the Treasury and made it more difficult for the Federal Reserve authorities to restrict credit. The Treasury is only comfortable when its cash balance is $2 billion or more; at present it is less than $1.3 billion, and before March 15th, when income tax receipts begin to flood in, $880 million must be found to pay off holders of three maturing issues who refused to accept the new securities offered in a $10.2 billion refinancing operation, even though the yields were the highest for similar securities since 1933. This temporary stringency explains why the International Monetary Fund sold gold to the Treasury and may sell more to get dollars for Britain and other borrowers. The device enables the Treasury to issue gold certificates and relieves it of the necessity of borrowing from the market.

Stuck With Stamps?

FROM A CORRESPONDENT IN NEW YORK

HOUSEWIVES, bearing banners with the legend "Save our Stamps," recently marched on the State Legislature in Tennessee and secured at least a temporary reprieve for the trading stamps which are the most discussed, the least understood and perhaps the most potent new sales device in the United States today. Half of all the families in the country, according to some estimates, collect them, and the Bureau of Labour Statistics is trying to decide whether they should figure in its consumer price index. Trading stamps are small gummed coupons about the size of postage stamps. A stamp company sells them to retail traders usually for about $15 for five thousand, although a big purchaser may pay considerably less. For every 10 cents worth of goods the consumer buys at that shop she is given a stamp. When she has a book full, usually representing purchases of $120, she takes it to a redemption centre run by the stamp company, where it entitles her to household appliances, furnishings, toys or a number of other products worth from $2 to $3 at retail prices.

Estimates of the size of the stamp business are guesses. One is that some 370 stamp companies collect $490 million a year from shopkeepers for stamps and distribute about $450 million worth of goods as prizes. Other estimates are higher. Whatever the amount, the competitive pressure is such that in recent months even the chains of food shops have succumbed to the craze. Only the giant Great Atlantic and Pacific Tea Company, among the big food retailers, has held out—and it has advertised heavily and cut its prices to offset the lure of stamps.

Trading stamps have existed for over fifty years, but their phenomenal growth began only in 1951, when independent supermarkets started to issue them. The main reason for their present popularity seems to be that, with shops and services and goods highly standardised, trading stamps give a retailer an advantage over his competitors. The fact that he loses this advantage when they also begin to give away stamps shifts part of the competitive burden back to the stamp company, which must provide more desirable premiums at better prices. But by then the shopkeeper dare not abandon the stamps for fear of losing business.

The controversy starts with the question, "What kind of sales incentive does the trading stamp represent?" One group answers that the stamp is a device to get around legal restrictions on price-cutting. Others deny that it can be a price incentive when merchants often raise the price of their own goods to offset the cost of the stamps. One woman rejoices in stamps because she believes she is getting something for nothing. Another believes that the shops which issue stamps probably charge more for their goods, but she is too prosperous or too much of an addict to care. Some collectors even complain if prices are cut a few cents and a stamp is lost. The ability to fulfil contradictory yearnings seems to give stamps their special value. With them, a housewife satisfies her apparently insatiable desire for goods, particularly for luxuries, without suffering any pangs of conscience over extravagance and without asking her husband for more money.

If there should be a depression, however, past experience suggests that consumers would want to redeem the stamps in cash. When the dispute has been taken to the courts, they have usually held that the stamps are simply a discount to consumers for paying cash, not a form of price-cutting which violates the resale price maintenance laws of the states. But as the stamp fever rises—it is only now reaching Canada—the questioning continues.

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Shopkeepers disagree vehemently over the merits of the trading stamp. Its critics dislike the additional work it brings; they dislike its cost even more. This usually ranges from 2 per cent to 3 per cent of a retailer's gross sales, in addition to the minor costs of handling. They argue that profit margins, particularly in the food trade, are too thin to stand that kind of added drain. Many object to stamps on somewhat higher grounds. They argue that stamp schemes confuse and may defraud the consumer, who finds it difficult to know whether more has been added to the price of her original purchases than she recovers in prizes.

Many merchants, on the other hand, maintain that they do not raise prices to pay for stamps they give away. In some cases the increased sales that the stamps create pay not only for the stamps, but also may reduce the ratio of operating costs to sales. Estimates vary on how big an increase in sales is needed to achieve this. Some food chains put it as high as 20 per cent; other kinds of retailers, with bigger profits to start with, may require as little as a 12 per cent increase. The exact amount depends on whether operating expenses rise with bigger sales, on the price a merchant has to pay for his stamps, and on his profit margin. Enemies of the stamps reply that they create no new sales, but merely shift trade from one shop to another and lose their appeal when competitors also offer them. In this view the stamps create a parasitic business that benefits from the efforts of the shopkeeper while giving him little or no recompense.

The stamp companies, which are now on the defensive as never before, argue that the cost of stamps is a legitimate expense of doing business. Stamps promote sales just as do air conditioning, car-parks, packaging, or advertising; they

add neither more nor less to the value of the merchandise. Some retailers share this opinion and take it literally ; they cut their advertising budgets to offset the cost of the stamps —a habit that does not endear stamp plans to advertising interests. The stamp companies insist, moreover, that they themselves perform a distributive function ; the redemption centres become important outlets for the ever-rushing flow of goods. If, as seems to be the case, people tend to choose premiums that they would not feel justified in buying for cash, the redemption centres are creating new business. Ideally, a stamp firm, such as the Sperry and Hutchinson Company, the biggest by far, should be able, because of its vast buying power, to distribute goods more cheaply than more conventional outlets. In practice most stamp companies prefer a bigger profit. The stamp companies also doubt whether any consumer is foolish enough to accept stamps as a substitute for good merchandise, and note that shops which sell on account sometimes find that they can speed up collections when they give stamps to customers who pay within ten days.

Thus the evidence is sharply divided. Some retailers claim that trading stamps have kept them in business ; others say the stamps have brought them close to ruin. While the food stores, chemists' shops, petrol stations and department stores fight the battle out, the Federal Trade Commission is investigating the whole situation, including perhaps the question of the exclusive rights given to single shops to issue stamps in a given area, and the case of stamps which are never redeemed, either through the customers' oversight or because the stamp company has disappeared. Eventually it may need a Supreme Court ruling to bring an end to the discussion. In earlier decades, stamps were usually a small shop's defence against the chain store. Now that the chains themselves have adopted them, the government may view them less leniently than it has done in the past.

Communists Go West

THE *Communist party of the United States met last* week, for the first time since 1950, in a social hall which had once been a Russian Orthodox church ; after four days, Americanism had won another victory over Russian orthodoxy. Battle was joined between the ailing Mr William Z. Foster, long the party's chairman and Moscow's spokesman in the United States, and Mr John Gates, editor of the *Daily Worker*. Mr Gates had been charged with "liquidationist-revisionism" in a greeting to the convention from the French Communist leader, M. Duclos, who condemned the recent evidence of deviationism in American Communist circles. Mr Gates, also accused of being an ally of Mr Dulles, wanted to change the party into a political and educational association, which would be able to infiltrate mass organisations and would also, he presumably hoped, be free of the legal restrictions which now beset the party. This change was opposed, for the present at least, by the 300 delegates from 34 states, half of them from New York and nearly all of them elderly. But even though they were prepared to continue the party in its present form, they were not prepared to continue along its present lines.

After bitter argument, they voted, by about two to one, for the "rightist" policy of applying Marxist-Leninist principles in accordance with democratic traditions and the requirements of the American class struggle. When the obscurities of Communist jargon are penetrated, this means that the party voted to break away from Soviet leadership and to be run by an elected committee of sixty members instead of by a small "politbureau." The headquarters is also to be moved to Chicago from New York, to be nearer to two struggling classes of Americans—midwestern farmers and Negro industrial workers. Chicago does not want the Communists any more than does the National Association for the Advancement of Coloured People, through whom, instead of through left-wing organisations, they now propose to work in fighting racial segregation in southern schools. The Communists are also now hoping to co-operate with various labour and liberal groups. These used to be condemned as "social Fascists" but they have now been promoted to "bourgeois reformers" ; however, even this compliment has not made them welcome Communist help.

It would be going too far to interpret all this as a declaration of permanent independence from Moscow. Among the 10,000 or so Americans left in the party today, there are few, if any, of the idealists who sent its membership up to 100,000 twenty years ago. While international Communism is in its present state of flux, the hard-headed realists who are still in charge in the United States see some advantages in the new flexibility there ; more important, they know that the party's only hope of regaining any influence is to seem to Americanise itself. But last week's change in tactics does not mean that American Communists have changed their ultimate goals.

SHORTER NOTES

Although the dock strike was settled in New York on Sunday, it was Thursday before the union leaders ordered the east coast longshoremen back to work. They were waiting for local issues to be settled in other ports, particularly in Baltimore, where the employers objected to a "master contract" which applies to all the east coast ports. This is the basic feature of the new three-year agreement, which brings an immediate increase of 18 cents in the present wage of $2.48 cents an hour, with another seven cents to come next October and again in October, 1958.

★

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Israel Faces Isolation

FROM OUR CORRESPONDENT IN TEL AVIV

THE demonstrations held throughout Israel two weeks ago were the biggest ever seen in this country. The crowd which moved through Allenby Street in Tel Aviv was estimated at 120,000. In Jerusalem and the smaller towns as well huge crowds protested against the policy of the United Nations ; and in Nachal Oz, in sight of the town of Gaza, the settlers of the Gaza area pledged themselves never to go back to the old regime under which the strip had been a base for fedayeen raids against their homes and farms. Thus Israel demonstrated to its own citizens and to the world at large that it would only withdraw its troops from the approaches to Eilat and from the Gaza strip if it could get guarantees for free passage through the Gulf of Akaba and against renewed fedayeen raids. The demonstrations were held after a renewed appeal from President Eisenhower and in the full knowledge that there was a real danger that the United Nations might impose sanctions against Israel.

The demonstrations were organised by the coalition parties. But that does not mean that the opposition is not backing the government. The religious parties which do not belong to the coalition organised political harangues during religious services in the synagogues. And Heruth, which advocated, much earlier than did Mr Ben Gurion, a firm stand against the evacuation of territory taken during the Sinai campaign, attacks the Prime Minister not for too much but for too little firmness. The only opponents of the government's policy are the communists, and their political weight is small.

The public has taken the threat of economic sanctions with astonishing calm. It is difficult to say whether this calmness flows from a secret belief that at the last moment sanctions will not materialise or from confidence that Israel will be able to weather the storm. The first explanation can be deduced from paragraphs in the papers which explain that the General Assembly is only empowered to recommend sanctions and that a resolution of the Security Council is needed to impose them—in which case Israel believes that France would use its veto. And confidence that Israel could weather the storm flows from the experiences of the war with the Arabs after the resolution of the United Nations in 1947. People say to each other: "We shall win through now as we did then."

Nobody, however, can clearly envisage what economic sanctions would mean for the economy and for daily life in Israel. The man in the street is only now beginning to realise that the United States imposed its "private" sanctions immediately after the outbreak of the Sinai campaign. Since then Israel has received no money from the grant in aid for 1956-57 ; this should have amounted to $25 million. Nor has any surplus food been received ; $17.5 million worth should have been shipped to Israel. Finally, technical aid worth $4 million has also been stopped. These three items make a hole of $46 million in Israel's dollar income. In addition the country has now to pay much more for its oil—the only fuel in the country—as the price of oil and of transport has gone up steeply. Thus the drop in Israel's dollar income is already estimated at roughly $80 million out of about $470 million.

Nevertheless, Israel has so far been carrying on much as before ; the only drastic steps so far taken to cut down dollar expenditure has been to curtail the use of electric current and of cars. It is true that certain foods, among them butter, which came from the American surplus stores, has either disappeared or is to be had only at exorbitant prices. But the average citizen eats as well as before and does not yet feel the pinch. Now all this is to be changed, and in a hurry.

While the Knesset has been discussing a budget prepared before the Sinai campaign, the Treasury has been busy preparing a new one which cuts expenditure by £1,110 million out of a budget of £1,850 million (excluding defence expenditure, which is kept secret). And every day brings new rumours of what is to be done to meet the emergency ; government expenses are to be cut down by at least 10 per cent ; income above a certain level is to be taxed up to 95 per cent ; holidays with pay, which have been the right of every employee in Israel down to domestic servants employed by the hour, are to be abolished ; a compulsory loan is to be imposed, and so on. The one thing not yet proposed is to stop pegging wages to the cost of living index, an arrangement mainly responsible for inflation but dear to the trade unions, as they look on it as the wage-earner's main reinsurance against price rises. The next few weeks will show which of all the many measures now being discussed will be adopted by the government and backed by the Labour Federation.

It is certain that the settled part of the population will bear the hardships that are now to be expected with fairly good grace. But to bring down the standard of living is one thing ; the threat of mass unemployment is another. Already the employment position is far from good, although Israel is at the peak of the orange season, which provides jobs for many thousands. In some places labour exchanges are simply closing down. Emergency jobs which have sustained a considerable number of new immigrants at subsistence

level have to be financed from the public purse and this is empty. The problem is made worse by the cessation of the American grant-in-aid. The counterpart funds from this were used to finance part of the development projects which provided jobs for the unemployed, and the curtailing of the projects is now considered almost inevitable.

Many people believe that the economic difficulties which are now becoming obvious to all will have a salutary effect. They hope that the rude awakening will jerk people out of the fools' paradise in which they have been living; that the endlessly repeated slogan of economic independence will now, out of sheer necessity, become a reality; that by forcing the standard of living down, Israeli goods will become competitive. But these optimists have so far failed to suggest a remedy for rising unemployment; nor can they say how fast the planned export drive will catch up with dwindling dollar reserves.

Yet whatever economic hardships lie ahead, Israel appears firmly resolved to stick to its demand for guarantees as the price for evacuation. Moreover, the country is firmly resolved to do the impossible again; for on top of all its other difficulties, immigration is increasing and promises to reach the 100,000 mark this year.

Agreement by the Six

FROM OUR PARIS CORRESPONDENT

THE agreement this week by the prime ministers of the Six to link their overseas possessions with the common market meets or partly meets, the last and hardest of the many French conditions which have all along circumscribed the common market talks. The decision to vest Euratom with the property rights in fissile materials settles the last political issue in the other treaty under discussion and removes a major obstacle to American aid for Euratom's power projects. Both treaties should now be completed and signed by mid-March.

On the overseas territories the French have obtained a big political commitment to "Eurafrica" from their partners. They need German funds in particular if they are to have a future even in black Africa where elections for local autonomous governments will be held on March 31st. They have obtained the European overseas investment fund they sought. But the limits of the agreement show how reluctant the Germans, particularly, have been to become entangled in France's colonial future with Algeria in revolt and Moroccan marauders penetrating the Sahara. It has been signed "*for a first period*" of *five years only*. The French merely obtain $312 million of European funds (though in the last year of the five they will get as much as $120 million—a precedent for later, the French hope). This is far less than they once aimed at. Colonial goods (coffee, cocoa, bananas and so on) will enjoy a European preference guaranteed by common market tariffs, to be gradually raised during the running-in period, against outside producers. In return the French will open their overseas market at the same rate as the common market; in five years this means relatively little. The end of the wedge is thin.

The stage is now set for ratification. Despite doubts quickened in Dutch and German minds by the transformation that the common market has undergone at the hands of the French there still seems little doubt of ratification outside France. In France the Assembly demanded satisfaction last month on agriculture and the colonies. The farmers have welcomed, as well they might, the preferential agricultural arrangements since obtained. Although the agreement on the French Union does not meet all the French employers' original demands, it looks as if they are now going to be less intransigent about it. These are good signs. But as the rift between M. Mollet and the Right on other issues widens, it is impossible to be more than hopeful about ratification in the spring or early summer.

Changes in Soviet Planning

SOVIET planning methods must be substantially revised to make possible a more rational regional development. These are the orders of the communist central committee which met in Moscow last week as soon as the meeting of the Supreme Soviet had ended. Mr Khrushchev himself outlined the necessary changes, and their tendency can be gathered from the recommendations published at the end of the meeting. Centralised control through a mass of ministries which tend to work as watertight compartments, apparently hinders a proper division of labour and resources, causes waste, overburdens the transport system, and so on. There is obviously no question of abandoning control from Moscow. The intention is rather that the central planning bodies (the *Gosplan* and *Gosekonkomissya*) should rely more in future on regional organs. It is intended, for this purpose, to divide the country into economic areas. Designed as it is to raise efficiency, the programme should have other consequences as well. It could relieve some of the nationalist discontent against Moscow's rule and, by harnessing various local authorities, provide a temporary Soviet substitute for the workers' councils made fashionable by the Jugoslavs and the Poles.

SOVIET BASIC PRODUCTION
(Mn. tons)

	1955	1956	1957 plan	1960 plan
Coal	391	419	446	593
Electricity*	170	192	211	320
Crude Oil	71	84	97	135
Crude steel	45·3	48·6	51·5	63·3

* Billion kWh.

The central committee also recommended the creation of a special commission to collect and spread the latest technological information both from Russia itself and from foreign countries. All these measures are signs that an attempt is being made to stop the sudden drop in the rate of growth of Soviet industrial production. In the last few years gross industrial output in the Soviet Union increased on an average by between 11 and 13 per cent annually. This year, according to Mr Pervukhin, it will rise by only 7 per cent. Almost all the branches of production are equally affected by this reduction. It can be seen from the table above that even basic production, that traditional favourite, is *temporarily* lagging behind schedule.

The slackening may well be temporary, as it is not accompanied by any radical redistribution of resources. Capital investment is still going up and the somewhat increased share of housing is not enough to justify the decline. This has probably been produced by a combination of many factors. The planners are apparently reluctant to keep industry permanently at full stretch and are trying to build up stocks at the factory level. Supplies from eastern Europe have been affected by recent events there. The year 1957 may also be a period of retooling, of technological change in Soviet industry. Last but not least, investment projects have taken much longer to mature than had been expected. One aim of the present changes of policy is to bring investments more quickly to fruition.

SOVIET BUDGET
(Bn. roubles)

	1956 est.	%	1956 actual	%	1957 est.	%
Revenue:—						
Turnover tax	271·2	45·8	258·1	44·3	278·3	45·1
Profits tax	107·8	18·2	101·2	17·3	116·0	18·8
Direct tax	50·3	8·5	50·7	8·7	51·5	8·3
State loans	32·2	5·4	32·8	5·6	26·6	4·3
Other*	131·3	22·1	140·2	24·1	144·8	23·5
Total	592·8	100·0	583·0	100·0	617·2	100·0
Expenditure:—						
Grants to national economy	237·3	41·7	244·5	43·6	244·1	40·4
Social and cultural services	161·5	28·3	163·7	29·2	188·2	31·1
Defence	102·5	18·0	97·8	17·4	96·7	16·0
Administration	12·5	2·2	12·2	2·2	11·9	2·0
Other†	55·8	9·8	42·8	7·6	63·7	10·5
Total	569·6	100·0	561·0	100·0	604·6	100·0

* Including insurance funds, collective farm taxes and profits of MTS.
† Including interest and premiums on bonds; advances to banks.

Mr Zverev, the finance minister, did not reveal any drastic changes in his budget for the current year. Last year's and this year's figures are set out in the accompanying table. Admittedly, a reduction in wholesale prices has made comparison difficult; it is this cut which explains the apparently declining share of "allocations to the national economy" in the total budgetary expenditure. Assuming that prices have not been *tilted in favour of heavy industry*, the proportion spent on grants to consumer industries has actually been increased this year. The stiff rise in outlay on the cultural and social services is largely due to the high cost of the new pensions scheme and other social benefits. These, together with slight wage increases, have recently replaced cuts in retail prices as the official method of raising the standard of living. Price changes must also be taken into account when looking at the cut in defence expenditure. In any case, the cut looks small in view of the much publicised demobilisation of 1,800,000 soldiers. The budget figures suggest that the Russians are spending money to maintain the striking power of their forces despite the reduction in numbers.

To the average Russian town dweller the pledge to build houses with a total floor space of 46 million square metres, or 28 per cent more than last year, is probably the most welcome announcement. But he will take it with a grain of salt: last year he received much less than he had been promised and the demand for housing is insatiable. The current plan foresees double the amount of construction compared with the previous five years (1951-55) and, judging by the new spurt, this target might be slightly exceeded. Even so, the average Russian would have less than 10 square yards of floor space by 1960. Mr Molotov recently admitted that pressure from the workers compelled the leaders to revise their plans in this field and this pressure remains undiminished.

Steps towards more equal wages, a certain degree of *relaxation, greater concern with housing and a slight shift* in investment in favour of the consumer—all the recent economic moves have a somewhat "Malenkovist" accent despite the ritual assurances about "priority of heavy industry." The accent, however, is only slight. The quantities of consumer goods that Mr Malenkov and Mr Mikoyan promised after Stalin's death for delivery in 1955 will in fact be on the market only this year or next. Overcrowding will be the plague of Soviet towns for many years to come *unless housing gets a still larger share of investment*. For the time being, however, major decisions in economic policy seem to have been postponed. Hopes are pinned on changes in planning methods and on the technological revolution. On economic problems, as on other questions, the factions in the Kremlin seem to have reached a compromise. How lasting it is will be shown when the revised version of the present five-year plan is published, as it should be, later this year.

Walkover for Mr Nehru

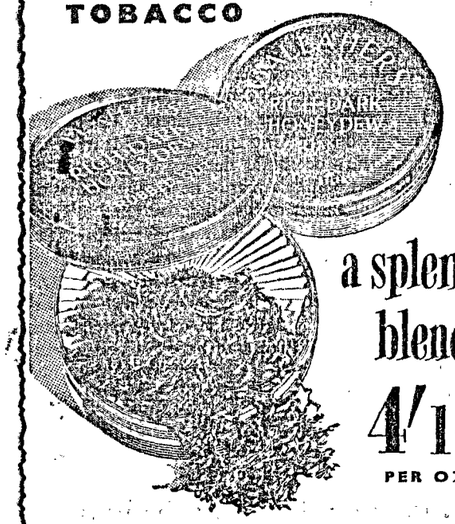
FROM OUR CORRESPONDENT IN INDIA

INDIA will begin to hold the world's biggest—and dullest—*general election* tomorrow. There are 193 million voters and no issues. Everybody knows the Congress will win and hardly anybody is so out of sympathy with Congress policies as to be very upset. Over 100 million of the electorate are expected to do their duty by going to the polls; they cannot reasonably be expected, except locally, to get excited as well.

The Congress victory may not be quite universal. It is bound to have a large majority at the Centre, and in states *like Uttar Pradesh* or Madhya Pradesh the opposition groups will be lucky if they come back strong enough even to oppose effectively. In some states and local areas, however, the fight may be tougher. The hangover of the linguistic states controversy will cause Congress to lose some seats in North Gujerat to the protagonists of a separate Gujerat state, and some in Maharashtra to those who prefer a unilingual Maharashtra to bilingual Bombay. In Orissa the leftist Ganatantra Parishad has high hopes; they are based on a combination of the general Oryia discontent that Orissa's border *with Bihar has not* been rectified and the hold of such ex-princes as the Maharaja of Patna in what used to be their states.

In Madras the Congress Reforms Committee made up of Congressmen who have seceded because they feel too many caste communalists have been given tickets, is causing the party machine some anxiety. In the South Telengana area of Andhra, the Communists have undoubtedly lost considerable ground since their sweeping victories of 1952, but they are still likely to win more seats than anyone else. In West Bengal, the crowding

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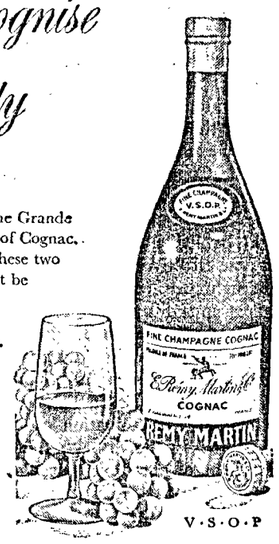
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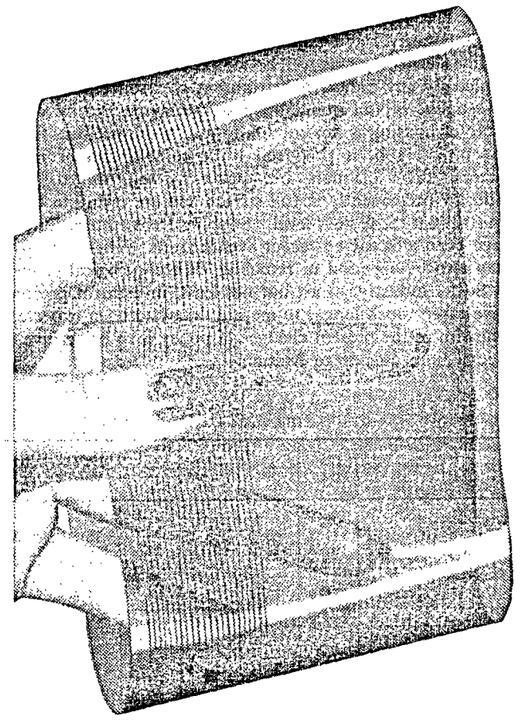
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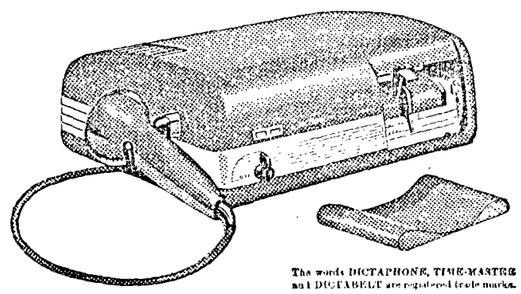
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refugees, middle-class unemployment, and an effective electoral arrangement between the Communists and the Praja Socialists will cost Congress many seats, especially in and around Calcutta. Finally, in Kerala, the smallest state of all, even Congressmen are not confident of winning an absolute majority. Yet even with all these difficulties it is probable that Congress will still win a majority everywhere, except perhaps in Kerala, and that this majority will be handsome everywhere, except perhaps in Orissa and possibly in West Bengal.

The reasons for the Congress Party's impregnable position are complex. First, it alone is truly national. It is fighting almost every seat, where the Communists, for example, are fighting only one quarter of the state assembly seats, and the Hindu communal parties are totally unimportant south of the Vindhyas. Secondly, its leadership—not just Mr Nehru but men like Pandit Pant and Mr T. T. Krishnamachari and Mr Morarji Desai and Dr B. C. Roy—are widely known, whilst the Praja Socialists' best known leader, Mr J. P. Narain, has officially retired from politics, the Communists have only a couple of well-known names, and most people would be hard put to it to name a single leader of the Hindu communal parties since the death of Dr S. P. Mukherjee. Thirdly, the Congress has its record to campaign for it. It achieved *independence*; it made the first five-year plan work; it integrated the states and abolished zemindari (a form of landlordism); it invented non-alignment and the socialist pattern. By contrast, the three communalist parties cannot get together; there have been divisions within the Praja Socialists and the Communists are still recovering from the discredit of Hungary and restalinisation. It is therefore not surprising that Mr. J. P. Narain has felt it necessary to call on Mr Nehru to invent an opposition, too.

Two Revolutions at Once

Above all, the opposition is ineffective because the Congress is carrying through two great revolutions at once, and there are very few who wish to oppose both. The Congress is changing Hindu society, and it is bringing in socialism. Most of those who do not like the changes in Hindu society, who object to divorce and inheritance for daughters and getting rid of caste, have no particular objection to socialism. The Hindu communal parties produce manifestoes as full of state control and ceilings on incomes as anybody else; but the electorate still feels that Congress's socialism is somehow more authentic. On the other hand, most of those who prefer free enterprise to socialism are as eager as any Congressman to remove the accretions of centuries from their society. A few stand for parliament as independents or for minor parties. The great majority grumble at Congress's socialism but vote for it and contribute to its funds. It is at least less socialist than either the Praja Socialists or the Communists.

Moreover, the Congress is still a Movement, as well as a Party. Its candidates cover an enormous range of opinion, from the Maharani of Gwalior to Mr Krishna Menon, and it has deliberately chosen to include every sort of person amongst those to whom it gave tickets. There are landlords and peasant leaders, trade unionists and industrialists, Naga tribesman and Akali Sikhs. There are hundreds of Moslems, Christians and Parsis; 15 per cent of the seats were reserved for women, though it has not everywhere been possible to find so many. The Congress, in short, is a reflection of the nation.

If more was still wanted the Security Council provided it. Every opposition party has a policy on Kashmir distinguished from Mr Nehru's only by being rather more intransigent. When the Security Council voted against India they rallied round him with such enthusiasm that he had to explain to the voters that his Kashmir policy is his own nevertheless, and that the proper party to vote for in order to support it is the Congress. Where there is such unanimity, the path of opposition is hard indeed.

Elections in Siam

FROM A CORRESPONDENT IN BANGKOK

NEXT Tuesday, Siam will hold its first general election since the introduction of the multi-party system. No one seems to doubt that the Seri Manangasila or Government party will win a resounding victory. The party can, however, hardly be described as having a large and enthusiastic following. And, while many of the things now happening are far from being in accord with usual democratic practice, there are other things which would be just as strange in a frankly non-democratic country.

The strength of the Government party is due to several factors. It is the only party with wide financial resources. It represents authority in a country where traditional respect for authority in almost any form has long outlived the system of absolute monarchy (ended in 1932) which gave it birth. Its opponents have frittered away their strength by forming no fewer than twenty-one parties, most of them still in their infancy, all with very limited funds, and few with much of a well-defined alternative programme to that of the Government party. They also allege, as a further excuse for their weakness, many cases of the improper use of governmental powers to ensure the ruling party's success; but it must be admitted that definitions of "proper" and "improper" are bound to vary where so few precedents for correct election behaviour exist. And, finally, there is still a very widespread political apathy on the part of the general public.

This apathy is undoubtedly the Government party's greatest ally—it is easily understandable in a country blessed with a warm climate, an abundance of food, and a record of two centuries of peace and independence. It is hard to see how this apathy can be wholly eliminated unless the growth of industrialism or consistent failure to find markets for the bulk of surplus rice leads to real economic hardship. But this is not all. There is a very noticeable trend among politically conscious Siamese to say: "The Government party is sure to win, so why bother to vote?"

The Prime Minister, Marshal Pibul, and some of the leading lights of the Government party have announced that, fearing the possible defeat of their original candidates for the metropolitan constituencies, they intend to run in Bangkok themselves. This decision has caused great interest. It is widely held that while the Premier can be virtually certain of a heavy majority, some of the other ministers may fail to hold their seats. Furthermore any candidates who now withdraw may be rewarded by second category (appointed) membership of the new assembly; or, in case the bicameral system is revived, with seats in the upper house. Such an offer does not necessarily appear

"improper" here. As one Siamese intellectual put it—without any apparent irony—"There is nothing undemocratic about it. No one is forced to accept the offer."

Discontent with the present system of *appointing* fifty per cent of the members of the House of Representatives has long been voiced in the press. Recently, the Premier has made statements to the effect that he hopes to abolish second category membership in the near future and to restore the former bicameral system. No further details have been published. The response from the opposition has not been enthusiastic, since the membership of the restored upper house is likely to be so arranged that Marshal Pibul's government may rely on the same sort of effective support as that now received from second category members.

There are daily accusations in the press that the government is impeding the conduct of its opponents' campaigns. For example, at least one candidate was arrested for "vehement oratory" involving "stirring up feelings against the government." Yet, if this is an example of suppressing democratic rights, there are others to the contrary. A new party was very recently formed under the name of Sri Ariya Maitti Party—a name referring to the utopian age to be ushered in with the birth of a new Buddha in the distant future. Its leader, Police-Captain Chiab Chaisong, is a close friend of the ex-premier, Nai Pridi Panomyong, whose present exile in China he shared until recently. According to the present government, Nai Pridi is an arch-enemy, having entered into conspiracy with the Chinese Communists and allegedly being responsible to some extent for the murder (shortly after World War II) of King Ananda Mahidol. Yet Police-Captain Chiab has been allowed to return from China unmolested and to form a party which calls for the immediate return of Nai Pridi, "Beloved of the people," and for friendly relations with all countries, including Communist China; moreover its programme is designed to set up complete state socialism. It is true that this party has announced its intention of not competing until the 1962 election, but the fact remains that it is allowed to exist and to make propaganda of a kind which the present government must regard as little short of treason. Furthermore, Nai Had Chamloy, a candidate belonging to another opposition party, is allowed to campaign with posters displaying two photographs—one of a colleague killed in a political incident and one of himself over the captions "Dead already" and "Still alive." The implication of these captions is obvious.

Siam, which well within living memory had one of the most absolute monarchical governments in the world, is still at the stage of cautiously experimenting with democracy. The government can argue with more than just a show of reason that present conditions are apt to thrust authoritarianism on whoever happens to be in power. So long as a great part of the Siamese people not only give unquestioning obedience to those in authority, but actually seem to hanker for clear-cut orders as to what and what not to do; so long as a great many politically conscious citizens waver between a pessimism which causes them to abstain from voting and an opportunism which cares more for office than for the labour of constructing a really acceptable democratic programme—for just so long will authoritarianism of one sort or another remain inevitable. The non-apathetic part of the population is growing, and the government is sufficiently aware of the trend to make considerable efforts to appear democratic. The next general election in 1962 may well show that Siam is progressing faster than is yet generally suspected.

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Whose Colonies?

FROM OUR UNITED NATIONS CORRESPONDENT

THE Greek claim to Cyprus has been before the General Assembly's political committee this week. Meanwhile, the proceedings of the Assembly's colonial committee have been enlivened by the presentation of similar territorial claims. Yemen claimed Aden and the Aden protectorate, Spain claimed Gibraltar, Argentina and Chile claimed the Falkland Islands and dependencies, Guatemala and Mexico claimed British Honduras, and Indonesia claimed Dutch New Guinea. The problem of the transition of colonies to independence is made infinitely more difficult by the desire of avowedly anti-colonial countries to extend their domains at the expense of colonial people.

There is a certain irony in the fact that protests against the so-called illegal extension of the colonial system were accompanied by protests against its apparent contraction. In particular, there were complaints that Portugal is evading the obligations of the UN Charter by pretending that its overseas territories are not colonies at all but integral parts of Portugal. The Assembly's colonial committee has recommended the appointment of a special committee to decide which of the sixteen new members admitted to the United Nations in 1955 administer "territories whose peoples have not yet attained a full measure of self-government."

This, if approved at a plenary session, will revive a sterile controversy. It is obvious that many territories which are not colonies do not have full self-government: Washington DC is a case in point. Nothing is gained by attempting to apply UN supervision to non-self-governing territories without the co-operation of the administering power. If the new committee is appointed and decides that Portugal's overseas territories are colonies within the meaning of article 73 of the Charter, then Portugal can merely follow the Belgian example and refrain from co-operating with the United Nations in this matter.

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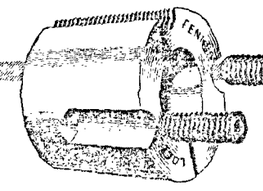
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THE BUSINESS WORLD

Non-U Airlines

THE Minister of Transport has set one of his more obscure machines in motion by asking the Air Transport Advisory Council to advise him "urgently" on the aircraft that independent airlines should be allowed to operate. This temporarily relieves him of having to explain why his Ministry has reduced one airline, Hunting-Clan, to such a state of frustration that it is selling off (no doubt at a profit) two new Viscount airliners that have been standing idle at London airport since they were delivered last autumn. But when the council has ground out its answer it may involve him in changing, and changing radically, the policy which his predecessors have adopted towards the independent airlines. The reason why the two Viscounts remain grounded because they carry independent colours dates back to 1952.

What has come to be called the "new" policy for civil aviation was first put forward in that year. Up to that time the nationalised corporations had a virtual monopoly of all Britain's scheduled air traffic. The changes made in 1952 opened up to the independents a whole vista of new, but as it turned out somewhat scrubby, pastures. They were allowed, for example, to operate all-freight services in parallel with the corporations' passenger services. They were to be allowed to fly normal scheduled services on entirely new routes that the corporations had not yet developed. They were given a free hand in the holiday business to arrange inclusive tours with travel agents. Most important of all, it was laid down that an independent airline could run a parallel third-class service on colonial routes where the corporations were already operating first and tourist class flights.

This was freedom to compete of a strictly qualified kind, but the bigger independent companies believed that it was the first step in a new policy that would be developed and expanded in the light of experience. Events have proved them wrong. The policy has not deviated one iota from the strict letter of the directive given nearly five years ago. The terms of reference given then to the ATAC have been precisely followed. Air transport has not stood still in the meantime. It is a fluid, rapidly expanding, rapidly changing industry and conditions and requirements that might have been acceptable five years ago are anachronisms today. The directive that was designed to open up prospects for the independent airlines is, five years and two ministers later, in some danger of squeezing them out of business.

At a first quick look, traffic figures might seem to belie this. The ATAC has not completed its statistics for the financial year 1956-57, but in the previous year, 1955-56, traffic carried by the independent airlines roughly doubled and was three times as great as in 1953-55. There was certainly another big rise last summer. But this is not the kind of traffic on which big enterprises can be built. A vigorous and well-equipped merchant air transport industry, fighting for trade with international competitors with the same vigour as the merchant marine, cannot be developed out of the business of carrying holiday parties to the tourist resorts of Europe, or running feeder services round the smaller airports of the British Isles. Yet this is where most of the expansion has taken place. The car ferries and internal feeder services between them carried nearly three-quarters of all the independent airlines' passengers in 1955-56 and if there has been any change in these proportions in 1956, it will have been the result of an upsurge in holiday traffic.

The "inclusive tours" on which this traffic is based deserve a word of explanation. The travel agent and the airline work together to evolve a price for an all-in holiday, transport being by aircraft on charter to the travel agent, departing on specified dates throughout the summer. The licence to operate such "package holidays" lasts one season only; 160 tours were approved for the 1956 summer season and the number of applications for the 1957 season looks as if it might be double this figure. Although British European Air-

ways have complained that the growth of this traffic is costing the corporation passengers, it has in fact solved the holiday peak traffic that so plagued BEA.

The independents' major disappointment has come over the development of long-range traffic; here the test case has come in the operations of third-class passenger services. Because the big international airlines exercise a tight control over international air fares through their own cartel, the International Air Transport Association, and because this control is endorsed by almost all governments, the field for these services was limited from the outset to British territories. The first of the "colonial coach" services was opened by Airwork and Hunting-Clan working in partnership. Their network extends over east, west and central Africa.

The service is operated under stringent restrictions. Not only is the fare substantially lower than that charged on the British Overseas Airways Corporation standard tourist service on the same routes, but diabolical skill is exercised to see that the standard of service is deliberately degraded as well. The operators have been able to quash the more outrageous suggestions for making their services slow and uncomfortable, but they are nevertheless operating today twin-engined Vikings, aircraft that have long been abandoned for any normal scheduled operations, fitted with 27 seats and served by one stewardess—whose stamina under cramped conditions in African heat can only be admired.

However much skill is exercised in fitting out these aircraft (and both operators have shown great ingenuity in doing this) the fact remains that Vikings were old when these coach services began, are four years older today and are fast qualifying as museum pieces. Their operating costs are rocketing. Both operators want to change them. Airwork wants to use Hermes bought secondhand from BOAC and Hunting wants to use the Viscounts it bought new from Vickers-Armstrongs. Both have been given to understand that their applications will be rejected, and therefore neither has taken the decisive step of asking the Air Transport Advisory Council for amendments to their coach licences.

This policy will no doubt be defended on the grounds that, until a week or so ago, BOAC was itself using an old aircraft, the Argonaut, or Canadair IV, on the route. This is roughly as old as the Viking: until the Britannia could be put into service, any change in the type of aircraft that the two independents were allowed to use would have narrowed the differential between their service and that of BOAC. But there is something basically at fault in any civil air policy that deliberately penalises one operator because another, bigger, airline has had disappointments over its equipment. Applications put in now might get a more favourable answer. But this softening of the official attitude comes at a time when the whole future of the coach services is in doubt. They are threatened from two sides. The gradual acquisition of self-government by former colonial territories is removing one of the conditions that made the coach services possible, the fact that they were operated within British territory.

There is, however, a much broader issue implicit in the future of the coach services, which makes this a test case for the Government's future policy for independent airlines. It is this: now that third-class services are being introduced by the international airlines, will the British independent operators be allowed to bid for licences to operate these under IATA rules?

The terms of the original directive say that the passenger services reserved to the corporations are "normal scheduled services providing for passengers at first and/or second-class (tourist) fares, as defined for the purposes of the International Air Transport Association." What IATA has in prospect is a first-class service on the North Atlantic, with a luxury service for those who want to pay a surcharge of about 10 per cent. Secondly, there is the standard tourist service and next spring there will be a third lower fare with rates corresponding roughly to the independent airlines' present third-class services in Africa.

★

BOAC has not been slow to see the implications of this fare structure. Mr Watkinson has shown in the House of Commons this week that he, too, is aware of the new factor raised by these fares. Fare changes that start on the North Atlantic tend to spread in time over the entire international nework. Great care, therefore, has been taken to avoid the use in IATA terminology of the term "third class" although it does appear in statements from IATA's headquarters in Montreal. The official nomenclature of the new fare is "tourist-type" or T (for tourist) 34 (the number of inches of leg room per seat). Because of this play with words, it is technically possible for the Ministry of Transport to waive inquiries about the rights of the independents to bid for these third-class services by saying that, officially, no such things exist. But unless IATA decides to eliminate first or tourist travel on the North Atlantic by the autumn, when the fares are frozen for the next 18 months, there will be three basic fares in force on that route, whatever the fancy names by which they may be known. And BOAC, along with the other major airlines, fully intends to operate two or three class aircraft. The independents might well fear competition from mixed-class aircraft of this type along their own coach routes.

The old policy failed because of a fundamental contradiction in its terms. The one method by which cheap fares can be made profitable is to operate them with the best, most efficient, aircraft available. These may not necessarily be the latest types off the assembly line, but they will be basically modern. But the development of aircraft for mixed class services makes nonsense of any future attempt to specify what types of aircraft are to be used for what type of service.

If, therefore, the ATAC advise the Minister simply to allow the independents to replace their obsolete with obsolescent aircraft, the issue of the future of the third-class services will still not be solved. At a time when the number of colonies is dwindling, the International Air Transport Association has been taking decisions the effect of which will be to open a widening prospect of third-class travel over all the international network. Which British airlines will be allowed to take these opportunities? The earlier directive to the ATAC says that third-class flights are the province of the independent airlines. BOAC and BEA will say otherwise.

Unless the policy of allowing some scope to independent airlines is to be repudiated by the government that introduced it, will not the changing conditions introduced by the airlines themselves lead the Government inexorably towards the American system of having more than one designated airline flying the world's routes? This has not been the European way, but a lesson might perhaps be learned from both Pan-American and Trans-World Airlines, which manage to sweep up an increasing proportion of traffic.

Such a policy would be more complicated to implement than one that merely made room for the independents on services operated inside British territory. The independent operators, once they venture outside British territory, must abide by the rate and fare structure laid down by the International Air Transport Association. And it would still be possible for governments to refuse permission for such services to be flown into their territory. Everything would still depend on the pressure that the British Government could exert on behalf of the independent airlines to wring bilateral concessions for them.

The decisive question the Minister must ask himself is not how much damage such a system would do to BOAC, but how much benefit it might bring to the air passenger. This is not as simple an answer as it might sound, for BOAC would have to be strong enough to meet this increased competition. But it is, nevertheless, the right way to look at the problems of air transport.

Commodities after the Crisis

THE post-Suez surge in commodity prices is spent. This week *The Economist* commodity indicator touched 95.2, a point roughly half-way between the trough of last July and the twin peaks that were reached at the end of November and again in the middle of last month. The seizure of the Suez canal and the war in Egypt gave commodities a double boost. On neither occasion was there a panicky rush to buy, but after the canal was blocked at the beginning of November consumers were eager to buy prompt supplies and commodity traders covered their sales. That increased demand was backed by the upswing in the American economy and it smothered the impact of the decline in industrial output in Britain. Freight rates naturally rose sharply, too, though the effect on cif prices was substantial for only a few commodities such as grain, sugar and coal.

Before the canal was seized in July the average level of commodity prices was at its lowest for over three years. The subsequent rise took *The Economist* indicator to 94.7 in mid-September, 5½ per cent higher than on July 24th. Prices then began to ease, but rallied again when Israel attacked Egypt at the end of October. The second advance was sharper; the indicator rose by eight per cent to 99.1 at the end of November, its highest point since February, 1955.

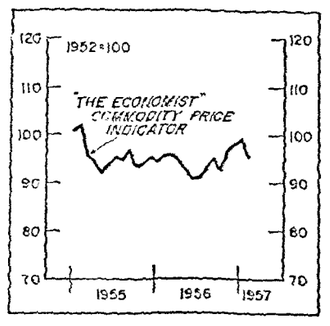
All the main groups of commodities contributed to this advance. Between July and November the food index rose by 10 per cent to 100.3; fibres 17 per cent to 94, metals five per cent to 97, and "others"—rubber, gasoline and copra—rose by 9½ per cent to 106. The strength of several commodities was accentuated by factors not directly connected with the Middle East.

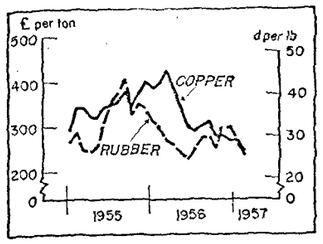
But once the threat of widespread conflict faded prices were bound to fall. Supplies rerouted round the Cape began to arrive and the shortage of one commodity—oil—threatened the ability of industry to absorb many others. Consumers, their immediate needs covered, could afford to wait for lower prices. For the next few weeks, at least, prices could remain weak. Some commodities are more fortunate than others: certain food items are holding up well, and the non-ferrous metals can count on some support to stem the slide.

Save for an occasional rally, copper has been falling for nearly a year. On the London Metal Exchange cash metal is now about £243 a ton, 44 per cent below the peak of last March; the Rhodesian Selection Trust companies have cut their fixed price to UK consumers by another £10 to £240 a ton; and the American producers have cut their prices to 32 cents a lb (£256 a ton). There has

HOW COMMODITY PRICES HAVE MOVED

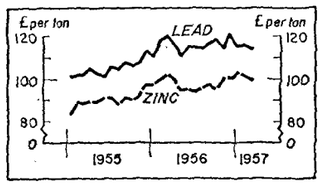
	July 25	Nov. 28	Feb. 20
Copper, cash, £ per ton	286½	276	243
Tin, cash, £ per ton	758½	847½	767
Zinc, prompt, £ per ton	93	101½	98
Rubber, spot, d. per lb.	26½	33½	25½
Cotton futures, d. per lb.	27.20	27.65	25.75
Merino wool top futures, d. per lb.	118	145½	141½
Barley futures, £ per ton	24	28½	25½
Cocoa futures, £ per ton	216	213	173
Raw sugar, spot, £ per ton	34½	48½	55½



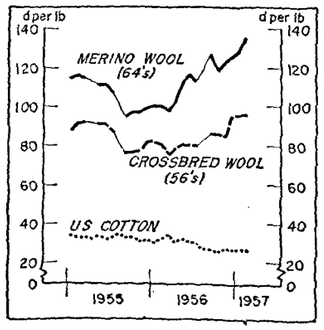


been no drastic fall in consumption; but production has steadily increased and has not been checked, as so often in the past, by strikes. There is a *limit to the probable* fall. Producers are strong enough to defend prices by restricting output, and more of America's production could find a home in the American strategic stock.

Though lead and zinc prices have declined they would have dropped like a stone if the American government had not been taking most of the surplus into the stockpile. Tin prices have eased, and should fall further when the strike in the Penang smelter is settled. Now that the American government has ceased adding tin to its stockpile a surplus of about 10,000 tons should appear this year. But tin, too, has a lifebelt. The tin agreement is in being and the manager of the buffer stock has ample funds with which to buy the surplus and try to keep prices between £720 to £800 a ton, the middle slice of the price range in the tin scheme.

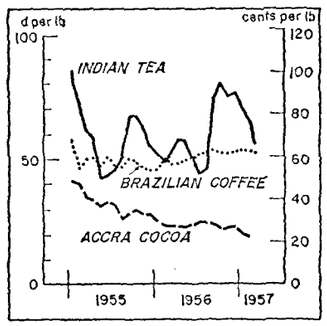


Raw wool prices have shown remarkable strength. The average price of merino 64's last week was 136d. a lb (clean landed, UK), 15 per cent higher than at the close of the 1955-56 season, and crossbred 56's were 96d. a lb, showing an advance of 20 per cent. Prices seem in no serious danger for the rest of the season that ends on June 30th. World demand for cotton is also high. Confidence in prices has returned and stocks are being built up. But prices of American-type cotton have risen only slightly, for an almost unlimited supply is available from the American government's stock. Raw jute, traditionally a volatile market, has fallen sharply; first are now about £99 a ton cif UK, £20 below the recent peak. Sisal has weakened, with the top grade of British East African fibre £73 10s. a ton cif UK, and the small surplus of production suggests that this fibre will remain cheap.



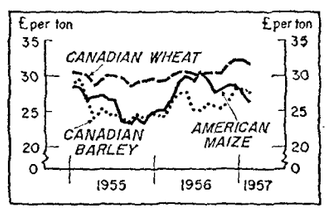
Rubber has dropped back to 26d. a lb for No. 1 RSS, which is almost the level of last July. Forecasts of American car production this year have been trimmed and European demand has been depressed by the further fall in demand for tyres that followed petrol rationing. Consumption of natural rubber in the western world may be smaller than last year, so that the prospect for prices depends largely on whether that reduction is offset by bigger purchases by Russia and other Communist countries.

Among the beverages only cocoa is in trouble. World production has expanded faster than consumption and Accra cocoa is now about £177 a ton cif UK, the lowest price for nearly eight years. Even if the Brazilian crop should fall below expectations a recovery in prices will be tempered by the substantial stocks that consumers hold. World production of tea in 1956 appears to have been only slightly in excess of consumption, thanks to the restriction of plucking in North India towards the end of the year. But now that arrivals in London have returned to normal, prices have dropped, especially for plain tea which is now 4s. 1½d. a lb against 5s. 6½d. at the Suez peak. Coffee has been fairly steady at very profitable prices; production and consumption are in rough balance and radical changes in price are unlikely during the next few months.



Raw sugar is enjoying a boom for the first time since the Korean war. Between the end of October and the middle of January prices soared by three cents to 6.37 cents a lb fas Cuba. That level has not been held, but prices are still high and fluctuating sharply. For the first time in history raw sugar has been able to throw off the crutches of the international sugar agreement; all restrictions on sugar exports have temporarily lapsed. Vegetable oils and fats rose quickly after the Suez canal was closed. Consumers are now well supplied and prices have declined, with Philippine copra down to about £63 10s. a ton, £5 below the recent peak.

The Suez troubles had almost no effect on fob prices of wheat, but cif prices rose sharply with the increased cost of freight: indeed the timing of purchases was really determined by the importer's view of freight rates—not wheat prices. The Fort William price of Canadian wheat is in fact slightly cheaper than a year ago, at $1.66 a bushel, and the cif price to the United Kingdom is £2 7s. 6d. higher at £31 15s. a ton.



Recently prices have eased, owing to the decline in freight rates and to cheaper offerings from Argentina. Feed grains, too, have weakened. The United States is a pressing seller of maize, and European demand has slackened.

This spring commodities will probably face two contrary pressures. Assuming that the Suez canal will soon be open to the ships of all nations at reasonable charges, the pipeline will shorten, supplies will increase, and the freight element in these prices may fall further. But if the end of the oil shortage is then in sight business confidence should strengthen and possibly the activity of the European motor and auxilliary industries will pick up. Which will prove the stronger—the pressure of a potentially higher demand or of a rising supply at the point of consumption? The answer will be determined by economic prospects in the United States and in Britain and by the financial policies that those countries pursue. American industrial activity is the real key.

Business Notes

A Carrot Forgotten

THE donkey has eaten the carrot, and—how base his ingratitude—he has ceased to run. The gilt-edged market has been dragging gently downwards through the week. The *Financial Times* index of Government securities was 88.29 on Wednesday compared with 88.84 a week earlier. The Government broker, now supplied with plenty of Funding 3½ per cent stock 1999-2004 which he would apparently be prepared to supply at about one-eighth over the issue price of £80 finds that buyers can get all they want from the old tranche of the same issue, now quoted in the market at 79¼. It must be assumed that Government funding through sales in the market has been reduced to a fraction of its former rate since Bank rate was reduced. Edinburgh Corporation found an unhappy market for its issue of £5 million 5 per cent stock 1975-77 at £98 10s. per cent, and, popular borrower though the Royal Burgh is, 71 per cent of the issue (which opened at ⅜ discount) was left with the underwriters.

The behaviour of the industrial market has been just a shade less disillusioned. *The Economist* indicator achieved a small advance from 195.9 to 196.8. A movement so small in this sensitive indicator means little more than that prices have held fully steady. It has not been a week of active markets, and what activity there has been has been largely in the side lines. Shipping shares have advanced; so have selected tea shares, including Aibheel, where the agency house concerned has itself made an attractive (and possibly forestalling) take-over bid. The logical expectation now is that the donkey should take a little time to digest his carrot. There are big calls to pay on issues already made, and there is at least one big issue to come requiring a clear run.

Steel of Wales Offer?

ARRANGEMENTS now reaching an advanced stage for the sale to the public of the ordinary capital of Steel Company of Wales have been the main topic of conversation on the Stock Exchange this week. The current expectation is an offer next month of about 40 million £1 ordinary shares to raise about £43 million. This would be the biggest operation that the Iron and Steel Holding and Realisation has tackled, and also the largest ordinary share marketing that the Stock Exchange has ever seen. Its prospect has been sufficient to restrain and slightly to lower other steel equities; its execution would inevitably impose a close season for other new issues. An operation of such complexity and sheer size will demand great courage and skill from Sir John Morison and the group of leading merchant banks and stockbrokers that collaborate with him.

The capital structure of Steel Company of Wales will have to be rearranged before the ordinary share offer is made. It is presumed that the present issued share capital of £16,936,041 will be increased to the authorised limit of £40 million. That would still leave a big weight of £83.2 million of prior charges. Of these, the publicly held £15 million of 3 per cent first mortgage debenture stock 1952-57 matures at £101 on July 16th this year. Of the remaining borrowings £28.2 million has been provided by Finance Corporation for Industry and £40 million by ISHRA itself. If precedent is followed these prior charges will be retained by present holders for marketing when occasion arises. It seems a little surprising that the agency and the consortium have apparently decided against taking advantage of the present appetite for convertible loan stocks. Such a stock, if issued below par would have undoubtedly appealed to the institutions. The decision was presumably taken because the prior charges are already heavy compared with the equity.

The equity will nevertheless be an attractive election hedge. Earnings of Steel of Wales have yet to reach their peak. Indeed the prospectus will have to show that a substantial increase in the current 4 per cent dividend is contemplated because in relation to current yields on other steel shares, a yield of at least 7 per cent would be needed to make this offer go. In the year to last September profits were £9½ million after depreciation and nearly £6 million after debenture and loan interest. To increase the distribution to about 7½ per cent, even on a much larger ordinary capital, would not involve the distribution of an unreasonable proportion of the earnings.

Optimism About Petrol

COMMERCIAL vehicle operators might be more justified than private motorists in drawing optimistic conclusions from the various ministerial statements made this week about the future of petrol rationing. With understandable caution, the government is preparing for another rationing period for all petrol users, private and commercial. A decision whether or not to implement these plans will be taken in March, in the light of later information about the Suez Canal, the trans-Syrian pipelines, and the supplies available from the Western Hemisphere. The key to this decision will be the reassessment of supply prospects for the second quarter to be made by the OEEC oil committee on March 5th.

Private motorists now have an assurance that their next ration, if there has to be one, will not be below the present level, but the government has not yet confirmed the general impression that any new ration is likely to be more generous than the old. The only rope motorists have been given so far is permission to use their current coupons—both basic and supplementary—over the Easter holidays and up to the end of April. Bus and coach services and the road haulage industry, on the other hand, have received more definite assurances about their future rations, if supplies still have to be restricted. Regular bus and coach services will receive 95 per cent, and coaches used on excursions and tours 75 per cent of their normal consumption for the time of year. Lorries will receive an initial allotment equal to the sum of the basic and supplementaries they have received during the first rationing period. In addition to this, they may apply for extra supplies to satisfy seasonal increases in requirements. Together this will provide them, according to the Minister of Transport, with more than 80 per cent of their normal seasonal requirements of both petrol and diesel fuel.

Other oil users have also been given comforting assurances. Industry can now count on fuel oil deliveries being maintained at their present level; but the Government is giving first priority to the rebuilding of fuel oil stocks during the summer, so that existing restrictions on the use of fuel oil may have to be kept on longer than those on petrol. From April 1st the restrictions on the consumption of gas and diesel oils will be lightened, with industry taking a cut of only 10 per cent—instead of the current 20 per cent—and supplies for non-industrial central heating allowed at 75 per cent of normal. The 10 per cent cut now imposed on supplies for agriculture and fishing vessels will not be continued after April 1st. These changes will still leave the average saving on gas and diesel oil use at about 15 per cent; the exceptionally mild weather, by keeping central heating demand below normal, has enabled stocks to be well maintained.

Can Bill Rates be Held?

AT last week's Treasury bill tender the discount market had second thoughts about the new pattern of rates required by the Bank rate reduction, and narrowed the adjustment made immediately after that move. Having previously raised its basic tender price by 1s. 7d. per cent (*equivalent to a fall in the discount rate by* ⅛ to roughly 4¼ *per cent*), it reduced it by 4d.—a move that seemed to be in accordance with the presumed official view that the Bank rate change should not start another major slide in rates. This adjustment, however, involved a sharp reduction in the market's share of the bills—though not so steep a reduction as might be inferred from the mere 10 per cent allotment secured by tenders at the basic price (since tenders under the new "elasticity" rule, which gives scope for slightly higher bids for moderate amounts, can count upon full allotment). The fall in the market's share resulted partly from the under-allotment of the whole offering, which was cut to only £170 million in response to the new issue of "Eternity" stock. But it also reflected the keenness of outside competition: the average rate on the whole allotment rose by less than 10d., to £4 5s. 6d. per cent, whereas the market's basic rate had risen by 1s. 4d.

In these circumstances, it seems questionable whether last week's level of rates will be held, in spite of the fact that money stringency forced discount houses "into the Bank" on Wednesday—for seven-day loans at 5 per cent. The new and more flexible arrangements of the clearing banks for loans to the market are intended to be operated so as to yield the banks an average return of approximately 3½ per cent on their money (with the basic portions at the agreed *minimum of 3½ per cent which is the same relationship to* Bank rate as that obtaining since January, 1955). If clearing bank money on the average does not cost more than that, a downward pressure on the bill rate may be hard to avoid. Hence, if the authorities really intend to keep rates firm, their market tactics will have to be tough.

January Trade

THE detailed returns of British overseas trade in January show that the fall in exports, compared with the average of the fourth quarter of 1956, was by no means wholly due to shipping delays. At £261.0 million fob, *exports were £19 million—seven per cent—lower than the* average for the fourth quarter. One third of that drop is explained by deliveries of ships, which always vary a good deal, and fell to £4 million in January against an average of over £10 million in the fourth quarter. Exports of most major groups of manufactures were fairly well maintained. Surprisingly shipments in January to the sterling area, which would have been expected to suffer most sharply from the closing of the Suez Canal, fell by no more than the general seven per cent average. Shipments to the dollar area were 14 per cent below the fourth quarter's average, owing partly to the usual seasonal fall in shipments to Canada, and shipments to the OEEC area were only four per cent lower.

OIL IMPORTS BEFORE AND AFTER SUEZ
(million gallons)

	Average Jan.-Oct., 1956	Nov., 1956	Dec., 1956	Jan., 1957
Total crude	650·9	419·1	507·8	424·4
of which :				
Middle East.....	544·1	294·1	305·2	234·1
W. Hemisphere..	83·4	117·1	179·2	184·1
Total products	215·7	159·5	181·1	203·9
of which :				
Middle East.....	18·6	5·1	5·8	16·3
W. Hemisphere..	116·4	101·1	143·1	149·2

Imports in January amounted to a record £376.5 million cif; arrivals from the sterling area, which fell sharply in the previous two months, were particularly high. The average value of imports between November and January was just two per cent higher than the average for the first ten months of 1956, and that was more than accounted for by the increase in cif prices; apart from the fall in oil supplies the volume of imports was little changed. Last month the drop in import prices of food was more than offset by higher prices of petroleum and wool, and the average cost of imports rose by one point to 110 (1954=100). Among exports, prices of engineering products fell by one point to 109, but refined petroleum, sugar and textiles were dearer, so that the average price of exports also rose by one point to 109. Arrivals of crude oil in January were much lower than in the previous month, but total imports of oil products increased; imports of fuel oil, at 73.6 million gallons, were more than twice as high as in December and higher even than in January, 1956.

Paying for Promises

IT could cost the country 4 million tons of coal a year to end the attendance condition for payment of the extra "bonus shift" in British mining; this was one National Coal Board estimate during negotiations with the National Union of Mineworkers last year, though the union argued that the loss might be no more than about a million tons a year. The NCB and the NUM had agreed in December to postpone a further review of the issue until June next: last week, somewhat unexpectedly, the board announced that it would waive the attendance condition at the beginning of June if the union would co-operate in persuading a delegate conference to accept Hungarian miners in the pits, and to begin a campaign for improved attendance, fewer strikes and improved output. There is no reason to doubt that an NUM conference will be prepared to make such promises; but no reason on the basis of past experience to believe that the miners in the coalfields need keep them. The Coal Board's offer, in any case, is conditional upon promises, not performance: its only further stipulation is that if "any deterioration should occur in any coalfield," the miners' union should continue its campaign for better performance.

In spite of rather higher output in recent weeks, "voluntary absenteeism" in the industry is at present bad and getting worse. The attendance conditions, by which a miner who works five shifts in a week is paid for six, but thus loses two days' pay if he works only four days a week, was part of the 1947 agreement that promised miners a five-day week: it was intended to improve attendance among men working only three or four days a week, to offset the loss of output from those formerly working six. In practice, extensions of hours agreements, modifying the five-day week "while the emergency lasted," were introduced late in 1947 and are still in force: miners are still asked to work on Saturdays and Saturday shifts are in fact worked in some 700 of the board's 880 mines, producing perhaps 12 million tons of coal a year. Many other industries enjoy a five-day week: in few are there comparable conditions linking so much of a week's pay to regular attendance: but in few can absenteeism be equally important. It may be that the Coal Board had anyway given up hope of enforcing the attendance condition or any alternative formula beyond June. If so, it remains to be seen whether they were wise to attach such transparently weak conditions to their gesture of concession.

Car Output on the Turn?

APART from Jaguar and Ford, which have particular problems of their own to contend with at the present time, the motor industry as a whole has been going through a slightly less trying time in the last few weeks. Last month, both car and commercial vehicle output, though slightly better than in December, were still running at only three-fifths of the rate attained in January last year. But since then the pulse of cars sales has shown a bit more life and the amount of short time working has receded. This experience is by no means shared by all firms. The home market, thanks primarily it seems to the reduction in the size of hire purchase deposit, has been responsible for the improvement enjoyed by some plants; others have increased exports. Sales of the smaller commercial vehicle are still gloomily in the doldrums, though, and a number of the car servicing plants, which are normally employed reconditioning spare parts, have had much idle time on their hands since petrol rationing started.

Vauxhall would appear to have the best story to tell at the moment. Since it put the new Victor car and the new range of Bedford trucks into production, it has taken back two-thirds of the 1,900 men it had to lay off in August and January (rather more than a tenth of its total factory payroll then) and it still has several hundred vacancies to fill. Neither BMC nor Standard, which both dispensed with about a tenth of their labour force last summer, have been able to do that yet. But Standard is now working a full five-day week, except in one section employing about 250 people, and it has taken some labour back on the tractor plant, which is now producing at the rate of 250 a day, against the envisaged capacity of 300. Austin is also working a full week—except on commercial vehicles and in some smaller departments; it is now negotiating with the unions for an additional shift. The Nuffield factories, however, are still working four or five days a week, with three or four day working on commercial vehicles, but again at one plant—Cowley—overtime is being worked.

Both Rootes and Ford have been dismissing more men in order to lift themselves out of three-day working. The Rootes factories have now laid off about a thousand since September, when the total labour force was 13,000; the remainder, with the help of some good overseas sales, are now mostly on a four-day week. At the Ford plants, about a twelfth of the total payroll of 36,000 have left since petrol rationing started, a thousand of them going of their own accord. The remainder are now back on a full week. And now that the Ministry of Labour has entered the arena the threatened strike of AEU members at the Briggs plant may not take place.

Building Society Progress

THE *distinctive achievement* of the Abbey National Building Society is not that in a difficult year it has built up its total assets from £237.4 million to £258.2 million. Nor that the society has succeeded in increasing its reserves and in maintaining a high liquidity ratio (of 13.9 per cent allowing for investment depreciation). The table that summarises the progress of the Abbey National and the Co-operative Permanent shows also the kind of progress that good and big societies were able to make. The distinctive feature of the Abbey National's accounts is that despite higher withdrawals and a diminished flow of investment money, it has been possible to increase by about £1 million the amount of mortgage lending done. Money has, however, remained on ration throughout the year. Much more, perhaps twice as much, could have been lent on acceptable security if investors had supplied it. That reason, together with the much improved interest rates that competitive forms of saving now command, explains why the building societies will be in no hurry to move interest charges down. They are at last enjoying a much improved flow of investments, and in the Abbey National old borrowers only start paying 6 per cent on their mortgages next month.

Building society accounts this year will be studied for the sake of the additional information that the Registrar of Friendly Societies now requires to be given—the stake of the investors for over £5,000—the borrowings of mortgage borrowers for over £25,000 with more than one mortgage and the properties associations in which a receiver or manager has been appointed. Naturally neither the Abbey National nor the Co-operative has ghosts in those cupboards, though it happens, perhaps because the Co-operative, bravely and properly, baled out the Exeter Benefit Society, that the Abbey National comes out the cleaner of the two. The Abbey National has no shareholders with

Investments and Deposits (£ million)	Abbey National		Co-operative Permanent	
	1955	1956	1955	1956
Investments received	51·3	49·4	31·7	33·7
Investments repaid	23·0	29·9	14·7	17·6
Advances on mortgage	39·3	40·3	29·9	21·5
Liquid Assets :—				
At book value	37·3	37·2	14·2	20·9
At market value	36·2	35·8	13·4	19·7
*Liquidity ratio** (per cent)	15·3	13·9	10·9	13·9
Reserves	9·3	9·9	4·0	4·3
Reserve ratio† (per cent)	3·94	3·84	3·23	2·93
Total assets	237·4	258·2	123·7	143·7

* Ratio of liquid assets at market value to total assets less depreciation of investments. † Ratio of reserves to total assets.

Accountants' Counterpoint

IT was a darkly clad meeting. Once someone referred to paragraph 14 of the scheme to integrate the Society of Incorporated Accountants with the Institute of Chartered Accountants and the sudden flutter of white memoranda was like a flight of seagulls rising from a blue-grey sea. As sober in tone as in dress, the meeting of chartered accountants at the Royal Festival Hall to discuss the integration scheme lasted two and a half hours before the vote.

A few dozed off in the warm comfort of the hall; some left before the vote was taken; and more, those perhaps with a quick eye for estimating a majority, having voted, did not wait for the result. It was a straw vote. The crucial one is the postal poll, in which for acceptance the scheme requires a two-thirds majority of the members of the institute voting. But the Festival Hall vote must have encouraged those who have piloted the scheme over the last two years. Of those voting, 1,097 were in favour of integration and 278 against. The split was thus almost exactly 80 per cent to 20 per cent. Accountants from London and its suburbs must have predominated in the audience, and their attitude about the scheme may be different from that of chartered accountants in the provinces; but this majority was sufficiently big to suggest that on the postal poll the scheme will probably be approved, though perhaps only just so.

Opposition to the scheme was expressed largely in the broad vowels of Yorkshire and Lancashire. It was not easy for these speakers to put into words an almost emotional conservatism, *nor* did the obvious sincerity of their protestations prevent the counter-charge of "self interest" being levelled against them. They hammered at the point that the council had not been unanimous in recommending the integration scheme and had failed to make this clear in the memorandum; then a member of the council revealed that the number of opponents to the scheme was not more than five out of a council of 45 and that this opposition came mainly from those who believed that the scheme did not go far enough and not that it went too far.

The council, said some objectors, had taken two years over the scheme; without prior consultation members had been given only two months to consider it; that was not enough time. The scheme broke faith with clerks who had taken up articles in the belief that they were to become members of the institute in its present form; they should have been consulted and even given a vote. The proposals did nothing to "close" the profession. So the arguments went on, often coming back to the society's "bye law" candidates and to the possibility of "dilution." One member of "the Manchester school" (as it was later dubbed) said: "an increase in quantity will not necessarily mean an increase in quality." Another from London, whose prosiness earned the only slow handclap of the meeting, spoke of "socially inadequate training." The dissenters were the more vocal; their first speeches were received with rounds of applause. But those sitting on the concert stage remained outwardly unperturbed and by the end of the meeting voices supporting their proposals were dominant.

Much of the opposition's thunder had been stolen by a prepared statement by Mr W. H. Lawson, the vice-president of the institute and "the chief architect of the scheme." It answered the arguments which had already been raised at the district meetings. This statement and a lengthy summary of the other speeches will be sent out to all chartered accountants before they vote. Mr Lawson spoke of the scheme as "a major step towards the unification of the accountancy profession" by bringing into one body many of those trained in a professional office and he revealed that the institute had received a letter from the Association of Certified and Corporate Accountants suggesting that representatives should be appointed "to discuss possible further steps in the integration of the profession." His constant theme was that there would be no lowering of standards and at the end of the meeting he summed up the matter bluntly: "It is this scheme or no other."

How we try to be singularly plural

A STATEMENT
OF COMPANY POLICY
BY THE MANAGING DIRECTOR
OF THE **REED PAPER GROUP**



"One of the most important problems facing industry today is that of reconciling the size of the large business with the initiative which is traditionally the hallmark of the small one. Once upon a time, it was said of us that we were 'a nation of shopkeepers'. But inevitably, of course, the more successful and progressive of the smaller businesses had to grow — both of themselves and by absorbing, taking over or amalgamating with others. The result has been to create a problem of *size* — of largeness for those concerns which have grown and grown and of smallness for those which have remained static.

"In the case of the Group (with which I personally am concerned) containing 19 separate producing and selling companies, the salient issue, I think, is one of how successfully to combine individual initiative with corporate strength. On the one hand, we have to make the resources of our largeness an asset — yet fight shy of red tape and 'remote control from the top'. On the other, we must see that the individual companies, while retaining their traditional enterprise and initiative, are not hampered from development through lack of capital and technical resources.

"The key to the problem, as I see it, lies with *people*. If the Group management is functioning efficiently — by keeping its eye on *overall* objectives and ensuring the recruitment, training and development of key personnel imbued with the right spirit of initiative and personal responsibility — the people who make up the Group will reflect this spirit by functioning efficiently at all levels. And I need hardly add, these good internal relations will also make for better external service.

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over £5,000 and only £4 million of deposits from 236 such investors. The Co-operative has 156 such share investors for a total of £3.5 million and 324 depositors of over £5,000 each for a total of £9.9 million. Most of these investors, naturally enough in a society with roots in the co-operative movement, are industrial provident societies. The Abbey National shows mortgages outstanding for £1.1 million from the large borrowers and the Co-operative shows £1.7 million. The Abbey National's receiverships cover mortgage debts of under £20,000 and the Co-operative's receiverships cover £77,000. All these figures are but a small proportion of the total assets of the two societies.

Local Loans Rate Cut

RATES of interest on new loans from the Public Works Loans Fund to the local authorities have been reduced. For less than five years, the rate remains at 5¼ per cent, which has been in force since June 23rd last year. Longer loans of from 5 to 15 years and those over 15 years are reduced from 5¾ per cent (the rate established on October 20th) to 5½ per cent. Local authorities will still have to test their ability to raise the money in the market before approaching the PWLB.

The "market" comprehends both the mortgage market and the Stock Exchange. Conditions in the mortgage market have recently eased. Just before the change in PWLB rates mortgages for 10 years were being fixed at 5⅝ per cent and for 20 years at 5⅜ per cent. Last October the rate for 10 year mortgages was over 6 per cent and for 20 year money 5¾ per cent. Stock Exchange yields show a similar movement. Early last October the London County Council issue was made at a gross redemption yield of £5 10s. 9d. per cent. This week Edinburgh's issue of £5 million 5 per cent stock (with a life of 18 to 20 years) is made at £98 10s. to offer a gross redemption yield of £5 2s. 5d. per cent. The Treasury would argue that the reduction in PWLB rates follows the fall in market rates, and it insists that its action is "in no sense a sign of any relaxation of the credit policy."

Hard as a Diamond

TWO years ago the diamond world was stirred by the claim that "man-made" diamonds had been produced by the General Electric Company of the United States. The claim was true; they were made by subjecting a carbon compound to intense pressure and heat. But competition with gem or industrial diamonds was not immediately threatened: the product was tiny and irregular in shape. The company hoped eventually to produce larger sizes of a shape and at a price that could compete with natural industrial stones. Since then development has continued, but commercial production has not yet begun. General Electric has now announced that its research had led to the production of a new substance, which it calls "borazon." This it claims may be "of equal, probably greater" importance to industry than man-made diamonds. "Borazon" is a compound of boron and nitrogen, made under pressures of 1 million lb per square inch, and temperatures of 3,000 degrees Fahrenheit. It is said to be as hard as diamond, and to withstand a much greater heat.

General Electric thinks that "borazon" can be used wherever industrial diamonds are used as an abrasive. Its superior heat resistance would make possible better methods of mounting stones in industrial tools and might allow bits and wheels to be run at higher speeds, performing their cutting and polishing jobs more efficiently. The company has not yet decided when to start pilot production, but it hopes that "borazon" can be produced at a competitive price. The material as now known seems nearest to crusning boart, widely used as an abrasive and now selling for 18s. 3d. a carat. The market for industrial diamonds is large; sales by the Central Selling Organisation last year, including deliveries to the United States strategic stock, were worth £24 million. The United States would like to be independent of outside supplies of this essential material, and General Electric would not be truly American if it did not relish the chance of a crack at the diamond monopoly.

Suez and the Baltic

THE possibility that the Suez Canal may be open for 10,000-tonners within a matter of weeks is beginning to have its effect on tramp freight rates for prompt tonnage. Although fixtures are still being made with alternative rates for transit through the Canal or deviation round the Cape of Good Hope, there is a hesitant tone in the market, and rates are tending to fall. The Chamber of Shipping voyage index for January was 173.7, compared with the December peak of 189.4, and a decline in rates for coal and grain were responsible for most of this fall. There were advances in rates for several other commodities, including sugar, ore and esparto grass.

The gradual return of British ships from requisition has helped the supply of tonnage; the favourable weather in Europe has helped to reduce the demand for grain and prevented too heavy inroads into stocks of coal. If voyage chartering has been fairly inactive in recent weeks, with rates for prompt tonnage weakening to some extent, there has been no lack of interest in consecutive voyage chartering and long-term contracting, mainly for Transatlantic coal, not only for the rest of this year but also for several years ahead, and these rates have held up well. Some ships have been fixed at 78s. per ton for consecutive voyages in 1958, only about 20s. below the current spot rate; and one large ship which will not be delivered from the shipyard until 1960 has been chartered for eight or nine years at about 34s. 6d. per ton.

Five Pounds Coloured

THE Bank of England on Thursday issued its new five pound notes—slightly larger than one pound notes, of the same quality paper and colour printed. The announcement of the new issue last summer was widely

welcomed in trade and industry. The rise in incomes since the war has greatly increased the use of the "fiver"—its circulation has risen from 7¼ per cent of the total note circulation in 1939 to about 13¾ per cent—but the unwieldly size of the note has deterred wage departments from putting it into pay packets. The Coal Board, however, and some high-wage industrial firms do do so. Furthermore, the big fiver has never quite lost its traditional association with the plutocrat, or its wartime aura of suspicion and "spivvery." On all counts the new issue fits the bill. Meanwhile, the old issue remains legal tender.

The Bank of England has promised also an entirely new series of notes—£5, £1 and 10s.—bearing the Queen's portrait. That is an innovation for the Bank; the portrait of George V did appear on notes issued between 1914 and 1928, but these were Treasury notes. The first of the new notes is likely to be the £1 note; but it is not expected to be ready for several years.

Butter Gains on Margarine

BUTTER in Britain has long cost less than in almost any other country, and it is now cheaper than at any time since rationing ended in May, 1954. Britain is the only large open market for butter; it takes the bulk of the exportable production of New Zealand, Australia, Denmark and Argentina, and is the residual market for other producers. Supplies have increased, prices have fallen and consumption has responded. The Commonwealth Economic Committee estimates that consumption per head last year rose by 0.6 lb to 15.2 lb, an increase that matched the fall of six per cent in the average price. Butter's gain was not wholly at the expense of margarine, consumption of which fell by 0.5 lb to 17.4 lb per head. In recent months the fall in butter prices has gathered pace; finest New Zealand butter is now 252s. a cwt ex-store; about 70s. lower than in September and nearly 120s. lower than a year ago.

In the multiple groceries butter now costs as little as 2s. 6d. a lb. Most butter at that price is a blend of several kinds—Australian, Argentine, domestic, and possibly Dutch, Finnish or Swedish too. Blends may lack the distinctive flavour of "straight" butters, but all must have a minimum butter fat content of 84 per cent. At this price butter is only 3d. a lb dearer than the top grades of margarine, most of which contain 10 per cent of butter. Butter is certainly gaining further ground this year, though reliable estimates of consumption are not yet available. Faced with increased competition, will the margarine manufacturers cut their prices? Some of the smaller manufacturers are already feeling the pinch; the policy of the big manufacturers may well be influenced by their view of how long butter will continue to be available at 2s. 6d. a lb.

Retail Business

CUSTOMER TRENDS

Number 2—February 1957

This new quarterly bulletin deals with the demand for consumer goods in the home market. It includes short and long-term forecasts of sales by different outlets and merchandise groups, regional surveys and reports on special investigations.

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Trustee Banks Problem

WHEN the Chancellor allowed the first £15 of savings bank interest to be exempt from income tax, he excluded the special investment departments of the Trustee Savings Banks drawing a distinction, on paper at least, between the department that hands all its money to the Treasury and pays a fixed 2½ per cent only to depositors, and the department that uses the incentive of higher interest rates. The reaction has not been to stimulate deposits in the ordinary departments. Deposits in the ordinary departments shrank last year, while those in the special investment departments continued to grow. The special investment departments were doing well on local authority loans and mortgages at rates of interest up to 6 per cent and their payments to depositors were rising; some of them now pay up to 4 per cent.

TRUSTEE SAVINGS BANKS

Years ended November 20th (£ million)	1953	1954	1955	1956
Deposits:—				
Ordinary Department ..	824·9	827·1	827·3	811·6
Special Investment	143·7	192·6	226·2	282·8
Govt. Stock held for depositors (nominal value)	109·6	114·3	124·6	134·6
Total balances	1,078·2	1,133·9	1,178·1	1,229·0

In the ordinary departments, however, the banks are undoubtedly feeling the squeeze of rising costs despite the mutual arrangement whereby the established banks help out their weaker or younger colleagues. The government takes all the deposit money, allows the banks £2 17s. 6d. per cent, out of which they pay depositors £2 10s., and have 7s. 6d. per £100 for their own expenses. They will soon be telling the Treasury that that is not enough. In the last year ended November 20th they balanced as a whole with a margin of a little over £60,000. This year there may be a deficit of about £70,000. They will ask for at least another sixpence and probably another shilling. A shilling more would leave a margin of perhaps £200,000 and cover rising costs to some time ahead. And the Treasury, that borrows cheaply from the trustee banks, seems to have no good reason for refusal. Yet if there is no inquiry and no squeeze on working margins whence is the drive for efficiency to come?

Tankers in the Sixties

THE latest half-yearly report on the world tanker fleet compiled by John L. Jacobs provides much detail about the nature of the remarkable jump in the rate of tanker ordering during the last six months of 1956. About 330 vessels and just over 12 million tons deadweight were added to the builders' order books, a much higher figure than the 7 million tons booked in each of the two previous six months. Allowing for the half year's new launchings of about 60 tankers totalling 1½ million tons—which was somewhat less than usual—this brought the total of confirmed contracts in hand to 960 tankers of almost 30 million tons, or roughly two-thirds of the tonnage then afloat and about 85 per cent of the carrying capacity, taking into account the higher speeds of the new vessels.

The most significant development of the six months was the sudden rush of ordering for vessels beyond the 38,000 to 42,000 dwt range, which is the size of tanker that can just about pass through the Suez Canal fully loaded. A quarter of the new tonnage booked was for tankers of 45,000 tons or more in size, including three of more than 100,000 tons and 26 of between 50,000 and 65,000 tons. Again the Greeks led the way, but orders from the major oil companies were particularly heavy: they booked half the 142 new tankers between 45,000 and 65,000 tons.

Most of the world's building yards are now fully booked, at their present construction capacity, until 1963, though Japan and the United States are still able to offer deliveries in 1961 and some British yards are reserving berths from that year for oil companies. Before the end of 1960, however, about 24½ million tons of tankers in the present order book are due to be delivered, and tramp tanker freights by then may well be sharply reflecting this large onrush of new launchings, since only just over 6 million tons of the present fleet will be more than 20 years old.

WORLD TANKER FLEET — 31st Dec. 1956

	Numbers		Percentage of total dw tonnage			Oil Cos.' share (%)
	In service	On order	In service	On order	Total	
75,000 dwt and over	1	8	0·2	2·6	1·3	—
50,000 to 74,999 dwt	—	26	—	5·2	2·1	50·0
45,000 to 49,999 „	7	116	0·7	17·8	7·5	48·6
35,000 to 44,999 „	23	188	2·0	24·4	10·8	42·2
25,000 to 34,999 „	291	284	18·8	29·0	23·0	38·0
2,000 to 24,999 „	2,540	338	78·3	21·0	55·3	33·8
	2,862	960	100·0	100·0	100·0	36·8

British Exports in 1956

THE recorded value of British exports rose by 9 per cent last year to a record £3,172 million. The true increase over 1955 was better still. The 1956 figures were swollen by the repayment of £22½ million worth of silver bullion to the United States (a capital item), and the 1955 figures were swollen by the overspill from the dock strike of October, 1954. Allowing for those distortions, the real increase in value in 1956 was 10 per cent, and the increase in volume was 6 per cent. Engineering products again played the largest part in the advance. The greatest gains, moreover, were made in non-sterling markets. Exports and re-exports to the dollar area rose by £125 million to a record £542 million, and exports to OEEC countries rose by £92 million to £909 million. Shipments to sterling markets were only a little higher than in 1955, owing partly to import restrictions, but also because Britain lost some ground to its competitors. But though British exports grew at a slightly faster rate than in 1955, that did no more than diminish the rate of decline in Britain's share of world exports.

Markets for Leading Exports

NON-ELECTRIC MACHINERY

(£ million)	1955	1956
India	32·3	45·3
Australia.....	48·4	44·0
South Africa.....	33·1	31·9
France.....	20·4	25·0
Canada	18·5	22·2
Netherlands.....	19·4	20·4
United States.....	14·6	17·9
Sweden.....	15·2	15·2

CHEMICALS

(£ million)	1955	1956
India	16·5	18·3
Australia.....	19·5	17·6
South Africa.....	11·6	11·8
Netherlands.....	7·8	8·9
United States.....	7·6	8·6
Canada	7·8	8·3
New Zealand.....	7·9	7·3
France.....	6·6	7·7

ELECTRIC MACHINERY

(£ million)	1955	1956
Australia.....	21·0	21·2
India	16·3	21·2
South Africa.....	18·0	16·6
Canada	8·3	12·8
New Zealand.....	12·3	10·5
United States.....	5·3	9·2
Netherlands.....	6·8	8·3
Malaya.....	6·6	7·1

CARS AND CHASSIS

(Thousand Units)	1955	1956
Australia.....	99·1	54·2
United States.....	19·5	35·3
New Zealand.....	37·6	29·5
South Africa.....	27·9	22·2
Canada	14·1	19·5
Sweden.....	19·3	18·0
Belgium	14·9	17·1
Netherlands.....	12·7	10·5

United Kingdom Exports

	Value (fob) £ mn.	Volume (1954—100)
1955.....	2,905	107½
1956.....	3,172	113½

Exports and Re-exports by Regions

(£ million)	1955	1956
Sterling area.....	1,451	1,469
Non-sterling	1,573	1,849
of which		
Dollar area.....	417	542
OEEC area	817	909
Rest of World.....	339	398

Export Gains and Losses in 1956

(£ million)	1956	Change on 1955
Non-electric machinery..	504	+44
Electric machinery	217	+25
Chemicals.....	245	+11
Iron and Steel.....	173	+17
Ships and boats	94	+40
Non-ferrous metals.....	103	+29
Refined petroleum	99	+22
Aircraft.....	72	+32
Commercial vehicles.....	91	+ 6
Wool textiles *incl. tops*..	127	+ 3
Railway vehicles	45	+ 5
Motor cars	113	— 9
Cotton textiles	89	— 9
Other textiles	117	— 8

Britain's Best Customers

(£ million)	1955	1956
Australia.....	284	240
United States.....	183	221*
Canada	141	178
India	130	168
South Africa.....	167	154
New Zealand.....	139	127
Netherlands.....	106	119
Sweden.....	95	106
West Germany	77	92
France.....	72	89
Denmark	74	82

* *Excludes £22½ million worth of silver bullion.*

Central Bank for Ghana

THE first legislative steps have been taken to create a central bank for the new dominion of Ghana. The Bank of Ghana will take over the currency issuing functions of the West African Currency Board, though the board's currency will remain legal tender and be in general use until the bank issues its own notes and coins, expressed in terms of the Ghana pound. That pound will be at parity with sterling and the Bank of Ghana is required by its statutes to issue and redeem its notes and coin against sterling. The new currency will at first be fully backed, mostly by sterling assets, but there is provision for a limited fiduciary issue.

This new central bank will have more than currency issue functions. It is to become the main, and ultimately the sole, banker of the government, and will have power to make limited temporary advances to the government to smooth over the seasonal fluctuations in revenue which are particularly marked in a country as dependent as the Gold Coast on a single crop—cocoa. The Bank of Ghana may also become banker to other banks. It will not compete for commercial business. The bill setting up this institution assumes a high degree of banking and money market development in that it gives the Bank of Ghana power to require other banks operating in the country to maintain at all times a minimum holding of liquid assets expressed as a proportion of the commercial banks' deposit liabilities. The present Bank of the Gold Coast, which has hitherto been one of the government's bankers, is to be reorganised as a commercial bank under the name of the Ghana Commercial Bank. In the preparation of the central banking organisation for the new dominion the Bank of England through one of its advisers, Mr J. B. Loynes, has played its customary role of good friend and counsellor. Its assistance is to be detected not only in the technical, administrative arrangements of the new central bank, but in wider policy issues which should ensure that Ghana remains a member of the sterling family.

Management Neuroses

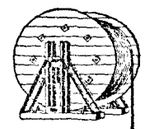
THE comfortable idea that in business merit alone takes a man to the top and merit alone keeps him there has long been challenged by psychologists who deny that the rise and survival in office of managerial talent is determined by a set of Marshallian economic laws comparable to those applied to the prosperity or bankruptcy of the Victorian entrepreneur. On the contrary, their clinical experience with company directors and departmental managers prone on their consulting room couches suggests to them that far too many of those who do reach the top linger there in a state of deepening neurosis long after they have ceased to be equal to what is (the doctors are good enough to admit) a very exacting job. "Among those in senior positions," declares Dr Alexander Kennedy in a survey recently reprinted in *The Lancet*, "the tendency to hold on to power as such is apt to increase as real capacity diminishes." This it is not too hard to do; for, as he points out, it takes "many times" as much energy and effort to get a new idea adopted than passively to block it, so that the advantage in the battle lies wholly with the defence.

The symptoms of declining power to direct a great company's destinies, as listed by Dr Kennedy, will be readily identifiable in everyday terms by the rising generation of ambitious young executives: bad temper and continual grumbling among their seniors, with longer hours worked but less done; repeated consultation with medical specialists and self medication "often accompanied by an interest in life assurance and financial security"; feelings of persecution by colleagues; even "an increase in alcoholic intake and verbal output." The problem (which is investigated in another context on page 622) is however to get rid of them, and Dr Kennedy's remedies will be eagerly examined. These however are not new: earlier retirement and sidetracking to smaller jobs with more high-sounding titles. Dr Kennedy faces the fact that one difficulty is the tenderness of directors or top managers to colleagues who, showing all or some of the fatal symptoms, ought to be got rid of; for they realise that it probably only requires a new round of purchase tax changes or some similar emergency to put their departments in such a state that they would be the next on the casualty list. Despite this Dr Kennedy declares that business life will, and ought to, get steadily tougher, for which, by better methods of selection, he proposes to develop a stronger strain of top executives. Unfortunately, he has nothing to say about the supply which may be forthcoming in the reasonably near future against the number of vacancies that undoubtedly exist.

Glasspol Grows Up

GLASS-REINFORCED plastics have developed rapidly in the last few years. This new structural material, which is frequently called "glasspol," is not the only kind of reinforced plastic, but the great strength and low weight of glass fibres, coupled with glasspol's relative cheapness and ease of manufacture, gives it a good competitive edge in a variety of uses from boats and buses to miners' helmets and translucent roof panelling. According to a paper read to the Royal Society of Arts last week by Mr A. Hudson Davies, managing director of Fibreglass, more than 1,500 tons of glass fibre products were used for reinforcement last year, against about 200 tons in 1953. With increasing output, too, costs have been cut: since 1950 the price of the cheapest glass fibre reinforcement has fallen from 15s. a pound to less than 4s. a pound.

This is still relatively small-scale production, and Mr Hudson Davies states that development of resin-glass laminates has a long way to go. New resin compounds are continually being evolved, and when the industry has more systematic information about the properties of different resin-glass laminates and their methods of manufacture, and with quicker moulding times, glasspol, he claims, could become a major structural material. Knowledge about the use of glasspol has perhaps gone furthest in its applications for aircraft, where glasspol was first used in the last war to make electrically transparent windows for radar domes. The aircraft industry and other military uses now take about



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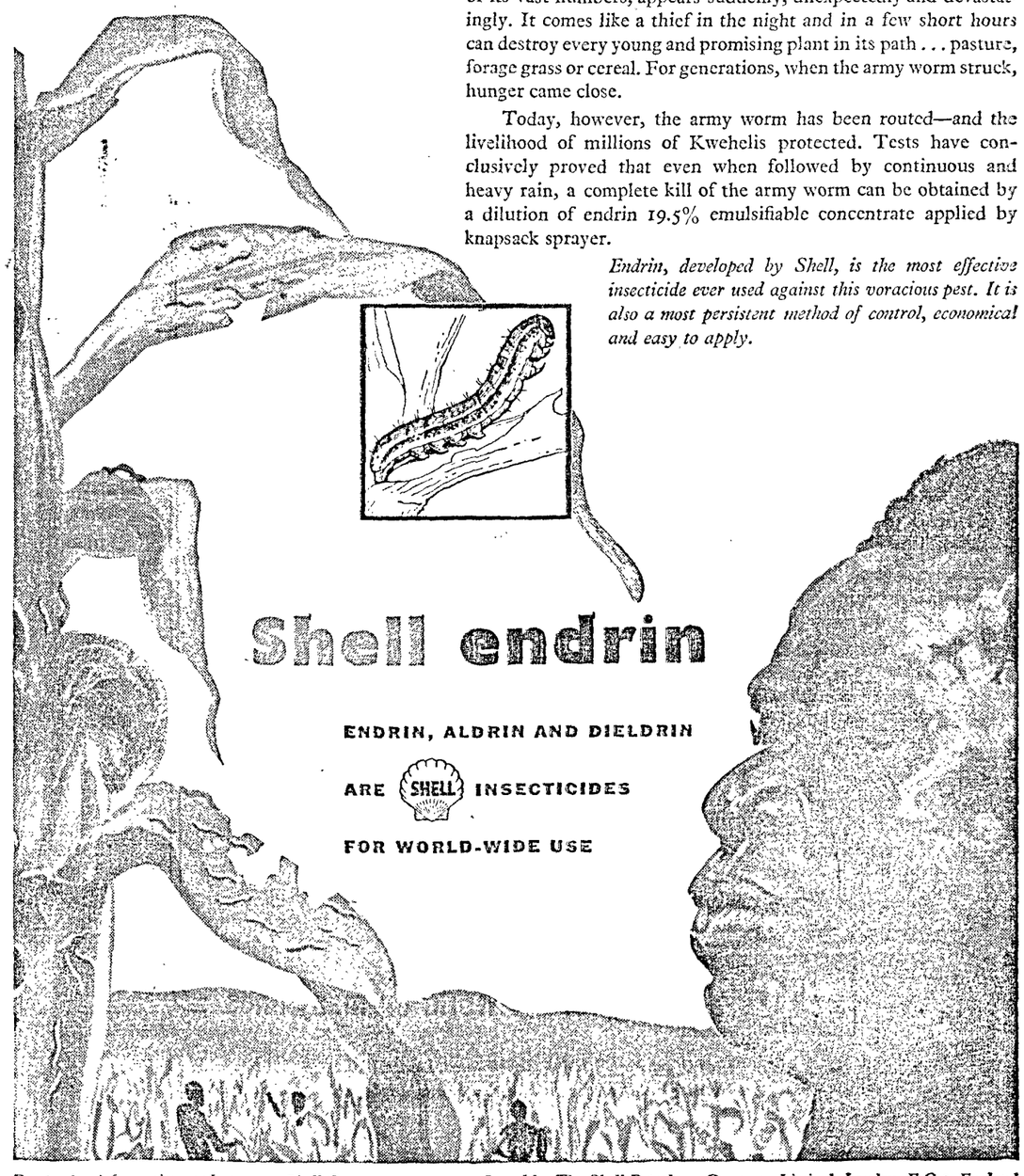
An Army routed

Kwehelì is a peace loving man. His tribe no longer goes to war—in the ways his forefathers knew. Yet, throughout his life, regularly year by year (and sometimes several times a year) Kwehelì has had to fight —and just as regularly lose—a battle which has threatened his very livelihood. Today, that battle has been won. For Kwehelì. By Shell.

In the sun-soaked lands of the Rhodesias, maize is a staple food. It is also a favourite target of the voracious army worm—caterpillar of the moth *Laphygma exempta*. The army worm, so called because of its vast numbers, appears suddenly, unexpectedly and devastatingly. It comes like a thief in the night and in a few short hours can destroy every young and promising plant in its path . . . pasture, forage grass or cereal. For generations, when the army worm struck, hunger came close.

Today, however, the army worm has been routed—and the livelihood of millions of Kwehelis protected. Tests have conclusively proved that even when followed by continuous and heavy rain, a complete kill of the army worm can be obtained by a dilution of endrin 19.5% emulsifiable concentrate applied by knapsack sprayer.

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30 per cent of the present glasspol market, and corrugated translucent roof panelling takes another 30 per cent. Boats, from dinghies to motor cruisers, take perhaps a tenth, and commercial vehicles and buses another 12 per cent. Mr Hudson Davies estimates that about 3,000 lorries and 2,500 buses now on the road are fitted with some resin-glass panelling.

Small Windfall from Australia

EXPORTERS to Australia have had a small windfall this week. Following the relaxation of import restrictions by £A30 million on January 1st the Commonwealth government has announced an increase in quotas for many goods needed by industry. The increases apply only to the current licensing quarter ending on March 31st, and their value is roughly estimated at a few million pounds. The action has been taken, it is stated, to raise stocks and minimise possible shortages before the licensing period is extended to four months on April 1st. Increases of 100 per cent on current quotas are being made for certain chemicals and dyes, paints and colours, metal powders, pipes and tubes, ball and roller bearings, unbleached cotton piece goods, and parts for air-operated equipment and compressors and certain textile machinery. Items increased by 50 per cent include agricultural machinery, and parts for motor vehicles, earth-moving equipment, boot and shoe machinery, printing and paper-making machinery and refrigeration equipment.

The Transferable Lira

THE Italian Government has this week announced the setting up of a freely transferable lira area. It will at first consist of all countries associated with the European Payments Union, but in due course will cover the whole world outside the dollar countries. Italy already operates transferable arrangements with countries that belong to the system of multilateral foreign exchange arbitrage operations, set up within the EPU group. The lire which can be used in these arbitrage operations are called "multilateral-lire."

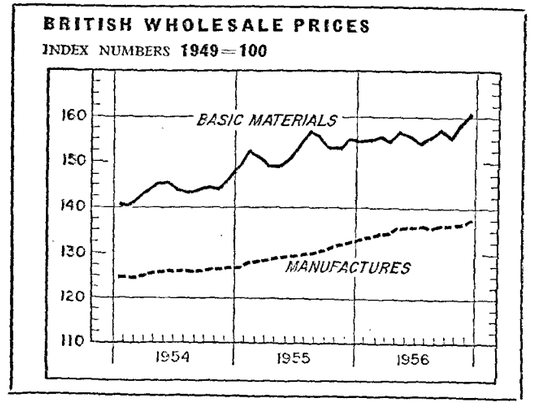
In due course the group of countries within which multilateral or transferable lire are used will be expanded as Italy's existing bilateral payments arrangements expire. There are 18 countries with which bilateral arrangements still obtain. They include Greece, Turkey, Portugal, Spain and the countries of the Middle East and of the Soviet block. Notice has been given to each of these countries that when their bilateral agreements with Italy expire they will not be renewed. They have also been given the option to come into the multilateral account system straight away. Their multilateral or transferable lire accounts must, however, be fed by payments in sterling, francs, marks and other currencies already in the arbitrage system.

When the adjustment is complete Italy's payments arrangements with the rest of the world will resemble closely to those that are applied to sterling: nearly all currencies will be segregated into two groups, the dollar block and the rest. Then only one more step would be needed to proceed to a fully multilateral system, namely, permission to transfer funds freely from a transferable area to a dollar area lire account.

"Imps" Capital Needs

IT is apparent from the full accounts of the Imperial Tobacco Company that that group will have to be a substantial borrower in the capital market though probably not immediately. On October 31st next year the company's £10 million of 3¼ per cent notes (out of total fixed-interest borrowing of £65 million) will reach its final date. It must presumably be refunded before then. In addition the consolidated accounts show bank overdrafts of £29.1 million, against £26.9 million, so that it will occasion no surprise if something more than the £10 million of maturities is borrowed.

The absorption of additional capital into the business even in a year like that ended on October 31st last when profits stood approximately still at £23.3 million gross and the dividend was held at 21 per cent is noteworthy; of the £10 million absorbed last year, the largest single item was a rise of £6.8 million in stocks. The stocks—most of them in bond—were higher physically and higher in cost per lb, but it is evident that the amount of duty paid stock was higher too, as were the debtors, which are just stocks at one remove. The increase of 3s. per lb in the British tobacco duty last April produced an uncovenanted net profit of £1.2 million that was carried straight to reserve, but it also greatly increased the capital that the group has to use in its uncovenanted job of honorary tax collector for the Government, and the increase in the Irish duty operated in the same direction. The plea for a reduction in the duty (though it would turn windfall profits into windfall losses) will doubtless be heard again. But in facing its capital needs the group will have to face the facts. Those facts at the moment seem to be keener competition in the trade,



a rate of duty that definitely limits consumption, and the commitment of a larger sum than ever in financing the tobacco duty.

Copperbelt Costs Compared

THE growth of the copper mining industry of Northern Rhodesia is a stirring achievement, but that should not be an excuse for exaggerating the copperbelt's competitive power. Sir Ronald Prain, chairman of the Rhodesian Selection Trust group of copper companies, has always tried to check that tendency, and he did so again in his recent address to the New York section of the American Institute of Mining, Metallurgical and Petroleum Engineers. The belief that the cost of production on the Rhodesian copperbelt is far lower than in the United States is a myth, he said. In 1955 the average cost on the copperbelt was over 19 cents a lb (£152 a ton) for electrolytic copper, compared with about 18¼ cents a lb (£146 a ton) in the United States. "The exactness of these figures is open to question, but I do not think that the generality is." After obtaining information on costs for the bulk of free world production in 1955, he estimates that 52 per cent of this tonnage was produced at a lower cost and 32 per cent at a higher cost than Rhodesian output (which accounted for the other 16 per cent).

Sir Ronald pointed out that costs in Rhodesia contain a large element, principally royalties, which vary with the price of copper, and which therefore act as a cushion when prices fall. Assuming that other mines do not enjoy these variables, and that copper prices fell to the break-even point for Rhodesian producers, he estimates that 38 per cent of the same world tonnage would still be produced more cheaply than in Rhodesia, and 46 per cent at a higher cost. He did not state what the break-even point for Rhodesia would be, but an average of about £125 a ton might not be wide of the mark.

Company Notes

ENGLISH ELECTRIC. The belief that a cash issue by English Electric was imminent has been restraining the market price of its ordinary stock for some weeks. There will be such an issue, but not just yet. Funding is scarcely avoidable when bank overdrafts come to £20 million, nearly double what they were at the end of 1955. But as yet the directors have not made any application to the Capital Issues Committee.

The curbing rein on the market price thus remains. How big a curb was demonstrated by the market's reaction to the unexpected increase in profits and in the ordinary dividend. The price of the stock went up from 52s. 6d. to 56s. 6d. but the dividend yield widened, too. On the old dividend of 12½ per cent the yield just before the preliminary report was published was £4 15s. 3d. On the new dividend of 14 per cent, the yield is £4 19s. per cent. Nor did the price of the stock move up on the hint that an issue was not to be made immediately.

	1955	1956
Consolidated earnings:—	£	£
Trading profit	8,791,696	9,468,796
Depreciation	1,894,656	2,291,417
Taxation	3,471,954	3,521,309
Net profit	*2,733,302*	*2,911,812*
Ordinary dividends	1,006,537	1,225,349
Retained profits	1,672,673	1,611,667
Consolidated balance sheet:—		
Net fixed assets	20,074,380	23,041,120
Net current assets	34,074,948	32,768,581
Stocks	40,130,347	43,924,515
Cash	630,979	971,242
Bank overdrafts	10,333,472	20,538,635
Reserves	25,397,701	27,429,357
Ordinary capital	15,221,721	15,221,721

£1 ordinary stock at 56s. 6d. yields £4 19s. per cent.

The turnover of the group went up by 8½ per cent, but gross trading profits rose by only 2½ per cent. The ratio of profits to sales come down from nearly 5.7 to 5.4 per cent and, whether it is calculated by the employment of labour or capital, productivity was slightly down on the year. The increase in trading profits from £8,791,696 to £9,468,796 reflects a slight improvement in the profitability of exports, but strong competition in export markets for power transformers still led to some losses. Losses were made by the group's two Canadian subsidiaries, though of the two Canadian Marconi is hardly likely to become a persistent or large loser. Between them the Canadian companies have borrowed about £4¼ million (against £2½ million) from the banks. English Electric's results are surprisingly good but one fact shareholders, waiting on the issue, will be anxious to learn is the state of the group's order books, and it is expected that what they learn will be reassuring.

★

BRITISH-AMERICAN TOBACCO. Better standards of living throughout the world provide British-American Tobacco with its opportunity. To grasp this opportunity, BAT has to rely increasingly on the local manufacture of cigarettes and tobacco and less on exports from this country. Economic nationalism thus becomes a danger. How much a danger was illustrated a few years back when BAT lost its investments in China. Now in the preliminary report, the directors say: "Owing to the present unsettled situation in the Middle East, certain subsidiaries in that area have not been included in the consolidated figures in respect of the year to September 30th and full provision has been made for the investment in those subsidiaries in the books of the relevant sub-holding company out of reserves and undivided profits." As a result reserves and undivided profits in the consolidated balance sheet will show a net reduction over the year of £5,756,685.

Until the full accounts are published, investors can draw two tentative conclusions from this statement. First, as £3,400,000 has been put to replacement reserves and £1,000,000 to the parent company's general reserve from the year's profits, the effective reduction of the book value of investments is high. On these figures alone it cannot be less than £10 million and it is probably more. Secondly, because not all the subsidiaries have been consolidated, the group's trading profit of £51,878,873 in 1955-56 is not directly comparable with the profit of £51,960,942 in 1954-55. One, possibly optimistic, way of looking at these figures is that BAT has been able to maintain earnings without the benefit in the latest year of the profits of Middle Eastern subsidiaries.

But it was not the trend in profits nor the loss (possibly permanent) of investments which caught the investor's eye. It was rather the increase in the ordinary dividend and the proposed free scrip issue. The tax-free dividend for the full year has been raised from 17½ to 20 per cent, as some anticipated when the second interim payment was increased last August. And now the directors propose to make a one for three free scrip issue. They state that this issue does not necessarily imply an increase in dividend distributions. But some investors, looking at the size of reserves and earnings, are prepared to bank on better payments in the future, even though they realise that not all earnings are remitted back to this country. The first interim payment for the current year is the same as the August payment of 5¾ per cent, tax free, but the new shares to be issued as scrip do not rank for this payment. The cautious will continue for the moment to calculate the yield on a tax-free dividend of 20 per cent; on that basis the gross yield is £5 19s. per cent at 58s. 6d., the price which the 10s. units reached after rising 6d. on the dividend announcement. But even the cautious cannot altogether ignore the possibility of growth in "BATs."

★

DECCA RECORD. LP, Hi-Fi and pops all make their contribution to the boom in the market for gramophone records. The boom continues. But in this country the market is dominated by EMI and Decca Record. Competition between these two giants, whose range of products extends far beyond the gramophone, is fierce and that keeps profit margins down. In the year to March 21, 1956, Decca's sales went up by £3,370,000 to £12,860,000 (including exports of £3,410,000) yet its trading profits went up by a mere £50,000 to £1,780,000 and net profits fell quite sharply, from £527,000 to £419,000. The ordinary dividend rate was left unchanged at 43¾ per cent on the capital as increased by rights and free scrip issues.

These results relate to a period long since past but fortunately the directors tell shareholders something of the group's experience in more recent months. In the first nine months of the current financial year sales were 30 per cent higher than in the same period of 1955 and "the momentum of the record business has increased." But Decca has had to absorb further increases in costs and has again had to spend heavily on research and development.

The directors are still thinking in terms of expansion and with the preliminary statement they announced yet another rights issue of ordinary shares. The offer is one new 4s. share at 22s. 6d. for every five held. The directors anticipate that the dividend for the current year on the new capital will not be less than 43¾ per cent. The existing shares now stand at 29s. ex rights, to yield just over 6 per cent.

★

LEYLAND MOTORS. In November Leyland Motors, planning a further expansion in output on the acquisition of the tank arsenal at Farington, raised about £5 million by a rights issue of ordinary shares. An unchanged ordinary dividend for the year to September 30th, for which the new shares ranked for payment, was then forecast by the directors. This dividend of 12½ per cent has been formally declared. The directors also told shareholders that new records in output and in exports had been established.

Thus Throgmorton Street was prepared well in advance for a good-looking preliminary statement. In the event it was slightly more handsome than the market had anticipated. Trading profits were shown to have risen from £4,487,911 to £5,527,775 and net profits, after a bigger tax charge, from £1,826,372 to £2,327,796. On this statement the £1 units went up 6d. to 44s. 6d. (to yield 5⅛ per cent). The advance in profits was too big simply to be attributed to the inclusion of a full year's figures for the subsidiary, Scammell Lorries. Well over half of Leyland's output is sold abroad and clearly the directors, who are planning further extensions in production, see a prospect of expanding foreign markets. They must hope that economies of production on a larger scale will offset any rise in prime costs.

★

BRITISH OXYGEN. The report of the Monopolies Commission on British Oxygen came out not many weeks ago. Now that company's directors have effectively left the ordinary dividend unchanged. On the capital as increased by the 50 per cent free scrip issue, the dividend rate is to per cent, so that at a price of 32s. 6d. the £1 units yield £6 3s. per cent. The directors say that increases in costs, with a resultant lowering of profit margins, have largely offset "the benefit of continued sales growth at home and overseas." For the year to September 30th, gross profits after depreciation came to £5,198,464. This is comparable with £4,845,639 for the previous year if twelve months' trading of the parent company is included; the published profit for 1954-55 of £4,277,152 included the trading of the parent company for nine months only.

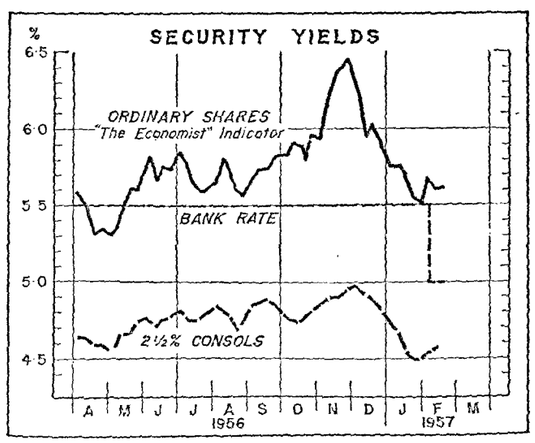
LONDON STOCK EXCHANGE

First dealings:	Feb. 13	Feb. 27	Mar. 13
Last dealings:	Feb. 26	Mar. 12	Mar. 26
Account Day:	Mar. 5	Mar. 19	Apr. 2

British funds flagged this week under the steady pressure of new issues; long-dated stocks and irredeemables losing up to ¾ on balance. Short-dated stocks made further small gains. Corporation issues receded and the new 5 per cent Northern Ireland Electricity stock fell to ½ discount on Wednesday, when the lists for the new Edinburgh loan remained open all day, 71 per cent of the stock being left with the underwriters. Dealings started at ⅛ discount on Thursday. Japanese bonds made persistent gains throughout the week. Industrial shares were firm.

On the increase in dividend English Electric jumped 4s. 3d. to 56s. 6d.; GEC improved 1s. 9d. to 56s., and AEI rose slightly to 66s. 6d. C. A. Parsons advanced 4s. 6d. to 62s. 3d. and A. Reyrolle 6s. to 104s. 6d. Following the rights issue Decca fell to 29s. 1r. Motors showed several small improvements and Blackburn Aircraft recovered 2s. 9d. to 17s. Cinema shares were again bought on hopes of tax concessions, Associated British Picture jumping 1s. 10½d. to 11s. 4½d. and Gaumont-British 1s. 3d. to 11s. 4½d. Steel shares weakened in anticipation of a public offer of SCOW, but losses were not heavy; Colvilles fell 1s. 4½d. and United Steel 1s. to the common price of 30s. 6d. Shipping shares were active and made considerable gains; Royal Mail rose 3s. to 42s. 9d. and Dene Shipping, Liner Holdings, Lyle Shipping and Houlder Line were prominent.

Oil shares rose sharply on Wednesday when Shell gained 3s. 7½d. and BP 2s. 10½d. At the same time gold mines weakened; F. S. Geduld fell 2s. 6d. and Western Holdings 1s. 10½d. Coppers declined, Nchanga slipping to 11⅛ and RST to 20s. 9d. ex the one-for-one capitalisation. Beralt Tin lost 3s. to 43s. on the report of further wolfram discoveries in America. Rubbers and teas (under the lead of Aibheel) enjoyed considerable support and made substantial gains.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1956 High	1956 Low	1955 High	1955 Low
Jan. 23	198·0	5·55				
„ 30	198·9	5·52				
Feb. 6	194·0	5·66	210·4 (Jan. 4)	170·0 (Nov. 28)	232·1 (July 20)	175·2 (Mar. 23)
„ 13	195·9	5·61				
„ 20	196·8	5·63				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956 High	1956 Low	1955 High	1955 Low
		%		%		203·5 (Jan. 3)	161·5 (Nov. 29)	233·9 (July 21)	175·7 (Mar. 15)
Feb. 13	185·0	5·91	96·58	4·57	10,221				
„ 14	185·4	5·90	96·56	4·57	9,357				
„ 15	185·2	5·91	96·47	4·59	9,129				
„ 18	185·6	5·89	96·45	4·60	11,752				
„ 19	185·8	5·89	96·41	4·59	9,371				
„ 20	185·8	5·89	96·85	4·60	9,188				

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

LONDON ACTIVE SECURITIES

Prices, 1956 High	Prices, 1956 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price Feb. 13, 1957	Price, Feb. 20, 1957	Net Yield, Feb. 20, 1957 £ s. d.	Gross Yield, Feb. 20, 1957 £ s. d.
99¼	97	Funding 2½% 1952-57	99 13/32	99 13/32	2 7 9	4 5 6
95 17/32	93½	War Loan 3% 1955-59	96 13/32	96 13/32	2 17 10	4 7 7
91 5/8	88 15/32	Funding 2½% 1956-61	92 7/32	92 7/32	3 5 4	4 9 7
100 7/32	99 15/32	Exchequer 5% 1957	100 1/32	100 1/32	0 19 6	4 7 4
99 15/32	97	Conversion 4% 1957-58	99 3/32	99 1/4	2 15 8	4 14 10
97 3/8	95½	Serial Funding 2½% 1957	98 1/16	98 3/32	3 6 8	4 13 5
94 23/32	91	Conversion 2% 1958-59	95 5/16	95 5/16	3 9 11	4 8 5
92¼	88 5/8	Exchequer 2% 1960	93 1/16	93 1/16	3 8 4	4 6 2
95 1/16	92¼	Exchequer 3% 1960	96	96	3 2 7	4 8 5
88¼	83	Savings Bonds 3% 1955-65	89 3/32*	88 1/32	3 4 10	4 12 2
82 7/8	77½	Funding 3% 1959-69	84 3/8	83 15/16	3 8 3	4 17 9
92¼	84½	Funding 4% 1960-90	92¼	91 7/32	5 7 1	7 6 11
					2 14 1	4 11 0
81 7/8	75½	Savings Bonds 3% 1960-70	81 1/4*	80 1/4*	3 10 6	4 19 3
98 3/32	97 7/8	Conversion 4½% 1962	99*	99	2 16 0	4 14 8
91 7/32	88 1/32	Exchequer 3% 1962-63	92 3/32	92 3/32	3 1 1	4 8 8
87¼	83 3/8	Exchequer 2½% 1963-64	88 1/32	88 1/32	3 6 11	4 10 9
81 1/8	76 3/8	Savings Bonds 2½% '64-67	83 7/32	83	3 9 9	4 14 4
79 1/4	71 1/4	Savings Bonds 3% 1965-75	77 1/8*	76 1/4	3 8 9	4 13 9
83 1/16	78	Funding 3% 1966-68	84 3/32	83 15/16	3 8 11	4 17 5
96 1/32	90	Victory 4% 1920-76	94 3/4*	94 3/4*	2 18 1	4 13 4
88 3/32	81 1/32	Conversion 3½% 1969	88 1/16*	87 3/4*	3 4 8	4 16 8
85 3/32	74 15/32	Treasury 3½% 1977-80	80 3/4	80 7/16	3 4 9	4 19 6
84¼	74 15/32	Treasury 3½% 1979-81	79 1/16*	79 1/32	3 5 3	4 19 10
72 3/4	64½	Redemption 3% 1986-96	71 1/8	70 3/4	3 0 8	4 14 2
81 1/4	73½	Funding 3½% 1999-2004	79 3/4	79 1/2	2 16 0	4 11 4
84 3/4	76	Consols 4% after Feb. '57	81 3/16	80 7/8	2 17 0	4 19 2
77	68	War Loan 3½% after 1952	74 1/4	73 1/2	2 14 11	4 15 11
76 3/4	67 1/32	Conv. 3½% after Apr. 1961	74 1/16	73 15/32	2 15 1	4 16 8
66 3/4	58 3/8	Treas. 3% after Apr. 1966	64 3/4	64 1/2	2 13 10	4 14 4
56 3/4	49 1/2	Consols 2½%	54 3/8	54 1/32	2 13 1	4 12 6
56 3/4	50	Treas. 2½% after Apr. '75	55 1/16	54 15/16	2 15 1	4 13 1
93 1/32	90	Br. Electric 4½% 1967-69	96 1/32	96	2 19 8	4 19 0
80 1/32	72 3/4	Br. Electric 3% 1968-73	79 3/4	79 1/4	3 9 6	5 0 0
79 1/4	71 1/4	Br. Electric 3% 1974-77	76 1/4*	76 1/4*	3 7 3	4 17 3
95	85 1/4	Br. Electric 4½% 1974-79	92 3/4*	90 3/4*	3 0 5	4 13 8
83 15/32	74 3/32	Br. Electric 3½% 1976-79	81 3/4	81	3 4 8	4 19 6
90 3/4	84 1/4	Br. Gas 4% 1969-72	90 1/4	90	3 2 7	4 19 0
87 1/16	80	Br. Gas 3½% 1969-71	86 3/4*	86 1/4*	3 3 10	4 15 2
73 1/4	65 1/4	Br. Gas 3% 1990-95	72	71 1/2	3 0 6	4 13 6
80 1/16	72 3/8	Br. Transport 3% 1968-73	79 1/16	79 1/4	3 9 6	5 0 0
90 3/4	81 13/16	Br. Transport 4% 1972-77	88 3/4	88 3/4	3 2 1	4 19 6
73 1/4	65 1/4	Br. Transport 3% 1978-88	72	71 15/16	3 4 0	4 16 4

Prices, 1956 High	Prices, 1956 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Feb. 13, 1957	Price, Feb. 20, 1957	Yield, Feb. 20, 1957 £ s. d.
80¾	74¾	Australia 3½% 1965-69	81½	81	5 9 1
98 3/8	92½	Fed. Rhod. & Nyas. 5% 1975-80	96½	95½*	5 7 0
76	70	S. Rhodesia 2½% 1965-70	74½	75	5 4 2
88½	80½	N. Zealand 4% 1976-78	87½	87½	4 19 6
101 3/8	99½	L.C.C. 5½% 1977-81	105½	104½*	5 2 0
97¾	88½	Agric. Mortgage 5% 1959-89	92½	93	5 9 3
68¾	61	Met. Water Board 'B' 3% 1934-2003	68*	67¾*	4 16 0
81½	71	German 7% 1924 (Br. Enfaced 5%)	77½	76½	...
169¾	159½	Japan 5% 1907 (Enfaced)	164½	163	...

Prices, 1956 High	Prices, 1956 Low	ORDINARY STOCKS	Last Two Dividends (a)	(b)	(c)	Price, Feb. 13, 1957	Price, Feb. 20, 1957	Yield, Feb. 20, 1957 £ s. d.
			%	%				
105/-	92/6	BANKS & DISCOUNT	2	a	7 b	128·9*	127/6*	7 1 2
50/-	39/10½	Bk. Ldn. & S. Amer. £5	5	a	7 b	44/-	44/-	5 9 1
35/9	27/9	Barclays Bank £1	4	a	4 b	31/6	30/3	5 5 10
41/9	32/9	Barclays D.C.O. £1	7½	b	7 b	37/6	37/6	8 0 0
51/-	42/10½	Chartered Bank £1	...		7 b	48/6	48/3	5 7 8
72/4½	61/-	Lloyds Bank £1	9	a	9 b	73/-	72/9	4 19 0
46/-	29/3	Midland Bank £1	5	a	5 b	40/6	40/-	5 0 0
50/-	40/6	Nat. Discount 'B' £1	6½	b	6½ b	49/6	47/6	5 5 3
		Union Discount £1						
92/6	75/-	INSURANCE	43½	b	30 a	89/-	88 1½	4 3 3
29	16¾	Commercial Union 5/-	37½	b	12½ a	28½	28½	1 14 9
25½	18½	Legal & General £1	†47½	b	†20 a	21½	21½	5 7 6
48¾	38	Pearl £1	†117½	c	†125 c	45½	45½	4 15 6
		Prudential 'A' £1						
119/6	106/-	BREWERIES, ETC.	10	a	33 b	109/6	109/6	7 17 1
24/10½	18/7½	Bass £1	11½	b	6 a	22/1½	22/9	5 2 7
45/10½	36/9	Distillers 6/8	10	a	15 b	38/9	38/9	6 9 0
76/-	61/9	Guinness 10/-	14	b	7 a	68/6	70/3	5 19 7
		Whitbread 'A' £1						
183/9	99/-	OIL	†10	b	†5 a	133/6	136/10½	3 16 4
117/9	63/-	British Petroleum £1	12½	b	5 a	86/6	86/10½	4 0 7
17 7/16	11 13/32	Burmah £1	14	b	7½ a	£15½	£16½	2 5 5½
171/-	103/3	Royal Dutch 20 fl.	†13½	b	†5 a	154/6	160/7½	3 5 0
58/6	33/3	Shell £1	...		...	63/3	63/10½	...
		Ultramar 10/-						

Prices, 1956 High	Prices, 1956 Low	ORDINARY STOCKS	Last Two Dividends (a)	(b)	(c)	Price, Feb. 13, 1957	Price, Feb. 20, 1957	Yield, Feb. 20, 1957 £ s. d.
			%	%				
35/6	64/-	STEEL & ENGINEERING	3	b	7 a	79/3	80/-	3 15 0
13/-	9/4½	Babcock & Wilcox £1	14	c	4 a	12/6	12/6	5 12 0
35/-	22/9	Cammell Laird 5/-	3	a	5 b	24/9	24/-	6 13 4
54/9	39/-	Dorman Long £1	8½	b	3½ a	48/6	48/3	4 19 6
55/6	41/6	Guest Keen N'fold £1	6	b	4 a	50/7½	49/10½	4 0 2
37/6	25/7½	Metal Box £1	5	a	12½ b	27/3	26/6	6 12 1
60/-	47/3	Stewarts & Lloyds £1	11	b	3 a	69/-	68/9	4 1 5
43/9	31/4½	Swan Hunter £1	4	a	8½ b	31/6	30/6	8 3 11
44/7½	32/4½	United Steel £1	7½	b	2½ a	42/1½	43/-	4 15 0
		Vickers £1						
75/3	45/-	ELECTRICAL	15	c	7½ a	66/-	66/6	4 3 10
54/9	45/3	Assoc. Elec. Inds. £1	8½	b	4 a	48/9	50/-	5 0 0
35/6	24/4½	Br. Ins. Callenders £1	43½	c	6½ a	34/-	29/-ex	6 0 8
37/-	22/6	Decca Record 4/-	15	c	10 b	27/-	27/-	5 11 2
66/1½	43/6	Elect. & Mus. Inds. 10/-	4	a	4½ a	52/3	56 6	4 13 1
65/6	40/9	English Electric £1	9½	b		54/3	56/-	5 0 0
		General Electric £1						
24/9	19/4½	TEXTILES	6	b	4 a	21/7½	21/10½	9 2 3
23/7½	13/-	Bradford Dyers £1	5	b	1½ a	13/6	13/6	9 12 7
25/10½	20/7½	British Celanese £1	6½	b	2½ a	23/7½	24/-	7 5 10
44/-	29/-	Coats, J. & P. £1	6	b	4 a	34 6	33 6	5 13 5
57/3	22/3	Courtaulds £1	5	a	12½ b	33/9	33/10½	10 5 3
33/3	26/-	Lancashire Cotton £1	10	b	2½ a	33/1½	33 4½	7 9 10
		Patons & Baldwins £1						
24/9	19/4½	SHOPS & STORES	6	b	4 a	21/7½	21/10½	9 2 3
23/7½	13/-	Boots Pure Drug 5/-	5	b	1½ a	13/6	13/6	9 12 7
25/10½	20/7½	British Celanese £1	6½	b	2½ a	23/7½	24/-	7 5 10
44/-	29/-	Coats, J. & P. £1	6	b	4 a	34 6	33 6	5 13 5
57/3	22/3	Courtaulds £1	5	a	12½ b	33/9	33/10½	10 5 3
33/3	26/-	Lancashire Cotton £1	10	b	2½ a	33/1½	33 4½	7 9 10
		Patons & Baldwins £1						
18/10½	12/9½	SHOPS & STORES	14	c	3 a	15 9	16/-	4 7 6
41/4½	29/-	Boots Pure Drug 5/-	7½	a	20 b	39/-	39/6	6 13 3
44/9	30/1½	Debenhams 10/-	47½	b	15 a	42/3	41/6	7 10 7
71/1½	54/9½	Gt. Universal 'A' 5/-	32½	b	20 a	73/9	74/6	5 10 7
25/10½	19/-	Marks & Spen. 'A' 5/-	20	b	12½ a	24/6	24 3	6 14 0
64/10½	51/-	United Drapery 5/-	40	b	20 a	58/9	59 1½	5 0 6
		Woolworth 5/-						
22/1½	16/-	MOTORS & AIRCRAFT	6½	b	3½ a	18/9	18/6	5 8 1
9/-	5/9½	Bristol Aeroplane 10/-	4	a	8½ b	British Motor 5/-	7/5½	7/8½ 8 2 7
44/3	25/9	Ford Motor £1	21	a	5 b	33/9	34/3	4 7 7
49/3	29/9	Hawker Siddeley £1	3	a	7 b	34/-	34/7½	5 15 6
47/3	38/10½	Leyland Motors £1	10	c	12½ c	44/-	44 6	5 12 4
115/10½	85/6	Rolls-Royce £1	12½	b	5 a	115/4½	116 6	3 0 1
9/3½	5/5½	Standard Motor 5/-	12	c	8 c	7/-	7/-	5 14 3
		SHIPPING						
38/9	28/6	Brit. & Com'wealth 10/-	...		6½ a	38/-	38/-	4 4 3½
27/-	20/4½	Cunard £1	7½	b	3 a	24/9	25/3	7 18 5½
35/9	27/-	P & O Defd. £1	5	b	3 a	36/3	36/3	4 8 3
		MISCELLANEOUS						
45/6	34/3	Assoc. Port. Cem. £1	7	b	3 a	39/3	38/3	4 14 10
22/9	17/9	Beecham Group 5/-	10	b	20 a	19/9	19/9	7 11 11
60/9	38/6	Bowater Paper £1	7½	b	4½ a	45/3	46/-	5 4 4
81/10½	40/4½	Br. Aluminium £1	8	b	4 a	64/6	65/3	3 15 7
60/-	45/3	Br. Amer. Tob. 10/-	†20	c	†5⅝ a	58/6	58/3	5 13 5
19/9	15/4½	B.E.T. 'A' Defd. 5/-	15	b	7½ a	19/6	19/9	5 13 11
42/-	32/9	Br. Oxygen £1	6	b	6 b	32/9	32/6	6 3 1
$69	$56⅜	Canadian Pacific $25	3	a	4 b	$57¾	$58⅜	5 11 9
25/9	14/4½	Dunlop Rubber 10/-	10	b	2½ a	16/1½	16/9	7 9 3
49/10½	36/-	Imp. Chemical £1	6	b	4 a	41/4½	41/-	4 17 7
62/9	42/3	Imp. Tobacco £1	8½	a	12½ b	45/6*	44/6*	9 8 3
211	$141½	Int'l. Nickel n.p.v.	$2·90c	$3·75c		$191	$195	3 8 8
40/3	28/6	I. Lucas (Inds.) £1	2½	a	5 b	32/4½	32/-	4 13 9
30/3	21/3	Monsanto Chem. 5/-	15⅝	a	6⅜ b	22/4½	22/1½	5 1 8
18/-	14/10½	Ranks 10/-	10	c	2½ a	18/6	16/3½	6 3 1
75/4½	42/9	A. E. Reed £1	15	b	6 a	51/6	51/9	6 3 8
16/4½	11/7½	Sears Hldgs. 'A' 5/-	20	c	20 c	15/-	16/3	6 3 1
69/1½	54/1½	Tate & Lyle £1	4½	a	12 b	63/10½	63/3	5 4 4
69/6	49/9	Tube Investments £1	6½	a	7½ b	59/-	59/-	5 1 8
115/6	92/6	Turner & Newall £1	5	a	22½ b	114/6	113/9	4 16 8
32/9	61/7½	Unilever Ltd. £1	9½	b	6 a	73/-	73/6	4 5 9
41/9	22/9	United Molasses 10/-	†4¼	a	†4 a	40/9	42/-	4 13 10
		MINES, ETC.						
172/6	133/9	Anglo-American 10/-	50	b	20 a	138/9	137/6	5 1 10
40/-	22/6	Cons. Tea & Lands £1	†7½	b	†2½ a	25/6	26 6	13 1 6
130/7½	91/3	De Beers Def. Reg. 5/-	120	b	30 a	96/3	97/6	10 5 0
25/-	19/7½	Doornfontein 10/-	...		...	22/9	22/9	...
10/11½	8/6	London Tin 4/-	30	c	30 c	10/6	10/7½	11 4 0
16 3/8	11 1/16	Nchanga Cons. £1	112½	b	25 a	11⅜	11¼	12 7 2
64/-	52/6	Rhodesian Anglo-Am. 10/-	30	a	40 b	53/1½	52 6	6 13 4
29/-	21/-	Rhodesian Selection Tst. 5/-	12½	a	25 b	22/-	20 9	9 0 3
61/9	37/6	United Sua Betong £1	30	b	12½ a	46/6	48/6	17 10 7
81/9	64/4½	Western Holdings 5/-	30	a	40 b	71/10½	70/-	5 0 0

New York Closing Prices

	Feb. 13 $	Feb. 20 $		Feb. 13 $	Feb. 20 $		Feb. 13 $	Feb. 20 $
Can. Pacific	31	30⅞	Am. Viscose	31½	31½	Int'l. Nickel	102½*	101½
N.Y. Central	28⅛*	28⅜	Beth. Steel	43⅝	43½	National Dist.	25	25⅛
Pennsylvania	20⅛	20⅛	Chrysler	67½*	70⅝	Sears Roebuck	26¼	27⅜
Amer. Tel.	174½	177	Crown Zeller	52⅜	52	Shell Oil	74½	80
Standard Gas.	12⅜	12½	DuPont de Nm.	178⅞	180½*	Std. Oil of N.J.	54⅝	55⅛
Western Union	18⅜	19	Ford Motors	54⅞	56⅜	U.S. Steel	60½	61⅛
Alumin'm Ltd.	116	118½	Gen. Elect.	54½	56½	West'house E.	55⅜	55⅜
Am. Smelting	51⅞	51	Gen. Motors	39½	39⅞	Woolworth	43⅝	43⅝

(a) Dividend. (b) Final dividend.

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages	Feb. 2nd	Western Europe: Production and Trade	This week
Production and Consumption	Feb. 9th	British Commonwealth	Feb. 9th
Manpower	Feb. 16th	Western Europe: Prices and Money Supply	Feb. 16th
External Trade	This week	United States	Feb. 2nd
Financial Statistics	This week	World Trade	Jan. 12th
Industrial Profits	Jan. 12th		

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages 1954	1955	1956	1955 Nov.	1955 Dec.	1956 Jan.	1956 Oct	1956 Nov	1956 Dec.	1957 Jan.
VALUE											
Imports:											
Total	£ million	281·2	323·6	324·1	341·5	335·9	346·3	354·3	319·6	307·9	376·5
Food, drink and tobacco	"	110·5	120·1	121·0	126·4	123·9	126·7	139·4	126·4	119·9	143·6
Basic materials	"	85·4	93·6	92·0	98·3	94·2	99·6	93·6	88·4	88·7	115·0
Mineral fuels and lubricants	"	27·4	34·0	34·5	35·9	36·6	36·1	36·9	26·2	31·5	30·8
Manufactures	"	56·6	74·7	75·5	79·7	79·7	81·6	82·7	77·6	66·3	85·1
Exports of UK produce:											
Total	"	222·9	242·1	264·3	262·2	253·7	257·9	294·9	291·9	253·7	261·0
Manufactures	"	180·9	199·0	218·3	214·3	206·0	212·2	241·1	238·2	202·9	213·5
Re-exports	"	8·4	9·9	12·2	10·0	10·7	14·2	12·7	14·8	11·2	11·7
Balance of trade (exports *less* imports)	"	− 49·9	− 71·6	− 47·6	− 69·3	− 71·6	− 74·2	− 46·7	− 12·9	− 42·9	−103·8
VOLUME											
Imports	1954=100	100	111	111	114*	...	113*	118	105	106	...
Exports	"	100	107	114	114*	...	112*	126	124	107	...
BY AREA											
Imports:											
Dollar area—total	£ million	51·6	70·2	71·0	77·4	73·1	69·9	82·5	89·2	72·3	87·6
" USA	"	23·5	35·1	34·0	42·5	37·0	37·8	39·9	47·2	40·5	51·2
" Canada	"	22·7	28·6	29·0	29·0	29·3	25·4	33·9	33·8	24·8	24·9
Non-sterling OEEC countries	"	68·1	79·6	81·1	90·1	81·1	90·1	90·6	81·1	72·4	84·9
Sterling area	"	124·8	131·1	126·5	124·3	137·7	137·2	129·4	109·1	125·2	155·0
Exports:											
Dollar area—total	"	31·3	34·8	45·2	35·5	39·4	34·5	51·2	53·7	41·5	41·8
" USA	"	13·3	16·6	21·6	16·5	20·6	17·3	26·3	26·5	20·2	22·9
" Canada	"	11·3	12·1	15·2	12·7	13·1	10·3	16·9	18·5	12·1	12·5
Non-sterling OEEC countries	"	64·7	68·1	75·7	76·8	71·3	68·6	92·1	84·8	77·5	80·5
Sterling area	"	112·2	121·0	122·4	129·9	120·6	130·7	131·7	131·2	116·8	118·3
Balance of trade (exports *less* imports):											
Dollar area	"	− 20·3	− 35·4	− 25·8	− 41·9	− 33·7	− 35·4	− 31·3	− 35·5	− 30·8	− 45·8
Non-sterling OEEC countries	"	− 3·4	− 11·5	− 5·4	− 13·3	− 9·8	− 21·5	+ 0·5	+ 3·7	+ 5·1	− 4·4
Sterling area	"	− 12·6	− 10·1	− 4·1	+ 5·6	− 17·1	− 6·5	+ 2·3	+ 22·1	− 8·4	− 36·7
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	288·6	374·3	399·6	319·4	368·7	348·0	422·9	382·0	319·2	375·6
Meat	"	56·3	67·0	72·4	73·7	89·5	99·9	74·7	83·4	61·2	76·9
Sugar unrefined	"	201·2	186·2	194·9	169·1	185·4	171·8	223 0	165·4	243·7	261·0
Raw cotton (1)	"	30·8	24·2	27·1	24·4	24·8	27·1	24·9	27·6	32·1	46·0
Raw wool, sheep's and lambs' (1)	mn. lb.	51·6	55·1	53·5	49·2	60·9	84·2	35·5	53·9	69·0	82·7
Rubber, natural and synthetic (1)	'000 tons	20·6	24·6	18·3	25·0	31·8	20·6	23·1	1·6	17·2	31·0
Softwood	'000 stds.	122·0	140·0	165·8	171·2	110·5	88·4	137·8	111·5	99·3	89·1
Woodpulp	'000 tons	159·8	186·9	183·4	196·1	171·8	200·5	204·3	202·2	183·9	214·1
Crude petroleum	mn. galls.	606	601	618	568	636	598	685	419	508	424
Exports of UK produce:											
Coal, including bunkers	'000 tons	1,351	1,196	836	1,341	1,357	914	815	881	781	756
Woven piece-goods—cotton	mn. sq. yds	53	46	40	47	39	39	41	43	40	38
" " wool(2)	'000 sq. yds.	8,204	8,965	9,102	9,278	8,790	9,030	10,476	9,708	7,532	9,970
Passenger cars and chassis	number	30,487	31,090	26,500	27,757	25,833	28,465	25,683	24,366	20,930	26,372
Commercial vehicles and chassis	"	10,525	13,111	12,097	12,868	12,514	14,761	10,621	10,509	9,204	8,560
Agricultural tractors	"	8,908	8,720	7,483	6,544	6,972	8,630	6,451	7 044	5,006	7,250
Machinery—electrical	£'000	4,923	5,158	5,302	5,419	5,059	6,426	5,561	5,443	4,130	4,385
" other	"	30,553	34,687	38,657	37,018	37,517	39,751	40,771	40,933	36,217	39,281
Chemicals, elements and compounds	"	4,214	4,422	4,948	4,404	4,417	4,602	5,559	5,244	4,761	5,049

(1) Retained imports. (2) Average for fourth quarter. (3) Excluding fents from January, 1956. (4) Average for first quarter. (5) Excluding the former French protectorates of Tunisia and Morocco.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (1) (1953 = 100)												
1948	54	87	82	79	...	52	70	62	70	70	90	69
1954	114	106	109	109	112	122	103	109	110	109	104	109
1955	133	116	112	121	129	130	107	118	118	113	111	124
1956, July	133	109	75	131	135	134	100	135	120	78	61	...
„ August	137	117	115	94	134	132		110	121	119	110	...
„ September	146	124	121	133	144	135		133	123	128	120	...
„ October	149	...	124	137	144	140	...	138	136	129	124	...
„ November	...	...	125	140	154	...	...	...	136	131	124	...
VALUE OF EXTERNAL TRADE (2)												
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas[3]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lira
IMPORTS (c. i. f.)												
1948	243	7,249	285	56·08	264[4]	152[4]	11·36	70·36	414	310	413	64·2
1954	1,416	10,561	674	123·11	1,601	825	14·99	127·04	905	606	766	111·6
1955	1,922	11,790	678	136·74	2,029	955	17·03	140·93	1,016	649	861	116·1
1956, July	2,391	13,156	690	166·24	2,391	1,119	15·15	170·71	1,227	661	880	112·4
„ August	1,993	13,213	767	150·03	2,314	1,021	11·51	149·48	1,156	658	915	83·0
„ September	1,979	12,899	760	151·11	2,381	1,178	12·25	149·03	1,191	621	961	81·9
„ October	2,424	...	829	181·86	2,602	1,604	14·42	172·25	1,341	780	1,093	71·2
„ November	2,288	...	848	167·95	2,567	...	...	155·82	1,288	736	1,098	97·6
EXPORTS (f. o. b.)												
1948	165	6,171	228	36·18	151[5]	39[4]	4·11	47·99	226	172	332	45·9
1954	1,321	9,581	554	121·94	1,832	380	9·61	85·33	764	347	683	78·1
1955	1,514	11,566	608	139·94	2,142	457	9·19	96·72	851	377	744	73·1
1956, July	1,870	12,148	604	134·68	2,580	197	9·51	117·06	796	427	923	37·6
„ August	1,851	12,131	623	119·96	2,448	213	8·41	109·29	857	419	839	36·8
„ September	1,987	12,991	610	118·00	2,630	342	9·89	114·69	999	433	934	45·1
„ October	2,044	...	682	144·04	2,866	753	10·98	132·41	1,016	542	947	59·2
„ November	1,935	...	694	150·42	2,811	...	...	119·48	1,068	452	978	88·8
BALANCE												
1948	− 78	− 1,078	− 57	−19·90	− 113	− 113	− 7·25	−22·37	− 188	− 138	− 81	− 18·3
1954	− 95	− 980	− 120	− 1·17	+ 231	− 445	− 5·38	−41·71	− 141	− 259	− 83	− 33·5
1955	− 408	− 224	− 70	+ 3·20	+ 113	− 498	− 7·84	−44·21	− 165	− 272	− 117	− 43·0
1956, July	− 521	− 1,008	− 86	−31·56	+ 189	− 922	− 5·64	−53·65	− 431	− 234	+ 43	− 74·8
„ August	− 142	− 1,082	− 139	−30·07	+ 134	− 808	− 3·10	−40·19	− 299	− 239	− 76	− 46·2
„ September	+ 8	+ 92	− 150	−33·11	+ 249	− 836	− 2·36	−34·34	− 192	− 138	− 27	− 36·8
„ October	− 380	...	− 147	−37·82	+ 264	− 851	− 3·44	−39·84	− 325	− 238	− 146	− 12·0
„ November	− 353	...	− 154	−17·53	+ 244	...	...	−36·34	− 220	− 284	− 120	− 8·8
VOLUME OF EXTERNAL TRADE (2) (1953 = 100)												
IMPORTS												
1948	48	86	59	84	...	...	90	57	64	71	85	46
1954	139	110	121	108	125	117	98	104	126	114	115	99
1955	198	122	120	122	152	135	108	112	141	119	128	91
1956, July	244	125	123	147	173	146	91	122	164	123	129	...
„ August	201	126		133	168	136	70	112	154	121		...
„ September	196	...		135	173	160	74	...	159	112		...
„ October	241	...	...	...	192	212	86	...	175	142	...	...
„ November	210	...	...	...	194	...	...	...	...	131	...	...
EXPORTS												
1948	37	69	48	48	...	...	55	66	34	70	69	55
1954	122	109	108	116	124	111	102	107	113	115	110	95
1955	136	127	118	134	142	121	94	123	124	117	115	71
1956, July	159	118	114	117	164	53	100	152	118	125	135	...
„ August	155	123		106	156	55	89	...	126	119		...
„ September	170	...		108	167	86	110	...	143	141		...
„ October	183	...	...	...	186	190	122	...	145	150	...	...
„ November	175	...	...	...	180	...	...	...	...	130	...	...

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark excludes mining; Greece, mining and manufactured gas; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Germany excludes West Berlin. (2) Special trade (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxemburg. Italy includes Trieste. (3) New drachmas introduced May 1, 1954 (1 new drachma = 1,000 old drachmas). (4) Thousand million drachmas. (5) Bizonal area.

Financial Statistics

EXCHEQUER RETURNS

For the week ended February 16th, 1957, there was an "above-line" surplus (after allowing for Sinking Funds) of £39,156,000 compared with a surplus of £144,859,000 in the previous week and a surplus of £16,336,000 in the corresponding period of last year. There was a net expenditure "below-line" last week of £6,724,000, bringing the total deficit to £307,050,000 (£110,246,000 in 1955-56).

£'000	Estimate, 1956-57	April 1, 1955 to Feb. 18, 1956	April 1, 1956 to Feb. 16, 1957	Week ended Feb. 18, 1956	Week ended Feb. 16, 1957
Ord. Revenue					
Income Tax	2085,500	1599,688	1683,518	84,770	92,501
Surtax	144,000	110,800	121,300	5,300	7,500
Death Duties	170,000	155,600	148,300	3,900	5,000
Stamps	58,500	63,400	54,700	1,600	1,500
Profits Tax, EPT	216,750	174,600	174,100	3,300	4,500
Excess Profits Levy	4,000	17,490	4,150	200	...
Special Contribution and other Inland Revenue	1,000	630	460	...	...
Total Inland Rev.	2680,150	2122,208	2186,528	100070	111001
Customs	1204,000	1024,072	1057,492	22,026	21,735
Excise	953,350	795,196	822,940	30,586	44,270
Total Customs and Excise	2157,350	1819,268	1880,432	52,632	66,005
Motor Duties	92,000	85,922	84,908	...	675
PO (Net Receipts)	...	1,750	17,200	1,750	4,850
Broadcast Licences	28,000	21,300	23,300	...	...
Sundry Loans	30,000	29,572	31,550	...	143
Miscellaneous	200,000	175,234	154,411	438	471
Total	5187,500	4255,254	4378,329	154890	183145
Ord. Expenditure					
Debt Interest	670,000	578,656	649,747	49,910	56,605
Payments to N. Ireland Exchequer	61,000	49,220	55,455	...	...
Other Cons. Fund	10,000	9,798	8,917	154	334
Supply Services	3941,918	3191,756	3463,887	87,600	86,600
Total	4682,918	3829,430	4178,006	137664	143739
Sinking Funds	37,000	29,843	30,061	890	250
"Above-line" Surplus or Deficit	395,981	170,262	16,336	39,156	
"Below-line" Net Expenditure	506,227	477,312	2,610	6,724	
Total Surplus or Deficit	110,246	307,050	13,726	32,432	
Net Receipts from:					
Tax Reserve Certificates	−84,045	−5,429	−12848	−9124	
Savings Certificates	21,000	66,900	−200	...	
Defence Bonds	−22,131	−35,305	15	−167	
Premium Savings Bonds	...	58,580	...	600	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
Feb. 18	3,270·0	1,872·6	234·9	...	5,377·5
Nov. 10	3,610·0	1,341·2	258·7	1·8	5,211·6
„ 17	3,610·0	1,283·0	293·4	2·3	5,188·6
„ 24	3,610·0	1,265·9	239·6	0·8	5,116·2
Dec. 1	3,630·0	1,276·5	227·3	1·0	5,134·8
„ 8	3,620·0	1,340·9	208·5	2·0	5,171·4
„ 15	3,610·0	1,343·7	200·2	...	5,153·9
„ 31	4,599·5		234·6	4·0	5,198·1
1957					
Jan. 5	3,530·0	1,430·0	245·7	1·8	5,207·5
„ 12	3,440·0	1,386·3	267·1	...	5,093·5
„ 19	3,520·0	1,487·0	244·0	...	5,051·0
„ 26	3,210·0	1,516·5	221·0	...	4,947·5
Feb. 2	3,120·0	1,507·0	204·9	...	4,831·9
„ 9	3,050·0	1,486·7	197·4	...	4,734·1
„ 16	2,980·0	1,247·9	246·3	...	4,474·2

THE MONEY MARKET

THE discount market reduced its common bid at the Treasury bill tender on Friday of last week by 4d. to £98 18s. 6d. per cent, marking an increase in its rate of discount of just over $\frac{1}{16}$ per cent. Applications at this price were allotted only 10 per cent; the discount houses, however, also submitted individual tenders at higher prices. The average rate of allotment rose by 9¾d. (just over $\frac{1}{32}$ per cent) to £4 5s. 6.04d. per cent. Total applications dropped by £23.5 million to £348 million, but the Treasury "cut the top off" the tender of £190 million and allotted only £170 million.

Credit has generally been comfortable in the past week—but on two days the market has been in the Bank. On Thursday of last week heavy tax transfers and repayments to the Bank of the seven-day loans taken on Bank rate day created an acute stringency, and notwithstanding large help from the Bank by means of special purchases, three or four houses had to seek new facilities at Bank rate. On the ensuing days credit supplies became plentiful; on Friday and Monday some funds remained unlent. Balances were offered by "outside" banks at down to 3 per cent, and May maturities have been sold as low as 4½ per cent. On Wednesday the Bank gave no special help and five or six houses again had to take loans at the penal rate, though the amount involved was small.

LONDON MONEY RATES

	%		%
Bank rate (from 53rd/7/57)	5	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4⅜–4 7/16
Bank	3	3 months	4⅜–4 7/16
Discount houses	3*	4 months	4⅜–4 7/16
		6 months	4⅛–4⅜
Money Day-to-day	3½–4½	**Fine trade bills**:	
Short periods	3⅝	3 months	5⅛–6
Treas. bills 2 months	4½	4 months	5⅜–6
3 months	4⅝	6 months	5⅝–6½

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	Feb. 22, 1956	Feb. 13, 1957	Feb. 20, 1957
Issue Department:			
Notes in circulation	1,779·3	1,862·1	1,859·1
Notes in banking dept.	46·1	63·3	66·2
Govt. debt and securities*	1,821·2	1,921·3	1,921·3
Other securities	0·8	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	10·5	16·6	13·4
Bankers	242·0	225·3	233·8
Others	71·5	72·7	72·6
Total	324·0	314·6	319·8
Securities:			
Government	248·5	218·6	219·8
Discounts and advances	32·2	30·9	31·7
Others	16·8	18·1	18·6
Total	297·5	267·6	270·1
Banking department reserve	48·3	65·3	68·2
"Proportion"	14·7	20·7	21·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £1,925 million from £1,975 million on January 16, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1956	*91 Day*		s. d.	%
Feb. 17	250·0	368·7	105 5·88	49
	91 Day *63 Day*			
Nov. 16	190·0 90·0	396·1	100 0·00	39
„ 23	210·0 80·0	440·6	100 3·34	30
„ 30	220·0 70·0[1]	403·3	100 4·69	52
Dec. 7	220·0 60·0	441·0	100 10·28	24
„ 14	230·0[2] 60·0	424·9	99 1·54	55
	91 Day			
„ 21	280·0	379·8	98 1·43	68
„ 28	270·0	372·5	97 1·81	68
1957				
Jan. 4	270·0[1]	406·7	95 9·11	54
„ 11	260·0[2]	401·4	95 5·30	35
„ 18	240·0	391·2	93 1·40	53
„ 25	200·0[3]	414·0	91 0·81	36
Feb. 1	190·0	384·1	90 10·07	21
„ 8	190·0	371·5	84 8·29	38
„ 15	190·0[2]	348·0	85 6·04	10

* On February 15th tenders for 91 day bills at £98 18s. 6d secured 10 per cent, higher tenders being allotted in full The offering yesterday was for £200 million at 91 day bills [1]Allotment cut by £10 million. [2]Allotment cut by £20 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	February 20	February 14	February 15	February 16	February 18	February 19	February 20
United States $	2·78–2·82	2·79⅛–2·79⅞	2·79⅛–2·79⅞	2·79⅛–2·79⅞	2·79⅛–2·79⅞	2·79⅛–2·79⅞	2·79⅛–2·79⅞
Canadian $	...	2·68⅛–2·68⅜	2·68⅛–2·68⅜	2·68⅛–2·68⅜	2·68⅛–2·68⅜	2·68⅛–2·68⅜	2·68⅛–2·68⅜
French Fr.	972·65–987·35	986⅞–987	986⅞–987	986⅞–987	986⅞–987	986⅞–987	986⅞–986⅞
Swiss Fr.	12·15 7/16–12·33⅞	12·27½–12·27⅝	12·27⅝–12·27⅞	12·27½–12·27⅝	12·27½–12·27⅝	12·27½–12·27⅝	12·27½–12·27½
Belgian Fr.	138·95– 141·05	140·57½– 140·62½	140·57½– 140·62½	140·57½– 140·62½	140·60– 140·65	140·60– 140·65	140·62½– 140·67½
Dutch Gld.	10·56–10·72	10·67½–10·67⅝	10·67½–10·67⅝	10·67½–10·67⅝	10·67½–10·67⅝	10·67½–10·67⅝	10·67½–10·67⅝
W. Ger. D-Mk.	11·67 7/16–11·84⅞	11·75½–11·75⅝	11·75½–11·75⅝	11·75½–11·75⅝	11·75½–11·75⅝	11·75½–11·75⅝	11·75½–11·75⅝
Portuguese Esc.	79·90–81·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15
Italian Lire	1736⅜–1762½	1760½–1761½	1760½–1761½	1760½–1761½	1760½–1761½	1760½–1761½	1760½–1761½
Swedish Kr.	14·37½–14·59⅜	14·50¼–14·50¾	14·50¼–14·50¾	14·50¼–14·50¾	14·50¼–14·50¼	14·50¼–14·50¼	14·50¼–14·50¾
Danish Kr.	19·19½ 19·48½	19·40½–19·41	19·41¼–19·41½	19·41¼–19·41½	19·41½–19·41½	19·41½–19·41½	19·41½–19·41½
Norwegian Kr.	19·85–20·15	20·00–20·00¼	20·00–20·00¼	20·00–20·00¼	20·00–20·00¼	20·00–20·00¼	20·00–20·00¼
One Month Forward Rates							
United States $		⅝–1c. pm	⅝–1c. pm	⅝–1c. pm	⅝–1c. pm	⅝–1c. pm	⅝–1c. pm
Canadian $		⅛c.pm–⅛c.dis	⅛c.pm–⅛c.dis	⅛c.pm–⅛c.dis	⅛c.pm–⅛c.dis	⅛c.pm–⅛c.dis	⅛c.pm–⅛c.dis
French Fr.		⅛ pm–⅛ dis	⅛ pm–⅛ dis	⅛ pm–⅛ dis	⅛ pm–⅛ dis	⅛ pm–⅛ dis	⅛ pm–⅛ dis
Swiss Fr.		1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm
Belgian Fr.		1–1 pm	1–1 pm	1–1 pm	1–1 pm	1–1 pm	⅝–1 pm
Dutch Gld.		1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm
W. Ger. D-Mk.		1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm
Italian Lire		2 pm–par	2 pm–par	2 pm–par	2 pm–par	2 pm–par	2 pm–par
Swedish Kr.		1¼–1½ pm	1¼–1½ pm	1¼–1½ pm	1¼–1½ pm	1½ pm–par	1½ pm–par
Danish Kr.		4–2½ pm	4–2½ pm	4–2½ pm	4–2½ pm	4–2½ pm	4–2½ pm
Norwegian Kr.		2½ pm–par	2½ pm–par	2½ pm–par	2½ pm–par	2½ pm–par	2½ pm–par
Gold Price at Fixing							
Price (s. d. per fine oz)		249/5½	249/4½	...	249/3½	249/4½	249/4½



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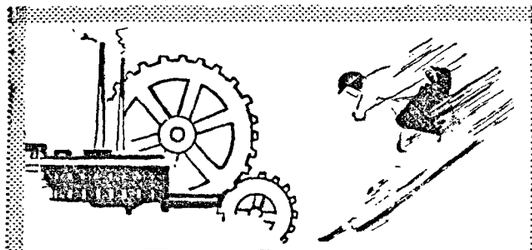
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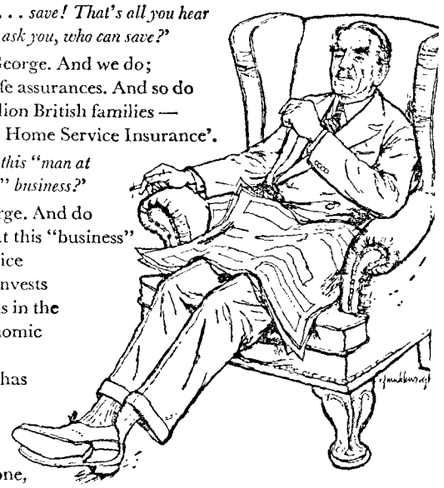
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'We all can, George. And we do; through our life assurances. And so do at least 10 million British families — through Home Service Insurance'.

'Ah! You mean this "man at the door" business?'

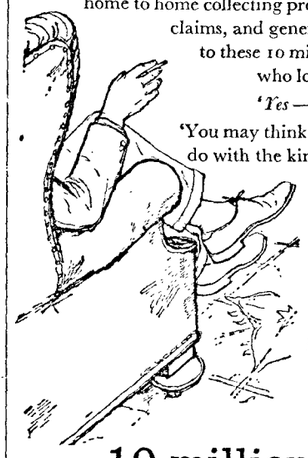
'Exactly, George. And do you realise that this "business" — Home Service Insurance — invests enormous sums in the country's economic welfare? Over £300,000,000 has already been invested in Industry and Commerce alone, while probably twice that amount has gone into Government Securities, Mortgages and the like'.

'Really? You astonish . . .'

'And these savings are now increasing at the rate of about £60,000,000 a year, which I think you'll admit is pretty good'

'Yes — but . . .'

'And all this comes about through that well known personality, the Insurance Man, who goes from home to home collecting premiums, paying claims, and generally being counsellor and guide to these 10 million families who look on him as a personal friend'.



'Yes — but how . . .'

'You may think that all this has nothing to do with the kind of insurances you and I hold. You couldn't be more wrong. The Home Service Insurance Man also does a substantial proportion of the "ordinary" life assurance business in this country, as well as a lot of fire and accident insurance. All in all, George, as an instrument of our economic survival, the Insurance Man is doing a good job of work'.

10 million families save through

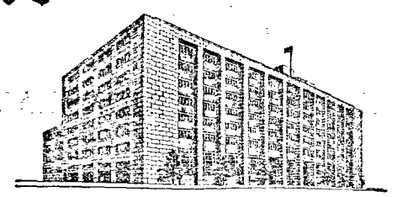
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COMPANY MEETINGS

THE KUALA LUMPUR RUBBER COMPANY LIMITED

The fiftieth Annual General Meeting of the Kuala Lumpur Rubber Company Limited was held on February 19th in London. Mr E. B. Skinner (Chairman) presided.

At the Meeting Mr Skinner made the following Statement:

WARDIEBURN ESTATE

Further to my remarks which went out with the Report and Accounts under consideration today we have received a report from our Advisers, Messrs Valentine & Dunne, Mining and Civil Engineers, on the question of further possibilities of mining on Wardieburn Estate.

We have also received detailed comments by our Eastern Agents, Messrs R. E. A. & Cumberbatch Limited, on that report.

At present there are two mining leases in existence. One of 434¼ acres sub-leased to the Kampong Lanjut Tin Company, and two other small areas of 65½ acres sub-leased to Chinese. The report says there are only two other small areas which might be worth while mining—one of about 13 acres which might be worked from the area sub-leased to Kampong Lanjut Tin Company and the other of about 77 acres which might be suitable for working by gravel pump operations. The drawback to the second block of 77 acres is that the working of it would probably upset the drainage of a large area of modern rubber. It will therefore be seen that there is only a small additional acreage suitable for mining.

In view of our recent sales of land for building purposes we thought it desirable to have advice also on the possibilities of further sales and Messrs Valentine & Dunne report that they estimate that there may be about 233 acres suitable for building of which at present about 40 acres are leased to the Military until 1962—leaving say 193 acres. Of this area the staff bungalows, labourers' quarters and factory occupy a large part and therefore would not be available for selling. It is estimated that apart from the further possible mining and building areas there will remain some 1,200 acres of rubber land of which about 72 per cent is modern rubber.

The value of Wardieburn Estate seems therefore to lie in rubber rather than in mining and building potentialities.

THE CHAIRMAN'S STATEMENT

The following is an extract from Mr Skinner's Statement circulated with the Report and Accounts:

The Company has had another satisfactory year as will be seen by the Directors' Report and the Profit and Loss account.

The crop for the year (3,600,756 lb) exceeded that of the previous year by 93,414 lb and the estimated crop for 1956-57 is 159,244 lb more than the actual crop for the past year. As the immature areas come into bearing there should be a steady increase in crop over that obtained from the old seedling areas which are being steadily replanted.

The improved profit position was due to the increased selling price 86 cents (2s.) as compared with 78 cents (1s. 10d.) per lb for the previous year.

Owing to the increased cost of wages the Estate cost was 13.62d. per lb as compared with 13.39d. per lb for 1954-55. In view of the urgent need to improve the yield by replanting and new planting it was not considered desirable to recommend a dividend of more than 12½ per cent free of tax. It was also considered desirable to create a Building Reserve as the Labour Department are pressing for more modern buildings for the labour. A great deal has already been done in this matter but much still remains to be done.

In my remarks last year I referred to some land which the Government wished to requisition but I said at the time that they did not proceed in the matter. Since then *the Government had approached us again* and it was agreed that we should sell some 257 acres on the far side of the river on Klang Gates division (part of Wardieburn Estate) at *the agreed price of* $500 (£54½). The transaction took place after the end of the Company's year so does not appear in the present Accounts.

The Company was honoured by a visit to Wardieburn Estate on November 1, 1956, of HRH The Duke of Edinburgh. He was met and conducted round by the manager and spent altogether about half an hour on the estate.

The report and accounts were adopted.

TEACHER *(DISTILLERS)* LIMITED

SCOTCH WHISKY — LARGEST DOLLAR EARNER

The Eighth Annual General Meeting of Teacher (Distillers) Limited was held on February 19th in Glasgow.

Mr R. M. Teacher, the Chairman, presided and, in the course of his speech, said:

The gross profit, before deductions, amounts to £728,288 as against last year at £598,700. *After various appropriations and* provision for taxation of £358,226, we are left with a net profit of £291,415, an increase of £21,646 on last year. In view of the increased profit which, while mainly due to increased turnover, is in part due to the benefit we are receiving from more efficient production, your Board recommend that the final dividend of 7½ per cent last year should be increased by 2½ per cent making, with the interim dividend of 5 per cent already paid, a total of 15 per cent for the year. When considering this increase in dividend, we have had to bear in mind the need to conserve our resources against present-day rapid changes in conditions, taxation, and, for the time being, development and expansion.

During the course of the year we started negotiations to acquire the old-established cooperage business of Messrs C. S. Whitelaw Limited. Just prior to the end of the financial year, these negotiations were completed.

Accounting for the increased turnover, as in previous years, the dollar markets still take first place. Sales of HIGHLAND CREAM in the United States continue to claim the major portion of our exports. The dollar earnings of the Scotch Whisky industry cannot be too strongly emphasised at this time as no other British export earns a greater sum than Scotch Whisky. In Canada, sales over the past years have been declining largely due to discrimination against Scotch Whisky in the maintenance by provincial Governments of a considerable differential in price between Domestic Whiskey and Scotch.

At the close of the year our Export Director visited the Far Eastern markets and Australia and New Zealand, and this valuable personal contact with our Agents has confirmed the growing appreciation of the quality of our Brand. Unfortunately, the Australian market is, if anything, however, more restricted by import licences. This same barrier, through currency restrictions, still applies to our South American trade. Steady progress continues in that all-important market of South Africa.

HOME TRADE

As with all markets, the Home Trade is limited only by the stocks of fully matured whisky available, but we have made proportionately increased quantities available for home consumption, and the demand for these still exceeds the supply.

Production of Scotch Whisky is at a very high level at the present time, and one cannot forecast conditions at the maturity date, but fully matured stocks, as I have said, are the main factor restricting our sales. As more stock becomes available so does competition increase, but, for the present, demand for our Brand continues to rise.

The report was adopted.

H. M. HOBSON

PROGRESSIVE POLICY JUSTIFIED

The twenty-first annual general meeting of H. M. Hobson Limited was held on February 20th in London.

Mr T. Simpson (Chairman and Managing Director) presided and, in the course of his speech, said: Last year I referred to progress and expansion, and I think Shareholders will agree that the Accounts show that my remarks were justified.

The Group Profit for the year, before Taxation, amounted to £616,937, compared with *£469,096* last year. The Consolidated Net Profit, after Taxation, is £307,272, compared with £237,378. Your Directors recommend a dividend of 15 per cent (less tax).

The order book is extremely healthy, and is so spread that we are able to look to the future with confidence. Your Directors feel that the progressive policy of purchasing the most up-to-date high precision plant and equipment has been fully justified and will prove to be so in the future.

The atomic energy side of the business has developed rapidly, and new contracts have been received both for control systems and Isotope handling mechanisms.

Your Company subscribed very materially to the success of the latest Research Reactor DIDO, having designed and constructed the complete electro-mechanical control system, working in close collaboration with the Reactor engineers at Harwell.

The Subsidiary Company, Integral Limited, has again had a successful year, and it is anticipated that the present rate of production will be more than maintained.

The report was adopted.

THE PROVINCIAL BUILDING SOCIETY

IMPRESSIVE FIGURES

The Annual General Meeting of the Provincial Building Society was held on February 19th at Leeds. Lieutenant-Colonel F. W. Moore, DSO, MC (President of the Society), who presided, in the course of his speech, said:

The Report, Annual Accounts and Balance Sheet, are a matter of satisfaction. Difficulties were not of our own making and affected most businesses. They resulted from measures taken by the Government to protect the purchasing power of our national currency —sterling.

ACCOUNTS FOR THE YEAR ENDED DECEMBER 31st, 1956

	1956	Increase
Total Assets	67,182,482 +	4,039,071
Mortgage Assets	56,833,454 +	3,292,592
Amount advanced during year	9,531,441 –	2,054,367
Total Deposits	7,458,067 –	872,932
Total Shares	54,435,547 +	4,442,628
Investments in Trustee Securities	8,239,504 +	952,273
Total Net Liquidity	9,041,205 +	490,053
Reserve Funds	4,301,650 +	287,849
Income Tax and Profits Tax	982,000 +	212,000
Number of Borrowers' Accounts	65,913 +	1,409
Number of Shareholders' Accounts	62,243 +	4,619
Number of Depositors' Accounts	18,635 –	948
	146,843 +	5,080
Percentage of Total Net Liquidity to Shares and Deposits	14·60	
Percentage of Reserve Funds to Total Assets	6·40	
Percentage of Reserve Funds to Mortgage Assets	7·56	

The profits have been seriously affected by the increased tax burden. The composite rate of tax has been raised during the year from a rate of 4s. 10d. in the £ to 5s. 4d. in the £, which had the effect of reducing our balance of profit and increasing taxation by £46,000.

Inclusive of the profits tax we are called on to pay, our total provision for all taxation in the year under review amounts to £982,000 as against £770,000.

Throughout the year under review, new house building has been relatively busy. I am referring to private enterprise house building which, to a large extent, depends on Building Society finance to maintain its momentum. Your Society has done its share in the financing of this new building which has formed a very high percentage of our lending. It is your Board's view that we must at the same time continue our lending on the purchases of good sound secondhand houses.

As Members you will all know that you belong to a strong Society. I can illustrate this fact by telling you that in 1946 the Society's assets were £33 million and reserves £2 million; and in 1956 our assets were £67 million and reserves £4,250,000 and that the reserves have kept pace with the Society's growth over this ten-year period.

It is the wish of us all that 1957 may see the end of the nation's monetary difficulties and thus provide all engaged in business activity with those stable conditions so necessary to clear the air for a brighter future.

The report and accounts were adopted.

BUKIT KAJANG RUBBER ESTATES, LIMITED

MR ADDINSELL'S STATEMENT

The forty-seventh annual general meeting of this Company was held in London on February 14th, Mr Jack Addinsell, chairman, presiding. The following is from his circulated statement:

Crop harvested amounted to 1,261,579 lb, an increase of 113,704 lb on the previous year. Output would have been higher but for unsettled labour and shortage of tappers at Rengo Malay estate while both estates were affected by the "Go Slow" movement imposed by the Trade Unions throughout the country in May. During the financial year 144 acres of postwar replantings on Bukit Kajang estate were brought into tapping and are yielding satisfactorily.

Cost of production increased by 5½d. per lb of which export duty and cess accounted for 2½d., the balance being primarily due to higher labour wages. This increase in costs was largely offset by an increase in net proceeds from our rubber which averaged 5d. per lb more than last year. Profit for the year, however, was £6,556 higher as a result of an increase of £4,788 in receipts from Replanting Cess Fund, higher revenue from Investments, and the receipt of £1,646 the initial instalment of Replanting Grants.

After providing for taxation there remains £33,549 from which your Directors have transferred £14,215 to Replanting Reserve, £4,000 to Capital General Reserve, and recommend a First and Final Dividend of 7½ per cent.

The report and accounts were adopted.

THE ATLAS STONE COMPANY

The twenty-sixth ordinary general meeting of The Atlas Stone Company, Limited, was held on February 19th in London, Mr Bernard Davis (Chairman and Managing Director) presiding.

The following is an extract from his circulated statement:

Trading profit for the year amounted to £92,252, which compares with £74,559 for the previous year. After charging Depreciation, Taxation as well as all other outgoings, there remains a net available balance of £97,748, out of which your Directors recommend that a Dividend on the Ordinary Shares of 10 per cent, less tax, should be paid.

With regard to the year under review, it is satisfactory to report the highest surplus yet recorded in the history of your Company and which has been achieved in a year of unsettled conditions.

The volume as well as the value of our turnover has substantially increased, and this has enabled us to absorb increased costs of labour, raw materials, transport and fuel. We respect the Government's appeal to Industry to stabilise prices, and we will adhere to this as long as it is economically possible.

All products manufactured by our Company are continually examined for new and improved methods of manufacture, and a watchful eye kept upon any new development which may be a useful adjunct to our present sphere of activities.

I am confident that our Company will continue to obtain a satisfactory share of available markets with, I hope, benefit to Shareholders and Employees alike. The report was adopted.

METROPOLITAN RAILWAY COUNTRY ESTATES, LIMITED

SIR BERNARD DOCKER'S STATEMENT

The thirty-seventh annual general meeting of The Metropolitan Railway Country Estates Limited, was held on February 21st at Kensal House, 553-579, Harrow Road, London, W.10.

The following is an extract from the statement by the Chairman, Sir Bernard Docker, KBE, circulated with the report and accounts for the year ended October 31, 1956:

We have had a year of rather mixed results. In our main activity of estate development, the credit squeeze severely affected some of our customers and adversely affected the volume of completed business and substantially reduced the profits brought into the accounts this year from that source. Our consolidated net profits before tax were £64,760, comparing with £113,061 in 1955 and after providing for tax and maintaining the dividend at 15 per cent, the same rate as last year, we shall carry forward to next year £152,790, compared with £149,941 brought forward. In a rather difficult year, therefore, we have maintained our position and there is a small increase in the carry forward.

The Consolidated Balance Sheet shows no significant changes. Freehold properties held for re-sale were £676,584 and claims outstanding under the Town and Country Planning Act, 1954, at the end of the year were £98,921. I am glad to say that a substantial part of these long overdue claims has now been paid since the Balance Sheet date and our bank overdraft has been correspondingly reduced.

TOWN AND COUNTRY PLANNING

Apart from claims we have had one interesting but so far unsuccessful appeal against the refusal of planning permission which although not serious for us financially, illustrates the difficulties under which private enterprise development languishes. At the invitation of the local Council of Bicester, Oxfordshire, we decided to purchase at auction about 60 acres of land in the town, for light industrial development.

Bicester clearly needs some expansion if it is to be a live centre and not drift into almost suburban dependence on Oxford. One would have thought that such development at our risk and cost, without subsidy, would have been welcomed by the County and Central Authorities. Particularly so, since declared Government policy is to seek dispersal of industry, to inject vigour into the smaller towns and to reduce congestion in such centres as London and Birmingham. Not so, however. The local wishes have been overruled.

After referring to current developments of building estates near Doncaster and at Scunthorpe and smaller projects in Sussex, Cheshire and North Bucks and in the greater London area as well as the affairs of the subsidiary Companies the statement continues:

The difficulty of forecastilig results is self-evident. I shall not attempt to do more than say that our activities are in a healthy state. We have three quarters of a million pounds' worth of property assets and an enterprising management. Our Balance Sheet is buttressed by no less than five years' dividend at the current rate in the carry forward. For all these reasons, assuming no major collapse in business generally, I believe that a year hence we should be able to report satisfactory results.

J. SAMUEL WHITE AND COMPANY

(Shipbuilders and Engineers)

HIGH LEVEL OF ACTIVITY

The fifty-ninth ordinary general meeting of J. Samuel White and Company, Limited, was held on February 20th in London, Mr J. A. Milne, CBE (chairman and managing director), presiding.

The following is an extract from his circulated address:

I am glad to present such a satisfactory report. Orders received, work completed and work in hand during the year under review have been commented upon by your Board in their Annual Report.

Since then we have received an order from the Admiralty for a further frigate and also two lifeboats for the Royal National Lifeboat Institution. The frigate HMS *Grafton* has been completed.

The Shipbuilding and Engineering Departments have a very full order book and will be fully employed for the next three or four years.

In the Boatbuilding Department the Inshore Minesweeper Programme will be completed within the next fifteen months and to keep the Department fully employed every effort is being made to find other boatbuilding work.

Somerton Works were well employed in the manufacture of refrigeration components, but orders for aircraft components have eased and new products are being developed to maintain a full labour force.

During the year your Company purchased the whole of the 18,000 £1 shares at par value of Henry Bannister & Co. Ltd., a private company incorporated in 1918. The Company is well known for high-class ropes used in particular by yachtsmen.

On September 19, 1956, an Extraordinary Meeting was held when ordinary resolutions were passed increasing the capital of the Company to £1 million by creating a further 2,320,000 Ordinary shares and appropriating £280,000 out of General Revenue Reserve Account to pay up in full 1,120,000 Ordinary Shares to members on the Ordinary Share Register on August 28, 1956.

STOCK EXCHANGE ACTIVITY

The new scrip issue attracted activity on the Stock Exchange, so much so that your Board considered it proper to announce through the press their confidence in the future of the Company and their intention to recommend in due course a final dividend for the year of 10 per cent and a bonus of 10 per cent (both less income tax). This announcement did ease the Stock Exchange activity and the principal buyer later advised me that the shares had been bought for investment purposes and not with a view to making a bid for the capital.

The Net Trading Profit of £359,239 is only slightly lower than the previous year and the Board have implemented their press announcement to recommend a final dividend of 10 per cent and a bonus of 10 per cent (both less income tax) and continue their policy of placing as much as possible to reserve by transferring £55,000 to General Reserve and £10,000 to Superannuation Reserve.

The assets of the Company have increased from £1,305,737 to £1,380,899.

The report was adopted.

GOLD COAST MAIN REEF

The twenty-third annual general meeting of Gold Coast Main Reef Limited was held on February 20th in London. Major-General W. W. Richards, CB, CBE, MC, chairman, presided.

The following is an extract from his Statement circulated with the Report and Accounts for the year ended June 30, 1956:

Last year I explained that the cessation of production from November 20, 1955, to February 26, 1956, due to the strike of African employees, would have the most serious effect on the year's results. Strike expenditure amounted to £50,342.

No dividend distribution was possible and the Company commenced the current year with a debit balance of £15,584.

Ore Reserves.—There was a gratifying increase of 32,066 tons in the Ore Reserves which, at June 30, 1956 (including ore in pillars) amounted to 356,414 tons, averaging 8.31 dwts. per ton, over a width of 72.9 inches.

The Chairman, addressing the meeting, said: We submit for your consideration a Resolution proposing that from February 20th onwards the name of the Company shall be changed to Ghana Main Reef Limited.

We look to the future of Ghana with a proper measure of confidence and hope. A country abounding in natural resources where, in my view, British invested capital will continue to receive consideration and encouragement.

The Report and Accounts were adopted and the Resolution changing the name of the Company was approved.

NATIONAL MORTGAGE & AGENCY CO. OF NEW ZEALAND, LTD.

The eighty-first annual general meeting of this company was held on February 19th in London, The Right Honourable Lord Glenconner, chairman, presiding.

The following are extracts from his review for the year to September 30, 1956:

The year has again been a most successful one for your company despite the drought conditions in many parts of the South Island which made the season one of the most difficult for the farming industry for many years.

Wool production continued at a high level, resulting in yet another substantial increase in the weight of wool sold during the 1955-56 season. At the opening sales for 1956-57 prices of all classes of wool have shown an increase.

Results from our merchandise and general trading activities have been most successful and I am glad to report on the success of new agencies, particularly those concerned with agricultural machinery. Present indications are that prices will again be favourable for our farmer clients in this coming season.

The development of our business is reflected in the gross profit of £571,377, the highest in the history of the company. Trading conditions generally have been very active and turnover in all departments has increased. Net profit is £158,640, compared with £142,709. Your directors recommend a final dividend of 5¾ per cent, making a total distribution for the year of £60,000.

The report and accounts were adopted.

Christiania Bank og Kreditkasse

Established 1848

The oldest Joint Stock Bank of Norway

Head Office: Stortorvet 7 — Oslo — *Telegrams:* KREDITKASSEN

Balance Sheet 31st December 1956

Assets.

Cash on Hand, and Due from Bank of Norway	Kr.	82 445 788.92
Due from Norwegian Banks	,,	95 053 095.92
Due from Foreign Banks	,,	78 070 223.05
Investments	,,	144 489 085.32
Mortgages	,,	79 434 870.48
Bills discounted	,,	135 349 546.92
Advances to Customers and Other Accounts	,,	447 642 083.97
Foreign Exchange Debtors	,,	336 484.00
Commercial Credits	,,	16 517 236.95
Bank Premises, etc.	,,	3 872 248.31
Other Assets	,,	13 055 845.62
	Kr.	1 096 266 509.46

Liabilities.

Demand Deposits	Kr.	283 531 225.43
Deposits at Notice or Fixed Term	,,	455 458 387.22
Due to Norwegian Banks	,,	152 089 436.38
Due to Foreign Banks	,,	29 343 541.92
Acceptances on Account of Customers	,,	1 175 113.40
Cheques in Circulation, etc.	,,	12 005 141.02
Foreign Exchange Creditors	,,	26 581 683.00
Commercial Credits	,,	21 083 026.46
Other Liabilities	,,	65 400 032.28
Capital fully paid Kr. 24 000 000.00		
Reserve Fund ,, 16 000 000.00		
Reserve for Taxes ,, 4 400 000.00		
Reserve for Contingencies ,, 3 000 000.00		
Balance carried forward to 1957 ,, 2 198 922.35	,,	49 598 922.35
	Kr.	1 096 266 509.46

ALEXANDERS DISCOUNT COMPANY LIMITED

MONETARY CONTROL AND THE BANK RATE

SIR ERIC GORE BROWNE'S VIEWS

The eighty-ninth annual general meeting of Alexanders Discount Company Limited was held on February 14th in London.

Sir Eric Gore Browne, DSO, OBE, TD (the chairman), who presided, said:

Since the Accounts of your Company for 1956 were circulated to you, with my Statement, the Bank Rate has been lowered by ½ per cent to 5 per cent. And, in the result, the gap which these Accounts showed between the cost and the market value of our holdings of Government Bonds has been reduced by a considerable figure, while our holding of Bills, which we had purchased before the Bank Rate fell, have also made their contribution towards the improvement in our position. At last Friday's tender for Treasury Bills the average rate of discount worked out at £4 4s. 8.29d. per cent per annum or just over ¾ per cent below the Bank Rate of 5 per cent, as compared with £4 11s. 3d. per cent per annum or nearly I per cent below the Bank Rate before it was lowered.

In my Statement to you in respect of the year 1954 I told you that the Discount Market, in the world in which we live today, is a sensitive instrument and subject to influences over which it has no control, and which may at any time affect its current position.

And in my Statement to you covering the year 1955, and in the Statement which you have before you, I told you of my doubt whether the classical Bank Rate theory is in fact effective either in curbing inflation or in dealing with the national problem of external balances.

The sensitiveness of the Discount Market has been emphasised by the events of the last few days when we have seen several houses, on the same day on which the Bank Rate was reduced, and, in spite of a very large amount of indirect help given by the Bank of England, compelled owing to shortness of credit to borrow from the Bank of England at the new rate of 5 per cent. And my doubts have been increased as to the efficacy of the Bank Rate, as an instrument of domestic monetary control, in circumstances which seem to render it in some degree ineffective, and which is, as my Statement for 1956 told you, extremely costly not only to the British taxpayer but also in respect of the service of foreign holdings of sterling in the London market.

Well, there it is. We live in the days of a controlled economy operating in a welfare state, but I cannot help wondering whether, having regard to the fact that half of the world's trade is still financed through sterling for which adequate gold or dollar backing is essential, the time has not arrived to have an authoritative inquiry in order to review, in the light of present day conditions, our whole financial system and to examine, in particular, monetary policy, the use of traditional monetary instruments and their effectiveness in a modern world.

I have thought it well to invite your attention to these national problems which have a direct bearing not only on the fortunes of the London Discount Market but of all of us who are privileged to be members of the British Commonwealth of Nations. But you may rest assured that we on this side of the table will go forward with confidence and will continue to give of our best to maintain the high tradition of this great company which we are all of us in our respective spheres very proud to serve.

The report and accounts were adopted.

CASTLEFIELD (KLANG) RUBBER ESTATE

MR ADDINSELL'S STATEMENT

The fiftieth annual general meeting of Castlefield (Klang) Rubber Estate, Limited, was held on February 15th in London, Mr Jack Addinsell (the chairman) presiding.

The following is an extract from his circulated statement for the year ended June 30, 1956:

The profit for the year before tax amounted to £100,838 compared with £72,396 for the previous year. After bringing in the balance from the previous year, War Damage grants of £863, and a tax adjustment of £3,544 (last year there were adjustments in our favour of £16,705), and charging £40,947 for tax on the year's profits, there remains £84,197 for disposal. We have transferred £10,000 to Capital General Reserve and £34,469 to Replanting Reserve. The proposed dividend of 40 per cent will be paid on the reduced issued capital of £100,000, and is equivalent, of course, to 20 per cent on the original issued capital of £200,000.

During the year some 94 acres of replantings were taken into tapping at Castlefield estate, where a further 274 acres are being replanted with selected material. At Bukit Benut estate we have had alienated to us by Government a further 712 acres of plantable reserve land contiguous to the estate, and during the year under review approximately 227 acres of this new land was cleared, for planting in the current season. The 1954 and 1955 new plantings at this estate are reported as generally developing well.

Stockholders will again wish me to extend our thanks and appreciation to our Managers, Messrs J. B. Hall and B. Hermon, their Assistants and estates staff, and to our Eastern Agents, for a good year's work.

1956 was Castlefield's Jubilee year. At the first General Meeting, which was held on October 1, 1906, and which my father attended as one of the first Directors, the issued capital of the Company was £30,000 and the planted area was 713 acres. Tapping commenced in September, 1909, and the crop for the year ended June, 1910, was 18,320 lb which was sold at an average price of 8s. 4d. per lb. In that year the Company paid its first dividend of 7½ per cent and income tax was 1s. 2d. in the £. Between 1910 and 1955 the Company paid dividends averaging over 17½ per cent per annum (excluding the years of Japanese occupation), a record which speaks for itself. After half a century of development and expansion our planted acreage has increased over tenfold, half the issued capital has recently been repaid to Stockholders, and the Company can face the future with confidence and a sound Balance Sheet.

The report and accounts were adopted.

LLOYDS BANK LIMITED

ANNUAL GENERAL MEETING

The Annual General Meeting of Lloyds Bank Limited was held on February 15th, at the Head Office, 71 Lombard Street, London, E.C.

The Right Honourable Sir Oliver Franks, GCMG, KCB, CBE, the Chairman, presided.

With the concurrence of the members present the report and accounts and the statement by the Chairman, all of which had been previously circulated, were taken as read.

The report and accounts were adopted and the other ordinary business was transacted.

Votes of thanks were passed to the Chairman and Directors and to the staff.

APPOINTMENTS

VACANCY FOR COMMANDANT OF POLICE COLLEGE

Applications from men over the age of 40 for the post of Commandant of the Police College are invited. The successful candidate will be required to live in the College, where rent free accommodation will be provided for him and his family. (The College is at present situated at Ryton-on-Dunsmore, near Coventry; later it will be at Bramshill House, near Hartley Wintney, Hants.)

The post will be filled on a non-established basis, but special arrangements may be made about the pension position of a successful candidate from the Police Service.

Salary £2,750 per annum.

Applications, stating age, qualifications and experience, should be sent to the Establishment Officer, Home Office (Room 224), Whitehall, London, S.W.1, by February 28, 1957. No testimonials should be sent. Only candidates selected for interview will be notified.

RESEARCH ASSISTANT. Opportunity for appointment in economics department of large financial institution in London to man or woman with good economics degree, aged 23-30. Starting remuneration varies with age; at 25 (subject to short probation): £680 (men), £600 (women). Non-contributory pension. —Write to Box No. 697, c/o Charles Barker & Sons, Ltd., Gateway House, London, E.C.4.

WELL-ESTABLISHED City firm, Textile and Packaging Machinery Overseas Sales, requires for expansion programme two Executives. Languages and Travelling involved.—Write Box FL/46, c/o 95 Bishopsgate, E.C.2.

GENERAL MANAGER FOR CALICO PRINTING WORKS

Seedhill Finishing Company, Limited, of Paisley, a subsidiary of William Hollins and Company, Limited, of Nottingham, require a General Manager, aged about 35-45, for their Cloth Printing Works at Arkleston, Paisley. University or other technical qualifications and good practical experience generally including wool and cotton unions, essential.

This is a senior appointment covering all activities of management, with a commencing salary of from £2,000 to £2,500 a year, depending on qualifications, and holding excellent prospects, including the possibility of a Directorship.

A good house is available and the company has a Superannuation Scheme in force.

Apply, in confidence, to The Managing Director, Seedhill Finishing Company, Limited, Paisley, Scotland.

ORGANIZATION AND METHODS

B.E.A. require a SENIOR SYSTEMS STUDY OFFICER to take charge of a group engaged on the study and development of office organisation, accounting procedures and paper work systems throughout the Corporation. Applicants should have a University Degree or professional qualification in Accountancy. Previous experience of organisation and methods work and some knowledge of electronic data processing essential. Starting salary within the scale £1,225 to £1,535, according to qualifications and experience. Pension scheme. All travel concessions.—Details of age, career, etc., to Head Office Personnel Officer, British European Airways, Keyline House, Rustlip, Middlesex.

COLLEGE OF TECHNOLOGY, BIRMINGHAM

(Designated College of Advanced Technology)

DEPARTMENT OF INDUSTRIAL ADMINISTRATION

Applications are invited for a READERSHIP in INDUSTRIAL ADMINISTRATION with special reference to the human aspects of management, which is to be devoted exclusively to teaching and the initiation and supervision of research in this field.

Candidates must be of graduate status with responsible experience in industry and preferably also in teaching industrial administration.

Special consideration will be given to applications which can involve secondment from industry or research associations for a period of three to five years.

Salary scale: £1,550 to £1,900 (men) or in accordance with the Burnham (Further Education) Scale.

Further information and form of application may be obtained from the Registrar, College of Technology, Suffolk Street, Birmingham, 1, on receipt of stamped, addressed foolscap envelope. Applications to be received within 18 days of this advertisement.

K. R. PILLING,
Clerk to the Governing Body.

A FIRM supplying packaging materials to a wide range of industrial outlets has a vacancy in its Market Research Department (in offices in the West End of London) for an assistant to interpret, and supervise the collection of, sales and other statistics and to prepare reports on economic subjects. Applicants should be aged 21/27 and should have a degree in Economics and/or appropriate experience. The post offers possibilities of later development to outside market investigations and within the marketing division of the company. Salary according to qualifications and experience.—Box 632.

APPOINTMENTS

VICTORIA UNIVERSITY COLLEGE

WELLINGTON, NEW ZEALAND

The Council of Victoria University College proposes shortly to appoint a SENIOR LECTURER and/or a LECTURER in the SCHOOL OF SOCIAL SCIENCE and invites applications from graduates who have specialised in such subjects as Dynamic Psychology, Social Psychology, Sociology or Social Administration.

The salary for a Senior Lecturer will be £1,275 p.a., rising by annual increments of £50 to £1,575 p.a., and for a Lecturer £985 p.a. by increments of £50 to £1,235 p.a. The initial salary will be determined according to the qualifications and experience of the appointee. An allowance is made towards travelling expenses.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

The closing date for the receipt of applications in New Zealand and London, is April 30, 1957.

BATTERSEA POLYTECHNIC, LONDON, S.W.11

(COLLEGE OF ADVANCED TECHNOLOGY)

Applications are invited for a Grade B Lectureship in the Department of Hotel and Catering Management. Candidates should be graduates in Commerce or Economics (Accountancy) or Incorporated Accountants. Salary £761 or £773 x £25—£1,148 plus £50 for a good honours degree, a training allowance and increments for experience, less statutory deductions. Further particulars from the Clerk to the Governing Body, by whom applications should be received as soon as possible.

ECONOMISTS. A leading manufacturing Company will shortly be making appointments at various levels in its Market Research Department. These will be suitable for men or women in the approximate age bracket 23/35 who graduated with first-class honours, though a slightly lower academic standard might be considered if there is other evidence of exceptional ability whether at school or university, during National Service, or in commercial or industrial posts held. A full personal history should be given. All applications will be acknowledged and interviews for those selected arranged at an early date.—Box 631.

CHEMICAL ENGINEER CANADIAN INDUSTRY

Economics department of large processing industry located in Ontario, Canada has vacancy for a chemical engineer with 2 to 4 years' industrial experience who wants to make a career in Canada. This is an outstanding opportunity for a man with an active interest in the economic evaluation of capital and operating expenditures, finance, and general business problems. Professional qualifications in Commerce, Economics, or Accounting will be considered in lieu of industrial experience.

Interviews will be held in England early in March.

Please send details of qualifications and experience by Air Mail to Box 1001, Sarnia, Ontario, Canada.

THE Operational Research Department of the Steel Company of Wales Ltd. (Steel Division), Port Talbot, invites applications from qualified men who have completed National Service.

The Company operates the largest modern integrated Steel Plant in Europe, laid out on the South Wales seaboard in spacious and pleasant surroundings with ideal working conditions. A further £50 million project is in hand. There are good residential districts within easy reach of the Works.

On appointment successful candidates will be engaged in a wide range of stimulating problems concerned with all aspects of the efficiency and development of this complex plant; there is ample scope for originality of approach and initiative.

All the usual facilities are provided including an attractive pension scheme, salaries in keeping with age, qualifications and experience.

Removal expenses will be paid for a married man (maximum of 5 per cent of salary).

Vacancies are available for:—

1. Statistician with honours degree in Mathematics or Statistics and a few years' experience.
2. Junior Statistician.
3. Three or four graduates in Science or Engineering who seek to apply their training to industrial problems.

Applicants should write, giving briefly age, qualifications and any information which they consider important in connection with the position they are applying for, to:—

Superintendent, Personnel Services,
The Steel Company of Wales, Limited
(Steel Division),
Abbey Works,
PORT TALBOT, Glam.

MARKET RESEARCH. Applications are invited for a post in a newly formed department of Imperial Chemical Industries Limited. Applicants should be under 30, and should preferably have had some experience in planning and conducting consumer surveys. Graduates in Economic or Sociology who have not had any experience of market research will, however, be considered. —Applications, giving brief details of qualifications and experience, to Box No. 2625, Stowe & Bowden Ltd., 169 Piccadilly, W.1.

UNIVERSITY OF CAMBRIDGE

UNIVERSITY LECTURESHIP OR UNIVERSITY ASSISTANT LECTURESHIP IN THE FACULTY OF ECONOMICS AND POLITICS

The Appointments Committee of the Faculty of Economics and Politics invite applications for a University Lectureship or University Assistant Lectureship. It is hoped that the person appointed will take office on October 1, 1957. The appointment will be subject to the Statutes and Ordinances of the University.

Further particulars may be obtained from the Secretary of the Appointments Committee of the Faculty of Economics and Politics, The Marshall Library, Downing Street, Cambridge, to whom applications should be sent so as to reach him not later than March 31, 1957. Eight copies of each application should be sent, and, if so desired, one or more copies of any published work or unpublished writings. Testimonials are not required, but a candidate should give the names of two persons to whom reference can be made.

UNIVERSITY OF CAMBRIDGE

DEPARTMENT OF ESTATE MANAGEMENT

The Department of Estate Management proposes to appoint October 1, 1957, grants for research in economic, legal or social problems related to the ownership, tenure or development of land.

Essential qualifications: good honours degree in History, Economic History, Economics, Agricultural Economics, or Law, or a degree with a high class in Estate Management, or evidence of likelihood to obtain such a degree not later than July, 1957.

Value of a grant £400 a year, plus University and College fees. Normally tenable for two years.

Particulars from Secretary, Board of Estate Management, 74 Trumpington Street, Cambridge. Completed applications should reach him by March 15th.

UNIVERSITY OF CAMBRIDGE

DEPARTMENT OF ENGINEERING

POST-GRADUATE COURSE IN CONTROL ENGINEERING

The 1957-58 Post-Graduate Course in Control Engineering will be held in the Department of Engineering, Cambridge University, beginning on October 8, 1957, and lasting approximately nine months. This is the third course of a series which has been established in order to meet the need of certain sections of industry for men trained to a high standard in the theoretical principles and practical application of automatic control and to afford opportunity for study of advanced techniques and modern development in the general field of Control Engineering.

The number of students will be limited and applications must reach the Secretary of the Engineering Laboratory not later than June 1, 1957. Candidates should hold a degree in Engineering or a suitable alternative qualification and have had some practical training and experience. They will be required to attend for interview in Cambridge in July or August.

Further details and forms of application for admission may be obtained from the Secretary, Cambridge University Engineering Laboratory, Trumpington Street, Cambridge.

THE UNITED KINGDOM ATOMIC ENERGY AUTHORITY

DEPUTY COMMERCIAL MANAGER

(SALES)

Applications are invited for a senior appointment in the Commercial Department of the Technical) Policy Branch at Risley, Warrington, Lancs. The post is one of considerable responsibility and will provide opportunities for working in close collaboration with British Industry and with Electricity Supply Authorities in the development of industrial applications of Atomic Energy.

The successful candidate will be directly responsible to the Commercial Manager for all sales of materials by the Authority and, in particular, will be concerned with the sales of nuclear fuel both in the United Kingdom and Overseas.

Candidates should have held senior sales appointments and have had a wide experience of top level sales negotiations both in the field and at the works of a large industrial organisation. They should be accustomed to working in close collaboration with research, engineering and production departments. Administrative ability of a high order is essential.

Preference will be given to candidates with a degree in one of the applied sciences and/or Corporate Membership of one of the Senior professional institutions.

It will be necessary for the successful candidate to acquire an understanding of the technical processes and plants for which the Industrial Group is responsible and a reasonable period of initial training will be allowed for this purpose.

Salary will be assessed within the range £2,000 to £2,500 per annum.

A house for renting by the successful candidate (if married) may be available in due course, alternatively, substantial assistance may be given towards legal expenses incurred in private purchase. There is a contributory pension scheme.

Application forms may be obtained from the Chief Recruitment Officer, Industrial Group Headquarters, United Kingdom Atomic Energy Authority, Risley, Nr. Warrington, Lancs. (Reference Number 1,760)

Closing date: March 11, 1957.

PURCHASING OFFICER required for metal manufacturing Company, N.E. Birmingham. Interesting post for person (male or female) with Degree, or training and experience in commerce or industry; typing an advantage. —Please write, giving details of education, experience, age and salary expected, to Box 639.

THE UNIVERSITY OF MANCHESTER

Applications are invited for two full-time posts of ASSISTANT SECRETARY to the Appointments Board. The possession of a University degree is desirable.

The first post is open to both men and women and will be concerned mainly with science and technology students and graduates. Initial salary within the range £1,000 to £1,350 per annum according to experience and qualifications.

The second post is open to women only and will be concerned mainly with women students and graduates. Initial salary within the range of £650 to £1,050 per annum according to qualifications and experience.

Both appointments will carry membership of the F.S.S.U. and Children's Allowance Scheme. Duties to commence as soon as possible.—Forms of applications and further particulars may be obtained from the Registrar, the University, Manchester 13, to whom applications should be sent not later than March 1, 1957.

UNIVERSITY OF BIRMINGHAM

Applications are invited for the post of ASSISTANT LECTURER (£550-£650 p.a.) or LECTURER (£650-£1,350 p.a.) in ECONOMICS. A special interest in problems of Social Economics is desirable. Duties to commence October 1, 1957.

Applications (two copies), including the names of three referees, should be sent by March 15, 1957, to the Registrar, The University, Birmingham, 15, from whom further particulars can be obtained.

MARKET RESEARCH

Hoover Limited require an Economist or Statistician with experience of market research and some knowledge of economic forecasting. This is a senior appointment and calls for a well qualified candidate with some years of experience in the field.

Applications giving details of age, education, qualifications and experience to Employment Officer, Hoover Limited, Perivale, Greenford, Middlesex.

VENEZUELA. Export Manager, Ione experience engineering, linguist, economist, proceeding shortly to Venezuela, Prepared act as agent or factory representative, or effect market survey.—Box 635.

GOOD ORGANISER (British woman), 25 years office experience Cairo; English/French shorthand/typist, fluent German, Russian, seeks interesting responsible post. —Box 637.

NATIONAL BANK OF INDIA LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books of the Bank will be closed from March 6th to March 19th, both days inclusive.

By Order of the Board,
W. KERR,
General Manager

26 Bishopsgate,
London, E.C.2.
February 19, 1957.

RESEARCH CENTRE. Site and building facilities available seven miles Oxford.—Interested executives apply Box 642.

UNIVERSITY OF LONDON

A lecture on "The Under-Developed Countries. Some Features of the Economic Landscape," will be given by Mr. P. T. Bauer (Cambridge) at 5 p.m. on February 28th at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. ADMISSION FREE. WITHOUT TICKET.—James Henderson, Academic Registrar.

UNIVERSITY OF LONDON

A lecture on "The Belgian Parliament at Work" will be given by Professor W. J. Ganshof van der Meersch (Brussels) at 5 p.m. on March 5th at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. ADMISSION FREE, WITHOUT TICKET.—James Henderson, Academic Registrar.

THE Economists' Bookshop has the world's widest range of books on Economics, Politics, History, Anthropology and the Social Sciences. World-wide mailing service. Second-hand books bought.—11-12 Clement's Inn Passage, Aldwych, London, W.C.2.

TIRED TAMBOURINISTS: recapture the authentic Spanish rhythm with a glass or two of Duff Gordon's El Cid Sherry. Flamencos in the Fulham Road! Ole! Ole!

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SAVILE ROW CLOTHES. Cancelled export orders direct from eminent tailors, Lesley & Roberts, Sandon, Huntsman, Kilgour, etc., Lounge, Dress Suits, Overcoats, etc., from 10 gns.—Regent Dress Co. (2nd floor), 17 Shaftesbury Avenue, Piccadilly Circus, W.1. GER 7180 (next to Café Monico). Est. 1922.

EXPERT POSTAL TUITION for Examinations—University Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus—and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2).

METROPOLITAN COLLEGE, ST. ALBANS
or call at 30 Queen Victoria Street, London, E.C.4.

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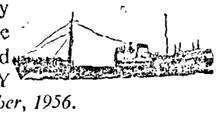
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Unlike us, they have one of the world's lowest rates of heart attack caused by Coronary Thrombosis — the No. 1 killer in the United States, Britain, Canada, Australia and New Zealand. What makes the Eskimos so fortunate? The answer has been given* by the distinguished American nutritionist, Dr. Norman Jolliffe, confirming research by a young British medical researcher in South Africa, Dr. Brian Bronte-Stewart**: *the Eskimos eat a lot of fish and get the fat they need for warmth and energy from marine oils.* But why are diet and heart disease related? Simply because many cases of heart attack are due to the coronary arteries becoming furred and narrowed by cholesterol deposits, thus precipitating a blockage; and research has shown that many fats we eat raise the cholesterol content in our blood. According to Drs. Bronte-Stewart and Jolliffe, fats from fish and marine oils are a notable exception. These have a molecular structure which helps to keep down the cholesterol level. Hence the low rate of heart attack among Eskimos who eat a lot of marine fats, and the following advice from Norman Jolliffe: eat fish more often. Thanks to British Trawlermen, we in this country enjoy fish in fresh and abundant supply. It is one of the tastiest and most easily prepared of all dishes—the healthiest and CHEAPEST FIRST-CLASS FOOD MONEY CAN BUY



*Lecture before New York's Orange County Heart Association, November, 1956.
**Lancet, Page 101, January 14, 1956.

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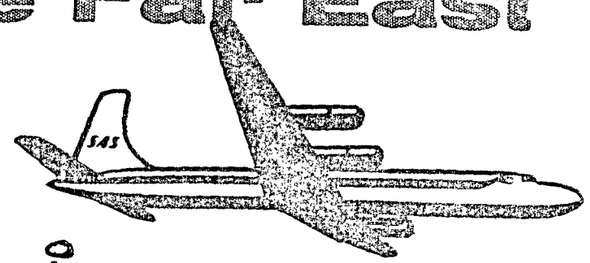
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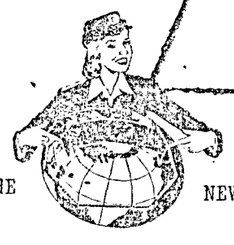
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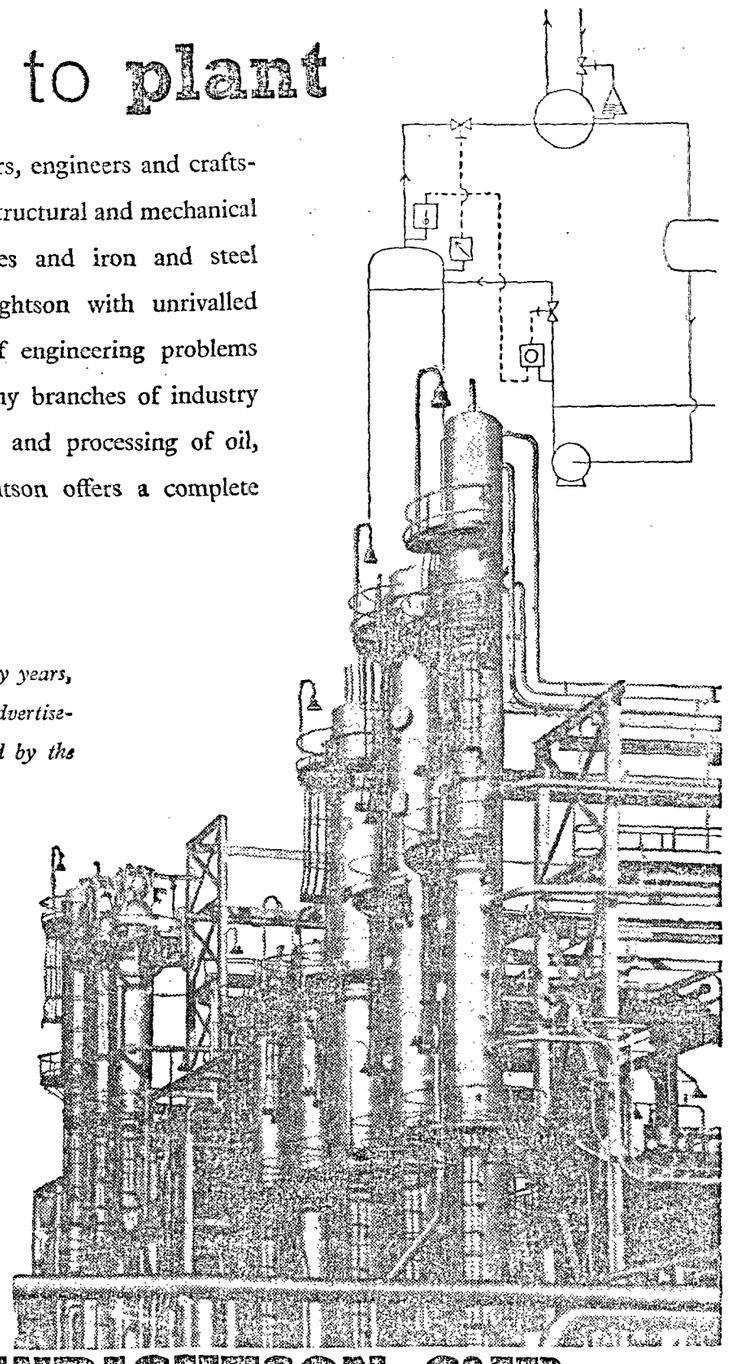
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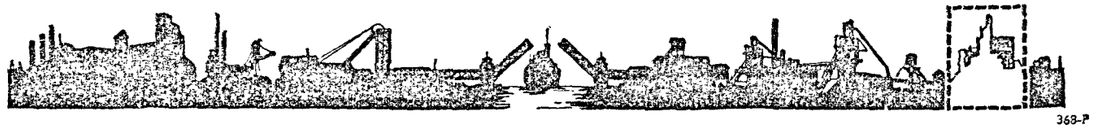
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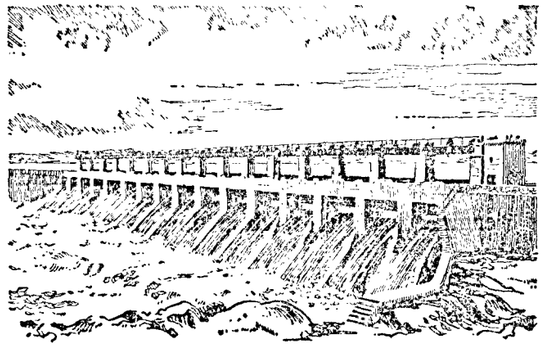
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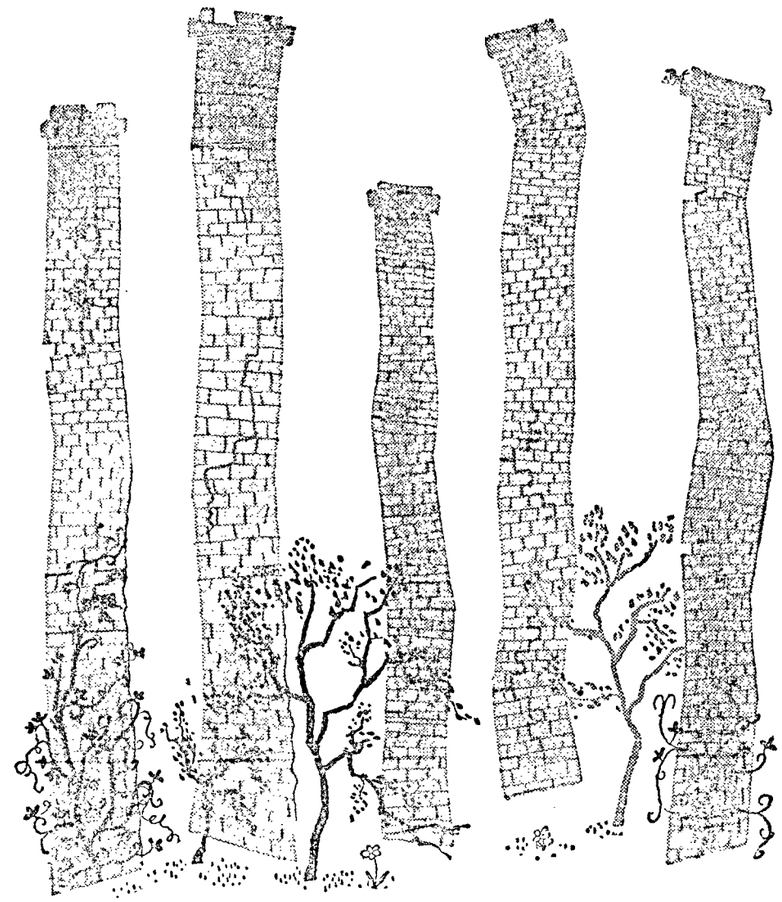
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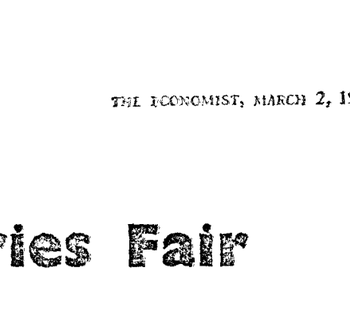
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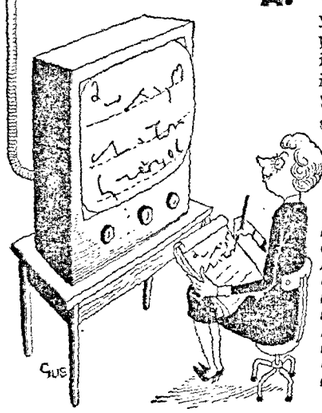
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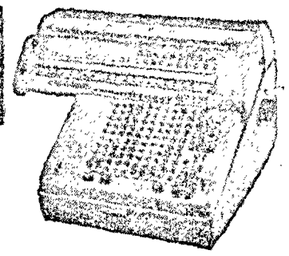


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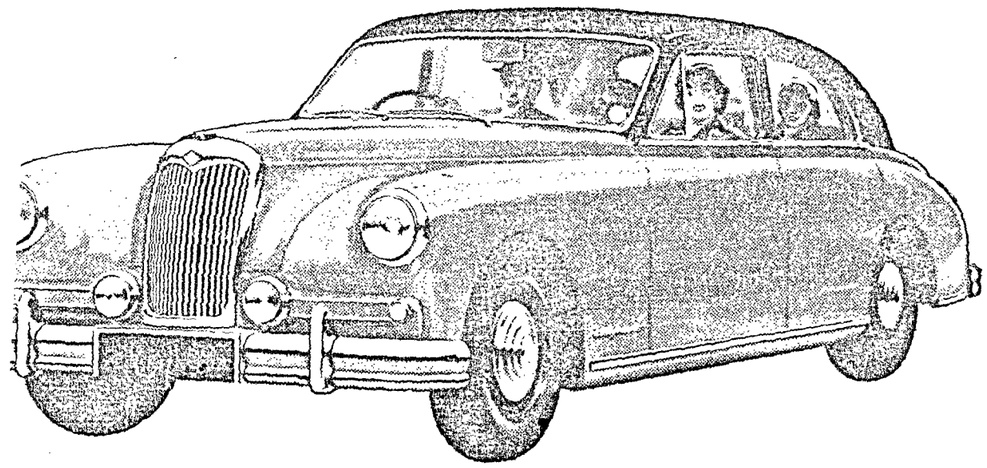
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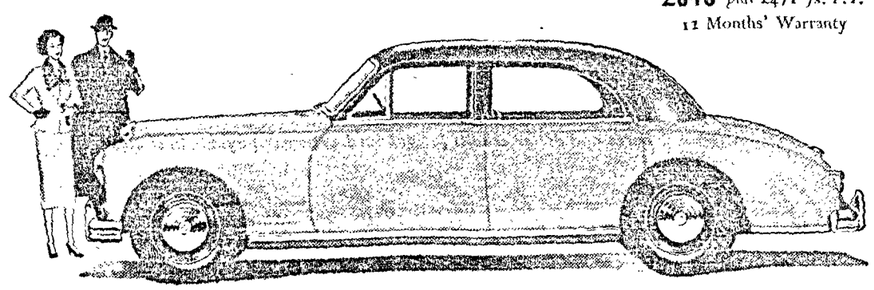


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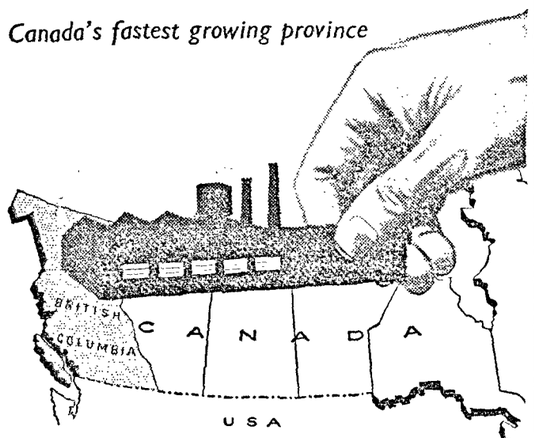
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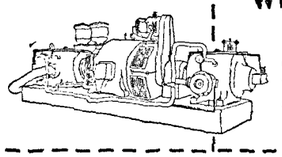
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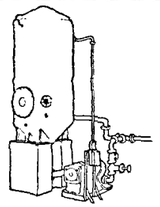
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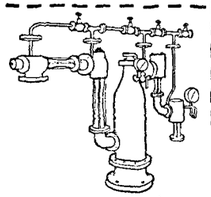
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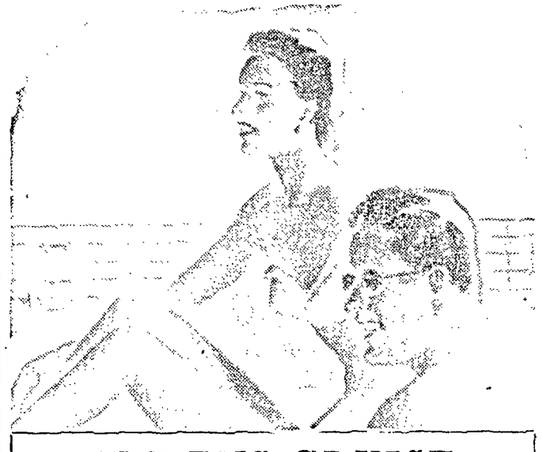
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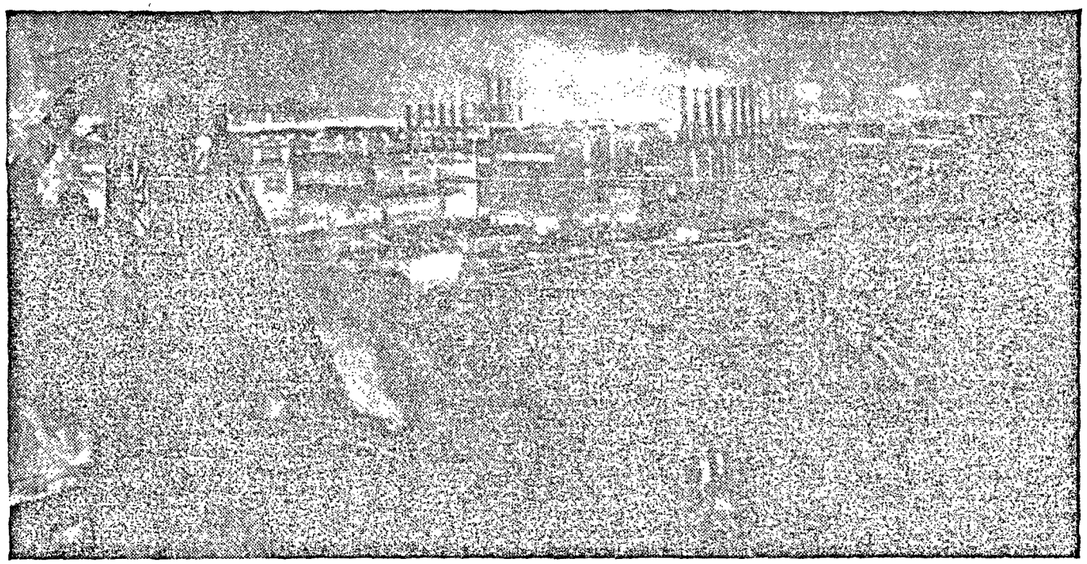
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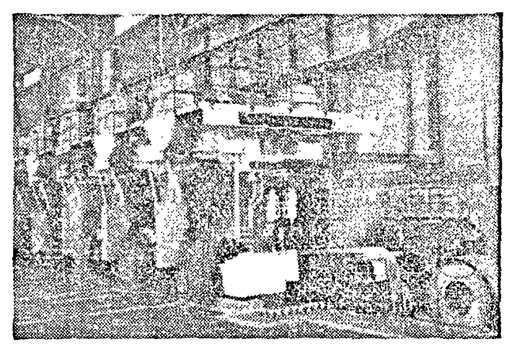
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MARCH 2, 1957

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From Shadow to Substance

WHILE, in the name of international order, the combined pressure of the United States and Uno has been bringing Israel to the point of withdrawal, President Nasser has been quietly breaching the international order on his own. It is becoming plain beyond doubt that he has been obstructing the final clearance of the Suez Canal until the world should prevail on Israel to relinquish its last footholds beyond the armistice line. There is more than one ground of principle on which the United Nations could stand, if it chose, in its dealings with the two antagonists in Sinai.

That it has not chosen to do so is explained in part by the turmoil of emotions which has distorted the world's vision of the Middle Eastern question from the moment of the Anglo-French act of folly in October, and in part by American preoccupation with communism as the dominant threat in any part of the world. American policy towards Israel and Egypt is at present governed by the attempt to create favourable starting conditions for the Eisenhower doctrine. These require an Israeli withdrawal, and on terms which will give the Arabs no ground for accusing Washington of softness towards Israel. Not until that was achieved, it was argued in Washington, would it be possible to stand on principle against Nasser with any prospect of even a qualified degree of Afro-Asian support (which is indispensable to the President in his resolve to conduct the foreign policy of the United States through the Assembly of the United Nations). Not only, therefore, must the attempt to prevent Egypt from resuming its past offences against Israel be put off until the Israelis have purged their own offence ; but the Israeli withdrawal had to be hastened, lest, before it was achieved, the devices by which Egypt is keeping the Suez Canal closed should force another issue of principle into the open, and so wreck the American effort for a fresh start in Middle East policy.

This chain of argument may not justify, but it does at least explain, Washington's attempt to administer a highly selective form of justice to Israel in the name of the international order. Even so, the refusal to admit that Israel could properly seek conditions was a mistake, as demands for unconditional surrender usually are ; and like most such demands, it led in fact to a prolonged negotiation of what are, in effect, conditions. Israel and Egypt had both broken the armistice, and the assurance that it would not be broken again could reasonably have been asked from both together. Still better would have been a constructive effort to replace the armistice by a settlement of a more durable kind.

The American proposals to Israel on February 11th were a poor starting-point for such an effort. The General Assembly, Mr Dulles then said, had "no authority to require of either Egypt or Israel a substantial modification of the armistice agreement." That is true, but plenty of ways exist of persuading them to do what they cannot be "required" to do. The Israeli withdrawal must be unconditional, he said, "leaving the future of the Gaza strip to be worked out through the efforts and good offices of the United Nations."

He believed " that the United Nations should see that the emergency force " move into " the Gaza area and " be on " the boundary. As for the Gulf of Aqaba in the American view it " comprehends international waters." The assurances offered that respect for the international character of the waters would be made real, not formal, were woolly and inadequate. Mr Ben-Gurion could not be blamed for insisting on something more definite ; he constructed himself admirably, digging himself in firmly but without the appearance of intransigence.

*

Under sceptical Israeli examination, and in the face of a bland Israeli refusal to move until the vague expressions of hope for the best were hardened into statements of intention, the President and Mr Dulles are now left with no choice but to try, once the Israelis do withdraw, to translate the hopes of February 11th into action. It appears as this is written that the process has by now gone far enough to move the Israelis to do what is asked of them. All the same, the stand on an arbitrary principle, or the emotional state which caused that stand to be chosen, has debarred the United Nations from addressing itself to the substance of the Palestine conflict. This substance will still remain to be tackled, even with the immediate issue between the United Nations and Israel resolved.

Almost alone among the delegations in New York, the Canadians this week have made a resolute attempt to bring the Assembly back to a consideration of the real matter at stake, the need to insist that Israel and its Arab neighbours can and should settle down not in a state of muted and bridled belligerency, but in peace together. Our special correspondent indicates on page 734 the difficulty of concentrating the Assembly's attention to such a purpose. Mr Pearson has carried the burden which British diplomacy should have carried if the blunder of the autumn had not deprived this country for the time of the ability to secure a hearing for its views. It now appears possible that the United Nations emergency force, with its functions expanded, may be used to police the frontier between Israel and Egypt while the attempt is made to devise the settlement that escaped the United Nations all through February. It may be a long task.

A Tory Reform for Pensions?

LAST Monday's debate on pensions in the Commons was a depressingly delusive affair. There are three quite separate problems about old age pensions, which MPs persist in mixing up. The first, and to radicals the most important, problem is the relief of need: the provision of a minimum standard of security for the poorest. The second problem is the further encouragement—if necessary, the further subsidising—of adequate savings for their old age by people now in work. The third is the problem of a debt which has been incurred to the retired by the generation now in work, as a result of the way in which expansion has been fostered and incomes redistributed in recent years. That way has been through inflation, which has eaten into the real value of the savings of retired people for their old age ; it is right that they should, so far as possible, be compensated for this.

A principal trouble today is that politicians pretend that these separate problems can—indeed they say " must "—be solved by the same line of action, by a flat increase in benefit rates. This is impossible ; it is arithmetic, not black reaction, which stands in the way. An increase of £1 a week in all insurance benefits now would require other people's spending power to be cut by £320 million a year in compensation ; and, partly because dukes as well as ex-dustmen will soon be drawing national insurance benefits—some 400,000 middle-class people will start to draw retirement pensions next year, ten years after the application of the National Insurance Act—the cut required to give them this extra £1 a week would rise to £500 million a year in twenty-five years' time.

To cite these figures is to set demands for " doubling retirement benefits " in their proper context. It is for this reason that Labour's reported study of a " plan " for progressive pensions, which is said to aim very nearly to double present pension rates—to raise them from the present approximate one-quarter of average industrial wages to approximately one-half of the individual contributor's actual earnings during his working life—and also to guarantee them against " erosion by inflation," really seems more suitable for Laputa (where they spent eight years studying how to extract sunbeams out of cucumbers). The Tories, for their part, would like to raise benefit and contribution rates again—preferably some time just before the next general election. But they are beginning to realise, as Labour will have to realise eventually, that any increase which contribution rates or the budget could conceivably bear must, if it is spread across the whole increasing tribe of pensioners, mean that each individual pensioner is likely to get only a very small increase indeed.

The time is therefore ripe for some detailed thinking about realistic reform of the whole pensions system. The most thoroughgoing reform of all—which, if Britain was starting from scratch, instead of after fifty years of pensions history, might even be the best one—would be to say that, after a certain period, each person entering retirement should be entitled only to the pension he had actuarially earned by his (and his employer's)

ontributions, and that he could draw more than this nly on proof of need. Obviously, however, as the verage pensioner in 1954 had actuarially paid for only ne-twentieth of his pension through contributions (or ontributions made on his behalf), any such scheme, ven if it were to be applied progressively—say, allowng those who retire after 1960 to draw non-means-ested supplements to their actuarial contributions only when they reach the age of 70, those retiring after 1965 o draw them at a still later age, and so on—is at present olitically out of the question. The need therefore, at what one hopes may be the tail end of this period of great inflation, is to think up more immediately practical steps which, while making nobody who is old (or about to become old) worse off, would ensure that measures designed to enable certain of the old to become better off are directed to the right places. Here, as an Aunt Sally for others to knock down, are three specific suggestions, for decisions that could be implemented this year or next.

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Of the three functions of a state pensions scheme, the first—the relief of need—is of by far the greatest humanitarian importance. Even if one accepts (as one must) the fact that a complete return to actuarial principles in the national insurance scheme is out of the question, there is surely a strong case for saying that it is on national assistance payments, not national insurance benefits, that future *increases* in " uncovenanted " benefits should generally be concentrated. (National assistance payments are made to the very poorest after a means test ; national insurance payments, although also largely coming out of public funds, are made to all insured pensioners without test of need.) Our first specific suggestion—which would be popular—is therefore that the Government might be wise to accept Labour's request last Monday, and institute an enquiry into what level of income (to quote Mr Marquand) is " adequate, decent and reasonable in 1957 " for " the poorest people in this Great Britain of ours " ; but—and this would be unpopular—that the Government should make clear that any improvements suggested by this enquiry should be applied to national assistance scales for the needy aged, not to retirement benefits for all. Moreover, is there any real reason, apart from reasons of tradition, why this increase in national assistance payments should not be financed by an increase in national insurance contributions instead of by taxation ? One of the contingencies an individual should be able to insure against in the insurance scheme is that he might fall, through unforeseen outside circumstances, on very hard times. Anything which enabled recipients to regard national assistance as more of a right, and less of a stigmatic charity, would be an advantage in itself.

The second specific suggestion would be designed to help those people now in work who will not have the advantage of private superannuation schemes when they retire. Everything possible should, of course, be d to encourage the spread of such private superannuation (perhaps by greater—and discriminatory—tax allowances on " cloth cap " pension schemes, to follow Mr Macmillan's concessions to " top hat " ones ?). But there is bound to be upwards of a third of all employees, especially those working on the farms and in other small concerns, who cannot really expect private pensions. Might it not therefore be worth examining whether a " voluntary supplement " could not be introduced into the present state insurance scheme, especially for those manual workers whose incomes are at a level where tax allowances on ordinary insurance are not an attractive bait ? Those who chose to pay the " voluntary supplement " into the fund might have a fairly substantial additional premium paid into the fund by the state on their behalf ; but the additional benefits they would get on retirement should be strictly equal to what they (and the state on their behalf) had saved during their working lives. The burden of such a scheme on the economy, as distinct from on the Exchequer accounts, would not be great ; indeed, in so far as it encouraged savings, it would be one of those admirable forms of state expenditure which would actually be disinflationary in its immediate impact.

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The third specific suggestion is quite separate from the other two, and might even seem, at first sight, to be out of line with them. But although increases in non-means-tested retirement benefits should be given a much lower priority than increases in means-tested ones, this does not provide a case for maintaining blatant unfairness and distortions in the present national insurance scheme. There is at present one obvious distortion. Rather more than half of all pensioners draw not only their pensions but a supplement in kind, worth 2s. 3d. a week, from the old age pensioners' tobacco tax relief ; all enquiry suggests that it tends to be the worse-off half of pensioners, especially those who cannot afford to smoke and those who live alone, who do not get this supplement. If Mr Thorneycroft could afford it, to withdraw this concession and raise benefits by 2s. 3d. a week in compensation would cost just over £10 million a year. A step of this kind would clear the way for more thoroughgoing reforms in pensions later on.

These suggestions do not add up to a wholesale reform of the pensions system. They are not meant to. Even if one accepts the need for a piecemeal approach, it would be useful if the Government could also take steps further to encourage retirement at 70 instead of 65, and to make private superannuation schemes more easily transferable between employers. But—on the broader pensions front—the need now is to hold the balance between the socially desirable, the economically feasible and the politically possible. Neither party in last Monday's debate seemed ready to weigh pensions on these required scales.

Black and White

IT is impossible for any liberal commentator on the latest manifestations of South Africa's racial policy to avoid again making the undeniable point that it is not only wrong in principle but on the plain facts quite unworkable in practice. The magnification of the African boycott of the buses (a protest against the raising of bus fares in Johannesburg) into a challenge to white supremacy, the mass trials for "treason" (which are examined in detail on page 716), the coercion of the universities to expel their few black students, will rightly set off a new round of condemnation in organs of opinion outside South Africa. All this, however, the Nationalist leaders in the Union have taken into account. Indeed, they now use the attacks on South Africa from abroad to strengthen their hold on public opinion at home, and especially to embarrass the opposition, which has not found under Sir de Villiers Graaf's leadership any more distinctive a policy than it had under Mr Strauss's. The question must be asked, therefore, whether the assumption of the usual high moral tone is by itself enough.

Any scepticism about the usefulness of the barrage of disapproval directed at South Africa from the world's press, pulpits and parliaments and from the United Nations will be suspect to many liberals, as well as left-wingers, and to many religious people who have made the excommunication of South Africa, and its expulsion from the Commonwealth, almost a crusade. It is the belief of these critics that moral pressure will move the South African government in the end. They hope that opprobrium will somehow harden into an application of sanctions, though what sanctions can be exerted against a country sitting on three-quarters of the world's gold production and half its uranium, and now holding in the West's vital sea communications the strategic position formerly occupied by the Suez canal, is not clear.

Disapproval, though it is rightly founded, has clearly not deflected the South African government from its course, or helped the United Party opposition in a single by-election. Is it in fact, alone, the proper approach? There are plenty of signs that it simply feeds the conviction of Afrikaners that nobody who is not one of themselves can understand, let alone judge, their actions. It drives them more into their private world —their obsession with race survival, their theoretical elaborations of apartheid as the ultimate means of stilling their consciences by ultimately restoring to the other races, in some cloud-cuckoo-land reserve to be created some day, the justice and opportunity now denied. It throws them back upon their "laager complex"—their romantic picture of themselves beleaguered in a sea of kaffirs and "kaffirboeties," sustained by the lack of any alternative but to fight it out (the Israelis have a similar attitude). Their perpetual retort is that survival cannot be wrong; and from that they justify step by step the apparatus of police power and administrative despotism built to secure survival. What *is* the alternative?

It is natural to see in this predicament only the good reasons for pitying the Africans who are the policy's evident victims. But are not the white South Africans also victims? To say this is not in any way to condone the many wrongs that are being done; it is to recognise the facts. The conflict in Africa is a very real one, and the whites look like being on the losing side, whatever they do. When every move that the government makes is made in fear of the black, rightless, majority, the government can hardly be said to be a free agent. When even to boycott municipal buses is to shake white prestige and endanger the state, that prestige is obviously low and the state weak. The mass of legislation aimed at keeping an unarmed population down, and at depriving the blacks of education and leaders, is tribute to their power—as assessed by the whites on the spot. The whites claim that their fight is for the "survival of western values in Africa"; but the weapons used to defend those values destroy them in the lives of those who use the weapons. The Nationalists argue that the press is not free to "take sides" in racial issues, and even that a two-party system is inappropriate because one party may incite the Africans. Yet after all this, it is often dangerous to exercise the simple liberty of walking down a street without fear of molestation after dark.

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Apartheid does not, in fact, preserve western values. All that can be said is that, temporarily, the apparatus of repression secures white South Africans in the enjoyment of a high western material standard of life—which is a different thing. And the strength of the Africans is not merely negative; it is bound to become positive. They are gaining ground fast in the most rapidly expanding sector of South African life, the secondary industries. The Africans want to exchange tribal life and subsistence agriculture for the white man's industrial civilisation—to work in factories, with machines, earning good and rising wages; and they are doing this. This is itself an education which the Bantu Education Act cannot water down: a liberal education in technique, organisation, discipline. Rising living standards, inevitably promote thought, discussion and questioning. They always have. The blacks cannot only read, hear and see that their white rulers fear them. They can see that the whites (as Dr Wassenaar's resignation from leadership in Transvaal shows) are divided among themselves. Faced with white domination, the blacks think (as an article in the February issue of *Encounter* by Mr Colin Welch sensibly argued) in terms of black domination—some day; this "Bantu Imperialism" is what the whites fear, and for ever talk of.

This is the crux that South Africa's critics, and liberals everywhere, have to face. It would be a dereliction of duty to still the voice of their conscience; but it is a dereliction, no less, to turn their eyes from the fatal problem that is shaping itself in Africa: whose domination, black (over black as well as white) or white? We have to weigh the consequences of our preachings; what alternative remedy is there to the doomed neo-Spartan defence of the Nationalists? Is not domination, either way, a defeat for liberalism, whether in the Union or elsewhere in Africa? One thing is sure: the liberals' pleas should be addressed as much to blacks, who will have the future responsibility, as to whites, who have the present power. The magic word is "partnership" which would replace, and indeed dissolve, the stark black and white contest by a reconciling collaboration in which there would be place and opportunity for all according to their grasp. But do the blacks themselves, or those of them who are yet articulate on these themes, believe in partnership? And where is the practical model—in the Rhodesias? The capacity to solve Africa's problems must be generated in Africa itself; and the right role of European liberals, while abating none of their rightful protestations, is to back them by understanding what the problems are.

Lessons from Luxemburg

FROM OUR SPECIAL CORRESPONDENT

NOW that the European Coal and Steel Community has matured from an experiment into an administration, it stands very much in the shade of Euratom and the common market. Its own success has largely made them possible, and they will strengthen its foundations. But "supranationalism" of the kind embodied in the ECSC is not the order of the day. The Euratom and common market treaties give much less power to the federal authority and much more to the Council of Ministers from the six member countries. Inside the ECSC itself, the Council of Ministers has come to share many decisions with the executive body, the High Authority. For while the latter has extensive powers in sharply defined areas, there are many, not defined, where it needs the backing of the national governments in the council to explore and create precedents. A balance of forces has been created between the two.

The compromise is reflected in the approach to the two current problems: the threatened shortages of scrap and of coal. The scrap shortage is world-wide, but the successful attempt to keep its price down in the community by cheapening imports (through a compensation scheme) has led the steel industries to press for more and more supplies. The High Authority recently obtained tacit American consent to increased purchases in the United States, but there is constant pressure from the American steel industry to cut this trade. In the long run, the ECSC industries must clearly rely more on pig-iron from their own blast-furnaces than on further American scrap.

The High Authority stressed the need for more expenditure on blast furnaces in its "general objectives" for investment in 1956. These recommendations are not mandatory. As the authority's attempts to guide investment by raising loans have not been very successful there were doubts about the chances of the recommendations being effective. But success exceeded expectations. In the first nine months of 1956 blast-furnace projects doubled, and rolling-mill projects halved. So far, so good. But, as long as the growing gap between scrap and pig-iron prices makes it increasingly tempting to use scrap, firms might change their policy. So, to keep the gap from widening, the authority proposed to penalise extra scrap purchases: works putting more scrap into the ton of steel would pay more to the compensation fund for imports.

But such a system as this, giving the High Authority added control of the scrap market, required the unanimous approval of the Council of Ministers unless the authority could persuade the steel industries to work it voluntarily. The industries were not prepared to do that and their reluctance was reflected in the Council of Ministers. It took one year, twenty major meetings and ten different proposals for the High Authority to find a formula and, a few weeks ago, finally to wear down all opposition.

The coal situation has similarities. First the boom, and now the Middle East crisis, have created a demand which can only be met by heavy imports of American coal (30 million tons in 1956, probably 37 million tons in 1957). With transatlantic freight rates still as high as 98s. a ton, it is about 50 per cent dearer than ECSC coal. Naturally, the High Authority is anxious to stop community coal becoming dearer than it is; its threat to impose price ceilings is keeping prices down. It is also unlikely to set up a compensation scheme to even out the price of imported and domestic coal: it fears such a system would entrench itself and would immunise prices against competition from imports at need.

So coal is now wandering round the common market at different prices. This has created distribution problems, especially for the domestic consumer. Industrial stocking has made matters worse. Wholesalers tend to siphon off relatively cheap European domestic coal to industrialists or other large-scale consumers so that, although producers claim they have never produced so much of it, most householders complain that

they cannot find enough. But the governments, not the High Authority, have power over the wholesalers. Here again, the authority has supplied the plan, and the Council of Ministers the backing, to ensure that domestic coal is assigned to domestic purposes.

There remains the question of seeing that the industries obtain fair proportions of European and American coal. The Ruhr is already working a voluntary allocation scheme. Being voluntary, it presents no problems. The High Authority supervises it as usual to control any tendencies towards unfair discrimination. But it intends also to extend the system compulsorily throughout the common market. And where compulsory controls are involved (as for scrap) the Council of Ministers must approve—which it did last month.

The community's pragmatic mixture of methods is neither a free market policy nor a clear-cut system of European controls ; it is not government by the High Authority alone, but it is not government by the Council of Ministers—or even by the nations individually or the industries themselves. It is almost certainly not the practice that the authors of the ECSC envisaged. They aimed to make the High Authority the driving force in the belief that only a strong executive would succeed. It still has the sole right to initiate policy. And in extreme carefully-defined "crisis" situations, reflecting the preoccupations of the war and immediate postwar years rather than those of the nineteen-fifties, it could invoke wide reserve powers. But in the day-to-day practice of a community confronted with problems that only verge on the critical, its powers are much vaguer. It has to have the backing of the national governments in the Council of Ministers. For some decisions the complicated arrangements of the treaty provide that it can obtain this agreement by simple majority voting, but in the most important cases it must be unanimous. Some observers had foreseen that the Council of Ministers would play a big part, but both critics and supporters of the ECSC tended to assume that this would spell failure. So far, however, there seems to be no reason to think that this is so.

In fact, driven mainly by French opposition to supra-nationalism, the drafters of the new Euratom and common market treaties have adapted this working experience of the ECSC into the drafts. In the common market, the European Commission (the High Authority's equivalent) will propose ; the Council of Ministers will dispose—it alone can take the final decisions. This system may not be so like the ECSC as is sometimes claimed. Much of the present solidity of the ECSC is due to the decisiveness with which the High Authority pushed through the original process of opening the common market in coal and steel. Greater problems will arise in the general common market—and over 15 years instead of two. The six governments negotiating in the Council of Ministers are more likely to be timid and to compromise in the vital opening stages than the High Authority was.

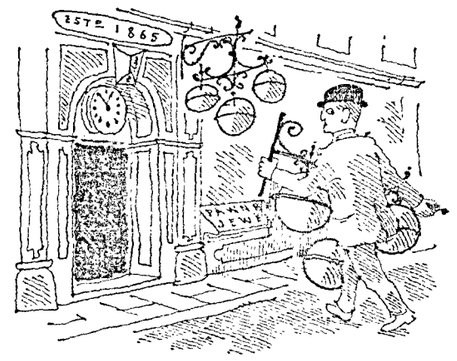
In practice the European Commission may be stronger than it seems on paper. The Council of Ministers will not be qualified to administer the hosts of detailed problems that the common market will raise. But the effectiveness of the common market will probably depend more on its political momentum. It is likely to be generally accepted as the departure point of European unity in a way that the ECSC was not, and the need for a common policy may therefore be correspondingly more generally endorsed. Already there are straws in the wind. The prime ministers of the six initiating countries agreed in Paris last week that the "next stage" should be a European Assembly elected by universal suffrage.

Hard Times for Pawnbrokers

PAWNBROKERS have for long shared the unenviable status of mothers-in-law as the butt of heavy jocularity ; these sober business men are understandably irritated at the nickname of "uncle," or the miscalling of the trade which is their livelihood by names such as "popping" or "putting up the spout." They are on the defensive not only against journalistic enquiries, which they expect to lead to yet more mockery, but against the grim process of economic decline. In England, Scotland and Wales, in 1913, there were more than 5,000 licensed pawnbrokers ; in 1950 there were 1,654, and in 1956, 1,002. What do they do, and why are they fading away so fast ?

A pawnbroker lends sums of money up to £10 on the security of goods which are left in his care as pledges, and his trade is one of the most tightly regulated in the country. His licence from the local authority costs £7 10s. Charges on loans of £2 and under are fixed by acts of 1872 and 1922, at monthly rates amounting over a year to interest at 25 per cent ; the pawnbroker may also, at the time of deposit, charge one penny for the pawn ticket and a halfpenny "valuation fee" for each five shillings lent. Loans over £2 are made by special contract with the borrower, probably over periods of three or six months, and calculated also to bring in some 25 per cent on the year. To those who say that this rate still looks unconscionably high, the answer is that it has not been high enough to prevent a third of all pawnbrokers from going out of business in the last six years. To those ambitious pawnbrokers who say that the rate is too low, that the Government should set the pawnshops free to prosper again, the answer is that the present regulations are a protection for the gullible. Pawning, even at a 25 per cent rate, is not a good way of raising money except on a strictly short-term basis ; people wanting to raise some money on their property would often be wise to sell rather than to pawn, thus raising the full value at once.

The most common charge levelled at pawnbrokers by their customers today is not, in fact, that their rates are too high, but that they value pledges far too low ; and as competition grows less it is harder and harder for borrowers to compare the offers of rivals. This complaint looks the less justifiable the closer one studies the trade. Pawnbrokers themselves insist that they are lenders, not buyers. The pledge, if forfeited, must bring in at least the original loan, plus the 25 per cent profit that would have been made had it been redeemed ; the amount most pawnbrokers could profitably lend on security of, for example, a new suit, would be calculated as some 75 per cent of its resale price after a year—which would be far below its price when new. Moreover, here again, the law protects the customer. Pledged goods valued at ten shilling or under become the property of a pawnbroker after a year and a week ; but those valued over ten shillings must be sold, when forfeited, at public auction, and for three years after the sale the depositor may claim back from the broker any profit that may have been made on the resale. This provision theoretically protects depositors against any severe undervaluation, but it is doubtful whether many of them know of it. In practice, goods sent to auction by the pawnbroker are usually reserved by him at a price near the amount lent on them ; it is unusual for him to gain or lose very much on the resale.



Up to twenty years ago the vast bulk of the trade, in quantity if not in value—and the type of trade which made pawnbroking a nasty word with Victorian novelists—was among very poor people in industrial areas, whose few good possessions, such as Sunday clothes, were habitually used to make the link between expenditure and an inadequate income more elastic. Pawnshops took in pledges on a Monday, which would be redeemed on Saturday out of the week's wages—a system which tended to make poor people feel richer than they were, and burdened them with charges that they could ill afford. This type of trade is called "industrial" ; the other, known as "city" pawnbroking, is in loans of rather larger sums, with jewellery or valuables as the pledges, and attracts a very different clientele.

The main reason for the decline in the number of pawnshops is, of course, a drop in "industrial" business: which, in turn, is due to the decline in the numbers of the very poor. The backstreet pawnshops are disappearing fast. Those industrial pawnshops which survive seem to rely partly on people who regard them as a good place to store clothes which are not likely to be wanted for a time: the owner of a heavy overcoat can, in the summer, enjoy its possession in the form of ready cash, while it stays in the care of someone who is legally obliged to look after it. But frequent borrowing and redemption was the real source of prosperity, and occasional trade cannot replace it.

What can replace it ? It should not be assumed that all existing pawnbrokers are hard up ; many of them are doing very nicely, and in their shops vigorous and unEnglish haggling is still the rule, with many "take it or leave its" and bluffing retreats halfway through the door. The reduced volume of their trade is partly offset by the increase in the money-value of goods, and in the improved quality of poor people's property. Some pawnbrokers will even take television sets (although things so easily broken and so liable to grow out of date in a year's wait are unlikely to raise a good price for the depositor), and electric razors and watches are tending to increase as pledges at the expense of clothes. But most pawnshops have read the signs of the times, and now sell new goods as well as secondhand ones (especially cheap jewellery). Their most pressing difficulties, therefore, are much like those endemic among all small shopkeepers. They cannot afford to pay high wages, young people will not come into the trade, and those returning from national service have not the patience to stay and learn it. Permitted profit margins are not large enough to attract new capital, and, although there are some old-established firms with several branches, a business in which so much depends on the personal decision of the man behind the counter about the value of a pledge gives no scope for modern marketing techniques.

Pawnbroking, in short, is no longer a social menace, and it is rapidly ceasing to be a social force or even a topic of fun. Those who say that Britain, like some continental countries, should have state pawnshops to "solve the problem," are as out of date as most advocates of state ownership. For there is now no real "problem" there. The three brass balls which are the pawnbroker's sign have a long tradition, going back to the Lombard merchants with whom, in 1338, Edward III pawned his jewels to raise money for a war on France ; and, sentimentally, it might seem a pity that the Dickensian atmosphere of crowded, brown-papery shelves and old-fashioned uncles should give way to neatly respectable or even brashly modern stores. But perhaps this was an aspect of Old England which we are as well off without.

Notes of the Week

Defence Cuts and WEU

THE ministers of Western European Union have postponed a clash with Britain over the proposed cuts in Rhine Army and the tactical air force. Nato is to discuss the matter again. Britain undertook in 1954 to keep four divisions and the tactical air force, or their equivalent, on the Continent. The "equivalent fighting capacity" of Second Tactical Air Force may be said to be maintained by arming the Canberras stationed in Germany with atom bombs to offset the reduction in the size of the force. But it is not possible to argue that this same increase in firepower can compensate for a reduction of Rhine Army by a third. General Norstad has already forcibly argued that it does not, because the object is to build up a force—of about 30 divisions—capable of fighting on the ground.

Nato, like WEU, has to consider the political strength of the alliance. It obviously does not want a dispute with Britain about fulfilment of pledges; on the other hand, it does not want the alliance to fall apart because declining British forces—there have been some cuts already—make the other members defeatist. Even if the other members do not appropriate the British arguments about economic difficulties for their own use in whittling down their own forces, the awkward fact remains that the size of Rhine Army is important in ensuring that the powerful German contribution that has been promised does not dominate the forces at Nato's disposal. Unexpected as it was that the German Foreign Minister, Herr von Brentano, should have made himself the spokesman of this particular view, the view has cogency; it was the basic reason for the original British pledge. Even if this question is left aside, there is real fear of having, not a shield, but merely a tripwire between western Europe and the Russians.

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It is thus difficult to see how WEU can easily change its mind when the matter comes back to it from Nato; but no doubt the search will continue for a compromise between the British anxiety to make big financial savings, and the high store set by WEU on the British commitment in Europe. Probably the immediate compromise will be to postpone the cuts; if so, the Minister of Defence can make good use of the postponement. There is every reason for Britain to seek ways of producing a better organised and better armed force, which might seriously be able to meet the same commitment with fewer men. But neither the reorganisation nor the re-equipment is visible yet. Until they are visible, the pledge remains an obstacle, to be over-ridden only by a plea of financial *force majeure*; and that would be unwise.

—And the Budget

IT is now possible to speculate with a little more realism about the possible magnitude of the economies in defence with which Mr Thorneycroft may hope to be presented at budget time, whether or not he can devote them to tax reliefs. The Chancellor indicated last week that even in the coming financial year, when very large economies cannot be expected, the defence vote will be somewhat below the original estimate for 1956-57. This was, after deducting American aid, £1,498.7 million. How much below that figure Mr Sandys can reduce defence costs will no doubt depend in part on his success in cutting British forces in Europe, which is still an unsettled question. But the sort of language Mr Thorneycroft used would be consistent with a figure of, say, £20 million to £30 million below the original 1956-57 estimate.

To gauge the prospective relief to the economy in 1957-58, however, the important comparison is not between next year's estimate and this year's estimate, but between next year's estimate and this year's actual spending. Against Mr Macmillan's earlier economies of £21 million in this

THE OPTIMIST'S DEFENCE ARITHMETIC
(£ million)

Possible cut in 1957–58 Estimate below original 1956–57 Estimates, say	20— 30
Excess of 1956–57 spending, over 1956–57 Estimate*	35
Saving in Real Terms by stabilising Money Terms, say	45— 60
Real Saving	100—125

* Assuming virtually no underspending in any defence vote, except for the Macmillan economies.

year's spending must be set supplementary estimates for all five defence departments of £58.5 million, on account of the Suez affair and other contingencies. This would bring total spending this year to around £1,535 million, unless there has been underspending on particular votes. There usually has been underspending on particular defence votes, but the fact that the supplementaries were presented so late in the year suggests that it may not be considerable this year.

If there is no underspending at all, the money economies for 1957-58 to which Mr Thorneycroft might look forward, on this reckoning, might swell to between £55 million and £65 million. But it is by reference to changes in real spending that Chancellors ought to draw up their budgets. As prices have risen 3 or 4 per cent in the past year expenditure that merely held money costs stable, in a defence budget of £1,500 million, would represent a real saving of between £45 million and £60 million. Taking all these items together, a pattern emerges whereby it might conceivably be open to the Chancellor to claim that, compared with the current year, the real burden of defence costs on the economy is being reduced by upwards of £100 million in 1957-58. There would be a certain amount of cheating in such a claim. For one thing, the reduction would be achieved by comparison with the year of the Suez war (although also with a year of considerable de-stocking); for another, part of the prospective cut in the net estimates might reflect the hope of getting more in support costs from Germany next year. But, if the figures suggested in this note are borne out, the half-promise about the estimates already made is not, economically, to be sneezed at.

Cairo's "Big Four" Conference

THE conference in Cairo of the "big four" had hardly got under way when the Egyptian press announced that it had reached "a united Arab policy." In the broad sense, this can hardly be true. King Saud has shown encouraging interest in the Eisenhower doctrine. King Hussein of Jordan has launched a campaign against communism and got his government to stop Soviet propaganda from entering the country. Syria, on the other hand, has a pro-Russian government and is against the Eisenhower doctrine. Egypt is politically and economically close to the Soviet block. Four of King Saud's interviews in Cairo, with the ambassadors of the United States, Iran, Pakistan and Lebanon, can hardly have pleased either Egypt or Syria.

King Saud is not clutching President Nasser quite as firmly by the hand as he did a little while ago. This is evident from his recent choice of friends, notably Habib Bourguiba, the Prime Minister of Tunisia, and the Sultan of Morocco, neither of whom looks with much favour on Egyptian policy. It suggests a new independence of thought which might fracture the Egyptian line-up against Iraq and cut the flow of Saudi rials to the anti-Iraqi and anti-western press of the Arab world.

The communiqué is, in fact, notable for nothing more than a few obstinate platitudes about the well-known Arab national causes. All four could without difficulty agree in demanding the withdrawal of Israel from Egypt and from the Gaza strip without making public the concessions they might make to secure it. Much will depend on whether the new United States proposals can be presented as acceptable to the nationalists of Syria, Jordan and Egypt. Even on this subject, however, there are some differences. King Saud would agree to concessions to get the Suez canal unblocked and his oil revenues back to peak. Syria would concede nothing at all. And Egypt? It is difficult for President Nasser to yield an inch of the victory that Uno has been vicariously winning for him; but there are faint signs that he might welcome a formula that saved enough of his face.

Iraq Seeks a Loan

IRAQ loses three-quarters of its oil revenues as long as the Iraq Petroleum Company's pipelines through Syria remain cut. These revenues provide the entire development budget and 40 per cent of the ordinary budget, which, therefore, will show a deficit of at least £2.5 million by the end of the financial year on March 31st. Even if the pipelines were restored within the next six weeks it could only be to less than half their capacity. The deficit may reach £10 million.

The Iraq government is therefore asking the IPC for a loan secured on future oil royalties, and the discussions in Baghdad regarding this request are being conducted most sympathetically on the company's side. There seems every reason to help Iraq, the Arab country which has behaved most rationally about its own and western interests, all the more since its difficulties were brought on by the British action in Egypt last autumn.

The problem is not whether the loan should be given but how it should be given. If it were made as an advance against royalties it might come under the Iraqi law which allots 30 per cent of royalties to the ordinary budget and the rest to development. The Iraqi government has never yielded to the temptation to use more than 30 per cent for current expenditure, and it would be unfortunate if the loan were to set a precedent now for breaking the law in this respect. A way may be found to lend the money without direct reference to the royalties agreement, in the knowledge that Iraq's future oil revenues will secure its repayment.

The Chequers Group

MR MACMILLAN'S summoning of six senior colleagues to a weekend "stag party" at Chequers did not signal the establishment of a new type of Government conclave, still less a sudden return to the methods of Charles II's Cabal. In recent years most Prime Ministers have found it best to form an "Inner Cabinet," usually of four or five men, for taking at any rate the big decisions. The late Lord Norwich has recalled how British policy at the time of Munich was largely in the hands of four men: Mr Chamberlain, Lord Halifax, Sir John Simon, and Sir Samuel Hoare. Between 1945-50 four men obviously stood head and shoulders above the rest of the Labour Cabinet: Mr Attlee, Mr Bevin, Mr Morrison and Sir Stafford Cripps. When Sir Winston Churchill was at 10 Downing Street the picture was complicated by the presence of an informal group of personal friends, once called by their leader "our intimate circle," but during his last term there was also a fairly clear inner group of the Cabinet: Sir Winston himself, Sir Anthony Eden, Mr Butler, Lord Salisbury and Lord Woolton.

Mr Macmillan's inner ring is a little larger than usual. The Chequers guest list originally comprised six men besides the Prime Minister: Lord Salisbury, Mr Butler, Mr Selwyn Lloyd, Mr Thorneycroft, Mr Sandys and the Chief Whip. (It is not clear whether the last named was present as a full member or just drinks waiter, nor whether Lord Home joined the group on Sunday hot with some news from India or merely because he had a previous engagement on the Saturday afternoon; Mr Lennox-Boyd, who would have been there, was in hospital). But the original size of the group was probably dictated simply by the fact that no single figure in the second rank has yet pushed himself to the front to join the only two men as yet clearly of top stature: Lord Salisbury and Mr Butler. The only point, in

fact, where Mr Macmillan really differs from his predecessors in this matter is that they invariably preferred to keep the meetings of their "Inner Cabinets" as quiet as possible. They no doubt felt that, while lesser members of the Cabinet obviously knew that they were being excluded from such inner councils, there was no point in publicly labelling them as second class members, and that to excite attention to meetings which could produce no published result was a mistake in rumour-ridden public affairs. The supposition is that one of the things the Chequers group will have discussed last weekend—in addition, of course, to defence—was whether to take risks in the Budget; the guess, after reading the names in the list, is that this particular inner group would be more likely to include a majority of the cautious; but nobody, outside the group, really knows.

When in Doubt

Both the Trades Union Congress and the Federation of British Industries have proffered advice to the Chancellor this week. The TUC's memorandum has obviously been compiled by its rapidly improving group of staff economists, but has equally obviously been edited by the usual sort of TUC committee. The TUC economists enter the plea, with technical arguments, that this year's budget should be sufficiently reflationary to make use of "the considerable increase in productive capacity which the high level of investment in the past two or three years must have created"; the editing committee suggest that one of the best ways to do this would be to take purchase tax off pots and pans. The FBI's booklet may have suffered from some of the same sort of editing, particularly in its over-emphasis on undefined "cuts in Government expenditure" as the easy road back to stability. But the editing has been more liberal (the report's observation that "the most dangerous characteristic of inflation is that, until it gets out of hand, it makes life too easy for business" is an object lesson in candour to more conservative bodies like the TUC); and its especial interest lies in the fact that its authors can view one imponderable factor in the future course of demand from an especial vantage point. They should be in a better position than most other people to gauge their member firms' intentions to (or not to) invest.

The FBI's considered view is that the volume of investment "may be about the same in 1957 as in 1956." "But in 1958," it says, "it will almost certainly be less than in 1957 unless some stimulus is given to it." Nevertheless, it thinks that the arguments for some early reflation are very "finely balanced":

> On the one hand, it is not safe to allow investment programmes to pre-empt resources until the slackening of public expenditure has made room for them. On the other hand, just as there has been a time-lag in restraining investment so there will be in its revival; and so, if a period of recession is to be avoided, it is necessary to apply the stimulus in advance of the time when room will be available.

The Federation's final recommendation to the Chancellor is therefore that "some part of the stimulus to new investment, such as the restoration of investment allowances and the relaxation of the credit squeeze in the narrow sense, should be applied as soon as firm decisions to reduce public expenditure are made"; but that "truly radical reductions in taxation" will have to wait. "For the time being," it says, "the watchword should still be 'when in doubt lean to the side of disinflation'." It is fair to conclude from this that industrial economists are still "in doubt." So, one imagines, is the Treasury—and most other people.

Homicide in the Lords

The debate on the Government's Homicide Bill in the House of Lords was as dull as the 1948 debate on the Labour Government's abortive compromise clause was lively. Then, the opponents of the clause, the Lord Chief Justice in particular, enjoyed themselves in showing up all the inconsistencies and anomalies it would lead to. Last week, no peer spoke enthusiastically about the present compromise, but none was prepared to vote against the second reading.

The reasons they gave for not wishing to oppose the bill reflected their views on capital punishment itself. The abolitionists (Lord Templewood disclaiming any support for the measure) welcomed the prospective drop in the number of executions—though, when the bill becomes law some time this spring or summer, there will in fact have been no execution in Britain for nearly two years. The retentionists (with Lord Ferrers as uncompromising as Lord Templewood) welcomed the proposals to retain the death penalty for murders in which the maintenance of law and order is directly threatened. The middle-of-the-way peers welcomed the bill simply because it is a middle-of-the-way measure, though Lord Samuel regretted that the distinction between capital and non-capital murders had not been drawn on the degree of moral heinousness in the crime.

Another middle-of-the-way speaker, the Archbishop of Canterbury, produced the extraordinary (if quizzical) statement that the controversy over the death penalty was "very unfair to anybody meditating murder." This was capped by Lord Goddard's remark that the one reason for welcoming the bill was that it would stop the policy, adopted since the Silverman Bill passed the House of Commons, of reprieving every murderer, which was very embarrassing to the judges. This, indeed, seems to be the highest measure of agreement that the bill can evoke: that for these holders of two of the most responsible offices in the land it will end a situation that is unfair—both for potential murderers and for their judges.

M. Mollet in Washington

M. Mollet in his journey to Washington has been doing his bit to repair the cracks in the Atlantic alliance; it is a necessary stage in the work that the image of the French prime minister as a "Suez culprit" that has prevailed since October in Washington should be obliterated by a look at the real figure; a staunch anti-Communist, a good European, an architect of the Common Market and of Euratom. Following the example of M. Mendès-France, he did not go to Washington to ask for money. M. Mollet said before he left Paris that economic aid did not figure on the agenda; though it is known that the French need dollars to pay for oil, that they are negotiating a loan with the Import-Export Bank, and that they are anxious for the resumption of American off-shore purchases.

M. Mollet's intention was rather that his Washington talks should range over foreign policy. The future of "Europe" in its relations with French Africa; France's contribution to Nato; Russian diplomacy in the German election year. He and M. Pineau have been pleading Israel's case in the Middle East crisis, and this may have done good in Washington; they may well have agreed to exert a moderating influence on the Israelis in turn. In Algeria the Americans, having helped France to avoid a vote of censure in the United Nations, now expect the French government to make constructive use of their diplomatic respite.

Back in Paris, M. Mollet cannot feel much confidence in his reception by the National Assembly. There is again talk of a government crisis, M. Mitterrand having replaced M. Pleven as the favourite in the fashionable succession stakes. The fact that both belong to the tiny and divided UDSR party is an interesting commentary on the power of the centre in French politics. It seems, however, that M. Mollet will be in real danger not when he expounds his policy but when he seeks the financial means to carry it out. For this reason, American aid, though it did not figure on the official Washington agenda, may really determine by

it margin M. Mollet's team will beat the French postwar ord of governmental stability.

A Match Deferred

THE trouble about matchmaking is that, be it based on passion or reason, it requires the simultaneous agreement both parties. For this reason a union between Signor enni's Socialists and Signor Saragat's Social Democrats, ought nearer by the meeting of the two leaders last igust, has receded again. Hopes were at their highest at e recent Venice congress last month, when Signor Nenni nounced his party's political divorce from the Communists, spoke favourably of European integration, and even reshadowed a possible acceptance of Nato. Although his eech was well received, when the congress came to elect e central committee his candidates were outnumbered by ie spokesmen of party officials and by other representatives groups less favourable to fusion. True, the third round ive him a narrow majority on the executive. But it was ade obvious that strong elements in the party machine ill try to prevent Signor Nenni from making too many ncessions and from rushing too fast into the arms of the ocial Democrats.

An even bigger blow to plans for a merger came from ignor Saragat, who delivered a diatribe against his potential artner, thanking Providence that "the flowery cloak of ennian eloquence proved unable to hide the real situation." n impression was created that he was not ill-pleased by the ailure. Machiavelli's advice never to enter into an alliance vith a stronger partner (the followers of Nenni polled nearly wice as many votes at the last election) and perhaps even desire to stay in office may have reinforced Signor Saragat's fear of communist infiltration. His party has adopted a waiting attitude.

The Italian coalition government does not, therefore, need to fear a crisis precipitated by any desire of the Social Democrats to join Signor Nenni in opposition. Unless it is imposed from below, the Socialist merger is unlikely to take place before next year's elections; they may show how much recent events have weakened the biggest communist party in the West. Popular reaction may then force the leaders to second thoughts about a merger.

Doctors Prepare for Action

The Government's handling of the doctors' pay claim has been singularly inept. Last week, when the appointment of a royal commission to consider medical remuneration, and the position of the medical profession in relation to other professions, was announced in Parliament, no hint was given that all doctors might be given an interim increase pending the commission's deliberations. Indeed, in the House of Lords, Lord Salisbury said that the increase proposed for junior hospital staffs would not be extended beyond that limited class.

The effect of this announcement was what the Government might have expected. The General Medical Services Committee, representing the family doctors in the health service, immediately called an emergency conference of the local medical services committees—the statutory advisory bodies set up under the 1946 Act in local health areas. At this conference, which will be held at an early date, general practitioners will be advised to resign from the health service. In the meantime Mr Macmillan has written to the joint chairmen of the doctors' negotiating committee, in reply to a letter of strong protest received from them, to say, first, that the royal commission was not intended to be a time-wasting procedure and, more important, that its work did not preclude "some interim adjustment."

If this hint of an increase all round has not been given as a result of the threatened resignation, why on earth could it not have been given last week? In any case, it is vague enough for the doctors to proceed with their plans unless the Government makes a definite and acceptable offer. The precise details of those plans are not known. Since the purpose of resignation is to put pressure on the Government, the doctors would not treat people for nothing—or so merely save the taxpayers' money—but would p[ro]bably charge fees to those they deemed able to [pa]y them. Nor could they issue health service prescri[p]tions. They would also be able to sue for bills u[n]paid, and it is an interesting point whether their patie[n]ts could refuse to pay some at least of that portion of their insurance stamp that goes towards the cost of the health service. Another source of funds for many of the resigning doctors would be their share of the £66 million set aside as compensation to them for the loss of their right to sell their practices. This is payable on retirement or death, and it could be very embarrassing for the Chancellor if they all claimed it at once. On the other hand, the older doctors who resigned would be hard hit by the forfeit of their right to a pension; this is payable only after ten years' service, and the health service is not yet nine years old.

Hospital doctors, who work on state-owned premises and with state-provided facilities, are not being advised to resign; but on Thursday morning the joint consultants' committee issued a statement that they would support the family doctors in every possible way.

A Court of How Much Inquiry?

THE national interest in the Briggs affair has never been merely to prevent a strike breaking out there; it has been to get the deepest possible probing of, and the widest possible publicity about, a case study of all that is worst in British industrial attitudes. The basic facts are plain. The Ford Motor Company at Dagenham took over the neighbouring Briggs Motor Bodies factory in 1953; it tried to introduce its own efficiency methods, which would have resulted in a considerable rise in workers' earnings in the factory, but failed in the face of the men's attachment to their long tea breaks and other traditional practices. Since then labour relations at Briggs have gone from bad to worse. In 1956 there were 162 stoppages of work because of disputes in the factory, the fantastic average of more than one every other working day. The stoppages are led by a strong shop stewards' organisation, in which communist influence is predominant. The threat of a total strike that has been hanging over the factory for the last few weeks results from the dismissal, for a breach of discipline, of one of these communist shop stewards, a Mr McLoughlin. Although Fords agreed to pay Mr McLoughlin to stay away from work, pending the report of a court of inquiry, he himself says that he will not accept such "Judas money."

It remains to be seen what will happen in the court of inquiry now. The national interest is that the inquiry should be very wide ranging; but Mr Macleod's decision on Tuesday, in great anxiety to avoid a strike, means that it is going to be a very unusual inquiry. Under union pressure, he has agreed that the court should consist not of the usual three men, but of one, Lord Cameron, assisted by two assessors from either side (the union and Fords). Lord Cameron, a Judge of the Court of Sessions, was chairman of a court of inquiry into the railway dispute two years ago; and his report aroused some criticism when it argued that the nation "having willed the end" of a nationalised railway system must "will the means" by seeing that railwaymen got higher wages, even though the railways were in financial deficit. A heavy responsibility for making his inquiry as wide as possible will rest on him on this occasion.

In a despatch below, our special correspondent describes the present depressing atmosphere in the Briggs works.

Poland's Parliament

POLAND'S new Sejm, now holding its first session, is not expected to be the rubber-stamp institution that its predecessors were. True, the deputies are unlikely to question the fundamentals of the regime, but they are prodded by an outspoken public opinion, and they will certainly not be content dutifully to endorse what the government does. More probably, the government and the ruling party will

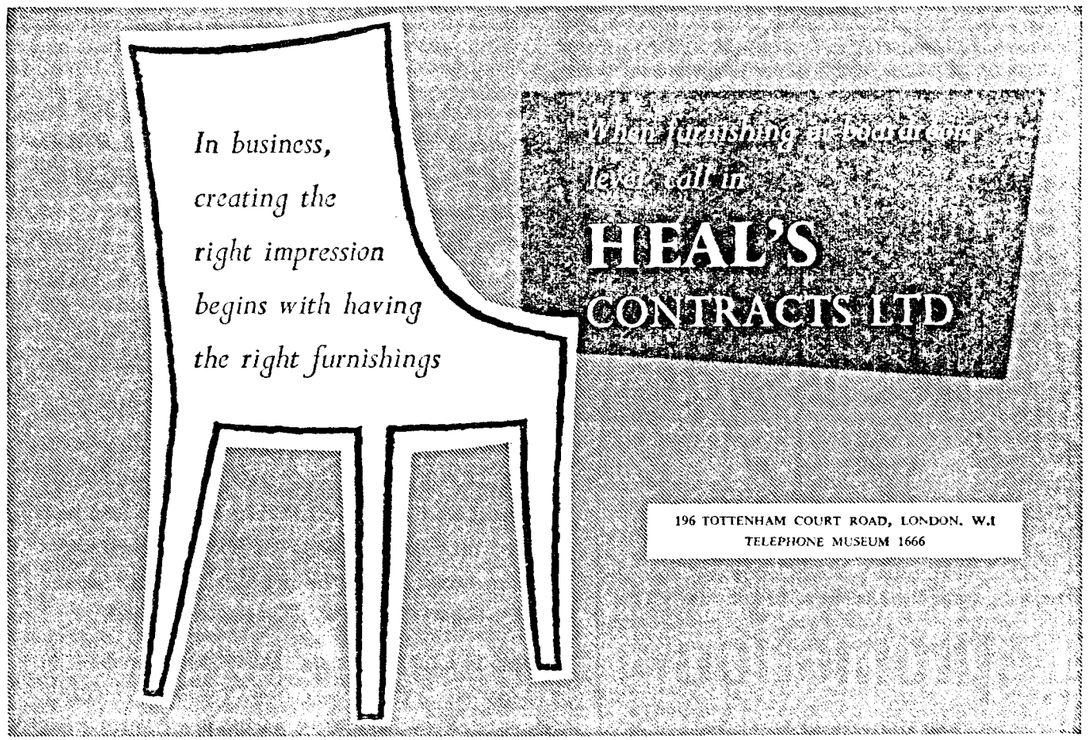
Dispute at Dagenham

OUR special correspondent visited Dagenham on Tuesday, to report on the atmosphere among three groups of people affected by the Briggs dispute:

(1) *In the Shop Stewards' Den.* The Amalgamated Engineering Union's shop-stewards at Briggs have a committee room over a hairdresser's shop in the town; they finance it from the proceeds of a football sweep run among the men at the works. The stewards themselves were the only ones at work, but two men and a girl were meritorily doing the accounts. One man pokes at an adding machine, while the other (whom your correspondent subsequently identified from newspaper photographs as the famous Mr McLoughlin) argued: "What have the management ever put into the works? They never owned any capital, because it's us workers who make capital—and they are robbing us of it all the time." This was self-evident to him, and he smiled pityingly at someone who was ignorant of these elementary facts. Arbitration by the Ministry of Labour could not help to solve the problem, for "When it's a question of capital and labour there's no such thing as impartiality." The men had voted to strike "a hundred per cent solid" (the actual vote among AEU members was 1,118 for a strike, 429 against, with some 250 to 500 abstentions; there is a labour force of 9,500 in the factory). One day a Labour government would get in and nationalise everything, but until then there was no chance of making peace with the management.

(2) *With the Wives.* The depression induced by this conversation was somewhat dispelled by two ladies in the rainy street. They had just bought an evening paper, announcing in big headlines the settlement of the strike. Both their husbands worked at Briggs, and, if the strike was really settled—they would not believe it until they heard it on the wireless—they were delighted. With the cost of living the way it is they could not afford any more. One of their husbands was a Briggs' employee, who had had personal experience of work in the Ford factory; he was a skilled man, she said proudly, and would get a pound a week more if he came under Fords, "but then Fords are stricter. There's more give and take in Briggs, and that's why my husband likes it. I'd rather have the money myself, but then I'm not the one who does the work."

(3) *Among the Men.* Four men were having a smoke outside the gates at Briggs. They were sure they didn't want a strike, but would naturally come out if the unions thought it right; only one of them was an AEU member. They disliked Ford's time-study men. "Even if we would get more money from Fords the blokes don't like being mucked about. We got along all right here before they came along." But they were sure that all the pay they had lost in strikes could never be made up in increased wages; and the unions mucked them about as much as the management now. "I reckon an enquiry's what we want. What this plant needs is a dose of salts, and not just for the management either." Men began to stream out of the gates, and, stubbing out their cigarettes, they put the remaining halves in their pockets: "We must slip in and clock out now," they said, "and the best of luck."

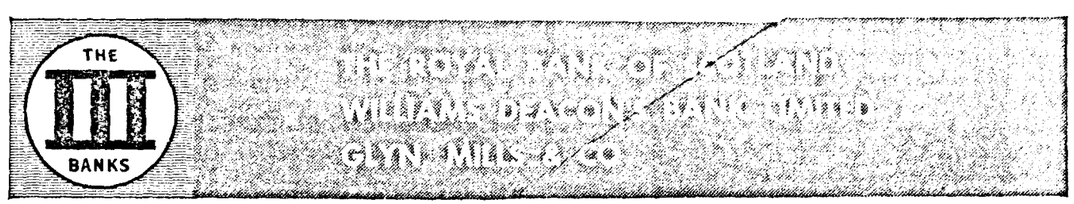


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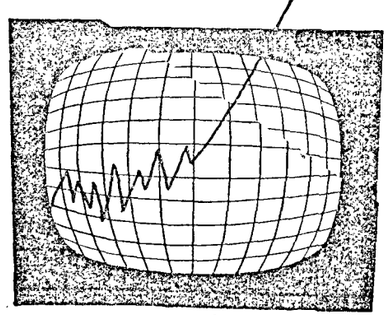
In the ordinary way, something to be avoided. But, according to records, Bankers have used this term since 1740, or even earlier, to denote their system of listing money and cheques received each day for the credit of their customers.

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The most successful TV promotion of 1956?



A few weeks before Christmas last year Lines Brothers took over a complete Shopping Guide to show their Tri-ang Toys. This 15-minute feature was transmitted over all stations on Sunday December 2nd between 5.50 and 6.10 in the evening—just after ABC Television's Family Hour and Associated TeleVision's Junior Television.

The results achieved were up to the highest expectations.

Catalogue distribution up over 300%. Toy shops throughout the television areas were told well in advance of this Tri-ang feature. In consequence, over 800,000 catalogues were distributed to them in comparison with 250,000 the year previously. In addition, many shops gave an exceptionally generous display to the toys—whole windows in a considerable number of cases.

Seen by 4,700,000 people. As for the feature itself, in London on ATV it gained a Television Audience Measurement rating of 46. In the North on ABC a TAM rating of 55. And in the Midlands, also on ABC, the best rating of all, 68. The Midland rating put it high up among the top ten programmes of the week.

It was estimated that over 4,700,000 people actually saw this programme.

What the client says. Lines Brothers Ltd., who planned the commercial in conjunction with Colman, Prentis and Varley Ltd., stated 'In every way this commercial feature did a first-class job. We got a large audience. Our retailers were impressed and so were our own sales staff. We got exceptionally good displays of our toys. And, last but not least, the dealers got very good sales'.

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use parliament as a testing ground for their policies, which will be modified, if necessary, to avoid the gap which formerly yawned between leaders and people. Eastern Europe, in particular, will watch with close attention this attempt to reconcile dictatorship and democracy.

After political successes comes the economic test. Mr Cyrankiewicz, the prime minister, having presented a scarcely altered government (the changes were made in November) concentrated his speech on economic prospects. The Polish economy is to undergo important changes in the current year. Total industrial output is scheduled to increase by only 4 per cent, but 16 per cent more consumer goods are to be supplied. The share of investment is to be reduced, arms production severely cut and output in certain branches of heavy industry curtailed. In the budget the axe is applied to expenditure on defence and administration; estimates for social welfare are increased. It is hoped that, thanks to all these changes, the higher nominal wages and farmers' incomes will not result in inflation. Much will depend on the success of the policy of incentives for peasant smallholders; last year's good deliveries fell short of expectations.

Foreign trade is another weak spot in the general picture, and the balance of payments will be further strained by a cut of 6.5 million tons in coal exports, Poland's chief source of foreign currency. Mr Cyrankiewicz admitted that, despite the help promised by the Russians last November, Poland will be compelled to limit its imports to the strictest minimum. Attempts are being made in the West to get more raw materials and capital goods on credit. The Polish premier showed anxiety to reassure the Russians that this would not involve any change of allegiance. He stressed the importance of the Warsaw Pact (in view of Germany's rearmament), and Poland's determination to stay in the "socialist camp." At a time when their trade missions are busy negotiating in Washington and other western capitals, the Poles cannot be accused of using false political pretences to get the economic aid which they so much need.

No Plebiscite for Kashmir?

THE anti-British clamour from Delhi and the filibustering of Mr Krishna Menon have obscured the fact that India has good as well as bad reasons for opposing a plebiscite in Kashmir. Indeed, the Indians can scarcely blame the British press for its unsympathetic attitude towards India's case, since they have consistently been less than frank on the issue. They have bound themselves to support a plebiscite by their acceptance of various Security Council resolutions. But in fact they do not want a plebiscite, and they seek to disguise this fact by reiterating their reminders that the Council resolution of April 21, 1948, insisted on the prior withdrawal of "tribesmen and Pakistani nationals" from Azad Kashmir.

The motive for the Indian reluctance—and reticence—should be recognised. Since the violent days of 1947 and 1948, Mr Nehru's government has established an uneasy communal peace in its secular republic. A plebiscite campaign in Kashmir would be likely to be fought on communal lines, with the danger that Hindu extremists would turn on India's 40 million Muslims. This is the unstated reasoning behind Mr Nehru's latest attacks on Britain for its part in the Security Council debate on Kashmir; and the fact that it remains unstated doubtless reflects Mr Nehru's anxiety lest too open a discussion might arouse the very communal violence he wishes to avoid.

India complains that Britain, by co-sponsoring a Kashmir resolution in the Security Council two weeks ago, showed itself indifferent to India's vital interests. The resolution proposed that the president of the Security Council, Hr Jarring, of Sweden, be sent to Delhi and to Karachi to sound the two governments on the possibility of demilitarising Kashmir, bearing in mind "the proposal for the use of a temporary United Nations force." The Indians object that this proposal was made by Pakistan, and that Britain by sponsoring it was taking sides, though they raised no objection to a later resolution, which the Council passed and which merely proposed that Hr Jarring should make the journey.

They allege, too, that the British action was an attempt to pay India back for its opposition to the intervention in Egypt. There is no ground for the allegation. Naturally, Britain seeks an agreed solution to a problem that divides two Asian members of the Commonwealth family. This is no reason for some Indian papers and politicians—but not Mr Nehru—to threaten to leave the Commonwealth.

Not so Co-operative

CARMARTHEN was voting on Thursday after a very Welsh campaign which seems to have been everything that a by-election campaign ought to be. It is the only one of the seven by-elections pending after North Lewisham in which the result seems to be really in doubt, unless the movement of opinion to the left has really reached landslide proportions; it would take a swing of over 10 per cent to rob the Tories of any of their other seats now being put at issue.

But the present flurry of by-elections has had one unexpected consequence. The three prospective recruits to the ranks of Labour MPs that were chosen for good seats in these elections were: a barrister who has been in the party for only a year (the victor of North Lewisham), a young Co-operative intellectual (Mr Stanley Evans's designated successor at Wednesbury, which was also voting on Thursday) and the ex-Liberal Lady Megan Lloyd George at Carmarthen. The young Co-operative man was picked at Wednesbury in preference to a senior trade union official, who was an MP in the 1945 Parliament and is now on the National Executive. This, to long-service trade union MPs, has seemed the last straw in the trend to bourgeoisation of the party. Officially sponsored trade union MPs now constitute only a third of the Parliamentary Labour party; once they could command a handsome majority. This trend has been partly an inevitable and desirable result of the growth of popular education: a steadily larger proportion of the working class's potential leaders are going to a university and so becoming Labour MPs via the Fabian Society and the Transport House Research Department rather than the union lodge. The growth of Co-operative

influence seems to some union leaders to be a different matter. The Co-operatives (as a party, as distinct from as a movement) have always preferred to make their financial contribution to Labour by adopting particular constituencies, rather than by national contributions. They now have 20 Labour MPs representing their interests; it has always been intriguing to speculate what Labour (or for that matter the Tories) would say if a big business organisation like ICI openly financed and organised twenty Conservative members. The trade union leaders (who are themselves being asked to increase their party subscriptions) have long believed that the Co-operatives must make their contribution in some different way; on their insistence the Labour party has now given notice of the termination of its political alliance with the Co-operative movement.

This could mean much or little, but rather more probably little. Theoretically the twenty Co-operative-sponsored MPs would now seem to be freed from the obligation to obey the Labour whip; but they have always been good at co-ordinating their (occasionally divergent) obligations to the Co-operatives and to Labour, and one suspects that they will work hard to see that some compromise is effected now. But the present row has one more amusing side. A group of Labour economists, including Mr Gaitskell, have lately been looking into the economic organisation of the Co-operative movement, at the Co-operatives' request. It has always been a matter for speculation how any economist could make any remarks about Co-operative economic organisation without ruffling feelings. The committee's task must be still more difficult now.

The Irish Election

OUR Correspondent in Dublin writes: The Irish general election will take place on Tuesday in an atmosphere of invincible apathy. Voting is by proportional representation in forty constituencies returning 147 candidates. In well over half of them there is next to no chance of a major change. Between them Mr de Valera (*Fianna Fail*) and Mr Costello (*Fine Gael*) have, in recent years, been taking an increasing proportion of the 147 seats in the Dail: 99 in 1948, 109 in 1951 and 115 in 1954. Changes of government in the last decade have been decided by the fluctuations of the smaller parties—the Farmers, the Independents and Mr MacBride's *Clann na Poblachta*—who, taken together, have fallen from 29 in 1948 to 13 in 1954. But even here, the destination of third and fourth preferences may be decided by personalities and local ties rather than by party labels. Sooner or later, moreover, independent candidates should benefit from the dissatisfaction with the present party structure, which reflects past political scores instead of present political and social interests.

The general feeling in Dublin is that the parties now in office under Mr Costello are unlikely to be able to form a new government, and therefore, presumably, that Mr de Valera will come back. Whether he will come back with a clear majority, or whether the vote will be for deadlock, is another matter, which seems to depend on three main factors:

(1) It is generally believed that the greatest weakness of the present government lies in its Labour wing, which holds 18 seats at the moment, but is expected to hold less after next Tuesday. It might be thought that the recent growth in unemployment would swell the Labour vote; in fact, however, Labour is likely to suffer even in Dublin, the most industrialised area of the country, where even as things are it holds only four of the thirty seats.

(2) Some *Fianna Fail* optimists believe that the recent growth of Mr Costello's own *Fine Gael* will also be sharply reversed. The threat to it is less apparent than that to Labour, but it is true that more *Fine Gael* than *Fianna Fail* seats look vulnerable in this election, and that in several recent by-elections *Fine Gael* supporters stayed at home—either for local reasons or from dissatisfaction at the apparent lack of distinctive policies.

(3) The effects of *Sinn Fein's* intervention are incalculable. The party has put up only 19 candidates and does not seem to have made any great impression; most people assume that it should not get more than three or four seats, if that. But *Sinn Fein's* votes will come from Labour and *Fianna Fail*, not at all from *Fine Gael*; and that could complicate Mr de Valera's chances of getting a majority.

In the last resort it seems that the result will depend on the fortunes of the nineteen Labour seats and on what happens to about one-fifth of the thirty-five seats in the cities of Dublin and Cork.

The South African Treason Trials

THE accused are of all races. Out of the total 156, there are 23 Europeans; 30 are Indians and Coloured; the rest are African. They come from all parts of the Union and include a member of parliament, clergymen, lawyers, doctors, journalists, clerical workers and labourers. Many of them are national or provincial leaders of the numerous organisations which oppose apartheid; more than 50 organisations have been named in the proceedings. They were arrested on allegations of treason and "possibly" of communism, which in South Africa is illegal. Although the scope of treasonable activities is wider in the Union than in this country, these charges are the first of the kind ever laid in time of peace. The alternative charge gives the prosecution a less lethal but more sweeping weapon, since the definition of communism under the 1950 Act includes any disturbance designed to change the existing order, and a communist means anyone who at any time in his life has supported the aims of communism. The maximum penalty for treason is death (although this has only once been carried out) and for communism 10 years' imprisonment.

The proceedings began in January with a mass examination before the magistrate, who is to decide whether there is a case for committing the accused for trial. This preparatory investigation may drag on for anything up to three months. So far the prosecution and defence have each outlined their cases, 11,000 documents have been put in by the prosecution, and the court is hearing oral testimony on some 100 speeches alleged to have been made by the defendants. The accused have the option of reserving their defence or setting it out in full before the magistrate, and there are indications that they will depart from normal procedure by choosing the latter. If they are committed on charges of treason, they could be tried without a jury before two or three judges. Should the magistrate rule that there is no case, the prosecution could start again from the beginning before a different magistrate, although there is no precedent for this happening.

The case for the prosecution, as so far outlined, is that the accused were conspiring to set up a communist state by violence and possibly with foreign assistance. The accused are linked by their attendance, either individually or through their organisations, at a public meeting in 1955 which adopted a document called the Freedom Charter. The prosecution alleges that the social and economic changes envisaged in the charter were to be brought about by revolutionary methods involving force and subversion. As evidence it has put forward a welter of documents; any paper found on the premises of an organisation of which one of the accused was at any time a member can be used as evidence against him. Most of the documents are anti-apartheid, but there is a handful of letters from leading communists and at least one (anonymous) incitement to violence.

The defence has taken the unusual step of outlining its case at the beginning of the investigation. It is trying to do two things: first, prove the innocence of the defendants and, second, expose the proceedings as an experiment in political intimidation. The defence claims that not only are the aims outlined in the Freedom Charter unexceptionable, although repugnant to the South African Government, but there is no indication that they are to be achieved by other than peaceful means. (The Freedom Charter is vague, high-minded and in part socialist: it calls upon the people to "strive" for the changes it advocates.)

Interest in the trial has waned even in South Africa, where few consider that the government's scrupulous observance of legal niceties will in the long run obstruct its political purpose. But it may revive when the defence turns prosecutor by contending that the trial is a political plot similar to the Reichstag fire trial. In his outline of the case, the defence counsel claimed that the accused were victims of "political kite-flying": the government is testing how far it could go towards stifling free speech and criticism. The defence "will endeavour to show that what is on trial here is not just individuals but the ideas which they and thousands of others in our land have openly espoused and expressed."

But while the case drags on at snail pace, the expenses rise. On top of the legal costs, about half the accused have now been sacked from their jobs and have no money to support themselves or their dependants in the months that stretch ahead. The Bishop of Johannesburg (and Christian Action in this country) are trying to raise £100,000; but the fund is still a long way below its target.

General Franco's Reshuffle

MINISTERS in Spain are not immortal like the Caudillo, but they are hard to move. General Franco's first major reconstruction of his government since 1951 gives tacit recognition (nothing more could be expected) to the barely concealed crisis through which the Spanish regime is passing. After too many years in office a dictator's cabinet becomes dull, too openly cynical, and divided within itself. Recent trends have gone against the government in Madrid. Inflation presses, the annual gamble on a good harvest has turned out badly, labour discontent has become impossible to conceal; above all, the intellectual and moral disharmony between the regime and the public has grown more blatant, so that the polite boredom of a few years ago has turned into an angry disgust.

General Franco has worked out afresh his unending political equation between Falange, monarchists, army, and church. He has instituted some reforms in cabinet procedure, setting up a committee system along lines which seem to put more power in the hands of his personal deputy, Captain Carrero Blanco. His new foreign minister, Senor de Castiella, has distinguished himself as a propagandist for Spanish national claims, in particular on Gibraltar; neither Britain nor France, nor indeed the West generally, has much apparent ground to be pleased at this change. An attempt is being made to improve the machinery of co-ordination in economic affairs. But mechanical improvements are unlikely to overcome the defects in the conduct of Spanish economic policy, partly inherent in a state which attempts a system of controls too elaborate for its capacity, partly the expression of an awareness in the government of the weakness of its hold on the nation. General Franco rules through tactical skill and for lack of an alternative. He has found a durable solution for none of the political problems that ruined first the monarchy and then the Republic and brought him to power twenty years ago.

Family Life in Indonesia

PRESIDENT SUKARNO has come to the conclusion that the trouble with politics in Indonesia is that the parties are interpreting "opposition" to mean criticising the government with a view to its overthrow. This, he says, is alien to the spirit of Indonesia, which ought to be governed in a spirit of *gotong-rojong*, mutual assistance: "the essence of family life and the purest reflection of the Indonesian soul." All the major parties must co-operate in one cabinet—including the communists; for, said the president,

> I ask you in the calmest possible manner: can we afford to continue to ignore a group which in the general elections won six million votes? . . . to me there are no such words as "left" and "right." I only want the Indonesian nation to become united.

In addition to this all-party cabinet, President Sukarno wants to establish a National Council, led by himself and composed of the representatives of farmers, workers, intellectuals, business men, religious bodies, and the armed forces, together with the principal cabinet ministers. This council is to advise the cabinet; but Parliament will, it seems, continue as before.

Unfortunately the words "left" and "right" still exist for the politicians, even in Indonesia. The Islamic, Roman Catholic and Protestant parties have made it clear that they will not sit in a cabinet with communists. They have also complained that the composition and powers of the National Council have not been sufficiently defined, and they are afraid that the communists will be able to make use of their better organisation to gain a disproportionately strong position in it. One newspaper commented "if the council's advice is not binding it is a mere waste of time. If it is, the president will have gelded parliament, emasculated the cabinet and done violence to the constitution."

Should the parties reject his plan, President Sukarno might, in his capacity as commander-in-chief, proclaim a

state of siege and administer the country through the armed forces. A more attractive solution, which has the support of the dissident Sumatran leaders and several political parties, is to form a cabinet of "men of integrity" led by Dr Hatta, the former vice-president, who is honest, able and a staunch anti-communist. But the name of Dr Hatta, with whom he has often quarrelled, has become another of the words that do not exist for President Sukarno.

Old Speak and New Spell

VERY few lawyers will question the soundness in law of Mr Justice Harman's judgment in the case of Bernard Shaw's will and very few laymen will question that it was also in accordance with common-sense. To transliterate English into a 40-letter alphabet would make it utterly unrecognisable (let those who doubt this statement try it for themselves) and the loss of time and temper involved in learning a wholly new orthography would for many years to come vastly outweigh the saving whose money value the old jester wanted to be worked out. This part of Shaw's will was clearly the work of a crank and was rightly set aside.

But it will be a great pity if the effect of the publicity is to leave on the public mind the impression that there is no case at all for spelling reform in the English language. No subject, of course, more easily raises ridicule. But the facts remain—that English is rapidly becoming the world's international language; that while few of the world's major languages are simpler and easier to learn in their grammatical structure, none (at least in the West) is as difficult or as absurd in its spelling; and that English, almost alone of the literary languages, has not been reformed in the modern era. What other nations have done—the reasonable pruning of their languages by an official Academy—we could do. We could get rid of the major absurdities (like the "ough" muddle) and if it would help in the process to add an accent or two, or even invent a couple of new letters, there is no reason why we should close our minds to the possibility.

It is strange how, in this revolutionary age, the reforming impetus seems to have been lost. The Victorians systematically reformed all their institutions and they would have got round to spelling reform if they had had time. Trollope would have found it hard to believe that, nearly a century after he wrote of Plantagenet Palliser, decimal coinage (and disestablishment of the Church) would seem further off, and excite less interest, than in his day. Let us have renewed enthusiasm for all these objects of reform—for more logical spelling, for decimal coinage, for the metrical system of weights and measures and for calendar reform. Any one of these would be more useful than nationalisation. And for those who want to be in the *avant garde* of Reform, what about the duo-decimalisation of arithmetic, with the invention, not of fourteen new letters but of two new numbers, so that it would be possible to divide 10 (which, of course, would equal 12 in our present finger-bound notation) by 2, 3, 4 or 6, instead of only by 2 or 5 as at present, and that tedious atrocity 33⅓ per cent would vanish for ever. There is a cause for a zealous Reformer.

It is true that these reforms, except the decimal coinage, could hardly be carried out without the co-operation of the United States and what may be called the *avoirdupois* Commonwealth. But this is not an obstacle; it is an advantage. It provides a subject on which British diplomacy can Take the Initiative and Provide Moral Leadership. In that respect, it is surely, at the moment, unique.



FOCUS ON

Jim Campbell

AT the hearing of his wage claim on Monday Mr James Campbell, general secretary of the National Union of Railwaymen, called the wife of a Paddington porter as a witness. This was a shrewd stroke, and typical of the man. The glazed eyes of the journalists brightened at once: a human story. Next day Mrs Dear and her budget were all over the morning papers. Everyone was discussing how she got through 6 lb of sugar a week (for 3 people), why she bought cauliflowers while they are so dear and whether her husband got tips or only handled freight. Actually her food bill is only slightly less than the national average (which is 31s. a head). But whether or not her evidence strengthened Mr Campbell's argument that there is hardship in living on the railwayman's basic wage, at the bottom of the scale, of £7 a week, she certainly won it good coverage.

This was not Mr Campbell's only case for a rise. He also maintained that railway rates compared unfavourably with rates in other nationalised industries; that they were too low to recruit and keep the right kind of staff in jobs with such a vital role; and that the last increase, in January last year, had left the railwaymen worse off than they were in 1947. The arguments about the cost of living, however, were a particularly important part of his case because this was the only factor that the same Railway Staff National Tribunal took into account in its recent award to the Associated Society of Locomotive Engineers and Firemen. Mr Campbell wants to show that the index is an unreliable guide for incomes up to £1,000 a year in that it is based on the assumption that British households spend only 35 per cent of those incomes on food, whereas Mrs Dear spends about half, and a family with more children would spend an even higher proportion. Food prices in the last year have risen less than other prices, but Mr Campbell argues that the rise in food prices leaves them without enough to spend on other things.

"We men have little idea what these wives are up against," said Mr Campbell. But he himself, like most of his generation, has seen much harder times than his witness—at any rate early in his career. His father was a Glasgow railwayman, a keen trade unionist who introduced his son to the local branch at the age of 16. He was grieved, however, that young Jim had insisted on going on the railways, and would have much preferred him to stay in the nice clean office job that he got at the age of 14. The first world war took the young man to the Middle East and Salonika. Work on the railways paid off during the slump, and Jim had a job as a shunter, at 27s. or so a week. But he was a branch secretary of his union by now, and in 1935 was elected to its national executive. Some eighteen months later he became a full-time officer for Yorkshire, at the princely salary of £550; it was worth being a trade union official in those days. (The equivalent in post-tax purchasing now would be £1800 a year, which junior trade union officials most certainly do not get.) In 1946 he became chief organiser for Ireland (whence the NUR has since withdrawn); then he was assistant general secretary under Mr Figgins, and in March 1953 became general secretary.

He is tall and powerfully built and speaks with a soft Scots accent; his wife, in contrast, is tiny and very Scots. They are a popular couple with those whose workaday paths lie among trade union affairs—she because she is outspoken and free from the snobbery of some general council wives, he because he is good-humoured and sincere, although militant in union causes. The union, indeed, raised the retirement age of the general secretary to 65 in order to avoid parting with him (he is now 62). He may not be quite so popular with the communists, for he has no time for their intrigues. But everyone knows that in his cautious and deliberate way he will do the best he can for his union—which, after all, is his job.

Defence Spending

It is to be hoped that the Government will not misinterpret the large majority by which the House of Commons has accepted, and stamped with its emphatic approval, the budget of the Chancellor of the Exchequer, and suppose that either the Parliament or the country is in favour of a large and lavish military expenditure. . . . It may indeed be said that experience has shown us how unwise and even how improvident, it is for a great nation like England, with complicated relations and numerous possessions all over the world, to be caught in a state of imperfect military organisation and preparation. But if this be so, there are also two other points which experience has equally well shown. The first is, that it is not in proportion to the amount of money expended, or the large forces kept up during peace, that the efficiency of a military arm is secured; that in point of fact great economy and great efficiency are not incompatible; and the second is, that the military ardour and power of a country when an emergency arises, is great in proportion to the prosperity of the people, and their ability to bear the burdens of a war without inflicting too great a pressure upon their means. . . . In this respect what a remarkable contrast did England exhibit in the late European struggle, to all the continental nations engaged in it. It is not too much to say that a pressure upon the resources of those countries and the apprehension of their further exhaustion, induced them to entertain proposals for a conclusion of the war, which could not be said to be sufficient to secure the objects of the war, while the buoyant resources of England enabled us to stand out for such terms as entirely fulfilled those conditions. We do not wish to underrate a perfect and efficient military organisation, but even that is but an indifferent security compared with the general prosperity of a nation which infuses a feeling of high and healthy courage through all its parts, and at the same time enables it without difficulty to bear the burdens necessary for a great struggle when it arises. It was justly observed by Lord Palmerston that the efficiency of a peace military establishment did not consist in having a large force of men, but rather in a well-organised small force, with well-educated and disciplined officers who understood their business, and who knew how to apply their art upon an extended scale when necessity arose.

The Economist

February 28, 1857

Brighter Cricket by Controls?

CRICKET, like the cotton industry, is never what it was; and one has an awful suspicion that the august committee which reported to the Marylebone Cricket Club this week has merely followed the example of other committees of inquiry into declining industries, by searching too keenly for scapegoats and for gadgety counters to a long-term economic trend. Before the war, when bat tended to dominate ball, it was said that attendances were falling at first-class matches because people were tired of too many high-scoring drawn games. Now, when ball tends to dominate bat and when drawn games (except in wet summers) are fortunately less common, it is said that attendances are falling because people like to see batsmen beating bowlers at a high scoring rate all round the field. As an incentive to brighter cricket, the committee has therefore recommended that the first innings of each side in county matches should be limited to 85 overs; it is hoped that this would induce batsmen to hit out, but it might merely make bowlers bowl tight (besides killing the leg-spinner, who can delight a crowd by buying his wickets quickly but dearly). The committee's answer to these fears appears to be to assume that the only (because the easiest) form of defensive bowling is bowling at and outside the leg stump; it proposes to meet this by limiting the number and placing of fieldsmen on the leg side. That could end the dominance, and even the careers, of some of the very bowlers (including the best off-break bowlers) who have been most responsible for the heartening resurgence of ball over bat since the war.

★

There is always a temptation for middle-aged men to think that attendances have fallen because the young men of today do not play cricket as brightly as they themselves used to do. But it is not really surprising that the weary weekly round of county matches is losing support in the social and economic circumstances of today; it is therefore particularly fortunate that interest in Test matches, the receipts from which largely keep the counties solvent, is at a peak. The remedy for the counties is surely not to think up new gimmicks to encourage supposedly brighter cricket, but to have a more intriguing fixture list at more attractive times—and to play all their games more adventurously. The proposal for a knock-out county cricket cup (though why the suggested special restriction to 54 overs per innings here?) therefore seems the best part of the committee's proposals. But whether it can or should resist an economic trend which seems likely to force the counties some day to abandon much of their week-day cricket, and concentrate on week-end matches (perhaps with a two- or three-division county championship), is quite another matter.

Letters to the Editor

Erosion of the Tax Base

SIR—Your two lively articles raise some interesting topics. But they erect a structure of conjecture on an unreliable basis of fact.

First, the expression "Erosion of the Tax Base" is not traceable in the majority report of the Royal Commission. It occurs in a memorandum of dissent signed by Mr Kaldor and his two trade union colleagues.

The validity of your inferences may be tested by the following examples:—

(1) In attempting to prove the existence of a "dust bowl of taxable capacity" of some £3,000 million, it seems that you have taken from Table 29 of the National Income figures for 1956 the figure:—

"*Saving before providing for depreciation* and stock appreciation, £1,514 million."

This figure relates to all companies, public and private and the words I have emphasised are significant.

Making a "broad but not a wild guess," you gross this figure up to £3,000 million. Why you should use a standard rate of 10s. in the £ is not clear. You then assume that one-half is paid out in dividends and that one-half of these dividends go into the pockets of surtax payers.

Both assumptions are gratuitous. It is highly improbable that all companies, including public companies, could distribute one-half of their annual undistributed profits, as these would be largely represented by assets employed in the business. Inflation causes large amounts of profits to be retained simply to reduce "accounting" profits to "economic" profits. Without this the physical assets could not be maintained and the tax base would indeed soon be eroded.

(2) The investment income of surtax payers for 1953-54 was £407 million, as you say. This includes Schedule A and Schedule B income. According to the National Income figures the rent, dividends and interest received in 1953 by individuals and non-profit-making bodies such as superannuation funds amounted to £1,553 million. It will be evident that those figures do not support the assumption that one-half of any increased dividends would be received by surtax payers.

In any case, the distribution would give rise to a large number of claims for refund by small taxpayers and exempt institutions, which would go a considerable way towards cancelling out any additional surtax.

I have no space to recite further inaccuracies. It is reckless to talk of "the transformation that would be produced if, say, the same total revenue were collected by imposing half the present rates of tax on double the present taxable income." The true hope in the foreseeable future lies in cuts in national expenditure and exaggeration on the collection side serves no useful purpose.

Nevertheless, there is scope for serious discussion on the arbitrary direction given to savings by the machinery of direct taxation. For example, it seems high time that the "Chancellor's umbrella" was removed from companies under the control of not more than five persons. At present, however, if for any financial year a company is found to have distributed an inadequate dividend the whole of its profits for that year are deemed to have been distributed and surtax assessed accordingly. This provision is penal; it should be amended so as to permit the Special Commissioners to assess only such part of the profit as should properly be distributed.

Another distorting factor lies in the structure of profits tax with its 30 per cent tax on distributed profits and 3 per cent on undistributed. You suggest that the rate on distributions should be lower than the undistributed rate in order to stimulate distributions. Representatives of industry and commerce have for years pressed for the tax to be reduced to a flat rate (if it cannot be abolished) and this, surely, is the sensible approach.—Yours faithfully, C. D. HELLYAR

London, S.W.1

Safety in the Crowded Air

SIR—I do not wish to indicate agreement or disagreement with the letter signed by Mr R. A. Twomey over the name of Cambrian Airways in your issue of February 9th, but I must disassociate Cambrian Airways from the implications contained in it. I feel that your readers may, from his letter, have formed the impression that Mr Twomey was writing with the authority of Cambrian Airways (which was not so) and that safety in the air is a neglected subject on the part of those authorities and airlines responsible for such matters. The related subjects of control, equipment and the human element, are under constant review by the Ministry of Transport and Civil Aviation and the Air Registration Board on the civil side, and the Air Ministry on the military side. These authorities consult and work very closely indeed with BOAC, BEA, the British Independent Air Transport Association, the British Air Line Pilots' Association, and other established organisations, national and international. The measure of success of the authorities can be determined from the accident rate of British aviation, which compares most favourably indeed with that of other nations. This does not mean to say we can be complacent; indeed, exactly the opposite is true. All interested parties are working continuously to improve standards of safety.—Yours faithfully,

L. B. ELWIN
Joint Managing Director
Cambrian Airways Limited

South African Universities

SIR—Though I agree with the sentiments expressed in the article in your issue of February 2nd, I would like to point out that the information you give with regard to the University of Natal is erroneous.

In this university members of staff who teach non-European students are the same persons who teach the European students and are in no way on a worse footing than those who teach European students. Their salaries are the same. That is one reason why we have succeeded in maintaining a high standard of work at this university, where the results, as far as the non-Europeans are concerned, are far better than those obtained in either the separate institution of Fort Hare or in the mixed universities of Cape Town and the Witwatersrand, for the simple reason that the students here receive far more individual attention. This arrangement, however, obviously increases the cost of instruction at the University of Natal.—Yours faithfully, E. G. MALHERBE,

University of Natal

Cold War in the Lebanon

SIR—With reference to your article of February 9th, I would like to call your attention to the reaction of the Lebanon to two measures taken by Syria since 1952.

For the last ten years the economic policy of the Lebanese government has consisted in seeking freedom of exchange for goods and money.

The Syrian decree number 151 of March 3, 1952, forbade any foreigner (including Lebanese) to have in Syria any economic or commercial activity except with a Syrian partner holding 51 per cent of the shares. This was a severe blow to many Lebanese who had in some cases resided in Syria since the French Mandate. The Lebanese government did not take a similar step, considering Syrians to have the same rights as Lebanese, as secured by the Lebanese constitution and law, without having the same obligations.

A Lebanese citizen has not the right to own land in Syria, whereas a Syrian may freely do so in the Lebanon.—Yours faithfully, SALIM NAFFAH

Beirut, Lebanon

New Corporations for Old Colonies

SIR—Your note about the Colonial Development Corporation in the issue of February 9th says "The CDC which wants to extend its empire. . . ." The point at issue in the recent House of Lords' debates was whether CDC should be excluded or not from a territory which is specified in its founding Act. While recognising that the retention of empires is unfashionable these days, there is, I think you will agree, a difference.—Yours faithfully,

C. W. DUMPLETON
Colonial Development Corporation

Books & Publications

From War to Peace in the Far East

BRITISH MILITARY ADMINISTRATION IN THE FAR EAST 1943-46: *History of the Second World War, United Kingdom Military Series.*
By F. S. V. Donnison.
Her Majesty's Stationery Office. 501 pages 40s.

THE military administration of occupied enemy territory or of territory recovered from the enemy in which civil administration has broken down is an important aspect of the task imposed by war, and its immediate aftermath, on a nation's military organisation. It involves the extension of the military authorities' responsibility into a sphere from which in time of peace, at least in a constitutional democratic state, they are carefully excluded. It also requires a participation of military commanders in political matters such as they are not otherwise, even in time of war, called upon to undertake. Military administration may in fact be carried on largely by civilians, but they are subject to the chain of military command, which is subordinate only to the supreme executive authority of the government itself.

The British military administration in the Far East during and after the Pacific war, which is the subject of Mr Donnison's volume of the History of the Second World War, was under the authority of Admiral Mountbatten as Supreme Allied Commander in South-east Asia, and he in turn received instructions directly from the Chiefs of Staff. It superseded the former civil authorities for varying periods during the recovery from the Japanese of the British territories of Burma, Malaya and North Borneo—Hongkong was taken back by the British Pacific Fleet—and was also extended to French Indo-China and the Netherlands East Indies owing to the initial lack of adequate French and Dutch forces on the spot for re-occupation purposes. The tasks undertaken in French and Dutch territories, for which no British administrative experience was available, gave rise to problems of peculiar difficulty with which some of the most interesting pages of Mr Donnison's book are concerned. On the other hand, there was no British military administration of enemy territory in the Far East, as Japan came entirely under the authority of General MacArthur, and Siam was not subjected to any Allied occupation.

In the British and Dutch territories overrun by the Japanese the European officials were either evacuated to India and Australia or interned by the Japanese; in Indo-China they continued to carry on the administration until March, 1945, when they were arrested by the Japanese for fear of their defection in the event of an American landing. In place of the former European administrators the Japanese put either officials of their own or natives of each country who collaborated with them. The nationalist groups led by Aung San in Burma and by Sukarno in Indonesia collaborated with the invaders in the hope of gaining independence for their countries with Japanese aid; Aung San went over to the Allies when Japan's defeat became certain, but Sukarno was still collaborating at the time of Japan's surrender. There were also Communist-led resistance groups that were both anti-Japanese and anti-colonial, notably the Malayan People's Anti-Japanese Army in Malaya and the Viet Minh in Indo-China. When the Allied forces, therefore, drove out the Japanese or took over from them after their surrender, they were faced with problems of two different kinds. There were first of all those that were purely administrative, arising from the interruptions of organised government, the devastations of war (most serious in Burma), the far-reaching economic dislocations and the need both to repatriate the Japanese troops and to succour Allied prisoners of war and internees. The author gives an account of the measures improvised, often under the most adverse conditions, in each area to cope with these problems and gives an idea of the variety and complexity of the tasks that had to be performed by hard-worked officers scattered over the whole vast region included in the range of South-east Asia Command. But for the general reader and the historian a greater interest attaches to the actions taken to deal with problems of the second kind—the political situations uncovered by the retreat and surrender of the Japanese.

On a broad survey of the record, British policy in relation to nationalist movements followed two distinct courses for which no common principle can be found. In Burma and Malaya and also in Indo-China south of latitude 16°N —northern Indo-China having been assigned to Chinese military occupation —the British policy in 1945 was to insist on restoration of the former sovereign authority. The pretensions of Aung San to represent a provisional government of Burma were firmly rejected; the Malayan Communist guerillas were prevented from taking over power anywhere; and the British combined with the French to drive the Viet Minh out of Saigon. In Java, on the other hand, the British failed to carry out pledges previously given to the

South Africa's *Volk*

THE LAST TREK: *A Study of the Boer People and the Afrikaner Nation.*
By Sheila Patterson.
Routledge and Kegan Paul. 343 pages. 28s.

IT is a relief to turn from the spate of books on the "Native Problem" in South Africa to a study of the "White Problem." This is not to imply that the Afrikaner peoples, with whom this book is concerned, are specially to be singled out of the white group. Yet some understanding of their attitudes, beliefs and aspirations is particularly important: South Africa is today governed by a uniracial Cabinet with a compliant majority in both Houses of Parliament. However anachronistic its policies and pronouncements appear to the outsider, they do affect the freedom of movement and expression and the right to choose jobs of millions of non-white peoples, and even whites, and they do conflict sharply with the revolution in race relations now taking place in the rest of Africa and in Asia.

The unending struggle of the Afrikaner peoples to maintain their cultural identity, preserve their racial purity, adjust themselves to the conditions of a modern exchange economy, redress a "Century of Wrong" through political action, and their ultimate triumph at the polls in 1948, has all the ingredients of a great epic. Yet the author's step-by-step account of the emergence of a distinct nation, the systematic development of an Afrikaan language as an instrument of group survival and nation building, the role of the Dutch Reformed churches, the schools and cultural organisations in ensuring the unity of the *Volk*, is drab and plodding. The story lumbers on under the weight of facts, diligently distilled from a massively growing literature, from which the author is loth to part. In one chapter alone the reader is introduced to a host of topics and ideas: party politics in the Union, the philosophy of apartheid, franchise and constitutional issues, the character of the police force, the judicial system, Afrikaner secret societies, the Torch Commando and so on.

By far the most important picture to emerge is the slow corrosion of Afrikaner ideals and loyalties under the impact of urban life. Still more important—and this deserved a much more careful and understanding analysis—is the progressive destruction, as a result of the economic revolution taking place in South Africa, of the social and political order that the Nationalist Party zealously seeks to construct.

Early Backwoodsmen

THE RISE OF THE PELHAMS.
By John B. Owen.
Methuen. 367 pages. 30s.

"A BIRD might build her nest in the Speaker's chair, or in his peruke. There won't be a debate that can disturb her." So wrote Henry Fox of the later years of Henry Pelham's administration. Mr Owen is concerned with the agitations of the 1740s when the Pelhams struggled to achieve political supremacy. They had to win back the factions which Walpole's arrogance had alienated, to attract the independent vote in the Commons, and to persuade the Crown to give them confidence and support. By 1747 Mr Owen sees Henry Pelham as England's second Prime Minister, secure both in the Closet and in the Commons. He had taken five years to recreate the system of Sir Robert Walpole.

Mr Owen's book, originally a research thesis, is the product of meticulous scholarship, and "based above all on the personal biographies of the 686 individuals who sat in the Commons." His primary aim has been "to take into consideration the political behaviour of these independent backbenchers, who constituted a majority of the Lower House." Following Sir Lewis Namier, he divides the Commons into the administration, the professional politicians and the country gentlemen. Ability and oratory counted for much, since large numbers of backbenchers were uninterested in office and rewards. But it is interesting that Mr Owen, despite his primary aim, has to concern himself mainly with the politicians. The Tory backwoodsmen, "hewers of wood and drawers of water" as Bolingbroke called them, were never interested in government; and when Pelham came to conciliate them, he found their main concern to be with a proper distribution of the commissions of peace in the countryside.

Mr Owen's admirable analysis of political groups is not matched by an ability to present personality. It is true that Henry Pelham himself, essentially a man of business, had an elusive personality, but Mr Owen even manages to devitalise Carteret who had bravura, a taste for burgundy and was, according to Shelburne, "the best Greek scholar of the age, overflowing with wit." Moreover Mr Owen slides lightly over Henry Pelham's financial acumen and nursing of the City interest. He mentions that in 1747 the Pelham administration won "both seats for Middlesex and even two at London"; but he fails to explain how in 1746 Pelham had both repealed the City Elections Act and placated the small lenders by agreeing to an open subscription for a government loan. Sometimes Mr Owen appears to be setting up his own windmills, for instance, when he tilts against "those historians who still regard George II as a constitutional figurehead in the hands of designing ministers." He tells us that Professor Feiling accepted the existence of the Tories under the early Hanoverians "without inquiring too closely into their identity or their motives." But Professor Feiling's apt quotation of the squire who would

> Vote as his father did when there's a call
> But had much rather never vote at all

puts Mr Owen's own case very neatly. Indeed there is in Professor Feiling's work a wit and economy lacking in this rather laboured book which, useful to the specialist, is unlikely to appeal to a wider circle of readers.

Understanding America

"If, in any country, we are to understand the people, we have to understand the land first. And what they have done with the land."
THE TIMES 12th November, 1956

To give such an understanding is, precisely, the aim of U.S.A.—ITS GEOGRAPHY AND GROWTH. This book tells how Americans have used—and sometimes misused—their immense natural resources; how they have moulded the land to their will, and how the land has moulded them. It is the story of the partnership between a people and a continent. Containing over 160 photographs, including 7 pages in full colour, the first edition was described by one reviewer as 'a lavish production at a bargain price'. *2nd. Ed. now ready.*

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JOHN MURRAY

Spending on Research

SCIENCE AND ENGINEERING IN AMERICAN INDUSTRY: *Final Report on a 1953-1954 Survey.*
US Department of Labor, Bureau of Labor Statistics.
Washington: *National Science Foundation.* 119 pages. 70 cents.

UNTIL very recently not a single country in the world had a reliable estimate of its own expenditure on scientific research. But in the last two or three years there has been an increasing demand in many countries for this information, which, it has been thought, would show if enough research is being done. The United States is ahead of other countries both in producing the results of its surveys and in making these more comprehensive than any other that is in progress. This volume covers the main part of the American survey: industry, whose research and development cost $3,700 million out of a total research expenditure in the United States, in 1953, of some $5,400 million. Not all this expenditure, admittedly, came out of industry's own pockets; as in Britain, a large part of the total was paid for by the government through defence contracts. But the proportions were different: in the United States, defence contracts accounted for one-third of the industrial total, whereas the preliminary results of a similar survey in Britain have shown the comparable figure to be between a half and two-thirds.

American research and development, like the British, is concentrated largely in the "science-based industries" (for instance, chemicals) and in the two industries, electrical equipment and aircraft, that receive most of the government contracts. But the distorting effect of government contracts is not so great in the United States, where the aircraft industry accounts for one-fifth of industrial research and development, compared with half in Britain. Expressed as a percentage of sales, research and development expenditure averaged 1.7 per cent across industry, ranging from 8.9 per cent in the aircraft industry to 0.3 per cent in the primary metal industry and 0.2 per cent in food and kindred products.

The survey mainly related to 1953, but enough figures were obtained for 1954 to suggest that expenditure then was 12 per cent greater. There is no indication of how much of this increase was due to an increase in research or development and how much to changes in prices or in accounting practices. Some American reviewers have been surprised by the large number of very small firms found to be doing research and development—of the firms doing this more than half employed fewer than a hundred workers. But of course small firms are very numerous, though their output is only a small part of the total, and their research an even smaller part—4 per cent.

Many of the tables in this report are repetitive, deriving various sorts of percentage distribution from the original figures. Nevertheless, there is enough meat in the thirty-five tables for any reader to digest. But what of the accuracy of the figures? The only ground for any doubt stems from a problem that has caused the British survey a great deal of difficulty—the variability of accounting practice from firm to firm. What each firm in this country knows of its research expenditure depends partly on how fond it is of keeping figures, but partly on such organisational details as whether its research department has its own electricity meter. As the research department gets bigger it develops its own workshops, employs its own typists, and finally gets its own premises, instead of sharing all these with other departments, and so more and more items appear in the accounts. If this difficulty occurs in

Famous American firm sees 61 sites—

Northern Ireland

selected for new plant



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"Northern Ireland has what we need"
says Mr. ARVON L. DAVIES, Managing Director of Chemstrand Ltd.

CHEMSTRAND LTD., U.K. subsidiary of the Chemstrand Corporation of U.S.A., recently acquired a 70 acre site at Coleraine, County Londonderry. (The Chemstrand Corporation is jointly owned by the Monsanto Chemical Company and the American Viscose Corporation.)

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the things they say!



Did you see in the press the other day how short of engineering technologists we are becoming?

Every year, it seems, there are more than 50,000 new technologists in Russia, and more than 20,000 in America. But the figure for Britain is only 3,000!

Yes, it's a big problem, all right.

What I want to know is: Why doesn't industry do something about it? After all, it's industrial firms that need the technologists — they should help the Universities to produce them.



Many do. For instance, I.C.I. gives over £200,000 to the Universities every year for a variety of purposes, including research fellowships and grants to their scientific departments for the materials and equipment needed in research.

That's quite something — I.C.I. seems to be alive to its own vital interests.



Yes, and that's not the whole story, for I.C.I. recently started, at several Universities, a new scheme of Transfer Scholarships. These will enable young men who haven't studied Science at school to prepare themselves to take it at the University. This scheme will do something to help us get the *extra* technologists that Britain so badly needs.

ICI

the United States, the report ignores it.

Most of this study of American research and development expenditure, and of the employment of scientists and engineers, consisted of a comprehensive survey of the whole of industry; but there was in addition an intensive study of these subjects, and of the policy decisions behind them, in 200 of the largest firms, and the small part of the report dealing with this is in many ways the most interesting. Apparently nearly half of these firms decided their research expenditure with the aid of some formula—in extreme cases, by a complicated but rather arbitrary index of the expected return on the expenditure. Some of these formulæ remind one very strongly of a measure of efficiency used by the RAF at the beginning of the war, which kept the planes on the ground when they were needed in the air.

Discussing their needs for basic research, "Many officials [of American companies] commented that the lack of basic data is due in part to the reduced flow of research findings from European countries and in part to a shift from basic to applied research on the part of the universities." There is food for thought here.

Bankers in Concert

THE AMERICAN BANKERS ASSOCIATION: *Its Past and Present.*
By Wilbert M. Schneider.
Public Affairs Press, Washington, DC. 281 pages. $5.00.

IN a country where trade organisations play as important a part as they do in the United States, it is to be expected that the history of their operations should be written with the high seriousness that attaches to big business. The value of this book lies in the fact that it manages to temper that high seriousness with a modicum of detached judgment. This is not the critical analysis that one might hope for, and there are moments when the golden breath of the American Bankers Association breathes heavily down its author's neck; but in the main this is a straightforward account of what a powerful trade organisation does, how it does it and what its public accomplishments are, or are not.

The association was founded in 1875, after the war between the states and the panic of 1873. Working through an educational branch for the better training of bank staffs, giving advice on legislation and on labour problems, developing skilled techniques for improving relations with the public, the organisation now has 17,000 members and represents 98 per cent of the country's banks. It meets regularly in vast conventions, which do their best with a mixture of speeches, working sessions and entertainment, to "engage the mind for a season in restful and indeed educational objects, to mitigate and counteract the despotism of money," a somewhat romantic aim dating from the founders.

The association's value to the banking world that sustains and uses it is quite clear, but whether its value is the same for small unit banks as for large institutions is a question that the author sidesteps. Perhaps because the organisation is very much alive, an attempt to dissect its internal controversies, or to analyse those conflicts which split bankers apart, would be as interesting as it could be perilous. The reader would like to know whether the association is in fact *as monolithic as it is made to sound*; who runs it; where the seat of power is and how it is handed on; which type of banking interests are paramount in its councils; how association opinion is arrived at and how association influence is exerted on Congress and on state governments.

In general the author, who is professor of economics at the Emmanuel Missionary College, does his honest best to resolve the inevitable conflict between academic theory and business practice that besets such a volume. After discussing various legislative attempts to mould banking nearer to the popular desire, he concludes sadly that the association has not made much progress in persuading its members "to regard their institutions as businesses imbued with a public interest." They have "seldom initiated constructive legislation in advance of the need arising out of a critical economic situation." On the other hand, and this is a fixed branch of the cleft stick in which such writers often find themselves, he concludes that "the inflexibility with which the association has stood for the retention of private enterprise is most commendable." If he does not enlarge on the basic dilemma posed in those statements, he at least sets it down for the thinking reader.

Books Received

DOCUMENTS ON THE SUEZ CRISIS: *26 July to 6 November* 1956.
Selected and introduced by D. C. Watt. *Royal Institute of International Affairs.* 88 pages. 5s.

GOVERNMENT BUDGETING.
By Jesse Burkhead. New York: *John Wiley.* London: *Chapman and Hall.* 483 pages. 60s.
A study in applied economics—exhaustive, but with main emphasis laid on budgeting for the United States' national government.

HOW TO BE HAPPY THOUGH HUMAN.
By W. Beran Wolfe. *Penguin Books.* 367 pages. 4s.

THE WHEAT INDUSTRY IN AUSTRALIA.
By A. R. Callaghan and A. J. Millington. *Angus and Robertson.* 486 pages. 63s.
A comprehensive study of the Australian wheat industry, covering its history, marketing, and the scientific, technical and economic problems of cultivation.

LISTS OF RESEARCHES IN EDUCATION AND EDUCATIONAL PSYCHOLOGY. *Supplement II.*
Classified according to a modification of the Dewey Decimal System by A. M. Blackwell. Published for the National Foundation for Educational Research in England and Wales by *Newnes.* 62 pages. 15s.

WHITAKER'S ALMANACK, 1957: *Complete edition.*
Whitaker. 1,188 pages. 18s. 6d.

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American Survey

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Right Time for Civil Rights?

Washington, D.C.

IN Washington 1957 is supposed to be a favourable year for legislation to protect the civil rights of Negroes. For those familiar with the ways of Congress and the infinite ingenuity of Southerners in manipulating its rules, scepticism is still in order, but there have already been concurrent hearings in sub-committees of both the Senate and the House of Representatives. This means that at least a healthily early start has been made on the proposals sponsored by the Attorney-General, which are the same as those presented last year for the election record—far too late for anything effective to be done about them.

The election showed a substantial shift of Negro votes into the Republican camp; this reached dramatic proportions in some southern cities, such as Richmond, Virginia, and in many of the big northern cities the switch, though slighter, was also marked. The Republicans have a strong interest in consolidating the Negro vote and the northern Democrats in recapturing it, while the Negroes themselves are more than ever determined to hold the politicians to account after the recent outbreaks of violence in the South.

There is nothing new about the Administration's proposals. It has simply picked four items which it is prepared to endorse from the civil rights canon which has been introduced regularly every year for at least a decade by northern Democrats and a few eastern Republicans. Two of the proposals are intended to improve the machinery for enforcing the law. They would set up a civil rights division in the Department of Justice under an Assistant Attorney General, and a presidential commission on civil rights, consisting of six men drawn from both political parties and armed with power to subpœna persons and papers. The Assistant Attorney General would be able to concentrate on matching his wits and those of the Federal Bureau of Investigation against the legal evasions of the southern states. The commission would investigate the innumerable allegations of Negroes being prevented from claiming their rights by economic and other pressures; it would then be able to back any request for further legislation with an accumulation of precise factual evidence.

The other two items on the Attorney General's list are somewhat more substantial. One would permit civil action in the courts, as well as the criminal action which is allowed today, against anyone who tried to prevent a qualified person from exercising his right to vote. The other would empower the Attorney General to institute a civil suit to protect any constitutional right instead of having to wait for the injured party to take action himself. The emphasis on the franchise is not accidental. Many of the Negroes' friends, and some of the Negroes themselves, feel that it was mistaken strategy to start the process of breaking down old southern customs by pressing for the immediate abolition of racial segregation in the schools; it is argued that in many places in the deep South this could only be achieved by the use of force by the federal government to an extent which the country would never tolerate. But if the southern Negroes were assured of their voting rights, they would become a substantial influence in southern elections. Thus have most minorities been assimilated into American life in the past and it is therefore possible that federal intervention in this one field might enable the other types of discrimination to be liquidated by local pressures.

Moreover, there is a further argument for giving the franchise priority over the abolition of school segregation, now that the illegality of this has been established in principle. Many parents who hold moderate views on the race question are bothered at the educational harm that may be done if Negro children of radically different standards are abruptly forced into the white schools. On the other hand, even many convinced segregationists find their consciences pricked at the denial to Negro citizens of the basic American right to vote. The safeguarding of the ballot box is likely to meet less dedicated resistance than the mixing of schools.

A special difficulty arises because in the United States the voting laws, even those affecting federal elections, are separately enacted by the states. The federal Constitution, however, forbids discrimination on certain grounds, including those of race, and guarantees the "equal protection" of the laws, state as well as federal. Therefore, while a state is entitled, as many of the southern states do, to insist that a potential voter must be literate and versed in the Constitution, it is illegal for Negroes to be put through a difficult examination which is not also given to whites. The machinery of registration for voting is usually highly decentralised, and it is clear from the Attorney General's testimony that Negroes are frequently being tricked out of their vote by the local registrar, sometimes by such simple devices as shutting up shop when a Negro approaches. These methods are particularly prevalent in places with Negro majorities where the whites contemplate the awful possibility of Negroes being elected to the powerful local positions of sheriff and judge. In Mississippi, where the Negroes form 46 per cent of the population, the numbers actually voting for Governor in the last elections were, derisorily, 417,000 whites and 7,000 Negroes.

While the Department of Justice already has a remedy against such practices under the criminal law, it is highly improbable that a southern jury could be found to convict a local registrar or a local banker who had exerted economic pressure on Negroes to keep them away from the polls. In any case, since the election would be over by the time the case came to trial, the damage would be irreparable. The new legislation would allow the Attorney General to obtain an immediate injunction against the objectionable practices from a federal court without waiting for the exhaustion of all local administrative remedies, which is another delaying trick in the South.

Since the southern Senators will obviously try to talk the Civil Rights Bill to death, the time factor is all important. The original plan was for the Bill to be rushed through the House first, so as to lessen the danger of different versions being produced by the two chambers. If this happened there would have to be a conference committee to produce a final Bill which in its turn would have to be voted on in each House; this would offer an opportunity for yet another filibuster in the Senate in the frantic last days of the session when it could hardly fail to succeed. Knowing this the Southerners have spun out the hearings in the House sub-committee; planned to last four days they have lasted a month. The House Bill will now go to the Rules Committee, which is headed by a formidable Southerner who will delay as long as possible before allotting it time on the floor.

Meanwhile the Senate hearings are due to end next Tuesday. But that Bill must then go to the full Judiciary Committee, over which the segregationist Senator Eastland of Mississippi wields all the apparent and intangible powers of a chairman. If the Bill is not reported out of the committee by April 21st the Senate will adjourn for ten days over Easter; the general feeling is that any attempt to beat a filibuster will be doomed if the debate is started later than May 1st. Indeed, even now it is probably too late for 1957 to become a civil rights year unless the President is prepared to use unrelenting pressure to prove that he is in earnest.

Sit-down in the Senate

WHILE Mr Eisenhower was busy this week repairing, with M. Mollet, the friendship with France which was one of the casualties of the attack on Egypt and Mr Dulles was busier still negotiating with Israel, the Senate marked time. Many Senators seem determined not to commit themselves to the Eisenhower doctrine for the Middle East until they see how successful the Administration is in avoiding the resort to sanctions which is so unpopular with Congress and most of the press. The State Department insists that there has been no retreat from the position the President took in his speech last week: that if Israel refuses to withdraw, the United Nations has no choice but to apply pressure. But the search for a "middle way" at the United Nations is being stimulated by what is, in effect, a sit-down strike in the Senate.

Moreover, before the final vote is taken, which will not be until next week at the earliest, the Administration will have to do all it can to keep most of the Republicans in line if it is to repel the attack of Senator Russell, the spokesman of the conservative southern Democrats, on the provisions concerning economic aid. What hopes there may have been that Mr Truman would use his influence with the liberal Democrats, who criticise the resolution for quite different reasons, have also disappeared. The ex-President now calls Mr Eisenhower's proposals "too little and too late" and, by turning down the suggestion of Mr Dulles that he should go to Greece and Turkey next month for the tenth anniversary of the Truman Doctrine, he has rejected what may have been a small olive branch—the first—from President Eisenhower.

Goodwill in the Mediterranean is consequently being left to Mr Nixon, a more safely Republican emissary and one whose part the President is delighted to expand. The Vice President flew off this week on his sixth good will tour, which was originally to take him to Ghana, but has since been expanded to include many African countries affected by the Eisenhower Doctrine. An escort of thirty-five television, radio and newspaper reporters will make certain that good will for America and good publicity for Mr Nixon go hand in hand.

Capital Appointments

AS Mr Whitney took charge of the American Embassy in London, the President chose Ambassadors for the vacancies in Europe's two other leading capitals. Mr Amory Houghton, the head of a famous glass company, who goes to Paris, has known Europe ever since his father was American Ambassador to Germany and then to Britain in the nineteen-twenties; he served in London during the war on a government economic mission. Like Mr David Bruce, who has been nominated for Bonn, Mr Houghton is a friend of President Eisenhower's; unlike Mr Bruce, he is a Republican. Mr Bruce was President Truman's Ambassador to France and later represented Mr Eisenhower at the European Coal and Steel Community. But now Republicans in the Senate are looking jealously at his contribution of $1,000 to democratic election funds last year; with some justification they also want to know, before they confirm his nomination, whether he shares Mr Stevenson's disapproval of the Administration's foreign policy. A change is also coming at the Moscow Embassy: Mr Bohlen believes that four years there is long enough for anyone but, as a career diplomat, however able, he was not financially eligible for a transfer to London or Paris. He is expected to make an exchange with Mr Llewellyn Thompson, another professional who is now in Vienna.

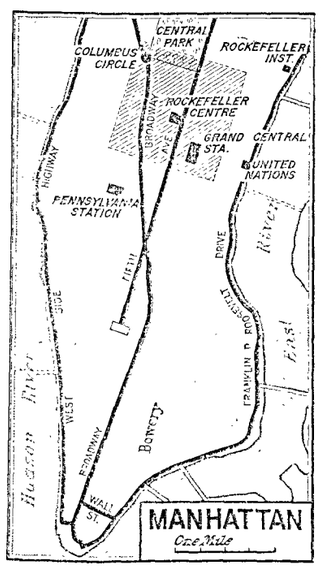
In most European capitals new American Ambassadors either have been, or are about to be, appointed, but in Washington President Eisenhower's second term has so far brought remarkably few Cabinet changes. While there has just been a substantial turnover of Assistant Secretaries in many departments—Mr Carl McCardle, for example, will no longer be responsible for Mr Dulles's public relations—only one member of the Cabinet has resigned, Dr Arthur Flemming, the head of the Office of Defence Mobilisation.

His departure at this time was planned before Congress began to criticise the government's handling of the European oil emergency, for which he was responsible. He has also been concerned with demands for increased restrictions on imports of such things as watches, which are said to be damaging industries essential to the security of the United States. His successor, Mr Gordon Gray, a "Democrat for Eisenhower," is not likely to be sympathetic to such demands, for his Gray Report, produced for Mr Truman in 1950, is a famous statement of liberal principles for international economic transactions. Not until summer comes and Congress has finished with the Budget is Mr Wilson expected to leave the Department of Defence, probably at about the same time as Admiral Radford retires from the Joint Chiefs of Staff.

New Heart for Manhattan

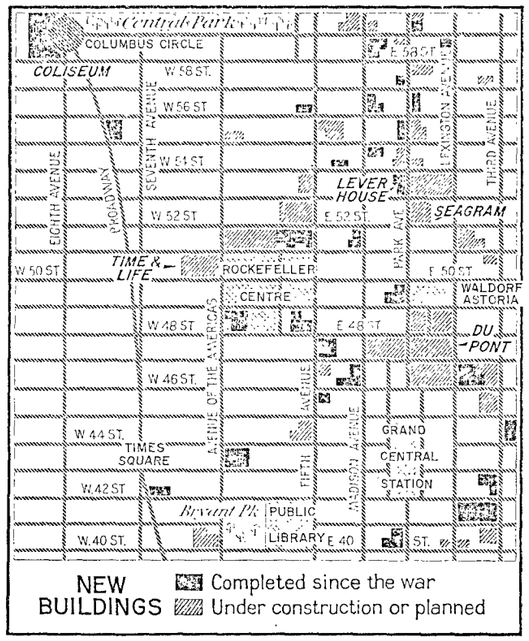
FROM A CORRESPONDENT IN NEW YORK

ACCORDING to the economic theories prevailing among estate agents and builders, it is profitable to tear down a twenty-story building twenty years old and replace it if the new building will provide sufficient rentable air space for each square foot of ground space. The latest example is the project of certain duPont interests for acquiring five and a half acres of expensive mid-town land between Park and Lexington Avenues to the north of the Grand Central Station, for tearing down two good hotels, a luxury block of flats, assorted office buildings, and a famous exhibition hall, and for replacing them with giant office structures. A central building thirty stories high, flanked by two lower ones on the north and on the south, the whole surrounded by gardens, would cost an estimated $100 million—a figure which suggests that money is perhaps not so tight as the Federal Reserve Board might like to make it. Work cannot start until the New York Central and New Haven railways settle a fifty-year quarrel over which can give a valid lease-hold, but current practice indicates that the present space is doomed and that the tenants should be looking elsewhere.



Shaded area in detail on other map.

The city has gone through these fevers before, and will go through them again. In the nineteen thirties and forties, subsidised housing developments ringed Manhattan. Now it is the expensive heart of New York which is being torn out and rebuilt; land in the area was recently sold at $425 a square foot—which helps to explain why buildings and builders' dream soar so high. Architecturally, this boom picks up where the last great office venture, Rockefeller Centre, left off twenty years ago. Its concept of a group of complementary buildings in a landscaped setting has been adopted for the duPont vision on Park Avenue and for the Chase Manhattan building in the Wall Street district, which is to go up where the Mutual Life Insurance building once stood. Added to this are complete air conditioning



inside, and outside, the glass and metal sheathing first made fashionable by the United Nations headquarters.

In the last ten years plans for 109 of these giant office structures have been filed with the city, adding more than a third to the hundred million square feet of office space available in Manhattan at the end of the war, and providing for some 300,000 more office workers. Structures already announced, but still on the drawing boards, may add another six million square feet before 1960.

These new behemoths appear uptown and down, on Fifth and Madison Avenues, on Park Avenue which is rapidly changing from a street of luxury flats to one of expensive offices, and, most startlingly, on Third, whose once darkened lower reaches are called the Bowery. With its elevated railway gone, Third Avenue has become the best lighted street in town, and it is lined with real estate speculations and construction crews. Before the war Sixth Avenue, now renamed the Avenue of the Americas, lost its elevated railway and was expected to undergo a similar blooming, but the times were wrong. Now that the Rockefeller interests have announced their intention of crossing to that avenue's west side to put up a $70 million building mainly for Time Inc. and its associated magazines, this thoroughfare may also be transformed.

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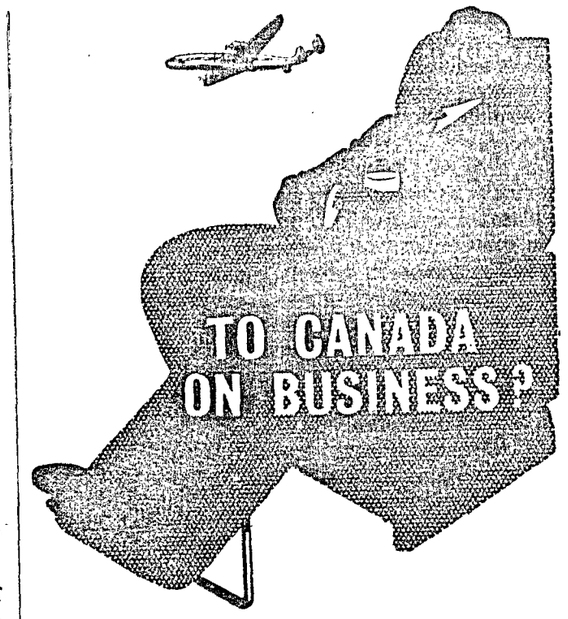
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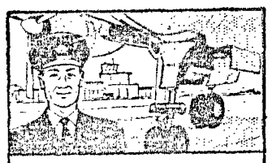
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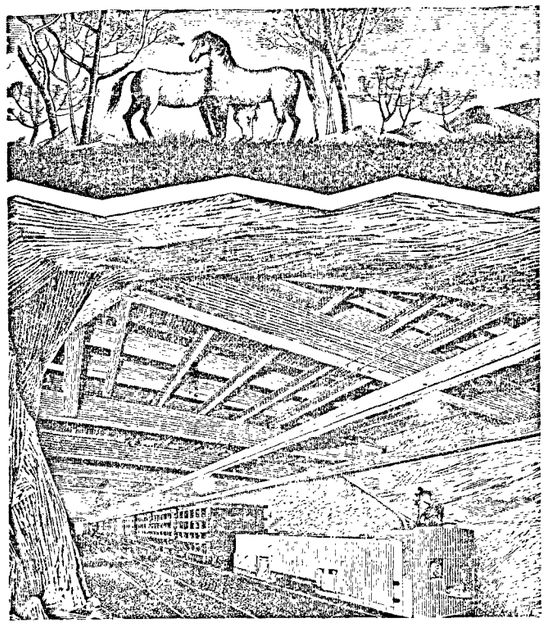
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ideas for rebuilding both of the great central railway stations and for remaking a dilapidated section on the upper west side beyond Central Park into a pleasant residential area, for providing scientists at the Rockefeller Institute with nearby housing they can afford and for creating a whole set of new theatres in the Lincoln Square amusement complex just north of Columbus Circle. These, like the new Coliseum, may be partly supported, financially, by rentals from office space rising high in the air above them. Some of these more ambitious schemes are actually under way, some are admitted to be impractical, some are awaiting decisions on other related projects.

The present megalomanic building surge replaces entire blocks and, in the biggest projects, groups of blocks. The Chase Manhattan Bank was given permission to close a street while the duPont interests will open one; the newest schemes for the Lincoln Square amusement centre, which is still in the planning stage, show three streets blocked out. The House of Seagram's thirty-eight storey tower will rise out of a garden, not primarily for aesthetic reasons, but because the zoning laws insist that structures of such height be set back. These zoning laws, added to modern architectural fashions, have produced too many buildings with horizontal stripes of glass and metal, which give the city the look of a giant's barracks. A move is now under way to allow more freedom of design if architects have at least 200,000 square feet to work with.

What started this fever of building is a question with many answers. The effects of rent control began to be felt immediately after the war, when other price controls were dropped and costs went up, to the financial grief of the owners of luxury apartment buildings. Maintenance dropped, deterioration set in, buildings were sold and their space sub-divided, and values shrank, until the point was reached at which it was cheaper to tear down solid old blocks of flats and replace them with office buildings than to wait for the repeal of the state's rent control laws. These apply only lightly to offices, not at all to new building.

Meanwhile, other factors, including the pressures of an expanding economy, have also been at work. Comprehensive air-conditioning has made almost every prewar building in the city obsolete; the cost of installing it in existing buildings lends powerful support to those who argue that it is cheaper to tear down and build anew. A head office in New York gives prestige to oil companies in Tulsa, and uranium companies in Denver; they can justify it further on the ground that it will be within immediate reach of the best legal, administrative and accounting brains in the country. Secretaries and typists feel the same way. Like boards of directors, they seek the best, and that, to most of them, means a new air-cooled office in the Grand Central area. In the present sellers' market for clerical help, they have the last word.

Labour's White Collar

THE trade union leaders who met at Miami last month spent so much time making their federation shipshape for the storm of the Senate investigation, which broke this week, that little time was left to tackle the internal disputes over jurisdiction which employers and innocent bystanders mistakenly hoped would disappear when the American Federation of Labour merged with the Congress of Industrial Organisations in 1955. Mr Meany, the president of the federation, has himself had to undertake to solve two of the knottiest quarrels between the craft unions of the building trades and the industrial unions which take in all types of workers. The building trades angrily refused to submit to arbitration their "rights" over everything except the purest maintenance work in plants and the teamsters are doing all they can to widen the ancient split between craft and industrial unions.

The AFL-CIO has so far borne out its awkward name; in most industries, rival unions exist side by side. Only the barbers and government workers, all small unions, have amalgamated, and rival AFL and CIO councils persist in all the big industrial states. Rival jurisdictions remain the biggest stumbling block to the drive to win new members for trade unions which a joint organisation was expected to promote. The AFL-CIO has over 15 million members, but there are another 26 million workers who might be persuaded to join a trade union. Half of these are white-collar workers; many of the rest are in the South, where last year's organising drives were an ignominious failure.

This rout was due primarily to the hostility aroused among southern workers by the trade unions' support of Negro rights, and the federation has decided that an educational campaign is needed to prepare the ground before another attempt is made. But jurisdictional disputes played their part: two chemical unions, for example, could not agree which was to pluck the biggest plum, consisting of 73 duPont plants. This year the federation, prodded by the industrial unions, is planning a drive to organise white-collar workers; they are increasing more rapidly than production workers and often their wages are lower. Some enthusiasts believe this is the moment to convince them that mechanisation in the office is breaking down all class distinctions. Efforts have been made to secure in advance the co-operation of the twenty or more unions involved. But it remains to be seen whether the automobile workers and steelworkers, for example, will hand over to craft unions the clerks in their own plants whom they have already begun to organise.

Metal Albatross

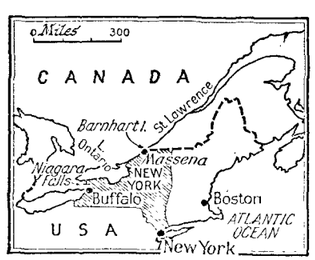
SENATORS from mining states are already demonstrating once again how little weight is carried by the public demand for general reductions in government spending when it is balanced against the demand of a group of constituents for specific financial aid. The Senate is now well on the way to repeating its success of last summer when it forced the House of Representatives, against its better judgment, to provide $21 million for subsidies to producers of tungsten, asbestos, fluorspar and columbium-tantalum. That sum is already exhausted; another $70 million, now being pushed through the congressional machinery in two parts, is needed to keep the programme going until it lapses at the end of 1958. The subsidy scheme, under which the government buys up to certain amounts of the metals, was originally enacted last year, with the agreement of the Administration, in order to help American

producers of these metals readjust to normal demands now that their output is no longer wanted for the strategic reserve. In the House it was contended that nearly all the money had gone to a few big companies which did not need it, instead of to the small producers for whom it was intended, and that more effective—and less costly—assistance could be provided by tariffs on the imports which make up a large part of the country's supplies of these and many other metals.

This proposal suggests what may be delaying the Administration's promised long-range programme for building a strong and efficient domestic mining industry; last summer's subsidy scheme was only intended to fill the gap until this was ready. The programme has been drafted in the Department of the Interior and is now going round the other interested agencies; if, as seems probable, it contains proposals for restrictions on imports, it must be meeting difficulties in the State Department. Meanwhile, the decline in demands for the strategic stockpile, as its requirements are met in an increasing number of categories, underlines the urgency of the long-term programme. Most of the metals which the government is now buying—or exchanging for its stocks of agricultural commodities—go into the "supplemental" stockpile. This is the euphemism for a reserve which is needed not for strategic but for political reasons and which, before long, may replace the farm surplus as an albatross round the necks of government officials, taxpayers and consumers alike. For already some miners are as dependent as are many farmers on government price supports.

GM is Good for New York

GOVERNOR HARRIMAN of New York puts the prosperity of his state before the dogmas of his party. That at least seems a fair interpretation of his refusal to allow the Reynolds Metal Company, which wants to build a new aluminium mill near Massena, to have 239,000 kilowatts of power from the hydro-electric plant being constructed by the New York Power Authority on Barnhart Island as part of the St Lawrence project. Many of Mr Harriman's fellow Democrats oppose the Reynolds contract, on the grounds that not enough electricity would be left for the needs, or rather for the potential expansion, of rural co-operative and municipal undertakings. According to Democratic theory, these are supposed to have first call on the power supplied by publicly developed projects so that rural and domestic consumers can be sure of cheap electricity.



Mr Harriman seemed to share this objection to the Reynolds contract until the General Motors Corporation announced that, if the aluminium plant were built, a foundry would be put up alongside to make the metal into automobile parts which could then be shipped to Detroit and other places along the St Lawrence Seaway. The employment this will provide, directly and indirectly, in northern New York State, long a depressed area, should be of more benefit to local residents than the promise of a few cents off their electricity bills. But the Governor has also awarded another 115,000 kilowatts of the output to the Niagara Mohawk Corporation, the chief private distributor of electricity in the area. With uncontroversial contracts which have already been approved, this leaves only about 20 per cent of the 750,000 kilowatts which is New York's share of the Barnhart Island capacity (the other half goes to Canada) for the rural co-operatives and municipal undertakings.

The State Power Authority contends that most domestic consumers in the area are supplied by private companies, not by these public agencies, and the Governor has pointed out that, under the new contract, part of the supply can be withdrawn from the Niagara-Mohawk company if it is needed by municipal or co-operative systems. Moreover, the contract provides for a reduction in the rates charged by the company which should save its domestic and rural customers over $2 million a year. The overriding argument for these contracts is that they guarantee the state authority an immediate revenue of $24 million a year which it needs to finance the Barnhart Island projects.

At Your Service

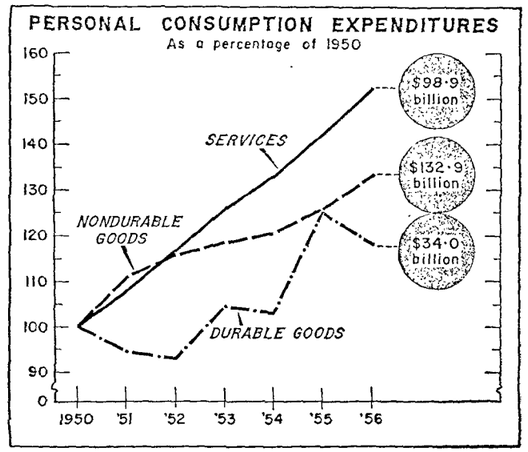
FROM A SPECIAL CORRESPONDENT

ANYONE asked to name the "growth industries" in the United States would probably include oil, chemicals and electric power. He would not be likely to mention personal services—a group including both establishments offering transportation, lodging or amusement to the individual or repair service to his belongings and such personal ministrations as those of doctors, barbers and baby-sitters. Yet in the past six years spending on services has grown twice as fast as spending on goods; by 1956 it equalled the amount spent on all non-durable goods (including food) in 1950. Long-range projections for the American economy indicate that the shift toward the service industries may become even more pronounced during the next ten to twenty years.

Probably the most important cause is the rise in consumer income to levels at which more and more people can afford the luxury of letting other people do their chores. Sociologists and doctors may deplore the fact that, as incomes rise, people are less likely to clean their own homes, shovel their own snow, wash their clothes or walk to the shops, and more likely to call on the maid, the odd-job man, the laundry or the delivery boy. But, in a country where domestic servants are almost unknown, this makes business for those who can offer hired help, laundry or deliveries. To be sure, the "do-it-yourself" appliances make many household jobs easier to do. But when incomes rise sufficiently, as many do each year, the services—including that offered by the local telephone company—make them easier still. Even the new motor snow-shovels are not likely to do away with hired shovellers, any more than

motor lawnmowers have halted the growth of gardening and tree-pruning services. Higher incomes have also permitted greater spending on services that are not luxuries, but necessities in a rising standard of living. These include better medical care and more—if not happier—trips to the dentist. Almost a third of the population is now covered by private insurance plans for hospital care. Expenditures are higher for private nursery schools and summer camps, which offer opportunities both to children and to harassed parents. Even the standard of dying has gone up; the morticians' trade association attributes the gain in the average cost of funerals to better popular taste.

The second great force behind the growth of the service



industries is increasing leisure. All sorts of holiday industries—resorts, motels, travel agencies and the airlines themselves—are booming. And shorter work-weeks also permit more and more people to take up sports like golf or bowling or to attend public amusements. The business of developing photographic films—usually handled by the local chemist—has grown phenomenally, largely because of the public's appetite for taking pictures of the places visited at weekends. Moreover, higher incomes and greater leisure have induced people to spend increasing amounts of money on mechanical gadgets that they are unable to understand, much less to mend. The business of repairing automobiles and television sets has been growing as fast as anything in the United States, and the all-electric kitchen is creating its own repair industry. Formerly anyone could mend a portable wireless, but the invention of the transistor has made even this a hopelessly scientific device.

The desire for a trouble-free life has created a thriving field for new enterprises, such as renting self-drive cars to those who cannot be bothered with their upkeep. In 1955 the gross income of the Hertz Rent-a-Car System was almost $90 million, compared with $33 million in 1950. Receipts from rentals are still small compared to owners' expenditures on repairs, greasing, washing and garaging, which doubled between 1950 and 1955. But the cost of these services and of automobile insurance makes hiring a car increasingly attractive. Two former international tennis stars have started Budge-Wood Services Inc., which offers "home maintenance" (cleaning and repairing carpets, furniture and woodwork), "wardrobe maintenance" (cleaning, mothproofing, tailoring and dressmaking) and the services of cooks and bartenders on an hourly basis. Part-Time Child Care of New York offers not only baby-sitters, but governesses and hospital-trained nurses as well, who will stay at home or travel. The Chambord, probably America's most expensive restaurant, will now deliver ready-cooked meals to those who can pay the price.

The growth of the service industries has not been without problems, of which the most important is the shortage of skilled workers. The increasing efficiency of manufacturing industry means that more and more of the unskilled labour force goes into the service trades—notably selling and delivery work. But the more skilled personal service jobs are still hard to fill, and this has led to sharply higher charges. It now costs two and a half times as much to hire a domestic servant as it did in 1939 and 26 per cent more than in 1949. Among those who have raised their rates the most are trained nurses, barbers, bus drivers and obstetricians, in that order. Despite the tremendous increase in medical care, doctors in general have raised their fees less than beauty shop operators or automobile repair men, but charges for dentistry fully reflect the increased demand. It seems unlikely that either the supply of these trained people, or their productivity in trades that cannot be mechanised, will increase notably in coming years. So the cost of services, as well as their volume, seems certain to rise. It is easy to shrug much of this off as luxury, or even whimsy. But no other field offers such diverse opportunities for serving the public, or for achieving independence in a small business enterprise.

SHORTER NOTES

R. H. Macy and Company, the big department store whose slogan is "it's smart to be thrifty," has won in the courts the right to value its inventory under the so-called LIFO method. This may be worth $9 million in tax refunds for the years 1942 to 1947. LIFO (last in, first out) allows traders to assume that goods sold are the last added to their inventory. It disregards, for tax purposes, any profit made in a period of rising prices, if this was in fact not the case. The government is expected to appeal because many other companies are affected and a great deal more money is involved.

★

During 1956 the Export-Import Bank, which is intended to encourage American exports, authorised 193 credits to borrowers in 38 countries for a total of $1,156,607,000, more than in any year since 1946. The record is largely explained by the $500 million made available to Britain to enable it to pay for oil and its other requirements from the United States.

★

"Roll on, roll off" lorry transportation has been brought to Europe by a company which has been using this method for some time between Florida and Puerto Rico. Under this system, now being tried experimentally by the United States Army between New York and France, trailers are loaded with goods, pulled by road from factory to port, rolled on to a trailer ship, rolled off at the other side of the ocean, and then pulled to their final destination for unloading.

The World Overseas

Cross-Winds at Uno

FROM OUR SPECIAL CORRESPONDENT IN NEW YORK

CARS with the fashionable forward look flow in thousands past the United Nations buildings in New York. Many delegates ride in them, but few seem affected by the look. Outstanding in the Assembly's recent handling of the Middle Eastern problem has been the paucity of forward-looking approaches and the difficulty of rallying support for those that have been made.

When the Assembly faltered into debate on the Middle East again last weekend, the prevailing mood was tiredness and a sluggish aversion from further constructive action. For three weeks the delegates had not had a single bite at the Palestine apple and many were sorry the respite had ended. On the face of things, the Arab-Asian demand for sanctions against Israel had been held back since early February simply to give America and the Secretary-General one more chance of winkling the Israelis out of Gaza and the Aqaba straits. But, in reality, both those who sought sanctions and those who sought to avert them faced trickier problems. The sponsors of sanctions certainly had one eye on Washington. But the other was fixed on the Assembly itself. They knew that the ears of other delegations were aching from their drumbeats and that it was prudent to show a patience that would be contrasted with Israeli mulishness. They could see that it would be fatal to force a vote too brusquely and fail. But how long could they afford to hold back? The Assembly was grinding towards its belated end, and a reopening of old issues just as the chief delegates were packing their bags would be ill-timed. Understanding of Israel's anxieties was spreading among many who had dutifully voted for all earlier demands that it withdraw. Egypt's obstruction of canal clearance had emerged more visibly to the naked eye: General Wheeler was barely choking down his impatience; and Mr Katzin had flown out to examine the canal situation for the Secretary-General.

Still more disturbing for the sponsors of sanctions and heartening for their declared and undeclared opponents was the undertow of compromise running through a weary Assembly. The watery endings of the Algeria and Cyprus debates showed how many delegations were reacting against a prolonged baiting of France and Britain, and how tempting the role of conciliator could appear to Japan, India and other members of the Asian-African group. The group's attempt to make Portugal accountable to the United Nations for its overseas territories had run into sand, and so had Russia's charges of American warmongering in the Middle East—with only four Arab and Asian votes being cast even for a debate on the charges. The Asian-African group itself was far from agreed. Faced with no alternative to a straightforward call for sanctions, no more than one or two, if any, of its twenty-seven members were expected to break the ranks, but more than half of them hoped never to be actually pushed against that wall. The fact that the six sponsors of Friday's sanctions resolution were all Moslem countries, firmly impaled on the hook of Islamic solidarity, pointed up the lack of enthusiasm of the wider Asian-African world.

Even the Soviet block's attitude remained unsure and its representatives' private utterances were sibylline until the debate was well under way. Russia was impaled on a hook of its own. It could not abandon its patronage of Arab aspirations; but as late as Friday, just before the sanctions resolution was introduced, Mr Sobolev reaffirmed Moscow's view that the creation of a United Nations force and the Assembly's other steps to meet the Middle Eastern crisis were violations of the Charter and usurpations of the Security Council's powers. On Tuesday, Mr Sobolev wriggled off his hook as best he could, announcing that Russia could approve Assembly sanctions because the Security Council was paralysed by the veto. But the deduction was quickly made in the delegates' lounges that Moscow now felt confident that it would not in fact have to vote in a sense which would destroy its fundamental thesis that the Charter revolves around the unanimity of the great powers.

However, of all the breezes blowing through conditioned air of the United Nations buildings last week, the strongest blew from Washington and in it hopes rose and fell like leaves. When Mr Ben-Gurion's retort to President Eisenhower's sternly paternal warning gave the Arab-Asian sponsors of sanctions the signal to launch their demand, a gale-force wind from the White House seemed to be filling their sails. Bewildered delegates gathered in corridors trying to work out why the President should court a tremendous domestic row when there was still no likelihood of the sanctions resolution gaining really adequate assent. A technical two-thirds majority gained by virtue of numerous abstentions would scarcely carry the moral force that President Eisenhower would need to enable him to argue in face of a hostile Congress and public opinion that America must obey the "town meeting of the world."

Mr Lester Pearson's speech on Tuesday introduced a refreshing note into an assembly full of intransigence, myopia and searchings for escape holes. Looking beyond the sterile controversy over sanctions, Mr Pearson urged the United Nations (much as the Secretary-General, in the discreetly non-emotive language to which his office constrains him, had often urged it) to view the Palestine problem as a whole and to think in terms not of reversion to the abnormal, but of a solution. His suggestions for practical steps to solve the Gaza-Aqaba problems, and for the use of the UN force as a continuing basis for border peace, were at once assailed by a succession of Arab orators: but a new note had been sounded at last, and some delegates who had been waiting for a bell-wether raised their heads hopefully. The fact that Mr Pearson did not frame his proposals in the form of a resolution showed that he reckoned them even less likely than the sanctions resolution to muster a majority as they stood. But he provided an essential piece of raw material for the forces now seeking compromise—an antithesis to the sanctions thesis: and behind the scenes attempts at synthesis promptly proliferated.

True synthesis being impossible—since it would involve proposals directed towards a real Palestine settlement, and Egypt and its friends refuse to envisage such a settlement at all—the only immediate result seemed bound to be a lowest common denominator with the sole virtue of averting a head-on collision on the sanctions issue. But at this stage of the debate it did appear that if the collision could be averted, and the forces of compromise regrouped under the banner of the forward look, the Assembly might yet have one more chance of gaining in stature by tackling the real problem of Palestinian peace.

French Economy Under Strain

FROM OUR PARIS CORRESPONDENT

THE economic difficulties that are beginning to beset France again, after three years of "expansion in stability," are not a surprise. They have been gathering for the last year, during which output has risen rapidly, whipped-up by suppressed inflation. But now the signs of fever are multiplying. The wage and price freeze decreed last July could at any moment melt away. The economic Minister, M. Ramadier, last week insisted that wage increases would set off a trail of inflation; but the government's angry employees in the post office and the gasworks staged warning strikes. Others are following their lead. M. Ramadier is equally harassed in his efforts to stanch the ever-growing budget deficit. He intends to cut government spending by £250 million; but the subsidies to hold down the retail price index, governing the national minimum wage, will alone cost £60 million extra this year. Above all, despite the new-fledged export drive which seems to have met with some success in January, the government must struggle to keep this year's adverse balance of trade within last year's totally unsatisfactory bounds of £400 million. At this rate, the foreign exchange reserves can last about a year.

France is paying, or failing to pay, mainly for the combination of a belated investment boom and M. Mollet's Moslem expeditions. The investment boom alone would probably have fully taxed French energies. Algeria and Suez, embarked on without regard to resources, have severely overstrained them. Algeria has added £300 million to the budget. And the call-up has led to a serious manpower shortage, so that, without strikes, labour costs rose 10 per cent in 1956. Algeria has diverted output to unproductive ends, and created excess demand. Suez has checked, though not halted, growing output, but added heavily to the trade and budget deficits.

These are passing problems, but they have sharpened a permanent one. The nature and unexpected growth of the trade gap have made economists realise that French expansion will demand imports as never before and that they can only be met by more profitable exports. France, unlike most industrial countries, has hitherto paid her way chiefly by exporting raw materials and semi-finished products, bulk foods like wheat, and the simpler manufactures such as textiles. Last year she earned as much by selling ores and steel alone as from engineering and chemicals. An export drive now means that engineering sales must double or treble in the next ten years; in agriculture, higher cost foods, like dairy produce and vegetables, must loom larger than wheat. The very structure of French industry and agriculture must be adapted to exports.

So far the government has tried to make do with piecemeal actions and not to choose between unpleasant alternatives. The politicians will not, and cannot quickly, throw off Algeria, the economists will not choke the investments they feel are necessary to industrial reconversion and the country's entry into a common market. Hence the limited attempts to stem inflation by freezing wages and prices; by salutary efforts to prune the budget; and by the prospect of more "national loans."

Other inhibitions hamper direct action on overseas commerce. Devaluation would do more harm than good; the present system of "compensation" taxes and export subsidies already amounts to a selective devaluation, all in France's favour, and has even been recognised as a French privilege in the common market. Similarly, to reimpose quotas and backslide on OEEC agreements would involve risks of reprisal and probably hinder production. So the government is merely pressing industries informally to "buy French" and helping them to export more by schemes like the "prospector's insurance" which gives state guarantees to firms risking losses in new markets.

All these limited actions will probably not be enough; for if, as seems likely, production increases this year, so will fuel and raw material imports. Either a deflationary policy must halt investment or an Algerian settlement be found. Some economists think that the only way of averting deflation is to seek a large international credit for several years, against the pledge of a closely-defined plan of commercial rejuvenation. France, with her reserves dispersed, may be forced to this as the only way of avoiding a serious setback to production. But it is hard to imagine such a scheme accepted by France's neighbours until Frenchmen themselves have taken the first steps to self-help and un[illegible] a solution is in sight in Algeria. The prospective eco[illegible] crisis is already entering politics. Domestically, the [illegible]servatives and popular republicans are becom[illegible]d the more critical of the government. Abroad, [illegible]on market payments crisis is far from the best, [illegible]w clearly cuts common market. France has virt[illegible] well as colonial and danger by saying she could not [illegible] sufficient reasons for not while the Algerian crisis l[illegible] linger on through M. Lacoste's across French economic [illegible]arters-of-an-hour." European policies. letting the Algeri[illegible] oft-renewed "

Mr Kishi Takes Over

FROM OUR TOKYO CORRESPONDENT

JAPAN'S latest prime minister, Mr Nobusuke Kishi, is an intensely ambitious man. At the age of 60, he bears the scars (metaphorically speaking) of many a savage bout of Japanese political in-fighting. He comes from Choshu (nowadays known as Yamaguchi Prefecture), the traditional home of crafty politicians. Kishi means "river-bank": Mr Kishi has the reputation of always keeping a foothold on both river-banks. In the past, he has not hesitated to knock down political opponents by throwing at their heads charges ranging from tax evasion to scandals with dancing girls; these successful onslaughts were always accompanied by a flashing, big-toothed smile. On the whole, however, he has generally preferred to achieve his ends by devious means, which have led to his being dubbed an arch-intriguer. But neither his frontal attacks nor his gift for guile make Mr Kishi unique among Japanese politicians.

There have been two crucial periods in Mr Kishi's life. From 1936 to 1939, he was the uncrowned king of Manchuria. He was involved as minister of supplies in the subsequent downfall of the wartime Tojo government and, from the end of 1945 until the end of 1948, he languished in an American prison, at Sugamo. He was never charged with being a "war criminal," and he was never brought to trial. Today, with a big smile, he insists that the most important thing for Japan is to be on the best of terms with the United States.

Mr Kishi became foreign minister in the Ishibashi Cabinet that was formed at the beginning of this year; but he never concealed his bitter disappointment at having failed in December, by only seven votes, to become prime minister. Mr Ishibashi had considerable difficulty in accommodating all the factions within the Liberal-Democrat party, including Mr Kishi's, when he came to form a government. When Mr Ishibashi fell ill in January, his illness was shrewdly exploited by the factions. Mr Ishibashi was highly popular in the country and he could easily have been allowed ample time off to recover and recuperate. Instead, the shadow of the long ailing former prime minister, Mr Hatoyama, was invoked to force him into either attending the Diet, or resigning. Mr Kishi carefully stayed away from Mr Ishibashi's sick-bed, an avoidance which gave rise to rumours that Mr Ishibashi's illness was much graver than was supposed. The Socialists joined in the clamour for Mr Ishibashi to drag himself from his bed to the Diet or resign—a move they may live to regret.

Mr Ishibashi had planned to hold Japan's slowly but steadily rising Socialist tide at bay, and to keep the Liberal-Democrats in power, by a domestic programme of full employment, and by following up Mr Hatoyama's *rapprochement* with Russia by strenuously pushing for increased trade with, and perhaps eventual recognition of, communist China. In both aspects of his proposed policy, Mr Ishibashi was making an open bid to help himself to some of the planks from the Socialists' platform. During his illness, when Mr Kishi was handling the debates in the Diet, it became clear that Mr Kishi did not quite go along with those policies. Instead of pushing vigorously for increased trade with China, he evidently preferred to seek American backing for an "economic diplomacy" whereby American dollars would join hands with Japan's "economic power" to put to work the "labour" of underdeveloped South-East Asian countries. The goal was not much in doubt: the restoration of Japan to a position of leadership in Asia. In order to achieve this, Mr Kishi set his face firmly against any idea of "neutrality" for Japan, in or out of the United Nations; he declared that Japan could not be neutral because it was aligned with the United States and the "free democracies." However, in order not to present the Socialists with too obvious a winning card, he scolded the United States for "tactlessness" and "lack of understanding" in its handling of the Okinawa issue and of Japan's defence problems. As for the "East camp versus Western camp" issue, Mr Kishi explained that while one day Japan might act as a bridge between them it was not yet strong enough to attempt it.

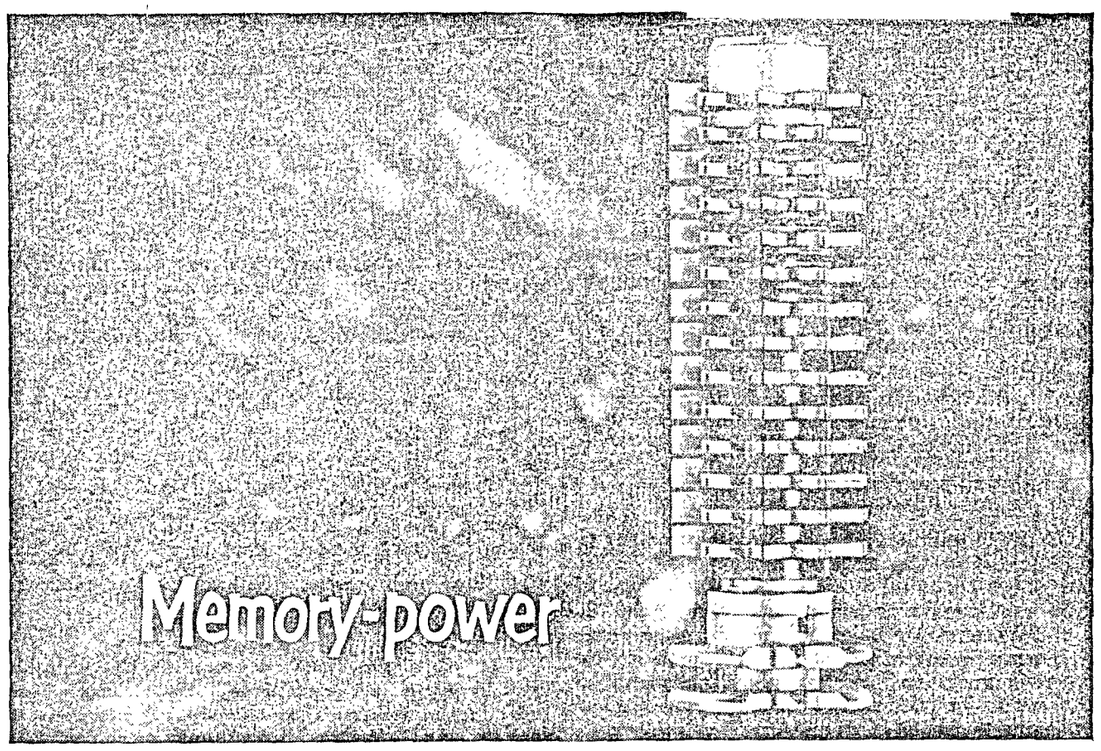
Under Mr Kishi's premiership the Liberal-Democrat Party will continue to experience faction feuds; indeed, these may well increase rather than diminish, for Mr Kishi is by no means without enemies inside his own party. His government will also continue to face awkward domestic and external pressures. The Socialists have won much support by resolutely opposing rearmament beyond the very modest level that Japan has achieved; the United States meanwhile has made no secret of its view that Japan is showing far too little enthusiasm for defence. This year Japan is spending £100 million on its own small "self-defence" forces and another £40 million as a contribution to American defence of Japan. The promise made to the United States to add 10,000 men this year to the 150,000 in the Japanese Army has failed to materialise; in the Diet, Mr Kishi was constrained to say that, if the United States suggested sending an atomic task force to Japan, the Japanese government would refuse permission.

Mr Kishi becomes prime minister when Japan has received its first postwar Soviet Ambassador and when the new United States Ambassador bears the familiar name of MacArthur. They represent his two river-banks. He cannot afford to displease either too greatly, and he obviously is not in a position to accommodate both fully. His aim of strengthening Japan may be achieved if he can persuade the United States to dispense more dollars for off-shore purchases of Japanese goods for South-East Asian countries. But his internal position *vis-à-vis* the Socialists will probably be imperilled if in the process he has to yield to American suggestions that Japan should spend more money and raise more men for defence.

Stick and Carrot in Bulgaria

BY A CORRESPONDENT

IT is not surprising that the Russians should have made a great fuss of the Bulgarian delegation which has just returned home with a new 200 million roubles long-term credit in its pocket. The Bulgarian Communists have always been reluctant to countenance any dangerous experiments in liberalisation. Even the brief "thaw" allowed after Mr Chervenkov's "downfall" last April was quickly brought to a halt before it had assumed any serious proportions. At sessions of the central committee since then the "little



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revolt" of the intellectuals under stimuli from Poland was brought under control. Mr Chervenkov is in charge of culture again, and a recent decree forbade the "playing of decadent music" in restaurants and laid down that the repertoires of all restaurant orchestras are to be made up of Bulgarian, Soviet and "people's democratic" music; they must be approved by Mr Chervenkov in person. The army has been curbed by the dismissal of two generals and the reduction in rank of a third.

But despite these precautions, events in Poland and Hungary have created new situations—and new dangers. The Bulgarian, like other east European regimes, is trying to meet these by increased political repression combined with various measures designed to improve living standards. The slogans of "democratisation," "rehabilitation" and "legality" have been replaced by the demand for "vigilance" against "orthodox" class enemies and those newer ones, the "treacherous innovators and revisionists" who reject the dictatorship of the proletariat.

Against Belgrade

Although Bulgaria has never betrayed any tendency to question the Soviet "right" to supremacy in the "socialist camp," it is a sign of the times that its leaders still find it necessary to announce an unrelenting struggle against all those—Belgrade clearly is intended to take note—whose alleged aim is to replace "proletarian internationalism" by "bourgeois nationalism" and to deny the overlordship of the Kremlin. In the general condemnation of Titoism, the Bulgarians (mindful of the prodding from Belgrade to which Moscow made them submit a year ago) are showing no hesitation in getting a little of their own back—more so than their Rumanian neighbours—and *Pravda's* attacks have been studiously echoed by all local Bulgarian speakers and newspapers. Significantly, the Bulgarians, who hitherto have always sneered at Tito's "interest" in Albania, have just sent a strong delegation to Tirana. As it appears, they have been given the task of stepping into Jugoslav shoes.

In a predominantly agricultural country like Bulgaria, where the peasants are strongly rooted in their land (though it is now almost 80 per cent collectivised), it is not surprising that most of the active discontent has come from the countryside. It is there, therefore, that most changes have been hurriedly introduced. The collective farm members have only been able to obtain extremely poor rewards for their labours, mainly because the state's high quota demands made it impossible for the collectives to make even minimum payments to members in either cash or crops. Moreover, there has been no provision for older members no longer able to do a normal day's work. Last autumn much was heard of state grain collectors being ejected from the villages and of discontent assuming other active forms.

Now, old-age pensions up to 150 leva per month are being introduced. Fruit, vegetables and milk have been removed from the compulsory buy-up lists, and in future will be bought on contract, thus assuring producers better prices. Delivery quotas are to be assessed "more fairly" in accordance with climatic, soil and other local conditions. In some regions, grain deliveries have even been completely abolished in order to spur production and to meet the grumbles of peasants, who, because they have been forced to make high deliveries whether or not the harvest was good, have hitherto been left without even their most basic needs in bread. Quite substantial increases in family allowances, and price cuts in popular restaurants have also been made.

The Russian Brother

To pay for all this, capital investment is to be pruned this year by 750 million leva; this will affect mining, power and agrarian projects. The government has promised that unemployment, which has assumed serious proportions, will all be absorbed into industry. Some 60-70,000 new workers, it is said, will find jobs thanks to the large orders for consumer goods that are being placed by "brotherly Russia." The Bulgarians, in fact, are going to process Soviet raw materials into cloth, shirts, dresses, knitwear, boots and furniture, not for themselves but for the Russians—a revealing commentary on Russia's own anxiety to satisfy consumer demand in this period of ferment.

More than 50 per cent of Bulgarian trade is with Russia and the propaganda effort exerted to prove that these arrangements are not on the same iniquitous terms as those recently revealed by the Poles reflects the pressure of domestic opinion about earlier arrangements. Today, there is no doubt that Russia, with its credits, its loan of wheat and its new trade agreement, has been compelled to change the nature of its economic relations with Bulgaria (as with other east European countries); but it remains to be seen how quickly any confidence will be regained and how quickly local economic conditions will improve.

The shock over the attitude of Polish and Hungarian youth towards communism has, not unexpectedly, caused Mr Yugov, the prime minister, to take a firm line with the regime's own children. They too have shown signs of restlessness. Demands that the study of Marxism should be abolished and that learning Russian should no longer be compulsory have been met with threats, expulsions of up to 1,500 students, chiefly from the universities of Sofia, Plovdiv and Varna, and the arrest of some 200 others allegedly responsible for the distribution of anti-Soviet leaflets during the Hungarian revolution. Most of these were "bourgeois" or youngsters from families which had proved "difficult" during the collectivisation drive.

The interesting thing is that, even in Bulgaria, unrest has spread to factories, to the army and even the regime's militia. In a recent appeal, Mr Yugov mentioned all these sections of the community. "Unreliable" families who only a year ago were allowed to resettle in Sofia are being arrested and even deported. "Loyal" citizens are being commanded to "listen for the enemy in trams, buses and coffee shops" and to show such vigilance that "our internal enemies will tremble even in their sleep."

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What is Deportation?

FROM OUR BONN CORRESPONDENT

A VIGILANT fortnightly published in Frankfurt is so far alone in calling the German public's attention to the verdict of a Rhineland-Palatinate court rejecting a one-time concentration camp prisoner's claim for compensation. *Die Gegenwart* publishes the full text of the judgment "because we consider both the decision and argumentation to be symptomatic." The judgment, full, if not of wise saws, at least of ancient instances, boils down to this:

On March 9, 1945, Erna Vogler, then fifty-one years old, was arrested by the Gestapo in her home at Neustadt-an-der-Weinstrasse and, "on racial grounds," carried off to the concentration camp for Jews at Theresienstadt in the Reich Protectorate of Bohemia and Moravia, some 50 miles north of Prague. Although Theresienstadt (the whole of this old garrison town had been turned into a prison) was liberated by Russian troops at the end of the same month, it was not until June 29th that Frau Vogler was able to set out for home, and not until July 10th that she had overcome the hazards of travelling in those days and arrived back in Neustadt. Frau Vogler applied for financial aid as a returned émigré (Rückwanderer) on the strength of the federal law of September 18, 1953, which recognises the right to such compensation of anyone who was "deported, expelled, or driven to emigrate" before December 31, 1952, and whose permanent home was in territory which belonged to the German Reich on December 31, 1937. The local compensation court at Frankenthal having rejected her claim on the ground that, strictly speaking, she had not been deported, Frau Vogler appealed to the Land Court at Mainz. After citing the opinion of sundry encyclopædias and dictionaries concerning the etymology of "deportation" and its meaning in practice to Ovid, Dostoevsky and Napoleon, the learned judges of Mainz agree with the lower court's ruling that Frau Vogler was not deported in the legal sense of the word. For Theresienstadt, they point out, is in the Sudetenland, and the Sudetenland was a part of the Reich from November 21, 1938, until May 8, 1945, between which dates Frau Vogler was sent there. "The fate of being in a concentration camp is not tantamount to being in emigration," the three judges sagaciously observe, dismissing Frau Vogler's appeal and ordering her to pay the out-of-court costs of the proceedings.

As *Die Gegenwart* remarks, the verdict is symptomatic of much of official Germany's inclination to compensate according to the letter rather than the spirit of the law. It is a mood that holds out little promise of satisfaction for the citizens of other countries who suffered at the hands of the Nazis and who still hope to receive compensation, although at present they are legally ineligible. Their case was put to the Federal Government by nine west European states—Belgium, Denmark, Britain, France, Greece, Holland, Luxembourg, Norway and Switzerland—in a joint aide-memoire delivered six months ago. Out of fear of the far-fetched claims that generosity might evoke, particularly from the east, the Germans do not propose, in the reply which they produced this week, to broaden the existing law so that it will embrace foreigners. But in order to show good will they are proposing instead to offer, without legal obligation, *ad hoc* payments to individuals in these nine western countries who can prove they are in necessity today in consequence of their former ill treatment by Germans. Few are going to benefit if the offer is circumscribed by the spirit in which compensation is being meted out to individuals by German courts today.

Pakistan's Economic Effort

BY A CORRESPONDENT

LAST week's meeting of the Pakistan National Economic Council indicated that the Pakistan government is seriously considering how best to co-ordinate its development programme. Two problems are being tackled simultaneously: food supply and the maintenance of an even balance between the demands of the eastern and western parts of the country. The five-year plan (1955-60), unlike India's second plan, aims at agricultural self-sufficiency, but food shortages are becoming "recurring features," as the Prime Minister, Mr Suhrawardy, put it, and are not only creating a shortage of foreign exchange, but diverting a large proportion of foreign aid to meet emergencies. This has led to a stringent import policy and, with it, inflationary pressure at home.

Moreover, direction has not always been clear; Mr Suhrawardy complained about "irrigation schemes without consideration of how to utilise the lands," but the severest note was struck by an official of the International Co-operation Administration, who uttered a warning that at the rate at which land was being "wasted, not nurtured, the valley of the Indus would be a desert in less than half a century." There has been a relative success in industrialisation, natural gas has been discovered and exploited; but the main issue of land reform remains to be faced. Both East and West Pakistan have suffered from floods. The Economic Council has reduced the scope of the five-year plan by about £60 million to £810 million, and has called for a tightening of administrative machinery. It is not enough that economic development is carried on at a uniform rate in both parts of the country; the East Pakistanis need to be convinced that this is so.

Not surprisingly, in view of the heavy commitments for defence (57 per cent) and development, the new budget has fallen back on deficit financing. More encouraging is the fact that for the first time in ten years a budget has been modified after presentation in response to criticisms in the Assembly and in the country; the increased duties on tea, coarse cloth, cement and petrol were revised within three days. But the disproportionate expenditure on defence continues to burden all Pakistani governments, and with the present tension over Kashmir it can hardly be expected that it will be reduced.

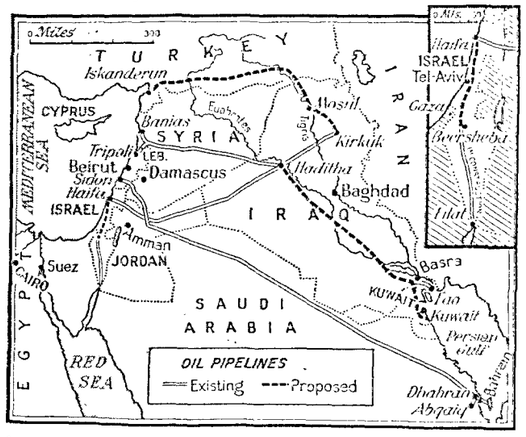
Middle East Pipelines

1—Plans in Iraq

DR NADIM EL-PACHACHI, the Iraq Minister of Economics, has told the financial committee of the Chamber of Deputies that discussions were in progress "with parties responsible for exporting Iraq oil to world markets" concerning a proposed oil pipeline to link the northern oilfields with the Persian Gulf. The Iraq Petroleum Company has not commented on the scheme and the details of it are still not clear.

It is believed that the government plan is for a pipe running north from the Basra field to cut into the existing lines from Kirkuk to the Mediterranean at Haditha on the Euphrates. At the southern end, the proposed pipeline would join another line, still in the planning stage, from Zubair (near Basra) to Kuwait. Dr Pachachi said the link between Kirkuk and Basra would enable Iraq to export more oil and could be used, if necessary, to carry oil the other way, from the Basra field to the Mediterranean.

The line from Zubair to Kuwait will almost certainly come first. Kuwait appears willing to accept this line, which offers an economical way of getting Basra oil into large tankers which cannot use the present loading-point at Fao. The scheme announced by Dr Pachachi raises more difficult problems. Kirkuk oil sent southward would



be travelling away from the European market; after its 400-mile journey to the gulf it would have to compete with oil produced almost within sight of the sea. To send Basra oil northward would seem pointless so long as the pipelines do not exist to enable the Kirkuk field, 400 miles nearer to the Mediterranean, to be produced at its full capacity.

The Iraq Government's interest in alternative routes is natural when Syria and Egypt between them have brought its principal industry almost to a standstill. But, of the plans in the field, the two most immediately practical seem to be the Zubair-Kuwait line, which would make possible an increase of production at Basra, and a line from Kirkuk through Turkey to the sea at Iskanderun; the route has already had a preliminary survey. The Iraq Government, however, approaches the plan with caution because it might be accused of diverting the pipelines from Syria and Lebanon, "sister" Arab states (although Syria has done its best to stimulate interest in new pipelines by cutting the old). The IPC regards the Basra-Kuwait or Turkey lines as supplementary to, and not alternatives for, the Syrian route. It would certainly be valuable to have alternative routes, but in any event more pipelines will be needed to enable Iraq production to expand.

2—Progress in Israel

Our Correspondent in Tel Aviv writes:

WORK on the eight-inch oil pipeline from Eilat, on the Gulf of Aqaba, to Beersheba, the new capital of the Negev, has been pushed ahead vigorously. Although work only began after the Sinai campaign, it is hoped that it will be completed in April. Some difficult country ahead may cause delays, but the pipelines should certainly be ready for use in the spring. This pipe will be able to carry 750,000 tons of oil a year to Beersheba, whence it would be transported by road or rail to the Haifa refinery. It will be purely a domestic line, cheapening the transportation of something more than half of Israel's present consumption of oil products.

Whether this pipeline can function when ready depends on two factors. Oil can only reach the Eilat terminal of the pipe if the Gulf of Aqaba remains open to Israeli shipping. The Egyptian blockade of the gulf was broken when Israeli forces occupied the Sharm el-Sheikh headlands overlooking the entry to the gulf. The need to keep it open explains the energetic attempts of the Israeli government to get adequate guarantees from the United Nations before relinquishing the position at Sharm el-Sheikh.

The second factor is the supply of oil. A steady supply must reach the terminal at Eilat if the pipeline is to have much real value to the Israeli economy. Officials of the government, when asked about it, say cautiously that the supply position is hopeful; the public is convinced that the oil will come. If the public proves right, Israel will get cheaper oil because it will be carried a shorter distance than would be involved in delivering it at a Mediterrean port, and would get it whether the Suez Canal were open or closed.

Plans more ambitious than the eight-inch pipe are being discussed. The principal idea is a big pipeline, approaching 30 inches in diameter, which would meet not only Israel's requirements but contribute to Europe's needs. It would therefore be one alternative route to the Suez Canal. It is suggested that this pipe could be laid along the route of the eight-inch pipe as far as Beersheba and then be continued north to Haifa. The oil would be sent on as crude or refined products (Haifa refinery can handle five million tons a year) by tanker to European markets. This pipe could carry about 25 million tons of crude a year. There has been talk of a French offer of money and equipment for the project, but so far nothing tangible has emerged.

* * *

The supply position for both schemes is difficult. It is being assumed that the Iranian National Oil Company would sell Israel enough oil for the eight-inch pipe. The quantity involved could be loaded at Bandar Mashūr, south of Iraqi territorial waters, and so avoid the Arab economic boycott to which Iraq is committed. The INOC could not, however, provide the quantity which would be needed for the big pipe; and the international companies, which could supply it, have big stakes in the Arab countries and would be reluctant to challenge the Arab boycott of Israel to such an extent.

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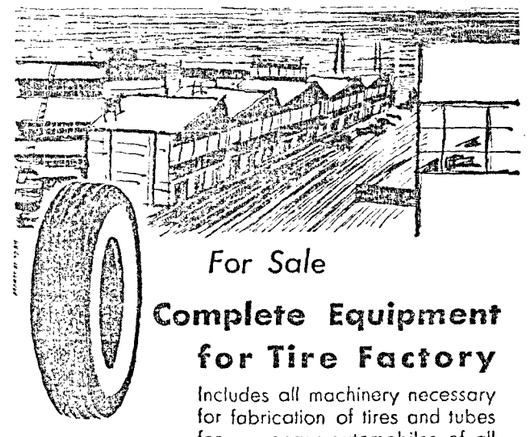
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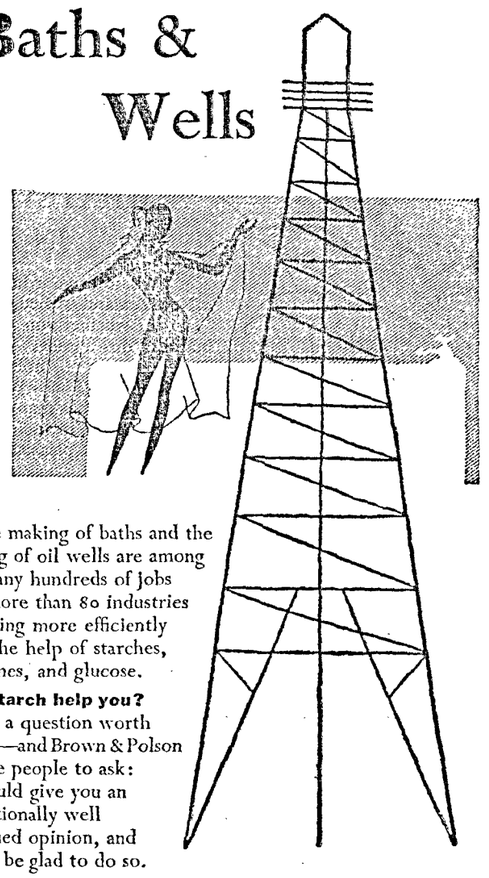
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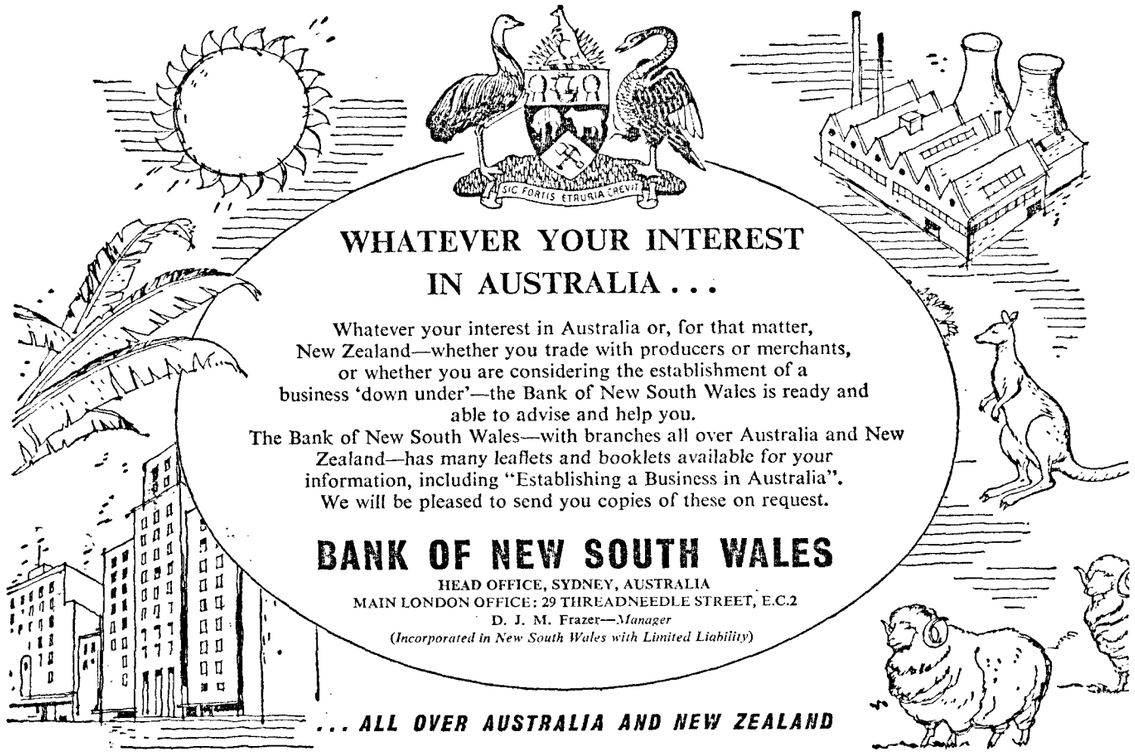
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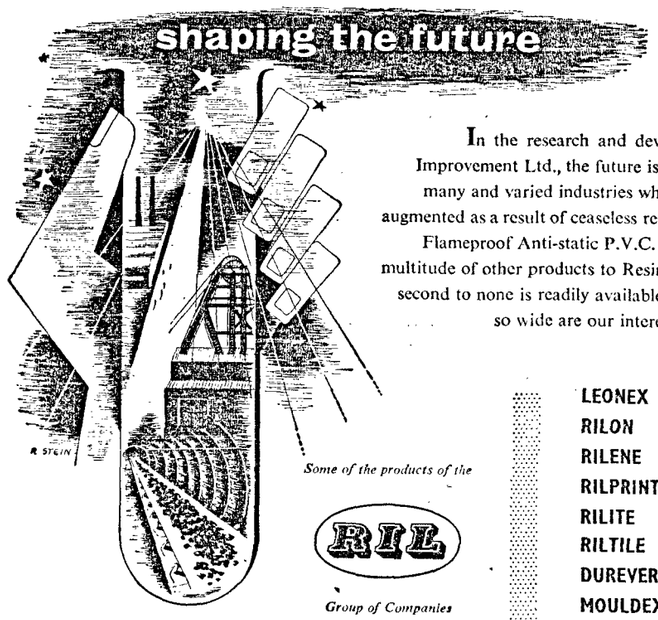
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THE BUSINESS WORLD

New Age Banking

A MONTH ago, a committee of the London clearing banks completed its investigations into the prospects for applying electronics to banking. This is a matter of importance, not only to the banks but also to their customers. Ordinary methods of office mechanisation have been exploited by the banks to a point where they can offer little further advantage. Mechanisation by electronics, which is still a largely unknown field, would seem to be ideally adaptable to banking procedures which handle vast numbers of figures in sorting, docketing, debiting and crediting, according to standardised practice.

Electronic brains are creatures of routine; they have an elephantine capacity for absorbing instructions but cannot deal with the unexpected or the unpredicted. In a year's study, the committee acquired a firm and imaginative grasp of the possibilities for putting this kind of intelligence to work on banking routine. Whether all the banks are equally impressed with the opportunities of speed and efficiency that electronic systems seem to offer in banking is doubtful. Some of the biggest, it would appear, would be prepared to put the committee's ideas into practice as soon as electronic equipment has been evolved to do the job; others, equally big, remain wholly unconvinced. This split of opinion seems to be reflected in the way that the committee's findings have been made known. There was an opportunity here for interesting the banking public (which increasingly stretches down into the lower income brackets) in the possibilities of a technological revolution in banking. Customer participation in an imaginative venture of this kind is well worth cultivating, and it might have been secured if the bankers had been more willing to explain the objects of their exercise. What they have in mind emerges only indirectly from a list of equipment that the banks have circulated to companies in the electronics industry for their suggestions. This is contemporary; it belongs truly to the age of electronics. But it is a matter of real regret that the banks' attitude on the public relations of this fascinating and far-reaching development belongs to the era of the quill pen.

The next stage in the scheme depends on the examination by electronics manufacturers on how best to fill the banks' specifications. Then it will be for the banks, collectively or individually, to decide whether they are prepared to take the revolutionary step of commissioning pilot apparatus for test under banking conditions. The banks are agreed on one basic principle. Electronic mechanisation, if it comes, must be based on the cheque as the key document in the banking system. To render cheques amenable to the discipline of the electronic computer they will have to carry arabic characters printed in magnetic ink. With that crucial element of standardisation, it will then be possible for individual banks to go ahead with electronic systems as fast or as slowly as they wish, without hampering the schemes of the others.

There are three main fields in banking open to electronic mechanisation. The first, which has so far defied all attempts at mechanisation, is cheque sorting. Secondly, there is debiting and crediting of customers' accounts. Thirdly, there is centralisation of book-keeping to replace separate ledgers at small branches.

(1) *Sorting of Cheques.* Every day the banks' headquarters undertake the grim job of sorting bundles of cheques that their customers have drawn in favour of the clients of other banks, and are now returned for payment. These cheques have to be sent out to the branch on which they were drawn; the biggest banks have more than 2,000 branches, and there are 10,000 branches in England and Wales, so the job is necessarily tedious. It is done today, as it has been done for years, by teams of girls who read progressively across the code numbers of the branches which are printed on the cheques. Between two and three million cheques are sorted every day by this method, and a big bank may handle half a million a day. The girls

sort about 1,500 cheques in the time allowed (there are, of course, exceptions) so that 1,500 girl clerks or so are employed on sorting operations alone.

To carry out the same sorting operation electronically would require two steps. First, two of the figures that are already printed on cheques would in future be printed in magnetic ink in a pre-determined position, probably along the bottom. These figures are the serial number of the cheque itself, and the code number of the branch on which it was drawn. (In addition to these coded figures, the customer's cheques would carry a pre-printed symbol indicating debit and the number of his account.) The next stage calls for a sorting machine that can "read" these magnetic code figures and will drop the cheque into the appropriate pocket for each branch. Like the girls, this robot would have to sort the cheques more than once, since it is hardly economic to build it with 2,000 separate pockets (plus one for damaged cheques), but three sortings into 12 to 15 pockets would do the job.

(2) *Accounting.* Electronic book-keeping presents a more complicated problem. It calls for the development of a computer that has a vast memory for figures, plus a limited calculating section. (The big research computers built so far have a staggering capacity for complicated mathematics, but less capacity for storing figures; but the electronics industry should not find it too difficult to change the emphasis in design.) The bank committee has not yet made up its mind precisely what it wants the computer to do, but it has a fairly clear idea about how the work is to be done.

Once again, the operative document is the cheque. When it is paid in to the payee's bank, a clerk lists it on a slip showing its amount and the account it goes to. This list is also used for totalling the day's business. In an electronic bank, the clerk would have an extra attachment to his present machine that would print on the paying-in slip, again in magnetic ink and in the standard characters, the number of the customer's account, a credit symbol, and the sum to go to his credit. The cheques paid in would then be hand sorted by the receiving banks, as they are now, into bundles corresponding to the paying banks and sent through the clearing. Then they would go to the headquarters of the paying banks, where they would be sorted electronically into the paying branches.

The final stage in an electronic system would be to keep the customer's account in the computer's memory. He has drawn a cheque that has passed through the clearing and has come back through the electronic sorter to his branch. The cheque would then go to the computer. Appended to this machine would be sensing equipment to read the customer's account number and the sum; these figures it would translate into the only language the computer understands—a binary system in which each digit is reduced to a 0 or a 1—and then feed into the computer. In its memory, the computer would hold information giving the totals of all the accounts, together with their identifying numbers. It would simply subtract the sum shown on the cheque from the appropriate account, and feed this out to more ancillary mechanisms that would translate the figures back into ordinary numerals and print the results.

Such equipment would be big and expensive. It would be capable of working in fractions of a second and only the biggest branches would have enough work to justify the investment. Electronic mechanisation might therefore reach a third stage:—

(3) *Centralised Book-keeping.* Centralised book-keeping is likely to be introduced into the banking system whether or not it is tied to electronic accounting. If the central office for a group of local branches uses a computer, transmitters will be needed to send information back and forwards between the computer and each of the branch offices.

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A system of this kind would represent a far-reaching departure from present banking methods, but it is not a wild Dan Dare conception. Indeed, it would have three great merits. The first is that it does not seek the impossible. Nearly all the requirements that have been described above should be within the capacity of an industry that can build brains into guided missiles. Perhaps the greatest difficulty may be a purely mechanical one—a cheque paper strong enough to stand up to the handling it will have to receive without becoming so dog-eared that its magnetic characters cannot be properly "read." The second merit is that it can be progressively adopted by stages. Electronic sorting of cheques can be introduced without going the whole hog on electronic book-keeping. Equally, even if one of the big clearing banks were to refuse to join the system, it would not rule out its introduction by others (even though it impaired its value). Thirdly, electronic handling can be introduced in parallel with existing methods.

Further investigation may show that improvements can be made in the system that the banks have outlined to the electronics manufacturers. Is there not a chance that some form of photo-electric sensing of ordinary figures could avoid the use of magnetic ink? But the system does seem, to a sympathetic lay eye, to offer hopes of reducing their heavy dependence on clerical drudgery, with its attendant rise in costs. The terms on which the banks could secure the equipment are a matter between them and the electronics industry; the latter, with all the demands being made on it, may have views of its own on the cost of developing special equipment for the banks' electronic revolution. A pilot unit might cost at a guess about £500,000. The banks are not, it seems, united in their views on the committee's ideas, and may find some difficulty in agreeing to a joint research project. But are they bound to keep in step? Is there not room for one or more of them to display the enterprise that they prescribe so readily for other industries?

Power and Level Tendering

IT took the Monopolies Commission longer—more than four years and fifty thousand words—to report on the electrical equipment manufacturing industry than on any other it has considered since it was set up in 1949: yet in essence this report is one of the simplest it has ever made. The arrangements to restrict competition in the supply of turbo-alternators, generators, electric motors and transformers, form an elaborate and complex tangle that the manufacturers took a long time to explain and the Monopolies Commission a long time to assess. But there is nothing complex about what they are designed to do. Most of the major companies in this industry, perhaps the country's most successful and most rapidly expanding supplier of capital goods, fix common prices and put in level tenders to customers at home and abroad who want to buy their electrical machinery: they exchange information about business on offer with some of their foreign competitors, and would like to make price agreements with them.

The companies make no secret of this restriction of price competition; indeed, they defend it as the essential foundation of stability upon which such a virile and technically progressive industry has been built up for the country. The Monopolies Commission, for its part, is equally uncompromising: it considers that the common price agreements operate against the public interest (though one member thinks they may not do so abroad) and it recommends that they should be ended. The Board of Trade, perhaps comfortably for its peace of mind, is now not required to act upon these recommendations. That may, later, be the responsibility of the Restrictive Practices Tribunal —before which the issue may be argued again.

Although the Heavy Electrical Plant Manufacturers have condemned the report of the commission as "doctrinaire" and "unrealistic," they seem incensed mainly by its conclusions. The facts seem hardly in dispute. The manufacturers' "groups" fix minimum prices to be quoted in tenders, which in practice inside Britain usually means that they quote the same price (though for tenders abroad they may agree that one shall put in a lower bid than the rest). Their agreements, in 1952, the latest year for which the commission obtained full details, covered about 90 per cent of the sales of turbo-alternator plant, more than 60 per cent of sales of generators and electric motors (of 1 h.p. or more in output), and about 80 per cent of the sales of transformers (except the smallest ones), at home and abroad. The Associated Electrical Industries group alone, in that year, incidentally accounted for about 39 per cent of home supplies of the heavy turbo-alternator plant: but apart from its participation in the common price arrangements, none of its operations appeared to the commission to be against the public interest.

Most of the arguments that the electrical plant manufacturers put forward to demonstrate that their industry needs the "stability" that common prices can give are of a familiar pattern, and the commission does not accept them. They say that "there are few industries whose capital equipment is so costly," which might possibly be true in the capital goods industries; but one might direct their attention to oil, steel, sugar refining, chemicals, milling, paper, synthetic fibres and drink, which all appear to employ more than twice as much capital per worker as themselves, even if they can ignore super-capitalised public utilities such as their principal customer. Their other overhead costs, owing to a high proportion of indirect and professionally trained labour and staff, plus unusually heavy expenditure on research and development, do seem unusually high. The makers feel that these relatively high total overheads, plus the fact that big equipment is all custom made, even down to major components, and practically nothing can be made for stock, might tempt makers competing in price to cut below cost to keep the plant running. The commission replies that it might not be necessarily in the public interest to prevent this; and it thinks, moreover, that in a trade recession the price agreements would not be strong enough to prevent it, as they did not at various times in the twenties and thirties. The manufacturers also fear that buyers will be tempted to push down the initial cost of the equipment they buy at the expense of higher running and maintenance costs later: the commission argues that customers must be assumed to be technically competent to make up their own minds.

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The makers told the commission that "it is clear in some cases that (prices) have not been fixed in any very scientific way." The Monopolies Commission's investigations of costs during two years, 1951 and 1952, do suggest very considerable variations in costs, and hence in profits from level prices. However, the commission does not argue that the industry has in general made unduly high profits; only that level prices, in such circumstances, must tend to protect the less efficient producers at the expense of depriving the more efficient producer of his full competitive advantage.

There is another, statutory, monopolist on the buying side of this business. The Central Electricity Authority bought about 79 per cent by value of all the major generating plant purchased in Britain in 1952, and with the Area Boards, 66 per cent of the transformers; counting in exports, about 38 per cent of all turbo-alternators and nearly 40 per cent of all transformers made in Britain. The Monopolies Commission absolves CEA, as it does AEI, of any use of this monopoly power against the public interest. But this considerable

"countervailing power" of CEA is put forward by the heavy electrical manufacturers as the main reason for retaining their price agreements, re-created in the early thirties, during a period of prosperity. The monopoly that their chief home customer enjoys, they feel, gives it a superiority of bargaining strength, even when demand is high, equivalent to that of the fortuitously powerful individual buyer in a weak market.

Clearly, this could be true: it is indeed one of the conditions in which last year's Act laid down that restrictive practices might be held justified, if they were not otherwise unreasonable. Moreover, it is a condition of opposed power that the Monopolies Commission itself accepted, in 1952, as justifying special pricing arrangements, based on cost investigation, between the cable industry and this same monopoly customer, nationalised electricity. But in the case of this electrical machinery, the commission does not agree that nationalisation has radically altered the balance of bargaining. During the whole postwar period, CEA has needed more generating plant than the industry had the capacity available to supply without restricting exports. The report outlines the lengthy and elaborate negotiations by which CEA has obtained some data in support of the common prices quoted, though not all it asked for. It also records the circumstances in which Parsons, one of the most efficient manufacturers of large generating plant and transformers, in 1950 withdrew from the common price agreement on generating plant and quoted lower prices to CEA, later receiving a guarantee of a substantial volume of machinery orders from CEA. It is certainly not easy to conclude from the commission's account that CEA, even since Parsons made this special arrangement, has been in any position to dictate terms to the plant manufacturers' group.

For their price agreements on exports, the makers have a plausible but ticklish argument to offer; it convinced only one member of the commission. Even if agreements tend to hold prices higher than they might otherwise be, they asked, was that not in the national interest so far as export earnings were concerned? Most of the commission refused thus to distinguish the public interest in home and export trade:

> In the long run the public interest is best served, in the export market as well as in the home market, if the level of prices is reasonable for both seller and purchaser and if neither market subsidises the other.

This is a view with which liberal economists would agree—though it might not necessarily be self-evident to the Board of Trade.

As the commission observes, "the conditions which the manufacturers envisage as a result of price competition are, in fact, those of general trade recession." This is a view still deeply ingrained in many parts of British industry, and particularly among manufacturers of capital goods; in this industry the only periods of general price competition in the last thirty years were in fact in the depth of recession, when most of the minimum prices failed to hold. In some of the capital goods industries this fear of recurrent recession seems possibly to have hampered the expansion of capacity to meet demand in the recent boom years. That is hardly true of this one. But its fear of recession still persuades it to cling to a system that proved largely unavailing when recession came. For an industry of such prowess, the attitude seems hopelessly defensive. As the makers told the commission, their export pricing system is already proving vulnerable to more competitive pricing abroad. Could it stand up to the competitive pressures of a free trade area?

Business Notes

Fair Wind for Steel of Wales

As the time for the £40 million share marketing of Steel Company of Wales approaches, markets have obliged with a welcoming smile. Even before the new Stock Exchange account started on Wednesday gilt-edged stocks of industrials had both turned upwards; in the week ended on Wednesday *The Economist* ordinary share indicator rose from 196.8 to 200.6 while the *Financial Times* Government security index rose from 88.29 to 88.84. The advance was maintained on Thursday. It now seems likely that the Steel of Wales offer will be made on a reasonably good market. It will comprise the whole issued (and rearranged) ordinary capital of the company of 40 million £1 shares offered at par and will be based on a projected dividend of 8 per cent (compared with 4 per cent paid last year on a smaller capital). The prior charges to be retained for the present by the Iron and Steel Holding and Realisation Agency and by the Finance Corporation for Industry will also be substantially rearranged; the repayment due in July of the company's £15 million of 3 per cent first mortgage debenture stock held by the public will be provided for in the course of that rearrangement. The monster issue will thus go out on an 8 per cent yield basis which is more favourable to investors than the yield obtainable from other steel shares.

The Steel of Wales offer will also have the distinction of being the most successful Government funding issue so far this year, for it will be underwritten firm and the Government will dispose to the consortium of issuing houses of £40 million worth of stock. That is considerably more than it is believed to have sold to the public out of the recent issue of £300 million of 3½ per cent Funding stock 1999-2004. That stock now on offer from departmental holdings at ⅛ over the issue price of £80 can hardly have attracted buyers, for even the recent improvement in the gilt-edged market has not carried the price of the old tranche to the level of the new. But by being on offer it is doing its work as a peg limiting any further rise in long dated stocks.

The portents, however, are not unfavourable, despite the heavy calls that new issues are now making on the market. On the gilt-edged side the trimming of books by jobbers to what they wish to hold in a level market, as opposed to a rising one, seems to have been completed. On the industrial side the big sums tied in the Bowater issue are now released. And the optimists, chirping as optimists will, are now counting on possible tax cuts.

The Bowater Issue

No less than £220 million of stock was applied for in response to the Bowater Paper Corporation's offer of £15 million 5¾ per cent convertible unsecured loan stock 1978-82 at £97½, and the scrip opened at 9½ premium before settling down just under 8 premium. Since £10 was payable on application, £22 million must have been tied up in applying for this issue and that is sufficient reason to explain a little idleness elsewhere on the Stock Exchange. This outstanding success was achieved without the support of the corporation's substantial number of American stockholders.

Whether the methods that the corporation and its advisers have used in making the allotments are the best that could have been followed is perhaps more debatable. The issue was offered to all classes of the corporation's existing stockholders (but not to the general public) with pink forms for ordinary stockholders on the British register, blue forms on the Canadian register and white forms for the preference loan and debenture holders. American resident stockholders were specifically excluded from the offer. It was intimated that ordinary stockholders would have preferential consideration; but no one was given "rights" to a fixed number of shares. In the event the ordinary stockholders alone most handsomely oversubscribed the whole issue with 17,000 applications for £175 million of stock. And the company has gone near to treating it as a "rights" issue. All applications up to £200 are being allotted in full and then ordinary stockholders have received an allotment on a scale that has not been disclosed but is related to the applicant's present holding. That involved a drastic scaling down for applications from debenture, loan and preference stockholders.

It is a matter for regret that the differences between American and British law makes it impossible to give American investors the opportunity that was offered to the British and Canadian. It is a matter for debate whether an issue that is not made as rights should be allotted almost as though it had been. There are good reasons for not making an issue as of right if a large block of shareholders is excluded, but then the issue should be priced as near to the market as is safe, and allotments made in proportion to amounts applied for. An issue that works out so much like a matter of rights must cause some irritation among those ordinary stockholders who could not participate.

Unilever Pays More

Last week's speculation in the Unilever ordinary stock, which carried the price of the Limited units up from 73s. 6d. to 79s. 6d. and of the NV units from 81s. 9d. to 88s., was justified. For the third successive year the distribution to ordinary shareholders has been increased. In 1954 and 1955 this was achieved by maintaining dividend rates but by paying them on a capital increased by free scrip issues. This method was not on the cards for 1956, because the share premium account of Unilever NV had been practically exhausted by these issues and a free scrip issue from revenue reserves would have attracted tax in Holland. This time the directors have adopted the more conventional way of increasing the rate. The ordinary dividend of Unilever Ltd. is raised from 15¾ to 17½ per cent and, under the dividend equalisation agreement, that of Unilever NV from 14 to 15½ per cent. On this new dividend Limited £1 units yield £4 7s. per cent.

The turnover of the diarchy has risen by about 10 per cent, from £1,515 million to £1,671 million, while combined trading profits have risen more sharply—by nearly 16 per cent—from £85¼ million to nearly £99 million. This result from this giant of international trade is unlike the tale of smaller profit margins told by many British industrial and trading companies recently. The tax bill is also much bigger, going up from £44 million to £52 million and the 1956 combined net profit of £47,182,000 (including non-recurring credits of £2,769,000) compares with £45,118,000 (including non-recurring credits of £6,099,000) in 1955.

But there has been almost a reversal of the experience of 1955. In that year the profits of Unilever Ltd remained practically unchanged while those of Unilever NV soared. Last year it was the profits of the NV sibling which hardly changed—indeed its net profits fell slightly, from £22,203,000 to £21,929,000—while the net profits of the British concern went ahead, from £22,915,000 to £25,253,000.

£40 million for BP's Tankers

The first of the big tanker finance schemes was for £30 million for the Shell group. It was arranged by M. Samuel and Co., with Hoare and Co., and Joseph Sebag, as brokers. The second is for £40 million for the British Petroleum group. It has been arranged by Robert Fleming and Co. and Ship Mortgage Finance Company, with Hoare and Co., J. A. Scrimgeour, and Penney and Macgeorge as

brokers. There is, it will be seen, one common factor in the list providing the "know how." There is also a close similarity of purpose and method in the two schemes. Tanker Charter Company, the new BP financing organ, is like Tanker Finance, which does the same job for Shell, to canalise bank money, insurance money and pension fund money into the ownership of part of the tanker fleet that its oil group is now building when the ships have been completed—not charged on the further tanker programme amounting possibly to as much as £100 million that BP will shortly announce, nor on ships not yet completed. Tanker Charter Company will take over about 16 vessels out of BP's present 40 tanker programme, raise loans on the security of them and charter them back to BP Tanker Company on bareboat terms so drawn that whatever happens the interest and retirement of the loans over the 23 years of the scheme will still be payable. At the end of that period, as in the Shell scheme, the loans will have been redeemed and the tankers will revert to the oil group.

Tanker Charter Company, the "book-keeping company," half owned by Robert Fleming and half by Ship Mortgage Finance, is to borrow £15 million of one to eight year money from a group of banks headed by the National Provincial and including Barclays and the Westminster Bank. The rate of interest on this part of the money starts one per cent above Bank rate, at 6 per cent. There is no reason to suppose that those terms differ from what was arranged with the other bank group, headed by Lloyds, that finances the Shell plan. At that point the two schemes diverge. Tanker Charter Company is arranging to place two loan stocks, a small medium-dated issue and a larger long one. There will be £5 million of a 9 to 12 year stock and £20 million of a 13 to 23 year stock; to help with the placing of the more difficult medium stock, Ship Mortgage Finance itself will subscribe £1 million of it. The loans will be called up over the years 1957 to 1959 probably in half-yearly instalments. The effect of introducing a medium-dated stock into the plan is that, though the maximum length of BP's financing (23 years) is a year shorter than Shell's, the average length of all the borrowed money in it is a fraction of a year longer.

Comparison between the two schemes shows their close similarity. It is true that Tanker Charter Company pays 6½ per cent on its two loan stocks (both placed at par) while Tanker Finance, it is understood, pays 6⅜ per cent, but there has been a modest change in general interest rates between the announcements. It is true also that 6½ per cent for long- and medium-term money is highly attractive. The borrowing is however up to the hilt of the value of the ships charged. Nevertheless, for those who can hold an unquoted stock secured in fact as a rent charge on the oil giants they are a useful investment.

Sterling Recovery Hangs Fire

THE recovery of sterling to parity with the dollar just before Bank rate was reduced early in February proved a flash in the pan; the rate against the dollar dropped back to $2.79¾, though this week it has recovered to $2.79⅞. The reduction in Bank rate seems to have been interpreted abroad as a sign that the stiffness was going out of Britain's anti-inflationary policy. Bears of sterling stopped covering, though they have not been starting fresh speculative operations against sterling. The forward discounts on sterling in terms of dollars and most Continental currencies are still approximately adjusted to the differences in short term interest rates between the money markets concerned.

This week sterling has been firm, but less so than it should be, given the extent of bear accounts that are still open and the arrival of the high season of demand for sterling. Next week's gold and dollar reserve figures at the end of February will probably suggest that sterling has encountered some pressure during the past month. The effect of the reduction in Bank rate has been one of them. Another is the persistent commercial demand for dollars, now reinforced by the unusual flow of dollar oil imports into Britain and the rest of Western Europe. The seasonal peak of commercial demands for sterling is likely this year to be lower than in preceding years because the prices of several important sterling commodities—notably copper, cocoa, tin and rubber—have been lower. The drop in sales of sterling oil to non-sterling countries is another force now pulling in the same direction. The unusual demand for dollars may from now on be met in part out of the $500 million Export-Import Bank credit, but these drawings will not have occurred in time to affect the February reserve figures.

An illustration of the kind of pressure which sterling has had recently to endure comes in a report from Tokyo that the Bank of Japan may be compelled to sell some of its abundant dollars in order to replenish its depleted sterling reserves. That is not what the Bank of Japan wants. It would prefer to keep its dollars and borrow sterling in London, but it complains that in the London market Japanese bonds are being charged rates of 5½ to 6 per cent when they are able to borrow at all. That borrowing technique, when Japan has more than $1,000 million in reserve seems to amount to the introduction of bear speculation into the realm of inter-central banking.

Amending the Waiver

ARRANGEMENTS have now been completed for the $500 million Export-Import Bank credit to the British Government. The agreement signed last Monday places a line of credit of $500 million at the disposal of the United Kingdom to be used over the twelve months ending on February 28, 1958. Interest at 4½ per cent will be charged on the amount actually drawn. The capital will be repayable within ten years, the repayments starting three years hence. On all amounts borrowed the British Government will have to deposit dollar securities in its ownership as collateral and maintain a margin of 20 per cent. As the Chancellor of the Exchequer remarked in the House this week the decision whether, and if so when, to draw on the credit will be a matter of judgment. The dollars can be used only to finance imports of oil and other materials from the United States for, like all Ex-Im Bank credits, this is a "tied" loan. It will presumably be used for that purpose only if it is necessary to soften blows that would otherwise rain on the gold and dollar reserve.

Concurrently with the discussions for the Export-Import

Boom in Convertible Loan Stocks

BOWATER PAPER CORPORATION'S £15 million convertible loan stock, issued at 97½, has attracted applications of £220 million and opened at a premium of £9½. That success following the triumph of the £40 million issue by ICI of another convertible loan stock pinpoints a new technique in industrial issues. What is the secret of success in these convertible prior charges? And is the operation as free from pain to the borrower as it seems to be to the lender? Over the last four months the total of new industrial issues on the London stock market came to £137 million, of which £54 million (40 per cent) was raised on convertible prior charges. This is a high proportion for a type of security that is not in the traditional mainstream of British industrial finance. In Wall Street convertible stocks extend from railroads and public utilities to steel and other industries. In British industrial financing, until the end of last year there had been few postwar examples, the most notable being the £10 million issue by Distillers. Convertible issues had been confined largely to mining and plantation companies, where risks were high and where fortunes moved violently; they remain favourite devices of mining finance houses and unquoted preference shares and loan stocks with conversion options are used by Finance Corporation for Industry and Industrial and Commercial Finance Corporation for the companies they nurse. The lenders hope with Dr Pangloss for the best of all possible worlds: a prior claim on earnings and assets if events went awry and a claim on the equity if they went right.

The latest borrowers in this form, however, are British industrial companies of the highest standing, who have come to market when the lenders called the tune. To attract money they have to offer the double option of a fixed prior charge satisfactory in itself even if run to its final redemption date, plus rights to exchange before then into ordinary shares if the earnings of the business and the market valuation of its shares make the exchange attractive. ICI announced its issue near the bottom of the November fall; the market improved and the stock achieved a fine premium. But without the bait of the conversion option ICI could not have got £40 million so cheaply.

A convertible stock appeals to the institutional investor who is not yet sure that a bull market is developing but who has continually to find investment outlets. Some of them are also anxious to hold more equities and proportionately less gilt-edged stocks. In the quantities that are usually involved, such switches can seldom be made save on a falling market, which means prompt capital depreciation. The attraction of the convertible stock issue is that it offers the prospect of an ultimate stake in the equity on terms that offer a comfortable yield in the meantime and a valuable hedge against the risk of fluctuating prices. It is a security that is tailored to the current needs of the pension funds and assurance offices; their requirements have evolved it.

If the borrower, rather than the lender, called the tune, British industry might favour the convertible issue less. It is useful when a known sum of money is required for a defined capital project. The costs are fixed until the new capital is fully remunerative. The borrower pays no distributed profits tax in respect of loan stock interest as he would do in respect of ordinary and preference dividends (though loan stock interest in the hands of the institutional investor suffers from the fact that it is not franked income as dividends are). When the new capital has fructified, the conversion options may with reasonable luck be exercised and the risk capital is thus increased without any application again to the Capital Issues Committee.

But the conversion option has a cost which has to be paid by the owners of the existing equity. They pay partly by accepting a dilution of the ordinary capital when the conversion rights are exercised, and the cost to them depends on the extent of the dilution. If all the rights on the ICI convertible stock were exercised at the earliest date the ordinary shares so created would represent less than one in seven of the shares in issue; in Bowater's case it would be about one in three. Holders of the ordinary stock pay in another way—their directors have less freedom of manœuvre in raising further capital. The boards of ICI and Bowater have promised equitable treatment for the loan stock holders should they decide to make free scrip issues. But what happens when ordinary shares are issued as rights with a substantial bonus element in the price? Bowater's directors have promised that loan stock holders will be granted rights in proportion to their conversion rights.

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These are material considerations. Some companies will accept them, confident that their shares will rise and that the conversion rights will be exercised. Yet until all the conversion dates are past the possibility must remain that the loan stock will not be converted and will have to be paid off on maturity. To that extent the company's capital structure is at the mercy of the market and not at the control of the directors. A convertible stock issue will make its maximum appeal to an industrial borrower when the amount raised will not make a vital difference to the capital structure (whether the conversion rights are exercised or not), where the need for more new money while the options are alive is unlikely to be pressing, and where, above all, a growth in earnings can be confidently foreseen on a sufficient scale to ensure that the dilution of the existing equity is relatively painless.

Unless the tone of the market continues to give lenders a whip hand many companies may be willing to pay a shade more in order to make conventional issues rather than put themselves in the equivocal posture that a convertible issue involves. When prior charges are already large a convertible loan stock is inappropriate. The Iron and Steel Holding Realisation Agency has resisted what must have been a strong temptation to furnish such a loan stock for the Steel Company of Wales. The institutions would have welcomed one; but it would have made SCOW's already heavy prior charge capital heavier.

RECENT CONVERTIBLE STOCK ISSUES

	Issue date	Issue price	Amount issued £000	Amount outstanding £000	Conversion period	Present price of stock	Range of conversion prices	Present price of ordinary
Kelay Exchanges 6% Unsec. Loan Stk. 62/5, 1st Series	Mar. '55	100	300	284	to 1957	115	12/6	22/3
do. 2nd Series	Nov. '55	96½	175	175	to 1958	120	19/3	22/3
Fermali 6% Conv. Unsec. Loan Stk. 57/65	Oct. '55	100	300	300	'57—'60	95	5/—6/8	4/-
Assoc. Motor Cycles 5½% Conv. Deb. 61/75	Nov. '55	99	500	500	to 1961	91½	9/10⅜	5/6
Morphy-Richards 6% Conv. Unsec. Loan Stk. 67/72	Nov. '56	98½	500	500	'57—'60	107½	11/1—12/4	11/9
ICI 5½% Conv. Unsec. Loan Stk. 77/9	Nov. '56	96	40,000	40,000	'58—'60	104½	40/—43/7½	41/-
Bowater 5¾% Conv. Unsec. Loan Stk. 78/82	Feb. '57	97½	15,000	15,000	'59—'61	105½	46/6—54/3	46/3

Bank credit, an intricate negotiation has been proceeding to revise the waiver clauses in the Anglo-American Financial Agreement of 1945. Such an amendment must be a matter for decision between the US Administration and Congress but in shaping the proposed changes there has been close consultation between the United States and British Governments. Latest reports from Washington suggest that the waiver clauses will be radically amended. As the agreement now stands the waiver applies to the interest part of the annuity only, but when it is invoked it implies complete cancellation of the amount waived. But it also provides that if the waiver is to be successfully invoked it must attract a corresponding reduction in the payments due by the United Kingdom Government on its wartime sterling debts. That particular provision has at no time been workable because the wartime sterling debts were never funded in the way that was envisaged when the loan negotiations were taking place, and it is expected to disappear from the revised agreement.

In future the waiver is likely to apply to both interest payments and capital repayments, but if it is used the amounts due will be merely postponed and not cancelled. If the waiver is successfully claimed, the whole range of annuities remaining to be paid under the loan agreement will be shifted forward by one year, thus extending the period of repayment a little further than it already does into the 21st century.

Oil Shortage and Output

INDUSTRIAL output in December, the first full month during which Britain was affected by shortage of oil, was 3 per cent lower than a year before. But in January, when the various schemes of oil allocation had all come into force, output appears likely to have been affected very little: it seems to have been less than one per cent lower than in January 1956. The official forecast of the January index is 137-138 (1948 = 100); allowing for seasonal factors, this would mean that total output was still at just about the average of both 1955 and 1956, 37 per cent higher than in 1948.

Within this stable total output there was a slight decline in manufacturing production last year. During 1955, manufacturing output averaged 142 (1948 = 100): last year it averaged about 140. But output from the public utilities, gas, electricity and water was about 5 per cent higher last year than in 1955; mining output, by the end of last year, was back to the 1955 level; and though building and contracting activity may be beginning to slacken off, it is probably still at a higher level than at the beginning of 1956.

Vauxhall's New Car

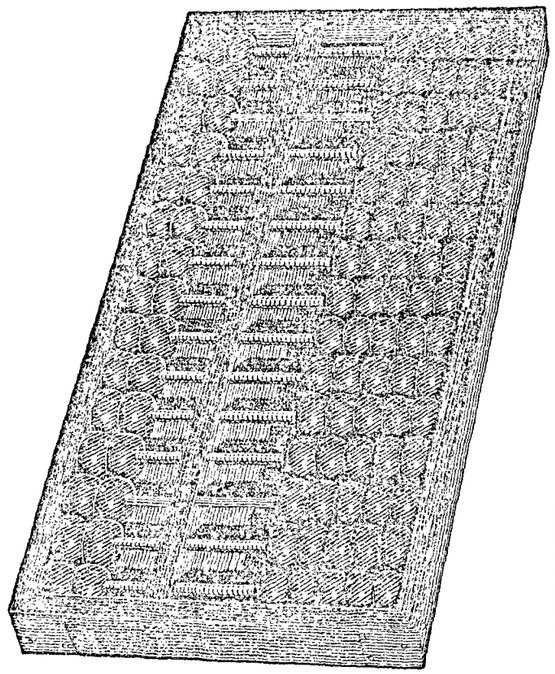
THE new Vauxhall Victor shows that General Motors' British subsidiary is more concerned to exploit the proved market for medium priced popular cars than to make any contribution to the development of the lower priced market. The abounding prosperity of the American market is expressing itself in the tendency of the most popular cars, the Chevrolet, Ford and Plymouth, to become ever longer, wider, heavier and more powerful. It must obviously be hard for Detroit to think in terms of such economy cars as the Renaults, the Fiats, and the small Citroen—which may, however, represent the dynamic development in motoring on this side of the Atlantic.

For the market at which it is aimed, the Victor will undoubtedly be a success. It provides excellent transportation for four passengers, with ample room—except that a little more space for the rear passengers' knees would be of advantage to those with long thighs. With a powerful but economical engine—of similar bore and stroke to the 4-cylinder Wyvern, but of more advanced design—it has a very lively performance, and its fuel economy is sure to be very good. In appearance, it is not so taking as the Hillman Minx, which is a close rival, with very similar dimensions, except that the Minx has an engine of 1,390 cc capacity against the Vauxhall's 1,507 cc, the smaller engine being offset by a four-speed gearbox, compared to the three speeds of the Victor. The Victor is the first British car with a wrap-around windscreen, which is now *de rigueur* in the States, giving better vision for the driver at the expense of slightly impairing ease of entry. It seems likely to compete effectively with the smaller Opel, the Rekord, which probably made up the greater part of the 77,000 cars exported in 1955 by GM's German subsidiary: the Rekord has the disadvantage of two doors against the Victor's four. The price in the British market, £728 17s. *including purchase tax, is a little lower than that* of the Minx; and one can expect that the full productive capacity, which seems to be set at a little over 2,000 a week, will be taken up.

In announcing the new Victor, Mr Copelin, the managing director of Vauxhall's, said, in comparing the Victor with a hypothetical smaller car, that the firm's studies showed that in squeezing out cost they squeezed out value still faster. This is no doubt true, but it is not a conclusive argument as to the greatest potential market available. The fact that a car he cannot afford is better value for money is of only academic interest to the motorist on a minimum budget. Vauxhall, along with most other British makers, has thus decided not to tackle a more venturesome but also more ambitious market. The policy can be contrasted with that of Fiat, which is adding an even more frugal car to its excellent 600 model. The Italian policy, on the face of it, seems better attuned to the expansion of motoring.

Trade Agreement with Japan

TALKS on Anglo-Japanese trade and payments arrangements always take an unconscionable time. The last negotiations began on October 1st and are not completely settled now. This week it was announced that new trade arrangements have been signed, covering the year ending September 30, 1957, and that the payments agreement has been extended to March 31st "to give both governments more time to review it." Evidently Japan is still uneasy about the British proposals that the existing form of pay-



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Twenty-five years ago you would have found this 'adding machine' of antiquity in every eastern branch of The Chartered Bank. It was of particular use in calculating the intricacies of exchange rates which often fluctuated with great rapidity. Today, the abacus is being replaced by the slide rule and the electric computer. The East is changing but The Chartered Bank remains in step, so that its knowledge of eastern trade, travel and investment is always up-to-date. This knowledge and a century of experience sustain a complete banking service available throughout a branch system, which extends to most centres of commercial importance in Southern and South-East Asia and the Far East.

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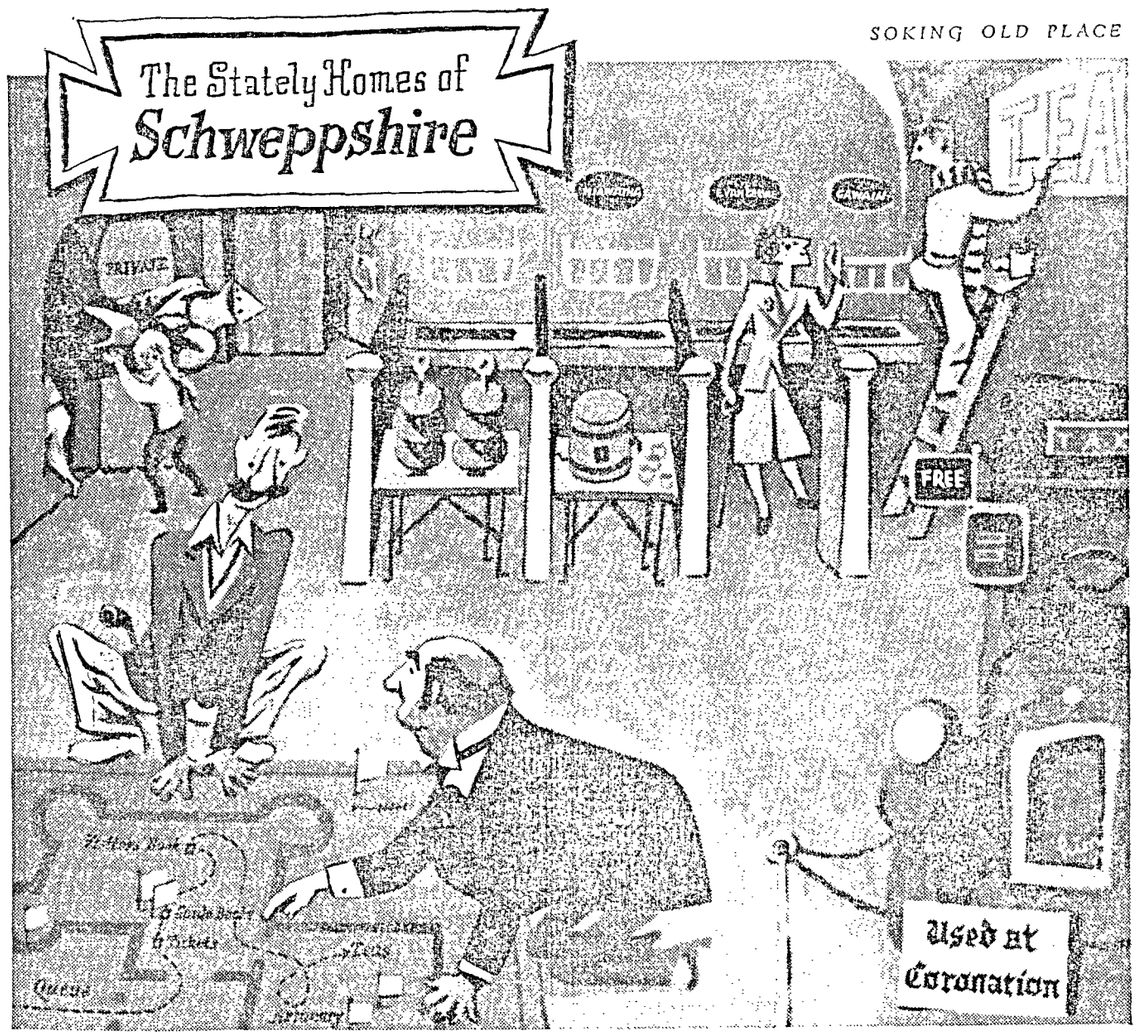
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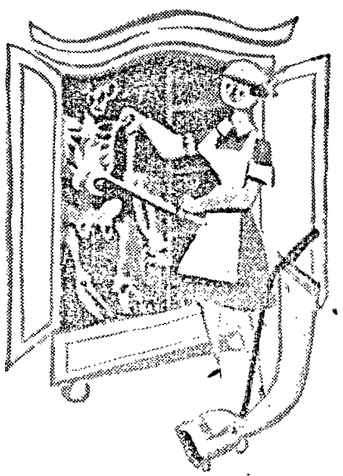
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Glb.

SOKING OLD PLACE





Already the first primroses—and already, too, the first tea urns, tapestries, and Do Not Use This Door notices are being dusted and put into place as Schweppshire's stately homes are polished up for summer visitors.

First let us give you this pre-season glimpse of Soking Old Place, open to the public this year. Bits of it really are quite stately, and when we scraped the beam in the scullery and found a sort of lumpy pattern, *Palimpschwest* had a paragraph about our "carved soffit" with its "genuine ham and eggs moulding". And if the new tenants of Wett Chamberlayne can "throw open their gardens" (half an acre of weeds and a strong smell of fermenting grass clippings) why not us? To make it more "for the people" there is the suit of genuine stage armour, which we bought specially at Yarmouth, to go with the two Roman pots; and the taxi which took us to the coronation is preserved in the stables and may be sat in for an extra threepence.

In the picture we are planning not to cut out the tool shed but put *To the Armoury* on it in Gothic type. Old Mr. Carter has taken the split infinitives out of our Guide, which should show a profit now that the back page has been bought by Chez Maison Doris, the Soking dress shop, though the picture they have chosen for their advertisement is rather a curious one. There is a genuinely newly discovered secret panel which turns out to have been put in to supply the telephone extension to the top floor, sub-let to Mr. Carter. As he is only seen occasionally at windows we are thinking of saying that that part of the house is shut off, slightly suggesting a family curse, if not an Old Soking Monster.

Written by Stephen Potter; designed by George Him

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

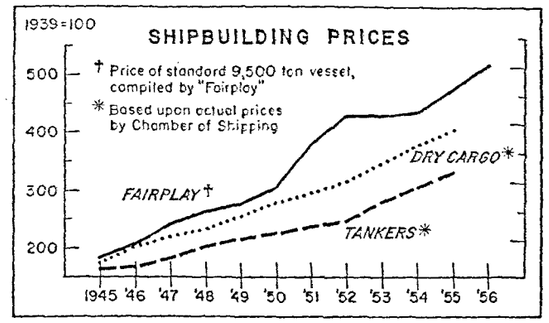
ments agreement is unnecessary now that Japan is a full member of the transferable sterling account area. It is also evident that Japan has failed to obtain the substantial relaxation of British import restrictions that it sought. The new agreement merely provides for a small increase in trade in both directions; last year Britain's imports from Japan amounted to no more than £24.2 million cif and its exports to £21.6 million fob.

Few details of the quotas in the trade arrangements are given; is this secrecy desired by both countries or is it enjoined by one? The Board of Trade states that all the quotas previously available to United Kingdom exporters are maintained with very minor exceptions. The quota for wool textiles remains at £2.8 million a year. Some new and unspecified quotas, worth over £1 million a year, have also been introduced. The quotas available to Japanese manufacturers have been maintained; a few of these, including artificial pearls, canned salmon and peaches, have been increased, and a previous cut in the quota for apparel has been restored. Provision is made for substantial imports from Japan of canned tuna, and small new quotas have been granted for a number of manufactures, including cameras, tiles, needles and certain chemicals. Unrestricted import facilities have been extended "to a wide range of relatively minor items." Finally, the Japanese government will allow the profits of British film companies blocked in non-resident accounts to be remitted.

Suez, Ships and Prices

THE latest annual report of the Chamber of Shipping is naturally heavily preoccupied with the Suez Canal closure and questions relating to its reopening. It may be only a matter of weeks before a temporary passage is cleared for shipping, though Egyptian intransigence has prevented General Wheeler from keeping to his original timetable, which set the date for the completion of this first stage as early this month. If the process of switching shipping schedules back through the canal is to be smooth, shipowners ought to have several weeks' notice. They will also be wanting to know very soon what towage, repair, lighting and mooring facilities they can expect; what dues will be paid and to whom they should pay them; and various other points of detail. The Suez Canal Users' Association, an organisation of governments, has been considering on its own whether some system of priorities will be needed while the canal is only partially restored to traffic, and it has sought the views of shipowners; but the Chamber is somewhat indignant that the International Chamber of Shipping, whose members owned or controlled four-fifths of the canal's traffic, has not been consulted by Uno despite its being accredited to that organisation.

The remainder of the report covers ground traversed in earlier ones. The Chamber launches another broadside at flags of convenience, including that of the latest maritime power—San Marino. One new feature is an index of shipbuilding prices which is reproduced in the chart together with one regularly compiled by the "Fairplay" shipping journal. Long delivery dates, caused by plate steel shortages and labour problems, are not the only reason why the British share of the world shipbuilding output has been steadily falling. Costs and methods of construction also need scrutiny, and Sir Donald Anderson, this year's president of the Institute of Marine Engineers, asked some of the customers' questions last week at Glasgow when he invited shipbuilders to consider whether their system of building much



of their marine machinery and components themselves was more appropriate than fostering greater specialisation. Is it purely chance that this alternative pattern of production, coupled of course with a concentration upon tanker building, has now put Japan in the top place of shipbuilding nations?

Heavy Engineering for India

TWO alternative proposals for the building of heavy engineering capacity, British and Russian, are now being considered by the Indian government. One set of recommendations, made by the British heavy engineering mission that visited India last year, envisages the construction of at least four self-contained plants. These would include: a heavy machine tool works; one or two heavy machine shops; one or two heavy plate and vessel works; and a heavy structural fabricating works. A separate mining machinery factory is also recommended. The British mission feels that this capacity should not be too concentrated, either in size or in one place, but should be built in standard units flexible enough to be erected wherever they will best meet the needs of the plants they will serve.

The other report, prepared by a Russian mission, takes the opposite view. Although it covers roughly the same ground, it envisages one massive factory which would achieve economies by centralising the production of the various heavy engineering plants. In the short run, the location of heavy engineering plant may depend primarily upon where the other heavy industrial plant for which they are intended to make the machinery, in the country's third five-year plan, is to be put. But in the longer run this poses a major question of principle for the Indian planning authorities who are normally inclined to favour dispersal to concentration wherever possible.

A second question, and a vital one because of India's balance of payments difficulties, is the kind of financial assistance that may be offered to help implement the recommendations. No doubt some sort of credit will be offered by the Russians, from Britain the Indian government would be most likely to welcome offers of participation in the equity of any new plants constructed in India by British

firms. The report also poses the question of the capacity of British plant manufacturers to fulfil such massive orders during India's second five-year plan without further delaying deliveries of plant for the heavy engineering industry in Britain.

The Offer from Euratom

ALL this week the Three Wise Men of Euratom have been in London discussing possible British participation in the scheme. They are already convinced that Western Europe should begin as soon as it can to install 3,000 megawatts of atomic electricity each year, about half the new plant required to keep pace with demand. Their sense of urgency has grown with the realisation that the only alternative source of energy is imported American coal which would make electricity generated from it cost more than 1d. a unit. The earliest British atomic power stations are designed to give electricity at only two-thirds of this cost. Active British co-operation could therefore mean a great deal to the speed with which the programme can be put in hand.

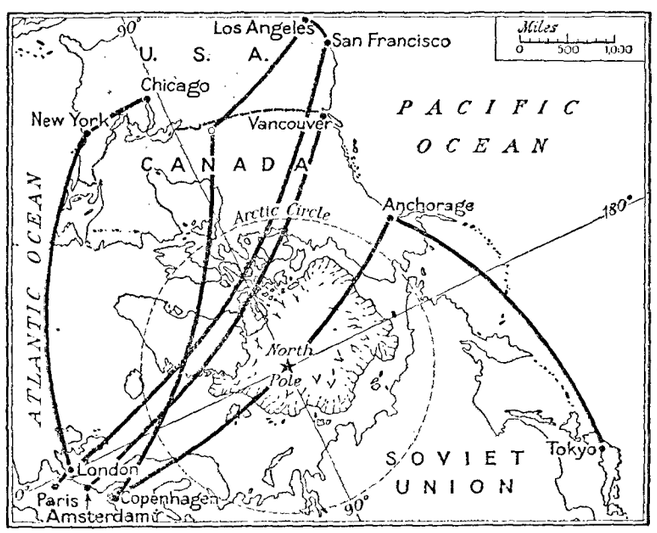
In return for this technical help, Britain is being offered the chance to try out types of atomic power stations not being built in this country. The Three Wise Men still have mental reservations about whether it is right to standardise, as Britain has done, on one basic type of atomic power station and are certain to suggest that Europe should give a trial, although probably on a smaller scale, to other designs. The most promising candidates are two American designs using enriched uranium, namely the boiling water and pressurised water reactors, and the sometimes overlooked Canadian development of a natural uranium reactor cooled by heavy water in place of the gas used by Calder Hall. A refusal by Britain to join Euratom would not at this stage affect the Three Wise Men's belief that a really big Calder type station should be built in Western Europe. But it would lay the area open to the full blast of American salesmanship, and as the size of the atomic programme holds out the prospect of more business, in blue prints if not in actual hardware, to British and American firms than at one time seemed possible, the effect on British industry is a factor in the British Government's decision.

Sterling for the Sudan

BRITAIN is considering making a substantial release from Egypt's blocked sterling balances—but not to Egypt. Since the Sudan became an independent republic at the beginning of 1956 it has been engaged in replacing Egyptian currency with its own, and it has requested that redemption shall in part be in foreign exchange. This demand is based on the fact that under the condominium the Sudan's earnings of foreign exchange, and especially its war-time earnings of sterling, accrued to the balances of Egypt. The amount of Egyptian currency in the Sudan that is due to be redeemed is now about £20 million, and Britain has been asked to release this sum from Egypt's sterling balances if Egypt

Flying Over the Pole

THE Scandinavian airline, SAS, which is jointly owned by Denmark, Norway and Sweden, has its headquarters farther north than those of other airlines and has therefore been the natural pioneer of civil flying through the Arctic circle. The map, gazing down at the North Pole, shows how an aircraft that flies over the flat top of the earth instead of all the way round its fat middle cuts as much as 2,000 miles off the journey between Europe and the east and west Pacific seaboards. Development of these routes has been held up until aircraft with sufficiently long range, and reliable radio communications across a region where nearness to the magnetic pole plays havoc with normal instruments could both be developed. Military interests in the Arctic have seen to the provision of radio stations; the arrival of the Douglas Seven Seas, and the even longer range Lockheed 1649, with which TWA hopes to fly non-stop from Los Angeles to London and Paris in at least one direction, have provided the aircraft. SAS could have avoided the zig-zag route to Tokyo via a refuelling stop at Anchorage on the service that started last weekend if the Soviet Union was prepared to let foreign airlines across its Northern territories. Negotiations are now going on between the British and American governments to complete arrangements for a polar route (shown on the map) between Western America and London. The SAS fare, incidentally is the same as for the longer route via India. The services shown as starting from Copenhagen are provided by SAS, and those between Vancouver and Amsterdam by Canadian Pacific Airlines.

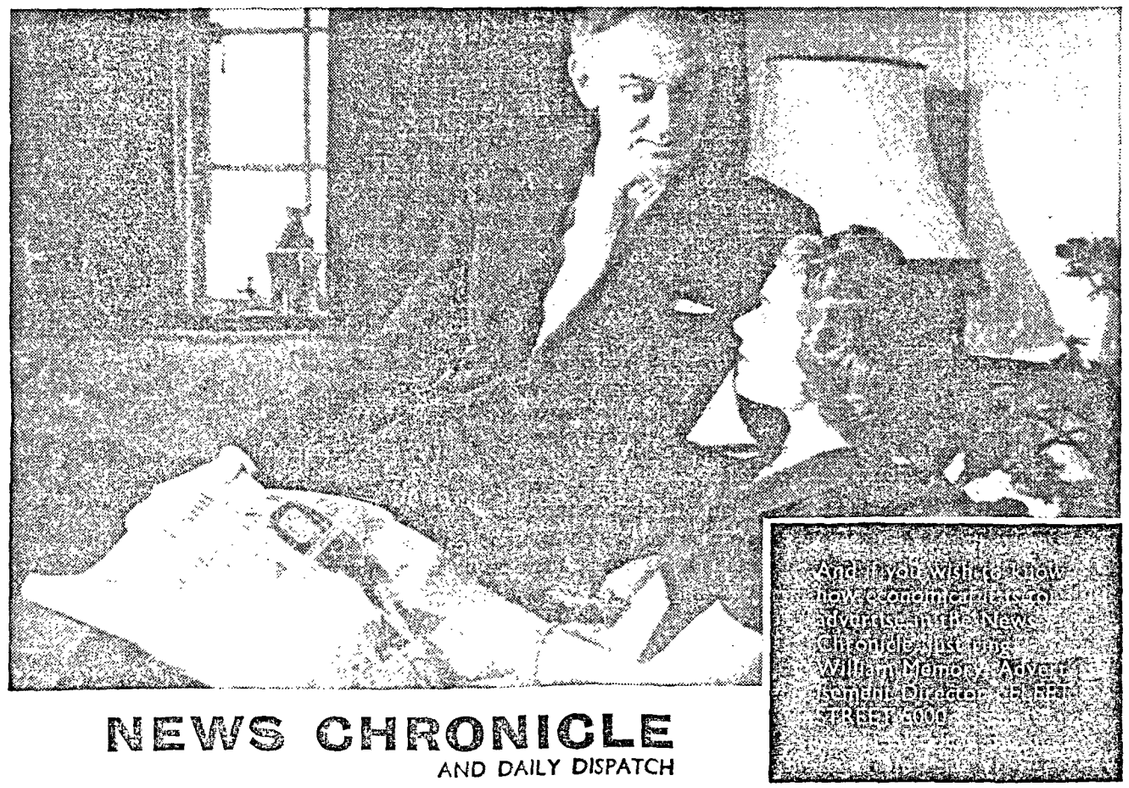


Overheard in a West End flat.

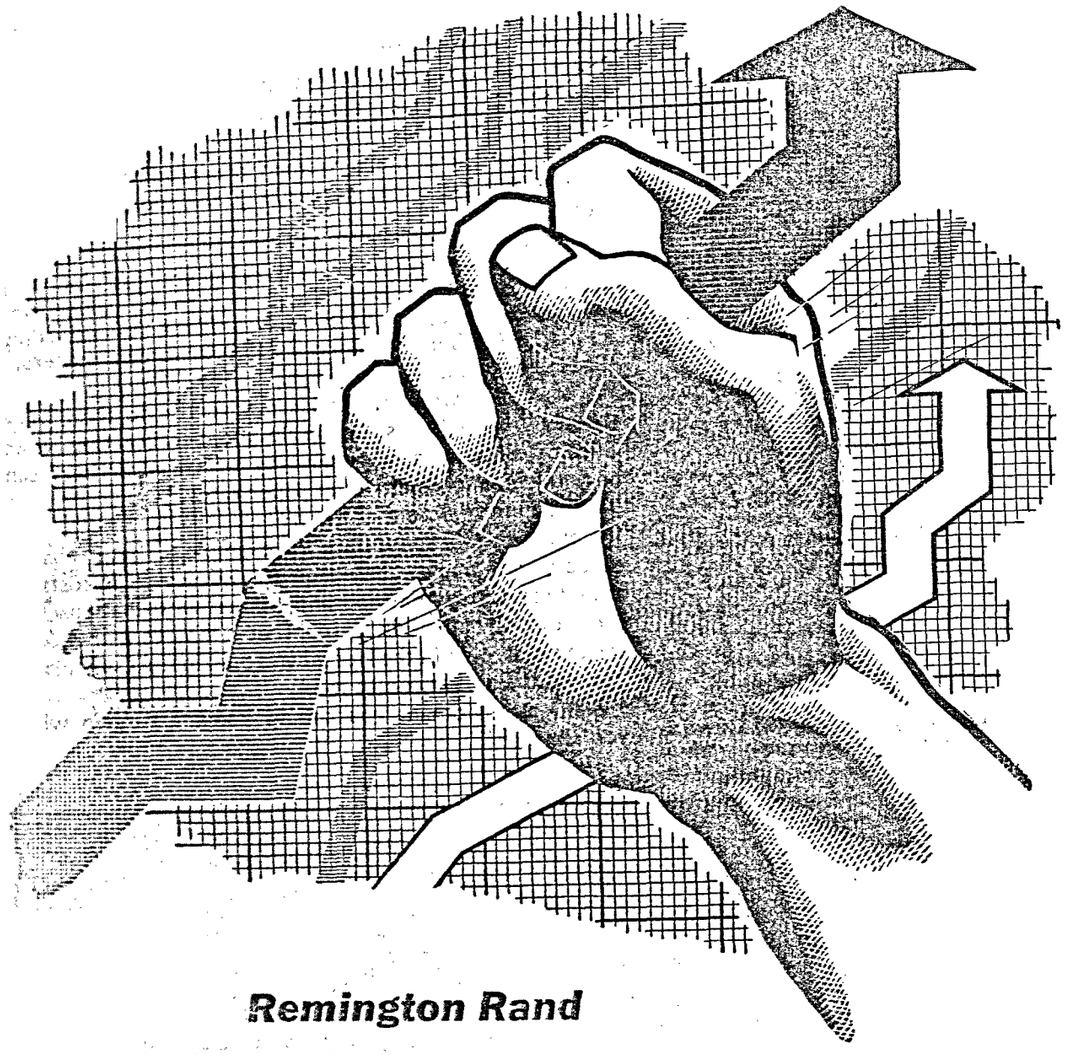
"So you read the News Chronicle too!"

**The Independent Survey conducted by the Institute of Practitioners in Advertising.*

"Of course. Are you surprised?"
"Not really, I suppose. It just bears out what my advertising agent was telling me."
"And what was that?"
"That more and more women are reading the News Chronicle these days, particularly the more intelligent women."
"I'm flattered."
"No need to be. I'm not marrying you just for your looks, you know. But to get back to my advertising agent and the News Chronicle, he told me that according to the I.P.A.* Survey, it has 2,215,000 women readers."
"It sounds like a lot of women."
"It is a lot of women. You can advertise to them very cheaply in the News Chronicle too because the News Chronicle has an arrangement by which advertisers can have any size space at run of paper rates."
"What exactly does that mean?"
"Well, take this space here for example. That's what is called an 11" triple. Based on this survey all it costs an advertiser to reach a thousand women with that space in the News Chronicle is 3/11d. That compares with 4/6d in the Express, 4/7d in the Herald and 5/6d in the Daily Mail."
"Sounds like a bargain to me."
"Well, as a woman, you should know a bargain when you see one."



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agrees to its doing so. Britain's answer is that it can make no commitment until it has seen the terms of Egypt's reply to the Sudan.

Trade Talks with New Zealand

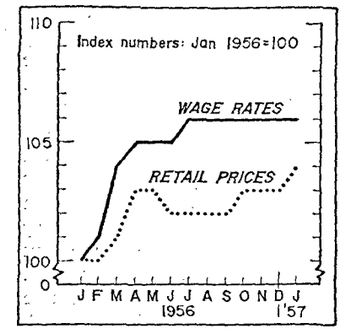
FARMERS and the government in New Zealand are becoming increasingly anxious about the British market, their only major outlet for meat and dairy produce. Butter prices have fallen ; New Zealand butter is now fetching only about 260s. a cwt ex-store in Britain, 90s. below the guaranteed price to the farmer. Prices of chilled and frozen beef have also declined. If this setback were only temporary New Zealand would have little cause for concern. The dairy farmers have a sizeable reserve fund, built up from past surpluses, to tide them over periods of bad trade. Cheese is still fetching more than the guaranteed price ; mutton and lamb prices are holding up well and wool prices have risen sharply. The long-term prospect for butter and meat prices is not easily assessed. Will competition from other butter producers remain acute ? Will shipments of chilled beef from Argentina, which have made a remarkable recovery, increase still more ? The potentialities for increased production in Argentina are great, and a further fall in beef prices would in time probably depress mutton and lamb prices, too.

To discuss these prospects, and possible ways of meeting the marketing problems that it might face, the New Zealand government is sending a mission to Britain ; the date of departure has not yet been announced. Several forms of assistance might be suggested by New Zealand: the revival of the prewar quota restrictions on British imports of foreign meat, a tariff on foreign meat, a meat agreement such as Australia has with Britain, and an increase in the British preference on butter which, fixed at the specific rate of 15s. a cwt in 1932, has since lost much of its value. All such suggestions would present difficulties to the British Government, domestically or in its relations with other producing countries and with its obligations under the General Agreement on Tariffs and Trade. Unlike Australia, New Zealand does not appear to be keen to reduce the margin of preference that it grants on British goods, though it might revise its attitude if it felt that Britain was being less than sympathetic to its proposals. But the first step in the discussions is the joint examination of how bleak New Zealand's prospects for certain exports really are.

A New Index of Wages

A NEW index of weekly wage rates has been started by the Ministry of Labour based, like the retail price index, on 100 in January 1956. It replaces the old index based on 1947 but it introduces no change of concept: this new series still measures the average movements in minimum, or standard, wage rates paid to manual wage-earners (including shop assistants) in a representative selection of industries and services. But these now number 80 instead of 75 and the separate index numbers for these various industries are combined together or "weighted" according to each industry's contribution to the total wages bill in October 1955 instead of in 1946.

The new index, therefore, is a better one in that it has a somewhat wider scope and a more up-to-date starting point. But its introduction entails no re-thinking about the course of wage rates in recent months. The new and the old series can be compared over last year and within the degree of accuracy with which these figures are presented — to the nearest whole number—they followed a similar course. Each series finished the year 6 per cent higher than it started and each showed juveniles to have done rather better than other workers. In January the new index was unchanged but, as the chart shows, wage rates were still ahead of prices compared with twelve months before.



Wage rates are what the trade unions bargain about, but the men are more concerned with the size of their take-home packets after overtime and any bonuses have been added in. In the early months of last year earnings rose slightly less than rates: the statistical evidence of what has happened since then must await the results of the all-too-infrequent surveys of earnings, those for October 1956 being promised later this month.

Bargains in Grain

To some people in the grain trade Suez has had a painful aftermath ; business in feed grains is particularly depressed. The post-Suez rise in freight rates tempted many consumers to buy well ahead, and some shippers booked freight for grain that they had not sold. Until consumers had worked off their stocks demand was bound to be slack, and in feed grains that slackening has been aggravated by the mild winter which has reduced the consumption of feeding-stuffs. Recently freight rates have eased and are, as buyers see them, still headed downwards. The result is that a good deal of grain now on the way to Europe has yet to be sold.

Some shippers are putting their barley into store and selling barley futures in London as a hedge. Business in the London futures market, the only feed grain market that can protect users against changes in freight rates, has set a new record. But storage space is short and some shippers are having to accept low prices. Canadian No. 2 feed barley was sold this week for £24 a ton, about £3 below the current replacement price. Canadian barley is also facing strong competition from American and Argentine feed grains, but cheap offers of Russian barley have diminished. A spell of cold weather, bringing with it the prospect of a bigger consumption of feeding-stuffs, would be welcomed by many traders.

Titanium Sells Slowly

IT is taking as long to develop a steady market for titanium in Britain as it did in the United States—and military aircraft cuts are not helping. The reduction plant that Imperial Chemical Industries brought into commission at Wilton some 18 months ago, which had an initial capacity of 1,500 tons a year, has been kept in production "at a reasonably economic level," because the Ministry of Supply is under contract to buy up to 75 per cent of its first five years' output, and has been stockpiling crude titanium. But the processing of raw titanium granules into forged and rolled products, which is carried out by the company's Metals Division at Witton, Birmingham, is entirely an ICI venture. So far ICI has sold about 300-400 tons: but demand for these wrought products has not been as high as was hoped, and has moreover been fluctuating widely and suddenly during the last year, disorganising output and employment at the small but very costly melting plant.

This hectic fluctuation in orders occurs primarily because ICI, like other titanium producers elsewhere in the world, sells the great bulk of its output to one customer industry—aircraft. Few other industries can take enough advantage of titanium's qualities of lightness, strength, and resistance to corrosion and moderate heat to be able to afford about £4-£5 10s.a lb for wrought titanium products. The raw titanium ICI sells from Wilton is sold more cheaply than any produced in the United States (its sodium reduction process, indeed, should when operated to capacity be cheaper than the conventional Kroll reduction with magnesium). But output of mill products here is only about 400 tons a year, no more than is made in the United States in a month; and though ICI cut the prices of its wrought products by about 10 per cent last week, they are still dearer than the American. The British company hopes to reach parity with American prices by 1959-60—and "would expect that the price of ICI titanium products generally might, by 1960, be something like half of what they are today."

Record Consumption of Wool

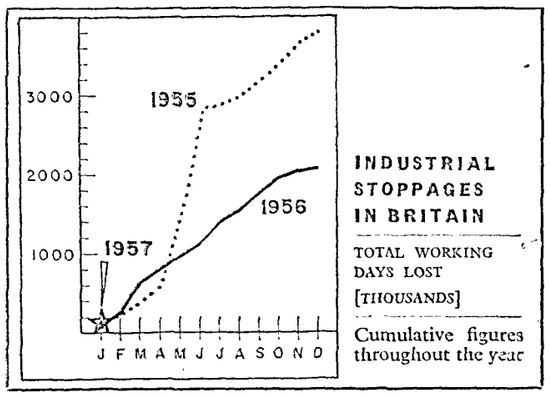
THE persistent rise in wool prices this season, in face of a larger clip, points clearly to a growth in world consumption. The rate of growth is shown in the latest figures published by the Commonwealth Economic Committee. Consumption of virgin wool in the fourth quarter of last year in the eleven countries that together account for about two-thirds of the world total is provisionally estimated at 491 million lb (clean weight); that was nine per cent higher than in the fourth quarter of 1955, and fully maintained the rate of increase shown in the three preceding quarters. For the whole year consumption in these countries is put at 1,835 million lb, nine per cent higher than in 1955. The Japanese industry, which has been buying heavily in world markets, showed the largest gains, its consumption rising by 41 per cent last year to a record 171 million lb. Britain, which remains the largest consumer, was the only major industry that failed to show an increase; it used 475 million lb, nearly 45 million lb below the 1950 peak. The United States, the next largest, increased its consumption by six per cent to 408 million lb, an achievement that scarcely lends weight to its successful claim for a higher tariff on imported wool goods. Consumption in France rose by 12 per cent to a postwar peak of 275 million lb and West Germany's rose by five per cent to a record 176 million lb. With consumption in the rest of the world, including Communist countries, estimated at 1,000 million lb, eight per cent more than in 1955, the world total reached a new record of 2,835 million lb.

The advance in wool prices now seems to have been checked, and medium crossbred wools have eased slightly. But no radical fall in prices is in sight, and the Commonwealth producers can count on bigger wool cheques than in the past season. In the first seven months (July to January) of the season Australia sold 776 million lb, 10 per cent more than in the same period of 1955-56, but its receipts went up by 40 per cent to £198 million. New Zealand sold 135 million lb in the first six months of the season, six per cent more than in the same period of 1955-56, and its receipts rose by 20 per cent to £29.5 million.

Sharp Fall in Wolfram

THE market in wolfram (tungsten ore) is undergoing one of its periodic bouts of instability. The market is thin; hence a moderate change in supply or demand has an immoderate effect on prices. During the second half of last year wolfram prices gradually declined by about 40s. to 220s.-225s. a unit (of 22.4 lb) cif; since then prices have fallen sharply, and business has recently been done between 160s.-170s. a unit. The main reason is that free supplies have increased. In the second half of last year a number of contracts for deliveries to the American strategic stock expired. Some high-cost mines which could only operate at the premium prices paid by the American authorities went out of production, but others, such as the Bolivian mines, were obliged to sell on the open market, and this extra tonnage has recently made itself felt. Further contracts with the American government are due to expire this year.

In addition some West European demand for wolfram has been met by sales of ferro-tungsten—the concentrated form of tungsten used in the manufacture of high-speed steel and other cutting tools—from Communist countries; and consumers in Britain, who in the past were able to draw on the Board of Trade's surplus trading stock of wolfram, are now obtaining material released from its strategic stock. The fall in prices has prompted the South Korean government to suspend its auctions of tungsten ore in Korea and New York. Some small mines in other countries have already been forced out of production and more are expected to follow suit.



SHORTER NOTES

The last day for registering the first batch of trade practices "called up" under last year's Restrictive Trade Practices Act was last Thursday, February 28th. The order specifying which arrangements were liable for registration by then was made last August. Although industry was given three months from November 30th to furnish details to the Registrar of Restrictive Trading Agreements, the flow of registrations was very small until the last week or so.

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The South African Finance Minister has announced the immediate withdrawal of the restrictions on the transfer of funds out of South Africa imposed about a year ago. They were imposed to protect the South African economy after interest rates in this country had been raised sharply.

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The capital reorganisation scheme of Northern Assurance became operative this week and the terms of the proposed rights issue were fixed. The company will raise about £3,850,000 by offering 1,465,000 £1 ordinary shares at 52s. 6d. each, one fifth of the issue—293,000 shares—being offered to holders of the old participating preference shares. The ratios are approximately that 4.37 new ordinary shares will be offered to the holder of every one £7 10s. old preference share and 2.93 new ordinary shares to the holder of every one £10 (£1 paid) old ordinary share. Fractions will go into the excess share pools.

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The Austin 55 unveiled this week is a logical development of the Austin 50. The rear end has been re-modelled so that the rear edge of the car's silhouette no longer gives the appearance of being snubbed-in; and access to the boot is no longer obstructed by a vertical wall carrying the number plate and lights. The rear axle ratio is changed from 4.875 to 1 to 4.3 to 1, to give better fuel economy at expense of top-gear performance, though the numerically higher ratio is available with the overdrive as an optional extra.

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In an interim report the directors of Triplex Safety Glass tell shareholders: (1) that the troubles of the motor industry will have repercussions on this year's profits, which will not reach last year's record; (2) that the company has been spreading its risks by expanding into the safety glass side of the aircraft and television industries; (3) that the expansion schemes launched one or two years ago will be needed in full, and (4) that there is no ground for pessimism. The four-page report for the half year ended December 31st gives no figure of profits or turnover.

Company Notes

MONSANTO CHEMICALS. The 5s. ordinary shares of Monsanto Chemicals, two-thirds of which are held by the American parent, have persistently offered a yield below that of the general run of leading equities. The company is young and growing and it now proposes to finance a further stage of its growth, the erection of a £8½ million petrochemical plant next door to the Esso refinery at Fawley. Just over £2 million will come from a "rights" issue of ordinary shares, another £3 million by an issue of loan capital, the remainder from retained profits.

The "rights" issue, which will not be underwritten, is one new 5s. share at 7s. 6d. for every two held, the American parent subscribing for its proportion. This is a most attractive offer, for the existing shares stand at 23s.; it will bring in £2,025,000. A 50 per cent free scrip issue will follow the "rights" issue and on the ordinary capital thus doubled the directors propose to declare a dividend of 13½ per cent. The 1956 dividend of 22½ per cent on the old capital is equivalent to 11¼ per cent on the new. Thus the 5s. units "ex all" have been put on a yield basis of £5 1s. per cent; the existing units currently yield £4 18s. per cent.

The new plant at Fawley will make a big addition to Monsanto's productive capacity, but its contribution to earnings is hidden in the future. In the meanwhile, the company's preliminary trading results for 1956 are not exciting. Sales rose by 4 per cent, from £13,499,986 to £14,034,947, but trading profits, squeezed between increased costs and lower selling prices, fell from £2,818,568 to £2,596,773 and net profits from £1,062,138 to £884,458. The maintained ordinary dividend of 22½ per cent absorbed £349,313. To buy the company's equity on its indicated yield is to buy still on growth potentialities and on a good earnings yield—not on current dividends.

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LEWIS'S INVESTMENT TRUST AND HARRODS. The bigger companies in the retail trade have in recent years spent heavily on capital account, extending and modernising their stores. The department stores as well as the multiples have been big investors in bricks and mortar and though their programmes are not yet complete some return on their investment is making its appearance in profit and loss accounts.

Last year the department stores were hit less hard than the multiples by hire purchase restrictions but, as with other retailers, their costs were rising. Good—perhaps surprisingly good—is the adjective that must be awarded to the trading results of the Lewis Investment Trust group and of Harrods. Before tax the gross profits of Harrods have risen by nearly 14 per cent; those of Lewis's Investment Trust by 7 per cent and those of its two subsidiaries, Lewis's and Selfridges, by 10 per cent and 9 per cent respectively.

Earnings:	Years to end January, 1956 £	1957 £
Lewis's Investment Trust		
Gross profit	4,828,355	5,167,606
Net profit	1,869,109	2,002,077
Ordinary dividends	525,870	558,726
Ordinary dividends (per cent)	*16*	*17*
Lewis's		
Gross profit	2,601,156	2,856,921
Net profit	1,271,018	1,347,020
Ordinary dividends	71,875	71,875
Selfridges		
Gross profit	1,111,680	1,212,370
Net profit	510,765	538,991
Ordinary dividends	230,000	230,000
Harrods		
Gross profit	2,163,396	2,462,798
Net profit	979,788	1,049,361
Ordinary dividends (per cent)	*17½*	*17½*

The directors of Harrods have left the ordinary dividend unchanged at 17½ per cent, so that at the current price of 52s. 3d. the £1 stock units yield £6 14s. per cent. The directors of Lewis's Investment Trust have been bolder. They have consolidated the 1955-56 centenary bonus of 2½ per cent into the dividend and the full year's payment has been raised from 16 to 17 per cent. On that dividend the 4s. units yield £4 16s. per cent at 14s. 1½d.

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HOOVER. A fall in profits before tax from £3,838,233 to £2,790,077 looks alarming. Yet the preliminary statement of Hoover for the year to December 31st in which these figures appear is on closer examination encouraging. An interim report in July showed that profits in the first six months of the year came to £1,028,000, compared with £2,230,000 in the first six months of 1955. Thus profits earned in the last six months of 1956 came to £1,762,000, a higher figure than the £1,608,000 earned in the corresponding period of 1955. The hire purchase restrictions may have lost some of their bite on the sales of domestic appliances.

In view of this slight recovery in earning power it is not surprising that the directors, in spite of the decline in the full year's net profits from £2,005,069 to £1,225,082, have decided to leave the dividend on the 5s. ordinary and 5s. "A" ordinary shares unchanged at 2s. 6d. a share (or 50 per cent). These dividends absorb just over £700,000. After these results were published the 5s. "A" ordinary shares jumped from 26s. 3d. to 30s. 4½d., to yield 8¼ per cent.

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ILFORD. The market in photographic materials is both growing and competitive. In the year to October 31st Ilford's sales rose to a record level while its trading profits declined slightly—from £1,782,141 to £1,755,798. But to the repeated ordinary dividend of 15 per cent has been added a bonus of 2½ per cent representing "a distribution of part of the previous taxation provision now released."

Ilford's firm capital commitments at the end of the financial year came to over £450,000, but the chairman, Mr James Philipps, points out that much more, coming from accumulated liquid resources and ploughed back profits, will be spent in the next few years. In October the company made an abortive bid for another manufacturer of photographic papers, Ozalid. That was a sign that expansion was in the air and Mr Philipps's statement now gives some indication of the scope of the development plans. They include further penetration into the market in the United States and in this country the concentration of part of the group's productive capacity now scattered in a number of small factories on a newly acquired site in Basildon. This particular operation will be completed by 1960; it was decided upon because of the "difficulty of expanding production in the old premises through lack of space." With these plans in mind it is not surprising that the chairman of a company whose most important export market is Western Europe expresses hope that Britain will enter the proposed European common market.

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BRITISH HOME STORES. On January 5th, British Home Stores had a cash balance of £2,471,459 and fixed assets worth at cost £3,181,193. It also had capital commitments of £1,711,000, as the group is still busy opening new stores and extending its present ones. The size of that programme may be one reason why the directors have been content to leave the ordinary dividend unchanged at 33⅓ per cent after a year which witnessed another record in sales and an advance in trading profits from £1,590,791 to £1,652,455. This dividend, which absorbs £285,484 from a net profit of £701,194, might look small if it were expressed as a return on the present value of the group's sites and shop properties. It is perhaps these undisclosed asset values as much as the prospect of better earnings as more stores are opened which explains why the 1s. ordinary shares command a price of 7s. 3d. xd and yield only £4 12s. per cent.

LONDON STOCK EXCHANGE

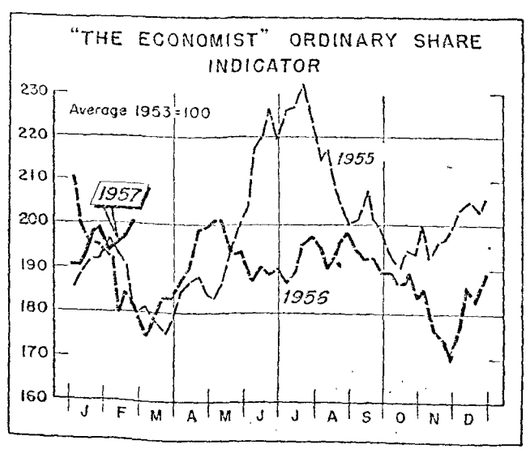
First dealings:	Feb. 13	Feb. 27	Mar. 13
Last dealings:	Feb. 26	Mar. 12	Mar. 26
Account Day:	Mar. 5	Mar. 19	Apr. 2

FOLLOWING the further fall in the Treasury bill rate, prices of long-dated and irredeemable Government securities which had been drifting downwards became buoyant and gains ranged up to ⅛ in 3½ per cent War Loan and ⅜ in 3 per cent Transport 1978/88. *The Economist* indicator of industrial ordinary shares rose 3.8 over the week to 200.6 and the new account opened on Wednesday with many bright features. The ACV loan stock started at 2½ premium on Monday and touched 3 premium at one time. The Bowater convertible loan stock, in which dealings started on Wednesday, touched 9½ premium before easing to 7¾ premium.

Atomic power shares advanced again; Clarke Chapman gained 5s. 7½d. to 14cs. 7½d., Babcock and Wilcox rose 1s. 6d. to 81s. 6d. and C. A. Parsons were 2s. 9d. higher at 65s. Decca recovered to 28s. 7½d. xr and the new "A" shares rose 1s. 1½d. to 6s. 3d. premium on Wednesday. Hoover leapt up on Thursday. Stores were active, Harrods and GUS "A" being respectively 2s. 9d. and 2s. 1½d. higher on balance while Whiteley jumped 3s. 3d. to 29s. 6d. and Steinberg 1s. 10½d. to 6s. 3d. on Wednesday. Morrisons Holdings rose to 10s. following the bid by GUS. Among textiles, R. P. Lawson jumped 11s. on the bid by Lancashire Cotton, while Wolsey fell 4s. 6d. to 27s. 4½d. xd on the disappointing results. Motors were very firm, Rover gaining 1s. to 15s. 7½d., while Ford rose to 34s. 10½d. Steel shares improved with the new account.

Oils were generally better, due to the more favourable political situation, but Lobitos lost 7½d. to 19s. 3d. on the sale of part of its Peruvian concession. Central Mining, up 9s. 6d. at 62s. 6d., and Sub Nigel with a gain of 1s. to 17s. 3d. were outstanding among gold mines. Rubbers attracted support and tea shares were often higher. On the bid by Dekhari for Balijan and Rajah Alli, their prices improved.

"THE ECONOMIST" ORDINARY SHARE INDICATOR



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1956 High	1956 Low	1955 High	1955 Low
Jan. 30	198·9	5·52				
Feb. 6	194·0	5·66				
„ 13	195·9	5·61	210·4 (Jan. 4)	170·0 (Nov. 23)	232·1 (July 20)	175·2 (Mar. 23)
„ 20	196·3	5·63				
„ 27	200·6	5·52				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956 High	1956 Low	1955 High	1955 Low
		%		%		203·6 (Jan. 3)		233·9 (July 21)	
Feb. 20	185·8	5·89	96·85	4·60	9,188				
„ 21	186·2	5·87	96·78	4·61	9,383				
„ 22	186·5	5·87	96·83	4·59	9,045				
„ 25	186·5	5·86	96·78	4·58	12,764				
„ 26	187·1	5·85	96·96	4·55	11,037	Low 161·5 (Nov. 29)		Low 175·7 (Mar. 15)	
„ 27	188·1	5·81	97·04	4·53	11,445				

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

LONDON ACTIVE SECURITIES

Prices, 1956 High	Prices, 1956 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Feb. 20, 1957	Price, Feb. 27, 1957	Net Yield, Feb. 27, 1957 §	Gross Yield, Feb. 27, 1957
99⅛	97	Funding 2½% 1952-57	99 31/32	99 15/16	£ s. d. 2 2 11	£ s. d. 4 3 11
95 17/32	93¼	War Loan 3% 1955-59	96 13/32	96 9/32	2 17 4	4 7 3
91⅜	88 15/32	Funding 2½% 1956-61	92 15/32	92 17/32	3 5 6	4 9 11
100 7/16	99 11/16	Exchequer 5% 1957	100 3/16	100 1/16	14 3	4 6 6
99⅛	97	Conversion 4% 1957-58	99 1/16	99 1/16	2 15 3	4 15 01
97⅞	95⅞	Serial Funding 2½% 1957	98 1/16	98 1/32	3 5 5	4 12 11
94 23/32	91	Conversion 2½% 1958-59	95 1/32	95 1/16	3 9 10	4 8 6
92⅛	88 5/16	Exchequer 2½% 1960	93⅛	93⅛	3 8 6	4 6 5
95 1/16	92½	Exchequer 3% 1960	96	96 1/32	3 2 4	4 8 5
98⅛	97⅞	Conversion 4½% 1962	99	98 31/32	2 16 0	4 14 9
88⅛	85	Savings Bonds 3% 1955-65	88⅞	89 1/32	3 3 11	4 11 3
82⅞	77⅛	Funding 3½% 1959-69	83 1/16	83 1/16	3 8 8	4 18 3
92⅛	84½	Funding 4% 1960-90	91⅞	92⅛	5 5 11	7 6 0
					2 13 11	4 10 9
81⅞	75⅛	Savings Bonds 3% 1960-70	80*	81 1/32	3 9 8	4 18 5
91⅛	88⅛	Exchequer 3% 1962-63	92⅛	92⅛	3 0 10	4 8 6
87⅛	83 3/16	Exchequer 2½% 1963-64	88⅛	88⅛	3 6 8	4 10 7
81 3/16	76⅛	Savings Bonds 2½% '64-67	83	83 1/32	3 9 1	4 13 8
79⅛	71⅜	Savings Bonds 3% 1965-75	76⅜	77⅛	3 8 0	4 17 11
83 1/16	78	Funding 3% 1966-68	83 1/16	84⅛ *	3 8 8	4 17 1
96⅛	90	Victory 4% 1920-76	94 1/32	94 1/32 *	2 17 9	4 13 0
88⅛	81⅞	Conversion 3½% 1969	87⅛*	87 1/16 *	3 4 8	4 16 8
83⅜	74⅜	Treasury 3½% 1977-80	80 7/16	81	3 4 0	4 18 8
84⅛	75 5/16	Treasury 3½% 1979-81	79⅛	79 1/32	3 4 8	4 19 2
72⅜	64⅜	Redemption 3% 1986-96	70⅜	70 1/32	3 5 6	4 13 0
81⅛	73½	Funding 3½% 1999-2004	79⅛	79 1/32	3 15 11	4 11 6
84⅜	76	Consols 4% after Feb. '57	80⅜	81⅛	3 16 9	4 18 10
77	68	War Loan 3½% after 1952	73⅞	74 1/32	3 14 4	4 15 0
76⅜	67⅜	Conv. 3½% after Apr. 1961	73⅛	73 1/16	3 14 9	4 15 1
66⅜	58⅜	Treas. 3% after Apr. 1966	64⅜	65	3 13 8	4 14 1
56⅜	49⅜	Consols 2½%	54⅜	55⅛	3 12 4	4 11 4
56⅜	50	Treas. 2½% after Apr. '75	54 1/16	54 1/32	3 12 8	4 11 5
98⅜	90	Br. Electric 4½% 1967-69	96	96 1/32	3 19 3	4 18 8
80⅜	72⅜	Br. Electric 3% 1968-73	79⅛	78 31/32	3 9 3	4 18 5
79⅛	71⅛	Br. Electric 3% 1974-77	76⅛*	76 1/32	3 6 9	4 16 8
95	85⅛	Br. Electric 4½% 1974-79	90⅞*	90 7/16 *	3 0 3	4 18 6
83 15/16	74⅝	Br. Electric 3½% 1976-79	81	81 1/16	3 3 11	4 18 8
90⅜	84⅜	Br. Gas 4% 1969-72	90	90 1/32	3 2 5	4 18 11
87⅞	80	Br. Gas 3½% 1969-71	86⅛*	86 7/16 *	3 3 9	4 16 11
73⅛	65⅛	Br. Gas 3% 1990-95	71⅛	71 1/32	3 19 11	4 12 9
80⅞	72⅜	Br. Transport 3% 1968-73	79⅛	78 31/32	3 9 3	4 18 5
90⅜	81 13/16	Br. Transport 4½% 1972-77	88⅜	88 1/32	3 1 8	4 19 0
73⅜	65⅜	Br. Transport 3% 1978-88	71 1/16	71 1/16	3 3 3	4 15 6

Prices, 1956 High	Prices, 1956 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Feb. 20, 1957	Price, Feb. 27, 1957	Yield, Feb. 27, 1957 §
80⅛	74⅜	Australia 3½% 1965-69	81	81	£ s. d. 5 9 11
98⅜	92⅛	Fed. Rhod. & Nyas. 5% 1975-80	95½*	95*	5 7 9
76	70	S. Rhodesia 2½% 1965-70	75	75	5 4 2
88⅛	80⅛	N. Zealand 4% 1976-78	87½	87½	4 19 6
101⅜	99⅛	L.C.C. 5½% 1977-81	104⅜*	105⅛	5 1 9
97⅜	88⅛	Agric. Mortgage 5% 1959-89	93	93½	5 8 3
68⅜	61	Met. Water Board 'B' 3% 1934-2003	67⅜*	67⅜	4 16 0
81⅛	71	German 7% 1924 (Br. Enfaced 5%)	76⅜	76⅜	...
169⅜	159½	Japan 5% 1907 (Enfaced)	168	169⅛	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Feb. 20, 1957	Price, Feb. 27, 1957	Yield, Feb. 27, 1957 §
		% %				£ s. d.
			BANKS & DISCOUNT			
105/-	92/6	2 a	7 b Bk. Ldn. & S. Amer. £5	127/6*	131/3	6 17 2
50/-	39/10½	5 a	7 b Barclays Bank £1	44/-	45/6	5 5 6
35/9	27/9	4 a	4 b Barclays D.C.O. £1	30/3	30/6	5 4 11
41/9	32/9	7½ a	7½ b Chartered Bank £1	37/6	38/-	7 17 11
51/-	42/10½	...	7 b Lloyds Bank £1	48/3	48/6	5 7 3
72/4½	61/-	9 a	9 b Midland Bank £1	72/9	72/-	5 0 0
40/-	29/3	5 a	5 b Nat. Discount 'B' £1	40/-	40/-	5 0 0
50/-	40/6	6½ a	6½ b Union Discount £1	47/6	48/3	5 3 7
			INSURANCE			
92/6	75/-	43½ b	30 a Commercial Union 5/-	88/11½	88/11½	4 3 3
29	16½	37½ b	12½ a Legal & General £1	28½	23½	1 15 1
25½	18½	†47½ b	†20 a Pearl £1	21⅝	21⅝	5 8 6
48⅜	38	†117½ c	†125 c Prudential 'A' £1	45½	45½	4 15 0
			BREWERIES, ETC.			
119/6	106/-	10 a	33 b Bass £1	109/6	109/6	7 17 1
24/10½	19/7½	11½ b	6 a Distillers 6/8	22/9	22/10½	5 1 11
45/10½	36/9	10 a	15 b Guinness 10/-	38/9	38/6	6 9 10
76/-	61/9	14 b	7 a Whitbread 'A' £1	70/3	70/3	5 19 7
			OIL			
183/9	99/-	†10 b	†5 a British Petroleum £1	136/10½	141/-	3 14 0
117/9	63/-	12½ b	5 a Burmah £1	86/10½	90/-	3 17 9
17 1/16	11 21/32	14 b	7½ a Royal Dutch 20 fl.	£16½	£16½	2 4 7k
171/-	103/3	†13½ b	†5 a Shell £1	160/7½	165/-	3 3 3d
58/6	33/3	...	... Ultramar 10/-	63/10½	64/13½	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Feb. 20, 1957	Price, Feb. 27, 1957	Yield, Feb. 27, 1957 §
		% %				£ s. d.
			STEEL & ENGINEERING			
85/6	64/-	8 b	7 a Babcock & Wilcox £1	80/-	81/6	3 13 7
13/-	9/4½	14 c	4 a Cammell Laird 5/-	12/6	12/9	5 9 10
35/-	22/9	3 a	5 b Dorman Long £1	24/-	24/6	6 10 7
54/9	39/-	8½ b	3½ a Guest Keen N'field. £1	48/3	48/6	4 19 0
55/6	41/6	6 b	4 a Metal Box £1	49/10½	51/-	3 18 5
37/6	25/7½	5 a	12½ b Stewarts & Lloyds £1	26/6	28/3	5 13 3q
60/-	47/3	11 b	3 a Swan Hunter £1	68/9	70/6	3 19 5
43/9	31/ 4½	4 a	8½ b United Steel £1	30/6	31/3	8 0 0
44/7½	32/4½	7½ b	2½ a Vickers £1	43/-	43/10½	4 11 2
			ELECTRICAL			
15 c	7½ a		Assoc. Elec. Inds. £1	66/6	65/-	4 12 4
4 a	8½ b		4 a Br. Ins. Callenders £1	50/-	49/6	5 1 0
35/6	24/4½	43½ c	6½ a Decca Record 4/-	29/-‖	28/7½‖	6 2 3
15 c	15 c		Elect. & Mus. Inds. 10/-	27/-	28/-	5 7 2
66/11½	43/6	4 a	...10 b English Electric £1	56 6	58/-*	4 16 7
65/6	40/9	9½ b	4½ a General Electric £1	56/-	56/6*	4 19 1
			TEXTILES			
24/9	19/4½	6b	4 a Bradford Dyers £1	21/10½	22/-	9 1 10
23/7½	13/-	5 b	1½ a British Celanese £1	13/6	14/6	8 19 4
25/10½	20/7½	6½ b	2½ a Coats, J. & P. £1	24/-	24/3	7 4 4
44/-	29/-	6 b	4 a Courtaulds £1	33/6	34/7½	5 15 6
37/3	22/3	5 a	12½ b Lancashire Cotton £1	33 10½	34/7½	10 2 0
33/3	26/-	10 b	2½ a Patons & Baldwins £1	33.4½	33/10½	7 7 6
			SHOPS & STORES			
18/10½	12.9¾	14 c	6 a Boots Pure Drug 5/-	16/-	15/6*	4 10 4
41/4½	29/-	7½ a	20 b Debenhams 10/-	39/6	39/6	6 19 3
44/9	30/11½	47½ b	15 a Gt. Universal 'A' 5/-	41/6	43/7½	7 3 6
16⅛	11⅜	10 a	Marks & Spen. 'A' 5/-	37/3	39/-	3 7 3
25/10½	19/-	20 b	12½ a United Drapery 5/-	24/3	24/6	6 12 8
64/10½	51/-	20 a	40 b Woolworth 5/-	59/1½	61/-	4 18 4
			MOTORS & AIRCRAFT			
22/1½	16/-	6½ b	3½ a Bristol Aeroplane 10/-	18/6	18/6	5 8 1
9/-	5 9¾	4 a	8½ b British Motor 5/-	7/8½	8/1½	7 13 10
44/3	25/9	22½ a	5 b Ford Motor £1	34/3	34/10½	4 6 1
†5⅝ a			Br. Aluminium £1	65/3	64/9	3 14 2
†20 c			Br. Amer. Tob. 10/-	58/3	58/-*	5 19 11
15 b		7½ a	B.E.T. 'A' Defd. 5/-	19/9	20/-	5 12 5
4 a		6 b	Br. Oxygen £1	32/6	33/7½*	5 18 8
3 a		4 b	Canadian Pacific $25	$58⅜	$59¾	5 9 0
10 b		2½ a	Dunlop Rubber 10/-	16/9	16/9	7 9 3
6 b		4 a	Imp. Chemical £1	41/-	42/4½	4 14 5
12½ b			Imp. Tobacco £1	44/6*	44/9	9 7 8
$2·90c		$3·75c	Int'l. Nickel n.p.v.	$195	$191½	3 9 10
5 b			J. Lucas (Inds.) £1	32/-	32/9	4 11 7
15½ b			Monsanto Chem. 5/-	22/1½	23/-	4 17 10
2½ a			Ranks 5/-	16/3‖	17/-‖	5 17 8
6 a			A. E. Reed £1	51/9	52/-	6 3 1n
20 c		20 c	Sears Hldgs. 'A' 5/-	16/3	15 2½	6 13 4
12 b			Tate & Lyle £1	63/3	63/4½	5 4 0
7½ b			Tube Investments £1	59/-	59/6	5 0 10o
5 a		22½ b	Turner & Newall £1	113/9	115/6	4 15 3
6 a			Unilever Ltd. £1	73/6	79/6	3 19 0
†7½ b		†14½ a	United Molasses 10/-	42/-	42/4½	4 17 11
			MINES, ETC.			
20 a		50 b	Anglo-American 10/-	137/6	135/-	5 3 8
†2½ a		†7½ b	Cons. Tea & Lands £1	26/6	27/-	12 17 8
120 b		80 a	De Beers Def. Reg. 5/-	97/6	97/6	10 5 0
...			Doornfontein 10/-	22/9	22/7½	...
30 c		30 c	London Tin 4/-	10/7½	10/6*	11 8 8
112½ b		25 a	Nchanga Cons. £1	11⅛	11¼	12 4 5h
30 a		40 b	President Brand 5/-	52/6	52/6	6 13 4
12½ a		25 b	Rho. Selection Tst. 5/-	20/9	21/1½	8 17 6h
12½ a		30 b	United Sua Betong £1	48/6	48/9	17 8 9
30 a		40 b	Western Holdings 5/-	70/-	69/4½	5 0 11

New York Closing Prices

	Feb. 20 $	Feb. 27 $		Feb. 20 $	Feb. 27 $		Feb. 20 $	Feb. 27 $
Can. Pacific	30⅞	31	Am. Viscose	31½	32⅜	Int'l. Nickel	101½	100⅜
N.Y. Central	28⅞	28⅝	Beth. Steel	43½	42⅞	National Dist.	25⅜	26⅛
Pennsylvania	20⅛	20⅛	Chrysler	70⅜	69⅜	Sears Roebuck	27⅜	26⅜
Amer. Tel.	177	177½	Crown Zeller	52	50⅜	Shell Oil	80	80½
Standard Gas.	12½	12½	DuPontdeNm.	180½*	176⅜	Std. Oil of N.J.	55⅜	55⅜
Western Union	19	18⅜	Ford Motors	56⅜	56⅜	U.S. Steel	61⅜	59⅝
Alumin'm Ltd.	118½	119	Gen. Elect.	56½	55⅜	Westhouse E.	53⅜	53¼
Am. Smelting	51	51⅞	Gen. Motors	39⅜	39¾	Woolworth	43⅛	43

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 15% tax free. (e) To earliest date. (f) Flat yield. (g) On 16%. (h) After Rhodesian tax. (i) On 17½% tax. free. (j) On 13%. (k) On 20%. (l) To latest date. (m) On 10%. (n) On 16%. (o) On 15%. (p) On 9%. (q) On 8½%.

Statistics

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

British		Overseas	
Prices and Wages	This week	Western Europe:	
Production and Consumption	Feb. 9th	Production and Trade	Feb. 23rd
Manpower	Feb. 16th	*British Commonwealth*	Feb. 9th
External Trade	Feb. 23rd	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	Feb. 16th
Industrial Profits	Jan. 12th	United States	This week
		World Trade	Jan. 12th

Prices and Wages

	Unit	1954	1955	1956	1955			1957			
		mid-June			Feb. 14	Feb. 21	Feb. 28	Feb. 5	Feb. 12	Feb. 19	Feb. 25
WORLD PRICES											
Commodity Price Indicator (1)											
All items	1952=100	99	93	91	95	95	96	95	95	95	95
Food	"	119·6	92·0	90·3	99·1	91·0	91·4	99·0	99·9	100·2	99·3
Fibres (2)	"	83·7	85·2	81·5	85·3	82·2	82·6	91·1	89·6	91·4	91·9
Metals	"	81·5	95·7	95·5	103·4	100·7	112·0	92·1	90·2	90·2	89·3
Other items	"	*93·5*	*105·9*	*95·1*	*103·9*	*101·9*	*100·4*	99·4	99·0	93·4	97·3
		Monthly averages			1955			1956			1957
BRITISH WHOLESALE PRICES		1954	1955	1956	Nov.	Dec.	Jan.	Oct.	Nov.	Dec.	Jan.
Materials used in:	June 30,										
Non-food manufacturing (excl. fuel)	1949=100	143·5	152·4	156·2	153·1	155·3	154·7	155·4	159·3	161·6	160·7
Mechanical engineering	"	159·4	163·1	177·3	174·6	176·1	176·0	177·8	178·6	181·0	183·4
Electrical machinery	"	150·5	135·7	190·0	192·8	195·8	196·0	185·8	186·6	187·3	183·3
Building and civil engineering	"	131·4	137·3	142·4	139·8	140·5	141·1	143·1	143·3	144·5	145·5
House-building	"	130·7	137·1	142·3	139·7	140·3	140·9	143·2	143·4	144·6	145·4
Products of:											
Non-food manufacturing (excl. fuel)	"	125·5	129·6	135·6	132·0	132·5	133·3	136·5	136·7	137·4	137·3
Food manufacturing	"	139·1	145·9	148·1	144·2	144·5	144·6	150·9	151·7	154·1	150·7
Commodities:											
Cotton, raw (4)	"	155·0	149·7	154·0	138·2	139·1	137·0	153·5	157·1	159·9	159·2
Wool, raw	"	160·8	142·0	145·3	131·2	134·5	135·7	152·8	158·3	161·2	164·5
Rubber, No. 1 RSS, one month future	"	197·9	329·9	234·2	350·9	371·5	339·9	268·6	309·8	321·3	233·2
Softwood, imported	"	145·0	154·9	155·9	155·3	156·3	156·5	155·4	155·9	155·8	155·5
Copper, ex-warehouse (2)	"	213·4	295·7	230·5	319·7	330·4	328·5	242·9	239·5	234·9	229·3
UK RETAIL PRICES											
***Interim Index*:**	June 17,										
All items	1947=100	143	149	157	154	154	153	153	158	159	160
	Jan. 15,										
All items	1952=100	107·7	112·6	102·0 (5)	116·2	116·2	100·0 (5)	102·7 (6)	103·1 (6)	103·4 (6)	104·4 (6)
Food	"	114·2	122·3	102·2 (5)	123·0	127·1	100·0 (5)	101·8 (6)	102·5 (6)	102·3 (6)	104·0 (6)
All items	1933=100 (7)	232	242	254	250	250	249	256	257	257	260
Food	"	239	257	263	263	265	263	263	270	269	274
Rent and rates	"	134	138	145	140	140	141	147	148	148	148
Clothing	"	255	255	253	253	259	261	264	264	264	234
Fuel and light	"	216	228	251	244	247	248	254	259	263	265
Household durable goods	"	284	283	303	309	303	305	309	309	309	310
Drink	"	257	269	284	281	281	261	263	268	268	253
Tobacco	"	387	339	411	397	397	397	418	418	418	418
Purchasing power of £ (based on all consumer spending)	1938=100	41	39	37	38	38	38	37	37	37	37
UK TERMS OF TRADE											
Import prices:											
All items	1954=100	100	105	105	104	105	105	106	107	109	110
Food, drink and tobacco	"	100	101	101	100	101	101	103	104	105	104
Basic materials	"	100	104	105	104	105	105	107	109	109	112
Export prices:											
All items	"	100	102	105	103	104	104	107	107	108	109
All manufactures	"	100	102	105	104	105	104	107	106	108	107
Metals	"	100	104	112	107	110	110	111	112	114	114
Engineering products	"	100	103	107	105	105	105	109	109	110	109
Textiles (excluding clothing)	"	100	100	99	98	98	98	100	98	99	100
Terms of Trade:											
Ratio of import to export prices	"	100	101	99	101	101	101	99	100	101	101
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	86·1	127·7	137·0	135·5	140·1	144·3	153·6	171·4	139·4	173·7
UK WAGES											
Weekly wage rates:	June 30,										
All workers	1947=100	142	151	163	154	154	156	165	165	166	166
Men	"	140	150	162	152	153	154	163	164	164	164
Women	"	146	155	165	157	158	160	169	169	169	169
Weekly earnings: (8)											
All workers	s. d.	171 9	187 2	...	187 2 (9)	...	...	197 9 (7)	...	...	...
Men	"	204 5	222 11	...	222 11 (9)	...	...	235 4 (7)	...	...	...
Women	"	103 2	115 5	...	115 5 (9)	...	...	119 9 (7)	...	...	...
	Oct.,										
All workers	1938=100	323	351	...	351 (9)	...	...	371 (7)	...	...	...
Men	"	296	323	...	323 (9)	...	...	341 (7)	...	...	...
Women	"	333	355	...	355 (9)	...	...	368 (7)	...	...	...

(1) The Alexandria spot quotations for *Karnak and Ashmouni* cotton have been replaced by the current month futures quotation at Alexandria. (2) Figures up to July, 1953, relate to delivered prices and subsequently to ex-warehouse prices of U.C. electrolytic copper; from May, 1955, onwards the proportion of copper sold at fixed prices has been taken into account. (3) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (4) New series based on January 17, 1956=100. (5) Surveys are made twice a year; annual figures relate to October survey. (6) Revised series based on Liverpool spot market prices, as from July 1, 1954. (7) Latest figures which are for April, 1956. (8) Figures for October, 1955. (9) Revised figures for Jan. 29th: all items 97, food 100·7 and fibres 92·7.

US Statistics

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

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1956 prices
	1947–49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	46·69
1955	110·7	89·6	114·5	110·9	103·7	*120·0*	*119*	*102*	117	304·6	76·52	77·69
1956	114·3	88·4	116·2	111·7	105·5	121·7	...	...	...	345·0	80·19	80·19
1956, September	115·5	90·1	117·1	113·1	106·5	122·5	123	106	116	344·8	81·40	80·75
" October	115·6	88·4	117·7	113·1	*106·8*	122·8	*123*	*106*	*116*	341·6	82·21	81·15
" November	115·9	87·9	117·8	112·9	107·0	123·0	...	...	...	338·5	82·22	81·08
" December	116·3	88·9	118·0	112·9	107·0	123·5	...	...	...	344·0	84·05	82·81
1957, January	116·9	89·3	118·2	112·8	106·4	123·8	...	...	...	338·2	82·41	...

PRODUCTION AND MANPOWER

	Gross national product	Total industrial production	Manufacturing production						Building	Civilian employment (1)		
			Durable goods			Non-durable goods			New construction			
	Seasonally adjusted annual rate		Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals and petroleum products	seasonally adjusted annual rates	Total labour force	Total employment	Unemployed as % of labour force
	$ billion	Index 1947–49=100; seasonally adjusted							$ billion	thousands		% rate
1939	91·1	58	49	54	47	66	80	49	8·2	55,230	45,750	17·2
1955	390·9	139	155	140	203	126	109	159	43·0	65,847	63,193	4·0
1956	412·4	143	159	137	199	129	108	167	44·3	67,530	64,979	3·8
1956, September	413·8 (3)	145	163	148	196	130	108	168	44·4	68,069	66,071	2·9
" October	423·8	146	164	147	202	131	111	168	44·0	68,082	66,174	2·8
" November		146	165	146	215	129	106	167	44·4	67,732	65,269	3·6
" December		147	166	146	221	130	106	170	44·7	67,029	64,550	3·7
1957, January	...	146	164	143	221	130	104	170	44·8	65,830	62,890	4·5

TRADE

	Personal consumption Annual rates	All business (2)		Total retail (2)		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res.	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1948=100	
1939	67·6	10·8	20·1	3·5	5·5	190	62	41	260	139	76	53
1955	254·0	51·7	82·2	15·5	23·9	*945*	*237*	231	1,285	782	134	120
1956	265·7	54·0	88·5	16·0	23·8	1,041	...	...	1,570	...	...	...
1956, August	266·8 (3)	54·5	86·1	16·3	23·7	1,041	262	248	1,507	876	145	138
" September		53·9	86·5	16·0	23·4	996	244	229	1,506	820	137	137
" October		55·0	87·2	16·0	23·3	1,131	*280*	*286*	1,644	*886*	156	150
" November	270·9	55·6	88·0	16·4	23·5	1,001	...	...	1,508	...	...	...
" December		55·8	88·5	16·5	23·8	1,045	...	...	1,921	...	...	...
1957, January	...	...	...	16·5	...	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics (3)		Budget expenditure (4)		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion end of period		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	— 3·9	0·023	...	3·01
1955	306·1	217·4	11·7	38·65	29·02	78·3	85·6	64·6	— 4·2	1·753	2·80	3·06
1956	325·2	232·4	11·6	41·86	31·55	74·4	91·2	66·5	+ 1·6	2·658	3·06	3·36
1956, August	328·1	234·4	11·7	39·88	30·64	73·6	87·5	5·9	— 0·9	2·606	3·15	3·43
" September	329·5	235·8	11·6	40·07	30·71	73·6	88·5	4·9	+ 1·3	2·850	3·19	3·56
" October	332·5	237·1	12·8	40·20	30·81	73·7	88·8	6·0	— 2·8	2·961	3·18	3·59
" November	333·5	238·4	12·0	40·63	31·02	74·4	89·6	5·7	— 0·9	3·000	3·30	3·69
" December	333·5	239·9	11·6	41·86	31·55	74·4	91·2	5·7	— 0·3	3·230	3·43	3·75
1957, January	...	...	...	...	...	...	...	...	...	3·210	3·33	3·77

(1) 1939 figures calculated on the basis of a smaller sample. (2) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (3) All commercial banks. (4) Annual figures are totals for the fiscal year ended June 30th. (5) Figure for third quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended February 23rd, 1957, there was an "above-line" surplus (after allowing for Sinking Funds) of £81,528,000 compared with a surplus of £39,156,000 in the previous week and a surplus of £33,987,000 in the corresponding period of last year. There was a net surplus "below-line" last week of £4,286,000, bringing the total deficit to £221,236,000 (£81,515,000 in 1955-56).

£'000	Estimate, 1956-57	April 1, 1955 to Feb. 25, 1956	April 1, 1956 to Feb. 23, 1957	Week ended Feb. 25, 1956	Week ended Feb. 23, 1957
Ord. Revenue					
Income Tax	2085,500	1663,512	1758,430	63,824	74,972
Surtax	144,000	116,800	127,800	6,000	6,500
Death Duties	170,000	159,500	151,800	3,900	3,500
Stamps	58,900	64,100	55,200	700	500
Profits Tax, EPT	216,750	177,100	177,400	2,500	3,300
Excess Profits Levy	4,000	17,790	4,150	300	...
Special Contribution and other Inland Revenue	1,000	710	460	80	...
Total Inland Rev.	2680,150	2199,512	2275,300	77,304	88,772
Customs	1204,000	1043,111	1080,395	19,039	22,903
Excise	953,350	813,326	849,610	18,130	26,670
Total Customs and Excise	2157,350	1856,437	1930,005	37,169	49,573
Motor Duties	92,000	86,709	85,023	787	115
PO (Net Receipts)	...	2,100	23,050	350	5,850
Broadcast Licences	28,000	21,300	23,300	...	...
Sundry Loans	30,000	29,572	31,550	...	...
Miscellaneous	200,000	175,966	154,412	732	1
Total	**5187,500**	**4371,596**	**4522,640**	**116342**	**144311**
Ord. Expenditure					
Debt Interest	670,000	584,455	658,170	5,799	8,423
Payments to N. Ireland Exchequer	61,000	52,541	55,455	3,321	...
Other Cons. Fund	10,000	9,798	8,918	...	1
Supply Services	3941,918	3264,781	3517,757	72,945	53,870
Total	**4682,918**	**3911,495**	**4240,300**	**82,065**	**62,294**
Sinking Funds	37,000	30,133	30,551	290	490
"Above-line" Surplus or Deficit	**+ 429,968**	**+ 251,790**	**+ 33,987**	**+ 81,528**	
"Below-line" Net Expenditure	*511,483*	473,026	*5,256 Cr.*	*4286*	
Total Surplus or Deficit	**— 81,515**	**— 221,236**	**+ 28,731**	**+ 85,814**	
Net Receipts from:					
Tax Reserve Certificates		—88,878	— 10,089	— 4833	— 4660
Savings Certificates		20,300	58,400	— 700	1,500
Defence Bonds		22,759	— 35,236	— 628	59
Premium Savings Bonds		...	59,380	...	800

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
Feb. 25	3,220·0	1,886·7	246·6	1·8	5,355·0
Nov. 17	3,610·0	1,283·0	293·4	2·3	5,188·6
„ 24	3,610·0	1,265·9	239·6	0·8	5,116·2
Dec. 1	3,630·0	1,276·5	227·3	1·0	5,134·8
„ 8	3,620·0	1,340·9	208·5	2·0	5,171·4
„ 15	3,610·0	1,343·7	200·2	...	5,153·9
„ 31		4,959·5	234·6	4·0	5 198·1
1957					
Jan. 5	3,530·0	1,430·0	245·7	1·8	5,207·5
„ 12	3,440·0	1,386·3	267·1	...	5,093·5
„ 19	3,320·0	1,487·0	244·0	...	5,051·0
„ 26	3,210·0	1,516·5	221·0	...	4,947·5
Feb. 2	3,120·0	1,507·0	204·9	...	4,831·9
„ 9	3,050·0	1,486·7	197·4	...	4,734·1
„ 16	2,980·0	1,247·9	246·3	...	4,474·2
„ 23	2,900·0	1,298·1	195·8	...	4,391·8

THE MONEY MARKET

THE fall in the Treasury bill rate was resumed at the tender on Friday of last week. The discount market raised its bid by the large step of 9d., to £98 19s. 3d. per cent, and succeeded in raising the allotment rates on the common tender from 10 to 30 per cent; as in previous weeks, individual houses succeeded in raising their total allotments by submitting additional bids at higher prices. Total applications rose by £59.3 million to £407.3 million; the offer of £200 million was fully allotted—whereas at the previous tender only £170 million was allotted of the offer of £190 million. The average rate of discount last week dropped by 2s. 6½d. per cent (notably less than the market's rate) to £4 2s. 11½d. per cent. This was within 3d. of the rate when Bank rate was still at 4½ per cent.

There has been neither marked stringency nor undue ease in credit conditions. On the first two days of this week market supplies of credit were easily adequate for demands, though there was no surplus of funds; on Wednesday, when repayments to the Bank were again due, conditions tightened, and the Bank gave small special help.

Throughout the week the clearing banks have been lending to the market on the new flexible basis; loans have ranged from the minimum of 3½ per cent to 4 per cent. Dealings in May maturities have generally been at $4\frac{1}{16}$–$\frac{3}{32}$ per cent.

LONDON MONEY RATES

	%		%
Bank rate (from 5½% to 7, 2/57)	5	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4⅛–4 3/16
Bank	3	3 months	4⅛–4 3/16
Discount houses	3*	4 months	4⅛–4 3/16
		6 months	4⅛–4⅛
Money Day-to-day	3½–4	Fine trade bills:	
Short periods	3½	3 months	5½–6
Treas. bills 2 months	4 5/16	4 months	5½–6
3 months	4 5/16	6 months	5½–6½

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	Feb. 29, 1956	Feb. 20, 1956	Feb. 27, 1957
*Issue Department**:			
Notes in circulation	1,787·9	1,859·1	1,875·4
Notes in banking dept.	37·5	66·2	52·0
Govt. debt and securities*	1,821·3	1,921·3	1,921·2
Other securities	0·7	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	10·6	13·4	13·5
Bankers	258·1	235·8	225·2
Others	70·1	72·6	73·7
Total	338·8	319·8	312·4
Securities:			
Government	283·8	219·8	242·9
Discounts and advances	20·6	31·7	15·8
Other	17·0	18·6	18·1
Total	321·4	270·1	276·8
Banking department reserve	59·8	68·2	54·9
"Proportion"	11·6	21·3	17·2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £1,925 million from £1,975 million on January 16, 1957.

TREASURY BILLS

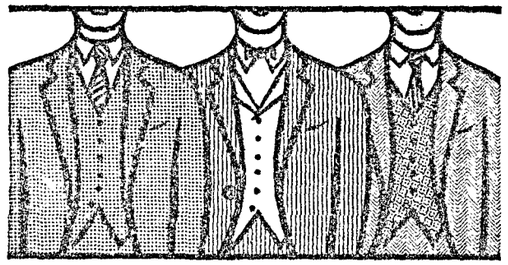
Date of Tender	Amount (£ million) Offered		Applied for	Three Months' Bills: Average Rate of Allotment		Allotted at Max. Rate*
1956	*91 Day*			s.	d.	%
Feb. 24	220·0		404·4	10s	4·31	35
	91 Day	*63 Day*				
Nov. 23	210·0	80·0	446·6	100	3·34	30
„ 30	220·0	70·0‡	403·3	100	4·69	52
Dec. 7	220·0	60·0	441·0	100	10·28	24
„ 14	230·0†	60·0	424·9	99	1·54	55
	91 Day					
„ 21	280·0		379·8	98	1·43	58
„ 28	270·0		372·5	97	1·81	58
1957						
Jan. 4	270·0‡		406·7	95	9·11	54
„ 11	260·0‡		401·4	95	5·30	35
„ 18	240·0		391·2	95	1·40	53
„ 25	200·0‡		414·0	91	0·81	56
Feb. 1	190·0		384·1	90	10·07	21
„ 8	190·0		371·5	84	8·29	38
„ 15	190·0‡		348·0	85	6·04	10
„ 22	200·0		407·3	82	11·49	30

*On February 22nd tenders for 91 day bills at £98 19s. 3d. secured 30 per cent., higher tenders being allotted in full. †The offering yesterday was for £220 million at 91 day bills. ‡Allotment cut by £10 million. §Allotment cut by £20 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	February 27	February 21	February 22	February 23	February 25	February 26	February 27
United States $	2·78–2·82	2·79½–2·79⅝	2·79½–2·80	2·79⅝–2·80	2·79⅝–2·79¾	2·79⅝–2·79¾	2·79½–2·79¾
Canadian $	...	2·68–2·68⅛	2·68⅛–2·68⅜	2·68⅛–2·68⅜	2·68–2·68⅛	2·67½–2·68⅛	2·68⅛–2·68⅜
French Fr.	972·65–987·35	986½–987	986¾–987	986¾–987	986½–986¾	986½–986½	986½–987
Swiss Fr.	12·15⅜–12·33⅜	12·27½–12·27½	12·27½–12·27½	12·27½–12·28	12·27½–12·28	12·27½–12·28	12·27½–12·28
Belgian Fr.	138·95–141·05	140·62½–140·67½	140·70–140·75	140·70–140·75	140·75–140·80	140·75–140·75	140·70–140·75
Dutch Gld.	10·56–10·72	10·67½–10·67¾	10·67½–10·67¾	10·67½–10·67¾	10·67½–10·67¾	10·67½–10·67¾	10·67½–10·67¾
W. Ger. D-Mk.	11·67⅜–11·84⅜	11·75¼–11·75½	11·75¼–11·75½	11·75¼–11·75½	11·75¼–11·75½	11·75¼–11·75½	11·75¼–11·75½
Portuguese Esc.	79·90–81·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·05–80·20
Italian Lire	1736¾–1762½	1760½–1761	1760½–1761½	1760½–1761¼	1760½–1761½	1760–1761	1760½–1761
Swedish Kr.	14·37½–14·59½	14·50½–14·50⅝	14·50½–14·50⅝	14·50½–14·50⅝	14·50½–14·51	14·50½–14·51	14·50½–14·51
Danish Kr.	19·19½–19·48½	19·41½–19·41⅝	19·41½–19·41⅝	19·41½–19·41⅝	19·41½–19·41⅝	19·41½–19·41⅝	19·41½–19·41⅝
Norwegian Kr.	19·85–20·15	20·00–20·00⅛	20·00–20·00⅛	20·00–20·00⅛	20·00–20·00⅛	20·00–20·00⅛	20·00–20·00⅛
One Month Forward Rates							
United States $		⅛–3/16c. pm	⅛–3/16c. pm	⅛–3/16c. pm	⅛–3/16c. pm	⅛–1c. pm	⅛–1c. pm
Canadian $		⅛c. pm–⅛c. dis	⅛c. pm–⅛c. dis	⅛c. pm–1c. dis	⅛c. pm–⅛c. dis	par–1c. dis	⅛c. pm–⅛c. dis
French Fr.		¼ pm–¼ dis	¼ pm–¼ dis	¼ pm–¼ dis	¼ pm–¼ dis	¼ pm–par	par–1 dis
Swiss Fr.		1¼–1⅛c. pm	1¼–1⅛c. pm	1¼–1⅛c. pm	1¼–1⅛c. pm	1¼–1c. pm	1¼–1c. pm
Belgian Fr.		⅛–¼ pm	¼ pm	¼ pm	¼–¼ pm	¼ pm	⅛–¼ pm
Dutch Gld.		1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1–1c. pm	1–1c. pm
W. Ger. D-Mk.		1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm
Italian Lire		2 pm–par	2 pm–par	2 pm–par	2 pm–par	2 pm–par	2 pm–par
Swedish Kr.		1o pm–par	1o pm–par	1o pm–par	1o pm–par	1o pm–par	1o pm–par
Danish Kr.		4 2o pm	4–2o pm	4 2o pm	4–2o pm	4–2o pm	4–2o pm
Norwegian Kr.		2o pm–par	2o pm–par	2o pm–par	2o pm–par	2o pm–par	2o pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/4	249/2½	...	249/2½	249/3	249/3½

We are all individuals



but some are more individual than others

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Martins Bank MARTINS BANK LIMITED

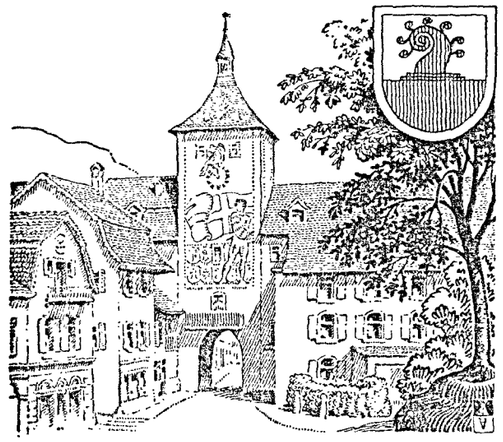
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District Head Offices: London, Liverpool, Birmingham, Leeds, Manchester, Newcastle upon Tyne

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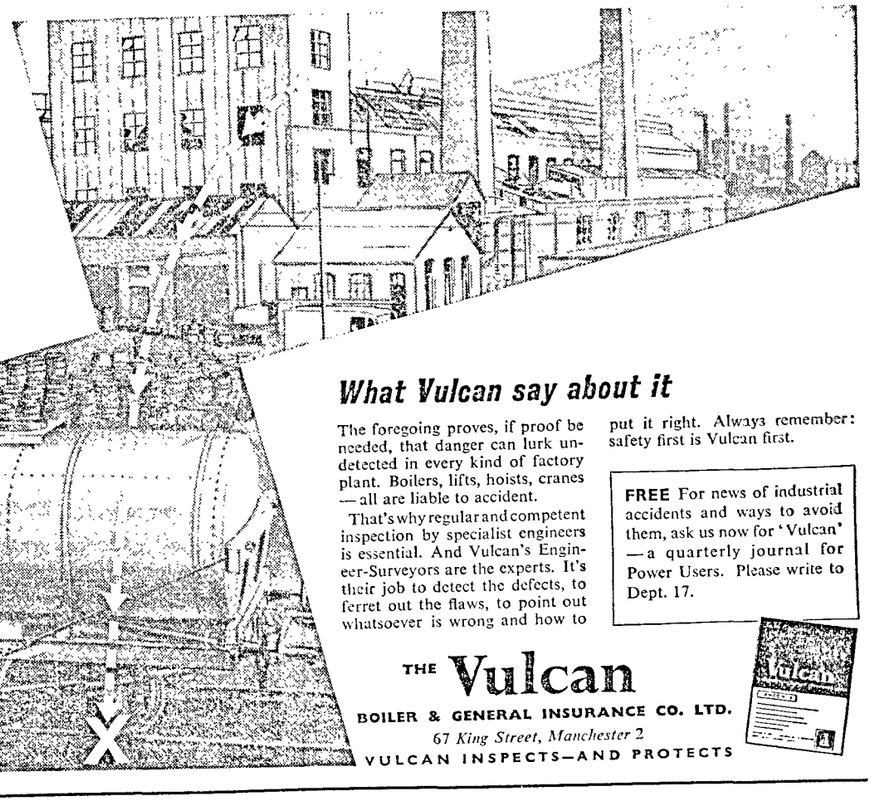
which commands the northern approach of the important Hauenstein Pass, is mentioned in records for the first time in 1189. One of the Patron Saints of Liestal's first Church, which existed long before 1189, was, and still is, the Scottish Saint Brida.

But everybody knows

that picturesque Liestal is to-day a prosperous and modern town, renowned for its cloth as well as for its chemical industries.
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Reserves ..... Swiss Francs 90,000,000
Total Assets ..... Swiss Francs 2,650,758,399
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What Vulcan say about it

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Assets exceed $2,700,000,000

COMPANY MEETINGS

ILFORD LIMITED

(Manufacturers of Photographic materials)

RECORD SALES BUT LOWER PROFIT MARGIN

PLANT EXTENSIONS TO MEET INCREASING DEMAND

PROGRESS IN OVERSEA MARKETS

THE HONOURABLE JAMES P. PHILIPPS ON IMPORTANCE OF RESEARCH

The Annual General Meeting of Ilford Limited will be held on March 21st at the Ilford Gallery, 106, 107, High Holborn, London, W.C.

The following is the address by the Chairman, The Honourable James P. Philipps, copies of which have been circulated for the convenience of shareholders with the report and accounts for the year ended October 31, 1956:

Ladies and Gentlemen,

During the year under review we again increased our sales to a record figure, although the rate of increase this time was lower than in some recent years. I told you last March that our profit margin during 1956 was likely to be smaller and this has proved to be the case. Trading was more difficult, both in the earlier months and again in the summer when our home sales in the amateur section would have been better had it not been for the exceptionally bad holiday weather. In all the circumstances I think you will agree it is satisfactory that profits, before charging taxation, came out substantially the same as in 1955.

DIVIDEND AND SPECIAL BONUS

It will be seen from the Profit and Loss Account that whilst the Parent Company's Aggregate Net Profit before taxation is £13,133 higher, and the Net Profit for the year after taxation is £37,490 lower than in the previous year, the consolidated figures are £25,531 lower and £79,309 lower respectively. Your Directors are, therefore, not recommending any change in the rate of Ordinary Dividend.

You will, however, be glad to hear that a substantial measure of agreement has at last been reached on the Company's tax computations of earlier years. This, together with the establishment of the Industrial Buildings Allowances over a period of some years, has now made possible the release from our parent Company's provisions for taxation of the sum of £150,000 which we have transferred to the credit of Profit and Loss Account.

As part of this £150,000 could have been distributed to Ordinary shareholders in earlier years, the Directors are now recommending the distribution out of this sum of a special cash bonus at the rate of 2½ per cent less Income Tax on the Issued Ordinary share capital. While it is shown in the Profit Appropriation Account that this special bonus will cost the Company £48,875 net, it must be borne in mind that provision has also had to be made for Distribution Profits Tax payable on the gross amount of this bonus, so that the estimated total cost to the Company of paying this bonus is £71,825.

Further, taking into account the increases in the rates of Profits Tax in November, 1955, and April, 1956, a provision for this tax increased by £35,500 would have been necessary this time even should no increased distribution have been recommended.

PURCHASE TAX

I have on a number of occasions commented on the adverse effects of the Purchase Tax with its unequal and unfair incidence on certain industries and commodities. I hope the opportunity has at last arrived for the Chancellor to abolish it altogether or at least to replace it with a broadly based sales tax on modern lines.

CAPITAL EXPENDITURE PROGRAMME

Although many of our plans were originally based on the assumption that the Investment Allowances were going to be continued for a reasonably long period (and I sincerely hope the Chancellor will see his way to restore them in the very near future), we have, as usual, worked to keep our plant and premises up to a high standard. The office block at Ilford, which I mentioned in my last Address, is nearing completion and will provide much better conditions for our Head Office staff. The new laboratories at Brentwood are progressing well and will be occupied by the middle of the year. Still further extensions to our film production plant at Brentwood have been started to meet the increasing demands for film.

In addition, we have acquired a large site at the new town of Basildon, Essex, which is conveniently situated in relation to our Brentwood and Ilford Works. It is our intention to concentrate there the production now carried on in a number of smaller factories in the London area. This should ultimately lead to considerable economies and simplify administration. The decision to make this move was dictated by the difficulty of expanding production in our old premises through lack of space. The capital expenditure involved is likely to be considerable but it will be offset to some extent by the sale of the older properties. It is hoped that the first section will be moved in two years' time, and that the operation will be completed by 1960. The work to be undertaken at Basildon is mainly in connection with the light engineering and chemical sections of our business, but it is also intended to transfer the departments processing colour film and making colour prints from their present crowded sites where further expansion will soon become physically impossible.

You will see in the notes on the Balance Sheet that firm capital commitments at the time of closing the books amounted to £457,749, but it will be appreciated that the work now commenced or planned will entail expenditure over a period of years greatly exceeding this figure, though it should be possible to finance it largely from existing liquid resources and profits ploughed back.

ENTRY INTO U.S. MARKET

I told you last year that we had formed a sales company—Ilford Inc.—in the United States to handle the sales of our products in that country. We have made a satisfactory start although, as anticipated, expenditure has been high in the early stages and our operations up to October 31, 1956, resulted in a loss which is reflected, of course, in the Profit and Loss Account in the reduced excess of the Consolidated Aggregate Profit over that of the Parent Company compared with previous years. We have, however, confidence in the management of Ilford Inc, and believe that in a year or two the business will be on a remunerative basis. It is not possible to obtain a foothold in this highly competitive market without a considerable outlay of money. In the other main North American market, Canada, our sales continue to make good progress.

WIDE RANGE OF PRODUCTS

We have during the year continued our policy of developing equipment for the Photofinishing trade and for Industrial Photography. I think it is true to say that we have become recognised as leaders in the field of photofinishing equipment of advanced design, and particularly in automatic printers. We now have in production an excellent line of both Ilford and Kennington & Bourlet machines. The latter company has proved a most successful and remunerative acquisition.

Last year I called attention to the advantages offered by our Azoflex process for the reproduction of documents in commercial and drawing offices. I am pleased to tell you that the expansion of the sales of this division has continued.

As you know, X-ray film is one of our important lines of production. As people are becoming more radiation-conscious, the advantages are being widely recognised of an outstandingly fast X-ray film such as our "Red Seal" type, which makes it unnecessary to expose the patient to so large a dose of X-rays. "Red Seal" film, especially when used in conjunction with a fast screen such as our HV screen, can make a useful contribution to reducing the hazards of radiation. The HV intensifying screen which uses lead barium sulphate as the phosphor was the invention of our late Research Director, Mr F. F. Renwick. The manufacture of this screen is now carried on under licence abroad as well as in England. In

connection with X-ray film a useful saving in dollars could be effected if Government Departments would consider favouring or recommending the use of film made from home-produced film base. The base is a substantial item in the cost of the finished film. Ilford films of all types are made on base produced in the United Kingdom and so are without the large dollar element of competing products.

VALUE OF RESEARCH

Although the importance of research is now becoming generally recognised throughout industry, it has of course been an essential part of the photographic industry since its earliest days. It is only by the work of our laboratories that we are able to advance the quality of our products to keep them in the forefront of world markets and to develop new fields such as colour photography. The new laboratory building at Brentwood, which I have already mentioned, is part of a plan to modernise our laboratories and to allow for expansion as the old buildings have in the past few years become inadequate for the increased work necessary for our expanding business.

ATOMIC ENERGY

At this time when atomic energy is much in the news I am frequently asked if there is likely to be a rapidly increasing demand for our nuclear plates in the near future. Whilst our nuclear research emulsions have a world-wide reputation, their use, which is still increasing, is generally confined to Universities and other establishments where they are playing an important part in fundamental research into the secrets of the atomic nucleus. They do not, however, at present seem likely to find more than minor applications in the practical utilisation of atomic energy.

CUSTOMS UNION

In common with other manufacturers we have given a good deal of consideration to the probable effect on the Company's trading of the proposed European Customs Union should this come into being in the next few years. We have come to the conclusion that if Britain enters this Customs Union it could benefit the Company substantially. A large proportion of our business is abroad, so any lowering of barriers to trade should help us to expand our markets. At the present time the countries of Western Europe are a most important export market for Ilford goods. On the other hand, if Britain remained outside the Customs Union while Germany and Belgium were in it, we should almost inevitably lose our European market.

THE OUTLOOK

In the conditions following the Middle East crisis it is most difficult to make any useful forecast of prospects for 1957. The reduction in supplies of fuel oil has caused inconvenience in our factories which are in almost all cases oil-fired, but by strict economy we have managed so far to maintain full production. The rationing of petrol makes the distribution of our goods in the home market difficult and we shall not be able to give our customers as good a service as in more normal times. Nor can our representatives call on our customers as frequently to take orders or give technical aid, and this we very much regret, but I feel sure our temporary difficulties will be understood. Our normal service will be restored as soon as conditions permit. Meanwhile, I should like to thank our customers for the way in which they are co-operating by ordering in larger quantities at less frequent intervals.

Pleasure motoring is naturally being greatly restricted by petrol rationing at present. If this rationing is continued into the summer months, so that normal recreational activities are substantially reduced, it may well have an adverse effect on the amount of picture making done by the public.

I would like to remind you again that you can help your Company and the country by using and recommending our products wherever possible.

TRIBUTE TO STAFF AND EMPLOYEES

In conclusion, I feel sure you would wish me to thank on your behalf all our staff and employees, both at home and overseas, for the part they have played in making the year under review again a record one both in volume of production and in sales turnover.

VOSPER LIMITED
(Shipbuilders and Engineers)

MR OWEN R. GUARD'S REVIEW OF ACTIVITIES

The twentieth Annual General Meeting of Vosper Limited will be held on March 7th in Portsmouth.

The following is an extract from the circulated statement of the chairman, Mr Owen R. Guard: During the year under review we have earned a net profit of £103,199, after writing down the value of the remaining trawler by a further £10,000. The trawler has operated at a slightly increased profit.

Your Directors recommend a Dividend of 15 per cent and the allocation of the sum of £50,000 to a General Reserve Account.

Work for our two shipyards still continues at a moderately satisfactory level and some interesting new contracts have been obtained during the course of the past year.

In the Portchester Shipyard constructional work is mainly for the Service Departments, much of it being of a prototype nature constituting specialised development work in which we have become increasingly occupied during recent years.

We continue to be well employed in the construction of welded tanks in aluminium and steel for a wide number of uses.

Recent public statements lead to the conclusion that a considerable effort will be made to reduce defence expenditure. The exact effect on this Company is difficult to forecast, but, by virtue of our concentration on research and development, there seems at least to be a good possibility that these facilities will continue to be adequately employed.

We are already associated in projects involving novel propulsion machinery developing very high power outputs for low weight. So rapid have been the developments in the field of power generation that but little imagination is required to see that there may be shortly available for installation in our types of craft units capable of producing very high powers indeed. In all such cases, however, there is a considerable problem presented by propulsion and it is here that our Cavitation Tunnel, which has been specially designed to study the high-speed problems, will be of outstanding value. It is already employed on valuable research contracts.

The anti-rolling devices developed more particularly for small craft are attaining success in operation and the future in this field is most promising.

MITCHELL COTTS & COMPANY

RECORD RESULTS

The Thirty-seventh Ordinary General Meeting of Mitchell Cotts & Company Limited was held on February 22nd in London.

Mr H. C. Drayton, the chairman, presided, and in the course of his speech said:

For the year under review the combined gross profits were £2,289,000, as compared with a figure for the previous year of £1,809,000. After providing for income tax due in this country and reserve for future taxation on overseas profits and providing £295,000 for writing down interests in Egypt and Saudi Arabia, we are left with a consolidated net profit of £702,000, as against £675,000. We have paid a dividend of 25 per cent on the Ordinary shares and after deducting that there will be a sum of £1,995,000 to be carried forward, as against £1,575,000 brought in.

The profits under review constitute a record, but shareholders must not expect a record profit every year. Ours is a business which requires a great deal of thought and planning two or three years ahead, and therefore profits must be taken over a period and not looked at from the narrow angle of one year.

CONSOLIDATED BALANCE-SHEET

An item in the balance-sheet to which I must draw your attention is that our stocks and work in progress have gone up from £6,009,000 to £8,191,000 and our debtors from £5,793,000 to £6,899,000. These increases fall under two headings. The first is the increased capital required to finance our engineering and manufacturing concerns and the increase in the expansion of trade which they are undertaking. Under the second heading we have the new acquisitions made during the year, one being the buying out of our partner in the Pyrethrum Extract Corporation, which now becomes a subsidiary of ours in East Africa. Debtors and work in progress are in respect of our Reinforcing Steel Company in Canada and generally to the increased stocks we have to carry for our expanding trade. London itself, where our produce department has increased its turnover, happened at the end of the year to have more than the usual amount of stock which was unsold.

Our exports from this country for the year were £10,800,000, a figure of which we are particularly proud and compares with £6,250,000 for 1954 and £7,100,000 for 1955. We do not expect these export figures to reach those proportions this year as you will realise that the Suez Canal has made some difference to our export business.

The interests of your Company extend throughout the whole of Africa, with the exception of the West Coast, certain parts of the Middle East, Canada, the United States of America, Hongkong and Ceylon.

Although seven months of our current year have gone and we know roughly our trading profits, I cannot give you an actual estimate as you will realise that carrying £8 million stocks and work in progress, any variation up and down in that valuation can make quite a considerable difference. However, when we come to present the accounts for the year ended June, 1957, shareholders will not be disappointed with the results of that year.

The report was adopted.

STATE BANK OF INDIA

GOVERNMENT OBSERVE ASSURANCE OF NON-INTERFERENCE

DEPOSITS STEADILY RISING

MR H. V. R. IENGAR ON HELP FOR INDUSTRY

The second annual general meeting of the State Bank of India was held on February 28th at Bombay.

The following is the statement by the Chairman, Mr H. V. R. Iengar:

I have much pleasure in welcoming you to the second annual general meeting of the State Bank of India. When Dr Matthai addressed the shareholders at the meeting held in February, 1956, the report which he presented covered a period of only six months, viz., from July 1, 1955, when the Imperial Bank of India was converted to the State Bank of India, to December 31st, 1955. The report which has been circulated to the shareholders for discussion today covers a whole year's working of the Bank in 1956 and provides a fuller opportunity than my predecessor had for considering to what extent, in its actual functioning, the Bank is fulfilling the purposes for which it was nationalised.

NO DISCRIMINATION

When it was decided that the Government of India should take up the effective ownership and control of the Imperial Bank of India, several voices were raised against the step, principally on the ground that the role of this great institution, which has played so dominant a part in the field of commercial banking in the country, would be somehow distorted by the intervention of the Government. Little comfort was taken from the assurance that the Government would not interfere in its day-to-day operations and that in fact it would operate on sound commercial lines with due regard to public interest. Immediately after the announcement about the Government of India taking over the controlling interest in the Bank, the volume of deposits decreased, possibly by transfer to other Scheduled Banks.

The working of the Bank since nationalisation has made it clear that the assurance given by the Government and embodied in the State Bank of India Act is being scrupulously observed. There has been no interference whatever by the State in the day-to-day operations of the Bank. Certain State enterprises have applied to the Bank for advances and all these have been accepted in full but on normal commercial terms. No discrimination in favour of such enterprises, such as, for instance, in the rates of interest, has been asked for. It would be relevant to point out in this connection that the sanction of advances to State enterprises has not restricted in range or volume the sanction of advances to enterprises in the private sector. On the contrary, consistently with the rising tempo of economic activity, our advances to the private sector of commerce and industry have increased very substantially from Rs. 72 crores in December 1955 to approximately Rs. 100 crores in December 1956.

APPREHENSIONS UNJUSTIFIED

I think the public has fully realised that the apprehensions expressed at the time of announcement of the taking over of the ownership of the Imperial Bank of India by the State are unjustified. The consequence of it has been that our deposits have been steadily rising. As stated in the report the increase in deposits during 1956 was 8.8 per cent against 7.8 per cent in the case of other Scheduled Banks. A perusal of the mere percentage increases does not, however, give a full picture of the actual developments that have taken place.

During 1956, on account of the tightness of the money market, Scheduled Banks generally raised rates of interest on deposits, in many cases quite substantially. The State Bank maintained its old rates unchanged at a traditionally low level for the first 11 months of the year. The increase in deposits therefore took place in spite of the fact that interest rates in other Scheduled Banks were much more attractive. Even the changes made with effect from December 1, 1956, may be described as mere readjustments to a rapidly changing situation and in no sense an attempt to catch up with other Scheduled Banks.

A STEADYING INFLUENCE

This seems to be an appropriate moment to refer to the criticism sometimes made about the State Bank, viz., that because it is a State Bank operating in the commercial field it has certain inherent advantages over the other Scheduled Banks and that it is using its privileged position to attract business to itself. If it were, indeed, to be the policy of the State Bank to operate flat out as a commercial institution irrespective of the consequences to other Scheduled Banks, it would have been quite easy to increase its interest rates still further and I have little doubt that thereby a much larger volume of deposits would have accrued to us, some of it perhaps in the form of fresh deposits but a larger proportion as diversions from other Banks. As a matter of deliberate policy the State Bank has declined to pursue such a step.

We cannot forget the historical traditions of this ancient institution. Moreover, although the Statute authorises us to operate as a commercial bank, it enjoins on us due regard to the public interest and we have interpreted this to include our obligations to the banking structure as a whole. It is not our intention to enter into a race, as we could easily do if we were merely concerned with swelling our profits.

On the contrary, it is our hope that by pursuing a policy of moderation in our rates both for deposits and advances, we may act as a steadying influence, more particularly during a period of great stringency when runaway conditions are so easy. Even so the shareholders will observe that our profits have increased substantially, principally by the larger turnover of our funds.

STAFF WELFARE FUND

I would like to refer to a new item in the balance sheet, viz., allocation of Rs. 10 lacs to the Staff Welfare Fund. It is my view, with which the directors are in complete agreement, that steps should be taken for the purpose of improving the working conditions of the staff employed by the Bank. Some of the items about which representations have been made by the staff, for example, housing in the big cities, raise problems of resources which can be handled only gradually. An attractive solution that has been suggested is the formation of co-operative housing societies for members of the staff, such societies to be assisted by the Bank both by the provision of long term credits on easy terms as well as possibly in other ways.

Such schemes have been tried elsewhere and have the great merit that the staff not merely get houses for living in but will also, in due course, own them. Discussions on these lines have been held with the office-bearers of the Federation of the employees' associations and I hope it will be possible to take concrete measures in the near future. In the meanwhile, the sum of Rs. 10 lacs will enable us to deal with pressing items such as the improvement of canteens and the provision of recreational facilities.

ASSISTANCE FOR SMALL-SCALE INDUSTRIES

It is not necessary for me to comment in any detail on the programme of assistance to the small-scale industries and the branch expansion programme, these being the programmes which may be regarded as fulfilling the requirements in our charter to operate "with due regard to the public interest." In the field of small-scale industries our activities are still somewhat exploratory in character. But for a Bank with our traditions it has been a big step to break away from the concept of security of property as the main criterion for making an advance and to be prepared to give credit on the basis of mere capacity to produce and sell.

The extent to which we can increase our advances to small-scale industrialists is not, however, a matter solely of relaxing conventional assessments of credit worthiness. It is much more a question of the improvement of techniques, with a consequent improvement in the quality of products and their saleability. In fact, credit and the improvement of techniques have to go side by side. The latter is however a matter which is outside the normal sphere of a banking institution. I know that the Government of India are keenly alive to this problem and hope that the steps which they have initiated in this field will acquire increasing momentum during the Plan period.

RELATIONS WITH CO-OPERATIVE INSTITUTIONS

In the report which has been circulated reference has been made to the relations of the State Bank with co-operative institutions. Here again is a field in which we are only making a beginning. In the Second Five Year Plan a new impetus is being given to the co-operative movement in the country. The possibilities of progress are immense and it will be no exaggeration to say that co-operative institutions could form a dominant part in the country's economy.

The State Bank will always be ready to play a helpful and constructive part in the development of such institutions. The exact form and pace of such assistance as well as the structure of the relations between co-operative banking and the State Bank are a

matter requiring further thought and perhaps experimentation as we go along.

TRIBUTE TO DR MATTHAI

In concluding this speech, I should be failing in my duty if I did not pay a tribute to all those who helped in making the transition from a shareholders' bank to a predominantly government owned bank smooth and easy. Most of the initial difficulties were solved during the Chairmanship of Dr Matthai; to him the Bank owes a great deal for the strong position in which it finds itself today.

Some problems had been left over when I took charge from him on October 1, 1956. These related principally to staff emoluments at higher levels and more particularly to the payment of bonus. Government felt that, consistently with their obligations to the widening network of the public sector of the economy, they had to ask the State Bank to conform to certain principles. I am glad to say that these difficulties have since been solved by mutual discussion and I would like to take this opportunity of expressing my obligations to Government for the understanding that they have shown in the matter.

THANKS TO OFFICERS AND STAFF

One last word, but from my personal point of view, a very important one. This is my last official function in the State Bank for tomorrow I am handing over charge to Shri Bhattacharyya. I have greatly enjoyed working in this institution and I am sure the experience I have gained, short as it is, will be of real help to me in my new responsibilities. I would like to express my gratitude to the officers and the rest of the staff for their unfailing assistance and I am sure they will give it in equal measure to my successor.

SUN LIFE ASSURANCE SOCIETY

TOTAL FUNDS EXCEED £120 MILLION

MR C. G. RANDOLPH'S STATEMENT

The annual general meeting of the Sun Life Assurance Society will be held at 63 Threadneedle Street, London, E.C.2, on Tuesday, March 26, 1957. Mr C. G. Randolph, Chairman of the Society, has issued a statement to shareholders, which in outline is as follows:

DIRECTORS

Owing to advancing years Mr W. M. Pryor has decided not to seek re-election as a Director at the forthcoming General Meeting. I wish to take this opportunity to pay tribute to Mr Pryor, who was elected to the Board in 1920, was Vice-Chairman from 1923 until 1943, and Chairman from 1943 to 1952.

Since the last General Meeting Sir Miles Thomas and Lord Rupert Nevill were appointed Directors, and you will be asked to consider their re-election at the General Meeting.

FUNDS, INCOME AND OUTGO

The total funds increased by £8,300,000 during the year and now stand at over £120 million. The premium income of the Life Assurance Fund and the consideration for annuities granted reached the record totals of £15,062,000 and £1,974,000 respectively, and together were £1,412,000 more than in 1955.

The gross interest yield on the Assurance and Annuity Funds was £4 18s. 5d. per cent, which is 3s. 8d. higher than in the previous year.

I am glad to be able to report that, although the claims by death at £2,916,000 show an increase of £569,000 over those for 1955, the number of such claims was considerably less than the number expected according to the mortality tables employed in our calculations.

NEW BUSINESS

Last year I reported an increase during 1955 of no less than 25 per cent in the amount of new life sums assured, and I am pleased to be able to say that during 1956 we maintained our new business at the enhanced level and, in fact, slightly exceeded the 1955 total, giving us another record year at £56,136,000.

In addition to life assurances, we granted last year annuities for £1,049,000 per annum.

I would like to express our thanks to all our connections for their valued support.

HOUSE PURCHASE

As a result of the general financial stringency the demand for advances under our house purchase scheme has continued to be greater than we feel able to meet, and we have therefore maintained the quota system to which I referred last year.

PENSION SCHEMES

The Finance Act, 1956, represents a notable milestone in the history of pension scheme business. In accordance with that Act, life assurance societies operating pension schemes approved under Section 379 of the Income Tax Act, 1952, now obtain freedom from income tax on the interest earned on that part of their funds which represents the accumulated contributions under such schemes, and are thus able to offer more attractive terms than in the past.

I am glad to be able to state that our "with profits" group pension scheme is becoming increasingly popular. There is little doubt that this flexible and attractive scheme meets a real need and that employers welcome the opportunity to participate in the prosperity of the Society.

RETIREMENT ANNUITIES

I drew attention last year to the fact that it was impossible for many persons to provide adequately for old age out of taxed income, and we were therefore particularly pleased that the 1956 Finance Act provided that the premiums for approved retirement annuity policies effected by self-employed persons and persons in non-pensionable employment should rank (within certain limits) as charges on income for income tax and surtax purposes, and that the interest earned by the assurance offices on the accumulated contributions should be free from income tax. We have designed a number of attractive policies to enable eligible persons to take advantage of the taxation concessions, including policies with the right to share in the Society's profits.

PURCHASED LIFE ANNUITIES

I may perhaps refer here to the further provision of the 1956 Finance Act, whereby, subject to certain exceptions, payments under purchased life annuities are now regarded for tax purposes as containing a capital element which is not assessable to income tax or surtax. This provision greatly increases the attractions of purchasing an annuity as a method of securing an income for life without incurring the risks inherent in many forms of investment.

NATIONAL SAVINGS

In these days the public is constantly being urged to increase savings in the interests of the nation as a whole, and new and attractive forms of investment are being offered from time to time by the Government. There can be no doubt that an increased level of savings is essential for the well-being of the national economy, and I venture to suggest that for most people there is no more attractive vehicle for savings than an endowment assurance policy entitled to share in the profits of an old-established office, such as the "Sun Life." An endowment assurance not only provides life assurance cover, but also may be expected to show a very satisfactory yield at maturity, especially if allowance is made for the relief from income tax claimable in respect of the premiums.

NEW PUBLICATIONS

We have added to our wide range of publications a prospectus relating to the new retirement annuities and an illustrated booklet entitled "For everyone under the Sun." The latter describes the various types of policy which are available to meet the needs of modern life, and copies of both publications will gladly be forwarded on request.

INVESTMENTS

The principal features of investment conditions during 1956 were the continuation of the fall in the prices of fixed interest securities, and substantial depreciation in the values of ordinary shares following several years of increasing values. Having regard to these features, your Directors decided to augment the Investment Reserve Fund by the transfer from the Assurance Funds of amounts aggregating £1,250,000, bringing the total of that Fund up to £4,500,000.

FORTHCOMING VALUATION

This is the last year of the current triennium, and a valuation with a view to a declaration of bonuses on "with profits" policies is due to be made as at the end of December next. In view of the improvement in the rate of interest earned on the funds and the favourable mortality experience we look forward to the results with confidence.

TRIBUTE TO STAFF

The new business total of £56 million is a testimony to the zeal of our Branch Managers and Inspectors, and it has been the pride of our indoor staff to cope with that record figure with efficiency.

I should like to thank the Executive and the whole staff on the excellence of the year's results.

THE WEST INDIES SUGAR COMPANY LIMITED

PRODUCTION DOWN BUT TRADING PROFIT LARGER

INTERNATIONAL AGREEMENT RENEWED

MR PETER RUNGE ON PRICES

The annual general meeting of The West Indies Sugar Company, Limited, will be held on March 20th at Devonshire House, Mayfair Place, London, W.1.

The following is the statement by the chairman, Mr Peter Runge, which has been circulated with the report and accounts:

Although production of sugar was down for the year under review, the Trading Profit increased by £133,448 to £833,662. The increase arose from selling the 1955 carry-over sugar stocks and from increased rum production.

The net profit was reduced by £23,388 to £405,766. This, however, is a misleading comparison because in 1955 we had an exceptional credit of £103,564 resulting from an adjustment of taxation in respect of previous periods.

Your Directors recommend payment of a Final Ordinary Dividend at the rate of 9d. per share, free of tax, which with the Interim Dividend of 3d. per share paid on October 31, 1956, makes a total distribution of 1s. per share, free of tax, on the increased Ordinary capital of £3 million. The total amount distributed remains unchanged. After providing for the dividend, setting aside £35,017 for Debenture Stock Redemption and transferring £200,000 to Future Crops Expenditure Reserve, the balance to be carried forward is increased from £194,912 to £215,661.

	£	£	%	%
Charges in Jamaica:				
Wages, Salaries and Employees' Benefits ...	6,790,629		39·9	
Payments to Cane Farmers	3,620,333		21·3	
All Other Materials, Supplies, Services and Expenses	2,981,147		17·5	
Payments into Capital Rehabilitation Fund ...	264,371		1·6	
Taxation	909,631		5·4	
		14,566,111		85·7
Charges in United Kingdom:				
London Office Expenses	250,188		1·4	
Debenture Stock Service	101,540		0·6	
Taxation	266,031		1·6	
		617,759		3·6
Ploughed back into the Business (including Depreciation)		**1,371,050**		**8·1**
Dividends to Shareholders...		**444,125**		**2·6**
Total = Income from Sugar, Rum and Molasses (97%) and Sundries (3%)		**£16,999,045**		**100·0%**

Note.—Total Capital Expenditure in Jamaica during the same period was £1,467,293.

PRODUCTION FIGURES

Total sugar production from the 1956 crop at Frome and Monymusk amounted to 139,674 tons. It compares with last year as shown below:—

1955 Tons		1956 Tons
75,556	Frome	69,713
76,397	Monymusk ...	69,961
151,953		139,674

Last year I explained that we were left at the end of 1955 with about 20,000 tons of sugar which had to be held in store until it could be shipped as 1956 quota. Based on the statistical information available at that time it seemed likely that carry-over stocks at the end of 1956 would be even higher. In the event, however, we were able to sell during 1956 the whole of the carry-over from 1955. This was because certain Commonwealth territories for various reasons were unable to produce their full export quotas in 1956 and Jamaica was able to take advantage of this.

ALLOCATION OF INCOME

I think it will be of interest to consumers in the United Kingdom and in Canada—our other special market—to see figures showing how we dispose of our income. For the three years 1954 to 1956 they were as shown in the table in the following columns.

WAGES AND PRICES

There are two conclusions to be drawn from these figures. The first is that the money being paid by United Kingdom and Canadian consumers is going to the islands where the sugar is being produced. The second is that the cost of sugar is very largely being determined by the Company's wages bill and the price which is paid to cane farmers, which in its turn is largely spent on wages.

Consumers have no wish to eat cheaply at the expense of Jamaica, but it would be living in a fool's paradise to ignore the fact that the Negotiated Price* for raw sugar, after freights have been added, does not now-a-days fall far short of the cost of producing raw sugar in England from beetroots. Farmers at home have made prodigious and successful efforts to improve efficiency in every sphere of agriculture. New methods of cultivating the land, planting, harvesting, and fighting disease have all contributed to larger yields and greater productivity. The British consumer, while willingly helping to maintain the standard of living of Jamaica, will look for some assurance that we are not standing still and are not content with outmoded methods. We can give them that assurance; we intend, as in the past, energetically to pursue all means of improving agricultural efficiency and productivity; and we shall continue to plough back profits to finance those projects which need capital.

INTERNATIONAL SUGAR AGREEMENT

After protracted negotiations in New York and Geneva, agreement has been reached for the continuation of the International Sugar Agreement. Under its terms the members of the Commonwealth Sugar Agreement will limit their exports of sugar in 1957 to 2,450,000 tons and in 1958 to 2,500,000 tons; the United Kingdom undertakes severely to restrict imports from non-signatory countries, even if such imports are destined to be re-exported; other signatories have export quotas which fluctuate in accordance with the ruling price level. The object of the Agreement is to stabilise prices and maintain them at levels equitable to both producers and consumers. This object is important to us as producers.

I am glad that the principle of expanding production by the Commonwealth has been recognised. The modest increase of 50,000 tons in 1958 does no more than take care of the expected growth of consumption in Canada and the United Kingdom, let alone other parts of the Empire. Without the acceptance of this principle I doubt whether the U.K. Government would be justified in supporting the Agreement, particularly because other signatory countries, notably Cuba, have the right under United States legislation to share (at special prices and outside the Agreement) in the growth of consumption in the United States from whose markets Empire producers are completely excluded.

BANANAS

Last year I described the banana situation in some detail. I said that although we could not expect to make a profit in the early stages of a change in crop such as we were carrying out, we hoped to break even in 1956. Our hopes, however, were not quite fulfilled and there was a small deficit, after charging in the 1956 accounts the cost of new plantings which will not yield until 1957. With 2,500 acres in bananas we have now reached the limit of our intended expansion and, subject to the hazards of agriculture, will start to reap a return on our investment. You will be pleased to hear that our banana walks have the reputation of being amongst the finest in the island.

Our investment in Sugar Line, of which we are 25 per cent shareholders in partnership with Tate & Lyle and United Molasses, is going well. Four of the specially designed bulk carriers traded last year and two further ships will be commissioned early this year. They are well known at our bulk loading port in Jamaica, and have proved admirably suited for quick loading. The Board of Sugar Line has adopted a policy of financing the later ships with the profits earned on those delivered first. In consequence, only two-thirds of the equity capital has been called.

DIRECTORIAL CHANGES

Since my last statement to you there have been some changes on the Board. During the year, Mr. C. G. Allott, Deputy Managing Director of United Molasses, accepted our invitation to join the Board, and this appoint-

ment will be before you for confirmation at the Annual General Meeting. In May, 1956, Mr. J. A. C. Hugill was appointed Managing Director of the Company. The day-to-day management of the affairs of the Company will continue to be in the hands of the Managing Director and his colleagues, Messrs. W. J. Blanchard, W. A. Coupland and A. Gillies, who are full-time Executive Directors.

Prospects for the 1957 crop are not unreasonable and our staff and workpeople at Frome and Monymusk are in good heart. I should like to take this opportunity of paying tribute to Mr. Michelin and Mr. Cahusac, the General Managers of Monymusk and Frome, and to all our employees, whether in London or in Jamaica, and to convey to them our good wishes for the future.

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* *Note :—*

Under the Commonwealth Sugar Agreement the British Government each year negotiates with the Commonwealth exporting territories a fixed price for a proportion of their sugar exports. This price is arrived at by applying a formula which takes account of cost factors involved in producing sugar. The price so arrived at is known as the "Negotiated Price." It is applied at present to approximately 1,535,000 tons for shipment to the United Kingdom, of which Jamaica's share is 180,000 tons. About half our crop is sold at the negotiated price. The following are the prices which have been negotiated for the past five years :—

	£ per Ton.
1953	42 6 8
1954	41 0 0
1955	40 15 0
1956	40 15 0
1957	42 3 4

SOUTH ESSEX WATERWORKS

INCREASED REVENUE

The Annual General Meeting of the South Essex Waterworks Company was held on February 22nd, in London, Mr G. Francis Stringer, OBE, chairman, presiding.

The following is an extract from his statement for 1956 :

A further sum of £433,199 was spent on the Hanningfield Works during the year. After nearly six years of continuous effort a supply of wholesome water suitable for the use of the public became available from Hanningfield last August and a constant and reliable supply from this source has been maintained. The work is not yet finished and there are further commitments to the extent of £90,608.

Further increases of wage rates and costs of material contributed towards the heavy increase in pumping charges and general repairs. Industrial demand continued to rise during the early part of the year but some slight decline in demand occurred towards the end of the year and results for the current year will depend on the trend of industrial demand consequent upon the effect of existing conditions on industry. New supplies were afforded for 5,175 domestic dwellings. The Company's assessment to General Rates is the subject of an appeal which when settled will give effect to the assessment for the new works at Hanningfield. Before payment of dividends at statutory maximum rates £50,000 has been appropriated to the Contingency Fund to provide for the replacement and improvement of existing works.

THE ROYAL BANK OF SCOTLAND
GLYN, MILLS & CO.
WILLIAMS DEACON'S BANK LIMITED

CONSOLIDATED STATEMENT OF ACCOUNTS, 31st DECEMBER, 1956

	£	£
CAPITAL AND RESERVES—		
Capital Authorised and Issued	5,950,000	
Reserve Fund	5,150,000	
Balance of Profit and Loss Account	533,012	
		11,633,012
CURRENT LIABILITIES AND OTHER ACCOUNTS—		
Current, Deposit and Other Accounts including Provisions and Reserves for Contingencies	311,686,174	
Notes in Circulation	15,767,410	
Proposed Final Dividend, *less* Income Tax, payable 15th March, 1957	239,487	
		327,693,191
ACCEPTANCES, CONFIRMED CREDITS AND OTHER OBLIGATIONS ON ACCOUNT OF CUSTOMERS		26,816,515
		£366,147,628

	£	£
CURRENT ASSETS—		
Coin, Bank Notes and Balances with the Bank of England		36,529,642
Balances with, and Cheques in course of collection on, Other Banks in the British Isles		26,210,958
Money at Call and Short Notice		30,874,077
Bills Discounted—		
British Treasury Bills	29,130,000	
Other Bills	4,581,880	
		33,711,880
Investments—		
(*a*) Quoted—		
at or under market value :		
Securities of, or guaranteed by, the British Government...	90,322,100	
Dominion and Colonial Government Securities, Corporation Stocks and other Securities	1,470,230	
(*b*) Unquoted—		
at cost, *less* reserve	520,000	
		92,312,330
Advances to Customers and Other Accounts, *less* provision for doubtful debts		115,133,063
		334,771,950
TRADE INVESTMENTS—		
At cost, *less* reserve		886,495
FIXED ASSETS—		
Bank Premises and Other Properties, at cost, *less* amounts written off		3,672,668
LIABILITIES OF CUSTOMERS FOR ACCEPTANCES, CONFIRMED CREDITS AND OTHER OBLIGATIONS		26,816,515
		£366,147,628

CARRERAS LIMITED

A MORE FAVOURABLE YEAR

The fifty-third annual general meeting of Carreras, Limited, was held on February 26th at Arcadia Works, Hampstead Road, London.

Sir Edward Baron (Chairman and Managing Director) presided and, in the course of his speech, said: In the Profit and Loss Account of the Parent Company you will have observed that the balance from Trading shows an improvement, and I must tell you that there have been several factors contributing to this result apart from the savings arising from the reorganisation and economies inaugurated in the previous year.

For one thing, we had the benefit for the whole twelve months of the increase in retail prices which came into effect in October, 1955, although these were barely sufficient to cover the increased costs and higher wages which we had to meet.

Furthermore, while the additional tobacco duty which was imposed on April 17th last was, of course, regretted by the industry, one of its effects was to give us a small extra profit on the normal quantity of duty-paid stocks which we held at that date in our factory. In addition, the fact that we disposed of further quantities of leaf tobacco which were surplus to our requirements relieved us of carrying charges and interest which we would otherwise have had to bear.

Turning to the Consolidated Profit and Loss Account, the Balance from Trading likewise shows an increase, and here I would mention that our United Kingdom Subsidiary Companies also had a more favourable year. The overall picture is a better one, and with the combined Carry Forward increased by more than £400,000, I am sure you will agree with our recommendation that the Dividend of 8¼ per cent on the Ordinary and "B" Ordinary Shares should be repeated this year.

Our Balance Sheet is eminently sound, and the figures at which our properties and investments stand in our books are conservative.

THE YEAR'S TRADING

We continued to be faced with severe and intensified competition in the Home Trade, and it was not without difficulty that we maintained our relative position. The sales of Baron's Filter Tip Cigarettes, selling at 3s. 2d. for 20, have steadily increased and continue to show progress.

In May last we launched Dunhill Filter Tip Cigarettes, retailing at 3s. 8d. for 20, in a new style packing. While this brand has not yet achieved great volume, it is making steady progress.

All our best-known pipe tobaccos continue in favour and we have brands and packings to meet all demands, whether they be in regard either to price or to taste.

Our Export Trade was fully maintained during the twelve months. In fact, despite all the difficulties encountered in overseas markets in these days we actually increased the volume of our exports from this country, and even improved our relative position in regard to that section of the industry.

I cannot be expected to forecast what the result for the current financial year is likely to be. We know that many difficulties and problems lie ahead of us, but none the less I should like to think that when we meet next year I shall again be able to record some improvement.

The report and accounts were adopted.

ABBEY NATIONAL BUILDING SOCIETY

ANNUAL GENERAL MEETING

SIR HAROLD BELLMAN'S SPEECH

The Annual Meeting of the Abbey National Building Society was held on February 27th at the Wigmore Hall, Wigmore Street, London, W1.

Sir Harold Bellman, DL, JP, LLD, Chairman of the Society, in moving the adoption of the report and accounts, said:

The year 1956 has passed away unlamented against a background of international tension, with political turmoil, economic upsets and an unpleasant credit squeeze. The Abbey National Society suffered no setbacks and is able to report further orderly progress.

The Society's total assets increased by £21 million to £258 million in 1956. This reflects the confidence and support of both old and new investing members during the year. In shares and deposits the Society received £49.4 million in 1956, substantially the same total as in 1955. This is particularly noteworthy having regard to the intensive competition for small savings throughout the year.

Turning to the mortgage side, it will be seen that new advances to assist home ownership in 1956 actually showed an increase: £40.3 million was lent as compared with £39.3 million in 1955. The demand for mortgage accommodation throughout the year was exceedingly heavy. Having regard to the volume of mortgage business offered, there was neither the need nor the inclination to relax the high standards associated with the acceptance of applications for loans.

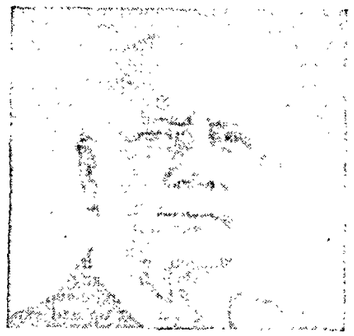
The building of new houses for sale by private enterprise continued at a high level during 1956. Nevertheless, the Society also continued to offer substantial assistance to those buying older houses.

In a year which was crowded with incident, it is practicable to single out only the more important for reference. I need hardly remind you of the rise in Bank Rate to 5½ per cent in February, 1956, but it is necessary to remember that this, though not itself the decisive factor, symbolised the conditions in which we worked.

As the year advanced it became clear that societies were once more faced with a problem of much the same kind as arose during 1955. With the increasing disparity between building society yields and those on other comparable investments, the Building Societies' Association, of which Abbey National is a member, recommended in July that share rates of interest should be raised to 3½ per cent and deposit rates to 3 per cent with income tax paid in both cases, with effect from October 1st. Accordingly, the Abbey National increased its share rate of interest to 3½ per cent and its deposit rate to 3 per cent as from October 1, 1956. The rate of interest charged to new applicants for loans was raised to 6 per cent from July 23rd.

In the light of these events, it is opportune to pose the question : is there any way in which the building societies can cushion their existing borrowers in a period of dear money? So long as a society must pay the market price to investors for the use of their money—and there is no practicable alternative to this—so long must borrowers be charged rates which are in due relationship.

I have already reminded you that Abbey National is a member of the Building Societies Association, the central organisation for British building societies. It is concerned to promote the interests of building societies, to assist them with technical advice, and generally to advance good standards in regard to both policy and practice. Three hundred and fifty-two societies whose assets exceed £1,735 million are members of the Association, and we believe that membership now is, and will become increasingly, a hall-mark for the security of the investor and the guidance of the borrower.



Sir Harold Bellman, the Chairman

The Abbey National adds its voice to the continued protest of the Association against the incidence of the Profits Tax. That tax, inappropriate in its application to building societies from the outset, is a burden now long overdue for removal. As a Profits Tax, it is manifestly inequitable, since building societies do not seek to make profit as an end in itself. Last year Abbey National paid over £220,000 in respect of Profits Tax, this in addition to £3,245,000 for Income Tax. The case for relieving all societies of this imposition was clearly recognised in the recent report of the Royal Commission on Taxation. I hope the new Chancellor of the Exchequer will find time, amid his many preoccupations at this season of the year, to weigh the arguments and propose relief.

In a period of so many and such far-reaching problems, the Board has been required to devote much care and thought to the affairs of the Society. With this in mind, it decided during the year to appoint an additional Director, especially with a view to assisting the work of the Technical Committee. Accordingly, the Directors invited Sir Herbert Butcher, MP, to join them and I am very glad to say he accepted the invitation.

I share the gratitude of my colleagues to the Deputy Chairman, Mr Stanley C. Ramsey, for his wise counsel and co-operation. The Managing Director, Sir Bruce Wycherley, has once more been called upon to bear a particularly heavy burden, since he has been concerned both in the formulation of policy and in supervising its translation into practice. We now go on with the tasks of 1957 in the confidence that we shall be able to give a good account of our stewardship twelve months hence.

Mr Stanley C. Ramsey, FRIBA, Deputy Chairman, in seconding the adoption of the report and accounts, said:

The background against which your Society has worked for the past year may be defined as one of house-hunger, though on a diminished scale as compared with a few years ago. This, of course, is no new condition ; it obtained in an equally, if no more acute form, after the first World War. This demand for new houses affects all sections of the community.

COST OF HOUSES

One of the more disturbing factors in connection with the building of new houses has been the continued rise in the cost. This condition is not limited to houses, but applies generally to all types of building. Figures published by the Ministry of Works show a rise of thirty-five per cent for the cost of new building, including housing, in 1956, as compared with the cost of building in 1950.

The continued rise in the price does not seem to have appreciably affected the demand, and the Society's funds have been fully employed in meeting this demand.

Another interesting fact in connection with house building has been a noticeable improvement in organisation by the builders. What has been called "phased operations" obtains in a wide degree not only with the larger building firms, but also amongst those of moderate size.

The report and accounts were adopted.

THE MANAGING DIRECTOR'S REMARKS

Sir Bruce Wycherley, MC, FCIS, managing director of the society, said:

My first duty is to express, on behalf of my colleagues Mr William Cash, Mr H. L. Roy Matthews and Sir Geoffrey Shakespeare, their appreciation of the further opportunity, following their re-election to the Board, to serve the Society. Sir Herbert Butcher also asks me to express his appreciation of your confirmation of his appointment as a Director of the Society.

Last year was yet again a period of all-round change in our terms of business, with all the added volume of work which that entailed. If problems are the irritants which are said to keep us alive, then I can only say that as building society men we should be alert in every fibre of our being in these days.

The Society looks back to 1956 as a year of progress—of solid and purposeful progress. It looks forward in 1957 to further progress of the same kind. We shall seek no short cuts, neither shall we resort to doubtful expedients.

Since size as an end in itself is not our objective, we shall deliberately seek to preserve our individual identity. We want the Abbey National to stand for something definite and distinctive in our type of business. In the field of saving our hall-mark is security, whilst in promoting home-ownership our aim is service.

In the new age, with the possibility of shorter working hours and still greater social security, the home will become even more important in the lives of all of us, and it should be the aim of the building societies to help this forward in every way that is possible. We have a long past, whether as a Society or as a movement, and we hope we may look forward to a long future, with continuing opportunities of service to the community.

MANCHESTER SHIP CANAL COMPANY

SIR LESLIE ROBERTS'S ADDRESS

The ninety-ninth ordinary general meeting of the Manchester Ship Canal Company was held on February 28th at Manchester.

Sir Leslie Roberts, CBE, the chairman, in the course of his speech said:

The total net revenue of the Company was £1,134,316 compared with £1,086,301 in 1955. To this must be added £27,716 brought forward from the previous year. £587,680 has to be deducted for Loan and Debenture Interest, £40,000 set aside to the Sinking Fund for Redeemable Loan Capital and £80,000 appropriated for Taxation. The balance available for dividends and reserve thus amounts to £454,352.

As in previous years, £35,000 has been appropriated to the Reserve for Contingencies and it is proposed that out of the balance of £419,352 the following dividends, amounting to £387,587, should be paid:

5 per cent on the Preference Shares,
5 per cent on the Ordinary Shares,
and that £31,765 should be carried forward.

The principal receipts are derived from Tolls, Ship Dues, Traffic Rents and Towage and they exceeded those of the previous year by £228,000. On the other hand, expenditure rose by £161,000. This increase was due, in the main, to the exceptionally large amount of maintenance work, the cost of which more than offset a decrease of £138,000 in the expenditure on dredging. The cost of dredging at nearly £1½ million was again a heavy burden and represented almost one half of the total expenditure on the working of the Ship Canal.

Cash at Bankers, in hand and at short call, together with our holding of Tax Reserve Certificates amounts to £2,121,000, an increase of £204,000.

The total cargo handled at the Port last year amounted to 18½ million tons, or nearly three times the tonnage handled at the end of the war. Since that date, the total capital expenditure incurred, including the cost of Queen Elizabeth II Dock, amounts to upwards of £7 million.

While these improvements have been taking place, the Company's Reserves and Provisions have, since the end of war, been built up from a little over £2 million to nearly £3¾ million. We have also made a useful start on the formation of a Sinking Fund for the redemption of loan capital and we have redeemed or procured the release of certain rent charges to an extent equivalent to a capital redemption of approximately £500,000. The significance of these figures is enhanced by the fact that during the same period, over £4¾ million has been spent on the renewal and replacement of our plant, equipment and works, quite apart from the capital expenditure of £7 million to which I have referred.

To Shareholders it should be an additional satisfaction that during the period I have mentioned, the dividend on the Ordinary Shares—if you approve the Resolution which is about to be put to you—will have been increased from 1½ per cent to 5 per cent.

When I tell you that the generality of our charges for Ship Dues and Canal Tolls are no more than 75 to 80 per cent above the prewar figures, it is possible you may think that your Board have as yet not been unsuccessful in holding the scales evenly between all the various interests concerned in the working and prosperity of the Port.

The report and accounts were adopted.

LEEK & MOORLANDS BUILDING SOCIETY

CENTENARY YEAR—A WONDERFUL RECORD

The one hundredth annual general meeting of Leek & Moorlands Building Society was held on February 25th at Leek, Staffs.

In his printed address, the President, Sir Ernest Johnson, JP, reviewed the political and economic events of the past year and continued: The effect on our economy of the curtailment of oil supplies from the Middle East and the purchasing elsewhere of oil for dollars is beginning to reveal itself. It is to be hoped that we can control our economy and prevent further inflationary trends.

Meanwhile the run on Sterling has stopped. That is not to say that Sterling does not need defending further. Already as we know the last reserves via the International Monetary Fund have been called upon. What next? The real answer must lie in Government policy as well as in Government spending.

A reduction in Bank Rate may well be justified. Any further reduction would and should depend upon the true state of our economy—a reduction in Government expenditure and freedom from any crisis in Sterling. We must still save more and spend less. Reserves need building up and export surpluses are paramount if we are to contain a sound economic approach to our problems. The one sure way to abolish our anxieties is to see to it that we insist on huge reductions in public expenditure and finally substantial reductions in taxation. It is for the Government to show the way. They can decide that Great Britain can still be great.

Finance—Commerce—Industry—Labour—will all respond to a serious lead for national prosperity. The world is still in need of our production. Let us go forward in 1957 to a more prosperous period in our history not because of our difficulties but in spite of them.

CHAIRMAN'S ADDRESS

Councillor Gilbert Tatton, the Chairman, presided, and in the course of his speech, said: Shareholders and Depositors taken together show a total of £34,157,909—a measure—and a striking one—of the confidence of the investing and saving public in this Leek and Moorlands Building Society.

Our Balance Sheet total at £36,057,063 is impressive, not for its size alone but for its absolute soundness. I am satisfied that it portrays all that is best in security, stability, spread of risk and unquestionably, in financial strength. It is a wonderful record of one hundred years as a safe and sound financial home of the people's savings.

DEPUTY CHAIRMAN'S REMARKS

In the course of his address, Sir Bernard White, KBE, the Deputy Chairman, said: Looking ahead, it may well happen that once the Rent Bill becomes law, tenants of good houses may consider it worth their while to buy their homes. If this happens—as it may well do—building societies will be called upon to try to make extra funds available for mortgages. The Government should be considering what assistance it can give to all home owners who continue to provide their houses at no cost to the nation. I make a plea therefore for the recognition of building society deposits as a Trustee Investment.

The Report and Accounts were adopted.

CHELTENHAM & GLOUCESTER BUILDING SOCIETY

The annual general meeting of Cheltenham & Gloucester Building Society was held on February 20th at Cheltenham.

Mr Leslie W. Bayley, CC, FAI (President and Chairman), presided and, in the course of his speech, said:

It is remarkable how closely monetary conditions during 1956 followed the pattern of 1955. In each of these years there was an increase in Bank Rate in February, followed, as the months unfolded, by a corresponding increase in long term rates. New investments began to fall off and withdrawals began to rise, and there was less available for assisting house purchase.

In the summer of each year the Building Societies' Association, of which we are members, recommended a ½ per cent increase to shareholders and depositors, and in both years this was effective in bringing about an improvement. Last year, however, Building Societies had to face increased competition for funds from the National Savings Movement and from Local Authorities, and it is not surprising that our rate of growth has been somewhat slowed down.

Working as we do on a very small surplus, any increase in the rate paid to investors must be passed on to borrowers if reserves are to be maintained. Although our borrowers' rate was raised to 5 per cent from January 1, 1956, the further increase to our investors in September, 1956, together with the increased composite rate of tax, more than wiped out our margin, and it became necessary to notify our borrowers of a further increase to 6 per cent taking effect from April 1, 1957.

Here I must emphasise that the recent reduction of ½ per cent in Bank Rate will not mean an immediate reduction in Building Society rates. The rate at which we lend depends entirely on the rate at which we can attract and retain investments, and this, in turn, depends upon the rates offered by other bodies, including the Government itself, which compete for savings. Whether a fall in these rates will follow, we shall know in due course, but there must inevitably be a considerable time lag.

Turning to the Accounts, and taking the Share and Deposit Departments together, there was an increase of £1,600,000 during the year, and whilst this increase is less than last year, having regard to all the circumstances we can regard this as satisfactory. We advanced £3,700,000 to assist house purchase during the year, and this is also considerably less than the record figure we established in 1955, and is mainly accounted for by the fall in net receipts from investors.

We have increased our liquidity to some 14 per cent of assets and we are now in a position to entertain an increased amount of mortgage business during 1957 and I hope that we shall be able to lend well over 4 Million to assist house purchase during the present year. We are able to transfer some £71,000 to Reserves, a figure slightly lower than last year, due to the interval before increased rates to investors were passed on to borrowers. Our Assets are now £28,671,000, an increase of £1,822,000, and our total reserves amount to £1,691,000, representing 5.9 per cent of our assets.

The report and accounts were adopted.

Clarence Street, Cheltenham. Tel: 3054.

APPOINTMENTS

NUFFIELD COLLEGE STUDENTSHIPS

Applications are invited from graduates (men and women) who wish to undertake research in any branch of economics or politics (including political theory, government and public administration, and international relations); statistics; sociology; constitutional, public and international law; recent social, economic and political history. The College is also interested in the application of these disciplines to the problems of colonial and under-developed societies. Recently the College has received grants to further the study of European politics and government and of trade union policy and industrial relations.

Further particulars and the necessary forms are obtainable from the Warden. Applications should reach him by May 13, 1957.

STATISTICIAN required for Market Research Department at Norwich. The position is a senior one within the Department, the successful candidate working directly with the Research Manager. The work is concerned with the design, analysis and interpretation of surveys covering retail consumer and product research. If you have a qualification in statistics such as the B.Sc. Economics, the Certificate of the Royal Statistical Society or have passed the Finals of the Association of Incorporated Statisticians or some similar qualification, please apply in writing, giving full particulars of education, qualifications, experience and salary required, to Secretary, Reckitt & Colman, Ltd., Norwich.

INDUSTRIAL ACCOUNTANT

A Large Engineering Company of international repute requires, at one of its heavy engineering works in the South Midlands, an Accountant with experience in engineering.

Commencing salary not less than £1,600 p.a. Good pension scheme.—*Full details to Box E587*, IPE, 55 St. Martin's Lane, W.C.2.

FISONS LIMITED have a senior position vacant in the newly formed Group Methods Study Department at their Head Office, Felixstowe, Suffolk. It offers an opportunity to do original work on the application of mathematical techniques to the solution of industrial and managerial problems. Applications are invited from men who have a sound mathematical background and are able to express their ideas with clarity and tact and either have been or would like to work on this type of applied research. Experience of electronic computers would be an advantage.—Applications to the Personnel Officer (E.O.D.), Fisons Limited, Harvest House, Felixstowe, Suffolk.

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Candidates should have had a University education and preferably training in Personnel Management.—Applications should be made to the Employment Officer, giving full details of age, experience and qualifications.

APPLICATIONS are invited for the post of Lady Secretary at the Technical Bureau of the Persian Plan Organization, Tehran, under a contract with the International Bank for Reconstruction and Development. Applicants between ages 25 and 40 must be able to take dictation in German and translate technical material from German into English with speed and accuracy. University degree an advantage. Duration one year in the first instance with possibility of renewal. Salary between £102 and £125 a month tax free according to qualifications and experience plus a settlement allowance to cover expenses incurred at the commencement and termination of contract. Medical examination will be required.—Apply in writing only to Miss M. R. Bruce, Treasury Chambers, Great George Street, London, S.W.1.

GREETING CARDS.—Leading House in West London Area wishes to appoint a BUYER. Preference will be given to applicants who have had sound experience in buying Lithography and Allied materials. The post will carry a good commencing salary and we are looking for a man with a sound responsible outlook and the highest integrity. For the right individual there are very real prospects. Applications, in writing, will be treated in strict confidence and should give full details of qualifications, experience, age and salary required.—Box 638.

RESEARCH ASSISTANT. Opportunity for appointment in economics department of large financial institution in London to man or woman with good economics degree, aged 23-30. Starting remuneration varies with age: at 25 (subject to short probation): £650 (men), £600 (women). Non-contributory pension, Ltd., Gateway House, London, E.C.4.

AUSTRALIAN NATIONAL UNIVERSITY

CANBERRA

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Applications are invited for an appointment either as SENIOR FELLOW or as FELLOW in the DEPARTMENT OF INTERNATIONAL RELATIONS.

The qualifications desired include a knowledge of the area north of Australia from Pakistan to Japan and/or experience, either academic or practical, related to research on current international problems.

The salaries and ranges of Senior Fellows and Fellows are determined within the limits £A2,224-£A2,674 and £A1,574-£A2,224 respectively, and these appointments are made for an initial period of five years; thereafter they may be made permanent.

Superannuation on the F.S.S.U. pattern will be provided and reasonable removal expenses will be paid.

Further details are available from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close, in Australia and London, on April 15, 1957.

NEW SOUTH WALES UNIVERSITY OF TECHNOLOGY, AUSTRALIA

The New South Wales University of Technology invites applicants for appointment to the position of Senior Lecturer/Lecturer in Economics in the newly established Faculty of Commerce.

Applicants must possess a University degree with honours or equivalent qualifications, and previous University experience will be an advantage.

Salary:

Senior Lecturer: £A1,881 range £A2,231 per annum.
Lecturer: £A1,281 range £A1,831 per annum.

Commencing salary according to qualifications and experience.

Applicants should specify main area of interest and preference will be given to applicants experienced in field of Industrial Relations.

Subject to passing a medical examination, appointee will be eligible to contribute to the New South Wales Superannuation Fund.

First-class ship fares to Sydney of appointee and family will be paid.

Five copies of applications (including the names of two referees) should be lodged with the Agent General for New South Wales, 56-57 Strand, London, W.C.2, and a copy forwarded by airmail to the Registrar, New South Wales University of Technology, Kensington, New South Wales, Australia, before March 18, 1957.

UNIVERSITY COLLEGE OF RHODESIA AND NYASALAND

Applications are invited for the

CHAIR OF ECONOMICS

Salary scale £2,000 x £100 to £2,300 p.a. Superannuation scheme. Passages to Salisbury for appointee, wife and dependent children on appointment with allowance for transport of effects. Unfurnished accommodation provided at rent of up to 15 per cent of salary.

Detailed applications (six copies), naming three referees, by April 6, 1957, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

AN INVITATION TO:

UNIVERSITY GRADUATES

ALSO THOSE WHO EXPECT TO QUALIFY DURING 1957

An already large and still rapidly expanding engineering group with factories and research establishments in various parts of the United Kingdom and numerous overseas connections, is anxious to establish contact with a number of men in respect of training for senior managerial, sales, production and technical appointments.

The company seeks enthusiastic, energetic and talented men who have capacity to assume ultimately positions of considerable responsibility.

Graduates with Engineering, Science or Arts Degrees, and those expecting to qualify this year, who are interested to receive further information, should write as soon as possible to Box 642.

THE ENGLISH ELECTRIC COMPANY LIMITED

This Company is expanding its Organisation and Methods Division both at the Stafford Head Office and at its works in various parts of the country.

Applications are invited from young men between 23 and 35 years of age preferably with experience in office routines and systems who are interested in pioneering O & M work in industry. Preference will be given to men with a degree or professional qualification. There are also a limited number of vacancies for men with experience in the installation of punched card equipment who are interested in the application of electronic computers to clerical work. Enthusiasm and the ability to deal with people at all levels are essential qualities. Interesting and permanent employment is offered with excellent opportunities for advancement.

If you feel you have the necessary experience and qualifications, send details of age, present salary, experience and qualifications, to Dept. C.P.S., 336-7 Strand, W.C.2, quoting Ref. E 1289A.

TOP LEVEL EXECUTIVE

Applicants for this appointment advertised in December are advised that the vacancy has been filled. (Box 584.)

STATISTICIAN with good knowledge of sales analysis, & market research and business organisation needed by firm of international repute in the food industry. Good scope for successful applicant. Age 26-35 years.—Reply to Box 601.

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The applicant will be required to have some experience in the field of mechanical engineering. Must speak French fluently and have some knowledge of German. Should have held a responsible executive post, preferably in a technical selling capacity.

This is a senior appointment and will carry a salary commensurate with experience and qualifications.

Applications to the Managing Director: Etablissements Henri Benedictus, 34-36 rue Melsens, Brussels, Belgium.

VENEZUELA. Export Manager, long experience engineering, linguist, economist, proceeding shortly to Venezuela. Prepared act as agent or factory representative, or effect market survey.—Box 635.

UNIVERSITY OF CAMBRIDGE

DEPARTMENT OF ENGINEERING

POST-GRADUATE COURSE IN STRUCTURES AND MATERIALS

The 1957-58 Post-Graduate Course in Theory of Structures and Strength of Materials will be held in the Department of Engineering, Cambridge University, beginning on October 8, 1957, and finishing in June, 1958.

The latest advances made in the understanding of the behaviour of metallic structures under static, repeated or fatigue loading will be the principal subject of the course, with particular emphasis on welding as a method of fabrication. No attempt will be made to teach conventional methods of design, but present-day practice and possible future developments will form the subject of critical study.

The object of the course is not to train research workers, but to help engineers to apply the latest advances in knowledge. The course will include lectures, colloquial and laboratory work, and each student will be encouraged to make a detailed study of some problem of particular interest to him.

The course is open to university graduates with industrial experience, and to others with suitable equivalent qualifications.

Further details and forms of application for admission may be obtained from the Secretary, Cambridge University Engineering Laboratory, Trumpington Street, Cambridge.

Applications should be sent in not later than June 1, 1957.

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EXCELLENT CAREER PROSPECTS

Applications are invited for training as FULL-TIME TEACHERS of General, Commercial and Professional subjects, and/or Office Arts (shorthand, typewriting, Secretarial work) in Technical Colleges and Schools. The next course of training will begin in September, 1957, and end in June, 1958.

Applicants should normally

1. be between about 25 and about 45 years of age,
2. have good commercial experience,
3. possess one of the following: Professional qualification or degree, Higher National Certificate in Commerce, Advanced Certificates in Shorthand and Typewriting.

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LONDON.—The Principal (S/11/25), Garnett College, 83 New Kent Road, London, S.E.1.

B.Sc.(ECON.) LONDON UNIVERSITY

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provides postal tuition for the above degree (obtainable without residence), which is a valuable qualification for those seeking executive appointments in commerce or industry, government or municipal posts. The College, established 1887, is an Educational Trust. Highly qualified Tutors. Low fees. Prospectus of U.C.C. Courses for London Degrees and Diplomas, G.C.E. free from the Registrar, 60 Burlington House, Cambridge.

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"So often do the spirits
Of great events stride on before
And in today already walks tomorrow"

COLERIDGE

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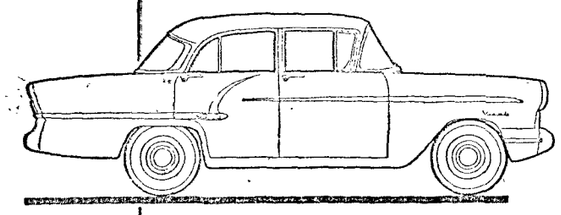
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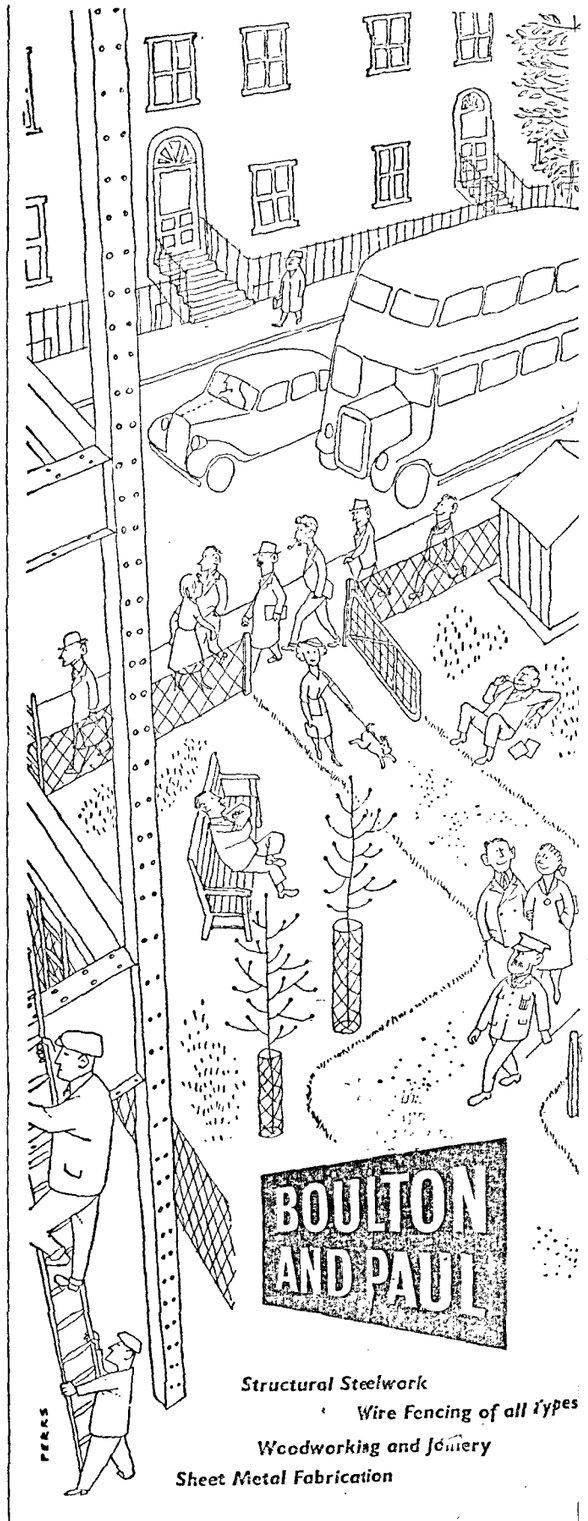
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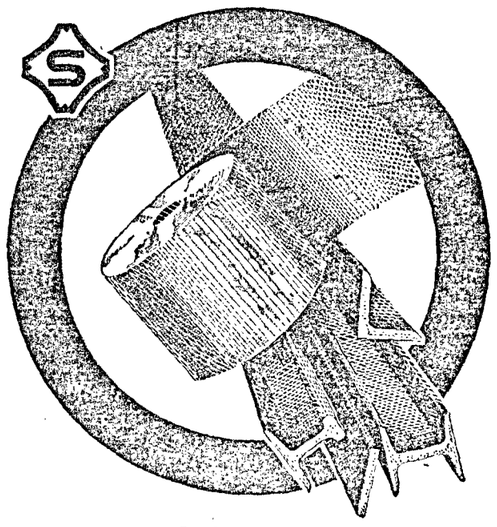
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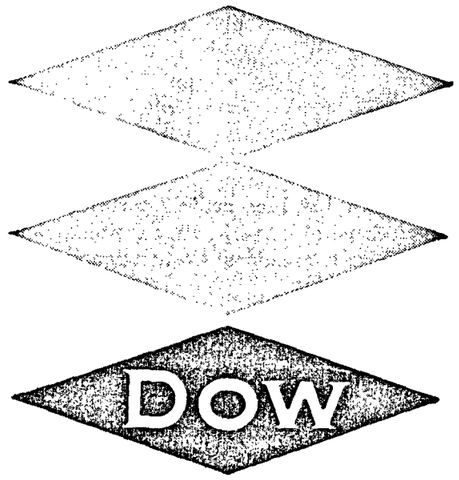
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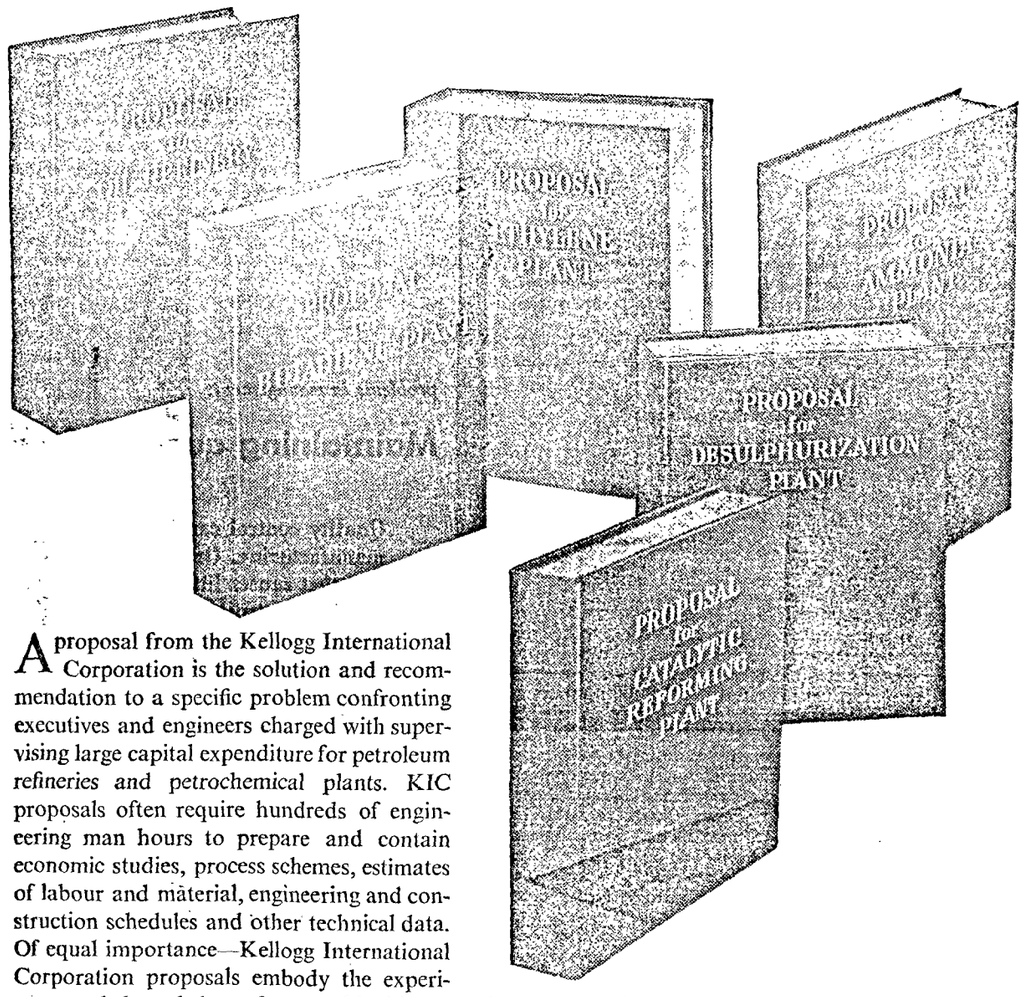


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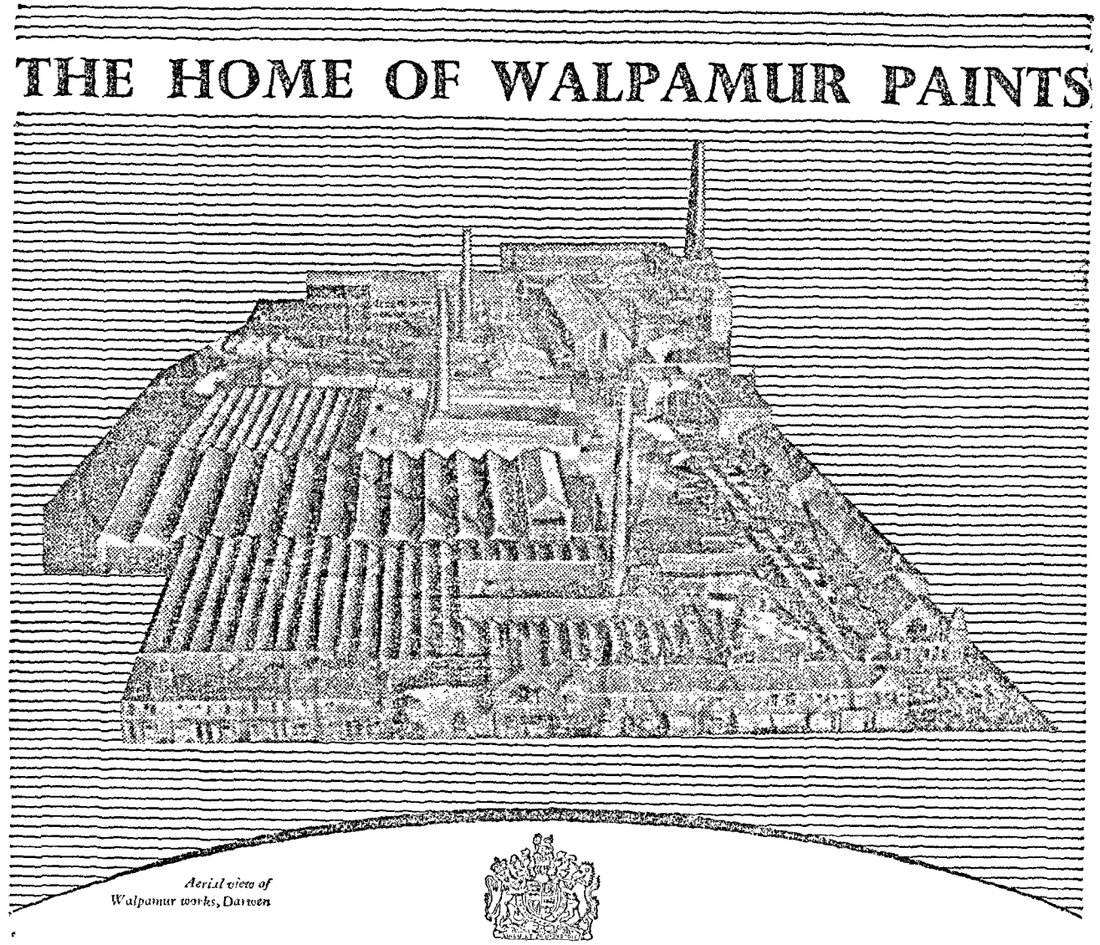
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No Peace in Palestine

LIKE earlier prophets of Israel, Mr Ben-Gurion, having scourged his people's enemies, has had to turn about and face the anger of the people themselves. From January 22nd to March 1st he had fought a dogged rearguard action to get, in return for giving up the two captured strips of land left in his hands outside Israel, concrete gains for Israel's future security and its future communications. But when in the end he had to agree to withdraw his invading forces, he still had no concrete guarantees, but only "hopes and expectations," to show. It is true that the hope and expectations have the explicit approval of the President of the United States; but the President in his letter of March 2nd, the document which finally clinched the decision to order a withdrawal, spoke as the friend, not merely of Israel, but "of all the countries of the area."

Most of those countries are Israel's bitter enemies; and the United States is in course of embarking on a concerted diplomatic action in the Middle East designed to win their friendship in order to steer them clear of the influence of Soviet Russia. This is the overriding general aim of American policy; and though the pursuit of it in the Arab world takes forms that Britain cannot be expected to like, in the world at large we have reason to be thankful that it is being resolutely pursued. Mr Dulles, the chief executant of that policy, has made it clear that in his eyes such local questions as the security of Israel's frontiers, navigation in the Gulf of Aqaba, and even the control of the Suez Canal, are of minor importance in the world struggle against communist power. The rift that opened last summer between London and Washington and the contest of wills between Washington and Tel Aviv have both reflected this difference of proportions; so, curiously enough, did the tragedy of errors with Cairo over the financing of the Aswan Dam. It is, in fact, a standard and recurring problem of American policy: how to persuade the governments of smaller countries to accept that their national concerns are secondary.

Mr Ben-Gurion, in wresting a vote of confidence from the Knesset after the decision to withdraw, stressed the "informal promises" he had received, presumably from Washington, about the future of Gaza and the free use of the Gulf of Aqaba. But the United States government itself has been categorical that there are no promises that cannot be read in the documents that are public: the American note to Israel of February 11th, Mr Lodge's statement to the United Nations General Assembly on March 1st, and President Eisenhower's personal letter of March 2nd to Mr Ben-Gurion. The first of these documents was evasive on the vital points; the second nearly shocked the Israelis into calling off the withdrawal altogether; the third, Mr Eisenhower's letter, simply avoided the pitfalls of detail by being wholly and frankly general in its terms.

In sum, Mr Ben-Gurion can count it a gain that he has forced the issue of the Arab blockade and boycott of Israel into the open as issues of international law and conduct by which, as everyone must now

realise, peace in the Middle East is likely to stand or fall. He cannot with any certainty count the entry of the United Nations Emergency Force into Gaza and Sinai as a gain for Israel—since the force has gone there, not to protect Israeli rights, but simply to get the invaders out. Its presence becomes a gain, and not only for Israel, if the force stays there indefinitely after Egypt has recovered its damaged military strength, and if it assumes, among its other functions, that of restraining Egypt from hostile acts. There is no evidence whatever that a spontaneous majority can be found for that positive purpose in the General Assembly. In the last analysis, this new role can only be imposed on the United Nations against the preferences of its members—and probably by nothing less than the declared Israeli readiness to go to war again if the United Nations hands over Gaza to Egypt, or if the Egyptians again close the straits of Tiran.

Israel's successful invasion of Sinai has given weight to any declarations that its government may make in that sense. It is indeed a sad reflection that this should now be the principal stabilising factor in a region which has occupied the peacemaking energies of the United Nations for, off and on, ten years, but it is so. This is the balance-sheet, too, of the triple military adventure of October. France has cut its losses and returned to its Algerian preoccupation. Britain, as a consequence of its own folly, has retired for the present into an inactive part, its influence in the vital lands of oil transit—Egypt, Jordan, Syria and Lebanon—obliterated. Israel remains ready to fight again.

★

None of the Arab countries has made the slightest concession or declared any readiness to modify the boycott of Israel ; Egypt has not renounced belligerent rights against Israel or accepted any qualification of possession or sovereign rights in the Suez Canal, the Gulf of Aqaba, or anywhere else. American attention is now focused on the Middle East, and American diplomacy will become more active there than it has ever been in the past. But American diplomacy will be handicapped in handling the internal disputes of the Middle East by the danger that any Arab country that feels itself aggrieved may look to Russia for support.

Pacified only in the most superficial sense, the Middle East remains dangerous and unstable. The pipelines and the Suez Canal may soon reopen now, but Britain and most of Europe must continue to harbour the fear that their oil supplies may again be interrupted. And, since all the conditions of disunion, pent-up violence, juridical obscurity, and high strategic stakes exist in the Middle East, the world cannot rest free from the worse menace of a chain reaction that might lead to world war. Uno, with patience, skill, and the application of sedatives, may keep the danger damped down and provide a welcome interval of peace and quiet, but because of the disunity and conflicts of its members it can probably not do more. A working arrangement between the United States and Russia might remove the danger, but that is still far off. Only one other hope remains : that the Middle Eastern countries might compose their own conflicts.

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The Arab states have won a diplomatic victory, in the teeth of Israel's military strength and their own total military weakness, by securing the Israeli withdrawal (in itself both right and necessary) without themselves renouncing the blockade, the boycott, or the state of war—without, that is, accepting a Palestine settlement in any shape or form. A settlement—recognition ; the juridical acceptance of frontiers ; the dropping of the boycott and the renunciation of belligerency —was the highest Israeli war aim. None of it has been achieved ; instead, the United Nations is saddled once more with supervising a patched-up truce.

Some Arabs realise that this precarious state of things is not in their interest, and that the pan-Arab movement need not necessarily, or always, be dominated by hatred of Israel. The existing convention in the Arab world is against them ; to admit to such views is a form of treason. President Nasser himself has consolidated his hold on Arab sentiment by accepting the convention, which at the outset of his rule in Egypt had seemed to make little appeal to him. But if security is denied to Israel it is denied, equally, to Israel's Arab neighbours. By merely keeping alive the dream of a counter-crusade which will one day remove the state of Israel from the map, the Arabs keep alive and foster in Israel the very characteristics that they fear: Old Testament irredentism, the military virtues, the implacable Zionist spirit, and the watchfulness of a beleaguered force ready to anticipate any blow before it is struck.

Egypt can no more benefit by keeping this spirit alive than by the other malignant aspect of pan-Arab nationalism in its existing form: the shutting of doors and turning away from the West. On the contrary, Egypt, for its own stability and the good of its people, needs a period of conciliation, with quiet on the frontiers, a relief from military urgency, the Suez Canal working profitably on terms that Egypt and the users can accept, trade flowing between the Nile delta and the western trading countries, and a return to development and improvement at home. Emotions have gone too far for an Egyptian government to make peace with Israel at one stroke, but President Nasser could begin now by accepting a breathing-space. He could set about gradually opening the doors that have been closed, and allowing the Egyptians and the Arabs a relief from the burden of high national tension. So relieved, they might in time come to see peace in Palestine as a good thing to be sought, not a danger to be fought against. To set such a course President Nasser would need to begin to lead his country instead of following his extremists ; he would have to be ready, as Mr Ben-Gurion has been, to confront anger at home.

On the Fringe of Planning

A GOVERNMENT bill is expected shortly to make permanent the power to apply hire purchase controls, if not the present controls themselves. It will be worth having a careful debate about it. It is being widely alleged that the most successful cuts in demand in the past eighteen months have been achieved by these and other measures "on the fringe of planning" ; and the sharp increase in motor sales since hire purchase controls on them were relaxed in December is being taken as proof that these weapons must not only be among the last to be abandoned when balance of payments stability is being restored, but must be regarded as a regular part of the Treasury's armoury. How far is this argument justified ?

The chief consequence of tight hire purchase controls, since their imposition in 1955, has been to ensure that the cut in demand that has taken place has fallen largely on cars and other consumer durables, instead of on other parts of the economy. This was deliberate, in so far as these particular demands were regarded as putting a special strain on scarce resources and on the balance of payments. But the effect has been that the cut in demand has occurred in those industries that were expanding most rapidly up to 1955, instead of in the industries which up to then (in a free market) had seemed most meet to decline, like cotton.

The short-term reasons why it seemed desirable that the cut should be diverted in this way must be accepted. Hire purchase represents internal "consumption," which all postwar Chancellors have learned (and with justice) to regard as the first thing that should be cut ; many of the goods that are bought on hire purchase are either goods that could be exported or are made by workers who could find other employment in similar export trades ; they also absorb a lot of scarce steel. But one truth must never be forgotten. It is that these short-term arguments, whatever their worth, still do not vitiate the long-term principle that specific controls, applied to forms of demand that bureaucrats find inconvenient, are much less desirable than general disinflation, based on consumers' preferences. And one of the reasons why hire purchase controls are liable to be used too much in modern Britain, in defiance of this principle, is that they happen to accord too well with certain parts of the mistaken attitudes of both political parties. Socially, some Tories still need to be told that the pre-1955 tendency for better-off members of the working class to increase their spending on cars, television sets and washing machines—at the expense of pools and pubs—was not a bad thing ; it was a very good one. And, economically, many Socialists need to be told that when demand runs ahead of productive resources in particular industries, this does not provide a long-term case for perpetually restricting demand in those industries ; it, in fact, provides a case for attracting more resources into them.

Both these points were made in *The Economist* when new hire purchase controls were imposed in 1955. Experience since then has surely confirmed the long-term social argument, and strengthened the long-term economic one. When resources have moved as a result of hire purchase controls, they have usually moved out of the industries which—if one believes in an expanding economy, and takes one's line about the likely future course of British expansion from American experience—should soon want those resources back again. Much more frequently, however, since producers of motors and other durables have until lately been prosperous and believe that they will be prosperous again, employers have held on to their men by instituting three- or four-day working weeks. In so far as the major diversionary effect of hire purchase controls has been to ensure that the cut in working hours has taken place in the most uneconomic ways, and in industries where workers' earnings and marginal productivity were previously highest, they hardly seem to have been on the right fringe of planning.

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Moreover, since the money that consumers would otherwise have spent on hire purchased goods is freed to chase other things, the controls do not bring about any lasting cut in *total* demand. It is of the essence of these controls, like other physical controls, that they do not reduce consumers' total and eventual purchasing power by one penny. But there is a complicating factor here. When a hire purchase contract is opened, the purchaser pays out a small part of his disposable income but makes an immediate demand upon a greater volume of real resources ; later, when he is paying the rest of the purchase price, and (because of interest charges) slightly more than the original purchase price, he makes no demand upon any new resources at all—and the instalment payments are, in fact, counted in the national income figures as savings. Thus an increase in hire purchase contracts leads to a more than proportionate immediate increase in consumer demand, and this is followed by a natural—and slightly more than offsetting —fall in consumer demand later on. Thus, when hire purchase becomes an important factor in an economy, it sets up a minor trade cycle of its own.

What the imposition of hire purchase controls in 1955, and their strengthening in 1956, have done is to intensify a downward swing of that cycle ; 1956 was likely to have been a quiescent year for hire purchase anyway, and it is partly because of this that some of the figures now being quoted to show the "success" of the controls last year can be misleading ; 1957 is likely, by

the same token, to be a year of increasing new contracts, and if the controls were removed, the increase in new contracts—and the more than proportionate increase in demand that they would bring—would be greater than the economy could afford this year. There is now so much water stored behind the dam. This, surely, suggests the shape that the new bill should take.

It is desirable to be dogmatic about this. There are certain types of control—such as prohibitions on hire purchase companies raising new capital on loans—which must be wrong. Why discriminate against something that is socially valuable? There are others—such as limitations on minimum deposits and maximum periods of repayment—which are bad only when they are applied (as they were in 1955 and in a strengthened form in 1956) in such a way as to amount to virtual prohibitions on certain types of transaction. What is needed is not a bill to give the Government powers but to define which, and within what limits, are the legitimate controls; they should be used, when they have to be used, like Bank rate—gradually and at no stage amounting to prohibition. If the Government introduced a bill on these lines, it should command support. If—as one rather suspects—it introduces legislation designed to make stiff restrictions on hire purchase a normal, instead of an emergency, feature of our inflation-minded economy, then Tory backbenchers (who ought to be opposed to specific controls) and the Labour party (which once called hire purchase controls "class legislation") should stand ready to make a fuss.

A Ministry on Which the Sun Sets

GHANA joined the Commonwealth this week as its ninth member state, and its first with a black African government. The celebrations in Accra, to which every country on either side of the iron curtain sent representatives, have demonstrated the genuineness—though not the arduousness—of the British effort to turn colonies into self-governing states. Ghana leads a new round of promotions. Has the time not come to start making changes in the dual organisation in London which deals with an expanding Commonwealth and a contracting colonial empire? Sooner or later the Colonial Office will have to be wound up. Might it not be as well, it is being asked, to recognise that the Colonial Office's present and most honourable function is to work itself out of a job; and to transfer responsibility for the emergent, and even pre-emergent, Commonwealth countries to the Commonwealth Relations Office?

The timetable, after all, is getting filled in. It is true that it is not possible to run one's eye down the list of thirty-odd colonies of every size and sort, and set a date for independence day against each. The only positive fixture after Ghana is Malaya, for next August. But it is clear that there will be strong pressure for the transfer of other territories to the CRO even this year. The dividing line between dependence and independence is getting very thin. Thus both the Eastern and Western Regions of Nigeria are expected to become independent this year, and though, in default of the Northern Region following suit, this will not automatically confer full independence on Nigeria as such, the handling of its affairs at a "higher level" than the Colonial Office may well be put forward as a compromise in the delicate constitutional negotiations in May. The Federation of Rhodesia and Nyasaland is also asking for "higher status," though the remaining limit on its sovereignty lies in Colonial Office responsibility for the protectorates of Northern Rhodesia and Nyasaland; the Federation itself comes under the CRO already. When the Federation of the West Indies is completed next year, it too will at first not be fully sovereign, but it is already evident that it will demand higher status than that of a territory for which the Colonial Office has formal responsibility. Again, though control over the base at Singapore is to be secured to Britain, the Singapore delegation now in London may well bargain for a degree of independence which will involve transfer from the Colonial Office to the CRO. All these countries expect a change.

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At the beginning of this week the Colonial Office was formally responsible for territories with a combined population of about 80 million. Ghana and Malaya will subtract only 12 million of these; but if all the countries demanding higher status, mentioned above, were added (and including Malta, which may go to the Home Office) the population of territories left within the Colonial Office orbit by 1959 would be only 25 to 30 million. This would be shrinkage indeed. All that would then be left in the way of sizeable territories would be East Africa; the rest would be small enclaves and some hundreds of islands dispersed in every ocean. Even from this reduced colonial dominion, Sierra Leone, Uganda and perhaps Mauritius might be removed by the early 1960s. Before then, the future of Cyprus, as one of the Mediterranean fortress-colonies will, it must be assumed, be settled—and what British control is exercised is more likely to be done through the CRO or Foreign Office than the Colonial Office. There is not much time to take decisions about the future of the Colonial Office before it becomes a mere shell of its present active self. This has not escaped attention in the Colonial Office itself, but the difficulties are considerable, and could too easily prevent anything being done.

The principal difficulty in the way of an early amalgamation between the Colonial and Commonwealth Relations Offices is that the two departments claim that they need different types of expertise. The Colonial Office probably feels that its activity in preparing colonies for independence makes any immediate merger almost impossible. For the next year or more, it says with some force, no single minister could perform both the functions of negotiating the independence of a whole series of colonies and then making them feel at home in the Commonwealth family. Latter-day dominions are giving more trouble at their birth than earlier ones; there is a case for separate specialists to deal with the prenatal and antenatal crises. Nor is the CRO inclined to minimise the arduousness of its own special task. Its functions are entirely different from those of the Colonial Office; but though they are essentially diplomatic, it thinks of them as diplomatic to a point of delicacy that the Foreign Office hardly dreams of. To send out the telegrams, to see that everyone is kept informed—the telegrams went on flowing to the Commonwealth throughout the Suez crisis—to keep the party together without treading on anyone's toes, is the CRO's speciality; it argues that it is simply not equipped to supply and control a cadre of administrators and technicians, to deal in constitutional change, to lay on financial and other aid for development. It is highly reluctant to take on the affairs of any colony until it has set hard as an independent state.

★

Up to a point—but only up to a point—these arguments are cogent. Yet the CRO administers Bechuanaland, Basutoland and Swaziland like colonies; there seems no reason why it could not temporarily carry semi-colonial functions *vis-a-vis* Northern Rhodesia, Nyasaland or Northern Nigeria. If it did, the final transition of these territories might be eased. To the practical administrator it is false to make a sharp division where independence falls. There is a graduated scale of degrees of independence from the most colonial of colonies to the most republican of sovereign Commonwealth states. After independence, Colonial Development and Welfare has to be replaced by the Colombo Plan or something like it (there will have to be some new sort of Commonwealth finance corporation or co-ordinating committee soon); but the administrators stay on for some time, the technicians even increase. The new independent ministers find themselves telling their sovereign parliaments just what are the real limits on sovereign freedom of action in the modern world.

Nevertheless, the CRO has practical reasons for arguing that there must be a formal break between the last of the colonial stages of a country's development and the first of the stages of adult nationhood. One of these is the reluctance of the existing Commonwealth countries to have anything to do with Britain *qua* colonial power, to seem to condone colonialism by accepting a colony as a partner in their company. It remains to be seen if the partial exception made for Rhodesia would form a precedent even for Nigeria. To press for a premature transfer to the CRO might merely provoke a request from India (perhaps even from Canada) to have its affairs handled by the Foreign Office—which is, indeed, an issue sure to be posed, though it would be a disadvantage to incoming Commonwealth states. "Near dominions" may desire to be upgraded, but existing dominions do not want the CRO to be diluted.

It might have been far easier to have overcome this difficulty if the original proposals for a Commonwealth civil service had been imaginatively carried out—if the Commonwealth countries had been prepared to send more technicians and administrators of their own to serve the colonies in their transitional stages. Even so, there is no reason at all why, with the example of Ghana to go by, Commonwealth member states should not be asked to join with Britain in overcoming the last obstacles to the independence of so many emergent territories in the next few years. Put rightly, the request would be hard to refuse.

The first objective should surely be to bring as many new territories as possible into relations with the CRO

The Overseas Service

Few topics have been more thoroughly winnowed and sifted than . . . our present quarrel with China. . . . There can be no doubt that our diplomatic representatives abroad ought to be chosen with the utmost care and from the most pure and single-minded motives. They should be selected from the most firm, temperate, prudent, courageous and conciliatory men the country can afford. The more distant the station and the more peculiar the people in question, the more anxiously conscientious should be the selection—since greater qualifications are required and wider latitude of discretion must be given. There can be no doubt, unfortunately, that this rule has not always—nor generally—been followed. Further, it is true that our usual wise and chivalrous custom of backing the remonstrances and ratifying the proceedings of our representatives in all quarters of the world, may occasionally induce these gentlemen to act with undue peremptoriness and precipitation, and virtually bestow upon them a power of getting us into disputes and keeping us in hot water, which, rightly and constitutionally, should be vested in the deliberate decision of the Home Government alone. But after allowing the fullest weight to these pleas, it still remains undeniable that the disavowal or the discountenancing of our diplomatic representatives in remote places (whether they be naval men or civilians) is a practice fraught with danger of the gravest nature, and should only be done in the rarest cases and on the clearest grounds. . . . On the weight which their representations and remonstrances carry with them may at any moment depend the lives and property of British citizens and the honour of the British flag and name. We do not say that rash and headstrong envoys—if any such have been, unhappily, sent out—should in *all* cases be sustained and backed; but we do say that before we decide upon such a questionable and perilous proceeding as disclaiming and recalling them, the evidence of their injustice and indiscretion should be very clear, very strong, and indisputably *complete*.

The Economist

March 7, 1857

by agreement. What then remains of the Colonial Office should certainly be renamed; it should indeed be renamed at once, for the name does not describe its modern functions, and perpetuates prejudice needlessly. By 1960, or not very long afterwards, the Ministry for Overseas (or Associated?) Territories could be a fairly small office, dealing with the remaining colonies and those smaller ex-colonies that, for reasons of defence and economy, wanted Britain to continue to represent them abroad. The number could be cut down if existing groupings could be widened—for instance if Malaya could federate with Sarawak and Borneo, British Guiana with the West Indies. Somaliland might go in with a greater Somalia; the Gambia might merge with an independent Senegal; in a variety of ways, and by means of reciprocal rights, however, traditional ties could be maintained.

This is looking ahead and disposing of difficulties very lightly. But it is necessary to look ahead and see beyond difficulties. The department that needs strengthening is the CRO, and perhaps it is the department that should now do most of the forward thinking. Ghana is not just a milestone; it is the point of no return for both ministries.

BRITAIN'S SCHOOLS—II

Preparatory School

"PLEASE drive slowly pending repairs to the drive" read the weather-stained notice at the gates of the preparatory school. The board had obviously been there for years. But the school itself—a country house in Edwardian-Jacobean—was well kept; its lawns were mown, its yew hedges clipped, its huge cedars carefully tended and majestic. Within, the parquet was well polished, the paint new enough, and the panelling in good repair. "We can just about afford to keep it decent," said the headmaster, "but the cost of maintaining a place like this, even at this standard, is formidable. For last term alone the bill was £1,000."

Maintenance, he went on to explain, is not the only rising cost which embarrasses his, as well as many other, "prep schools." In the last two or three years the staff have become much more expensive. "To get masters worth having we have to pay as much as the state schools pay their teachers," he said, as if masters and teachers were of quite different species:

> It's true that by and large we aren't competing for the same people. Prep school masters are almost always ex-public schoolboys. But obviously if the gap between prep school salaries and the Burnham scale got too wide we should find it very difficult to get anybody.

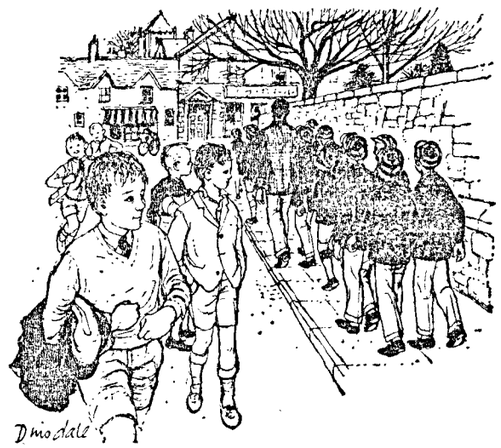
It is difficult enough now. For every post that is advertised there are plenty of applications, but nearly all these are from people whom a good prep school would not look at. This school, like others outside the state system, does not expect any training in the technique of teaching from masters, although mistresses are nearly always Froebel-trained. But it does want men with some sort of degree. Most prep schools, it is true, are staffed at the lower end by young men waiting to do national service or to go up to a university, or else tiding themselves over while they look for something else. This is not quite as bad as it sounds; they are good with the games, they can still remember how they were taught themselves, and if they are going to a university they are usually literate. But the rapid turnover is bad for the youngest forms.

Young graduates of the "right type" who are prepared to make a career in prep schools are hard to find. One headmaster whom your correspondent visited said that the applicants he had any hope of keeping were always over forty; the post-1948 influx from India and of ex-regular officers was a great help. Another head, on the other hand, thought that the shortage would not get worse. The career prospects for prep school masters (as well as the schools themselves) are improving, he pointed out, now that more and more headmasters are salaried. The owners of prep schools do not always have a son who wants to inherit the business, and they tend to pass on their schools to a board of trustees which appoints a headmaster—an arrangement which reduces the tax that is payable and does away with the suspicion that the headmaster has a vested interest in feeding the boys as cheaply as possible. Alternatively, a group of old boys or others may be invited to take shares in the school as a limited company. And prep school teaching will always have its attractions for those who like small boys—as well as four months' holiday in the year. It is on the whole a bull point for these schools that the staff are there because they like it. They do not work by the clock, or hold protest meetings about their pension scheme (if any), or see themselves as martyrs to the stinginess of an ungrateful community. They are delighted with their little world.

That being so, the prep schools can usually lag a bit behind the Burnham scale (though a few exceed it), but they cannot escape its upward thrust. Another rise in fees seems inevitable. The good prep schools do not lack customers—indeed, their waiting lists are longer than ever. But parents' resources are already strained. There is an increasing use of endowment policies which spread the cost of private education over 18 years. The headmaster told your correspondent that several of his fathers take jobs abroad simply in order to earn enough to give their sons this kind of education.

Or it may be paid for by grandfather, who may set up an educational trust under covenant, or pay a once-for-all capital sum to cover five years of preparatory schooling. The school transfers this sum to a firm of insurance brokers which pays the fees as they fall due. The advantages are that grandfather (or anyone else) may, if he pays eight years in advance, put down only £880 for fees that would otherwise total £1,380; and that the sum is not liable for death duties. But the difference must be paid if the fees go up. Whether the next generation of grandfathers will be in a position to do this sort of thing is doubtful.

Grandfather's money is not the only favourable wind that might change. One that will certainly disappear is the Bulge, the rush of births that took place after the war, in which the upper middle and upper classes played their modest part. The children at the peak of the Bulge (such is the jargon) are now eleven, so the supply of prep school boys will not start to decline for another two years.



A development that would cost the prep schools dear would be a change in the attitude of prep school type parents to the primary schools. More and more of them are sending their children there between the ages of five and eight and then to a prep school until they are thirteen; but the instinctive middle class attitude is still to regard primary schools as places where the children, in classes of forty or fifty, learn bad manners for certain and the three Rs only with luck. They do not worry because none of the staff in the independent system has a teacher's training certificate; they are only mildly enthusiastic about arts and crafts; and they care not at all for "free activity." They are not in the least moved by educationists' indictments of the "straitjacket of examinations," and are not afraid that their children will have nervous breakdowns at the thought of taking the common entrance examination for the public schools.

But it would become less worth while to pay £300 a year for four years if something nearly as good could be had free. In the next few years the primary schools should greatly improve. The Bulge is beginning to move out of them now, and their classes will be shrinking—although at 35 the average primary school class is still three times as big as that of the prep school. The new primary schools have buildings and equipment that the prep schools cannot emulate. One big advantage, however, will remain: the prep school curriculum with its Latin and Greek, its Mathematics and French, fits on to the public school curriculum.

Even that might change. What if the public schools were to adapt themselves to take boys direct from the primary schools? Those schools which already get boys from state schools find that after about a year they can cope with the ordinary curriculum; at an age when they can learn much faster they soon catch up with all the Latin, Greek, Algebra and French that their contemporaries acquired in their prep school years.

The public schools might go further. Many of them are worried because such people as clergymen, dons and civil servants cannot afford ten years of schooling at an average of £350 per year per son. They are also sensitive to accusations about a "class education," and apprehensive about their future under a Labour government. Sooner or later, therefore, they may decide to ditch their old friends, and to take boys at eleven, instead of at thirteen or fourteen. It would be a most difficult and reluctant adaptation, but all the same, it might come, and if it did the prep schools would lose their *raison d'être*.

It would then be a case of the survival of the fittest. A weeding-out of the least satisfactory schools is already going on, for each year two or three prep schools go out of business, and the process may be slightly hastened from next September when Part III of the Education Act comes into force. This provides for the compulsory registration and inspection of all independent schools; henceforth a school which is not recognised as efficient will be branded in a way that it is not at present, when independent schools voluntarily apply to be inspected. The 480 schools that are members of the Incorporated Association of Preparatory Schools are supposed to be "recognised" as a condition of membership—although they are not immediately expelled if recognition is withdrawn. Sporadic press revelations—about a school staffed entirely by convicted homosexuals, or a headmaster starting successive schools on credit and flitting when his debts caught up with him—give a false impression of the importance of the fringe beyond the pale.

It is rather the dim schools, with poorly qualified staff and no triumphs in public school scholarships, that will go out of business. It is not hard, on the other hand, to guess which schools will survive. The lists of scholarship winners in the Public Schools Year Book show the same prep schools appearing again and again. They will survive anything short of a complete abolition of the public schools. They will do so because they are very good schools, and because there will always be parents who would rather spend their money on their children's education than on mink and drink.

Notes of the Week

Mr Macmillan's Host

MR MACMILLAN goes to Paris this weekend for the first meeting between the prime ministers of the two countries since the intervention in Egypt. Arranged before M. Mollet went to Washington, the meeting forms part of the general attempt to put the vital lines of the Atlantic triangle back into shape. On the eve of his own journey to Bermuda, Mr Macmillan will naturally want to exchange impressions and collate ideas with the French prime minister, particularly on the future of the Suez canal. Franco-British relations are close, but there is need for the two heads of government to clarify their relative views on such topics as atomic co-operation and the European common market, particularly as it concerns the overseas territories. Mr Macmillan will take the opportunity to dispel the impression that the wish to cut military commitments means that Britain is moving away from Europe.

M. Mollet, with customary exuberance, described his American journey as "a complete victory." Certainly he scored a success. Misunderstandings were cleared up, and French stock rose in the United States, particularly as, by a happy coincidence, M. Pineau, his foreign minister, managed to act as an important go-between in the vital negotiations between Mr Dulles and Mrs Meir. A closer look at the *communiqué* published at the end of the visit does not suggest the French achieved anything substantial: the Americans show no inclination to seek western partners for their Middle Eastern policy; and on Algeria the statement expresses agreement about vague ends, not about the means to carry them out. The French success lies more in the field of public relations.

Foreign affairs are not M. Mollet's only preoccupation. While he has been away his finance minister, M. Ramadier, has run into parliamentary troubles over price controls and over government financial policy. In next week's general debate in the assembly the French government may be compelled to define its economic programme. Everybody agrees that M. Mollet must make a fresh start in this domain, just as he must seize the initiative in Algeria; but nobody seems to know what he can in fact do.

Welcome, Ghana

LET there be trumpets, and good advice, for Ghana. Congratulations are due equally to Dr Nkrumah and the Colonial Office for finding the compromises that enable the new state to start life without challenge to its authority from the once seccessionist, and still doubtful, minority communities. Everything now depends on Dr Nkrumah carrying over into the new regime the spirit of accommodation that saved the situation in the last days of the old. If he is to carry out the big plans for Ghana that he has in mind—and to avoid any repetition of the sorrows of Indonesia and the Sudan—scrupulous care for the rights of the minorities will be essential.

Dr Nkrumah makes it clear that he sees Ghana as the rallying point for all Africans still under colonial rule, and especially for Africans in South Africa and Rhodesia. He has hinted that Ghana's membership of the Commonwealth is conditional, resting on the belief that the Commonwealth stands for the peaceful settlement of disputes. This is no doubt a reference to the Suez affair; it has yet to be seen what line, if any, Ghana will take on Kashmir, in view of the strong pro-Indian feeling in its ruling classes.

This is fair enough, though it may introduce some new stresses into Commonwealth relations. But Dr Nkrumah has shown that he realises the limitations of independence for a country with a weak economy. He wants (and may still get) a Commonwealth-run substitute for the Colonial Development Corporation, and he has shown a new awareness of the opportunity the country would lose if the Volta scheme were finally to fade into thin air. He has also made a vague but significant proposal that the sterling area should in some way "insure" Ghana against a prolonged depression in cocoa prices, which are now down to £175 a ton, a level at which the grower is being supported from the reserves piled up in the days of high prices; those reserves would have been higher if part of the cocoa-growers' money had not been spent on development. He emphasises that cocoa is a dollar earner. Dr Nkrumah, however, will have to earn any concessions Ghana is to get as an independent state, dollar-earner or not. He has now little nuisance-value; to attract investment he must show efficient administration, creditworthiness and ability to keep the country together.

Suez Canal Prospect

THE Syrian Prime Minister told the Iraq Petroleum Company on Wednesday that it could start repairing the pumping stations, sabotaged in November by the Syrian army, on the Kirkuk-Mediterranean pipeline system. To restore the pumps will take a year, but the company can by-pass the stations with a week's work. By that means it hopes to restore in as little as ten days a flow of 11 million tons of oil a year, as against the normal 25 million tons when the pumps are working.

As the Egyptian government must have approved the Syrian decision, it is presumably ready to permit the reopening of the Suez Canal. Mr Dulles said on Tuesday that he hoped Egypt's tendency to "drag its feet" in this respect would now disappear. The removal of the sunken tug *Edgar Bonnet* from the channel will free it for ships up to 10,000 tons and that should take about a fortnight. Perhaps the Israeli withdrawal will, by a kind of political magnetism, extract from the tug the explosives which the Egyptians declare to be there, but which they are slow to remove.

While waiting for permission to work on the *Edgar Bonnet*, the UN salvage fleet has apparently been busy with other obstacles scheduled for removal later. The canal can therefore be fully open by early April instead of early May. Oil supplies from the Persian Gulf could then start climbing to normal levels, except for the shortfall of 1,200,000 tons a month in the flow through the IPC pipelines.

This does not mean that political difficulties are at an end or that Mr Dulles is right to assume that Egypt will not again close the canal to Israeli shipping. Egyptians recently come from Egypt are sure he will.

Going Independent and Left

MAKING every allowance for Liberals, Welsh Nationalists and Independents, the arithmetic of Wednesbury and Carmarthen clearly confirms the trend of North Lewisham: there is a sizeable revulsion from the Tories, and a smaller drift towards Labour. Carmarthen (an 8.3 per cent swing against a right-wing Liberal, of which the Welsh Nationalist picked up 3.7 per cent and Labour the 4.6 per cent that got Lady Megan Lloyd George in) might not be a significant straw by itself. The astonishingly high poll (87½ per cent) suggests that the rural Welsh take their politics with a pre-television, even pre-radio, fervour: in such elections personalities, rather than parties, still count.

But Wednesbury provided the most startling result yet. The Conservative share of the vote fell by over 11½ per cent (a bigger loss than at Tonbridge), but Labour's share rose by less than 2 per cent. Very nearly 10 per cent went to an Independent who had his nomination papers signed by casual passers-by in the street, mounted virtually no campaign, and was regarded by many people as having proffered his candidacy partly as a good-natured joke. Here, surely, were all the elements making up the current political scene: middle-class and artisan disillusion with the Tories, some rallying to Labour (but possibly through better organisation rather than any new political appeal), and a significant irritation with both the big parties. It is noteworthy that each of the first three battles in the "little election" should see a third candidate polling far more votes than expected.

On Thursday straight fights were in progress for Sir Anthony Eden's former seat at Warwick and Leamington (a 14½ per cent swing needed for Labour to win it) and Lord Monckton's former seat at Bristol West (a 25 per cent swing needed). It will be a major political sensation if either of these Tory strongholds have fallen, but at Warwick and Leamington the local Conservative organisation seemed to be very nervous indeed.

No Leaks from Sir David

JUST when their hopes of achieving office are legitimately rising, the Labour party leaders scarcely added to their claims by devoting the greater part of Parliament's time on Monday to dissecting, well past the point of tedium, just what Sir David did or did not say about the cinema tax. What Sir David was authorised to say (or rather to repeat) was that the Chancellor will take account in his budget of the fact that the levy which cinema exhibitors pay to film producers is being increased by £1¼ million a year, and is being made compulsory: that (to quote Mr Thorneycroft) this increased levy "will be thrown into the balance to the credit of the cinema industry . . . in the weighing up of the pros and cons of any increase or decrease in the (entertainments) duty." Since not many people have suggested that there are many "pros" this year for increasing the duty (which brings in a total of £33 million a year), it seems a plausible deduction that the duty is likely to be cut next month by at least this £1¼ million. Under questioning, Sir David made that deduction, and it is open to Mr Thorneycroft and the Cabinet to be cross with him for exceeding his brief.

It was also open to Labour to tease the Government and Sir David about this, but it was not open to them (least of all to Mr Dalton) to pretend portentously that a statement to the House of Commons can be a "budget leak." The essence of a "leak," as exemplified by the Thomas and Dalton affairs, is that the recipient is placed in a position where he could take special advantage of his advance knowledge. When advance hints of tax changes are made in Parliament, they may cause confusion and uncertainty (as did Sir David's), but they are published to the whole world and there is no question of anyone beating the pistol to his brokers. The suggestion that there is something wicked in a minister's words putting up share prices is absurd; many Government statements—and even Opposition moves, at times—can influence the market.

The upshot of Monday's affair was that Mr Gaitskell has again shown his tendency to misjudge which point of the Parliamentary front is the best point at which to launch a battle; he has done this at least twice before, and it seems to be one of his minor weaknesses as a party leader. Some Tory backbenchers, who would have rallied more enthusiastically to the Government's support but for a private desire to have a dig at Sir David, have not added to their reputations either. It was left to the Prime Minister to put the affair in its true, and trivial, perspective, although even he could not resist a final, theatrical declaration of loyalty, which only helped in the gross over-dramatisation of the affair. No marks, from this debate, to anybody.

"Espionage" Unlimited

THE Egyptian court of first instance on Monday committed for trial on charges of spying eight British subjects, a Jugoslav and eleven Egyptians. Four of the British accused are safely out of Egypt. Two of those

in custody, Mr Stanley and Mr Pittuck, have pleaded not guilty; the other two, Mr Swinburn and Mr Zarb, for whom the Public Prosecutor has demanded the death penalty, have left it to their lawyers to enter their pleas.

When Mr Swinburn was arrested in August the Department of Information published extracts from his alleged confessions. To a court in October, which sanctioned the remand in custody of all the accused, Mr Swinburn is reported to have said (the hearing was in camera) that "what he did, he did from patriotism and not for money." In a television programme of the National Broadcasting Corporation of America, President Nasser said the whole case did not involve a plot; the accused were only gathering information.

No one yet knows, or (since the trial will be secret) is likely to know with any certainty in the end, what the case is all about; but it does seem clear that, whatever actions Mr Swinburn may have confessed to under intensive interrogation at the outset, he is not prepared to accept that they amounted to espionage before his lawyer has had a chance to argue the matter. The boundary between espionage and the innocent collection of information is differently drawn by different types of regime, and in some countries the boundary is sometimes arbitrarily shifted. By the more extreme definitions there must be huge numbers of harmless people throughout the world who could be accused of spying. Does anyone imagine that Egyptians in England who came across confidential titbits did not pass them on to their embassy if they were in a position to do so? Leading members of many communities in foreign countries pass on information as a matter of course, often to the general good; they would be surprised to be called spies.

Neither the earlier publicity nor the secret trial are likely to carry conviction in the world outside Egypt; perhaps they will not carry much inside Egypt either. There have been too many spy trials behind the iron curtain. Death sentences in this case would be unthinkable; the men are simply victims of the disastrous change for the worse in relations between Britain and Egypt. President Nasser, who has not been a bloodthirsty leader, must surely see this. There are precedents for expelling, not for killing, foreigners caught in such a trap.

Rhine Army Economics

ALTHOUGH their original objective was the whole £65 million or so required to pay the armed services' bills in Germany, the British negotiators in Bonn are on the whole, and rightly, satisfied with the £50 million which they have extracted from the Federal Government. Theirs was not an agreeable task, and they are relieved that it was accompanied by so few unfriendly noises "on" and "off." In theory the Germans are offering to pay only £17 million —half of last year's contribution—towards the upkeep of Rhine Army, the second Tactical Air Force, and the Rhine Flotilla during the next twelve months; and that sounds comforting to the sensitive German taxpayer. In practice they have agreed to make it £16 million more than last year by allotting another £33 million for the same purpose under the more palatable title of Defence Aid.

Naturally enough, they have emphasised that the agreement should not be considered to have set a precedent. It does, however, set a good precedent in two ways—first, by transferring the whole question of defence support in Germany from the old framework of the relationship between an occupied country and the occupying power, to the new framework of the Nato alliance; and, second, by substituting the rule of what is right and necessary for the rule of thumb by which occupation costs were formerly shared out between the three allied governments.

A clause in the agreement allows Germany to call for a review after December 1st "in the light of any changes in the situation" which may bear on the level of payments now agreed. This need not mean that cuts in the British forces, if Nato agrees to them, will automatically lead to cuts in the German payments; any review should now be made in the context of Nato's whole burden-sharing exercise.

The bulk of the British forces' spending in Germany is on labour, transport and hard fuel. In the official view, the maximum economies compatible with the maintenance of efficiency and morale are already in force. The frequent criticism that Rhine Army is served by too ample a German civilian tail is countered with the claim that the proportion of operational to non-operational soldiers is much larger in Rhine Army than it is in Britain.

Behind the recommendation that Germany's arms purchasing account with the Bank of England should be increased lie some striking figures of German defence procurement from Britain. In the last three weeks, after months of hesitant negotiation, the Bundeswehr has finally placed hard contracts with British firms for equipment worth £50 million. Deliveries will take place over a longish period. The British negotiators hope that the German arms orders from this country will approach £100 million.

Husbands in Default

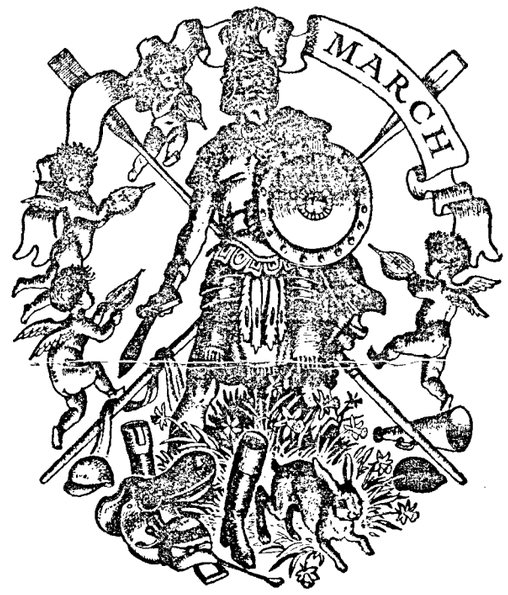
MISS JOAN VICKERS'S Maintenance Orders (Attachment of Income) Bill got its second reading last week, with the blessing of the Home Office and without as much opposition from trade union MPs as its principle of encroachment upon the "inviolability of wages" has tended to excite from them before. It is to be hoped that this private bill has an equally fair wind in the remaining stages of its still-hazardous journey towards the statute book. At present, the only way of dealing with a man who refuses the order of a magistrate to pay maintenance to the wife (or the mother of his child) whom he has deserted, is to put him in prison. The fantastic number of 5,000 men a year (or one in ten of all prison entrants) are in fact committed for this offence. The defaulter is usually imprisoned for up to three months; this wipes out his existing debt, and meanwhile the woman is dependent on national assistance payments. If, on coming out of prison, he still refuses to pay, he merely goes back there; at least one such man is known to have been in and out of prison for sixteen years, until his child was old enough to start earning, and until he himself had served longer than the average murderer. Further, the police are not allowed to help the deserted

A welcome to Ghana

Barclays Bank D.C.O. offers its warm congratulations to the State of Ghana on the attainment of its independence. For the last forty years the Bank has played an active part in the economic development of the country. In June, 1956, as an expression of faith in the future of the State, the Bank established a Local Head Office at Accra which has been entrusted with the control of its 37 offices in Ghana and with assisting in the advancement of the commerce, industry and agriculture of the new State.

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The name of the month derives from Mars, the Roman god of war. The Saxons, more prosaically, called it Rough Month (Hreth Monath), which seems to indicate that the climate hasn't changed as much as one might think.

Because in March the hare sheds a few inhibitions, is it altogether fair to label him 'mad'? Others welcome the spring with equal abandon, yet incur no similar slur. Even *homo sapiens* is not entirely blameless. Go down among the boat-race crowds at Putney; drop in to your local Cup Tie; or watch the man next door laying up for himself lumbago in the garden — what, one wonders, would the hare think of all these goings-on? But let us not forget, as we mark the coming of Spring, that the season is notably one for planning, for looking ahead. And, if your own plans concern the future welfare of your dependants, the most profitable way for you to celebrate the Spring is to take counsel now with the . . .

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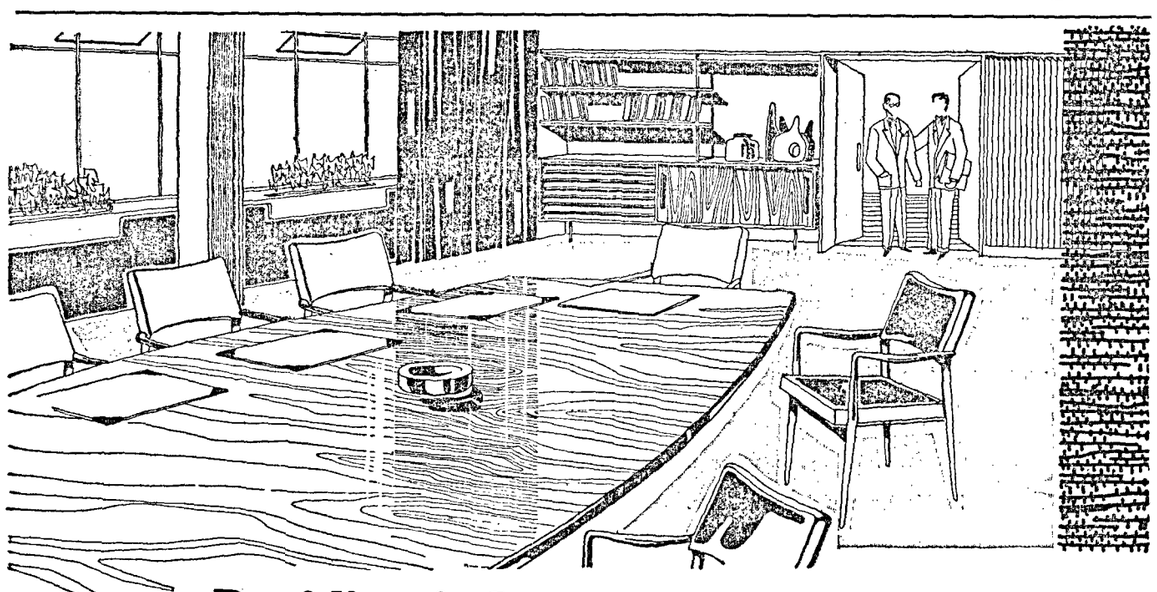


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woman to find the defaulter if he takes a job in another part of the country.

Under Miss Vickers's bill magistrates would be enabled to order that employers take the right amount from the man's salary or wages, and pay it into court for the benefit of the wife. In Scotland, where this has for long been the practice, there are only about thirty men now in default on maintenance orders. Admittedly, defaulting Scotsmen may be getting away with it by absconding to England. Admittedly, too, the bill will not solve all problems in this sphere. One group of distressed wives it should help are those whose husbands refuse to pay because they are feckless and try to live at a rate which does not allow for weekly payments, or because they are determined to have nothing at all to do with those with whom they have quarrelled. If the payments are deducted at source, these men will have no chance of getting used to living at too high a standard; and the payment of money into court will enable them to avoid having direct dealings with their wives. The hardest cases that will remain are those men who now go determinedly in and out of prison, usually of course because they firmly believe that a child for whom a maintenance order has been granted is not theirs. After Miss Vickers's bill they are likely to try to avoid attachment of their wages by changing from job to job, and perhaps from name to name, instead. But it does not seem to be a sensible point to make against this measure, which could bring relief to thousands of deserted wives, that it would also deprive this group of embittered unfortunates of the privilege of unnecessarily filling Britain's overcrowded prisons.

Mr De Valera Wins

As we go to press, our Dublin correspondent reports that with 69 seats won, and another 5 or 6 reasonable certainties to come, Mr de Valera's party, *Fianna Fail*, seems certain of a clear majority over all other parties combined in a Dail of 147. Under proportional representation, the later counts often tend to close the gap between the leaders and the rest of the field, so his working majority may not be a particularly comfortable one. But the new Dail should have a longer life than has been usual in the last decade.

The increase in Mr de Valera's vote was not, however, in any way spectacular, and his big gain in seats was the result of the calamitous fall in the *Fine Gael* and Labour vote. Mr McBride has lost his seat and his Popular Republican party is down to a single deputy. It is clear that the coalition has collapsed because so many *Fine Gael* voters have abstained, on principles that are familiar in England. Labour's losses reduce that party to little more than a combination of deputies who command a personal rather than a party vote. *Fine Gael* cannot expect to end up with much more than 37 seats, and Labour with perhaps 12.

The *Sinn Fein* candidates did better than expected and seem to have secured 4 or 5 seats. These have been obtained almost entirely at the expense of *Fianna Fail*; the size of Mr de Valera's working majority will depend partly on whether their deputies stick to their announced intention of not attending the Dail. It must be counted a gain that the *Sinn Fein* vote should have been tested in an open election, even though the results show that old passions are still either fashionable or deep. The real implication of the election, however, is that it is a vote for party rather than coalition government, and it restores stability to Irish politics in the short term. But in the next couple of years the major parties will clearly have to take stock of their policies and of the future, and to face the difficult question—in Ireland—of what interests exactly they are trying to represent.

Helping Euratom

A START, at least, has been made in creating a partnership between Britain and Euratom, the proposed European atomic community of the Six. The "three wise men" from Euratom who came here last week went home fairly well satisfied. To Euratom, the link with Britain is less vital than that with the United States, which will be its main supplier of enriched uranium fuel. But the British knowledge and experience of atomic energy are very important to the Continent. Euratom has been promised not only knowledge, but help in training scientists; and as in the United States, a joint technical group is being set up to work out the details of further co-operation.

The visit, too, was encouraging for the sections of British industry concerned with atomic development. What they saw in this country made it clearer to the Euratom experts that if the six countries are to instal atomic power stations quickly they will have to make a start with the Calder Hall type, which the British can build. So a prospect of European orders for British construction groups is opening up.

But the problem remains to devise a form of association which will endure beyond the immediate future, during which Euratom's need of knowledge and construction teams from Britain is obvious. In part this is a technical problem, which can be tackled by the joint technical group. But it is also political, and a clear statement by the Government that it seeks a special and permanent relationship with Euratom for Britain, closer in certain respects than that between Euratom and the United States, would make clear what the task force has to do. Much will depend on the spirit in which negotiations are carried on—whether, for instance, Britain takes the initiative in proposing concrete forms of partnership without waiting for Euratom to come and ask for them. One of these might be a joint programme of power reactor prototypes which could supplement our own programme at home. On a narrow view such efforts depart from the Government's declared policy of keeping its work with Europe in the nuclear field within the framework of OEEC. But there is no reason why the efforts of the Six and of the larger group of countries should not complement each other rather than compete.

Timetable for Tanganyika?

ONCE again Britain has been prodded by the United Nations to set a time limit to its guardianship of Tanganyika. The General Assembly last month passed two resolutions: an umbrella demand for independence at

an "early date" for all trust territories; and a specific call to Britain to explain the steps it is taking to guide Tanganyika towards democratic self-government. Britain has always dismissed these UN demands for a timetable as impracticable and trouble-making, and in defence has said that it is impossible to judge in advance when a territory will be ripe for independence.

The aloof self-satisfaction of British colonial policy in Tanganyika has, in the past, rankled more in the UN than in the politically placid territory itself. The arid and harsh character of much of the land, and the primitive life of most of the people, have encouraged a passive acceptance of an administration which is liberal by East African standards. The nominated unofficial members of the Legislative Council are European, Asian and African in equal numbers (there are 31 official members and 30 unofficial). Next year, there is to be a cautious experiment in qualitative common roll elections: selected constituencies will elect three members of each race. Two years ago all unofficial members of the council (except for four Africans) pledged themselves to work for the political and social integration of all races through the United Tanganyika Party: an anti-apartheid movement, strongly supported by the governor, and designed to take the wind out of racialist and nationalist sails.

But multi-racialism is being challenged by a growing and assertive band of African nationalists. Mr Julius Nyerere, the president of the Tanganyika African National Union which claims large membership and influence, campaigns on the line that Tanganyika is "primarily African and must be regarded as such." He made three points to the General Assembly committee in December. He queried whether equal racial representation was a fair doctrine when the people represented were some 25,000 Europeans, 70,000 Asians and over 8 million Africans. He doubted the democracy of a qualitative common roll and called for universal suffrage. And he requested that a time limit should be set to trusteeship, suggesting a period of 10 to 12 years. The last point is the one which, naturally enough, has been taken up most vigorously by the United Nations. And the Colonial Office may be forgetting the lessons of other territories in refusing to discuss a date. Tanganyika will not remain placid indefinitely.

The Briggs Inquiry

OUR special correspondent, who has been attending the Court of Inquiry into the labour troubles at Briggs Motor Bodies factory, writes:

There are three major points over which the inquiry has ranged so far. The first concerns the circumstances of Mr McLoughlin's dismissal, whether it was victimisation or a punishment for indiscipline. Mr McLoughlin told the court that the "best way to pacify" his foreman at the works "is to ignore him." When his foreman told him not to ring the bell that summoned the meeting that started the strike, all Mr McLoughlin said to the foreman was "Leave it alone, Ted; give yourself a rest," and went on ringing. Mr McLoughlin is convinced that he has been victimised.

The second point is that Mr Blakeman, labour relations manager of Ford Motors (the owners of Briggs), has concentrated his attack, not so much on indiscipline at the factory as—wisely or unwisely—on the national trade union officials for not controlling the shop stewards in their own unions. The difference between the methods of approach of the national and the factory officials was epitomised by their physical characteristics. Mr Beard, chairman of the trade union side of the Ford National Joint Negotiating Committee, is a big, rather ponderous north countryman—in strong contrast to the Cockney smallness and quickness of the shop-stewards' convenor, Mr Mitchell, and of Mr McLoughlin himself, who gave a nice little demonstration of the survival of rhyming slang. Mr Mitchell emerged as a striking figure at this inquiry. He and his fellow shop stewards have plainly built up a union within a union, and he gave evidence about it with impressive efficiency. His shop-stewards' committee has funds (a lottery brought in the incredible sum of £16,155, minus £9,339 in prizes, in six months), an office and a newspaper. The official of the AEU who is responsible for the area, Mr Claude Berridge, disclaimed knowledge of many of the activities of this committee. Mr Berridge said that he was too hard worked to pay attention to everything that goes on in his area: this seems very likely, since he is also on the executive council of the AEU, is responsible for the activities of the Confederation of Shipbuilding and Engineering Unions in the area, and is chairman of the London Communist party.

The third point at issue is the unions' charges that the management has not co-operated with them on suggested improvements in working conditions. The inquiry stands adjourned until next Monday, while the employers prepare a reply to these charges. Undoubtedly, the union officials are now very angry with Mr Blakeman. Whether or not some of their grounds for complaint are justified, one ground cited this week is not. Mr Beard said that the employers had made certain moves with the deliberate object of gaining publicity for the state of affairs at Briggs. If this is so, the company is to be praised rather than blamed: the evidence from this inquiry will be, indeed already is, an invaluable document for all those concerned with labour relations.

Culture Down and Out

It was revealed last week that the Sadler's Wells Trust, which controls the operation of the opera and ballet companies of that name, had run up an accumulated deficit of about £40,000; that the Governors of the Sadler's Wells Foundation, its landlords, had pledged their investments against the bank overdraft and the freehold of the theatre for a loan from the City Parochial Foundation; and that at one point the board resigned in despair. This pauper's tale prompted *The Times* to protest that the constant clamour of the various cultural organisations for more money was "deplorable and degrading," and to revive its earlier proposal that a Royal Commission be appointed "to review, inquire into, and make recommendations on the whole field of Government patronage of the arts."

It is reluctantly that one supports the idea of yet another royal commission, but there is a good case for this one. The trouble is not so much that the competition for resources is "degrading," as that it may lead to the wrong priorities. The Arts Council has a grant of £1 million a year (and is demanding £2½ million), and does itself decide what to do with it. But there are all sorts of other grants—some of which, like the grants to the National and Tate Galleries, come direct from the Treasury, while the grants to museums, for example, are paid by the Ministry of Education. It is not clear that either department is advised by people able to take a synoptic view of the cultural value of the claimants for aid, and of their relative financial needs. It is also not clear why some of the most popular of these penurious organisations should not raise their admission charges to a level that the market could bear. There is much here to inquire into, and a royal commission might well be able to recommend a more orderly way of deciding how to lay out the money available. If it is set up, it would be wise to include the ordinary living theatre in its terms of reference; this is certain to join the queue of claimants when it is realised that even a total remission of entertainments duty upon it will not reverse its present unprofitable trend.

The Indonesian Turmoil

THE revolt of the military commander of East Indonesia, Colonel Sumual, has added the final touch to the chaos of Indonesian affairs. The government now controls only Java, north Sumatra and the Indonesian part of Borneo. With the prime minister, Dr Sastroamidjojo, helpless and discredited, and the President, Dr Sukarno, struggling to force the Moslem parties to sit in an all-party cabinet with the communists, it may indeed be doubted whether much control can be said to exist over even this limited area. Colonel Sumual appears to be following the example set in Central Sumatra by Colonel Hussein. Claiming the support of the civilian population, who want local autonomy, he is allowing only 30 per cent of the revenues under his control to go to Java. He is demanding the dismissal of Dr Sastroamidjojo, the release of the officers arrested for an attempted *coup d'état* last autumn, and a government composed of respected national leaders—without any communists.

Focus on William Carron



IN Camberwell Green there is a large Victorian house with a splash of metal letters across its frontage:

AMALGAMATED ENGINEERING UNION 1851-1951
A HUNDRED YEARS OF TRADE UNIONISM

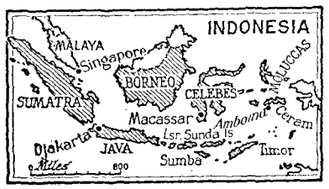
The AEU is justly proud of being the oldest trade union in Britain, the direct descendant of the Associated Society of Engineers, Machinists, Smiths, Wheelwrights and Patternmakers. The ASE, as it was more compactly called, led the trade union movement away from the grandiloquent and unpractical idealism of Robert Owen, and built instead the tightly organised "new model unionism" of the mid-nineteenth century—a group of skilled engineering workers, with high affiliation fees, concentrating on improving living standards and leaving politics alone. But after it became the AEU in 1917, it brought in unskilled engineering workers, women and workers in the colonies. And no one could say that the AEU has kept clear of political influences.

This week's trade union limelight falls on the President of the AEU, Mr W. J. Carron. He it was who presented the AEU's case to the court of inquiry into the Briggs dispute. He is also one of the leaders of the Confederation of Shipbuilding and Engineering Unions (of which the AEU is the largest single constituent) which on Thursday said it would call a strike in the shipyards on March 16th because its claim for a wage increase of 10 per cent for shipbuilding workers had been turned down flat for the third time. Next week he is to make a new approach to the engineering employers. It was thought better to see the shipbuilders first this time, so that the precedent should be set by those who, in the union's view, can best afford to grant a wage increase. Not that Mr Carron doubts that most of the engineering firms can too—"Look at their profits last year," he says, "the workers must have their share." But however that may be, as the shipbuilding employers have said No, the engineering employers are sure to do likewise. Mr Carron still seems resolutely cheerful, and will no doubt remain cheerful even if the matter swells to a major national strike.

His general attitude to life, indeed, is one of unruffled geniality, tempered by shrewdness. He is new to his big job. His election last year was enlivened by a television broadcast of Mr Woodrow Wyatt, who showed up the communists' tactics with the result that Mr Carron wiped the floor with his communist opponent. Some of the union's executive must have joined only formally in the official protest at this interference in its affairs.

Communist influence in the union is still out of all proportion to its numerical strength, even though there are now only two communists (Messrs Ambrose and Berridge) on the executive. Mr Carron, tubby and good tempered, is not the man to trounce them in the manner of a Deakin. Some have felt that he and his executive have dealt too kindly with the comrades at Briggs, by supporting the reinstatement of Mr McLoughlin, by issuing a ballot paper which showed a bias towards a strike, and by allowing a communist, Mr Berridge, to be the union's spokesman to the men. Mr Carron's answer to this is, first, that the union stepped in early in the dispute in the hope of getting a settlement before attitudes hardened; secondly, that Mr Berridge is the area officer concerned and must do the job for which he was appointed; thirdly, that the Briggs management built up the shop stewards by negotiating direct with them instead of with union officials, so it is no use their protesting now that the union should have kept them in better order; and fourthly, that Mr McLoughlin, a newly appointed shop steward, was only doing what others had got away with for years. And is Mr McLoughlin grateful? "They've been weak as kittens," he says. The trouble is that to deal with political agitators you have to be rather political. And William Carron, like William Allan and William Newton a hundred years ago, just wants to get on with the union's business and to keep clear of politics. A significant part of the immediate industrial future of Britain will depend on whether he is allowed to do so.

This aggravates President Sukarno's dilemma. He could still, if he chose, proclaim a state of emergency and rule the country for a time as commander-in-chief through the army. He may even choose this way. But there is no necessity for it, unless perhaps to further President Sukarno's personal aims. The alternative, which is urged both by the rebel military commanders and by the civilian authorities in South Sumatra, is to grant a large measure of local autonomy and to appoint Dr Hatta, the former vice-president, as prime minister. There are reports that President Sukarno may be taking the first steps towards a reconciliation with Dr Hatta. If so, this is an admission of defeat, since any collaboration with Dr Hatta means dropping the idea of bringing the communists into the government and probably a drastic modification of the plans for a National Council, by which the president would try to bring the cabinet into closer relationship with the people. The dangers of this idea were apparent from the first. To abandon it may cost Dr Sukarno some prestige. But he will earn much greater respect as a statesman, and in the long run strengthen his position, if he shows himself prepared to co-operate with Dr Hatta in working out a better method of keeping the Indonesian islands together.



Siamese Enigma

THE proclamation of a state of emergency in Siam, four days after the general elections of February 26th, does not mean that the country faces a situation anything like as serious as that in Indonesia. Despite its appurtenances of democracy, Siam normally changes its governments by *coup d'état*, and with tanks out in Bangkok, a *coup d'état*, though unlikely, cannot be ruled out as impossible. What is obscure in this instance is, who is trying to oust whom; but this obscurity is as traditional as the mode of bringing about a change.

The prime minister, Field-Marshal Pibul, gave little away on Sunday when he proclaimed the emergency and said that "organised groups of people with foreign support" were causing subversion and unrest with the object of taking over the country. He later let it be known that he meant the communists and not, as some observers had feared, the Democratic party of his rival and former schoolmate, Nai Khuang. The student demonstration that followed, though impressive in numbers, was mild enough and dispersed peacefully after being told that its three demands could not be granted. These were that the state of emergency be rescinded, that those guilty of malpractices in the elections be punished, and that fresh elections be held.

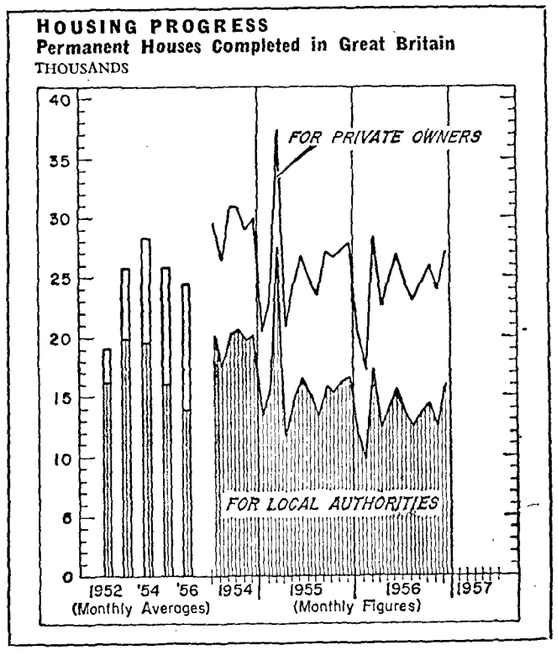
It seems unlikely that Siam's underground communists are powerful enough for the government to credit them with the ability to take over the country. Recent labour troubles have certainly, on the other hand, been exploited for their own ends by the tolerated Economists' party, whose leanings are sufficiently leftward for it to be regarded in government circles as crypto-communist. The "malpractices" of which the students complained are equally difficult to assess; if the ruling Seri Manangasila party had been "cooking" the election results, it is fair to assume that the early returns would have been more favourable to it than they have been. The Democrats won 16 of the first 105 seats contested, against 60 for the ruling party; a majority is in the making, but not an indecently large one.

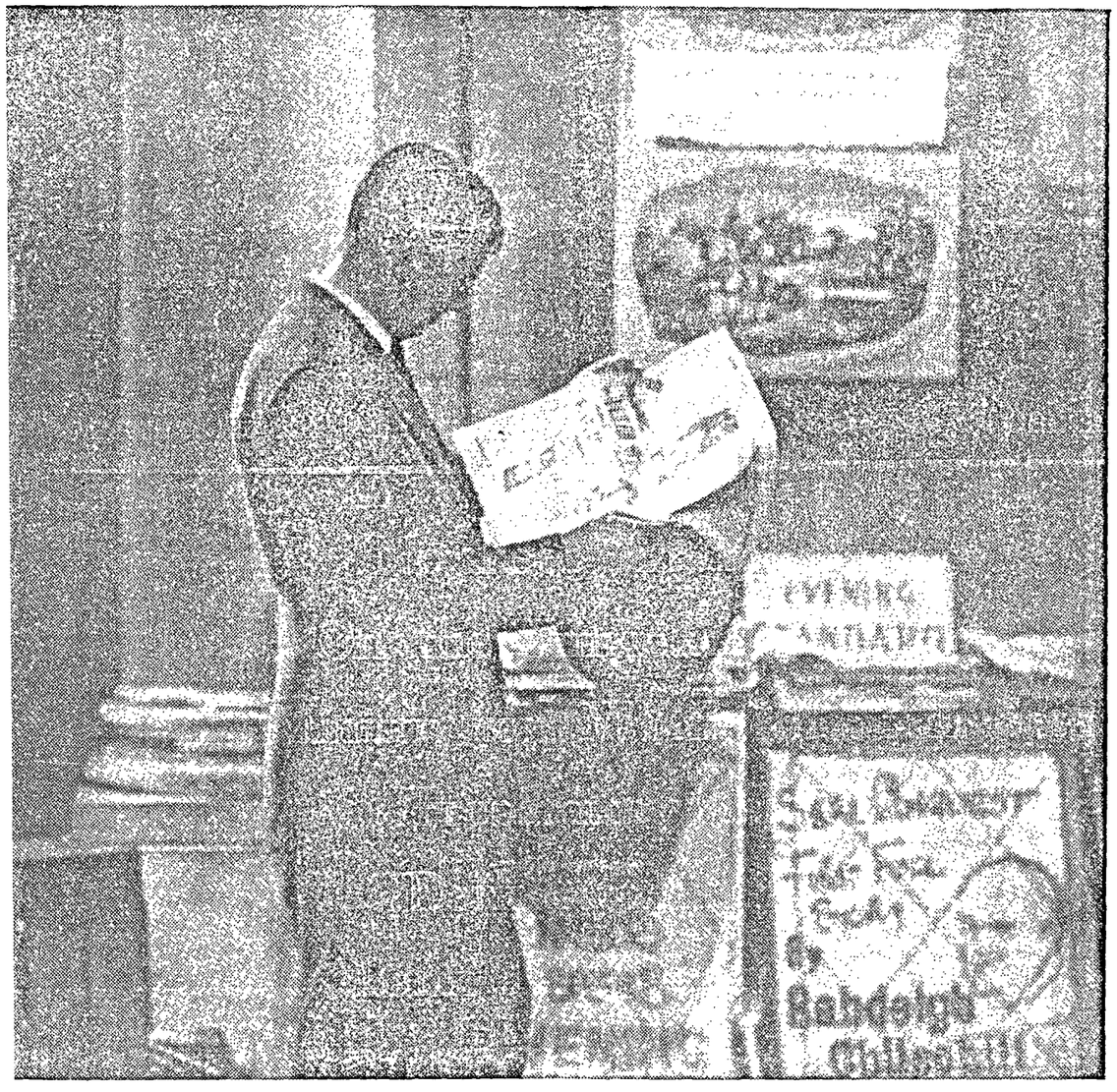
Marshal Pibul has been under criticism lately for his handling of the labour troubles, on the ground that his obsession with democracy has made him side with the workers rather than the employers. Even if his proffered resignation is not accepted, it would be surprising if he emerged from the present crisis unscathed.

End of an Affair

"WE do not want to join the (socialist) camp," Mr Popovic told the Jugoslav National Assembly last week. The foreign minister's statement will have surprised nobody—not even Mr Khrushchev, who must by now have realised that his efforts to woo Jugoslavia back within Moscow's orbit have failed. Instead of encouraging the Jugoslavs to return to the Soviet block, his endorsement of more than one "road to socialism" has merely encouraged the Poles to put one foot outside.

The Jugoslavs, for their part, can no longer hope (as they appeared to hope in June, after Marshal Tito's visit to Moscow) to have the best of both worlds, remaining independent of the Soviet block and yet influencing the development of its members. Mr Popovic admits that what began (when the Jugoslavs disapproved of the Soviet intervention in Hungary) as purely ideological differences have developed by now into "different views on what . . . inter-





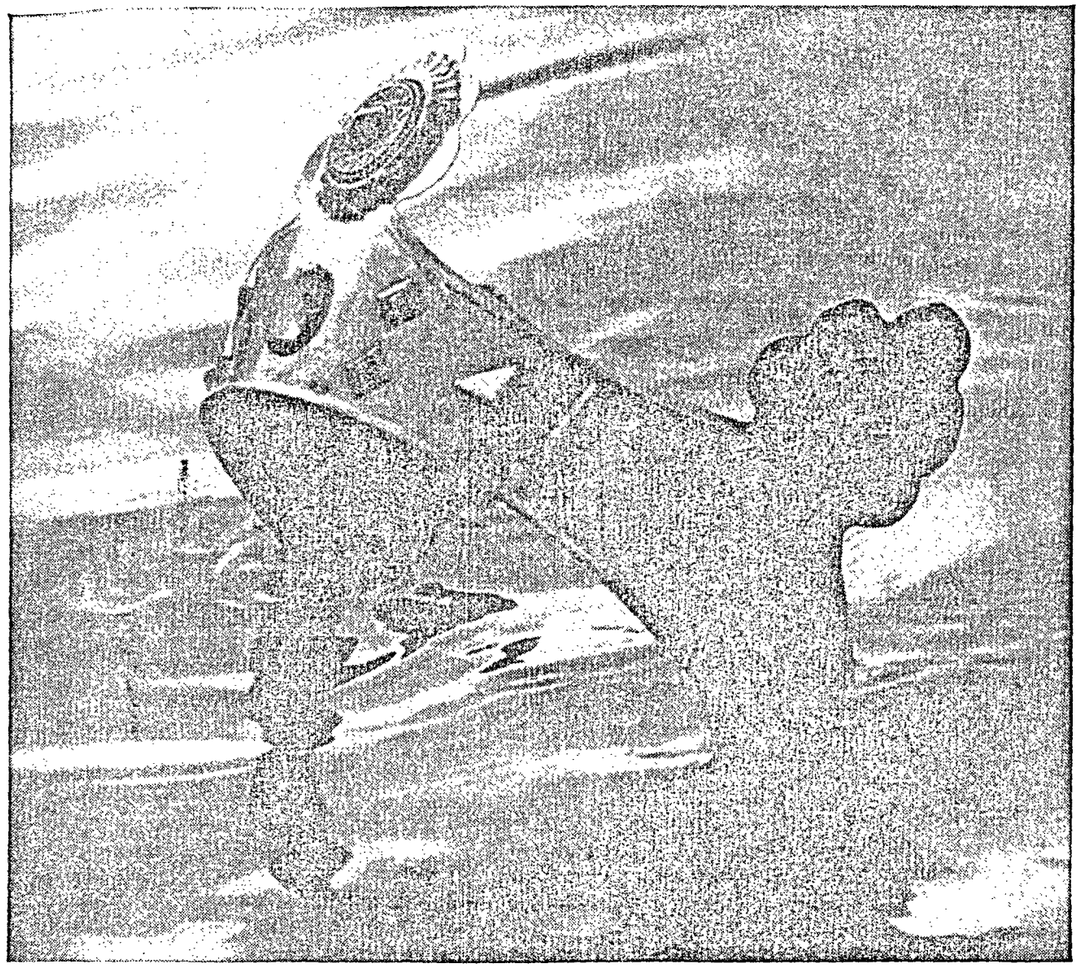
Man reads... tree

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The crown that got lost in the Wash

In a way, it is a pity that King John's crown was made of gold; for it was heavy enough to sink irretrievably to the depths of the Wash.

Suppose the crown had been lighter? Might it have been washed ashore uncorroded—gleaming and unmarked? Yes . . . if it had been made of TITANIUM.

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State relations should really be." The Jugoslavs argue that the "socialist camp" in its present form is not an "inevitably necessary" form of socialist co-operation; but grave political consequences would flow from their argument if it were accepted, and all the spokesmen and leader-writers of the block, with the notable exception of the Poles, are being mobilised to make sure it will not be.

The Rumanian paper *Scinteia* asserts that Mr Popovic's viewpoint "denies the very basis of the policy of the socialist countries." And in Albania, Enver Hoxha (who according to Marshal Tito, "knows only how to say Marxism-Leninism and not a word more") has denounced the Jugoslav leaders' "rotten theories" and declared that the Soviet Union "is the only country in the socialist camp which through its experience and its material possibilities can help other socialist countries." Although deference is still paid to the special circumstances of different countries, it looks very much as if the different roads to socialism—all except one—are being sealed off.

The Russians are also trying to make their displeasure felt in Belgrade through economic pressure; they have threatened to postpone the credits promised last August for developing Jugoslavia's aluminium industry. This is bad psychology; it will not influence the Jugoslavs but merely disillusion them further. Not surprisingly in the circumstances, Mr Popovic told the Jugoslav parliament that "the field of mutual interests with the capitalist world is wide"; and he had some civil things to say about his country's long-suffering friends in the West.

European Misgivings at Bonn

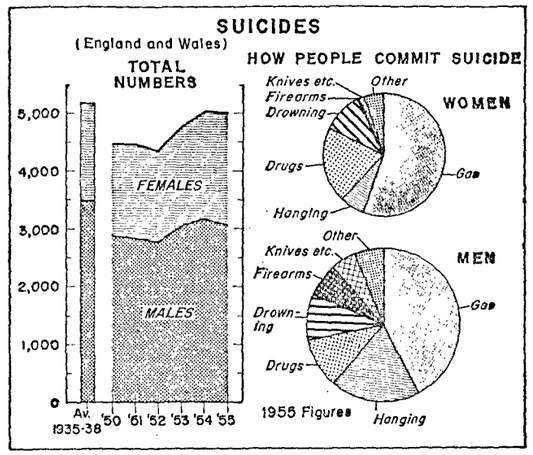
Our correspondent in Germany writes :—

MISGIVINGS about German participation in the projected European common market and nuclear energy pool are not confined to the opposition parties. Confronted with the details of the plan—which calls on Germany to invest 200 million dollars in other people's oversea territories over a period of five years—most members of the Bundestag are wondering why it is only now that, in response to Social Democratic prodding, they have got round to setting up a sub-committee of the standing committee for foreign affairs to examine the arrangements more closely. Deputies feel that an uncommunicative government has put the Bundestag in the position of having to say Yes or No to an unsatisfactory partnership; and they can hardly say No for vital foreign political reasons.

The Free Democrats are apparently bracing themselves none the less to vote against the treaties, which, they object, will not only further complicate the business of German reunification, but also ossify the six states concerned into a perpetually exclusive Little Europe. In the absence of their leader, Herr Ollenhauer, who has been in the United States and Canada making his bow as a respectable potential Chancellor, the Social Democrats have not made their views clear. But their deputy chairman, Herr Mellies, has declared that Germany has much to gain by keeping out of obscure "colonial commitments." Opinion is strengthening that it would be wiser to leave ratification of the treaties to the new Bundestag that is to be elected in September.

Suicide

THE number of suicides usually falls in wartime, and did, in fact, fall in 1939-45. It is therefore misleading to cite, as is often done, the postwar rise as evidence that the increased prescription of barbiturate drugs has caused more suicides. The accompanying chart, based on figures recently published, shows that in 1955 in England and Wales



the number of suicides had in fact not quite returned to the prewar level, in spite of an increase in the number of elderly people, who are most prone to suicide. Thus, although the number of suicides by drugs has increased considerably—sixfold—over the past twenty years, this has been offset by a fall in other methods of killing oneself, particularly poisoning by "other solid and liquid substances" and cutting and stabbing. The increased prescription of barbiturates has influenced the method of suicide but not the act itself. Indeed, it can be argued that since barbiturates are less certainly lethal than other poisons, the wider use of this method has tended to keep the number of successful suicides down.

SHORTER NOTE

Now that the amounts of prize money in the first three drawings of premium bonds are known, it is possible to work out the chances of an early win on them. For the investor who bought the full £500 worth of bonds last November, the odds against drawing a prize (mainly, of course, a £25 prize) in the first draw in June will be slightly worse than four to one against—4.2 to 1, to be precise. In the next draw in July, assuming that there are no withdrawals after the first lucky dip, the odds against the £500 investor, whether he bought the bonds in November or December, will have lengthened to between sixteen and seventeen to one against. In the August draw, when the January buyers also have an equal chance, the odds are just slightly worse—between seventeen and eighteen to one against. In subsequent monthly draws, unless there is a sudden change in the trend of investment in the bonds, the odds against winning a prize seem likely to rise slowly but steadily above the last-named figure.

Letters to the Editor

Non-U Airlines

SIR—I was puzzled by your comment on February 23rd when you said:—

> Because the big international airlines exercise a tight control over international air fares through their own cartel, the International Air Transport Association, and because this control is endorsed by almost all governments, the field for these services [the third-class services of British independent airlines] was limited from the outset to British territories.

IATA is a piece of machinery used by governments to work out world-wide fares and rates in connection with bilateral governmental agreements which condition exchanges of commercial rights.

The big international airlines do not exercise a tight control over international air fares. The ten big ones work harmoniously with nearly seventy smaller ones and everyone in IATA has one vote, one equal voice, one equally effective veto in the conferences. Every international fare requires 200 votes before it even becomes a firm recommendation. Thereafter it requires the approval of over 40 governments before it can become effective. How can such a mechanism be called a cartel by any *responsible writer*?

Both Hunting-Clan and Airwork are members of IATA. They are authorised by HM Government to operate scheduled services which is their entitlement to membership. If any restrictions have been placed on their ability to propose third-class fares they arise solely from the stipulations of their own government, and not from any action of the IATA conference.—Yours faithfully,

WILLIAM P. HILDRED
International Air Transport Association, Montreal

New Age Banking

SIR—Your article last week regrets the banks' shortcomings in public relations on electronic banking, likening their attitude to that of the quill-pen era. No more up to date or enlightened is the attitude of the committee of London clearing bankers towards bank staffs. Only an oblique intimation of pending developments in connection with automation has been given to the world, and bank staffs, upon whose intelligent co-operation so much depends, know nothing more than has reached them through the press.

Individual staff associations have been kept more or less informed in a general way of what is developing, but as automation is something on which the banks must act together, and have decided to act through the committee of London clearing bankers, it is deplorable that this body in a matter of such importance should be indifferent to staff reactions.

Before the press announcement the staff associations of some of the clearing banks had set up their own automation sub-committees. Perhaps even yet the employers collectively will realise that much could be gained from closer relations with their staffs on matters of this sort, and agree to some form of joint consultative arrangement.—Yours faithfully,

A. W. B. PAYNE
Central Council of Bank Staff Associations

O and M and More Pay

SIR—The likening of the structure of the Treasury classes of the civil service to a pyramid is an error. In the administrative class there are about 2,500; in the executive class, 35,000; in the clerical officer class, 67,000 and in the clerical assistant class, 30,000.

The proposal put by the CSCA to the Treasury is to bring the clerical officers into better balance with the much smaller class of clerical assistants. The latter class, which is open to girl school-leavers only and adults over 40 years of age, suffers a continual turnover of staff among the new young entrants. The scheme for the recruitment of adults over 40 is only two years old, and the intake has not so far been great. The bulk of the class consists of adult extemporary clerks who have acquired established status since the war, and at present 5 per cent of the clerical assistant class is under 25, compared with approximately 40 per cent before the war. The figures for the clerical officer class are somewhat different. Prior to the war, after ten years of normal open competition recruitment, 28 per cent of the clerical officers had been recruited under the age of 25. After the recent war and in the first ten years of open competition recruitment, there were only 10 per cent of the clerical officers under 25 years of age.

The association's view is that if adults are to be employed for many years on work which was once considered more appropriate for young girls who did not stay long in the civil service because of the existence of a marriage bar, it is sensible, now that there is no marriage bar and reliance is being placed on adult recruitment to man the clerical classes of the civil service, to try to ensure a fuller use of their abilities.

It so happens that a combination of circumstances makes that feasible in the next five to ten years with the co-operation of the association concerned. In any other circumstances such a proposal might have met with the deepest hostility of the union. The scheme proposed by the CSCA is aimed primarily at saving manpower and not money. New wage claims are on the way in any case. What is in issue is whether those wage claims should be accompanied by a better use and ultimate saving of manpower, or whether they should merely add to the existing inflationary pressures.

Your note comments that too much work is fed in at a low level of the hierarchy and suggests that much of it could be cut out altogether. That is also the view of many members of the CSCA whose official life consists of an unending stream of triviata, the necessity of which they also sometimes doubt. Much of such work owes its origin to the exacting requirements of Parliament for service and for financial exactitude. What political party will sponsor the subordination of citizen rights to the convenience of an impeccably efficient state machine?

What work can be cut out is a matter for balanced judgment. What the CSCA has suggested to the Treasury is a combined operation that could lead to a smaller and better-paid clerical structure of the civil service in which the staff's abilities were fully stretched, and give to Organisation and Methods divisions in departments an opportunity to cut down the dead wood which would not be open to them if the union were completely opposed to such reforms. Is that a bad thing? And who else if not the civil service do you think could attempt and satisfactorily complete the task?—Yours faithfully,

G. F. GREEN
Civil Service Clerical Association

Economy and Electronics

SIR—The author of the comment in your issue of February 23rd, suggesting that economies could be made if the RASC used electronics, is shinning up the wrong tree.

The RASC is responsible for food, but blankets and clothing belong to the RAOC. Almost unbelievably, RASC is responsible for toilet paper for troops in barracks and RAOC for the same article in the field.

If economies are to be effected, all stores, including artillery, rifles and ammunition, should be the responsibility of one branch of the service, instead of being the province of the RASC, RAOC, RAMC and REME. After all, world-wide industrial organisations run only one purchasing and supply department for the heterogeneous goods they use.—Yours faithfully,

E. PAGE
Putney

Books & Publications

Quantity and Quality

DANGEROUS ESTATE: *The Anatomy of Newspapers.*
By Francis Williams.
Longmans. 304 pages. 24s.

> *I don't want to go up to Heaven,*
> *I don't want to go down below,*
> *Surely there's a place in the middle*
> *For a poor little fellow like me.*

THIS old (maybe misremembered) jingle sums up the burden of Mr Williams's shrewd analytical account of how the present predicament of the British press has come about. The most popular newspapers, founded upon the marriage of mass circulation with mass advertising and reflecting all the characteristics of mass culture after fifty years and more of popular education, for the most part thrive, even in the face of a massive rise in costs. The "unpopular" newspapers on weekdays and on Sundays, higher-priced and still bent in a more modern manner on "the informative and interpretative function" of a so-called "quality" press, are bearing up very well—mainly because, apart from their peculiar editorial virtues, advertisers attach a disproportionate worth to their readership. The putative victims, squeezed between the upper millstone of quantity and the nether millstone of quality (or should this be the other way round?), are the "unpopular populars": the papers which, in Mr Williams's words, "have been forced by the economic pressures in the newspaper industry to adopt a pattern contrary to their real function," so that "instead of seeking to satisfy a particular public they find themselves forced to follow the purveyors to the mass in a fanatical search for a readership of millions."

Mr Williams has put together the best and most connected general story of the British press since the days when the first John Walter launched *The Times*. It should be very widely read. The upshot of his crowded tale—no doubt the lapses in it will be discovered by Mr Stanley Morison and other knowledgeable folk—is that the press is at or near the end of a road. It has been a headlong, wreck-strewn, record-breaking race. It was summarised with characteristic dryness by that great editor, A. P. Wadsworth, to the Manchester Statistical Society two years ago;

> In 1800 no paper had a daily circulation of more than 5,000. In 1850 no daily had more than 50,000. In 1905 none had more than 750,000. In 1955 there is one with getting on for 5 million.

Nearly 30 million newspapers of all kinds are now sold to British readers—over 70 per cent of these by the *Daily Mirror* group, the Beaverbrook press, and Associated Newspapers, of which Lord Rothermere is chairman. Going on for 90 per cent of the adult population of these islands reads at least one morning paper. More copies of fewer newspapers are sold in this country than anywhere else in the world. But "we are very close to saturation point, if not already there."

The lodestone of journalistic enterprise since the eighteenth-century pioneers has been how many can (and will) read—and buy—newspapers. The turning point, which ushered in the new journalism, was the new education of the last quarter of the nineteenth century and the new mass market for the sale and advertising of goods; this growth has now reached something like the limits of literacy. There is no longer a large untapped reservoir of readers or of advertising. But there is a steeply rising bill for paper, printing and wages. What will emerge when the flood is dammed?

Mr Williams does not believe that "responsible" journalism is, now any more than in Cobbett's day, the only right recipe. The vices of the mass press today are the vices of today's mass entertainment: it is "superficial, trivial, ill-balanced"; it is addicted to "misreporting, malice, unfairness and gross exaggeration." Often one can only say, as Sir Walter Scott said, "I would rather sell gin and poison them that way." But its virtues, when they are honestly displayed, stand in the true tradition: "*to explore injustices* (as the Press Council has put it), *to right wrongs, to give advice, to befriend the friendless, and to help the helpless*"; "to look at the face of authority from below" and, in its own understandable idiom, "to shout, protest, expose and play hell" against Cobbett's Thing of established convention.

For half a century, no doubt, that is, since Northcliffe's foundation of a new daily press upon the experience of his *Answers* and *Home Chat* and Newnes's *Tit-Bits*, the pull of mass circulation and mass advertising has given the devil the best songs. Even so, and Mr Williams is both trenchant and cogent on this point, those on the angels' side have not done well. During Northcliffe's Edwardian advance, the "quality" papers were content to be good, without being profitable—even though the whole nineteenth-century pioneering story of *The Times* itself had proved that independence and success had to be won by commercial and technical skill and innovation. And, more recently, the "middle" papers, trying to combine the virtues of quality and quantity, have come in danger of losing their soul and their economic security together: "As a result they neither get those millions nor satisfy the smaller public that is naturally theirs."

By every comparison, British newspapers are today too cheap, and too dependent therefore on the mere multiplier of mass circulation and advertising revenue. One daily paper, the *Daily Telegraph*, has succeeded, by its pricing and its editing, in marrying, profitably, the "million" with the "informative and interpretative" function of the best journalism; two Sundays are on the same path. Mr Williams's lament, in a very good book, is that others are not.

What Next?

GHANA: *the autobiography of Kwame Nkrumah.*
By Kwame Nkrumah.
Nelson. 325 pages. 21s.

RUMOUR has it that when the prime minister of Ghana, Kwame Nkrumah, was a student at the London School of Economics, Professor Laski dismissed him as "a nice young man, but quite unremarkable." Laski did not usually take swans for geese, but on this occasion, if the story is correct, he was badly out. Kwame Nkrumah is a very remarkable man indeed, of magnetic personality, strong capacious intellect, tenacity and vigour, something more than a great black demagogue—though he is that too—and something less than the Nehru of West Africa, though he is often taken for it.

Yet it is easy to see how Laski could be misled. Mr Nkrumah's ten-year struggle to turn the Gold Coast into the independent state of Ghana has taken place in the full glare of publicity—in Africa itself, Europe, America, India. There is no privacy for him. Yet he retains complete mental privacy. He possesses the most unlikely faculty of being able to switch off his personality, to withdraw the power of his mind, to appear as a very nice young man. In the more personal chapters of his autobiography, he builds up a picture of himself as a man who makes friends with a mongoose, is grateful to his gaolers for a bar of chocolate, and keeps a spaniel called Topsy. So English. So nice—gentle, unassuming, polite.

And so wrong. Mr Nkrumah's intellect is non-cerebral; and what is missing in his autobiography is the part of him that thinks and feels, not with his mind, but with his skin and colour. The passion of his struggle does not emerge. This is a nice but unremarkable book, filling in the portrait of the public Nkrumah, but leaving it two-dimensional. Something else is missing too; what of the future? Discussing with Mr Nkrumah the date fixed for independence, March 6th, the Governor said, "This is a great day for you. It is the end of what you have struggled for."

This may pass in the delight of the moment, but independence for Ghana is less the end of the struggle than the achievement of an opportunity. The book ends with the words, "There is so much more beyond." What?

Suez in Retrospect

MIDDLE EAST CRISIS.
By Guy Wint and Peter Calvocoressi.
Penguin Special. 141 pages. 2s.
THE SUEZ WAR.
By Paul Johnson.
MacGibbon and Kee. 157 pages. 10s. 6d.

"MIDDLE East Crisis" is a dispassionate study of the Suez affair and the events and policies leading to it. It sees the landings at Port Said last November as a disaster for Britain, mitigated only by the chance it gives to British policy of a fresh start; and, looking beyond the many explanations for them given by the British Government, sees the real motives to be a desire to bring down President Nasser and establish international control of the canal. It shows the part played by Sir Anthony Eden's personal animus towards President Nasser. But it correctly relates motives and personal feelings to years of bad policy which, in the end, produced them. In this context, President Nasser no longer appears an evil djinn, as he has so often been presented, but a vital and difficult part in the jigsaw of Middle Eastern politics.

Britain, it is argued, failed to learn the good and bad postwar lessons of Burma, India, Ceylon, the nationalisation crisis and its solution in Iran, the failure of the Middle East Defence Organisation proposal put forward in 1951, and the earlier and abortive negotiations for an Anglo-Egyptian settlement. In the Middle East, Britain persisted in its determination to retain military bases, underestimating the force which nationalism had in the region and the deep-rooted desire of the Arabs "to get the whole military machine off their backs." The lesson of the evacuation of India was forgotten. The Baghdad Pact, too, meant that the old policy was being clung to, although it gave no more security against Russia than would have been achieved by a warning against interference issued by America.

The invasion of Egypt was the last ill-managed throw in the policy. The authors rightly say that the choice is between exercising dominion over the Middle East or securing co-operation. "Britain has no choice but to withdraw from the Middle East as a prerequisite to finding friends there." Further, the Russians could continue to make mischief successfully in the Middle East "as long as the West played the cold war in terms of bases and pacts." While warning the Russians against physical intrusion in the region, the West should bring the Soviet Government into the diplomatic game there.

Israel is another major part of the pattern and, with the Arabs determined to destroy the Israeli state and more arms going into the area, the authors foresee more instability in the future. But they do not consider it impossible to bring Russia into a Western guarantee of Arab-Israeli frontiers; together the Americans and the Russians could enforce peace. It is also suggested that a United Nations air force should be formed, perhaps with bases on Cyprus, to intervene against any aggressor. The issue "touches the very continuance of Israel . . . no state can survive if it has to fight against superior numbers every five or six years."

Mr Wint and Mr Calvocoressi have written a thoughtful, closely knit book that deserves more permanent binding. Mr Johnson attempts much the same task, but his book, written closer to the passions of November and more concerned to indict the Eden government, misses much of the significance of events, even though its general verdict on the crisis is much the same. "Our leaders are guilty men," it concludes; but the Labour Government also had its part in the bad policy of past years. The book contains many factual errors.

Uncle Tom's Aftermath

GOODBYE TO UNCLE TOM.
By J. C. Furnas.
Secker and Warburg. 435 pages. 30s.

A HUNDRED AND FIVE years ago (unfortunate for Mr Furnas to have missed the centenary) Harriet Beecher Stowe launched "Uncle Tom's Cabin" upon an avidly receptive world, and was greeted by the thundering applause of liberals on both sides of the Atlantic. In 1945, when a musical version of her book was projected for the American stage, Negro leaders and liberal New England parsons (almost one might say, Henry Ward Beecher's spiritual progeny) raised so effective a protest that the show never reached the public; the protest was not æsthetic, but social, directed against the stereotype of the "good nigger," the meek slave entitled to the white man's pity and the Almighty's blessing, but not to the equal enjoyment of the American way of life. Within a century liberal and negro ideals had been turned inside out and the emancipator's tract had become the freedman's bane. What had happened?

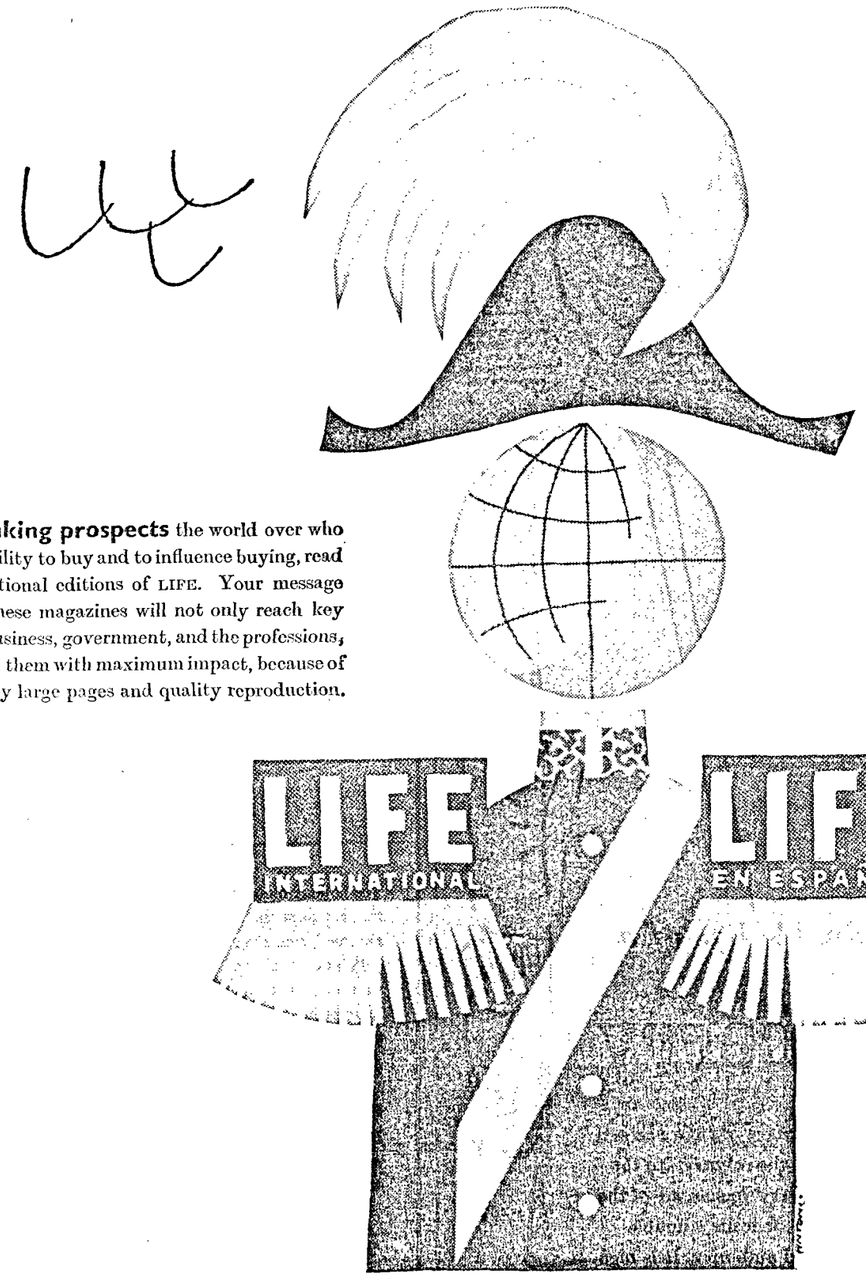
Mr Furnas's book is a lively (sometimes too lively—how one sighs for just one factual and descriptive chapter heading) attempt to answer this question in terms both of the history of the book and of the nature of the negro. He demonstrates unsparingly how inadequate and even perverted was Mrs Stowe's image of the negro even in its original form, and how grotesque and positively vicious were the popular parodies of the various stage versions that flourished throughout the nineteenth century. He then displays the facts of slavery and analyses the evidence for regarding the American negro as identical to and equal with the American white. While his researches in none of these fields lay claim to originality (anyone wanting an up-to-date account of American slavery, for example, would do better to turn to Mr Kenneth Stammp's "The Peculiar Institution"), his distinctive achievement is to have brought the three themes together in a way that brings out not only the paradoxical effects of Mrs Stowe's propaganding, but, more important, the problems and present position of the liberated but not yet integrated American negro. An historian's judgment may well be that Mr Furnas is too hard—as well as too equivocal—on Mrs Stowe. He has not decided whether to make her the mirror or the maker of the "good negro" myth; and he has certainly failed to set her in the context of her times. But the driving force of his book is not primarily an interest in literary and intellectual history; it is a warm and very human concern over the crying contemporary problem of race relations. Mr Furnas, no less than Mrs Stowe, is a propagandist—and a very effective one.

India Reported

AS I SEE INDIA.
By Robert Trumbull.
Cassell. 256 pages. 18s.
THE RIDE TO CHANDIGARH.
By Harold Elvin.
Macmillan. 335 pages. 25s.

THE *New York Times* is one of the world's greatest and most responsible daily newspapers. One therefore approaches with a prejudice of respect and high expectation in its favour a book written by one who was its New Delhi correspondent for seven important and pulsating years. Mr Trumbull's book is like the conversation of a distinguished guest in a relaxed mood after a good dinner, who knows that he is expected to hold forth interestingly, with reminiscences of the events in which he has participated, laced with intimate anecdotes of celebrities in their slippered or climactic moments. In such circumstances, he must naturally rely on his memory alone; and if he recalls, for example, that the British abolished *suti* in the 1880s, retells the stories of Pandit Nehru's fastidious father sending his laundry to Paris and giving champagne parties in prison, ascribes the course of Indian history largely to Gandhi, Patel and Mr Nehru, and mentions that the Indian National Congress was founded as a freedom movement in 1885, only a churl would interrupt to put him right on the historical facts and point out that in his autobiography Mr Nehru indignantly denies the laundry and champagne stories.

Read in the cold light of the morning after, Mr Trumbull's talk reveals him as a first-rate descriptive reporter of scenes that he has actually witnessed, but his understanding of their significance, or of their perspective in history, is too often superficial, because of what one deduces to have been the occasional and unsystematic nature of his reading in Indian history and sociology. Mr Trumbull has many interesting, and some historically important, facts to report, but it takes a reader versed in Indian affairs to sift what is new and authoritative



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out of much that is cheerfully roughly true, half true, or wholly inaccurate.

Mr Elvin's book describes a tour of India on a bicycle, named "Sir Walter." He displays an outstanding ability for the emotional phrase ("... oh yes, wondrous is life and wondrous the feast in it: if only we can find the path. . . ."). The book is illustrated by eighteen beautiful photographs, mostly by Frank Horvat, a camera-man of whom more will obviously be heard.

Neutrals and the Allies

THE WAR AND THE NEUTRALS: *Survey of International Affairs*, 1939-1946. Edited by Arnold Toynbee and Veronica M. Toynbee.
Issued under the auspices of the *Royal Institute of International Affairs*. *Oxford University Press*. 388 pages. 50s.

CHATHAM House has laboured nobly to complete its series of "Toynbee" Surveys interrupted by the war. Here is the missing piece of the jigsaw, a detailed and documented analysis of the problems set by the neutral states and how they were handled. The pattern is well contrived: a first part, from the pen of Professor W. N. Medlicott, recounts the story and explains the special conditions of economic warfare in the second world war; then follow separate sections by various hands on the individual regions or countries—the Latin American republics as well as the European neutrals—Sweden, Switzerland, Eire, Spain, Portugal and Turkey; and the whole is rounded off by three world maps showing the change that has come about in the shape of the arena of international affairs. Dr Toynbee rates this change in the "geo-political" map a first-class revolution in international affairs; that may well be, but one does not quite see its relevance to the subject of this book.

The salient characteristic that emerges from Mr Medlicott's analysis is that the technical legal issues which had occupied the foreground, as regards the treatment of neutrals, in previous wars gave place in 1939-46 to a complex variety of expedients befitting the individual case. The "statutory list," the navicert system, ships' navicerts and ship warrants, together with compulsory rationing, all this amounted to a new technique of economic warfare: "control at source" rather than contraband control by the traditional blockade weapons. But, as the author observes, the ultimate sanction of control by the Royal Navy remained, and so the British, not the Americans, had to bear the brunt of neutral dissatisfaction.

Miss Agnes Hicks shows how Sweden sought to combine neutrality proper with the active policy of rendering generous help to other Scandinavian countries: for instance, all aid short of military assistance to Finland, amounting to non-belligerent interventionism. Miss Katharine Duff supplies a fascinating and well-balanced account of the "conditional assistance" for Spain's economy and of General Franco's consummate stalling. Lady Constance Howard is extremely percipient about Eire (she also writes about the Latin American Republics and Switzerland). Mr G. E. Kirk describes admirably Turkey's tight-rope act, consisting in a continual "external regard for equipoise."

The volume shows clearly that, just as, for geographical reasons, Turkey's main preoccupation throughout its jockeying for position was with Soviet Russia, so the policy of Spain, Portugal and Eire was, in an ideological context, largely motivated by fear of the Communist realm and its likely postwar strength.

The Winning of the West

THE FAR WESTERN FRONTIER 1830-1860.
By Ray Allen Billington.
Hamish Hamilton. 343 pages. 30s.

THOSE who heard the inaugural lecture given at Oxford (and effectively re-broadcast) by Professor Billington, when he held the Harmsworth Chair of American History, will not need to be told that he was the obvious authority to write this volume in the New American Nation Series. The accents that rang out with such gusto and vividness in describing the Mountain Men are no less authentically audible when Mr Billington extends his compass to cover the whole history of the American frontier in the rousing generation between 1830 and 1860. What an enviable subject he has—the Santa Fé trade route, the overland trails, the Texas revolution, the Mexican war, the Mormon trek, the California gold rush, the transcontinental stage-coaching. The names themselves are a Comstock Lode of adventure and romance—John Sutter, the Donner Party, the Alamo, Kit Carson, Brigham Young, Hasting's Cut-Off, Butterfield's Overland Mail. Familiar to us in every fictional form, from the pages of R. M. Ballantyne to the latest wide-screen epic from Hollywood, they lose not a whit of their freshness and charm when winnowed by a historian keen to sift fact from legend. The reason is a simple one—Mr Billington loves his American West and knows it through and through.

In doing justice to the individual, the colourful and the romantic, however, Mr Billington has not overlooked those elements in the story to which a different set of epithets applies—the national, the economic and the calculating. His opening sentence is a brusque reminder that the winning of the American West was an imperialistic enterprise that involved "the expulsion of well-established European peoples"—the English and the Spanish-Mexicans. This does not make him apologetic about the triumphs of American filibustering, colonisation and diplomacy—not even about the Mexican war, on which he concedes surprisingly little to latter-day liberal critics. Nor does it lead him to go deeply into the diplomatic background: readers who want the full international story of the Mexican, Californian and Oregonian annexations will have to go elsewhere. But it protects him against sentimentality and hero-worship and gives to his whole treatment an excellent balance between the contingent and the scientific. Finally (in line with the practice for other volumes in the series) he appends an excellent, full, analytic bibliography from which one omission is too notable to be accidental; no reference is made anywhere to the works of that celebrated amateur historian of the West, himself a Westerner, the late Mr Bernard De Voto.

China's Champion

CHINA AND SOVIET RUSSIA.
By Henry Wei. Introduction by Quincy Wright.
Macmillan. 379 pages. 45s.

DR WEI, a Chinese living in America, has set out to write a history of Russo-Chinese relations from 1917 to 1956. Apparently under the impression that such an enterprise needs some practical justification, he tells his readers that his book "represents a modest attempt to discover a sound and factual basis for the building of peace in the Far East." In fact, he has no recommendations to make to this end, and his work is a straightforward outline narrative of events written from the point of view of a patriotic non-Communist Chinese, but with no particular axe to grind in favour of the Kuomintang or any of its factions. In view of the violence of controversy in his country of emigration between the detractors and defenders of the Truman Administration's policy towards China, Dr Wei is very wary in his comments on the American connection with the story he relates, but as Professor Quincy Wright, of Chicago, remarks in his foreword to the book, "the answers can be found in his materials." Indirectly, he condemns the American government of 1945 for treating the civil war in China as a purely internal affair in spite of the aid given by Russia to the Chinese Communists in Manchuria, and he claims with justice that this aid "should no longer be subject to dispute, inasmuch as both the Russians and the Chinese Communists have admitted it." Mao Tse-tung declared in 1949 that without aid from the Soviet Union and the people's democracies Communist victory in China would not have been possible, and the facts of the record in Manchuria show that this was no mere empty flattery of foreign comrades.

There can be no doubt that the anti-imperialist slogans of the Karakhan declaration of 1919 made an impression on the younger generation of the Chinese intelligentsia which subsequent events never entirely effaced. The idea of the Soviet Union as China's champion and protector against the western powers and Japan, bent on maintaining or extending

the syystem of the "unequal treaties," became an *idée fixe* for many Chinese. The Russians overreached themselves in trying to direct the course of the Chinese revolution in 1927, and for some years their influence was greatly reduced; but it grew again in the late thirties, when Soviet policy was to sustain Chinese resistance to Japanese domination as an indirect protection for Siberia, even at the cost of subordinating purely Communist interests to the national alignment. When Japan was defeated, this policy naturally changed, but Soviet aims in 1945 do not seem to have reached beyond the creation of a satellite Communist state in Manchuria; Communist conquest of the whole of China was probably not foreseen, or even desired.

When the Chinese People's Republic had come into being, however, Moscow made the most of this great accession of strength to the Communist block and, as Dr Wei shows, exerted itself to gain as much influence as possible over the new regime. The great instrument of the carefully fostered friendship of the two Communist-ruled nations is the Sino-Soviet Friendship Association, which is, in Dr Wei's words, "a ubiquitous organisation, with a branch in every locality and with influence reaching down to the humblest peasant in the remotest village." Yet recent developments in Eastern Europe suggest that the systematic praise of all things Russian can be carried to the point where people have had too much of it.

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Shorter Notices

LABORATORY ADMINISTRATION.
By E. S. Hiscocks.
Macmillan. 408 pages. 36s.

From a book with this title and some 300 pages and 22 appendices the reader would expect details of administration fitted to laboratory management in contrast to the more familiar managerial tasks in other walks of life. Mr Hiscocks has tried another approach. He has mainly described the workings of one research laboratory in the United Kingdom, added to this his personal experience and quoted a number of figures from other laboratories. Some of the difficulties of laboratory management are outlined and in a number of instances very useful advice is given.

Unfortunately, Mr Hiscocks relies too much on his experience in this one institution; he also conceals many good statements and some useful figures are hidden among banalities such as "Any large group of people working together must possess the knowledge and skills necessary to cover the range of jobs to be done and there must be reasonable order in the doing of them." The book would gain a lot if it were compressed.

The selection of photographs is not very impressive. Among the eight plates are lecture halls; a workshop; services of a radiochemical laboratory (ten pipes); the flow of information by printed word (books, reports and pamphlets lying on the table) and the flow of information by sound and vision, which shows some twenty people facing the author making a broadcast from the laboratory.

It is one thing for a secretary of an organisation to publish his experiences; the danger is that some future laboratory administrator may think that what this book describes, sometimes rather dogmatically, must be the best way to administer a laboratory.

★

UNITED STATES FOREIGN POLICY, 1945-1955.
By William Reitzel, Morton A. Kaplan and Constance G. Coblenz.
USA: *The Brookings Institution.* London: *Faber.* 535 pages. 32s. 6d.

The annual series of the Brookings Institution, "Major Problems of United States Foreign Policy," which began in 1947, has been a great aid to the student of international relations, and perhaps some small help to the practitioner also. This volume is not of the series, although the senior author, Mr Reitzel, supervised the last four surveys. He now attempts a "re-examination of the assumptions and evaluations" of American diplomacy in order to prepare the way for "the formulation of more effective policies during future years." The result is an almost indispensable reference work on American foreign policy. But it is no more than that, though it could have been among the most important political writings of the last few years. The bulk of the narrative is accurate and does, indeed, show well how the energies of both the United States and Russia are increasingly concerned, not directly with each other, but with influencing the uncommitted, or the reluctant or touchy ally; it is no longer possible, as it was four years ago, to regard "the international system as essentially bipolar in structure." But the authors conclude by demanding "*new judgments and new decisions*," as if either power can hope to find some magic formula of applied social science that will set all the messy variables in order.

The weakness of the book's matter is made worse by its manner. Reading it is like trying to push mud through a sieve with one's glasses. Much of the book is common sense, but common sense on stilts, and the stilts are more prized than the sense. It is hard to see how the book can have any effect on policy at all, even an indirect effect; it is institutional research at its worst. There is a generation of great American historians alive today that can write in a plain and bold style on important matters; they are scholars second to none; it would be a pity if the Brookings Institution began to prefer the jargon of social scientists who confuse theory with knowledge.

★

THE USSR ECONOMY: *A Statistical Abstract.*
USSR Council of Ministers, Central Statistical Administration.
Lawrence and Wishart. 264 pages. 21s.

This is a translation from the new Soviet statistical handbook published in Moscow last year—the first for seventeen years. Its statistics range over population, health, industry, agriculture, labour, investment, transport, trade and social services. The latest figures are for 1955 with comparative figures for earlier years, including 1913, 1928 and 1940.

As a mark of the ending of statistical rationing this handbook is very welcome. But, alas, much of the figuring is of dubious value in western eyes—particularly that which should give the best indication of the growth in activity. The brief notes give only the barest idea of the coverage of these statistics. But the index numbers of both national income and industrial production are constructed on conceptions that differ radically from those of western countries. The reader will find the proportions of total workers in different industries, but not the numbers; the proportions of total trade in different commodities, but not the value or volume; the area of land under crops, but not the actual yields. It is like getting so far with a jigsaw puzzle and then finding the key piece missing. On the other hand, there are useful output series for individual *industrial materials* and products, including consumer goods.

Books Received

INDUSTRIAL ENTERPRISE IN INDIA: *Second edition.*
By Nabagopal Das. *Longmans.* 210 pages. 18s.

STATISTICAL YEAR-BOOK OF THE WORLD POWER CONFERENCE: *No. 8, Data on Resources and Annual Statistics for 1952-1954 with some supplementary and revised statistics for earlier years and available statistics for 1955.*
Edited, with introductory and explanatory text, by Frederick Brown. *Lund, Humphries* on behalf of the Central Office of the World Power Conference. 176 pages. 63s.

THE COMMONWEALTH RELATIONS OFFICE LIST 1957: *an official year book.*
Her Majesty's Stationery Office. 276 pages. 21s.

YEAR BOOK AND GUIDE TO EAST AFRICA: 1957 *edition.*
Edited by A. Gordon-Brown. Published for the Union-Castle Line by *Robert Hale.* 530 pages. 8s. 6d.

YEAR BOOK AND GUIDE TO SOUTHERN AFRICA: 1957 *edition.*
Edited by A. Gordon-Brown. Published for the Union-Castle Line by *Robert Hale.* 1,096 pages. 10s. 6d.

American Survey

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

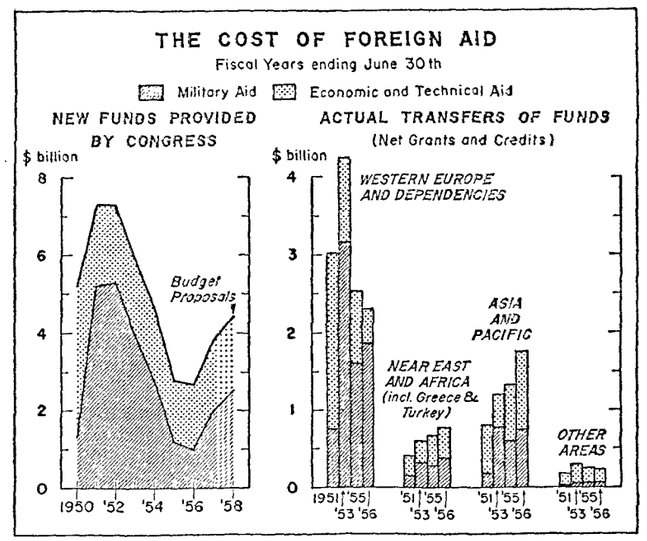
Justifying Foreign Aid

Washington D.C.

THE *dirty linen* of many countries will be washed in public before this year's rethinking of American foreign aid is over. In this, as in other, respects the report of the Fairless Committee to the President, which was published on Wednesday, was circumspection itself. In casting its tart but generalised aspersions on the "military and economic arrangements" of certain countries, it avoided naming any names. But a little cross-reference to the detailed volumes of expert regional studies which are pouring from the Senate Foreign Relations Committee will supply most of the detail. The world *now knows*, for example, just how dim a view Mr Norman Armour, a former Ambassador, takes of the state of the Turkish economy.

All this activity stems from last year's exasperation in Congress at hearing the same old arguments trotted out to do service for one more twelvemonth in justification of a foreign aid programme of the same old shape, even though world conditions seemed to be rapidly changing. The President promised that if he *was given* a year's grace he would try to be more imaginative next time, with the help of a special commission appointed jointly by the Executive and by the Legislature. Each House of Congress promptly set up *its own review committee* and left President Eisenhower to appoint Mr Fairless and various other worthies, including Mr John L. Lewis, to work separately for the White House. If by this device the President *was hoping* to produce a dynamic new approach to stir the imagination of the meanest legislator, he will be disappointed in his committee's labours, for the Fairless Report is a limp document. If, on the other hand, as may well have been the case, the President's object was to clothe the existing programme in a protective covering of conservative *clichés* subscribed to by impeccable paragons of private enterprise, he must be very satisfied. There is no stricter man with a dollar than the former president of the United States Steel Corporation, and Mr *Fairless, after inspecting* the work on the spot, has signed the statement that: "The American taxpayers have received a fair return for their money."

The Fairless Committee believes that straight grants to provide capital for development should be "severely limited," but it agrees that there "may be unusual cases in which they are warranted." On the other hand, it finds that to have American loans repayable in foreign currencies is "undesirable." Private investment rather than public should be the rule, but, in the understatement of the Fairless report, this "will not suffice in certain crucial areas, such as Korea, Taiwan, Vietnam, Pakistan and Turkey." Since by far the largest part of American economic aid is in fact invested in these areas, the exception restores the previous position. After reviewing the individual items rather sourly, the committee concludes that the total sum spent abroad is about right and, with a final flourish, that "the United States must resolve to stay the course and must abandon the false hope that collective security costs are temporary."



In view of some of the heavy artillery being loaded in Congress for discharge against the President's foreign aid proposals for 1958, which have not yet been published in detail, the value of this endorsement is not to be scorned. The debate over the Eisenhower doctrine, which the Senate at last approved this week, gave the opponents a trial run; it would be a mistake to write off their strength because of their apparently poor showing in the final vote of 58 to 28 against Senator Russell's amendment, which would have eliminated all economic aid from the Middle Eastern Resolution. In fact, 23 Democrats voted in favour of the amendment, including many usual friends of foreign aid,

and only 20 against. The appearance of a lop-sided victory for the President was given by an unusual display of Republican solidarity, as the result of exceptionally heavy whipping. It is unlikely that such a vote could be repeated on regular appropriations for mutual security.

Though the Fairless report may help to keep a few conservatives in line, it is unlikely to have much impact on the hearings which will be conducted by the Senate Foreign Relations Committee now that the Eisenhower Doctrine is out of the way. The Senators are more likely to be preoccupied with the bulky product of eleven major research projects which they commissioned from private organisations and of nine special missions they despatched to the various ends of the earth. In some respects the missions whose reports have so far been published tend to substantiate by specific example some of the general criticisms of the Fairless report. In Turkey and Iran, for example, there are instances of too many projects too ambitiously started. A strong case is made for concentrating American aid on advancing only the most worthy of them.

But the first of the Senate's research projects to appear represents a clear antithesis to the whole approach of the President's Committee. This originates in the International Studies Centre of the Massachusetts Institute of Technology, and most of the judgments contained or implied in the Fairless report appear in its first chapter, under the heading of "Fallacies and Pitfalls." These include the idea that Americans should be forever pushing the virtues of private enterprise in the countries they help, that in the allocation of economic aid a favoured position should be given to countries which have joined a military pact with the United States, and that Americans should judge the success of a programme by the gratitude it evokes.

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The essence of the MIT's view is that there is at present no true American assistance scheme which concentrates positively on the development of backward economies. What there is in fact is a holding operation : practically all money which is voted each year after so much dialectical pain goes to support armies in countries that could not otherwise afford them and the economies of countries that are wilting under the support of large armies. Short of a decision to change radically the policy of maintaining such forces, there is really very little leeway for change in the annual pattern of expenditure, which is probably why conservatives who look into the programme usually end up by endorsing it.

But the professors from Boston boldly propose an increase in American spending on foreign aid to enable the industrially advanced countries to commit themselves to make up the deficit in capital and technical assistance in underdeveloped countries over a long period. This deficit would be defined according to rather rigid standards of the feasibility of schemes and of the co-operation of the recipients and their technical absorptive capacity. The type of aid would be related to the stage in the growth of the recipient's economy, and there would need to be some generally respected international body, possibly associated with the World Bank, to interpret the criteria. The authors, who include Professors Millikan and Rostow, recommend that the American contribution should be an appropriation of $10 billion, to be used in loans and grants over a five-year period.

Substantial support for this line of approach is building up in influential bodies outside Congress, and the policy planning staff of the State Department is reported to be thinking on the same lines. Unfortunately for such dreams this year's Budget is the largest ever presented in peacetime and the Secretary of the Treasury accompanied it with some odd remarks to the effect that it ought to be cut if only someone in Congress could find out how. This has not unnaturally provoked Senator Russell to retort that a professor can say that foreign aid spending is not inflationary and hold his job, but "there are not many members of Congress who are strong enough in their bailiwicks to vote for increased foreign aid spending and then vote against all the domestic programmes."

Eisenhower's Fourth Justice

IN choosing Judge Whittaker, of Missouri, to succeed Mr Justice Reed, President Eisenhower has stuck to his recent determination to require judicial experience in the men he appoints to the Supreme Court. Judge Whittaker has sat on the federal bench since 1954. He meets the other urgent qualification by coming from the great area between Ohio and the Pacific coast which is represented on the court only by a Texan. Judge Whittaker's other virtues are that he is 56 and a Republican ; there will now be four Republicans to five Democrats on the court for the first time since the nineteen thirties.

Mr Justice Reed's retirement left only three Justices appointed by Franklin Roosevelt: Messrs Black, Frankfurter and Douglas. Mr Reed was appointed just after the President's court-packing plan failed ; he came in as a liberal, but nineteen years of devotion to the letter of the law had brought him over to the right wing. However, Justice Reed had spent nine years in government service, three of them as Solicitor General, fighting for many New Deal causes ; having had the experience to appreciate its problems, he was inclined to give the government the benefit of the doubt. In this respect Judge Whittaker will be a change, but he is not expected to alter the balance of the court.

Judge Whittaker's appointment was not announced until it was certain that Mr Justice Brennan, a Democrat appointed just before the election, would be confirmed by the Senate. This became a foregone conclusion when Senatory McCarthy slipped away to the bigger headlines of the labour inquiry after insinuating that Mr Brennan was unsympathetic to congressional investigations into Communism. On the court, Justices Brennan and Whittaker will be alone in having had substantial judicial experience. The background of most of the other Justices lies in politics and government service, which many observers consider to be a better forcing ground for the breadth of vision and statesmanship required on the Supreme Court. The President, however, seems to have abandoned this view after he appointed, as Chief Justice, Mr Warren, the former Governor of California. Judge Whittaker, whose life is said to be the law, is more devoted to what have been called the niceties of legal needlework. Such a narrow outlook in the newest Justice is not altogether a good omen for the other appointments Mr Eisenhower may have to make when Justices Frankfurter and Black, both of whom are over 70, decide to retire.



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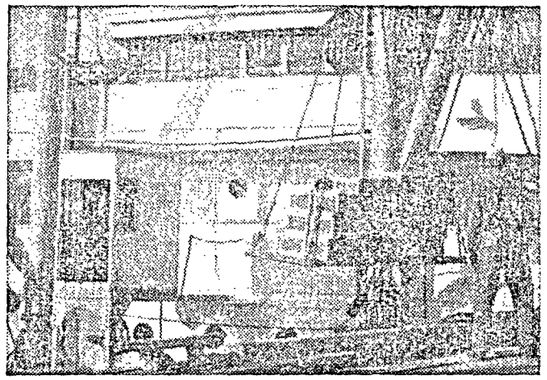
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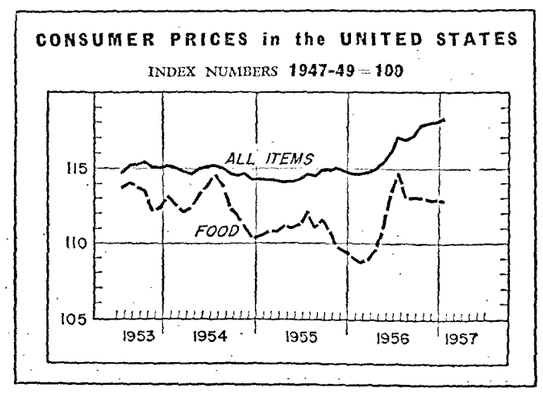
Whose Restraint?

THE index of consumer prices, again at a record level in January and expected to continue its steady rise of the last five months, highlights what was in any case the most interesting, and the most criticised, point in President Eisenhower's Economic Report: his request to businessmen and trade unionists alike to refrain from increasing prices and wages—a "do-it-yourself" programme against inflation, in the words of the National City Bank of New York's monthly letter. While Congress has no intention of doing the job professionally, by imposing legal controls, its Joint Economic Committee, in its statutory report on the President's report, suggests that his request is unrealistic. The committee thinks that the government must provide some standards by which to assess whether increases are justified; it should at least analyse its statistics in order to show the relationships between productivity, wages, prices and profits for the benefit of those trying to practise voluntary restraint.

But the rise in the consumer price index means that some trade unionists must not only practise restraint but actually make sacrifices if wages are not to go up. For nearly four million workers are now covered by contracts which provide for automatic rises in wages with each rise in the cost of living. A good many more—about five million in all—are entitled to regular annual increases. It is too much for even the President to expect that those unions which will be bargaining on wages this year—in the oil, rubber, textile, paper and chemical industries among others—will be willing to ask their members to forgo gains which are coming without question to other workers.

Businessmen, on their side, argue that it is for the government to set a good example by restraining its spending. With this the Joint Committee agrees, although it makes an exception for capital expenditures, on school building and water development, for example, which would eliminate barriers to future economic expansion. But the committee is as aware as are ordinary members of Congress that there is little, if any, room for effective cutting in President Eisenhower's Budget. Nevertheless this year constituents are unusually insistent in their demands that their representatives should force the Administration to economise.

This popular pressure is thought to come from dismay that government spending is still going up, from disappointment that tax reductions are not yet in sight and from fear of both inflation and recession. The Joint Committee apparently regards only inflation as a real danger in 1957. But, as Senator Douglas, the only economist on the committee, has pointed out, what its members really think might have been clearer and their guidance might have been more helpful to the public if, in their desire to approach unanimity, they had not concealed disagreement in generalities and obscurities of language.



Pinning Down the Teamsters

THE well-planned investigation which is putting "improper activities in the labour or management field" under floodlights in the Senate's crowded marble hall naturally opened with the most sensational allegations. Newspaper headlines and television screens have been filled by a vice operator "telling all," followed by a brothel keeper explaining why she decided not to add to her establishments and a trade union official refusing to testify because he might incriminate himself. At the end of last week the chairman of the committee, Senator McClellan, was able to say that the hearings had shown "rather conclusively" that there was some connection between gambling interests, public officials and leaders of the teamsters' (lorry-drivers') union in Oregon.

The chief charge is that a monopoly in pinball machines —500 of these betting devices net one operator about $50,000 a year—was set up in Portland with the help, and to the financial benefit, of union officials; by picketing, or by forbidding union members to make deliveries, they cut off bread and other supplies from cafés which tried to exercise freedom in the choice of the amusement they offered their patrons. According to other charges, union funds have been used to finance bars and gambling houses and union officials have conspired with convicted criminals to share in the profits of brothels and to control law enforcement in Portland.

The leaders of the teamsters' union on the west coast were expected to defend themselves this week. The union's president, Mr Dave Beck, has now no excuse not to appear, since he is no longer required in Europe to represent the United States at next Monday's meeting of the International Labour Organisation; the Secretary of Labour has refused to approve his nomination. The committee has plans to investigate several other unions and to move its inquiry round the country, visiting New York, Los Angeles and a number of other cities, in some of which grand juries are already conducting independent researches. It seems fairly certain that the investigation will continue through most of 1958 and that, as a result, voters may go to the polls in that autumn's congressional elections with some prejudice against the labour movement. What this might mean has just been illustrated in Indiana, where the State Legislature has unexpectedly passed a "right-to-work law"; this forbids contracts with employers which require workers to belong to a union. While these laws, anathema to trade unionists, already exist in seventeen other state Indiana, which contains some of the country's largest ! mills, is the first industrial state in the north to pass such a law.

Buried in State

EVER since last summer Washington has been wondering why President Eisenhower kept Mr Harold Stassen in his Cabinet, after his futile campaign to prevent Mr Nixon's renomination for the Vice Presidency. Now, after another attack by Mr Stassen on Mr Nixon, the President, while still not prepared to dismiss his special adviser on disarmament, is no longer defending him against Mr Dulles's desire to have responsibility for this as well as for most other foreign affairs. Mr Stassen is to remain in the Cabinet, although his successor will probably not be a member, but he is to report to Mr Dulles instead of directly to the President, and on policy matters he is to be subordinate to the Secretary of State. The reason given is that the ground plan for disarmament has been laid and it is now a matter of negotiation with foreign governments. Obviously it is administratively efficient that the State Department should be in charge, but its involvement in the regular daily round of difficulties abroad may inhibit the flexibility and imagination which have characterised Mr Stassen's independent work for disarmament.

He will lead the American delegation to the disarmament talks opening in London in ten days' time, but it is thought that he may resign soon after that. With his administrative career buried in the State Department, he apparently hopes to revive the political career which began when he became Governor of Minnesota eighteen years ago at the age of thirty-one. Now it is reported that in 1958 he wants to be the Republican candidate for Governor of Pennsylvania; he moved to this state in 1948. The Republican party there certainly needs some rebuilding on Mr Stassen's modern lines, but his chance of being allowed to do it are slight. But if by any chance he should become Governor of Pennsylvania, then he would be in an excellent position to exhume his presidential ambitions yet again in 1960, probably with Mr Nixon as his chief rival. Mr Stassen's belief that his political career can be brought back to life may be obstinate and unrealistic, but there is no doubt that he believes sincerely and enthusiastically in his mission to save the Republican party from its right wing.

Knowland's Home Fires

FROM A CORRESPONDENT IN CALIFORNIA

WHEN Senator William Knowland, the 48-year-old Republican from California, who is his party's leader in the Senate, announced that he would not stand for re-election in 1958, he touched off a fever of speculation and added an unusual sense of urgency to the important political gatherings which both parties held in the state during February. On the Republican side, his withdrawal shakes the already uneasy balance of forces between three ambitious leaders, all from California—Governor Knight, Vice President Nixon, and Senator Knowland himself. On the Democratic side, the chances of capturing a Senate seat in California in 1958 are vastly improved now that the party will not have an incumbent Senator of Mr Knowland's rank and influence to beat.

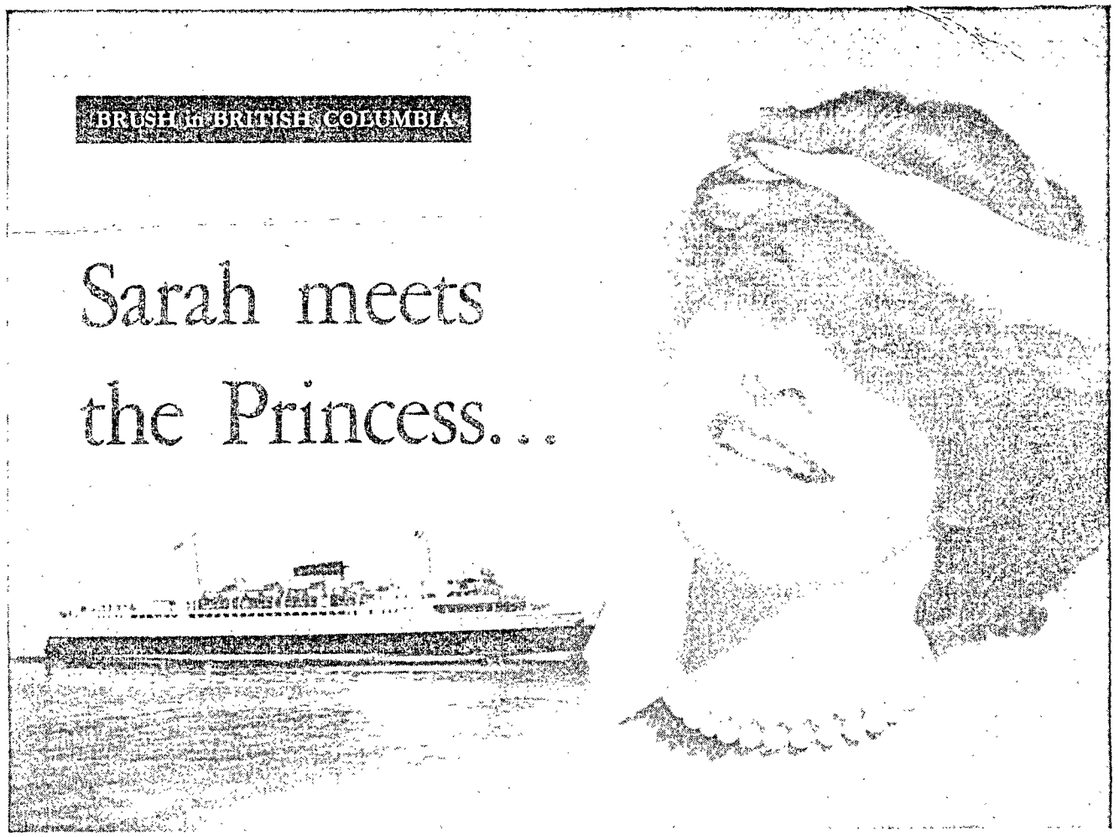
At the meeting of the Democratic National Committee in San Francisco last month, the thoughts of Californian leaders were naturally occupied with possible candidates for the Senate. But equally heartening to the Democrats is the fact that since last November's election they control the State Senate for the first time since 1889. Now their local aim is to capture the lower house in the State Legislature in 1960, if not before, since then the decennial Census will bring reapportionment of the seats in the national Congress, and California, with its booming population, seems certain to get several more. On the way in which the constituency boundaries are redrawn by the State Legislature depend the Democratic chances of winning these new seats, and probably some of the old ones as well. Meanwhile, at the committee meeting, the first to be held in the far west, the party's national leaders took steps to consolidate the Democratic gains made in the region at the last election, by concentrating the public discussions on the problems of the west and by establishing a special group to stimulate congressional concern about these problems.

For the Republicans, what is chiefly at stake is the leadership of the huge Californian delegation to the Republican convention which will nominate a new presidential candidate in 1960. Control of that delegation could make or break Mr Nixon's chances of becoming President, a fact of which his followers are acutely aware. Until now, and particularly at last year's nominating convention, Senator Knowland, in the interests of party unity, has combined his forces with those of Mr Nixon to swing the Californian delegation behind the Vice President. Governor Knight, however, was unable and unwilling to help Mr Nixon for one vital reason: he has binding commitments to the labour movement in California, and so far the trade unions there are strongly anti-Nixon. Moreover, Mr Knight's own presidential ambitions conflict with those of both Mr Nixon and Mr Knowland.

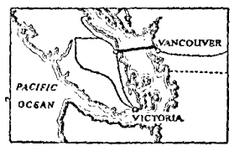
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Now, with the imminent return to the Californian scene of the senior Senator, the Governor is threatened from another direction. He has been a great disappointment to the right wing of his own party, with which he was closely identified during the eleven years that he was Lieutenant Governor under the progressive Governor Warren. But since he became Governor, Mr Knight has himself adopted a bipartisan approach to state affairs; for example, he never misses a chance these days to emphasise his close friendship for the trade unions. This shift of position has left his former champions, particularly the powerful *Los Angeles Times*, almost apoplectic—but not speechless—with disappointment and chagrin. Their difficulty, until the day of Mr Knowland's announcement, had been that they had nobody else to follow, but it is now evident that they hope for more dependable and old-fashioned Republican leadership from the retiring Senator.

Some among them believe that it was their entreaties to Mr Knowland to break with the Eisenhower Administration and return to save Republicanism in California which did, in fact, persuade him to come home. The Senator's discretion makes it possible for them to believe this. Yet one of his statements seems to indicate plainly a different reason for his decision: "I am primarily a newspaperman." He is heir apparent to the *Oakland Tribune*, an important daily paper in one of the state's most heavily populated areas. As he has clearly stated, Mr Knowland faces the necessity of



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Because of this simple fact, the more practical Republican leaders in the state do not believe that the Senator intends to challenge Governor Knight when the latter runs for re-election in 1958, although this is the interpretation that Washington observers have put on the Senator's retirement. They argue that in the Senate he is inevitably overshadowed by his fellow-Californian, the Vice President, who presides there, and that his position as leader of the Republicans restricts his ability to criticise the President's foreign policy; furthermore, if Mr Knowland does criticise, he lays himself open to charges of disloyalty to his party's hero. Finally, the Senate has never been a good starting point for a presidential aspirant, while, as Governor of California, Mr Knowland would be in a strong position to further his presidential hopes. Not only would he control the party machine in the state, but he would be able to prove by deed as well as by word that he could provide the conservative leadership for which many Republicans are still looking. But there are those who maintain that, just because of this strictly orthodox approach to party affairs, Mr Knowland would lose if he did decide to challenge Mr Knight in 1958. It is in the Tribune Tower in Oakland rather than in the State Capitol in Sacramento that Mr Knowland seems most likely to keep his political fires burning.

Governor Knight is already rallying his New Republicans against this political threat. He called for vigorous action "to make room for Democrats and independents" at a recent gathering of the Republican Assembly, an unofficial organisation of 12,000 volunteers for party work, which was held in a sympathetically untraditional setting, the Disneyland Amusement Park. A special resolution urged the party to bring into its flock "an ever growing number of working men and women" and young people are also being enthusiastically wooed by the New Republicans. They are sponsoring organisations of "Teen Age Republicans of California" in the high schools, an idea which could have a direct impact on electoral patterns if the State Legislature approves a current Bill which would lower the voting age to eighteen. Even without this, the party system has been visibly rejuvenated in California and a new political fire has been kindled in a state which has never lacked complications of this kind.

Conscience over Colour

EVEN in the states where there has never been any legal colour bar there is a great deal of segregation in the public schools simply because the different residential areas are usually black or white, seldom mixed. A recent inquiry in New York City, which has 132,000 Negroes and 101,000 Puerto Ricans among the 724,000 children in its elementary and junior high schools, showed that almost three-quarters of the schools were either nine-tenths white or nine-tenths coloured. A combination of conscience—aroused when the Supreme Court held that it was unjust to Negro children to segregate them—and pressure from the Negro organisations has led New York City, the original melting pot, to make a positive assault on this "accidental" segregation. Other big cities in the North with large Negro populations may soon be forced to show whether they are willing to practise what their liberals preach.

It is, of course, no accident that New York's Negroes and Puerto Ricans live huddled together in the slums of Harlem and Brooklyn. The school authorities by themselves cannot eliminate the effects of segregated housing. But the New York City Board of Education is trying to overcome it as far as this is compatible with the welfare of the children. Since last October buses have been taking children from Negro neighbourhoods to all-white schools and vice versa, and new schools are deliberately being built on the fringes of coloured districts, so that integration may come naturally and without making small children travel long distances.

Last week the board accepted the most controversial recommendations of its commission on integration. These authorise the redrawing of the boundaries of school districts, to increase the number of mixed schools, and the transfer of teachers to difficult schools in underprivileged parts of the city. The teachers, who are strongly organised, naturally prefer easier assignments; the result has been that in the Negro schools almost all the posts are held by teachers still on probation. Next autumn, when the new programme begins, about a thousand teachers will be transferred; it will be in full swing by 1959 unless too much opposition develops. So far, most of the objections have come from the teachers, while community organisations and trade unions support the move. If it is successful, some of New York's children will grow up without being conscious of race; and in time the South may lose its legitimate complaint that the North condones segregation in fact even when it prohibits discrimination by law.

Shale After Suez

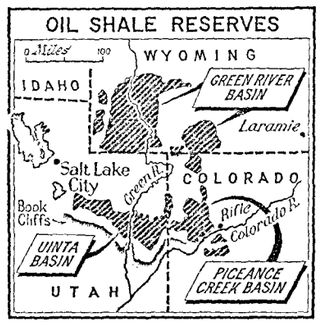
FROM A CORRESPONDENT IN COLORADO

FOR millions of years the Colorado River and its subsidiaries have gnawed their way down through a high plateau where Colorado, Wyoming and Utah meet. Travellers on the road along the river now see cliffs half a mile high, with thin horizontal stripes as uniform as the leaves of a book; their name is, in fact, the "Book Cliffs." These layers mark the deposit, some 50 million years ago, of the organic matter which is, after coal, the country's largest store of hydrocarbon energy. They are the famed oil shale deposits which cover some 16,500 square miles and which, according to the United States Geological Survey, contain the energy equivalent of nearly 1,000 billion barrels of petroleum. And this takes account only of the richer shales, which produce at least 15 gallons of oil to the ton. The survey carefully adds that not all can be classed as "recoverable" under present economic circumstances.

The richest deposits, those of the Piceance Creek Basin, in the "mahogany ledge" named for its colour, are estimated to contain 90 to 125 billion barrels. It is this reserve, averaging 25 to 30 gallons of oil for each ton of shale, which is now quickening the pulses of officials of some of the largest American oil companies. Before 1920, oil shale lands could be sold to private owners and the richest were. Under an Act passed in that year, the remaining

deposits can only be leased. In the past year or so a brisk trade in the private lands has resulted in most of them coming into the hands of the large oil companies. The biggest reserve is owned by the Standard Oil Company of California, with the Union Oil Company next.

Countries poor in oil have long secured part of their requirements from leaner oil shales than these. But the United States, rich in liquid petroleum reserves and with access to even richer world reserves, has never had to bother with them. During the last war, however, with Hitler's submarines sinking tankers within sight of the east coast, Congress authorised an emergency programme to develop liquid fuels from solid hydrocarbons, both oil shale and coal. The coal hydrogenation programme was shut down as soon as the Eisenhower Administration came into office, but the oil shale programme hung on until last June when the big experimental mine and the extraction plant at Rifle, Colorado, which were run by the Bureau of Mines, were closed.



Source: US Bureau of Mines.

For the $17 million spent, the bureau had made tremendous advances in rapid, large-scale methods of mining shale and had reduced the cost of delivering crushed shale at the processing plant to less than 50 cents a ton. It had also greatly increased the efficiency of extraction, with a retort which could handle 240 tons of shale a day without using water, which is very scarce in western Colorado, for cooling. Both the bureau and the industry estimated that on this basis, petrol could be produced from shale at a cost of 14 to 16 cents a gallon, compared with 12 cents a gallon for petrol and petroleum. Nevertheless the hostility of the private oil companies finally succeeded in choking off all of the government programme except some laboratory work in Wyoming.

In recent months, the Suez crisis, coupled with reports that the Soviet Union has built vast numbers of submarines, have reminded the United States that it once more stands in danger of being cut off from imports, which today provide 10 per cent of the oil it consumes. The Rifle plant was handed over to the Navy last year, and is being kept in standby condition. But now the Navy is thinking of asking Congress to provide the money to reopen it, and attention is also being focused on the work of certain private oil companies towards making use of the shale.

The commercial advantages of shale have been succinctly summed up by one of their officials:

> No finding cost, which is now approaching $1.25 a barrel for petroleum; no hostile Arabs lurking around to cut your pipelines and burn your refineries.

Its disadvantages are that it is found in a water-short area far from the refineries; that shale is 90 per cent ash or slag, which must be disposed of (it has been estimated that complete exploitation of the shales could cover Colorado six feet deep in ash); and that raw shale oil, as it comes from the extraction plant, is, from the refiner's standpoint, a dreadful sludge high in sulphur, nitrogen and other impurities, and of a jelly-like consistency at ordinary temperatures. In other words, much must be done with it before it will even flow through a pipeline. However, Dr Schroeder, of the University of Maryland, has estimated that the capital cost of producing a barrel a day of shale oil is only about $9,000 compared with about $8,000 for a barrel of liquid petroleum. When costs of the one fall or of the other rise enough to make them equal, a shale oil industry will be born—probably not long after 1960.

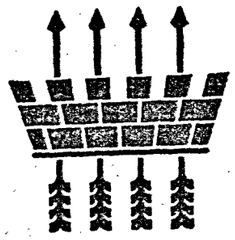
The Union Oil Company, which has had much experience in refining low-grade Californian crude oil, has the most ambitious shale programme of any private company. It is investing $5 million in a mine and an extraction plant on its 5 billion barrel reserve of shale oil, and began operations this winter with a retort of an improved design. Another programme is that of the Oil Shale Corporation, which is investing $250,000 at the Denver Research Institute on experiments with a new method of extraction. In this process the crushed shale is tumbled in a revolving steel cylinder with ceramic balls heated to 1,000 degrees Fahrenheit to free the oil from the rock in the form of vapour.

Football Caught

THE six Justices of the Supreme Court who ruled last week that professional football is a business subject to the anti-trust laws conceded that they might seem inconsistent: they left standing the decision handed down in 1922 and reaffirmed in 1953 which specifically exempted professional baseball, another team sport, from the anti-trust laws. Chief Justice Holmes had argued that the interstate aspects of baseball were too slight to constitute commerce, and the majority was reluctant to remove an exemption, under which baseball has flourished for more than thirty years, without congressional sanction. But the Justices left no doubt that if they were considering baseball for the first time they would put it in the anti-trust net.

The three dissenting Justices were equally unable to see any difference, legally, that is, between baseball and football, but they were unwilling to disregard the earlier decision. Boxing, which was brought under the anti-trust laws in 1955, does not provide a precedent, in that it is not a team sport. The upshot is that baseball will continue to enjoy unique privileges unless Congress takes up the court's challenge and wipes out this illogical discrimination.

Now that it has been established that baseball is no guide to football, the lower courts will proceed to try a suit against the National Football League. It is brought by Mr William Radovich, a former player with the Detroit Lions, of that League. His request for a transfer to the Pacific coast was turned down; when he went anyway, he was deemed to have broken his contract which, like all those in professional team sports, contained a "reserve clause" binding a player to a team unless he is sold or exchanged. This clause makes it unnecessary for teams to bid against each other for players. Because he had broken his contract, Mr Radovich was unable to get a job with an affiliated league in California. He is asking for $35,000, which under the trebled damages granted in anti-trust cases, may become $100,000, but he insists that his real aim is to show the leagues that they cannot treat a player "like a piece of furniture."



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The World Overseas

Uganda: Next on the List?

FROM A SPECIAL CORRESPONDENT

"AFTER Ghana freedom for Uganda," runs the chalked slogan on the walls of Kampala; "No more British Governors," was the poster which greeted Sir Frederick Crawford as he landed at Entebbe airfield, to take up his duties as Governor of the Protectorate. Such political demonstrations probably represent only a small minority of opinion in Uganda, but they do show the passionate interest with which this week's independence celebrations in Accra are being watched by Africans everywhere.

Uganda has long felt a certain link with the fate of the Gold Coast because both countries are purely African states with virtually no white settlers to complicate their political future. When self-government for the Gold Coast came into the news it was therefore not surprising that Uganda should demand similar treatment. Last month the Lukiko, the Parliament of the Baganda people, formally decided to petition the Queen for "a definite policy which will lead us to self-government in a fixed time within the Commonwealth." Yet in spite of these demands and demonstrations, and in spite of the pace at which the last governor, Sir Andrew Cohen, bustled the country along the road of political advancement, actual self-government still seems a relatively distant prospect. There will be direct elections to the Legislative Council on a common roll in Buganda this year (if the Secretary of State agrees), and throughout Uganda in 1961; but officials make it clear that these steps are not intended as the prelude to self-government in the early 1960's. The African political leaders find it hard to understand the delay.

Yet the reasons which the British colonial officials put forward in private cannot easily be brushed aside, though they are even less easily discussed in public. First of all there is the disparity between the state of Buganda and the rest of Uganda. The Kabaka's government in Kampala is far more advanced, and controls a far more advanced people, than are found in any of the other states which make up Uganda. These less advanced states fear that self-government will really only mean domination by the Baganda, and that they utterly refuse to accept. The Kabaka's government, since his triumphant return from exile, has not given grounds for confidence that it would be tolerant or democratic. At this moment it faces a crisis because the courts have awarded a seat in the Lukiko to a properly elected member whom the Kabaka has so far excluded on the frivolous ground that he is politically unfriendly. There are also real grounds for fear that if self-government were granted in the next five or six years Africans simply could not be found to man either the ministerial or higher civil posts, since educational opportunity has been slower to develop in Uganda than on the west coast.

The new governor is therefore likely to face some difficult tests in his first few months. There is no doubt that there will be a rising agitation for an early promise of self-government. If he simply rejects it on the grounds that the country is not yet ready to govern itself, his words will not carry conviction to the few but vocal political leaders who feel that they personally are ready to rule, and who cannot believe that their country is far behind Ghana. If, on the other hand, he accedes too readily to such demands (though of that there is no sign) trouble might well start between the Baganda and the other tribes; there might also be a catastrophic collapse of the country's administration.

There are some indications that the governor's brief from London is to try and keep the African political leaders happy by frequent small moves along the road to self-government, while training up a cadre of African officials from all tribes, who can begin to take over the civil service. This sensible plan will only succeed if there is a proper realisation (which seems generally lacking amongst East African Europeans) that events in Ghana and Nigeria are making political demands by Africans elsewhere vastly more urgent.

China's Change of Pace

FROM OUR CORRESPONDENT IN *HONGKONG*

ALL the available evidence from Peking indicates that the State Council is now holding down the pace of the current five-year plan, which ends this year. The plan, which got out of hand in an exuberant gallop last year, will finish the course at a steadier trot, easing down as it passes the post. There have been frank and repeated admissions of waste, inefficiency and extravagance in 1956. In particular, the recruitment of labour, based on inordinate demands by ambitious local enterprises, has been denounced by the regime as grossly excessive. According to the State Statistical Bureau:

> The total number of workers increased by nearly 2½ million during 1956, swelling China's labour force to

24,730,000. Because of the lack of investigation and study of the actual needs of the national economy, the army of newly added workers represented double actual requirements. . . . Personnel not directly engaged *in production* grew to such proportions as to be intolerable. There were more employees than jobs and the nation's resources were squandered.

Shortage of coal has become another serious problem. The production of coal rose from 66 million tons in 1953 to 106 million tons in 1956, but in the same period industrial demands for coal rose from 27.9 million to 48 million tons and domestic demands from 30.8 million to 50 million tons. *Since the last quarter of 1956* the supply has not been equal to the demand. Electric power has been tightly rationed ; and the State Council was forced to order all coalminers (who get no annual leave of any kind) to "volunteer" to work on two of the three traditional and sacrosanct New Year holidays. According to the newspapers, all Chinese miners "joyfully greeted" this "glorious task," some "postponing planned marriages," others "eagerly quitting vacation trains *en route* to their native homes to hasten back to the pits."

Announced changes in the plan to cut waste and costs include "appropriate" reductions in capital construction and industrial production ; more intensive development of arable land and improvement in existing farming methods (instead of earlier plans for large-scale construction and import of heavy tractors and other modern farming machinery); a bold but bald pledge to cut back "spending on the army by one-third" (whatever that may mean) ; curtailed expenditure on "cultural, educational and public health enterprise" ; and—above all—strong action to discourage the tendency to achieve and surpass *quantity* targets at the reckless sacrifice of *quality* standards.

Inflationary Demand

The five-year plan originally set the ratio between heavy industry and light industry investment at 88.8 to 11.2 per cent, or about eight to one. In last year's budget the ratio was quietly altered to 87.5 to 12.5 per cent, or about seven to one. The expected revision this year will further modify the ratio to nearer six to one. Wage increases in the headstrong mood of 1956 stimulated an inflationary demand for short supply consumer goods, which was checked only by throwing in meagre stockpiles. This situation will be corrected this year. On the swollen labour front the policy has been sternly laid down: "Increase tasks but do not increase personnel ; where newly established units need increased personnel, they should be transferred from old units." Another interesting development has been Peking's decision to lighten the burden of "voluntary" purchases of government bonds this year for industrialists and merchants and to transfer the increased liability to workers and peasants, thereby helping to take care of the latter's increased wages.

As the last year of the first plan begins, there is obviously some official doubt and anxiety, muffled in party jargon, about organisation and discipline in the agricultural producer co-operatives (APC's) and among students generally. "Among the masses," says Peking's *Jen Min Jih Pao*, "ultra-democracy has emerged. In some places, if the cadres speak a little loudly, the masses call it commandism ; if popular but erroneous views are not at once accepted, they call it bureaucratism. Promotion of democracy does not mean the abandonment of leadership."

At a recent Peking party conference on "student work in higher institutes," there were complaints, also, that some students "showed a tendency to ignore politics," that others had been confused between "socialist democracy and bourgeois democracy" *in considering* "some of the events that happened recently in the international communist movement," and that "certain newspapers and publications had given one-sided publicity to the question of fostering individuality, liberalism and individual wishes." All schools and universities have been ordered to intensify courses in political theory. If the change in pace of the five-year plan stresses *once more the flexibility* of the Peking regime's methods, this concurrent reaction to doctrinal misgivings makes it just as clear that there are real, hard and unyielding limits to basic party elasticity and tolerance.

"People's Power" in Hungary

BY A CORRESPONDENT

MR KADAR's "reform" of his government and of the party hierarchy will not bring much cheer to the Hungarian people. In both government and party, control rests firmly in the hands of Mr Kadar and his closest associates ; Dr Muennich, formerly defence minister, has been promoted to be first vice-premier ; the key-post of minister of the interior has been given to Mr Bela Biszkar, a hitherto little-known party stalwart who is believed to be a close friend of Mr Kadar. No one tainted with sympathy for Mr Nagy is admitted to the new 37-member central committee of the party ; it contains twelve men reckoned to be "Rakosists," and six labelled as "Rajkists" ; the rest are nonentities who will do what Kadar tells them.

The basis of what Mr Kadar, with fine contempt for semantics, calls "People's Power" in Hungary remains the Soviet army (upwards of ten divisions) stationed in the country and the native apparatus of control through the security police and the party. The basis of the security police (the AVH) has been duly resurrected, and thanks to the incorporation of thousands of army officers, it may be stronger numerically now than before the revolution. The regime is stressing that it must be further strengthened. The threat of selective dismissals in office and factory has swollen the number of party members from 20,000 to 170,000 since the New Year. Most of the members of the old communist party apparatus are back in service. But many of them are uncertain and some frankly afraid. The ultimate dangers—another open rebellion, or the haunting spectre of a neutral belt across Europe, implying Soviet withdrawal from Hungary—seem remote enough now. Minor dangers, however, are more imminent. Opposition to communist power in Hungary is still legal if it takes the form of opposition to minor individual repositories of that power. Complaints about the "abuses" of Comrade X or the "arbitrary methods" of Comrade Y, though more muted than in the months preceding the revolution, are again out in the open. Only the AVH and cabinet ministers are immune. Tongue-in-cheek "criticism from below" has recently reached as high as a deputy minister of the food industry who would not curb a high-handed functionary.

The native apparatus is thus caught between the upper millstone of the imperatives of its own survival on top of the Hungarian powder keg, and the nether one of legalised criticism of personalities. Functionaries are accordingly vacillating between weakness and bouts of brutality. They are to "restore order and discipline," but if they take this literally enough, they may find themselves out on a limb, more hated than their colleagues, singled out by popular criticism as "Rakosists," and dropped. This is destructive of party morale, and to stop the rot, the regime is making frequent promises that it will "protect" its servants.

Side by side with total political repression, in the economic sphere many of the revolution's *faits accomplis* have been accepted. The most portentous is the redistribution of the national income in favour of the peasantry. Compulsory deliveries to the State are to remain abolished. All produce can now be freely sold either direct to consumers or to State purchasing agencies. This should raise the income of the agricultural sector from about 13 to about 18 milliard forints a year. Moreover, official repentance has been made for major madnesses such as compulsory cotton-growing at a cost of production of 700 forints per lb (about $17 per lb at the "grey" rate of exchange used by State foreign trading concerns). Collectivisation, too, must henceforth be "really" voluntary. As a counterweight to the revolutionary working class, the inherently conservative peasantry is meant to have a vested interest in Mr Kadar's established order.

How many Unemployed?

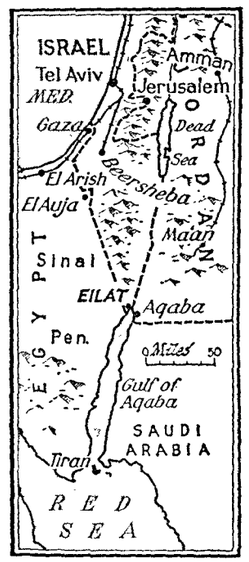
Wage adjustments in industry and mining should increase the money income of these sectors by at least 3 milliard forints. In addition, workers' councils contrive to disburse various "unlawful payments" to employees. Thus, even if real output were not less than before the revolution, an inflationary gap of at least 8 milliard forints, roughly a tenth of the gross national product, would be opened up. In fact, the gap is larger, because current output in manufacturing and mining is still about 40 per cent below the pre-revolutionary rate. Labour productivity is low because most workers' councils, even in their present intimidated and purged state, sullenly resist the reintroduction of piecework rates which they regard as the thin end of the wedge. Flat wage rates are now the rule rather than the exception. They work out at about 1,100 forints a month, while unemployment pay varies between 300 and 600 forints.

The number of industrial unemployed is not disclosed, but despite the demobilisation of a quarter of a million soldiers, it is probably rather smaller than the 200,000 originally forecast. White-collar unemployment seems proportionately more severe, though there are signs that the proposed radical pruning of the bureaucracy will end by the eventual re-employment of much the same number of bureaucrats in a reshuffled set of planning and control posts. As the government has put it, "exaggerated centralism is harmful, but socialist planning implies central direction." The audacious demand of the workers' councils, that each enterprise should plan independently and face a free market, would have drained off rather too much "people's power."

The material damage "caused by the counter-revolution," that is by the brief and bloody war the Soviet Union waged against Hungary last November, is now put at 14 milliard forints. This is $1,200 million at the official and $350 million at the more realistic grey rate of exchange. For reasons of its own, the Soviet government is about to make good some of the loss it caused ; after giving a stopgap loan of $50 million in convertible currencies, it is now holding out the prospect of another 800 million roubles. Negotiations are still going on in Budapest, but agreement in principle seems to have been reached. The loan is intended to finance Hungarian imports from the Soviet Union. The shopping list for the current quarter, allegedly agreed to by the Russians, subject to railway capacity, includes 250,000 tons of breadgrains, 150,000 tons of feedgrains 600,000 tons of coal, 150,000 tons of oil, 100,000 tons of pitprops, 10,000 tons of synthetic and 1,200 tons of natural rubber, 4,500 tons of aluminium ingots, 1,800 tons of copper and 1,200 tons of lead. This is an impressive list and if the goods are in fact delivered, the embarrassment of inflation and economic breakdown might be averted.

Faith and Works at Eilat

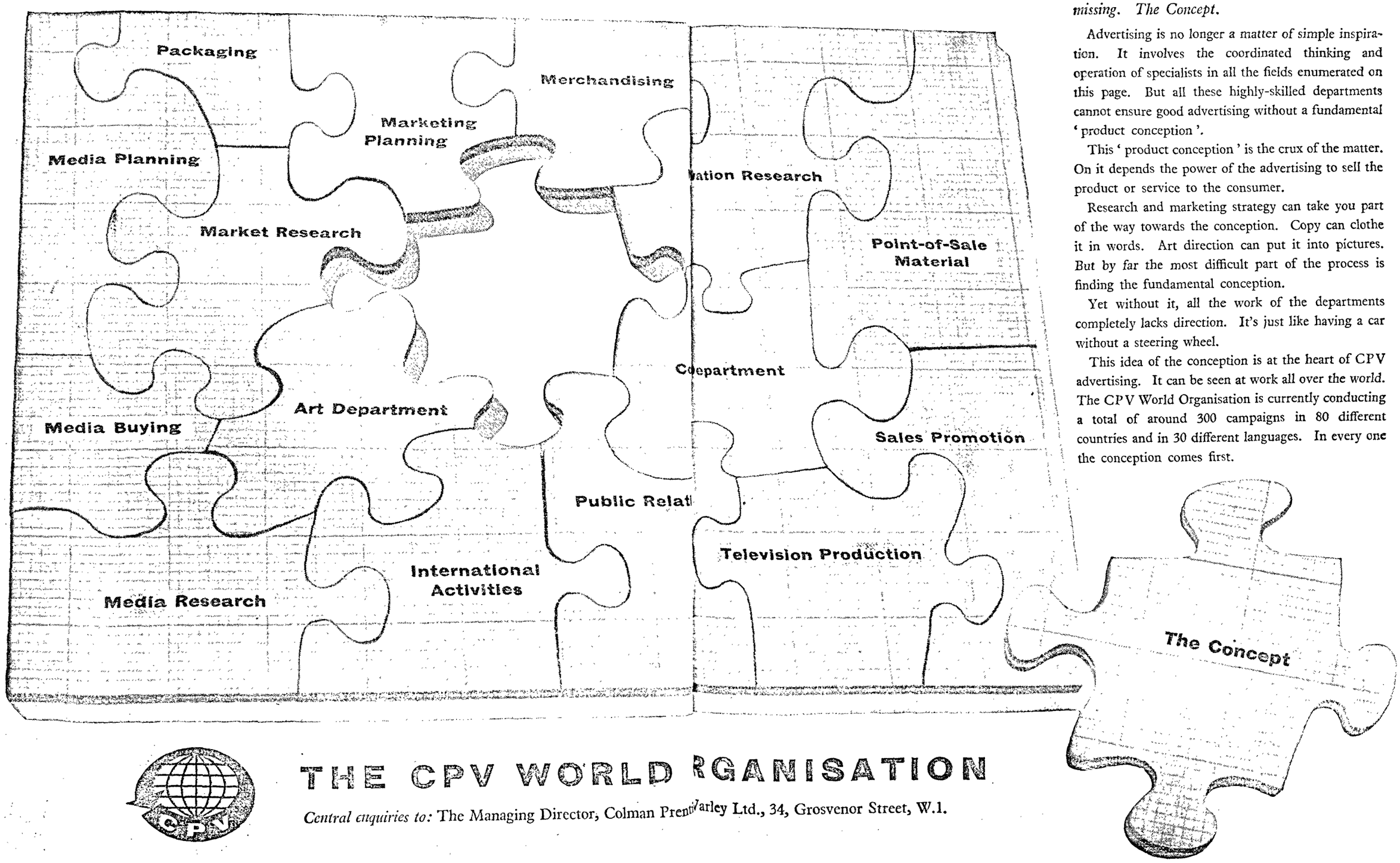
EILAT today catches the Israeli imagination as does no other name. The small desert outpost on the Gulf of Aqaba is seen as the thriving port of King Solomon's day, Israel's door to the East, and a trading link between the Mediterranean and the Indian Ocean. Israel considers it a new gateway to world trade and a crack in the Arab economic blockade ; for that reason it has fought stubbornly at the UN to ensure freedom for its shipping in the gulf. What in fact is the trading potentiality of the port, how far have the Israelis developed it already and what are the main difficulties in in their way ?



By land, Eilat can only be reached across miles of desert by a road that is still partly unsurfaced ; food has to be brought from the north ; sweet water is very scarce and the heat in summer is terrific. As there is only a small harbour jetty, ships over 4,000 tons have to anchor offshore ; in consequence, handling charges are exceptionally heavy. Trade would have to be two-way and although various bulky export commodities are produced near Eilat, there is as yet no cheap way of carrying imported goods to the north. And, most important of all, unless the political climate becomes less stormy, it is unlikely that Israel will obtain the long-term foreign investments essential for development.

Despite these problems, Israel has gone steadily ahead with its plans since November. The most important single project so far started is the 8-inch pipeline, and the most ambitious plan is the 30-inch pipeline, both of which

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were described in *The Economist* of last week. But apart from schemes dealing with oil, a lot has been going on. In four months the population has risen from 600 to 1,600: a batch of new immigrants to Israel was flown straight to Eilat, people from the north have been braving the desert (permanent settlers in Eilat are given exemption from income tax) and there are two or three internal flights to the port daily. Houses are going up fast, service industries have been started and the enlargement of the hotel is completed. The road between Beersheba and Eilat should be entirely asphalted by the middle of next month. A few trial export shipments have sailed and there have been one or two tentative experiments in transit trade: coffee from Ethiopia and hides to Cyprus have passed through the port. There are two big projects still in the planning stage: the enlargement of the harbour (a French firm has produced a detailed survey) and the extension of the Haifa-Beersheba railway down to the gulf.

How far will the use of Eilat justify the money and energy that is being spent on its development? Eilat scores over Haifa as an export port for bulky raw materials produced in the Negev. An obvious example of this type of product is potash from Sodom near the Dead Sea. The potash works is planning to raise its production from 50,000 tons to 130,000 tons within a year. Japan and other Asian countries are eager customers, but in the past it has been too expensive to carry the potash to Haifa and then round the Cape. Salt, the by-product of potash manufacture, could be sold to countries in south east Asia. The phosphate deposits in Negev are nearer to Eilat than to any other port. Copper and cement are also produced near Eilat, and a granite works is starting production this month.

The snag to all this is that until the railway is built, Eilat will not be an efficient two-way trading port. It would not be economic for ships to unload at Haifa and then travel in ballast to Eilat. Communications between the Red Sea and the Mediterranean are again the key to the harbour's importance for transit trade: unless goods can be carried across Israel more swiftly and more cheaply than through the Suez Canal, Eilat is unlikely to compete significantly in this type of trade. A lot of money will have to be sunk in the enlargement of the port and the building of the railway. Unless there is some guarantee that the gulf of Aqaba will remain open to ships bound to and from Israel, this money may be hard to find.

Enlightenment in Burma

BY A CORRESPONDENT

BURMA is so far the only one of the South Asian group of countries that has accepted the necessity of a drastic revision of its national development programme. The former premier, U Nu, and his successor, U Ba Shwe, have been able to do this partly under the sheer compulsion of events and partly because the philosophy of planning is of much less significance to the political programme of the governing Anti-Fascist People's Freedom League (AFPFL) than it is, for example, to the Congress Party in India.

Encouraged by a wildly optimistic picture of development opportunities, prepared by a private firm of American consultants in 1953, the Burmese government set about creating the new Jerusalem only to find itself soon afterwards in serious difficulties over foreign exchange and technical manpower. U Nu and his colleagues had the good sense quickly to call a halt and to scale down, or abandon, the more fanciful projects, some of which had fortunately not got beyond their initial stages. But by the end of 1955 the substantial post-independence sterling assets which Burma had inherited had dwindled to £32 million, as against £97 million in 1953. At the same time, the long sellers' market in rice came to an abrupt end. Stocks on hand at the end of June, 1955, were estimated at 1,300,000 tons, of which more than 500,000 tons had been carried over from past seasons. Thus Burma was confronted with the problem of disposing of a large backlog of its chief export commodity in the face of rapidly contracting world demand.

To some extent this glut of rice was due to the unrealistic policies previously pursued by the State Agricultural Marketing Board, a government monopoly, which held out for export prices that could not be realised on a falling market. But wherever the fault lay, the result was that the Burmese were forced to conclude a series of barter transactions with Russia and China and other communist countries on terms which have since proved increasingly disadvantageous to them. At the same time, import licences were cut to shreds and "development" slowed down to first gear. By these stern methods the government was able to hold the line until the balance of payments position began to improve, and, as by a miracle, towards the end of last year world demand for rice once again swung sharply in Burma's favour. At the end of the third quarter of 1956 foreign exchange held by the Union Bank of Burma had increased to approximately £44½ million, though some part of the improvement is due to a draft on the International Monetary Fund (approximately £5½ million), and it is not known what proportion of the increased reserves of foreign exchange is represented by blocked unused credits with the communist countries. A probable figure would be K 10 crores, or, say, £7½ million.

Barter Deals Unpopular

Preliminary data issued by the State Agricultural Marketing Board shows that in the period for January to September, 1956, 1,435,000 tons of rice were exported against 1,197,000 tons in the same period of 1955. Shipments to barter countries accounted for 17.9 per cent of the whole against 17.2 per cent in the first nine months of 1955. Shipments to China have declined sharply, but those to Russia have risen. But the broad picture is one of expanding demand from the "cash" customers, and Burmese ministers have several times indicated in public that they have no great liking for barter deals as such and would be glad to break away from them. The 1957 exportable surplus of rice is estimated to be of the order of 1.3 million tons, and well-authenticated reports suggest that Burma could sell rather more than a million tons of this for cash. It is known that it would probably like to keep barter sales down to not more than 200,000 or 250,000 tons. If it could do this, it would be in a fair way to re-establishing the rice trade on a cash basis.

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Correction. In the article "Israel Faces Isolation" in *The Economist* of February 23rd, the Israeli budget was given as £1,850 million and the proposed cuts in expenditure as £1,110 million. These figures should have read: I£850 million and I£110 million.

In Newfoundland's Forests

FROM A CORRESPONDENT

THERE are many in Newfoundland today making more money than they know what to do with. In all other contexts but this, such a statement is never intended to be taken literally. It means that they are so rich that money at least can be excluded from their worries. In Newfoundland the people in question seldom earn more than $45 a day and for several weeks of the year may earn nothing. They are those who work in the virgin forests for one of the two pulp and paper companies, Bowaters and Anglo-Newfoundland. A glance at the accompanying map will help to illustrate the anomaly. All Newfoundland pulpwood can—and most does—travel to its mill by water, either coastwise by barges tugged for anything up to 36 hours or riverwise according to the speed of the current and the appetite of the mill.

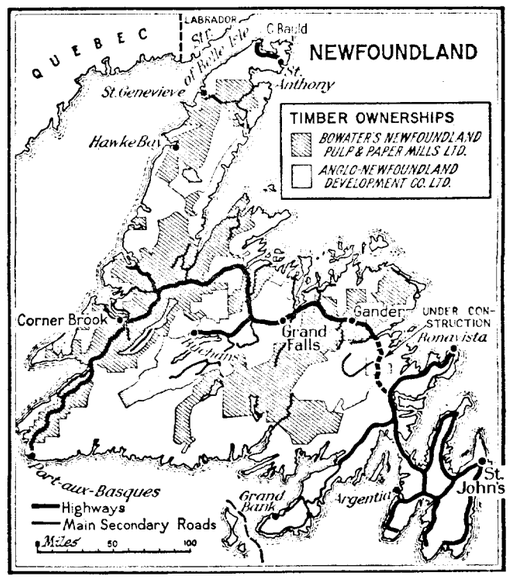
The men concerned in the operations are not so well served with means of transportation as their logs. Not for them the hilarious *schuss* with the spring thaw or the restful cruise to the bright lights of Corner Brook or Grand Falls. If they are lucky, they have a more or less accessible road along which they can travel in comparative speed and comfort to a town where, if they cannot or wish not to live, they can at least spend their money; and it is a town from which the bulkier consumer goods can travel quickly to meet the growing demand in the outlying settlements. Thus some are able to acquire an approximation to a Canadian standard of living. But many of the 10,000-12,000 men employed full-time or seasonally in the woods by Bowaters and Anglo-Newfoundland are without these opportunities. Though the provincial government since 1949 has been spending large sums on expanding the road system with laudable application and efficiency, it so happens that much of the forest now being cut over or scheduled for cutting soon is without those means of transportation which well-paid men expect.

It is perhaps fortunate that almost all the men in question are accustomed to isolation and know far better than most Canadians how not to be frustrated by the simple life. They are fishermen and sons of fishermen from the outports, and it is amazing how quickly a fine Newfoundland fisherman becomes a fine woodsman. And a fine woodsman in those northern forests is not only a feller of trees. He takes to anything from cost-accountancy at the depot to handling a gigantic tracklaying bulldozer on the company road with a readiness that forcibly reminds one that geographically he belongs to the most advanced technological continent in the world.

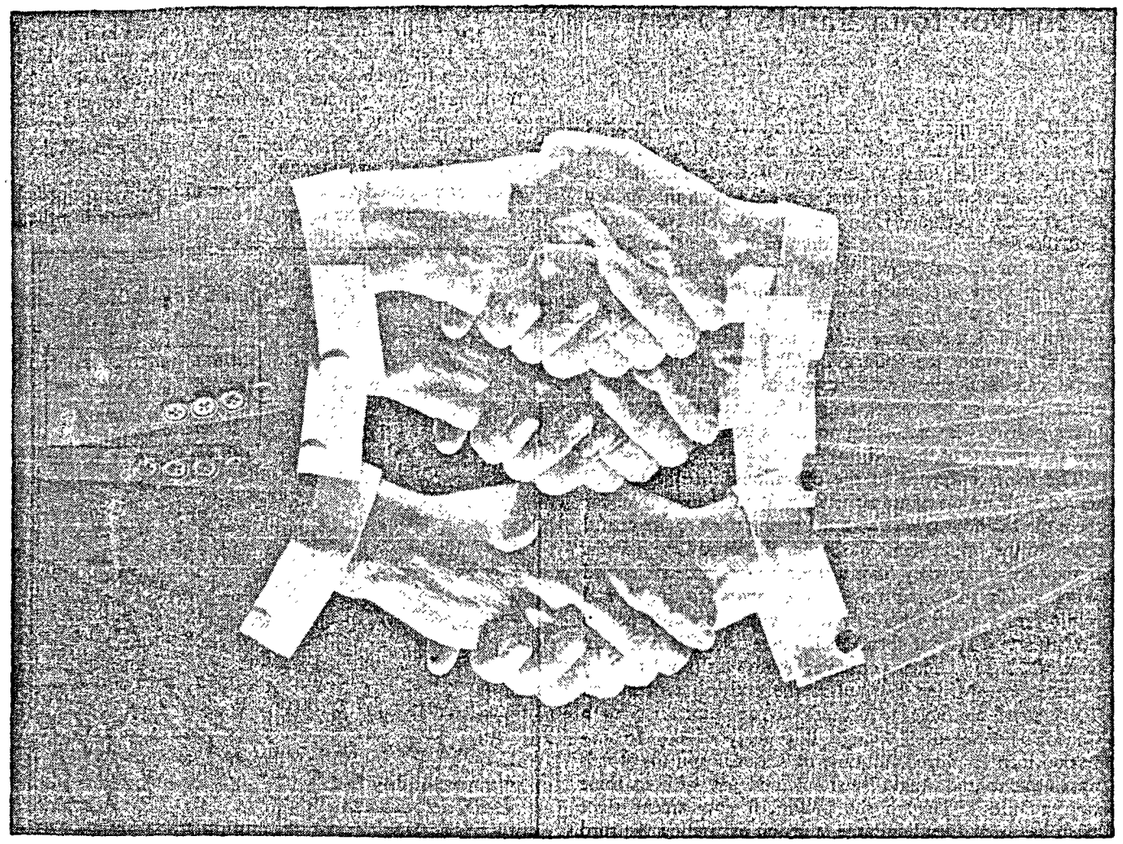
Everything that can be done by machine is done by machine. Output per man-hour is the prime consideration, and the trees tumble with formidable speed. Two interesting developments have recently come about from this feverish sense of urgency: the power saw and the insect repellent. The former is estimated to increase the cutter's output by one-third and the latter to keep him in the woods when otherwise he would rather die than go near them. The long-term economic consequence is less fishing and more wages, but at the moment what is more noticeable is the absence of purchasing power owing to lack of roads.

A 30-year-old cutter, working with his power saw fifteen miles into the forest from the Bowater depot at Hawk Bay, earns $45 when the going is good—some days last summer he hit $50—and seldom less than $30. It costs him $1.50 to eat and sleep in the company camp near the cutting. He is forbidden to touch alcohol during the working week, and it is dangerous to smoke. He finds it hard to use his money when he gets back to the depot community at weekends. "One day," he says, "there'll be a road, and I'll get myself a wife and an automobile."

A contractor, aged 32, employing up to 90 men on woods operations, occupies one of two houses (his brother has the other) at St. Genevieve, within 20 miles of the Labrador coast. His earnings for himself, his wife and two small children amount to about $5,000 a year, net. He owns four guns and six wireless sets. He and his wife listen to radio commercials and read the advertisements in the glossy Canadian and American magazines. He talks with authority about the standard of living, and his wife wonders about what the advertisements call "gracious living." They could afford it, they think.



St. Anthony, a sizeable town, is as the crow flies, 50 miles away. By sea, in winter, it can be reached, not very comfortably, in their snowmobile. In summer there is no road through the woods, and the seaway up the Strait of Belle Isle and round Cape Bauld is too hazardous for family outings. The contractor dreams often, he says, of how the road, when it comes through in a year or two, will affect the lives of his own and his brother's family. For him, too, the big car figures large in his dreams. But as he works hard and earns high, and as he ponders over the barrage of advertising which attacks him in his isolation, he finds his imagination being drawn more and more to the south. Some time soon, he thinks, the ferry service linking Newfoundland with the mainland will run at least once daily, instead of every other day, will run even at weekends, will run at reasonable charge, will begin to recognise that Newfoundlanders are now Canadians and anxious to "mix in." *His* road will run to it straight and fast. St. Genevieve will be on a direct and easy line from Halifax, Montreal, New York . . . the whole world.



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THE BUSINESS WORLD

Dark Atomic Mills

AMID the oracular confusion with which the Government's decision to treble the nuclear power programme was finally made public this week, citizens may well wonder whether the Cabinet was any more competent to make this decision than official spokesmen proved themselves able to explain it. This is not a joking question; involving, as it does, hundreds of millions of pounds of public money, it is a frightening one. It would be unfair, for example, to cavil at the slip of the tongue in Lord Mills's statement to the House of Lords, as recorded in *Hansard*, that "the power stations to generate 6,000 kilowatts (*sic*) of nuclear power will cost £1,460 million," which suggested that the capital cost of nuclear stations approaches a quarter of a million pounds a kilowatt; but unfortunately the sum of money seems to have been wrong, too. This suggested that to treble the nuclear capacity Britain would have to invest five times the money; and though at a technical press conference later Lord Mills seemed quite happy with such a price, it soon appeared that the country is getting a much better bargain than that. The huge figure of £1,460 million, it seems, relates not to the main subject under discussion—the cost of the nuclear electricity programme from 1957 to 1965—but to the combined investment in conventional and nuclear stations, plus transmission lines, though not distribution, during part of the period, from 1961 to 1965. The revised bill for nuclear stations is in fact £900 million; this will bring the total electricity investment in England up to about £2,900 million during the nine-year period. Over ten years, this programme would cost some £700-£800 million more than a purely conventional power programme would have cost.

This is not the most auspicious way to launch the largest single investment programme that any industry has ever announced in Britain, for most of which the taxpayer will have to provide the capital. The electricity supply industry is already probably the biggest single claimant on capital resources in this country; any project that adds to its demand for capital requires the closest scrutiny. There is an exceedingly strong economic case for Britain to invest in atomic power, but there is also a real danger of falling into the easy belief that in atomic power one cannot have too much of a good thing. An atomic power station costs three times as much to build, allowing for its initial charge of fuel, as a conventional coal-fired station; thereafter its running costs are likely to be low, but by no means negligible. The cost of electricity from either type of station, at ruling rates of interest (and in the present state of technology), is expected to be roughly the same. So any decision on the part of the government for a big increase in expenditure on the more costly type of station should have been fully explained, and accompanied by a statement of the convincing reasons that led to it.

When the first atomic power programme was announced just over two years ago, the government was at pains to explain the probable trend of the demand for energy in this country, the shortage of conventional fuels that this was likely to create, and the part that atomic power might play in relieving that strain. The programme was presented as part of a rational plan to meet future energy requirements, and a rough timetable of atomic construction was given. Since then there have been big advances in atomic engineering—plus some painful reassessments of the probable trend in the supply and price of conventional fuels, and most particularly oil. In deciding to treble the atomic power programme, the government has aimed, by all accounts, at the highest figure that its technical advisers said was practicable, but it has missed the opportunity for explaining what led it to take such a decision. This cannot have been due to lack of time. The new programme has been under discussion for several months, and the intervening change of ministers does not appear to have altered its details significantly. The government's failure to explain its programme, its reasons, and

its hopes has done a disservice, not only to itself, but to everyone interested in seeing atomic power properly developed.

The new programme is a perfectly rational one ; the case for it has been set out already in these columns and elsewhere. The first atomic plan allowed for the expenditure over 10 years of £300 million up to 1965, on 12 atomic power stations with a maximum capacity of 2 million kilowatts. Improvements in engineering methods which doubled the electricity output possible from reactors of a given rating later made it plain that this programme, if carried through unaltered, could in fact give 4 million kilowatts of nuclear electricity at a capital cost that was probably not much more than 80 per cent above the original figure of £300 million. Ultimately the government decided to increase this amended programme by another 2 million kilowatts, giving a total of 6 million kilowatts by 1965.

The cost of the programme seems to have been reached in this way: building costs of the stations were put at an average of £124 per kilowatt of capacity. The first two nuclear stations being built for the CEA in England cost £145 per kilowatt, but the station to be built on a rather easier site in Scotland by GEC will cost about £100 per kilowatt ; some of the difference is due to site advantages, some to design. The figure chosen is therefore a reasonably conservative guess that leaves some scope for reducing capital costs over the programme. The " working capital " tied up in nuclear fuel inside each reactor, and in any extensions that the Atomic Energy Authority may have to make to its facilities for processing fuel, is taken at an average of £29 per kilowatt, giving a total for the programme of 6 million kilowatts of £742 million for building costs and £177 million for fuel costs, which include about £70 million for additional building by the Atomic Energy Authority ; these figures are rounded off to a total of £900 million.

This expenditure will only build up gradually over the period. The following table offers a rough guess at the rate at which atomic plant might be commissioned and the probable capital cost of the stations coming in :

1961	900,000 kW	costing	£144 million
1963	1,300,000 kW	„	£195 „
1964	1,800,000 kW	„	£270 „
1965	1,800,000 kW	„	£270 „

A total of 6 million kW, costing £900 million is the maximum thought possible by 1965. The Central Electricity Authority is now installing nearly 2 million kilowatts of new capacity annually. From 1961 to 1965 the total installed each year is likely to be nearer 2,500 mW a year: but by 1964, nuclear power will be meeting the greater part of this increase in plant each year, with a sharp decline in investment in conventional plant. The second table gives a rough estimate of the balance between conventional and nuclear investment. It covers the amounts invested in plant during the period whether or not it is completed by 1965. But it excludes the Scottish atomic power station because this does not fall within the province of the CEA.

By 1965, the 6 million kilowatts of base load atomic power stations will represent about 15 per cent of the country's total generating capacity ; because they are working on " base load," close on 24 hours a day, they will probably be supplying about a quarter of the country's electricity. If building then continues at the same rate, by 1970 atomic power should be supplying 40 per cent of the country's electricity capacity. Lord Mills's statement in the House of

CEA OUTPUT CAPACITY, IN MEGAWATTS

Years	New Generating Plant			Plant shut down	Total capacity at end-period
	Conventional	Nuclear	Total		
1956	...	...	...	...	20,500
1957–60	6,400	...	6,400	200	26,700
1961–65	6,500	6,000	12,500	400	38,800
1957–65	12,900	6,000	18,900	600	38,800

ESTIMATES OF CEA INVESTMENT
(£ million)

Years	New Generating Plant			Transmission & distribution	Total investment
	Conventional	Nuclear	Total		
1957–60	320	90 *	410	400	810
1961–65	310	780 *	1,090	800	1,890
1957–65	630	870 †	1,500	1,200	2,700

* 6,000 mW of nuclear capacity will also require £177 million for fuel elements and their processing : CEA considers these working stocks of fuel as operating costs.

† For building nuclear power stations alone : i.e. some £740 million for the 6,000 mW of stations completed by end-1965, plus about £150 million for stations then under construction.

lords confirmed that one of the main reasons behind the government's decision was the fear of increasing dependence on imported oil. He offered no estimates to suggest how much the growth of oil imports might be moderated by atomic power. Nor did he give any hints about a problem that is becoming increasingly important to the British economy—the net cost of fuel imports after crediting fuel exports and invisible earnings on the British balance of payments as we approach the era of atomic power. Output from the atomic stations by 1965 has been estimated at the equivalent of 18 million tons of coal a year—or 12 million tons of oil. The difficulty of increasing coal deliveries much above their present figure means that for every extra ton burned by the power stations another ton of coal, or its equivalent in oil, will have to be imported. Is the prospect of saving fuel imports of this order the clinching reason for accelerating the atomic programme and embarking on an investment project of this size ? This is the only atomic power programme in the world in hand rather than on paper, and it deserves to be spelled out to this country and to the world with the maximum of clarity. If a detailed estimate of its advantages has been made, then it should be made public. A government that muffs the launching of a new atomic programme as badly as it did this week, cannot altogether avoid the suspicion that it does not fully understand the implications of what it is doing.

Bank Rate Background

WHEN Bank rate was reduced to 5 per cent on February 7th, the Governor of the Bank of England described the change as a " minor adjustment to market conditions." It was, he implied, a move designed to re-establish a more normal relation between the official rediscount rate and market discount rates. In the preceding two months the average allotment rate for Treasury bills at the weekly tenders had fallen by almost exactly ½ per cent, to 4 19/16 per cent, practically one per cent below the 5½ per cent Bank rate. The Governor's explanation clearly showed that he thought it desirable for Bank rate to conform broadly to the movement of the market—except at times " when we here should wish to use Bank rate more positively, to mark a change of policy or a reinforcement of policy."

In these past four weeks the bill rate has fallen even more steeply than it did in December and January. At last week's tender the average allotment rate dropped by rather more than ⅛ per cent to almost precisely 4 per cent, so that the gap between the bill rate and Bank rate is now actually a little wider than it was just before Bank rate came down. Does this mean that another Bank rate reduction should now be envisaged ? The reduction a month ago had long been discounted by market hopes and rising prices, and was quickly followed by the issue of a further tranche of " Eternity " 3½ per cent Funding stock at the precise level of the market ; the result was an abrupt check to activity in the gilt-edged market, profit-taking and falling prices.

Most investors in gilt-edged would probably agree that the terms on which the new " Eternity " stock was placed were intended as a peg to restrain long-dated stocks from taking a new jump, rather than a new datum level from which such a jump might take place. But the fall in bill rates has put some heart into those sections of the market that argue that they must have " something to go for " again. This movement, and the associated assumption that the falling tendency in interest rates in general will now be resumed, explains the recovery in gilt-edged stocks up to this week. But, as the gilt-edged market has since shown, it is a view that is held with a good deal less than full conviction.

Yet the course of the bill market presents close resemblances to the movement the Governor thought it right to " follow " four weeks ago. The one significant difference is that before Bank rate was reduced, active buying of gilt-edged stocks enabled the " departments " to sell very large lines from their internal portfolios, providing cash for the Treasury to repay more Treasury bills than it would normally expect to do at that season ; since the Bank rate reduction this important but unobtrusive funding process has virtually ceased. This difference, as some would argue, provides an added reason for a further reduction of Bank rate now—as the means of re-stimulating the " funding " demand for gilt-edged.

There are, then, two quite distinct technical approaches to the question whether Bank rate should be further reduced, just as there were two quite distinct explanations officially given for last month's reduction. The Governor thought it desirable to follow the short-term market downwards, provided there were no objections to doing so on wider grounds—that is, provided the reduction was not likely to have adverse repercussions upon sterling or to be construed, prematurely, as a " green light " for the economy. The Treasury spokesmen in Parliament put the matter rather differently : they saw the reduction not as a relaxation that could be afforded or risked, but actually as the means of keeping a fully effective restraint on credit. Taut control over the total volume of credit—that is, over the amount of bank deposits—requires taut control of the volume of the banks' liquid assets. These will be reduced, or prevented from rising unduly, if the Treasury can sell gilt-edged stocks rather than bills, and it will be the better able to do this if short money rates become relatively less attractive and longer rates relatively more attractive. Therefore a lower Bank rate, so far from easing monetary restraint, may be the means of sustaining or even tightening it. It was on such grounds that the Chancellor, and more particularly the Economic Secretary to the Treasury, justified and explained last month's reduction. They were anxious that the disinflationary action of monetary policy should not be in any way diminished.

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So long as that objective remains—and it seems no less important now than it seemed a month ago—any case for a further reduction of Bank rate would surely have to rest upon the argument that it would encourage funding (and thus help to keep money taut), rather than upon the principle of " following " the short-term market. The implications of any such principle are very different now from what they were in the classical age of monetary control, when the rise and fall of short-term rates could be regarded as a dependable barometer measuring the pressure of commercial demands for money. Nowadays, even on those occasions when the Bank of England does not seek to use its day-to-day management of credit to determine the course of the money market, and genuinely tries (as it apparently sometimes does) to let the market find its " natural " level, the behaviour of the market will always be profoundly influenced, if not dominated, by the borrowing needs of the Treasury and by the particular tactics that the authorities adopt at the moment to meet them. However " neutral " the Bank of England tries to be,

the market's action will be shaped very largely by its expectations about official policy.

If this is so, the principle of "following" the market can claim little virtue. If at a particular time the Bank appears to follow the market, that should mean no more than that the Bank judged the market movement desirable in the interests of economic policy as a whole, and so thought it better to conform to it than to resist it. There is not, in fact, any compelling technical reason why the bill rate should not diverge considerably from Bank rate for a time; but any sustained and wide divergence makes for confusion about (and even in) official policy. Because official influences on the market are so dominant, any significant fall in market rates is deemed to accord with official wishes, and expectations that the authorities will "follow" then accentuate the market fall. Moreover, if that fall in short rates creates any substantial demand for gilt-edged, the resultant increase in official sales of stock coupled with the corresponding decrease in official sales of bills tends to cause a shortage of bills and so encourages a further fall.

All these influences have been present in the past three months, and together they lead to one clear conclusion. If the Bank does not want the market to get the bit between its teeth and run away too fast, it must grip the reins more tightly from the outset and handle them more surely and consistently than it has lately done. Since the Bank rate reduction it has apparently wanted to keep the market in hand; yet its resistance has taken the form of a series of spasmodic and rather half-hearted jerks.

This behaviour could be consistent with the other argument on which the February reduction of Bank rate depended—upon the desire to fund bills. The Bank may be trying to get the best of both worlds. By letting bill rates fall while putting up some show of resistance to the movement it may be hoping to encourage the revival of gilt-edged while trying to avoid giving the impression that any further major fall in interest rates is in prospect—offering a tiny carrot to go with a slightly shorter stick. But if the over-riding purpose of monetary policy is still to maintain the pressure of disinflation as a whole, is that purpose really attained by such tactics? The atmosphere created in the gilt-edged market by the "Eternity" issue and by the Chancellor's speeches in Parliament certainly helped to save the February Bank rate reduction from becoming a "green light." But would a revival in the gilt-edged market, apparently with official encouragement in this fashion, undo the good that was done by those restraining tactics? Such a revival might restart the funding process and so help to keep bank liquidity taut. But that tautening would have less effect on the economy if the gilt-edged market staged such a revival that the public was encouraged to feel that the need for monetary restraint was diminishing.

Restrictions on the Register

MOST people manage to leave any unwelcome duty to the last possible minute; and clearly many of the British businesses that were given three months from the end of November to register their agreements to limit competition with the new Registrar of Restrictive Practices were determined that copies of their agreements should not reach him until the very last day allowed by the law. At the beginning of last week about 200 agreements had been received in the registrar's office in the new building of the Chancery Lane Safe Deposit just off Holborn. By Wednesday night there were 600. On Thursday, formally the last day, and on Friday, as many agreements arrived as had come in the rest of the whole three months; by the end of last week about 1,200 restrictive agreements had been sent in for registration. Only a few arrived this week—though the office continues to be asked for copies of the official forms that have to be sent along with an agreement for registration. The task of compiling a public register of these agreements has begun; copies of the agreements on file, indexed by the products that they concern, will be open to public inspection before the middle of April.

British business has thus admitted to something over 1,200 agreements to restrict competition in its dealings, which the new Restrictive Practices Tribunal—eventually—will have to consider in relation to the public interest. The question "Are these all?" will obviously be asked. At present, at least, there is no way to answer it. Up to the end of 1955 about 150 products had been suggested to the Board of Trade* as being covered by arrangements to restrict competition, and 22 instances had been studied and reported upon by the Monopolies Commission. In its report on "collective discrimination" last year, the commission listed about 75 products as being affected by restrictive arrangements of that particular kind, and it added that from 290 trade associations with which it had been in touch it had received 164 agreements describing such practices. In the study of trade associations that it published this week†, PEP (Political and Economic Planning) records that in 1955 and early 1956 it found about 240 products were covered more or less effectively by common price agreements alone, though fewer than 1 quarter of Britain's 1,300 trade associations appeared to be engaged in price-fixing.

* Its report on the work of the Monopolies Commission in 1956, published this week, excluded agreements that might be registered under the 1956 Act.

† Industrial Trade Associations. Political and Economic Planning. 340 pages. 30s.

Until the public register is opened, there will be no way of comparing these various and partial assessments of the extent of restrictive practices in British business. The nature of an agreement itself may vary considerably; many, for example, comprise separate agreements for different regions of the country, and some may go down as far as individual agreements with particular dealers and retailers. Since the Restrictive Trade Practices Act became law last year, there have been many reports of such agreements being dropped. These are in the nature of things difficult to verify; nor is it known how many of them would have concerned the collective enforcement of resale price maintenance, which became illegal under the Act (though agreements between suppliers that price maintenance should be individually enforced, or for a trade association to maintain a "policing" service to inform its members about breaches of price maintenance, still appear legal, if subject to registration).

Nor can anyone guess whether some restrictive agreements have simply not been registered. The registrar has powers to take parties to such agreements, if he learns of any, before the High Court, which may order registration, forbid performance of the agreement, and impose fines. But it will hardly have required legal advice to suggest to some business men that such penalties—when and if the registrar might get around to them—would be little worse than registering an agreement and having the Restrictive Practices Tribunal declare it against the public interest. One rather less defiant way of avoiding the registration of agreements during the first three months remained. New agreements have not to be registered until three months after they are made; and some cynics have suggested that a surprising number of old ones may have been abolished and replaced by new ones on that very Thursday, February 28th. If so, the registrar may receive another wave for registration later.

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How the registrar will proceed to his second and more important duty—that of bringing every agreement registered before the Restrictive Practices Court, for a declaration whether it is against the public interest or not—will depend upon the rules of procedure of this new court. The Lord Chancellor has not yet laid down these rules; nor has he appointed any of the ten lay members who may be appointed to the tribunal, though he has appointed four of the five judges. The Board of Trade, also, can and almost certainly will direct the registrar on which agreements he should take to the tribunal first.

Until the rules of procedure are laid down, no one can say exactly how an agreement will be brought before the tribunal. The Act makes provision for these rules to allow the tribunal to order "discovery" of all the relevant documents, as in commercial actions. This rule clearly seems crucial if the registrar is to be able to place all the facts about the constitution and operation of any restrictive agreement before the tribunal. If it is included, one might envisage that the registrar would formally bring an agreement before the tribunal, which would then order the parties to it to "discover" all the documents relating to it to the registrar. On receiving the documents, he would then have a period to consider them before placing the facts, with supporting or expert evidence if he thought fit, before the tribunal. The business concerned must equally have a full opportunity to place before the court its contention that the agreement was justified under any of the seven counts laid down in the Act and, moreover, was not on balance unreasonable. For under this Act the onus of proof lies upon the "defence."

If one takes the analogy of a complex commercial case in the courts, the interval for digesting the documents (perhaps several thousand of them) and for preparing the case against an agreement might easily run into many months, particularly in early cases when no precedents exist. The commercial ramifications of such agreements, and their bitterly disputed economic implications, may mean that the registrar will have to obtain staff with economic and accounting training, as the Monopolies Commission did, quite apart from possibly drawing upon academic economists as expert witnesses in the actual hearings. It took the Monopolies Commission some time to get a staff able to tackle these inquiries, and each inquiry took some time to complete. Moreover, critics are still not lacking to argue that the understanding of commercial restriction in certain industries to which the commission did finally attain was much less than perfect.

The Registrar of Restrictive Practices, for some of his early cases, may indeed be able to draw upon the results of lengthy and detailed inquiries begun by the Monopolies Commission before last year's Act was ever thought of: no action has been taken on several of the commission's recent reports because the practices concerned now fall to be ruled upon by the tribunal. But in major cases upon which his own office has to digest, assemble, and present all the facts about restrictive trade agreements, it would be unwise to expect very rapid litigation in this new commercial court—and the registrar will probably have to keep it occupied with quite a succession of cases at any one time.

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Business Notes

Steel of Wales Offer

THE public offer of £1 ordinary shares at 20s. in Steel Company of Wales is effectively of 37 million shares, for Guest, Keen and Nettlefolds are taking two million shares and Metal Box one million. The bold industrial endeavour that carried SCOW through its first stage is succeeded by a bold financial operation to attract private investors to interest themselves in it. But they are entitled to be hard-headed in relating the good hopes that the prospectus holds out for future years with the current yield and asset and dividend cover on the shares. This operation is bound to dominate investment markets until the lists have closed next Thursday—and after, for the £40 million will not be paid up in full until July 3rd and a lot of money has to be found for calls on recent issues.

The shares offer an 8 per cent yield which, as the table shows, is at the top end of a list of steel share yields now running from 6.1 per cent to 8.1 per cent. Rather over half the anticipated net profit will be needed to pay an 8 per cent dividend, and that is a high scale of distribution for a steel company. But this offer can be differentiated from other steel issues by the potential growth in profits as stage two of the company's capital programme (costing about £54 million) bears fruit and as stage three (costing about £50 million) gets under way, even though the full benefits of these schemes will not materialise until the early sixties.

SCOW is almost entirely a postwar entity; its old parts are insignificant. The investor is buying into a modern integrated group rather more than half-way through its development; about £115 million out of the projected £177 million has been spent. It was started in good time after the war and important stages of the development were done at prices that look cheap today; no major expansion beyond stage three is visualised. The company is not nearly so dependent on the fortunes of the motor trade as many suppose; the tin-plate industry is its biggest customer; less than one-third of its output is steel sheet and less than half of this sheet goes to the car industry.

Trading profits rose from about £1½ million in 1948 to £18.3 million in 1955 but fell back owing to the overtime ban to £14.2 million in the year ended September 29th last. Future dividends and the future service of the £65 million of debentures and of up to £40 million of short-term loans will not rest on the profits of the past. The company is now at a point where stage two of its programme is beginning to make profits, and the chairman's estimate of profits in 1957-58, before it is fully profitable, is £20 million, which would leave after depreciation and interest £5,040,000 for the 8 per cent dividend and distributed profits tax thereon, costing £2,704,000. Nothing has been allowed for profits from stage three of the plan, though that is intended to raise ingot output from 2.4 million tons to 3 million tons a year, and the directors hope that it will bring a more than proportionate increase in earnings.

STEEL PRICES AND YIELDS COMPARED

£1 Ordinary Stock	At Issue		Current	
	Price	Yield%	Price	Yield%
Colvilles	26s. 0d.	6·9	30s. 7½d.	7·2
Dorman Long	22s. 6d.	7·1	24s. 6d.	6·5
Lancashire Steel	22s. 0d.	7·3	29s. 3d.	7·5
Stewarts & Lloyds	17s. 6d.	7·1	28s. 9d.	6·1
John Summers	24s. 6d.	7·3	32s. 3d.	7·4
United Steel	25s. 0d.	7·2	30s. 9d.	8·1
Steel of Wales	20s. 0d.	8·0	...	...

The Prize and the Hazards

THOUGH big, the ordinary capital of Steel Company of Wales is highly geared. As much as £105 million of prior charges may at one stage rank ahead of the £40 million of equity capital. There is a long dated £40 million of 5½ per cent first debenture 1980-85 and an optionally much shorter dated £25 million of 5¾ per cent second debenture 1964-87. Both are being issued at £98 per cent to the Iron and Steel Realisation Agency and £50 per cent has already been paid up on the first debenture. The money that ISHRA is putting into these stocks, plus what it has subscribed to raise the ordinary capital from just under £17 million to £40 million, will meet the repayment on July 16th of the outstanding £15 million of 3⅓ per cent first debenture stock held by the public, and of advances totalling £28.2 million from Finance Corporation for Industry; at the same time £40 million of loans from the Agency to the company will be funded. The Agency will also provide or procure £40 million of temporary advances which are expected to reach their peak in 1959 and will run down thereafter. ISHRA will thus be the only prior charge lender.

Steel of Wales offers risk capital in the true sense—limited security based on past performance, reasonable risks and calculable prizes if the future turns out well. These are geared up for ordinary shareholders to make them mildly exciting, and the shares are sold on a high dividend yield without as yet any wide margin of earnings cover. Investors who buy Steel of Wales ordinary on an estimated distribution of more than half the available profit are entitled to assume that the company will not model its dividend policy on that, for example, of Dorman Long. They will expect a share in prosperity when it comes and in the meantime, since the shares are likely to keep within range of the issue price, to enjoy a qualified hedge against re-nationalisation.

Whether this is an offer for the stag or for the widows and orphans is another matter. It is too big an issue to justify any confidence in a quick premium. SCOW's capital structure has been drawn to make possible the biggest ordinary share issue that the market could absorb and the consortium of eight leading issuing houses have again used the familiar technique to ensure that if the worst happens the issue will enjoy a token success. Underwriters have had to flank their underwriting with firm applications for the same amount of stock. Earlier steel issues showed that the consortium cannot eat its cake and have it. The underwriters are largely the same institutions that might buy stock in the market. If their allotments as firm applicants are large their buying potential after the market opens will be limited.

Budget Day will be Tuesday, April 9th. This was announced by the Prime Minister on Thursday.

Improving Dollar Balance

STERLING'S steadiness just below the $2.80 parity over the past six weeks is being interpreted by some as a sign that the post-Suez recovery is already spent. That could be true of the sterling rate; it is certainly not true of the sterling area's dollar balance. The central gold reserves rose in February by $63 million. Admittedly, the whole of that rise is just accounted for by special receipts—$4 million from defence aid and $59 million from India's first drawing on its recently negotiated $200 million line of credit with the International Monetary Fund. But even the bare balance in commercial dollar-sterling transactions contrasts reasonably well with persistent deficits incurred since July last. The balance was achieved only by dint of the receipt of $20 million from the European Payments Union, in settlement of Britain's January surplus of £9 million. But the EPU surplus was nearly maintained last month, at £8 million, and will next week bring in a gold receipt of $17 million. Thus, reckoning the EPU settlement in the month to which it relates, there was still a small commercial dollar deficit in February, of $3 million, compared with the January deficit on the same basis of $16 million.

THE DIMINISHING DEFICIT

($ million)	EPU settlement*	Direct dollar balance	Aid and Special payments or credits	Change in reserves	Reserves at end of period
1956 :—					
August	−51	− 68	− 10	−129	2,276
September	−34	− 94	+180†	+ 52	2,328
October	−28	− 63	+ 7	− 84	2,244
November	−28	−285	+ 34‡	−279	1,965
December	−49	−169	+386§	+168	2,133
1957 :—					
January	−17	− 36	+ 4	− 49	2,084
February	+20	− 20	+ 63–	+ 63	2,147
March	+17				

* Relates to balance in *previous* month. † Includes $177 mn. from sale of Trinidad Oil. ‡ Includes $30 mn. from official sale of US government bonds. § Balance of drawing of $561 mn. from IMF, defence aid of $6 mn. and end-year instalments of $181 mn. on US and Canadian postwar loans. – Includes $59 mn. drawn by India from IMF.

Confidence is Neutral

UNDER the burden of heavy dollar payments for oil this is no bad result. The Chancellor stated in the House of Commons this week that the additional dollar expenditure on importing oil to Britain in the three months to the end of January reached £30 million—confirming the unofficial guesses of the monthly drain. There must be added the loss of invisible earnings of the Middle East oil companies: last week, Mr R. Gillespie of British Petroleum put the total dollar loss from the dislocation at between $40 and $50 million a month.

Plainly, the close balance in February's commercial dollar accounts reflects an appreciable surplus in transactions other than oil. The seasonal sales of sterling area produce are at last making their mark. It seems unrealistic at present to hope that the current surplus (excluding oil) should be reinforced by a further general move to cover speculative bear accounts. The incentive to do so has been diminished not only by the narrowing in the forward discounts on sterling (this week to ¾ cent three months forward) but also by the halt in the rise in the spot rate—itself attributable largely to the swing to neutral in the capital accounts. Here is a circle that is likely to remain unbroken for some time—perhaps until foreign dealers can see the end of the present emergency and are satisfied about sterling's ability to meet the short-term debts that are being incurred to support it.

The published reserves should however be strengthened by a number of factors in coming months—use of the Ex-Im credit to cover oil purchases; further drawings on India's IMF credit now completed ($67½ million is due to be drawn this month, the remaining $73 million being in the form of a stand-by credit); and the release of $104 million from the holding account once Congress has finally sanctioned the redrafting of the waiver clause.

The Waiver Replaced

THE British Government, the United States Administration and the Canadian Government have announced their agreement on the replacement of the waiver clause in the provisions governing the postwar loans. As foreshadowed in these columns last week, the right to a waiver of annual interest payments is being dropped; instead, Britain is given the facility of postponing, into the early years of the twenty-first century, the annual payments of both interest and principal. Deferred instalments will, however, bear interest at 2 per cent, the rate being paid on the principal of the loans.

To exercise its right, Britain need no longer satisfy a complicated and in present circumstances meaningless

formula relating to the purchasing power of its exports and to repayment of sterling balances; it has the option of making a deferment if it finds that this is necessary "in view of the present and prospective conditions of international exchange and the level of its gold and foreign exchange reserves." The one limitation is that the number of deferments may not exceed seven. And Britain has given an assurance that "it is not its intention" to avail itself of "the major part" of the potential deferments in the years "immediately following" this new agreement.

Mr Macmillan's request for a waiver on last December's instalment has thus served a useful function in provoking a re-writing of the waiver clause in a precise and usable form. The interest for 1956, which was paid into a special holding account pending the American decision, will be postponed on the new terms when Congress ratifies, but the $104 million involved is not likely to be returned to the reserves until the new agreement is ratified by Congress.

Progress on the Railways

THE railways' modernisation programme has now run for two of its fifteen years. It is a long-term programme, designed to yield its major benefits later rather than sooner. No doubt the Transport Commission could spend large sums on improvements that would be more visible to the passenger or trader much earlier, by expensive rebuilding of main-line termini, for example, but the programme would not be a balanced one or offer genuine operating gains or real improvements in service.

But the programme is now reaching the stage when rather more physical progress may be seen. More than a third of the total sum of £1,200 million has now been committed, and the rate of new annual investment is nearing its maximum, £120 million this year, £135 million next year and £140 million afterwards, twice the rate of railway investment four years ago. In the freight services, which earn the railways most of their money and where improvement was needed most urgently, there has already been some improvement in transit times and greater progress is expected this year. The programme of fitting continuous vacuum brakes to all existing and new wagon stock, which allows much higher average speeds, has been hastened; and new freight terminals, marshalling yards, goods train relief lines and "flyovers" to avoid congested routes are being built or soon will be.

On the passenger side, the commission's plans for 1957 and 1958 include the construction of five diesel-electric deluxe main line trains, 22 experimental lightweight diesel rail-buses, 2,200 more multiple-unit diesel vehicles and 2,000 new passenger coaches. The first of the 230 main-line diesel locomotives ordered last year for intensive operating trials should be delivered in May and 50 by the end of the year. Other work is in progress on track and signalling, and the commission is preparing to instal "automatic train control" now that the Minister of Transport has approved this safety device. The one new feature in the commission's report of progress is the prospect of rather more electrification than it originally planned; this part of the programme is not without its problems but the commission now hopes to complete it ahead of schedule and have capacity to spare to do more.

Bank Deposits' Biggest Fall

BANK deposits regularly experience their biggest decline of the year in the period covered by the clearing banks' make-up for February when tax-gathering exerts its strongest effect—first upon deposits and then upon the banks' liquid assets because of the Treasury's repayments of floating debt. This year the contraction of both was more than seasonal: in the five weeks to February 20th net deposits dropped by £294 million to £5,929 million, and liquid assets by £370 million to £2,077 million. Both these declines are the biggest ever experienced (apart from the compulsory funding operation of 1951), though the fall, especially in deposits, was rather smaller than might have been expected after the abnormally sharp reduction in the total outstanding volume of tender Treasury bills this year. At the February make-up last year, covering a period of only four weeks, the fall in deposits was almost as large as this year's; in the last five-week period at this season, in 1952, deposits fell by £262 million.

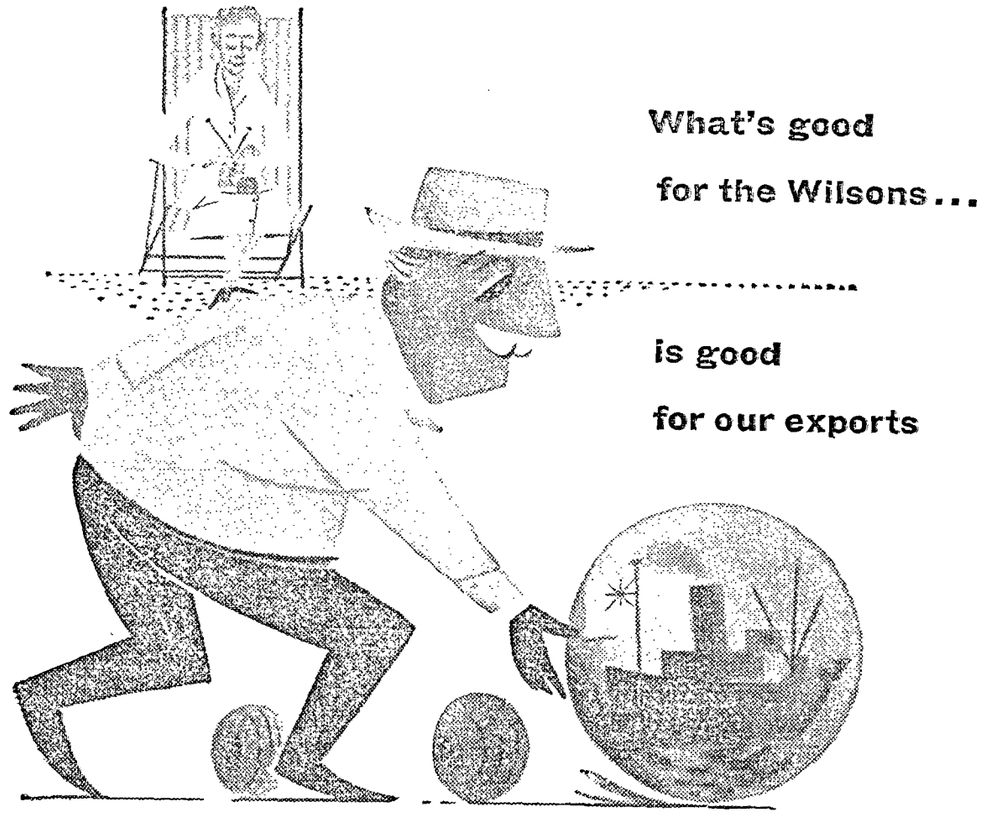
LONDON CLEARING BANKS

	February 20, 1957		Change on Month	Change on Year
	£mn.		£mn.	£mn.
Deposits	6,189·9		−343·4	+ 25·2
"Net" Deposits*	5,929·4		−294·2	+ 30·4
	£mn.	% †		
Liquid Assets	2,076·8	(33·6)	−370·4	− 34·4
Cash	499·2	(8·1)	− 25·8	− 7·2
Call Money	414·5	(6·7)	− 50·9	− 18·1
Treasury Bills	1,016·5	(16·4)	−286·9	− 21·2
Commercial Bills	145·6	(2·4)	− 6·8	+ 12·1
Investments and Advances	3,934·8	(63·6)	+ 78·6	+ 62·9
Investments	2,011·3	(32·5)	+ 19·1	+ 4·5
Advances	1,923·5	(31·1)	+ 59·5	+ 58·4
To State Boards	57·5		− 37·6	...
All other	1,866·0		+ 97·1	...

* After deducting items in course of collection. † Ratio of assets to published deposits.

Deposits have fallen so much less steeply than liquid assets mainly because of the sharp upturn in bank advances. Although the overdrafts of the State boards were reduced by £37.6 million to £57.5 million, total advances rose by £59.5 million. This is partly a seasonal movement arising from the tax payments, but last year, although the State boards were then increasing their borrowings, total advances rose by only £39 million; the corresponding movements in the three preceding years (all in four-week periods) were £107 million, £46 million and £19 million. There seems no reason to suppose that this year's movement was abnormally distorted by the extraneous items that are—so regrettably—grouped with advances, and the increase was well spread through the several banks.

The impact upon deposits of the contraction of floating debt has been cushioned, too, by the fact that some of the banks—notably the Midland and Barclays—have been venturing a little further into the gilt-edged market. Total investment portfolios have risen by £19 million. The disparity between the falls in deposits and in liquid assets has naturally intensified the pressure on liquidity ratios: the average ratio declined from 37.4 to 33.6 per cent, and is now slightly less than at the corresponding date a year ago. With one exception, however, each of the big banks still has a stronger ratio than two years ago, when the maximum squeeze on bank liquidity was beginning.



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German Help for Sterling

BEFORE long the British gold and dollar reserve should benefit from the recently agreed German contribution towards British defence costs. The contribution of £50 million in the twelve months to April, 1957, will obviate payments that would otherwise have had to be made over the exchanges. Of more immediate import are the agreements under which the Bank Deutscher Länder will deposit £75 million with the Bank of England to meet future instalments on the post-war debt due from Germany to the United Kingdom and the further undertaking to add £10 million to the existing sterling Arms Purchase Account. Whether these deposits are canalised through the European Payments Union or made through a bilateral deal between the Bank Deutscher Länder and the Bank of England has not been announced, but they must in any event involve a transfer of gold from Germany to the United Kingdom.

These undertakings by the German Central Bank can be ranked with the British drawings from the International Monetary Fund and the line of credit from the Export-Import Bank as devices to put into the shop window some of Britain's second line of reserves. The £75 million deposit with the Bank of England is in effect a conversion into immediate cash of part of the £120 million sterling debt owing by Germany to the United Kingdom and due, under the debt settlement, to be repaid by annual instalments of £7½ million. Ten of those instalments have, in fact, been deposited with the Bank. Similarly the £10 million increase in the Arms Purchase Account is an advance for deliveries that would normally have been paid for later.

The most important aspect of these German deposits is the gesture of confidence in sterling that they imply. By making them the German authorities have gone out of their way to show the world that they are prepared to buy sterling at the existing rate to cover liabilities which if either the pound were likely to be devalued or the mark up-valued could with profit be left open.

Easier Freight Rates

A MILD winter in Europe has recently reduced the demand for coal and grain imports and strengthened the hand of charterers in the shipping markets. The weather on the North Atlantic, on the contrary, has been exceptionally bad for shipowners. Apart from physical damage, some ships have been so delayed in recent weeks when ballasting towards the United States for coal that they have missed their loading dates and been compelled to make new fixtures, at lower rates, without having the alternative of offering for cargoes of grain or scrap, the export of which has been temporarily stopped. As a consequence, the voyage rate for American coal has been reduced to below 80s., compared with about 100s. ruling during the first two months of the year. Voyage rates are thus about back to the levels of before Suez, which they had reached after a steady rise over about 18 months. Time charter rates, too, have been declining; but their rate of fall has been much more gradual than that of spot rates, indicating a firm undertone to the market.

Even in the dry-cargo tramp shipping section, much of the fleets are employed on long-term charter at rates fixed many months ago, and their earnings can in no way be affected by fluctuations in spot rates. Furthermore, most tramp shipping companies still have to report their earnings for the last financial year, which are likely to show substantial advances; and the current financial year's eventual earnings are not likely to be any lower, provided that rates stabilise at anything like current levels.

The Twelve Pound Look

MEN employed in manual jobs in manufacturing and some other industries were earning on the average nearly £12 a week last October: the average for men, women, boys and girls in these jobs reached £10 a week, for the first time. Last year's failure of output to rise, and the recession in certain industries, did not check the steady rise of earnings: between October, 1955, and October, 1956, these rose by 7 per cent in money and by 3 per cent in purchasing power. This was a little less than wage rates rose over the year; but in the last six months of it, though slightly fewer hours a week were being worked, earnings rose a little more than rates of wages.

WOMEN'S & YOUNG PEOPLE'S EARNINGS COMPARED WITH MEN'S
(% of men's hourly earnings)

	Boys	Women	Girls
1938	39·0	51·7	28·7
1950	45·4	62·3	39·6
1951	44·6	62·4	39·6
1952	45·0	61·7	38·1
1953	44·7	61·8	38·4
1954	45.3	61.3	38.5
1955	45.9	60.5	38.9
1956	46.3	60.4	39.0

In October, men's earnings were about 94 per cent higher than in 1947 and nearly three and a half times as much as in 1938: but it is the other manual workers who have had the biggest increases. As the table shows, women, boys, and girls have vied with each other in catching up with their husbands' and fathers' wages: women and boys now earn not much less than four times their average earnings in 1938, while girls' wages are about 4½ times as high as they were then.

The Halifax and Mr Bentley

THE annual meeting of the Halifax Building Society in Halifax on April 1st should be a lively affair. On the one hand members will be considering a year of great progress and the passing of the £300 million mark. On the other a motion will come from an influential group of members to elect Mr Fred Bentley to the Board. That issue because of an antiquated voting system which forbids proxy votes will be decided on the basis of one member one vote by the few hundred members who can be in Halifax on that day—decided on behalf of about 700,000 shareholding and borrowing members entitled to vote. It is to be regretted

at the Board of the Halifax society has not used the :casion for sinking the conflict, partly of personalities, that d to Mr Bentley after long service ceasing to be general ıanager of the Halifax almost as soon as he became chair- ıan of the Building Societies Association. Mr Bentley is ıe chairman of the Association without a job in any society ; Halifax is the largest society and is outside the Association. t is a situation repugnant to common sense. The Board had ts opportunity in the fact that after the resignation of Mr ohn Hunter owing to ill health it has five fewer than its permitted maximum number but it is unanimously sup- porting the re-election of the other retiring directors and ıot of Mr Bentley. It will now be for those who can attend to decide.

Last year the Halifax raised its interest rates so that it was paying the standard 3½ per cent net to shareholders and an overstandard 3¾ per cent to depositors. This move has helped to bring total assets at January 31st up to £297.3

HALIFAX BUILDING SOCIETY PROGRESS

	Years ended January 31,	
	1956 £ million	1957 £ million
Mortgage Assets	223·3	243·3
Liquid Assets	40·5	53·2
Liquidity Ratio	15·3	17·9
Other Assets	0·7	0·8
Total Assets	264·5	297·3
Reserves	11·8	12·6
Reserve Ratio	4·5	4·2
Mortgage advance	48·7	46·1
Receipts from Investors	63·7	70·6
Withdrawals by Investors	42·8	46·9

million (against £264.5 million a year earlier)—a record increase of £32.8 million. Since the end of the financial year the society has passed the £300 million mark—easily the first building society to do so. Its restrictions on lending on mortgage have now been withdrawn ; reserves have been heavily reinforced by over £700,000 but as always happens in a time of rapid growth the ratio of reserves to total assets has fallen. It is down from 4.5 per cent to 4.2 per cent which is probably a lower figure than the directors like. The liquidity ratio on the other hand has greatly improved—it has risen from 15.3 per cent to 17.9 per cent, and the society, which used £700,000 to write down its gilt edged holdings to market prices a year ago, is now in the happy state of having an appreciation over book values of £1,050,040.

More Machine Tool Output Wanted

THE two-year boom in machine tool orders—and orders for many other types of industrial equipment—quite clearly came to an end towards the close of 1956. For last year as a whole machine tool makers took only £86½ million worth of new business, against £96½ million in 1955, and this drop was more than accounted for by the decline in orders from its customers in this country. But though the industry's total order book fell below £100 million for the first time for a year, it still represented 14 months' work at the present rate of output.

The industry can in fact have no cause for self-congratulation in this slight drop in the weight of its order book or in its increased output. Allowing for the change in prices in the past year, which is difficult to calculate precisely, the physical growth in production can only have been about 3 per cent. Indeed, since 1953 the expansion of real output

MACHINE TOOLS : ORDERS AND DELIVERIES

	Orders in hand end year	New orders booked (net)	Average monthly output	Order book, in terms of deliveries
	£'000	£'000	£'000	Months
1951	98,897	...	4,049	24·4
1952	96,996	60,113	5,167	18·1
1953	72,251	41,435	5,515	13·1
1954	81,011	74,352	5,466	14·8
1955	100,186	94,559	6,282	16·0
1956	98,000	81,514	6,975	14·0

does not seem to have been considerably more than that. Perhaps now that machine tool makers have been able to attract some labour from other industries, its performance will be a little better. Its customers at home had to import £25 million worth of tools last year, more than the industry itself exported, and the flow of imports is still running at a high rate.

Jets and the Ministry

DEVELOPMENT in airframes and in aero-engines has been badly out of balance for several years ; there are more good aero-engines on the test beds in this country today than there are aircraft for them to fly. This leaves the Ministry of Supply with no option but to stop financing any further development work on engines for which there are no suitable aircraft. Two candidates under review are the Mark 6 version of the Bristol Olympus engine and the big Gyron developed by de Havilland. Government support for the former is likely to be dropped because the aircraft for which it was planned, an advanced version of the Javelin all-weather fighter, did not come up to expectations and was scrapped.

Official support for the Gyron was given in the first place simply because of the huge power of the engine. It began as a private venture by de Havilland to provide an engine for fighters flying at two to three times the speed of sound and it is not really suitable for any other use. It has recently been tested at 20,000 pounds of thrust, or 25,000 pounds with re-heat, and is one of the most powerful engines in the world, if not the most powerful, with the Olympus treading fast on its heels. But no application was ever specified for the Gyron, and from it was developed a scaled-down version, the Gyron Junior, suitable for the type of small interceptor fighter (as distinct from a big fighter like the P.1) powered by a combination of jets and rockets as, for example, the aircraft now being developed by Saunders-Roe. Government support for this junior version is likely to go on so long as the appropriate fighters are being developed.

These cancellations are something quite apart from the fate of the Swift. This fighter, it appears, will cost the tax-payer £46 million. The Comptroller and Auditor-General now reveals in his latest report that in 1950 the

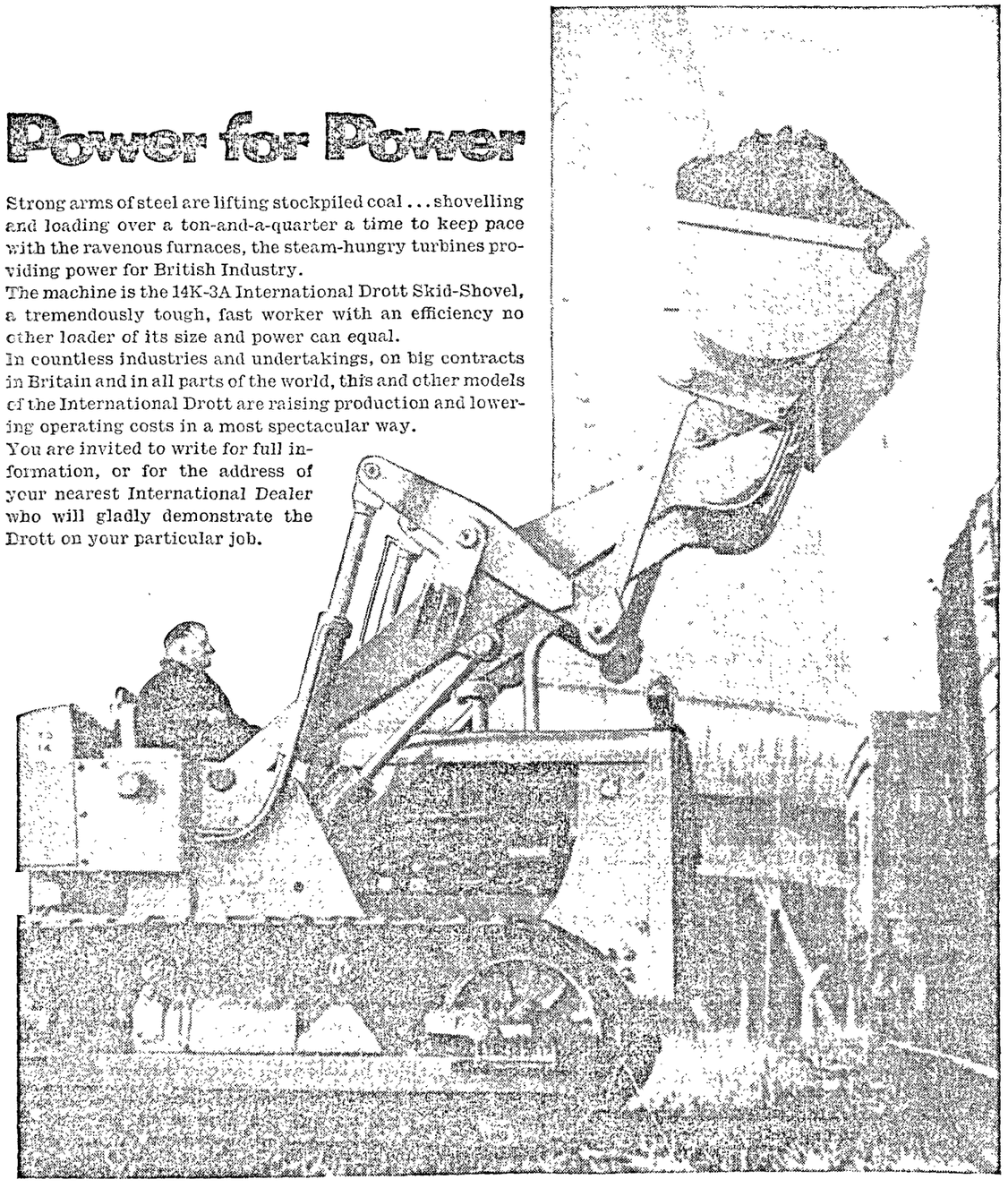
Power for Power

Strong arms of steel are lifting stockpiled coal . . . shovelling and loading over a ton-and-a-quarter a time to keep pace with the ravenous furnaces, the steam-hungry turbines providing power for British Industry.

The machine is the 14K-3A International Drott Skid-Shovel, a tremendously tough, fast worker with an efficiency no other loader of its size and power can equal.

In countless industries and undertakings, on big contracts in Britain and in all parts of the world, this and other models of the International Drott are raising production and lowering operating costs in a most spectacular way.

You are invited to write for full information, or for the address of your nearest International Dealer who will gladly demonstrate the Drott on your particular job.



INTERNATIONAL HARVESTER

Power for Power and size for size, no other front-end loader comes up to the 14K-3A International Drott . . . • 95 b.h.p. diesel engine • 2¼ cu. yds. bucket • 17,000 lb. digging force, *plus* high bucket lift and far bucket pitch.
Other models: B-6-K3 (1 or 1½ cu. yds.); 9K-3A (1¾ cu. yds.); 18K-3A (3 cu. yds.)

International
CONSTRUCTION EQUIPMENT

INTERNATIONAL HARVESTER COMPANY OF GREAT BRITAIN LIMITED, HARVESTER HOUSE, 259 CITY ROAD, LONDON, E.C.1



'I refer,' said the Robin with quiet pride,
'to the superb record of British farming. Let me reel off some figures.'

BUT TOWN MOUSE SAID

Oh, reel off to bed!

'For,' said he, 'your figures will leave me quite overwhelmed with apathy.'

ROBIN (*most disturbed*) 'But surely you cannot know! Look! Farm subsidies static since 1951, but production up 10% . . . a 90-hour week 52 weeks a year, and 90% of farmers making only £500 or so a year . . .'

TOWN MOUSE (*unimpressed*) 'And should this move me a whisker?'

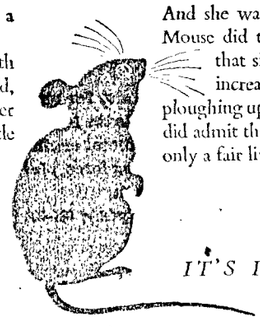
ROBIN 'It should make your mouth water . . . with British vegetables quite the tastiest in the world, with our corn crops three times as heavy per acre as they are in America, our cattle unequalled for quality . . .'

TOWN MOUSE (*maliciously*) 'You do not mention eggs, I see.'

ROBIN (*suddenly cast down*) 'Ah yes—those eggs. Those big eggs. How can I hope to please a husband when he keeps seeing monsters like those all over the place!'

* * *

And she was quite inconsolable until Town Mouse did two things. He reminded Robin that since 1939 there has been a 400% increase in the number of tractors ploughing up worms for robins. And he finally did admit that the British farmer, in return for only a fair living, does us really proud.



IT'S FISONS FOR THE FARMER

Royal Aircraft Establishment at Farnborough, and in 1952 an American evaluation team placing orders for fighters for Nato, both reported unfavourably on the Swift. But orders from the Air Ministry continued to mount and were not cancelled until the Swift was finally rejected by the RAF and the Ministry's own flight test centre at Boscombe Down in 1955—five years after the first adverse report and for precisely the reasons outlined in it.

The engines now under the axe are among the best of their kind in the world. The greater part of their development work has been completed at government expense, and there is nothing to prevent either of the manufacturers concerned from financing any further work needed to make the engines for sale abroad, where there are potential foreign buyers for both.

More Cars on Hire Purchase

A CONSIDERABLE recovery in hire purchase trading is in progress. The Board of Trade's figures to the end of last year showed that the nation's hire purchase debt was still slightly falling, though the volume of new business was gently on the upgrade. But two further months' figures of numbers of contracts are now available from HP Information. These returns relating chiefly to the motor trade point to a vigorous recovery in the first two months of 1957 in second-hand vehicles and a smaller, but distinct rally in hire purchase sales of new cars.

NUMBER OF CONTRACTS

	1956 *First Two Months*	1956 *Last Two Months*	1957 *First Two Months*
Cars, new	12,917	7,742	9,260
" used	46,583	38,565	69,840
Commercial vehicles, new	8,226	5,442	6,004
" " used	7,356	6,541	9,650
Total contracts*	103,260	80,667	125,461

Source : HP Information. * Including other articles.

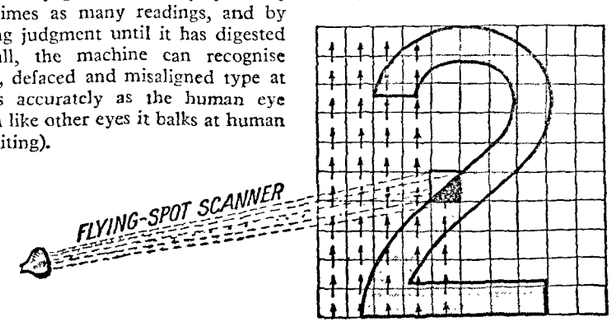
The sharp cut at the end of the year in the minimum initial deposits on most motor vehicles helped the recovery. It will be necessary to wait for the Board of Trade figures for firm guidance on whether the other branches of hire purchase trading, that did not receive that assistance, have also recovered. But the omens suggest that they did. Latest figures (relating to January) of radio and television sales indicate a slight increase in the percentage of total sales done on hire purchase.

Seeing Eye Machines

ONE glaringly weak link in the chain of economies that can be achieved by installing electronic data processing systems in offices is that the information fed into a computer must first be coded into a form, such as punched cards, or punched or magnetic tape, that the computer can use. This is still, essentially, a hand operation. The computer can digest its food up to 1,000 times as fast as its statistical meal can be prepared, and the only way to avoid keeping such a costly machine idle for the greater part of the time is to employ hundreds of punch-card operators—and verifiers—for each machine.

There are two ways in which this difficulty may be overcome. One is to reorganise office work so that information is collected in a form in which it can be fed directly into the computer. Bills made out on punched cards, and cheques printed in magnetic ink, are examples of this method. The alternative is to produce a machine that can read directly from ordinary printed or type-written material, and translate it automatically into the computer's own language. The pilot model of one of these machines, which was described last week by the Solartron electronic group, can read 120 characters a second. The company has also apparently achieved flexibility in this machine. Earlier machines could read accurately only from a single, simple and perfect type face. The Solartron model can be programmed without a proportionate increase in cost to read a wide variety of type founts. More important, it can read several common type faces, and even second carbon copies from a typewriter, without being reprogrammed.

This flexibility and accuracy is achieved by taking a prodigious number of readings of each character. Each figure is, in effect, divided into 100 squares, each of which will contain either more black than white, or more white than black ; these squares are then scanned by a "flying spot scanner"—a specialised sort of cathode tube ; the machine then sorts out the pattern of black and white squares it has recorded and, by a process of elimination, finally "recognises" and records the number it has read. If the type were perfect, it would require only four readings to recognise any given number ; by taking many times as many readings, and by reserving judgment until it has digested them all, the machine can recognise blurred, defaced and misaligned type at least as accurately as the human eye (though like other eyes it balks at human handwriting).

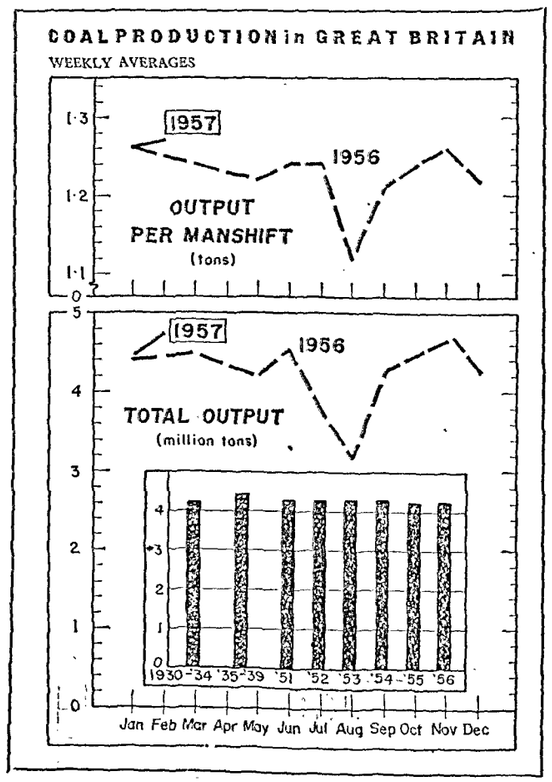


The economics of the operation are based on the production model, which is designed to operate at 240 characters a second. It reads only figures ; though the technique can be extended to include letters, it becomes more expensive, and most business data can be kept fairly conveniently in figures. One of these machines, which will cost between £22,000 and £50,000, could, if operated continuously, do the work of 150 to 300 punch card operators and verifiers—a saving (including overheads but not counting savings on punch card machinery) of over £200,000 a year. If used only during normal office working hours it is claimed still to save enough in wages and overheads to write off its capital cost in less than a year. Built in standardised units, the machine can be tailored to suit the requirements of any main computer equipment, and is expected to prove its worth first in dealing with the cash transactions of a large multiple store.

More Oil for Europe

Now that the Iraq Petroleum Company can begin repairing the trans-Syrian pipelines a flow of about 220,000 barrels of crude oil a day—about 40 per cent of the full capacity of these pipelines—is expected to be available for loading at the Mediterranean terminals by the end of this month. This will permit the world's scarce tanker tonnage to be used much more effectively. A given number of tankers can shuttle at least three times as much oil across the Mediterranean to southern European ports as they can bring across the Atlantic from the Caribbean, and more than seven times as much as they can haul from the Persian Gulf to Europe round the Cape. Thus the net increase in Europe's supplies will range from about 150,000 barrels a day (if all the diverted tankers are taken from the Caribbean run) to about 190,000 barrels a day (if they are all taken from the Cape run). If supplies from the Western hemisphere are cut, the saving in dollars will be greater, but at the cost of a smaller net increase in total supplies.

How much difference will this make to Europe's supply prospects? The OEEC Petroleum Emergency Group estimated this week that Europe would receive 94 per cent of its normal requirements of petroleum products in the second quarter of 1957—even if both the Suez Canal and the trans-Syrian pipelines remained closed. For the current quarter, supplies are now estimated at 85 per cent of normal requirements, a steady improvement on earlier estimates. The net addition of 150,000 to 190,000 barrels a day of Iraq crude (say 7½ to 10 million tons a year) would raise the level of expected supplies in the second quarter to not far short of 100 per cent of normal requirements. But at the end of March total stocks of petroleum products in Europe are expected to amount to about 5.1 million tons, some 700,000 tons less than they were at the beginning of the year, leaving stocks equivalent to about 3½ weeks' supply. The need to rebuild depleted stocks, especially stocks of black oils to which it is hoped to add some 2 million tons during the second quarter, still means that not much more than 90 per cent of normal supplies will be available for distribution to consumers—unless Egypt takes a leaf from the Syrian book and allows Suez Canal traffic to be resumed quickly.



Records in Rice

The main rice-exporting countries fared well last year. Prices rose; almost certainly more rice was shipped abroad than the previous postwar record of 4,843,000 milled tons in 1955, and stocks in most countries were cleared. Burma, the largest exporter, shipped 1,834,000 tons, an increase of 220,000 tons compared with 1955 and the highest figure reached since the war. The United States, which has become the third largest exporter, made the biggest gains; its shipments rose by 300,000 tons to a record 804,000 tons. That increase resulted largely from special sales under foreign aid programmes, notably to India, Indonesia and Pakistan. Shipments from Thailand, exceptionally, were only slightly higher, at 1,217,000 tons, but the official statistics may be misleading; substantial quantities of Thai rice are believed to have been smuggled into Laos.

What of the prospect for 1957? The Food and Agriculture Organisation, in its latest annual report on rice, considers that international supply and demand "may well be fairly balanced" this year. "Uncommitted stocks in exporting countries are low, while reserve stocks in some importing countries rose during 1956." The new crops in the main producing countries, apart from Japan, are expected to be larger than last season's. Though Japan has a smaller harvest supplies are ample and imports are to be reduced. Pakistan, normally an exporter, had to import large quantities last year, but it is now harvesting a bigger crop and imports are likely to fall. Indonesia, on the other hand, has been importing heavily. Prices in eastern markets are holding steady and seem in little danger at least for the next few months.

Progress in Latin America

Sir Francis Glyn, chairman of the Bank of London and South America since 1948, announces that he proposes "in due course" to hand over the chairmanship to Sir George Bolton—who has just given up his post of executive director of the Bank of England to become deputy-chairman. Sir Francis has a cheerful story to tell of the bank's affairs in South America and of the opportunities open for

LARGEST AUDIENCE EVER REACHED

by any 'Play of the Week'

A record number of viewers saw *Arthur Laurents'* HOME OF THE BRAVE 'Play of the Week' by Granada TV on Wednesday 20th February.

Nielsen Television Index figures show that this programme reached in the entire ITV Network

1,957,000 HOMES—5,394,000 VIEWERS

IN THE MIDLANDS **403,000** homes **887,000** viewers
IN LONDON **777,000** homes **2,098,000** viewers
IN THE NORTH **777,000** homes **2,409,000** viewers

Here is what the papers said about HOME OF THE BRAVE:

Daily Sketch: "... electrifying in its effect on the nerves and masterly for its attention to detail."

Manchester Evening News: "Granada's HOME OF THE BRAVE had the impact of a sledge hammer."

Daily Mail: "... remarkably well done ... a portrayal hard to forget."

Liverpool Echo: "... it romped home a winner."

Yorkshire Post: "War play with a difference ... never faltered once."

Daily Herald: "... one of the most gripping plays ever presented on TV."

The Star: "... worth every one of its 90 minutes ... the clearest piece of psychological drama I have seen."

Granada's next Play of the Week on Wednesday 20th March will be *Arthur Miller's* adaptation of Ibsen's AN ENEMY OF THE PEOPLE.

GRANADA TV NETWORK

LONDON & MANCHESTER

Company Notes

BORAX (HOLDINGS). The yield of £1 16s. 3d. per cent offered by Borax ordinary stock puts an extreme valuation on future growth. That the company's assets and earnings will grow is not open to doubt. But there are two other subsidiary reasons for the low yield. First, American investors are interested in the stock and they tend habitually to discount future earnings more heavily in stock prices than investors here. Indeed, the operating subsidiary's shares are traded in New York on a lower yield basis than the parent company's shares in London. Secondly, while Borax's new capital investments are maturing, there will be big tax savings following last year's reorganisation. These can have a significant influence on the payment of dividends out of accumulated reserves in this country at a time when reserves are being built up in the United States.

The chairman, Mr Desmond Abel Smith, has this to say about tax:

1. Total taxes in 1955-56 represent 35.8 per cent of profits, against 52.9 per cent before the reorganisation.
2. In 1955-56, British taxes represented 20.8 per cent of the total charge, against 57.4 per cent.
3. The provision for British tax is only £4,423, representing a liability on investment income only.
4. Current liabilities are £798,104 for British taxes and £490,634 for overseas taxes.
5. These largely represent taxes on profits earned before the reorganisation and "it is probable that a substantial portion" of them will not be required, though they should not be released until agreement has been reached with the Inland Revenue.

Another product of the reorganisation is the revaluation of the company's American assets. At the end of September, 1955, the book value of fixed assets was £6.4 million. A year later their value is revealed at £24.3 million. Of the increase, about £3.4 million represented new investment; another £5.2 million the absorption of US Potash into the American subsidiary, United States Borax and Chemical; and about £8 million the surplus arising on the revaluation.

In the new form, the net worth attributable to the equity is about £17.1 million, equal to just under 9s. 6d. per 5s. unit. The market price 22s. 10½d.xd is more than twice as big; growth must be rapid and remarkable to justify the difference.

In California alone capital development will cost $20 million but this programme will be completed in July and will immediately add to productive capacity. Firm capital commitments for the group are put at £7¼ million (against £105,000). Over £2.7 million has already been borrowed on unsecured notes in the United States and the American subsidiary (in which Borax holds 74¼ per cent) can borrow another £3.7 million in this form. From these figures alone it is apparent that profits will have to be accumulated in the United States to help to pay for development. Hence remittances are still some way off.

ASSOCIATED ELECTRICAL INDUSTRIES. English Electric has done better than can have been expected; Associated Electrical Industries which gave its stockholders a half-yearly preview has nevertheless done worse than was feared. That judgment emerges from a comparison of AEI's preliminary figures for 1956 with those of English Electric. English Electric's profits went up from £8.8 million to nearly £9.5 million; AEI's profits fell by about £5 million to £10.3 million. Moreover, it is apparent that the decline in earnings was accentuated in the last six months of 1956. English Electric's interests in aircraft production may have helped while AEI was affected, no doubt, by higher costs, fiercer competition in the sale of capital goods abroad and the drop in sales of consumer goods at home.

The directors of AEI have kept last year's promise when they made the rights issue of ordinary shares and have maintained the dividend at 15 per cent on the increased capital. But the cover has been materially reduced. Retentions by subsidiaries have been cut severely, from over £3 million to under £300,000, without any corresponding increase in the parent company's appropriations. The directors have also put into reverse their policy on replacement reserves. In 1955 they made an appropriation to these reserves before striking net profits and in the first half of 1956 they published a profit figure after allowing for a further appropriation to these reserves. Now they say these reserves are "free" and the accumulated balance of nearly £8 million has been transferred to a general reserve. Moreover, for 1956 no appropriation has been made specifically to replacement reserves. If net profits last year had been computed after setting aside nearly £2 million to replacement reserves, as was done in 1955, the net dividend would not have been fully covered.

Consolidated earnings:	1955	1956
	£	£
Gross profit	17,601,790	13,243,070
Depreciation	2,281,010	2,940,456
Taxation	7,370,653	5,847,901
Replacement reserve	1,987,249	...
Net income	*6,301,804*	*4,372,325*
Ordinary dividends	2,081,896	2,645,000
Retained by subsidiaries	3,076,242	290,610
Retained by parent	1,041,995	1,320,711

★

THE BRITISH SOUTH AFRICA COMPANY. When the "Chartered" company increased its dividend from 30 to 35 per cent it was estimated in these columns that royalty income in 1955-56 would come to over £12 million and investment income to over £2 million. The full report shows royalty income up from £10,154,158 to £12,262,909 and investment income from £1,806,145 to £2,289,407.

Because of the lower copper prices, income from royalties will shrink this year and unless copper prices take an unexpected turn for the better royalties may also be below the 1954-55 figure. But the directors of the "Chartered" company can hardly have raised the dividend without having this year's expected decline in mind.

This is a short-term consideration. The long-term view is that the company must build and diversify its portfolio, against the day in 1986 when mineral royalties revert to the Rhodesian government. At the end of September the book value of the company's investments was £19.6 million; the market value of quoted investments (excluding shares in Rhodesia Railways Trust) was *£15.1 million higher* than the book value of £10.4 million. The major changes in the portfolio over the year include a new loan to Bancroft and an investment in Mufulira, and further investments in the South African finance houses, Anglo American and Consolidated Goldfields, and in the mines in which those finance houses are interested. Such investments are in keeping with the intention of spreading the portfolio outside Rhodesia. Another strand in this policy is to spread investments outside Africa; it is shown by the increase in the gilt-edged portfolio—a stepping-stone, perhaps, to other investments.

The "Chartered" company owns 81 per cent of the £2,005,767 capital of Rhodesia Railways Trust, with a portfolio worth £7.3 million at market values on September 30th. The market value of the "Chartered" company's holding in the trust was £3,960,937 and it has offered £3 each for the minority shares—a fair price in view of the value of the trust's portfolio, which has a much wider spread than that of "Chartered" itself. Over a quarter of the trust's investments (at market prices) is in North America.

★

ROOTES MOTORS. In the year to July 31st the profits of Rootes Motors tumbled from £3,557,325 to £2,031,129. In December the chairman, Sir William Rootes, warned shareholders not to be too optimistic about the current year's results. Now the directors, in announcing the interim payment on the preference shares, have revealed that the group made losses in the first six months of the current financial year which ends on July 31st.

On this news the 4s. ordinary shares fell from 5s. 6d. to 5s. 1¾d. But within a few days they recovered to 5s. 4½d. for investors, now that Ford Motor has gone back to five days' working, are looking ahead to better prospects for the motor industry. In doing so they must look beyond the current year's results.

★

LEYLAND MOTORS. Shareholders of Leyland Motors must remember that the rights issue in November merely paid for the purchase of the tank arsenal at Farington. It did not provide any balance to finance further capital developments or an increase in working capital. And, if only because production at Farington has to be switched from tanks to vehicles, Leyland Motors will have to spend more on capital account. So the group is short of liquid assets. Stocks over the year to September 30th grew from £13.9 million to £18.2 million and the cash balance of just over £1 million is more than matched by a bank overdraft of £1.3 million.

Thus capital is likely to make its claim on earnings this year and this may well influence dividends. Sales and profits seem likely to expand again as they did in 1955-56 but again the story may be one of smaller profit margins on bigger sales. The yield of 5.4 per cent on the £1 units at 46s. 3d.xd and on a dividend of 12½ per cent (for which the new shares rank) seems to put an adequate discount on these prospects.

★

RUGBY PORTLAND CEMENT. The person who is most conscious of the dynamic quality of Rugby Portland Cement is its chairman, Mr Halford Reddish. One product of his mixture of dynamism, reforming zeal and financial astuteness was the introduction of "A" ordinary shares, half of which are owned by employees. They are one of the most highly geared equities in the London market. According to a complicated formula, the amount attributable to these "A" shares in 1956 was £108,687 gross but only £62,500 gross was distributed, since an ear-marked reserve is being built up as an equalisation account—a hedge against any decline in earnings in the future. The £62,500 represents a dividend of 1s. 3d. per "A" share, compared with 1s. in 1955. The dividend on the conventional ordinary shares is also increased—from 1s. to 1s. 1½d. per 5s. unit. These units, at 24s., yield 4.7 per cent and the "A" units, at 26s. 3d., 4¾ per cent.

Bigger dividends are the product of another year of record production, deliveries and profits. Gross profits have risen from £1,295,072 to £1,433,727 and net profits from £584,915 to £729,436. This is a smaller rate of advance than was achieved in 1955 but it is a satisfactory result for a year in which higher costs trimmed profit margins.

A. W. GAMAGE. Unlike most other department stores, Gamage's shop in Holborn caters more for the boy and the man than for the girl and woman. But it is widening its range of appeal and it always has had a big mail order business. Like the other department stores, its gross profits have risen, from £295,533 to £309,514 in the year to January 31st. Profits after tax at £134,989 show little change on the 1955-56 figure of £133,211 but the ordinary dividend has been increased. To the dividend of 25 per cent has been added a bonus of 5 per cent (making 30 per cent in all and absorbing £86,250 net); the year before a bonus of 2½ per cent was added to the 25 per cent dividend (making 27½ per cent and absorbing £79,062 net). On the new dividend the 10s. shares yield 8.4 per cent at 35s. 9d.

★

BRITISH OXYGEN. Less than twelve months ago British Oxygen published a full report in a conservative format—no better and no worse than many others. Since then the Monopolies Commission has published a critical report on the company and its operations. The latest full report is almost a model of what is best in modern accounting practice. It includes for the first time a 10 years record of profits and capital; a diagram of an oxygen cylinder showing the distribution per £1 of the group's income; charts of turnover and capital expenditure and a list of the group's principal works.

In 1955-56, the group's sales came to about £37 million and the gross profit to £5.2 million; in 1954-55, when only nine months' trading of the parent company was included, a profit of nearly £4.3 million was earned on sales of £29 million. In the last financial year the group spent nearly £9 million (against £4 million) on capital account. As a result bank overdrafts came to over £4 million, a sum which has now been repaid out of the proceeds of the £10 million debenture issue. The company's accounts put a value of £41 million on "average capital employed," and setting gross profits against this figure they calculate the return on capital at 14 per cent.

LONDON STOCK EXCHANGE

First dealings:	Feb. 27	Mar. 13	Mar. 27
Last dealings:	Mar. 12	Mar. 26	Apr. 9
Account Day:	Mar. 19	Apr. 2	Apr. 16

GAINS made by gilt-edged stocks following the further fall in the Treasury bill rate were eliminated on Tuesday and heavier falls occurred on Wednesday when 2½ per cent Consols, 2¾ per cent Savings 1964/67 and 3½ per cent Treasury 1979/81 all fell 7/8. Short-dated stocks improved, however, 3 per cent War Loan 1955/59 rising ⅛ to 96 23/32 and 2 per cent Conversion 3½ to 95 23/32. Industrial shares were mainly better due to evidence of a revival in retail sales and *The Economist* indicator gained a point to 201.6, but the weight of the projected issue of Steel Company of Wales was a restraining influence in all sectors.

Although easing on Wednesday, power shares were higher on balance following details on the revised building programme. Clarke Chapman gained 5s. to 145s. 7½d. on the increased dividend and profit. Hoover continued to recover after the profit figures, the ordinary reaching 34s. 3d. and the "A" 33s. 6d. Rootes were little changed on the half-yearly report, but other motors were mainly a few pence weaker. Leyland rose 2s. 9d. to 46s. 3d. helped by confirmation of its participation in the German defence programme. Steel shares were a little easier and shipbuilders were often lower on Wednesday following the rejection of the wage-claim, William Denny losing 1s. 6d. to 44s. Staveley slumped 6s. to 40s. 3d. on the reduced interim dividend. Shipping shares tumbled this week on the fall in freight rates; Stanhope lost 6s. 9d. to 35s. 9d. and Reardon Smith 4s. 3d. to 45s. 3d. from their week-end levels. British and Commonwealth rose to a peak of 41s. 3d. before easing to 40s.

Oil shares were strong on hopes of the early opening of the Suez Canal, and the early repair of the Iraqi Petroleum Company's pipeline, Shell jumping 3s. 3d. to 167s. 9d. on Thursday. Gold mines were dull until Wednesday. Older mines reflected hopes of local budget concessions, City Deep rising 1s. 4½d. to 12s. 10½d. Central Mining gained 2s. 6d. to 65s. Beralt Tin was again weak and North Broken Hill fell 8s. 9d. to 112s. 6d.

THE ACTUARIES INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100)			Average Yields (per cent)		
	Feb. 28, 1956	Jan. 29, 1957	Feb. 26, 1957	Feb. 28, 1956	Jan. 29, 1957	Feb. 26, 1957
Ordinary Shares :—						
Electrical engineering	134·3	148·8	148·8	5·40	5·03	5·09
Engineering	165·9	173·0	175·9	4·96	5·05	5·07
Motors and aircraft	165·1	163·7	168·0	5·31	5·74	5·57
Chain stores	247·6	284·3	279·3	4·38	4·14	4·25
Cotton textiles	101·2	107·5	106·8	9·03	8·38	8·44
Chemicals	191·9	180·3	179·3	4·93	5·34	5·38
Oil	226·4	322·6	339·1	5·47	4·76	5·02
Shipping	168·0	211·8	218·1	5·62	5·19	5·03
Investment trusts	203·3	238·9	242·5	5·25	4·92	4·90
Industrials :—						
Ordinary (all classes)	139·5	150·1	151·2	6·25	6·09	6·14
Preference	76·3	77·4	77·4	5·98	5·90	5·90
Debenture	72·6	71·4	72·2	5·66	5·77	5·70
Total (capital goods)	156·5	163·3	166·1	5·44	5·42	5·37
Total (consumption goods)	115·9	118·7	118·2	7·08	6·96	7·02
Consols 2½%	77·8	78·0	76·4	4·55	4·84	4·63

STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1956 High	1956 Low	1955 High	1955 Low
Feb. 6	194·0	5·66				
„ 13	195·9	5·61				
„ 20	196·8	5·63	210·4 (Jan. 4)	170·0 (Nov. 28)	232·1 (July 20)	175·2 (Mar. 23)
„ 27	200·6	5·52				
Mar. 6	201·6	5·50				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956 High	1955 High
		%		%		203·6 (Jan. 3)	233·9 (July 21)
Feb. 27	188·1	5·81	97·04	4·53	11,445		
„ 28	188·7	5·80	96·99	4·52	10,739		
Mar. 1	189·4	5·78	96·97	4·55	10,425	Low	Low
„ 4	189·3	5·78	97·04	4·55	12,686	161·5 (Nov. 29)	175·7 (Mar. 15)
„ 5	190·0	5·76	96·98	4·56	10,908		
„ 6	189·8	5·77	96·75	4·60	10,311		

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

LONDON ACTIVE SECURITIES

Prices, 1956 High	Prices, 1956 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Feb. 27, 1957	Price, Mar. 6, 1957	Net Yield, Mar. 6, 1957 §	Gross Yield, Mar. 6, 1957
					£ s. d.	£ s. d.
99¼	97	Funding 2½% 1952-57	99⅛	99⅜	1 17 5	4 0 5
95⅛	93¼	War Loan 3½% 1955-59	96⅛	96⅜	2 16 3	4 6 5
91¼	88⅜	Funding 2½% 1956-61	92⅛	92⅜	3 5 5	4 9 11
100⅛	99⅛	Exchequer 5% 1957	100⅛	100⅛	0 1 5	3 18 8
99½	97	Conversion 4% 1957-58	99⅛	99¼	2 14 10	4 15 3
97⅛	95¼	Serial Funding 2½% 1957	98⅛	98⅛	3 5 1	4 13 4
94⅜	91	Conversion 2½% 1958-59	95⅛	95⅜	3 7 7	4 6 6
92¼	88⅛	Exchequer 2½% 1959	93¼	93⅜	3 8 8	4 6 9
95⅛	92¼	Exchequer 3% 1960	96⅛	96⅜	3 1 11	4 8 1
98¼	97⅛	Conversion 4½% 1962	98⅜	99⅛	2 15 5	4 14 4
88⅛	83	Savings Bonds 3% 1955-65	89¼	89¼	3 4 1	4 11 6
84⅜	77½	Funding 3% 1959-69	85⅛	85⅜	3 9 10	4 19 6
92⅛	84½	Funding 4% 1960-90	92⅛	91⅞	5 8 5 / 2 14 3	7 8 11 / 4 11 2
81¾	75¼	Savings Bonds 3% 1960-70	81⅜*	81	3 10 2	4 19 1
91⅞	88½	Exchequer 3½% 1962-63	92¾	93⅛	3 1 6	4 9 4
87⅛	83⅜	Exchequer 2½% 1963-64	88⅛	88½	3 6 5	4 10 5
81⅜	76½	Savings Bonds 2½% '64-67	83⅜	83⅜	3 9 7	4 14 3
79⅛	71⅛	Savings Bonds 3% 1965-75	77⅛	77⅜	3 8 1	4 18 1
85⅛	73	Funding 3½% 1966-68	84½	85⅜	3 9 4	4 17 11
96½	90	Victory 4% 1920-76	94½*	94½	2 18 7	4 14 1
88⅛	81⅞	Conversion 3½% 1969	87⅛*	87⅛	3 5 2	4 17 4
83¼	74⅜	Treasury 3½% 1977-80	81	80⅞	3 4 3	4 19 0
84½	75⅛	Treasury 3½% 1979-81	79⅛	79⅛	3 5 0	4 19 8
72¼	64½	Redemption 3% 1986-96	70⅜	69⅝*	3 0 11	4 13 8
81½	73½	Funding 3½% 1999-2004	79½	79½	2 16 2	4 11 10
81½	76	Consols 4% after Feb. '57	81½	81⅛	2 16 10	4 19 1
77	68	War Loan 3½% after 1952	74⅜	74⅜	2 14 7	4 15 5
76⅛	67½	Conv. 3½% after Apr. 1961	73⅜	73⅛	2 15 0	4 15 6
65⅜	58½	Treas. 3% after Apr. 1966	65⅜*	63⅝*	2 14 1	4 14 0
56½	49⅞	Consols 2½%	55½	54½*	2 12 8	4 11 5
56½	50	Treas. 2½% after Apr. '75	54½*	54½*	2 12 9	4 11 8
94½	90	Br. Electric 4½% 1967-69	96½	96	2 19 10	4 19 5
80⅛	72⅜	Br. Electric 3% 1968-73	78⅛*	78⅛*	3 9 8	4 19 0
79⅛	71⅛	Br. Electric 3% 1974-77	76⅛*	76⅝*	3 6 8	4 16 7
95	85½	Br. Electric 4½% 1974-79	90⅜*	90½*	3 0 7	4 18 11
85⅛	74½	Br. Electric 3½% 1976-79	81⅛	81⅛	3 4 4	4 19 2
90¼	84½	Br. Gas 4% 1969-72	90⅜	90	3 2 9	4 19 4
87⅛	80	Br. Gas 3½% 1969-71	86⅝*	86⅜*	3 3 10	4 16 3
73½	65½	Br. Gas 3% 1990-95	71⅛	71⅜	3 0 2	4 13 2
80⅛	72¼	Br. Transport 3% 1968-73	78⅛*	78⅛*	3 9 8	4 19 0
90⅜	81⅜	Br. Transport 4% 1972-77	88⅛	88⅛	3 1 11	4 19 5
73½	65¼	Br. Transport 3% 1978-88	71⅜	71¼	3 3 7	4 15 10

Prices, 1956 High	Prices, 1956 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Feb. 27, 1957	Price, Mar. 6, 1957	Yield, Mar. 6, 1957
					£ s. d.
80⅜	74⅞	Australia 3½% 1965-69	81	80⅜	5 11 9
98⅜	92⅞	Fed. Rhod. & Nyas. 5% 1975-80	95*	95*	5 7 9
76	70	S. Rhodesia 2½% 1965-70	75	73⅝*	5 7 6
88⅛	80⅜	N. Zealand 4% 1976-78	87⅛	87⅛	4 19 6
101⅛	99⅛	L.C.C. 5½% 1977-81	105⅛	105⅛	5 1 9
97⅛	88⅛	Agric. Mortgage 5% 1959-89	93⅛	93	5 9 3
68⅜	61	Met. Water Board 'B' 3% 1934-2003	67⅜	66⅛	4 17 6
81⅛	71	German 7% 1924 (Br. Enfaced 5%)	76⅛	76⅛	...
169½	159½	Japan 5% 1907 (Enfaced)	163½	169½	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Feb. 27, 1957	Price, Mar. 6, 1957	Yield, Mar. 6, 1957
		% %				£ s. d.
			BANKS & DISCOUNT			
105/-	92/6	12 a	7 b Bk. Ldn. & S. Amer. £5	131/3	130/-	6 18 6
50/-	39/10½	5 a	7 b Barclays Bank £1	45 6	45 9	5 5 0
35 9	27 9	4 a	4 b Barclays D.C.O. £1	30 6	30 9	5 4 1
41 9	32 9	7½ a	7½ b Chartered Bank £1	38/-	38 6	7 15 10
51/-	42/10½	...	7 b Lloyds Bank £1	48 6	48 9	5 6 8½
72/6	61/-	9 a	9 b Midland Bank £1	72/-	72 6	4 19 4
46/-	29/3	5 a	5 b Nat. Discount 'B' £1	40/-	40/-	5 0 0
50/-	40/6	6½ a	6½ b Union Discount £1	48 3	49 3	5 1 6
			INSURANCE			
92/6	75/-	43½ b	30 a Commercial Union 5/-	88/1½	89/4½	4 2 1
29	16½	3½ b	12½ a Legal & General £1	28½	29	1 14 6
25½	18½	†47½ b	†20 a Pearl £1	21½	21½	5 9 10
48½	38	†117½ c	†125 c Prudential 'A' £1	45½	46	4 14 6
			BREWERIES, ETC.			
119/6	106/-	10 a	33 b Bass £1	109/6	107/6	8 0 0
24/10½	18/7½	11½ b	6 a Distillers 6/8	22/10½	22/10½	4 2 0
45/10½	36/9	10 a	15 b Guinness 10/-	38/6	38/-	6 11 7
76/-	61/9	14 b	7 a Whitbread 'A' £1	70/3	69/3	6 1 4
			OIL			
183/9	99/-	†10 b	†5 a British Petroleum £1	141/-	146/9	3 11 2
117/9	63/-	12½ b	5 a Burmah £1	90/-	92/-	3 16 0
17⅞	11⅝	14 b	7½ a Royal Dutch 20 fl.	£16⅛	£16⅛	2 4 3k
171/-	103/3	†13½ b	†5 a Shell £1	165/-	164/6	3 3 4d
58/6	33/3	...	... Ultramar 10/-	64/7½	67/4½	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Feb. 27, 1957	Price, Mar. 6, 1957	Yield, Mar. 6, 1957
		% %				£ s. d.
172/6	133/9	20 a	50 b Anglo-American 10/-	135/-	136/3	5 2 9
40/-	22 6	+2½ a	+7½ b Cons. Tea & Lands. £1	27/-	26 6	13 0 10
130 7½	91/3	120 b	80 a De Beers Def. Reg. 5/-	97/6	100/-	10 0 0
25/-	19 7½	....	... Doornfontein 10/-	22 7½	22 9	...
10 11½	8/6	30 a	30 c London Tin 4/-	10/6*	10 7½*	11 5 10
16⅞	11½	112½ b	25 a Nchanga Cons. £1	11½	11¾	12 4 1½
64/-	52/6	30 a	40 b President Brand 5/-	52 6	51 3	6 16 8
29/-	21/-	12½ a	25 b Rho. Selection Tst. 5/-	21/1½	21 9	8 12 0½
61 9	37 6	30 b	12½ a United Sua Betong £1	48 9	48 3	17 12 5
81 9	64 4½	30 a	40 b Western Holdings 5/-	69/4½	68/1½	5 3 0
			MINES, ETC.			
45 6	34/3	7 b	3 a Assoc. Port. Cem. £1	38/9	41 9	4 6 2b
22 9	17 9	10 b	20 a Beecham Group 5/-	19 6*	19 9*	7 11 9
60 9	38 6	7½ b	4½ a Bowater Paper £1	46 6	43/-	5 11 6
81 10½	40 4½	8 b,	4 a Br. Aluminium £1	64 9	66/-	3 12 10
60/-	45/3	†20 c	†5½ a Br. Amer. Tob. 10/-	58/-*	55/-	6 6 10
19/9	15 4½	15 b	7½ a B.E.T. 'A' Defd. 5/-	20/-	19 10½	5 13 3
42/-	32 9	4 a	6 b Br. Oxygen £1	33 7½	34 6*	5 16 0
$89	$56¾	3 a	4 b Canadian Pacific $25	$59⅜	$60⅛	5 7 9
25 9	14 4½	10 b	24 a Dunlop Rubber 10/-	16 9	17/-	7 7 0
49 10½	36/-	6 b,	4 a Imp. Chemical £1	42 4½	41 9	4 15 10
62 9	42 3	8½ c	12½ b Imp. Tobacco £1	44 9	44 10½	9 7 3
$211	$141⅜	$2·90c	$3·75c Int'l. Nickel n.p.v.	$191⅛	$194	3 9 0
40 3	28/6	24 a	5 b J. Lucas (Inds.) £1	32/9	34 6	4 7 0
30/3	21 3	6¾ a	15½ b Monsanto Chem. 5/-	23/-	24 9	4 11 0
18/-	14 10½	10 c	2½ a Ranks 5/-	17/-*	16 10½	5 18 7
75 41	42 9	15 b	6 a A. E. Reed £1	52/-	51 6	6 4 2a
16 1½	11 7½	20 d	20 c Sears Hldgs. 'A' 5/-	15 2½	15 0½	6 13 10
69 1½	54/1½	4½ a	12 b Tate & Lyle £1	63 4½	62 4½	5 5 10
69 6	49 9	6½ a	7½ b Tube Investments £1	59 6	59 3	5 1 2b
115 6	92 6	5 a'	22½ b Turner & Newall £1	115 6	115 9	4 15 0
82 9	61 7½	6 a	11½ b Unilever Ltd. £1	79 6	80 3	4 8 9
41 9	22 9	†7½ b	†4½ a United Molasses 10/-	42 4½	40 9	5 1 10

New York Closing Prices

	Feb. 27	Mar. 6		Feb. 27	Mar. 6		Feb. 27	Mar. 6
	$	$		$	$		$	$
Can. Pacific	31	31⅛	Am. Viscose	32⅛	35½	Int'l. Nickel	100⅛	103⅛
N.Y. Central	28⅛	30⅛	Beth. Steel	42⅞	43¼	National Dist.	26⅛	27⅛
Pennsylvania	20⅛	20⅜	Chrysler	69⅛	74⅛	Sears Roebuck	26⅞	27⅛
Amer. Tel.	177½	177½	Crown Zeller	50⅞	52*	Shell Oil	80⅛	83⅝
Standard Gas.	12⅛	12⅛	DuPont de Nm.	176⅛	180	Std. Oil of N.J.	55⅛	58⅛
Western Union	18⅛	19	Ford Motors	56⅛	57⅞	U.S. Steel	59⅛	60⅛
Allumin'm Ltd.	119	125⅛	Gen. Elect.	55⅞	56⅛	West'house E.	53⅛	55⅞
Am. Smelting	51⅛	52⅜	Gen. Motors	39⅜	40⅛	Woolworth	43	43

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 15% tax free. (e) To earliest date. (f) Flat yield. (g) On 16%. (h) After Rhodesian tax. (i) On 17½% tax. free. (j) On 13%. (k) On 20%. (l) To latest date. (m) On 10%. (n) On 16%. (o) On 15%. (p) On 9%. (q) On 8½%.

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages	Mar. 2nd	Western Europe:	
Production and Consumption	This week	Production and Trade	Feb. 23rd
Manpower	Feb. 16th	British Commonwealth	This week
External Trade	Feb. 23rd	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	Feb. 16th
Industrial Profits	Jan. 12th	United States	Mar. 2nd
		World Trade	Jan. 12th

UK Production and Consumption

M=Monthly averages or calendar months. W=Weekly averages. Stocks at end of period.

		Unit	Monthly averages 1954	1955	1956	1955 Nov.	1955 Dec.	1956 Jan.	1956 Oct.	1956 Nov.	1956 Dec.	1957 Jan.
INDUSTRIAL PRODUCTION												
Index:												
All industries		1948=100	130	137	137[2]	147	138	139	143	146	134	137–138[2]
"	*seasonally adjusted*	"	...	...	...	*139*	*141*	*138*	*146*	*148*	*137*	*136–137[2]*
Mining and quarrying		"	110	108	109	119	110	113	115	119	110	...
Building and contracting		"	115	116	123	121[6]	...	116	...	125[6]	...	...
Gas, electricity and water		"	145	153	160	169	174	185	162	179	178	...
Manufacturing, total		"	133	142	140	152	142	143	147	150	135	...
"	*seasonally adjusted*	"	...	...	...	*141*	*147*	*145*	*149*	*141*	*139*	...
Engineering, shipbuilding, electrical goods		"	140	155	...	166	159	154	...	...	...	...
Vehicles		"	155	172	...	181	173	173	160	167	...	...
Chemical trades		"	168	179	...	189	184	188	...	...	...	...
Textiles and clothing		"	116	116	...	124	108	120	124	123	...	...
Food, drink and tobacco		"	116	117	...	124	118	109	128	133	...	...
BASIC MATERIALS												
Production of:												
Coal[1]		W '000 tons	4,208	4,250	4,270	4,673	4,282	4,411	4,526	4,690	4,285	4,452
Pig iron		W "	229	240	253	253	250	261	261	263	262	247
Steel, ingots and castings		W "	356	381	397	409	382	405	419	426	396	416
Sulphuric acid		M "	170·2	174·6	...	177·6	188·6	191·1	184·7	195·3	...	...
Newsprint		W "	11·77	11·91	...	13·20	11·84	12·08	13·59	13·84	...	...
Electricity[1]		M mn. kwh	6,075	6,679	7,263	7,589	8,098	8,588	7,661	8,271	8,456	...
MANUFACTURING												
Textile production:												
Cotton yarn, single		W mn. lb.	19·17	16·91	16·33	17·98	15·96	17·19	17·76	18·13	15·99	...
Worsted yarn		M "	18·80	18·48	19·38	21·90	18·47	20·49	22·74	22·46	17·62	...
Rayon and synthetic fibres, total		M "	37·30[7]	39·32	40·21	40·88	40·40	43·39	40·24	41·57	36·59	43·20
" " " " staple fibre		M "	19·00[7]	19·94	21·31	20·49	20·52	21·72	21·64	25·27	19·82	22·80
Cotton cloth, woven		W mn. yds.	38·3	34·3	31·0	34·2	30·2	32·8	33·3	34·3	30·0	...
Wool fabrics, woven		M mn.sq.yds	34·5	34·2	33·1	39·0	32·7	36·5	39·1	37·0	29·5	...
Engineering production:												
Passenger cars and chassis		W '000s	14·51	17·26	13·61	18·81	17·21	17·92	12·92	13·72	10·24	10·40
Commercial vehicles and chassis		W "	5·07	6·53	5·71	7·37	6·62	7·42	5·01	5·15	4·42	4·65
Metal-working machine tools		M '000 tons	11·39	12·52	...	13·45	14·73	11·93	...	...	...	...
Internal combustion engines		M '000 BHP	356	408	...	454	455	391	433	...	...	...
BUILDING ACTIVITY												
Permanent houses completed: (1)												
Total		M '000s	28·97	26·42	25·03	27·87	28·45	21·27	26·78	27·19	27·77	22·75
By private builders		M "	7·55	9·46	10·35	10·96	11·05	8·57	11·62	11·43	10·73	9·97
By local housing authorities		M "	19·58	15·98	13·86	16·06	16·47	11·79	14·39	15·08	16·14	12·10
Other		M "	1·83	0·98	0·82	0·85	0·93	0·91	0·77	0·68	0·91	0·68
WHOLESALE SALES (1)												
Textile houses:		Av. value										
Total home sales		1950=100	95	98	101	130	99	59	148	127	98	...
Women's and children's wear		"	96	98	102	122	93	57	147	117	95	...
Men's and boys' wear		"	90	94	99	132	104	56	142	150	98	...
Piece-goods		"	63	62	63	65	54	54	66,	60	53	...
RETAIL SALES (1)												
All kinds of business:		Weekly av. value										
All retailers		1950=100	...	140	148	154	179	132	152	161	192	143
Independent retailers		"	...	136	140	145	168	130	144	149	176	139
Multiple retailers		"	...	148	156	157	199	135	159	169	213	150
Co-operative societies		"	...	142	154	154	166	140	158	168	183	154
General department stores		"	...	117	121	143	166	113	132	146	181	128
By kind of shop:												
Food		"	...	148	156	153	172	147	156	161	178	157
Clothing and footwear		"	...	121	127	131	175	108	133	141	184	119
Household goods		"	...	150	153	180	181	139	169	180	203	160
STOCKS												
Basic materials:												
Coal, distributed[1]		'000 tons	15,682	18,340	17,891	19,642	18,340	16,744	19,955	19,813	17,891	16,091
Steel		"	899	1,280	...	1,249	1,280	1,303	1,486	1,457	...	...
Copper[4]		"	61·5	76·2	...	77·8	76·2	79·4	58·9	55·9	...	...
Sulphur[4]		"	67·2	85·2	...	87·9	85·2	73·5	115·4	114·7	...	...
Newsprint		"	97·5	105·0	...	107·5	105·0	111·3	131·9	129·5	...	...
Textiles:		Av. value										
Wholesale houses, total[1]		1950=100	95	90	95	97	90	102	109	107	95	...
Large retailers, clothing and footwear[1]		"	107	110	118	151	110	105	159	142	118	110

[1] Great Britain. [2] Provisional estimate. [3] Excluding all screening losses normally amounting to around 5,000 tons a week. [4] Excluding government stocks. [5] Average for first quarter. [6] Average for fourth quarter. [7] Rayon and nylon production only. [8] Including filter cake from May, 1956.

British Commonwealth

PRODUCTION OF FUEL AND POWER [1]

Monthly averages or calendar months	Coal				Crude petroleum		Electricity				
	Australia	Canada	India	S. Africa	Canada	Pakistan	Australia	Canada	India	N. Zealand	S. Africa
	'000 tons						million kwh				
1948	1,232	1,255	2,511	1,969	139	5·3	728	3,714	381	204	772
1954	1,647	952	3,074	2,404	1,062	21·4	1,206	5,761	627	312	1,220
1955	1,607	931	3,185	2,646	1,429	22·6	1,340	6,358	707	336	1,363
1956, July	1,850	700	3,165	2,807	1,887	23·4	1,655	6,673	798	396	1,591
„ August	1,911	681	3,307	3,216	2,129	23·2	1,652	6,854	794	397	1,552
„ September	1,680	862	3,189	2,606	2,003	23·2	1,499	6,887	813	372	1,499
„ October	...	1,054	3,164	2,871	2,090	...	1,526	7,753	824	371	1,523
„ November	...	1,088	3,325	2,821	...	...	...	7,199	...	351	1,476

PRIMARY PRODUCTION [2]

Monthly averages or calendar months	Copper		Rubber		Tin	Steel				Gold		
	Canada	N. Rhodesia	Ceylon	Malaya	Malaya	Australia	Canada	India	S. Africa	Australia	Canada	S. Africa
	'000 tons									'000 fine ounces		
1948	16·3	17·4	7·9	58·2	4·14	106	238	104	49	73·8	294	965·4
1955	21·6	28·9	7·8	53·3	5·89	183	337	142	130	87·4	379	1,216·9
1956	23·9	32·4	7·9	52·3	6·11	214	...	...	...	...	...	1,321·1
1956, September	25·3	24·0	7·6	52·0	6·61	229	388	143	132	91·4	353	1,350·1
„ October	22·5	37·9	7·9	53·0	6·35	214	416	150	133	86·8	369	1,327·9
„ November	26·3	34·3	9·7	49·7	6·16	234	397	...	136	...	...	1,345·9
„ December	24·3	34·8	11·4	58·9	5·96	234	...	...	...	...	...	1,315·8
1957, January	...	...	...	63·4	...	...	...	...	...	...	...	1,380·4

EXTERNAL TRADE [3]

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa [4]	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. $C		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1948	28·2	33·8	220	259	537	382	10·71	12·27	85·9	136·1	29·5	11·4
1955	70·1	63·4	393	363	567	503	23·93	21·55	90·5	125·4	40·2	30·7
1956	...	...	476	405	...	...	...	...	...	...	...	...
1956, August	78·8	58·1	474	427	666	501	24·9	24·2	136·1	114·2	42·4	33·6
„ September	53·6	60·8	438	409	767	497	...	17·6	177·0	84·2	35·9	31·7
„ October	57·1	96·4	543	457	709	532	...	13·3	217·3	101·9	...	...
„ November	59·7	95·4	527	426	699	559	...	...	...	...	...	...
„ December	...	...	403	411	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES [4]

Monthly averages or calendar months	Gold and Foreign Exchange Holdings					Cost of Living						
	Australia [5]	Canada	India [5]	New Zealand [5]	S. Africa	Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesia
	End of period: mn. US dollars					1953 = 100						
1948	1,265	1,011	3,355 [7]	237	652	56	84	...	75	89 [8]	77	73
1955	835	1,910	1,791	179	368	104	101	90	107	94	105	101
1956	...	1,975	...	193	367	...	102	...	...	...	...	105
1956, September	...	1,904	1,539	242	324	113 [10]	103	102	112 [10]	100	107	105
„ October	...	1,913	1,470	224	334	...	104	101	...	100	108	106
„ November	...	1,972	1,374	201	354	...	104	103	...	...	...	106
„ December	...	1,975	...	193	367	...	104	...	...	...	...	105
1957, January	...	1,970	...	...	374	...	...	...	...	...	...	...

[1] Electricity production for New Zealand represents about 87 per cent of total generation. [2] Copper and tin refer to metal production. [3] General trade (including re-exports) except for Canada, which is special trade only. Imports are cif except for Australia, Canada and S. Africa which are fob; exports are fob. Trade for India includes that going by land; annual figures for India are for 12 months beginning April 1st of year stated and for Australia 12 months ended June 30th. [4] Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for S. Africa and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. [5] Including foreign investments. [6] Including semi-processed gold. Beginning January, 1955, including South-West Africa. [7] In July, 1948, part of holdings was transferred to the State Bank of Pakistan. [8] April, 1948—March, 1949. [9] Including some long-term securities. [10] Average for third quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended March 2nd, 1957, there was an "above-line" surplus (after allowing for Sinking Funds) of £4,117,000 compared with a surplus of £1,528,000 in the previous week and a deficit of £1,644,000 in the corresponding period of last year. There was a net deficit "below-line" last week of £26,752,000, bringing the total deficit to £243,871,000 (£94,187,000 in 1955-56).

£'000	Estimate, 1956-57	April 1, 1955 to Mar. 3, 1956	April 1, 1956 to Mar. 2, 1957	Week ended Mar. 3, 1956	Week ended Mar. 2, 1957
Ord. Revenue					
Income Tax	2085,500	1731,861	1844,825	68,349	86,335
Surtax	144,000	122,500	133,800	5,700	6,000
Death Duties	170,000	162,600	154,900	3,100	3,100
Stamps	58,900	65,800	57,400	1,700	2,200
Profits Tax, EPT	216,750	179,300	180,200	2,200	2,800
Excess Profits Levy	4,000	17,990	4,500	200	350
Special Contribution and other Inland Revenue	1,000	710	520	...	60
Total Inland Rev.	2680,150	2280,761	2376,145	81,249	100845
Customs	1204,000	1064,641	1104,047	21,530	23,652
Excise	953,350	831,866	864,455	18,540	14,845
Total Customs and Excise	2157,350	1896,507	1968,502	40,070	38,497
Motor Duties	92,000	86,709	88,578	...	3,555
PO (Net Receipts)	...	1,700	17,550	*Dr.400*	*Dr.500*
Broadcast Licences	28,000	23,600	26,200	2,300	2,900
Sundry Loans	30,000	29,572	31,550	...	...
Miscellaneous	200,000	176,380	155,760	414	1,348
Total	**5187,500**	**4495,229**	**4654,285**	**123633**	**141645**
Ord. Expenditure					
Debt Interest	670,000	615,467	686,704	31,012	28,534
Payments to N. Ireland Exchequer	61,000	52,541	59,235	...	3,780
Other Cons. Fund	10,000	9,843	8,935	45	17
Supply Services	3941,918	3554,242	3619,007	89,541	101250
Total	**4682,918**	**4032,093**	**4373,881**	**120598**	**133581**
Sinking Funds	37,000	34,812	34,497	4,679	3,946
"Above-line" Surplus or Deficit	**428,324**	**255,907**	**1,644**	**4,117**	
"Below-line" Net Expenditure	522,511	499,778	11,028	26,752	
Total Surplus or Deficit	**94,187**	**243,871**	**12,672**	**22,635**	
Net Receipts from:					
Tax Reserve Certificates	—79,634	1,438	9,244	11,527	
Savings Certificates	20,800	68,400	500	...	
Defence Bonds	—23,654	—34,702	—894	534	
Premium Savings Bonds	...	60,480	...	1,100	

FLOATING DEBT

(£ million)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1956					
Mar. 3	3,210·0	1,908·9	243·0	...	5,361·9
Nov. 24	3,610·0	1,265·9	239·6	0·8	5,116·2
Dec. 1	3,630·0	1,276·5	227·3	1·0	5,134·8
„ 8	3,620·0	1,340·9	208·5	2·0	5,171·4
„ 15	3,610·0	1,343·7	200·2	...	5,153·9
„ 31	4,959·5		234·6	4·0	5,198·1
1957					
Jan. 5	3,530·0	1,430·0	245·7	1·8	5,207·5
„ 12	3,440·0	1,386·3	267·1	...	5,093·5
„ 19	3,320·0	1,487·0	244·0	...	5,051·0
„ 26	3,210·0	1,516·5	221·0	...	4,947·5
Feb. 2	3,120·0	1,507·0	204·9	...	4,831·9
„ 9	3,050·0	1,486·7	197·4	...	4,734·1
„ 16	2,980·0	1,247·9	246·3	...	4,474·2
„ 23	2,900·0	1,298·1	193·8	...	4,391·8
Mar. 2	2,850·0	1,304·7	209·7	...	4,404·5

THE MONEY MARKET

THE Treasury bill rate on Friday of last week dropped to a shade over 4 per cent—its lowest since August, 1955 (when Bank rate was 4½ per cent). The discount market raised its common bid by 9d. per cent, bringing it to £99 per cent, equivalent to a discount rate of just 4 per cent. It thus succeeded in raising its allotment rate from 30 to 50 per cent of its application. The total allotment was up by £20 million to £220 million, total applications rising fractionally, to £408.2 million.

Credit supplies in Lombard Street have been taut in the past week. On Thursday before the week-end considerable stringency was produced by end of month's calling of funds combined with the usual tax transfers; and despite fairly large special help from the Bank, three or four houses had to take loans at the penal rate, for the second day in succession. In the first three days of this week credit was again in keen demand, partly on account of the market's large take-up of bills. The Bank made moderate special purchases on Monday, and again on Tuesday—but three or four houses had to make further small penal borrowing.

Sterling dipped to $2.79\frac{15}{32}$ on Monday but recovered by mid-week to $2.79\frac{3}{4}$.

The Bank return shows a further increase in the active note circulation of £12.8 million in the week to Wednesday, following that of £14.3 million in the previous week from the seasonal low point.

LONDON MONEY RATES

	%		%
Bank rate (from 5½% 7/2/57)	4	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4 3/8–4 1/2
Bank	3	3 months	4 3/8–4 1/2
Discount houses	3*	4 months	4 3/8–4 1/2
		6 months	4 3/8–4 1/2
Money Day-to-day	3½–4		
Short periods	3½	Fine trade bills:	
Treas. bills 2 months	3½	3 months	5½–6
3 months	4	4 months	5½–6
		6 months	5½–6½

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	Mar. 7, 1956	Feb. 27, 1957	Mar. 6, 1957
*Issue Department**:			
Notes in circulation	1,801·2	1,873·4	1,886·2
Notes in banking dept.	24·2	52·0	39·2
Govt. debt and securities*	1,821·2	1,921·2	1,921·2
Other securities	0·7	0·8	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	11·3	13·5	11·8
Bankers	226·7	225·2	217·5
Others	69·3	73·7	71·3
Total	307·3	312·4	300·6
Securities:			
Government	256·4	242·9	224·2
Discounts and advances	28·8	15·8	33·6
Other	17·2	18·1	19·9
Total	302·4	276·8	277·7
Banking department reserve	28·5	54·0	41·2
	%	%	%
"Proportion"	8·5	17·2	13·7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £1,925 million from £1,975 million, on January 16, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million)		Three Months' Bills	
	Offered	Applied for	Average Rate of Allotment	Allotted at Max. Rate*
1956	*91 Day*		s. d.	%
Mar. 2	240·0	399·1	104 0·86	38
	91 Day *63 Day*			
Nov. 30	220·0 70·0[1]	403·3	100 4·69	62
Dec. 7	220·0 60·0	441·0	100 10·28	24
„ 14	230·0[2] 60·0	424·9	99 1·54	55
	91 Day			
„ 21	280·0	379·8	98 1·43	68
„ 28	270·0	372·5	97 1·81	68
1957				
Jan. 4	270·0[1]	406·7	95 9·11	54
„ 11	260·0[2]	401·4	95 5·30	55
„ 18	240·0	391·2	93 1·40	53
„ 25	200·0[1]	414·0	91 0·81	36
Feb. 1	190·0	384·1	90 10·07	21
„ 8	190·0	371·5	84 8·29	38
„ 15	190·0[2]	348·0	85 6·04	10
„ 22	200·0	407·3	82 11·49	30
Mar. 1	220·0	408·2	80 0·78	50

* On March 1st tenders for 91 day bills at £99 0s 6d. secured 50 per cent, higher tenders being allotted in full. The offering yesterday was for £230 million at 91 day bills. [1]Allotment cut by £10 million. [2]Allotment cut by £20 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	March 6	February 28	March 1	March 2	March 4	March 5	March 6
United States $	2·78–2·82	2·79 11/16–2·27 13/16	2·79 3/4–2·79 3/4	2·79 3/4–2·79 3/4	2·79 3/4–2·79 11/16	2·79 3/4–2·79 11/16	2·79 11/16–2·79 13/16
Canadian $	...	2·67 11/16–2·68 1/16	2·67 11/16–2·67 13/16	2·67 11/16–2·67 13/16	2·67 3/4–2·67 7/8	2·67 3/4–2·67 7/8	2·67 11/16–2·67 13/16
French Fr.	972·65–987·35	987–987 1/4	987–987 1/4	987–987 1/4	987–987 1/4	987–987 1/4	987–987 1/4
Swiss Fr.	12·15 1/8–12·33 1/8	12·28–12·28 1/4	12·28–12·28 1/4	12·28–12·28 1/4	12·28–12·28 1/4	12·28–12·28 1/4	12·28–12·28 1/4
Belgian Fr.	138·95–141·05	140·72 1/4–140·77 1/4	140·72 1/4–140·77 1/4	140·72 1/4–140·77 1/4	140·75–140·80	140·75–140·80	140·75–140·80
Dutch Gld.	10·56–10·72	10·67 3/4–10·68	10·67 3/4–10·67 3/4	10·67 3/4–10·67 3/4	10·67 3/4–10·68	10·67 3/4–10·68	10·67 3/4–10·68
W. Ger. D-Mk.	11·67 1/8–11·84 1/8	11·75 3/4–11·75 7/8	11·75 3/4–11·75 7/8	11·75 3/4–11·75 7/8	11·75 3/4–11·76	11·76–11·76 1/4	11·76–11·76 1/4
Portuguese Esc.	79·90–81·10	80·05–80·20	80·05–80·02	80·15–80·25	80·15–80·25	80·15–80·25	80·10–80·20
Italian Lire	1736 1/2–1762 1/2	1760 1/4–1761 1/4	1760 1/4–1761 1/4	1760 3/4–1761 1/4	1760 3/4–1761 1/4	1760 3/4–1761 1/4	1760–1761 1/4
Swedish Kr.	14·37 1/2–14·59 1/2	14·51 1/4–14·51 1/2	14·51 1/4–14·51 1/2	14·51 1/4–14·51 1/2	14·51 1/4–14·51 1/2	14·51 1/4–14·51 1/2	14·51 1/4–14·51 1/2
Danish Kr.	19·19 1/2–19·48 1/2	19·41 1/4–19·41 1/2	19·41 1/4–19·41 1/2	19·41 1/4–19·42	19·41 1/4–19·42	19·42 1/4–19·42 1/2	19·42 1/4–19·42 1/2
Norwegian Kr.	19·85–20·15	20·00–20·00 1/4	20·00–20·00 1/4	20·00–20·00 1/4	20·00–20·00 1/4	20·00–20·00 1/4	20·00–20·00 1/4
One Month Forward Rates							
United States $		1/4–1/2c. pm	1/4–1/2c. pm	1/4–1/2c. pm	1/4–1/2c. pm	1/4–1/2c. pm	1/4–1/2c. pm
Canadian $		1/8–1/4c. dis	1/4–1/2c. dis	1/4–1/2c. dis	1/4–1/2c. dis	1/4–1/2c. dis	1/4–1/2c. pm
French Fr.		Par–1 dis	Par–1 dis	Par–1 dis	Par–1 dis	Par–1 dis	Par–1 dis
Swiss Fr.		1 1/4–1c. pm	1 1/4–1c. pm	1 1/4–1c. pm	1 1/4–1c. pm	1 1/4–1c. pm	1 1/4–1c. pm
Belgian Fr.		1/4–1 pm	1/4–1 pm	1/4–1 pm	1/4–1 pm	1/4–1 pm	1/4–1 pm
Dutch Gld.		1–1 1/4c. pm	1–1 1/4c. pm	1–1 1/4c. pm	1–1 1/4c. pm	1–1 1/4c. pm	1–1 1/4c. pm
W. Ger. D-Mk.		1 1/2–2pf. pm	1 1/2–2pf. pm	1 1/2–2pf. pm	1 1/2–2pf. pm	1 1/2–2pf. pm	1 1/2–2pf. pm
Italian Lire		2 pm–par	2 pm–par	2 pm–par	2 pm–par	2 pm–par	2 pm–par
Swedish Kr.		1 1/2 pm–par	1 1/2 pm–par	1 1/2 pm–par	1 1/2 pm–par	1 1/2 pm–par	25 pm–par
Danish Kr.		4–25 pm	4–25 pm	4–25 pm	4–25 pm	4–25 pm	4–25 pm
Norwegian Kr.		25 pm–par	25 pm–par	25 pm–par	25 pm–par	25 pm–par	25 pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/4½	249/5½	...	249/6½	249/7½	249/7½

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The Boards of Unilever Limited and Unilever N.V. announce the provisional results for the year ended 31st December, 1956. Although these results are subject to completion of the consolidated accounts and audit, the Boards are satisfied that any difference beween the provisional and final figures will be relatively unimportant.

The value of turnover at £1,671,000,000 compares with £1,515,000,000 for 1955.

The combined trading profits throughout the world are estimated at £98,977,000 (1955, £85,455,000), taxation at £52,081,000 (1955, £43,905,000) and consolidated net profit at £47,182,000 (1955, £45,118,000). The consolidated net profit includes £2,769,000 (1955, £6,099,000) of exceptional items and profits relating to previous years.

The estimated results for the groups separately are:

Consolidated Net Profit

Unilever Limited .. £25,253,000 (1955, £22,915,000)
Unilever N.V. £21,929,000 (1955, £22,203,000)

Profit of Parent Company

Unilever Limited .. £11,609,000 (1955, £10,347,000)
Unilever N.V. £8,512,000 (1955, £8,073,000)

The N.V. figures have been converted to sterling, as for 1955, at the official parity of Fl.10.64=£1.

The Boards, assuming the existing rate of exchange between the £ sterling and the guilder, intend to resolve on 19th March, 1957, to recommend to the Annual General Meetings to be held on 25th April, 1957, final dividends for 1956 on the Ordinary capitals payable in May, 1957, as follows:

1. In the case of Unilever Limited a dividend of 11¼% actual (2/3.6d. per £1 of stock) before deducting income tax, (1955—9¼%), making 17½% for the year ended 31st December, 1956 (1955—15¼%).
2. In the case of Unilever N.V. a dividend of 10¼% actual (Fl.102.5 per share of Fl.1,000) (1955—8¼%), being the equivalent of the Unilever Limited dividend calculated in accordance with the Equalisation Agreement between the two companies, making 15½% for the year ended 31st December, 1956 (1955—14%).

It is intended to send the Report and Accounts for 1956 to stockholders on 3rd April, 1957.

28th February, 1957.

COMPANY MEETINGS

EQUITY & LAW LIFE ASSURANCE SOCIETY LIMITED

HIGH INTERIM BONUS RATES PAID AND EARNED

MR G. GODFREY PHILLIPS'S STATEMENT

The Annual General Meeting of Equity & Law Life Assurance Society Limited will be held at 12.15 p.m. on March 27, 1957, at 29 Lincoln's Inn Fields, London, W.C.2. Policyholders and Agents are welcome to attend but only shareholders are entitled to vote. The following is the statement by the Chairman, Mr G. Godfrey Phillips, CBE, circulated with the Report and Accounts for 1956 :

The present Report and Accounts are the first to appear in a new form, and I hope that all who are interested in the Society will find them helpful in understanding our affairs. The Accounts themselves are unaltered, but the Directors' Report has been changed substantially and a comparative Summary added. The other major change is that I am attaching this statement to the Report and Accounts in lieu of embodying my remarks in a speech at the Annual General Meeting.

Earlier this year we elected Lord Bridges to a seat on the Board, and your Directors feel it a great honour that so distinguished a servant of the State has agreed to join them. During 1956 we were saddened by the news of the death of our old friend Sir Geoffrey Ellis, to whom our Society owes so much ; he was a Director for sixteen years and Chairman from 1941 to 1950.

As foreshadowed in my speech at the Annual General Meeting last year, an Extraordinary General Meeting was held in November, and the re-registration of the Society as a Limited Company under Section 16 of the Companies' Act, 1948, was duly effected on December 10, 1956.

NEW BUSINESS

First I wish to draw attention to the new business figures set out on page five of the Report and Accounts. One of the facts which is worth noticing is the substantial amount of new business which we receive each year under existing group life assurance and group pension policies—in 1956, sums assured of over £7 million ; annuities of over £1 million per annum. These figures illustrate a salient feature of these classes of business—indeed, it is perhaps the most important feature—namely, *the need to* provide good service. We like to feel that in this field of service, and this includes advice on keeping schemes up to date, the Society is second to none.

I would like here to record our sincere thanks to Mr M. D. W. *Elphinstone, who,* on his return from the war, became Secretary of the Society and devoted himself to creating and developing our group pensions and group life assurance organisation. Later he also took under his guidance part of the investment work of the Society. Mr Elphinstone left our service at the end of the year to become a partner in a firm of stockbrokers on the London Stock Exchange, and our warm, good wishes go with him.

PERSONAL PENSIONS

I turn now to the Finance Act, 1956. As Chairman of a Society which has from its inception had a close connection with one of the great professions I feel entitled to express great pleasure at the concessions made in the last Finance Act in regard to retirement benefits for the self-employed. I have always had faith that in this country social injustices which can be removed by legislation will ultimately be removed. The privileged position in regard to retirement benefits of the employed (however wealthy) as compared with the self-employed (however poor) was a glaring social injustice which has now in large measure been removed. It is too soon to say with any certainty what particular form of savings for retirement will prove most attractive to the self-employed. I do, however, state with confidence that the merits of a with-profits personal pensions policy with a life office such as our own deserve the most careful consideration. Such a policy provides the certainty of a fixed sum together with a measure of *protection against* the risks of inflation through a stake in the surplus earned by the Society's funds as a whole.

Before I leave the question of personal pensions I must stress one point which, I suspect, is all too frequently forgotten, namely that these contracts once entered into cannot be surrendered or dealt with in any way. Any man making provision for his financial future must bear this fact in mind. Over a century or more members of the public have come to regard, and rightly come to regard, life assurance policies as having great value because they can be freely dealt with in so many ways. This is not so in respect of contracts approved under the 1956 Finance Act—these contracts cannot be surrendered, they cannot be deposited as security for an overdraft, they have no "loan value." Thus the importance of the traditional forms of life assurance has in no way been diminished, and a wise man will think carefully and seek advice before determining how much of his savings should be placed in personal pensions policies and how much in life assurance.

IMMEDIATE ANNUITIES

Next, I would like to say a few words on the change that has been made in the taxation of immediate annuities. Hitherto, all immediate life annuities, although admittedly part capital and part interest, have been taxed as though they were wholly income. This anomaly has now been rectified and where a man or woman has purchased an annuity for themselves these contracts are now much more attractive. It must be remembered, however, that in certain circumstances, as for instance when an annuity has been purchased by an executor under a Will or by an employer in connection with a pension scheme, the whole of that annuity is treated as income for the purposes of taxation.

RESULTS OF YEAR

I come now to the results of the year under review, and I would first draw attention to the fact that the gross rate of interest earned on the funds was £6 11s. per cent—a rate which we may hope at least to maintain during the current year. This rate was earned after the transfer at the end of the preceding year of £1 million from the Investment Reserve to the Life Funds ; without that transfer the rate of interest would have been £6 13s. 10d. per cent. This transfer also accounts for the sharp rise in the funds during 1955 which you will observe from the table "Funds" on page seven.

The Actuarial Valuation which we make for our own guidance at the end of each year showed that during 1956 we continued to earn the high rates of interim bonus which we are at present paying.

In the Balance Sheet itself there is only one figure to which I wish to direct attention, namely, the increase in our holding of ordinary stocks and shares. This increase is due in part to the fact that during 1956 we began to invest a portion of *our funds direct* in the USA and Canada—we already have an indirect stake in these two countries through our substantial holdings of ordinary stocks in British Investments Trusts.

Last year in my speech at the Annual General Meeting I said that during 1955 the margin by which the market values of our assets exceeded their Balance Sheet values had fallen slightly ; with the general fall in stock markets during the year under review you will not be surprised to learn that there was a further decrease in this margin during 1956. What is very satisfactory, however, is that at the end of 1956 the major portion of the margin which existed at the end of 1954 was still intact.

STAFF

Over the last three decades the business of an office such as ours has changed greatly—thirty years ago endowment assurances and whole life assurances formed almost the whole of our business. Now pension funds of various kinds and personal pension contracts occupy much of our time ; but I would repeat what I said earlier in this statement—namely, that the importance of the traditional forms of ordinary life assurance has in no way *diminished.* In all these spheres your Society actively seeks business ; in all of them we have attractive contracts to offer ; in many of them we believe our contracts to be of outstanding value. The growing complexity of our business requires a very high quality of work at all levels ; we have a really first-class staff, and that has never been more clearly shown than by the way in which they have dealt with the problems arising from the 1956 Finance Act—actuarial, administrative, legal, and last, but not least, the explaining and selling of these policies to the public.

And so once again I want on behalf of my colleagues and myself to thank the General Manager and all the staff of the Society for their work during the past year. The Board is proud of being associated with the Society's officers and staff and is grateful to them.

THE NATIONAL BANK OF INDIA, LIMITED

Registered in London under the Companies Act of 1862 on the 23rd March, 1866.
(The Liability of Members is Limited)

ESTABLISHED IN CALCUTTA, 29TH SEPTEMBER, 1863

SUBSCRIBED CAPITAL	£4,562,500	RESERVE FUNDS	£3,104,687
PAID-UP CAPITAL	£2,851,563	NUMBER OF SHAREHOLDERS ...	3,212

Head Office: 26 BISHOPSGATE · LONDON · E.C.2

BALANCE SHEET, 31st DECEMBER, 1956

1955 £		1956 £	£
4,562,500	Capital—Authorised and Subscribed—4,562,500 Shares of £1 each	4,562,500	
2,851,563	Paid-up 12/6d. per Share... ...		2,851,563
3,104,687	Reserve Funds—Including Share Premium Account £1,128,750 (1955—£1,128,750)		3,104,687
275,442	Profit and Loss Account :— Profit unappropriated		275,369
6,231,692			6,231,619
	Current Liabilities, Provisions and Other Accounts :—		
100,831,411	Current and other Accounts, including provision for diminution in value of assets, taxation on profits to date and reserves for contingencies ...	101,487,587	
29,202,932	Fixed and Short Deposits ...	27,040,533	
2,094,964	Amounts due to Subsidiary Companies	1,966,721	
4,000,000	Loans Payable	—	
2,141,594	Bills Payable	2,833,436	
903,681	Acceptances for Customers ...	446,901	
122,974	Second Interim Dividend less Income Tax for the year ended 31st December, 1956	122,974	
			133,897,852
£145,529,048			£140,129,471

1955 £		£	1956 £
	Current Assets :—		
16,844,105	Cash on Hand, at Call and Short Notice and at Bankers		16,546,982
	Investments at under Market Value :—		
11,964,059	British Government and other Securities quoted on the London Stock Exchange	8,132,734	
14,802,755	Indian, Pakistan, Ceylon and East African Government and other Securities quoted on Overseas Stock Exchanges ...	14,932,240	
323,968	Unquoted Investments... ...	650,461	
			23,715,435
29,746,594	Bills of Exchange, including Treasury Bills		28,852,613
66,439,122	Advances, Loans Receivable and other sums due to the Bank ...		65,583,017
903,681	Customers for Acceptances per Contra		446,601
141,024,284	Total Current Assets		135,144,648
	Subsidiary Companies :—		
1,700,000	Shares at cost less amounts written off	1,700,000	
429,551	Amounts due	605,555	
			2,305,555
	Fixed Assets :—		
2,375,213	Bank Premises, Property and Furniture at cost, less amounts written off		2,679,268
£145,529,048			£140,129,471

NOTES.

1. There are commitments in respect of Confirmed Credits, Forward Exchange Contracts and Guarantees, including Guarantees to Government Departments in India. Securities to the nominal value of £502,550 (1955—£695,000) have been deposited as security for Government and other accounts. There are contingent liabilities on Bills rediscounted amounting to £210,594 (1955—£240,304), of which £133,743 has run off at 23rd February, 1957.
2. Liabilities have been incurred in respect of building contracts for new premises amounting to approximately £265,000 (1955—£485,000).
3. The rupee in India, Pakistan and Ceylon and the kyat in Burma have been converted into sterling at 1/6d. and the East African shilling at par. Other currencies have been converted at the rates of exchange ruling on 31st December, 1956.

W. KERR, General Manager.

D. A. DEELEY, Accountant.

J. K. MICHIE
A. N. STUART } Directors.
N. W. CHISHOLM

REPORT OF THE AUDITORS TO THE MEMBERS

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from Branches not visited by us. We have examined the above Balance Sheet which is in agreement with the books of account and returns. In our opinion and to the best of our information and according to the explanations given to us the said Balance Sheet gives the information required by the Companies Act, 1948, in the manner thereby authorised for Banking Companies and, on such basis, the Balance Sheet gives a true and fair view of the state of the Bank's affairs as at 31st December, 1956.

We have also examined the annexed Consolidated Balance Sheet and Consolidated Profit and Loss Account of the Bank and its Subsidiaries dealt with thereby with the audited accounts of those Companies. In our opinion such Consolidated Balance Sheet and Consolidated Profit and Loss Account have been properly prepared from such accounts in accordance with the provisions of the Companies Act, 1948, in the manner thereby authorised for Banking Companies and, on this basis, give a true and fair view of the state of affairs and of the profit ascertained in the manner therein indicated of the Bank and its Subsidiaries so far as concerns members of the National Bank of India, Limited.

LONDON, 25th February, 1957.

COOPER BROTHERS & CO.
W. A. BROWNE & CO. } Chartered Accountants.

CONSOLIDATED BALANCE SHEET OF THE NATIONAL BANK OF INDIA, LIMITED AND TWO SUBSIDIARY COMPANIES
31st DECEMBER, 1956

1955 £		£	1956 £
4,562,500	Capital—Authorised and Subscribed—4,562,500 Shares of £1 each	4,562,500	
2,851,563	Paid-up 12/6d. per Share... ...		2,851,563
3,168,579	Reserve Funds—Including Share Premium Account £1,128,750 (1955—£1,128,750)		3,168,579
342,158	Profit and Loss Account :— Profit unappropriated		354,046
6,362,300			6,374,188
	Current Liabilities, Provisions and Other Accounts :—		
116,823,564	Current and other Accounts, including provision for diminution in value of assets, taxation on profits to date and reserves for contingencies ...	117,979,702	
37,188,883	Fixed and Short Deposits ...	35,796,557	
5,020,000	Loans Payable	—	
2,219,190	Bills Payable	2,912,314	
916,102	Acceptances for Customers ...	450,006	
122,974	Second Interim Dividend less Income Tax for the year ended 31st December, 1956	122,974	
			157,261,553
£168,653,013			£163,635,741

1955 £		£	1956 £
	Current Assets :—		
19,346,342	Cash on Hand, at Call and Short Notice and at Bankers ...		18,787,175
	Investments at under Market Value :—		
15,635,883	British Government and other Securities quoted on the London Stock Exchange	11,517,408	
19,841,889	Indian, Pakistan, Ceylon, East African and Rhodesian Government and other Securities quoted on Overseas Stock Exchanges	18,994,722	
593,968	Unquoted Investments... ...	755,461	
			31,267,681
33,240,635	Bills of Exchange, including Treasury Bills		32,628,564
76,711,388	Advances, Loans Receivable and other sums due to the Bank ...		77,575,339
916,102	Customers for Acceptances per Contra		450,006
166,086,207	Total Current Assets		160,708,765
	Fixed Assets :—		
2,566,806	Bank Premises, Property and Furniture at cost, less amounts written off		2,926,976
£168,653,013			£163,635,741

NOTES.

1. There are commitments in respect of Confirmed Credits, Forward Exchange Contracts and Guarantees, including Guarantees to Government Departments in India. Securities to the nominal value of £602,613 (1955—£2,002,375) have been deposited as security for Government and other accounts. There are contingent liabilities on Bills rediscounted amounting to £234,630 (1955—£262,324), of which £133,743 has run off at 23rd February, 1957.
2. Liabilities have been incurred in respect of building contracts for new premises amounting to approximately £272,850 (1955—£515,488).
3. The rupee in India, Pakistan and Ceylon and the kyat in Burma have been converted into sterling at 1/6d. and the East African shilling at par. Other currencies have been converted at the rates of exchange ruling on 31st December, 1956.

W. KERR, General Manager.

D. A. DEELEY, Accountant.

J. K. MICHIE
A. N. STUART } Directors.
N. W. CHISHOLM

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1956

1955 £		£	1956 £
75,000	Premises Account		100,000
85,000	Contingencies Reserve Account...		75,000
	Dividends, after deduction of Income Tax :—		
	First Interim Dividend paid at the rate of 7½ per cent. for the year ended 31st December,		
122,973	1956	122,973	
	Second Interim Dividend payable at the rate of 7½ per cent. for the year ended 31st Dec-		
122,974	ember, 1956	122,974	
			245,947
	Balance of Profit unappropriated:—		
275,442	National Bank of India, Limited	275,369	
	Retained in Subsidiary Com-		
66,716	panies' Accounts	78,677	
			354,046
£748,105			£774,993

1955 £		1956 £
326,266	Balance brought forward from previous year	342,158
	Net Profit for year ended 31st December, 1956, after providing for Taxation and Transfers to Staff Pension Funds and to Contingencies Reserves, out of which Reserves provision has been made for diminution in value of	
421,839	assets	432,835
£748,105		£774,993

NOTE. The aggregate amount paid in respect of Directors' fees was £19,746 of which £3,000 was borne by a subsidiary (1955—£16,917 and £500 respectively).

THE NATIONAL BANK OF INDIA, LIMITED

NET PROFIT LARGER : DIVIDEND MAINTAINED

PROPOSED AMALGAMATION WITH GRINDLAYS BANK

MR J. K. MICHIE'S STATEMENT

The annual general meeting of The National Bank of India, Limited, will be held on March 26th at 24 Bishopsgate, London, E.C.

The following are extracts from the statement by the chairman, Mr J. K. Michie, circulated with the report and accounts for the year to December 31, 1956:

Before turning to the Accounts I have a matter of more than ordinary interest to report. Ever since we acquired from the National Provincial Bank Limited the total capital of Grindlays Bank Limited the interests and managements of Grindlays Bank and ourselves have naturally grown more closely together and it has become increasingly clear as experience accumulated that to ensure the full benefits of this association a physical fusion of resources and Staff must be the ultimate step. The Boards of both Banks have now decided that the time is ripe for an amalgamation and the necessary preliminaries have been set in motion. It is hoped that the fusion can be effected as from January 1, 1958, and every effort will be made to achieve this. Opportunity will be taken to make a change in our name and, despite the long and honourable associations attaching to the present titles there are a number of good reasons for doing this. Until certain legal formalities are completed it is not possible to announce a name but it is hoped to preserve in the one adopted associations with both now in use.

What is important to our shareholders is that the two Boards are strongly and unanimously of the opinion that taking this action will solidify and strengthen our structure and enable us to progress both more soundly and more rapidly than would otherwise be the case. A public announcement of our intentions will be made at the earliest possible date. Any necessary resolutions will be put before you in due course.

THE ACCOUNTS

Our consolidated Balance Sheet total at £163,635,741 shows the contraction anticipated in my last Statement, the comparable figure a year ago being £168,653,013. Our Net Profit figure is somewhat larger and after full provisions for taxation, bad and doubtful debts and other necessary reservations comes out at £432,835 against £421,839 the previous year. Dividends declared are unchanged at 15 per cent for the year. £100,000 has been transferred to Premises Account against £75,000 and £75,000 to Contingencies Reserve Account against £85,000 in 1955. The balance carried forward is increased by £11,888.

The fall in the value of Sterling Securities was arrested before the end of 1956 and an upward movement has since taken place. As I have previously reported all temporary depreciations in our holdings have been fully provided for ex interior reserves.

INDIA

All Indian economic activity is being dominated by the Second "Five-year Plan" which has recently been widely commented on in the financial press and our own Quarterly Review published in January carried an interesting article on the subject.

Despite legitimate mental reservations as to the timing and correlation of certain sections of the plan and some doubt, having regard to the country's apparent resources—the significant reduction in her sterling balances has to be taken into account—whether too much is being attempted too quickly, it is generally agreed that the plan is imaginative and certainly reflects a dynamic outlook and determination on the part of the Government. All people of goodwill will wish the plan the greatest possible success.

LARGER CALLS ON BANKS

In such circumstances of stretched resources it is inevitable that larger calls are made on the banking system of the country. But Banks, while assisting their customers to the greatest possible extent, have the mundane and paramount duty of maintaining a reasonable liquidity and that can be achieved only by finding more deposits or by restricting their lendings. While the total of deposits with the Banking system in India showed a moderate rise over the year most recent figures available show that aggregate advances stand at over 70 per cent of deposits ; and in spite of an unchanged Bank rate money commands about 1 per cent per annum more than a year ago. On this showing Banks can hardly be accused of underlending, particularly in comparison with the ratio of lendings to deposits in the United Kingdom. Perhaps both reflect exaggerations of opposite policies.

This situation has been created partly by the Government's policy and partly by circumstances. To take the second first, the blocking of the Suez Canal automatically meant and still means that shipments have to be financed for considerably longer periods than normal, while a great deal of capital imports eventually are paid for by Government departments whose machinery for so doing works slowly. Secondly there is so much pressure on the private sector of industry to expand that its reserves previously built up are rapidly being spent, plus very large additional sums, and that at a time when Government is keeping an extremely tight rein on the capital market as well as on money rates. The proposal that part of Company reserves should be deposited with the Reserve Bank would mean a depletion of ordinary banking deposits.

TAX BURDENS INCREASED

Commerce and industry have recently had their tax burdens materially increased and there have been official indications that these possibilities are considered not yet to be exhausted.

It is satisfactory to see that a fresh trade agreement between India and Pakistan has just been signed which should facilitate the natural transactions between the two countries. For the benefit of both it is to be hoped that this trade will steadily expand.

PAKISTAN

The recently published Budget for 1957-58 indicates that Pakistan expects to finish this financial year with a favourable trade balance of just under £1 million against a surplus of £24 million in the previous year.

Industrial expansion continues and during the year there was an increase of one-third in the number of looms in operation in the jute mills of East Pakistan. The target of the existing Companies is 8,500 looms which will mean an increase of nearly 60 per cent on present capacity. At 1,750,000 bales the cotton crop of West Pakistan, though larger than that of the previous year, was affected by adverse weather. The requirements of local mills are now estimated at 1 million bales which is an increase of 30 per cent over the previous year.

CEYLON

Economically Ceylon's experience in 1956 was a satisfactory one and in the year ending October 31, 1956, her accumulated surplus rose by £6,500,000 to nearly £90 million. Money rates were easy, tea prices were good and rubber prices moderately so. Her efforts to grow more food continue to expand.

In certain respects the prospects for investors in Ceylon are in weather forecasting parlance "uncertain." Some sections of the present Government have recently advocated the nationalisation of industry and specific suggestions have been made that the tea estates could be taken over at an average valuation of £69 per acre. Those competent to know state that tea cannot be brought into production and manufactured at a cost of less than £400 per acre. Some put it much higher, so there is little reality about the figure that has been named and estate owners cannot be blamed for feeling apprehensive. A policy involving a large measure of expropriation would be damaging to Ceylon's good name and to her prospects of obtaining outside capital for new projects and I hope the idea will not be pursued.

BURMA

Throughout 1956 rice prices and demand both remained very steady and previously accumulated crop balances were largely disposed of, exports reaching nearly 1,950,000 against an estimated exportable surplus of 1,500,000 tons. This year's exportable surplus is estimated at 1,575,000 tons.

In these respects the position is sound and the country's financial resources have benefited. At December 31, 1956, her sterling balances stood at £39½ million against £32 million a year earlier.

EAST AFRICA

Since I last addressed you we have opened three Branches and sub-Branches in these territories and have closed one. In Kenya it is good to be able to report that the Mau Mau problem has now reached the constructive stage of rehabilitation, the destructive force of the movement to all intents and purposes being exhausted. The Government of Kenya is to be congratulated on the enlightened way it has planned and is tackling the all important question of the resettlement of those who were involved in Mau Mau and even more on the success of their efforts.

Rightly much financial help has been given to Kenya by Her Majesty's Government but a remarkable feature since the unfortunate movement began has been the resilience of its economy and the rate at which the inflow of capital has continued. The success of the internal loan of £2½ million issued a few weeks ago is another encouraging sign.

ADEN

The closing of the Suez Canal naturally has considerably affected Aden as a bunkering port and as a tourist shopping centre, the number of vessels entering the port having fallen by 60 per cent but otherwise its trade has shown remarkable life.

In July last we occupied our fine new office at Crater—which also houses the Currency Office—and an official opening ceremony was kindly performed by Sir Tom Hickinbotham, just prior to his retirement from the Governorship of the Colony.

We have recently sanctioned the rebuilding of our Steamer Point office, the present one being inadequate for our needs.

Somaliland Protectorate. — No large developments have taken place during the year. The use of our banking facilities continues to grow if slowly.

GRINDLAYS BANK LIMITED

I have already dealt with our proposals for the fusion of this business with our own. I am glad to report another successful year's operations which is reflected in the profit figure shown in their accounts attached to this report and as you will see the growth in the volume of the Bank's deposits has been well maintained. As in our own case all necessary provisions have been internally made including any depreciation on the Bank's holding of Government securities.

During the year two further Branches have been opened in the Rhodesias and results of operations there show a considerable improvement and are encouraging.

Our *Finance & Development Corporation* again operated at a profit which is being retained in the business.

GENERAL

When I last addressed you we had just had a rise in the Bank rate to 5½ per cent in a further attempt to curb inflationary tendencies. The situation was apparently improving when the economic results of the Suez crisis fell upon us. By dint of calling up our reserves the critical phase has been by-passed and money has been plentiful enough to justify an adjustment of the Bank of England rate to 5 per cent. I say adjustment advisedly for on the authority of the Governor of the Bank of England that is all it is and we shall have to work hard for any further improvement in our monetary situation, whether expressed in gold and dollar balances or interest rates, and obviously they go together.

This is no time to attempt prophecy ; the imponderables are too many and certainties too few but as has been said before no one owes this country a living and it can only be through the wisdom of our Government and the efforts of all our people that our present economic difficulties will be resolved ; and surely there is nothing insurmountable about them so long as we do not spend as if we still had a large unearned income behind us.

Last year I remarked on the disparity between interest rates in London and those current in certain other countries. This gap has since been narrowed but in today's relative circumstances it is in some cases still too wide. Supply and demand will doubtless have their way in due course.

As to our own prospects, given reasonable operational conditions I feel sure our forward progress will continue.

Staff.—I wish again to thank our Staff throughout our widespread organisation. Banking is a service and it is in its quality that the seeds of success lie. From my observation we have nothing to fear on that score.

NATIONAL BANK OF INDIA LIMITED AND GRINDLAYS BANK LIMITED

The Boards of Directors of the National Bank of India Limited and of Grindlays Bank Limited have decided it is in the interests of both Banks that the two institutions should be amalgamated. They have accordingly taken preliminary steps to give effect to this unanimous decision. Both concerns have a long history in overseas banking, the National Bank of India Limited having been founded in 1863 and Grindlays Bank Limited in 1828. The entire share capital of Grindlays Bank Limited has been owned by the National Bank of India Limited since 1948.

The necessary legal procedure may take some time to complete but unless unforeseen difficulties arise it is hoped to make the merger effective as from January 1, 1958. Thereafter the amalgamated Bank will operate under a new name which will be announced in due course.

THE STERLING TRUST LIMITED

The Fortieth Annual General Meeting of The Sterling Trust Limited was held on March 5th in London.

Mr Michael F. Berry, the chairman, presided. The following is an extract from his circulated statement:

For some 14 years now the income of investment trust companies has shown a steady increase, and for the year 1956 that is again the feature of your company's report, although the increase in the normal income over the previous year is some £16,932, or 4 per cent, which is considerably less than the increase of 1955 over 1954. The signs are, therefore, that the rate of increase in income is diminishing and such economic difficulties as the shortage of fuel oil could very easily destroy any hopes of even a small increase for next year.

Your directors recommend a final dividend of 10 per cent, making 14 per cent, which involves a distribution of 72½ per cent of the available net revenue compared with a distribution of 71½ per cent for 1955 on the same basis.

We have continued our policy of acquiring a bigger proportion of equities and the company now has, on valuation, 27 per cent in the United States and Canada, compared with 18 per cent, and it has 81 per cent in equities compared with 75.8 per cent a year ago.

Although one can no longer look for a substantial increase in income, our distribution is sufficiently conservative to encourage hopes that the dividend can be maintained for the year 1957.

The report was adopted.

UNIVERSAL ASBESTOS MANUFACTURING

TURNOVER AGAIN LARGER

The annual general meeting of The Universal Asbestos Manufacturing Company, Limited, will be held on March 28th in London.

The following is an extract from the statement by the chairman, Mr Frank W. R. Douglas, circulated to the stockholders:

I am indeed pleased to be able to present, once again, another satisfactory trading result for the financial year which ended September 30, 1956. We have achieved a further increase in turnover and reached a profit figure, after depreciation and all other charges, but before taxation, of £340,135, being some £10,000 higher than in the previous record year.

IMPROVED EXPORT ORDERS

The general distribution of our goods was satisfactory, and, in particular, in the export field, orders taken showed an improvement on the previous year, although profit margins were very small.

Shareholders will be interested to hear of our establishment of a new wholly-owned subsidiary to make pitch fibre pipes. Union Fibre Pipes (Great Britain) Limited, with a Works at Harefield, Middlesex, started production only in October, 1956. Demand for its products is already large, and we are looking forward to good results from this first step in our diversification programme. As you doubtless know, pitch fibre pipes are made from cellulose pulp, impregnated with pitch, and are used as drainpipes for industrial effluvient disposal and electric conduits.

The Universal Asbestos Manufacturing Company (East Africa) Limited, the new Company in East Africa in which we have a substantial capital interest, commenced its operations in May, 1956, but is only now beginning to approach the production expected of it. The start has been slower than we anticipated, due to many local problems encountered, particularly in the training of native labour. However, with only a small production, a trading profit is being made, and I hope next year I shall be able to report a major improvement. The Company has, in our opinion, a considerable future.

ACCOUNTS

The Trading Profit of the Group, after making provision for depreciation, amounts to £340,135, compared with £330,117 for the previous year, and the Group profit, after making full provision for taxation, is £164,073. Your Board has decided to recommend a final dividend of 12½ per cent on the Ordinary Share Capital, making a total of 20 per cent for the year. This proposed total distribution is at the same rate as for the previous year but is, of course, payable on an increased Ordinary Share Capital.

It is proposed to capitalise a sum of £104,000 being the balance standing to the credit of the Capital Reserve. Treasury consent has been obtained to the proposed capitalisation and the £104,000 will be applied in paying up in full 416,000 5s. Ordinary shares, which will be distributed to existing Ordinary shareholders on the basis of one new Ordinary share for each four Ordinary shares now held.

Demand for all our products continues to be not disappointing and I think it may be reasonably hoped that with our increased manufacturing facilities we shall in the current year once again produce results which will do us credit.

THE MERCANTILE BANK OF INDIA

CONTINUED EXPANSION OF GENERAL BUSINESS

SIR KENNETH W. MEALING'S REVIEW

The sixty-fourth annual general meeting of The Mercantile Bank of India, Limited, will be held on March 26th in London.

The following is an extract from the statement by the chairman, Sir Kenneth W. Mealing:

The expansion recorded last year in the Bank's general business continued during 1956. The Balance Sheet total at nearly £75 million is higher by £3 million. Deposits are higher by £2½ million, whilst on the Assets side there are increases of over £5 million in Loans and Advances and nearly £1 million in Bills Receivable. These higher figures indicate the increased share we are taking in World trade with the East, and are in part responsible for the decrease in our holding of Government Securities by nearly £3 million.

The net profit of £236,484 is slightly higher than the previous year, and your Directors recommend a final dividend of 7 per cent. If this recommendation is approved the dividend for the year will be 14 per cent, the same as last year. From the balance the usual allocations have been made to the Officers' Pension Fund, Premises Account and Contingencies Reserve Account, leaving the balance carried forward at £224,521 against £219,372 from the previous year.

During the year the Board authorised the transfer of £250,000 from Inner Contingencies Account to the Reserve Fund, which now stands at £2 million.

The two significant events of 1956 were the strain put upon Anglo-American relations and the reimposition of Stalinism throughout Communist Countries. The former resulted from the chain reaction starting with America's sudden withdrawal from the Aswan Dam project, the nationalisation of the Suez Canal Company, the attack by Israel on Egypt and the Franco-British intervention. The second resulted from the attempt by the workers and people of Hungary to secure the freedom which the new anti-Stalin policy of Russia seemed to promise.

In the former case the British and French obeyed the resolutions of the United Nations and withdrew. The Canal was blocked by the Egyptians and only the future will show whether any Nations (other than Britain and France) are willing to obey the edicts of the United Nations to which so much political lip service is rendered. So far as the Hungarians are concerned the answer is clear: that Russian imperialism is not prepared to permit United Nations observers even to investigate the facts. I can only repeat my statement of a year ago, when I said "there is little or no prospect of a real relaxation of tension or of ending the 'Cold War' until a real disarmament agreement can be brought into effect"—and this seems now, if anything, still further away.

In Britain the Government's fiscal policy was beginning to be effective without resulting in unemployment, but the events in the Middle East checked the progress anticipated and the change in Government in January, 1957, resulting from the Prime Minister's illness and the re-entry into World affairs of the USA following the Presidential Election, may be expected to open a new era of Anglo-American co-operation and economic prosperity throughout the Western World.

INDIA

One of the principal events of the year in India was the introduction of the States Reorganisation Bill which after some modification, resulting from troubles in Bombay and Bengal, came into effect throughout India on November 1, 1956. Under this new Act the State of Bombay becomes one of the largest in India and with the final extinction of the Princely States the map of India takes on a rational and logical appearance such as it has never had in the past.

The Foreign Policy continued to be directed by the Prime Minister, Pandit Nehru, who continues to maintain his policy of neutrality and non-alignment. During the Suez crisis he was under much pressure to sever India's connection with the Commonwealth, but stoutly refused to do so. During the year a British Consortium signed a contract with the Government of India for the erection of a steel plant at Durgapur. This plant is designed to produce ultimately a million tons of steel per annum and is the third such plant, the other two being respectively German and Russian, to be under construction in India at this time.

The second Five Year Plan to which I referred last year is already rapidly getting under way and is estimated to have a total cost of some 5,300 crores of Rupees. Inevitably this vast project will have repercussions on many aspects of Indian life. Initially it is almost inevitable that a degree of inflation and high taxation must be anticipated and indeed is already taking place. It must be hoped that the ultimate effects of the great production and employment that this Plan is hoped to produce will justify this great undertaking.

Towards the close of the year some anxiety has been caused regarding the country's economy following a continued rise in price levels, continued substantial dwindling of foreign exchange resources and the monetary stringency in the Banking system. It is unfortunate that at this time the Indian jute trade, which is one of India's principal earners of foreign exchange, is passing through a time of economic crisis and heavy losses. The tea and cotton industries have both had a fairly successful year and on the whole labour relations throughout India have been reasonably harmonious.

PAKISTAN

On March 23, 1956, the new Constitution was adopted and the Islamic Republic of Pakistan with Major General Iskander Mirza, who had been Governor General, as the first President came into being. Pakistan, however, remains a member of the Commonwealth.

In May, 1956, a draft five year plan was published envisaging the expenditure of Rs. 800 crores in the public, and Rs. 360 crores in the private sectors, estimated to increase National Income by 12 per cent, food grain production by 13 per cent, provide employment for two million people and increases in electric output, irrigation, etc. The Plan relies upon foreign aid for some Rs.300 crores of finance. It is regarded as being moderate and realistic and has been well received in the country but it has been criticised as putting far too little emphasis on agriculture and communications including port facilities.

There is no doubt that Pakistan will continue to need foreign aid for some time to come notwithstanding the strenuous efforts she is making, by severe restrictions in imports at the expense of some degree of inflation, coupled with an industrial programme designed further to reduce imports and to increase her income from exports.

CEYLON

Economically the year 1956 proved less prosperous for Ceylon than the preceding year. This was largely due to circumstances outside Ceylon's own control. Adverse weather conditions, including the severest drought in 50 years, caused deterioration in the quality of tea and a falling off in coconut production. Delays in Colombo due to dock labour unrest and towards the end of the year the diversion of shipping round the Cape all had adverse effects on Ceylon's balance of trade. The Port development scheme was completed and ships are now able to go alongside for loading and discharging cargo. Given freedom from labour disputes, Colombo Harbour should regain efficiency and cease to handicap the Island's trade as it has of recent years.

BURMA

The problem of dealing with the insurgents has not yet been solved in Burma and until it is, the establishment of the rule of law and order throughout the land will remain unsolved.

In the financial field it is satisfactory to report that Burma's foreign exchange reserves which at the beginning of the year stood at K.405.5 million rose by the end of December, 1956, to K.569.6 million. This improvement is most welcome and is largely due to the strict limitation of imports.

During the year, loans were obtained from the World Bank, the Government of India, and the United States Government primarily to be used in the development of the Port of Rangoon and the railway system.

Disturbing features are the gradual elimination of private enterprise by State organisations and the infiltration of Communism into the Rangoon Universities Students' Union, which may present the Government with serious problems in the future if it is permitted to continue.

FEDERATION OF MALAYA

The Federation of Malaya has enjoyed a successful and prosperous year in 1956. Both imports and exports made a substantial increase and the prices of Malaya's two main exports—rubber and tin—have maintained a satisfactory level, averaging around 96 cents a lb. for the former and $386 a picul for the latter.

By an Agreement signed by Her Majesty's Government on February 8, 1956, a considerable degree of self government was brought into immediate effect and it is understood that there is every probability of full independence by the end of August, 1957.

SINGAPORE

1956 proved to be another prosperous and successful trading year for Singapore. Rubber averaged about 95 cents over the year, and tin was obtaining good prices. The outlook for 1957 appears also to be favourable.

INDONESIA

The re-emergence of this important country to a state of fiscal integrity and domestic stability is a matter desired by all countries with whom her trade and commerce can be of mutual benefit. Teething troubles in a young country are inevitable and the recent Sumatra troubles may be the prelude to progress resulting, in due course, to Indonesia taking its rightful place in the trade and commerce of South-East Asia.

THAILAND

Thailand continues to be one of the most prosperous and contented countries in South-East Asia, under the able Premiership of Marshal Pibul Songgram.

Economically, Thailand had a good year.

HONGKONG

Hongkong has had another successful and prosperous year. Both imports and exports show increases in excess of 25 per cent over the 1955 figures.

MAURITIUS

The 1956 sugar crop in Mauritius was an all-time record at the figure of 571,893 metric tons produced at an average extraction rate of 12.94 per cent which is also a record. The Commonwealth Sugar Agreement has been extended for a further year, i.e. up to and including the year 1964 and under the terms of the International Sugar Agreement the export quota for Mauritius remains the same at 470,000 long tons. Of this 335,000 tons will be purchased by the Ministry of Food at an increased price of £42 3s. 4d. per ton against £40 15s. 0d. per ton for the previous crop. The balance of 135,000 tons will therefore be offered for sale in the preferential markets in the United Kingdom and Canada.

It is estimated that the Cyclone and Drought Insurance Fund exceeded the sum of Rs. 95 million by the end of 1956.

The finances of the Island continue to be sound. For the year ended June 30th there were increases both in revenue and in expenditure. Revenue exceeded expenditure by some Rs. 10 million and draft estimates for 1956-57 reveal that 35.7 per cent of the revenue is to be derived from direct taxation with a further 23.4 per cent accruing from Customs duties. On the expenditure side the largest items are again education and health which will account for 28.9 per cent.

JAPAN

1956 has proved to be by far the best year for Japan since the war. Exports rose by a further 25 per cent, domestic trade showed a healthy expansion, productivity improved and the harvest although not quite so large as the previous year was still exceptionally good. Moreover, these benefits have not been diminished by inflation, for prices remained stable and so all sections of the Nation enjoyed conditions of prosperity with better living standards than for nearly 30 years.

There is every reason to believe that given normal conditions the present era of prosperity for Japan should continue throughout the coming year.

SCOTTISH WIDOWS' FUND & LIFE ASSURANCE SOCIETY

A RECORD YEAR

SATISFACTORY PROGRESS OF CURRENT QUINQUENNIUM

MR F. H. N. WALKER ON POPULARITY OF NEW POLICY

The one hundred and forty-third Stated Annual Meeting of the Society was held in the Society's Head Office, Edinburgh, on Tuesday, March 5, 1957. Mr F. H. N. Walker (Chairman of the Ordinary Court of Directors), presiding.

In moving the adoption of the report and accounts, which were taken as read, the Chairman said:

New life assurance business generally was on a higher level in 1956 than in the preceding year but even against this background the Society's increase was a notable one—representing a considerably higher percentage than the average of all the British offices.

Our total new assurance business at over £26 million was the highest ever recorded by the Society and was £6 million higher than in 1955. The gross ordinary life assurance business at over £15½ million was a record for the eleventh successive year. Of this sum £600,000 was reassured with other offices and the net amount, together with more than £5½ million of new group insurances and increments of almost exactly the same amount under existing group insurances makes up the £26 million I have mentioned. The Society's with-profits contract for group pensions continues to meet with much success and deferred annuities were taken out under pension schemes for nearly £1¾ million per annum.

THE FINANCE ACT 1956

A measure of far-reaching consequence to life offices, the Finance Act 1956, did belated justice to professional and business people in non-pensionable occupations who are now able to make provision for retirement pensions by payments which, within limits, are treated as a charge on income for tax purposes, the pensions themselves being fully taxed as earned income. Thus by receiving relief of tax on their contributions those concerned do not escape tax but bear it on the pension eventually enjoyed instead of on the income which is set aside to provide it.

The Society quickly introduced contracts to meet the requirements under the new provisions and a considerable amount of the business is now being transacted. It was slow to start, probably because many professional men and others eligible, who have incomes which vary from year to year, naturally hesitated to commit themselves to a fixed annual premium. The Society's new policy with premiums which can be varied each year and even discontinued for a year or two and resumed again at the policy-holder's option is expressly designed for these people and is already proving most popular.

Of course, there will always be those—especially those who do not bear a high rate of surtax—who will not like the restrictions against assignment and commutation which have to be included in the new contract to comply with the Act and will wish to have their savings under their own unfettered control. These people may prefer to take out an ordinary endowment assurance under which the proceeds can be applied at the maturity date to buy an ordinary life annuity, especially, as under another provision of the 1956 Finance Act, only the interest portion of such an annuity will be taxed. This removes what has long been regarded as an injustice by purchasers of immediate annuities, namely, that the whole of the annuity—much of which is in effect a return of capital—has hitherto been taxed in full.

The interest income was again higher owing to the growth of the funds, to the favourable terms on which our new money could be invested and to the increases in dividends received on many of our holdings of first-class ordinary stocks. The interest represents a gross rate on the whole of the invested funds of £6 0s. 9d. per cent as compared with £5 18s. 7d. per cent in the previous year. Bearing in mind that we transferred the sum of £5 million from inner reserves to the funds in 1955 to cover the cost of the special additional bonus to with-profit policies, members will agree that this is a most satisfactory rate. It augurs well for the future of the Society's with-profit policies.

INVESTMENT PORTFOLIO

As a result of the year's operations, our total funds have increased by almost £9 million to over £93 million. As usual, our stock exchange securities shown in each separate category stood below their market values at the date of the balance sheet. There was general depreciation in securities of all classes during the year except in common stocks in the USA and, in view of the considerable fall in the values of fixed interest securities, a larger part than last year of the substantial margin between the market values and balance sheet values of our stock exchange investments has been set against the values of fixed interest securities and a smaller part against our ordinary shares. As a result of this, and of the investment of some £3 million in ordinary stocks during the year, our investments in this category now appear in the balance sheet at nearly £36¼ million, that is, about £6¼ million more than at the end of 1955. Despite the depreciation in the market values of stock exchange securities generally there was still a large margin between the total market values of the Society's securities and the values at which they stood in the balance sheet—a margin which it is so important to have in these uncertain times when values can fluctuate so widely and so quickly. You will be interested to know that since the date of the balance sheet much of the depreciation which took place during 1956 has been recovered, and our margin is now not far short of the figure at which it stood at the end of 1955.

In conclusion I would only add that the outcome of the first three years of the Society's current quinquennial period has been eminently satisfactory, and the Directors believe that, notwithstanding all the uncertainties that lie ahead, the results for the five years ending on December 31, 1958, will give much satisfaction to members.

The Directors' report and the accounts as audited were adopted unanimously.

THE WHITEHEAD IRON AND STEEL COMPANY

AN EXCEPTIONALLY GOOD YEAR

IMPORTANCE OF ADEQUATE RETENTION OF PROFITS

MAJOR DEVELOPMENT PLAN UNDER CONSIDERATION

MR G. H. LATHAM ON FUTURE PROSPECTS

The fiftieth annual general meeting of The Whitehead Iron and Steel Company Limited will be held on March 25th at the Westgate Hotel, Newport, Mon.

The following is the statement of Mr G. H. Latham, LLD, JP (Chairman and Managing Director), which has been circulated with the report and accounts: The Annual Report and Statement of Accounts are so straightforward that I think it unnecessary for me to comment on them in detail. You will observe that the Group trading profit amounts to £1,387,349, which compares with last year's figure of £1,330,056. This result was achieved in spite of the fact that all sections of the Steel Industry, including ourselves, have had to carry increases in the price of coal, power, labour, freights, etc. It has only been achieved by increased efficiency and by having available plant maintained to highest modern standards.

In the past your Board has, in distribution of profits, followed a prudent policy, which has enabled the Company to keep its plant at maximum efficiency and to finance developments. The Board has carefully considered the rate of final dividend to be recommended for the year under review, but has come to the conclusion that it is today more important than ever to adhere to the same policy of adequate retention of profits in the business, first because of the uncertain outlook for our Cold Rolling Department and, secondly, because of the need for conserving resources to contribute to the cost of developments, which the Board has under consideration and which I will mention again later in this Report.

CRIPPLING EFFECT OF TAXATION

I have referred on previous occasions to the crippling effect of taxation, but I think it is again desirable for me to emphasise how difficult it is for this Company, in common with others, to accumulate funds for replacement of plant and for future development when, as in our case, nearly half the amount which would otherwise be available for this purpose is taken from the Company in the form of taxation. In view of recent pronouncements by the Government that it is their intention to encourage initiative and efficiency, Industry is hopeful of some alleviation in this respect. Indeed, it is essential that something be done if the Industry of this country is to increase its exports or even hold its own in the markets of the world.

Last year I gave you an analysis of our trading results and also showed how each £1 of our income was spent. I believe these figures proved of interest to shareholders and, for this reason, am repeating the information this year.

During the early part of the year under review there was a strong demand for all our products, but with restrictions on hire-purchase, which were introduced in April, and the subsequent credit squeeze, a number of our customers experienced a rapid recession in trade.

The year has been one of great activity in our Hot Rolling Mills, and so far the demand for their products has been unaffected by recession experienced in some industries. At the moment our order book for hot rolled material is in a very healthy condition and it seems safe to predict that we shall be operating to full capacity so far ahead as it is reasonable to prophesy in these difficult times.

ANALYSIS OF GROUP TRADING RESULTS FOR THE YEAR ENDED SEPTEMBER 29, 1956

	To nearest £000	% of total income
Purchase of raw materials...	10,855	72.7
Wages and salaries	1,405	9.5
Works and administration expenses.....	1,062	7.1
Depreciation	196	1.3
Taxation.....	683	4.6
Debenture interest	55	.4
Distributed to shareholders (net)	144	.9
Retained in business.....	519	3.5
	14,919	100.0

ANALYSIS PER £1 OF INCOME

	s.	d.
Purchase of raw materials.....	14	6.6
Wages and salaries	1	10.6
Works and administration expenses	1	5.2
Depreciation		3.1
Taxation.....		11.0
Debenture interest		.9
Distributed to shareholders (net)...		2.3
Retained in business.....		8.3
	20	0.0

FUTURE PROSPECTS

The Iron and Steel Board, the British Iron and Steel Federation and representatives of the appropriate Government Departments have been occupied of late in an attempt to estimate what the future demand for steel will be, and their reports all indicate that the demand for the type of material produced in our Hot Rolling Departments is likely to be greater than the present production.

The material classed under the heading Cold Rolled Strip, which is produced in one of our most important departments, is extensively used in the manufacture of motor car components and in the production of washing machines, refrigerators and similar domestic appliances. It is in these branches of trade that we, in common with our colleagues in the Steel Industry, have encountered a serious falling off of orders. The reduced output through our Cold Rolling Department, which followed this change in our order book position, did not affect the trading profit of the year under review, but has adversely affected trading results since the end of September, 1956, and is likely to do so for some time to come.

In December 1956 the prices of iron and steel products were raised to meet the higher landed cost of imported materials, wages, freights, etc. In general, the prices of the finished products of our Cold Rolling Department have kept pace with the increased prices of raw materials, but revisions in the price structure for Cold Rolled Strip have, broadly speaking, been of such a nature as to benefit the small producer to a greater extent than the high production and more efficient plants.

WHOLLY OWNED SUBSIDIARY COMPANIES

WHITEHEAD HILL AND COMPANY LIMITED

Our wire works operated to approximately the same capacity as last year. Since the end of the year, however, although supplies of wire rods have been easier, the demand for our finished products has been adversely affected by recessions in some of the Finishing Industries.

The output of bricks at Cwmbran has again reached a satisfactory level, and the difficulty of maintaining an adequate labour force has very largely disappeared.

W. A. BAKER AND COMPANY, LIMITED

Activities have been maintained at the Westgate Works on a high scale and the extensions to meet the increased demand for paper-making machinery from our friends, Black-Clawson International, Limited, are beginning to bear fruit. These extensions have increased the rate of flow of finished machines passing through the engineering shops. The fact, however, that the production from this Company is almost exclusively planned to meet the needs of Black-Clawson International, Limited, constitutes a problem which our Board has very much in mind, and the future relationship between our Company and theirs has for some time past been under review on both sides.

GODINS 'THE ROLLERS OF STEEL SECTIONS' LIMITED

The demand for the special sections produced in this factory is not so good as it was when I addressed you at this time last year, but the recession in orders is the direct and natural consequence of the difficult conditions now being experienced by the automobile and automobile accessory industries.

DEVELOPMENT

The Joint Committee set up by the Government, the Iron and Steel Board and the British Iron and Steel Federation, to which I have referred, forecasts a deficiency in the early 1960's in light sections and bars, which are the main product of our Company. As one of the largest re-rollers in the industry we are examining the position to see what part your Company can and should play in helping to make good this shortage. The Board has under consideration a major development plan, which will involve substantial capital expenditure. Until the scheme has been studied in greater detail and until it has been approved in principle by the appropriate authorities, I am not in a position to give you any worthwhile information.

The year proved to be an exceptionally good one for your Company from most points of view. Difficulties, however, are continually encountered in running a business and the steel-making business is no exception to this rule. The year upon which we have now started will, in my opinion, be fraught with problems and, if they are to be surmounted, we shall rely more than ever on the efficiency, adaptability and loyalty of our staff and workpeople, on which we have never counted in vain. I am sure you would wish to join me in paying tribute to them for the part they played in the very satisfactory results which I am able to present to you in this Report.

I would like to mention that Mr G. I. Rushton, OBE, who has been our Production Director and General Works Manager for many years, retires on March 31, 1957, after a very distinguished career with the Company. I should like to express my personal thanks for the excellent work he has done for the Company. Mr Rushton enters into a well-earned retirement with the best wishes of myself, my colleagues and all the many friends he made throughout his long association with our Company.

In consequence of Mr Rushton's retirement, two senior executive appointments have been made. Mr E. G. Spooner, CIE, who was until the end of 1956 Commercial Manager, has now been promoted to General Manager of our Group of Companies to date from January 1, 1957. Since Mr Spooner has been on the Board of the Company we have all recognised his administrative ability. He has spent most of his business career in India where he became Deputy Iron and Steel Controller in 1941 and Controller three years later. In recognition of his services in this capacity the Government of India made him a Companion of the Indian Empire in 1946. I am sure you will join me in wishing Mr Spooner well in his new appointment.

We have also appointed Dr Brynmor Jones, FRIC, as Production Director of the Company. Dr Jones is a scientist, who has had considerable works experience and we are sure he will make a success of his new responsibilities.

I should also like to take this opportunity of welcoming Mr C. H. G. Millis, DSO, OBE, MC, who has joined our Board. Mr Millis is so well known in the City that it is only necessary for me to say his long experience in the financial world will be of supreme value to the Company.

RALLI BROTHERS LIMITED

BETTER RESULTS BUT PROSPECTS DISAPPOINTING

MR JACK VLASTO ON CURRENT YEAR

The annual general meeting of Ralli Brothers Limited will be held on March 27th in London.

The following is the statement by the President, Mr Jack Vlasto, which has been circulated with the report and accounts:

While the results now before you are by no means good, they are better by far than I had reason to hope when giving my somewhat gloomy indication a year ago. Just subsequently, our fortunes in merchanting began to improve and, with price movements favourable to our article positions, we enjoyed a steady flow of satisfactory earnings for several months. The leeway was gradually made up and, at the finish, merchanting earnings from a turnover of about £56 million were ahead of those of the previous year. There was not, however, any relaxation in the intensity of competition, about which I have grumbled so often.

The tax provision necessary for the Group was £485,276 against £168,330 the previous year. This increase is due not only to the higher consolidated trading profit, but also to the fact that in the previous year we brought back substantial taxed provisions no longer required. After setting aside £50,000 to increase amounts written off trade investments, the final outcome was much the same; however, it was achieved in a more satisfactory manner.

The increase in our investment in subsidiaries is referred to in the Directors' Report. I would also refer to the respective figures for debtors and loans from bankers in our balance sheet, both of which are about £1 million higher. In comparing these items with previous years, it has to be borne in mind that we close our accounts at August 31st because stocks, debtors and loans from bankers are then about at their lowest. A few months before or after that date, these items are at far higher levels. On account of our increased participation in the grain trade and a tendency towards greater spread in shipments of East African and Sudan cotton, the seasonal run-down does not now dip so far as formerly. This trend may well continue, with quite wide variations from year to year.

SUBSIDIARY COMPANIES

Our subsidiary companies, taken as a whole, have made satisfactory progress.

The Maritime Shipping & Trading Company Limited enjoyed a splendid year. Its current year should be even better. The policy throughout these periods of keeping fixture commitments very light has paid handsomely. The fleet was restored to six vessels with the delivery last December of the 11,130-ton s.s. *Castledore*.

In Tanganyika, Ralli Estates Limited made an increased profit and produced 5,762 tons of sisal fibre. If labour is sufficient, 6,000 tons should be produced this year, but sale prices, to date, average £7 per ton lower. *Dindira Tea Estates Limited*, in its first year of operation as a separate entity, made a loss of £11,848, which was no surprise for this still developing enterprise.

In Uganda, it looks as though Margach & Margach Limited have overcome their difficulties and will show a satisfactory profit.

In South Africa, Berg River Textiles Limited made a loss of £27,065. This was disappointing. The next closing, favoured by cheap cotton purchases, promises much better, but it is, as yet, too early to say whether the efforts now in progress to achieve increased technical efficiency will also bring improvement.

ASSOCIATED COMPANIES

As regards our associated companies, Rallis India Limited, with overheads now down to a more reasonable level, was able to earn a small profit. The deficiency carried forward is now Rs. 4.4 million.

The Crescent Jute Mills Company of East Pakistan made a profit of Rs. ½ million and cannot have found business at all easy. The mill is first class and the machinery is running well, but labour efficiency is low, labour loadings are higher than they should be and labour troubles are a constant headache. A further £50,000 has been provided against this investment and the book value of our shareholding is now £336,328, equivalent to par at current exchange.

Our Investment in The Orion Insurance Company Limited continues to give us full satisfaction.

THE CURRENT YEAR

It will be a joy to me when I am again able to give a cheerful indication for the coming year, but that prospect is once more deferred. Our current year, in merchanting, looks not only poor, but a good deal worse than its predecessor at this time. A bad start was worsened by the effects of the Middle East crisis. All outstanding sale contracts, then on our books, which would have been implemented by shipment through the Suez Canal, became subject to a variety of unforeseen additional costs on account of diversion round the Cape. After some recovery, the trend of results is again unfavourable on account of the recent decline in commodity prices. Although the profits of subsidiary companies look like being higher, the overall prospects for the year are, at present, disappointing.

In Egypt, a sequestrator was appointed by the Egyptian Government to take over the operation of our branch in Alexandria. Since November 4th we have had neither control over nor knowledge of what has been done there. Our British manager, after three days in jail, was released and expelled. Stocks of cotton were over £E.800,000 in value. Nearly half had been sold to "Iron Curtain" countries and we believe that shipment of such contracts has been effected. The balance was mostly unsold. The liabilities of our branch, mainly to banks in Egypt, were comparable to the value of cotton stocks. At August 31st cotton stocks and bank liabilities in Egypt were negligible and all we have considered appropriate at this stage is to write off other assets, amounting to about £20,000, which were in our books at our closing date.

In contrast to the foregoing, I am pleased to refer to the successful conclusion of negotiations with the Japanese Government, under which we have received the sum of Yen 244 million as compensation for our pre-war subsidiary, Showa Menka Kabushiki Kaisha of Osaka. These Yen are blocked. We are, at present, allowed to draw on them

to meet the running expenses of our two small offices in Japan and recoveries will accordingly be brought into our books as and when they accrue.

Our thanks are again due to all in our organisation for another year of hard work. We are indeed fortunate in the loyalty and devotion to the interests of the Company so consistently displayed by our staff.

THE OMNIUM INVESTMENT COMPANY

POSTWAR RECORD OF PROGRESS

The seventieth annual general meeting of The Omnium Investment Company, Limited, was held on February 26th in London.

Mr H. C. Drayton (the Chairman) presided, and in the course of his speech said: The revenue for the year was £330,879, or an increase of £24,367. After deducting our expenses, including income tax, there is a net amount available of £151,354, as against £137,493 last year. Your Directors are recommending a dividend of 12 per cent on the Deferred Stock, as against 10 per cent last year, and if you agree to that we shall carry forward £167,051, as against £118,069 brought in from last year.

Last year we made an issue to you of 200,000 Deferred £1 Shares at par. Those of you who took them up have received 12 per cent on your money; those who could not take them up were able to sell them at a substantial premium. We are now making another rights issue of one share in ten to the Deferred Stockholders, i.e., £120,000, again at par.

If you turn to the Balance Sheet you will see that our investments stand in the books at £3,469,836 and the valuation is £5,233,272.

I have gone back to 1946 to try and give you a picture of what has happened in this Company. In that year the Company's Deferred capital was £632,225, it earned 7.1 per cent on the Deferred and it paid 6 per cent, giving a price yield of 6 per cent. In 1956 the Company's Deferred capital had grown to £1,200,000 of stock, it earned 19.1 per cent, it paid 12 per cent, and the price yield had gone up to 6.6 per cent.

It is interesting to see the changes in the investment classification. In 1946 Bonds and Debentures accounted for 16.57 per cent of our portfolio, and today Bonds and Debentures are 12.09 per cent; Preference Stocks and Shares accounted for 13.11 per cent, and today 11.81 per cent; Ordinary and Deferred accounted for 70.32 per cent, and today 76.1 per cent.

The other interesting factor is where the money was invested. In 1946 the amount invested in the United Kingdom and Empire was 79.7 per cent, as against 91.9 per cent today; in the United States of America it was .78 per cent, as against 5.17 per cent today; in South America—a relic from those days when South American Railways were thought to be a good investment—in 1946 it was 11.97 per cent, and today they account for only 2.2 per cent; elsewhere we had 7.55 per cent invested in 1946, as against .72 per cent today.

Current year: I do not look for a big increase in revenue, or in any event not such a rate of increase as we have had in the past four or five years. However, I do not think you need worry about your dividend for next year—the Directors have every confidence that they will be able to pay you the same dividend.

The report and accounts were adopted.

BAJOE KIDOEL RUBBER AND PRODUCE

SIR ERIC MILLER'S SPEECH

The Forty-fifth Annual General Meeting of The Bajoe Kidoel Rubber and Produce Company, Limited, was held on February 28th in London.

Sir Eric Miller, the chairman, in the course of his speech, said: Owing to the disturbed conditions in Celebes the rubber crop of 879,000 lb was little more than one-half of the previous year's, and the coffee crop of 76,000 kg just over one-third. Our East Java crops of rubber and coffee were slightly higher than in the previous year, despite the sale of Bajoe Kidoel estate with effect from January 1, 1956, and extremely adverse weather conditions.

Profits remittances are credited in the Parent Company's profit and loss account in the year in which they are received here and we bring into the accounts now before you £55,715 received out of profits earned in previous years, making our profit before taxation £57,827 as against £3,016. If approved, the recommended dividend of 7.2 pence per 2s. share less income tax at 8s. 6d. in the £ will absorb £21,473 net, leaving £83,257 (£52,127) to be carried forward. For the year now current, we have so far received only £581 in respect of past years' profits out of some £12,800 (before UK taxation) which we are entitled to expect. Since last we met you have received a capital repayment of 10s. per £1 stock and for each 10s. stock remaining you now hold five two-shilling shares.

In East Java security conditions have been reasonably good, but coffee thieving continues to be a serious and intractable problem. In Celebes we have to deplore the fact that during intermittent raids two members of our Asian staff with their families have been kidnapped, a head mandoor murdered and estate factories and buildings destroyed by arson. Our buildings were prudently covered by insurance.

The crop figures for the first ten months of the current book year compared with the previous similar period are:

	Rubber lb	Coffee kg	Kapok kg
E. Java ..	1,443,469	265,073	—
Celebes ...	1,042,663	58,999	—
	2,486,132	324,072	—
	(1955/56) lb	(1955/56) kg	(1955/56) kg
E. Java ..	1,704,517*	393,848	—
Celebes ...	749,421	75,794	13,137
	2,453,938	469,642	13,137

* Includes 391,226 lb. from Bajoe Kidoel estate.

Costs have risen as inflationary conditions in Indonesia persist.

You will have read in the papers that President Sukarno has put forward his new political conception for the restoration of national peace in Indonesia and the leaders of the several parliamentary parties have been asked to give him their views by today. It will be interesting to see their reaction to a proposal which would bring the Communists into a national council.

The report and accounts were adopted and the proposed dividend of 7.2 pence per 2s. share, less tax, was approved.

MUTUAL FINANCE LIMITED

EFFECT OF HIRE PURCHASE RESTRICTIONS

LORD LIMERICK'S STATEMENT

The twenty-ninth ordinary general meeting of Mutual Finance Limited will be held on March 25th in London.

Gross profit for 12 months ended December 31, 1956, was £125,150 compared with £125,830 in the previous 15 months. Taxation required £69,397 compared with £67,398. The Directors recommend a final dividend of 12½ per cent less tax on the Ordinary Stock, making 17½ per cent less tax for the 12 months, compared with 20 per cent less tax for the previous 15 months. If the recommendation is approved, after transferring £30,000 to General Reserve, the amount carried forward will be £40,357 compared with £41,269.

THE CONTROL ORDER

In his review, circulated with the Accounts, the Chairman, The Earl of Limerick, GBE, KCB, DSO, TD, said:

Owing to the Control Order of February, 1956, which prescribed a minimum down-payment of 50 per cent of the cash price of goods hired, the income from business arising in 1956 was lower than in 1955, though higher than in any previous year. During 1956, the Company felt the benefit of the high level of business in late 1954 and 1955 by reason of the charges deferred on business transacted in those years and brought into account in 1956.

If, as is proposed, borrowing by Hire Purchase Companies is to be controlled by legislation, it should take the form of giving to the Registrar of Friendly Societies the same power he has in relation to Building Societies.

A liquidity ratio for Hire Purchase Companies would be unrealistic as the bulk of their business is undertaken on borrowed money. If part of their assets had to be held in cash or Treasury Bills, they would have to borrow money at a high rate to hold it at a lower rate of interest and so be statutorily required to suffer a loss. The assets of most Hire Purchase Companies consist almost entirely of amounts payable by customers by regular weekly or monthly instalments. At present it is common experience for approximately 10 per cent of the total amount payable by customers to be received each month, which demonstrates the liquidity of hire purchase business.

PROSPECTS

As to the future, with so many factors in restraint of business, it would be unwise to offer any short-term opinion. Taking a long view, your Directors believe that much potential business is held up by restrictions and so have started a policy of expansion, to be ready to handle the extra volume of business when restrictions are removed. New Branch Offices have been opened at Exeter and Southampton and it is intended to open other Branch Offices in 1957.

Our subsidiary company, Sales Intermediate Credit Limited, which finances credit granted by manufacturers and wholesalers to their customers, continues to make satisfactory progress

BANK OF LONDON AND SOUTH AMERICA LIMITED

IMPORTANCE OF LATIN AMERICAN MARKETS

SIR FRANCIS M. G. GLYN'S VIEWS

The annual general meeting of the Bank of London and South America Limited will be held on April 2, at 6-8 Tokenhouse Yard, London, E.C.

The following are extracts from the address by the Chairman, Sir Francis M. G. Glyn, KCMG, including a statement on the 95th Annual Report of the Directors and Statement of Accounts for the year ended December 31, 1956, which will be submitted at the meeting:

No doubt your interest has been aroused by the substantial increase in the profits figure, which, at £560,047, is £168,353 higher than last year. Many factors have contributed to this increase. Greater activity in Argentina and larger turnover figures both in Exchange and Documentary Credit business have contributed materially to the profit figure, and we have also benefited considerably from the rise in interest rates both in London and New York.

Your Board feels that they are in a position to reward the patience which members have exercised for many years in the past. Consequently, we have pleasure in recommending a final dividend of 7 per cent, making a total of 9 per cent for the year.

A GENERAL REVIEW

Last year I raised the question whether the bilateral agreements that had been a characteristic of the trading practices of a number of the Latin American republics in the years since the war had not outlived their usefulness, and I expressed the hope that Brazil's experiment in 1955 in establishing an "area of limited convertibility" would be followed by other countries and begin a progressive elimination of artificial barriers to trade. Further important steps towards multilateral trade have in fact been taken during the past year and, although the bilateral agreement is not yet extinct in Latin America, it has come to be regarded as something of an anachronism, and few voices are now raised in support of bilateralism as a trading principle.

The significance of this partial removal of currency discrimination is, in brief, that it gives the South American republics the opportunity to make better use of their exchange earnings and provides, for the United Kingdom and other European countries, a wider potential market for their exports. On the Latin American side there had been a growing dissatisfaction with the workings of bilateral agreements as debts arose on one side or the other that proved difficult to liquidate; it became apparent that imports had been made more expensive, and that an overall expansion of trade might be expected on a more natural multilateral basis. The progress made by Western European countries towards liberalising their trade and payments, through the gradual elimination of quantitative restrictions on imports and the extension of areas over which currencies are freely transferable, made it more difficult for Latin American republics to carry out policies of strict bilateralism and provided both the example and the opportunity for them to create areas of multilateral settlement. For certain currencies, principally sterling, this merely involved taking advantage of their wide transferability in the non-dollar world; other European countries whose currencies are not normally transferable outside the EPU area, and which have perhaps less to hope for immediately from access on a competitive basis to a wider market, have also joined in these multilateral arrangements and have in fact been encouraged to do so by the Latin American countries that are now discarding their bilateral agreements.

MOVEMENT TOWARDS MULTILATERALISM

The stronghold of bilateralism in Latin America was a group of countries—Argentina, Brazil, Uruguay and Paraguay—which, together with Chile, accounted for over 40 per cent of the region's foreign trade in 1955 and were signatories of four fifths of the bilateral agreements then in force in that area. The Brazilian multilateral payments system—usually referred to in this country as the Hague Club—has now been extended to include Italy, Austria and France. At a meeting held in Rio de Janeiro in October, 1956, there was general agreement among the participating countries that the system had decided advantages over bilateral trading.

As the result of developments during the past year, Argentina has now gone further than Brazil towards the removal of currency discrimination. Following the recommendations of the Prebisch Plan on the desirability of revising bilateral agreements and making arrangements to settle outstanding debts to supplying countries—which included most West European countries, with the notable exception of Spain—negotiations in Paris and elsewhere resulted in agreement being reached in principle on the settlement of trade debts and on the creation of a multilateral payments system.

NEW EXCHANGE SYSTEMS

The movement towards multilateralism in South America has not been confined to Brazil and Argentina. The remaining countries of the group I have mentioned—Chile, Uruguay and Paraguay—have not established any special multilateral payments system, but similar effects have been or are being achieved by a reduction in the number of their bilateral agreements or by the adoption of new exchange systems which involve increasing use of the transferable facilities provided by the major trading currencies. These countries are, of course, all in the transferable sterling area; Germany has, during the past year and a half, terminated its bilateral agreements with them as well as with Ecuador, while the transferable guilder area now covers a number of the South American republics. The Chilean exchange reform of April, 1956, abolished the licensing of imports within a permitted list, and Uruguay, though it has not yet been able to achieve so admirably simple an exchange system as Chile, has likewise abolished quota restrictions on some of the most important classes of imports. With the abolition of individual licensing bilateral trading becomes more difficult to sustain and it becomes more than ever to the interest of these countries that the currency earned by their exports should be widely available to meet the demand for imports.

This movement towards multilateralism in Latin America is one aspect of a more general change of attitude towards control on foreign trade and payments. There is a widespread awareness of the desirability of relaxing controls as far as the balance of payments permits.

CONCLUSION

On this annual occasion I have in recent years several times referred to the importance of Latin America, both now and especially in the future, as a market for British exports, and the growing attention that is being paid to this subject provides ample justification, if indeed any were needed, for returning to it again this year. Those who have made a close study of the importing capacity of the various countries are better placed than I am to judge which of their various requirements the United Kingdom is best able to supply.

I would go no further in offering advice to British exporters than to remind any who have had unfortunate experiences on their first venture into this area that the powers of economic recovery of these countries are remarkable.

The other point I would make in this connection is to renew the plea that cannot be made too often, especially to those who do not know this continent well, and that is not to judge any one of these republics by the changes in fortune of any other.

FINANCE FOR IMPORTS

The prevalence of the demand for capital as opposed to consumer goods immediately raises the important question of finance. The banks in this country, with the valuable and essential co-operation of the Export Credits Guarantee Department, have always been anxious to do what they could to provide finance for medium-term credit projects, and it is satisfactory to be able to record that in recent times they have shown even less reluctance than before to abandon traditional requirements of liquidity which, as I suggested two years ago, might prove an obstacle to their investing deposits to any appreciable extent in illiquid assets. Whilst there is good reason to believe that the banks will be prepared to go even further in this direction, the demand from the Latin American importer for long-term credit might quite easily outstrip the resources that the banks could prudently make available for this type of business.

If we are not to be ousted from a market which in the not-too-distant future may well prove of far greater importance than the more traditional ones of the sterling area and elsewhere—and recent events in the Middle East will have served to emphasise this point—it will be necessary to draw on a far larger source of lendable funds, and other institutions who can dispose of a substantial volume of national savings should be invited to play their part in assisting British exports to Latin America by providing the necessary finance. An assurance from such a quarter that funds would be made available, together perhaps with the creation of the necessary machinery to channel them in the directions where they could be used with the greatest advantage, would go a long way towards enabling the British exporter to meet the competition of, at any rate, those countries where the nationalisation of credit in one form or another has placed the responsibility for financial support firmly on the shoulders of the State.

JUTE INDUSTRIES LIMITED

RAW JUTE PRICE FLUCTUATIONS

PROBLEMS FACING THE INDUSTRY

EXPANDING EXPORTS

MR W. G. N. WALKER'S STATEMENT

The thirty-sixth annual general meeting of Jute Industries Limited was held on March 4th, at Meadow Place Buildings, Dundee, Mr W. G. N. Walker (chairman and joint managing director) presiding.

The Secretary (Mr W. A. Jeffray, CA) read the notice convening the meeting and the report of the auditors.

Addressing the meeting, the Chairman said: With your permission I will take the accounts and the report of the directors as read. (Agreed.)

RAW JUTE

In my short preliminary statement sent out with the Accounts I said that at that stage I could not forecast what effect the rapid rise in raw jute prices, in the months immediately following the end of the financial year under review, would have on the current year's results. It is still too early to make any forecast, but it must be realised that with raw material accounting for about 50 per cent of the final price of our jute products, wide fluctuations in price can materially affect trading results, quite apart from the unsettling effect they have on the market and the demand for jute goods. Since this time last year raw jute prices have followed the same pattern as they did in the previous year. Mill Firsts at this time last year were at their peak, namely approximately £108 per ton; the price dropped to £91 (the Pakistan minimum) in June and July, rising again to £100 at the end of September: by mid-December the price had risen to £135, since when they have fallen back and are now quoted at approximately £114 per ton. Other qualities have not had the same wide fluctuations, but showed a 30 per cent rise at their highest levels.

Flooding again affected this year's crop before maturity, and in consequence the quality of the white variety is poor and present arrivals of all grades contain an excessive moisture content which is serious from our point of view. These annual floods, in conjunction with Pakistan's policy of crop restriction, prevent a sufficient carry-over from crop to crop and cause extreme and undesirable fluctuations in prices.

An additional unfortunate factor occurred this year, namely, the disruption in the autumn of inland transport caused by abnormally heavy imports of rice, the movement of which caused serious delays in the export of raw jute. The shipments of raw jute ex-Pakistan were six weeks late at the end of October when the Suez crisis broke upon us, and it was not until the arrival of shipping by the longer voyage round the Cape in the middle of January that the supply position could be described as satisfactory.

Pakistan authorities have still much to do to improve inland transport facilities in order to allow the best use to be made of ocean-going tonnage calling at her ports. In the autumn a number of vessels left Chalna with little or no cargo on board.

There are numerous reports that the East Pakistan Provincial Government is pressing the Central Government to establish a Jute Marketing Corporation, the primary objects being, firstly, to ensure fair prices to the grower, and, secondly, to regulate all exports. The first objective would be welcomed by all sections of the trade if it did not upset the free movement of the crop and if it led to more stable world prices at a level considerably below that ruling today. With regard to the second objective, exports today are already regulated by the Pakistan State Bank Export Control. Any additional control might well disrupt or restrict the present commercial relations as between buyer and seller—relations which have been built up by negotiation and agreement since the end of the last century and which have proved equitable to both sides. It is understood that the aim is to channel all export business through a central control which would seem to deny buyers the privilege of the selection of their sellers, the mainstay of established world trade. It would also tend to regiment sellers, which surely would destroy the incentive for their continuing in business—a state of affairs which must be deprecated by all the countries of the world who are buyers of raw jute.

Moves such as these could have serious long-term effects on the trade. The Central Government would be well advised to study all the implications before arriving at any conclusions.

PROBLEMS FACING THE INDUSTRY

Your Board of Directors subscribes to the view that in the national interest two alternative sources of supply of jute goods should be available. By "alternative sources" I mean goods manufactured in the United Kingdom from raw jute ex-Pakistan, and goods imported in their manufactured state from India and/or Pakistan. Your Directors are making it their constant endeavour to play their part in building up a stable, virile, and flexible home industry capable of producing the specialty requirements of consuming industries, and the requisite quantity of standard goods indispensable to the economical production and development of these specialties. Your Board is of the opinion that, although the present production of the United Kingdom jute industry is still below the pre-war production level, it should continue to concentrate upon the development of specialties rather than go out of its way to cater for an undue proportion of the home demand for standard goods.

Large quantities of imported standard goods will be required, but these goods should still only be available to meet the demands which cannot be met by the home-producing industry, rather than home production meeting the demands not satisfied by imported goods. It was this latter alternative, when the home industry had no safeguards, that caused widespread depression, instability, and serious unemployment in the Dundee area in the inter-war years.

In this connection you will recall that in February, 1954, the following announcement was made in both Houses of Parliament:

"Public trading in imported jute goods must continue meanwhile until appropriate measures to safeguard the United Kingdom jute manufacturing industry under conditions conducive to efficiency can be worked out and introduced. The Government is giving full consideration to this problem, but cannot promise any early solution."

This announcement, as I said at the time, is of vital importance to your Company, since it is on the continuing implementation of the pledge given then that the earning capacity of your Company and the prosperity of the city of Dundee depend. HM Government has not yet found a solution, but since I last addressed you, two events have occurred which have a material bearing on the problem.

I refer, firstly, to HM Government's announced intention of entering into negotiations which may lead to the inclusion of the United Kingdom in a proposed European Free Trade area; and, secondly, to the Restrictive Trade Practices Act, 1956: both of these pose problems to which answers will have to be found. The first problem is: how can the European Free Trade Area proposals be reconciled with the continued implementation of HM Government's pledge to the jute industry without disturbing Commonwealth relations; the second is: what effect will the Restrictive Trade Practices Act, 1956, have on the price structure which has operated in the jute industry for some years past? It is difficult to see how the present form of protection carried out by the Government, through whom the Jute Control remains the sole purchaser of imported Asiatic goods, could operate smoothly without it.

There are no clear-cut answers to these problems, but your Board of Directors will, as in the past, give every assistance to HM Government in order to make it as easy as possible for the pledge given to the industry in 1954 to be implemented. The importance of this pledge and its effects on the prosperity of your Company and the citizens of Dundee cannot be over-emphasised.

CAPITAL EXPENDITURE

The Accounts show that capital expenditure of approximately £1 million was incurred during the past year, and also that on September 30, 1956, further capital commitments of approximately £750,000 had been entered into. Your Board of Directors has entered into these commitments, as well as those incurred over previous years, in order that your Company can be as competitive as possible and, incidentally, that it—along with the remainder of the jute industry—can continue to justify the safeguarding afforded to it by HM Government. Your Board fully appreciates that capital expenditure on this scale carries with it the inevitable implication of increased depreciation and obsolescence charges, and that profits can only be realised after these charges have been met.

In this age of modern development it is not only necessary to take into account depreciation due to wear and tear, but also to look ahead to the replacement of machinery and perhaps buildings, due to obsolescence. Obsolescence can arise not only from machinery development, but also from the switching of demands made upon us by consuming industries. Jute is often regarded merely as a packaging material, and it is perhaps not generally appreciated by stockholders that almost half of your Company's sales find their way to the floor covering industries of the world.

Our spinning mills are fully employed, and our new Douglasfield Mill—although not yet in full production—is providing a valuable addition to our yarn production. Our weaving factories on the whole are busy and the demand for our products continues. The future activity of both these sections—which comprise the major part of our business—depends just as much on the activity of the consuming industries which we serve as on the quality and competitiveness of our products.

EXPORTS

I told you last year that the volume of our exports in 1955 was more than twice what it was in 1951, when restrictions by export licensing were removed, and also that in 1955 we earned in dollars the equivalent of over £1 million sterling by our exports to the dollar countries. I am glad to be able to inform you that we exported in 1956 10 per cent more in volume than we did in 1955. During 1956, 25 per cent of our total cloth production went for export, three quarters of this going to dollar markets. Our total exports to the dollar countries in 1956 earned in dollars the equivalent of more than £1,250,000 sterling. Your Company will continue to make every effort to play its part in the export trade of the country, but competition in world markets is increasing, with the inevitable reduction in profit margins.

MANAGEMENT

Finally, I am sure you would wish me to convey to all executives, management, staff and employees at home and overseas your most sincere thanks for their work over the past year. This thanks expressed on your behalf is no formality on my part—any success that your Company may have had over the past few years has not been due to the enterprise and initiative of a few individuals: it has been the result of the fine spirit of co-operation and loyalty to the Company which exists at all levels.

The report and accounts were adopted.

OLDS DISCOUNT

Extract from the Circulated Statement of the Chairman, Mr. Wm. A. Olds.

It appears that a good deal of the old fashioned antipathy to Hire Purchase and other new methods of providing commercial credit is receding, and it is being realized that these can be the MOST POWERFUL means of regulating the distribution of large quantities of both capital and consumer goods.

Observation of the effect of the use by commercial organizations of methods of acquiring CAPITAL GOODS by regular time payments (instead of the often unsuitable and much abused ordinary credit) make it clear that much longer periods for settlement can be arranged for which finance is available, without danger of loss to suppliers; and during these periods profits can be confidently expected to accrue for the required payments as a result of using the latest plant and equipment.

With regard to CONSUMER GOODS it is readily conceded that more effective credit control was desirable to avoid the danger of overloading rash and careless people, but this is now well looked after by experienced traders, ably assisted by the established Finance Companies.

It is almost impossible to exaggerate the importance to the happiness of workers of the ownership of real assets which at the present high cost, are so very difficult to acquire by other means than this very safe and effective system!

DEPOSITS

Increasing use is being made of the service provided by our Banking Department for Depositors.

RECORD OF PROGRESS

in stages during last seven years:

	Profit before Taxation	Ordinary Dividends Paid (net)	Profit Retained after Taxation
	£	£	£
1950	185,317	32,062	31,855
1952	282,273	43,875	52,648
1954	474,180*	91,300	99,095
1956	748,069*	144,900	175,224

* Reduced by amount for Minority Interests.

The above Ordinary Dividend for 1956 represents 10.9 per cent. (gross) on the Ordinary Stock and Reserves.

Head Office:
14-18, LOW PAVEMENT, NOTTINGHAM
'Phone: 46484.

Branches in all Principal Cities.

BRITISH TYRE & RUBBER COMPANY LIMITED

SATISFACTORY TRADING RESULTS

SIR GRAHAM HAYMAN'S ADDRESS

The thirty-third annual general meeting of British Tyre & Rubber Company Limited will be held on March 27th in London.

In the course of his circulated statement the chairman, Sir Graham Hayman, said that despite the impact of the anti-inflationary measures, which had resulted in a substantial decline in the normal demand made upon the Group by many industries, he was glad to report that the total Group sales compared favourably with those of the previous year.

The Chairman continued: The Group profit for the year before taxation totalled £1,752,812 as against £2,146,717. Taxation calls for £899,038, leaving a net profit of £853,774. Your Directors have allocated an additional £250,000 to General Reserve and £100,000 to Plant Replacement and Development Reserve, and recommend a final dividend on the Ordinary Stock of 10 per cent, making a total of 15 per cent, being the same as last year.

LIQUID POSITION

The liquid position of the Group continues to be very sound, but our cash resources are not too large for the expansion programme upon which we are now actively engaged. The heavy cost of your Company's replacements and expansion in recent years clearly illustrates the serious burden which industry is obliged to carry in the face of which the existing structure of taxation is excessive and depreciation allowances inadequate. The Government must therefore adopt a new approach to this vital question if industry is to continue to provide the expansion which is essential to our national progress.

As I have pointed out on previous occasions, as Engineers in Rubber, our growth in the manufacture and sale of industrial rubber products has been such that, over the years, Tyres have ceased to be a major factor in our total business. After the fullest consideration, your Board decided that it would be to the greater advantage of the Company to apply its efforts and capital resources to the newer developments of thermo-plastic and rubber products in the industrial field. Arrangements were accordingly made to discontinue the manufacture of Car, Giant and Cycle Tyres in November last.

During the year, new manufacturing processes enabled us to make still further progress in the Belting field. BTR "Pluvicor" Fire Resistant Conveyor Belting continues to enjoy a high reputation in the coal fields and we have maintained our position as a leading supplier of belting to industry as a whole.

BTR "Plastidry" Fire Fighting Hose, introduced last year and now available with nylon reinforcement, is being supplied for Civil Defence and to the Public Fire Fighting Services. It is at present undergoing extended trials by the Admiralty, Air Ministry, Atomic Research Authority in the United Kingdom and Fire Services in Commonwealth countries.

Among our comprehensive list of special products, BTR Cutless Rubber Bearings for ocean going vessels of all kinds, Rubber and Plastic Linings for the Chemical and Allied Industries, Vibro-Insulators to meet complex anti-vibration problems, all made good sales progress.

I am glad to report that in the face of severe competition we have made encouraging progress in the export field.

I believe your Company is well equipped with resources and experience to play its part in these challenging times, and I feel there are good grounds for confidence in its future growth and prosperity.

MARTINS BANK LIMITED

PROPOSED CAPITAL REORGANISATION

Separate Class Meetings of the £20 shareholders and £1 shareholders and an Extraordinary General Meeting were held on Wednesday, March 6th, at Head Office, 4, Water Street, Liverpool, 2.

Sir A. Harold Bibby, DSO, DL, Chairman of the Bank, presided.

Resolutions agreeing to the Scheme of Arrangement for the reorganisation of the Bank's capital were duly carried. The Scheme requires to be sanctioned and the reduction of capital confirmed by the High Court before taking effect.

TEMPERANCE PERMANENT BUILDING SOCIETY

MR CYRIL W. BLACK'S REVIEW OF 1956

The hundred and third Annual Meeting of the Temperance Permanent Building Society was held on Friday, March 1st, at the Caxton Hall, London.

INTEREST RATES

Mr Cyril W. Black, JP, MP, FRICS, chairman of the Society, in the course of his speech, said: *The year 1956 opened on a* note of restrained optimism so far as Building Societies were concerned; but there had already been signs that the earlier measures taken by the Government to stem the tide of *inflation* would have to be strengthened, and *shortly before we last met the Bank Rate* had been increased from 4½ per cent to 5½ per cent. Our hopes that the resultant rise in the general level of interest rates might prove to be of short duration were not to be realised.

We have always before us the necessity of maintaining a just balance between the two correlated forms of thrift which it is our purpose to encourage—savings and home-ownership. But in these days of intense competition for funds we are inevitably affected by outside influences, particularly by the Government's measures of financial control; and so, with the continuance during the year of the high level of interest rates generally, we eventually increased as from October 1st the rates payable to Shareholders and Depositors to 3½ per cent and 3 per cent respectively, income tax paid by the Society in each case. It was a matter of great regret that we had to give notice to our borrowers of an increase in the rate of interest on their mortgages to, in general, 6 per cent. As on the previous occasion, we did what we could to ease matters by deferring the increase until January 1st of this year.

NEW SAVINGS

We do all we can to encourage the small saver and the introduction last year of our Savings Shares resulted in the opening of nearly 2,000 accounts of this class. With interest at 3½ per cent and a bonus of ½ per cent added at the end of four years, this is proving to be an attractive form of systematic saving of amounts of from 10s. to £10 a month. To an investor who is liable to income tax at the standard rate, the gross equivalent is nearly 7 per cent.

Total assets have passed the *£36 million* mark. Inevitably we had severely to restrict new mortgage business, but during the year we advanced £3,232,445. The total outstanding on mortgages on December 31st was *£30,031,529, of which only £492,000* was in respect of mortgages where the debt exceeded £5,000. We have continued our policy of maintaining liquid funds adequate to meet all likely requirements. The ratio has been increased to approximately 16 per cent of total assets, which is more than double the minimum of 7½ per cent laid down by the Building Societies Association as a condition of membership.

RESERVES

The very narrow margins of profit on which Building Societies are operating today is evidenced by the general fall in the ratios of reserves to Share and Deposit capital in *recent years.* Your Board strongly holds the view that we have a duty so to regulate the expansion of our business as to make sure that at all times our strength and our ability to meet our obligations are not impaired. It will be encouraging to you to know that at the end of 1950 our reserve ratio was 6.1 per *cent, and at the end of 1956 it was almost* unchanged at 6.09 per cent, although our *total assets had increased in the period from* £25 to £36 million.

It is difficult indeed in present uncertain and changing conditions to make a reliable forecast of the future course of events. There are indications, however, that *inflation is* beginning to burn itself out, and that interest rates are more likely to fall than to rise during 1957. I am confident that this is a time in which we should be seeking to consolidate and strengthen our great Society, so that we may continue to give to our investors a security for their savings which is literally second to none, while at the same time providing to house purchasers mortgage facilities on as large a scale as this policy permits.

The Report and Statement of Accounts were adopted.

BRADFORD EQUITABLE BUILDING SOCIETY

The annual general meeting of the Bradford Equitable Building Society was held at the Mechanics' Institute, Bradford, on March 4th.

Presenting the Annual Report and Statement of Accounts for the year ended December 31, 1956, the President, Brigadier Sir A. Maxwell Ramsden, CB, OBE, TD, DL, gave the following report:

It is my duty as President of the Society to submit to you for your consideration and acceptance the Annual Report of the Directors and the Statement of Accounts and Balance Sheet for the year ended December 31, 1956.

The policy of your Board for that year may be properly summed up in the one word "consolidation."

As in 1955, so in 1956, the most important matter to which your Board has given consideration was the effect of the changes in national monetary policy. In February, 1956, the Bank Rate was increased from 4½ per cent to 5½ per cent. From September, 1956, the Society increased its rate of interest to Paid-Up shareholders from 3 per cent to 3½ per cent, but it was not until October, 1956, that existing borrowers were called upon to pay an increased rate of interest.

These increases to Paid-Up shareholders were necessary in order to retain existing funds and to attract additional monies.

The rates which Building Societies pay to their investors and savers can only be determined from time to time, not by the Societies themselves, but by their competitors in the *investment and savings market.* Of these there are many, including Government agencies, local authorities, industrial bankers and the whole range of industry and commerce. It is in face of all this competition that Building Societies must adjust their rates of interest.

Notices were posted a few days ago to existing borrowers increasing their rates of interest to 6 per cent for houses for own occupation and to 6½ per cent for other securities. The Directors very much regret having had to do this, but they do claim to have given every possible consideration to their existing borrowers.

In the opinion of your Board, the reduction in the Bank Rate of ½ per cent announced last month can have no immediate effect on Building Society interest rates.

SHARES AND DEPOSITS

Receipts from shareholders and depositors during the year were maintained at a high figure—£5,280,000. Withdrawals were also at a high level. The reasons for the reduced income and the high level of withdrawals (*which has been the general experience of* Building Societies) are—(*a*) the results of the credit squeeze and (*b*) the intense competition by other savings and investment media.

Your Directors support the efforts *made* to defeat inflation, even when those efforts mean reduced investment income for the Society, for it is only by defeating inflation that savings and investments can be expected *to continue.*

MORTGAGES

Mortgage activity has been *somewhat* restrained during the year, advances having been made to 2,600 borrowers for a total of *£4,334,000, a decrease of £519,000 on the* previous year.

Losses on realisation were again negligible, *and I am happy to state that the mortgage* accounts are in a very healthy condition.

INVESTMENTS AND LIQUIDITY

The total liquid funds of the Society in Trustee Securities and Cash at Banks and in *Hand amount to £4,619,000, representing* approximately 14.7 per cent of the Society's Assets, a *slight* increase on the figure of twelve months ago.

The Report was adopted.

Subscriptions to most countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is either because the alternative is not available or not recommended.

ANNUAL AIR SUBSCRIPTION RATES

	Airmail	Air Freight		Airmail	Air Freight		Airmail	Air Freight
Australia	£8 5s. sterlg.	—	India & Ceylon	£7 15s.	£6	Pakistan ...	£7 15s.	£6
Canada	—	$21.50 or £7 14s.	Iran	£6	—	Rhodesia (N. & S.).	£7 15s.	£5 10s.
East Africa	£7 15s.	£5 5s.	Iraq	£6	—	S. Africa ...	£7 15s.	£5 10s.
Egypt.....	£6 0s.	£5 5s.	Israel	£6	—	S. America .	£7 15s.	—
Europe (except Poland)	£4 15s.	—	Japan	£9	—	Sudan	£6	£5 10s.
Gibraltar, Malta.	£3 15s.	—	Malaya	£7 15s.	£6 15s.	U.S.A.	—	$21.50 or £7 14s.
Hongkong	—	£7	New Zealand.	£9 sterlg.	—	W. Indies ..	£7 15s.	—
			Nigeria, Ghana	£7 15s.	£5 5s.			

APPOINTMENTS

RUSKIN COLLEGE, OXFORD

Applications are invited for the post of Tutor (man or woman) in *Economics and Industrial Relations* to be taken up not later than October, 1957. Salary scale £750 x £50—£1,300. F.S.S.U. superannuation scheme. Applications with three referees required by May 15, 1957. Full particulars and form from General Secretary, Ruskin College, Oxford.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER IN SOCIAL ADMINISTRATION. Candidates should have a particular interest and also experience *in housing policy and administration.* Salary not less than £550 per annum with membership of the F.S.S.U. and Children's Allowance Scheme. The person appointed will be required to undertake research and to assist in the supervision of practical work as well as in the ordinary teaching duties of the department.—Applications should be sent, not later than *March 20, 1957, to the Registrar,* the University, Manchester 13, from whom further particulars and forms of application may be obtained.

SOUTH AFRICA. Assistant Manager required for Union Acceptances a private finance house, resident in Johannesburg and associated *with Anglo-American Corporation of South Africa.* Wide experience of City of London financial methods and tradition required, including knowledge of acceptance credits and discount *market. Age preferred about 35 years. Starting* salary £3,000 per annum. Apply in writing to *Appointments Officer, Anglo-American Corporation of South Africa Limited, 40 Holborn* Viaduct, London, E.C.1.

TRANSLATOR.—An international company of electrical engineers wishes to appoint a single man up to 45 years of age who is at their headquarters in Holland as a translator in the financial and economic field. He should have studied these subjects, *especially as they affect industry, and should be interested in accounting* problems. He must be prepared to discuss these topics with experts in order to improve his knowledge and learn their point of view. Applicants must have fluent command of German and/or French and be willing to live in Holland and learn the Dutch language. Interviews will be *arranged in London.*—Write fully to Box 646.

ACCOUNTANT

age 35-50, with commercial experience, required for executive appointment in Teheran. Overseas experience not essential but must be capable of organising accounting work and managing a large office. Initial tour of two years with paid home leave, housing allowance, medical facilities and life assurance provided. Low rate of taxation. Salary to man with requisite experience not less than £3,000 per annum.—Write Box D6080, c/o White's Ltd., 72 Fleet Street, E.C.4.

THE REPUBLIC OF THE SUDAN

The Department of Statistics, Ministry of Social Affairs, requires for service in the Sudan: (a) Senior Statistician, (b) Statistician. Candidates must have an Honours degree in Economics or an equivalent in Statistics. Applicants for post (b) should be fully experienced and have a sound knowledge of sampling theory, and be completely capable of planning and undertaking social surveys. A knowledge of national income statistics is also required. Applications for post (b) will be considered from those having a sound knowledge of sampling theory and national *income statistics.* Age for (a) 28-45, and for (b) 22-45. Candidates must be fully literate in either Arabic or English. Appointments will be on Short Term Contracts without bonus for a period of two years. Salary ranges for post (a) £S.1,866-£S.2,106 and for (b) £S.1,146-£S.1,786 (one Sudanese pound equals one pound and sixpence sterling). A Cost of Living Allowance is payable and an Initial Outfit Allowance of £S.50.

Write, preferably on a postcard, for application forms and further information, to the Sudan Embassy, Personnel Section, Cleveland Row, St. James's, London, S.W.1, quoting "Senior Statistician 4/912" or "Statistician 4/913" *Closing date March 29, 1957.*

MANAGEMENT SELECTION LIMITED have been retained to advise on the selection of the

GENERAL SALES MANAGER

for an expanding international company near London manufacturing light electro mechanical *equipment and fractional h.p. motors.* A substantial turnover has been trebled in four years and gives rise to this new appointment which will carry responsibility for all sales on the home market. Company policy is to delegate authority to men who have the drive and initiative to take full *advantage of their opportunities.*

Previous experience of managing a consumer goods sales organisation in a highly competitive market is essential. *Candidates should preferably* be University graduates and should have some practical knowledge of engineering. Starting *salary of £4,000 to £6,000, according to experi*ence. Preferred age 35 to 45.

Please send brief details, in strict confidence, to R. L. Rolf, *Management Selection Ltd.*, 17 Stratton St., London, W.1, quoting reference S339. No information will be passed to our clients until candidates have been told their identity and have given permission after full discussion.

LARGE Commercial Company has vacancy at a Regional Office for Public Relations Officer. Successful applicant will be responsible to the Regional Manager for all aspects of the Company's public relations policy throughout the area of England concerned. Applicants must have a good press background, and organising skill and personality to promote the Company's interests. Salary will be in line with qualifications, experience and ability, with full scope for promotion on all sides of the Company's business. Excellent pension scheme, with dependants cover for married employees. The Company will also assist successful married applicants, if it is necessary for them to move to take up their appointment. Please apply in writing, giving full details of age, qualifications and experience, to Box No. 647. Replies can only be sent to those selected for interview.

UNIVERSITY OF CAMBRIDGE

DEPARTMENT OF ESTATE MANAGEMENT

The Appointments Committee of the Department of Estate Management intend to appoint as from October 1, 1957, a University Assistant Lecturer in the Department of Estate Management. Applicants should *hold a degree* in Economics or Estate Management. The person appointed will be required to lecture on imperial and local taxation and fiscal policy. The appointment will be subject to the Statutes and Ordinances of the University.

Pensionable stipend £700 to £800 a year, with a possible *supplement not exceeding £120 a year depending upon* the fulfilment of certain conditions. Non-pensionable allowance of £50 a year for each child.—Further information on duties and stipend from the Secretary of the Appointments Committee, Department of Estate Management, 74 Trumpington Street, Cambridge. Closing date *for applications March 20, 1957.*

UNIVERSITY OF LONDON

The Senate invite applications for the Readership in Social Institutions tenable at the London School of *Economics and Political Science (salary £1,300—£1,550—* £1,800 a year). Applications (10 copies) must be received not later than April 12, 1957, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars may be obtained.

UNIVERSITY COLLEGE OF NORTH STAFFORDSHIRE

Applications are invited for the post of Assistant Lecturer or Lecturer in Statistics. Salary scale £600 x £25 —£650 (Assistant Lecturer), or £650 x £50—£1,350 (Lecturer). F.S.S.U. and children's allowances.—Applications should reach the Registrar, The College, Keele, Staffs, from whom further particulars and application forms may be obtained, not later than March 15, 1957.

MARKETING RESEARCH

EXPANDING GROUP MARKETING AND RESEARCH

A Company within the Rank Organisation has *further vacancies for Marketing Research Execu*tives/Assistants. The positions offer considerable scope to those able to handle research with little supervision and also able to display imagination in dealing with problems in which they are unlikely to have had direct experience. A good *salary related to experience will be offered.*

The Rank Organisation has world-wide and growing interests in many fields. There is a pension scheme in operation.—Apply, in writing, *giving* a concise account of experience so far, to the Personnel Adviser, A107, The Rank Organisation, 11 Belgrave Road, S.W.1.

EXPORT. The extension of activities in the Export Department of an important manufacturing organisation necessitates the appointment of a Senior Executive to take *responsibility for one group of markets.* The position will carry a high starting salary and offers an attractive career for an energetic man who can draw upon sound experience of competitive selling in the export field. Ideally candidates should be aged *30 to 40* and have a fluent knowledge of French and German. Preference may be given to those with a University degree. Applications should contain full career details and will be treated in strict confidence.—Box 644.

MANAGEMENT SELECTION LIMITED have been retained to advise on the selection of a

SALES MANAGER

to be responsible for the proprietary division of an expanding and progressive pharmaceutical *company situated in the South of England.* The Company is directed by a young and energetic team, none of whom is over 40.

Candidates should have sales management experience at senior level and a successful record of marketing consumer products in a highly *competitive field—preferably through chemist* outlets.

A degree or similar qualification in chemistry or pharmacy would be an advantage. Age not over 40. Salary not less than £2,400 with a generous non-contributory pension scheme.

Please send brief details in strict confidence to P. H. Fryer, Management Selection Limited, 17 Stratton Street, London, W.1, quoting reference (S352). No information will be disclosed to our clients until candidates have been told their identity and have given permission.

LONDON COUNTY COUNCIL

Balham and Tooting College of Commerce, September 1, 1957. (1) Grade II Head of Social and General *Studies Department.* Should possess degree in some aspect of Social Studies, preferably have had tutorial experience in secondary and further education, undertaken some *administrative work, and be able to offer Government,* Commerce, Geography, Economic History and Economics as teaching subjects. Ability to develop a cultural and recreational programme for full-time, *part-time day and evening students,* and to contribute to the general welfare of the College is essential. (2) Lecturer in Management *Studies* for full-time, part-time day and short courses. Should possess degree or appropriate professional qualifications, together with suitable industrial or commercial experience. Preferably *undertaken some* lecturing or tutorial work. (3) Lecturer in Economics and Related Subjects for courses with full-time, part-time day and *evening students* preparing for *Professional,* National Certificate, Management and Advanced Level Examinations. Should possess degree in Economics, have had extensive tutorial experience, willing and able to take part in, and contribute to, the auxiliary activities and general welfare of the College. (4) Assistant Grade B for Stenography, Typewriting, Office Routines and related subjects for courses involving full-time, part-time day and evening students. Should have had teaching and commercial experience, and capable of *making a contribution* to the organisation and control of the courses concerned. Burnham F.E. Salary scales, (1) Women's rate subject to equal pay adjustments, £1,400 x £50—£1,600, (2 *and* 3) £1,200 x £30—£1,350, (4) £650 x £25—£1,025 with additions for qualifications and training; increments within the salary scale for experience. *All posts plus London allowance of either £36* or £48 p.a. Application forms from Secretary at College, Tooting Broadway, S.W.17, returnable by March 23, 1957. (314.)

AN important Belgian distributing company of machine tools, small tools and abrasive products, invites applications for the post of Commercial Manager.

The applicant will be required to have some experience in the field of mechanical engineering. Must speak French fluently and have some knowledge of German. Should *have held a responsible executive post, preferably in a* technical selling capacity.

This is a senior appointment and will carry a salary *commensurate with experience and qualifications.*

Applications to the Managing Director: Etablissements *Henri Benedictus, 34-36 rue Melsens, Brussels, Belgium.*

B.Sc. (2nd Cl., 1st Div., Hons. Chemistry), graduating with B.Sc. (Econ.) (Industry and Trade) in June, single, aged 28, no industrial experience, seeks employment with chemical firm in Canada.—Box 650.

TO Managing Directors. Do you wish to *lighten your load? Young executive of* proven ability, Cambridge Graduate, offers his services as Personal Assistant and is prepared to invest up to £12,000 in a business of good reputation. Advertiser has carried heavy responsibilities and enjoys hard work.—Box 648.

JOB WANTED.—Engineer (Graduate), business man, linguist. Large organisation needing an experienced export/import negotiator (young 45), of highest integrity, *imagination, initiative,* able to talk in English, French, German, commercial sense to Engineers and technical sense to their bosses, is invited to write to Box 645.

INCORPORATED ACCOUNTANTS

The Society of Incorporated Accountants' Examinations

EXAMINATIONS, MAY, 1957

The Society's May, 1957, Examinations will be held on the following dates:—

Preliminary: May 7 and 8, 1957
Intermediate: May 9 and 10, 1957
Final Part I: May 7 and 8, 1957
Final Part II: May 9 and 10, 1957

The Centres will be Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester, Newcastle-on-Tyne and Southampton.

Applications on the appropriate forms must be lodged with the Secretary, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, W.C.2, not later than Wednesday, March 20, 1957.

THE NATIONAL BANK OF INDIA, LIMITED

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders will be held in the Bank's Premises at 24 Bishopsgate, London, E.C.2, on Tuesday, March 26th, at twelve o'clock noon precisely, to receive the Accounts to December 31st last with the relative reports by the Directors and the Auditors; to elect Directors; to fix the remuneration of the Auditors; and to transact all such other business as can be transacted at an Annual General Meeting of the Company.

In connection with the election of Directors special notice has been received by the Company pursuant to the provisions of Sections 142 and 185 (5) of the Companies Act, 1948, of the intention to move at the above Meeting resolutions for the re-election as Directors of the Company of Mr N. W. Chisholm, who attained the age of 70 years on October 1, 1956, Mr W. G. Lely, who attained the age of 70 years on July 15, 1956, and Mr A. N. Stuart, who attained the age of 70 years on June 21, 1956. Mr Lely and Mr Stuart retire by rotation and offer themselves for re-election.

By Order of the Board,
G. T. GILLESPIE,
Deputy General Manager.

26 Bishopsgate, London, E.C.2. February 28, 1957.

N.B.—A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote *instead of him and a proxy need not be a Member.*

BANK OF THE GOLD COAST

In accordance with an Amending Ordinance recently passed by the Legislative Assembly, the name of the bank will be changed to "Ghana Commercial Bank" as from March 6, 1957.

The postal address in Accra and Kumasi will continue to be "Private Post Bag," and the amended telegraphic address will be "COMMERBANK."

A. EGGLESTON, Managing Director.

Accra. 22/2/1957.

"BRILLIANT REPORTING," says Stanley Maxted of James Michener's book "Bridge at Andau." Moving personal stories of Hungarian youth in revolt. *Not yet published, but now condensed in March Reader's Digest,* 1s. 6d.

SAVILE ROW CLOTHES. Cancelled export orders at direct from eminent tailors. Lesley & Roberts, Sandon, Huntsman, Kilgour, Davies, etc. Lounge, Dress Suits, Overcoats, etc., from 10 gns.—Recent Dress Co. (2nd floor), 17 Shaftesbury Avenue, Piccadilly Circus, W.1. GER 7180 (next to Café Monico). Est. 1922.

THE CHARTERED INSTITUTE OF SECRETARIES

Employers requiring the services of CHARTERED SECRETARIES to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute (Dept. E), 14 New Bridge Street, London, E.C.4.

THE Economists' Bookshop has the world's widest range of books on Economics, Politics, History, Anthropology and Social Sciences. World-wide mailing service. Second-hand books bought.—11-12 Clement's Inn Passage, Aldwych, London, W.C.2.

TAPE TRANSCRIPTION of conferences, reports or letters undertaken on your premises or ours, in this country or abroad. Service by post to provinces. The Palantype Agency, 229/231 High Holborn, W.C.1. (*Chancery 3460.*)

ANGRY YOUNG MEN: before you write one more angry young novel, do try a glass or two of Duff Gordon's *El Cid* Sherry. Very, very soothing. *Interrotes* you.

WORK STUDY. Next six-weeks' full-time course starts April 23rd. *Details of this and eight others, including part-time, evening and correspondence,* from The School of Time and Motion Study, 29 Cork Street, Piccadilly, London, W.1.

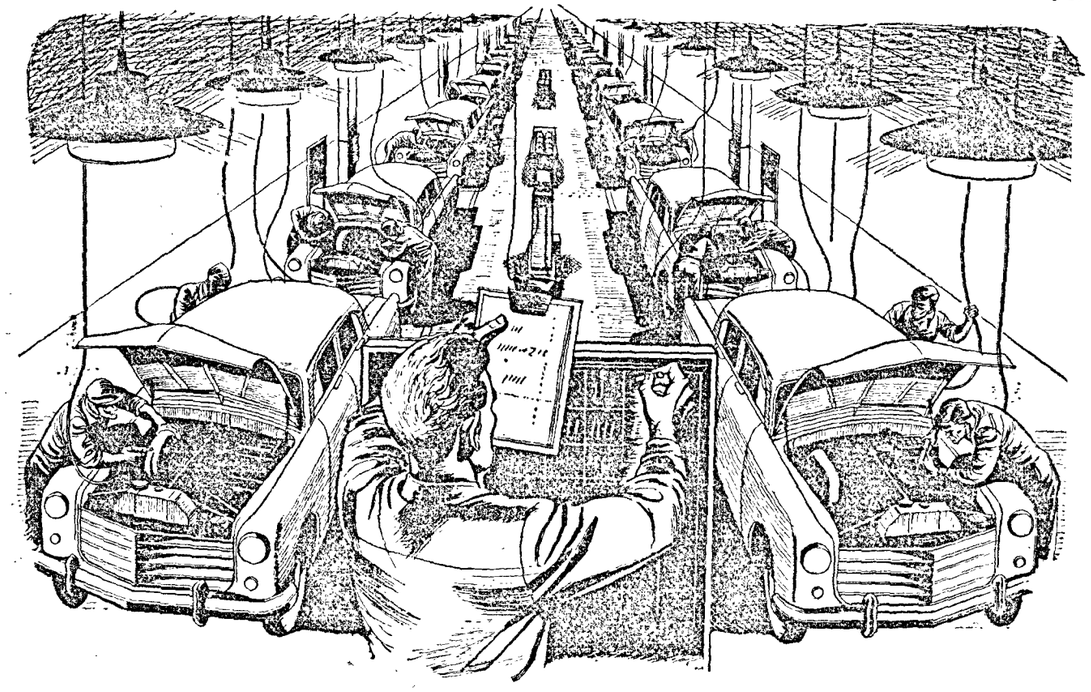
EXPERT POSTAL TUITION

for Examinations—University Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus—and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2).

METROPOLITAN COLLEGE, ST. ALBANS

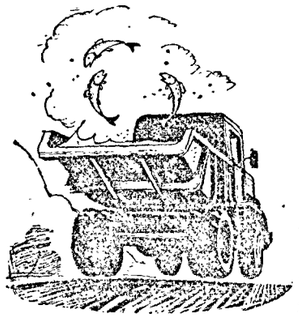
or call at 30 Queen Victoria Street, London, E.C.4.

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Australia doubles car output in eight years

The Australian car industry is steadily expanding to meet the needs of the home market from its own resources. The extent of the demand can be gauged from Australia's car ownership rate—now the third highest in the world. Since 1948, output has more than doubled, and Australia is becoming more and more independent of car imports.
In the big drive for increased production the Australian car industry—like others throughout the world—is making more and more use of Atlas Copco air compressors, hand tools and a wide range of other compressed air equipment. One Australian car manufacturer alone has installed or ordered no less than sixteen Atlas Copco heavy duty air compressors to meet the requirements of still wider expansion in this booming industry.



A truck-ride for a salmon

Compressed air is versatile. Atlas Copco provide the means for all its many applications. In some northern European countries, dams for power stations block the way of salmon swimming to the spawning grounds. Now they are caught below the dams, placed in open tanks of water on lorries and driven upstream. To keep them alive the lorries are fitted with small Atlas Copco air compressors to supply the salmon with all the oxygen they require.
The Atlas Copco Group of Companies is responsible for the manufacture of compressed air equipment and its distribution and servicing in 90 countries throughout the world. Group Headquarters: Atlas Copco AB, Stockholm 1, Sweden.

Atlas Copco puts compressed air to work for the world

SECRETARIAT ... GOVERNMENT OF MADRAS
22 MAR 1957

AIR EDITION

The Economist

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Shipyard Before the Strike

Peaceful Co-prosperity?

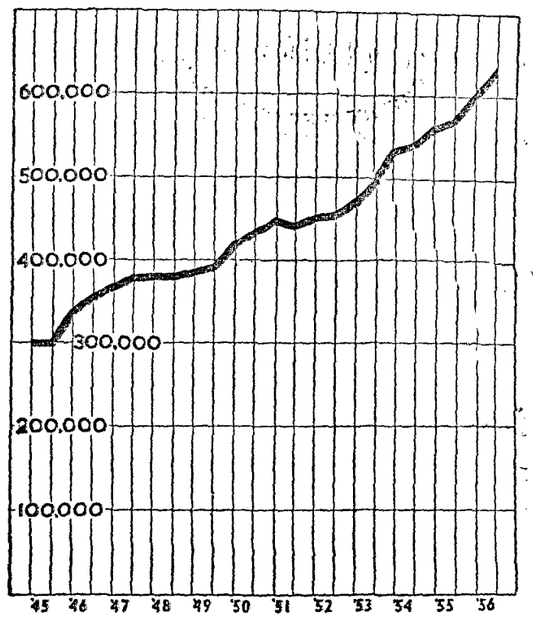
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VOLUME CLXXXII · NUMBER 5925

What does the big circulation rise of "quality" papers mean to advertisers?



NEVER have people in the upper socio-economic classes been so easy to reach as now. This large, continuing increase in circulation of the "class" publications—Dailies, Sundays and Weekly Magazines—has important implication for 3 main groups of advertisers.

1. Those selling consumer goods and services directly to the AB market.
2. Those who need to influence business executives who buy capital goods.
3. Those who wish to influence opinion leaders.

Of the papers calculated to reach this audience, The Observer has gained the most significant increase in circulation. The Observer's circulation has doubled since the war and now stands at 633,064.

Last year alone The Observer's circulation went up by 10.4%—the largest increase of *any* Sunday paper. And this was in a year when Sunday papers as a whole lost 1.2% of circulation.

The Hulton and I.P.A. readership surveys* give it a readership of 1,880,000 and 2,056,000 respectively. This is the highest number of readers per copy of any national Daily or Sunday newspaper. Both surveys give over half The Observer's readership as in the AB classes.

Not only does The Observer provide a concentrated, unwasteful, receptive audience: it provides a massive audience. It is also extremely economic.

If you would like to know in detail and at leisure how The Observer can help you, or your clients, please write or phone to Norman Berridge, The Observer, 22 Tudor Street, E.C.4, Fleet Street 9991.

**I.P.A. National Readership Survey 1956, Hulton Readership Survey 1956*

FACTS

Circulation

ABC June-Dec. 1956 633,064 (an increase of 31,662 on the half year, 59,432 on the year)

Readership

1956 Hulton Survey 1,880,000
1956 I.P.A. Survey 2,056,000

Class of Readers

1956 Hulton Survey AB 53% C 29%
1956 I.P.A. Survey AB 52% CI 23%

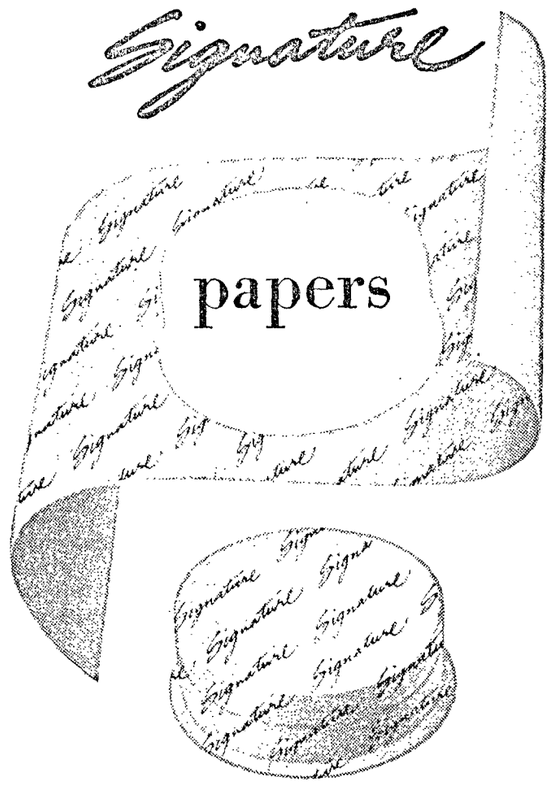
Age of Readers

1956 Hulton Survey Under 44 years 54%
1956 I.P.A. Survey " " " 55%

Rates

£15 per column inch (trade advertising)

THE OBSERVER

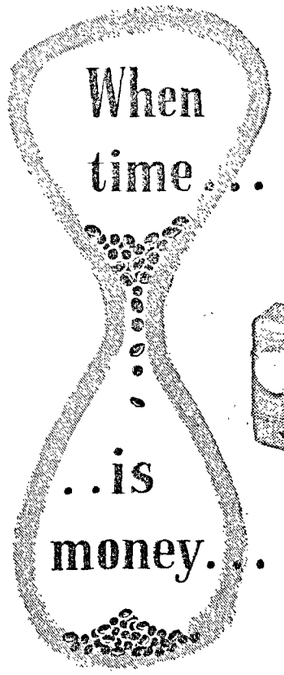


Do you autograph your goods?
Not literally, perhaps. But a Signature
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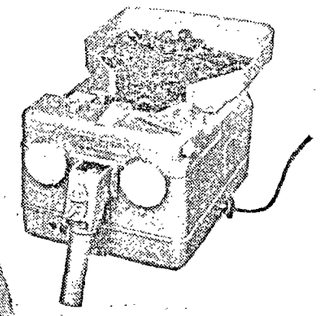
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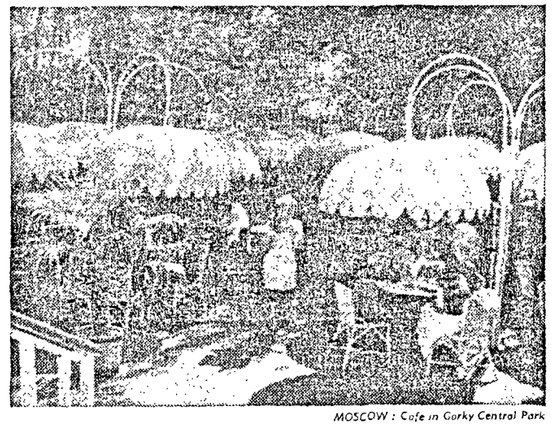


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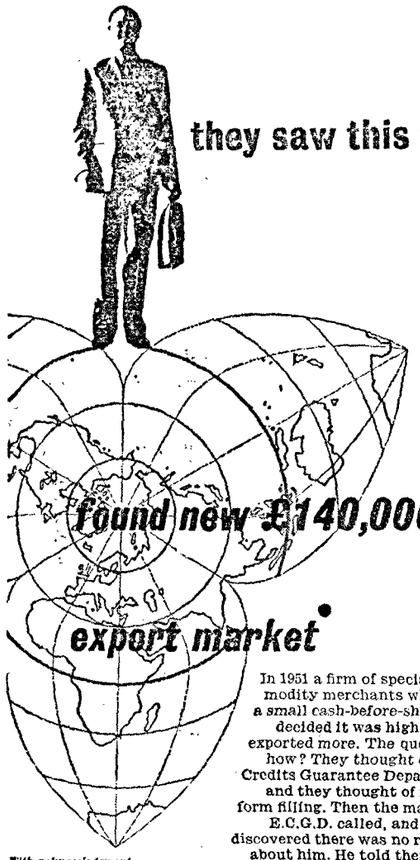
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● *This is a true story, but because business between E.C.G.D. and exporters is strictly confidential any details which could identify the exporter have been left out.*

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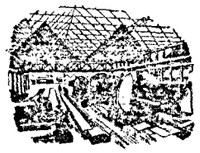
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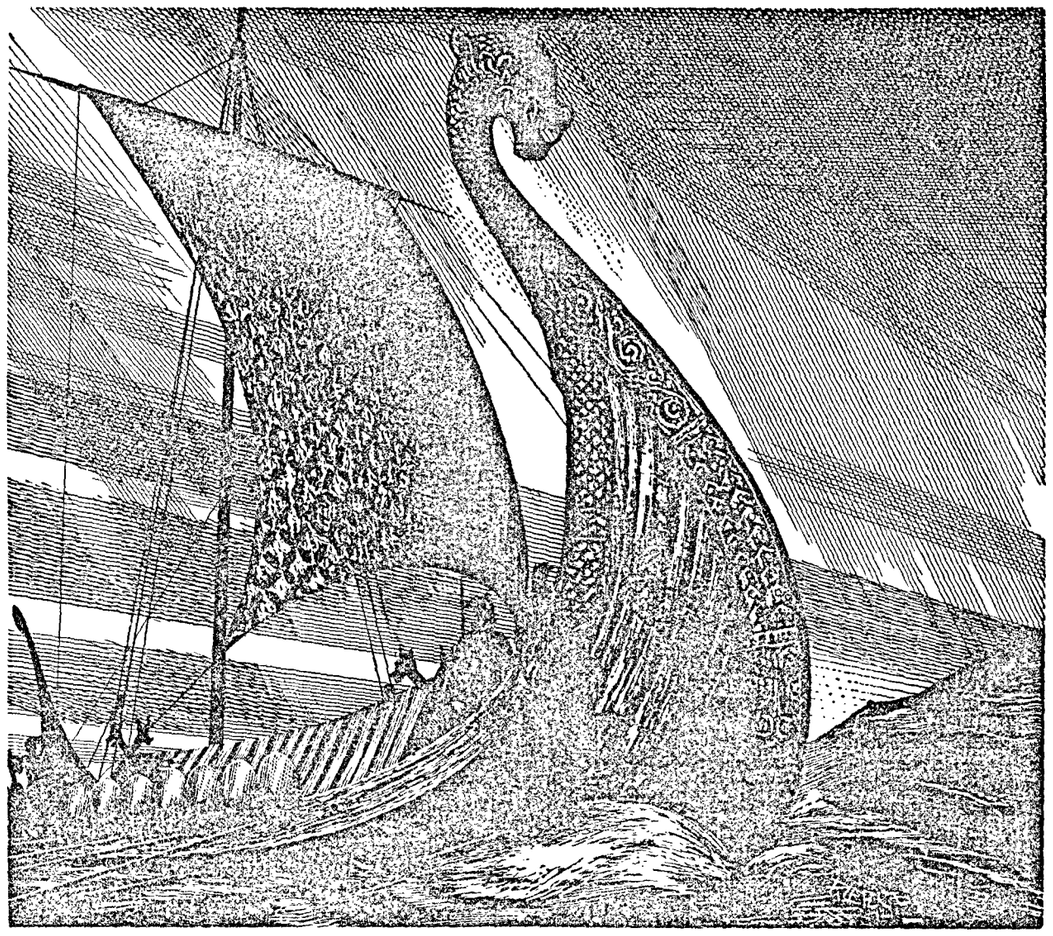
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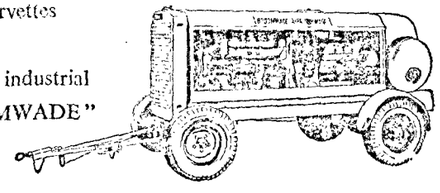


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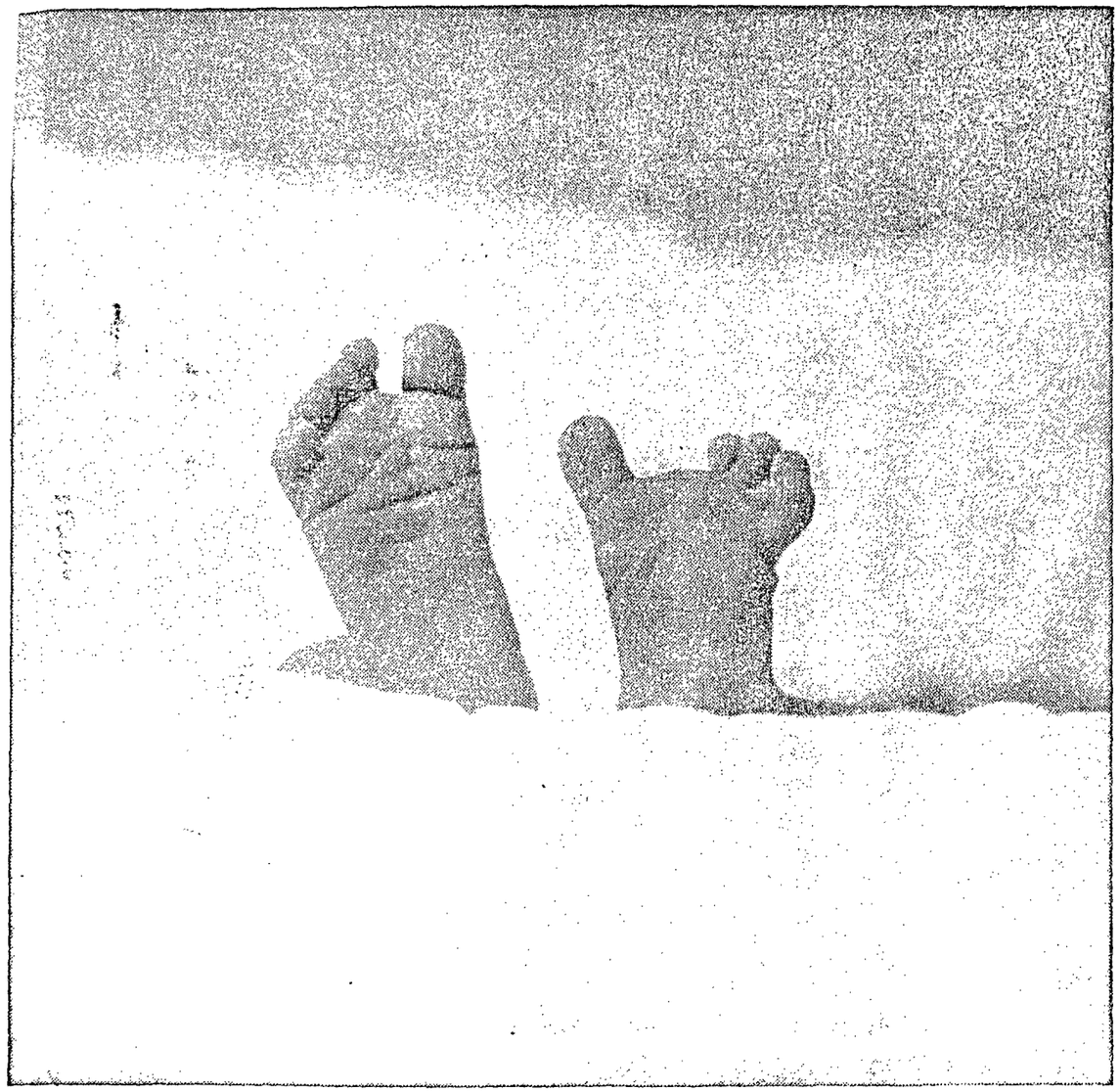
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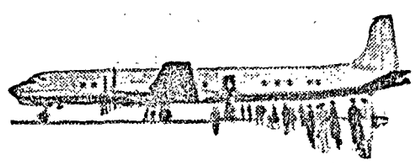
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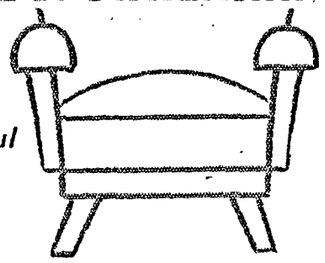


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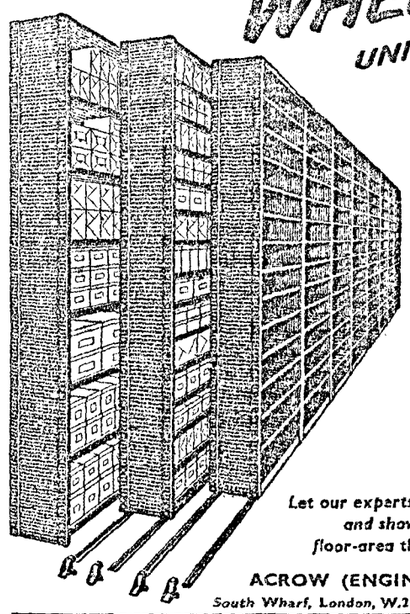
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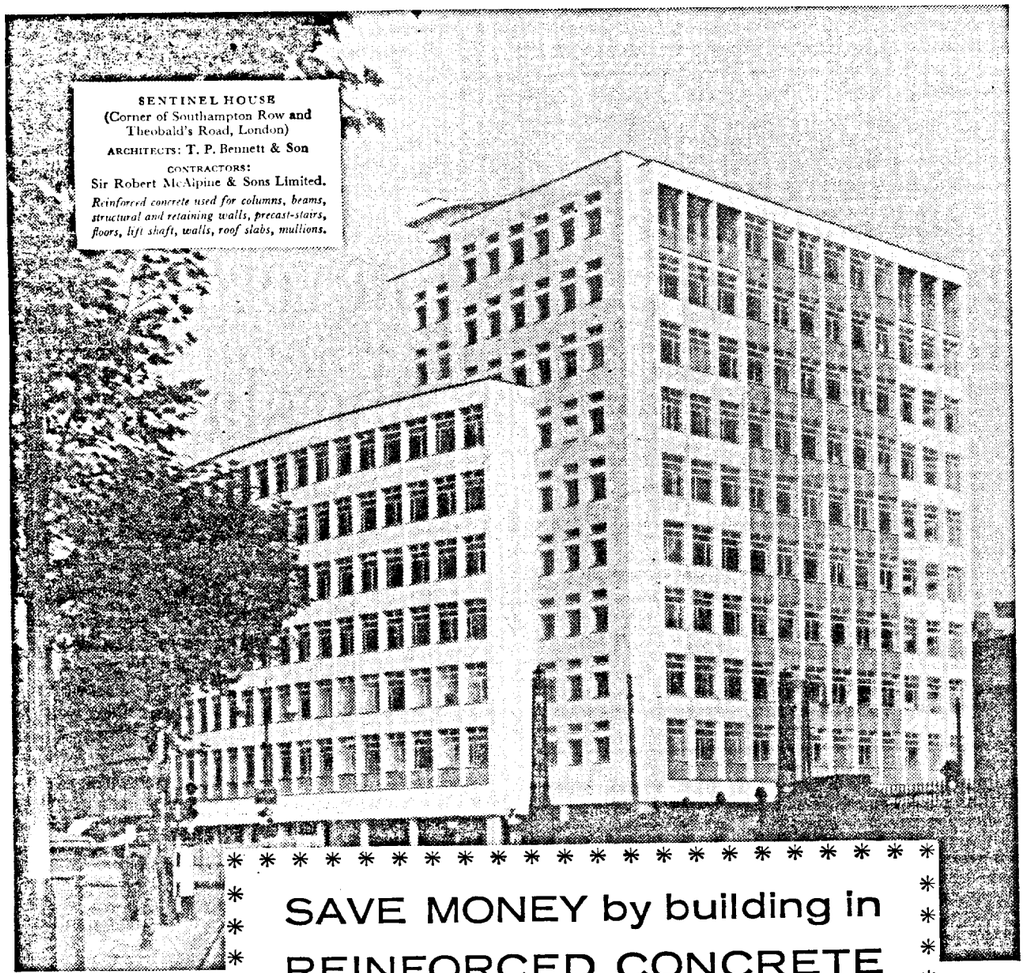
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Those who *have* thrown off their thraldom, who *have* brought themselves to make a change, will welcome the breeze of freedom blowing through the columns of the Manchester Guardian. Freedom to report and comment fearlessly; freedom to laugh at the ludicrous; freedom to lash out at the harmful.

The Manchester Guardian touches its cap to no particular party, is sworn to no set creed or programme. It is written by intelligent men, for intelligent readers. We invite you to join those ranks.



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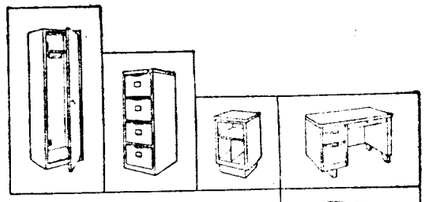
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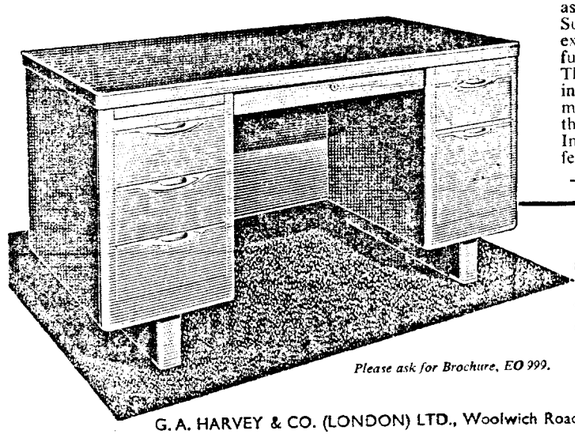
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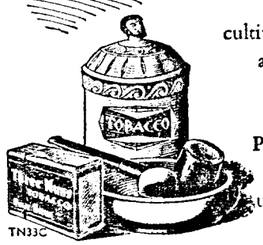
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Perique—the subtle secret of Three Nuns





When next you fill your pipe with Three Nuns Tobacco, consider the dark centre which those curious curly discs possess. This is the black heart of Perique. Long before the Boston Tea Party, Indian Braves were cultivating Perique in a small ten-mile area not more than 50 miles north of New Orleans. The first white man to join them was Pierre Chenet, known as 'Perique', and it was he who gave this unique tobacco its name. He found, like others after him, that only in this tiny plot of land can the exacting conditions necessary for the successful growth of Perique be fulfilled. And so, with an ancestry that reaches back to the untutored Brave and his pipe of peace, Perique, expertly blended, bestows upon today's Three Nuns smoker perfect tranquillity.



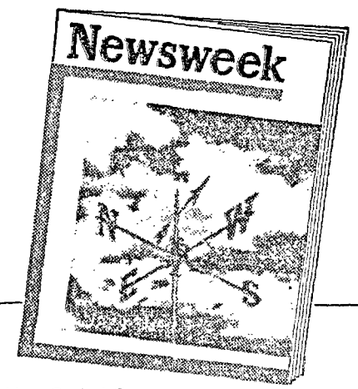
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Fairbanks-Morse & Company
Fiat
Firestone Tire & Rubber Company, The
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The Champ



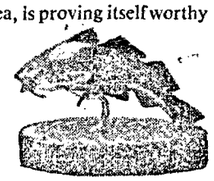
Bill Turner of the Hull Trawler "Lancella" wins Silver Cod Trophy for landing 2,871 tons of first-class fish in 1956

Britain's Fishing Industry is as old as her Monarchy, as old as Agriculture, older than her once great staple industry, Wool, older far than Coal or Iron—yet today as up to date as any, with Diesel-Electric Trawlers, Electronic Fish Finders and every type of modern equipment.

Throughout the centuries our Royal House has fostered our Fishing Industry as the Nursery from which our Merchant Navy and the Royal Navy grew to the world leadership on which the British Empire and Commonwealth was founded.

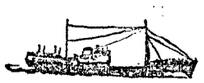
Many of our Monarchs have been professional Sailors. All have delighted to identify themselves with and to honour our Seamen. What more fitting than that this year the Supreme Trophy for the Champion Trawler, landing the heaviest catch for the year, should be presented at Fishmongers' Hall to the British Distant Water Fleet's Top Skipper by His Royal Highness The Duke of Edinburgh—himself a trained and tried Sailor.

When the Duke hands over the Silver Model of a Leaping Cod presented by the British Trawlers' Federation to the 1956 winner, Skipper William Turner of the "Lancella" of Hull, he will be giving National recognition to an Industry which, by striving to its uttermost to provide more, better and cheaper fish in the face of the hazards and hardship of the Cruel Sea, is proving itself worthy of a great National Tradition.



We, the British Trawlermen, are deeply honoured by this Royal Gesture on behalf of the Nation. We shall do all we can to remain worthy of it.

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Hull/Grimsby/Fleetwood

FISH IS THE CHEAPEST FIRST-CLASS FOOD THAT MONEY CAN BUY

The Economist

FOUNDED 1843

MARCH 16, 1957

ONE SHILLING

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Shipyard Before the Strike 889
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Middle Class Reliefs Within Reason

THERE is strong Conservative pressure that Mr Thorneycroft should give away any money that he has got on April 9th—and probably also some that he has not got—in aid of the "middle class." The economist's concern with this campaign is twofold. First, some Labour supporters need to be told that—even though it is not true that every potential surtax payer is on the verge of emigrating to Canada—the discriminatory pinch upon the professional and managerial classes since 1938 really has set up strains that *it is worth removing* in the interests of the community as a whole. Secondly, the leaders of the campaign need to be told that those who want to suggest practical reforms for this year will have a much better chance of being listened to if they try to fit them into a very modest framework—a framework that would cost, say, £30 million or less. The two desiderata for directing any such reliefs should surely be that some of the money needs to go to the places where *disincentives* to work are most obvious, and some should go where the shoe pinches most hardly. The recipe should be a little for the most discouraged, and a little for the most depressed. Here, as Mr Thorneycroft enters his three weeks of principal purdah to decide upon the shape of his coming budget, are some positive suggestions.

For the part of the money that he should use in order to remove disincentives to work, the Chancellor can probably do no better than base his changes in this field on two recommendations made by the Royal Commission.

First, in order to remove the "kink" in the tax curve that arises from the fact that a man now loses the benefit of earned income relief almost *immediately after he starts paying surtax,* the commission suggested that the present earned income relief of two-ninths should continue up to an income of £2,500 a year, and that income between £2,500 and £3,000 should attract earned income relief at one-ninth. This proposal would cost the revenue around £10 million a year.

Secondly, in order to give greater incentives to wives who go out to work, or could go out to work, but whose incomes when combined with their husband's exceed the lower limit for surtax and the upper limit for earned income allowance, the commission suggested that a working wife and her husband should receive earned income allowances until their joint incomes exceeded £4,000 or £5,000; if married couples who chose to take advantage of this dispensation were not allowed to take advantage of the present net marriage allowance as well, the cost would be quite derisory—under £1 million a year. There is everything to be said for encouraging professional women to go out to work in this way, and it is extraordinary that Chancellors have not implemented this recommendation before.

The obvious alternatives to these two reliefs—such as raising the starting limit for surtax to a flat £3,000 a year (annual cost probably about £25 million), and allowing earned income and dependants' allowance right up the surtax side (annual cost about £35 million)—

both seem less attainable than these reforms, because they would be more expensive.

So much, if one is to be limited to £10 million or so, for the money that might be afforded for increasing middle-class incentives to work. In suggesting that some money might be afforded for reliefs that are not quite so directly tied to incentives, the proponent of tax reform for the middle classes must be careful to justify his case. It is an economic, as well as a political, mistake to be continually pleading for class, instead of for community, interests. Yet in so far as there is any truth—and there is a little—in the story that professional people with scarce skills are being tempted to emigrate from this country, it is because they feel unduly pinched at certain periods of their career, rather than because of the effect of high taxes upon incentives to work; and this general pinch is also inhibiting some of the middle classes from doing things that are socially desirable—especially, of course, from financing the best possible education for their children. It is these points that should be borne in mind in considering whether any middle-class reliefs, other than on the earned income allowance, should be accorded.

The royal commission had two proposals in this field: (1) That child allowances for income tax purposes should vary with the taxpayers' incomes—that, instead of being £100 per child as now, they should be "£100 plus 6 per cent of the excess of income over £1,000, but subject to a maximum of £160" (which would be reached, of course, at £2,000 a year). As far as can be seen, the cost of this relief, at present tax rates, would be between £10 million and £15 million a year. (2) That "the starting point for surtax (now uniformly £2,000) should . . . become £1,500 for a single man and £2,000 for a married man without children, increased by £160 for each child in respect of whom the taxpayer is entitled to receive a child allowance." This proposal would be approximately self-balancing in revenue. Although these reliefs would be better than no reliefs, they are not the best for this year. There are certain criticisms that can be levelled against them. One is that it would be very difficult to lower the surtax limit for single men except in a year when the general rate of income tax or surtax was going down, and 1957 is not likely to be such a year. Another is that the main benefit of these proposals would be directed at surtax payers with children of any age; yet those who have been hardest hit by the social revolution are probably not surtax payers with small children, but those middle-class people (parsons, dons, and so on), who are not in the surtax class, but who would be if their incomes had risen in line with the cost of living since 1938—and particularly at that period of their careers when their children cost most to educate. A third objection is that the recommendation does nothing to increase the incentive—which needs to be increased for all classes, not just for the bourgeoisie—to keep children on at school after the age of fifteen.

The alternative relief which we would suggest is one which, so far as we are aware, has not been published before. But it seems a fairly obvious one, and it is worth recommending to the Chancellor's attention. At the moment the income tax allowance for children is a flat £100 for each child, either up to the age of fifteen, or up to the age of 21 if the child remains in full-time education. Yet the child over fifteen costs much more to keep in education—for the lower income groups because the child is then kept back from work, and for the middle classes because fees are then higher (especially if the parent is means-tested out of enjoyment of university awards). Why not recognise this disparity? If the income tax allowance for all children under fifteen were kept at £100, but that for children in full-time education over the age of fifteen were doubled, the cost—so far as we can work out—would be somewhere between £10 and £20 million a year. It is these income tax allowances—£100 for each child under fifteen, and £200 for each above fifteen—which could then be used to raise the starting point for surtax for the family man; this would be less expensive than the royal commission's suggestion that the starting point should be raised by a flat £160 for each child.

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There, then, is a possible programme for reform that should cost less than £35 million, and probably less than £30 million, in a full year—and considerably less in the year immediately ahead. The reliefs suggested would bring less benefit to the surtax payer with small children than the royal commission's proposals; but they would bring more benefit to people with older children all the way up and down the income scale. To take one example. The family man with an income of £2,750, two children at a public school and one at university would pay some £185 less tax under these proposals; if his wife went out to work and earned, say, £900 a year, she would keep some £50 more of it than she would under the present dispensation. Even then the family would be paying some £940 in tax, or some £800 more than a single person with one-fifth their income but also with only one-fifth as many people to support. But can anybody think of any way whereby incentives and reliefs could be directed more economically and more cheaply to those people in the middle class who seem to need them most?

MIDDLE EAST TENSION

The continuing crisis in the Middle East is discussed in several places in this issue of The Economist:

Notes of the Week ..... page **893**

A summary of Egypt's position in the Gaza Strip ..... page **894**

A message on the Eisenhower doctrine from our Washington Correspondent ... page **909**

Despatches from Saudi Arabia and Israel pages **917** & **919**

What Hope for Uno?

PINNED in the glare of the arc lamps for five dramatic months, the United Nations has undergone the most searching scrutiny of its eleven-year life. In the merciless white light, its values and limitations have been seen and defined more accurately than ever before. So, too, have the circumstances in which it may be so misused as actually to endanger the peace it is meant to help keep.

To those who did not choose to shut their eyes, some of Uno's essential characteristics have of course been quite clear for a very long time. No sane man has ever regarded it as a world government or a court of justice. It may be more plausibly depicted as a kind of Vatican City built into a latter-day Rome, where temporal powers seek benisons for their rival policies; but oddly enough, its main function in today's world is set forth in its Charter, though it scarcely catches the eye. It is a diplomatic mechanism, "a centre for harmonising the actions of nations in the attainment of common ends."

When agreement on common ends, or inclination to do something about them, falls short, the mechanism will not work. The glass walls of Uno's headquarters mirror the confused conflicts of the world outside, and it cannot be all things to all men. It is human and natural for any nation to identify its own policy of the day with the ultimate good of mankind, and to expect mankind to recognise the coincidence; but rarely is the expectation fulfilled. Hence India's and Pakistan's indignation that the United Nations will not satisfy either of them over Kashmir; British and French complaints of its failure to settle Suez the way they wanted; the Arab states' insistence that it should browbeat Israel but keep out of their hair (and vice versa). At this moment, when the UN Emergency Force is poised in the Gaza strip, its effectiveness as an insurance against a fresh conflict depends not on Mr Hammarskjöld, not on the force's military capacity, but on the extent to which member nations are prepared to insist that the force should see its job through to the end.

To make these points is neither to condemn Uno nor to defend it. Discussion of Uno is bedevilled by the common feeling that one must necessarily be "for" or "against" it—"for" implying uncritical support, "against" unthinking denunciation. People who would never dream of discussing, say, the London County Council, in these terms fall into them naturally when discussing the United Nations. No doubt the trouble is partly due to the way Uno was originally oversold in order to get it started at all. To the American public, in particular, it was sold as a "package"; and now the gift wrappings have been stripped away, revealing a do-it-yourself kit with some defective parts. But Americans have no monopoly in this respect. The tendency to expect great things of Uno, without any corresponding sense of obligation towards it, is far stronger in other countries. Some of the "new" nations of Asia and Africa come to it with a faith that would be touching if their attitude were less selfish; and Arab spokesmen see no incongruity in their demands that Uno should be lion-strong for their protection but kitten-weak against them.

All such illusions end sooner or later in bitter disillusion and revulsion. They serve the cause of peace badly. Constructive thinking has to begin with an attempt to see the United Nations for what it presently is, not what each of us would like it to be—nor what we dismiss it as in moments of disappointment. In Uno, as elsewhere, politics is the art of the possible. Given its present condition, what use of its mechanism is possible?

To begin with, the mere fact of confrontation in an Assembly which now, with the admission of Ghana, counts 81 members, can be a salutary reminder to all parties that in the jostling world of today they cannot afford to forget the interests of others. The Assembly has power to embarrass if not to command. Thus, at the time of the attack on Egypt, many people in Britain sought to show that only Mr Nehru, Mr Dulles, and President Nasser's immediate friends were really angered or alarmed. The UN nose-count, rough and ready though it is, effectively destroyed these claims when Canadians and Norwegians, Turks and Pakistanis were seen lined up to demand a withdrawal.

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The UN system forces governments to "stand up and be counted" (even an abstention amounts to a public indication of attitude) when they would often prefer to turn their backs. It is sometimes argued that the world would be a calmer place if it did not. Why should Chile vote on Suez, or Finland on the fate of western New Guinea? The answer is surely that one can aim either at isolationism, or at a comity of nations, but one cannot pick and choose. Americans can hardly argue that India ought to speak up on Hungary but be silent on the question of the Chinese seat. Arabs cannot very well call in the whole world to check Israel and then deny it any right to check Egypt. Demands for nose-counts can certainly be overdone. But, assuming that it is important to discourage political escapism in a troubled world, is not this sometimes painful process one means to that end?

Nevertheless, Uno's costly and wearisome existence could scarcely be justified if it were doomed to remain nothing much more than a combination of sounding-board and litmus paper. Its chances of survival as an effective instrument depend on the possibility of its development into something with more body to it. What hope is there of that?

On paper, none. Frankness is essential here. Last month the Secretary-General rightly described the United Nations as "an organisation based on voluntary co-operation and respect for the general opinion to which the organisation gives expression." Even when such an opinion exists in a form definable enough to command respect, it is often defied. The powers assigned to the Security Council in the Charter have scant relevance to the actual problems of a divided world (indeed, the Suez conflict has shown that the council can be paralysed even when America and Russia are agreed) and the Charter gives the Assembly no mandatory power at all. Against this background there may seem little point in trying to build up a body of international precept and precedent, or to strengthen Uno by creating "policing" forces or other devices which can be put to good effect only when there is no opposition. What happens when an international force meets an immovable object? And the prospects of getting the Charter amended in a positive sense seem today as negligible as the likelihood that a sterner text, once signed and sealed, would command any more obedience than the present one.

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Yet the possibility remains of using Uno, as an instrument of political education, to encourage new behaviour patterns rather than to impose legal codes. As long as fear of war persists, nations have at least some incentive to restrain both themselves and each other. And the real guts of Uno, now and in the foreseeable future, is and will be not an unenforceable code but the reciprocal pressures its members exercise on each other. A paper code, indeed, risks discredit whenever it gets too far ahead of the best international behaviour that can be expected in the circumstances of the day.

The outstanding circumstances of our day are the strength of communist powers that have a vested interest in other people's troubles, and the heady nationalism of much of the Asian-African world. The Bandung countries' suspicious attitude towards the West extends to any western initiatives in the direction of curbing the anarchy of nations. To urge these ideas upon the free Asians too forcefully must widen the gap between them and free westerners, to Moscow's joy, without obtaining worthwhile results. A solid and enduring system for keeping the peace must have an organic basis. It cannot be created in opposition to natural human forces, but must seek to harness them. Thus, those who long for such a system must to some extent resign themselves to merely holding the line, with Uno in its present unhappy state, until the "new nations" come to recognise their own interest in a strong system for world peace.

The ugly fact has to be faced that as long as international institutions remain half built the effect is liable to be lopsided. The maxim that Uno should not be overstrained unfortunately implies that the really ruthless evildoer will get away with it, while the more scrupulous offender reluctantly heeds the "general opinion." Lopsidedness may in the long run be a price worth paying for progress towards a more peaceful world. But it takes a far-sighted man to recognise that; and for most people, the natural reaction is that of a motorist who finds himself being badgered about parking offences when his newspaper is full of stories about stolen mailbags.

It is here that the operations of Uno in its present form can, with horrid ease, work against peace rather than for it; and it is to the Asian-African members that the warning needs to be most clearly directed. While the West must allow for their vibrant nationalism, they for their part must realise that the most patient, elderly western nation, apparently resigned to the loss of its place in the sun and tolerant of endless baiting, can yet be nagged to the point of madness. They can, if they wish, press on regardless; but they will thereby destroy the organic basis of world peace; and it is they, being weak, who will suffer most.

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Mercifully, there are signs of at least some growth of awareness of these dangers both in the West and in the Asian-African world. If it continues to grow, there is hope for Uno. It does not need, as is sometimes insisted, to take the tremendous jump to world government in order to survive; its present task is rather to evolve more effective pressures and incentives to get the member nations to abide by the undertakings they have freely made. The saddest episodes in its history have been not setbacks on the road to world government, but failures to secure fulfilment of pledges already given.

Vital to any improvement in this respect is the presence and activity within Uno of a ginger group—a group of members of more than negligible weight, with enough detachment to win widespread confidence, enough concern for the general good to break out of the parochial pattern of geographical and racial blocks, enough imagination to put forward new techniques, and enough generosity to set an example by contributing physically to the development of those techniques. Today, the potential membership of this group is sadly limited. Neither great powers, nor satellites, nor those Asian-African countries that are content to acclaim President Nasser whatever he does, can qualify.

Yet the ginger group is not confined to "uncommitted" any more than to "committed" countries, in the cold-war terminology. Canada and the Scandinavian countries at present provide it with a hard core, not only as contributors to the UN force but also as independent-minded advocates of constructive sanity. Unless the group's pleas for positive action are heeded, Uno will miss the great opportunity for evolving new peacemaking techniques which the alarms and excursions of the past five months have given it. At the moment, there are not enough Scandinavians to go round.

Shipyard Before the Strike

One of the major competitive disadvantages of British shipbuilding is the plethora of restrictive practices and demarcation disputes in British yards compared with those of Germany and Japan. The best settlement of the present dispute (examined on page 934) would be a wage increase in return for an agreement with the unions about some abatement of these practices. Our special correspondent has this week visited a shipyard in the North-West.

THE shipyard was humming with the last burst of activity before the silence which, at the time of writing, is due to fall upon it as this week ends. Men were putting the final touches to a fruit ship which was to go to sea that afternoon on its trials. Some, it is true, were less busy; they were sloping off for the tea break which they take each morning and afternoon, though neither is really permitted by the management.

In the hold of the fruit ship were metal panels like those that caused the long strike at this yard last autumn. That dispute, it will be remembered, was between the sheet metal workers and the joiners about who should screw the panels into place. At the moment (according to arrangements made by the two unions, after a court of enquiry had knocked their heads together) the sheet metal worker makes the sheet and brings it to the ship, and puts just enough screws to hold it in place; then along comes the joiner and puts in the rest of the screws. It is a crazy arrangement, of course, because the change-over to a different operative wastes time.

"Demarcation" disputes, arising from the introduction of new materials that require a different type of operative, are the shipyards' biggest headache. The trouble has become particularly acute recently with the development of plastics, light metals and other new materials. There is a stoppage at this shipyard at the moment. A new material called "dexion" is used for making shelves and partitions in a store. It has ready-punched holes into which nuts and bolts are screwed, and any small boy who owns a Meccano set could assemble it quite easily. Earlier this year the management gave similar work to skilled sheet metal workers; but, having belatedly come to the conclusion that this was a foolish use of scarce skill, they gave the next job to semi-skilled workers called "sheeters." Thereupon the joiners decided that, as they had put up partitions and shelves in the past and as they were allowed to put up dexion in the building trade, the work was rightfully theirs. Now the sheet metal workers say that they and not unskilled workers should be doing the job, and they have all walked out. The battle between the joiners and other unions is particularly acute, because their union (the Amalgamated Society of Woodworkers) is determined to extend its empire, even though (or perhaps because) the amount of timber used in shipbuilding grows less and less.

Nevertheless, the ASW is not the union most often involved in demarcation disputes. That distinction belongs to the United Society of Boilermakers—whose general secretary, Mr Ted Hill, has made all those fighting speeches in connection with the wage claim and the pending strike. The reasons for the boilermakers' bad record are partly historical. Most of the unions in shipbuilding are parties to an agreement signed with the employers' federation in 1912. This provides that a demarcation dispute is first discussed by the rival unions and the management at a yard conference. If no agreement is reached the management gives a temporary decision, and if either party feels aggrieved it can take the matter to a demarcation court, consisting of three representatives from each union and from other employers in the district. Meanwhile the work goes on.

That is the theory. In perhaps a third of the yards it has also been the practice. In others it is a dead letter, and for one reason above all: the boilermakers are not, and never were, a party to the 1912 agreement. Including, as they do, the platers, riveters and welders, they form much the largest union in shipbuilding. Probably they think that it is better for them to rely on weight of numbers. If they are involved in a demarcation argument they just walk out.

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This, of course, is liable to interfere with other people's earnings. So the boilermakers have made agreements not with the employers, but with the two unions most likely to clash with their own members. One agreement was with the shipwrights; the shipwright is responsible for seeing that the lines of a ship are right, but platers do local "fairing-up" if the ship's lines are not involved. It was agreed between the two unions that any demarcation dispute should be referred first to the shop steward and then to union officials at other higher levels until finally it reached the national executives. This can take months. Meanwhile work will stop or an expensive new machine stand idle. A dispute on the Clyde between shipwrights and boilermakers as to who should do certain work was crawling through the unions' own procedure from September, 1955, until April, 1956. Significantly, the Amalgamated Engineering Union, with which the other boilermakers' agreement was made, has withdrawn and reverted to the 1912 procedure.

When the 1955 wage claim was discussed the employers argued that the Confederation of Shipbuilders and Engineering Unions should appoint a

joint committee to look with them into questions of demarcation and restrictive practices. Mr Ted Hill replied that the employers must take it up with individual unions. The employers thought it hard that the unions should mass together to make wage claims but disperse again as soon as anything was asked of them. Nevertheless a start was made by approaching the boilermakers, who after considering the matter for some months agreed to talks. As the matter was quickly superseded by a new wage claim the talks have never taken place.

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Your correspondent tried to discuss some of these questions with shop stewards at the shipyards. As at Briggs, shop stewards are persons of great power and resent the intrusion, without their permission, of local union officials into their affairs. They also resent the intrusion of the press; after some of last year's newspaper headlines about the "screwy strike" and the "boring strike," they resolved never to speak to such low types as journalists again. But one steward, a boilermaker, permitted himself to say that his wife would not like it if her neighbour were to use her kitchen, and so started a discussion:

(1) *Why didn't the boilermakers like the 1912 agreement?* "Well, this is 1957, isn't it?"

(2) *Why did the sheet metal workers strike to get the work on dexion when there weren't enough of them to go round the yard anyway?* "Jobs might become scarcer. If a slump came they'd need work. Prosperity could vanish. Look at the motor industry. The grass could soon grow on the slipway, as it did between the wars."

(3) *What about Japanese competition?* After their managing director had visited Japan they were shown a film of a Japanese shipyard; they were quite unimpressed, except by the fact that the workers there had safety helmets and better wages than they had imagined. "They say it takes only five weeks for Japs to build a ship. Yes, but what kind of ship? It is not just a matter of building, it's got to last. The Japs might build to last five years; we build to last thirty. British ships are the best in the world."

(4) *What about the Germans, then?* "Well, the Germans had empty yards and all new machinery, so, of course, they could build quicker. But as their order books fill up customers will come back to us. Anyway, we have got orders for five years. And if the managements were as interested in productivity as they say, they would replace some of the inadequate machinery and stop working to the cost-plus system." (The management later said that they had not used that system for years. They are putting up an extension to the works worth £17 million; the men must surely know this, but they say that no one had told them what degree of modernisation this was going to provide.)

Despite this string of depressing answers, there was no real sign of a class war in this shipyard. The shop stewards admitted that the management was more considerate than before the war; they were good chaps individually and foremen were quite a different type from what they used to be. The stewards went on, however, to air a number of grievances. Some were matters of welfare: the wash-rooms were inadequate; the management would not lend them a room to store overalls. Some were more important: there was no joint consultative committee and the only time management was keen was after the strike about the screws; the chargehand still told them to stop that and do this, without explaining why; and even in these days they could be dismissed at two hours' notice.

Your correspondent later raised this point with the management and was not convinced that there was any reason why shipbuilding labour should be casual except that it always has been so. No doubt there are other things, too, that could be done to improve relations in the yard. The problem of communication between office and ten thousand workers predisposed to misunderstand has evidently not been solved. Inevitably, too, one wondered why the management had allowed matters to reach a pass where in some ways they were no longer masters in their own house. In fairness to this shipyard it should be said that the rot set in during the war, when the only thing that mattered was to get the ships built; and after the war when they tried to restore discipline by sacking men who went home early they were prosecuted under the Essential Workers Order, and made to reinstate them. But no doubt there has been less justifiable capitulation.

On the unions' side much could obviously be done, and it would be worth offering some wage increase in return for a firm promise to start attempting to do it. For example, if the unions are not prepared to work to the 1912 agreement (which operates perfectly satisfactorily from their point of view), they should give a quite clear indication of what sort of agreement for settling demarcation disputes they are prepared to follow. It would be better still if the shipbuilding side would form itself into fewer unions than the twenty-one or so which now war with each other in the shipyards. To remould the chaotic structure, to bring each separate empire builder into line, and to break up the rigidly divided compartments would, alas, need an Ernest Bevin. But there is no earthly reason why the present leaders should not at least get together to make the effort.

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Peaceful Co-prosperity?

JAPAN'S new prime minister, Mr Kishi, has come to power at a critical period in Japanese, and Asian, history. With their industries and their population both expanding at an explosive rate, the Japanese must find new markets for their products in Asia. Conversely, the underdeveloped countries of Asia need to make use of Japanese capital goods and technical knowledge. But the fear and distrust created by the "co-prosperity sphere" of Japan's still recent phase of expansion continue to poison its relations with its neighbours. While Germany has become a member of the North Atlantic Treaty Organisation, and is now joining a common market with its traditional enemy, Japan has not lived down its reputation in east Asia. It is natural that the countries which suffered greatly from Japanese occupation find it hard to forget the war years; but their fear and resentment only tend to increase their present burdens and slow down down their rate of development. No doubt many practical difficulties have to be solved before satisfactory two-way trade can be established, but given good-will they would not be insuperable; and failure to solve them could bring unpleasant political consequences in the Asian countries where development is struggling to keep pace with popular demand. In Japan itself the consequences could be still more serious; a slackening in the present rate of growth could mean, some years hence, an abandonment of parliamentary democracy, which is still only shallowly rooted, for a renewed militarism or for communism.



Mr Kishi knows well enough the need to find new markets for Japanese goods, although as a member of the administration that was responsible for the war he is not perhaps the most suitable person to win the confidence of the Asian countries. Unlike his predecessor and rival, Mr Ishibashi, he appears to place little hope in the possibilities of trade with China or the Soviet block. In spite of pressure from some powerful business factions, he has emphasised that he will not seek to establish diplomatic relations with Peking. Instead, he is working for American help and co-operation in establishing trade relations with the Asian countries and is careful to do nothing to obstruct the flow of American technical assistance, military procurement orders and commodity loans on which Japanese solvency still depends. This is a test of the skill of even so agile a politician as Mr Kishi since he has, simultaneously, to convince the Americans of his loyalty and political popularity, and to induce the electorate to believe that Japan is progressing towards greater independence in its relations with the United States.

At the moment, the prime minister looks fairly secure. Mr Ishibashi's illness has removed his nearest rival from the scene, and the Socialist party, although growing steadily more popular, is deeply split between its right and left wings. Even the trade union movement is divided between moderates, who hope to raise both production and pay by negotiating and co-operating with the employers, and extremists, who profess to see in all efforts to increase production only a plot to raise profits for the capitalists. Mr Kishi will not be greatly hampered by the labour movement while the present boom continues.

Outwardly, Japan looks prosperous. Scarcely a village street lacks its radio shop and camera shop, and there is a fast-growing nucleus of 350,000 television-viewing families. The Japanese spend £350 million on *pachinko*—a gambling game which is one of the national passions; 115 million gallons of beer flow down Japanese gullets annually; cinemas are going up at a rate of two a day to entertain one billion customers a year. Yet there is no inflation, for wages are rising more slowly than national product. This has been achieved by a prodigious effort; industrial production increased by 11 per cent last year, and Japan is selling abroad seven times more ships and four times more textiles than in 1952. But the population is also increasing at a rate of well over a million a year, and if national product is to continue to keep pace with it, Japanese business men must concentrate increasingly on the manufacture of heavy industrial goods, and find markets to sell them in. At the moment, too much of Japan's trade is dependent on the export of consumer goods of the kind whose sales would be disproportionately hard hit by any world recession.

Japanese efforts to develop new markets for capital goods in Asia have been disappointing for other reasons besides the bitterness engendered by the war. The ex-colonial countries have tried to do too much, too fast, on too little capital. But now that the foundations of industrialisation are being more carefully laid, the market for capital goods could expand rapidly with the help of Japanese reparations, which are to be principally used to provide economic and technical assistance. There are still many difficulties, apart from the slowness of development, to be worked out in the payment and use of reparations; Japan is determined that they shall be in addition to, and not a substitute for, normal trade; Burma wants consumer goods which Japan, fearing that Burma would substitute reparations for normal trade, does not want to give; Indonesia has not yet even agreed with Japan on the total to be paid; some Philippine politicians now seem to be thinking that they made a poor bargain. Even so, the payment of reparations could give Japanese industrialists the opportunity to restore

confidence in Japan and bring home to the underdeveloped countries the advantages of encouraging a flow of Japanese capital. The chief obstacle to this is the reluctance of the ex-colonial countries, who are very jealous of their sovereignty, to allow any foreign power to acquire control of their industries by buying a majority of the shares. In mining and agricultural projects, however, it is often possible to give the industrialists who provide plant, or other capital assistance, facilities for buying the raw materials produced on special terms.

No Japanese prime minister, whatever his faction or party, has much room for manœuvre in foreign policy. This was made particularly clear when Mr Ishibashi, with his reputation for hostility to the United States, became exceedingly non-committal on the subject as soon as he reached the premiership. Whether they like it or not, the Japanese are dependent on the United States for economic and military protection. Most of them dislike it. They resent their indebtedness to the Americans. They are impressed by Russian hints that an American evacuation of Okinawa might induce Russia to give back the Southern Kuriles. Above all, they remember the atom bomb, and they fear that if Japan remains the American forward base in the Pacific it will be an obvious target for a hydrogen bomb. Between the emotion of the electorate on the one hand, and the hard economic facts on the other, only a limited political mobility is possible. Japan can hope to recover its importance in Asia, and ensure its economic future, only by the "economic diplomacy" of which so much has been heard lately. Its purpose is to convince both industrialists and diplomats that only through trade relations can the "face" lost in the last war be recovered and Japan established as the leading power in the non-communist east. This is Japan's natural role—provided it is filled, this time, by peaceful commercial means.

Notes of the Week

THE STRIKE

Shadow Over the Shipyards

THE shipbuilding and the engineering disputes present the country with essentially differing problems. The broad mass of the public, as it settles down wearily to await possible damage by strike, should remember this; and it will be useful if Mr Macleod, as he brings forward his offers of various sorts of arbitration and conciliation, will remember it too. The obviously desirable end of the shipbuilding dispute would be a wage increase in return for a union promise to abandon some of the demarcation disputes and other restrictive labour practices which at present cripple productivity in British shipyards. Many of the employers and some of the union leaders would like to move towards such a settlement; an arbitrator, if he were allowed to set to work with really open terms of reference, would seem likely to feel bound in common-sense to recommend it.

The minister's offer of the services of Lord Evershed as a special sort of arbitrator this week was therefore certainly right; the offer should be kept open in the hope that both sides will agree to come and face him in the end. The trouble is that the end is quite likely to be after a protracted and damaging strike. All experience suggests that shipyard strikes can unfortunately be protracted, partly because some shipyard workers are peculiarly able to drift away into other forms of temporary work; the Germans recently had a wide-ranging shipyard strike that lasted three months.

Uneasy Balance in Engineering

THE problem in engineering is different. The employers are eager to stop the inflationary round of automatic annual wage increases, and they believe that they will never have a better chance to do this than in 1957. The ideal result for the public will be, bluntly, if the employers succeed. But the unions have a democratic right to try to baulk them of success; the time when outside criticism of the union leaders becomes justified will be if and when it appears that they are dragging out a dispute, not because dragging it out would help their own members, but because it might help to save the leaders' own faces. It will be very odd of the union leaders if they decide on a national engineering strike; they surely could not afford strike pay for two and a half million men for long, and some workers would be likely to flout their authority by not obeying the call to stop work. At midday on Thursday, their most likely course seemed to be to threaten "selective" or guerilla strikes in the most strategic places—in the hope that these, combined with a national shipyard strike, would eventually bring them an offer of at least 3 or 4 per cent rise for both shipbuilding and engineering workers—"to compensate for increases in the cost of living."

It may be, if there are strikes that get a full response and look like lasting, that it will be worth while for the losses to the country to be cut by some such offer. But it is a sober appraisal of the economic dangers ahead, not black reaction, which prompts one to say that it should be left to the employers to make the awkward calculation: whether, at any one moment, their long-term industrial prospects will be served better by surrendering a wage increase, or better by standing fast. In any strike—or any inflationary settlement—the country's losses and the employers' own are likely to be almost synonymous. Mr Macleod's best course in the engineering dispute—as distinct from in the shipbuilding dispute—may therefore be to stand, for the time being, somewhat ingloriously impassive. Any official intervention likely to lead to recommendations for an early settlement on the basis of a flat "cost of living increase"—made straight across the board in this heterogeneous export industry—should not, in the national interest, be appreciated.

Gaza at Flash Point

THE Egyptian government this week appointed a governor for the Gaza strip, and its intention to take over the administration is hardly to be doubted. Dr Ralph Bunche said on Wednesday that the United Nations Emergency Force would "most certainly" co-operate with Egyptian administrators. Mr Ben-Gurion told the Knesset in Jerusalem the same day that Israel reserved freedom of action in the event of the Egyptians returning to the strip and would not give prior notice should action become "appropriate and necessary."

Dr Bunche's statement accords with Mr Hammarskjöld's view that Egypt acquired a right to *de facto* control of the strip by the armistice, and that this could not be altered except by permission of Egypt. But he gave the impression to the General Assembly, and the Israeli Foreign Minister assumed him to mean, that Egypt had agreed to a United Nations agency entering with the United Nations forces and administering Gaza on its own. Israeli troops were withdrawn on that assumption; Mr Ben-Gurion has now given more than a broad hint that they might return if the assumption proves wrong. Mr Hammarskjöld may believe that by conceding the administration to Egypt he will prevent President Nasser from demanding the withdrawal of Unef, and that the presence of Unef will deter Israel from armed action. That seems the slender thread on which peace is suspended at the moment.

The record published on page 894 indicates, and Mr Ben-Gurion admitted to the Knesset last week, that there has never been any Egyptian undertaking not to return to the strip. Everything was "assumed"—by President Eisenhower, by Mr Dulles, by a large part of the assembly, even by Mr Ben-Gurion. But not by Egypt. Dr Fawzi promised the Assembly nothing. The Egyptian public has been led to understand that President Nasser would yield neither control of Gaza nor freedom for Israeli shipping to pass through the Suez Canal or the Gulf of Aqaba. Dr Abdel Kader Hatem, Egyptian Director of Information, stated explicitly last Saturday that Egypt would bar the canal and the gulf to Israeli ships.

In arguing for prior withdrawal by Israeli forces from Egypt, Mr Hammarskjöld envisaged in his report of February 11th "parallel progress towards peaceful conditions" by both Egypt and Israel. Of this there is no sign. Instead, everything points to the old, dangerous conditions on the frontier—with this difference, that Israel now knows that if it goes in fighting it can win, hands down.

The restoration of the Israeli-Egyptian armistice was the starting point of all UN decisions on the question: but the meaning of the armistice was the real issue. Israel denies its continuing existence. Egypt justifies by the armistice, as distinct from a peace, its right to blockade Israel. The aggregate of self-justified infringements by both sides led to war, and the restoration of the armistice looks like leading to war again. Uno should say what it means by the armistice; let that much be clear, at least. As it stands, there is nothing apparently to deny Egypt the rights it claims in the gulf, the canal and the Gaza strip; except, of course, that it might lead to a breach of the peace—and even then, Israel could be arraigned as an aggressor.

Saudi Oil in the Suez Crisis

TWO deductions can be drawn from the adventures of Saudi Arabian oil through lands of transit during the four months between the Suez crisis and today. The first is that past western policies towards Israel, no matter whether European or American, are the chief offence of the west in Arab eyes. This was patent in the lightning reaction of the Saudi government to the news of Israel's retirement from Gaza and the Sinai coast. No sooner was this on the air than it had given permission to resume pumping Saudi oil to the refinery on Bahrain Island in the Persian Gulf. Though this refinery is American-owned, it had presumably been rated as British for purposes of the ban because of the Bahraini connection with Britain.

The second deduction is that the Saudis had always intended to be in a position to resume a full flow of oil at a moment's notice. The Arabs had, of course, no valid grievance against an American company; still, sabotage was in the air and the Saudis evidently wished to take no chances. Either by using their ban on shipments to Britain as an insurance against sabotage, or else by paying saboteurs to keep out, they contrived to preserve all their pipelines during the Suez crisis. The TAPline, which crosses Jordan and Syria on its way to the Mediterranean, was kept intact, whereas Iraq's was blown up; similarly on the Persian Gulf, there was no sabotage on the pipe from the Saudi fields to Bahrain, whereas explosions were organised in both the neighbouring oil sheikhdoms, Kuwait and Qatar.

One motive for both the promptitude and the precautions was shortage of cash, unlikely though this sounds in a state that earns so much and spends so little on serious things. For four months, the Saudis, though deeply in debt, have been denying themselves nearly 40 per cent of their revenue as a political gesture. They could ill afford to keep on doing so. Lately, they are said to have been so short of foreign exchange that their first payment of their new subsidy to Jordan represented a strain on their Monetary Agency. Certainly Saudi merchants in the flourishing oil province on the Persian Gulf seaboard, who are accustomed to making large purchases from Bahrain, have found that Agency unhelpful about foreign exchange for these purchases; in consequence, they are having to buy their dollars from American employees of Aramco and the neighbouring US air base. Over the last four months the Saudi rial has depreciated from 130 to 110 rupees per 100 rials.

The Tories and the Budget

MR MACMILLAN has made an apparently successful attempt to calm the nerves of his backbench supporters. Only a few hours before the result of the Warwick and Leamington by-election, he gave the 1922 Committee a pep talk which seems to have inoculated most Tory MPs against the shock even of that remarkable 12.2 per cent swing. Whether he gave the right inoculation is more debatable. His main thesis seems to have been that, as the Government has every intention of running its full term, present discontents have little relevance to the next election. This is admirable advice, and it was accompanied by even more admirable emphasis on the Conservative aim of an "opportunity state." Unfortunately, however, the Prime Minister phrased his speech so ebulliently that some Tory MPs, at any rate, came hurrying out of the room alleging that he had given the strong impression that the budget on April 9th will be easier than most economists think it should be. It is most unlikely that Mr Macmillan intended to give any such impression. As the price of stiffening the party's backbone in March, therefore, he may have risked the possibility of fresh disappointment in April.

It is interesting, however, to note the form which backbench Tory pressure about the budget is now assuming. The explanation of the result at Warwick and Leamington, with its high poll, is clearly not to be found in mass Tory abstentions. The explanation, apart from the retirement of Sir Anthony Eden from the constituency, is fairly obviously that in this rapidly industrialising offshoot of the Coventry and Birmingham areas, many of the better-paid industrial workers, who voted Conservative in 1955, have trickled back to voting Labour now that so much of the shine has gone off their regional boom. It might have been expected, therefore, that Tory pressure now would be in favour of building up the boom again, possibly to dangerous proportions. Perhaps fortunately, this does not seem to be the backbenchers' main concern. Their complaint is that when they visit their constituency associations they find that their most loyal and hard-working supporters are often the most bitter critics of the Government. Their campaign, therefore, is not so much for a reflationary budget as for a middle-class one. Within limits, discussed in a leading article this week, it may be more possible for Mr Thorneycroft to satisfy this.

Egypt and the Gaza Strip

THE Egyptian government has re-asserted its right to control the Gaza strip by appointing a military governor. This action is in conflict with the general assumption that Egypt had agreed to give the United Nations a free hand in the strip for the time being. It has been described, by the *New York Times* for example, as "a flagrant violation" of previous Egyptian assurances.

Provisional control of the strip was implicitly conceded to Egypt by the Egyptian-Israeli Armistice Agreement but it did not become a part of Egyptian territory. Article V of the agreement states that the armistice line "is not to be construed as a political or territorial boundary, and is delineated without prejudice to rights, claims and positions of either party to the armistice as regards ultimate settlement of the Palestine question." Mr Hammarskjöld advised the General Assembly in his report of January 19th that the *de facto* situation "can be legally changed only through settlement between the parties"; deployment of the United Nations Emergency Force or the widening of Uno's administrative responsibilities in the strip would therefore require the consent of Egypt.

What did Egypt consent to? On this question, the General Assembly's cease-fire resolution of November 2nd, from which all subsequent action flowed, simply urged both parties "to observe scrupulously the provisions of the armistice agreement." Uno has consistently sought to re-establish the armistice conditions; Egypt is not acting in conflict with that broad intention when it claims its right to the Gaza strip.

The United Nations Emergency Force was established in accordance with an Assembly resolution of November 5th "to secure and supervise the cessation of hostilities in accordance with the resolution . . . of November 2nd." The Secretary-General advised on January 25th that the force could not be used to settle juridical issues. It followed that any functions in the strip were temporary.

How temporary were they? After the withdrawal of British and French troops from Egypt in late December, the Assembly was concerned to secure the withdrawal of Israel; and its resolution of February 2nd recognised that "the withdrawal of Israel must be followed by action which would assure progress towards the creation of peaceful conditions." This resolution "considered that" the maintenance of the armistice agreement required "the placing of the United Nations Emergency Force on the Egyptian-Israeli armistice demarcation line." The stated intention was to create conditions "conducive to the maintenance of peaceful conditions in the area."

It was clearly the intention also to encourage Israeli withdrawal by hinting at future security on the frontier; but the Egyptian Foreign Minister, in the debate, was firm that Unef's presence was subject to the consent of Egypt and "for the sole purpose of giving expression to the determination of the UN to put an end to aggression against Egypt."

Nor did Mr Hammarskjöld's report of February 2nd show any wider commitment on Egypt's part, for it merely said that in exercising its sovereign rights regarding Unef, Egypt would be guided by its acceptance of the resolution of November 5th (which committed it only to secure and supervise the cessation of hostilities).

At no time did Egypt assure the Assembly that it would permit UN administration and control of the strip, and there is no resolution of the Assembly which specifically provides for it. But Mr Hammarskjöld told the Assembly on February 22nd of his confidence that the Egyptian government desired "that the take-over of Gaza from the military and civilian control of Israel—which . . . in the first instance would be exclusively by Unef—will be orderly and safe as it has been elsewhere"; and "has the willingness and readiness to make special and helpful arrangements with the United Nations and some of its auxiliary bodies, such as UNWRA and Unef."

Mr Hammarskjöld further said that "with reference to the period of transition, such other arrangements with the UN may be made as will contribute towards safeguarding life and property in the area by providing efficient and effective police protection; as will guarantee good civilian administration; as will assure maximum assistance to the UN refugee programme; and will foster the economic development of the territory and its people."

What was meant by "the period of transition" or the "other arrangements"? It is not clear, but Mr Hammarskjöld clearly believed, and sought to assure the Assembly, that Egypt had agreed that the UN should play a dominant part in the strip for some time. Mrs Meir, in announcing the withdrawal on March 1st, told the General Assembly that her government assumed that the functions which Mr Hammarskjöld mentioned would be carried out by the United Nations and no one else. She further said that this United Nations responsibility would have to last until there was either a peace settlement, or a definitive agreement on the future of Gaza. However, the Egyptian Foreign Minister told the assembly on March 1st that "nothing said by anyone here or elsewhere could . . . affect the fullness and the lawfulness of Egypt's rights and those of the Arab people in the Gaza strip."

Israel has throughout denied the continuing validity of the armistice agreement, and therefore of Egypt's rights in the strip; it withdrew on the explicit assumption that Egypt would not be allowed to return there.

Brief Encounter in Paris

THE brief encounter in Paris of Mr Macmillan and Mr Selwyn Lloyd with their French counterparts seems to have been more cordial than effective. Complete agreement was reached only on the Suez Canal question. M. Mollet had no difficulty in convincing his guests of the need to stand firm in negotiations with President Nasser, and not to accept unfavourable conditions merely because of the wish to rush the ships through. It now remains for the Prime Minister to see what American support he can get for this Franco-British waiting game; with the Eisenhower doctrine uppermost in American minds, his task in Bermuda will not be easy.

On European matters the two prime ministers could not make much progress. The British seem as resolved to reduce their troops in Germany as the French are to include their overseas territories in the European common market. As Mr Macmillan has rightly said, the French are concerned largely with the psychological aspect of a partial reduction of British troops on the Continent: "They are anxious that anything we should do should not appear to be the beginning of a walk-out." The French Assembly accepted German rearmament under the Paris Agreements only because of the British guarantee not to leave France alone with a rearmed Germany. Much diplomatic skill will be required if even a mere reduction in the number of British troops stationed in Germany is not to conjure up again in Paris the ghost of German domination, particularly with so many French troops bogged down in Algeria.

The relationship between the European market and overseas territories must be viewed in the same political context. The misgivings in Britain will now be played up on the Continent by the opponents of European integration, echoing the warning of M. Mendès-France that the common market would keep Britain out of Europe. To counter this argument M. Mollet apparently asked Mr Macmillan to agree that the British African territories should be linked with the common market for a start; the whole complicated question has been left in the hands of the experts. These questions may impede French ratification of the treaties unless some reassurance can quickly be offered to the French critics. In any event the import taxes and restrictions announced by the French government on Thursday are an adverse portent for the common market at a critical time.

Tiptoeing into Eurafrica?

"IT would be possible to pay too high a price for the free trade area." These tart words of the Economic Secretary to the Treasury last weekend are a symptom of British displeasure at the essentially one-way bargain under which the overseas territories of the Six, above all those of France, are to get duty-free or preferential treatment for their exports to European common market countries. It is difficult to disentangle how much of the British displeasure stems from economic concern, and how much from administrative huff. As our Paris correspondent writes on page 920, as much as one quarter of the export trade of British dependencies overseas is with Europe. The part of this trade which could suffer from the new provision is, of course, only that part which is directly competitive in Europe with exports from French overseas territories. It is difficult to work out a figure; but Ghana and some British territories in Africa could undoubtedly be put at a disadvantage.

Overlaying this economic calculation, however, is British resentment at the lack of prior consultation on the matter. Britain at first assumed that overseas territories would not be included. It was on that assumption that the British Government discussed the free trade project with the Commonwealth countries and gained their approval to British association with the common market. When the possibility of "Eurafrica" emerged in recent months Britain continually pressed the Six to consult before far-reaching and detailed decisions were made. The British fear, too, that Gatt might be less willing to grant a waiver of its most-favoured-nation rule to the proposed common market now that it is going to create an entirely new preferential system.

The best advice to give to the British Government is to forget its administrative huff and concentrate on mitigating the economic difficulties. The best way might be to work out some special association for trade between Commonwealth territories in Africa and the common market, but this will not be easy. If the European countries demand a *quid pro quo* in British African territories in return for opening their markets to them, the Government's wish to preserve Commonwealth preferences, despite the free trade area, will be in jeopardy. No impasse has yet been reached in the discussion of this matter, but Europe is nearer to it than it would have been if the Six had been less prone to play their cards in these negotiations so close to their chests. "Take it or leave it" is not the attitude out of which the Afro-Euro-market will be built.

Happy Ending in Amman

THE Anglo-Jordanian Treaty of 1948 was terminated in friendly fashion on Wednesday. The negotiations, which began on February 3rd, were mainly concerned with terms for the sale or removal of stores and equipment and

the payment by Jordan for those it wished to keep. ı sides were as one in wanting to be rid of the tie. ritain has already begun to withdraw stores from Jordan. troops must be out of Jordan six months from now, ɔpt for a few who might stay for another six months upervise the disposal of equipment. Jordan has promised lities for the evacuation and the payment of £4,250,000 the equipment and stocks it will retain. The first ment of £1,250,000 is due on May 1st, but Jordan has redit of £598,000, the unpaid subsidy for February, to against it. Jordan will pay the balance in instalments of 00,000 a year until 1963. A residual subsidy payment of 40,000 is being held by Britain in a special fund to meet ɔh outstanding liabilities as claims by British subjects ıose service with the Jordan government now ends.

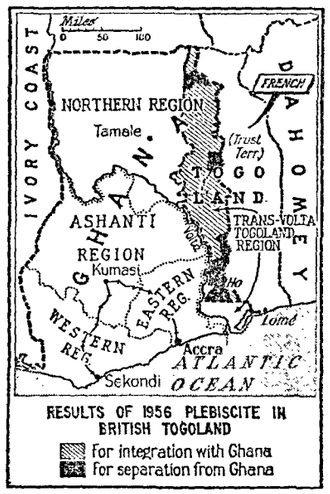
In the present tense state of Arab-Israeli relations there ıy be some anxiety about the military strength Jordan rives from the agreement. In fact, Jordan had already, fore the talks began, seized about three-quarters of the ɔres and equipment which it now undertakes to buy, and e rest would almost certainly have been available to the ɔrdan army when they were wanted. The point is not nportant. Jordan is weaker by the loss of the British comıitment to defend its territory against any aggressor, includ-ıael; and the campaign in Sinai has left no doubt that ɔe Israeli army would be more than a match for that of ordan.

The ending of the treaty means a real loss of security or Jordan, but nationalist opinion preferred the loss to a ontinuing dependence on Britain. Relations should mprove now that the treaty, a bone of contention, is ended; ıut it would be over-optimistic to expect warm-hearted riendship. The existence of Israel, of half a million Palesinian refugees on the west bank, and of the Baghdad Pact, for all of which the Jordanians hold Britain mainly responsible, stands between the two countries.

Trouble in Togoland

WHEN the United Kingdom bowed itself out of responsibility for British Togoland in December, even the anti-colonial ranks at the United Nations could scarce forbear to cheer. British Togoland is the first of the eleven territories to graduate from UN trusteeship; Mr Krishna Menon proclaimed it an "epoch-making occasion" and the resolution joining Togoland to Ghana was passed by 63-0. But last week, in the middle of its celebrations, Ghana had to send a light artillery battery to quell riots in southern Togoland in which several people were killed or hurt and many more arrested.

The trouble in Togoland, as in other African territories, is that the frontiers arbitrarily carved out by colonial powers cut across tribal areas. The political boundaries run north and south; the cultural zones run east and west. The powerful Ewe tribe was split in three, half living in Ghana, the remainder divided roughly in the ratio of three to two between French and British Togoland. The Ewe, who are articulate and active, dominate the opposition parties in both trust territories (though they are also represented in the Ghanian government). The opposition parties in Togoland have persistently badgered Uno, first for a united Ewe, and later raising their stakes, for a united Togoland. The United Nations was inclined to sympathise until about two years ago, when it switched its support to the British plan for integrating Togoland with Ghana. The plebiscite held last May showed nearly three-fifths in favour of integration. But in southern Togoland, 55 per cent voted against it.



The Togoland Congress, the main opposition party in British Togoland, is now demanding a separate southern state. But southern Togoland is already administratively linked with the Trans-Volta region, which is the traditionally Ewe-speaking area of Ghana. This will give them a degree of regional autonomy. The Ewes in British Togoland are really dangling the bait for their French brothers. The governing party in Ghana has added a tempting official lure with the statement of a local party spokesman: "We want union between the Ewe—and we hope eventually to incorporate the Ewe of French Togoland." French Togoland is firmly set on another course, but trouble among the Ghana Ewe may prove contagious.

Wait for It

THE debate on the army vote on account this week was not quite as frustrating as the previous debates on the "blank cheques" presented by the Admiralty and Air Ministry. Mr Amery at least made an announcement of the size and composition of the "brigade group" as the main army formation of the future—the light, and presumably "streamlined," division of 5,000 men. Why he thought it was not a target for an atom bomb was less clear.

Any army debate, however, inevitably turns on manpower; and the facts stuck out like a sore thumb. The navy and air force debates revealed that both these services can now almost dispense with national service; higher pay has put up recruiting, and manpower adjustments, together with savings on national service men's training, should almost cover their gap. But unless Mr Hare's promised decisions "which will determine the structure of the army for a generation to come" show how a regular can do the work of three or more national service men, it is impossible to match army requirements against recruiting. Even Labour members thought that Britain needed an army of 175,000 regulars; but as Mr Wigg pointed out—his claims to be a prophet on recruiting are not entirely without foundation—85,000 of the present "regular forces" of 190,000 are on

three-year engagements, probably mostly undertaken as a better paid alternative to national service. Mr Wigg doubted if it was possible to raise an army of 130,000 regulars at most.

Clearly the Government's first job is to find out just how many of the three-year men are national service men, and how many would take the extra pay to engage for five or six years; and for this exercise the abolition of the three-year engagement is a reasonable bet. Until the Government does know more precisely how many regulars it can get, it would be very unwise to make any premature decisions about national service, or commit itself not to try selective service.

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One subsidiary point that emerged from the debate is that the run-down in manpower and commitments is to lead to an immense disposals programme of "more than 70,000 vehicles, 250,000 tons of ammunition and over 120,000 tons of engineer stores." A suggestion should be made to the Government about these. Several select committees have shown that the army is simply not equipped to assess, value or place such vast quantities on the market; disposal sales can easily become commercial ramps, and the taxpayers' goods be sold for a song. Could not the Government recruit a supervisory committee to keep a special watch upon the mammoth cut-price sales now in prospect, and put some very experienced retired business men upon it?

Doctors and Their Like

THE dispute over doctors' pay seems no nearer a solution, despite the meeting on Tuesday between Mr Macmillan and the joint chairmen of the doctors' negotiating committee. All that has been clarified is the amount of the immediate increase in the pay of junior hospital staffs up to and including senior registrars. They are to get 10 per cent more from April 1st.

In the meantime, the members of the royal commission, which is to determine doctors' earnings in the long term, have been appointed. Since, in deciding what doctors and dentists should earn in the health service, they have to take into account remuneration in other professions, it is interesting to compare the new scales announced this week for university staffs with doctors' present earnings. Among the non-medical academic posts below professorial rank, only university readers will, at their maximum, reach the average general practitioner's earnings. If intangible factors are left aside in this comparison—whether, for instance, the particular intellectual ability needed for a readership should weigh more in the monetary balance than the heavier responsibilities and smaller leisure of the general practitioner—there are two material points to be made. First, university staffs receive children's allowances of £50 a year for each child. Secondly, the university salaries do not, of course, show the extramural earnings of the staffs. But the general practitioner's "average" earnings of £2,222 (assumed for the purposes of the estimates) include an allowance for medical earnings outside his strict health service practice. A doctor with 2,000 patients (a normal sized practice), who lived solely on his capitation fees for them, would earn, net of expenses, only £1,400 to £1,500.

It is also worth pointing out that compared with the present scales the new university salaries will show percentage increases of between 20 and 30 per cent, except for the top professorial salaries and the top clinical salaries (that is, for posts in the teaching hospitals). Since October, 1954, when the present scales came into force, the cost of living has increased by only 11 per cent. The new scales are, in fact, intended to maintain the standard of recruitment to the university staffs. But how far cost of living adjustments and incentives to recruitment can be disentangled is debatable, and the doctors' spokesmen will doubtless make propaganda of the fact that they are asking for a 24 per cent increase on a level of earnings laid down for 1950-51.

DOCTORS' EARNINGS*	£
House Officers	467–577
Senior House Officers	820
Junior Hospital Medical Officers	852–1,182
Registrars, incl. Senior Registrars	935–1,540
General Practitioners	Ave. 2,222
Senior Hospital Medical Officers	1,500–1,950
Consultants (whole-time)	2,100–3,100

UNIVERSITY SALARIES† (from August 1st)	£
Non-Medical Posts:	
Assistant Lecturers	700–850
Lecturers	900–1,650
Readers, Senior Lecturers	Up to 2,250
Professors	2,300–3,000‡
Medical Posts (Clinical):	
Lecturers	900–1,750 to 2,550
Readers	1,750–2,550
Professors	2,500–3,100‡

* Including 10 per cent. increase for junior hospital staffs from April 1st.
† Oxford and Cambridge have their own scales and London University gives additional allowances of up to £100, within a maximum of £3,000.
‡ According to post. Clinical professors, like consultants, can receive merit awards in addition to their salaries.

Rocking Signor Segni's Boat

SIGNOR SEGNI, the Italian prime minister, is having an increasingly hazardous passage. His crew have been shipmates for too long. Their relations have become strained. Twice in a fortnight their differences and dissatisfactions have nearly capsized the boat. But there is little sign that these narrow escapes have induced more than a temporary awareness that rocking the boat is risky.

Signor Segni seems to be faced with the gradual break-up of the four-party coalition which has governed Italy for the greater part of the last nine years. The Republicans, who were not actually in the government though they were pledged to support it, have already decided to resume their freedom; the coalition's exiguous majority of ten over all the other parties combined has thereby been reduced by half. Last weekend the 19 Social Democrats nearly went the same way. Signor Matteotti offered his resignation as their party secretary ostensibly because he was outraged by the prime minister's failure to inform him officially of the controversial appointment of Signor Togni, a right-wing Christian Democrat, as head of the new ministry of state investment. But a more important reason was his conviction (shared by many Social Democrats, but not by their leader, Signor Saragat) that the time has come for the party to cut loose from the Christian Democrats and to apply itself seriously to the problem of joining forces with the Nenni Socialists. Signor Matteotti's action provoked a stormy crisis within his party's

executive ; eventually it rejected his resignation and resolved to stay in the coalition till a party congress decides future policy in June.

Signor Segni has gained only a doubtful respite. He can almost certainly count on enough votes (the Republicans will help him here) to pass the Euratom and common market treaties. But the land tenancy bill, for years an apple of discord among the coalition partners, is also coming up for debate. The principles of the government's compromise bill have received a vote of confidence. But the Social Democrats and the left wing of the Christian Democrats on the one side, and the right-wing Liberal party on the other, disagree strongly about some clauses ; if Signor Segni is forced to make each clause a matter of confidence, he might well come to grief. Some influential members of his own party are believed to feel that such an end to the coalition would be a good riddance, and to be ready to try their luck as a minority government.

A Status for Singapore

THE year that has passed since the failure of Mr David Marshall's mission to obtain merdeka ("freedom") for Singapore should make it easier to reach agreement on self-government for the island in the next two weeks. Mr Marshall interpreted merdeka to mean independence, which he must have in advance to win the island's support for a democratic regime, law and order. Mr Lim has shown that he could win support for a determined government which has put down communist-inspired riots, stopped disorder in the Chinese middle schools, dissolved communist-led unions and bundled political undesirables off into detention. He has shown that Singapore can be ruled by its own leaders ; but his authority would probably now dissolve if he failed to get ninety-five per cent merdeka.

On the British side, both the Suez affair and the determination to cut overseas commitments have led to some scaling down of the value placed by the Chiefs of Staff on the naval base and on the need to ensure its absolute security against an internal coup. In view of the agreement with the Federation of Malaya on defence, however, it should be possible to concede Mr Lim's demand that the casting vote on the proposed security council (which would have power to call in British troops) should rest with a Malayan chairman ; especially if he could be the Federation's minister of defence, or his nominee. Tengku Abdul Rahman has shown that he wants no disorder in Singapore ; and he clearly sees that whatever the value of the base to the West, it is imperative to deny its use to anyone else. Developments in Indonesia are likely to strengthen that Malayan view.

It is a pity the Federation still cannot consider the question of bringing Singapore in as a unit in the foreseeable future. But the provisions that permit this exist in its constitution, and many people believe that once Singapore has attained near-merdeka, the Federation will be bound to bring Singapore in on terms that fall short of swamping the Malay mainland vote with Singapore Chinese. The Tengku is continually being dragged into Singapore affairs, and it was only his intervention that enabled Mr Lim to lead a delegation to London with Singapore-Malay support. Meanwhile everybody must realise—the Tengku, Mr Lim and the Colonial Secretary alike—that the communist threat to Singapore has not been disposed of. And nobody knows how Mr Lim's Labour Front coalition will fare in the elections that will follow merdeka for Singapore. He, like Mr Marshall, wants some kind of lifeline kept intact.

Enter Mr Mboya

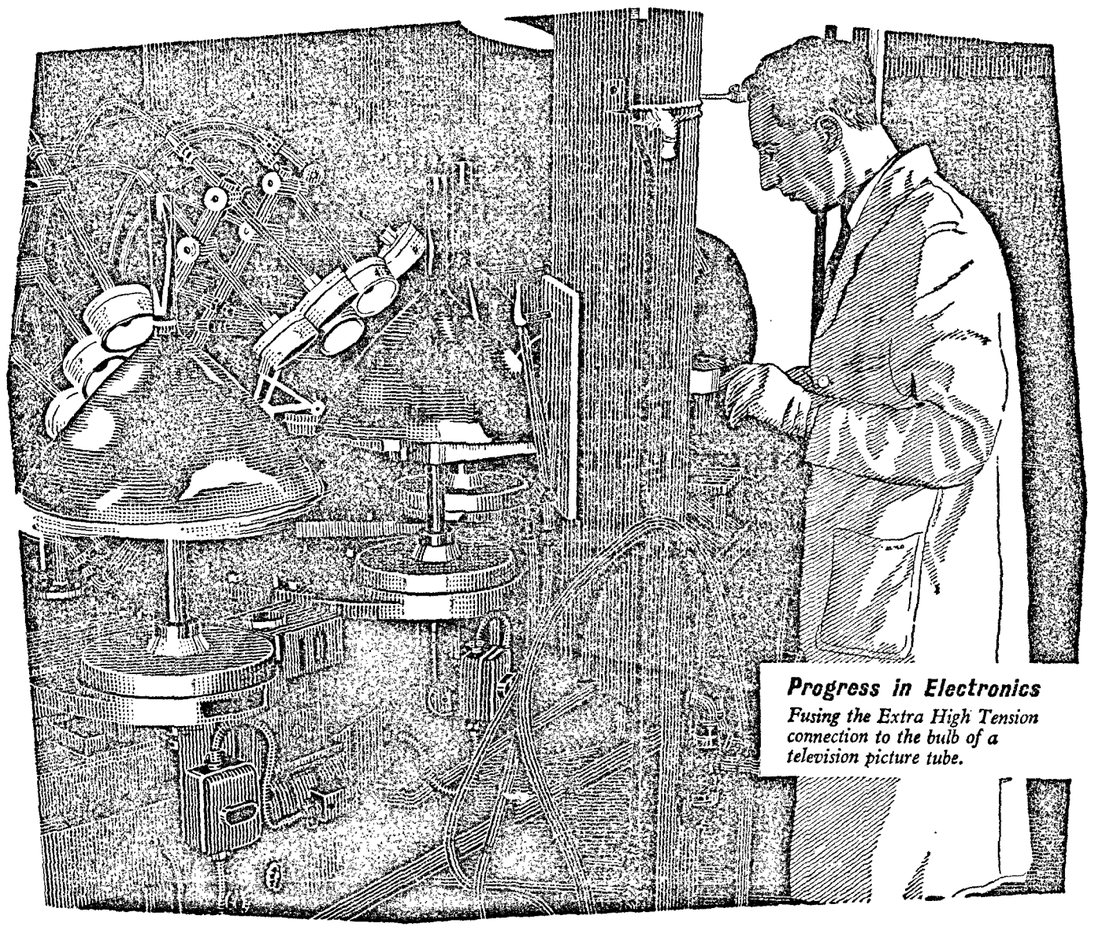
THE new African electorate in Kenya has voted heavily nationalist in the elections for the Legislative Council. Only two of those who served previously on the governor's nomination have held their seats—despite the fact that, under the Coutts franchise, there was a heavy weighting in favour of the "big potatoes" (electors of age, wealth, education and experience) against the "little potatoes" (who possessed only the minimum qualification for a single vote, such as bare literacy). Even Mr Ohanga, the first African minister to take office in Kenya under the Lyttelton settlement, has been defeated by the slogan that he was a "white man's stooge" ; so has the veteran Kikuyu leader, Mr Eliud Mathu ; and all the Capricorn Society candidates have failed.

The best known of the successful candidates is Mr Tom Mboya, who won Nairobi. The other constituencies seem to have voted on strict tribal lines. Mr Mboya is an able westernised trade union politician, and he should quickly emerge as the leader of the African elected members. At the outset, however, the difficulty arises that under the Lyttelton settlement there must be at least one African minister (this was recently raised to two by agreement) as well as two under-secretaries. Yet none of the new members has any parliamentary experience at all ; even the two former members who were elected were added to the House only last October to balance the two new "Corporate" members representing agriculture and industries. To make the African nominated members ministers might cause trouble ; Mr Mboya is the obvious choice.

	Elected	Corporate	Nominated*	Ex-officio†	Total
European....	14 (4)	2‡	15 (2)‡	7 (6)	38
Hindu.....	3 (1)	...	1	...	4
Moslem	3 (1)	...	1	...	4
Arab.....	1	...	1	1 (1)	3
African.....	8 (2)	...	2	...	10
Total.....	29	2	20	8	59

* By the governor. † Officials, including the Speaker. ‡ Open to all races, but at present European held.
Figures in brackets show members who are also ministers.

In the complicated pattern of the Kenya assembly, as the accompanying table shows, white faces still strongly predominate. Kenya moderates realise that the racial balance cannot long remain as it is, and the best hope would be now to put into operation the long-neglected proposal to let all races vote on a common roll in some constituencies. It remains to be seen whether Mr Mboya's advent will persuade the white settlers to this step—or whether it will merely scare them still further off.



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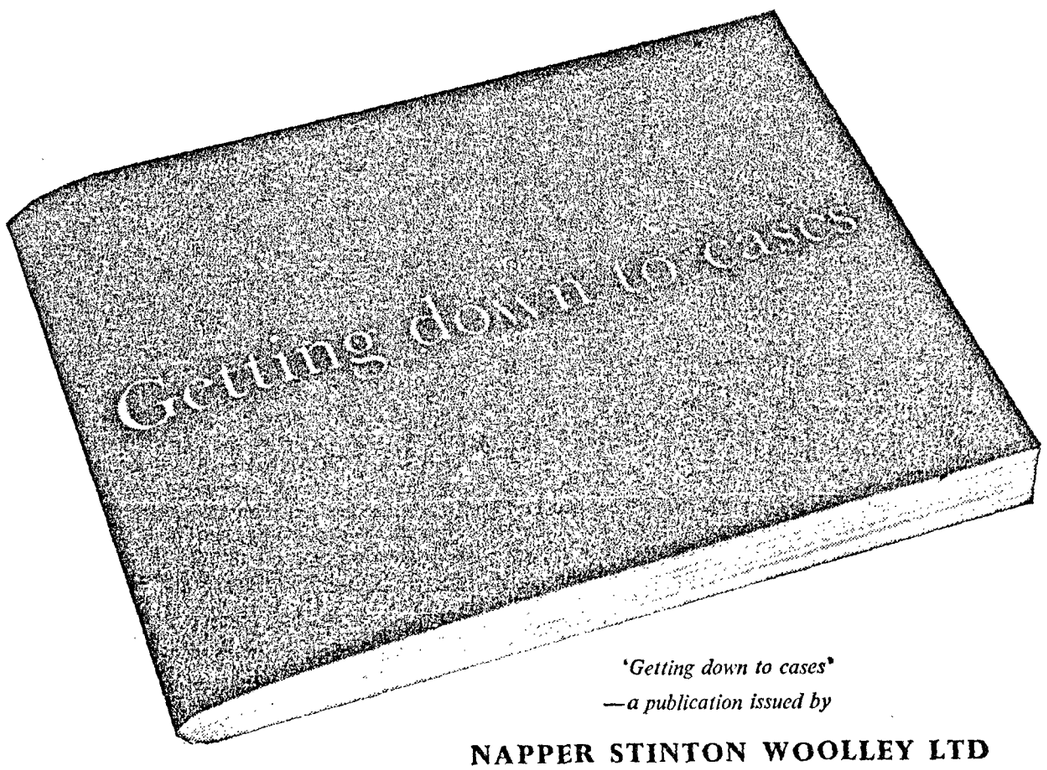
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Seato Makes Haste Slowly

THE third annual meeting of the South East Asia Treaty Organisation, held in Canberra this week, marks a steady but undramatic progress. Seato is not, and is never likely to be, a military alliance on the lines of Nato, although its members are making some efforts to improve their military co-ordination by setting up a permanent planning staff in Bangkok, and by making arrangements for a new combined exercise (the last one, militarily and diplomatically, was not an unqualified success). Seato's armed strength comes from the United States, and Mr Dulles was really patting himself on the back when he told members that the organisation "is an effective force against aggression."

The conference was more concerned with the success of the fight against communist subversion, both in member countries and in South Vietnam, Laos and Cambodia, than with purely military preparations. This reflects the fact that an overt military attack now seems less likely than when the Seato treaty was signed on the morrow of the Viet Minh victory in Indo-China. Some progress has been made in co-ordinating methods and exchanging experience; collaboration between the police forces of the area has been developed—particularly in putting down border banditry between Siam and Malaya—and a seminar on countering subversion is to be held in the Philippines later this year. Economic aid will continue to be given to the Seato countries through the Colombo Plan (in which Seato members enjoy no special privileges) and American bilateral deals (in which they do).

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In view of the allied differences about China, it may be doubted whether the Seato conference was the ideal place for a statement by Mr Dulles reaffirming the United States' determination not to recognise Peking. Indeed, Lord Home, the British delegate, was quick to point out that this was a purely American attitude and had nothing to do with Seato. (Formosa is, of course, specifically excluded from Seato's area of operations.) Mr Dulles's statement, which cannot have pleased the Asian neutrals any more than it did the British, was presumably meant to bolster the determination of the majority of Seato members who recognise Chiang Kai-shek's government.

Argentine Paradox

ARGENTINA is being led in a high-handed manner towards democratic government. The military caretakers under President Aramburu have promised to hand over to a representative government by June, 1958. A constituent assembly is to be elected by universal suffrage in July this year. When it has prepared a new constitution, it should then dissolve, though there are precedents in Argentinian history of a constituent assembly eventually taking over government itself. With elections approaching, the buzz of plots and counter plots has intensified. The most spectacular was the rumour of a Perón-inspired plan (reputedly also supported by those strange companions, the communists and the right-wing Catholic nationalists) to invade Argentina from all its five frontiers at once, after weakening resistance by a comprehensive programme of economic subversion.

This rumour was probably more of a tribute to the vision of ex-president Perón's press agent in Caracas than a serious menace to the government. But President Aramburu is taking no chances. The navy is guiding the country to democracy on a tight rein. Talkative generals are clapped into prison to cool their tongues for a month or so. The indiscreet publication of some letters last week showed that the under-secretary of the navy, himself a naval officer, had been reporting to the President on the conduct of civilian ministers. The minister of trade, whom he criticised for his favourable attitude towards foreign electricity companies —as well as for resting too much at weekends—has since resigned. The naval officer has been put under arrest for a month for his carelessness, but does not yet appear to have been relieved of his government post.

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Strong-arm methods will probably keep Argentina's military rulers in the saddle until they are ready to step down. Their problem then is a familiar paradox: while determined to give the country free elections, they are equally determined that the country shall choose a democratically minded government. And at present the most popular candidate for the presidency is Dr Frondizi, the leader of the left-wing of the Radicals; no less than seven Radical factions are registered with the electoral tribunal. Dr Frondizi is able and courageous and has a fairly clear-cut political programme of state control and extensive nationalisation; he has also the makings of a caudillo. The nationalists, who might run the Radicals close at an election, have no presidential candidate; their obvious leader, General Bengoa, is in prison for conspiracy. The traditional conservatives under Dr Solano Lima will probably not count for much. The elections to the constituent assembly will provide a useful trial run: if the people's favourites are not considered democratic enough, the government may be tempted to postpone parliamentary elections for a time.

Fishy Subsidy

IN 1950 a subsidy was granted for the catching of white fish in near and middle waters around Britain as a temporary expedient "pending the application of long-term measures." An act of 1953 redefined the position, and laid down that the subsidy was to expire in 1958. A new bill read for the second time last week extends the subsidy until 1961 or 1963, allows further grants for the improvement of old but sound ships, and also introduces a new subsidy for herrings.

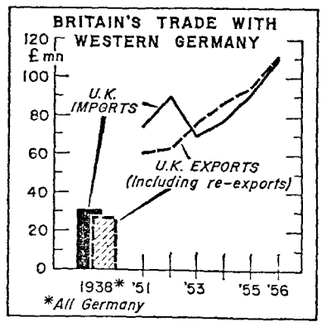
The reason for this latter extension is that catches of herrings have been reduced by nearly a third in the last two years. Partly this is because herrings have moved away from waters off the east coast of England, a process that can hardly be reversed by legislation. Partly, however, it is because Scottish fishermen—whose boats are equally suit-

able for catching herrings or white fish—have had the commercial sense to see that, if they concentrate on catching white fish, they will qualify for the subsidy payments. The first subsidy—however well intentioned—distorted the pattern of production, so that the new one is needed to put it back into shape. Sir Robert Boothby was even moved by the thought of his seafaring constituents to plead that the herring subsidy should be paid on the basis of hours spent at sea, regardless of the numbers of herrings caught—thus, presumably, encouraging people to go on fishing for herring after nature herself has persuaded them to depart from the fishing grounds.

Amid all the protestations made from his own side of the house that the subsidy (which will be limited to £17 million all told during the life of this bill) was only a short-term measure, Sir Robert at least had the honest pessimism to admit that he thought Britain would never get rid of subsidies on fishing or farming. Unless enough querulous eyebrows are raised after debates like that last Tuesday, this may prove to be sadly true.

Growing Trade with Germany

BRITISH trade with Germany continues to show proof that some of the most lucrative markets for an industrial exporter like Britain are to be found, not in the deserts or backwoods of undeveloped countries, but in the cities of the highly developed economies which are our chief competitors. The trade agreement renewed this week is relatively unimportant in itself, for it is concerned only with the 4 per cent of British exports to Germany and the 6 per cent of British imports to which quotas still apply. But it deserves celebrating, for British exports to Germany, driven by the boom and helped by Professor Erhard's tariff cuts, continue to grow with a steadiness and rapidity unrivalled elsewhere. They grew by more than a fifth last year alone, despite the German credit squeeze; this year with a further upsurge in prospect in Germany, and with the promise of more tariff cuts, there is no reason why the growth should falter. British exports to west Germany are now about as large as to the whole of South America; they have grown more since 1938 than have British exports as a whole.



Trade in both directions has been growing, not only in volume, but also in variety. The expansion has been composed not only of traditional products—woollens from Britain, chemicals and certain types of machinery from Germany—but of a broadening range of the other goods needed by wealthy developed economies—consumer durables like washing machines and electric irons, and a limitless range of machinery and industrial equipment. In the investment booms in both countries, indeed, the exchange of capital goods—special tools from Germany, fork-lift trucks from Britain—has provided an invaluable element of flexibility, stopping gaps when delivery dates at home are long, supplementing the technical resources of each economy with the latest devices and special products of the other.

Partnerships between producers, like the recent agreement which the British Motor Corporation has concluded to supply engines to a German truck manufacturer or the contract for Rolls-Royce engines for German troop-carriers, are playing a growing part as a supplement to normal trade. And though British firms have not perhaps been so active since the war as the Americans have been in seeking technical tie-ups with German firms, here, too, plenty of fruitful arrangements already exist. The satisfactory growth of trade and business relations between industrial Britain and Germany is a good augury for British industry's chances if the barriers drop and the European free trade area comes into being.

Appeal to the Country

Now, let us see what are Lord Palmerston's claims to the support and confidence of the constituencies. In the first place, he is indispensable. He is, for the moment, if not the one possible Premier, at least the one possible leader of the House of Commons—among Liberals we mean, for we may safely ignore the remote chimera of a Tory Ministry. This is a most grave consideration. No one else has either weight, popularity, public confidence, or experience enough, for that delicate and exacting position. Lord John Russell's tactics of late years have bewildered the country and entirely shaken the confidence of the party which he once led; and though many might desire to see him again in office, those who would venture to entrust him with the *lead* are few indeed. . . . Mr Gladstone, unquestionably the ablest and most formidable orator in the House, is we fear the most unpopular with all sides;—with all his wonderful powers he is deficient in the special qualities needed for the post; he wants the tact, the moderation, the persuasive sagacity, the forbearing and conciliating temper indispensable in a leader; he is too fierce, combative and merciless. He is very formidable to his enemies, but he has a singular faculty for making them. His tongue, which is his grand weapon, is also his grand danger. The ability of Sir James Graham none will dispute; but few men have a smaller following, or would be less cordially welcomed to the highest place. Mr Sidney Herbert might answer; but he has scarcely made himself prominent enough to be considered as a candidate for the leadership. Yet in these four men we have named, we believe, all Lord Palmerston's possible competitors. In the second place, it is undeniable that to Lord Palmerston's Government, and in a considerable measure to Lord Palmerston himself, we owe mainly the honourable termination of the war and the satisfactory terms of peace. . . . Since the conclusion of peace, the conduct of Government has only been seriously impugned on two occasions—the dispute with China and the hostilities in Persia. Here the issue is clear and narrow. The very policy on which Lord Palmerston demands the acquitting and applauding verdict of the country, is precisely that on which his antagonists call for his condemnation. They complain that he is prompt to resent insults to the British representatives and extend his protection over British citizens. His friends affirm that this is his greatest merit and a sign of his true wisdom.

The Economist

March 14, 1857

Letters to the Editor

Bank Rate Background

SIR—You refer to the official defence of the recent reduction of Bank rate on the ground that it would favour funding, and allow a "taut control of the volume of the banks' liquid assets." And you infer that "any case for a further reduction of Bank rate" would rest on this argument, rather than on the principle of "following" the short-term market.

That there is no case for this latter principle, I entirely agree. The market rate of discount has only a very limited influence on short-term borrowing. For the great majority of borrowers it is the overdraft rate that matters, and so long as overdraft rates are determined by Bank rate, a drop in the discount rate causes no considerable relaxation of credit. As you point out, there is not "any compelling technical reason why the bill rate should not diverge considerably from Bank rate for a time." One of the objections frequently urged against a high Bank rate is that the cost to the Treasury of the floating debt is increased. But, if the bill rate can be lowered by funding operations, while the Bank rate and overdraft rates are kept up, this objection is removed, or at any rate its force is diminished.

It is, of course, true that the link between Bank rate and overdraft rates is a mere convention. In the nineteen-thirties the banks reduced their overdraft rates below what had been the conventional minimum when discount rates fell very low. But they were then concerned to extend the volume of their advances when other earning assets had become unremunerative. So long as they have regard to their liquidity ratio (to say nothing of the credit squeeze), that motive will not operate.

A low discount rate, it may be said, does nothing to stimulate the gilt-edged market, so long as overdraft rates are high. But is not the idea of stimulating the market by cheap money itself misconceived? Easy borrowing favours funding because it encourages the purchase of securities with borrowed money—surely a poor way of helping "to keep money taut." In the present state of the investment market funding is expensive, because investors prefer to hedge against inflation by buying shares rather than fixed interest securities. The best way to improve the market is by dispelling the fear of inflation.

Undoubtedly a continuance of funding measures is desirable. But if it is associated with reductions of Bank rate "following the market," it will defeat its own ends.—Yours faithfully,

London, W.8 RALPH HAWTREY

On the Fringe of Planning

SIR—Control over hire purchase is based on the common-sense argument that the anticipation of future ability to consume is, in an inflationary situation, socially one of the less objectionable expenditures to postpone. Your argument that the throttling back of hire purchase frees the *same amount of money* "to chase other things" is totally fallacious. It frees only the instalments due—i.e., a fraction of the total. A fall of hire purchase credit brings about a cut in demand.

In the Britain of the nineteen-fifties, where imports of steel and machine-tools have played an important part in causing balance of payments crises, the cut in durable goods consumption is the only alternative to a cut in investment. Surely *The Economist* does not advocate a cut in investment, the increase of which is the only way to escape from the continuous recurrence of our international economic malaise. The most terrible danger we face now is that in the name of an "incentive Budget" we shall dissipate our last nest-egg, the cut in our overblown arms expenditure—on an increase of luxury consumption.—Yours faithfully, T. BALOGH

Balliol College, Oxford

From Shadow to Substance

SIR—In your article entitled "From Shadow to Substance," as indeed in most other articles published by *The Economist* on Arab-Israeli tensions, I notice a regrettable bias in favour of the Jews. A similar bias on the part of the New York *Daily News* or *Evening Post* is usually explained by aversion to kill the goose that lays the golden eggs. I hate to think that a like criterion is dominating your attitude.

Egypt was invaded by Britain, France and Israel. You rightly denounced your own government for her part in the game. When the United Nations urged the invaders to pull out you saw fit to recommend obedience. You did not object to British and French withdrawal from Suez, without guarantees or conditions. But when seventy nations, including your own, called upon Israel to quit Egyptian territory you call this "unconditional surrender," and you call "the refusal to admit that Israel could properly seek conditions" a mistake. You, therefore, line up with Israel and France against the judgment of humanity as represented by the General Assembly of the United Nations.

You accuse Egypt of "quietly breaching the international order" but forget about Israel's defiance of United Nations' orders over the last nine years, including the order relating to the internationalisation of Jerusalem.

I think that it is high time your readers were told that Israel is a cancerous growth in the most sensitive part of the Arab body; that the Palestine Jews are a bunch of European invaders who captured a piece of Arab territory dear to their hearts and threw one million innocent people out of their homes into refugee tents; and that no Arab will ever accept the existence of Israel as a permanent fact.—Yours faithfully, ABDUL AMIR KUBBAH

Ministry of Economics, Baghdad, Iraq

Education Costs

SIR—A newly appointed secondary modern master on £450 per annum could be forgiven some wry thoughts on contemplating his "flock" of 40 who are allegedly costing the country £3,080 per annum. Even a primary master on the £900 maximum could have similar reflections about the £1,880 cost of his class of 40.

Could it be that education has become top heavy with administrative costs when so much more is spent *outside* the classroom than in it?

Your figures presumably include the cost of school meals, medical and dental services; are these not social services rather than educational?

Side by side with an apparent prodigal expenditure on education goes a niggardly allowance system for classroom essentials. Most authorities allow about 16s. per year per primary child; this has to cover text books, exercise books, chalk, pencils, pens, ink, rulers, art materials, craft materials, toilet rolls, etc., etc.

We spend more on the child's mid-morning milk.—Yours faithfully,

Liverpool CHARLES MURPHY

Amalgam of Accountants

SIR—The following suggestions are given with a view to raising the standard of the accountancy profession as a whole.

1. Assuming the integration scheme goes through, the Association of Certified and Corporate Accountants to absorb the remaining bodies of accountants.

2. Unqualified practising accountants as at a specified date to be listed and called "registered accountants."

3. As from that date no one to be allowed to practise as a public accountant unless he is a member:—

(*a*) of the Institute,

(*b*) of the Association who has had a minimum service of (say) five years in a professional accountant's office, or

(*c*) a "registered accountant."

Eventually group (*c*) would disappear and the Institute and the Association would be left to represent the accountancy profession.—Yours faithfully,

TWO PROGRESSIVES

Books & Publications

German Destiny

THE HITLER I KNEW.
By Otto Dietrich.
Methuen. 286 pages. 18s.

THE DEVELOPMENT OF THE GERMAN MIND.
By Frederick Hertz.
Allen and Unwin. 524 pages. 35s.

FROM 1931 until within four weeks of the end Otto Dietrich was one of the twenty or so stock functionaries whom Hitler liked to have permanently at his beck and call, sometimes to do a job of work, at others to ward off loneliness. For the chosen it meant unfailing attendance day and night, either on the stage or in the wings, wherever the Fuehrer set up his headquarters. And it usually meant travelling with the Fuehrer, as on that macabre expedition to Munich in the early hours of June 30, 1934, the object of which was to murder Roehm and company. "We who were in his party" (they had just left a wedding celebration at Essen) "had no idea what was up until his adjutant told us, while we were sitting in the plane, that we had better release the safety catches on our guns."

It was as an admiring young journalist that Dietrich was first brought into contact with the leader of the Nazi party. Having performed what was expected of him by writing "With Hitler to Power," he was rewarded before 1933 was out with the post of Reich Press Chief. But, as he modestly points out, Hitler had already made Goebbels the real boss, though "this did not stop him from installing a 'Reich Head of the Press' (Amann) and a 'Reich Press Chief' (Dietrich)." It seems that Dietrich's unenviable and consequently undisputed prerogative was to sprint to the Fuehrer with any piece of hot news picked up from foreign broadcasts. He is not one of the titillating raconteurs of the "I was Hitler's Toothbrush" school, whose stories have found a gaping market since the war. He writes only of what he saw himself and does not pretend always to have had a good view. He put his manuscript away when he had finished, with instructions that it should not be published until after his death. He died in 1952.

So long as he sticks to what he calls "Scenes from Hitler's Life," Dietrich is on firm ground. But when he takes to philosophising the result is this sort of nonsense:

> It was not ill will, not criminal desires, which brought the nation to its present pass and which won for Germans the base reputation of being politically amoral. This nation followed Hitler in good faith and, alas, all too credulously; the blame is not the nation's but his alone. . . . Hitler will not have lived in vain for the German people, for he was obviously sent by Dark Powers as the executor of an unknown destiny.

Most Germans, when they are being honest with themselves, do not pass the buck so readily. They acknowledge the existence of another frequent mischief-maker—*der innere Schweinhund.*

★

"We Germans," wrote Luther, "are Germans and remain Germans, that is swine and beasts without reason"; we are "a wild and furious people, half devil, half man." How are we to explain, how are we to evaluate such judgments? Mr Hertz's massive book, as full of facts as an egg is full of meat, sets out to give us, if not an answer, at least the factual basis for an answer, by probing what he calls "the German public mind." Since the "public mind" is not "a uniform and persistent force," but "a variety of divergent trends," his solution in this history of Germany from the earliest times to the middle of the seventeenth century is to seek out "the political and social feelings, opinions and aspirations of the various groups forming the German people."

Mr Hertz's idea is plausible enough, its execution more difficult. After the invention of printing, evidence runs fairly freely; but over half of Mr Hertz's book deals with the Middle Ages, for which we know singularly little of most of the "groups forming the German people." Only the clergy, with its near-monopoly of writing, was able to express its views adequately; but clerical views were only one aspect of the "public mind." For the rest, a hint here and a hint there make inferences and tentative conclusions possible; but the direct evidence is little more than bare bones, which only historical insight and imagination can clothe in flesh.

Mr Hertz, on the other hand, has taken the view that the facts speak for themselves, and the more facts, the more clearly. His book is erudite, well-informed and encyclopædic; but its method tends also to make it arid and indigestible. To multiply the detail of political history by the detail of literary and intellectual history, by "potted" summaries of tracts, treatises, pamphlets and poems, doubles the size and provides a vast quarry of miscellaneous information, but it does not necessarily double the insight. Whether anything so intangible as feelings, opinions, aspirations, states of mind can be captured by direct assault in this way is at least dubious. Most of the treatises Mr Hertz so painstakingly analyses circulated in a narrow circle; it would be hard to demonstrate that they were "widely read" or "reflected public opinion" or interested "the great mass of the people." As Mr Hertz admits of Luther's controversial writings, "it cannot be assumed that the public mind was able to follow the intricate arguments." What, then, is the relevance of the fact to the theme?

Fact without interpretation, Mr Hertz appears to think, is a guarantee of empiricism and objectivity. In reality, like other historians, he writes with a thesis—the thesis that the curse of German history was particularism and the early failure, by contrast with France or England, to establish a national state. Frederick I is criticised because he "failed to develop the forces making for national unity." Why he should have developed them remains obscure. There is something incongruous, in the mid-twentieth century, in the view that everything which made for national unity was "progressive," and everything that hindered it regressive—particularly where Germany is concerned. The Austrian poet, Grillparzer, wrote a century ago that the path of western civilisation leads from humanity through nationality to bestiality. It was the particular destiny of Germany, under Hitler, to prove him right, and, after four centuries, to justify Luther's diagnosis.

Socialist Satire

A VOYAGE FROM UTOPIA.
By John Francis Bray. Edited by M. F. Lloyd-Prichard.
Lawrence and Wishart. 192 pages. 21s.

J. F. BRAY, the early English socialist, wrote this satirical account of an imaginary voyage to Brydone, Franco and Amrico as an answer to those critics of "Labour's Wrongs" (1839) who had declared him to be too Utopian. The critics, including Samuel Smiles, complained that his earlier analysis was "visionary" and impracticable and that he saw no redeeming features of any kind in the British social system. Bray's reply (1840-41) was never published in his long lifetime. He moved to the United States in 1842 and stayed there until his death in 1897. Only the untiring research of an American socialist brought the manuscript to light, and Dr Lloyd-Prichard now prints it for the first time with an interesting and useful introduction.

It deserves reprinting, although it is a rather heavy-handed and repetitive piece of work, inferior in style and forcefulness to the relatively well-known "Labour's Wrongs," and certainly no answer to the critics. Bray's occasional glimpses of Utopia in the book—a Utopia endowed not only with a perfect social system, but with mysterious and undivulged new sources of light and power (even with a flying machine)—are still more impelling than his completely one-sided account of contemporary British society. The sections on America and France are patchy and completely uninformed, for at that time he knew nothing of either country. The value of the book lies in its intricate interweaving of some of the main strands in early socialist thought—the labour theory of value, the "reserve army," the stress on abiding class antagonisms, the division of history into phases and the prophecy of impending revolution. In addition, Bray violently attacks the doctrines and practices of the "pestos" of both church and chapel, the insolence and idleness of the "aristos," the parasitism of the "sharkos" or lawyers, and the debasement of women.

All students of early socialism will welcome this passionate and on rare occasions genuinely powerful addition to existing literature. Other readers will find in it a half-successful imaginative statement of a carefully considered point of view, which contrasts sharply with conventional contemporary statements about society and about British society in particular. All Bray's hopes were grounded in the future, and it is more illuminating today to consider why the future is different from that which he anticipated than to try to enter the frontiers of his Utopia.

Keeping Them Out

BARRIERS TO NEW COMPETITION: *Their Character and Consequences in Manufacturing Industries.*
By Joe S. Bain.
Harvard University Press. London: *Oxford University Press.* 339 pages. 45s.

HOW difficult is it for a new firm to enter an industry and to establish itself as a viable competitor? This is an important question for all concerned with the structure of manufacturing industry or with the problems of monopoly. Professor Bain, of the University of California, presents his answers in this useful book.

Apart from difficulties to entry that might be caused by "strong-arm" tactics of the established firms, Professor Bain distinguishes three types of "barrier" that may make it difficult for the newcomer. "Economies of scale" may be so marked that an additional firm, of efficient size, could not be accommodated in the market without affecting prices so much as to deter new entrants; that is, there is a barrier when the optimum size of firm is large relatively to the market. Secondly, advertising and experience will have accustomed buyers to the products of established firms. Thirdly, established firms may control the "know-how" of key processes, and strategic sources of materials for the industry. The very large initial investment required in some industries for an outsider to start anew may also deter him: if an established firm wants to expand production, it is likely to have easier access to the capital market. After a somewhat drawn-out general discussion, Mr Bain examines these barriers in a group of twenty industries in America, including the manufacture of products as diverse as tractors, fountain pens, gypsum and meat. This major part of the book is excellent, and skilful use has been made of information and estimates supplied by businessmen and of detailed studies of particular industries.

The results of his enquiry can be expressed broadly as follows. "Economies of scale" make entry hard for a newcomer in only two of the twenty industries, automobiles and typewriters; in these, new firms would find it unattractive to enter even if ruling prices were up to 10 per cent above the competitive level. But "the main culprit in establishing excessive or very high barriers to entry would appear to be product differentiation." The preference of customers for established brands, that is, would make the entry of new competitors very thorny in the industries producing tractors, typewriters, cigarettes, liquor, "quality" or high-priced fountain pens, and automobiles; and "brand-consciousness" is also important, though to a smaller extent, in several of the other industries such as soap, higher-priced men's shoes and petroleum refining. Advantages for established firms stemming from control of patents, key resources, and know-how are found to be slight or small. But the large amount of capital required to start in five of the twenty industries—steel, automobiles, petroleum refining, tractors, cigarettes—does seem to form an obstacle over which a newcomer may find it hard to climb.

This bald summary does not do justice to the author's painstaking examination of the data and commendably careful presentation of his findings. It also cannot indicate the wide range of topics that are considered in the course of the discussion and analysis. Should a similar study of a group of industries in this country be attempted, the standard set by Mr Bain would be a worthy one to work towards.

Art and Economics

RUSKIN AND THE ECONOMISTS
By J. T. Fain.
USA: *Vanderbilt University Press.* 164 pages. $4.00.

THE old wisecrack was that art critics said Ruskin was a fine economist, and economists that he was a fine art critic; but neither was right. He was in fact—like Carlyle, Mill, Edmund Gosse and others—the child of a father who heard duty as the stern voice of God, and was unable to show his son normal animal affection. It warped Ruskin permanently, made him more inflexible after his father's death, and turned him Messianic; the misfit projects upon society his ideal father-figure. Yet much good for a later form of society can come from so warped a personality, though the person himself never may know happiness.

Poor Ruskin first clearly separated out social from commercial costs; he drove the *Economic Journal* in 1898 to warn economists about ignoring social costs; he became a master of English prose and art and architectural criticism, as well as no mean social critic. Yet the American economist Stimson's dictum in 1888—that the bricks for the future building of economic science would rather be made with "Ruskin's earth than with Ricardo's straw"—turned out wide of the mark. Ruskin's supporter, J. A. Hobson, had more influence on Keynes through under-consumption than had Ruskin, with his Messianic rhetoric and social ethics. Ruskin was a psychopath—he could scarcely have been otherwise with such parentage—and like many intellectual social reformers from a privileged class, he knew nothing of the psychology of the workers. He thought this was that of modest children, recognising authority and always ready to ask questions—the right questions. He thought the franchise should be loaded to accord with age, property and education. He confused pure and applied economics—which as early an economist as Nassau Senior distinguished in his introductory lecture at Oxford in 1826. He turned a rigid back on value-in-exchange.

But what an iconoclast, and how necessary, even if the effort blighted him. "Who had not rather have been the Good Thief than Pontius Pilate?" Who had not rather have written "Unto This Last" or "The Stones of Venice" than been, say, Carlyle, or even John

A Critique of Welfare Economics
I. M. D. LITTLE
The first edition (1950) provoked extensive academic discussion, and as a result, there has been some development in its ideas. The author has partly re-written some chapters, either in response to criticism or in defence against it. But the main theme and scope of the book remains unaltered.
Second edition 30s. *net*

The British Tinplate Industry
A HISTORY
W. E. MINCHINTON
Tinplate has been manufactured since the beginning of the eighteenth century. This book is a history of the industry in all its aspects down to the present day. 35s. *net* 21 MARCH
OXFORD UNIVERSITY PRESS

Stuart Mill? In the very political economy of a Kaldor or a Balogh, in the criticism of Ian Little, in the socio-economic idealism of Barbara Wootton or Joan Robinson there is something of the vital romanticism of Ruskin, however abstract and academic their exercises; whereas Carlyle is very dead now. Professor Fain has put economists in his debt by a short, packed, perceptive work which should be published over here. We have had a bit too much lately of other aspects of Ruskin, his literature, criticism and psychopathology. There was much more to him and his life work than that; and Professor Fain's book is an eminently readable corrective.

Canadian Suburbia

CRESTWOOD HEIGHTS: *A North American Suburb.*
By John R. Seeley, R. Alexander Sim and Elizabeth W. Loosley.
Constable. 511 pages. 50s.

"CRESTWOOD HEIGHTS" is about suburbia; it is a study of conditions, values and aspirations in a prosperous suburb of a Canadian city, whose identity remains disingenuously hidden. Here is a successful modern society in evolution, whose problems may be similar to ours because the background is Canada, where powerful British traditions impinge on the standard American way of life.

The book was not planned as a conventional social survey. It was initiated by the National Committee for Mental Hygiene, with the aim of developing a mental health policy for children: from the pursuit of this special objective there emerged a more general study of a community. Comparison with those prewar American classics of the Lynds, "*Middletown*" and "Middletown in Transition," is inevitable. It is worth recalling Robert Lynd's scepticism about general surveys, including his own "Middletown," which raked only the topsoil of society: he believed social research could gain more from vertical digging. Although the "Crestwood Heights" project used this intensive method, it has been unable to avoid falling between the two stools of a community-survey and a treatise on the mental health of children. In part, this uneasy dichotomy may arise from the methods used for the inquiry. The sample was not strictly controlled; the informants were "picked or welcomed" . . . in terms of "availability" as well as of "suitability." This may have been unavoidable, but it has unfortunately inhibited the authors from furnishing statistical data. The qualitative, rather than the quantitative, approach in social studies may lead to greater vividness, as in Dr Zweig's "Labour, Life and Poverty"; but this book lacks that spontaneous imagery which is nevertheless preserved in the relatively scientific studies of the Lynds.

The book is heavy going. Footnotes—very necessary to the text—are banished to a large appendix; the style is ponderous; and there are too many of those *pontifical statements of the obvious, formulated as world-shattering discoveries*, which set the layman against social research. We find, for example, that ". . . the relationship of the Crestwood child to his mother is of particular importance, especially in the earliest phases of his development . . ." or ". . . sex differences between siblings may also open up possibilities of strain within the family, since a girl cannot be treated in exactly the same way as a boy. . . ." By contrast, generalisations of great moment are sometimes made with very little supporting evidence.

Despite these faults, this is an important work. It pinpoints the increasing isolation of the individual family within society, the conflicts that competitiveness may bring both for the child at school and for his parents in their struggle for social establishment, the anxieties of parents and children in a society where, physically at least, almost ideal conditions prevail. If the "Crestwood Heights" residents who collaborated in this inquiry resemble their neighbours, and if this community is typical of the North American scene, we must ruefully conclude that for all man's success in satisfying his material wants, happiness can still elude him.

Land in Israel

CHANGING PATTERNS IN ISRAEL AGRICULTURE.
By Haim Halperin.
Routledge and Kegan Paul. 302 pages. 28s.
AGRARIAN REFORM AND THE RECORD OF ISRAEL.
By A. Granott.
Eyre and Spottiswoode. 301 pages. 21s.

MR HALPERIN'S book gives a most useful survey of Israel's agriculture as it is today, clearly placed in both its geographical and social setting. The author succeeds admirably in clarifying the distinctions between the various forms of co-operative and collective settlement, often a stumbling-block to the foreign reader. One wishes, however, that he had discussed rather more thoroughly the economic, as distinct from the technical, problems that Israel's agriculture is facing today. Its present structure is one of predominantly small farm units producing high-value products: much animal fodder, and most of the grain for animal consumption, have to be imported. It is questionable whether this policy makes the best contribution to the solution of Israel's foreign trade difficulties. Nor is there a critical discussion of the very high capital and current costs of irrigating new areas. One is also left with an unsatisfied curiosity about the relative economic efficiency of the various types of farm settlement.

Dr Granott's volume is intended as a comparative survey of land tenure problems in Israel and abroad. His account of land tenure in Israel brings his former study, "The Land System in Palestine," up to date by describing events ince 1948. The connection of the present Israeli land law with ancient Jewish law, and with the Moslem codes which stemmed from it, is of particular interest. The book, however, is written entirely from the viewpoint of the lawyer, and there is little attempt to relate land tenure to land use. This makes for arid reading and is, at times, misleading. We are told, for instance, that "neither agriculture nor the farmers in Syria have advanced from the low standard of 30 or 40 years ago." This statement appears to be a simple deduction from the fact that Syria is still a country of very large landowners, and no mention is made of the striking advance in mechanical cultivation carried through by the new class of agricultural machinery contractors, within the framework of the old tenure system.

The book's other defect is complacency. It may be very satisfactory for the principle of land nationalisation to be so firmly accepted in Israel, but it is curious to laud this acceptance as a commendably painless process when, as Dr Granott makes clear, it owes so much to the flight of the former Arab landowners. Other countries with agrarian problems cannot ignore those whom land reform would dispossess, yet leave within their borders.

Books Received

ECONOMICS FOR STUDENTS: *fourteenth edition.*
By Leo T. Little. *Jordan and Sons.* 670 pages. 18s. 6d.

BANKING STATISTICS.
By W. Manning Dacey. 11 pages. 2s.
Reprinted from the Journal of the Royal Statistical Society, Series A (General), Volume 119, Part II, 1956.

THE INDIAN YEAR BOOK OF INTERNATIONAL AFFAIRS, 1955: *Volume IV.*
Published under the auspices of *The Indian Study Group of International Affairs*, University of Madras. 437 pages. Rs. 10.

YEAR BOOK OF LABOUR STATISTICS 1956: *sixteenth issue.*
International Labour Office, Geneva. Distributed by the London Branch Office. 518 pages. Boards 36s. Paper 30s.

AN ENCYCLOPAEDIA OF WORLD HISTORY: *revised edition.*
Compiled and edited by William L. Langer. *Harrap.* 1,372 pages. 42s.

YEARBOOK OF FOOD AND AGRICULTURAL STATISTICS 1955: *Volume IX, Part 2, Trade.*
Food and Agriculture Organisation of the United Nations. *Her Majesty's Stationery Office.* 335 pages. 17s. 6d.

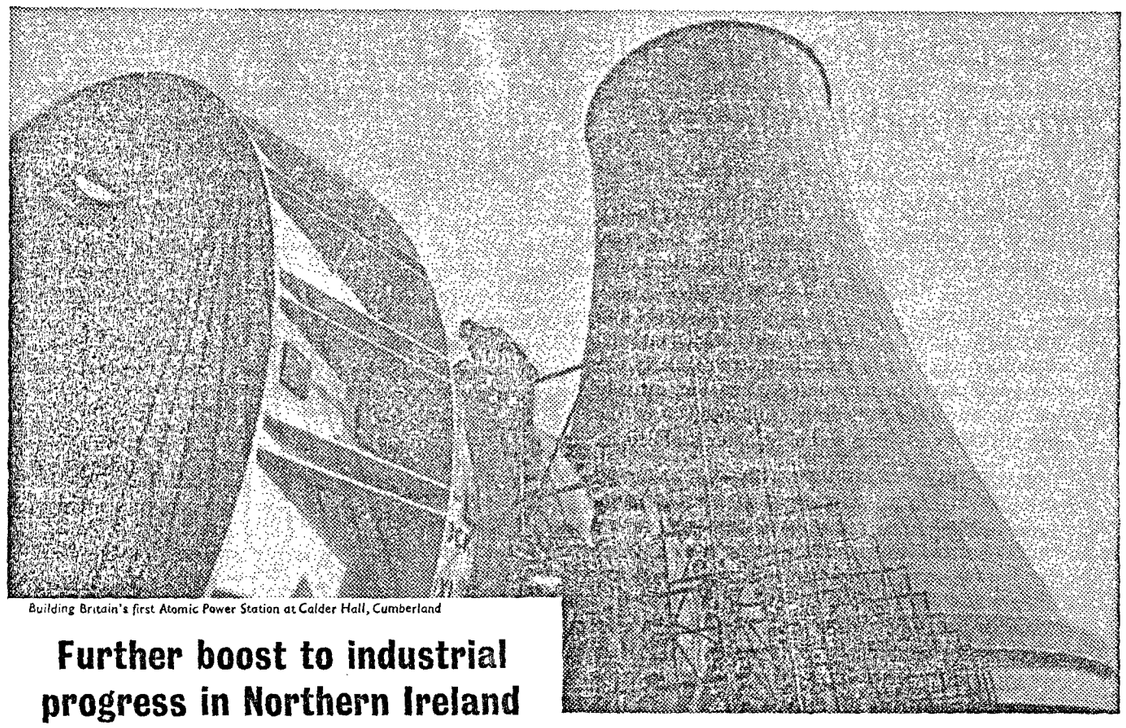
THE HOSPITALS YEAR BOOK 1957.
Edited by J. F. Milne. Advisory Editor: S. R. Spellar. *The Institute of Hospital Administration.* 1,132 pages. 52s. 6d.

TRADE AND FINANCE IN THE BENGAL PRESIDENCY (1793-1833).
By Amales Tripathi. *Longmans.* 302 pages. 30s.

TRADE UNION LAW: *fifth edition.*
By H. Samuels. *Stevens and Sons.* 110 pages. 12s. 6d.

THE ABC OF FOREIGN EXCHANGES: *twelfth edition.*
By Norman Crump. *Macmillan.* 384 pages. 16s.

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or if you prefer to
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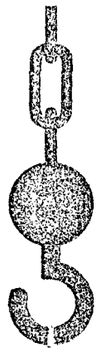
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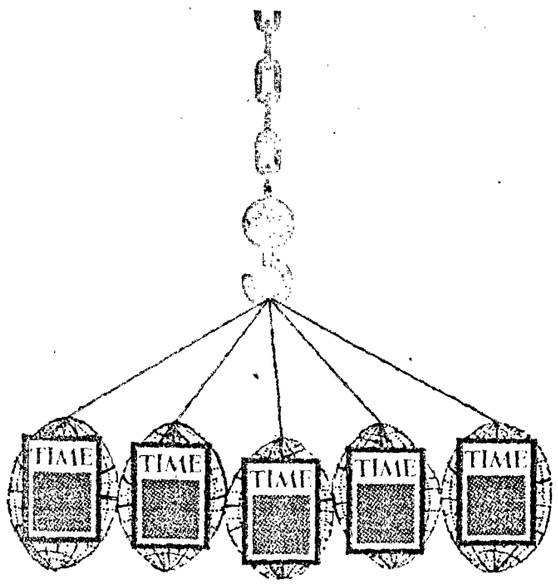
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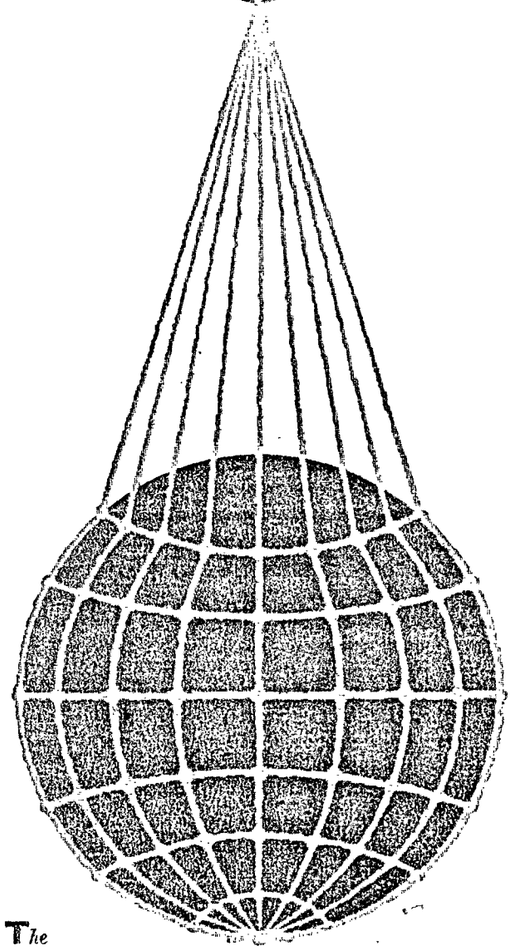


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American Survey

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an *indication to* that effect; all others are the work of the editorial staff in London.

Doctrine on the Books

Washington, D.C.

THE Eisenhower Doctrine is now law, nine weeks after its unveiling by the President in an atmosphere of the utmost haste and urgency. And Mr James Richards, the President's Special Assistant, left for the Middle East on Tuesday to find out what can be accomplished with its economic provisions. But as the middle eastern crisis entered a new phase this week with the substantive issues of the Suez Canal and the Israeli frontier still demanding solutions, the President planned a slow sea voyage to recover his health before the Bermuda Conference, while the Secretary of State was in the Far East. In a sense this was symbolic, since United States policy in the Middle East is at present being defined not by Mr Dulles, but by Mr Hammarskjöld.

Yet it would not be fair to conclude that the Eisenhower Doctrine is meaningless and that, now Israel has withdrawn, the United States has become indifferent to its problems. The Administration is acutely conscious that, although the "assumptions" expressed about Israel's "hopes and aspirations" not being "in vain" are not legally binding, any undue softness towards Egypt might provoke a new round of Anglo-American recriminations that would be a sad preliminary to the meeting with Mr Macmillan in Bermuda. But the President is determined to achieve his objectives by slow, long-range pressure and manoeuvre rather than by dramatic gestures. The essence of his approach was contained in his remark at a recent news conference that it would be a mistake for America to

> try to stand up above the world, flex its muscles, say "I am the policeman," and go everywhere and try to compel people to follow its own dictates including its form of government and everything else.

This Administration believes that one result of the great powers having nuclear weapons which they dare not use except in great extremity is that small powers are in a relatively stronger position than before. Israel was especially vulnerable, but normally such powers cannot be cuffed into compliance. The United States wants to develop new techniques and evolve new precedents for the resolution of conflicts that are peripheral to the cold war.

The Administration has had a good sample in the last few months of the problems it is up against. Senator Knowland's attack on the "double standard" that the United Nations—and the President—were applying to Russia over Hungary and to Israel over Gaza had strong emotional force. The Administration's real case was that no one ever seriously supposed that the United Nations could do anything about a conflict which threatened the Soviet position in Eastern Europe, but that the organisation ought to be used to keep other potential conflicts from being entangled in the East-West battle lines. Even after the Russian arms deliveries, the United States believed that the Arab-Israeli dispute could be kept in the category of issues capable of being solved through the United Nations.

This is too subtle an argument to be easy to present in public, especially by a President fond of expressing himself in homely moral aphorisms. The explanation was made still more difficult because the Eisenhower Doctrine, in so far as it proposes American intervention in the Middle East for the one purpose of fighting communism, seemed to run quite contrary to the idea of insulating the area from the cold war. In fact, the doctrine was the direct result of the Anglo-French intervention. The President and Mr Dulles, who began by being outraged because it offered the Russians an opportunity to intervene in their turn in the Middle East, ended by becoming worried that the very vehemence of American dissociation from Britain and France might have the same result.

★

The doctrine was intended to restore the balance and by so doing to repudiate the extreme pacifist conclusions that were being drawn from the President's pronouncements during the Suez intervention. But the constitutional limitations on the President's power have so often been pleaded as reasons for avoiding American commitments that foreign countries have learned to be sceptical unless Congress is associated with the Administration. Since Mr Eisenhower did not want to appear to be thinking only of force there had to be economic provisions, however sketchy; to win the assent of Congress quickly, it was announced at the outset that Mr Richards would handle the money. The main qualification of Mr Richards, an amiable plodding South Carolinian with practically no experience of diplomacy, was that, in his last year as Chairman of the House Foreign Affairs Committee, he was responsible for cutting $1 billion off the bill for foreign aid.

This technique worked like a charm in the House of Representatives, but fell very flat in the Senate. The foremost reasons for this were the disappearance of Senator George from the chairmanship of the Foreign Relations Committee and the hamhanded way in which the scheme was leaked to the press before being shown to the congressional leaders. Senator George had been the embodi-

ment of nonpartisanship in foreign policy. He frankly admired Mr Dulles, was flattered by the reverent treatment he received from him and the President, and inspired equal awe among most of his colleagues in the Senate. Two years ago he got the Formosa resolution through in three days; the President expected the Eisenhower Doctrine to take no longer. But Senator George's retirement at 79 had made way for older blood. Senator Green, the new chairman, is nearing ninety and, though his faculties are alert, the dominant tone of the committee has been set by Senator Fulbright, a great admirer of the parliamentary system of responsibility, who tried to use the hearings to force Mr Dulles to resign.

The situation was brought under control only when Senator Lyndon Johnson, the Democratic leader in the Senate, who is not a member of the Foreign Relations Committee, asserted himself. Becoming seriously worried at the impression of division and impotence that the Senate's desultory procedures might be presenting to the world, he moved with his habitual deftness from his customary domestic field into the unfamiliar one of foreign affairs. On the one hand, with the full support of Senator Knowland, the Republican minority leader, he made it absolutely plain that the President would have no middle eastern resolution until the Senate knew there would be no sanctions against Israel. On the other, he divided the opposition and built up a coalition that could guarantee the doctrine an impressive majority whenever he gave the word.

In practice it is doubtful if Mr Dulles ever expected to have to use sanctions. But Senator Johnson has obviously acquired a new influence over the Administration's policy, which will be more independently exerted than that formerly exercised by Mr George. The weakening of the President's position in Congress can, however, be exaggerated. The Israeli withdrawal was obtained without the United States ever publicly threatening sanctions in so many words and without the Administration ever publicly retracting its willingness to implement sanctions if they were voted. This, after all, was its aim.

Whatever the British public may hope for from the Bermuda meeting, it should be emphatically aware that the President is likely to go on conducting policy in the present way. Congress is not in a position to change anything radically. The President has conceded that in the past the United States, like other nations, was insufficiently alert to Egypt's defiance of the United Nations. The task before him is to pursue his chosen policy of working unobtrusively through the machinery of the United Nations without insensibly falling into the old sin of immobility. No one in Congress, for all the criticism, has yet asked him to do anything more forceful.

Poles Apart

THE Polish mission which arrived in Washington a fortnight ago with a shopping list $300 million long has presented the Administration with the delicate and difficult problem of how to avoid a dangerous disappointment to hopes the Administration itself raised. This is an inauspicious year for foreign assistance of any kind, particularly to a communist state which has caught Senator Knowland's disapproving eye. Yet to send the Poles away with too small a return for the political risks they have taken—a figure as low as $30 million has been mentioned—might force Poland back into dependence on Soviet Russia and frustrate the progress toward liberation which Mr Dulles has sought so ardently.

Americans of Polish extraction are behind Senator Kennedy's plea that any step should be taken which promises to lessen Soviet domination over Poland. This view is shared by the experts, otherwise the National Security Council would not have approved the invitation to the Polish mission. Mr Gomulka needs what the impeccably respectable Fairless committee called "a demonstration that a free system is far superior to an authoritarian one in providing better living conditions." The other satellites will be watching to see if he succeeds.

The agricultural surpluses of cotton, wheat, fats and oils which America wants to dispose of and which the Poles are seeking to the tune of $200 million are not legally out of reach; Mr Dulles's finding that Poland is not under Soviet domination means that Poland can pay for them in its own currency. The difficulty, which may be got round by stretching out deliveries, is that virtually all the $3 billion appropriated to finance such sales has been used up and Congress has yet to give the President the additional $1 billion for which he has asked.

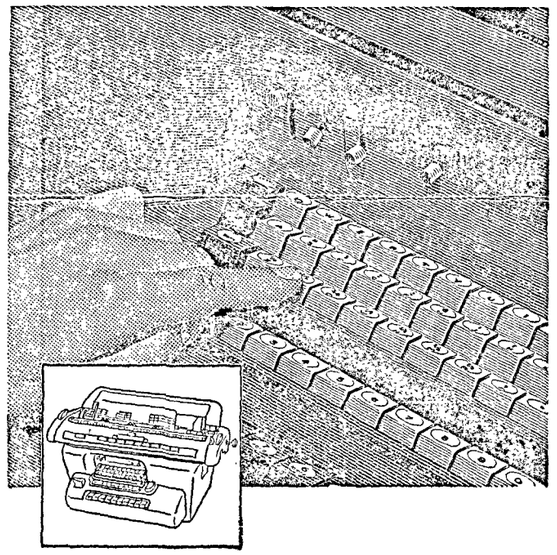
It is Poland's request for loans—$100 million from the Export-Import Bank and $30 million in government-guaranteed loans from private banks for machinery and fertiliser—which seems to fall under the ban of the Battle Act. The President has power to make an exception from the Act's prohibition of economic or financial aid to countries selling goods to nations threatening the security of the United States, but not when war materials are involved. The last resource is the President's own emergency fund, but it so demonstrated its value, during the Hungarian crisis, that very little is left. If the Administration re-reads the Battle Act, which was passed in 1951 before the Polish problem was foreseen, it may be surprised to find that one of its announced purposes is "to assist the people of the nations under the domination of foreign aggressors to re-establish their freedom." Unfortunately that is the letter, not the spirit, of the Act.

Time to Buy?

FROM A SPECIAL CORRESPONDENT

THESE are anxious weeks for the manufacturers of consumers' goods. The period from March 1st to Easter is usually regarded as the testing time for the new year's styles in items as diverse as automobiles and women's hats, and the vigour of the "spring upturn" in consumer buying is viewed as an indication of the strength of demand in the months to come. Some manufacturers have tried to arouse interest with "1957" models brought out as early as last October. But a new season's buying generally does not begin until after people have recovered from their Christmas shopping and March income tax payments, and until the weather is good enough to encourage a trip to the shops or a trial spin in one of the new cars.

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To manufacturing companies burdened with large amounts of extra capacity, and anxious about the levels of their own and their dealers' stocks, the test of consumers' intentions is perhaps more important this year than in any since the war. In the automobile industry, for example, a normal spring increase of 20 per cent in monthly retail sales would indicate that 6.5 million of the 1957 models would be needed. Anything less would cause the factories to revise their estimates downward toward 6 million, cut production plans, and order smaller quantities of steel, glass and other materials. To the textile and clothing industries, brisk sales this Easter could mean a highly profitable year, instead of one of continuing doldrums. Manufacturers now have the capacity, which they lacked just after the war, to vary their output widely according to demand. But they cannot decide between different schedules of production, with all this implies for stocks and for possible further expansion, until reports from the shopkeepers come in.

It is amazing that so little is known about how to forecast consumer buying. An enormous amount of statistical work has failed to reveal any reliable seasonal pattern that can be used to predict spring purchases of cars and other durable goods. There are established relationships between spending and the disposable income of consumers that hold good over long periods of time. But in any one year there may be sharp variations from them. Therefore, any forecast made before the results of Easter buying are in is largely a guess about the consumer's mood.

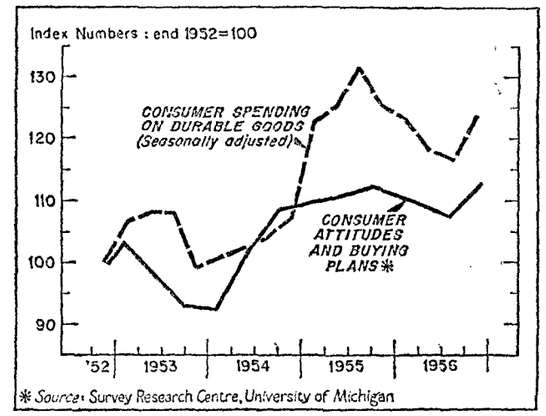
In order to improve the accuracy of such guesses, manufacturers have sponsored a considerable amount of research on consumer psychology. The most notable work has been done by the Survey Research Centre of the University of Michigan, which, in addition to its annual report for the Federal Reserve Board, each year makes three surveys of consumers' attitudes.* In these surveys, people are asked how they feel about their own financial situation, about business conditions in general, about the prices and styles of new models and about their plans to buy specific goods. The answers have proved fairly accurate in forecasting the share of their income people are prepared to spend, and the centre's index of consumer attitudes, based on the ratio of favourable to unfavourable responses, can be correlated with the total sales of durable goods from 1952 to 1956, although it does not work as well for specific items.

One of the great achievements of these surveys has been to establish the normal attitudes of consumers; in general, they have shown that American families believe that the United States is having "good times" and are not much worried about their own financial situation at present or in the future. It would evidently take a serious and prolonged recession in business, accompanied by widespread unemployment, to change this attitude. Statements by economists and businessmen about declines in the stock market, the brief recession of 1954, or such events as the Suez crisis had no significant effect on the attitudes of consumers.

There is no evidence, either, that people feel that they have enough durable goods. In fact, the families that own the most household appliances are the ones that most frequently express the desire to have more. In general, therefore, there is every reason to believe that consumers today are as optimistic as at any time in the postwar period, as much interested in new products, and as willing to borrow if necessary to acquire them.

* The Centre's work on consumer opinion was described in two articles in *The Economist* of July 21, 1956, and August 4, 1956.

The real question is whether the present attitudes of consumers favour the sort of strong upswing in buying that occurred in 1955, or a gradual increase such as took place in 1956; at many manufacturing plants this would make the difference between capacity operations and relatively slack times. On this point, the latest report of the Survey Research Centre indicates that buying in 1957, while more vigorous than in 1956, is not apt to surge upward as it did two years ago, chiefly because so many families say that



prices are "too high." There are more people who intend to buy new cars than there were twelve months ago, but the number is still much lower than it was in 1955.

Manufacturers do not regard these surveys as decisive. They are waiting for the actual figures on spring sales. Moreover, there is still time for merchants to tempt the public with special price concessions and, in items such as clothing, with new styles. But unless the next few weeks show a pronounced uptrend, the rest of 1957 must be expected to be just average (by recent standards) for consumers' goods. The suspicion is growing that it will take another year of growth in consumers' income, with a chance that prices meanwhile can be held more stable, before really large gains are made in the sales of durable goods. Another year also will increase the chance that new styles may catch on. The motor industry, which for two years has failed to tempt buyers with its new models, is not likely to fall down a third time. For this reason, a failure to achieve more than modest gains in sales this year would not be regarded as a disaster. It would, in fact, increase the chances of a "big year" in 1958.

Partnership Against Drought

As President Eisenhower sent Congress his proposals for the relief of the drought in the Great Plains, it was already being relieved in the southwest by a heavy rainfall. But three million acres of land had been damaged by wind erosion during this season's gales and another 29 million acres were ready to blow because they had no cover of growing plants to hold down the soil. The present rains will help this year's pastures and crops but it will take a lot

more to build up the moisture in the subsoil and to restore the fertility which has been drying out of the soil for years. The proposals, amplified in an accompanying letter from the Secretary of Agriculture to the President and in the report on the special conference of experts held in Kansas two months ago, fall into two categories: emergency help, mainly a continuation and extension of existing programmes, and long-range plans to prevent future droughts from becoming disasters.

In the first category is repeated the President's budget request for $76 million to provide feed for livestock, to refinance farm indebtedness and to expand soil conservation measures. For the last purpose, particularly in connection with the deferred grazing scheme, under which farmers are paid to allow the grass to grow by keeping their herds off it, legislative changes are needed, as they are also to improve the credit services which the government offers to farmers. More money is also wanted for the control of grasshoppers. This is a less ambitious programme than that which has already passed the House under Democratic sponsorship and which is opposed by the Administration because it would cost about $25 million a year.

The most controversial of the Administration's ideas is that in certain, so far unspecified, cases, state governments would be required to put up 25 per cent of the cost. In the past three and a half years, government drought relief has cost $658 million, all but one per cent provided by the federal taxpayer, although some states have additional schemes of their own. State authorities certainly agree with the President that the emergency should be dealt with at the local level as far as possible, but they are much less certain about paying their way in the partnership which he proposes.

Partnership seems sure also to enter into the long-term remedies, which deal with stabilising the economy of the region in order to make it less dependent on water. So far these proposals are necessarily vague, although constructive. They include tax changes which would encourage a better use of land and relieve financial burdens during bad years; research into water supplies, in order that what is available may be utilised better, into weather prospects and into crops and land uses, so that the resources of the region may be more satisfactorily employed; and encouragement of industrial development, to provide alternative jobs for farmers and alternative sources of income for the shopkeepers and other local businessmen who are now equally, although less directly, dependent on agriculture.

Atomic Friction

FEWER sparks than usual have flown, in public at least, at this year's regular congressional hearings on the atomic energy programme. In part this is because Mr Durham, the new chairman of the Joint Committee on Atomic Energy, has replaced Senator Anderson, a strong believer in governmental development of commercial power from the atom. He is one of the most vigorous of the Democratic critics of the Atomic Energy Commission's policy of leaving private enterprise to develop peaceful atomic energy. Moreover, Mr Strauss, the chairman of the AEC, took much of the wind out of the Democrats' sails just before Congress reassembled by promising that if private industry did not do the job quickly enough, the government would build the plants.

Deep differences of opinion still exist, however, between Mr Strauss, who puts progress in nuclear technology before the race for kilowatts, and the Democrats, who believe that without experience of large-scale atomic electricity plants American technical progress will be slowed up. Their doubts about the willingness of industry to invest sufficient sums have received some reinforcement from the unwelcome news that the actual costs of building civilian reactors are exceeding the original estimates by 20 to 40 per cent. Some scepticism has therefore been expressed about the immediacy of plans, announced very conveniently for Mr Strauss, for three new groups of companies to build atomic power plants in Ohio and on the Pacific coast, thus invading the homes of cheap hydro-electric power and coal.

There may yet be fireworks when the committee, now considering insurance against accidents in atomic plants, moves on to the Gore Bill, which the Senate passed last year and which authorises government construction of several big atomic power plants. But the "three wise men" of Euratom, on their recent visit, provided a way out for both sides with their suggestion that America should use Europe, with its high costs for conventional electric power, as a proving ground for its designs for atomic plants. This promising idea will not get far, however, unless the committee is less jealous of American atomic secrets. There have been complaints about Britain's failure to provide America with detailed information about Calder Hall. But the chief reason the AEC has been slow to carry out its intention of sharing with Britain the secrets of the Nautilus, the atomic submarine, is the committee's own dislike of this loosening of security.

Scientists—Scare about Scarcity

FROM A SPECIAL CORRESPONDENT

FOR some time now there has been deep concern in the United States about the country's alleged shortage of trained scientists and engineers, which is supposed to be threatening its defence, progress and prosperity. This concern has been evoked by reports of the numbers being trained in the Soviet Union—126,000 graduates in these fields each year, compared with 59,000 from American universities, according to one estimate; by warnings from industrialists, educational leaders and government officials; by the almost unbelievably attractive offers made to college students by companies competing for the privilege of being allowed to employ them after they graduate; and by the newspaper columns filled with "help wanted" advertisements, which read like guidebooks to fairyland. It is therefore a little surprising to discover that in fact there is no general or widespread scarcity of scientists or engineers in the United States.

An analysis of this apparent contradiction must begin with a definition of terms. By scientist, in this context, the census takers and the various commissions which have studied manpower difficulties have agreed to mean someone who has had special training in the discipline of one or more of the natural sciences—mathematics, chemistry, geology, biology and physics—who has at least a bachelor's degree from a recognised college or university, and who is working at a level loosely described as professional in an area broadly defined as scientific. The level at which the professional label is applied varies with the science concerned—in chemistry a bachelor's degree is enough, in physics several more years of study are needed. The statistics take account of this difference, as accurately as is possible when attempting to record the individual activities of a population of 170 million.

But the lack of reliable and up-to-date data has added to the alarm and confusion over possible shortages, especially in the light of the Russian figures, startling both for their size and seeming precision. The best estimates suggest that there are about 700,000 qualified scientists in the United States and that less than a third of these specialists are occupied in the work for which they were trained.

The amount of inspired guesswork involved in defining and counting scientists suffers a geometric factor of increase in dealing with engineers. Even the first coarse filter, a college degree, used to separate out scientific sheep from goats, is unavailing. The kind of work done is some guide, but there are no legal and few professional sanctions to prevent a man describing his work as engineering, and himself as an engineer. Nor is the individual concerned alone in his terminological inexactitude. Not many years ago the United States Army estimated that it would need 900 more engineers during the next twelve months. Closer inspection showed that the actual requirement was about 10 engineers and 890 technicians and draftsmen. Professor Eli Ginzberg of Columbia University, director of staff studies for the National Manpower Council, who tells this story of military miscalculation, believes that industry is as guilty as the armed services of this type of error. This belief is also held by the president of the American Society of Engineering Education, who told a meeting last year that "much hysteria" had surrounded the alleged shortage of engineers. Referring to industry's estimated need for 68,000 more of them, he declared that, if this number were provided, "they wouldn't know what to do with them." As he is also the manager of technical personnel development for the General Electric Company, he is in a position to know what he is talking about.

Both employers and employed have other habits which make statistical confusion worse confounded. In some industries—the aircraft trade is one—there is a constant movement of technical personnel from one company to the next. This is partly due to the fluctuations in the demand for different skills at different stages of a project in any one firm, and between firms at any one time. The preference of scientists and engineers, and especially their families, for life in the gayer and more equable climate of the southwest rather than in the inclement northeast of the country further distorts the pattern of supply and demand, as does the current fancy for engineers as company executives. The vacancy, as advertised, demands an engineer, while the work calls for general administrative ability only, with no occasion for technical skill.

The cries of "shortage" have accelerated a tendency to stockpile scientists and engineers in considerable excess of current or foreseeable demands, a trend encouraged by cost-plus research contracts, generous tax concessions for establishing or expanding a "research" programme, a desire for prestige, and the simple determination to get or keep a good man away from trade rivals. Whether or not a firm is given a government contract may depend, among other things, on the number of scientists on its payroll available to work on the new project. Only last month a congressional committee was criticising defence contractors for the excessive amounts they spend on recruiting engineers and scientists, amounts which can then be charged as expenses on the bills which are presented to the taxpayer.

Such prodigality in hiring young graduates was condemned last summer by the Congressional Committee on Atomic Energy, which went on to say that industry should also make greater efforts to see that the full talents of its engineers and scientists are used and that routine jobs are left to less skilled workers. The same point was made again this year by two government officials. Earlier, another expert group attached to the Department of Defence had concluded that the effectiveness and efficiency of military research might be increased by 25 per cent, although it admitted this would take "five years of diligent effort."

It seems to be assumed by the prophets of doom that America lacks either the means or the intention, or both, to increase the number of scientific graduates. In fact there is a substantial rise in the total college population—a conservative estimate by the Commission on Human Resources and Advanced Training forecasts 326,000 graduates in 1960 and 608,000 in 1969, against approximately 285,000 in 1956—as well as a climb in the percentage of science and engineering students. It is officially forecast that in about ten years' time the supply of such graduates should have caught up with demand. There are many problems in education, particularly in scientific training at the high school level, but a lack of students does not seem to be one of them.

Finally, Professor Ginzberg has pointed out that, in a world of limited resources, there is never enough of everything all at once. There is a shortage, he said, of "good baseball players" and of "beautiful women." But in the circumstances, the supply of scientists and the demand for them are within a reasonable margin of balance. There is, however, a problem of maldistribution which is hard to solve without some direction of labour, unthinkable in peacetime. Some specialists are unable to find work appropriate to their taste and talent; there is an absolute lack of a few, very highly qualified types, mostly applied physicists and usually in places too secret to mention; there is a need for more men of sufficient experience to head research projects in certain fields, again mostly in physics and sometimes in the sort of work where there has not yet been time for anyone to acquire that kind of experience. Finally, there is a long felt want for more geniuses—Einsteins are scarcer than hen's teeth.

SHORTER NOTE

The Army and the National Guard have signed a peace treaty; for the rest of this year boys between 17 and 18½ years old who join the National Guard will be required to take only eleven weeks active training. This means that they can fulfil their obligation during their vacation from school or college. The six months' training period, which the Army wanted but which the Guard felt would hamper recruitment, will now only be required for boys in this age group if they volunteer after the beginning of next year.

Winter Wisdom

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The World Overseas

King Saud, Nasser and the West

FROM OUR SPECIAL CORRESPONDENT IN RIYADH

THROUGHOUT the acute phase of the Middle Eastern crisis the Saudi Arabian government has kept in the background. It subscribed to the Arab policy declarations issued after the summit conferences in Beirut and Cairo; otherwise, unlike the governments of Egypt and Syria, it has said little. The government's reticence has not been filled in by publicity organs like the press and radio, which are still in an early stage of development. There is only one daily newspaper published in Jedda for the whole country; three periodicals are published in Mecca, Medina and Riyadh; the Riyadh broadcasting station is still under construction.

The absence of news from Saudi Arabia has encouraged speculation in the West—much of it wishful. It has been suggested that Saudi Arabia as a wealthy autocracy must fear the spread of radical extremism, not to mention communism, from Egypt and Syria; and that the blandishments lavished on King Saud by President Eisenhower and the United States government must have strengthened American, and therefore western, influence in Riyadh. On both counts it has been argued that Saudi ties with the Egyptian-led Arab block must have been worn threadbare.

Inquiry in Riyadh does not lend support to such speculations. It is true that both temperament and interest incline King Saud towards caution and that at least twice in recent weeks he has urged moderation on his allies. But in all essential respects he and his government stand firmly behind President Nasser in his quarrel with Israel and with its western backers. The actions of Israel, Britain and France are roundly condemned with a conviction so deep that it will certainly endure for years. And even though King Saud may disagree with his allies on matters of tactical detail, it is most unlikely that he will carry disagreement beyond the stage of private admonition.

The acts of the Saudi government since the emergency began bear witness to its steady support for Egypt. It has backed Egypt vigorously in the United Nations. It has broken off diplomatic relations with Britain and France. It has supported President Nasser's refusal to allow clearance of the canal until the complete withdrawal of the Israelis, even though that meant a loss to the Saudi exchequer of about 20 per cent of its oil revenue. It even added to that loss by closing the submarine pipeline from the Saudi oilfields to the Bahrain refinery, thereby depriving itself of another 16 per cent of that revenue. Saudi support for "the free Arab states" (Egypt, Syria, Jordan, and Saudi Arabia) is also visible in the sympathy shown to Syria in its quarrels with Lebanon—the latter state is regarded as too western in outlook—and in the strong Saudi dislike of the Baghdad Pact. Attempts to improve relations between Saudi Arabia and Iraq have made no progress since King Saud and King Faisal met on the Persian Gulf last autumn. Too much should not be read into King Saud's forthcoming meeting with President Chamoun of Lebanon and King Faisal of Iraq. President Chamoun's visit to Riyadh is certainly regarded by King Saud as a courtesy call and he possibly looks on his proposed visit to Baghdad in the same way.



The place of Saudi Arabia in foreign affairs is conditioned by the problem of Israel, which dominates Arab thinking in Riyadh no less than in Cairo, Damascus and Amman. Those standing closest to the King, like his uncle and chief adviser, Emir Abdullah ibn Abdurrahman, the premier and foreign minister, Emir Faisal, and the deputy foreign minister, Sheikh Yusuf Yasin, can see no chance of a permanent settlement between the Arab states and Israel. They concede that the elimination of Israel is not a practical proposition in the immediate future. But they regard its recognition as a lasting feature of the Middle Eastern scene as even more unthinkable. There lies the root of the dilemma of the Arabs: in the refusal to accept the existence of a state which they have not the power to destroy.

Much of the odium hitherto reserved exclusively for Israel now falls on Britain and France. Sheikh Yusuf Yasin said that a straightforward quarrel between Britain and Egypt leading to war might have been understood by the Arabs. But collusion with Israel, however indirect, was something that Arabs could never forget, much less forgive. It made the prospect of a return to cordial relations between Britain and Saudi Arabia exceedingly remote. But a resumption of formally correct diplomatic relations is not thereby excluded. The view prevalent in Riyadh is that such a resumption must be conditional on reparation being made to Egypt in addition to the restoration of Egyptian control over the Gaza strip and the Sharm el-Shaikh area. Some would like to make a further condition, namely, the

withdrawal of British-led forces from the Buraimi Oasis.

The Saudi attitude to Britain is, if anything, firmer than that of Egypt. The attack on the Canal Zone is regarded as being of a piece with the occupation of Buraimi and the attacks against what Yemen regards as its territory. Emir Faisal remarked bluntly that it seemed evident that the British were intent on "destroying the Arabs." There is little doubt that the Imam of Yemen will receive full Saudi support for whatever course the quarrel with the Aden government may take.

Saudi feeling towards the United States government is difficult to gauge. Perhaps it is best described as "friendly reserve." King Saud was certainly delighted with the warm reception given him in Washington, and both he and his advisers are satisfied that the President will try to curb the immoderate influence of Zionism on American politics. They are also well content with the agreements on the Dhahran air base and the supply of American arms for Saudi forces.

Neutrality the Keystone

Nevertheless, the Saudis are watchful for American attempts to edge them out of their policy of neutrality between the two blocks—a neutrality which, like Egypt and Syria, they have made the keystone of their foreign policy. Many leading figures deplored the terms in which the military proposals of the Eisenhower doctrine are couched. In Saudi eyes, the restriction on the offer of military aid to cases of communist aggression seriously reduces its value. They see no reason to fear a Russian attack, but many reasons to fear an attack from Israel, Britain and France. Your correspondent has often been asked in Riyadh, more or less rhetorically, why the offer of aid was not made to cover aggression from any quarter.

The Saudis themselves explain the terms of the American proposals by reference to America's desire to influence the Arab states in an anti-communist direction. That influence they are determined to resist. Grateful as they are for the efforts made by the United States to secure the withdrawal of Israeli forces from Gaza and Sinai, they are at least equally grateful to the Soviet Union for its energetic stand in support of Egypt. They have no intention of being cajoled or forced into anti-Soviet postures that would hinder them from asking for Soviet help in similar emergencies in the future. Commenting on the military proposals, Sheikh Yasuf Yasin said: "If the communists attack us, we shall certainly ask the Americans for help." Emir Abdullah quoted with approval Sir Winston Churchill's wartime dictum about Hitler and the Devil.

Saudi feelings for the eastern block, like those of many uncommitted peoples, are mixed. They reject communism on social and religious grounds, and, having no great immediate need for Soviet help, they would probably prefer to keep the Soviet government at arm's length. But they see no reason why other Arab governments should refuse help from communist sources if they are unable to get it elsewhere. President Nasser's arms deal, for example, is warmly defended in Riyadh on the grounds that he has no other course open in view of the West's refusal to supply his needs. The plain fact of the matter, in the Saudi official view, is that the Arabs have been forced into dealing with the communists by western hostility to their national aspirations. So the West, it is argued, has no valid ground for complaint.

Dr Wassenaar's Bombshell

FROM OUR CORRESPONDENT IN SOUTH AFRICA

EVER since the days of the Jameson Raid and the Boer War, the relations between the English and Afrikaans-speaking groups have been a cardinal issue of South African politics. This issue has now caused a new minor eruption which has introduced some fluidity into a situation that has remained rigidly unchanged for nine years. When he resigned as Nationalist leader in the Transvaal Provincial Council, Dr Theo Wassenaar, one of Mr Strydom's oldest and most outspoken associates, did more than shock his party and bring hope to an opposition sadly in need of it: he gave expression to a political ideal of most white South Africans—the dream of a united European nation free to devote its attention to the really big race issue in South Africa, white-black relations.

Although he has the deserved reputation of being an extremist, Dr Wassenaar has for years spoken about the necessity of closer association between the two white language groups; and he has always justified this by referring to the "black peril." He chose the composition of school boards in the Transvaal as the occasion on which to test the sincerity of the party leadership's attitude on co-operation with the English-speaking section. When he failed to persuade his colleagues to agree to a degree of minority representation which he considered equitable, he resigned his leadership—without leaving the party. But it was his blistering indictment of the extremist leadership of the party that really attracted public attention. He said that he no longer had any faith that under the present leadership the high principle of equal language rights for the two language groups would be able to struggle free from the impotence in which the extreme elements in the party held it prisoner. He talked about dishonesty in politics becoming the basis of our public life, and gave a warning of the imminence of a one-party state and dictatorship.

Apartheid and No Nonsense

Mr Havenga's newspaper, which a month earlier had taken a firm stand against the Nationalist party's persistence in compulsorily segregating white children at school, rallied to Dr Wassenaar's aid. "Remember," it told Dr Wassenaar's successor, "Hitler is dead." The rest of the well-drilled Nationalist machine tried desperately to play down the affair, but it was patently upset by the description of the prime minister as the prisoner of party extremists—a picture only partly in focus because Mr Strydom has become the victim of his own sectional philosophy taken to its logical conclusion.

While it is impossible at this stage to gauge the extent of the Nationalist rank-and-file's sympathy for Dr Wassenaar's stand, there is no doubt that the repercussions of his decision will continue to be felt. Yet while the Nationalist party will suffer as a result, South Africans who appreciate the vital necessity of finding a formula for peaceful co-existence between white and non-white will derive little real comfort from it. Shorn of its trappings, Dr Wassenaar's philosophy comes down to this: the whites must by hook or by crook get together and stay together in order to present a united front to the non-whites. And if Dr Wassenaar has any say, the handling of the non-whites under the new dispensation will be pretty harsh and uncompromising. No "shared society" for him, or partnership: he believes in apartheid, and no nonsense.

It is a doleful philosophy, but it appeals to scores of thousands of non-Nationalists. For this reason Dr Wassenaar's dramatic resignation may herald the beginning of the long-anticipated realignment of political forces about which many non-Nationalists talk: a regrouping of the so-called moderates in the Nationalist party with the Centre and Right of the United party to form a conservative block which would leave isolated the lunatic fringe of the Nationalist party on the one hand and the Liberals and left-wing elements on the other. This prospect might well appeal to many in the United party. Under Sir de Villiers Graaff the party has walked warily during the current parliamentary session. At one stage a member of the Strydom Cabinet felt constrained to stigmatise as unfair the Opposition's willingness to agree to government proposals. But it took a more vigorous stand on the African bus boycott issue and fought the bill that enables the government to stop transport undertakings from operating on the boycott routes. On the private bill abolishing the Union Jack as one of South Africa's official flags, the party found itself in something of a quandary, because of its own racial composition; it ended by opposing the measure although voting for the clause which makes the Union flag the country's only flag—a piece of political subtlety likely to be lost on its opponents and to puzzle its followers.

Dr Wassenaar's resignation will encourage the United party's tendency to shift gradually to the Right and to try, consciously if unobtrusively, to find common ground with moderate Nationalists. It will perhaps also increase the pressure on Sir de Villiers Graaff to make contact with such of his opponents as can be weaned from their party. The likelihood of any political regrouping depends largely on the Nationalists' success in retaining an iron grip on the rank and file of their party. The next six months will tell.

Israel's Balance Sheet

FROM OUR CORRESPONDENT

Tel Aviv, March 11th

IN the Israeli settlements near the Gaza strip, frontier searchlights are again playing at night on the approaches to the enclosure, watch towers are manned and rifles have been taken once more out of their storerooms. The settlers have resigned themselves to the old, agonising round of work and night-watches which they hoped the Sinai campaign would end.

Theirs is the most acute disappointment at the withdrawal from Sharm el-Sheikh and Gaza. The activist, opposition party Heruth tells the Israeli public that a brilliant military victory has been wasted by the government; that only the victorious Israeli army can guarantee the freedom of the Gulf of Aqaba and prevent fedayeen raids. The government, especially Mr Ben-Gurion's party, Mapai, vigorously justifies the campaign and the withdrawal.

The aims proclaimed during the drive into Sinai were twofold: the removal of the threat of the Egyptian army and peace with Egypt. The first aim has been achieved, at least for a considerable time. It will take President Nasser many months, perhaps years, to rebuild the huge stores which the Israelis captured in the desert. Part of his military strength has been broken. But peace with Egypt is today farther away than ever. There are no signs that the Egyptian ruler is inclined to talk peace. Moreover, fear and hate of the Israelis have grown stronger among the Arabs and both are bad counsellors for a long-term settlement.

In the United Nations, the breaking of the Arab blockade and freedom from fedayeen raids became the pivot of negotiations. On both points some progress can be recorded. With the stationing of United Nations forces near the Gulf of Aqaba and in the Gaza strip there is reasonable hope that Israeli ships will be able to use the gulf and that guerilla warfare in the Egyptian border region will be less savage than before. Israel will put the freedom of passage to the test in a few weeks time when a ship is expected at the gulf port of Eilat from South Africa. There is some feeling of uneasiness about the Gaza strip. It is feared that the United Nations troops will not be able to prevent infiltration, as they do not know the desert, do not speak Arabic and are not versed in the devious ways of the Arab infiltrator.

To the removal of the military threat from Egypt, a partial breaking of the Arab blockade and a partial removal of the fedayeen threat, some people in Israel add to the credit side of the balance sheet a better understanding of the Israeli position by the world public and in the United Nations. Others argue that relations with the United States have been strained almost to breaking point, that the campaign has aroused violent opposition among the Bandung block, and that the vigorous political campaign launched to ward off the danger of sanctions has only repaired some of the damage.

Mr Ben-Gurion's Task

Economic damage has been considerable: no American grant in aid and no surplus food, the total loss of one tourist season, war costs, dislocation of the economy caused by mobilisation, and uncertainty about the future. There is some compensation for these negative factors in the breaking of the blockade, which will enable shipping to use Eilat; but it remains to be seen how valuable will be the export trade to Africa and Asia.

Any final assessment of the Sinai campaign and its results depends to a large extent on future policy. What is Israel to do if the United Nations Emergency Force stays only for a limited period? What will be Israel's proposals should the United States try to evolve a long-term settlement? There is a world of difference between the often-repeated declarations that Israel is ready to talk peace and detailed and well-defined proposals for a definite settlement.

Two main lessons emerge from the bitter experiences of the last four months: first, military victory does not suffice to solve the problems which have beset Israel since its inception; secondly, Israel, which is surrounded by hostile Arab states, cannot fight for its survival without the backing of that western power which is beginning to play the leading role in the Middle East since the French and British positions deteriorated. Mr Ben-Gurion recognised this basic fact and therefore brought about the withdrawal of the army in the teeth of opposition not only by Heruth but by members of his own coalition cabinet. He now has the task of persuading the public to co-operate with Unef and to work hand-in-hand with the United States if plans emerge for a long-term settlement. This will not be easy especially if the Egyptians return to Gaza in any guise.

Talking Turkey in Kashmir

FROM A CORRESPONDENT

SENIOR officials in the Indian government have been profoundly disturbed by the outcome of the United Nations debates on Kashmir. They do not admit their case to be any the less righteous, but the idea has penetrated that virtually all world opinion is hostile to them and that this lowers the authority of India's moral leadership in international affairs, by which they set great store. They are therefore more receptive today towards the suggestions that foreign friends in New Delhi have been making for some time past.

These friends argue that India should point out that in 1947-48 when large areas of Northern India were given over to Hindu-Muslim fury, any tensions added by a plebiscite in Kashmir might perhaps have been borne without intolerable strain. But today, after ten years of a communal truce, which has in places been uneasy, a plebiscite would risk setting off a new outburst. They argue that India should cease to labour its legal and moral claims because these, when confronted by Pakistan's counter claims, merely maintain an insoluble deadlock; moreover, far from winning world opinion to India, they merely antagonise it. Indian officials reply that public admission of fears of Hindu-Muslim clashes might well provide hotheads, of whom there is no dearth, with an excuse to let trouble loose. Very well, reply their foreign friends, do not admit this in public but initiate quiet negotiations with Pakistan, based on expediency rather than on outraged principle.

No one suggests that such talks would be quickly and easily successful, but such an approach at least offers a chance of breaking the vicious circle of self-righteousness (whence there is no exit without loss of prestige for the side that appears to have yielded) and of substituting give-and-take about concrete realities. For example, the Indian General Staff, on the assumption that in any partition Ladakh would go to India, maintains that it cannot be defended against Chinese infiltration unless lines of communication are kept through the Srinagar valley. Here is a practical point which might lead the Pakistanis to think up a practical answer in face of a common danger.

The ice having thus been broken the conversation might elaborate India's views about China. Senior officials in New Delhi have now reached a point at which they have written off the Panch Shila (professions of mutual non-interference signed with China and the Soviet Union) as scraps of paper. It came as a tremendous shock when Chou En-lai refused to reason with the Russians over Hungary and, on the contrary, maintained that Soviet action there was the only way to hold the communist world together. And China's attitude towards the Burmese frontier, as towards Nepal's internal affairs, has dimmed the faith of the external affairs ministry in neutralism—at any rate as far as South East Asia is concerned.

If legalities were ruled out of the talks, the Pakistanis would feel free bluntly to reveal their basic fear about Kashmir, a fear which, although expressed in confidence by responsible people in Karachi, has never, as far as your correspondent is aware, been admitted in public. This fear is that Kashmir held by India would constitute a threat to Pakistan because it outflanks the whole of the Punjab, whereas Kashmir held by Pakistan is no threat to India, for if Pakistan wished to attack India it would not waste energy deviating eastwards into a Kashmir "side-show" but would strike due south at India's heart. Why, then, does India insist on occupying Kashmir? This would give India an opening to reassure Pakistan with another argument that is only admitted in private—that a weak Pakistan makes a suspicious and uncomfortable neighbour. Therefore India has every interest in seeing Pakistan strong, prosperous, and independent of that foreign military aid which arouses the anxiety of the Indian General Staff.

If Mr Jarring, the president of the Security Council, attempts on his arrival in New Delhi to mediate on the legal and moral plane, the shadow boxing between India and Pakistan will continue. But neutral observers in New Delhi believe that if he could persuade the two parties to initiate strictly "unrighteous" and practical discussions on Kashmir, he might start a chain reaction. Some genuinely neutral member of the UN might help to keep the talks sweet. For this purpose, Britain, the United States and any "colonial" power would be useless, but Canada might well fill the bill.

Cordiality Without Entente

FROM OUR PARIS CORRESPONDENT

THE weekend talks between Mr Macmillan and M. Mollet have shown that they must do some sturdy climbing to surmount the obstacles to European co-operation raised between them by the "Eurafrican" schemes of the Six and Britain's determination to reduce its forces in Germany. It is much, in the circumstances, that they maintain such a resolute cordiality. For the moment the difficulties of the terrain are more apparent than the meeting-points.

The more confused problem is probably "Eurafrica." To meet the French refusal to be separated from the French Union by the common market, the six Messina powers have agreed to set up a preferential area linking their overseas territories with the common market. If it enters fully into force, their bananas, cocoa, coffee, groundnuts (the list is not exclusive) would enjoy preferential tariffs in Europe—as high as 20 per cent for bananas against nothing in Germany today.

The non-self-governing countries of the Commonwealth, including Malaya and Hongkong, have a surprisingly big trade with the Six, who take about a quarter of their exports. It seems that the products of the British African territories and Ghana will be placed at a disadvantage in competing with those of the French colonies.

The first British reaction to this, in view of the known reluctance of France's partners to endorse "Eurafrica," was to oppose the preferential system, invoking Gatt. This did not deter the Six (who tend to suspect the British of obstruction even when their objections are genuine) from meeting France's equally genuine requirements. Mr Macmillan, who believes in his free trade area, now seems to be trying another approach: to see whether the British territories hardest hit by "Eurafrica," can through the

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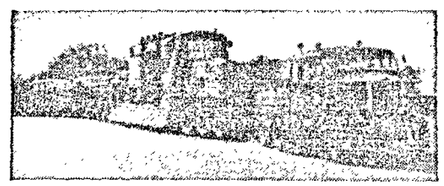
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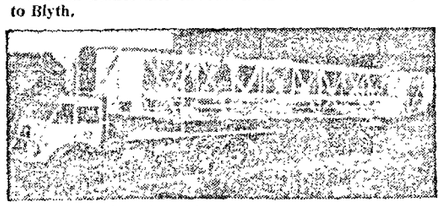
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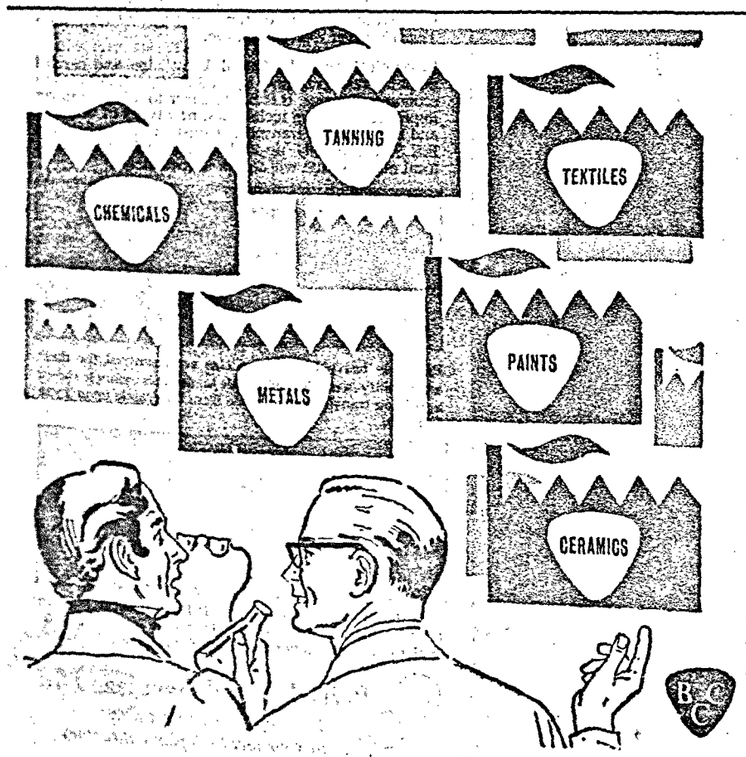
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free trade area obtain as favourable terms as the French territories on the common market.

This could be a difficult decision to take. It breaches, though in a limited range of tropical produce, the principle that agriculture remains outside the free trade area. It would presumably also breach, even if slightly, imperial preference in the affected territories and blur the frontiers between Europe and the Commonwealth. In practice, the extent of the confusion will depend, above all, on the number of interested territories and also, on what equal treatment with "Eurafrica" means; the Six themselves have not fully defined their plans.

About defence the British and French spoke still more widely different languages. The British talked economics; the experts are convinced that it is not just a matter of modifying a British defence programme that would, unless modified, lead to the spending of over £2,000 million by 1960. The whole problem of the ever-growing enormity of modern defence burdens is involved, which other European countries fail to appreciate only because their arms efforts are not far enough advanced. The French talked politics: Germany must not dominate European defence; America must not be tempted to withdraw its forces; confidence in the British pledge to stay abroad must not be undermined. There was no agreement over the weekend.

The best chance of obtaining continental, and especially French, consent to a reduction of British forces seems to be to breathe some life into the WEU arms pool, set up to supervise German armaments and to co-ordinate defence production. There is certainly, today, a new willingness for dovetailed arms programmes in Europe. But the road bristles with obstacles. At the outset there is the "ABC agreement" between America, Britain and Canada, for the exchange of defence information. Though the Americans want more productive, integrated European programmes the agreement still prevents Britain from playing its part in Europe. An American waiver will have to be sought. The risk is of a further drying-up of American information. But this has never flowed well and it is now generally admitted that even Mr Sandys's visit to Washington did not achieve much.

Delicate Problem of Hardware

Nevertheless, the first timid approaches to integrated programmes are under way. The British and French governments have exchanged lists of fundamental research projects (on high temperature alloys, for instance) which they could co-ordinate, and are seeking German co-operation. The problem of finished weapons—expertly known as "hardware"—which could be produced soon, is far more delicate. The British are sure, for example, that they are years ahead in guided missiles. The continental members of WEU have worked together on defining the criteria for weapon production in the nineteen-sixties, in response to the recent Nato "political directive to the military." The Americans have kept their counsel, and the British, tied by the ABC agreements, also. Britain would have to join soon to get in on this before ideas harden. Some people hope that agreement to co-operate effectively between Europeans could be reached, gradually and piecemeal, in the next six months.

The immediate prospect for the *Entente Cordiale*, and for Nato and Europe, is of more difficult, complex relationships. There is, perhaps, a danger of exaggerating the "Eurafrican" imbroglio, though that is not certain; and more co-ordinated European arms production holds promise of political as well as technical progress. But there is no doubt that Britain's decision on defence puts a strain on Nato, and France's on Eurafrica puts a strain on the British notion of a free trade area. In Europe, free traders will be tempted to press for amendments to common market texts already agreed through the free trade area negotiations. In France itself, those like M. Mendès-France, who fear the common market may draw France away from Britain, may be strengthened. And finally, the outside world will be watchful in Gatt. The troubles of Messrs Macmillan and Mollet as good Europeans are far from over.

Disunited Indonesia

FROM OUR CORRESPONDENT IN JAKARTA

THE resignation of Dr Sastroamidjojo's government on Wednesday was a belated recognition of the fact that it had lost all authority. The process of disintegration began last January, when the coalition was deserted by the moderate Islamic party, Masjumi, and two minor Moslem parties. But the chain of events really began in December with the rebellion of two military commanders in Sumatra.

For a time the authority of the government was restored, but in the past fortnight a further crop of rebellions made the end inevitable. The latest of these are in South Sumatra, where Lieutenant-Colonel Barlian, the military commander, has seized power, and in Borneo, where Lieutenant-Colonel Hasan Basry has put himself at the head of a new revolutionary council.

None of these rebellions has been marked by bloodshed, but in East Indonesia, at the beginning of the month, civil war was only narrowly averted. On March 2nd civilian leaders met at the residence of the governor of Celebes in Macassar, and agreed on a demand for local autonomy. But the danger came from rival army factions. Colonel Sumual, the thirty-five year old military commander of East Indonesia, endorsed the rebels' demands, took over the administration and proclaimed a state of siege. But he was faced with opposition from nine Javanese battalions in Celebes under the command of Colonel Sudirman, a staunch supporter of the central government. He has been prevented from using his troops to attack Sumual only by the prompt action of General Nasution, the chief of staff, who has maintained constant contact with both men, used all his influence to restrain them and announced that it was still too early to condemn or justify Sumual's action.

General Nasution's effective command has been steadily shrinking since the first military rebellions in Sumatra last December—a government newspaper has remarked that he would wake up one morning to find that he was only commanding the driver of his car—but the tact with which he is handling his rebellious officers may have averted open fighting. It remains to be seen how he will deal with the further threats to his authority that have now emerged.

The East Indonesian rebels' attitude to President Sukarno's "concept" is determined, like that of the Sumatrans, by their desire for local autonomy and their dislike of communism. They would welcome the formation of a national council if it had the powers of a senate and if 70 per cent of its members came from outside Java, whose dominant position in national politics is greatly resented.

The idea of an all-party cabinet is also acceptable, provided that it does not include the communists and is led by Dr Hatta, the former vice president, whose co-operation with President Sukarno is essential if the Indonesian republic is not to disintegrate. The President has succumbed to rebel pressure sufficiently to invite Dr Hatta to meet him but he will have to make some substantial concessions if he is to persuade him to lead the government. Dr Hatta has said that President Sukarno's plan was good and idealistic, but impractical; the communists' aim was world revolution and not a prosperous Indonesian national state.

It is rumoured that President Sukarno would be prepared to drop his determination to include the communists in his all-party cabinet but that he would continue to insist on their inclusion in the projected national council. This solution would only be accepted by the party leaders who have rejected the plan if the council's advice was not binding. But the communists are jubilant over their recognition by the head of the state and they will find it difficult to reconcile themselves to anything less than the full participation in the government which the President's formula originally promised them.

Toymakers at Nuremberg

FROM OUR SPECIAL CORRESPONDENT

THOSE who regret in November that the shops try so early to kindle "the Christmas spirit" will have a twinge of compassion for the singular fraternity whose Christmas shopping begins perforce in March. Thousands of these far forward-looking buyers have been present at the Nuremberg Toy Fair, which closed on March 12th, gravely inspecting a full-dress parade of pretty well every kind of model and means of diversion for the young. Appropriately refreshing themselves with draughts of milk peddled by genial Bavarian lasses, they have soberly set about the responsible task of spotting now what will be certain winners with other people's children in nine months' time.

They travelled to Nuremberg from many countries because the Germans still have the reputation of being the world's masters at making toys. Before the war, the German toymakers, who worked mostly in Thuringia and Saxony, displayed their wares at Leipzig. But since 1949 the West German toymakers have set up shop in Nuremberg. It is the second largest city in Bavaria; and the greater part of the West German toymaking industry, which employs some 22,000 full-time craftsmen, is settled in Bavaria and the neighbouring southern state of Baden-Württemberg. Between them, the West German toymakers sell some $72 million (£25 million) worth of toys every year, nearly half of which (45 per cent in 1956) are exported.

Goethe's mother was shocked when the toymakers of 1793 came out with model guillotines as the latest novelty for the nursery. That was, perhaps, pandering too fondly to the grisly instincts of the little ones. But models of objects that engage the mind, either through their permanent intrinsic interest or through their mere newness, have always been the toymaker's principal stock-in-trade. They have been so this year at Nuremberg. Models of one sort or another composed by far the greater part of the show. And the bulk of them did not rely on their novelty, topicality, or superficial ingenuity. If not always aircraft and locomotives, at any rate houses, babies, soldiers, animals, ships and rolling stock go on looking much the same year in year out. It is the quality of the materials used, the skill and imagination of execution, that make the difference.

Buyers in search of novelty were skilfully but not numerously catered for. An Alweg mono-rail train could be seen buzzing busily around one solitary stand. There were dolls the spit of Bardot, Monroe, or Lollobrigida. A few special showpieces, including even a walking doll, could be put through their paces by remote control. But even in the carefully prepared conditions of an exhibition, this kind of authority, it seemed, was exercised rather tenuously, and then only with much brow-knitting and laborious manœuvring. Heaven knows what would happen in the nursery or the bath under less resourceful direction. Obviously the German toymakers reckon that electrification has its drawbacks, for reasons both technical and humane.

Masks and Stink Bombs

Knowing from centuries of experience that children's tastes in toys are collectively the same and yet individually unpredictable the German toymakers pin their faith largely on the unsophisticated toys and amusements that have stood the test of time. Sitting in their modest cubby-holes, with an air of quiet confidence, and apparently doing very nicely, were the representatives of the makers of such venerable standbys as fireworks, rubber balls, spinning tops, chess-sets, crackers, masks, stink bombs, and sneezing powder (1d. a bag. Extra strong, 2½d. a bottle).

Beyond supplying the usual demand for building bricks, engineering sets, and the like, some German manufacturers are paying special attention to the present-day tendency to encourage boys and girls to think of a technical career. Experimental kits of remarkably generous content and high finish are being produced in Germany under such labels as "The Technical Kid—170 experiments in elementary physics," "The Radio Technician—80 experiments concerned with the technicalities of modern radio," or "The Young Optician and Photographer—120 experiments with mirrors and lenses."

So long as the German toymakers continue to provide this kind of quality, value, and imaginative touch they will have no cause to fear the intensifying foreign competition. German toy exports increased by only 1.4 per cent last year, compared with 9.68 per cent in 1955 and 31.72 per cent in 1954. Of last year's exports over 22 per cent went to the United States, the next best customers being Sweden, Holland, Italy, and Switzerland; some £650,000 worth were sold to Britain.

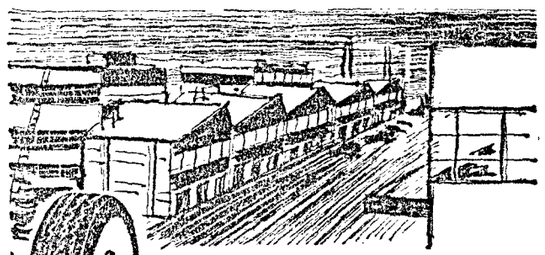
Germany's most serious competitor in the toy market is Japan. It is the familiar story of cheaper production costs and consequently lower prices. The challenge is considered all the more serious now that the 45-hour week is coming into force throughout western Germany. The German manufacturers are so disturbed by it that they are resisting the proposal to expand the German Toy Fair at Nuremberg into an International Toy Fair. In consequence groups of east German, Austrian, Japanese and British toy manufacturers have been displaying their wares this year in the disadvantageous isolation of Nuremberg hotels and offices. In his opening address the broadminded Federal Minister of Economics scolded the German exhibitors for their timidity, assuring them they had nothing to fear if they only stuck faithfully to the traditions of their craft. There are promising signs that they intend to do this.



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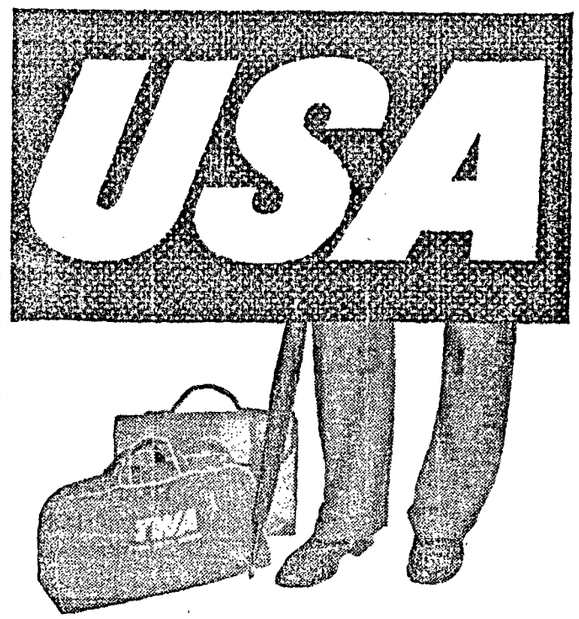
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THE BUSINESS WORLD

Money for Public Industries

IT takes a dramatic announcement, such as the trebling of the nuclear power programme, to attract much public attention to the investment programmes of the nationalised industries ; in fact, they were already so vast that even the big increase in nuclear investment announced last week added only about 10 per cent to the total cost of them. Capital expenditure in the four main nationalised industries—coal, electricity, gas, and transport—was probably of the order of £500 million last year, and is likely to continue at about that rate until 1960. Between 1961 and 1965, counting in last week's addition to the nuclear programme, these industries expect to be investing about £700 million a year.

A national commitment of some £6,000 million in the decade to 1965 raises two obvious questions for the government at present responsible for it. How can any demonstration prove whether these investment programmes are too small, too large, or just right ? Here the politically correct answer for any government is to keep a stiff upper lip and behave as if it knew. And how should the money be raised to finance these huge investment programmes ? This second question, formally, is at present in suspense. Most of these industries used to raise most of their money on the capital market by issuing fixed-interest stock with a Treasury guarantee. When Mr Macmillan brought them " into the Budget " last year to join coal, which already financed its investment by direct borrowing from the Government, this new arrangement was described as temporary, in the first instance for two years only. The new electricity bill now before Parliament provides for this industry to borrow either in the new way or the old, but some Tory backbenchers are now arguing that it should be amended to send the new electricity generating board and area boards to the market without a guarantee. For one of the smaller nationalised industries, air transport, there are persistent rumours of some new " square deal " arrangement to bring private capital back into the nationalised corporations ; and of late there has been some vague talk of " a Capital Issues Committee for the nationalised industries."

★

It is clearly essential to get nationalised investment into perspective ; the tables on this and the next page attempt to do so. These big fuel and transport industries now account for about 16 per cent of the country's capital investment. But they are only part of the public corporations of all kinds, which since the war have accounted for about 19 per cent of total investment ;

ESTIMATES OF NATIONALISED INDUSTRIES' CAPITAL EXPENDITURE TO END 1955, & INVESTMENT PROGRAMMES, 1956–65 (£ mn.)

	Gross capital expenditure on assets		Financed from :			
	Fixed	Total	Internal resources	Stock issues	Exchequer advances	Total borrowing
CEA & Area Boards :						
to Mar., 1956	1,222	1,236	360	818		876
1956–60	1,000	1,020	350			670
1961–65	1,890	(2,090)	(570)			(1,520)
Gas Council & Boards:						
to March, 1956	319	361	37	289		324
1956–60	250	265	45			220
1961–65	(250)	(265)	(45)			(220)
National Coal Board :						
to end–1955	442	430*	183		247	247
1956–60	590	590	240		350	350
1961–65	410	410	410		Nil	Nil
Transport Commission:						
to end–1955	501	374†	133	241		241
1956–60	620	620	220			400
1961–65	620	620	220			400
Total :						
to "end–55"	2,484	2,401	713	1,348	247	1,688
1956–60	2,460	2,495	855		350	1,640
1961–65	3,170	3,385	1,245			2,140

* Working Capital reduced by £12 mn. during period. † "Net Current Assets" reduced by £127 mn. during period.

and these in turn are only part of the whole public sector, which between 1948 and 1955 accounted for almost exactly half the country's fixed capital investment, though its share is now slightly below 45 per cent.

The shares of the nationalised industries, the public corporations, and the public sector as a whole in the country's fixed capital investment since the war have not been matched by their contribution to national output. The Government is responsible for nearly all the social capital, for the vast bulk of fuel and power investment, and for roads and much of land and air transport. But with the exception of private house-building, practically all fixed investment in the private sector has been in directly productive capital; taking only about half the total fixed investment, private industry contributes about 75 per cent of the country's gross domestic product each year.

It is only by accounting convention that the "output" of houses, schools and hospitals is given any measurable meaning. But public productive capital, in the nationalised industries, seems to make inherently greater demands on capital resources, in relation to its output, than do most private industries. Comparisons of "capital-output ratios," on the conflicting figures so far available, need to be taken with the strongest of reservations. But it does appear that the fuel processing industries, such as electricity, gas, oil refining, and coke ovens, along with certain transport industries, such as railways and shipping, are by nature much more highly capitalised even than the private industries processing bulk materials, such as chemicals, steel, rayon and sugar; and that these in their turn need more capital for a given unit of output than those other manufacturing industries that shape materials and put them together, such as engineering.

Such comparisons offer no guidance to whether the highly capitalised industries, nationalised or private, have had "fair" or "unfair" shares of the country's fixed investment since the war. It is tempting to remark that for £100 invested in manufacturing industry one can get about £40-£50 worth of goods a year, while the same £100 invested in electricity would supply only about £6 worth of power a year; by the same token one could conclude that the nation could invest more "profitably" in motor assembly works than in strip mills or oil refineries. But this is a highly interdependent economy: the motor works would look as silly without enough steel sheet as a steelworks without enough fuel and electricity. This interdependence, as a succeeding article suggests, is indeed worth exploring further. But so far such studies offer little assistance one way or the other, in deciding whether the nation is getting the best value for the capital it invests.

Nor would anyone intimately concerned pretend that the painstaking scrutiny of capital programmes that goes on steadily each year by the Ministry of Power and later by the Treasury proves the point. The civil servants and the politicians whom they serve are still, as they have always been, almost completely at the mercy of the technicians on whose say-so these programmes are based. The technicians, on grounds of "the national interest" as well as sheer prudence, dovetail their plans into the demands and promises of the other big industries that go in for similar long-range investment planning; but this formal consistency is disarming because it makes any section of the whole harder and not easier to check. Even given complete technical competence and economic information, the task would be a formidable one.

In practice, Whitehall cannot command such technical competence: having desperately tried for eight years to cope with electrical engineers, it now finds itself surrounded by physicists. Nor is the economic information with which these programmes are presented really meaningful. The prices upon which any estimates of return are based are political prices, not prices based upon relative costs; and in such circumstances it is inevitable that nationalised investment priorities will veer according to politics and fashion, not according to economics.

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In such circumstances, moreover, the way in which money is raised for these industries is largely irrelevant to any check upon the profitability they can offer on its investment. The Treasury guarantee is implicit in their nationalised status, whether made explicit or not. Issues of stock on the market have only the effect of making the industries pay the going rate of interest at exactly the time they want the money, while "financing like the Coal Board" gives them the chance to borrow money at short-term rates and fund the loans when convenient. It is difficult to put practical meaning and method into "a CIC for the nationalised industries"; nor has anyone yet thought of a politically acceptable way to re-introduce some form of equity element into the capital structure of the public industries. The shift from financing by market issues to financing by Treasury advances was made purely for the convenience of the Treasury in managing the public debt; it is open to serious reservations in principle and over the last year it seems questionable whether its convenience to the Exchequer has in fact been material.

The public industries are semi-monopolies by statute. Following the example of some, though not all, privately owned companies in a similarly dominant position, they have tended to sell their products too cheaply. All have moreover been subject to more or less political pressure to keep these prices low. Nobody knows how elastic demand for fuel and transport may be to price; but since the war there has certainly been every attempt not to find out. There is at least the suspicion that the growth of demand for particular fuels, if not for fuel as a whole, has been distorted by selling fuel too cheap; and that the railways have hitherto been prevented by their own price stability and averaging of fares for cheap and costly services from concentrating on those that they can offer really cheaply.

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It is very tempting, therefore, to suggest that the Government should choose the solution that would in part answer both of its costly questions about nationalised investment—self-financing. Since the war, the four main nationalised industries have self-financed from depreciation and other internal resources a third of their total capital expenditure: the rest has come from borrowing. By contrast, a survey of 3,000 public companies suggests that these have provided about two-thirds of their expansion in net assets from internal resources, raising only a third from the market. In their plans from 1956-65, the four main nationalised industries are still proposing to finance only about a third of their extra capital from internal resources. They will thus continue to rely much more upon the outside investor than private industry seems to do; but in their case the private investor's response is to a gilt-edged stock, and not in any sense to the likely profitability of their vast industrial ventures. It is fascinating that the nationalised industries justify drawing so much of their capital from the market, on the ground that they need far too much capital for the consumer to be asked to provide; one is reminded, as by a mirror image, of the oil industry's conviction that it needs far too much capital for the capital market to supply.

Ought these nationalised industries to be pushed by the Government in the direction that the oil industry is already pursuing—out of the capital market altogether, raising almost all of its capital through its prices? Much more self-financing by the nationalised fuel industries, at any rate, is perfectly practicable—and in the current circumstances of unreally low prices, probably expedient. Yet it is dangerous to accept self-financing as a permanent solution for any big and monopolistic industry, even ones as insulated from the classic checks of the capital market as the public industries are. The financing of investment in large, highly capitalised industrial organisations where the technology is becoming increasingly difficult for the supplier of capital to understand—whether these organisations are private or nationalised—is a wider question, which deserves more study. But the practical question for this government in the short run is whether it can introduce any more objective economic tests and disciplines into nationalised investment now, through financing if not by scrutiny. If its influence were exerted towards self-financing—in the first place by pushing prices in these industries closer towards the relative costs of supply—it would have such an effect. But that would be a precise reversal of the political pressure that Governments have hitherto exerted upon prices in the nationalised industries.

GROSS CAPITAL FORMATION AND THE GROSS DOMESTIC PRODUCT

	Gross capital formation						% of GDP 1955
	1948–55		% of total	1955		% of total	
	Public	Private		Public	Private		
	£mn	£mn		£mn	£mn		
Housing	2,799	996	...	359	233	...	...
Social services	716	...	...	115	...	...	...
Other public serv. including roads	526	...	...	83	...	...	...
	105	...	...	18	...	...	...
Total social investment	4,041	996	31·2	557	283	27·8	12·6
Coal	365	...	...	82	...	...	...
Other mining	...	52	...	...	8	...	...
Mining and quarrying	365	52	2·6	82	8	3·2	3·4
Gas, electricity, water	1,866	...	11·6	340	...	12·0	2·4
Transport and Communications	1,357	...	...	227	...	...	...
Shipping	...	534	...	...	65	...	...
Total transport*, etc.	1,357	534	11·7	227	65	10·3	7·7
Distribution and other services*	...	1,646	10·2	...	352	12·5	24·7
Manufacturing	431	3,784	26·1	54	680	26·0	33·9
Building and contracting	...	296	1·8	...	65	2·3	6·1
Agriculture, forestry, fishing	...	775	4·8	...	110	3·9	4·6
Total exp. on equipment and new buildings.	8,060 (49.9%)	8,083 (50.1%)	100·0	1,260 (44.6%)	1,563 (55.4%)	100·0	...

* Road goods transport is lumped with distribution and services in investment accounting; but its contribution to net output ranks logically in "Transport & Communications."

CAPITAL EMPLOYED TO YEARS' OUTPUT

Water	45·0	Oil refining	7·9
Electricity	16·4	Coke ovens	7·7
Railways	15·3	General chemicals	4·3
Gas	6·8	Iron and steel	3·5
Shipping	6·0	Mechanical engineering	1·8
Post and Telephone	6·3	Electrical engineering	1·4
Road Passenger Transport	2·4	Motors and aircraft	2·1
		Leather, furs, clothing	1·4
		China and earthenware	1·2
Manufacturing and distribution	1·8	All manufacturing	2·2
Source: Redfern 1952		Source: Barna 1955	

N.B.—These two estimates of capital employed in manufacturing as a whole are sharply in conflict.

FINANCING OF INVESTMENT 1948-55 (£mn.)

	Public corporations		Total public sector				
	Fixed capital formation	Increase in stocks, etc.	Fixed capital formation	Increase in stocks, etc.	Net savings*	Net borrowing†	Net capital receipts‡
1948	180	−10	665	− 72	585	− 264	+ 27
1949	264	33	761	− 14	751	− 300	+ 29
1950	283	−15	819	−227	707	− 332	+ 21
1951	359	4	989	79	624	+ 271	+ 17
1952	409	51	1,164	127	599	+ 585	+ 19
1953	478	−25	1,300	25	509	+ 714	+ 13
1954	537	−58	1,299	−178	519	+ 469	+ 13
1955	575	− 7	1,300	−128	700	+ 355	+ 11
Total	3,090	−27	8,297	−337	4,994	+ 1,493	+ 1,4

* Less provision for stock appreciation. † Including net borrowing from taxation reserves, and dividend and interest reserves. ‡ Taxes, capital and capital transfers.

THE "INPUT-OUTPUT" TECHNIQUE—I

A Tool for Forecasting

IT is many years since an accountant wrote that "most economists and statisticians regard double-entry book-keeping as a monument to be admired from afar rather than a technique to be acquired. They are less attracted by its humble virtues than by the dangerous charms of extrapolation." Be this as it may, Government and business are today, of necessity, being forced into more and more forecasting (which is considered politically respectable so long as it is not called "planning"). There is no such animal as a good method of forecasting, only better or worse methods depending on the nature of the particular problem. During recent years, interest has been aroused in Britain and elsewhere in a new technique of economic research—input-output analysis—that is simultaneously social accounting and economic forecasting rolled into one—and which incidentally is based on a kind of double-entry book-keeping for the economy as a whole. When this technique was discussed in *The Economist* three years ago, in our issues of September 19, 1953, and September 26, 1953, only very small input-output tables had ever been produced for this country. Today much more ambitious tabulations exist, and a good deal of experience has been accumulated to show what "inter-industry" study can and cannot do to assist forecasting in the economy as a whole and within industry in particular.

Put very simply, an input-output table is a double-entry statement, showing current transactions in goods and services between industries—how much each industry sells to and buys from all others. Sales of each industry's products to every other are shown as horizontal rows of figures across a grid; the corresponding purchases by other industries thus come out as vertical columns in the table. At the end of each row of an input-output table an industry's sales to other industries and to final buyers are totalled. This total at the end of a row automatically amounts to the total shown for the same industry at the bottom of its vertical column—its total purchases from other industries, plus "original inputs," after allowing for changes in stocks on both sides. The other "final buyers" listed in an input-output table, apart from industrial customers, are household and government consumption, exports and gross capital formation; and the term "original inputs" signifies the imported raw materials that an industry uses, plus the other factors of production measured by wages, salaries, and payment for capital.

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The scale of any input-output table depends on the purpose for which it is constructed, and on the extent to which detailed statistics indicating purchases of materials by industries exist. A complete Census of Production is obviously a *sine qua non* of any initial attempt to set out the structural interdependence of the whole economy, which helps to explain why the 450 row and 450 column input-output table that has now been constructed by the Department of Applied Economics, Cambridge University* and the Board of Trade relates to the year 1948, the last year for which a full census is available. The Central Statistical Office has however, already included in more than one issue of its annual Blue Book on National Income and Expenditure a much smaller but still valuable set of calculations based on 1950. The second full census of production was taken in 1954: as preliminary figures from this census have now been available for just on a year, it is to be hoped that the next Blue Book will contain an input-output table for 1954 that can be compared, cell by cell, with the one constructed for 1950.

"Input-output" has two distinct aspects. First it offers a means of bringing information on current purchases and sales into focus, showing a breakdown of sales and costs for the whole economy, for a group of related industries or even for one industry, no matter how the word "industry" may be defined. The rows of the table represent sales analyses, showing in any given period, for example, the proportions sold in the home versus the export market. The columns which show every item an industry buys represent cost structures. They also show, *inter alia*, the proportions of imported and home-produced materials used by any industry, or, for example, the relative dependence of any selected industry on various fuels. The conventions of the input-output technique require that the rows and columns of the account must balance, leaving no loose ends. But this does not prevent the tabulation being much more detailed as regards some sectors than in others. A very detailed study of the inter-relations of the engineering industries, for example, could be carried out, with sales and purchases outside the really relevant groups being lumped under "non-engineering" labels. Flexibility in application is not the least of the many "humble virtues" that this method appears to possess.

The allegedly "dangerous charms of extrapolation" of this technique are less easily set out. The accepted method of forecasting by means of an input-output "model" is first of all to express each item in each column of costs as a percentage of total cost for that industry column, and to assume that these patterns of cost to output remain the same over the period for which a forecast is to be made. The whole set of input ratios or "coefficients" is then, as it were, turned

* The project has been one of several financed by means of Conditional Aid Funds during the past three years.

inside out by an algebraic process called "matrix inversion." This is done in order to calculate not only the direct demands this industry makes on others in producing its own output, but also the indirect demands those industries pass on to their own suppliers (possibly including itself) to produce the products it buys from them. To satisfy a demand for motor vehicles, for example, the motor industry has to buy large amounts of steel, and some coal, among other things: the steel industry requires large amounts of coal: and both coal and steel, in their operations, buy some lorries.

The kind of forecast that this method is usually expected to yield is thus a conditional statement about general levels of production and material requirements. It will answer such questions as this:

> If consumption expenditures plus exports plus capital formation are going to be 50 per cent higher in real terms in 1965 than in 1948, then with unchanged cost ratios, how much will imports and other original inputs have to increase proportionally?

Given the information about demands in a form that corresponds to the industrial classification used in an input-output table, it is a relatively simple calculation to answer such a question about supplies from say 50 industrial groupings. Beyond that degree of detail, the calculation of indirect as well as direct requirements probably becomes more trouble than it is worth.

This kind of prediction is in itself little more than an exercise in economic algebra, and the accuracy of the answers it gives will obviously diminish if very significant changes in technology and productivity should take place between the base year and the year forecast. To predict the output of petroleum in 1958 on the assumption that the cost ratios of refineries will be the same then as in 1948, for example, would obviously ask for trouble, unless "prediction" were here interpreted to mean that x million barrels is "the output in 1958 that the industry would have had to produce to satisfy all the demands of 1958 if it has not by then become a very different industry from what it was in 1948." That might be an interesting academic exercise: and academic or not, it is sometimes about as much as business forecasters have to work on. But if input-output analysis is to gain acceptance as a realistic method of economic prediction, then much more sophisticated ways of applying the technique than this will be required. These indeed exist: a second article will examine how industry may make use of some of them.

Business Notes

SCOW's Result

IN the few days before a new Stock Exchange account begins there is often a little buying for "new time." There was hardly any this week, and there are even reports of a tiny volume of selling for new time. That was certainly not large enough to be a noticeable contributor to the downward movement of the market but perhaps just big enough to pin-point the change in investment attitudes. *The Economist* indicator has come down in the week ended on Wednesday from 201.6 to 197.3 and the *Financial Times* index of government stocks has fallen from 88.45 to 88.25. On the gilt-edged side of the market the problem is one of indigestion. The discount market has been a seller of short-dated government stocks, an aftermath no doubt of the heavy buying a few weeks earlier. The funding by sales of gilt-edged stocks through the market has therefore been brought almost to a halt at the short-dated end of the list as well as at the long. While this indigestion continues and sterling remains under pressure, it is difficult to expect anything but stagnant markets.

On the industrial side of the market the fall has been much steeper, as was natural in the face of threatened strikes in shipbuilding and engineering. Investors who had been building up some hopes on the Budget had to consider whether if the stoppages materialised, and if sterling was to be defended, the Budget hopes could be fulfilled. The result of these cogitations seems to have been an unwillingness to buy this side of the Budget.

It was not the happiest of weeks for the Steel of Wales £40 million offer. In the circumstances the result was not bad. Applications numbered about 23,000 for about 45½ million £1 shares. That figure includes the firm applications for two million shares from Guest, Keen and Nettlefolds and one million from the Metal Box Company; it also includes the firm applications from the underwriters for the whole of their commitments so that free applications from the public must have amounted to five and half million shares. Full allotment has been made on the 1,800 applications for about 25,000 shares from employees and on the special applications from Guest Keen and Metal Box. Other applicants, both underwriters and others, were allotted in full up to and including 2,000 shares, while the larger applicants received about 85 per cent of their applications with a minimum of 2,000 shares.

Investors meanwhile have been moving out of the main stream of industrial issues and towards the specialities. Some of them have bought Wall Street stocks, some have followed American investors into Canadian stocks and the official dollar premium (based on the rate of the day) has

risen from 7 per cent to 8¼ per cent in a week. Some of them have bought oil shares which enjoyed a good rise on Wednesday and Thursday. The lure here has been the listing on Wall Street of "Shell" Transport which started on Wednesday at 22⅜ dollars. Substantial American buying in London accompanied the listing and there was British buying too, so that Shell registered shows a rise of 15s. 6d. to 180s. during the week.

Strike Threats and Sterling

News from the Middle East and the threat of impending strikes in this country have unsettled sterling, more than counterbalancing any reassurance that might have been derived from the impressive trade figures for February. But the pound has stood up reasonably well against Continental currencies. Continental, and particularly German speculators, are as short of sterling as they conveniently can be, so that they have little opportunity for further short selling. The confidence factor has had a noticeable effect on the sterling rate against the dollar, but it is still being supplemented by the additional commercial demand for dollars to finance oil from dollar suppliers. The rate on New York has eased over the past week from $2.79⅞ to $2.79½, while the three months discount on sterling against US dollars has widened from ¼ of a cent to 1 cent—a rate which rather more than straddles the margin between short-term money rates in New York and London. Transferable sterling has also been weak, falling during the week from $2.76¼ to $2.76 and there is evidence that more Middle East sterling has been converted into dollars through the transferable market.

The feature of the foreign exchange market this week has not, however, been the weakness of sterling so much as the exceptional strength of the Canadian dollar. It has risen to a premium of 4¾ cents on the US dollar, is the highest premium not only since the Canadian dollar rate was freed from its official parity in 1950 but actually since 1933 when the US dollar was being depreciated towards its present official gold parity. This strength of the Canadian dollar runs counter both to the trade figures which show an inordinate increase of imports into Canada, and to the well advertised fears about inflationary developments in Canada—which underlie the recent amendments in Canadian banking legislation. The capital movement from the United States into Canada is forcing the Canadian dollar upwards for the moment, and the Canadian authorities are using the flexibility of exchange rates to cushion its impact.

Trade Deficit Drops

By February British overseas trade—oil shipments apart—had largely made its adjustment to the closing of the Suez Canal. Time will also be needed for the reverse adjustment when the canal reopens. In February exports recovered by £17.2 million to £278.2 million fob; the main reason must be that cargoes previously held back by shipping difficulties were got away. Was the backlog fully cleared last month? Perhaps not: during the four months November to February since the canal was closed exports have averaged £271 million a month, an increase of 6½ per cent on the same period of 1955-56, whereas during the whole of 1956 the average value was 10 per cent higher than in 1955.

UNITED KINGDOM TRADE
£ million—monthly averages or calendar months

	Imports cif	Exports fob	Re-exports fob	Trade deficit
Year 1955	323·6	242·1	9·9	71·6
Year 1956	324·1	264·3	12·2	47·6
November	319·6	291·9	14·8	12·9
December	307·9	253·7	11·2	42·9
January, 1957	276·5	261·0	11·7	103·9
February*	320·8	278·2	10·9	31·7
Nov.—Feb., 1955-56	330·4	254·5	12·2	63·7
Nov.—Feb., 1956-57*	330·3	271·0	12·2	47·1

* Provisional.

Imports, which were abnormally high in January, fell by £55.7 million to £320.8 million cif last month; the average value for the four months was £330.3 million, the same as in the corresponding period of 1955-56, and only £6 million higher than the average for the whole of 1956.

Shipments to the United States last month fell by £1.8 million to £17.9 million (excluding the repayment of £2.1 million worth of lease-lend silver), while shipments to Canada, which are always low at this time of the year, fell by £900,000 to £11.4 million. Shipments to North America have suffered little from shipping delays, and the average in January and February (again excluding silver bullion) was £30.6 million, 11 per cent more than in the same period of 1956.

Still Not Enough Petrol

Many motorists are ready to believe that all garages are swamped with unsaleable stocks of petrol, while a rapacious government prolongs rationing so that it can continue to enjoy the extra shilling a gallon tax. Garage proprietors, apprehensive of losing a shilling a gallon on all the tax-paid petrol they may have on hand when rationing is formally abandoned, are anxious to reduce stocks—although torn by the opposite desire to hold stocks in case the oil companies' applications for a price increase are sanctioned by the Government. Because some motorists have been hoarding coupons or consider petrol too dear, consumption during the first rationing period has been less than the 75 per cent of normal requirements on which the ration was based, and stocks of petrol are therefore now higher than had been expected. But petrol stocks are usually built up during the winter and reach their peak just before the spring outburst of motoring. The stocks built up this winter, although higher than expected, are still not as high as they would have been at this time of year under normal conditions.

The OEEC oil committee now estimates that, allowing for the partial resumption of deliveries through the trans-Syrian pipelines, but placing no reliance on the reopening of the Suez canal to regular tanker traffic, the total arrivals

of petroleum products in the second quarter will just cover Europe's normal requirements. But this does not take into account the normal summer stock build of distillates and fuel oils which is equivalent to about 6 per cent of consumption, and this year these stocks have first to be rebuilt from the dangerously low level to which they will have fallen by the end of March. The supplies of black oils, in relation to the reduced summer demand, should be enough to allow the addition of some 2 million tons of black oils to stock. But in an unrestricted market the consumption of petrol in Britain in the second quarter of the year is about 25 per cent higher than in the first quarter, and on the Continent the seasonal rise is even greater. Europe's supplies of petrol in the second quarter are unlikely to exceed 90 per cent of this free market demand, unless price increases dampen the seasonal increase this year.

As supplies are being shared equally, Britain's share will also be only 90 per cent of normal requirements and a sharp surge in demand must be expected when the extra shilling tax comes off. Refineries in Britain must still emphasise their production of fuel oil and distillates, in order to build up stocks of these vital industrial products to a safe level before the winter, so the proportion of petrol refined from each barrel of crude oil, although possibly a little higher than it has been in recent months, will still be below normal. If only 10 per cent of free market demand remains unsatisfied at present prices there is a clear case for a substantial increase in the petrol ration next month; but until tankers start moving regularly through the Suez canal the retention of some form of rationing—whether by coupon or by price—seems unavoidable.

More Men than Jobs

Though the motor industry has lately run into slightly less unfavourable waters, no amount of scrutiny of the latest employment figures will reveal whether activity has yet begun to pick up on a wider scale. In January and the first half of February the number of persons known to be on short time fell by 40,000 to about 115,000 while the number registered as jobless rose by 14,000 to 380,000—or 1.8 per cent of the total working population. Most of this improvement in short-time working and the fractional worsening of unemployment, however, was accounted for by the Ministry of Labour's tentative estimates of the changes caused by fuel restrictions. Seasonal factors would also have been at work and at this time of the year, when unemployment usually reaches its annual peak, much depends in a number of trades upon the state of the weather. Making reasonable allowances for this, it would seem that the "true," or adjusted, level of unemployment rose by a fifth between December and last month, whereas the number of notified vacancies fell by a tenth. Those looking for jobs now outnumber the number of jobs known to be going in most parts of the country. Only in the North Midlands and in the East and West Ridings of Yorkshire are there more vacancies than seekers; in Scotland and Wales the ratio is four to five unemployed for every job unfilled.

The standstill in the economy last year reversed the broad shifts in civil employment that had been going on in earlier years. The drift of labour from the basic industries was sharply checked, while the manufacturing industries lost 150,000, or 1½ per cent of their labour force.

Sharp Rise in Bank Advances

The latest quarterly classification of bank advances shows, as expected, that aggregate lendings have turned upwards again—and more sharply than had been suggested by the not very dependable monthly figures of the clearing banks (which include various extraneous items in their advances totals). Total advances made in Great Britain by all members of the British Bankers' Association rose in the three months to February by £69.8 million, to £2,000.3 million, or £39.2 million more than at the corresponding date last year. This is the first increase on the annual comparison since Mr Butler's squeeze-by-request began to take effect. To some extent the movement is seasonal, but advances to the private sector of the economy appear to have risen a good deal more than seasonally. During the quarter the borrowings by the public utilities from the Exchequer enabled them to reduce their bank indebtedness by £35.2 million; advances to all other borrowers therefore rose by £105.0 million. This is an exceptionally large expansion; the nearest approach to it in the past five years was the £99 million rise recorded during the boom two years ago. In the similar period last year, at the beginning of the squeeze, the increase was less than £4 million.

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The expansion has been widely spread through the categories. Except for a tiny contraction (by £1.7 million to £124.9 million) in the "unclassifiable" group of industry and trade, and one of £3.4 million in chemicals (presumably attributable to new capital issues), all the industrial and commercial categories have increased their borrowings. A substantial proportion of the new money has gone to the heavy industries—£20.7 million to iron and steel (raising its total to £60 million), £17.1 million to the massive engineering group (now taking 11½ per cent of all bank advances), £4.4 million to non-ferrous metals and £2 million to shipping and shipbuilding. Other noteworthy industrial increases are those in the three textile groups. The three financial categories have also expanded—hire purchase finance companies by £5 million to £28¾ million and "other" financial by £13 million to £190 million. The personal and professional group, which includes a good deal of small businesses, has turned upwards for the first time since May, 1955, rising by £8.8 million to £324 million.

An interesting feature is the high proportion of new lending that has been done by non-clearing banks. The clearing banks increased their total by £45.9 million, to £1,728.9 million, or by slightly less than two-thirds of the aggregate increase—but those banks received the bulk of the repayments made by the nationalised industries. Excluding their loans to the state boards, the clearing banks' advances rose by £76 million.

A Limited Windfall

By now the switch in traffic to the railways must be reaching its peak. Although the possibility of more petrol next month may at first take care of only the seasonal jump in private motoring and the slight spring swell in road goods traffic, it will put to the crucial test British Railways' hopes of winning permanently some of the windfall business that fuel restrictions have brought it. Already the Commission claims to have received assurances to that effect from some of the traders it has been canvassing. But on the figures that are so far available, there does not appear to be all that much extra traffic for it to hold on to. In January and February railway receipts were £10 million, or 15 per cent, higher than in 1956, but it is possible to guess that about a third of that, or roughly £3.4 million, came from earlier increases in charges and not from diverted traffics. For London Transport, fuel restrictions on its customers' own transport were responsible for only just over half the £1.6 million increase in receipts (also about 15 per cent) during the two months.

THE GROWTH IN RAILWAY TRAFFICS

(Previous year = 100)	Freight					Passengers	
	Total receipts	Ton mileage				Total receipts	No. of journeys
		Total	Merch.	Minerals	Coal		
1956 :—							
Jan.-Sept. ..	105·6	101·4	98·7	104·2	101·6	107·8	103·8
Oct.	97·9	95·7	94·7	99·1	94·6	104·2	101·3
Nov.	101·6	97·6	97·2	97·1	98·2	103·6	103·9
Dec.	104·3	100·1	103·7	98·0	99·0	111·2	101·7
1957 :—							
Jan.	110·7	103·1	110·1	101·5	99·9	122·2	110·6
Feb.....	115·0	...	...	...	...	123·2	...

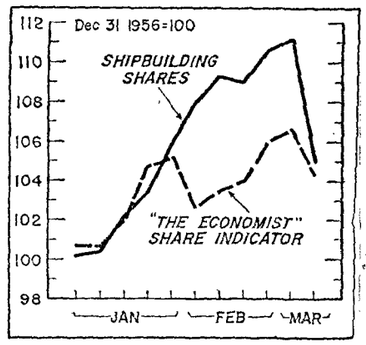
In actual volume these gains seem even smaller. Railway passenger journeys, which responded sharply to the cut in private motoring, were about a tenth heavier in both

Shipbuilding Shares Now

SHARES of the shipbuilding companies were forging bravely ahead when the strike notices went out. The chart sets an index of those shipbuilding shares quoted in the table against *The Economist* indicator. Shipbuilding shares rose side by side with the industrial market at the beginning of the year, and went on rising while the rest of the market hesitated. They have fallen sharply since, as was inevitable, and have now almost lost their lead. Share markets usually make their main adjustment to a strike before rather than during the event.

Can the shipbuilding industry claim economic justification for the behaviour of its leading shares in breaking away from the market trend? Will the rise be resumed if the industry is saddled with a higher wage bill, or the cost of a stoppage, or both? At least investors are entitled to assume that one of the lessons of the Suez dispute is that the country must not be short of ships. More ships and bigger tankers are a high priority. The tanker financing plans of the two big oil groups will finance only tankers that have already been ordered but they have caught the public imagination. The bid by London and Overseas Freighters and others for the share capital of Austin and Pickersgill has reminded investors that some of the smaller shipbuilding companies have conservatively valued assets that make them attractive to bidders. The market in most shipbuilding shares is narrow and prices are easily moved.

The industry was running at a high rate of output allowing for its supplies of steel and of labour even before these recent events. The strike, if it happens, will interrupt the yards but it will not permanently destroy the fact that they are assured of ample orders with the added possibility that some of them may be able to tackle bigger ships. Within limitations shipbuilders were being paid on a cost plus basis and are still being paid that way, and larger ships may bring higher gross profits to some of them. Order books were already long and have lengthened. They rose from 48 months' work at the current rate of completion at the end of 1955 to 53 months' at the end of last year, and have probably risen further since. The last factor is important. It seems to assure the activity of the industry some distance ahead and to buttress the investment status of the shares.

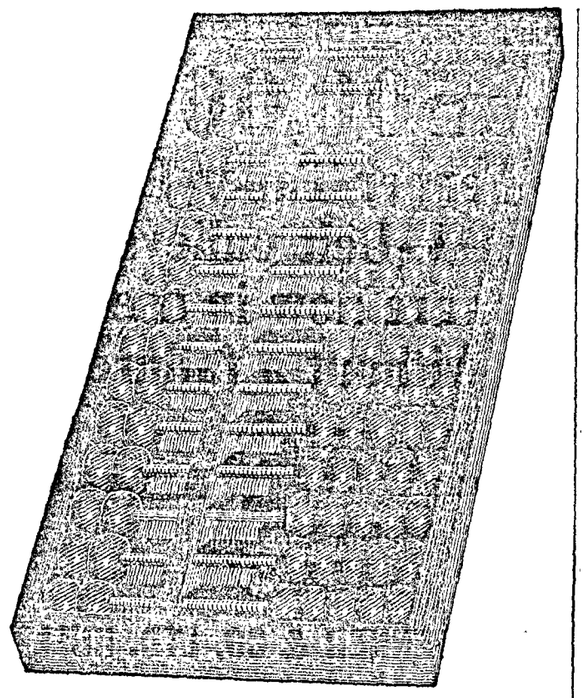


ORDERS AND OUTPUT

	Orders ('000 tons)	Starts ('000 tons)	Launchings ('000 tons)	Completions ('000 tons)	Order book	
					Total ('000 tons)	Month's work
1955 :—						
March ..	273	314	265	309	4,295	36·8
June....	247	294	418	371	4,169	35·1
Sept....	846	362	322	304	4,655	41·8
Dec. ...	962	409	463	338	5,287	48·0
	2,328	1,379	1,468	1,322		
1956 :—						
March ..	316	346	297	313	5,303	47·8
June....	436	277	306	517	5,242	42·6
Sept....	514	290	284	245	5,566	47·1
Dec. ...	1,211	430	492	377	6,442	53·1
	2,475	1,343	1,379	1,457		

SHIPBUILDING SHARES AND THEIR YIELDS

	Price, Nov. 30, 1956	Yield per cent	Price, Mar. 6, 1957	Yield per cent	Price, Mar. 13, 1957	Yield per cent
	s. d.		s. d.		s. d.	
John Brown £1	29 9	5·84	36 6	4·77	33 3	5·23
William Denny £1	35 0	7·14	45 0	5·55	44 0	5·68
Cammell Laird 5s.....	10 7½	6·59	12 9	5·49	11 10½	5·96
Harland & Wolff £1	27 3	7·34	35 9	5·59	32 3	6·20
Hawthorn Leslie 10s....	36 3	5·52	43 9xd	4·57	41 10½	4·78
Swan Hunter £1	56 3	4·98	71 9	3·90	65 0	4·31
Vickers £1	35 3	5·68	44 9	4·47	41 9	4·78
Vosper 5s.	8 3	7·58	9 9	7·69	9 9	7·69
J. Samuel White 5s.....	10 6	10·72	11 6	9·78	11 0	10·23



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"Let other people go for the bigger profits at the greater risk," he says, "but *I'm* for Abbey National — and *safety*." Any amount from £1 to £5,000 is accepted.

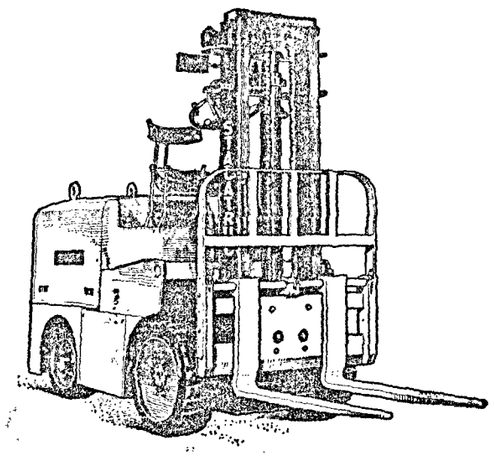
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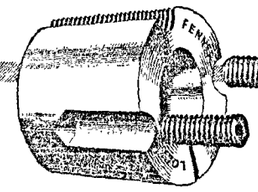
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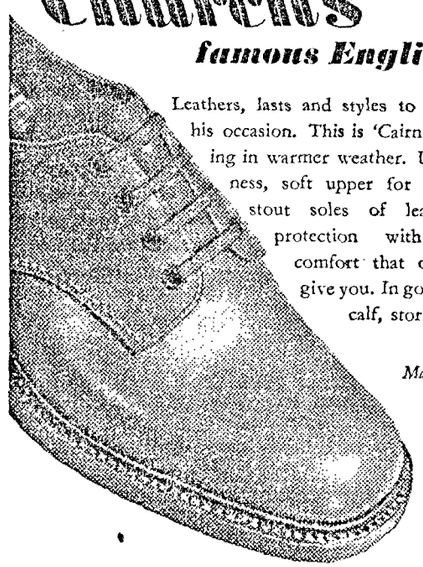
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months ; but freight traffics—which are much more important—have been slower to shift, possibly because traders and hauliers were more dilatory in cutting their fuel consumption, but more probably because there was far more room than was thought for greater efficiency in lorry operations. In January the railways ran about 3 per cent more ton miles than they might otherwise have done, and in February between 5 and 10 per cent more. This month's gain so far appears to be only slightly better than February's.

Gordon Hotels and Mr Jackson

GORDON HOTELS, owner of the May Fair Hotel, was in low water when Mr Leonard P. Jackson gained control and the chairmanship in 1953 ; it has been torn with dissent since then and at December 31, 1955, it still owed almost £1.3 million of gross preference dividend arrears. The acrimonious dispute seems now to be reaching its climax. A Board of Trade inquiry has been made by Mr Melford Stevenson, QC, and Mr Donald House, and their report has now been issued. A requisitioned meeting for the purpose of removing Mr Jackson and his co-directors from the board happens to have been convened for March 27th. And offers have been announced for the ordinary shares of the company—7s. 6d. per share from a syndicate in which Mr Jackson is interested ; this bid was later raised to 8s. 6d. a share in reply to a bid at that price from the opposition side.

Shareholders thus have the benefit of the Board of Trade report before they have to cast their votes or to decide between the offers. They also have the advantage of Mr Jackson's own verdict on that report. He regards it "as completely vindicating his position." Four matters and the inspectors' findings on them are relevant to Mr Jackson's conclusion :

(1) It was charged that 10 million francs had been received by Mr Jackson in the course of the negotiations for the sale of the Hotel Bristol.
Finding : "We are unable to express any conclusion."

(2) Was there a leakage of information when National Securities Corporation offered to buy the debenture stock of the company at £104 at about the time when its redemption was under discussion ?
Finding : "No."

(3) The benefits received by Mr Jackson at the May Fair Hotel.
Finding : Mr Jackson enjoys "primarily as an office" a suite in the May Fair Hotel. No account is rendered. He had also expenses from the company rising from £1,029 in 1953 to £1,646 in 1955 and draws director's fees at the rate of £1,000 a year ; he receives no salary for running the company.

It is on the other matter—the relation between the company and the Cascade restaurant—that shareholders may find the inspectors' report most revealing. Cascade is leased by Restaurant Investments, a private company controlled by Mr Jackson. It has been handed to Gordon Hotels for management on the basis that Gordon Hotels provides management and executive staff free of charge, that if there is a profit Gordon Hotels takes a quarter and Restaurant Investments three-quarters, while if there is a loss Restaurant Investments should repay it. Restaurant Investments was to repay Gordon Hotels for any expenditure of redecorations and improvements to Cascade. The hard facts are that the Cascade has lost money and Gordon Hotels has spent money on redecorations and improvements. But Restaurant Investments has not repaid: £67,211 was the sum unpaid at December 31st (Mr Jackson now claims that "for practical purposes the Cascade matter has been cleared up" since the inquiry). The inspectors, however, used the word "unfortunate" in describing Gordon Hotels' failure to secure performance of the agreement.

Better Terms for Credit Insurance

THE Export Credits Guarantee Department is taking another enterprising step. Following the reduction of premiums last April the department is improving the terms on which it insures exporters against the risk of loss on short-term business—goods sold on up to two years' credit. The new "comprehensive guarantees," which take effect on April 1st, offer three main improvements:

1. Once the goods have been shipped, the exporter will be paid 95 per cent, instead of 90 per cent, of all specified losses (other than insolvency or default of the buyer, against which he will continue to be paid 85 per cent).
2. Claims arising from political or transfer risks, such as a government's refusal to permit transfer of the exchange, will be paid after four months instead of six ; and claims arising from default after acceptance of the goods will be paid after six months instead of twelve.
3. The seller will for the first time be given limited cover against default before the buyer has accepted the goods.

On the third risk the seller must bear the first loss of £20 on every £100 of the invoice price, and he can be required to sue the buyer ; the department then bears 85 per cent of any loss within the next £40 of every £100, and the seller bears the remaining loss if he cannot find another buyer for the goods. These terms, it is hoped, will neither diminish the exporter's zeal to fulfil his part of the contract, nor encourage default by the buyer.

The department's trading surplus on commercial account for the year that ends with this month is expected to be about £2½ million, bringing the cumulative surplus to about £7 million. The reduction in premiums has encouraged business: in the ten months to February 1st the number of current short-term policies rose by 4½ per cent and the average premium for covering up to six months' credit fell by 2s. 3d. to 9s. 3d. per £100 insured, the lowest figure reached. Short-term policies account for about four-fifths of the total business insured by the ECGD though the medium-term policies, usually for credit cover of up to five years, are now providing over half the premium income. Part of the trading surplus can be used to provide better cover, but the necessity for adequate reserves to meet claims is illustrated by the fact that over £1 million of claims were paid in January alone. Claims from the Suez crisis, which mainly result from the British Government's refusal to permit transfers out of Egyptian sterling accounts, may amount to "a few million." The department is now studying its medium-term policies, and revised terms will be announced later this year.

Bidding for SWACO

THE air is clear. The British Treasury has given the "necessary consents" for the American controlled company, Tsumeb, to make its bid for the 531,807 shares of 13s. 4d. in the South West Africa Company, a British concern. Shareholders in SWACO are now free to make their choice, uncoloured by the political consideration that SWACO is one of few producers of the strategic metal vanadium in the Commonwealth.

The choice is between the offer by Tsumeb and that made by a group headed by New Consolidated Gold Fields. This second offer, in which Anglo American and the "Chartered" company are associated, is of £5 per share for two out of every three SWACO shares; it is open until March 19th and would leave SWACO shareholders with a continuing, though minority, interest in the company. The Tsumeb offer, which is open until March 29th, is of one 5s. Tsumeb share (as yet unquoted) plus 20s. in cash for every four SWACO shares. A London quotation for all the Tsumeb shares (and not, as seemed to be the original intention, merely of those shares released by the bid) will then be sought. Guesses at the market price of Tsumeb shares, which have received dividends of 35s. already and on which the final payment is expected to be 7s. 6d., range between £18 and £22 per share.

Arithmetically there is little to choose between the two bids, but the Tsumeb directors do not now seek, as they appear originally to have done, to transfer SWACO'S residence out of the United Kingdom. They estimate Tsumeb's profits in the year to June 30th at £7.3 million and in the subsequent year at £7 million; that would permit a dividend of not less than 30s. Control over vanadium has coloured the struggle. But both bidders are interested in SWACO's prospecting and exploration rights. Tsumeb say they are willing to spend up to £2 million on the development of the SWACO properties over the next few years. The rival group could no doubt match such a programme if it gained control. The final choice for SWACO shareholders is between cash plus a minority interest in SWACO alone, or less cash plus a stake in the properties both of Tsumeb and of SWACO. Tsumeb is earning handsome profits from copper, lead, zinc and other metals, and its present ore reserves indicate a life of at least 16 years. The SWACO directors intend to accept the Tsumeb offer for their own personal holdings, but they have made no recommendation to shareholders.

A Bank Returns to China

THE accounts of four of the eastern exchange banks all show little change in deposits and unchanged dividends; three of the banks also show increases in profits. The Chartered Bank (formerly the Chartered Bank of India, Australia and China) shows an increase in profits from £759,340 to £800,808. "Full use" of the higher interest earnings available in London in 1956 is the explanation offered by the chairman, Mr Vincent Grantham. Owing to "insistent demands" for finance in the developing countries of Asia in which the bank operates, advances rose by £12 million to nearly £104 million (compared with current and fixed deposits of £198 million); this increase was financed largely by not reinvesting the government securities that matured. Ironically in a year in which the "Chartered" Bank has dropped "China" from its title, it has re-established operations there. The bank's share in China's trade is small, but it cannot pass unnoticed that the Chinese Government finds it advisable to supplement the activities of its own Bank of China.

The consolidated profit of the National Bank of India and its subsidiaries (including Grindlays Bank, which is this year to be formally merged with its parent) rose from £421,839 to £432,835. Advances rose only slightly, but the chairman, Mr J. K. Michie, finds two new influences tending to increase the demand for finance: the first is Suez—the longer time needed for shipments round the Cape; the second is largely India's five-year plan—the pressure on industry's liquidity as development is speeded up. Mr Michie also points to the special threat to bank deposits in India of the proposal that part of company reserves should be deposited with the Reserve Bank.

Progress from Shanghai is reported also by the Mercantile Bank of India—but towards the final settlement of the winding up of its affairs there. This bank shows an increase in advances by nearly one quarter, by £5.4 million to £28.8 million; this was partially offset by a fall of nearly £3 million, to £18.2 million, in investments. Disclosed profit is up only fractionally, at £236,383. The Eastern Bank shows a small decline in profits—from £132,536 to £129,940. Its business is heavily concentrated in the Middle East, and the chairman, Sir Evan Jenkins, states that in view of conditions which were "in some respects specially difficult" the result is considered satisfactory.

A Frisky Baby

AT the end of the war, Henry Meadows of Wolverhampton found themselves possessed of a magnificent plant for the production of Diesel engines for large vehicles, and a great reputation earned by the work they had done in building engines and other armaments—but no commensurate peace-time market. The management, worn out by unstinted war efforts, picked some losers in its search for peace-time products, had more than its share of labour trouble, and failed to find significant room for its proprietary engines in a market dominated at one end by the superlative products of Gardners of Patricroft, and at the other by the world-beating prices of Perkins of Peterborough. Now a member of the Associated British Engineering group—part of the complex built up by the late A. P. Good—Meadows has this week announced the production of what looks to be the most promising British attempt on the minimal car market.

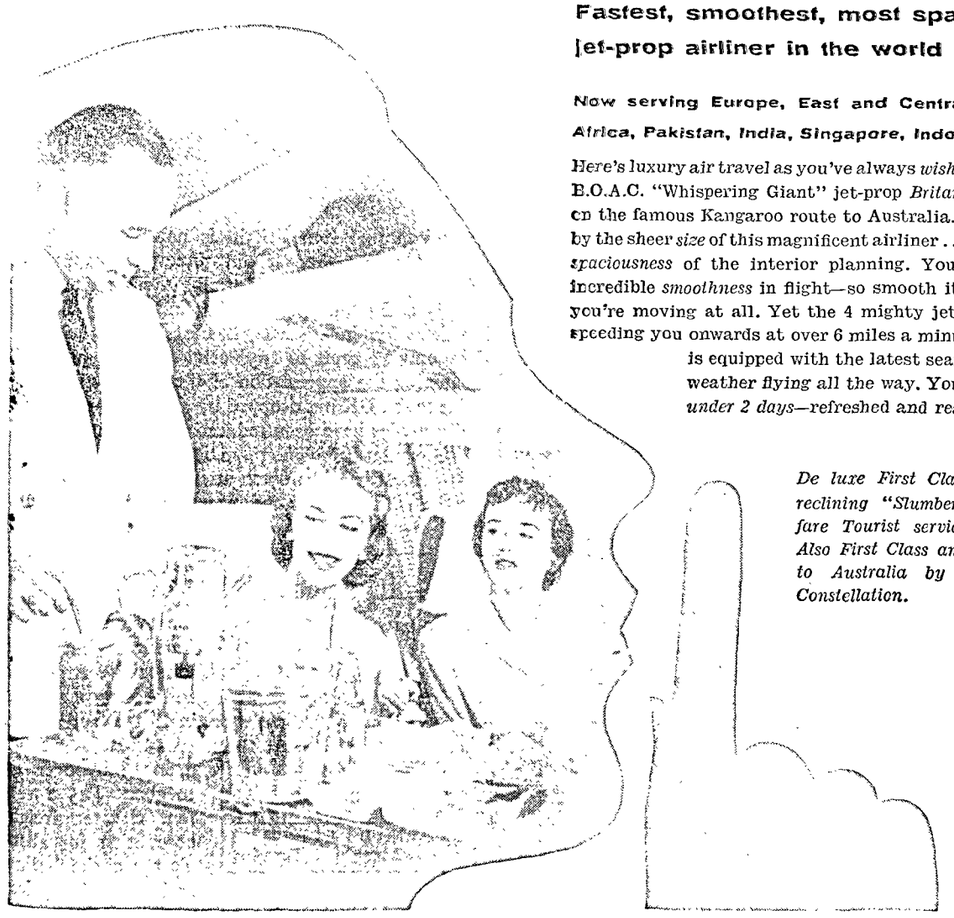
The Meadows "Frisky" is very much on the lines of the German Goggomobil, which is the most successful of the miniature cars hitherto produced. The engine is a Villiers 2-cylinder, two-stroke of 250 cc, a little less powerful than the Goggo's 293 cc. By using an established proprietary engine already in substantial production, initial savings in

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cost are achieved and development headaches obviated; but for the quantities in which the Goggo is produced (said to be 200 a day), the neat, combined engine and gear box unit of the latter is likely to give a saving, while avoiding the final chain drive of the Frisky, to which exception might be taken. The Frisky has its doors hinged at the centre-line of the roof in "gull-wing" fashion, which gives some structural advantages. The body-panels of the production run are intended to be in fibre glass—an apparent reversal of the generally accepted view that fibre glass is the more economic answer in small quantities, but more expensive than sheet steel when production quantities are great enough to justify the much heavier investment in dies. The weight of 6 cwt attributed to the Frisky is nearly 200 lb below that claimed for the Goggo. And the appearance of the Frisky seems to be more attractive than that of the by no means ugly Goggo.

A retail price of £260—or including PT nearly £400—would give 90d. a lb for the Frisky at 690 lb kerb weight—to compare with 50-60d. a lb for mass-production cars, or about 75d. a lb for quality cars made in smaller volume. If the vehicle does what can reasonably be expected of it, in behaviour and in reliability, its price should win it a large enough market to justify the project, and earn enough profit to warrant the investment needed for production in substantial volume, leading in due course to lower selling prices. The Frisky is very far from being the sort of product which the Meadows plant was designed to produce. If despite this Meadows makes a success of it, it will show once again that in manufacture, nothing matters in the end but making a product that fulfils the customers' requirements.

Russia's Bullionists

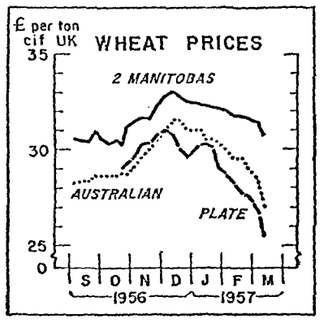
SAMUEL MONTAGU & COMPANY, the bullion and foreign exchange house can be relied upon to provide close estimates of Russian gold sales; the company's annual bullion review suggests that in 1956 these amounted to some 4,300,000 ounces, the largest amount sold by the USSR in any year since the war. More than half the sales were made on the Continent, principally in Switzerland, although the greater part of the gold eventually found its way to London. Reports from Continental centres suggest that the considerable offerings towards the end of the year were to meet the payments difficulties of Poland, Hungary and other countries in the Communist block. The review shows that Russia has a special interest in the maintenance of gold as a basis for the settlement of international balances, quoting from an official Soviet publication *Vneshniaia Torgovlia* which describes the role of gold as a world currency and points out that this is why Russia is accumulating reserves consisting mainly of gold.

The review estimates that during 1956 more than 10 million ounces of the world's gold production was absorbed into hoards and that in addition about 3 million ounces were taken by the arts and industries. Europe was again responsible for the biggest private hoarding demand. Some four million ounces disappeared there, mainly on French account; the Middle East absorbed about 3 million ounces in private hoards, much of which was sent to Beirut for distribution in that area and also in the forbidden territories of India; Macao, which imported 2¼ million ounces last year acted as the main distribution centre for the Far East.

In spite of political turmoils the world price of gold, expressed in dollars, remained exceptionally stable last year, showing a range of only one third of one per cent between the highest and lowest prices. The operations of the central banks in the gold markets provided the main reason for this stability. Buying orders were received from European debtor countries before the monthly EPU settlements whenever gold prices fell below the dollar parity of $35 per ounce. Conversely the central banks of creditor countries sold whenever the price rose above $35 per ounce. The Bank of England was by far the largest seller but it was acting as the handler of South Africa's sales of newly mined gold. Messrs. Samuel Montagu estimate that the activities of central banks, other than the Bank of England, probably account for about a third of the total turnover in the London market. Most of these transactions were arranged outside the daily "fixing."

Cheaper Wheat

WHEAT imported into Britain is now costing up to £5 a ton less than it did three months ago at the post-Suez peak. As in feed grains, freight rates have fallen sharply and selling pressure has increased. Though No. 2 Northern Manitoba wheat, ex-Fort William, has been reduced by only 1¼ cents to 165¼ cents a bushel (approximately matching the appreciation of the Canadian dollar), the cif price to the UK has dropped by £2 to £31 a ton, and No. 3 and 4 grades have been reduced by 4¼ cents to 157¼ and 151¼ cents a bushel. The reduction in the lower grades of Canadian wheat is evidently an attempt to meet competition from the United States and Argentina. Argentina has much more wheat to sell on world markets this year; the new crop is bigger, and concessional sales of American wheat are squeezing Argentina out of its local markets in Brazil and Chile. Plate wheat has dropped by over £5 to about £25 15s. a ton, cheaper freight accounting for about £3 15s. of the decline, and Australian prices have been forced down to £27 a ton, a fall of £4 10s., of which about £3 5s. represents lower freights.



For three exporters, the United States, Canada and Australia, the recent fall in prices is tempered by an increase in the volume of sales in the season that began on August 1st. The misfortune of other countries has been their good fortune. France, their new competitor in the export race, has been obliged to turn importer after a bad harvest; other West European countries have had to buy more imported wheat to offset the poor quality of their own crops; and



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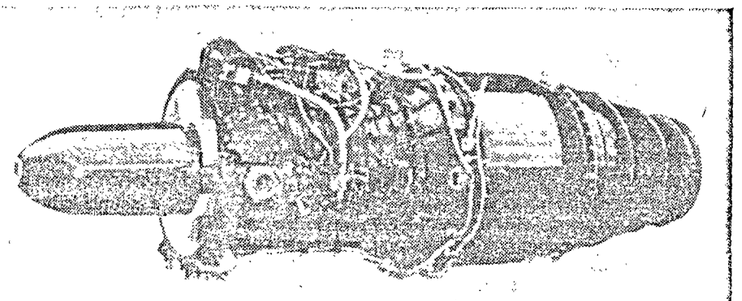
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..."The evaluation trials have shown that ab initio flying training on jet aircraft has definite advantages.... A production order is being placed for the Jet Provost which I am satisfied is the best aircraft for the purpose".

Much of the HUNTING PERCIVAL JET PROVOST'S success as an all-through jet trainer may be attributed to the excellent handling characteristics and reliable performance of the Viper Turbojet. This engine has been developed by Armstrong Siddeley, the makers of the Sapphire Turbojet of which over 10,000 have been built in England and the U.S.A.



ARMSTRONG SIDDELEY AERO ENGINES

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Members of the Hawker Siddeley Group

Argentina, the other major exporter, has until recently been handicapped by a small crop. American shipments, stimulated also by concessional sales, have jumped. Between August 1st and March 2nd, United States shipments of wheat and flour are estimated by Broomhall at 7,931,000 tons, more than twice as much as in the same period of 1955-56, and total American exports this season are officially expected to reach 11 million tons. American competition partly explains why Canada's shipments rose by only one-sixth to 4,217,000 tons during the same period of this season. Shipments from Australia, on the other hand, have increased by nearly two-thirds to 2,232,000 tons ; from the beginning of 1957 Australia has benefited from Britain's undertaking to buy from it at least 750,000 tons of wheat and flour a year.

Increasing competition from American flour, which is even more heavily subsidised than American wheat, has now driven the Canadian Wheat Board into the unprecedented step of selling wheat for export as flour at less than the price charged for wheat. Flour sold by Canadian millers to all markets except Britain and Europe will qualify for subsidy, which ranges from 3 to 7 cents a bushel (wheat basis) according to port of shipment. The cost of subsidy will fall, not on the government, but on all wheat farmers, and will be reflected in their annual receipts from the board.

How Decca Won Through

WITH the full accounts of the Decca Record Company for the year ended March 31st, 1956 comes "No CIC" by Mr E. R. Lewis, the tireless man who left Throgmorton Street to become managing director of a seemingly hopeless enterprise. The hopeless enterprise won through. Decca's turnover reached £1 million in 1946 ; it reached £12.86 million in 1955-56, and for the ten months to January this year was running at the rate of £16¾ million per annum. Mr Lewis, who will shortly become chairman of the company, records in his short history the early struggles of the Decca company, the arrival of the bailiffs, the debtors who waited for payment, and the sentence—passed by the National Provincial Bank but happily commuted—to hand Decca over to its breaking up department. "No CIC" is a company history of success won from a desperately near failure. The author draws a moral. "This story could never have been written if in the thirties controls of the Capital Issues Committee and the Bank of England had existed as they do today . . . under these conditions Decca would not have survived . . . the business could never have weathered the storms when new finance had to be found from day to day, when dollars had to be found at a moment's notice to finance the American venture." Mr Lewis records that it took ten years of continuous struggle against heavy odds before the company could pay a preference dividend, and even then the payment amounted only to £2,088 net.

Retail Business

CUSTOMER TRENDS

Number 2

This new quarterly bulletin deals with the demand for consumer goods in the home market. It includes short and long-term forecasts of sales by different outlets and merchandise groups, regional surveys and reports on special investigations.

Among the special subjects in the second issue are: the growth of mail order business ; the women's clothing trade ; motivation research.

Full particulars from the compilers:

THE ECONOMIST INTELLIGENCE UNIT LTD.
22, Ryder Street, London, S.W.1
Whitehall 1511, Ext. 144

Slot Machine Neuroses

PATRONS of the public baths at Fulham can now buy five minutes with an electric razor by putting sixpence in a slot, and at that price few of the stubbly-faced football fans that go there on Saturdays after an all-night train journey are likely to demand change. But most of the customers of the 35,000 to 40,000 slots that have been appearing about the country with great rapidity since 1953 do, since the prices of the packs they now want to buy have been lifted well above the standard sixpenny and shilling range of prewar vending machines. Most of today's slot machines are built around the sixpence and the florin. One can still buy a packet of gum for a penny, but cigarettes, sea-side souvenirs, camera film, soups—and all the other varied items now or soon to be on sale—cost more than sixpence, and no manufacturer can be certain that these prices will hold steady.

The prospect of rising prices in fact now dominates the makers' planning. Although a halfpenny on the insurance contribution may defeat accounting machines, there is no technical bar to the design and manufacture of change-giving mechanisms or coin selectors of any kind or size in slot machines (except for paper money, though the industry is not without its confident prophets for even that). The higher initial outlay and servicing costs are willingly borne if periodic adjustments are thereby made simpler and if the midnight railway traveller can get his cigarettes more easily when he wants them (or the smoker who arrives at his tobacconist after the new statutory hours). The operators may have to choose between mechanisms that are too selective, and reject coins that are merely badly worn or bent, and those that give fraudulent customers too easy a chance of making away with free articles and change ; but a simple adjustment can see to that once experience has been gained of the type of custom met at each site.

Flexibility is indeed the major aim of present design, and at least one manufacturer has mechanisms that cater for all prices and change up to 4s. The makers of machines selling merchandise have the edge here on the Post Office and others who did not have to start again from scratch four years ago with most of their existing equipment rusty and useless. London Transport, for example, are now finding most of their ticket machines hopelessly submerged under the continual rise in fares. They like their machines to last for 15 or 20 years, but many of the 465 that do give

change have had to be blocked up and can now cope only with the exact fare, while nearly half of the 275 that do not have had to be taken out of service as the new minimum charge of 3d. is beyond their designed powers. The Post Office, with the new local call charge of 4d. and coin boxes that take pennies, sixpences, and shillings, is rather better off. Perhaps a little belatedly, it has recently been experimenting with a coin selector for the twelve-sided threepenny bit ; the vending machine makers were well prepared for that one, but what can you buy now for 3d.—apart from a small slab of chocolate or a piece of gum ?

Central Mining Plans

FOLLOWING the breakdown of the merger negotiations between Central Mining and Investment Corporation and Consolidated Gold Fields, Central Mining announces a scheme for reorganising its capital structure. A new subsidiary called Central Mining Finance will be formed, of which the capital will all be held by the parent company which will become a holding company. At present Central Mining is taxed as a finance house. Under the new arrangement the new subsidiary will be taxed as a finance house while the parent will become an investment trust. It follows that the group will also need to make a substantial investment in some part of the world, presumably absorbing the bulk of the £8.3 million surplus that Central Mining drew from the take-over of its investment in Trinidad Oil. A doubt has arisen as to whether the profit on that take-over is taxable, even in the hands of a financial company. Central Mining is contending that it is not a normal profit and should not attract tax. There is no intention, in any event, of distributing any large part of it to shareholders, but the company is fully conscious that while most of it remains uninvested it is a lure likely to attract share bidders.

SHORTER NOTES

Following the increase in the ordinary dividend from $1.50 per share (6 per cent) to $1.75 (7 per cent) the Canadian Pacific Railway announces higher earnings in 1956. Railway revenue increased by $56.9 million to $505.3 million and the net railway operating profit by $4.2 million to $41.3 million, while income from other sources rose by $2.3 million to $30 million.

★

Sir Raymond Streat, for seventeen years chairman of the Cotton Board, is resigning at the end of this month, but will continue to serve until arrangements have been made for a successor.

Company Notes

P AND O. Last July when Colonel Nasser seized the Suez Canal, Peninsular and Oriental deferred stock stood at 32s. to yield just 5 per cent. Now with an unchanged dividend of 8 per cent and a largely increased profit, but with the company's main trade artery still cut, the stock units stand at 34s. 6d. to yield £4 12s. 9d. per cent. Investors must have realised that since the company's financial year ends on September 30th almost the whole of the costs to the group of the Suez affair will have to come into the financial year now current. They must have assumed that the impetus behind P and O is strong enough to make the stock a high-ranking investment even when immediate circumstances are adverse. That would be a fair assumption for those ready to take a longish view. But that there are adverse circumstances such as the dislocation, the loss of intermediate freight on Far Eastern routes, and the high cost of oil picked up at unusual ports, can hardly be doubted.

	Years ended Sept. 30, 1955	1956
Consolidated earnings :—	£	£
Gross profit	21,922,650	24,197,996
Investment income	1,007,218	1,451,677
Depreciation	9,615,069	9,866,890
Surveys	1,810,014	1,964,291
Taxation	5,216,209	6,306,412
Net profit	4,756,431	5,228,446
Preferred dividends	87,400	87,400
Ord. dividends	1,267,535	1,267,534
Retained earnings	3,401,496	3,873,511

Net profit, after tax, for the year to September 30th rose from £5.6 million to £6.3 million. The net cost of the preferred and deferred dividends is only about £1.3 million. The factors that made for the increase in earnings were higher tramp freight rates and the rationalisation of some services in eastern waters. The glamour of the great passenger liner should never cause investors to forget that P and O is also a great tramp steamship concern. This year it was the tramps that brought home the profits. One other factor will arouse interest. Debenture interest is up by nearly £400,000 and earnings on government stocks and Treasury bills by over £400,000. It would be a neat assumption that the £10 million 5 per cent debenture stock issued in September, 1955, had been invested to show a profit while the company is waiting for its tankers. But these are the group figures which include various other items.

The deduction that stockholders can draw is that the group must by now have some indication of how the additional costs of Suez are running and that nevertheless the directors are facing them on the basis of a maintained, and amply covered, dividend.

★

FORD MOTOR. The Ford Motor ordinary dividend for 1956 is maintained at 7½ per cent. It absorbs £1,682,921 from a net profit of £5,614,866—down £2,936,783 on the year. Thus even in the most difficult of the postwar years for the motor industry, the cover on Ford's dividend is ample. Gross profits before tax fell by 44 per cent, from £17,907,600 to £9,989,842. But total sales fell in value by only 4 per cent, from £151.5 million to £145.7 million ; within this total exports were down by only £400,000 to £68.2 million. The number of vehicles sold, a figure which covers a changing range of vehicles at different prices, fell by 8½ per cent, from 350,650 to 320,742 units. Most of the decline occurred in the last six months of the year. The gulf between a large profit and a small one is narrow in an industry that uses capital as heavily as motor manufacture does. A small fall in production can have a shattering effect on earnings.

Sales and earnings :	Jan.–June, 1955	July–Dec., 1955*	Jan.–June, 1956	July–Dec., 1956*
Sales	£'000 77,980	£'000 73,569	£'000 77,779	£'000 67,921
Gross profit	11,382	6,526	5,629	4,361
Taxation	4,237	3,919	2,422	2,217
Net profit	6,024	2,528	3,424	2,191
Vehicles sold	*182,502*	*168,148*	*178,379*	*142,363*
Sales value per vehicle	£ 427	£ 437	£ 436	£ 477
Gross profit per vehicle	62½ %	38¾ %	31½ %	30½ %
Gross profit/ sales	14·6	7·9	7·2	6·4

*Estimated from full year figures.

Profit margins fell further in the last half of the year, declining from 7.2 to 6.4 per cent on sales. The average profit earned on each vehicle also fell, though only by £1 per vehicle. But these smaller

profits were earned on vehicles which fetched on the average much higher prices. The increase in the average value of vehicles sold must reflect the introduction of the new and higher-priced range of cars early in the year, a big cut in the demand for the cheapest vehicles and, perhaps, the fact that sales of commercial vehicles did not fall as steeply as did sales of small cars to private motorists.

Investors, seeing the danger, have realised that it is their opportunity too. Ford's earnings can climb as quickly as they have fallen and with some recovery in motor business in the air, they have been buying motor equities. Ford £1 ordinary units now stand at 34s. xd, compared with the 1956 "low" of 25s. 9d. They yield £4 8s. per cent, which clearly looks beyond the troubles of this year.

★

ASSOCIATED ELECTRICAL INDUSTRIES. The directors of AEI make no comment in the full report on the sharp decline in trading profits. They might well have done so, since not all units in the electrical industry have been similarly affected. But one new fact emerges: the decline in profits occurred while sales were rising and the order book lengthening. In 1955 the value of the group's sales can be estimated at about £120 million; in 1956 the directors say sales came to just over £133 million. Over the year orders received were £137 million, against £143 million in 1955, and at the end of the year orders in hand were £152 million, against £145 million. Firm

Consolidated earnings :	1955 £	1956 £
Trading profit	17,077,584	12,957,272
Other income	776,623	472,701
Depreciation	2,281,010	2,940,456
Taxation	7,370,653	5,847,901
Replacement reserves	1,987,249	...
Net income	6,301,804	4,372,325
Ordinary dividends	2,081,896	2,645,000
Retained by subsidiaries	3,076,242	290,610
Retained by parent	1,041,895	1,320,711
Cons. balance sheet :		
Net fixed assets	23,103,342	33,733,693
Net current assets	64,114,550	76,791,053
Stocks	54,966,021	64,937,866
Liquid assets	5,919,893	10,268,237
Revenue reserves	28,853,050	38,357,228
Capital reserves	19,657,824	27,052,119
Ordinary capital	25,000,000	33,639,483

capital commitments at the same date were estimated at £20.2 million (against £13.2 million) and the group held nearly £10.3 million in liquid assets.

The current year is likely to witness an increase in fixed and working capital comparable with that of 1956, when fixed assets (at gross values) went up from £36 million to £59 million and stocks (less receipts on account) from £55 million to £65 million. Last year's additional investment was financed in part out of the proceeds of the rights issue of ordinary shares. This year's investment, if profit margins remain narrow, will make a heavy call on internal resources. An order received for a nuclear power station was not included in the orders in hand. The current dividend of 15 per cent and the yield of £4 14s. on the stock at 63s. 9d. xd doubtless makes some allowance for nuclear power station orders and for the extra capital investment that the electrical companies will have to undertake. The companies will have to make further appeals for new capital, and to generate a further large slice of their own new capital too.

★

HUDSON'S BAY. On the news that the Governor and Company of Adventurers of England Trading into Hudson's Bay had left the ordinary dividend from trading unchanged at 15 per cent and the tax free dividend from the land account unchanged at 2½ per cent, the £1 ordinary stock units of the oldest of all companies quoted on the London Stock Exchange fell 2s. 6d. At 198s. they yield just under 2 per cent. That yield is not a reflection of the company's current trading experience, in retailing, wholesaling and furs in Canada, but of the present attractions of Canada to British investors and particularly of their hopes from the company's oil interests.

Yet this perhaps is the time for investors to become a little attentive to the company's dividend policy. Income from the land account is declining—the surplus fell from £130,000 to £97,000 in the year to January 31st—but there is still a big accumulated balance and a tax free dividend of 2½ per cent seems assured from this source for about another decade. But earnings on trading have been expanding and are likely to go on expanding as the Canadian economy grows. In the latest year trading profits crossed the £4 million mark for the first time, rising from £3,641,000 to £4,024,000, and net profits went up from £1,935,000 to £2,170,000. Yet for the third year running the trading dividend, now covered nearly four times, remains unchanged. There is room, it would seem, for a slightly freer hand.

★

INTERNATIONAL NICKEL. Last year International Nickel Company of Canada sold slightly less nickel and slightly more copper, both at higher average prices than in 1955. Nickel deliveries went down from 290 million lb to 286 million lb and copper deliveries went up from 263 million lb to 271 million lb. The better average price for copper made an important contribution to earnings. Net earnings per common share went up from $6.14 to $6.50 (a new record figure) but the common dividend was left unchanged at $3.75 a share. On that dividend the common shares at $198 yield 3.4 per cent.

This is a low yield for a mining equity which, however good, remains a wasting asset. But it is not low for Canadian growth stocks, among which Nickel must also be placed. The company's plans for growth are now centred upon the opening up of the Manitoba nickel field. This development, together with further progress at the established field at Sudbury, will give International Nickel an annual production capacity by 1961 of 385 million lb of nickel—100 million lb more than its deliveries last year. The Manitoba development will cost the company at least $115 million; this year alone it intends to spend about $50 million on capital account. This is almost entirely a project for more nickel, for the chairman, Mr John F. Thompson, tells shareholders: "The average nickel content of the Moak Lake and Thompson ores thus far discovered compares favourably with the average of our Sudbury ores, though the copper content is so small as to be almost a metallurgical

Sales and earnings :	1955 $	1956 $
Net sales	416,323,000	444,740,000
Operating profit	176,429,000	180,428,000
Other income	3,064,000	5,512,000
Net income	91,566,000	96,296,000
Common dividends	54,690,000	54,690,000
Earnings per share	6·14	6·50
Dividends per share	3·75	3·75

disadvantage. The gold, silver and platinum metals content, though lower than that at Sudbury, nevertheless has value."

An investment of this order cannot be made unless there are grounds for believing that the extra nickel can be sold at a profitable price. There are such grounds as the fact that in recent years the company has never had to try to sell its metal. Nickel has always been short, but Mr Thompson warns shareholders that "what the supply and demand situation in the nickel market will be at the time these mines come into production cannot be forecast at the present time."

★

HOOVER. At the begining of this month, before the preliminary report revealed an unexpected increase in earnings on the last six months of 1956, Hoover "A" ordinary shares stood at 26s. 3d. The "A" shares now stand at 32s. 9d. xd, to yield 7¾ per cent on the maintained dividend of 50 per cent. The annual review sent out with the full accounts helps to justify investors' renewed confidence in the company's future. It shows that the group's financial strength remained unimpaired, with cash and other liquid resources standing at more than £3 million.

It also displays the strength and virility of the company's management. The recovery in earnings that began in the last months of 1956 is attributed to the improvement in exports, especially to dollar markets, to the introduction of new vacuum cleaners and to the fact that the directors, after a critical review of the group's operations, "effected economies and increased efficiency and generally toned up the entire organisation."

Over the whole year profits fell by 27 per cent, from £3,838,233 to £2,790,077, and total turnover by 14 per cent. But, while sales at home fell by 22 per cent, sales overseas rose by 16 per cent. Sales in North America went up by 62 per cent. Looking ahead, the directors are optimistic. In North America, where "prospects for 1957 look very bright indeed," they expect another increase in sales. More generally they expect a further expansion both at home and overseas and, looking just a little further ahead, they say that any reduction or elimination in duty following on the establishment of a European common market will give the Hoover group "a preferential position in these countries."

★

DE HAVILLAND HOLDINGS. In announcing an ordinary dividend of 7½ per cent, the directors of de Havilland Holdings have restored the rate to where it stood before the Comet disasters. In the previous year the dividend was 5 per cent and in 1953-54 no payment was made. This news was immediately followed by a rise in the price of the £1 ordinary stock units by 1s. 4½d. to 23s., at which they yield 6½ per cent.

The bigger dividend followed an improvement in earnings. Group profits before tax in the year to September 30th advanced from £2,570,954 to £3,846,338, net profits after tax rising from £958,575 to £1,659,238. The ordinary dividend absorbs £378,246. The directors say that "the increased surplus of the group has, to a considerable extent, been due to the excellent results of the Canadian subsidiary."

★

DE BEERS CONSOLIDATED MINES. The preliminary report of De Beers contains not one consolidated figure. It is therefore old fashioned, and could even be misinterpreted. As expected, the deferred dividend is 10s. per 5s. deferred share (or 200 per cent), a rate that has remained unchanged through the five previous years, so that at 98s. 9d. the 5s. shares yield 10⅛ per cent. The net profit for 1956 is shown at £9,574,847 after providing £1,290,000 for taxation; the year before the net profit was £10,042,640 after charging £1,420,000 for tax. Thus in a year of record diamond sales, profits in this report are shown to have fallen. But these figures relate to the parent company only and therefore only to the mines that it operates plus the dividends—not the total earnings—from the subsidiaries and the dividends from the investment portfolio of the parent. They thus exclude, for instance, the almost wholly owned Consolidated Diamond Mines, whose gem production makes a notable contribution to the earnings of the group. It may well be that when the full accounts are published the consolidated income will show an increase over the year.

Through De Beers Investment Trust, the group is an important investor in the gold and copper mines of Southern Africa to say nothing of its standing in the diamond industry. Cannot its directors, then, publish a preliminary statement which provides a suitable résumé of the income accounts in the full report?

★

BRADFORD DYERS. The Egyptian subsidiary of the Bradford Dyers Association was known to be highly profitable but exactly how profitable was never made clear in the company's reports. BDA sold control of this company to Egyptian interests last June and in BDA's latest accounts for 1956 its trading results are not included in the consolidated figures. Hence the 1956 and 1955 figures are not directly comparable. Moreover as the Egyptian Government has sequestrated all British properties in Egypt, no credit is taken in the 1956 accounts for any dividend payable on BDA's minority interests in the Egyptian concern or for the interest accruing on bank deposits of £1,126,021 in Egypt.

The preliminary statement shows that trading profits of overseas subsidiary companies in 1956 came to £259,645, compared with £1,066,016 in 1955. This disparity indicates but does not measure the profitability of the Egyptian company. The trading profits of the parent company and its British subsidiaries, which work on a commission basis, have fallen from £1,083,039 to £791,448. Hence combined trading profits in 1956 came to £1,051,093, against £2,149,055, and net profits to £277,231, against £538,378. The ordinary dividend was left unchanged at 10 per cent. This is a disappointing result, following not long after an announcement that BDA was to close its Paisley branch. The £1 ordinary stock units have fallen by 1s. 6d. to 20s. 1½d., at which they yield £9 19s. per cent.

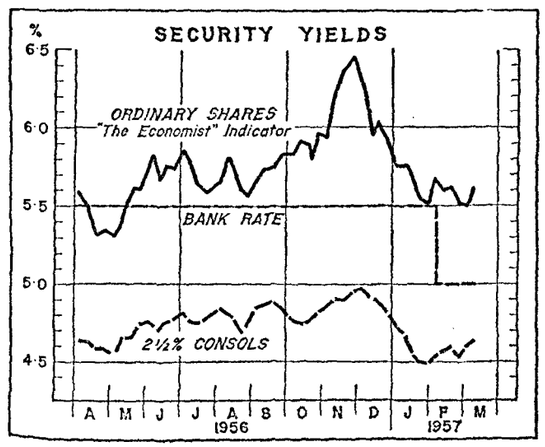
LONDON STOCK EXCHANGE

First dealings:	Feb. 27	Mar. 13	Mar. 27
Last dealings:	Mar. 12	Mar. 26	Apr. 9
Account Day:	Mar. 19	Apr. 2	Apr. 16

In the face of the obviously adverse factors—the threatened strike and the political confusion in the Middle East—prices have given ground, but only slowly. Gilt-edged withstood the deterioration in sterling, which occurred on Wednesday; the *Financial Times* index of Government securities showed a slight decline over the week from 88.45 to 88.25. Dollar stocks rose and the dollar premium advanced to 8¾ per cent over the rate for the day.

Shipbuilding shares fell heavily; Swan Hunter lost 6s. to 65s. 6d., Vickers 3s. 1½d. to 41s. 9d., Harland and Wolff 3s. 7½d. to 32s. 3d. and William Doxford 2s. 9d. to 77s. Engineering stocks were affected to a lesser degree, Babcock and Wilcox falling 3s. to 79s. and Guest, Keen and Nettlefolds 1s. 4½d. to 46s. 6d. Steel shares weakened further, but were steadier by Wednesday. United Steel made a small advance to 31s., John Summers was 1s. 9d. lower at 30s., and Stewarts and Lloyds lost a few pence. Motors were undecided with Standard up 3d. to 7s. 6d., while BMC receded 4½d. to 7s. 10½d. Bristol Aeroplane rose 6d. to 19s. on the helicopter order and De Havilland responded to the increased dividend. Dowty gained 1s. 1½d. to 32s. 9d. xd on the bigger interim dividend. Stores eased generally, Army and Navy and John Barker being particularly weak after the results, losing 5s. and 1s. respectively to 55s. 10½d. xd and 13s. xd. Mappin and Webb "A" declined 3s. 1½d. to 25s. Shipping shares were firmer.

Following the official listing of Shell in America, the stock reached 180s. on Thursday; Royal Dutch followed the movement, but British Petroleum and Burmah fell. Among the gold mines, President Brand recovered to 51s. 9d. on the increase in dividend and other OFS issues improved. Anglo-American Corporation gained 5s. to 141s. 3d. Platinums eased, but Nigerian tins improved and coppers recovered on Wednesday.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1956 High	1956 Low	1955 High	1955 Low
Feb. 13	195·9	5·61				
„ 20	196·8	5·63				
„ 27	200·6	5·52	210·4 (Jan. 4)	170·0 (Nov. 28)	232·1 (July 20)	175·2 (Mar. 23)
Mar. 6	201·6	5·50				
„ 13	197·3	5·62				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½ Consols Yield %	Bargains Marked	1956 High	1955 High
Mar. 6	189·8	5·77	96·75	4·60	10,311	203·6 (Jan. 3)	233·9 (July 21)
„ 7	188·8	5·79	96·84	4·60	9,287		
„ 8	186·7	5·86	96·83	4·61	9,491		
„ 11	185·9	5·88	96·83	4·62	11,570	Low	Low
„ 12	186·0	5·88	96·84	4·62	9,514	161·5 (Nov. 29)	175·7 (Mar. 15)
„ 13	185·7	5·89	96·71	4·63	9,293		

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

LONDON ACTIVE SECURITIES

Prices, 1956 High	Prices, 1956 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Mar. 6, 1957	Price, Mar. 13 1957	Net Yield, Mar. 13 1957 £ s. d.	Gross Yield, Mar. 13 1957 £ s. d.
99¼	97	Funding 2½% 1952-57	99⅜	99⅜	1 16 1	4 2 4
95⅛	93½	War Loan 3% 1955-59	96⅜	96⅜	2 19 11	4 5 0
91⅝	88⅛	*Funding* 2½% 1956-61	92⅛	92⅛	3 7 10	4 9 7
100⅛	99⅛	Exchequer 5% 1957	100⅛	100⅛	...	3 19 6
99⅛	97	Conversion 4% 1957-58	99⅛	98⅜	2 16 0	4 17 1
97⅞	95½	Serial Funding 2½% 1957	98⅜	98⅛	3 7 7	4 16 8
94⅜	91	Conversion 2% 1958-59	95⅜	95⅛	3 7 6	4 6 7
92½	88⅛	Exchequer 2% 1960	93⅜	93⅛	3 9 4	4 7 6
95⅛	92½	Exchequer 3% 1960	96⅜	96⅜	3 1 10	4 8 3
98⅝	97⅛	Conversion 4½% 1962	99⅛	98½	2 15 8	4 14 10
88½	83	Savings Bonds 3% 1955-65	89½	89⅛	3 3 8	4 11 2
82⅝	77⅛	Funding 3% 1959-69	83⅜	82⅛*	3 10 1	4 18 4
92⅛	84½	Funding 4% 1960-90	91⅞	91⅜	5 10 1 2 14 5	7 10 11 4 11 6
81⅞	75½	Savings Bonds 3% 1960-70	81	80⅛	3 10 11	5 0 0
91⅛	88⅜	Exchequer 3% 1962-63	92½	92½	3 1 8	4 9 7
87½	83⅛	Exchequer 2½% 1963-64	88½	88⅜	3 6 5	4 10 6
81⅛	76½	Savings Bonds 2½% '64-67	83⅜	82⅛	3 10 4	4 15 2
79⅛	71⅞	Savings Bonds 3% 1965-75	77½	77	3 8 7	4 18 9
83⅛	78	Funding 3% 1966-68	83⅞	83⅛	3 9 9	4 18 5
96½	90	Victory 4% 1920-76	94⅞	94⅞	2 18 11	4 14 5
88½	81⅞	Conversion 3½% 1969	87⅝	87⅛	3 5 5	4 17 8
83⅜	74⅜	Treasury 3½% 1977-80	80⅜	81	3 4 2	4 18 11
84½	75⅜	Treasury 3½% 1979-81	79⅜	79⅜	3 4 11	4 19 7
72⅞	64½	Redemption 3% 1986-96	69⅜*	69⅛*	3 1 1	4 13 11
81¼	73½	Funding 3½% 1999-2004	79⅛	79⅛	2 16 1	4 11 7
84⅜	76	Consols 4% after Feb. '57	81⅞	81⅛	2 16 11	4 19 2
77	68	War Loan 3½% after 1952	74⅜	74	2 14 10	4 15 11
76⅞	67⅞	Conv. 3½% after Apr. 1961	73⅛*	72⅞*	2 15 3	4 16 0
66⅜	58⅜	Treas. 3% after Apr. 1966	63⅝*	63⅛*	2 14 6	4 14 7
56⅜	49⅞	Consols 2½%	54⅜*	54*	2 13 2	4 12 4
56⅜	50	Treas. 2½% after Apr. '75	54⅜*	53⅞*	2 13 4	4 12 7
98⅛	90	Br. Electric 4½% 1967-69	96	95⅛	3 0 1	4 19 9
80⅛	72⅜	Br. Electric 3% 1968-73	78⅜*	78⅛*	3 9 11	4 19 3
79⅜	71½	Br. Electric 3% 1974-77	76⅜*	76⅜*	3 6 9	4 16 9
95	85½	Br. Electric 4½% 1974-79	90⅜*	90⅛*	3 0 6	4 18 10
83⅛	74⅜	Br. Electric 3½% 1976-79	81⅜	81⅛	3 4 2	4 19 1
90½	84⅛	Br. Gas 4% 1969-72	90	90⅛	3 2 9	4 19 4
87⅛	80	Br. Gas 3½% 1969-71	86⅜*	86⅛	3 3 8	4 16 2
73⅜	65½	Br. Gas 3% 1990-95	71⅜	71⅛	3 0 6	4 13 8
80⅞	72⅜	Br. Transport 3% 1968-73	78⅜*	78⅛*	3 9 11	4 19 3
90⅞	81⅛	Br. Transport 4% 1972-77	88⅜	88⅛	3 1 10	4 19 4
73⅜	65¼	Br. Transport 3% 1978-88	71⅜	71⅛	3 4 1	4 16 7

Prices, 1956 High	Prices, 1956 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Mar. 6, 1957	Price, Mar. 13 1957	Yield, Mar. 13 1957 £ s. d.
80⅜	74⅞	Australia 3½% 1965-69	80⅜	80⅛	5 12 0
98⅜	92½	Fed. Rhod. & Nyas. 5% 1975-80	95*	95	5 7 9
76	70	S. Rhodesia 2½% 1965-70	73⅛*	73⅛	5 8 0
88⅛	80½	N. Zealand 4% 1976-78	87⅜	87⅜	4 19 0
101⅜	99⅛	L.C.C. 5½% 1977-81	105⅛	105⅛	5 0 5
97⅛	88⅛	Agric. Mortgage 5% 1959-89	93	92⅜	5 10 0
68½	61	Met. Water Board 'B' 3% 1934-2003	66⅜	67⅜	4 16 3
81½	71	German 7% 1924 (Br. Enfaced 5%)	76½	76⅛	...
169⅜	159⅛	Japan 5% 1907 (Enfaced)	169½	164⅜*	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Mar. 6, 1957	Price, Mar. 13 1957	Yield, Mar. 13 1957 £ s. d.
		% %	BANKS & DISCOUNT			
105/–	92/6	2 a	7 b Bk. Ldn. & S. Amer. £5	130/–	128/9	5 19 10
50/–	39/10½	5 a	7 b Barclays Bank £1	45/9	44/3	5 8 6
35/9	27/9	4 a	4 b Barclays D.C.O. £1	30·9	30/–	5 6 8
41/9	32/9	7½a	7½b Chartered Bank £1	38/6	36/9*	8 3 8
51/–	42/10½	...	7 b Lloyds Bank £1	48/9	47/6	5 9 5
72/4½	61/–	9 a	9 b Midland Bank £1	72/6	70/–	5 2 10
46/–	29/3	5 a	5 b Nat. Discount 'B' £1	40/–	40/–	5 0 0
50/–	40/6	6½a	6½b Union Discount £1	49/3	48/–	5 4 2
			INSURANCE			
92/6	75/–	43½b	30 a Commercial Union 5/–	89/4½	84/6	4 6 9
29	16½	37½b	12½a Legal & General £1	29	29	1 14 6
25½	18½	†47½b	†20 a Pearl £1	21½	20½	5 14 9
48⅜	38	†117½c	†125 c Prudential 'A' £1	46	44½	4 18 3
			BREWERIES, ETC.			
119/6	106/–	10 a	33 b Bass £1	107/6	107/–	8 0 9
24/10½	18/7½	11½b	6 a Distillers 6/8	22/10½	22/10½	5 2 0
45/10½	36/9	10 a	15 b Guinness 10/–	38/–	38/–	6 11 7
76/–	61/9	14 b	7 a Whitbread 'A' £1	69/3	68/9	6 2 2
			OIL			
183/9	99/–	†10 b	†5 a British Petroleum £1	146/9	143/1½	3 13 0
117/9	63/–	12½b	5 a Burmah £1	93/–	90/7½	3 17 2
17⅞	11⅜	14 b	7½a Royal Dutch 20 fl.	£16 ⅜	£17⅛	2 3 8½
171/–	103/3	†13½b	†5 a Shell £1	164/6	169/3	3 1 7½
58/6	33/3	...	... Ultramar 10/–	67/4½	67/–	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Mar. 6, 1957	Price, Mar. 13 1957	Yield, Mar. 13 1957
		% %	STEEL & ENGINEERING			£ s. d.
85/6	64/–	8 b	7 a Babcock & Wilcox £1	82/–	79/–	3 16
13/–	9/4½	14 c	4 a Cammell Laird 5/–	12/9	11/10½	5 18
35/–	22/9	3 a	5 b Dorman Long £1	24/6	24/6	6 10
54/9	39/–	8½b	3½a Guest Keen N'fold. £1	47/10½	46/6	5 3
55/6	41/6	6 b	4 a Metal Box £1	52/1½	52/–	3 17
37/6	25/7½	5 a	12½b Stewarts & Lloyds £1	28/6	27/9	6 6
60/–	47/3	11 b	3 a Swan Hunter £1	71/6	65/6	4 5
43/9	31/4½	4 a	8½b United Steel £1	30·7½	31/–	8 1
44/7½	32/4½	7½b	2½a Vickers £1	44/10½	41/9	4 15
			ELECTRICAL			
75/3	45/–	7½a	7½b Assoc. Elec. Inds. £1	65/3	63/9*	4 14
54/9	45/3	8½b	4 a Br. Ins. Callenders £1	50/–	49/9	5 0
35/6	24/4½	43½c	6½a Decca Record 4/–	28/6*	28/4½	6 3
37/–	22/6	15 c	15 c Elect. & Mus. Inds. 10/–	28/9	29/–	5 3
66/1½	43/6	4 a	10 b English Electric £1	59/–*	58/–	4 16
65/6	40/9	9½a	4½a General Electric £1	57/–*	55/3	5 1
			TEXTILES			
24/9	19/4½	4 a	6b Bradford Dyers £1	22/–	20/1½	9 18
23/7½	13/–	5 b	1½a British Celanese £1	15/1½	14/10½	8 14
25/10½	20/7½	6½b	2½a Coats, J. & P. £1	24/3	23/9	7 7
44/–	29/–	6 b	4 a Courtaulds £1	34/9	32/9	6 1
37/3	22/3	5 a	12½b Lancashire Cotton £1	34/9	33/6	10 9
33/3	26/–	10 b	2½a Patons & Baldwins £1	34/1½	33/4½	7 9
			SHOPS & STORES			
18/10½	12/9½	14 c	6 a Boots Pure Drug 5/–	15·6*	14/6	4 16
41/4½	29/–	7½a	20 b Debenhams 10/–	39/10½	38/6	7 2
44/9	30/1½	47½b	15 a Gt. Universal 'A' 5/–	43/7½	41/6	7 10
35/6	27/4½	16½b	10 a Marks & Spen. 'A' 5/–	38/6	38/–	3 9
25/10½	19/–	20 b	12½a United Drapery 5/–	24/10½	24/–	6 15
64/10½	51/–	20 a	40 b Woolworth 5/–	60/7½	58/9	5 2
			MOTORS & AIRCRAFT			
22/1½	16/–	6½b	3½a Bristol Aeroplane 10/–	18·6	£19/–	5 5
9/–	5/9½	4 a	8½b British Motor 5/–	8/3	7/10½	7 18
44/3	25/9	2½a	5 b Ford Motor £1	34/9	34/–*	4 8
49/3	29/9	3 a	7 b Hawker Siddeley £1	34·6	33/3	6 0
47/3	38/10½	10 c	12½d Leyland Motors £1	46/3*	45/6	5 9
115/10½	85/6	12½b	5 a Rolls-Royce £1	119·4½	119/–	2 18
9/3½	5/5½	12 c	8 c Standard Motor 5/–	7/3	7/6	5 6
			SHIPPING			
38/9	28/6	...	6½a Brit. & Com'wealth 10/–	40/–	39/9	4 0
27/–	20/4½	7½b	3 a Cunard £1	24·9	23/6	8 10
35/9	27/–	3 a	5 b P & O Defd. £1	35/3	34/6	4 12
			MISCELLANEOUS			
45/6	34/3	7 b	3 a Assoc. Port. Cem. £1	41/9	42/3	4 5
22/9	17/9	10 b	20 a Beecham Group 5/–	19/9*	19/6	7 13
60/9	38/6	7½b	4½a Bowater Paper £1	43/–	42/9	5 12
81/10½	40/4½	8 b	4 a Br. Aluminium £1	66/–	66/6	3 12
60/–	45/3	†20 c	†5½a Br. Amer. Tob. 10/–	55/–	55/–	6 6
19/9	15/4½	15 b	7½a B.E.T. 'A' Defd. 5/–	19/10½	19/3	5 16
42/–	32/9	4 a	6 b Br. Oxygen £1	34·6*	35/–	5 14
$69	$56⅜	3 a	4 b Canadian Pacific $25	$60½	$62	5 4
25/9	14/4½	10 b	2½a Dunlop Rubber 10/–	17/–	16/3	7 13
49/10½	36/–	6 b	4 a Imp. Chemical £1	41/9	41/4½	4 16
62/9	42/3	8½a	12½b Imp. Tobacco £1	44/10½	45/3	9 5
$211	$141½	$2·90c	$3·75c Int'l. Nickel n.p.v.	$194	$198	3 7
40/3	28/6	2½a	5 b J. Lucas (Inds.) £1	34·6	33/–	4 11
30/3	21/3	6½a	15½b Monsanto Chem. 5/–	24·9	23/6*	4 15
18/–	14/10½	10 c	2½a Ranks 5/–	16·10½	16/3	6 3
75/4½	42/9	15 b	6 a A. E. Reed £1	51 6	51/6	6 4
16/4½	11/7½	20 c	20 c Sears Hldgs. 'A' 5/–	15·0½	14/9	6 15
69/1½	54/1½	4½a	12 b Tate & Lyle £1	62/4½	61/1½	5 8
69/6	49/9	6½a	7½b Tube Investments £1	59·3	58/3	5 3
115/6	92/6	5 a	22½b Turner & Newall £1	115·9	113/3	4 17
82/9	61/7½	6 a	11½b Unilever Ltd. £1	80·3	78/6	4 9
41/9	22/9	†7½b	†4½a United Molasses 10/–	40/9	39/–	5 6
			MINES, ETC.			
172/6	133/9	20 a	50 b Anglo-American 10/–	136·3	141/3	4 19
40/–	22/6	†2½a	†7½b Cons. Tea & Lands £1	26 6	26/6	13 0
130/7½	91/3	80 a	120 b De Beers Def. Reg. 5/–	100/–	98/9	10 2
25/–	19/7½	...	... Doornfontein 10/–	22·9	22/3	...
10/11½	8/6	30 c	30 c London Tin 4/–	10/7½*	10/6	11 8
16⅛	11⅛	112½b	25 a Nchanga Cons. £1	11⅞*	11⅞	11 11
64/–	52/6	40 b	50 a President Brand 5/–	51·3	51/3	8 15
29/–	21/–	12½a	25 b Rho. Selection Tst. 5/–	21·9	22/–	8 14
61/9	37/6	30 b	12½a United Sua Betong £1	48·3	48/–	17 14
81/9	64/4½	40 b	40 a Western Holdings 5/–	68·1½	68/1½	5 3

New York Closing Prices

	Mar. 6 $	Mar. 13 $		Mar. 6 $	Mar. 13 $		Mar. 6 $	Mar. 13 $
Can. Pacific	31⅛	32¼	Am. Viscose	35⅛	34¼	Int'l. Nickel	103½	10[illegible]
N.Y. Central	30⅝	30½	Beth. Steel	43¼	42⅝	National Dist.	27⅜	
Pennsylvania	20⅞	20⅞	Chrysler	74⅜	76½	Sears Roebuck	27½	
Amer. Tel.	177½*	177½	Crown Zeller	52*	52	Shell Oil	83*	
Standard Gas.	12½	12⅝	DuPont de Nm.	180	178⅜	Std. Oil of N.J.	58½	
Western Union	19	18⅞	Ford Motors	57⅜	58½	U.S. Steel	60⅛	
Alumin'm Ltd.	125†	122⅜	Gen. Elect.	56⅛	56⅜	West'house E.	55½	
Am. Smelting	52⅜	53⅛	Gen. Motors	40⅞	39⅞	*Woolworth*	43	

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 15% tax free. (e) To earliest date. (f) Flat yield. (g) On 16%. (h) After Rhodesian tax. (i) On 17½% tax. free. (j) On 15%. (k) On 20%. (l) To latest date. (m) On 10%. (n) On 16%. (o) On 15%. (p) On 9%. (q) On 8½%.

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages	Mar. 2nd	Western Europe:	
Production and Consumption	Mar. 9th	Production and Trade	Feb. 23rd
Manpower	This week	British Commonwealth	Mar. 9th
External Trade	Feb. 23rd	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits	Jan. 12th	United States	Mar. 2nd
		World Trade	Jan. 12th

Manpower in Great Britain

	Unit	Monthly averages 1954	Monthly averages 1955	Monthly averages 1956	1955 Dec.	1956 Jan.	1956 Feb.	1956 Nov.	1956 Dec.	1957 Jan.	1957 Feb.
TOTAL MANPOWER(1)											
Working population:											
Total	'000s	23,667	23,912	24,107	24,073	24,094	24,074	24,225	24,087	24,077	...
Men	,,	15,974	16,084	16,188	16,144	16,172	16,171	16,236	16,207	16,204	...
Women	,,	7,693	7,828	7,919	7,929	7,922	7,903	7,989	7,880	7,873	...
Armed Forces	,,	839	803	761	779	778	776	775	761	740	...
Civil employment:											
Total	,,	22,604	22,933	23,149	23,053	23,062	23,037	23,178	22,989	22,971	...
Agriculture, forestry and fishing	,,	1,074	1,066	1,032	1,006	1,004	1,001	1,005	994	994	...
Mining and quarrying	,,	867	862	858	857	859	860	858	859	864	...
Building and contracting	,,	1,453	1,486	1,541	1,472	1,467	1,458	1,533	1,491	1,494	...
Distributive trades	,,	2,743	2,811	2,870	2,884	2,864	2,857	2,944	2,904	2,887	...
Public administration	,,	1,326	1,289	1,300	1,290	1,291	1,291	1,296	1,294	1,293	...
Manufacturing industries	,,	8,976	9,206	9,269	9,351	9,373	9,360	9,296	9,226	9,213	...
CHANGES IN EMPLOYMENT(2)											
Increase or decrease since June, 1955:											
Employees in engineering(2)	,,	− 190	...	+ 53	+ 89	+ 108	+ 107	+ 50	+ 24	...	...
,, ,, consumer goods industries(3)	,,	+ 13	...	− 9	+ 26	+ 25	+ 14	+ 17	− 14	...	...
UNEMPLOYMENT											
By duration:											
All durations—total	,,	284·8	232·2	257·0	215·6	263·9	275·6	264·6	297·0	382·6	380·1
,, ,, —men	,,	184·4	146·7	168·8	139·0	173·2	186·5	167·5	199·7	267·7	262·4
,, ,, —women	,,	100·4	85·5	88·2	76·6	90·7	89·1	97·1	97·3	114·9	117·7
Temporary or under 2 weeks—men	,,	58·0	51·5	62·7	43·9	62·6	69·7	52·4	75·4	103·2	76·3
,, ,, —women	,,	36·4	36·7	35·5	26·7	39·9	34·1	33·0	29·8	44·3	37·2
Over 8 weeks—men	,,	81·7	67·7	65·7	58·8	63·3	67·3	69·7	73·4	90·6	82·2
,, ,, —women	,,	37·1	26·5	27·4	25·4	28·8	29·0	29·8	32·8	40·3	39·1
By industry (4):											
Textiles	%	0·9	1·6	1·4	1·0	1·1	1·3	1·1	1·0	1·1	1·2
Clothing	,,	1·3	0·9	1·0	0·9	1·0	0·9	1·1	1·1	1·3	1·2
Vehicles	,,	0·5	0·4	1·2	0·3	0·4	0·4	0·6	2·2	2·7	1·4
Engineering, etc.	,,	1·1	0·8	0·9	0·7	0·8	0·8	0·9	0·9	1·1	1·2
Coal-mining	,,	0·2	0·1	0·1	0·1	0·2	0·2	0·2	0·2	0·2	0·2
Distributive trades	,,	1·3	1·0	1·0	0·8	1·1	1·1	1·1	1·5	1·6	
By regions (4):											
Great Britain	,,	1·3	1·1	1·2	1·0	1·2	1·3	1·2	1·4	1·8	1·8
London and South Eastern	,,	1·0	0·7	0·8	0·6	0·8	0·9	0·9	1·2	1·5	1·3
Eastern	,,	1·2	0·9	1·0	0·9	1·1	1·6	0·9	1·2	1·7	1·9
Southern	,,	1·1	0·9	1·0	0·9	1·0	1·1	1·1	1·2	1·7	1·8
South Western	,,	1·5	1·2	1·2	1·3	1·4	1·4	1·5	1·6	2·1	2·2
Midland	,,	0·6	0·5	1·1	0·4	0·6	0·6	1·0	1·0	1·5	1·6
North Midland	,,	0·6	0·5	0·6	0·5	0·6	0·7	0·6	0·8	1·1	1·1
East and West Ridings	,,	0·9	0·7	0·8	0·6	0·8	0·8	0·8	0·9	1·0	1·0
North Western	,,	1·5	1·4	1·3	1·1	1·4	1·4	1·3	1·4	1·7	1·8
Northern	,,	2·2	1·8	1·6	1·5	1·9	1·9	1·6	1·6	2·0	2·0
Scotland	,,	2·8	2·4	2·4	2·3	2·7	2·7	2·3	2·5	3·0	3·1
Wales	,,	2·5	1·8	2·0	1·7	1·9	2·0	2·2	2·3	2·9	3·0
VACANCIES											
Unfilled vacancies notified to Employment Exchanges (5):											
Total	'000s	338	382	279	382	373	368	300	279	256	239
Men	,,	191	214	152	214	207	204	168	152	134	124
Women	,,	147	168	127	168	166	164	132	127	122	115
DISPUTES(6)											
Workers involved		37	55	42	16	27	98	23	10	45	...
Working days lost:											
Total	,,	205	315	173	114	83	189	67	32	132	...
Mining and quarrying	,,	39	93	42	13	24	37	33	10	29	...
Engineering, etc.	,,	62	56	85	95	45	49	22	17	54	...
Other industries and services	,,	104	166	46	6	14	103	12	5	49	...

(1) Annual figures are for June of each year. (2) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) From June, 1956, onwards comparison with earlier figures is affected by the revocation of the Notification of Vacancies Order, 1952. (6) United Kingdom.

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
WHOLESALE PRICES (1) (1953 = 100)												
1948	42	94	74	65	90 [2]	...	78	104	75	66	72	94
1955	108	101	103	98	101	120	101	101	102	104	104	119
1956	110	104	107	102	102	...	...	...	...	...	...	...
1956, September	111	103	107	102	102	129	101	101	104	110	108	130
„ October	112	104	107	102	103	129	...	102	105	110	109	...
„ November	112	106	108	103	104	132	...	103	106	111	109	...
„ December	113	106	110	104	104	...	...	...	...	112	...	...
1957, January	...	...	...	104	104	...	...	...	...	...	...	...
COST OF LIVING (1) (1953 = 100)												
1948	50 [2]	95	81	60	93	63	79	86	78 [4]	74	77	89
1955	105	101	107	101	102	122	103	106	106	105	104	119
1956	108	104	...	103	105	...	...	...	...	...	...	...
1956, September	108	104	...	103	105	126	...	112	110	110	109	131
„ October	110	105	114	103	105	126	...	111	109	110	109	...
„ November	111	105	...	103	106	126	107	111	109	110	110	...
„ December	111	105	...	103	106	...	...	...	...	...	...	...
1957, January	...	106	...	103	106	...	...	...	...	...	...	...
IMPORT PRICES (1) (1953 = 100)												
1948	37	84	84 [5]	59	...	...	82	98	85	80	72	113
1954	96	96	97	98	96	118	101	98	95	98	99	104
1955	94	96	98	97	100	118	104	100	97	100	99	103
1956, July	95	98	} 104	{ ...	104	128	110	106	100	98	} 104	{ ...
„ August	96	98		...	104	126	108	105	100	100		...
„ September	97	...		...	104	124	110	105	100	102		...
„ October	97	...	...	...	102	127	110	...	102	101	...	...
„ November	97	...	...	...	101	...	...	...	...	103	...	...
EXPORT PRICES (1) (1953 = 100)												
1948	42	95	91 [5]	68	...	...	78	103	97	84	76	91
1954	99	94	99	95	95	121	98	99	100	99	98	97
1955	102	97	100	96	98	133	101	98	101	107	102	111
1956, July	108	103	} 103	{ ...	102	130	99	105	99	114	} 105	{ ...
„ August	109	101		...	102	137	98	106	100	117		...
„ September	107	...		...	102	140	96	106	103	113		...
„ October	102	...	...	...	100	140	97	...	104	120	...	...
„ November	101	...	...	...	101	...	...	...	...	115	...	...

TOTAL MONEY SUPPLY (7)

End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	'000 mn. kroner	mn. liras
1948	...	154·0	7,110	2,165	11·8	1,984	110·3	1,989	7,285	6,937	6·27	1,715
1954	28·26	187·3	7,369	5,266	26·4	9·30 [8]	152·2	4,036	9,099	9,162	9·20	3,869
1955	28·62	...	7,458	5,916	29·1	11·97	154·7	4,477	9,837	9,357	9·30	4,882
1956, July	28·80	...	7,249	6,309	29·1	12·71	148·2	...	9,786	9,452	8·47	...
„ August	29·12	...	7,423	6,305	29·3	12·83	148·1	...	9,711	9,472	8·39	...
„ September	29·24	...	7,345	6,312	29·3	...	151·6	4,548	9,595	9,430	8·56	...
„ October	29·26	...	7,361	6,230	29·5	...	153·3	...	9,350	9,456	8·81	...
„ November	29·45	...	7,713	6,308	30·2	...	156·8	...	9,357	9,466	8·84	...

GOLD AND FOREIGN EXCHANGE HOLDINGS (8) (mn. US Dollars)

1948	62	938	84·0	...	295	6·2	209	539	343	140·6	233	192
1955	357	1,146	133·1	2,120	3,076	10·9	242	1,237	1,284	165·3	470	211
1956	402	1,196	131·2	1,416	4,291	...	234	...	1,077	178·3	473	230
1956, September	403	1,244	127·8	1,655	3,998	...	225	1,358	1,138	164·6	448	234
„ October	417	1,217	135·8	1,638	4,118	...	230	...	1,158	168·1	451	235
„ November	414	1,197	136·3	1,500	4,194	...	235	...	1,080	173·1	466	243
„ December	402	1,196	131·2	1,416	4,291	...	234	...	1,077	178·3	473	230
1957, January	...	...	...	...	4,353	...	...	...	1,063	...	...	...

(1) Relates to wholesale prices in Athens and Piraeus only for Greece. Figures for Ireland from 1953 onwards are for home produced goods only. (2) July-December. (3) *Relates to prices in capital cities only* for Austria, France, Greece and Turkey. Belgium and Austria exclude rent. Denmark includes direct taxes. Figures for Ireland are based on August, 1953=100. (4) Including direct taxes. (5) Including trade with Faeroe Islands. (6) Index numbers of unit value which compare the current average value of trade with its value in 1953; they are influenced by changes in the composition of trade as well as price movements. (7) Deposit money and notes and coins held by business, individuals and foreigners. Except for Greece holdings of *the issuing authority and other banks* are excluded. (8) Holdings of the government and central bank at end of period. Figures for Greece are gold reserves only. Foreign exchange figures for Norway exclude government holdings; Netherlands, Norway and Sweden include foreign investments. Ireland includes some long-term securities. (9) Beginning May, 1954, a new drachma equal to 1,000 old drachmas introduced.

Financial Statistics

EXCHEQUER RETURNS

For the week ended March 9th, 1957, there was in "above-line" surplus (after allowing for Sinking Funds) of £55,822,000 compared with a surplus of £4,117,000 in the previous week and a surplus of £5,932,000 in the corresponding period of last year. There was a net deficit "below-line" last week of £37,793,000, bringing the total deficit to £225,842,000 (£90,888,000 in 1955-56).

£'000	Estimate, 1956-57	April 1 to Mar. 10, 1956	April 1 to Mar. 9, 1957	Week ended Mar. 10, 1956	Week ended Mar. 9, 1957
Ord. Revenue					
Income Tax	2085,500	1787,082	1921,047	55,221	76,222
Surtax	144,000	126,800	140,000	4,300	6,200
Death Duties	170,000	166,600	158,000	4,000	3,100
Stamps	68,900	66,900	58,500	1,100	1,100
Profits Tax, EPT	216,750	181,600	182,500	2,300	2,360
Excess Profits Levy	4,000	18,090	4,500	100	...
Special Contribution and other Inland Revenue	1,000	710	820	...	...
Total Inland Rev.	2680,150	2347,782	2465,067	67,021	88,922
Customs	1204,000	1084,757	1126,984	20,116	22,937
Excise	953,350	838,406	880,340	6,540	15,885
Total Customs and Excise	2157,350	1923,163	2007,324	26,656	38,822
Motor Duties	92,000	86,709	89,587	...	1,009
Oil (Net Receipts)	...	900	17,900	*Dr.* 800	550
Broadcast Licences	28,000	23,600	26,200	...	...
Sundry Loans	30,000	29,858	31,633	286	83
Miscellaneous	200,000	180,985	156,593	4,605	833
Total	5187,500	4592,997	4794,304	97,768	130019
Ord. Expenditure					
Net Interest	670,000	621,833	696,559	6,366	9,855
Payments to N. Ireland Exchequer	61,000	55,552	62,664	3,011	3,429
Other Cons. Fund	10,000	9,845	8,957	...	2
Supply Services	3980,918	3435,541	3618,937	81,299	59,930
Total	4721,918	4122,769	4447,097	90,676	73,217
Sinking Funds	37,000	35,972	35,477	1,160	980
"Above-line" Surplus or Deficit		434,256	311,729	5,932	55,822
"Below-line" Net Expenditure	525,144	537,571	2,633	37,793	
Total Surplus or Deficit		90,888	225,842	3,299	18,029
Receipts from:					
Defence Reserve Certificates		79,211	3,364	423	1,926
Savings Certificates		22,500	72,400	1,700	4,000
Defence Bonds		24,561	34,944	908	242
Premium Savings Bonds		...	61,380	...	900

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
Dec. 10	3,210·0	1,594·3	254·9	...	5,059·2
„ 17	3,630·0	1,276·5	227·3	1·0	5,134·8
„ 24	3,620·0	1,340·9	208·5	2·0	5,171·4
„ 31	3,610·0	1,343·7	200·2	...	5,153·9
1957	4,959·5		234·6	4·0	5,198·1
Jan. 7	3,530·0	1,430·0	245·7	1·8	5,207·5
„ 14	3,440·0	1,386·3	267·1	...	5,093·5
„ 19	3,320·0	1,487·0	244·0	...	5,051·0
„ 26	3,210·0	1,516·5	221·0	...	4,947·5
Feb. 2	3,120·0	1,507·0	204·9	...	4,831·9
„ 9	3,050·0	1,486·7	197·4	...	4,734·1
„ 16	2,980·0	1,247·9	246·3	...	4,474·2
„ 23	2,900·0	1,298·1	193·8	...	4,391·8
Mar. 2	2,890·0	1,304·7	209·7	...	4,404·5
„ 9	2,890·0	1,261·5	229·8	0·8	4,381·9

THE MONEY MARKET

THE discount houses moved to check the fall in the Treasury bill rate at last week's tender—and in doing so suffered a sharp decline in their allotment. For the 91-day bills on offer the common bid was reduced by 2d. (equivalent to a rise in the discount rate of 8d. per cent) to £98 19s. 10d. per cent; this move does not appear to have been wholly followed by outside tenderers; and as total applications rose by £34·5 million, to £442·7 million—the highest since July last—the market's allotment rate for these bills was only 12 per cent. This is explained partly by the full allotment of the offer of 92-day bills, necessitated owing to the incidence of Whit Monday; but the market's average allotment on both maturities was only 21 per cent, compared with 50 per cent at the preceding tender. The discount houses are, however, supplementing their allotments through individual bids. The average rate of discount on last week's tender as a whole rose by less than 4½d. per cent, to £4 0s. 5.2d. per cent.

Credit conditions have been difficult. On Tuesday the market balanced its books without official intervention, but on Wednesday difficulties returned and in the absence of any special help the market was in the Bank for a small amount—for the third time in the week. However, the fall of £11·9 million in discounts and advances shown in the Bank return suggests that the market reduced its indebtedness.

LONDON MONEY RATES

Bank rate (from 21st Nov., 7/2/57)	% 5	**Discount rates** Bank bills: 60 days	% 4⅜-4½
Deposit rates (max.) Bank	3	3 months	4⅜-4½
Discount houses	3*	4 months	4⅜-4½
		6 months	4⅛-4⅜
Money Day-to-day	3½-4	**Fine trade bills:**	
Short periods	3½	3 months	5½-6
Treas. bills 2 months	4	4 months	5½-6
3 months	4⅛	6 months	5½-6½

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	Mar. 14, 1956	Mar. 6, 1957	Mar. 13, 1957
Issue Department :*			
Notes in circulation	1,808·0	2,886·2	2,850·7
Notes in banking dept.	17·3	39·2	34·7
Govt. debt and securities*	1,821·3	1,921·2	1,921·2
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department :			
Deposits:			
Public accounts	11·9	11·8	13·6
Bankers	242·9	217·5	223·1
Others	69·9	71·3	72·0
Total	324·7	300·6	308·7
Securities:			
Government	290·3	224·2	246·6
Discounts and advances	19·3	33·6	21·7
Other	17·2	19·9	20·1
Total	326·8	277·7	290·4
Banking department reserve	19·6	41·3	36·8
	%	%	%
"Proportion"	6·9	13·7	11·9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £1,925 million from £1,975 million on January 16, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Amount (£ million) Applied for	Three Months' Bills Average Rate of Allotment	Three Months' Bills Allotted at Max. Rate*
1956 Mar. 9	*91 Day* 240·0	404·7	s. d. 104 2·23	% 37
	91 Day	*63 Day*		
Dec. 7	220·0	60·0	441·0	100 10·28	24
„ 14	230·0[1]	60·0	424·9	99 1·54	55
	91 Day			
„ 21	280·0		379·8	98 1·43	68
„ 28	270·0		372·5	97 1·81	68
1957					
Jan. 4	270·0[1]		406·7	95 9·11	84
„ 11	260·0[2]		401·4	95 5·30	35
„ 18	240·0		391·2	95 1·40	53
„ 25	200·0[3]		414·0	91 0·81	56
Feb. 1	150·0		384·1	90 10·07	21
„ 8	150·0		371·5	84 8·29	38
„ 15	190·0[4]		348·0	85 6·04	10
„ 22	200·0		407·3	82 11·49	30
Mar. 1	220·0		408·2	80 0·78	50
„ 8	230·0		442·7	80 5·20	12

* On March 8th tenders for 91 day bills at £98 19s. 2d. secured 12 per cent, higher tenders being allotted in full. The offering yesterday was for £230 million at 91 day bills. [1]Allotment cut by £10 million. [2]Allotment cut by £20 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	March 13	March 7	March 8	March 9	March 11	March 12	March 13
United States $	2·78-2·82	2·79⅛-2·79⅛	2·79⅛-2·79⅛	2·79⅛-2·79⅛	2·79⅛-2·79⅛	2·79⅛-2·79⅛	2·79⅛-2·79⅛
Canadian $	...	2·67⅞-2·67⅞	2·67⅞-2·67⅞	2·67⅞-2·67⅞	2·67-2·67⅛	2·67-2·67⅛	2·67⅛-2·67⅜
French Fr.	972·65-987·35	987-987½	987-987½	987-987½	986½-987	986½-987	986½-987
Swiss Fr.	12·15⅛-12·33⅛	12·28-12·28½	12·27½-12·28½	12·27½-12·28	12·27⅝-12·27⅞	12·27½-12·27½	12·26½-12·27⅛
Belgian Fr.	138·95-141·05	140·75-140·80	140·75-140·80	140·75-140·80	140·70-140·75	140·72½-140·77½	140·70-140·75
Dutch Gld.	10·56-10·72	10·67½-10·68½	10·67½-10·68	10·67½-10·68	10·67½-10·67⅝	10·67½-10·67⅝	10·66⅜-10·66⅝
W. Ger. D-Mk.	11·67⅛-11·84⅜	11·75⅛-11·76⅛	11·75⅛-11·75⅝	11·75⅛-11·76	11·75⅛-11·75⅝	11·75⅛-11·75⅝	11·75⅛-11·75⅝
Portuguese Esc.	79·90-81·10	80·10-80·20	80·10-80·20	80·10-80·20	80·10-80·20	80·10-80·20	80·10-80·20
Italian Lire	1736½-1762½	1760¼-1761¼	1760¼-1761¼	1760¼-1761¼	1760¼-1761	1760-1761	1760-1761
Swedish Kr.	14·37½-14·59½	14·51½-14·51¾	14·51½-14·51¾	14·51½-14·51¾	14·49⅜-14·50	14·49⅜-14·49½	14·47½-14·48
Danish Kr.	19·29½-19·48½	19·42⅝-19·42⅝	19·42⅝-19·42⅝	19·42⅝-19·42⅝	19·42⅝-19·43	19·42⅝-19·42⅝	19·42⅝-19·42⅝
Norwegian Kr.	19·85-20·15	20·00⅜-20·00⅝	20·00⅜-20·00⅝	20·00⅜-20·00⅝	20·00⅜-20·00⅝	20·00⅜-20·00⅝	19·99⅜-19·99⅝
One Month Forward Rates							
United States $		⅛-¼c. pm	⅛-¼c. pm	⅛-¼c. pm	⅛-¼c. pm	⅛-¼c. pm	⅛-¼c. pm
Canadian $		½-1c. pm	½-1c. pm	½-1c. pm	½-1c. pm	½-1c. pm	½-1c. pm
French Fr.		par-1 dis	par-2 dis	par-2 dis	par-2 dis	par-2 dis	par-2 dis
Swiss Fr.		1¼-1c. pm	1¼-1c. pm	1¼-1c. pm	1¼-1¼c. pm	1¼-1¼c. pm	2-1¼c. pm
Belgian Fr.		½-¼ pm	½-¼ pm	½-¼ pm	½-¼ pm	½-¼ pm	½-¼ pm
Dutch Gld.		1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm
W. Ger. D-Mk.		1¼-1pf. pm	1¼-1pf. pm	1¼-1pf. pm	1¼-1pf. pm	1¼-1pf. pm	1¼-1pf. pm
Italian Lire		2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par
Swedish Kr.		26 pm-par	26 pm-par	26 pm-par	26 pm-par	26 pm-par	26 pm-par
Danish Kr.		4-26 pm	4-26 pm	4-26 pm	4-26 pm	4-26 pm	4-26 pm
Norwegian Kr.		26 pm-par	26 pm-par	26 pm-par	26 pm-par	26 pm-par	26 pm-par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/7½	249/9½	...	249/9½	249/9	249/8½



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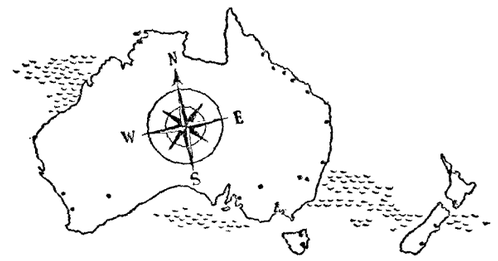
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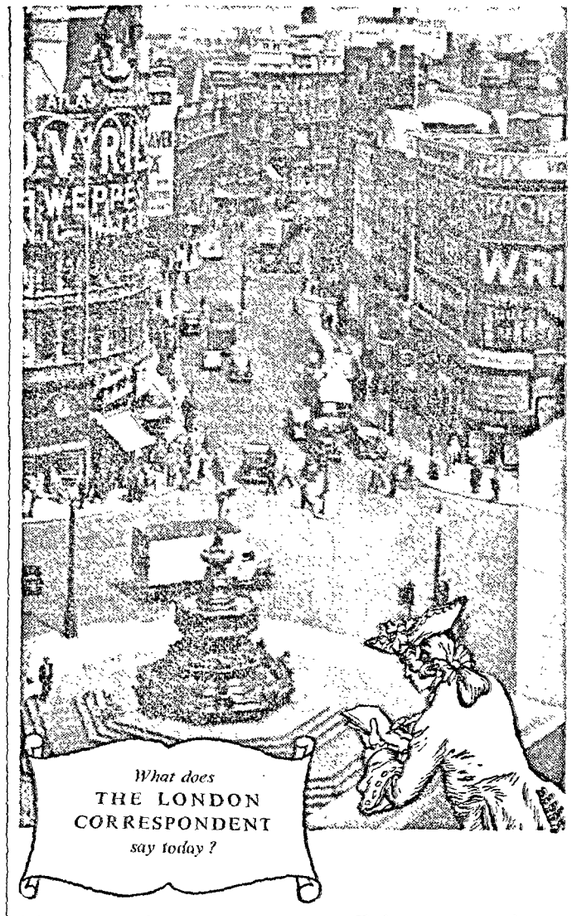
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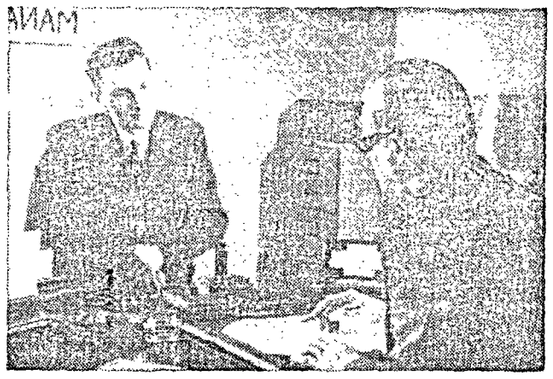
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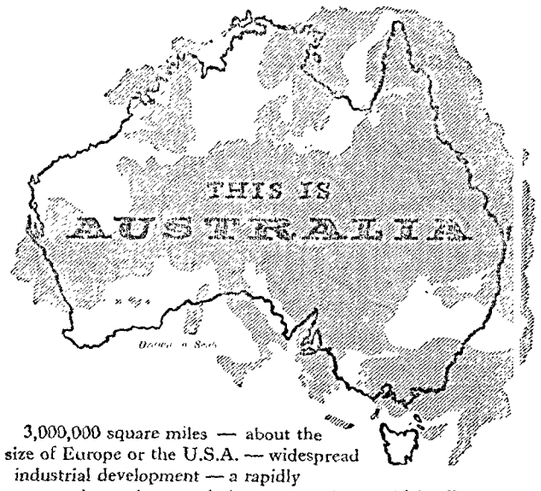
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RESERVE FUND - - - - Rs.11,500,000

With Branches at the leading centres of Industry and Commerce in India, Pakistan; Malaya, Burma and Hongkong, The United Commercial Bank is well equipped to serve Banks, Commercial Institutions and individuals carrying on business with the East or intending to open connections there.

S. T. SADASIVAN, General Manager

COMPANY MEETINGS

THE CHARTERED BANK

IMPROVED EARNING CAPACITY DESPITE RISING COSTS

INCREASED DEMAND FOR FINANCE IN DEVELOPING COUNTRIES

MR V. A GRANTHAM'S REVIEW OF ECONOMIC CONDITIONS IN THE EAST

The ONE HUNDRED AND THIRD ORDINARY GENERAL MEETING of The Chartered Bank will be held on April 3rd at 38 Bishopsgate, London, E.C.

The following is an extract from the statement by the Chairman, Mr V. A. Grantham, which has been circulated with the report and accounts for the year 1956:

THE CONSTITUTION OF THE BANK

Following the adjournment of the one hundred and second annual general meeting of the stockholders held on April 4th last an extraordinary general meeting was held to adopt the draft of a supplemental and consolidating Royal Charter which was the subject of a petition from the Court of Directors to Her Majesty the Queen in Council. The new charter was granted by Letters Patent issued under the Great Seal on June 25, 1956, when the provisions of the charter and the annexed bye-laws and rules became effective.

Clause 3 of the new charter empowered the Bank to change its name, and advantage of this provision was taken on December 5th when a special resolution, passed by an extraordinary general meeting of the stockholders and subsequently sanctioned by the Lords Commissioners of Her Majesty's Treasury, shortened the name of The Chartered Bank of India, Australia and China to The Chartered Bank. The change was brought about with a minimum of difficulty and it has been warmly welcomed by the stockholders, our customers, our banking correspondents and our friends everywhere.

THE GENERAL MANAGEMENT

Mr David Stewart, the senior of the joint general managers, retired on January 31, 1957, and I take this opportunity of acknowledging with gratitude the valuable services he rendered to the Bank over a period of thirty-seven years. He joined the Head Office Executive from the eastern service in 1945 and was a trusted adviser of the Court of Directors on matters of high policy and administration, particularly with regard to the affairs of India and Pakistan, Burma and Ceylon. We are not to lose entirely the benefit of his experience as I am glad to say that he agreed to accept a seat on the Board of The CBI Development Corporation Limited, in which capacity he will be able to play an active part.

Mr G. A. Leiper, until recently manager of our branch in Manila, has been appointed an Assistant General Manager.

NEW BRANCHES

The Bank has purchased the goodwill of the business in Pakistan conducted by the Allahabad Bank Limited and on January 1st last the branches of the latter institution at Lahore and Lyallpur were incorporated in the branch system of The Chartered Bank. The branch of the Allahabad Bank Limited at Karachi has been merged with our own branch in that city.

To meet the growing need for banking services in North Borneo new branches have been opened during the past twelve months at Lahad Datu and Tenom. The former mercantile agency at Kudat has been replaced by a branch of the Bank.

A new branch has been opened in Ampang Road, Kuala Lumpur, to serve expanding commercial development in that district of the federal capital.

THE CBI DEVELOPMENT CORPORATION LIMITED

A year ago I intimated that the Bank had promoted a wholly-owned subsidiary company, The CBI Development Corporation Limited, to engage in medium-term and similar credit operations connected with economic development in the eastern countries to which the oversea representation of the Bank extends. During the first year of the Corporation's existence much time has been spent in research, investigation and the formulation of policy. The intensification of credit control in the United Kingdom has inevitably curtailed some of the opportunities open to the Corporation for lending in sterling. This and other factors, notably the necessity in most territories for registering the Corporation as a financial institution, have tended to circumscribe the framework within which the Corporation can function but it is now possible to discern the pattern of future operations and I am quite sure that our new venture will fulfil a useful and creative function and bridge the gap between the short-term financing of trade and industry by overdraft, and the raising of capital from the public. I would like to say that I am quite satisfied with the initial experience of our Development Corporation.

THE BANK'S BALANCE SHEET

The Balance Sheet total is very slightly lower than last year. Due to higher rates available in the London market, our Fixed Deposits are £8 million lower. This is set off by a smaller holding of bills of exchange and a reduction in our Cash in hand and at call.

Owing to the insistent demand for finance in those countries where in the rapid course of their development the pressure on local resources is much in evidence our advances to customers have increased by £12 million and this has been largely met by the non-investment of maturing government securities.

A part of the increase under the heading of Advances is represented by pre-payments under American Aid programmes.

Our Acceptances now exceed £10 million and indicate the growing popularity of this form of finance by Far Eastern merchants and bankers. We continue to show our investments in government securities at *market rates.*

For the first time we are publishing a consolidated balance sheet which includes the figures of our wholly-owned subsidiary companies.

PROFIT AND LOSS ACCOUNT

Despite the continued upward trend of working costs, especially salaries and wages, our earning capacity improved. The Bank's policy has always been to keep a liquid money position in London and we have made full use of the higher interest earnings available in 1956. This explains the increase in our net profits from £759,340 in 1955 to £800,808.

The Bank paid an interim dividend in September last of 7½ per cent less Income Tax, absorbing £150,937 and it is now proposed that out of the balance available a final dividend of 7½ per cent be paid, costing £150,938 making a total distribution of 15 per cent.

It is proposed to repeat the allocation made in each of the past six years to Bank Premises and Furniture Account, the Pension Fund and the Widows' and Orphans' Fund of £200,000, £125,000 and £20,000 respectively. It is proposed to transfer £150,000 to Contingencies Account and to carry forward a balance of £409,308

OVERSEA SURVEY

In most of the statements I have circulated to the stockholders since the end of the war I have referred to the surge of Asian nationalism and to the significance of this for the Bank. The trend continues: Malaya and Singapore are moving rapidly towards political independence within the Commonwealth and a general election in Ceylon has returned to power a government pledged to lead the island to a more clearly defined sovereignty. The repercussions of such political movements are felt at every point in our extensive system of branches. They affect vitally our relations with our Asian employees; they influence the selection of business risks and circumscribe the deployment of our resources.

Although our representation in the Middle East does not extend west of Aden Colony there have been throughout the territories further east reactions to the crisis which arose in Egypt a few months ago. Fortunately Britain has accumulated down the years a large fund of goodwill in the minds and hearts of the peoples of Asia and it would

appear that notwithstanding widespread expressions of sympathy with Egypt that fund has been drawn upon to a much smaller extent than many critics of the British Government may have feared. The inner history has yet to be written but it is clear even now that there is a greater understanding in the world of what may have been behind our country's action.

In the East our political role is obviously changing but we can take credit for having created a defensive framework within which political independence, economic freedom, personal liberty and respect for human rights can take root.

Quite surely British endeavour in the East is nowhere at an end; it is everywhere in progress.

I now propose to review developments during 1956 in the territories served by our branches and to give some account of the contribution we are making to the promotion of economic interests common to East and West.

ADEN

When the Canal re-opens and given reasonable stability in the Middle East, there are grounds for hoping that the steady consolidation of our business in Aden, which has been taking place ever since the Bank opened there a few years ago, will show satisfactory results.

INDIA

Last year I commented on the draft outline of the Indian second Five Year Plan, whose major objectives are rapid industrialisation—particularly the development of heavy industry—and the expansion of opportunities for employment.

Additional taxation is being imposed to help finance the plan, but it would be well to recognise that more and more penal taxation may defeat its own ends for so many limitations surround the private investor today in India that it is, unfortunately, no longer clear how the skill and enterprise which is so necessary can be rewarded. Without fair rewards private enterprise cannot be expected to function or to provide the very large sums of money that the plan expects from the private sector. Heavy taxation too in itself is going to do little to halt the steady inflationary tendency, for although the money supply rose less in 1956 than in the previous year the wholesale price index went up 13 per cent on the year. Continued and increasing inflation could endanger the whole plan. That the authorities are aware of this is encouraging for, commenting in the draft plan on the difficulties of financing in part such an ambitious programme by deficit financing, the sponsors admitted that the stepping up of investment might have an inflationary impact, particularly if a relatively high proportion of the expenditure were found by an increase in the creation and supply of money.

As savings are not keeping pace with industrial expenditure there is already a woeful shortage of investment capital and more and more strain is being put on the banks who, whilst unable to attract sufficient extra deposits, are being faced with demands for fresh or increased facilities, and we for one have reluctantly been unable to entertain many of the propositions placed before us. The advances of the scheduled banks in India have already reached unprecedented levels and the average ratio of advances to deposits of all the scheduled banks is now in the region of 70 per cent. This has necessitated increasing use being made of the facilities provided by the Reserve Bank of India under the Bill Market Scheme introduced by them in 1952. Discussions have recently taken place in Bombay and Calcutta between the banks and the Finance Minister to find other means of alleviating the situation but the problem is extremely difficult as the Indian authorities have stated that the tightening of bank credit is one of their anti-inflationary measures.

PAKISTAN

The predominant feature of the past year in Pakistan has been the shortage of foreign exchange and without assistance from the United States the country's position would be far from happy. Early in the year it had appeared reasonable to assume that after an extended period in which the balance of payments had been under continuous pressure as a result of the industrial development programme, Pakistan had at last turned the corner.

By October, however, it was clear that the country was once again facing a severe food crisis owing to deficiencies in the rice and wheat crops. This necessitated considerable imports of food grains into both East and West Pakistan and it will clearly be necessary for the authorities to take steps to encourage an increase in food production if this is to be avoided in future. The government, however, are fully alive to this need as the recently published Five Year Plan gives priority to agriculture and to an extension of irrigation facilities, drainage and flood control, whereas in the past the emphasis has tended to be more on industrialisation.

Meanwhile encouraging features have been the substantial rises in the value and volume of exports of Pakistan's raw jute and raw cotton during the past season. The country's new manufacturing industries have also expanded their sales oversea and there have been notable increases in exports of cotton yarn and cloth and jute goods. It is estimated that by 1960 Pakistan should be in a position to supply about one-third of the world's total requirements of jute goods, and the cotton industry is already taking advantage of the absence of export duty on its cloth and yarn to widen the range of its foreign markets. On the other hand the continued restrictions on imports have led to price rises in domestic markets as stocks of imported goods have run down. The country has undoubtedly been passing through a most difficult period, but it is encouraging to learn from the Finance Minister's recent speech introducing the budget for the coming fiscal year, that there was a small surplus on the balance of payments for 1956 as a whole.

BURMA

It is pleasing to report that last year Burma succeeded in disposing of practically all its surplus stocks of rice, part of which had been carried forward from as far back as 1953. Rice exports for the year amounted to some two million tons, the highest total recorded since the war, although well below the pre-war level of shipments. Apart from increased rice shipments, exports of timber and non-ferrous metals have improved slightly, but not sufficiently to make any significant contribution to the country's exchange reserves.

Hopes were entertained that capital goods and equipment would be forthcoming from those countries of the Soviet block with which Burma concluded barter agreements for the disposal of its rice. So far these agreements have not proved a success and on the whole Burma has received in exchange for its rice, goods of inferior quality, expensive in comparison with similar merchandise supplied by the free world and representing in the aggregate only part of the value of the rice supplied. In theory half Burma's exportable surplus of rice during the present year, which is expected to be much the same tonnage as in 1956, is committed for shipment on barter account, but efforts are being made to scale down this commitment in order to supply the requirements of buyers in the free world, who pay for their supplies with exchange which the Burmese authorities can use to finance their purchases in competitive international markets.

CEYLON

The latest figures available show that last year the surplus on Ceylon's oversea trade was running at a substantially lower level than in 1955. Imports were higher in aggregate value owing largely to increased purchases of capital goods, while exports declined in value, much the same volume being shipped abroad as in 1955, but in the case of tea, which accounts for the bulk of Ceylon's export earnings, at a lower average price.

Introducing the new government's first budget in July, the Finance Minister indicated that as domestic saving and investment were insufficient to ensure a progressive improvement in the population's living standards, foreign capital would be welcomed. An assurance was also given to private enterprise that it would receive full support from the government in the role assigned to it. However, the recent proposal by a member of the government to nationalise the tea plantations on what the owners consider to be harsh terms, although it has not so far been formally adopted as government policy, must inevitably impair the confidence of the potential oversea investor, and thus seriously impede the future economic development of Ceylon, on which the raising of the living standards of the population depends.

MALAYA

Once again both the Federation of Malaya and Singapore have enjoyed a prosperous year. Taking both territories together, oversea trade rose in value to a level only previously exceeded in 1951 at the height of the Korean war boom. However, owing largely to the increased quantities of capital equipment and building materials purchased abroad in connection with development schemes, imports rose at a higher rate than exports and in consequence the favourable trade balance at M$12.6 million was substantially lower than in the previous year. It also has to be recognised that although the continued improvement in the level of oversea trade is impressive, expansion in trade and industry, particularly in Singapore, has to some extent been curtailed during the year owing to political uncertainty and labour unrest.

One important matter which still gives rise to uncertainty is the question of the future of the currency. This is linked to a large extent with the recommendation, made by the World Bank mission in their report on the economic development of Malaya, that a central banking system should be established. I mentioned last year that preliminary inquiries into the project had been initiated by the two governments.

A report which was published in June, set out the advantages and disadvantages of establishing separate central banks in both Singapore and the Federation, but, as might be expected, it clearly favoured a joint central bank covering both territories. In the light of the report, the two governments have agreed that a "central banking mechanism

should be established, but have not yet decided the form it is to take. It is possible that a final decision will await the outcome of the constitutional changes which are impending this year, but already the governments of North Borneo, Sarawak and Brunei have decided to establish in due course a currency of their own which is to be independent of the Malayan dollar. It is to be hoped that there will be no further fragmentation of the existing currency area in which first the Straits dollar and subsequently the Malayan dollar have provided a stable and effective medium of exchange.

With the Federation of Malaya attaining political autonomy within the Commonwealth on August 31st next and with Singapore looking forward to similar independence, we are, of course, already giving serious thought to the effect upon the present banking system of the changed conditions, and to the steps which may be necessary to meet them. I believe that we shall be able to rely upon a realistic approach by the two governments to economic and political problems and the banks can draw upon their experience in other territories where independent governments have been set up. Whatever the future may bring, it will be this Bank's policy to continue its long years of service to the two countries and to assist to the greatest extent possible in their economic progress.

NORTH BORNEO

North Borneo has now fully emerged from the postwar rehabilitation period and there is evidence in many directions of a well co-ordinated policy to develop within its means a well based economy which, given continuing peaceful conditions, augurs well for the future.

The latest figures available show that North Borneo's external trade last year may well reach a record level, although the trade surplus for the year as a whole is likely to be less than in 1955.

SARAWAK

A significant step forward in political development was taken in Sarawak during the year by the grant by Her Majesty the Queen of a new constitution under which the new Council Negri will have an unofficial majority and by the holding of the first Municipal election in the Colony in Kuching.

Last year the Colony's principal exports, rubber, pepper and timber, fetched less remunerative prices in international markets than in 1955 and, despite an increase in the volume of exports, external trade fell in aggregate value. Although imports were slightly lower, the favourable trade balance at M$12 million was substantially less than in the previous year.

INDONESIA

This time last year it seemed reasonable to take an optimistic view of the immediate future in Indonesia. There was optimistic talk in some governmental circles of moving towards a free economy, but once again hopes have been dashed by a coalition government unable or unwilling to take realistic steps to come to grips with major problems. The result has been a rapid deterioration in the economy which has finally resulted in political unrest of a magnitude which might yet prove a serious threat to the structure of the constitution.

In the general setback that Indonesia has sustained it is very difficult to separate cause and effect. Perhaps in some ways the new coalition government was unfortunate in inheriting labour problems which should have been dealt with by preceding governments, but nevertheless it did nothing to keep the demands of the labour unions, particularly the estate unions, within reasonable bounds, and the resultant unrest and strikes must seriously have affected the volume of exports. That volume too was probably even more seriously affected by the smuggling of rubber and copra and it was not surprising, therefore, that 1956 turned out to be a disastrous trading year for the Republic even at a time when high world prices for its prime exports should have produced the opposite result.

Notwithstanding all I have said I am still optimistic regarding the long-term prospects of the Republic, for we do not believe its people will allow their rich heritage to deteriorate and disintegrate, and we are going steadily on with our own business in Java and Sumatra.

THAILAND

Last year I drew attention to Thailand's return to a free economy. In a world in which governments, to solve their economic problems, appear in general to put increasing faith in exchange control and import licensing it required courage on the part of the authorities in Thailand to initiate what many regarded in the first place as a somewhat perilous experiment.

It is pleasing to report that the whole experiment has so far worked well. It was anticipated that following the lifting of import controls in September, 1955, there would be an immediate and considerable increase in imports. Such proved to be the case, and according to the latest figures available the country appeared to be running a trade deficit well into 1956. However, as a substantial proportion of Thailand's imports are shipped under American Aid and exports have been running at a higher level than in 1955, it is reasonable to assume that, except for the period immediately after the raising of import restrictions, the country's balance of trade has been favourable.

VIETNAM

Since last year, when I told you of the difficulties, both political and economic, confronting Vietnam, there has been steady progress in both fields, to an extent that allows one to be quietly optimistic about the future and perhaps the greatest encouragement in this view is the gradual strengthening of the country in relation to communist-held northern Vietnam.

That this improvement in strength has been made is largely due to the forceful personality of President Ngo Dinh Diem, whose outstanding achievement was the promulgation of the Vietnam constitution in October last.

Although the country depends almost entirely upon American Aid, which provides the greater part of the government's budgetary revenue and pays for all but 20 per cent of the country's imports, there are signs that an early revival of exports may change drastically the extent of this dependence on external support.

CAMBODIA

Cambodia, by accepting aid from China and Soviet Russia as well as the United States, has demonstrated that it wishes to be completely independent of any international political grouping and to be free to welcome investment and assistance from any foreign source, provided that it is offered without political conditions attached to it.

The bulk of the country's imports continue to be financed by American Aid, but in order to assist its declared policy of lowering prices in the domestic market the government has released part of its own foreign exchange holdings to pay for certain specified imports. This cautious but commendable spending policy will undoubtedly assist in building up the country's economy on sound lines and we can look for further steady progress even in the absence of much needed investment capital.

THE PHILIPPINES

The Philippines would appear to have been successful in one major battle during 1956, that is defending the value of the peso. The rapid fall which took place in the Republic's international reserves during 1955 was halted and, mainly owing to drastic import control, there was a slow but steady increase in the foreign currency holdings during the year under review. As exports are tending to rise in value and American Aid has proved more than sufficient to cover the trade deficit the peso should be in no immediate danger.

The determination and realism that have played such a large part in readjusting the balance of trade and saving the peso will be needed by the administration in their second major struggle, that is the fight against inflation. If the Philippines succeed in halting inflation over the coming year a major economic victory will have been gained, but the task is not an easy one. To succeed it may be necessary to postpone some of the capital development programme and reduce deficit financing. Efforts will have to be made to see that local production is increased to offset import cuts and this would seem to indicate a temporary switch at least from industrialisation to investment in indigenous activities such as mining, tobacco, desiccated coconut and paper production and to the purely agricultural industries of coconut-oil, sugar, hemp and lumber.

HONGKONG

Notwithstanding Hongkong having better trading figures for the year, due no doubt more to higher prices than to increased volume, it is becoming increasingly clear that its importance as an entrepot is decreasing and that much of that business has probably gone for ever.

That China will trade through Hongkong when expedient was fully demonstrated by the modification of policy in the middle of the year which brought Hongkong's merchants to an increased degree into China's pattern of trade. Unfortunately, because of China's dependence on the Soviet block for the bulk of its supplies, it is unlikely that an increased use of Hongkong for inward and outward shipments will be a permanent feature.

Fortunately, industrial development in the Colony has done much to offset its loss of entrepot trade and the various industries, particularly cotton spinning, can look forward optimistically into 1957, provided there is no change in Imperial preference. The mills and other industries are fortunate in having, partly through refugees, a seemingly inexhaustible reservoir of good labour which enables them to keep costs steady and competitive.

The political scene during the year was dominated by the riots commencing with the celebration of the anniversary of the foundation of the Nationalist Republic of China. Unruly elements seized their opportunity to indulge in looting, arson, stone

throwing and intimidation but a reassuring feature is that a government enquiry has confirmed that political motives were to all intent and purpose absent.

CHINA

My report on China this year is in marked contrast to my remarks over the last few years inasmuch as, under encouragement from the authorities, your bank is again participating, if only to a small extent, directly in mainland China's oversea trade.

It would appear that the authorities in Peking consider that it is useful to have trade links throughout the world additional to those provided by their own Bank of China and, as this change coincides with China's further progress towards normal commercial trading terms, it is hoped that we shall be in a position to handle useful and remunerative business.

JAPAN

Three main and interrelated political events took place in Japan during the latter half of 1956: firstly, the state of war with the Soviet Union was ended and normal diplomatic relations resumed; secondly, Japan was admitted to membership of the United Nations; and thirdly, the Liberal-Democratic Party in power elected a new premier who reshuffled the more important cabinet posts.

Possibly the greatest advantage from these developments is an addition to the country's international bargaining power, and this it may well need if it is to succeed in consolidating and ensuring the continuance of the great economic strength that it has built up over the past two or three years, for the authorities are obviously trying to hedge against the disastrous effects that a recession in the United States could have on Japan's economy. To do this they must make certain of larger participation in the China market, which involves delicate negotiation with the United States, and an increase in the country's trade with South East Asia countries and the sterling area which, too, may necessitate much hard bargaining.

It is perhaps surprising at the end of a most prosperous year when the economy expanded much more than could have been anticipated and a net gain on foreign exchange holdings was registered, that Japan should be worried about the future but, due possibly to a liberalisation of its import policy, not unconnected with negotiations on exports, the terms of trade turned rather quickly against the country in the second half of the year. I do not wish to give an impression that I feel alarmed about Japan's future for, on the contrary, the country enters 1957 on a very optimistic note and the fact that the weaknesses and possible dangers I have pointed out are well known to the authorities probably means that they will be well taken care of by sound fiscal and monetary policies.

NEW YORK

In 1956 we have had the interesting spectacle of the United States' authorities in their turn resorting to credit restraint to counteract the sharp rise in the demand for loans and the excess demand for capital investment over the supply of current savings. The result has been tight money market conditions and an increase in interest rates, but, notwithstanding this and a cut in profit margins, the economy looks as sound as ever at the moment. In these conditions our New York office, which progressively increases in importance in our branch system, has had perhaps more than usual demands made upon its resources.

HAMBURG

Our Hamburg agency continues to increase its business and as an active link between our branches in the East and trade and industry in West Germany it occupies a position of growing importance in our organisation.

CONCLUSION

With the industrial skill, mercantile capacity and administrative ability that is at our disposal, and a proper realisation of the fact that our endeavours in the East must in future be related to common economic interest rather than to politics and strategy, there is no reason for despondency.

To that I would only add that we see everywhere throughout the East a steadily increasing competition for business, which is not likely to become less as the years go by and we must realise that the selling prices of our manufactured goods will be set by the world at large and not by ourselves. We cannot expect, indefinitely, to absorb increases in the cost of living in our selling prices or to get increased prosperity without increased production, which must entail an end to restrictive practices. Our income will be related to our output and our present standard of living will only be maintained if we are prepared to match the output of other countries. If we do not do so we shall find ourselves priced out of the world's markets.

Copies of the full text of the Statement will be sent on application to the Secretary of the Bank at 38 Bishopsgate, London, E.C.2.

ARISTON GOLD MINES

The twenty-seventh annual general meeting of Ariston Gold Mines (1929) Limited was held on March 12th, in London, Major-General W. W. Richards, CB, CBE, MC, Chairman, presiding. The following are extracts from his circulated statement and the report for the year ended September 30, 1956:

Following the strike of African labour from November 20, 1955, to February 27, 1956, full-scale operations were resumed as speedily as possible, but the total cessation of production during that period and the difficulties met with in regaining full production resulted in a reduced bullion revenue of £1,132,920, compared with £1,668,179 for the previous year. 327,050 tons of ore of an average grade of 6.313 dwts were milled during the year, against 455,730 tons of 6.588 dwts average grade milled for the previous year. 619 oz of gold were produced from the special treatment of slags.

Mine operating expenditure amounted to £805,791. The net profit amounted to £50,316. The Board recommend a dividend of 1½d. per Unit, less tax, and has declared an interim dividend of 1½d. per Unit, less tax, on account of the current year.

Ore Reserves at September 30, 1956, were computed at 2,562,298 tons of an average value of 6.57 dwts, an increase of 95,969 tons and 0.1 dwt in the average value as compared with the preceding year.

Operating results for the current year so far are proving most satisfactory; in fact the tonnage and revenue for November, 1956, were records.

The report and accounts were adopted.

CABLE AND WIRELESS (HOLDING)

ANOTHER RECORD YEAR

The twenty-eighth annual general meeting of Cable and Wireless (Holding) Limited was held on March 8th in London.

Sir Edward Wilshaw, KCMG, DL, JP, LLD, FCIS (the Governor), in the course of his speech said:

Again we have had a record year. Our gross income from Investments has reached a new peak at £1,392,572, and the value of the Investments shows an increase of £189,176, the total being £22,810,335, a very satisfactory state of affairs.

Our earnings have again increased; this year by £56,033 to £1,093,865. This increase continues the consistent growth of our earnings for the past few years, as follows: 1953, £583,000; 1954, £744,000; 1955, £1,037,000; and 1956, £1,093,000. We have paid three quarterly interim dividends, each of three halfpence per 5s. unit of Stock, and a final dividend of three halfpence is recommended, making a total of sixpence per 5s. unit for the year.

Since we met last year we have, as you may know, made the Ordinary Stock transferable in units of 5s.; we feel that this innovation, and the payment of dividends quarterly, must have stimulated an additional interest in our Stock by reason of the fact that there has been a considerable increase in the number of accounts on our Register.

Last year I mentioned certain proposals we had in mind for enabling the officials and staff to share in the prosperity of the Company. We had decided that they should participate in like manner to the Stockowners in having a similar "dividend" on their salaries as the Stockowners receive on their Stock. In other words, just as the business cannot be carried on without capital from the Stockowners neither can it be carried on successfully without a contented, efficient and loyal staff. The former therefore receive a dividend on the capital they put up and the staff a similar "dividend" on the work they do, such "dividend" being paid to them as a bonus based on the salary they receive.

In furtherance of the policy of ensuring that the Staff have some financial interest in the prosperity of the Company we have granted interest-free loans to officials and staff, repayable within the year, to enable them to purchase the Company's Ordinary Stock up to 5 per cent of their annual salary.

You must know by now that I am an unrepentant optimist, but I am bound to admit that the immediate future is somewhat obscure. I feel I must reiterate my optimism still further, for in these days there are many people willing to decry our great country and Commonwealth. We have had much to our past that the world has emulated and in my view there is still so much that we can offer by way of standards of human behaviour and industrial progress. Our manufacturers are still able to hold their place in the world's markets. It may be that a lot of trouble is occasioned by the fact that we do not sufficiently publicise our efforts and attainments.

However, provided there is no major international complication, we should be able to pay four quarterly dividends of three halfpence per 5s. unit of stock for the year 195[illegible] and I remain reasonably confident that we shall be able to continue the payment of dividends of at least that amount for some years. The report was adopted.

HOOVER LIMITED

A GRATIFYING PROFIT

SUBSTANTIALLY IMPROVED EXPORTS

The Annual General Meeting of Hoover Limited will be held on April 2nd at the company's office, Perivale. Mr S. Roberts, managing director, is to preside.

The following is an extract from the annual review, which has been circulated to the shareholders with the report and accounts:

In the interim statement covering the first six months' trading it was clearly evident that the restrictions on hire purchase facilities, the higher rate of purchase tax, together with the imposition of the new tax on irons, were having a serious effect upon our profit-earning capacity.

It is, therefore, gratifying to report a profit figure considerably greater than could have been anticipated at that time.

UPLIFT IN EXPORT TRADE

This substantial improvement is the result of a considerable uplift in our export trade, particularly to dollar markets, and by the introduction, in the last quarter of the year, of the new Constellation Cleaner and the new Hoover Junior Cleaner, both of which have had an excellent reception.

The restrictions imposed on the home market are most serious and affect our overall development plans for both home and overseas. Without question a freer home market would assist materially in our endeavours overseas. We trust those responsible for legislation will consider these aspects and review favourably the removal of some, if not all, the present restrictions.

Great efforts have been made to increase our business overseas. The result of these efforts has been an increase of 16 per cent over 1955, which is most satisfactory. To the American Continent we succeeded in selling merchandise to the value of nearly $3 million.

We have maintained our position as the largest British exporter of cleaners and washing machines, and our percentages of the total British exports, according to the latest figures available, are 71 per cent and 72 per cent respectively. With the new products we have introduced and the development of designs we believe we shall continue to hold that position.

DEVELOPMENT OF PRODUCTS

In October the new Constellation Cleaner was introduced, both to home and overseas markets, and had an excellent reception.

Following surveys of the washing machine market it was evident that there was a need for a heated machine, and in the latter months of 1955 this model was launched. It has proved most successful.

During the year turnover of washing machines was greatly in excess of our cleaner sales. We believe that there are unlimited possibilities in this direction.

In this connection a further extension of our South Wales factories was completed in September, giving an additional floor area of 30,000 square feet. We are negotiating with the Board of Trade for an additional extension of 150,000 square feet.

During the past two years design work has been concentrated upon the development of a new Fractional Horse Power Motor. The reception accorded to this redesigned motor, particularly in overseas markets, has been good and we consider it will contribute largely to the expansion of our motor exports.

In the belief that the Hoover Steam or Dry Iron had many advantages over the conventional iron, and that high production would result in considerable cost reductions, the price was appreciably reduced.

This belief proved to be well founded and sales reached new records in the last six months of the year. We are more than satisfied with our penetration into this highly competitive field.

FINANCIAL RESULTS

The consolidated net profit, before taxation, was £2,790,077, a reduction of just over £1 million as compared with £3,838,233 for 1955.

This profit was arrived at after deducting £997,979 for depreciation, against £920,761 last year. The liability for taxation, after deducting £19,024 overprovided in previous years, is £1,564,995.

From the profit after taxation of £1,225,082 has to be deducted £61,423 in respect of the interests of outside shareholders and £155,624 profits retained by subsidiaries to strengthen their financial position. After adding £2,391,471, the balance brought forward from last year, the balance available for appropriation is £3,399,506. We have again transferred £250,000 to the general reserve and £100,000 to reserve for the employees' superannuation scheme.

The board, after very full consideration, have decided to recommend a final dividend of 40 per cent, less tax, on the Ordinary and "A" Ordinary shares, making a total for the year of 50 per cent, the same as for the year 1955. The balance of profit carried forward to 1957 is £2,326,156.

Last year we considered it advisable to cut our total Ordinary dividend from 70 per cent to 50 per cent.

The company's policy of ploughing back profits has increased general reserves and the unappropriated balances on profit and loss accounts by over £2,500,000 during the past three years.

The strong financial position has remained unimpaired, with cash and bank balances consistently in excess of £3 million.

FUTURE PROSPECTS

Perhaps the most important development of the moment is the possibility, now almost a probability, of a European Common Market.

Our trade with the Messina countries has now assumed significant proportions, despite the high import duties. The reduction or elimination of duty would give us a preferential position in these countries, one which we are not slow to recognise.

It will take some time before plans come to fruition, but we are in an enviable position in that we have established organisations in these countries capable of development.

We believe that the year 1957 will witness further expansion of our activities.

THE EASTERN BANK, LIMITED

SATISFACTORY RESULTS

The forty-seventh annual general meeting of The Eastern Bank, Limited, will be held on April 3rd, in London.

The following is an extract from the statement by the chairman, Sir Evan M. Jenkins, GCIE, KCSI, circulated with the report and accounts for the year 1956:

The Balance Sheet for 1956 shows on the liabilities side an increase of £879,680 in Current, Deposit and other accounts and a decrease of £579,724 in Bills Payable. On the assets side there is an increase of £731,922 in Cash on Hand at Call and at Bankers, and of £1,005,674 in Bills Receivable. Advances have fallen by £597,846. The Balance Sheet Total is £44,173,237 against £43,558,711 for 1955.

The considerable increase, from £720,953 to £871,521 under Bank Premises, Furniture and Equipment, is due mainly to the completion of our new premises at Baghdad, and to payments for work on the building we have acquired at Kuala Lumpur. The figure in the Balance Sheet takes into account the appropriation of £35,000 referred to below. Outstanding commitments amount to about £110,000, largely for housing; building is very expensive throughout the East, and it is unfortunately difficult in many centres to rent suitable premises and houses for staff.

The published profit is £129,940 against £132,536 for 1955. The appropriations from profit are £50,000 to Contingencies, £35,000 to Premises, and £28,750 to the final dividend of 5s. per Share, the total dividend of 8s. per Share for the year remaining unchanged. The carry forward is reduced from £112,656 to £111,596. In spite of the reduction in profit, the results may be considered satisfactory in conditions which were in some respects specially difficult.

CLOSING OF SUEZ CANAL

The year was darkened by the crisis in the Middle East. With branches in Iraq, Beirut, the Persian Gulf and the Aden Region we have had an anxious time, but thanks to the firmness of the Governments concerned our business was not interrupted, except at Bahrain, where disorders caused the Banks, like all other offices, to close for about one week. Iraq in particular deserves special sympathy and respect. The cutting of the pipe-lines which connect her northern oilfields with the Mediterranean was a grievous blow to her economy, and was the result of disputes with which she had no direct concern. That she was able to withstand the shock without serious trouble was due to the sound use of oil revenue in the past, and to the determination of her Government to prevent the emotions aroused by the crisis from being exploited for purposes damaging to the real interests of the country.

The effects of the crisis are by no means confined to the Middle East; the closure of the Suez Canal has so dislocated shipping that almost every country with which we are concerned is suffering inconvenience or worse from delays in the arrival of imports and the despatch of exports. In Aden in particular the loss of shipping opportunities must seriously affect the traditional entrepot trade.

Sir Tom Hickinbotham, who has long experience of the Middle East, joined the Board on October 31st, and in January and February, 1957, visited our Branches at Beirut, in Iraq and in the Persian Gulf. The General Manager, Mr Barden, has also visited our Branches in Karachi, Calcutta and Bombay.

THE MONOTYPE CORPORATION

A YEAR OF STEADY PROGRESS

The forty-ninth Annual General Meeting of The Monotype Corporation Limited was held on March 12th in London.

Brigadier Sir George Harvie-Watt, Bart, TD, ADC, QC, MP (the chairman), presided and, in the course of his speech, said:

This past year has been one of steady progress. The Ministry of Supply contract work was completed late in 1955, but sales of "Monotype" products were higher than the previous year by about 20 per cent.

Our newly acquired Company, Pictorial Machinery Limited, is a welcome addition to our activity and reflects our wider interest in the rapidly expanding photo-lithographic field. More and more of our goods are being exported and the year's figures show that 71 per cent were sold abroad. This we consider to be due not only to the dependability of our products but also to our long-established reputation for service.

The profit for the period dealt with in the Parent Company's accounts is £141,705. The Directors propose that £50,000 be transferred to General Reserve, and recommend a Final dividend of 7 per cent, making 9 per cent for the year.

Costs have continued to rise throughout the year, and owing to the further National Wage Award in March last year, we were forced to increase our prices yet again. This continuing spiral of wages and prices inevitably harms the country's economy for, although the rise in costs may be small in any one year, the effect is cumulative and over a period of years this becomes serious, significant, and of pressing urgency alike to employer and employee.

OVERSEAS ACTIVITIES

Sales in both West and East Europe have developed steadily throughout the year, in spite of licence difficulties, which still prevail in some countries. In October last, India re-introduced Import licensing. This will, undoubtedly, affect our trade with that country, where our prospects seemed good. We continue to extend our market in the Far East. Trading conditions in the Home market have been difficult. The protracted wage negotiations and the disputes between Master Printers and the Unions culminated in a six weeks' stoppage of work in the London area during February and March of last year, during which time much important printing work found its way to the Continent.

The restriction of credit since the autumn of 1955 has retarded the placing of orders for our equipment. The volume of printing has fallen considerably and for the first time since the war firms have ceased overtime working. Nevertheless, the current prospects for the Home market are not discouraging.

The development of our photo-typesetting machine—known under the Trade Mark Monophoto—has reached a commercial stage. One of these machines was despatched last summer to America for exhibition and demonstration purposes, so far with encouraging results. Other machines are being despatched to South Africa and France.

With the troubles now besetting the Middle East and the consequent repercussions all over the world, no reliable forecast can be offered regarding the future prospects of the Company. Given more stable world-wide conditions, we have every confidence in our ability to increase our share in the Home and Overseas markets.

The report and accounts were adopted.

THE SCOTTISH PROVIDENT INSTITUTION

MUTUAL LIFE ASSURANCE

MR C. G. M. PEARSON'S REVIEW

In presenting the Report and Accounts to the one hundred and nineteenth Annual General Meeting held in Edinburgh on March 12, 1957, the Chairman, Mr C. G. M. Pearson, CA, drew attention to the continued progress of the "Scottish Provident," of which the results for 1956 gave ample proof. The New Sums Assured, over eleven million pounds, were again a record, the gross rate of interest earned on the Funds, £5 18s. 6d. per cent, was larger than ever before, and the mortality experience continued to be favourable.

The Funds increased by more than £2,750,000, and by the end of the year exceeded £41,500,000. The investments were well spread, and the margin by which the market values of the Stock Exchange securities exceeded the values in the Balance Sheet was large.

The increase during the year in the sum invested in Mortgages was the result mainly of an expansion in loans for "house-purchase." The scope for lending in this way had grown rapidly and care had been taken to exercise the most stringent selection alike in the properties considered suitable securities and in the acceptability for life assurance of the applicants.

PENSIONS FOR THE SELF-EMPLOYED

Until the passing of the 1956 Finance Act, the self-employed had received little encouragement from the State to make adequate provision for their own retirement. That Act had gone some way towards rectifying the anomaly whereby they had been much less generously treated in this respect than many employees had been, and its provisions had been generally welcomed. The "Scottish Provident" had not been behindhand in offering attractive contracts; a considerable amount of new business had already been obtained and there was every confidence it would increase. The needs of individuals varied and the pension contracts offered to the self-employed had been specially designed to be as flexible as possible, not only at the outset but right up to the time when the actual pension commenced to be payable.

In concluding his remarks, Mr Pearson dwelt on the effect of inflation on the economy and stressed the need for more savings so that the need of industry for capital equipment could be met. Capital accumulation by the individual had become practically impossible and it was to institutional investors such as the "Scottish Provident" that the capital market looked to provide the tools for industry and to rebuild our overseas assets. The importance to the nation that savings for such purposes should not be lacking gave a very real sense of mission to those engaged in life assurance business.

The Report and Accounts were adopted.

APPOINTMENTS

THE QUEEN'S COLLEGE, OXFORD

BURSARSHIP.

The Governing Body of The Queen's College invites applications for the office of Bursar from persons under 50 years of age. The successful candidate will be elected to an Official Fellowship of the College.

The initial stipend will depend on age and experience, but will not be less than £1,500, and will rise on the present scale to a maximum of £2,000. There are certain allowances, and the office is pensionable under the F.S.S.U.

The elected candidate will be expected to assume office not later than January 1, 1958. Forms of application are obtainable from the College Secretary. Completed forms of application should reach the College by May 1, 1957.

UNIVERSITY OF KHARTOUM

Applications are invited for (a) Senior Lectureship or (b) Lectureship in Economics.

Salary scales: (a) £S1,602 x £75—£S1,977 per annum; (b) £S1,152 x £75—£S1,677 per annum.

Entry point according to qualifications and experience. Cost-of-living allowance approximately £S95 per annum. Outfit allowance £S50. Family allowances: Wife, £S60 per annum; first child, £S90 per annum; second and third child, £S30 per annum each. Passages for appointee and family on appointment, termination and annual leave. Appointments on contract for five years, with possibility of renewal. Superannuation Scheme.

Detailed applications (eight copies), naming three referees, by April 20, 1957, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

THE REED PAPER GROUP

have a vacancy for a

MATHEMATICIAN

for

ELECTRONIC COMPUTER PROGRAMMING.

A graduate with first- or second-class honours degree in mathematics is required to fill a new post as Senior Programmer in their Electronic Computer Department. The Group has embarked on a large-scale electronic digital computer project and desires to establish a Programming Section for commercial and scientific applications.

Facilities will be available for comprehensive training, and will include working with expert advisory programmers for some time.

This post will provide an excellent opportunity in a new and expanding field for the right man.

Commencing salary will be according to age, qualifications and experience. The Group operates a non-contributory pension scheme, annual bonus and, in approved cases, assistance with house purchase.

Applicants, preferably aged 27-34 years, should write, giving full details of education, age, qualifications, experience and salary required, etc., to The Group Personnel Officer, Albert E. Reed and Co. Ltd., Larkfield, near Maidstone, Kent.

UNIVERSITY OF CAMBRIDGE

DEPARTMENT OF APPLIED ECONOMICS.

Applications are invited for appointments from October 1, 1957, in connection with the Department's programme of economic and statistical research. Applicants should normally have at least a good second-class honours degree in economics or in statistics, and experience of research in one of these fields is desirable for appointments in senior grades. Appointments will be for a limited period in connection with specific research projects. Salaries will be on scales ranging from £500 to £1,450 a year, and will be pensionable. The pensionable salaries are subject to deductions in certain circumstances. A non-pensionable allowance of £50 a year is paid for each dependent child who is under the age of 16 or is in receipt of full-time education.

Applications, giving particulars of academic qualifications, experience, and any special research interests, together with names of two referees, should be sent to the Director, Department of Applied Economics, 7 West Road, Cambridge, so as to reach him not later than April 13, 1957.

LARGE Commercial Company has vacancy at a Regional Office for Public Relations Officer. Successful applicant will be responsible to the Regional Manager for all aspects of the company's public relations policy throughout the area of England concerned. Applicants must have a good press background, and organising skill and personality to promote the Company's interests. Salary will be in line with qualifications, experience and ability, with full scope for promotion on all sides of the Company's business. Excellent pension scheme, with dependants cover for married employee. The Company will also assist successful married applicants, if it is necessary for them to move to take up their appointment.—Please apply in writing, giving full details of age, qualifications and experience, to Box No. 6547. Replies can only be sent to those selected for interview.

OFFICE Organisation and Methods Specialist is required by Petfoods Limited, Melton Mowbray, Leicestershire, with responsibility for all clerical methods used throughout the Company. Effective O. and M. experience is essential and a degree in Commerce, Economics or Statistics would be preferred. A man or woman aged 28-35 is sought. The starting salary will be not less than £1,500 per year together with exceptional additional Social Security benefits. Applications with full details of education and experience should be sent to the Chief Personnel Officer, Petfoods Limited, Melton Mowbray, Leicestershire.

ECONOMICS GRADUATE (male, mid-20's) with statistical ability as sales and marketing analyst. Good salary, prospects and amenities. Write, stating age, qualifications and experience, to Personnel Manager, Nabisco Foods Ltd. (formerly the Shredded Wheat Co., Ltd.), Welwyn Garden City, Herts.

MANAGEMENT SELECTION LIMITED
have been retained to advise on the selection of a

JOINT MANAGING DIRECTOR

for a British subsidiary of a leading American company manufacturing proprietary pharmaceutical and ethical products sold throughout the world. The output of the British factory is substantial and still growing, and is presently distributed in practically all countries in the eastern hemisphere.

The appointment carries responsibility for co-ordinating all the British Company's activities and for promoting further growth. It is intended that the man selected will in due course take over from the present Managing Director, who is planning to retire in the near future.

Candidates should have had similar executive experience in the consumer goods industry. A wide knowledge and practical experience in marketing and selling consumer products is essential, preferably in the pharmaceutical industry.

Starting salary about £4,000 per annum. Age 40-50. Location in London.

Please send brief details, quoting Reference S342, to H. E. Roff, Management Selection Ltd., 17 Stratton Street, London, W.1. No information will be passed to our clients until candidates have been told their identity and have given permission after personal discussion.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER IN SOCIAL ADMINISTRATION. Candidates should have a particular interest and also experience in housing policy and administration. Salary not less than £550 per annum, with membership of the F.S.S.U. and Children's Allowance Scheme. The person appointed will be required to undertake research and to assist in the supervision of practical work as well as in the ordinary teaching duties of the department.—Applications should be sent, not later than March 30, 1957, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the full-time posts of RESEARCH ASSISTANT in SOCIAL ANTHROPOLOGY and SOCIOLOGY in the Faculty of Economic and Social Studies. The persons appointed will carry out research in factories and in rural areas. Salary within range of £550 to £750 per annum, according to qualifications and experience, with membership of Children's Allowance Scheme and F.S.S.U. Applications should be sent not later than March 21, 1957, to the Registrar, The University, Manchester 13, from whom further particulars and forms of application may be obtained.

TOP-LEVEL EXECUTIVE, BOARD LEVEL, with wide experience in industry and successful record in Accounting, Secretarial and Commercial posts, seeks fresh appointment. Intimate knowledge of Works and Commercial practice, organisation and control. Positive personality, personal initiative, administrative capacity. Scottish Chartered Accountant, age 42.—Apply Box 659.

PH.D., RECENTLY RETIRED, lively brain, unwilling to let it rust; experienced in administration and research, seeks really interesting work/project, full or part time. Modest expectations.—Box 655.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability).—Notice to Shareholders: The Seventy-sixth Annual General Meeting of the Shareholders of this Company, for the election of Directors to take the places of the retiring Directors and for the transaction of business generally, will be held on Wednesday, the first day of May next, at the principal office of the Company, at Montreal, at twelve o'clock noon (daylight saving time, if operative). The Ordinary Stock Transfer Books will be closed in Montreal, Toronto, New York and London, at 3.30 p.m. on Tuesday, the ninth day of April, 1957. The Preference Stock Books will be closed in London at the same time. All books will be re-opened on Thursday, the second day of May, 1957.—By Order of the Board. T. F. TURNER, Secretary. Montreal, March 11, 1957.

FRESH AS FANDANGOES.—Nothing makes your tootsies tingle more than a few glasses of Duff Gordon's El Cid Sherry. Out with the bottles! On with the dance! Ole!

SAVILE ROW CLOTHES.—Cancelled export orders direct from eminent tailors. Lesley and Roberts, Sandon, Huntsman, Kilgour, Davies, etc. Lounge, Dress Suits, Overcoats, etc., from 10 gns.—Regent Dress Co. (2nd floor), 17 Shaftesbury Avenue, Piccadilly Circus, W.1. GER. 7180 (next to Café Monico). Est. 1922.

"BRILLIANT REPORTING," says Stanley Maxted, of James Michener's book, "Bridge at Andau." Moving personal stories of Hungarian youth in revolt. Not yet published, but now condensed in March Reader's Digest, 1s. 6d.

EDITOR OF SMALLISH PUBLISHING HOUSE. Linguist, Cambridge, author of several books on modern history, seeks administrative/research position in industry or commerce, offering more scope and prospects than book-publishing.—Box 654.

B.Sc.(ECON) LONDON UNIVERSITY

UNIVERSITY CORRESPONDENCE COLLEGE provides postal tuition for the above degree (obtainable without residence), which is a valuable qualification for those seeking executive appointments in commerce or industry, government or municipal posts. The College, established 1887, is an Educational Trust. Highly qualified Tutors. Low fees. Prospectus of B.Sc.(Econ.) Courses for London Degrees and Diplomas, G.C.E. free from the Registrar, 60 Burlington House, Cambridge.

WORK STUDY.—Next six-weeks' full-time course starts April 23rd. Details of this and eight others, including part-time, evening and correspondence, from The School of Time and Motion Study, 29 Cork Street, Piccadilly, London, W.1.

SUCCESSFUL TUITION FOR THE B.Sc.(ECON.) DEGREE

Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the two examinations for Lond. Univ. B.Sc.(Econ.) (three if Entrance is included). Moderate fees, instalments. Over 1,000 Wolsey Hall students have secured this valuable degree since 1925.—Prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. P.6, WOLSEY HALL, OXFORD.

THE EASTERN BANK LIMITED

The Transfer Books and Register of Members will be closed from March 20 to April 3, 1957, both days inclusive.

By Order of the Board,
V. C. W. RAMPTON, Secretary.
2 and 3 Crosby Square, London, E.C.3.
March 6, 1957.

EXPERT POSTAL TUITION for Examinations—University Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus—and/or advice, mentioning examination or subjects in which interested, to The Secretary (G9/2),
METROPOLITAN COLLEGE, ST. ALBANS
or call at 30 Queen Victoria Street, London, E.C.4.

APPOINTMENTS

THE SOUTH WALES ELECTRICITY BOARD

Applications are invited for the position of Assistant Statistician in the Department of the Chief Commercial Officer at the Head Office of the Board, St. Mellons, Cardiff.

Candidates should be over 30 years of age and hold a degree in statistics.

The salary for the post will be within the range of Grades 6-7 (£855-£1,025) of the National Joint Council (Administrative and Clerical Grades) for the Electricity Supply Industry, the commencing salary being determined according to qualifications and experience.

Applications, stating age, present position, present salary, qualifications, experience and three references, should be addressed to the Secretary (Establishments Section), to arrive not later than April 1, 1957.

St. Mellons, Cardiff. R. G. WILLIAMS, Secretary.

SOUTH AFRICA.—Assistant Manager required for Union Acceptances a private finance house, resident in Johannesburg and associated with Anglo-American Corporation of South Africa. Wide experience of City of London financial methods and tradition required, including knowledge of acceptance credits and discount market. Age preferred, about 35 years. Starting salary £3,000 per annum.—Apply, in writing, to Appointments Officer, Anglo-American Corporation of South Africa Limited, 40 Holborn Viaduct, London, E.C.1.

A PROGRESSIVE FIRM of Paper Merchants, selling Nationally advertised branded lines, require a well-educated and intelligent young man to foster sales by contacting print buyers and others who specify paper for print. Knowledge of print and paper an advantage, but not essential. A good personality, intelligence and determination are required to make this a successful career.—Reply to Box 686.

AN EXCEPTIONAL OPPORTUNITY occurs in a large group, with Head Offices in Manchester, for a man of character, with a good education and some industrial background in a junior or intermediate executive capacity, to train quickly for a higher management post. To a suitable applicant two years' intensive training will be offered at a commencing salary of £2,500 per annum, followed by either the offer of an exacting executive appointment at substantially more salary or a definite indication of non-compliance with anticipated standard. Applicants should reply in confidence, stating precisely what they have done so far, not what they could do, given the appropriate opportunity. Personal selling of personality not interesting. Only facts will be assessed.—Box 653.

MARKETING RESEARCH

EXPANDING GROUP MARKETING AND RESEARCH

A Company within the Rank Organisation has further vacancies for Marketing Research Executives/Assistants. The positions offer considerable scope to those able to handle research with little supervision and also able to display imagination in dealing with problems in which they are unlikely to have had direct experience. A good salary related to experience will be offered.

The Rank Organisation has world-wide and growing interests in many fields. There is a pension scheme in operation.—Apply, in writing, giving a concise account of experience so far, to the Personnel Adviser, A/87, The Rank Organisation, 11 Belgrave Road, S.W.1.

GENERAL MANAGER REQUIRED by progressive Injection Moulding Company, near Cardiff, now employing over 200. This is a top-level appointment and calls for a man of outstanding ability; he should preferably have a Plastics and Engineering background with wide administrative experience (including Trade Union practice).—Please reply to Secretary, Box 657.

A VACANCY occurs in a Midlands textile firm for a young accountant, capable of taking complete responsibility for cost control, including estimating, budgetary control and the preparation of statements. This is a senior appointment, with excellent opportunity for advancement to executive level.—Write, in strict confidence, giving full particulars of experience and remuneration expected, to Rundles Advertising Agency, Lower Parliament Street, Nottingham.

MANAGEMENT ACCOUNTANT

Applications are invited for an appointment in the Department responsible for economics and statistics in the London Headquarters of a large Industrial Group.

Candidates, preferably under 35, must be Chartered or Incorporated Accountants and must hold an Honours degree preferably in Economics or Maths. Industrial experience with specialised knowledge of management accountancy or industrial economics is desirable. Salary depending on qualifications and experience. Apply Box 649.

A LARGE MANUFACTURING COMPANY in the West Country has vacancies in its expanding Market Research Section for women graduates, age under 25, with good degrees in Economics. The work which is in a new and interesting field, involves interviewing members of the public and assisting in analysis and treatment of the data collected. Retail surveys are also undertaken. About six months in the year is spent interviewing both in London and the provinces. A full training will be given.—Apply to Box 651.

MONTHLY Oil Journal, London, City, requires young editorial assistant, preferably economics graduate. Some experience of press make up, languages, an advantage. Five-day week, pension fund, luncheon vouchers. Box FE/122, c/o 95 Bishopsgate, E.C.2.

MALE or female Graduate (under 35) in Economics or Statistics required by marketing organisation. The person appointed will be expected, after collation and analysis of the relevant information, to make market appraisals (including forecasts) for many products, both at home and overseas. A knowledge of French or German is desirable but not essential.

There is considerable scope for the person selected (both in terms of work and advancement) as the appointment is with a unit of the organisation which is likely to expand rapidly.

Salary will be commensurate with age and experience. Apply in writing to the Personnel Officer, L.P.E., 110 St. Martin's Lane, W.C.2.

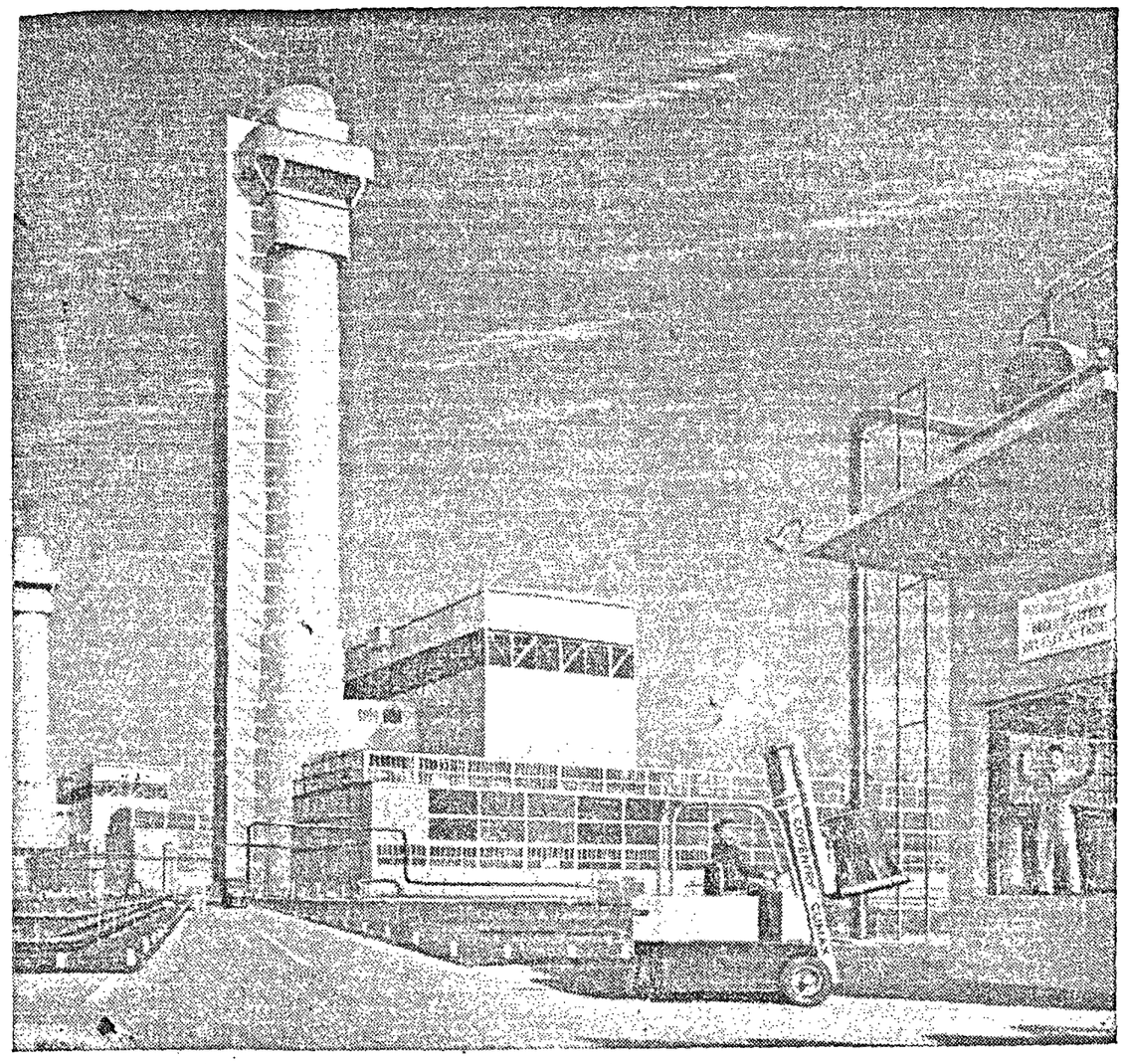
ADVERTISING MANAGER required by Nabisco Foods Ltd. (formerly The Shredded Wheat Co. Ltd.), Welwyn Garden City, Herts. Applicants should be in mid 30's, have comprehensive knowledge advertising practices and extensive successful agency experience with grocery products. Some industry background desirable. Commencing salary £1,500-£2,000 per annum. Excellent prospects for right man in expanding organisation. Attractive amenities.—Applicants invited to write, stating age, educational background and present salary, and giving full details of qualifications and positions held, in confidence to the Managing Director.

ANNUAL AIR SUBSCRIPTION RATES

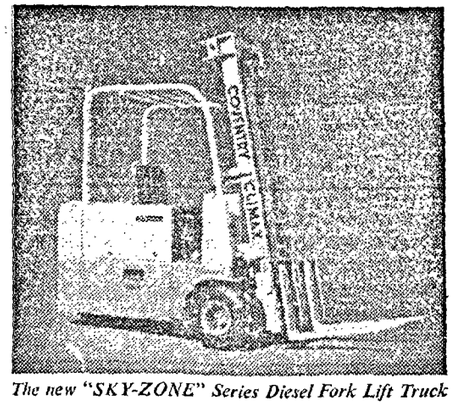
Subscriptions to most countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is either because the alternative is not available or not recommended.

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Canada	—	$21.50 or £7 14s.	Iran	£6	—	Rhodesia (N. & S.)	£7 15s.	£5 10s.
East Africa	£7 15s.	£5 5s.	Iraq	£6	—	S. Africa	£7 15s.	£5 10s.
Egypt	£6 0s.	£5 5s.	Israel	£6	—	S. America	£7 15s.	—
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			New Zealand.	£9 sterlg.	—	W. Indies	£7 15s.	—
			Nigeria, Ghana	£7 15s.	£5 5s.			

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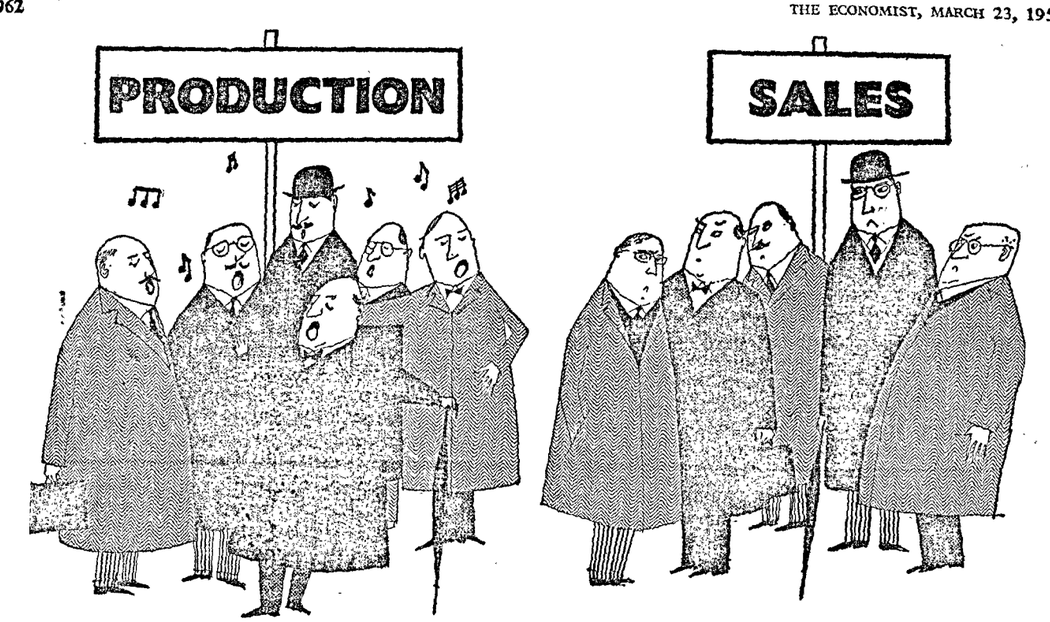
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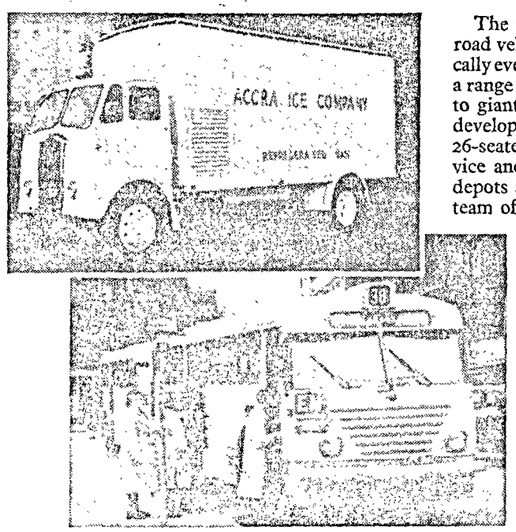
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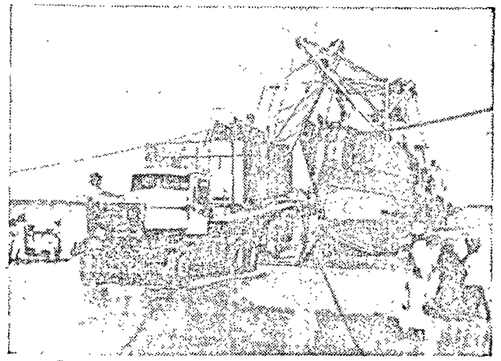
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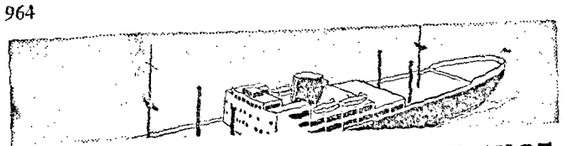
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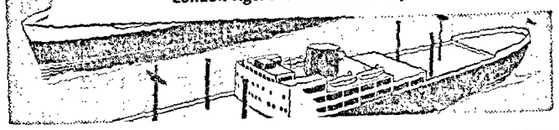
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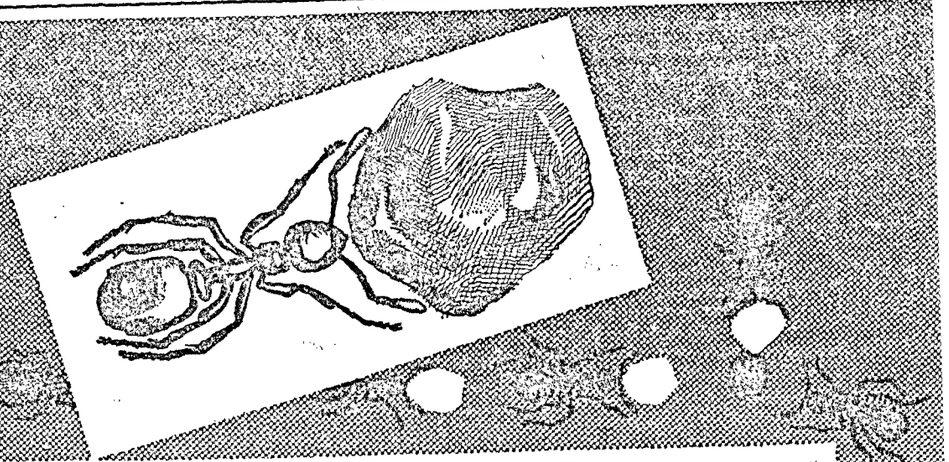
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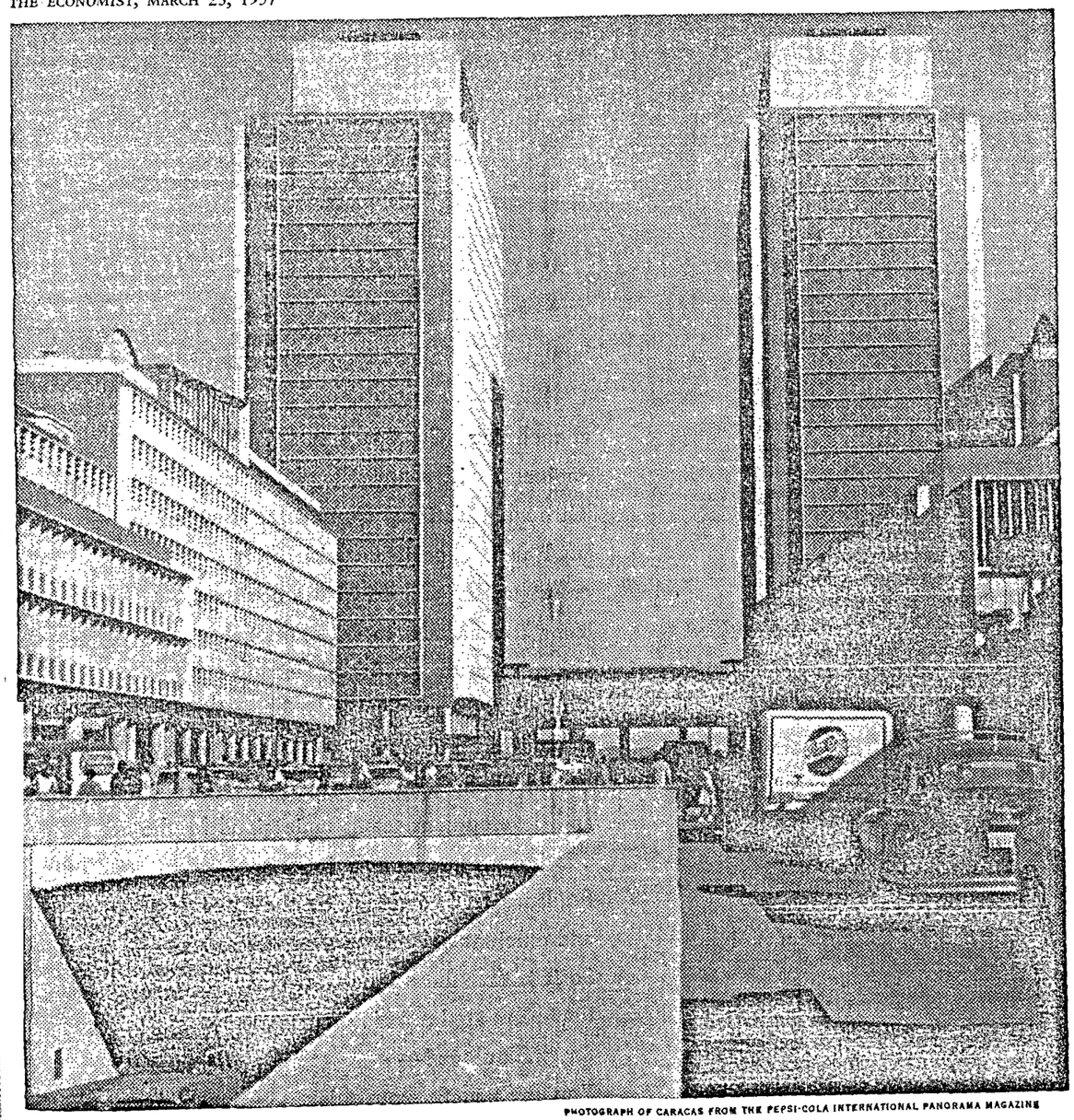
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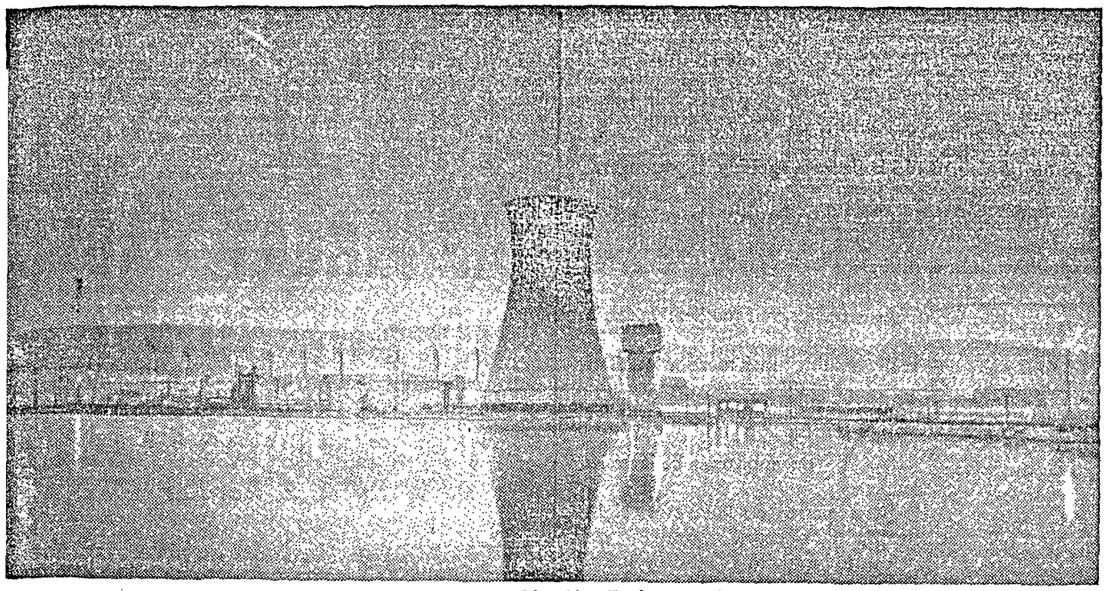
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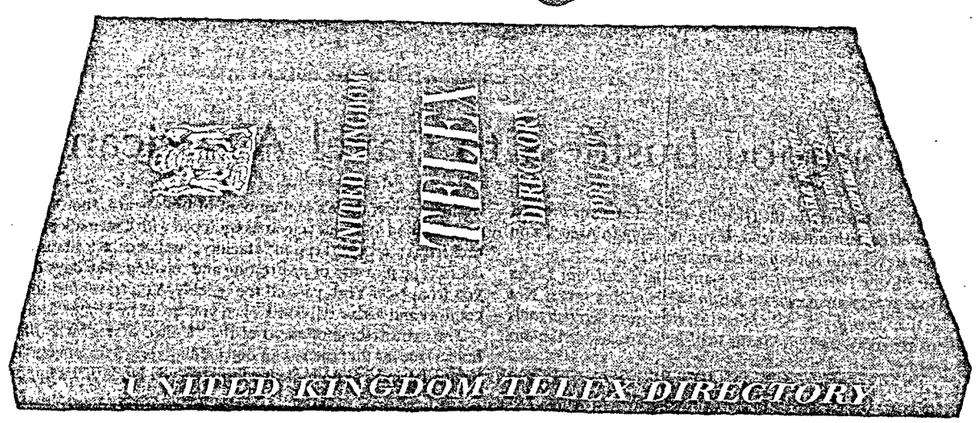
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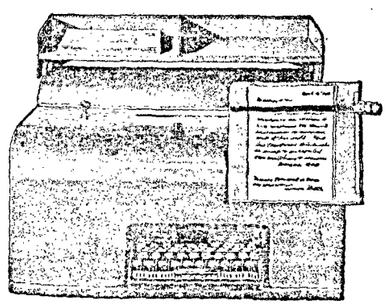
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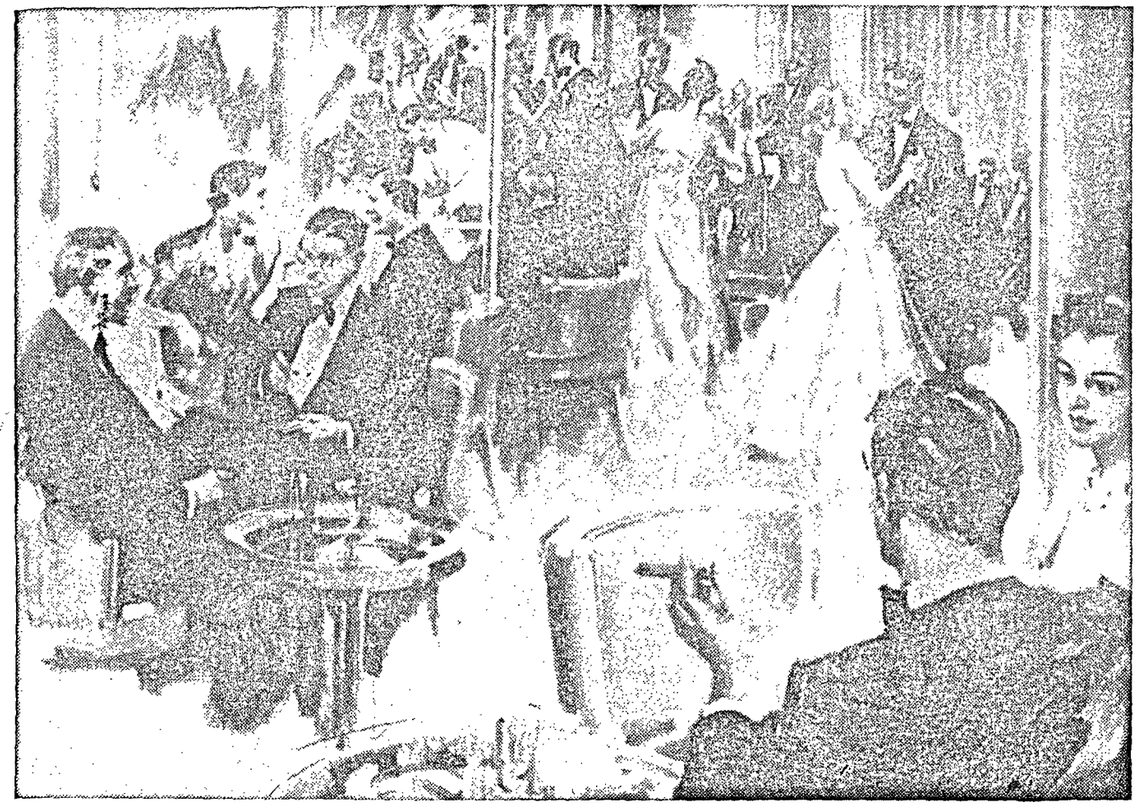
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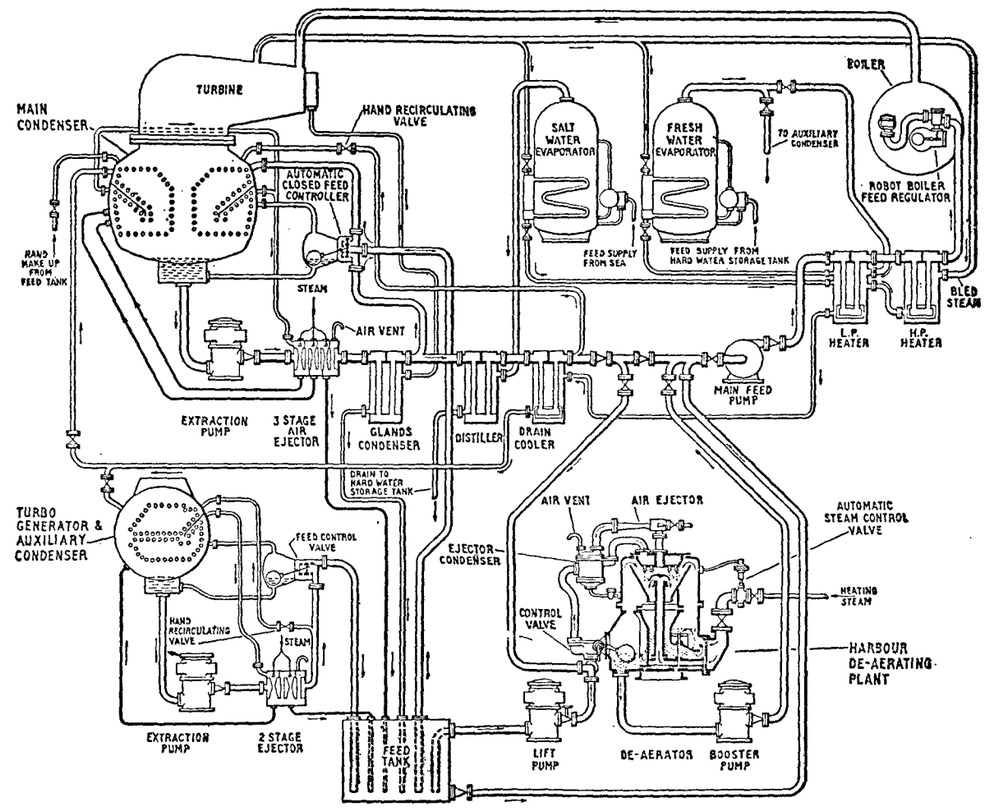
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Collective Bludgeoning

THE easy attitude to adopt this week, in the face of the strike crisis, has been to call an equal plague on both the trade unions and the employers concerned: to pretend that if only the two sides would sit down round a table with each other, and arrange any sort of settlement, at the expense of increasing costs, then everything would be all right. This is an attitude that ignores the simplest of the economic facts now before the country.

The threat to the national economy, and to the pound sterling, this week-end does not arise solely from the possibility of widespread industrial stoppages. It arises, too, from the possibility of inflationary settlements of these disputes. The alternatives, at Thursday midday, seemed fairly clear. On the one hand the stoppages could probably be averted by settlements that added between 4½ and 5 per cent to wage costs for the coming year. On the other, the loss of production from strikes would be considerable in money terms, but also finite. (It does not require more than the knowledge that there are fifty-two weeks in a year to see that the effect of a total shut-down for one week in all industry and commerce would be to cut the gross national product for 1957 by some 2 per cent; even if the stoppages that are now threatened in engineering, shipbuilding and the railways lasted for a month, the gross national product for 1957 would be unlikely to be cut by quite as much as that.) There would be more serious indirect effects from strikes, on some firms' export order books and also in less tangible, but grievous and regrettable, ways on future labour relations. Nevertheless, it is just untrue to suppose that these facts and effects self-evidently outbalance the longer-term danger of pricing this country out of its export markets. The two threats need to be dispassionately weighed one against the other.

In the three disputes now before the country, a balance can be roughly struck between these alternative disadvantages. The clearest line can be drawn on the railways; it should be a line that puts every emphasis on the dangers of further retreat. It has been recommended, by a majority of the railways tribunal, that railwaymen should be given an increase of 3 per cent, to compensate for last year's rise in the cost of living. As this rise in the cost of living was due to the fact that general wage increases in 1956 (largely triggered off by a railway wage increase of 7 per cent) were much greater than the general increase in production, the award is generous.

The pressures upon the Transport Commission to forget this, and offer up to 4½ or 5 per cent, are considerable. It had already tentatively offered the railwaymen an increase of between 3.3 and 3.9 per cent, when the cost of living index stood a point lower than now; but this offer the railwaymen themselves refused. Usually the tribunal suggests a compromise figure between a higher award suggested by its union member and a lower one suggested by the others; but this time the union member has submitted a minority report recommending an

unnamed higher figure. It is also true that, by suggesting that the railways can pay for increases in the cost of living, but not for increases in productivity, the tribunal has got things precisely the wrong way round; but this does not mean that the commission should pay for both.

★

The situation in engineering is more complicated, and is likely to be powerfully affected by what happens on the railways. But here again there is no reason to be mealy-mouthed. Like many other British industries, engineering has hitherto operated under an absurd wage bargaining practice. Every year the national unions put in a claim which even they themselves at heart recognise to be absurdly high; the employers reply with a counter-offer; and then, when trouble brews at the due season of the year, the Government produces a court of inquiry or other arbitrating body which bases its recommendation on one plank only—it recommends the least amount that should still avoid a strike. Regularly in recent years, this amount has been in excess of the increase in productivity; regularly, therefore, it has put the cost of living (and the cost of exporting) up. The major change that once seemed in prospect in engineering this year was not the employers' change from a small counter-offer to a flat counter-non-offer, but the stirring hope among some of them that this year the whole inflationary process might be stopped.

This was a very sensible hope; the west country employer who has incurred so much criticism for saying that this year the Government should not interfere was expressing a perfectly sound economic viewpoint. It probably would have been better for the economy to stand an engineering strike this year rather than another wage increase. The danger, however, is that it now looks likely to have to stand both. Unless the unions are very stupid—unless, for example, they call strikes in their snowball campaign that are not supported—it seems probable that once again this year's wage increase in engineering will be decided by some sort of court of inquiry, and that once again it will be higher than last year's increase in production. That increase, taking the so-called industry with all its disparate parts as a whole, was nil; and that is what the wage increase in the industry—in so far as it is an industry—should have been also.

If the engineering employers really are going to stand up to the snowball strike, then one suggestion should certainly be offered to them. They should offer no resistance to attempts by individual firms prosperous to make separate bargains with their employees; that trend is already in progress, and the fact that the unions are opposed to separate bargains is causing proper annoyance among the workers concerned. Just conceivably, it might also be worth the employers' while to offer a 3 or 4 per cent rise now to their minority of (lower-paid) timeworkers only; this would make the timeworkers less willing to strike for the sake of the better-off pieceworkers' beautiful eyes.

The situation in shipbuilding is different. There was a case here for Mr Macleod to try to knock heads together by offering prompt arbitration—if only he could have offered arbitration with the right terms of reference. The basic point about British shipbuilding is that it ought to be a rapidly expanding industry. Although it is securing a progressively smaller share of new shipbuilding orders on the world market, it has enough work on hand to keep it fully employed for more than four years. The aim should patently be to work through this order book more quickly, to attract new orders, to instal new machinery and employ more men. If the object of a wage increase were to attract those men, there would be an unanswerable case for it. But few outsiders will believe that the main impediment to faster production in the shipyards is a shortage of men; it is a proliferation of restrictive practices and demarcation disputes. The obviously desirable end to the strike would be a wage increase tied to a reduction in these practices.

The best way to do this would not necessarily be through the system that was being mooted on Thursday: a flat wage increase now, in return for a promise of a conference about restrictive practices later—although this, of course, would be a much better solution than the "less complicated" one of an unconditional offer for which Mr Macleod had seemed previously to be angling. Nor does it seem to be a hopeful line to say that the employers should demand agreement about two or three specific practices before offering any wage increase at all. The best method would surely be to offer a wage increase in the form of an unlimited reversionary bonus for higher production: say, a quarterly bonus of 4 or 5 per cent in the first instance, on the understanding that the bonus would be smaller in the second quarter (or whatever other production period were chosen) if output had failed to rise by 4 or 5 per cent, but could be much higher if all union barriers to production were removed. Had the employers been more enlightened and imaginative, they would have offered a bargain on some such lines at the very beginning of the wage dispute.

★

The issue in all these industries, surely, is simple enough. To stop inflation, to keep down both costs and prices, to push up output: these are the bed-rock interests of all sections of the community, industrial workers no less than anyone else. If solutions could only be reached that furthered these ends, the anxieties of the past week would have been abundantly worthwhile. But if, under pressure of an unconditional retreat by the Transport Commission or anybody else, these stoppages are now called off on the old familiar terms, let nobody suppose that this will necessarily be "a victory for commonsense"—or for labour. It is much more likely to be a surrender to inflation—and another blow to everybody's standard of life.

New Phase of Soviet Policy

PHASES in world affairs overlap; they cannot be timed with a stop-watch; but their overlapping still leaves it possible to distinguish when a new one has begun. International relations are now clearly entering their fourth postwar phase. The disintegration of the war alliance became complete with the Berlin blockade; the cold war, which had set in by then, lasted until Stalin's death. His successors initiated a more flexible policy which took its name from the fashionable slogan of "peaceful coexistence." This, too, collapsed under the combined shocks of the Budapest rising and the Anglo-French intervention in Egypt. Neither of those two crises is over; but the shooting has stopped and it is time to peer through the dispersing smoke at the shape of things to come, to ponder what form international relations are now likely to take. The answer to half of the question, but to one half only, is to be sought in the directives given to Mr Gromyko, the new foreign minister, by Moscow's collective leadership.

Not everything is new in Mr Gromyko's brief. To spread communism throughout the world remains the final aim of Soviet policy; the less distant objectives—to prise the Americans out of Europe and out of their bases elsewhere—are certainly also unchanged. In Asia and the Middle East, Soviet strategy has suffered no setback; its momentum continues undiminished. Mr Gromyko's immediate task is to organise a tactical recovery on the European front from the awkward position in which Russia has been placed by the vagaries of Mr Khrushchev or, to put it more charitably, by the forces with which Mr Khrushchev's maladroit attempts at flexibility were unable to cope. Indeed, the recent diplomatic activity—the notes on disarmament, on European co-operation or on relations with Germany—seem to be part of a general effort to restore the balance in Europe to where it stood last autumn.

Tactics, however, must be adapted to the reality of the situation; and this is no longer as it was. For one thing, the political climate has changed within the countries of western Europe themselves. Previously, the possibility of popular fronts in France and Italy was an important factor in Russian negotiations with western governments; the Atlantic alliance was at the mercy of corrosion in one of its two weakest links. This threat has been temporarily removed by the effects of the Soviet intervention in Hungary. Even the fellow-travelling intellectuals who saw in communist parties the only salvation of their countries and, for this reason, swallowed all Stalin's crimes, have now rebelled against the Hungarian repression. The French Communist party was saved from a greater disaster by the presence of a Socialist government saddled with a public policy of repression in Algeria; nevertheless, it is condemned to isolation. The Italian party is beginning to taste the same bitter fruit now that Signor Nenni's Socialists have broken away. Russia can no longer rely on the strength of its big western battalions; it must wait for time to heal the rifts in international communism.

Russia also needs a breather to restore the crumbling system of the Warsaw pact. The Hungarian revolt has been crushed and the Russians are now trying to dispel the impression, at one time gaining ground in eastern Europe, that everybody is out of step except the fiery Poles. As a price for continuing his experiment within Poland's frontiers, Mr Gomulka had to curb the proselytising zeal of his younger followers and also to give his own blessing to the Kadar regime. (The Jugoslavs, unwilling to pay such a price, are at odds with Moscow again.) Efforts are being made to put the east European clock back, though there can be no question of putting it right back to Stalin time. To forestall further explosions, the Russians had to make substantial economic concessions, which have turned eastern Europe from an economic asset into a temporary liability for the Soviet Union. The leaders in the Kremlin need time to turn it again into a going concern.

An agreement was signed last week extending the stay of Soviet divisions in Germany, with some modifications of the terms on which they are there. Simultaneously, an east Berlin court passed a ten-year sentence on Professor Harich, whose heresy drew inspiration from the recent manifestos in Hungary and Poland. This was additional proof that the Russians are less inclined than ever to move out even from their western outpost. Moscow has few cards left in the European game, and control over eastern Germany is its trump. It is a dangerous card, both to those who hold it and to those who do not. One day the ferment of dissent in east Germany may lead to another outbreak like the riots of 1953, but with a difference; next time there may be a west German army on the border. The west German government might find it hard not to become embroiled. A second Berlin rising might shake the world more dangerously than did the Hungarian insurrection.

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The theme that Nato is the chief obstacle to German unity will be drummed with increasing intensity into German ears by the Russians between now and the elections in September. Marshal Bulganin was probably setting the pattern when he commented, after the latest exchange of Notes, that relations between Moscow and Bonn were "hostile" and that their improvement would be a step towards reunification; he also mentioned prospects of better trade relations. Perhaps the Russians have no intention of moving out of Germany, let alone eastern Europe, whatever they are offered in return. The idea of a far-reaching bargain, however, involving on the western side the scrapping or radical

modification of Nato, will probably haunt German minds until—perhaps even after—it is shown round a conference table that the Russians are not willing to accept any terms at present. The Russians are well aware what a powerful lever their possession of a third of Germany gives them ; there will be more Notes playing on the theme of reunification.

Altogether, then, Russia needs a respite in Europe. But in the meantime the Soviet leaders can harass their opponents through minor skirmishes. They can make things awkward for Dr Adenauer in an election year and foster European isolationism, based on anti-American feelings ; and the latest Russian proposal for European co-operation in the field of atomic energy and electric power looks like a half-hearted and belated attempt to hinder the ratification of the Euratom and common market treaties. How long this interlude will last must depend on the success of the Soviet spoiling tactics. Moscow has not yet given up hope of getting something for nothing, of seeing the structure of Nato and the various west European organisations crumble under the pulls of national economic interests.

The Middle Class Vote

There never was such an opportunity as that now offered to the middle classes and the reforming classes to obtain their avowed ends and to fulfil their own demands. It is a common complaint with them that the men they specially send up have not the influence they desire and are not admitted to a participation in official power. With themselves lies the fault—with themselves lies the remedy. Let them elect men who do them credit, and they will be respected. . . . They have no doubt in many instances selected representatives of good sense, good character, and steady politics. But they have rarely chosen the best men even among their own body—scarcely ever those well fitted to make their way in a critical, acute, and exacting assembly like the House of Commons. . . . It is a most disappointing fact for those who hoped so much from the great organic measure of 1832, that, of the members of the House of Commons who hold or have held office, or whom any one would deem fit to hold office, or who have attained any position of influence or reputation in the House, or who have at all "gained its ear,"—scarcely three can be mentioned who do not belong to the same classes that shared the Government of the State prior to the Reform Bill. . . . It *was* hoped that the enfranchisement of the energetic and sagacious populations of Lancashire and Yorkshire, of Cheshire, Durham and Northumberland, of Finsbury, Southwark, and Lambeth, would have enriched the lower House of Parliament with a fair infusion of that sober enterprise and sterling sense which are known to be possessed in so large a measure by these new constituencies. It was expected that men who had clamoured so long and loudly for representation, and who, by insisting on it, had obtained it, would have determined to be represented well, and would have justified their demand for the right of returning members by the irreproachable and admirable character of the members they returned. Has it been so ? . . . Do they think in sober earnest that their members either are good specimens of themselves, or would make good rulers for the country ?

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Outside Europe, Russia's position is not shaken ; no drastic changes are required there. Increased demand at home and in the Soviet block will make it difficult to back rouble diplomacy with exportable commodities. (The failure to supply Jugoslavia with the goods that had been promised may have an economic cause as well as a political motive.) In the Middle East, on the other hand, the Eisenhower doctrine has proved an even easier target than it looked at first, and the Russians are firing at it with charges of "American-Israeli collusion." The Israel-Arab conflict continues to offer them golden opportunities. It is difficult to see what, short of an invitation to join the concert of powers interested in the Middle East, can stop them from sending arms to some of the Arab states. To spread their influence they need not match American economic aid ton for ton.

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The Soviet course in the Middle East may be set, but the vigour with which it is pursued and the risks that Moscow is willing to run on the way will be partly determined by the international climate in other parts of the world. What can be done, at present, to come to terms with the Russians if they seem little inclined to seek an understanding over Germany ? Disarmament is one field for exploration. The Soviet leaders have very strong incentives, not only to streamline their armed forces, but also to make drastic cuts in their outlay on defence, in order to release men and materials for other purposes. Last but not least, the Russian leaders really do believe that a big dose of disarmament might precipitate the economic crisis in the West on which they rely to further their international ends. For all these reasons their interest in the topic may now be genuine, and the disarmament sub-committee of the United Nations may have resumed its session in London at an opportune moment. At any rate, the opportunity should be seized to probe Russia's intentions, and in particular to find out from the Soviet delegate, Mr Zorin—now a deputy foreign minister, until recently ambassador at Bonn—what effect the last Russian project of aerial inspection in a limited zone in Europe would have on the future of Germany. Thus the two crucial questions might be linked.

It seems impossible to foresee what final conclusions Moscow will draw from recent events in eastern Europe. The immediate effect was to bind the collective leadership together in self-defence. Differences, however, have only been patched up, and western policies cannot be without their effect on the relative strengths of the factions in the Kremlin. Although the Soviet tanks have done their worst to the cause of international communism, the Soviet position of strength in eastern Europe remains ; and it seems an illusion to expect that the Russians will move out of their own accord if the West just waits. Waiting will not be enough. During the period of "peaceful co-existence," Moscow made the running. Can the West take over the initiative in the new phase ?

Gentlemen and Players in the Lords?

REFORM of the House of Lords is a subject that is best discussed in a way customary in that House itself—by throwing out suggestions rather than by pretending to be a fount of incontrovertible truth. Probably the right time to throw out suggestions is now. It is expected that Lord Salisbury will shortly initiate a debate in the Lords, revealing the Government's own provisional proposals and asking for peers' opinions about them. Before they engage in this debate some peers may like to consider as many germinating ideas as possible from outside.

A primary question, which is worrying some Labour people and needs to be cleared out of the way, is this: if the House of Lords is made less obviously undemocratic than it now is, should some of its previous powers and functions be restored ? The best answer for the Tories to give to that is "No." The House of Lords has worked surprisingly well since the war, under both Labour and Conservative governments, largely because voting in it has not usually been important ; odd votes such as those on capital punishment and commercial television have been the exceptions that proved the rule. In general, the right way for the Lords to exert their influence is through specific suggestions thrown out about particular bills at the committee stage, but rarely pressed to divisions. In the last ten years, on one technical bill after another, the House of Lords has in fact fulfilled its "revisionist" function in this way—with considerable efficiency.

Why, then, does the House need to be reformed at all ? The answer is to be found in two essential features of its composition. The House is, and needs to be, composed of two elements: a small band of regulars—ideally, perhaps, about twenty or thirty, plus ministers, in each of the major parties—who do much of the main day-to-day work ; and a larger group of occasionals who generally speak only on subjects in which they have a special interest. The main reason why the House now needs to be reformed is to prevent the regular element from getting worse. A subsidiary reason is that it would be a good thing—there is no need to put it any higher than that—if the quality of the "occasionals" should be still further improved.

The reason why the regular element is in danger of deteriorating is that most Labour people cannot afford to become "regulars" of the House unless peers are paid. At the moment the genuine regular element on the Labour benches consists (on a strict definition of "regular") of only about a dozen ageing peers, with some sort of outside private income. Their task is not enviable ; and there is no sign that many younger (or even middle-aged) Labour spokesmen are willing or financially able to succeed them as they retire. On the Conservative side the regular element consists of the dozen peers with ministerial posts (who, of course, are paid) and perhaps three or four times that number of genuinely regular Conservative backbench peers. (The numbers cited here, and those for Labour peers, depend, of course, on one's definition of "regular," about which there can be argument.) Even among Conservative backbench peers, the question of payment is not irrelevant. Ideally, they should include many younger peers aspiring to become ministers ; in fact, however, those who can afford to come regularly have reached the age of dignity rather than of aspiration.

It is to meet these problems that the Government is believed to be about to propose a system of payments for peers. The general assumption is that Lord Salisbury will propose a sessional allowance—a certain sum which each peer could draw on any day that he attended the House. The difficulty of this suggestion should be apparent. If the sessional allowance is to be high enough to allow any regular peer of any party to live according to decent bourgeois standards, the allowance would have to be quite high ; if one assumes about a hundred sitting days per year for the House, a sessional allowance of £15 a day would be barely sufficient. But if it was as high as this, then a backwoodsman peer, coming up from rural Gloucestershire for a night at the theatre, could simply sign a book at the House and draw £15 a day from public funds to finance his excursion.

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Two expedients are usually suggested to meet this difficulty. One is that the system of sessional allowances for peers should incorporate a provision that only after a peer had attended the House for a certain number of days a year should he draw the full allowance. One's instinctive reaction is that this undignified variant of the miners' bonus shift system would be singularly undesirable ; regular members of the House should be free to travel abroad on Parliamentary missions, and so forth, instead of dutifully clocking in. The second expedient is sharply to cut the number of backwoodsmen peers allowed to attend the House ; although backwoodsmen are accommodating people, the more savage the cut in their numbers, the greater is the danger of their opposing the whole project for reform.

Why not recognise, indeed establish, a difference between regular or "representative" attenders of the House (who would be paid a salary) and occasional attenders (who would not) ? Any specific suggestion is obviously capable of amendment, but here is one. Suppose that each political party with more than a hundred seats in the House of Commons were allowed to nominate (or elect through some sort of intra-Parliamentary party poll) twenty-five people whom it would like to be its "representative" members of the Lords. Let the slate from which they choose be as open as possible ; if some of those nominated were not peers at present, a petition could be presented to Her Majesty to make them barons or life peers. All these "representative" peers could then receive a salary equal

to that received by MPs in the House of Commons. But other peers—while retaining their voting rights during their spare-time visits to the House as now—need not, also as now, get any pay at all. This would clear the way for injecting some new blood among these "unrepresentative" peers, among these occasional attendants at the House. If the principle of payments only for a limited slate of professionals were accepted, there is no clear reason why an increase in the number of occasionals would have to be counteracted by a cut in the number of backwoodsmen with a right to attend the House. The more crowded the chamber, on special occasions, the merrier.

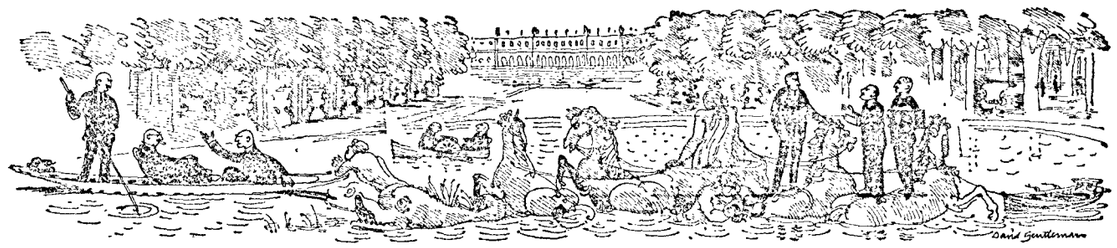
From where should the new blood among the "occasionals" be drawn? The House of Lords has never been quite such an illogical forum as some of its detractors pretend. It already has a strong strain of expertise on legal matters through the attendance of the judges, on church matters through the bishops, on city matters through the bank chairmen, and on agriculture through the large number of farmer-peers. It has a growing body of scientific expertise (which should, however, be much further increased) and a fair number of active industrialists (though it could afford more). The principal deficiencies are perhaps in trade union leaders and professors. Many more retired trade union leaders, such as Mr Tanner, would certainly be very valuable members of the House. Indeed, why confine this to the retired? Many radicals will believe that it would be an advantage if the most prominent *active* trade union leaders (such as Mr Cousins) could come down and use the House as a sounding board for their *opinions*, just as the judges do now. Similarly the holders of some university chairs might profitably become, almost *ex-officio*, members of the House.

The appointment of these new members of the House would, as now, be a Royal prerogative; the suggestion is that only for the very limited slate of professional "representative" members should party recommendations, as distinct from governmental recommendations, be made to the sovereign. Presumably, in order to avoid swelling the ranks of the hereditary nobility and not to deter those who do not believe in a hereditary principle, many (if not all) of the new members should be life peers. The difficulty about accepting even life titles would sometimes be a genuine one, especially for active trade union members of the House; but why create the difficulty by insisting upon titles? If a Mr Smith can become a Lord of the Admiralty, and remain plain Mr Smith, why should he not become a Lord of Parliament, still as plain Mr Smith if he wants to be? There could be provisions for the admission of life peeresses to the House, for Lords of Parliament to resign from that dignity (though not from their title) if they want to stand for the Lower House, and perhaps for the Liberals to have one or two professional "representative" members. Other tidying measures to suit: to detail them would be to give a spurious air of definitiveness to this article. The main idea is that, rather than resort to some sort of peers' bonus shift system and to an unnecessary cutting out of backwoodsmen, it seems wiser to establish a differentiation between the very useful gentlemen and the very necessary players in the Lords.

A Palace for Europe

FROM the Valhalla where good Europeans at last lay down their tired heads, Henry IV of France and Navarre, and the Duc de Sully his minister, should be looking with gratification upon Mr Selwyn Lloyd. Henry, after his death, was said by the Duke to be the father of the first plan for a united Europe, a "Grand Design" for a confederation of fifteen Christian states governed by a great assembly. Now Mr Selwyn Lloyd has paid him the compliment of borrowing both the title of his scheme and something of its spirit for a sensible plan to bring some order to the multitude of European organisations which are mushrooming all over Europe, by gathering them under one roof and under the control of one parliamentary assembly. The practical king might have liked a recent French suggestion that the new "Grand Design" might find a home in the Palace of Versailles. So far the great assembly exists only in Mr Lloyd's imagination, but here at least is the very roof he needs. The palace itself could house the great assembly, the sprawling stables the secretariat. The Six could hatch their schemes in the seclusion of the Grand Trianon; in the more rustic Petit Trianon Benelux could quietly meet. For jaded parliamentarians, punting on the Grand Canal could provide a wholesome substitute for the wine feasts of Strasbourg, and the hall of mirrors a visual bonus for those who visit European assemblies to hear their own voices.

Yet the vision of a Palace of Europe just falls short of emulating on a continental scale the glories of the court of Louis XIV. One vital element is missing: the Sun King himself and his great ministers whose policies were the hard diamond beneath the glitter of Versailles. Mr Selwyn Lloyd may combine the Council of Europe, Western European Union, the Organisation for European Economic Co-operation, the European Coal and Steel Community, the common market, the free trade area, Euratom (and perhaps any other bodies he can think of, like the European commissions for inland transport, plant protection and foot and mouth disease), give them new names and house them in any palace under the sun; it is doubtful whether there will be any new sparkle of constructive life unless there is a driving force behind them. Indeed, with so many "good Europeans" gathered together in



one place, it is easy to imagine their vices growing worse, not better—the empire builders, like royal mistresses who have lost their patron, expanding their little domains in the park more jealously than ever, the sectarians and cranks waging a new battle of the books among the trees, hurling at each other those frightful abstract epithets of which they are so fond. Parkinson's law is bad enough at home; on a European scale it is multiplied by a special factor B derived from the tower of Babel. If the European bureaucracies are to be, in all seriousness, not idle retainers but disciplined servants with a practical job, they need to be directed with a firm hand by something like a European cabinet.

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In form most of the plethora of European institutions are already headed by councils of ministers from the member countries; the trouble has been that there are too many councils and that some of them have done little or nothing at all. Most of them consist of the very same men, hopping from meeting to meeting and capital to capital. But if the Grand Design is to prove more than another empty sketch, the new grand council which emerges must become something more than the sum of these parts. It must be a policy-making body, dovetailing, say, the collective effort in atomic development, defence and economic policy; evolving common European policies towards the world outside the realm of Europe. Some questions will interest only six of the countries, or a dozen, or perhaps only three; the ministers who do not wish to be involved can drop out without fuss or formality. The same can apply to the parliamentary delegates when the Assembly discusses matters which are taboo to them. Thus, the Swedes will want to keep clear of military topics. But though the council might vary in size, it should remain in permanent session and have permanent cabinet offices.

Already the ministers are being given new specific tasks—to run the common market and Euratom, for instance; these will force them into a more continuous activity. But there is one institutional change which could greatly enhance their stature in a valuable broader sense. The titular heads of the council should be the prime ministers of Western Europe, who have never met together since the war. Their deputies, the ministers of finance or foreign affairs, can execute a policy, steer it to port, as Mr Thorneycroft's group is doing in Paris for the free trade area. But only the heads of governments can set the course. Only they, meeting regularly, can carry into the separate national cabinets an authoritative European voice; only they can frankly discuss and quickly overcome the deeper policy differences, as M. Mollet and Dr Adenauer have done with the common market. A council of premiers could ensure that the great problems before Western Europe, like the Suez Canal and the twisting pattern in Eastern Europe, are met by a common European policy, within the broad Atlantic framework. Common policies are wanted before, not after, an individual member of the partnership runs amok to the loss of all.

So much for the ministers; what about a king? There are some unkind people who hold that M. Monnet was altogether too much like the Grand Monarch when he slipped from his role of grey eminence of Europe to the throne of its first shadow state, the coal and steel community. The truth is that at present an autocratic supranational boss ("L'Europe, c'est moi") could achieve less lasting and solid progress towards greater unity in Europe than more flexible and modest bodies. But the Grand Design might well have a constitutional monarch, a secretary-general of considerable power as well as tact. His first job as top civil servant will be to pull together and discipline the sprawling European "ministries"; to wrestle with the inexorable Parkinson. His second task, still more important, will be to keep the ministers on the go, to formulate the details of new plans within Europe, to suggest the compromises which may form the basis of a common foreign policy. He must be able to beard any foreign minister in Europe in his national den. A Hammarskjöld of Europe, but with more effective power because representing a true community of interest, he must play the sort of part M. Spaak hopes for in Nato.

Once council and secretary-general take on a real importance, Mr Selwyn Lloyd's assembly may become more than a mere debating society emitting fine resolutions into the blue. It will have policies to criticise, an active executive to push and pull. Ministers and Assembly will in turn reflect importance on each other, until in time national electorates may even wish to exercise a better control over them through direct votes. This is a distant prospect. A palace of Europe could still prove as much of a white elephant as the lovely museum piece beside Lake Geneva. Yet a new tide of awareness of the need for strength through greater unity is in flood in all the separate European countries. It would be a tragedy if it were dissipated. The setting up of a permanent council of the heads of European Governments might canalise it to lasting purpose.

Notes of the Week

Handshake at Bermuda

THE talks at Bermuda, which were beginning as this issue of *The Economist* went to press, will undoubtedly close an unhappy chapter in Anglo-American relations. Mr Eisenhower and Mr Macmillan have met to reconcile, not to recriminate. But when the warm handshakes, and perhaps a reference to a royal visit to the United States, have been exchanged, what follows? It is one thing to write "finis" at the end of a chapter, and to turn the page; it is another to compose the paragraphs that should follow. Two men who can look back to a wartime period of working partnership are well placed to share their views with each other in friendly frankness. But it does not follow that their meeting will bring British and American policies any closer together than the present trend of events is bringing them in any event.

The Prime Minister arrived at the Mid-Ocean Club with a briefcase which, according to most reports, bulged with requests—requests that the United States should relax its attitude toward China and toward trade with China; should accept the reduction of British manpower in Germany and do more to help reshape Britain's armed forces for use in the age of nuclear weapons and missiles; and should link itself more closely with the military side of the Baghdad Pact. It may seem cruel to ask what Mr Macmillan for his part intends to offer (the President, bent on restoring the transatlantic partnership, is unlikely to press any such question); but the question presents itself, nevertheless. There is talk of the value to America of British advice and experience in Middle Eastern matters, but scant sign of a positive and clear-cut British thesis on the re-emerging problems of the area. On the contrary, while the Government's supporters criticise Mr Eisenhower for leaving too much to the United Nations, Ministers themselves are showing a similar disinclination to take the responsibility of suggesting any course of action, even to their friends. There is a good case for tackling matters at a steady pace rather than at a gallop; but there is no case for merely lying back and expecting a cure-all from an ally of whom the Government is so concerned to show itself independent.

Back to "Burden-Sharing"

NOT tiptoeing but slow marching, to the beat of allied groans, the British Army is to begin its partial withdrawal from the Continent. The statement issued by the seven-nation Western European Union after Monday night's flurried meeting of foreign ministers was remarkable for the omission of any phrase connoting continental agreement to the withdrawal. It recorded merely that Britain will go ahead with its plans until October, by which time WEU hopes to have received and digested a "new overall review of the resources of the alliance" which it is asking Nato to prepare.

In practice it seems that the French, Germans, Italians and Beneluxers, while unconvinced by arguments that Rhine Army's manpower can be reduced without any loss of fighting power, are resigned to the prospect of a first cut of about ten per cent and hopeful that by October Britain may be induced to forgo or moderate its firmly proclaimed intention of cutting a further twenty per cent. "Hopeful" is perhaps too strong a word. The continental allies have discovered that Britain's pledge, given at the time of the Paris agreements, not to weaken its forces on the Continent against their will, cannot in practice be invoked by a Germany which has failed to raise its promised troops and a France which has taken most of its troops away to Algeria. At Dr Adenauer's prompting, they are to plunge once more into the intricacies of "burden-sharing." But if the experience of Nato's earlier years is anything to go by, it will be a long time before clear formulae for the distribution of the defence burden are worked out, and an indefinite one before most governments take any notice of them. Thus the proposed "overall review" looks remarkably like a mere means of clothing the nakedness of the British action—although there is admittedly a case for a more comprehensive review of resources and goals than Nato's annual routine provided, at a time when so many member countries are planning to change the structure of their defences.

Probably it is from Bermuda rather than from the Atlantic Council that both Britain and its continental partners will really hope for some easing of their difficulties. After the brisk bout on Monday night in London, Mr Macmillan can confront Mr Eisenhower with a fact which, if not accomplished, is at least accepted. There will be more power to the elbow with which he intends, according to all reports, to have another shove at the door that Mr Sandys pushed against in February—the door to fuller co-operation over atomic weapons.

Tory Horizons

ECONOMICALLY, there were not many hints of policy to come in the Prime Minister's long-awaited speech at Leicester. To give opportunity to "the bold, the strong, the adventurous," Mr Macmillan said, it is necessary to leave industry enough to invest in the future, to give individuals the chance, not only to save, but to know that their savings will keep their value, and to make the Government "pay as we go." For what it is worth, these phrases would not clash with a budget that gave very little away on April 9th, concentrated what there was in so-called "middle-class reliefs," and possibly made some start on the reform of company taxation. But Leicester—very properly—was not really an evening out for the budget clue-hunter.

Politically, the speech was undoubtedly a success. Mr Macmillan is obviously hugely enjoying his new job. His insistence that "this Britain of ours cannot live on a kind of sloppy socialised basis" and that "there is no difference between Socialism and Communism except this—Socialism is soft, Communism is hard" was the knockabout stuff some Tories had missed since their last leader but one. He also made an effective defence of the Rents Bill, by recalling that the protests now being made were also levelled at the steps taken in the last Parliament to end food rationing. As it happens, his remarks on social policy were supplemented by an unexpected Tory propagandist success in Westminster itself the next day. In reply to Labour's censure motion on the social services, Mr Boyd-Carpenter, not hitherto regarded as one of the party's best orators, struck a bright patch of form. His exposition of where the Tories want to go was really simple enough: they believe in concentrating social benefits on those who need them, and not giving general subsidies to all, rich and poor alike. But Mr Boyd-Carpenter not only made this point with great effect; he also exposed the Labour party's failure to work out a social policy of their own—at any rate in terms which make financial sense.

The Pensions Minister gave Tory MPs more to cheer about than for a long time past, and these speeches, following Mr Butler's ambitious approach to prison reform, should remind the Tory party that there are wider horizons than Clause 9, petrol rationing and endless post-mortems on Suez. Unfortunately, over these horizons there are also such things as nationalised industries, and strike threats, and possible retreats before strike threats; it will be interesting to see what the reaction of Tory backbenchers will be if there should be a "railway surrender" this weekend.

Selective Withdrawal for Doctors

WHATEVER the final outcome of the dispute over doctors' pay, it will not be a negotiated agreement. In fact, Mr Macmillan seems to be going out of his way to be as firm and peremptory with them as he can be. The increase in pay for junior hospital staffs was not negotiated in the appropriate Whitley council, as was promised by Lord Salisbury; the ten per cent was decided on by the Government. And this week Mr Macmillan said that the Government had not yet decided on the amount of the interim adjustment for general practitioners, but he would announce it in due course. Again, there is no question of negotiation, much less arbitration which the Government is so strongly urging for other pay claims.

The doctors are plainly as incensed by this treatment as they are by what they regard as the repudiation of the Spens reports. The general practitioners, as represented by their General Medical Services Committee, are accordingly going ahead with their plans for resigning from the health service, and the local medical committees will be asked to approve them at a conference to be held on April 30th. Briefly, it is proposed that after that date the British Medical Guild should try to obtain the resignation of all health service general practitioners. These resignations will be put into effect initially in certain selected areas (presumably those with a high percentage of resignations) and will come into force on October 2nd, three months' notice having been given. In October no fees will be charged—the Government in effect being given a last chance—but in November standard token fees of 5s. a consultation and 7s. 6d. a visit will be charged, except where they would cause hardship, and patients will be advised to take the receipts for these fees to national insurance offices to give the Government "an opportunity of refunding the sums involved." If a settlement is not reached "in a reasonable time," doctors will charge full economic fees and the areas of withdrawal will be extended.

The doctors are assured that they will suffer no financial loss. There are apparently adequate funds in the "defence trusts," financed by voluntary levies from doctors from national health insurance days onwards, to give them at least for the early months their usual health service incomes; and the plan does not appear to envisage a prolonged or permanent withdrawal. Even so, it would be a drastic and unpleasant step for doctors to take. They and their patients will hope that the long notice of withdrawal, and an intervening budget that may give some surtax relief, will enable the Government to come to an acceptable decision before the step is due to be taken.

The Cypriot Log-Jam

THE British Government's readiness to accept Nato conciliation over Cyprus could prove to be the beginning of the break-up of the Cypriot log-jam. Lord Ismay's offer was made in accordance with the new powers granted to its secretary-general by the Nato Council last December; if his good offices are accepted, he can appoint a three-man conciliation tribunal from among the heads of delegations to Nato. The organisation's interest in the Cyprus problem is clear; the disagreement between Greece and Turkey over the future of the island makes nonsense of Nato's defence arrangements in the eastern Mediterranean. Moreover, this disagreement stems primarily from Turkey's fears for the defence of its southern ports should Cyprus come under Greek sovereignty; those ports are of strategic value not only to Turkey but also to Nato as a whole. Unfortunately the Greek government has immediately rejected Lord Ismay's suggestion, taking its stand on a quite arbitrary and indefensible interpretation of the latest UN resolution on Cyprus. It is to be hoped that Nato will not be deterred from approaching the Greeks all the same and inducing them to think again.

Nato, if it gets the chance, will presumably exert itself in the first instance to reconcile in some way the (at present, totally opposed) attitudes of the Greek and Turkish governments. If that attempt showed signs of being successful, Mr Lennox-Boyd must hope that it would smooth the way towards agreement with the Cypriots themselves. The hope is reasonable; but in the meantime the Government's response to Eoka's new truce offer, and to the problem of

Archbishop Makarios, remains extremely guarded. Mr Lennox-Boyd was content to say of the *truce offer* that Eoka had only offered to "suspend" hostilities. He gave a "solemn undertaking" that the Archbishop would be set free to go anywhere except Cyprus if he "would make a public statement calling for the cessation of violence." At first sight this does not seem to break much new ground; the Government's attitude has always been that it could neither release the Archbishop nor negotiate with him until he had renounced violence. But if Archbishop Makarios has hitherto been deterred from making this renunciation by the lack of a firm assurance that it would in fact lead to his release, Mr Lennox-Boyd's statement may have opened the Archbishop's prison door wide enough for him to emerge. Whether the British Government would then negotiate with him remains, for the Cypriots themselves, the crucial question.

For Whom the Canal Tolls

THERE is a pattern in the behaviour of President Nasser. He makes no promises to modify his full claims; he leaves an "assumption" of reasonableness in the air. Only at the decisive moment, for example when the Israeli forces have withdrawn or the *Edgar Bonnet* is being raised, does he present his terms. And then they are usually stiff.

As Mr Hammarskjöld was about to step on the plane at New York to visit Egypt, the Egyptian government issued a Note to embassies in Cairo, stating what Egypt had "decided" regarding the Suez Canal. The matter was urgent. The United States, Britain, France and Norway had for three weeks been awaiting his reply to their proposal, transmitted through Mr Hammarskjöld, that the dues be paid to the World Bank or to Uno, which would remit half to Egypt. The Egyptian Note states clearly that the dues must be paid in advance to Egypt "or its nominees" and it will allot a proportion, based on former Suez Canal Company practice, for canal development. "Or its nominees" could mean the world bank or Uno; but in the pattern of President Nasser's behaviour, this is unlikely.

Nor does the Egyptian Note mention the six principles which the Security Council approved as a basis for a Suez Canal settlement on October 13th. What has happened to these? Mr Hammarskjöld wrote to Dr Fawzi on October 24th, expressing what he took them to mean in practice. This was before the Anglo-French ultimatum. Dr Fawzi replied on November 2nd that Mr Hammarskjöld's framework was "sufficiently wide to make a further exploration for a possible basis for negotiation . . . worth trying"; he only excepted a sub-clause by which any party to the canal agreement would be given the right to redress its own wrongs if arbitration failed to ensure its rights. This reply was taken to mean that the six principles provided a basis for a settlement; but reports from Egypt suggest that President Nasser considers that the Anglo-French invasion wiped out the Uno efforts at settlement, despite the fact that Dr Fawzi replied after the bombing had started.

It is in keeping with this view that President Nasser should now have "decided" what to do about the canal. Nor is there much left to decide, once the canal dues are paid to Egypt. It will have the pilots, the administration and the dues; and as for freedom of navigation, this is simply promised once more. The maritime powers must decide what they will do about it quickly, because the canal is open to small ships already, and may be open to all shipping on April 10th. The only weapons available against Egypt, if President Nasser does consider the whole matter settled on his terms, are a boycott of the canal, or a general economic and financial boycott. It is unlikely that even the 18 nations of SCUA would agree to forgo the use of the canal indefinitely. And would President Eisenhower, with his "doctrine" in mind, be willing to keep Egypt's dollars in the deep freeze? Mr Macmillan should be putting this question at Bermuda.

Kuwait Pipelines and Frontiers

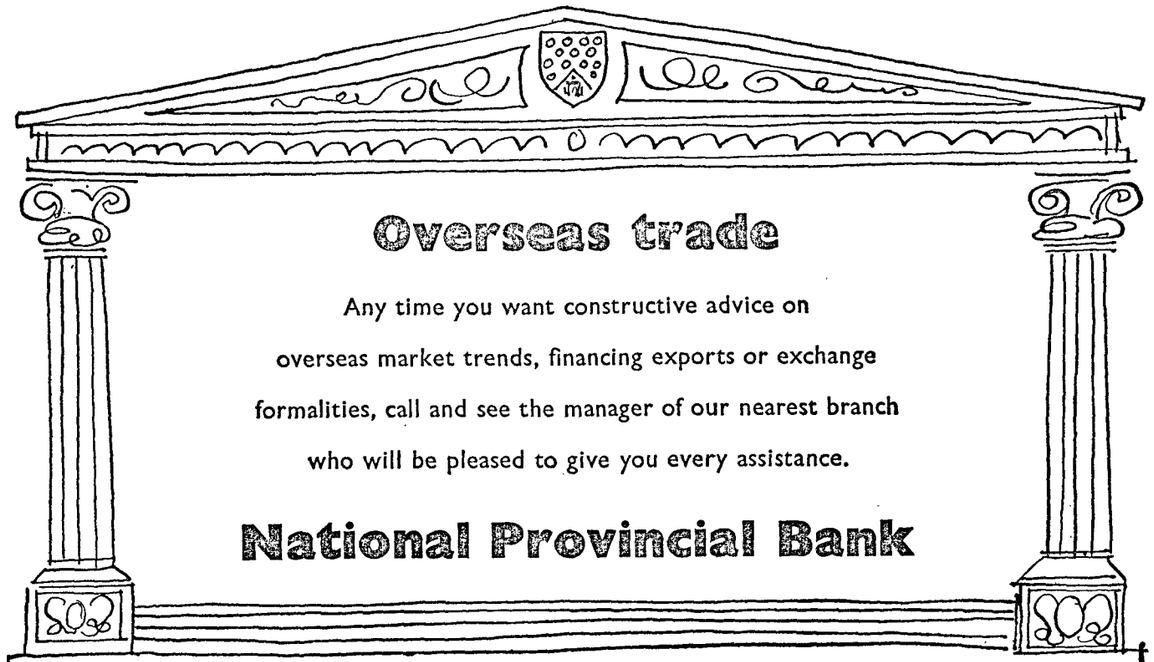
THE Iraq Petroleum Company and the Iraqi government want a pipeline to Kuwait to take oil from Zubair, on the Basra oilfield, to the sea near Mina el-Ahmadi. The Kuwait government wants a pipeline to bring it fresh water from the Shatt-el-Arab in Iraq. In these circumstances it would seem reasonable to assume that agreement can be reached between the company and Kuwait for the oil pipe, and between the Iraq government and Kuwait for the water, and that the agreements will be reached simultaneously. This may happen. It is, however, premature to assume that Kuwaiti approval for the oil pipeline is just around the corner.

The draft agreement prepared by IPC has not yet been negotiated, and there is no certainty that its terms will be readily acceptable to the Sheikh of Kuwait and his Supreme Council of his relatives. If they are not accepted by the end of the month, the "dead" month-long period of the Moslem fast of Ramadan will have arrived; and after it half the council is likely to leave Kuwait to avoid the heat of the summer.

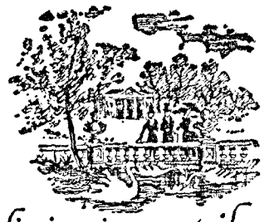
There is also the very old dispute between Iraq and Kuwait regarding frontier demarcation. If there are to be pipelines, the two states need to know just where their respective responsibilities for the pipelines begin and end. Presumably, too, in the case of the oil pipe the transit dues will depend on the length of line inside Kuwait. So far it has not been possible to draw a frontier acceptable to both states. The matter is under discussion; some sort of settlement on this point must have priority over the pipeline agreements.

Changed Outlook for Prisons?

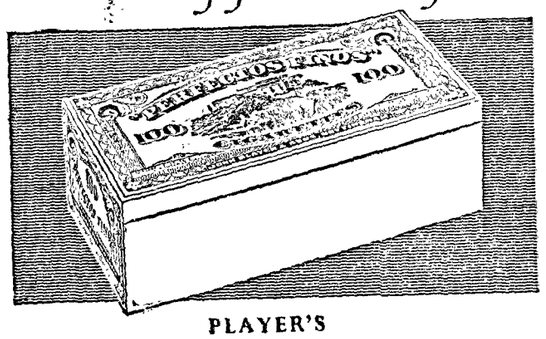
NOT very long ago, debates on prison reform could be read only with despair: not only because so much needs to be done and there is so little money to do it with, but also because there has seemed to be so little realisation by the Government of what is needed. Last summer, however, in a House of Lords debate, Lord Mancroft showed that at last the Home Office had a junior Minister who was taking a personal interest in prison conditions and







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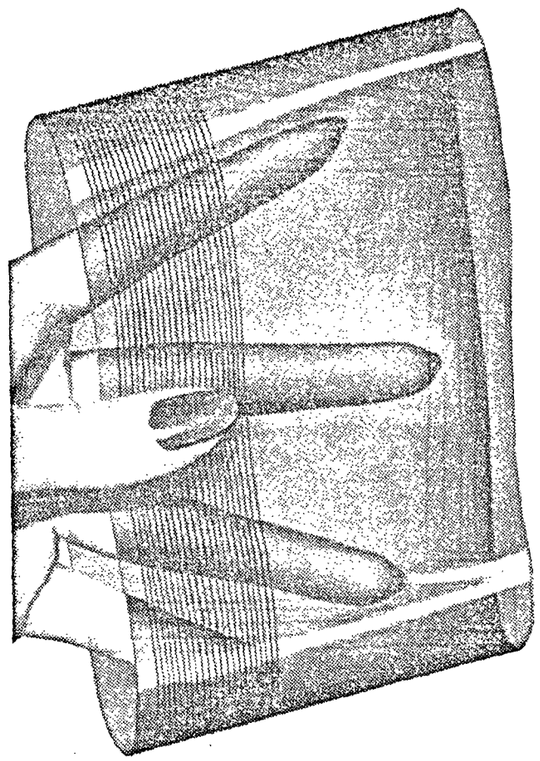
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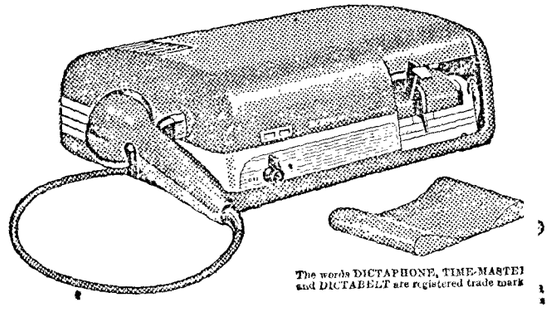
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who realised that statistical replies to criticisms were not enough. Last week, a House of Commons debate showed that this changed official attitude towards the subject was even more apparent in the new Secretary of State.

Mr Butler did not avoid hard facts and figures: the reduction in the number of prisoners sleeping three in a cell; the prison building programme, which in five years' time will provide 1,500 places; the improved recruiting of prison staff. But much more important was his appreciation of less tangible factors. For instance, he pronounced himself shocked by the small amount—£12,000—spent in the last nine years on research into the penal system and its effects. Scientific assessment of the present tendency to impose longer sentences, of the value of corrective training and preventive detention, is badly needed. A similar assessment is also needed whenever experiments are undertaken in individual prisons. Mr Butler mentioned Norwich prison, where the prison officers are assigned to small groups of prisoners and encouraged to look upon them in much the same way as social workers do their problem cases. This individual casework approach may be extended to other small prisons; but it would clearly be an advantage if its value in preventing recidivism could be established—or disproved—before the experiment is generally adopted.

The blend of idealism and realism that prevailed throughout Mr Butler's speech was perhaps shown to best effect in his reference to prisoners' earnings. Some increase is about to be made: the "beginner's rate" of 10d. a week for the first eight weeks is to be doubled, and the maximum will be raised. But Mr Butler looked much farther forward than this. He visualised a prisoner being able to earn enough to save a sum for his discharge, and even to pay for his keep and maintain his family. This was looking very far ahead indeed; but the distinction of the debate was that it was the Home Secretary, not a backbencher, who was being idealistic and wondering whether in this matter England should not "give an example to others."

Zik Wins Under Pressure

DR AZIKIWE has led his party, the National Council of Nigeria and the Cameroons, to its expected victory in the Eastern Region elections. But he has not done nearly as well as most people had anticipated. He will probably have 64 seats in a House of 84, against 72 previously; though he may hope that after the elections some successful opposition candidates may join, or rejoin, the NCNC.

But it is clear that Mr Awolowo's Action Group party, based on the Western Region and bitterly opposed to Dr Azikiwe, has done well; with thirteen members it is now an effective opposition which has made good its claim to be an all-Nigeria national party. The voting has, however, been significantly tribal; the NCNC has lost seats in non-Ibo areas, and is even more than before an Ibo party; the Action Group has mainly won support where the Yoruba influence is effective and anti-Ibo feeling intense. Part of the NCNC losses may be attributed to the deal by which Dr Azikiwe, to get his supporters to agree to a general election rather than resign himself after the Foster-Sutton report had criticised him, forced the constituencies to accept again the existing NCNC sitting members, however unpopular they had become personally with their constituents.

The bank report, which condemned Dr Azikiwe's behaviour as a minister, has in reality had little effect, except in Mr Eyo's constituency. There the NCNC was soundly thrashed, and Mr Eyo, who started the crisis by his attacks on Dr Azikiwe for his dealings with the African Continental bank, has been triumphantly returned. Here and there, perhaps, easterners have felt uneasy about the report's strictures on the public morality of their region. But Dr Azikiwe made great play in his speeches and manifestos with the admission in the report that his "main object was to liberalise credit." What this conveyed to voters who only heard it translated into Ibo, and indeed into far more limited local vernaculars, baffles conjecture.

The Law and the Obscene

IN London it is perfectly easy to buy really smutty books: more than any city it is the home of those specialised bookshops in which the works of Zola lie next to Histories of Flagellation, and the Decameron rubs bare shoulders with what the trade calls "Art Photos." But every now and again magistrates order the destruction as obscene of famous classics, and only recently works of the well-known French playwright Jean Genêt were seized by the customs.

In 1954 five publishers were prosecuted for obscene libel, the legal name for disseminating dirty books. Two were fined, two were acquitted, and in the other case two juries failed to agree on the vital question whether the book had a tendency to corrupt.

The present law of obscenity is an outdated muddle, making no distinction between literature and plain pornography. Magistrates, confronted with the contents of a dirty bookshop, have to order the destruction of the good along with the bad, and in the confusion bookshops which are evidently breaking the law are unmolested. At the same time printers and publishers, uncertain whether the law is to be applied, are over-cautious about what they bring out, so that good books are either lost to the English reader or smuggled in from France. There are respectable arguments for doing away with the censorship altogether, since there is no particular evidence that those who buy "corrupting" literature are any more corrupt after reading it than before; but, if there is to be a censorship, it must be both workable and not too far behind public opinion.

Yet another private member's bill on the subject—prepared by the Society of Authors with the help of Sir Alan Herbert—is to be introduced into the Commons this session. It would make it necessary for the producers of a book to know it to be obscene, and "wilfully and knowingly" to disseminate it, before they could be convicted. The courts would receive expert evidence about its quality, which would help the judges provided that the critics refrained from squabbling. These provisions would protect those who publish erotic books in the belief that they are of literary or other merit. All prosecutions would be subject to the approval of the Attorney-General, which would standardise practice throughout the country; authors and publishers would be entitled to be represented when booksellers

are charged with selling their books ; and no book could be destroyed by the customs without a magistrate's order. The coming of new and liberal voices to the Home Office gives the society hope that their bill may have a smooth passage, and their hopes are increased by the fact that the new Under-Secretary was a sponsor of an earlier version of the bill.

Family Planning for China

UNTIL fairly recently the family was the main exception to the communist predilection for planning. The Chinese did not differ in this respect from the Russians. When the startling results of the previous year's census were published in 1954 (claiming a total population of 601.9 million, of whom 582.6 million lived on the mainland ; 7.6 million in Formosa ; and 11.7 million abroad) the Chinese dismissed as " Malthusian nonesense " any outside suggestions that such a pressure of population might be an obstacle on the road to prosperity ; they even argued that fertility must be encouraged. Now, however, the line has changed completely. At the last meeting of the People's Consultative Conference Mrs Li Teh-chuan, the minister of health, made an impassioned plea for birth control. If the campaign begun a year ago for disseminating contraceptive measures was not rapidly expanded, she argued, many women would resort to abortion and sterilisation, which are now freely permitted.

Probably the *volte-face* was inevitable, granted the stupendous fertility rate in China, where the " passion of the sexes " is as formidable in its statistical effects as when Malthus used the phrase. A sample survey in a Shanghai factory showed that 17 per cent of the women were pregnant twice within a year, and 53 per cent once a year. " In one Shanghai mill of 7,000 male and female workers, the women workers of the factory produced 7,000 children in seven years." As the improvement in the health services has reduced " natural checks," it is claimed that China's population is increasing at the rate of about 15 million, or 2.5 per cent, a year.

The Chinese communists have not abandoned Marx for Malthus. But they have had to realise what a barrier this pressure of population places in the path of the rapid economic development which they seek. Hence Mrs Li Teh-chuan is now permitted to proclaim in flat contradiction of earlier Chinese declarations of faith, that without the planning of childbirth China cannot " free itself from poverty, become prosperous, rich and strong.".

Hungary's Un-anniversary

THE Hungarian national day, March 15th, was celebrated by the Kadar regime, by the police, the armed forces and the official press—but not by the Hungarian people. In the circumstances, their abstention was the most effective demonstration they could give of their support for the ideals proclaimed by Kossuth 109 years ago.

For days before March 15th the regime had been twitching nervously and preparing for the worst. Thousands of potential troublemakers were arrested. (The large concentration camp at Kistarcsa, near Budapest, which was closed down in 1953, has been reopened.) Soldiers, police and armed workers' guards patrolled Budapest and stood about at street corners. The day was officially a national holiday, but in order to frustrate plans for silent demonstrations, it was proclaimed a normal working day in factories and offices. The citizens of Budapest retaliated by ostentatiously keeping themselves to themselves. The elaborate display of the regime's armed strength was reduced to ludicrous anticlimax. Celebrations in which the whole country should have joined shrank to three brief, virtually secret and closely guarded ceremonies at which none of the communist leaders dared to make a speech.

March 15th is safely past, but there is no plain sailing in front of Mr Kadar. The gulf between his government and the mass of the Hungarian people has been demonstrated once more. Although the regime is trying hard to win over the peasants, in other ways it is drifting back to a policy of pure repression. The sudden appearance of an article by an old stalinist, Joszef Revai, in which he maintained that Mr Rakosi and Mr Geroe deserved much less blame than Mr Imre Nagy, and the subsequent appearance of articles criticising Mr Revai, may be signs of the conflict over what to do next that is now going on inside the regime. In any case, the real decision will be taken in Moscow where Mr Kadar is now having talks with the Russians. If he returns with promises of substantial Russian economic aid, his efforts to rebuild the shattered Hungarian economy may still be seriously hamstrung by the passive hostility of the Hungarian people. He may try to overcome that hostility by including some unimpressive non-communists in his government. Negotiations to that effect are believed to be going on ; but more would be needed to reconcile Mr Kadar and the Hungarians.

Closer Look at Graduates' Salaries

THE *PEP* study, published last autumn, of the employment of graduates has now been supplemented by a closer inquiry* into the salaries paid to a sample of graduates in industrial jobs. Starting salaries have risen substantially over the period covered ; for arts graduates from an average of £444 per annum in 1950-51 to £500-£760 in 1954, for scientists and technologists from £500 and £434 respectively to £550-£775. A less obvious but significant development is the change in the relative earning positions of arts graduates and others during the years following recruitment. Those arts graduates who remained with their first employer suffered, on average, a relative loss, their average salaries being £715 as against £733 for scientists and £719 for technicians ; these figures, however, conceal a wide spread, the higher-paid arts men doing better than their counterparts in science and technology and the lower-paid doing worse. When there had been a change of employment, the arts graduates did considerably better than others. For promotion in the managerial hierarchy, the evidence

* Salaries of Graduates in Industry. 22 pages. 2s. 6d.

(*Continued on page* 988)

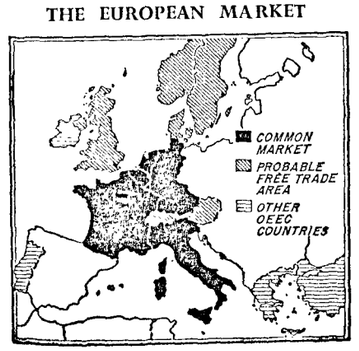
Eurafrica and the Commonwealth

THE British desire for freer trade in Europe has always been conditioned by the wish to preserve traditional trade ties with the Commonwealth. To do this the British plan for the free trade area was from the start attended by two vital qualifications: that both the Commonwealth and agriculture should be excluded from the scheme. With the Commonwealth left out, British industry would retain intact the preferences it enjoyed in Commonwealth markets. With agriculture out, the Commonwealth would keep in turn its preferences in Britain, for most of these applied to food and drink—New Zealand cheese and butter, South African wine. These conditions preserved the substance of the Ottawa system.

Today the British Government is once more in anxious consultation with some of the Commonwealth countries, for both principles have been put in question by the decision of the six countries which are setting up a common market to bring their own overseas territories into the scheme. The Italian and Dutch territories, Algeria, the French colonies and probably the newly independent states of Morocco and Tunisia will be linked with the common market in three ways. They will benefit from investment capital, mainly from Germany ; they will extend the preferences which they already give to the mother country to the other five members of the Union ; and finally they and the Belgian Congo will benefit in turn from a system of new preferences in the European market. The Europeans now plan to do in their own territories what Britain and the Commonwealth did at Ottawa.

This new development makes the original solution—to omit the Commonwealth—an unhappy one for many Commonwealth exporters. Some 17 per cent of the exports of the whole Commonwealth in 1955 went to European countries other than Britain—mostly to the common market countries;

THE EUROPEAN MARKET



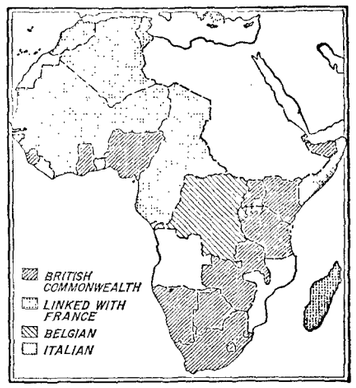
and over a fifth of the exports of Britain's remaining colonies and dependencies normally do so. The new preferences will be a painful new handicap to these exports. Not all of them will suffer. Hongkong's light industries are unlikely to feel African competition for some time. Jute and cotton, the staple exports of Pakistan, may escape tariffs ; so may most metals and minerals. But there are to be severe preferential tariffs on a number of vegetable products —9 per cent on cocoa, for instance, others on coffee and vegetable oils, and perhaps even rubber ; these will certainly hit those British African territories whose exports are directly competitive with the equatorial territories of France and Belgium. As much as 21 per cent of the exports of Ghana, Nigeria, Tanganyika, Kenya and Uganda together went to the six countries in 1955. Most of this total consisted of the key vegetable products, like coffee, cocoa, and vegetable oils to which preferences will apply. Ghana, in particular, sent over a quarter of its exports to the six countries ; most of this was cocoa.

There will be other lesser sufferers outside this equatorial belt. South African fruit may feel the competition of North Africa ; West Indian bananas that of the Congo ; even Malayan rubber may be at a disadvantage. Commonwealth concern is less, perhaps, with the present—when Africa, for instance, produces only a sixth as much rubber as Malaya—than with the future, when both the needs of Europe and the output of French and Belgian Africa may have grown enormously.

The Liberal Solution

The most obvious liberal solution for the problem is to include the Commonwealth in the free trade area after all. But this is hardly practical politics. Canada, for one, would certainly not be willing to establish a preference in favour of all Europe against the United States. New Zealand is hardly likely to surrender the security of its market in Britain in return for a dog-fight with the Danes in Europe. The number of Commonwealth countries who may wish to join may be severely limited.

The " broad " solution has another snag. It would extinguish the preferences which Britain enjoys in the Commonwealth, or extend them, at any rate, to our European competitors. As it happens, if the main Dominions, especially Australia and New Zealand, stay outside the free trade area, the bulk of preferences will be preserved, for the preferences which Britain is given by the



THE AFRICAN TERRITORIES

colonies are insignificant. But it will not be easy to draw a line between " insiders " and " outsiders." It can hardly run between colonies and dominions, for the dominion of Ghana, for one, will be one of the chief sufferers from the new preferences and might wish to come inside a broader free trade area.

Even if only a few Commonwealth countries join the area without conditions, there will still be one great drawback. The second principle designed to preserve imperial preference—the exclusion of agriculture—will have been jettisoned. The Dutch, Italians and French are already loudly attacking the British stand on agriculture. And the Danes are anxious for agriculture to be in the free trade area, not only because they provide the British breakfast but because they may otherwise be shut out from the German market by the high common market tariff wall. Britain can hardly continue to protect New Zealand butter from the Danes and Dutch, when the common market is opening its doors to Ghanian cocoa.

Bilateral Agreements

If the substance of imperial preference is to be preserved in both Britain and the Commonwealth, the two first principles—exclusion of agriculture and of the Commonwealth—may have to be retained after all. Bilateral agreements with Britain, say, to ease the way for Dutch and Italian fruit and vegetables when those from the southern hemisphere are out of season, might assuage the European farmers a little. And bilateral arrangements between the six and the chief Commonwealth sufferers, like Ghana, may go some way to resolve the new problems created by Eurafrica. But parts of the Commonwealth will still suffer from it, and European farmers are far from reconciled to Britain's stubborn stand on agriculture.

(*Continued from page 986*)

suggests, the arts man is better placed than the scientist or technologist. One must say "suggests" rather than "demonstrates"; the sample is small, the period short, and there is no analysis of positions held to match that of earnings. The authors, however, feel justified in uttering the warning that current salary and promotion policy "is not well calculated to encourage" that influx of able students to the science and technical faculties that industry so badly needs.

Salary policy and promotion policy are, however, two different questions. More light may be thrown in *PEP's* forthcoming book, "Graduates in Industry," on a matter not touched on here, except remotely by implication: that is, the relative capacities of the technically-trained and the arts-trained graduates for the essentially human job of management. It is a constant theme of current management study that interest in people and a capacity to deal with them is—especially in conditions of full employment—a *sine qua non* of managerial success. Do science and technology perhaps selectively attract those less gifted in human relations? Or—a likelier guess—does the ferocious, nose-to-the-grindstone concentration of scientific and technical training produce, in those undergoing it, an atrophy of the social skills not suffered by the easier-going arts man? Either way, a remedy for the troubles treated in this pamphlet needs to be sought less in industry itself than in the educational process—to produce within either kind of discipline well-rounded human beings.

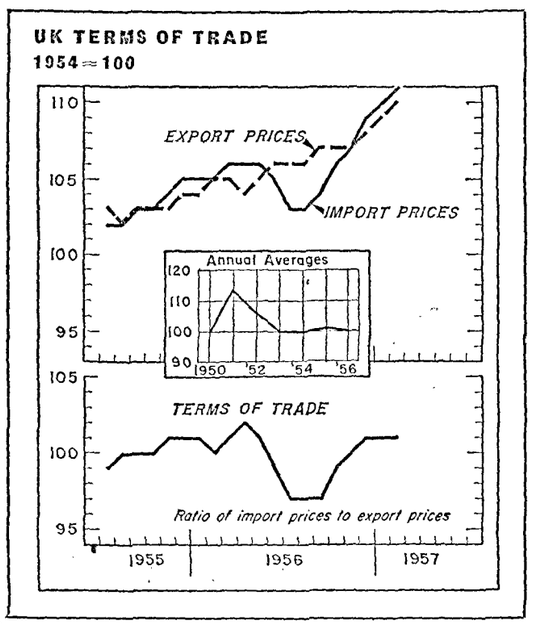
Votes and Shares in Central Africa

TWO-THIRDS of the vote at elections, and copper shares at two-thirds of their market price, seems to be the new formula for African advancement in the Federation of Rhodesia and Nyasaland. The proposal about votes—a scheme for a "fractional franchise"—has been put forward by the Tredgold Commission; it is recommended for Southern Rhodesia only, but it is clearly the prototype of a more liberal franchise for the federation. It is designed to give the Africans greater influence in elections conducted on a common roll, but insufficient voting power either to put in an all-black parliament or to dictate which of two white candidates shall get in. This is to be done by dividing the common roll into two tiers, one with high qualifications for registration, one with low. Electors on both would vote for the same candidates, but the number of votes cast by the low-qualification roll would never be allowed to exceed half the number cast on the high-qualification roll; if they did, these special votes would be proportionately scaled down between the candidates. The only way that African votes could amount to more than a third of the total would be for Africans to qualify for the high-qualification as well as the low-qualification roll. This must await the spread of wealth and education among Africans. Thus it is intended to secure a breathing space for white supremacy at the polls.

The spread of such an African propertied class could be helped by the employee share-purchase scheme now proposed by the Rhodesian Selection Trust. The firm offers to pay half of any sum invested in its ordinary shares bought by its employees (white or black) who are above a certain salary level—which would include its better-off and upgraded African mineworkers and staff. (Presumably they would agree not to resell.) It is another ingenious and forward-looking scheme, and in philosophy fits well into the Tredgold concept of gradually increasing African influence. But it is vital that neither scheme should set the qualification for African participation too high. The schemes must offer a real chance to Africans to draw level with Europeans in wealth and citizenship. If they do not, they play into the hands of the African extremists.

Mr Sukarno Plays for Time

PRESIDENT SUKARNO is apparently determined not to admit defeat. With all the Indonesian islands except Java in revolt even Dr Sastroamidjojo, who had clung so tenaciously to the premiership, resigned last week. But the president, instead of seizing the moment to attempt a settlement that would check the disintegration of Indonesia and give some hope of stable government, asked Mr Suwirjo—like Mr Sastroamidjojo, a left-wing member of the Nationalist party (PNI)—to form a government that would either include the communists or exclude both the communists and the moderate Moslem party, Masjumi. Mr Suwirjo, who is chairman of the PNI and a veteran of the revolutionary period, has refused the premiership on grounds of ill-health, but he has agreed to try to arrange a workable coalition. His task seems to be impossible unless the president will give him a free hand. The Masjumi have refused to serve



with the communists, and unless the Masjumi are included, the fourth major party, Nahdatul Ulama, will not join the government.

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Possibly President Sukarno is merely playing for time in which to reach a settlement with the rebel military leaders. These, with the exception of Colonel Hussein, the ruler of Central Sumatra, have come to Jakarta to discuss the situation with General Nasution, the chief of staff, and to agree on what terms they will return to their allegiance. Their official spokesman is reported to have said that the army was prepared to extend its influence from matters purely military to the political field—a belated announcement in view of its activities over the past five years, but still a sinister portent for the future. It seems clear that whatever instructions the president may give Mr Suwirjo, it is the rebel army leaders who hold the key. If they succeed in agreeing among themselves on the government and constitution that they want, it is hard to see how President Sukarno can stand against them.

Young Revolutionaries in Cuba

THE comic-opera gallantry of student revolutionaries has been seriously harassing Cuba's military rulers for some months. Last week's attempt by university students to storm the presidential palace in Havana and kidnap President Batista was brutally crushed. But other youth movements have been wilier. A few months ago a former law student, Fidel Castro, sailed from Mexico with 82 companions in a private yacht and invaded the south east tip of Cuba. Although his band was almost wiped out, Señor Castro and a few survivors went to ground in the swampy jungle of Sierra Maestra near Santiago de Cuba. From there he has been directing a *maquis* operation fierce enough to keep a large part of President Batista's army busy 500 miles from Havana. As well as these spectacular gestures, revolutionaries keep Cuba in a state of unpleasant tension by bomb explosions and sabotage in the towns and by arson in the sugar fields. A tight press censorship has boomeranged on the government by producing exaggerated rumours of revolt.

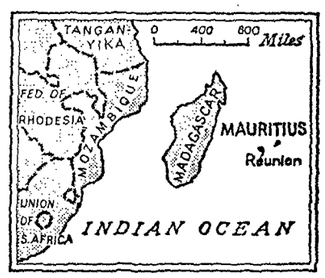


The young men say that they are fighting for democracy, a new deal for Cuba, and better jobs for themselves. President Batista, though he retains the trappings of democracy, came to power by a very slick military coup before the 1952 elections, when he feared that if he fought constitutionally he might lose. Until the young men started to harass him, the President was not expected to have any trouble in holding office until the next elections at the end of 1958. Indeed, his position was strong. Backed by the Cuban army, he has the cordial support of business interests in the United States; the high price of sugar is making the island unusually prosperous; the political opposition is divided and its leaders discredited or in exile. He has even patched up the quarrel with his old enemy General Trujillo of the Dominican Republic. But the forces against him are getting stronger. Admittedly he cannot be overthrown while he has army support, but it has begun to appear possible that the army itself may decide that it would be politic to choose a more popular leader.

A Swiss System for Mauritius?

THE half-million heterogeneous people of Mauritius are edging towards self-government, and the Colonial Office is landed with the usual thankless job of trying to make the two and two of democracy and minority protection add up to a peaceful five. The island was originally a French possession, and French traditions and culture are jealously preserved by the Franco-Mauritians and Creoles. But the Indians, first imported as indentured labour, now outnumber other racial groups by two to one, and dominate the Mauritian Labour party.

The first elections with universal adult suffrage are due in August, 1958. A year ago, the Colonial Secretary proposed that voting should be by proportional representation with the single transferable vote, which would have ensured that the smaller groups were adequately represented in the Legislative Council. The Labour party, being the one really well-organised big political party in the island, was against the idea; and by boycotting the Executive Council (or cabinet) elections last September, hinted heavily at a future policy of non co-operation. As this would have been a hopeless start along the road to self-government the Colonial Secretary has revised his proposals.



Under the new proposals, Mauritians are to vote by the ordinary British method if an independent three-man commission finds that it is possible to demarcate 40 single member constituencies, so drawn as to ensure adequate representation for the minorities. If the commission finds that Mauritius cannot be split in this way—and the Colonial Office is very sceptical—the Swiss method of multi-member party list voting is to be adopted instead. This system is a fair compromise between the PR method proposed last year and the simple majority system; votes are counted both for parties and for individuals, so that an efficient minority can secure good representation. The right-wing *Parti Mauricien* has grudgingly agreed to the Swiss system. The Labour party has not yet committed itself; after its success in making the Colonial Secretary change his mind, it may be feeling a little cocksure.

Letters to the Editor

Motor Industry's Profits

SIR—Your company note last week on Ford Motor profits refers to "an industry that uses capital as heavily as motor manufacture does." The motor industry indeed uses a great deal of capital, but in relation to its turnover uses much less than most. The following figures are illuminating:

	Ford	Vauxhall	
	1955	1954	1955
Sales £000's.....	151,548	66,631	75,113
Total net assets used in operations £000's	34,632	15,609	21,431
Ratio of sales to net assets used	4.39	4.26	3.52

The capital account of both companies, and particularly that of Vauxhall at the end of 1955, included large expenditures not yet in production. It is clear that the ratio of sales to capital is much higher than in most heavy capital industries. Even if the capital used by the component suppliers is added, the ratio is still impressive.

This important characteristic of motor car production, which it shares with other mass-production industries, is not generally appreciated.—Yours faithfully,
London, S.W.1 GEORGE WANSBROUGH

Erosion of the Tax Base

SIR—One acknowledges the justice of much that was said in your two recent articles, but they contained little recognition of the powerful reverse process which, operating continuously over the past two decades, has more than counteracted this type of erosion and leaves the true tax base much more widely spread than it was immediately before the war.

I refer to the great erosion of disposable incomes caused by the operation of inflation in conjunction with wholly inadequate adjustments of the tax exemptions and allowances. In 1938-39, the minimum exemption for earnings (single personal allowance plus earned income relief) was £125; in 1956-57, it is £180. In 1938-39, the surtax exemption was £2,000; today, it is the same. If the present-day pound is worth about 6s. 8d. only in terms of 1938-39 money, then by prewar standards we now begin to pay income tax when we earn more than about 23s. weekly, and surtax when our incomes rise beyond some £670.

If prewar standards were real standards, we shall not get back to reality until the single personal allowance approaches £400 (with proportionate increases in the other allowances), and the surtax exemption rises from £2,000 to £5,000-£6,000. If adjustments of this order were made, one trembles to think what rates of income tax and surtax would be required to maintain the present yield. But it might then be realised that Government expenditure needs pruning by more than a £100 million or so.—Yours faithfullly,
London, E.C.2 J. E. TALBOT

Doctors and Their Like

SIR—In the interests of accuracy may I point out that the sum which you give as the average earnings of a general practitioner, namely, £2,222 per annum, includes the 8 per cent which the government pays towards the doctors' pension funds? I do not think that any of the figures for other salaries include a similar amount, and therefore, in order to make them comparable, about £160 should be deducted from the GP's total, bringing it to around £2,060.—Yours faithfully,
W. N. LEAK
Winsford, Cheshire

Preparatory School

SIR—In your article of March 9th you stated that schools in membership with the Incorporated Association of Preparatory Schools were not expelled immediately after their recognition as efficient by the minister had been withdrawn.

I think, therefore, I should explain that the ministry is not willing to inform the secretary of our association in the event of the minister's withdrawal of recognition from schools in our membership. The list of independent schools recognised by the ministry is published only every two years, which again is a great handicap in ensuring that all our members' schools continue to receive the minister's recognition.—Yours faithfully, R. J. S. CURTIS,
Incorporated Association
Hastings of Preparatory Schools

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SIR—Your fair appraisal of the preparatory school will have been read with much agreement by many preparatory school headmasters. We are all concerned about the future of our schools, and we realise that only the best will survive.

By and large we ourselves know what are the best schools. We meet regularly at conferences, both local and general, and we are not slow to distinguish the better of our colleagues. Schools, however, will survive, not because they are good schools, but because they are thought to be good by the fee-paying parents. How can they decide? Here lies my only criticism of your article, which suggests that those schools are best which win the most scholarships.

I write as the headmaster of a school which does appear frequently in the scholarship lists of the Public Schools Year Book. It is not, therefore, a case of sour grapes which leads me to assert that this is but one of many criteria, and one which may well be misleading. Readers of *The Economist* will presumably relate numbers of scholarships to the size of the school: others may not. It is at least possible that some schools make a point of producing scholars to the detriment of the average boy. There are less obvious pitfalls. Schools with a good "scholarship record" tend to attract the more able boy, who might easily be equally successful elsewhere. Much depends on the geography of the school's normal catchment area, and the profession of its typical parent; a learned clientele is likely to have intelligent and academically minded children.

Payment (of salaries) by result went out of the educational system many years ago; it would be a pity if it were replaced by payment (of fees) by examination results. A public school scholar is indeed a silk purse, and we are to blame if we try to make one of unsuitable material—not if we fail to do so.—Yours faithfully, HEADMASTER

Black and White

SIR—The emphasis of the article in your issue of March 2nd was on the situation in South Africa, but its conclusions have a particular application to the Central African Federation.

The discrimination which already exists here has led the Africans to organise themselves into several distinct bodies, which are in no way united but which are seen by many Europeans as indicating, in their several ways, the desire of the African to achieve domination. Though some of these organisations have liberal leaders, others are led by men to whom compromise and conciliation mean little, and power a great deal. Their activities have caused the emergence of organised racialist groups among the Europeans, which have small representation as yet in legislatures, but will eventually appeal to the electorate on platforms of continued white authority, with small concessions. It is unfortunate, but by no means unusual, that the calibre of the absolute extremist on either side is incredibly low. The effect of this situation must be greatest on existing governments which may feel compelled, whatever the liberal nature of their personal beliefs or public programmes, to consider that to remain in power they must modify their liberalism.

It is the dedicated task of the Capricorn Africa Society to combat these tendencies now, to induce habits of co-operation and tolerance in every sphere and to create an atmosphere in which politics can be conducted on a multi-racial basis. Without the aid of demagogy, we have already achieved a great deal: liberal opinion of all races is with us and we consider ourselves to be the one means by which the "stark black and white contest" can be eased.—Yours faithfully, P. C. JACKSON
The Capricorn Africa Society

Books & Publications

Transport Control in the War

INLAND TRANSPORT: *History of the Second World War, United Kingdom Civil Series.*
By C. I. Savage.
Her Majesty's Stationery Office. 695 pages. 47s. 6d.

BY ten years' digging in Ministry files, the official historian has extracted everything that can throw light upon the development of transport policy and organisation during the war. Such a volume about the first world war would have saved us from serious misconceptions and errors. Mr Savage has arranged this immense mass of detail in a form that makes his book both a narrative of important events and a record of many minor impacts of war on ordinary life. Matters so diverse as the attempt to prohibit the carriage of cut flowers by rail and the training of women to man canal barges find their place. The scheme of the series treats coastwise shipping as part of inland transport and tankers as part of oil supply. Shipping men may regret this dictate of logic, cutting across the unity of shipping, but they will find generous recognition of the achievement of coastwise shipping.

The central theme round which Mr Savage groups his comments and arranges his narrative is the growth of a double control: over the machine of inland transport; and over a planning machinery for matching demands with resources. Before the war the Government had accepted the assurances of the railway companies that they could cope with doubled traffic in war conditions, including the diversion of shipping to the west coast ports. Individually, the ports in the west coast could receive a large influx of traffic and it was not realised that any aggregate of theoretically possible movement through ports or by rail should be heavily discounted. Everyone allowed for damage by enemy action (repaired with astonishing speed and resourcefulness by the railway engineers); but no one allowed sufficiently for the delays and congestion at junctions and in marshalling yards likely to result from changes, or (as in South Wales) reversals, of normal traffic flows.

For some time the assumption of a surplus of railway carrying capacity was accepted by the Ministry of Transport and by the Government, whose financial agreement of February 1940 with the railways was based on the supposed advantages of providing the companies with an incentive to attract traffic. The companies had indeed rejected proposals that additional facilities should be provided in anticipation of war. Experience soon began to expose this fallacy. Mr Savage is rightly critical of the continued hesitation to believe that a major war would create a shortage of transport and that, in conditions of scarcity, it was imperative to take effective control over the means of inland transport, and to plan centrally their most efficient employment. He traces in clear sequence the transition from this hesitation to the grip on the situation achieved in both respects before D-day.

The need for control was realised by the Ministry of Shipping as soon as it was formed in the late autumn of 1939, and ocean-going shipping was soon requisitioned. Moreover, that ministry regarded it as cardinal that the shipping men who operated the tonnage for them and many who remained in their own offices should feel themselves an integral part of the ministry, forming a single team with the civil servants. The railway problem was different. For many reasons the Ministry of Transport could neither get the Railway Executive Committee to regard itself as part and parcel of the department nor "sit in" effectively with the committee. Yet more was required than directives on policy. It seemed that, with only four amalgamated companies, British railways would be automatically operated as a single system, but, after fifteen months, this had not been achieved. It was not until after the merger of the Ministry of Transport with that of Shipping, and the appointment of Sir Alan Anderson in the dual capacity of Controller of Railways and Chairman of the Railway Executive Committee, that the much-needed closer relations between Government and companies were provided.

Mr Savage is puzzled at finding in the files no record of the reasons for the merger of the two Ministries. As the Editor says in his note, shipping and transport meet in the ports and the threat of congestion there led to the amalgamation. That was reason enough. But the experience of the winter of 1940 had convinced many people that shipping arrangements for overseas imports, coastal movements, control of the ports and internal distribution would be best handled in one department, under one roof and responsible to one ministerial head. Was that not the only way to ensure that the use of transport resources was looked at as one economic problem, calling not so much for high level interventions and *ad hoc* decisions to meet special crises as for centralised and comprehensive control of policy?

Space makes it impossible to refer to all the vast network of services covered by this volume. An excellent feature is its treatment of road haulage. All along the Ministry had seen the eventual need for a positive control of this industry, and the evolution of such control is an interesting study. There was a reluctance to interfere with small men or to tie up this flexible means of movement too rigidly save in the last resort. The regional transport commissioners disliked the creation of a separate operational organisation under the ministry parallel to the more general control, exercised successfully by themselves through fuel rationing, both over road passenger transport and over retail and local distribution.

Nevertheless a trial run before the real emergency came was useful in convincing the responsible section of the industry that something more would be required. Concentrating on long-distance haulage and taking selected undertakings into full control, the subsequent Road Haulage Organisation was able to operate its fleet through experienced managers and existing drivers.

Running parallel with the better organisation of transport was the growth of machinery for programming the demand for essential movements. This task was not attempted in the early days. The Railways Communications Committee, intended to deal with priorities, only met four times in the first year of the war. It was replaced early in 1941 by a Central Transport Committee, which in time was able to secure forecasts of all departmental and other important demands and to put them in relation to realistic estimates of available carrying capacity.

The book ends on a note very different from that which its author felt bound to strike at the beginning of his fair and well-balanced survey. During the years 1941 to 1945, inland transport "groaned but did not collapse." The task fulfilled by all branches in the summer of 1944 "marked the climax of all previous experience and effort of the war years. The traffic planning . . . was only possible because all branches of the transport system were now tightly controlled. These controls, together with the . . . allocation machinery, enabled the Ministry of War Transport to meet the military demands with the minimum of disorganisation to other traffic" and "withstand most successfully its greatest task."

Labour's Eastward Look

BRITISH LABOUR AND THE RUSSIAN REVOLUTION, 1917-1924.
By Stephen Richards Graubard.
Harvard University Press. London: *Oxford University Press.* 305 pages. 30s.

THE most significant event in the life of the adolescent Labour party was unquestionably the Russian Revolution. Immediately, instinctively, Labour moved to protect the new socialist state from the danger of extinction by the capitalist entente. The party—especially

the trade unionists who formed its core—fully appreciated the vast gulf that separated the British socialist parliamentarian from the Russian Marxist revolutionary; yet it never ceased its work to ensure that Russia was given the same rights as any other state. At the same time, with ruthless vigour, it acted to destroy communism at home.

The paradox of this dual policy is the thread that binds the separate sections of Mr Graubard's addition to the excellent series of Harvard Historical Monographs. Labour saw no inconsistency here. The British Communist party regarded Labour as its arch-enemy, even after the "united front" directives of the third congress of the Comintern, and no tactics were too underhand for the communists to use in their efforts to woo the working class. Further, the smear techniques of the Conservative and coalitionist opposition drove Labour to even greater lengths to keep it from being linked with communism in the public mind. In every statement, Labour repudiated the very fundamentals of Lenin's Russia.

Yet these same pronouncements, despite sharply critical reports from Labour adherents who went to Moscow, continued to stress the need for normal relations with the Soviet state. As Mr Graubard points out, Labour's initial position as a pariah in domestic politics resembled that of the Bolsheviks in the community of nations. Moreover, they faced a common enemy:

> The forces which engineered Khaki elections, and published posters with slogans of "red menace" attached to gory images, were now involved in creating and ostracizing a foreign "foe." The Labour party's adversary was also Russia's enemy; how sensible, therefore, that the party should be Russia's friend.

Mr Graubard's volume is more a series of sharply drawn sketches than a coherent whole. Those dealing with domestic politics are uniformly good. From the minutes of countless conferences and the sprawling but pitiful left-wing press, the author has assembled what is by far the best existing picture of early Labour-Communist relations. His account of the collapse of Labour's brief 1924 Government, weighed down by its recognition of the Soviets, the blown-up Campbell case, and the Zinoviev letter, is masterful. The amount of information Mr Graubard can squeeze from the 1924 election statistics alone, in his attempt to prove that the Zinoviev letter was not the political disaster it has been held to be, is as amazing as his analysis is entertaining.

But the book is disappointing because it does not fully live up to its title; in failing, it illustrates the real dangers of writing a history of one aspect of a total event. Mr Graubard skilfully summarises the influence of Russian events on the Labour party and of Labour's protest on the Government. But just as important in the complex web of Anglo-Soviet relations was the positive role Labour at times played in the actual process of policy formation, and, in turn, the effect this participation had on the party. A turning point in these relations came in January, 1920, when British pressure caused the Allied Supreme Council to end the Russian blockade and initiate trade through the Russian co-operative societies. The British co-operatives, with their close ties to the Labour movement, played a not inconsiderable part in the formation of this policy, yet Mr Graubard does not even mention these events. And when Lloyd-George appointed James O'Grady, a Labour MP and trade union official, to carry on prolonged negotiations with Litvinov for an exchange of prisoners, what effect did O'Grady's participation have on Labour thinking towards Russia? It is a pity that Mr Graubard did not find time to consult the diplomatic record; another dimension would have been added to his admirable study, and its usefulness in illuminating a too little known part of Labour's history would have been considerably increased.

Hitting Back

IN DEFENCE OF COLONIES.
By Alan Burns.
Allen and Unwin. 338 pages. 25s.

WITH most of the world using the word "colonialism" only as a term of abuse, a firm statement defending British policy in the colonies is welcome. Sir Alan Burns, who was in the Colonial Service for many years before he became Britain's permanent representative on the Trusteeship Council of the United Nations, has all the experience to write such a book. But ten years in the United Nations arena, parrying arguments, which were often not only ill-informed but malicious, seems to have made him too touchily sensitive to present a reasoned case. The barren sparring of the Trusteeship Council and Committee is reflected to a certain extent in his writing. Sir Alan carries the war into his hecklers' camp, vigorously but to little purpose. The United States and Russia are shown up as colonial powers; and the Latin Americans, who fall over themselves to dig thorns into British imperialism, are attacked for their oppressive policy towards the Indians in their own countries. Most of these points are true enough, but counselling glasshouse dwellers to stay quiet does not carry Sir Alan's case much further.

There is much interesting information in this book, but it is scattered about and often embedded in minor points that are over-documented. The briefly told story of Britain's motive for acquiring some of its colonies is fascinating: a mixture of material self-interest and the humane desire to stamp out the slave trade. The author is also good in his description of the birth pangs of self-government. His long experience in backward countries has made him cynical of the secret ballot box, so beloved by democratic countries:

> There is, however, no need to rush at once to democratic excesses and to require illiterates to cope in the first instance with the mysteries of the ballot box. They have their own methods of indirect election which, in the conditions existing in some colonial territories, are not necessarily less democratic than adult suffrage and the secret vote.

But the author's own comments are often buried under rather indiscriminate quotation. Some of these quotations have no worth except that they support his own line of argument; others bear dubious relation to present-day thinking.

The central theme of the book is the quarrel in the United Nations. Sir Alan's advice is that Britain should go on guiding its colonies towards self-government at its own pace, unbothered by the 57 nations which, according to his calculations, make up the anti-colonial block. Although Britain is under no obligation to listen to advice on the running of its colonies (as distinct from its trust territories), it has often done so in the past. Sir Alan believes that the British delegation should in future refuse to listen to comments which induce hard feelings but do no good. He describes the Trusteeship Council as "a political forum in which ideologies can be aired and propaganda broadcast." His frustration after ten years in this forum is understandable, but the same kind of sparring has weakened his case for the defence.

Struggling Giant

THE AFRICAN GIANT.
By Stuart Cloete.
Collins. 448 pages. 21s.

THE eponymous hero of Mr Cloete's book is the great body of African people who, so he had heard, were throwing off their chains. The author's search for the giant took him to those places where the links were said to be weakest, and to do this he and his wife travelled from their home in South Africa, through the Rhodesias, across the Belgian Congo to Nigeria, the Gold Coast and Liberia, and then back home via Uganda, Kenya and Tanganyika. Like John Gunther he collected innumerable facts and then wedged them into over 400 pages; but an important difference is that, whereas John Gunther looked at Africa as an outsider, Stuart Cloete comes of Boer stock and has spent most of his life inside Africa.

But he is a South African who does not seem to carry the stigma of racial hate. The fact that he made this trip through the blacker and then the blackest parts of Africa is significant in itself. But he is a South African in that he has far less fear than most American and European writers of criticising the Africans. He scoffs at them when he feels like it and he also laughs at them. He wonders why he should have to tolerate the arm of a drunken African round his neck in a bar when he would certainly not tolerate such an arm if white. He says back-handedly that he is always impressed by meeting intelligent Africans and he wonders very often into what state things are going to sink when the Africans govern themselves. "Now, as it is being handed over to the black, it will not be done" is a sentence that recurs in various forms like a theme throughout the book.

At times, for Mr Cloete has made his name as a novelist, he fondles situations; he lets the old walls of a slave market give rise to colourful imaginings and he "feels the ancient pulse" of Africa still beating. But for the most part the book is of facts, interesting, lighthearted and well observed, but rather too jerkily put together. As for the giant, the fettered African struggling to get free, it is claimed that his hands are at his own throat, that his feet trip each other up and that his brain is deranged, fevered by a dream. The African's problem, Mr Cloete concludes, is not the white man, but to learn how to get on without him.

The Juryman

TRIAL BY JURY.
By Patrick Devlin.
Stevens. 187 pages. 15s.

THIS is another book from the Hamlyn Trust, which arranges lectures on jurisprudence for the education of the lay public. It contains six lectures delivered by Sir Patrick Devlin, the High Court judge.

Sir Patrick gives the layman a good deal of information that will surprise him. It is, for example, generally thought that jurymen are drawn from a very wide range of citizens. But that is not true. The range is really narrow. It is almost a middle-class reserve, and inside the main reserve there are secondary reserves from which jurymen cannot be drawn. The list of these persons who do not serve is long. It includes MPs, sailors, clergymen, and men who have been convicted of a particular sexual crime. Some people must be exempted on more grounds than one.

Another popular belief is that juries deal always with facts, and judges only with the law. That is true only with severe qualifications. The commonest defence of the system is that twelve ordinary men and women, pooling their intelligence, are the best judges of facts. But, in truth, there are some facts that the law regards as outside the range of a jury's capacity—and on these facts the judge is supreme. The truth is that the juryman is an evolutionary freak. He has evolved from a witness on fact to a judge of fact, and the apparent contradictions in his duties mark the steps of his evolution, much as the gills of a human embryo marks mankind's.

This book is packed with learning and common sense; and the ordinary man, though he may find some of the learning a shade too subtle, will delight in the common sense. The last lecture is a beautiful piece of writing and contains one splendid sentence:

> The malady that sooner or later affects most men of a profession is that they construct a mystique that cuts them off from the common man.

Economists, historians, civil servants, clergymen, scientists—Please Note.

Campaigner

WHAT I SAID ABOUT THE PRESS.
By Randolph Churchill.
Weidenfeld and Nicolson. 112 pages. 7s. 6d.

THERE is nothing new in this booklet. It reprints three speeches made by Mr Churchill over three years ago, together with the proceedings in his successful action for libel last October against the editor of the *People* and Odhams Press, for calling him a paid party "hack." Its publication continues Mr Churchill's very personal campaign of invective against the "high pornographic content" of certain newspapers, by which he means the attention they pay to sex and crime; and against the reluctance of other newspapers to criticise the offenders by name.

It is "the handful of men who control the great national newspapers" that Mr Churchill is chiefly bombarding; and his favourite Aunt Sally, though others come under fire, is Lord Rothermere. But the publication of these reprints has since given him another target for his campaigning in W. H. Smith and Sons which, with its near-monopoly of distribution, is not handling the booklet apparently on the ground that the old speeches may now turn out to be libellous.

Books Received

INTERNATIONAL TAX AGREEMENTS: Volume VI.
United Nations, New York.
London: *Her Majesty's Stationery Office.* 269 pages. 14s.
This, the sixth volume in a series prepared by the Bureau of Economic Affairs, contains the texts of agreements concluded since June, 1953.

BASIC ACCOUNTING AND COST ACCOUNTING.
By Eugene L. Grant. *McGraw-Hill Publishing Company.* 382 pages. 45s. $6.00.

THE THEORY AND WORKING OF UNION FINANCE IN INDIA.
By R. N. Bhargava. *Allen and Unwin.* 308 pages. 30s.

INTERMEDIATE PRICE AND INCOME THEORY.
By M. M. Bober. *Bowes and Bowes.* 526 pages. 35s.

THE SOCIAL CONTRACT: *a critical study of its development. Second edition.*
By J. W. Gough. *Oxford University Press.* 267 pages. 30s.

THE FRUIT ANNUAL 1956-57: *year-book and directory of the world fruit trade.*
Edited by H. F. Tysser. *British-Continental Trade Press.* 589 pages. 20s.

THE STOCK EXCHANGE OFFICIAL YEAR BOOK, 1957: *Volume 1.*
Thomas Skinner. 1,934 pages in Volume 1. £8 for both volumes.
To maintain the balance in size between the two volumes of this invaluable book of reference, the mines section has been transferred to Volume 1 now published, leaving Volume 2, published in September, to contain only the commercial and industrial companies. The Investment Trust section, also in Volume 1, contains a table showing, where possible, the book value, valuation, and distribution of the investments of each trust.

WHO'S WHO 1957

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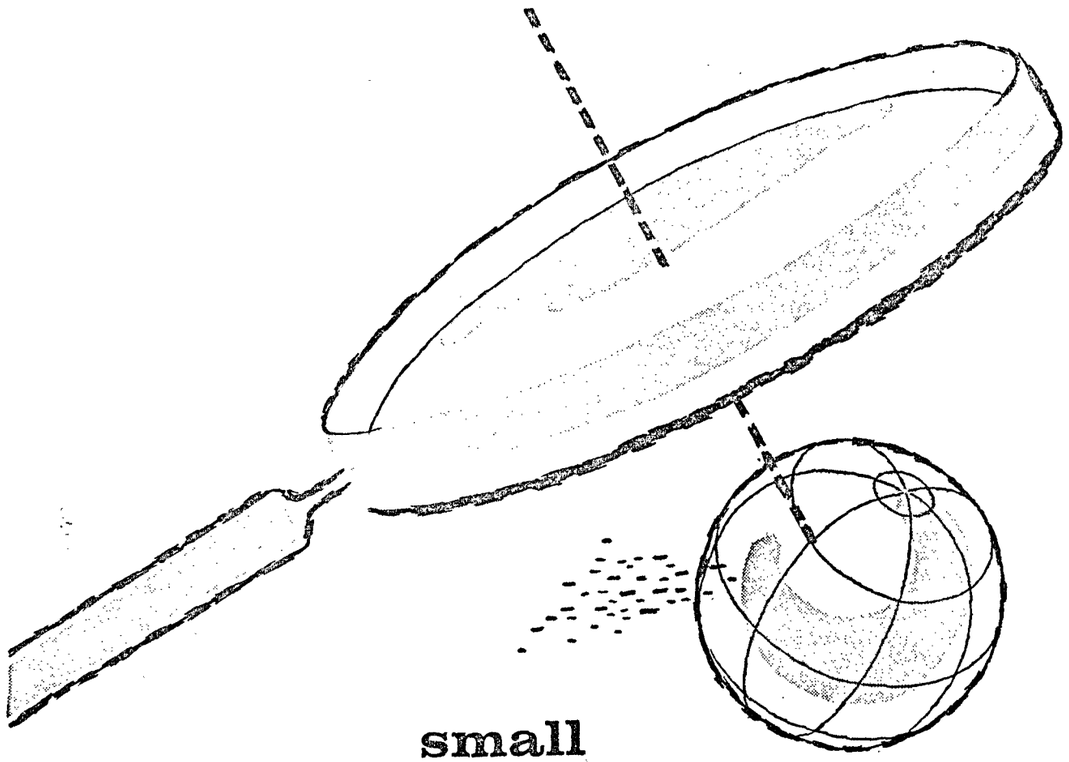
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American Survey

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Whose Budget?

Washington, DC

THE controversy over the Budget provides a perfect illustration of why President Eisenhower is the despair of those American political theorists who believe that the country's salvation in the modern world rests with a strong executive. Of all the President's proposals to Congress, none is more completely the expression of his judgment and will than the Budget. And yet Mr Eisenhower, almost from the day he submitted it, has let Congress and the country know that he is not happy about his own spending programme and has indirectly invited Congress to reject an indeterminate and unspecified number of items in the Budget. If this seems fantastic to a European accustomed to parliamentary government, it is little less unusual for the United States. Indeed, such a thing has never happened since the federal government became a major force in the society at the beginning of the nineteen-thirties. Presidents Roosevelt and Truman would never have dreamed of making the kind of remarks that Mr Eisenhower has been making since January.

The President denies that he has "urged" Congress to cut the Budget. Yet he has said that the reason for its size is a large number of programmes approved by Congress (which, if literally true, would lay at the feet of Congress responsibility for the cold war), and that if Congress wants to reduce the Budget substantially it must decide which programmes it does not want. This is equally mystifying. With the possible exception of certain benefits for ex-servicemen, all the major spending programmes in the Budget and most of the minor ones have been specifically endorsed by the President or members of his cabinet. At no time—fortunately—has the President retreated an inch in his insistence on the spending for foreign aid, atomic energy and defence, which accounts for nearly two-thirds of the total.

Aside from Mr Eisenhower's personal awe of Congress, which has put him in two minds on the crucial question of executive leadership, the real reason for the present astonishing situation is the divided soul of "modern Republicanism." The contradictions inherent in being "liberal" in human matters and "conservative" in fiscal ones were successfully disguised during the President's first four years, but they could not be buried forever. They have burst into view in the shape of a spending estimate of $71.8 billion for the year ending in June, 1958. This is a record for peacetime. Although many of the reasons for the increase in spending have nothing to do with Mr Eisenhower's philosophy of government, conservatives who are dismayed by this huge total angrily point out that the largest increases since the Eisenhower budget low of the fiscal year 1955 have been in civil benefits, which include money spent on housing, agriculture, the development of natural resources and schools. Many conservatives have concluded in despair that under Mr Eisenhower the party is far more "modern" than "Republican" and they are undoubtedly right.

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The results of all this become, as Alice said, curiouser and curiouser. The Chairman of the House Republican Campaign Committee, Representative Simpson, lashes out at his own President's Budget on every possible occasion. Mr Martin, the Republican leader in the House, says the people are "alarmed" by the Budget. The Democrats gleefully contributed most of the votes for the unprecedented resolution passed by the House requesting the President to indicate where cuts could best be made—an embarrassing request which he turned down. But they have found no real way of both opposing the large Budget and maintaining their treasured reputation of being the truly liberal party.

This is no problem for the conservatives in the one-party South, but for the northern Democrats who have to fight elections the situation is exceedingly awkward. Most of them, being men of considerable intellectual integrity, have simply held their peace on the Budget—the one issue on which public discontent with Mr Eisenhower is clearly manifest—and have continued to support a wide variety of programmes which would require even greater spending, such as the development of hydro-electric power in the west and aid for the nation's areas of chronic unemployment. Finally, the President's own malaise at the bitter fruits of his philosophy effectively bars him from adopting the one possible new initiative in foreign policy that is available—a major new programme of aid for the under-developed countries. He has already rejected, for this year, the proposal of his International Development Advisory Board for just such a programme.

Underlying the whole affair is a phenomenon sometimes overlooked abroad. This is the deep-rooted conservatism of American society. After listening to the National Association of Manufacturers one would conclude that socialism is right around the corner, that the people are "soft" and looking for federal handouts everywhere. The truth, on the contrary, is that the American working man is probably nearly as disturbed about the high level of spending and taxation as the Wall Street banker or the Texas tycoon.

There is no sign that those groups, such as farmers and ex-servicemen and the needy aged, who are getting benefits from the current system, want them cut off; but there should be no mistaking the pervasiveness of the discontent at the heavy taxes which are the inevitable result of piling welfare spending on top of the necessary costs of the cold war. Economists and intelligent liberals can argue until they are blue in the face that federal domestic programmes are in fact just keeping pace with the expanding national income, but this makes almost no impression on Congress or on the public at large.

EXPENDITURES AND NATIONAL INCOME
Fiscal years ($ billions)

	1955 actual	1956 actual	1957 estd.	1958 estd.
Protection (defence, mutual security, atomic energy, etc.)	42·7	42·4	42·7	45·3
Civil benefits	13·7	15·3	16·5	16·9
Interest	6·4	6·8	7·3	7·4
Administration, etc.	1·7	2·0	2·4	2·2
Total	64·6	66·5	68·9	71·8
National income	308·5	334·1	353*	
Civil benefits as % of National Income	4·4	4·6	4·7	

* Unofficial estimate.

The upshot of this topsy-turvy situation is not to be taken lightly. The actual estimate for spending in the next fiscal year, which begins in July, probably cannot be reduced much. All Congress can do is to reduce appropriations, which have only the remotest relationship to current expenditures. Most of these are either financed by appropriations passed in earlier years, or are required by law. Moreover, the reversal of the momentum of rising expenditure is an extremely difficult process. But if the actual figures of expenditure are relatively inviolable, at least in the immediate future, the programmes which have led to them are not. What many people consider to be a desperately necessary programme of federal aid for construction of schools is in serious jeopardy because of the demand for economy. Already the House has rejected a programme for extending the promising "soil bank" in agriculture to the worrisome problem of feed grains. The foreign aid appropriation—always the item that can be cut without fear of political retaliation at home—is endangered. Because the present foreign aid programme is in the nature of a "holding operation," the possibilities for reducing appropriations for it are not unlimited. But the cuts are likely to go deeper than they have gone in recent years. Even the defence appropriations, which for two years have been attacked solely on the grounds that they were not large enough and that the President had taken too many risks to save money, are no longer sacred. The air force, which feels that its deterrent power has already been endangered by economy, finds the prospect frightening. To the army it is even worse.

Nobody complained much about the Budget in the first four Eisenhower years, except to object that individual items in it were too low. Now practically everybody is complaining, except a lonely band of liberals. This sharp reversal of public sentiment is likely to achieve its major objective—a tax cut next year. But the victory may well be gained at the expense of taking serious chances with the country's security and with urgently needed development at home.

Teamsters Overturned

MR DAVE BECK, the president of the Brotherhood of Teamsters, who returned from Europe to face the music of the Senate select committee investigating "improper activities," has promised to sing—at least a little. He has voluntarily agreed, under the threat of a subpoena, to produce himself and at least some of his records for the committee. But if its questions about his personal finances and the interest-free loans of $300,000 and more which he received from the union become too embarrassing, he may plead his constitutional rights under the Fifth Amendment and refuse to answer on the grounds that he cannot be forced to incriminate himself. Such a silence would itself seem suggestive, but as a sensation it would not compare with the arrest of Mr James Hoffa, the vice president of the lorry-drivers' union who is the power behind the presidential throne and Mr Beck's heir-apparent. Mr Hoffa was arrested on charges that he gave $18,000 to a lawyer of the investigating committee to provide him with its confidential files. Unfortunately for Mr Hoffa, the lawyer, Mr Cheasty, was a former FBI man who went straight to the authorities.

With Mr Hoffa in the hands of the law, the committee has not yet been able to question him. But other witnesses have put the teamsters in a steadily worsening light. The union's chief official on the west coast seems to suffer from amnesia every time he is asked about the use of union funds, and other officers have testified, with unconscious humour, that vital financial records were destroyed "as a fire hazard." The state officials who are alleged to have conspired with certain officers of the union to protect the vice business in Portland and debauch law enforcement in Oregon have not done much better. One took refuge behind the Fifth Amendment and another refused to undergo a lie detector test.

The American Federation of Labour and Congress of Industrial Organisations cannot be sorry to see the arrogant officers of its most powerful and most trouble-making member brought low. Mr Beck insists that his rank and file will not forget the economic benefits he has brought them, but this probably is whistling in the dark; most observers think the days of Messrs Beck and Hoffa are numbered. Under new officials the teamsters may be more co-operative and less of a disruptive danger to the labour movement. But the other side of the coin is that the sight of all these rotten apples in labour's barrel may bear fruit in laws fastening harassing controls over the funds and political activities and internal running of honest and dishonest unions alike.

Steel Steels Itself

IN a month in which the seasonal trend of steel output is usually upward, the steel industry is breaking records—downward. Production last week, at 93.8 per cent of capacity, was the lowest for the year and if, as forecast, it falls to 93.5 per cent this week, output will be less than in any full working week since last August. A year ago the industry was running at over 100 per cent of capacity but

that, as steel men are comforting themselves by pointing out, is too high a rate to be efficient. Producers are steeling themselves for a further decline in output, for orders for April are disappointing. They maintain, however, that more steel is being used than is being bought; now that the supply situation is easier, customers are living off their reserves. On this theory, the industry is expecting that new orders will mount again in May, when stocks should be exhausted; some optimists even prophesy a "scramble" for supplies in that month.

In particular it is hoped that by then automobile manufacturers will be needing more steel. It is because of the decline in the demand for steel sheets, used in making cars and household appliances, that both the United States and the National Steel Corporations shut down furnaces last week—seven altogether. But the pressure on other steel products is also easing; some oil companies are reducing their orders for the steel pipe which has until now been one of the scarcest types and even structural steel is in better supply, although heavy plates are still hard to come by. Meanwhile, not all companies have as yet been affected by the decline in new orders. But the industry, and the economy in general, have just had an unpleasant, although not entirely unexpected, shock: the government's latest survey of capital spending shows that during 1957 business men plan to spend only $37.4 billion on new plant and equipment. This is an increase of less than 7 per cent over last year, compared with a rise of 22 per cent between 1955 and 1956, which was the chief force behind last year's boom. However, the survey does not bear out fears that capital spending will taper off as the year advances. It finds that about $18.5 billion is expected to be spent in the first half and $18.9 billion in the second.

Vote for a Glut

IN the House last week the farm block, an ancient bipartisan interest group, split so many ways over the Administration's emergency scheme for maize that it was unable to pass any Bill at all. Unless the Senate is able to find an acceptable compromise in the few weeks left before planting time maize, the second greatest generator of surpluses, will race into a new season free of all effective controls. By next year it may not only be the maize farmers of the Republican middle west who are suffering from overproduction and depressed prices. The contagion, with all its political overtones, may have spread to producers of livestock and dairy products.

The original request of Mr Benson, the Secretary of Agriculture, had an Alice-in-Wonderland quality: he wanted Congress to raise the permitted plantings for maize in order to reduce production. When acreage allotments are as low as they will be if Congress fails to act, farmers prefer to run the risk of going without price supports rather than conform to their allotments. If these were increased, the Administration thinks farmers would observe them; then they would qualify for price supports and could participate in the soil bank, the scheme for reducing production of certain crops by paying farmers to withdraw their land from use.

The southern Democrats who suspect that soil bank payments were rushed into the middle west last year to put out a prairie fire of discontent among Republican farmers scented more political favouritism; their Bill would have rescued the maize farmers only if Mr Benson would open the soil bank to other feed grains. These are being grown increasingly in the south and south-west as they shift from cotton and tobacco to more diversified farming.

Such an extension of agricultural subsidies would be costly in a year when all spending is under fire, and President Eisenhower threatened to veto the Democratic Bill. But the Democrats from the big cities in the north, searching for a way to economise which their constituents would approve, did the job for him. This is one more sign of the rifts in the Democratic party between north and south. If Democrat defeated Democrat, the Republicans, in their turn, fell through the cracks in the farm block when they tried to satisfy Mr Benson. Representatives of livestock and dairy interests wanted cheap grain and therefore no Bill; the Republicans' old allies in the south—once the home of non-competitive crops—refused to co-operate if there was nothing in it for them. If Congress cannot do better, Mr Benson will have little choice but to support the price of maize whether farmers comply with their acreage allotments or not. But this, too, means encouraging more surpluses just when the Administration at last seemed to be beginning to master them.

Oil in a Quandary

WITH a "we told you so" to its former critics, the Texas Railroad Commission this week reduced the output from Texas oilfields which it will allow during April by 225,000 barrels a day. The main purchasing companies had notified it that they would need less extra production next month to meet their commitments. According to the commission, Europe, after screaming its head off for more oil from Texas, has turned down the extra shipments as soon as they were offered. In time there may be some truth in this complaint, but it is still too soon for Europe to make any significant reduction in its emergency purchases of American oil. A more reasonable explanation of the reduced demand is that, because of the seasonal decline in the American consumption of fuel oil and distillates and the very large stocks of petrol in hand there, the oil companies can now supply the emergency needs of Europe without needing as much extra production from Texas as they did in March. Even when output in Texas goes down next month, America will still be producing about 400,000 more barrels of crude oil a day than it was at this time last year, while American refineries are using less than 100,000 barrels a day more.

As the supply routes from the Middle East are gradually reopened, the American domestic producers are faced with a dilemma. On the one hand, they want to ensure that American crude oil is readily available, so that the refiners on the east coast cannot plead shortages as an excuse for resuming imports from the Middle East; but, on the other, any glut in crude oil supplies might force down prices,

which recently were raised by between 25 cents and 45 cents a barrel to cover the rising costs of finding oil in the United States.

Unless the price of middle eastern oil rises as well, imported oil will have a greater price advantage over domestic production than it had before the Suez Canal was blocked. The Office of Defence Mobilisation, which has resumed its study of the need for restrictions on imports, will therefore find the pressure for controls more difficult to resist than ever. And the new Eisenhower doctrine for the Middle East, together with the need of middle eastern producers to recoup the revenues they have lost during the last few months, may make it difficult for the Administration to discriminate on strategic grounds against the Middle East and in favour of Venezuelan oil, which is being imported into the United States in larger quantities than before.

From Farm to Factory

FROM A CORRESPONDENT IN DALLAS

THE traditional wide open spaces of Texas are growing more open, reversing a long-term trend, even though the number of people in the state is rising. From the time when the Spanish conquistadores explored the pine forests and prairies, until about a generation ago, an increasingly complex lace-work of barbed-wire fences spread across Texas. By 1930, some counties in the older parts of the state had an average of less than 100 acres to each farm, although in some western counties the average ranch had more than 10,000 acres. But after 1930 the trend was reversed, with each successive census showing an increase in the average for the whole state. Since 1930, also, the number of farm people has been almost halved, although the total population of Texas has gone up by about a third. Thus in the last twenty-five years there has been a steady decline in the number of people living in the rural districts which make up about 85 per cent of the land area of Texas, while in the remaining 15 per cent of the state there has been a rapid increase in population. In 1930, only 41 per cent of the state's population lived in places with 2,500 or more inhabitants; by the time the 1950 census was taken, the state's urban population had increased to 67.3 per cent and 44 per cent of Texans were living in cities of 10,000 or more.

TEXAS FARMS

	1930	1954
Land in farms (acres)	124,707,130	145,962,287
Average size (acres)	251·7	484·4
Number of farms	495,489	292,946
Farms with tractors	37,348	174,040
People on farms	2,342,553	1,265,000 (estimate)
Percentage of people in state in rural areas	59	33

There have been similar changes in a number of other farming states, notably in the south and west, but probably nowhere have they been so marked as in Texas. This is because from the time of the Civil War in the eighteen-sixties until the early part of the present century the state developed in a way which led to agricultural instability. Planters streamed out from the Old South on to the plains of Texas to find themselves in an entirely new agricultural environment; but since they knew how to grow cotton, they planted cotton. To begin with the virgin soils, often of medium or shallow depth above their subsoils, produced good crops, encouraging the planting of more cotton. The cattle ranges and the big ranches retreated before the onslaught of the man with a hoe—and much of the top soil disappeared soon after he arrived.

The prairies were better adapted to mechanisation than the timbered lands of the Old South, and this hastened the soil erosion that came with hurried cultivation. In 1955, it was estimated that about a third, 11 million acres, of the cultivated lands in Texas had been badly damaged, and that another 50 million acres, largely livestock range, had lost as much as 25 per cent of its topsoil from over-grazing. Today, however, over half the farms in Texas are engaged in co-ordinated soil, water and plant conservation programmes, with the help of both the state and the federal government.

But the migration to the cities has come only partly because of soil erosion. There is still enough good soil to keep the farmer in the country if, at the other end of the road, there were not the attraction provided by the recent development of industry in Texas. Between 1939 and 1954, the number of Texans employed in manufacturing industry increased from 163,978 to 414,113; this increase roughly equals the number of adult workers who left the farms during the same period. Of course, the movement was not always a direct one; some of the new factory workers came from other states, and from the natural increase in the population; some of the farm families moved to the booming Pacific coast. But, by and large, it can be said that the change was one of Texan farm tenant into Texan factory worker.

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The economic and political effects of this shift have been marked in both town and country. In the rural areas social conditions have improved greatly. Family incomes have risen as the number of tenants has declined and as the amount of land actually owned and worked by the farmer himself has gone up. Equally, the standard of living of the tenant farmers who are now industrial workers in the cities has shown a healthy improvement. Politically, the great shift in population has made the rural areas more conservative. There has been no change in sentiment among those remaining on the farms, but many of the more progressive have been drained away. After the agrarian Populist movement in Texas in the latter part of the last century, the tenant farmers were the principal radical element in the state, while the farm owners tended to be reactionary. However, because of the decline in the total number of voters in rural areas, this increase in conservative strength there has not meant that it has increased in the state as a whole. But the effect has been felt in the State Legislature, whose members are, in a high proportion of cases, elected from predominantly rural districts.

The trade unions have taken full advantage of the situation by organising the migrating farmers almost as rapidly as they have entered urban industry, especially in the huge aircraft factories. These are largely assembly plants, more suitable for the untrained farm worker than are more highly specialised types of industry. The trade union leaders are liberal in their political outlook, while the business community is conservative. These conservatives, organised in chambers of commerce and similar groups,

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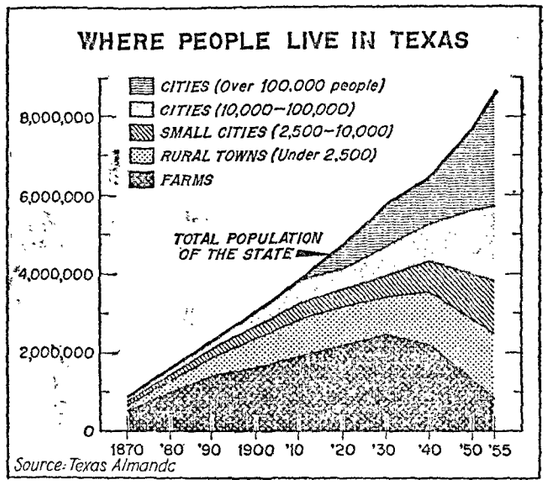
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are themselves largely responsible for their present political difficulties; long urging industrial expansion in order that the potential prosperity of the state might be developed, they have now got their industrialisation—but with it has come organised labour.



The trade unions are still far from being strong enough to control Texas at the polls, but they can be very effective within the Democratic party at local levels. In past elections they have sometimes found themselves on the same side as rural voters, many of whom still have progressive instincts left. There is no reason why such a coalition should not sooner or later capture the state. Meanwhile, the middle-of-the-road voter holds the balance of power. The confusion which all this brings to Texas politics, where the one party system resulting from the perennial Democratic dominance is just beginning to be challenged by the Republicans, was demonstrated last summer by the complicated manoeuvres over the appointment of the state's delegation to the Democratic national convention at Chicago and over the nomination of a Democratic candidate for Governor. The winner was Senator Price Daniel, and the campaign to elect a new Senator to succeed him in Washington is now providing an even more striking demonstration of political confusion.

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There are about twenty Democratic candidates in the field since, in this type of election, there is no provision for a preliminary round to knock out the intraparty contenders; an attempt to amend the law so that there would have to be a second poll if no candidate had a clear majority has apparently been defeated in the State Legislature. Only a few of these Democrats are taking this free-for-all seriously, but among them are several from each wing of the party, including Mr Ralph Yarborough, an experienced liberal campaigner, popular with labour, who nearly won the Governorship last year, and Representative Martin Dies, a rabid anti-Communist, who has wealthy conservative backing. Mr Dies and the other right-wing Democrats among the candidates will take away from Mr Thad Hutcheson, the lone Republican, the conservative Democratic support which helped to give the state to Mr Eisenhower in the last two presidential elections. Nevertheless, there is still a chance that the Democratic vote will be so splintered that Mr Hutcheson will win on April 2nd. If he does, there will be 48 Republicans in the Senate in Washington, instead of 47 as at present, 48 Democrats instead of 49, and the Republican Vice-President will have the casting vote. This would enable the Republicans to take over control from the Democrats, so it is not surprising that this contest in Texas is being watched by the whole country.

Shield Against Sickness

FROM A SPECIAL CORRESPONDENT

VOLUNTARY health insurance has been the medical success story of this generation. Since 1939, the number of people voluntarily insured against hospital costs has risen from 5 million to over 110 million, those insured for surgical treatment from 2½ million to over 90 million, and those with general medical coverage from 1 million to over 55 million. The population grew during this period by about 23 per cent to 166 million, but even so these are phenomenal figures. The increase in insurance against ill-health is due largely to three factors: the acceptance since the war of health insurance as a proper subject for collective bargaining between employers and trade unions; the deep fear of state-controlled insurance felt by the medical profession and the insurance companies; and the simple need of families to protect themselves against the high costs of sickness in the United States.

About a quarter of all privately insured persons are covered by individual or family insurance policies. These, however, usually provide only limited cash benefits under strict conditions. They have been far outdistanced in sales by group insurance plans, which are sold to employers, trade unions, trade associations and community organisations of various kinds acting as agents for groups of individuals or families. Because they insure on a group basis, allowing the "poor risks" to be offset in any average group by the "good risks," group plans cost less, provide more protection and impose fewer restrictions than do individual and single-family plans. Group plans, however, take a variety of forms. Some offer cash benefits, the patient paying the difference between what he receives and the actual charge. Others undertake to provide certain services to the subscriber at no charge apart from his regular premiums. Many plans incorporate both features.

Most of the service benefit plans are offered by two non-profit organisations, Blue Cross and Blue Shield. Blue Cross, which is a creation of the American Hospital Association, specialises in providing bed, board and certain services for subscribers while they are in hospital. Blue Shield is a network of non-profit corporations sponsored by state and local medical societies, offering protection against the cost of medical and surgical care; it is met in full for specific kinds of treatment if the subscriber's income falls below a certain level, and if his doctor has agreed to be satisfied with the Blue Shield scale of fees. Otherwise, the subscriber must pay the doctor the difference. In most states combined Blue Cross-Blue Shield plans are sold as a "package."

These schemes are all based on a strong tradition: the individual practice of medicine. However, a minor but important type of service benefit plan is linked with group practice in medical centres. These centres, sponsored by lay or medical groups or combinations of both, provide relatively comprehensive care to about 5 million people. Unfortunately, the centres are losing ground because of the opposition of the medical profession, which argues that linking insurance with group practice impairs the relationship between doctor and patient, encourages abuses and lowers the quality of medical care. There is little evidence that it does. In fact, a number of highly reputable surveys suggest that group practice centres provide not only more comprehensive but frequently better care, because of the pooling of manpower, experience and resources.

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The hostility to group practice schemes is regrettable since most other health insurance plans suffer from substantial drawbacks. Many occupational groups—such as farm labourers, the self-employed, domestic servants and employees of very small firms—are virtually excluded from group insurance, and usually find that the individual policies available to them cost too much and lay down too many conditions to provide adequate protection. The exclusions and limitations of group plans are also numerous and often severe. Many come to an end when the subscriber retires, transfers to another industry, or is out of work. The dependents of the breadwinner are frequently only very sketchily covered. For certain kinds of care—dentistry, preventive medicine, psychiatric treatment, eye care, drugs, appliances and chronic diseases—there is little or no provision.

The greatest failing of most private plans, however, is their inability to meet the full costs of "covered" treatment. Fixed scales of compensation, time limits on benefits, "co-insurance" provisions requiring the patient to pay a percentage of the bill, "deductible" clauses prohibiting benefits for initial or low-cost treatment, together with constantly rising medical costs, impose a heavy burden on the average family. The proportion of the total individual medical bill met by voluntary health insurance varies widely, of course, with the type of policy taken out. Including, however, those not insured at all, voluntary health insurance still meets less than a quarter of the privately paid health bill of over 10 billion dollars a year.

Nevertheless, there is little agitation for a broader shield against the costs of ill-health, which so daunt visitors to America. Sickness, after all, is not evenly distributed, and most families manage to weather the storm. Also, the insuring agencies are constantly broadening their coverage, increasing benefits, and providing such special services as "catastrophe" insurance to meet part of the costs of major illnesses. This, together with the extensive public provision for workmen's compensation, for public health services, and for ex-servicemen, has been enough to prevent any great demand for radical change.

The real alternative, of course, is government insurance. But the onslaught of the American Medical Association on President Truman's proposal for national health insurance in 1949 was so ferocious and so effective that hardly anyone has seriously discussed the matter since. The main exception is organised labour. The American Federation of Labour and Congress of Industrial Organisations is committed to compulsory health insurance. But, despite the stand of the national federation, many individual unions are indifferent—to say the least—to the nationalisation of a service which they themselves provide, however imperfectly, for their members through collective bargaining.

Bills to create a system of natio... been placed before Congress this year, past, but this is only keeping the flag flying. ... is the indifference of the public that not even Eisenhower could persuade Congress in 1954 to pa... extremely mild proposal to create a Federal Hea... Reinsurance Service to "encourage private and non-profit health insurance organisations to offer broader health protection to more families." A proposal by Mr Stevenson during the recent campaign to offer federal aid to states wishing to supplement voluntary health insurance caused hardly a ripple. Public health insurance may be a good idea, but the vast majority of Americans seem neither sick enough nor—while prosperity lasts—poor enough to care. The vulnerability of all mortals to sudden illness may be a most familiar fact. But, as the election of President Eisenhower showed, a remarkable number of Americans are prepared to gamble with health.

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Measuring the Market

SHEPHERDED by attractive girl guides, visitors to the New York Stock Exchange may now see, on an animated board, how shares are bought and sold, watch a free film show in colour to learn how to invest their money, and even have their names inscribed on ticker tape to drop on someone at the next Broadway parade. For those who think they know all of these things already there is another development: a new index of share price movements on the New York Stock Exchange prepared by Standard and Poor's.

The new index, which is calculated by electronic computer, is published every hour when the Exchange is open for trading. The first hourly—or even daily—index to include more than a small, and inevitably biased, sample of the stocks dealt in on the Exchange, it records the average price movements of 500 separate stocks, which together make up nearly 90 per cent of the total value of all the ordinary shares listed. As in earlier Standard and Poor's indexes, each company included is weighted according to the number of shares it has issued, and the pitfalls caused by stock splits are thus deftly avoided. For those who like to think in dollars, the new index has been so constructed that a movement of a single point is, very roughly, equivalent to a change of a dollar in the price of the average share. If the index rises or falls by a single point it represents a rise or fall of over $4 billion in the aggregate value—now just over $200 billion—of the ordinary shares listed on the Exchange.

Because of its comprehensiveness, the speed with which it is published, and its freedom from the absurd statistical anomalies still contained in the market averages prepared by Dow Jones and Company and by other experts, the new Standard and Poor's index should quickly earn a reputation of being, for most purposes, the most useful market indicator. Its victory would be complete if the management of the New York Stock Exchange, which has hitherto indirectly pointed out the deceptiveness of many of the most popular indicators by refusing to sanction any of them, were now prepared to accord the new index official recognition.

The World Overseas

France's Choice in Algeria

FROM OUR PARIS CORRESPONDENT

EVERY few months there is, as now, a "renewal of contract" between M. Mollet and the Assembly. The motive is always Algeria, the ritual always the same. First, newspapers hint that because UNO will soon meet or has just met (or for whatever other reason), France must redefine its policy. New departures are necessary, and M. Mollet means them to be spectacular. Then the cabinet meets, and M. Lacoste, coming post-haste from Algiers, explains that Colonel Nasser must be beaten first, or that war-weary villages have recently sought official protection, or that the army command believes that three months more will tip the balance. Reports circulate that the cabinet is deeply impressed by these statements, though one minister and two under-secretaries demur. M. Mollet, it turns out, agrees with M. Lacoste, and will make a new and important offer to the rebels. The Assembly, despite individual—and mutually contradictory—doubts, endorses this. M. Mollet then makes significant, but minor, glosses on his previous statements, to which the rebels do not respond. And policy marks time until the next "renewal of contract," hastened by left-wing journalists' reports of repression, and by party leaders' appeals for "new steps" in Algeria.

This week's "renewal" follows the party truce during the UN Assembly debate. A lead is more urgent than usual, because American help saved the day in the United Nations and will, no doubt, be needed again if France is to surmount its balance of payments troubles. America clearly expected the "liberal" solutions that M. Mollet has promised in Algeria, and so do a growing number of politically minded Frenchmen. Unfortunately, M. Mollet's recent consultations with the party leaders have again shown that, short of accepting rebel terms, liberal solutions are more easily preached than practised. The many plans (especially federal ones) recently proposed for an autonomous Algeria, like M. Mollet's policy itself, skip the question of Moslem assent. A few leaders do suggest ways of renewing contact with the Moslems—M. Mendès-France by spectacular pledges, M. Pleven by a round table conference—which assume they can be weaned from the rebels. The present signs are contrary. The pathetic letter of fifty French Moslem officers to the President of the Republic shows how even their loyalties are desperately divided. To turn the difficulty, M. Soustelle, the Gaullist ex-governor of Algeria, suggested that the government should immediately begin to create its autonomous Algerian republic without awaiting a cease-fire. The fate of the municipal reform, much publicised but hardly broached, shows how impractical this is. Moslem councillors would be sure targets for assassination if the government were to nominate them. As for an election, no candidates will be found so long as the rebels withhold their co-operation.

There seems to be no way now, if there ever was one, of setting the rebels aside. This makes it harder to avert the clear-cut choice which the government's critics always feared M. Lacoste's one-sided "pacification" of Moslems would make inevitable: either the rebels give up their "right to independence" or the French recognise it. French opinion is not resigned to this option. This is perhaps why speakers in this week's debate have been more precise on side-issues than on Algeria. Well-intentioned members of the MRP press constitutional reform on the government in order to strengthen ministerial stability; the conservatives attack it on inflation, disowning the consequences of the North African policies which they have themselves encouraged.

There are, however, signs that the very strains of the struggle may be tiring both French and rebel attitudes. In Algeria the French army seems to have hit the rebels hard. First it drove them from operations in the open country to urban terrorism; now it has punched holes in their organisation in Algiers. Whether this really undermines the rebellion, whose indefinite leadership has always been a political curse but a military strength, is not clear. It also seems that the Sultan of Morocco and M. Bourguiba are again, as before the capture of the Cairo leaders last October, counselling moderation to the rebels.

In France the moral strain is telling on Christian opinion and on the Left, while the economic strain is affecting the Right: witness M. Reynaud's new maxim that "the financial question dominates all others, including Algeria." The French will probably not be prepared to throw prosperity to the Algerian winds. On the other side, charges of blindness in the army's repression of the rebels and of police tortures are multiplying. The Catholic hierarchy has insisted that the best cause does not justify intrinsically evil means. The government's stupid attempts to suppress criticism mainly serve the critics.

All this gives the impression that, despite disappearing hopes of circumventing the rebels, very slowly things must move towards a loosening of the present implacable deadlock. In immediate parliamentary terms, the effect is that M. Mollet, though still irreplaceable, no longer holds his former sway over the deputies. His majority will probably be reduced in the vote that ends the debate.

King Saud's Finances

FROM OUR SPECIAL CORRESPONDENT
LATELY IN RIYADH

KING SAUD may go down in Arabian history as Saud, "the Masterbuilder." The population of his capital, Riyadh, already exceeds 250,000, having quintupled itself in ten years. The crooked lanes winding through mud-brick walls have gone; in their place are broad boulevards and handsome dual carriageways, along which the King travels from palace to palace, escorted by motor-cycles, jeeps and staff cars, gleaming bright in their pillar-box red coatings. Most of the palm groves that used to grace the city have gone, and the steady drone of the donkey-wells that watered them, recalling the singing ox-carts of the Douro valley, has given way to the blare of motor-horns and the phut-phut of mechanical pumps.

Concrete is springing up where the palms once grew—taking shape as schools, hospitals, hotels, ministries and palaces. The problem is how to staff them. The crown and glory of them all is the new Nasiriyeh palace, into which the King hopes to move any day. It is a vast complex of pink cement buildings, hinting here at Granada, there at the Riviera, set in gardens and tamarisk groves against a desert background. It is a £10 million project, started on the foundations of a comparatively new £4 million palace that was demolished to make room for it. Responsibility for its construction lies with the director-general of public works, a brilliant arithmetician from the Hadhramaut who can neither read nor write. But the King himself supervises the work in minute detail.

Ruthless elimination of the past, with its memories of poverty and struggle, is not confined to Riyadh. The new world is thrusting in at the seaport of Dammam with its fabulous jetty, in the great oasis of Al Kharj and in the western cities of Mecca, Medina, Jidda and Taif. Yet the rate of construction, breakneck as it is, cannot keep pace with the demand. Building sites in the centre of Riyadh are changing hands at £5,000 a square metre.

It is difficult to write with precision about Saudi finances. The financial year runs from August to August, yet the budget for the current year is still under consideration. Provisional estimates, worked out before the attack on Egypt, put the figures for revenue and expenditure at about £150 million, against £120 million in the last published budget—that of 1954-55. But the dislocation of the oil industry brought about by the closure of the Bahrain pipeline and of the Suez Canal has raised doubts about the revenue figure.

Before the attack on Egypt, Saudi Arabian oil production was running at the rate of about 135,000 tons daily. About 16 per cent (some 22,000 tons) was piped into Bahrain, about a quarter (some 34,000 tons) passed through the Suez Canal, another quarter was shipped from Ras Tanura by other routes, while the remaining 34 per cent (some 45,000 tons) was piped through the TAPline to Sidon. The closing of the Bahrain pipeline meant a 16 per cent loss to the Saudi treasury for a period of about four and a half months. The loss due to the blocking of the canal is more difficult to assess. Part of the oil formerly passing through the canal found other outlets—in the Far East, for instance—so the fall in revenue was somewhat less than 25 per cent. On the other hand, it will be some time before the canal is open to normal traffic. It seems reasonable to expect that the closure of the canal will mean a loss of oil production averaging between 20 and 25 per cent for about six months. If that is correct, the estimate made by Shaikh Muhammad Surur, the Saudi minister of finance—that oil revenue for the whole year will be down by 20 per cent—seems a fairly safe one.

On that estimate, oil revenue for the current year will come to about £75 million, as against about £90 million. The other principal sources of revenue are income tax and customs duties, which are expected to yield about £20 million and £10 million respectively. (The Saudi government abolished this year all duties on imported foodstuffs.) It is clear that miscellaneous items of revenue, such as licences and fees, will not suffice to cover the budget deficit. Nevertheless, the Saudi government has decided not to reduce its expenditure for the year as a result of the Suez crisis. Instead, some £20 million will be drawn from the general reserve to meet the gap between revenue and expenditure. This is not the first time that the Saudi government has resorted to deficit financing; the year 1954-55 also saw a figure of nearly £20 million drawn from the general reserve. The government is confident that the steady rise in the world demand for oil will enable it to pay its way.



There is no reason to suppose that Saudi oil output will be slow to get back to the pre-crisis rate of 135,000 tons a day. Output fell to 87,000 tons in January, but rose again to 95,000 tons in February. Estimates made before the decision to reopen the Bahrain pipeline put the figure for March at about the same level as February; but the resumption of the flow to Bahrain will almost certainly bring it above the 100,000 mark. Where the oil will go is another matter. Aramco officials are wary of predicting the future shape of the trade, though it is thought in Dhahran that it is unlikely to go back to its pre-crisis pattern. Supply lines and markets are notoriously sensitive to change, and it may well be that the dislocation of the past few months will impose new trading habits. But there is no suggestion that output will stand still, far less that it will fall.

About a third of the estimated annual expenditure of £150 million is earmarked for the defence forces. These include not only the khaki-clad regular army, but also the *Jihad*, the irregular levies that still wear traditional costume and look remarkably fierce; they certainly stole the show when King Saud returned from the United States. About a fifth of the total is being spent on development projects, including such items as roads, schools, hospitals, the extension of wireless communications and water supply, the construction of the new broadcasting station near Riyadh, and the enlargement of the great mosque at Mecca. Owing to the general financial situation, the project for extending the Dammam-Riyadh railway via Anaiza and Medina to Jidda on the Red Sea coast has been held over until next year. The extension is expected to cost at least $140 million.

Other major items of expenditure for the current year

include nearly £10 million for public security, nearly £7 million for educational expenses (excluding the construction of new schools, which comes under the heading of "development projects"), nearly £5 million for the health services (again excluding the construction of hospitals and clinics), and, in addition, about £10 million set aside for unforeseen charges. The expense of keeping up the Royal Household must also account for a large sum, having regard to the dignity and state that surrounds the persons of the King and his family. With all this expenditure to finance, the Saudis have greeted the Israeli withdrawal behind the armistice lines, and the return to a normal flow of oil which it foreshadows, with relief.

Vacuum in the Philippines

THE tragic death of the president of the Philippines, Mr Magsaysay, in an aeroplane crash, has left a political vacuum which will be hard to fill. Personality is the dominant force in Filipino politics and the death of any important politician would have involved a political general post. But Mr Magsaysay was more than an important politician; he was, in the eyes of the Filipino peasants, a champion and a saviour. It was he who destroyed the threat of the communist terrorists, who made a bull-headed onslaught against corruption, and who constantly travelled through remote villages listening to grievances and promising reforms. Mr Magsaysay's political opponents complained that his methods of dealing with accused officials were too rough for justice, that he devoted to vote-catching operations money which would have been better spent on less spectacular projects, and that while he was touring the remote islands administration was neglected. Nevertheless it was generally admitted that the president's position was unassailable and his re-election a foregone conclusion.

Now the winner is anybody's guess. The political parties are groups of cliques divided by personal ambitions and, less definitely, by economic interests. Although the vice-president, Mr Garcia, who has become president until the end of Mr Magsaysay's term of office next autumn, will be in a good position to make useful friends and build up his popularity, he will have some powerful rivals inside the *Nacionalista* party. The most influential of these is Senator Laurel, an elder statesman who has been ostentatiously yearning for directorships and the joys of retirement but is now expected to take his last chance of running for the presidency. Mr Laurel would have a considerable chance of success, not only because of his political influence but also because he enjoys a high reputation with the army; and that, in a country where the army supervises the polls, is a matter of major importance. Another competitor is Senator Recto, a lawyer of great ability who had already undertaken the hopeless task of running against Mr Magsaysay and who has some influential backers amongst business men and industrialists dissatisfied with the former president's economic policy; his chances of success seem to be greatly improved.

One major unknown factor is the attitude of the Americans. Mr Magsaysay, with his anti-communist and anti-corruption drive, enjoyed American approval, and he had American financial backing when he first ran against the shamelessly corrupt administration of Mr Quirino in 1953. But the present president, Mr Garcia, is one of the many Filipino politicians who resent the stranglehold which America still has over the economic—and to some extent the political—life of its ex-colony. If he is elected this autumn he is likely to do what he can to reduce American influence. Senator Recto, who was imprisoned by the Americans for collaborating with the Japanese, is even more outspoken. He and his associates believe that the $550 million of Japanese reparations is inadequate and that the Americans, anxious to have Japan as a strong ally in the Pacific, forced the Filipinos to accept this sum. They feel that Philippine trade is too firmly tied to American business interests, and they seem prepared to blow up the problem of the future of the American bases into a popular issue in order to foment national feeling. But, as in Japan, whoever eventually wins power is likely to find that whether he likes it or not, the United States must remain the main source of trade, aid and technical assistance.

Mr Magsaysay's death will probably mean that Philippine plans for economic development are again thrown into the melting pot. The clash of economic interests and the differing views of economic experts have hitherto made it impossible to get long-term development started. Just before his death the president outlined a five-year plan to Congress and emphasised the soberly realistic spirit in which it had been drawn up. But although arithmetically tidy, the plan at best seemed to have only a card-castle stability and it might have set the Philippines off on a dizzy inflationary spiral.

Progress, economic and political, which looked like being slow for some time to come, will probably be reduced to a crawl by Mr Magsaysay's death. The war spoilt the Americans' scheme for training administrators over a period of qualified independence and the Filipinos are having to learn democracy and administration by trial and error. Corruption, although negligible compared to what it was under the Quirino regime, is still serious, and although the press is no longer kept in order by government control of newsprint there is scarcely a paper or a journalist not in the pay of some political or economic faction. The parties are, as yet, only a collection of personal cliques and the army, which had been revitalised by Mr Magsaysay and was devoted to him, may prove a powerful political force. But the Philippine islands are not overcrowded, they have great natural resources and the Filipinos have a relatively high standard of living and education. They should be able to surmount the crisis caused by their president's sudden death, shake up their political kaleidoscope into a new pattern, and return to the attack on their economic and administrative difficulties.

Opportunity for Sierra Leone

FROM A CORRESPONDENT IN FREETOWN

SIERRA LEONE is approaching its first general elections in which a majority of the members of the new House of Representatives will be elected by the direct vote of the people, instead of by district councils and similar bodies. Polling day is expected to be at the end of April, and already political meetings are getting noisier and more crowded, the first party manifesto has been published, and the immense task of registering a largely illiterate population

but no scare beetle . . .

There are primroses in the hedge bottom. Cuckoo pint. Young leaf. A growing forest of fresh grasses. *And flea beetles.* Flea beetles by the million; a hungry horde unscareable and unseen, but active in the welcome April warmth, voracious after winter hibernation, moving steadily out into the rich pastures of the turnip field. Soon, when it is too late, the farmer will see—and roundly curse—the signs of their feeding.

For by the time flea beetle attack is obvious, damage to a brassica crop is frequently too extensive for the crop to be saved and the farmer must re-sow. In a bad spring—before modern methods of control were discovered—a farmer might re-sow cabbage, kale, turnips, swedes, broccoli or other brassicas three or four times; and the later the sowing, the lighter the crop.

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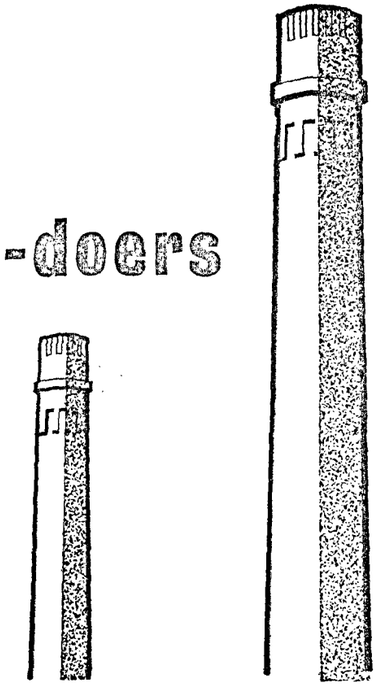


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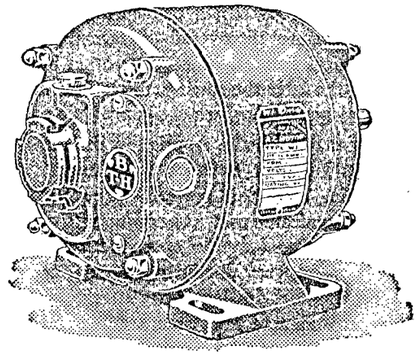
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AN INVESTMENT IN PEACE OF MIND

and checking individual voting qualifications has been nearly completed.

The importance of the election is not merely that it is the first worthy of the name. It will bring into being a House of Representatives of fifty-seven members which will, in effect, determine the length of the next constitutional step. Constitutional progress has been slow in Sierra Leone, and even the advance which has made possible this election was long delayed by the inability of political leaders to agree on the allocation of seats in the new House between colony and protectorate (the small area round the Freetown peninsula is administered as a colony; the rest of Sierra Leone is a protectorate). The leaders of the Creole party, the National Council for Sierra Leone, having nailed their flag to the mast of Creole domination, must now be prepared to sink with it, for the colony area, in which the Creoles are strongest, and which formerly had seven seats against the protectorate's 14, now is to have 14 out of 38 contested seats; and in any event, the Creole voting strength in the colony, too, is declining.

The task of opposing the well-established Sierra Leone People's party must fall on the more recently formed United People's party, which, making plenty of noise and spending plenty of money, should win more seats than the National Council. But it lacks a well-defined policy and is tarred by its slightly shady connections with last year's disturbances in the protectorate. It was from the SLP party that the six African ministers were chosen in 1953, and with the wise leadership of Dr M. A. S. Margai and plenty of backing in both colony and protectorate, it is likely to win the elections and conduct the country safely towards self-government.

Two Chiefs in Trouble

If his party gets its expected overwhelming majority, Dr Margai may hope to be soon promoted from chief minister to prime minister, and his colleagues may expect to be given a further share of the responsibility for the considerable developments which are taking place in the country. Their opponents will certainly load them with this responsibility if things go wrong. Nobody believes that they have any under the present interim constitution which reserves considerable power to the governor—although the previous governor did all he could, and perhaps too much, to hasten the transfer of power. If it were believed that the SLP was responsible for all that has gone wrong in the last two years, it could hardly hope for victory now. But party politics in Sierra Leone are at present well protected from hard political and economic facts. The SLP leaders have demonstrated their impartiality in tribal rivalries by requiring the resignation from office of two important paramount chiefs who were in the government and who were accused of "unbecoming" behaviour in the unrest last year.

Most of these troubles are now happily past, although it remains to be seen how much the evil of them will live on. Labour relations are mostly good; extortion in the protectorate will henceforth be much more difficult to practise (though the voluntary offering of bribes is another matter); and the enforced departure of some 30,000 "strangers" from the mining areas has helped to dry up the outward flow of illicitly mined diamonds at source. This last measure was taken none too soon, for the loss to the country through diamond smuggling last year is put at £6 million—and this in a country whose total exports in 1955 were worth only a little more than £10 million.

The big question mark is rice production. The country should be able to grow all it needs, and have plenty left over to export. Instead it imports heavily, in spite of real efforts to increase production by swamp cultivation and planting with selected seed. But why should a man slave away in a swamp growing rice when he can make his fortune picking up diamonds? The answer is, of course, that smuggled diamonds do not pay for new schools, more qualified teachers, new hospitals, new roads and bridges, all of which are desperately needed. The country has the mineral resources and the agricultural potential to provide all these things. What it lacks is human resources.

Kenya Africans at the Poll

FROM A CORRESPONDENT IN EAST AFRICA

THE result of the Kenya African elections has been the rejection of the government's nominated members and the arrival of a mildly nationalist group in the Legislature; but it is a group that is already threatening to overturn the Lyttelton constitution by refusing to take office unless promises are made about a considerable increase in African representation before long. The Lyttelton settlement was based upon a proper balance between all three races, and the refusal of the Africans to join will, besides filling the Europeans with suspicions, probably complicate relations between Europeans and Asians in the Council of Ministers. Thus from the outset elected Africans, with a direct mandate from the people (however it is interpreted) have shown their new power.

As yet, however, they speak only for a minority of the Africans. Out of 400,000 to 450,000 Africans who were, under the Coutts franchise, supposed to be eligible to vote, the administrative net succeeded in hauling in only 125,000 for the registries. Registration varies from area to area with the drive and efficiency of the individual district commissioner on whose shoulders, of course, the whole business devolved. Some were not over-enthusiastic; but bearing in mind the load thrown at the time on the district commissioners by the preparations for the tour of Princess Margaret, to secure about a third of the potential electorate was not discreditable. The Africans were suspicious; there were the inevitable rumours that registration forms would be used to increase taxes or draft Africans to fight Egypt, or to put through unpopular land consolidation measures. After an elaborate public relations campaign, registration picked up towards the end and if there had been another fortnight, the number of registrations might have doubled: at the next election there will be many more voters even on the present franchise.

Once registered, a creditably high proportion of voters voted—something like 80 per cent. At the time of registration, however, they did not know who the candidates were, which at one *baraza* caused an old man to exclaim "I think the whole thing is stuff and nonsense," and march off waving his stick. The qualification for candidates included an English language test for those who had not already got a degree or diploma from Makerere college—and one would-be candidate is said to have been disqualified by his inability to explain what he meant by the phrase "ploughing back profits into agriculture."

The successful candidates are all reasonably competent men, and some of them should be as effective as men like Mr Mathu and Mr Ohanga, who have lost their seats. Mr Tom Mboya now emerges as the most important figure in Kenya African politics after defeating Mr Argwings Kodhek by 400 votes in Nairobi—though three supporters of the "A-K plan—Africa for the Africans" were elected elsewhere. Whether Mr Mboya will be able to find time to act as secretary-general of the Kenya Federation of Labour in addition to his parliamentary duties remains to be seen. Reasonable European opinion welcomed his election; many settlers say they prefer to see him in the Legislature rather than making mischief outside it.

Though Europeans may hardly call the nationalism of the present African members "mild," a more virulent brand may soon appear when the ban on Kenya-wide political parties is lifted; it remains to be seen whether the limits of political manœuvrability will be quickly overrun or whether wiser counsels will prevail. There is more goodwill in Kenya towards African aspirations than is realised; more can be generated if the new members acquit themselves well. It is vital that this should happen if the forces generated by the economic revolution in the African areas are to be directed into healthy development; rigid barriers to these forces within the present political framework would lead to a new eruption of some kind. The African must be trained to wield the power he begins to command. And there is not much time before, in 1960, Kenya goes to the polls again.

Inflation in Canada

FROM OUR OTTAWA CORRESPONDENT

MR WALTER HARRIS, the Canadian finance minister, made a compromise between the requirements of the forthcoming general election and the needs of an inflationary economy when he presented his 1957 budget last week. But, on the whole, it was a courageous compromise. He admitted a surplus of $282 million for the year just ending. For the new year, he budgeted for a surplus of $152 million and gave away $148 million in increased social welfare payments and minor tax cuts. Such concessions can be at least partly reconciled with Mr Harris's stress on inflationary dangers by the argument that the pressure lies most heavily on capital goods industries and that a small increase in pensioners' purchasing power will not increase this. But a better defence, if he could use it, lies in juggling with the budget figures. The declared surplus of $282 million for the year just ending should have been $388 million; $106 million has been tucked away into various government funds. In the year just opening he has done even better, including in the year's expenditure $200 million which cannot be regarded as a normal budgetary charge. He is really budgeting for a surplus of $350 million in the coming year, and from an economist's point of view that is the figure which should be compared with the political package of $148 million in new concessions.

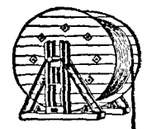
Mr Harris presented his budget hard on the heels of the annual report of Mr J. E. Coyne, the Governor of the Bank of Canada, which stresses the inflationary state of the Canadian economy. Mr Harris mentioned the "possibility that inflationary pressure might be moderating," but otherwise fully supported Mr Coyne's diagnosis. The inflationary pressures are all too clear, though the public has been very slow to notice them. Yet the general price increase, as reflected in the gross national expenditure for 1956 came to 4 per cent between the beginning and end of the year. A gross national product estimated at $29,700 million for 1956 represents a real increase of about 7 per cent over 1955; the rise in prices accounts for a further increase of 3 or 4 per cent in money terms.

Even more vivid evidence of the effort to accomplish too much too quickly lies in the balance of payments deficit. The deficit on current account last year came to $1,400 million, far more than twice what it has ever been before. The capital inflow, which covered it more than adequately, included $750 million from the sale of Canadian securities to foreigners. Again, this is twice as high as in any previous year. The inflow of funds for new direct investment in foreign-owned subsidiaries also reached a new record. The offset in new Canadian direct investment abroad, at $100 million, was also greater than in previous years. But there remains a formidable increase of $425 million in direct ownership by foreigners in Canadian productive enterprise. The new foreign investment was largely responsible for stimulating the burst of capital development which has helped to produce inflation.

Two Escape Hatches

Mr Coyne believes that any sharper curb on loanable funds would have caused such a sharp rise in interest rates that it would have upset the financial markets. He also finds two other reasons for the way in which credit expansion has defied all the central bank's efforts to restrain it. The first is the way Canada's twelve chartered banks combine the functions of commercial banks and savings banks. As a result the steadily rising deposits of personal savings have been diverted into loans, while long-term investments by the banks (specially in Government of Canada securities) have fallen sharply. The second, and more bothersome escape hatch from monetary control is provided by the ever-growing and largely unregulated "instalment finance companies." Ever since 1950 their lending has been growing considerably faster than that of the banks, and by the end of last year it is estimated that they had outstanding about $1,200 million of loans, or about one-quarter of the banks' loans. Even if their operations were restricted to the field of consumer credit, they could be most upsetting to a stable monetary policy. But increasingly they are lending money to business enterprises.

The process of exhortation, which Britain and other countries have found it necessary to use in support of monetary policy, was tried here in private—at meetings between the Bank of Canada and various key financial groups. It worked moderately well (though not without some friction) with the chartered banks and even more moderately with the stock exchanges, when margin requirements were under examination. It did not work at all with the instalment finance companies. If they are to be regulated, it will only be by legislation. Probably before very long such government action is inevitable. But it is not certain that it will be taken in the present fast-decaying session of Parliament.



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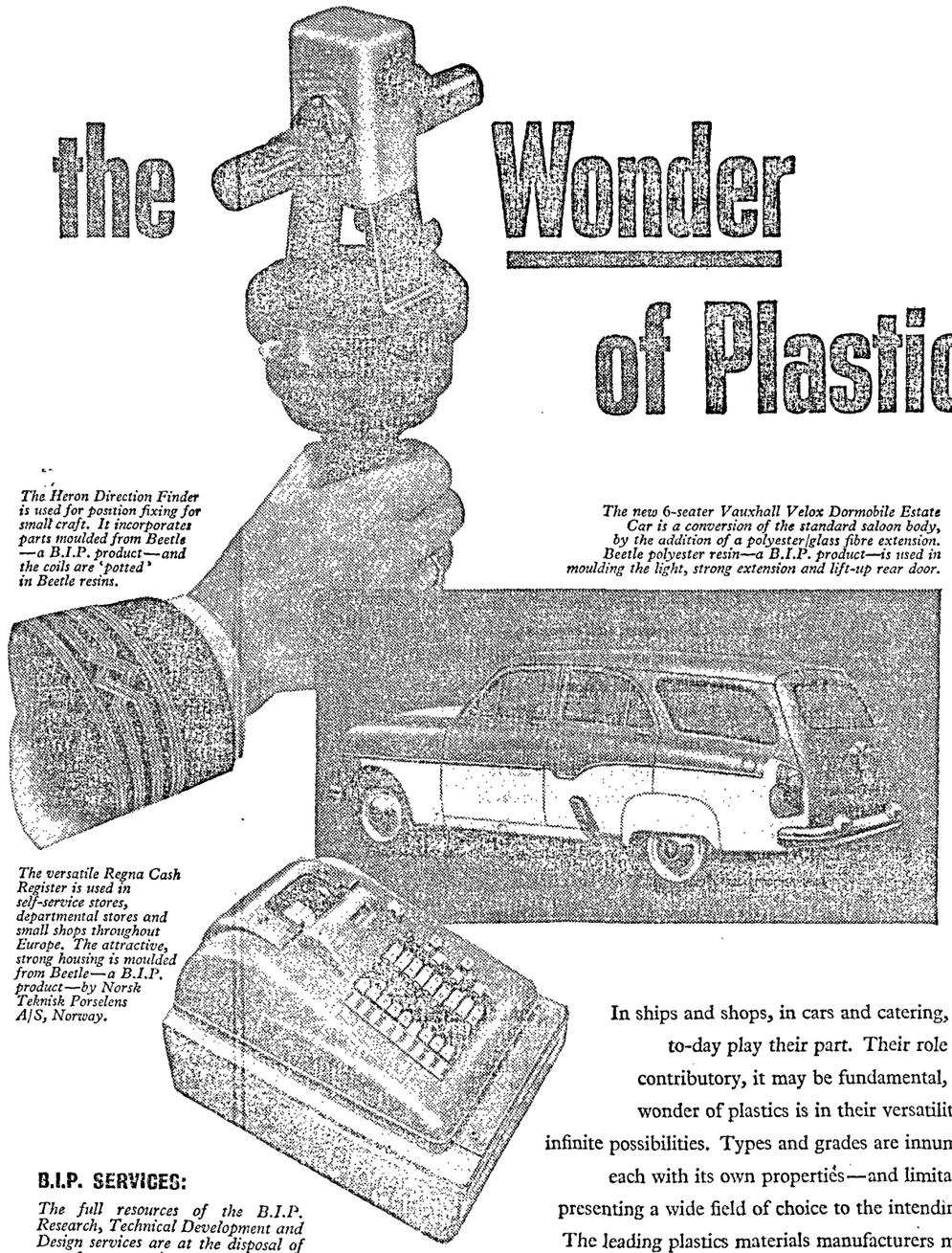
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THE BUSINESS WORLD

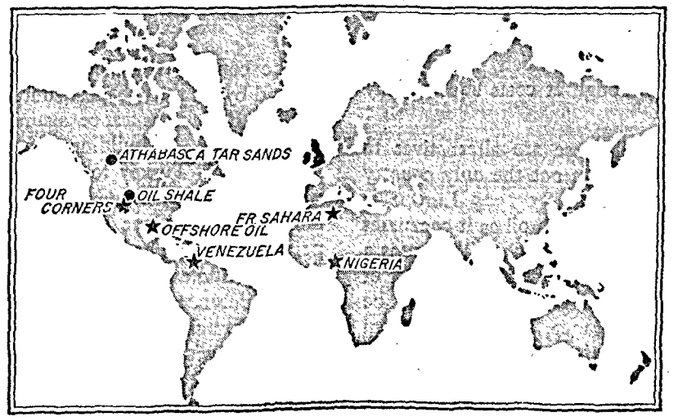
Insurance Policy for Oil

EVEN if the conditions under which Britain used to obtain and transport its oil from the Middle East are now restored unchanged in some deal over the use of the Suez Canal, they would still offer no guarantee of a regular supply. Clearly, an insurance policy for energy is needed. But what form should it take? Can Britain rely even more on coal and nuclear energy and less on imported oil than is now planned? Could sufficient new oil reserves be economically developed in places more dependable than the Middle East? If we still have to rely on the Middle East, how far should we go in developing less vulnerable supply routes? And, finally, is there no possibility of bringing about a change in the political conditions under which oil is produced and transported in the Middle East? The shock of recent events in Egypt and Syria has produced in Britain an overwhelming desire to reduce the country's dependence on Middle East oil, almost regardless of cost. But the best insurance policy is one that provides the most cover for the lowest premium. The strategic position of Britain depends as much on low industrial costs and a more healthy balance of payments as it does on the safety and regularity of oil supplies. There is a price above which this country could not afford to purchase "safety" in oil.

One initial premise must be accepted if the British economy is to continue expanding and ever to become solvent: that its total consumption of energy is bound to continue to rise, at a rate of perhaps 3 per cent a year. Coal is the only really indigenous fuel; and it is already close to the limit of output that can conceivably be expected at anything like present costs. But the import cost of uranium for nuclear power is so small in relation to its output of energy that atomic power, too, might almost be considered indigenous. In the short run the limit to the expansion of nuclear power stations is set by the infant stage of the technology, and by the amount of investment resources that the country can afford to divert to such a highly capitalised industry. In the long run it is now safe to assume that all new power stations will eventually be nuclear. And if the cost of nuclear power can be reduced to anywhere near the figures quoted by Sir Christopher Hinton last week, electricity can be expected to take over much more of the industrial work now done by oil.

Yet unless a striking break-through in the economic scale of nuclear technology is achieved, there will still be no economic replacement for oil in most forms of propulsion—on the road, in the air, and even at sea until much smaller nuclear reactors are feasible. Britain will still need to import considerably more oil in 1965 and 1975 than it does today. By far the most prolific source for this extra oil that is at present economic is the Middle East. But is there any possibility of obtaining alternative sup-

ALTERNATIVES TO MIDDLE EAST OIL?



plies—at the cost of some tolerable insurance premium ?

There are at present about half a dozen possibilities outside the Middle East worth discussing. Nearest to Britain are those in the Eastern Hemisphere—Europe itself, the Sahara desert, and Nigeria. The Organisation for European Economic Co-operation has estimated, perhaps optimistically, that the current production of oil in Europe—some 10 million tons a year—could be doubled by 1960 and quadrupled by 1975. In the Sahara, two promising fields have been found so far, both in Southern Algeria, one about 240 miles and the other about 560 miles from the Tunisian coast. If a pipeline were laid to the coast, the nearer of these deposits could produce over 5 million tons a year. This may be conservative, but it would still be wildly optimistic to predict at this stage that the Sahara will become another Middle East. And it is a moot point whether oil produced in Algeria would be any more dependable than oil produced in Kuwait. Perhaps Nigeria might be conceded an advantage, if a thin one, over Algeria on grounds of reliability of supply. But although prospecting there has shown some highly promising results, it is too soon to measure the extent of the oilfields found in Nigeria by the Shell group.

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In the Western Hemisphere today, only one country, Venezuela, produces more oil than it consumes. British companies have a substantial interest in Venezuelan production, and it could be quite sharply increased ; even so it would probably remain the cheapest oil in the Western Hemisphere. In the United States itself, promising discoveries have been made recently in the "Four Corners" area in northern New Mexico, and offshore in the Gulf of Mexico, but even these finds would not match production with the expected rise in American consumption, except for a brief period and at sharply increasing costs. Canada now has proved reserves of nearly 3 billion barrels of oil, as well as the "fabulous" Athabasca tar sands which, if they could all be economically developed, would virtually double the world's proved oil reserves, including those in the Middle East. The United States, Brazil and Canada also have huge shale deposits, which would yield abundant supplies of oil, though at costs substantially above current prices.

In terms of quantity, all these are alternatives to the Middle East. But Britain is not the only country that wants more and safer oil. By 1975 Europe is expected to need four times as much oil as it consumes today—so for Europe alone another 300 million tons a year will have to be found from somewhere. Most of the production expected from the Sahara must be regarded as earmarked for France, and the increased indigenous output on the continent of Europe will be consumed locally ; Britain might have first claim on Nigeria, but that is still a claim on an unknown quantity. Oil demand in the United States increases each year by more than the total annual consumption in Britain, and Venezuela is the logical supplier. But there is a limit to the capacity of Western Hemisphere oilfields as a whole and unless the United States is willing to assume the strategic cost of developing its oil shale reserves it must inevitably become increasingly dependent on the Middle East, like Europe.

If Britain draws more of its supplies from Venezuela, therefore, it can do so only at the expense of the net dollar earnings on sales of oil by British companies to the United States. There is really only one adequate alternative source—the conventional oilfields, tar sands, and shale deposits in Canada. But what of the cost, and the dollars ? The cheapest Canadian oil now produced in Alberta cannot even compete with Venezuelan oil shipped up the St. Lawrence to Montreal ; and the cost of oil from the tar sands and shale, even on the most fashionably optimistic assumptions, would be much greater. The cost figures produced recently for a relatively small development of the tar sands by a Canadian company, which claims that its products will be able to compete in Alberta with oil from wells have yet to be confirmed in operation. In any case, the market for Canadian oil is where its transport advantage is greatest : eastwards to the rest of Canada and the north-central United States, and westwards to the Pacific states of the North-West and to California. A "crash programme" to develop Canadian oil specifically for the British market might produce the oil, but only at a prohibitive cost and almost entirely in dollars. Nor is it relevant, even if it could be demonstrated, that Canadian oil could be delivered to Britain as cheaply as Middle East oil shipped in super tankers round the Cape. For the extra costs of the Cape route would be incurred only if the shorter supply lines were cut again. The extra cost of Canadian oil, once the development there had been undertaken, would be more permanent. If more British capital enters the Canadian oil industry it would be better business to earn dollars by selling Canadian oil to the nearest markets in the United States—if necessary to pay for imports from Venezuela.

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The conclusion is inescapable. Britain must have oil, and by far the cheapest source for that oil is still the Middle East. Insurance against the blocking of the supply routes—by building new pipelines from northern Iraq through Turkey to the Mediterranean, or southwards to the Persian Gulf, or by building more super tankers for the Cape run—may be expensive, but the premium would be much less than it would cost to replace Middle East oil from elsewhere. At an exploratory conference, now being held in London between the British, Dutch, French and American international oil companies with interests in the Middle East, these new pipeline projects and other plans for diversifying the means of transport from the Middle East are being jointly considered. It may be asked at this stage whether the western governments should share with the companies the additional cost of providing this insurance.

What is not being so openly discussed is a much more fundamental problem : the security of the oil companies' whole operations in the Middle East producing countries. It is on the assumption that operating conditions there, as well as transit from there, will become impossible that the advocates of alternative sources of supply base their case for paying the higher costs of development elsewhere. Certainly it cannot be assumed that there is anything immutable in the formula now generally adopted for an equal sharing of profits between the foreign oil companies and the Arab governments from which they have obtained their concessions. Any solution in the Middle East is bound to involve higher costs in the long run, and probably a higher proportion of these costs would have to be incurred in dollars. But practically the whole cost of the more expensive Venezuelan or Canadian oil would have to be paid in dollars. The Middle East "dollar component" could never rise to a similar level while sterling continues to be used there at all ; and if more stable conditions could be achieved, British oil producers in the Middle East could earn dollars from sales of oil to the Western Hemisphere.

Economically, moreover, there could hardly be a case where the interests of the two sides to a bargain were more coincident. The Middle East producing countries must have a market for their oil in the West ; and the West—including the United States—must have oil from the Middle East. If the rising nationalism of the peoples of the Middle East could be constrained by economics, there would always be some price at which a bargain could be struck. But so little of the oil revenues has yet filtered down to raise the general standard of the living in the oil producing countries of the Middle East that their rulers are not subject to much political pressure if they choose periodically to act according to nationalist caprice rather than their economic interest ; while the interest of the countries lacking oil but crossed by pipelines tends automatically towards intransigent blackmail. The irresistible pressure in the Arab world is nationalism. Economic bargains are necessary, but by themselves they are no longer sufficient because they do not guarantee performance. International consultation over production and the supply routes may sound utopian, but could anything less than this endure ? The Arabs must come to feel that they are exploiting their own oil resources, with the help of the foreign companies ; the companies, for their part, must retain sufficient flexibility and margin of profit to make their operations commercially worth while. Only in this way could the security of tenure of the oil companies in the Middle East be assured. Not all oil men and not all Arabs are so buried under their present preoccupations that they fail to see this.

THE "INPUT-OUTPUT" TECHNIQUE—II

Focusing Business Forecasts

THE main theoretical basis of the input-output approach to national accounting statistics and business forecasting, described in these columns last week, is that in the last resort all economic activity is interdependent. But some branches of production are commonly believed to be more interdependent than others ; and an input-output table can give some quantitative, if not precise, indications of how much more important these interconnections between industries and services are in some sectors of the economy than in others. One naturally expects the "coefficients" that show how much the current output of steel sheets and pressings corresponds with the current output of, say, motor cars and refrigerators, to be relatively high, compared with those expressing the links between, say, engineering output and Lancashire's current production of cotton goods. And if we want to forecast the effect of the steel industry's sales of recession in the motor vehicles and electrical appliances industries, coupled with continuing expansion in structural engineering and shipbuilding, a table of input-output coefficients ought to give an appropriate set of weights for estimating whether this shift of emphasis in engineering will cause total demand for steel products as a whole to rise or fall.

The input-output "map" of the country's economic structure moreover indicates where such interdependence is least important—the links that a would-be forecaster can with the least risk of error lump into "other things being equal." This kind of "ready reckoning" requires only a set of direct input coefficients, showing the direct demands each industry ordinarily makes on all others. Additional information about the secondary demands that are indirectly "fed back" to other industries as a result of changes in the requirements of the industries which supply a "primary" demand—which can be calculated by a mathematical exercise called "inverting the coefficients"—is scarcely worth the effort if one's purpose is only to predict the output of particular products. Its value lies in forecasts of how the total volume and pattern of production, industry by industry, may be affected.

It may seem paradoxical to use an input-output table to focus upon parts of the economic structure : claims for the input-output technique have usually rested exclusively on its merits as a model of "general equilibrium" and interdependence throughout the economy. Nevertheless, there is good reason to think that for practical business forecasting the appropriate

use of input-output analysis should be first, to indicate which sectors of the economy are worth considering simultaneously for any particular problem; and secondly, to provide a quantitative "grid" for calculating the changes in supply that given demands will generate within these sectors.

What might be required of general input-output studies for the whole economy therefore, is that the official or unofficial economic research groups working on them—the first major table for Britain has been prepared by the Department of Applied Economics at Cambridge and by the Board of Trade—should prepare similar detailed charts at intervals of, say, every ten years. The object would be to provide bench-marks for the business forecaster, with analysis of particular sectors—much as a census of distribution provides basic data for consumer market research. Parts of the input-output map can be brought up to date and expanded: the interconnections of the metals and engineering sector, for example, would probably repay study through a much more finely divided "grid" than is possible even in the large table now completed. Such tables can then be used in conjunction with other data for business forecasting. In this way it may be possible to resolve the dilemma that an input-output table is either sufficiently detailed but out-of-date, or else up-to-date but with too few sectors to be of any real practical value in particular industries.

That is one purpose for which the input-output method can be adapted to fit in with and supplement existing techniques of practical business economics. Another way in which the technique can be improved, this time for more general and long-range predictions of industrial production or the level of import requirements, is by constructing much less detailed input-output tables (say with between twelve and thirty-five sectors) for two or more years, say, 1950 and 1955. From such tables, instead of expressing the transactions between industries in each year as separate sets of input-output coefficients, it is an equally simple procedure to express the *difference* between the transactions as one set of *difference* coefficients. These would indicate the changes generated in supply by changes in demand, over a period, instead of the absolute amounts in particular years. With this refinement it may be possible to forecast more accurately changes in output requirements over a similar interval of time in the future.

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Such developments of the basic input-output procedure devised by Professor Leontief represent ways of making better use of the central assumptions of his technique—that during any period under study no shifts take place within industries as a result of substituting one input that has become cheaper than another or of varying the scale or composition of production. The emphasis of input-output analysis so far has been on constant technological ratios, irrespective of changes in relative prices. But instead of regarding prices as "neutral" and taking quantities as the data to be calculated the method can be applied in reverse; for example, if industry's technical and quantitative demands for materials are inelastic, the effect on prices of changes in costs can be studied against a background of "neutral" quantities. A topical example would be the effect of increased freight rates on the prices of fuel to different industries, assuming that the same amounts of fuel continued to be carried in each type of transport. Input-output analysis is subject to the same limitations as the compilation of index numbers. One can either keep the quantities concerned constant to study the changes in price or keep the prices constant to achieve an index of "volume." One necessary step in the development of input-output technique into a tool of practical forecasting must be to try to relax the rigidity of this dilemma.

Business Notes

Strength for the Trial

In the British engineering industries as a whole last year labour costs rose sharply, because earnings were substantially higher and labour productivity actually fell; and last year the engineering employers decided that the time had come to dig in their heels and turn down wage claims flat. They had ample and accumulated cause for a showdown. The time they picked was perhaps as favourable as they could ever expect, in the postwar meaning of the word—workers in many parts of engineering, that is to say, have had a whiff of short time during the past year, and the labour market is slightly softer (with all of 1.8 per cent of unemployment). Nevertheless, the positions upon which employers in the diverse sections of engineering chose to make their stand varied greatly in bargaining strength. Shipbuilding has seldom been more firmly placed—either to withstand a strike, or to pass on the cost of a wage increase. But no other engineering industry stands four-square upon nearly so hard a market.

The bargaining strength of the shipbuilding employers today does not rest so much on the length of their own order book as upon the length of other people's. The British yards have today about 4½ years' work on their books; but most of the major yards abroad are also booked up until after 1960. Moreover, whether or not shipbuilders like to hear their methods of pricing described as "cost-plus," that is what they look like in practice to shipowners as well as to shop stewards. Various types of shipbuilding contract are in use today; but all include provisions to cover rises in the costs of labour and materials between the dates of ordering and delivery, and most include some form of corresponding adjustment in margins for overheads and profit. Last year British shipyard prices rose by about 5-10 per cent—and they still booked more new orders than for years past.

So if the shipbuilders eventually have to concede higher rates, most can pass the cost straight on to shipowner customers without significantly affecting their margin of profit. But by the same token they can stand a strike for a time. Their customers are hardly likely to be unsympathetic to an attempt to moderate the ever-rising price of ships; and even if anxiety to get the ship earning should outweigh this sympathy, customers well placed in the British order queue have now no chance to cancel and get tonnage built more quickly elsewhere. If the yards book no new orders for a few weeks of the slack spring season, that will hardly worry them. Ship repairers, however, are worse placed; much of the business they lose through a stoppage—about £1-1½ million a week—must go elsewhere.

The Choice in Engineering

In the strong market for capital goods last year, many machine builders seem to have been able to pass on increased costs in higher prices. From the official estimates of capital investment, the prices of the mixed bag of plant and equipment installed in British factories seem to have risen on average by about 7 per cent. It is doubtful whether their total costs could have risen at a much higher rate. Earnings in engineering factories last spring were about 9 per cent higher than a year before, but the factories building capital equipment ought to have been busy enough to achieve some slight increase in labour productivity; prices of materials used in mechanical engineering were up by about 5 per cent over 1955, but those used in electrical engineering went up only about 2 per cent. From these crude indications of costs and prices total profits in the manufacture of capital goods ought certainly to have risen, and one might expect unit profits on the average to have been maintained; in practice, however, some companies making capital goods have been reporting rather spotty results.

In the vehicle industries and those making metal consumer goods, as well as their suppliers of intermediate engineering products, fortunes were far different. Output fell; employment did not fall as much; so to the increase in prices of materials there was added a large rise in labour costs. Moreover, these industries were employed well below capacity, so overheads will have risen; and the recession sharply limited such increases in prices as some of these manufacturers still managed to make.

Today, this balance is shifting. Order books in the capital goods industries are being shortened as the home investment boom passes its peak; competition abroad is concentrating rather more upon prices than upon delivery dates. Most of the heavy plant builders, catering for major industries with large and comparatively steady investment programmes, are guaranteed a substantial nucleus of business, though harder put to book orders overseas. But makers of lighter machinery cannot hope for as good a market in 1957 as they had in 1956; certainly not to pass on increased costs so readily. Makers of durable consumer goods are gaining confidence that this year will be better than last; it needs to be. But until they begin to make full use of their increased capacity—and few of them hope for this until 1958—their unit profits are certain to remain low. Delivery dates still matter in securing export orders, but in many companies throughout engineering there would be spare capacity to hasten output after an interruption. These employers could stand a strike that promised some chance of minimising the wage increase and weakening the unions better than they could stand an immediate addition to wages.

Black Monday and After

A typical reaction of investment markets to an industrial dispute is a sharp fall before the event, and then steady, stagnant markets as the strike begins. At the beginning of this week markets were not confronted with a single industrial dispute, but with a complex chain of them—a shipbuilding strike in being, an engineering strike ominously near, and the louder rumblings of a possible storm on the railways. The typical pattern could not be reproduced. Markets had already been adjusted downwards in the previous week but they fell again sharply on Monday both on the fixed interest and equity sides. The drop of 4.1 to 180.4 in the *Financial Times* industrial index, was the sharpest for a single day since the beginning of last June. Sterling took the strain immediately and visibly and the supporting sales of dollars by the Exchange Equalisation Account caused credit stringency in the short loan market notwithstanding some help by way of special purchases of bills by the Bank of England. On the commodity markets the direction of the pull was less obvious; the weakening of the sterling rate tends to raise the prices of the "dollar" commodities while industrial dislocation reduces consumption and therefore pull prices downwards. Strikes and fears of them seem to have contributed to the weakness of copper.

At no point was selling of securities heavy but it was widespread and jobbers were disinclined to take stock on their books. The bareness of their cupboards became most obvious on Wednesday evening when a sudden wave of buying stimulated by hopes of an early settlement in shipbuilding caught them with almost level books and as ineffective a cushion against the rally as against the fall. Ship-

building shares rose sharply and there was some closing of bear accounts in the oil market. On balance *The Economist* indicator has fallen 3.8 to 193.5 in the week ended on Wednesday while the *Financial Times* government securities index has dropped 1.69 to 86.56. The improvement in the markets went further on Thursday when a little buying for "new time" come in. Sales of stock from the official portfolio have naturally been brought to a stop and it appears that the Government broker has this week been on occasion prepared to sell the stocks he has to offer on the basis of a level switch; previously his policy (apart from acquiring the next maturing stock) has been to switch only when the transaction brought cash into the official portfolio.

The new Steel of Wales £1 ordinary shares (5s. paid) have stood up well in the circumstances. A discount was inevitable for underwriters had been required to take up 85 per cent of their firm applications. But in active first dealings on Friday last week, half a million shares changed hands and the discount did not extend beyond 7½d. On Monday it widened to 9d. and has remained near that point since. It is known that the consortium of issuing houses would have been willing to intervene to check the fall at a figure believed in the market to be about a shilling discount. That help has not been required.

Sterling on the Slipways

THE shipbuilding strike and the threat of still wider industrial strife has weighed heavily on sterling. Bear covering was making satisfactory progress earlier this year and had carried the rate on New York beyond the official parity; it has now stopped suddenly. This week on the contrary there has been clear evidence of renewed short sales of sterling, particularly from Continental centres. Germany has been the main seller but sterling has declined against almost every Continental currency. North America, however, has hardly come in as a seller of sterling save for genuine commercial operations. Nor has the rate for sterling declined unduly in the forward market. Against the US dollar the three months discount on sterling represents a rate of interest of about 1½ per cent, which is only a little wider than the spread between bill rates in London and New York. The main demand for dollars has been domestic and has represented partly anticipation of future commercial requirements and partly the current commercial need, now swollen by abnormal purchases of dollar oil. The official dollar rate, which was $2.79⅞ at the beginning of the week dipped quickly on Monday to $2.79⅞ and was held there only by considerable supporting operations from the Exchange Equalisation Account. When it was felt that the pressure was too great the rate was allowed to slip and fell to $2.78⅞ at which it grounded and made an unassisted recovery to $2.78⅞.

This experience was repeated in broad outline on the three following days. There was substantial recovery on Thursday when the note rate rallied to $2.79⅛. But the official support for sterling this week has probably been heavy enough to wipe out any gains of gold and dollars secured in the earlier part of the month. The damage to the reserve may, however, be superficially veiled by drawings on the Export-Import Bank line of credit.

That Extra Shilling on Petrol

WHEN the extra shilling a gallon tax on petrol, aviation fuel, and diesel fuel for road vehicles was imposed last December the Government regarded it partly as an economic reinforcement of the rationing scheme, and partly as a means of recouping the £30 million revenue which would be lost if sales were cut to about 70 per cent of normal and taxes were left unchanged. Ministers also recognised the emergency character of their decision by providing in the Act that the extra shilling tax would be taken off again within a month of the end of petrol rationing. Now the reckoning has begun. The prospect of improved supplies has enabled the Government to increase the basic ration for private motorists by half; to promise to grant supplementary allowances for private cars on a more generous scale; to promise petrol-driven lorries, coaches and buses enough petrol to meet their normal seasonal requirements; and to take the "calculated risk" of abandoning the rationing of diesel fuel altogether. As supplies of petrol during the next rationing period are expected to cover 90 per cent of normal requirements—even without allowing for the resumption of any shipments through the Suez Canal—the Government can take the risk of operating the rationing scheme in such a way that only ten per cent of normal demand will go unsatisfied—with virtually all of the remaining cut being borne by the private motorist.

The Government cannot possibly now justify the retention of the full shilling of extra tax on the grounds that it is needed to safeguard the revenue. If a tax increase of 40 per cent (from 2s. 6d. to 3s. 6d. a gallon) was needed to bring the revenue back to normal when sales were expected to fall by 30 per cent, then the extra tax needed to bring it to normal when consumption is down by only 10 per cent would be about 3d. a gallon.

There may be an economic argument that while there is still some shortage of petrol, and also an urgent need to rebuild stocks of diesel fuel, the full extra tax should be retained to impose on consumers a financial discipline towards economy. For a short period, the Government may be given the benefit of the doubt, but others besides irate motorists will hold very strongly that this temporary impost ought to be scaled down and withdrawn as soon as possible—or given a new justification on grounds very different from those that led to its imposition. Petrol has gone up another penny a gallon this week. The further increase in fuel oil prices of ¾d. a gallon, or 15s. a ton, will also speed up the summer addition to stocks, just as the earlier increase of £3 10s. a ton certainly helped to keep fuel oil demand below normal during the winter. But one might speculate on the language of the Coal Board's customers if they were asked to pay £4 5s. a ton more for coal.

The Whitbread Technique

WHITBREAD AND COMPANY is in the top flight of brewery companies and has recently been carrying the torch of rationalisation and modern management into the board rooms of other breweries. Merger and rationalisation schemes are common in the brewery industry. The special Whitbread technique is to buy a minority interest (seldom less than 10 per cent) in the XXX Brewery Company and to associate that investment with a trading arrangement that opens an additional market through XXX's tied houses for Whitbread's bottled beers. Secondly, it improves that market by supplying the new associate with improved management and know-how: sometimes Whitbread takes a management fee; sometimes it supplies staff; and sometimes it trains the staff of the new associate. This looks like managerial reform from which both Whitbread and its ten new associates should benefit. But by the time Whitbread's chairman, Col. W. H. Whitbread, had explained and defended his policy to a gathering of financial writers this week it appeared that issues of principle were at stake.

Whitbread and Company uses its cash resources to buy blocks of shares through the market. To get them it often pays a few shillings over the market price and when the buying stops it is not unusual for the shares to fall back again. Secondly, Whitbread never acts without the knowledge and approval of the management of the company in which it is investing; indeed it has far more proposals from would-be associates than it accepts. It is not difficult to see why. Companies where management needs strengthening, especially if management is not itself a big shareholder, are natural targets for a bidder who might hope to employ the assets more effectively. Add a ten per cent holding by Whitbread and Company to the management's existing voting power and the bidder's task is made more difficult, though not necessarily impossible. The directors therefore sit more securely at their desks, while those shareholders and stock jobbers who have assessed the shares on the values that might have resulted from a take-over by another brewery are disappointed.

Those who believe that the freedom of the market is to be desired and that the take-over bidder does good quite as often as he does harm can hardly argue that Whitbread and Company should not invest its money as it thinks best. If it can secure its aims through a minority investment and association instead of a majority holding and domination it can hardly be condemned. Anyone who can find a seller can buy a bigger controlling block. But the Whitbread technique of buying a substantial block of shares at rather better than the market price is something that shareholders seem entitled to know about. It is right that the directors of these junior associates should inform their own shareholders; some of them have done so.

Pensions Preserved

MIDDLE age, for an increasing number of men, is marked by the turning down of an attractive new job for fear of losing pension rights that have accrued from an existing job. This drag on labour mobility comes under the scrutiny of a joint study group of the Institute of Actuaries and the Faculty of Actuaries, in a report by Messrs F. H. Spratling, F. W. Bacon and A. E. Bromfield on the "Preservation of Pension Rights."

To make pensions portable from one job to the next is generally regarded as desirable. Trade unions and professional associations have been at work on the problem for years; the techniques of transfer have been worked out; and in the public services they stand practical test. In this country some minor tax difficulties still obstruct the full transfer of pension rights; in other countries the preservation of these rights on a change in employment has been made an essential condition for tax relief. Regrettably few private schemes make provision for the transfer of rights, and even where provision is made, employees usually opt for the cash surrender value of their rights, which must be taken to reflect their own short-sightedness, because they then forgo the benefits accruing from the contributions made by their employers. Some of the big brokers recommend employers who are intending to start schemes to make them non-contributory so that the employer retains fuller control.

There are two basic methods of making pensions fully portable. The first and most common is the "cold storage" method. Under this method, when a man changes his job his accrued pension benefits (including those provided by his employer) are locked away as they stand at the date of the change until he retires; thus on retirement he may draw two pensions, one coming from his original service and the other from his later employment. The second is the "transfer value" method. On a change in employment, under this method, a sum of money related to the value of his interest in the pension scheme (again taking account of his employer's contributions) is paid over from the old scheme to the new one; thus on retirement the pension comes from one source. The study group has suggested a method combining the "cold storage" and "transfer value" principles.

Whichever method is adopted, it clearly adds to the costs of the scheme for the employer, whose contribution normally takes account of lapses when employees leave. The study group suggests that this burden may not be so large as appears at first sight. If pensions are really to be made more portable, the study group argues that there must be a willingness by employees not to demand payment of withdrawal benefits in cash; that the few tax difficulties standing in the way of the "transfer value" method should be removed; and that the latter method should be adopted in life office as well as in privately administered schemes. But these problems are really the frills. It is first necessary to get employers to accept the principle of full transferability and that may not appeal to those of them who want to combine relatively generous pension schemes with relatively low salaries.

Road Spending in the Dark

THE Minister of Transport never misses an opportunity of stressing just how much he intends to spend on Britain's roads once his programme gets into top gear, nor is he ever backward in recounting how many new road improvements have already started or have been authorised. But this continual barrage of partial information always omits the key fact that really matters—just how much is actually being spent on the roads now by the government and local authorities. Traditionally, this information has always been published only once a year, and a year

in arrears—in the annual reports on the administration of the Road Fund. The next report, due in a month or so, will say what was spent in the year 1955-56. And that, incidentally, will be the last Road Fund report; the fund was abolished last March.

Certainly the total amount of spending on the roads has been rising. Government expenditure provided for in next year's Civil Estimates reaches the handsome sum of £68

ROAD EXPEND. : NEW CONSTRUCTION & MAJOR IMPROVEMENT

£ mn.	Government				Local author.	Total
	Commitments		Voted	Spent	Spent	Spent
	Existing	New				
1952-53.....	6·8	3·5	5·1	2·8	2·6	5·4
1953-54.....	7·0	3·5	5·0	3·0	4·1	7·1
1954-55.....	9·0	19·4	5·0	3·7	4·6	8·3
1955-56.....	25·1	29·8	8·3	8·7*	4·8*	13·5*
1956-57.....	47·4	39·7	15·7	14·5*	5·0*	19·5*
1957-58.....	62·7	68·7	26·3	...	...	...

* Estimated.

million against £40 million in 1954-55; with local authority appropriations from loans and the rate funds total expenditure next year should be £130-£140 million, compared with £100 million in 1954-55. But this covers all heads of expenditure, including maintenance, cleaning, lighting, administration, road safety and the cost of collecting motor vehicle duties. Nor, moreover, are the budgeted sums always actually spent. But of the total road budget in 1954-55, £8.3 million, about a twelfth, was spent on new roads and major improvements (the share for new roads being £2½ million). That is the latest official figure available; from various parliamentary replies given a year or more ago it is possible to guess that the comparable sum spent in the current financial year may have been about £19½ million, more than twice as much. This is not quite as much as the previous Minister of Transport forecast two years ago when the first details of the current road programme were spelled out, but the commitments that have now been made in authorised schemes assure a hefty increase in spending in the next few years. Why, therefore, is the present minister reluctant to reveal his estimates of this impending rate of spending by all authorities and, more particularly, to say what they have actually spent in the last two years?

Car Output Improves

THE recent improvement in car sales, both home and export, began early enough to be reflected in the industry's output figures for February. Both dealers and manufacturers had been keeping their stocks to the minimum, so the sudden burst of buying was felt almost immediately right through the distribution pipeline back to the factories. The weekly rate of output in February, at 11,910, was nearly 15 per cent better than in January, though it was still 30 per cent or more worse than in February of 1956 or 1955. Exports, at 28,400 for the month, were nearly a tenth heavier than in January and last February, but home deliveries—even with the improvement—were still sagging at less than half last year's level. Car

factories started to cut back their rate of production at about this time last year, so if this present revival—which seems to have gained more pace this month—is the beginning of a real summer recovery and not just an idle swallow or two, then the industry should soon start to overhaul its 1956 rate of production.

Xenophobia and Coal Bargaining

DO British miners dislike foreigners more than they like money? On the face of it, that might be the explanation of their decision last week to refuse the National Coal Board's offer to abolish the attendance condition for payment of the extra "bonus shift" in mining because the offer was conditional upon acceptance of Hungarian miners in British pits. Xenophobia at this price—which amounts to a rise of 20 per cent in daily pay—would be something to be reckoned with, wrongheadedness of a certain bitter quality. It does exist; but the rejection of the Coal Board's offer may have come at least as much from the miners' refusal to accept any conditions, face-saving or real, on pay that they believe they are entitled to anyway, and moreover now strongly suspect that they can get without conditions. Miners who normally work a full week already get this extra pay—though they too would like it unconditionally.

The attendance condition, by which a miner who works five days a week is paid for six, but loses two days' pay if he only works four days, was introduced in 1947 as one of the conditions of giving the miners a five-day week; in practice many of them still work on Saturdays. The attendance condition has remained a grievance, and has been raised every year as agreements for the extension of hours to permit Saturday working have been arrived at. The Coal Board suddenly made an offer to abolish it about a month ago, though formal negotiations over the bonus shift were in abeyance until June. It may well have finessed on the chance of attaching further conditions to a concession it would have had to make anyway. But the miners hold the master cards. Next week the two sides meet to consider the miners' current wage claim—for 3s. 3d. a shift, or slightly over 10 per cent on present basic wages. Late in April, the board has to ask the NUM to accept Saturday working for another year. The miners have plenty of opportunities to press for their point.

Post-Suez Trade

ONE comforting feature of British trade since the Suez crisis is that the increased deficit with the dollar area has been more than offset by a fall in the deficit with other non-sterling countries, particularly the OEEC area. During the four months November to February, total exports to OEEC countries averaged £81 million a month, £11 million more than in the same period of 1955-56. Imports from these countries fell by £5 million to £77 million a month, and the trade balance changed from a deficit of £12 million a month in 1955-56 to a surplus of £4 million a month.

The increase in exports was chiefly in ships and boats to Norway; the fall in imports occurred in iron and steel and timber.

Imports from other non-sterling countries (apart from the dollar area) fell more sharply than exports, and the deficit was £3 million smaller at £10 million a month. Imports from the dollar area, on the other hand, rose by £11 million to £83 million a month, reflecting heavier arrivals of oil, cotton and grain; exports to dollar countries (excluding repayments of lease-lend silver to the United States) rose by £4 million to £42 million a month and the deficit rose by £7 million to £41 million a month. The deficit with the whole non-sterling world fell by £12 million to £47 million a month. There was little change in trade with the sterling area: total exports and imports, at £124 million and £127 million a month respectively, were slightly lower than in the same period of 1955-56, and the deficit fell by a half to £2 million a month.

The fall in the volume of petroleum imports was offset by higher prices and freight rates, so that imports between

OIL IMPORTS BEFORE AND AFTER SUEZ
(million gallons)

	Average Jan.-Oct., 1956	Nov., 1956	Dec., 1956	Jan., 1957	Feb., 1957
Total crude.....	651	419	508	424	465
of which:					
Middle East.....	544	294	305	234	311
W. Hemisphere....	83	117	179	184	150
Total products.....	216	160	181	209	240
of which:					
Middle East.....	19	5	6	16	8
W. Hemisphere....	116	101	143	149	185

November and February cost £28.9 million a month, as much as in the same period of 1955-56. The proportion of dollar oil rose from less than one-fifth to two-fifths of the total value. Arrivals of crude oil fell by 25 per cent in volume but the value fell by only nine per cent; imports of dollar crude more than doubled, and formed one-third of the total. Arrivals of oil products were slightly lower in volume, but 16 per cent higher in value. In February alone the index of imported fuel prices rose by another nine per cent to 143 (1954=100) and it was 33 per cent higher than a year ago. With prices of raw sugar also higher, the composite index of import prices rose by one point to 111. Export prices also rose by one point to 110, leaving the terms of trade unchanged at 101.

Insurance Dividends

THE two biggest insurance companies in this country both declared increased dividends this week. The dividend from Legal and General Assurance was indeed an occasion; with a final payment of 17s. 6d. (against 7s. 6d.) the year's dividend was doubled, from 10s. to 20s. per £1 share. These shares immediately gained £3 to £32. The less spectacular companion to this dividend came from the Prudential, the company which invests not far short of £1 million a week. The tax free dividend on the Prudential "A" shares, which is derived from the profits of the ordinary, industrial and general branches, has been raised from 25s. to 26s. 6d. per £1 unit. But the tax free dividend on the "B" shares, derived from the profits of the general

branch alone, has been left unchanged at 3s. 6d. per £1 (4s. paid) unit.

These dividends represent an allocation of 7.4 per cent of the distributable surplus (against 7.7 per cent). As a corollary of this decline in the shareholders' proportion, the allocation to Prudential policyholders has risen, from 92.3 to 92.6 per cent. The bonus on ordinary participating policies written in this country is left unchanged (at £2 2s. per £100 assured) and so, too, is the bonus on current premium-paying industrial policies (at £1 12s.). The rates on the special bonuses introduced last year on industrial and ordinary policies falling due for payment in the current year have been maintained. Significant increases are declared on participating group pension policies in which the companies are now competing keenly.

£7½ Million for Tube Investments

MARKETS are far from inviting to those seeking to launch big capital issues, but several are hatching and one has come out of its shell this week. Tube Investments is to issue to ordinary and preference stockholders, not as rights, £7½ million of 5¼ per cent unsecured loan stock (1977-82) at £95 10s. The main purpose of the issue is to pay ISHRA the balance of the consideration (around £4.6 million) for Park Gate Iron and Steel Company, Renishaw Iron Company and half of Byfield Ironstone Company. It is an open secret in the market that this issue had to stand aside to make way for Steel of Wales and that with the delay its price has had to be trimmed. It was apparently originally intended to make it about £1 per cent higher. Even so, it is arguable that it has not been trimmed enough. The gross redemption yield of £5 11s. 9d. per cent looks narrow in relation to the yield of £5 13s. 1d. per cent obtainable on the Metal Box unsecured loan stock 1977-82 now on offer to stockholders at £98. It should look slightly less narrow to the underwriters who receive 1¼ per cent commission, and doubtless do not object to taking up a fair proportion of it as a permanent holding. If 50 per cent were left with the underwriters the effective price to them would be £93 and the yield £5 15s. 9d. per cent. Moreover, the offer remains open until the day before the budget, which allows a chance for a strike settlement and a brighter market before the lists close.

Car Fashions at Geneva

IN 1957 some 60,000 foreign cars are likely to be sold in Switzerland. There is no competition from a protected domestic industry—only General Motors has an assembly plant there—and products have to stand completely free competition. This year more than 80 manufacturers of cars have selected the Geneva *Salon de l'Auto* as a testing ground. Switzerland has long been a commercial laboratory as well as a prosperous market; this year its interest may be enhanced by the resemblance of the Swiss market to the proposed Free Trade Area. Moreover, with

the Turin Motor Show postponed to the autumn and the Brussels show cancelled, Geneva offers the only major car show until the autumn.

In 1956 the Germans increased their Swiss sales to 30,492, more than half of the total car imports. They were followed by the French with 10,097 cars, the Italians with 5,944 cars, the British with 5,923 cars and the USA with 4,627 cars. Half of the British cars sold were Fords; a third of the German sales were Volkswagen. With 9,780 units sold, the Volkswagen works sold nearly double as many cars in Switzerland as all British makers. But one important Swiss agent commented on this year's British effort at the Geneva Salon, "It looks as if the British might just manage to pull out of their nose-dive in time." Jaguar has chosen the Salon for the world première of its "3.4," which is the smaller saloon introduced last year with the firm's famous 3½-litre engine. The Vauxhall "Victor" is shown for the first time on the Continent, and a number of other firms have introduced models to the Swiss market for the first time, such as the Austin A.55, which has been favourably commented on for its "Continental" lines.

As far as the eye is concerned, the Italians have stolen the show: at this exhibition they demonstrate, in particular, that very small cars can be handsome. The British contribution to the show reflects a continuing concentration on the medium-sized car. Swiss reactions to this are reflected in the action of one agent of a major manufacturer of medium-sized British cars, who has taken on an additional agency for a 450 cc German car. Whether the British industry can afford to disregard this particular section of the Continental market or not, it needs to consider trends in European motoring, and its decline in sales in recent years to an insignificant share of this richest car market in Europe does not indicate an unerring assessment.

For Want of a Bolt?

THE sequence of events that led to the crash of the Viscount 701 airliner last week a quarter of a mile from the runway of Manchester's airport seems to be fairly well established. The flaps along the trailing edge of the wing, which provide much of the braking force for landing, are divided into four sections on the Viscount. The bolt that holds the guide bracket on the second section to the right wing broke, and air pressure forced up this section of the flap; it was seen to buckle by a witness on the ground. This failure by itself might not have been disastrous, but it is thought that the loose bracket, driven up by the movement of the flap, then did irreparable damage to the controls, which made the crash inevitable.

The cause of the failure of the bolt is under investigation. Both bolt and bracket are fixed and do not move with the flap. It has been assumed hitherto that the life of these components would be as long as that of the main structure of the aircraft. As soon as the broken bolt had been established as the prime cause of the crash, British European Airways examined the bolts on the rest of its Viscount 701 aircraft and of the first eight aircraft examined and cleared for service, five were found to have loose bolts. This set up a presumption of a link between looseness and fracture that has been shaken by subsequent findings.

Wreckage of the left wing of the crashed Viscount, the oldest in service, recovered on Tuesday was found to contain a badly cracked bracket bolt, although the bracket was still tightly in position. The airlines have therefore decided to replace all eight flap bolts, regardless of their condition, after the aircraft has flown a certain number of hours and carried out a certain number of landings. Changing of bolts is a simple matter, and the interval between replacement can be chosen to give a wide margin of safety. This is as well, because the investigation into the failure of the bolts may take some time. It cannot yet be regarded with certainty as a case of metal fatigue; but if investigation should suggest that this was the root cause, some fresh thinking about the conditions in which fatigue can occur will be needed.

India's Sterling Reserves

THE Indian Finance Minister, Mr T. T. Krishnamachari, presenting his Budget estimates in New Delhi this week, commented on India's balance of payments and plans to cover her yawning external deficit. These matters command attention in this country. On the budget estimates themselves the notable announcement was that defence expenditure would increase by the equivalent of £38 million in the coming year, and that on present indications there would be an overall deficit of £280 million—a figure based on existing taxes, but counting on a considerable increase in yields, notably in excise duties. Here is an unmistakable reflection of India's domestic boom and of the growth in consumption which is being fed by domestic expenditure on the Second Five-Year Plan and by the extent to which that expenditure is being financed by direct borrowing from the Reserve Bank.

Yet foreign exchange difficulties remain the chief concern of the Finance Minister. Although India has ruthlessly cut imports of consumer goods and has more recently reduced the licences for import of capital goods, the deficit in the balance of payments continues to run ominously large. Since April, 1956, the gap has been of the order of £200 million. The original estimate of the external deficit for the whole Second Five-Year Plan was £825 million, but it is now thought that this figure will be exceeded by £300 million. The Minister admitted that, taking into account available credits and promises, only half of these total requirements were so far covered. He added that negotiations with the World Bank were proceeding to cover the foreign exchange needs of a wide array of development projects. He is also "exploring the possibilities of deferring payments for capital goods from various countries"—a possible reference to second thoughts on India's recent decisions to make immediate cash payment for the German steel plant.

The tardiness with which external assistance is coming forward is compelling India to fall back on its sterling balances. These were reinforced in February by more than £21 million as a result of the deposit in London of about $60 million withdrawn by India from the International

Aluminium in Road Transport



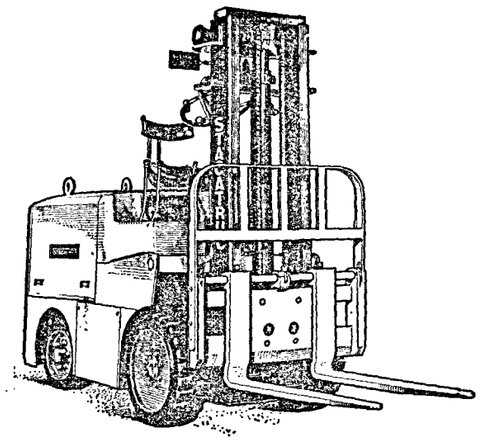
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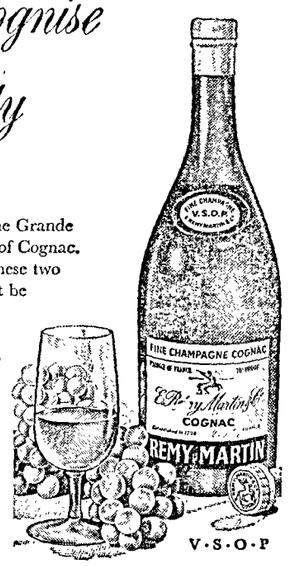
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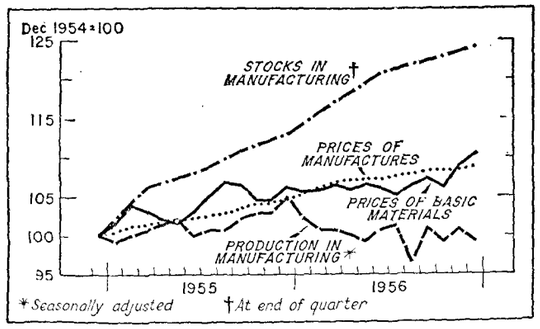
Monetary Fund. In spite of that reinforcement, India's sterling balances fell between February 8th and March 8th by a further £18 million.

Higher Prices for Whale Oil

THE whaling companies have had some compensation for the reduction in the total permissible catch of baleen whales in the Antarctic this season: prices of oil have risen. Hector Whaling has announced that its whale oil has been sold for £90 a ton, £2 10s. more than last season. A year ago this company was unlucky, production of whale oil amounting to only 11,600 tons; this season it has recovered to 16,940 tons. Output of sperm oil, however, has fallen from 5,770 tons to 2,300 tons, but the price realised has risen by £16 to £85 a ton. Other companies also caught fewer sperm whales this season. Most of the other expeditions have obtained £90 a ton for their whale oil, though Union Whaling Company of South Africa, which fixed a price before the season began, obtained a little more. This was the company's last expedition before its fleet passed into Japanese hands. Of the total catch of whale oil this season about 50,000 tons remains to be sold.

How Much Have Stocks Changed?

ESTIMATES of changes in the value of stocks and work in progress in manufacturing industry derived from the provisional results of the 1955 Census of Production now available in the Board of Trade differ quite significantly from those that the Board calculates quarterly on the basis of a sample inquiry among the larger companies. For 1955 the sample inquiries suggested a rise of 13 per cent in manufacturing stocks; the estimates from the census of production, covering a much more representative selection of companies, put the rise at only about 10½ per cent.



This has no doubt already given rise to yet another round of revision in the Central Statistical Office's estimates of national income and expenditure—their preliminary White Paper on the figures for 1956 is due for publication within a fortnight. But accepting their margin of error, the quarterly inquiries give a useful indication of the trend of stock levels within a relatively short time. Last week, for example, the Board of Trade was able to publish its preliminary estimates for the last quarter of 1956. These suggested an increase of about 1 per cent in the value of stocks and work in progress, roughly the same as in the third quarter. Over the year, the sample inquiries suggest that manufacturing stocks would have increased in value by about 9½ per cent—though manufacturing output seems actually to have declined. On the face of it this does not say a lot for the average quality of British management of stocks; but the conversion of stocks of materials into stocks of finished goods will have been responsible for a large proportion of this addition to the total value.

Egyptian Held Securities

BRITISH banks have this week been informed by the Bank of England of new restrictions on security transactions by residents of the Egyptian monetary area. These restrictions are not intended as part of the financial blockade of Egypt. They are to protect the evacuees from Egypt. On March 15th all sales and exports of securities by or on behalf of residents of Egypt were made subject to the permission of the Bank of England. The true ownership of such securities is now often in question and the change is designed to prevent dealings in London without the consent of the true owner. But although the first intention is to protect evacuees, the protection could work in the other direction too. It might, for example, prevent the sale in London of securities serving as collateral against loans granted by local banks in Egypt. It therefore also forms part of the plan to immobilise financial relations between the two countries until the grand operation of claim and counterclaim can begin.

Pennies from Heaven

A STATISTICIAN with time on his hands might well set about measuring the economic consequences of the exceptional period of mild weather in Europe. The effect on the international grain trade and the freight market has been dramatic. The mild weather stimulated grass crops, so cattle required less compound feeding stuffs. Demand dropped, prices of feed grains declined and freight rates fell further. American maize now costs about £25 a ton cif UK, £4 10s. a ton below the post-Suez peak and nearly two-thirds of that fall represents cheaper freight. Some sellers of feed grains have had to accept prices well below replacement value. Weakness in Atlantic grain freights spread to freights for other commodities and other routes. Atlantic coal rates, for example, have now dropped by nearly a half to 65s. a ton. Since the beginning of the year Britain has used about 1¼ million tons less coal than in the same period of last year, in spite of switching from fuel oil; the weather has had a good deal to do with this. Industry's ration of fuel oil has gone farther than was expected.

Hens thought Spring had come and stepped up production. Egg prices fell, and British consumers are now paying only half as much for eggs as at the same time last year. In this case, however, the consumers' gain is the taxpayers' loss. The egg subsidy for the year ending this month was originally estimated at £12½ million; now it has gone up to £33½ million. Some enterprising merchants started an export trade in eggs—and the Danes are still smarting from the shock.

The Hermes Crash

LAST November a Hermes airliner owned by Britavia and carrying service families home from Tripoli was coming in to land at Blackbushe airport just before midnight. There were misty patches about the airfield; the pilot had asked for a "talk-down" landing and been told there would be a 30 minute delay. He decided to land without waiting since visibility reports from the ground were encouraging, but he came in so far below the correct glide path that one of the aircraft's wings sheared 10 feet off the top of a beech tree 3,600 yards from the runway. In the crash that followed, three of the crew were killed, and four children who had been passed out on to the wing by their mothers died in the subsequent fire.

The report of the court of investigation into the accident was published this week, and found no evidence to show why the pilot should have been flying so low. He might have been deceived by the patchy mist and the old-fashioned lighting at Blackbushe and failed to check his altitude with sufficient care but, says the assessor, "if any of these errors were made, it was probably due at least in part to some loss of alertness brought about by fatigue." The crew had been on duty for two periods totalling roughly 30 hours with a very uncomfortable 10 hour break at Tripoli airport between. These were exceptional conditions caused by the Suez operations; but they re-emphasise the real dangers of air crew fatigue.

Report on the East

MR C. BLAKER'S annual statement to the shareholders of the Hongkong and Shanghai Banking Corporation is the most comprehensive of this season's reports from the eastern banks. Two points from it may command special attention. One is the bank's own experience. Advances and discounts of commercial bills rose sharply, and as deposits showed only a small increase, the bank had to make a considerable reduction in its portfolios of government securities and Treasury bills. This, he points out, partly reflects the impact of credit restriction in the United Kingdom, which increased demands on the bank and at the same time attracted deposits away from it to the high rates offered in London.

Mr Blaker is concerned also about the effect on the bank of recent legislation in India. The Reserve Bank of India has recently been given two disturbing powers—to vary the cash reserves that the scheduled banks are required to maintain with it; and to approve the appointment of their managers. These powers are said to be held only in reserve; but "circumstances change and policies with them"—as an example of which Mr Blaker cites India's State Trading Corporation, set up recently as a counterpart to the trade delegations of Communist countries, but now to some extent replacing private importers in trade with non-Communist countries.

Distillers in Pictures

AT the annual meeting of Distillers last September the chairman, Sir Henry J. Ross, reaffirmed the board's decision not to disclose any breakdown of the group's profit between its whisky and gin business and its rapidly expanding industrial sections. Instead he promised to give shareholders a clearer picture of the background and progress of the group's industrial enterprises. In that aim, the brochure illustrating the industrial activities of the Distillers Company succeeds. It tells shareholders the industries in which the Distillers Company is engaged and, within strict limits, the other companies with which it is associated in those enterprises. But only those companies in the United Kingdom in which Distillers holds 50 per cent or more are brought into the picture—a line so drawn that it excludes the relation between Distillers and United Molasses. Broadly the brochure does not tell shareholders anything about the earnings of those industrial enterprises, the extent of the group's investment in them, or which of them are profit makers. This is a handsomely produced brochure, but few hard financial facts shine through its glossy pages.

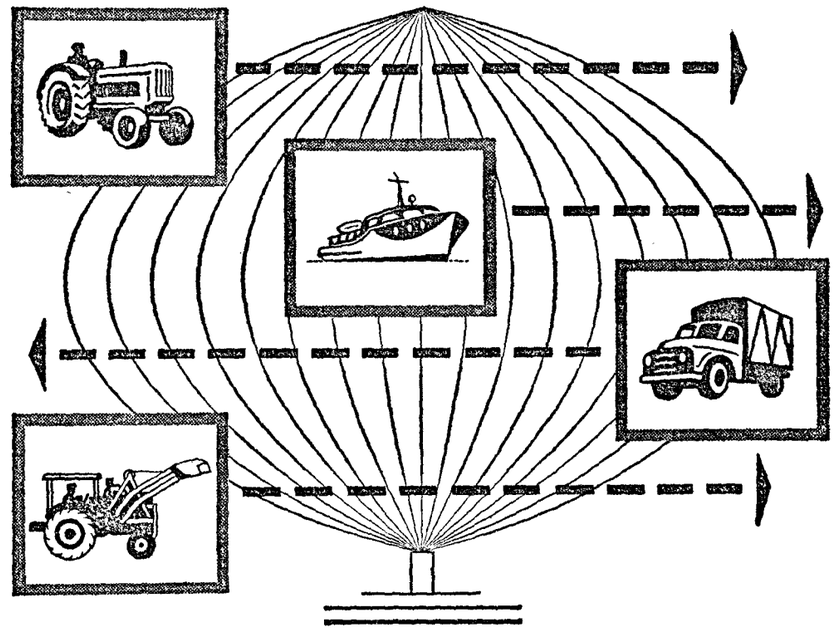
There are four main groups of the industrial products: (1) Chemicals, including solvents, industrial alcohol, carbon dioxide and salt; (2) biochemicals; (3) food, with yeast as one of the principal products; and (4) plastics, which includes British Geon, jointly owned with the American B. F. Goodrich Chemical Company and which produced 27,000 tons of polyvinyl chloride in 1956.

There is one other big group—British Hydrocarbon Chemicals, which Distillers owns jointly with British Petroleum. This has two offshoots: Forth Chemicals, in which Monsanto has a minority interest; and Grange Chemicals, in which the Oronite Chemical Company holds a minority. British Hydrocarbon Chemicals permits itself the distinction of a figure in the brochure. When its programme of expansion is complete the total investment will be about £22 million.

Too Much Sisal

SISAL is now steady at £72 a ton (cif UK) for the top grade of British East African fibre. The "Suez" advance of £4 a ton has been lost; the present price is only a little above the postwar trough of 1954 and it is £8 lower than a year ago. There is too much sisal.

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FRANCE Société Française des Moteurs F. Perkins 9 et 11 Rue d'Enghein, Colombes (Seine). Tel: Charlesbourg 35-60. Cables: Perkoil, Paris.

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World production has risen steadily. In 1956 output reached a new record of about 475,000 tons. Output in British East Africa, the largest producer, rose by nearly 11,000 tons to 226,000 tons and in Brazil a heavily subsidised industry is producing at an annual rate of about 100,000 tons. Production of henequen, a competitive fibre, is also growing. The bulk of it comes from Mexico, where cultivation enjoys government support, and is exported either as fibre or twine to the United States; that country is also the biggest single outlet for sisal.

World consumption in 1956 did not quite keep pace with production. Consumption in the United States declined with the cutback in motor car production; America now uses as much sisal for padding in car upholstery as for twine. European consumption suffered from the poor crops of hay and certain grains. Demand from the United States and Europe should improve this year, and there is a chance that sisal may benefit from the sharp rise in prices of manila hemp, with which it competes in the manufacture of certain small diameter maritime ropes. Demand for manila ropes from a flourishing shipping trade still exceeds the supply, despite the growth in output of manila hemp in the Philippines. Though prices have declined from the recent peaks most grades still cost more than twice as much as sisal, and this should encourage rope manufacturers to use more sisal whenever possible.

SHORTER NOTES

The directors of Lombard Banking are giving shareholders a true bonus issue. For every 16 ordinary shares held they propose to issue four 5s. ordinary shares and three £1 six per cent cumulative preference shares. This issue follows on an increase in the ordinary dividend from 25 to 27½ per cent and an advance in gross profits from £374,224 to £410,021.

★

The first British export business for an atomic power station has been won not by one of the five big design groups working for the Central Electricity Authority but by Mitchell Engineering. This company has undertaken work for the Atomic Energy Authority and is associated with American Machine and Foundary Inc. The order placed with the two companies by Rheinisch-Westfalisches Elektrizitatswerk is for a 15,000 kW power station with research facilities included in its reactor. It is worth $5.3 million, of which two-fifths goes to the American company for the reactor core and fuel, and the rest to Mitchell Engineering for heat exchangers and reactor vessel.

★

A coreless induction melting furnace that runs on current at 50-cycle frequency—taken direct from the mains—has been installed at Birmingham by Birlec, Ltd. This particular furnace has a capacity of 5 tons and is the first of this size and type to be installed in Britain—though they have been developed and used before in other countries. Birlec has been working for some time on induction furnaces with capacities larger than 15 cwt that will run on mains frequency; at these larger sizes they can be cheaper to operate than high-frequency furnaces. Birlec has orders for 14 more, ranging in size up to 15 tons, which will be among the largest induction melting furnaces ever built.

Company Notes

SWAN, HUNTER & WIGHAM RICHARDSON.—The broker in Throgmorton Street and the striker on Tyneside both know that shipbuilding profits are rising. But both may be surprised by the steepness of the rise achieved by Swan, Hunter and Wigham Richardson. Unaudited figures show that in the year to December 31st group income tax rose by nearly 32 per cent, from £2,579,666 to £3,398,860. Taxes went up accordingly, from £1,097,139 to £1,636,353.

But net profits attributable to the parent company still went up by 17½ per cent, from £1,380,100 to £1,622,472. The ordinary dividend was left unchanged at 14 per cent and absorbs £275,481. The shipbuilding strike may have ruled out the possibility of a dividend increase but the dividend decision also indicates that the board is still impressed by the need for investment in the group's modernisation and development programme—a programme made all the more necessary by the big order books of the shipbuilders. Ultimately investors expect some increase in the dividend, and since the jobbers had refused to accumulate stock when shipbuilding shares were being sold on Monday and Tuesday, the profit statement found them without much stock and produced a rise of 2s. 6d. in the £1 ordinary units, which now stand at 66s. 6d. and yield about 4.3 per cent.

IMPERIAL TOBACCO. Lord Sinclair's speech to the shareholders of Imperial Tobacco Company brought the price of "Imps" down from 44s. to 42s. 6d.; he made it clear that a reduction in the dividend is a serious possibility. The directors cannot yet forecast whether total profits in the current year will be such as to compel some reduction in the rate of the ordinary dividend; but, they say "in the circumstances of this year, so far as we can foresee them now, it is a possibility that cannot be ruled out." Trading profits in the current year will, Lord Sinclair foresees, be lower, despite "some further improvement in the return from trade investments"—a reference presumably to the group's holdings in British American Tobacco Company. These are the reasons he gave for expecting lower profits:

(1) Increases in tobacco duty have restricted consumption.

(2) So far this year sales have been maintained, but this may reflect some stocking up by distributors in anticipation of transport difficulties.

(3) Competition will be keener than ever and this will "entail appreciable increase in our selling expenses."

(4) There are no grounds for expecting manufacturing costs to be lower.

Last year the 21 per cent ordinary dividend was paid out of earnings of nearly 35 per cent.

THE BRUSH GROUP. This group never seems able to get out of the wood. The legacy of over-rapid expansion in the immediate post war years clings to its back like the old man of the sea. A comprehensive range of diesel manufacturing units was built up at the cost of big bank overdrafts that still overshadow the group's finances.

Again Brush provides cause for disappointment. In November, the directors passed the interim dividend. Now they have passed the final dividend also. In 1955 the ordinary dividend was 10 per cent. On this announcement, the 5s shares fell 6d. to 4s. 7½d. In explanation the directors say that "during 195[illegible] deliveries fell short of expectations and costs including wages, salaries and materials increased sharply. In addition there was a heavy increase in bank charges." The preliminary figures do not show whether this is purely the result of financing that leaves the company at the mercy of bank rate or means that it has actually borrowed more.

Much of the group's production is sold abroad. In these competitive markets, some trimming of margins last year was to be expected, and it indeed occurred. The group's turnover went up slightly, from £22,094,389 to £22,488,981, but gross trading profits fell from £2,339,959 to £1,878,104, so that the margin of profits on sales came down from 10.6 to 8.4 per cent. This is not the whole of the story. "Bank, mortgage and other interest" rose from £442,009 to £628,486 and, though the depreciation provision was reduced from £795,673 to £751,737, gross profits liable for tax were reduced from £1,123,346 to £521,149. That is one of the penalties of a highly geared and largely unfunded capital structure.

After tax, net profits were cut savagely, from £479,836 to £174,101. In 1955 the 10 per cent ordinary dividend absorbed £161,874 net. A maintained dividend was clearly not on the cards for a company that is so heavily in debt to the banks as Brush. What may have disappointed some investors is that the directors decided against any payment at all (if only a token one) on the ordinary capital. Such a decision hardly promises to bring the solution of Brush's capital problems any nearer.

★

PRESSED STEEL. The convertible debenture is fashionable, and appropriate enough for the raising of money to finance growth. Whatever the immediate past or the near prospect of the car industry, growth over the next few years seems assured and Pressed Steel will play its full part in supplying bodies. That is perhaps the basis of the decision by the directors and their financial advisers, J. Henry Schroder, to issue £2 million of a 5½ per cent convertible debenture (1977-82) at par.

This debenture can be converted into 5s. ordinary shares between June 1, 1958, and June 1, 1961. The approximate conversion prices on the ordinary units are 14s. 3d. in 1958, 14s. 8½d. in 1959, 15s. 1d. in 1960 and 15s. 7½d. in 1961. If it were all converted on the earliest date it would enlarge the ordinary capital by £700,000. Currently, the 5s. ordinary units stand at 13s. 9d.; last year they touched a "high" of 20s. 1½d. and a "low" of 10s. The present price reflects the course of current trade and profits and not the ultimate potentialities of the motor industry. In

(*Continued on page* 1028)

Department Store Results

The key to department store trading is to sell a wide range of goods at a wide range of prices under the same roof and to offer the ancillary inducements of credit sales, delivery, and after-sales service. The rate of stock-turn is slower in these stores than in the multiples and the percentage mark-up is usually higher. But because of stock wastage, slow turnover of some lines, and mark-downs at sales, the gross profit earned by the department stores per £ of sales does not differ much from the average profit margins of the multiples. The department stores have been losing ground to the multiples (though less so than have the independent retailers). This trend may have been checked last year, simply because the department stores were less dependent on the hire-purchase trade. Department store managements have faced the fact and the prospect of strong competition by modernising the stores, improving their facilities and, in some cases, by switching their range of stocks to appeal to customers in the lower-middle range of income rather than to those in the middle-upper income brackets. All department stores faced increased costs last year and the patchwork pattern of their trading results largely reflects two factors: sites and management.

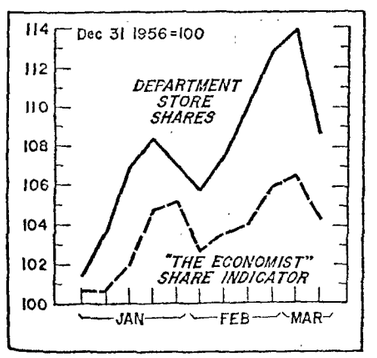
The most impressive result so far has come from the **Harrods** group (whose gross profits rose by 13¾ per cent). The parent store at Knightsbridge and the London subsidiaries, **Dickins and Jones** and **D. H. Evans**, made a useful contribution; here the sale of fashion goods which usually carry a higher mark-up has probably played a significant part. In the Liverpool and Sheffield stores results were also better; these stores are perhaps tied more closely to the custom of the wage-earner than some of the London stores. But in Manchester, **Kendal Milne**, which does a big business in hardware and furniture, was hit by the hire-purchase restrictions. A comparable result has come from another store, specialising in the fashion trade. The profits of **Bourne and Hollingsworth** have risen by 13½ per cent

Not far behind these results come those from the **Lewis's Investment Trust** group. The gross profits of the subsidiary, **Lewis's**, whose shops appeal for the custom of the wage-earners of the North and Midlands, rose by nearly 9½ per cent. Profits earned by the London subsidiary, **Selfridges**, went up by nearly 9 per cent.

The results of **Bentalls**, whose profits are up by about 7 per cent, is not much less satisfactory. Here the site in a growing suburban area is the key to success; it is a good example of the trend towards "taking the shop to the customer." The results of **A. W. Gamage**, which, while broadening its appeal, caters for the trade of the office worker and for the man and boy rather than the woman shopper, are not unsatisfactory. Its profits have gone up by about 3½ per cent, not out of line with last year's increase of 4 per cent in department stores' sales.

In view of this increase in sales, some of the other results are disappointing. The sales of the **John Lewis Partnership** group went up from £26.4 million to £27.7 million, but gross profits rose by only about 1 per cent, from £1,324,000 to £1,339,000. The directors attribute this result to an increase in expenses and to the effect of large-scale rebuilding. The interruption to trade caused by rebuilding may also help to explain why the profits of **John Barker** have fallen by over 8 per cent. A slightly smaller decline in profits—of 6 per cent—has been reported by the **Army and Navy Stores** in Victoria. But another store nearby, **Frederick Gorringe**, has reported an increase in gross profits from £64,996 to £74,937; its directors have held the ordinary dividend at 12½ per cent.

These results and the few dividend increases justify the slight premium that equity shares in department stores command at the moment over the general run of ordinary shares. But there is a patchiness in the results and the thrust of the multiples is vigorous.



STORE RESULTS—YEARS TO END JANUARY

Ordinary Shares	Gross profit (£'000s)		Net profit (£'000s)		Ordinary dividend (%)		Current price	Yield (%)
	1956	1957	1956	1957	1956	1957		
Army & Navy 10s.	279	261	142	148	7½†	7½†	12/6*	6·0
John Barker £1	773	709	359	310	22½	22½	55/7½*	8·1
Bentalls 2s.	493	528	205	192	27½	29½	10/10½	5·4
Bourne & Hollingsworth 5s.	267	303	123	128	12½	15	9/3	8·1
A. W. Gamage 10s.	377	390	133	135	27½	30	33/6*	9·0
Harrods £1	2,163	2,463	972	1,041	17½	17½	52/9	6·6
John Lewis £1	1,324	1,339	363	396	...	...	...	...
Lewis's Investment Trust 4s.	4,828	5,168	2,158	2,271	16	17	13/9	4·9
Lewis's	2,862	3,132	1,271	1,347	All ordinary shares held by Lewis's Investment Trust			
Selfridges	1,274	1,387	511	539				

* Ex dividend. † Excluding capital distribution of 3½ per cent, tax free.

the prospectus gross profits last year are shown to have fallen from £2,582,064 to £2,190,160, and the full year's ordinary dividend has been reduced from 22½ to 15 per cent. A cut in the total payment of this order has been expected since the interim dividend was reduced from 7½ to 5 per cent in October.

The new issue will bring in £1,938,200 net, of which about £630,000 will be spent on increasing the company's facilities for making tools necessary for the pressing and assembly of motor car bodies; the balance will be used to reduce bank overdrafts, which at the end of February came to £1,784,550. From its own internal resources, Pressed Steel will find the £900,000 needed for a programme of rearranging and increasing factory space.

★

ENGLISH ELECTRIC. This year English Electric has done better than others in the electrical industry, and the chairman, Sir George Nelson, had a message of achievement and of hope for stockholders at the meeting. The order book for the home companies of the group at the end of the year was £180 million, compared with £163 million at the end of 1955. In 1956 the production of turbines and alternators at Rugby and Stafford had risen by 12 per cent to a new record, and the 480,000 kW of generating plant commissioned by the group for the Central Electricity Authority was also a record. The chairman is convinced that productive capacity is adequate to fulfil all the outstanding orders on due dates and believes that there is still immense scope for bringing electric power to all countries.

That hopeful review does not mean that he sees no clouds on the horizon. One of those *clouds is the report of the* Monopolies Commission which passed strictures on the electrical manufacturing industry. Sir George meets those criticisms in a spirit that seems quite unbending: "We shall endeavour to ensure that the stability of this great industry . . . is preserved." Another problem is the European free trade area. Here he finds himself on the horns of a dilemma—in favour of the idea yet afraid of what may develop from it. He fears that some of the countries adhering to it may continue to use open or concealed subsidy or differential export pricing amounting to dumping, and that British electrical manufacturers may not have as genuine a chance of tendering to continental utilities as continental manufacturers will have in this country. The crux is clearly in the words "amounting to dumping." *Do British* manufacturers, who complain bitterly of narrow profit margins on export business, claim that they never quote differential prices for export orders?

★

BRADFORD DYERS. The chairman of Bradford Dyers, Mr James Ewing, does not tell shareholders what contribution to group profits Beida Dyers used to make, but he does give an idea of the capital sums which should have accrued to Bradford Dyers from the sale of control of this Egyptian company, but which are now sequestered by Egypt.

Bradford Dyers held about 55 per cent of capital of Beida Dyers. Last June it sold 80,000 shares in that company for £E20 each to the Bank Misr and its associates. The profit on this sale was £1,305,432. Of the sales proceeds of £E1,600,000, £E220,000 was deposited with the Bank Misr in connection with a proposed issue of capital (as yet, it seems, unimplemented); £E500,000 was paid over at once to the British account; the remaining £E880,000 was deposited in Egypt pending transfer in two instalments. These now seem blocked and the Bradford Dyers naturally cannot say when they will be received in sterling.

In addition to these blocked deposits, Bradford Dyers still owns a minority interest of 54,740 shares of £E4 each in Beida Dyers. At the price at which control was sold, this interest was worth £E1,094,800, but just before the Suez hostilities the stock exchange value of this interest was £E1,861,160. This interest plus the blocked deposits give Bradford Dyers a total claim in Egypt of about £3¼ million for sequestrated property.

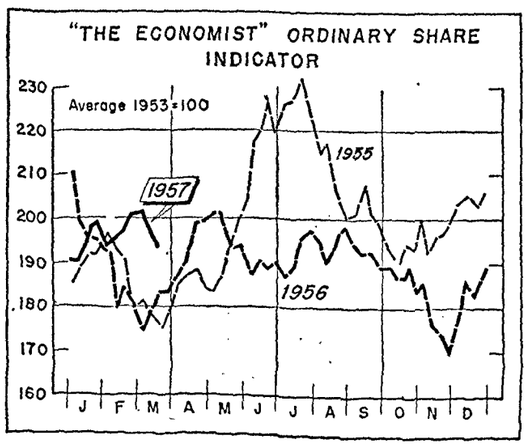
LONDON STOCK EXCHANGE

First dealings:	Mar. 13	Mar. 27	Apr. 10
Last dealings:	Mar. 26	Apr. 9	Apr. 30
Account Day:	Apr. 2	Apr. 16	May 7

BIGGEST losses in stock market prices were recorded on Monday. Falls in gilt-edged stocks that day sometimes exceeded one point; 2½ per cent Savings 1964-67 and 3 per cent Gas 1990-95 were both that amount lower, while 3½ per cent War Loan and 4 per cent Consols fell 1¼. Swan Hunter dropped 2s. 3d., Vickers 1s. 6d., and William Doxford, Harland and Wolff, and Hawthorn Leslie all lost 1s. 3d. Clarke Chapman fell 3s. 1½d., Babcock and Wilcox 2s. 9d. and Rolls-Royce 4s. 1½d. The volume of business contracted on Tuesday and Wednesday, allowing prices to settle and in later dealings on Wednesday when there was talk of a possible settlement in shipbuilding some of the lost ground was recovered by industrial shares, and some buying of gilt-edged also took place and improved in quality on Thursday. Over the week the *Financial Times* index of Government stocks fell from 88.25 to 86.56. *The Economist* indicator lost 3.9 to 197.3.

Although insurance shares were predominantly lower on balance, Legal and General jumped £3 to £32 on Wednesday, following the increase in dividend. Motors improved on Wednesday, regaining most of the earlier losses. Dowty rose a further 1s. 3d. to 34s. xd. Monsanto were quoted at 17s. xr, a fall of 1s. 3d. over the week. Parsons Marine jumped to 88s. 9d. on the bid by Richardsons Westgarth, and Swan Hunter after the profit statement rallied to 66s. 6d. Steel Company of Wales was steady at 9d. discount on the shares, 5s. paid. Among textiles, Howard Ford fell 1s. 7½d. to 5s. 9d. on the reduction in dividend. The buying of industrials expanded on Thursday.

Oils lost part of last week's improvement, but Shell was on balance 5s. higher at 174s. 3d. after touching 180s. Kaffirs rose on Monday, but turned dull again after the South African budget. Union Corporation rose after the dividend announcement. Coppers recovered to show scattered gains by Wednesday.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1956 High	1956 Low	1955 High	1955 Low
Feb. 20	196·8	5·63	210·4 (Jan. 4)	170·0 (Nov. 28)	232·1 (July 20)	175·2 (Mar. 25)
,, 27	200·6	5·52				
Mar. 6	201·6	5·50				
,, 13	197·3	5·62				
,, 20	193·5	5·74				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956 High	1955 High
		%		%			
Mar. 13	185·7	5·89	96·71	4·63	9,298	203·6 (Jan. 3)	233·9 (July 21)
,, 14	185·6	5·90	96·70	4·63	8,705		
,, 15	184·5	5·93	96·61	4·63	8,203		
,, 18	180·4	6·06	95·96	4·72	10,204	Low	Low
,, 19	180·9	6·04	95·55	4·74	8,190	161·5 (Nov. 29)	175·7 (Mar. 15)
,, 20	182·2	6·01	95·43	4·74	7,265		

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

LONDON ACTIVE SECURITIES

Prices, 1956 High	Prices, 1956 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Mar. 13 1957	Price, Mar. 20 1957	Net Yield, Mar. 20 1957 § £ s. d.	Gross Yield, Mar. 20 1957 £ s. d.
99⅛	97	Funding 2½% 1952-57	99⅛	99⅜	1 14 6	4 4 6
95½	93½	War Loan 3% 1955-59	96⅜	96⅝	3 3 3	4 8 8
91⅜	88⅛	Funding 2½% 1956-61	92⅛	92⅜	3 9 10	4 11 9
100⅞	99⅛	Exchequer 5% 1957	100⅛	100/3/10½	—	4 2 8
99⅞	97	Conversion 4% 1957-58	98⅜	98⅝	3 1 4	5 3 2
97⅛	95⅜	Serial Funding 2½% 1957	98⅛	98⅛	3 8 3	4 18 2
94⅞	91	Conversion 2½% 1958-59	95⅛	95¼	3 11 5	4 10 9
92⅛	88⅛	Exchequer 2% 1960	93⅛	93⅛	3 11 5	4 9 9
95⅛	92¼	Exchequer 3% 1960	96⅜	95⅝	3 3 3	4 9 10
98⅛	97⅛	Conversion 4½% 1962	98⅛	98⅛	2 17 5	4 16 10
88½	83	Savings Bonds 3% 1955-65	89⅛	88⅛	3 7 8	4 15 6
82⅛	77⅛	Funding 3% 1959-69	82⅛*	81⅛*	3 13 0	5 1 6
92¼	84⅛	Funding 4% 1960-90	91⅛	90⅜	6 1 3	8 2 9
81⅞	75⅛	Savings Bonds 3% 1960-70	80⅛	79⅛	3 14 2	5 3 7
91⅛	88⅛	Exchequer 3% 1962-63	92⅛	92	3 4 8	4 12 10
87⅛	83⅞	Exchequer 2½% 1963-64	88⅜	87⅛	3 9 4	4 13 8
81⅛	76⅛	Savings Bonds 2½% '64-67	82⅛	81⅛	3 14 8	4 19 10
79⅜	71⅜	Savings Bonds 3% 1965-75	77	75⅜	3 10 10	5 1 4
83⅝	78	Funding 3% 1966-68	83⅜	82⅛	3 12 11	5 1 11
96⅛	90	*Victory* 4% 1920-76	94⅞	93⅛	3 1 3	4 17 1
88⅝	81⅛	Conversion 3½% 1969	87⅛	86⅜	3 8 5	5 1 1
83⅜	74⅜	Treasury 3½% 1977-80	81	79⅝	3 6 8	5 2 0
84⅛	75⅝	Treasury 3½% 1979-81	79⅜	78⅝	3 7 2	5 2 4
72⅞	64⅜	Redemption 3% 1986-96	69⅛*	68⅜	3 2 10	4 16 3
81⅛	73⅛	Funding 3½% 1999-2004	79⅛	78⅛	2 17 6	4 13 9
84⅜	76	Consols 4% after Feb. '57	81⅛	79⅜	2 18 2	5 1 6
77	68	War Loan 3½% after 1952	74	72⅞	2 16 1	4 18 2
76⅞	67⅛	Conv. 3½% after Apr. 1961	72⅜*	71⅝*	2 16 8	4 18 6
65⅜	58⅜	Treas. 3% after Apr. 1966	63¼*	61⅞*	2 16 0	4 17 6
56⅛	49⅜	Consols 2½%	54⅝*	52⅝*	2 14 4	4 14 5
56⅞	50	Treas. 2½% after Apr. '75	53⅞*	52⅛*	2 14 6	4 14 8
98⅜	90	Br. Electric 4½% 1967-69	95⅛	95	3 2 1	5 2 1
80⅛	72⅜	Br. Electric 3% 1968-73	78⅜*	77⅛*	3 12 0	5 1 8
79⅛	71⅛	Br. Electric 3% 1974-77	76⅝*	75⅛*	3 9 0	4 19 5
95	85⅛	Br. Electric 4½% 1974-79	90⅛*	89⅛*	3 1 10	5 0 7
83⅛	74⅜	Br. Electric 3½% 1976-79	81⅛	79⅞	3 6 7	5 2 0
90⅞	84⅛	Br. Gas 4% 1969-72	90⅜	88⅞	3 4 11	5 1 11
87⅞	80	Br. Gas 3½% 1969-71	86⅛	85⅛	3 6 5	4 19 3
73⅛	65⅛	Br. Gas 3% 1990-95	71⅝	69⅞	3 2 2	4 15 11
80⅞	72⅜	Br. Transport 3% 1968-73	78⅜*	77⅛*	3 12 0	5 1 8
90⅞	81⅛	Br. Transport 4% 1972-77	88⅛	87⅛	3 3 8	5 1 7
73⅜	65⅛	Br. Transport 3% 1978-88	71⅛	69⅞	3 5 11	4 18 11

Prices, 1956 High	Prices, 1956 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Mar. 13 1957	Price, Mar. 20, 1957	Yield, Mar. 20, 1957 £ s. d.
80⅛	74⅞	Australia 3½% 1965-69	80¼	79⅜	5 11 3
98⅜	92⅛	Fed. Rhod. & Nyas. 5% 1975-80	95	94	5 9 4
76	70	S. Rhodesia 2½% 1965-70	73⅛	72⅛	5 10 7
88⅛	80⅛	N. Zealand 4% 1976-78	87⅝	86⅞	5 1 9
101⅛	99⅛	L.C.C. 51% 1977-81	105⅛	103⅛	5 0 3
97⅛	88⅛	Agric. Mortgage 5% 1959-89	92⅝	92⅛	5 10 0
68⅛	61	Met. Water Board 'B' 3% 1934-2003	66⅜	64⅜	5 0 0
81⅛	71	German 7% 1924 (Br. Enfaced 5%)	76⅛	76⅜	...
169⅛	159⅛	Japan 5% 1907 (Enfaced)	164⅜*	164⅜*	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Mar. 13 1957	Price, Mar. 20, 1957	Yield, Mar. 20, 1957 £ s. d.
		% %	BANKS & DISCOUNT			
105/-	92/6	2 a	7 b Bk. Ldn. & S. Amer. £5	123/9	123/9	6 19 10
50/-	39/10½	5 a	7 b Barclays Bank £1	44/3	43/9	5 9 9
35/9	27/9	4 a	4 b Barclays D.C.O. £1	30/-	29/3	5 9 3
41/9	32/9	7½ a	7½ b Chartered Bank £1	36/9*	34/6*	8 13 11
51/-	42/10½	...	7 b Lloyds Bank £1	47/6	47/6	5 9 5
72/4½	61/-	9 a	9 b Midland Bank £1	70/-	68/9	5 4 10
46/-	29/3	5 a	5 b Nat. Discount 'B' £1	40/-	40/-	5 0 0
50/-	40/6	6½ a	6½ b Union Discount £1	48/-	46/6	5 7 6
			INSURANCE			
92/6	75/-	43½ b	30 a Commercial Union 5/-	84/6	83/6	4 7 10
29	16½	12½ a	87½ b Legal & General £1	29	32	3 2 6
25½	18½	†47½ b	†20 a Pearl £1	20⅜	20⅜	5 15 1
48⅜	38	†117½ c	†125 c Prudential 'A' £1	44½	42½	5 2 11
119/6	106/-	10 a	BREWERIES, ETC. 33 b Bass £1	107/-	106/6	8 1 6
24/10½	18/7½	11½ b	6 a Distillers 6/8	22/10½	22/3	5 4 10
45/10½	36/9	10 a	15 b Guinness 10/-	38/-	37/-	6 15 2
76/-	61/9	14 b	7 a Whitbread 'A' £1	68/9	67/9	6 3 9
			OIL			
183/9	99/-	†10 b	†5 a British Petroleum £1	143/1½	142/3	3 13 5
117/9	65/-	12½ b	5 a Burmah £1	90/7½	89/6	3 18 3
17⅞	11⅜	14 b	7½ a Royal Dutch 20 fl.	£17½	£17⅜	2 3 3
171/-	103/3	†13½ b	†5 a Shell £1	169/3	174/3	3 0 0
58/6	33/3	...	... Ultramar 10/-	67/-	66/-	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Mar. 13 1957	Price, Mar. 20, 1957	Yield, Mar. 20, 1957 £ s. d.
		% %	STEEL & ENGINEERING			
85/6	64/-	8 b	7 a Babcock & Wilcox £1	79/-	77/6	3 17 6
13/-	9/4½	14 c	4 a Cammell Laird 5/-	11/10½	11/9	5 19 0
35/-	22/9	3 a	5 b Dorman Long £1	24/6	25/1½	6 7 4
54/9	39/-	8½ b	3½ a Guest Keen N'fold £1	46/6	45/6	5 6 6
55/6	41/6	6 b	4 a Metal Box £1	52/-	50/6	3 19 3
37/6	25/7½	5 a	12½ b Stewarts & Lloyds £1	27/9	26/9	6 10 10
60/-	47/3	3 a	11 b Swan Hunter £1	65/6	66/6	4 4 3
43/9	31/4½	4 a	8½ b United Steel £1	31/-	31/-	8 1 3
44/7½	32/4½	7½ b	2½ a Vickers £1	41/9	41/6	4 16 6
			ELECTRICAL			
75/3	45/-	7½ a	7½ b Assoc. Elec. Inds. £1	63/9*	62/3*	4 16 6
54/9	45/3	8½ b	4 a Br. Ins. Callenders £1	49/9	48/9	5 2 8
35/6	24/4½	43½ c	6½ a Decca Record 4/-	28/4½	27/7½	6 6 8
37/-	22/6	15 c	15 c Elect. & Mus. Inds. 10/-	29/-	27/4½	5 9 8
66/1½	43/6	4 a	10 b English Electric £1	58/-	56/6	4 19 3
65/6	40/9	9½ b	4½ a General Electric £1	55/3	53/-	5 5 8
			TEXTILES			
24/9	19/4½	4 a	6b Bradford Dyers £1	20/1½	19/7½	10 3 10
23/7½	13/-	5 b	1½ a British Celanese £1	14/10½	14/7½	8 17 10
25/10½	20/7½	6½ b	2½ a Coats, J. & P. £1	23/9	23/3	7 10 8
44/-	29/-	6 b	4 a Courtaulds £1	32/9	32/10½	6 1 8
37/3	22/3	5 a	12½ b Lancashire Cotton £1	33/6	33/-	10 12 3
33/3	26/-	10 b	2½ a Patons & Baldwins £1	33/4½	33/4½	7 9 10
			SHOPS & STORES			
18/10½	12/9½	14 c	6 a Boots Pure Drug 5/-	14/6	14/3	4 18 3
41/4½	29/-	7½ a	20 b Debenhams 10/-	38/6	37/6	7 8 8
44/9	30/1½	47½ b	15 a Gt. Universal 'A' 5/-	41/6	41/-	7 12 5
35/6	27/4½	16½ b	10 a Marks & Spen. 'A' 5/-	38/-	37/-	3 11 0
25/10½	19/-	20 b	12½ a United Drapery 5/-	24/-	23/3	6 19 10
43/3	34/-	13½ a	26½ b Woolworth 5/-	39/1½	38/3	5 4 8
			MOTORS & AIRCRAFT			
22/1½	16/-	6½ b	3½ a Bristol Aeroplane 10/-	19/-	18/3	5 9 7
9/-	6/9¾	4 a	8½ b British Motor 5/-	7/10½	7/9	8 1 3
44/3	25/9	2½ a	5 b Ford Motor £1	34/-*	33/9*	4 8 10
49/3	29/9	3 a	7 b Hawker Siddeley £1	33/3	32/9	6 2 3
47/3	38/10½	10 c	12½ c Leyland Motors £1	45/6	45/-	5 11 1
115/10½	85/6	12½ b	5 a Rolls-Royce £1	119/-	116/7½	3 0 0
9/3½	5/5½	12 c	8 c Standard Motor 5/-	7/6	7/4½	5 8 6
			SHIPPING			
38/9	28/6	...	6½ a Brit. & Com'wealth 10/-	39/9	40/-	4 0 0g
27/-	20/4½	7½ b	3 a Cunard £1	23/6	24/-	8 6 8m
35/9	27/-	3 a	6 b P & O Defd. £1	34/6	33/-	4 17 0
			MISCELLANEOUS			
45/6	34/3	7 b	3 a Assoc. Port. Cem. £1	42/3	40/9	4 8 5p
22/9	17/9	10 b	20 a Beecham Group 5/-	19/6	19/6	7 13 10
60/9	38/6	7½ b	4½ a Bowater Paper £1	42/9	42/-	5 14 3
81/10½	40/4½	8 b	4 a Br. Aluminium £1	66/6	66/-	3 12 10
60/-	45/3	†20 c	†5½ a Br. Amer. Tob. 10/-	55/-	54/-	6 8 10
19/9	15/4½	15 b	7½ a B.E.T. 'A' Defd. 5/-	19/3	19/3	5 16 10
42/-	32/9	4 a	6 b Br. Oxygen £1	35/-	33/9	5 18 8
$69	$56⅜	3 a	4 b Canadian Pacific $25	$62	$63½	5 3 2
25/9	14/4½	10 b	2½ a Dunlop Rubber 10/-	16/3	16/6	7 11 8
49/10½	36/-	6 b	4 a Imp. Chemical £1	41/4½	40/9	4 18 3
62/9	42/3	8½ a	12½ b Imp. Tobacco £1	45/3	42/6	9 17 8
$211	$141⅜	$3·75 c	$3·75 c Int'l. Nickel n.p.v.	$198	$202½	3 5 10
40/3	28/6	2½ a	5 b J. Lucas (Inds.) £1	33/-	32/-	4 13 10
22/7½	16/7½	6¾ a	15½ b Monsanto Chem. 5/-	23/6*	17/-‖	5 5 10r
18/-	14/10½	10 c	2½ a Ranks 5/-	16/3	15/10½	6 6 0
75/4½	42/9	15 b	6 a A. E. Reed £1	51/6	50/-	6 8 0n
16/4½	11/7½	20 c	20 c Sears Hldgs. 'A' 5/-	14/9	14/3⅜	6 19 9
69/1½	54/1½	4½ a	12 b Tate & Lyle £1	61/1½	60/4½	5 9 5
69/6	49/9	6½ a	7½ b Tube Investments £1	58/3	58/3	5 3 0o
115/6	92/6	5 a	22½ b Turner & Newall £1	113/3	110/1½	4 19 10
82/9	61/7½	6 a	11½ b Unilever Ltd. £1	78/6	78/6	4 9 3
41/9	22/9	†7½ b	†4½ a United Molasses 10/-	39/-	38/3	5 8 5
			MINES, ETC.			
172/6	133/9	20 a	50 b Anglo-American 10/-	141/3	137/6	5 1 10
40/-	22/6	†2½ a	†7½ b Cons. Tea & Lands £1	26/6	25/6	13 12 10
130/7½	91/3	80 a	120 b De Beers Def. Reg. 5/-	98/9	96/3	10 7 10
25/-	19/7½	...	... Doornfontein 10/-	22/3	21/9	...
10/11½	8/6	30 c	30 c London Tin 4/-	10/6	10/3	11 14 0
16⅜	11⅜	112½ b	25 a Nchanga Cons. £1	11⅞	12⅛	11 3 0k
64/-	52/6	40 b	50 a President Brand 5/-	51/3	51/3	7 8 15 8
29/-	21/-	12½ a	25 b Rho. Selection Tst. 5/-	22/-	22/6	8 6 8k
61/9	37/6	30 b	12½ a United Sua Betong £1	48/-	47/-	18 1 8
81/9	64/4½	40 b	40 a Western Holdings 5/-	68/1½	67/6	5 18 6

New York Closing Prices

	Mar. 13 $	Mar. 20 $		Mar. 13 $	Mar. 20 $		Mar. 13 $	Mar. 20 $
Can. Pacific	32⅛	33⅛	Am. Viscose	34⅛	34⅛	Int'l. Nickel	103¼	105
N.Y. Central	30⅛	29⅛	Beth. Steel	42⅜	42⅛	National Dist.	27⅛	27⅛
Pennsylvania	20⅜	20⅛	Chrysler	76⅛	74⅜	Sears Roebuck	27⅛	27⅛
Amer. Tel.	177⅛	177⅜	Crown Zeller	52	51⅜	Shell Oil	81⅛	81
Standard Gas.	12⅛	12⅜	DuPontdeNm.	178⅜	181	Std. Oil of N.J.	57⅛	57
Western Union	18⅜	18⅛	Ford Motors	58⅛	59	U.S. Steel	59⅛	58⅝
Ammin'm Ltd.	122½	125½	Gen. Elect.	56⅛	56⅜	West'house E.	55⅛	55⅜
Am. Smelting	53⅛	53⅜	Gen. Motors	39⅜	39⅞	Woolworth	43⅜	44⅛

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 15% tax free. (e) To earliest date. (f) Flat yield. (g) On 16%. (h) After Rhodesian tax. (i) On 17½% tax. free. (j) On 13%. (k) On 20%. (l) To latest date. (m) On 10%. (n) On 16%. (o) On 15%. (p) On 9%. (q) On 8½%. (r) On 18%.

Statistics

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

British		Overseas	
Prices and Wages	Mar. 2nd	Western Europe: Production and Trade	This week
Production and Consumption	Mar. 9th	British Commonwealth	Mar. 9th
Manpower	Mar. 16th	Western Europe: Prices and Money Supply	Mar. 16th
External Trade	This week	United States	Mar. 2nd
Financial Statistics	This week	World Trade	Jan. 12th
Industrial Profits	Jan. 12th		

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages 1954	Monthly averages 1955	Monthly averages 1956	1955 Dec.	1956 Jan.	1956 Feb.	1956 Nov.	1956 Dec.	1957 Jan.	1957 Feb.
VALUE											
Imports:											
Total	£ million	281·2	323·6	324·1	335·9	346·3	309·1	319·6	307·9	376·5	320·8
Food, drink and tobacco	"	110·5	120·1	121·0	123·9	126·7	116·5	126·4	119·9	143·6	125·9
Basic materials	"	85·5	93·7	92·0	94·2	99·6	83·7	88·4	88·8	115·0	86·6
Mineral fuels and lubricants	"	27·4	34·0	34·5	36·6	36·1	34·2	26·2	31·5	30·8	36·6
Manufactures	"	56·6	74·7	75·5	79·7	81·6	73·9	77·6	66·3	85·1	70·4
Exports of UK produce:											
Total	"	222·9	242·1	264·3	253·7	257·9	245·5	291·9	253·7	261·0	278·2
Manufactures	"	180·9	199·0	218·3	206·0	212·3	202·1	238·3	202·9	213·5	231·8
Re-exports	"	8·4	9·9	12·2	10·7	14·2	13·5	14·8	11·2	11·7	10·9
Balance of trade (exports *less* imports)	"	− 49·9	− 71·6	− 47·6	− 71·6	− 74·2	− 50·1	− 12·9	− 42·9	−103·9	− 31·7
VOLUME											
Imports	1954 = 100	100	111	111	113[3]	...	113[4]	105	106	126	...
Exports	"	100	107	114	114[3]	...	112[4]	124	107	110	...
BY AREA											
Imports:											
Dollar area—total	£ million	51·6	70·1	71·0	73·1	69·9	69·8	89·2	72·3	87·6	83·8
" USA	"	23·5	35·0	34·0	37·0	37·8	34·1	47·2	40·5	51·2	47·5
" Canada	"	22·7	28·6	29·0	29·3	25·4	26·3	33·8	24·8	24·9	23·3
Non-sterling OEEC countries (1)	"	66·9	78·4	79·7	79·8	88·1	72·6	80·0	71·2	84·9	73·6
Sterling area	"	124·8	130·9	126·5	137·7	137·2	123·5	109·1	125·2	155·0	118·8
Exports:											
Dollar area—total	"	31·3	34·8	45·2	39·4	34·6	41·6	53·7	41·5	41·8	41·9
" USA	"	13·3	16·6	21·6	20·6	17·3	19·6	26·5	20·2	22·9	20·7
" Canada	"	11·3	12·1	15·2	13·1	10·3	11·7	18·5	12·1	12·5	11·6
Non-sterling OEEC countries (1)	"	64·1	67·5	75·1	70·9	68·1	64·1	84·0	77·1	80·5	83·6
Sterling area	"	112·2	120·9	122·4	120·6	130·7	120·4	131·2	116·8	118·3	130·8
Balance of trade (exports *less* imports):											
Dollar area	"	− 20·3	− 35·3	− 25·8	− 33·7	− 35·4	− 28·2	− 35·5	− 30·8	− 45·8	− 41·9
Non-sterling OEEC countries	"	− 2·8	− 10·9	− 4·6	− 8·9	− 20·0	− 8·5	+ 4·0	− 5·9	− 4·4	+ 10·0
Sterling area	"	− 12·6	− 10·0	− 4·1	− 17·1	− 6·5	− 3·1	+ 22·1	− 8·4	− 36·7	+ 12·0
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	288·6	374·3	399·6	368·7	348·0	422·5	382·0	319·2	375·6	404·0
Meat	"	56·3	67·0	72·4	89·5	99·9	68·0	83·4	61·2	76·9	63·1
Sugar, refined	"	201·2	186·2	194·9	185·4	171·8	247·9	165·4	243·7	261·0	231·2
Raw cotton (2)	"	30·8	24·2	27·1	24·8	27·1	22·7	27·6	32·7	46·8	45·1
Raw wool, sheep's and lambs' (2)	mn. lb.	51·6	55·1	53·5	60·9	84·2	56·2	53·9	69·0	81·7	45·8
Rubber, natural and synthetic (2)	'000 tons	20·6	24·6	18·3	31·8	20·6	23·8	1·6	17·2	31·8	19·0
Softwood	'000 stds.	122·0	140·0	105·8	110·5	88·4	55·2	117·5	99·3	89·1	53·1
Woodpulp	'000 tons	159·3	186·9	183·4	171·8	200·5	134·2	202·2	183·9	214·1	146·6
Crude petroleum	mn. galls.	606	601	618	676	598	640	419	508	424	465
Exports of UK produce:											
Coal, including bunkers	'000 tons	1,351	1,196	836	1,357	914	856	881	781	756	796
Woven piece-goods—cotton	mn. sq. yds	53	46	40	39	41	39	43	40	38	41
" " wool (3)	'000 sq. yds.	8,204	8,965	9,102[3]	8,790	9,030	8,545	9,708	7,532	9,970	9,207
Passenger cars and chassis (4)	number	31,123	32,545	28,088	27,288	30,319	26,040	26,047	22,337	26,372	28,400
Commercial vehicles and chassis (4)	"	9,889	11,656	10,509	11,059	12,907	10,397	8,828	7,797	8,560	9,950
Agricultural tractors	"	8,908	8,720	7,483	6,972	8,630	8,249	7,044	5,006	7,250	8,254
Machinery—electrical	£'000	4,923	5,158	5 302	5,059	6,426	4,869	5,443	4,130	4,385	5,613
" other	"	30,553	34 687	38,657	37,517	32,751	35,911	40,933	36,217	39,281	42,272
Chemicals, elements and compounds	"	4,214	4,422	4,948	4,417[3]	4,602	5,190	5,244	4,761	5,049	5,450

(1) Retained imports. (2) Average for fourth quarter. (3) Excluding tents from January, 1956. (4) Average for first quarter. (5) Revised to exclude the former French protectorates of Tunisia and Morocco. (6) Revised series; figures of new motor cars include station wagons which were previously counted as commercial vehicles.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (1) (1953 = 100)												
1948	54	87	82	79	...	52	70	62	70	70	90	69
1955	133	116	112	121	129	130	107	118	118	113	111	124
1956	...	...	111	132	138	...	...	...	124	119	113	...
1956, August	137	116	115	94	134	132	} 100[4]	{ 110	121	119	110	...
" September	146	124	121	133	144	135		{ 133	123	128	120	...
" October	149	127	124	138	145	140	...	141	136	129	124	...
" November	152	...	125	140	154	139	...	132	134	131	124	...
" December	...	...	116	138	142	...	...	...	116	117	122	...
VALUE OF EXTERNAL TRADE (2)												
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas[3]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lira
IMPORTS (c.i.f.)												
1948	243	7,249	285	56·08	264[5]	152[4]	11·36	70·36	414	310	413	64·2
1955	1,922	11,790	678	136·74	2,029	955	17·03	141·22	1,016	649	861	116·1
1956	2,110	...	755	161·96	2,315	...	...	165·06	1,157	719	951	95·0
1956, August	1,993	13,213	767	150·03	2,314	1,021	11·51	149·48	1,156	658	915	83·0
" September	1,979	12,899	760	151·11	2,381	1,178	12·25	149·03	1,191	621	961	81·9
" October	2,424	15,112	829	181·86	2,602	1,604	14·42	175·38	1,341	784	1,093	71·2
" November	2,288	...	848	167·95	2,567	1,338	13·70	170·17	1,266	737	1,098	97·6
" December	2,219	...	833	170·00	2,511	...	...	175·87	1,104	708	1,004	73·6
EXPORTS (f.o.b.)												
1948	165	6,171	228	36·18	151[5]	39[4]	4·11	47·99	226	172	332	45·9
1955	1,514	11,566	608	139·94	2,142	457	9·19	96·69	851	377	744	73·1
1956	1,839	...	637	132·38	2,570	...	...	112·27	895	459	837	71·2
1956, August	1,851	12,131	628	119·96	2,448	213	8·42	109·29	857	419	839	36·8
" September	1,987	12,991	610	118·00	2,630	342	9·89	114·69	999	483	934	45·1
" October	2,044	14,234	682	143·95	2,866	753	10·98	133·36	1,016	642	947	59·2
" November	1,935	...	694	150·42	2,811	1,047	10·50	121·13	994	452	978	88·8
" December	2,013	...	673	136·91	3,031	...	...	120·33	838	473	900	94·3
BALANCE												
1948	− 78	− 1,078	− 57	−19·90	− 113	− 113	− 7·25	−22·37	− 188	− 138	− 81	− 18·3
1955	− 408	− 224	− 70	+ 3·20	+ 113	− 498	− 7·84	−44·53	− 165	− 272	− 117	− 43·0
1956	− 271	...	− 118	−29·58	+ 255	...	...	−52·79	− 262	− 260	− 114	− 23·8
1956, August	− 142	− 1,082	− 139	−30·07	+ 134	− 808	− 3·10	−40·19	− 299	− 239	− 76	− 46·2
" September	+ 8	+ 92	− 150	−33·11	+ 249	− 836	− 2·36	−34·34	− 192	− 138	− 27	− 36·8
" October	− 380	− 878	− 147	−37·91	+ 264	− 851	− 3·44	−42·02	− 325	− 242	− 146	− 12·0
" November	− 353	...	− 154	−17·53	+ 244	− 291	− 3·20	−49·04	− 272	− 285	− 120	− 8·8
" December	− 206	...	− 160	−33·09	+ 520	...	...	−55·54	− 266	− 235	− 104	+ 20·7
VOLUME OF EXTERNAL TRADE (2) (1953 = 100)												
IMPORTS												
1948	48	86	59	84	...	...	90	57	64	71	85	46
1955	183	122	120	122	152	135	108	112	141	119	128	91
1956	195	...	...	...	170	...	...	...	158	129	135	...
1956, August	201	126	} 123[4]	{ 133	168	136	70	112	154	121	} 129[4]	{ ...
" September	196	125		{ 135	173	160	74	123	159	112		{ ...
" October	223	...	...	158	192	212	86	129	179	142		{ ...
" November	210	...	...	...	184	182	81	...	171	131	} 147	{ ...
" December	203	...	...	...	189	...	...	...	151	121		{ ...
EXPORTS												
1948	37	69	48	48	...	...	55	66	34	70	69	55
1955	136	127	118	134	142	121	94	123	124	117	116	71
1956	160	...	...	...	165	...	...	...	130	133	128	...
1956, August	155	123	} 114[4]	{ 106	156	55	89	} 147[4]	{ 126	119	} 135[4]	{ ...
" September	170	125		{ 108	167	86	110		{ 143	141		{ ...
" October	182	...	...	130	186	190	119	168	145	150		{ ...
" November	175	...	...	...	180	248	117	...	144	130	} 141	{ ...
" December	179	...	...	...	194	...	...	...	122	137		{ ...

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark excludes mining; Greece, mining and manufactured gas; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. *Germany* excludes West Berlin. (2) Special trade (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxemburg. *Italy* includes Trieste. (3) New drachma introduced May 1, 1954 (1 new drachma = 1,000 old drachmas). (4) Thousand million drachmas. (5) Bizonal area. (6) Average for third quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended March 16th, 1957, there was an "above-line" surplus (after allowing for Sinking Funds) of £7,144,000 compared with a surplus of £55,822,000 in the previous week and a deficit of £21,687,000 in the corresponding period of last year. There was a net deficit "below-line" last week of £22,067,000, bringing the total deficit to £240,765,000 (£123,050,000 in 1955-56).

£'000	Estimate, 1956-57	April 1, 1955 to Mar. 17, 1956	April 1, 1956 to Mar. 16, 1957	Week ended Mar. 17 1956	Week ended Mar. 16 1957
Ord. Revenue					
Income Tax	2985,500	1813,969	1952,214	26,887	41,167
Surtax	144,000	131,100	146,000	4,300	6,000
Death Duties	170,000	170,500	160,500	3,700	2,500
Stamps	58,900	66,200	59,500	1,500	1,000
Profits Tax, EPT	216,750	184,000	184,500	2,400	2,000
Excess Profits Levy	4,000	18,290	4,500	200	...
Special Contribution and other Inland Revenue	1,000	710	520	...	...
Total Inland Rev.	*2680,150*	2388,569	2517,734	38,787	52,667
Customs	1204,000	1105,625	1151,175	20,868	24,191
Excise	953,350	841,046	885,585	5,640	5,045
Total Customs and Excise	2157,350	1949,671	2036,560	26,508	29,236
Motor Duties	92,000	86,709	90,092	...	505
PO (Net Receipts)	10,000	1,333	17,703	400	*Dr200*
Broadcast Licences	28,000	23,600	26,200	...	...
Sundry Loans	30,000	23,853	32,625	...	993
Miscellaneous	200,000	132,103	153,628	1,115	12,035
Total	**5197,500**	**4959,397**	**5339,540**	**68,810**	**95,236**
Ord. Expenditure					
Debt Interest	670,000	632,055	705,917	10,222	9,358
Payments to N. Ireland Exchequer	61,000	55,552	62,664	...	...
Other Cons. Fund	10,000	9,843	8,942	...	5
Supply Services	4037,925	3513,455	3755,337	77,915	77,900
Total	**4328,925**	**4210,906**	**4534,360**	**88,137**	**87,263**
Sinking Funds	37,000	36,532	36,307	360	830
"Above-line" Surplus or Deficit	**+ 812,539**	**+ 318,873**	**+ 21,637**	**— 7,144**
"Below-line" Net Expenditure	535,539	559,658	10,455	22,067
Total Surplus or Deficit	**123,039**	**233,765**	**32,142**	**14,923**
Net Receipts from:					
Tax Reserve Certificates	—76,174	5,264	3,037	1,900
Savings Certificates	22,400	72,300	— 100	— 100
Defence Bonds	—26,155	—34,591	—1595	353
Premium Savings Bonds	...	62,740	...	1,400

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
Mar. 17	3,210·0	1,624·2	251·4	...	5,038·6
Dec. 8	3,620·0	1,340·9	208·5	2·0	5,171·4
„ 14	3,610·0	1,345·7	200·2	...	5,153·9
„ 31	4,359·5		234·6	4·0	5,198·1
1957					
Jan. 5	3,530·0	1,430·0	245·7	1·8	5,207·5
„ 12	3,443·0	1,386·5	267·1	...	5,095·5
„ 19	3,520·0	1,481·0	244·9	...	5,051·0
„ 26	3,210·0	1,516·5	221·0	...	4,947·5
Feb. 2	3,130·0	1,507·0	204·9	...	4,931·9
„ 9	3,050·0	1,486·7	197·4	...	4,734·1
„ 16	2,980·0	1,247·9	246·3	...	4,474·2
„ 23	2,930·0	1,298·1	193·8	...	4,531·8
Mar. 2	2,890·0	1,301·7	209·7	...	4,904·5
„ 9	2,890·0	1,261·5	229·6	0·8	4,381·9
„ 16	2,900·0	1,249·9	247·3	...	4,397·2

THE MONEY MARKET

The Treasury bill rate rose again at the tender on Friday of last week, following the reversal of the downward movement at the previous tender. The move was partly due to the strike threats, but it was also a tactical change in preparation for yesterday's tender, which includes the popular end-June maturities.

The discount houses cut their concerted bid by 6d. per cent last week (following the cut of 2d. the week before) to £98 19s. 4d. per cent; yet applications at this rate secured allotments of 34 per cent, compared with 21 per cent on the split tender of the previous week. Total applications were down by £67·4 million to £375·3 million, and the offer was up by £20 million, to £250 million. It appears that the discount houses may themselves have cut their individual applications, so that the rise in the allotment rate on the common bid exaggerates the movement in the market's portfolio.

Credit conditions in Lombard Street have continued stringent. On Wednesday the market faced not only calling for the monthly make-up of the clearing banks but also a drain of funds resulting from Monday's substantial purchases of sterling by the Exchange Account; the shortage necessitated large official purchases. Moreover, on the preceding day, before the impact of the exchange support was widely felt, credit was also very short, and despite fairly large official help most of the houses were "in" the Bank.

LONDON MONEY RATES

	%		%
Bank rate (from 5½%, 7/2/57)	5	*Discount rates*	
Deposit rates (max.)		Bank bills: 60 days	4⅛–4¼
Bank	3	3 months	4⅛–4¼
Discount houses	3*	4 months	4⅛–4¼
		6 months	4⅛–4⅛
Money Day-to-day	3½–4½	Fine trade bills:	
Short periods	3⅞	*3 months*	5½–5
Treas. bills 2 months	4⅛	4 months	5½–6
3 months	4⅛	6 months	5½–6½

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	Mar. 21, 1956	Mar. 13, 1957	Mar. 20, 1957
Issue Department:			
Notes in circulation	1,816·1	1,899·7	1,834·0
Notes in banking dept.	59·2	31·7	31·5
Govt. debt and securities*	1,871·2	1,921·2	1,861·2
Other securities	0·7	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	10·6	13·6	15·8
Bankers	250·9	225·1	222·1
Others	73·5	72·0	72·0
Total	335·0	303·7	309·9
Securities:			
Government	260·5	248·6	253·0
Discounts and advances	17·4	21·7	24·6
Other	17·2	20·1	23·3
Total	295·1	290·4	294·9
Banking department reserve	61·4	35·8	35·5
"Proportion"	18·1 %	11·9 %	10·8 %

* *Government debt* is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £1,925 million from £1,975 million on January 16, 1957.

TREASURY BILLS

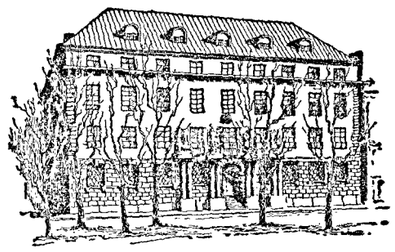
Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1956 Mar. 16	91 Day 240·0	381·4	s. d. 104 3·89	% 45
Dec. 14	91 Day 63 Day 250·0† 60·0	424·9	98 1·54	55
„ 21	91 Day 230·0	379·8	98 1·43	63
„ 28	270·0	372·5	97 1·81	63
1957 Jan. 4	270·0‡	406·7	95 9·11	54
„ 11	250·0§	491·4	95 5·39	35
„ 18	240·0	391·2	95 1·43	53
„ 25	200·0‡	414·0	91 0·81	35
Feb. 1	192·0	384·1	90 10·07	21
„ 8	190·0	371·5	84 8·23	33
„ 15	190·0§	348·0	85 6·04	19
„ 22	200·0	407·3	82 11·49	39
Mar. 1	220·0	408·2	80 0·78	57
„ 8	230·0	442·7	80 5·20	12
„ 15	230·0	375·3	82 3·70	34

*On March 15th tenders for 91 day bills at £94 13s. 4d. secured 5¼ per cent, higher tenders being allotted in full. †The offering yesterday was for £250 millions at 91 day bills. ‡Allotment cut by £10 million. §Allotment cut by £20 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates March 20	Market Rates: Spot March 14	March 15	March 16	March 18	March 19	March 20
United States $	2·78–2·82	2·79⅛–2·79⅜	2·79⅛–2·79⅜	2·79⅛–2·79⅜	2·78¾–2·79	2·78⅛–2·79⅜	2·78¾–2·79
Canadian $	...	2·67⅛–2·67⅜	2·67⅛–2·67⅜	2·67⅛–2·67⅜	2·66⅛–2·66⅜	2·66⅛–2·66⅜	2·66¾–2·66⅞
French Fr.	972·65–987·35	985⅝–986⅛	11·75¾–11·75⅞	986⅛–986¼	985¾–985⅞	985–985¼	985–985⅛
Swiss Fr.	12·15⅛–12·33⅛	12·26⅞–12·27	12·26⅞–12·25⅞	12·26⅞–12·25⅞	12·25⅞–12·25⅞	12·24⅜–12·24⅝	12·24⅜–12·24⅝
Belgian Fr.	138·95– 141·05	140·70– 140·75	140·70– 140·75	140·60– 140·65	140·57½– 140·42½	140·32½– 140·37½	140·55– 140·60
Dutch Gld.	10·56–10·72	10·66¾–10·66⅞	10·65¾–10·65⅞	10·64¾–10·65	10·63¼–10·63⅜	10·63¼–10·63⅜	10·63¼–10·63⅜
W. Ger. D-Mk.	11·67⅛–11·84⅛	11·75¾–11·75¾	11·75¼–11·75¾	11·74¾–11·75¼	11·73¼–11·74	11·73¼–11·73½	11·73¼–11·73½
Portuguese Esc.	79·90–81·10	80·10–80·20	80·10–80·20	80·10–80·20	80·19–80·20	80·10–80·20	80·05–80·15
Italian Lire	1735½–1762½	1760–1761	1760–1761	1759½–1760½	1758–1758½	1757–1757½	1756½–1756½
Swedish Kr.	14·37½–14·59½	14·47⅞–14·47⅞	14·47⅞–14·48	14·46¾–14·47⅛	14·45¾–14·45⅞	14·45–14·45⅛	14·45–14·45⅛
Danish Kr.	19·19½–19·48½	19·42½–19·43	19·43¼–19·43½	19·43–19·43½	19·42–19·42½	19·41½–19·41¾	19·41½–19·41¾
Norwegian Kr.	19·85–20·15	19·93½–19·93½	19·93½–19·93½	19·93½–19·94	19·96–19·96½	19·95–19·95½	19·95–19·95½
One Month Forward Rates							
United States $		⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm
Canadian $		¼–⅜c. pm	¼–⅜c. pm	¼–⅜c. pm	⅜–½c. pm	¼–⅜c. dis	par–¼c. dis
French Fr.		par–2 dis	par–2 dis	par–2 dis	½–2½ dis	1–3 dis	1–3 dis
Swiss Fr.		2–1½c. pm	2–1½c. pm	2–1½c. pm	2½–1½c. pm	2½–2c. pm	2½–2c. pm
Belgian Fr.		1–¾ pm	1–¾ pm	¾–¾ pm	⅝–⅜ pm	¾–⅝ pm	¾–⅝ pm
Dutch Gld.		1–½c. pm	1–½c. pm	1–½c. pm	1½–1c. pm	1½–1c. pm	1½–1c. pm
W. Ger. D-Mk.		1¾–1¼pf. pm	1¾–1¼pf. pm	1¾–1¼pf. pm	2½–1¾pf. pm	2½–2 pf. pm	2½–1¾pf. pm
Italian Lire		2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par
Swedish Kr.		2½ pm-par	2½ pm-par	2½ pm-par	2½ pm par	2½–½ pm	2½–½ pm
Danish Kr.		4–2½ pm	4–2½ pm	4 2½ pm	4 2½ pm	4 2½ pm	4 2½ pm
Norwegian Kr.		2½ pm-par	2½ pm-par	2½ pm-par	2½ pm-par	2½ pm-par	2½ pm-par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/11¼	249/10	...	250/1½	250/3½	250/3

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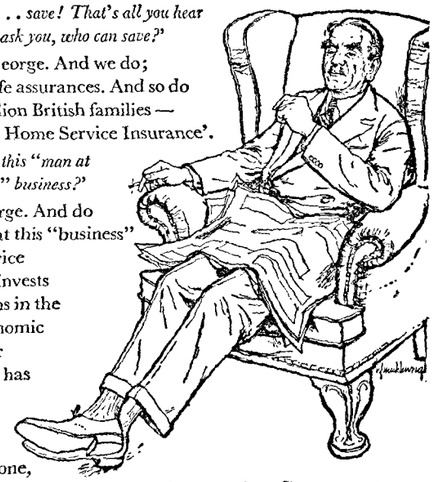
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'We all can, George. And we do; through our life assurances. And so do at least 10 million British families — through Home Service Insurance'.

'Ah! You mean this "man at the door" business?'

'Exactly, George. And do you realise that this "business" — Home Service Insurance — invests enormous sums in the country's economic welfare? Over £300,000,000 has already been invested in Industry and Commerce alone, while probably twice that amount has gone into Government Securities, Mortgages and the like'.

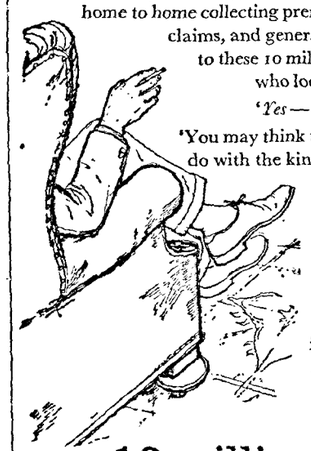
'Really? You astonish . . .'

'And these savings are now increasing at the rate of about £60,000,000 a year, which I think you'll admit is pretty good'

'Yes — but . . .'

'And all this comes about through that well known personality, the Insurance Man, who goes from home to home collecting premiums, paying claims, and generally being counsellor and guide to these 10 million families who look on him as a personal friend'.

'Yes — but how . . .'



'You may think that all this has nothing to do with the kind of insurances you and I hold. You couldn't be more wrong. The Home Service Insurance Man also does a substantial proportion of the "ordinary" life assurance business in this country, as well as a lot of fire and accident insurance. All in all, George, as an instrument of our economic survival, the Insurance Man is doing a good job of work'.

10 million families save through HOME SERVICE INSURANCE

M44 *Issued by The Industrial Life Offices*

COMPANY MEETINGS

THE HONGKONG AND SHANGHAI BANKING CORPORATION

A YEAR OF STEADY PROGRESS

BANK'S PARTICIPATION IN AID FOR UNDERDEVELOPED COUNTRIES

GENERAL POLITICAL STABILITY WITH GROWING ECONOMIC EXPANSION

FREE TRADE AREA—A MOST ENCOURAGING DEVELOPMENT

MR C. BLAKER ON NOTABLE EVENTS IN INTERNATIONAL SITUATION

The Ordinary Yearly General Meeting of The Hongkong and Shanghai Banking Corporation was held on March 15th at the Head Office, 1 Queen's Road, Central, Hong Kong.

Mr C. Blaker, MC, ED, the Chairman, who presided, said: Ladies and Gentlemen, the hour for which this Meeting was called having now passed, I will call upon the Chief Manager to read the Notice convening the Meeting.

Mr Michael W. Turner having read the Notice convening the Meeting and a representative of the auditors having read their report, the Chairman continued:

Ladies and Gentlemen, as you will see from the accounts before you the profit for the year amounts to $20,635,421, which represents a small increase over last year's figure. In accordance with our normal practice this profit has been arrived at after making transfers to the credit of our inner reserves out of which full provision has been made for all realised losses, the depreciation in value of our investments and all known doubtful debts and contingencies.

It is proposed that a sum of $4 million should again be written off Bank Premises and, after allowing for this transfer and the interim dividend of £2 per share, the directors recommend the payment of a final dividend of £3 per share leaving a balance of just over $11 million to be carried forward to next year.

Turning to our balance sheet, it will be seen that the total of our liabilities has remained virtually unchanged; a small increase in Current, Deposit and Other Accounts having been offset by a slight decrease in the total of Acceptances on behalf of Customers. In this connection arrangements were completed during the year for the establishment of a separate trust to administer the Staff Retirement Scheme and the funds of this scheme, which were previously included among the Current, Deposit and Other Accounts, were transferred to the trust during the year.

On the Assets side of the balance sheet, the main changes are increases of $144 million in Advances to Customers and Other Accounts and of $39 million in Trade Bills Discounted. As a result of the larger facilities granted to our constituents, the total of cash, call money and government treasury bills has decreased by just over $105 million. Investments have also fallen by $66 million due partly to the drop in the market value of British Government securities but also as a result of sales of investments, which were mainly in connection with the transfer of the funds of the Staff Retirement Scheme to the separate trust to which I have already referred.

The investment in an Associated Company, which is a new item in the balance sheet, represents our one-third interest in Bowmaker (CA) (Private) Limited in which we are equal shareholders with Bowmaker Limited and Tozer, Kemsley and Millbourn Limited. This Company was incorporated on May 29, 1956, to trade in Central Africa, including the Rhodesias and Nyasaland, but for the present it will be mainly concerned with the granting of hire-purchase facilities in these territories.

These are the main changes in our balance sheet, but I should like to say a little more about the rise in advances and trade bills which, as you have seen, has resulted in a drop in the total of cash, call money and government treasury bills. This rise is to a large extent due to the growing industrial and commercial expansion in South-East Asia, but that is not the only reason. It was not until the end of 1955 that the credit squeeze in the United Kingdom began to make itself felt in the eastern territories in which we operate, but during 1956 the shortage of credit to a greater or lesser degree became a matter of increasing concern to merchants and bankers alike. This was aggravated in our case by the fact that some concerns which had previously obtained a large part of their finance in London now turned to us, while on the other side, depositors took advantage of the high rates obtainable in the United Kingdom to transfer some of their funds there.

Governments also were not slow to follow suit and as a result the banking system in a number of territories was deprived of substantial sums at a time when the demand for advances, mainly for productive purposes, was very active. Even from a purely revenue-producing angle I wonder whether this action was wise. Has not the lure of higher interest rates caused them to lose sight of the increased revenue that would have accrued to them through taxation had the funds been available for local development? For the future growth of these territories an over-investment of government funds abroad must result in a slowing down of the pace, as this deprives the banking system of what is almost its life-blood.

I am afraid that as a result of the increasing demand for credit the standing of the borrower and the security offered are not the only considerations which have to be taken into account by our managers when approached for new facilities. The necessity to turn away business, which at other times would be most suitable, has, I am afraid, been forced on bankers in many parts of the world and we could hardly expect to escape. Nevertheless it is not a pleasant task and I hope that many of you in this room will realise—to quote a saying from our school-days—"that it hurts me more than it hurts you." In the interests of depositors and shareholders alike it would be most imprudent not to maintain a suitable degree of liquidity and, spread as our activities are over so many territories, this liquidity should, in our opinion, be higher than may be considered necessary by bankers whose interests are mainly confined to one single country. At December 31, 1956, the ratio of the Bank's readily realisable assets to its total liabilities was just under 45 per cent and, while your directors are satisfied that this is a safe margin, the drop over the last few years is a reminder that our ability to finance the capital and current requirements of our customers and friends must of necessity have some limitation.

The printed statement which is in your hands deals as usual with the political and economic situation in the Asian countries in which we are represented. We have tried in this statement to pick out the main developments which we thought would be of interest to shareholders but with the increasing activity that is taking place in all these territories, a great deal must of necessity be left out. On the whole the year was one of steady progress with an improvement in trade and your directors are very satisfied with the results, which would have been even better if it were not for a series of unfortunate losses which we suffered in Calcutta.

Since the time of the formation of the Bank the shareholders have been liable, in the event of the Bank being dissolved, for the full amount of the notes issued by the Bank; and have also been liable to contribute to the Bank's debts to the extent of the nominal value of each share. At that time such a liability was a usual condition for the establishment of a new bank in the Colonies in order to afford protection to the holders of notes and to the depositors. The growth of banks since these days has made such a protection unnecessary and recently in a number of instances arrangements have been made to do away with such a liability. In our case an amendment of the Ordinance is necessary and we have recently made representations to the government that this should be done. In fact, although there is provision for a small fiduciary issue of under $7 million, the note issue is fully covered by Certificates of Indebtedness and approved securities, while the depositors are protected by the very substantial reserves which have been built up.

I should like to take this opportunity of expressing our thanks to the Chief Manager, the Branch Managers and all our staff for their loyalty and efficient service to the Bank during the year.

Ladies and Gentlemen, The Report and Statement of Accounts having been in your hands for the required period I will now formally propose their adoption as presented.

After the proposal has been seconded I shall be pleased to answer to the best of my ability any questions which shareholders may wish to ask.

The resolution having been seconded the Report and Accounts were adopted.

CHAIRMAN'S STATEMENT

The following is the Statement referred to by the Chairman.

When our annual review was prepared last year there seemed hope that we could look forward to a slow but gradual improvement in international relations. True, many problems remained unsolved but a degree of stabilisation appeared to have been reached, sufficient at least to prevent any major disturbances from breaking out. The destalinisation policy gave evidence of a change of emphasis, if not a change of heart, in Russia and the benefit of co-existence was the theme of many of her leaders' speeches while the rest of the world seemed quiet. Unfortunately, these hopes were not realised and at one time during the year the world seemed very near to the calamity of a global war with all the destruction of life and treasure which such a catastrophe would have caused in this thermo-nuclear age. Dissension in Eastern Europe, due to dissatisfaction with living conditions caused to a large extent by the over-concentration of resources in the production of heavy industry, resulted in reforms in Poland and an armed uprising in Hungary: and in the Middle East the nationalisation of the Suez Canal by the Egyptian Government, coupled with their deteriorating relations with the State of Israel, set in train a series of events the results of which cannot yet be foreseen. Indeed, we have to go back many years to find an issue which raised so much controversy in the United Kingdom and elsewhere as the intervention of the British and French forces in the fighting between Israel and Egypt, and the passions raised by that intervention have not yet died down. On the whole, little pleasure can be found in looking back on the events of the past year. Some of the legacies, which will be with us for some time to come, are the damage which has been done to Anglo-American relations, the closing of the Suez Canal and the difficulties which the shortage of oil has caused to the economies of Western Europe; but there are many others. There is, however, a little comfort to be gained from the fact that shattering though some of the incidents were, causing as they did misery to many helpless people, the disturbances were to a great extent localised, and the fear of starting a world conflagration seemed to prevent action reaching the point of no return.

Economically industrial production continued to increase, although at a slower speed than in 1955, and a growing intensification of the restriction of credit began to make itself felt. In the United Kingdom the first six months showed a steady improvement in the gold and dollar reserves—evidence that the deflationary measures imposed were proving successful—but from July onwards external factors began to come into play and economic conditions were dominated by events in the Middle East which culminated in a loss of nearly £100 millions in the sterling area reserves during November. Steps taken in December to mobilise all available resources seem to have been successful in stopping this drain and the technical position of sterling has since been greatly improved thus enabling the inherent strength of the economy to reassert itself. The stability of a currency is not, however, decided by technical considerations—important though these are in the case of sterling, in which currency such a large part of world trade is financed—and, while the short-term outlook is reassuring, it is only by a steady and substantial increase in the reserves that a permanent solution can be found. If it has done nothing else, the Suez crisis has clearly shown that the United Kingdom has been endeavouring to undertake larger responsibilities than the economy can bear. The present size of the armed forces is a case in point and recent announcements show that a determined effort is now being made to tackle this problem and this should do more than anything else to reduce the level of government expenditure, the need for which has been stressed from so many platforms.

Since the war there has been considerable support for the proposal that some form of integration of the economies of western Europe should be evolved, which, by the pooling of resources, would enable this area, with its large internal market, to compete on more equal terms with the United States and with the growing economic strength of Russia. Such an area would be immeasurably strengthened by the addition of the United Kingdom, but the difficulty of combining her Commonwealth obligations with the membership of a European union has always in the past proved a stumbling block. Opinion in the United Kingdom has, however, changed, and in a recent White Paper the Government recommended to the Organisation for European Economic Co-operation that subject to reservations on agriculture, general approval be given to the creation of a "European Industrial Free Trade Area" which would associate with the European common market composed of France, Western Germany, Italy and the Benelux countries. At a meeting held in Paris shortly after the issue of this White Paper, seventeen western European nations agreed to enter into the necessary negotiations and Mr Thorneycroft was appointed chief co-ordinator. In this proposed free trade area tariffs and quotas, against imports from countries within the area, will be abolished progressively over a period of years but each country will be permitted to retain its own individual tariffs against the outside world as opposed to the common market, where there will be a standardised tariff with non-members. Although a number of differences have still to be ironed out a great step forward has been taken towards the setting up of this free trade area which, if it comes into being, will be one of the most encouraging developments in world trade that has been evolved since the war.

Another important event, which took place in the United Kingdom during the year, was the formal opening by Her Majesty the Queen, in October, of the world's first large scale nuclear power station at Calder Hall. This project is a considerable achievement which not only marks the beginning of the generation on a large scale of electricity from the atom but may also result in the development of an export market with tremendous possibilities. Already there are reports that the Japanese are showing interest in the purchase of a power reactor of the British Calder Hall type.

In Asia the international situation has remained quiet and although, as I pointed out last year, a number of problems remain unsolved there were no developments, apart from several internal incidents, which disturbed the peace of the area. The disruption of shipping through the Suez Canal delayed and increased the cost of many of their imports from western Europe but so far this has not caused any undue strain on the economies of the various countries, while on the short view at least, Japan has benefited. In many of our annual reviews since the war the importance of agriculture has been stressed and we have tried to point out the dangers of a too speedy move towards industrialisation; but the desire to bring about an increase in the standards of living of the people has caused governments to draw up plans which, if successful (and some of them so far have been fairly successful) will result in an extremely rapid enlargement of industrial resources. The increase of consumer demand which a large capital investment is bound to create and which precedes—often by some considerable time—the wealth generated by that investment, presses most heavily moreover on food prices and it is for this reason that the improvement in agricultural production at such a time is so necessary. As the report by the Council for Technical Co-operation in South and South-East Asia 1955/56 puts it "food is the basic sector of production" and this is borne out by a study of conditions in various countries where it is usually found that a favourable harvest is the best tonic for their general economic health. Recent events in Eastern Europe have shown that, even where the whole economy of a country is ruthlessly planned to the accumulation of fixed capital, there is a limit to the extent to which industrialisation can be pushed forward unless agriculture keeps pace. Unfortunately during the year under review agricultural production did not show any marked increase in Asia and while not in any way overlooking the part that weather conditions can play, particularly sudden natural disasters such as floods, one is left with the feeling that in many countries insufficient resources are being allocated to the agricultural sector. These remarks of mine will, I hope, not be misunderstood. The need for rapid industrialisation in this day and age cannot be questioned and enlightened self-interest alone would lead us to give this movement every encouragement: but this does not get away from the fact that under conditions which exist in most of Asia, with growing populations, the increase in industrial development should not move at such a high speed that the production of basic food-stuffs and other necessities of life is unable to keep pace.

AID FOR UNDERDEVELOPED COUNTRIES

The Colombo Plan continued to play a large part in furthering development in South East Asia and it is encouraging to see how mutual aid has increased particularly in the provision of training facilities. The Consultative Committee in its report, published after its annual meeting in Wellington in December, stresses the desirability of flexibility in development programmes, the importance of providing "sufficient opportunities for productively employing the ever-increasing human resources of the area" and the need to maintain a proper balance between consumption and investment. The Committee also expressed the hope that "increased opportunities may develop for drawing on foreign private investment." This is certainly true and I trust that a suitable climate will be created to encourage this investment. United Nations agencies continued to play their part while aid has been provided by the United States of America on a generous scale through various channels. The International Bank for re-

construction and Development also made substantial loans including one of US$75 million to the Tata Iron and Steel Company Limited of India which is the largest loan for an industrial project so far made by that bank; and its offspring, the International Finance Corporation, came into being in July and announced its intention of concentrating upon investment in less developed countries in association with private investors. The International Bank has proved itself one of the most successful international organisations set up since the war and I hope that, with the experience of its parent at its disposal, the International Finance Corporation will be able to make a useful and increasing contribution towards the economic development of its members in the private sector in which it will specialise. In our own small way we are doing our part and we have interests in two development corporations, one in India and the other in Ceylon, while consideration is being given to the setting up of a similar organisation in the Federation of Malaya. These corporations are intended to grant finance on a rather longer term basis than banks normally provide.

HONG KONG

Hong Kong has been fortunate in recent years in avoiding any serious internal disturbances and for this a great deal of the credit is due to our efficient police force. Unfortunately in October an incident, which started as a comparatively minor dispute in one of the resettlement areas, was exploited by criminals and gangster members of the Triad Societies to develop into the most serious riots the Colony has experienced since the war. The Governor in a memorandum to the Secretary of State for the Colonies, stated that "there is no evidence whatsoever to suggest that the riots in Kowloon were planned beforehand. On the contrary, all the indications are that they started spontaneously" and he went on to show that the crowded resettlement blocks, which it was necessary to build in urban areas in order to enable the inhabitants to be housed near their work "explains the dryness of the timber which was waiting to be ignited by any suitable spark."

The continuing rise in the population due to the large influx from China and the natural increase—excess of births over deaths—influences every sector of the community's life and it compelled the government in September to reintroduce the quota system for Chinese entering the Colony. That this move was inevitable was borne out by the fact that during the six-and-half months when these restrictions were lifted there were over fifty thousand immigrants and this, if allowed to continue, coupled with the natural increase of about seventy-five thousand persons, would have imposed a strain on the Colony's resources which it would be quite unable to bear. The interim report of the Special Committee on Housing in Hong Kong, which I mentioned last year, estimates that even to prevent living standards from deteriorating it will be necessary to build "the equivalent of one new town, not much smaller than York, each year" which gives some idea of the magnitude of the task. This problem was dealt with at considerable length by the Governor in his recent speech in the Legislative Council and the progress so far made in resettlement and in the construction of new housing generally is, I think, remarkable. It is nevertheless not enough. Hong Kong has prided itself since the war on what has been achieved by its own efforts and I hope that we shall be able to continue to be self-reliant for our normal development but the task of resettlement is something quite different. The time is rapidly approaching—if it is not already here—when assistance from some outside agency will become essential and the riots emphasised how urgent this problem is. It is, therefore, all the more encouraging that the executive committee of the United Nations Refugee Fund recently agreed to ask the General Assembly to consider the problem.

When we look at the year as a whole, however, we find that once again there has been an improvement in practically every field of economic endeavour as some of the figures I shall give will show. The Tai Lam Chung reservoir project was inaugurated this month by Lady Patricia Lennox-Boyd; progress on the airport is reported to be up to schedule; a development plan has been announced for the Hung Hom district of Kowloon; and building activity continues to be seen in every part of the Colony. The proposal to construct a tunnel or a bridge across the harbour has been the subject of a considerable amount of discussion during the year but the government has decided that the cost of either of these projects is not at present justified.

The competition which the United Kingdom cotton industry is facing from imports of piece-goods from India and Hong Kong has been the subject of numerous statements in the press and questions in the House of Commons. Led by Sir Cuthbert Clegg, a delegation from the industry visited both India and Hong Kong at the beginning of this year to discuss this problem. It was proposed that the local industry should voluntarily agree to limitation of exports of cotton cloth to the United Kingdom at an agreed figure and this suggestion is being examined. Even if certain sections of the industry are willing to co-operate, however, there seems little chance of bringing the garment-making industry into the scheme. This is very much of the cottage type of industry with no organised form of association and this makes any limitation unworkable. In view of the publicity that has been given to the competition from Hong Kong it is, I think, worthy of mention that the spinning industry here comprises just over three hundred thousand spindles while in the United Kingdom there are reported to be something in the region of 25 million spindles in active operation.

HONG KONG'S TRADE

Hong Kong's trade in 1956 increased by 24 per cent in value while volume rose by 12 per cent. Exports showed a greater improvement than imports with Indonesia moving into first place, while exports to Japan and Thailand were substantially higher. The increase in imports was fairly well spread with Japan and China making the most progress. Imports from China at just over $1,000 million were the highest since the war and although the trend continued for exports to that country to be lower, the drop was not so severe as in 1955.

Exports of Hong Kong products increased by 7 per cent and comprised about a quarter of the Colony's total exports. The United Kingdom continued to be our best customer for local products, but total exports to that country are still only 60 per cent of our imports from there, a point which some people in the United Kingdom seem to overlook. These figures illustrate the importance to Hong Kong of its local industries, which continue to play a growing part in the Colony's economy. No less than 488 new factories were registered during the year, as opposed to 372 in 1955.

Business on the Stock Exchange showed a fall of about one-third compared with 1955, but the market was in a much more healthy state and the boom seemed to have spent itself. Land values continued to rise, although the number of properties that changed hands was considerably lower with buyers becoming more selective in their purchases.

The bank clearing figures for the year increased by 10 per cent to around the equivalent of £950 million, which has only been exceeded once before, in the year 1951.

FINANCES OF HONG KONG

Once again the Financial Secretary, Mr A. G. Clarke, in his speech in the Legislative Council when he presented the Budget, was able to report a very satisfactory state of affairs. A surplus of just under HK$15 million is expected for the current year as revenue on what he describes as "luxury taxation" has been particularly buoyant while expenditure is again below the estimate. For the financial year 1957/58 a deficit of HK$54 million is estimated, but shareholders, who have followed the trend of the Colony's finances and observed how conservative these estimates seem to be, will perhaps feel, as I do, that this gives no cause for alarm. It is interesting that the government is considering dealing with capital items in a separate Budget as an amount of HK$150 million in next year's estimates represents this type of expenditure. The airport and Tai Lam Chung reservoir comprise 40 per cent of this amount. There is also an allocation for the preliminary work on a new reservoir which is to be built on Lantao Island and this will take about six years to complete. For the first time since the war details are given of the assets held by the government against their liability for the Certificates of Indebtedness held by us and the two other note-issuing banks as security for our respective note issues. These assets on December 31, 1955, were 108 per cent of the liability with 37 per cent in the form of cash, money at call or short notice.

CHINA

Conditions in China are a matter of considerable interest to all the countries in South East Asia and nowhere is this more so than here in Hong Kong. Unfortunately, information until recently has been scanty and reliance has had to be placed to a large extent on official publications and on impressions of returning visitors whose movements have in some cases been limited; but lately there has been a welcome increase both in the number of visitors permitted to enter the country and in the extent of their travel when there which is enabling us in Hong Kong to hear eye-witness accounts of what is happening. There has also been a certain amount of criticism from China's own leaders, which has shown up where some of the weaknesses lie, and statistical information has been considerably improved. In fact a great deal of literature is available; but the achievements of the present administration are still so much a subject of controversy that much of this takes a partisan view, giving credit or awarding blame according to the ideology of the writer. In spite of these qualifications on any opinion which is formed there seems no doubt whatever that the progress in industrial development that has been made in the last few years is substantial and that the first stages of the welding of farms into collective units have been, to a large extent, completed. To what degree this has reflected the wishes of the people, or how lasting the collective pattern will be, is difficult to estimate but the speed with which this has been brought about must have exceeded expectations.

The construction of new railways has also been particularly impressive and it is claimed that over 2,500 miles have already been completed. One of the most ambitious of these projects is the line linking Lanchow with the Soviet network some 1,700 miles away. This has already passed the oil fields of Yumen. It may be more difficult to get these new lines into full operation, as there are reports of breakdowns and a lack of maintenance on existing railways, but this does not in anyway diminish the credit due for what has already been achieved.

The first National Congress of the Chinese Communist Party since the Yenan Congress in 1945 was held in Peking in September. At this meeting progress in the first five-year plan was discussed and many errors were admitted by the official spokesman. These covered the setting of higher targets for capital projects than the production of building materials warranted, the neglect of industry along the coast (it was pointed out that this area still produced over 60 per cent of China's consumer goods), and too low a wage structure. In considering the second five-year plan Mr Chou En Lai stated that it was their policy to build "with heavy industry as its core" a comprehensive industrial system within three five-year plans. Special emphasis would be given to the metallurgical industry and it was hoped to raise the national income by 50 per cent by 1962. This was, however, before the disturbances in Eastern Europe; and since that time there is evidence that the lesson of these events, coupled with a less satisfactory agricultural output than was expected, has resulted in the targets of the plan being revised. It is significant also that free enterprise has been given greater scope in minor industries and handicrafts and a free market has been permitted in many items in daily use, both of which seem likely to benefit the consumer. During the year certain other relaxations have been made such as the campaign to employ "intellectuals" without too much inquiry into their political activities and the permission for the circulation of text-books published in the West. These are all signs that some of their original plans require modification but it would, I think, be a great mistake to assume that any real change has occurred in the basic policy of the regime, which is to increase the industrialisation of the country at as rapid a pace as the economy will bear. It seems likely, however, that the trend in Eastern Europe of diverting production towards consumer goods may slow up, or even halt, deliveries of heavy industrial equipment to China, and this may necessitate some adjustment. No doubt Mr Chou En Lai's interruption of his Asian tour to visit these countries was not only concerned with political matters.

Trade with China continues to be restricted by the embargo but it was announced in the House of Commons in May that more use would be made "of the exceptions procedure to permit reasonable exports in appropriate cases to China of goods which are not on the Soviet lists." While this move is welcome as far as it goes it has not proved so helpful as it was hoped, due to the absence of precise lists and the delay in dealing with applications.

An exhibition of China produce and manufactures was held in Canton from November to January and was visited by many Hong Kong merchants. The layout was excellent and not only showed the wide range of products, which we all here know so well, but also included examples of what their new industries are turning out. Many of these items were for export and there is plenty of evidence, here in Hong Kong, of the increase in the range of goods available from China.

JAPAN

In Japan the year was marked by steadily increasing economic expansion with continuing instability on the political scene. The index of industrial production in November was higher by over 25 per cent compared with the figure for the previous year but internally this does not seem as yet to have caused serious overstrain. While the cost of metals and machinery rose and there were bottlenecks in both transportation and electric power the prices of basic cloth and food-stuffs remained steady but in January the consumer goods index moved up sharply. Unless this is temporary it may be a sign that demand is beginning to press where it can do most harm. Interest rates continued high but bank advances have steadily increased, resulting in a rise in the level of borrowing from the Bank of Japan.

Shipbuilding in particular has been extremely prosperous and, aided by their early delivery dates, the industry has taken advantage of the world demand for shipping, particularly tankers, and Japan last year turned out 1,746,000 tons of shipping, double the previous year's total. Output of textiles also increased and exports have been rising which has not been welcomed by the competing industries in the importing countries, particularly in the United States of America. As a result of protests from that country the Japanese have agreed to a voluntary limitation of textile exports to 235 million square yards per annum. An interesting innovation to encourage exports has been the floating fair of Japanese machinery which is moving round various ports in South East Asia. This fair is housed on board a freighter which will spend a few days in each city.

The demands of industry caused a higher level of imports, mainly of raw materials, but, helped by another good rice crop and a world demand for her exports, it was still found possible to maintain a favourable balance of payments. As usual this was mainly due to invisible items as payments for exports, and imports were almost in balance at US$2,400 million but the foreign exchange surplus was just under US$300 million as opposed to US$500 million in 1955.

In spite of Japan's favourable overall balance her holdings of sterling have shown a considerable drop during the year and negotiations, which have been in progress in London since October, have recently concluded with the signing of a new trade agreement. It seems that the delay in reaching this agreement was caused by the different approach of the two Governments. Japan considered the drop in her sterling holdings as justification for requesting increased imports by the sterling area of her goods; but the United Kingdom argued that, as sterling could now be used for many types of payment outside the sterling area, balanced trade with individual countries was a relic of bilateralism and was now out of date. For the same reason the United Kingdom does not want to enter into a new payments agreement.

The budget which has recently been presented in the Diet shows increased expenditure of around Yen 100 billion. In view of the favourable conditions enjoyed by industry it is proposed to reduce personal income tax but it is anticipated that this will be more than covered by higher revenue from other taxes.

When we turn from a survey of economic conditions and look at the political picture the outlook is not so promising. The emergence of the two-party system, which I mentioned last year, has not brought with it any feeling of party cohesion and politics are still bedevilled by the rivalry of numerous factions. This party strife did nothing to improve the Japanese prospects in their negotiations with Russia, where the dissensions and rivalry of the various political groups at home weakened a hand which was never particularly strong. The Japanese also found, as others have found before them, that the Russians were hard bargainers and the talks, which in the summer were resumed in Moscow, seemed for a long time to be making little progress. Finally in October an agreement was signed, and in December, at a ceremony in Tokyo, the ratification instruments were exchanged and the restoration of diplomatic relations became an accomplished fact. A few days later Japan was elected the eightieth member of the United Nations. This entry into the international organisation has given great satisfaction to the Japanese and has, to a large extent, tempered their disappointment over the failure to obtain satisfaction over their territorial claims. In this connection it seems unlikely that any progress will be made over the return of the Southern Kuriles, and while the islands of the Habomai group and Shikotan are to be returned on the signing of the Peace Treaty there is no indication as to when this will be. In the minds of many Japanese a reappraisal of future relations with China seems to be the next step but a settlement of this problem is likely to require a high degree of diplomatic skill.

While these events were taking place the Liberal-Democratic Party was endeavouring to find a new leader as Mr Hatoyama had announced his intention of retiring. The personal rivalry between the various leaders made agreement difficult and it was not until a second ballot that Mr Tanzan Ishibashi was elected and later formed a government. This government was short-lived as Mr Ishibashi was obliged to resign due to ill-health. Mr Kishi became the new Prime Minister but continued to retain the portfolio of Foreign Affairs while the Cabinet was practically unchanged. Recent developments unfortunately have not provided any evidence that the members of the party have buried their quarrels and the factional affiliations still seem as strong as ever. Although so far the political instability has not had a damaging effect on the country's economy there are many problems both in the domestic and international fields requiring attention which is unlikely to be given as long as the present dissensions remain.

PHILIPPINES

The year 1956 was, on the whole, a good one for the Philippines. The political situation remained unchanged and President Magsaysay personally continued to enjoy the support of the majority of the nation, although this does not extend to all members of the administration. There was general satisfaction that the country became a member of the Security Council and that Governor Miguel Cuaderno of the Central Bank was elected Chairman of the Board of Governors of both the International Monetary Fund and the International Bank.

Economically there was general prosperity and, from such statistics as are available at the time of writing, it appears that activity in most sectors was at a higher level than in 1955. Exports were larger, which was mainly due to increases in shipments to Europe and Asia as trade with the traditional market of the United States showed a slight fall. Due to curtailment of licences, imports were on the whole lower, particularly consumer goods, but there was an increase in the purchases of machinery. As a result the foreign exchange reserves showed a slight increase, but this was still dependent to a large extent on United States Government expenditure. The expansion of the economy, coupled with the reduction in the imports of consumer goods, had its effect on prices which tended to rise while a considerable increase in the supply of money gave warning of the inflationary dangers ahead. These

were referred to by the President in his State of the Nation Address, in which he stated that "we will continue to adjust our foreign exchange allocations to the demand for essential consumer goods without impairing the requirements of high priority projects." To achieve this balance will not be easy, and the President dismissed suggestions that the time was ripe for the removal of economic controls. On the contrary, he recommended that Congress reconsider the "No Dollar Import Law," which permitted a considerable amount of barter trade, as this measure was being abused. The suggestion that the peso should be devalued has been heard again from many quarters, but this proposal is strongly opposed by the Governor of the Central Bank, who does not feel that it would be in the best interests of the country.

The agreement covering reparations was made with Japan during the year which provides for the supply of capital goods to a total of US$500 million over a period of 20 years. Detailed implementation of this agreement seems to be making little headway and the Philippines are anxious to terminate the trade agreement with Japan and substitute payment on a cash basis. Although relations with the United States continued to be friendly, little progress seems to be being made over the revision of the military bases agreement.

VIETNAM

Although many of the difficulties facing the Republic of Vietnam, which I mentioned last year, still remain, considerable progress has in fact been made. The war against the sects has been brought to a successful conclusion, a large number of the refugees have been effectively resettled and the area under law and order is being rapidly enlarged.

The new constitution has been drawn up and, although this gives the President of the Republic very strong veto powers, for a time at least, in a country which has suffered from so much dissension, such powers are probably necessary. Steps are being taken, although possibly not fast enough, to introduce land reform. This will restrict the area of land suitable for growing rice which may be held by one individual. These are all considerable achievements, but the economic situation still gives cause for concern. Production of rice is still very low, in spite of efforts to develop hitherto unproductive areas and to replant rice fields abandoned during the hostilities, and exports of rice were not found possible in 1956. These have since been resumed on a small scale, but the price may make any large increase difficult. Little progress has been made in industrial development, and inflation has become a serious threat, in spite of the large amount of American aid. The recent reorganisation of the import trade, by reducing the number of those engaged in it and the fixing of profit margins, at both wholesale and retail level, is aimed at lowering prices, but this can only have a limited effect. Moreover, the decision that all Chinese born in Vietnam would henceforth be Vietnamese nationals, and that non-Vietnamese nationals would be prohibited from participation in the retail trade has had a damaging effect on the confidence of the Chinese, who are particularly interested in this trade. For a long-term solution to their economic difficulties it would seem to be necessary to press ahead with increasing the area under rice cultivation and the setting up of secondary industries; but the most immediate problem is to bring down the cost of living.

CAMBODIA

Prince Sihanouk continues to retain the confidence of the people and to wield considerable influence whether he has been in office or out of it. Strict neutrality is the declared policy of the country and the two-year capital investment plan is being largely financed by aid from abroad. Rice exports, which were banned early in the year, are to be resumed, as this year's harvest is reported to be excellent. Progress is being made in the construction of the road to Kompong Som, and when this is opened it will enable this new port to serve the capital.

THAILAND

The cautious optimism I expressed last year regarding the future of Thailand appeared to be borne out by events in 1956. There were signs of more political stability, and the differences between rival personalities, which had in the past hampered the administration, seemed to be less marked. Unfortunately the elections, which were held at the end of last month, resulted in a certain amount of unrest and it was necessary to declare a state of emergency. These disturbances seem to have been brought under control, but the fact that they occurred shows that "caution" is necessary in any appraisal of events in this country. Economic conditions were satisfactory and the operation of the Stabilisation Fund ironed out excessive fluctuations in exchange rates, while the over-stocked condition of the consumer goods markets showed considerable improvement. The balance of trade, however, was slightly adverse during most of the year as imports continued at a high level, which had a beneficial effect on the revenue. This was considerably higher than expected and resulted in income exceeding ordinary expenditure in the revised estimates for 1956, while a small surplus is estimated for 1957. Capital expenditure will remain at about the same level and the overall shortfall will as usual be financed by loans and American aid. This aid is most beneficial to the economy of the country, enabling deficit financing to be avoided, and has kept the cost of living and money supply comparatively stable; while a large appropriation is being used in the construction of strategic roads which will be of great commercial value. Shipments of rice, which earlier were lagging behind the level of 1955, increased during the last two months, due to reductions in export premiums, which enabled the total for the year to be some 13,000 tons more than for the previous year. Rubber exports were a little higher, and estimated figures for both production and exports of tin indicate an increase of some 15 per cent. As can be seen, Thailand seems to be in a very happy position which should continue during the current year provided there is no further internal disturbance.

FEDERATION OF MALAYA

The Alliance Government has now been in office for over a year and steady progress has been made, both in the conduct of the day-to-day administration and in the movement towards full independence, while many of the changes agreed upon at the Constitutional Conference in London last year have already been brought into force. The Chief Minister, Tengku Abdul Rahman, who also holds the portfolio of Internal Defence and Security, became chairman of the Emergency Operations Council and in July the Federation Armed Forces Council was inaugurated and has already set about the establishment of a self-contained local force. A Constitutional Commission was appointed early in the year under the chairmanship of Lord Reid and toured the country receiving recommendations from various interested bodies. Their report has recently been published, but it is not possible to do more than touch on it here. A strong central government with a common nationality for the whole of the Federation and "a measure of autonomy" for the States and Settlements are among the recommendations. Provision is made for a constitutional Head of State for the Federation and for the Settlements becoming States in the new Federation. The need for safeguarding the special position of the Malays has been recognised and the qualifications for citizenship follow the proposals of the main parties.

At a further meeting between the Governments of the United Kingdom and the Federation of Malaya, held in London over the end of the year, negotiations were satisfactorily concluded on the terms of the defence agreement "under which Her Majesty's Government will undertake to assist the Federation Government in the external defence of its territory and in the training and development of its own armed forces while the Federation Government will confer on Her Majesty's Government the right to maintain in the Federation the forces, including a Commonwealth strategic reserve, necessary for the fulfilment of Commonwealth and international obligations."

As a result of this preparatory work the scene is now set for the transference of power on August 31st and the Federation of Malaya will then take its place as a self-governing member of the Commonwealth. On the whole their future prospects look favourable. The Alliance Government retains the support of the majority of the population and the economic outlook seems bright with a continuing world demand for their primary products. The Emergency continues as a dark cloud on the horizon as, although much success has been achieved, the terrorists remain active and the cost continues to be a heavy drain. Other problems spring to mind, such as the adjustment of racial interests and the relations between the Federation and Singapore, but the present government has built up a considerable store of goodwill which should, provided tolerance is shown on all sides, enable them to get off to a good start.

The present position of the finances of the Federation was dealt with clearly and concisely by Colonel H. S. Lee, the Minister of Finance, when he introduced his first budget. The estimates showed a prospective deficit of M$145 million for 1957 which would reduce the realisable general revenue balance to M$136 million by the end of that year. This was considered to be below the safety margin and, for this reason, changes in direct and indirect taxation were brought into force. Briefly these covered increases in income tax in the higher income brackets, new taxation affecting motor cars, the raising of certain import duties and an excise duty on locally grown tobacco. This increased revenue was expected to reduce the deficit to M$110 million. The estimates for capital projects already approved show that a little over M$200 million will be required in 1957 with not far short of M$400 million thereafter. This finance is being provided at present by advances from the treasury but a funding operation will require to be undertaken sooner or later. Many other schemes for development are in course of preparation and it was in the light of this heavy expenditure that the financial discussions were held in London concurrently with those on defence which I mentioned above. It was agreed that the United Kingdom Government would provide some financial assistance towards the continued cost of the Emergency and would help in the expansion of the armed forces. These arrangements, although perhaps on a smaller scale than was hoped for, should assist the Federation in their development

plans and, before leaving London, Tengku Abdul Rahman stated that "every encouragement would be given for the flow of foreign capital to Malaya to help the country's economic development." This is a very welcome statement as foreign capital investment and, what is perhaps more important, the technical assistance which is likely to come with it, will be essential to the Federation for many years to come.

TIN AND RUBBER

In the first six months of the year the price of both these commodities moved gradually downwards, but this trend was halted in July due to developments in the Middle East. For the rest of the year there were considerable fluctuations with a sharp increase in both prices during November and December. This rise has, however, not been maintained.

The International Tin Agreement came into force on July 1, 1956, and contributions have already been made by members, all of them so far in cash. At the meeting in December of the International Tin Council it was agreed to review the present floor and ceiling prices and a report is expected to be submitted to the next meeting, which will be held this month. While the introduction of this scheme should, on the whole, have a stabilising influence, to operate efficiently the buffer stock should hold both cash and tin, but, as the manager of the buffer stock is not permitted to buy until the price is below £720 per ton, there is little prospect of acquiring any tin at the present time. From January 31, 1957, the buying of tin by the United States Government for stockpile purposes ceased and the smelter in Texas was sold to a private concern.

Tin production in Malaya increased by a little over one thousand tons compared with 1955, while exports were the highest since 1950.

The rubber-replanting scheme, which is so vital for the future of the industry, is making progress, although the smallholders are moving slower than the estates. This is understandable as, to quote from the Federation of Malaya Annual Report for 1955, "to the smallholder, lacking mechanical aids, the task of replanting calls for hard and sustained physical labour" and considerable publicity with sufficient inducements is necessary to encourage the smallholder to undertake this work. Production was slightly below the high level of 1955 and exports at 983,000 tons showed a drop of about 1 per cent.

SINGAPORE

The conference to decide the future constitution for Singapore was held in London in April, but in spite of three weeks of negotiation it was found impossible to reach agreement. The main issue on which the discussions foundered was the extent of the powers to be retained by the British Government to enable them to discharge their responsibilities for external affairs and defence. After his return, Mr Marshall resigned in June and Mr Lim Yew Hock became Chief Minister. His task seemed a far from enviable one, as there was considerable disappointment over the failure to reach agreement in London, although in many quarters there was a feeling of relief that a period of quiet on the political scene seemed likely. In September the Chief Minister obtained a unanimous vote of confidence in the Legislative Assembly, which greatly strengthened his position, and enabled him to take stronger measures to stamp out subversive activities. One of these was an order dissolving the Chinese Middle Schools Students Union. For some time past many of the pupils in these schools had become extremely unruly and neither their teachers nor their parents seemed to have any authority over them and evidence was obtained which showed the extent of Communist infiltration in the union. The determined stand taken by the government unfortunately resulted in serious riots, but no further disturbances have taken place since and there is every indication that the power of the Communists in the union has been severely weakened, if not entirely broken. This is an important achievement and particularly significant when it is remembered that over half the population is under twenty-one years of age. On the whole the position in Singapore at the end of the year seemed more stable than it had been for some time and, with the added authority which this improvement gave him, Mr Lim Yew Hock paid a visit to London to discuss the agenda for the resumption of the constitutional talks this month. Although it is always dangerous to prophesy, there seems ground for hope that this time he will not come back empty handed.

The estimates for 1957 showed a deficit of M$36 million but new taxation similar to the Federation's reduced this figure to under M$20 million. On the whole this is not an unsatisfactory state of affairs but the calls for capital development are heavy and are expected to amount to M$750 million for the period 1958 to 1962, of which projects totalling M$570 million are considered essential. To meet this heavy expenditure it is intended to increase revenue over the next three years to yield at least an additional M$50 million and to mobilise local capital resources to the full. A bill was introduced imposing a tax "at wholesale level on any luxury goods which it may be decided to tax in the future." This proposal has been severely criticised as likely to endanger Singapore's free port status and the bill has been referred to a Select Committee. The necessity to maintain a suitable climate for investment, in the face of mounting expenditure for social services, is the difficult problem which faces Singapore's government and a suitable balance will not be easy to find.

MALAYA

It has always been the practice in these statements to include comments on developments in the Federation of Malaya and Singapore under the same heading but, with the recent constitutional changes, this seems no longer suitable and this year I have tried as far as possible to separate them. Geography and their complementary economies are facts which cannot be ignored, whatever the political differences may be, and it is no more easy for us to draw a line between the two territories in our summary of events than it is for one territory to ignore the effects on the other of the policy they adopt. Before I leave this peninsula, therefore, I wish to touch on a few matters of general interest to the area as a whole.

One of the recommendations of the International Bank Mission was the establishment of a central bank and last year the two Governments requested Mr Watson of the Bank of England and Sir Sydney Caine to make an examination of the present position and to submit a report on what form that central bank should take. Under their terms of reference they were required, among other things, to advise on the desirability of separate central banks as opposed to one for both territories. This question is linked with that of the currency for the two territories, the Governments of Sarawak, North Borneo and the State of Brunei having decided to adopt a currency of their own, and the report favours the continuance of one currency, which presupposes a joint central bank. This is a conclusion with which we agree but the efficient working of a joint central bank would only be possible—to quote from the report—"if the two Governments co-ordinated their policies in the fiscal, monetary and economic fields." Other recommendations cover the retention of the sterling link and the desirability of banking legislation.

The importance of the provision of low cost housing as a deterrent to Communism is as great in Malaya as it is elsewhere and I am glad to be able to report that the Malaya Borneo Building Society, formerly Federal and Colonial Building Society Limited, for which, as I mentioned two years ago, we are providing finance, has made considerable progress. Already this society has assisted many families throughout Malaya to purchase their own homes and its activities are being extended to Borneo.

Plans for the gradual Malayanisation of the public services have been approved in both territories. There has been a considerable amount of ill-informed discussion on this subject and it is satisfactory that the schemes adopted have avoided the danger of too much haste and that the retiring officials have been treated fairly.

The Malayan trade figures showed a favourable balance of M$13 million as against M$335 million in 1955. This considerable reduction was mainly due to the large increase in imports while the level of exports was about the same. The total value of external trade was higher than in any other year except 1951.

The above are a few of the many important developments that have taken place in Malaya during the last year and on the whole, in this part of the world, we can look back on 1956 with a considerable degree of satisfaction. The end of one chapter is in sight and we shall soon be turning to the next. What this chapter will contain we cannot yet tell, but the events which it will record will cover the early developments of these two territories under their own elected rulers. It appears that the transfer will take place peacefully with little rancour on either side and as long as merdeka is regarded as a challenge to progress and not as an end in itself the new chapter should make pleasant reading.

NORTH BORNEO

We now turn to Borneo, a country which is blessed with considerable natural resources but which is lacking in both capital and labour. Here also there is the urge to move forward in expanding the economy and over the last three years M$53 million have been invested in development. Half of this was obtained from revenue with the balance from loans and external aid. Labour has also shown a welcome increase as a result of immigrants from Indonesia, but arrivals under the recent agreement with the Philippines have been disappointing. The importance of communications at the present stage of development needs no elaboration and, although progress has been made, the lack of trained personnel has resulted, as in so much else, in the pace being slower than it might be. These difficulties can in time be overcome and there is no doubt that over the last year there has been a feeling of greater confidence in the future.

Trade has improved and the totals of both imports and exports seem likely to be higher than in 1955. Rubber still continues to be the mainstay but the timber industry showed an increase in the volume of exports of about 24 per cent and this industry is generally on

a more stable basis. The decision that Labuan should revert to its prewar free port status became effective from September 1st. For many years Harrisons and Crosfield have acted as our agents in Labuan and this has been a satisfactory arrangement to our mutual benefit. In view of the change of status of this port, however, your directors considered that the time had come to open our own office which commenced business at the beginning of this year. Due to its geographical position Labuan has considerable future possibilities but a great deal remains to be done and I do not expect a rapid development.

BRUNEI

Progress continues to be made in the carrying out of the five-year development plan and this State remains in a very happy financial position. The surplus for 1957 is estimated to be M$75 million, a slight increase over last year. The construction of the road from the capital to the oilfields at Seria is well under way and should be of considerable benefit to the State and the industry on which so much depends. A start has been made in drilling for oil offshore.

INDONESIA

Events in Indonesia have recently been changing with such rapidity that it is extremely difficult in a review of this nature to be entirely up to date. The elections held at the beginning of the year resulted in the formation of a coalition government under Mr Sastroamidjojo with ministers mainly drawn from three parties but with others being represented. This government suffered from the stresses inherent in all coalitions and the rivalries of personalities and the groups they represent dominated the political scene. In the background there was the army—another factor to be reckoned with—which had interposed before and which it was felt might do so again. It is against this background that the numerous incidents reported in the press must be viewed. The position at the moment seems confused with the revolts in Sumatra, which started in December, still continuing and the future of the present government uncertain. Dr Hatta, the Vice President, has already resigned and the influential Masjumi Party withdrawn from the government. This places a great responsibility on the President who is actively engaged in attempting to find a solution.

The economic situation has naturally suffered as a result of this instability and the reduction of the statutory gold and foreign exchange reserves from 20 per cent to 15 per cent was announced last month. A similar reduction was made for three months in 1956 when assistance was obtained from the International Monetary Fund. The deteriorating position of government finance can be seen from the advances obtained from the Bank Indonesia which have risen to over 7,000 million rupiahs, while notes in circulation have also increased. This state of affairs is unlikely to improve as long as the present dissension continues with the difficulty of collecting revenue in the disturbed areas. It seems, therefore, that a return to economic health must await a settlement of the political differences and the restoration of law and order throughout the islands.

INDIA

India in recent years has built up for herself a position of considerable influence in world affairs and this is particularly so in Asia where many of the smaller countries look to her for leadership and watch with anxious eyes to see how her industrial development is proceeding—a development they are all trying to emulate to a greater or lesser degree. In particular her declared policy of neutrality is one which many others wish to follow and, although the dispute over Kashmir has soured relations with her near neighbour, and may, as a result of recent events, lower her own prestige, the interest in her progress is unlikely to be much diminished. The second five-year plan has, in particular, attracted considerable attention with its emphasis on heavy industry. In India this is considered vital to enable her to improve, or perhaps only to maintain, the standard of living of her growing population and all reports indicate that the government is determined to achieve the targets even if this is not found possible within the stipulated period. China, as we have seen, is also moving in the same direction, although under a very different form of government but with the same emphasis on speed. Whether either will be successful in this rapid move towards industrialisation, the future alone can show but the success of one over the other would be viewed by many as a triumph for that form of government. The determination of India to retain her parliamentary institutions can be seen from the elections recently held—a massive piece of organisation—in which it is estimated that 200 million people have had an opportunity to vote at 200,000 polling booths. Success in her economic aspirations would strengthen such institutions not only in India but in many other countries as well, and these aspirations are at the moment centred round the second five-year plan.

This plan has been the subject of much comment and criticism both in India and abroad and fears have been expressed that the dangers of inflation have not been sufficiently guarded against. Many doubt whether large enough resources have been allocated to raise the level of production of food and cloth to meet the increase in the supply of money, which the deficit financing will cause, while the adequacy of the transport system and port facilities is questioned. The estimate of the foreign exchange requirements of the plan is considered to be unduly optimistic and this has already resulted in a more general realisation of the necessity to attract foreign investment, but is the present treatment of the private sector the way to achieve this? These are some of the criticisms levelled at the plan and recent developments show that there is a good deal of substance in them.

During 1956 sterling balances dropped by about £150 million, the wholesale price index rose by 13 per cent while the cost of living went up by about 10 per cent. These were danger signals that could not be ignored and an interim budget was introduced in November. This imposed a tax on capital gains, increased super tax on dividends and gave the government control over the reserve funds of companies to insure that they "are put to uses which promote industrial development in accordance with the plan." Customs duties were also raised. To protect the external balances severe cuts were made in imports, particularly consumer goods, and a ceiling was fixed on foreign exchange expenditure for the next six months. New projects in both the public and private sectors, which involve expenditure in foreign exchange, were postponed if no commitment had been made.

These and other measures, which there is not space to mention here, should have their effect but it remains to be seen whether they will be sufficient to halt inflation and reduce the drain on the foreign exchange reserves without any major adjustment of the plan. Meanwhile the International Bank is considering making loans for a number of projects and a survey of transportation is being carried out by a mission from that bank while arrangements have been made to purchase US$200 million from the International Monetary Fund.

These difficulties, which it is only proper I should mention, do not detract in any way from the considerable progress that has already been made or the magnitude of what is being attempted. Recently, for example, the Hirakud dam was opened which is claimed to be the longest in the world. This dam, mainly the work of Indian engineers, extends for about three miles with dykes on the flank to a total of thirteen miles. For the future it is hoped to increase steel production during the period of the plan by four million tons a year which will mean doubling the capacity of two existing plants and building three new ones. Construction of heavy machinery is also planned and a mission from the United Kingdom has recently visited the country to advise on what is required.

These are only a few of the many interesting developments that are taking place but before I leave India there are two matters of interest to our offices there which I should like to mention. The first is the Reserve Bank of India (Amendment) Act 1956 which gives that bank power to vary the cash reserves which scheduled banks are required to maintain with it. The second is the Banking Companies (Amendment) Act 1956, which *inter alia* requires the appointment of managers of banks to be approved by the Reserve Bank of India. Although I understand that the powers given under both these measures are only intended to be held in reserve, they are none the less disturbing. Circumstances change and policies with them and a very recent example of this is the State Trading Corporation. This was set up to carry on trade with the Communist countries, where a government organisation was considered advantageous, but the corporation is now competing to quite a large extent in imports from other countries which were formerly handled by the private sector.

BURMA

In Burma the elections in April resulted in the expected victory for the government party although the size of the opposition vote was greater than expected. The government was faced with a considerable number of problems, of which the most important was to establish and maintain law and order, and it is disappointing that very little progress seems to have been made in stamping out insurgency. Economically the misgivings I expressed last year regarding the success of the disposal of rice under barter agreements were unfortunately proving only too well founded; and the failure to maintain a level distribution of commodities was evidence of the weakness of the administrative machine. There has been some improvement since then as rice shipments, on which so much depends, have increased, which combined with continued restriction of imports has resulted in the foreign exchange reserves rising by about 25 per cent. Unfortunately, there has been a disturbing increase in the cost of living which rose sharply by 20 per cent in the first six months of the year, but has since come back to about 10 per cent higher at the end of the year. In an effort to improve the distribution of essential goods five import corporations, with capital subscribed jointly by the government and the public, were set up towards the end of the year. Four of these corporations will be issued with import licences for general consumer goods while the fifth will concentrate on the requirements of industry. Capital expenditure was considerably reduced during the year and was limited to carrying out projects which were already started and it was estimated that the deficit would be only half of what was originally expected, while a small surplus is hoped for in the coming financial year. A long-term loan of US$25 million was recently made by the United States of America which will be used in various ways, ranging from the establishment of a medical centre to the expansion of the local air line and funds obtained from the International Bank will assist in the rehabilitation of the port of Rangoon and the railways. On the whole Burma seems to have overcome the difficulties caused by the fall in the price of rice since the end of 1953 and the over-ambitious development projects which were planned in the anticipation of a high price continuing. An improvement in internal security and a reduction in the cost of living are two important problems that still remain.

During the year a number of discussions took place with China regarding the line of the frontier between the two countries. This has been a subject of dispute for many years as the exact line of demarcation has never been settled. A joint statement issued in December indicated that no decision had been reached although it seems likely that the Chinese will withdraw from the Wa States in return for the secession of three villages in the Kachin States.

CEYLON

The general elections held in April resulted in a sweeping victory for the People's United Front and Mr Bandaranaike became Prime Minister of a government which was pledged to institute a Ceylonese Republic and adopt a socialist programme including nationalisation of certain industries. So far the government has proceeded slowly and no very drastic steps have yet been taken. Discussions on the British bases were held during the year and in the House of Commons in December it was announced that "the United Kingdom Government will hand over the bases of Trincomalee and Katunayake to Ceylon in 1957 on a date to be agreed between the two governments." At the end of the year the People's United Front suffered a defeat in the Colombo Municipal elections and last month Mr Dudley Senanayake, who has considerable popular following, announced his return to active political life. These developments can be construed as a sign of a swing back to the United National Party although it is true to say that the People's United Front have relied to a great extent for their support on the rural areas. The Official Language Bill was passed in July prescribing Sinhala as the official language of Ceylon and this has resulted in considerable dissension among the Tamil community. In this controversy I hope that the recent remarks made by the Indian Prime Minister on the importance of the English language are not being overlooked.

The favourable balance of trade has shown a considerable reduction over the record surplus obtained last year but external assets were little changed at the end of the year from 1955. A further agreement with China to supply rubber in exchange for rice was signed in December and Ceylon will continue to receive a price above the average monthly Singapore market price, although the premium is a little lower.

The budget presented in July brought only minor changes in taxation comprising rises affecting those in the higher income brackets and a small increase in company rates of taxation. It appears that the development programme I referred to last year has not been found acceptable to the present government and a National Planning Council has been formed to prepare a new overall plan for economic development. This will inevitably result in delay as it is not so much in the planning that the weakness lies as in the lack of technical personnel to carry out the tasks. It was stated in June by the Auditor General that two-thirds of the funds put up by Commonwealth countries under the Colombo Plan remain unused which seems to bear out this contention.

On the whole the emergence of a government with such different views from the previous one has resulted in a period of reflection with so far little change.

GENERAL

As usual I have tried to give shareholders a brief review of the political and economic conditions in the Asian countries in which we are represented. This can of necessity only touch on the main developments in these large areas, in many of which considerable changes are taking place. On the whole this has been a satisfactory year and, notwithstanding setbacks, has been marked by general political stability with growing economic expansion.

Before I close I should like to devote a little space to our offices outside these areas and to our subsidiaries.

Sterling is still the medium for the finance of a large part of eastern trade and for this reason our office in London plays an important part in all our activities. Business there continues to increase and a further enlargement of our premises is becoming necessary. This we shall do by taking over the second floor of our building when the present lease expires.

New York office has naturally benefited from the increasing use of United States dollars in world trade since the war and has greatly extended its operations in recent years.

Our office in France was transferred from Lyons to Paris in 1953 at the time when the economy of Indo-China relied to a large extent on trade with France. This is no longer the case, and with the dwindling of the traditional business which has been previously handled, it was necessary to explore other avenues. In this I am glad to say we have been quite successful and I hope that this office will continue to build up satisfactory connections on its own.

Germany's increasing trade has been reflected in the turnover of our Hamburg office, which continues to prove a most valuable link for our offices in the east.

To turn to our subsidiaries, the Hongkong and Shanghai Banking Corporation of California has made a good beginning and I hope that it will be able very shortly to contribute to the profits of the Bank as a whole. The possibilities in the west coast of America are so extensive that the directors have decided to open also in Los Angeles, and permission to do this has recently been obtained from the American authorities.

The three Trustee Companies in Hong Kong, London and Singapore continue to expand. These companies are all now self-supporting, but apart from this I am sure the service they are able to give indirectly increases the business of the Bank.

I hope that these brief comments on some of the Bank's activities, which have not usually been mentioned in these annual statements, will be of interest to shareholders. While the main function of the Bank will continue, I trust, to be the financing of eastern trade, your directors will not be slow in taking advantage of promising openings elsewhere.

THE POWER-GAS CORPORATION LIMITED

CONTINUED PROGRESS

The fifty-seventh Annual General Meeting of The Power-Gas Corporation Limited was held on March 21st, in London, Major W. R. Brown, DSO, Vice-Chairman presiding in the absence of the Chairman, Mr N. E. Rambush, DSc (Hon), MIChemE, FRSA. The following is an extract from the circulated Statement to Shareholders.

The profit of the Group before providing for depreciation, loan stock interest and taxation amounts to £859,714. This slightly exceeds the previous year's total of £827,933 though the latter included eighteen months' trading for the Rosedowns companies, following the change in their accounting date.

The value of orders received by the Group during the year amounts to £12½ million which is well above the average for recent years.

Your directors have decided to put in hand phase III of the South Works development programme. This consists of extending the heavy machine shop, erected in 1953, alongside which medium and light machine shops, with space for fitting assembly, maintenance services and stores, will now be built. A bay for heavy structural work will be added to the constructional shops.

The Blast Furnace Division, which trades under the name of Ashmore, Benson, Pease and Company, has during the year received orders for blast furnaces, sinter plants, ore-bridges and other iron-making equipment to an extent exceeding our forecasts. It is pleasing to record that the Division has registered its first major success in Australia. Negotiations, which had been in train for some while, ended in our obtaining large orders just after the end of the financial year.

Our opportunities in large-scale chemical engineering are continually being widened and supplemented by licences to use processes developed by others; a recent example is the Texaco partial oxidation process for the production of gases used in the Chemical Industry. An agreement has been concluded with C. F. Braun & Company, California, by which the Works Division is enabled to manufacture and sell Braun heat exchangers.

Gasholder contracts are handled by the General Contracts Division and a considerable volume of business has been done. Especially encouraging is the growing popularity of the new Wiggins gasholder.

SUBSIDIARY COMPANIES

Sales for the year of Rose, Downs & Thompson Ltd., Hull, have been well maintained; many orders have been booked for export against exceedingly keen competition.

The services of The Power-Gas Corporation (Australasia) Pty. Ltd., Melbourne, will be of great help in connection with the Australian blast furnace contract referred to earlier.

During the year Ashmore, Benson, Pease & Co. Africa (Pty.) Ltd., Johannesburg, received a contract from the South African Iron & Steel Industrial Corporation, Pretoria, for the largest blast furnace yet to be erected on the continent of Africa.

Power-Gas France, S.A.R.L., Paris, has been actively engaged on chemical plant contracts, and the past year has been much more active for Power-Gas Canada Ltd., Montreal.

The Report and Accounts were adopted.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(INCORPORATED IN THE COLONY OF HONG KONG)

(The liability of members is limited to the extent and in manner prescribed in Chapter 70 of the Laws of Hong Kong)

REPORT OF THE DIRECTORS PRESENTED TO THE MEMBERS AT THE ORDINARY YEARLY GENERAL MEETING HELD AT THE HEAD OFFICE, HONG KONG, ON FRIDAY, 15th MARCH, 1957

The Directors have pleasure in submitting the Balance Sheet at 31st December, 1956, together with the Profit and Loss Account for the year ended at that date.

	Hong Kong Dollars
The profit for the year, after providing for taxation on profits earned to date and after making transfers to the credit of Reserves for Contingencies, out of which provision for diminution in value of assets has been made, amounts to	$ 20,635,421
To this must be added the undistributed profit brought forward from the previous year	10,606,689
	31,242,110
An Interim Dividend of £2 per share was paid on 13th August, 1956, amounting to £400,000 at 1/2-13/16	6,481,013
leaving a balance available for distribution of	24,761,097
This balance the Directors recommend be appropriated as follows :—	
Amount to be written off Bank Premises	$ 4,000,000
A Final Dividend of £3 per share, £600,000 at 1/2-13/16	9,721,519
	13,721,519
leaving a balance to be carried forward to next year of	$ 11,039,578

The above appropriations have been incorporated in the Accounts.

DIRECTORS. During the year Mr. H. D. Benham resigned his seat and Mr. L. Kadoorie and Mr. L. B. Stone joined the Board. Mr. B. T. Flanagan, Mr. H. D. M. Barton, M.B.E., and Mr. R. J. Sheppard retire by rotation, but, being eligible, offer themselves for re-election.

AUDITORS. The Accounts have been audited by Messrs. Peat Marwick Mitchell & Co. and Messrs. Lowe Bingham & Matthews, who are eligible for re-appointment.

Hong Kong, 25th February, 1957.

By Order of the Board,
C. BLAKER, Chairman.

BALANCE SHEET AT 31st DECEMBER, 1956

	Hong Kong Dollars	Sterling Equivalent
SHARE CAPITAL		
Authorised and Issued 200,000 Shares of HK$125 each, fully paid	$25 000.000	£ 1,562,500
RESERVE LIABILITY OF MEMBERS HK$125 per share on 200,000 Shares	$ 25,000,000	
RESERVE FUND	128,000,000	8,000,000
PROFIT AND LOSS ACCOUNT	11 039,578	689,974
	164 039,578	10 252,474
HONG KONG CURRENCY NOTES IN CIRCULATION		
Authorised Note Issue	$ 30,000 000	
Excess Note Issue	645,742,000	675,742,000 42,233,875
CURRENT, DEPOSIT AND OTHER ACCOUNTS, including Reserves and Provisions for Contingencies and Taxation	$2.564,287,832	
AMOUNTS DUE TO SUBSIDIARY COMPANIES	378,395	
ACCEPTANCES ON BEHALF OF CUSTOMERS	16,130,379	
PROPOSED FINAL DIVIDEND in respect of the year ended 31st December 1956	9,721,519	2,590,518,125 161,907.382
	$ 3,430,299.703	£214,393,731

NOTES

1. Confirmed Credits Guarantees and Endorsements amount to HK$382,971,778 in addition to which there are commitments in respect of outstanding Forward Exchange Contracts
2. Foreign Currency Balances have been converted into Hong Kong Dollars at approximately the rates ruling at 31st December, 1956. The Sterling equivalents of the figures shown in the above Balance Sheet have been converted at the rate of HK$1 = 1/3d.
3. Investments having a market value of HK$34,677,504 are deposited with the Crown Agents to cover the liability in respect of the Authorised Note Issue to the extent of HK$23,333,333.

	Hong Kong Dollars	Sterling Equivalent
CASH IN HAND AND BALANCES WITH OTHER BANKS	$ 200,966,739	£12,560,421
MONEY AT CALL AND SHORT NOTICE	149,986.529	9,374,158
BRITISH AND OTHER GOVERNMENT TREASURY BILLS	220,746,319	13,796,645
TRADE BILLS DISCOUNTED	600,015,157	37 500,947
HONG KONG GOVERNMENT CERTIFICATES OF INDEBTEDNESS issued in respect of funds deposited as security for the Excess Note Issue	645,883,047	40,367.690
INVESTMENTS, at under market values :		
British, Colonial and Other Government Securities :		
Quoted in Great Britain	$211,303,280	
Quoted outside Great Britain	105,741,011	
Other Investments :		
Quoted in Great Britain	18,096,610	
Quoted outside Great Britain	13,944,029	
	349,084,930	21,817,808
ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS, less provision for Bad and Doubtful Debts	1,213,501,940	75,843,871
AMOUNTS DUE BY SUBSIDIARY COMPANIES	5,497,165	343,573
LIABILITIES OF CUSTOMERS FOR ACCEPTANCES per contra	16,130,379	1,008,149
	3,401,812,205	212,613,262
FIXED ASSETS		
Investments in Subsidiary Companies, at cost	$ 9,263,842	
Investment in Associated Company, at cost	1,603,499	
Bank Premises at cost, less amounts written off	17,620,157	28,487.498 1,780,469
	$ 3,430,299.703	£214,393,731

C. BLAKER
J. A. BLACKWOOD } Directors.
H. D. M. BARTON

MICHAEL W. TURNER, Chief Manager.
J. A. H. SAUNDERS, Chief Accountant.

REPORT OF THE AUDITORS TO THE MEMBERS OF THE HONGKONG AND SHANGHAI BANKING CORPORATION

We have examined the above Balance Sheet with the books of the Corporation kept in Hong Kong, with the audited Accounts of the London Office and with the Returns received from the other Offices. We have obtained all the information and explanations we have required for the purposes of our examination. The above Balance Sheet gives the information required by the United Kingdom Companies Act, 1948, in the manner prescribed for a Banking Company and on that basis, in our opinion, is a full and fair Balance Sheet properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs at 31st December, 1956, according to the best of our information and the explanations given to us and as shown by the books kept in Hong Kong and the Returns received from the other Offices.

Hong Kong, 25th February, 1957.

PEAT, MARWICK, MITCHELL & CO.
LOWE, BINGHAM & MATTHEWS } *Chartered Accountants, Auditors.*

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1956

		Hong Kong Dollars
Interim Dividend of £2 per Share, paid 13th August, 1956, £400,000 at 1/2-13/16		$ 6,481,013
Appropriations recommended by the Directors :		
Amount to be written off Bank Premises	$ 4,000,000	
Final Dividend of £3 per Share, £600,000 at 1/2-13/16	9,721,519	
		13,721,519
Balance carried forward to next year		11,039,578
		$ 31,242,110
Special Administrative Expenses, including Chief Manager's emoluments, Directors' Fees and London Committee Fees amounted to HK$964,015.		

	Hong Kong Dollars
Balance brought forward from 31st December, 1955	$ 10,606,689
Profit for the year, after providing for taxation on profits earned to date and after making transfers to the credit of Reserves for Contingencies, out of which provision for diminution in value of assets has been made	20,635,421
	$ 31,242,110

THE HONGKONG AND SHANGHAI BANKING CORPORATION—*continued*

STATEMENT IN CONNECTION WITH SUBSIDIARY COMPANIES

1. The Investments in Subsidiary Companies appearing in the annexed Balance Sheet represent 9,975 Shares of the Capital Stock of The Hongkong and Shanghai Banking Corporation of California and the whole of the Issued Share Capital of three Trustee Companies and three Nominee Companies. The Balance Sheet of The Hongkong and Shanghai Banking Corporation of California at 31st December, 1956, is annexed. The Accounts of the three Trustee Companies and the three Nominee Companies have not been submitted as the Directors are of the opinion that such Accounts would be of no real value to the members of the Bank.
2. No part of the profits earned by the Subsidiary Companies has been dealt with in the Accounts of the Bank. The net aggregate amounts of the Subsidiaries' profits, after deducting the Subsidiaries' losses, so far as they concern the Bank, are as follows :—

	Hong Kong Dollars
(i) For the year ended 31st December, 1956	$25,615
(ii) For previous financial years	376,019
	$401,634

THE HONGKONG AND SHANGHAI BANKING CORPORATION OF CALIFORNIA

BALANCE SHEET AT 31st DECEMBER, 1956

CAPITAL AND SURPLUS		
Capital Stock, par value $100 per share, authorised and issued, 10,000 Shares	US$ 1,000,000	
Surplus	250,000	
Undivided profits	5,715	
	1,255,715	
DEPOSITS		
Demand, commercial and due to Banks	$ 2,602,366	
Time and savings	515,841	
Public funds	653,400	
	3,771,607	
The Hongkong and Shanghai Banking Corporation	902,437	
	4,674,044	
ACCRUED TAXES AND SUNDRY PAYABLES	62,528	
ACCEPTANCES ON BEHALF OF CUSTOMERS	3,628,023	
	US$ 9,620,310	
CASH ON HAND AND BALANCES WITH OTHER BANKS		US$ 1,193,788
BILLS AND ACCEPTANCES RECEIVABLE		
U.S. Government Treasury Bills	$ 640,430	
Trade Bills and Acceptances	1,536,721	
		2,177,151
ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS		1,806,198
UNITED STATES TREASURY BONDS ($810,000.00 face value pledged as security for deposit of public funds), at approximate market value		815,150
LIABILITIES OF CUSTOMERS FOR ACCEPTANCES, per contra		3,628,023
		US$ 9,620,310

MICHAEL W. TURNER, Chairman of the Board. S. J. H. FOX, President. R. M. ROCHE, Treasurer.

ACCOUNTANTS' REPORT TO THE BOARD OF DIRECTORS OF THE HONGKONG AND SHANGHAI BANKING CORPORATION OF CALIFORNIA

We have examined the Balance Sheet of The Hongkong and Shanghai Banking Corporation of California as of December 31st, 1956. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Our confirmation of the principal assets and liabilities was made as of November 30th 1956, with subsequent review and selective verifications as of December 31st, 1956.

The Bank recognizes income as collected. This practice has no material effect on the financial position as disclosed by the Balance Sheet at December 31st, 1956.

In our opinion, the accompanying Balance Sheet presents fairly the financial position of The Hongkong and Shanghai Banking Corporation of California at December 31st, 1956, in conformity, in all material respects, with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

San Francisco, California,
January 31st, 1957.

PEAT, MARWICK, MITCHELL & CO.
Certified Public Accountants.

BANK OF SCOTLAND

A STRONG AND SATISFACTORY POSITION

The Annual General Meeting of the Proprietors of the Bank of Scotland will be held on April 2nd within the Head Office, Edinburgh.

The following is an extract from the statement by the Governor of the Bank, The Right Honourable Lord Bilsland, KT, MC, DL, LLD, which has been circulated with the Report and Accounts:

The past financial year of the Bank commenced under the influence of the raising of the Bank Rate to 5½ per cent in February, 1956. The Rate remained at this level for almost exactly a year, being reduced to 5 per cent in February, 1957. This reduction followed upon a downward tendency in short-term market rates of interest which had developed over the preceding two months, and it is to be welcomed as an indication of growing confidence in the strength of sterling. It has other favourable effects in the form of reducing the cost of Government borrowing and making easier the funding of short-term debt as well as decreasing the cost of servicing foreign-owned sterling balances.

Doubts have been frequently expressed as to whether the raising of the Bank Rate to 5½ per cent was necessary or desirable. As a factor in reducing the demand for credit it has certainly taken second place in importance to credit restriction. At the same time it has served to emphasise the need for credit restriction and the downward trend of short-term interest rates which we have witnessed cannot but tend to reduce that emphasis and must therefore make more difficult the continuance of credit restriction as a necessary measure.

It is difficult to reject the conclusion that so long as Government expenditure remains at a level which together with the needs of industry is in excess of the Nation's savings there can be no real check to inflation. A substantial cut in Government expenditure therefore remains the most effective answer to the country's present difficulties.

EFFECTS OF SUEZ INCIDENT

In the earlier part of last year attempts were being made following upon the promise of the 1956 Budget to devise means whereby a cut in Government expenditure could be effected. The Suez incident, however, has in the meantime seriously affected the Nation's economy and nullified the progress made.

The long-term effects of Suez cannot as yet be accurately assessed. The best that can be hoped for the future, so far as this country is concerned, is that the challenge presented by the Suez incident will prove the spur necessary to an all-round increase in production which we are constantly assured is well within the country's capacity.

In face of this situation it is not possible to be optimistic on the likelihood of a material reduction in taxation, yet the time is long overdue when the burden of taxation which this country carries and which is higher than any of its competitors in world markets, should be reduced. It is remarkable that in spite of this taxation burden, with its damaging effect on incentive and its adverse effect on manufacturing costs, the volume of exports from this country has over the past nine years nearly doubled. We cannot expect a continuance of this trend unless something is done to give relief and reward to those by whose efforts this has proved possible.

For Scotland generally the past year has been one, if not of outstanding success, at least of maintenance of activity in relation to the rest of the United Kingdom and of definite prospects for increased future prosperity.

BALANCE SHEET

Dealing with the Balance Sheet, the main features are the increase in deposits, the further substantial rise in note circulation, the reduction of approximately £2,700,000 in advances and the high liquidity position.

The net profit for the year of £638,984 shows a reduction of approximately £4,000, and after making the same appropriations of £200,000 to Contingencies and £80,000 to Pension Fund, the maintenance of the dividend of 14 per cent for the year is recommended. This will require £362,250 and along with the foregoing appropriations will reduce the balance of unappropriated profit to be carried forward by £3,266 to £253,545.

The Bank's liquidity position is this year exceptionally strong, there being held in cash balances with other banks, cheques, etc., in collection, money at call and bills discounted, 37 per cent of all liabilities to the public. The Bank's investments are of a value in excess of the figure at which they appear in the Balance Sheet and taking into account all the unusual difficulties affecting banking in present conditions the Balance Sheet presents a position which is both satisfactory and strong.

THE IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND) LIMITED

ANNUAL GENERAL MEETING

LORD SINCLAIR OF CLEEVE'S REVIEW

The Fifty-fifth Annual General Meeting of The Imperial Tobacco Company (of Great Britain and Ireland) Limited was held on March 19th at the recreation hall of the W. D. & H. O. Wills branch of the Company, Regent Road, East Street, Bedminster, Bristol.

The Right Honourable Lord Sinclair of Cleeve, KCB, KBE, the Chairman, who presided, said:

Ladies and Gentlemen,

Before we proceed to the formal business of this meeting it would, I think, be your wish that I should refer to the deep sense of loss we all feel in the death last December of our President. Lord Dulverton was Chairman of the Company for 23 years and, since his retirement from that office in 1947, he was our President. His wide experience of men and affairs, his great qualities of character, his intense interest in and knowledge of the Company's business, his sure instinct, and his wise judgment combined to make his long period of office memorable in our annals. To a quite extraordinary degree he won the respect and affection of all who were privileged to work with him, and those of you who attended these meetings under his Chairmanship will, I am sure, vividly remember the graciousness, good humour and dignity with which he conducted them. His memory will indeed be an inspiration to all who knew him.

I will now turn to the business of the meeting. I presume it will be your wish to take the notice convening the meeting as read and I will ask the Secretary to read the Auditors' Report.

Mr E. J. Partridge (Director and Secretary) then read the Report of the Auditors.

The Chairman continued: The Directors' Report records the fact that the Board have accepted with regret the resignation of Mr R. M. E. Reeves. Mr Reeves joined the Company in 1919 and was our Solicitor for a number of years. His experience of our business and his wise counsel were of great value to the Company, and I am sure we would all desire to extend to him in his retirement our very warm regards and good wishes.

Since the Directors' Report was issued, we have heard with deepest sorrow of the death of Mr J. C. Gascoigne, who had been a member of our Board for the last nine years. He joined the Company in 1926 and—with the exception of the war years when he served with the Grenadier Guards, rose to the rank of Major, was wounded, and was awarded the MC for gallantry in the fighting in France—the whole of his service was with the W. D. & H. O. Wills Branch. His uprightness, his humanity, and his ability were outstanding, and he will be sadly missed by a wide circle of friends in the Branch, and throughout the Company.

SUMMARY OF THE YEAR'S RESULTS

As you will have seen, the Parent Company's Trading Profit—excluding the exceptional profit which arose following the increase in the United Kingdom Tobacco Duty last April—was £19,895,000, very slightly higher than in 1955. In the difficult circumstances of trading last year this was a not unsatisfactory result. It was indeed in line with the forecast I gave a year ago, but I confess not quite as good as we might have hoped. While we foresaw last year most of the conditions with which we have had to contend—including heavier manufacturing and selling costs, higher interest rates and strong competition—we certainly did not reckon on a further increase in the Tobacco Duty half-way through the year.

The Group Trading Profit was £23,363,000, which includes the profits of our Subsidiary Companies engaged in the paper and board and printing industries. As you know, each of these Companies has a substantial trade outside the Group, and the fact that, in a time of some difficulty in these industries, they collectively did rather better than hold their own is a mark of their efficiency and enterprise.

STOCK-IN-TRADE

The value of the Parent Company's Stock-in-Trade increased by £6,779,000. The Explanatory Statement gives the reasons for this.

The process of building up our leaf tobacco stocks to a more satisfactory level has gone on but not without some difficulties, and I am afraid that in the nature of things we cannot expect progress to be uniform. The USA flue-cured crop last year contained much tobacco that was not suitable for the British market, but thanks to the experience and skill of our American buying organisation our purchases from the crop were relatively satisfactory in quality.

In Canada tobacco cultivation has been steadily but surely developed over the past thirty years, and although the growing and harvesting season there is of relatively short duration, the quality is now for the most part excellent. The bulk of the crop is absorbed by the domestic market, but we are glad to be able to buy some for use in our brands in this country, and we made a good purchase last season.

In Rhodesia—our other main source of supply—our African Organisation experienced a difficult buying season. The Rhodesian crop rose from 126 million lb in 1955 to 171 million lb last year—an increase which appreciably exceeded the growers' handling and curing capacity. The result was that far too great a proportion of the tobacco offered for sale at the auctions was of very poor quality. The amount suitable for use in this country was a correspondingly reduced proportion of the crop, and our buyers worked under considerable difficulties. Nevertheless, they did well to come as near to filling our orders as they did.

CAPITAL AND RESERVES

The capital employed by the Group rose during the year by a further £10,200,000. The main factor in this increase was the larger value of the Parent Company's Stock-in-Trade, which of course was partly accounted for by the higher Duty that we had to bear on our factory stocks.

As you know, the problem of how best to finance our continually rising capital requirements has been one of our major preoccupations. It is interesting in this respect to review the course of events in the last ten years. At October 31, 1946, the capital employed by the Group was £132 million. At October 31, 1956, the figure was £240 million. This is the outcome of a number of factors—the considerably higher level of Duty; the building up of our leaf tobacco stocks from the dangerously low wartime level to a point where we have some reasonable insurance against comparative crop failures; replacements of plant and equipment and extensions of manufacturing capacity; and, of course, the substantial advance in price of all the stocks we have to carry. The increase in requirements of £108 million has been met in the following manner: £55 million has been raised in Loan Capital at rates which by today's standard are certainly not high; £44 million has been transferred out of profits to Reserve; and the balance of £9 million is accounted for almost entirely by the increase in amounts set aside from profits for future Income Tax.

This year the total transfer to Group Reserves out of profits amounts to some £6 million; but this sum includes an amount of approximately £1,200,000 representing the exceptional profit, after tax, which accrued on stocks following the Duty increase last April. Incidentally, that figure (of £1,200,000) is about one quarter of the additional capital we have to find solely by reason of the extra Duty, so you will appreciate that it is far from being the windfall it is sometimes made out to be.

In the last two years we have transferred out of profits to the Reserves of the Group close on £12 million; and we can be glad that that has been done since under existing and prospective conditions the capital requirements of the Company remain very great, not only because of the Parent Company's needs but also because more money will be required to finance the expansion of some of our Subsidiaries.

GIFT TO EMPLOYEES

As stated in the Directors' Report, a Gift will again be made to Employees this year. It will be at the rate of 12 per cent of earnings during the financial year ended October 31, 1956. This is 1 per cent less than in recent years. Wages and salaries, however, were at a higher level in 1956, and the total amount to be distributed in Gift will be almost exactly the same as it was a year ago.

It has been a long-established tradition of the Company to pay a Gift of this kind, and thus to recognise in a tangible way the contribution made by employees of all ranks towards the Company's trading results. While the Gift is not geared in any precise way to our profits it clearly is very much dependent on them; and whether it will be possible a year hence to maintain the Gift distribution at the level of recent years, will, of course, have to be determined in the light of the results that we shall then show.

NET PROFIT AND DIVIDEND

When dividends and interest from Subsidiary Companies and Trade Investments—£5,314,000, an increase of £326,000 over 1955—are included the total profit of the Parent Company for the year (before tax) was £348,000 more at £25,209,000. Taxation, however, took £13,870,000—55 per cent of our total profit and £1,030,000 more than in the previous year. After the appropriation to General Reserve the net profit of the Parent Company available for distribution amounts to £7,839,000, out of which it is proposed to pay a Final Dividend on the Ordinary Stock at the same rate as last year, namely, 12½ per cent. This, together with the Interim Ordinary Dividend and the Preference Dividends, will absorb £7,747,000, leaving £92,000 to be carried forward.

Those, I think, are the main features in the Accounts before you. I would like now to turn to certain more general matters.

TAXATION

A good deal has been said and written recently about the bearing which the present high level of taxation has on the economic health of the country, but some of these things cannot, I think, be said too often or too strongly. Since we in this country must export to live, since our export trade must be based on a sound economy at home, and since Industry is the very life blood of that economy, I need make no apology for referring to certain aspects of our economic situation which concern Industry in general and this industry in particular. As regards Industry in general two things, I believe, stand out. The first is the need for a reduction in the general level of taxation, and the second is the need for some changes in the particular application of taxation which would encourage expansion of production, would promote some stability in the value of money, and would improve our competitive power in world markets.

During the last two years, there have been signs that the inflationary tendencies in our economy were being brought under control. There were indications of some checks to rising costs and there seemed to be a real chance of achieving something like stability in prices—primarily and perhaps mainly by monetary measures, but also in part through putting a temporary brake on industrial expansion in order that we might establish a firmer base for the future. Nevertheless, if we are to maintain our position as a great trading nation, that brake cannot be kept on for long. Indeed, it is vital that restraints on industrial expansion should be relaxed at the earliest possible moment, provided it is not done under the artificial stimulus of inflationary conditions.

From the point of view of our national economy—indeed, from the point of view of our survival as a trading nation—the case for a reduction in the total burden of taxation (which, of course, predicates a reduction in the proportion of the national income absorbed by Government expenditure) is abundantly clear, and, I believe, generally accepted. But in our present situation some positive encouragement should be given to Industry.

In the field of corporate taxation, a reform of the profits tax is long overdue. This tax—with its discriminatory rates as between distributed and undistributed profits—affects certain classes of stockholder differently and indeed falls almost entirely on the equity shareholder whose capital is at risk. There can be no industrial expansion without risk, and to penalise risk-capital in this way is completely at variance with the idea of a dynamic and expanding economy. Moreover, it is not only the method by which profits tax is levied that needs drastic revision: its total incidence is far too high and it adds too much to the difficulties which Companies have in providing funds from their own resources to maintain their assets in an efficient state and to finance development, research and expansion.

In the field of personal taxation, I think that in recent years something of a fetish has been made of "egalitarianism." Some people seem to think that equality and fairness mean the same thing. We certainly want equality of opportunity but we ought to have fairness in the recognition of the uses that are made of the opportunities. Fairness indeed demands that individuals who have developed special skill, knowledge, or administrative ability (including of course scientists and professional men of all kinds) and those carrying the greater responsibilities or taking the greater risks, should be able to receive rewards that are in some degree commensurate with the contributions they make. Under present conditions, that does not happen. One of the most frustrating things which those who are running a business today experience is to find it virtually impossible to give a worthwhile reward to those with special qualifications who are called on to undertake increased responsibility, frequently, I may add, involving change of location which in turn brings additional burdens and complications quite outside the ordinary removal expenses. These cases are of course relatively few in number but the people concerned count for much in the material progress and efficient administration of this country.

It has been said that the frustration I have referred to is overstated because in fact Industry does not fail to persuade people to assume these responsibilities. To the extent that that is true, it is largely because we are trading on ingrained habits of loyalty. I realise, of course, that this situation cannot be changed overnight, but it can be quickly alleviated in two ways, namely by an extension of earned income relief, and by a raising of the point at which surtax starts—thus recognising the fact that a Sterling limit fixed thirty-six years ago is quite inappropriate today when the value of the £ is about one third of what it was then.

I therefore most strongly support the representations which have been made to the Chancellor to alleviate in some such ways the burden of personal taxation and to reconsider the whole incidence of profits tax. These things, of course, cannot be done without cost to the Revenue, but they can contribute in no small degree to the "dynamic society" which is so badly needed. It has been said that when men are free and able to build for the future they hope for it and furnish the means to make it come about—that is, the production of tools fashioned out of present effort, saving and abstinence. Does not past history and present experience (for example, in North America) suggest that it is by working for those conditions that we can best hope for the continuing provision of productive capital on the scale that the country needs if it is to maintain its position as a trading nation?

THE TOBACCO DUTY

Now I come to another kind of taxation, which affects this industry in particular, where the problem is the protection and, if possible, the expansion of one of the largest Revenue-producers in the field of indirect taxation, namely the tobacco Duty. It has been claimed that a higher rate of tobacco Duty is disinflationary because of its capacity to absorb surplus purchasing power. That, I think, has proved to be nonsense. It has got to a point where it is much more inflationary in its effect than disinflationary.

The 3s. per lb. increase imposed by the April, 1956, Budget brought the UK Tobacco Duty to 6ls. 2d. per lb.—over six times the pre-war rate. The argument was, I believe, advanced in some quarters that it was time the Duty went up again because it had remained unchanged for eight years. I thought it was a poor argument then, and I still think it a poor argument—the more so when it is remembered that in 1947 the rate of Duty was raised by over 50 per cent, and that, apart from this last advance, tobacco has had much heavier Duty increases to bear than any other commodity in general use.

It is not in the least surprising that this latest rise has had an effect upon consumption. It is difficult to assess exactly how much effect, but it has certainly halted a slightly rising tendency; and it now looks virtually certain that the Duty yield during the current fiscal year will fall short of the Chancellor's estimate. The level of the Duty here is much higher than in any other country of the world: it is now in fact the equivalent of a Purchase Tax on tobacco goods of over 450 per cent. Is it to be wondered at that UK tobacco consumption per head is significantly lower than in other countries with corresponding standards of living?

It is very plain to us that the interests both of the Revenue and the industry require a reduction in the United Kingdom Duty at the earliest practicable date. I can only hope that it is equally plain to the Chancellor and his advisers.

In the Republic of Ireland also the Duty was raised last May. The increase was 7s. 11d. per lb, bringing the rate to 42s. 9d. per lb—much higher than it had ever been before. The detrimental effect on consumption has been so marked that the Revenue yield in this current fiscal year is likely to be well below the Finance Ministry's estimate and indeed to show very little increase over the yield of the old level of Duty. Here is another case where a reduction of Duty is clearly necessary if serious damage to future Revenue and trade prospects is to be avoided.

SMOKING AND HEALTH

Some three years ago the leading British Manufacturers joined in placing at the disposal of the Medical Research Council for research into the causes of lung cancer a fund of £250,000—of which some £70,000, we are informed, has so far been spent. In 1956 this group of Manufacturers set up the Tobacco Manufacturers' Standing Committee for the express purpose of furthering, and keeping in touch with, research in the field of smoking and health. Sir Alexander Maxwell is Chairman of the Committee, and Sir Alfred Egerton, FRS, and Sir Ronald Fisher, FRS, are Scientific Consultants to it.

This Committee has, I think, already served a most useful purpose in developing

contacts with scientific workers in this field in various parts of the world, as well as with the industry's own chemical research into the constituents of tobacco and tobacco smoke, the results of which are freely available to the medical authorities.

LEAF TOBACCO SUPPLIES

Earlier in my statement I spoke of some of our difficulties last year in acquiring adequate supplies of suitable quality tobacco, particularly from Rhodesia. I revert to this question now because against the background of recent discussion in both Parliament and the Press it deserves some elaboration.

It is not perhaps as widely appreciated as it should be that in these postwar years the usings of dollar area tobacco by UK Manufacturers have been very substantially reduced, while sterling area tobacco usings have been correspondingly increased. The USA now supplies only about half the UK's tobacco needs (compared with nearly 90 per cent before the war); Canada supplies about 10 per cent; and the remainder comes from the sterling area. This very marked change in the pattern of tobacco supplies has been brought about partly by dollar shortage, but also because the UK Manufacturers have done everything in their power to encourage within the sterling area sources of supply that gave promise of being able to produce tobacco of quality reasonably suitable for our market here, and because by great care and skill in manufacture they have gradually increased the using of such tobacco without too drastically altering the smoking characteristics of their blends.

The principal source of this increased supply has been Rhodesia, and the great expansion of tobacco production in that country has been largely founded on the Agreement which the leading Manufacturers of this country entered into with the growers in 1947. It is, I think, no overstatement to say that the growth of Rhodesia's tobacco production and exports in the past ten years provides a notable example of Commonwealth co-operation and development. The growers themselves have of course played a great part in this development and deserve all praise for their efforts; but they would, I think, acknowledge that the UK Manufacturers have also played their part.

As will be clear, however, from my earlier comments, Rhodesian production has unfortunately expanded in part at least at the expense of the general quality standards of the crop. The wiser growers know that this is so, and they know that much the best policy for Rhodesia's tobacco growing industry in these next few years is to strive for improvement in quality rather than greater volume. If this is done—and knowing something of the growers and of the capabilities of the Rhodesian Tobacco Research Board, I have every faith that it will be done—the future usings of Rhodesian tobacco in this country, as well as in other world markets, should be well secured.

THE OUTLOOK

As I have explained, the increases in rates of Duty last year both in the United Kingdom and in the Republic of Ireland have had the effect of restricting consumption. Our sales so far in the current year are being broadly maintained, but there was undoubtedly, in view of anticipated transport difficulties, a certain amount of stocking up of tobacco goods by distributors and some account of this must be taken when assessing the trend of trade in that period. In present circumstances we must expect competition to be keener than ever, but we are determined to meet it although this will entail some appreciable increase in our selling expenses. Moreover, there are unfortunately no grounds for anticipating that manufacturing costs will be lower. For these reasons I think it is inevitable that the results of the current year will show a reduction in trading profit. On the other hand, from results that have already been declared we can look forward to some further improvement in the return from our Trade Investments. In the light of all these factors I cannot at this time forecast whether our total profits in the current year will be such as to compel some reduction in the rate of Ordinary Dividend; but in the circumstances of this year, so far as we can foresee them now, it is a possibility that cannot be ruled out.

That, Ladies and Gentlemen, is as fair and faithful a picture as I can at this point of time present to you. The Company has in addition to its financial resources three great assets—the justly earned reputation of its brands for quality and value, the skill and experience which can and will maintain that reputation, and a spirit of loyalty and determination throughout the organisation to leave nothing undone that can be done to maintain efficiency and to earn success.

I now have pleasure in moving: "That the Report and Accounts for the year to October 31, 1956, now presented, be received and adopted" and I will ask the Deputy Chairman to second the Resolution.

Sir Wilfrid Anson, Deputy Chairman, seconded the resolution, which was carried.

The payment of 5½ per cent on the "A" 5½ per cent cumulative preference stock, 6 per cent on the "B" 6 per cent non-cumulative preference stock, 10 per cent on the "C" 10 per cent non-cumulative preference stock, and the interim dividend of 8½ per cent on the ordinary stock were approved and confirmed, and a final dividend of 12½ per cent on the ordinary stock for the year to October 31, 1956, was declared.

The retiring directors were re-elected and the other formal business having been transacted, the proceedings terminated with a vote of thanks to the Chair moved by Mr H. C. Williams and seconded by The Right Honourable Sir James Grigg, KCB, KCSI, and the Chairman's brief acknowledgment.

BRITISH INDUSTRIAL PLASTICS

TURNOVER AGAIN A RECORD

The annual general meeting of British Industrial Plastics Limited was held on March 14th in London, Mr E. R. Crammond, the chairman, presiding.

The following is an extract from his circulated statement:

The Group Net Profit, before taxation, is £616,349 compared with £669,464 for the previous year. Having regard to the fact that the Directors throughout the year adhered to their intention to maintain, as far as practicable, the existing price levels of the products of the chemical factories, this result can be regarded as very satisfactory.

Your Directors recommend a final dividend of 12½ per cent, making a total of 20 per cent for the year.

A sum of £300,000 has been transferred to General Reserves, bringing the total up to £500,000 for the Group. As the result of this transfer the Balance Carried Forward in the Group's Profit and Loss Account now amounts to £256,126.

In this connection a survey has been made of the disposal of the Profits earned by the Group over the past eight years. During that period taxation absorbed £1,688,000 and dividends £767,000; capital expenditure accounted for £2,064,000 and, apart from an issue of Ordinary Shares in 1951 which raised £625,000 this expenditure has been financed out of earnings. It will be seen that the average capital expenditure over this period of eight years was approximately £260,000 per annum. In view of the foregoing it will be clear that the maintenance of substantial reserves is essential.

For the year to September 30, 1956, the Group Turnover was again a record, showing an increase of approximately 6½ per cent over that of the previous year. Our exports were well maintained and, in this connection, during the year a number of your Directors and other representatives visited most countries in the world outside the iron curtain.

All the Subsidiary Companies show satisfactory profits and the decline of £53,115 in the total amount earned by the Group occurred mainly in BIP Chemicals Limited and was attributable to the policy of holding prices.

At the date of the Balance Sheet capital commitments amounted to £164,000. In the light of past experience and of further projected expenditure it is anticipated that this amount will be considerably increased as the year progresses.

Plastics Exhibition in USA: In June, 1956, we exhibited our Bipel Presses and Pelleting Equipment at the Plastics Exhibition in New York. As a result, sales which were developing somewhat slowly in the USA have since shown a noticeable improvement.

DEVELOPMENTS

As you would expect we are continuing to develop new products and, among other things, the stage has now been reached when ample supplies of melamine moulding powder in a wide variety of attractive colours are available to meet the growing demand in this country for moulded tableware. Similar melamine products made in the United States have already achieved a wide popularity there.

At present most of the plastic raw materials which we produce are used by others to manufacture products for the ultimate user and, to a very large extent, this situation must always be the case. However, opportunity will from time to time arise which will enable us properly to develop certain specialised end products; in our engineering businesses this has already been achieved and it is our intention to extend our activities in this direction in the chemical field.

OUTLOOK

In the unsettled state in which the world finds itself today you will not expect any firm expression of opinion as to the outlook for the year to September, 1957. Let it suffice to say that, so far, sales generally have been well maintained; that we are continuing to make satisfactory progress and that every effort will be made to keep things that way.

The report and accounts were adopted.

THE MESSINA (TRANSVAAL) DEVELOPMENT COMPANY LIMITED

RECORD TRADING RESULTS

CONSIDERABLE EXPANSION OF RHODESIAN INTERESTS

FAVOURABLE LONG-TERM OUTLOOK FOR COPPER

COMMANDER H. F. P. GRENFELL ON A YEAR OF EXCEPTIONAL ACTIVITY

The seventh Annual General Meeting of stockholders of The Messina (Transvaal) Development Company Limited was held in Johannesburg on March 13, 1957, Commander H. F. P. Grenfell, DSC, RN (Ret'd.), presiding.

The Chairman addressed the meeting as follows: Ladies and Gentlemen, it gives me great pleasure to welcome you to the Seventh Annual General Meeting of your Company, and on behalf of the Board of Directors to present for your approval their report and the Audited Accounts of your Company for the financial year ended September 30, 1956. Both these and the Notice convening the meeting have been in your hands for some time and with your permission I propose to take them as read. (Agreed.)

OPTIMISM JUSTIFIED

This time last year I was in the happy position of being able to tell you with some confidence that we could anticipate results for the current year to be as good as those achieved in 1955.

You will have seen from the accounts now presented to you that my optimism was justified, and that in fact our profits were higher by over £300,000, and established a new record for your Company. They enabled us not only to pay dividends totalling 21s. per share, but also to strengthen our General Reserve by £420,000, which I think you will agree was very satisfactory.

I am sorry to say that I cannot give you as optimistic a forecast for the year in which we are now operating. Although once again we have sold forward a part of our production, there has been a downward trend in the price of copper for the past few months and I cannot, at the moment, see any particular reason to expect appreciably higher prices during the remainder of this financial year.

It seems that supply has, for the time being, caught up with demand, and that we may have arrived at that state of equilibrium between the two to which I have referred on previous occasions. However, with an increasing world population, the trend towards higher standards of living in all countries and the consequent continual expansion of industry, I cannot but feel that the present is only a temporary phase, and that the long-term outlook is favourable for a substantial increase in world consumption of copper which, failing large new discoveries, it will be difficult to meet.

FACTORS AFFECTING RESULTS

The results submitted to you today would have been even better but for two factors, the first of which was another increase in operating costs which rose to 37s. per long ton of ore. The equivalent figure per long ton of copper was just over £119—an increase of about £4 15s. over the previous year. The reasons for this increase are given in detail in the General Manager's Report, and in general reflect the present trend throughout the mining industry.

The second factor was a somewhat reduced smelting rate due to the treatment of an increased quantity of concentrates from Umkondo, the copper contents per ton of which are lower than those of Messina mines. There was also an abnormal shut-down for rebuilding the converter which resulted in a loss of 14 days' production.

In the last few months the overall grade of concentrates has improved and, unless anything unforeseen happens, the smelter should achieve an appreciably higher output for the current year.

INCREASED ORE RESERVES

During the year mining operations at Messina proceeded normally in all sections and it is satisfactory to be able to report that once again we are able to show increased ore reserves which now amount to over 5 million tons of an average grade of 1.82 per cent copper.

I am also glad to mention once more the happy relationship we continue to enjoy with all our employees—a state of affairs which has materially contributed to the success of your Company.

INTERESTS IN SOUTHERN RHODESIA

I should now like to give you some account of our interests in Southern Rhodesia where our geologists have been actively engaged in the examination of mining prospects offered to us. We have a number still under investigation and reports on them are not yet available, so I propose to deal today only with those in which we already have a financial interest or which we have recently acquired.

The first is Umkondo, for which for the first time, results of a full year's work are available. We have a small but happy community there under Mr Chandler, the Resident Manager, and operations have now settled down to a normal routine basis with regular weekly shipments of concentrates arriving at Messina for treatment.

About 75 miles to the north-west along the road to Fort Victoria is the Beardmore Scheclite Mine which we have recently bought. It is quite a small affair but there is a good demand for tungsten, the metal contained in the ore, and I have no doubt it will be a profitable venture. Construction of a treatment plant to produce high grade concentrates for export will soon begin—meanwhile the mine is being prepared for production.

Going further north we come to Mangula where the pre-production programme to which I referred last year is well under way. Under energetic and able leadership first by Mr van Aardt, as Acting Manager, and since the close of the year, by Mr Wilson, who has been appointed Resident Manager, progress both on the surface and underground has been extremely satisfactory, and the programme is well up to schedule. In this connection I direct your attention to the Manager's Report which gives details of the work accomplished by the end of September.

All the shares held in reserve, amounting to £1 million, have recently been issued, bringing the total issued capital to £2,500,000, of which your Company holds 84 per cent. In accordance with our original circular to Members, arrangements have been made for the provision of further funds by your Company.

HOPES REALISED

I am pleased to be able to tell you that the hopes I expressed last year of an increase in ore reserves in the Molly Section have been realised as a result of further exploratory drilling to the south of the Molly Shaft. Our latest results have proved, to a depth of 500 feet, a continuous ore body 30-50 feet wide for a distance of 1,300 feet further to the southward. In addition borehole intersections 2,300 feet south of the Molly Shaft have disclosed the presence of ore at a vertical depth of 800 feet. Further drilling is in progress in this area.

These results undoubtedly indicate that our estimate of ore reserves can be revised upwards, but we prefer to wait until further work has been carried out underground before issuing new figures.

I think you will agree with me that Mangula promises to be a valuable new source of revenue to your Company, and that you will wish me to convey your thanks to the Resident Manager and his Staff and employees for their excellent work in the past year.

I would now like to take you about 50 miles to the south-west of Mangula, where, after an intensive exploration programme by our geologists, we have recently exercised our option to buy a property called Alaska, which is within four miles of the railway to Salisbury and about 13 miles by road from Sinoia.

In essence, this copper deposit consists of a main body of oxide ore which is estimated to contain aproximately 1,140,000 tons assaying 2.17 per cent copper down to a depth of 80 feet. Surrounding this body are other lesser ore bodies which also carry oxidic copper to a depth of 80 feet. Below these, down to what appears to be a maximum depth of 500 feet, sulphides of copper, predominantly chalcocite, have been located.

The smaller oxidic ore bodies are estimated to contain approximately 1 million tons, assaying 2.17 per cent copper, and the sulphides 3 million tons, assaying 1.55 per cent copper, which, together with the main ore body, gives a grand total of about 5 million tons.

It is our opinion that this deposit, although limited in extent, can be exploited on a profitable basis, and an investigation into the best method of achieving this is now being carried out by our technical staff.

ENCOURAGING DEVELOPMENTS

Still further to the west, along the road from Alaska, we come to Sanyati, which is situated 65 miles from Alaska siding, the nearest point on rail, and about 80 miles north-west of Gatooma. Extensive gossan outcrops have been known to exist in this area for a long time, and over the past 30 years a considerable amount of prospecting work has been carried out by various individuals and companies.

These gossans occur over a total strike length of some 12 miles and form lenses, or groups of lenses, which vary in width up to a maximum of 200 feet, and in some cases outcrop continuously for a strike length of 5,000 feet. Where mineralised they carry copper, lead and zinc in appreciable amounts, and extend in depth to approximately 100 feet. Underlying them are narrower bodies varying in width from 3 to 60 feet containing copper, lead and zinc sulphides which have been proved in places to a depth of 700 feet from the surface.

Since July, 1955, when we obtained an option to acquire the property, our geologists have been engaged in an active programme of exploration, which included a geophysical survey and a diamond drilling campaign. Out of 50 boreholes, which were put down, no less than 31 intersected ore of encouraging grade. In addition, we were fortunate in having access to the results obtained by another Company which explored the area between 1953 and 1955 after it had lain dormant for many years. In addition to geophysical and geochemical work they also put down 62 boreholes with a total footage of over 36,000 feet. All these results were available to us and, added to our own, provided data sufficiently encouraging for us to exercise our option in December, 1956.

By that date we had proved reserves amounting to 3,500,000 tons of oxide ore averaging 1.64 per cent copper, 1.68 per cent lead and 1.66 per cent zinc, and 9,250,000 tons of sulphide ore averaging 1.29 per cent copper, 1.07 per cent lead and 3.49 per cent zinc. Recent drilling results have increased these figures and indicate a total of 4 million tons of oxide ore and 10 million tons of sulphide ore with an average overall grade of 1.4 per cent copper, 1.25 per cent lead and 3.3 per cent zinc.

In the opinion of our geologists there are good reasons for expecting a further increase in this total when more drilling has been carried out and underground development put in hand.

We are now engaged in an investigation of the mining and metallurgical problems involved, and it is unlikely that this work will be complete before the end of the current year. In my opinion we have here an asset of great potential value, and you may be assured that we will acquaint you with our proposals for its exploitation as soon as we can.

"RISCO'S" VITAL ROLE

My review of our Rhodesian interests would be incomplete without a reference to our iron ore deposit at Bukwe, and our discussions with the Government and other parties on the reorganisation of the iron and steel industry in Southern Rhodesia.

It was in August, 1955, that discussions began between Mr Ellman Brown, the Minister in charge of RISCO, and ourselves. Negotiations have been continuous since that date and I should like to take this opportunity of paying tribute to the part played by Mr Ellman Brown throughout.

The matter has now been brought to a successful conclusion and a great deal of the credit for this satisfactory outcome should go to him.

A new company to be known as The Rhodesian Iron and Steel Company Limited (short title RISCO) has been formed to take over and operate the existing undertaking subject to ratification by Parliament. Details of the capital structure of this Company and its programme were recently sent to all Members by circular and you will not want me to repeat them today.

You will have noted that the acquisition by RISCO of the Bukwe Iron Deposit assures it of ample reserves for many years to come. As a result of further drilling our latest estimate of reserves is 134,500,000 tons of proved and probable ore.

The new Company has also taken over certain limestone claims, and on these and the Bukwe ore we shall receive royalty payments at the rate of sixpence per short ton for 99 years after effective mining operations begin.

Our total holding in RISCO, including those shares for which we are subscribing, will amount to 850,000 £1 shares, which, after allowing for full conversion rights by the holders of Debenture Stock, represents just over 23 per cent of the ordinary capital of the Company. In addition we shall receive £250,000 in cash payable by instalments between the years 1962 and 1964.

My colleagues have done me the honour of asking me to represent your Company on the Board. In accepting I have done so with a real sense of responsibility, as I am convinced that RISCO is destined to play a vital part in the development of Southern Rhodesia and the Federation.

Before ending my speech there is one other important matter I should mention. You may have read in the papers of the formation, by a group of prominent banking and financial houses, of the Merchant Bank of Central Africa. We appreciated being invited to take a participation as one of the founder members of this new bank.

This brings me to the end of my review of our operations during the past year. You will, I think, agree that it has been one of exceptional activity and has resulted in a further considerable expansion of our interests in Southern Rhodesia, all of which show promise for the future.

TRIBUTE TO STAFF

It only remains for me to express the thanks of the Board, and I am sure yours also, to Mr Frost, our General Manager, and all who serve under him wherever they may be, and to the staffs of our offices in London, Johannesburg, and Salisbury, for all their loyalty and hard work which have been largely responsible for the results submitted to you today.

The Directors' Report and Balance Sheet and Accounts for the year ended September 30, 1956, were adopted.

The retiring Directors, Mr R. P. Grenfell and Mr C. M. Stuart, were re-elected and the remuneration of the Auditors for the past year's audit was fixed.

There being no further business, the Chairman declared the meeting at an end.

BRITISH HOME STORES LIMITED

RECORD SALES

The twenty-ninth annual general meeting of British Home Stores Limited was held on March 20th in London, Mr Harold Hindley presiding in the absence of the chairman, Mr Horace Moore, through illness.

The following are extracts from the chairman's circulated Statement:

The Profit for the Period covering 52 weeks to January 5, 1957, against 53 weeks in the previous year, before taxation, was £1,530,194 against £1,468,223. Bank and Sundry Interest shows an increase of £23,211, following a more liquid position during the year, and the higher interest yields which have prevailed. Provision for Taxation takes £829,000 against £785,000 and with £190,426 brought forward from last year, there is a total of £891,620 available for disposal. A sum of £400,000 has been transferred to General Reserve, and the final dividend recommended on the Ordinary and "A" Ordinary Stock Units is 3d. per Unit, the same as last year.

TRADING CONDITIONS

Sales for the past year were again the highest in our history, and more customers were served than in any previous year. During the year we continued to strive for better qualities and values and to hold selling prices as far as possible in the face of increased costs of raw materials and labour. We also extended ranges in many Departments as part of a general policy to widen assortment.

Your Directors are constantly studying methods of producing economies and higher efficiency in all departments of the business and every effort will continue to be made in this direction. We are closely in touch with developments on Self-Service in the Retailing Trade Field.

A year ago I reported the opening of our important new Stores at Coventry, Cardiff and Plymouth in 1955. We have now had the experience of these Stores over a whole calendar year and results have been satisfactory and fully up to expectations. During the year no new Stores were opened, but two of the existing Stores, Great Yarmouth and Wakefield, were extended, and results so far have proved satisfactory.

INCREASED COSTS

Our results were again affected by increased costs of operation. In the year also we were faced with heavy increases in local rates which applied from the end of March onwards. The Government's recent announcement to the effect that there will be, as from April 1st next, a derating to the extent of 20 per cent is greatly welcomed and will go a considerable way towards reducing the inequality of the position.

In a few months' time we shall be opening new Stores at Blackpool and at Swansea in both of which towns we are very well located. Later in the year a new Store in Coney Street, York, will be open. Work is proceeding upon a new Store at Middlesbrough. Construction proceeds also in Central Birmingham.

Again, especially in view of the unsettled conditions at home and abroad, I cannot forecast what trading will bring this year. We shall continue to do our best to place before you a satisfactory report in a year's time.

The report and accounts were adopted.

LINGGI PLANTATIONS LIMITED

STRONG FINANCIAL POSITION THE BASIS OF SUCCESS

SIR JOHN HAY'S STATEMENT

The Sixty-first Annual General Meeting of Linggi Plantations Limited will be held on March 28th at 19 Fenchurch Street, London, E.C.3.

The following is the Statement by the Chairman, Sir John Hay:

At the general meeting of stockholders held in 1939 my predecessor in the Chair had the unpleasant duty of presenting a Report and Accounts containing no recommendation for the payment of any dividend on the Ordinary Stock and showing a Debenture liability of over a quarter of a million pounds. At the same time he had to submit resolutions authorising the writing down of the Ordinary Stock by £224,000, on the ground that much of the Company's rubber was then regarded as obsolete and below the value placed on it in the balance sheet. If we had been able then to foresee future events we must have regarded our prospects with dismay and entertained serious doubts regarding the Company's survival. The disaster of another world war overtook us that year, and in its course engulfed the territories in which we operated and dispossessed us of all our estates. When we regained possession after the war our estates and their equipment were in a serious state of disrepair through prolonged neglect and positive destruction, our organisation had been completely disrupted, labour was scattered and ill-nourished, whilst our trusted and experienced staff had for the most part suffered all the rigours of years of cruel and inhuman imprisonment and were in no fit state to resume work.

The road to recovery was no easy one and in our case was rendered specially difficult. Our debenture debt fell due for repayment at the end of 1945, before we had regained access to our estates. Despite the need to husband our resources, we had never failed to meet our obligations and to pay promptly each instalment of interest as it became due. But that was not sufficient, in the circumstances, to dispose lenders to make further advances except on what we regarded as onerous terms. By offering a fresh Debenture with attractive convertible rights—a device which has recently been adopted by certain industrial giants—we were successful not only in resisting demands for high rates of interest but were able to borrow, at a lower rate, more than sufficient to pay off past debts. With our financial resources thus renewed and strengthened we were free to apply ourselves to the task of rehabilitation. Our aim at the outset was not merely to restore but also to improve. As soon as labour, staff and materials could be mustered we resumed replanting. From that early resumption we have since carried steadily on, and today only 3 per cent to 4 per cent of our planted area consists of old seedling rubber. New and modern equipment has been added, enabling us to process our product in the forms that are most profitable. We have not been so engrossed in these activities as to be neglectful of the welfare of our labour in such matters as housing, medical and social services.

It is the steady pursuance of such measures, backed by sound finance, that has contributed to the Company's remarkable recovery. Our debenture debt has been eliminated by conversion and redemption. The capital originally written off in 1939 is now about to be restored and from past accumulations and present profits we feel justified in recommending a high rate of dividend supplemented by a bonus payment which together amount to the equivalent of over 60 per cent, subject to tax. If these recommendations are accepted, as I have no doubt they will be, our dividend distributions over the last seven years will have amounted to over 200 per cent. The basis of our success has been the building up and maintenance of a strong financial position. It is only from this secure foundation that we can with certainty pursue a forward policy in an industry the fortunes of which are notoriously variable and in which one of the essential requirements of efficiency is continuing long-term, costly replacement. I emphasise this point because this feature of strength, hitherto regarded with favour, has tended latterly to be considered in some quarters as something to be dissipated in favour of a tax-free distribution of assets. As a means of escape from present heavy personal taxation such expedients have their allurements. But the tendency to resort to them should be held in check, otherwise they run to excess, leading to the disruption or crippling of sound enterprises, depriving stockholders of the improving benefits which may be their future lot. I hope that our record in this instance will be regarded by stockholders as one deserving of their full confidence and favouring the continued conduct of our business along lines well proved.

Since I have had occasion to emphasise our dividend rate it is more than ever important that I should not omit the usual table which shows how our profits are distributed.

	£	£	%
Profit for year to 31.10.56 before taxation		461,222	100.00
Tax on Profits	229,882		
Tax on Exports (net)	101,049		
		330,931	71.75
		130,291	
Dividends		215,977	46.83
Drawn back from Reserves		£85,686	18.58

You will observe that our liability for taxes amounts to 71¾ per cent of our profits and that to make the proposed distribution to stockholders we entrench on our reserves by over £85,000. This, of course, is not the sort of operation that can well be repeated. Future dividends must bear a closer relation to earnings.

REPLANTING PAYMENTS

Whilst on the subject of taxation I might usefully deal with one of its aspects which apparently is not understood in some places. Malayan tax on the rubber industry consists of income tax at the standard rate prevailing and a duty on exports which in effect is a tax on output, since all rubber is exported. Export duty had its origin in the happy condition of no income tax and the duty was the main source from which the Malayan Government derived its revenue from the rubber industry. The traditional rate was regarded as one that fluctuated between 2½ per cent and 5 per cent and the belief, officially encouraged, was entertained that when income tax was imposed export duty would be abolished. Events did not follow that happy course. Export duty was a too easy source of revenue to be readily surrendered. It was not only retained, but at successive stages in the postwar period the scale of duty was sharply increased. Thus, in addition to the liability for income tax at the standard rate, the rubber industry was burdened by a heavy tax on output. The scale of duty was last revised in June, 1955, and was so steeply graded to the price of rubber as to provide for a rebate in favour of replanting whilst at the same time ensuring to Government the same high rate of revenue as formerly as long as rubber was profitable.

Our own experience under the present scale is this: since June, 1955, we have paid to Government duty and cesses amounting to £294,618. We have received back £89,361, leaving a balance in favour of Government of £205,257. Payments and receipts do not, of course, coincide and, therefore, these figures are liable to alterations at some future date, but our total payments under the present scheme will substantially exceed any rebate that we may receive. I have shown earlier in this statement that, after crediting all rebates received, our taxation for the current year amounts to the equivalent of 71¾ per cent on profits, a higher rate of tax than that levied on any other industry in Malaya and probably rarely equalled in any other country. To suggest, as some have done, that the rubber industry in Malaya is subsidised or assisted is indeed a quaint use of language. The industry would welcome a return to a 5 per cent export duty with no rebate. At present prices the rate is the equivalent of over 10 per cent.

FUTURE DEVELOPMENT

Our report records the purchase of Kombok Estate and we entered into possession on November 1st last. Its proximity to our Rantau Division and our close association with its management rendered it a natural and desirable acquisition and one that can be conveniently incorporated into our existing organisation. Of its planted area of 2,240 acres only about a quarter is seedling rubber, which we plan to replace over the next two or three years. On our Mantin property of 1,200 acres the old rubber has been removed and will be replaced by tea, the planting of which should commence in the latter part of this calendar year. As you know, in addition to our rubber interests we have a substantial

stake in oil palms. Tea will be the third product, in addition to which we have a small interest in coffee. We hope that by this extension into more varied products we may attain a greater stability than can be found by exclusive reliance on one. When these plans have reached an advanced stage it will be time to begin with the replanting of Sembrong Estate (3,200 acres). This estate consists for the most part of budded rubber but much of it is 30 years old and the planting stock then used is, judged by contemporary standards considered obsolete although yields have for long been at a high level and the estate has served us well when older divisions were in the course of replacement. All these operations will involve considerable outlay over the coming years. It is very necessary, therefore, that there should be no deviation from sound financial practice.

RUBBER PROSPECTS

It has become the custom to include in my annual statement some forecast of probable production and consumption for the current year. Rubber, sensitive to many influences, is liable to upset the most cautious predictions and in present circumstances a forecast, even for a year already advanced by over two months, is a hazardous exercise. Political instability and civil disturbance in some producing areas make it more than usually difficult to calculate production, whilst on the consumption side the increase in the relative importance of China and countries in Eastern Europe, with none of which are there the usual facilities for a free exchange of information, all adds to the normal uncertainties inherent in any forecast. But making the best guess we can, it would seem that over the year the production and consumption of natural rubber are likely to be in close balance, with the figures on both sides approximating to 1,900,000 tons. During the years 1955 and 1956 the world's purchases of natural rubber reached its highest peak at a total of 3,795,000 tons, at an average price of 2s. 7d. per lb. landed. Of that amount 1,198,000 tons were taken by the USA, in which country there were readily available supplies of synthetic rubber at a basically constant price of the equivalent of 1s. 9d. per lb. The significance of these facts appears to have been generally overlooked and they seem to belie the unqualified statement, made too often, to the effect that there is a particular price at which synthetic and natural come into direct competition and that any rise above that line in the price of the latter must result in a decrease in demand. The experience of the last two years has demonstrated that the prices of the two products may, in some circumstances, diverge widely without any significant change in their comparative use. I would not wish these remarks to be so interpreted as to induce a complacent disregard of competition. Our constant aim must continue to be a higher efficiency expressed in a lower cost of production. Pursuing that aim there seems no reason why we should not entertain a hopeful view for the future of natural rubber.

STAFF

It gives me much pleasure to acknowledge again the loyal and efficient services of our staff and all who serve under them.

NATIONAL PROVIDENT INSTITUTION

GOOD RESULTS OF INVESTMENT POLICY

The One Hundred and Twenty-first Annual Meeting of the National Provident Institution will be held on April 16th at 48 Gracechurch Street, London, E.C.

The following is an extract from the address which will be submitted by the Chairman, Mr L E. D. Bevan:

It has become the practice for the public to attach a special importance to the new business figures of a Life Office and to take these as an indication of its prosperity, despite the fact that all offices do not calculate their new business totals on the same basis. It is perhaps more correct to judge it as a standard of vitality. The substance of our business can be seen when I tell you that some 90 per cent represents ordinary whole life and endowment assurance, and it is evidence of our activities during the year that we set up a new record figure at £6,906,914 after deducting amounts reassured.

COMPETITIVE TERMS

We feel that, provided we quote terms for life assurance which are adequate to cover the risks and expenses involved and to provide some reasonable margin for profit, we gain in strength by maintaining and increasing our new business total, and we look for the help of our policyholders in seeking to extend our membership.

Our record total new business, also, must indicate that our terms are competitive; and in addition to the increased bonus rate to which I referred in my speech last year, we reviewed our tables of premium in the light of up-to-date mortality and, in most cases, were able to reduce premium rates for new policies.

Life assurance does not, however, represent the whole sum of our business, and in addition to deferred annuities for self-employed, we have issued immediate annuities for purchase money of £438,000; and also a number of deferred annuities in connection with pension schemes. The amount of annuity business transacted has increased steadily over recent years and seems likely to increase further owing to the more favourable basis of taxation to which purchased life annuities are now subject. The effect of this is that only the interest content in each year's payment is subject to tax, and that the part which represents a return of capital invested is free of tax, so that the disability under which this form of contract has always suffered in the past has at last been removed.

PENSIONS FOR SELF-EMPLOYED

I have just mentioned pension policies for self-employed—a wide category of men and women, including many of the professional classes and of those in business on their own account or in partnership with others. Provision for these, including favourable treatment as regards taxation both in respect of contributions and the terms under which they are accumulated, was included in the Finance Act, 1956

We have issued a satisfactory number of these policies so far and our with-profit contract is evidently popular. It did not surprise us, however, that many of those interested are anxious to examine the alternative possibilities. In spite of the taxation advantages many hesitate to tie up a substantial part of their savings in a benefit which can only be realised in the form of a pension and cannot be used in an emergency in the way in which a normal life policy can. There are alternative ways of making provision for an income in old age in combination with that element of protection for dependants that is so important. Our staff are only too willing to give full information to those who are interested, and to discuss in detail the various courses open. We have issued a number of endowment assurances for substantial amounts under which the assured can draw upon his savings should the need unfortunately arise; he will be able to use the proceeds to buy an annuity of which only a part is taxable following the revised basis of taxation of annuities set out in the last Finance Act; and in the meantime he can provide substantial life assurance protection for his dependants.

INVESTMENTS

Our internal investment reserves are spread over the various groups of securities in the balance sheet, being applied year by year according to the conditions affecting different groups. Our assets appear in the balance sheet on a conservative basis and, as a result of this, we have been able to face the material depreciation which took place in the market value of securities during last year without qualms as to the security afforded by our funds. The valuation made at the end of the year showed that in the aggregate the market value of our assets as a whole was still well in excess of the figures at which they stand in the balance sheet.

Once again we have increased our holding of Ordinary shares, in accordance with our policy to which I have referred in past years. During the course of 1956, the high yields obtainable on fixed interest securities enabled us to turn our attention more particularly to this field. You will see that we have substantially increased our holdings in this type of investment both on the Stock Exchange and in mortgages on property.

The rate of interest earned on our funds further increased to £7 1s. per cent before the deduction of income tax; and to £5 6s. 10d. per cent after tax. I am sure that you will consider this to be most satisfactory even when allowance is made for the fact that these rates are calculated on a fund which corresponds to the written-down value of the assets, and not to their market value. As in previous years, our holding of Ordinary shares has made a notable contribution to these good results.

You may remember that we and one or two other Life Offices were early in the field of Ordinary share investment—both at home and abroad—and in part our excellent yield today arises from increases in income from this source over the years.

CONTRIBUTIONS TO PROFIT

Economy in management is a feature with which we are closely concerned, and contributes towards the profit accruing to the participating policyholders.

There is a natural relationship between the amount of new business in the year, and the expenses of running the business. The expenses and commission incurred in the first year of a policy are heavier than those in subsequent years of its life. I am pleased, therefore, to point out that in spite of considerable increase in new business in 1956, the ratio of expenses and commission to the premium income was practically unchanged from the 1955 ratio.

We are now in the third year of our triennium and the next valuation will take place as at December 31st. I am not, naturally, in a position to forecast what rates of bonus we shall declare, but twelve months ago our confidence in the future was expressed in the announcement of increased rates of interim bonus.

ORIENT STEAM NAVIGATION COMPANY

EFFORTS TO COMBAT FOREIGN COMPETITION

The Fifty-seventh Annual General Meeting of Orient Steam Navigation Company, Limited, will be held on April 16th in London.

In his review of the year, the Chairman, Sir Austin Anderson, said the operating profit, after providing for depreciation and a transfer to contingencies, was £708,662. This was £287,906 less than last year. Even before the losses resulting from the closure of the Suez Canal which, in one round voyage alone, might amount to as much as £50,000, results had been disappointing; passenger load factors were lower than last year and past increases in fares and freights had been more than offset by increased costs.

Further increases in passage money and freights had, therefore, been necessary but at the same time reduced fare return tickets had been introduced to counter the competition of "casual" foreign migrant ships. These ships did not normally serve the Australian passenger trade and, because they could secure on the open market from an internationally financed organisation, and even from the Australian Government itself, fares for carrying migrants which were higher than those obtaining in ships regularly in the trade, they had been able to charge artificially low homeward fares. These had attracted passengers from the regular Lines and had exaggerated the lack of balance which, owing to the demand for outward berths for migrants, had since the war existed between the outward and homeward traffic. The effect of this was naturally to increase the cost of carrying outward traffic.

In spite of the present difficulties a new 40,000 ton passenger ship *Oriana* had been ordered and at today's prices would cost about £12½ million. Although this was a formidable venture it was justified by the steady increase in the popularity of sea travel which offered, quite apart from its "travel" aspect, a particularly pleasurable kind of holiday in itself. The two tankers ordered were to be of 37,000 and 47,000 dwt due for delivery in 1959 and 1960 respectively, and the increase to their size over that originally planned was in accordance with the modern trend.

It was useless, however, to spend large sums on increasingly complex and efficient ships without ensuring they were manned efficiently. Extra expenses were, therefore, inevitable in increased training and welfare schemes. The present expansion of Pacific traffic and a firm belief in the future of the development of the South Pacific as an area to attract Tourists from the North American Continent had led to an increase in the number of Pacific sailings at the expense for the time being of the usual cruising programme from the United Kingdom.

THE ENGLISH ELECTRIC COMPANY

OUTSTANDING ORDERS FOR BRITISH FACTORIES TOTAL £180 MILLION

SIR GEORGE NELSON'S CONFIDENCE IN THE FUTURE

Sir George Nelson, Bt (Chairman), presiding at the thirty-eighth Annual General Meeting held on March 14th in London, said:

I must first express our grief at the death of General Wade Hayes in September last who, for 26 years had given invaluable service in building up this great business. I would refer also to the changes the Board made on July 1, 1956, to meet the needs of the continuing growth of the business in consequence of which Mr H. G. Nelson was appointed Managing Director to take over the day-to-day duties of executive and technical direction.

THE YEAR'S RESULTS

I am able to report that we have again increased our turnover by approximately £10 million. The trading surplus before charging depreciation, taxation and other charges is £9,468,796 which is £677,100 higher than in the previous year. After charging depreciation, loan interest and provisions for contingencies and crediting dividends on trade investments, the balance is £6,735,195, which showed an increase of £164,594 over the previous year. Taxation was £3,446,480 and, after transferring taxation relief of £409,000 to capital reserve, the profit is £2,911,812, an increase of £158,510 over 1955. The total revenue reserves are now £14.4 million, capital reserves £4¼ million and share premium account £8¼ million, making total reserves of £27.4 million.

We are recommending an increase in the Ordinary Dividend to 14 per cent for the year but on the total money invested by the shareholders this represents a return of only 5 per cent.

The orders remaining in hand at the end of the year were £180 million for the Companies in the Group in Great Britain and there is adequate productive capacity to fulfil them on due delivery date. I look forward with confidence to the future.

We welcome the Government's policy of reducing defence expenditure which has added so much to taxation thereby imposing an extremely heavy burden on industry, and we hope this policy will enable the Government to raise the present levels of earned income relief and that at which surtax commences.

In referring to exports, I must mention the very highly competitive character of this side of the heavy engineering business which makes it extremely difficult to obtain orders on a reasonable profit basis. Notwithstanding the difficulties, we have appreciably increased our orders received and have shipped a greater tonnage overseas than ever before in one year. We can attribute this success to our policy maintained over a long period of spreading as widely as possible both the area and scope of our overseas activities. In this connection it is interesting to note that the business has come from 137 different countries.

INTEGRATION OF EUROPEAN TRADE

We are naturally deeply interested in the Prime Minister's statement on the Government's policy in relation to the integration of European trade. Any arrangements which can be made to stimulate the growing market in Europe would be to the benefit of some manufacturers in this country.

Industry and commerce as a whole, and rightly in my opinion, have given a positive though guarded welcome to these proposals, but it cannot be denied that there are dangers in them. The plan cannot work satisfactorily if any of the countries adhering to the proposed Free Trade Area should adopt or continue practices of open or concealed subsidy or differential export pricing amounting to dumping. If it cannot be ensured that British engineering manufacturers are likely to have a genuine chance of tendering to Continental Utilities as the Continental manufacturers would have in this country, the plan cannot succeed. The point which especially concerns me is the possible effect of the plan on the trading relations between this country and other Commonwealth countries. I am particularly glad to see that HM Government has insisted on excluding from these arrangements basic agricultural products, and on remaining free in the negotiation of tariff arrangements with the countries outside the Free Trade Area. If the countries of the Commonwealth work together to develop their resources, then great advantages would accrue to all.

MONOPOLIES

Certain sections of our Industry have been under investigation by the Monopolies Commission and in spite of the fact that it gave no evidence of exploitation or excessive prices, it says that various price agreements may be expected to operate against public interest. We recall very clearly the chaotic conditions which prevailed over very many years before such agreements existed and we are concerned lest changes from a proved system may endanger stability of employment in our industry.

The tremendous facilities afforded by our research laboratories had given, and would continue to give, enormous service to the country for peaceful uses and for defence.

OUTSTANDING ACHIEVEMENTS

The statistics of the Central Electricity Authority show that for the year 1956 the first, third and fourth most efficient stations operated by the Authority are equipped with English Electric steam turbines and alternators.

480,000 kW of generating plant for the Central Electricity Authority was commissioned by the Company during the year, being the highest figure so far in the history of the Company.

Negotiations with our partners, Babcock Wilcox and Taylor Woodrow, for the construction of a Nuclear Power station, Somerset are proceeding satisfactorily.

During the year output of traction equipment has been increased and we have shipped diesel electric shunters, diesel electric train equipments and electric multiple unit train equipments to the British Railways, diesel electric locomotives to Rhodesia,

Zealand, Argentina and the Jamaica, as, and electrical traction equipment Net Australia and India, and we take an optimistic view of the possibility of this business in the future both at home and overseas.

We have received substantial orders from British Railways which we greatly appreciate, but our capacity is by no means fully occupied and we are in a position to undertake further substantial orders should we be called upon to do so.

Our work in the Hydro-Electric power generating field continues to grow. I feel that I should mention one particularly important order which has resulted from the skill and perseverance of the individuals concerned in our Export department, namely, for hydro-electric generating plant and transformers for the Grant County Administration in the State of Washington to the value of approximately $25 million.

Production of our wonderful Canberra has continued during the year both for the Royal Air Force and for overseas countries namely India, Peru and Venezuela.

Intensive development of our P.1 fighter aircraft has proceeded and has resulted in a considerable production order for early delivery.

Throughout the year our work on guided weapons has made the most excellent progress, and through the years we have laid the strongest of foundations. We can now reasonably claim to be in a position of major standing, some would say of pre-eminence, both as designers and manufacturers of guided weapons.

The Report was adopted and a final dividend of 10 per cent (making 14 per cent for the year) was declared on the Ordinary Stock.

R. B. PULLIN & CO. LTD.

The twentieth annual general meeting of R. B. Pullin & Company Limited was held on March 21st in London, Mr R. B. Pullin, OBE, chairman, presiding.

The following are extracts from his circulated Statement:

The Consolidated Trading Profit of £151,927 is an increase of £10,706 and your Directors feel that this result can be accepted with every reason for satisfaction.

I am glad to be able to report that we have secured an exclusive licence to produce in this country a selected range of units manufactured by the Kearfott Company Inc., a subsidiary of the well-known General Precision Equipment Corporation of America.

The components chosen were Synchros, Servomotors, Tacho-Generators, and allied equipment.

Your Board has agreed to acquire the well-known optical business of Aldis Brothers Limited at Birmingham, which will bring about a most desirable balance as between Services and commercial outlets for the products of the Group.

It has been decided that part of the additional capital required for extensions to the factory, plant for Kearfott production and modernisation should be raised by an issue of £200,000 6½ per cent Convertible Unsecured Notes which are being placed. A further £218,750 is to be raised by a Rights Issue to Shareholders of 875,000 Ordinary Shares of 2s. each at 5s. per Share on the basis of one new Share for every two held.

The report was adopted and the increase of capital approved.

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

FURTHER SUBSTANTIAL PROGRESS

Sir Ewan G. Macpherson-Grant of Ballindalloch, Bt, Chairman of the Board of Directors, presided at the Annual Meeting held on March 14th in Edinburgh.

In the course of his remarks Sir Ewan said:

An important and very welcome development in 1956 was the decision of the Government to adopt certain of the recommendations of the Millard Tucker Committee on the taxation treatment of provisions for retirement. Self-employed persons and others in non-pensionable employment have been at a considerable disadvantage and it is very satisfactory that this anomaly has been largely eliminated. Premiums paid to provide pensions are now allowed as deductions from earned income before calculating income tax and surtax. The pension has the advantage of being treated as earned income for tax purposes. The Society has evolved an attractive scheme of "Pension Annuities" which is available either on a with-profits or a without-profits basis. The second point to which I would draw attention is the alteration in the basis of taxation of purchased life annuities. The injustice of taxing the whole of each payment of a purchased life annuity has been removed and the capital content which represents a substantial proportion of each payment will in future be exempt from tax. The Society's immediate annuity rates have recently been materially improved and purchasers wishing to buy higher income, security for life, and consequent freedom from anxiety will find that these rates are fully competitive.

REVENUE ACCOUNT AND BALANCE SHEET

Our premium income continues to expand and is in excess of £2 million for the first time. At the Annual Meeting a year ago, my predecessor, after commenting on the steady increase in the Society's rate of interest on the Life Assurance Fund, felt it advisable to issue a note of warning to the effect that we must anticipate a slowing down in the rate of increase in future. The figures for the last three years are as follows:

	1954	1955	1956
Gross Rate	£5.14.11%	£5.19.5%	£6. 1. 5%
Net Rate	£4.11. 0%	£4.15.1%	£4.15.11%

While the figures for 1956 confirm the forecast they are eminently satisfactory, and for the first time in the history of the Society the gross rate has exceeded 6 per cent.

The Society's mortality experience for 1956 was not quite so favourable as in the previous three years, but these were extremely good years. Notwithstanding the slight adverse swing the 1956 experience has produced a considerable contribution to the profits earned in the year. Claims by maturity are up by over £230,000 as compared with 1955—these, of course, are fully allowed for in advance in our calculations.

As a result of the year's operations the funds have increased by over £1 million. A complete valuation of liabilities has been carried out and I am pleased to say that the position disclosed is very satisfactory indeed. In view of the favourable results the Directors recommend that the rate of intermediate bonus on participating life assurances be increased from 40s. per cent to 45s. per cent per annum in respect of premiums payable after December 31, 1956. This bonus, like declared bonuses under the Society's compound bonus system, is calculated on the sum assured and existing bonus. I said earlier that we were now issuing pension annuity policies on a with-profits basis and it has been decided to recommend that under this new class of policy the rate of intermediate bonus be 40s. per cent per annum compound. This bonus will be allocated in the form of an addition to the amount of pension provided under the Policy.

It is very gratifying to record further substantial progress and solid achievement. The position of the Society is as strong today as it has ever been in the past and we can face the future with confidence.

We are now almost one quarter of the way through the last year of the current quinquennium and an actuarial investigation and declaration of bonus is due as at December 31st next. The increase in intermediate bonus affords convincing evidence of the profit-earning power of the Society, and I would, therefore, urge everyone who is thinking of effecting a policy to take out a with-profits assurance now and so ensure participation in the profits of the quinquennium.

The adoption of the Report and Accounts was carried unanimously.

HEAD OFFICE:
28 St. Andrew Square, Edinburgh, 2.
LONDON OFFICE: 13 Cornhill, E.C.3.

COBALT DEVELOPMENT INSTITUTE

BRUSSELS, BELGIUM

The first General Meeting of the Cobalt Development Institute, which was set up on January 16th, was held in Brussels on February 27th. In the course of the meeting, Mr Robiliart, Managing Director of Union Minière du Haut-Katanga, was elected Chairman of the Institute. Mr E. C. Baring of the Rhokana Corporation Limited and Mr Ch. Piedboeuf, Chairman of the Centre d'Information du Cobalt, were elected Vice-Chairmen.

The Cobalt Development Institute is a technical and scientific organisation, grouping the world's major cobalt producers. Its object is to develop, in all countries, the existing uses of cobalt and to continue search into new ones. It has no commercial activity.

The Belgian limited liability company "Centre d'Information du Cobalt" has been entrusted by the Institute with the execution of its programme. The Centre is established in Brussels, at 35, rue des Colonies, and is represented in the US by the "Cobalt Information Center" installed at the Battelle Memorial Institute at Columbus (Ohio).

Basic studies and research work on the applications of cobalt are commissioned by the Centre d'Information du Cobalt with specialised laboratories in Belgium and other countries on behalf of the Institute.

By widely distributing technical information, the Centre endeavours to give assistance to the users of cobalt and to anyone who might be interested in this metal.

It also aims at creating new outlets for cobalt, many of whose properties are unique, and to dispel any doubt about the continued availability of supplies.

Cobalt reserves and production capacity are amply sufficient nowadays to give consumers the assurance of a regular and abundant supply, on the basis of which new manufacturing programmes can safely be undertaken and existing programmes expanded.

THE VULCAN FOUNDRY LIMITED

RE-EQUIPMENT AND MODERNISATION CONTINUED

SIR GEORGE H. NELSON'S REVIEW OF ACTIVITIES

The ninety-fourth Annual General Meeting of The Vulcan Foundry Limited was held in London on March 14th. The following is an extract from the statement by the Chairman, Sir George H. Nelson, Bt, FCGI, MIMechE, MIEE:

The work of re-equipment and modernisation of the Company's Workshops, largely initiated during 1955, was continued and consolidated in the past year. Expanded capacity has been created for the production of diesel and electric locomotives, and this has been closely integrated within the English Electric Group as a whole. The contraction of steam orders has, of course, reduced the earning power of the Works during the year, as seen in the Report and Accounts. The earnings, however, during 1956 were fully in line with the estimates which were framed when the development programme was planned. Taking into consideration the healthy prospects of further orders from overseas, and our hopes of an increased and steady demand for locomotives for British Railways, your Directors are confident that our substantial programme of development will show steadily improving returns in future years.

ACCOUNTS

The Group trading profits, after charging £62,689 for depreciation, amount to £139,469. The provision for taxation on the profits of the year amounts to £64,662, and £30,000 has been transferred to Capital Reserve in respect of taxation relief on the excess of capital allowances over depreciation; the greater part of this relief is in respect of Investment allowances. The net profits amount to £44,807 compared with £302,290 for the previous year.

The profits available for appropriation amount to £43,846 after deducting £961 retained by Robert Stephenson & Hawthorns Limited. After adding the balance brought forward from last year, £100,100, and providing £2,875 for the dividend on the Preference Stock, there is an available balance of £141,071. The Directors recommend the payment of a dividend of 10 per cent on the Ordinary Stock, absorbing £48,593, leaving a balance of £92,478 to be carried forward. The reduction in the balance of profits carried forward, £7,622, must be viewed in conjunction with the transfer of £30,000 to Capital Reserve, giving a net addition to reserves during the year of £22,378.

The reorganisation has brought an increase in the Group's fixed assets of £266,295 after full provision for depreciation. This increase, together with capital expenditure commitments estimated at £250,000 at the date of the balance sheet, reflects the progress in re-equipment which has been made.

PRODUCTION

During the year the Company's building programme for locomotive mechanical parts included locomotives for the Netherlands, New Zealand, the Argentine and South Africa, while production is well advanced at Newton-le-Willows on parts for the diesel-electric locomotive "pilot" orders for British Railways. In addition, the new facilities for production of diesel engines have made a valuable contribution to the English Electric Group's output in this field. Our activities in the steam locomotive field have not entirely ceased but have been concerned mainly with the manufacture of boilers and spare parts, and no complete steam locomotives were built during the year. This was not the result of any reluctance on our part to remain in the steam locomotive market, but of the continued impact of very severe foreign competition in the few remaining main line steam locomotive markets. Some capacity for steam locomotive manufacture is still available within the Vulcan Group.

FUTURE PROSPECTS

The Vulcan Foundry's future inevitably lies in integrating its production within the English Electric Group of mechanical parts for diesel-electric and electric locomotives, the completion for delivery of such locomotives, and their final testing. In recent months several substantial orders have been received by the Group from overseas Railways, and the mechanical parts for these locomotives will be produced, and their erection carried out at Newton-le-Willows or at the Darlington Works of our subsidiary, Robert Stephenson & Hawthorns Limited.

BRITISH RAILWAYS

For many years the Locomotive Industry in this country has suffered the handicap of having no steady home market for its products. With the initiation of the British Railways Modernisation Programme, this handicap has been to some extent eased, and we hope it may be completely eliminated when the Railways place orders in implementation of the Programme's ultimate requirements. I would like to emphasise that, within the resources of the English Electric Group, ample capacity is available to cope with large-scale orders from British Railways, in addition to those from the many overseas Railways with which we have built up such a strong connection over a long period of years.

ROBERT STEPHENSON & HAWTHORNS LIMITED

Turning to Robert Stephenson & Hawthorns Limited, earnings have been low in a period of transition between different types of production, and a programme of re-equipment and modernisation has been put in hand to increase the capacity of the Darlington Works for locomotive mechanical parts.

At the Newcastle-upon-Tyne Works—where the "Rocket" was built in the earliest pioneer days of Railways—the first models of the Clayton Steam Generator are being manufactured under licence from the USA. Business continues in the traditional steam shunting locomotive for industrial purposes, in the diesel-mechanical shunters built in conjunction with The Drewry Car Company Limited, and in the Spencer-Hopwood Boiler. A new "austerity" diesel-mechanical locomotive, called the "Husky," has been developed to meet the demand for a simple and robust shunter at a low price, and it is hoped that this addition to the Group's already wide range of locomotives will quickly establish itself in the industrial market.

THE DIRECTORATE AND EMPLOYEES

I have to report that, owing to the pressure of his other commitments, Sir George Binney, DSO, tendered his resignation from the Board, which was accepted with regret, in February of last year. I would like to record the thanks of his colleagues and of the Stockholders for the valuable service he rendered to the Company, particularly in connection with export matters, during his four years as a Director.

I know, too, that you would not wish me to conclude this statement without a reference to the Company's Management, Staff, and workpeople, who have earned our gratitude by their hard work and the determination and efficiency with which they have carried out their tasks and overcome their difficulties during the past year.

The report and accounts were adopted.

LEICESTER PERMANENT BUILDING SOCIETY

ASSETS REACH NEW HIGH RECORD

The one hundred and fourth Annual General Meeting of the Leicester Permanent Building Society was held on March 14th at Leicester.

Mr A. D. Carmichael, CBE (the Chairman), presided and, in the course of his speech, said: The Society's Report and Statement of Accounts show the total assets of the Society at a new high record. During the year they increased by £2,382,069, and now stand at a total of £41,514,803.

Throughout the year we were able to continue making advances on a large scale to potential home owners. The total sum advanced was £6,366,390, a figure only surpassed three times before in our history. The mortgage assets increased by £1,488,670, and now stand at £35,056,854.

SOUND LIQUID POSITION

The Society once again presents a very strong balance sheet with outstanding Reserves amounting to £2,622,905, and a sound liquid position with £6,010,386 in cash or assets immediately realisable.

We have included our British Government and Public Board Securities at the prices at which they could have been sold on December 31, 1956. These Securities, consisting wholly of short or medium-dated stocks thus stand at £3,728,731, and when held until their payment becomes due by the Government, will realise a surplus of over £800,000.

Following a clearly defined policy, we extended our nation-wide service by opening new Branches at Cardiff, Hinckley, and Norwich, and we are satisfied they will contribute to the successful development of the Society's activities.

INTEREST RATES

As a result of the general upward trend of interest rates which took place in the first half of last year, we increased our rates to our investors and paid 3½ per cent from

September 1st to our paid-up shareholders. This increased rate means that a person paying income tax at 8s. 6d. is now receiving the equivalent of £6 1s. 9d. per cent and a person paying at the rate of 6s. 9d. the equivalent of £5 5s. 8d. per cent.

The future trend of interest rates is very much in the minds of Building Society investors and borrowers at the present time. I would, therefore, emphasise that Building Society rates are governed by the general level of long-term interest rates, and it is not until these change materially that we change our rates, up or down.

Present indications show a strong demand for mortgages for new houses, as well as for modern houses built in recent years, and with reasonable stability in the country, we look forward to another successful and useful year of work.

The report was adopted.

MARCONI'S WIRELESS TELEGRAPH

The fifty-ninth annual general meeting was held on March 14th, in London.

Sir George H. Nelson, Bt, FCGI, MIMechE, MIEE, chairman, in the course of his speech, said: It is with pleasure that I report a record turnover. The net profit is £490,102, an increase of £4,488 and the dividend recommended is 10 per cent, less tax.

During the year, we revealed that we were in the forefront in developing and manufacturing a revolutionary airborne navigational aid of great accuracy, known as the "Doppler Navigator." This has given outstanding operational service with the RAF and orders for it have been received from Commonwealth Air Forces.

The outstanding event of the year in television was the inauguration of television services in Australia. This great task was completed in time for the Olympic Games and all reports speak of the high quality of the pictures transmitted. Marconi's were responsible for four of the first six stations, two in Sydney and two in Melbourne, the total value of these contracts amounting to approximately £1 million.

In the BBC's recent colour television demonstration for the Houses of Parliament the transmitting and camera equipment were of Marconi design and manufacture as also were those used for the regular trial transmissions during the year.

Our new range of VHF FM sound broadcasting transmitters has put us in a strong position in this field, and we have installed no less than 40 of these for the BBC.

The reports and accounts were adopted.

SCOTTISH AMICABLE BUILDING SOCIETY

ANNUAL GENERAL MEETING

At the sixty-fifth Annual General Meeting held on March 19th in Edinburgh, the President, the Right Honourable Lord Inverclyde, KStJ, DL, said in the course of his speech:

The new savings in the Shares and Deposit Departments amount to £5,248,523, and the total at the credit of Shareholders and Depositors is now £22,868,408.

After charging all expenses, interest on Deposits, Income Tax and Profits Tax, the Directors have provided for the interest to Unadvanced Shareholders of £578,686 13s. 7d. The balance available for appropriation amounts to £94,487 7s. 1d. Of this amount £74,000 has been allocated to Reserves and a balance of £20,487 7s. 1d. has been carried forward. The Reserve Funds now stand at £954,828.

The Directors' policy has always been and always will be to hold a substantial sum in Trustee and Government Securities. The Society holds such Securities as at January 15, 1957, including interest, to the extent of £5,722,642, which with Cash at the Bank and in hand of £786,667 provides a total liquidity of £6,509,309, an increase of £264,339 on the previous year, and 26.45 per cent of the total assets.

These securities have been carefully staggered so far as maturity dates are concerned, apart from a small percentage of undated stocks. Owing to the fall in Government and other Trustee Securities, the Society, in common with other financial institutions, has experienced depreciation between the book value and the market value.

The Directors are, of course, retaining these securities against maturity dates, but have decided to write down their book value by £100,000. This, in effect, is the creation of a special reserve.

The Directors decided to have a valuation taken of all their properties before the close of the Balance Sheet and these properties were valued at £858,000, whilst they stood in the Books at £308,000. They therefore decided to appreciate these properties by £275,000 and to place that amount to the credit of the investment Reserve Fund. The total assets amount to £24,604,619 showing an increase of £578,547.

While we do not underestimate the difficulties arising from the general economic problems of the Country, we go forward with every confidence in our ability to meet any position which may arise in the future. The dominant policy of the Board has always been based on a consolidation of the Society's financial position, to ensure that at all times our strength and our ability to meet all obligations are not impaired, and the accounts for the past year fully bear out at once the wisdom and the success of the policy which the Board has followed. This policy has indeed been so successful that the Society is in a strong position, as the Annual Report indicates, to meet applications from prospective borrowers, and this is a vital feature which I specially stress. Our mortgage policy will, of course, continue to be one of careful selection.

I would like to compliment our thousands of borrowers on the manner in which they have maintained their payments. When we consider that since the end of the last war the Society has lent over £32½ million to enable thousands of families to become owners of their own homes, and that the total Mortgage assets now stand at £17,365,532 with an average of £969 per Borrower, we can regard these facts as proving the absolute soundness of the Society and the strong sense of responsibility of all connected with it.

The Report was unanimously adopted.

APPOINTMENTS

THE ECONOMIST INTELLIGENCE UNIT LIMITED invites applications from men aged 25-35 for a post as senior research assistant in the Unit's Industries Department; good academic qualifications and experience in industry or commerce are essential. Starting salary according to qualifications but not less than £800.—Please send full particulars to "Industries," 22, Ryder Street, London, S.W.1.

DEVELOPMENT ENGINEERS

Vacancies for Graduates or persons with equivalent qualifications in Mechanical Engineering, Physics, Mathematics—in the Research and Development Division of WILMOT BREEDEN LABORATORIES.

Posts involve a wide range of problems: Analyses and Design of Mechanisms, Stress Analyses, Resonance and Analyses of Motion, Spring Design, Optical Developments, etc. Experience is desirable, but not essential.

The Division is located in ideal surroundings at Umberslade Park, near Hockley Heath. Working conditions and prospects are excellent and transport is provided to and from the Establishment.

The posts carry monthly staff status, good salaries, staff pension scheme, etc.

Applications, which will be treated in strict confidence, should be addressed to the Chief Development Engineer, Research and Development Division, Wilmot Breeden Laboratories, Umberslade Park, Solihull, Warwickshire, stating age and full details of qualifications and experience.

STOCK CONTROL.—A large firm of photographic manufacturers near London requires a man aged 25-30 for supervisory duties. This is an appointment which could lead to progressive positions in the Company Planning Organisation. Candidates should have had fairly wide commercial experience, but not necessarily of stock control work. They should be of high educational standard with some ability and interest in figure work. Salary by arrangement according to qualifications and previous experience.—Apply, Box 662.

FEDERATION OF RHODESIA AND NYASALAND

VACANCY : ECONOMIST.
DEPARTMENT OF THE FEDERAL PRIME MINISTER AND CABINET OFFICE.

Applications are invited from candidates, under 45, with a good Honours Degree in Economics and who have had experience in an economic advisory capacity, or in lecturing in Economics, for the post of ECONOMIST in the Economic Section of the Department of the Prime Minister and Cabinet Office, Salisbury. The post is permanent and pensionable.

Salary $2,150 per annum. (Fixed.)

Duties of the Section include advice to the Government on economic questions, development planning and the preparation of memoranda on these and other allied topics. The successful applicant will work as Deputy to the Chief Economist who is head of the Section.

Applications, in duplicate, giving details of nationality, age, marital status, qualifications, experience, date available, together with the names and addresses of two referees, should reach the Secretary(R), Rhodesia House, 429, Strand, London, W.C.2, by April 26th.

RECKITT & COLMAN LIMITED offer two interesting appointments for statisticians.

1. As Assistant to the Head of the Statistical Department. The services of this department are very widely sought within the business on both technical and commercial problems. There is plenty of opportunity to use statistical methods in a varied range of situations and great emphasis is laid on the development of new research methods.

2. As Assistant to the Manager of a Market Research Department, in the design, analysis and interpretation of surveys covering retail consumer and product research.

Applicants for the first appointment should have graduated in mathematics or statistics. Applicants for the second appointment should possess the Certificate of the Royal Statistical Society or an equivalent qualification. Experience in the use of statistical methods, whether in industry or elsewhere, would be an advantage in either appointment and would command a higher starting salary. The company has a staff pension fund and a prosperity bonus.

Applications will be treated in confidence and should be addressed to the Personnel Adviser, Reckitt & Colman Limited, 40 Bedford Square, London, W.C.1.

MATHEMATICIAN

A modern manufacturing company, pleasantly situated in a rural area has a new vacancy in its expanding statistical department for a Mathematician. Male or female applicants under 30 years of age should be graduates in mathematics who have some statistical training.

The job consists of dealing with a wide variety of problems covering many aspects of the consumer goods field.

The starting salary will not be less than £1,000 per annum and the Company will give assistance in housing.

The successful applicant would become a member of the Company's non-contributory pension plan which in addition embrace other benefits.—All applications, which will be treated in strict confidence, should be addressed to the Chief Personnel Officer, Box 660.

AN organiser of executive status is being appointed by leading market promotion research concerns. He will (1) plan and prepare client service operations, (2) plan and progress provision of routine and special data, (3) maintain necessary records, schedules, procedures and communications, (4) provide liaison between client contact and service departments, (5) establish and give practical effect to a common purpose between different functions. This interesting work would appeal especially to men with experience in a Production Control capacity in industry, or an administrative post in advertising, marketing or commerce.—Applications, fully detailing age, education, experience, present salary, should be addressed to P.C., The Wallace Atwood Company, Management Consultants, Chantrey House, Eccleston Street, London, S.W.1.

ACCOUNTANT required in Costs Development Branch of N.C.B.'s Finance Department at London H.Q. A recognised accountancy qualification, or good degree, is required with a genuine interest in the development of techniques providing financial information as an aid to management. Practical experience in the application of Standard Costs would be an advantage. Some travelling to the coalfields and visits underground are involved. Age preferably not more than 35. Appointment (superannuable) according to qualifications and experience within inclusive scale £1,213-£1,550 male.

Write, with full particulars of age, education, qualifications and experience, to National Coal Board, Staff Dept., Hobart House, London, S.W.1, marking envelope X655/D, before April 3, 1957.

APPOINTMENTS

THE QUEEN'S COLLEGE, OXFORD

BURSARSHIP.

The Governing Body of The Queen's College invite applications for the office of Bursar from persons under 40 years of age. The successful candidate will be elected to an Official Fellowship of the College.

The initial stipend will depend on age and experience, but will not be less than £1,500, and will rise on the current scale to a maximum of £2,000. There are certain emoluments, and the office is pensionable under the F.S.S.U.

The successful candidate will be expected to assume office not later than January 1, 1958. Forms of application are obtainable from the College Secretary. Completed forms of application should reach the College by May 1, 1957.

MANAGEMENT ACCOUNTANT

Applications are invited for an appointment in the Department responsible for economics and statistics in the London Headquarters of a large Industrial Group.

Candidates, preferably under 35, must be Chartered or Incorporated Accountants and must hold an Honours degree preferably in Economics or Maths. Industrial experience with specialised knowledge of management accountancy or industrial economics is desirable. Salary depending on qualifications and experience. Apply Box 649.

A LARGE MANUFACTURING COMPANY in the West Country has vacancies in its expanding Market Research Section for women university graduates, aged under 25, with good degrees in Economics. The work, which is in a new and interesting field, involves interviewing members of the public and assisting in analysis and reporting of the data collected. Retail surveys are also undertaken. About six months in the year is spent interviewing both in London and the provinces. A full training will be given.—Apply to Box 651.

SHELL CHEMICAL COMPANY LIMITED

has a vacancy in London for a male

TECHNICAL ASSISTANT

age 25-30 with honours degree in Economics or Statistics.

This is a specialist post for a man who is good at applied mathematics and the use of mathematical reference would be given aid to Management. Some experience of the to a man who has Chemical Industry.

Generous pension scheme and other benefits. Salary according to age, qualifications and experience. Write with full details, to Shell Chemical Company Limited, Personnel Department, 170, Piccadilly, London, W.1.

EXPORT.—Leading U.K. Manufacturers of Electrical Equipment wish to appoint Export Sales Executive. Previous experience of overseas trading essential, and a knowledge of electrical products desirable.—Write, with full particulars, including salary required, to Box S.13 c/o Central News, Ltd., 43, London Wall, E.C.2.

REQUIRED IMMEDIATELY by large and expanding commercial organisation handling well-known food product, Chief Accountant/Secretary with full professional qualifications, to take complete financial responsibility for overall operations.

SENIOR EXECUTIVE OFFICER, with proved organising and administrative ability, to be responsible for Head Office and Regional organisation, development, etc.

SENIOR ECONOMIST/STATISTICIAN.

The above appointments call for men of the highest ability and commercial experience and will command commensurate salaries. Pension scheme.—Full details to Box 665.

A MAJOR light/medium engineering concern in the Midlands invites applications for a new senior executive post. The wide scope and opportunity offered may be inferred from the major responsibilities to be undertaken:

1. To keep organisational structures under constant review, analysing their effectiveness and the controls, procedures and routines operated; to formulate proposals for improvement and to submit periodic reports to management written in clear and concise terms;

2. To discuss proposals and secure agreement at all levels; to design procedural documentation, as appropriate; to supervise the implementation of agreed proposals;

3. To assess executive qualities related to the operations under review, to submit proposals on measures required to improve performance.

This work obviously calls for a man with wide, practical knowledge of industry and with proven executive experience which has covered direct responsibility for O & M work, including Work Study techniques. The O & M controller will deal with executives at all levels and must be a "good mixer." A salary commensurate with the qualities demanded and the responsibilities involved, plus profit sharing and contributory pension scheme, will be offered. No age bracket is stipulated but the post should mainly attract academically qualified and experienced men around the age of 40 to whom it would offer a big opportunity.—Fully detailed letters of application should be addressed to The Wallace Atwood Company, Management Consultants, Chantrey House, Eccleston Street, London, S.W.1.

CHRIST CHURCH AND MAGDALEN COLLEGE OXFORD

LECTURESHIP IN POLITICS

Christ Church and Magdalen College propose to appoint a Joint Lecturer in Politics if a suitable candidate offers himself. The stipend will be not less than £600 per annum with rooms and dining rights.

The appointment will be for three years in the first instance and will begin in Michaelmas Term 1957; the successful candidate will be expected to teach for the Preliminary and Final Examinations in the Honour School of Philosophy, Politics and Economics.

Applications, with the names of three referees, should be sent to the President of Magdalen College, to arrive by May 4th.

MANAGEMENT SELECTION LIMITED

have been retained to advise on the selection of the

GENERAL MANAGER

for a recently formed subsidiary of a large Engineering and Manufacturing Group to develop and market on a world-wide basis equipment for a new and important process.

This appointment carries responsibility for the development and direction of all activities in the new Company. Particular emphasis involve laid on Export trading, and this quarters are periodic travel. The Company's in London.

Experience of management and commercial experience marketing and sales, both a successful record as. A technical background at home and or not essential. Preferred age is desirable rating salary subject to negotiation, 40-50. less than £4,000, with possibility of but, seat on Board.

Please send brief details, in strict confidence, to H. E. Rolf, Management Selection Ltd., 17 Stratton Street, London, W.1, quoting Reference S338. No information will be disclosed to our clients until candidates have been told their identity and have given permission after full discussion.

ASSISTANT LIBRARIAN required for Research Station at Walton Oaks, Tadworth, Surrey. The duties will be as follows: clerical routine in connection with the ordering, recording, circulating, storing and arranging for binding of periodicals, abstracting scientific and general articles. Candidates, male or female, should be over 20 years of age, of good educational background and be able to type accurately. A good knowledge of one language in addition to good English would be an advantage.—Applications should be addressed to The Personnel Manager, Vitamins Group, Upper Mall, Hammersmith, London, W.6.

MANAGEMENT SELECTION LIMITED have been retained to advise on the appointment of a

MANAGING DIRECTOR

aged 30-35 for a company in

CANADA

The appointment offers a young man the chance of taking full responsibility for the control and development of a British company in Canada.

The Chairman, who is resident in England, is a man of unusual capacity and by unconventional ideas in a traditional industry—sand and gravel—has raised his British company's turnover forty-fold in eight years. He has now bought a gravel company in Canada with the same sort of development in mind. New quarries and reserves have to be found and developed.

This is an unusual and exciting opportunity for men with industrial management experience, preferably in civil engineering. They must have a good knowledge of all management functions, preferably with specific experience in the control side, but a narrow specialist would be useless. Other desirable qualifications are Public School education, degree in Economics or statistics or an accountancy qualification.

Fringe benefits are above average, tax well below British level and salary will give a standard of life equivalent to £2,500 in England.

Please send brief details, in strict confidence, to P. J. H. Fryer, Management Selection Limited, 17, Stratton Street, London, W.1, quoting reference (S.2272). No information will be disclosed to our clients until candidates have been told their identity and have given permission.

AN EXCEPTIONAL OPPORTUNITY occurs in a large group, with Head Offices in Manchester, for a man of character, with a good education and some industrial background in a junior or intermediate executive capacity, to train quickly for a higher management post. To a suitable applicant two years' intensive training will be offered at a commencing salary of £2,500 per annum, followed by either the offer of an exacting executive appointment at substantially more salary or a definite indication of non-compliance with anticipated standard. Applicants should reply (in confidence), stating precisely what they have done so far, not what they could do, given the appropriate opportunity. Personal selling of personality not interesting. Only facts will be assessed.—Box 653.

UNIVERSITY OF CAMBRIDGE

ASSISTANT IN STATISTICAL RESEARCH IN THE FACULTY OF ECONOMICS AND POLITICS.

The Faculty Board of Economics and Politics intend to appoint an Assistant in Statistical Research whose duties will be to assist the teaching staff of the Faculty with their statistical work. Applicants should possess either an honours degree in economics with some training in statistics or appropriate statistical experience in a government office or other organisation. The appointment will be for two years in the first instance, from October 1, 1957.

The pensionable stipend of the Assistant in Research is £500 a year rising by annual increments of £25 to £700 a year. The starting point in the scale will depend on age and experience.

Further particulars can be obtained from the Secretary of the Faculty Board of Economics and Politics, to whom candidates should send five copies of their applications, including the names of two referees, so as to reach him at the Marshall Library, Downing Street, Cambridge, not later than April 20, 1957.

AUSTRALIA—UNIVERSITY OF ADELAIDE

Applications are invited for appointment as SENIOR LECTURER OR LECTURER IN COMPARATIVE GOVERNMENT AND PUBLIC ADMINISTRATION.

The appointment, which is in the Department of History and Political Science, will be made as Senior Lecturer or Lecturer level according to the qualifications and experience of the successful candidate.

Professor W. G. K. Duncan is at present in the United Kingdom; potential candidates may communicate with him by letter addressed c/o Bank of New South Wales, 47, Berkeley Square, London, W.1.

Salary Scales: Senior Lecturer—£A1,800-70-2,150 p.a.
Lecturer—£A1,200-80(70)-1,750 p.a.

Superannuation: On the F.S.S.U. basis.

General terms of appointment, including particulars of the information to be included in applications, may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36, Gordon Square, London, W.C.1, or from the undersigned*.

Applications should be lodged in duplicate with the undersigned* not later than APRIL 30, 1957.

*V. A. EDGELOE,
Registrar,
University of Adelaide,
Adelaide, South Australia.

DUNDEE TECHNICAL COLLEGE

DEPARTMENT OF MANAGEMENT AND HIGHER COMMERCIAL STUDIES.

Applications are invited for the post of LECTURER IN FINANCIAL AND COST ACCOUNTANCY and allied subjects for the above Department. Applicants must be graduates and/or hold a suitable professional qualification and have appropriate industrial or commercial experience. Duties will commence in September, 1957. Salary (at present under revision) either £685 x 37–£963 (Grade III(b)) or £770 x 35–£1,124 (Grade II (a)), according to qualifications and experience.

Further particulars and application form can be obtained from the Clerk and Treasurer, Institute of Art and Technology, 40, Bell Street, Dundee, to whom the completed form should be returned not later than two weeks after the appearance of this advertisement.

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WORK STUDY.—Next six-weeks' full-time course starts April 23rd. Details of this and eight others, including part-time, evening and correspondence, from The School of Time and Motion Study, 29 Cork Street, Piccadilly, London, W.1.

TAPE TRANSCRIPTION of conferences, reports or letters undertaken on your premises or ours, in this country or abroad. Service by post to provinces. The Palantype Agency, 229/231 High Holborn, W.C.1. (CHAncery 3460.)

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or call at 30 Queen Victoria Street, London, E.C.4.

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Wednesday was the 71st Annual General Meeting of British Oxygen

In his speech, the Chairman, Mr. J. S. Hutchison, reviewed the aims and achievements of the Company, and he said ...

"Today the Company picture is one of vigorous expansion in capital investment, in the application of modern techniques, and of development and research projected on a broad front.

Our research teams are active in such subjects as liquid oxygen in aircraft and missile propellents; liquid nitrogen for atomic energy; transportation of liquid acetylene and methane; oxygen methods of steel making, and the investigation of new products.

Sales of liquid oxygen in the United Kingdom increased four times since the war. Two years from now our oxygen capacity will have trebled. Altogether a record of vigour, enterprise and progress which gives us the right to look forward with confidence, as we do."

IN THE YEAR'S WORK

Britain's First Tonnage Oxygen Plant

This big new plant at Margam was opened in August by the Home Secretary. It makes oxygen in tonnage quantities and supplies by direct pipe-line to the Steel Company of Wales. Similar plants to increase steel output are being built at Consett, Ebbw Vale, Middlesbrough and Scunthorpe.

Melamine Production Doubled

In 1956 British Oxygen extended their melamine plant at Chester-le-Street at a cost of £500,000 to meet the demand for this versatile chemical used in decorative laminates, tableware and stoving enamels.

In the Service of Medicine

Main effort has been development of a new range of assisted breathing machines. The year also saw the introduction of anaesthetic apparatus and gas cylinders fitted with new Pin Index valve system conforming to international standard. This prevents wrong coupling of a cylinder. In the next 2 to 3 years thousands of existing equipments will, in the interests of safety, be converted.

New Automatic Arc Welding Processes

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More Progress at British Oxygen Engineering

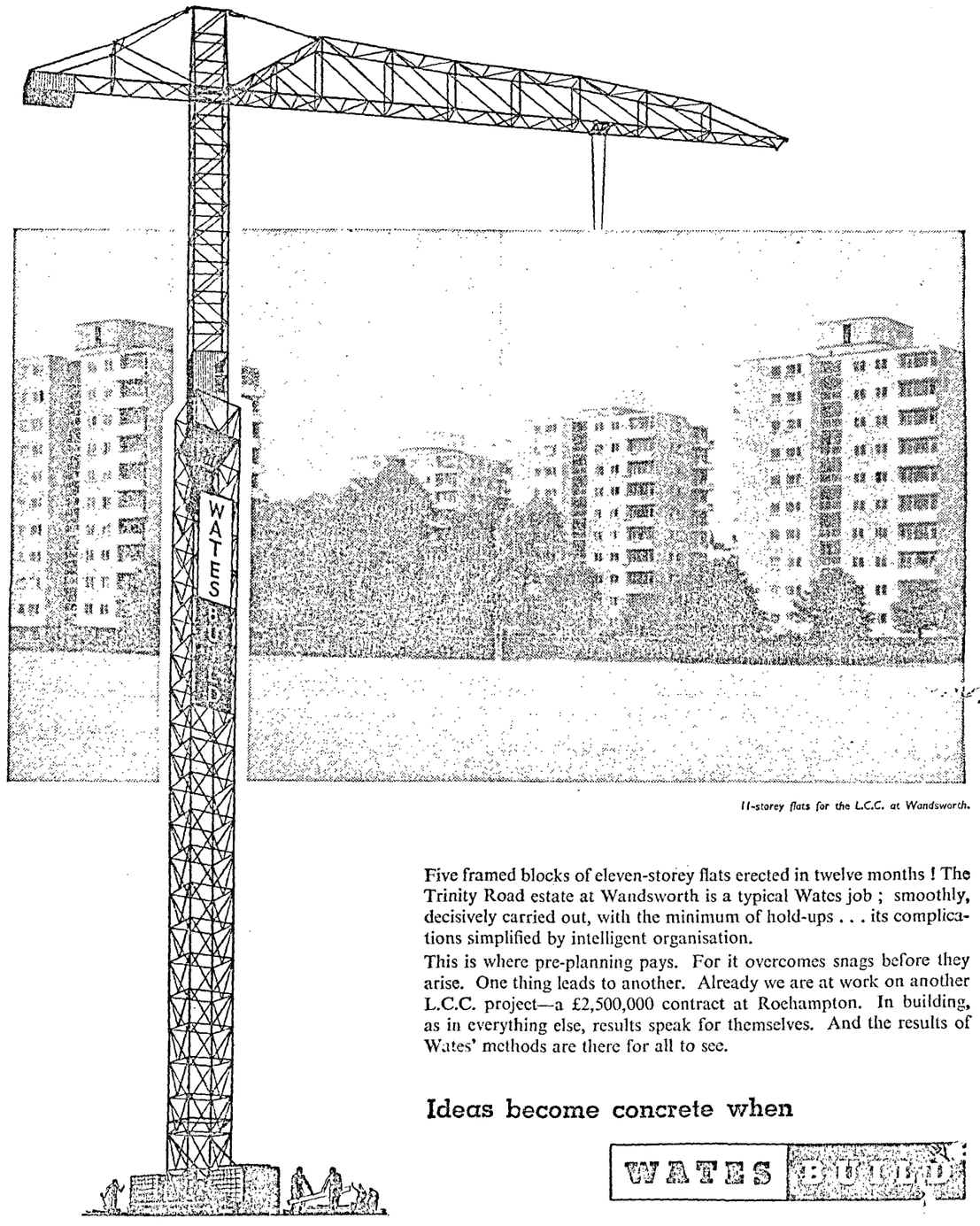
As the sequel to major reorganisation at Edmonton in 1955, B.O.E. added bigger shops for air separation plant. Started the construction of a new engineering unit at Harlow to cater for aircraft equipment. Extended their apprenticeship scheme by building a new apprentice school with every facility.

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First Rescol air separation plant at Margam (see 1) and text book 'Oxygen in Iron and Steel Making' by our research staff typified Company's full support to steel industry. Research programme included acetylene derivation, synthetic blood plasma, oxygen for aircraft and missile propellents.

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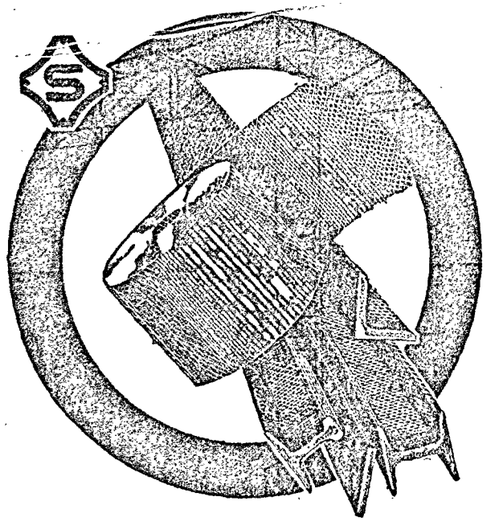
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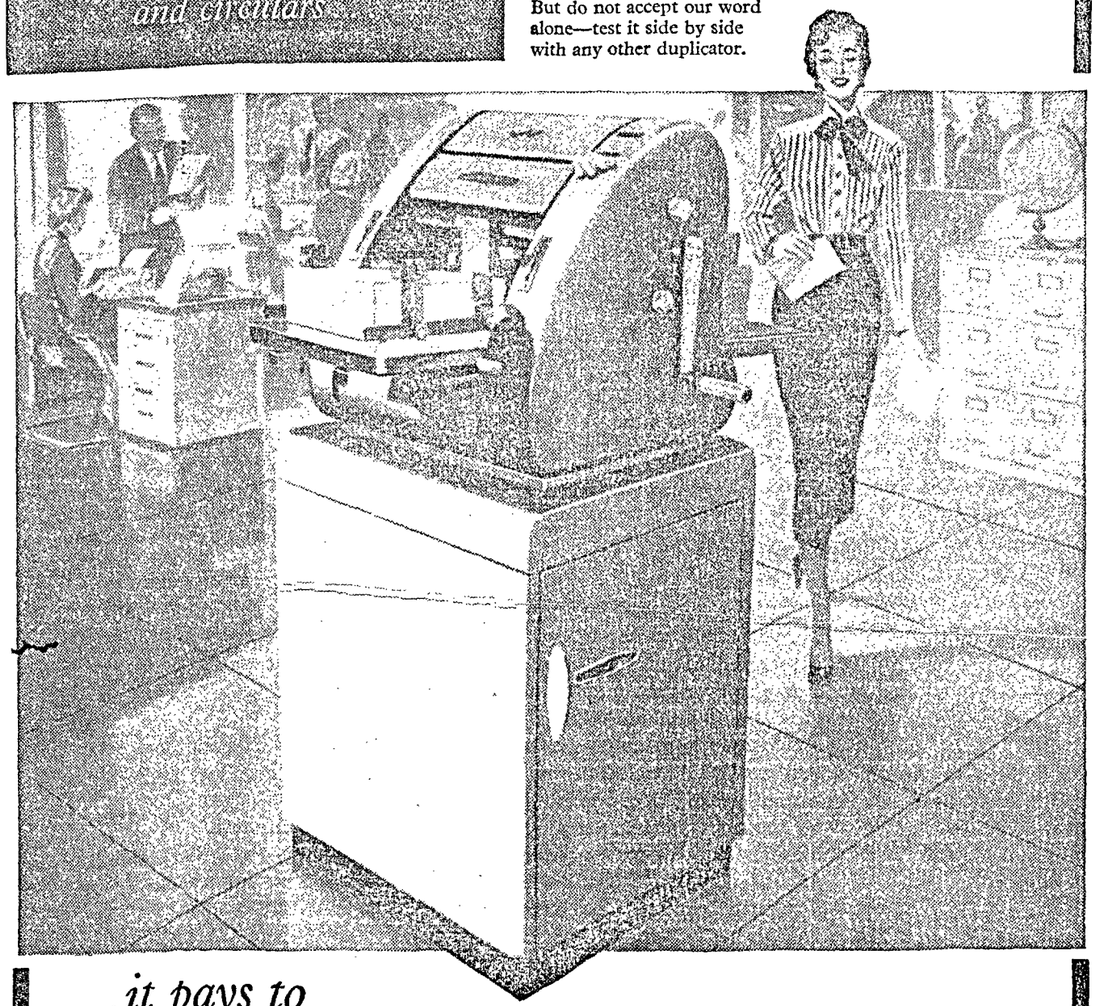
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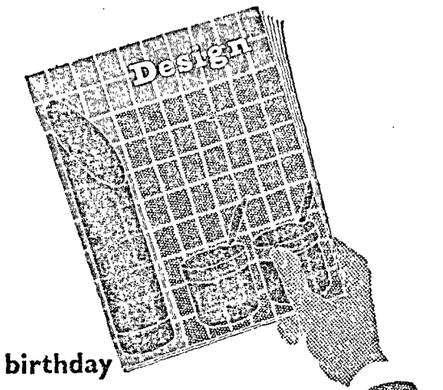


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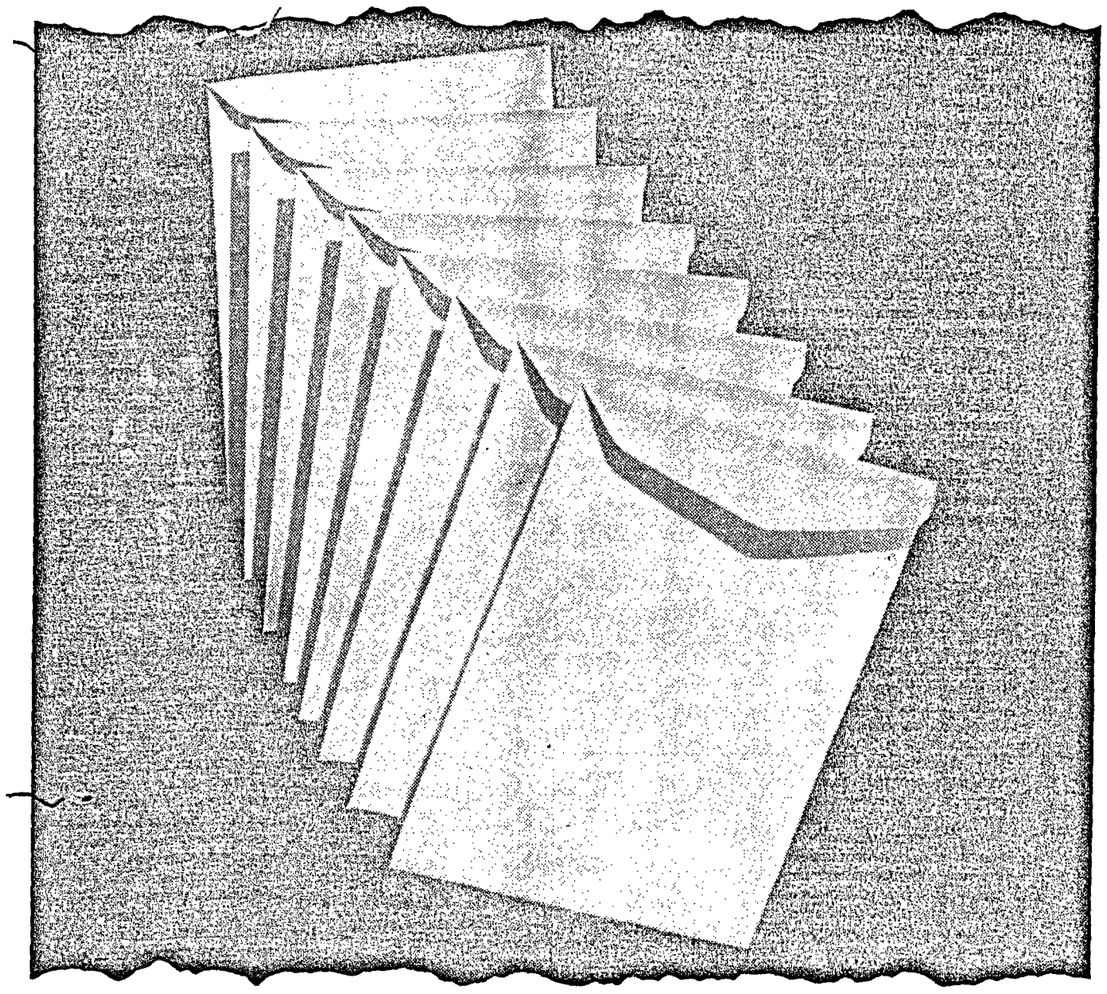
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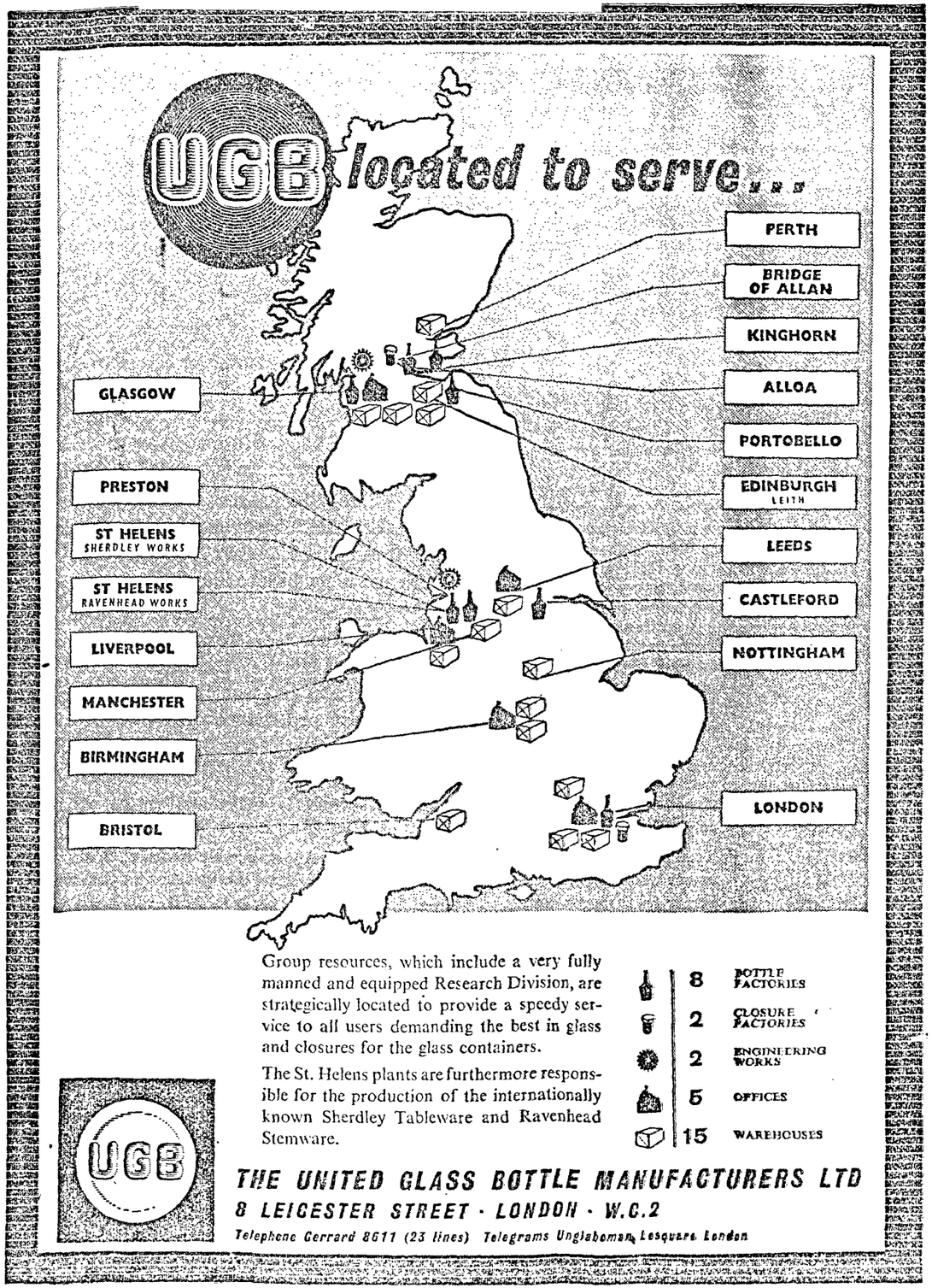
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What Was Decided?

WHAT do our leaders talk about in places like Bermuda? As after so many conferences, the world is left to puzzle over a series of enigmatic forms of words: the statesmen were agreed on the need for this and on the importance of that; but were they agreed on what was likely to happen, and on what they would do if it did? The Bermuda meeting between the heads of the United States and British governments was of the highest importance for Britain, because it is vital for this country that its government should work in harmony and co-operation with the government of the United States; and it is of no mean importance for the United States itself, and for the western world, that these two countries should not be at cross-purposes, as they have been in the past year on major questions of policy in the Middle East. Has the breach been healed?

With reasonable confidence it can be said to have been healed in the general sense that resentments for bygone things have been written off, urbanity restored, and the habits of good manners and mutual consideration, proper to two governments whose countries have such great interests in common, resumed. Everything about the Bermuda meeting—the President's gesture in holding it on British soil, his personal treatment of Mr Macmillan as an old friend, the readiness without haggling to supply the important intermediate-range guided missile for British use—reflected an American determination to spare no helpful gesture that may ease the passage back to a relationship of cordiality and trust. Nor, luckily, now that the high temperatures of November have subsided, is there any need to doubt the British desire to get back to such a relationship.

Does this mean that all is well again? It would be hasty to assume it. The crux of the matter does not lie in the spirit of free, frank and friendly relations which the Bermuda communiqué underlined, but rather in a responsibility which it went on to recognise:

> their responsibility to seek to co-ordinate their foreign policies in the interests of peace with justice.

It was the failure of that co-ordination that led to the breach between London and Washington. Agreed desiderata do not automatically, by themselves, produce a working partnership; there must be a common view of ways and means as well. At almost any time from July to October last year it would have been possible for the British and United States governments to produce an impressive list of points of agreement about things that they would like to see happen; but whenever a decision had to be taken on what to do, they were divided, so that in the end Washington found itself successfully frustrating a British course of action in the Middle East (admittedly, a thoroughly misguided course) without having devised any kind of course of action of its own. So far, President Nasser and the anti-western nationalists in every Arab country are the only gainers.

With its way cleared by the Anglo-American disunity about things to be done, the anti-western current of events in the Middle East

was not deflected by the repeated assertions (first in the two London conferences on the Suez Canal, then in the Security Council in October) of agreement about what ought to happen. This has been a period in which both governments have been not forming events but reacting to them, and reacting unsuccessfully. Probably nothing less than a united working partnership can reverse the current; but the Bermuda communiqué gives little indication of the chances of getting it. Of the eleven points listed on which "agreements and conclusions" were reached, eight merely enumerate desiderata. The three exceptions are the Baghdad Pact, nuclear tests, and guided missiles, on each of which the communiqué does state a specific intention.

Most urgent among the matters discussed were two other topics, the Suez Canal and the Palestine conflict; on neither does the communiqué give any hint of an agreement on what to do. Indeed, even considered merely as aspirations, the desires expressed by the two governments on these vital questions are almost meaningless. They are agreed on "the importance of compliance both in letter and in spirit" with the Security Council resolution of October 12th. That resolution laid down the six principles for a canal settlement, including the highly elastic principle that the operation of the canal "should be insulated from the politics of any country." The British Government believed at the time that this meant an international operating authority for the canal; the Egyptians thought not. It laid down that a fair proportion of dues should be allotted to development.

Under the western proposals which Mr Hammarskjöld is believed to have been discussing this week with President Nasser, the part of the dues to be used to develop the canal would be paid not to Egypt but to a special fund in independent hands. But the October clause could bear another construction, as the Egyptians, no doubt, have pointed out; and although they then accepted the six points, since the reopening of the canal came in sight they have been saying plainly that it will be for them to receive and allot the money. At the point at which the October resolution did become specific—the point at which it went on to relate the six principles to the plan drawn up by the 18 powers in London—the Soviet veto chopped it short.

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Conceivably, when the British and American governments now talk of "compliance both in letter and in spirit," they mean that the vetoed part of the resolution should be taken into account in the negotiations; if so, it is hard to see how they will get the Egyptians to agree now that the Egyptian hand has, since October, been so greatly strengthened. What is their next step if, as seems certain, President Nasser refuses to entertain their interpretation of the six principles? If American and British foreign policies on the Suez Canal are to be co-ordinated, this is the vital and immediate question; but Mr Dulles when he got back to Washington said plainly that no agreement had been reached upon it.

What was decided at Bermuda about the conflict between Egypt and Israel? None of the grievances that prompted the Israeli attack on Egypt has been remedied yet; the Palestine war may flare up again. In these circumstances, the President and the Prime Minister were agreed on "the need for speedy implementation" of recent General Assembly resolutions about the Gaza strip and the Gulf of Aqaba. Many people have supposed this to mean that they are thinking of insisting on free passage through the Straits of Tiran and on the administration of the Gaza strip by the United Nations. But a hunt through the Assembly resolutions does not support that belief. The Assembly's firmest pronouncement on the subject, its second resolution of February 2nd, did call on Egypt and Israel "scrupulously to observe" the armistice; it recommended the "placing" of the United Nations Emergency Force on the armistice line and "the implementation of the other measures as proposed in the secretary-general's report." This was the Assembly edging its way towards a constructive effort; its wishes, however, reached no greater state of definition than had been provided by Mr Hammarskjöld's report of January 28th.

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But that report pointed out that, while the Assembly could certainly recommend that the United Nations should administer Gaza, a United Nations administration could only operate there (just as the UN force could only patrol there) by grace of the Egyptian government. As to the right of passage through the Gulf of Aqaba, the secretary-general indicated, rather than said, that an Israeli withdrawal would weaken the Egyptian claim to belligerent rights in those waters. If the armistice were once again observed in full—and particularly Articles VII and VIII, which deal with the stationing of forces in the Negev and Sinai and with the demilitarisation of El Auja—then "the case against all acts of belligerency . . . would gain full cogency." Fairly clearly, these words imply that in Mr Hammarskjöld's opinion the case lacks full cogency until the armistice can be restored in other respects to a degree of observance which it has not enjoyed, on either side, for many years.

Can this be all that the President and the Prime Minister intended to say? What do statesmen talk about when the gas main is leaking? If western policy is to recover a formative influence in Middle Eastern affairs, the need is for co-ordination in its conduct, not merely for the common expression of desires and hopes. The American decision to join the military committee of the Baghdad Pact is the one piece of news from Bermuda to point in that direction; it is, however, a decision to be assessed with the greatest caution. In the northern group of Middle Eastern countries that adhere to the Baghdad Pact, it will be good news. These countries have stood by their friendship with the West in an admirable way through a severely trying year, and if they want a renewal of American backing in a more decided form, they deserve it.

Yet it would probably be a mistake to assume that this further American step in the direction of full membership of the Baghdad Pact diminishes the existing danger of war. The danger is in the Arab South of the Middle East, among the neighbours of Israel, who refused to join the Baghdad Pact and who have reacted bitterly against it since its inception, treating the one Arab member of the pact, Iraq, as an enemy and a traitor. Led by President Nasser, the majority of the Arab League states have acquired by now the fixed habit of combining a vendetta against Israel with an attitude of defiant hostility to the West. An alliance directed against Russia and associated with the western interest can clearly not attract them or influence them, unless adversely. How, then, are they to be influenced? Not, it is to be hoped, by the blind eye that would allow the state of war against Israel to continue, as the convenience of Arab politics requires; for that would put a heavier weight on Uno's protecting shield than it can possibly carry.

A Nation of Peacemakers

THOSE who had darkly suspected that the Government might use the nationalised industries to influence national wage policy this year must now have a queer picture of what the Government's wage policy is. Last weekend the nationalised Transport Commission put an original interpretation upon Mr Macmillan's exhortation from Leicester: it shot the umpire to avert the duel. This flouting of the railway arbitration award has made the settlement of the other outstanding disputes on any basis that will not be undesirably inflationary quite impossible, and their settlement on any basis that will not be grievously inflationary very difficult. It has also displayed again the principal difference between Britain, which has managed the course of its industrial costs pretty badly in the last few years, and some of its competitor countries, which have managed the course of theirs pretty well.

This difference, as anybody who has looked at international labour statistics will know, is not that Britain is more plagued by strikes; it may be more plagued by the threat of strikes, but that is because, although it has never been conclusively proved in postwar Britain that big strikes pay, it has been shown again and again that the threat of big strikes does. Instead, the main difference is that there is an instinctive and widespread assumption in Britain that it is better to tolerate annual increases in wages far in excess of annual increases in productivity than to be plunged into "disastrous stoppages." The strikes now dragging on in engineering are disastrous enough in all conscience, especially as they are obviously going to be followed by wage inflation as well; but the mystery is why they, rather than the wage inflation, were generally regarded as the prime danger to be avoided. Experience in the United States, which regularly loses more man days in official strikes than Britain, suggests a quite contrary assumption for policy. Strikes exert their ill effect on an economy by cutting back production; but the increase in production in the United States, despite its greater willingness to absorb cyclical recessions, has recently been greater than here. And the rise in prices and costs, of course, has been much smaller.

Why then—in a reasonably free economy where one would expect economic self-interest to assert itself in the end—does Britain seem annually to choose to try to march as hurriedly and meekly as possible down the primrose path to the always transitory settlement? One argument that is sometimes put forward is that Britain cannot afford strikes because, unlike the United States, it is an exporting and banking nation, operating on a small gold reserve. This is very hard to follow. Why an exporting and banking nation should be able to bear unremitting inflation more easily than the occasional loss of output from strikes has never been made clear; the truth would seem to be precisely opposite. And, indeed, the other principal explanation that has often been put forward for the annual willingness to surrender to wage inflation has been on this precisely opposite tack. The argument has been that so long as production was kept so close to capacity, employers would always find it worthwhile to grant wage increases and pass the cost on to domestic consumers; as soon as the boom was taken off the boil, there would be a prompt diminution in employers' readiness to grant wage claims and in trade unions' importunity in presenting them.

The past week has shown that this, too, was a vain analysis. It had better be frankly recognised that the hope that last year's damping of demand, for labour as well as for goods, would make it possible to "give a miss" to this year's round of inflationary wage increases has flatly failed. The general wage increase for 1957 has now been fixed at at least 5 per cent, after a year in which there has been no general increase in productivity. The immediate increase in labour costs per unit of output (which is the index that matters most when restarting an inflation) has therefore been greater after this year of restricted internal demand than after any of the years of less restricted demand that preceded it.

It can, of course, be argued that the squeeze should have been carried much farther in order to achieve the desired effect on wage-bargaining. But this is to ignore the fact that, industrially, restriction

has already led to an expensive eighteen-month-long check on the growth of production—and that, politically, to make its effect on employment penal is evidently impossible. The truth is that there are certain built-in reasons why Britain is more plagued than its competitors by inflationary settlements with the trade unions ; and it is these that, sooner or later, will surely have to be re-appraised by the country.

The experience of the past week suggests three of these differences. One is the innate revulsion of the postwar British mind against anything which smacks of civil strife. Any employer's statement which soberly suggests that it might be better for the country to stand up to a strike than to lie down to a wage increase is liable to be regarded as *ipso facto* irresponsible ; the Archbishop of Canterbury is quite likely to write a diocesan letter against it. A second difference—although too much should not be made of this—is that most of our competitors do not have nationalised industries operating, on the unprinciples of deficit finance, in *quite such strategic places in their labour markets* ; when Sir Brian Robertson announces that he is going " ungrudgingly " to give to his workers money which his industry has not earned, the taxpayer automatically stumps up for them. A third, and more intractable, difference is the British Ministry of Labour ; the spectacle of Mr Macleod and Sir Wilfred Neden, spending their working week hurrying between employers and unions in separate rooms, urging them to reach almost any settlement rather than have a strike, is a phenomenon almost peculiar to St. James's.

It seems likely that this attitude of mind, this sort of nationalised industry, and this Ministry of eager brokers (rather than a policy-making department of state) are what the British people want. But they need to be told all the time that if they are to keep these cosy forces for peace through inflation in the present form, then they cannot also have a stable pound.

Pax Americana

WHEN Mr Dulles reaffirmed the American attitude to Communist China at the annual conference of the Seato council, to the embarrassment of the British Government, he was not merely fortifying the spirits of the nations that, following the American lead, refuse to recognise the Peking government. He was replying to a speech by Chou En-lai, at the meeting of the cumbrously named Chinese People's Political Consultative Conference. Mr Chou had accused the Americans of plotting to turn Formosa into another American outpost like Honolulu, displacing the regime of Chiang Kai-shek.

Since the purpose of Mr Chou's speech was the familiar one of driving a wedge of mistrust between the Americans and the Chinese Nationalists, Mr Dulles naturally sought to reassure the Nationalists on Formosa. But in so doing, he drew fresh attention to the continuing divergence between British and American policies towards China—which was illustrated by the absence of any reference to the subject in the Bermuda communiqué. This divergence stands in the way of a concerted western policy in the Far East. Seato, the expression of the western alliance in south-east Asia, excludes Formosa from its operations.

British and American policies towards China diverged from the moment of the British decision in January, 1950, to recognise the Chinese People's Republic led by Mao Tse-tung. There were good reasons for the decision ; it was, and it remains, the recognition of an indisputable fact. It is even conceivable that if the Chinese Communists had been more conciliatory the Americans might, however reluctantly, have followed suit. The critics of American policy in the Far East often overlook how it was born.

When the Chinese Communists were overrunning China, President Truman's Administration was torn between resentment at the Communist victories and disgust at the Nationalists' shoddy performance: both facts were reflected in the failure of the Marshall mission. Disappointment with the Nationalists seemed to dominate thinking at the State Department. The Americans announced as early as August, 1949, that they would continue to recognise the Nationalist government, and that they intended to withdraw their diplomatic and consular representatives from the mainland. It was by no means certain that this was their final decision. All aid to the Chinese Nationalists had been suspended. The Americans seemed in no hurry to withdraw their officials from China.

Even before Mao Tse-tung had proclaimed the Chinese People's Republic, however, the Communists had launched a vituperative propaganda campaign against the United States, marked by the arrest of the American consul-general in Mukden in October, 1949. From that day forward, the Chinese Communists could not reasonably expect good relations—or, indeed, any relations—with the American government. Yet Washington continued to treat the opposing regime, in its refuge on Formosa, with coolness. The United States might continue to recognise the Nationalist government, but it did not appear to be prepared at that time to lift a finger to protect Formosa against a Communist attack, which, in 1950, seemed probable. The Korean war, though it confirmed the American government in its opposition to Communist China, did not immediately change the American attitude to the Nationalists. President Truman's policy of the " two-way shield," proclaimed in June, 1950, two days after the Communist attacks in Korea, tacitly admitted the importance of Formosa as a piece of " real estate " to be kept out of Communist hands. But it lent no countenance to Nationalist dreams of a return to the Chinese mainland. The " two-way shield "—the US Seventh Fleet—had the task of protecting the Communists as well as the Nationalists from invasion.

Indeed, the importance of Formosa and its place in the Far East were among the issues that divided General MacArthur from President Truman. General MacArthur wanted to remove restrictions on the Nationalist forces and to include Formosa in the American chain of island defences. Neither concept was acceptable to the American government of the day. It was not until President Eisenhower announced a new policy in February, 1953, that the outlines of the present American attitude emerged. By then the Kuomintang, revitalised, had pushed through its bloodless land reform scheme and transformed its army with American help from a beaten rabble into a fighting force. The new American policy (described as the " one-way shield ") dropped the idea that the Seventh Fleet would prevent a Nationalist attack on the Communist mainland. But President Eisenhower's declaration was dangerously imprecise at a time when weapons of mass destruction were beginning to make big wars suicidal and small wars more dangerous than before. Washington's preoccupation with military readiness has helped Communist propaganda to obscure the fact that the Americans are equally concerned to prevent a war of any kind in the Far East.

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The mutual defence treaty of 1954 between the United States and Nationalist China was followed by an exchange of notes, in which the Nationalists agreed not to attack the mainland without prior American approval. Simultaneously, President Eisenhower obtained Congressional authority to resist any Communist attempt to secure the " related positions "—that is, the offshore islands of Quemoy and the Matsus. And a few months later, in the relaxed atmosphere of the " summit " conference at Geneva, the Americans felt able to start diplomatic talks with the Chinese Communists, with the aim of reducing tension in the Formosan area. But the Communists have refused to renounce force as a means of settling the Formosan dispute, and these apparently interminable talks, which are still going on in Geneva, have therefore made no perceptible progress in recent months. As it now stands, American policy in the Far East is at least consistent : to oppose Communist expansion everywhere and to help all governments that are willing to resist it. Military pacts of various kinds link the United States with Japan, South Korea, Nationalist China, the Philippines, Siam, Pakistan and, indirectly, South Vietnam. Economic aid supplements the military pacts.

At a time when the American government is groping towards a policy in the troubled Middle East, it can claim substantial local successes in East Asia. The contrast is striking between the state of the countries that accept American aid, and the plight of those that reject it. To the rejuvenation of the Nationalist regime in Formosa (described in *The Economist* on February 2nd and February 9th) must be added the emergence of South Vietnam from chaos. Siam, despite the symptoms of discontent that accompanied the recent general election, is still somewhat more stable and decidedly more prosperous than, for instance, Burma, which rejected American aid in 1953, but has now requested, and been granted, an American loan. Indonesia, ignoring the Communist danger while chasing the moonbeam of anti-colonialism, is disintegrating before our eyes.

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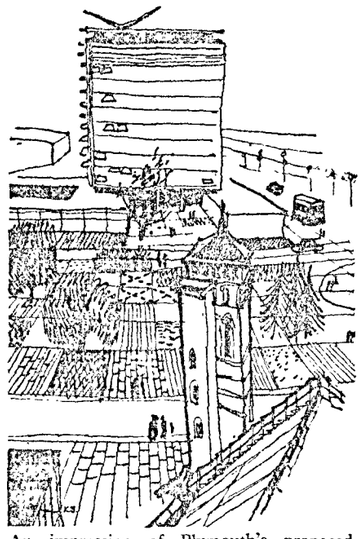
It would be foolish, on the other hand, to belittle the corrosive force of Communism against even the most stable of Asian regimes, or to expect the Far East to remain quiet for very long. For one thing, the present lull is only partly the product of American firmness. It is also the product of a change in Communist tactics, which have turned away from outright aggression, influenced in part by the emergence of a general Asian opinion hostile to conventional power politics that found expression in the Bandung conference. Added to this is a realisation on both sides of the suicidal nature of nuclear war.

East of Singapore, British policy plays a secondary part. What is far too little admitted in Britain, however, is that, even in the narrowest terms of British self-interest, American policy in the Far East, and the British attitude towards it, are nevertheless important. Formosa, in fact, has an importance unrelated to the moral issue whether to protect the Chinese Nationalists, or to the strategic issue whether to defend the United States at a shorter or a longer distance. Many of the 12 million or so overseas Chinese consider Peking as their capital already ; if Formosa changed hands, countries with Chinese minorities, including Malaya, would become more unreliable than ever. If the Americans were to abandon the Nationalists to their fate—of which there is no sign—the other anti-Communist governments of Asia would feel that they could place no reliance on American promises. The connection between the survival of Hongkong and that of Formosa has long been evident, though it is customary to talk of it only in whispers. If the Americans allowed Formosa to pass into Communist hands, the Communists could be expected to put pressure on Britain for the " return " of the colony ; and they would then no longer be deterred by the possibility that a British refusal might find the backing of American power. Whether we like it or not, Formosa is a key component of the *status quo* in the Far East ; and a change there would be followed by a succession of other changes which Britain could neither desire, nor be able to arrest.

City of Docks and Drake

On page 1092, an American correspondent describes the preparations in Plymouth, Massachusetts, for the coming of the new Mayflower. *One of our staff correspondents describes below current problems before the mother city of Plymouth in England.*

THIS week the city of Plymouth has brought before Parliament a private bill that would enable it to build a toll bridge over the River Tamar ; it has everything to recommend it except the doctrinal opposition of some Labour members to the levying of tolls. When the bridge is built, the road A38 from Exeter to Penzance will no longer suddenly slow down to a lumbering old ferry as it crosses the border from Devonshire into Cornwall, and many motorists who have hitherto taken the more northerly route will think it worth while to come this way. There is plenty for them to see : the Hoe and Drake's bowling green ; the old harbour called the Barbican, where the Pilgrim Fathers embarked in the *Mayflower*, and the Tolpuddle Martyrs regained English soil after their long deportation ; the magnificent estuary between green Cornish hills and rolling Devonshire farmland ; and the spiky clutter of the naval dockyard. Last but not least there is the proud new shopping centre that has risen from the bombed ruins.



An impression of Plymouth's proposed civic centre, with the nineteenth-century Guildhall in the foreground and an administrative block behind.

Plymouth should be much busier once the bridge has made it less remote. Few ocean liners—particularly British ones—now call at Plymouth, mainly because of the long journey to London. It is almost two hours, with two engines blowing and straining up Brunel's railway bank, before Exeter is reached and the train is able to break into a gallop.

Its physical remoteness is the key both to Plymouth's history and to its present preoccupations. It was strategic remoteness, as well as fine natural advantages, that brought the navy to Plymouth and created the great dockyard on which the town still subsists. But though it has now over 230,000 citizens, Plymouth—well removed from the main currents of modern urban life—does not feel or behave like a large city. Its citizens, metaphorically, still have mud on their boots ; they move leisurely and speak with the soft, gentle burr of a Devon farmer. Compared with the more brash and mercurial Londoner or Midlander, Plymouth folk are repositories of old-fashioned virtue. They are more prone to church—and particularly chapel—going, have less use for mass entertainment, still delight in amateur theatricals, and are, for the present age, remarkably thrifty. (Last year they saved an average of 15s. 8d. a head.) They make slow but very steady workers.

All this makes Plymouth a refreshing and unusual town. Yet the remoteness—emotional and physical—has its drawbacks. Some feel that it is high time that Drake stopped sleeping there below: that Plymouth possesses too few of the facilities and amenities of a big city, that it has neglected its tourist opportunities—for example, the magnificent Hoe is hideously cluttered with miscellaneous masonry (and a large monument to the 300th anniversary of the Armada raises the spectre of clutter without end). A more positive worry is the dependence of the town upon a single big employer (the Admiralty), and the associated criticism that for skilled workers wages are low and promotion slow and uncertain. Many of the town's brighter sons, it is complained, leave home for lusher economic pastures.

These complaints are not unheeded. Paradoxically perhaps, Plymouth has an energetic and imaginative local authority. At present Labour has a majority of six in the city council, but the pendulum has swung once each way since the war, and will some day swing again. Narrow party majorities seem to keep the chief officers on their toes, while a bipartisan approach to the problems of postwar redevelopment has been a great boon—when compared with, say, the squabbles which for a time held up action in the equally bombed port of Southampton.

At all events, the city has a good postwar record. The large new shopping centre already built lights no architectural torch, but it is a comprehensive, dignified and finished whole as well as a commercial success, and no other city (bar, perhaps, Coventry) has done better. Greater modernity is being attempted in the plan for a new civic centre, which will include, if the plan goes through, an oblong building like that of the United Nations in New York, raised on stilts above an open forecourt. Its new star-shaped flats, built remarkably cheaply, have effectively renewed the dark dignity of Devonport and, in a setting like Plymouth's, offer for once an attractive alternative to the lure of suburbia—which, however, is very much present in the form of booming, slightly above-average housing estates to the north of the city.

But the toughest task which Plymouth has set itself is that of attracting new industries. The great naval dockyard, with its ancillary establishments at present employs 23,000 workers. Here there is a naval atmosphere of orderliness, paternalism, and cheerful discipline. By convention, the men do not strike, but if engineers elsewhere secure a rise, the dockyard workers get one too. As a result, perhaps, of lack of competition, earnings are relatively low—only £9 to £10 a week, all-in, for skilled workers. On the other hand, there is a good deal of security. Once a man is "established," he is sure of a permanent job and pension, though he may be required to move to another dockyard. Plymouth, as the navy's premier yard, seems certain—so long as there is a navy at all—to be fairly busy. For all that, workers were laid off during the prewar disarmament era, and the exigencies of a cut-price atomic defence might well have the same effect. Concealed "redundancies" may already exist in the yard, awaiting Mr Sandys's attention, but no outside observer would ever spot them. The dockyard is a great straggling empire to itself which, to find room for technological developments, is now gobbling up still more of Devonport. But here, too, is a source of uneasiness. In about 1960, when the present large building programme in yard and city is completed, 3,000 or more building workers may be laid off.

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Thus, Plymouth would be more prosperous in the present and much more confident about the future if it had more industries. Unemployment there, at 3.2 per cent of the insured population, is already getting on for twice the national average, and would be a good deal higher than its present level of 2,000 if three big firms had not settled there since the war. The largest of these came to Plymouth simply because sufficient labour was not available anywhere else in southern England. But this firm has been pleasantly surprised at the higher productivity of local workers, untempted by higher wages in less attractive parts of the country. Contented and plentiful labour, especially female labour (for besides 1,000 unemployed women there are probably as many housewives who would be glad to have jobs if there were any) is Plymouth's chief bait for industrialists. The main snags are long transport hauls and difficulties over sites, since land within the city boundaries is very bumpy. There is neighbourly opposition to the idea of Plymouth spreading on to the flatter land east of the Plym, but the council is hard at work trying to develop suitable sites. Another obstacle that might stand in the way of Plymouth's industrial development is the Admiralty's distaste for anything that threatens its own supply of skilled labour. Some Plymouth citizens allege that when the Board of Trade advises industrialists where to build their factories, it bears Admiralty opposition to competition in mind.

It would be a pity if Plymouth lost its present compactness, and became just another piece of sprawling industrial jigsaw. Already there must be some regrets at seeing its outlying hills covered with new housing, admirable and necessary as this is. But Plymouth, though some may criticise its eagerness to sweep away and build anew, is conscious enough of æsthetic considerations, and such development as has taken place inspires confidence that more industry could be brought within reach of its population without spoiling its character. If the drive to attract industry did introduce eyesores, it would to some extent defeat its own ends. For, beside the special qualities of its labour force, the other main attraction of Plymouth for industrialists is that it is such a pleasant place to live and work in.

Secretary-Generalship



SINCE October, the cartoonists have made Mr Hammarskjöld's face familiar to a public which had previously known little of the Secretary-General of the United Nations. He has been depicted in many guises : interposing himself between belligerents, chastising Israel, Britain and France, while blandly overlooking Russia's reconquest of Hungary ; handing Gaza trustfully over to Egypt ; and—this week—going rather despairingly to consult the Sphinx. The cartoonists, of course, need a symbol to personify Uno, and only "Dag" fills the bill. But his appearance, in caricature or commentary, in the part often assigned to him is sadly misleading. It was inevitable that some angry Britons, casting about for scapegoats after the November débâcle, should include him in their fat black books ; but it has been disturbing to find many otherwise well-informed people apparently convinced that UN policy is determined by the Secretary-General.

Uno is neither a family firm run by a rugged tycoon, nor a trade union dominated by a bull-throated boss. Its Secretary-General, far from laying down policy, is its prisoner. Whether the resolutions passed by the Assembly or Security Council are sane or silly, he has to play the part allotted to him. A glance at the Charter will show that only one specific right of initiative is given him: he may draw the Council's attention to any matter which he sees as a threat to peace. He has no other rights: only duties. He has to recruit and direct the Secretariat which serves the various UN organs,

and to "perform such other functions as are entrusted to him by these organs."

"Other functions" in plenty have been loaded on Mr Hammarskjöld since October. The Assembly, having voted for cease-fires, withdrawals, and the admission of observers into Egypt and Hungary, for the creation of an emergency international force in Egypt, and for UN participation in reopening the Suez Canal, asked him to do all he could to these ends, and he has done his duty with notable energy, patience and skill. The lopsided results are not his responsibility. He can no more be blamed for the rejection of every UN approach by Russia and its Budapest puppets than he can be hailed as the creator of the UN force.

The force exists because Canada suggested it and other nations were willing to send contingents. It has neither seized the canal nor held Gaza, because its joint masters, the member nations, never attempted to assign it such tasks. Its activities have been limited by the Assembly's resolutions, by the caution of the contributing governments, and by the degree of co-operation obtained from the belligerents. Uno's canal-clearing work has faced similar limitations. The Secretary-General, doing his job as Uno's chief organiser, liaison man, and "progress chaser," steering his subordinates along lines which he did not lay down and cannot change, is in fact not a bus but a tram driver.

But even trams have been known to go off the rails and overturn. Something of that kind might well have happened to Uno if Mr Hammarskjöld had been less patient and prudent. Instinctively, he related his every move to some existing text—Assembly resolutions, the 1949 armistice terms, the Charter itself—and thus shielded himself from charges of arbitrary partisanship; and he made so much use of private conversations and correspondence that at times he was attacked for cold-shouldering delegates with whom he was in fact in almost daily, though subterraneous, contact.

Inevitably, newspapermen in search of stories have been aggrieved by these mole-like methods, and by his grey, tediously non-emotive "reports" to the Assembly, which, being as delicately balanced as any mobile, defy summary treatment and have at times been interpreted by the press in diametrically opposite senses. But to study these documents is to be struck by the skill with which the Secretary-General, having been invited merely to report progress, has used the opportunity to remind the Assembly, over and over again, of its own duty. Far from retreating into legalisms, he has continually pointed out that to restore respect for past pledges should be a first step towards constructive settlement. With his tram in danger of getting stuck halfway to its destination, he has politely but persistently invited the passengers to get out of their seats and push.

Has even this oblique exhortation amounted to an abuse of his powers? If so, he has got away with it so far; even those who are most reluctant to do the actual pushing have not complained about having it suggested that they might try. But it is arguable that, given a palsied Security Council and a sluggard Assembly, the Secretary-General's inherent duty is to remind delegates of theirs. Assembly or Council may rebuff him if he misjudges their mood or if they have any better ideas; their failure to do so is itself eloquent.

He has been accused in some quarters of trying to play president in a sort of world government. That image could scarcely fit either the man or the situation more clumsily. One function, indeed, he shares with constitutional monarchs—that of giving warning of dangers ahead and of the consequences of foolish action or inaction. But the sovereign whose "right to warn" was analysed by Bagehot confronted a powerful executive. The Secretary-General's position resembles rather that of a titular feudal monarch, ringed by quarrelling barons whose followers' loyalty is to each of them, not to the throne. He can try to cushion their collisions, coax them into agreement, remind them again and again of their joint responsibilities, sketch out possible courses and submit them for approval. More he cannot do.

New Uses for Old Words

For ourselves, we never were fond of watchwords, and it is with the greatest reluctance and misgiving that we either sign articles or repeat formulas. The very same words may, at different epochs, have the most opposite significations, according to the men who use them and the circumstances in which they are applied. At one time they may embody and express sacred and indisputable principles. At another they may signify mere shallow, popular, and vicious fallacies. *Peace*, when proclaimed in opposition to a Ministry which interferes in the internal affairs of foreign states to uphold an alliance of despots or to maintain a hated tyrant on his throne, is a bond of party union and a principle of party action of which no party need be ashamed. *Peace*, when thrown in the teeth of a Government who have been involved in hostilities simply by protecting British rights or defending endangered allies, may mean nothing but national humiliation. *Retrenchment*, adopted as a motto at a period when scandalous sinecures and undeserved pensions were the order of the day, was a worthy and honourable cry. *Retrenchment*, clamoured for when all sinecures have been abolished and all establishments cut down, and when the tendency and the danger lie rather in pushing reduction and parsimony too far, is almost as discreditable a pandering to mob prejudice as the "No-Popery" howl. *Reform* (*i.e.*, Parliamentary Reform)—in those dark days when Gatton returned two members and when Manchester returned none, when the members for Liverpool were elected by drunken freemen and when wealthy and wise merchants were refused the franchise . . . was a noble object and a grand reality. *Reform*, now means nothing but the speculative unsettlement of an altered system which works well, for the sake of engrafting upon it modifications which may or may not turn out to be improvements, but which certainly are not necessary nor even imperiously wished for. . . . It is very like repeating a dose of medicine long after the disease for which it was prescribed has given way to to the efficacy of the dose originally administered.

The Economist

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Notes of the Week

Strikes, Survey and Budget

THERE will be two main points to look for when the Economic Survey for 1957 is published next week. One is by how much the Government thinks that demand would rise this year in the absence of any tax reliefs; it is the difference between this figure and the figure for the maximum possible increase in output that should determine the amount of money, if any, which Mr Thorneycroft has available to give away. Unfortunately, this figure for prospective demand is likely to have been affected by the industrial disputes. Some of the export orders that have not been met during the strikes will have to be met by production in the new financial year; and the wage increases themselves will add initially to real domestic demand (at any rate until the increase in wage earners' purchasing power is mopped up by price increases), particularly as Britain may now be at the start of a new hire purchase boom. Some outside analysts have suggested that real personal consumption, on present trends and without any tax reliefs, might rise by up to £300 million this year; it is generally assumed that the small prospective rise in real fixed investment (and possibly in stockbuilding) should be just about offset by the fall in real Government expenditure on current goods and services (including defence); the only other source of demand is export demand, in which some unofficial optimists have been foreshadowing a rise of £200 million or more. All these figures, added together, could cause a rise in demand of over £500 million this year; some—but not all—analysts believe that this is the most by which production could economically be allowed to rise in 1957.

The other main point that will be looked for in the survey, however, is what sort of figure the Government has in mind for this maximum possible increase in output this year. This will depend partly on how much under-utilised capacity it thinks that there is in the industrial system—many outside observers consider that there is quite a lot; and partly on whether it thinks that too easy re-utilisation of this capacity to satisfy the domestic market would distract manufacturers from searching more diligently for export markets—a matter on which this Government has been commendably stern. It would be a mistake, however, for the Government to conclude that the recent industrial troubles mean that, on this point of judging how much extra output should be aimed at, it should now be sterner still. The policy of checking wage increases by checking the demand for labour has failed, and the best way of mitigating the effect of the new increases in wage costs per unit of output will be by spreading them across the greatest output in 1957 that is physically possible and commercially safe. Britain may now have forfeited the possibility of making this a year of more production more cheaply; but if the policy is to be one of aiming at only about the same amount of production more expensively, then the prospect will be bleak indeed.

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At least two other bits of economic news—apart from the defence white paper—are likely to hit the headlines in the coming week. On Sunday, the day before April Fools Day, the end-year Exchequer returns will be published; unless there have been unusual special outgoings or receipts in the last week of March, they should show an above-the-line surplus of over £300 million and an overall deficit of not much more than £300 million (which would be £240 million better than in 1956-57). But these figures are unlikely to have much influence on what Mr Thorneycroft does on April 9th. Some false optimism is also likely to be aroused next week by the news that Britain had a sizeable balance of payments surplus in 1956. This has been known for some time. It was speculation against the pound, and the adverse current balance of India and some other overseas sterling area countries, which caused the drop in the gold reserves last year.

Red Letter Day for Shoppers

MONDAY, March 25, 1957, the date when the treaty to set up a common market in Europe was signed in Rome, may be variously celebrated in future years. Politicians may feast it as the founding day of a united Europe, industrialists as the start of a new phase of expanding sales, economists as the dawn of a new era of growth and competition. But if there is anyone who should put out flags it is the housewife with the shopping bag, the neglected consumer. Exhortation to invest more and consume less, to raise production but be content with the same pay packet, to export more but buy less foreign goods, is so often thrust down her throat that a scheme directed to the only purpose of her husband's daily work—wealthier, lazier, pleasanter living—is a refreshing novelty.

The common market is in essence a scheme to knock down the barriers which force her to buy things made at home that are made cheaper and better abroad; to make the pay packet (and the national income) go further without extra effort by letting her shop in the cheapest market in Europe. In twelve years' time, if things go well, seventeen if not, Italians will be able to buy a Volkswagen a third cheaper, Germans Italian cottons an eighth cheaper, French businessmen cheaper German machinery, than if the closed

national markets were retained. British mouths may water for the day when the free trade area brings similar advantages, slashing the price of Italian motor scooters, French clothes and German cameras.

The common market has still to be ratified; and it can still break down in practice if governments fail to act in a European spirit—for instance by pursuing inflationary policies on their own. Free trade, too, will hurt some producers, especially in Lancashire and Coventry. But it can also accelerate Britain's economic growth, spurring on new industries, forcing others to put their houses in order, making better use of limited resources. Indeed, the main trouble with the voluminous common market treaty is that it is so full of anodynes intended to make economic change painless that there is too little left of the healthy medicine of free trade. Seventeen years is a long time for the European housewife to wait for the certainty that she can buy manufactured goods from neighbouring countries duty free. Even then, the day when she can buy an American refrigerator or a Chevrolet may be as remote as ever; and the bacon and eggs may be dearer than today. The protectionist elements in the treaty underline the need for a liberal British influence within a broader free trade area.

Apostles of Free Trade

PROFESSOR ERHARD'S visit to London to meet Mr Thorneycroft has the air of a conclave between a latter-day Cobden and Bright. Plenty of politicians have been concerned to set up the many institutions, the embryonic European government, as some believe, of the common market. But these two, who have led the discussions in OEEC in a broader free trade area, have been apostles of free trade for its own sake. Both are deeply concerned to lessen the protectionist elements in the common market, and they will now have the opportunity to concert their efforts on two specific points: first, to ensure that the broader free trade area is in fact set up around it and, second, to minimise the new preferences in favour of French overseas territories.

West Germany is as interested as Britain in these two matters. Last week the German Bundestag gave a general endorsement to the common market treaty, encouraged by the fact that careful allowance has been made in the treaty for the special place of trade with east Germany. But on all sides critics questioned the protectionist features of the treaty, urged the need for a broader free trade area to include Britain and other European countries, and were gloomy about Germany's extraordinary commitments to invest $200 million in overseas territories, mainly those of France. By successive tariff cuts designed to keep prices steady, despite the boom, Professor Erhard has been converting Germany from a high into a low tariff country, to the great benefit of German consumers and foreign exporters. But when a common outside tariff is formed round the common market, these cuts will have to stop, and the new preferences for overseas territories may raise the cost of German food. Professor Erhard has criticised the protective elements in the common market with such vehemence that he had difficulty in explaining in the debate last week why he supported it at all. And he plans soon to slash German industrial tariffs by a further 30 per cent, in a final fling designed to bring down the future external tariff of the common market; this will be based on a weighted average of the tariffs of its members.

Two Pieces to Pick Up

IT requires diligent searching to find any rays of comfort in the current labour situation, but there have been two features of the recent negotiations that have emitted a faint glimmer of hope for the future. One has been the greater readiness of the unions to discuss measures to improve productivity at the same time as discussing increases in wages. The Transport Commission's main internal justification for giving the railwaymen an extra 5 per cent—apart from their strictly commercial determination not to lose, through strike interruptions, some of the traffic they have gained from the roads during the petrol shortage—is that they want to reward the NUR for its co-operative attitude about manning schedules during the past year; they believe that they may be able to arrange that the new diesel and electric trains carry only one man on the footplate, which would make their operation as economic as it is in Switzerland, and much more economic than in Canada or the United States. To do this they will have to get agreement from the less co-operative ASLEF, but the right target has been set. It is also important that every effort should be made to see that the forthcoming discussions about limitations on apprenticeship and other restrictive practices in engineering and shipbuilding get down to the brassiest tacks. The employers should at least consider offering decasualisation of labour as part of the bargain.

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The second glimmer of hope has been the attempt by the employers, met by bargaining rather than by too bitter resistance from the unions, to extend the interval between this round of wage increases and the next one. As in so many matters, when this country becomes richer, the proper course may well be to move towards American practice; and American trade union practice is now generally for wage settlements to run for a fixed contract period of more than a year. It is important that, as a very small advance towards this system, the eventual settlement in shipbuilding and engineering should incorporate the provision that the next wage claim should not be tabled until a full twelve months' time. The Transport Commission's formula for trying to stop one wage claim following so soon upon another is vaguer. The railwaymen's union is "to give formal and sympathetic consideration" to the feeling that "it would make for harmony if periodical reviews at agreed intervals took place," but it has been "recognised that exceptional factors outside the control both of the commission and the unions might require a special consideration of wage levels." Nobody will be able to interpret precisely what that means. Nobody is meant to. But the burgeoning idea is clearly the same.

It is an idea that ought surely to be followed up. Whether or not a half-advance can be made to breaking the too frequent cycle this year, employers might be wise to try to turn negotiations for the 1958 increase, in as many industries as possible, into negotiations for three or four year wage contracts. The nearest model to aim at is, perhaps, the three year agreement already operative in the printing trade. If such contracts become a more general rule, cost of living escalator clauses will almost certainly have to be attached to them; but that is not a major problem. The most intractable reason why the cost of living has continually risen is that wages have increased by more than productivity; if that problem could be solved, escalator clauses would not continually be coming into effect.

Representing Whom?

THE part played by the Parliamentary Labour party in the shipbuilding and engineering strikes has been one better suited to supporters of a corporative state. There *can be no complaint that Labour members should* be instinctively on the side of higher wages, but there should be real democratic anger at the way in which the party's official views have been represented. Every day and on every issue—including, of course, the main one of negotiation versus arbitration—Mr Robens has come down to the Commons as the straightforward spokesman of the union leaders concerned and, while urging Mr Macleod forward in his efforts at conciliation and saying that his main aim is not to exacerbate feeling, has made Parliament a sounding-board for Transport House. There must, indeed, be a suspicion that he co-ordinated his briefs beforehand with the unions. That is the obvious implication of the treatment accorded to Mr Bevan when he made the one individualist suggestion (not, as a matter of fact, a very good one) from Labour's side. The party enquired whether the unions approved of Mr Bevan's suggestion, found that they did not, and accordingly rebuked him for ignoring the shadow cabinet's demarcation lines.

This implicit assumption that Labour front benchers must always be the unions' official spokesman was also shown last week in the debate about whether short-time workers should get unemployment benefit for their Saturdays off. It reached its apogée, however, in Mr Robens's attitude in the use of Admiralty tugs to get the Queen Mary to sea. The implication of this row—of this latest and most remarkable extension of the class of "black" transactions—is that in Labour's view it is not only impermissible to try to get anyone else to do work that strikers would normally do; it is also impermissible to try to carry on without getting the work completed—the strikers being the sole judge of whether it has been completed—and the proper penalty, which on Mr. Robens's argument the Government of the day should presumably approve and enforce rather than circumvent, is a total boycott of the offenders and all their work by every sort of organised labour. Presumably Mr Robens hopes at no remote date to fill Mr Macleod's shoes; he may then regret having argued that anything done by the Government to minimise the dislocating effects of a strike is "provocation." It is high time that he differentiated between arguments that may seem expedient within Labour's union-dominated national executive and arguments that cannot sensibly be used by a future Minister of Labour nor supported by a future Government.

The Stricken and the Swung

THE North Newcastle by-election produced the smallest swing to the left since Mr Macmillan became Prime Minister—only 3.6 per cent. Beckenham, on the other hand, polling on the same day, returned a swing well up to the 1957 average, if not a little above it—6.1 per cent. The explanation seems fairly obvious. While south suburban Beckenham was still preoccupied with the woes of the middle classes, North Newcastle found itself in the middle of a shipbuilding and engineering area affected by a major strike, with the threat of more to come. The constituency serves as a middle-class dormitory for many professional people, office workers and tradesmen whose main topic of conversation just now is the wickedness of the local trade unions.

There has been less reaction than might have been expected among Conservative MPs at Westminster to this campaign issue—an issue, incidentally, that may have had more effect than was generally realised at the time on the last general election, which took place two days before a railway strike. The average Tory backbencher is not inclined to launch an emotional campaign against the trade unions. He is, however, inclined to launch such a campaign against the nationalised industries, as a party committee's rough handling of Lord Mills on the Electricity Bill has shown; and this makes it rather surprising that there has been merely below-surface disquiet, not an above-surface explosion, in the party as the Transport Commission has performed its annual rite of undermining the wage-price balance of the economy. One explanation may be that many Tory MPs' eyes are now fixed firmly, and longingly, on the coming budget. Some of the instinctive rebels feel that dark warnings of galloping inflation would not accord very well with their campaign for tax reliefs.

Fumbling with Bombs

MR ZORIN'S behaviour at the London disarmament talks, where the testing of nuclear weapons is now being discussed, has been described as "workmanlike." It is difficult to be so complimentary about the latest British and American statements on tests. London and Washington may well call Tuesday's Soviet proposal a propaganda move; it was altogether too slickly timed, right on the heels of the Bermuda communiqué and of Britain's rejection of Japan's appeal against the Christmas Island tests; and the suggestion of an "immediate and temporary" suspension of tests was heavy with irony, coming as it did from a government that has lately carried out a series of large-scale explosions and doubtless needs time to prepare its next series. The Japanese may also be asked, not unreasonably, why their protests against British tests 4,000 miles away are so much louder than anything evoked by Soviet tests carried out nearer to Japan and without any advance warning or precautionary steps. But it must still be said that the position of Britain and the United States seems uncertain and its expression unhappy.

In the second annexe to the Bermuda communiqué, the

President and the Prime Minister declared that in present circumstances breaches of an agreement to limit tests could not be surely detected, and invited Russia to join their countries in "self-imposed restraint" to ensure that radiation caused by tests stayed well below the danger level. If their premiss is correct, their invitation seems meaningless; if, as some argue, it is of doubtful validity, one would like to have more light shed on it. If it is true that tests of what are now called "clean bombs" cannot be detected at a distance because there is relatively little radio-active fall-out, it is presumably also the case that these explosions will not seriously endanger human health. Why, then, could not Sir Anthony Eden's concept of a "rationing" of thermonuclear explosions still be applied to the "dirty" bombs which remain a serious health hazard?

Algeria in the Accounts

DURING the first part of the French assembly's marathon debate most of the government's critics concentrated on its economic performance; during the second, they talked of Algeria. It was left to M. Mendès-France to insist on the intimate connection between the two problems. He pointed out that the budgetary burden of the Algerian war may soon reach £1.5 million a day; but he drew particular attention to the part played by the Algerian conflict in France's most urgent difficulty—the critical position of its balance of payments. Imports of military equipment have risen from almost nothing in 1955 to £60 million last year and will exceed £90 million in the current one. The drain on the engineering industries hinders vital exports. To this must be added the effects of mobilisation on manpower and the cost of the Suez expedition, which in France can only be viewed in its Algerian context.

The Algerian war is much more costly than was the Indo-Chinese one, for which the Americans were footing more than half the bill. Now foreign aid is dwindling. M. Mendès-France does not conclude that an Algerian settlement would solve all economic problems, nor that French policy should be dictated by financial considerations alone. His plea was merely that political decisions should be reached in full consciousness of their economic consequences and that the appropriate economic measures could follow. Many deputies who manage to treat the two issues with a perfectly split mind needed such a reminder.

France's Last Radical?

THE death of M. Herriot deprives French politics of its grand old man and symbolises the eclipse of the party which in his heyday was its driving force. He alone seemed unchanged while the gap steadily widened between the verbally radical slogans of his party, inherited from the French Revolution, and the increasingly conservative outlook of its supporters: a gap which gave rise to the jest that the Radical party had its heart on the Left and its wallet on the Right. M. Herriot, however, seemed beyond the reproach of hypocrisy, and in his mouth the old-fashioned slogans had the ring of truth. Indeed, his political attitudes were often conditioned by a hankering after the glorious past. As one who had led the *Cartel des Gauches* in 1924 and headed the government which granted *de jure* recognition to the Soviet Union, he still tried, even after the second world war, to avoid making enemies on the Left, and he hoped that all European problems could be solved by agreement with Russia. Hence his passionate opposition to German rearmament.

His prestige was based on personal rather than party grounds. Few people dared to question the integrity of an elder statesman of such renown. But he lived long enough to see the full difficulty of reviving his cherished party, of reconciling its programme and its practice. He gave his blessing to M. Mendès-France's attempts to transform the loose-knit Radical club into a disciplined party, but ended by resigning his honorary functions as a protest against the schisms that followed this attempt. From his deathbed he could see his successor in the paradoxical position of controlling the party machine while deserted by most of the Radical deputies. A congress of the party, which was to be held this weekend, will now probably be postponed. If, in the near future, the experiment of M. Mendès-France meets with no greater success than hitherto, M. Herriot's funeral will take on a sombre political meaning, and he will go down in history as the last Mohican of French Radicalism.

Strict with the Farmers?

THE Government claims to have been "strict" with the farmers this year. What this means is that it has not given them much more than it was bound to do under the terms of its new long-term guarantees. These required an increase in the total value of the agricultural guarantees of £8 million—a figure which is reached by deducting the maximum permissible cut of 2½ per cent (£30 million) from the estimated increase of farming costs (£38 million). But Mr Heathcoat-Amory plainly felt that to stick at this figure would impart a nasty Scrooge-like note into the harmonious atmosphere which now prevails between Whitehall and Knightsbridge. Accordingly, the farmers have been given an increased award of £14 million, and the adjective "very strict" presumably stays in reserve for future use. The result of this and of present market trends is that the cost of the agricultural subsidies, which has risen from £205 million in 1955-56 to some £245 million in 1956-57, will probably be appreciably higher in the coming year.

As it did a year ago, the Government has tried to achieve a more rational distribution of its support, and in particular to check the uneconomic expansion of milk, pigs and eggs. It has been only partially successful. The very real difficulties of small dairy farmers were vigorously championed by Sir James Turner and the Minister has eventually conceded a token increase of ¼d. a gallon on milk. He has tried to counter the flush of cheap, heavily subsidised eggs by making a basic cut of 1¼d. a dozen, and he has left the pig guarantee unchanged. On the other hand, both egg and pig producers get automatic compensation for the rising cost

of feedingstuffs, so that the actual burden of these subsidies seems unlikely to fall. The wheat price has been cut in anticipation of a large world wheat surplus. Price increases have once again been heavily concentrated on meat production and on stimulating greater domestic self-sufficiency in feedingstuffs.

One danger of the new system is going to arise from the need to find "economic" outlets each year for the obligatory volume of Government support; the result could be that these temporarily "economic" products are encouraged too much. At the moment, for example, the Government is increasingly concentrating its support upon beef production as the safest economic bet under present conditions. Is it quite certain that it is not thereby running the risk of eventually precipitating among beef-producers the same cycle of inflated prices and over-production, followed by sudden retrenchment and disillusionment among small producers, that has already afflicted milk and pigs?

The Shops Bill Limps On

LORD HAILSHAM'S affirmation on Wednesday that the Government still intends to go on with the Shops Bill was hesitant enough to confirm that it is increasingly embarrassed with this misjudged measure; and he was encouragingly equivocal in his reply to a question about whether the Government will accept an amendment to maintain the closing hour at the present statutory 8 pm, instead of making it an hour earlier. The blunt truth is that this bill was the fruit of some of Sir Anthony Eden's private discussions with trade union leaders, who said that they wanted a shopworkers' charter. Now that the charter is in draft legislative form, it turns out to be a charter for compulsory restrictive practices.

If Lord Hailsham feels defensive about the bill—and the spleen of some of his remarks last Wednesday suggests it—the Lords are hugely enjoying themselves making merry with the anomalies created by the bill's attempt to reduce the range of articles exempted from the ban on after-hours retailing. Is a currant loaf bread, which may be sold on closing days, or is it flour confectionery, which may not? If that distinction can be made, why cannot a distinction be made between a postcard and a photograph, both of which may be sold? Is the consumption of a bun, legal by a *bona fide* long-distance (how long?) traveller in a motor coach, illegal by anyone else in a tram? These, and many more, threatened anomalies arise out of the slavish attempt to follow the recommendation of the Gowers committee that to end the evasion that was bringing the shop hours law into contempt the right thing to do was to cut down the list of exemptions to the restrictions. What should be done instead, of course, is to cut down the restrictions themselves.

The Government should not be bound by Sir Anthony Eden's expression of intent to the unions, which was never a binding promise. That being so, there are two courses it could sensibly follow. One is to continue with the present bill, but to allow it to be turned on its head by amendments. The other—and better—course would be to drop the bill, and introduce another one, with almost precisely opposite intent, next session. The public should be set free to buy when and where it wants, as opportunity offers. The protection of shopworkers should be left, in conditions of full employment, to competition, the Shop Workers' Union, and (if this is considered necessary) legislation defining maximum permitted hours of work for shop employees but not maximum permitted hours during which any shop can remain open.

Imbroglio in Tunis

THE celebration of the first anniversary of Tunisian independence spotlighted the complications created throughout North Africa by the unfinished Algerian struggle. M. Bourguiba, the Tunisian premier, took pains to praise France and to be nice to its representative, M. Mitterrand. But the simultaneous presence in Tunis of the delegates of the Algerian National Liberation Front compelled the organisers to stage a game of hide-and-seek at the airport and of musical chairs at all receptions so that their warring guests would not meet; it also brought about the early departure of M. Mitterrand. As a result it was Mr Nixon who stole the show, his main competitor being another American, the trade union leader, Mr Irving Brown, whose violent speech against "colonialism" gained him a tremendous ovation.

This imbroglio was not of M. Bourguiba's choosing. He genuinely believes in a North African federation closely linked with France, and his vigorous attacks on French actions in Algeria always include a note of regret that France should be wasting such an opportunity of preserving its influence on his side of the Mediterranean. His faith in the virtues of negotiation has not been destroyed by experience, and he is still counselling moderation to the Algerian leaders. Such is the effect of repression, however, that the extremists have gained the upper hand within the Algerian leadership; they declare that they will accept nothing short of immediate independence. M. Bourguiba is reputed to favour the recognition of "a right to independence" as a compromise formula.

French opponents of a compromise will find new arguments in this Algerian intransigence. Yet France's opportunity in North Africa largely depends on M. Bourguiba's success in selling his federal ideas to his fellow-Arabs. It is in France's interest that the Tunisian leader and the Sultan of Morocco should succeed in softening the Algerian stand at the present talks in Rabat. Even the wealth of the Sahara, which at present looks like a fresh bone of contention between France and the North African states, could cement a new alliance.

Neutrality and the Sudan

A SUDANESE goodwill mission to Iraq ended on Monday in "complete agreement" on political, economic and cultural relations. A joint statement issued in Baghdad said that the two countries would strengthen trade and encourage the flow of Iraq capital to the Sudan for economic

development. Iraqi banks will open branches in Khartoum to encourage the movement. Certainly the Sudan can use any capital that comes its way; but it is early to expect much of it to come from Baghdad.

Two countries with such closely similar problems can probably render each other only limited material help. The visit has, however, given further evidence of the independent spirit of the Sudanese coalition government. Neither Egyptian propaganda against the Baghdad Pact and all things Iraqi nor the resurgent pro-Egyptian policy of the opposition in Khartoum has deterred it from talking to Nuri es-Said. The joint statement criticised Egyptian policy by implication when it mentioned the need for Arab countries to stop interfering in each other's internal affairs; both Iraq and the Sudan have suffered from Egypt in this respect.

No question arose of Sudan joining the Baghdad Pact. Mohamed Ahmed Mahgoub, its Foreign Minister, had made this clear long before he went to Baghdad. The reference to foreign aid—that it should be judged by the "special circumstances" of each country—could fit the case of Egypt's sales of cotton to the Soviet block. But the known sentiments of the two Sudanese ministers, and the very fact that the statement was made in Baghdad, can only mean that they are not willing to take their attitude to possible American aid ready-made from Egypt or Syria. The Sudan seems to interpret neutrality in the ordinary meaning of the word, and to be applying it in its relations with Iraq and Egypt as well as in its attitude to the big powers.

The Leaking Embargo

TRADE with China was one of the two themes on which there was little "meeting of minds" at Bermuda. The gulf between Britain's commercial-minded wish to bring the embargo on China into line with that on Russia and the Americans' stern political negative still seems wide. America's concern to avoid a gesture that might enhance China's prestige is supported by a powerful economic argument. The Soviet block is in critical economic difficulties. There are not enough investment goods to carry out its plans. It hardly seems the moment for the west to help it out, aiding China in its economic race with India.

Britain, however, can also muster strong arguments. The economic one can simply be turned upside down. Britain has always sought to lever China and Russia apart, and the block's economic difficulties might be used to serve that end. In January the Chinese leaders bought continuing Russian aid with a political obeisance, but they have no more liking than the Poles for this dependence. An easing of the embargo, the China hand can argue, would strengthen China's bargaining position in Moscow.

The embargo is in any case leaking more and more. Embargoed goods are not only shipped to China via eastern Europe; the exceptions procedure, which was designed to let through a trickle of samples and small orders, has become the channel for a stream of goods. It is difficult to substantiate the view of many British business men that the Japanese, French and German authorities apply the procedure more generously than the Board of Trade. But French exports to China more than trebled last year, with embargoed steel and tractors playing an important part, and the Japanese, who have held a trade fair in China and sent many technical missions there, doubled their exports.

Even American manufacturers, like Mr Henry Ford, have begun to criticise the embargo, tempted by the prospects. China, unlike many communist countries, can afford to pay. Its trade with western Europe was in deficit last year, but its export drive in south-east Asia is piling up sterling reserves. In the first eight months of last year it had a trade surplus with the free world of over £50 million. If it cannot spend this direct in western Europe, it can use it to buy embargoed goods through eastern Europe and south-east Asia. The embargo may or may not be prudent, but it is clearly anomalous

Breaking-Point on Malta

THE talks between the Colonial Secretary and Mr Mintoff, the Maltese Prime Minister, are on the point of breakdown. Agreement on ends remains—the ultimate integration of Malta with the United Kingdom—but on means the two parties are still far apart. It was always clear that integration would be expensive for Britain; in the new mood induced by defence cuts and an economy drive, the British Government is evidently trying to trim its liabilities to its proposed Mediterranean Ulster. It is proposing—what on the economics of Malta's position is reasonable—that the rate at which Malta shall become eligible for "equivalence" with British wage rates, social services and welfare state amenities shall be tightly geared to the rate at which its productivity increases—under rather vague promises of considerable stimulus from British industrial investment in the island.

Mr Mintoff considers this a complete abrogation of the principle of the original agreement on integration; the Maltese government sticks firmly to the view that, politically the only meaning of integration is that there must be equal benefits for equal taxation within a specified period and by specified steps. "Equal" here, of course, means "equivalent" in terms of local conditions; furthermore, the Maltese negotiators admit that there must be some correspondence between the rate at which Maltese taxation and welfare benefits are increased on the one hand and Maltese productivity grows on the other. But they see this simply as a matter of setting out a period, during which Britain will be expected to pump capital into Malta, and they believe (in accordance with their Labour convictions) that growing social expenditure will of itself tend to generate higher productivity. But they argue that the essence of the bargain is that, if at the end of the agreed period (twelve or fifteen years) for jacking up Maltese productivity the island should still be a deficit area (like Scapa Flow), Malta's equal status as part of the United Kingdom implies that Britain will carry the island at the current British standard of living.

Indeed, Mr Mintoff has now so far pledged himself to his own supporters that he cannot offer them anything less than some such "promise" of equivalence at a target date. His opponents are making rapid headway with the argument that integration will not bring Malta the benefits advertised in Mr Mintoff's prospectuses and will cost the island its precious freedom of action. There is therefore

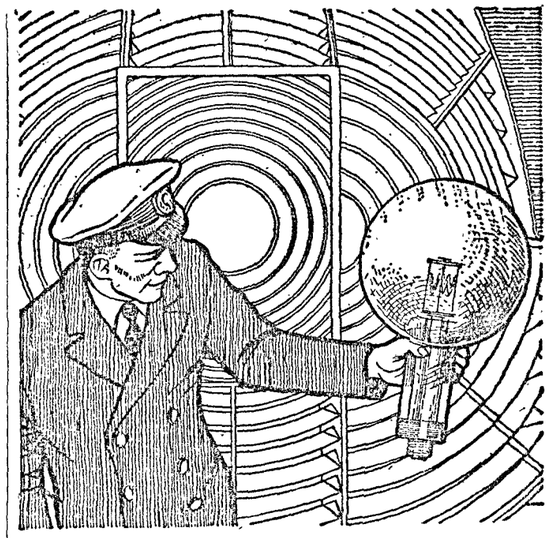
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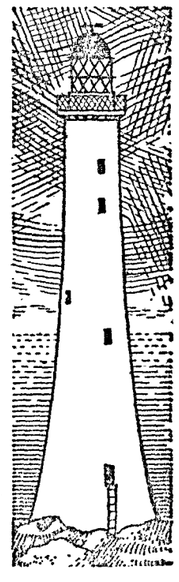


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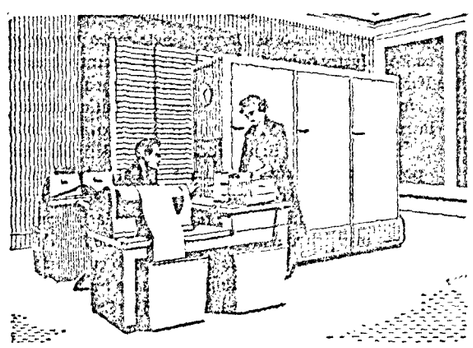
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not much time to bridge the gap between what the British Government think fair to the British taxpayer, and what Mr Mintoff can sell to his people. The fact must, however, be faced that the failure of the talks will, in many ways, amount to a reappraisal by Britain of its need to secure for all time a naval base in the Mediterranean.

Planning Oil Routes

THE major world oil companies have been meeting in London to discuss new pipelines for the increased oil production of the Middle East expected during the next decade. They formed committees to study routes, capacities and construction problems; the availability of materials and equipment; and, of course, a small matter of about £200 million likely to be needed to execute the eventual plans. This exploratory stage will take "a few weeks" before the committees report back to the main conference.

The aim is to expand and diversify the means of transporting oil; this would have been necessary even if the Suez Canal had not been blocked and the oil pipelines sabotaged in Syria. About 400 million tons of oil will be moving from the Middle Eastern fields by 1967; a wider and deeper Suez Canal, 100,000-ton tankers, all the existing pipelines, and new pipelines will all be needed by that time. It is not simply a question of insuring against the political idiosyncrasies of Egypt and Syria; despite all the alternative means of transport, those countries can hit a bigger jackpot than ever if they choose to be co-operative.

The discussions are specifically concerned with enabling the pipeline system to move an additional 60 million tons of oil a year to the Mediterranean and the Atlantic with the greatest safety, speed and economy. Other questions of oil transport, such as giant tankers, are in the background but do not enter into the discussions. The American companies, with the anti-trust laws in mind, are keeping carefully within the limits of their clearance from the United States government; and this extends to pipeline questions only. The most obvious next move for the oil industry is to build pipelines through southern Turkey to the Mediterranean. The Iraq Petroleum Company, having gone over the possible route, is satisfied that it is feasible. The London conference may favour the duplication of the IPC project, but whether it will choose Iskanderun—the most obvious choice—as the Mediterranean terminal is debatable. Iskanderun is the subject of territorial dispute between Syria and Turkey, and the companies do not want any political friction they can avoid. There may be no reasonable alternative.

In planning development, account will be taken of the existing IPC network and its schemes, such as the pipeline from the Basra field to Kuwait and the plan, sponsored by the Iraq government, for a line from the northern fields to Basra, Fao and Kuwait. The arrangement (discussed further on page 1112) between the Iranian National Oil Company and Eni-Agip, an Italian state-controlled corporation, for exploiting the Iranian field at Qum, may eventually come into the picture. There are reports of a scheme to pipe Qum oil to the Mediterranean via Turkey, but so far there is nothing firm about this.

Guarantees for Pipelines

MR MACMILLAN apparently secured benevolent United States interest at Bermuda in the idea that pipeline routes should, if possible, be secured by international convention and not simply by commercial agreements between the oil companies and the transit countries. It is a matter which the London conference of the companies is bound to consider; for in planning new pipelines, their security is of primary importance both for the oil markets and for the shareholders. It acquired greater cogency by reason of the Syrian sabotage of pumping stations last November.

The companies have in the past preferred purely commercial arrangements, seeking the ideal—unattainable in a product of such immense concern to nations—of insulation from politics. They like to be business men doing a straight deal on cash and carry terms. They do not like the idea of being too closely associated with the disputes of governments, which usually complicate the situation by their many-sidedness. A commercial deal is perfectly compatible with "neutralism" or "positive coexistence," or whatever other name some Arab governments give to their unco-operative policies. This attitude has a lot to justify it; for example, the Iraq Petroleum Company has been able to go back into Syria although diplomatic relations between Britain and Syria are still broken.

The Government has come to the conclusion that commercial arrangements are too much at the mercy of the transit governments. Oil is politics now; it is vital to the strategy of great nations and to their economic survival. An oil pipeline is a sort of specialised "Suez Canal," having a fair degree of the real canal's importance; there is therefore a case for getting it guaranteed by international convention. Until the invasion of Egypt gave him a military excuse to block the canal President Nasser was at pains to show that he was fulfilling the terms of the 1888 convention which guarantees free navigation. International guarantees could in the same way provide some deterrent against interference with the oil flow, and the basis for international action to prevent or remove the obstruction.

These arguments may well outweigh the old attitude of the companies. They cannot lightly reject anything which might strengthen the security of costly pipelines. But they would almost certainly still negotiate the pipeline agreement direct with the transit countries. An international convention would be a political umbrella negotiated at government level. It could in theory be extended to the existing pipelines through the Levant—if Syria and the Lebanon agreed. But what would induce them to agree?

West Germany's Choice of Tank

AFTER months of trial on the ground and argument in the conference room the west German defence minister and his technical advisers have decided to buy American M48 tanks to complete the tank fleet of the new German army. This has understandably disappointed the team of Britons who have been trying hard to persuade Herr Strauss

to take the Centurion. They believe the Centurion to be the better tank; they know it to be the cheaper; and they hoped that the prospect of a sterling transaction might have put its qualities in an even more favourable light. The Germans explain plausibly enough that they have based their decision largely on the consideration that they already have 1,000 M47's and that consequently by introducing the M48, which is a development of the M47, training and maintenance will continue more smoothly. This would be more convincing had they not experienced difficulties in obtaining spare parts for the M47 and turned to the British for help. But, it must be remembered, the M47's were a gift and the Germans feel under some moral obligation to satisfy the American salesmen, who have been just as keen as their British rivals to do a deal.

It is still not clear just how many M48's the Germans intend to order. The highest figure officially mentioned yet has been 700. An order for that number of Centurions would have earned some £30 million of foreign exchange holdings for this country. It is possible that the final order will come to less. The Germans are frankly not happy about the M48. They are pressing ahead with plans for a tank of their own design which they consider will suit their needs better than anything the Allies have to offer.

British hopes of booking orders for some £100 million of equipment by May 1st have now been dashed. At the end of the first phase of German buying, Britain's share is in the neighbourhood of £60 million. It is unlikely that this figure will be substantially increased during the next twelve months, when the Germans will be making up their minds how they want to fit out the really "modern" armed forces which they are resolved to have. During this period they will continue to examine what Britain has to offer, particularly in fighter aircraft and guided weapons.

Whale Inspectors

WHALING is a highly competitive industry in which each factory ship does its utmost to get the biggest share of the limited total of blue whale units that may be caught; the temptation to gain an advantage by breaking the rules is strong, and lapses are difficult to prove. The Norwegians, who have been finding it difficult to obtain their former profit from whaling, are particularly anxious to ensure that the rules are kept, and have even threatened to withdraw from the International Whaling Commission (which annually decides how many units may be caught) if nothing is done to reduce opportunities for poaching.

A conference was therefore summoned in Oslo last week to discuss the possibility of sending out "neutral" observers with each factory ship to see that no hunting took place before the start of the season, or after the permitted total had been killed, and that under-sized whales were not being caught. A draft plan was agreed on by Norway, Japan, Great Britain and the Netherlands, but Russia, the most seriously suspected of poaching, refused to attend. This may mean that the Russians will not co-operate at all, which could wreck the whole scheme, or it might simply imply that they prefer to wait until the whole matter can be settled through the commission. This will take some time, as the commission's convention debars it from considering the appointment of inspectors and the procedure for altering its powers is long and complicated; a protocol has, however, been signed by its members and ratification is going through.

The Oslo agreement is as yet only in draft form, and its details have not been published. It is expected to provide for the setting up of a board which would appoint inspectors from countries with no direct interest in whale hunting and allot them to factory ships; this would be only a stop-gap arrangement pending the decision of the Whaling Commission. It is to be hoped that it succeeds in its object and that the Russians find it possible to agree to it, for if the system of control breaks down the danger of hunting whales to extinction is very great.

Occupational Prodigies

THE following piece of social research was prompted by a small news item that appeared in the *Lancet* earlier this month. It was there pointed out that according to the Occupation Tables of the 1951 census of England and Wales, which were published in January, there are—or were—four registered medical practitioners aged 15, three aged 16, one aged 17 and four aged 18-19. There were half as many equally young doctors in Scotland. This revelation made us wonder what other prodigies were lying buried and unsung among the Registrar-General's 672 pages of statistics.

The results of the research, which was restricted to England and Wales, provide plenty of food for curiosity. To begin with, it was found that the *Lancet's* correspondent had overlooked the girl doctors—numbering three aged 15, four aged 16 and seven aged 18-19. But the prodigies are not confined to the medical profession. The following table will give some idea of how widely they are distributed, and in what unexpected places.

	Males aged		Females aged	
	15	16	15	16
Locomotive engine drivers	9	21	...	...
Guards	31	39	...	...
Drivers:				
Trolleybus	1	...	...	...
Bus and coach	1	1	...	...
Other passenger vehicles	3	3	1	...
Secretaries of companies	3	...	...	2
Managers, heads of departments	13	30	11	22
Company directors (so returned)	...	...	1	...
Stock brokers or jobbers	1	2	1	...
Clergymen (C. of E.)	2	...	...	...
Dentists	1	1	...	...
Business managers, etc., of cinemas, etc.	2	1	1	1
Proprietors and managers of restaurants	7	15	9	17
Publicans	1	2	...	1

This list of occupations where youth has reached the helm does not claim to be exhaustive: it ignores, for instance, the sixteen year-old boy and girl who are returned as higher civil servants, and two sixteen year-old girls who are "bankers, bank manageresses, inspectors." And impressive as all these prodigies are, their achievement has been surpassed by others. There are 36 fifteen-year-old boys and 22 girls who are listed by the Registrar-General as having already "retired from gainful occupation."

Letters to the Editor

Free Trade

SIR—The project for a European Common Market and associated Free Trade Zone has already stimulated or strengthened public interest in the free trade question. At this turning point in international affairs it would be a tragedy if, for lack of money and after a famous history of 54 years, the Free Trade Union, a non-party organisation, were compelled to close down or even to curtail its activities. That stark predicament will confront us early in 1959 unless we succeed in raising new sources of revenue. Our needs are extremely modest since to carry on, on our present basis, we need an additional income of approximately £2,500 per year. Our present activities, propagandist and educational, include the maintenance of a small office pursuing a large correspondence at home and abroad, a voluntary speakers' panel available for public meetings of all kinds, and the bi-monthly publication of *The Free Trader*, a highly respected journal with an influential circulation, whose features are often reproduced at home and overseas. We address this appeal to the readers of *The Economist* (leading spokesman, as it has been, ever since 1843 of fiscal liberty and the free economy) in the confident aspiration that they may be willing to help us.—Yours faithfully,

ANDREW MCFADYEAN
TENBY

Free Trade Union and Cobden Club, London, S.W.1

Eisenhower's Fourth Justice

SIR—I hope that I speak for the majority of the American legal profession when I say that I am appalled by your article in your issue of March 9th. There you seem to say that statesmen and policy makers are better material for the United States Supreme Court than are technical lawyers and judges. Of course it is true that because of the institution of judicial review the Supreme Court is required to make decisions which have profound political implications. It is arguable that the institution is an unfortunate one because legal materials are seldom definite enough in this area to indicate a given result with certainty, and therefore the political views of the justices are bound to affect the result. In other words, a decision is purportedly rested on legal grounds (which you would perhaps call "niceties of legal needlework") which are not necessarily the real ones; the real ones may be in fact the political views of the justices. Surely this is no reason for abandoning the "pretence," if such it be, altogether, and substituting a frankly political judgment for a purportedly legal one.

I can think of no institution more dangerous to a democracy than a group of men appointed for life and designedly without political responsibility whose function would be to make political decisions. Yet it is into such a body that you apparently wish to transform the United States Supreme Court. Judges do not and cannot be politically responsible if they are to remain judges. Their responsibility is a legal one, to statutes, precedents, and the judicial process. It is only this responsibility which makes their enormous power tolerable to a democracy.

In short, although it is arguable that judicial review is a defective institution and that judges should not do politicians' work, no one who understands the problem would argue that politicians should do judges' work.—Yours faithfully,

EDWARD S. REID
St Antony's College, Oxford

Motor Industry's Profits

SIR—Mr George Wansbrough makes the interesting and important suggestion that the ratio of sales to capital is high in mass production industries. Unfortunately it is doubtful if evidence from the motor industry, which he quotes, can be relied on to support or to refute his contention. Conventions about depreciation vary from one industry to another and, within an industry, from one firm to another. Hence big discrepancies can arise between the capital actually employed in an enterprise and the capital that appears, from published figures, to be employed. Discrepancies of this kind are likely to be exceptionally large, and exceptionally prone to vary from one firm to another, in the motor industry. The conditions in its markets, and especially the belief that the product is highly susceptible to the influences of fashion, lead many managements to adopt a prudent policy of writing off assets very rapidly.—Yours faithfully,

H. S. RICH
Luton, Beds

Insurance Policy for Oil

SIR—Your article in the issue of March 23rd could more appropriately be called: No Insurance Policy for Oil, since you come to the conclusion that any substantial extension of non-Middle East sources would be too expensive in terms of investment and dollars. You are right in saying that Middle East oil is cheaper than any other, but can we be guided only by such economic facts when the world in which we live is dominated by straight politics? Are you sure that (if Europe gets it at all) Middle East oil will in fact be cheap if there is no visible alternative to it? Investment in pipelines and supertankers increases the likelihood of our having access to some Middle East oil provided always that the producer countries don't form a solid block. Yet only crude oil in *other* areas provides a genuine alternative.

Again you are right to give a warning against a costly "crash programme" for developing Canadian oil, but there is need for study of possibilities to lay down buffer-stocks in Europe and to develop more capacity in Venezuela. Surely additional developments in the western hemisphere need not be a straight dollar burden—Venezuela is concerned about its impending total dependency on the US market and should welcome an imaginative scheme based on increased mutual trade with Europe. Unless it plans and prepares alternative sources of oil, Europe will be at the mercy of another round of pressure politics from the Middle East.—Yours faithfully,

PAUL H. FRANKEL
London, W.1

Local Revenues

SIR—I was amazed by your statement that "The . . . vitality of the rating system will never be restored . . . until . . . all classes of property are contributing equitably to the pool of rate revenues." It is open to grave doubts whether it is equitable at all that property should be used as a basis for raising rate revenues. It may be convenient, but justice hardly goes hand in hand with convenience.

To find an equitable basis upon which to raise local revenues, it is essential to recognise the changed purposes for which the funds are now used. The environmental services, which account for approximately one-third of the expenditure, are a true charge to commercial and industrial premises, as well as to private residential property. The remaining two-thirds is spent on personal services, and should be raised by an equal charge on every adult—equal, because incomes have already been equated by the graduated national taxes. For this same reason a local income tax can have no virtue except to appease egalitarians.

Local authorities could be given an unlimited source of income, quite free from Treasury control, if they were empowered to cover their requirements by a direct charge on their residents. Ratepayers can hardly object, in theory anyhow, to the exact cost of their local services being charged directly to them. They will themselves place a limit on what their councillors can spend by their action at the ballot box, which will assume a new importance.

The abolition of rating valuation would save the nation much purposeless expenditure of time, labour and money. It penalises those who spend their income on the provision of adequate

homes for their families. The fallacy in the system today is that the occupation of a house of any given size is no longer evidence of the taxable, or rateable, capacity of its occupants.—Yours faithfully, JOHN HARLEY
London, N.W.4

On the Fringe of Planning

SIR—The position taken on hire purchase controls by your paper on March 9th, stirs me to comment. I hope that the value of a different perspective will be worth the risk of seeming presumptuous by commenting as an American on Britain's internal affairs.

I have no disagreement with your statements about the short-term effects of hire purchase controls. Nor do I take issue with your conclusion that mistaken attitudes in both political parties (about which I know very little) tend to breed heavy reliance upon this form of control. Yet I sharply disagree with your statement that, in the long run, application of this form of control is "much less desirable than general disinflation, based on consumer preferences."

On this last point our American experience may be illustrative. Since 1952 we have approached the problem of disinflation without consumer credit controls by using traditional monetary policies inherited from earlier British experience. Yet we have found that the pursuit of general disinflation by these means exerted little restraint upon consumer credit. Down payments became smaller and maturities longer during the very times general restraints were applied. Also, the proportion of consumer debt to total private debt has continued to grow. This suggests that we have tended to discriminate in favour of the consumer borrower in the United States in recent years and against other borrowers.

In your article you overlook the point that hire purchase controls, which you refer to as "physical" controls, are also *monetary* controls. To the extent that they are effective, they lower the aggregate demand for money. Thus, your statement that these controls "do not reduce consumers' total and eventual purchasing power by one penny" is not true, unless your central bankers have found a way to keep the supply of money perfectly inelastic and its velocity constant. Second, is it not wise to utilise hire purchase restraints to accompany strong general monetary restraints in order to broaden the total impact and to lessen discrimination? Otherwise, you may find hire purchase credit cutting more deeply into a restricted volume of loanable funds. Third, as you suggest, are your restrictions on new capital offerings by hire purchase companies really needed? If the down payment and maturity restrictions are effective, the capital restrictions seem unnecessary. In short, cannot a middle ground policy be made up of permanent but moderate restrictions combined with close co-operation with monetary policy decisions?—Yours faithfully,
ROBERT P. SHAY
Zürich, Switzerland

[An article on page 1090 summarises the findings of a Federal Reserve Board report on consumer credit in the United States.]

Middle Class Reliefs Within Reason

SIR—To your suggestions may I add an idea that would cost very little and that might be a really important step towards a new general dynamic? Let the Government cease to tax company profits settled irrevocably upon the workers. In such cases the tax, though plainly intended by Parliament to fall upon owners of capital, falls in fact upon the workers. Many of them belong to the middle class. More and more will do so.

Profit goes at present in the main to the managers. The managed need it more, and will not be content until they get it, as, sooner or later, their political power being what it is, they will.—Yours faithfully, J. SPEDAN LEWIS
Stockbridge, Hants

Seeing Eye Machines

SIR—The Solartron device for the high-speed reading of numerals (which you described briefly on p. 843 of your issue dated March 9th) is a notable technical achievement, and the elimination of manual key-punching is a worthy aim. It is said to be able to replace 150 to 300 punch operators. But an electronic computer in accounting work is usually fed by a mere handful of operators, and the computer itself is claimed to replace 200 clerks. Therefore the reading machine would be worked to capacity only if used in conjunction with, say, 20 computers, which would be equivalent to the work of 4,000 clerks. Such applications are surely rare. If used to replace only 20 operators the saving could be of the order of £10,000 per annum, which would cover the capital charges and reasonable obsolescence on an investment of £50,000, but would not give a spectacular recovery of capital cost.

Another problem concerns the physical form and treatment of the original data necessary to keep the reading machine running at full speed. Punched cards can be read and moved on in approximately half a second, but is the same true of pieces of paper, possibly flimsy and of various shapes? The requirement of a specified style of character makes it essential for the characters to be machine-printed, and if in addition it is necessary to print on dockets of standard shape and texture, one is very nearly back to the punched card.

In fact it seems logical that if one is limited to machine-printed characters, the machine might just as well print simultaneously in machine-language as well as in ordinary numerals and letters. Attachments to various kinds of machines for producing such a record in perforated tape have been available for some time, though not at an attractive price. Alternatively, a technique of marking with magnetic ink could be used by putting the magnetic imprint either on the back or between the lines of legible type. Choice of recording method will depend largely on the extent to which dockets are required to be handled separately.

We wish to draw three general conclusions.

(1) It is difficult to justify by strict economic test the purchase of ultra-fast machines.

(2) If one is willing to regard such a purchase as a speculative investment, there is a good chance that profit will accrue because the fast machine can provide services which were previously impossible.

(3) Where most of the information originates within the organisation, an important policy decision is whether to rely on translation of human language or to install bilingual recorders at the points where information originates.—Yours faithfully, D. A. BELL
PAMELA HADDY
The University, Birmingham

H-Bombs and Morals

SIR—One of the most disturbing facts about the current discussion of future defence policy is the absence of any consideration of the moral factors involved in the manufacture and use of thermo-nuclear weapons. We believe that many people are, in fact, still very reluctant to accept the use of these weapons as a basis for defence strategy, and that particularly young people facing their military service are worried at becoming the mere instruments of this, to them abhorrent, policy. We feel that in this connection our own past experience may be of interest to them.

There appears to be a general view that in order to register as a conscientious objector one must be an "absolute pacifist," and that this pacifism must normally be based on religious conviction of one sort or another. Such a view is completely unfounded; the National Service Act does not exclude any grounds whatever as a basis for objection, but provides for tribunals whose sole function is to satisfy themselves that any objections put forward are a genuine expression of conscience. In fact, we have both appeared before CO tribunals, and have based our objections on the fact that the armed forces are today the servants of a policy which accepts the view that the use of thermo-nuclear weapons is in certain circumstances justifiable—a policy which we utterly reject, since it implies the belief that there exist evils greater than *the destruction of civilisation itself*. The tribunal accepted our arguments, in both cases, as constituting a conscientious objection to military service.

We are sure that there are many others who regard the nuclear arms race with a similar abhorrence, but who cannot find a way of making an effective stand against a policy they consider so utterly wrong.—Yours faithfully, R. BARRY
London, N.W.6 S. M. NEUFELD

American Survey

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Labour's Black Sheep

Washington, D.C.

WITH his habitual sense of occasion, Mr Walter Reuther, President of the United Automobile Workers, announced on Sunday that he will ask his union's convention to set up a public review board of seven distinguished and completely independent citizens empowered to originate investigations of the "ethical and moral conduct" of all the UAW's leaders, up to and including Mr Reuther himself. Such a move came none too soon. For the fifth week in succession the capitalist sins of the country's largest union, the teamsters, displayed on all the front pages of the newspapers, had given the public a jaundiced view of the American labour movement.

The first instalment of the drama staged by the Senate's select committee on labour and management practices culminated on Tuesday in the appearance of the much travelled Mr Dave Beck, the president of the teamsters (as lorry drivers are still called). For this eagerly awaited confrontation the select committee's full complement of Senators was hunched diminutively under the surrealistic equipment of the television networks. Along one side of the polished table were Senator McClellan, the implacably upright lawyer from Arkansas, Mr Robert Kennedy, the keen, eager and startlingly boyish Bostonian counsel and the supporting cast, including Senator McCarthy, now yellow faced, black-eyed and, like Dorian Gray, increasingly resembling the wickedest cartoons drawn of him during his prime. In the witness chair was Mr Dave Beck, pudgy, with his bald head turning successive shades of pink as he shouted at enormous length his self-righteous reasons for saying nothing. In between crouched the photographers, like a chorus of frogs poised to capture the moment of truth. The caucus room, with its marble chandelier, was packed beyond capacity.

The $320,000 question—which is the amount the committee thinks Mr Beck has taken from the teamsters' till—was whether the witness would answer questions about his personal finances. He would not, and called to witness practically every clause in the Constitution. His colleagues in the leadership of the American Federation of Labour and Congress of Industrial Organisations were no more impressed by this than the Senators. Since the federation recently resolved that a union official who fails to co-operate with a congressional committee "has not the right to continue to hold office in his union," Mr Meany, the President of the AFL-CIO, instantly summoned a meeting of the executive council for Friday to consider the case of Mr Dave Beck.

There is much more to come. Senator McClellan and Mr Kennedy claim to have at least a year's worth of material on crookedness in unions from twenty-six cities. The form of the hearings and the type of evidence that is being given are all too ironically reminiscent, for the comfort of the labour movement, of the famous investigations of the thirties into the practices and standards of big business which led to restrictive legislation.

★

Now that the boot is on the other foot, the senior figures in the AFL-CIO, such as Mr Meany and Mr Reuther, are putting on a brave front. They have, after all, a good record for fighting corruption and crime. The cleansing of the labour movement was one of the main planks of the platform on which the two federations came together. The teamsters, on the other hand, with their imperialist ambitions to spread their "jurisdiction" over other unions' backyards, have been the main obstacle to the extension of the merger to the state and local labour councils in many of the principal industrial states. Mr James Hoffa, the teamsters' dynamic ninth vice president, who has just been indicted for trying to bribe an investigator on the Senate Committee, is personally responsible for blocking labour unity in Mr Reuther's own home city of Detroit.

Moreover, the AFL-CIO had already given an earnest of its good intentions last January when its executive council adopted a stringent "code of ethics," including the banning from union office of men "commonly known to be crooks or racketeers even if they have not been legally convicted." It also threatened three small unions with expulsion from the federation if they did not completely rid themselves of guilty officers and crime-ridden local branches within ninety days. However, there are practical limitations on labour's ability to "clean its own house." The AFL-CIO is almost as loose a federation as the TUC. The three small unions were tackled first, partly because they were small and therefore relatively easy to coerce, and partly, as Mr Meany openly conceded, because an earlier congressional committee, had developed the full sordid story of their mishandling of welfare funds.

It would be difficult for the federation to tackle so mighty a member as the teamsters without the preliminary of prolonged public exposure to undermine its leadership in the eyes of its own rank and file. Although there are some sanctions that could be taken against Mr Beck person-

Late Spring in Detroit

THE automobile industry, which is waiting for the spring upturn in sales to come to its aid, has experienced nothing like the blizzard which struck America this week, but it is growing anxious. Last year spring never came to Detroit and the industry was condemned to produce a mere 5,800,000 cars, compared with the record 7,900,000 it had made in 1955. This year in spite of the vast sums spent on re-tooling to tickle the motorist's jaded palate with the glittering 1957 models output is only slightly ahead of last year's. Sales have even fallen slightly behind so that stocks of new cars, while still below the menacing heights of 1956, rose by more than usual during February to a rather worrying 730,000 at the end of the month. Already some manufacturers have curtailed output to bring stocks into better balance with demand, and there is the usual talk of even easier hire purchase terms, and a host of special inducements to customers.

Whether it finally decides to buy this year or not, the public has become more fickle in its choice of makes. Ford expects to sell nearly 20 per cent more cars in the first quarter of this year than last, and Chrysler has heaved itself valiantly out of its earlier troubles. Its sales were 11 per cent greater during January and February than they were last year. The company now claims to be within shooting distance of the 20 per cent share of the market on which it had set its sights. General Motors, on the other hand, no longer apparently invincible, has lost ground. Unofficial estimates put its sales at 15 per cent below last year's, and its share of the market at 47 per cent, compared with 53 per cent in 1956.

The Chevrolet, General Motors' most popular car, had only a "face lift" last year, while both Ford and Chrysler's Plymouth spent longer in the beauty parlour and were completely restyled. This expenditure is now paying dividends. For some reason the design of the new General Motors' Buick, which did have the full treatment, has failed to make a hit. Part of the trouble in its case is the general shift of demand away from the medium priced cars and into the so-called "low price range" of the Chevrolet, Ford and Plymouth cars which together account for some 60 per cent of all the cars sold in the United States. The scattered production cuts made so far have, as a result, been concentrated mainly in the General Motors' factories turning out the higher priced Buicks, Oldsmobiles, and Pontiacs, and to a lesser extent in the Ford plants where the expensive Mercury and Lincoln models are made.

Awakening to Africa

THE tireless Vice-President arrived back in Washington last week after a 20,000-mile tour of eight African countries which seems to have been a successful combination of official good-will tour and diplomatic mission, garnished with all the techniques of an American election campaign which Mr Nixon finds surprise and delight backward peoples. Some of Mr Nixon's duties were representational: to be present at Ghana's independence celebrations and to return the calls of the Emperor of Abyssinia, the President of Liberia, and M. Bourguiba of Tunisia. Some were specific: to prepare the ground in Morocco for new agreements over the air bases and in Abyssinia to press the desire of the United States for a military communications centre. Some were general: to express the interest of the United States in the national aspirations of Africans, and to carry expressions of American friendship to countries encircling Egypt. Only in the Sudan, which must live with Egypt, did Mr Nixon encounter coolness, though enthusiasm elsewhere also carried risks; he must have had to walk carefully to avoid the frustration and resentment which would follow if he promised more aid than America is likely to deliver.

Mr Nixon is to report to the President, but he has already let it be known that he feels America must take a greater part in solving the problem of Arab refugees, that it must strengthen and increase its diplomatic representatives in Africa; improve its information services; and bring more African students to the United States. But the importance of Mr Nixon's journey may lie less in what he brought back than what sent him: the awakening of America to the importance of Africa as a decisive battleground of ideas. Even before the Nixons took off a month ago, it had been decided to open four new consulates in Africa, and a Bill to authorise a new Bureau of African Affairs in the State Department, with its own Assistant Secretary, is awaiting Congressional approval. Americans who feel they missed the nationalist tide in the Far East do not want the pattern to be repeated.

Mr Nixon has always been keenly aware that how America solves its own race problems affects its relations with the coloured nations. On this trip, with almost half of his thirty accompanying newspapermen representing the Negro press in the United States, Mr Nixon is not likely to have overlooked the fact that this truth can be reversed and that handshakes in Ghana and Liberia may in 1960 be translated into more votes for the Republican candidate—who may well be Mr Nixon.

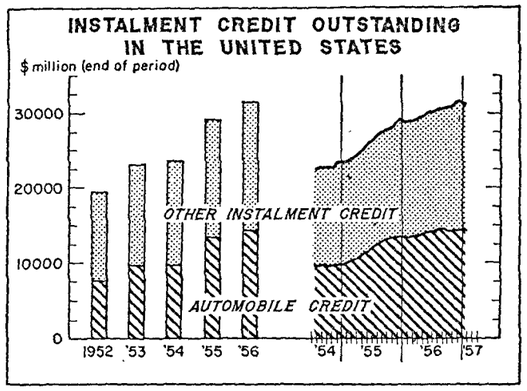
No Controls for Consumers

Washington, D.C.

THE staff of the Federal Reserve Board has produced a mountainous study* of the economics of consumer credit, but it might be a mouse as far as the purpose for which it was undertaken is concerned. This was to produce the evidence needed to decide whether the government should have the power, in peacetime, to control the terms on which instalment credit is granted to consumers. Although the staff was not expected to produce an answer to this main question, it had been thought that at least the study could dispose of some or all of the underlying subsidiary questions, such as whether this type of credit is peculiarly volatile and therefore tends to exaggerate booms and depressions; whether it is, as alleged, unresponsive to general monetary restraint; whether it is creating an excessive burden of consumer debt in relation to consumer incomes, and so forth. The study's timid "conclusions" on these points are so hedged with qualifications that they could scarcely be used with much conviction by either the friends or the foes of standby controls. Indeed, in summing up the arguments, the staff is able to cite elements of its own findings to support both sides.

* Consumer Instalment Credit. Board of Governors of the Federal Reserve System. US Government Printing Office, Washington, D.C. Six volumes $1.25 each.

The effect of these labours will, in the nature of things, almost certainly be to help the critics of controls, simply because American governments seldom launch new regulatory ventures unless the case is most compelling and public pressure is strong. In this case, apparently, the case is far



from compelling, and public and Congressional sentiment is overwhelming against control. The sudden interest of the public and the government in the problem arose from the tremendous increase of $5.5 billion in instalment credit—mainly automobile credit—in the boom year of 1955. It was argued that credit was financing a level of sales that could not be maintained and was laying the groundwork for a slump. The staff study confirms that this was the case; sales of cars slumped sharply in 1956. But the real point is that the economy rode out the automobile slump in 1956 without the slightest difficulty. Consumer credit huffed and puffed, as it were, and failed even to shake the house, let alone blow it down. In 1956 the increase in instalment debt was only $2.5 billion, and interest in the means of controlling it evaporated.

The study shows that about two out of three married couples now have either mortgage or instalment debt, and no doubt many of the one-third without debt have had some in the past. The Federal Reserve staff concludes that this form of debt is now thoroughly respectable and has become "deeply imbedded among the habits and customs of American consumers and businessmen." It also makes a point which is often overlooked—that the monthly payments needed to retire this debt are frequently a substitute for payments that otherwise would have been made. Thus mortgage payments are made in place of rent, payments on a car instead of spending on public transport, payments on washing machines and electric dishwashers in place of laundry bills and domestic servants.

The staff refuses to conclude, on the basis of what happened last year, that fluctuations in consumer credit can never be a dangerous source of economic instability, but it does say that past experience shows that this kind of credit has never been the "principal" cause of movements in the business cycle. While the staff does not commit itself on whether general credit restraint "sufficiently" checks the growth of consumer credit, it does conclude that some restraint is felt and that consumer credit is by no means completely insulated from general conditions in the money market. All of these "findings" (if they can be called that) are likely to reinforce the traditional reluctance of the Reserve Board itself to launch into selective credit control unless there is an overriding need for it.

If the consumer credit study is likely to have the effect of smothering the issue of legal authority for standby control over hire-purchase terms, there is keen legislative interest in a different phase of the subject—certain alleged abuses of the system by dealers and finance companies, which result in overcharges to consumers. The New York state legislature is about to pass a strict Bill on this subject, following a milder one last year, and in Washington a committee of the Senate is also investigating the subject. In general, the abuses centre around hidden charges, contracts that "can never be paid off," and "padded" fees for the insurance which usually must be purchased with an automobile. It is impossible to say how widespread these abuses are, but it is quite clear that buyers who care to take trouble need not suffer them. In all probability the necessary regulatory legislation will be adopted by the states over a period of time; Congress is unlikely to be asked to legislate on this phase of the problem, either.

Advice on Aid

Washington, D.C.

WHEN the Senate's Select Committee on Foreign Aid began last week to hear evidence on its host of specially commissioned studies it could scarcely help noticing that the hardest knocks had been directed at the procedures of Congress. Indeed the overwhelming impression of all this research is that between them the Administration and Congress have got the mutual security programme into a thorough muddle. The Administration's disingenuous salesmanship has provoked impractical restrictions from Congress. The result has been confusion among domestic taxpayers and loss of goodwill among foreign recipients.

As Mr Eric Johnston's International Development Advisory Board has told the President, the general public has the mistaken impression that, with $3.8 billion appropriated for mutual security in the current year, the United States is already engaged in a massive programme of promoting economic development overseas. In fact, only ten per cent, or $385 million, is openly assigned to stimulating economic growth, while 54 per cent, or just over $2 billion, is strictly military aid.

This leaves a further $1.2 billion of "defence support" which goes to countries which have military pacts with the United States. In this mysterious category, aid to advance the growth of such countries as South Korea, Formosa, Vietnam, Turkey, Iran and Pakistan is mixed up with civil expenditures directly connected with allied forces. But the confusion was intentional. Camouflaging economic aid as part of the Administration's military programme was thought to make mutual security more palatable. But, according to the bulk of this year's evidence this scheme has doubly miscarried. Instead of the military element in mutual security supplying a protective coloration for the

whole programme, it is prejudicing its political chances by inflating the totals of "foreign aid" with items that more logically belong in the defence estimates. And the mingling together of all types of aid has created the impression abroad that military factors are paramount. Practically all the present advice calls for the complete administrative separation of the military and economic programmes, with "defence support" divided between them.

Confronted with confused programmes, Congress has attached brakes in inappropriate places. Everyone has been condemning the practice of authorising foreign aid for only one year at a time. At present, half the current fiscal year is over before the Administration has sorted out the changes Congress has made in its plans and has conducted negotiations with recipient governments. Since eighty per cent of the year's funds must be spent in the first ten months and any funds left over automatically lapse, there has to be a furious spending spree between January and April. Negotiators' hands are further tied by the proviso that eighty per cent of non-military aid must be in the form of loans. The Johnston Board proposes an International Development Fund, with at least three years' appropriations from Congress at a time. All the Senate's advisers tell it to allow the Administration more leeway for long-range plans and commitments. With Congress's economy drive in full swing, the Administration can hardly hope that economic aid will qualify this year for extra money. But it does hope that the time may possibly be ripe for it to receive more discretion.

Air-minded Joint Chiefs

THE appointment of General Twining as the next chairman of the Joint Chiefs of Staff, which was announced this week, brings an airman to this post for the first time since it was created in 1949. General Bradley, its first occupant, was an army man; he was succeeded in 1953 by Admiral Radford. Some relief is being expressed in Washington that the Administration has not, as at one time seemed possible, asked Congress to allow the brilliant but somewhat flamboyant admiral to serve a third two-year term. Unlike Admiral Radford, General Twining opposed taking the risk of involving the United States in hostilities with China, first over Indo-China and later over Quemoy and the Matsus.

Rotation of the chairmanship of the Joint Chiefs among the three services is not required by law, but it is normal practice. If the Air Force speaks with more authority after next August, it will be due, not to the deliberate choice of General Twining as chairman, but to the air-mindedness of the representatives of the Army and Navy, and the acknowledged abilities of General White, who succeeds General Twining as Chief of Staff of the Air Force.

In another nomination, the President this week chose Mr Quarles, the Secretary of the Air Force, to be Deputy Secretary of Defence. This is considered to be a stepping-stone to Mr Wilson's job when the Secretary of Defence decides, as it is believed he will in June when the defence budget is approved, to return to General Motors. This would be the first change in the Cabinet since the election; before it Mr McKay, the former Secretary of the Interior, resigned to run against Senator Morse. In all, there have been only three replacements in the Cabinet since Mr Eisenhower became President in 1953, a remarkable record.

Plymouth Ho!

FROM A CORRESPONDENT IN MASSACHUSETTS



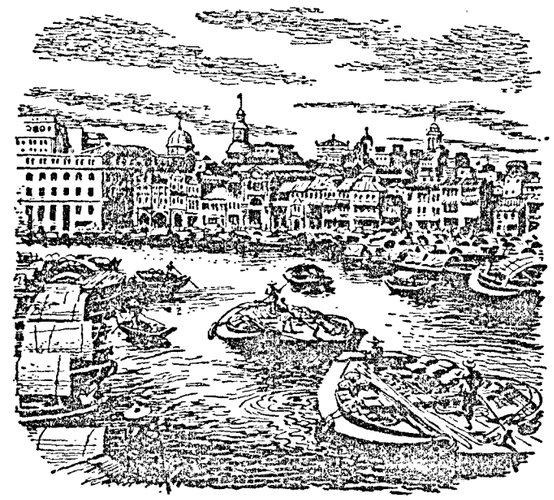
ON May 25th a new *Mayflower*, a replica of the vessel which took the Pilgrim Fathers from Plymouth, England to America in 1620, is supposed to arrive in Plymouth, Massachusetts, a town south of Boston in the shelter of Cape Cod. Then should begin ten days of celebration, including parades and a "Pilgrim operetta." The ship, which has been built at Brixham in Devonshire, is being paid for by private subscription in Britain and will be presented to the American people in order to publicise Anglo-American friendship. It will eventually become one of the chief tourist attractions at another replica, that of the Plymouth the Pilgrim Fathers founded over three centuries ago in the New World, which is being reconstructed in its original state just as the Plymouth in the Old World is being turned into a modern city.

The site chosen for a reproduction of the first Pilgrim village—and for the ultimate berth of the *Mayflower*—is about two miles south of the original village. This is because it is impractical to wipe out half the existing town of Plymouth. The plans for the village only came to real life when Great Britain's good will gift of the *Mayflower* began to materialise. The advantage of dovetailing the two projects was apparent to the backers of both and a sense of urgency now grips Plimoth Plantation, the American group which has long endeavoured to make the most of Plymouth as a national shrine.

The new *Mayflower* will be moored in the Eel River, which is one of the boundaries of the site. In time the vessel's popularity with sightseers may equal that of the Statue of Liberty which stands in New York harbour as a symbol of the friendship of Frenchmen of an earlier generation. Already it is not unusual for 500,000 people to visit Plymouth every year just to see the weather-worn Plymouth Rock where the Pilgrims landed after their arduous journey from the Old World, and the reproduction of the first house and the fort erected nearby several years ago by Plimoth Plantation. When these are moved to Eel River, the rock will remain in its singular isolation at the sea-side foot of downtown Plymouth in a setting of souvenir shops, which most Americans first deplore and later patronise. Enclosed in bars to guard it against the souvenir hunters who persisted in chipping off bits, the rock will continue to be free to all visitors.

The sponsors of the scheme to reproduce the original village expect that a nominal admission fee will have to be charged for its maintenance. The struggling Pilgrims of 1620 would be startled to learn that $1 million will be needed to reconstruct their primitive homesteads. A country-wide appeal for funds will probably be made to

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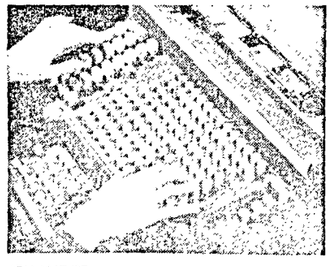
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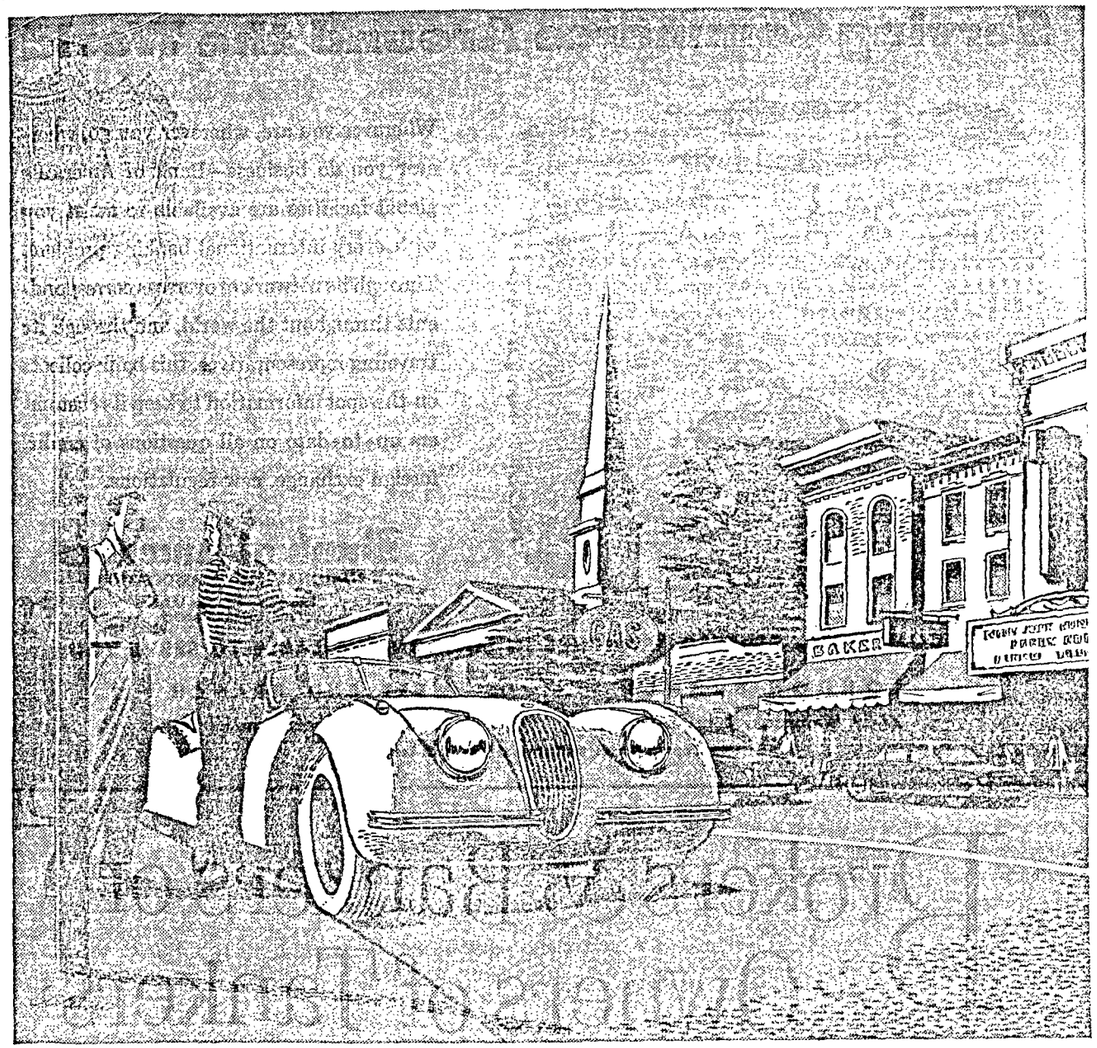
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EUROPE GOES TO MAIN STREET, U. S. A.

Travelers tell us that there's a different look about Main Street's shop windows, contributed by Italian foods, German cutlery, British woolens, French perfumes, and Swiss chocolate. Even in the realm of motor cars, heretofore the exclusive preserve of Detroit, Main Street has got used to the smaller European models.

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ıpplement the $100,000 already received, some of it from :hoolchildren in many states. Compared, however, with ıe millions poured into the reconstruction of Williamsburg, irginia, the $1 million for Plymouth is small indeed. The el River tract was willed in 1955 to the Plimoth Plantation y Mrs Henry Hornblower, the grandmother of Henry fornblower II of Boston, who is the chairman of the board governors of the group.

The *Mayflower* will make land at Plymouth after its tlantic crossing, then sail to New York City and perhaps e exhibited at other cities before returning to Eel River November for Thanksgiving Day. The river runs under low lying roadway and New Englanders may be treated the spectacle of the 180-ton vessel being lifted over the oad on the way to its berth. Other attractions will include ineteen thatched dwellings, laid out as they were in the eginning, the meeting house and the fort, where the town ssembled and prepared to defend itself, a trading post, a rist mill, an Indian village, and a museum which will house elics of the past. Sheep and goats will graze on nearby nd.

Pilgrim houses were much alike. They consisted of one r two rooms 14 by 18 feet, with half of the space overhead oored for sleeping quarters. If the family was large, a an-to room was added. A big stone fireplace completely ook up one end of the house. The width of each plot was etermined by the number in the family, just over 8 feet eing allowed for each person. It took some years for the illage to be stabilised after it was first settled in 1620, nd 1627 was chosen by Plimoth Plantation as the most ppropriate year of the village's history to reproduce. A ensus taken at that time reveals there were 99 people, xactly the same as in December of 1620, living in lymouth.

An effort will be made to prevent the village from lapsing nto a museum atmosphere. Men and boys will work in ıe gardens, the grist mill, and in the sawpit. They will se the crude implements of earlier times. Women and girls ill spin, weave, and dip candles as the Pilgrim housewives nce did. While the buildings are under construction isitors will be permitted to watch the work. The canny ankee residents of Massachusetts will have a monetary, as ell as an historical, interest in it. Mr Hornblower stimates—perhaps over-enthusiastically—that, with the *layflower* on permanent exhibition, the Pilgrim Village ay double the number of visitors, who already spend $425 illion a year in this historic state.

Uncompetitive Shipbuilding

THE lowest bid submitted by an American shipyard for the construction of a 53,000 ton sister ship to the liner *S. United States* was reported last week to be $111.6 million. If the bid is accepted, about 60 per cent of the ost, or over $60 million, will probably have to be paid by he American government; when the vessel goes to sea, ell over half of its operating costs will probably have to e borne by the government as well. This is one measure f the bills that have to be paid by a country's taxpayers to eep their national merchant marine and civilian shipbuilding industry alive when both have allowed their costs to rise hopelessly above those of their foreign competitors.

To obtain operating subsidies and tax deferment on sums set aside for replacement, the American shipping lines have to accept restrictions affecting, among other things, the trade routes on which they operate, and the size of their profits, and undertake to replace their ships in American yards. Of the non-subsidised tonnage, about half is employed in the coastal trades which can afford to pay the higher cost of American-built ships because they are protected against competition from cheaper foreign vessels. The only really large orders for ships built in American yards which are not subsidised are those for oil tankers. This is so partly because oil companies in general want no part in "conditional" subsidies from the government. But they are also now inclined to favour American yards because rising costs and lengthening delivery dates in Europe and Japan have reduced the advantages of building abroad.

This trend is reinforced by the government's refusal to allow oil companies and tanker operators to transfer vessels from their existing American-flag fleets to foreign-flag operation, which is much cheaper, unless they undertake to replace their tankers in American yards. Coupled with more favourable mortgage terms, this helps to explain why the American shipyards are now able to report that 103 ships of 2,364,000 tons gross are under construction or on order—more than three times as many as a year ago—and that there are good prospects for more orders later this year, especially from the subsidised shipping lines which are still negotiating their replacement programmes with the government. But to achieve this the government will probably have to spend in future years considerably more than the $240 million it first requested for shipbuilding and operating subsidies for the fiscal year 1957-1958.

SHORTER NOTES

It will be about two months before President Eisenhower begins to take off from the White House lawn in a helicopter; the aircraft will be used to carry him to the main airport but, in spite of reports which made him so angry at his press conference this week, he will not go to the golf course by this form of transport, to begin with, at least. The police welcome the idea, since it will relieve the traffic congestion caused by their efforts to ensure him a safe and clear passage when he travels by road.

★

Two of New York City's three evening newspapers are to raise their prices from five to ten cents a copy. They are the *World-Telegram and Sun* and the *Journal-American*. Two morning newspapers, the *New York Times* and the *New York Herald Tribune* have been considering changing their prices, in the light of increasing labour costs and the rise in newsprint prices to $134 a ton which went into effect on March 1st. The *New York Times* last month raised the price of its Sunday edition from twenty-five to thirty-five cents for papers sold more than a hundred miles outside New York City.

The World Overseas

Gala in Iraq

FROM OUR SPECIAL CORRESPONDENT IN BAGHDAD

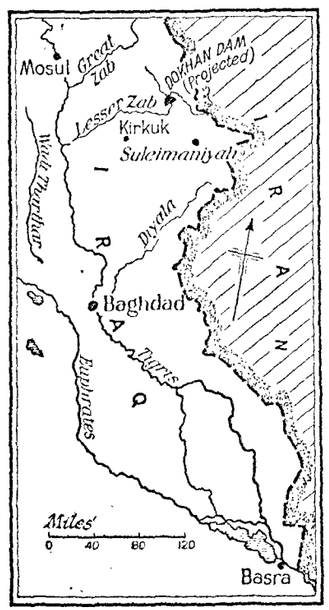
FOR fifty-one weeks out of the fifty-two, the Iraq Development Board pays far too little attention to publicity about its job—the spending of oil revenue on capital works. But in the fifty-second week it makes amends and runs Development Week—a gala during which King, Crown Prince and Prime Minister spend seven days cutting tapes, unlocking doors, opening sluices and laying foundation stones. This week is Development Week and it got off to a gay start last Saturday, when the opening day coincided not only with word of the first tankers carrying away Iraqi oil from the far end of the newly-mended pipeline on the short Mediterranean haul to Europe, but with the welcome news that the United States was ready to join the military committee of the Baghdad Pact.

This year, the board's most spectacular accomplishments are two new bridges in Baghdad and two large new factories in the north—one for textiles at Mosul and one for cement near Suleimaniyah—each of which has its attendant workers' housing estate. Next year must be the turn of the south, which is somewhat injured at what is considers to be neglect of its claims to attention. ("Imperialism in this country," grumbles your host in Basra, "is Mosul imperialism.") Basrawis need to take heart from the thought that, in earlier years, Baghdad felt the same. This year, by contrast, it had first taste of the excitement and the benefits.

On the opening morning, a Baghdadi crowd that must have approached 50,000 lined the new roundabout at the city's south gate from which the larger of the two new bridges spans the Tigris. People were everywhere; men in silhouette along the rooftops, boys in the trees, both sexes ten or fifteen deep on the pavements. Good-humoured, chattering like starlings and controlled by a police force that cannot have numbered more than one to every two hundred spectators, they gave Nuri Pasha a good clap and the King a rousing cheer, and broke ranks only when he was into his car and moving off to his next assignment. Then, thousands strong, they poured in a free-for-all on to the bridge and into a race 60 feet wide for the glory of first across—past the television cameras, under the triumphal arch, up the fairway and over the hump out of sight.

Anyone who knows Baghdad will realise what a boon to traffic is this bridge, named after the late Queen Aliyah. In a town where the business section has been the shape of a long H, with two bars (the old bridges) close together in the middle, the visitor has for years been forced to make all his appointments consecutively at one end of the town unless he wants to spend the bulk of his time in a stationary taxi that is hooting fruitlessly. From this week the H has other joins at top and bottom.

Less spectacular than the bridges, but of far more moment to the wellbeing of the nation as a whole, is the other piece of handiwork officially inaugurated on the opening day—the drainage channel that is the start of a trunk network of agricultural drainage designed to restore ancient Mesopotamia's fertility. Iraq is an agricultural country. Apart from oil and its possible derivatives, its greatest potential wealth lies in its agricultural industry. Yet for centuries its potentially fertile central plain has been in large part uncultivable because, for lack of drainage, evaporation has carried the salts in its soil to the surface, where they have crystallised. From the air, these deposits look like snow in huge patches; from the ground, they provide the traveller on a gusty day with the occasional strange sight of a whirling column that is (like Lot's wife?) pure white. Washing out the deposit by means of drainage and faster-moving water may take years, but little land is wholly irrecoverable. Meantime, good land will be improved, and marginal land saved from deterioration; already, the farms on the edges of the new drain are carrying higher and noticeably more even crops of barley.



The week's programme comprises promise as well as fulfilment. Foundation stones have been laid, among them that of the first of three big power stations that will power the national grid (in Baghdad) and that for the spectacular Dokham Dam on the lesser Zab river—a £13 million affair that is already begun and will be finished next February. In a realm more immediately affecting the general public, the King has laid the foundation stone for the first really big low-income housing estate in the Baghdad area and Nuri Pasha has distributed the first title deeds to small holdings on a "recovered" area between the rivers.

The Iraqis are great at eleventh hour hustle. Three or four days before the ceremonies opened, no one would have said the works could be finished on time; bulldozers were still charging piles of rubble, tanks being loaded on to the bridges to test their strength and foremen were gesticulating in apparent desperation, no flags were up, no arches ready. But hey presto! all was right by the appointed day; there were flowers in the flowerbeds, a new standard for the flagpost, a new brush for the royal carpet; the whole, including a three-day trip to the north for planeloads of visitors, was a very considerable feat of organisation.

Yet, all in all, it was Nature, not man, that provided the most startling tribute of the week to the Development Board's operations. March has been particularly rainy. Earlier in the month, rain in unusual amounts caused an immense and unexpected rise in the rivers. A flood less prolonged but more sudden than the cataclysm of 1954 might have caused another £25 million of damage but for the escape channel opened at last year's Development Week from the Tigris into the Wadi Tharthar. Thanks to this, two-thirds of the Tigris flow was diverted into that monster catchment, and, downstream, the ordinary river bed was able to accommodate the whole swollen flow of its great tributary, the Diyala, without danger to Baghdad and points south. The Tharthar project cost £16 million, but "already," says the Minister of Development, "one can say that it has paid its way." This year's undertakings can scarcely earn so rapid a dividend, but they may be equally rewarding in the long run.

Russia and the Two Germanys

FROM OUR BONN CORRESPONDENT

WHILE Dr Adenauer is away cultivating friends and sightseeing in Persia (March 28th to April 2nd), departmental specialists at Bonn are brooding over the gist of an appropriate reply to Mr Bulganin's latest letter to the Chancellor. The Soviet prime minister sounds as though he is in a hurry; not, it need scarcely be said, to help ease the inevitable process of German reunification but to develop trade between Russia and the larger and richer segment of Germany west of the Elbe. Mr Bulganin has proposed that trade talks should begin as early as April. Mr Mikoyan's presence in Vienna in the same month, and the opening on April 28th of the west German industrial fair at Hanover, in which the Russians are keenly interested, may well have something to do with the attempt to get things moving quickly. But, even in election year, Dr Adenauer is in no such hurry.

In his own good time the Chancellor will reply, and in due course trade talks will begin. But the Germans will enter into them resolved to achieve more than an extension of trade. Mr Bulganin cannot expect to get away with distorting or entirely ignoring the two major obstacles singled out by Dr Adenauer in his letter of February 27th as standing in the way of an improvement in German-Russian relations: *the political servitude of the 17 million Germans* east of the Elbe, and the continued detention of some 70,000 German civilians in the Soviet Union.

In a restatement of half-truths and evasions that makes melancholy reading, Mr Bulganin has appealed to Dr Adenauer to be a realist—to recognise that for seven years there have been two sovereign German states, each with its own constitution, parliament, and government. Naturally, he argues, when the day of reunification comes, the German Democratic Republic will not want all its institutions, laws and achievements to be overlaid by those of the German Federal Republic. Once again Dr Adenauer will be obliged to reply that such an involuntary and annihilating amalgamation is not, and never has been, contemplated. Federal Germany is quite ready to submit to the test of free all-German elections for a parliament which, in the name of the majority of the German people, would adopt or discard by majority vote the various features and practices that have developed separately in east and west since the war.

But Mr Bulganin's letter shows that the Russians have still no intention whatever of permitting Germany to unite except on communist terms. Confident that time is on their side, they are prepared to let the German issue wait while world power politics are fought out in other fields. Unless they are willing to accept communist terms, the Germans on both sides of the Elbe must wait just as long.

70,000 Expatriates

With the Russians in this mood the Germans obviously cannot hope to get any nearer reunification by way of trade talks. But they can hope to use the occasion to press for attention to the second major obstacle mentioned by Dr Adenauer and completely ignored by Mr Bulganin in his reply—the unfulfilled repatriation of some 70,000 Germans. These are mostly East Prussians who were evicted from the northern half of the province in 1945. This now being under Soviet administration, the former inhabitants have become Soviet nationals, say the Russians. The wish to help these expatriates, most of whom seem to be employed as labourers in various parts of the Soviet Union, is largely behind the German request for an extension of consular activities. In the matter of commercial relations the Germans are sufficiently disinterested at the moment to be able to take the line: no repatriation, no trade agreement.

Trade between the two countries has been developing quite nicely for some years without an agreement. German imports from the Soviet Union rose from DM 93 million in 1954 to DM 186 million in the first eleven months of 1956. During the same periods German exports to the Soviet Union rose from DM 53 million to DM 276 million. (Of the latter figure DM 200 million are accounted for by the 24 fishery vessels built for Russia at the state-owned Howaldt shipyard at Kiel). Old German hands at the game admit that the time has probably come to make harder and faster arrangements, and they reckon that an exchange of goods worth 1,000 million marks annually is now practicable. One of the problems is that so much of the heavy material the Russians would like from the Germans comes under the Western strategic embargo. But it is expected that the Russians will be willing to take leather goods, textiles, and household equipment. In their turn the Germans could take 250,000 tons of grain annually and considerable quantities of timber, asbestos, and flax. But they will be in no hurry to do a deal that does not bring them some political advantages as well.

Australia's Boom

FROM OUR SYDNEY CORRESPONDENT

AUSTRALIAN external trade is on one of its truly great periodic upswings. Domestically, the present Spartan refusal to let this go to anybody's head is something previously unheard-of. Some four months ago the prime minister, Mr Menzies, watching the rapid pick-up in the overseas currency reserves, did allow himself an exultant cry that the danger of a devaluation had "been averted for a very, very long time." That has since become a truism. Whereas, a year ago, people were nervously wondering if the reserves would even reach the sober official forecast of £A288 million by the end of June, 1956 (in fact, they comfortably exceeded it), now it is assumed that the reserves should be within striking distance of £A500 million by the end of June, 1957. And the vista stretches on: or so it seems, for Canberra officials are already venturing forecasts that, given reasonable weather, the export receipts for the next financial year should be pretty well a repetition of this year's estimated £A920-£A950 million. The key assumption here is that there will be yet another increase in the physical size of the wool clip, sufficient to take care of any drift in prices.

Exports are only one of three factors in the rise in Australia's currency reserves and in estimating the chances of its continuance. The others are the strong capital inflow and the intensive controls on imports. But to begin with exports, a cheque of the order of £A950 million would be close to the freak record of £A988 million produced by the Korean war in 1950-51. Australians have not been slow to note the lesson in that. A slump of £A310 million followed hard on the Korean boom in the following year's exports. Could this latest surf-breaker drop Australians with an equal bump? Presumably not; the wool element in this export boom is healthier because increased clip quantities are playing a bigger part in relation to prices. Australia is selling some 35 per cent more wool now than six years ago, while the peak prices for this season have been scarcely half as high as the peaks touched in the Korean war. Though very good, the current auction values are not violently out of line with the averages of recent years. Secondly, wool does not account for as big a share of this year's total export cheque as it did in previous booms. The drive for manufactured exports has not, indeed, so far produced striking results, but wheat, sugar and metals (including steel) have been gaining some ground.

Australian policy makers have to recognise, however, that if the currency reserves rise, as expected, by some £A150 million this financial year, about £A100 million of it will represent the net capital inflow of various kinds (most notably the unpredictable inflow of private capital) and that the balance represents a surplus on current account which would be non-existent if it were not for the strict licensing of imports. The two phenomena are connected. While Australians believe that their expanding country has enhanced its investment status in the eyes of overseas investors, especially since the narrowing of British economic influence and scope in the Middle East, it is also clear that many new manufacturing projects are being established by overseas companies as a deliberate counter to the threatened loss of Australian markets because of the import barriers. Thus, the import controls, in stimulating the capital flow, are setting up somewhat larger dividend commitments for remittance abroad in the future.

The importance of that can be exaggerated. But one wonders just how far the authorities realise that a high and inflexible rate of national development and immigration may be causing them to pass up a golden opportunity to move decisively towards a complete dismantling of the import controls. Their policy looks correct on the surface: a very tight rein on bank credit, plus a gradual increase in the supply of goods through periodic increases in the import quotas. Credit is so tight that business is ticking over less strongly than twelve or six months ago. But the sector most severely hit is house building. While too much has been made of this fact in some quarters, a fall of ten per cent in the rate of house building is undoubtedly at odds with a migrant programme that creates a need for 40 per cent more dwellings a year than the natural increase in population would require.

But it is over the second plank of import relaxations that the government is in danger of practising the worst deception on itself. Since the hasty and unnecessary tightening of the import controls last June, there have been some corrective adjustments—but always with an important difference. What was snatched away in June, 1956, was a great part of the already diminished range of free consumer's choice. This has not been coming back in the subsequent relaxations, nor, according to Canberra rumours, is it likely to come back to any great extent when the quotas are further increased next month. The new quotas mainly affect imports of capital goods and materials for the factories.

Mr Menzies is said to favour a further large increase in the quotas as a counter to inflation. But clearly that reasoning applies if the goods admitted are finished goods which satisfy demands and introduce an element of competition. It does not apply to machinery and equipment, which create new constructional demands on the economy by opening the way for autarkic industrial development.

National industrial expansion is rightly held by most Australians to be an article of faith for non-economic reasons. That, however, need not silence questions as to what is a practicable rate. And even if a continuing trend towards self-sufficiency could be accepted as a worthwhile price to pay for expansion, that would be no excuse for self-delusion that the process is anti-inflationary. This subject is all the more tantalising because, with the splendid opportunities now at its feet and a widening horizon for rural and mineral development, Australia might stand a real chance of shaking off the import controls within a twelvemonth or so. The longer they stay, experience shows, the more of a morass do they become.

"Motor Business"

The March issue of this quarterly research bulletin for the motor and allied industries is now available and includes:

The long-term growth in domestic commercial vehicle demand.
Prospects for buses and coaches.
The Swiss market for vehicles and tractors.
Notes on the Russian motor industry.

The Bulletin is fully illustrated by charts, amongst which are:

Price indices of used vehicles.
World exports of vehicles.

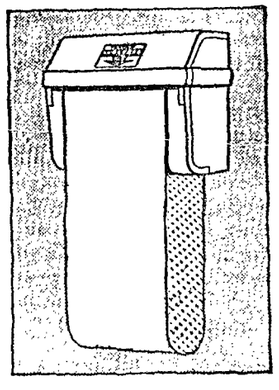
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Soul-Searching in India

FROM OUR CORRESPONDENT IN INDIA

THE Indian electorate has given the Congress party its walkover. Congress candidates have won three out of every four seats in parliament, and two out of every three in the state assemblies. They got half of all the votes polled (a higher percentage than in 1952) and nearly three times as many as the combined vote of their two main opponents, the Communists and the Praja Socialists. Only in Kerala and Orissa did they fail to get an absolute majority; and they got nearly twice as many votes as the Communists in the old communist stronghold of Telengana now absorbed into Andhra. Despite the tension with Pakistan, the Hindu communal parties have been reduced to complete impotence, with their vote important only in a few northern areas and their leaders routed everywhere. Finally, the absorption of the Akali Sikhs has given Congress an impregnable hold in the Punjab. It might seem an occasion for hosannas. Instead, there has been soul-searching.

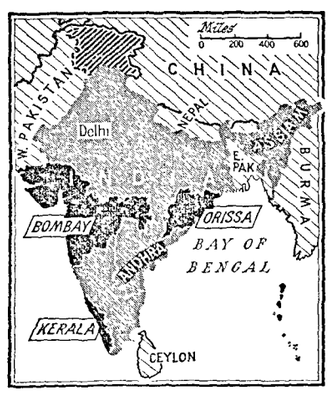
Nobody is very worried about Orissa, where the reasons for defeat were local: old squabbles within the Congress party, Orissa's boundary dispute with Bihar, the popularity of some ex-princes in their old states. Either the Congress or the princes' party, the Ganatantra Parishad, will form a coalition with the independents and minor parties, or the two will join together; whatever happens, policy is likely to be much the same.

There is more concern about Kerala. New Delhi cannot be very intimate with a communist state government, especially in intelligence matters. On the other hand, the Kerala Communists are bound to be on their best behaviour. Their majority is only two. They have none of the devotion to violence of their colleagues in Telengana. They know all India will be watching them, and that President's rule will be imposed if New Delhi finds them behaving unconstitutionally. They may well choose to make a reputation by such solid measures as land reform, and avoid clashes with Delhi over such extreme measures as trying to nationalise foreign-owned plantations.

But Congress's real worry is Bombay. It won a safe majority in the state as a whole, but was heavily defeated both in the north around Ahmedabad, and in the Mahratta south; even in Bombay city, it got rather less than half the votes. Half the Bombay cabinet and three ministers in the central cabinet went down. In Ahmedabad, the late Mr Patel's old stronghold in Gujerat, Congress is so shattered it is not even contesting the coming municipal elections. The explanation is simple. Mahrattas and Gujeratis alike resent the cavalier way in which Delhi treated them in the linguistic controversies of last year, and resent even more the refusal to hold judicial enquiries into the police firings in the resultant riots. The result was an electoral alliance embracing Hindu communalists, Communists, Socialists, independents, and the Scheduled Caste Federation. Now Congress is in a dilemma. It can hardly break up the bilingual state when there is no overall majority against it, and it is in fact a good solution; yet the Mahrattas, especially, are so pleased with their victory that Bombay may be very difficult to govern.

The opposition parties seem hardly more pleased with themselves than the Congress. They remain basically local. The Communists fought many more seats than in 1952 and increased their vote from five to ten per cent. But nearly half their votes still come from Kerala and Andhra; outside the South, Bombay and Calcutta they have won only a handful of seats, and their representation in parliament has hardly increased. The Praja Socialists did well in their old north-central strongholds and reasonably in Bombay, but suffered a severe defeat in the south, and saw their percentage of the total vote nearly halved. The communalist parties have been virtually confined to the Punjab towns.

Indian politics have in fact settled into a pattern. The Congress vote in the various states has mostly varied very little from 1952; the biggest change has been the increase from 44 to 57 per cent in Assam; the worst drop was from 48 to 42 per cent in Uttar Pradesh. Even in Kerala, Congress generally held its voters, and the Communists' victory was achieved at the expense of the smaller left-wing parties; the Revolutionary Socialists, for instance, were wiped out. And in Assam, the Congress party's weakness in the hills, always pronounced, has become more pronounced still; it did not win a seat.



This settling down of the electorate always happens in a mature democracy. Most electors acquire fixed opinions and elections turn on the floaters. That is why the Congress can face a future that will one day be without Mr Nehru with optimism. But it is a very sober optimism. The public has rejected enough ministers and party bosses to make clear its dissatisfactions; and many a successful candidate has come back with stories of how his electorate are recording his promises. The Congress has won because it has five good years behind it. If it is to win again next time, it must have five even better years in front of it.

Developing British Columbia

FROM A SPECIAL CORRESPONDENT

HOW can a Canadian province best develop its idle natural resources without pledging away too much of its future capital to the group that makes the original effort? The old question has been raised again, this time in British Columbia, where the provincial government has concluded a preliminary agreement with a corporation headed by the Swedish financier, Mr Axel Wenner-Gren, for the exploration and development of some 40,000 square miles in the northern section of the province. The agreement calls for the survey of the area by the concessionaires, at a cost of some $5 million; the building of over 400 miles of railway

(*Continued on page* 1101)

(*Continued from page* 1100)

(monorail track) northward from the existing Canadian National transcontinental line at Fort McLeod, and the construction of at least one wood pulp and paper mill with a planned output of 100,000 tons a year. It would also put under the control of the concessionaires all the mineral rights in an area that has not yet even been fully surveyed on the ground, but is likely to contain extensive deposits of most of the base metals.

The proposal has come under a certain amount of fire. The questions it raises have also been debated in Newfoundland and Quebec over the concessions (in Labrador and Northern Quebec) granted for minerals and power development. In British Columbia the argument is heightened by the political complexion—Social Credit—of the provincial government, which, however uncertain we may be about what it is for, is certainly against too much state interference in profitable private enterprise. It is further heightened by the fact that the former provincial treasurer has now become an active director of both the government-owned railway to the north, the Pacific Great Eastern, and of the British Columbian corporation formed to hold the concession, as well as by the personality and history of Mr Wenner-Gren himself.

The area in which this development is planned to take place is part of the Rocky Mountain Trench, a remarkable natural feature which extends the whole length of the Rockies in Canada, immediately to the west of the main range. It is a heavily timbered country, dotted with lakes, and contains the headwaters of the Peace River, but there are no serious land barriers across its length. All it needs for development is the means of transportation. It has been surveyed by various parties since the war, both for minerals and oil. It contains excellent sources of hydro-electric power. It is within comparatively easy reach of the natural gas in the Peace River area of Alberta. Any development within it is something of a gamble, and one for high stakes, as the cost of the preliminary survey shows, but once there is a highway and a railroad along the length of the Trench, some venture is certain to succeed.

The main risk of failure that faces the individual entrepreneur is that his own capital resources may run out before he can achieve and establish his own success. The British Columbia government proposes one check on the dangers, and the criticism, that would arise if any considerable concessionaire, having secured his title, made no more than a start and then suspended operations, thereby excluding a possible newcomer. It has said that it will make the validity of the concessionary rights dependent upon continued progress in the work of development.



Criticism of the whole plan within British Columbia centres at the moment around two points: first, that the Wenner-Gren interests are being given too many rights, particularly over minerals, for the amount of capital they are required to spend, and second (an old cry) that this is yet another instance of Canada's natural resources being signed away to a foreign-owned group. But amongst the more sceptically minded there is also a certain amount of speculation that perhaps the whole project has been devised, or at least encouraged, at this moment in order to draw attention away from an older problem in the province—namely the development and use of the hydro-electric power still latent in the section of the Columbia River within Canada. Only about one-sixth of the potential within Canada is used now, while the Americans to the south are nearing the end of what they can develop from the Columbia watershed that lies south of the 49th Parallel.

There is a continuing pressure on Canada, and on the British Columbian government, both from the power companies and the power users in the Pacific north-west states, to make available to them some of the unused power of the Columbia in Canada. Two years ago the British Columbian government would have sold some of its birthright in the Columbia to the Kaiser interests in the United States for cash. The federal government in Ottawa blocked this scheme by taking it out of the power of a province to alienate power from an international stream; it has not, however, converted the provincial government to its point of view.

On the face of it, rapid development of the Columbia within Canada would appear to be to the advantage of the province, but before the provincial government can act it must settle two problems that are awkward politically. The first is whether the power should be developed by the province-owned Power Commission or by the privately owned British Columbia Electric Company. The second is how it can be done without seriously damaging the established salmon fishing industry. Full development of the Columbia within Canada, as planned, would involve the diversion of its surplus water—the spring floods—over into the Fraser River watershed and the building of power dams on the rivers of that system as well.

Salmon in the Turbines

This would annoy the Americans, though their annoyance would fall more heavily on Ottawa than on British Columbia. But it would also split opinion within British Columbia, since power dams on the Fraser and the Thompson Rivers would seriously interfere with, if not ruin, the salmon fishing interests centred at Vancouver. Mature salmon can be helped upstream past the power dams; it is much harder to keep the first-year fish, the fingerlings, from swimming into the turbines on their way downstream to the sea. Central British Columbia may look to the Columbia power for growth; Vancouver has a salmon fishing and canning industry worth some $50 million a year, and it will fight any development that might jeopardise it. In this it would have some American support, for the salmon fishing based on the Fraser is shared by the fishermen of the two countries and is regulated by a Canadian-American commission.

In consequence, there are those who say that the British Columbia government has many reasons for wishing to see the northern development by the Wenner-Gren interests make an early start. It could then argue that no one could expect to see both plans—the northern development and the Columbia River—tackled at the same time; the simultaneous starting of the two would be dangerously inflationary, and the pause over the Columbia plan would

give more time in which to find a way to protect the salmon (and the fishermen and the canners) from the turbine blades. Conceivably the British Columbian government might go on from there to claim that it would be fair, on a good neighbourly basis, to allow some American interests access to a section of the Columbia within Canada for the winning of additional power—purely on a temporary basis, of course. In the past, development priorities in Canada have been determined by less difficult political situations than those that face British Columbia today.

Mr Diem Tackles His Chinese

FROM OUR CORRESPONDENT IN SAIGON

THE "Chinese situation" in South Vietnam has been simmering for six months and is now capable of boiling over. It arose out of a decree issued by the Vietnamese government last August which imposed Vietnamese nationality without option on all Chinese born in Vietnam. The decree was peculiar—indeed unprecedented—in that it was retrospective. This meant that Chinese of quite advanced age whose families had been living in Vietnam for several generations suddenly found themselves saddled with a new nationality in their declining years. The blow was a mortifying one for the Chinese, and seemed a victory for the Vietnamese. It has involved both sides in a face-saving operation ever since—for the Vietnamese not to withdraw, and for the Chinese not to submit.

The first edict was followed last September by another, drafted on more familiar lines, which reserved eleven professions—broadly speaking the retail trades and the rice trade—to persons of Vietnamese nationality. This, though it partly affected some of the other minorities such as the Indians, was mainly aimed at the Chinese. According to the law, seven out of the eleven professions had to be given up by March 6th; this deadline has just been extended by one month, to give the Chinese time "for reflection"—and thus expires next Saturday. The tradesmen affected were butchers, and fishmongers, grocers, charcoal and firewood sellers, petrol and oil merchants, brokers, cloth merchants holding stocks of less than 10,000, and dealers in scrap iron. The other four professions—which concern mainly the milling and transport of rice—have a further six months' latitude. About 10,000 small Chinese merchants, involving nearly 200,000 persons (including families), are reported to be affected by the first deadline.

At bottom the Vietnamese government is moved by national pride rather than economic sense. If the Chinese can be dragooned into taking Vietnamese papers, they may remain in their jobs, and the polite fiction would thus be established that the Vietnamese had "taken over" the economy so long in Chinese hands. In this way the conflict between Vietnamese nationalism and Chinese commercial interests would be resolved. So far the Chinese have refused to connive at this fiction. Only about 600 out of the 500,000 or so Vietnam-born Chinese have taken Vietnamese names; and by a curious reaction, 2,000 or so Chinese per day have been registering as Chinese at their own legation. Interviewed recently (by your correspondent accompanied by a Chinese interpreter) the tradesmen of Cholon—the Chinese city—appeared quite unexcited, quite philosophic. "We know nothing. We are waiting to see what happens. If we have to shut down, we shut down." At the same time they are remarkably intransigent. "We will never become Vietnamese simply in order to carry on our business." Sanctions for disobedience are severe—up to £100 fine or six months' imprisonment for failure to change names or for doing so improperly; much larger fines of £50,000 or expulsion from the country for failure to give up the banned professions. None of these penalties has yet been applied by the Vietnamese authorities.

The Chinese embassy in Saigon (which represents the government of Formosa) is at grips with the Vietnamese government on this question. Clearly a strong effort is being made on both sides to save face, and particularly the other party's face. The month's delay "for reflection" is made very necessary by the simple fact that there are nothing like enough Vietnamese butchers and grocers to replace the Chinese. To prevent a breakdown of food supplies the Vietnamese authorities have been obliged to ask the Chinese tradesmen to continue in business.

It seems that one important problem, that of the Chinese secondary schools, has been solved, at least for the time being. Last autumn, 4,000 Chinese students were prevented from working because the schools were kept shut. Under the French colonial regime the Chinese schools were autonomous, but the Vietnamese government ordained that they should conform to the Vietnamese schools and have Vietnamese headmasters. It has, however, now agreed to the appointment of Vietnam-born Chinese as headmasters (and not true Vietnamese as it previously insisted) and the schools are likely to reopen shortly for the spring term. On this issue common sense has prevailed.

Commercial Pressure

It may not do so for long. One very high Vietnamese official recently said to me: "Come what may, even if it ruins our economy, we shall get the Chinese out." The viewpoint is understandable when it is remembered that all the most lucrative portions of the Vietnamese economy have for long been in Chinese (or French) hands, and that the Vietnamese have been peasants in their own country. But one does not play chess by upsetting the board. On the Chinese side, too, there is much talk of "our national pride." (What the Chinese particularly detest is the idea of doing military service.) Being nearly a million strong in the South, and having over two-thirds of all the commerce, including the vital rice trade, in their grip, they could, by a commercial *satyagraha*, paralyse the country and bring it to starvation. But it is doubtful whether the Chinese will take this concerted action.

The predilection of President Ngo Dinh Diem (whom many regard as the prime mover in this action against the Chinese) has been for the frontal attack. He used this technique successfully against the sects in 1955, and doubtless feels it pays. But the Chinese, in their commercial stronghold, are probably more powerful than the sects, with all their private armies, ever were. The inflexible Mr Diem may find it wise to conciliate his adversaries.

American influence may affect Mr Diem's attitude. The Americans are reported to be sorely vexed at this serious dispute between their two Asian protégés—South Vietnam and Nationalist China. They fear, with reason, that a failure on the part of Chiang Kai-shek to defend their interests may turn the Chinese of South Vietnam towards another leader—further north than Formosa.



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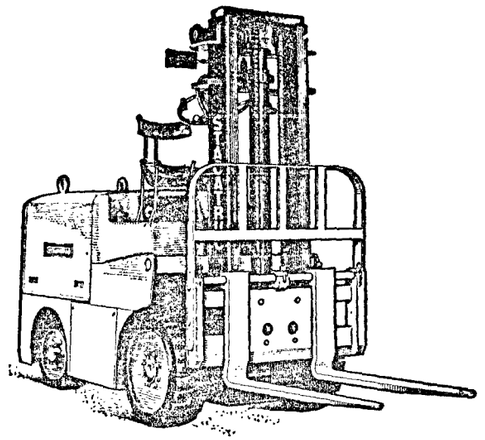
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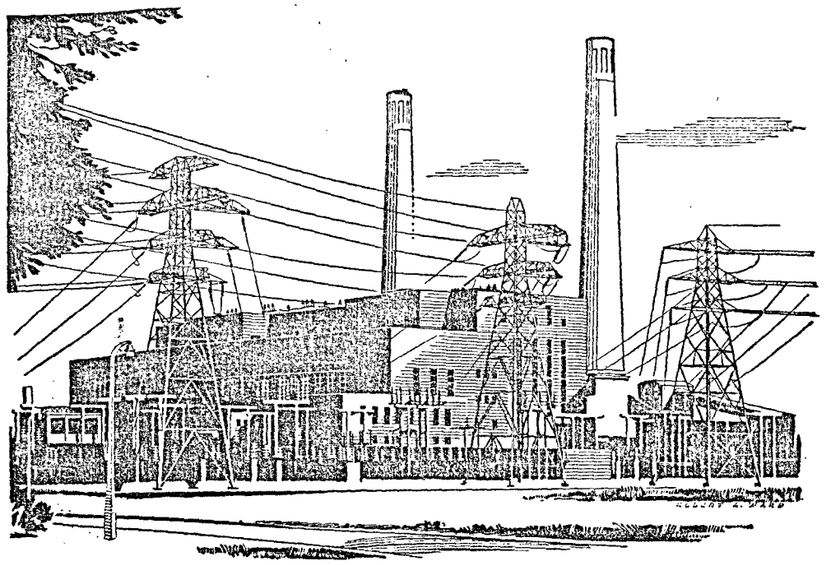
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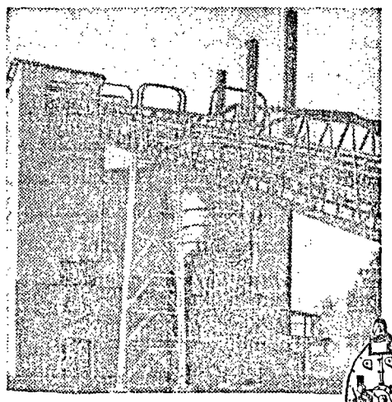
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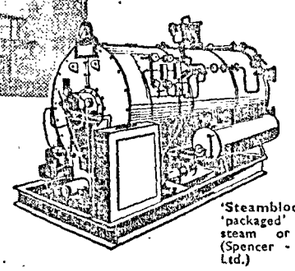
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THE BUSINESS WORLD

Halifax Special

ON Monday, a special train from London will pull into the cleft in the Pennine moors where Halifax huddles between the imprisoning hills. Into that industrial no man's land, where the woollen and cotton industries meet and Yorkshiremen turn an honest penny by doubling Lancashire's cotton yarns, about 150 Southerners will step out—employees, agents and surveyors and other members of the Halifax Building Society who own precious votes for the annual meeting. The special train is the highlight in the struggle between two tough Yorkshiremen. Mr Fred Bentley, a councillor of the borough, a former general manager of the society and now chairman of the Building Societies Association, seeks a seat on the board of the society to which he has given most of his working life. Mr Algernon Denham, the president who led the Halifax Society out of the Association of which his ex-colleague had just become chairman, is determined to resist the nomination.

The struggle is bitter : it has much to do with personalities and a little with policy, and whether or not Mr Bentley is in the right, Mr Denham, despite his great knowledge of building society affairs, seems to be in the wrong. He was keen that the building society movement should ferret out and limit the large temporary deposits which he believed some societies had received from limited companies. Such money is too likely to be withdrawn at short notice to be a sound basis for long-term lending for house purchase, and he wanted the Association to get a return of all such investments from its members. The Association, replying that it had no such compulsory power, refused to fix a ceiling and published a voluntary (and incomplete) sample, and the Halifax Society walked out. The issue —the only logical reason for the quarrel—is now settled, not by the Association, not by Mr Denham, nor even because of the breach he created, but by Sir Cecil Crabbe, the Registrar of Friendly Societies, who last autumn laid rules before Parliament requiring societies to show the number and amount of their share investments and deposits exceeding £5,000. Hard words were used. The latest statement of the Halifax directors claims that Mr Bentley accused them of "dishonourable conduct." But it would cost nothing but pride now to heal the breach. The Halifax board incidentally is down to its permissible minimum of ten members out of a maximum of fifteen. To many of the citizens of South Yorkshire who, despite the special train, will make the bulk of the votes at the meeting, it must seem that the issue on which they are voting is small and that, whichever vote they give, the Halifax Society, and the movement so deeply rooted in Yorkshire, is the poorer for the squabble.

★

But that is not the whole story. Thrift and independence as sturdy as the building society movement itself run in the veins of the men and women who will cast their votes on Monday, and the format of democracy is written into the rules of the Halifax Society. The biggest hall in the town has been hired to accommodate the members. It will be bursting full, with overflow accommodation provided elsewhere. One man one vote, whether he be a borrowing or a lending shareholder, is the rule—no bludgeoning by big investors, no fat wads of proxies in the hands of the board. It is either personal attendance or no vote. That looks like nearly perfect democracy—on paper. It was nearly perfect when the society was founded over a hundred years ago. Today, when the Halifax is the biggest society in the world, with a nation-wide spread of small investors and small borrowers, it is the hollow shell of a democratic system.

In the Halifax society there are 421,000 share investors and 310,000 holders of borrowers' shares—a total of 731,000 (for the 151,000 depositors are not members). Allowances must be made for the under 21 year olds and for some duplication by members who are both borrowers and investors, but still have only one vote each. The number of potential votes is still

about 700,000. The figure dwarfs the voting power of the other building societies and of the great industrial companies. But less than 3,000 votes—less than one-half of one per cent of the strength—can get to Halifax, be accommodated, and cast their votes.

Of the share investors and mortgage borrowers up and down the country who, in this non-profit-making mutual society, are entitled to decide this issue, it is possible that some still do not know what it is all about. Their directors have informed them of the date of the meeting—in accordance with the rules—by advertisement in the press and of course there has been a mass of press comment. But the advertisement did not tell them who the candidates were or even that there was a contested election. They have had no personal communication from the board. Shareholders never do, mortgage borrowers only when their rate of interest is changed—and they have heard that on a few occasions in the last two years. Naturally, if a shareholder likes to instruct the society to send his interest to him regularly, it will be done ; if he likes to apply for the report and accounts, he can have them ; and the balance sheet is on view at each of the company's offices. But if he makes no special request, his interest will just be added to his account until he comes to ask for it, for the society works on the passbook system common among the Northern societies. He is not even informed, save by advertisement in the press, when his rate of share interest is changed.

Those are the rules, and the society claims that if an exception were made and a letter circulated it would cost £25,000. But a £300 million society ought to be able to face a £25,000 bill. Other societies not so much smaller face a charge of several thousand pounds a year to send each member regularly an abridged balance sheet and either a dividend warrant or a statement of the addition to his account. Indeed, of the five in the £100 million plus class, only the two Yorkshire societies, Leeds Permanent and Halifax, do not send a regular communication to shareholders. Others again admit and actually encourage postal voting ; Leeds Permanent and Co-operative Permanent do so. Great industrial companies think nothing of spending sums up to £15,000 a year on printing and posting their reports and accounts.

This annual general meeting will be held under the Halifax Society's own rules. If it had been a statutory meeting (for a " transfer of engagements," for example), held under the Registrar's rules, a three-fourth's majority of those present and entitled to vote would then have been required, but the Registrar does not allow proxy voting at such meetings. Building society voting rules differ widely. Some—the Woolwich Equitable is one—disfranchise the borrowers, some fix a minimum voting qualification—a £25 stake in the Abbey National, a £100 stake in the Leeds Permanent, twelve months' status as a shareholder in the Co-operative Permanent.

*

What the Halifax squabble has brought to light has been the remarkable state of the law and the diversity of building society practice about meetings. The very fact that most societies have been well and honestly run and that there has been no really big failure since the "Liberator" scandal of the 1890s means that the great advances in company law have passed by the building societies. The 1939 Act and the Building Societies Miscellaneous Provisions Act of 1940 did some useful tidying up, but in the main the societies are still governed by the Acts of 1874 and 1894. It surprises many building society shareholders to learn that only by implication are the societies ordered to have annual meetings at all. It distresses some managements that they cannot do business outside this country—not even in the Channel Islands—and that they cannot have subsidiaries.

The antiquities of the law are partly masked by the Registrar's powers of persuasion, and in the last resort of action. He can often talk a society out of adopting a bad set of rules. He can, and sometimes does, clamp down on a precarious one with a stop order on borrowing. His new rules for the form of accounts tabled in Parliament last autumn, and now affecting the December 31st accounts of the societies, are proving most revealing. How many subscribers to the Bradford Permanent can have realised that that society's mortgage loans included one of £1¼ million to a single concern? How many shareholders in the Leicester Permanent and the Alliance have realised that that Leicester society had £2.6 million (7.5 per cent of mortgage assets) and the Alliance £1.8 million (4.1 per cent of the mortgage assets) out on large multiple mortgages ?

Great progress has been made, and the building society movement is sound and honest, even if really high (and expensive) managerial capacity is the exception among the many small societies ; the practice of many societies runs far ahead of the minimum requirements of the law. But these facts should not be allowed to obscure the need for reform. If Monday's fight focuses attention on those anachronisms, the Halifax special may have made a useful journey.

PROGRESS OF THE BIG BUILDING SOCIETIES

	Total assets (£'000)		Liquid assets at market value (£'000) and per cent of total assets				Reserves (£'000) and per cent of total assets				Expense Ratio *		Investments over £5,000 (£'000)	Multiple mortgages †	Receiverships‡
	1955	1956	1955		1956		1955		1956		1955	1956	1956	1956	1956
				%		%		%		%				%	%
Halifax (Year to Jan 31 1957)	264,485	297,298	40,519	15·3	54,233	18·2	11,865	4·5	12,594	4·2	15/–	14/11	1,711	0·773	0·003
Abbey National	237,384	258,246	36,209	15·3	35,808	13·9	9,437	3·9	9,917	3·8	12/11	12/9	4,038	0·513	0·009
Co-operative Permanent	123,677	143,685	13,363	10·9	19,753	13·9	4,004	3·2	4,289	3·0	17/3	18/1	13,365	1·388	0·064
Woolwich Equitable	116,077	125,708	15,796	13·9	17,169	13·9	4,763	4·1	5,203	4·1	14/8	13/9	...	...	...
Leeds Permanent	95,026	102,736	15,530	16·4	16,643	16·2	5,013	5·3	5,291	5·3	11/8	10/11	...	...	...
Provincial	63,143	67,182	9,067	14·4	9,708	14·5	4,014	6·4	4,302	6·4	12/5	12/4	1,749	0·611	0·020
Alliance	51,141	56,230	8,980	17·7	9,248	16·6	1,068	2·1	1,221	2·2	18/2	17/7	1,369	4·080	0·100
Burnley	46,147	48,759	7,302	15·9	7,687	15·8	1,919	4·2	2,005	4·1	12/4	12/7	889	0·836	...
Leicester Permanent	39,133	41,515	5,180	13·2	6,010	14·5	2,610	6·7	2,623	6·3	13/–	14/–	792	7·487	0·147
Temperance Permanent	35,978	36,125	4,895	13·7	5,451	15·2	1,973	5·5	2,047	5·7	16/9	16/9	510	0·794	0·031
Leek and Moorlands	31,153	36,057	5,076	16·4	5,547	15·5	1,300	4·2	1,592	4·4	10/9	11/9	866	0·153	0·019
Bradford Equitable	30,309	31,364	4,363	14·4	4,619	14·7	1,341	4·4	1,417	4·5	13/11	13/9	609	2·666	0·093
Huddersfield	28,816	30,524	6,129	21·4	5,818	19·2	1,454	5·0	1,527	5·0	16/–	15/5	462	0·467	...
Cheltenham & Gloucester	26,849	28,672	2,997	11·2	3,758	13·2	1,621	6·0	1,692	5·9	12/11	12/4	95	0·497	0·007
Northampton Tn & County	26,323	28,543	3,337	12·8	3,452	12·2	1,159	4·4	1,223	4·4	13/4	12/5	659	1·553	0·041
Westbourne Park	25,601	25,947	3,506	13·7	3,198	12·4	1,735	6·7	1,821	7·0	12/6	12/9	323	...	0·031
Bradford Permanent	20,340	20,578	2,977	14·8	2,541	12·5	932	4·6	1,016	4·9	12/8	13/2	11,134	9·938	0·194

* Management expenses per £100 of mortgages. † Over £25,000 per cent of total mortgages. ‡ Proportion of total mortgages.

Where Plutonium Comes In

PLUTONIUM, for a long time, has been one of the back-room mysteries of the atomic energy programme. A vaguely sinister metal, which scientists describe as " poisonous," it is roughly interchangeable with the fissile portion of natural uranium. But it only appears in the conditions set up inside an atomic reactor and is never found " wild " in nature. Putting two and two together, the layman may deduce that here is a valuable asset to any atomic power programme, an atomic fuel " grown " in the power stations of the atomic grid, a miniature uranium mine inside each reactor. He is indeed told this on every side, by people who are in a better position than he is to calculate the probable output of this strange metal, but who have so far kept this information to themselves. Lacking it, he is largely unable to follow the calculations that scientists make about the probable market price of plutonium, when a market for it comes into being, and he is expected to take on trust their estimate of the effect this price will have on the cost of atomic electricity.

The Atomic Energy Authority has filled this gap by making its own estimates of the tonnage of plutonium likely to be produced in the British atomic power programme. This goes a long way towards making good some of the omissions in the recent announcement of the trebling of that programme ; it is in line with AEA's liberal policy of disclosing developments as soon as any logical reason for secrecy has gone. Until now, only the French atomic authorities have been prepared to discuss plutonium output.

The Authority calculates that, when all 6 million kilowatts of atomic capacity are installed, the country's atomic power stations will have an annual output of 4 tons of plutonium. This is the fuel equivalent of about 600 tons of natural uranium. A 300,000 kW atomic power station today needs an initial loading of 500 tons of natural uranium which may last three years. So one could say, again very roughly, that this 4 tons of plutonium could keep a station of that size operating for about four years.

This output will not be reached immediately. Although the plutonium is coming into being inside the reactor all the time, it can be extracted only when the spent fuel rods are removed from the reactor and sent away for chemical processing. Unless the rod breaks or develops a leak, this is not likely to happen for two or three years ; and only when a power station has been in commission for that time will any output of plutonium be recovered from it. The total output from all the stations during the period up to 1965 is put no higher than one ton, although from that date it will build up rapidly to the rate of 4 tons a year.

These figures need a word of explanation. The 20-odd power stations of the atomic grid could at any one time contain up to 10,000 tons of natural uranium in their fuel charges. In calculating how much of this will be turned into plutonium, the Authority has made two assumptions. First, that the stations will be used for base load, operating to 75 per cent of their annual capacity. Secondly, that each ton of natural uranium in the reactors will give 3,000 megawatt days' heat. This is the amount of heat expected from fuel charges in the first power stations now being built. If, however, between now and 1965 the efficiency of reactor design improves so that more heat is extracted from a given ton of fuel—5,000 megawatt days is considered quite a reasonable target—the reactor would burn up a higher proportion of the plutonium it has manufactured during the " life " of the fuel charge. It would then leave a smaller amount to be extracted from the spent fuel rods when they were finally removed—perhaps not more than 2½ to 3 tons a year for 6 million kW of capacity.

It is much more economic for the power stations to consume much of their own plutonium in this manner than to go through the elaborate process of separating it chemically from the spent fuel elements and manufacturing it into new fuel rods. So it would not be

surprising to find that saleable plutonium output would not rise as fast over the years as the atomic electricity output may grow. A shift in the design of power stations, towards those using fuel that had been enriched with some of this plutonium, would also tend to depress the rate of growth for technical reasons.

These atomic electricity stations will not be the only new source of plutonium produced in this country. The Atomic Energy Authority is building two additional reactors at Calder Hall, on the Calder "B" site, and four at Chapel Cross in Scotland. These are intended primarily for "weapon-grade" plutonium; the fact that the two sites will each generate about 200,000 kW of atomic electricity is in the nature of an afterthought.

The system on which these installations work would be highly uneconomic for a civil power station. The fuel rods are removed as soon as they have built up a useful content of plutonium, partly to prevent it from being burnt up inside the reactor, partly to prevent a deterioration in quality that occurs as some of the plutonium loses its fissile properties through over-long exposure in the reactor.

The plutonium from the civil power stations can therefore be assumed to have a purely civil value and to fetch a price calculated on its civil uses. These are varied. The first trickle will doubtless be used in experimental reactors that the Atomic Energy Authority will build at its new site in Dorset. As output rises, it will probably be used to enrich fuels for special reactors like those in submarine engines, and ultimately for "enriched" power stations. Towards 1970, there will be a demand for plutonium to provide the initial fuel charge for breeder reactors, which need a highly concentrated, highly expensive core of fissile material to start them working, after which they will breed as much of their own fuel as they need with a surplus over for other reactors. The distinction between these "breeder" reactors and those producing plutonium today lies in this ability to produce more fuel than the reactor consumes. This wide and widening market and the damping effect of technical developments on supplies, suggests that plutonium prices might be expected to remain fairly steady until an appreciable volume of fuel begins to come from a chain of breeder reactors, which would not be before the mid-1970s.

*

The price that the Atomic Energy Authority will pay the power stations for plutonium extracted from the spent fuel is now being negotiated. It has been assumed within the Authority that £5 per gram is fairly near to a true market price: on this valuation, the annual output of plutonium by the end of 1965 would have a value of £20 million at current prices. This British price is slightly higher than the price of $12 a gram which the American Atomic Energy Commission has said it will credit for plutonium produced in reactors using American fuel.

Various estimates have been made of the effect that "crediting" this price for the plutonium by-product would have on electricity costs. The Authority's economist, Mr. J. A. Jukes, said last autumn that a price of £5 a gram would work out at 0.1d. per kilowatt sent out; and Sir Christopher Hinton recently carried this calculation to two decimal places, suggesting a credit of 0.07 pence per unit sent out. Indeed, Sir Christopher was prepared to predict that this credit would decline by about 0.02d. every decade. He was tracing a trend rather than fixing a hard price. In doing so he assumed that the net cost of electricity after allowing this credit for plutonium in 1960 (a hypothetical price because no civil atomic power station will be working in Britain by that date) would be 0.66 pence and suggested it would fall gently to 0.32d. per unit by 1990. There is very little difference between his estimate for 1960 and the 0.6d. suggested by Mr Jukes.

*

These calculations are enlightening, so long as they are not taken too seriously. They clarify the make-up of atomic power costs, with the high capital charges on the stations, the interest on the valuable "working capital" of fuel and the relatively modest fuel costs—less this teasing element of credit for plutonium. But they are not hard cost figures and they are often based on assumptions that are left unexplained. The layman has been told by Mr Maudling that, without atomic power, the country would need 70 million tons of coal to meet its electricity requirements by 1965 and 85 million by 1970. By installing 6 million kilowatts of atomic electricity by 1965, annual coal requirements for electricity in that year will be reduced to the more manageable figure of 56 million. Those are figures that the layman can understand, just as he can appreciate Mr Maudling's reluctance to predict what coal savings might be made after 1965 by an expanded atomic energy programme.

It is much more difficult for the layman to understand how the cost of power from those stations can be reduced by crediting the value of a plutonium by-product of which practically none will be actually recovered before 1965. Every estimate of the cost of atomic power from the early stations persists in allowing a credit for plutonium: in practice this credit can be realised only after the stations have been in full production for several years. But equally, say the scientists, the stations will be spending nothing on fuel. When they begin to buy fresh fuel, they will also start to get plutonium out of the spent rods that the new fuel replaces. Does one then assume that the two exactly cancel each other out? This poses a nice problem for the cost accountants of the electricity undertakings. In the meantime, it might be kinder to the public that pays electricity bills to make it plain that, while there will be a plutonium credit one day, it will not be much to sing about in the early days—and that it will certainly not average 0.1 pence per unit sent out until after 1965, when the whole 6 million kilowatts are delivering power into the grid.

Business Notes

Output Beneath the Surface

COMPLETE production indices for 1956, released this week by the Central Statistical Office, emphasise how much the pattern of industrial production has changed during the last two years, a period during which the actual level of total industrial output has changed almost not at all. In 1955, manufacturing industry drove the boom, expanding its output by 7 per cent, while output in mining and construction hardly changed; and within manufacture the engineering and vehicles industries accounted for the biggest single share in expansion. In 1956, the pattern was reversed. Manufacturing output fell fractionally: the metals and engineering industries, in spite of a substantial increase in steel output and some expansion in plant and machinery building, fell rather more: mining managed a tiny increase in output, while building and contracting showed a 6 per cent rise, helping to hold the "all industries" index dead level.

But even these detailed component indices of the official production index leave some mysteries about output in 1955 and 1956—particularly in the key sector of metals and engineering, pressure of demand upon which was taken as one of the signals that disinflation was overdue late in 1955. The lengthening of order books in some machinery industries, and the growth of capital spending and planning by manufacturing industries reporting to the Board of Trade, then suggested that plant and machinery builders were overstrained with orders, while expansion in output of cars and metal consumer goods was pre-empting the resources that engineering industries needed in common—steel, labour, and some intermediate capacity.

Output figures for 1956 suggest that, however true this was, the boom in plant and machinery building last year was a comparatively modest affair. Output in these industries certainly rose, but probably not more than about 2-3 per cent roughly; and their relative weight in total engineering output was not enough to offset declines in motor and metal consumer goods and possibly in engineering work for defence.

Output for Investment

IN 1956 and the two previous years, which very roughly span the recent investment boom in industrial investment, about £3,000 million was spent on machinery and plant in Britain. The annual rate of expenditure on this category of capital equipment rose last year to about 40 per cent more than in 1953 though only 8 per cent greater than in 1955. The bulk of this came from British factories: but there was an increase in imports as well. Since 1948 normally only about a twelfth of this country's annual requirements have been imported, mainly from the United States and more recently from Federal Germany. Even during the period of rearmament at the time of the Korean war, imports accounted for no more than an eighth or so of total spending; last year, when the pace of the investment boom began to slacken, the proportion edged up a little, but it was still less than a tenth. For some items of plant imports are more significant; more than a quarter of new machine tools installed in 1956 came from abroad, and they cost more than the tool makers earned from their exports. But exports of plant and machinery generally have been growing steadily; a regular 35-40 per cent of total output has been sold overseas since 1948.

This "output" figure for plant and machinery, however, is a residual item, derived by adding exports and deducting imports from the value of plant currently installed.

PLANT AND MACHINERY

£ mn	Installed in UK	Net imports	Exports	Residual estimate of "output"
1948	495	40	250	705
1949	550	46	297	801
1950	629	42	346	933
1951	742	52	406	1,096
1952	778	105	465	1,138
1953	806	90	450	1,166
1954	901	74	470	1,297
1955	1,052	91	525	1,486
1956	1,135	107	570	1,598

Unfortunately there is no better way of measuring home production of plant and machinery. A measure of these increases by volume is even more difficult. The official estimates of gross investment in plant and machinery suggest that last year's expenditure was about 60 per cent more than in 1948, but only about 2-3 per cent more than in 1955. A tentative calculation of the volume of production, derived again by working backwards from these figures of plant installed, indicates increases of very roughly the same order—though other estimates would suggest a somewhat higher increase in the output of these industries last year.

An Untimely Boomlet?

WEDNESDAY was the start of a new Stock Exchange Account. For many firms in the House it was also the start of a new trading year. Investors and jobbers could have been pardoned if they had felt that the opening of this account that ends on budget day was almost wholly inauspicious. The indications from Suez were certainly

not favourable to the British point of view; the strike and wage bargaining struggle on the home front looked far from settlement; and results from more big engineering groups arrived as if to emphasise how hard it will be either to grant substantial wage increases or face a prolonged stoppage. North British Locomotive showed a group net loss for 1956 of £508,083, against a net profit of £101,510. David Brown Corporation reported a net loss for the year to June 30th of £1,615, against a net profit of £612,684.

Yet Wednesday was a day when the Stock Exchange staged a smart rally affecting most sections of the market. Engineering shares, oil shares and even gilt edged were prominent in the advance. Over the week ended on Wednesday *The Economist* ordinary share indicator showed a rise of 11.4 to 204.9, the biggest weekly rise since its inception; *The Financial Times* index of government securities at 87.48 showed a rise of 0.92 over the same week. In gilt-edged the volume of business has remained small. At the other extreme the buying—presumably semi-speculative—of oil shares was on Wednesday at least fairly heavy. But price movements were sharp because the market was not prepared; 2½ per cent Consols rose ½ to £74 and Shell Trinidad rose 5s. 7½d. to 91s. 3d., while Anglo-Egyptian "B" rose 5s. to 38s. 1½d.

It is impossible to explain a movement so widespread on any other hypothesis than that a section of investors has decided that inflation must take the upper hand again. It is not yet apparently a big nor probably a stable section of the investing public, but in one form or another its thesis has become the subject of Stock Exchange discussion.

The Exchequer Improvement

THE shape of a modern budget is determined primarily by the requirements of the national economy—and of national politics. Chancellors have been taught that Exchequer surpluses earned from inflated income and spending are not "available" to give away, and that revenue shortfalls may reflect under-capacity in the economy that calls, not for new tax burdens, but for reliefs. Thus in these pre-budget weeks Mr Thorneycroft should have been more influenced by the consequences of the 5 per cent rail settlement and by what is happening in engineering and shipbuilding than by the rather remarkable improvement in the Exchequer accounts. Nonetheless, that improvement will undoubtedly play some part in his considerations.

The final outturn of the 1956-57 budget still seems certain to be significantly worse (in the accounting sense) than Mr Macmillan anticipated last April; but the shortfall should be much smaller than appeared likely a few months ago. Receipts have flowed into the Exchequer particularly late this year. But the enabling authority for this year's big batch of supplementaries was enacted only at the end of that week, so that big expenditures may have been postponed until this final week of the fiscal year. At March 23rd, total ordinary expenditure was £308 million up on the year—an excess of £46 million over the increase budgeted in the original estimates, which, however, is notably smaller than the excess at the end of the calendar year. Moreover—before the final week—supply expenditure was almost exactly on target, £226 million above 1955-56; the unexpectedly large increase in debt interest is attributable largely to the technical effect on the accounts of the considerable switch from old to new issues of national savings certificates.

The seasonal spate into the inland revenue has raised its total receipts to within £10 million of the target of £141 million more than last year, despite a marked lag in profits tax. But total tax revenue has been held down by the still larger shortfall in receipts from customs and excise—up £88 million compared with the budgeted £144 million. The upshot is that the surplus above the line, at £344 million, is smaller by £75 million than a year ago, whereas Mr Macmillan budgeted for an increase in his surplus of £43 million to £440 million (before counting any of his notorious "economies"). The Exchequer's net capital outlays have been considerably smaller than projected. By March 23rd they had reached £659 million; this represented an increase on the year of £102 million, compared with the expected increase of £265 million. Moreover, the payments included £52 million in the latest week to cover the 1956 deficit of the Transport Commission, under the new procedure for which no provision was made in the budget. The explanation is first a lag in the Exchequer's capital advances to the nationalised industries, a new procedure for which was introduced in the last budget, and secondly to a still larger shortfall in loans to local authorities. But the Chancellor is likely to be influenced least of all by this improvement "below line." To the extent that local authority borrowing has been transferred from the Public Works Loans Board to the market, the transfer, though beneficial in other ways, does nothing to free real resources.

Finance Houses for Consumer Credit

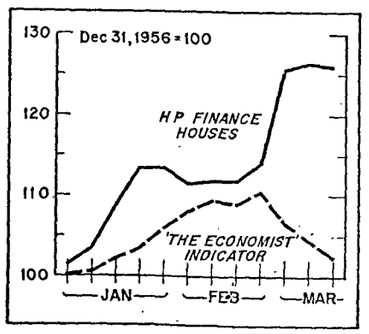
THIS is a significant and perhaps auspicious time for the hire purchase and consumer credit finance houses. Certainly that is the way Throgmorton Street has read the signs. An index constructed from the ordinary share prices of some of the leading finance houses has since the beginning of this year run consistently higher than *The Economist* indicator. Within the last few weeks the margin in its favour has widened substantially.

What, then, are the portents? First, though the total hire purchase debt was falling last year, the profits of the leading houses were not much impaired, because HP contracts made earlier were passing off to a good profit. And some of these companies have had sufficient confidence in their own strength to raise their ordinary dividends, even though their financial results this year will begin to reflect the fall in new HP business that occurred in 1956.

That has not deterred investors. They have to balance the prospect of a secular growth in hire purchase business against the sudden fluctuations in that business which are caused by changes in the Government's attitude towards consumer credit. Taking a narrow view, they may argue that the Government's decision to cut the minimum HP deposit on vehicles from 50 to 20 per cent is of greater importance than the more recent move to block a small loophole. This move effectively prevents a dealer, manufacturer or finance house from lending money to cover an initial deposit or the payment of a nine months' rental in advance.

But investors can base their valuations on facts as well as surmises. In January there was a rise of about one per cent in the total hire purchase debt, thanks to greatly increased advances by the finance houses on motor vehicles. In February HP sales of motor vehicles went up again. Furniture sales, too, have risen and recently the proportion of radio and television sets sold on HP has begun to creep up again.

Some investors may be hoping, wildly perhaps, for concessions on HP restrictions on budget day, and some are prepared to argue that, because of the bunching of HP contracts, this year is likely in any case to produce a fresh spurt in new HP business.



CREDIT FINANCE HOUSES
(£'000s)

Ordinary shares	Accounting date	Hire-purchase debtors, etc.	Deposits	Loans and acceptances	Net profit Prev.	Net profit Latest	Dividend Prev.	Dividend Latest	Current price	Yield
							%	%		%
British Wagon £1	Dec. 31, '56	8,895	3,294	315	215	229	20	20	63/6	6·3
Clydesdale Supply "A" 1s.	Mar. 31, '56	1,117	...	1,127	91	78	37½	37½	4/3	8·8
Lombard Banking 5s.	Dec. 31, '56	9,465	7,776	966	158	172	16	25	...	...
Mercantile Credit £1	Sep. 30, '56	14,638	...	10,324	306	305	27½	27½	105/–	5·2
Mutual Finance 5s.	Dec. 31, '56	3,045	1,515	396	58	56	16	17½	18/9	4·7
Olds Discount 5s.	Dec. 31, '56	12,732	2,847	6,058	364	339	27½	30	27/9xd	5·4
United Dominions Trust £1	June 30, '56	53,500	2,611	47,329	733	768	16½	17½	85/–	4·1
Wagon Finance £1, 4s. paid	Dec. 31, '56	3,190	1,883	...	165	168	37½	37½*	20/10½	7·0

* Excluding distribution from capital reserves of 12½ per cent, tax free.

Cross Currents in Sterling

STERLING has been stronger during the past week. The expectation early in the week that there would soon be a settlement of the strikes led to considerable bear covering from the continent. Probably during those days the Exchange Equalisation Account gained substantial amounts of EPU currencies as a consequence. This should be reflected in the March EPU figures to be published next week. The covering operations stopped suddenly when the strike outlook took a turn for the worse on Wednesday. German and Swiss operators began to sell sterling forward for three and six months again. The 5 per cent wage concession pattern set by the British Transport Commission has been interpreted on the Continent as an unmistakable bear point for sterling.

Against the dollar, the sterling rate has been much less a prey to speculative operations. There has been a persistent commercial demand for sterling in New York and the dollars involved have nearly sufficed to meet the demand for dollars in London. The balance has not, however, been exact and the official market rate has moved against sterling to $2.79 as against a rate of $2.79¼ at the beginning of this week. In the forward market, however, sterling has been stronger and the premium on three months' dollars which was 1⅛ cent a week ago has narrowed to ⅛ cent—a figure not far removed from the interest rate parity. Transferable sterling has also been stronger, the rate rising during the week from $2.76 to $2.76¼. There are some substantial buyers of transferable sterling on the Continent, some of whose operations have been linked with reports of further Russian gold sales.

A Rocket from Bermuda

MR MACMILLAN brought home with him an outsize souvenir in the form of the ballistic rocket, Thor. Provided that the development trials of this weapon go better than its first flight a few weeks ago, when it exploded 200 feet off the ground, this rocket should be capable of carrying a hydrogen warhead approximately 1,500 miles. With such a range, it could not hit Russia from the United States but could do so very effectively from launching sites in Britain. There are, therefore, advantages to both sides in the arrangement by which the Americans send the weapon to this country free. It has been said that it might be maintained and serviced by British technicians. The letter of American legislation that prohibits the export of atomic warheads might be observed by sending American armourers to set its nuclear fuses: how far the spirit of this embarrassing law would survive would depend upon whose orders these American armourers would take.

When he arrived at London Airport on Wednesday afternoon, Mr Macmillan said frankly that even if Britain spent the immense sums needed to develop a similar weapon, it could not deliver any until five or six years after American factories could. Since Thor itself can hardly be described as fully developed, although it is the most advanced of the American intermediate-range missiles, this would imply that without American aid, Britain would have no long-range rocket striking power before the mid-sixties. Although the promised shipment of Thor is one outcome of the Defence Minister's earlier talks in Washington, which covered understandings on a much wider range of missiles, it is in this particular field of ballistic weapons that Britain lags so far behind the United States. It is only a year since it was announced work had been ordered in this country on a 1,500 mile-range guided weapon. Missiles take as long to develop as manned aircraft, so it might require 10 years of development to get this into service. Reports suggest that weapons of at least 1,000 miles range were being test-fired inside Russia at the rate of about five a month as far back as last year.

It is not expected that work on long-range ballistic rockets will be stopped entirely now that a supply of American-built weapons has been promised. But it may well mean that the work is shifted back from the development engineering shop (where costs are astronomical) into the labora-

tory (where costs are lower) with instructions to modify the weapon so that it provides a more advanced successor for Thor. But Mr Sandys will need to have been promised a great deal of technical help from the United States, if British industry is to be able to design a tuppence-coloured ballistic rocket for the late 1960s without ever having gone through the penny-plain stage with a weapon like Thor.

Accountants' Ayes

THE first and biggest obstacle in the path of the proposed integration of the Institute of Chartered Accountants and the Society of Incorporated Accountants has been cleared—but only just. Of the 19,000 odd members of the English institute, 14,582 (or just over 75 per cent) voted in the postal poll. Of those voting 10,242 were for and 4,340 against the integration scheme. Thus with about 70 per cent of those voting in favour, the scheme gained the requisite two-thirds majority. Many of those voting against and perhaps some of those abstaining must be provincial accountants who believed that the word "chartered" gave them a definite competitive advantage over the incorporated accountant practising in the same town.

A two-thirds majority of the vote of the Scottish institute, a bare majority of the vote in the Irish institute, approval by the Privy Council, and finally a three-quarters majority of the vote of the society in favour of liquidation have all still to be obtained before the merger can take place. Formal integration cannot take place before the autumn. There are only a small number of incorporated accountants in Scotland and Ireland and, now the members of the English institute have given a favourable vote, it must be hoped that parochial prejudices will not block the implementation of the scheme. It is thus encouraging that the integration proposals gained an overwhelming majority of support on a show of hands and that there was little vocal opposition to them at the meeting of members of the Scottish institute; but here too there is still a postal poll to come.

"Mr ENI" in Persia

FEW men are more like the traditional picture of the buccaneering oil tycoon than Mr Enrico Mattei, president of ENI, the Italian state corporation for oil and natural gas: and few are more disliked by the more sedate branches of the international oil industry. Not for the first time, the major companies' big problem at the moment is to find out just what "Mr ENI" is up to. Last week he let it be known that he was "finalising" an agreement with the Persian government under which ENI would form a joint company with the National Iranian Oil Company to exploit the rich recently discovered oilfield at Qum, about 100 miles south of Teheran, which falls outside the scope of the international oil consortium. It was suggested that 49 per cent of the capital would be put up by Persia and 51 per cent by ENI. Royalty payments on production would be so adjusted that the Persian 49 per cent share would yield them 70 per cent of the profits, leaving 30 per cent for ENI. An agreement on these lines would stick out like a sore thumb among all other oil concessions in the Middle East, where profits are shared in principle equally between the oil companies and the government granting the concession. But there is no confirmation of a report that Mr Mattei offered to call off the 70:30 deal if the international oil companies would let him into the consortium that operates Abadan.

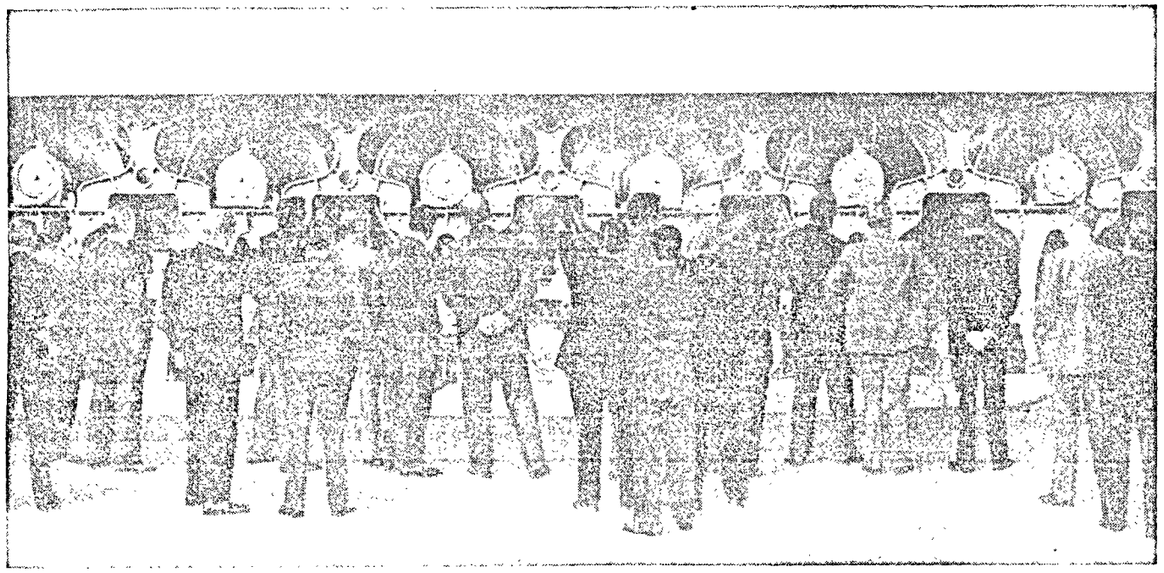
To develop the Qum oilfield, ENI would apparently be prepared to build a pipeline about 1,000 miles long across difficult country through Turkey to the Mediterranean. Such a line would be as long as TAPline from Saudi-Arabia, and nearly twice as long as the suggested new pipeline from northern Iraq through Turkey to the Mediterranean; if of the same capacity, it could hardly be built for much less than £200 million. Where is the money to come from? ENI, a state corporation which has a profitable monopoly of the natural gas deposits in the Po Valley, may be virtually in a position to pledge the full credit of the Italian government in obtaining foreign loans. But whether Italy could afford foreign investment of this order, part of which would have to be made in dollars, is another matter. The Persian government, for its part, has few free funds to contribute as its share of the capital either to develop the oilfield or to construct the pipeline. Conceivably its share could be provided with the help of a loan from ENI or some other source, such as Japan, which has been showing an interest in the same field. Such a loan could be secured against future royalties, or even written off against the paper capitalisation of the oil reserves being exploited. If the Persians were in a position to invest their own resources in a joint undertaking with a foreign oil company, thus identifying themselves directly with the success of the venture, that aspect of the scheme, at least, might have something to commend it. But if in practice all of the money for development has to come, as usual, from outside, then the arrangement would have little to distinguish it from existing practice—except that Mr ENI the Western partner, would be paying far more for this concession than the West has ever had to yet.

Britain's Share of Trade

LAST year a larger part of British manufacturing output went abroad than in any of the three previous years, and although output went down slightly, the volume of manufactures exported rose 6 per cent. But world exports expanded even more rapidly. There was no sign of any change in the rate at which, in recent years, the British share of world exports of manufactures has been falling. An article in the current issue of the *Board of Trade Journal* examines some of the figures behind this declining trend.

Between 1951 and 1955 Britain's share in the world trade in manufactures fell from 21.3 per cent to 19.0 per cent. Most other European exporters and the United States, too, felt the upsurge of competition from Germany, and to a lesser extent from Japan, in these years. But they could afford it better. In 1951 these countries had been enjoying a larger share of the total trade than they did before the war. But Britain, the traditional textile exporter, had

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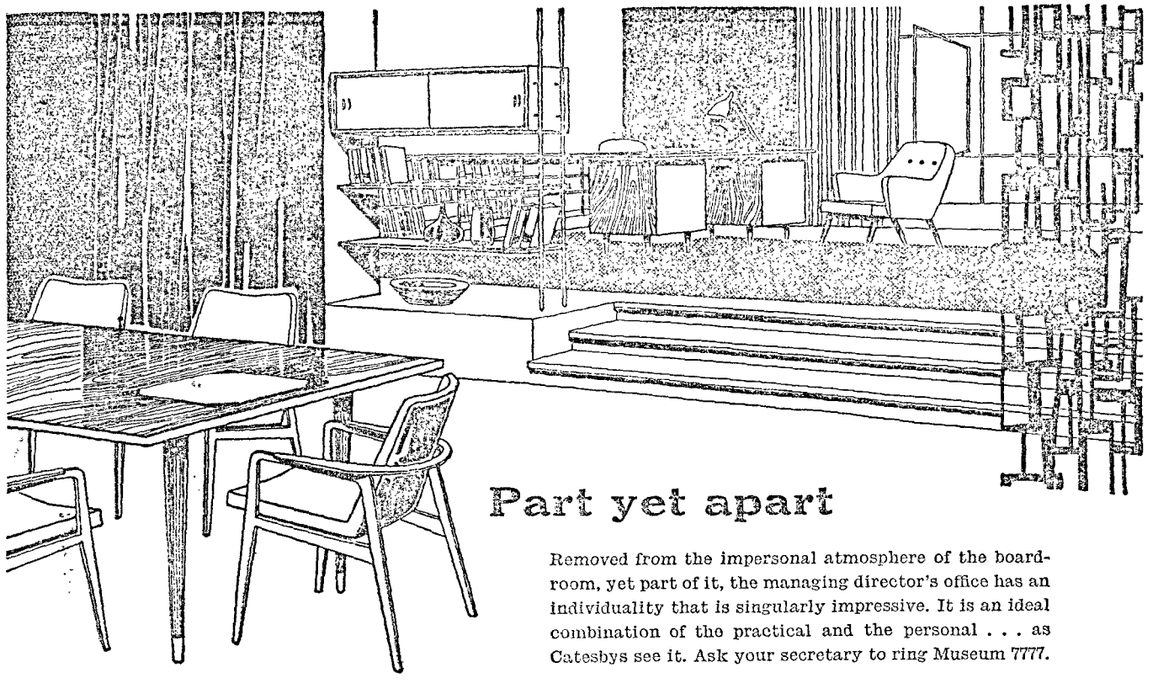
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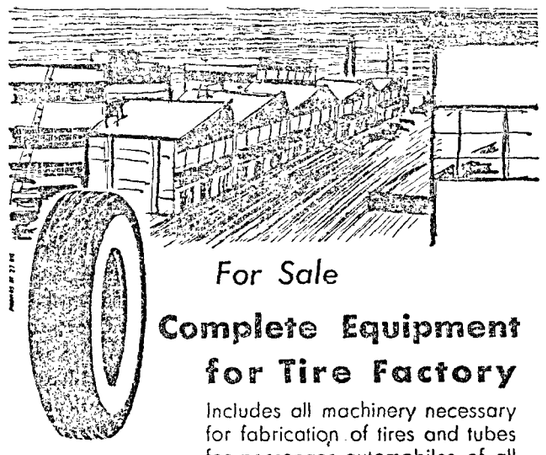
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already suffered a setback. What has caused the further deterioration? Between 1951 and 1955 the British share of trade fell in every selling area except one—the non-sterling Middle East and Far East—and in every group of exports except one—metals and their manufactures. The continued decline cannot therefore be blamed only on bad luck in the pattern of trade. Indeed, the Board of Trade reckons that out of the British loss of 2.3 per cent in the share of world trade over those four years, only 0.6 per cent might have been expected because of any concentration of British exports on goods and markets that have been less buoyant than the average.

EFFECTS OF THE PATTERN OF TRADE

Exporter	Actual percentage share of exports of manufactures		Change (in percentage points) in share between 1951 and 1955	
	1951	1955	Actual	Due to pattern* of trade
United Kingdom...	21·3	19·0	−2·3	−0·6
Germany	9·7	14·9	+5·2	+0·7
Other continental:				
OEEC	33·8	31·5	−2·3	+0·6
United States.....	25·6	23·6	−2·0	−0·6
Canada	5·4	5·9	+0·5	+0·6
Japan	4·1	5·0	+0·9	−0·6

*This column shows the changes that might have been expected on account of each country's pattern of trade in relation to the expansion of world trade. This has been done by calculating what each country's share would have been in 1955 if it had retained the same relative share as in 1951 in each commodity group within each market, e.g., in the market for chemicals in North America.

Unfortunately, the Board of Trade goes little further in interpreting these figures. The effect on exports of delivery dates, packaging, sales promotion, and the like may defy statistical treatment. But surely it should be possible for the Government to make a comparative study of export prices from the major exporting competitors? Prices of British manufacturing exports seem, on the average, to have moved much in line with world prices, but a more detailed analysis is badly needed.

Dollar Loan for Schumania

NEXT month the European Coal and Steel Community will come of age in the world's capital markets. It will make its first public issue in the United States. It tested its standing last summer when it made a successful public issue of 50 million francs (at 4¼ per cent for 18 years) in Switzerland. And before then (in 1954) it had received its first dollar loan—$100 million from the United States Government through the Export-Import Bank. The details of the new issue, to be handled by a group of leading issuing houses in the United States, have yet to be negotiated. But the intention is to raise $35 million in two tranches: one of $10 million on bonds repayable in five years and the other of $25 million repayable in 18 years. Thus the terms of the loan may be tailored to appeal to two different kinds of institutional lenders.

So far the Coal and Steel Community has borrowed about $130 million, relending an equivalent sum to members of the community to finance their economic and social investment programmes. In this sense, the community acts as a broker. Because of its standing (which ultimately rests on the levy on steel production and on accumulated reserves from that source of about $100 million) the High Authority can borrow more readily and more cheaply than its members individually could. The High Authority lends out at rates that on the average cover the service on its own borrowings; but it nevertheless trims the terms of these loans to the individual borrower's ability to pay. Members will borrow the more readily from the dollar resources now being provided because dollars so drawn must pass through the member countries' exchange reserves though some of them are no doubt earmarked for purchases of American equipment.

A Bank's Egyptian Losses

EGYPT'S sequestration of British and French banks operating in that country affected four British-owned banks—Barclays DCO, with forty branches and agencies in Egypt out of a total of over a thousand; the Ottoman Bank, with ten Egyptian branches out of seventy; the Ionian Bank, with eight out of forty; and the Commercial Bank of the Near East, with two of its three branches in Egypt. The report of the Ionian Bank issued this week now gives some indication of the effect of the take over—for which compensation has been claimed and promised, but not yet granted; meanwhile full provision for the amounts involved has been made. The bank excludes all figures relating to Egyptian business in the balance sheet of December 31st. Therefore "it is hardly surprising" that deposits fell by £1.7 million to £9.5 million, advances by £2.1 million to £5.1 million, and documentary credits by £1.6 million to £2.7 million. These are sharp movements. But the bank succeeded in maintaining its profits, at £37,664, and is paying an unchanged dividend of 4 per cent.

Uranium for Power

THE British Government's five-year contract to buy £43 million worth of uranium ore from Canada is part of a series of similar deals that began last year with negotiations to take the output of Rio Tinto's new Mary Kathleen mine in Australia, and are designed to back up fuel supplies for the British atomic power programme. Until the size of the programme was decided, it was not easy to predict its fuel requirements. Canada is now emerging as one of the world's major uranium producers, and last year there were some signs that the country was heading for a uranium glut.

Producers have in any case become so cautious about the future trend of uranium prices that neither in Canada nor in any other country will they contemplate opening up new deposits without a firm contract to recoup the whole of the mine's development cost. This is reflected in the offer made by the Atomic Energy Authority to prospectors in Rhodesia and Nyasaland, where useful deposits of uranium exist. This provides for the purchase of up to 500 tons of uranium oxide annually from the region, on the basis of

10-year contracts at prices in line with those negotiated elsewhere. The last proviso is an indication that while the AEA would like to see the development of Commonwealth uranium resources, it does not intend that the British atomic electricity programme should be asked to subsidise the development of uneconomically low-grade reserves.

Tin Prices Jump

On the news that the Tin Council had raised the price range in the International Tin Agreement cash tin on Monday touched £795 a ton; that price was not held, and on Thursday cash tin closed at £781 a ton, an advance of £9 on the week. The changes in the price range are summarised below:

The floor price, formerly £640 a ton, becomes £730; when the cash price on the London Metal Exchange is at or below the floor the manager of the buffer stock must, if he has funds, offer to buy at the floor price until the market price is above the floor or his funds are exhausted.

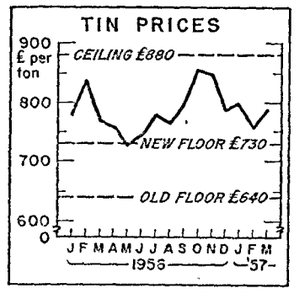
The lower third of the range, formerly £640 to £720 a ton, becomes £730 to £780; when the price is within this range the manager may buy at the market price to prevent the price from falling too steeply.

The middle third, formerly £720 to £800 a ton, becomes £780 to £830; when the market price is within this range the manager will neither buy nor sell unless the tin council decides otherwise.

The upper third, formerly £800 to £880 a ton, becomes £830 to £880; when the market price is within this range the manager may sell at the market price to prevent the price from rising too steeply.

The ceiling price remains at £880 a ton; when the price is at or above the ceiling the manager must, if he has tin, offer to sell at the ceiling price until the market price is below the ceiling or his stock is exhausted.

Some producers, led by Bolivia, the highest-cost producer, initially sought an increase of £80 a ton throughout the range. They argued that the prices agreed on in 1953 had been made unrealistic by the subsequent rise in mining costs. Any further decline in the market price would force some high cost mines out of production and lead to the abandonment of low-grade deposits. As world consumption was rising, a higher range of prices was necessary to ensure adequate supplies in future years. The consumers, three of whom—Britain, Holland and Belgium—have producing interests too, accepted that there was some merit in these arguments, but they were firmly opposed to an increase in the ceiling price. Eventually the producers gave way on the ceiling to gain an increase of £45 a ton in the mean point between the floor and ceiling prices.



The immediate significance of the changes should not be exaggerated, as the market soon realised. The manager of the buffer stock will not necessarily buy when the market price falls below £780 a ton. But as his funds are large he will be able to support the market, and thereby acquire metal, at higher prices than before. By anticipating his actions the market will actually do most of his work for him. The surplus this year is small: it is put at between 5,000 and 7,000 tons, equal to three or four per cent of world consumption. Once forward tin commands a premium merchants should easily take the surplus into their stocks, and larger stocks should help to stabilise prices.

British Oxygen Replies

Few other companies or trade associations whose mono poly power or trading practices have been held by th Monopolies Commission to operate against the publ interest have ever produced quite as moderate and concili tory a reply as the British Oxygen Company published la week. The company recognises that the existence of th commission reflects public opinion,

> an instinctive wish to know that where a monopoly situ tion has developed the companies involved in it are "pla ing fair," that they are efficient and have a clear sense responsibility to the public

and welcomes the commission's examination and criticisn It broadly accepts four of these criticisms: it is no longe controlling the provision of oxygen-making plant to othe suppliers or consumers who want to make their own gas, has abandoned the use of "fighting companies" in compe tition, it is giving up the conditions of exclusive dealin attached to the use of certain apparatus, and it proposes t accept the commission's recommendation that it shoul prepare new scales of oxygen prices related to costs and applicable to all ordinary users.

One major point remains at issue. The majority of the Monopolies Commission thought that BOC's rate of profit —calculated as 23 per cent for 1954, or 17 per cent if the capital employed is valued at current replacement costs— were "unjustifiably high" for "an almost complete monopoly facing a limited financial risk." The company does not feel protected from competition when it goes to the market

Retail Business

CUSTOMER TRENDS

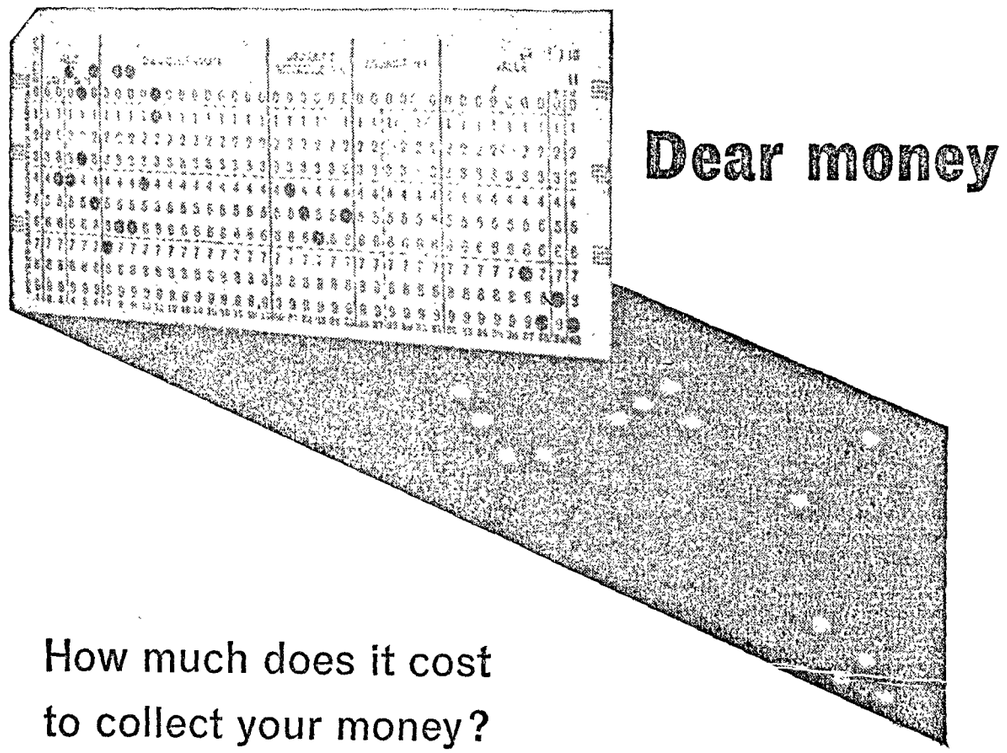
Number 2

This new quarterly bulletin deals with the demand for consumer goods in the home market. It includes short and long-term forecasts of sales by different outlets and merchandise groups, regional surveys and reports on special investigations.

Among the special subjects in the second issue are: the growth of mail order business; the women's clothing trade; motivation research.

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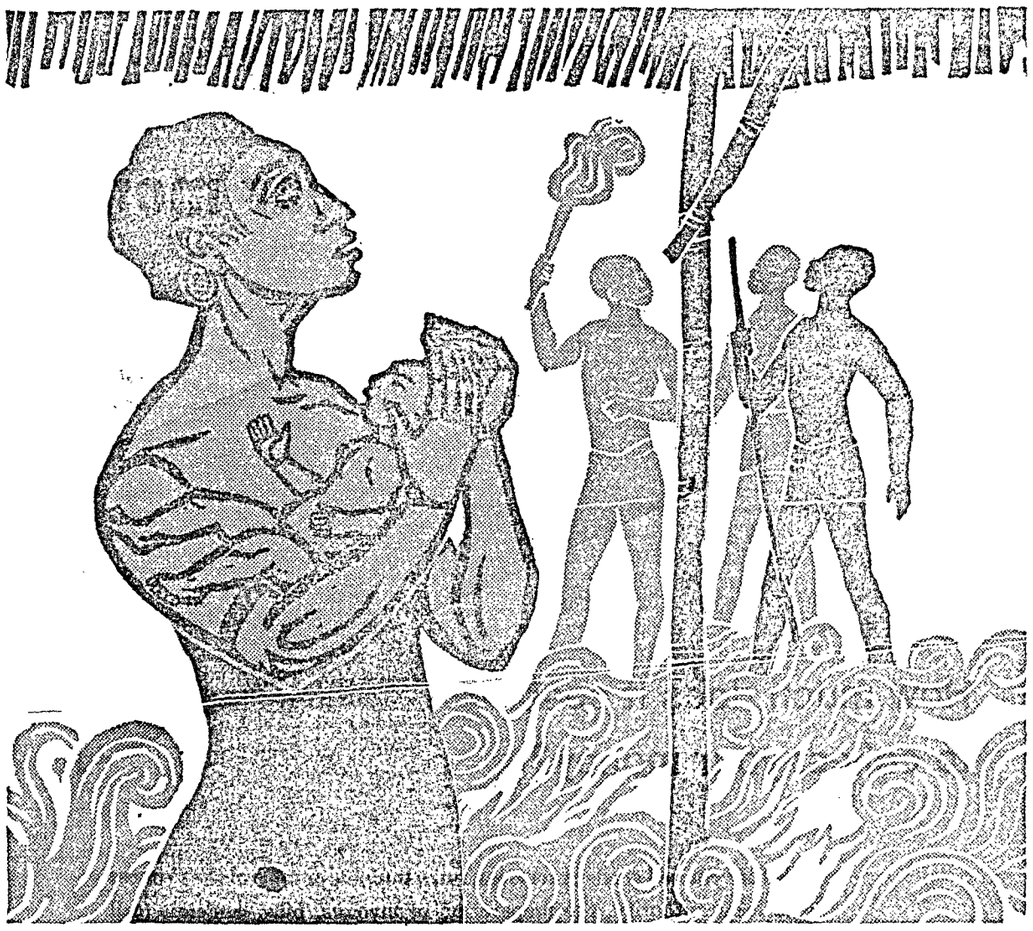
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In the Hills of Madagascar . . .

IN MADAGASCAR they believed man's fortune was determined by his date of birth. For instance, it was ordained that a man born in February would have his house burned down before he came of age. But Fate was cheated by a strange protection. A mock calamity was substituted for the real one. Friends of the infant erected a small house and destroyed it by fire. So time was anticipated and the catastrophe averted. To ensure that the ceremony was truly effective the mother and infant were placed in the house and plucked from the blazing wreckage at the last moment. Risky insurance!

Modern manufacturers circumvent calamity and safeguard their goods by placing them in the care of "Fiberite" cases, and cartons made from "Thames Board". They know from experience that these stout packaging materials afford ample protection, and that they are backed by the reputation of Thames Board Mills Limited, the largest manufacturers of packaging materials in this country.

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to raise capital, and argues that since the timing of some of its own capital expenditure is dictated by the needs of its major customers such as steel, it needs a rate of profit "not less favourable than those heavy industries it particularly serves" or than "the average of industry." This comparison may recall the company's remark, in discussions with the commission, that in its 1952 accounts the nationalised Iron and Steel Corporation revalued its capital employed at replacement costs and showed a profit of 17 per cent on that basis—a statement which impressed the two members of the commission who dissented from its majority view on BOC profits.

Nobody seems to have checked this statement at the time. In fact, the 1951-52 report of the nationalised corporation does not contain any such figure, nor did the defunct steel corporation ever completely revalue its assets at replacement costs; though it did set aside from its profits in 1951-52 (which were inflated by stock appreciation and export premiums) an extra £10 million as a rough and ready provision against the higher costs of replacement. The rate of profit now allowed on home sales of steel, moreover, is certainly not as high as 14-16 per cent on a replacement cost basis. Nor are comparisons of BOC profits on a replacement basis with the "average of industry" practicable; only a small proportion of British companies use the replacement cost basis. However, it is difficult to come to any objective conclusion about the adequacy or "justification" of profits; and hard to believe that this Government would be ill-advised enough to put into effect the Monopoly Commission's recommendation to hold down BOC profits by price control.

Shells of Companies

THE ordinary shares (1s. 3d. nominal) of Pinoya Holdings have been the subject of a Stock Exchange introduction this week. The former Pindenioya Rubber and Tea Estates (1934) reappears as a chemical and detergent manufacturer. This is not an isolated example of the purchase of the shell of a company from the plantation industries and the refurnishing of it into some quite different form. Glendon Rubber recently became Silkolene Lubricants business. Chota Rubber Estates has been successfully bid for; its quotation is in abeyance. Soon it will reappear—as who knows what?

What is the mystique of this trade in the shells of companies? Why does it suit owners of private businesses that want to become public to buy the name of a company with a quotation and its cash after it has disposed of its rubber or tea estates and fill the old shell with a new body? And why does it suit the owners of such company shells to sell them rather than to liquidate? Each example is different but whether there is much or little cash in the shell is usually immaterial; it merely affects the price. The existence of a Stock Exchange quotation is hardly material now that the Council insists on the particulars being readvertised when the basis of the business is altered. The Stock Exchange charge for a quotation is saved out of capital duty on the formation of a new company, but stamp duty has to be paid on the shares of the shell company that are bought. These are not material considerations on balance. The true advantages seem to be threefold:

1. The vendors of the shell save the expense and, more particularly, the time that would be involved in liquidation.
2. The purchaser of the shell avoids the necessity of going to the Capital Issues Committee.
3. There is a tax saving on distributed profits tax on future profits.

This last gain arises in this way; the owner of a private business is buying control of the shell, and the shell is to buy his business, but his private business normally has a price greater than the shell can immediately pay. The new owner therefore ends up with shares in the shell company plus a loan from himself to the shell company, and the loan can be paid off gradually out of earnings without attracting distributed profits tax. As an alternative shares can later be issued as rights at a favourable price.

There is a limit, however, to the traffic in shells. The limit is fixed by the attitude of the minority shareholders—those who do not accept when the bid comes along. Recent experience has shown that when a bid is made the shares tend to rise above the bid price, an appreciable percentage of holders fancying the gamble of staying on as minority holders though in what sort of company they have no idea. The buyer who usually hopes to hold over 80 per cent of the company into which he is going to put his private business finds it hard to obtain the necessary percentage holding without paying a premium price for it.

Higher Prices for American Cotton

FOR weeks the cotton trade has been anxiously waiting to learn what prices the American government would accept for cotton sold for export out of the surplus from the 1955-56 crop. There are two selling programmes running side by side. The first, under which the Administration has already sold 6.4 million bales (of which nearly 5½ million have been exported this season so far), requires the cotton to be shipped abroad by August 15th; cotton sold under the second programme cannot be shipped abroad before that date. Earlier sales had almost exhausted the old stock; the new stock amounts to six million bales, half of which has now been made available for sale under both programmes.

The results announced this week show that under the first programme bids were accepted for 582,000 bales, at an average price for 1-inch middling staple of 27.42 cents a lb. Compared with the domestic market price that represents a subsidy to exporters of about 6½ cents a lb. Compared with the previous sale of 15,000 bales on March 6th, the average price has risen by 0.22 cents a lb. The large quantity sold, and the increase in prices, indicates the strength of demand for middling 1-inch cotton. Not much more than half a million bales out of the three million bales available at present are of this grade or higher. The lower grades may be more difficult to sell. At the first sale under the second programme 237,000 bales were sold at an average price for middling 1-inch staple of 27.47 cents a lb, equivalent to 27½d. a lb on the Liverpool market. That makes October-November futures in Liverpool look cheap at 26d. a lb, but by October the United States may face more competition from other producers and be obliged to lower its prices.

Extraordinary Meeting

THE May Fair Hotel, the Grosvenor Hotel and the Hotel Metropole are names not readily associated with anything but sobriety. But their parent company, Gordon Hotels, has by now almost a tradition of dispute. The extraordinary proceedings at that company's extraordinary meeting, called on Wednesday to vote on the replacement of the chairman, Mr Leonard Jackson, and three other directors, showed that these are far from finished. A shareholders' committee, associated with the name of Miss Zena Daniels, attacked over familiar ground. The findings of the recent Board of Trade inquiry were bandied back and forth.

Mr Jackson claimed and held the chair at the meeting against the opposition's demand for an independent chairman. One voice interjected: "Why not Gilbert Harding?" The board's case was put by the company's solicitor, Mr Ralph Freeman, who made a plea for a short, clean contest and who proposed a quick vote with the minimum of talk. The challengers avoided a quick decision and went on to press their charges against the chairman. Amid the welter of procedural quibbles and heated voices and a confusion about the voting procedure, Mr Jackson more than once promised a "sensational" statement.

With the tactical timing of one of his namesakes, Stonewall Jackson, he called back the press, announced a record poll, declared that the sitting board had a "substantial majority," and said that the opposition's proxies, said by Miss Daniels to be in excess of 500,000 votes, had been obtained as a result of "scandalous, libellous misrepresentations" in the opposition's circulars sent out since March 1st and were thereby disqualified. Both sides claimed that they had a majority in the event of the disqualified votes being allowed. The opposition questioned the legality of the disqualification, and has now secured an *ex parte* injunction to restrain the company from declaring the result of the poll. Amid the uproar one clear fact emerged: Guildhall Investment Trust, in which Mr Jackson has some interest, has raised its bid for the Gordon Hotel shares to 9s. a share.

SHORTER NOTES

Steel Company of Wales states that the number of shares of the recent offer applied for by employees was about 250,000 and not about 25,000 as stated in these columns.

An organisation with the splendid title of the International Society of Air Travellers and Air Transport Users was launched rather shakily last week by eleven individuals, two of whom proved to be the wife of the chairman and a lady employee of a member of the committee, with the rest of the committee consisting largely of publishers and advertising agents, with one free-lance artist. Lord Brabazon, who is the president, provided an imposing figurehead for this new organisation whose ambitions are to provide for air travellers the services that the AA or the RAC provide for those who own cars. Oddly enough, there is already a statutory body whose function it is to represent the air traveller and hear his complaints. This is the Air Transport Advisory Council whose complaint-hearing machine is so rarely made use of that it now spends most of its time hearing applications from the airlines for new routes.

★

The slight fall in prices of merino wool has been checked. The firmer trend in the Dominion markets was confirmed at the London auctions on Wednesday, the first of the new series, when merinos sold at prices on a par with current values in the Dominions; that was also true of prices of crossbred wools. Meanwhile the Board of Trade has announced that it expects to sell between 80,000 and 100,000 bales of wool from the strategic stock in the year beginning on April 1st. This quantity, which is tiny in relation to world production, compares with about 50,000 bales sold from the strategic stock in the current year.

★

Although the gross profits of Crosse and Blackwell rose steeply from £884,074 to £1,105,633 and its net profits from £428,796 to £520,912 last year, the ordinary dividend was left unchanged at 12½ per cent. A one for five rights issue of £1 ordinary shares is proposed at 30s. a share; the existing shares stand at 58s. 6d.

★

Last year the Savoy Hotel earned the biggest profit since its foundation in 1889; its gross income rose by £89,200 to £814,781. But the ordinary dividend on the "A" and "B" shares remains unaltered at 17 per cent, including a bonus of 7 per cent.

Company Notes

P & O. Peninsular and Oriental Steam Navigation Company showed a fine achievement for the year ended September 30th in its preliminary figures—a group net profit after tax of £6.3 million, compared with £5.6 million, and a maintained dividend of 8 per cent. As in recent years the balance sheet is free from any resort to the Shipping Companies Exemption Order which would allow of the creation and maintenance of hidden reserves. These fine figures are now supported by a full report, which not only gives stockholders a clearer presentation of the structure of the group and its history than they have had before, but presents them in a form that should not bewilder the non-expert stockholder.

From that point on stockholders will try to probe the future, remembering that these accounts are drawn at a point when the dislocations of Suez had barely begun to produce an effect. The good figures of 1955-56 sprang from the earlier rise in tramp freights and the elimination of losses by a rationalisation of the group's eastern services. The rising costs shown in the accompanying table are drawn at a point before the Suez crisis and exclude an additional 30s. a ton that the group is now paying for its oil bunkers taken in the unaccustomed ports. Results for the year now current will reflect Suez, which must indeed affect the whole year, for with the best of luck the group will not be able to drop back into its pre-Suez routine immediately. How serious will that effect be? The directors do not attempt to put a figure on it. They say: "The re-routing of ships . . . dislocation of sailing programmes, lengthening of the voyage times . . . and the increased cost of fuel and diesel oil and loss of wayport earnings have had and still have a most serious effect on the operating results for the current year of a number of group companies."

Stockholders will also want to know about what is happening following the decision to build tankers. And how far the £10 million that was raised on debenture a year ago is going to cover cost of the building programme. The tanker programme has been revised to consist of fewer vessels of a larger average size at about the same total cost. Whereas the original plan was for 25 tankers mainly of 18,000 tons, it is now planned to build about 18, including some of 18,000-19,000

Shipowners' Costs:	1938	1950	1956
Shipbuilding costs ..	100	319	545
Stevedoring costs...	100	220	393
Bunkers*	100	274	359
Running expenses...	100	254	308
Upkeep and repairs.	100	435	775

* Fuel oil at Aden.

tons, some of 36,000-37,000 tons and some of 47,000-49,000 tons—with possibly just a few still bigger. The final date for the programme has been pushed forward from 1960 to 1962. P & O is building big passenger liners, too, and its capital requirement is enormous. The consolidated balance sheet shows £10.7 million (against £11.6 million) of commitments for ships under construction and £27.9 million (against £9.9 million) for tonnage ordered but not laid down. It appears that all the tankers and all but one of the liners are excluded from these figures because they were not firm orders at the date of the balance sheet. The group has in total £59.6 million, against £48.6 million of cash and quoted investments. It will not need money yet. But it will need it before the building programme is finished.

★

ANGLO AMERICAN. In announcing a 10 per cent free scrip issue the directors of Anglo American Corporation of South Africa have used cautious words. But they will be interpreted as indicating a change in policy—a change that investors have been expecting. After announcing the maintained ordinary dividend of 7s. per stock unit (70 per cent) for 1956 and the capitalisation of £391,767 from reserves to make the free scrip issue the directors add: "It is confidently anticipated that provided no unforeseen circumstances arise the present rate of dividend can be maintained on the increased ordinary share capital. It will be the aim of your directors from time to time in the future, when the situation warrants, to capitalise further reserves along the same lines as the present capitalisation."

The Group's big investments in the OFS gold mines are beginning to produce dividends. Thus the time is opportune for bringing the finance house's issued ordinary capital (at the moment it is only £3,917,671) in line with the assets and investments in gold, copper, diamonds and in industry that it controls. Ploughing back will still be needed to extend the investment portfolio and to make good wastage, for mining is always the exploitation of wasting assets, but shareholders can now expect a gradually growing return from the group's growing portfolio. It was in anticipation of just such a decision that the 10s. units were valued in the stock market on a low yield basis. At 135s. the yield is 5⅜ per cent; at the equivalent ex-capitalisation price the yield is 5.7 per cent.

The device of scrip issues instead of increases in rates of dividend has the advantage that it should gradually make the price of the shares less heavy and, therefore, broaden the range of potential holders. The tax angle is hardly significant; a scrip issue attracts super-tax for South African residents as well as a tax for non-resident shareholders.

Increases in equity disbursements, however, cannot be postulated unless increased earnings are also foreseen. For Anglo American that increase over the coming years seems a near certainty. For 1956 the actual increase in earnings is obscured by the fact that the 1955 profit before tax of £5,048,726 included at nominal value (that is £1 per share) the bonus distribution of preference shares received from Anglo American Investment Trust. The total value of this issue has not been revealed, as this would in turn reveal Anglo American's equity holding in the trust. Thus, in looking at the 1956 profit of £4,419,000, shareholders cannot tell by how much true profits have risen; it might be as much as 10 per cent.

★

BRITISH MOTOR CORPORATION. The half yearly report of the British Motor Corporation is terse and to the point. It states that the Corporation made a loss in the six months to January 31st; that the interim dividend is passed; and that the half yearly preference dividend will be paid out of accumulated reserves. It does not contain figures; but the fact that there is no interim dividend disappointed the stock market. The 5s. ordinary shares fell from 8s. to 7s. 5¼d.

The directors confirm Throgmorton Street's impression that there has been some recovery in motor trade in the last few weeks by saying: "although universal demand for the company's products during the last few weeks has shown a most encouraging improvement, which promises every likelihood of being maintained, no forecast of the results for the year ending July 31, 1957, can at present be made."

Whether there will be a final dividend and, if so, what it will be is now anyone's guess; for 1955-56 the total dividend was 12½ per cent, of which 4 per cent was declared as an interim payment. Yet for anyone investing in motor shares now the current year's dividends are unimportant; it is the coming financial years to which they are looking.

★

FORD MOTOR. Last year, when its gross profits fell by about £8 million, Ford Motor Company quietly went on spending another £14 million on capital account and at the end of the year it still had capital commitments of over £16½ million. It has the liquid assets to finance that programme; last year as profit retentions and the depreciation provision came to just under £9 million these liquid resources were reduced (from £47 million to £31¾ million) in meeting the extra investment in fixed and working assets.

This programme indicates, as Sir Patrick Hennessy says, that the group's "confidence in the future growth of demand for vehicles remains firmly based, following a thorough restudy of prospects

	1955	1956
Sales and earnings:	£	£
Sales	*151,548,000*	*145,678,493*
Purchases	92,854,000	91,025,089
Wages, etc.	*33,502,000*	*35,609,550*
Other expenses	8,464,000	8,789,988
Taxation	7,506,000	3,789,000
Net dividends	1,808,000	1,759,073
Retained profits	7,394,000	4,705,793
Consolidated bal. sheet:		
Net fixed assets	29,935,516	39,695,379
Net current assets	38,526,953	29,805,883
Stocks	23,965,566	26,736,731
Liquid assets	47,116,248	31,751,961
Tax reserves	*7,869,000*	*4,202,000*
Revenue reserves	16,763,415	21,299,208
Capital reserves	*1,912,954*	*2,082,954*
Ordinary capital	39,024,248	39,024,248
£1 ordinary stock at 37s. 3d. yields £4 1s. per cent.		

in world markets." Confidence must have been reinforced last year by the fact that in the shrunken market for vehicles at home Ford's share of this market rose from 26 to 30½ per cent in vehicles and from 33 to 35 per cent in tractors. Sir Patrick agrees with other motor manufacturers that an export trade can be built up only on the base of a healthy home market and here, he says, the British manufacturers, competing in a European common market, will be handicapped by "the penal rate of purchase tax" and "the increasing inadequacy of British roads."

★

ALUMINIUM RESULTS. In his statement to shareholders in **Aluminium Limited,** the president, Mr Nathaneal V. Davis, said that in the closing months of last year the supply of primary aluminium caught up with demand in Britain and the United States. Since the end of the year sales have been running slightly below production but Mr Davis regards the consequent accumulation of stock as "a healthy and desirable development" for he confidently expects a further growth in consumption. It is against this background that the results and development programmes of the aluminium producers must be set.

The results for the year to December 31st of **British Aluminium** disappointed the stock market. The ordinary dividend, as forecast when the rights issue of £2 million was made, was left unchanged at a rate of 12 per cent. But earnings also show little change. Gross profits edged up from £3,248,463 to £3,294,439 and net profits moved up more robustly from £1,371,972 to £1,493,959. The net ordinary dividend absorbs £483,000. The £1 stock units came down after this

announcement from 67s. 9d. to 66s. 3d. At this price the yield is only 3⅜ per cent—a yield which put a big discount on the expectations from the company's development programme in Canada.

An even bigger programme in Canada has been set in train by **Aluminium Limited.** This company spent about $125 million on capital account last year, much of it on the Kitimat development which is already making a contribution to earnings, and it intends to spend even more this year. It is this prospect of growth which has put a price of $240 on its shares setting the yield at only 1⅔ per cent on a dividend of $2.40 a share. Last year the sales of Aluminium Limited, of which the **Aluminum Company of Canada** is a subsidiary, rose from $371 million to $425 million and the net income attributable to its equity from $48 million (or $4.83 a share) to over $55½ million (or $5.56 a share). Dividends are well covered but in accepting low yields on aluminium shares investors must firmly believe that the consumption of the metal will rise to meet the big increases in production planned.

★

SHELL OIL COMPANY. "Strength in Diversity," which might well be the Royal Dutch-Shell group's new motto, is well illustrated by the benefits accruing to its operations in the Western Hemisphere as a result of calamities in the Middle East. Nearly two-thirds of the equity of the Shell Oil Company, which is responsible with its affiliates for all of the group's activities in the United States, and, through a 50 per cent owned affiliate, in Canada too, is held by the Royal Dutch-Shell group. Helped towards the end of the year by the higher demand and higher prices in the United States resulting from the blocking of the supply routes in the Middle East, Shell Oil achieved in 1956 a 10 per cent. increase in sales and other operating revenue, and an 8 per cent. rise in its consolidated net income. In 1955, its two-thirds interest in Shell Oil contributed about 19 per cent of the group's total income, and its other operations in the Western Hemisphere, mainly in Venezuela, another 34 per cent. As these have both flourished to some extent at the expense of the group's operations in the Eastern Hemisphere, their share of the group's 1956 income will almost certainly be higher than in 1955, although in the fourth quarter, at least, it would be optimistic to expect the gain in the west to offset the loss in the east.

The "Four Corners" area of northern New Mexico and Southern Utah, where Shell is well represented, is the first major oil field to be found in the United States since the Willesden basin was discovered in 1951, and the company has a quarter share in the pipeline that will be built from New Mexico to southern California. Offshore operations in the Gulf of Mexico, in which Shell also has a large stake, were hampered in 1956 by the dispute between the state and federal authorities, but this did not prevent some highly successful discoveries of both oil and natural gas reserves. In comparison with these two areas, the company's recent operations in the Willesden basin and in western Canada appear to have been less encouraging.

★

ALBRIGHT AND WILSON. As forecast when the rights issue made to finance the purchase of Marchon Products was made, the 1956 ordinary dividend on the increased capital of Albright and Wilson is 18 per cent, the same rate as for 1955. Last year this chemical group earned a trading profit of £4,416,000; in 1955 the profit was £3,200,000 but if the pre-acquisition profits of Marchon Products are included the latter figure becomes £3,764,000. A healthy growth in earnings and in net profits has ensued. Last year net profits came to £1,203,000; in 1955 they came to £859,000 (excluding Marchon) and to £1,089,000 (including Marchon).

The parent company is both a trading and manufacturing concern and a holding company for subsidiaries in this country and overseas. The directors now consider the growth of the group justifies the transfer of the parent company's manufacturing activities to a new subsidiary, making the parent simply a holding company. At 19s. 3d. the 5s. ordinary units yield 4⅓ per cent.

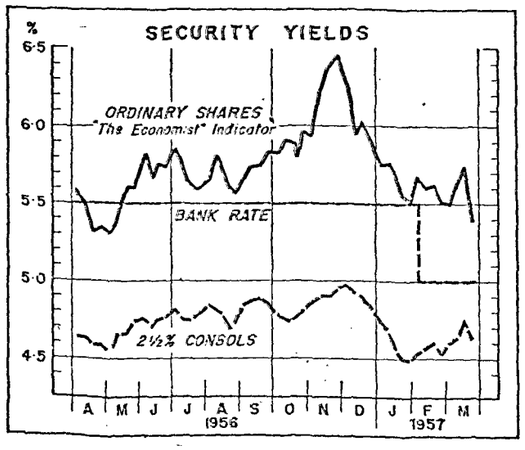
LONDON STOCK EXCHANGE

First dealings:	Mar. 13	Mar. 27	Apr. 10
Last dealings:	Mar. 26	Apr. 9	Apr. 30
Account Day:	Apr. 2	Apr. 16	May 7

A strong advance in industrial shares took place this week despite the fact that neither the Canal dispute nor the shipbuilding and engineering strikes were cleared up. Dealings recorded on the first three days of this week averaged almost 12,000, and the gain in *The Economist* indicator—up 11.4 to 204.9—was the steepest weekly rise since its inception. The advance actually ceased momentarily on Tuesday, when attempts at a strike settlement failed and again on Thursday, when A. Reyrolle fell to 103s. following the results, and other electricals turned dull. Gilt-edged securities recovered part of last week's fall; 3½ per cent War Loan gained 1¼ to 73⅛ and 2½ per cent Consols ⅞ to 53⅛ xd.

Martins Bank issues jumped on the court's sanction of the capital reorganisation scheme; the partly paid stock gained 8s. 9d. to 171s. 3d. and the fully paid stock 2s. 6d. to 71s. 6d. Prudential Assurance "B" fell 7s. 6d. to 155s. on the unchanged dividend, but the "A" stock improved further. Large gains were made by leading industrial stocks; Associated Portland Cement rose by 4s., Bowater 3s. 9d., ICI 3s. 3d., Tube Investments 6s. 3d., Turner and Newall 7s. 4½d., Unilever 5s. and Rolls-Royce 4s. Murex gained 4s. 9d. to 73s. 3d. and Clarke Chapman 15s. to 157s. 6d. Cinema shares were again firm on hopes of a reduction in entertainment tax and Stoll Theatres steadied after the closing of the theatre was announced. North British Locomotive and David Brown preference were lowered following the disappointing results. London and Overseas Freighters gained 5s. 3d. to 44s. 9d.

Apart from the large rise in leading oil shares, with Burmah advancing 9s. 3d. to 98s. 9d., Anglo-Egyptian "B" gained 8s. 4½d. to 37s. 1½d., Shell Trinidad 3s. to 91s. 3d. and British-Borneo 2s. 3d. to 55s. 6d. Kaffirs were weak, but tins responded to the higher support price for the commodity. Coppers were lower, Rhodesia-Katanga losing 1s. 9d. to 36s. 3d.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1956 High	1956 Low	1955 High	1955 Low
Feb. 27	200·6	5·52				
Mar. 6	201·6	5·50				
" 13	197·3	5·62	210·4 (Jan. 4)	170·0 (Nov. 23)	232·1 (July 20)	175·2 (Mar. 23)
" 20	195·5	5·74				
" 27	204·9	5·39				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½ Consols Yield %	Bargains Marked	1956 High	1955 High
Mar. 20	182·2	6·01	95·43	4·74	7,265	203·6 (Jan. 3)	233·9 (July 21)
" 21	183·3	5·95	95·49	4·72	7,237		
" 22	186·6	5·86	95·62	4·68	8,196		
" 25	190·4	5·74	95·55	4·66	13,769	Low	Low
" 26	190·3	5·75	95·52	4·67	10,682	161·5 (Nov. 29)	175·7 (Mar. 15)
" 27	191·8	5·71	95·71	4·63	11,274		

Bases:—* 1953=100. † July 1, 1935=100. ‡ 1923=100.

LONDON ACTIVE SECURITIES

Prices, 1956 High	Prices, 1956 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Mar. 20, 1957	Price, Mar. 27, 1957	Net Yield, Mar. 27, 1957 £ s. d.	Gross Yield, Mar. 27, 1957 £ s. d.
99⅛	97	Funding 2¾% 1952-57	99⅛	99⅛	1 6 10	4 1 3*l*
95½	93⅛	War Loan 3½% 1955-59	96⅛	96⅛	3 3 7	4 9 1*l*
91⅛	88½	Funding 2½% 1956-61	92⅛	92⅛	3 10 3	4 12 3*l*
100⅛	99½	Exchequer 5% 1957	100/3/10⅛	100/3/11	—	4 1 0*l*
99⅛	97	Conversion 4% 1957-58	98⅛	98⅛	3 1 7	5 4 1
97⅛	95⅜	Serial Funding 2½% 1957	98⅛	98⅛	3 7 11	4 18 9*l*
94⅜	91	Conversion 2% 1958-59	95⅛	95⅛	3 12 2	4 11 8
92⅛	88⅝	Exchequer 2% 1960	93⅛	93⅜	3 11 10	4 10 3
95⅛	92½	Exchequer 3% 1960	95⅝	95⅝	3 3 8	4 10 6
98⅜	97⅛	Conversion 4½% 1962	98⅜	98⅜	2 18 3	4 17 11
88⅛	83	Savings Bonds 3% 1955-65	88⅛	88⅛	3 7 10	4 15 9*l*
82⅛	77⅛	Funding 3% 1959-69	81⅛*	81⅛*	3 12 6	5 1 1*l*
92⅛	84½	Funding 4% 1960-90	90⅜	89½*	6 1 10 / 2 15 10	7 17 0*c* / 4 12 4*l*
81⅞	75½	Savings Bonds 3% 1960-70	79⅛	79⅞	3 12 11	5 2 3*l*
91⅞	88⅛	Exchequer 3% 1962-63	92	92⅛	3 4 5	4 12 8*l*
87⅛	83⅜	Exchequer 2½% 1963-64	87⅛	87⅛	3 9 2	4 13 6*l*
81⅞	76⅛	Savings Bonds 2½% '64-67	81⅛	80⅝*	3 14 3	4 17 11*l*
79⅜	71⅞	Savings Bonds 3% 1965-75	75⅛	76	3 10 6	5 1 0*l*
83⅜	78	Funding 3% 1966-68	82⅛	82⅜	3 12 7	5 1 8*l*
96⅛	90	Victory 4% 1920-76	93⅛	93⅛	3 0 5	4 16 5*l*
88⅜	81⅞	Conversion 3½% 1969	86⅜	86⅜	3 8 0	5 0 8
83⅜	74⅜	Treasury 3½% 1977-80	79⅜	79⅜	3 6 1	5 1 4*l*
84⅛	75⅜	Treasury 3½% 1979-81	78⅜	78⅜	3 6 8	5 1 9*l*
72⅜	64⅜	Redemption 3% 1986-96	68*	69⅜*	3 1 4	4 14 4*l*
81⅛	73⅛	Funding 3½% 1999-2004	78⅛	78⅛	2 17 5	4 13 9*l*
84⅜	76	Consols 4% after Feb. '57	79⅜	80⅛	2 17 8	5 0 7*l*
77	68	War Loan 3½% after 1952	72⅜	73⅜	2 15 2	4 16 7*l*
76⅞	67⅜	Conv. 3½% after Apr. 1961	71*	72⅜*	2 15 7	4 16 8*l*
66⅜	58⅜	Treas. 3% after Apr. 1966	61¼*	62⅜*	2 15 1	4 15 9*l*
56⅜	49⅜	Consols 2½%	53⅜*	53⅜*	2 13 6	4 12 11*l*
56⅜	50	Treas. 2½% after Apr. '75	52⅜*	53⅛*	2 13 7	4 13 2*l*
98⅜	90	Br. Electric 4½% 1967-69	95*	94⅛	3 2 4	5 2 5*l*
80⅛	72⅜	Br. Electric 3% 1968-73	77¼*	77⅛*	3 12 0	5 1 9*l*
79⅜	71⅛	Br. Electric 3% 1974-77	75⅛	75⅛	3 8 8	4 19 1*l*
55	85⅛	Br. Electric 4½% 1974-79	89⅛*	89⅛*	3 1 8	5 0 5*l*
83⅛	74⅜	Br. Electric 3½% 1976-79	79⅜	80⅛	3 6 4	5 1 8*l*
50⅜	84⅛	Br. Gas 4% 1969-72	88⅜	89	3 4 10	5 1 10*l*
87⅜	80	Br. Gas 3½% 1969-71	85⅛	85⅜	3 6 0	4 18 11*l*
73⅛	65⅛	Br. Gas 3% 1990-95	69⅜	69⅜*	3 1 9	4 14 5*l*
80⅞	72⅜	Br. Transport 3% 1968-73	77¼*	77⅜*	3 12 0	5 1 9*l*
90⅜	81⅛	Br. Transport 4% 1972-77	87⅛	87⅛	3 3 4	5 1 4*l*
73⅜	65⅛	Br. Transport 3% 1978-88	69⅜	70⅛	3 5 1	4 17 10*l*

Prices, 1956 High	Prices, 1956 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Mar. 20, 1957	Price, Mar. 27, 1957	Yield, Mar. 27, 1957 £ s. d.
80⅜	74⅞	Australia 3½% 1965-69	79½	80	5 11 9*l*
98⅜	92½	Fed. Rhod. & Nyas. 5% 1975-80	94	94⅜	5 8 6*l*
76	70	S. Rhodesia 2½% 1965-70	72⅛	72⅛	5 10 3*l*
88⅛	80⅛	N. Zealand 4% 1976-78	86½	87	5 0 8*l*
101⅜	99⅛	L.C.C. 5½% 1977-81	105½	105½	5 0 6*e*
97⅜	88⅞	Agric. Mortgage 5% 1959-89	92½	93½	5 8 3*l*
68⅜	61	Met. Water Board 'B' 3% 1934-2003	64⅜	65½	4 19 0*l*
81⅛	71	German 7% 1924 (Br. Enfaced 5%)	76⅜	77⅛	...
169⅜	159½	Japan 5% 1907 (Enfaced)	164½*	165	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Mar. 20, 1957	Price, Mar. 27, 1957	Yield, Mar. 27, 1957 £ s. d.
		% %	BANKS & DISCOUNT			
105/-	92/6	2 *a*	7 *b* Bk. Ldn. & S. Amer. £5	128/9	131/3	6 17 3
50/-	39/10½	5 *a*	7 *b* Barclays Bank £1	43/9	45/3	5 6 0
35/9	27/9	4 *a*	4 *b* Barclays D.C.O. £1	29/3	32/-	5 0 0
41/9	32/9	7½*a*	7½*b* Chartered Bank £1	34/6*	34/6	8 13 11
51/-	42/10½	...	7 *b* Lloyds Bank £1	47/6	50/-	5 4 0*j*
72/4½	61/-	9 *a*	9 *b* Midland Bank £1	68/9	69/3	5 4 6
46/-	29/3	5 *a*	5 *b* Nat. Discount 'B' £1	40/-	40/6	4 18 9
50/-	40/6	6½*a*	6½*b* Union Discount £1	46/6	49/9	5 0 6
			INSURANCE			
92/6	75/-	43½*b*	30 *a* Commercial Union 5/-	83/6	85/-	4 6 3
29	16⅜	12½*a*	87½*b* Legal & General £1	32	32½	3 1 6
25⅜	18⅜	†47½*b*	†20 *a* Pearl £1	20⅜	21⅛	5 9 2
48⅜	38	†125 *c*	†132½*c* Prudential 'A' £1	42⅛	44⅛	5 4 0
			BREWERIES, ETC.			
119/6	106/-	10 *a*	33 *b* Bass £1	106/6	107/-	8 0 6
24/10½	18/7½	11½*b*	6 *a* Distillers 6/8	22/3	22/9	5 2 8
45/10½	36/9	10 *a*	15 *b* Guinness 10/-	37/-	37/9	6 14 3
76/-	61/9	14 *b*	7 *a* Whitbread 'A' £1	67/9	68/3	6 3 3
			OIL			
183/9	99/-	†10 *b*	†5 *a* British Petroleum £1	142/3	151/-	3 9 3
117/6	63/-	12½*b*	5 *a* Burmah £1	89/6	98/9	3 10 10
17⅛	11⅜	14 *b*	7½*a* Royal Dutch 20 fl.	£17⅛	£18½	2 1 5*k*
171/-	103/3	†13½*b*	†5 *a* Shell £1	174/3	179/4½	2 18 3*d*
58/6	33/3	...	... Ultramar 10/-	66/-	71/4½	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Mar. 20, 1957	Price, Mar. 27, 1957	Yield, Mar. 27, 1957 £ s. d.
		% %	STEEL & ENGINEERING			
85/6	64/-	8 *b*	7 *a* Babcock & Wilcox £1	77/6	80/3	3 14 10
13/-	9/4½	14 *c*	4 *a* Cammell Laird 5/-	11/9	12/-	5 16 8
35/-	22/9	3 *a*	5 *b* Dorman Long £1	25/1½	26/4½	6 1 6
54/9	39/-	8½*b*	3½*a* Guest Keen N'fold. £1	45/6	49/6	4 17 0
56/6	41/6	6 *b*	4 *a* Metal Box £1	50/6	54/-	3 14 0
55/6	41/6	5 *a*	12½*b* Stewarts & Lloyds £1	26/9	28/9	6 1 10*c*
37/6	25/7½	5 *a*	12½*b* Stewarts & Lloyds £1	26/9	28/9	6 1 10*c*
60/-	47/3	3 *a*	11 *b* Swan Hunter £1	66/6	69/9	4 0 3
43/9	31/4½	4 *a*	8½*b* United Steel £1	31/-	32/6	7 13 10
44/7½	32/4½	7½*b*	2½*a* Vickers £1	41/6	44/6	4 9 10
			ELECTRICAL			
75/3	45/-	7½*a*	7½*b* Assoc. Elec. Inds. £1	62/3*	64/6	4 13 0
54/9	45/3	8½*b*	4 *a* Br. Ins. Callenders £1	48/9	50/9	4 18 8
35/6	24/4½	4 3½*c*	6½*a* Decca Record 4/-	27/7½	28/4½	6 3 4
37/-	22/6	15 *c*	15 *c* Elect. & Mus. Inds. 10/-	27/4½	30/3	4 19 3
66/1½	43/6	4 *a*	10 *b* English Electric £1	56/6	58/9	4 15 5
65/6	40/9	9½*b*	4½*a* General Electric £1	53/-	56/9	4 18 8
			TEXTILES			
24/9	19/4½	4 *a*	6 *b* Bradford Dyers £1	19/7½	20/10½	9 11 7
23/7½	13/-	5 *b*	1½*a* British Celanese £1	14/7½	15/1½	8 12 0
25/10½	20/7½	6½*b*	2½*a* Coats, J. & P. £1	23/3	23/9	7 7 5
44/-	29/-	6 *b*	4 *a* Courtaulds £1	32/10½	35/-	5 14 3
37/3	22/3	5 *a*	12½*b* Lancashire Cotton £1	33/-	33/6	10 9 0
33/3	26/-	10 *b*	2½*a* Patons & Baldwins £1	33/4½	34/4½	7 5 5
			SHOPS & STORES			
18/10½	12/9½	14 *c*	6 *a* Boots Pure Drug 5/-	14/3	15/3	4 11 10
41/4½	29/-	20 *b*	7½*a* Debenhams 10/-	37/6	39/9	6 18 5
44/9	30/1½	47½*b*	15 *a* Gt. Universal 'A' 5/-	41/-	44/9	6 19 8
35/6	27/4½	16½*b*	10 *a* Marks & Spen. 'A' 5/-	37/-	42/6	3 1 10
25/10½	19/-	20 *b*	12½*a* United Drapery 5/-	20/-	23/3	25/6 6 7 5
43/3	34/-	13½*a*	26⅔*b* Woolworth 5/-	38/3	41/9	4 15 10
			MOTORS & AIRCRAFT			
22/1½	16/-	6½*b*	3½*a* Bristol Aeroplane 10/-	18/3	18/9	5 6 8
9/-	5/9½	8½*b*	Nil *a* British Motor 5/-	7/9	7/5½	5 14 5
44/3	25/9	2½*a*	5 *b* Ford Motor £1	33/9*	37/1½	4 0 10
49/3	29/9	3 *a*	7 *b* Hawker Siddeley £1	32/9	35/-	5 14 3
47/3	38/10½	10 *c*	12½*c* Leyland Motors £1	45/-	47/9	5 4 8
115/10½	85/6	12½*b*	5 *a* Rolls-Royce £1	116/7½	120/7½	2 18 0
9/3⅜	5/5½	12 *c*	8 *c* Standard Motor 5/-	7/4½	7/6	5 6 8
			SHIPPING			
38/9	28/6	...	6½*a* Brit. & Com'wealth 10/-	40/-	41/6	3 17 1*g*
27/-	20/4½	7½*b*	3 *a* Cunard £1	24/-	24/9	8 1 7*m*
35/9	27/-	3 *a*	5 *b* P & O Defd. £1	33/-	35/-	4 11 5
			MISCELLANEOUS			
45/6	34/3	7 *b*	3 *a* Assoc. Port. Cem. £1	40/9	44/9	4 0 5*p*
22/9	17/9	10 *b*	20 *a* Beecham Group 5/-	19/6	19/6	7 13 10
60/9	38/6	7½*b*	4½*a* Bowater Paper £1	42/-	45/9	5 5 0
81/10½	40/4½	4 *a*	8 *b* Br. Aluminium £1	66/-	66/3	3 12 5
60/-	45/3	†20 *c*	†5⅝*a* Br. Amer. Tob. 10/-	54/-	56/6	6 3 3
19/9	15/4½	15 *b*	7½*a* B.E.T. 'A' Defd. 5/-	19/3	20/3	5 11 3
42/-	32/9	4 *a*	6 *b* Br. Oxygen £1	33/9	35/6	5 12 8
$69	$56⅜	3 *a*	4 *b* Canadian Pacific $25	$63½	$66	4 19 10
25/9	14/4½	10 *b*	2½*a* Dunlop Rubber 10/-	16/6	18/1½	6 18 0
49/10½	36/-	6 *b*	4 *a* Imp. Chemical £1	40/9	44/-	4 11 0
62/9	42/3	8½*a*	12½*b* Imp. Tobacco £1	42/6	43/-	9 15 5
$211	$141⅜	$3·75*c*	$3·75*c* Int'l. Nickel n.p.v.	$202½	$201½	3 6 5
40/3	28/6	2½*a*	5 *b* J. Lucas (Inds.) £1	32/-	32/6	4 12 5
22/7½	16/7½	15⅝*b*	15⅝*b* Monsanto Chem. 5/-	17/-‖	19/-‖	4 14 10*r*
18/-	14/10½	10 *c*	2½*a* Ranks 10/-	15/10½	16/10½	5 18 8
75/4½	42/9	15 *b*	6 *a* A. E. Reed £1	50/-	52/6	6 2 0*m*
16/4½	11/7½	20 *c*	20 *c* Sears Hldgs. 'A' 5/-	14/3½	15/6	6 9 0
69/1½	54/1½	4½*a*	12 *b* Tate & Lyle £1	60/4½	61/10½	5 6 8
69/6	49/9	6½*a*	7½*b* Tube Investments £1	58/3	65/-	4 12 5*a*
115/6	92/6	5 *a*	22½*b* Turner & Newall £1	110/1½	117/6	4 13 8
82/9	61/7½	6 *a*	11½*b* Unilever Ltd. £1	78/6	83/6	4 3 10
41/9	22/9	†7½*b*	†4½*a* United Molasses 10/-	38/3	40/3	5 3 3
			MINES, ETC.			
172/6	133/9	20 *a*	50 *b* Anglo-American 10/-	137/6	135/-	5 3 8
40/-	22/6	†2½*a*	†7½*b* Cons. Tea & Lands £1	25/6	25/-	13 18 5
130/7½	91/3	80 *a*	120 *b* De Beers Def. Reg. 5/-	96/3	93/9*	10 13 4
25/-	19/7½	...	... Doornfontein 10/-	21/9	20/9	...
10/11½	8/6	30 *c*	30 *c* London Tin 4/-	10/3	11/-	10 18 3
16⅞	11⅜	112½*b*	25 *a* Nchanga Cons. £1	12⅛	11⅜	11 12 8*h*
64/-	52/6	40 *b*	50 *a* President Brand 5/-	51/3	49/4½	9 2 3
29/-	21/-	12½*a*	25 *b* Rho. Selection Tst. 5/-	22/6	22/-	8 10 5*k*
61/9	37/6	30 *b*	12½*a* United Sua Betong £1	47/-	48/3	17 12 5
81/9	64/4½	40 *b*	40 *a* Western Holdings 5/-	67/6	62/6*	6 8 0

New York Closing Prices

	Mar. 20 $	Mar. 27 $		Mar. 20 $	Mar. 27 $		Mar. 20 $	Mar. 27 $
Can. Pacific	33⅛	34⅛	Am. Viscose	34⅛	34	Int'l. Nickel	105	105⅜
N.Y. Central	29⅜	29⅛	Beth. Steel	42⅛	42⅛	National Dist.	27⅛	26⅞
Pennsylvania	20⅜	20⅝	Chrysler	74⅞	73⅜	Sears Roebuck	27⅛	27¼
Amer. Tel.	177⅜	177⅞	Crown Zeller.	51⅛	50⅜	Shell Oil	81	80⅛
Standard Gas.	12⅜	12⅛	DuPont de Nm.	181	179½	Std. Oil of N.J.	57	57⅛
Western Union	18⅛	18⅛	Ford Motors	59	56⅝	U.S. Steel	58⅜	58⅜
Alumin'm Ltd.	125½	125⅜	Gen. Elect.	56⅞	58⅛	West'house E.	55¼	54⅜
Am. Smelting	53⅜	54	Gen. Motors	39⅜	39½	Woolworth	44½	43½

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (*a*) Interim dividend. (*b*) Final dividend. (*c*) Year's dividend. (*d*) On 15% tax free. (*e*) To earliest date. (*f*) Flat yield. (*g*) On 16%. (*h*) After Rhodesian tax. (*i*) On 17½% tax free. (*j*) On 13%. (*k*) On 20%. (*l*) To latest date. (*m*) On 10%. (*n*) On 16%. (*o*) On 15%. (*p*) On 9%. (*q*) On 8½%. (*r*) On 18%.

Statistics

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

British		Overseas	
Prices and Wages	This week	Western Europe:	
Production and Consumption	Mar. 9th	Production and Trade	Mar. 23rd
Manpower	Mar. 16th	British Commonwealth	Mar. 9th
External Trade	Mar. 23rd	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	Mar. 16th
Industrial Profits	Jan. 12th	United States	This week
		World Trade	Jan. 12th

Prices and Wages

	Unit	1954	1955	1956	1956			1957 (5)			
		mid-June			Mar. 13	Mar. 20	Mar. 27	Mar. 5	Mar. 12	Mar. 19	Mar. 26
WORLD PRICES											
Commodity Price Indicator:											
All items	1952=100	99	93	91	96	95	94	96	96	95	95
Food	,,	119·6	92·0	90·8	91·4	90·3	89·6	99·7	98·7	97·7	97·7
Fibres	,,	88·7	83·2	81·5	82·4	82·2	81·9	92·6	92·3	91·9	91·6
Metals	,,	81·5	95·7	95·6	111·8	111·7	106·1	89·9	89·6	89·2	89·7
Other items	,,	93·5	105·9	96·1	102·3	101·7	99·7	101·2	101·4	99·9	99·5
		Monthly averages			1955	1956				1957	
BRITISH WHOLESALE PRICES		1954	1955	1956	Dec.	Jan.	Feb.	Nov.	Dec.	Jan.	Feb.
Materials used in:	June 30,										
Non-food manufacturing (excl. fuel)	1949=100	143·5	152·4	156·2	155·3	154·7	154·9	159·3	161·6	160·8	158·7
Mechanical engineering	,,	150·4	168·1	177·3	176·1	176·0	175·6	178·6	181·0	183·4	182·1
Electrical machinery	,,	160·5	185·7	190·0	195·8	196·0	196·2	186·6	187·8	188·4	184·9
Building and civil engineering	,,	131·4	137·3	142·4	140·5	141·1	141·2	143·3	144·5	146·6	146·5
House building	,,	130·7	137·1	142·3	140·3	140·9	141·1	143·4	144·6	146·4	146·3
Products of:											
Non-food manufacturing (excl. fuel)	,,	125·5	129·6	135·6	132·5	133·3	134·1	136·7	137·5	138·0	138·1
Food manufacturing	,,	139·1	143·9	143·1	144·5	144·6	144·2	151·7	154·3	159·9	160·9
Commodities:											
Cotton, raw	,,	155·0	149·7	154·0	139·1	137·0	142·7	157·1	159·9	159·2	157·8
Wool, raw	,,	160·8	142·0	145·3	134·5	135·7	134·1	158·3	161·2	164·5	169·6
Rubber, No. 1 RSS, one month future	,,	197·9	329·9	234·2	371·5	339·9	302·0	309·8	321·3	283·2	260·2
Softwood, imported	,,	145·0	151·9	153·9	156·3	156·5	156·1	155·9	155·8	156·5	156·5
Copper, ex-warehouse	,,	213·4	295·7	230·5	330·4	328·5	336·0	239·5	234·9	229·3	211·0
UK RETAIL PRICES	Jan. 17,										
All items (1)	1956=100	...	...	102·0	...	100·0	100·0	103·1	103·4	104·4	104·3
Food	,,	...	...	102·2	...	100·0	99·6	102·5	102·3	104·0	103·5
All items	1938=100	232	242	254	250	249	249	257	257	260	260
Food	,,	239	257	269	266	263	262	270	269	274	272
Rent and rates	,,	134	138	145	140	141	142	148	148	148	148
Clothing	,,	255	256	263	260	261	262	264	264	264	265
Fuel and light	,,	216	228	251	247	248	248	259	263	263	264
Household durable goods	,,	284	288	303	303	305	305	309	309	310	311
Drink	,,	257	260	264	261	261	261	268	268	268	268
Tobacco	,,	387	389	411	397	397	397	418	418	418	418
Purchasing power of £ (based on all consumer spending)	1938=100	41	39	37	38	38	38	37	37	37	37
UK TERMS OF TRADE											
Import prices:											
All items	1954=100	100	103	105	105	105	105	107	109	110	111
Food, drink and tobacco	,,	100	101	101	101	101	100	104	106	104	105
Basic materials	,,	100	104	106	105	105	105	109	109	112	111
Export prices:											
All items	,,	100	102	106	104	104	105	107	108	109	110
All manufactures	,,	100	102	106	105	104	105	106	108	107	108
Metals	,,	100	104	112	109	110	110	112	114	114	114
Engineering products	,,	100	103	107	105	105	104	109	110	109	110
Textiles (excluding clothing)	,,	100	100	99	98	98	100	98	99	100	100
Terms of trade:											
Ratio of import to export prices	,,	100	101	99	101	101	100	100	101	101	101
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	86·1	127·7	157·0	140·1	144·3	140·2	171·4	189·4	173·7	167·6
UK WAGES											
Weekly wage rates:	Jan. 31,										
All workers (2)	1956=100	...	...	105	...	100	101	106	106	106	107
Men	,,	...	...	105	...	100	101	106	106	106	107
Women	,,	...	...	104	...	100	101	106	106	106	107
All workers	Sept., 1939=100	236	252	272	256	260	262	275	275	275	278
Weekly earnings: (4)											
All workers	s. d.	171 9	187 2	200 8	187 2 (6)	...	...	200 8 (7)	...	...	...
Men	,,	204 5	222 11	237 11	222 11 (6)	...	...	237 11 (7)	...	...	...
Women	,,	103 2	115 5	123 2	115 5 (6)	...	...	123 2 (7)	...	...	...
All workers	Oct., 1938=100	323	351	377	351 (6)	...	...	377 (7)	...	...	...
Men	,,	295	323	345	323 (6)	...	...	345 (7)	...	...	...
Women	,,	333	355	379	355 (6)	...	...	379 (7)	...	...	...

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (4) Surveys made twice a year; annual figures relate to October survey. (5) Revised figures for February 26th: food 98·8 and fibres 91·5. (6) Figures for October, 1955. (7) Latest figures which are for October, 1956.

US Statistics

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

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1956 prices
	1947–49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	46·69
1955	110·7	89·6	114·5	110·9	103·7	120·0	119	102	117	304·6	76·52	77·69
1956	114·3	88·4	116·2	111·7	105·5	121·7	...	...	...	345·0	80·19	80·19
1956, October	115·6	88·4	117·7	113·1	106·8	122·8	123	107	115	341·6	82·21	81·15
„ November	115·9	87·9	117·8	112·9	107·0	123·0	123	108	114	338·5	82·22	81·08
„ December	116·3	88·9	118·0	112·9	107·0	123·5	...	...	...	344·0	84·05	82·81
1957, January	116·9	89·3	118·2	112·8	106·4	123·8	...	...	...	338·2	82·21	80·84
„ February	117·0	88·8	118·7	113·6	106·1	124·5	...	...	...	325·1	82·41	...

PRODUCTION AND MANPOWER

	Gross national product	Total industrial production	Manufacturing production						Building	Civilian employment [1]		
			Durable goods			Non-durable goods			New construction	Total labour force	Total employment	Unemployed as % of labour force
	Seasonally adjusted annual rate		Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals and petroleum products	seasonally adjusted annual rates			
	$ billion	Index 1947–49=100; seasonally adjusted							$ billion	thousands		% rate
1939	91·1	58	49	54	47	66	80	49	8·2	55,230	45,750	17·2
1955	390·9	139	155	140	203	126	109	159	43·0	65,847	63,193	4·0
1956	412·4	143	159	137	198	129	108	167	44·3	67,530	64,979	3·8
1956, October	423·8	146	163	147	203	131	111	167	44·0	68,082	66,174	2·8
„ November		146	165	146	216	129	105	168	44·4	67,732	65,269	3·6
„ December		147	167	145	223	130	106	170	44·7	67,029	64,550	3·7
1957, January	...	146	164	144	221	130	104	173	44·9	65,830	62,890	4·5
„ February	...	146	164	143	223	130	104	171	44·5	66,313	63,434	4·3

TRADE

	Personal consumption Annual rates	All business [2]		Total retail [2]		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res.	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1948=100	
1939	67·6	10·8	20·1	3·5	5·5	190	62	41	260	139	76	53
1955	254·0	51·7	82·2	15·5	23·9	945	237	231	1,285	782	134	120
1956	265·7	54·0	88·5	16·0	23·9	1,041	256	250	1,570	911	...	...
1956, September	266·8 [3]	53·9	86·5	16·0	23·4	996	244	229	1,506	820	137	137
„ October		55·0	87·2	16·0	23·3	1,131	280	286	1,644	886	156	149
„ November	270·9	55·6	88·0	16·4	23·5	999	236	259	1,491	813	137	136
„ December		55·8	88·5	16·5	23·9	1,044	253	268	1,979	1,022	...	...
1957, January	...	56·5	88·7	16·4	24·0	1,111	...	...	1,662	...	...	...
„ February	...	...	...	16·5	...	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics [3]		Budget expenditure [4]		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion; end of period		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	— 3·9	0·023	...	3·01
1955	306·1	217·4	11·7	38·65	29·02	78·3	82·6	64·6	— 4·2	1·753	2·80	3·06
1956	325·2	232·4	11·6	41·86	31·55	74·4	91·2	66·5	+ 1·6	2·658	3·06	3·36
1956, September	329·5	235·8	11·6	40·07	30·71	73·6	88·5	4·9	+ 1·3	2·850	3·19	3·56
„ October	332·5	237·1	12·8	40·20	30·81	73·7	88·8	6·0	— 2·8	2·961	3·18	3·59
„ November	333·5	238·4	12·0	40·63	31·02	74·4	89·6	5·7	— 0·9	3·000	3·30	3·69
„ December	334·0	240·3	11·6	41·86	31·55	74·4	91·2	5·7	— 0·3	3·230	3·43	3·75
1957, January	335·2	240·5	11·6	40·92	31·30	73·7	89·0	6·1	— 1·3	3·210	3·33	3·77
„ February	...	...	...	...	...	...	...	...	...	3·165	3·20	3·67

(1) 1939 figures calculated on the basis of a smaller sample. (2) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (3) All commercial banks. (4) Annual figures are totals for the fiscal year ended June 30th. (5) Figure for third quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended March 23rd, 1957, there was an "above-line" surplus (after allowing for Sinking Funds) of £25,112,000 compared with a surplus of £7,144,000 in the previous week and a surplus of £5,939,000 in the corresponding period of last year. There was a net deficit "below-line" last week of £99,385,000, bringing the total deficit to £315,038,000 (£138,623,000 in 1955–56).

£'000	Estimate, 1956–57	April 1, 1955 to Mar. 24, 1956	April 1, 1956 to Mar. 23, 1957	Week ended Mar. 24, 1956	Week ended Mar. 23, 1957
Ord. Revenue					
Income Tax	2085,500	1873,262	2018,572	59,293	56,358
Surtax	144,000	135,200	151,000	4,100	5,000
Death Duties	170,000	173,300	164,300	3,000	3,800
Stamps	58,900	68,800	60,500	600	*1,000*
Profits Tax, EPT	216,750	187,400	188,500	3,400	4,000
Excess Profits Levy	4,000	18,290	4,500	...	...
Special Contribution and other Inland Revenue	1,000	710	520	...	...
Total Inland Rev.	2680,150	2456,962	2587,892	70,393	70,158
Customs	1204,000	1127,427	1173,564	21,802	22,389
Excise	953,350	849,081	891,015	5,035	5,630
Total Customs and Excise	2157,350	1976,508	2064,579	26,837	28,019
Motor Duties	92,000	86,709	90,092	...	...
PO (Net Receipts)	10,000	...	10,300	*Dr. 1,300*	*Dr. 7,400*
Broadcast Licences	28,000	23,600	26,200	...	...
Sundry Loans	30,000	29,858	32,627	...	...
Miscellaneous	200,000	192,398	187,909	10,298	19,281
Total	**5197,500**	**4766,035**	**4999,598**	**106223**	**110058**
Ord. Expenditure					
Debt Interest	670,000	635,840	710,527	3,785	4,610
Payments to N. Ireland Exchequer	61,000	55,552	62,664	...	...
Other Cons. Fund	10,000	9,946	9,490	103	548
Supply Services	4087,925	3609,767	3836,051	96,311	79,214
Total	**4828,925**	**4311,105**	**4618,732**	**100199**	**84,372**
Sinking Funds	37,000	36,422	36,880	90	573
"Above-line" Surplus or Deficit	**+ 418,503**	**+ 343,985**	**+ 5,939**	**+ 25,112**	
"Below-line" Net Expenditure	557,131	659,023	21,532	99,385	
Total Surplus or Deficit	**— 138,623**	**— 315,038**	**— 15,593**	**— 74,273**	
Net Receipts from:					
Tax Reserve Certificates	—75,332	7,858	842	2,594	
Savings Certificates	21,300	72,700	—1100	400	
Defence Bonds	—27,765	—35,010	—1609	—419	
Premium Savings Bonds	...	64,280	...	1,500	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
Mar. 24	3,230·0	1,561·8	315·2	...	5,107·0
Dec. 14	3,610·0	1,343·7	200·2	...	5,153·9
„ 31	4,959·5		234·6	4·0	5,198·1
1957					
Jan. 5	3,530·0	1,430·0	245·7	1·8	5,207·5
„ 12	3,440·0	1,386·3	267·1	...	5,093·5
„ 19	3,320·0	1,487·0	244·0	...	5,051·0
„ 26	3,210·0	1,516·5	221·0	...	4,947·5
Feb. 2	3,120·0	1,507·0	204·9	...	4,831·9
„ 9	3,050·0	1,485·7	197·4	...	4,734·1
„ 16	2,980·0	1,247·9	246·3	...	4,474·2
„ 23	2,900·0	1,293·1	193·8	...	4,391·8
Mar. 2	2,890·0	1,304·7	209·7	...	4,404·5
„ 9	2,890·0	1,261·5	229·6	0·8	4,381·9
„ 16	2,900·0	1,249·9	247·3	...	4,397·2
„ 23	2,910·0	1,284·4	272·1	1·5	4,468·1

THE MONEY MARKET

The Treasury bill rate rose for the third successive week at the tender on Friday of last week. The discount market made no change in its common bid, at £98 19s. 4d. per cent, but the average rate of allotment rose by 3d. to £4 2s. 6.73d. per cent, and the allotted proportion of the market's bid rose from 34 to 44 per cent. The total allotment was raised by £20 million to £250 million, and total applications were up correspondingly, to £395.2 million—though a substantial part of this increase was attributed to market houses.

Credit in Lombard Street has been notably easier than of late. After large special help given directly and through the banks on Thursday of last week, the authorities neither made further special purchases nor gave loans at the penal rate. Indeed, on Saturday and Monday there was a marked surplus of funds, attributable partly to official disbursements; and conditions remained comfortable on Tuesday despite the moderate repayments of seven-day loans due at the Bank.

The London gold market has experienced a good turnover of funds this week. The price at the fixing rose from 250s. 1½d. an ounce on Monday to 250s. 4d. on Wednesday. This reflected not only the relapse in sterling but also a rise in the dollar price in response to the keen demand.

The Bank return for the week to Wednesday shows a quickening in the seasonal outflow of notes, to £8.8 million.

LONDON MONEY RATES

	%		%
Bank rate (from 5½%, 7/2/57)	5	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4⅛–4¼
Bank	3	3 months	4⅛–4¼
Discount houses	3*	4 months	4⅛–4¼
		6 months	4⅛–4⅜
Money Day-to-day	3-4	Fine trade bills:	
Short periods	3⅞	3 months	5⅛–6
Treas. bills 2 months	4⅛	4 months	5⅛–6
3 months	4⅛	6 months	5⅛–6⅛

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	Mar. 28, 1956	Mar. 20, 1957	Mar. 27 1957
Issue Department:*			
Notes in circulation	1,841·3	1,894·0	1,902·8
Notes in banking dept.	34·1	31·3	32·5
Govt. debt and securities*	1,871·2	1,921·2	1,921·3
Other securities	0·8	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	11·1	15·8	13·7
Bankers	243·3	222·1	228·9
Others	76·5	72·0	72·9
Total	330·9	309·9	315·1
Securities:			
Government	276·7	250·0	269·9
Discounts and advances	22·1	24·6	18·6
Other	17·5	20·3	20·8
Total	316·3	294·9	308·9
Banking department reserve	36·3	33·5	24·8
"Proportion"	% 10·8	% 10·8	% 7·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £1,925 million from £1,975 million on January 16, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Amount (£ million): Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
1956	*91 Day*		s. d.	%
Mar. 23	270·0	398·6	102 2·16	68
Dec. 21	280·0	379·8	98 1·43	68
„ 28	270·0	372·5	97 1·81	68
1957				
Jan. 4	270·0[1]	406·7	95 9·11	54
„ 11	260·0[2]	401·4	95 5·30	35
„ 18	240·0	391·2	93 1·40	53
„ 25	200·0[3]	414·0	91 0·81	36
Feb. 1	190·0	384·1	90 10·07	21
„ 8	190·0	371·5	84 8·29	38
„ 15	190·0[3]	348·0	85 6·04	10
„ 22	200·0	407·3	82 11·49	30
Mar. 1	220·0	408·2	80 0·78	50
„ 8	230·0	442·7	80 6·20	12
„ 15	230·0	375·3	82 3·70	34
„ 22	250·0	395·2	82 6·73	44

*On March 22nd tenders for 91 day bills at £98 19s. 4d. secured 44 per cent, higher tenders being allotted in full. The offering yesterday was for £250 million at 91 day bills. [1]Allotment cut by £10 million. [2]Allotment cut by £20 million. [3]Allotment cut by £30 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: March 27	Market Rates: Spot: March 21	March 22	March 23	March 25	March 26	March 27
United States $	2·78-2·82	2·79 1/16-2·79 3/16	2·79 1/16-2·79 1/16	2·79 1/16-2·79 1/16	2·79 3/16-2·79 5/16	2·79 3/16-2·79 5/16	2·79 3/16-2·79 5/16
Canadian $	...	2·66 7/16-2·66 9/16	2·66 7/16-2·66 9/16	2·66 1/2-2·66 1/2	2·66 11/16-2·66 13/16	2·66 7/16-2·66 9/16	2·66 7/16-2·66 9/16
French Fr.	972·65-987·35	985¼-985	986¼-986¾	986¼-986⅞	986¼-986⅛	986¼-986⅜	986¼-986⅝
Swiss Fr.	12·15 3/16-12·33 3/16	12·26¼-12·26⅞	12·26¼-12·26⅞	12·27¼-12·27⅛	12·27⅛-12·27⅜	12·27¼-12·27⅜	12·27-12·27⅛
Belgian Fr.	138·95-141·05	140·55-140·60	140·60-140·65	140·65-140·70	140·65-140·70	140·67½-140·72½	140·70-140·75
Dutch Gld.	10·56-10·72	10·64½-10·64½	10·64½-10·65	10·65½-10·66	10·65½-10·66	10·65½-10·65½	10·65½-10·65½
W. Ger. D-Mk.	11·67 3/16-11·84 1/16	11·74¼-11·74½	11·74¼-11·74¼	11·75-11·75¼	11·74¼-11·75¼	11·75-11·75½	11·75-11·75½
Portuguese Esc.	79·90-81·10	80·05-80·15	80·05-80·10	80·05-80·15	80·05-80·15	80·05-80·75	80·05-80·15
Italian Lire	17365-17625	17581-17591	17591-17591	17591-17601	17601-17611	1760-17603	17601-17651
Swedish Kr.	14·37½-14·50½	14·46¼-14·46¾	14·46¼-14·47	14·47¼-14·47¾	14·47¾-14·47¾	14·47-14·47¼	14·47¼-14·47¾
Danish Kr.	19·19½-19·48½	19·42¾-19·42¾	19·43-19·43½	19·43¼-19·43¾	19·43¼-19·43¾	19·43¾-19·43¾	19·43¼-19·43¾
Norwegian Kr.	19·85-20·15	19·96-19·96½	19·97¼-19·98	19·98¼-19·98½	19·98¼-19·98½	19·97½-19·98	19·98¼-19·98½
One Month Forward Rates							
United States $		1/16-1/8c. pm	1/16-1/8c. pm	1/16-1/8c. pm	1/8-3/16c. pm	1/8-3/16c. pm	1/16-1/8c. pm
Canadian $		par-1/16c. dis	par-1/16c. dis	par-1/16c. dis	par-1/16c. dis	par-1/16c. dis	par-1/16c. dis
French Fr.		1-3 dis	1-3 dis	1-3 dis	1-3 dis	1-3 dis	2-4 dis
Swiss Fr.		2½-2c. pm	3-2½c. pm	3-2½c. pm	2½-2½c. pm	2½-2½c. pm	2½-2½c. pm
Belgian Fr.		1/8-1/4 pm	1/8-1/4 pm	1/8-1/4 pm	1/8-1/4 pm	1/8-1/4 pm	1/8-1/4 pm
Dutch Gld.		1⅞-1¼c. pm	1⅞-1¼c. pm	2¼-1⅞c. pm	2-1¼c. pm	1⅝-1c. pm	1⅝-1¼c. pm
W. Ger. D-Mk.		2⅛-2¼pf. pm	2⅛-2¼pf. pm	2⅜-2pf. pm	2⅛-2pf. pm	2-1⅝pf. pm	1⅞-1⅝pf. pm
Italian Lire		2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par
Swedish Kr.		2½-1⅝ pm	2½-1⅝ pm	2½-1⅝ pm	3-2⅛ pm	3-2⅛ pm	3-2⅛ pm
Danish Kr.		4-2⅜ pm	4-2⅜ pm	4-2⅜ pm	4-2⅜ pm	4-2⅜ pm	4-2⅜ pm
Norwegian Kr.		2⅜ pm-par	2⅜ pm-par	2⅜ pm-par	2⅜ pm-par	1⅜ pm-1⅜ dis	1⅜ pm-1⅜ dis
Gold Price at Fixing							
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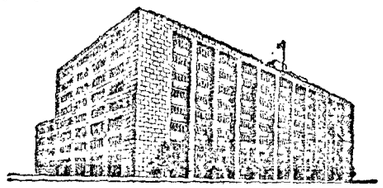
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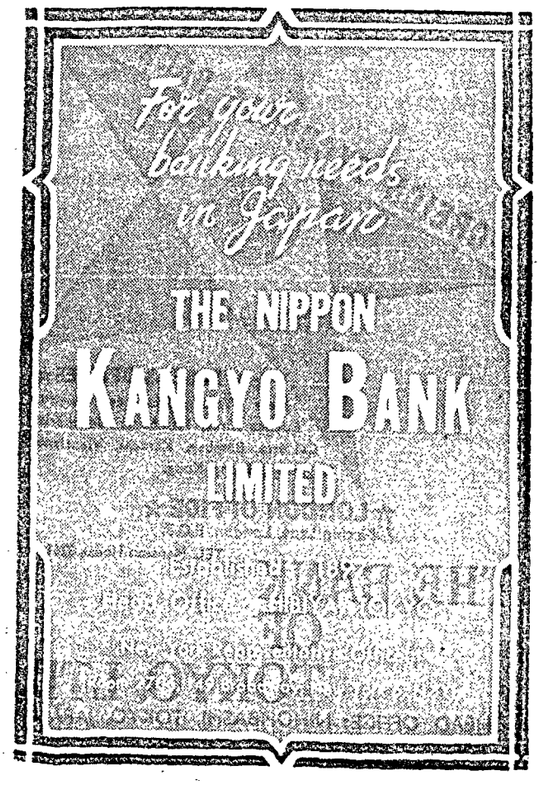
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COMPANY MEETINGS

ASQUITH MACHINE TOOL CORPORATION

INCREASED GROUP PROFIT

STRUCTURE EXPANDED AND BROADENED

MR ROBERT W. ASQUITH'S REVIEW

The thirty-sixth annual general meeting of Asquith Machine Tool Corporation Limited was held on March 25th at Halifax, Mr Robert W. Asquith, MIPE (the chairman), presiding.

The following is an extract from his circulated Review for the year ended September 30, 1956:

It will be noted that the net profit of the group has increased from £294,031 to £333,675, but it must be borne in mind the present year's figures include the results of George Swift & Sons Limited and Swift-Summerskill Limited.

I consider this result satisfactory, bearing in mind that for the first time in its history the group had to provide for premiums for a staff retirement pension scheme, which was instituted as from January 1, 1956. There is no question as to the desirability of such an arrangement, as apart from any other consideration, under modern conditions such a scheme was long overdue if your Company is to retain and recruit personnel of the calibre required. This charge, of course, will be a recurring one on the Company's profits.

INTERNATIONAL MACHINE TOOL EXHIBITION

In addition, during the year under review, the Home-Selling Organisation, Drummond-Asquith (Sales) Limited, on behalf of their overseas principals and the manufacturing members of the group, took space in the International Machine Tool Exhibition at Olympia, London, sponsored by the Machine Tool Trades Association.

This exhibition takes place every four years, and is an expensive item as far as the group is concerned. Moreover, this expense is charged in the year when the exhibition is held although the benefits accrue in the future. Apart from the direct cost, there is a very definite interference with production occasioned by the preparation for this important sales effort.

I would like to stress that I consider it most important to support this Machine Tool Exhibition. I would also like to report that the products, embodying new developments, exhibited by your Company received favourable comments both from engineers in this country and from overseas.

WAGES AND SELLING PRICES

In my review last year I referred to the 11s. wage advance in April, 1955, which was absorbed by the group with an evident reflection on profits, and it was only after another advance of 12s. 6d. per week in March, 1956, that the selling prices of your Company's products were adjusted in order to maintain a reasonable margin of profit.

I think I should indicate once more that the Engineering Industry has arrived at a point where further wage advances can only have a detrimental effect on full employment in the industry.

I am pleased to report that all your subsidiary companies operated at a profit during the year under review, and I comment on them individually as follows:

William Asquith Limited.—This Company maintained a high volume of business. Although, as indicated in my last report, the quantity of special machines was higher than previously, the profit margin one can expect from this type of machine is very much more speculative than from standard running lines.

Drummond Brothers Limited.—This Company has maintained a high standard of activity, and their contribution to the results is in every way satisfactory. However, the major users of the products of this Company are the Automobile Industry, and it does not require me to stress the problems which that particular industry is facing at the moment. It is to be hoped that the difficulties in that direction are only of a temporary nature, but with a view to broadening the basis of the Drummond business I am pleased to advise you that we have acquired a manufacturing licence from Batignolles-Chatillon, France, for their Pilot Copying Lathe, a satisfactory market for which already exists for machines now imported from France.

George Swift & Sons Limited and Swift-Summerskill Limited.—These Companies also have maintained a high level of activity during the year under review, and have fully justified your Board's decision to acquire them. Your Directors, however, are concerned with the limited manufacturing facilities available, and to some extent their dependence on sub-contracting, bearing in mind the volume of orders to which they are committed, and also the amount of business which they are not able to accept because of these limitations.

Modern Foundries Limited.—This Company continues to be of great value to the group, but as reported previously, lack of skilled labour is a major problem. We are still too dependent on outside foundries.

Rotadop Limited.—During the year under review, this Company became a wholly owned subsidiary, as your Directors considered that the facilities available at Rotadop Limited should be devoted more to their engineering activities for the benefit of the group, at the expense of their mechanical diamond polishing speciality. I am pleased to report that this policy has shown every indication of fulfilling what your Directors had in mind, particularly as regards their specialisation of certain products, which are important accessories to our main machine tool activities.

Drummond-Asquith (Sales) Limited.—Your selling Company continues to give a good account of itself, and maintains that close liaison with users of Machine Tools, which is so important if they are to be acquainted with the developments which are constantly taking place.

Your Directors' policy is still to import machine tools from overseas which are complementary to your Company's products, so that we are in a position to offer the Engineering Industry a wide range of machine tools.

Associated Machine Tool Corporation.—This American subsidiary continues to serve its purpose in the United States.

MANUFACTURE IN AUSTRALIA

During the course of the year the Corporation concluded an agreement with Vickers Australia (Pty) Limited by which that organisation are at liberty to manufacture the products of the Asquith group at any of their plants in Australia, as and when they consider industrial development in Australia will justify it.

Anybody who knows the scene will realise that nothing can stop the advance of Australian Industry, and Machine Tool Manufacture must play a leading part in this. I feel that such an agreement can only, in the long run, benefit the Commonwealth, Vickers and your own Company.

This trend towards local manufacture and the establishment of indigenous machine tool industries in what were our traditional markets is an inevitable development which we must face. At first sight it is disturbing, but I am confident that industrial advancement in those areas will create a demand for other and more advanced products from your Company for which we are fully prepared to cater.

This trend, moreover, underlines the vital importance of our being in a position, not only to take full advantage of existing markets, but to develop new ones.

In this connection, it is hoped that the day is not far distant when HM Government will be in a position to reconsider their relationship to the so-called strategic list, which controls the types of machines which can be shipped, not only to the USSR, but to Eastern Europe and China. In my opinion the existing list has little bearing on the purpose for which one presumes it exists, whilst it certainly has a very detrimental effect on our trading prospects and good relations in these important markets; moreover the differentiation in the strategic ban as applied to "Iron Curtain" and "Bamboo Curtain" countries is as ludicrous as it is purposeless and will cost us dearly in Far Eastern trade if it is not soon abandoned.

POLICY OF EXPANSION

Your group has expanded and broadened its structure during the last five years and I am confident that this policy has been correct.

I am equally confident that subject to no major economic setbacks, we must consider even further expansion during the years ahead of us. I base my assumption on the fact that during the 12 months under review exports of Machine Tools from this country were £19,847,000 whilst imports were £22,390,000. It seems to me that if we are to maintain and/or increase our direct contribution to the balance of payment problems by direct

exports, and at the same time make available the latest developments to our vital exporting engineering industry at home, then the industry should expand.

I have been told many times by important users of Machine Tools of their distress at having to buy foreign machines because of their inability to obtain the British equivalents at reasonable delivery dates.

CRAMPING EFFECT OF TAXATION

In the matter of expansion, however, the Machine Tool Industry, in common with all engineering producers and exporters, suffers from the cramping effect of the cancellation of the Investment Allowances. It should, however, be realised that anything which hinders the expansion of our industry, as suppliers of the basic means of production, must in turn have a hampering effect on the whole of industry, so that machine tool users are doubly affected.

It follows that if the ideal of the total restoration of the investment allowances cannot be achieved at one stroke, there may well be strong justification for gradual restoration, industry by industry.

In his last Budget the Chancellor subscribed to this theory by making certain exceptions. If in the next Budget that principle can be extended, it would be in the interest of industry as a whole that top priority should be given to the machine tool industry in any list of further exemptions which might be introduced.

This is no plea for special help for a "lame dog"—we are anything but that. It is a call for securing the widest benefits from any limited concessions the Exchequer can afford to make. Of course, as has been so often stated, one of the major handicaps as regards any expansion programme is the lack of skilled or even semi-skilled labour. This problem is still with us, and is one which eventually can only be resolved by so arranging training schemes that we attract more and more young men at school-leaving age.

An equally difficult problem is the supply of engineering and designing staff. As labour rates increase, so will the demand for specialised machines tend to increase also, and this will put an even greater load on our engineering departments.

INCREASED DESIGNING ACCOMMODATION

We have considerably increased our Designing Offices at Drummond Brothers Limited in Guildford, and we have just completed a major extension at Halifax, which will approximately double the floor area and accommodation for this type of personnel. At the same time we have created in the Birmingham office of our Sales Company a large-sized engineering office, which is specialising in the needs of the automobile industry. The Shrewsbury Works of William Asquith Limited are also on the point of completing their own Engineering Department.

I consider the increase of these engineering facilities most important if we are to maintain a proper rate of development, and at the same time enable the manufacturing plants to achieve the output which should eventually be possible with their production facilities.

For the next financial year, I am happy to report that all your companies have full order books, and subject to no unforeseen circumstances, I see no reason why the standard of profit should not be maintained, and I look forward to at least the same rate of dividend as for the year under review.

The Report and Accounts were adopted.

FORD MOTOR COMPANY

COMPETITIVE POSITION IMPROVED DESPITE GROWING DIFFICULTIES

MARKED INCREASE IN DOLLAR AREA SALES

SIR PATRICK HENNESSY'S STATEMENT

The twenty-eighth Annual General Meeting of Ford Motor Company Limited will be held on April 17th in London.

The following is an extract from the circulated statement of the chairman, Sir Patrick Hennessy, which opened with a tribute to the late Lord Perry.

As forecast at last year's Meeting, I have to report a year of growing difficulties but one in which your Company improved its competitive position.

In the home market purchase tax on cars was increased in late 1955 to 60 per cent, which penal rate was effective throughout the entire year, and still remains an unfair and crippling burden. The credit squeeze and hire purchase restrictions in particular affected our industry. Abroad Australia and New Zealand substantially reduced their import quotas for vehicles. Finally the Suez crisis brought petrol rationing and with it a drastic reduction in demand for cars in the home and other markets, and the almost complete loss of business in the Near and Middle East.

The final result was that, as against a fall in sales for the rest of the industry of 18 per cent in 1956 compared with 1955, our Company's sales declined by only 8½ per cent; 320,742 cars, trucks and tractors in all were sold.

STRENUOUS EXPORT EFFORT

A year of most strenuous export effort, during which our representatives travelled over half a million miles to every corner of the globe, produced sales of 153,939 units, and earnings of over £68 million. Dagenham provided one out of every four vehicles exported from Britain, including nearly half the British cars shipped to the major markets of Europe where international competition is most intense.

Another most encouraging feature was the marked increase in sales to dollar area countries—from $19¼ million in 1955 to $29¾ million last year. To USA alone three times as many cars were shipped as in the previous year. Shipping difficulties were overcome by special chartering and ingenious crating.

At home Ford dealers helped to increase our share of the vehicle market from 26 per cent in 1955 to 30¾ per cent. In the last two months the announcement of petrol rationing had an immediate and extreme effect which still persists at the time of writing this report.

Most tractor markets declined but good sales organisation and intensive effort increased our share of British tractors sold from 33 per cent to 35 per cent at home, and from 33⅓ per cent to 34¾ per cent abroad. Applications of the Fordson Major Tractor in the industrial field were further developed with satisfactory results.

TRADING RESULTS

Total income for the year was £145,678,493, only 4 per cent less than in 1955, but operating profits fell from £17,907,600 to £9,989,842. Recovery in the market values of securities brought the total profit, before tax, to £10,253,866. Taxation of £4,639,000 left a net profit for the year of £5,614,866.

A final dividend of 5 per cent less tax makes, with the interim dividend of 2½ per cent less tax, 7½ per cent for the year, the same as for the previous year.

Our confidence in the future growth of demand for vehicles remains firmly based, following a thorough re-study of prospects in world markets. Plans go ahead for keeping our entire range of products up-to-date and for the necessary expansion and modernisation of factories and equipment.

HANDICAPS CONFRONTING INDUSTRY

Our industry remains handicapped, as against its Continental competitors, in two important respects, the penal rate of purchase tax and the increasing inadequacy of British roads.

The German motor industry increased its sales last year by one-fifth. In the UK the intention was that a high rate of purchase tax would divert home sales to export. Not only has it failed in this but it has so reduced the volume of sales in the home market that costs have been increased and the ability to compete in export markets has been thereby impaired. Early and progressive relief is necessary to remove this serious handicap which purchase tax indirectly imposes upon the export effort of the motor industry.

Reduced usage of our roads during recent months because of petrol rationing has tended to obscure the fact that our road system remains gravely deficient for the transport needs of a modern economy. From time to time, plans are announced of road developments for completion years ahead, but little visible progress has been made. In this respect also our future is prejudiced, and I urge again that increasing and urgent Government attention be given to this all-important problem.

INDUSTRIAL RELATIONS

This statement would not be complete without some reference to industrial relations, particularly to the affairs of our Briggs subsidiary. Our earnest desire is to establish good relations with the Trade Unions at all levels and with our employees at Briggs, based on the acceptance and observance of agreements by all concerned. Management and employees have a common interest in the development of harmonious working: without it we cannot hope to compete efficiently in world markets or to maintain full employment.

In conclusion, it is my great pleasure to thank our staff and employees who have worked so hard in the Company's interest during this most difficult year. We have had the wholehearted co-operation of our Suppliers, Associated Companies overseas, and the Dealer organisations at home and abroad and I would like to acknowledge their efforts. Such fine support will help us to overcome the difficulties of the present time and meet the challenge which lies ahead.

LEWIS'S INVESTMENT TRUST

RECORD RESULTS IN CENTENARY YEAR

MR S. H. LEAKE ON A VIGOROUS AND STEADILY EXPANDING ORGANISATION

The Twenty-eighth Annual General Meeting of Lewis's Investment Trust Limited will be held on April 16th, in Liverpool.

The following are extracts from the statement of the Chairman, Mr S. H. Leake, OBE, to be delivered at the annual general meeting with the report and accounts: I am again privileged to report to you profit results exceeding any previously achieved by the Group, and it is appropriate that this should be so in our Centenary year. They arise from a percentage increase in trade of more than 6 per cent, which is greater than can be ascribed solely to inflationary trends.

Our organisation operates in widely separated parts of the country, and each area has contributed to these improved results. The increasing support of the shopping public which we have enjoyed is evidenced not only by greater turnover but also by the rise in the number of transactions handled during the year.

We celebrated the Centenary of our principal subsidiary, Lewis's Limited, on May 29th, and whereas trading conditions prior to that date had proved difficult, thereafter we experienced an upsurge in trade which has been more or less maintained ever since. It was as though all ranks had drawn inspiration from the fact that they belonged to an organisation which had successfully completed its first 100 years of service. I can only express my belief that our results reflect a high level of morale in the business.

PROFIT AND LOSS ACCOUNT

In the Consolidated Profit and Loss Account of the Trust you will see that our total revenue before tax and depreciation has increased by £436,100, or 8.7 per cent, to £5,464,026. The corresponding percentage figures for our principal subsidiaries, Lewis's Limited and Selfridges Limited, do not materially differ from the Group as a whole, and as the results of the other subsidiaries were broadly similar, there seems to be some common foundation for the prosperity enjoyed by the Group during the year under review. Apart from the satisfactory increase in Trading Profit, Miscellaneous Revenue has almost doubled. This reflects the profitable short term use of a high level of liquid assets at rewarding rates of interest.

On the other hand, the provision we have had to make for taxation has increased by £279,302 to £2,713,502, so that the net profit of £2,271,437 shows only an increase of £113,470, or 5.3 per cent. In other words, we shall be paying out in tax £442,065 more than is left to distribute as a reward for our efforts. Surely the tax-gatherer can be too exacting for the economic health and progress of industry.

The amount retained in the Group is £1,369,740, and including Lewis's Bank Limited this represents 60.98 per cent (60.42 per cent last year) leaving for distribution 39.02 per cent (39.58 per cent last year). Our Capital Commitments reach a total of £3,139,000 made up of approximately two-thirds to complete our Liverpool and Bristol stores and one-third to meet the cost of the developments on which we have now embarked at Selfridges. This figure, however, should be compared with the total of two items of Current Assets in the Consolidated Balance Sheet of the Trust, i.e., General Investments and Short Term Investments which together are £3,069,309. Thus we are already in a position to pay out of easily realisable assets for the capital commitments into which we have so far entered. Moreover our purchases of tax reserve certificates in the Group now total £2,725,000 which compares with our total Tax Provision for the Group of £2,713,502.

It has given the Board much pleasure to be able not only to recommend the consolidation of last year's Centenary bonus of 2½ per cent but to increase the equity distribution by a further 1 per cent.

As I pointed out in my speech last year, this question of distribution should always be related to the real capital employed in a business as opposed to its issued capital which in the case of the Trust appears in the Balance Sheet as £7,742,368. Shareholders should also be satisfied that the real capital employed, which rises steadily as a result of annual retentions from profits, is being profitably used.

This is proved by the fact that the profit earned on the capital employed in the business, which now reaches £28,297,731, has risen from 15.28 per cent in 1952 to 17.87 per cent last year, an increase of over 2½ per cent.

Apart from the heavy increase in taxation, we have also shared the common experience that the expenses of doing business continue to rise steadily year by year, and of that increase, wage advances account for a large proportion. Accordingly we are once again in the happy position of being able to report that staff, stockholders and the business itself have each shared in the increased prosperity of the Group. That concludes what I have to say about the Accounts, which I hope gives you a picture of a vigorous and steadily expanding organisation.

INDIRECT TAXATION

In addition to National taxation, there are two forms of indirect taxation which continue to bear heavily on our business. As a result of the property revaluation which occurred two years ago, our payment for local rates increased by £107,322 in the year under review.

Although the Government have recognised the unfair burden which these new assessments placed on retailers, and have given this recognition practical form by proposing a percentage reduction, we view with concern the tendency for the rate per £ to increase sharply in the areas where we operate, to the extent that such increases may well cancel out any future benefit we may enjoy from reduced assessments.

PURCHASE TAX

Purchase Tax was introduced in September, 1941, primarily to discourage consumption of goods, the making of which used labour and materials that could be used for war work, and to absorb consumer purchasing power in order to reduce inflationary pressure. Subsequently it has also been regarded by the Chancellors of both Parties as an extensive source of Revenue, reaching now towards £500 million a year. Retailers pay Purchase Tax as and when they pay for goods and the tax is therefore part of the cost price of a very wide range of consumer goods, and is subject to the hazards of retail trading and particularly to sudden Budgetary changes.

It is our experience that Purchase Tax does not "mop up spending power." In very few cases in our business is there any evidence that Purchase Tax has slowed down consumption, except temporarily and with high priced goods subject to the highest rates of tax. If the public want goods they will buy them: that, after all, is the expression of a rising standard of living.

Far from reducing inflationary pressure, Purchase Tax increases prices. If tax additions, such as the following, are made to the cost price, then the selling prices of consumer goods, which affect the cost of living of every grade of the community, rise beyond their real economic worth:

Article	Cost (ex tax)	Tax
Man's raincoat	138/–	6/9
Handbag	9/1	5/4
Clock (alarm)	9/11	3/–
Umbrella	16/9	4/10½
Lino (yard)	5/1	1/4
Kettle	3/6	1/3
Suitcase	13/6	9/9
Earthenware mixing bowl	3/7	1/1
Tea-pot	6/8	2/–
Galvanised pail	4/1	1/3
Galvanised dustbin	24/3	7/3
Table knives, ½ doz.	13/–	4/2

In my opinion, the Government should further explore the effects of Purchase Tax with a view to reducing the cost of living and restoring the value of the currency. We cannot accept the view that £500 million a year must continually be collected from consumer goods, and would welcome the restoration of intrinsic value in the prices of those everyday goods that are required not as luxuries but as necessities by ordinary men and women, and particularly by young people setting up new homes.

SELFRIDGES

The improvement in the physical appearance of this store has been accompanied by a steady increase in its profit-earning capacity. Its profit, before tax, has now risen to £1,386,785 and its financial position has greatly improved. It was, therefore, with some confidence that we launched a long-term development scheme which is now taking shape.

The contract to cover the first stage amounting to £1,167,000 was placed after the end of the financial year.

BRISTOL

The building of our Bristol Store is proceeding apace, and we hope to begin trading

In the Autumn. As the building takes shape we become increasingly proud of this addition to our chain of stores.

When completed, the building will have cost over £2 million, and after providing for fixtures, stock, and other contingencies, our total investment is not likely to be much less than £3 million. That investment will have been wholly financed out of our own resources, and while it would be unrealistic to expect any quick substantial return, our experience of similar ventures leaves us in no doubt about its long-term value.

OTHER BUILDING DEVELOPMENTS

This last year has seen some of our many building plans brought to fruition. The extensions to our Leicester Store were completed during the year and we enjoyed an almost immediate return both in trade and profit-earning capacity. We have also made improvements in the delivery facilities of the Leeds Store by constructing a transport depot on the outskirts of the town.

Finally, we anticipate that the third section of the Liverpool Store will be ready for trading in the Autumn. The cost of rebuilding and equipping this Store as a consequence of the disaster of May 3, 1941, has proved heavy. The total will be about £3,140,000, of which nearly £1,990,000 ranks as War Damage claims.

In all respects our staff relations continue to be cordial and with great sincerity, I ask you to authorise me to convey from this meeting a message of your appreciation to all ranks of our staff for their loyalty and for the contribution they have made to our achievements of the past year.

EASTBOURNE MUTUAL BUILDING SOCIETY

The eightieth Annual General Meeting of the Eastbourne Mutual Building Society was held on March 27th at Eastbourne.

Mr Laurence A. Caffyn, chairman, in the course of his speech, said:

This is the eightieth Annual General Meeting of this Society and I am very pleased to welcome you once more. It is only natural that on an occasion such as this one tends to look back over this comparatively long period. This Society has played a very big part in the development of Eastbourne, and it is an effort in which we can well be proud to have participated. The Society continues to attract members who wish to build up a proper reserve of savings for future contingencies.

During the year interest rates continued to rise, and the rate of 3 per cent the Society was paying to shareholders became unrealistic. Accordingly, it was decided to increase the rate as at August 1st to 3½ per cent and other investment rates were increased proportionately. This increase meant that, in due course, the Society had to increase its rate to old borrowers as well as to new. It was necessary to delay this decision until your Board was aware of its liability to Tax for the year. In view of a further increase in the composite rate paid by the Society, your Directors had no alternative but to advise borrowers that as from January, 1957, the rate payable would be 6 per cent. You will observe, however, that old borrowers did have the benefit of a lower rate for a period of five months.

The report and accounts were adopted.

PATALING RUBBER ESTATES LIMITED

SIR ERIC MILLER'S ADDRESS

The thirty-seventh annual general meeting of The Pataling Rubber Estates, Limited, was held on March 25th, at the registered office of the company, 1-4 Great Tower Street, London, E.C.

Sir Eric Miller, chairman of the company, in the course of his address, said: We now have a sufficiently large area of modern rubber coming into production to more than offset the loss of trees under our continuing substantial replanting programme; thus our crop of 10,511,336 lb. exceeded that of the previous year by 876,136 lb. As usual, we sold some of our product in the form of sole crepe, and the entire crop realised the equivalent of 2s. 6½d. per lb London landed terms.

WORKING PROFIT

The profit before taxation, but after charging export duty and cess of £186,920 (£218,648), was £519,264, against £461,130 in the previous year. Our trade and other investments brought in £71,840 (£49,575). Taxation in Malaya and the United Kingdom on the year's profit, after allowing for adjustment in respect of previous years, absorbs £253,407 (£213,475). One way and another, the Governments between them kept 58 per cent of our earnings, leaving us with 42 per cent as our net profit of £265,857 (£247,655). Including the balance brought forward, the amount available is £427,438 (£415,823), out of which we have transferred £98,844, representing the year's expenditure on replanting, to Cultivation and Replacement Reserve, and recommend the payment of a final dividend of 25 per cent, making, with the interim dividend already paid, 35 per cent for the year, leaving £178,987 to carry forward to next account, against £161,581 brought in.

PROPERTY SALES

Most shareholders will recall that in 1952 the main part of Pataling estate—some 1,100 acres—was acquired by the State of Selangor for the development of what is now the township of Petaling Jaya and, out of the profit realised from this sale, a capital distribution of 8s. in the £ was made in October, 1952. Since then we have contracted to sell the balance of Pataling, amounting to some 300 acres, at satisfactory prices, the proceeds of 88 acres of which are included in the accounts at October 31, 1956. The capital profit of £34,635 shown in the notes on page 6 of the report and accounts includes these 88 acres, which sum with similar capital profits of £54,181 realised in previous years, makes available £88,816. Unfortunately when we come to distribute this to shareholders, as proposed, the company has to provide for profits tax which requires £18,817, leaving only enough to cover the 2¼d. per 2s. share (which is not taxable in the hands of shareholders) absorbing together £88,509.

REPLANTING

Our rejuvenation programme was further advanced during the year by replanting 1,336 acres of old rubber and new-planting 83 acres. In the calendar years 1957 and 1958 a further 2,300 acres or over 9 per cent of our planted acreage are scheduled for replanting or new-planting.

Sound agricultural conditions have been maintained at all estates.

RUBBER SITUATION

After touching 34d. the price of No. 1 RSS has returned to a more normal level at around 28d., which is a much healthier figure having regard to the price of synthetics.

Estimated world production of natural and synthetic for 1957 is put at 3,160,000 tons against probable consumption of 3,100,000 tons, but the political situation in Indonesia is tending to reduce production in that area. I therefore do not foresee any serious overburden of natural rubber.

This year's car production in USA will depend on the Spring selling campaign during the next month or two, but leading Authorities still look for an output of 6 to 6½ million cars. There are so many cars on the road there that tyre replacement business must be good.

The extensive plans which several of the large manufacturers have in hand to expand their production in different parts of the world is an indication that the demand for rubber is very much on the upgrade, the seasonal fluctuations being of minor significance.

The Pataling Company has benefited from its faith in the merits of sole crepe which continues to maintain a satisfactory premium over ordinary rubber.

TIN MINING

I told you last year that tin prospecting operations at Bikam were at a standstill pending improvement in the security situation. Subsequently the Tin Company came to the conclusion that values so far indicated were not good enough to justify mining, so we are planning to go ahead with replanting rubber there.

The Chinese miner who was interested in the Sultan Idris division of Chumor estate also decided that the tin values were too poor for open-cast mining.

STAFF

The many and varied problems with which our European and Asian staff are confronted today make heavy demands upon them, and the past year has not been an easy one: their loyalty and high sense of duty have been demonstrably evident and is something we value greatly. We also thank our Eastern Agents and Visiting Agents for their unfailing support throughout the year.

CHANGE OF POLITICAL STATUS

The forthcoming change in the political status of Malaya is in many ways momentous, but there is every evidence that those who are taking over the responsibilities of self-government have a clear appreciation of the important part which the Plantation and Mining industries play in the economy of the country. We therefore face the future with confidence.

The report and accounts were unanimously adopted.

THE BRITISH OXYGEN COMPANY LIMITED

SOME INCREASE IN PROFITS DESPITE HIGHER COSTS

PROGRESS OF DEVELOPMENT PLANS

MR J. S. HUTCHISON ON THE MONOPOLIES COMMISSION REPORT

The Seventy-first Annual General Meeting of the British Oxygen Company Limited was held on March 27th at Grosvenor House, Park Lane, London, W.1.

Mr J. S. Hutchison (the Chairman) presided, and, in the course of his speech, said:

The consolidated profit of £5,198,464, after depreciation of £2,610,299, is comparable with £4,845,639 including twelve months' trading of the parent company for 1954-55. (Last year's published figure of £4,277,152 included parent company trading for nine months only.) The additional profit of £352,825 is moderate in relation to a sales advance of 14 per cent and considerable additional capital employed.

CONSOLIDATED BALANCE SHEET

Additional investment in fixed assets was £9.3 million gross and an increase of £2.5 million in stock and work-in-progress refers mainly to tonnage and other oxygen production plants under construction. The £800,000 expansion in debtors reflects trading growth.

This total additional investment in operating assets of approximately £12.5 million was provided by £4 million of existing cash, treasury bills and tax certificates, £4 million bank overdraft, an increase in creditors of £1 million, and depreciation and profit retentions of £3.5 million.

DEBENTURE STOCK ISSUE

Last year I explained our wide programme of capital expenditure necessary to meet the growth in use of industrial gases and to provide for the high demands of the steelmaking programme. In November 1956 the issue was made of £10 million 5¾ per cent Debenture Stock 1981-86 enabling the bank overdraft to be repaid and a substantial sum provided towards the capital expenditure and working capital requirements stated in the prospectus.

UNITED KINGDOM GAS DIVISION

Sales of acetylene, propane, argon, nitrogen and other gases and gas mixtures are up, and medical oxygen, nitrous oxide and other anæsthetic gases have continued on a steady basis.

Advances again occurred in wages, salaries and materials costs and also in the important item of electricity where we do not benefit from the price freeze accorded to the general consumer. Increase in our selling prices was unavoidable despite our bigger output and there was a lowering of profit margins.

ENGINEERING DIVISION

British Oxygen Linde Limited has been active and successful in promoting plant sales and was recently awarded the £525,000 contract for two 50-ton/day oxygen plants to be installed in the new steel works at Durgapur, being built by the Indian Steelworks Construction Company Limited.

A new joint company, British Oxygen Wimpey Limited, was formed recently in association with George Wimpey and Company Limited to deal with the construction of special rocket projects. It is engaged on an important Government contract for the erection of buildings, plant and specialised mechanical equipment for the handling of large tonnages of liquid oxygen and nitrogen.

British Oxygen Aro Equipment Limited is engaged on development work which it is hoped will lead on to quantity production and sale of the very specialised equipment necessary for aeronautical purposes.

Sparklets Limited experienced a sharp contraction in profits. This arose from a big drop in demand for die-cast parts by the motor industry and others affected by the credit squeeze, accompanied by severe price competition. On the syphon side higher purchase tax hit sales of Streamline syphons and the dwindling supplies of hand-made glass vases for the standard models finally ceased. Marketing of the new popular-priced Hostmaster syphon was hastened and it found immediate public favour on its appearance a few months ago, so that the syphon business is steadily recovering. Other sides of Sparklets' business continue favourably, and results are now improving.

ELECTRIC WELDING DIVISION

Quasi-Arc Limited fully held its position in the highly competitive fields of electrodes and electric welding equipment. Assiduous development work has yielded new processes and a number of patents of some importance.

CHEMICALS DIVISION

Many will have read of our project for the manufacture in Northern Ireland of carbide and then of acetylene for pipeline supply to the adjacent du Pont neoprene factory. This may be regarded as our first tonnage acetylene project similar in principle to our tonnage oxygen projects, and is expected to come into operation in 1960.

DEVELOPMENT

In a decade since the war, our capital investment amounted to £46.6 million, of which £24 million came from depreciation reserves and retained profits. Sales of liquid oxygen in the United Kingdom increased four times, and the price is actually less than ten years ago. Overseas we had a threefold increase in turnover and expansion of our installations is parallel with the growing needs of Commonwealth development.

In Britain, the number for whom we provide employment has grown from 7,000 in 1946 to 13,000, and the group total is over 20,000.

The research and development organisation has contributed in many ways to our resource and efficiency. I mention two: the origin and successful establishment of our chemicals division: our complete grasp of the metallurgical/oxygen technique in steelmaking.

Today our capital development plans include replacement or reconstruction of the remaining first liquid oxygen works of twenty years ago and an increase in the 1956 oxygen total by 50 per cent in the next two years.

For tomorrow, our research teams, in addition to long-term fundamental work and applied work which is immediate, are active in such subjects as oxygen methods of steelmaking, liquid oxygen in aircraft, missile propellants, pure nitrogen for annealing, liquid nitrogen for atomic energy, transportation of acetylene and methane in the liquid state, the derivation of acetylene by new methods and investigation of new chemical products having an acetylene base.

MONOPOLIES COMMISSION

The report by the Monopolies and Restrictive Practices Commission published in January deals with our trading in the United Kingdom in oxygen, dissolved acetylene and propane.

I have given a record of fourfold sales expansion since the war, of a threefold expansion in capacity to be completed in the next two years, of development and research projected on a broad front. There must be a profit basis for all this; and a basis solid enough to overcome doubts when it comes to capital programmes, doubts about long-term ventures and doubts about bold research. The financial reward for enterprise must be such as to maintain and increase its momentum by making capital readily available as and when required.

MANAGEMENT AND STAFF

Our high rate of expansion continues to make severe demands on our Executive Directors who carry the responsibility for guidance of our manifold affairs. We are indebted to them and to their subsidiary company Directors and senior officers for a splendid year's work.

We are represented in the field by an army of workers who much more than in most other industries are our ambassadors by whom we are judged by the public. Our reputation is largely in their hands. It is greatly to their credit that a searching inquiry by the Monopolies Commission has revealed so much appreciation by customers of their effort; so very little complaint. And we thank them.

PROSPECTS

I have sketched for you our picture of yesterday's upsurge of growth and enrichment of interests, of today's vigorous expension in capital investment and application of modern techniques, and of the promise of tomorrow in varied fields. I hope you will agree with me that it is a record of vigour, enterprise and progress that gives us the right to look forward with confidence, as we do. I must make it plain, however, that the present industrial disputes will have considerable repercussions on our business. The effect cannot as yet be measured.

The report was adopted.

ENGLISH CHINA CLAYS LIMITED

RECORD HOME AND EXPORT SALES

SIR JOHN KEAY'S STATEMENT

The thirty-eighth annual general meeting of English China Clays Limited was held on March 28th at Hyde Park Hotel, Knightsbridge, London, S.W., Sir John Keay, ACA (chairman and managing director) presiding.

The following is the Chairman's Statement which had been circulated with the report and accounts and was taken as read:

The profit of the Group for the year ended September 30, 1956, after providing £936,439 for taxation, shows a reduction of £59,544 as compared with the previous year and amounts to £1,014,724. Your Directors are providing £80,000 for Taxation Equalisation Reserve and £477,028 to General Reserve, which now stands at £1,850,000 and recommend a final dividend of 3½ per cent, free of tax, which together with the interim dividend of 2 per cent, tax free, already paid brings the Ordinary dividend for the year ended September 30, 1956, to a total of 5½ per cent, tax free. The balance of Profit and Loss Account to be carried forward is £370,433.

The accounts give effect to the scheme of capital reconstruction previously approved by the shareholders and approved by the High Court of Justice on April 16, 1956, and in order to make a comparison with the Accounts of last year it is necessary to refer to the notes on pages 9 to 12 in the printed accounts. These notes explain the changes in the financial structure of the Group occasioned by the adoption of the scheme. All the minority shareholders' interests in English Clays Lovering Pochin and Company, Limited, have now been acquired or paid off and accordingly all the subsidiary companies are now wholly owned.

The Consolidated Balance Sheet at September 30, 1956, shows the issued capital and reserves at £8,464,487, of which £7,455,555 is represented by fixed assets comprising freehold property and mineral rights, leasehold property, plant and machinery, motor vehicles, etc., leaving a balance of £1,008,932 which equals the surplus of current assets over current and deferred liabilities and roughly represents our working capital.

REVIEW OF SALES

During the year under review the sales of our China Clays both in the Home and Export markets have again reached record figures. The Scandinavian and Continental markets have been particularly busy whilst American and Canadian dollar markets have been maintained with difficulty due to the continuing high freights ruling throughout the year. In the dollar markets today the competition of English China Clays with American China Clays is much hampered by Atlantic freighting costs. As mentioned in the Directors' report your company has purchased certain clay properties in Georgia, USA, which are now being worked by a wholly-owned subsidiary company, Anglo-American Clays Corporation. Apart from widening the range of the company's selling facilities in the USA other advantages in times of Atlantic freighting difficulties are expected to accrue.

MOLOCHITE

Since the first introduction of Molochite into the Refractory world it has made a steady progress. In the year under review, however, the increase in sales has been most marked and estimates for 1957 indicate an increase of approximately 100 per cent in sales. Present orders are keeping the Molochite plant working to full capacity, and plans are in hand to erect additional plant in order to meet the growing and encouraging demand.

NEW ACQUISITION

Since September 30, 1955, the company has acquired Cornwall Mills, Limited, of Par, Cornwall, and its subsidiary, Yate Mills, Limited, near Bristol. These mills are equipped for the grinding of rock minerals. The principal products are bases for cleaning powders, dry ground feldspar, silica, quartz and miscellaneous rock minerals. Its acquisition will facilitate considerably the development of the by-products of the company's mines and quarries, the mills at Par being conveniently situated alongside the company's harbour.

BUILDING AND QUARRYING

During the year the Building Subsidiaries showed a falling-off of profits due to the decline in the number of houses built by us for Local Authorities. Despite the smaller number of houses built we have succeeded in maintaining our relative position in the Local Authority housing field. Our maisonette and flat building development has proceeded satisfactorily, and, as mentioned last year, we have entered the field of private enterprise building. During the year, however, development has proceeded at a much slower pace than was anticipated due to the result of the Government's "Credit Squeeze" and its effect on the availability of Building Society finance.

The subsidiary companies dealing with limestone, quarrying, transport, etc., also contributed a substantial proportion of the Group profits.

MODERNISATION OF PLANT

Satisfactory progress was made on the capital schemes mentioned to you last year and which are designed to modernise and increase total China Clay production capacity. The installations at Lee Moor and Burngullow came into production in the late summer, and the Blackpool and Par installations are almost ready to be put into commission. Accordingly the current year's figures will only partly reflect the additional advantages these latter modern installations will yield.

REVIEW OF MANAGEMENT STRUCTURE

Reference was made last year to plans for the reorganisation of the management structure of the subsidiary companies which would follow the financial reconstruction scheme. During the year the services of professional Management Consultants were retained, and in consultation with them the management reorganisation of the subsidiary companies is in course of being put into effect.

The Apprenticeship and Educational training schemes have been extended and developed very successfully, and the Shareholders' prizes awarded to the apprentices showing the best all-round progress for the year in the different crafts were much appreciated.

COSTS OF PRODUCTION

The spiral of rising costs of production has continued throughout the year and the Price Index figures at December, 1956, of certain commodities, the purchase of which is necessary for the production of China Clay, are as follows: coal 174, oil 200, cement 141, timber 152, iron and steel 165. These Index figures are based on June, 1949, prices taken as 100. It has been, and continues to be, the policy of the company wherever possible to absorb partially these cost increases as they occur. The Index of China Clay selling prices, taken on the same basis referred to above, shows a Price Index range at December, 1956, of between 117 and 129, according to the quality. These comparatively low figures for China Clay have been made possible through increased sales and the greater productivity due to modernisation of plant. However, the increases in wages and the prices of consumable goods since September, 1956, particularly in heavy fuel oil and petrol, must inevitably be reflected in increased prices of our products and services.

MR C. SELLECK

It will be observed from the Directors' Report that Mr C. Selleck is not seeking re-election as a Director. It is a matter of great regret to my colleagues and myself that a fundamental divergence of views on matters of policy should bring about a severance of Mr Selleck's association with the group to which his services over a long period have been of great value.

THANKS TO EMPLOYEES AND CUSTOMERS

In conclusion it is customary for me to express on your behalf acknowledgment of the efforts of the workpeople, staff and executives, both at home and abroad. I do so again with great sincerity—it has been a difficult year, but the difficulties have been overcome successfully entirely due to the hard work, loyalty and enthusiastic efforts of all grades of the company's employees acting in the best interest of English China Clays Limited and its customers, to whom also we pay tribute for their loyalty and continued co-operation.

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

The retiring director, Mr W. O. Meade-King, was re-elected and Messrs Bourner Bullock & Company were appointed joint auditors of the company with Messrs Alfon, Charlesworth & Company, and the remuneration of the joint auditors was fixed.

At a subsequent extraordinary general meeting resolutions were passed altering the provisions of the company's Articles of Association dealing with the rights of the Preference shareholders and with directors' fees.

ALUMINIUM LIMITED

INDUSTRY'S CONTINUED GROWTH: HIGH LEVELS OF PRODUCTION, SALES AND EARNINGS

GROUP'S RESULTS CONSISTENT WITH STRONG AND EXPANDING CONDITIONS

FURTHER SUBSTANTIAL EXPANSION PLANNED

The annual meeting of Aluminium Limited will be held on April 25th in Montreal.

In his general review of the Company's affairs in 1956, Mr Nathanael V. Davis, the President, stated:

During 1956 the aluminium industry continued its growth, and we believe all North American producers experienced a year of high levels—and probably record levels—of production, sales and earnings. Aluminium Limited's results for the year are consistent with the strong and expanding conditions in which the industry as a whole operated.

The Company's net income, after all charges, including dividends on preferred shares of subsidiaries, was $55,657,372 or $5.56 per share on the 10,013,847 shares outstanding at the year end. Comparable figures for 1955 were $48,193,952 or the equivalent of $4.83 per share on the 9,975,690 shares outstanding on December 31, 1955. The improvement in earnings in 1956 occurred mainly during the last half of the year when a combination of new high levels of production, sales and higher selling prices obtained. Cash generation, comprising net income, depreciation and reserves for future income taxes increased during the year to a total of $106,711,431 or $10.66 per share.

In the second quarter of 1956 the quarterly dividend was increased from US55c per share to US60c per share, and the new rate was maintained for the remainder of the year. Total dividend disbursements were the equivalent of $23,192,053 in Canadian currency as compared with $21,076,253 in 1955.

PRODUCTION AND SALES

In the early part of the year production at the Company's Canadian smelters in the Saguenay area was sharply curtailed by an unusually severe water shortage. With the coming of the spring floods and good summer rains, production was brought up to a high rate and was supplemented by new facilities brought into operation in Kitimat. The increase of production obtained after the spring floods offset by a small margin the losses sustained during the earlier part of the year. The total production of primary metal from all Canadian smelters for the year was 620,300 short tons as compared to 607,700 in 1955. At the year end the Company's Canadian plants were producing at an approximate annual rate of 760,000 tons.

Sales and operating revenues were $483 million in 1956, as compared to $412 million in 1955. Although the total physical volume of sales of aluminium products increased, a large part of the increase in the dollar volume of sales is attributable to the higher selling prices which prevailed during the year. In the United States, the delivered prices of primary aluminium increased in two stages during the year from 22½c per pound at the beginning of the year to 25c at the end of the year. The prices of the Company's primary metal were increased by approximately similar amounts in its several markets during the course of the year.

EXPANSION IN 1956

In 1956, a total of $125 million was spent on the construction of new facilities. The bulk of these capital expenditures went into additional plant for raw materials, smelting and power generation required for the integrated production of primary aluminium. A total of 90,000 tons of new capacity was brought into operation at Kitimat during the year, bringing Kitimat's total installed capacity up to 180,000 tons. Alumina facilities in Jamaica were also enlarged during the year to supply the necessary raw materials for the increased primary aluminium production in Canada. As foreseen in last year's Annual Report, Kitimat, with the increased production facilities now in operation, is beginning to contribute to the Company's earnings. As in previous years, some further expansion took place in the field of fabrication among many of the Company's subsidiaries. At the year end, the total assets employed in the business, after depreciation reserves, stood at $1,084,451,925.

CURRENT BUSINESS

During the closing months of 1956, the supply of primary aluminium caught up with demand in the United Kingdom and the United States, and Aluminium Limited ended 1956 with a small amount of metal available for immediate sale. Since the year end, sales have been running slightly below the rate of production which has been maintained at a high level. The resulting accumulation to date of a relatively small stock of saleable metal is, in the Company's view, basically a healthy and desirable development. For the first time in several years Aluminium Limited and, we believe, other North American producers, are in a position to meet current levels of demand and to encourage—by availability of metal, active selling, and the development of new products and uses—the further growth in the consumption of aluminium which the Company foresees with confidence.

FUTURE EXPANSION

The Company still has before it a large expansion programme. As previously announced, the Company is in the process of increasing Kitimat's production facilities in stages up to a total annual capacity of approximately 300,000 tons, scheduled to be fully installed by 1960. In the Saguenay area, work is progressing on the new hydro-electric plant at Chute-des-Passes, which is expected to provide an additional 700,000 firm horsepower upon completion in 1959. Related smelting facilities in Quebec, with an annual capacity of 120,000 tons, are also being planned together with new alumina and bauxite developments in Jamaica, British Guiana, and French West Africa. Construction is under way both in Jamaica and British Guiana.

The French West African development, which is of a longer term nature, is now being engineered and construction is scheduled to begin towards the end of this year. The opening up of this new and extensive bauxite area is expected to provide the raw material base for potential future operations both within French West Africa and in other areas where additional smelting may be developed.

The overall programme has been designed to permit flexibility in construction schedules and the Company will be prepared to adjust the rate of expansion in the light of market and other conditions as they may develop.

FINANCING

During the course of the year a $100 million intermediate term credit-line was established by the Aluminum Company of Canada, Ltd., with several United States and Canadian banks to provide temporary funds for the Company's expansion programme. Currently, steps are being taken by the Aluminum Company of Canada, Ltd., to raise in the near future a $125 million long-term debenture issue to provide the more permanent capital needed for the Canadian expansion programme. This financing was foreseen when the programme was announced in April of 1956.

This summary would be incomplete if no mention were made of the devotion and perseverance shown by the Company's personnel during the past year and previous years. The pace has been rapid and great credit is due our many people both in Canada and abroad who have devoted themselves with vigour and patience to the task of maintaining operations at high levels and carrying through at the same time an extensive expansion programme.

THE SCOTTISH MUTUAL ASSURANCE SOCIETY

CONTINUED SATISFACTORY EXPANSION

The seventy-fourth annual general meeting of The Scottish Mutual Assurance Society was held on March 27th in Glasgow.

Mr T. R. Patterson, CBE, DL, JP (the Chairman), who presided, referred to the great loss which the Society has suffered by the death of their Chairman, Sir John Craig, CBE, DL, LLD, and paid tribute to the services he had rendered not only to the Society but to the whole business life of Scotland.

The Chairman continued:

The figures in the Report show that the Society continues to expand in a satisfactory manner. For the first time the net new sums assured have exceeded £5 million and we congratulate the Field Staff on achieving a record for the eighth year in succession. The premium income has increased by over 100 per cent compared with the previous year. For the first time also the Life Assurance Fund has increased in a year by more than £1 million and now amounts to nearly £15 million.

The gross rate of interest earned on the funds is £5 18s. 11d. per cent, which is 4s. per cent higher than last year and is a record in the history of the Society. This substantial rate of interest is due to the increases in dividends on our holdings of Ordinary shares and to the favourable terms on which new funds could be invested in the last year or two.

The report was adopted.

REVERTEX LIMITED

ANOTHER SATISFACTORY YEAR

INCREASED VOLUME OF SALES

MR D. H. SCOTT'S STATEMENT

The thirty-third annual general meeting of Revertex Limited was held on March 21st at 51/55 Strand, London, WC, Mr D. H. Scott, CBE (chairman and managing director), presiding.

The assistant secretary (Mr. H. Wiltshire) read the notice convening the meeting and the report of the auditors.

The following is the Statement by the Chairman which had been circulated with the report and accounts for the year ended September 30, 1956, and was taken as read:

I am glad to be able to report that our Company has had another satisfactory year. The volume of sales of both Revertex and Emultex has increased, but owing to reduced profit margins the net profit is somewhat lower than that for the previous year, which was a record year.

GENERAL

During November I visted our establishment at Kluang in Malaya. Although there is still a hard core of bandits in the neighbourhood and precautions have to be taken, conditions in general are a great deal better than they were when I was last there three years ago. Our factory is in very good order and our staff are in good heart.

The great question with which everyone who operates in Malaya is now concerned, is what pattern will emerge after Home Rule has been granted during the course of this year. It is hoped that the administration will learn from the experience of Indonesia and Ceylon and that the process of Malayanisation will be slowed down accordingly, in which case we should be able to count on Kluang as our main base of operations on the latex side, for several years to come.

As you know, we already have a plant in Ceylon and as a further precaution against untoward political developments in Malaya, we are considering the installation of a plant in Africa. Mr Marsh and Mr Coleman, our Eastern Production Manager, are now in Africa investigating the position in detail, and are visiting all the rubber growing districts in Nigeria, the Cameroons and Belgian Congo.

Shareholders will recollect that since the war we have charged depreciation at the rate of 20 per cent per annum on the original cost of all our Malayan assets, with the result that factory buildings, houses, plant, machinery and equipment in that country which cost originally £302,992 now stand in the Balance Sheet at £81,448.

PRODUCTION

During the year we have increased our capacity for Emultex, both by the installation of further plant and by improvements in technique. We have maintained a high standard of quality and you will be interested to know that about half our deliveries of Emultex in this country are now made in bulk by road tankers.

Our third factory unit at Harlow for the production of Alcotex (polyvinyl alcohol), to which I referred in my speech last year, is now practically complete although, unfortunately, about six months behind schedule owing to delays in the delivery of steel and other circumstances beyond our control. We are in course of running in this plant and by the end of the current year our productive capacity for this material should have substantially increased.

ACCOUNTS

For the year under review the profit, before tax, amounted to £392,198 as compared with £467,007 for the previous year. The net profit, after making full provision for taxation, was £193,198 as compared with £234,007. The charge for profits tax on these lower profits was £6,500 more than the previous year, owing to the increase in the rate and the increased distribution.

The value of our stocks and the amount of forward sales of rubber are both appreciably lower, partly because our physical stocks are lower and partly because of the lower price of rubber.

I have explained before that we always hedge our stocks in order to reduce as far as possible the risk from fluctuations in the price of rubber but, as I warned you last year, when there is a persistent backwardation, i.e. when the forward positions are at a discount compared with spot, this hedging can only be done at some cost. In point of fact our hedging last year cost us about £66,000 as compared with £20,700 in the previous year. This may seem a very expensive form of protection but it is the only one available. If we had not hedged, our loss on stock over the year would have been over £240,000. I am glad to say that the backwardation in the rubber market is now very much less, with the result that our hedging for the first four months of the current year has cost us about £4,500.

DIVIDEND AND PROSPECTS

The Directors recommend the payment of a final dividend of 15 per cent, less tax, making with the interim dividend of 10 per cent, less tax, paid last November, a total of 25 per cent, less tax, for the year. The total dividend of 25 per cent, less tax, on the increased capital will absorb the sum of £65,227 net, and after allowing for the £41,250 capitalised last year, unappropriated profits will be increased by £86,721 to £476,608.

In addition the Directors had intended to issue to the shareholders one new ordinary share of 5s. each, credited as fully paid, for every ten shares held. HM Treasury has however refused its consent to this issue.

I find it more than usually difficult to forecast the results for the current year. The estimated profit for the first quarter, before allowing for hedging, is a little lower than for the first quarter of the previous year. At present it looks as though the cost of hedging should be very much less than last year. On the other hand, competition in the Emultex field is keener than ever and the margin of profit is lower. At this stage I cannot say, therefore, whether the profits for the year will be higher or lower than last year, but I think they will be not unsatisfactory. On a longer view I hope that the profits on Alcotex and other products which we are developing will more than offset any decline in the profits on Emultex.

In conclusion I know you would like me to express your appreciation of the good work done by all our staff and employees both at home and in Malaya.

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

The retiring director, Mr T. H. Powell, was re-elected, and it was resolved that the remuneration of the auditors, Messrs Deloitte, Plender, Griffiths & Co., be fixed by the directors.

The proceedings terminated with a vote of thanks to the chairman, directors, staff and employees.

BEAUMONT PROPERTY TRUST

FURTHER ACQUISITIONS

The twenty-third annual general meeting of The Beaumont Property Trust, Limited, was held on March 27th in London, Mr Cyril W. Black, JP, MP, FRICS, FAI, chairman, presiding.

The following is an extract from his circulated statement for the year ended September 30, 1956:

For some time past your directors have considered it to be in the interests of the company to reduce, as opportunities occurred, the proportion of our capital invested in blocks of flats, and to increase the proportion invested in shops and other business properties. During the year we reduced the total number of flats in our ownership by 165, from 2,279 to 2,114. Notwithstanding this reduction in our holding of flats, the cost of services rose steeply, in particular in respect of fuel for the hot water and central heating services. Abnormally heavy expenditure was also incurred on repairs and, even after allowing for the fact that part of this expenditure was written off against reserves created for the purpose in previous years, the charge to Revenue Account was very high.

RESERVES STRENGTHENED

The reserves of the Group have been further strengthened during the year by the addition to Contingencies Reserve of a sum of £15,000, and the capital and revenue reserves, including the amounts carried forward, now amount to the impressive total of £314,748, which is equivalent to about 8s. 9d. per £1 Ordinary Share of the Parent Company.

Since the end of the financial year the company has acquired the whole of the issued Share Capital of Aberford Holdings Limited, a company owning long leasehold properties consisting of shops and upper parts in first-class trading positions in Bristol and Exeter. These properties are let to well-known traders. The properties in question are valued at over £150,000, and are mortgaged for £105,000. The consideration for these Shares has been satisfied by the issue to the Vendors of 40,190 Ordinary Shares in the Capital of our Company at 23s. 6d. per Share.

The demand for our properties continues to be very satisfactory and, in the foreseeable future, it is unlikely that there will be any difficulty in keeping them fully let. Your directors therefore envisage a satisfactory and progressive future for the companies.

The report and accounts were adopted.

THE SCOTTISH LIFE ASSURANCE COMPANY, LIMITED

YEAR OF STEADY PROGRESS

In the absence through illness of Mr C. R. Munro, CA, Sir Thomas Clark, Bart, DL, presided at the Annual General Meeting of The Scottish Life Assurance Company, Limited, held in Edinburgh on March 27th.

In moving adoption of the report and accounts for the year ended December 31, 1956, the Chairman said:

NEW BUSINESS—SEVENTH SUCCESSIVE RECORD YEAR

This is the seventh successive occasion on which we can report that the new life assurance business is a record for the Company. Last year the net new business showed the substantial increase of 28 per cent and it is satisfactory that we have not only maintained the position but have shown a further small increase in 1956. It is interesting to note that our new business production has been doubled over the last five years and for the first time in the Company's history the net new business has exceeded £9 million. Included in this figure is group life business of £1,800,000, which is 32 per cent higher than the corresponding figure in 1955.

LIFE AND ANNUITY ACCOUNT

Our premium income continues to increase steadily and this year the increase is 16 per cent over 1955 compared with increases of 22 per cent and 15 per cent in the previous two years. 1956 has proved a favourable year for the investment of our funds and the gross rate of interest earned has risen to £5 13s. 11d. per cent compared with £5 12s. 8d. per cent in 1955. The corresponding net rates, after deduction of income-tax, are £4 19s. 11d. per cent and £4 16s. 11d. per cent respectively. Claims by death at 53 per cent of the expectation, although a little above the extremely low figure of 47 per cent last year, are again satisfactorily light. Once again the expense ratio has shown a small decrease.

BALANCE SHEET

From the distribution of our investments shown in the balance sheet it can be seen that the principal increase during 1956 has been in mortgages, to which I shall refer later. Increases have also occurred in debentures, which have been available on a very satisfactory yield basis and in ordinary shares, both of these increases reflecting a substantial participation in the provision of additional capital for industry. As has been mentioned before, our portfolio of ordinary shares includes a proportion of American and Canadian stocks.

The total market value of our investments is substantially in excess of the figure at which they stand in the Company's books.

PROTECTION AGAINST PREMATURE DEATH

The Life assurance "habits" of the United Kingdom population have changed considerably in the past half century. Fifty years ago only about one quarter of the new ordinary policies issued in the United Kingdom were endowment assurances, whereas at the present time about two-thirds are endowment assurances. It is important, however, to remember that protection against premature death is still a primary object of life assurance and in this connection I am able to report that, including group life assurance, very nearly half of our new business in 1956 was effected under policies payable on death only.

HOUSE PURCHASE SCHEME

As I have already mentioned, our Balance Sheet indicates that we have been very active during 1956 in mortgages, most of which are in connection with our House Purchase Scheme. The demand, indeed, for our mortgage facilities was so great that we found it necessary to limit the amount of our new money to be invested in this manner. At the same time we were well able to maintain our careful selection of borrowers and properties. These investments are all well secured and have the added attraction of introducing life assurance business to the Company. Although interest rates continued to rise during 1956, we have kept the rate of interest on these loans at 5½ per cent.

PURCHASED LIFE ANNUITIES

It has for long been appreciated that in the case of a purchased life annuity, part of each payment is in fact a return to the purchaser of a portion of the original capital, the remainder of the payment being interest on that capital. Under taxation practice as it was before the 1956 Finance Act, however, the whole of each annual payment was regarded as income and subjected to deduction of tax. This was clearly an injustice which has been remedied, with the result that each annual payment of a life annuity purchased by the annuitant is now split into a capital portion and an interest portion, and only the interest portion is treated as taxable income of the annuitant.

SELF-EMPLOYED PERSONS

A second major benefit effected by the 1956 Finance Act is the entirely new facility for the provision of pensions for self-employed persons—facilities which, moreover, are not restricted to self-employed persons but are open to employed persons for whom no superannuation arrangements exist. Subject to certain conditions, self-employed persons can now set aside premiums which are to be applied towards providing a pension. These premiums, within certain statutory limits, rank for relief not only from income tax but also from surtax. Furthermore, the premiums must be placed by the Company in a special fund, the interest income of which is relieved from tax—a considerable advantage which the policyholder could not obtain as an individual.

As is revealed in the Directors' report, circulated with the Annual Accounts, we have issued in 1956, 171 contracts under the provisions to which I have just referred, for premiums of about £50,000. These contracts were all issued on a non-profit basis. We can now also offer a with profits contract under which a bonus pension may be added to the basic pension, thus affording some degree of protection against the effects of inflation.

TAXATION OF LIFE ASSURANCE OFFICES

Other important changes introduced by the Finance Act relate to the basis of taxation of life assurance offices. The subject is one which involves considerable technical detail and I therefore propose to refer only to one change which we were particularly glad to see. Until last year, trustees, who established private pension funds to provide pensions for employees and which were approved under Section 379 of the Income Tax Act 1952, were allowed to have interest on the fund exempted from income tax. If, however, instead of investing the fund themselves the trustees reassured the fund with a life assurance company, the same privilege concerning relief from income tax did not apply to the interest collected by the life assurance company. The 1956 Finance Act has corrected this taxation defect and as a result we have been able to improve our terms both for new and already existing pension schemes of this type.

DIVIDEND

It is recommended that the final dividend for 1956 be 6s. per share, making with the interim of 4s. already paid, a total of 10s. per share—the same as in 1955.

The motion was duly adopted.

IONIAN BANK LIMITED

MR A. H. REID'S STATEMENT

The one hundred and eighteenth annual general meeting of Ionian Bank Limited will be held on April 16th at 25-31 Moorgate, London, E.C.2.

The following are extracts from the statement by the Chairman, Mr A. H. Reid, CBE, circulated with the report and accounts for the year ended December 31, 1956:

As you will see from the Directors' report, our Egyptian branches have been sequestrated and "Egyptianised," but we have succeeded in repatriating those of our staff who are of British and French nationality and who were dismissed by the Sequestrator and expelled. Next August would have seen the fiftieth anniversary of the opening of our Alexandria branch. In the half-century which has elapsed it is fair to say that the Ionian Bank has made a noteworthy contribution to the development of Egypt's economy. Over the years we have acquired a wide circle of friends in every branch of Egypt's economy, and the business that we have created has earned us good profits. I may add that last autumn our organisation in Egypt was giving employment to some 330 men and women, of whom the overwhelming majority were Egyptian subjects.

CHANGES IN ACCOUNTS

The exclusion of all figures relating to Egypt from our accounts for the year ended December 31, 1956, has resulted in important changes when the accounts are compared with those for the previous year, which included our Egyptian activities. It is hardly surprising that our total assets should have fallen from £16,695,546 to £13,457,616. This decrease is largely to be accounted for by a fall in loans, advances and other assets from £7,260,459 to £5,121,804, and in liabilities of customers for documentary credits, guarantees and other obligations from

£4,242,759 to £2,680,993. Similarly, deposits have fallen from £11,217,617 to £9,541,471.

On the other hand, although cash in hand and balances with foreign correspondents have fallen from £2,405,494 to £1,905,569, our holding of British Government Securities has increased from £1,471,500 to £1,879,959, which figure represents the lower of cost or market value.

PROGRESS IN GREECE

In Greece progress has on the whole been well maintained. Tobacco continued to be the most important export, but the second place, which had previously been held by currants and sultanas, was taken by raw cotton. There was also a substantial increase in exports of mineral ores. Imports were much greater than in the previous year. However, invisible receipts, especially emigrants' remittances and income from shipping, continued to increase, and these receipts combined with financial aid from America made it possible to meet the cost of the imports without drawing on foreign currency reserves.

The introduction of higher rates of interest for savings deposits, together with the growing feeling of confidence in the country's economy attracted a larger volume of funds to the banks. However, there was a narrow margin between the rates paid on deposits and lending rates, and most banks had some difficulty in covering their increased expenses. Our branches in Greece have again increased their volume of business, but for the reason given above their profits have been lower than in the previous year. Our two subsidiary companies had an active year.

POSITION IN CYPRUS

The unhappy situation in Cyprus persisted throughout the year, during the whole of which the island was in a state of emergency. Nevertheless, economic conditions were active, and in general trade and commerce had a good year, though inflationary conditions continue to prevail, and have manifested themselves in labour shortages and a constant rise in the cost of living. The grain harvest was well above the average, and prices realised were good. The carob and citrus crops, on the other hand, were lower in quantity, though they sold at higher prices than in 1955.

Meanwhile, military expenditure continued at a higher level, though there are indications that the peak has been reached, if it has not been passed.

On the other hand, the expenditure of the Government of Cyprus is unusually high, and last year it included nearly £3½ million attributable to increases directly connected with the emergency. Our own branches had an active year and realised good profits.

BANCA NAZIONALE DEL LAVORO

ROME, ITALY

CONDENSED STATEMENT OF CONDITION AS AT 31st DECEMBER, 1956

LIABILITIES	31st December, 1955 Lire	31st December, 1956 Lire
Capital	1,150,000,000	1,150,000,000
Ordinary reserve	5,300,000,000	7,420,000,000
	6,450,000,000	8,570,000,000
Staff individual retirement accounts	13,061,374,978	15,197,362,397
Deposit and Current Accounts	603,707,349,372	666,684,894,873
Cheques in circulation	19,277,639,982	22,429,216,407
Bills for collection	35,101,547,717	43,286,280,764
Guarantees, Acceptances and irrevocable or confirmed credits for a/c of customers	58,537,577,641	104,185,300,545
Sundry accounts	62,192,297,506	66,330,676,826
Unearned discount and other unearned income	3,683,196,448	3,547,276,616
Net profit	810,210,862	932,615,690
	802,821,194,506	931,163,624,118
Depositors of securities	211,280,328,854	260,675,704,215
Accounts guaranteeing special accounts	11,652,562	11,652,562
Bank's securities guaranteeing Staff Retirement Fund and Provident Fund	13,485,154,252	15,592,132,293
	1,027,598,330,174	1,207,443,113,188

ASSETS	31st December, 1955 Lire	31st December, 1956 Lire
Cash, Balances with Banks and Money at call	167,643,565,766	172,555,089,353
Investments—Govt. and Govt. guaranteed Securities and Treasury Bills	95,665,664,163	96,382,452,106
Other securities	7,602,701,167	11,992,756,424
Contango, Advances on Securities and Loans	282,468,938,911	320,758,205,440
Bills receivable	188,119,738,700	221,284,144,343
Sundry accounts	2,783,008,157	4,005,675,905
Premises, Furniture and Equipment	1	1
Customers' liability for guarantees, acceptances and irrevocable or confirmed credits	58,537,577,641	101,185,300,545
	802,821,194,506	931,163,624,118
Securities deposited by third parties	211,280,328,854	260,675,704,215
Special guaranteed accounts	11,652,562	11,652,562
Staff Retirement Fund and Provident Fund —Securities deposited by the Bank as guarantee	13,485,154,252	15,592,132,293
	1,027,598,330,174	1,207,443,113,188

PROGRESS OF BANCA NAZIONALE DEL LAVORO DURING 1956

DEPOSITS rose from Lit.603,707 million to Lit.666,685 million (£gs.380,962,800).
PROFIT rose from Lit.810 million to Lit.933 million (£gs.533,100).
RESERVES rose from Lit.5,300 million to Lit.7,420 million and, after approval of the balance sheet, to Lit.9,000 million (£gs.5,142,900).
STAFF RETIREMENT FUND & PROVIDENT FUND rose from Lit.13,061 million to Lit.15,197 million (£gs.8,684,000).
PREMISES, ETC. figure at a value of one Lira after Lit.787 million (£gs.449,700) had been written off during 1956. The real estate gave a rent of Lit.583 million (£gs.333,100). An amount of Lit.737 million (£gs.421,100) spent during the last year for the installation, reconstruction and organisation of the Bank's premises, and Branch Offices, was also written off.
PARTICIPATIONS, except for the Bank's share in the Autonomous Sections stand in the Balance Sheet at a value of one Lira after Lit.377 million (£gs.215,400) had been written off during 1956.
TAXES paid in 1956 amounted to Lit.3,613 million (£gs.2,064,500).
RECOVERIES in 1956 in respect of debts totally written off amounted to Lit.351 million (£gs.200,500).
THE TOTAL OF THE BALANCE SHEET, exclusive of the "Contra-Accounts", rose from Lit.802,821 million to Lit.931,164 million (£gs.532,093,700).

AUTONOMOUS SECTIONS

BANCA NAZIONALE DEL LAVORO operates also in various specific fields of activity through the intermediary of its following Autonomous Sections, the annual accounts of which are shown separately.
—Section for Mortgage Credit
—Section for Hotel and Tourist Credit
—Section for Credit to Medium-sized and Small Industries
—Section for Motion Picture Credit
—Section for Credit to Co-operatives
The importance of these Sections and of the intervention in the respective spheres of activity during 1956 will appear from the following:
TOTAL CAPITAL FUNDS OF THE SECTIONS rose from Lit.4,537 million to Lit.5,537 million (£gs.3,164,000).
TOTAL RESERVES of the Sections rose from Lit.1,667 million to Lit.2,076 million (£gs.1,186,300) after approval of the Balance Sheets as at 31st December, 1956.
ADVANCES AND LOANS (including half-yearly payments due) which on 31st December, 1955 amounted to Lit.67,863 million, reached a total of Lit.87,445 million (£gs.49,968,500) at the close of 1956.
PROFIT of the Sections rose from Lit.560 million to Lit.661 million (£gs.377,700).
THE TOTALS OF THE BALANCE SHEET OF THE SECTIONS, exclusive of the "Contra-Accounts", altogether rose from Lit.73,069 million to Lit.96,548 million (£gs.55,169,100).
COMBINED CAPITAL AND RESERVES OF BANCA NAZIONALE DEL LAVORO AND ITS AUTONOMOUS SECTIONS AFTER THE APPROVAL OF THE BALANCE SHEETS AS AT 31st DECEMBER, 1956, AMOUNT TO Lit.20,756,781,200 (£gs.11,861,000).

HARRODS LIMITED

ANOTHER RECORD YEAR

SIR RICHARD BURBIDGE ON THE CONTINUED PROGRESS

The sixty-seventh annual general meeting of Harrods Limited will be held on April 25th in London.

The following is an extract from the statement by the chairman and managing director, Sir Richard Burbidge, Bart, CBE, which has been circulated with the report and accounts:

The result of the trading for the year to January 31, 1957, has exceeded my most optimistic expectations. It has been a year of irregular and unconventional business. There is no need for me to remind you of the many adverse factors that affected us, the credit squeeze, the very cold spring and wet summer, the Suez crisis and petrol rationing.

The trading for the first half-year was frankly disappointing, except at Harrods. During the second half-year, on the other hand, all our stores increased their turnover and, strange to say, this was in part the result of the adverse factors just mentioned. The bad weather undoubtedly made more people spend their holidays at home, and this benefited our London Stores in particular. The very heavy pre-budget buying in October and November, 1955, made it difficult to maintain our trade in the corresponding months this year. On the other hand there was a certain amount of forward buying during the Suez crisis owing to the fear that prices would rise, while the general relief when actual operations ceased certainly had a beneficial effect on the trade during the Christmas and January Sale periods.

While I suppose I should not grumble if the final result is satisfactory, I must confess that these ups and downs in trade are very disturbing from a merchandise planning point of view. The frequent political and economic crises have caused many instances of forward buying (of necessities rather than luxury goods) due to lack of confidence in the possible supply position or the price level of commodities. Such purchases are made forward because the purchaser feels that if prices increase the goods will be out of reach. Whereas in the past most families had a favourable margin between income and expenditure, a margin that could cover increased prices, there is now an ever-growing number of people who have little or no margin at all. The main reason for this is the present penal rate of taxation which is gradually but surely sapping the self-confidence of the nation.

I realise that Government expenditure, like all other expenditure, has increased, but I feel that whereas the individual or the Company has at times to cut expenditure, because extra income is hard to obtain, Governments are under no such handicap. They raise taxation to cover their increased expenditure, and in addition in recent years have budgeted for large surpluses with the avowed intention of withdrawing spending power from the individual. I think the time has come when some relief must be given.

I am sure that without proper incentives we cannot achieve the production that is so necessary, and the greatest incentive of all would be for taxation to be reduced and more freedom allowed the individual to decide how earnings should be spent.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The Gross Profit on Trading increased by £818,182 (to the record figure of £9,035,621, an increase of nearly 10 per cent. While this was to a small extent due to the inclusion for the first time of profit from Rackhams in Birmingham, it was in the main due to increased trade which again broke all records. The total Gross Profit is £9,164,079 against £8,263,047 last year.

After deducting various expenses the profit before Taxation is £299,402 more than last year and amounts to £2,462,798. Nearly 60 per cent of this profit is absorbed by taxation which is £229,829 more than last year, this representing no less than three-quarters of the increased profit.

After various appropriations and allowing for the dividends of £575,000, there will remain a balance of £23,138 which will increase the total of Profit Carried Forward to £441,722.

Consolidated Balance Sheet: Total Reserves, including Future Income Tax, now amount to £6,799,902, a very substantial figure.

Total Assets have increased by £595,873 during the year, of which £193,831 is represented by Current Assets now amounting to £10,287,527, very nearly one-half of the total.

I am sure you will agree that the Accounts disclose a strong and satisfactory position and are evidence that we continue to make progress.

HARRODS AND SUBSIDIARIES

The backbone of the Group is still Harrods in Knightsbridge, where trading and profits have been exceptionally good.

Our other businesses in London, Dickins & Jones and D. H. Evans, have both surpassed their previous best, and have contributed to a larger extent to "Harrods'" profits. I am sure their success will continue.

Our other business in the South, Rockheys of Torquay, has enjoyed the best year since we purchased it, and we can look forward to a larger dividend contribution from it in the future.

Kendal Milne & Company, in Manchester, has not been so successful as our other stores, but they have been much more adversely affected by the prevailing conditions and also by certain alterations that have taken place. I am pleased to say their total trade during the second half-year increased, and I look forward with confidence to better results next year.

Our Sheffield Store, John Walshe, succeeded in achieving a record turnover, and will, I am sure, continue to improve.

Henderson's, in Liverpool, had a very satisfactory year, both as regards turnover, another record, and profit.

Birmingham: Negotiations have been continuing between our architects and the Corporation, and we hope to put our plans before the Council in the near future. I am more confident than ever that this development will enhance the centre of this great city and prove itself an important step forward in the fortunes of your company.

PROSPECTS

I cannot see any relief from the burden of growing expenses, so it becomes more and more necessary to increase our turnover. The re-development of Knightsbridge and particularly the erection of vast new office buildings will bring many more customers to the district, and this should help our main store.

Provided that general conditions do not deteriorate, I feel we may justifiably look forward to another satisfactory year.

HASTINGS AND THANET BUILDING SOCIETY

PROGRESS BASED ON GREAT STRENGTH

The Annual General Meeting was held at Ramsgate on March 28th, and in his review the Chairman, Mr Ernest Barber, LRIBA, said that the Report and Statement of Accounts for the year ended December 31, 1956, provided sure evidence that the Society had continued to develop on an eminently satisfactory basis. The credit squeeze and the Suez trouble had had an effect on business, but mankind through the ages had always been faced with crises, and it was the task of the board to plan for these ups and downs. Due to the steady loyalty and support of members, the results for last year were very creditable indeed, and would bear the most critical examination.

1956 started by business being buoyant. The Society could claim that during the year it had never ceased to accept applications for loans. It was well to remind critics that building societies were mutual-benefit institutions, not concerned with making profits. Investors sought a safe depository for savings at a rate of interest in keeping with market rates. The equally thrifty borrower, buying a house for occupation, generally had but a limited amount of money for the down-payment. He paid the lender, through the Society, a fair rate of interest, plus only a margin to cover administrative expenses and essential reserves. The rate of interest at which building societies could lend was clearly governed by the rate at which they could borrow, and the savings facilities offered by the Government were the most active competitor for funds.

During the year 1956, total assets increased by nearly £1½ million, and now exceeded £21 million; the surplus on the year enabled the Directors to maintain powerful reserve and surplus funds at over 5 per cent of total assets, which was looked upon as ideal. Over £2¼ million was in gilt-edged securities and at the Bank, the proportion to total funds being far in excess of the minimum recommended by the Building Societies Association. New savings in 1956 were a record, at £3¾ million, but because of higher withdrawals, advances at £3¼ million, mainly for the provision of homes, were less than in 1955.

A new branch had recently been opened at Kingston-upon-Thames, and others at Watford and Ilford would shortly be ready.

The Society welcomed into membership the members of the Orpington Building Society, the Brentwood Building Society, and the Amersham & District Permanent Building Society, a total of 1,000 investors and 400 borrowers, who would gain the extra benefits which a larger organisation provided.

The Society was ready to discuss with any well-constituted small or medium Society, schemes under which a union might be beneficial, and the Directors were confident that many opportunities for such talks would present themselves in the near future.

The Report and Accounts were adopted, the retiring Directors re-elected, and the Auditors re-appointed.

THE INVERESK PAPER COMPANY

UNSETTLED TRADING CONDITIONS

MR CHARLES SNELLING ON CAPITAL EXPENDITURE AND DEVELOPMENT

The thirty-fourth annual general meeting of The Inveresk Paper Company Limited was held on March 26th in London.

Mr Charles Snelling, CBE (chairman and managing director), presided, and, in the course of his speech, said:

I would first of all refer to the resignation from the Board of Mr Douglas Hamlyn owing to ill-health. He was associated with the Company for some twenty-seven years and was latterly Deputy Chairman. I am sure you will join with me in expressing our appreciation of the very great services he rendered to the Group and in wishing him improved health, so that he may enjoy the leisure he so fully deserves. Mr A. H. Bruce has been elected Deputy Chairman in his place.

A year ago I sounded a note of warning that owing to unfavourable trading conditions the profits of the Group for the year now under review would be adversely affected, and this warning was confirmed at the time of the interim dividend announcement last September. As stated at that time, the Group profits were materially affected owing to generally unsettled trading conditions during the last seven months of the financial year and the fact that there was no compensating increase in the selling price of paper during that period to offset the substantial rise in production costs.

When comparing the results with the previous financial year, there must be taken into account the fact that in the year to September, 1955, we were working a considerable amount of overtime, whereas for the last seven months of the financial year under review short-time working was in operation.

There seems little doubt that the unfavourable trading conditions to which I referred a year ago were greatly aggravated by the subsequent so-called credit squeeze whereby many of our customers experienced a rapid recession in trade. As a result, particularly during the latter part of the year, demand for paper products further declined.

In addition to suffering the effects of the limitations placed on credit facilities of Industry generally, we have also had steadily rising costs of production following the increase in coal and power prices in June, 1956. As it was not found possible to adjust paper prices to meet these increased costs, it will be appreciated that they had to be absorbed by the Mills, which have been obliged to operate at a much smaller margin of profit.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The Group's trading profits before taxation but after charging depreciation of £564,000 amounted to £3,149,000. Provision for taxation required £1,738,000—over 55 per cent of the profits—so that the net consolidated profits amounted to £1,411,000, a decrease of £608,000 compared with the previous year.

After including £87,000 past over-provision for taxation and deducting the proportion of profits applicable to outside shareholders, the net profit amounted to £1,441,000 of which £660,000 has been retained in the accounts of subsidiary companies and £374,000 in the accounts of the parent company, making a total of £1,034,000 added to the Group's reserves from the profits of the year.

Having regard to these retained profits of over a million pounds, your Directors feel justified in recommending the maintenance of the same dividend as last year by the payment of a final dividend of 6¼ per cent free of tax on the issued Ordinary Stock, making with the 1¾ per cent interim dividend already paid a total of 8¼ per cent free of tax for the year.

CAPITAL EXPENDITURE PROGRAMME

Group capital expenditure for the year amounted to £1,890,000 which means that over the last eleven years since the War we have spent nearly £9 million on capital expenditure and during the same period have written off by way of depreciation practically £4 million. Capital commitments outstanding at the close of the year totalled about £1,800,000 and further expenditure has since been undertaken.

A considerable proportion of this expenditure is in connection with the reconstruction being carried out at three of our Mills—namely, The Witchampton Paper Mills Limited, the Woodhall Paper Company Limited, and Harold Jackson Limited, involving a major reconstruction of the Witchampton machine and the installation of a new board machine at the Woodhall Company. We have also commenced the installation of a new steam boiler plant at The Carrongrove Paper Company.

In addition, we have continued our policy of modernising our Mills, new buildings and machinery having been built and installed with the object of producing first-class quality paper at the lowest possible cost.

This capital expenditure programme, in addition to the purchase of new undertakings, has so far been financed entirely out of our own resources and amply justifies our policy of re-investing part of our taxed profits in the business year by year. Whether or not we can continue to finance future capital expenditure out of our own resources will depend to a large extent upon future trading results. Although we had substantial cash balances and tax reserves certificates at the end of September last, we have since had to make heavy taxation payments amounting to approximately £1,600,000. In view of our outstanding capital expenditure and the necessity to provide additional working capital owing to ever-increasing costs, the amount remaining may well prove to be insufficient for the needs of our many companies.

OUTLOOK

I was hoping to be able to tell you the situation had improved sufficiently to allow us to resume normal working conditions, but although it has improved somewhat we are not yet back to full-time working at all our Mills.

It was only a few weeks ago we were able to get a slight increase in our selling prices, the first since January, 1956, but this was not nearly sufficient to cover our additional costs of production. The change-over from overtime to short-time working at our Mills has further increased our costs, our paper prices having been established on the basis of overtime working, i.e., in October, 1955, and in January, 1956.

For the first five months of the current financial year profits have been on a reduced scale and, as we are directly dependent on the prosperity of other industries, production will continue to be restricted until confidence is restored.

The immediate future, therefore, is difficult to assess, but your Directors feel that as and when the Suez crisis is resolved and stability returns, we can look forward to better trading conditions. In addition, as soon as full production is resumed the Group will have the benefit of the increased earning capacity resulting from the capital expenditure and development at our Mills.

As you will appreciate, the conditions of the past year have proved most difficult and have thrown a heavy burden on all concerned in the management and smooth running of a large Group such as ours. I am sure you will wish me to express our thanks to our Deputy Chairman, Managing Directors, Managers and all our Staff and Employees for their valued services to the Group during the year.

The report was adopted.

BORAX (HOLDINGS) LIMITED

RECORD SALES

MR D. ABEL SMITH'S STATEMENT

The fifty-ninth annual general meeting of Borax (Holdings) Limited was held on March 27th in London.

The Chairman, Mr D. Abel Smith, MC, said that this was the first annual statement since the company became a Holding Company. Trading profits were again the highest in the company's history, Group profits before taxation being £2,913,425, an increase of £549,479. Taxation at £1,042,639 showed a decrease of £208,207. The 1956 charge was 35.8 per cent of the profits before tax against 52.9 per cent in 1955. In 1956 United Kingdom taxes accounted for 20.8 per cent of the total taxes as against 57.4 per cent in 1955. Both the swing in the incidence of tax from the United Kingdom to overseas and the big reduction in the effective tax rate resulted from the reorganisation of the Group. Under the old organisation the company lost the benefit of the high depletion allowances granted to mining companies in the United States of America.

THE DIVIDEND

The recommended final dividend on Deferred Ordinary Stock was 6¼ per cent less tax. This was equivalent to a final payment of 19 per cent on the old Deferred Ordinary Capital of £3 million, making a total on the old capital of 25 per cent less tax compared with 23 per cent less tax for 1955. The policy of the Board was to retain profits while the large construction programme of the American subsidiary was in progress. After payment of proposed dividends a balance of £1,888,263 would remain.

The Chairman added that in the holding Company's balance sheet was the estimated liability for future UK income tax, only a small figure of £4,423, while there remained provisions for current taxation of £798,104 for UK taxes and £490,634 for overseas taxes. The greater part of the current tax provisions were for taxes arising on profits earned prior to the reorganisation and it was probable that a substantial portion would not be required. However, the Board considered it would not be wise to free these provisions until agreement was reached with HM Inspector of Taxes.

The considerable increase during the year in the fixed assets—£17,847,021—was due partly to the revaluation of mines and properties in the United States of America. These had always stood at the price originally paid, many a long time ago, often before mineral deposits were proved.

The major decision of the year had been to transform the company from an operating into a holding company, and this had involved the formation of two new operating companies. The new British subsidiary adopted the company's old name "Borax Consolidated Limited" which had a great deal of goodwill attached to it throughout world industry. The American operating company in which the company owned 74.25 per cent of the issued equity capital was the United States Borax and Chemical Corporation. On July 2nd the stockholders of the United States Potash Company, in which the company had a 31 per cent holding, voted in favour of a merger into the American operating company. It was a natural and happy union.

The Company had subsidiaries in the UK, the USA, France, Belgium, Spain, Turkey and had interests through some of them in several other countries both in Europe and South America.

SATISFACTORY RESULTS

In the UK, despite many difficulties, results on the whole were satisfactory. Sales reached a new high level but profit margins were appreciably lower. In the export markets, where Borax Consolidated Limited acted for the United States Borax and Chemical Corporation, there were record sales. In the USA itself production and sales of boron products were at the highest level in history. This, and the increased efficiency as a result of modernisation, helped offset the higher labour and material costs.

Practically every borax and boric acid plant was operated to capacity throughout the year under review. Therefore no increase in volume could be anticipated until the completion of new plant facilities expected in the latter part of the current year.

The research programme of the company's two new laboratories in the UK and the USA were naturally very closely integrated, and while the major effort would be concentrated on boron products time would be devoted to the development of new uses for potash as well as to entirely unexplored fields of research. Members perhaps had seen reports hinting at tremendous new outlets for boron. All the work in connection with such uses was secret, therefore the reports must of necessity be considered rather speculative.

The Chairman concluded that the long range outlook for the Group's business, with its many interests, was good and continued growth was to be anticipated.

The report and accounts were adopted.

UNITED SERDANG (SUMATRA) RUBBER

The forty-ninth annual general meeting of the United Serdang (Sumatra) Rubber Plantations, Limited, was held on March 27th in London.

Sir Eric Miller, Chairman, who presided, said in the course of his speech: The crop harvested by our eight rubber estates during the year under review was 13,327,249 lbs, 9 per cent more than that for the preceding year. The standard of upkeep and cultivation, particularly of the young and medium aged areas, shows a definite improvement.

All immature areas, including 312 acres replanted with rubber last year, show generally satisfactory development.

The average price realised for our rubber was about 8 per cent lower than the corresponding figure for 1954-1955. Production costs, on the other hand, continued their remorseless increase under the pressure of Indonesian inflation.

The rupiah profit of the group for the year was Rupiah 14,145,945.

The sterling profit and loss account, on a remittance basis, shows a disappointing picture, explained partly by the severe taxation and remittance restrictions operative in Indonesia, but also by the fact that the remittances received during the year were based mainly on the trading results for 1953-1954, a period of low rubber prices.

However, remittances received by instalments since August 31, 1956 on account of 1954-1955 profits now total £97,310, thus enabling the Directors to recommend the payment of a dividend of 6 per cent, less income tax, the same rate as for the two preceding years, which will leave £33,683 to be carried forward against £52,629 brought in.

The Board have given careful consideration to the financial requirements of the company under the conditions now prevailing in Indonesia and have come to the conclusion that a return of capital of 6d. in respect of each 2s. of stock would leave the company with adequate working capital.

By the enforced retention in Indonesia of local fiscal profits, less tax, local provision is now made automatically for replanting on a modest scale, leaving us free to reassess the company's sterling requirements in relation to the finance required for shipments of produce and for the Eastern staff and the general operations of the company.

The proposed return of capital requires £355,818, after which we will be left with around £250,000 of sterling working capital which is about right for an undertaking of this importance.

From what you read in the press you will appreciate that it is impossible for me to offer any worthwhile comments on the complex political changes which are in the making in Indonesia. Those of us who have played a part in the economic development of the archipelago during the past half century, and appreciate the potentialities of this important segment of South East Asia, remain hopeful that the present discontents will gradually give place to more viable conditions, thus enabling the peoples of these many attractive islands to work out a happy and prosperous future for themselves. Given the opportunity we will be only too glad to continue to co-operate constructively towards this objective, which is of great moment to the world at large.

The report and accounts and a special resolution for the proposed capital repayment were duly adopted.

CROWN ZELLERBACH CORPORATION

(Incorporated in the State of Nevada, United States of America)

MANUFACTURERS OF PULP, PAPER AND ALLIED PRODUCTS, LUMBER, PLYWOOD AND OTHER FOREST PRODUCTS

CONDENSED SUMMARY OF CONSOLIDATED RESULTS FOR YEAR ENDED DECEMBER 31

	1956	1955
Net sales	$462,350,000	$414,080,000
Net income (see footnote)	$50,048,000	$44,128,000
Dividends declared	$26,110,000	$25,676,000
Earnings retained in the business	$23,938,000	$18,452,000
Shares of common stock outstanding	13,799,000	13,773,000
Per share of common stock outstanding:		
Net income	$3.53	$3.11
Dividends declared:		
Crown Zellerbach Corporation	$1.80	$1.65
Gaylord Container Corporation	—	$1.80
Earnings retained in the business	$1.73	$1.34
Federal, state and other taxes (except social security taxes)	$41,739,000	$40,171,000
Additions to properties	$70,317,000	$39,697,000
Consolidated long term debt (excluding current portion)	$99,440,000	$55,777,000
Ratio of debt to total capitalization	21%	15%
Production of paper and paperboard—tons	1,660,000	1,589,000
Assets employed to maintain job for each employee	$19,991	$17,381
Number of share owners at end of year	29,907	28,615
Common share owners' book value per share	$24.34	$20.69

Net income for 1956 excludes $23,617,000 net gain on disposition of investment in Fibreboard Products Inc.

Residents in the British Isles, whose shares are not registered in their own names, and other interested parties may, on application, obtain copies of the Annual Report to December 31, 1956, from the London Transfer Agents, The British Empire Trust Company, Limited, 3, Lombard Street, London, E.C.3, and may have their names placed on the Mailing List for quarterly reports and other communications.

LEYLAND MOTORS LIMITED

BENEFITS OF A WELL-EQUIPPED ORGANISATION

The thirty-eighth Annual General Meeting of Leyland Motors Limited was held on March 27th at Leyland, Lancashire, Sir Henry Spurrier (Chairman and Managing Director) presiding.

The following is an extract from his circulated statement:

The past twelve months has proved a very trying period for the British Motor Industry generally. Leyland has encountered many difficulties also. It is undoubtedly due to our careful preparation and the intensive development of our export markets, pursued consistently since the end of the war, that the Group has been able to maintain a full Order Book, expand its production and continue to carry on with its budget plans to improve equipment. As a result, we now face the future with a considerable measure of confidence.

The crises brought about by political strains in the Near East and the closing of the Suez Canal presented us with new and serious problems. The Middle East has always been a market of great importance for our products, and whilst we believe that "Leyland" is still "persona grata" in all those countries, it will require a stable political settlement before we can trade freely once again on our old footing.

Competition, particularly from Europe, is becoming ever more intense throughout the world. I am satisfied, however, that we can still meet this challenge, on level terms, if we always keep in front of us, as our primary objective, the need to design and produce a range of vehicles and units which will match any others in performance, quality and value for money.

The establishment of such level terms is absolutely essential. If we are to enter into a European limited free trade area, which we believe to be the right road for this country, it must be recognised by everybody that we shall then have to face intensified competition. To maintain our high living standard, provided by the privileges of the Welfare State, we must be put into a position to combat this competition by being allowed effective financial facilities for re-equipment, and we shall all have to work at least as efficiently and as long as our Continental competitors.

We realise that the Government has serious economic problems to contend with, and on that account no useful purpose would be served by being over-critical of taxation policy. Nevertheless, we know of numerous examples on the Continent where factory developments, particularly those concerned with export, are being allowed to be written off completely within a few years—in some cases within two or three years. Such a policy must be common to all. There is no way round it, other than to match it on level terms.

SCAMMELL LORRIES LTD.

We have experienced a full year's working with this, our newest member. Our expectations have been fully realised in every way, and the partnership is working happily.

BRITISH UNITED TRACTION LTD.

British Railways, during the year, commenced, in earnest, to put into service numbers of multiple diesel engined trains equipped with BUT auto motive units.

British United Traction Limited (BUT) is a Company owned jointly by AEC and Leyland, whose diesel engines, transmissions and other mechanical equipment are developed and sold specially to meet the particular needs of rail traction. The majority of British Railways' new orders for stock of this character have, to date, specified BUT equipment.

After reviewing the activities of the Group's overseas interests, the statement continued:

ACCOUNTS

The turnover has increased substantially during the financial year under review, enabling a record profit to be made. However, profit margins have been reduced in comparison with the previous year.

The net Group profit is £2,327,796 (£1,826,372) after providing for depreciation and taxation. It reflects the increased turnover, and includes, for the first time, a full year's profit of Scammell Lorries Limited.

Income Tax and Profits Tax together absorbed £2,469,026 (£1,957,316).

The rate of dividend on the Ordinary Stock which we recommend for your approval is 2s. 6d. (2s. 6d.) per stock unit, less tax, and absorbs net £712,471 (£534,353).

I am glad to be able to tell you that business has been proceeding very satisfactorily since the end of the financial year, and that a happy atmosphere between management, staff and men has existed in the Group organisation throughout the year.

The report and accounts were adopted.

BANCA COMMERCIALE ITALIANA

HEAD OFFICE — MILAN

London Representative Office: 21, Birchin Lane, E.C.3

BALANCE SHEET AS AT DECEMBER 31, 1956

LIABILITIES			ASSETS		
Capital Stock.....	L.	2,450,000,000	Cash on Hand.....	L.	27,485,526,327
Surplus.....	,,	2,650,000,000	At Central Bank.....	,,	73,119,968,375
Undivided Profits..	,,	980,160	Government Securities and Securities guaranteed by the State.....	,,	85,516,114,711
Net Profits 1956 ...	,,	883,687,337	Bonds and Shares.....	,,	945,648,674
	L.	5,984,667,497	Participations in Affiliated Foreign Banks.....	,,	154,646,925
Deposits.....	,,	664,966,790,224	Participation in Banca di Credito Finanziario	,,	1,188,220,000
Cheques Outstanding.....	,,	26,035,079,355	Advances and Current Accounts....	,,	339,780,330,835
Liability on Acceptances.....	,,	8,356,019,243	Bills Discounted	,,	187,067,336,734
Liability on Confirmed Credits	,,	39,046,922,718	Contango Loans.....	,,	9,426,141,198
Liability on Guarantees and Endorsements	,,	91,717,635,518	Customers' Liability for Acceptances	,,	8,356,019,243
Bills for Collection.....	,,	20,770,470,293	Customers' Liability for Confirmed Credits	,,	39,046,922,718
Unearned Discount, Interest, etc.....	,,	1,816,248,533	Customers' Liability for Guarantees and Endorsements	,,	91,717,635,518
Profits Brought Forward.....	,,	2,451,816	Bank Buildings and Other Real Estate	,,	160,337,000
	L.	858,696,285,197	Furniture and Fixtures	,,	1
				L.	863,964,848,259
Other Assets	,,	5,268,563,062			
Depositors of Securities	,,	363,385,696,178	Securities on Deposit.....	,,	363,385,696,178
	L.	1,227,350,544,437		L.	1,227,350,544,437

APPOINTMENTS

THE UNIVERSITY OF MANCHESTER

RESEARCH STUDENTSHIPS AND RESEARCH GRANTS IN ECONOMIC AND SOCIAL STUDIES

Applications are invited for the above studentships and grants, tenable for one year in the first instance, and renewable for a further period not exceeding two years. The studentships are normally of the value of £350 or £400 per annum. They are offered to candidates who have obtained the degree of Bachelor or Master in this or any other approved University.—Applications should be sent not later than July 1, 1957, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

UNIVERSITY OF ST. ANDREWS

QUEEN'S COLLEGE, DUNDEE
LECTURESHIP IN STATISTICS

Applications are invited for the post of Lecturer in Statistics (specialising in economic and social statistics) in Queen's College, Dundee. Candidates should normally possess an Honours Degree in Statistics or in Mathematics. The present salary scale is £650 x £50 to £1,350, with efficiency bar at £1,000; but the scale is under review, and placing will be on the newly revised scale according to qualifications and experience. F.S.S.U. and Family Allowance benefits; a grant towards removal expenses may be made. Eight copies of the application, which should contain the names of three referees, should be lodged with the undernoted not later than April 30, 1957.

PATRICK CUMMING,
Joint Clerk to the University Court.

March, 1957.

GRADUATE TRAINEES required for production and commercial departments of large lamp manufacturing concern with headquarters in London. Features of responsibility available after period of general training for industrial career. Economics Graduate preferred for commercial vacancy. *Interested applicants* should write, giving full details of qualifications, experience, etc., and stating *preference for production* or commercial side to Box 661.

A *Chemical Manufacturing Company*, already one of the world's leading concerns in its specialised field and still expanding, is seeking a

FINANCIAL CONTROLLER

The location is the North Midlands, with a London office. The man appointed will be required to advise the Chairman and Directors on Financial and Commercial matters at the highest level. If he has experience of the Chemical or a related industry so much the better, but this is not absolutely essential. He will certainly be a person of adequate educational background and acceptable personality, probably a University graduate. He must be able to represent the Company in Industrial or commercial negotiations often involving large sums. He may be an Accountant or possibly a Banker with commercial experience. He will have charge of the Company's Accounting and related departments and must be able to work amicably with technical colleagues. He must be willing to travel at home or abroad when necessary. The successful applicant will be in a position to influence the Company's policy very substantially, and he will find his employers ready to reward successful effort.

The Company has in mind a man in the age-range 40-45, already earning £4,000 a year or more. There is a discretionary bonus.

Applications, which will receive the personal attention of the Chairman and will be treated in the strictest confidence, should be addressed to Box 666.

THE National Coal Board wish to appoint Statisticians on the staffs of their Area Headquarters, to be responsible for the collection, processing analysis and interpretation of management statistics. Duties will include control and co-ordination of returns and maintenance of an Area library of routine information.

A good degree in statistics or in Economics or Mathematics with statistics is required; exceptionally, candidates holding a recognised statistical qualification (e.g. the Certificate of the Royal Statistical Society) would be considered. Experience of statistical work in industry is desirable. Candidates should have the capacity for working in close co-operation with officials in other departments.

The posts will be administrative Grade 5/6. The salary scales are: Grade 5, £940 x £30—£1,200 (male), or £853 x £30—£1,113 (female). Grade 6, £780 x £25—£965 (male), or £704 x £20—£793 x £25—£878 (female). The starting salary will depend upon qualifications and experience. The posts are superannuable.

Apply, giving full personal particulars, to National Coal Board, Staff Department, Hobart House, London, S.W.1, marking envelope DIV. 656, before April 17, 1957.

THE ROYAL INSTITUTE OF BRITISH ARCHITECTS will shortly appoint an additional Assistant Secretary for economic and statistical research, the collation and interpretation of data affecting the profession and the building industry, and as an adviser on statistical considerations involved in surveys by questionnaire.

A degree in statistics, or economics with statistics, is essential. Previous experience of the building industry or social or market research is desirable.

Age limits 28-35. Salary £1,250-£50-£2,000 per annum.

Further information and application forms from the Secretary, R.I.B.A., 66 Portland Place, London, W.1.

Closing date for applications, April 12, 1957.

MARKET RESEARCH. Experienced field supervisor, resident London, interested in temporary work (3/3 months).—Write, giving details of experience, Box 670.

BRITISH CARIBBEAN FEDERATION

Applications are invited for the following posts on the *Establishment* of the Federal Government of the West Indies:

(a) *Senior Economist*, salary $10,800 per annum;
(b) *Economist*, salary $8,880 per annum;
(c) *Two Research Assistants*, Economic, salary on the scale of $4,080 x 240 to $5,520;
(d) Two Research Assistants, Statistics, salary on the scale of $4,080 x 240 to $5,520.

Rate of exchange $4.80 to pound sterling.

Posts will eventually be pensionable on the Federal *Establishment* and arrangements would be made to preserve existing pension rights of serving Government officers by secondment. Selected candidates would be required to serve in Trinidad when headquarters are established there and initially, and at any stage, in any of the West Indian Islands. Free passages provided on first appointment and termination for officer and family up to five persons in all. Leave at the rate of 45 days a year. Leave passages up to three adult passages after four of two and a half years.

Senior Economist would be required immediately on assumption to initiate and direct programme of preparatory work of collating data and of economic assessment of the Federal area in order that interim Government and, by April, 1958, Federal Government can be presented with studies and base plan on which economic planning can be formulated. He will be attached to the Federal Economic Planning Unit and will work in collaboration with the Federal Statistician. The post must be accepted on the understanding that it may later be decided to appoint another Economist of equal or higher rank or salary.

Qualifications required are an honours or research degree in economics with at least five years' experience in the field of applied economics, i.e., in economic planning organisation or Department of Finance or trade and production or comparable experience elsewhere in economic research investigation, or survey of practical nature. Practical knowledge of economic problems of under-developed territories desirable, also ability to apply theoretical knowledge to their solution. Administrative experience essential and capacity to set up and run economic planning organisation as a department of the Federal government.

Economist will work under the direction of the Senior Economist in carrying out the above duties. Honour or research degree in economics required with at least two years' experience similar to that required for Senior Economist.

Research Assistant will work under the direction of the Senior Economist and Federal Statistician, respectively, on normal duty of these appointments. A degree in economics required preferably with some postgraduate experience as Research Assistant in economics or statistics.

Applications, giving age and particulars of qualifications and experience, together with names of two personal referees, should be submitted before April 12, 1957, to Federal Establishment Officer, Pre-Federal Secretariat, Bridgetown, Barbados, from whom further particulars may be obtained. One copy of application to Director of Recruitment, Colonial Office, Great Smith Street, S.W.1, quoting BCD 123/500/02.

A large-scale concern, directed from the North Midlands with production in locations dispersed over the whole country, seeks the services of a highly qualified and experienced industrialist who can prove in practice his ability to achieve top level responsibility. The immediate vacancy will require qualifications and experience in Company Secretarial matters, in Financial and Cost Accounting, in general Commercial activities, and in Administration as applied to an undertaking with many subsidiary and branch concerns. Looking ahead, the appointment will depend to some extent on proven ability to guide the Board on financial and other major policy issues; it will carry the possibility of a seat on the Board in due course. Ideally, a man between 40 and 48 years of age with the necessary background is sought. Remuneration will be commensurate with the responsibilities involved. The Company's executives will be encouraged to apply without prejudice. Invitations are invited, giving full details of age, qualifications and experience, to be addressed to J. H., c/o Messrs R. Anderson & Co., Ltd., 14 William IV Street, Strand W.C.2.

AN EXCEPTIONAL OPPORTUNITY occurs in a large group, with Head Offices in Manchester, for a man of character, with a good education and some industrial background in a junior or intermediate executive capacity, to train quickly for a higher management post. To a suitable applicant two years' intensive training will be offered at a commencing salary of £2,500 per annum, followed by either the offer of an exacting executive appointment at substantially more salary or a definite indication of non-compliance with anticipated standard. Applicants should reply (in confidence), stating precisely what they have done so far, not what they could do, given the appropriate opportunity. Personal selling of personality not interesting. Only facts will be assessed.—Box 653.

GENERAL MANAGER.—A building and contracting organisation, with headquarters in London, invites applications for the post of General Manager. *Applicants should be men* between 35 and 50 with sound technical qualifications and extensive experience of industrial and domestic building, contracting and jobbing work, and have held a top level executive post for not less than 3 years.

Commencing salary £5,000 per annum plus profit sharing. It is intended that the selected candidate will be appointed to the Board after one year, and opportunities for rapid and substantial increase of salary are excellent.

Please write, giving brief details of qualifications and experience, in strict confidence, to Assistant Director (H23) 14, Welbeck Street, London, W.1.

A vacancy exists on the staff of a London Public Company for a man aged about 25 years to carry out research and development in the flexible packaging industry. Applicants should have technical qualifications and experience in marketing and market research. Salary according to qualifications, but not less than £1,000 per annum.—Write, giving age and technical qualifications and full details of experience, to Box "Y.D." c/o J. W. Vickers & Co., Ltd., 7-8 Great Winchester Street, E.C.2.

UNIVERSITY OF EDINBURGH

DEPARTMENT OF POLITICAL ECONOMY

Applications are invited for the post of Lecturer in Economics in the Department of Political Economy. Salary Scale (presently under review), £700 x £50 to £900; Bar: £950 x £50 to £1,350 per annum, with placement according to qualifications and experience, and with superannuation benefit and family allowance where applicable. The successful candidate will be expected to take up duty on October 1, 1957.

Further particulars may be obtained from the undersigned, with whom applications, giving the names of two referees, should be lodged not later than April 30, 1957.

CHARLES H. STEWART,
Secretary to the University.

March, 1957.

FEDERATION OF RHODESIA AND NYASALAND

VACANCY: ECONOMIST,
DEPARTMENT OF THE FEDERAL PRIME MINISTER AND CABINET OFFICE.

Applications are invited from candidates, under 45, with a good Honours Degree in Economics and who have had experience in an economic advisory capacity, or in lecturing in Economics, for the post of ECONOMIST in the Economic Section of the Department of the Prime Minister and Cabinet Office, Salisbury. The post is permanent and pensionable.

Salary £2,150 per annum. (Fixed.)

Duties of the Section include advice to the Government on economic questions, development planning and the preparation of memoranda on these and other allied topics. The successful applicant will work as Deputy to the Chief Economist, who is head of the Section.

Applications, in duplicate, giving details of nationality, age, marital status, qualifications, experience, date available, together with the names and addresses of two referees, should reach the Secretary(R), Rhodesia House, 429 Strand, London, W.C.2, by April 26th.

MINISTRY OF LABOUR AND NATIONAL SERVICE: TRAINING OFFICER (TRAINING WITHIN INDUSTRY). The Civil Service Commissioners *invite applications* for at least 3 pensionable posts.

Age at least 31 on January 1, 1957.

Candidates must have had practical experience of supervision and management, preferably including experience as Education and Training Officer. They must also have completed a T.W.I. (Institute) course of training as T.W.I. Trainer, and have up-to-date experience in the presentation of training programmes to supervisory staff.

London salary scale (men), £1,055-£1,225. Women's scale at present £967-£1,129, but is being increased each year until equality with men's scale is reached by 1961. Somewhat lower pay outside London.

Promotion prospects. Five-day week.

Particulars and application form from Secretary, Civil Service Commission, 6 Burlington Gardens, London, W.1, quoting No. 4681/57/7. Completed application forms should be returned by April 17, 1957.

TARIFF SPECIALIST. A very well-known and expanding Company, with Head Office and chief manufacturing unit in the provinces, invites applications for an important appointment in its Market Research Section. The position is an exacting and responsible one requiring sound judgment and high intellectual ability. Duties will be connected entirely with tariffs and related problems affecting the Company's activities and interests, and will extend over a wide range of products and markets. Essential qualifications are a good-class University Degree in Economics or Commerce, preferably with International Trade as a special subject, and at least 2 years' experience as a Tariff specialist in industry or a trade association. Applications, which will be regarded as strictly confidential, should set out full personal history.—Box 668.

DIRECTOR OF COMPANIES.

Shortly relinquishing position with companies in South Africa. Age 39 years. Thorough knowledge of Production Control. Sales Promotion. Budget and Commercial Control.

Holds executive position in companies dealing with Packaging, Engineering (general and motor), Chemical Products. Seeks senior position with company in Southern Africa or other part of Commonwealth.—Write Box E 574, c/o 191 Gresham House, E.C.2.

EXPORT Manager, British, early forties, multi-lingual, world travelled, top level experience all aspects export, with excellent contacts abroad and capable of rapidly developing new markets and extending present outlets for branded consumer goods, seeks interview with manufacturers or trade group with view to permanent appointment.—Box 669.

WORK STUDY.—Next six-weeks' full-time course starts April 23rd. Details of this and eight others, including part-time, evening and correspondence, from The School of Time and Motion Study, 29 Cork Street, Piccadilly, London, W.1.

IF all the bottles of Duff Gordon's El Cid Sherry I drunk last year were laid end to end across the Atlantic Ocean, they'd sink. What a dreadful waste that would be. Let's not try it.

FOR SALE.—*Economist* 1948 through 1955, lacking 6 issues. In Easibinders. What offers?—Box 663.

EXPERT POSTAL TUITION

for Examinations—University Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus—and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2),

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4.

ANNUAL AIR SUBSCRIPTION RATES

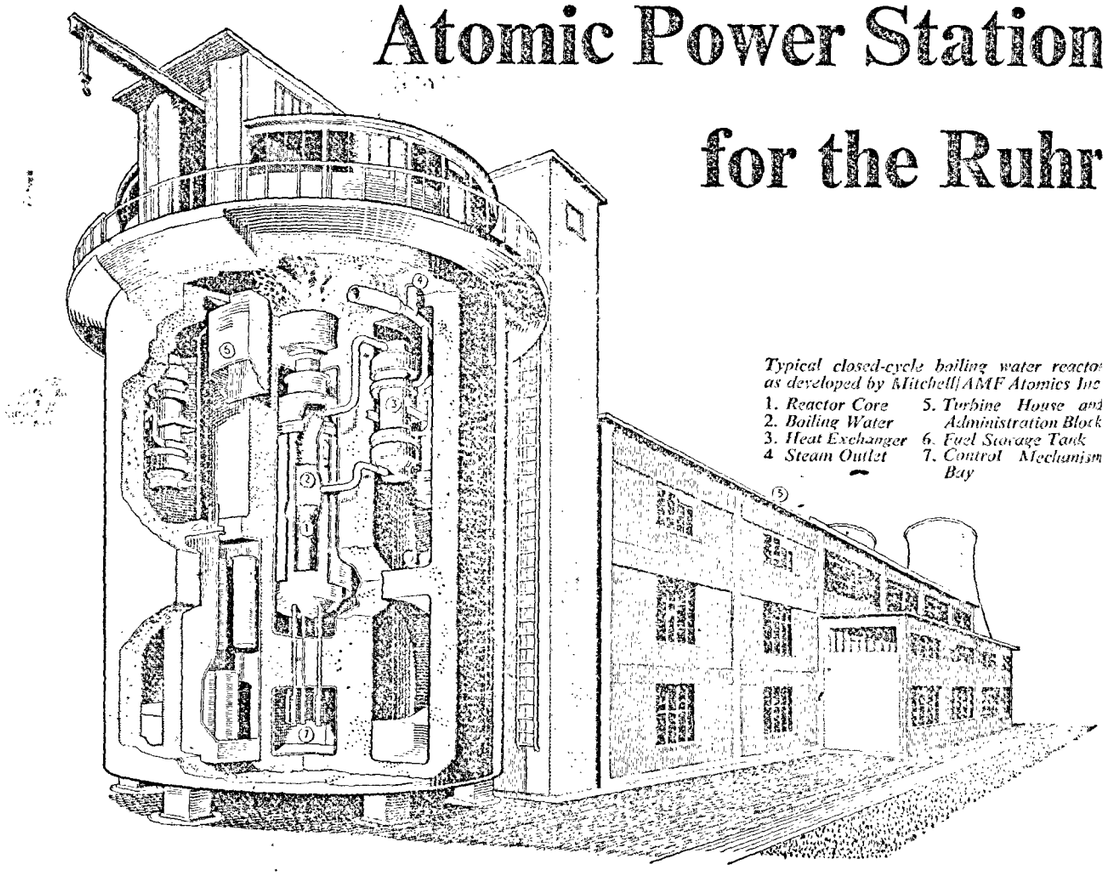
Subscriptions to most countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is either because the alternative is not available or not recommended.

	Airmail	Air Freight		Airmail	Air Freight		Airmail	Air Freight
Australia	£8 5s. sterlg.	—	India & Ceylon	£7 15s.	£6	Pakistan ...	£7 15s.	£6
Canada	—	$21.50 or £7 14s.	Iran	£6	—	Rhodesia (N. & S.)	£7 15s.	£5 10s.
East Africa	£7 15s.	£5 5s.	Iraq	£6	—	S. Africa ...	£7 15s.	£5 10s.
Egypt.....	£6 0s.	£5 5s.	Israel	£6	—	S. America .	£7 15s	—
Europe (except Poland)	£4 15s.	—	Japan	£9	—	Sudan	£6	£5 10s.
Gibraltar, Malta.	£3 15s.	—	Malaya	£7 15s.	£6 15s.	U.S.A.	—	$21.50 or £7 14s.
Hongkong	—	£7	New Zealand..	£9 sterlg.	—	W. Indies ..	£7 15s.	—
			Nigeria, Ghana	£7 15s.	£5 5s.			

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2. *Boiling Water*
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5. *Turbine House and Administration Block*
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A Budget to Get Richer?

Mr Thorneycroft should look next Tuesday to the course of production as well as to the safeguarding of the pound

Survey of Disinflation

The account of last year's mixture of success and failure set out in the *Economic Survey* is low-pitched and neutral—and markedly reticent about Britain's longer-term progress

The Dog it was that Died

Mr Macmillan could be strengthened by Lord Salisbury's resignation

Cyprus After the Storm

Concessions will have to be made in Athens, Ankara and Nicosia, as well as in London

Israel Alone

Mr Ben-Gurion's dilemma after the withdrawal from Gaza and Sinai

Slashing Defence

A first glance at the long-delayed Government White Paper

State of the President

Is Mr Eisenhower failing to provide the leadership America expects?

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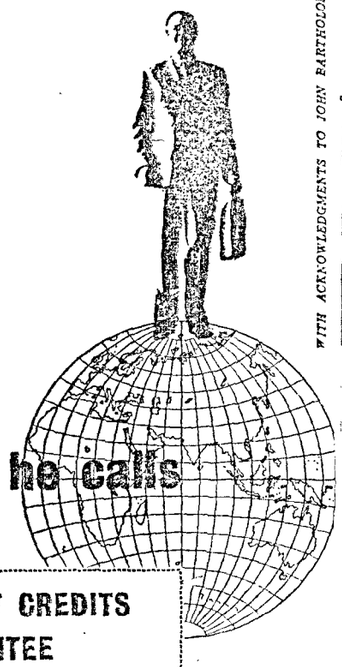
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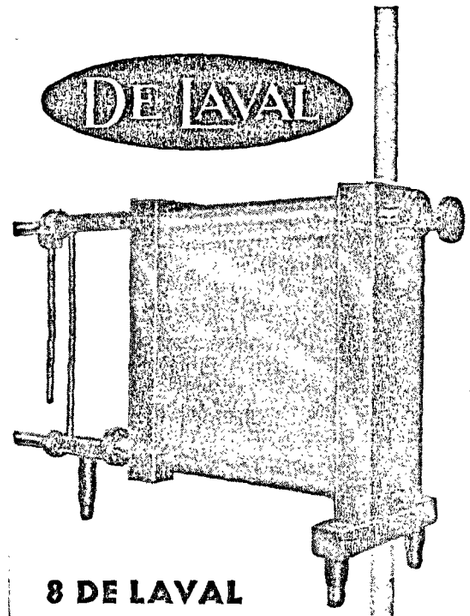
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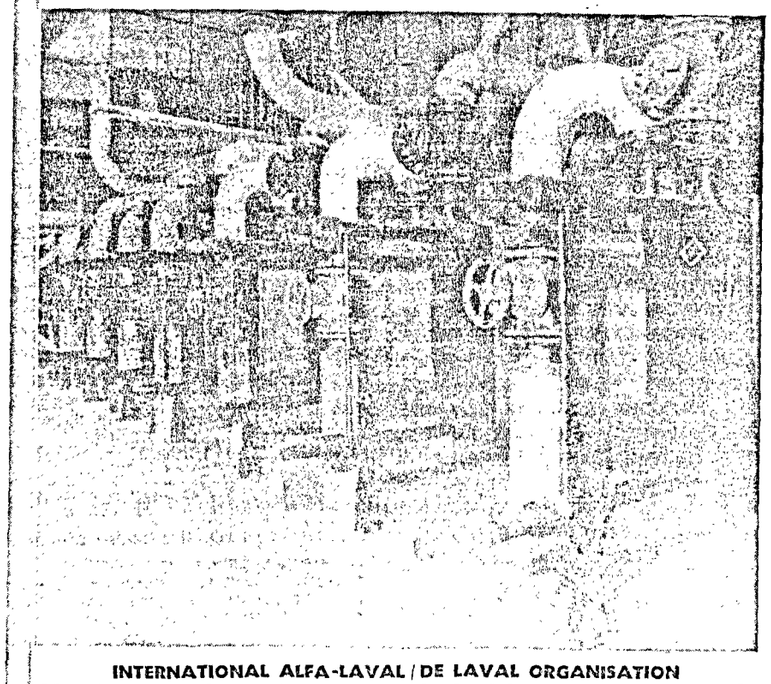
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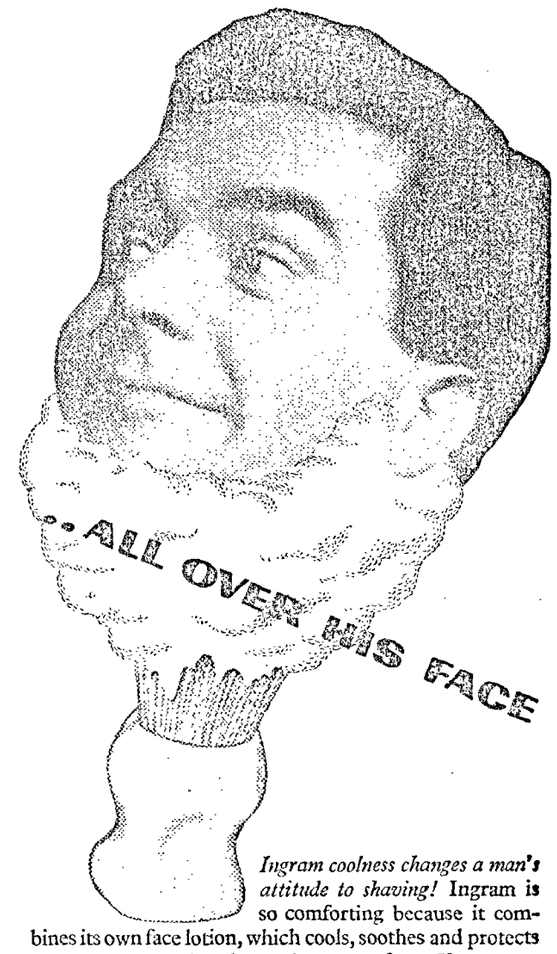
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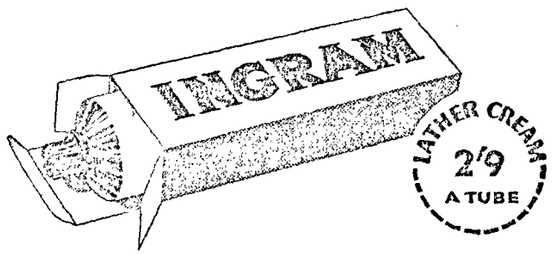
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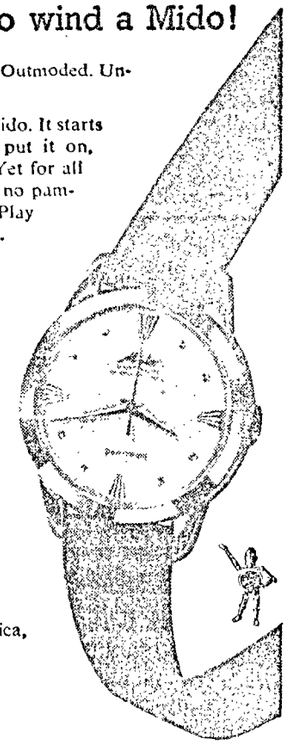
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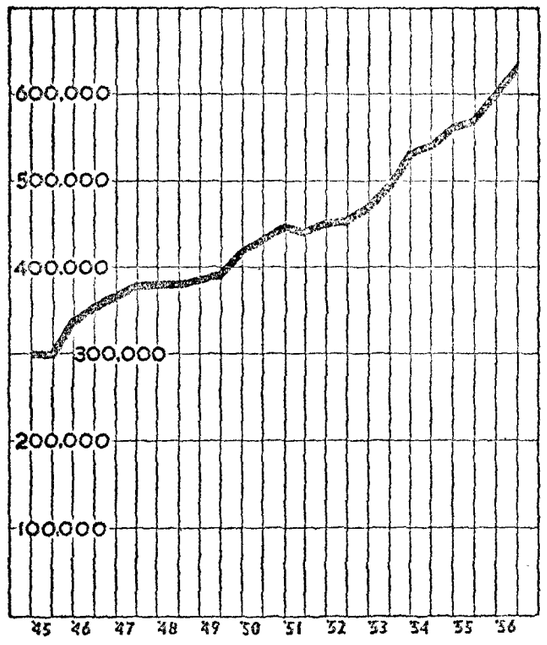
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Readership

1956 Hulton Survey 1,880,000
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Class of Readers

1956 Hulton Survey AB 53% C 29%
1956 I.P.A. Survey AB 52% C1 23%

Age of Readers

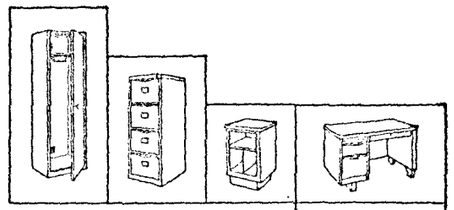
1956 Hulton Survey Under 44 years 54%
1956 I.P.A. Survey „ „ „ 55%

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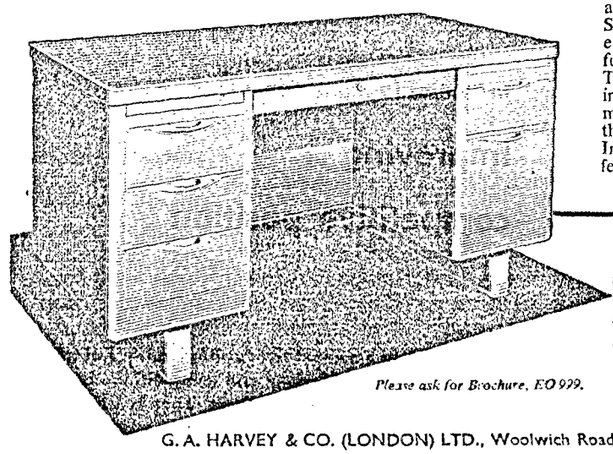
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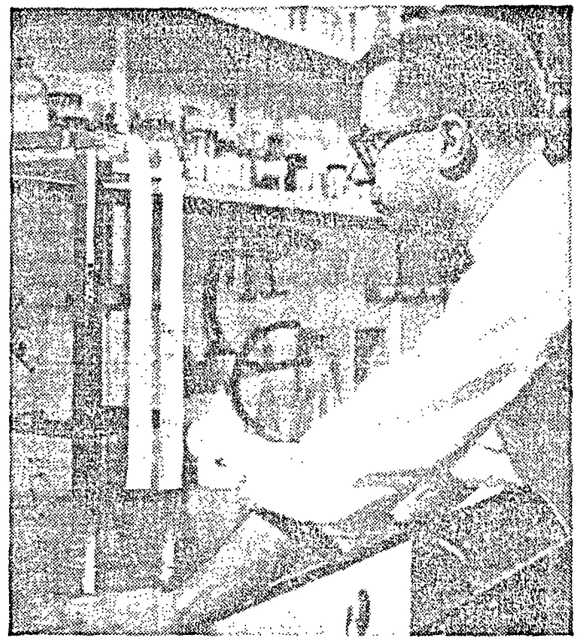
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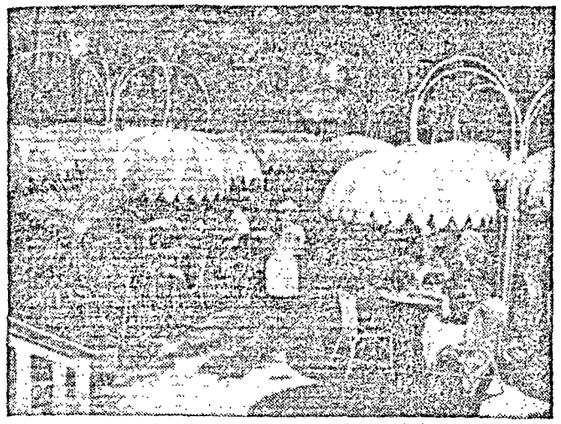
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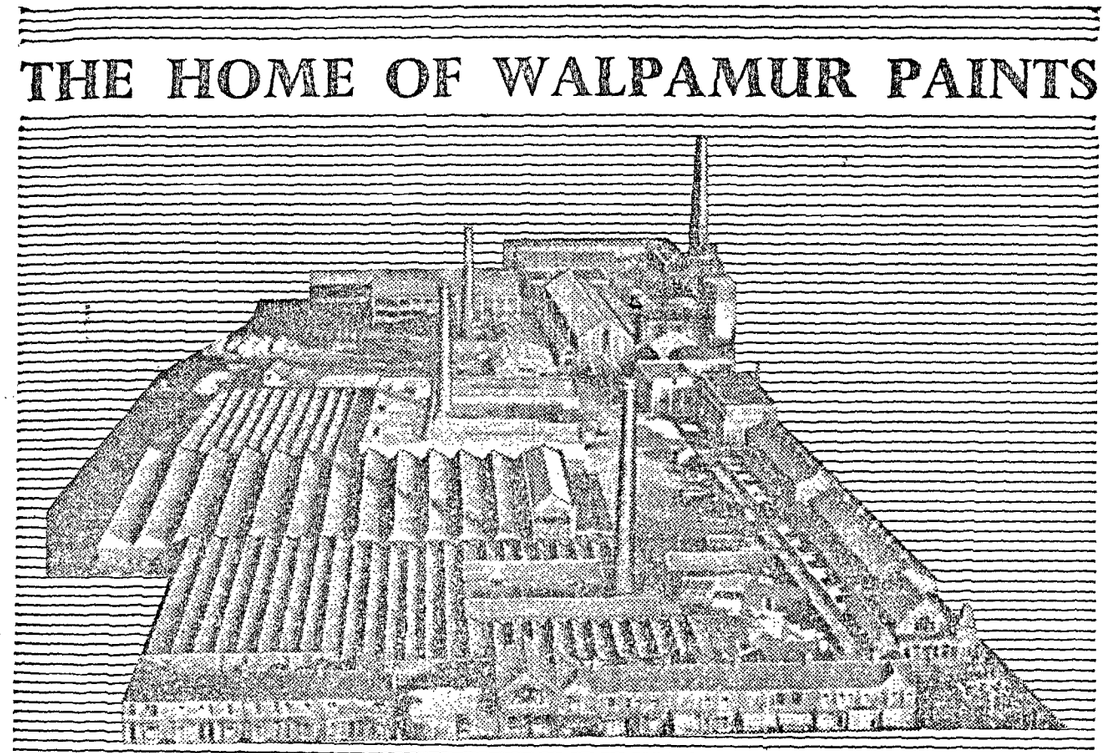
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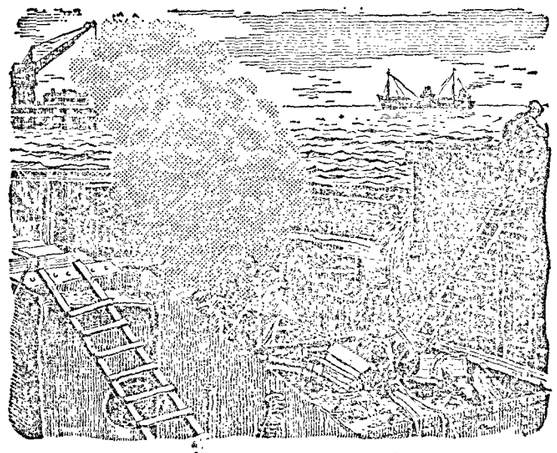
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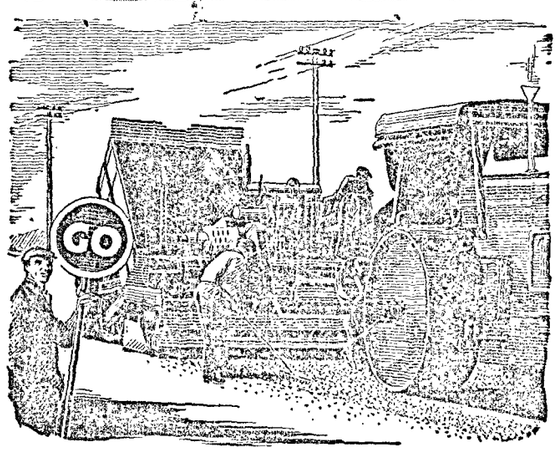
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The Economist

APRIL 6, 1957

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The Dog it was that Died

THE lapse of a week has put into perspective the view that the resignation of Lord Salisbury might be the last straw that would break the Government's back. The immediate issue of policy for Cyprus is examined in a later article. But, politically, the important point is that, forced to choose between releasing Archbishop Makarios and retaining Lord Salisbury, Mr Macmillan kept the policy and let the peer go. Nothing could more clinchingly disprove that he has been Lenny the Lion to Lord Salisbury's ventriloquy.

The real danger is not that the Government's back will be broken by Lord Salisbury's departure, on top of the other discontents in the Conservative party. It is rather that its backbone may bend under all the party pressures. Whatever the polite and political evasions when he took over from Sir Anthony Eden, Mr Macmillan's task then was to face the facts of the world today—diplomatic and economic—instead of flying in their face. There can be arguments about his Government's grasp of the task. The most topically relevant, apart from Cyprus, are two: one concerns the possibility of combining adequate defence with the radical economies described on another page, an issue that may possibly split Ministerial opinion, though not Conservative politics, more than Cyprus does ; the other, the Budget, is the theme of the following article.

The policy of facing the facts always had to run the gauntlet of those Conservatives who, living in the past, are unwilling to participate in the liquidation of old imperial positions. No doubt Lord Salisbury's retreat to his tent may, for all his own loyalty to the Government, powerfully stiffen, if only catalytically, these kickers against the pricks. No doubt, with the polls, the by-elections and the strikes or the buying-off of strikes singing dirges in his ears, the Prime Minister will be strongly tempted to stand askew again to the facts. And no doubt Mr Thorneycroft is being regarded by the imperialists and the non-imperialists alike in the Conservative party as the god from the machine who will pour all the desired oil on the troubled middle-class waters.

But it is imperative that the Prime Minister, and both his Foreign Secretary and his Chancellor of the Exchequer, should recognise that, for both nation and party, the need for a coherent policy must come first. The last straw in Lord Salisbury's resignation was not the Government's but his own ; nettled at the lack of urgency attached by his colleagues to his Lords reform and still reluctant to swallow the actual diminution of British power abroad, he strained at a gnat in Cyprus. So, too, in next week's budget the need is not for sops but for calculated incentives that will make the most of the country's productive and export capacity, while preserving the value of the pound, at home and abroad.

These are hard words for party politicians. It is the measure of Mr Macmillan's unused capital that we can still expect to be able to say that, despite the abrupt withdrawal of his noblest patron, "the man recovered of the bite."

A Budget to Get Richer?

The Chancellor will be wise to keep his eye next Tuesday on the dangers of letting production lag, as well as on the dangers of letting sterling slip

LET the Government be very clear about the tide in economic policy which it needs to catch this year. The desirable thing is that the country should start getting richer again; the necessary thing is that it should not get so much more spendthrift in the process that it falls into another early sterling crisis. This balance between production and the pound—between the need to allow internal demand to be high enough to encourage maximum production, but to keep it low enough to consolidate Britain's present external surplus—was expected to be the theme of the Government's annual Economic Survey, published this week. The impression that most people have drawn from the survey is that the Chancellor's emphasis is likely to be on the side of caution; it would accord with at least some passages in it if Mr Thorneycroft kept back a considerable part of the more than £100 million that is being saved on defence, and gave no significant tax reliefs next Tuesday. But closer study of this unusually ambivalent document suggests that, in fact, when the survey was written Mr Thorneycroft still stood amid a central controversy unresolved.

THE nature of the controversy is revealed by the survey itself. "The economic policy followed during 1956," its authors declare,

> was one of disinflation, designed to encourage exports, check imports and stabilise prices. It was also the Government's desire to place the main burden of restraint on consumption rather than investment.

In the event, exports did, in fact, rise by some £250 million in real terms; the balance of payments improved by more than £300 million, to a surplus of £233 million in 1956; and consumption (aided by a considerable, but not necessarily permanent, rise in savings) rose by only about ½ per cent, while fixed industrial investment rose by 5 per cent. Despite the fact that retail prices rose by about 5 per cent (owing almost entirely to an increase of 8 per cent in annual earnings per employee, while output per man year fell), the authors of the survey are justified in claiming that, within the terms of reference they have set down, "on the whole this policy was successful."

But the Government made one other assumption when the policy of disinflation was launched. "We shall, of course," said the then Economic Secretary to the Treasury in the budget debate on April 23, 1956, "achieve an appreciable increase in production this year. The fact that investment has risen . . . is itself an indication of that." Now the survey says that "between 1955 and 1956 the gross domestic product rose by just over one per cent, the smallest increase since 1952." Moreover the increase, which is put at £240 million in real terms, was a very peculiar one: most of it "appears to have come from increased output by the distributive and service trades"—presumably this means that more shopworkers and transport workers spent more time handling the same volume of goods—and "from higher agricultural output" (which, since it came in the most subsidised sector of the economy and with a flush of surplus milk and eggs, was not the sort of output most required). Industrial production, to which the Economic Secretary was primarily referring last year, "did not expand at all."

The reason for this failure to expand is, of course, that industrial production does not spring fully primed from newly installed plant: demand has to increase sufficiently to ensure that the new plant is used. In 1956, the Government deliberately held down domestic demand, in order to secure a diversion of effort to exports. This was undoubtedly the right policy. But the survey's assumption that there are no unpleasant lessons to be learned from the length of the restraint on output is really a little too complaisant.

SUCH, then, is the official story of the successes—and of the one most apparent failure, apart, of course, from the alarming costs inflation—of internal economic policy in 1956. The immediate questions for 1957 are obvious. Does the Government consider that redeployment of resources has now gone far enough for expansion to be resumed, once the oil shortage is over? If it considers that it has, then is the volume of demand necessary to bring about that expansion already innate in the economic prospect for 1957, or could it be Mr Thorneycroft's duty and pleasure to stimulate it by tax reliefs. Those were the questions for which the country was leaning forward to get some answer when the survey was published this week. The survey does not answer them.

There is, for example, no estimate in it of the amount by which production could expand in 1957 if capacity were fully used, even though the general tone of the comment about under-utilisation of capacity confirms that there is quite a lot. More surprisingly, there is no mention in the survey of the expected trend in 1957 of personal consumption, stockbuilding or government current expenditure, though the silence about the last-named may well have been explained by the delay in publication of the defence white paper. About investment the survey does forecast that

> investment by private industry is likely to remain this year at about its present high level, and investment in the basic services of fuel, power and transport (including new road building) is expected to increase.

But nothing is said about the possibility of a diminution towards the year's end, or whether this switch in emphasis from the private back to the public sector is really considered desirable. The only source of prospective demand that is given any detailed study is that for exports. After a discussion of the course of the boom in different overseas countries, the survey forecasts that export markets "as a whole will continue to expand, although not at the same rate as in 1956."

This could be taken to mean that exports must be expected to rise by less than £250 million in 1957. If that were true, then—as the capacity for production increases is certainly greater than £250 million in 1957—the way might well be open for a reflationary budget. But it is here, on page 37 of the survey, that the Government's more cautious and its more ambitious natures fight a fascinating battle across the printed word. One suspects that this page must have gone through many drafts and many editings.

The voice of caution begins with the very necessary reminder that Britain needs a large visible surplus in its balance of payments this year in order to "meet all its overseas commitments," to "strengthen our position as an international banker," to start building up the reserves after their recent "temporary reverse" as a result of the Suez crisis, and to repay by 1959 the $561 million recently drawn from the IMF. "This means that even if the terms of trade should improve slightly, exports must be increased more rapidly than in recent years," and "further, that a considerable proportion of the additional output will need to be exported" (this is the first reference to the prospect that additional output might be secured). The survey believes that "there should be no lack of markets for these goods, but competition from the other main manufacturing countries will be keen"; the conclusion that might be drawn is that British industry must not be enticed from confronting this competition by the pull of buoyant home demand, but the innocuous conclusion actually set down is that "exporters will need drive and determination."

The voice of ambition then takes up the refrain. It is granted that "we will have to earn more in order to pay for the increased imports which will be needed when the expansion of production is resumed," and that "our prospects, therefore, depend mainly on our success in the expansion of exports." But

> the very heavy investment of the last two or three years has improved our industrial efficiency and expanded our capacity. . . . Thus our equipment for a further export drive has been considerably strengthened. With good prospects for world trade, and with a record of rising exports, the external conditions for a successful year are already present.

The stage is now set for some conclusion. It is reached, with magnificent neutrality, in the last two sentences of the survey. "Internally," declares the voice of ambition in the penultimate sentence, "high savings and all possible restraint in Government expenditure should create a situation favourable to the export effort and help us to avoid any undue increase in the level of imports when expansion is resumed." One can see how easily that phrase could serve as a text for a reflationary budget next week. But the voice of caution still has the last word. "We can look forward," it declares in the very next sentence, "to further progress in industrial investment and with it further improvements in the living standards of the whole community only when the balance of payments has been placed on a really secure footing."

IT is clear where this leaves the outside commentator; it leaves him in the dark. But the controversy which is reflected, albeit neutrally, in the survey is one on which the outsider should obviously state a view. It will be too silly if the disagreement is simply regarded as one between stern economists and give-away politicians. The difference between the two views, as they emerge between the lines of the survey, is not large: probably, in terms of next week's budget, no more than a restored investment allowance, a weather eye to the production index, and a very few tens of million pounds of tax reliefs are involved. The smallest balance of payments surplus with which we can get away in 1957, if we are to consolidate the reserves and prepare to repay the IMF, is probably at least as large as the surplus we secured in 1956; this means that exports must still rise this year by enough to make up for the loss of oil earnings and to pay for the increased imports which a policy of mild internal re-expansion might invite. But what the apostle of mild expansion would be willing to risk—and here the difference of emphasis appears—in order to expand internal demand and production, is the last few million pounds of money that the apostle of caution thinks must be kept for extra rebuilding of the reserves or for increasing overseas investment.

The difference of emphasis, in fact, concerns something much more far-reaching than the narrow margins of this year's budget calculations. It concerns the attitude one takes to Britain's future as a "developing," not a "developed," country. At this stage of the new scientific revolution there is the strongest case for saying that the most profitable outlets for investment are in those countries, like our own, which have the facilities and the skilled labour resources to handle the very complicated mechanisms of the new age. To say that Britain should be a developing country now does not, of course, mean that it can plan to run a perennial current external deficit, although some fortunate

developing countries, such as Canada, can. But there is room for anxiety—at any rate more anxiety than the survey expresses—when we find ourselves forced, because of the external reckoning, to keep our potential production so lengthily and unremittingly down.

IT is on this reckoning of the need to keep Britain itself a developing country that Mr Thorneycroft can reasonably be urged to yield to a few temptations in making tax reliefs next week. Which reliefs should these be ? The important thing is to go on encouraging private investment ; on balance the case for restoration of the investment allowances is strong. It would have been strong even if the defence economies announced on Thursday (and discussed in a note on page 20) had been only of the expected order of £30 or £40 million, instead of over £100 million, compared with last year's spending. The fact that the projected defence cuts are larger than expected raises the question whether Mr Thorneycroft should not go further. Perhaps two things need to be said here. If the Chancellor is in an expansionist mood, the best general relief would be to raise the earned income allowance from two-ninths to one quarter ; that would cost up to £90 million in a full year, and would be preferable to a straight cut in income tax rates. If Mr Thorneycroft does not feel he can do this, then he should, at the very least, make a vow to keep a close watch on the production index as the year progresses. The best relief later in the year, if output does not rise and external payments continue in satisfactory surplus, would be a relaxation of the hire purchase restrictions, perhaps just at about the time that the first restrictive impact of the Rents Bill on spending power is felt.

The other tax reliefs that should certainly be considered in the budget—apart from any which were balanced by new imposts elsewhere—should be those which, because they would cost only a few tens of millions of pounds, are worth implementing in their own right. There are three fields to plough over here. One is the field of middle-class reliefs ; the wisest courses here would be to let people with incomes above £2,025 a year go on receiving earned income relief on a graduated scale and to increase the income tax allowance for children kept in full-time education after the age of fifteen, as was suggested in *The Economist* three weeks ago. The second field is that of company taxation : there are a lot of remaining "technical" recommendations of the Royal Commission which are certainly due for implementation. The third field is the promised review of the entertainments tax. The case for relieving sport and the living theatre should surely now be granted ; and there is an argument for giving a fair part of their duty back to the cinemas—perhaps balancing this by a special impost on, say, television licensing fees and other new sorts of amusement.

It would not be surprising, in view of the tone of the Economic Survey, if reliefs in these three fields of middle-class taxation, amendments in company tax, and entertainments duty—without either restoration of the investment allowances or a raising of the earned income allowance—made up the whole budget. If Mr Thorneycroft feels that he cannot make either of these general reliefs in the allowances, however, he ought to consider one other possibility : that of making room for at least one general relief by economies or new imposts elsewhere. Among possible economies in Government expenditure, there is strong pressure for trying to secure some new system for enforcing economy in lending to nationalised industries. Among possible tax imposts to balance some reliefs, there is a case for extending purchase tax to some things that now escape them, such as sweets and confectionery ; and now that the Rents Bill is on the way to the statute book, house owners could well be made to pay more on Schedule A.

There, then, is a ragbag of devices to choose from. The recipe should be expansion with security. A budget which kept within the limits suggested here, even if Mr Thorneycroft seized the opportunity of announcing the coming demise of the special petrol tax, would not set the Thames on fire. But it would not set the pound on fire either. And that, at the moment, together with the earliest possible end to marking-time in production, is the political and economic aim, which is by far the most important.

The Economist

APRIL 4, 1857

COBDEN AND BRIGHT DEFEATED

THE most striking features of the elections, as far as personal considerations go, are the return of Lord John Russell for the City of London, and the rejection of Mr Cobden, Mr Bright, and Mr Gibson for Huddersfield and Manchester. So far as Lord John Russell is concerned, no one will be surprised, and the great majority of men, whatever their political views may be, will rejoice at the result. . . . But whatever may have been the claims of Lord John Russell upon the constituency of London, it is impossible to say that, looking only to special services of the past, the claims which Mr Bright and Mr Gibson had upon the constituency of Manchester, and which Mr Cobden might well ask from that of Huddersfield, were not at least equally great. . . . While, however, we confess to sincere gratification in the defeat of Mr Bright and Mr Cobden, because we think it was a lesson which they wanted much and which they had distinctly brought upon themselves, our joy would be turned into sorrow if we had the least idea that they would be absent from the new Parliament. They have made for themselves so eminent and useful a position there, that any House of Commons would be felt to be incomplete without them. But we have no such fear. They have many followers of little note and use, who, doubtless, will be only too happy to give place to them. Crotchetty and extreme as they often are, mistaken and short-sighted as we often think them, they can be ill spared from the Great Council of the nation.

Cyprus After the Storm

During Archbishop Makarios's exile, some illusions about Britain's position in the eastern Mediterranean have been blown away by the Middle Eastern storm

THE Government acted sensibly in deciding to set Archbishop Makarios free without haggling over the exact terms of his release. Whether it is enough to set the Cypriot log-jam moving remains to be seen. What is certain is that too many intransigent things have been said to allow any quick and easy settlement ; too many extreme attitudes have been struck to leave any step open that treads on nobody's toes. The Government has somehow to avoid giving the impression that its caution is indecision and its realism weakness.

Mr Lennox-Boyd's statement last week struck this balance as far as it went. The Greek Government and the Greek Cypriots have been mollified ; Athens sent its ambassador, recalled when the Archbishop was deported, straight back to London. The Turks were not provoked into an angry reply. But present Turkish moderation is more diplomatic than real ; unless the British Government moves resolutely forward, the Turks will be encouraged to think that there is a vacuum in British policy which they can rush in to fill. And since he became a free man, the Archbishop has given an unfortunate demonstration that if given an inch, he will do his best to take an ell. He gained his release without taking the unconditional stand against terrorism for which he had been asked ; he straightway asserted that he would not negotiate until he was allowed to return to Cyprus, and would not negotiate with the Turkish Cypriots. This is altogether unreasonable. If his attitude stems from a belief that the Government is on the run, he should be promptly disabused.

In fact, all those concerned—in Athens, Ankara, London and Nicosia—need to make up their minds that a settlement requires concessions from all. If the present unhappy condition of the island is to be ended without resort to further conflict or to partition—itself the counsel of despair—both the Greeks and the Turks must revise their present attitudes. The Greeks must abandon the ostrich-like behaviour which Athens radio has always been so fond of attributing to the British, and drop the pretence that Turkey's reasonable interest in the future of Cyprus can be left out of account and the matter settled between the British and the Cypriots alone. The quite arbitrary and indefensible Greek interpretation of the United Nations Assembly's recent resolution on Cyprus (that it calls exclusively for bilateral negotiations between Britain and the Cypriots) is a product of this attitude.

The Turks, too, if they keep their toes dug in on their present uncompromising stand, might wreck any settlement acceptable to the great majority of Cypriots. But in the process they would give far greater substance to the fears of a possibly neutral, even hostile, Greece which they use to justify their present attitude ; and Nato's defence planning in the eastern Mediterranean would be permanently disabled. Turkey can legitimately ask that in any Cyprus settlement the defence of its vital southern ports, as well as the civic rights of Turks in Cyprus, should be thoroughly safeguarded ; but it has no right to impose a veto on any arrangement that it does not like.

A FURTHER important contribution will be needed from the British Government. Almost certainly it will have to promise the Cypriots that so many years after they have started working the Radcliffe constitution, or an agreed version of it, they will be allowed to choose the future international status of the island—which might not then be necessarily union with Greece. Successive British governments have managed to erect so great a barrier of mistrust between themselves and the Cypriots that it is unlikely that anything less than a promise, with some date, will do.

The Government may find it easier to give such a firm pledge when it has thought out afresh how indispensable the Cyprus base—so called—really is to Britain. The limitations of the island as a military base were clearly demonstrated by the Port Said expedition. It lacks the facilities essential for a full-scale base—which, indeed, it was never designed to be. It was meant to be a military headquarters and communications centre for the Middle East. When the British army left Egypt, it left behind a huge depot under civilian maintenance ; and under the terms of the Anglo-Egyptian treaty of 1954, Cyprus would have been the brain-centre from which the reactivation of the Suez base would have been directed. But the Suez Canal depot and all that it contained has become one of the major (but singularly unsung) casualties of the Suez adventure ; and the Cyprus headquarters is a head that has lost its body.

Thus Cyprus has no important part to play in a war against Russia. Nato's interest in the island arises out

of the fact that the tension created by the dispute has disrupted its plans for joint defence of the eastern Mediterranean. Is it still true—as Mr Lennox-Boyd asserted in December—that "our strategic position in Cyprus remains vital for the performance of our defence obligations in the Middle East"? In two countries, Egypt and Jordan, these specifically British commitments have been pruned away. Those that still exist under the Baghdad Pact and the Anglo-Iraqi treaty belong more to the kind of commitment against the danger of communist aggression that cannot be fulfilled from Cyprus. There remain the various treaties with the sheikhdoms along the Persian Gulf under which, as protecting power, Britain is pledged to defend each of them—principally from the ambitions of its Arab neighbours, and nowadays particularly against Saudi Arabia. These old commitments were carried lightly so long as Britain was the unchallenged paramount power in the region; oil, and the growth of a nationalist threat, may make them at once more important and more burdensome than they have been. They can be conveniently and cheaply met by reinforcing the Persian Gulf at need by air from a Cyprus that remains under British sovereignty. But other arrangements to move the relatively small bodies of men required would not be impossible. Convenience can be bought at too high a price.

It can be strongly argued that if any case remains for British insistence on retaining sovereignty over Cyprus, it rests on the danger of Greco-Turkish conflict. This has become the heart of the matter, and Mr Lennox-Boyd was right to stress the importance of settling what he called the "international status" of the island. If the Greek and Turkish governments could be induced, with Nato's good offices, to take part in discussion on the future of the island, the negotiations with the islanders on the Radcliffe constitution would be greatly eased. In those negotiations the Governor's reserve powers are likely to be the chief bone of contention; and the Cypriots are much more likely to accept these as reasonable if convinced that the Radcliffe constitution is only a half-way house.

Nevertheless, it would surely be unwise to delay talks with the Cypriots (including, as the Colonial Secretary has freely acknowledged, Archbishop Makarios) until Nato has carried out its diplomatic "exercise"—if it ever does. If the Greek government's demand for direct British-Cypriot talks were met, it would be much more difficult for it to refuse to sit round a table with the British, the Turks and the Nato-appointed conciliators. And if the Government invites delegations of Greek and Turkish Cypriots to come to London at once to discuss the Radcliffe constitution, it will not be easy for Archbishop Makarios to hold back—especially as the great majority of Cypriots are weary of the disturbed and restricted existence of the past two years.

In the circumstances, it would be tragic if the Government now failed to make the most of its opportunities—opportunities for which (though its past mistakes are great) it can claim some immediate credit. If it is to reach its objective it will have to make up its mind to move forward on more than one front at once. The three aspects of the Cyprus problem—its strategic importance to Britain, its connection with Greece and Turkey, and its internal progress towards self-government—are all too intimately connected to be dealt with apart. In the twelve months of Archbishop Makarios's exile, some stubborn illusions about Britain's power and Britain's needs in the eastern Mediterranean have been blown away by the Middle Eastern storm: among them, the idea that the British interest can be served by delaying a settlement. It cannot; the next phase of negotiation should seek a conclusion.

Israel Alone

What comes after the unconditional Israeli withdrawal from Egypt? The Israelis, isolated in the world and compelled to rely on their own strength, might feel forced to go to war again. But could another invasion bring them any nearer to real security?

The speed of Egypt's return to Gaza confirmed the fears of Israeli cynics who judged the withdrawal a profitless act of faith. Decisive military victory has been traded in for "hopes and expectations" of goodwill; a war has been won, but not a peace. In Gaza, only a thin Unef shield separates an Egyptian administrator in general's clothing from an Israeli army at the ready. On the Gulf of Aqaba, crossed fingers and a company of Finns keep the Egyptians from their vantage point at Sharm el-Sheikh. The renewal on a serious scale of fedayeen raids and of the blocking of the gulf to Israeli shipping are as yet only fears for the future. But positions and opportunities are not substantially different from what they were in October. What is the state of Israel after the flash of victory and the grudged retreat?

The Sinai adventure and the four months' bargaining that followed have shown up more acutely than before

both the strength and the weakness of Israel's position. Israel is surrounded by countries that have not ceased to proclaim their hostile intentions; no country in the world is vitally interested in helping Israel, though at present Israel is stronger than its neighbours. The predicament is overlaid by shadings of goodwill, by private overtures of friendship and the sense of moral obligation of other countries. But these do not add up to much in the immediate balance sheet. Israel's actions are determined by the knowledge that it is in danger, alone, and strong; and, since October, this isolation has been emphasised time and again by the show of hands at the United Nations.

Israel is inevitably a loser in the present state of the cold war. Unlike its Arab neighbours with their oil wells, pipelines and sites for foreign bases, and in spite of its strategic situation on the Mediterranean and Indian Ocean systems, Israel has not been regarded as a prize in the manoeuvres of the great powers. Although the United States gives Israel money and private sympathy in plenty, it withholds political support. For the hard fact is that Israel is an obstacle in the way of America's fighting mission against communism. Outspoken support for Israel might nullify President Eisenhower's chosen policy of competing with Russia for Arab friendship. No doubt Israel's wellbeing troubles the American conscience, but it takes a bad second place in the tactics of the cold war. While America and Russia play their wary musical chairs for the Arab states, Israel cannot hope for much change of attitude from either.

Only feeble friendship is offered Israel from other countries. The one exception is France, which (with its own pressing interests in the Near Eastern and North African region to serve) has not tried to sheer away from Israel in the last few months, and is still relied upon for arms and at least economic help in a future, perhaps early, emergency. The British government, with its eyes on oil and on the few Arabs with whom it is still on nodding acquaintance, is too intent on the long climb back to Arab (and American) goodwill to risk more than a passing wave for Israel. Some Scandinavian and Latin American countries are friendly but cautious. A few Asian and African nations indulge in secretive friendship: Burma and Ethiopia, for instance, are believed to have privately declared some support for Israel. But all this adds up to very little.

Israel has recognised that for the present its only sure weapon is its own strength. The question is how this strength should be employed; Israel has to decide whether to sit tight or whether to break out again. The lessons of the Sinai campaign can be used to support either policy. On the one hand, a successful war has brought Israel no nearer to the peace settlement which it so much needs. On the other, it has shown that military victory is not difficult and that the rest of the Arab states will be in no hurry to come to Egypt's assistance. But perhaps the most important effect of the war on the Israelis is that it has made them less patient. It is because of this that a policy of keeping behind the armistice lines, and waiting for the opportunity to come to terms with the Arabs by peaceful means, would be politically feasible only if Egypt and the other Arab states were to desist from belligerent acts against Israel. But should the raids or the sea blockade start again (the blockade by land has never been interrupted), Israel's confidence in its own military vigour, combined with its disillusion over the likelihood of other countries exerting any serious pressure on its tormentors, is not likely to support an attitude of restraint and endurance. The strength of Mr Ben-Gurion's position today is remarkable, considering the widespread anger and scepticism over the unconditional withdrawal. It is personal triumph; no other leader could have weathered the political blast. If the Arab states now provoke Israel, patience will be very much more difficult. Nor, judged by the warning remarks he has made over the last few weeks, would Mr Ben-Gurion be patient.

The most obvious issue is the passage of the Gulf of Aqaba. Mr Ben-Gurion has made it plain that any attempt to interfere with Israeli shipping in the gulf would be answered by force. The trade outlet to the south and east has become a symbol of the economic independence which in the past was made impossible by the Arab blockade and boycott. Trouble from Gaza would not be so obvious a *casus belli*: Egyptian raids across the border would not threaten the same economic stranglehold as the molestation of shipping, and they could be met with equivalent counter-action, though such raids could always serve as an occasion for war.

A third test will be Israel's right to send ships through the Suez Canal. This, for several reasons, is in a different category from the Aqaba or Gaza tests. It is not a local issue, since other powers have the same interests as Israel. It is a less bitter controversy, since the right was not won in the campaign and therefore has not been affected one way or the other by the retreat, vital though the right remains. The Israeli government, voluble in its warnings about Aqaba and Gaza, has been guarded about its intentions if an Israeli test ship is barred from the canal. But it seems a reasonable assumption that other countries, no more disposed than before to risk their own interests for Israel, will gladly pass the decision to the International Court, whose verdict may have no more effect on Egyptian conduct than the Security Council resolution did.

Finally, always in the background, there are Cairo radio and its echoes constantly promising to annihilate Israel in the Arabs' own good time; there is the boycott, which extends beyond the refusal of the Arabs themselves to trade with Israel to the black-listing of foreign firms which do business in Israel; and there is the constant threat of an arms race. For Israel there are two ways to keep even with its neighbours in the competi-

ion for arms; the first is to try and get arms from outside; the second is to take them from the Arabs. To the blockade and the boycott, which add greatly to the difficulties of an already precarious economy, Israel has no answer.

If the Israeli army invades Egypt again, it may have either of two objectives. One possible plan might aim at the seizure of both shores of the Gulf of Aqaba, with a view, this time, to holding them until a peace settlement. The other and more ambitious plan would aim at striking a decisive blow against Egypt; it would be unlikely this time to stop short of the Nile. A march to Cairo would be aimed partly at unseating President Nasser, who in Israel as in Britain is thought by many people to be the fountain of ill, and partly at seizing control of the Suez canal to collect at last a bargaining counter that would really impress the west. But a victory on either plan would have a grave drawback and a grave limitation. Militant expansionism in Israel, at present a minority attitude, would be strengthened and would even be implanted in the minds of those who at present genuinely discountenance it. And the renewed war would almost certainly fail to make Israel permanently more secure. Israel cannot hope to dominate the Middle East, and a warlike policy would make it even more difficult for its neighbours to accept it as an equal. Other Palestinian kingdoms have tried to survive by getting their own blows in first. The kingdom of David and Solomon and the Crusader Kingdom of Jerusalem both lived like this, but in less than a hundred years they had both succumbed to greater numbers. The Crusaders would have died out earlier through lack of men had it not been for jealousies and quarrels among their enemies. Israel, a country of a million and a half people, cannot hope to keep upwards of 40 million hostile Arabs permanently at bay. Its hope must lie in gradually disarming their hostility; otherwise, as they grow less disunited and their animosity towards Israel more determined, their greater weight of numbers must prevail.

This is not a cheerful picture for Israel. But it is also dangerous for the rest of the world. For one question has not yet been asked: what will the Soviet Union do if Israel again attacks an Arab state? Russian intervention on behalf of an Arab country could be the first reaction in a chain leading to the third world war. President Eisenhower's strategy in the Middle East cold war is to make friends with as many Arab countries as possible in order to keep them from the Russian fold. In such a strategy the substance of the Arab-Israeli conflict appears of secondary importance, and causes Israeli interests to weigh comparatively light in the balance. But such a balance is unreal, if only because it disregards the possibility that a local quarrel can lead to a world war. For the present, Israel can protect itself, but Israel's own strength is unlikely to win for it a permanent peace. This can only be done from outside, and only with strong American support. It will not be done until it is realised that the danger of letting the dispute between Arabs and Israelis slide is at least as grave a danger to world peace as the inconvenience of not enjoying Arab friendship.

NOTES OF THE WEEK

THE DEFENCE WHITE PAPER

Slashing the Services

At first reading of the defence white paper, which appears just as *The Economist* goes to press, suggests that Mr Sandys's formula for cheaper and better defence without conscription achieves its air of conviction by an admirably logical statement of what has to be done with a certain vagueness about how it is to be done in details. A more complete examination must be deferred until next week; Mr Sandys's five-year plan for a radical reorganisation of the armed forces is a welcome attempt to rethink the defence situation from elementals and it deserves very careful analysis. But the immediate economies are in black and white. They take a bigger weight off the economy than was expected—for which there must be gratitude. Mr Sandys's bill is £1,420 million after deducting American and German aid, a saving of £117 million on 1956-57 on present prices and of over £200 million, Mr Sandys claims, on what the bill would have been without drastic reorganisation. He makes more cautious promises of economies in coming years. Though he disavowed any intention to slash or mutilate the services, this comes near to slashing.

This is to be achieved by frank reliance on the nuclear deterrent to meet any serious threat; the drastic pruning of all minor commitments; the acceptance of the logic that defence is collective, with the British role, whether nuclear or in conventional arms and operations, never more than contributory. After saying the right things about integrated western forces and shared commitments under existing pacts and alliances, the white paper sets out—but only very broadly—the economies to be made in the British contribution of manpower and material. Successive cuts in the call-up are to end conscription in 1960; the last national service man will leave the forces two years later, and by then they will consist of 375,000 regulars in all three arms compared with 690,000 regulars and conscripts now and 625,000 at the end of this year. Rhine Army is to be cut from 77,000 to 64,000 this year, and by more next. Such

instances of the economies to be made in research and development as are given in the white paper, are those commonly anticipated: no fighter to be developed after the P.1 and no bomber after the V's. Missiles are to come from America though some unspecified British missile development is to go on. Air defence is to be confined to V-bomber airfields; the Army's task is to be reduced by cutting garrisons and regrouping upon a central mobile striking force; the Navy—and here the white paper is vaguest—is to be cut to "a small number" of task forces. The final abandonment of home defence will produce further savings.

WHAT IS LEFT OUT

The pattern is clear, even ruthless. What is less clear is what will be left of effective conventional forces after the deterrent takes priority in a much reduced budget. The white paper accepts not only the need to defend the colonies and areas like the Trucial states (the traditional Commonwealth commitment is dropped), but also to play a part in "limited operations." Are these seen in terms of conventional arms? If so, the contribution which a British army probably cut to 150,000 men—no actual figure is risked—will be able to make will be small; and it is far from certain how far there will be resources to make it airborne at short notice. Either other members of the alliance must find more of the manpower in future or nuclear weapons must be used. The vagueness of the white paper on such points may be the scars of major wars fought round this issue within the cabinet and between Mr Sandys and his service chiefs. But he emerges as a minister of defence determined to assert his authority. Nevertheless, there is a lot of explaining to be done, and Mr Sandys must do it.

PARLIAMENT

No Cecil in the Cabinet

All this week observers at Westminster have been shrimping around for reactions to the departure of Lord Salisbury. There has been no sign that any other members of the Cabinet have any intention of resigning with him; his colleagues in Cabinet included many who greatly respected him, some who were privately rather awed by him, but apparently none who genuinely followed him in any meaningful sense of the word. His influence for strength in policy was a considerable national asset in the Geneva days of high-level talks with Russia, but it had become much less valuable since the Suez and Hungarian tragedies. Indeed, the two most frequent comments about the resignation's repercussions in Cabinet have been digs at two of his colleagues. It is being asked who will now become Foreign Secretary, and suggested that it may even be Mr Selwyn Lloyd; and it is being noted that although Lord Salisbury's anomalous responsibility for atomic research has not been given to Lord Mills (the obvious man to take it over), it has been assumed by the Prime Minister himself who, as principal remaining patron of the society for not being beastly to Lord Mills, is the least embarrassing alternative choice.

NO RUSTLE IN THE HOUSE

The Lord President's resignation has also caused less disturbance than might have been expected among Conservative backbenchers in the House. This was partly due to the Prime Minister's success in the debate on Bermuda this week when, obscuring Lord Salisbury in a cloud of strontium 90, he delighted Tory MPs by uncovering and exacerbating the row in the Labour party about H-bomb tests. It is possible that the Tories will grow more restless when the issue of canal tolls has to be faced, or else after the budget, but no new sparks have been struck on the comparatively minor issue of Archbishop Makarios's release. Even the diehards have not been running very high blood pressures over Cyprus since the Suez fiasco proved its limitations as a base, and the dominant backbench reaction to Lord Salisbury's departure therefore seems to be a mixture of surprise and irritation. Among Tory workers in the constituencies tempers could run higher, but there, too, there may be a feeling that Lord Salisbury's choice of an issue bordered on the frivolous. Newspaper eulogies of the Cecil conscience find little echo in Abbey House.

There remains the admittedly graver problem of leadership in the (unreformed?) Lords, where the Conservative peers regarded Lord Salisbury as an all-wise shepherd, to be followed blindly. Lord Home, the designated replacement, will presumably often be away on his duties as Commonwealth Relations Secretary. Clearly he cannot carry on both jobs indefinitely. The sensible thing might be to let Lord Hailsham, who has been named deputy leader, take on the full work of leadership. But even his well-known powers of persuasion and tact could now be severely strained.

DIRTY BIG BANGS

Mr Macmillan's defence of the Government's decision to go on with the hydrogen bomb tests was watertight; his reasons for a more cautious attitude towards rationing such tests were also convincing, if depressing. To take the scientific facts before the political *fracas*, the position is this. The danger from megaton bomb tests comes, not from external radioactivity, but from internal radioactivity set up inside the body by absorbing one particular fission product, the calcium-like strontium 90. Hitherto, the achievement of very large explosions has been related to the amount of fission produced; it followed, therefore, that the radioactive waste in the stratosphere gave a good clue to the size of the bomb exploded. But it is now possible to achieve a larger explosion from the fusion process which is sandwiched between two series of uranium fission; the toxic fall out of the explosion is therefore no longer necessarily related to size. The Eden plan for rationing bomb tests was based on the need to limit the build-up of strontium in the atmosphere to a tolerable level; but, for policing purposes, what now has to be detected is not just the size, but the type of explosion. This can only be done by having neutral or United Nations observers on the spot. Britain is willing to invite these; whether Russia could be trusted to invite them to all their tests is quite another matter.

It is therefore clear that rationing of the tests has become more difficult. Where Mr Macmillan was less than candid was in his tendency to minimise the seriousness of this development. He argued that the British tests would not make any dangerous addition to the present strontium level; as the present level is a hundred times less than the maximum allowable concentration defined by the Medical Research Council, this is true. But this position can be

held only if explosions do not take place more frequently than they have done in the last few years ; if more countries are to carry out tests of the type of triple-stage H-bomb that has started the trouble, while the coming into operation of missiles requires more tests by each country, there is real danger that the safety level may be overrun. The best way to avert this danger, of course, would be to abolish all nuclear tests. But on this the British position is clear. If we are to develop the weapons, we must have the tests ; if we are not to have the weapons, we must have general disarmament. And that looks a long way off.

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It should be obvious from this that the Labour party's new official policy—that Britain should " postpone " the Christmas Island test, while " taking an immediate initiative " to reach international agreement about abolishing all future tests—is as silly a play upon words, and as blatant a disregard of difficulties, as motions about " taking an initiative " usually are. But it is unfortunately not certain that Labour will lose politically from this show of unconstructiveness. For a brief moment on Wednesday morning, as the possibility emerged that a majority of Labour MPs might vote against their shadow cabinet in favour of banning all tests, there was talk of a Labour split that might make Lord Salisbury's resignation on the other side look like a merely conventional explosion. But in the end the Labour rumpus, in H-bomb terminology, has all the symptoms of a clean, rather than a dirty, big bang: the fusion is now more evident than the fission, and neutral observers cannot honestly detect any signs of a deadly fall-out. Mr Gaitskell may have been made to look temporarily silly, by putting his name to a policy of postponement in which he does not believe ; but the Government could be made to look more silly still if a fleet of Japanese fishermen sat off Christmas Island and stopped the test from taking place. For any Government in power, this issue is politically damaging ; that is one of the penalties of being a Government at the present time.

SUEZ CANAL

Beware of Boycott

THE French government is firm, and the British Government appears fairly firm, in the intention to boycott the Suez Canal while the attempt is made to bring President Nasser up to scratch. It is doubtful whether this form of pressure can achieve anything. Shipowners who refuse to use the canal will be placed at a greater disadvantage against their competitors than they can sustain for long. American ships will pay their dues to the Egyptian canal authority as they did after nationalisation. Sweden and Norway have given no advice to their shipowners. Italy frankly states that it cannot afford a boycott. The Asian nations will almost certainly use the canal.

The provocation to a boycott is great. The memorandum for a Suez Canal settlement which Egypt sent to interested governments last weekend is open for discussion, but there is nothing in the document to suggest that the Egyptian government's mind is very open. It ignores the " six principles " for a settlement approved by the Security Council on October 13th last year. It even falls short of earlier Egyptian proposals. President Nasser said in September that he was willing to accept the decisions of an international conference as long as they did not mean international control. Dr Fawzi told the Security Council in October that foremost among the objects of negotiation should be a system of co-operation between Egypt and the users. All that Egypt offers now is the 1888 guarantee of free navigation and the reference of disputes to the International Court or to arbitration.

But if the guarantees of free transit are made adequate, most maritime nations may be prepared to accept President Nasser's terms. The proposal that 50 per cent of the dues be set aside as reserve for development with the UN or the World Bank was too much to hope for. In 1955, the old company spent slightly more than 50 per cent on running costs, paid out more than a quarter in profits, and allotted only one-eighth for improvements, depreciation and special reserve. The Egyptian offer of 25 per cent for development is reasonable enough by comparison—or would be, if President Nasser could be persuaded to pay it to a holding account with Uno or the World Bank to save him from the temptation of raiding the till. It would just about enable him to finance the £100 million development plan prepared by the old company. He was able to collect nearly 50 per cent of the dues during the period of partial boycott between the seizure and the Anglo-French invasion ; he has little reason to fear that the results of a renewed boycott would be worse for him now.

PASSAGE AND REFUGEES

President Nasser told a group of American journalists last Saturday that Egypt would prevent the passage of Israeli ships through the Suez Canal until the Arab refugee problem was settled. Spokesmen of the Israeli foreign ministry and of the Foreign Office in London have contended that this wrongly linked two matters that are separate. No doubt they assume that President Nasser, knowing the immense difficulty of settling the refugee problem, was simply justifying in advance his refusal to let Israeli ships transit the canal. There are good reasons for the assumption. He said " The Arabs want the refugees to have their rights, property and land," a claim which it is now manifestly impossible to fulfil. And he threw his proposal—if that is what it was—casually into the columns of the press.

Yet the closing of the canal to Israeli ships and the Arab refugees are not, in fact, entirely separate matters. They both derive from the Palestine war. When President Nasser says, " We want it (the problem of refugees and the canal) settled as a whole," he shows a revealing lack of respect for the 1888 Convention and for the principle of free passage ; still, it would be a mistake to dismiss his statement lightly as a propaganda trick. The Israeli Government wants the problem settled as a whole ; one of the purposes of the invasion of Egypt was to throw off the Arab blockade. President Nasser should be asked, perhaps by Mr Hammarskjöld, whether he seriously wants to discuss a general settlement.

Uno needs the opportunity to tackle the substance of the question. All the existing resolutions since 1947 have been ignored by one side or the other ; they stand, if anything, as an obstacle to settlement, each side insisting rigidly only on those Uno decisions which suit it. Perhaps the time has come to throw away the whole palimpsest of decisions that have successively been overtaken or frustrated and to look for something new. A new commission, composed of governments not committed in the conflict, might examine the facts again and submit proposals for settling the problem " as a whole "—that is, boundaries, refugees, belligerent rights and all.

LABOUR DISPUTES

Strikes Suspended

THE decision to suspend the engineering and shipbuilding strikes was taken on Tuesday because one man was on his sick bed, and because of the courage of another who had to be escorted to his car by police after the meeting, through a hostile and communist-dominated crowd. As president of the Amalgamated Engineering Union, Mr William Carron had the casting vote when his executive was split equally (one member being absent through illness); and it was he who, on a card vote, brought his million members to the side of common sense—and with them a majority of the confederation.

It was common sense, not only from the country's point of view, but also from that of the strikers—it is obviously better for them to be earning during the ten days or so that it takes to get out the report. But it was not only the communists who assailed Mr Carron, nor only the old-fashioned fire-eaters like Mr Ted Hill. Mr Frank Cousins, of the Transport and General Workers' Union, who had lately seemed to be departing from the path of militancy, spoke for continuing the strike, and so did representatives of many of the small unions. The logical, as opposed to the political or emotional, reason for opposing the resolution was that the outcome of these courts of inquiry might not be acceptable to the unions, but that, once the men went back to work, it would be difficult to get them out on strike again. The decision to go back to work was partly influenced by the possible difficulty of getting some of them out in the first place (the stoppage was due to spread to the restless Midlands this week) and to difficulties about strike pay. Unfortunately, however, the decision seems also to have been made on the union leaders' assumption that a 5 per cent increase is in the bag—this being the amount the shipbuilding employers offered—and that the courts of inquiry are merely adjudicating on an additional increase, over and above that figure, and on the question of restrictive practices.

But the shipbuilders' offer of 5 per cent was conditional on union co-operation to end restrictive practices, and was refused ; while the engineering employers, being generally less prosperous than the shipbuilders, offered only 3½ per cent, on similar conditions. Moreover, the court of inquiry, like the tribunal that awarded the National Union of Railwaymen for unemployment*; but whether or not the workers won their strike depended less on whether there was heavy unemployment in that industry than on the degree of union organisation. Full employment since the war has not led to more strikes because the unions, now more highly organised than ever, have been getting their own way without recourse to them.

Yet the extent to which trade unionists are prepared to strike, even when they lose more by striking than they can gain by a year's wage increase, is still astonishing. The shipbuilding strike was, after all, only for an extra 2½ per cent above the employers' offer, and ten days' loss of earnings would more than wipe out that gain for this year. It is perhaps still more surprising that more often than not strikes have no financial object. In 1955, for example, only 20 per cent of all strikers had a wage increase as their object, although other disputes concerned with wage payments brought the percentage that went on strike because of wage disputes to 48. Working arrangements, rules and discipline accounted for 16 per cent of the strikers, and demarcation disputes were another important cause. But a high proportion of strikers were simply engaged in supporting other trade unionists, either in sympathetic strikes, which accounted for 15 per cent of all strikes, or to obtain the reinstatement of particular individuals. To this extent they have souls above money.

Strikes and Some Statistics

ALTHOUGH the strike funds of the big trade unions are smaller than is generally supposed, there is no evidence that the unions comprising the Confederation of Shipbuilding and Engineering Unions made up their separate minds about whether to continue the strikes on the basis of whether they could afford to do so. Mr Carron's Amalgamated Engineering Union (whose casting vote called off the strike) and Mr Ted Hill's boilermakers' society (which led the opposition to Mr Carron) both probably started with uncommitted reserves of between about £11 and £12 per member ; the AEU's uncommitted reserve at the end of 1955 was £11.4 million for a membership of close on a million (most of whom were on strike) and the boilermakers' about £1 million for a membership of 88,000 (all on strike). The giant Transport and General Workers' Union is poorer for its size than both these organisations (a reserve of only £9.7 million at the end of 1955, excluding funds earmarked for other purposes, and a membership of 1¼ million) ; while the Electrical Trades Union, whose substance has been wasted by previous strikes, was the poorest of all (only £280,000 for a membership of 210,000, or little more than £1 per member). Yet both the TGWU and the ETU voted for continuing the strike, although admittedly only a proportion of their memberships were involved.

Union reserves do not need to be so large nowadays because—contrary perhaps to the prevailing impression this week—unions do not resort to strikes as readily as they did before the war. According to the Ministry of Labour, the average yearly number of days lost through strikes during the years 1914 to 1918 was about 5.4 million. In the following three years it rose astronomically, to 49.1 million. In 1926, the year of the general strike, 162 million working days were lost ; excluding that year, the annual average from 1922 to 1932 was about 7.6 million. Since 1932 the totals have been much lower. The average for 1940 to 1945 was nearly 2 million, and since the war 2.2 million ; and the worst postwar year up to now has been 1955, when the docks, railways and mines played the leading parts in 3.8 million working days lost. 1957 has already broken that unhappy record.

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Those who think that the answer to all this waste is to ban strikes only need to look at the figures for two wars, when they were illegal: the peak of 1955 was almost equalled in 1944, at 3.7 million days lost. Those, on the other hand, who think that the remedy is the discipline of unemployment have some evidence from the inter-war years on their side. There was then an inverse correlation between the number of strikes (as opposed to number of days lost) and the figures

* See " Strikes," by K. G. J. C. Knowles. Blackwell. 42s.

waymen 3 per cent, may be gloriously indifferent to what the men would accept. It may—quite probably should—award less than the conditional offers. It is too early, therefore, to rejoice at the ending of these costly strikes, or for anybody to count chickens about the costs of settlement.

CHOICE FOR THE ENGINE DRIVERS

In turning down the "package deal" by which the Transport Commission offered it an increase of 5 per cent in wages in return for undertakings about productivity and promises to discuss the co-ordination and timing of future wage claims, the Associated Society of Locomotive Engineers and Firemen has put itself firmly in the wrong. The National Union of Railwaymen and the Transport Salaried Staffs Association both accepted the conditions. The ASLEF leaders say that they stand on the principle that they have a right to the wage increase quite apart from any conditions, and that their members have authorised them to put in another claim when they think it appropriate. The Transport Commission has quite rightly retorted that in that case the footplatemen cannot have the 5 per cent increase, but must revert to the 3 per cent increase which they were awarded last November. That decision would apparently have to apply to the footplatemen in the NUR also, to the indignation of that union.

The results are that ASLEF and the NUR are once more set against each other, and that there is a renewed but vague threat of a railway strike. This is not really as worrying as it may seem. ASLEF is a small union—73,000 men—whose reserves have not yet recovered from a three weeks' strike over a wage claim in the summer of 1955; it would be very hard put to it to maintain a long stoppage now, and some of its members might well be becoming increasingly irritated by the hamhandedness of its tactics compared with those of the NUR. The NUR has always been more co-operative about measures to increase productivity than ASLEF—partly, admittedly, because the most important productivity measures now under discussion, the economic manning of diesel and electric trains, would remove more featherbeds from under the footplatemen than from under other branches of the railway staff. But the Transport Commission, in this dispute, enjoys the unusual luxury of an obviously strong bargaining position. It should at all costs stick to its guns.

DOCTORS' PAY

Time for Consultation

CAN nothing be done to end the protracted dispute over doctors' pay? If the doctors' representatives persist in their present tactics, and in refusing to co-operate with the Royal Commission, the profession will almost certainly be split and it will quite certainly lose what public sympathy exists for its case. Indeed, the weakness of its bargaining position is that the only party to gain will be the Government, for if the threats of withdrawal are even very selectively carried out, the Exchequer will gain financially at the expense of either doctor or patient.

But if the time has come for less intransigence from the doctors' leaders, a conciliatory move from the Government is also overdue. Now that a 10 per cent rise has come into force for junior hospital staffs, it would be only too easy for the Government merely to announce a flat percentage increase for all other doctors. But a much better, and more civil, course would be to fix the maximum sum of money that can be afforded and to offer to negotiate with doctors' leaders on the way it should best be distributed.

The doctors' claim of a 24 per cent increase for all of them would, it has been estimated, cost £20 million. There is not the slightest possibility of the Government's giving away this amount for an interim rise, since it would in effect be accepting Spens and all. But it is worth pointing out that even if this sum were added to all other payments to all doctors in the health service (hospital doctors and general practitioners), the percentage of total health service expenditure accounted for by doctors' earnings would be increased to only 18.5. According to the estimates published this week, payments to doctors now account for 16 per cent of the total gross expenditure of £690 million. In 1949-50, the first complete year of the service and before the Danckwerts award put doctors' earnings up, payments to doctors accounted for roughly the same proportion. In the same period the percentage accounted for by nurses' salaries, inside and outside hospitals, has gone up from 10 to 15. An even bigger proportionate rise has been gained by hospital workers other than nurses and doctors. The total of all these salaries, wages and expenses—of domestic staffs, technicians, administrators, porters, gardeners, engineers and a host of others—is now estimated to cost over £118 million a year, 18 per cent of the total compared with 11.5 per cent in 1949-50, and some £7 million more than all doctors' earnings in all branches of the health service. This should not be taken as justification of the doctors' 24 per cent claim. But it does show that the ancillary limbs of the service are outgrowing its main body.

IRAN

Dr Adenauer Strikes Oil

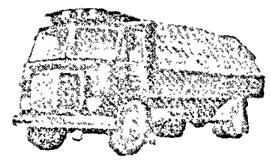
THE dream of an Italian oil empire in Iran, breaking the monopoly of the great oil companies, has been deflated, but it has been given a more real if less ambitious substance by the news of German interest. Even Signor Mattei, head of the Italian natural gas monopoly (ENI), admits that no contract is made or imminent between his company and the Iranian government. His partisan in Iran, Dr Ala, has resigned the premiership. The Shah and the new prime minister, Dr Eghbal, are both well aware of the dependence of Iranian development on American aid and on the major oil companies. It is doubtful in any case whether ENI, whose technical resources are overstretched in Italy, could open a Middle Eastern field alone, even if it had the cash. Signor Mattei's political and economic ambitions seem, once more, to have outrun his means.

But on the heels of Dr Adenauer, who has been returning the Shah's visit to Bonn, a team of German experts is now to visit Iran. It will investigate the possibilities of German participation in Iranian development, above all the oil of Qum. German talk is more muted than Signor Mattei's. There is no question of breaking the fifty-fifty principle in any arrangement for sharing profits, it is explained, and an Iranian company, as at Abadan, would actually raise the oil. No specific deal, in any case, has yet been made, and it is doubtful whether Germany can provide the $150 million needed for a refinery or the enormous sum (a German estimate is $250 million to $300 million) for a new pipeline to carry the oil across Turkey to the sea. It will take in any case some five years for the field to be opened up. But

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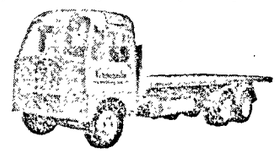
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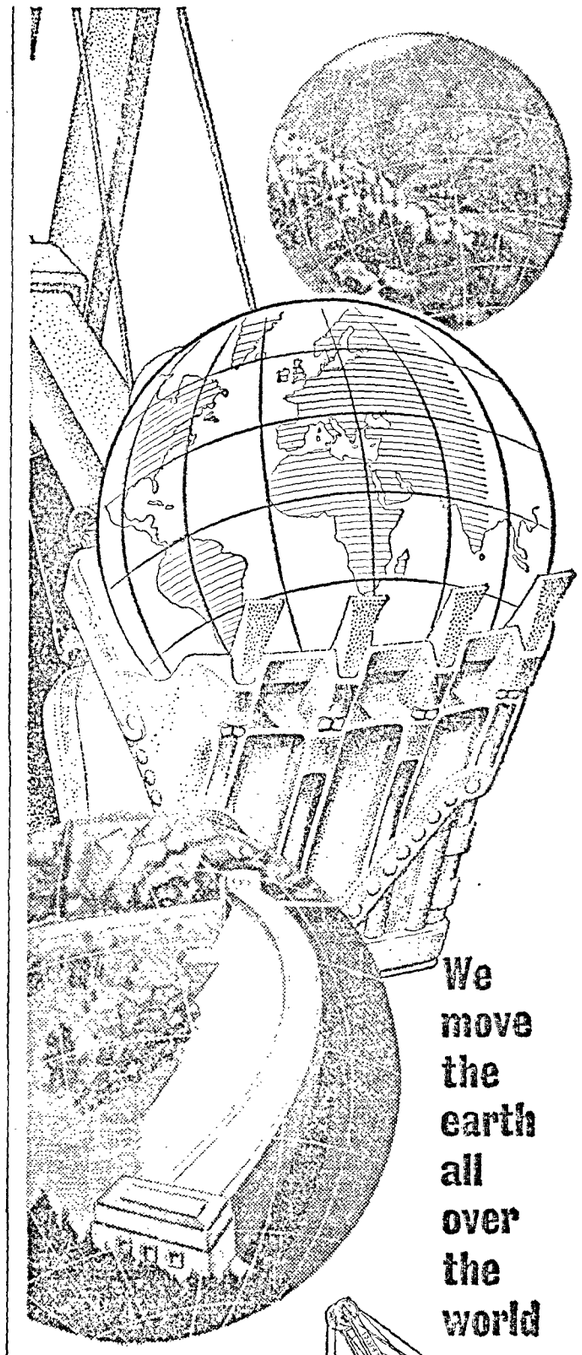
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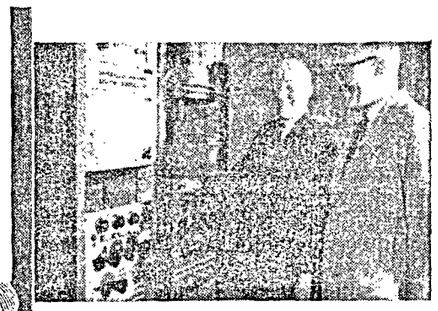
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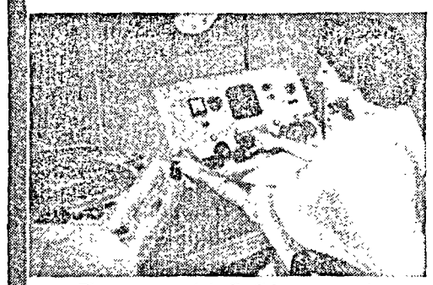
Solo on the Jalatharangha, rice bowls tuned by filling with water, and tapped to traditional rhythms.



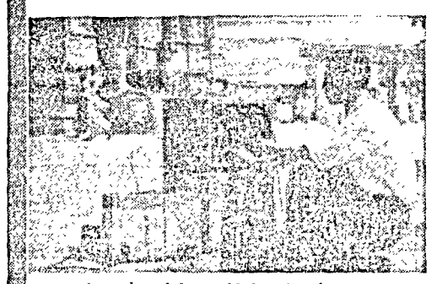
Control boys during assembly at Chelmsford.



The Minister of Posts, Broadcasting and Information services switches on.



The announcer of the English programme in Continuity Suite 1.



A member of the outside broadcasting team operating his equipment during the 2,500th anniversary celebration of Buddhism.

Last year the new studio installation in Radio Ceylon was officially switched on by the Rt. Hon. C. A. S. Marikar, Minister of Posts, Broadcasting and Information. The work of re-equipping the studios and providing a new continuity system and control room was begun by Marconi's in 1949 and completed in time for Radio Ceylon to take part in the 2,500th anniversary celebrations of Buddhism. The new system makes possible a national service with simultaneous programmes in four languages, and a commercial service with programmes in a further five languages.

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German interest is keen. Qum is said to be able to yield some 20 million tons of oil a year once the transport problem is overcome. And the partnership between Italy and Germany might encounter better political conditions in the Middle East than any Anglo-Saxon venture would.

Iran is not the only Moslem country where Germany continues to make spectacular efforts both to expand trade and help development. The Vice-Chancellor, Herr Blücher, recently made arrangements for more German help to Pakistan; and the German trade fair in Cairo is proving an astonishing success.

KASHMIR

Blot in India's Copybook

A PAINFUL contrast has been visible between India's splendid achievement in holding the biggest general elections in history in an atmosphere of freedom and fair play, and the deplorable way in which the subsequent elections in Indian-held Kashmir were rigged. In India over 115 million votes were cast—a good ten million more than in 1952; and if clinching evidence of this vast electorate's freedom of choice is called for, it is to be seen in the fact that the ruling Congress party, as in 1952, got slightly less than half the votes. But in Kashmir the "victory" of Mr Bakshi's candidates was a solemn farce.

Before the voting began they had secured 40 out of 75 seats in the local assembly, thanks to the absence or disqualification of rival candidates, and with this safe majority in hand they have been cantering happily through the remaining contests. The main opposition group, whose leaders, including the deposed state premier, Sheikh Abdullah, are still imprisoned without trial, boycotted the elections; and it was in any case impossible for any candidate who challenged the finality of India's acquisition of Kashmir to stand.

If public opinion in India takes enough notice of this blot in the country's otherwise clean copybook, the mission of exploration which Mr Jarring, of Sweden, has undertaken on behalf of the Security Council may prove a little more fruitful than seemed likely when the Council nominated him in February. The dangers involved in carrying out the all-Kashmir plebiscite originally envisaged have long been apparent; but Mr Bakshi's blot is a reminder that the existing state of affairs in Kashmir is also dangerous. Mr Jarring is an old and known friend in both Delhi and Karachi, and it would be ludicrous for Indians to apply to him their rather childish charge that everybody is being unfair to them because of their stand against the attack on Egypt (a stand which the majority in the Council shared). There seems at least a chance that he may get minds in both capitals moving towards a compromise which would bestow democratic institutions on Kashmir—and help to stabilise them in Pakistan.

HUNGARY

Mr Kadar's Red Carpet

ON their latest visit to Moscow, Mr Kadar and his colleagues found themselves not on the mat but on a red carpet. Receptions were held, speeches were made, and toasts were drunk, all in honour of the "dear guests" from Hungary; and they went home with their pockets bulging with promises of economic help, including 875 million roubles worth of commodity credits and convertible currency to be used this year.

A price, however, had to be paid. Mr Kadar, who promised when he became premier last November that the Soviet army would go as soon as order was restored, has agreed that its continued "temporary" presence in Hungary is necessary, because of the international situation caused by "the aggressive Atlantic block," "the dangerous arms race" and so on. Mr Kadar must realise that nothing will more firmly cement the bitter hostility of the Hungarian people towards him. Probably, however, he has in any case abandoned all hope of making his regime acceptable. In the widely publicised speeches that he made in Russia he repeatedly denounced the "traitor" Imre Nagy and his group, and condemned "national communism" as the "belatedly born twin brother of Hitlerite national socialism." Inside Hungary, the regime still finds it necessary to take ruthless steps to crush the simmering discontent. (Mr Marosan, a member of the government, said recently that "it was impossible to govern without a mailed fist.") A security check of the whole population is to be carried out between now and September, in the hope, no doubt, of tracking down all those who played active parts in the revolt last October; and an emergency decree empowers the police to banish to a remote part of the country for up to two years anybody considered "politically unreliable" or "dangerous to the state or to public order." The Hungarians will soon find it hard to distinguish between Mr Kadar and Mr Rakosi.

RADIO PROGRAMMES

The Future of Sound

HALF the population now lives in homes with television, and this is inevitably reducing the numbers who listen to sound radio. On present trends, when the BBC's licence comes up for reconsideration in 1962, three quarters of the population may have TV, and the average audience listening in to sound each day may have fallen below three million, compared with 4.7 million now and 6.4 million in 1953. Last year the BBC spent just under £11 million on its domestic sound broadcasts and £7 million on television. It is clear, even on these rough forecasts, that the time has come to reconsider the allocation between sound and vision of the BBC's total revenue—which has been raised to £25 million a year excluding grants in aid of overseas services. Next week Sir Ian Jacob is expected to announce his plans for a reallocation of resources.

Two points should be made about the awkward decision before him. First, although the stage has certainly been reached when the BBC must consider reducing expenditure on sound, to transfer resources from sound to television would worsen the quality of the former faster than it would improve the quality of the latter: the cost of an hour of sound broadcasting is £600 against £3,000 for an hour of television. Secondly, about the programmes to be cut. Unfortunately, the customers' choice in sound is still heavily in favour of light entertainment; notwithstanding the inroads of television, two-thirds of the listening public still tunes in to the Light—apart from the vast audience for Radio Luxemburg—compared with 32 per cent who patronise the Home (or its regional variations) and 1 per cent who are well pleased to be patronised by the Third.

This has set off fears that, in seeking economies, the BBC will make a series of cuts and mergers in which the Third, perhaps after a brief period of civilising the Home, will virtually disappear, while the Home will shed a few middle brow programmes to raise the tone of the Light.

Of course, the possible loss of the Third is a development that needs to be bitterly resisted; but, of course, this is a trend that will set in under the present system, whatever is done next week, as the number of listeners further declines. Yet there is such an obvious way of resisting this trend. The real question to be asked is why, with the growth of VHF broadcasts, the listener should not in coming years gain rather than lose in variety, even if his numbers are less. Besides the three VHF wavelengths used by the BBC, three or four more are available in each district for other VHF stations. There are commercial organisations that believe they could profitably take up these wavelengths, financing themselves by advertisements. Why on earth not let these—or other—commercial bodies take these wavelengths to serve the light entertainment audiences, and continue the licence revenue to the BBC as, in part, an educational subsidy for maintaining the full glory of the Third? Indeed it would be a very good, although immediately less practical, thing to let some educational or even municipal organisations have a wavelength, financed partly by licence subsidy and partly by advertisements, as well.

OBSCENE PUBLICATIONS BILL

Obscenity for a Select Committee

THE Home Office's reaction to the Obscene Publications Bill has been doubly interesting. It had been realised that under Mr Butler's command the department would no longer instinctively regard all private members' bills for liberalising the morality laws as something nasty which the cat had brought into the House; the question was what it would do about proposals which its experts considered to be unworkable. It is clear that, rightly or wrongly, its experts do so consider the present Obscene Publications Bill.

The intention of the bill is to permit, as opposed to the present practice of sometimes tolerating, the publication of seriously meant books which some people might consider to be corrupting. On Friday Mr Simon, Mr Butler's undersecretary, welcomed this intention, but criticised the bill on the following grounds. First, the Home Office considers that the penalties proposed, of a £500 fine or four months' imprisonment, are too small in view of the profitability of the trade in really dirty books. Secondly, the obligation for all cases under the bill to be approved by the Attorney-General would make too much work for that official. Thirdly, the bill would introduce an entirely new principle into English law, in allowing the author, printer or publisher of a book to be heard by the courts if a book from their hands is in danger of being declared obscene. Finally, and most fundamentally, Mr Simon claimed that it would be impossible to convince a jury that the dominant effect of a publication is to deprave and corrupt those among whom it is intended to circulate—and this doctrine of "guilty knowledge" is the real point of the bill.

Having made these rather devastating criticisms, however, Mr Simon, instead of recommending rejection of the bill, suggested that the House should pass it to a select committee. The committee which is now to be set up will be able to call for evidence from whomever it likes; presumably the witnesses called will include the Home Office experts, as well as Sir Alan Herbert's colleagues from the Society of Authors who sponsored the present bill. There is therefore a good prospect that a measure that will be considered workable by both sides will emerge from the committee, whether or not it emerges in time for enactment this session. The importance of the precedent is that some of the many other complicated reforming measures, which Mr Butler is known to want to implement while at the Home Office, could presumably be helped through in private members' time in this way, if private members so wish. A door has been set swinging attractively open, on which other would-be reformers among backbench MPs may be tempted to push, now that they can feel that they are more likely to get help than obstruction. This is not the least of Mr Butler's parliamentary achievements.

FRANCE

Government on Sufferance

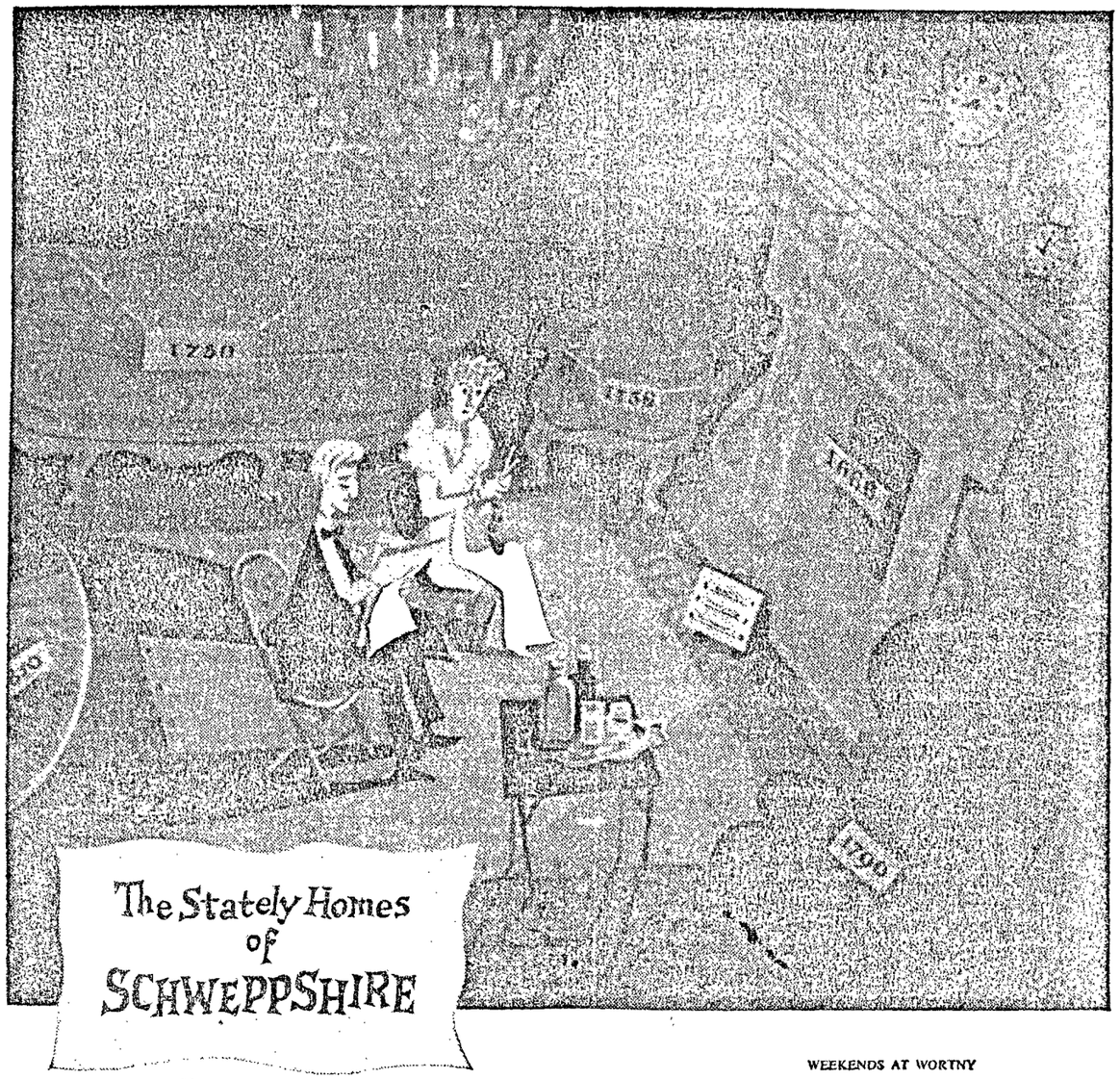
M. MOLLET'S government is now assured of life until the end of May at least. But the vote of confidence which it survived last week shows the weakness of its position. In an Assembly of 595 members, 221 deputies voted for the government and 188 against; 110 abstained. The government owes its reprieve to the unwillingness of a large part of the divided opposition to precipitate a crisis at this stage.

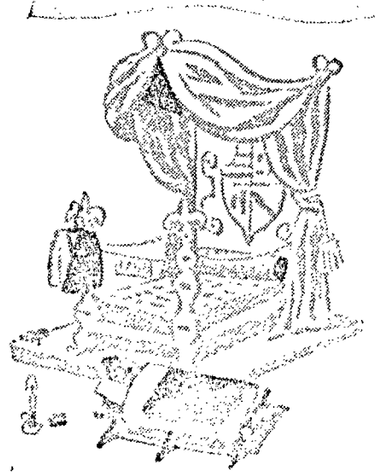
Some deputies are trying to spare the feelings of the Socialists because they hope to join them in a future coalition. Most critics, however, particularly the conservative followers of M. Pinay, who abstained wholesale, are in no hurry to take over because they consider that on the two main fronts of governmental action things must still get worse before they can get better. They find it convenient that the policy of repression in Algeria should be carried out by a Socialist-led government. They do not fear that M. Mollet will keep his pledge of elections there, since the promise is subordinated to the very unlikely condition of a cease-fire. Some of them, convinced that a few more months will bring about the financial bankruptcy of the government, think it convenient to wait until things have got worse; they will then be able to assert that Socialists find the coffers full when they take office and leave them empty when they go.

M. Mollet could exploit the hesitations of his critics and turn his numerical weakness into strength. Instead of remaining the prisoner of a conservative opposition, he could face it with the alternative of granting him the powers necessary for radical reforms or of shouldering the blame for his failure. It is feared in Paris, however, that, undaunted by 14 months of failure, the government still hopes that some miracle can yet crown its Algerian policy with a happy end. It will, therefore, stick to it and pay its way with economic palliatives—haphazard budgetary cuts, import restrictions and increasingly costly borrowing.

A CASE OF CONSCIENCE

Intellectuals in France, probably more than elsewhere, claim the right and duty to express the voice of national conscience. The methods of repression used by French troops in Algeria at first provoked individual protests, but these have now swollen into a chorus which is beginning to





WEEKENDS AT WORTNY

It is really fairly essential to get asked to Welbroke-Cortenay (pronounced "Wortny") because not only do the people there have the most tremendous taste, but also everything is absolutely bang period—not just period of course but an actual period with a date which is practically almost even a day of the month. So DO NOT TOUCH.

One or two snags of course. It is no bad idea to slip into your bag a tin of pressed beef: because the kitchens (1485) are only suitable for the preparation of larks' tongues, lampreys, boars' heads and oxen roasted whole—articles which the Co-op, to the apologetic annoyance of your hosts, are not invariably able to supply.

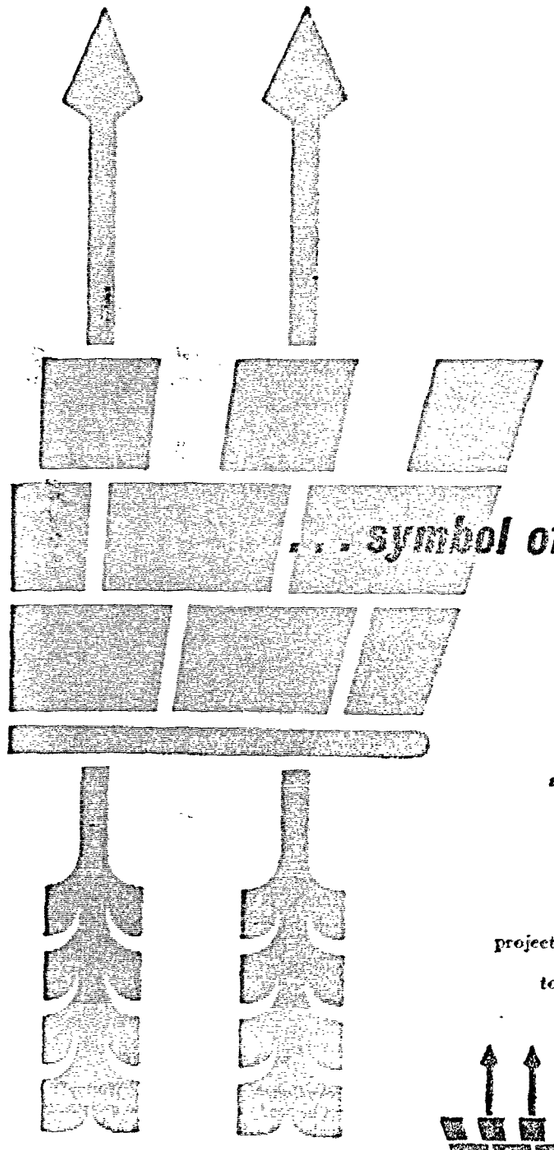
Bring own hot water bottles, because they hadn't been invented by any date which could possibly be admitted as a proper kind of date here. Similarly of course there are no ping pong tables, radio sets or bridge markers. No corkscrews, and the soap in the bathroom certainly is not of the modern kind. And DO NOT TOUCH.

Of course one can always sit, as long as one sits down very slowly indeed. It is perhaps worth pointing out that it is a good thing not to sit where one might think one was supposed to sit but only somewhere else in a rather bad light round the corner. And DO NOT TOUCH.

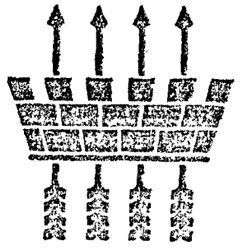
Of course it is rather wonderful to be able to choose the date of the room you sleep in. I always select the one with the bed you are actually able to use. This guest's maid's bedroom is 1788 marred by the restoration in 1789 of a chip out of the nose of the cherub supporting the mirror which was knocked off by an American Secession scent bottle thrown in a Georgian quarrel between a Bastille period husband and wife. So DO NOT TOUCH.

Written by Stephen Potter; designed by George Him

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH



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have an impact on politics. A series of events has compelled thinking Frenchmen to wrestle with awkward questions. A book by M. Simon has suggested that Hitler, though defeated, may have contaminated his conquerors with his criminal methods. M. Servan-Schreiber, the able editor of the weekly *l'Express*, has been describing at length his experiences as a lieutenant in Algeria, and has insisted on the blind absurdity of the conflict. Other reservists bring back stories of tortures perpetrated by French troops. The "suicide" of an Algerian lawyer, Ali Boumendjel, while in the hands of French paratroopers, he led a Paris professor to suspend his lectures until the government shows more respect for the principles which he is supposed to teach his students.

Reactions to these reports of atrocities have begun to divide the French in a manner reminiscent of the Dreyfus case. On one side are the people who deny or dismiss them as an insult to the greatness of France and to the honour of its army. On the other are men who would think it a disservice to their country to condone by silence wrongs committed in the name of France. The arguments of justice against expediency and of principle against national interest are old, but the political divisions are no longer the same as in the time of Dreyfus, since the Socialists (or at least their official spokesmen) now lead the "national" wing, while the clergy lean towards the camp accused of treason and defeatism by its opponents.

The question is the more important because the Algerian war is not one waged by proxy, through mercenaries. Thousands of young Frenchmen, national servicemen and reservists, are getting their second education there. Many people fear that they will come back home with dangerous principles, or lack of principles; some even see a real threat to the Republic in the various rowdy demonstrations staged under patriotic pretexts like the one held last week in Paris. A case of national conscience has been added to the complicated Algerian problem.

SOVIET UNION

Recasting a Bureaucracy

SOVIET governmental and economic machinery is to be overhauled radically. Such is the meaning of the lengthy "theses" published by *Pravda*, which will be submitted by Mr Khrushchev to the Supreme Soviet next month. The biggest change will take place in the economic departments. As was foreshadowed in February, centralised control through a host of industrial ministries working as watertight compartments is to be abolished. Instead, regional economic boards will be set up which will have the advantage of being closer to production. The central government will be streamlined by this purge of ministries, but it will now include the prime ministers of the member republics.

All these changes point in the direction of greater regional devolution. Moscow, however, has no intention of abandoning its central control of the economy. Together with these decentralising reforms, it has been decided to strengthen the powers of the state planning commission (the *Gosplan*), which will absorb the separate body for current planning (*Gosekonkomissya*) headed first by Mr Saburov and now by Mr Pervukhin. The reinforced *Gosplan* and its subsidiary organs will direct and supervise the regional boards. This mixture of tighter planning at the centre with greater initiative for the various regions is a return to Soviet ideals of earlier days. Then, however, there was not much of an economy to direct; the new system is designed for one consuming about 50 million tons of steel a year.

The system evolved under Stalin has been crippling valuable initiative now that the Soviet Union has millions of highly skilled managers and technicians. Interference from Moscow with huge industrial concerns lying far away leads to blunders and waste. Further cuts in the bureaucratic overgrowth in the capital should yield recruits for the battle of production. The next session of the Supreme Soviet, which is to open on May 7th, ought to show whether the changes will be limited to the method of running the economy. It is also likely to endorse the revised version of the current five-year plan, which, despite Mr Khrushchev's continued emphasis on heavy industry, may reveal some shifts in the actual distribution of resources.

ROUBLES ON THE LEVEL

Moscow's way of marking April 1st this year was not to make a joke but to end one. The official exchange rate for the rouble has for years been a joke in distinctly bad taste. It has not affected Russia's foreign trade, which is carried on in terms of sterling, dollars, gold or other acceptable media—a practice which will evidently continue. But diplomatic missions, journalists, and other foreigners in Russia have been forced to buy roubles worth about 5d., or six US cents, at the artificial rate of four to the dollar and 11.20 to the pound sterling. It has cost £4,000 a year to keep a typist at the British embassy in Moscow; and most newspapermen, even when they have managed to coax visas out of the Soviet bureaucracy, have found life in Russia too expensive to be justified by the meagre access to news allowed them. For the individual wishing to visit Russia, the effect has been to tie him tightly to the apron strings of the official Soviet tourist agency, which, by selling him cut-price coupons valid only in its approved establishments, has reinforced the already numerous means of preventing him moving about the country freely.

The fiction of the official rate is still to be maintained, presumably for prestige reasons; but in practice it seems that embassies, correspondents, business men and other visitors will now be able to buy all the roubles they need for running expenses at ten to the dollar, and 27.80 to the pound, thanks to the "premiums" which have just been offered. The Soviet government's action may be overdue, but it is none the less welcome. One would like to think that it reflects a new responsiveness to the complaints so long voiced by critics of the Russian habit of preaching co-existence and practising what amounts to apartheid. But there are many other impediments to be dropped before that can be taken for granted.

EUROPE

A Free Trade Symposium

THE latest bulletin of the Oxford Institute of Statistics performs a useful service. It is a symposium on the free trade area by a number of economists. On the continent the common market has been searchingly discussed by business men and economists for several years. In Britain,

in the brief time since the free trade scheme exploded amongst an apathetic public, detailed discussion of its merits and problems, going beyond political emotion and economic prejudice, has been all too rare.

All the economists favour the scheme, under certain conditions, but for reasons whose great variety shows how difficult it is to reach an accurate assessment of its merits. Mr Roy Harrod believes the free trade area will bring great economies of scale in production and emphasises that continuous economic growth will minimise the pain. Professor Johnson, on the other hand, is sceptical about economies of scale and believes that free trade will do most good where it hurts most, knocking out inefficient British industries and allowing British consumers to buy cheaper abroad. Mr Balogh tilts enthusiastically at his favourite Aunt Sallies—the danger of German dominance and of the collapse of the sterling area, but these do not prevent even him from giving conditional approval.

The contributors recognise that the free trade scheme will create difficult new problems and they are soon at grips with the hardest of these: the whole scheme could be shipwrecked if one country, through a separate inflationary policy, is caught in chronic balance of payments difficulties, which force it to go back on its obligations to cut tariffs. And one deflationary member, Mr Balogh fears, could do just as much harm. Once more the remedies suggested differ widely. The battle between the advocates of fixed and floating exchange rates is joined again. Mr Sargent approves of quota restrictions for a fixed and limited period; most contributors set their faces hard against them. But there is broad agreement on two positive remedies for the balance of payments problem. Like the common market countries, the economists see more generous credit facilities as the first bridge over both short-term and long-term payments difficulties. The European Payments Union should be "softened" and its credit lines made automatic, Mr Harrod suggests. Long-term disequilibria could be dealt with by long-term investment by the creditor countries, say in Euratom or the less developed countries, says Mr Black. And there is a general belief that common economic policies, or at least a very close co-ordination of national policies, with perhaps even the creation of a European central bank, are a necessity. Free trade alone, the economists imply, is not enough.

GERMANY

Fall of a Socialist

TEN years ago Dr Victor Agartz was made head of the Bizonal Economic Council, the advisory German body set up by the British and American allies which was the embryo of the future west German government. Last week he went to gaol, arrested when the courier of his private economic research institute was caught bringing in funds from eastern Germany. The money, Dr Agartz claims, was a subscription from the east German trade unions. But the prosecution hold it to have been the last of many subsidies for an agency which is assisting the banned west German communist party. The division of Germany has claimed another distinguished victim.

Dr Agartz is not a tragic figure like some of the renegades who have actually gone east. His defection, if he has defected, seems the result of an obscure blend between spiky left-wing socialism and personal disappointment. Since the heady days when he was the respected adviser of the British occupation, backed by a Labour government, his policies of planning have been in the wilderness. The liberal economics of Professor Erhard, favourite son of the Americans, have guided German recovery. As Dr Agartz's influence languished, his voice became more shrill. The research institute of the German trade union federation, of which he was head, became the mouthpiece less of the whole German trade union movement—hostile to communism, restrained on wages—than of the extreme left wing, militant and violently critical of west German society. Last year, Dr Agartz lost his job. His violent views were causing more and more dissension in the trade union movement and a confused accusation of contact with eastern Germany fell across his name. He set up his own research agency; its publications were such that the west German trade union executive forbade branches to spend funds on them.

Although he was already apart from the orthodox labour movements in west Germany, it is impossible not to notice that his arrest has taken place in an election year. The west German socialists and the trade unions have disowned Dr Agartz, but his arrest will not do them any good. The taint of communist contacts has already been brought into the campaign against them. Much publicity has been given by the Christian Democrats to the past of Herr Wehner, a Social Democrat who, as a communist opponent of Hitler, was imprisoned by the Swedes for working as a communist political agent. Dr Agartz may not deserve much sympathy, but it would be unfortunate if contacts with east Germany became a stigma, at a moment when the German socialists are making such precious use of them to undermine Herr Ulbricht.

ARGENTINA

Two Puzzles for Aramburu

GENERAL ARAMBURU, the provisional President of Argentina, is trying to do two very difficult things. With elections in the offing, he wants, first, to ensure that there is no return to demagogic dictatorship, and second, to introduce a programme of economic austerity. His insistence that the constituent assembly elections should precede the general elections has raised a storm from the supporters of Dr Frondizi, the left-wing Radical leader, who is thought to stand the best chance of winning the presidency when the military government hands over to an elected administration in a year's time. The constituent assembly is to be elected by proportional representation, and since this favours the smaller parties the President's policy is seen as an attempt to thwart Dr Frondizi's hopes. The air force backs Dr Frondizi, and the President's tactics have led to the resignation of Commodore Julio Krause, the Air Minister and a member of the Military Revolutionary Council. Although the quick turnover in cabinet ministers in the last six months has not weakened General Aramburu's position, this crack in the military junta will be very much harder to mend.

The President's economic programme is having as rough a passage as his political policy. In his two months as Minister of Finance, Dr Verrier, with the President's support, produced so severe an economic recovery plan that five cabinet ministers threatened to resign. Despite Dr Verrier's warnings that the economic situation had deteriorated in the eighteen months since the revolution, that reserves of foreign exchange would be exhausted by

the end of the year, and that the budget deficits could only be met by issuing more paper money, his plan was thrown out and he himself went with it. His successor, Dr Vasena, is expected to try to temper austerity with political expediency—a policy unlikely to solve either the economic or the electoral puzzle.

MIDDLE EAST

Jordan as a Yardstick

Our special correspondent writes from Basra:—

ACROSS the Arab world the ear of the general public is glued to the "Voice of the Arabs" from Cairo. Political talk is all of Gaza and of Egypt's accession of strength through its new links with Syria and Jordan. But much of the merchant community listens with only half a mind; good nationalists though its members may wish to be, their chief concern is to do good business in a stable currency. Thus though they display the coloured stickers bearing the Nasser portrait, new issues of which are frequent (the newest suggest that he has put on weight), and though they listen complacently enough to the creed that the new unity between Egypt and Syria, to which Jordan is now being hooked, will be the nucleus of a greater Arab unity, they are waiting to judge of this unity till they see how Jordan fares.

At present, their yardstick is the Jordan pound, simply because Jordan has taken Arab financial backing in place of support from London. Though linked to sterling, the Jordan pound fell last week on the Beirut free market to 805-8 Lebanese piastres, whereas sterling and the Iraqi dinar stood around 845. (The Egyptian pound stands in the low six hundreds, though not quite at its lowest ebb.

The Egyptian merchant abroad tends to increase their hesitancy. Often he is only a first generation Egyptian, usually of Syrian or Lebanese extraction, who is fearful of not being counted among the *Herrenvolk* under the state trading regulations; usually, too, he prefers to keep his money outside Egypt and in Lebanese pounds, rupees, or a hard western currency. In Saudi Arabia and the Persian Gulf he is a disincentive to enthusiasm for Nasser.

Yet the merchant carries weight only with a small, though important, section of the community. The general public is all for a hero who rose from the people, got rid of a monarchy, fought Israel, and by prodigious diplomacy seems to have done what he likes with the United Nations. He is given full credit for having put the great Arab nation on the world map after centuries of eclipse. Yet if Jordan, having accepted Arab subsidies, is allowed to get into severe economic difficulties, the shadow Nasser casts over merchant communities farther afield will grow darker. Jordan is the guinea-pig.

FAMILY SERVICE UNITS

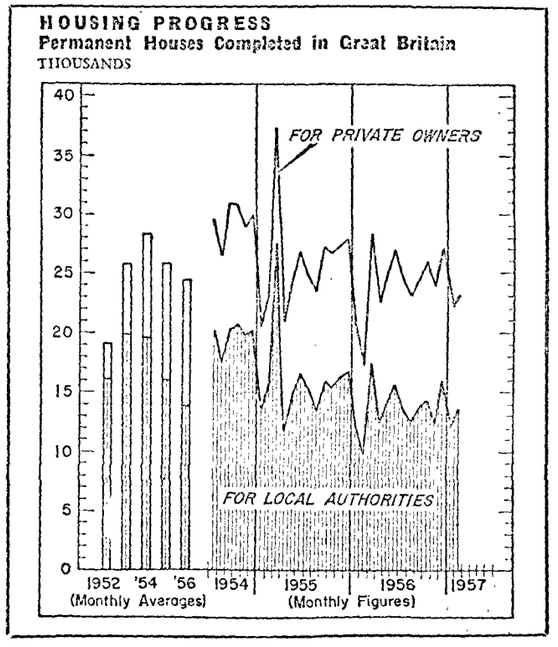
Problems or People?

THE Family Service Units stem from a wartime undertaking by a group of conscientious objectors who tackled the job of helping, in the humblest and most practical spirit, bombed-out families "considered unfit for billeting." This unfitness consisted in a degree of demoralisation which expressed itself in apathy, total domestic incompetence, and filthy habits; it sprang from a great variety of causes; and it was recognised as an old and continuing peacetime problem, by no means always curable by the mere provision of better housing and higher incomes. That problem remains; a disproportionate burden on the social services, a self-perpetuating source of delinquency and squalor, and —given the frequent combination of "problem family" conditions with high fertility—a source of acute distress to the eugenically minded.

The FSU has now published a critical bibliography* of the various studies which have dealt with the "problem family"; defining it, evaluating policies designed to deal with it, or advising changes in those policies. But this booklet is more than a bibliography. Throughout its pages there runs a protest against stereotyped ideas and prejudices, and, above all, against the penal and authoritarian attitude. These are people first, problems only secondarily; not gobbets of deteriorated raw material to be reclaimed and re-processed into inoffensiveness by an administrative machine, but individuals suffering from particular combinations of weakness—by no means always innate—and ill fortune.

There is no shadow of doubt that this is the right attitude for social workers. Whether it is, in this context, possible as an exclusive guiding principle for society as a whole is another matter. It is one thing to demonstrate that the patient individual efforts of the case-worker to keep each "problem family" a going concern yield better results (and cost much less) than penal treatment. It is quite another to condemn, as an unjustifiable infringement of liberty, even so mild an exercise of social self-defence as the authorising of health visitors to give contraceptive advice "if the number of children is about as much as the family income will stand." In the scale of human values tenderness towards the most repulsive sort of unfortunate ranks high; it is an attribute of the saints; but a society in which it took precedence over every consideration for the needs of the normal citizen would have a poor expectation of life.

* "The Problem of 'The Problem Family.'" By A. F. Philp and Noel Timms. Family Service Units, 25, St Mary's Grove, London, N.1. 77 pages, 7s. 6d.



LETTERS

The Stricken and the Swung

SIR—Your comment on the Beckenham by-election result in your issue of March 30th is in line with the widely held view of a deliberate abstention from among Conservative voters at the present time. May I question this out of my experience at Bristol West, where I was Labour candidate ?

At Bristol the result showed a swing of just over 5 per cent to Labour on a poll of 61 per cent, as against a poll of 72 per cent in 1955. The Conservative majority dropped from 22,001 to 14,162 through a loss of over 8,000 votes, Labour dropping only a few hundred on 1955.

Neglecting changes in the register, what really happened ? Was there a withholding of Conservative votes ?

The evidence is lacking. The best traditionally Conservative ward polled 66 per cent as against 77 per cent in 1955, a drop of 11 per cent. But the best Labour ward polled 53 per cent as against 66 per cent in 1955, a drop of 13 per cent. An analysis by polling districts shows the same pattern—a fall in votes at least as heavy in Labour as in Conservative areas.

The obvious explanation of the result, then, is a clear switch of votes. My own guess is that about 5 per cent of the 1955 Conservative vote changed right over to Labour, while Labour also had a net gain from amongst the abstentions of 1955. Far from votes being withheld on one side the election was marked by a normal characteristic of by-elections in safe constituencies—apathy.

If the results of Bristol East and other current by-elections are looked at in this way by the party leaders, they may draw rather different conclusions than hitherto.—Yours faithfully,

*London, N.W.*8 W. T. RODGERS

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Education Costs

SIR—Mr Charles Murphy's letter published in your issue of March 16th may not have been intended to be deliberately misleading. But does anyone really think that the only expense incurred inside a classroom is the teacher's salary? The classroom costs money to provide, furnish, heat, clean and repair, and the cost of these services is about 20 per cent of the total budget of a typical local education authority. Then, too, schools employ non-teaching staff—cleaners, clerical assistants, groundsmen, and so on. These account for about another 8 per cent. Staff not directly employed in schools (administration, medical, dental, youth service, etc.) together account for not more than about 6 per cent of the total budget, compared with over 50 per cent for teaching staff.

Though classes of 40 and over may be quite common, the national average number of pupils per full-time teacher in 1956 was 31 in primary schools and 21 in secondary schools. Teachers deal with classes of 40 because some have no responsibility for a class ; many head teachers in primary schools are in this category, while in secondary and grammar schools specialists without specific class responsibility are not uncommon. Teaching costs per pupil in primary schools were £21.42 in 1955-56 and in secondary schools £35.97 (these costs are much higher now). This works out, on the basis of Mr Murphy's class of 40, at £856 in primary schools and £1,440 in secondary schools. Few teachers are on the scale minimum and many enjoy special allowances.

Nearly all of Mr Murphy's figures are suspect For example, a secondary modern master, if qualified, cannot start at less than £475 a year, and in 1955-56 the average expenditure on books, stationery and materials per pupil in primary schools was over 22s. and not 16s. In secondary schools it was £2 11s.

Letters such as Mr Murphy's do no good to the cause of education nor to the teaching profession as a whole.—

Yours faithfully, F. M. WALKER

Oxford City Treasurer

Pensions Preserved

SIR—In the comment in your issue of March 23rd on preservation of pension rights, you state that " some minor tax difficulties still obstruct the full transfer of pension rights." No doubt the adjective " minor " is appropriate in the sense that these tax difficulties could easily be eliminated by Parliament, if it were really interested in " setting the people free." But the day-to-day effects of these tax difficulties are by no means " minor." They provide, and have for years provided, a seemingly good excuse for the typical pension rules which are designed to bind employees for life. Their intricate complexity enables the case for transferable rights to be dismissed by impressive references to mysterious tax complications, and at the same time leads politicians to regard the whole subject as too niggling and labyrinthine to deserve their serious notice.

This is not the only case of seemingly minor tax difficulties having a frictional effect which seriously stunts genuine private enterprise. To hack away furiously at this wretched undergrowth would surely be in the best tradition of *The Economist*.—Yours faithfully,

Leeds RICHARD WAINWRIGHT

Parliamentary Privilege

SIR—The interest displayed by you in the subject of parliamentary privilege causes me to suggest that you might be interested in a proposal for a reform in the existing procedure.

At the present time, once the Speaker has ruled that a matter is *prima facie* a breach of privilege, a motion is then made by the Leader of the House that the matter be referred to the Committee of Privileges. Should the motion be passed, the matter then goes before the committee, notwithstanding it is apparent that the matter at the worst could only be a technical breach, and accordingly the dignity of the House requires that no action should be taken.

I suggest that the powers of the Speaker should be enlarged to give him the right to refuse to accept the motion that the matter be referred to the Committee of Privileges, if he is satisfied that the dignity of the House requires that no further action be taken on the matter.

A ruling by the Speaker that a matter was a breach of privilege would make it clear that should the offence be repeated it could not be said to be done in ignorance and at the same time by giving power to the Speaker to refuse the motion, it might save the House time and loss of dignity.—Yours faithfully,

*London, N.W.*11 EDWARD F. IWI

BOOKS

Expedition to Egypt

Les Secrets de l'Expédition d'Egypte

By Merry and Serge Bromberger.
Editions des 4 Fils Aymon. 272 pages. 795 francs.

One Hundred Hours to Suez

By Robert Henriques.
Collins. 254 pages. 16s.

Guilty Men, 1957

By Michael Foot and Mervyn Jones.
Gollancz. 264 pages. 12s. 6d.

BECAUSE of its often tactless disclosures, the account of the Anglo-French expedition to Egypt by the brothers Bromberger is bound to evoke contemptuous official denials. It will be resented by many supporters of the Egyptian adventure, at least in this country, where any unorthodox version of the motives and sequence of British actions tends to be treated as an attack. Yet MM. Merry and Serge Bromberger are impenitent supporters and partisans of the expedition themselves, and their account, though highly critical, is by no means unsympathetic. Frank imperialists, the authors believe that their country had done a great deal of good in Egypt, that President Nasser is doing a great deal of harm there, and that the blow struck against him was worth striking ; they even draw some optimistic conclusions about its consequences.

No denials of what they say ought to mislead anyone into supposing that their book is in any way scandalous or irresponsible. On the contrary, it is the first consistent explanation of what happened: how the Anglo-French expedition was planned ; how it came to coincide in point of time, but failed to be co-ordinated operationally, with the Israeli invasion of Sinai ; what caused it to be bungled, and where the political calculations went wrong.

Both the authors accompanied the expedition, and quite obviously they have had excellent sources from which to fill in the political and administrative background to their experiences. In presenting their narrative they use rhetorical devices, and their manner of exposition inclines to the dramatic: thus the account of the meeting in Paris on October 16th is given in direct speech, though, as they say, only Sir Anthony Eden, M. Mollet, M. Pineau and Mr Selwyn Lloyd were present. But the narrative in general rings true. France, they explain, in the summer and autumn of 1956 had to work with two allies—Britain and Israel—who were hostile to each other. The Israeli decision to attack Egypt was taken in mid-October ; by that time the Franco-Israeli friendship was firmly established and the French supply of arms, which Israel desperately needed to counterbalance the lavish Russian supplies to Egypt, was well under way. But the Anglo-French joint military planners, who had started work in London a few days after President Nasser's seizure of the Suez Canal, were planning without cognizance of the special Franco-Israeli relationship. They were planning, too, for a hypothetical operation against Egypt the nature of which had not been decided, and for which no date was set.

It is essential to the Bromberger version that the Israelis in mid-October told the French of their decision to invade Sinai, and that the French told the British. This knowledge was confined to a very few men, but it was the key to the decision to land at the mouth of the Suez Canal at the beginning of November. M. Mollet, however, (MM. Bromberger relate) failed to persuade Sir Anthony Eden to join in the operation openly on the Israeli side ; British intervention must be an intervention " between " the combatants. This was the harder for the Israelis as they did not want an Anglo-French expedition at all ; as they foresaw, it would embarrass and frustrate them ; they wanted French air cover to protect the Israeli towns, French air supply to assist their task forces in Sinai, and some limited French naval support. All this they received, but in order to secure it they had to swallow the Port Said expedition. To the last, British planning ignored Israeli movements and refused any co-operation with the Israeli forces (who, after all, were fighting the same enemy). The French carried out two separate operations, one in concert with Britain, one in support of Israel, though naturally they used the same ships and the Cyprus airfields for both.

MM. Bromberger are able to show clearly enough how the British fiction of impartiality distorted the planning of the campaign, lengthened its timetable, and in important ways contributed to the failure to reach the objectives. In believing the fiction to have been a political as well as a military mistake—" It was not so much the intervention that shocked international opinion, as the pretext "—they may have been right or wrong. They are probably right in holding that the impossibility of admitting any co-ordination with the Israeli action meant that our own forces were kept in the dark about our own plan, and that this contributed to the military bungling of the operation. Even in the last few hours before the cease-fire, a complete seizure of the (by then, undefended) canal would probably still have been fairly simple in co-operation with the Israelis ; but this was excluded, and the Anglo-French force finished up in the ridiculous position of holding the Port Said end only. A quick and resolute seizure of the entire canal would not have saved Britain and France from the eventual political debacle (though here the brothers Bromberger would differ) ; but it might have produced wholly different tactical conditions for negotiating the resumption of traffic.

Colonel Henriques has written an elegant and enjoyable account of the Israeli campaign in Sinai and Gaza. The campaign was brilliant and adventurous and makes an absorbing narrative. Colonel Henriques arrived in Israel just as the fighting stopped, talked to many of the Israeli commanders, and was given official facilities to find out all he could. Obviously, he was not given official help in finding out the political background of the campaign, and indeed he remains innocent of any apparent knowledge of it. He knows nothing of collusion. This may have led him to overestimate the technical effectiveness of the Israelis' performance. Yet his account of their remarkable army, its unusual soldiers and its amateur methods of getting professional results, was well worth writing.

The title " Guilty Men, 1957 " speaks for itself. Mr Foot and Mr Jones have written an arid and one-sided tract, in which the enemy is the Conservative government and the Labour party is the Angel of Peace.

The White House

The American Presidency

By Clinton Rossiter.
Hamish Hamilton. 191 pages. 16s.

THERE has been no shortage in recent years of books on the American Presidency. Just as the curiosity of the American man-in-the-street has led him to demand details, literally, of the President's intestines, so the American reporter has probed, metaphorically, into the intestines of presidential power. But not all the academic X-rays have been equally informative—especially for the English layman. Some are too legalistic, some too journalistic, some too historical, some too polemical. The peculiar merit of Mr Rossiter's study is that, despite the fact that it originated in a course of lectures to a Chicago audience, it seems to cover just the ground, at just the level of detail and allusiveness, that the average well-informed British reader needs. It is delightfully written, with humour and a total absence of pontification. It can be read with particular profit by anyone brought up to see this most American of American institutions through the sharp but distorting spectacles of Harold Laski—" Harold Laski, who," Mr Rossiter remarks, " wanted a new deck more than a New Deal."

Mr Rossiter, for his part, is by no

means discontented with the presidential office as it exists today. And "today" in this context means a bare year ago, since Mr Rossiter has not been shy of putting the presidency of Mr Eisenhower under the same spotlight that he turns on FDR or Andrew Jackson. His verdict, in a nutshell, is that he "already stands above Polk and Cleveland, and he has a reasonable chance to move up to Jefferson and Theodore Roosevelt." Mr Rossiter is not worried about the great power that the American system of government concentrates in one man, because he believes, and advances excellent arguments to substantiate it, that the presidency is an essentially democratic office. For this reason he does not much favour any of the ingenious reforms which various of his academic colleagues have proposed for the presidency. Basically, his advice is "Leave Your Presidency Alone." One may agree or dissent, but certainly Mr Rossiter's lively book arrives at its conclusion by no complacent, smug or lazy intellectual road. It is fresh, quizzical and searching—a first-rate exposition of its theme.

Painless Guide to Uno

The Second Lesson

By Bernard Moore
Macmillan. 237 pages. 21s.

IT is a pleasant change for one more accustomed to lawyers' tomes and postgraduate theses to be buttonholed by a journalist who wants to tell his readers what the United Nations is like in human terms. Mr Moore, who spent seven years covering Uno for the BBC, describes the place, the people and the atmosphere with humour and insight. He expresses a firm distaste for the upended matchbox of pale green glass which houses the Secretariat, for the bright modernity of committee and council rooms, and—more understandably—for the faintly common Assembly hall and the dead common murals. He has a fund of stories of the kind that abound in closed societies: the one about the Iraqi delegate, a bachelor, who suggested that the Trusteeship Council might well leave the Fon of Bikom alone to handle his hundred wives, adding, "May God give him strength in his arduous task"; the one about Mr Krishna Menon having to admit, in the midst of his ardent advocacy of Outer Mongolia's admission to Uno, that he did not know the name of his protege's capital city; and the one about the Latin American delegate's annotated speech which contained the marginal reminder, "Weak point. Shout."

Fortified by this personal approach, the reader will find that he has been guided painlessly through the intricacies of the veto and the "Uniting for Peace" machinery, the pros and cons of Chinese representation, Secretariat loyalties, domestic jurisdiction, and most of the major problems that have dogged the organisation during its first eleven years. In a chapter on "Foreign Bodies" the author stresses the political disadvantages of the United States as the headquarters of an international organisation.

Mr Moore's "first lesson" was learned as a permanent correspondent at Geneva in the nineteen-thirties, and although he has many reservations to make about Uno he realises that, as André Maurois prophetically said of the League, "whether people want it or not, their destinies are now so closely intertwined that . . . if tomorrow some catastrophe destroyed it, it would come to life again under a different name."

The Classical World

Greek Civilisation

By André Bonnard.
Allen and Unwin. 209 pages. 30s.

PROFESSOR BONNARD'S title promises more than he gives. His book only goes as far as Pericles and therefore leaves out, for example, Euripides, Aristophanes, Plato and Aristotle. These omissions are to be remedied in a further book, but it would have been fairer to label this one plainly "Volume I." Nor does it cover the whole field within its period: it is mainly a series of separate but connected studies, written by one whose prime interest is in literature, about life seen through the eyes of some of the best Greek writers. Half the book is about the poems, the ideas and the world of Homer, Archilochus, Sappho and Aeschylus; Solon and Pericles get a chapter each; and the rest is mostly about Greek religion and those aspects of Greek society which are most apt to interest a good citizen of Lausanne like Professor Bonnard: on the credit side, democracy; on the debit, slavery, infanticide and the degraded status of women.

Professor Bonnard is no slave to accuracy. His asseverations tend to be bold, and are therefore sometimes doubtful (his translator points out some of the doubts in footnotes). He relies on secondary sources for what he dismisses rather airily as "the general confirmation of facts and events." Even in his own field of literature he makes more than the best of his material: he silently fills out gaps in the text of Sappho and knits disjointed fragments of Archilochus into a factitiously continuous series.

But to attack his accuracy in detail is (one suspects) to leave the author unscathed. This is not a cram-book for students, and its value does not rest on its statement of facts. It is a personal and sensitive interpretation of the development of the Greek mind as seen in Greek literature. One can agree or disagree at many points, but either way it is a stimulating and lively book. It is full of quotations from the author's chosen writers, and his translator uses (with few exceptions) good English versions of them—particularly Professor Thomson's incomparable translations from Aeschylus, than which there is nothing in English closer to Greek.

The book is exceptionally well translated by Professor Lytton Sells; it is handsomely produced and requires no previous knowledge of the subject.

Indian Civil Servant

A Young Victorian in India: *Letters of H. M. Kisch.*

Edited by Ethel A. Waley Cohen.
Cape. 242 pages. 25s.

H. M. KISCH passed into the Indian Civil Service in 1873 when it was perhaps at its zenith. Within six months the great Bihar famine of 1874 broke out and, just over twenty-three years old, Kisch was ordered to Tirhut, a remote district covering 198 square miles on the borders of Nepal. Here he experienced his first Indian hot weather, sleeping, not beneath punkahs in a cool bungalow, but camped in an indigo factory and spending ten to fourteen consecutive hours a day riding from village to village. With the aid of three clerks and 36 other ranks, he organised relief; found employment for tens of thousands; built dams and tanks; set up depots for 12 million lb of rice worth a million rupees; kept detailed accounts of every anna paid out; held his first court as a magistrate to sentence corrupt subordinates and dishonest grain merchants; worried how to protect his rice depots from Nepalese raiders. Tension mounts as the monsoon falls due. Will the rains fail for the second year running? They come. Dams burst and are repaired amid every kind of distraction. The rains cease. Anxiety returns. The Governor visits the famine area and inspects Kisch's work. The rains return torrentially. The land breathes again.

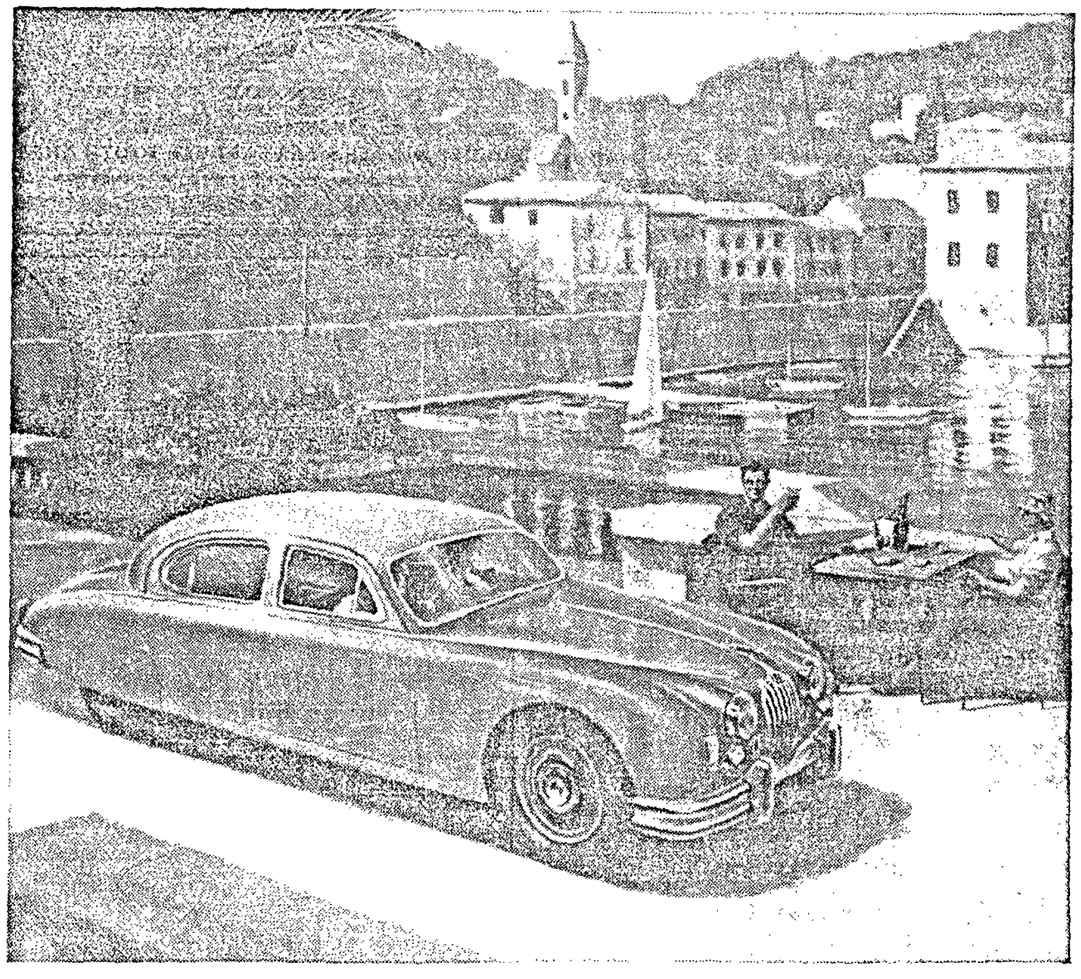
In his letters home, Kisch looks back on these seven crowded months. At their beginning he could not speak the language, did not know how to dig a good tank, build a grain depot, or store rice so that it remained undamaged by heat or damp. Now, a veteran of twenty-three years and ten months, he has all these, and half a hundred other matters, at his finger tips. He opens the Gazette one day and finds himself the youngest member of a short list (his name placed second) of officers specially gazetted for outstanding work. The crowning recognition of a difficult job well done was his transfer to cope with the worst district in the Province. Obviously a marked man, he is promoted rapidly. He retires, laden with honours, in 1904 and dies in 1942 at the age of 92, the "father of the ICS."

Summarised thus, these letters must sound pure Kipling; but whereas Kipling would be complacently self-righteous and brassily imperial, Kisch remains agreeably unselfconscious. As a description of things seen and done in out of the way corners of India, his quiet letters will give pleasure to Indians and British alike. The historian is, however, disappointed that Kisch sheds scarcely a beam on the great controversies of the day: the second Afghan war, the agitated viceroyalty of Lord Ripon, the formation of the Indian National Congress. Kisch epitomises the strength and weakness of the ICS—a body of supremely assured, capable, and devoted public servants in whom political sense and judgment were rare.

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State of the President

WASHINGTON D.C.

THE public success of the Bermuda conference, coupled with the Israeli withdrawal from Gaza and the passage by Congress of the Eisenhower doctrine for the Middle East, has temporarily stilled the major controversies which monopolised public attention during the first three months of the year. But President Eisenhower is experiencing, not an interlude of calm, but rather a subtle sapping of his prestige and criticism of the quality of his personal leadership.

This mood of restless dissatisfaction would have caused no surprise during the terms of any of his recent predecessors, but in Mr Eisenhower's case it is unprecedented. No President has been so immune from personal attack. There are many reasons for this happy circumstance; but probably the most important has been the President's extraordinary skill in fulfilling his ceremonial and psychological functions as head of state, as distinguished from his duties as an executive and political leader.

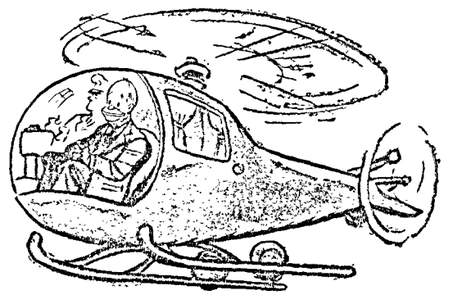
Mr Eisenhower's personal amiability, his exemplary family life, his regular church-going, his fondness for such conventional pastimes as bridge and golf, his soldierly dignity, and his gift for expressing himself in moral truisms have all contributed to a widespread confidence in the stability, morality, good taste and unruffled authority at the centre of the nation's public life. He is an entirely reassuring public figure, with none of Mr Roosevelt's complexity or flashing colour; he never undermines the presidential image, as Mr Truman occasionally did, by lapses into profanity or bad temper. Mr Eisenhower's political strength rests on this rock of public trust in his personal qualities.

Certain minor, even trivial, incidents have recently, so to speak, chipped this rock. Journalists accompanying Mr Eisenhower to his Gettysburg farm last weekend, for example, were stopped by the Maryland police for speeding despite their explanation that they had to travel at more than seventy miles an hour to keep up with the President. It then became publicly known for the first time that the President's motorcade frequently violates the traffic laws. It once travelled at ninety miles an hour on the very day that Mr Eisenhower had made a public plea for safe driving. This episode has caused wide public comment. For the first time since he has been in office, Mr Eisenhower has been the subject of editorial rebuke in normally friendly newspapers for setting a bad example in his private conduct.

There is also more vocal grumbling about the old niggling question of the frequency of the President's holidays and the amount of time he devotes to playing golf. When a reporter at his last press conference asked the President if he would set an example of government thrift by forgoing the purchase of two helicopters "for getting you out to the golf course a little faster," Mr Eisenhower gave way to red-faced rage and cut short his questioner with unaccustomed abruptness. This, too, caused a twenty-four hour sensation in the capital.

Much of the present concern, apart from these pin-pricks, centres on the issue of the President's health. Before Mr Eisenhower went to Bermuda there was a flurry of stories in the foreign press depicting him as an ageing and enfeebled leader physically unequal to the burdens of his office. The American press carried far less alarming accounts, but the articles published abroad were duly noted and stirred uneasy memories of the rapid physical decline

The Helicopter Era





Herblock in the *Washington Post*

and death of Mr Roosevelt twelve years ago. Although there is no tangible evidence that President Eisenhower's health has really deteriorated, concern about it raises difficult questions about the vigour of his leadership.

The President broke off a holiday in Georgia to deal with the crisis over Israel. He then converted his journey to Bermuda into a leisurely sea voyage to obtain added rest. Upon his return, he indicated he was planning another holiday in the south in the near future. These efforts to protect his health, coupled with inherently trivial incidents, have acquired a disproportionate political significance.

This is because any serious diminution of Mr Eisenhower's personal prestige would vitally affect his authority as chief executive and party leader. If Mr Eisenhower were to become less the supremely popular and revered father figure and more the ordinary political chief, if the public were to come to view him, not as a leader who prefers to drive with a loose rein, but rather as one who does not have the strength to do otherwise, his effectiveness would be seriously impaired regardless of the facts of his physical condition.

★

Critics have long contended that Mr Eisenhower husbands his prestige in a miserly fashion rather than expending it in open battle on behalf of his programme. The more controversial items in that programme are now in such trouble that it is believed that he can rescue them only by a strong show of personal leadership. He has already made gestures in this direction. At the end of February the President delivered one of his rare "fireside chats" to the country on behalf of his policy toward Israel. At a recent press conference, after seeming to temporise for many weeks, he came staunchly to the defence of his Budget and foreign aid, which have been loudly and relentlessly attacked by his conservative supporters. The Budget battle, however, is far from won.

The Administration's social welfare projects are also in danger, notably the proposed Bill providing federal aid for the construction of schools. Three months ago, the controversial Powell Amendment requiring racial desegregation seemed to be the only serious threat to the passage of this measure. Now there is growing sentiment in Congress to abandon the school programme solely for reasons of economy.

Many of the President's political problems are the result of restiveness in the ranks of his own party. Mr Knowland, the Republican leader in the Senate, has exploited popular sentiment against the Administration's policy toward Israel to build a bridgehead of dissent on issues of foreign policy. Senator Jenner and other irreconcilables of the far right wing began deriding "modern Republicanism" with vehemence as soon as they had put last November's election safely behind them. These rumblings presage a renewed struggle for control of the party in 1960 when Mr Eisenhower retires. The President and his advisers are in the further dilemma that most of the Republican seats in the Senate which are at stake in next year's midterm election are held by conservatives of the old Taft faction. The Administration cannot repudiate these stalwarts without risking all hope of recapturing the Senate, but at the same time it is not easy to draw the mantle of modern Republicanism around the likes of Senators Bricker, McCarthy, Jenner and Malone.

Notwithstanding his present troubles, Mr Eisenhower remains in a remarkably strong position. This should be emphasised. His personal prestige in the country, so triumphantly recorded in last November's vote, has not yet been seriously impaired. He can, if he cares to, still successfully counter his critics in Congress on budgetary matters and rescue the school and foreign aid programmes. The present flurries of criticism are not so much rebellions against his leadership as they are expressions of the need for a stronger hand. The real question is whether the President can continue to win enough victories by the soft methods of patience and persuasion he has followed in the past.

Another Democrat from Texas

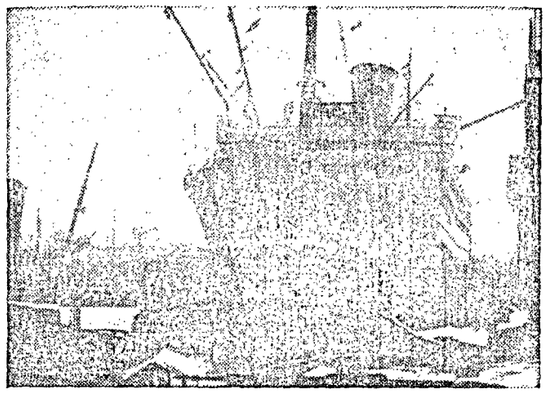
A TORNADO cut a symbolic swathe through Republican Dallas on Tuesday as Texans went to the polls to choose a new Senator to fill out the rest of the term of Mr Price Daniel, an Eisenhower Democrat who resigned his seat early this year in order to become Governor. The victor is Mr Ralph Yarborough, a liberal and four-time loser in elections for state office, who owes his success this time to the splitting of the conservative vote between Representative Martin Dies, the isolationist Democrat, who gave his name to the notorious Dies committee and Mr Thad Hutcheson, on whom Republican hopes throughout the country were pinned. Had Mr Hutcheson won, the Senate would have been divided evenly between Republicans and Democrats, and Mr Nixon, the Republican who presides over the Senate by virtue of being Vice President, would have been able to break the tie over who should control the Senate in favour of the Republicans.

Now the seats of power, the committee chairmanships, will continue to be occupied by Democrats, and Mr Lyndon Johnson, the Democratic leader in the Senate, and Mr Rayburn, the Speaker of the House, both of whom come from Texas, can breathe again. The vote was 320,810 for Mr Yarborough, 264,344 for Mr Dies, and 206,313 for Mr Hutcheson. These three captured over 90 per cent of the total vote, although fifteen other Democrats and one other Republican hung on in this free-for-all race to the very end. There were no preliminary elections to sift out candidates on either side, and no provision for a run-off. However, the scandals in the state government, first in the land office and more recently in the department controlling insurance, which Mr Yarborough exploited, acted rather like a primary election by depriving most of the candidates of any newspaper publicity.

The substitution of Mr Yarborough for the conservative Mr Daniel will strengthen the progressives in the Senate, at least until 1958, when Mr Yarborough will have to defend his seat. He is a Democrat who stuck to Mr Stevenson in 1952 and 1956, when so many Texan Democrats climbed on the Eisenhower bandwagon. A self-proclaimed Fair Dealer, he won rural votes by indefatigable handshaking and milk-drinking and labour votes by denouncing the Taft-Hartley Labour Relations Act and campaigning for higher income tax exemptions and bigger old age pensions. But as an East Texan he found himself almost tongue-tied on the difficult issue of abolishing the colour bar in state-supported schools.

Repairs to Housing

THE number of houses started fell in February to a seasonally adjusted annual rate of 910,000, the lowest since 1951, and both house-seekers and house-builders have been besieging Congress with stories of hardship and alarmist prophecies of a housing-bred depression. Last week the President responded by ordering the greatest possible reduction possible, under present law, in the down-payments required on mortgages insured by the Federal



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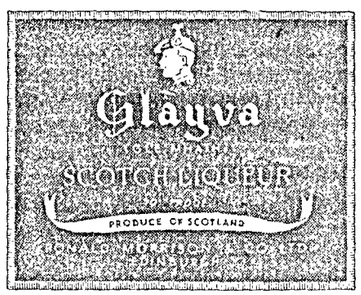
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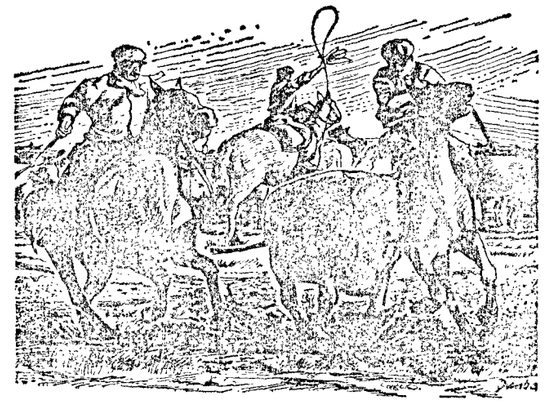
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the things they say!

Huge place, isn't it?

Darn sight too huge, if you ask me. These new I.C.I. places cost millions and millions — and what's it all for?



Why, surely to make new chemicals for Britain's expanding industries . . . ?

Not a bit of it — profits for a few top hats in the City, that's all it's for, mark my words. It isn't right that a few men should control such wealth and power, and if I were running this country . . .

Oh, come. You talk as though I.C.I. were controlled by a few financiers answerable to no one but themselves.



Well, isn't it?

Of course not. Nor is any big public company today.

Go on! I.C.I. is run by a handful of directors, and don't you say it isn't.

Certainly the big policy decisions in I.C.I. are made by the Directors. But nearly all of them are men who've come up through the organization, and none holds his position on the strength of a big block of shares or anything like that. Anyway, control of I.C.I. ultimately lies in the hands of the I.C.I. stockholders.

And who are they, eh?



A fair cross-section of the community—from foremen plasterers to district nurses, from shop assistants to judges. All told, no fewer than a quarter of a million people. The number is going up all the time, too, for under I.C.I.'s Profit-Sharing Scheme over 80,000 of its employees are also being given shares in the business.

ICI

Housing Administration in order to make it easier for poor families to buy houses. Some observers are interpreting this as a sign that the Administration is beginning to fear deflation more than inflation, and is propping up an industry which is itself a substantial prop to the whole economy.

But builders and lenders on mortgage are looking this gift house in the mouth; they realise it will not provide a penny more in mortgage funds, and it is credit which is short, particularly for the mortgages guaranteed by the Veterans Administration. Congress is apparently determined to refuse the Administration's request that interest rates payable on such mortgages be raised from 4½ per cent to 5 per cent because this would increase the cost to ex-servicemen, a 20 million strong group which Congress likes to treat tenderly. But nothing else is likely to attract more lenders.

The concessions made by the Administration seem to have been granted in the hope—which seems almost certain to be disappointed—that they would satisfy Democratic demands that more government money be pumped into housing. There are a few straws which suggest that economists are today looking in the direction of deflation as well as inflation when they hold up a wet finger to the economic breeze: for example, Mr Martin, the chairman of the Federal Reserve Board, describes its policy as "passive." But in the main the Administration is turning a sceptical ear to the cries of builders that the "roof has fallen in on housing." The number of houses to let or for sale is still near rock bottom, suggesting that the underlying market is sound; and government economists point out that with builders tending to build larger and more expensive houses, the number started is a misleading indicator.

Ill-Wind for Teamsters

THE gales that have blown Mr Dave Beck, the President of the Teamsters Union, some 80 times into the uncertain shelter of the Fifth Amendment and nearer to the outstretched arms of the income tax inspectors, abated slightly last week. But the force of the storm is far from spent and next week it is likely to be felt in New York, where the committee intends to investigate allegations of illegal collusion between local union officials and their members' employers.

The American Federation of Labour and Council of Industrial Organisations has taken advantage of this ill-wind to suspend Mr Beck as a member of its executive council and as a vice president of the federation on the ground that his refusal to answer questions about his use of union funds had brought the labour movement into disrepute. Under the ethical code recently adopted by the federation over the objections of the teamsters, the use of the Fifth Amendment is grounds for expelling an officer from his union. But will the teamsters expel Mr Beck? His future—and that of the labour movement, which would be grievously weakened by jurisdictional strife if the most powerful union in the country left the AFL-CIO—depends on how firm a rein he has over his teamsters. There are reports of local unions burning Mr Beck in effigy, demanding his resignation and refusing to support his "defence fund." But if each local leader can mobilise his machine vote at the teamsters convention in September, they may be able to ride rough-shod over any rebellion of the rank and file.

Already this week the executive board of the teamsters has voted, in effect, to uphold Mr Beck in his refusal to answer the questions of the Senate investigating committee and it is believed they also approved the raising of a $1 million fund to put the teamsters and their officers in a more favourable light. Millions of Americans who, to the distress of honest trade union leaders, have been regularly switching on their television and radio sets to watch the hit programme of the week, will relish the observation of Mr Kennedy, the committee's counsel, that the committee gave Mr Beck a chance to do this free ten days ago.

No Cuts for "Pork"

WASHINGTON, D.C.

WHEN President Eisenhower last week forcefully urged the virtue of self-discipline on an economy-talking Congress, he took as one of his main targets "the vast number of public works that are authorised without proper engineering studies to back them up." The following day the Senate passed a Bill authorising work on rivers, harbours and flood control valued at $1.5 billion, a quarter of which lacked the approval of the Bureau of the Budget or even the easily obtained backing of the Army's Corps of Engineers. On hand to watch the success of their efforts were members of the Rivers and Harbours Congress, a coalition of local private interests who form a privileged super-lobby headed by Senator McClellan of Arkansas, who is himself a member of the Senate Public Works Committee.

The annual jostling for these projects, known colloquially as "pork," represents American politics at its most elemental. For a member of the House from a marginal seat, success in obtaining Federal money for a locally favoured dam, canal or scheme to make a river navigable, may be just what it takes to give him security in his job for the rest of his political career. Senators theoretically concern themselves with larger schemes affecting the economy of whole states, but few can afford to neglect entirely even the more parochial ambitions of constituents.

The "pork barrel" is usually put together by a coalition of members of Congress from the Mississippi Valley and the Rocky Mountains, the underdeveloped areas that stand in greatest need of economic aid. The same members of this coalition work together on reclamation projects in the semi-arid States, and subsidies for sugar beets, wool, silver and other minerals. It has a firm grip on the committees which distribute such plums and can assemble additional votes by its power to pass on the more modest requirements of other parts of the country.

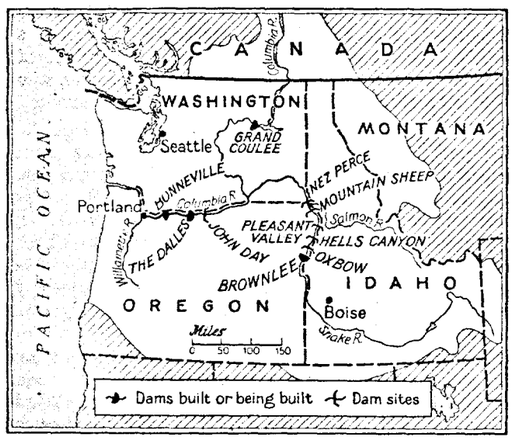
Last year the President vetoed such a Bill. This year, while members of the House were celebrating their temporary success in slashing over $800 million from the President's $72 billion Budget, about $100 million of this from the appropriation for health, education and welfare, all attempts on the floor of the Senate to have the questionable items of "pork" either cut out by Congress or left to the discretion of the President, were beaten down. Senator Douglas of Illinois or Senator Knowland of California had only to suggest that economy begins at home for the Chairman of the Public Works Committee to offer to cut out all projects in Illinois and California forthwith.

TVA for the Columbia?

FROM A CORRESPONDENT IN OREGON

CROWDED along the canyon of the Snake River, the major tributary of the Columbia, which cuts its way along the boundary of Oregon and Idaho, are half a dozen sites for dams capable of providing much needed water storage and hydro-electricity for the development of the Columbia River Basin. One is the controversial site at Hells Canyon. But in recent years the deadlock between the advocates of government building and the advocates of the private electricity companies has frustrated the full development of the continent's second greatest water system.

The election last November drastically altered the political climate of the Pacific Northwest on this issue. Democrats were swept into control of the state governments of Washington and Oregon, which had been dominated by Republicans, and in the senatorial races in Washington, Oregon and Idaho, Democratic supporters of government development of hydro-electric power defeated the Republican candidates who defended President Eisenhower's policy of encouraging the use of private capital, wherever possible, either independently, or in "partnership" with the federal government. One result was to reduce to vanishing point any prospects of



such a "partnership" policy in the states of the Columbia Basin. It also became virtually certain that the Republican-sponsored Columbia Interstate Compact, a proposed seven-state agreement to form a regional agency with purely advisory powers over the co-ordination of private and governmental projects, would never be ratified by its principal members, Oregon and Washington.

In Washington, D.C., last month the triumphant Democrats held hearings which they hoped would lead to a reversal of the decision of the Federal Power Commission that the Idaho Power Company could build three small dams in place of the single high federal dam which the Democrats feel is needed to exploit the Hells Canyon site to the full. Congressional action is the only hope for the high dam now that the Supreme Court has this week refused to interfere with the decision of a lower court that the FPC's action was legal. But Mr Seaton, Mr McKay's succesor as Secretary of the Interior, had shown signs much earlier that he had absorbed the lesson of Mr McKay's defeat at the hands of Senator Morse, a Democrat and a most energetic advocate of government development.

In January Mr Seaton informed the commission that the Bureau of Reclamation was studying the feasibility of a high dam at the Pleasant Valley site, down the river from Hells Canyon. Such a dam would rule out two of the three low dams which the Idaho Power Company has permission to build, as well as two other low private dams, at Pleasant Valley and Mountain Sheep, which the FPC is now considering. But coupled with the company's third site, at Brownlee, where it has already invested $14 million, a high dam at Pleasant Valley would provide exactly the same storage capacity for flood control, irrigation, and the production of electricity as the high dam at Hells Canyon. The Eisenhower Administration would be able, in this way, to give the voters of the Northwest what they have shown they want, without too evident a loss of face. The staff of the Federal Power Commission has just recommended a third solution for the Snake—a high dam at Nez Perce, still further down stream. But this would be below the mouth of the Salmon, a tributary of the Snake, and would shut off the salmon runs. Fishing as a sport is too much valued in the Northwest, and is too valuable a tourist attraction, to permit planners to disregard it.

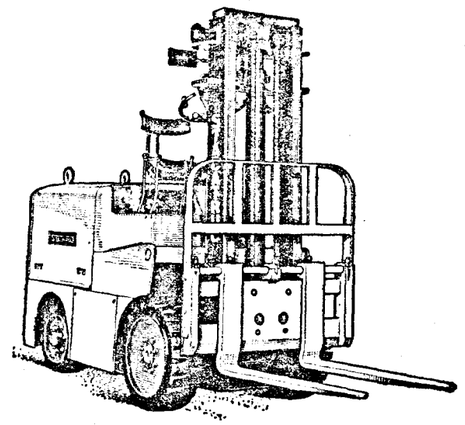
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There is a growing possibility that differences such as these over development of the Columbia and its tributaries may lead to the creation by the federal government of a responsible development agency enjoying an autonomy similar to that of the Tennessee Valley Authority. A Bill will be introduced shortly in Congress which would create a Columbia River Development Authority, with a five-man board of directors appointed by the President, on which there would be representatives of the four states most vitally concerned in the exploitation of the Columbia system—Washingon, Oregon, Idaho and Montana.

Unlike the TVA, the CRDC would have responsibility for only one phase of the development of water resources—hydro-electricity. The corporation would absorb the present Bonneville Power Administration, an independent agency of the Department of the Interior, created twenty years ago to market the electricity generated by federal projects in the Pacific Northwest. The CRDC would have authority to plan, construct and operate hydro-electric projects and distribute the electricity produced, but the actual construction would be carried out, as before, by the Army's Corps of Engineers and the Bureau of Reclamation. The key to the plan is the arrangement for financing the Authority's capital expenditures by the issuance of bonds to be retired out of revenues from sale of electricity. The securities would be guaranteed by the US Treasury.

The Bonneville Power Administration is now receiving more than $60 million a year from its sales of electricity. The prospect is that CRDC would eventually have a gross income of approximately $100 million. From this revenue it would finance its own operations and repay the capital chargeable to electricity in projects on the Columbia and its tributaries. The cost of navigation, fish conservation, flood control and other benefits from the authority's dams would be paid, as before, by the federal government.

This would make it unnecessary in the future to depend on federal appropriations for the generation and distribu-



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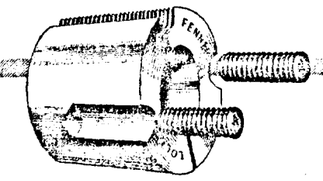
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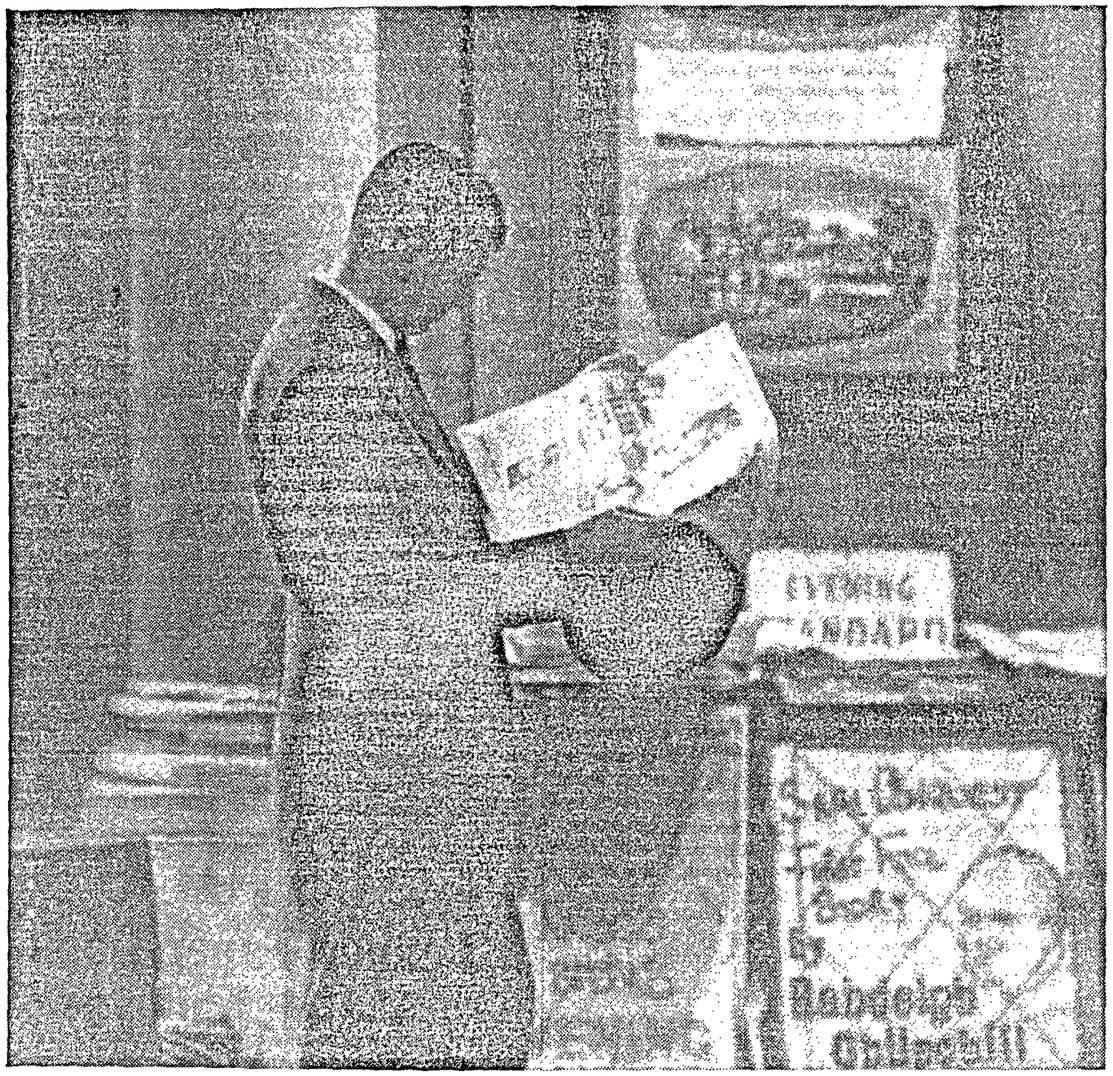
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tion of hydro-electricity in the Pacific Northwest. The reluctance of Congress in recent years to make such appropriations has been the major obstacle to expansion of the programme which began two decades ago with the erection of the Bonneville and Grand Coulee dams. For example, Congress, whether controlled by the Republicans or Democrats, has repeatedly refused to authorise the construction of the $500 million Hells Canyon dam on the Snake River. This was why the Federal Power Commission granted the construction licences to the Idaho Power Company for a series of three smaller dams.

The sponsors of a Columbia River Development corporation, who include the members of the Northwest Public Power Association and many newspapers and state officials in the Northwest, were encouraged by a sentence in President Eisenhower's recent Budget Message to Congress. "Legislation is recommended to authorise TVA," the message read, "to finance new generating facilities by the sale of revenue bonds." This, in essence, is the basic principle of CRDC, but even TVA, established as it is, has encountered Congressional opposition to such a scheme.

The idea of a regional corporation grows out of the general realisation in the Pacific Northwest that Congress and the private electricity companies cannot, even together, be counted upon to provide all the money necessary to keep pace with the prospective demand for electricity in the area. It has been estimated that this would require about $500 million a year for several years to come. Federal appropriations for Columbia development in the year ending June 30, 1957, totalled about $75 million. Private firms spent a somewhat smaller amount. At this rate, the Northwest faces the probability of a critical electricity shortage within the next five or six years. Even this winter, during the seasonal drop in the flow of the Columbia, it was necessary for the Bonneville Power Administration to withdraw a substantial amount of the electricity it supplies to aluminium plants and other industrial firms. Cheap, abundant electricity has been the basis of all the hopes of the region for industrial development; without it, the Northwest knows it will be passed by.

An Enemy of the Bankers

SOUTHERN Democrats forsook their party last week and joined with the Republicans to deny Representative Patman the opportunity, which he would have relished, of conducting the investigation into the monetary system proposed by the President in his State of the Union Message in January. This is a victory for the Administration and a defeat for cheap money. Mr Patman's dislike of bankers and the Federal Reserve system is equalled only by his distaste for credit restraint. The Democratic proposal that the inquiry should be conducted by a subcommittee of the House Banking Committee, under Mr Patman's direction, was defeated by 225 to 174, on the grounds that Mr Patman would find it difficult to be objective.

The President's original proposal was that a commission of nine independent experts should be formed which would be comparable to the Aldrich Commission that laid the groundwork of the Federal Reserve system before the first world war. However, it was soon realised that unless Congress was allowed to participate, it might not provide the money for such a commission, it might not accept any legislation which the commission might recommend, and it might refuse to waive the conflict of interest laws. This would make it difficult to persuade able men to serve. At the eleventh hour before the vote was taken, the Administration advanced a compromise under which the commission would be composed of four Senators and four members of the House, divided equally between the parties, and eight public members. The defeat of the Patman proposal clears the way for such a suggestion. But it by no means guarantees that it will go through. The reflections cast on Mr Patman during the debate have angered many influential Democrats, particularly Mr Rayburn, his colleague from Texas and the Speaker of the House. There may be no inquiry at all, or Congress, which feels that there have been too many costly independent study groups of late, may insist on running this one through a joint committee of the Senate and the House.

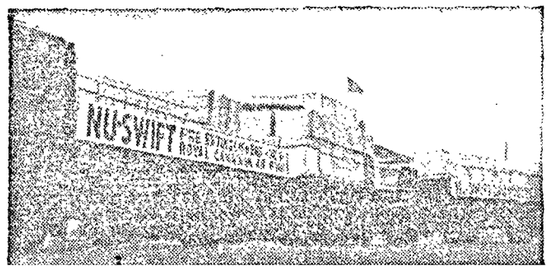
Case of the Disabled President

WHEN the Attorney General this week presented to a sub-committee of the House the Administration's proposals for a constitutional amendment to make clear what should happen when a President is unable to carry out his duties, the name of the Vice President, Mr Nixon, was never mentioned. But his unpopularity with the Democrats haunted the proceedings. Mr Brownell, in urging his scheme on the House, argued that it would diminish the present powers of the Vice Presidency; in his view, under present constitutional law, the Vice President alone has the power to decide when he should shoulder the burdens of the Presidency.

In 168 years, only three Presidents—Garfield, Wilson, and Mr Eisenhower himself—have suffered serious disablement; in no case did the Vice President step in. The country survived as Mr Rayburn, the powerful Democratic Speaker of the House, points out. But in an age of hydrogen bombs and aircraft crashes such as that of President Magsaysay of the Philippines, it can well be argued that the danger of the President being captured, injured, or immobilised is greater than before.

The plan put forward by the Administration is a direct outgrowth of the President's heart attack. It provides that the President may transfer his duties to the Vice President whenever he feels unable to carry them out—a provision which has aroused groundless fears that Mr Eisenhower means to do so when the international situation permits; in fact, it is unlikely that any constitutional amendment would receive the necessary assent from three-quarters of the states before Mr Eisenhower's term is completed in 1960. But the scheme also provides that if a President does not realise his incapacity or, because he is a prisoner, for example, cannot make the transfer of authority, this may be accomplished by a simple majority vote of his ten-member Cabinet. In both cases, the President would have the right to reassume his powers when he saw fit. The Administration has been courageous in facing this difficulty, which others would ignore or get around by appointing a "disability council" drawn from the Supreme Court and Congress. Both solutions, however, raise in their turn the spectre of a political conspiracy against the President; neither is likely to be accepted in the near future.

Reproduced as an advertisement from the columns of MACHINERY LLOYD, *17th November, 1956.*



Profile

Dollar Drive through Fire Fighting

Approved by the Fire and Accident Underwriters Associations of New Zealand, approved by the official German Testing Station for Hand Fire Extinguishers, approved by the Fire Marshal of Ontario Province, Canada, approved by the Danish Ministry for Trade, Industry and Shipping, approved by the Underwriters Laboratories of Chicago, U.S.A., approved by the Municipality of Beirut in the Lebanon, approved by the Swedish State Testing Institution, approved by Switzerland's Federal Testing Laboratories, approved by the Corps of Firemen of Caracas, Venezuela, approved by . . .

Used by the Nigerian Railways (Ebute Metta, Nigeria, B.W.A.), used by ASEA, the famous firm of manufacturing electrical engineers (Västeras, Sweden), used by the Hellenic Telecommunications Co. (15 Stadium Street, Athens, Greece), used by Roan Antelope Copper Mines Ltd. (P.O.B. 851, Lusaka, N. Rhodesia, Central African Federation), used by the Great Norwegian Spitzbergen Coal Company (Spitzbergen), used by Empresa Electrica de Guatemala (P.O.B. 209, Guatemala City), used by the prominent Danish shipowning concern of A.P. Möller (*Kongens Nytorv* 8, Copenhagen), used by . . .

You will find Nu-Swift fire extinguishers in every ship of the British Navy (and in ships of 16 other navies), in the royal yachts of Great Britain, Denmark and Norway, you will find them altogether in some seventy different countries.

Exports of Nu-Swift fire extinguishers and pressure charges have multiplied five times in six years. They now account for 40 per cent of total production and vastly exceed pre-war home sales.

Some record, this. How was it done?

The first step frequently is to get the approval of the national or local authority (which may be a fire service, a Government testing institution, an insurance body—see the first paragraph). Next come the concessionaires who have been appointed in all the many countries where Nu-Swift fire extinguishers are on sale. They may be large or small firms, or single individuals; what they all have in common is that they sell, talk breathe, live Nu-Swift, that they are fired (if this verb may be used in such a context) by enthusiasm backed by thorough knowledge of the equipment they handle.



F. Graucob

The factory where these extinguishers are made stands at Elland in the bleak, even somewhat grim, setting of industrial Yorkshire, and it is one of those ironic twists of history that the former textile mill building which house an older part of the works was all but destroyed by fir nearly a hundred years ago. One of the newer parts, whic is occupied by the Research and Development Sub-Divisio is called 'Braintree,' the name being one of those de touches—one is almost tempted to say private jokes- in which this organisation expresses the mind of its creato Its laboratories are splendidly equipped, and it may b mentioned in passing that Nu-Swift make all their ow small tools, that they have constructed several of th atomic hydrogen arc-welding machines which, as we sha see, play such an important part in production, that the have made some of their own zinc-spraying equipmer and test gear, and that they also design and partly carr out their own building extensions.

But it is time now that we meet the man who abo all others is Nu-Swift: F. Graucob, Chairman and Managi Director, who gives, not very seriously perhaps, ski-i in Switzerland and hunting rhinos in Africa as his hobbie who in outlook and appearance is about the younge grandfather it has been the writer's privilege to meet, an who, when the point is pressed, says: "It fascinates me tha we can to-day produce something which is considered superior all over the civilised world." Nothing could be more characteristic of the man.

In 1917, at the age of 15, and still wearing shorts, F. Graucob started selling automatic vending machines by cold-canvas in Copenhagen, Denmark. Eight years later he set up business in London with a capital of £18. In 1943 his Company bought the Nuswift Engineering Co., Ltd., who ten years earlier had taken over the manufacture of Nu-Swift fire extinguishers from the original makers, 1926 having been the year in which the first model had come out. In 1946 the Company's name was changed to its present form, Nu-Swift, Ltd. A few months earlier E. E. C. Cawood, who after 27 years' service had just left the Navy, where he had had extensive fire-fighting experience, had joined the Company as a salesman. A man of dynamic personality, he is now the Technical Director in charge of development, research and production.

Broadly speaking, Nu-Swift fire extinguishers come under five headings: Universal models 1301 and 2301 for class "A" risks (wood, paper, textiles, furnishings, carbonaceous substances in general); the Air Foam model 1400 for class "B" risks (inflammable liquids such as petrol, oils, paraffin, white spirit, paints, lacquers, varnishes, enamels, greases, fats and tar); The Auto (CTC) models 1003 and 1000 for class "C" risks (cars, lorries, buses, tractors, minor electrical risks, small petrol fires); the Auto (Chloro-Flash) models 2003 and 2000 for extra hazardous "B" and "C" risks (spirits, alcohols and organic solvents, motors, switchgear, electrical risks such as TV and radar); the Carbon Dioxide model 1210 for medium-sized indoor "B" and "C" risks (spirits, alcohols and organic solvents in medium quantities, and medium-sized electrical equipment).

A new development is the outcome of a recent agreement with the Safety First Products Corporation, Elmsford, New York, U.S.A.: dry powder extinguishers of a greatly improved design for use on inflammable-liquid fires and fires on electrical equipment, for which Nu-Swift Ltd. now have a manufacturing licence and selling rights for most countries outside the North American Continent.

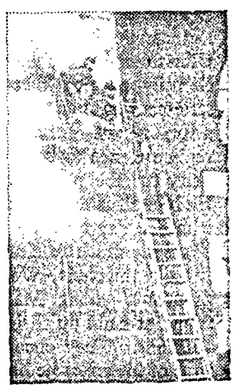
One feature which all Nu-Swift fire extinguishers have in common is that they are pressure-charge-operated, advantages claimed among others being certainty in operation, safety, and reduced risk of corrosion and deterioration. Another one, which forcefully strikes every visitor to the Works, is the extreme care taken to make the equipment foolproof. This is as it should be for, if anything, fire-fighting equipment must be reliable. Inspection is, of course, the hub of this universe, and it is characteristic of this Company and the outlook of the man at the helm that the Inspection Department is here called the Customers' Satisfaction Sub-Division.

A short description of the production of model 1301 will show clearly how inspection and testing enter into every stage. It is there at the start, when raw materials are subjected to quality inspection. Steel sheets are cut by means of a guillotine, a hundred-ton press stamps out dome, bottom and skirt, and the body sheet is rolled into cylindrical shape. Atomic-hydrogen arc-welding equipment provides the longitudinal seam and the handle is joined to the dome by spot-welding while the brass neck ring is silver-soldered into the dome. A thread milling machine cuts the screw thread into the neck ring and the dome is welded to the cylindrical body—again by the atomic-hydrogen arc-welding process. Next come shotblasting inside and outside and spraying with high-purity zinc, whereupon thickness and evenness of this zinc-sprayed rust protection is checked. The bottom is now atomic-hydrogen-arc-welded to the body, shotblasted and zinc-sprayed.

Next the finished body is pressure tested, first hydraulically at 350 lb/sq. in. for five minutes, and then with compressed air under water, one body in every 500 being pressure-tested to destruction. After the skirt has been pressed on, the dip-tube inserted and screwed on to the discharge elbow, and the elbow fitted to the body, the interior of the body is flooded with a second coat of rust protection in the form of a plastic coating, and the exterior sprayed with a first coat of zinc chromate primer. Baking for 13 minutes in an infra-red radiation-heated oven at 300° F follows, and after spraying of the body with stove enamel this process is repeated. A transfer giving name, description and short instructions for the use of the appliance is then affixed to the body, which is sprayed with clear stoving lacquer to protect the transfer and the painted surface. After repeating the baking process described above for the second time, the discharge hose with the nozzle is fitted to the elbow and the head is screwed to the body.

The extinguisher, now complete, is pressure-tested for the third time—with compressed air under water and, after one extinguisher out of every day's batch has been tested for actual performance with charge and nozzle, and the throw of jet and spray measured, the remainder receive the pressure charge and all is ready for packing.

The cardboard skillet carries outside the makers' message: "You can rely on this Nu-Swift Extinguisher because: (1) discharge is definite, (2) liquid is harmless, (3) operation is instantaneous, (4) there is no explosion risk, (5) it is recharged in thirty seconds." To these five advantages the student of economics feels bound to add Number Six: it earns dollars. As a prominent American said once to Graucob: "If there were more companies in Britain like Nu-Swift there would be no dollar problem."



Fire Tragedy

THE WORLD OVERSEAS

The Harich Heresy

FROM OUR BONN CORRESPONDENT

THE east German deputy prime minister and foremost Communist, Herr Walter Ulbricht, has chiefly himself to kick if the publications most prized in his domain this spring, even by party comrades, are the illegal newspapers *Einheit* and *Sozialdemokrat*. These are prepared by the East Bureau of the Social Democratic party at Bonn and smuggled week after week, in ample quantities and by several ways and means, into the Democratic Republic. The singular fascination of current issues derives from their plugging of the political views of Professor Wolfgang Harich and his circle of inquiring, anti-Stalinist Communist friends. For fear their questioning of the regime might have become wildly contagious, Herr Ulbricht had Professor Harich arrested in November and sentenced last month to ten years' penal servitude. And to make certain that the world at large should not get a clear picture of what the professor had really been up to, only hand-picked party men were allowed to witness and report the trial.

One would have thought an old stager like Herr Ulbricht knew better than to stimulate curiosity so. The east German security chief, Herr Ernst Wollweber, a tough customer who has managed none the less to keep more in touch with ordinary mortals, recommended that there should be no trial at all.

Herr Ulbricht insisted, and now pretty well everything he wanted to suppress is on all tongues. The Social Democrats began by publishing the memorandum with which Professor Harich tentatively sounded them in the challenging days of last November when Poland was stirring restlessly and all Hungary was ablaze. Now they have come out with Professor Harich's impenitent statement in court, which the public prosecutor tried repeatedly to stifle, and which was withheld from publication in the Democratic Republic. To make matters worse for Herr Ulbricht and his fellow-Stalinists, the east German radio, clumsily alleging that the version of Professor Harich's statement in court published by the Social Democrats is a forgery, has broadcast a tape recording of what the regime claims to be the true version. All in all, the publicity for the professor and his ideas has been extensive. He himself is not qualified to become the German Gomulka who one day must oust the anachronistic Ulbricht, but he has done much to clear the way for such a reformer.

Now thirty-six, Wolfgang Harich was one of the few promising young Marxists whom the German veterans found at hand on their return to Berlin in the wake of the Russians. They encouraged and promoted him. By the time of his arrest he had become professor of social sciences at East Berlin University and an influential writer and publisher under party auspices. How the seeds of unorthodoxy came to be sown, and how they germinated, Professor Harich tells in his memorandum. The conspicuous stages of growth followed the east German rising of June 17, 1953; the twentieth congress of the Russian Communist Party; Mr Gomulka's re-emergence in Poland; and, finally, the Hungarian rising. Between and during these events there were formative talks with individual Polish, Hungarian, and Jugoslav Communists, and also with such disappointed German comrades as the playwright Bertolt Brecht. "We are a group of functionaries of the Socialist Unity party, representing a broad articulate and an even broader inarticulate following," Herr Harich told the western Social Democrats at the outset of his plea for the establishment of socialism in Germany within a fabric of law and decency. The agreed goal was socialism, and it should be acknowledged that it might be reached along roads other than those travelled by the Russians.

> It is not our intention to break with the party . . . . We do not propose to repudiate Marxism-Leninism but to liberate it from Stalinism and dogmatism and to restore its basis of humanist, non-dogmatic thought.

Professor Harich hoped to be able to put this case openly to the veteran German leaders. They would not even receive him. On October 28th he vainly unfolded his ideas to Mr Pushkin, the Soviet Ambassador. ("He got very angry," Professor Harich confided to the Social Democrats.) Then he became desperate:

> Against us stands the Stalinist party and the State apparatus. This reactionary apparatus we have to fight with every means at our disposal.

Under such a regime there could be only one end. But in his personal statement during the trial, vindicating his conduct, Professor Harich did not falter. (The tape recording broadcast by the east German radio was that of Herr Harich's brief words before being sentenced, in which he thanked the security police for not having treated him more roughly.) He declared he had not wanted to organise a popular rising.

> But I appreciated the situation more soberly than those who were obliged to do so by virtue of their office. I thought the danger of a rising existed and I think it still exists.

By pressing for changes in the regime he had hoped to make a rising superfluous. He repeated he was not an enemy of socialism. On the contrary. But foundations similar to those on which the German Democratic Republic was built had bred revolution in Hungary. It was absurd to contend that he was an agent merely because, as a German socialist, he had been in touch with the West German Social Democrats. He denied that the East Bureau of the Social Democratic party was engaged in espionage. The Social Democratic party was the strongest socialist party in Germany, and without it there could be no democratic socialist development.

The worldly-wise (whose kind let Hitler go so long unopposed) reproach Herr Harich with having been naïve. Some have even written him off as a complete failure. Yet his openness and sincerity, combined with a current of good sense in his argument, seem to be proving remarkably effective. His ideas are being read and discussed sympathetically and hopefully by the millions of east German socialists who consider they have been betrayed by the virtually alien *Apparatchiks* running the state.

French Sympathies

FROM OUR PARIS CORRESPONDENT

THE most striking feature of the Bromberger brothers' book, *Les Secrets de l'Expédition d'Egypte* [which is reviewed on page 35], is that it has aroused far more impassioned comment in Britain than in France. The Brombergers themselves explain why: speaking of collusion with Israel, they remark that "French opinion never imagined things happened otherwise."

From the first, the French leaders openly chose Israel and virtually renounced an Arab policy (though they thought that if they succeeded they would find all the Arab "friends" they wanted). But single-mindedness has its virtues. The French never claimed, like Sir Anthony Eden, to be impartial policemen; "collusion" has therefore never become a vile aspersion. Basically, of course, most Frenchmen, unlike so many British, were not morally horrified by the aggression in Egypt. This was not simply determination of the Right to pacify Algeria in Cairo. Long experience as a continental power has imbued the French with a lively sense of the limits of pacifism and, for many even of the Left, Colonel Nasser had overtaxed them. On the whole the French are proud that they have supported aggrieved Israel alone, and the French government continues to support it. There were protests against the "folly" of the operation (from M. Mendès-France when it started and from others, more numerous, when it failed). But apart from the Communists and a minority of the Left, few denounced its immorality. The French have drawn a moral about their weakness from the Suez failure, but not that they were in the wrong.

On the contrary, most observers assume that the best titbits were leaked to the Brombergers by the Ministry of Defence to show, technically at least, how much in the right the French military were. The Brombergers criticise hesitant British policy, symbolised by an invalid Prime Minister, and British military methods, which slowed up operations for a vital week. And yet, in this as in other ways a mirror of the common French view, their book is not only without bitterness, but friendly and even affectionate about the British. The French do resent America which under President Eisenhower and Mr Dulles, seems to them to have been at best a giant with a head of clay; but not the British. This partly reflects the official attitude which has been to refrain from anything like recrimination but is more than that. Without malice or irony, the suspicion that Britain failed France in a common misfortune has probably been a slight consolation for defeat. Since 1940, French mistrust of perfidious Albion has been waning; awareness of a common predicament has replaced it. But only since the Egyptian expedition has the uncomfortable feeling faded that Britain with its political poise, its Commonwealth and American relations and its A-bombs, might still be something of a great power while France was not. The divisions over the handling of the Suez Canal crisis, even in the Conservative party, and now the strikes and Mr Macmillan's other troubles, are not far from making some Frenchmen think the British are going through a moral crisis in some ways comparable to their own over the European Defence Community. In one sense, the EDC crisis and the Mendès-France ministry were a last attempt by Frenchmen to assert the traditional view of their country's place in the world. They have not looked at it in the same way since. The failure, even together with Britain, to assert an independent French policy in the desperate throw at Port Said, did not really come as a surprise.

This, even more than the absorption in the Algerian war, probably explains the astonishing lack of controversy. The French have not looked back to the failure in Egypt, but forward from it. It has been the biggest single factor in turning the common market from a highly doubtful starter last summer into a good prospect for ratification today; and in making "Eurafrica," based on Saharan raw materials, a word to conjure with. This need not be wishful thinking. The countries of Africa west and south of the Sahara are, for geographical and economic reasons, far more hopeful as wholehearted allies than the states of the Middle East. Much of their future may depend on French capacity to act in realistic economic and political terms in the next few years.

The new perspectives inevitably affect the Entente Cordiale. Britain remains the friend the French most want to have; and as the Queen's visit approaches they are proving themselves devotees of royalty as only republicans can be. But they are acutely aware that as a world force the Entente Cordiale showed itself by the Suez Canal to be something of an *Entente Nostalgique*. It is not mere accident that the socialist who is probably the most pro-British prime minister France has had since the war, should also be the one who, as the Brombergers put it, "has been trying for years to recruit Britain for a united Europe."

Crown and Cabinet in Jordan

FROM OUR MIDDLE EAST CORRESPONDENTS

ALL is now well between the Crown and the Cabinet in Jordan—at least on the surface. The King has agreed to exchange ambassadors with Soviet Russia. The decision came after several days in which there were persistent rumours of a government crisis. On Wednesday, the prime minister, Suleiman Nabulsi, met King Hussein for half an hour, went on to a Cabinet meeting, and emerged two hours later smiling and relaxed. The foreign minister, Abdullah Rimawi, then made the announcement about Russia.

The prime minister later told the Middle East News Agency, a semi-official Egyptian organisation, that Jordan's "liberal policy" was unchanged; it would accept aid from

either East or West as long as it was unconditional; it would never be unfriendly to the Soviet Union just for the sake of western policy. It is difficult to say exactly what happened in the few days preceding the decision. On the face of it, the left-wing members of the Cabinet pressed for diplomatic relations with Russia and the King, after resisting for some days, reluctantly agreed on condition that it was clear that Jordan would still like American aid.

There is evident tension between the government on the one hand, and the King and other anti-communist elements on the other, which the latest decision cannot have eased. The prime minister flatly denied recent reports of a crisis, but the Cabinet is known to have been annoyed by the visit to Damascus undertaken by the chief of the Royal Diwan, Bahjat el-Talhouni, allegedly without the knowledge of the government. The King's recent warning to the prime minister against the dangers of communist infiltration was resented by several members of the government, particularly by those with pronounced leanings to the left. They have steadily maintained that the communist menace is a fiction used by the western powers to perpetuate their influence in the Middle East. Their resentment was increased by the fact that the King's message was released simultaneously to them and to the press. It was also reported at the same time that measures to remove communist literature from bookshops and news-stands had been taken on orders from the palace, without the knowledge of the ministry of the interior. While members of the government were disconcerted by the King's initiative, several politicians of the old school welcomed it as a check on extreme left-wing members of the government.

Threats for Scandinavia

THE Scandinavian countries have been subjected, during the past fortnight, to a series of veiled threats and criticisms from the Soviet government and press which make a strong contrast to the "charm offensive" of last summer. Mr Bulganin has sent letters to the prime ministers of Norway and Denmark warning them that the Soviet Union would have to liquidate the aggressive bases of the North Atlantic Treaty Organisation if war broke out and he has even reminded the Danes that a single hydrogen bomb would be sufficient to destroy a territory much bigger than Denmark although "it must be expected that more than a single bomb will be used if necessary." These letters seem to have been chiefly provoked by the decision to equip Nato with atomic weapons and are attempts, which show no signs of being successful, to raise public opinion against them; but neutral Sweden and even Finland have also come under attack.

Relations between Finland and the Soviet Union had become remarkably amicable. The Russians have allowed Finland to join the Nordic council, evacuated their base at Porkkala, sent Marshal Voroshilov, the President of the Soviet Union, to cement good relations with a state visit, and this week have confirmed that Messrs Bulganin and Khrushchev will visit Finland in June. But last week *Izvestia* published attacks on "Finnish military circles" which, it said, are "trying to revive war propaganda under the guise of concern for the defence of the country" and resurrecting "Fascist organisations" which are banned by the Soviet-Finnish peace treaty. This may be a preliminary warning to the Finns not to be too independent in their foreign affairs; the Finnish government is always extremely careful not to make any public statements which might annoy Russia but the Finnish people made their feelings plain during the Hungarian revolt (about £220,000 was subscribed to the Red Cross by a population of four million) and Finnish business men are beginning to cast wistful eyes at the plans for European free trade.

It is between Russia and Sweden that real friction is developing, although Sweden's "alliance-free" position ought to make it easy for them to keep on good terms. The Russians have long been known to take a pronounced interest in Sweden's land, sea and radar defences but when a spy trial, last autumn, produced fresh evidence of the complicity of Soviet Embassy staff, the uninhibited comments of the press induced the Soviet ambassador, Rear Admiral Rodionov, to resign. His departure has not improved matters: three more embassy officials left hurriedly last month after another man was found guilty of selling classified information on defence to a foreign power.

ARMED BANDS IN ESTONIA

Attack being the best form of defence the Russians have replied with counter-charges. They recently declared an expert on Slavonic languages, who was attached to the Swedish embassy in Moscow, to be *persona non grata* on the ground that he had illegally received an official document (this document is believed to have been the syllabus of Moscow University) and *Pravda* and *Izvestia* have given much publicity to reports on the machinations of "Swedish agents." These, they say, are Estonian nationalists recruited and trained by emigré organisations in Sweden and sent back to make contact with armed bandits in Estonian forests. Repeated attacks have also been made on "Swedish reactionaries" who are said to be trying to make public opinion hostile to Russia and to push Sweden into the "suicide course" of abandoning its neutrality. These attacks are presumably the result of the current campaign of Swedish conservatives and military leaders to persuade the government to buy atomic weapons.

The atmosphere thus poisoned has not been improved by the latest news in the Wallenberg case. It was recently announced that Hr Wallenberg, a Swedish diplomat who disappeared when Russian troops entered Hungary at the end of the war, died in a Russian prison in 1947. For twelve years the Soviet government consistently denied any knowledge of his whereabouts, in spite of a spate of notes and appeals from Sweden and a mass of evidence, collected from ex-prisoners of war, which showed that he had been imprisoned in Russia. Last year, however, in response to a fresh appeal from Hr Unden, Mr Bulganin ordered a new search to be made, and a note was discovered in the archives of Lubyanka prison which had been written by the prison's chief medical officer to Mr Abakumov, then minister for state security. This reported Hr Wallenberg's death from heart failure, and noted that his body had been ordered to be cremated without a post-mortem. The Russians have, of course, put all the blame for Hr Wallenberg's imprisonment on Mr Abakumov, who was executed in 1953 as one of Beria's associates. But, as the Swedish government has tartly pointed out, the Soviet government can hardly disclaim all responsibility for the arbitrary behaviour of its security service.

Hr Wallenberg's fate may have been elucidated by the Soviet government in the hope that the affair would be forgotten more quickly once the mystery was solved. But the very scanty information produced has only increased the Swedes' conviction that Mr Bulganin could produce more details if he wished, and the Soviet government's cavalier treatment of the subject, combined with persistent rumours that Hr Wallenberg is still alive, are likely to keep Swedish interest and resentment at a high pitch.

It looks as if it will be a long time before anything more is heard of the invitation to visit Sweden which was so cordially accepted by Mr Bulganin last year.

Algeria Seen from Tunis

FROM A SPECIAL CORRESPONDENT

AT the end of the recent Tunisian celebration of the first anniversary of independence, Algerian leaders who were present as guests of the New Destur party, if not of the government itself, gave a press conference. Those participating were thoroughly representative of the Front of National Liberation, including, as spokesman, Dr Lamine Debbaghine, a leading rebel soldier, "Colonel" Oumrane and Ferhat Abbas, the former assimilationist. Nothing could have been more definite than their refusal to consider discussions for a cease-fire leading to free and internationally supervised elections. A few days later, M. Mollet, in the closing stages of the debate in the French National Assembly, made an equally uncompromising statement on the French side. The deadlock is complete.

Any hope that the unanimously agreed resolution of the United Nations General Assembly would facilitate a compromise has thus vanished. France, M. Pineau said at the time, had assumed a moral commitment to find a just and peaceful solution in accordance with the Charter. So far, however, the only result has been that the so-called pacification has been intensified. This is now taking on the appearance of repression pure and simple—a development which has produced significant protests in France itself.

The French government is in fact clearly banking on M. Lacoste's assurances that "pacification" will soon achieve its purposes. Ever since last October, the minister resident at Algiers has been asserting that the last quarter of an hour has been reached at the end of which determination will have gained its reward. There is indeed a widespread impression among qualified French observers of liberal outlook that the National Liberation Front is at the moment disorganised and bewildered by the very heavy blows which have been inflicted by General Massu and his parachutists. It is likely that the Tunisian, and possibly the Moroccan, governments, whose relations with France are constantly imperilled by the fighting in Algeria have pressed on the Algerian leaders the desirability of discussing terms for a cease-fire, to be followed by elections with non-French observers. But if this is so, they have had no success in their efforts.

The Algerians declare most emphatically that they will never accept a cease-fire or elections unless the principle of Algerian independence is first recognised. They deny any analogy with the Sudan. There the British Government had accepted the possibility of independence and the Sudanese already possessed the elements of a national government. In this case no national Algerian body is recognised and the French government has declared that any idea of independence is completely ruled out. The setting up and recognition of a provisional Algerian government is therefore, they hold, an indispensable first step.

On the other hand two interesting new points were made by the Algerian leaders in conversation after the press conference. One was the statement that a provisional government could certainly include one or more Europeans. The other was the stress put on the amount of support which the National Liberation Front is receiving from liberal Frenchmen. The rebel fighter, "Colonel" Oumrane, spoke of his gratitude to French doctors for treating his wounds, and said that in some ways he had received more help from Frenchmen than from his own people. The point is to some extent borne out by the numerous arrests which the French administration has recently been making among French liberals in Algeria.

It may be of course that the Algerian leaders' firmness is simply bluff. But nothing in their manner in private bears out such a theory. They express, and appear to feel, complete confidence. Their compatriots, they say, are for the most part peasants and accustomed to hard times. Some years the rains fail and they starve. "It's a bad year" is their comment; this is their attitude now.

One is, in fact, left with the impression that it would be very rash to count on the insurrection collapsing. It seems that very little success is being achieved in applying the proposed reforms. Land cannot be distributed because the proposed recipients dare not accept it even if they wish. Candidates are not coming forward for administrative posts as was hoped. It has been impossible to hold municipal elections in the supposedly pacified districts. M. Mollet in his last speech spoke of decentralisation. Algeria would be divided into areas, some with Muslim and some with Christian majorities, and enjoying a large degree of local autonomy. Such a plan is perhaps the least impracticable of those that have been suggested, but there is no more likelihood of its proving acceptable to either party in Algeria than there was of a similar project being accepted by the two parties in Palestine.

LONG STRUGGLE AHEAD

For the moment everything suggests the continuation of a long and increasingly savage struggle. It is comprehensible that the French government should do all it can to maintain its position, and both M. Mollet and M. Lacoste have committed themselves so fully that they have hardly any alternative but to go on. Yet there is a very real possibility that the result may be the same sort of collapse that occurred in Morocco and Tunisia; in Algeria the danger of internecine French strife would be added.

While the Algerian conflict goes on it is daily and visibly destroying French influence in Morocco and Tunisia. French participation in the celebration of the anniversary of Tunisian independence was hardly apparent to the public until their attention was attracted by the abrupt departure of the French delegate, M. Mitterrand, as a protest against the presence of the Algerian leaders. The foreign powers who took the limelight in Tunis were the Americans and—a very long way behind indeed—the Russians. This was very different from the celebrations in Ghana, where one of the Tunisian delegates said it appeared to him just as much an English as a Ghanian celebration.

Unfair to New Zealand?

FROM A CORRESPONDENT IN WELLINGTON

A NEW ZEALAND trade mission led by Mr Holyoake, the deputy prime minister and minister for agriculture, has arrived in London with a long list of grievances. The 1932 Ottawa agreement placed trade between Britain and New Zealand on a mutually advantageous basis, but the New Zealanders feel that Britain has gradually been taking more and giving less. In order to adjust the balance of advantage, the mission is going to ask Britain to bolster up New Zealand preferences, possibly by a scattering of fresh quotas and regulations elsewhere.

The New Zealanders can support their case by pointing out that they themselves have gone beyond the letter of the preference system by granting higher margins of preference on many British goods than they are obliged to under any agreement. Moreover, since British preferences in the New Zealand market are on a percentage basis, they still have the same effective weight as at the time of the Ottawa agreement. But many of the New Zealand preferences are specific, and therefore mean very much less than they did in 1932. For instance, the preferential duty on butter is still 15s. a hundredweight, and on apples 4s. 6d. a case (for four months in the year). Allowing for the depreciation in the value of the pound, a duty nearly three times as high would be needed to give equivalent protection today.

Except for wool, New Zealand's exports are foodstuffs, and these go largely to the United Kingdom. Over the last year or so, the price of New Zealand beef in the United Kingdom market has dropped by about a quarter; and mutton and lamb prices, too, are down. Butter prices fell in the year by between 35 and 40 per cent, and cheese prices are now weak. The dairy industry is even more alarmed than the meat producers about future prospects.

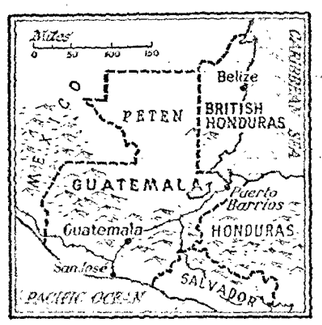
One of the basic reasons for this alarm is British agricultural policy. The New Zealanders have seen subsidies to British agriculture developed to the level of £225 million annually. They have read that British agricultural production may increase by 20 per cent in the next ten years. They have realised that the population of Britain is not increasing, and that the standard of living is unlikely to rise sufficiently to absorb the larger quantities of dairy produce at prices which would be economic for the New Zealand producer. Moreover, they see the same things happening in the meat trade, for Britain is increasing its production of both beef and mutton. The New Zealanders are also worried about the way in which Britain is being treated as the dumping ground for surpluses which cannot be absorbed elsewhere.

The aim of the New Zealand trade mission is a British market in which the traditional suppliers, including the home producer, can be assured of stability and economic prices. They are not deterred by the fact that such a policy may involve regulations and quotas. Although this would cut across the spirit and letter of the General Agreement on Tariffs and Trade, the New Zealanders feel that the spirit of Ottawa ought to take precedence. Few New Zealand producers are enthusiastic about Gatt, which they feel was joined, not because it was good for New Zealand, but because the government preferred to be co-operative and belong to the club.

Any such regulation of the British market would inevitably involve foreign suppliers; of these, Argentina is the most important. One of the intentions of the Ottawa agreements was to give New Zealand preferences over Argentina, and it is felt that these should still obtain. But if, as expected, imports of Argentinian fruit and meat are allowed to expand, prices are likely to become progressively lower. Apart from foreign competition, the New Zealanders are alarmed by the way in which Britain by its system of subsidies is rapidly increasing home production with very little regard to the price mechanism. They further deplore the lack of consultation between Britain and its Commonwealth suppliers on policy for British agriculture, and its tardiness in introducing anti-dumping legislation.

Crack in the Caribbean Chain

THE capture by the People's United Party of all nine seats at last month's general election underlines the reluctance of British Honduras to be linked in any way with the Caribbean Federation. Mr Leigh Richardson, who led the PUP during its three years in office, was ousted from leadership partly because, during these three years, he had come round to the view that there might be some advantages in economic and political links with the British West Indies. Shortly before the elections he formed the Honduran Independence Party and campaigned on a platform of internal self-government within the British Commonwealth. But the 12,000 voters who bothered to go to the polls (only half the total electorate) preferred Mr George Price, the new PUP leader, who promised to work for an independent republic, with closer relations with Latin America. There are strong American-Indian traditions in British Honduras; Spanish is widely spoken; Roman Catholicism is the dominant religion. There are, moreover, unhappy memories of Jamaican rule, while the present poverty and unemployment are blamed on the British administration.



The election results will have pleased the Guatemalans, who have been putting forward regular claims to British Honduras for many years. Although Mr Price stops well short of demanding union with Guatemala, he has been consistently anti-British and is expected to try and steer British Honduras away from the Commonwealth. Guatemalan rulers have always found the claim to British Honduras an easy way of whipping up popular emotion, but in the last year or so the discovery of oil in the Peten has given them an economic reason for wanting union between the two countries, for by far the quickest route from the Peten to the sea is through Belize.

An independent British Honduras would not at present be economically viable. Most of the 80,000 inhabitants are clustered round the towns; most food is imported. Money and technical advice will be needed if the Latin American attraction is to be countered.

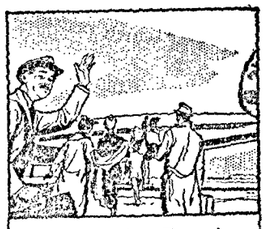


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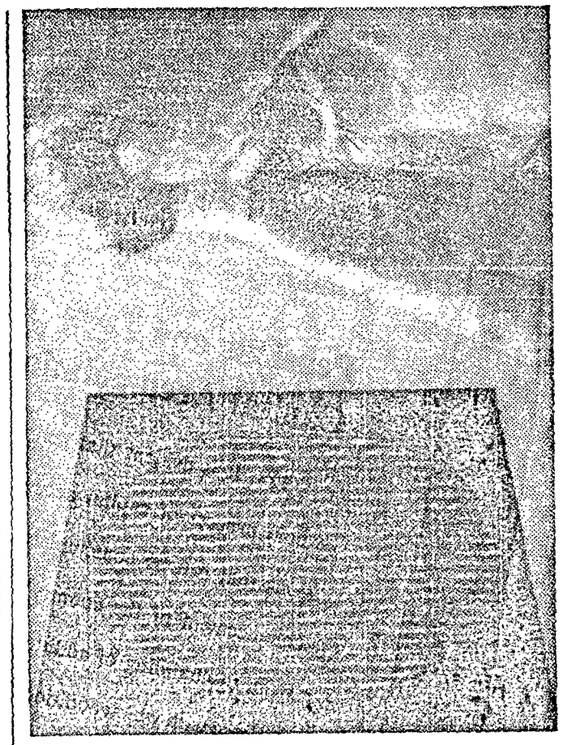
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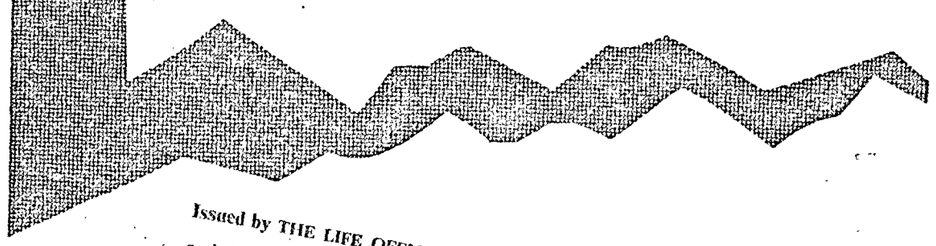
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The following extract is from the Report of the Committee on the Economic and Financial Problems of the Provision for Old Age, 1954. Cmd. 9333 ("The Phillips Report"), Page 34.

Pensions and Capital Accumulation

128. It is evident that pensions are intimately linked with the whole process of capital accumulation and that the scale of pensions that can be contemplated depends, on the one hand on the enhancement of the country's productive power that would result from the building of additional capital assets, and on the other on the ease with which additional savings can be spared for this purpose. If the National Insurance Scheme were conducted on the same principles as a private scheme, then the investment of the contributions would enable valuable assets to be constructed that would eventually furnish the means out of which pensions could be paid. But the Scheme is heading for a deficit that will have to be met out of general taxation, and, to some degree, out of the savings of the taxpayer, so that it will actively impede the very process of capital accumulation on which, implicitly, it rests.



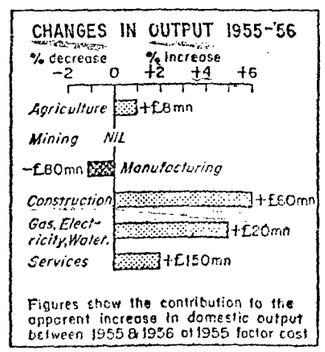
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THE BUSINESS WORLD

Survey of Disinflation

Disinflationary policy in 1956 succeeded in some of its objects but failed in others. It must be given most of the credit for restoring Britain's balance of payments from the plunging deficit of late 1955 to a substantial surplus in 1956. It steadied consumption, while the investment boom continued to run its course; and brought about an impressive if partly involuntary increase in personal savings. It took the edge off total demand for labour, and caused some small net transfers of unskilled labour between industries. On the other hand, it did no more than moderate the rises in prices and wages; and it wrote off any significant increase in output. So it probably raised labour costs at least in British industry more than galloping inflation had done during the boom.

It was a rapid worsening of the balance of payments that led the Government to stiffen its restraint upon internal demand at the end of 1955; and the Economic Survey is able to record that this trend at least was rapidly reversed. Imports rose no further, after their "enormous increase" in 1955, while exports continued to rise, rather faster than the year before. The visible trade deficit was thus reduced by £300 million from one year to the other. Disappointingly, there was little net change on invisible account, which has been expected to improve after the disappointing performance of 1955: this seems to have been mainly the effect of Suez on oil shipping. But the improvement in the visible balance transformed the country's balance of payments from a deficit of £113 million (excluding defence aid) in the last half of 1955 to a surplus of £145 million in the first half of last year and of £65 million in the second (£37 million of interest on North American loans having been paid into a special account and not debited against the current balance of payments). Counting in defence aid, the change was from a deficit of £79 million for the whole of 1955 to a surplus of £233 million last year.



Figures show the contribution to the apparent increase in domestic output between 1955 & 1956 at 1955 factor cost

The huge increase in imports in 1955 occurred largely in response to industrial demand for materials from overseas; production has been rising, and there seems also to have been some periodical upswing in stocks. Last year this growth of demand for materials was checked, along with the growth of industrial output; the volume of imports fell very slightly, but their cost was about level with 1955. Exports, when adventitious elements are ironed out of the comparison, may have risen about 6 per cent in volume, as against a rise of, say, 4½ per cent in 1955. This increase was achieved, moreover, by selling more of the right things to the right places: it was particularly marked in exports of capital equipment and in trade with North America and Europe. Nevertheless, it has again to be set against a considerably larger increase in world trade in manufactures: so the British share of that trade continued to fall.

The current surplus on the balance of payments was rather more than sufficient to cover Britain's net long-term investment overseas. The survey introduces new tables recording what it calls Britain's "long-term" overseas investment account; these

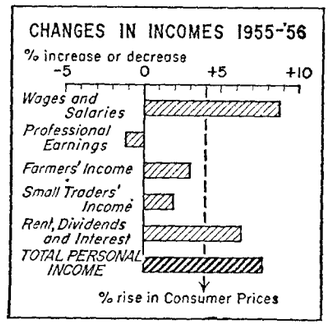
estimates, set against the current balance of payments and changes in its monetary assets and liabilities *vis à vis* the rest of the world, afford an indication of how its "overseas monetary position" changed during the year. In 1956 the country's balance on current and long-term investment account improved to a surplus of £42 million, following a deficit of some £240 million in 1955. In the first half of last year, indeed, in spite of some running down of sterling balances abroad, this surplus on "commercial account" made possible an increase of £95 million in the reserves. But in the second half of the year, the worst period for the trade of the overseas sterling area with other countries, an increase in overseas investment moved Britain's "commercial account" into deficit; moreover with the crisis of confidence over the Suez adventure, there was a considerable outflow of miscellaneous capital and big reductions in overseas holdings of sterling. Britain suffered large losses of gold and dollars. By calling in second-line reserves—drawings upon the International Monetary Fund and credits from the Fund and the American Export-Import Bank—it was able to check speculation against sterling. But the political adventure had cost the reserves more than a virtuous year of disinflation had increased them.

Restraint at Home

People had larger incomes, but did not spend much more. This made room for a continued rise in investment and exports, though production rose hardly at all last year.

GOVERNMENT policies were aimed at arresting an inflation in which the price of final output in the economy had been rising between 1947 and 1955 by rather over 4 per cent a year: but in 1956 the price of final output rose by more than 5 per cent. An increase of about £1,180 million in the gross domestic product at current prices, that is to say, comes down to an increase of only about £240 million when expenditure is revalued at constant prices (the alternative method of calculating the gross domestic product from figures of output suggests, incidentally, a real increase of only about one per cent, or £160 million). With an increase of about £100 million in imported resources, this made at the most £340 million of extra supplies in real terms available in the economy. Well over two-thirds of these extra resources went overseas in exports; there was an increase of about £80 million in fixed investment; consumption rose only about £60 million in real terms, and government expenditure on current account by £50 million. There was an off-setting saving in stockbuilding; though stocks seem to have gone on rising, last year's increase was £100 million less than in 1955.

Against the tiny increase in consumption—about a half of one per cent, after allowing for price increases—one can set a large increase in personal income: total disposable income, after taxes, rose by nearly £1,100 million, or 8 per cent. The balance between income and spending, which is nowadays confidently labelled "personal saving" though it is bound to contain a considerable residual error, rose sharply, from £1,004 million in 1955 to £1,481 million in 1956. "The balance of personal savings," says the survey, "is shown to rise by nearly £500 million, bringing the total of personal savings up to 10 per cent of disposable personal income, a proportion considerably higher than in any previous year since the war." This increase in saving—which was clearly substantial—represents the difference between the balance of assets and liabilities of people over the year. Repayments of hire purchase instalments and reductions in overdrafts and mortgages would probably account for about a third of the increase.



This moderation of demand from consumers, and a markedly slower rate of stockbuilding, enabled exports to rise even more, and fixed investment to go on rising—though according to the survey less than half as much as the year before. Fixed investment is put at £3,088 million during 1956, an increase of 8 per cent in money terms; but the Government's indices of investment goods prices bring this down to an increase of only about 3 per cent in real terms. No outsider can assess the quality of these indices, which are unpublished; they suggest a much larger real increase in industrial and commercial building and works than in plant and machinery deliveries, which sounds rather peculiar in the third year of an investment boom. Whatever adjustment for higher prices is made, fixed investment last year seems to have been at its highest level ever in this country, though the rate of expansion began to slacken by last spring. Fixed investment in 1956, as in 1955, rose more in manufacturing industry than in other sectors of the economy, reversing the trend of earlier years when housing or the nationalised industries made the running.

The bulk of the increase in fixed investment, therefore, was carried out by private industry. Fixed investment by companies rose by about £130 million in 1956 (the increase had been £200 million in 1955); but their investment in stocks rose much less than the year before, so that the two forms of investment together came to rather less than in 1955. The survey puts the total fixed investment of companies at £1,106 million, plus an increase of £300 million in the value of their stocks; with undistributed profits, after tax, rising to £1,513 million and the raising of £236 million by new issues, this would once more leave the company sector comfortably able to finance its expansion of capacity and remain a net lender to other sectors of the economy. But the survey's estimates of company profits have to be judged against the year's experience in industry and commerce.

ECONOMIC POINTERS

TOTAL EXPENDITURE AND INCOME
£ million

	1954	1955	1956		1954	1955	1956
Expenditure generating gross national product :—				*Shares in the gross national product (factor incomes) :—*			
Consumers' expenditure	11,963	12,772	13,378	Income from employment	10,307	11,206	12,201
Public authorities' current expenditure on goods and services	3,143	3,211	3,513	Income from self-employment	1,595	1,667	1,695
Gross fixed investment	2,550	2,855	3,088	Gross trading profits of companies and public corporations	2,930	3,189	3,300
Value of physical increase in stocks and work in progress	75	300	200	Other gross trading income	835	859	907
Exports of goods and services	3,608	3,925	4,366	Residual error	89	— 78	— 129
Less imports of goods and services	—3,596	—4,140	—4,268	Less stock appreciation	— 75	— 200	— 150
Less taxes on expenditure	—2,485	—2,626	—2,822	Gross domestic product at factor cost	15,681	16,643	17,824
Subsidies	423	346	369	Net income from abroad	225	160	178
Gross domestic product at factor cost	15,681	16,643	17,824	National income and depreciation (gross nat. product)	15,906	16,803	18,002

CHANGES IN EXPENDITURE AND SUPPLIES BETWEEN 1955 AND 1956
£ million at 1955 factor cost

Expenditure :—	
Consumers' expenditure	+ 60
Public authorities' current expenditure on goods and services	+ 50
Gross fixed investment :—	
Dwellings	— 25
Other fixed investment	+105
Investment in stocks and work in progress	—100
Exports of goods and services	+250
Total	+340
Supplies :—	
Gross domestic product	+240
Imports of goods and services	+100
Total	+340

CURRENT AND LONG-TERM INVESTMENT ACCOUNT
£ million

	1955	1956 (provisional)	1956 Jan.-June	1956 July-Dec. (provisional)
Current balance :—				
(i) With rest of sterling area	+ 225	+ 284	+ 113	+ 171
(ii) With non-sterling world	— 304	— 51	+ 41	— 92
(iii) With all areas	— 79	+ 233	+ 154	+ 79
Long-term investment transactions (net) (outflow —) :—				
(i) With rest of sterling area	— 119	— 150	— 37	— 113
(ii) With non-sterling world	— 44	— 41	— 27	— 14
(iii) With all areas	— 163	— 191	— 64	— 127
Balance of current transactions and long-term investment :—				
(i) With rest of sterling area	+ 106	+ 134	+ 76	+ 58
(ii) With non-sterling world	— 348	— 92	+ 14	— 106
(iii) With all areas	— 242	+ 42	+ 90	— 48

COMPANY FINANCE AND INVESTMENT
£ million

	1953	1954	1955	1956
Current account :—				
Gross trading profits of companies operating in the UK	2,384	2,659	2,959	3,043
Other income	325	440	381	408
Less UK tax payments	— 846	— 754	— 826	— 767
Less interest payments	— 269	— 289	— 346	— 418
Income available for distribution or investment	1,594	2,056	2,168	2,266
Less dividend payments	— 540	— 603	— 706	— 753
Undistributed profits after tax	1,054	1,453	1,462	1,513
Capital account :—				
Sources of finance :—				
Undistributed profits after tax	1,054	1,453	1,462	1,513
Borrowing by new issues	101	182	214	236
Investment and net lending :—				
Fixed investment at home	681	775	977	1,106
Increase in value of stocks	22	264	490	300
Addition to tax reserves	5	130	25	134
Increase in other assets (net)	447	466	184	209

GROSS FIXED INVESTMENT
£ million at 1948 prices

	1952	1953	1954	1955	1956
By industry group :—					
Agriculture, forestry and fishing	76	75	80	84	73
Mining and quarrying	38	50	64	68	65
Manufacturing	468	454	464	549	608
Building and contracting	28	26	30	36	35
Gas, electricity and water	191	206	239	250	235
Transport & communication	169	199	202	196	238
Distribution and other services	151	169	218	274	272
Dwellings	377	493	519	480	462
Social services	81	83	89	90	101
Other public services	57	61	65	64	76
Legal fees, etc.	37	35	37	41	34
Total	1,673	1,851	2,007	2,132	2,199
By type of asset :—					
Vehicles, ships and aircraft	212	242	261	293	322
Plant and machinery	624	632	700	767	772
Dwellings	377	493	519	480	462
Other new buildings and works	460	484	527	592	643
Total	1,673	1,851	2,007	2,132	2,199

PERSONAL INCOME AND EXPENDITURE
£ million

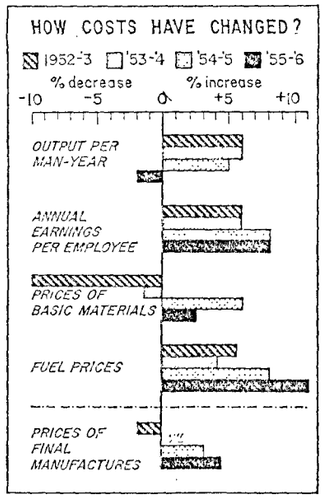
	1954	1955	1956
Wages and salaries	9,345	10,180	11,070
Forces' pay in cash and kind	363	362	405
Employers' contributions (1)	559	664	726
Income from self-employment	1,595	1,667	1,695
Rent, dividends and interest	1,590	1,769	1,880
National insurance benefits and other current grants from public authorities	1,020	1,114	1,194
Total personal income	14,512	15,756	16,970
Less taxes on income	—1,266	—1,369	—1,453
Less national insurance contributions	— 532	— 594	— 643
Less remittances abroad (net)	— 8	— 17	— 15
Total disposable income	12,706	13,776	14,859
Consumers' expenditure	11,963	12,772	13,378
Balance: saving before providing for depreciation and stock appreciation	743	1,004	1,481

(1) Employers' contributions to national insurance, superannuation and pension funds, etc.

Dead Level in Industry

Industrial costs rose, while output did not. There was more activity—and more profit—in commerce and trade than in manufacturing. Price inflation slowed only a little.

WHATEVER increase there was in national output last year seems to have come from agriculture and from increased activity in distribution and the service trades—not from industry. Throughout the year, industrial production remained at the high level first reached early in 1955, about 35-38 per cent higher than in 1948. It showed no signs of increasing generally during the year, though "there were widely divergent movements in different industries." The working population showed no significant increase and with the softening of demand for marginal workers the number of women in jobs declined slightly. Manufacturing ouput, the most dynamic element in economic expansion in Britain since the war, is indeed shown as falling slightly last year, by just over 1 per cent. Manufacturing employment also fell during the year; but the survey, taking averages for 1956 against those for 1955, reckons that ouput per man-year in manufacturing declined by about 2 per cent. Since annual earnings in manufacturing industry rose by 8 per cent—fully as much as in the boom of 1955—it may be inferred that labour costs rose by roughly 10 per cent. Fuel prices rose even more; but prices of other basic materials went up only about 2½ per cent. Since some of the manufacturing industries were operating well below capacity, their overhead costs will also have risen. Year-to-year comparisons of "costs" of this kind are inherently dubious. What one might more confidently say is that earnings continued to rise at more than the rate that investment in improved equipment could match even at full output, and that industry was in fact working somewhat below capacity.



In such circumstances, businessmen may well have considered it prudent to absorb what they hope are temporary additions to costs, over and above the ordinary rate of inflation; and prices of manufactured goods certainly did not rise as much as the survey suggests that costs in manufacturing may have done. With an air of discovery, the survey comments, "The implication is that profit margins in manufacturing were on average reduced." The Government statisticians, holding that there was some slight decline in manufacturing profits, which account for two-thirds of gross trading profits in private industrial and trading companies as a whole, nevertheless think that gross profits rose by 3 per cent for all companies—implying a rise of 10 per cent or so in profits outside manufacturing. Clearly, commerce and trade were doing better last year than manufacturing industry was; but so sharp a contrast in profits is surprising.

Whether or not prices rose as fast as costs, they were hardly stable. There is an air of unctuous disingenuousness about the survey's discussion of Mr Macmillan's price plateau; the reader can almost feel the politician's breath coming down his own neck, let alone the authors'. In fact, retail prices rose about 5 per cent between 1955 and 1956, though only about 3 per cent during the course of 1956 itself; and prices of all manufactured goods are said to have risen by about 4½ per cent between the two years.

Strain upon the metal-using industries, often cited as one of the main reasons for stiffening disinflation late in 1955, eased considerably during 1956; total output in this mixed bag of engineering industries indeed fell slightly. Within this group, the survey shows output for investment (excluding cars) as rising about 3 per cent (which is in line with its modest estimate for the real increase in capital investment in plant and machinery). Output of cars for the home market and metal consumer goods fell by more than 20 per cent; and engineering output for defence, which in recent years has taken about an eighth of their total production, also declined. Engineering exports rose. But the survey shows also a marked decrease in output of "other industrial goods, repair work, and stock changes," which includes most semi-manufactures and components—suggesting that intermediate output in British engineering may be geared rather more to the production of motors and consumer goods than to the building of plant and machinery. These industries' total demands for steel were more easily supplied in 1956 than in 1955—though imports of steel were virtually as large as in the previous year and cost more.

"When Expansion Is Resumed . . ."

In 1956, Britain could not have improved both production and the balance of payments; it was one or the other. Is it still?

"ON THE whole," concludes a survey that is generally concerned more to delineate the Government's disinflationary policy than to analyse its working or its results very deeply, "this policy was successful." This verdict may seem overkind to less committed observers: but the reasoning is consistent, if circular. By forgoing increases in consumption and production and simultaneously encouraging exports the nation

secured a substantial improvement in the current balance of payments; most capital goods industries, the railways and the coal mines gained small numbers of unskilled and semi-skilled workers; savings rose; the price plateau held for six months. "Restoration of the current balance of payments surplus without checking production could have been achieved only by an even better export performance"; and the only major expansion achieved in exports was of precisely the capital goods that home investment required.

Once the Suez Canal is back in use, the survey suggests, "a renewed upturn in European production in the second half of 1957 may be expected" if perhaps "at a more moderate pace than in recent years." Equally, it is distantly confident about the United States: "generally speaking no great changes from the present prosperous conditions seem likely, one way or the other." And any general pick-up in economic activity later this year might somewhat increase the general level of commodity prices for the primary producing countries. But its prophecies are largely reserved for foreigners. At home, this survey is much less prepared to look ahead—or to relate what happened in 1955 and 1956 to the long-term progress of the economy.

Estimates of investment intentions for 1957 in private industry are now in the public domain, and the Treasury will recently have concluded its annual exercise in telling the nationalised industries what it agrees that they may invest this year. Here the survey permits itself a clear indication: "Investment by private industry is likely to remain this year at about its present high level, and investment in the basic services of fuel, power and transport (including new road building) is expected to increase." Private industrial investment would appear from the quarterly estimates, already to be running down—though there remains some possibility that last year's increase, in real terms, may have been under-estimated. This investment, the survey agrees, has improved British industrial efficiency and capacity.

How much potential expansion in output will be available from that additional capacity is unknown, but it must be considerable. In its understandable, and indeed inevitable, emphasis upon improving the balance of payments enough "to finance our long-term investment overseas and strengthen our position as an international banker," the survey tends to treat that expansion as an independent phenomenon, to be reckoned with when, for reasons presumably of its own, it occurs.

"When the expansion of industrial production is resumed," it notes, additional imports will be needed; this means an even more rapid increase in exports than in recent years and that "a considerable proportion of the additional output" must be exported. Kept thus at arm's length, industrial expansion is no longer treated as the capacity from which it will be practicable to supply more to the various sectors of demand, but as something that in "the external conditions for a successful year," Britain may cautiously be able to afford. "Internally, high savings and all possible restraint in Government expenditure should create a situation favourable to the export effort and help us to avoid any undue increase in the level of imports when expansion is resumed."

BUSINESS NOTES

BALANCE OF PAYMENTS

Where Suez Hit Sterling

THE characteristic feature of the sterling crisis of the second half of 1956 was that, apart from some fall in earnings of Middle East oil companies, the strain was concentrated wholly on the capital account. Britain's current balance with all countries was transformed from a deficit of £102 million in the second half of 1955 to a surplus in 1956 of £154 million in the first half and £79 million in the second; and the deficit with non-sterling countries shrank from £211 million in the second half of 1955 to £92 million in the second half of 1956. Despite the receipts from the sale of the Trinidad Oil Company, there was still a small net outflow of long term investment. In consequence, as the first line of the table shows, the "commercial balance" with the non-sterling world improved from a deficit of £243 million to one of £106 million. But for the drawing of £201 million from the International Monetary Fund at the end of December, the reserves would have fallen in the half year by £291 million (compared with a rise of £95 million in the first half of 1956 and a fall of £200 million in the second half of 1955). This is attributable to three major influences:

The running down of sterling balances;

The withdrawal of short term capital through a host of other channels;

To a smaller extent, a reduction in the contribution of gold and foreign exchange of the overseas sterling area.

In the second half of 1956 the overseas sterling area as a whole provided Britain with a net sum of only £9 million of gold and exchange; the current deficit with Britain of £171 million was financed largely by a big increase in the inflow into those countries of British investment capital (of £113 million), and also by some running down of sterling balances. The overseas sterling countries were thus able to countenance a rise in imports from both the dollar area

and, still more, from Europe. The country in which this trend was most marked was India, but it was seen also in the colonies, whose sterling balances actually fell somewhat, to £1,286 million—still accounting for nearly two-fifths of all overseas countries' sterling holdings. On the other hand, there was a further increase in receipts from gold sales, for the most part of course from South Africa, to a new record of £125 million in the second half year—half as much again as in the whole of 1953.

WHO DREW?

A striking feature of the analysis of the capital strain is the extent to which this was attributable to Western Europe. Of the further reduction of £84 million in the sterling balances of non-sterling countries in the half-year, £30 million was attributable to OEEC countries. The much smaller holdings of dollar countries, which had been heavily run down in the year preceding the Suez crisis, had already virtually touched bottom (at £37 million), whilst those of other western hemisphere countries actually rose by £7 million, following a rise of £16 million in the first half. Balances of other non-sterling countries, however, dropped by £60 million in the second half and £114 million in the year as a whole—a fall attributable primarily, no doubt, to Japan, China and the non-sterling Middle East.

THE CAPITAL STRAIN
Transactions with non-sterling world
(£ million)

	1955		1956	
	Jan.–June	July–Dec.	Jan.–June	July–Dec.
Balance of current transactions and long-term capital	−105	−243	+ 14	−106
Receipts of foreign exchange from RSA	+ 96	+ 36	+113	+ 9
"Commercial balance"	− 9	−207	+127	− 97
Short-term and miscellaneous capital, and errors and omissions	+ 30	+ 45	+ 17	− 76
Movement of sterling balances	− 24	− 58	− 48	− 84
Change in official holdings of non-dollar currencies, EPU debt, etc.	− 26	+ 20	− 1	+ 3
Dollar payment into waiver account	...	...	...	− 37
IMF drawing (+) repayments (−) by UK	...	...	...	+201
Change in reserves	− 29	−200	+ 95	− 90

The outflow of £76 million of "miscellaneous capital and errors and omissions," which includes a partial estimates of the "leads and lags" in current payments, also appears to have been attributable to a substantial degree to OEEC countries. The speculative pressure from Europe is reflected in the fact that while the commercial deficit of the whole sterling area with OEEC rose only from £84 million to £106 million, the official statisticians estimate that the net dollar deficit in all transactions with these countries rose from £144 million to £215 million. It thus accounted for over two-thirds of the loss in the reserves in the second half-year excluding the IMF drawing.

STERLING AND GOLD RESERVES

Increase in Reserves

THE British gold and dollar figures reflect little of the excitement and two-way activity that have characterised the foreign exchange market in recent weeks. During March the reserve rose by $62 million, which included $17 million from the European Payments Union in settlement of the February surplus, and $5 million of defence aid from the United States; as the regular $3 million was paid out to creditors of EPU in bilateral settlements the residual inflow, reflecting market operations during March, was $43 million. India, however, is known to have drawn $67½ million from the International Monetary Fund during March, and the precise effect of this operation on the reserve cannot be assessed. As a member of the sterling area India banked the dollars in London and replenished its sterling reserves, but it is probable that it drew considerably on its London balances to make non-sterling payments which may have cost gold and dollars.

THE GOLD RESERVE

($ million)	EPU settlement*	Direct dollar balance	Aid and special payments or credits	Change in reserves	Reserves at end of period
1956 :—					
August	−51	− 68	− 10	−129	2,276
September	−34	− 94	+180†	+ 52	2,328
October	−28	− 63	+ 7	− 84	2,244
November	−28	−285	+ 34‡	−279	1,965
December	−49	−169	+386§	+163	2,133
1957 :—					
January	−17	− 36	+ 4	− 49	2,084
February	+20	− 20	+ 63	+ 63	2,147
March	+17	− 27	+ 72	+ 62	2,209
April	− 6				

* Relates to balance in previous month. † Includes $177 mn. from sale of Trinidad Oil ‡ Includes $30 mn. from official sale of US government bonds. § Balance of drawing of $561 mn. from IMF, defence aid of $5 mn. and end-year instalments of $181 mn. on US and Canadian postwar loans. Includes drawings by India from IMF of $59 million in February and $57 million in March.

But for the Indian drawing from the IMF the residual change in the reserve last month, reflecting the intervention of the Exchange Equalisation Account in the market, would probably have been small. The trend is more truly reflected in the balance with EPU, where the January-February surpluses of £9 million and £8 million gave way to a deficit of £3 million in March. The deterioration here and in the residual balance is attributable to the further pressure on sterling caused by the strikes. Dollar payments for oil continue to be "very heavy," but so far there has been no drawing by Britain on the IMF standby credit or on the $500 million credit from the Export-Import Bank.

STERLING BEARS COVER

During the past week the foreign exchange market has reflected the fluctuating news of labour troubles in Britain. The rate on New York, which was hovering around $2.79 towards the end of last week, took a sudden dip on Monday and touched $2.78½. At the same time the three-months premium on dollars, which had narrowed down to ⅛ cents, widened to ⅞ cents. Since then the official rate has recovered sharply to 2.78⅞, and the three months' premium on dollars has narrowed to ¾ cents, the most flattering rate for forward sterling since February 1955. This must denote a covering of short accounts. Continental rates have also moved in favour of sterling during the latter part of this week.

The feature of the exchange market continues to be the underlying weakness of the French franc. France's deficit with EPU last month rose to $93,696,000 from $88,040,000 in February. The March deficit would have been greater still had it not been for a massive mobilisation operation by the Bank of France which ordered all French banks, nationalised or not, to repatriate any surplus foreign exchange balances in excess of those existing on January 1st. This succeeded in bringing to the Bank of France, and therefore into the EPU clearing, foreign currencies which did not represent current commercial transactions. This running down of foreign currency balances partly explains Britain's deficit with EPU of £3 million in March, which will be settled this month by a payment of $6 million. France has already asked for a $200 million extension of its quota when EPU is renewed for a further year from June 30th next.

THE MARKETS

Waiting for the Budget

IT would have been remarkable if markets had developed a clear direction this week. Investors had a mass of heavy information to digest—the Economic Survey, the national income figures, the gold and dollar statement, the balance of payments, the strikes and their settlement, and the continued intransigence of Colonel Nasser. And they had to look forward to the budget. So most investors marked time. But markets have not been stagnant; there has been enough business passing to show that investors were not shaken in their theory that inflation is still winning. Oil shares have been bought. Industrials have risen a little. *The Economist* indicator is up two points, from 204.9 to 206.9. Gilt edged have sagged a little. The *Financial Times* index of government securities was down in the week ended on Wednesday from 87.48 to 87.32.

A pronounced surfeit of short-dated bonds is still felt in the money market while the big banks are certainly not buyers; a few of them are believed still to be sellers. At the longer dated end of the list institutions such as insurance companies are showing a pronounced reluctance to buy. Their predilection is for the double option—the fixed interest security that might become a useful equity. The massive over-subscription of the Pressed Steel Company's issue of £2 million 5½ per cent convertible debenture stock 1977-82 at par, is an illustration of the sort of investment ideas that prevail among them. The offer attracted £22 million of applications.

It is futile to expect markets to adopt any other shape until after the budget, or to hope that funding by sales of government stocks through the market will yet start up again. The government broker, with a more varied list of securities on offer than usual, prices his holdings in general at about half a point above the market. It is arguable that to cut those prices and get funding restarted is an obvious need, but sound tactics suggest that such a move should be carefully timed so that when selling does start it finds a market ready to absorb stock.

BRITAIN'S INDUSTRIAL CAPITAL

'Real Investment' in 1956

MUCH of the information published in the preliminary White Paper on National Income and Expenditure now finds its way into the Economic Survey, this year published the day before. But one "scoop" left for the national income accounts was the estimate of how much the country ought to have been setting aside last year to maintain the value of its fixed assets—continuing the important figuring on capital consumption introduced in last year's Blue Book, which for the first time provided an official estimate of national income after allowing for depreciation.

Last year new investment in fixed assets was valued at £3,088 million but partly offsetting this, it is reckoned that £1,735 million should have been allowed for wear and tear and obsolescence, so that only £1,353 million could be counted as a net addition to assets. Between 1955 and 1956, gross capital formation rose in value by 8 per cent, but capital consumption rose more than this following the 1953-55 boom and consequently there was only a 5 per cent increase in the value of net investment which seems to have been entirely swallowed up by higher prices. The amount of net investment, in real terms, was apparently no higher last year than in 1955; indeed, expressed as a proportion of the national income, these figures suggest a fractional fall in it.

NET FIXED CAPITAL FORMATION AND NATIONAL INCOME
(£ million)

	1953	1954	1955	1956
Gross domestic capital formation	2,268	2,550	2,855	3,088
Less capital consumption	−1,368	−1,427	−1,568	−1,735
Net domestic fixed capital formation	1,000	1,123	1,287	1,353
Gross national product	14,901	15,906	16,803	18,002
Less capital consumption	−1,368	−1,427	−1,568	−1,735
National increase	13,533	14,479	15,235	16,267

Behind these figures of capital consumption lies a formidable exercise full of hazards: it is perhaps no wonder that these hide themselves rather coyly among the notes at the back of the white paper. Only the bare total figures are given and it is impossible to judge them closely or carry the interpretation further until more detailed estimates appear, presumably in the next Blue Book.

HOW DOES BRITAIN COMPARE?

Many comparisons have been made since the war of the extent to which the major industrial countries have been investing in fixed capital equipment—nearly always to Britain's disadvantage. All have so far suffered from the inadequacy and incomparability of the data. In the last two or three years, however, official statisticians in Britain and other countries have been refining their estimates of national investment; and in the current issue of *The Banker*, Dr T. Barna, one of Britain's most prominent academic statisticians, has there been able to present comparisons of net investment in Britain, Western Germany and the United States on almost exactly the same basis.

His results are comparatively favourable to Britain. Using the same method of estimating net investment that the Central Statistical Office does, he calculates that the net value of fixed assets in manufacturing, shown in dollars of comparable purchasing power, has just about doubled between 1938 and 1956 in all three countries. Since 1948, the net value of manufacturing assets rose by 25 per cent in the United States, by 50 per cent in this country, and by as much as 110 per cent in Western Germany; but these differences were no more than enough to offset the much greater net investment in manufacturing during wartime in the United States and Britain than in Germany (which expanded its industrial capacity during these years by con-

quest rather than investment). Moreover, Britain's proportionate addition to capital per worker in manufacturing since 1938 has been much more than in either country.

OUTPUT & CAPITAL PER HEAD IN MANUFACTURING
(In dollars of 1950 purchasing power)

	Output per Head			Capital per Head		
	United Kingdom	Western Germany	United States	United Kingdom	Western Germany	United States
	$	$	$	$	$	$
1929	1,300	1,700	3,800	1,300	1,900	4,900
1937-8	1,700	1,900	3,800	1,300	1,800	4,200
1948	2,100	—	4,700	1,700	2,000	4,600
1956	2,300	2,200	5,950	2,200	2,300	5,200

Dr Barna's new calculations raise one important technical point; he holds that official estimates of investment in Britain over the years leave out a very large amount of capital equipment put into manufacturing industry during the war (and some since) with Government money. It will since have been transferred on comparatively advantageous terms to companies, and is not necessarily depreciated in the normal way at all. This may account for a substantial increment of comparatively modern capital equipment in British manufacturing that Government estimates have so far missed.

DEFENCE PRODUCTION

Lean Future for the Aircraft Industry?

DETAILED figures for defence expenditure had not been published when this issue of *The Economist* went to press, but the summary of defence policy contained in the White Paper issued on Thursday makes it plain that the aircraft and to a lesser extent the electronics industries face a future almost as lean as that which they endured during the postwar Hungry Forties. During the past five years, one-eighth of the output of the metal-using industries has been going into defence production and "an undue proportion of qualified scientists and engineers are engaged on military work." The reversing of this trend is bound to be painful, particularly since these industries have come to rely on their defence contracts to provide them with the flow of know-how and research that is needed for their civil projects. This is most obvious in the case of the aircraft industry, but it applies no less to electronics.

Not only will the cake be smaller, but there are indications that the traditional defence industries will be getting a smaller slice of this smaller cake. The emphasis on nuclear weapons of every shape and size, from H-bombs down to pocket-size atomic warheads for anti-aircraft missiles means that expenditure on research and production at the Atomic Energy Authority's weapons establishment at Aldermaston will be rising at the same time as it is contracting in other industries. The decision to build no more manned fighters or bombers beyond those already on the stocks does not automatically throw all the research and development work of the past three or four years into the waste-paper basket since the dividing line between the ultra-high speed fighter and the guided missile (which does not necessarily have to be rocket-shaped) is more apparent than real. But the diminishing size of the RAF gives notice to industry that even though the new defence plan provides for continued work on guided missiles in this country, if only to see that British industry has a nodding acquaintance with its new technology, the projects will be fewer and will be ordered in smaller numbers than they were in the past. "Some establishments," says the White Paper bleakly, "will have to be closed."

REORGANISING ELECTRICITY

Politics and Power

SELDOM can any minister have seemed at such pains to dissociate himself from what he was obliged to argue as was the Paymaster General this week in announcing the Government's surrender to the Tory backbenchers on the Electricity Bill. Mr Maudling had to say that for the reasons he himself had dismissed in the committee stage the Minister of Power had decided that the nationalised electricity industry should not be allowed to manufacture electrical plant if it felt that prices were fixed against it by private manufacturers; but only for research and development. The only new factor in the argument that has appeared since this clause was put into the bill is that a Monopolies Commission report has described in great detail just how manufacturers do exactly that; so Mr Maudling's apparent distaste for what he had to say was understandable.

This point in the Electricity Bill will probably never be an important one in practice; but the circumstances of the concession are vaguely repellent. It is convenient for the Government that the Tory backbench fuel and power group happens to be partly co-terminous with its extreme right-wing critics on foreign policy, and that it has before Parliament at the present time a bill for the reorganisation of a nationalised industry in which none of the people now responsible is really interested. Each time the Government has to clear up another part of the mess it has made of foreign policy, it is able to give a sop to the same group of critics in different hats by altering the Electricity Bill slightly more to their liking. It remains questionable, however, whether the number of changes that these gentlemen want to insert into the bill will last out the mistakes abroad that the Government has to repair; so the concessions on electricity need to be strictly rationed. This week the Government did not, as had been foreseen, insert into the bill the further meaningless concession that all electricity authorities should borrow capital without a Treasury guarantee. Is it saving this up as the Parliamentary price of surrendering to Nasser over payment of the Canal dues?

BUDGET BACKGROUND

The Exchequer Accounts

THE Exchequer returns for the budget year to the end of March show that, after the expected spurt in issues in the final week, the surplus of current revenue came out at £289.8 million. This was £107 million smaller than the surplus in 1955-56—though Mr Macmillan had budgeted for a substantial increase in the surplus, even before taking account of his promised "economies." Yet, as was suggested here last week, the out-turn is a good deal better than seemed likely a few months ago. In the below line accounts—which are not strictly part of the budget accounts at all since authority for the expenditures they represent is drawn from

Continued on page 66

Unilever's Growth

£4 PER CENT is a moderate yield. It is the yield offered by Unilever Limited's £1 ordinary stock at 87s. 6d. In buying the stock at that price or in refraining from taking profits on existing holdings, private and institutional investors look beyond the fat earnings cover and the progressive dividend record. They look for further growth in one of the largest trading empires in the world, an empire tied to the custom of the housewife. The latest increases in dividend from 15¾ to 17½ per cent for Limited and from 14 to 15½ per cent for NV have reinforced that confidence.

There are risks. As a user and a producer of raw materials for soap and fats, the Unilever dyarchy is best served by stable commodity prices. Violent fluctuations in them can bring sudden stock losses or gains. But the empire is so big that its directors can afford to say that a stock loss or profit of less than £1 million is not "material"—in the sense that they need not make any special transfer to or from reserves to take account of it. As a producer of margarines, fats, soaps, detergents and proprietary foods, Unilever Limited and Unilever NV trade in highly competitive markets, where advertising costs are high. But the two partners have the skill, the experience, the financial resources and the sheer size to meet any challenger on better than equal terms. Ultimately, then, the balance which investors have to strike is between the risk of world trade recession and the assumption that living standards will continue to improve.

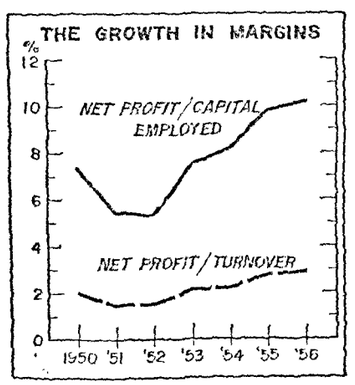
Investors who prefer the expansionist view may take growth for granted, simply because such growth can be largely self-financed. In 1956 Unilever Limited and Unilever NV spent £37 million on fixed assets (against £28 million) and they expect to spend still more this year. Yet the group made no appeal to the capital market and is not likely to have to do so this year.

Last year the capital employed by the group went up by nearly £40 million to over £470½ million, liquid and near liquid assets rising by about £15½ million, partly on involuntary growth, for stocks were about £10 million less than they would have been had not the Middle Eastern crisis delayed the arrival of some raw materials and caused some forestalling purchases by consumers. To finance this growth, over £19 million was provided in depreciation and over £35 million by profit retentions.

By an improvement in stock control and in the employment of physical capital, the rate of return of net profits to capital employed rose last year from 9.8 to 10.2 per cent. The margin of net profits to turnover rose from 2.8 to 2.9 per cent. This is not a big return. But in a year in which Unilever's own economists estimate that world industrial output rose by 4 per cent, the group's turnover rose by 10.3 per cent—from £1,515 million to £1,671 million, including a rise in inter-group transactions from £394 million to £441 million. And the combined gross trading profits of the two partners rose by 15¼ per cent.

The increase in sales was fairly uniform both by product and by area. But the increase was most marked geographically in "Africa, the Middle East and Australasia," and in commenting on the trade of the United Africa Group in British West Africa the directors specifically say "gross margins tended to increase, except margins on textiles in Ghana." The directors also draw attention to "the success of the best quality margarines" and to the "remarkable headway" made by synthetic detergents (which make up about one third of Unilever's soap and detergent sales).

These are but a few facts gleaned from the mass of information which the Unilever report always provides. Some facts and figures, because commercial prudence so dictates, are missing, notably the profits earned (as opposed to the actual sales achieved, which are disclosed) in individual product groups. But shareholders will receive additional information during this year. The directors have decided to issue an interim announcement of turnover and profits for the first half of each year. They warn shareholders that, because of fluctuations in the prices of oils and fats, "six monthly figures can be particularly misleading for a business such as Unilever." Price fluctuations are usually "ironed out" over a full year, but in the half yearly figures where these fluctuations may have a more important (though perhaps only temporary) influence they intend to publish the amount of any stock reserve adjustments.



PROFITS AND ASSETS
(£'000s)

	Unilever Limited		Unilever NV		Combined	
	1955	1956	1955	1956	1955	1956
Profits and Dividends :—						
Trading Surplus	49,577	56,659	53,485	62,111	103,062	118,770
Depreciation	8,559	9,511	8,731	9,836	17,290	19,347
Trading profit	40,821	46,886	44,634	52,143	85,455	99,029
Investment income	1,059	1,154	308	339	1,367	1,493
Taxation	21,227	23,999	22,678	27,873	43,905	51,872
Profit after tax	19,663	23,064	21,480	23,845	41,143	46,909
Net income	22,915	25,204	22,203	21,929	45,118	47,133
Ordinary dividends	2,425	2,695	5,018	5,555	7,443	8,250
Retained profits	17,990	20,009	16,089	15,270	34,079	35,279
Assets and Liabilities :—						
Ordinary capital	26,746	26,746	35,615	35,615	62,361	62,361
Retained profits	120,496	143,265	66,124	80,913	186,620	224,178
Minority interests	14,404	15,230	8,691	9,316	23,095	24,546
Future tax	25,600	26,800	9,962	10,714	35,562	37,514
Capital employed	254,447	276,844	176,496	193,775	430,943	470,619
Land, buildings and equipment, etc.	91,532	104,334	87,160	95,174	178,692	199,508
Net fixed assets	96,615	111,555	93,297	103,529	191,912	215,084
Stocks	133,914	138,312	96,086	104,629	230,000	242,941
Debtors	71,751	72,990	38,068	41,529	109,819	114,519
Investments	18,873	21,890	8,323	10,095	27,196	31,985
Cash	19,343	17,766	18,759	24,844	38,102	42,610
Creditors	46,213	46,312	40,372	50,274	86,585	97,036
Short-term borrowings	16,776	14,380	16,368	12,538	33,144	26,918
Net current assets	157,832	165,289	81,199	90,246	239,031	255,535
Total Assets	254,447	276,844	176,496	193,775	430,943	470,619

Continued from page 64

individual Acts and not circumscribed within the budget year—net expenditures are markedly short of estimates, owing largely to the very sharp fall in Exchequer borrowings by local authorities. The deterioration above the line

THE YEAR'S OUT-TURN AND ESTIMATES
(£ millions)

	Out-turn	Change on 1955–56	
		Actual	Original budgeted change*
Income tax	2,114·2	+171·3	+142·6
Surtax	158·0	+ 19·4	+ 5·4
Death duties	169·0	− 6·7	− 5·7
Stamps	63·0	− 7·6	− 11·7
Profits tax and EPT	195·0	+ 2·5	+ 24·3
Excess profits levy	5·0	− 13·5	− 14·5
Other inland revenue	0·6	− 0·1	−
Total inland revenue	***2,704·8***	***+165·3***	***+140·6***
Customs	1,198·9	+ 50·3	+ 55·4
Excise	901·7	+ 37·2	+ 89·9
Other revenue	352·4	+ 11·9	+ 19·7
Total ordinary revenue	***5,157·8***	***+264·7***	***+304·4***
Debt interest	710·6	+ 72·7	+ 32·1
Sinking fund	37·0	+ 0·5	+ 0·5
Other Consol fund	76·1	+ 6·8	+ 1·7
Supply services	4,044·3	+292·0	+227·3
of which;			
Defence	*1,525·1*	*+120·2*	*+ 93·8*
Civil	*2,464·0*	*+178·0*	*+142·2*
Tax collection	*55·2*	*− 6·2*	*− 8·7*
Total ordinary expenditure	***4,868·0***	***+372·0***	***+261·6***
Above-line surplus	***+289·8***	***−107·3***	***+ 42·7****
"Below-line" net expenditures	−621·1	− 83·1	−265·0
Net deficit	**−331·4**	**−190·5**	**−222·0***

* Before taking account of "economies" estimated in budget speech at £20 mn.

is due partly to a shortfall of customs and excise revenues, but mainly to an unexpectedly large rise in expenditures. As can be seen from the table, this was spread fairly evenly over the three main constituents—interest on the national debt, defence expenditure and civil expenditure.

THE BANKING PICTURE

Accelerating Advances

ONE third of the remarkable increase in net personal saving estimated by the Economic Survey to have taken place in 1956 is attributed to a reduction in borrowings from three sources—building societies, hire purchase companies and the banks. This year, there are already indications that in each of these channels of finance the trend is turning upwards. The most striking visible change is in bank advances. The latest quarterly classification, for the three months to mid-February, showed the first upturn in borrowings by the personal and professional group and by hire purchase finance companies since the squeeze took effect. Now the figures of the clearing banks for their mid-March make-up show a further large expansion in advances to the private sector.

The banks' total advances rose in the four weeks to mid-March by £53 million, despite further repayments by the state boards of £17½ million. The increase of £70½ million in advances to all other borrowers follows a rise of no less than £97 million in the preceding (five-week) period. Admittedly, bank borrowing is seasonally high in the tax gathering weeks of the new year, and it seems that the expansion in the March period was partly attributable to special influences at the National Provincial (which was responsible for two-fifths of the aggregate increase in advances). But allowing for all these factors there seems still to have been an underlying expansion. Much of the new credit has gone to the "essential" industries producing for export; but while there has been no conscious departure from the principles of the squeeze on other borrowers, there is little doubt that these have been able, for one reason or another, to get more bank accommodation.

Whatever the exact force at present of the squeeze by official request, the banks face a growing pressure for restraint from commercial considerations of liquidity.

LONDON CLEARING BANKS

	March 20, 1957		Change on	
			Month	Year
Deposits	£ mn. 6,161·3		£ mn. − 28·6	£ mn. +75·3
"Net" deposits*	5,896·6		− 32·8	+68·3
	£ mn.	%†		
Liquid assets	*2,007·5*	*(32·5)*	*− 69·4*	*− 4·9*
Cash	501·1	(8·1)	+ 1·8	−16·0
Call money	446·3	(7·2)	+ 31·8	+19·5
Treasury bills	915·0	(14·9)	−101·5	−30·6
Commercial bills	145·1	(2·4)	− 1·5	+22·2
Investments and advances	*3,969·7*	*(64·4)*	*+ 34·9*	*+71·9*
Investments	1,993·2	(32·3)	− 18·1	+ 0·1
Advances	1,976·5	(32·1)	+ 53·0	+71·8
To State Boards	*39·8*	*...*	*− 17·7*	*...*
All other	*1,936·7*	*...*	*+ 70·7*	*...*

* After deducting items in course of collection. † Ratio of assets to published deposits.

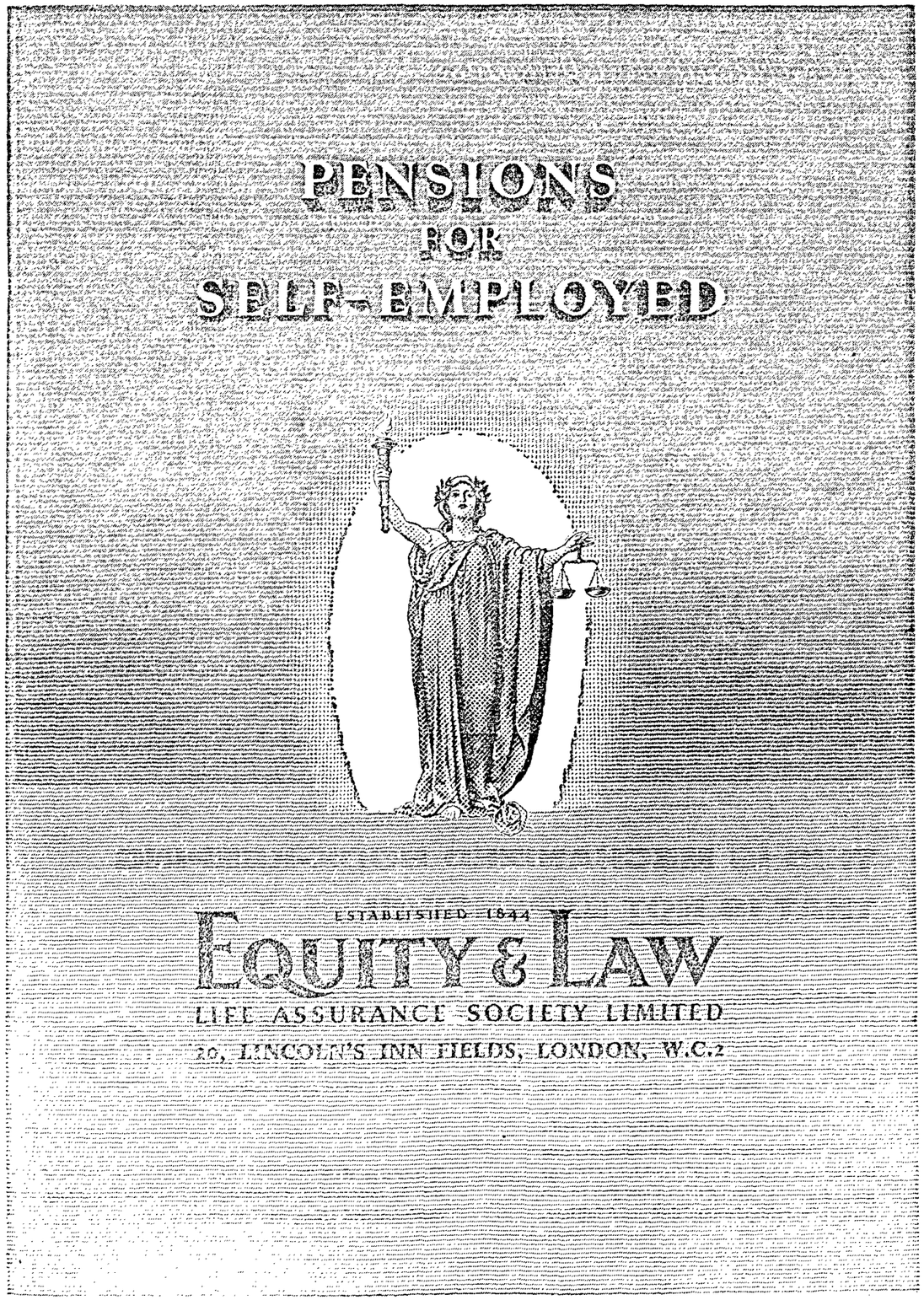
Holdings of liquid assets were run down further between February and March, as the Treasury was repaying bills from its surplus of revenue, and in conjunction with the rise in advances this induced two of the Big Five banks—the National Provincial and Lloyds—to sell nearly £8 million each of investments. The aggregate decline in portfolios was £18 million, reversing the greater part of the purchases made in the first seven weeks of the year—primarily by the Midland and Barclays. But the average liquidity ratio dropped a full point, to 32.6 per cent, and that at Lloyds dipped fractionally below the conventional minimum of 30 per cent.

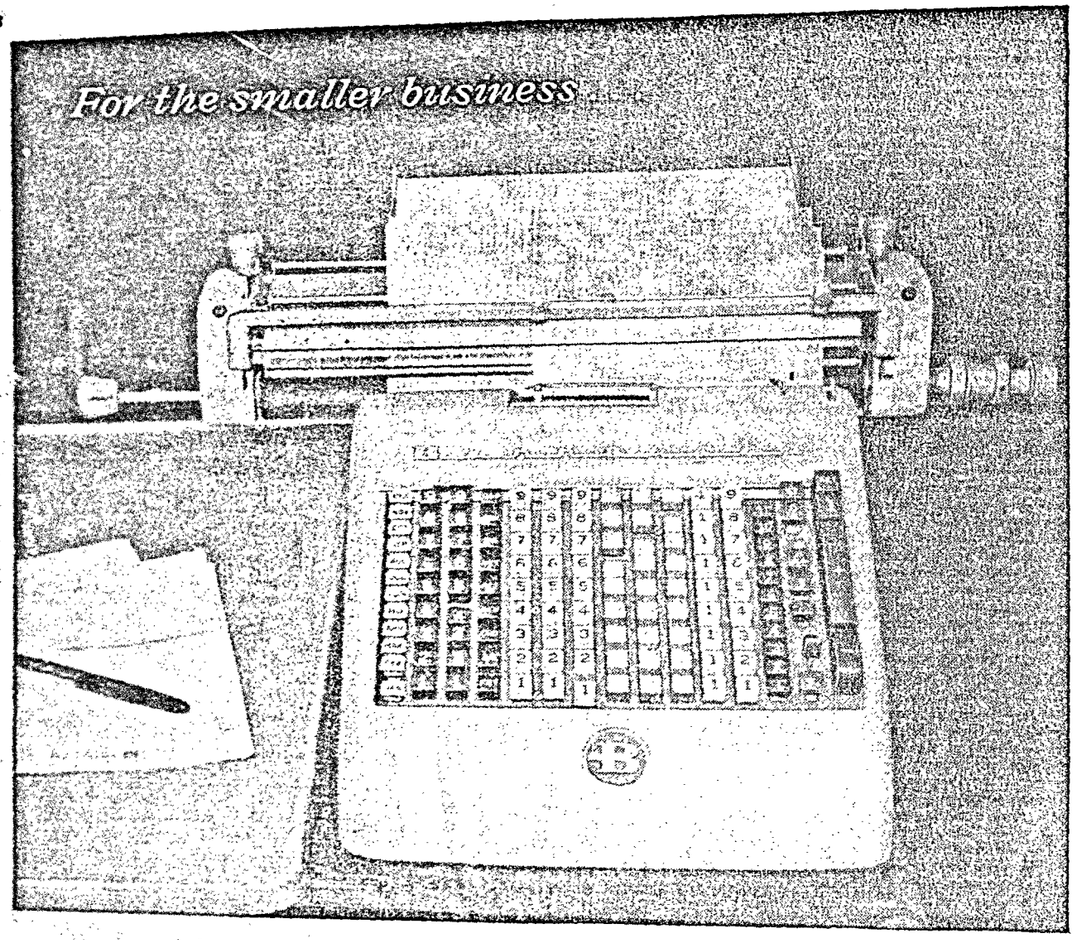
TRADE WITH AUSTRALIA

Canberra Opens the Door

WHILE some members of the sterling area are tightening up on imports others are relaxing restrictions. Last month South Africa took a further step towards the removal of import controls; this week Australia announced an increase of import licences of £A75 million a year, starting on April 1st. This increase (the economic background of which was described on page 1098 of *The Economist* of last week) raises the permitted level of imports to £A775 million in the year beginning July 1st and follows an increase of £A30 million a year on January 1st. Full details are not yet available.

Licences for industrial materials and equipment, which come under the administrative and "A" categories, are increased by about £A30 million a year. Licences for consumer goods, which hitherto have borne the brunt of the restrictions, are eased considerably. Licences for consumer items in category A are increased by about £A10 million a year, or by 20 per cent; they include washing





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Licences for items in category B are increased by about £A20 million a year, or by 66 per cent; they include cotton, rayon and wool piece goods, clothing, toys and sporting goods and certain metal manufactures and appliances and glassware. Imports of paper in this category are transferred to category A, and are increased by 10 per cent. Licences are once more transferable among all goods in category B and the sub-categories are abolished. These relaxations together equal £A60 million a year; it is not yet clear on what goods the remaining £A15 million will be spent. Imports of unassembled and assembled motor vehicles are unchanged; a statement will be made when the government has completed a review of imports of motor vehicles and of the needs arising from projected developments in local manufacture and assembly. A further extension of the licencing period, which was increased from three to four months on April 1st, will be considered in November.

COSTS OF FLYING

Dearer Air Fares

THE international airlines are taking emergency action to raise their fares by five per cent this summer on flights to Europe and across the North Atlantic. This is a case of the operators becoming snarled up in their own rate-fixing procedure. They would not normally consider making fare changes before September, the date when ironically enough they are due to iron out the last details of the new third-class Atlantic fares to be introduced in

Mr Bentley Wins at Halifax

SMOKY grey fog hung over Halifax, with grey chimneys and grey hills peeping through the murk. Inside the Victoria Hall a grey cloud of tobacco smoke hung over the drab stalls and galleries and grey suits and dresses of the patient voters. Golden mayoral chains on the platform and an occasional bright red hat in the pit stalls shone through the haze. Beneath Mr Fred Bentley's silver grey head a broad smile developed; he was home by eight votes. The very arithmetic of Mr Bentley's election was exciting. He was the third and last of the successful candidates for the Halifax Building Society's board. First came Mr Currer Briggs with 1,330, then Mr Cowan Douglas 1,298; Mr Bentley scored 1,255 and Mr Roger Tolson, the vice president and only loser, 1,247. The number of imported voters—employees, agents, and surveyors—brought into Halifax for conferences on that auspicious first of April was 740; the President, Mr Algernon Denham, let drop this figure while hotly denying a still higher one. They did not necessarily all vote the board's ticket, but it is a fair guess that among those who reached the meeting under their own steam, the preference for Mr Bentley was more decided than the voting figures show.

It was a needle contest with the issue always in doubt. Most of the support for Mr Bentley was effective, but some of it came close to ruining his chances, while another few minutes of dissertation from the President on his dispute with the Building Societies Association could have put Mr Bentley to the top of the poll; the master in building society techniques was for once right off form. But it was a well mannered, well conducted meeting of lower middle-class Yorkshire men and women who had stood some hours of discomfort and would tolerate anything short of boredom. It applauded the Archdeacon of Halifax when he called Mr Bentley "a man of Halifax, honoured by many for his services to the community." It applauded Miss Hilda Smith, the daughter of a former general manager and director, when she declared: "The directors are our servants, not our masters." And impartially it clapped Mr Denham for promising that the annual meeting of the Halifax would never be held in London. But slow clapping and stamping speeded the long speeches of Mr Warbreck-Howell in favour of Mr Bentley, and of Mr Denham himself.

The main issues inevitably were of personality and personal conduct. Mr Bentley showed just how he felt when he pleaded guilty to an outburst in the boardroom in 1955. He could not, he said, recall an occasion when any recommendation he had made as general manager had been accepted by the board unless he had got the president's approval before entering the board room. The charges and counter charges were distasteful. Mr Denham alleged that there was an interval of several days between a decision of the council of the Building Societies Association not to put a ceiling on investment of limited company money and the receipt of the letter informing the Halifax board of the fact. Mr Bentley was both vice-chairman of the association and general manager of the Halifax at the time; the implication is that he delayed telling his board. A counter charge by Mr Bentley, not denied by Mr Denham, related to a visit by Mr Denham and Mr Tolson behind Mr Bentley's back to the vice-chairman of the association, Mr Meikle, who is general manager of the Woolwich Equitable Society, to explain the Halifax board's attitude to Mr Bentley's candidature. It may have been odd for a non-member society to approach the vice-chairman of the Building Societies Association about the composition of its own board, but there is no evidence that it gave offence to Mr Meikle.

One singular incident at the Halifax meeting was the intervention of Mr Hubert Newton, who spoke as a member of the Halifax society, though he is better known as general manager of the Leek and Moorlands society and a past chairman of the Building Societies Association. He made the point, since underlined by the Association in a public statement, that the big investments of company money, which were one of the elements in Mr Denham's quarrel with the association, do not, on the figures now published, form an important part of building society liabilities.

So after three hours' debate, Mr Bentley, whose stature in the building society movement is high, was put on the Halifax board, and Mr Tolson, a wool spinner of distinction, was put off. It would be pleasant to think, now the votes have been cast, that the quarrel could be forgotten and the Halifax could resume its great influence in the association and the movement. That clearly was Mr Bentley's hope, but unfortunately it does not follow yet. Mr Bentley, as he warned members, still needs the concurrence of the trustees of the Halifax pension fund before he can take his seat. Then he, though chairman of the association, will be a single director of a non-member society, whose board is apparently still at loggerheads with the association. The outcome of the grievous Halifax affair has still to be revealed. Much depends on whether Mr Denham can make his next move a constructive one.

the spring of 1958. But rising costs have forced at least some operators into the position where they cannot face the summer at present fares and each operator is therefore applying to its respective government for permission to allow a surcharge of 5 per cent to be made on existing rates.

If these charges are to be made from May 1st, as the operators want, governments will have to move more quickly than they are accustomed to do. The ponderous *gavotte performed* by the airlines each time they negotiate a basic change in rates arises from the need to get approval of the change from the government of each interested airline. The process of getting—sometimes forcing—unanimous agreement from a group of operators whose views differ radically, getting government approval to those changes, and finally putting the new rates into operation can take anything from one to two years. By the time the new third-class fares come into force, with their spartan standards of comfort, passengers may well find that they are paying almost as much for their ticket as they did for the old tourist services a few years before.

The airlines are caught temporarily in a period of rising costs, particularly for fuel, wages and replacements, when the new aircraft that might counter-balance these increases are still some way off. They cannot expect much help from rising traffic, since summer services both in Europe and the North Atlantic are already flown almost booked to capacity. But fortunes vary markedly between different operators, and they would gain more sympathy in their search for higher fares if the surcharge was made optional rather than mandatory on all international operators. Just because this is an emergency procedure, and the sum involved is small, such a clause might have been acceptable to governments. It would have given the airlines an opportunity to give practical expression to the repeated assertions that their rate-fixing body, the International Air Transport Association, is not a rate-fixing cartel.

CITY TRAFFIC

Congestion in Prospect

IN a few weeks petrol rationing will begin to ease, and traffic congestion can be expected to clog up the streets of British cities again. The enforced switch from private to public transport probably reached its peak at the end of January, when the volume of private traffic in inner London was about a third below normal and London Transport was carrying about 9 per cent more passengers. Already there have been noticeable signs of a drift back towards "normal."

Fuel rationing was certainly an effective short-term cure for the problem of urban congestion—at least on the streets. But no one could seriously suggest this as a permanent solution, nor would an administrative ban on private transport in city centres be more workable or acceptable. Even Sir John Elliott, who opened up a vigorous poster campaign "on behalf of" his nine million customers against any attitude of hopeless resignation to the return of chaos, would be unlikely to argue for either of these extreme measures. Equally it would be silly to imagine, as some pundits have done, that radical measures could have been implemented in the short period of relief offered by rationing, though Mr Watkinson claims that the police and others have learnt some new lessons which they will now be able to adopt. The roots of the problem are too deeply embedded for any quick cuts; the growth of traffic has been outstripping the capacity of central urban streets for decades. The only sane policy will need time and patience; it will involve parking meters and more off-street parking lots in the centre of cities and on the inner fringes near bus and tube termini to get rid of the principal villain—the street parker, of whom there were more than 40,000 in London before rationing—and then, when the real dimensions of the inadequacy of present street capacity can be better seen, a start might be made on cutting a few new expensive highways planned in the light of adequate intelligence of where moving traffic really wants to go. This, broadly but slowly, seems to be the present direction of official policy.

There is another side to the coin, however. Though the end of rationing and the return of congestion in full summer bloom may lose London Transport and other public urban transport operators much of their windfall gain in business, they will still have to wrestle with the dislocation that clogged-up streets cause to their running times and with the concentrated surges of peak hour loads. London Transport has given its squad of bus movement controllers out in the field a stronger brief and has armed them with roadside telephones and a super-controller at the centre, in a further attempt to secure the best running traffic conditions may permit.

HIRE PURCHASE

Boomlet but No Bill

THERE is not after all to be a Hire Purchase Bill this session. Sir David Eccles made the announcement last week, and it will come as no surprise to the hire purchase finance houses, for they knew that the Government's intentions had already received several draftings and were making heavy weather. There is widespread agreement that some regulation of the terms on which hire purchase finance houses may raise deposits by public advertisement would improve the investment status of the good houses; but there is no agreement that some such formula as: capital plus free reserves times X equals the maximum

NUMBER OF HP CONTRACTS

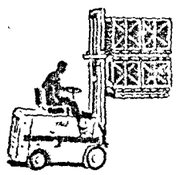
Source: HP Information.	March, 1956	February, 1957	March, 1957
Cars :—			
New	7,053	5,114	7,253
Used	25,587	35,754	45,637
Commercial Vehicles :—			
New	3,508	2,934	3,447
Used	3,350	5,228	6,016
Motor Cycles :—			
New	4,229	7,812	10,776
Used	8,569	15,980	21,679

amount that the hire purchase companies may borrow (where X may be fixed by the President of the Board of Trade from time to time) is the right way to do it. There will be no surprise either that the Government has made a small concession allowing the hire purchasers of coaches—whose business is highly seasonal—to pay by unequal monthly amounts.

Meanwhile business in motors, motor cycles and commercial vehicles sold on hire purchase terms is still gather-

FOR THE WORLD'S WORK—

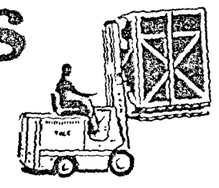
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How adaptable is YOUR transport?



Even in this period of fuel rationing, BRITISH ROAD SERVICES remain eager to investigate and advise you on your new or difficult transport problems.

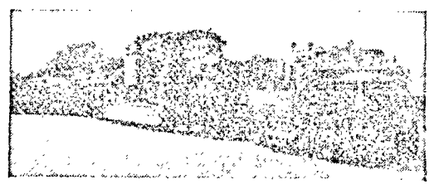
TO BE OUTSTANDING in the field of road haulage, a transport service must be flexible. It must be able to adapt itself to your individual needs. To provide the vehicles best suited to your loads. To carry out the smallest, most routine assignments, or to satisfy the biggest, most difficult demands. And it must provide punctuality, speed and reliability. All these requirements are met by British Road Services.

Further, during this difficult time of fuel rationing, British Road Services are endeavouring in every way to adapt themselves to serving your interests, and the interests of the Nation, as befits the largest and *most adaptable road haulage operator in the British Isles.*

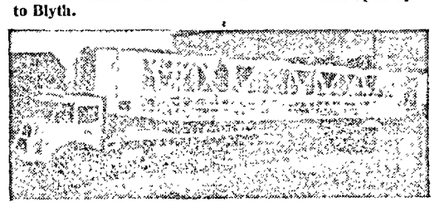
The facts. Consider for yourself these facts: British Road Services are a nationwide organization with vast, widespread resources. They are staffed with experienced, enthusiastic men and sound administrators. At the present time, they are working in close collaboration with British Railways who are handling, on their behalf, the long distance hauls which can no longer be covered by direct road services.

Furthermore, their round-the-clock skilled engineering service keeps the large B.R.S. fleet in the most economical running condition. And with the help of their teleprinter network, B.R.S. can rapidly transmit their traffic plans down to the last careful detail — thus avoiding waste of time, money and resources. *Your time and your money, too.*

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Pickfords heavy haulage vehicles are renowned for their adaptability in moving indivisible loads. This example shows a 165-ton transformer en route from Newcastle upon Tyne to Blyth.



This illustration shows how a B.R.S. general haulage branch carried a light but lengthy girder from Radley to Wales by adapting a normal vehicle for this special journey.

British Road Services Ltd

Look up your nearest depot in your local telephone directory

ing momentum. The total contracts registered for all items by HP Information for March was a record at 98,465 compared with 75,380 in February and 55,201 in March last year. The figures for motor cycles are swelled by a rapidly developing trade in the hire purchase of motor scooters.

COTTON EXPORTS

Lancashire in Fourth Place

BRITISH exports of cotton piece goods fell last year for the fifth year in succession and Britain dropped from third to fourth place among the world's exporters. Its total of 474 million square yards was 15 per cent lower than in 1955; in only one peacetime year—1945—when Lancashire was struggling to recover from the wartime concentration scheme, has the total been lower. The heaviest fall in Lancashire's exports was to Australia (where import restrictions were much to blame) and to the African markets. The record was not entirely gloomy; shipments to several

EXPORTS OF COTTON PIECE GOODS
(million square yards)

	1936–38 average	1953	1954	1955	1956
Japan	2,511	914	1,278	1,139	1,262
India*	203	655	861	749	740
United States	252	628	613	552	520
Britain	1,719	709	637	555	474
Other Western Europe	1,366	1,521	1,566	1,420	1,320
All countries	6,010	4,810	5,420	4,950	4,990

* Million yards.

Asian countries were higher than in 1955 and there was a recovery in shipments to North America. Of the major exporters only Japan sold more cotton piece goods than in the previous year, its shipments rising by 11 per cent to 1,262 million square yards. India's shipments were almost as high as in 1955, at 740 million square yards, and shipments by the United States fell by six per cent to 520 million; exports from both these countries remained much higher than before the war. Shipments from all countries last year are provisionally estimated by the Cotton Board at 4,990 million square yards, one per cent higher than in 1955.

COMPUTERS IN ACTION

Electronics on the Rates

THE Norwich City Corporation has stolen a march on many a bigger and wealthier local authority by becoming the first City Hall in the world to turn over its accounting and book-keeping operations to an electronic computer. On Wednesday, the Lord Mayor took formal delivery of a computer and its ancillary equipment manufactured and more or less tailored to Norwich's requirements by Elliott Brothers and referred to as "Fred, the Fiendishly Rapid Electronic Device." The total installation, with its magnetic film for storing information, its calculating units, its punched tape for feeding data in and out of the system and its electric automatic typewriters for printing the final results, is costing the Corporation nearly £40,000. The annual saving was at first estimated at £8,000, but a closer survey carried out by the Corporation's own methods division suggests that it may now be nearer £15,000 a year, or 10 per cent of the council's total administrative costs.

The first job prepared for the computer has been the half-yearly rate demands for the 30,000 properties in the municipality. It will start immediately on calculating and printing the demands, and thereafter will keep automatic account of payments as they come in, some of them in weekly instalments of a few shillings a time, making allowances for sale of the properties and any other factor that would alter the original statement. It will then be extended to deal with the wages of 2,000 corporation staff, water rates, day-to-day cost accounting, and the loans and credits of the Corporation, including repayments of interest and principal. It takes time to prepare data in a form that suits a computer but the great advantage of this or any other computer accounting system is that once this hurdle has been overcome, the system itself thereafter makes all the necessary adjustments and allowances needed to deal with changing circumstances, and ferrets out automatically all the information from its own internal store. The Norwich installation, with four clerks feeding information on punched tape, and two trained "programmers" to prepare the work, frees 20 experienced clerks for work in other departments and disposes of a battery of punch card equipment.

COBALT

Developing New Markets

PRODUCERS of cobalt, a metal widely used in industry, are facing the prospect of surplus for the first time since the war. The years of scarcity discouraged research into new uses, and substitutes for cobalt in some applications were found. Though world consumption is still growing, production is growing faster, reaching about 15,000 short tons last year. To stimulate consumption producers have cut the price and are jointly sponsoring research into new uses. The spot price, after remaining steady for three years, was reduced on December 1st by 2s. to 19s. a lb, delivered United Kingdom, and reduced again to 16s. a lb on February 1st. (A large part of world supplies are sold under contract at slightly less than the spot price.) Research, and the publication of papers on cobalt, will be undertaken by the Cobalt Development Institute that was recently set up in Brussels.

The initiative in both moves was taken by Union Minière du Haut Katanga, the Belgian Congo producer which accounts for about two-thirds of world production and sets the world price. Membership of the institute includes the two Rhodesian producers, Rhokana Corporation and Rhodesian Selection Trust. The production of Rhokana,

"Motor Business"

The March issue of this quarterly research bulletin for the motor and allied industries is now available and includes:

The long-term growth in domestic commercial vehicle demand.
Prospects for buses and coaches.
The Swiss market for vehicles and tractors.
Notes on the Russian motor industry.

The Bulletin is fully illustrated by charts, amongst which are:

Price indices of used vehicles.
World exports of vehicles.

For full particulars of this Bulletin, apply to:

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now amounting to about 1,200 short tons a year, covers Britain's requirements; RST's interest comes from its new Chibuluma copper-cobalt mine. Cobalt's fastest growing market, however, which now accounts for roughly a third of total consumption, is in high-temperature alloys for jet engines and guided missiles.

PETROL SUPPLIES

No Peace for the Pump

ALTHOUGH the government has not yet removed the shilling increase in petrol duty, many dealers have apparently decided to take no chances and have started to reduce their stocks to minimum working levels in order to keep their losses down when the extra shilling is removed or reduced, even though they may be caught out by any sharp upsurge in motoring at the start of the new rationing period. They may also soon stand to lose the increase in dealers' margins—1½d. a gallon—on any petrol they happen to have in hand. This was imposed in two stages, in December and last month, to compensate them for their smaller throughputs during rationing. But there will be no case for keeping the whole of this increase in the new rationing period. Petrol sales through pumps then are likely to be on average not more than 20 per cent below normal whereas the extra 1½d. added about a third to their margins, bringing them to a little over 7d., on average, for each gallon.

The easing of petrol supplies in the next few months will also almost certainly usher in a new, and even more furious, stage in the war over tied garages. This controversy has been somewhat submerged by the fuel shortage and there was an informal agreement by the oil companies to limit their efforts at seeking new customers while rationing lasted. But it seems that this has not prevented some suppliers taking advantage of any financial strains among dealers to offer them new inducements for agreeing to give exclusive sale or exclusive display of their petrol and lubricating oils. About 92 per cent of all garages are now associated with or owned by oil companies, and as the remaining 8 per cent are probably determined individualists no matter what inducements are offered, the oil companies will be concentrating their efforts on getting as many of this 92 per cent as they can and getting them on long term contracts.

TOBACCO

Fighting for Smokers

FOR the first time since the early thirties competition has now become really intense in the tobacco industry, and there is strong chance that the industry may be entering a period of some interesting shifts in fortunes for many companies. The first sign of these new conditions came about two years ago when imports of tobacco leaf first matched the postwar level of demand. Consumption rose sharply at first, but the increase in the tobacco duty a year ago appears to have put an effective brake on that. Then the Restrictive Trade Practices Act last summer swept away some of the industry's self-imposed shackles on competition—which a few of the smaller concerns had already been putting under some strain. And now, perhaps rather ironically, the Monopolies Commission is starting to investigate the industry as a possible "single firm" monopoly—just when the industry's colossus, Imperial Tobacco, is itself feeling the pinch of competition.

Total spending on cigarettes and tobacco in 1956 rose by some six per cent to a record £935 million. This was the biggest annual increase since 1948, but because of the 5 per cent rise in duty and some price increases, the increase in real consumption was the smallest for six years. The volume of smoking actually fell after the budget, but over the whole year it rose by just over one per cent to about 250 million lb—which was still a good five per cent below 1946, before the Dalton increase in tobacco duties. This halt in the growth of smoking appears to have taken even the Exchequer by surprise; total receipts from the duties are likely to have fallen short of the £707 million estimate and may have set the Chancellor wondering whether there might now be some substance in the industry's perennial argument about diminishing returns.

The increase in duty and the vigour of competition took a slice off Imperial's turnover in the second half of last year. Any reduction in that company's share of the home market, probably still more than three-fourths (it leaves the export market to British-American Tobacco), might be fairly welcome. But it is difficult to say yet which of the other firms and brands have been gaining. No doubt Gallaher, with its highly successful Senior Service brand among others, has acquired new strength, but its report has yet to come out. Carreras, on the other hand, has only with difficulty been able to maintain its relative position, and the other medium-sized firm in the industry, Godfrey Phillips, has also not yet reported.

Amongst the smallest companies, a number of which have been in the red for several years, competition has become desperate. Gift coupon trading has brought some immediate gains for some. Kensitas, which is owned by J. Wix and which led the field in this form of selling before 1934 when the practice was dropped by agreement, with compensation, claims to have expanded its sales more than ten-fold since December and to have earned more than the scheme has cost.

SHORTER NOTES

The total of share and deposit investments over £5,000 in the Bradford Permanent Building Society was incorrectly shown in the table on page 1106 of *The Economist* last week as £11,134,000. The correct figure is £1,134,000.

* * *

At the time Crosse and Blackwell announced a one for five rights issue at 30s. per ordinary share, its existing shares stood at 38s. 6d. and not at 58s. 6d. as stated in these columns last week.

* * *

Mr L. P. Jackson, the chairman of Gordon Hotels, has announced the results of the polls taken at the company's recent extraordinary meeting. All eight resolutions put forward by the shareholders committee to remove Mr Jackson and three of his co-directors from the board and to appoint others were defeated. The majorities in favour of the sitting board were in each case small. The resolution to remove Mr Jackson was defeated on a poll by 624,588 votes against 582,322 votes.

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"So do millions of other people. They like it because it's different from any other popular daily."

"In what way?"

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NEWS CHRONICLE
AND DAILY DISPATCH

COMPANY AFFAIRS

ASSOCIATED ELECTRICAL

DISCUSSING the fall from £15.3 million to £10.3 million in the profits of Associated Electrical Industries last year Lord Chandos told shareholderes on Wednesday that he did not think that 1956 "will prove a reliable guide to the potential earning capacity of the group when the results of our capital expansion and reorganisation begin to take effect." Among the reasons he enumerated for the fall in profits were:

(1) An increase in wages and a consequent reduction in margins, especially on exports.

(2) A sharp fall in the demand for such products as valves and cathode ray tubes which coincided with a reorganisation of production.

(3) Reduced margins on lamps, again occurring when production and sales were being rationalised.

Looking ahead, Lord Chandos drew attention to the "unusually large influx of orders" since the turn of the year and to the contribution to earnings the new factories which AEI was building last year will begin to make in the latter months of the current year. Looking still further ahead, he believe that the electrical industry will about double in size in the next ten years.

REYROLLE

WHEN an unexpected piece of news comes over the Stock Exchange "ticker," the jobbers, with a sharp glance at the state of their books, have to act quickly. The composition of their books may force them to act illogically. Is that what happened when Reyrolle's abrupt decline in profits was announced? After this news the company's £1 ordinary stock units fell from 112s. to 101s. before recovering to 105s.

The facts on which investors and dealers had to come to an opinion were meagre. The final ordinary dividend (payable on the capital as increased by the rights issue of 1,526,470 shares at 70s. each) was raised from 10 to 11 per cent. Thus the full year's dividend was increased from 16½ to 17½ per cent, the minimum rate within the range of market expectations. This increase did nothing to soften the shock of the fall in earnings. After tax of £1,303,353, the net profit for the year to December 31st was £1,259,920; in 1955, after tax of £1,690,587, the net profit was £1,986,296, but this figure included a surplus of £232,372 arising from a revision of the basis for valuing work in progress. On this showing, gross profits appear to have fallen by about 24 per cent.

Reyrolle's stock has been brought down to an exiguous yield as a growth stock in the atomic power field. Expected growth of this kind takes time to come to maturity and investors who took up the stock did so with the prospects of five years ahead rather than with current trends in profits in mind. Hence the optimists might say: take the long view, ignore this setback, and note that, though the dividend cover has been reduced, it is still ample. But Reyrolle's results may suggest to the more cautious that rising costs even in so fully occupied an industry as electrical manufacturing can seriously influence the size of the fruit that a growing tree bears. At the newly established price of 105s. the Reyrolle stock yields 3.4 per cent. That may be more realistic.

DISTILLERS' CAPITAL PROPOSALS

LARGE groups with interlocking subsidiaries often find it advantageous to tidy up their capital structures. The Beecham Group and Bowater Paper have both done so and now Distillers has issued details of its scheme to convert the preference shares of its subsidiaries into an undated 5½ per cent consolidated unsecured loan stock of the parent company. On a maximum conversion £9,910,870 of the new stock would be issued; no minimum proportion of acceptances is laid down; but the directors of the subsidiary companies recommend shareholders to accept. The new loan stock is redeemable by purchase up to a price of £110.

The details of the conversion are set down in the accompanying table. Shareholders gain in income and cash payments are to be made where these are necessary to cover accrued dividends on the existing preference stocks. The terms have been fixed by reference to the market prices of the shares and to the

Per £100 of preference	New 5½% loan stock	New income	Maximum of new stock
	£	£ s. d.	£
Booth's Distilleries 5%	100	5 10 0	168,250
Booth's Distilleries 6%	120	6 12 0	566,230
Booth's Distilleries 6½%	125	6 17 6	3,683
Buchanan-Dewar 6%	115	6 6 6	2,272,226
Buchanan-Dewar 7½%	142½	7 16 9	3,210,621
James Buchanan 6%	115	6 6 6	709,962
John Dewar 6%	115	6 6 6	262,694
John Haig 5%	100	5 10 0	29,880
Manchester Chemical 6%	115	6 6 6	11,229
United Yeast 6%	115	6 6 6	56,914
John Walker 7%	135	7 8 6	1,924,454
White Horse Distillers 7½%	142½	7 16 9	695,727

rights of the different classes of holders. The choice of an unsecured loan stock of the parent company (covered about six times by assets and about 22 times by earnings) as the method of exchange should ensure that there is no dilution of the security now attached to the preference shares.

The method should also save the Distillers group profits tax. But this is not the primary object of the scheme. Rather this object is to make more easy (and less costly because it will save stamp duty) transfers of assets and shares between subsidiaries within the group. The scheme, which has been planned for some time, will tidy up the capital of the group and may in the end tidy up its administration too. Similarly, another large group, Turner and Newall, has set in train a reorganisation of the share capital and administration of its subsidiaries.

Most of the outstanding preference shares are held by the public. A few are held by investment trusts and some more by composite insurance offices. Dividends on any of the preference shares held by investment trusts rank as "franked" income; these trusts are likely to lose a little on the exchange. Nor do the composite insurance offices welcome a change from "franked" to "unfranked" income. But these holders form a tiny minority. The scheme should commend itself to the bulk of shareholders.

DE HAVILLAND

THE decision to restore the de Havilland ordinary dividend to 7½ per cent, at which it stood before the Comet disasters, gave a fillip to the company's £1 stock units. Confidence should gain further strength from the full report and the cautious but not unhopeful tone of the statement by the chairman, Mr W. E. Nixon.

The increase in the dividend from 5 to 7½ per cent (absorbing £378,246 net) followed an advance in net profits from £958,575 to £1,659,238 and in gross profits from £3,923,232 to £5,558,121. Most of the divisions of the group had a successful year, but the chairman says: "It is especially gratifying to report that a large part of the additional profit is attributable to the Canadian company." The group was able to finance a growth in its physical and working capital without difficulty and it should not find it too exacting to provide the money for its further commitments (estimated at September 30th at nearly £2 million).

Two comments by Mr Nixon point to the future plans of de Havilland. He says: "Against the possible curtailment of military work there is no doubt that there are great opportunities in the expanding civil market" and the flight of the new Comet prototypes he claims as "a sound start to our plans for recovering our position in the jet transport field."

The company appears able at least to maintain the dividend at 7½ per cent (which gives a yield of 6⅝ per cent with the £1 stock units at 23s. 6d.). Indeed the directors in deciding upon the latest dividend gave specific attention to "the present uncertainty of the industry" and the need to "conserve financial resources."

VAUXHALL MOTORS

ALL the ordinary shares of Vauxhall Motors are owned by General Motors of the United States. There is no British interest in the equity. But Vauxhall is one of the Big Three of the British motor industry and it is instructive to compare its results with those of Ford Motor Company. Both companies work to the calendar year.

Last year Vauxhall's gross profits fell by 41 per cent and Ford's by 44 per cent. In value Vauxhall's sales fell by 5 per cent and Ford's by 4 per cent. The number of vehicles sold by Vauxhall fell by 13 per cent and the number sold by Ford by 8½ per cent. The decline in Vauxhall's volume of sales was sharper in motor cars than in commercial vehicles. Vauxhall's margin remained higher than Ford's; Vauxhall's margin came down from 14.4 per cent to 9.0 per cent and Ford's from 11.8 to 6.8 per cent. On the average the selling price and the profit earned on each Vauxhall vehicle remained higher than the price and profit per Ford vehicle; one reason for this may be that a bigger proportion of Vauxhall's output is commercial vehicles. Both companies in 1956 earned on the average a smaller profit on vehicles fetching higher prices. One final comparison can be made: last year Ford spent about £14 million on fixed assets while Vauxhall spent about £17 million towards its five-year development programme, which the directors say "will now be substantially completed by June."

Sales and earnings:	1955 £'000	1956 £'000
Sales	75,113	71,293
Gross profit	10,825	6,386
Taxation	4,282	2,452
Net profit	6,542	3,934
Vehicles sold	142,149	123,643
	£	£
Sales value per vehicle	529	576
Gross profit per vehicle	76	51½
	%	%
Gross profit/sales	14·4	9·0

MURPHY RADIO

THE results of Murphy Radio for the year to December 31st are reassuring. Last year the domestic sales of radio and television sets fell sharply, though exports went up. In December, the chairman of Murphy Radio, Mr E. J. Power, revealed that in 1956 the company's exports of broadcast receivers were nearly as many as the output of television receivers. Success in overseas markets, coupled with a contribution from the electronics division, is likely therefore to be the reason for the rise in the company's gross profits from £502,421 to £544,524.

Taxation has also gone up, from £275,190 to £311,817, and as a result net profits show a small decline, from £244,375 to £235,555. Hence it is not surprising that the directors, with a programme of expansion in train this year, have left the ordinary dividend at 20 per cent (absorbing £104,650 net). The 5s. ordinary shares rose 6d. to 14s. 3d. after the preliminary announcement and yield 7 per cent.

EMI and THORN

SOME of the radio and television manufacturers took a hard knock in the home market last year and competition between them is strong. Electric and Musical Industries was one of the companies whose profits were adversely affected by the fall in sales and its directors set in train a reorganisation of its production facilities. Now comes the news that EMI and Thorn Electrical Industries are to merge their domestic interests in radio and television receivers in a new jointly owned company. Mr Jules Thorn, the chairman of Thorn Electrical, will become the chairman of the new company.

The new company will be responsible for the design and marketing of all receivers under the Ferguson, HMV and Marconiphone trade marks. Production will be largely concentrated at the Thorn factories, so that EMI, though it will probably continue to produce certain components, will almost cease to manufacture radio and television sets. The aim is to secure manufacturing economies.

London Stock Exchange

FIRST DEALINGS:	Mar. 27	Apr. 10	May 1
LAST DEALINGS:	Apr. 9	Apr. 30	May 14
ACCOUNT DAY:	Apr. 16	May 7	May 21

THE vote for a resumption of work in the shipbuilding and engineering industries prompted a recovery in industrial stocks on Tuesday, which eliminated earlier losses and brought a further small advance in The Economist indicator of 2 points to 206.9. Although gilt-edged securities recovered at the same time, earlier losses were not fully recouped and the rally petered out on Wednesday.

Take-over rumours caused some sharp rises among brewery shares, Taylor Walker jumping 6s. to 33s. before receding after the board's denial. Henekey's advanced 3s. to 12s. and Young and Co. "A" gained 3s. 9d. to 41s. 3d. W. Barratt rose 25s. to 80s. before reacting to 72s. 6d. Its proposed rights and scrip issues were announced on Wednesday. Other stores were firm, but Currys eased in spite of the increased dividend. Cinema shares were again slightly higher. Glaxo gained 2s. to 32s. helped by the higher interim, while Borax rose 1s. 9d. to 25s. 1½d. Rising retail sales and the continued expansion in hire-purchase sales of motors assisted the upward movement in manufacturing shares and finance houses rose further. Bowmaker gained 1s. 9d. to 19s. 9d. and United Dominions Trust 3s. to 88s. Shipbuilding and engineering shares were little changed on balance. Turner and Newall rose on the reorganisation plan.

Oil shares developed a minor boom this week; Burmah gained 6s. to 104s. 9d., Apex (Trinidad) rose 4s., British-Borneo 5s. 6d., Canadian Eagle, regd. 4s. 9d., Shell Trinidad 12s. 6d., Trinidad Central 3s. 6d. and Ultramar 3s. 1½d. Kaffirs were often higher following the monthly returns, Hartebeestfontein gaining 1s. to 47s. 4½d. on balance. Coppers hardened, Rhokana improving 1⅜ to 38½ xd. Consolidated Zinc rose 3s. 6d. to a new peak of 89s. 3d. Rubbers rose consistently and tea shares hardened.

THE ACTUARIES INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100) Mar. 27, 1956	Feb. 26, 1957	Mar. 26, 1957	Average Yields (per cent) Mar. 27, 1956	Feb. 26, 1957	Mar. 26, 1957
Ordinary Shares :—						
Electrical engineering	135·9	148·8	151·0	5·35	5·09	5·02
Engineering	164·4	175·9	178·8	5·03	5·07	4·98
Motors and aircraft	158·4	168·0	172·6	5·56	5·57	5·39
Chain stores	247·4	279·3	298·5	4·39	4·25	4·00
Cotton textiles	100·5	106·8	103·7	9·05	8·44	8·67
Chemicals	186·5	179·3	182·6	5·08	5·38	5·31
Oil	242·5	339·1	351·6	5·12	5·02	4·89
Shipping	168·1	218·1	205·8	5·75	5·03	5·49
Investment trusts	207·3	242·5	239·9	5·16	4·90	5·01
Industrials :—						
Ordinary (all classes)	138·9	151·2	151·9	6·31	6·14	6·16
Preference	77·1	77·4	76·3	5·92	5·90	5·99
Debenture	72·4	72·2	72·0	5·66	5·70	5·71
Total (capital goods)	154·6	166·1	169·1	5·50	5·37	5·28
Total (consumption goods)	113·9	118·2	117·2	7·23	7·02	7·15
Consols 2½%	75·4	76·4	75·4	4·70	4·63	4·70

STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1956 High	1956 Low	1955 High	1955 Low
Mar. 6	201·6	5·50				
" 13	197·3	5·62				
" 20	193·5	5·74	210·4 (Jan. 4)	170·0 (Nov. 28)	232·1 (July 20)	175·2 (Mar. 23)
" 27	204·9	5·39				
April 3	206·9	5·35				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½ Consols Yield %	Bargains Marked	1956 High	1955 High
Mar. 27	191·8	5·71	95·71	4·63	11,274	203·6 (Jan. 3)	233·9 (July 21)
" 28	191·3	5·72	95·78	4·64	10,314		
" 29	189·8	5·76	95·56	4·66	8,789		
April 1	189·9	5·76	95·10	4·71	10,339	Low	Low
" 2	193·2	5·66	95·33	4·63	9,706	161·5 (Nov. 29)	175·7 (Mar. 16)
" 3	194·0	5·64	95·38	4·63	11,387		

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

LONDON ACTIVE SECURITIES

Prices, 1956 High	Prices, 1956 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Mar. 27, 1957	Price, April 3, 1957	Net Yield, April 3, 1957 £ s. d.	Gross Yield, April 3, 1957 § £ s. d.
99¼	97	Funding 2½% 1952-57	99 23/32	99 3/4	1 0 11	4 0 7 l
95 11/32	93⅛	War Loan 3% 1955-59	96 11/32	96 11/32	3 4 7	4 10 5 l
91⅛	88 15/32	Funding 2½% 1956-61	92 9/32	92 9/32	3 10 8	4 12 10 l
100 7/32	99 1/16	Exchequer 5% 1957	100 3/32	100 3/32	...	4 0 8
99 1/16	97	Conversion 4% 1957-58	98 1/32	98 1/32	3 2 4	5 5 6 l
97⅛	95⅞	Serial Funding 2½% 1957	98 11/32	98	3 11 9	5 3 8
94 13/32	91	Conversion 2% 1958-59	95 19/32	95 1/32	3 13 3	4 13 0 l
92 1/16	88 7/32	Exchequer 2% 1960	93 3/32	93 3/32	3 12 6	4 11 1
95 1/16	92⅛	Exchequer 3% 1960	95 23/32	95 3/4	3 4 5	4 11 4
98 1/16	97⅛	*Conversion* 4½% 1962	98 3/8	98 7/32	2 18 7	4 13 4
88⅛	83	Savings Bonds 3% 1955-65	88 3/4	87 3/4	3 8 9	4 16 10 l
82¼	77⅛	Funding 3% 1959-69	81 1/4 *	81 1/4 *	3 12 9	5 1 5 l
					6 3 7	7 19 0 s
92⅛	84⅛	Funding 4% 1960-90	89 1/4 *	89 1/4 *	2 16 0	4 12 7 l
81⅞	75⅛	Savings Bonds 3% 1960-70	79 7/8	79 13/16	3 13 5	5 2 10 l
91⅛	88⅛	Exchequer 3% 1962-63	92 3/4	92 3/4	3 4 8	4 13 0 l
87⅛	83 3/16	Exchequer 2½% 1963-64	87 3/4	83	3 8 11	4 13 4 l
81 1/16	76⅛	Savings Bonds 2½% '64-67	80 3/4 *	80 1/2 *	3 14 2	4 17 11 l
79⅛	71⅛	Savings Bonds 3% 1965-75	76	75¾	3 10 10	5 1 5 l
83 1/16	78	Funding 3% 1966-68	82 11/32	82 3/4	3 12 11	5 2 0 l
96⅛	90	Victory 4% 1920-76	95 1/2	94 3/4	3 0 0	4 15 11 s
88⅛	81⅞	Conversion 3½% 1969	86 3/4	86 3/4	3 8 3	5 1 0
83⅛	74⅛	Treasury 3½% 1977-80	79 1/4	79 3/4	3 6 2	5 1 6 l
84⅛	75 1/16	Treasury 3½% 1979-81	78 3/4	78 3/4	3 6 9	5 1 10 l
72⅞	64⅛	Redemption 3% 1986-96	69 1/4 *	69 1/4 *	3 1 3	4 14 2 l
81⅛	73⅛	Funding 3½% 1999-2004	78⅛	78⅜	3 2 17	4 14 0 l
84⅛	76	Consols 4% after Feb. '57	80⅜	80⅜	3 2 17	5 0 5 l
77	68	War Loan 3½% after 1952	73⅜	73⅜	3 2 15	4 16 4 l
76⅞	67⅛	Conv. 3½% after Apr. 1961	72⅜ *	72⅜	3 2 15	4 16 9 l
66⅛	58⅛	Treas. 3% after Apr. 1966	62⅜ *	62⅜ *	3 2 14 10	4 15 5 l
56⅛	49⅛	Consols 2½%	53⅜ *	54 *	2 13 3	4 12 7 l
56⅛	50	Treas. 2½% after Apr. '75	53⅜ *	53⅛	2 13 6	4 13 1 l
98⅛	90	Br. Electric 4½% 1967-69	94 1/2 *	94⅜	3 2 10	5 3 1 l
80⅛	72⅛	Br. Electric 3% 1968-73	77 1/2 *	77⅛	3 12 3	5 2 0 l
79⅛	71⅛	Br. Electric 3% 1974-77	75⅜	75⅜	3 8 9	4 19 3 l
95⅛	85⅛	Br. Electric 4½% 1974-79	89 1/2	89⅜	3 1 10	5 0 8 l
83 1/16	74⅛	Br. Electric 3½% 1976-79	80⅜	80⅜	3 6 2	5 1 8 l
90⅛	84⅛	Br. Gas 4% 1969-72	83	88⅛	3 5 2	5 2 3 l
87⅛	80	Br. Gas 3½% 1969-71	85⅜	85⅜	3 6 5	4 19 4 l
73⅛	65⅛	Br. Gas 3% 1990-95	69 1/2 *	69 1/2 *	3 1 7	4 14 3 l
80 1/16	72⅛	Br. Transport 3% 1968-73	77 1/2 *	77⅛	3 12 3	5 2 0 l
90⅛	81 3/16	Br. Transport 4% 1972-77	87⅛	87⅛	3 3 5	5 1 6 l
73⅛	65⅛	Br. Transport 3% 1978-88	70 3/16	70⅛	3 4 11	4 17 8 l

Prices, 1956 High	Prices, 1956 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Mar. 27, 1957	Price, April 3, 1957	Yield, April 3, 1957 £ s. d.
80⅞	74⅞	Australia 3½% 1965-69	80	79⅞	5 12 6 l
98⅛	92⅛	Fed. Rhod. & Nyas. 5% 1975-80	94⅛	94⅛	5 9 0 l
76	70	S. Rhodesia 2½% 1965-70	72⅜	72⅛	5 10 6 l
88⅛	80⅛	N. Zealand 4% 1976-78	87	87	5 0 8 l
101⅜	99⅜	L.C.C. 5¼% 1977-81	105⅜	105⅛	5 0 9 s
97⅛	88⅛	Agric. Mortgage 5% 1959-89	93⅛	92⅛	5 10 0 l
68⅜	61	Met. Water Board 'B' 3% 1934-2003	65⅛	65⅜	4 13 0 l
81⅛	71	German 7% 1924 (Br. Enfaced 5%)	77⅛	77⅛	...
169⅞	159⅛	Japan 5% 1907 (Enfaced)	165	163	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Mar. 27, 1957	Price, April 3, 1957	Yield, April 3, 1957 £ s. d.
		% %	BANKS & DISCOUNT			
105/-	92/6	2 a	7 b Bk. Ldn. & S. Amer. £5	131/3	136/3	6 12 1
50/-	39/10½	5 a	7 b Barclays Bank £1	45/3	45/6	5 5 6
35/9	27/9	4 a	4 b Barclays D.C.O. £1	32/-	32/6	4 18 6
41/9	32/9	7½ a	7½ b Chartered Bank £1	34/6	34/6	8 13 11
51/-	42/10½	...	7 b Lloyds Bank £1	50/-	49/9	5 4 6 s
72/4½	61/-	9 a	9 b Midland Bank £1	69/3	69/-	5 4 4
46/-	29/3	5 a	5 b Nat. Discount 'B' £1	40/6	40/6	4 18 9
50/-	40/6	6½ a	6½ b Union Discount £1	49/9	49/3	5 1 6
			INSURANCE			
92/6	75/-	43½ b	30 a Commercial Union 5/-	85/-	84/6	4 6 9
29	18⅛	12½ a	8⅞ b Legal & General £1	32½	32½	3 1 6
25½	18⅜	†47½ b	†20 a Pearl £1	21⅝	21⅝	5 11 1
43⅜	38	†125 c	†132½ c Prudential 'A' £1	44½	44	5 4 9
			BREWERIES, ETC.			
119/6	106/-	10 a	33 b Bass £1	107/-	103/-	7 19 4
24/10½	18/7½	11½ b	6 a Distillers 6/3	22/9	23/6	4 19 3
45/10½	36/9	10 a	15 b Guinness 10/-	37/9	38/9	6 9 0
76/-	61/9	14 b	7 a Whitbread 'A' £1	63/3	63/9	6 2 2
			OIL			
183/9	99/-	†10 b	†5 a British Petroleum £1	151/-	152/-	3 8 8
117/9	63/-	12½ b	5 a Burmah £1	98/3	104/9	3 6 10
17⅞	11⅜	14 b	7½ a Royal Dutch 20 fl.	£18½	£18½	2 0 7k
171/-	103/3	†13½ b	†5 a Shell £1	179/4½	180/6	2 17 10 l
58/6	33/3	...	... Ultramar 10/-	71/4½	74/6	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Mar. 27, 1957	Price, April 3, 1957	Yield, April 3, 1957 £ s. d.
		% %	STEEL & ENGINEERING			
8	7	8 b	7 a Babcock & Wilcox £1	80/3	80/3	3 14 10
14	4	4 a	4 a Cammell Laird 5/-	13/-	9/4½	5 16 8
6	3	6 b	3 a Dorman Long £1	35/-	22/9	6 3 8
8½	3	3½ b	4 a Guest Keen N'fold. £1	54/9	39/-	4 18 0
6	4	4 b	4 a Metal Box £1	55/6	41/6	6 1 3
5	2	12½ b	5 a Stewarts & Lloyds £1	37/6	25/7½	6 1 3 s
11	3	11 b	3 a Swan Hunter £1	69/9	47/3	3 18 10
4	4	8½ b	4 a United Steel £1	43/9	31/4½	7 16 3
7½	2	2½ a	2½ b Vickers £1	44/6	32/4½	4 9 10
			ELECTRICAL			
7½	4	7½ b	4 a Assoc. Elec. Inds. £1	64/6	45/-	4 14 10
8½	4	8 a	4 a Br. Ins. Callenders £1	50/9	45/3	4 16 8
43½	6	6½ a	6 a Decca Record 4/-	28/4½	24/4½	6 0 2
15	6	15 c	6 b Elect. & Mus. Inds. 10/-	30/3	22/6	4 10 3
10	4	4 a	4 b English Electric £1	58/9	33/3	4 16 8
9½	4	4½ a	4 b General Electric £1	56/9	40/9	5 2 3
			TEXTILES			
24/9	19/4½	4 a	6 b Bradford Dyers £1	20/10½	20/7½	9 13 11
5	1	1½ a	5 b British Celanese £1	15/1½	15/4½	8 9 3
23/7½	13/-	2½ a	2½ a Coats, J. & P. £1	23/9	23/7½	7 8 3
6½	3	4 a	6 b Courtaulds £1	35/-	35/6	5 12 8
44/-	29/-	12½ b	6 b Lancashire Cotton £1	33/6	34/10½	10 0 10
33/3	28/-	2½ a	10 b Patons & Baldwins £1	34/4½	34/10½	7 3 5
...	...		SHOPS & STORES	...	...	
14	6	6 a	6 a Boots Pure Drug 5/-	15/3	16/-	4 7 8
20	7	7½ a	6 b Debenhams 10/-	39/9	40/-	6 17 8
47½	15	4 a	6 b Gt. Universal 'A' 5/-	44/9	45/-	6 18 10
16½	10	4 a	6 a Marks & Spen. 'A' 5/-	42/6	43/9	3 0 0
20	12½	4 a	6 a United Drapery 5/-	25/6	25/9	6 6 3
13½	26⅜	6 b	6 b Woolworth 5/-	41/9	41/10½	4 15 8
			MOTORS & AIRCRAFT			
6½	3½	3½ b	4 a Bristol Aeroplane 10/-	18/9	19/1½	5 4 7
8½	Nil	8½ a	4 a British Motor 5/-	7/6½	7/10½	5 8 0
2½	5	5 b	4 a Ford Motor £1	37/1½	37/7½	3 19 10
4	7	7 b	4 b Hawker Siddeley £1	35/-	33/6	5 19 5
10	12½	12½ c	6 a Leyland Motors £1	47/9	49/-	5 2 0
12½	5	5 a	6 a Rolls-Royce £1	120/7½	120/-	2 18 5
12	8	8 a	6 a Standard Motor 5/-	7/6	7/6	5 6 8
			SHIPPING			
...	6½	6½ a	Brit. & Com'wealth 10/-	41/6	41/6	3 17 1g
3	2	3 a	2 a Cunard £1	24/9	25/-	8 0 0m
5	3	5 b	3 a P & O Defd. £1	35/-	34/6	4 12 10
			MISCELLANEOUS			
7	3	7 b	3 a Assoc. Port. Cem. £1	44/9	45/6	3 19 3p
10	4	10 b	20 a Beecham Group 5/-	19/6	19/6	7 13 10
7½	4	7½ b	4½ a Bowater Paper £1	45/9	44/9	5 7 3
4	3	4 a	8 b Br. Aluminium £1	66/3	67/4½	3 11 3
†20	6	†5½ a	6 a Br. Amer. Tob. 10/-	56/6	56/4½	6 3 5
15	6	7½ a	6 a B.E.T. 'A' Defd. 5/-	20/3	20/-	5 12 8
4	4	6 b	6 b Br. Oxygen £1	35/6	35/9	5 11 10
3	3	4 b	4 b Canadian Pacific $25	$66	$66½	4 18 4
10	6	2½ a	4 a Dunlop Rubber 10/-	18/1½	19/-	6 11 8
6	4	4 a	4 a Imp. Chemical £1	44/-	44/-	4 11 0
8½	3	12½ b	6 a Imp. Tobacco £1	43/-	42/9	9 16 5
$3·75 c	$3·75 c	$3·75 c	6 a Int'l. Nickel n.p.v.	$201	$203½	3 6 0
5	2	2½ a	4 a J. Lucas (Inds.)	32/6	33/6	4 9 8
6¾	3	15 ⅜ b	6 b Monsanto Chem. 5/-	19/- ‖	18/7½ ‖	4 16 8y
10	6	2½ a	6 a Ranks 10/-	16/10½	16/10½	5 18 8
15	6	6 a	6 a A. E. Reed £1	52/6	51/9	6 3 8n
20	20	20 c	20 c Sears Hldgs. 'A' 5/-	15/6	15/7½	6 8 0
12	6	4½ a	12 b Tate & Lyle £1	61/10½	61/10½	5 6 8
6½	3	7½ b	6 a Tube Investments £1	65/-	64/9	4 12 8o
22½	5	5 a	6 b Turner & Newall £1	117/6	120/3	4 11 5
11½	6	11 b	6 a Unilever Ltd. £1	83/6	87/6	4 0 0
†7	2	†4½ a	6 a United Molasses 10/-	40/3	40/6	5 2 5
			MINES, ETC.			
20	20	50 b	50 b Anglo-American 10/-	135/-	138/9	5 0 11
†2½	40/-	†7½ b	40/- a Cons. Tea & Lands £1	25/-	25/9	13 10 0
80	120	120 b	80 a De Beers Def. Reg. 5/-	93/9*	95/-*	10 10 6
...	...	...	... Doornfontein 10/-	20/9	20/9	...
30	30	30 c	30 c London Tin 4/-	11/-	11/7½	10 6 6
25	112½	25 a	11½ b Nchanga Cons. £1	11⅜	12 ⅜	11 3 4h
50	40	50 a	40 b President Brand 5/-	49/4½	48/9	9 4 7
12½	25	25 b	12½ a Rho. Selection Tst. 5/-	22/-	22/6	8 6 8k
12½	30	30 b	12½ a United Sua Betong £1	48/3	50/6	16 12 8
40	81/9	40 b	40 a Western Holdings 5/-	62/6*	64/4½	6 4 3

New York Closing Prices

	Mar. 27 $	Apr. 3 $		Mar. 27 $	Apr. 3 $		Mar. 27 $	Apr. 3 $
Can. Pacific	34½	34½	Am. Viscose	34	34⅛	Int'l. Nickel	105⅛	105⅛
N.Y. Central	29½	29⅜	Beth. Steel	42½	43	National Dist.	26⅝	27⅛
Pennsylvania	20⅜	20⅛	Chrysler	73⅜	73¼	Sears Roebuck	27¼	27
Amer. Tel.	177⅝	177	Crown Zeller	50⅜	49⅜	Shell Oil	80⅞	81½
Standard Gas.	12¼	12⅜	DuPont de Nm.	179½	180⅜	Std. Oil of N.J.	57⅜	57⅜
Western Union	18⅜	18⅛	Ford Motors	56⅞	57⅛	U.S. Steel	58⅛	61⅛
Alumin'm Ltd.	125¾	125	Gen. Elect.	58⅛	58⅜	West'house E.	54⅞	56⅜
Am. Smelting	54	56½	Gen. Motors	39½	39½	Woolworth	43⅜	43⅜

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10 years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 15% tax free. (e) To earliest date. (f) Flat yield. (g) On 16%. (h) After Rhodesian tax. (i) On 17½% tax free. (j) On 13%. (k) On 20%. (l) To latest date. (m) On 10%. (n) On 16%. (o) On 15%. (p) On 9%. (q) On 8½%. (r) On 18%.

STATISTICS

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

World Trade.....Jan. 12th

British		Overseas	
Prices and Wages	Mar. 30th	Western Europe:	
Production and Consumption	This week	Production and Trade	Mar. 23rd
Manpower	Mar. 16th	British Commonwealth	This week
External Trade	Mar. 23rd	Western Europe:	
Financial Statistics	*This week*	Prices and Money Supply	Mar. 16th
Industrial Profits	Jan. 12th	United States	Mar. 30th

UK Production and Consumption

M=Monthly averages or calendar months. W=Weekly averages. Stocks at end of period.

		Unit	Monthly averages 1954	Monthly averages 1955	Monthly averages 1956	1955 Dec.	1956 Jan.	1956 Feb.	1956 Nov.	1956 Dec.	1957 Jan.	1957 Feb.
INDUSTRIAL PRODUCTION												
Index:												
All industries		1948=100	130	137	137	138	139	142	146	133	137	142–143 *
,, ,,	*seasonally adjusted*	,,	...	...	...	*141*	*138*	*136*	*138*	*136*	*136*	*136–137* *
Mining and quarrying		,,	110	108	109	110	113	115	118	110	114	...
Building and *contracting*		,,	115	116	123	121 *	...	116 †	128 *	...	...	...
Gas, electricity and water		,,	145	153	160	174	183	198	179	178	188	...
Manufacturing, total		,,	133	142	140	142	143	146	149	135	139	...
,, ,,	*seasonally adjusted*	,,	...	...	...	*147*	*143*	*141*	*141*	*139*	*139*	...
Engineering, shipbuilding, electrical goods		,,	140	155	151	159	154	157	164	151	...	...
Vehicles		,,	155	172	160	173	174	177	165	145	...	...
Chemical trades		,,	168	179	185	184	188	190	193	184	...	...
Textiles and clothing		,,	116	116	117	108	120	126	122	104	...	...
Food, drink and tobacco		,,	116	117	121	118	109	112	133	126	...	...
BASIC MATERIALS												
Production of:												
Coal (1) (2)		W	'000 *tons*	4,298	4,250	4,270	4,282	4,411	4,459	4,690	4,285	4,452	4,733
Pig iron		W	,,	229	240	253	250	261	263	263	262	257	268
Steel, ingots and castings		W	,,	356	381	397	382	405	418	426	396	416	432
Sulphuric acid		M	,,	170·2	174·6	187·2	188·6	191·1	185·8	193·3	201·6	...	...
Newsprint		W	,,	11·77	11·91	12·26	11·84	12·08	13·36	13·84	12·67	...	...
Electricity (3)		M	mn. kwh	6,075	6,679	7,263	8,098	8,588	8,803	8,271	8,456	9,030	...
MANUFACTURING												
Textile production:												
Cotton yarn, single		W	mn. lb.	19·17	16·91	16·33	15·96	17·19	17·48	18·13	16·00	17·54	...
Worsted yarn		M	,,	18·80	18·48	19·38	18·47	20·49	19·54	22·46	17·62	22·00	...
Rayon and synthetic fibres, total		M	,,	37·30 †	39·22	40·21	40·40	45·39	42·66	41·57	36·59	43·25	40·50
,, ,, ,,	staple fibre	M	,,	19·00 †	19·94	21·31	20·52	21·72	21·53	23·27	19·82	22·80	21·70
Cotton cloth, woven		W	mn. yds.	38·3	34·3	31·0	30·2	32·8	32·4	34·3	39·0	32·1	...
Wool fabrics, woven		M	mn. sq. yds	34·5	34·2	33·1	32·7	36·5	33·9	37·0	29·5	37·9	...
Engineering production:												
Passenger cars and chassis		W	'000s	14·51	17·26	13·61	17·21	17·92	17·15	13·72	19·24	10·40	11·91
Commercial vehicles and chassis		W	,,	5·07	6·53	5·71	6·62	7·42	7·48	5·15	4·42	4·65	5·25
Metal-working machine tools		M	'000 tons	11·39	12·52	...	14·73	11·93	13·04	...	...	...	...
Internal combustion engines		M	'000 BHP	366	408	...	433	391	390	...	...	...	...
BUILDING ACTIVITY												
Permanent houses completed: (4)												
Total		M	'000s	28·97	26·42	25·03	28·45	21·27	17·40	27·19	27·77	22·75	23·46
By private builders		M	,,	7·55	9·46	10·35	11·05	8·57	7·20	11·43	10·73	9·97	9·36
By local housing authorities		M	,,	19·58	15·98	13·66	16·47	11·79	9·71	15·08	16·14	12·10	13·47
Other		M	,,	1·83	0·98	0·82	0·93	0·91	0·49	0·68	0·91	0·68	0·63
WHOLESALE SALES (5)												
Textile houses:			Av. value									
Total home sales			1950=100	95	98	101	99	59	90	127	98	...	...
Women's and children's wear			,,	96	98	102	93	57	91	117	95	...	...
Men's and boys' wear			,,	90	94	99	104	56	76	130	98	...	...
Piece-goods			,,	63	62	63	54	54	81	60	53	...	...
RETAIL SALES (5)			Weekly av. value										
All kinds of business:			1950=100	...	140	148	179	132	129	161	192	143	138
All retailers			,,	...	136	140	168	130	126	149	175	139	132
Independent retailers			,,	...	148	156	190	135	132	169	213	150	145
Multiple retailers			,,	...	142	154	166	140	143	168	183	154	156
Co-operative societies			,,	...	117	121	166	113	84	146	181	128	97
General department stores			,,	...									
By kind of shop:													
Food			,,	...	148	156	172	147	150	161	178	157	157
Clothing and footwear			,,	...	121	127	175	108	89	141	184	119	97
Household goods			,,	...	150	153	181	139	134	180	205	160	153
STOCKS													
Basic materials:													
Coal, distributed (1)			'000 tons	15,682	18,340	17,803	18,340	16,744	14,468	19,813	17,803	16,091	15,613
Steel			,,	899	1,280	1,567	1,280	1,303	1,315	1,527	1,567	...	...
Copper (4)			,,	61·5	76·2	59·6	76·2	79·4	71·6	55·9	59·6	...	...
Sulphur (6)			,,	67·2	85·2	102·3	85·2	73·5	73·5	114·7	102·3	...	...
Newsprint			,,	97·5	105·0	133·6	105·0	111·3	119·4	129·5	133·6	...	...
Textiles:			Av. value										
Wholesale houses, total (5)			1950=100	95	90	95	90	102	115	107	95	...	...
Large retailers, clothing and footwear (5)			,,	107	110	118	110	105	136	142	118	110	140

(1) Great Britain. (2) Provisional estimate. (3) Excluding all screening losses normally amounting to around 5,000 tons a week. (4) Excluding government stocks. (5) Average for first quarter. (6) Average for fourth quarter. (7) Rayon and nylon production only. (8) Including filter cake from May, 1956.

British Commonwealth

PRODUCTION OF FUEL AND POWER (1)

Monthly averages or calendar months	Coal				Crude petroleum		Electricity				
	Australia	Canada	India	S. Africa	Canada	Pakistan	Australia	Canada	India	N. Zealand	S. Africa
	'000 tons						million kwh				
1948	1,232	1,255	2,511	1,969	139	5·3	728	3,714	381	204	772
1955	1,607	931	3,185	2,646	1,429	22·6	1,340	6,358	707	336	1,363
1956	...	931	3,288	2,781	...	...	...	6,807	...	347	1,472
1956, August	1,911	631	3,307	3,215	2,129	23·2	1,652	6,854	794	397	1,552
„ September	1,680	852	3,139	2,506	2,003	23·2	1,499	6,887	813	372	1,499
„ October	...	1,055	3,164	2,871	2,090	...	1,526	7,533	824	371	1,523
„ November	...	1,191	3,335	2,821	2,062	...	...	7,199	811	351	1,476
„ December	...	1,012	3,674	2,648	...	...	...	7,404	...	344	1,448

PRIMARY PRODUCTION (2)

Monthly averages or calendar months	Copper		Rubber		Tin	Steel				Gold		
	Canada	N. Rhodesia	Ceylon	Malaya	Malaya	Australia	Canada	India	S. Africa	Australia	Canada	S. Africa
	'000 tons									'000 fine ounces		
1948	16·3	17·4	7·9	58·2	4·14	106	238	104	49	73·8	294	965·4
1955	21·6	28·9	7·8	53·3	5·89	183	337	142	130	87·4	379	1,216·9
1956	23·9	32·4	7·9	52·3	6·11	214	395	...	132	...	366	1,321·1
1956, October	22·5	37·9	7·9	53·0	6·35	226	416	150	133	86·8	369	1,327·9
„ November	26·3	34·3	9·7	49·7	6·16	234	397	140	136	96·4	368	1,345·9
„ December	24·3	34·8	11·4	58·9	5·96	234	402	...	140	...	365	1,315·8
1957, January	21·2	32·6	8·8	63·4	6·68	...	...	...	...	...	...	1,380·4
„ February	...	...	...	49·1	...	...	...	...	...	...	...	1,318·1

EXTERNAL TRADE (3)

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa (4)	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. $C		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1948	28·2	33·8	220	259	537	382	10·71	12·27	85·9	136·1	29·5	11·4
1955	70·1	63·4	393	363	567	503	23·93	21·55	90·5	125·4	40·2	30·7
1956	68·2	64·5	476	405	...	...	...	...	...	...	...	...
1956, September	53·6	60·8	438	409	767	497	24·4[10]	17·6	177·0	84·2	35·9	31·7
„ October	57·1	96·4	543	457	709	532	...	13·3	217·3	101·9	...	...
„ November	59·7	95·3	525	426	700	559	...	20·1	151·7	139·8	...	...
„ December	52·0	76·6	403	411	694	563	...	...	...	...	...	...
1957, January	...	...	460	404	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES (4)

	Gold and Foreign Exchange Holdings					Cost of Living						
	Australia (5)	Canada	India (6)	New Zealand (5)	S. Africa	Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesia
	End of period: mn. US dollars					1953 = 100						
1948	1,265	1,011	3,355 (7)	237	652	56	84	...	75	89 (8)	77	73
1955	835	1,910	1,791	179	368	104	101	90	107	94	105	101
1956	...	1,975	...	193	372	110	102	...	111	97	107	105
1956, October	...	1,928	1,470	224	334	112	104	101	112	100	108	106
„ November	...	1,972	1,374	201	354		104	103		99	103	106
„ December	...	1,975	...	193	372		104	...		...	108	106
1957, January	...	1,970	...	187	374	...	104	...	...	...	...	106
„ February	...	1,959	...	...	380	...	...	...	...	...	...	...

(1) Electricity production for New Zealand represents deliveries only. (2) Copper and tin refer to metal production. (3) General trade (including re-exports) except for Canada, which is special trade only. Imports are cif except for Australia, Canada and S. Africa which are fob; exports are fob. Trade for India includes that going by land; annual figures for India are for 12 months beginning April 1st of year stated and for Australia 12 months ended June 30th. (4) Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for S. Africa and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. (5) Including foreign investments. (6) Including semi-processed gold. Beginning January, 1955, including South-West Africa. (7) In July, 1948, part of holdings was transferred to the State Bank of Pakistan. (8) April, 1948—March, 1949. (9) Including some long-term securities. (10) Average for third quarter.

Financial Statistics

EXCHEQUER RETURNS

For the eight days ended March 31st, 1957, there was an "above-line" deficit (after allowing for Sinking Funds) of £54,204,000 compared with a surplus of £25,112,000 in the previous week and a deficit of £21,405,000 in the corresponding period of last year. There was a net surplus "below-line" last week of £37,887,000, bringing the total deficit for the financial year to £331,354,000 (£140,878,000 in 1955–56).

£'000	Estimate, 1956-57	April 1, 1955 to Mar. 31, 1956	April 1, 1956 to Mar. 31, 1957	Week ended Mar. 31, 1956	8 Days ended Mar. 31, 1957
Ord. Revenue					
Income Tax	2085,500	1942,902	2114,173	69,640	95,601
Surtax	144,000	136,600	158,000	3,400	7,000
Death Duties	170,000	175,700	169,000	2,400	4,700
Stamps	58,900	70,000	63,000	1,800	2,500
Profits Tax, EPT	216,750	192,500	195,000	5,100	6,500
Excess Profits Levy	4,000	18,450	5,000	160	500
Special Contribution and other Inland Revenue	1,600	770	640	60	120
Total Inland Rev.	2680,150	2539,522	2704,813	82,560	116921
Customs	1204,000	1148,598	1198,882	21,171	25,318
Excise	953,350	864,511	901,735	15,439	10,720
Total Customs and Excise	2157,350	2013,109	2100,617	36,601	36,038
Motor Duties	92,000	86,987	90,610	278	518
PO (Net Receipts)	10,000	...	4,464	...	Dr. 5,626
Broadcast Licences	28,000	25,800	26,400	2,200	2,200
Sundry Loans	30,000	29,858	32,714	...	87
Miscellaneous	200,000	197,867	196,195	5,469	8,286
Total	5197,500	4893,143	5157,813	127108	158215
Ord. Expenditure					
Debt Interest	670,000	637,884	710,634	2,044	107
Payments to N. Ireland Exchequer	61,000	59,152	66,444	3,600	3,780
Other Cons. Fund	10,000	10,173	9,669	227	179
Supply Services	4067,925	3752,342	4044,299	142575	208248
Total	4828,925	4459,551	4831,046	148446	212314
Sinking Funds	37,000	36,489	36,985	67	105
"Above-line" Surplus or Deficit	+ 337,102	+ 239,782	— 21,405	— 54,204	
"Below-line" Net Expenditure	537,981	621,136	*Cr. 19,150*	*Cr. 37,887*	
Total Surplus or Deficit	140,878	331,354	2,225	16,316	
Net Receipts from:					
Tax Reserve Certificates	−45,729	20,993	29,603	13,135	
Savings Certificates	20,600	72,000	−700	−700	
Defence Bonds	−29,108	−35,631	−1343	−621	
Premium Savings Bonds	..	64,980	..	700	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956 Mar. 31	3,220·0	1,568·0	294·6	...	5,082·6
Dec. 31	4,989·5		234·6	4·0	5,198·1
1957 Jan. 5	3,530·0	1,430·0	245·7	1·8	5,207·5
„ 12	3,440·0	1,386·3	267·1	...	5,093·5
„ 19	3,520·0	1,487·0	244·0	...	5,051·0
„ 26	3,210·0	1,516·5	221·0	...	4,947·5
Feb. 2	3,120·0	1,507·0	204·9	...	4,831·9
„ 9	3,050·0	1,486·7	197·4	...	4,734·1
„ 16	2,980·0	1,247·9	246·3	...	4,474·2
„ 23	2,900·0	1,298·1	193·8	...	4,391·8
Mar. 2	2,890·0	1,304·7	209·7	...	4,404·5
„ 9	2,800·0	1,261·5	229·6	0·8	4,361·9
„ 16	2,900·0	1,249·9	247·3	...	4,397·2
„ 23	2,910·0	1,284·4	272·1	1·5	4,468·1
„ 31	4,195·3		276·9	..	4,472·2

THE MONEY MARKET

CREDIT stringency last week returned to the money market. Large official purchases of bills were needed on Thursday before the week-end, and further, somewhat smaller, help was granted on the first two days of this week. Nonetheless, two or three houses were obliged to take small loans at Bank rate on Monday, and again on Wednesday, when the Bank gave no special help to alleviate the shortage of funds caused largely by Monday's support of sterling in the exchange market. The market's borrowing at the Bank is reflected in part in the rise of £26.2 million, to the unusually high total of £44.8 million, in discounts and advances shown in the Bank return for the week to Wednesday.

The rise in the Treasury bill rate at the first three tenders in March was reversed on Friday of last week, when the discount market raised its common bid by 2d. to £98 19s. 6d. per cent. The move was largely tactical.

Total applications last week for the unchanged offer of £250 million dropped by £3.6 million to £391.6 million, and the market's move raised its allotment rate from 44 to 50 per cent. The average rate of discount on all bills allotted fell by 7d. per cent to £4 1s. 11¾d. per cent; this compares with the recent low point of just £4 per cent at the tender on March 1.

The Bank return shows a further seasonal outflow of notes of £12.4 million in the week to Wednesday.

LONDON MONEY RATES

	%		
Bank rate (from 5½%, 7/2/57)	5	**Discount rates**	%
Deposit rates (max.)		Bank Bills: 60 days	4 7/32–4 9/32
Bank	3	3 months	4 5/32–4 7/32
Discount houses	3*	4 months	4 5/32–4 7/32
		6 months	4 13/32–4 15/32
Money Day-to-day	3½–4	Fine trade bills:	
Short periods	3½	3 months	5½–6
Treas. bills 2 months	4 3/32	4 months	5½–6
3 months	4 5/32	6 months	5½–6⅛

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	April 4, 1956	Mar. 27, 1957	April 3, 1957
Issue Department:*			
Notes in circulation	1,852·4	1,902·8	1,915·2
Notes in banking dept.	23·0	32·5	10·2
Govt. debt and securities*	1,871·3	1,921·3	1,921·2
Other securities	0·7	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	15·7	13·7	10·8
Bankers	225·1	228·9	217·0
Others	79·3	72·5	71·8
Total	320·1	315·1	299·6
Securities:			
Government	276·6	269·5	240·9
Discounts and advances	23·5	18·6	44·8
Other	16·6	20·8	20·0
Total	316·7	308·9	305·7
Banking department reserve	25·1	24·8	12·5
" Proportion "	% 7·7	% 7·8	% 4·1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £1,925 million from £1,975 million on January 16, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1956 Mar. 29	*91 Day* 280·0	410·1	280·0	s. d. 19 3·66	% 64
Dec. 28	270·0	372·5	270·0	97 1·81	68
1957 Jan. 4	270·0	406·7	260·0	95 9·11	54
„ 11	260·0	401·4	240·0	95 5·30	35
„ 18	240·0	391·2	240·0	93 1·40	53
„ 25	200·0	414·0	190·0	91 0·81	36
Feb. 1	190·0	384·1	190·0	90 10·07	21
„ 8	190·0	371·5	190·0	84 8·29	38
„ 15	190·0	348·0	170·0	85 6·04	10
„ 22	200·0	407·3	200·0	82 11·49	30
Mar. 1	220·0	408·2	220·0	80 0·78	50
„ 8	230·0	442·7	230·0	80 5·20	12
„ 15	230·0	375·3	230·0	82 3·70	34
„ 22	250·0	395·2	250·0	82 6·73	44
„ 29	250·0	391·6	250·0	81 11·79	50

* On March 29th tenders for 91 day bills at £98 19s. 6d. secured 50 per cent, higher tenders being allotted in full. The offering yesterday was for £250 million at 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: April 3	Market Rates: Spot: March 28	March 29	March 30	April 1	April 2	April 3
United States $	2·78–2·82	2·78⅞–2·79	2·78⅛–2·78⅞	2·78⅛–2·78⅜	2·78⅛–2·78⅝	2·78⅞–2·79	2·78⅜–2·78⅜
Canadian $		2·66⅛–2·66⅜	2·66⅜–2·66⅝	2·66⅜–2·66⅝	2·66⅜–2·66⅝	2·67⅛–2·67⅜	2·67⅛–2·67⅜
French Fr.	972·65–987·35	986½–986¾	986¼–986½	985¾–986	985¾–985⅞	986⅜–986½	986⅜–986½
Swiss Fr.	12·15⅞–12·33⅞	12·26⅛–12·27⅛	12·26⅛–12·26⅜	12·26⅛–12·26⅜	12·26–12·26⅛	12·27–12·27⅛	12·27⅛–12·27⅜
Belgian Fr.	138·95–141·05	140·70–140·75	140·65–140·70	140·60–140·65	140·60–140·65	140·70–140·75	140·77½–140·82½
Dutch Gld.	10·56–10·72	10·65½–10·65⅞	10·64⅜–10·64½	10·64–10·64⅛	10·64⅜–10·64⅝	10·64⅝–10·65	10·65⅛–10·65¼
W. Ger. D-Mk.	11·67⅞–11·84⅛	11·74½–11·75	11·74¼–11·74⅜	11·74–11·74⅛	11·73⅝–11·74⅛	11·74¼–11·75	11·75–11·75⅛
Portuguese Esc.	79·90–81·10	80·05–80·15	80·05–80·15	80·05–80·15	80·05–80·15	80·05–80·15	80·05–80·15
Italian Lire	1726⅝–1762½	1760–1760½	1759½–1760	1759½–1759⅝	1759–1759⅝	1759–1760	1760–1760½
Swedish Kr.	14·37⅜–14·59⅜	14·47½–14·47¾	14·47¼–14·47⅜	14·46½–14·47	14·46⅜–14·47¼	14·47⅜–14·47⅝	14·48⅜–14·49
Danish Kr.	19·19½–19·48½	19·43–19·43½	19·42½–19·43	19·42½–19·43	19·42½–19·42⅝	19·42½–19·43¼	19·43½–19·44
Norwegian Kr.	19·85–20·15	19·98–19·98½	19·97½–19·98	19·97½–19·97⅝	19·96½–19·96⅝	19·97½–19·97⅝	19·98½–19·98⅝
One Month Forward Rates							
United States $		⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm
Canadian $		par–⅛c. dis	⅛c. pm–⅛c. dis	⅛c. pm–⅛c. dis	⅛c. pm–⅛c. dis	⅛c. pm–⅛c. dis	⅛c. pm–⅛c. dis
French Fr.		2–4 dis	1–3 dis	1–3 dis	1–3 dis	1–3 dis	1–3 dis
Swiss Fr.		3½–2½c. pm	3½–2½c. pm	3½–2½c. pm	3½–2½c. pm	3–2½c. pm	2½–2½c. pm
Belgian Fr.		⅝–⅜ pm	½–⅜ pm	⅝–½ pm	⅝–½ pm	⅝–½ pm	½–⅜ pm
Dutch Gld.		1¼–1½c. pm	1¼–1½c. pm	1¼–1½c. pm	1¼–1½c. pm	2–1½c. pm	1¼–1½c. pm
W. Ger. D-Mk.		2¼–2¼pf. pm	2¼–2¼pf. pm	2¼–2¼pf. pm	2¼–2¼pf. pm	2¼–2¼pf. pm	2¼–2¼pf. pm
Italian Lire		3–1 pm	3–1 pm	3–1 pm	3–1 pm	3–1 pm	3–1 pm
Swedish Kr.		3–2½ pm	4–3½ pm	4–3½ pm	4–3½ pm	4–3½ pm	4–3½ pm
Danish Kr.		4–2½ pm	4–2½ pm	4–2½ pm	4–2½ pm	4–2½ pm	4–2½ pm
Norwegian Kr.		16 pm–16 dis	16 pm–16 dis	16 pm–16 dis	16 pm–16 dis	16 pm–16 dis	16 pm–16 dis
Gold Price at Fixing							
Price (s. d. per fine oz.)	250/4½	250/6	...	250/7½	250/9½	250/5½	



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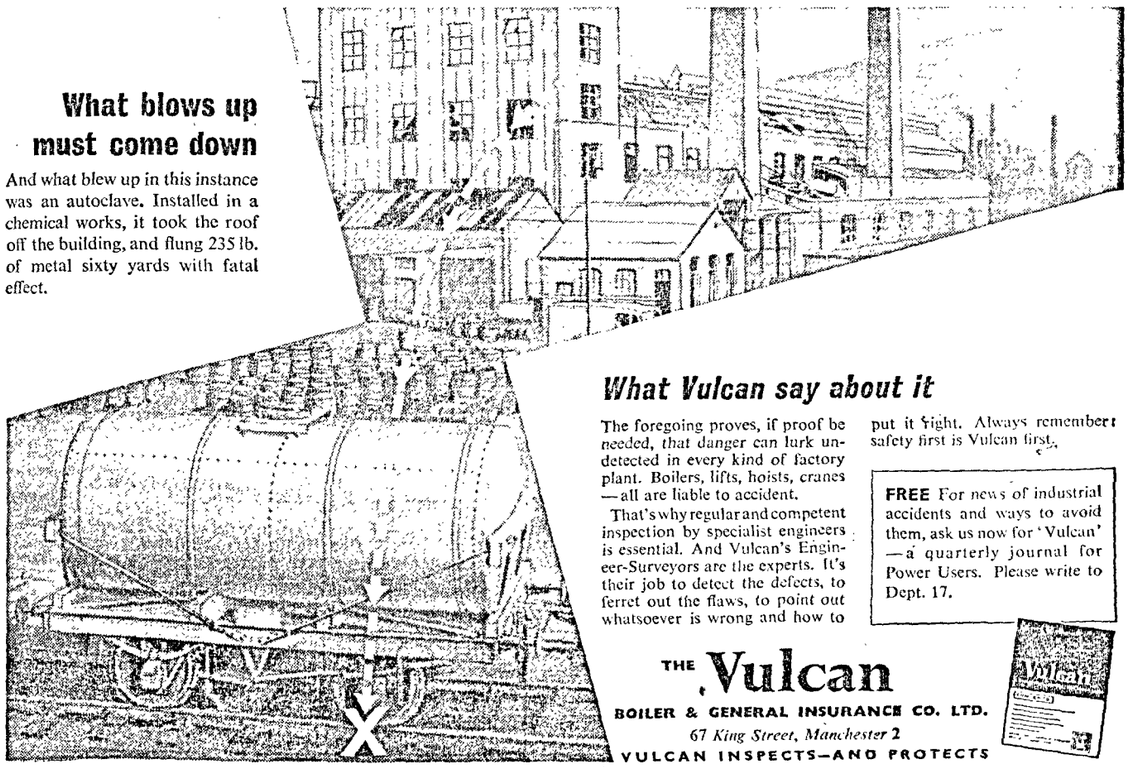
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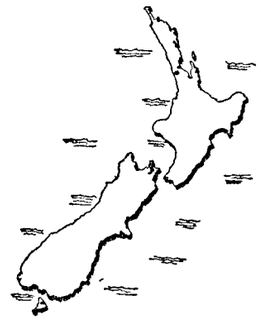
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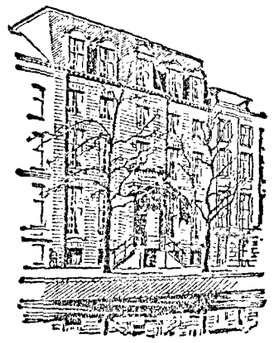
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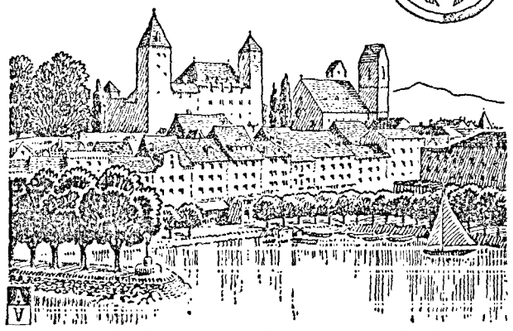
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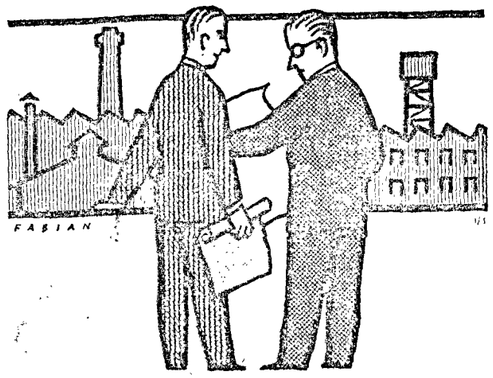
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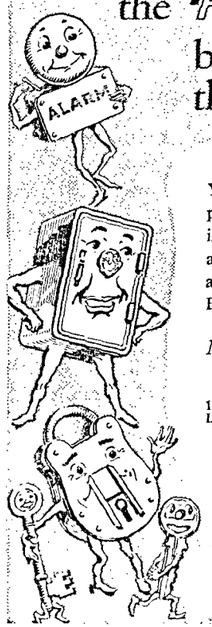
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ABRIDGED REPORT

CANADIAN PACIFIC RAILWAY COMPANY

(Incorporated in Canada with Limited Liability)

SEVENTY-SIXTH ANNUAL REPORT OF THE DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 1956

TO THE SHAREHOLDERS:

Railway revenue, which for the first time exceeded the half-billion dollar mark, was 13% higher than in 1955 and 7% above 1953, the previous record year. Costs, however, increased substantially and as a consequence the improvement in net earnings was not as great as might have been expected. The return earned on railway net investment was only 3.15%.

Other Income amounted to $30.0 million, an increase of $2.3 million over the comparable income for the previous year. Net income from petroleum rents, royalties, reservation fees, and land rents, formerly accounted for through Land Surplus Account and now included in Other Income, amounted to $5.3 million after provision for applicable income taxes.

Net Income amounted to $55.6 million, which, after providing for dividends of 4% on Preference Stock, regular dividends amounting to $1.50 per share and an extra dividend of 25c. per share on Ordinary Stock, left a balance of $26.2 million available for modernisation and other corporate purposes.

The Income and the Retained Income Accounts of your Company show the following results for the year ended December 31, 1956:—

INCOME ACCOUNT

Railway Revenue			$505,262,393
Railway Expenses			463,926,566
Net Earnings			$ 41,335,827
Other Income			30,034,463
			$ 71,370,290
Fixed Charges			15,752,302
Net Income			$ 55,617,988
Dividends:			
Preference Stock		$ 3,679,820	
Ordinary Stock		24,379,013	
			27,458,833
Balance transferred to Retained Income Account			$ 26,159,155

RETAINED INCOME ACCOUNT

Profit and Loss Balance, December 31, 1955			$314,529,552
Land Surplus, December 31, 1955			101,885,563
Retained Income (Balance) January 1, 1956			$416,415,115
Balance of Income Account for the year ended December 31, 1956		$ 26,159,155	
Net Proceeds from Sales of Lands and Townsites		6,473,631	
Excess of considerations received for sales of properties over book values, and miscellaneous items		1,731,968	
			34,364,754
Retained Income (Balance) December 31, 1956, as per Balance Sheet			$450,779,869

GENERAL BALANCE SHEET, DECEMBER 31, 1956

ASSETS

Property Investment:			
Road and Equipment	$1,612,800,458		
Improvements on Leased Property	212,655,114		
Securities—Leased Railway Companies	53,202,654		
Steamships	85,585,731		
Hotel, Communication and Miscellaneous Properties	120,109,276		
		$2,131,567,133	
Other Investments:			
Securities—Controlled Companies	$ 66,213,266		
Miscellaneous Investments	34,204,256		
Advances to Controlled and Other Companies	4,565,956		
Mortgages Collectible and Advances to Settlers	1,126,254		
Deferred Payments on Lands and Townsites	4,224,452		
Unsold Lands and Other Properties	7,515,368		
Insurance Fund	13,168,540		
		131,563,602	
Current Assets:			
Cash	$ 41,858,250		
Temporary Cash Investments	82,500,158		
Special Deposits	4,675,132		
Agents' and Conductors' Balances	26,052,376		
Miscellaneous Accounts Receivable	25,428,664		
Material and Supplies	44,477,659		
		225,007,239	
Unadjusted Debits:			
Insurance Prepaid	$ 109,420		
Unamortised Discount on Bonds	3,611,453		
Other Unadjusted Debits	4,350,084		
		8,100,957	
		$2,516,978,571	

LIABILITIES

Funded Debt			
Perpetual 4% Consolidated Debenture Stock	$ 415,725,588	$ 156,685,000	
Less: Pledged as collateral to bonds	123,227,100		
		292,548,888	
Current Liabilities:			
Pay Rolls	$ 9,562,094		
Audited Vouchers	22,825,256		
Net Traffic Balances	3,007,377		
Miscellaneous Accounts Payable	18,339,276		
Accrued Fixed Charges	1,163,777		
Dividends Payable	15,506,470		
Taxes Accrued	15,016,651		
Other Current Liabilities	24,735,702		
		110,526,653	
Deferred Liabilities		3,069,533	
Reserves and Unadjusted Credits:			
Depreciation Reserves	$ 823,226,550		
Investment Reserves	770,201		
Insurance Reserve	13,168,540		
Contingent Reserves	4,318,419		
Tax Equalisation Reserve	20,350,000		
Unadjusted Credits	7,514,514		
		859,248,624	
Shareholders' Equity:			
Ordinary Stock	$ 340,729,225		
Preference Stock—4% Non-cumulative	132,256,521		
Premium on Capital and Debenture Stock	57,222,359		
Donations and Grants	26,851,819		
Retained Income (Balance)	452,575,869		
		1,015,000,233	
		$2,516,978,571	

COMPANY MEETINGS

THE BRITISH OIL & CAKE MILLS LIMITED

ANIMAL FEEDINGSTUFFS RECORD SALES

NEED FOR BEST COMBINATION OF CONCENTRATES AND ROUGHAGE

NECESSITY FOR RETENTION OF PROFITS

SUBSTANTIAL REDUCTION OF TAX BURDEN ON INDUSTRY ESSENTIAL

The Annual General Meeting of The British Oil and Cake Mills will be held on April 24th, at Unilever House, Blackfriars, London, EC4.

The following is the review by the Chairman, Mr G. Chipperfield, CBE, which has been circulated with the Report and Accounts for the year ended December 31, 1956.

OIL MILLING

Our mills handled a larger total throughput of seed in 1956 than in the previous year mainly because of increased supplies of Canadian linseed becoming available. Large quantities of vegetable oils were again delivered to associated soap and margarine manufacturers and our total deliveries to other customers showed a useful increase over comparative figures for the previous year. We have had some cases of non-delivery of imported raw materials even against firm purchase contracts, for instance, cottonseed from the Middle East as a result of the Suez intervention, but I am happy to say that in spite of these difficulties we were able to meet all our contractual obligations to our customers.

Edible oils underwent wide fluctuations in price and in demand. In the early months of the year liquid oils were affected by the adverse olive oil situation with the result that these oils became dearer and in short supply until May, from which point prices eased away until the effects of the Suez intervention and the expectation of a smaller groundnut crop in Nigeria were reflected by a period of rising prices and temporary abnormal demand.

We did profitable business in the processing of linseed and linseed oil but this market has unfortunately become unduly speculative and subject to violent price fluctuations. In fact, the following comment from a well-known Market Review is hardly exaggerated and illustrates the disadvantages of commodity markets being unduly dominated by the speculative element :

> "Linseed oil is now becoming a gambler's paradise and it is impossible to make any intelligent comment on the situation. The opening of a terminal market in linseed oil in Monte Carlo might be an appropriate step to take !"

We have had to close our new Castor Mill in Hull for the time being because, under existing preferential tariff arrangements, India while refusing to sell us castor seed delivers oil here at prices quite inconsistent with what we regard as a proper standard of living in this country. It seems to me that, in considering what is called the European Free Trade Area, our Government should bear this aspect of the problem in mind in view of the need to safeguard the standard of life to which we are accustomed. It is futile to talk about higher pay packets if you cannot sell the resulting products in the markets of the world or even meet competitive products on price in our home market.

COMPOUND TRADE

Once more we achieved record sales of compound animal feedingstuffs and this was again specially so in the case of poultry foods the volume of which has risen in keeping with the increase in the poultry population and is one of the factors which has enabled the country to become practically independent of foreign egg supplies.

1956 saw the launching of Calfwena, a new form of calf food designed to make possible the weaning of calves from milk or milk replacement at five weeks instead of the customary 12-14 weeks. The economic and nutritional virtues of this product won it an enthusiastic reception and it certainly provides the milk producer with yet another means of combating rising labour costs and many of the rearing problems which under traditional methods call for specialised staff.

Sowlac, the corresponding line for baby pigs, is now available in pellet as well as in meal form and this product has certainly helped to encourage the artificial rearing of pigs in this country, a system which can make a significant contribution to the economics of home bacon and pork production.

It has always been the Company's policy to encourage the rational use of home grown foods to the fullest possible extent compatible with economic production and, with this object, Cerecon, a pig fattening concentrate, was introduced in 1956 for supplementing home grown cereals available on the farm for the feeding of pigs.

SUPPLIES OF INGREDIENTS

At the beginning of 1956 we were faced with the encouraging outlook of large world stocks of grain. Subsequent events, however, caused a steady increase in market prices. The principal factors affecting the cost of our ingredients, which, including the bags, represent more than 85 per cent of the price of compounds, were the severe frosts which damaged the standing crops on the Continent during the early part of the year, the effect on American markets of the signing of the US Farm Bill and, of course, the Suez incident, which caused a shortage of freight and consequent substantial increase in shipping costs. On the average this amounted to about £2 per ton as compared with a year ago.

On the home market an important feature has been the setting up with the approval of the Minister of Agriculture of a Working Party, on which our Company is represented, with the purpose of facilitating the marketing of home grown barley. Despite the very bad weather conditions under which harvesting took place, the Working Party succeeded, by means of the issue of a weekly price indication, in enabling growers as a whole to obtain a better average ex farm price, especially during the flush period, than has been possible during the past few years. We naturally continue to give the farmer all the support we can by giving priority to home grown grain and any other suitable home produced ingredients, and from the last crop we expect to absorb about 250,000 tons of home grown grain.

I referred in my Review last year to criticisms of the amount of feedingstuffs imported. At the Annual Luncheon when the prizes in connection with our 18th National Milk Yield Competition were presented by Sir Thomas Peacock, Chairman of the Milk Marketing Board, I again made reference to this subject, in particular to the exaggerated picture often given of what the importation amounts to and the lack of attention too often paid to what the country gets in return. In fact, the tonnage of imported animal feeding stuffs was about 30 per cent less in 1955 than in 1938, largely due to the increased use of scientifically produced compounds instead of so-called "straight" feeds, whilst agricultural productivity of all kinds increased during that time by 55 per cent. Imported feedingstuffs represent only between 3 per cent and 4 per cent of our national import bill, compared with 33 per cent for food, drink and tobacco and, of this modest outlay, a great deal is spent in Commonwealth countries to which we expect to sell manufactured goods. On the other hand, the farming community produce more than £1,000 million a year of livestock products. It is illogical to talk about imported feedingstuffs without regard to the saving in the imports of farm products which can be produced here as a result and Sir James Turner, the President of the NFU, recently referred with justifiable pride to the increasing extent to which the British farmer supplies the country's requirements of food. Criticism of imported feedingstuffs is often associated with propaganda connected with the more intensive growing of grass. We must surely remember, however, that we keep cows essentially for the purpose of producing milk and consequently the economic necessity is to produce as much milk from as few cows with as low overheads (including building and equipment) as possible. For this purpose the best available nutritional combination of concentrates and roughage is needed. Grass quality in this country can certainly be helped by the efficient use of fertilisers but it still depends largely upon the vagaries of the climate and it would surely be wrong to have large numbers of low yielding cows spread over wide areas of grass of varying quality rather than a limited national herd, scientifically fed and high-yielding. This would release the greatest possible acreage for other farm products which are required for the national larder and which would otherwise have to be imported.

I suggest that three parallel steps to improve both output and efficiency in production of milk are needed. First, improvement in existing techniques of grassland production and output. Secondly, more efficient methods of conserving roughages for winter feeding. Thirdly, the gradual elimination of the inefficient cow from the national herd so that, by the judicious feeding of both concentrates and roughages, whether green or conserved, we can produce the same or more milk from fewer cows bred for efficiency. In this way land could be freed for the production of more home-killed meat with a resultant saving in imports from abroad. I think we can also add to these three points more reliable methods of assessing the value of roughages. Our laboratories carry out hundreds of tests for farmers every year and our conclusion is that the gradual deterioration of silage and other roughages and its effect on production are not properly appreciated, nor the resultant wastage in the nutritional value of the concentrates used. In my view much more can be done by co-operation between research workers in the industries concerned and those in the official research centres to encourage progress on these lines.

RESEARCH AND FIELD WORK

Our demonstration and experimental farms continue to play their part in providing the farming community with a shop window through which new developments in feeding, housing and management techniques can be viewed and their worth assessed. Their value, both in the promotion of demand for the Company's products and the general advancement of agricultural science may be judged from the fact that our visitors are numbered in increasing thousands each year. (Last year over 12,000.) Perhaps the most successful meeting of its kind in farming history in this country took place at our Barlby Farm at Selby in May, 1956, when well over two thousand farmers from all over the country attended a demonstration of our Cattle Progeny Testing activities and Beef Rearing experiments. (A picture taken at this demonstration is shown in the Report.) To accommodate the requests for places at the corresponding demonstration in 1957, if petrol restrictions do not prevent its being held, it will be necessary to extend the staging of the demonstration over two days.

We maintain our policy of making the fullest possible use of modern nutritional knowledge from our own research and that of outside bodies in formulating our compounds. Whilst the price per ton of feed is obviously of prime importance, the true economic yardstick, of course, is the cost of feeding per unit of saleable product, whether it be milk, meat, eggs, bacon or pork and, thanks to increasing knowledge as a result of the use of recording on farms as a management technique—a practice which cannot be too widely encouraged—this fact is becoming generally recognised.

Apart from continuing our work on cattle and pig progeny testing, on developments in the poultry field, especially "broilers," or table poultry, we have stepped up our work on the production of beef, including beef from the dairy herd. At Barlby we rear Friesian calves for beef production, demonstrating not only that, by suitable feeding and management, calves born in the winter months can make a quality beef animal for slaughter at about 18-20 months, but also that the greater economy in rearing costs due to use of BOCM Baby Calf Food instead of liquid milk has a very marked effect on the profit of the animal. Calves reared since the spring of 1956 have been weaned at five weeks of age under the Company's new early-weaning programme already referred to, and show excellent economy and progress; in fact, there is no doubt that this system is assured of a place on the beef farm as well as the dairy farm.

At South Cathkin Farm groups of Beef Shorthorn/Ayrshire cross calves were reared under this new method last spring, which have aroused much interest in the yards this winter. Further groups of calves are being reared by early-weaning this winter, the first half of the winter being devoted to the Angus/Friesian cross and the second half to the Beef Shorthorn/Ayrshire cross, thus providing information on the merits of these crossbreds for beef.

ACCOUNTS

Profits from our animal feedingstuffs trade reflect the increased sales to which I have already referred and show a satisfactory increase over the preceding year. Notwithstanding the considerable fluctuations during the year in oilseed prices we were able to maintain satisfactory profits from our business in edible and technical oils. We made a somewhat higher contribution under the terms of the pooling agreement with our Holding Company and Associated Companies, to which I have referred on previous occasions.

The profit for the year, before taxation, was £2,448,820. After providing for taxation of £1,163,000 on these profits and including released provisions of £15,129 for taxation of previous years, there remained a surplus of £1,300,949 of which dividends took £682,591, leaving £618,358 retained in the business.

As I have pointed out on previous occasions, after paying a reasonable return to those who supply the capital needs of the Company, profits are required to maintain the healthy development of a business with due regard to the heavy burden of taxation which industry has to carry and this is a fact which is too often overlooked or ignored when people talk about "profits." There still seems to be insufficient realisation in some circles of the fact that high taxation is a potent factor in raising the cost of living and in breeding inflation. It is, in fact, as I have said on a previous occasion, a form of economic self-strangulation which has developed to a point where a drastic cut in Government expenditure and a substantial reduction in the taxation burden on industry are essential. It is a pity to leave the realisation of this fact till the country reaches the verge of serious economic difficulties. There appears to be inadequate consciousness of the perils confronting us as a result of increasing amounts being spent on projects, which may in themselves be worthy, but which we simply cannot afford. The Government can hardly object to criticism that they are shirking their responsibilities by inaction and by not facing the need to reduce the growing burden of their expenditure, particularly on schemes which encourage personal extravagance and the relief of burdens which those who stand to benefit from them could properly carry themselves. The present level of penal taxation not only discourages enterprise and stifles personal initiative but could eventually deprive the country of large numbers of its potential specialists.

Once again our Balance Sheet reflects the increased financial requirements of our businesses. Capital expenditure in 1956 was £2,200,000 which included substantial amounts for additional manufacturing capacities for our Selby, London and Avonmouth compound plants. During the past seven years we have spent £8½ million on increasing and modernising our production capacity and facilities, and £11½ million have been absorbed in providing working capital to finance the maintenance and expansion of the business. The investment in stocks and debtors rose from £16,306,000 at December 31, 1955, to £17,942,000 at December 31, 1956, the increase of £1,636,000 being due to higher raw material prices and increased trade. The additional finance has been partly provided from depreciation, partly from the retained profits, as I have already mentioned, and partly by our Holding Company which advanced a further £1,271,000 to us during the year.

The average basic weekly wage of our mill employees rose from £7 6s. in 1955 to £7 18s. in 1956, an increase of 8 per cent. On the other hand, the average weekly pay packet increased from £10 15s. in 1955 to £12 in 1956, representing an increase in average earnings of 11½ per cent. This comparison again suggests that there is a margin to cover variations in the cost of living which should enable the brake to be put upon demands for increases at a time when the danger of inflationary trends is particularly acute.

TECHNICAL DEVELOPMENTS

The majority of the technical developments in our business in 1956 were directed towards the expansion and modernisation of our animal feeding stuffs plants. The first stage of our new compound mill at Selby has been completed, practically the whole of our new plant at Manchester is in operation, the greater proportion of the new buildings being erected at Silvertown have been completed and at Avonmouth our new mill was ready to go into operation at the end of the year. Further plans for modernisation at our Leith and Hull mills are under consideration.

It will be appreciated that the art and the process of compounding animal feeds has reached such a high standard of selection and combination of ingredients that formulation as a whole has largely passed to the scientific sphere, with the result that a very high degree of scientific background is needed by those responsible. In particular, minerals and other trace ingredients, such as vitamins and antibiotics, must be incorporated and distributed throughout a mixture with meticulous skill and care in order to ensure that they perform their proper functions. For this reason we have included in the planning of our modern mills and the modernisation of our older ones what we call "Dispensaries" where this particular phase of manufacture can be carried out under the best possible conditions. An illustration of one of these Dispensaries accompanies our Report.

On the oil side, a new experimental laboratory devoted to the development of new oil and fat products and technical sales service, has been put into operation at Erith, which includes a factory scale pilot plant. Productivity is still the keyword for both labour and machinery and to this end incentives are being carried to the maintenance as well as the production side in the mill, always, of course, in close consultation with the employees concerned or their representatives.

A limited amount of abnormal turnover resulted from the recent emergency condi-

tions and their effect on markets and sales, but our mills took this in their stride and exemplified again the ingrained industriousness and ingenuity of the workers of this country. In exceptional weeks our mills produced and handled tonnages well beyond our normal conception of maximum output, thanks to the enthusiasm and efficiency of their personnel.

PROGRESS PAYMENTS

We have again been able to pay tribute to the contribution to the Company's progress of our employees at all levels and in all stages of operation by continuing the arrangement whereby annual progress payments are made (below higher management) and in 1957 we shall again pay the sum of £30 in the case of those aged 21 and over and £15 to those under 21 years regardless of status or sex. I cannot pay too high a tribute to the loyalty and efficiency of our employees at all levels. We constitute a large community and the achievements and the progress of our Company do not suggest any spirit of defeatism such as is regrettably evident in certain circles where it appears to be deemed appropriate to denigrate the part which Britain plays and the influence it exercises in the free world.

BRITISH-AMERICAN TOBACCO COMPANY LIMITED

EXPANSION FINANCED FROM PROFIT RETENTION

The fifty-fourth Annual General Meeting was held on March 29th, in London. Mr D. M. Oppenheim, the Chairman, in the course of his speech, said: From the Report and Accounts you will have been glad to see once again an increase in the Holding Company's available net profit. Over a number of years (since the end of the war) most of our overseas subsidiary and associated companies have been faced both with the problems of rehabilitation and modernisation and the need for expansion under conditions in which the necessary plant, machinery and building materials have been scarce and costly. These capital projects, because of remittance, credit and other restrictions, have had in many instances to be financed from the retained profits of the companies concerned. Moreover, the expansion of sales and, in many cases, increased tobacco taxation have required the employment of additional working capital which has been yet further increased by the large sums needed in inflationary economies to meet the replacement cost of stocks and other assets. This additional working capital has been found by the retention of profits in the companies concerned, at the expense, of course, of the sums which otherwise would have been available for dividends to the Holding Company. With, however, the completion of most of the major schemes initiated after the war the total amount of dividends received has increased as is demonstrated by the larger share of the Group Available Net Profit dealt with in the accounts of the Holding Company.

Modernisation and expansion are continuing features of the business. In modernisation I include not only the constant replacement of old machines by new and more efficient machines, but also the adoption of new processes and new techniques, with which we must keep abreast in the highly competitive conditions of today. Expansion is due not only to success against competition, but also to the steady increase in sales in some areas where there are growing populations and improving standards of living which enable people to progress from other more primitive forms of smoking to the more expensive and acceptable machine-made cigarette. It is, however, in some of these rapidly expanding economies that one finds inflation, with all the restrictions and difficulties which accompany that condition, dictating the necessity for the members of the Group to maintain large reserves and an appropriate degree of liquidity. The very fact that it has been possible to carry out the postwar rehabilitation and expansion, as well as to conserve the real capital employed in the various businesses, and at the same time to provide progressive returns to the shareholders, seems to me to justify the reserve and dividend policies which have been pursued by the various subsidiary and associated companies.

The satisfactory trend of Group sales for the early part of the year to September 30, 1956, continued throughout the year and the figures available to me for the first five months of the current financial year—even excluding, as they do, those for certain parts of the Middle East area—are running above those for the same period last year. I should point out, however, that the consolidated trading profit may be affected by increasing costs and higher tobacco taxation, which in some overseas countries cannot be fully covered by adequate price adjustments. Nevertheless I should expect the share of the Group Available Net Profit at the disposition of the Holding Company to be at least maintained for the year 1956-57.

The report was adopted. At the subsequent Extraordinary General Meeting the resolutions relating to the Capitalisation issue were passed.

GENERAL INVESTORS AND TRUSTEES

The fiftieth annual general meeting of the General Investors and Trustees, Limited, was held on March 28th in London, Mr R. G. Mills (the Chairman) presiding.

The following is an extract from his circulated statement:

Your Company's gross revenue amounted to £321,130, compared with £292,911 for the previous financial year, net profit figures being £148,060 and £134,919 respectively. Adding £21,729 brought forward plus taxation in respect of previous years the total available is £171,102. The Directors have repeated a transfer of £30,000 to General Reserve and recommend a final payment of a dividend of 9 per cent, less Tax, making a total of 14 per cent, less Tax, for the year. In addition, because this is the half-centenary of the Company, we recommend a bonus distribution of 1½ per cent, less Tax.

In 1950, the value of our portfolio was £2,398,178 and has shown progressive increases to that at which it stands, namely £4,921,380, in the Balance Sheet. The gross revenue in 1950 amounted to £138,585 and as already mentioned that for the year under review had attained a total of £321,130. These increases have arisen partially from the introduction of new money plus retained revenue during the period aggregating approximately £693,000.

As to the prospects for the current year, it is difficult to assess what effect credit restriction and other economic factors may have on the return on our investments. I feel, however, that our result for the current year will not be disappointing.

The report was adopted.

THE STEETLEY COMPANY LIMITED

(DOLOMITE AND REFRACTORIES)

The Annual General Meeting was held in Sheffield, on 29th March, 1957. The accounts for the years ended 31st December, showed:—

	1955	1956
	£	£
Trading Surplus...	1,187,593	1,561,155
Taxation	586,287	801,874
Profit...	601,306	759,281
Issued Share Capital	3,164,874	3,164,874
Dividends	159,079	217,636
Undistributed Profits	442,227	541,645

The following is an extract from the statement to shareholders made by Mr. N. M. Peech, Chairman:—

Production and sales at home and in Canada attained new peaks and the works operated more efficiently than ever before. The dividend on the ordinary shares of 13% is the same rate as last year but is payable for a full year on the capital increased by the new issue of shares late in 1955. The Company is engaged on a considerable programme of expansion and modernisation (the authorised and unspent capital expenditure at the end of 1956 amounted to £3,145,000) but little benefit therefrom will be felt in 1957. Meantime current demand for the group's products remains good.

ASSOCIATED ELECTRICAL INDUSTRIES LIMITED

PREVIOUS RECORD OF APPARATUS SUPPLIED EXCEEDED BY £5.4 MILLION

CONTINUOUS AND PROGRESSIVE GROWTH: CAPITAL EMPLOYED NOW OVER £100 MILLION

LORD CHANDOS ON COMPANY'S ROLE IN DEVELOPING NEW PRODUCTS

The fifty-seventh annual general meeting of Associated Electrical Industries Limited was held on April 3rd, at the Connaught Rooms, Great Queen Street, Kingsway, London W.C.2.

The Right Honourable The Viscount Chandos, DSO, MC, the Chairman, presided, and in the course of his speech said:

During the past year we have paid three quarterly dividends of 2½ per cent, and your Directors recommend the payment of a final dividend of 7½ per cent, making a total distribution of 15 per cent on the increased capital; the same rate as for 1955.

Our trading profit for the year, before taxation, but after deduction of all other charges, amounted to £10,307,000, compared with £15,320,000 in 1955. The amount set aside for UK taxation, based on the profits for the year, was £5,848,000, and of this, £1,564,000 was for Profits Tax against £1,254,000 in 1955, an increase of nearly 25 per cent. Net profit available for distribution after taxation was £4,460,000, and after adjustments in respect of previous years' taxation and outside stockholders' interest, the balance attributable to AEI was £4,372,000.

Owing to the shrinkage in our earnings, after taking £2,761,000 for net dividends, the total additions to our Reserves and Carry Forward are only £1,611,000 and the total retentions in the business £4,551,000, *including depreciation.* Of this sum £1,250,000 has been added to the AEI General Reserve making it £13,250,000 and the balance is retained in the subsidiaries or added to the Carry Forward. The capital employed in the business at the end of 1956 was £103,966,000, which, after subtracting £4,919,000 preference capital, shows the equity capital as £99,047,000 against a nominal figure of £33,638,000. A 15 per cent Ordinary Dividend therefore gives a return on the equity capital of £5 2s. per cent.

The Reserve for the Increased Cost of the Replacement of Fixed Assets, which stood at £7,900,000, has been transferred to the retained Reserves of the subsidiaries. Such a Reserve might have been used year by year to write down our plant, but it has not been so applied because we could write all our fixed assets down to £1 and have a substantial surplus from existing Reserves. It is thus a Revenue Reserve, and just as free as any other. It seems therefore better to show it under surpluses retained by subsidiaries than in the special category to which it had previously been allocated. There are objections to any form of earmarked Reserves, and in future our surpluses will be retained in the subsidiaries or allocated to General Reserve unless some special circumstances warrant a more limited description.

TRADING CONDITIONS

In 1956 the total value of electrical apparatus shipped and invoiced to our customers surpassed that in the record year of 1955 by approximately £5,400,000. Notwithstanding this increase, the profits fell sharply below those for 1955. This was from a number of causes. Part of this fall is due to general conditions in the industry. We have had to absorb further wage increases, and this has meant that margins, especially in the export trade, have shrunk. I do not regard this myself as particularly disturbing: I have frequently told the stockholders that some shrinkage in margins was likely and even healthy, as the seller's market began to fade. The shrinkage in margins must be offset by lower costs and larger production and these are the two targets at which we aim.

I particularly wish the stockholders to know that, apart from general conditions in the industry, there were particular reasons which affected our profits. Government action in the early part of the year caused a sharp fall in the demand for a number of our lighter products: valves and cathode ray tubes are an example. This happened to strike us at a time when the Siemens-Ediswan and Hotpoint reorganisations were not yet complete. The fall thus had a more marked effect on our fortunes than if these companies had been completely established in their new functions.

Secondly, there has been, and indeed there still is, very keen competition in lamps and lighting, and here again the reduced profit margins came upon us when we were in the course of rationalising our whole lamp production and sales.

Lastly, we are building a number of new factories, and there has not yet been time for production from any of them to make an appreciable addition to our revenues. On the contrary, these new projects involve, apart from the capital invested in them, heavy initial expenses of a non-productive nature. The latter half of 1957 should witness the first beginnings of revenue from these sources. In short, I do not think that 1956 will prove a reliable guide to the potential earning capacity of the Group when the results of our capital expansion and reorganisation begin to take effect.

There has been an unusually large influx of orders since the turn of the year. The order book is in a healthy condition, and ensures that our capacity will be employed at a high rate for at least the next year or two.

You will be aware that the Monopolies Commission reported recently on electronic valves and electrical plant. The Restrictive Trade Practices Act now in force is intended to determine by judicial procedure the "public interest" in the trade practices explored in such great detail by the Commission. The result desired by our legislators is increased competition within our industry. This is a decision of the Government, and whatever the effects may be upon the industry, we must guard against the dangers of slowing down research, technical development and improvement of factory equipment, all of which are essential to industrial progress, particularly in this, the chief exporting industry of Great Britain.

INDUSTRY'S PROSPECTS

We remain of opinion that the electrical industry in the next ten years will nearly double in size. This may appear at first sight a big assumption, but it can perhaps best be brought into focus by looking back at our own Company's affairs. At December 31, 1946, the capital employed in our business was £22 million. Today it is over £100 million. The cost of our fixed assets in 1946 amounted to rather under £15 million. Today it stands at £59 million. Of course their value at today's prices would be more than twice this figure. Stocks and works in progress amounted to £17 million in 1946, today they amount to about £65 million. All these figures are about four times those of 1946, but it should be remembered that they include some acquisitions, of which the most notable has been that of Siemens Brothers.

After reviewing the Group's achievements in the technical field, Lord Chandos continued:

From what I have said you will see that the demand for our established products and the development of new products are limited only by the resources that we can bring to bear on any problem. It may truly be said that the first half of this century has witnessed the growth of the Company from comparatively small beginnings to the great position that it now occupies in national affairs. Now that we have entered into the second fifty years it is plain that our responsibility to the nation continues to grow. We must be prepared where necessary to evolve new administrative methods in order to take full advantage of our opportunities.

The Chairman then outlined the very large expansion programme which had been undertaken and said:

In some ways this expansion programme differs from those to which I have been accustomed in other branches of industry. They are not in the main designed to meet estimated but known demands. It will be interesting to give a short review of the progress of many of these projects.

EMPLOYEES AND STOCKHOLDERS

I have so far made no reference to the most important asset of the Company, that is the work put in by our 88,000 employees. Once again, it is a pleasant duty to record that they have given loyal and hard-working service, without which the new records in production could not have been reached.

All over the thousand and one activities in which your Company is engaged, you can feel the pulse of progress and of expansion. In this industry, as in some others in the twentieth century, I repeat that to stand still is to die, and we are determined to press forward with all speed the development of new uses of electrical energy, new manufacturing technique, and, above all, by new research reaching out into the most advanced areas of modern science, of which the frontiers seem to be widening almost as I speak. The Company has a manufacturing space of sixteen million square feet. It is all fully committed to production, and is in need of the help which our new expansions will give it. The extent to which we can earn profits upon it depends upon factors which are not always within our control, but it cannot be doubted that over a period it will not only contribute greatly to the prosperity of your Company, but make a striking addition to the national wealth. The report and accounts were adopted, and a final Ordinary dividend of 7½ per cent was approved.

THE DECCA RECORD COMPANY

POSTWAR HISTORY OF REMARKABLE GROWTH CONTINUED

MR E. R. LEWIS ON EXPANDING VOLUME OF WIDESPREAD OPERATIONS

The twenty-seventh annual general meeting of The Decca Record Company Limited was held on April 2nd at Winchester House, Old Broad Street, London, E.C.2.

Mr E. R. Lewis (the Chairman) presided, and in the course of his speech said: I very much regret that Sir Cyril Entwistle, after six weeks in hospital, is unable, under doctor's orders, to be present today. It was to have been his last Annual Meeting as Chairman of the Company, and he particularly wanted to be present.

As you have already been informed, he has at his own wish retired from the Chairmanship, a position which he has held with distinction for the last 23 years, and he has been a member of the Board for over 26 years. I should mention that his decision had nothing whatever to do with his present illness. I am happy to say that Sir Cyril has agreed to continue to serve as a Director. I am sure you will join with me in wishing him a speedy and complete recovery.

THE ACCOUNTS

In the Consolidated Profit and Loss Account the balance from Trading Account which amounts to £1,797,936 shows an increase over that of the previous year of £68,112, and is the highest ever achieved by the Company. Maintenance, Depreciation and Interest charges all showed substantial increases, and accordingly the balance of profit for the year before tax at £1,032,193 shows a reduction of £108,440 from that of the previous year.

Net profits after tax amounted to £433,623, against £526,369. Profits Tax showed an increase of £41,240, largely due to the payment of dividend on increased capital. This tax is a serious burden on enterprise.

Turnover for the year to March 31, 1956, at £12,860,000, was £3,294,000 greater than that of the previous year. In order to finance this increased turnover, and certain capital commitments, we had to raise new capital. It is obvious that this would have been impossible unless subscribers to the shares were to receive a dividend and for the payment of such dividend the Company is penalised by distributed Profits Tax.

There can be no time when it was more vital than now to increase productivity and exports in the interests of the country, and it is surely time that the heavy burden of Profits Tax, which falls exclusively on those who take the greatest risk in supplying equity capital, should be reduced or, preferably, abolished. At least the discrimination against distributed profits should be ended.

We are recommending a Final Dividend on the Ordinary and "A" Ordinary Shares of 1s. 2d., less tax, making a total for the year of 1s. 9d., less tax, the same as for the previous year though on capital increased by one-third.

During the year under review the Group experienced increased cost of salaries, wages and materials. Heavy expenditure was also incurred in research and development, the benefit from which it is hoped will be derived in future years.

REVIEW OF OPERATIONS

or the year under review the Record ess showed a further expansion in both the home and export markets and in the operations of our subsidiaries in the USA and Canada. The production of over 27 million records in our English factories, out of a total industry production of 62 million records, was the highest in the history of the business.

The Decca Navigator Company made further progress during the year with a considerable increase in marine and air hirings.

The Decca Radar Division retains its leading position in the marine radar field.

The total exports of the Group amounted to £3,413,000, of which no less than £935,000 represented sales to the USA and Canada. The consolidated sales for the first ten months of the year ended March 31, 1957, amounted to £13,960,000, £1,100,000 greater than that for the whole of the previous year.

THE CURRENT YEAR

In the Record business the production of our factories for the year ended March 31, 1957, was greater than that of any previous period. For the month of January production and sales reached the unprecedented figure of over 4 million records.

Shortly after the last Annual meeting we signed a contract with the Radio Corporation of America, under which we have secured rights to manufacture their recordings and distribute them in the United Kingdom, under the trademark RCA. We regard the contract as a most valuable one for the Company.

THE NAVIGATOR

Navigator hirings have increased at a considerably higher rate than in any previous year, the cumulative total of hire and sale contracts up to January 31st last amounting to 3,770 units. This accelerated expansion illustrates the great value attached to the Decca Navigator as an aid to accurate and safe navigation at sea and in the air.

A long range version of the Decca Navigator System, known as "Dectra," has been developed, in the hope that it will provide a solution to the problem of navigation on the North Atlantic air route.

In co-operation with the Bendix Aviation Corporation, two Standard Decca chains are being set up in Newfoundland, and two further chains on the mainland of Canada, covering the Gulf of St Lawrence. These developments mark our first entry on a major scale into the new world and we believe it will be the beginning of what may well be the largest expansion of the area of Decca coverage.

RADAR

Orders for marine radar have continued at a most satisfactory rate during the current year and we have at present a large backlog of orders. The latest development has been the introduction of the True Motion Radar (TM46) incorporating a principle quite revolutionary in the field. The new set has created immense interest throughout the shipping world.

In conventional radar one's own ship, although in fact moving, appears as a stationary dot in the centre of the picture, with coastline, buoys, and other fixed objects moving past it like scenery through a train window. The movement of other ships under way is therefore "relative" and plotting is necessary to determine their actual speed and course.

In Decca True Motion Radar stationary objects remain stationary on the picture, one's own ship is seen moving across the screen, and all other moving objects are also seen on their true course and at their right speed. Ambiguity in the radar picture which has sometimes in the past been held to be a contributory factor in collisions is thus completely removed. Deliveries of sets started last month.

A new wind-finding radar has been developed and orders for this new set, together with the Decca meteorological equipment, have been stimulated in view of the fact that 1957 is the international and geophysical year. One of the wind-finding radars is in use by the latest Antarctic Expedition.

Orders have been obtained from overseas countries for various types of defence radar, which should make a substantial contribution towards results for the current year's trading.

The Radar Company has continued its very important work in connection with research, development and production contracts for the Government of a highly important nature. Total contracts of the Radar division outstanding at the present time amount to £6 million.

Turnover of the Radar Division to March 31st last has shown a considerable increase, and although results have not been commensurate with the technical achievements, and the turnover of the business, there is no reason to anticipate that they will show an improvement over those of the previous year.

HIGHER CURRENT OUTPUT

Output for the Group for the first nine months of the year ended last month is 30 per cent greater than that of the previous period, with exports running at a record level. All sections of the business have participated in this expansion.

The results of trading for the year ended March 31, 1957, are expected to show a considerable increase over those of the previous year. We anticipate that the dividend on the capital as increased by the new shares will be no less than for the year under review. A First Interim dividend of 3d. per share, less tax on account of the year ended March 31, 1957, payable on the increased capital, has been declared.

I hope it will be possible to present the next Annual Accounts at an earlier date. The immediate future is clouded by industrial disputes the repercussions of which will be felt by industry throughout the country. The amount of damage to be done to our own enterprise will, of course, depend on the length and the extent of these troubles.

Your Company is, however, in a position to weather any storms that may arise, and I look forward to the future with every confidence that the remarkable growth that has taken place since the war will be resumed as and when conditions become more normal again.

The report was adopted.

UNION COMMERCIAL INVESTMENT COMPANY LIMITED

INCREASE OF CAPITAL APPROVED

POSSIBLE EFFECT OF LABOUR UNREST

MR PATRICK L. FLEMING ON INVESTMENT POLICY

The Forty-Third Annual General Meeting of Union Commercial Investment Company Limited was held on March 29th at Winchester House, Old Broad Street, London, E.C.

Mr Patrick L. Fleming, the chairman, who presided, said:

Our gross income and our expenses, including taxation, have each increased by £6,000, resulting in a profit almost exactly the same as last year. This means that our earnings are 16 per cent on £525,000 Ordinary stock, against 18.7 per cent on £450,000; and I may say that the earnings for the current year look like being about the same.

The gross income from investments is up by £7,000, which is about what we expected, seeing that we had the use of the extra £75,000 of Ordinary capital for five and a half months; and the decline of £1,000 in underwriting commission is due to the tempo of the capital market having been slower than in the active year of 1955.

The parallel increase in expenses is due to rent and salaries, to directors' fees and to taxation. The main reason for rent and salaries going up so suddenly is the recent increases of capital, which have involved a larger contribution towards such services as we enjoy jointly with our associated companies. The increase in directors' fees does not mean that the Institute of Directors, to which the members of your Board pay a levy of 1s. 2d. per week, has had the good fortune to become affiliated to the Confederation of Shipbuilding and Engineering Unions; it means simply that we are now drawing up to 80 per cent of what the owners awarded us in 1928—at a time when what we employees call the take-home pay was much more worth while than it is today.

INVESTMENT OVERSEAS

The increase in taxation is partly due simply to the increase in income, but partly also to our having become liable to profits tax. Our liability to profits tax is likely to grow in the future to the extent that we put more money into debentures and into companies overseas. You will see that we have done just that in the year under review and we have done so deliberately.

In the 12 years that I have been chairman, the Ordinary dividend has gone up from 1½ per cent to 11 per cent, and the break-up value of the stock has risen from some figure which we were ashamed at the time to mention, to 248 per cent. While modesty compels me to admit that much of this rise in value is due to the politicians who have poured so much money down the drain that the prices of Ordinary shares have inevitably floated upwards, a time must come when inflation will wash the profits of some companies clean away, so that it is common sense to moor some part of our money to debentures, the income from which is more likely to stay where it is.

We have been investing in the USA despite the penalty of profits tax, simply because the yield on the shares of a good American industrial is about half as much again as that on a comparable company at home; and the reason for that is that in America high dividends are welcomed both by the government and by the unions as a contribution to the American Way of Life, while at home they are assumed to be subversive of the Welfare State. Consequently, in the USA the investor gets more for his money. Profits tax on income arising from within the Empire seems to be levied in the belief, which British politicians have held off and on for nearly two hundred years, that Empire is rather a nuisance. I have personally protested to innumerable MPs that if we are to suffer such penal discouragement from investing in the Empire, the next tea party will not be in Boston but in Moscow—only to be informed that the Chancellor cannot afford the loss of the Revenue. What I cannot get into their heads is that the tax has already so deterred investment in the Empire and that the only loss to the Treasury would be about £1 million which, as you may have seen recently in the papers, is only twice as much as was lost by buying too many underclothes for the WRAC.

We therefore propose to continue to invest your money in defiance of profits tax in the hope that before long what is quaintly known as the wisdom of Parliament will be adulterated with a little common sense.

FUTURE PROSPECTS

And now what of the future? One of the problems of an investment trust is that shareholders consider the accounts for the year just ended, which cost 300 guineas even to get audited, like a month-old copy of the local paper, whereas the chairman's speech is expected to resemble a free issue of Old Moore's Almanac. What I expect is worrying you is what the effect is likely to be on your company of this business of strikes. The short-term answer is that strikes should not affect us very much, owing to the selection and spread of our investments. The long-term answer is that labour unrest has occurred again and again in our history; and the interests of the men, of the employers and of the country have always been met in the end by new invention and new capital. Inventive ability in this country is as high as ever it was, but the one subject on which both political parties seem to be agreed is that nobody must be allowed on any account to accumulate any capital. If we were a primitive community and counted our wealth in cattle it is hardly likely that we should stop the animals breeding; but the elders of our little tribe would rather slaughter the milch cows than that anyone should have more veal than anyone else. The result is that the damage which a strike must inevitably do is being gratuitously extended, in terms of money and time, by the fiscal policy of any government that happens to be in power.

The report and accounts were adopted and a resolution for increasing the capital of the company to £1,100,000 by the creation of 100,000 shares of £1 each was approved.

ALLIANCE BUILDING SOCIETY

OUTSTANDING PROGRESS

ASSETS INCREASED TO £56 MILLION

The ninety-fourth annual general meeting of the Alliance Building Society was held on March 29th at Brighton.

Mr F. J. Wellman, JP, the chairman, in the course of his speech said: We have had a very successful year of business in 1956 despite all the troubles of that momentous year. We have increased our total assets from £51,140,000 to £56,230,000, which represents an increase of just under 10 per cent for the year. The number of our members and depositors increased from 74,912 to 81,823.

The Shares Account shows that £12,311,713 was paid in and that withdrawals, including interest, amounted to £8,270,797. The balance remaining invested by shareholders at the year-end had risen from £46,937,198 to £52,545,000.

Although restrictions on advances were in force during the greater part of the year no less than £10,206,392 was advanced on 6,211 new mortgages.

After making provision for all expenses, interest, taxation and other charges, the surplus on the year's working amounted to £152,665 or 5s. 5½d. for every £100 employed in the business. £150,000 was transferred to General Reserve which now amounts to £1,170,000.

We are well into another year for which we have made—and are carrying out—ambitious but realistic plans. If, mercifully, we are spared the dislocation of extended industrial strife I believe we can look forward to another period of great progress for our Society.

HOME OWNERSHIP

The history of the past decade shows that home ownership has not lacked popular appeal—but many must have felt that a low controlled rent at the expense of a private landlord had certain obvious attractions wherever it could be enjoyed.

If the Rent Bill now being considered by Parliament becomes law a complete change of atmosphere will be brought into being and the true value of home ownership will have an added appeal to all thoughtful people.

Throughout their long history Building Societies have preached and existed for home ownership. Provided people keep their commitments within reasonable limits I am sure this makes for a stable and contented community.

The Building Societies, of course, must not fail to provide an adequate volume of house purchase facilities and this means attracting a sufficient flow of funds.

3½%, 4¼% OR 4½% ON INVESTMENTS CLEAR OF INCOME TAX

We are alive to this need and have taken steps to meet it. In addition to our normal Fully Paid Shares at 3½ per cent, we now offer small savers 4½ per cent on Subscription Shares up to the maximum of £3 15s. per week. In addition there are new Accumulating Shares at 4¼ per cent. All the rates quoted are clear of income tax which is borne by the Society. The response to these new facilities has thus far been good.

The report and accounts were adopted.

TAYLOR, WALKER & COMPANY

EVER-INCREASING DEMAND FOR BOTTLED BEERS

EFFORTS TO COMBAT RISING PRODUCTION COSTS

LIEUTENANT COLONEL W. H. KINGSMILL'S STATEMENT

The fiftieth annual general meeting of Taylor, Walker & Company Limited will be held on April 18th in London.

The following is the statement by the Chairman and Managing Director, Lieutenant Colonel W. H. Kingsmill, DSO, MC, which has been circulated with the report and accounts for the year ended December 31, 1956:

Ladies and Gentlemen, you will remember that last year I warned you that the decline in the trade had been halted, due to the very hot summer of 1955, and I also said that this could be easily upset should we have a bad summer in 1956. As you well know, the 1956 summer was not good, but in spite of this I consider that the trade was very reasonably maintained, though, of course, we could not look for an expansion under the climatic conditions prevailing.

We have now had the benefit of a full year's trading in the production and distribution of draught beer for the Cannon Brewery houses as well as our own. Due to this concentration we have been able to keep down the cost of production of beer, in spite of increasing overheads, to what your directors consider to be a very reasonable level.

TRADING RESULTS

Turning to the Accounts for the year 1956, you will notice that Group profit before taxation has risen from £939,081 to £1,040,236, whereas the Group surplus after taxation has fallen from £474,012 to £452,583. To put the matter shortly, your company made a Group profit (before taxation, but after depreciation, management fees, debenture interest and mortgage interest) of £1,040,236, out of which the Government took in taxation alone a total of £593,174. Profits tax has risen from £119,875 to £151,602, a rise of some £32,000, while income tax has increased from £410,268 to £441,572, an increase of some £31,000. Also, last year your Group had tax adjustments amounting to £65,074, as against this year's adjustments of £5,521. This, of course, does not include the enormous sum paid to the Government in Beer Duty and Wine and Spirit Duty, which amounted to more than £7,700,000 for the year. Overall, these are staggering sums for one Group of companies to have to bear. But even this does not represent the sum total of taxation. Each public house pays in addition an annual licence duty which varies according to the size and trade of the individual house, but which in the case of a big house with a large trade exceeds £800 per annum.

Your Directors, however, have much pleasure in recommending to the Stockholders that a Final Dividend of 7 per cent gross be paid on the Ordinary Stock of the Company, making a total of 10 per cent gross for the financial year 1956.

The conversion of the Cannon Brewery property has not gone as quickly as your Directors had hoped, due to the necessity for the detailed plans for the bonded warehouse being passed by the Customs and Excise before work could commence. However, work on the necessary structural alterations has now begun and it is hoped that, subject to unforeseen circumstances, the whole of the Cannon Brewery premises will have been converted early in 1958.

You will also have seen that one of our subsidiary companies, the Curtis Distillery Company Limited has entered into a joint manufacturing agreement with Messrs J. and W. Nicholson and Company Limited for the erection and working of a single rectifying plant which will produce the gin for these two companies. This does not mean that a single gin only will be produced, as each company's gin will maintain its own individuality, but it will mean that only one plant instead of two will be in production and this must inevitably lead to a saving in overheads.

NEW ACQUISITIONS

In April last year your Company purchased the old-established firm of David Stevenson (Beers and Minerals) Limited of Paisley near Glasgow. This firm had fallen on hard times, but we consider it to be a useful purchase, not only as a depot for distributing our own beers throughout Scotland, but also for bottling beers and mineral waters. This Company is now in the process of reorganisation and your Board is of the opinion that in a short time it should show a good return on the purchase price.

Last September your Company purchased the whole of the Ordinary Share Capital of the Chesham and Brackley Breweries Limited whose area stretches from west of Watford to near Stratford-on-Avon and which owns 226 licensed premises. This has considerably extended the area over which the Taylor Walker Group have representation and your Board again is of the opinion that it will materially strengthen our position. The finance for this was found by a special issue of debentures. Had it not been for the difficulties created by petrol rationing, Taylor Walker Beers would have already been fully introduced into these houses, but the bottled beers we have so far been able to introduce have been more than favourably received.

During the year, in order to relieve pressure on our own bottling facilities at Limehouse, we have made arrangements for a proportion of our beers to be bottled under our supervision at a brewery outside London. This, we hope, will enable us to continue to meet the ever increasing demand for our bottled beers with a minimum of capital expenditure.

CONTINUED EXPORT MARKET EXPANSION

Our export market continues to expand and recently "Reserve" Pale Ale under the label of "Special Pale Ale" has been introduced into Belgium. It is exported in bulk and bottled by a Belgian brewery under our supervision.

Whilst it is too early yet to be able to assess the trend of trade in 1957, the very open winter we have had up to the end of February has been beneficial and has helped us to meet the ever increasing cost of production not only in raw materials, but also in petrol and diesel oil due to the closure of the Suez Canal. The reassessment of your Company's premises from the rating angle is an added burden.

Your Company is striving always to keep down the cost of production whilst maintaining the very high standard of its products, and the fact that we have been able to do this is in no small measure due to the co-operation we have continued to receive from the staff and employees of the Taylor Walker Group, to whom the Board would now like to pay public tribute.

HICKSON & WELCH (HOLDINGS)

RECORD TURNOVER AND PROFIT

The fifth annual general meeting of Hickson & Welch (Holdings) Limited was held on March 29th in London, Mr. Bernard Hickson, MSc, FRIC (Chairman and Managing Director), presiding.

The following is an extract from his circulated statement:

The trading profit has again increased. This increase is smaller than the corresponding rise shown in the previous year's figures, but can be considered satisfactory having regard to falling prices in our overseas markets due to keener competition from continental chemical manufacturers. In addition costs have continued to rise at home. Despite these direct deductions from our margins, we have managed in most cases to meet foreign competition and by increased production, have attained a record Group turnover and profit.

Hickson & Welch Ltd. has again expanded, and has completed on schedule its two year capital programme. The output, sales turnover, and profit for the year are the highest in the history of the company. The two companies at Huddersfield, John W. Leitch & Co. Ltd. and its subsidiary, the Gardinol Chemical Co. Ltd., in addition to their own manufacture and sales programmes, have continued to meet the demand for chemicals required for further manufacture by Hickson & Welch Ltd. at Castleford. Hickson & Dadajee Private Ltd., your associated company in India, has produced and sold Sulphur Black dye up to the permitted amount licensed by the Indian Government, and the resulting profit from that operation has been eminently satisfactory.

After reviewing the progress of the Timber Impregnation Companies at home and overseas, the statement continued:

Taxation on the profits of the year under review amounts in total to £214,721, resulting in a net profit after tax of £202,612 compared with £196,571. Your Board recommend a final dividend of 11 per cent, making with the interim dividend paid, 15 per cent, the same as last year.

PROPOSED SCRIP ISSUE

Your Board has decided to recommend the issue by way of bonus of 300,000 10s. Ordinary Shares in the ratio of three new fully paid shares for every eleven shares held.

I have before me details of the results of all the companies in the Group for the first four months of the current financial period, and I am pleased to be able to tell you that a good start has been made. Your directors consider that in the absence of any unforeseen contingency the results for the current year will enable them to maintain dividends at the rates declared for the year ended September 30, 1956, on the present share capital, and also upon that which it is proposed to issue by way of bonus shares.

The report was adopted and the scrip issue approved.

THE HALIFAX BUILDING SOCIETY

ONE HUNDRED AND FOURTH ANNUAL MEETING

SPEECH OF ALGERNON DENHAM, JP

The One Hundred and Fourth Annual Meeting of the members of the Halifax Building Society was held in Halifax on April 1, 1957, the President, Mr Algernon Denham, JP, presiding. In his review of the year the President stated:

Our experience in the past year can, I think, be described as falling into two distinct periods. In the first half of the year we were paying on the bulk of our shares a 2½ per cent rate of interest which, as we were soon made to realise, was too low for us to compete effectively for investments.

Our present rates of interest came into operation on August 1, 1956, and in the second half of the year the rate paid on the majority of our shares was 3½ per cent income tax paid by the Society.

The introduction of the higher rate was immediately effective both in stimulating investments and in reducing withdrawals, so much so that from August, 1956, to January, 1957, our net inflow of investments was £20,651,000 whereas the comparative figure in the preceding six months was only £3,097,000.

I believe the result of our year's effort is reassuring and satisfactory. The growth in assets is easily a record, and it is interesting to note that the increase of assets during the year totalling £32,800,000 is the equivalent of our total growth in the first 73 years of our existence.

The net inflow of funds in the second half of the year, which averaged £3½ million per month, happily coincided with favourable investment opportunities of which we were able to take advantage. Not only were mortgage restrictions relaxed, but we were able to build up our liquidity to 17.9 per cent of total assets, and on January 31, 1957, we were holding £53,234,000 in Trustee Securities and cash.

Our revenue surplus of £610,904 is only £22,080 greater than last year, notwithstanding our substantial growth. This does not perturb us, and should be welcomed by borrower and investor alike as each section benefits by the narrowness of our operating margin.

Our total lendings at £46,123,749 are some £2½ million less than last year. This experience is due to the recession of income during the first six months, which necessitated some measure of restriction in our advances.

Since the end of the year our advances have been 40 per cent higher than in the corresponding period last year, but much depends upon the availability of attractive securities if this figure is to be maintained. 96.8 per cent of our lendings during the year have been to occupier borrowers.

Profits tax, which cost us £243,000, is, in the case of building societies, an imposition from which they should be immune.

One of the main purposes of profits tax was an attempt to discourage inflation by restricting dividend distribution by limited companies and, in my view, we, as mutual institutions, are entitled to complete relief. The tax was also intended to replace excess profits tax from which building societies were exempt, and I have never understood the reasons for the imposition of profit tax on them.

JOHN EMSLEY LIMITED

The tenth Annual General Meeting of John Emsley, Limited, was held on April 3rd at Bradford, Mr Harold Jaques, ASAA, chairman and joint managing director, presiding. The following is an extract from his circulated statement:

I am pleased to report that the profit for the year's working has increased by more than £45,000 over that shown last year.

During the year a further spinning firm—The Wapping Worsted Spinning Company, Limited, was added to our Group. I feel sure that this will prove to be a valuable addition to our Group.

Wool values based on 64's tops are about 30 per cent higher than a year ago. These increases have tended to bring out more business, thereby forcing longer delivery dates, due in part to the general shortage of labour throughout the industry.

The distribution of our goods in the United States of America has been maintained with profit, and an extension of sales in the Canadian market is anticipated.

We are greatly concerned at the rapid rises in costs of all kinds with which we are faced. Most, if not all, are entirely beyond our control. They are a severe threat to the continuity of our exports. Our efforts to meet this situation by more efficient utilisation of machinery are having some success. It should be remembered, however, that the high styling and general intricacy of the cloths required by many of our most important export markets make mass production methods extremely difficult.

We have a longer order book than we have had for some years past, which will ensure maximum activity for many months. The report was adopted.

HENEKEYS LIMITED

FRUSTRATING TAXATION BURDEN

The thirty-seventh annual ordinary general meeting of Henekeys Limited was held on April 2nd in London. Sir Bernard D. F. Docker, KBE, JP (the chairman), presided and, in the course of his speech, said:

Turnover is up by £104,000, but expenses are up, so that in spite of increased earnings the Net Profit subject to Taxation is up no more than £800. Taxation has taken an extra £4,000, and this year there is no over-provision to be added back (£4,000 last year); our profit after taxation, therefore, is £7,000 down. Increased turnover, without a compensating rise in profit, is an only too familiar experience in business today. A large reduction in taxation is vital to the very existence of this country. The present heavy burden is completely frustrating and unfair.

The reconstruction of Whitehall and City Branches, improvement to Yarmouth, and the provision of off-licences at Twickenham, Bromley and Marylebone, are now complete and should benefit us in turnover and profit in the future.

We anticipate further rises in expenditure for General Rates, Depreciation, Rent and Profits Tax, and I think that although there is a flattening out of the rise in wages, they will also be up again.

Against this our turnover is still rising, and we have raised certain prices which will, I hope, offset the increases. Our prices despite this still show very good value. As far as it is possible to forecast, I expect another satisfactory year.

The rumours regarding a take-over bid are without foundation. The report was adopted.

INTERNATIONAL COMBUSTION (HOLDINGS) LIMITED

Annual Report and Accounts of the I.C.L. Group for 1955-56

INTERNATIONAL COMBUSTION LTD.
Complete Steam Raising Plants for Electric Power Stations and for other purposes in Great Britain.

INTERNATIONAL COMBUSTION PRODUCTS LTD.
Mechanical Stokers, Pulverising Mills, Feeders and Burners for all Steam Raising Equipment, Material Handling Equipment, Vibrating, Screening and Filtering Equipment etc., for sale in Great Britain.

INTERNATIONAL COMBUSTION (EXPORT) LTD.
All products of the Group for sale abroad.

RILEY (IC) PRODUCTS LTD.
Mechanical Stokers for small installations, Syntron Vibratory Equipment.

PRINCIPAL FEATURES

1954-5 £		1955-6 £
825,964	Net Profit for Year after Taxation	913,414
5,062	Preference Dividend	5,175
330,936 (20%)	Ordinary Dividend (22½%)	372,300
489,966	Net Profit retained in the Group for Development, Expansion and Contingencies	535,939
825,964		913,414
3,370,906	Net Current Assets before providing for advance taxation	4,269,783
1,034,849	Fixed Assets (less depreciation)	1,033,048
435,301	Investments (less Provision)	400,203
4,841,056	Total Capital Employed	5,703,034

EXTRACTS FROM THE CHAIRMAN'S REVIEW

The Group Profit of £2,097,229 is a record.

Group output showed an increase, achieved against a background of continuing material shortages.

Orders on hand at the year end show a fall compared with the previous exceptional year. Since then, however, inquiries have been received to supply two additional boiler units to complete the High Marnham Station, the first thermal station to be built by the Central Electricity Authority for a capacity of 1,000 MW to generate plant and thus a landmark in the history of electricity generation. Substantial orders have also been received for oil heating apparatus.

Our Subsidiary and Associated Companies in Portugal, Australia, Africa and India have reported satisfactory working results.

After considerable negotiations with the various interests concerned and with the co-operation of the Atomic Energy Authority and Central Electricity Authority, a Group Company has been established, known as Atomic Power Constructions Limited, in which our Company is a substantial shareholder, to undertake the construction of power plants of the Improved Calder Hall type. This Company should qualify for a reasonable share of the expanding programme for nuclear stations.

The working results of the Group for the current year will, I believe, approximate to those of the last year.

CHAIRMAN'S REMARKS AT MEETING

The Chairman stressed the necessity of maintaining a liquid position. Whilst it was anticipated that approximately £1,000,000 would be utilised for extensions to works, it might also become necessary to finance long-term contracts. Similarly, further development of manufacturing plants overseas might involve the Company in providing additional finance and considerable expenditure was anticipated on atomic power plant development.

JAMES PASCALL, LIMITED

RECORD RESULTS

The sixtieth annual general meeting of James Pascall, Limited, was held on March 28th in London.

Mr R. Ellman Brown, FCA (the Chairman), in the course of his speech, said:

It is with great pleasure that I am able to report a record result for the year ended December 31, 1956. The profit, subject to taxation, is £484,439, which represents an increase over 1955 of £119,603, and is the highest in the Company's history, exceeding by approximately £10,000 the previous record of the year 1954.

This figure has been attained in the face of ever-increasing competition, and whilst the relative ratio of the national consumption of sweets has decreased as against chocolate.

I attribute these results in great measure to our policy of further expanding the sales organisation and of increasing our sales promotion—our expenditure on advertising exceeding by £150,000 the sum total of 1954. Shareholders will be able to gauge from this the measure of the increased competition now ruling within the confectionery industry, where overall production potential undoubtedly exceeds existing demand. I feel that the expansionist policy which we have pursued has justified itself by results, and this course your Directors propose to continue.

Despite increased competition both from home and foreign sources, our export trade continued at a most satisfactory level during 1956, and once again I am glad to report that our sales to dollar markets were considerably increased. The Profit on Trading amounted to £636,688 compared with £485,964 for the year 1955. The Directors propose that the dividend on the Ordinary Shares should be increased from 50 per cent to 55 per cent. Your Directors would have considered a further small increase in the Ordinary Dividend were it not for the manifold uncertainties of the year 1957.

FUTURE OUTLOOK

I am loath to forecast results for the year 1957. As I have already indicated, your Directors' policy is one of continued expansion and we have undertaken a fresh programme of technological and factory development, to improve still further our manufacturing efficiency and the range and attractiveness of our products. Our Sales forecasts have been drawn on the basis of a greater tonnage for this year, but the Suez crisis has since brought into play many imponderables which we cannot yet clearly resolve, and for the first weeks of 1957 our sales were running below last year's level. Our own organisation for direct distribution has so far, in the main, successfully overcome the difficulties of fuel rationing, but it is evident that the wholesale trade has had greater problems in this direction, which we hope they will satisfactorily surmount. In any event, it is clear that we shall have to bear in 1957 much heavier transport costs than was the case in 1956.

Similarly, it is also evident that further additional costs will have to be met by the industry in 1957. Nevertheless, your Board feels that it must take a long term view in these matters and continue to plan for the future rather than against the possibility of temporary stringency. I believe that the measures in hand for the continued rationalisation and improved efficiency of our methods of production will keep us fully competitive in this highly competitive market.

The report and accounts were adopted.

ASHANTI GOLDFIELDS

The sixtieth annual general meeting of Ashanti Goldfields Corporation Limited was held on April 3rd in London.

Major-General Sir Edward L. Spears, Bart, KBE, CB, MC, FInstD (Chairman and Managing Director), presided and, in the course of his speech, said:

The reduced profits for the year under review are due to the 14 weeks general strike on the mines from November 20th to February 27th. In the current year, the re-equipment of your property, and the improvements to the shaft system and underground lay-out, on which such large sums have been spent, has reached a stage when we can, unless the unforeseen occurs, look forward with confidence to obtaining a high level of output of ore of not less than 17.6 dwt.

From October to March, the record tonnage of 164,900 was produced, yielding 133,309 ounces of gold. Working profit was £654,342. If our expectations are fulfilled the results for the second half year should at least equal these figures, and will constitute the second largest output of gold in any year in the history of Ashanti Mine.

The technical position of the mine continues to be strong. Reserves are sufficient for five to six years' supplies to the mill, and prospects for future development are encouraging.

As regards future dividends, you may rest assured that it will be our policy to relate these to the improved profits which we hope to achieve, while making adequate provision for the necessary expenditure to ensure the future of the property.

The report was adopted.

HADFIELDS LIMITED

The Sixty-ninth Annual General Meeting of Hadfields, Limited, was held on April 4th at Sheffield, Lord Dudley G. Gordon, DSO, LLD, MIMechE (the chairman) presiding.

The following is an extract from his circulated statement: The profit earned and attributable to the Hadfields Group of Companies was somewhat in excess of the previous year.

During the year Research and Development continued with the greatest vigour and achieved satisfactory results. One example of development following research is in the expanding field of nuclear power. In order to meet these specialised requirements a number of new alloy steels have been developed. With the opening of the Calder Hall Nuclear Power Station, the first large-scale installation utilising these special alloy steels has been completed and manufacture for further large contracts is proceeding.

The total value of commercial orders received from home and overseas customers shows an increase compared with the previous year. Included in this is a significant advance in export work.

It is clear that at the present time it is difficult to forecast what will be the full effect of what is known as the "Suez Crisis." Certainly this must have its effect on industry generally and it is impossible for any one undertaking such as ours, which gives service to industry, to escape altogether the repercussions of such difficulties.

This does not mean that your Directors have any lack of faith in the future. Active consideration is being given to further extensions to enable us to meet the demand for our products. The report was adopted.

TANKER INVESTMENT TRUST

At the thirty-fifth Annual General Meeting of Tanker Investment Trust Limited held on April 1st in London, the Chairman, Mr Kenneth Keith, who presided, said:

In my statement, which accompanied the Report and Accounts, I informed you that your Board had under active consideration certain proposals which, if they came to fruition, would necessitate realisation and reinvestment of your Company's portfolio of general investments. Arrangements have now been finalised which will further expand your Company's interests in shipping—again in a Bermudan Company.

In this venture, as in London and Overseas Tankers Limited, your Company is an equal partner with London and Overseas Freighters Limited, but in this case the ships concerned are bulk carriers, not tankers. The share capital of this new Company, London and Overseas Bulk Carriers Limited, is only nominal at the present time, but it is visualised that your Company will subscribe such additional capital as may be required in years to come to retain a 50 per cent interest in the equity.

London and Overseas Bulk Carriers have contracted for the construction of two 25,000 dwt bulk carriers in Germany for delivery in 1961 and 1962. The first of these is provided with long term employment at a satisfactory rate of freight. Negotiations are in progress with a view to securing similar employment for the second vessel at a higher rate of hire, even though she will not be completed until a year later.

It will be apparent that this new investment in shipping has the advantage of spreading the Company's interests into the dry-cargo field whilst maintaining the advantages of the long term employment peculiar to the bulk carrier type of ship.

THE CHARTERED BANK

103rd ANNUAL GENERAL MEETING

The One Hundred and Third Annual General Meeting of The Chartered Bank was held on April 3rd at the Bank's Head Office, 38 Bishopsgate, London, E.C.2.

The Chairman of the Bank, Mr V. A. Grantham, presided.

Mr H. F. Morford, Chief General Manager, read the notice convening the meeting and the report of the Auditors. With the consent of the stockholders present, the Report and Accounts, which had been circulated previously, were taken as read.

The Chairman then moved that the Report and Accounts for the year 1956 be approved and that a final dividend of 7½ per cent, less Income Tax, be declared; this, together with the interim dividend of 7½ per cent already paid, made a total distribution for 1956 of 15 per cent.

The resolution was seconded by Sir John Tait and carried unanimously.

The retiring Directors, Mr V. A. Grantham, Mr Archibald Orr Lang, and Sir William Cockburn, were re-elected.

Messrs W. A. Browne & Company and Messrs Deloitte, Plender, Griffiths & Company were re-appointed Auditors, and their remuneration was fixed.

A vote of thanks to the Directors, General Managers, Branch Managers and the Staff at home and abroad for their successful conduct of the affairs of the Bank was proposed by Sir John Woodhead, KCSI, CIE, and seconded by Mr Joseph Nissim.

APPOINTMENT

RHODES UNIVERSITY

GRAHAMSTOWN, SOUTH AFRICA

Applications are invited for the post of LECTURER or JUNIOR LECTURER IN *SOCIOLOGY*.

The salary scales:

Lecturer: £800 x £50—£1,050 p.a.

Junior Lecturer: £550 x £50—£750 p.a.

In the case of *married persons only* a variable cost-of-living allowance, at present £234 p.a., is payable in addition. *Previous experience and academic qualifications* may be taken into account in fixing the commencing salary.

Full particulars and application forms may be obtained from the *Secretary, Association of Universities of the British Commonwealth*, 36 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in *South Africa and London*, is *April* 30, 1957.

AIR MINISTRY: TRANSLATOR IN GERMAN AND FRENCH. The Civil Service Commissioners invite applications for a post in London. Appointment will be temporary in the first instance, but there are prospects of establishment.

Age at least 21 on March 1, 1957.

Candidates must normally have at least a 2nd class honours degree in German, and must have a thorough practical knowledge of German and a working knowledge of French. Candidates without a degree may be admitted if they have a thorough knowledge of both languages acquired through residence in the countries.

Starting salary (men) from £485 (at 21) to £625 (at 25 or over). Maximum £1,000. Women's pay lower at present, but being improved each year until equality with men's scale is reached by 1961.

Particulars and application form from Secretary, Civil Service Commission, 6 *Burlington Gardens, London*, W.1, quoting No. 4683/57/9. Completed application forms should be returned by April 30, 1957.

ECONOMIC male, 1st/2nd Class Hons., required for special investigations current economic problems. Age 24-28. Some business experience desirable.—Write E/1, P.S.D. The Metal Box Co. Ltd., 37 Baker Street, London, W.1.

OLD-established City Investment Bankers require MANAGER with *investment and administrative* experience to take charge of department dealing actively in Canadian securities. Age approximately 35-50 years.—Please write, *giving full particulars*, to Box E.593, c/o 191 Gresham House, E.C.2.

MARKET Research Department of the Co-operative Wholesale Society Ltd. has a Consumer Research Section which undertakes national surveys on a wide range of subjects. The Section, which has its own field staff and testing panels, is controlled from Manchester.

Following a promotion, the department requires a suitable person to take charge of the operation of the Section. Principal duty would be to collaborate with other members of the staff in survey planning and report drafting, and to take full responsibility for liaison between, including quota determination, questionnaire drafting, control of interviewers and tabulation of results. Experience is an essential qualification.

Applications, giving full details of age, education, career to date and present commitments should be addressed to Central Personnel Department, C.W.S., Limited, Balloon Street, Manchester, 4, to be received not later than April 18, 1957.

A CAREER IN MARKET RESEARCH

A few attractive vacancies in our Market Research Department are open to single young women under 30 years of age.

In this interesting and active out-door work our interviewers meet and talk with people of all kinds in connection with our Market Research surveys. The work can involve considerable travel throughout Great Britain and when away from home good hotel accommodation is arranged.

This is *not* a selling job.

Applicants for these positions should be prepared to be based upon London, Newcastle, Manchester and Oxford.

Apart from a good standard of education, our interviewers must possess a pleasing personality and appearance, the ability to drive and a preference for the healthy and active out-door life.

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

Applicants should write, giving full details, to the Personnel Officer, Petfoods Limited, Melton Mowbray, Leicestershire.

A LARGE-SCALE CONCERN, directed from the North Midlands but with branches and associated concerns throughout Great Britain, proposes to appoint a Personnel Manager directly responsible to the Managing Director. Applications are invited from qualified men with experience, preferably with dispersed undertakings, covering recruitment, training, promotion, welfare at all levels; salary and wage assessments and job assessment techniques, T.U. negotiations. *This is a new appointment* offering great scope.—Full details of age, education and qualifications, experience, salary, should be included in applications to F. M., The Wallace Attwood Company, *Management Consultants*, Chantrey House, Eccleston Street, S.W.1.

GEORGE KENT LTD., Instrument Engineers, Luton, wish to appoint a *Sales Engineer* Executive to take charge of the Controls and Records Section of their Sales Department. The successful candidate would also be required to extend the Company's market research organisation and take an active part in sales forecasting.

Candidates should be between 25 and 35 years of age and, preferably, graduates in economics and statistics. *Equally suitable qualifications* would be a degree in engineering, with an inclination towards the administrative side of sales. Commencing salary will depend on qualifications and experience.

Apply in confidence, giving full details, to the Administrative Manager.

LONDON COUNTY COUNCIL

London School of Printing and Graphic Arts. Applications invited for post of *Senior Lecturer in Management Studies* in the department of administrative subjects. *Preference* will be given to candidates qualified to teach factory management, work study and allied subjects to *students* preparing for the intermediate certificate and national diploma in Management Studies. Candidates should state any other *subject they are qualified* to teach. Salary £1,350 x £50 to £1,550, plus London allowance £96 or £48.—Application forms from Principal at the School, Back Hill, E.C.1, returnable by April 20, 1957. (313)

ASSISTANT STATISTICIAN required by N.C.B.'s Statistics Branch at London Headquarters, with degree in economic statistics or economics with statistics as special subject. Post graduate experience in drafting reports and concise comments on statistical material is desirable. Post offers good *opportunities* for promotion. *Appointment* (superannuable), depending on qualifications and experience, within inclusive scale, £770 to £898 (male), £694 to £810 (female).

Write, with full details of age, education, qualifications and experience, to National Coal Board, Staff Department, Hobart House, London, S.W.1, *marking* envelope X.673/D, *before* April 15, 1957.

MANAGEMENT SELECTION LIMITED have been retained to advise on the appointment of a

MARKETING MANAGER

for a leading international company in the cosmetic field. This is a new appointment, and the company, which is situated in the West End of London, seeks a man of outstanding ability to co-ordinate its marketing effort. The position will interest those earning about £3,000.

Candidates, who should preferably be in their mid-thirties, must have successfully controlled a sales force and have experience in *marketing, advertising* and promoting the sale of packaged consumer goods.

Please send brief *details in confidence*, quoting *reference* S359, to P. J. H. Fryer, Management Selection Limited, 17 Stratton Street, London, W.1. No information will be disclosed to our *clients until* candidates know their identity and have given permission after personal discussion.

ADMINISTRATIVE CLASS, HOME CIVIL SERVICE. Supplementary Open Competition, 1957. The Civil Service Commissioners invite *applications from first-class* honours graduates for about half a dozen posts. Competition open to men and women at least 24 and under 26 on August 1, 1957, with *extension* for service in H.M. Forces. Selection by tests and interviews at Civil Service Selection Board in London in late June, followed by final interview.

Starting salary (London): £605; £665 for a man if he has done two years' compulsory Forces service. Special increase of £75 normally after two years' service. Salary scales of higher posts: £1,375 to £1,950 and £2,000 to £2,600. Somewhat lower outside London. Women's scales, where lower than men's, are being raised to reach equality with men's by 1961.

Full particulars (including prospects of promotion) and application form from the Secretary, Civil Service Commission, 6 Burlington Gardens, London, W.1, quoting number 541/57/7. Completed application forms should *be returned by May 15, 1957*

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Age, at least 26 on April 1, 1957, for Agricultural Economist, and at least 21 and under 28 on that date for *Assistant Agricultural Economist*. Deduction from age for service in H.M. Forces. All candidates must have 1st or 2nd Class Honours degree in agriculture or economics or related subject. Pass degree or post-graduate diploma acceptable in certain circumstances. In addition, for the Agricultural Economist post, candidates must *have had at least three years'* appropriate post-graduate or other experience of value.

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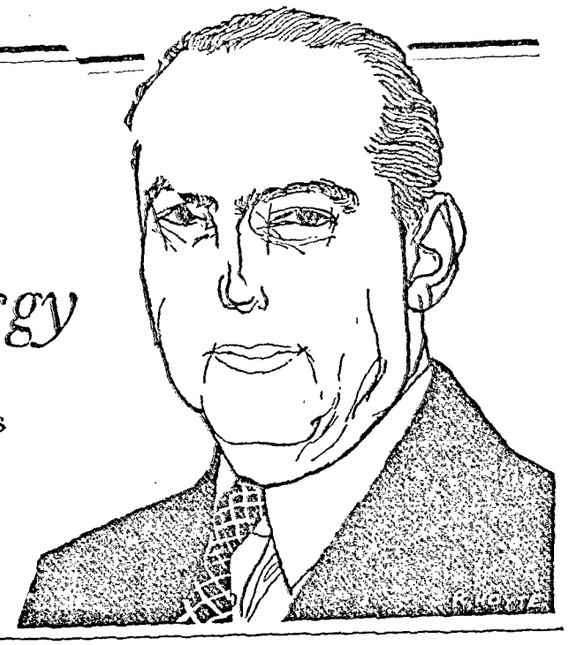
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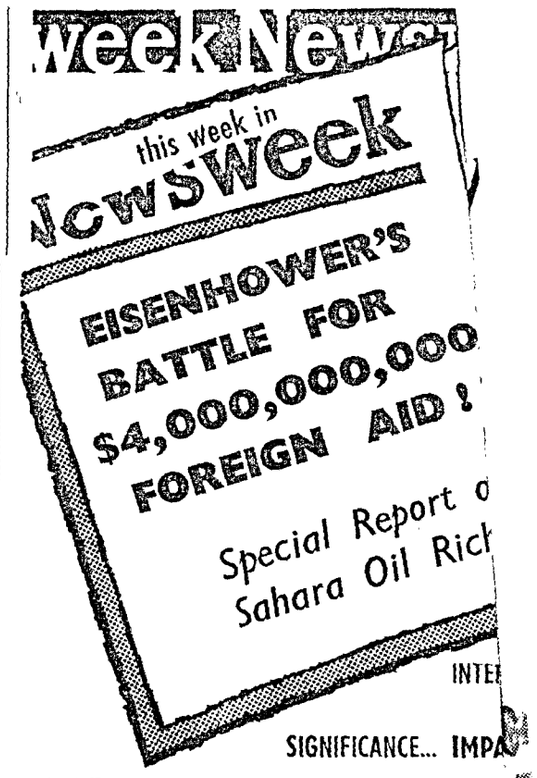
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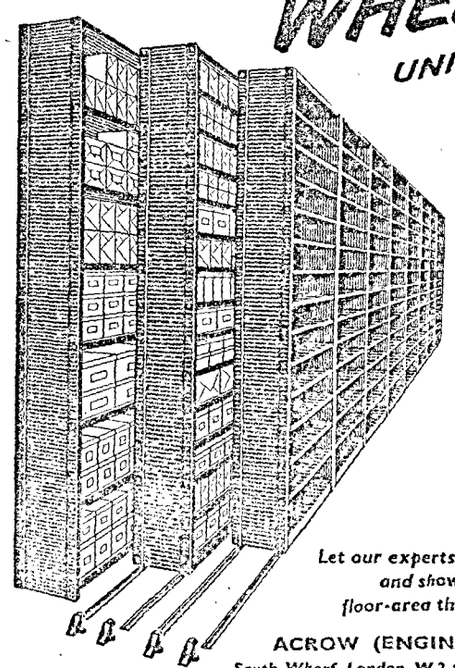
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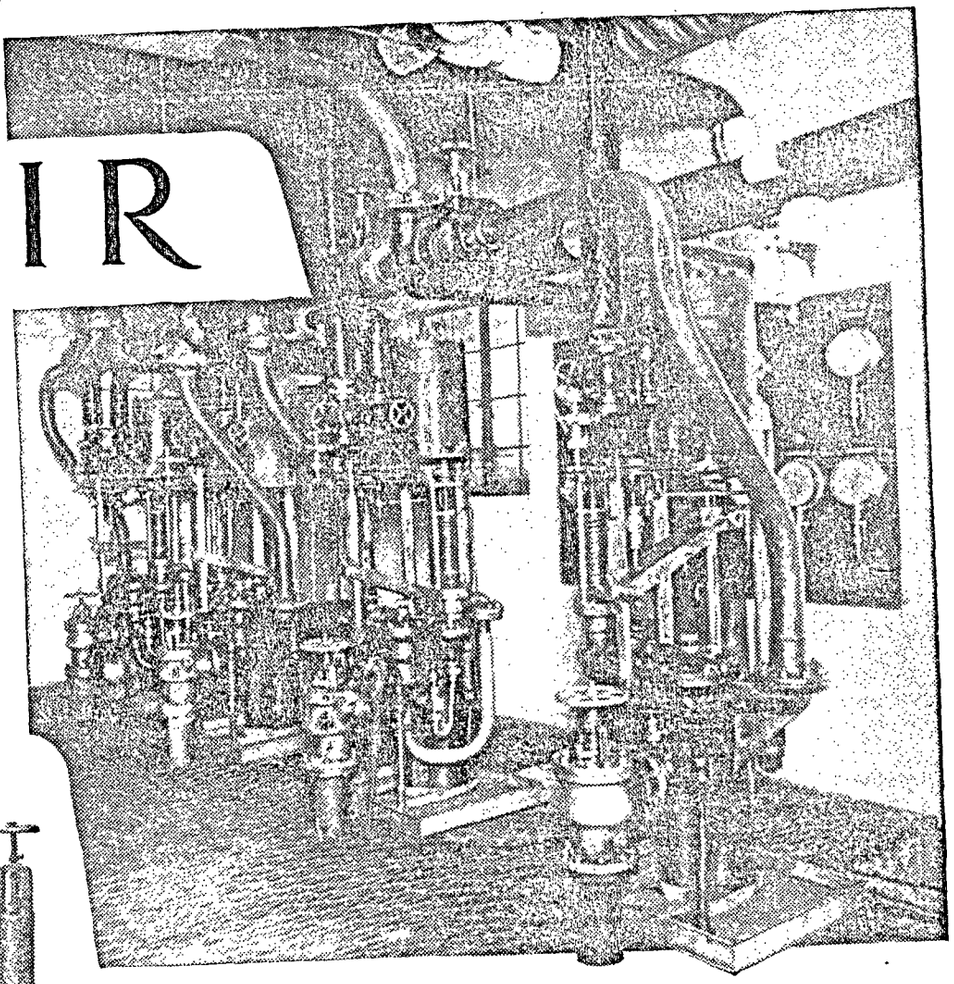
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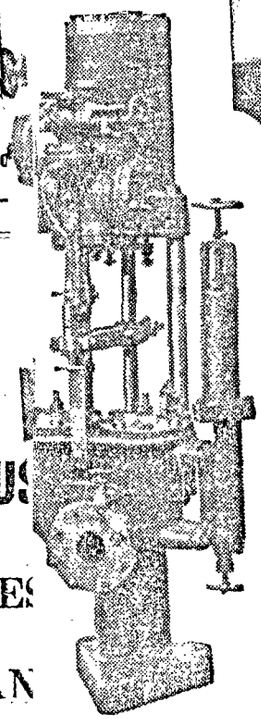
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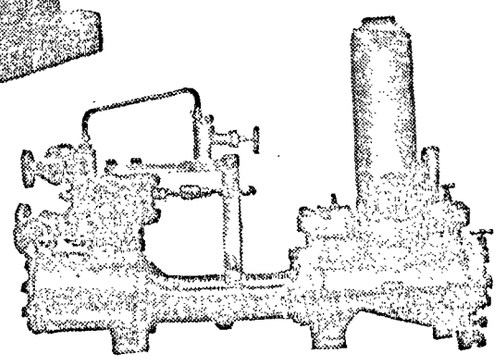
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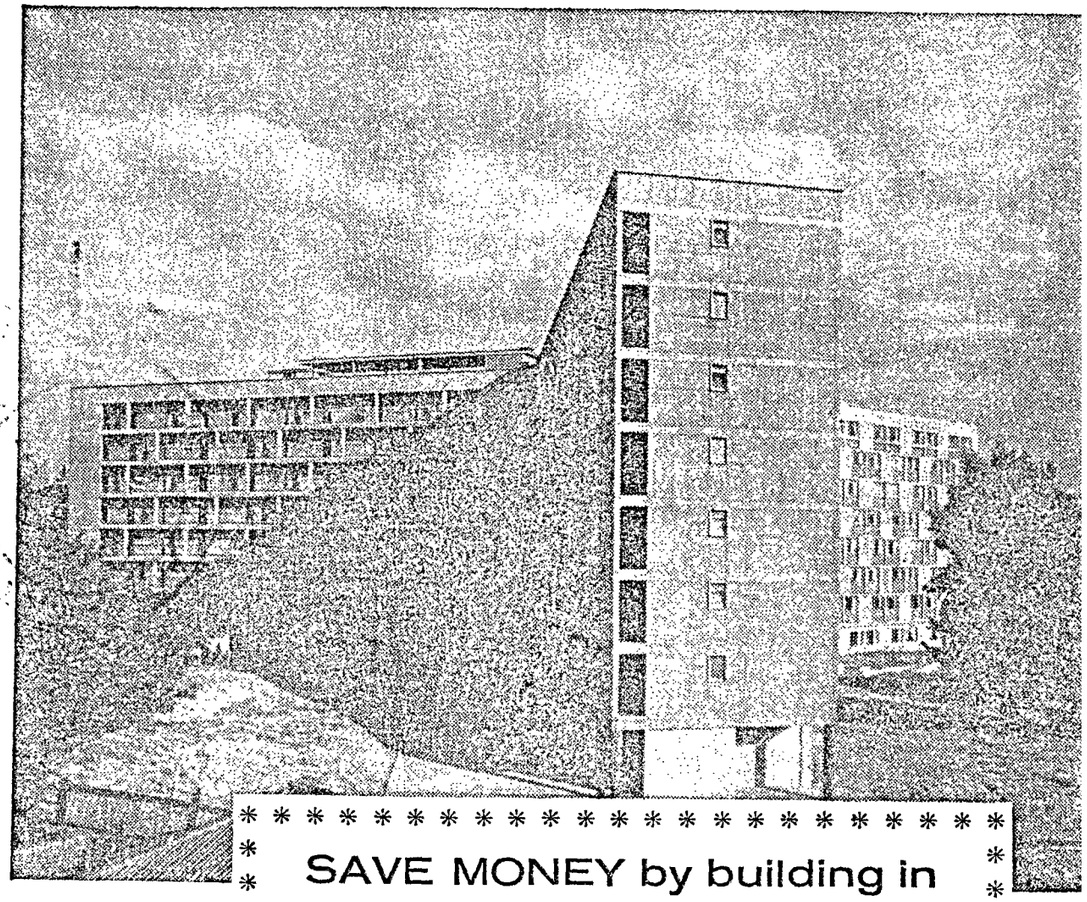
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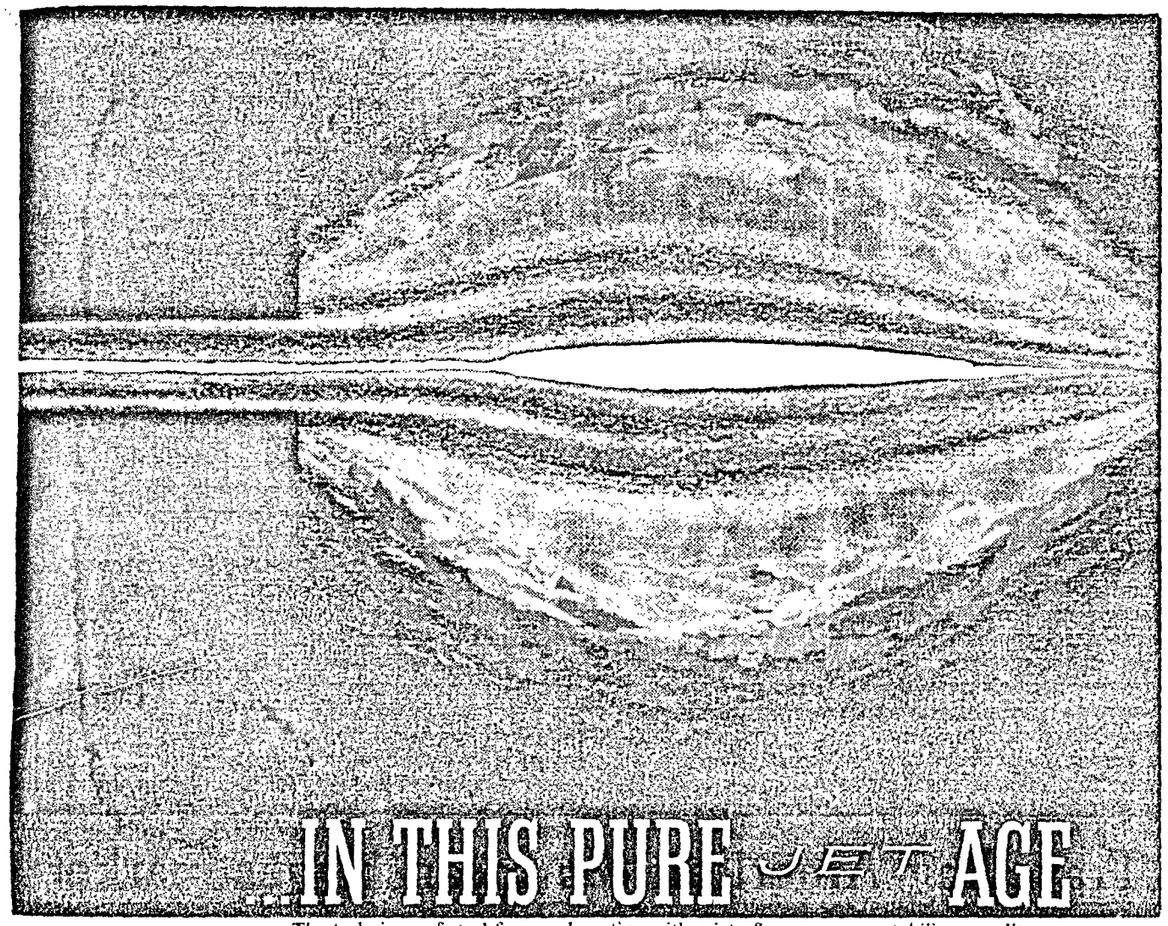


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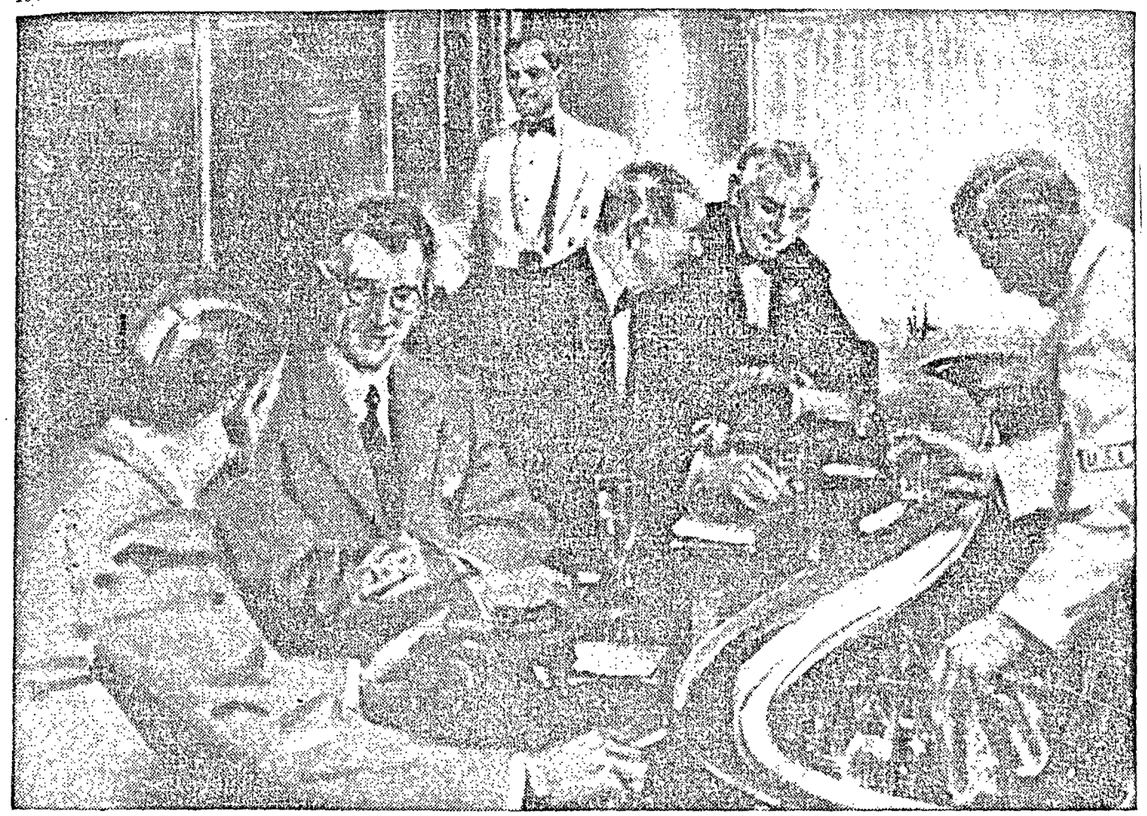
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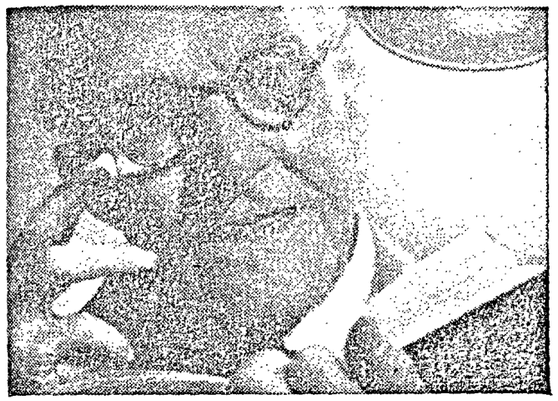
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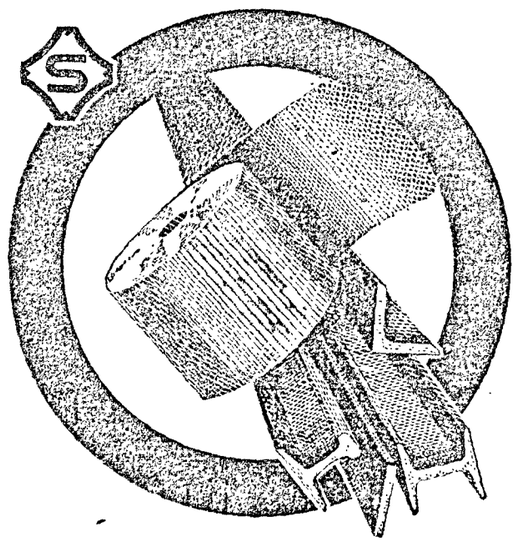
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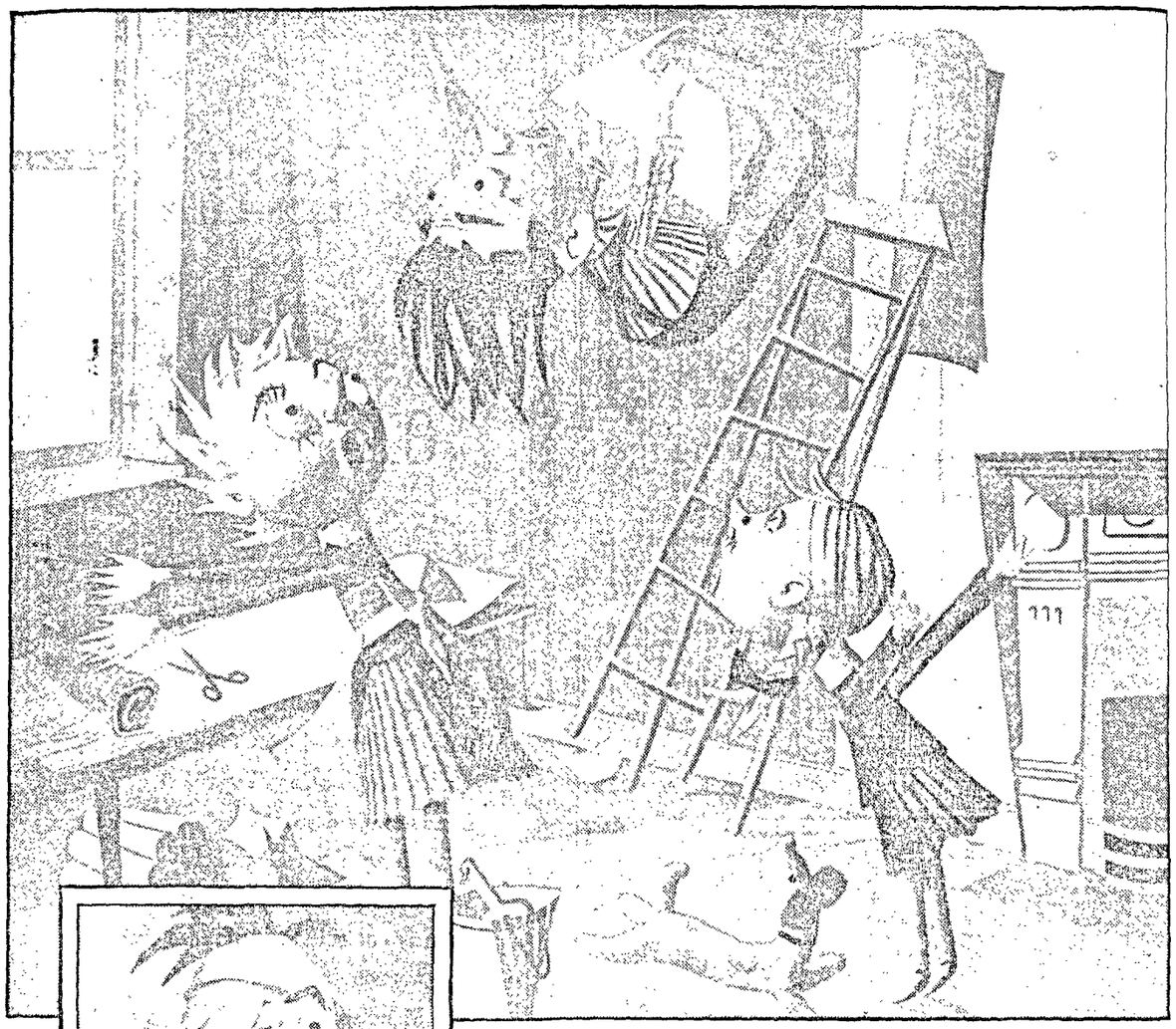
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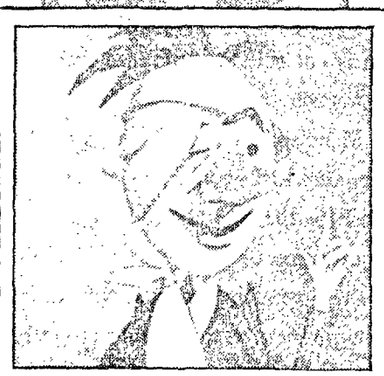
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The Economist

APRIL 13, 1957

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Surplus Rather than Energy

ALTHOUGH Mr Thorneycroft's budget of bits and pieces is inevitably being attacked from the left as a class-conscious affair, because it has given most reliefs to those who pay the most tax, its most important characteristic is that it is a conservative budget in something quite other than the class sense. Its caution is revealed by the budget accounts. Thanks to the economies in Government spending which he, or more effectively Mr Sandys, had announced before last Tuesday, Mr Thorneycroft could bring into his budget ordinary expenditure which, in money terms, promises to be £41 million less than ordinary expenditure in 1956-57; as prices have already risen significantly above the 1956-57 average, and must clearly be expected to rise more, the estimated saving in real terms is considerably greater. Some measure of that real saving can be gauged from the fact that the Chancellor estimated that ordinary revenue, thanks mainly to this past and prospective rise in prices, would have risen by £229 million in 1957-58 on the basis of unchanged tax rates. This gave Mr Thorneycroft a prospective increase of £270 million in his ordinary budget surplus. He has elected to give only £98 million of this away. Even allowing for some £40 million of adventitious bookkeeping receipts in his prospective tax revenue, it is not unreasonable, if also a little over-simplified, to say that the net effect aimed at in the budget is that the excess of the Government's current revenue over current expenditure should restrain demand by between £100 and £150 million more in 1957-58 than it did in 1956-57.

This cautious decision could be justified on two grounds. One would be if the Chancellor thought that, although industrial production failed to rise, total demand was insufficiently restrained last year; the other and more cheering argument, on which the Chancellor and the Treasury really rest their case, is that, although the budgetary balance will restrain demand a little more this year, other factors will swell demand and production more. Almost all outside analysts will agree that these other factors are likely to swell demand; but most will regret that Mr Thorneycroft was not more specific in his estimates of by how much.

Some estimate of the indications of the trend that he did give—and of the quantities that outside estimators might reasonably affix to them—is made in a note on page 113. Here it is enough to say that, if one adds together one's highest estimates of the possible increases in real consumption, exports and investment, and then subtracts from them the £100 to £150 million odd of apparent real saving on Government current expenditure, they would suggest an increase in demand and production this financial year of a little over £500 million. This is a sizeable increase. But it is still only a little more than two-thirds of the annual rate of increase in production that was being achieved in the two years up to mid-1955, despite the fact that the present under-utilisation of expanded capacity has led many economists to suggest that the rate of enrichment could now be considerably higher. The Chancellor explained his

caution forthrightly : "It would indeed be the easiest task for any Chancellor to boost home consumption and investment at the cost of lower exports, of higher imports and a thumping external deficit. It is, however, a policy in which I should be prepared myself to play no part whatever." It is into this cautious framework that Mr Thorneycroft has fitted his tax reliefs ; and it is in this framework that the longer-term economic and political implications of the budget must be viewed.

THE principal consequence in terms of taxation was that the Chancellor felt unable either to restore the investment allowances or to raise the general earned income allowance, which would have reached down into the middle (emigrant ?) and lower ranges of taxpayers ; the first, at any rate, of these omissions is probably the budget's main mistake. With £45 million of his chosen £98 million of reliefs, there can clearly be no argument in these columns. The reduction in entertainments duty, as offset by the excise levy on television licences, and the £40 million of "middle-class" reliefs (especially the higher income tax allowance for older children, and the earned income concession to surtax payers) accord very neatly with *The Economist's* own prescriptions, as set out in our article on "middle-class" reliefs four weeks ago. But the Chancellor's chosen directions for his other £53 million of reliefs are a different matter, and deserve some critical scrutiny.

The biggest of them, costing £25 million this year, which has been surprisingly underplayed in comment so far, is the exemption from tax for overseas trade corporations, in order to assist British exports and investment abroad. There is a strong case for encouraging the establishment of overseas subsidiaries to push British sales ; mining and extractive ventures can also present a sound argument for the relief ; but it is less certain that it is wise to extend it to manufacturing concerns overseas. Many people may think that it would be better to encourage British manufacturing investment at home than in at least some places abroad. The second biggest individual relief, the £18 million of purchase tax reductions on kitchenware and some other domestic goods, is, together with the expected but expedited demise of the special petrol tax, the most obvious political sop in the budget. It raises doubts because, by introducing yet another stratum of purchase tax, the Chancellor is moving still further away from the ultimately desirable objective of turning purchase tax into a flat rate sales tax on all commodities. If Mr Thorneycroft wanted to help the housewife he would have done better to reduce rates on modern labour-saving devices which bear tax at the top end of the scale, rather than relieving the more old-fashioned hardware at the bottom end, mainly because consumers have recently and temporarily seemed to be wanting less of it.

Something of the same sort of criticism can be made, guardedly, of a third relief : the discovery that shipbuilding is a very "special case," which deserves a discriminatorily doubled investment allowance. However "special" the predicament of the shipping lines, faced as they are with a peculiar variety of international competition, it remains a pity to depart from the general principle that should underlie the investment allowances: they should be a flat rate encouragement for all types of capital development, rather than a selective instrument for encouraging those forms of investment which the gentlemen in Whitehall consider to be most "desirable"—or most inconveniently capable of going abroad. Similar doubts must apply to the Chancellor's remarks about monetary policy, and his extension of the powers of the Capital Issues Committee over bank advances ; Conservative Chancellors ought to want to move away from physical rationing of credit, based on special favours to those industries which the Treasury vaguely considers to be most essential, towards the general rationing of credit by price in favour of those industries which the market shows to be most profitable. If the Radcliffe committee on monetary policy, whose formation is discussed in a note on page 113, can educate them about this it will perform a very useful function.

THESE criticisms of the details of the budget may have seemed unduly carping. But there is an important point of principle involved, and it lies close to the heart of the question of precisely where the Conservatives think they want to be going. Between 1952 and mid-1955, the Conservative Government seemed to be imbibing, partly to their own and other people's surprise, two major and progressive truths : more and more they were lifting their eyes to the glittering possibility of increasing production by up to 4½ per cent per annum ; more and more they were learning to trust the market to determine what forms that production should take. Ever since Mr Butler left the Treasury, one has had the feeling that the Government, no doubt under the pressure of sober reminders of the temporary limits set by the balance of payments, has been in some danger of losing its nerve on both counts. Last year, declared the Chancellor on Tuesday, did not present a picture of stagnation, but the picture of "a nation girding itself for new and greater effort" ; the impression given by his budget is that this year the nation will be girding still (which may be right), but also pulling fussily at those sartorial trimmings—a doubly tied bootlace here, an extra chest protector there—which the Treasury considers to be most important.

In the end, it is the lack of ambition in the budget, and the air of planners' selectivity about some of its (at present) least criticised reliefs, which may prove to be its main political misfortunes for the Conservative party. In an expanding economy, the Tories would not need to worry about the sort of attack which Labour is now developing (like a doll which can say only "Mama" when it is either squeezed or released) against this so-called "rich man's budget" ; the ordinary man is much less stirred to envy than Labour thinks at the sight of other people getting richer, provided he is also getting richer himself. But he has to be getting richer himself, and the legitimate aim of political parties is to relate that enrichment to some sort of political master-image, which used to be that there was something called Conservative freedom and that it seemed to work. Mr Thorneycroft could have produced many much worse budgets than he did on Tuesday, including some that would have immediately pleased his backbenchers more. But it cannot really be said that he has yet been able to recapture for the Tories —as Mr Butler once seemed to be capturing during his Chancellorship—that most intangible, elusive but essential political thing, *la puissance d'une idée en marche.*

THE BUDGET, and reactions to it, are also examined in a Business Leader beginning on page 157, in Notes of the Week on pages 112 and 113 and in Business Notes.

Uno's Abacus

The Middle East may soon confront the UN Assembly with a fresh test for which it is ill-equipped. But most of the suggestions for reforming it, or setting it aside, misunderstand the real problem

SMOKE—the smoke of doubt and confusion—still lingers over the battlegrounds where the United Nations' fate and future value as a peace-making tool are being decided. In the Port Said-Gaza-Tiran triangle, not only Egyptian and Israeli intentions are uncertain ; an even bigger query-shaped cloud looms over the intentions of the UN member states. The adjourned Assembly, not dead but tranquillised, could be reconvened quickly if a fresh conflict were threatened at any corner of the triangle. But could it offer any useful initiative—if, for example, an Israeli ship ventures into the Suez Canal, or if saboteurs attack the new Eilat pipeline ? When the delegations dispersed last month, most of them showed a marked distaste for constructive initiatives. Their instinct was to disengage and leave it to Mr Hammarskjöld to mop up. This attitude betrayed some ignorance of the difficulty of defusing time-bombs with a mop.

In sum, the Assembly's recent conduct—if inertia rates as conduct—has greatly strengthened the argument, which Mr Macmillan and Mr Lloyd pressed at Bermuda, that the Assembly has shown itself incapable of doing the kind of job that the Charter originally assigned to the Security Council, and that there should be an inquest on the 1950 "uniting for peace" resolution, under which the Assembly may meet and call for collective action if a great-power veto prevents the Council from coping with a conflict.

WHEN the Prime Minister reported on Bermuda to the House of Commons last week, he was able to claim that he and the Foreign Secretary had been particularly concerned to impress on the Americans the danger of letting reliance on Uno become a substitute for a foreign policy. This was an easy claim to make, for the real point at issue was a different one. The President had certainly, by a succession of ill-worded and over-moralistic statements, exposed himself to the charge of passively awaiting the Assembly's verdicts as if it were a court, not a conference ; but the charge was not justified by the record. On the contrary, the Americans had devoted considerable energy, during the Assembly's session, to canvassing their policies among other members. So had the Canadians ; and as their public statements about the Assembly had been more forthright and critical, they were all the better placed to contest, at Bermuda, the real British argument—that the Assembly is an intolerably lopsided and inefficient mechanism.

Let it be said at once that the fact that Britain supported the "uniting for peace" resolution in 1950 is not in itself any bar to a demand for its reassessment today. No Assembly action under the resolution was ever taken until last October ; only now can a case history of its practical effects be studied ; and it is plain to see that the Assembly has not succeeded in clearing up the Palestine problem, any more than the Council had done.

But it is in those last words that reality begins to emerge. The Council, armed with all the "mandatory" powers given it in the Charter, had failed to solve the problem in eight years. Its failure cannot simply be attributed to Soviet abuse of the veto power. Its resolution calling upon Egypt to let Israeli ships through the

Suez Canal, for example, was nullified not by Russia but by Egypt. Nor is there any sign of the Council's latest resolution on Kashmir deflecting India from its chosen course; on this issue, indeed, an Assembly resolution in the same sense would have much greater impact—a point which the Pakistanis are already considering. Thus, whatever the terms of the Charter, in the real world, divided as it is today, the distinction between the Council's "mandatory" decisions and the Assembly's mere recommendations is very nearly meaningless.

BRITAIN and France have therefore nothing to gain by relieving Russia as self-appointed sentinels of the veto. True, they are now obvious volunteers for this particular bit of sentry-go, for they are far more susceptible to world opinion than a totalitarian superpower need be. But they cannot abolish that opinion merely by giving the Council corpse-reviving injections and dwelling on the constitutional impotence of the Assembly. To jump out of the fire into the frying-pan may be instinctive, but it confers no immunity. What has to be grasped is that the impact of a UN resolution, in Assembly or Council, depends neither on its "mandatory" value, nor on its elementary mathematics, but on the realities of the situation involved.

These realities embrace much more than factors of size and strength. Tiny Israel withstood volley after volley of resolutions during the winter months; and let nobody be misled into supposing that its eventual withdrawal was in deference to the two-thirds majority arrayed against it. A government that changes its policy after a UN vote is not bowing to a mathematical law. It is accepting the fact that it cannot afford to antagonise any further those elements in the hostile majority whose friendship, support, or at least tolerance are essential to it. Once this is grasped, it is mercifully possible to dispense with the arid discussion about "weighted voting" in Uno which Mr Dulles has just revived. Mercifully, because in the world of today there is no conceivable formula for adjusting the relative voting power of nations which would be either acceptable or just.

As an abacus for rough and ready reckoning, the Assembly will have to go on being used as it is. The real question is whether it can be put to any more constructive purpose. The true revelation of its latest session was not the newly amplified voice of Asia and Africa—continents which were grossly underrepresented in Uno's first years—but rather the impossibility of evolving constructive plans in so large and loose-knit a gathering. The Assembly now comprises 81 delegations. It is technically possible to convene it at short notice. It is politically possible to rally most of its members behind an urgent call for a cease-fire, and even behind an emergency project like the UN force now in Sinai. But it has proved quite impracticable to get this amorphous mass to shape the kind of positive and definite measures that are needed in areas of bitter conflict such as Palestine.

MUST this be accepted as an unalterable state of affairs? Must harassed secretaries-general, mediators or other individual envoys always be left suspended over a void, submitting one suggestion after another without inducing the sluggish monster of Turtle Bay to bestir itself except in moments of supreme crisis? If so, the Assembly may be an unconscionable time dying, but its eventual death, by its own hand, is only a matter of time. But the experience of the past few months suggests that it could save itself by comparatively modest exertions, if it began now, before its reputation suffers further damage. And perhaps the most promising field of experiment is the gulf that divides it from the Secretary-General and his staff. The obvious way of filling this gap is with small, manageable bodies which, for lack of a better name, might be termed select committees.

In the past, the Assembly has set up special committees and commissions from time to time, but their allotted task has usually been to examine a situation and report back at a leisurely annual tempo. Something more urgent and more authoritative is needed today. Any new committees set up to strengthen and guide the secretariat's hand while the Assembly is in repose would have to be carefully tailored to meet several vital requirements. They should be small, to permit of quick and precise decisions and, if necessary, of mobility; but at the same time they should be sufficiently representative of the various groups and interests in the Assembly to make it unlikely that the parent body would reject their findings; the aim, indeed, would be to make plenary debates almost wholly unnecessary if the system worked smoothly. They should be given as much authority as the Assembly can muster—but no glamour; a strict rule of privacy for all their proceedings would help to screen out those delegates who like to join committees to get personal publicity, and leave a clearer field for the solid citizens who are actually concerned to get results.

A development in this direction would help to give the powers of the second rank, and other states that are ready to put more power to Uno's elbow, a position that would lift them out of the ruck of self-seeking nonentities—without resort to the futile algebra of weighted voting. It would make for a sense of individual responsibility which an 81-member gathering cannot generate. It might begin to convert the Assembly from an arena into a construction site. Whether or not this is the best way of galvanising the United Nations into action, it is certainly high time to discuss what the best way is; for the Middle East may soon confront Uno with a fresh test of a kind with which it is at present quite unfit to grapple.

Frozen White Elephant?

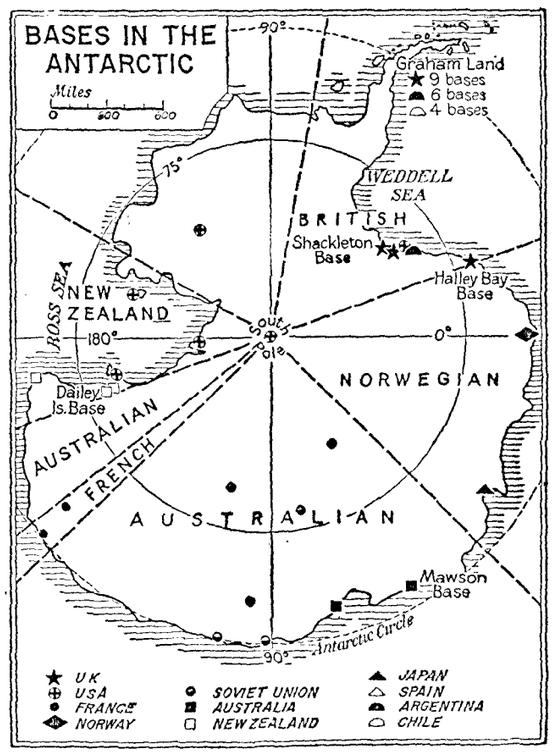
Eleven nations are busily pouring funds into Antarctic research. Britain could press more effectively for an early international settlement of the rival claims for a place on the ice if its own efforts were organised.

ANTARCTICA, a continent the size of the United States and Europe put together, is an unknown quantity: the last unexplored land mass in the world. It will not remain unknown for long; governments are pouring money into exploration and research in order to establish a right to a share if the place should turn out to be valuable. True, claims have been staked already; most of the continent is theoretically divided into slices of cake running from the coast to the pole and shared out between Great Britain, New Zealand, France, Australia and Norway. But except in the Falkland Islands Dependencies (which fall into the British sector but are claimed by both Argentina and Chile), little was done to explore the interior of the continent between the journeys of Scott and Amundsen and the second world war, and it is very doubtful whether the claims could be made good in international law. In any case, they are not recognised by the Soviet Union or the United States, and they seem to be regarded chiefly as bargaining counters which might give their owners a more influential voice in deciding the future of Antarctica.

Meanwhile the scientists benefit. A flow of government funds and encouragement has been poured into the International Geophysical Year (IGY) which officially begins in June; eleven countries are establishing more than fifty observation stations on the continent and its surrounding islands in order to make a thorough study of its geology, atmosphere, meteorology and geography. It has been agreed, with some difficulty, that no territorial claims shall be made on the ground of exploration done for the IGY. But there is a general feeling that those who contribute most will be best placed when something worth having turns up, or when the fate of the continent is settled.

BRITAIN is in danger of being outstripped in this scramble for a place on the ice, although everything possible has been done on the money available. The Royal Society has established a base on the Weddell Sea, and the Falkland Islands Dependencies survey has been stepped up. This survey was originally started in 1943 to counter Chilean and Argentine claims to the Dependencies by providing, as international law requires, "an administration suitable to the needs of the territory"; but it now includes an aerial survey of 50,000 square miles of the Graham Land peninsula, and nine meteorological stations which will contribute to the IGY. There is also the Commonwealth Transantarctic expedition, but this coincides with the IGY only by chance (it has lost a good deal of valuable publicity as a result of public confusion between it and the Royal Society expedition); its members are trying to cross the continent from the Weddell Sea to the Ross Sea, and while their journey will undoubtedly provide an epic adventure story, it is not expected to be of great scientific value.

All this activity represents a considerable achievement considering the amount of money available: the total cost for the next two years will be about £2 million. But over the same period "Operation Deep Freeze," the American contribution, will have £10 million spent on it, in addition to a free supply of icebreakers, aircraft and heavy supply ships from the United States navy. The Russians are being almost as lavish; they have established a large and well-equipped base which they call Mirny (peaceful) and are using two 12,000-ton ice-breaking cargo ships, a slightly smaller supply vessel and at least six twin-engined aircraft. Even Argentina has an ice-breaker, while the



British make do with 1,000-ton hired sealers and have already suffered a good deal of danger and delay.

The possible uses of Antarctica provide nearly as much scope for the imagination as interplanetary travel. It might become a vast refrigerator for food surpluses, a plankton farm, a source of valuable minerals or a strategic naval base in a new war—but not until scientific ingenuity has risen a good deal above its present level. A refrigerator which is blocked by ice for two-thirds of the year and is several weeks' journey from the dining-room is of little use. Antarctic minerals, with the possible exception of thorium and radium, would be difficult to exploit economically. Winds that reach 200 mph, and seas that are frozen for eight months of the year, make experts doubtful of the usefulness of establishing air or submarine bases—although Drake Passage, between Graham Land and Cape Horn, would become a vital sea route if the Panama Canal were blocked. Technically, it would be possible to build an airstrip for commercial planes, somewhat on the lines of the American venture at Thule in Greenland, but the economic uses of short cuts across Antarctica are limited.

THE uncertain potentialities make it all the more important to seek some kind of workable international agreement for the continent before a new discovery makes it yet another subject of dispute. The British have a particular interest in a quick settlement, since the longer it is delayed the further they will be outclassed by the lavishness of American and Russian expenditure. But no really satisfactory suggestions for control or division have yet been put forward. Advocates of world government believe that this vast empty space would be a suitable beginner's exercise for United Nations administrators; sceptics are only anxious to keep it from the United Nations, where, they fear, it will become involved in issues and intrigues that have nothing to do with the Antarctic. Others favour some form of condominium, or, since little administration would, after all, be required, an international licensing authority to which individual firms could apply for development rights. They agree only that no one nation should be allowed to dominate the continent.

If Britain is to take the lead in promoting a settlement it must speed up its own aerial and ground surveys in order to get a clear idea of the relative value of the anchorages, minerals and possible airstrips in its own slice, so that it knows what its own interests are. The Falkland Islands Dependencies survey, although admirable as far as it goes, is limited in extent, and the Royal Society expedition is gravely hampered by its lack of transport; greater mobility is the great need—more aircraft, more surface vehicles, "Weasels" and "Snocats," above all an ice-breaker. But not only more money is needed. At the moment, responsibility for survey and research in Graham Land is borne by the governor of the Falkland islands, eight hundred miles away, and through him by the Colonial Office, while the Foreign Office deals with international complications and the Royal Society concerns itself exclusively with the IGY. Some sort of operations board with authority to co-ordinate research, distribute funds, and work towards an international settlement is needed. Without it Britain cannot seriously compete.

NOTES OF THE WEEK

PARLIAMENT

Mr Thorneycroft's Reception

AFTER all the talk about this year's budget promising to be the turning point of the present Parliament, the atmosphere in the House on Tuesday was strangely not electric. The Tories grasped near the beginning of the Chancellor's speech that this was going to be a moderate prize-giving, the sort of budget that was unlikely to send them into their paroxysms of disappointment or delirious joy. Labour still has an inferiority complex on budget days, based on the general feeling that it is the party which puts taxes on while the Tories take them off. Opposition MPs yelped their delight whenever Mr Thorneycroft said that there were still economic difficulties before the country, and bayed their disapproval whenever he said that the prospects were, in some respects, brighter. The effect, on any spectator whose main concern is not how many government jobs how many Labour MPs are likely to get if they win the next election, was singularly repellent. Throughout all this, the Chancellor delivered his speech clearly, decisively and without flourish. When he sat down his party gave him a considerable ovation; and post-budget probing confirms that he has done enough, in what is called a "courageously conservative way," to stop the threat of rot in the Tory party.

The chief complaint heard among Government backbenchers afterwards was that he has not given sufficient reliefs to middle-class people earning below £2,000. This is a point on which the non-U Tories are particularly sensitive; they, at least, recognise that all the absentees and swinging voters at recent by-elections were not retired people and surtax payers. The much bigger political question, whether Mr Thorneycroft has done enough to enable production and living standards to start rising again for the whole community, was mooted by only a few thinking Tory backbenchers immediately after the budget. It was also insufficiently mooted by Labour, which fell back instead on its all too obvious instinctive line of attack. Within minutes of Mr Thorneycroft sitting down, there was Mr Griffiths hammering his bosom over the plight of the old people and the other poor. The price of rallying the Tory right by surtax concessions has been to expose the Tory left to endless jibes about "the tycoon's party." This is very dreary after a budget which provided a legitimate opening for more constructive left-wing attack, on the issue of insufficient encouragement for industrial expansion. Mr Wilson, indeed, in his witty but not very coherent speech on Wednesday, seemed to be concentrating his general economic argument on the opposite tack: although he assailed the Tories for tolerating stagnation, he also called the budget an "assignment with inflation." The Opposition would do well to make up its mind which of these opposing horses its wants to ride.

ECONOMIC PROSPECT

Not Much Expansion

THE passage in Mr Thorneycroft's budget speech about the "economic prospects for 1957-58" was disappointingly unexplicit, and a lot of guesswork is needed to arrive at any estimate of the degree of "expansion with security" at which the Chancellor is aiming. Among the various sources of potentially increasing demand:

(1) Mr Thorneycroft said that he "cannot tell" whether this year's increase in exports will "exceed or fall short" of last year's increase of £250 million in real terms, but he is confident that the rise in them will be "substantial."

(2) He believes that fixed investment is likely to be maintained at what he regards as its present high level, and may increase "slightly"; presumably, however, he does not expect the real increase to be much more than £50 million.

(3) He said nothing about the expected trend of stock-building expenditure; this was a most regrettable omission.

(4) He anticipates "some increase" in real consumption, because last year hire purchase instalments were being repaid, and "once people have paid their debts they not unnaturally tend to buy more." In view of the latest retail trade figures, it would not be at all surprising if this increase in personal spending were the main reflationary force in 1957-58. But even if one assumes that up to half of last year's abnormal increase in personal savings could disappear again this year, it should be remembered that some of the burden of this year's wage increases is likely to be passed on to higher prices rather than on to increasing consumption, that perhaps only about half of the tax cuts encourage personal spending, and that there will be some pre-emption of purchasing power this financial year by rent increases. The increase in real consumption therefore does not seem likely to be over £350 million. It might well be considerably less.

Even if one adds the most generous of these estimates of increased spending together—and then subtracts any part of the increased demand which is likely to be met from increased imports, together with the apparent real saving of between £100 and £150 million in Government current expenditure—it is difficult to arrive at an estimate for increased demand and production of much over £500 million this financial year. This would represent a growth of under 3 per cent in gross national product. Industrial production might well rise by rather more in the immediate future, as the engineering factories work at fuller blast to make up for the output lost in the strikes, but it would not be surprising—on present vague prospects—if it began to flag again towards the turn of the calendar year.

Parliament should therefore press for two things in the budget debates. First, it should ask the Chancellor or his Economic Secretary to be more explicit about the estimates of the possible increases in production and consumption that the Treasury has in mind; it must have some, and this new-fangled insinuation that because the estimates are necessarily tentative they cannot be revealed is an insinuation that needs to be firmly squashed. (It would be just as sensible to say that the Exchequer cannot publish any estimates of its own expenditure and revenue, because they are tentative too.) Secondly, the Chancellor should be urged to keep a weather eye on the production index as the year progresses—and, if it fails to pick up or later begins to flag again, to lay his finger on the trigger of post-budget expansionary devices. The best of these—better than a lower Bank rate—might well be a relaxation of the hire purchase restrictions in the autumn.

CREDIT POLICY

Where to Probe

IT would be a mistake either to hail the promised Radcliffe Committee on monetary and credit policy as a probable panacea for many of our economic ills, or to denigrate it as a foredoomed futility. The forerunner with which it is being compared is the famous report a generation ago to which Lord Macmillan gave his name, and which Maynard Keynes so largely wrote. There is no Keynes to dominate the scene, and awe his colleagues, now. There are, instead, a dozen or so eminent monetary economists, of more or less equal stature and very decided individual views; if they were all let loose on this committee, they would busy themselves writing minority reports and notes of dissent from each other. Contrary to the assumption of most politicians, the main bone of economic contention now is not really about the mechanisms by which inflation might be stopped; it is about how many and which social and economic unpleasantnesses—either in allowing more unemployment and curbing production, or in standing up to trade union wage demands—it is worth incurring in the process.

The committee is not therefore likely to add much to expert knowledge or general enlightenment on the broader aspects of policy. But there are some subsidiary things it could and should do, principally through probing for information. A long list could be computed of these subsidiary opportunities, but here are three suggestions. First, the committee should seize this chance to question the commercial bankers as closely as it can to find out how much (or how little) effect the Chancellor's "requests" for restraint have really had on bank lending, as distinct from on the excuses purveyed to customers for quite rightly rejecting loan applications that were undesirable on normal banking grounds. Secondly, although one suspects that research will confirm that high interest rates have relatively little effect in damping borrowers' eagerness to borrow, the committee should glean as much information as it can on the undoubted effect that rising interest rates (or rather the fall in gilt edged values associated with them) can have in curbing various lending institutions'

willingness to lend. Thirdly—and although this may not have occurred to Mr Thorneycroft as one of the possible benefits from the inquiry, it is a thought to whet the appetites of economists everywhere—the members of this committee could have a unique opportunity to press for reform of the obscurantist weekly return and annual report which are now used to cloak from the public the most interesting activities of the nationalised Bank of England.

JORDAN

Kingdom in Crisis

ACCLAIMED in March as the "hero of the liberation," King Hussein finds himself in April in a dangerous conflict with Jordan's parliamentary leaders. The outcome is obscure as this issue of *The Economist* goes to press ; in form at least, the government of Suleiman Nabulsi appears to have accepted its dismissal ; but it is by no means apparent that the King is in a position to go over the heads of the popular leaders in this way. The chain of events that was to be foreseen when the King dismissed General Glubb early last year is unwinding fast.

King Hussein then made his choice between the western (in Jordan's case, the British) camp and the camp of Arab nationalism. By throwing off British supervision he cut himself off from the possibility of British support, a fact which last month's agreement to terminate the Anglo-Jordan treaty did no more than formally register ; since the dismissal of General Glubb he has, therefore, been dependent in effect on Arab nationalism to support the throne. Arab nationalism, however, does not merely attack western influence. It is a movement of protest against the social order and against the existing partitions of the Arab world ; on both grounds it is essentially hostile to the Arab monarchies.

A young and inexperienced king has thus been engaged in the hardest of political tasks, that of conciliating a dynamic opposition by espousing parts of its programme while rejecting other parts. When he drew the line at any toleration of communist influence he was able to get his government's passive acquiescence but not its active support. His attempt to conduct an anti-communist policy of his own led him to act independently of his cabinet, both externally—in the exchange of messages with the other Arab governments through his own private messenger—and in some ways, too, domestically. His prime minister, Suleiman Nabulsi, when he said last week that his country was certainly not prepared to make an enemy of the Soviet Union simply to please the West, took up a position that the King could not easily refuse to endorse ; but by that time the relationship between the king and his cabinet had, as it appears, degenerated into a trial of strength. If the king succeeds in getting a new government to take office, this will only be the first round of a contest in which the odds are against him.

ISRAEL

Triumph and Stalemate

WHILE General Wheeler congratulates his team on opening the Suez canal a month ahead of schedule, the Israelis have been celebrating at Eilat. The arrival of the American tanker *Kern Hills* with Persian oil ; the near-completion of the 8-inch pipeline from Eilat to Beersheba, and the promise of French money for a 16-inch pipeline from Beersheba to Ashdod Yam on the Mediterranean have given some substance to Israeli dreams—although the Arab states have already protested, and the State Department is disclaiming the idea that the tanker's passage constituted a test. Developments at Eilat will to some extent determine Israel's reaction to Cairo's continued intransigence over the passage of Israeli ships through the canal. By building pipes and roads from the Gulf of Aqaba to the Mediterranean, the Israelis hope eventually to put themselves in the position of being able to by-pass the canal at less cost than a boycott by any other country would entail.

But the Eilat project is still a gamble ; the Israelis cannot feel prepared to abandon their claim to a right to use the canal. Here the position is stalemate: the Israelis have said that they will send a test ship, and Cairo radio has retorted if it is sent the Egyptians will sink it. But the Israeli darts are probably aimed more at the western powers than at Cairo ; there is every sign that the western powers are once again reluctant to compromise their own interest in the canal for the sake of Israel. Except for the American insistence that disputes should go to arbitration, the question of Israeli ships is believed to be conveniently omitted from the negotiations that have been going on between Cairo and Washington.

At the third point of tension between Israel and Egypt, General Burns has suggested that the Gaza frontier should be defended by two barbed wire fences with a minefield between. This suggestion, which has a glaring commonsense, has been accepted by the Israelis and received with silence by Egypt ; the Egyptians, however, will probably agree, provided that acceptance is not taken to mean that they recognise the armistice line as a frontier.

CHANNEL TUNNEL

An Economic Link?

FROM the status of a stale joke, the Channel Tunnel has suddenly regained that of a serious possibility. The resurrection is, so far, partial and tentative ; the Government's interest in it seems to have been aroused by a strictly limited initiative by a group of American experts, Technical Studies, Inc. This small body of engineers, lawyers and business men has seen a favourable constellation of circumstances in the closer economic links projected between Britain and the Continent, and the fact that prewar military fears about the project are now obviously nonsense. Their limited objective is to carry out a pilot study, technical, legal and financial, using the best available expertise on both sides of the Channel. It is estimated that this study might take a year or more, given the necessary initial permission from the French and British Governments. Who should thereafter put up the capital, carry out the work, and administer the enterprise as a going concern remain open questions whose answer is in no way predetermined by the American origin of the inquiry. The existing Channel Tunnel companies, in both Britain and France, are in a state of very suspended animation ; but they could provide the framework of a new organisation—either Franco-British, European, or all three plus American.

The first sighting shot at the capital that might be required is about £100 million: it is believed that the tunnel would have to be all-rail, because of the difficulty



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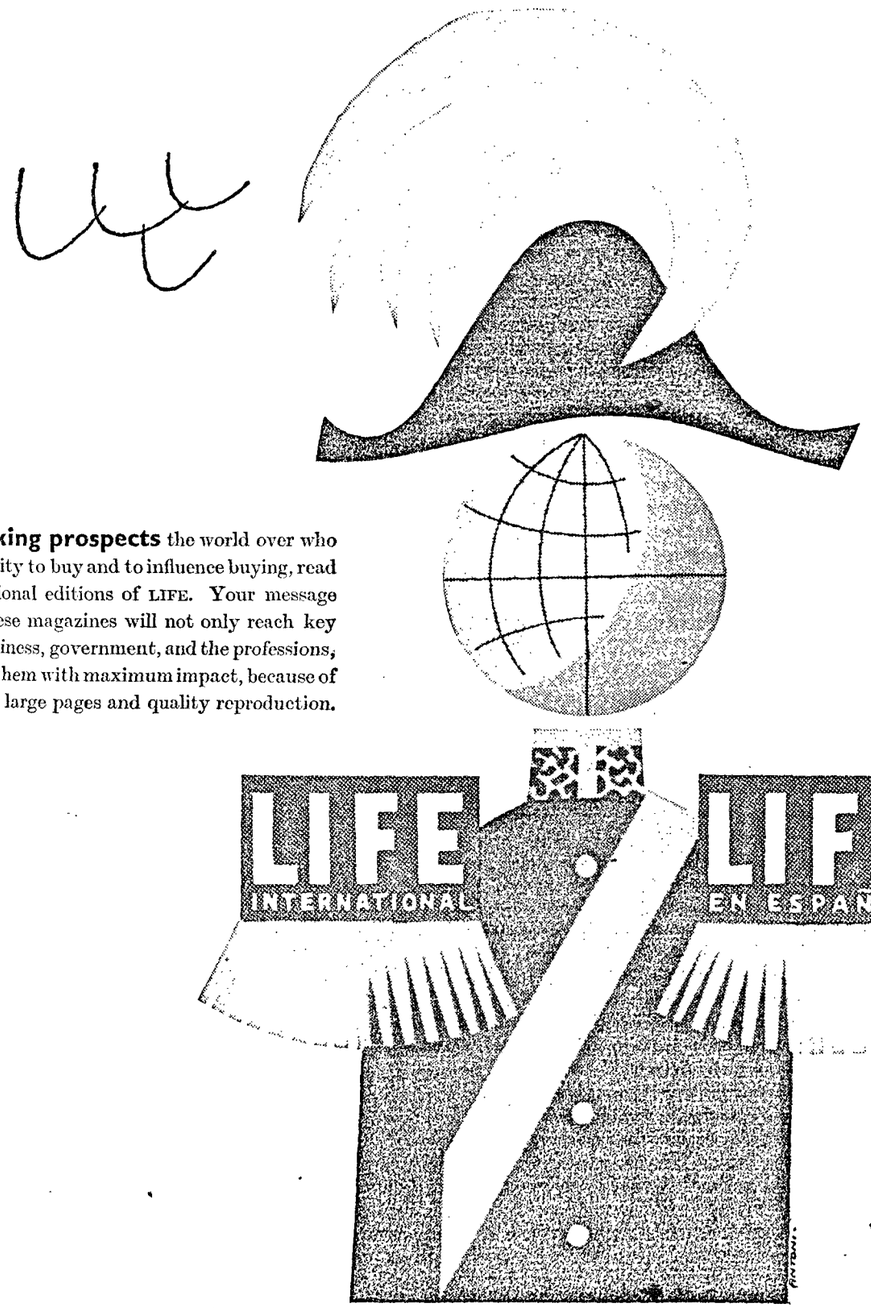
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(No joints—a World record for submarine power cable).
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Another from Reykjavik—something on the building laws.
A report from Birkirkara. Sheaves of notes from Singapore.
Here's an answer from Mombasa.
(That's one we're waiting for).
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of dealing with motor exhaust fumes. Economically, one should start with a bias [illegible] project. Some two million passengers annually between Britain and France; the goods carried between the two countries each year are worth more than £200 million, and the goods carried between Britain and Western Europe as a whole are worth nearly £2,000 million. How much of this growing traffic would be diverted to an all-rail route, and how many extra passengers, now deterred by dislike of sea and air travel from going abroad at all, would swell the total, is anyone's guess; but, on the face of it, it should be possible, by charging quite reasonable tolls, to make the project profitable and to amortise capital of £100 million within quite a short period.

The trouble, of course, is that the building of the tunnel would necessarily be a fairly long-term project; and there are many long-term transport projects—particularly on Britain's roads—which, one suspects, would be at least equally lucrative. This country has not got the capital for them. But that merely suggests what the British Government's reaction to this tentative initiative should be. In the first place, if the Channel Tunnel is an economic proposition, the Government should in no circumstances veto it just because the air and sea services which would be hit by its competition are publicly-owned. Secondly, if there is any chance of getting in capital from abroad for the project, let us welcome it. Capital for transport improvement is all too rare. For Britain and France to hold up any possible opportunity for proceeding with an economic scheme, out of a vague feeling that only a "Nasser-nalised" tunnel would do, would be an adolescent political act.

SINGAPORE

A Condition for Self-Government

MR LENNOX-BOYD will need to explain what prompted him to make, on the last day of the Singapore constitutional conference, when all other matters had been agreed, his last-minute condition that no person involved in seditious activities may stand in the first elections for the new legislature of the State of Singapore. The conference has taken a month, and there have been various incidental crises, but an examination of the agreement reached suggests that, so far as is possible, every contingency has been sewn up. The British Government has agreed, as was expected, that the Internal Security Council, which is to watch over any developments that might endanger the base, should consist of three British members, with the United Kingdom High Commissioner as chairman, three Singapore ministers and a member from the Federation of Malaya with the casting vote. Complete internal autonomy has been granted, subject to British control of defence and external affairs (other than trade relations); and the British Government retains the right to suspend the constitution if the conditions of the agreement are breached on the Singapore side. Other safeguards have been skilfully built into the agreement; the independence of judiciary and police has been protected, and there are elaborate provisions for regular consultation—though no council for liaison on external affairs and defence between Britain and Singapore has been put into the conference's report. Broadly, the conference has agreed on all the points which have been exhaustively discussed over the last year, and Britain has made graceful concessions on the composition of the security council, Singapore citizenship, protection of British trade interests, and the appointment of a Malayan to represent the Queen as Head of State.

The last-minute condition has united the Singapore delegation in opposition; it is bound to make a bad impression and will enable the opposition in Singapore to represent the whole agreement as a sham. It will be said that the first free elections are not free at all but staged by the colonial power. Yet the condition itself can only operate for a single election—and another could be held within a few months of the first with no such qualification on candidates. It seems extraordinarily ham-handed. Either a calculated risk is being taken, or it is not. Has Mr Lennox Boyd received new and appalling secret intelligence about communist plans in Singapore? If communists had to be prevented from standing as candidates, would it not have been better to seek a private arrangement to that effect with Mr Lim and Mr Lee, instead of hazarding in this way the acceptability of the agreement in Singapore?

RADIO

Sound and Fretwork

THE BBC has made the worst of all its worlds of sound broadcasting in the plans which Sir Ian Jacob announced last Monday. Though the corporation is giving the appearance of providing four programmes, it is in fact only going to provide a little more than two. The main trend is towards giving the mass audience the light entertainment it undoubtedly wants, and which so many listeners now get from Radio Luxemburg. To this end, the "incidental instruction" plugs in the Light, and many of those on the Home, are to be moved to the new hobbies Network (some, echoing Ogden Nash, will say Fretwork) Three, which is to be colonised out of the Third's time; this will permit the Home and the Light to run together for considerable stretches of the day, transmitting a constant background of dance or palm beach music for those who cannot give their full attention to anything, and who take their radio like their wallpaper. The Home Service is apparently going to lose many of its middle-brow features in the process, and become (even while it has a separate existence) an alternative light channel, breaking occasionally into schools, housewives, drama, rapportage, Welsh hymns and solemn national occasions. The Third, despite the succour of its new protection association, is to lose 40 per cent of its time. How Sir Ian Jacob can say it will be the better for a cut of this magnitude is past understanding. It is not that bad, even if it does occasionally play to the cognoscenti too snobbishly.

Let it be made clear what the objection to this rearrangement of programmes is. The objection is not that the mass audience is to get more of what it wants; it has a right to have it. The objection is that other people are to suffer a disproportionate cut in the programmes they like, while there is an untapped source of revenue which could make it economic to satisfy the mass audience and the minority audience too. That alternative source of revenue, to which sound radio will have to turn sooner or later, is commercial advertising.

OEEC

Europe's Economy Weathers the Winter

THE economy of western Europe has taken the shock of the closing of the Suez canal with remarkable ease. This is the most interesting conclusion implied by the OEEC annual report, *Europe Today*. Before the Middle East crisis, the inflation of 1955 and 1956 was already beginning to ease off, as anti-inflationary policies brought their reward. There were exceptions, it is true; while the squeeze was working in Germany, Britain and Scandinavia, inflation and payments difficulties were striking at the Netherlands and France. The unbalance between the mark and the weaker franc and pound was still pronounced. But broadly speaking, the picture was one of a slower growth, of a steadying in the European economy which was encouraging after the sharp rise in prices of 1955 and early 1956.

The Suez crisis did not substantially disturb these trends. It shook sterling and the franc, it is true, and sent a shiver of alarm through commodity markets. But the short-term flight of pounds has since been reversed, and commodity prices steadied quickly after the first shock. Even the disturbing effects of the increase in oil prices were diminished by the mild winter and the successful restraint of demand. Lack of fuel has not in practice been a troublesome brake either on transport or industrial production, except in a few special fields like cars. Europe, like Britain, has suffered a loss of dollars spent on oil, and the payments difficulties of France and Britain have forced France to impose new import taxes and made Mr Thorneycroft cautious this week. But here the Middle East crisis aggravated an existing weakness.

The European economy would not have come out so well without the work of OEEC itself, whose oil committee, working with the oil companies, has done so much to maintain supplies of fuel oil, both through overcoming the tanker shortage and helping individual countries whose supply position was weak. For the first three months, it seems, stocks played a key part in filling the needs of industry and maintaining oil supplies. But by February, stocks of fuel oil had dropped to two weeks' supply. Just in time, however, the growth of imports from the western hemisphere, co-ordinated in Europe by the team of OEEC and the oil companies, got going on a large enough scale to maintain deliveries to consumers. Supplies have now reached the comfortable level of 98 per cent of needs. Not only the resilience and flexibility of the European economy but the efficiency of the co-operative European institutions which have developed over the years were tested by the crisis. Both have come out well.

ITALY

Creaking Coalition

THE Italian government is once more in serious difficulties. The trouble this time arises out of the land tenancy bill. In Italy, land tenancies are extremely complicated and various, and, for different reasons, unsatisfactory to both landowners and tenants. Seven years ago the prime minister, Signor Segni, who was then minister of agriculture, produced proposals for reform over which the Italian parliament has quarrelled, on and on, ever since. It is a danger [illegible] to bring to an issue; two years ago the fall of Signor Scelba's cabinet. Last month, the prime minister managed to get a compromise bill accepted in principle by a small majority in the Chamber. But the imminent prospect of being pinned down to definite commitments on the detailed clauses of the bill—the debate has begun this week—reopened the fissures in his three-party coalition. Only after three long meetings could the party leaders manage last week to agree on compromise amendments, under which only tenants under contract since 1952 can be dismissed immediately for "just cause"; those whose contracts date from before 1952 must be allowed a transition period.

Even now, the fate of the bill, and with it that of the government, is uncertain. The right-wing Liberal party is fighting hard to prevent any further changes. The party represents the interests of the landowners; but whatever its other motives, it can reasonably claim that the landowners cannot be expected to take a genuine interest in the care and development of their property—which is to everyone's benefit—if they are unable to get rid of unsatisfactory tenants. Both the Christian Democrats and the Social Democrats are divided. The left wing of the Christian Democrats, led by the trade union leader, Signor Pastore, holds that the bill still takes insufficient care of the interests of the tenants. Signor Matteotti, the secretary-general of the Social Democrats, agrees; his attitude may be influenced by his anxiety for a fusion between his party and the Nenni Socialists. If the prime minister weathers this storm, it will be not so much because his own party and his coalition partners are wholeheartedly behind him, as because they are reluctant to turn themselves out of office.

STRIKES

On Inquiry

Our special correspondent attended the Courts of Inquiry into the shipbuilding and engineering disputes. The report of the Court of Inquiry into the Briggs' dispute arrived too late for adequate comment this week.

THE parties to the disputes faced each other across long tables draped in dark cloth: on the unions' side, the same familiar faces appeared (rearranged in a different order of precedence) in both cases, while on the employers' side a few faces changed, but the general effect did not. In spite of the bad employer-worker relations that are often evident in these industries each set of negotiators accepted its opponents' aspersions with, at the worst, wry smiles, and, at the best, cheerful laughter.

Mr Ted Hill was spokesman for the shipbuilding unions; in cold print, many of his sentiments are terrifying—but nothing could be less alarming than the way he says them. His tubby figure and rumbling voice make him seem like an uncle whose will to be stern with the kiddies is overcome by natural *bonhomie*—an old-fashioned uncle, whose arguments are old-fashioned, too. He distrusts figures, and described some relating to absenteeism, which were put forward by Mr Sloan, director and spokesman of the employers' federation, as "abstract, obnoxious, contentious and very often misquoted," while declaring his reliance on "human considerations" and on the superior quality of British ships. His opponent concentrated his defence on competition from abroad, and on restrictive practices. He appealed to the unions to behave in a waymore in line with contemporary conditions [illegible] from making a moving speech that did not inhibit Mr Hill

Mr W. J. Carron of the Amalgamated "hungry thirties." Union spoke for the engineering unions: his case, [illegible]ineering than Mr Hill's, was put with more ingenuity. He claimed that last year's low profits and production in engineering were due to Government policy rather than to any real fall in demand; and that the employers' federation wanted to keep wages down to protect its less efficient members, although higher wages are a stimulus to greater managerial efficiency. Mr Macarty, the employers' spokesman, said that this theory needed a whole course of enquiry to itself.

The inquiry ended discouragingly. The unions refused to agree that the employers should submit as evidence documents prepared by the unions about restrictive practices in shipbuilding; and the employers poured cold water on a suggestion by the unions that a central joint council should be set up to settle disputes and promote efficiency. Their spokesman said that their federation (like the unions' confederation) had only advisory functions. But at least the chairman, Professor Jack, coaxed both sides into abandoning their prepared briefs and engaging in free discussion. That was a step, perhaps, towards abandoning rigid attitudes—even if a small one.

RAILWAY PAY

Wisdom or Weakness?

THE British Transport Commission, which gave a 5 per cent increase in wages to the National Union of Railwaymen in return for certain undertakings about productivity, has decided to give the same increase to members of the Associated Society of Locomotive Engineers and Firemen, even though their leaders refused to give the mild general assurances that were required. Was this wisdom or yet another familiar selling of the pass?

The commission at first said that it would withhold the increase from all the footplatemen, including those in the NUR, until the undertaking was given. But that, of course, brought them a visit from Mr Campbell of the NUR, who no doubt warned them of the fury that would have broken over his head if that had happened; about a quarter of the footplatemen belong to his union. There is also some suggestion that the commission was doubtful whether, having agreed to pay all members of the NUR 5 per cent, it was legally able to withhold the increase from some of them. Finally, the commission must certainly have wished to co-operate with Mr Campbell, who is emerging as a progressive man. In an article in *The Railway Review* he has just told his members

> Our future depends in large degree on the contribution we make, both individually and collectively, to improving efficiency. What we put in is every bit as important as what we take out.

It would have been a pity to undermine the position of so enlightened a union leader. But was the only course to withhold the increase from the NUR as well?

Two courses suggest themselves, and both were apparently considered. One was to pay the increase to members of the NUR only. The main argument against this course is that it would have set one union violently against the other. Their relations have often been bad, but this would have meant war—and the commission's hope of ever getting co-operation from ASLEF might have been the first casualty. The second possible course was to make an individual approach to the men, by putting the document promising co-operation about productivity in every pay packet, and paying the increase to all who would sign it. This course holds out evident attractions, especially to those who think that it would be a good thing to try to split the members of ASLEF from their [illegible]-restrictively-minded leaders. But the men's loyalty to their union is probably strong.

So, in pursuit of better relations, the commission has given way; but not, the commission's apologists insist, in response to the bullying of ASLEF. It was Mr Campbell who won the ASLEF men their 5 per cent, and the commission is hoping that, remembering this fact, they will follow the practices of their mates in the NUR. The outsider can only say, very dubiously: "May the gamble come off."

SOUTH AFRICA

Apartheid in Practice

EVEN some of its supporters are wincing as apartheid is carried through to its logical conclusions. The two measures which the South African parliament is now in process of making law are both intended to minimise contact between the races, and both have caused disquiet in the country. The university bill which will eventually debar black or coloured students from Witwatersrand and Cape Town is being pushed through despite almost unanimous opposition from both universities. It provides that the new non-European colleges will be completely under the thumb of the minister of native affairs, Dr Verwoerd, who will vet the list of entrants and will appoint the teaching and administrative staff.

The other measure is the Native Laws Amendment Bill, a blanket stifling of free discussion between the races. In its original form the bill made it an offence to hold, without the minister's express consent, a mixed meeting in any church, club or institution erected after 1938. The church clause went a bit too far. The Anglican and Roman Catholic churches were up in arms threatening defiance, and even the Dutch Reformed Church (which has held that the untimely expression of Christian unity would harm the Kingdom of God) was disturbed. To keep the support of the Dutch church, the minister watered down his bill in such a manner that the responsibility for obedience falls on the African, not on the bishops. As amended the bill gives the minister and the local authority power to forbid a non-European to attend any gathering where his presence is considered a nuisance.

Although the church clause has caused the greatest furore in the country and in parliament, there are in fact not a great many churches built since 1938 where all races worship together. But the threat hanging over all mixed gatherings may cripple the few remaining liberal organisations in South Africa. The Institute of Race Relations may be debarred from using the hall it has just built in Johannesburg for inter-racial conferences, while the Liberal party, led by Mr Alan Paton, is wondering whether it can continue to exist. Black and white South African may soon find it impossible to meet as equals at all: in the words

of Dr Verwoerd "There can be contact between natives and others as individuals, but this contact must be the same as that between a ward and a guardian."

INDONESIA

Sukarno takes the Wheel

HAVING failed to direct the Indonesian republic towards "guided democracy" by back-seat driving, [illegible] Sukarno has now openly assumed responsibility for the government. He has succeeded in forming "an emergency, extra-parliamentary, business cabinet of experts" whose task it will be to set up a National Council which will represent, by methods still undisclosed, economic and political interests, and which is intended to become the supreme authority in Indonesia. The new cabinet is less apolitical than its official description suggests. Three Nationalists are included, and while the cabinet contains no overt communists, three of its members are said to be communist sympathisers. One minister was a member of the Masjumi (the bitterly anti-communist Moslem party), but has been expelled for joining; it seems likely that the small Moslem party, PSI, will also expel a member who has accepted office. The other major Moslem party, Nahdatul Ulama, has allowed four of its members to join, possibly hoping that compliance will enable them to exercise some control over the composition of the National Council.

This may be a forlorn hope. Certainly, the only party that stands to gain from Dr Sukarno's plans is the PKI (communists). On the other hand, the president still has to reckon with the army leaders who control the major Indonesian islands outside Java. Not only are they, by and large, anti-communist, but they are unlikely to allow the president to carry out his "conception" without extracting very substantial concessions of local autonomy for the islands, and improved pay and living conditions for the troops. A settlement of their grievances is urgent, for the state of frozen revolution, which has lasted nearly four months in Sumatra, shows signs of melting into civil war. But if the president concedes too much to the army the six million well organised members of the Communist party may resort to violence or to a general strike in order to get the share in the government which Dr Sukarno himself has promised them. He will find it hard to avoid both the frying pan and the fire.

THE ADAMS CASE

Trial by Jury

OF all the interesting points in the trial of Dr Adams for murder, which ended on the seventeenth day in an acquittal, the most important to many people will be the judge's remarks on the proceedings in the magistrates' court at Eastbourne. As a result of those proceedings, there cannot have been an adult, of the sort from whom a jury is drawn, who had not read full accounts of them in the newspapers and been influenced accordingly before the case opened at the Old Bailey.

This, of course, is true of most juries in most notorious trials. But the case of Dr Adams must cause misgivings first, about the prosecution's tactics in the magistrate's court and, secondly, about the practice of holding the preliminary proceedings in public. At the magistrate's court the prosecution brought forward a great deal of information, in order to secure a committal, which was not advanced as evidence at the Old Bailey. It is this that made the pre-trial publicity so harmful. [illegible] for this publicity. For, as Mr Justice [illegible] Devlin pointed out to the jury, the magistrates have power to hold preliminary proceedings in private, and, speaking judicially but firmly, the judge said that it would have been wiser if the Eastbourne magistrates had used their discretion in the Adams case. Whether private preliminary hearings should become a general rule in murder cases, as has been suggested, is more debatable; a person's reputation may be less damaged if the magistrates decide in open court that there is no case for committal, though in Scotland the evidence against a suspect is always submitted in secret through the local procurator-fiscal to the law officers of the Crown, who decide, again in secret, whether there is a case for trial. But English magistrates should at least be instructed to use their discretion more readily when a case is clearly going to achieve nationwide publicity.

MANCHESTER

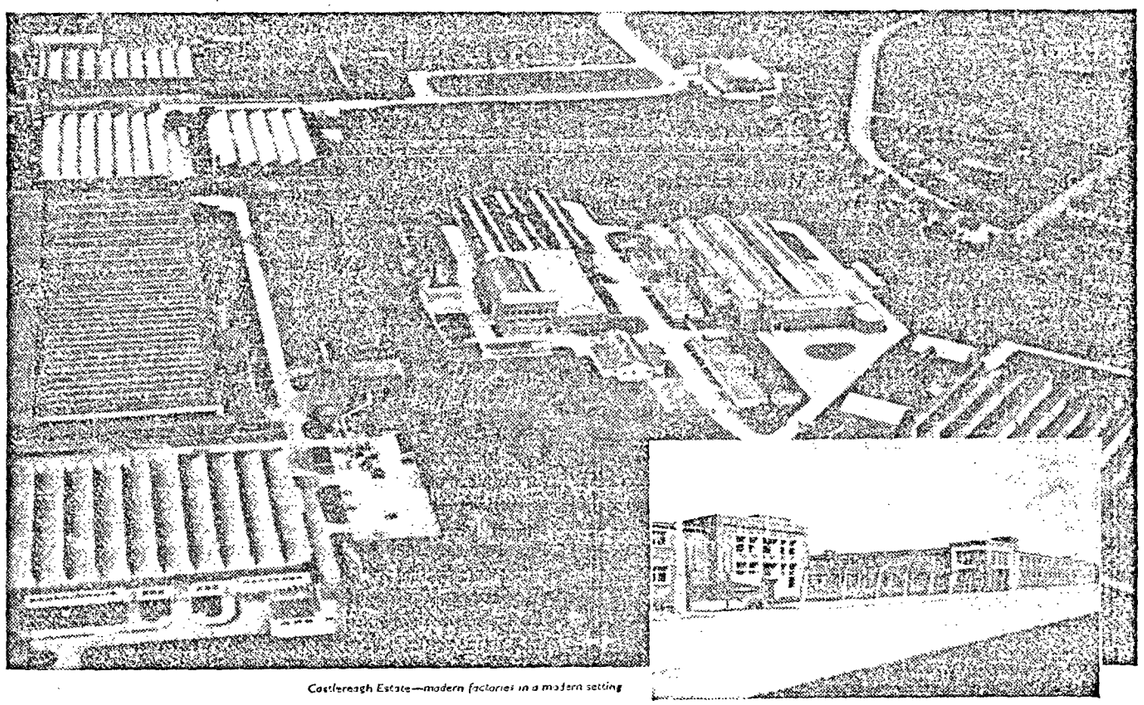
A City in Need of an Outlet

THIS weekend the Town and Country Planning Association is holding a conference on the problems of congestion and dispersal in the Manchester area. The conference is timely, because Manchester is at present, and with good reason, a chagrined and impatient city. With one-quarter of its population living in 62,000 slum houses—many of which are not just technically "unfit," but in truly shocking condition—it has worse squalor and congestion than any English city, with the possible exception of Liverpool. But Liverpool possesses what Manchester has vainly sought ever since 1945—a large and booming satellite town capable of accommodating many thousands of ex-slum families, thereby enabling redevelopment to go forward in the central parts of the city. Manchester is now waiting once again to hear whether Mr Henry Brooke will reverse a previous government decision (made in 1954) and allow it to build a satellite town at either Lymm or Mobberley, some ten miles to the south of the city in Cheshire—a project which has always encountered bitter opposition from the Cheshire County Council.

Manchester's tribulations derive basically from an antiquated pattern of local government, accompanied by intense conflicts and rivalries amongst numerous local authorities. There are no fewer than 70 local councils (including 4 counties and 7 county boroughs) operating within ten miles of central Manchester, and there is no authority capable of securing effective co-ordination of any of the specialised facilities needed for the whole urban area. An imaginative project for the creation of such an authority, described as a Manchester County Council, was put forward after the war by a group of local authorities, and it is worth recording that a very similar scheme has recently been successfully launched in Canada for the large urban area around Toronto. Any such reform would require a considerable regrouping of the existing smaller authorities. But if Mr Brooke seeks a fruitful place for applying the ideas hinted at in last year's local government white paper, he should turn his eyes to the Manchester area.

His decision on the city's housing problems cannot, how-

Here is proof of how firms GROW in Northern Ireland



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ever, wait that long. Manchester's housing programme has already been cut drastically for lack of sites, and any further delay may mean that its slums will still be standing and occupied towards the end of the century. Lymm or Mobberley—being rather close to the city and on good agricultural land—may not be ideal sites for new towns. But either of them is preferable to pushing Manchester into building a few more scattered extensions of its already inflated suburbia, while it struggles once again to conclude piecemeal agreements with more distant Cheshire towns.

IRAN

A Consortium's Success

In the troubled oilfields of the Middle East, Iran, once the storm centre, presents a reassuring picture of calm. Its output has scarcely suffered at all from the Middle East crisis. In its last operating year, the international consortium reports, it exported 30 million cubic metres of oil (the cubic metre is the strange unit which the agreement used). This was 9.8 per cent more than was promised. Iran had the advantage of freedom from pipeline troubles: and any cut in exports caused by the closing of the Suez Canal was largely countered by deliveries to the refinery that Bahrain across the gulf. Bahrain's needs are falling now that deliveries from Saudi Arabia are permitted again, but with the canal reopened any slackening in Iran's exports should not last long. The consortium is confident that it can exceed its targets this year, too.

Its success is due as much to political prudence as technical skill. In Iran, the oil agreement was inevitably criticised as a creeping comeback of foreign enterprise. But the consortium has done everything it can to make it clear that NIOC, the Iranian national oil company which actually raises the oil, is not a junior partner. NIOC's prestige is growing as it undertakes new enterprises, exploring, for instance, with some success, the Agha Jari field. The big test of NIOC will come when it seeks to open up the untapped field of Qum, outside the consortium's field of interest. Here, too, the international companies have been prudent, maintaining a discreet distance from the rumours and negotiations which have surrounded the names of Signor Mattei and Dr Adenauer.

BAGHDAD PACT

Atoms for Trade

On the last evening of March the main competitors for local attention in Baghdad were the new moon—the first sign of which spelt the start of Ramadan, the month of fasting—and Sir John Cockcroft, newly come from Harwell to lecture and to assist at the opening by King Fiesal of the Baghdad Pact Nuclear Centre.

To the British public nuclear power signifies, above all else, energy for industry and warmth for the home. To Turkish and Pakistani fellow members of the pact, it means much the same. To Iraq and Iran, where there are cheap oil supplies and a wealth of natural gas that is at present being burnt off on every oilfield, those aspects are less interesting. But the Iraqi audience that gathered to hear Sir John heard its first public news of what can be done with radio-active isotopes in industry, medicine and agriculture. He was able to convey all that they can mean as tracers, as destroyers of malignant elements and as promoters of beneficent ones in such fields as sterilisation, food preservation and plant growth.

The economic committee of the Baghdad Pact is bent on making isotopes available for these purposes, but is at present hampered by lack of money. Yet scientists who are also economists agree that, perhaps a decade from now, traffic in isotopes will be one of the big items in world trade. The Baghdad centre is to produce them by means of British techniques and to give training courses based on British invention, methods and apparatus. It could therefore considerably assist this branch of British export trade. Yet the grant it is getting from the British Treasury is not enough to run the centre comfortably. Is it really impossible to find the £30,000 a year that is about what is needed? What better use could be made of a fraction of the £10 million a year that has been saved from the shambles in Jordan?

Atoms cast on Middle Eastern waters will, like the bread of old, bring back a sure return. If they are sown too stingily, the local openings for this future branch of world trade will be seized by the pushing salesmen already on tour on behalf of other actual and potential producers of isotopes.

The Economist

APRIL 11, 1857

MR TOOKE'S NEW VOLUMES

THE venerable veteran of Free Trade and Economic Science, Mr Tooke, has just presented to the world, in conjunction with his able coadjutor Mr Newmarch, a work of the greatest value not only in itself, but more especially as it continues through the period of the last ten most eventful years, his former work upon Prices and the State of the Circulation. . . . Under the unpretending title of *The History of Prices*, there will be found in the work now completed more accurate and minute information, more deep thought and philosophic research, applied in a useful and practical shape, upon the subjects of trade, banking, circulation, and the numerous questions which have arisen out of them, than in any other work in the language. From his own knowledge and observation Mr Tooke has been able to give to the world an accurate account of all the great changes and vicissitudes which . . . have attended the onward course of the rapidly expanding commerce of this country;—he has been enabled to show us to what some of our greatest checks and misfortunes have been attributable, and to plant a beacon in our future path by which they may be hereafter avoided. During the whole of the eventful period of sixty-five years to which we have adverted, Mr Tooke has devoted himself with undeviating consistency to the defence and illustration of two great principles of political-economical science, viz., free trade, and a sound system of currency and banking. . . . His pen has been perseveringly used for more than half a century in combating error and in maintaining true principles in relation to those most important topics. . . . And now, although at an age as we learn from the preface to his new volumes of "upwards of fourscore," the world has the advantage of receiving from his hands this History, brought down to the close of 1856, the *latter volumes exhibiting marks of vigour and of extended* research even greater than the portions of the work which apply to former periods.

TOWARDS COLLECTIVE DEFENCE

1. Science, Savings—and Security?

"THE Government are confident that this defence plan, while helping to relieve the strain upon the economy, will produce compact all-regular forces of the highest quality, armed and organised on the most up-to-date lines." On these words ends the ten-page five-year plan for defence issued a week ago. It is the most logical and realistic piece of military policy-making which has been put to the public since the first atomic bomb destroyed a Japanese city in a few seconds. There can be no question of the public's gratitude for what this remarkable State paper, does and what it promises. Yet, presumably by design, since Mr Sandys was himself the draughtsman, one word is missing from this final paragraph—a question-begging word dear to those who write official documents. That word is "adequate."

The white paper plans a cheaper defence organisation corresponding to the fact that "new and ever more formidable weapons have been succeeding each other at an increasing rate." Any responsible critique of it, however admiring, must ask whether it really covers all the reasonable political and military risks; and if the decisive choice of weapons in this plan seems to leave risks uncovered, it must frankly set them out. Cheaper defence is one thing, adequate defence another. Taking advantage of nuclear military technology to make large and welcome economies should not give currency to the idea that cheapness and adequacy in defence have automatically become, for the first time in human affairs, consistent.

The economies have to be assessed in the context in which the white paper puts them; and like every part of it, those references are very carefully worded. Britain's influence in the world, it is stated, depends on the health of its internal economy and the success of its export trade, and military expenditure must be related to these. This implies two things:

1. The rate at which defence *would* absorb resources without drastic reorganisation would leave the country ultimately weaker for all its bristling armaments.

2. The resources released should be used in ways that enable the country to maintain and increase its influence.

A minor military operation which for lack of sufficient reserves can threaten the collapse of the pound reveals not the country's strength but its weakness—as persistence in the Suez adventure might have done. Military expenditure should not consume the whole margin of resources which Britain, as its imperial positions dissolve, can use to back its policies and aid its friends. Mr Sandys eschews the phrase "waging the cold war," which was much used in previous defence surveys. Yet it is a convenient shorthand phrase for the struggle to retain otherwise than by the display of force the co-operation and respect of uncommitted or emergent countries in Asia and Africa. The success of the white paper must be partly judged on whether the country's enhanced economic stability is so encashed. Otherwise it could be said that greater risks had been taken simply to raise living standards at home, *carpe diem*, without increasing Britain's potency in the western alliance.

In taking his bold but calculated risks Mr Sandys, of course, has had to work within the limits of the politically possible. There is no economic reason why, if people were willing, Britain should not adjust the level of consumption to a defence budget of £1,700 million or more. If such expenditure would buy defence against thermonuclear devastation, or certainty that the deterrent would be permanently effective, there might be political backing for it. But there is no such defence, and the background against which any minister of defence operates—especially after the military fiasco of Suez—is the widespread conviction that most of the taxes extracted from the country under the Attlee plan to spend £4,700 million on defence in three (later spread over five) years have gone down the drain. In fairness, it should be said that there has been no war. But, right or wrong, the nation is not prepared to go on spending at that rate; Mr Sandys was bound to make policy in the framework of a reduced defence budget.

The next point to be made about cheaper defence is that it is a reduction of Britain's share of the collective western burden. Britain has been devoting ten per cent of its gross national product, seven per cent of its working population, one-eighth of the output of its metal-working

industries and an undue share of its scientific brain power to defence, and the changes now made return a proportion of these resources to the productive sector of the British economy. Nato has reacted unfavourably, but rather, as an article from our Paris correspondent on page 149 shows, because Britain decided to make cuts on its own, not because it is defaulting on its fair share. The answer is that, in its economies, the white paper faces unilaterally the realities that Nato has been too slow to face collectively; and that, in doing so, never has British defence been reorganised on lines which more completely commit this country to Europe. The new plan may leave Britain less able to defend Europe's interests in the Middle or Far East; but it does not take Britain out of Europe. This, for Nato, is the first lesson to be drawn from our abandonment of home defence, the concentration of the remains of fighter command on the airfields mounting the deterrent, the acceptance of Britain's role as "Intermediate Rocket Launching Platform No. 1" for Thor, notwithstanding Russian threats, and the cuts in the Navy. In every way, the white paper leaves Britain more a contributor, more integrated with its allies' forces and fate, less a free agent.

The final question is how far further cuts may be expected from this policy. The white paper thinks it will "further appreciably reduce the burden on the economy" but not in proportion to the rundown in manpower. Despite the burden-sharing agreement with America on missiles, and the rundown of research and development, the cost of the new weapons will take up a lot of the cumulative savings on manpower. Whether cuts of £100 million can be made again in future years depend on the commitments and technological trends examined in the following sections.

2. *Responsibilities, Risks and Priorities*

Britain cannot be strong in both nuclear and conventional armaments, on land, at sea and in the air. But are we preparing for the most likely contingencies?

NOTWITHSTANDING the white paper's excuse for its predecessors' woolliness that "it is only now that the future picture is becoming sufficiently clear to enable a comprehensive reshaping of policy to be undertaken," the basic strategic facts which it acknowledges for the first time have been clear since Russia exploded its hydrogen bomb. Defence became deterrence in 1955 when Sir Winston Churchill announced the decision to build our own "equaliser" to be tested this summer. Mr Sandys has now put on official headed paper the stark truth that a global war will be so devastating in the first days that it is impossible to foresee or plan the course of "broken-backed" warfare thereafter. The logic of the thermonuclear stalemate is that the two sides are as lethal to each other as duellists in a small room armed with grenades.

It is an immense gain in realism that Mr Sandys has dropped, therefore, all attempts to fit the forces to fight "broken-backed," war, and has made the full savings possible from dismantling home defence, reducing "civil defence" to a background study of Crusoesque post-atomic survival measures, and thinking of the reserves only in terms of limited but perhaps relatively protracted wars fought with conventional weapons.

Fighter command is reduced and confined to the defence of the airfields on which the deterrent is mounted, and which must not offer a temptingly easy target; but this role will remain only so long as there are bombers to intercept and insufficient ground-to-air rockets to intercept them. When Russia has rockets the use of fighters will taper off to minor tasks like intercepting aircraft trying to jam the radar. When only three or four bombers or missiles need to reach this island to destroy it as an organised modern society, its proper posture can only be that of the scorpion.

The sting, however, is to be American-made. "The free world is today mainly dependent for its protection on the nuclear capacity of the United States." This is so incontrovertible that the question arises why Britain needs to divert resources to making a "modest contribution" at all; why is there "a wide measure of agreement" that we should? (Some Nato critics do not share in it.) The idea that Britain needs bombs and bombers under its own command to destroy "targets" of special importance to it in nuclear war is outdated. But though the white paper does not state them there are three cogent reasons:

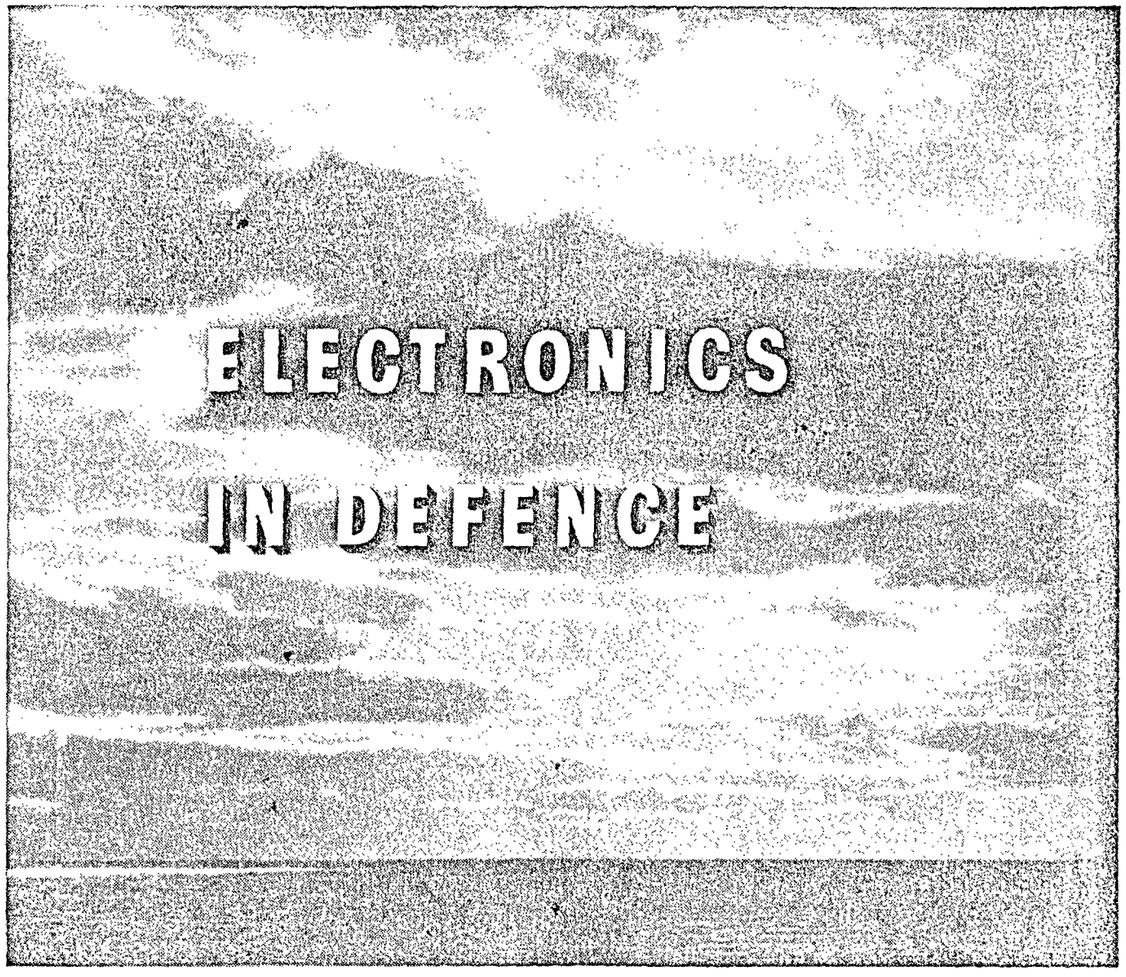
1. The making of our own "conventional" atomic bombs belonged to an earlier phase, but now that we have them, we virtually have the megaton bomb as well. The capital cost has been incurred, the bombs are now cheap to produce, so that we might as well continue.

2. In the means of delivery we also have a capital of accumulated know-how, and our scientific, if not technological, contribution is highly prized in America. The cost of research and development is rising astronomically, and may even tell on America's resources, so that provided there is division of labour a British contribution is well worth the West's while.

3. Though it seems inconceivable that America should abandon Europe except by the latter's folly, we have to live indefinitely in a nuclear world, and possession of the H-bomb gives Britain the power, *in extremis*, to refuse to submit to dictation. This is an argument which has its weakness; if every state sets out to acquire this power, disaster will supervene. It is one which Britain must essentially share with western Europe; and sooner or later control seems the only alternative to chaos.

So much for the logic of the great deterrent. The white paper follows its predecessors in admitting the need for forces capable of dealing with "limited wars"—as well as minor colonial law-and-order operations—which might become dangerous. But it places the emphasis differently. It lays down that even small wars must be dealt with collectively, and that "this conception of collective defence is the basis of the North Atlantic, South East Asia and Baghdad alliances." It itemises the major areas where Britain has a collective responsibility, and the minor ones where it has specific one (the colonies or the Trucial states).

This is the convenient approach if the big reduction in army manpower, with the abolition of conscription, is to



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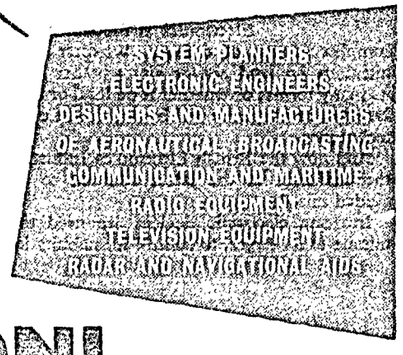
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be justified. The white paper tours the periphery of the free world and details the sore spots; the implication is that in none of them in future will the demand for British riflemen be large. Either a threat will be met by an alliance to which the British contribution in battalions will be modest; or it will be a brushfire which a battalion or two from the nearest colonial garrison can handle. One is asked to believe not that these commitments were cut to fit the forces that might be got from volunteering, but that an assessment of the contingencies showed that they could be handled by forces of 375,000 men which—as it happened—was just what the experts thought could be got without conscription. This is the most controversial point in the white paper—the point at which its admirable logic tends to become blurred.

In the first place, it is not made clear whether limited threats would be met by tactical nuclear weapons or by conventional armaments. No question arises in colonial defence—except perhaps Hongkong—but it does arise elsewhere. In the previous white paper it was stated that " in such limited wars the possible use of nuclear weapons cannot be excluded "; but Mr Sandys has not repeated this.

Yet the whole programme envisages the arming of the reduced forces with nuclear weapons. The reduction of Rhine Army from 77,000 to 64,000 men and of the Tactical Airforce by half is justified because they will have atomic rocket artillery (the Corporal) and atomic bombs for the Canberras. The navy is to have missile ships which must imply atomic warheads; carrier aircraft can drop A-bombs.

But if " graduated " use of atomic weapons is not envisaged, and all aggression beyond the powers of the small conventional forces is to be met by calling in the H-bomb, what is the role of tactical nuclear firepower? It is this, rather than the investment in the H-bomb, which calls for explanation. " The frontiers of the free world," says the white paper, " must be firmly defended on the ground." In terms of the white paper, this can only mean either (1) they must be defended by atomic cannon and rockets or (2) they must mainly be defended by other nations' manpower and machine-guns. It is difficult to see how an army of 150,000 or 160,000 can produce expeditionary forces large enough to be effective in a war fought with conventional weapons in the Middle or Far East. To be mobile these must be small; to be small but of use they must have colossal hitting-power. The conclusion must be that he who calls in the British ally in future calls in a tactical nuclear force capable of sealing up passes and pasting up concentration points with kiloton bombs but not much else.

If this is the intention, it is not stated. This may be because the Government does not think that the time is ripe either in Nato or elsewhere for an explicit statement that aggression might in the first instance be met by nuclear arms. It may also be because the Government's service advisers are themselves not entirely clear how effective tactical weapons would be in any imaginable theatre of war outside Europe. It does not follow that the West would be the only belligerent to use nuclear weapons, and its small compact forces, its bridgeheads, ports and fleets may well present better targets for low-yield atomic warheads than would its enemies; if this were so, the West might, once it had dropped the first bomb, find itself at once suffering from the obloquy of using the bomb and being outclassed at its own game.

This uncertainty carries the risk that it will make allies hesitate; in Europe and perhaps elsewhere Russia might receive the impression that in a sudden mêlée the governments concerned might lose their nerve and fail to call in the tactical nuclear arm until it was too late, or try to fight it out with inferior conventional forces, particularly when it became clear that to restore the situation the bomb would have to fall on their own people and towns. It must be expected that Russia, seeking advantages by any means short of global war, will be tempted to exploit any weak point in the West's defences or other deterrence: and a shortage of conventional forces may be that weakness. That temptation will be increased when Russia has the means of delivering its own hydrogen bombs as easily on America, as America can on Russia.

Finally it must be noted that reliance on tactical nuclear weapons is vain in cases of civil war or subversion. Sizeable

Expenditure—Real and Imaginary

THE expected reduction in defence expenditure this year in money terms is £105 million; this is the difference between last year's actual defence expenditure of £1,525 million (after deducting £65 million of actual US and German contributions) and this year's estimate of £1,420 million (after deducting £63 million of expected US and German contributions). It is, however, open to the Government to say that, since the prices of defence commodities and services expected to be bought in 1957-58 are already bound to be higher than their prices in 1956-57, the volume of real resources set free by the cuts, compared with last year, must (in terms of constant 1956 prices) be somewhat larger than £105 million: probably it is of the order of £150 million.

Unfortunately, various other figures have been quoted in the press in the past week, with Government encouragement. To cite the two extremes:

(1) The original estimate for defence expenditure in 1956-57 (which in the end was exceeded by over £26 million) was £1,499 million; this is £79 million more than the new estimate for 1957-58, and that figure has been given some publicity. It is an utterly meaningless figure, and seems to be based on the strange argument that since last year's estimate was exceeded, this year's might be too—and by a precisely similar amount. But it might equally be under-utilised; one cannot make any sensible calculation except on the basis that this year's estimate is the best estimate now available of what expenditure will actually be.

(2) Because the programme tentatively envisaged for 1957-58 a year ago would have cost about £217 million more gross than the programme now envisaged, some publicity has also been given to this figure. From the economic point of view, this is also a meaningless abstraction. It measures the paper cuts that had to be made in the services' own estimates of what they would have needed to continue last year's programme.

In addition to the figures mentioned above, calculations—ranging between these extremes—have appeared in the press of the defence "saving" citing the difference between last year's original plus supplementary estimates and this year's original estimates—both including US and German contributions (£154 million), and excluding them (£117 million). Both should be disregarded as having no economic significance at all.

conventional forces, widely dispersed in garrisons, and far-ranging warships, which can quickly be rushed to a trouble-spot have always been the best—if by no means always effective—deterrent to interference of this kind.

To these shortcomings in the white paper plan there are a number of possible answers:

1. It can be argued that even after the rundown of forces there will be enough conventional armaments to meet any limited threat in which Britain is likely to be called to play a substantial part. This may be true—provided two limited wars do not start together.

2. It can be argued that because Britain reduces manpower to offset the cost of nuclear weapons, not everyone should do the same. Roles should dovetail, and others should provide the mass conventional arms. That may be acceptable—provided it does not look as if Britain was taking the soft option.

3. It is argued that even in conventional terms Britain gets far more out of 375,000 regulars than a partly conscript force; that is true—but again its effectiveness depends on the airlift that will bring it quickly into action with its armour; and that will be expensive.

The real safeguard in Mr Sandys's plan is that it is a five-year plan, and like the Attlee plan it can be modified in the light of experience. It makes significant reservations both on the possibilities of further economies, and on conscription. The planned rate of reduction in the forces in fact could be slowed down by using the selective call-up which is evidently to be the chosen instrument for tapering off national service.

3. *Manpower, Firepower and Missiles*

How many men, ships and aircraft shall we get for limited war? Staking so much on missiles, long and short range, how soon shall we get them?

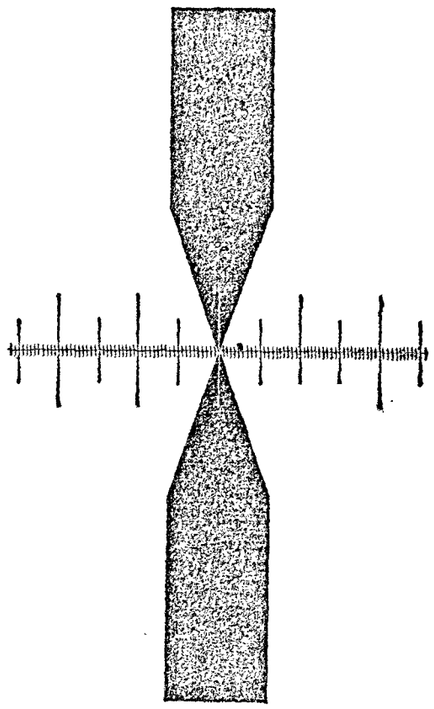
ONE of the white paper's signal achievements is the new view which it takes of the three services. By anticipating the development of the new weapons, it points to the breakdown of the rigid frontiers between them—frontiers defended with a vigour which has had bad effects on defence as a whole. Implicit in a reduction of the forces to 375,000 men, all concerned with firing missiles from land, floating or airborne bases, is the idea of a unified service. This in itself would make possible better use of manpower as well as more interesting and attractive careers for professional fighting men. So long as the services, active and in reserve, were large, this tendency could be resisted because each was a natural administrative unit; but by 1962 the waste and weakness of three separate ministries will stand out.

As this unity of aim grows, the need to define the "role" of each service, dear to writers of white papers hitherto, may conveniently disappear. The RAF will ultimately divide between rocketeering, flying the new central reserve to operational areas and performing tactical air tasks by land and sea. The white paper is frankly doubtful of the navy's future on the hypothesis that a thermonuclear war would be short, so that the problem of keeping sea communications open would not arise. Nor does it endorse the American view that carriers offer important alternative mobile bases for mounting the great deterrent.

The navy's importance probably lies now most in its part in a limited war. As colonial bases disappear, and leased bases reveal their uncertainties, the carrier increasingly proves the natural mobile base along the west's sea communications, capable of carrying and escorting troops and equipment to their destination, providing air cover of the kind required and able to exert its influence further inland than the cruiser used to do. This was proved in the Suez operation, where carrier aircraft did most of the work. The decision to base carrier task forces on single carriers, instead of groups, probably reflects this view. The white paper does not refer to the Russian submarine threat, into which the Russians are, however, pouring immense resources—mistakenly if the possibility of broken-backed warfare can be ruled out. The Russians, however, have other purposes for their huge unobtrusive submarine fleets. They threaten America's communications with its European bases; they could play a part in a limited war; as missile carriers, they could neutralise Russian disadvantages in delivering atomic attacks on outlying but mostly coastal industrial bases. As a blockade in being, they cannot be ignored; but the proper division of the burden between the British and American navies is undecided.

The army's future turns upon the white paper's proposals for ending conscription. To the argument that Britain ought to concentrate on conventional forces as the "little deterrent," while America undertakes the nuclear role, one retort is where do the men come from? The technical arms attract the volunteers, and both the reduced navy and RAF should be wholly professional—perhaps turning applications down—by 1962. But by 1962, the Army will have had to convert its 85,000 3-year men into regulars—a yearly intake of 25,000 volunteers ready to serve the colours for 6 to 8 years. As the Army is now getting only about 12,000 volunteers a year this seems unlikely. The real advantage of the rundown in army strength to 160,000 (no actual figure is given) is that it will between now and the ending of conscription in 1960 enable the government to experiment with a form of selective service which may continue.

An army of 160,000 is very small even to deal with the curtailed list of commitments. Even with regulars, half its strength ought to be at home. If Rhine Army is reduced by 1960 to 50,000, this would leave 25,000 to provide the colonial garrisons, with something in hand for the Commonwealth strategic reserve. Out of the 75,000 troops at home would have to come all troops in training, men in movement, specialised arms, supply and staffs and the central reserve. If the former is put at 50,000, the central reserve will not much exceed 25,000, or one infantry brigade group, with an armoured regiment and three para-troop battalions. If it could be entirely airborne at short notice with its equipment it would be a useful striking force—and one that would have dealt with the canal in a few days, had we had it. But such an airborne force will be very expensive. A smaller airborne force would be little more than a riot squad—or a unit of nuclear artillery.



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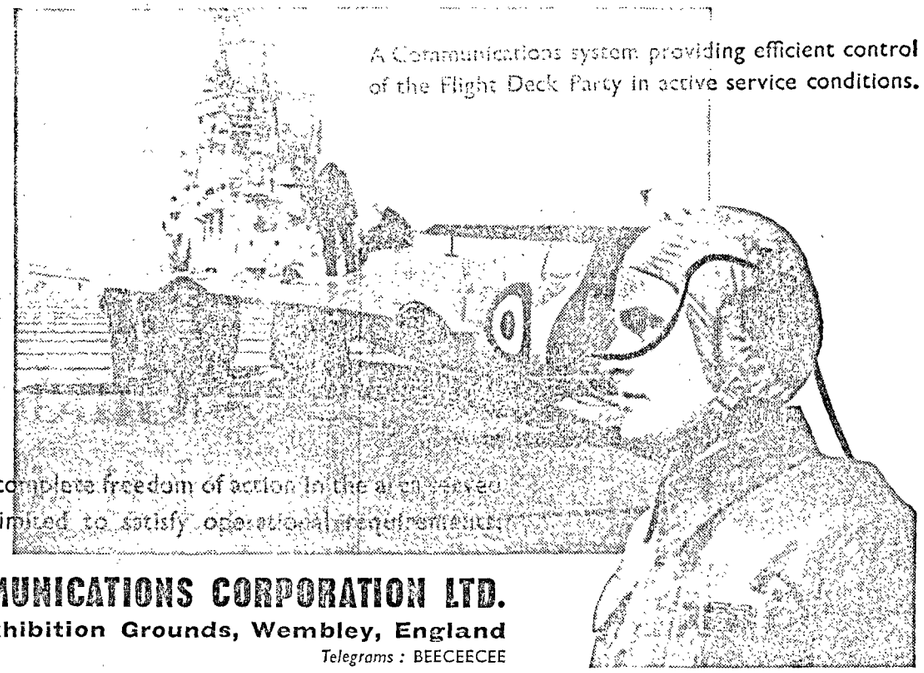
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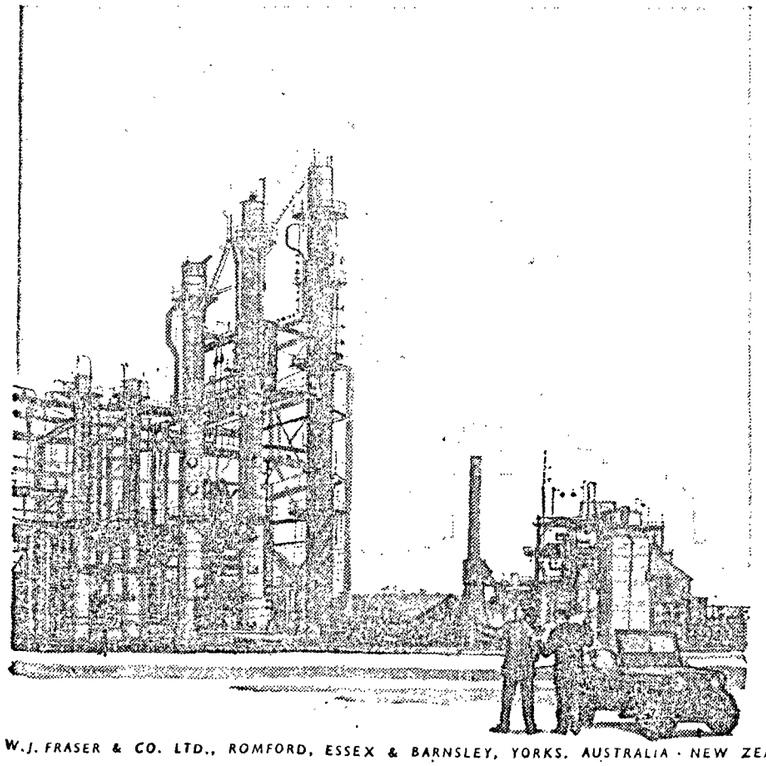
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IF much is now staked on small forces, much also is staked on their weapon, the nuclear-tipped guided missile. In fact this weapon has yet to prove itself ; to this extent the Minister and his scientific advisers are giving a hostage to fortune when they decided to concentrate all future research on this one weapon in all its forms. But they had little choice. Although the production bill for the coming financial year is estimated at nearly £550 million compared with £612 million last year, the Ministry of Supply, which provides the money for all weapon research, including nuclear warheads, is alone in showing an appreciable rise in defence expenditure in this coming year, from £185 million to nearly £200 million. If work on supersonic bombers and ultra-high speed fighters had been continued in parallel with research into guided weapons, it would be easy to see this figure rising towards £250 million. Manned aircraft have been developed as an insurance against the failure of the guided missile. The premium has become too expensive to be renewed.

What are the alternatives ? In the United States, work on guided missiles has been divided fairly equally between those intended for offensive and for defensive roles. Such an extensive programme was too much for British resources and the biggest effort here has gone into developing defensive types to replace the fighter aircraft. In their present form, however, British guided weapons are armed with nothing more formidable than high explosive.

Missiles take perhaps a year or so less to develop than aircraft but their gestation must still be measured over several years. To keep a sense of perspective, some distinction must be drawn between the weapons that are available now, and those that will not be in service for several years.

The short-range atomic missile is a tactical weapon of the present. The American Corporal rocket used by British and American troops is not an elegant design, but it is as effective a means of delivering a small atomic warhead 50 to 100 miles as any known today.

The weapons for which the world is waiting with apprehension are the ballistic rockets that can fly at least 1,000 miles, and preferably 1,500 miles. The distance is not arbitrarily chosen ; it represents the ranges over which missiles launched from the East or Western sides of the Iron Curtain could reach the more important enemy targets. In America, the true ballistic missile, the most advanced of which is Thor, is only now starting firing trials as a complete unit. If these trials go well, Thor might be in service, and even being delivered to this country, within the next two or three years. If they go badly, its introduction could be much later. A weapon in the same class as Thor is being developed in Britain, but its late start puts it years behind.

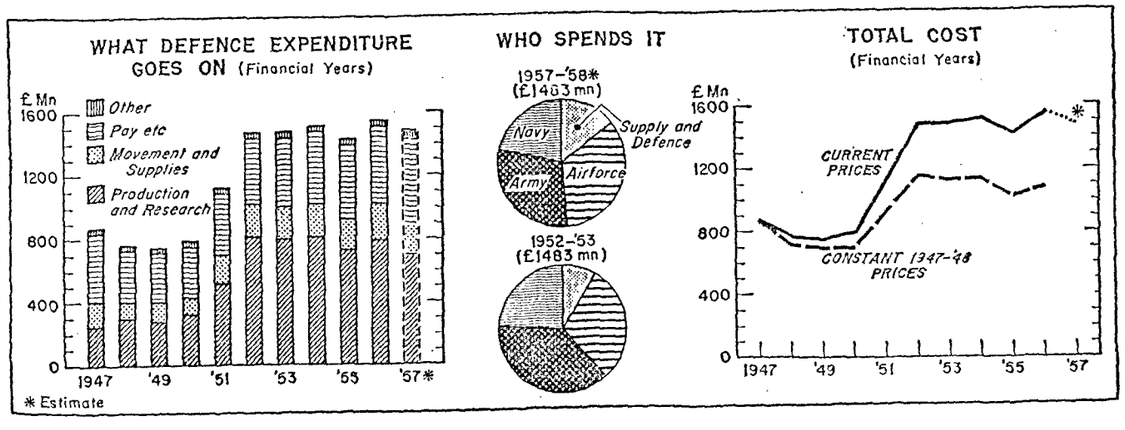
Meanwhile, the Russians have been firing test missiles with ranges of 1,000 miles at a rate that is reported to have reached as much as five a month last year. These need not have been more than test vehicles but they suggest that the Soviet Union must be approaching the point where a 1,000-mile range weapon could go into production.

Beyond these intermediate missiles are the ultimate monsters which will further change the timing of deterrent strategy, by carrying thermo-nuclear warheads the 5,000 miles that separate the mainlands of the United States and Russia. The first American weapon, Atlas, is due to start firing trials this year, but that does not mean that it is anything like as far developed as Thor, and several years of intensive work are likely to be needed before it is. There is nothing to suggest that the Russians are any further ahead here than the Americans, which leaves them at a disadvantage.

Britain will have to rely for several years on importing these offensive missiles from the United States. But if work on manned bombers is coming to an end in five or six years' time when the V bombers have been developed to their ultimate limits, development on long-range missiles must be pressed ahead now to be ready to carry British-built thermonuclear warheads when the Russians develop a successful defensive missile against V bombers.

The development of atomic warheads is not, however, being confined to long-range weapons only. Several American anti-aircraft missiles are being fitted with small nuclear tips, including some of those carried by fighters. The implications of this change may take some time to work themselves out. An atomic anti-aircraft missile no longer has the impossible task of scoring a direct hit on every attacker: a nuclear blast anywhere in the vicinity of a raiding aircraft will be enough to hurl it out of the sky. The same principle can be applied to defence against a ballistic missile, so that at the very moment when the supreme power of the deterrent is given official recognition, the defence is receiving a nuclear shot in the arm that may bring it staggering to its feet.

All these developments eat money and manpower of the highest quality, so that even with the reduced size of the forces it is inconceivable that the production bill could even be held at its present level without a close dove-tailing of research and development between this country and the United States, accompanied, at some time or other, by an agreement on atomic warheads.



4. Nato and the Plan

The logic of the white paper applies with as much force to Nato as to Britain, and should force the allied commands and governments to meet the rising costs of new weapons by reshaping and reintegrating their forces and arms production

ARTICLE three of the North Atlantic Treaty lays down that its members ". . . by means of continuous and effective self-help and mutual aid will maintain and develop their individual and collective capacity to resist armed attack." The white paper, criticised in Europe as a unilateral decision repugnant to the spirit of Nato, in fact insists that "the trend is towards the creation of integrated allied forces." The whole trouble is that the trend is far too gradual. Nato commands are, to some extent, integrated though they are also elaborate and top-heavy with liaisoning; but the forces are separately organised, with different weapons, standards, methods, and supply systems leading to supply ports or bases. So much is this so that it is an immense task to switch a division away from the sector prescribed for that particular nationality. Standardisation has been pursued by a variety of committees but while agreement has been reached on common user items like carburettors and—the greatest achievement to date—small arms ammunition, the British and Americans compete furiously in trying to sell tanks to the Germans, who in any event have decided later to build yet another type of their own.

It should, on the contrary, be clear that if Mr Sandys's plans are to be fully successful, they must have wider application. The full savings cannot be achieved, or Nato defence made efficient, until the rough division of functions between Nato members becomes true specialisation in arms, formations and production. Britain is the first Nato country to renounce the attempt to maintain multipurpose forces; but if this is beyond Britain's strength, it is almost certainly beyond that of most Nato countries other than the United States. The white paper should prove a catalyst of allied military thought.

Continental thinking suffers even more from uncertainty about the uses of tactical nuclear weapons than British, and this undoubtedly holds up more radical reorganisation. The British view is evidently that the shield forces can be reduced to a level just enough to ensure that no attack by satellite armies could hope to be successful without Russian aid, in which case the strategic nuclear deterrent would be involved, since nothing short of it can prevent Europe being overrun. There is therefore nothing sacrosanct even about the 1955 reduced target of 30 divisions. But what then is the role of the nuclear arms—the 280mm cannon and rocket artillery—which is hardly needed to deal with a satellite incursion? The continental governments still nurse hopes that either they can meet an attack by large enough conventional forces, or ultimately be in a position to defeat a full-scale Russian invasion by low-yield nuclear weapons without causing H-bombs to fly. The bogy of having their cities occupied by the Russians, of having to liberate them on the pattern of 1944-45, persists in their minds. The white paper was needed to provoke them to decide exactly what are the contingencies in Europe and with what forces they can best be met. It ought, too, to widen the horizon of Nato strategic thinking; Nato criticism of the white paper would have been more impressive if it had been directed at the risks Britain runs outside rather than inside Europe.

It should also prompt a reappraisal of policy in the United States, and President Eisenhower's favourable response to the plan is a good sign. There must be integration of functions and production with the United States if waste is to be stopped. If attempting to produce both conventional and nuclear forces has overstrained Britain's economy and compelled drastic economies American legislation is partly to blame; and it is hardly enough to have excellent relations at the level of pure science. The fact is that the ABC agreements on nuclear know-how have worked greatly to Britain's and Europe's disadvantage and need overhauling. If specialisation is to go further it does not follow that America should make all the missiles. It is, for instance, very arguable that Britain can supply, in terms of volunteer manpower, a first-rate navy of 100,000 men; what we cannot afford is enough up-to-date ships for them, and by reducing the naval strength to 75,000 we are contributing less of a valuable specialised force than we could. It might be appropriate for the Americans to supply modern ships, and for the Royal Navy to contribute, unreduced, its matchless naval efficiency, know-how and tradition to western sea power.

It was perhaps unfortunate that the British white paper could not be endorsed in advance by Nato. But though Nato exists to undertake just such a "comprehensive reshaping of policy" for the alliance as a whole, it is at present politically incapable of doing so, as the protracted discussions over the reduction in Rhine Army showed. In default of it, the British plan now admittedly defines the types of forces which Britain wishes to fit into everyone else's; it is a pre-cut piece of the jig-saw puzzle of collective defence to which the other pieces, North American, French, German and so on, should be fitted. But it could be modified, if the same ends could be achieved by other means. It is not an assertion of sovereignty, but the contrary. Whether the British Government realised it or not, the white paper is the most complete confession yet made by Britain that adequate defence and national sovereignty are incompatible—and if this is put to the test by Nato it could lead to very considerable restraints being placed upon every member's freedom of action. A white paper which makes the insular decision to abolish conscription points logically to a degree of integrated allied defence which would take such decisions out of the hands of member states, and make the determining of manpower policy a collective function. But this cannot come about until all the members of the alliance have faced the issues squarely. For allies that have not carried the burden of a two-year call-up or the cost of nuclear research which now gives Europe the megaton deterrent independently of America to cavil at the white paper is hardly reasonable; nevertheless reshaping allied defence must be done collectively henceforth, and not by a chain reaction of unilateral cuts and decisions.

BOOKS

The Cat in the Doctor's Bag

The Fateful Years: *Memoirs 1931-1945*

By Hugh Dalton.
Muller. 493 pages. 30s.

THE second volume of Mr Dalton's autobiography has been unfairly bombarded from two sides. Labour expostulants have objected because it lets the cat (there is hot argument about its proper colour) out of the bag. But the only cat that is let out of the bag is Mr Dalton himself, which is surely the right purpose of an autobiography. Critics with other politics have been fastidiously shocked because the comrades at the top of the Labour party are presented by Mr Dalton as Kilkenny cats. These critics protest too much. They need only read their Trollope or the history of the Conservative party from Beaverbrook to the latest Lord Salisbury to see that politicians, whatever their colour, are much the same.

What is the factor *x* that causes a man to be chosen as the political leader of a party? In 1935 Mr Dalton preferred Mr Morrison because he doubted whether Mr Attlee had what it takes. Ten years afterwards, with power in Labour's grasp, he was, as the tide and Mr Bevin were, on Mr Attlee's side, and he feels, as he usually does, that he was right. The interesting question is why he himself lacked *x*.

He would probably answer that *x* is not enough without *y*—the opportunity or chance. It was on a Budget day ten years ago—not the Budget day itself but the day of an emergency Budget in the autumn—that Mr Dalton stumbled most unfortunately, but finally, from the top slopes of the Labour mountain. The tale of the prompt and honourable price which he paid for the indulgence of a few trivial words will be told in the next volume of the autobiography, together with the story of his carefree Chancellorship. But the turning-point came very much earlier. The confidential verdict of Mr Dalton on Mr Dalton is that, if he had not lost his seat in the 1931 debacle, he would "almost certainly" have been Mr Lansbury's deputy in the Parliamentary party, then Deputy Prime Minister in the wartime Coalition and finally Labour Prime Minister.

But x, which can be judged, remains more assessable than y, which cannot. Why was Mr Dalton never really a serious contestant for the Labour leadership? No man in the party during the preparatory thirties and forties had a larger, or larger-hearted, influence on the party's best young men: "Little Hugh," now at the summit, is not alone in his gratitude to "Big Hugh." None among the Labour leadership before the war had a clearer view of world realities. His indictment then, of Cripps and Laski, as well as of Lansbury, was right. Yet the South Col, ill-luck or not, was his limit. Why?

This is where this autobiography is so good. It gives the answer as it goes along. The song in Mr Dalton's heart (identifiable a decade or so ago, in a strictly economic and financial context, as the wind on the nation's stomach) has been his own political handicap all along. For all his notable services to his party and, in wartime, to this country, Mr Dalton has always been, by his own account, too sure of himself—and of others' shortcomings. To a point, both when he was, with ebullient ability and effect, first Minister of Economic Warfare, with fascinating cloak-and-dagger responsibilities in occupied Europe, and then when he was wartime President of the Board of Trade, with a backward "never again" look at the old depressed areas, this self-confidence was his armour. At the Treasury, afterwards, it was his downfall; so it has been in the party.

"Both you and I saw," Mr Dalton wrote to Winston Churchill on May 25, 1945, "more clearly than many members of either your party or mine, the growing German menace in prewar years. I greatly appreciated your support for the case I made in the House of Commons on May 25th, 1938. . . ." And when Mr Churchill, almost exactly five years before, had exhorted his new Coalition Ministry to all-out resistance to "That Man," Mr Dalton records that, "there were loud cries of approval all round the table, in which, I think, Amery, George Lloyd and I were loudest."

Very likely these claims are true enough. But, set down now, they are, revealing clues to the reason why, unlike his constituency football team, Bishop Auckland, which plays this Saturday in its 18th Amateur Cup Final, Mr Dalton never reached the last round.

F.D.R.

Roosevelt: *the Lion and the Fox*

By James McGregor Burns.
Secker and Warburg. 569 pages. 45s.

ROOSEVELT-GESCHICHTE is getting its second wind. For the moment the spate of contemporary memoirs—"The Roosevelt I knew" type—has ceased: and now the biographers, historians and analysts have taken over, the second generation who know the Great Crash only as a childhood memory; to whom FDR's Hundred Days belong as much to the past as Napoleon's; who have spent most of their adult years in a world in which there was a good deal more to fear than fear itself. They bring to their subject, for the most part, a dispassionate spirit which their predecessors notably lacked, but they also bring a critical temper which is more than proof against the FDR charm that, while he lived, so effectively armoured him against all but the most embittered of his enemies.

Of these latter-day Rooseveltians, Mr Burns must now, on the evidence of "The Lion and the Fox," be counted one of the most accomplished. His book is a "political biography"—the first such, his publishers surprisingly assert, as if other Roosevelt biographers, by some miracle of excision, had contrived to tell the life story and leave the politics out. However, it certainly focuses consistently on "politics" in the strict, technical, one might almost say American, sense of the term, as the art of the possible, of the how rather than the why, of statecraft as Machiavelli conceived it. As such, the book becomes also a study in political leadership, although this very properly leads Mr Burns on to ask more fundamental questions about the Rooseveltian strategy as well as tactics, about his ultimate objectives and ultimate successes. This gives the biography an extra dimension of interest and intensity; one reads on not only because of the abiding fascination of "the four times President," but also because of the crucial questions which Rooseveltian politics provoke, for other decades than those in which they found their immediate occasion.

Mr Burns not only raises the questions; he continuously strives to answer them, at each stage in his subject's sinuous career as well as in the grand inquest which he holds at the close. His judgments are by no means continuously favourable. Roosevelt is marked down on more than one occasion for failures of leadership, for indecision, for tortuousness (though this less often, perhaps, than one might expect), for errors of timing and even, on occasions, signs of timidity. On balance, however, Mr Burns finds for the prisoner at the bar. Roosevelt, it is true, "was less a great creative leader than a skilful manipulator and a brilliant interpreter." But "for all his deviousness, he was basically a moral man"—not "an absolute moralist" because he had few illusions about a man's imperfect nature, but an aristocrat dedicated to the purposes of democracy, a great warrior who "would use the tricks of the fox to serve the purposes of the lion."

All this Mr Burns traces with subtlety, scrupulous fairness and considerable detail, through the first seven years of Roosevelt's presidencies, together with a brief conspectus of his early years and a short epilogue on the war period. It is impossible not to regret the foreshortening involved in the decision to cut down on the years 1940-45. These, after all, were the supreme years of test and triumph, of boundless power and supranational leadership, and the hoary,

always-valid, never-valid, excuse about scholars not yet having "the full data" will pass muster only if it means that, when time permits, Mr Burns is planning to take us over the rest of the course. When he does, he might consider one or two modifications in his generally admirable style of treatment. He surely might take the more familiar historical events of the period as read; these 500 odd pages could have been usefully reduced by dropping the pretence (which the bibliography over-elaborately refutes) that Mr Burns's is the first conducted tour over the site.

Secondly, Mr Burns's narrative gifts are considerable enough for him to spurn the touches of spurious drama that frequently deface the opening paragraphs of new chapters and lead him, in at least one instance—the picture of FDR on election night, 1940—to attempt a most unhappy blend of *Time*-style and Lytton Strachey. His book as a whole is so good, so full, so freshly made from primary materials, so intelligently thought out in every judgment, that these defects stand out the more glaringly. For all that, they are in essence minor blemishes, in a book that no student of Roosevelt can ignore.

France's Weakness

De la IIIe à la IVe République

By André Siegfried.
Paris: *Grasset.* 270 pages. 780 francs.

M. ANDRE SIEGFRIED, like the constitution of the Third Republic, was born in 1875. There is in these reflections on French politics something of an autobiographical nostalgia for the great days of the Third Republic, of which he gave us so tantalising a sketch in his brief memoir of his father some years ago. It would, however, be a mistake simply to treat this as a work interesting for its author rather than for itself. M. Siegfried pays a rare compliment from a Frenchman to a foreigner when he says in one passage that Mr Philip Williams's book, "Politics in Post-War France," is the best so far written on the Fourth Republic. One can only return the compliment by saying that this is far and away the best book that France's contemporary political predicament has so far produced—and not only for the reason that, unlike so many Anglo-Saxon political scientists of the present breed, M. Siegfried knows how to wear his learning lightly.

In the first place, M. Siegfried is the first writer who has felt himself far enough away from the battle to be able to treat the history of France since 1875 as a single theme incorporating both Vichy and the Resistance in their proper place, without attempting to disguise the continuity that runs through both and links both with the past and with the future. In the second place, M. Siegfried has a theory to explain France's predicament. He believes that the characteristic thing about France is the contrast that exists between the French citizen in his private capacity, where his attitude is one of down-to-earth individualism, passionately concerned with the immediate and the practical, and the French citizen as a member of a political community, where he thinks and acts in terms of abstract principle. Continuity in French political life between the Third and the Fourth Republic is provided, not so much by the presence of the same political parties, as by the persistence of a number of ideological clans which form the nuclei of the parties existing at any particular moment. The activities and attitudes of these clans are dictated partly by the historical tradition and partly by the particular personal temperaments to which they appeal. In this, the French political parties based upon them clearly differ from political parties in other countries, where party allegiances are dictated by more obvious considerations of self-interest. Instead of France adapting itself to history, to industrialisation, to its new place in the world and so on, history is asked to adapt itself to the French political constellation. Its refusal to do so is the source of France's present discontent.

M. Siegfried is not, however, ashamed of his countrymen. He says at one point that he sometimes reflects whether it is not the case that the countries that are well governed are the countries where people think little, and he insists, in discussing, for instance, the continued appeal of the French Communist party, that it is no use judging French politics by Anglo-Saxon standards. One has to allow for the persistence of ideology and learn how to live with it.

The peculiar difficulties of the Fourth Republic, as M. Siegfried sees them, arise from the fact that both the constitution itself and certain political habits that have grown up are even less favourable to stable government and the pursuit of definite policies than was the case under the Third Republic. M. Siegfried, for instance, regrets the eclipse of the old senate, which he regards as having been the model of what a second chamber should be—a judgment that may surprise many. The rule by Assembly, which is largely dominant in the present constitution, is made even worse in his view by the increasing tendency of deputies to accumulate local responsibilities, to which they regard their parliamentary position as simply an adjunct. This fragmentation of the political sovereign is seen as being paralleled by a decline in the sense of the unity of the state from the executive point of view. It is a pity that M. Siegfried has not allowed himself more space to elaborate his point that the associations of state employees have attained an altogether unhealthy position of control over matters of appointment and promotion within the service.

Again, like other recent commentators on the French scene, he is preoccupied with the penetration of the ruling *élites* in the bureaucracy and nationalised sector of the economy on the one hand and in business on the other—although here perhaps what troubles him is the impact the man who is at ease in government service is likely to have on the more competitive forms of enterprise which France clearly needs to develop.

It is obvious that for M. Siegfried no simple solutions, such as altering the electoral system, or playing about with the machinery for dissolution, will affect the essential weaknesses of a system which in its working, if not in its results, corresponds so closely to what Frenchmen appear to expect in politics.

Behind the Japanese Scenes

Japanese People and Politics

By Chitoshi Yanaga.
USA: *John Wiley.* London: *Chapman and Hall.* 418 pages. 60s.

THIS is the first attempt that has been made to describe the theory and practice of Japan's postwar constitution. Mr Yanaga is well qualified for the task; a Japanese trained in political science at Yale, he is able not only to comprehend his own country's political system as only a native can, but to write about it in western terms. He does this very ably, although he is apt to involve himself in over-frequent and sometimes oddly misleading comparisons of Japanese institutions with British or American ones.

Mr Yanaga opens his study with an interesting analysis of Japanese political behaviour and its historical roots, and he deals not only with such well-known Japanese characteristics as national insularity, respect for authority and consciousness of kinship, but also with the inexactness of Japanese thought and language, the importance of the old school tie in politics, and the Japanese conception of the perfect bureaucrat. Such generalisations on character must always lead to over-simplification, but they do give a much needed background to Japanese political behaviour. This is followed by a formal analysis of the functions and powers of the prime minister, cabinet and diet, frequently clarified and enlivened by asides on such subjects as the "ministerial bug," which infects all Japanese politicians with a consuming ambition to obtain, however temporarily, a cabinet post, or the tendency of standing committees to identify themselves with the administrative departments which they are supposed to check. These illuminating references to the shady side of politics become more frequent in the chapter describing how the political parties function, the problems of the party president, which make it impossible for him to exercise fully "the common virtues of the honest man," and the conventions that govern the formation of splinter groups. There is an excellent chapter on the history and character of the Japanese civil service, its sufferings from the operation of Parkinson's first law, its prestige as the main gateway to power and a political career and the intense competition for admission to the administrative grades.

Some gaps have necessarily been left in this attempt to make a comprehensive survey of the Japanese political system: the chapter on the citizen and the law gives no indication of the practical effectiveness and independence of the judiciary, and the few pages devoted to relations with the outside world only skim the surface of the subject. But this book will help anyone who wants to get behind the formal façade of the constitution to the real forces behind modern Japanese politics.

Middle East Record

Diplomacy in the Near and Middle East:

A documentary record. Volume I 1535-1914. *Volume II* 1914-1956.
By J. C. Hurewitz.
New York: *Von Nostrand.* London: *Macmillan.* 310 and 446 pages respectively. 84s. for both volumes.

THE second volume of this work is one that will prove indispensable to all students of international politics in the Middle East. Professor Hurewitz has provided an invaluable collection of the most important international agreements and concessions covering the area since 1914. Moreover he has prefaced each document with a short pointed introduction, covering its origins and significance, and providing a short bibliography for the more serious student.

If this were all he had done, there would be little more to say about the volume. But he has unfortunately set out, as the title suggests, to "illuminate" the "decisive developments in the last four decades." This has led him not only to print the international treaties, concessions and agreements, but also to attempt a selection from the available documentation of the more important diplomatic negotiations. This procedure is inevitably open to objection. In the first place, their presence over-inflates the size of the book. In the second place it is rarely possible to select from what are already selections, without distinction.

Professor Hurewitz does his best. His piecing together of the secret agreements of June 1915 on the future of Constantinople is useful and successful. But his selection, from the various volumes of "The Foreign Relations of the United States," on American oil policy 1920-23 is a great deal less than adequate. His selection from the Versailles records is equally open to criticism. And his selection from "Nazi-Soviet Relations" of the draft Four-Power pact sent by the Germans to Moscow in late November 1940 tends to perpetuate the myth that sees in this a revival of Russian demands on the Middle East. In fact, as a perusal of Molotov's immediately preceding talks with Ribbentrop in Berlin shows, this idea was Ribbentrop's, not Molotov's, and of German not Russian origin. Molotov was interested, with a mountainous suspicion which Sir William Seeds or Lord Strang would have recognised, in Germany's designs in the Balkans and Finland. It is clear that he only agreed to the sphere of interest allotted to Russia on German insistence.

There are one or two unfortunate omissions. There is no text of the Saudi-Arabian concession to Standard Oil of California of May 29, 1933. It was unlucky that General de Gaulle's memoirs, which their accompanying volume of documents, appeared too late for any use to be made of their evidence on Anglo-French relations in the Middle East in 1940-45. There is nothing on the Middle East Supply Centre, and possibly a little too much on Palestine for a volume of this size. These are, however, only minor blemishes on a volume likely to prove of great value to anyone interested in the Middle East. The first volume covers too wide a period of time to earn an equivalent recommendation.

Liberalism in Caricature

The Anti-Capitalistic Mentality

By Ludwig von Mises.
Macmillan. 120 pages. 28s.

THIS is a sad little book, from which admirers of its author—and these are many, even among those who radically disagree with his political conclusions—should be warned away. Professor von Mises has a splendid analytical mind and an admirable passion for liberty; but as a student of human nature he is worse than null and as a debater he is of Hyde Park standard. This essay in social psychology and the history of opinion would get low marks if presented by a second-year undergraduate to his tutor—who would, however, charitably reflect that a little experience of life would remedy the cocksure superficiality which it displays and probably improve its writer's manners. No such consoling reflection is possible here.

The "anti-capitalist mentality," according to Professor von Mises, is the entirely discreditable product of envy, conceit, ignorance, and dishonesty. Envy, as he sees it, is the dominating state of mind of everyone who is not at the very top of his particular tree; since its direct expression may be impolitic, it is translated into hostility to "the system." (Rentiers, the reader may be surprised to learn, are generally hostile to "the system," because they are less rich than active tycoons.) Conceit, working on the same principle, runs envy a close second. Ignorance blinds men to the lessons of history (which, were it not distorted by envious and conceited teachers, would show capitalism to have been everywhere and always an unmixed blessing) and to those of economics, which show that all interference with the acquisitive instinct is self-defeating and destructive. Mental dishonesty, in the service of all three vices, accounts for the misleading of the common man by politicians, academies, novelists, playwrights, Hollywood actors, detective-story writers (this is a deliciously owlish section) and, so far as one can make out, every other type of articulate individual except Professor Mises and his totally committed disciples—among whom not even Professor Jewkes, let alone Professors Robbins, Hayek and Röpke, could by the standards of this book be properly included.

To find an equal dogmatism coupled with an equally *simpliste* view of the springs of conduct, an equal propensity for propping up dummies and knocking them down, an equal contempt for human facts coupled with an equally vituperative style, one would have to turn to the less sophisticated Marxists—whom Professor von Mises also resembles, as negative resembles print, in his vision of inevitable and blood-boltered catastrophe punishing any deviation from the pure capitalist way. Seldom can an equally powerful thinker have perpetrated so resoundingly silly a book. The case for freedom needs making and re-making, tirelessly and ingeniously; but its cause is ill served by such stuff as this.

Industry for the Masses

Industry and Press Relations

By Peter Hayle
Staples. 142 pages. 12s. 6d.

THE author, writing under a pseudonym, sets down the rules with clarity. In these days when mass produced newspapers are more concerned with entertainment than with serious matters and the "spike" awaits practically all copy that is neither sensational nor amusing, it will interest

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laymen who read this book to find that there are many journalists in Fleet Street and in the provinces who are so active on industrial subjects.

Somewhat surprisingly, the author pays little attention to the hazards that beset press relations, even in the hands of experienced people. Of these perhaps the greatest is the sub-editor, who, to fit space requirements, frequently tears to pieces a carefully written story, sometimes with disastrous results. As a rule industrialists expect newspapers to print statements exactly as given and take it very much to heart when announcements in which every dot and comma have been carefully studied are treated in such cavalier fashion. Because of the havoc this can cause at times, one distinguished industrial correspondent on a national newspaper will not permit any changes in his copy without prior consultation.

In the broad field of public relations a full understanding of the best way to encourage favourable treatment by the press is very important, and anything that can further the education of industrialists in this respect is to be welcomed. The last serious guidance given in this field was a publication called "What's the Point" issued by the Federation of British Industries in 1949. It then said that industry was slack in getting over the simple plain facts and advocated serious thinking about how to put the matter right. Most industrialists still seem to have a lot to learn.

BOOKS RECEIVED

USAGE AND ABUSAGE: *a guide to good English. New Edition.*
By Eric Partridge. *Hamish Hamilton.* 390 pages. 21s.

THE ECONOMIC WRITINGS OF FRANCIS HORNER IN THE EDINBURGH REVIEW 1802-6.
Edited by Frank Whitson Fetter. 141 pages. No price given.
This is the latest publication in the series published by The London School of Economics of scarce works on political economy.

ONE THOUSAND QUESTIONS AND ANSWERS ON COMPANY LAW.
By Frank H. Jones. *Jordan.* 27s. 6d.

PARIS.
By André George. Translated and adapted by J. H. Denis and J. M. Denis. *Nicholas Kaye.* 248 pages. 35s.

THE NIGHT HAS BEEN UNRULY.
By J. C. Trewin. *Hale.* 288 pages. 21s.

THE GREEN CROW.
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LETTERS

Insurance Policy for Oil

SIR—You seem unduly pessimistic in supposing that an increase in coal output could only be achieved at an exorbitant cost. In fact, what little is known about the reserves in the Midland and Yorkshire coalfields certainly suggests that there is considerable scope for an increase in output of really cheap coal from these areas.

This coal is not of very high quality, but it would be eminently suitable for conversion to oil. Underground gasification of inaccessible seams, and the coal released by nuclear electricity production, are additional raw materials for oil production. Quite a lot of development work needs to be done to find the best method of oil synthesis, but existing plants in South Africa and on the Continent show that it can be done reasonably economically. It may well be that such processes would provide the best long-term insurance policy for oil.—Yours faithfully, B. H. WORMSLEY
London, S.W.7

★

SIR—I was surprised that no mention was made in the interesting article in your issue of March 23rd of the possibility of producing important quantities of oil by the process of underground gasification of coal. Underground gasification would appear to have many prospective advantages for the United Kingdom, particularly based upon utilising only the cheapest-cost pits for coal. The following come readily to mind: dispensing with a large percentage of unsatisfactory labour and tending to concentrate the best in the best coalmines; more complete utilisation of raw material; recovery and use of valuable chemicals now being lost in combustion and smoke, which should be a valuable asset to the efficient chemical industry. Little difficulty should be met with in overcoming technical, chemical, and engineering problems of underground gasification and subsequent manufacture of oil, greases, chemicals from the gas.

As to the oil produced, considering the fuller use of raw material, valuable by-products, saving in transport and handling, etc., it might well be found possible to sell it—delivered in the United Kingdom—at little if any more than imported oil from natural sources. But even if it did cost more, the cost would be in sterling, spent in the United Kingdom, and the strategic value would be large. To these considerations must also be added the direct and indirect value to the highly efficient chemical industry of added supplies of valuable (and highly adaptable) raw materials—home produced.—Yours faithfully, H. A. R. BRETT
Johannesburg, South Africa

Zik Wins Under Pressure

SIR—You state that it baffles conjecture how Dr Azikiwe's electorate understood his remark that his bank dealings had been "to liberalise credit." Surely not. West Africans seem to know everything about credit. They pay dowries on it, eat this month's meals on it and spend days and days trying to obtain more of it. Parts of Dr Azikiwe's speech may have been above the heads of his electorate, but the bits about credit would have gone straight home. To liberalise credit, however translated, would mean to them that the precious stuff becomes freer for all.—Yours faithfully, ANTHONY SMITH
Manchester

New Age Banking

SIR—It is to be hoped that the committee of the London clearing banks on applying electronics to banking gave thought to the need for the establishment of a decimal currency.

Even in these days of pre-electronic book keeping, the introduction of a decimal currency would of itself significantly reduce clerical costs, and surely electronic computers can more readily be applied to a decimal currency than to our own. It would be ironic if the adoption of the decimal currency should be hampered in later years because of the existence of a highly complex system of electronic accounting based on our present coinage.

The immediate introduction of the decimal currency can hardly prove an unsurmountable obstacle, for all that we need is to base the currency on the existing five shilling piece. This would allow of the elimination of the fractional halfpenny while still retaining the general monetary value of that token. Mercifully the farthing is now of such little utility that it can be ignored.—Yours faithfully, GETHYN DAVIES
Hampstead, N.W.3

What is Deportation?

SIR—With reference to your article of March 2, 1957, in which you criticised the inconsistencies of the German compensation law and singled out a verdict of a German Court at Frankenthal, I should like to inform you that this verdict has been reversed on March 1, 1957, by the Oberlandesgericht Neustadt an der Weinstrasse. This Superior Court decided that financial aid for returned emigrés (Rückwanderer), should also be given to people who have been deported to Theresienstadt or similar camps.

—Yours faithfully,
London, W.1 F. KARSTEN



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Statement of Condition March 31, 1957

ASSETS

Cash on hand and due from banks	$218,806,069
United States Government securities	160,594,742
State and municipal bonds and notes	44,983,442
Other bonds and securities	12,672,782
Loans and bills purchased	379,009,126
Accrued interest, accounts receivable, etc.	4,557,089
Stock of the Federal Reserve Bank	1,800,000
Investments in Morgan Grenfell & Co. Limited, Morgan & Cie. Incorporated, and 15 Broad Street Corporation	3,560,000
Banking house	3,000,000
Liability of customers on letters of credit and acceptances	21,268,839
	$850,252,089

LIABILITIES

Deposits: U. S. Government	$ 40,702,628
All other	678,478,516
Official checks outstanding	22,820,496
	$742,001,640
Accounts payable, reserve for taxes, etc.	7,787,191
Acceptances outstanding and letters of credit issued	21,321,516
Capital—800,000 shares	30,000,000
Surplus	30,000,000
Undivided profits	19,141,742
	$850,252,089

United States Government securities carried at $60,046,403 in the above statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Democrats Mark Time

WASHINGTON D.C.

MR LYNDON JOHNSON, of Texas, the political virtuoso who, as Democratic majority leader, dominates the inner life of the Senate, has never appeared more the master of the political scene than he does today. With Congress expected to adjourn on or about August 1st the present session is already half gone, and little is likely to be accomplished in the second half. But Senator Johnson is unperturbed. Although he operates at a feverish pace, his cool and practised inward eye is fixed on the return of the Democratic tide which he expects in the elections of 1958 and 1960.

The victory of Mr Yarborough in the special senatorial election in Texas and the local Democratic victories in Michigan last week furnished, from Mr Johnson's viewpoint, fresh evidence of the validity of his underlying assumptions. His opinion is that, for the present, party harmony must remain the over-riding objective and that therefore no large and dramatic effects are possible. The results in Texas not only reaffirmed the *status quo* by maintaining the Democrats' 49 to 47 control of the Senate, but also underlined the narrow margin on which Mr Johnson works. Supremely the man of middle views, he is too much the loyal Democrat to be either the cynical agent of the alliance with the Republicans on economic issues which his more conservative southern colleagues advocate or the spokesman of the liberal doctrines dear to the northern wing of his party. To take either course would shatter the surface harmony which now prevails.

The returns from Michigan, where a progressive Governor, Mr Mennen Williams, and the aggressive shock troops of Mr Walter Reuther's United Automobile Workers produced another sweeping victory for the Democrats, likewise provide comfort for Mr Johnson, in spite of the ideological gulf which separates him from the party in Michigan. They prove to his satisfaction, as did the outcome of the congressional elections of 1954 and 1956, that beneath the Eisenhower sweep the majority of the country remains rooted in its Democratic loyalties. Time, he believes, is on his side and favours his policy of masterly inactivity.

Senator Johnson has expressed the belief that modern Republicanism is nothing but Mr Eisenhower and a few publicity men at their typewriters. He argues that the President has not remade his party, and that this will become evident in 1958 when 15 of the 21 Republican Senators seeking re-election will be either conservatives of the Taft school or extreme isolationists, such as Senators McCarthy and Jenner, for whom Mr Eisenhower cannot campaign with enthusiasm and for whom he may not campaign at all. Mr Meade Alcorn, the new chairman of the Republican National Committee, has announced that he will support all the party's candidates, but the President has refused to commit himself.

By 1960, Mr Johnson believes, the gap between the rhetoric of modern Republicanism and the performance of old-style congressional Republicans will have become unmistakably clear. At the same time if, as he confidently expects, the Democrats gain half-a-dozen seats in the Senate next year, they will be able to blow their partisan trumpets more loudly on liberal issues and risk the occasional defection of the die-hard members of their own conservative southern wing. With the Republicans unmasked and the Democrats attacking vigorously, the White House, he argues, should fall to them in 1960.

★

Other Democrats, as well as many impartial observers, dispute the soundness of Mr. Johnson's position. They believe that the President, if he has not thoroughly transformed his party, has at least altered its image sufficiently to narrow, to a significant degree, the difference between the two parties. Northern Democrats fear that what Mr Eisenhower has twice done, Mr Nixon, now the Vice President, may accomplish a third time in 1960 with more modest but equally decisive success. It is urgently necessary, they believe, for Democrats in Congress to distinguish themselves in the mind of the public from their Republican rivals.

Mr Johnson, however, rides unchallenged over these dissenters. He has effectively bound every Democratic faction in the Senate to him by guiding strings of personal obligation, loyalty, or hope of gain. The ninety or more younger members in the liberal Democratic block in the House of Representatives are restive, but there again the party's margin of control is too narrow to permit of any revolt against the Speaker, Mr Rayburn, the elderly fellow-Texan who is Mr Johnson's former mentor and present ally. The distinguished advisory committee appointed by Mr Butler, the chairman of the Democratic National Committee, which includes among its members Mr Stevenson, the party's titular leader, has so far proved only a sedate and unobtrusive appendage to the congressional power system.

The real dilemma of the dissenters is the poverty of exciting and popular issues. The civil rights of Negroes, federal aid for the construction of schools, foreign aid and tariffs exhaust the list. On each of these questions Mr Eisenhower has taken over the traditional position, and even some of the rhetorical trimmings, of the Democrats. All they are left with are quarrels over the scope and the details of legislation. This provokes dismay and acute frustration among liberal Democrats, but Mr Johnson, with his cheerful view of the future, refuses to regard it as a matter for concern. Indeed, since he is the majority leader and many

of the President's lieutenants in Congress are cool to modern Republicanism, Mr Johnson knows that representatives of the White House have sooner or later always to come to him and meet his terms in shaping legislation, a fact from which he doubtless derives much of his pleasure in life.

Each of these issues, except Negro rights, has become entangled with fiscal problems. The Budget has become the battleground for friends and enemies of the welfare state, for isolationists and internationalists. The economy drive, initially set in motion by spokesmen of the Administration, has had the effect of a boomerang on the President's Budget. The House in the past fortnight has indulged in a series of furious marches and counter-marches in the field of appropriations for health, education, welfare and the postal service. The foreign aid appropriation is virtually certain to be severely cut in the House. This drive against foreign aid is part of a broader thrust against heavy defence spending, against the relaxation of immigration barriers on behalf of Hungarian refugees, and in favour of high tariffs. It will require the concerted efforts of both President Eisenhower and Mr Johnson to contain this resurgent mood, which is isolationist in spirit if not in name, when the turn of the Senate comes.

The Negro rights legislation, which is expected to reach the Senate floor by the middle of May, will touch off a long and angry debate. The question is whether this will result in the passage of the Bill or only in an impassioned demonstration of conflicting emotions on the racial issue. More than civil rights hangs upon the outcome for, if either the liberals or the conservatives feel they have been too badly defeated in that struggle, they are likely to become intransigent over the related question of whether schools receiving federal aid should be required to abolish the colour bar. The prolonged clash over civil rights, with its effects upon the mood and temper of the Senate, is therefore likely to provide the severest test of Mr Johnson's policy of moderation and the only drama of an otherwise dull and drifting session.

Britain's Example

NEARLY all the American comment on this week's British Budget and on last week's defence white paper is surprised ; some of it is shocked, some of it envious, some of it sympathetic ; and most of it agrees that Britain is setting an example, although to whom and whether good or bad is more controversial. To the congressional doctors the reductions in spending and taxation are just what they want to order for Americans. But the cuts can hardly fail to have an unfortunate effect on the appropriations for foreign aid. These have always seemed the obvious place where the British budgetary prescription might be applied to the United States—and the defence white paper makes these appropriations look even more obviously suited to reduction.

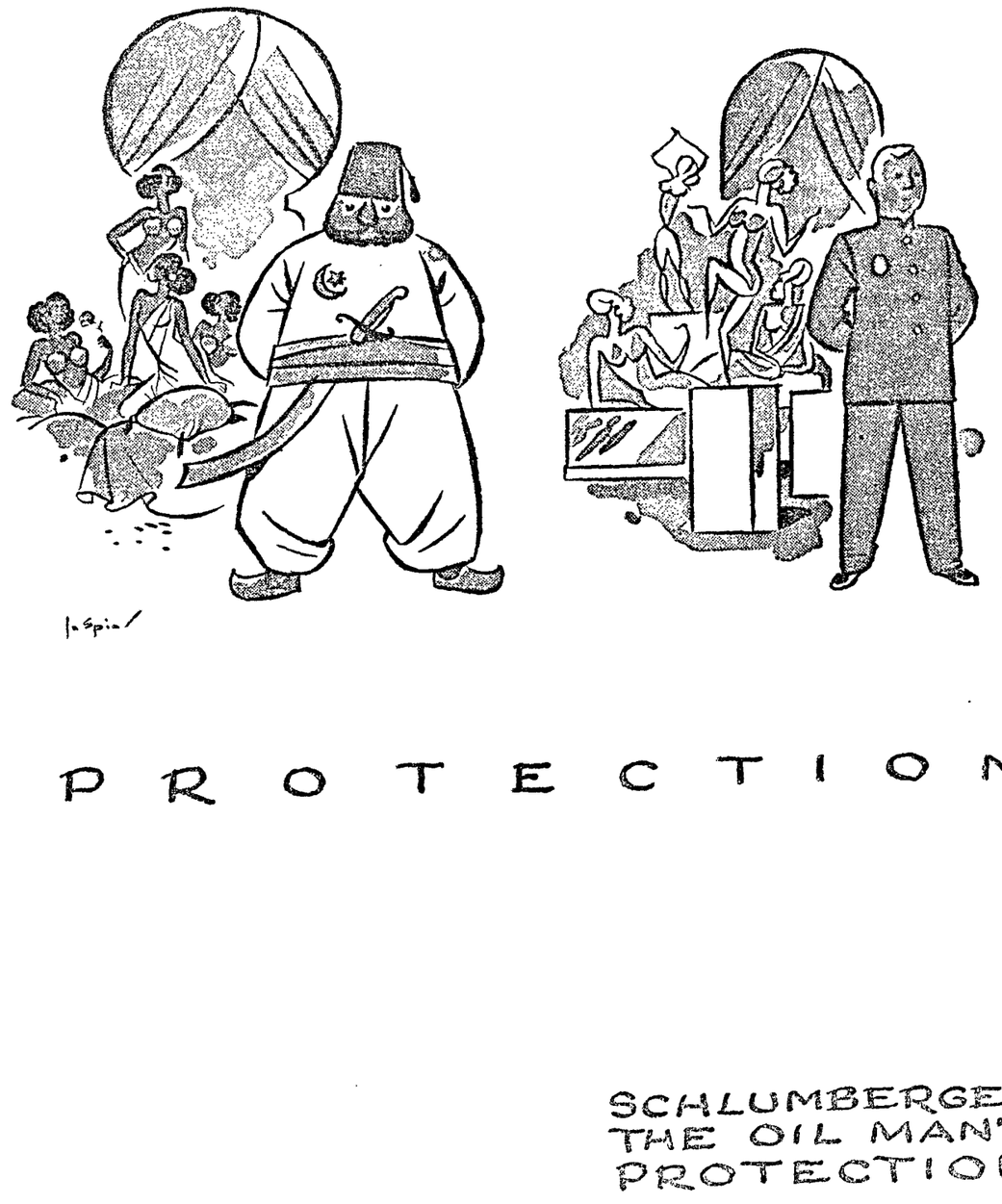
Senator Russell, chairman of the Senate Armed Services Committee, was speaking for many when he asked the Secretary of State this week why the defences of the free world had become weaker in the past ten years in spite of American aid. And it is widely held that Britain would not have dared to "withdraw as a world power" had it not been able to count on American protection and on the United States assuming responsibility for British commitments overseas. Here it is felt Britain has set a specifically bad example to the other members of the North Atlantic Treaty Organisation ; it will now be difficult, if not impossible, to hold them back from also reducing their contributions to the western alliance. In the Administration, where the British problem is better understood than in Congress, the main criticism has been of the defeatism, and the discouraging effect on public morale in other countries, of the blunt statement that there is at present no means of providing adequate protection against the consequences of a nuclear attack.

Finally, Senator Douglas and others contend that the "virtual disappearance" of Britain's land forces, and the likelihood that other countries will follow the same policy, mean that the world may have to choose between acquiescing in an act of limited aggression or initiating a "nuclear holocaust." But there are many, the President among them, who admire the courage with which Britain is cutting through the undergrowth of conventional armaments and inter-service rivalries into the brave new—and for the present less expensive—world of guided missiles. And after all, as Mr Eisenhower has pointed out, the United States reorganised its own defence establishment four years ago in order to bring it up to date with the military facts of the day.

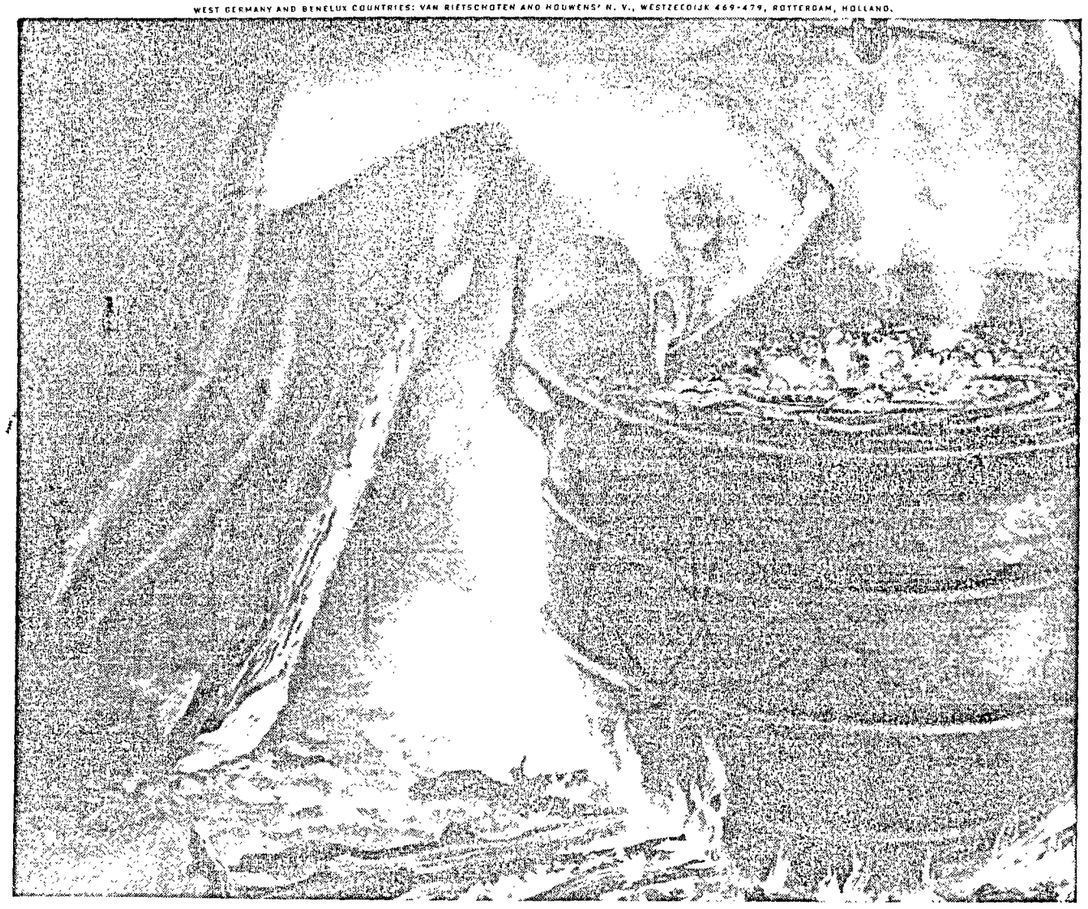
The President Turns

WHEN the Under Secretary of the Treasury tells a congressional committee that it would be sound to cut the Budget by $2 or $3 billion at the precise moment at which Mr Eisenhower is telling his press conference that no startling reductions, of the order of $2 billion, are to be expected, it is clear that even inside the Administration rebellion has not been stamped out. But last week the President, who has been so much criticised for the flabbiness of his leadership, vigorously followed up the eloquent defence he made over a fortnight ago of his Budget in general and the foreign aid appropriation in particular. His theme is that peace is more important than tax cuts. Moreover, he went after that to the rescue of the school Bill which, after having been pronounced a casualty of the economy drive, showed a flicker of life: a House subcommittee proposed a compromise between the Republican and the Democratic proposals on offering federal money to the states for the construction of schools. First in a talk to the Advertising Council, and then in a speech to the National Education Association, which was broadcast nationally, the President insisted that schools were more important than guided missiles, radar warnings, or peaceful atomic power, and made it plain that he had no sympathy with the attempt of the United States Chamber of Commerce to treat the shortage of buildings and teachers as an illusion.

The boldness of Mr Dulles's proposals on foreign economic aid—in a year when the mutual security programme is everyone's favourite target for economy—is also a hopeful sign of fighting spirit. Mr Dulles, fortified by a report from the businessmen of the Committee for Economic Development which, like the International Development Advisory Board before it, recommends a long-term approach to economic aid, has suggested an economic development fund, capable eventually (but not this year) of making loans



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up to $750,000 a year. He asked the Senate Select Committee on Foreign Aid, which is surveying the field before the Administration submits its detailed proposals in May, to make more efficient management of economic aid possible by abandoning annual appropriations and the rigid allocation of money, in advance, to individual countries. He urged, in addition, that all spending related to defence—the lion's share of the money—be charged to the military appropriations to dispel confusion and exaggerated notions of the amount of economic aid going abroad. Finally, he held out no hopes of a lower total bill for mutual aid. Such an expansion of economic aid—even if only in terms of the loans which Congress prefers to grants—needs to be justified to Americans by the President as well if it is to have a chance of being accepted. The State Department, unfortunately, cannot apply to Congress the forceful arguments of the Postmaster General who, when his funds were threatened, simply announced that he would eliminate third class deliveries, shut post offices on Saturdays, and stop issuing postal orders.

Trade Battles to Come

WASHINGTON, D.C.

THE message sent to Congress last week by the President asking for American participation in the Organisation for Trade Co-operation wisely met the opposition half way by stressing the safeguards for American trade in the legislation, and the advantages of joining this year. In particular, the approach of the European common market is supplying congressional supporters of the OTC with a much needed new argument. According to the Boggs Report, the first product of the new sub-committee of the House of Representatives on foreign trade policy, American exporters will need the machinery of the OTC if they are to prevent themselves being squeezed out of European markets. The President's third attempt to secure American membership of the organisation, which will be handled this year by the Department of Commerce instead of by the more vulnerable State Department, will be one of the three sectors upon which the 1957 trade battles will be fought. The two others will witness a tug-of-war between rival proposals on dumping and the high-pressure campaign to win restrictions on the import of plywood and veneer. These are both symptoms of the extent to which domestic producers are losing interest in tariff increases won through the "escape clause" and are turning elsewhere for protection against foreign competition.

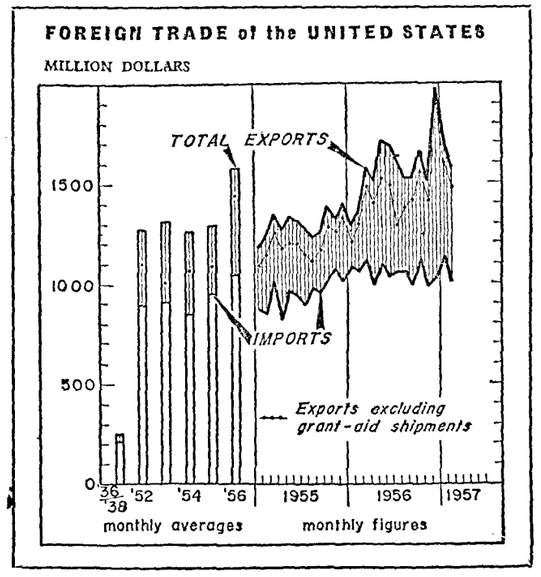
The Administration, which has been holding the line against the use of quotas, even at the price of arranging with the Japanese to restrict their textile exports to the United States, is worried by the skill and vigour of the plywood campaign. As with textiles, it is the South, formerly the home of free trade, which is claiming most of the injury, with some support from New England; Japan is once more the villain of the piece; and again it is low wages in Japan which are providing the choicest material for propaganda. A quota Bill introduced into the Senate by Senator Thurmond of South Carolina, with twenty co-speakers from both political parties, would cut imports by two-thirds by limiting them to 15 per cent of domestic production. The industry's campaign naturally ignores the ample evidence that its present difficulties are due not to imports, but to the recession in house building. Moreover, the Tariff Commission has unanimously found the industry's claim of injury to be without merit, because Japanese enterprise has created a new demand—for flush doorways—rather than stolen any American market.

But the pressure for quotas is particularly dangerous at this time because, with the reopening of the Suez Canal, the domestic oil interests threaten to make a determined effort to prevent oil imports from resuming anything like their former dimensions. Also the bicycle manufacturers, who had part of their way over tariff increases two years ago, now confess that these have done them no good and are asking Congress to give them quotas. Ironically, imports of British lightweight bicycles, which received the lighter of the two tariff increases, have fallen substantially in the meantime. But the import totals have been more than made up by a switch in demand to German middleweight bicycles, which suffered the higher tariff penalty.

★

The controversy over dumping, which could become a serious threat to foreign trade, is expected to be all the fiercer in that the issues are so little understood. Under the present anti-dumping law of 1921 two findings have to be made before penal duties can be inflicted on dumped imports. The Treasury has to find price discrimination against the domestic industry, and the Tariff Commission has to find that the domestic industry has in fact been injured. This year's hearings will be focused in the first place on a technical proposal by the Treasury to redefine "fair value," the figure with which the export price is compared to see whether dumping is involved. The effect would be to confirm an administrative change made two years ago which has provoked urgent protests from the importing interests. If under the old system a Swedish firm was able to command a monopoly price on its home market of $100 for its product, an export price of $80 in Canada and one of $85 in the United States, all three figures being

(*Continued on page 146*)



QUESTION FOR ADVERTISERS

How should today's Advertising Agency differ from yesterday's?

CHANGE is the key word of our time!
And, in the changing world of selling, the functions of an advertising agency must now penetrate beyond the narrow professionalism of traditional agency service.
What then are the changing functions of an advertising agency — as McCann-Erickson see them — in 1957, and in the challenging years ahead?
You will best get the answers, we believe, not by looking first at the advertising agency, but by looking at the basic change taking place in selling generally.
This is the changing relationship between the manufacturer, the retailer and the consumer.
Not so long ago, the manufacturer's selling responsibility virtually stopped at the retailer level. It was not the maker but the retailer who undertook almost the entire job of selling goods to the consumer.
But today... the maker must be the seller, too!
With the multiplicity of products on the market... with the variety of brands, grades and prices within each product category...and especially with the growth of the impersonal, self-service supermarket... the manufacturer can no longer afford to delegate his selling to the retailer. He must not only make the product but also make the sale to the consumer.
Today a manufacturer's profits depend as much on marketing skills as on production skills. Indeed, almost any company can now make goods more easily than it can sell them.

The Agency's Most Significant Role Today

Undoubtedly the manufacturer and retailer have benefited by this shift in marketing responsibility... for undoubtedly the "selling velocity" of any product is increased by shortening the gap, psychologically, between the manufacturer and the ultimate buyer of his product.
But... the very closing of this gap has resulted in putting an extraordinary physical distance between buyer and seller ... for they no longer meet face to face.
This has important consequences. For, when the retailer did most of the selling job, he not only got to know his customers ... he knew what they wanted and did not want ... what price attracted them and what price started an argument. Indeed, every sale was an interview.
The retailer had never heard of a "structured questionnaire" or of "motivational research". But he got the information just the same. For people have always enjoyed talking about the goods they want and buy.
The retailer acquired an intimate awareness of the consumer.
And our big question today — in this changing world of selling— is "What can take the place of this function?"

It is in meeting this need that McCann-Erickson believe the changing role of the advertising agency has most significance.

It is upon this single basic premise—intimate awareness of the consumer—that the changing contribution and function of the advertising agency must rest.
The implications of this are considerable as a manufacturer's customers swell from thousands to millions... as a manufacturer's existing products are threatened by newcomers... and as he reaches for new profit opportunities by introducing new products to the market.
In these circumstances we believe the advertising agency must now accept the basic responsibility not only for presenting the company and its products to the customer but equally for functioning as a two-way bridge, by also presenting the consumer's changing viewpoint to the manufacturer.
For who should be expected to carry out this role... the manufacturer, whose primary function is to make the goods? Or the advertising agency, whose essential business is to know the consumer and the market?

The Agency's New Areas of Responsibility

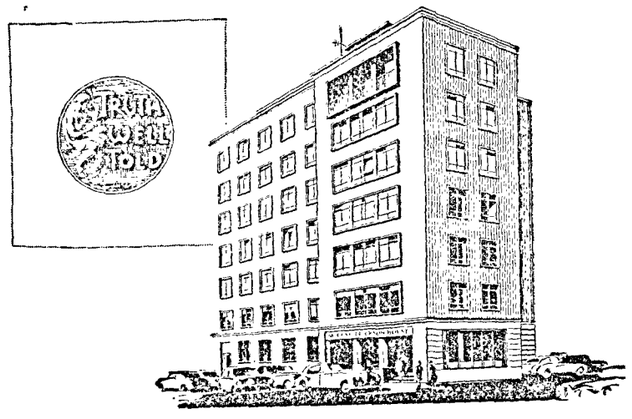
To fulfil its function in these changing times, McCann-Erickson believe the advertising agency must be equipped to help the manufacturer improve not only his sales but also his methods of making sales at a profit.

1 **The agency must be in a position to help management better manage its mass communication and mass distribution activities.**

2 **The agency must be able to help management control its total marketing process by accurately representing the company's customers — both consumer and trade — in the councils of management.**

3 **The agency must help management continuously to acquire precise and current marketing facts—and accurate evaluations of these facts. For, as marketing mistakes get more costly, there is increasing need for current facts to be used as the basis of all planning.**

Does all this mean that the 1957 advertising agency should transform itself into a "marketing agency"? Decidedly not. It means that the advertising agency—if it is to join with the manufacturer in coping with changing marketing conditions —must now be completely marketing-oriented. A very different thing!
For, whilst the agency's creative contribution—in print, on TV, and at point of sale—will always be THE GREAT CONTRIBUTION, its function and responsibility to clients in these changing times is too great to be bound by the one word: creativity.
Our business is helping other businesses develop sales, under increasingly competitive conditions, at a profit.



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AND LOCAL SERVICE THROUGH ASSOCIATED AGENCIES IN OTHER MAJOR MARKETS AROUND THE WORLD

(*Continued from page* 143)

above the cost of production, that Sweden was not dumping Canadian price and conclu[de] the Treasury's new procedure, in the United States. [As] in law, it is the $100 price that which it wants con[pared] with the $85 and the finding of price would be comp[ulsory] would be automatic. discrimination not all. Efforts to alter the law in one way have opened the flood doors to a series of other proposals which could radically affect the prospects of exporters in the dollar market. The extreme protectionists want to do away altogether with the second leg of the dumping calipers, the Tariff Commission's finding on "injury." The Treasury slide rule would then automatically invoke the legal penalties. A second, superficially more modest, group headed by General Kenneth Royall, a former Secretary of the Army, would insert as a legal definition of "injury" the fantastic standard of "non-utilisation of the full productive capacity of the domestic industry."

However, the importing interests are counter-attacking hard through their own highly articulate Anti-dumping Committee. They are struggling with the tricky task of drafting a Bill that would direct the Treasury to distinguish between artificial price cutting by the foreign supplier to take over the American market, which would be penalised, and the meeting in "good faith" by foreigners of the type of competition encountered in the American market. The importers claim that the original legislation was aimed only at deliberate price cutting in the former category, and that its purpose has subsequently been twisted to make it into a protectionist device. The importers also seek to force the Treasury to grant hearings to those accused of dumping, with an appeal to the President or to the courts; in trade matters, only dumping cases lack such safeguards.

Sour Plums for Diplomats

RECENT criticism of President Eisenhower's diplomatic appointments is likely to crystallise around the nomination of Mr Scott McLeod as Ambassador to Eire. He is linked with the suicide of Mr Herbert Norman, Canadian Ambassador to Egypt, which has so deplorably embittered neighbourly relations; the State Department's Bureau of Security, which Mr McLeod now heads, approved the report by the Senate's Internal Security Subcommittee which revived the long-discredited allegations about Mr Norman's Communist connections. This is a reminder of Mr McLeod's much-resented co-operation with Senator McCarthy and his part in the harassment and persecution to which American foreign service officers were subjected in the early years of the Eisenhower Administration. Now Mr McLeod, who is not a professional diplomat, is being rewarded with one of the few pleasant, not very important but also not very expensive, posts which are available for men and women who make a career out of serving their country abroad, usually in more than their fair share of uncomfortable assignments.

That far too many of these plums have been used to pay political debts incurred during last autumn's election is one of the complaints being made about the recent heavy crop of ambassadorial changes although, when they are analysed, nearly as many professional diplomats are replacing political appointees as *vice versa*. The President seems to be as resigned as are diplomats themselves to the fact that many of the more important embassies can be occupied only by Americans with large private means because of the high cost of entertaining in cities such as Paris and the low allowances for expenses provided by Congress. But this is a point which is at last causing some concern to the Senate Foreign Relations Committee, although unfortunately not to the Appropriations Committee. The system does not necessarily mean that bad appointments are made, but it may mean that the best appointments cannot be made.

The waste of the country's trained diplomatic brains which this involves has been underlined now that the time has come for Mr Bohlen to leave Moscow; Manila was the only suitable post that could be found for America's outstanding, but unfortunately not wealthy, Soviet expert. It is only chance, and hardly a lucky one, which has given the Manila Embassy unexpected importance with the death of the Philippine President, Mr Magsaysay. And before Mr Bohlen arrives there, he must once more go through the process of Senate confirmation. Senator Bridges has promised that this will be just as difficult for him as it was in 1953, when he was sent to Moscow, even though this time Mr McLeod will not be in a position to back up the Senator's efforts.

Penn-Texas Round-up

THE recent disputes between stockholders in Britain are simple affairs compared with the confusing battle now being waged in the United States for the control of Fairbanks, Morse and Company, a Chicago manufacturer of diesel engines, scales and pumps. The invaders are led by a refugee financier, Mr Leopold Silberstein, and his Penn-Texas Corporation, a holding company for a mixed industrial empire ranging from oil, gas and plastics to machine tools, heavy machinery, aircraft, radio and electronics. Penn-Texas now claims unofficially that it controls a majority of the voting shares in Fairbanks, Morse, and is thus able to control the Fairbanks board, on which it already has four directors. The colour and excitement in the case have been provided by the methods used by Mr Silberstein and Penn-Texas to acquire the shares of Fairbanks, Morse. Some have been obtained secretly with the help of Swiss banks, others from a variety of mysterious undercover agents who bought the shares at prices above the market, and resold to Mr Silberstein at a fat profit to themselves. At least $14 million of these shares have not yet been paid for by Penn-Texas, and to secure its debts the company has pledged as collateral large amounts of the Fairbanks, Morse stock it already owns. Claiming "conspiracy, gambling contracts and violations of the Securities and Exchange Act" by Penn-Texas, the Fairbanks, Morse management has challenged the insurgents' right to vote the shares they have acquired; the final decision now rests with the courts.

Simultaneously, the Fairbanks, Morse management has invaded the enemy camp, where it is supporting the efforts of a stockholders' committee to unseat Mr Silberstein from the board of his own Penn-Texas Corporation, and put Mr Robert Morse, Jr., president of Fairbanks, Morse, on it instead. Mr Silberstein maintains that Penn-Texas shareholders will benefit from the purchase of Fairbanks, Morse, a sound company with an unimpressive earnings record which he claims would be transformed if he took over. But

in order to pay for his intricate transactions in Fairbanks, Morse shares, Mr Silberstein has had to raise cash from his Penn-Texas group by another complex scheme. Some Penn-Texas assets have been sold for cash, and then leased back at a cost which, over a period, greatly exceeds the proceeds. And while the market price of Fairbanks, Morse shares has soared, holders of Penn-Texas shares have seen them lose more than half their value. There is plenty of meat for two Senate committees and one House committee as well as the Securities and Exchange Commission and the courts to get their teeth into before the issue of the control of Fairbanks, Morse is finally decided.

Two Armies in One

FROM A SPECIAL CORRESPONDENT

THE announcement that two new types of military unit, called Atomic Support Commands, have been formed at Fort Bragg and Fort Hood is the first public indication that the army is producing a solution to a major dilemma of modern war. Hitherto the need to be ready with atomic weapons for a full-scale war and with non-atomic weapons for a localised "brush fire" has seemed to demand two complete armies. Carried to its logical conclusion, this would be impossibly costly.

The two new commands spring from a full year's experience with the Southern European Task Force, a Nato component in Northern Italy. Setaf is not the exact model. Since it had the special mission of providing atomic support for Nato's conventional ground troops scattered through North Italy it was split into three sections and given added and somewhat abnormal functions. But it provided the idea.

The type of unit at Fort Bragg is "air transportable" and is to operate in support of the airborne infantry division stationed there. It will have the Honest John rocket, which has a nuclear warhead and is moveable, launcher and all, by air. At Fort Hood, where there is an armoured division, a "medium" support unit has just been created. Its equipment includes both Honest John and the larger Corporal missile. When the big two-hundred-mile Redstone missile has been delivered there will be a third, "heavy" unit, deploying all these weapons.

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Each Atomic Support Command is expected to have five thousand men divided into missile battalions, armoured infantry battalions, combat engineers—especially bridge builders—and the usual auxiliaries. The whole unit is essentially what its name implies, not a complete combat force, but a heavy fire-support element whose function is approximately that of today's army or corps artillery. Five of the commands are scheduled for this year and five more for a year later.

The total strength of only fifty thousand men is small in relation to the one million men army and will not, in fact, even be an addition to it, since the troops for the new commands will come from existing divisions which are being scaled down. Yet in this disproportionately small force will be concentrated practically all the atomic weapons of the army. "Two armies" for "two wars" will thus require no more men than are already in the military establishment.

No Surrender in Virginia

FROM A CORRESPONDENT IN CHARLOTTESVILLE

WITH the Supreme Court's confirmation of the orders of a lower court that Negro children must be admitted to hitherto all-white schools in Arlington and Charlottesville, Virginia is entering upon a new stage of its "massive resistance" to the Supreme Court's 1954 decision that racial segregation in education is unconstitutional. The state is falling back on a complex legal contrivance, the Stanley Plan, named after the Governor, which was created at a special session of the State Legislature last autumn. In rough outline, these laws provide that, in a community which has been ordered by a federal court to discontinue segregation on the basis of race, the authority and responsibility hitherto exercised locally by the school board are to be exercised centrally by the State Governor, with the assistance of a three-man pupil assignment board named by him. The aim will be to reorganise school attendance, on the pretext of greater efficiency, so that white and Negro children are still kept separate. If efforts by the board and the Governor to maintain segregation are unsuccessful, the schools are to be closed. No state funds are to be available for integrated schools, if a community should decide to operate such schools in compliance with a court order.

While many legislators were entirely cynical about this plan's ability to stand up to the court test to which it was certain to be put, they felt it could be relied on to provide time—some hoped for at least five years—during which there would be no integration in any of the state's schools; they would be maintained as in the past, or closed down altogether. In fact, this pupil assignment plan has already been declared unconstitutional by a local court, but this decision can hardly make its way up to the Supreme Court for confirmation before next autumn, if then. But both Charlottesville and Arlington, a suburb of Washington inhabited chiefly by federal civil servants, are now required, by order of the federal court, to take a course of action which is prohibited by the state law of Virginia. And under the United States Constitution a state cannot be sued without its consent, which is one of the reasons why the Stanley Plan provided for the Governor to take over responsibility from the local boards.

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But for the rest of this year Virginia's resistance to the Supreme Court will be a matter of political as well as legal defiance. For the state must elect a new Governor in November, and the main issue seems bound to be the question which is already Virginia's over-riding concern, constantly discussed, in language far from temperate, at country stores and city dinner tables. The preservation of school segregation has been the undeviating objective of Senator Harry Flood Byrd, who controls the Democratic party in the state. His dominance has not always gone undisputed but a member of the Byrd machine was heard to remark last autumn that, with segregation as an election issue, the organisation had been given a new lease of life which would last for a generation. Since the epithet

"nigger-lover" can now be hurled at all political opposition, this estimate of the situation is widely shared.

Last month Senator Byrd told a cheering Kiwanis Club lunch in Richmond, the state capital, that "we have a right to defy the Supreme Court if we do so without violence and do not try to overthrow the government." He said that the Federal Attorney General and the National Association for the Advancement of Coloured People were taking Virginia on first because

> they want to break us down. If they force Virginia with all its prestige of leadership in the South to surrender, it will have a terrific and powerful effect on other southern states.

In the interests of harmony at this time of crisis, the Senator is imposing a monolithic front on his party; there is apparently to be no contest even for the Democratic nomination for the Governorship. Mr Byrd has picked Mr Lindsay Almond, the State Attorney General, who has been the outstanding exponent of the Stanley Plan, as his party's candidate.

Clearly, if Virginian voters are to have any political alternative this year, it must be offered from outside the Democratic party. Particular interest therefore attaches to the Republican candidate and especially to whether he will be Mr Ted Dalton, a lawyer, a state senator, and the party leader in the state; he polled 45 per cent of the votes when he and the retiring Governor, Mr Stanley, opposed each other in 1953. It is difficult for Mr Dalton to decide whether or not to run, for there is a vacancy in a desirable federal judgeship, which he might have. At the same time, his party has every incentive to put up its best candidate in an effort to consolidate and extend its recent gains in the South in a key state.

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The type of campaign which will be waged if Mr Dalton is the Republican nominee is already clear. In his recent call for resistance, Senator Byrd stated that "we cannot have integration in Virginia and preserve the public schools." Mr Dalton followed this by demanding that the public (state-financed) school system should be maintained. Governor Stanley then handed reporters a statement saying that Mr Dalton had thus proved himself an integrationist and dared him to run for Governor with that speech as his platform. Mr Dalton's reply was crisp and immediate: "If I run for Governor, it will be on a plank of fighting integration to the last ditch." His argument is that the Byrd-Stanley plan "will bring wholesale integration" when the legislation "cutting off the funds topples down in court." Mr Dalton—and some other state legislators—favour the Gray Plan, an alternative prepared by a commission which Governor Stanley appointed but later abandoned. This would have permitted local option on integration, with provisions for transferring Negro and white children to new schools where necessary and for grants from state funds to enable children to attend private schools in the most difficult cases. Mr Dalton believes that in practice this scheme would enable a greater degree of segregation to be maintained for longer than would the Stanley Plan and would avoid the closing of the public schools.

But the label of "integrationist"—whether valid or not—is so damaging that few political observers in the state now expect Mr Dalton, if he runs, to do as well as in 1953. In fact, some stalwarts of the Byrd machine believe that this campaign will destroy not only him but the Virginian Republican party as well. On the other hand, the extent to which southern Virginia, the part of the state where the Negro population is densest and prejudice therefore strongest, has so far dominated the state's vocal and official reaction to the Supreme Court decision makes accurate forecasting difficult. Particularly in the industrial areas, in northern Virginia, and in the Shenandoah Valley where public schools are a source of pride and the Negro population small, rumours circulate of Democrats who intend quietly to cross party lines and vote for Mr Dalton if he is a candidate. Few Virginians really believe that, over a period, outright resistance to the Supreme Court's decision can be maintained. But in the present welter of emotion, support for a gradualist programme is almost synonymous with political suicide.

Hold-up on the Highways

THE battle over whether the great new federal interstate highway system should be disfigured by commercial hoardings still rages in Washington, although the Administration has decided to seek authority to withhold 5 per cent of a state's grant if it does not co-operate in keeping the verges clear of advertising. As the federal government is putting up 90 per cent of the money for express ways between virtually all cities, this is a big stick; it shows that the Administration, like many Americans, is sceptical of the claim that motorists may succumb to "highway hypnosis" if they are not kept on the alert by the claims of rival brands of toothpaste and whiskey. Representatives of the $25 billion a year roadside business interests can, however, invoke the abused principle of states' rights. A way to prevent motorists from becoming a captive audience without invading this dangerous province has been suggested by Senator Neuberger, who would have Washington pay most of the cost of buying up strips of land on both sides of the roads. This would be costly, and it may be that the last word will be spoken, not by the government, but by alert businessmen who are beginning to suspect that a billboard in a beauty spot is a poor advertisement for their company.

Passions have run so high over what is to happen along the highways that they have obscured the fact that the highways themselves are getting off to a slow start. Money from road users—in the shape of taxes on petrol, tyres, and extra-heavy lorries—is coming up to expectations, although Mr Tallamy, the Federal Highway Administrator, is worried about costs, which have risen so much since the estimates were prepared three years ago that completion of the 41,000 mile network may take sixteen instead of thirteen years. It is spending which is lagging; according to the latest estimates, only $1.1 billion is to be taken from the highway trust fund this year instead of the $1.9 billion expected. Part of the trouble is that federal procedures require lengthy public hearings before each stretch of interstate road is approved. But most of the slowdown is the fault of the states, which hate to increase taxes to provide even their 10 per cent of the cost, and which are hampered by inadequate engineering staffs and old-fashioned methods of acquiring land.

THE WORLD OVERSEAS

BRITAIN'S ALLIES READ THE WHITE PAPER

1. The Bomb Confronts Germany

FROM OUR BONN CORRESPONDENT

WHATEVER dark thoughts may nag him in the middle of the night, the Federal Minister of Defence exudes in public a strikingly good-natured equanimity. Herr Strauss rises effortlessly to the occasion of a big press conference. Not only is he unhurried and amusing; he also, flatteringly, brings along with him his top colleagues at the ministry, the State Secretary and the commanders-in-chief of the three services. It is a performance shrewdly intended to demonstrate that all is well both with day to day developments and the whole trend of the delicate and unpopular business of German rearmament.

It was put on again this week. There was evidence that many Germans, official and unofficial, had been rattled by the inferences that might be drawn from the radical changes in Britain's defence planning. Western Germany's own programme had only just been subjected to far-reaching modifications, with the embarrassing admission that Herr Blank had been trying to do too much too fast. Now here was Britain proclaiming revised strategic principles that seemed to challenge the validity of much of the Adenauer government's conception of Germany's defence requirements. The British white paper had again called into serious question the Federal Chancellor's insistence on the efficacy of conscription and conventional weapons. This time it was more than just the opposition in the Bundestag speaking.

Flanked as usual by his heavy cannon from the ministry, Herr Strauss set about allaying, as far as possible, the natural misgivings of the Germans, who rightly or wrongly see themselves more exposed than anybody else to the blasts of nuclear warfare. The upshot of his argument and his answers to troubled questioners was that the Bonn defence planners reckon they can see ahead for two years at the most, have made up their minds what can be done during this period, and are already launched upon it. The tempo of the development of weapons had been so *stürmisch* since 1945, he observed, that no one could predict today the requirements of 1959. Yet the military necessity for equipping the Bundeswehr with tactical nuclear weapons, as well as the principle involved, had now become incontestable. For Nato's European partners to dispense with nuclear weapons would be to hand over Europe to the Russians. And, he contended, no one in his senses could expect the West German army to accept inferior equipment.

But for technical reasons alone it would be impossible to equip the Bundeswehr with nuclear weapons for another eighteen months to two years. The defence ministry would therefore go ahead with its present plans for raising seven divisions by the end of 1958, the timetable being to put three more or less trained "grenadier" divisions at the disposal of Nato by July 1st, two armoured divisions by the end of the year, and one mountain division and one airborne division by April 1958. (Although Herr Strauss did not mention it, these promises will now be easier to keep thanks to the vacating of barrack room space by the 13,000 British troops who are to be withdrawn from Germany this year.) In the meantime, he warned, there could be no toying with the idea of abolishing conscription, as the Social Democrats and Free Democrats have been demanding with renewed hope. Western Germany, right up against the iron curtain, was in a very different strategic situation from Britain's.

The realities which the British white paper has so clearly stated will undoubtedly deeply influence West German policy in many directions. Voices are already clamouring for a more energetic organisation of active and passive defence against nuclear attack. Others are advocating the necessity for a European arms community now that the decisive weapons can hardly be developed any longer individually by small nations. The only real hope is seen to lie in new efforts to bring about a political solution. If it is still necessary, there will be renewed pressure on Dr Adenauer to talk with the Russians and listen to them more receptively. To judge by their indignant reaction to some of the implications of the British proposals, it may well be that they are convinced the time has come to be more accommodating in seeking a solution of the German problem.

2. A Jolt for Nato

FROM OUR PARIS CORRESPONDENT

IT would have been pleasanter for Nato if the Government, in the matter of the defence cuts, had shown the same talent for charming allies as the Queen has shown in Paris. Seasoned diplomats here admit frankly that the white paper came as a shock. Even in the recent discussions on the cutting of Britain's forces in Germany, its allies

were not led to expect a long-term defence programme with such profound implications. They feel they have had their hands forced on issues which have never been discussed.

Nato has already suffered from earlier failures to honour commitments—Germany's slowness in rearming, the mass migration of the French army to Algeria. But these had the look of temporary failures to reach an accepted target. The British decisions call in question the target itself. When, for reasons of economy and domestic politics, the Government aims at cutting the army to 160,000 men and abolishing conscription by 1960, the example is enticing. Several nations are divided over conscription or have accepted it reluctantly, especially Germany and the Scandinavian countries. Many other countries can insist on the overriding need for economy—above all, France, where the foreign trade crisis is already encouraging thoughts of big defence cuts when the Algerian war is over.

Mr Macmillan's difficulties are appreciated. And experts admit that Britain may be blazing the trail in applying the "political directive to the military" which Nato accepted last December; they are particularly astonished at British ruthlessness in reducing the Navy. But if Britain has tackled problems European countries must sooner or later face, this only makes it more regrettable that decisions should have been taken with so little consultation. If the British conclusions are correct, they imply changes for most European countries.

The allies also have political complaints. The cuts have been so made that it is impossible to use them in bargaining with Russia on disarmament. Again, they wonder whether it was necessary to have had such bitter discussion—now adjourned till next October's session of the Western European Union council—over whether Britain should withdraw 27,000 or 22,000 troops from Germany. It has become easier to plead, as the German Social Democrats have done already, that other countries, following Britain's lead, have a right to act solely in the narrow national interest.

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Nato's first need is precisely to prevent this. The alliance has had a lean time lately. In 1955, the "thaw" cast doubts on its usefulness. Hungary answered these doubts, just as Suez provided the classic case of disastrous failure to co-operate. The recommendations of Nato's "three wise men" for closer political consultation were an attempt to prevent further breakdowns in co-operation. Now, four months later, comes the dismaying White Paper. Although Europe has survived several critical years with far less than Shape's absolute minimum requirement of a shield of "about thirty" divisions, the allied governments, rightly or wrongly, are too much aware of the importance of the shield in maintaining the political balance in Europe—and in Germany especially—to accept without question any lowering of targets that the experts advocate.

Nato's mood is still too confused for large constructive proposals to emerge. There is increasing talk of "burden sharing" and of "correlating" arms production. Willingness to produce arms in common is greater than it was, but previous attempts were nearly all disappointing and common production of new weapons could only show results gradually. It will be difficult to generate inspiration out of the idea of a slow interweaving of British, French and German production plans, and of the hoped-for relaxation of American curbs on the European use of transatlantic techniques. Nevertheless, though integrated production will not produce the men if they are lacking, it could increase cohesion and alleviate some of the financial problems which tempt countries to cut defence commitments.

There are signs of some real progress in political consultation within Nato. There seems to have been a marked growth of co-operation in formulating policy between the allies in the Council and even in Uno. But this kind of slow progress can hardly outweigh the adverse effect of a series of unilateral decisions like those in the White Paper. If in the months to come Nato fails to clarify its collective views of the problems raised by atomic defence, it will inevitably be jolted again and again by shocks of the same kind.

Divided Syria

FROM OUR MIDDLE EAST CORRESPONDENT

THE crisis that ruffled the Syrian political scene in March seems to have subsided without effecting any marked change. There is indeed some ground for doubt whether the differences that arose in Damascus deserve the name of "crisis" at all—particularly since the more alarmist reports emanated from Baghdad and Beirut, where developments in Syria tend to be painted in lurid colours.

The story of crisis in Syria first arose from reports that sweeping transfers in army appointments had been proposed. The most striking of these reported transfers was that of Colonel Abdul Hamid Sarraj, the chief of the Syrian Deuxième Bureau, who has become the symbol of extreme anti-western nationalism. It was said that he had been appointed military attaché in Cairo (other reports said Moscow). In either post, his power to influence the internal situation in Syria would have been materially reduced. The other reported transfers would have weakened further the left wing element in the army, which, in the existing state of emergency—declared immediately after the attack on Egypt—wields extensive power.

It was stated that the prime mover behind the proposed transfers was General Tawfik Nizamuddin, the Syrian commander-in-chief. Unconfirmed reports had it that the General's plan was blocked by the intervention of Khalid el Azm, the acting minister of defence, who was supported by a threatened revolt of extreme nationalist members of the officers' corps. Whatever the truth of the matter, Colonel Sarraj still remains at the head of the Deuxième Bureau, and there is no confirmation of large-scale transfers of other officers.

It would seem, therefore, that the Syrian Left, based on strong support in the army and on key positions in the government, has weathered the storm—or perhaps breeze. Further confirmation of this supposition may be read into the failure of the moderates, so far, to put an end to the state of emergency. Those opposing the return to civil authority have been strengthened by official reports from Damascus that an unknown aircraft had circled the Jebel Druze dropping anti-regime leaflets signed by the "Free Druzes," and by two bomb-throwing incidents in Damascus, both directed against conservative parties.

Through the blur of personalities, parties and propaganda, two basic issues can be seen dominating Syrian politics: the problem of Israel and the position of the Arab world between East and West. The Israeli issue can be simply stated. The Arab states are seriously afraid that the Israeli government is seeking a pretext for renewing the war, either against Egypt or against Jordan. This danger has divided Syrian opinion. On the one hand, the nationalists, for whom the Baath-Socialists provide the intellectual drive, advocate accelerating the movement towards federal and economic union with Egypt and Jordan, on the grounds that only unity can give the Arabs strength to resist Israeli aggression. On the other hand, the moderates fear that hasty movement in that direction would give Israel just the excuse it needs for invoking the right of preventive war in view of the "changed situation."

In present circumstances, with the Richards mission touring the Middle East, the problem of the position of the Arab world between East and West must be closely concerned with the Eisenhower doctrines. The Syrian attitude to the doctrine still has to be stated in unequivocal terms. Most official spokesmen have contented themselves with saying that the government is prepared to listen to the explanations of Mr Richards before determining its stand. An important rider has usually been added—that a Syrian decision would have to await consultation with the other Arab "liberated" states. Nevertheless, the more vocal Syrian politicians have tended to adopt a negative attitude. Akram Haurani, the leader of the Baath-Socialists, has flatly accused "imperialism" of seeking a breach in Arab nationalism to maintain influence.

"The last plot," he wrote, "throws a vivid light on the traitors who have been recruited by imperialism from the relics of feudalism, reaction and confessionalism." Others have proclaimed the determination of Syria to adhere to "positive neutralism," which means, among other things, a strong tendency to look for undesirable strings in connection with any offer of aid from the West. The possibility that the Syrian government will reject the aid proffered under the terms of the Eisenhower doctrine—the Syrians have consistently refused to accept the blessings of Point Four—is worrying the moderates, who fear that the alternative may be acceptance of Soviet aid on terms superficially attractive, yet designed in the long run to establish a stranglehold on the country.

Thus on both crucial issues Syrian opinion is divided; and whenever its divisions break surface, a political crisis, more or less acute, can develop.

Siam Gets into Politics

FROM A CORRESPONDENT IN BANGKOK

DESPITE the general election in February and the demonstrations, charges and counter-charges that followed, the Siamese triumvirate of Field-Marshal Pibul, Marshal Sarit and Police General Phao emerges apparently unscathed. Indeed, it is in some respects reinforced, for Phao and Sarit are now ministers of the interior and of defence respectively, instead of deputy ministers. But the only one of the trio to come out of the past few weeks with his reputation enhanced is Marshal Sarit, whose cool handling of the crisis was much praised.

Some of the mud freely slung around after the elections has inevitably appeared to stick on Marshal Pibul, although he remains prime minister. As for General Phao, he was widely blamed for some of the shortcomings of the Seri Manangasila (government) party and for failing to prevent the demonstrations. His half-hearted attempt to resign all his public posts came to nothing, however, and he has been reappointed secretary-general of the party.

The conduct and results of the elections produced enough surprises to confound the most reliable of prophets. Few people thought that the elections would be scrupulously fair, but even fewer were prepared for the large scale chicanery which is widely alleged to have occurred. In the country as a whole, the Seri Manangasila party, instead of the expected large majority, obtained only a little more than half the contested seats. As it seems, the Siamese people are awaking from the political apathy which has long distinguished them from their neighbours in Burma and elsewhere. Widespread primary education appears to have removed from the minds of the villagers the confusion between ruling in the King's name and "carrying out the royal behest."

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The election returns in Bangkok, which gave seven seats to the Seri Manangasila party and only two to Nai Khuang's Democrats (including Nai Khuang himself) came as a great shock to many people. As the counting of the votes proceeded, it appeared that the Democrats were likely to win five or six of the nine seats, but towards the end a landslide occurred in the opposite direction; this was regarded as highly suspicious, and popular reaction was immediate. The city was flooded with rumours about the intimidation of voters, the use of huge numbers of "firecards" or illicit voting cards, and the presence of "paratroops" or blocks of illegal voters at many polling stations. It was alleged that, when all these measures failed to give to the Seri Manangasila party the desired large majority, a falsification of returns was resorted to. The rumours have been indignantly denied and the public awaits with great interest the results of the court cases to be brought by supporters of Nai Khuang. The prime minister at once declared that he would not take office again unless the charges against his party were first disproved, but he has since reversed this decision.

Meanwhile, a state of emergency was declared. Marshal Sarit, Commander-in-Chief of the Army, was temporarily placed in charge of all the armed forces, including the police; political gatherings were forbidden, and tanks patrolled the streets. The students of Bangkok's universities, previously remarkable in Asia for never taking part in political demonstrations, gathered in thousands opposite the ministry of the interior. They defied the current emergency regulations, and marched in a body to Government House; there, after a slight scuffle, they came face to face with the prime minister. Marshal Sarit, who appeared early on the scene, very astutely managed to calm them and to persuade them to disperse even though they declared themselves dissatisfied with the prime minister's reply to their "ten demands," which included the holding of new elections.

Marshal Sarit's handling of the whole explosive situation displayed remarkable ability and judgment. Within a few days, he had become something of a popular hero, even with the students; yet this popularity was achieved without his giving any indication that he intended to do more than keep the peace until the new Assembly should be convened and the new cabinet take office.

One of the reasons given for proclaiming a state of emergency was that certain "foreigners" were manipulating the situation for their own ends. These mysterious foreigners were variously held to be Americans or Chinese, though nobody could be sure; most probably the authorities used

the suggestion of foreign interference to restore unity among the Thais. Some weeks of uncertainty followed. Then the Assembly was convened and Marshal Phibul Songgram resumed office.

In short, on the surface it appears that the storm has died down leaving everything much as it was. But though the Seri Manangasila party still has a majority among the elected members of the Assembly and the backing of the second category (appointed) members, there will henceforth be a powerfully vocal opposition in the House, led by Nai Khuang, whose stature has recently increased immeasurably. All serious allegations of abuses of power by those in authority will be fully aired on the floor of the Assembly. More important still, the court cases arising from charges brought by Nai Khuang's supporters against their election opponents will be given wide publicity.

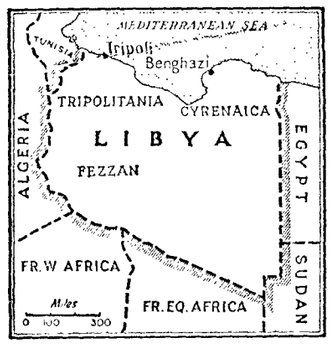
Even if the charges prove exaggerated, or if evidence is lacking to bring them home, some of the mud will stick and the government will have to reckon with a public much more critical and observant than at any time in the past. The certainty of criticism is good for governments. Some Siamese say that the elections have made them "ashamed to face foreigners." Certainly a lot of dirty linen has been washed in public, but if this helps to destroy what remains of the traditional apathy to politics, then the elections may have done good.

Libya Looks West

FROM A SPECIAL CORRESPONDENT

LIBYA, on achieving independence five years ago, naturally turned to the east, where alone, at that time, there were other independent Arab states which could give it support and encouragement. Since Tunisia and Morocco have became independent too, the position is changed: there is now a rival centre of attraction and one to which Libya feels more drawn. For though the frontiers of Cyrenaica adjoin Egypt, within the Arab world the Libyans feel themselves as part of the Maghreb or Arab west rather than as easterners. Meanwhile, the Arab League itself has been split as the result of Iraq's initiative in forming the Baghdad Pact.

While not going so far as to take Iraq's side in this quarrel, Libya has, like Iraq, been actively cultivating good relations with Turkey. The Libyan government shares the point of view of those states within the Arab League which are trying to bring about a compromise between Egypt and Iraq and are anxious to arrive at terms with the West which will ensure aid for themselves and co-operation against communism. The eastern Arab statesmen for whom the present prime minister of Libya, Mustafa ben Halim, professes the greatest admiration are President Chamoun of Lebanon and King Saud. His feelings in this respect are no doubt reinforced by his realisation of Libya's material needs and interests. It is a vast, thinly populated country. Its three provinces differ widely in population and wealth, if indeed the word wealth can properly be applied to a country which is mostly desert. Each has to support its own legislature and ministers as well as jointly to maintain the federal government and the monarchy which link them together. While revenue from internal resources is less than £3 million a year, expenses, even on the present modest standards, amount to about £10 million. The difference is partly made up by international bodies, but mainly by grants from individual countries, particularly Great Britain and the United States. The American grant is in the main a simple commercial transaction, by which an agreed sum is paid over in return for the lease of the Wheelus air base. With Britain there is a treaty of alliance and friendship: Libya permits the stationing of British troops in its territory, while Britain gives financial aid. The two aspects are thus less closely related in the British case than in the American, so that the reduction in the number of British troops stationed in Libya will not necessarily carry with it a proportionate reduction in the amount of aid given.



In the circumstances the present prosperity of Libya, taking into account its very limited resources, is remarkable. Some twenty different companies are busily exploring for oil; building activity is considerable and a great extension of government services is taking place. Cyrenaica, for example, now has 28,000 Arab pupils in its schools, as opposed to 2,000 before the war. A university is in process of formation; the faculty of arts is already in existence in Benghazi, where it will soon be doubled by a faculty of law; the faculty of science will be located in Tripoli.

The hospital staffs include English, Egyptian, Italian, Greek and German doctors. Of the five professors in the Faculty of Arts, four are Egyptians, most of whom completed their studies in British universities, while the fifth is a Briton who spent many years teaching in Egyptian universities and was among the staff expelled from Egypt when Egypt abrogated the Anglo-Egyptian Treaty. The Dean is an American of Iraqi origin. The secondary schools are mainly staffed by Egyptians. Under Libyan direction, these various elements find it perfectly possible to work together harmoniously in spite of the political troubles affecting the relations of the countries to which they belong. This is possible just because politically Libya really is independent. During the difficult moments of the Port Said affair, for example, the reading rooms maintained by foreign embassies in Tripoli were all ordered to close down, Egyptian, British and American alike.

Of course Libya is affected like the rest of the Arab world by the political whirlwinds in the east. The townspeople and the young feel the attraction of the pan-Arab ideas and methods of which Colonel Nasser has made himself the exponent. Though the great majority of Egyptian teachers confine themselves to their educational tasks, national sympathies cannot be entirely suppressed. In Benghazi, where the foreign embassies are still allowed to keep their reading rooms open, there is no doubt that it is the Egyptian centre which is the greatest attraction. In part this is due to the admirable library of Arabic books which it contains and to the facilities which it offers for reading them; but the propaganda pamphlets are an attraction, too, and humble Cyrenaican parents can be seen urging their children to lisp

the name of Gamal Abdul Nasser as they gaze at portraits of the Egyptian leader in the windows. Nevertheless, the impact of such ideas is lessened by the fact that Libya is to some extent insulated from direct contact with the two problems which are the main stimulants of Arab feeling; the country is separated from the troubled areas of Algeria by the interposition of Tunisia, and from Palestine by that of Egypt.

The fact that Libya is and must remain a country terribly deficient in natural wealth, unless, of course, oil is discovered, does not prevent its people from having a marked character of their own; and the degree of independence and courage which they display does them great credit.

Austrian Presidential Campaign

FROM A SPECIAL CORRESPONDENT IN VIENNA

THE second Austrian Republic has been fortunate in its first two presidents, Karl Renner and Theodor Körner, another greatly respected Socialist. Since Dr Körner's death in January the Austrians have felt a genuine sense of deprivation, for there is no obvious person to take his place. The one outstanding and popular personality is the Chancellor, Dr Julius Raab, the leader of the Austrian People's party. But none would wish him to be transferred so soon from the activity of his present position to the relative passivity of a president: he himself would only be prepared for this, at the earliest, "next time," that is to say, in 1963.

The election of the new Austrian President, which is to take place by direct popular vote on the first Sunday in May, may not seem to be of much importance. But since the office is comparatively new its stature may be considerably affected by the character of the first man to fill it since the State Treaty restored the country's independence. Austria now has an army of which the President is *ex officio* commander-in-chief. And in a country where two big parties of nearly equal strength dominate the scene, the President may have critical decisions to take; the constitution gives him the right to appoint and dismiss the Chancellor, and, since the latter must have a majority in the Chamber, the President can compel a parliamentary dissolution.

The remarkable prosperity which Austria has enjoyed for the last few years has been made possible partly by the elaborate stability of the governmental coalition between the People's party and the Social Democrats, the heirs of the very men who fought one another in the factories of Styria and the streets of Vienna in the civil war of 1934. In the socialist view, the country can only continue to prosper if the banks and basic industries remain nationalised: and since the Social Democrats have several seats less in the Austrian Chamber than their *Volkspartei* partners, their only hope of preserving the economic *status quo* lies in maintaining the coalition in its present form.

This, the Socialists claim, requires a socialist President to re-establish the necessary equilibrium in relation to a lively and able Chancellor. The argument is the chief plank in the socialist platform for the moment, and appeals to a certain number of non-socialists, for instance to one or two liberally minded industrialists. The socialist candidate will also get some unwilling support from the small, and now wholly discredited, Communist party, which today cannot afford even the gesture of putting forward a communist candidate as it did in 1951.

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In the circumstances the Socialists decided early in the campaign to nominate as their candidate for the presidency Dr Adolf Schärf, who is leader of their party and Vice-Chancellor, next in cabinet rank to Herr Raab. Even among the Socialists themselves there is little enthusiasm for Herr Schärf who, though shrewd and a man of integrity, appears inflexible and colourless; the trade union leader, Herr Böhm, or Herr Helmer, the minister for the interior, would have been more popular.

The Austrian People's party is less clerical, more heterogeneous and more liberal than the followers of Dollfuss and Schuschnigg in the old days. Many of its members and sympathisers believe that Austria's new-found prosperity will quickly stagnate unless the Austrian economy is liberalised, but this would require a stronger *Volkspartei* preponderance in the coalition. Under a liberal minister of finance, Dr Kamitz, the nationalisation of the three big banks (Creditanstalt-Bankverein, Österreichische Landerbank, Österreichische Creditinstitut) has become a purely nominal affair. Further, when an increase in civil servants' salaries from the beginning of this year had to be financed, the *Volkspartei* forced the unwilling Socialists to agree to an issue of "people's bank shares" (*Volksaktien*) in February. This proved to be a tremendous success, 388 million schillings being quickly subscribed, instead of the 225 million required, by 73,000 investors; of the latter over 30,000 bought shares up to 1,000 schillings in value, and most of the remainder subscribed between 1,000 and 5,000 schillings. This sort of thing, although it gives the ordinary public a direct interest in Austrian prosperity, is not what the Socialists want (they would have preferred to increase taxation). Its success seems to indicate that, although the solid core of Austrian, and especially Viennese, socialism is probably invulnerable, the tide is still running in the other direction, as was shown by the parliamentary elections last year, and the elections in Styria last month.

The *Volkspartei* answered the nomination of Herr Schärf by putting forward a well-known surgeon as their presidential candidate (medical men are always in vogue in Vienna, and there was talk of a second medical nomina-

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Number 2

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tion by a smaller political group). Professor Wolfgang Denk, who is 75, was proclaimed to be a non-political figure, but he was of course nominated in order to prevent a third socialist presidency. He was officially supported also by the small *Freiheitliche Partei* which is led by a former Nazi minister of agriculture, Herr Reinthaller, and contains most of the remnants of Austrian National Socialism: it brings out a weekly called—a little ominously—*Neue Front,* which attacks everything imaginable and publishes the memoirs of Nazi diplomats. It is one of the many arguments in favour of the Austrian coalition (about which everyone grumbles, though few wish it to end) that, if it broke up, these elements would hold the balance in Parliament: at the moment they seem likely to ensure the election of Professor Denk by a small majority.

Whether it be Professor Denk or Dr Schärf who is elected, Austria's digestion of the Hungarian revolt has demonstrated its political and economic health. Though the familiar beggar still mars the aspect of a Vienna which buzzes with building activity even in winter, nearly 10,000 Hungarians have been absorbed into the economy and there is a notable shortage of skilled labour. It is true that foreign capital took fright at the time of the Hungarian crisis, but it is to be hoped that the investments in question will not be very long delayed. As for Austro-Russian relations, in spite of angry attacks upon Austria in the Russian press, officially the Soviet Union made no objection to the behaviour of Austria throughout the Hungarian affair. Moreover, the *Volkspartei* and the Socialists are used to ignoring violent abuse in their own colleagues' newspapers: thus the Austrian government is little disturbed by the *menaces of Pravda.*

Taming the Two Rivers

FROM OUR SPECIAL CORRESPONDENT IN IRAQ

THE King of Iraq used a pleasant phrase during the last act of Iraq's national Development Week. Standing on the lip of the deep gorge in northern Iraq that is about to be spanned by the first of the country's great new dams —the Dokhan dam—he thanked the foreign guests who had attended the week's inaugural ceremonies for "the trouble they have taken in sharing our joys." As he spoke, your correspondent's eye travelled over the listening crowd. Perched high above the dam-site, guests and hosts had mingled without formality round the platform from which the King was to lay the first stone of the final wall of the dam. (It will be ready for use sometime in 1958.) Members of the Development Board rubbed shoulders with sturdy local workmen, some in jeans, others in the baggy trousers of Kurdistan ; among them stood contractors' men from the four western countries engaged on the job, Arab visitors from as far west as Morocco and as far south as the Sudan, Saudi Arabians as conspicuously in the front row as Egyptians and Syrians were conspicuous by their absence and—less impressive-looking but no less impressed —the civvy-suited visitors from Britain, America, Turkey, Pakistan, Iran and others of what the King called "sister nations." Last but not least there were the Iraqi hosts—the people of Suleimaniyah and Kirkuk provinces, many in the bulky fringed turbans and flowered cummerbunds that the Kurd wears with the same easy jauntiness as his counterpart, the Scotsman, wears his plaid.

The peak moment of the ceremony came with the sudden appearance of the foundation stone swung on a cable high over the assembled heads. Hung with streamers of bunting, it sailed smoothly towards the middle of the abyss and there dropped vertically to the river bed nearly 400 feet below. As it touched bottom, the band struck up the national anthem. *Hamdulillah !* After a year of stoppages and vicissitudes, all was well. At the Mussayib project in Mesopotamia earlier in the week, there had been an equally moving sight—hundreds of peasants on the new canal bank, clapping the water as the sluice opened and the stream that is to be their livelihood gushed into the new canal system.

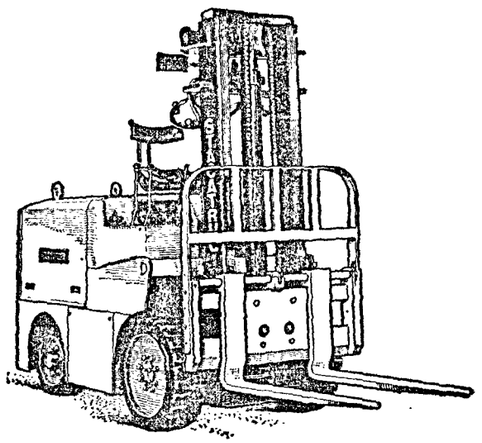
The two scenes were as different as would be ceremonies successively held on Romney marsh and in the Cairngorms, yet they had one element in common. Both spelt control of Iraq's plentiful but erratic water supply. At the Dokhan dam site, the flow of the lesser Zab river ranges from 23 cubic metres per second at lowest summer water to 3,600 at the peak of the flood. (The second figure is an estimate as this year's flood over-topped the gauge.) In the Mesopotamian plain, as is well known, such floods could, until last year, do £20 million worth of damage in a matter of hours. The feature of last year's development week was flood control ; that of this year is also storage for summer. When the snows of 1958-59 start thawing, a lake 100 square miles in area will form above the dam, and add storage in the Tigris basin to that already established on the Euphrates.

It is easy to criticise the Dokhan project as having run too far ahead of the irrigation system that is ultimately to stem from it, or the Mussayib one for settling peasants without working ahead of time to provide some credit system (like that of the Sudan's Gezira scheme) in order to set penniless peasants on the right road. But these things will follow, even if in an uneconomic order.

Development Week was a notable feat of organisation. It is no light matter to provide meals for 500, transport, often for 300, over great distances by road and air, and beds for 150 in the mountainous regions of northern Iraq that were zones of insecurity only a very few years ago. From the Baghdad area to the far north, the cortege wound its way from exhibition to new factory, new aerodrome or new housing scheme. It passed in the wake of the King under triumphal arches made of anything from oleanders to the headscarves of one lonely gang of road-menders, and through huge crowds of clapping spectators.

★

A few vignettes stick in the mind's eye. The straight line of a new road, as yet unfinished but outlined for miles by its white concrete curb stones, cutting across the sinuosities of the old track across some wide plain ; the small boy scout at Mosul pronouncing a poem of welcome and then, abashed at accomplishment, turning tail and tearing, scarlet in the face, the whole way down the long line of spectators ; the petitions covered with thumb marks that the King stopped to receive at many villages ; or the bandmaster, baton held high, poised on tiptoe and craning his neck to be sure of striking up the moment the Dokhan dam-stone touched bottom. All could not see everything, but it is to be hoped that through films, shop window displays and travelling exhibitions the ordinary Iraqi will get some idea of what was shown to the foreign visitor. The latter is, after all, less important than the many Iraqis who ignore or underrate what their rulers are about.



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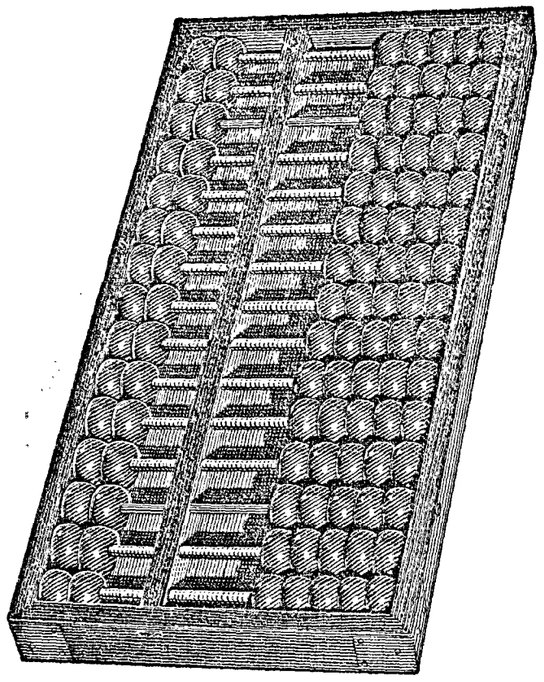
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THE BUSINESS WORLD

An Expedient Budget

BLUNTLY, Mr Thorneycroft laid down in his opening sentences the ground upon which his budget was founded; it was echoed again and again in his later words and in his measures. "With fifty million people living here upon a small island and dependent upon external trade and confidence in sterling it is this, the external position, which is always uppermost in the mind of any Chancellor." His clear priorities—first, a larger trading surplus and an increase in the reserves; second, expansion at home "on a safe and sound basis"—underlay his refusal to "boost home consumption and investment at the cost of lower exports, of higher imports and a thumping external deficit." His room for manœuvre, on his own uncompromising analysis, was limited. He used it, with economic as well as political logic, to strengthen the competitiveness of British companies operating—and selling—overseas, to offer shipping companies an incentive not to sail away to Bermuda, and to concentrate personal tax reliefs upon another class of potential emigrants that the economy can ill afford to lose—rising business executives in the surtax range.

The Chancellor's emphasis upon overseas trade and investment was coupled with a refusal to offer any general tax incentive to investment inside Britain—except to the shipping industry whose assets are so peculiarly mobile. Nor did he refer even in passing to any reform of the profits tax. The only other changes in taxation bearing upon any part of business discharged another commitment that he had inherited from his predecessor along with the obligations to deal with "overseas trade corporations" and to clear away the extra petrol duty as supplies eased—the review of entertainments duty. Minor tinkering with purchase tax—making this even more complicated and unreasonable—plus a number of small adjustments designed to suit the administrative tidiness of departments rather than any useful reform of the tax laws, completed his measures, which give away £98 million this year and £131 million in a full year. The complexity of these adjustments and of the remission of tax for overseas trading, however, promise to make this year's one of the most complex Finance Bills on record.

The Chancellor's Reckoning

EVEN after these concessions, the surplus above the line in the coming year is still expected to reach £462 million, £172 million more than the surplus achieved in 1956-7. Counting in the below-line items, the total deficit is down from £331 million to £125 million. But by no means all of this prospective improvement could be taken as a true disinflationary force; part of it, indeed, is the result of past inflation.

Had the Chancellor made no changes, his surplus above the line would have risen to £560 million—£270 million more than the surplus achieved in the fiscal year just ended, but coincidentally the same figure as that held out by Mr Macmillan in the last budget after counting in the abortive £100 million of "economies." Mr Thorneycroft would thereby have provided all but £27 million of his projected needs to finance net expenditures "below line."

The big projected rise in the surplus in the above line accounts was attributable partly to "buoyancy" (the effect on tax revenues of higher levels of wages and salaries), partly to the effect of past increases in tax rates, partly to windfalls and partly to real economies. Receipts of income tax, which had risen well above estimate in 1956-57, were expected to rise by a further £116 million, despite the effect of last year's exemp-

tions; but the expected rise of £60 million in receipts from profits tax, which were depressed in 1956-57, is "mainly" a result of Mr Macmillan's increases in rates. Customs and excise was expected to rise by £49 million in 1957-58—a rise that would not offset last year's shortfall below estimate, caused mainly by the fall in sales of cars and consumer durables.

Finally, on the revenue side, Mr Thorneycroft was faced with a windfall of £37 million from the anticipated return of the deferred 1956 interest payments on the North American loans—which, however, was expected to be more than offset by declines in other miscellaneous revenue. In sum, before the tax changes, budget revenues were estimated to rise by £229 million above last year's out-turn (which was nearly £40 million short of the April estimates).

A less expected fortification of this year's surplus than the largely "natural" rise in revenue is a projected fall in expenditures. The estimates of civil expenditures on supply services published some weeks ago showed a rise of £131 million above the 1956-57 out-turn, almost wholly on account of the social services; last week this was seen to be offset in part by the large cut in the defence bill, of £105 million below the 1956-57 out-turn, net of American and German aid. Now the balance is transformed by the Chancellor's estimate of a reduction in consolidated fund payments of £67 million. He attributes this expected relief "largely" to the fall in short-term interest rates; but a good part seems likely to result, too, from a fall in payments of accrued interest on national savings certificates. These were swollen last year by the heavy encashments for switches into the new issue, which played an important part in the big increase in debt service above estimate. With the expected saving this year, total ordinary expenditure is put at £41 million below 1956-57—though still £89 million above the original estimate for the year.

1956-57 OUTTURN AND 1957-58 ESTIMATES

(£ million)

ABOVE THE LINE

Revenue	1956-7 Estimate	1956-7 Out-turn	1957-8 Estimate	Expenditure	1956-7 Estimate	1956-7 Out-turn	1957-8 Estimate
Income Tax	2,086	2,114	2,176	Interest on Debt	670	711	640
Surtax	144	158	149	Sinking Funds	37	37	38
Death Duties	170	169	170	Northern Ireland	61	66	69
Stamps	59	63	60	Miscellaneous	10	10	10
Profits Tax, E.P.T. & E.P.L.	221	200	255				
Other Inland Revenue	1	1	1	**Total Cons. Fund Services**	778	824	757
Total Inland Revenue	2,680	2,705	2,811				
				Supply—			
Customs and Excise	2,158	2,101	2,117	Defence	1,499	1,525	1,420
Motor Duties	92	91	93	Civil (incl. Tax Collection)	2,461	2,519	2,650
Total Tax Revenue	4,930	4,897	5,021				
				Total Supply	3,960	4,044	4,070
P.O. (Net Receipts)	10	4	20				
Broadcast Licences	28	28	31	**Total Expenditure**	4,738	4,868	4,827
Sundry Loans	30	33	32				
Miscellaneous	200	196	185	Surplus	460	290	462
Total Revenue	5,198	5,158	5,289		5,198	5,158	5,289

BELOW THE LINE

Receipts				Payments			
Interest outside Budget	150	147	175	Interest outside Budget	150	147	175
Export Guarantees—				Export Guarantees	7	5	7
Repayments	2	2	5	Post-war Credits	18	17	17
Housing Receipts from				E.P.T. Refunds	2	1	—
Votes	7	7	7	War Damage	24	25	22
Local Authorities—				Scottish Special Housing	7	5	6
Repayments	44	42	48	Armed Forces—			
P.O. Capital Repayments				Housing	8	6	6
from Votes	3	3	6	Loans to Local Authorities	220	109	100
Film Corporation—				Loans to N.I. Exchequer	4	1	3
Repayments	—	1	1	Loans for New Towns	35	32	33
Raw Cotton Commission:				P.O. Capital Expenditure	78	79	75
Net Repayments	1	2	—	Loans to Film Corporation	—	1	1
Nat'lised Industries (other				Loans to I.T.A.	1	—	1
than National Coal				Loans for Inventions	—	1	—
Board)—				Town and Country Planning			
Repayments	—	—	14	Acts—			
New Towns—				Compensation payments	30	17	2
Repayments	1	1	1	Overseas Resources—			
Town and Country Planning				Colonial Development	9	7	15
Acts—				Loans to Potato Marketing Board	5	3	6
Repayments	7	8	5	Loans to Sugar Board (net)	10	13	—
Potato Marketing Board—				National Coal Board—			
Repayments	1	—	3	Capital Expenditure (net)	63	26	45
Anglo-Turkish Armaments				Loans to other Nationalised Industries	350	284	290
Credit—				Transport (Rly. Finances)			
Repayments	1	1	1	Loans	—	52	50
Other Repayments	1	1	1	International Finance Corporation: Subscription	—	5	—
Total Receipts	218	215	267	**Total Payments**	1,021	836	854
Net Sum borrowed or met from Surplus	803	621	587				
	1,021	836	854		1,021	836	854
Total Receipts	5,416	5,373	5,556	**Total Payments**	5,759	5,704	5,681

★

Flanking the total improvement in the "ex-budget" surplus above the line of £270 million, there was an expected reduction in net payments below the line of £34 million below 1956-57—when they were £182 million smaller than estimated. The bulk of that improvement was attributable to the decline in loans to local authorities by the Public Works Loan Board: issues net of repayments reached only £67 million, compared with £297 million in 1955-56 and the estimate for last year of £176 million. Mr Thorneycroft states that he will "press forward" with this remarkably successful policy of driving the local authorities into the market, and estimates net issues for 1957-58 at a mere £52 million. Advances to the nationalised industries, moreover, were much less than had been estimated. Savings in minor items below line, listed in the table, carried the total improvement in the Exchequer accounts "available" to the Chancellor to £304 million.

A Radical New Relief

For the first time in Britain's fiscal history there is to be a clear differentiation between profits earned at home and those earned overseas. The latter are to be largely freed from British tax. This forms the most costly single tax concession in the budget—£35 million in a full year. That is, however, a much lower figure than the £75 million talked about twelve months ago when Mr Macmillan promised to come within the year to a decision on the taxation of overseas earnings. In making this concession, Mr Thorneycroft has, in substance, adopted the proposals of the majority report of the Royal Commission on Taxation, which were energetically disputed in the minority reports.

Until now, profits earned overseas by companies controlled and managed in this country, having borne local tax, were subject to British income and profits taxes to the extent that the local tax rates ran below the British. This, it was argued, put the British company at a disadvantage with its local competitor. High taxes did not affect the making of profits but they reduced the proportion of profits that could be ploughed back and invested to expand the business. Mining companies were particularly hit because the British tax system limits allowances for the amortisation of a wasting asset to original costs.

The new proposals envisage the formation of "overseas trade corporations," which are controlled and managed in this country but have all their actual trading operations abroad. Trading profits earned abroad by such concerns will be exempted from British income and profits tax. Dividends or distributions to shareholders out of these profits will still be subject to British income tax, and, if they are received by a British company, to profits tax also. Thus it seems distributions to shareholders by British companies wholly operating abroad will escape profits tax (except to the extent that other companies are shareholders) but a remittance in a mixed business from an overseas subsidiary to its British parent would attract that tax. Hence proposals to reshape company structures are likely to become commonplace.

Companies engaged in mining, oil winning, agriculture, manufacture and processing, public utilities and distribution can qualify for the concession, but not those engaged in shipping nor in banking and insurance. Many companies will have to hive off their overseas business into a separate company in order to qualify; though control and management will not have to be transferred overseas. Where local tax rates are high, as they are for the tea estates in India and Ceylon, there will be little or no benefit; but the rubber and tin companies of Malaya, and plantation and mining companies in Borneo and Africa stand to gain. The gain exists, however, only when profits are being earned and reinvested; where a loss is made overseas, the British parent can hardly expect to set this loss against its British tax liability.

Complications in law and administration will arise from the treatment of profits earned on goods manufactured in this country but sold overseas by one of these "trade corporations." The Chancellor, anxious to avoid the charge of having granted a hidden subsidy to exports, has shown he is aware of the possibilities of tax avoidance by the under-pricing of exports: prices of goods transferred to an overseas company will have to be at arm's length—which may be hard to enforce in practice. Another difficulty will arise in distinguishing between the producing and merchanting profit on goods sold in this country by a British company operating overseas.

In making these proposals Mr Thorneycroft has tried to foster overseas earnings. But, because the relief really applies only to profits earned and then retained in overseas territories, they are an inducement for British companies to invest abroad and to build up manufacturing facilities overseas and they may even encourage produce auctions overseas at the expense of British ones. Because there is an incentive not to distribute money

ESTIMATED EFFECT OF CHANGES IN TAXATION

(£ thousand)

	Estimate for 1957-58	Estimate for a full year
INLAND REVENUE	£	£
Income Tax :—		
Extension of earned income relief at two-ninths to £4,005 and one-ninth to £9,945	— 17,000	— 24,500
Increase in the child allowance to £125 for children aged over 11 and £150 for children aged over 16	— 14,500	— 17,500
Exemption of incomes not exceeding £250 for single persons aged 65 or over and not exceeding £400 for married couples where either husband or wife is aged 65 or over	— 1,500	— 2,500
Increase in the income limit for age relief to £700	— 750	— 1,750
Surtax :—		
Deduction from total income of personal allowances in excess of £140	— 6,000	— 9,750
Income Tax and Profits Tax :—		
Exemption of "overseas trade corporations"	— 25,000*	— 35,000†
Increase in investment allowance for ships to 40 per cent	Negligible	— 11,500‡
Total Inland Revenue	— 64,750	— 102,500
CUSTOMS AND EXCISE		
Customs :—		
Hydrocarbon oils	— 10,000§	Nil
Calculation of duty on composite goods	Nil	Nil
Total Customs	— 10,000	Nil
Excise :—		
Entertainment duty	— 11,200	— 12,200
Television duty	+ 6,300	+ 8,000
Purchase tax	— 18,000	— 24,000
Total Excise	— 22,900	— 28,200
Total Customs and Excise	— 32,900	— 28,200
Total	— 97,650	— 130,700

* Divided as follows :—Income tax £20 million; Profits tax £5 million.
† Precise cost will depend on the extent to which companies rearrange their affairs so as to qualify as "overseas trade corporations."
‡ The cost in 1958-59 will be £7 million.
§ Loss from removal of the temporary increase of duty before the end of petrol rationing (allocated wholly to Customs).

the British balance of payments could be an immediate loser, though ultimately perhaps a gainer. British investment overseas is receiving an element of preferential treatment unknown before.

More in the Executive's Pocket

THE Chancellor has decided to apply a large part of his tax reliefs—£130 million in a full year—in extending allowances into the surtax field in a manner that favours the married (and fecund) taxpayer. Those who think the £2,000 to £5,000 class under-privileged are acclaiming the budget as a step in the right direction.

HOW DOES BRITAIN COMPARE?

Tax as percentage of gross income (all earned) for married man with two children (aged over 11 and under 17)

Income Before Tax	United Kingdom		USA	Canada	Australia	Nether-lands	Norway
	Old Rates	New Rates					
£							
2,000	20·7	19·6	11·9	10·5	18·4	25·6	35·3
3,000	31·6	26·6	14·8	13·9	25·7	34·2	45·9
4,000	38·7	32·2	16·8	17·0	31·1	39·9	52·6
5,000	44·0	37·5	18·7	20·3	35·9	43·9	57·7
6,000	48·3	41·9	20·5	23·4	39·6	47·2	61·2
7,000	52·1	45·7	22·1	26·2	42·3	49·8	63·6
8,000	55·0	48·8	23·6	28·3	44·6	51·9	65·5
9,000	57·8	51·6	25·2	30·0	46·6	53·8	67·5
10,000	60·0	54·0	26·7	31·7	48·3	55·3	69·6

Those who hold the contrary view proclaim that, though the reliefs are substantial in the £2,000-£5,000 class, they are very big indeed per head for the much smaller £8,000 to £10,000 class. A man with two children of the appropriate ages and an earned income of £10,000 a year saves £622 in this coming year. The man with £2,000 and the same family saves £43. But there could be no justification for the jump in the marginal rate of tax from 6s. 7d. at the 2,000th £ of earned income to 10s. 6d. at the 2,026th. Like them or not, the direct tax proposals are probably the most constructive section of the budget, and a serious attempt has been made to meet the spirit, though not the letter, of the recommendations of the Royal Commission:

(1) Leaving the child allowance at £100 until the year in which he or she becomes 12, the Chancellor then raises the allowance to £125 until the child reaches 17 and then raises it again to £150. The allowance over age 16 remains subject to the child continuing to receive full-time education or apprenticeship training and the limit on the child's earnings remains at £85, which seems dangerously low if it is desired to encourage apprenticeship at modern wages. The cost is £17½ million in a full year.

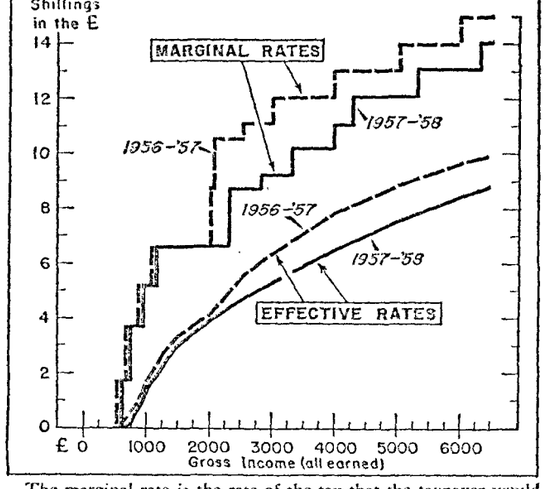
(2) It is proposed to permit some of the personal allowances to rank for surtax as well as for income tax. These are the married allowance (but not the single person's allowance), the child allowance, the housekeeper allowance and the dependent relative allowance (but strangely not the wife's earned income allowance). This has the effect of leaving the lower limit of surtax at £2,000 for the single man but of raising it for the family man. Surtax being paid a year in arrear, the old rate of child allowance is to be used next January. The full reliefs come with the January, 1959, tax demand. The cost in a full year will be £9¾ million.

(3) Earned income relief has been carried right into the field of surtax and up as far as the £10,000 a year man. It will run at the normal rate of two-ninths up to £4,000 a year, and then at one-ninth up to £10,000. The cost in a full year will be £24½ million.

(4) Age relief is to be extended by a tax exemption limit of £250 for single people over 65 and £400 for couples either of which is over 65. (Might it not have been an administrative boon as well as an act of grace to make these modest exemptions general?) The limit up to which the whole income of old people is treated as earned, whatever its source, is raised from £600 to £700.

CHANGES IN TAX RATES

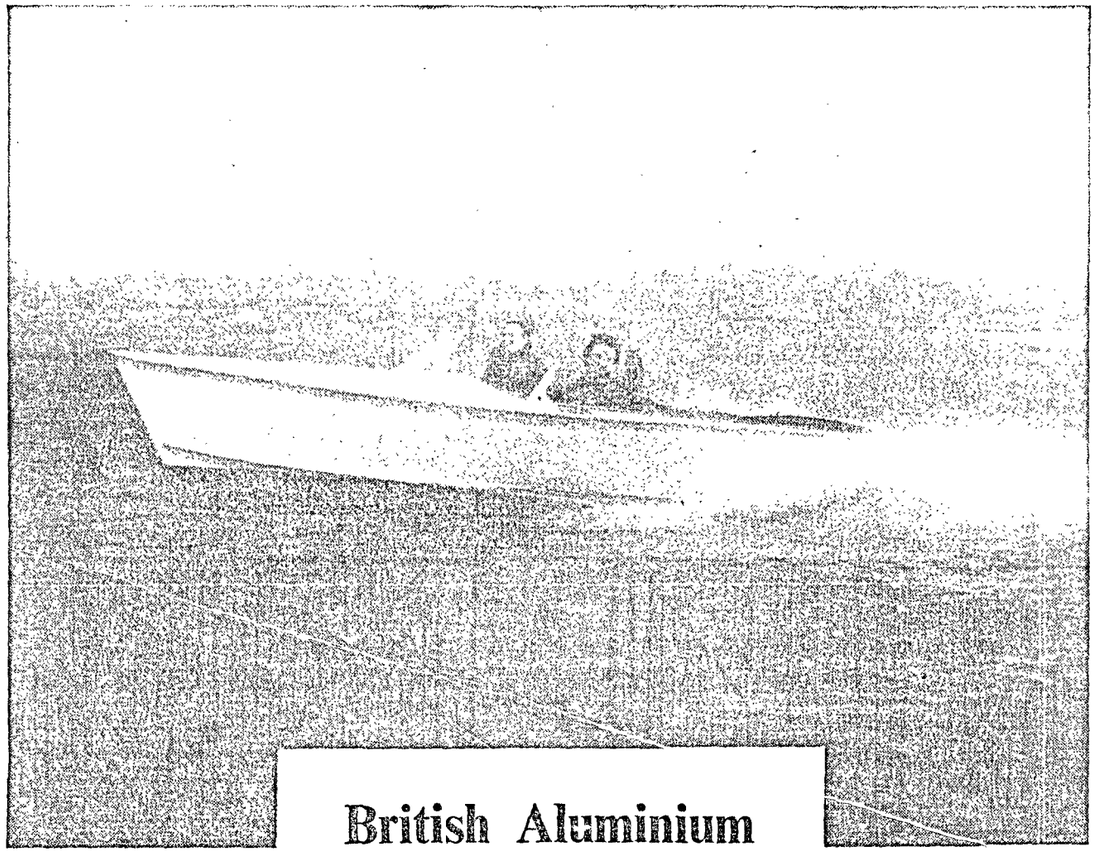
For married man with two children aged 12-16



The marginal rate is the rate of the tax that the taxpayer would pay on the next £1 earned. The effective rate is the average of his tax on the whole income.

These reliefs leave the £1,500 to £2,000 man, on his way towards surtax but not blessed with a large family, disappointed. Their main effect is to relieve substantially the business executive class. As the table shows, though even now the surtax paying class in Britain remains much worse off than its counterparts in Canada and the United States, it has moved into approximate parity with the Dutch middle class. What will be the effect of these more adequate rewards? One may be that in addition to the tax reliefs executives will actually obtain salary advances from their firms. A rise becomes worth asking for, and an increased top hat pension or other non-cash emolument less attractive. The upper middle class will have more money to spend—and to save. The Chancellor can claim also to have given his reliefs largely to people who may spend much of it on education and foreign travel—neither of which contribute much to inflation inside Britain.

Continued on page 163



British Aluminium
in Light Craft

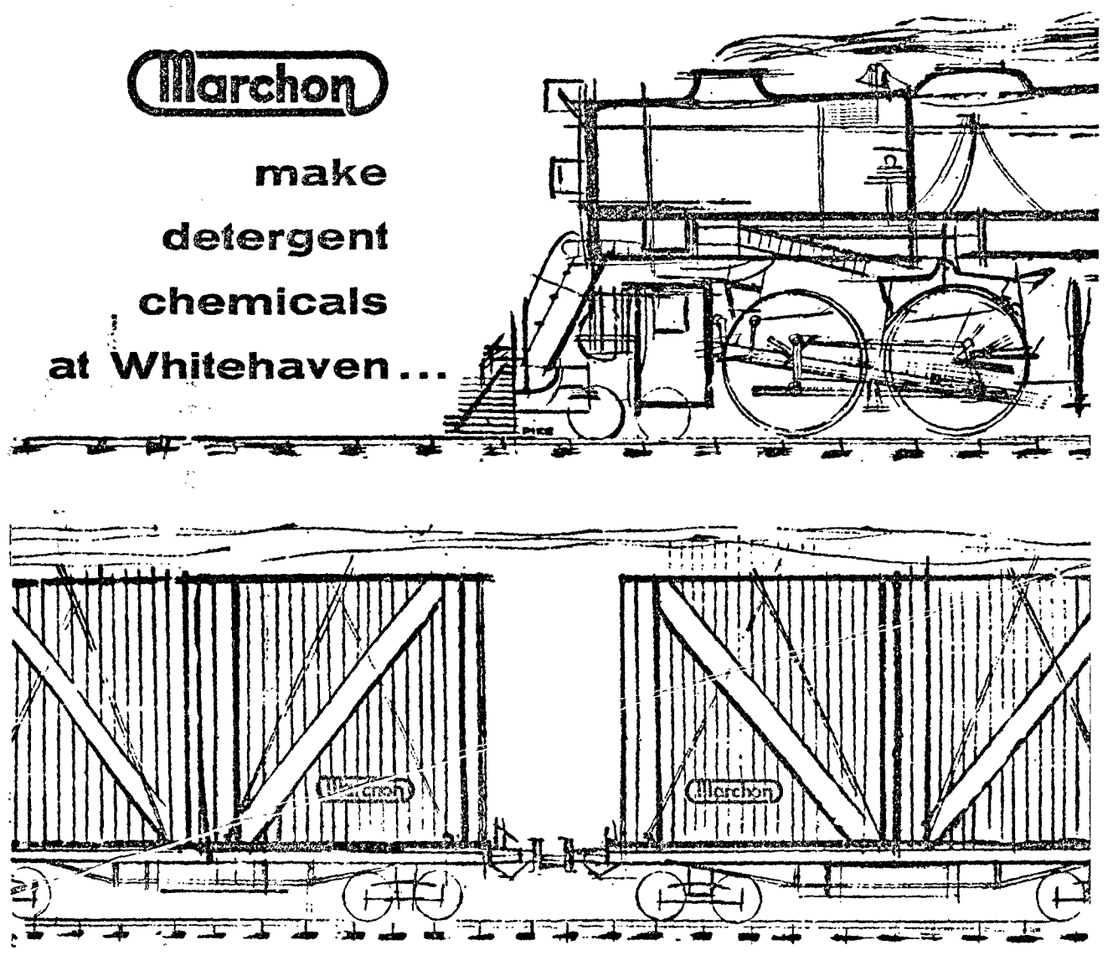
Corsaire is a fast open launch designed as an economically priced general purpose runabout, light enough for trailer towing and simple to hoist aboard a yacht.

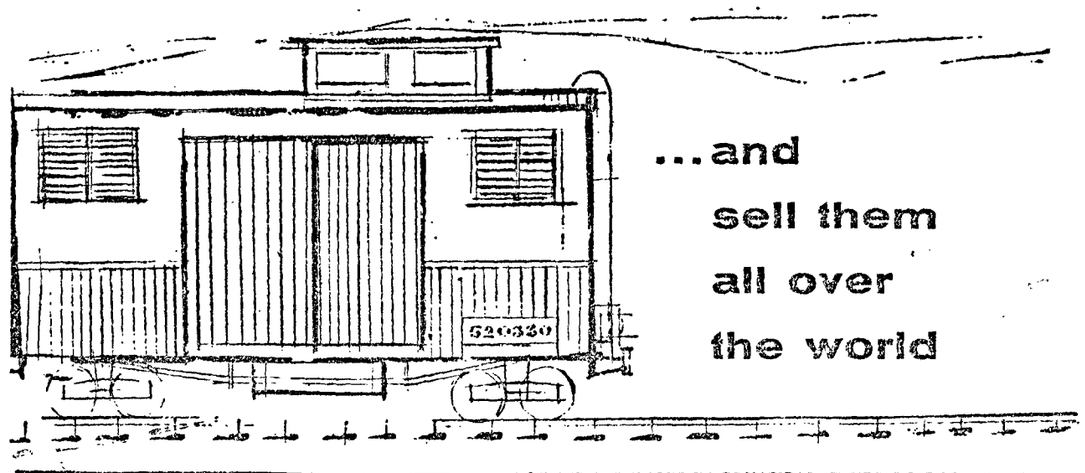
The 19 ft hull, constructed entirely of aluminium, is robust, stable, and roomy—it will carry seven or more passengers comfortably in open water.

With a Ford Consul 1¾ litre engine, Corsaire has an extremely low all-up weight and a service speed of 22 knots. She is one of several 19 ft Corsaire variations to the design of Mr. Brian Grimston.

The BRITISH ALUMINIUM Co Ltd

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Breeding in Bermuda

SPECIAL treatment for one industry or group of industries is distasteful. But shipping, which in February last year was allowed to retain the 20 per cent investment allowance, now has that allowance raised to 40 per cent. Will this stop "breeding in Bermuda"? The bribe is substantial, for investment allowance is a gift while initial allowances that apply to other industries are loans. A ship earning normal voyage profits can be run for many years before ownership and control show a clear advantage. The table shows a tanker costing £1 million earning 15 per cent per annum on voyage profits. On the old tax basis at the end of the sixth year Bermudan ownership would just begin to show an advantage. On the new basis that

End of year	Cumulative voyage profit at 15%	Cumulative tax allowances	
		Old rates*	New rates†
6	900	823	1,023
7	1,050	879	1,079
8	1,200	928	1,128
9	1,350	968	1,168

* 20 per cent investment allowance once only plus 15 per cent annual depreciation on the reducing balance system
† 40 per cent once only plus 15 per cent annually.

advantage would not start until the end of the eighth operating year. For a dry cargo vessel earning 11 per cent and depreciated on the reducing balance system at 12½ per cent, the figures would have been eight years on the old basis and now eleven years. Bermuda still presents to the shipowner who sells his ship above its written down value an escape from the balancing charge. Those who have started to breed ships there, will go on. Those who have hesitated may now find the scales tilted in favour of Britain.

Taxing All Viewers

THE GESTURE of taking entertainments duty right off the theatre and sport was popular with MPs as well as delighting the fancy; besides, it cost the Chancellor very little. The theatre was producing no more than £2¼ million in duty a year, and sporting admissions only about £3½ million a year. The great bulk of entertainments duty, for many years, has been paid by the cinema; now nearly all of it will—though the actual amount of duty the cinema pays is to be reduced by about £6½ million a year. Film producers, renters and exhibitors had pleaded with the Chancellor for a cut of £21 million a year; sober men in the trade had expected a cut of perhaps £8 million. Cinema shares, which had already taken credit for an increase in the duty upon Sir David Eccles's "indiscretion" some weeks ago, dropped sharply on Wednesday.

This remission of £6½ million in duty paid by exhibitors has already been partly hypothecated by Government decision; the new Cinematograph Films Bill, which will make the levy that goes from box-office receipts direct to producers statutory and compulsory, has already set the amount of this about £1½ million higher than during the last few years. Cinema exhibitors, many of whom claim to be on the verge of closing down, are not likely to be greatly mollified by the slight widening of regulations under which cinemas in very small villages may claim remission from duty. Nor will the new "television duty" give them much heart.

This new Excise duty will be collected along with the broadcast receiving licence fee by the Post Office, but will not be part of the licence fee; it may bring in £8 million in a full year, against the reduction of £12.2 million in entertainments duty. It has been imposed, the Chancellor said, because "a fairer balance in the taxation of these competitive entertainments (television and cinemas) is desirable." But it is not easy to believe that this "fairer balance" in taxation will significantly redress the tilting balance of competition.

The Shilling Off Petrol

"THE LEAST figure" that the Chancellor could put as the cost to the Exchequer of the removal of the extra shilling a gallon tax on petrol and diesel fuel was £10 million. The reduction of the tax now will certainly press petrol consumption closer against the remaining limits set by rationing, so that the total revenue from the petrol tax should not fall in the same proportion as the reduction in the tax. But with even rationed consumption allowed for at about 90 per cent of normal, the revenue foregone could easily be £10 million a month, and more in the summer. Mr Thorneycroft's "least figure" of the cost is therefore merely the difference between removing the extra tax now and removing it in a month's time.

This cheapening of the consumer price of petrol and diesel fuel must affect the balance of payments; it will add to the strain of replenishing stocks of these products at an abnormal cost in dollars. But as conditions in the Middle East improve the extra dollar outlay can be reduced.

Fiddling with Purchase Tax

THE CUTS in rates of purchase tax on an odd and mainly insignificant collection of goods will cost the Exchequer £18 million this year and £24 million in a full year. In his autumn budget eighteen months ago, Mr Butler aroused the wrath of the Labour Party by suddenly imposing purchase tax at the rate of 30 per cent on an assortment of domestic odds and ends, ranging from table china to saucepans and pot scourers, which had never before been subject to tax. Mr Thorneycroft has now halved the tax on these to 15 per cent, and to make the concession slightly more

generous has extended it to floor coverings and odds and ends such as office furniture.

This gesture to the hypothetical housewife means that there are now as many as seven different rates of purchase tax in force; these are 5, 10, 15, 30, 50, 60 and 90 per cent. Some of the rates apply to only one or two classes of goods; for instance, piece goods are the only items taxed at the rate of 10 per cent, furs the only ones paying 50 per cent and cosmetics and brightly coloured greetings cards as the only two at 90 per cent. Three different rates, 5, 15 and 30 per cent, apply to different furniture.

Two years ago there were only three rates of purchase tax; easing the way towards consolidating this irrational impost into a less discriminatory form of sales tax. This largely meaningless political gesture of "freeing the pots and pans" has gone in the opposite direction.

Death Duty Loophole

ONE TAX loophole to which Mr Thorneycroft has given his attention is avoidance of the estate duty that is levied when the donor of a gift dies within five years of making a gift. Such devices take advantage of the fact that no duty is payable if the property given away (for example, a security due for early redemption) has ceased to exist before the death of the donor. That Mr Thorneycroft has decided that this "disappearing trick" must disappear is not surprising. The practice of making gifts in the form of early redeemable securities made a mockery of the five-year survival rule and went some way to justify the taunt that the payment of death duties was a voluntary act. But the proposed change is open to the criticism that it is retroactive, for it will apply whenever death occurs after the finance bill becomes law.

Control of Credit

THE City received the budget with a restrained welcome. The Chancellor had given many of his tax reliefs in what seemed to City men the right directions. But there was also a warning that credit must not be relaxed. In one specific and questionable aspect monetary policy has been tightened. Banks have been informed that requests for credit to finance buildings, plant and fixed capital are not loans in the ordinary course of business, and the Capital Issues Committee has again been charged with the duty of refusing permission for financing those objects by bank loans unless either the applicant cannot raise the loan from non-banking sources, or it is a short bridging operation pending the completion of funding arrangements. This return to the pre-1953 procedure which will not be easy for the banks to interpret could have the effect of throwing on to the issue market a fair volume of financing that the banks now do. Investors have an appetite for industrial issues and the issues could no doubt be absorbed.

The City welcomed too, and with less reservation, the proposal to set up a Committee of Inquiry with Lord Radcliffe as chairman to investigate "the working of the monetary and credit system and to make recommendations." Much has happened since the Macmillan Committee faced a similar task in 1931.

BUSINESS NOTES

AFTER THE BUDGET

The Market Feels its Way

MARKETS ran up to budget day in cheerful mood. Industrials were advancing merrily and gilt-edged stocks holding their own. They received the budget with no wild enthusiasm but with a general feeling of satisfaction; prices were marked up further on Wednesday morning, but from that point they began to sag. Investors who had bought in anticipation were not prepared to buy more merely because their hopes had been in part fulfilled. On balance industrial shares stand well up on the week. *The Economist* indicator at 212.6 shows a rise of 5.7 on the week and is at its highest point since August 10, 1955. Gilt-edged meanwhile have lost a little ground; the *Financial Times* index of Government securities stood on Wednesday at 87.24, against 87.32 a week earlier.

This looks like faint praise for the budget from the investing public, some of whom may later have more money to put into the market as a result of it, but the movement is not illogical. The budget with its renewed emphasis on the machinery of credit control has done nothing to relieve the distaste for gilt-edged that powerful investors were feeling, and since big investors would not buy, a succession of small selling orders was sufficient to tip the market downwards. On selected industrials the budget does give a lead, and indeed the picking out of companies likely to benefit from the overseas trade corporation provisions made up most of the small rise in industrials on Wednesday. Overseas mines (but not South African registered gold mines), rubber shares and some of the oil shares were bought on Wednesday. Shipping shares were also active. In cinema shares the rise seemed already to have gone too far. The picking out process is likely to absorb a good deal of investors' thought until the Finance Act is on the statute book. And it is not simple. It is not, for example, sufficient to choose

a company registered in this country whose business is wholly overseas, or one with an important and profitable export trade that could easily be hived off. Two other requisites are that the level of tax in the country of operations should be markedly lower than in this country and that the margin between profits and distributions in the chosen company should be high enough to allow the bulk of the overseas earnings to be reinvested.

SOME BUDGET EQUITIES

	April 5	April 8	April 10
Overseas Companies :—			
Australian Mercantile	33/–	33/–	33/–
Bowater	45/3	46/3	47/3
BAT	58/3	59/4½	60/3xd
Turner & Newall	123/6	127/6	128/3
Beralt Tin	45/3	45/3	49/9
Consolidated Zinc	6/4½	6/6	6/10½
Petaling Tin	51/–	51/–	55/–
United Sua Betong	88/6	87/–	88/6
Entertainment :—			
Associated British Picture	12/–	12/1½	12/–
Moss Empires	5/–	5/4½	6/4½
Rank Organisation	9/9	10/–	9/6
Stoll Theatre	3/7½	3/9	3/9½
GRA Trust	1/7½	1/7½	2/1
Wembley Deferred	2/10½	2/10½	3/1½
Shipping :—			
Cunard	25/6	26/9	27/9
P & O Deferred	35/6	36/3	37/–xd
United Molasses	40/6	40/9	42/6
Shell Transport	178/9	180/–	178/9

STERLING'S SMALL RALLY

STERLING has been palpably firmer this week against US dollars and most European currencies. Its advance anticipated the budget, the official rate on New York hardening on Tuesday to $2.78⅞ from around $2.78¾ at the end of last week. After the budget on Wednesday sterling was dealt in up to $2.79⅛. Transferable sterling has also been in demand and has risen this week to $2.7670. But security sterling has not responded nor has the premium on dollar securities in London. The security sterling rate has hardly moved from $2.60 while the premium on dollar securities has remained firm at around 8 per cent over $2.80. Forward markets have moved in sterling's favour: against US dollars the three months' rate is at ¾ per cent discount, a figure which exactly straddles the difference in interest rates between New York and London.

Foreign centres responded favourably to the budget though not to the extent of any big covering of bear accounts. Commercial houses in the United States are still exceptionally short of sterling and only cover their exchange requirements when they must. There has been evidence of such last minute purchases of sterling from New York this week. In spite of the good figures of British overseas trade, the whole of sterling's advance was not held. It drifted down on Thursday to $2.78⅛.

'EXPANSION IN EXPORTS'

A Record Month

THE President of the Board of Trade was seen able to offer some support for the Chancellor's forecast of "expansion in exports, some increase in consumption, and probably a slight increase in fixed investment as well." Speaking in the budget debate, Sir David Eccles said that export orders in the last few weeks had been "a good deal better" than forecast and very well spread among different classes of goods. He claimed that British prices had become competitive and delivery dates reasonable in almost all markets of the world. Exports in March were a record—"convincing proof of the underlying strength of our trading position." Details published by the Board of Trade show that exports were valued at £296.9 million fob, £18.7 million more than in February and £2 million higher than the previous peak in October. The March returns covered one more working day than February.

The average monthly value of exports in the first quarter was £278.7 million; allowing for the repayments of lease-lend silver to the United States, the increase over the first quarter of 1956 was seven per cent, which compares with an average increase in 1956 of 10 per cent over 1955. Repayments of silver bullion last month were worth £1.4 million. The final repayment, which brought the total to over £29 million, came too late to be included in the March trade returns.

Imports in March were also high, amounting to £361.7 million, nearly £41 million more than in February. The average monthly value for the first quarter was £352.9 million, 7½ per cent more than in the same quarter of last year. The real increase, however, is reckoned to be only about half as large as that, for the first quarter included cargoes delayed by the closing of the Suez canal. With re-exports £5½ million higher at £16.4 million the gross visible deficit in March was £48.5 million, £16.8 million above the exceptionally low deficit in February. In the five months from November to March—to allow for the distortions that followed the closing of the canal—the average monthly deficit was £47 million, which was £12½ million smaller than in the same months of 1955-56.

UNITED KINGDOM TRADE
(£ million—monthly averages or calendar months)

	Imports c.i.f.	Exports f.o.b.	Re-exports f.o.b.	Trade deficit
1956 1st quarter	328·3	258·3	13·6	56·4
2nd "	330·6	272·0	13·1	45·5
3rd "	312·3	247·2	9·0	56·1
4th "	325·2	279·9	13·0	32·3
1957 1st quarter*	352·9	278·7	13·0	61·2
January	376·5	261·0	11·7	103·9
February	320·8	278·2	10·9	31·7
March*	361·7	296·9	16·4	48·5

* Provisional.

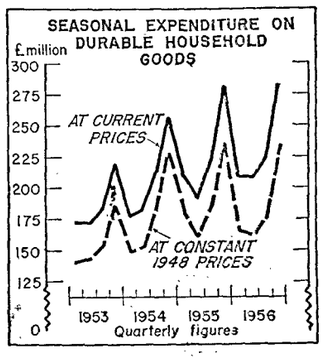
'SOME INCREASE IN CONSUMPTION'

More Spending on Durables

SPENDING on personal consumption rose by about 5 per cent in value last year but the volume of goods and services bought was only half of one per cent more than in 1955. But towards the end of the year there were distinct signs of a recovery in the level of real consumption and this revival has run strongly in the early months of the present year. Since December retail sales have been averaging 7-9 per cent higher than twelve months ago which after allowing for price changes means an increase in volume of about 3-4 per cent.

This revival has been shared on the whole by all lines and by all types of shop, apart from greengrocers and ironmongers, with the multiples and department stores doing

rather better than the rest. Large increases appear nearly all the way down the long columns of the Board of Trade's reports on retail trade in January and February. Though these improvements partly reflect the low level of sales by some shops in the first two months of last year, retail trade returns for March and April are unlikely to show such large gains. Sales of household goods were particularly depressed at the beginning of 1956 so that 11 per cent increase in volume during December, January and February and the 22-23 per cent increase reported by the multiples in February overstate the real improvement. Nevertheless the volume of spending on household goods by the end of 1956 had already caught up with the level of November and December, 1955. Furniture sales were also well up; on February there was an improvement of 20 per cent in value on February, 1956, with the multiples showing gains of 34 per cent.



The revival in hire purchase sales of consumer durables in the last few months suggests that spenders have taken their second wind after the raising of initial deposits last year, but cash sales have also been growing. So far, too, clothing shops, which did very well when sales of household equipment dropped away last year, do not seem to have been affected by the present growth of spending on durable goods. With the present round of wage increases well under way, Mr Thorneycroft's prospect of "some increase in consumption this year seems certain to be realised.

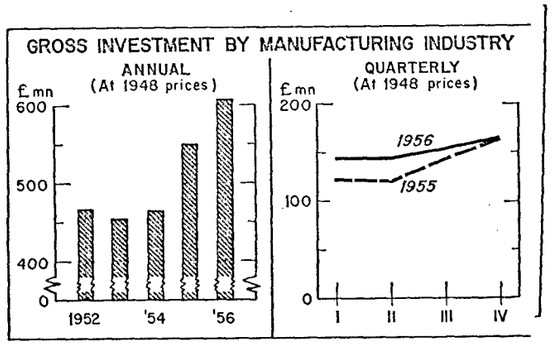
'A SLIGHT INCREASE IN INVESTMENT'

Manufacturers Spend Less

TOTAL gross investment in Britain this year, according to the Chancellor's estimate on Tuesday, should show "a slight increase" on 1956, by which he presumably meant an increase somewhat smaller than the rise of £80 million, in real terms, achieved last year. The whole of this increase seems likely to come from the publicly owned basic industries. Capital spending by manufacturing industry, which has provided the main drive for the investment boom since 1954, will almost certainly be lower in real terms than in 1956.

The rate of growth in real manufacturing investment has been falling away for some time. In 1955 it rose by 18 per cent (when the volume of total gross investment grew by 6 per cent) and in 1956 it rose by 11 per cent (compared with a total increase of 3 per cent). Over the four quarters of last year the decline was quite sharp: during the first six months the volume of manufacturing investment was 18-19 per cent higher than in the same months of 1955, but in the third quarter it was only 8 per cent bigger, and in the last three months there was virtually no change at all. For the present year the Board of Trade survey of manufacturers' investment plans, which was conducted last autumn, suggest that total spending will be no more than in 1956—which probably means that the volume of capital expenditure will be somewhat less. Since this particular survey was started two years ago, early forecasts by industry have always been markedly higher than actual performance but this year, when the forecast is only of no change performance may be closer to prediction.

There is, however, quite a wide difference between the investment plans of different industries this year. The chemical industry, for example, still expects to spend nearly a quarter more than it did in 1956 and the metal manufacturers—mainly iron and steel—expect to invest about a seventh more. Almost all other groups of industries have prepared smaller capital programmes. There is a fairly consistent shift of emphasis in all industries from investment in new factories to investment in new plant and machinery. This does not appear, however, to signal any very marked increase in machinery supplies: whereas total spending on new building work is expected to be 7 per cent less than in 1956 (compared with increases of 26 per cent and 48 per cent in the two previous years), total expenditure on plant, equipment and vehicles is expected to grow by only 3 per cent (against increases of 15 per cent and 21 per cent in 1955 and 1956).



ROYAL DUTCH/SHELL

Expanding Despite Suez

"THE impact of the closing of the Suez Canal, confined as it was to a limited area, was insufficient to reduce in the last quarter the rate of increase in our trade which had been established over the preceding period of the year throughout which it was gathering momentum." Such is the comment of the directors of the Royal Dutch/Shell group on the year's results, which include a 12 per cent increase in net income and an 8 per cent increase in sales. The sales proceeds and other income of the group rose by £270 million to £2,321 million, the principal growth in demand being in heavy oils. Sales taxes, excise duties and similar levies absorbed £486 million (against £444 million) and the total of all other costs rose from £1,313 million to £1,511 million (including an increase of £26 million to £197 million in depreciation and depletion).

The net income of the group advanced from £160 million to £180 million, primarily as a result of increased sales of

Continued on page 16

Investment in Fuel

"INVESTMENT demand is still the main expansionary force at home, and after the private investment boom of the last two years public sector investment may well now make the running," said the Treasury's *Bulletin for Industry* confidently a week before the Budget. Mr Thorneycroft this week put the point more moderately; foreseeing "probably a slight increase in fixed investment" as well as in exports and consumption, he spoke of the "large plans" for atomic energy, coal, and transport. "We are right to do this," he averred. "Ask any industrialist! Few would say that in this sector we are guilty of being overbold."

This begs an inevitable question with superb arrogance. How much investment is going into the nationalised industries, and how does anyone decide how much happens to be right? Some of the facts, at least, were brought up to date this week by a White Paper from the Ministry of Power. This deals only with "Capital Investment in the Coal, Gas and Electricity Industries," but the figures for transport are fairly readily available. Besides giving the Ministry an opportunity to set the record straight upon just how much is being spent in the nuclear electricity programme, the White Paper does bring together all the investment plans of the publicly-owned power industries.

These are prodigious, by the standards of any privately-owned industry except oil. On electricity, the three nationalised authorities in Britain will be spending nearly £3,500 million during the coming decade; it would have been about £2,750 million even without the extra capital expenditure that is associated with nuclear generation. The Coal Board is investing nearly £100 million a year over the decade in its mines and ancillary plants. The gas industry—which has revised its estimates of expansion in business slightly downwards—is spending more than £400 million on fixed investment during the period. (The figures for gas in the bottom table differ sharply from those published in these columns on March 16th: partly because the industry now plans to finance much more investment from internal resources than it had then announced, but also because our estimates did much less than justice to its performance up to 1956.) Transport's fixed investment from 1956 to 1965 inclusive is likely to reach about £1,250 million.

This White Paper contains an appendix upon the most dramatic—and most expensive—of the nationalised investment programmes. Its table showing the details of the nuclear programme, and its comparisons with a programme in which the 6,000 megawatts of nuclear capacity that it is aimed to instal by 1965 would be replaced by conventional power stations burning coal or oil, is set out above. These figures are not new; but they offer greater detail than has been published before.

ESTIMATES OF NATIONALISED FUEL AND POWER INDUSTRIES CAPITAL EXPENDITURE TO END-1955, AND INVESTMENT PROGRAMMES, 1956-65
(£ million)

	Gross capital expenditure			Financed from			
	Fixed	Working	Total	Internal resources	Stock issues	Exchequer advances	Total borrowing
CEA & Area Boards :							
to March, 1956	1,222	14	1,236	360	818	...	876
1956–60	1,105	20	1,125	375	...	...	750
1961–65	1,890	200‡	2,090	(570)	...	...	(1,520)
Total Electricity :§							
to "end-55"	1,342	1	1,343	371	914	...	972
1956–60	1,305	20	1,325	(400)	...	...	(925)
1960–65	1,955	210	2,165	(585)	...	...	(1,580)
Gas Council & Boards :*							
to March, 1956†	319	63	382	132	227	...	250
1956–60	220	...	220	125	...	...	95
1961–65	200	...	200	185	...	...	15
National Coal Board :							
to end-1955	442	−12	430	183	...	247	247
1956–60	590	...	590	240	...	350	350
1961–65	410	...	410	410	...	...	Nil
Total :							
to "end-1955"§	2,103	52	2,155	686	1,241	247	1,469
1956–60	2,115	20	2,135	765	...	350	1,470
1961–65	2,565	210	2,775	1,180	...	...	1,595

* £64 million of repayments due on vesting, stock cancelled and advances repaid, was covered by stock issues to March, 1956: some £30 million will be during 1956–65. ‡ Includes approximately £180mn. for fuel charges in nuclear stations. § North of Scotland from 1949 onwards: South of Scotland from 1955 onwards.

BUDGETING FOR NUCLEAR ELECTRICITY

Power Investment Programmes, 1956–7 to 1965–6

	£mn.
Generation & Transmission	
STATIONS READY BEFORE 1961 :	
Conventional stations	460
Transmission	170
	630
STATIONS READY 1961–65 :	
Conventional stations	316
Nuclear stations:	
Construction	742
Fuel charges	177
Transmission	225
	1,406
Cost if all conventional	*810*
STATIONS READY ONLY AFTER 1965 :	
Conventional stations	60
Nuclear stations:	
Construction	145
Fuel charges	15
	220
Cost if all conventional	*115*
Distribution	1,000
Extra Working Capital	40
Total Investment	3,350
If all conventional	2,600

One specifically new point is made. The original nuclear programme was estimated to cost £300 million—some £230-£240 million of capital expenditure by the electricity authorities in England and Scotland, and £60-£70 million on ancillary plant and prototype development by the Atomic Energy Authority. This week's White Paper adds: "The Atomic Energy Authority do not expect that their capital expenditure in connection with the revised nuclear programme will be materially different from the estimates given in the (original) White Paper. Expenditure of prototype development is largely independent of the size of the current power programme, and . . . no more capital investment in ancillary plants is likely to be needed to provide these plants for a 6,000 MW programme than was thought necessary for a programme of 1,500-2,000 MW."

In the shorter run, the estimates that have gone through the rudimentary vetting of the Ministry and the Treasury for the coming year are published. The National Coal Board has received approval for £107 million of fixed capital expenditure this year, as against £96 million last year. The three electricity authorities together will be spending £274 million; last year their total was £245 million. The Gas Council is expecting to spend £59 million against £52 million. And the Transport Commission—not recorded in this White Paper—is expecting to spend £150 million this year, against about £123 million last. In all, these "public industries" expect to increase fixed investment by £80 million—as much as the whole of gross fixed investment in Britain increased last year.

Continued from page 168

oil and chemical products, higher prices for some products and "a material expansion" in crude oil production. How little the impact of Suez was upon this international group is revealed in the quarterly figures:—

	Sales, etc.		Net income		Net income/sales	
	1955 £ mill.	1956 £ mill.	1955 £ mill.	1956 £ mill.	1955 %	1956 %
Jan.-March	474	535	34	41	7·2	7·6
April-June.....	509	560	36	43	7·2	7·7
July-Sept.	538	591	43	43	7·9	8·2
Sept.-Dec.....	530	635	47	43	8·9	7·6
Year's total	2,051	2,321	160	180	7·8	7·8

With sales and income buoyant, the Royal Dutch/Shell group was able to press ahead with its massive expansion and development programme and over 1956 the group spent £354 million (against £306 million) on capital and exploration accounts. Associated companies spent another £34 million, making a total of £388 million. Over half this sum was spent on the acquisition of new concessions, the search for new oil and the development of existing oil fields. Almost all the cost of this programme was met out of retained profits, but cash and securities held by the group fell by £24 million to £320 million. Thus the directors of "Shell" Transport and Trading had no difficulty in maintaining the ordinary dividend rate at 3s. 9d., free of tax, per £1 share, on the capital as increased about a year ago by a 25 per cent free scrip issue.

STEEL DEMAND

Motors Ordering Again

SOME people in the steel industry are privately inclined to regard the motor manufacturers' statement to the President of the Board of Trade, which he quoted so conveniently in the Budget debate, that by the autumn they would need more sheet steel than British mills would be able to provide, as a slight case of *folie de grandeur*. However, there is no doubt that a substantial upsurge in demand for sheet from the motor industry is occurring, though the revival has not yet spread to orders for steel from component makers. The marked response of home demand to the cutting of hire purchase deposits and the easing of restrictions upon the Commonwealth markets, plus growing confidence that petrol rationing will soon be off, are giving the car makers confidence in a much more resilient upswing of business during the rest of 1957 than they would have expected five or six weeks ago.

Their advance notice that they expect to become short of steel is a prudent safeguard for a very large customer to make when he has been gently out of the market for some while and knows it may not be quite so easy to move back instantly into his customary favoured place in it. When demand and production fell away at the beginning of last year, the motor makers continued to accept large deliveries of sheet steel: they built their stocks to a very high level before they cut further orders and began to use up these stocks. When they did cut their orders, home demand fell and was naturally concentrated upon the continuous strip mills; drum makers, for example, who use a very thin sheet and who had been taking hand mill qualities, specified qualities that only the strip mills can make. The steel industry did not want to close the hand mills; these therefore accepted a very large proportion of export orders, and are busy on them.

Naturally the strip mills may have some difficulty in giving the motor makers their customary high place in the queue for British sheet supplies for some months—and the car men are as naturally anxious not to have to buy abroad at high foreign prices while larger amounts of British sheet than usual are being exported. The adjustment for so big a customer, however, should not take too long—provided that the motor makers are able to sell all the cars that they appear to expect to be making in the fourth quarter of 1957.

COPPER

Fixed Prices or Free?

ANGLO AMERICAN CORPORATION and Rhodesian Selection Trust, the two Rhodesian copper mining groups, have resumed talks in Salisbury on a common basis for pricing copper. At present Anglo American sells on the basis of the open market quotations of the London Metal Exchange, currently about £242 a ton for cash metal; Rhodesian Selection Trust sells to British consumers at a fixed price, now £240 a ton cif. The talks held last autumn were inconclusive, and the present discussions are not expected to end quickly. No hint has been given of the possible bases of pricing being examined, though Sir Ernest Oppenheimer, chairman of Anglo American, said recently at the formal opening of the new Bancroft mine that the sharp variations in copper prices could, he believed, largely be obviated by "an improved selling technique."

Does that mean that Anglo American is now less reluctant to introduce a fixed price—initially to put a "floor" under copper now that it is in surplus? The group is one of the few large producers that still uses the open market price. If it started to sell at a fixed price jointly with RST it would not be long before the Canadian and Chilean mines, who now sell in Europe on the basis of the London Metal Exchange's prices, followed suit. Nearly all the world's copper would then be marketed at prices fixed by the producers, and the tonnage that establishes the open market price would be even more marginal that it is today. Would it not be better if both groups first delivered more copper to the market, and thereby gave the exchange a fair chance to do its job?

LLOYD'S UNDERWRITERS

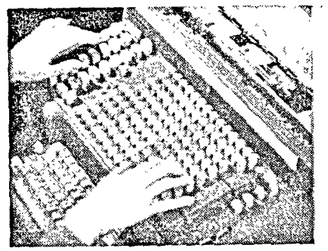
An Experiment in Equities

THE drift away from gilt-edged stocks by the big institutions is an established fact of Stock Exchange life. The insurance companies among others have been gradually increasing the percentage of other investments—equity stocks in particular—in their portfolios for a number of years. Now Lloyd's too has joined the movement, and is loosening up on the investments used in the £34 million of deposits made by underwriting members. In a letter dated March 28th underwriters of Lloyd's were informed that they might include up to 50 per cent of non-trustee stocks in the deposits (of a normal minimum of £10,000 per name) that they put up to support their underwriting liabilities.

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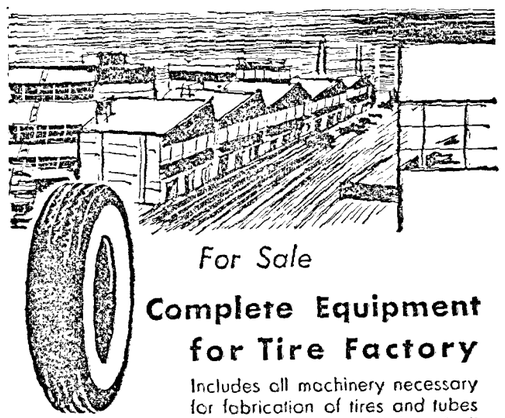
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(1) Each security is subject to the approval of the committee.

(2) Only the securities of companies registered in London and dealt in on the London Stock Exchange will be accepted.

(3) The market value of the non-trustee stocks, when the member decides to deposit them, must show a premium of at least 10 per cent over the sum that they represent in his deposit. So if he decides to take out £5,000 of gilt-edged from his £10,000 and put in non-trustee stocks instead, he would have to supply stocks of a market value of £5,500.

(4) No part of that 10 per cent margin may be absorbed in the calculation of either the distribution of profits which the syndicates make to their members, or the contribution that they make to Lloyd's Central Fund for Contingencies.

The volume of applications already received suggests that the new rule is likely to be popular. What is not yet clear is the type of security that the committee of Lloyd's is prepared to accept. A list of permitted investments may follow later. The assumption is that some high grade ordinary stocks will be acceptable and that members will use them as a hedge against inflation. That is important because the deposit though held by Lloyd's remains the member's property to the extent that he continues to enjoy the income from it and if he retires or dies the balance of the deposit, after his underwriting liabilities have been cleared, is returned to him or to his estate.

SOVIET ORDERS

A Tyre Factory for Russia

THE contract for a complete tyre factory secured last week in Moscow by a consortium of six British firms is the first of several orders for the complete equipping of Russian factories that are likely to materialise soon as the result of the "shopping list" Bulganin and Khrushchev brought with them on their visit to this country last April. Some small contracts have already been completed, but Moscow airport is now thick with the accents of British businessmen passing through for the final stages of negotiations for these larger deals. The first inquiries for the tyre factory came before April last year, when similar approaches were made by the Russians to firms in France, Germany, and in the United States (where the Battle Act gave the recipients some difficulties in responding). Talks at the time of the B and K visit were followed later last year by visits from other Russian ministerial and rubber industry representatives, and a five-man mission from the consortium flew to Moscow last month to complete the negotiations.

One firm in the consortium, Francis Shaw and Company of Manchester, equipped a Russian tyre factory in the thirties, but the present contract is vastly larger; when the plant is completed towards the end of 1959 it will be one of the largest tyre factories in Europe, and the biggest to have been constructed in one go. The precise value of this contract is not yet known, but one estimate has put it at well over £10 million, which will make it the largest single contract received in this country from the Soviet Union since the war. The Russians will be responsible for designing and building the factory, with the advice of the Dunlop Advisory Service which is acting as consulting engineers. Dunlop has undertaken to prepare an engineering survey and plans for the factory by September, but a preliminary report is to be produced in June so that the Russians can invite tenders for plant and equipment from the members of the consortium in good time.

GERMAN GOLD

Nearer D-Mark Convertibility

A FEW more steps towards complete convertibility have been taken by the Deutsche-Mark since the beginning of this month. From April 1st complete freedom has been restored in the domestic gold market in Germany. Any resident in Germany has been able to buy as much gold as he can afford and to pay for it in Deutsche-Marks over the counter of any bank. On April 5th all remaining vestiges of control on the prices of the precious metals—gold, silver, platinum and palladium—were removed. The only limitations that remain are that permits are still required for the export of these metals. The purchase of gold against US dollars is only permitted to industrial users and to bullion dealers. The general public buying gold against D-Marks has during the past week paid a premium of about 1½ per cent on the official price. It has also had to pay a turnover tax of 4 per cent. The gold on offer in Germany has been in the form of 1 kilo and 100 gramme bars. There has also been some traffic in gold coins which command a small premium over the value of the gold content because they are attractive to small hoarders. The premium varies according to the denomination of the coin. The old Latin Union coins are at the bottom of the list with a 10 per cent premium, and the sovereign is flatteringly at the top commanding a premium of over 20 per cent.

BALANCE OF PAYMENTS

Oil in the Dark

WHAT contribution does the British oil industry make to the balance of payments? No amount of searching through the White Paper or any other published document will provide an answer to this question—or even offer a plus or minus sign. The total cost of the oil imported into Britain is recorded: so are the export earnings of oil refineries in the United Kingdom. But not since 1950 has there been any official estimate of the net dollar cost of Britain's oil imports. Nor is it possible to find out from the White Paper how much the British-controlled tanker fleet earns in carrying oil for foreign consumers, how much of this is offset by British payments for the services of foreign tankers, or what proportion of the net earnings (or payments) is in dollars. Equally little is to be gleaned about the net earnings and currencies derived from British oil companies' operations overseas. Both the net tanker earnings and the net overseas earnings of oil companies are hidden in the statisticians' favourite but meaningless catch-all, the "other (net)," which also includes among other things, overseas earnings from insurance, banking, films, civil aviation, royalties, commissions, overseas profits of British merchants, and sales of gold at home for industrial use. Overseas investment by British oil companies is concealed under a similar heading in the account of capital transactions.

The Treasury, one must suppose, does have much closer

estimates than this, if not at its fingertips at least in its files. But how far they are taken into account in the formulation of government policy on energy supplies or overseas investment is quite unknown. Any discussion in Parliament, or in the press, or by anyone else outside the Government, of the probable foreign exchange cost of the energy to be provided by oil, as opposed to coal and nuclear power, over the next decade, has to be carried on in complete ignorance of the elementary data needed to form a sound judgment.

Why, then, should the figures not be published? Apparently they are treated as confidential because they have been provided to the Government by the oil companies in confidence, and some of the companies feel that their publication would embarrass them in their dealings with the Middle Eastern governments, or reveal commercial secrets. But as each royalty agreement renegotiated gives the Middle Eastern governments a closer insight into the profits and other internal operations of the oil companies, the case for secrecy is becoming weaker every year.

DRUG PRICES

The End of a Long Dispute

An eight-year-old argument about drug prices between manufacturers and the Ministry of Health has at last been settled by a formula that apparently satisfies both sides. The Ministry gets an agreement on some form of price control over drugs supplied to the National Health Service; the industry gets an undertaking that price control shall be waived until any drug has been available for at least three years. Both sides have succeeded in making their point. The Ministry's concern over the price of drugs was first aroused in 1950, when it was suggested that the price of branded drugs was higher than that of an unbranded preparation of the same compound. Might it not save the Health Service money if doctors prescribed non-branded drugs? The industry retorted with some justice that the two were not identical.

The Ministry, however, stuck to its guns, only to run into a fresh difficulty. New drugs are almost invariably first put on the market under the maker's brand name, and there is no standard equivalent against which their price can be compared. Because the industry's development costs are heavy, and particularly because years of expensive research can end in disappointment, on the relatively few occasions when a manufacturer develops a new drug of some importance, that drug is expected to earn a profit big enough to carry the costs of less successful investigations. The swans pay for the upkeep of the lame ducks.

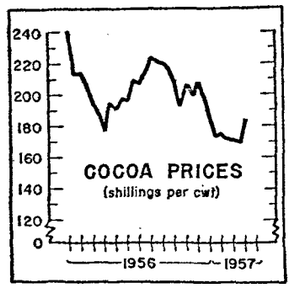
This kind of accounting cuts across formulae laid down for the costing of Government contracts. The pricing formula now accepted is that the NHS shall not pay more for branded drugs than their current export prices, competition in the export markets being sharp enough to ensure that these prices are reasonably low. But by delaying the onset of this form of price control for three years after the introduction of a new drug, the Ministry leaves the manufacturer free to recoup development costs during the period when he faces least competition. At the start, 4,000 separate proprietary drugs, on which the NHS is spending £23½ million yearly, will be affected. A saving of £750,000 a year to the Ministry has been suggested, for no one pretends that there have not been some cases of really high profits. The size of the ultimate saving will prove how well or how weakly founded the industry's arguments have been.

COCOA

Outlook Improving

Are cocoa prices on the mend? In the past month Ghana cocoa for May-July shipment has risen by over 20s. to 197s. a cwt cif and the premium for the distant delivery months in the futures market has narrowed. Consumers, particularly in European countries, have been buying steadily and the unsold balance from this season's crops in Ghana and Nigeria is probably no more than about 55,000 tons. Brazilian shippers have not been keen sellers, but if the new crop is as large as reports indicate they will presumably have to sell more freely in time.

World production in 1956-57 is now estimated by Gill and Duffus at the record figure of 929,000 tons, about 90,000 tons higher than in 1955-56. World consumption appears to be responding to lower prices more rapidly than was realised, and Russia has already bought twice as much cocoa as it bought in the whole of 1956. Consumption in 1957 is now forecast by the same firm at about 858,000 tons, an increase of over 60,000 tons on 1956. By the end of the year consumption might be running at a rate of nearly 900,000 tons a year, and it would be remarkable if crop conditions were as favourable next season as this. An apparent surplus of 70,000 tons this year might have little influence on prices if traders were fairly confident about the more distant outlook; as one dealer put it this week: "sentiment itself can be worth 50,000 tons of cocoa." A modest recovery in prices would not harm consumers and might well nip in the bud any ideas that Ghana and Brazil, the two largest producers, might have about price stabilisation.



NATIONAL SAVINGS

A Much Better Year

"National Savings" enjoyed a much better year. Lord Mackintosh of Halifax, the chairman of the National Savings Committee, has claimed the financial year just ended as the best since 1947-48 and though there is room for a small argument about that, there is no doubt that national savings greatly improved. It would have been a poor epitaph on Mr Macmillan's savings budget had they not done so. The attractive new savings certificates, and defence bonds, the exemption from income tax (but not surtax) of the first £15 of interest on deposits in the Post Office and the ordinary departments of the trustee savings banks, and the introduction of the premium bonds all played a part. The difficulty is to assess that part.

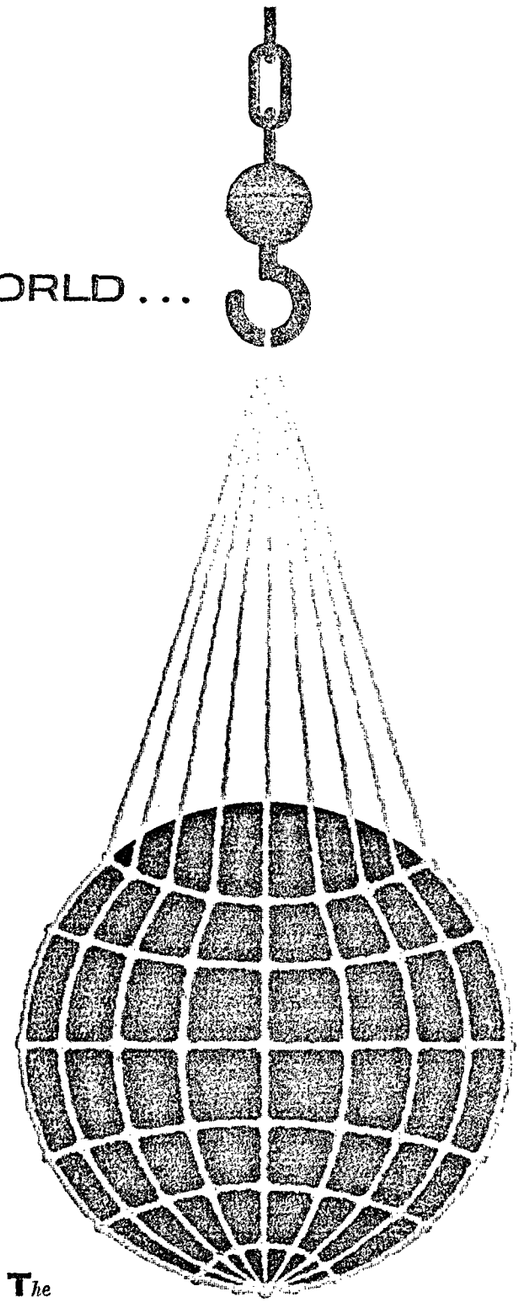
The channels of saving over which the National Savings Committee spreads its wings are only a fraction of total savings and the net sum that flows into or out of those

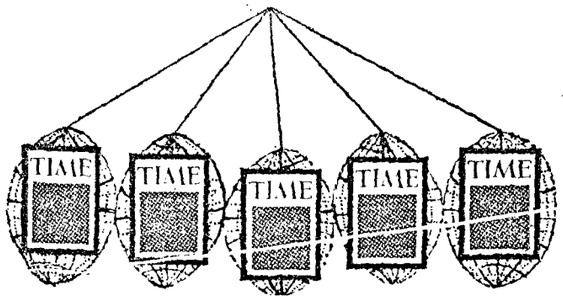
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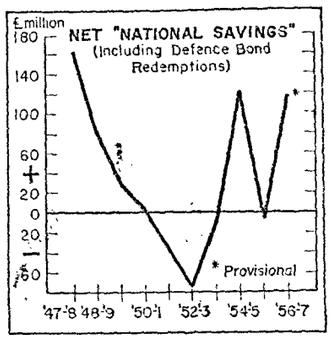


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channels is not necessarily all new saving or dis-saving. About £65 million for example has gone into premium bonds since they came on sale in November, most of it in the first month. It is impossible not to suspect that a substantial part of that was a transfer from Stock Exchange securities or from the building societies. The same probability lies behind part of the excellent response to the new savings certificates and perhaps also behind the savings bank deposits and the defence bonds.



There is room for argument about the figures themselves. It is the practice of the National Savings Committee in its weekly return to exclude the defence bonds paid off on maturity since these repayments represent a fulfilment of a contractual obligation undertaken by the Government when the bonds were sold. It is on that basis that Lord Mackintosh claims the last year as the best since 1947-48. The repayments nevertheless represent a subtraction from the national savings total, and may have put investors in funds to apply for other items among the National Savings Committee's wares. The chart has been drawn allowing for defence bond maturities. Moreover it has been drawn adding in the estimated interest accumulated on savings certificates to the new savings total and adding the interest paid out on encashed certificates to the withdrawals total. Alternative methods of presenting the interest item on savings certificates would produce savings figures for the year that differed from the figure of £116.2 million in 1956-57 (against a net dis-saving of £7.3 million in 1955-56) shown in the chart.

TANKER PROSPECTS

From Famine to Feast?

By 1959, and to an increasing extent in 1960 and 1961, there could easily be a substantial surplus of oil tankers, and a corresponding fall in tanker freight rates. This view, which has been held privately for some time by several tanker experts, was aired publicly last week by Mr A. S. C. Hulton, managing director of Shell Tankers, Ltd. Some 45 million tons of tankers are now afloat, and another 30 million tons are on order for delivery between now and 1961. Even if the world consumption of oil rises by 10 per cent a year over the next five years, which is hardly a pessimistic assumption, the supply of tankers would be increasing about 5 per cent a year faster than the demand for oil. Tanker capacity would be fully utilised only if the average length of sea voyage of each ton of oil consumed were to rise by about 5 per cent a year.

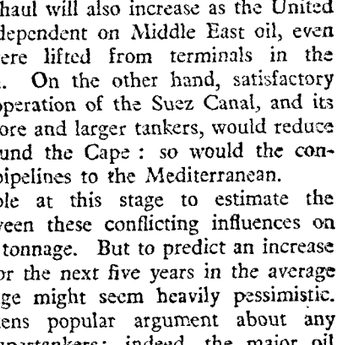
What are the chances that this will happen? The average length of voyage will be sharply increased if tankers still have to be routed round the Cape, either because supply routes through the Suez Canal or the pipelines to the Mediterranean are interrupted again, or because their capacity should in any case prove inadequate to move the increasing volume of Middle East oil needed by Europe and America. The average length of haul will also increase as the United States becomes more dependent on Middle East oil, even if all its supplies were lifted from terminals in the Eastern Mediterranean. On the other hand, satisfactory arrangements for the operation of the Suez Canal, and its development to take more and larger tankers, would reduce the tonnage sailing round the Cape: so would the construction of any new pipelines to the Mediterranean.

It is hardly possible at this stage to estimate the probable balance between these conflicting influences on the demand for tanker tonnage. But to predict an increase of 5 per cent a year for the next five years in the average length of tanker voyage might seem heavily pessimistic. This somewhat weakens popular argument about any "reserve fleet" of supertankers: indeed, the major oil companies and independent tanker operators might both have to reappraise plans to order yet another 8 million tons of tankers for delivery between 1961 and 1965. But Norwegian tanker owners, as Mr Hulton remarked, decorate their mantelpieces not with "Home Sweet Home" but with the motto "Thank God the Big Oil Companies are Always Wrong."

SHIPPING

Freight Rates and Suez

The British, American, French and Dutch governments have asked their shipowners not to make use of the Suez Canal until a satisfactory agreement has been reached with Nasser, and so far shipowners and charterers of these nationalities have observed this injunction, despite the extra cost and loss of freight involved in the continuing to sail round the Cape. The majority view at last week's meeting of the International Chamber of Shipping (which represents the bulk of the tonnage normally passing through the Canal) was that the immediate use of the Canal is of less importance than the nature and effectiveness of the guarantees concerning its use, and the undertakings of the Canal administration concerning its technical upkeep and development. There is always the minority, however: a Japanese and an Italian liner company have both announced their intention of routeing ships through the Canal on Nasser's terms. By so doing they reap an immediate advantage over their competitors, and shippers and charterers may well be tempted to do the same.



The current rate for the shipment of ore from India to Italy, for example, is $14.40 per ton via Suez, and $20 per ton via the Cape. As things stand, British, American, French and Dutch registered ships would be unable to accept the Suez option, but ships under flags of convenience, such as Liberia and Panama, have no such obligations. If tonnage was in greater supply than it is and employment was more difficult to find, there is no doubt that they would make the best of this advantage. As it is, although freight rates are back to a more normal pre-Suez level, there appears to be no excess of tonnage on the market. Charterers are meeting definite resistance in their efforts to cut rates, and so far have not succeeded in tempting owners to accept less than 64s. to 65s. per ton for coal from Hampton Roads to the Continent, although 55s. has been accepted for consecutive voyages involving nearly 350,000 tons starting January, 1958.

SHORTER NOTES

It seems likely that petrol rationing will be ended within a few days. The removal of 1d. of the remaining 3d. a gallon "Suez surcharge" on petrol prices reflects the recent improvement in the oil companies' transport, refining and inland distribution costs. Including the reduction in the tax, petrol prices have now fallen by 1s. 1d. a gallon and a further reduction both in the surcharge and in dealers' margins cannot be long delayed.

* * *

The operating surplus of London and Overseas Freighters for the full year to March 31st was £3,475,000, against £1,962,000 in 1955-56.

Thomas Tilling, the industrial holding company, has raised its ordinary dividend from 10 to 11¼ per cent, following on an increase in the consolidated profit in 1956 from £2,316,817 to £2,487,065. The directors also forecast an interim dividend of 6¼ per cent, against 5 per cent.

* * *

In the table which appeared in the note of "Finance Houses for Consumer Credit" (on page 1110 of the issue of March 30th), deposits with United Dominions Trust were shown at £2,611,000. This figure refers to current accounts and accrued expenses and the value of deposits, which is not stated separately in the company's latest balance sheet, is included in the figure of £47,329,000 shown against loans and acceptances.

* * *

On its £9 million of ordinary capital, C. A. Parsons is to pay a final dividend of 3¾ per cent; an interim of 4⅜ per cent was paid on a capital of £3,600,000 before it was increased by a 50 per cent free scrip issue and a one for one rights issue. In 1956 the company's net profits rose from £1,962,613 to £2,293,364.

* * *

Trade talks between New Zealand and Britain opened in London this week.

COMPANY AFFAIRS

RIO TINTO

Canada and uranium are two of the words which loom large in any stock exchange bull's vocabulary. They help to explain why the price of Rio Tinto's 10s. ordinary shares is as high as 96s. 3d., giving a yield of only 2¾ per cent. The price and yield look ahead into the 1960's when the uranium produced in the Algom mines in Canada and in the Mary Kathleen mines in Australia will be sold on fixed-price contracts and will swell Rio Tinto's earnings.

Until that time, the primary sources of Rio Tinto's income are dividends from its investments in the Rhodesian copper producers and, secondarily, from its remaining one-third interest in the Spanish assets it formerly controlled. Earnings and dividends from Rhodesian copper have probably not yet reached their peak and it will be hard luck if Rio Tinto's varied interests in that area do not produce some more winners, but the late 1950's may be a period of waiting.

That investors must be prepared to wait is underlined by Rio Tinto's preliminary report for the year to December 31. This shows that gross income rose by 35 per cent (from £2,513,000 to £3,387,000) and net income, following an increase in tax from £1,389,000 to £1,917,000, by 31 per cent (from £1,124,000 to £1,470,000). Yet the directors have been content merely to keep to their promise when the £1,700,000 rights issue of ordinary shares (at 50s. a share) was made to maintain the ordinary dividend rate at 15 per cent, tax free, on the increased capital. This dividend absorbs £765,000. The reason for this decision is not hard to trace. Much, if not all, of the increase in gross income came from the bigger dividends paid by the Rhodesian copper producers. Since then the price of copper has fallen and the chairmen of these companies have pointed to the likelihood of smaller copper dividends in the current year. This year Rio Tinto's income, by the same token, may fall too. Given this prospect, a dividend rate which should not be difficult to maintain until new ventures produce their bloom has much to commend it.

GLAXO LABORATORIES

Pharmaceutical manufacturers have to spend heavily on research and hence the cover on their ordinary dividends has a strong look because a big slice of profits always has to be ploughed back. They earn much of their profit from the drugs used to treat the commonest kind of ailments or protect large numbers from the rarer diseases; in either case bulk turnover is the key to success. It is important for these manufacturers to be among the first in any new market of this kind. At the moment Glaxo Laboratories is the only producer of the polio vaccine in this country. Hence it has been in favour with investors since the turn of the year. The company has now issued an interim report for the six months to December 31st.

This report was thought in Throgmorton Street not merely to justify the earlier confidence in Glaxo's 10s. ordinary shares, but also to give grounds for fresh hope. The immediate reaction was a rise of 3s. 3d. to 35s. 6d. in their price. The report itself showed that, excluding the South American subsidiaries, turnover was 21 per cent higher than in the last six months of 1955. Gross trading profits were up by about 22 per cent, from £1,313,000 to £1,601,000, showing that margins had been more than maintained. Taxes rose accordingly from £659,000 to £860,000, leaving the net profit attributable to the parent company £75,000 higher at £790,000. The last six months of 1955 was a disappointing period in which profits remained static, so that the latest increase can be regarded as a continuance of the improvement of the first half of 1956.

Since 1947, when the company was made public, the ordinary dividend record has been progressive, though big profit retentions have prevented it from

being spectacularly so. A one-for-two free scrip issue took effect in January and now an interim dividend of 5 per cent has been declared on the increased capital (against the equivalent of 4.17 per cent). The directors have made similar scrip issues and increases of interim payments in the past. These have been followed by bigger final payments. The chance is that history will repeat itself.

RICHARDSONS, WESTGARTH

ATOMIC Power Constructions, a consortium of Richardsons Westgarth, International Combustion and Crompton Parkinson, did not receive one of the first batch of nuclear power contracts, though it seems certain it will secure a future contract. Against this prospect, one member of the consortium, Richardsons Westgarth, is limbering up.

This company has now made its formal offer of eleven of its own 5s. ordinary stock units for every two £1 ordinary shares of Parsons Marine Turbine. The first aim of the proposed merger is to increase the turbine output of Richardsons Westgarth in anticipation of a nuclear power contract. Parsons Marine Turbine has an issued capital of £396,150 and the Richardsons Westgarth offer is effectively conditional upon a 75 per cent acceptance. The offer, recommended by the Parsons Marine Turbine board, should be accepted. Just before it was first foreshadowed, the Parsons units stood at about 65s. They now stand at 100s. The 5s. units of Richardsons Westgarth stand at 18s. 10½d., making the exchange worth 103s. 9d. per Parsons unit. The holders of the Parsons units will receive a dividend of 12 per cent, but they will not be entitled to the Richardsons Westgarth dividend for the year to March 31st last.

This dividend will again be 16⅔ per cent, so that Richardsons Westgarth shares yield 4.4 per cent. This yield looks forward and the Richardsons Westgarth directors now claim a record order book promising employment for several years ahead. The group will have to spend heavily on improving and enlarging its works and plant; but some of this finance is already provided and the directors do not foresee difficulty in raising the remainder.

HUDSON'S BAY

FOR the first time since the Hudson's Bay Oil and Gas Company (in which the Hudson's Bay Company has a 25 per cent interest) was reactivated in 1947, it has earned a net profit. The operating profit of $2,397,000, together with a profit of $2,245,000 arising from the sale of a minor interest in certain natural gas acreage, has been credited to the deficit account, reducing it to $7,148,203. This deficit represents expenditure on exploration, which has added substantially to the company's oil and natural gas reserves. The profit resulted from an active development programme in 1956 which increased net producing acreage by 38 per cent and the number of producing wells by 44 per cent; average daily oil production increased by 60 per cent to 20,992 barrels.

The further development of these oil interests in Western Canada is the most significant point for the bulls of the Hudson's Bay stock. But they should not fail to note that in Canada's booming economy, the company's established trade in the retail, wholesale and fur trades had a most successful year. Total sales in these departments rose from £62 million to over £69 million and trading profits from £3,641,000 to £4,024,000. Such progress, however, was achieved only by spending heavily on capital account. The need for such expenditure can be advanced as a reason why the company's dividend policy is not over-generous. The dividend from trading was left unchanged at 15 per cent and the tax-free dividend from the land account at 2½ per cent. But the meagre yield of 1.9 per cent at the current price of 20s. 6d. xd. on the £1 stock units is pinned to the prospect for oil and not to a hope that the policy on dividends from trading will be altered radically.

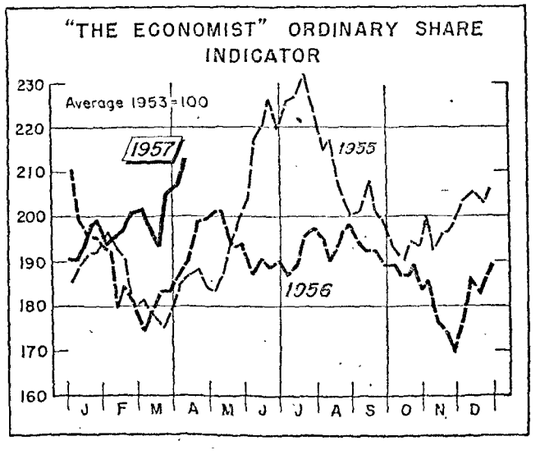
London Stock Exchange

FIRST DEALINGS:	Mar. 27	Apr. 10	May 1
LAST DEALINGS:	Apr. 9	Apr. 30	May 14
ACCOUNT DAY:	Apr. 16	May 7	May 21

BEFORE the budget on Tuesday gilt-edged securities were somewhat neglected, while industrial stocks attracted speculative support. With the exception of a small rise last Friday, Government stocks weakened, the *Financial Times* index recording a slight fall on balance to 87.24. On Monday activity in industrials increased and prices of selected stocks went ahead sharply. Business remained at a high level on Tuesday and most prices were maintained. The new account opened on Wednesday and interest centred on likely beneficiaries of the Chancellor's proposed relief for overseas trading corporations. Industrials with overseas activities and especially mines, rubbers, teas and oils rose steeply. The changes in entertainments tax brought gains to greyhound tracks and theatres, while cinema shares fell back. Some domestic suppliers gained ground on purchase tax reductions, but motors declined. Shipping shares rose on the increased investment allowance. *The Economist* indicator jumped 5.7 to 212.6, the highest point reached since 1955.

Chinese bonds improved in anticipation of increased trade with that region. Canadian gas and oil shares were prominent and International Nickel advanced. The revival of interest in the project caused a speculative flurry in the shares of Channel Tunnel. The Pressed Steel convertible debenture came on to the market at 5 premium on Friday and improved to 9¾ premium. The new Tube Investments loan stock started at ¾ discount on Monday and remained around that level.

Leading oil shares were little changed, but Trinidad stocks were especially active. Kaffirs were weak. Tanganyika Concessions gained 7s. 9d. to 16s. 3d. xd., after the doubled interim dividend.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1956 High	1956 Low	1955 High	1955 Low
Mar. 13	197·3	5·62	210·4 (Jan. 4)	170·0 (Nov. 28)	232·1 (July 20)	175·2 (Mar. 23)
„ 20	193·5	5·74				
„ 27	204·9	5·39				
April 3	206·9	5·35				
„ 10	212·6	5·20				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956 High	1955 High
		%		%			
April 3	194·0	5·64	95·38	4·63	11,387	203·6	233·9
„ 4	194·5	5·62	95·35	4·65	11,350		
„ 5	194·7	5·62	95·45	4·63	11,567	(Jan. 3)	(July 21)
„ 8	197·2	5·55	95·52	4·63	16,325	Low	Low
„ 9	197·1	5·55	95·52	4·62	13,486	161·5	175·7
„ 10	197·6	5·53	95·47	4·63	13,033	(Nov. 29)	(Mar. 15)

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

LONDON ACTIVE SECURITIES

Prices, 1956 High	Prices, 1956 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, April 3, 1957	Price, April 10, 1957	Net Yield, Apr. 10, 1957 § £ s. d.	Gross Yield, Apr. 10, 1957 £ s. d.
99½	97	Funding 2½% 1952-57	99⅜	99⅜	0 17 2	4 3 5
95½	93½	War Loan 3% 1955-59	96⅛	96⅛	3 3 10	4 9 9
91⅜	88⅛	Funding 2½% 1956-61	92⅞	92⅛	3 10 7	4 12 10
100⅞	99⅛	Exchequer 5% 1957	100/3/7½	100/3/3	—	4 0 10
99⅛	97	Conversion 4% 1957-58	98⅛	98⅛	2 18 2	5 2 1
97½	95⅞	Serial Funding 2½% 1957	98⅛	98⅛	3 19 6	4 15 11
94⅜	91	Conversion 2½% 1958-59	95⅛	95⅛	3 12 5	4 12 5
92⅛	88⅞	Exchequer 2½% 1960	93⅜	93⅜	3 11 11	4 10 8
95⅛	92⅛	Exchequer 3% 1960	95⅛	95⅜	3 3 6	4 10 7
98⅜	97⅛	Conversion 4½% 1962	98⅜	98⅜	2 17 0	4 16 11
88⅛	83	Savings Bonds 3% 1955-65	87⅞	87⅞	3 9 8	4 17 10
82⅜	77⅛	Funding 3% 1959-69	81⅞	81⅞	3 13 3	5 1 11
92⅜	84⅛	Funding 4% 1960-90	89⅛*	89⅛*	6 4 4 / 2 16 0	8 0 0 / 4 12 8
81⅛	75⅛	Savings Bonds 3% 1960-70	79⅛	79⅛	3 13 7	5 3 1
91⅛	88⅛	Exchequer 3% 1962-63	92⅛	92⅛	3 4 11	4 13 4
87⅛	83⅜	Exchequer 2½% 1963-64	88	87⅞	3 9 8	4 12 3
81⅜	76⅛	Savings Bonds 2½% '64-67	80⅜*	80⅛*	3 14 6	4 8 4
79⅛	71⅛	Savings Bonds 3% 1965-75	75⅞	75⅛	3 11 0	5 1 8
83⅞	78	Funding 3% 1966-68	82⅛	82⅜	3 13 2	5 2 4
96⅛	90	Victory 4% 1920-76	94⅛	94⅛	2 19 10	4 15 10
88⅜	81⅛	Conversion 3½% 1969	86⅜	86⅜	3 8 10	5 1 8
83⅜	74⅛	Treasury 3½% 1977-80	79⅜	79⅜	3 6 6	5 1 11
84⅛	75⅝	Treasury 3½% 1979-81	78⅝	78⅝	3 7 1	5 2 4
72⅜	64⅞	Redemption 3% 1986-96	69⅛	69⅜	3 1 5	4 14 6
81⅛	73⅛	Funding 3½% 1999-2004	78⅛	78	2 17 7	4 13 10
84⅛	76	Consols 4% after Feb. '57	80⅛	80⅜	2 17 9	5 0 10
77	68	War Loan 3½% after 1952	73⅛	74⅛	2 14 11	4 16 2
76⅛	67⅜	Conv. 3½% after Apr. 1961	72⅝	72	2 15 11	4 17 4
66⅜	58⅜	Treas. 3% after Apr. 1966	62⅞*	62⅜	2 15 1	4 15 11
56⅜	49⅞	Consols 2½%	54*	53⅛	2 13 5	4 13 0
56⅜	50	Treas. 2½% after Apr. '75	53⅞	53⅞	2 13 10	4 13 8
93⅜	90	Br. Electric 4½% 1967-69	94⅜	94⅜	3 2 11	5 3 3
80⅜	72⅝	Br. Electric 3% 1968-73	77⅛	77⅛	3 12 7	5 2 5
79⅛	71⅛	Br. Electric 3% 1974-77	75⅞	75⅞	3 9 2	4 19 9
95	85⅛	Br. Electric 4½% 1974-79	89⅝	89⅛	3 2 1	5 1 0
83⅛	74⅜	Br. Electric 3½% 1976-79	80⅛	78⅝*	3 6 10	5 1 1
90⅜	84⅛	Br. Gas 4% 1969-72	88⅞	88⅜	3 5 8	5 0 3
87⅞	80	Br. Gas 3½% 1969-71	85⅛	85⅛	3 6 9	4 19 9
73⅜	65⅛	Br. Gas 3% 1990-95	69⅝*	69⅞*	3 1 10	4 14 7
80⅞	72½	Br. Transport 3% 1968-73	77⅛	77⅛	3 12 7	5 2 5
90⅛	81⅜	Br. Transport 4% 1972-77	87⅞	87⅜	3 3 8	5 1 10
75⅛	65⅛	Br. Transport 3% 1978-88	70⅜	70⅜	3 5 2	4 18 1

Prices, 1956 High	Prices, 1956 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, April 3, 1957	Price, Apr. 10, 1957	Yield, Apr. 10, 1957 £ s. d.
80⅜	74⅞	Australia 3½% 1965-69	79⅜	79⅛	5 12 6
98⅛	92⅛	Fed. Rhod. & Nyas. 5% 1975-80	94⅛	94⅛	5 9 0
76	70	S. Rhodesia 2½% 1965-70	72⅝	72⅝	5 10 6
88⅛	80⅛	N. Zealand 4% 1976-78	87	87	5 0 8
101⅜	99⅛	L.C.C. 5½% 1977-81	105⅛	105⅛	5 0 10
97⅛	88⅛	Agric. Mortgage 5% 1959-89	92⅜	92⅛	5 10 0
68⅜	61	Met. Water Board 'B' 3% 1934-2003	65⅞	66	4 18 3
81⅛	71	German 7% 1924 (Br. Enfaced 5%)	77⅛	77⅛	...
169⅞	159⅛	Japan 5% 1907 (Enfaced)	165	165	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, April 3, 1957	Price, April 10, 1957	Yield, April 10, 1957 £ s. d.
		%	%	BANKS & DISCOUNT			
21/-	18/6	2	a	7 b	BR. Ltd. & S. Amer. £1	27/3	27/9	6 9 9
50/-	39/10½	5	a	7 b	Barclays Bank £1	45/6	45/6	5 5 6
35/9	27/9	4	a	4 b	Barclays D.C.O. £1	32/6	33/6	4 15 6
41/9	32/9	7½	a	7½ b	Chartered Bank £1	34/6	36/-	8 6 8
51/-	42/10½	...		7 b	Lloyds Bank £2	49/9	48/9	5 6 5
32/4½	61/-	9	a	9 b	Midland Bank £1	69/-	68/6	5 5 1
46/-	29/3	5	a	5 b	Nat. Discount 'B' £1	40/6	40/-	5 0 0
56/-	40/6	6½	a	6½ b	Union Discount £1	49/3	48/9	5 2 6
					INSURANCE			
92/6	75/-	43½	b	30 a	Commercial Union 5/-	84/6	85/-	4 6 3
29	16⅞	12½	a	87½ b	Legal & General £1	32⅜	35½	2 16 4
25½	18½	†20	a	†50 b	Pearl £1	21⅝	22½*	5 10 0
48⅜	38	†125	c	†132½ c	Prudential 'A' £1	44	43½*	5 5 11
					BREWERIES, ETC.			
119/6	106/-	10	a	33 b	Bass £1	108/-	110/-	7 16 4
24/10½	18/7½	11½	b	6 a	Distillers 6/8	23/6	23/9	4 18 3
45/10½	36/9	10	a	15 b	Guinness 10/-	38/9	39/3	6 7 4
76/-	61/9	14	b	7 a	Whitbread 'A' £1	68/9	69/3	6 1 4
					OIL			
183/9	99/-	†10	b	†5 a	British Petroleum £1	152/-	149/-	3 10 0
117/9	63/-	12½	b	5 a	Burmah £1	104/9	106/3	3 5 10
17⅜	11⅞	14	b	7½ a	Royal Dutch 20 fl.	£18½	18⅜	2 0 0
171/-	103/3	†13⅜	b	†5 a	Shell £1	180/6	178/9	2 18 5
58/6	33/3	...		...	Ultramar 10/-	74/6	75/6	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, April 3, 1957	Price, April 10, 1957	Yield, April 10, 1957 £ s. d.
		%	%	STEEL & ENGINEERING			
85/6	64/-	8	b	7 a	Babcock & Wilcox £1	80/3	80/3	3 14 10
13/-	9/4½	14	c	4 a	Cammell Laird 5/-	12/-	11/9	5 19 4
35/-	22/9	3	a	5 b	Dorman Long £1	25/10½	25/6	6 5 6
54/9	39/-	8½	b	3½ a	Guest Keen N'fold £1	49/-	49/9	4 16 5
55/6	41/6	6	b	4 a	Metal Box £1	53/9	55/3	3 12 5
37/6	25/7½	5	a	12½ b	Stewarts & Lloyds £1	28/10½	29/3	5 19 8q
60/-	47/3	3	a	11 b	Swan Hunter £1	71/-	71/-*	3 18 10
43/9	31/4½	4	a	8½ b	United Steel £1	32/-	31/4½	7 19 5
44/7½	32/4½	7½	b	2½ a	Vickers £1	44/6	45/10½	4 7 3
					ELECTRICAL			
71	7½	7½	a	7½ b	Assoc. Elec. Inds. £1	63/3	65/6	4 11 8
54/9	45/3	8½	b	4 a	Br. Ins. Callenders £1	51/9	53/6	4 13 5
35/6	24/4½	43¾	c	6½ a	Decca Record 4/-	29/1½	29/10½	5 17 0
37/-	22/6	15	c	15 c	Elect. & Mus. Inds. 10/-	33/3	32/3	4 13 0
66/1½	43/6	4	a	10 b	English Electric £1	58/-	57/3	4 17 10
65/6	40/9	9½	b	4½ a	General Electric £1	54/9	56/-	5 0 0
					TEXTILES			
24/9	19/4½	4	a	6 b	Bradford Dyers £1	20/7½	21/4½*	9 7 0
23/7½	13/-	5	b	1½ a	British Celanese £1	15/4½	15/3	8 10 5
25/10½	20/7½	6½	b	2½ a	Coats, J. & P. £1	23/7½	25/4½	6 18 0
44/-	29/-	6	b	4 a	Courtaulds £1	35/6	35/6	5 12 8
37/3	22/3	5	a	12½ b	Lancashire Cotton £1	34/10½	35/7½	9 16 5
33/3	26/-	10	b	2½ a	Patons & Baldwins £1	34/10½	35/10½	6 19 5
					SHOPS & STORES			
18/10½	12/9½	14	c	6 a	Boots Pure Drug 5/-	16/-	16/6	4 4 10
41/4½	29/-	20	b	7½ a	Debenhams 10/-	40/-	41/9*	6 11 10
44/9	30/1½	15	a	4 7½ b	Gt. Universal 'A' 5/-	45/-	46/7½	6 14 0
25/10½	19/-	20	b	12½ a	United Drapery 5/-	25/9	27/1½	5 19 10
43/3	34/-	13½	a	26⅜ b	Woolworth 5/-	41/10½	43/3	4 12 2
					MOTORS & AIRCRAFT			
22/1½	16/-	6	b	3½ a	Bristol Aeroplane 10/-	19/11½	19/3	5 3 11
9/-	5/9⅜	8	b	Nil a	British Motor 5/-	7/10½	7/7½	5 11 5
44/3	25/9	2	a	5 b	Ford Motor £1	37/7½	37/9	3 19 5
49/3	29/9	3	a	7 b	Hawker Siddeley £1	33/6	33/4½	5 19 10
47/3	38/10½	10	c	12½ c	Leyland Motors 10/-	49/-	49/-	5 2 0
115/10½	85/6	12½	b	5 a	Rolls-Royce £1	120/-	123/9	2 16 8
9/3⅜	5/5½	12	c	8 c	Standard Motor 5/-	7/6	7/0⅜	5 13 3
					SHIPPING			
38/9	28/6	...		6½ a	Brit. & Com'wealth 10/-	41/6	42/9	3 14 10g
27/-	20/4½	7½	b	3 a	Cunard £1	25/-	27/9	7 4 2m
35/9	27/-	3	a	5 b	P & O Defd. £1	34/6	37/-*	4 6 5
					MISCELLANEOUS			
45/6	34/3	7	b	3 a	Assoc. Port. Cem. £1	45/6	47/1½	3 16 5p
22/9	17/9	10	b	20 a	Beecham Group 5/-	19/6	21/6	6 19 8
60/9	38/6	7½	b	4½ a	Bowater Paper £1	44/9	47/3	5 1 8
81/10½	40/4½	4	a	8 b	Br. Aluminium £1	67/4½	69/9*	3 8 10
60/-	45/3	†20	c	†5½ a	Br. Amer. Tob. 10/-	56/4½	60/3*	5 15 5
19/9	15/4½	15	b	7½ a	B.E.T. 'A' Defd. 5/-	20/-	21/7½	5 4 0
42/-	32/9	4	a	6 b	Br. Oxygen £1	35/9	36/9	5 8 10
$69	$56⅜	3	a	4 b	Canadian Pacific $25	$66⅛	$66⅜	4 17 10
25/9	14/4½	10	b	2½ a	Dunlop Rubber 10/-	19/-	19/9	6 6 8
49/10½	36/-	6	b	4 a	Imp. Chemical £1	44/-	45/4½	4 8 3
62/9	42/3	8½	a	12½ b	Imp. Tobacco £1	42/9	42/9	9 16 5
$211	$141⅜	$3·75	c	$3·75 c	Int'l. Nickel n.p.v.	$203⅜	$209½	3 3 10
40/3	28/6	5	b	2½ a	J. Lucas (Inds.) £1	33/6	34·9*	4 6 5
22/7½	16/7½	6⅝	a	15⅝ b	Monsanto Chem. 5/-	18/7½	21 1½	4 5 3r
18/-	14/10½	10	c	2½ a	Ranks 10/-	16/10½	17/-	5 17 8
75/4½	42/9	15	b	6 a	A. E. Reed £1	51/9	52/6	6 2 0n
16/4½	11/7½	20	c	20 c	Sears Hldgs. 'A' 5/-	15/7½	15/6	6 9 0
69/1½	54/1½	4½	a	12 b	Tate & Lyle £1	61/10½	63/4½	5 4 3
69/6	49/9	6½	a	7½ b	Tube Investments £1	64/9	66/-	4 11 0o
115/6	92/6	5	a	22½ b	Turner & Newall £1	120/3	128/3	4 5 10
82/9	61/7½	6	a	11½ b	Unilever Ltd. £1	87/6	93·3*	3 15 0
41/9	22/9	†73	b	†4½ a	United Molasses 10/-	40/6	42/6	4 17 8
					MINES, ETC.			
172/6	133/9	20	a	50 b	Anglo-American 10/-	138/9	135/-*	5 3 8
40/-	22/6	12½	a	17½ b	Cons. Tea & Lands £1	25/9	27/-	12 17 8
130/7½	91/3	80	a	120 b	De Beers Def. Reg. 5/-	95/-*	95/-	10 10 6
25/-	19/7½	...		...	Doornfontein 10/-	20/9	20/3	...
10/11½	8/6	30	c	30 c	London Tin 4/-	11/7½	11/10½	10 1 10
16⅞	11½	112½	b	25 a	Nchanga Cons. £1	12⅛	12½	10 17 10h
64/-	52/6	40	b	50 a	President Brand 5/-	48/9	48/1½	9 7 0
29/-	21/-	12½	a	25 b	Rho. Selection Tst. 5/-	22/6	22/9	8 4 10h
61/9	37/6	30	b	12½ a	United Sua Betong £1	50/6	55/-	15 9 0
81/9	64/4½	40	b	40 a	Western Holdings 5/-	64/4½	61/10½	6 9 3

New York Closing Prices

	Apr. 3	Apr. 10		Apr. 3	Apr. 10		Apr. 3	Apr. 10
	$	$		$	$		$	$
Can. Pacific	34⅛	34⅝	Am. Viscose	34⅞	35	Int'l. Nickel	105½	108⅜
N.Y. Central	29⅞	30⅛	Beth. Steel	43⅝	45	National Dist.	27⅝	27¼
Pennsylvania	20⅛	20½	Chrysler	73⅛	75½	Sears Roebuck	27	26⅞
Amer. Tel.	177½	177½	Crown Zeller.	49⅜	53⅛	Shell Oil	81½	79½
Standard Gas.	12½	12½	Du Pont de Nm.	180⅝	186⅝	Std. Oil of N.J.	57⅝	58⅜
Western Union	18⅛	18⅝	Ford Motors	57½	58	U.S. Steel	61¼	62⅜
Alumin'm Ltd.	125	127½	Gen. Elect.	58⅜	59½	West'house E.	56⅝	57½
Am. Smelting	56⅛	56½	Gen. Motors	39⅝	40½	Woolworth	43¼	43½

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10 years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 15% tax free. (e) To earliest date. (f) Flat yield. (g) On 16%. (h) After Rhodesian tax. (i) On 17½% tax free. (j) On 13%. (k) On 20%. (l) To latest date. (m) On 10%. (n) On 16%. (o) On 15%. (p) On 9%. (q) On 8¾%. (r) On 18%.

STATISTICS

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

World Trade.....Jan. 12th

British		Overseas	
Prices and Wages.....	Mar. 30th	Western Europe :	
Production and Consumption	Apr. 6th	Production and Trade.....	Mar. 23rd
Manpower.....	This week	British Commonwealth	Apr. 6th
External Trade.....	Mar. 23rd	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits	Jan. 12th	United States	Mar. 30th

Manpower in Great Britain

	Unit	Monthly averages			1956				1957		
		1954	1955	1956	Jan.	Feb.	Mar.	Dec.	Jan.	Feb.	Mar.
TOTAL MANPOWER (1)											
Working population :											
Total	'000s	23,667	23,912	24,107	24,086	24,066	24,044	24,087	24,085	24,024	...
Men	„	15,974	16,084	16,188	16,164	16,163	16,157	16,207	16,212	16,167	...
Women	„	7,693	7,828	7,919	7,922	7,903	7,887	7,880	7,873	7,857	...
Armed Forces	„	839	803	761	778	776	773	761	740	728	...
Civil employment :											
Total	„	22,604	22,933	23,149	23,054	23,029	23,045	22,989	22,979	22,948	...
Agriculture, forestry and fishing	„	1,074	1,066	1,032	1,004	1,001	1,005	994	994	999	...
Mining and quarrying	„	867	862	858	859	860	861	859	864	866	...
Building and contracting	„	1,453	1,486	1,541	1,467	1,458	1,492	1,491	1,502	1,494	...
Distributive trades	„	2,743	2,811	2,870	2,864	2,857	2,854	2,904	2,887	2,877	...
Public administration	„	1,326	1,289	1,300	1,291	1,291	1,293	1,294	1,293	1,293	...
Manufacturing industries	„	8,976	9,206	9,269	9,365	9,352	9,324	9,226	9,213	9,189	...
CHANGES IN EMPLOYMENT (1)											
Increase or decrease since June, 1955 :											
Employees in engineering(2)	„	− 190	...	+ 53	+ 100	+ 99	+ 85	+ 24	+ 11	...	...
„ „ consumer goods industries(3)	„	+ 13	...	− 9	+ 25	+ 14	+ 4	− 14	− 16	...	...
UNEMPLOYMENT											
By duration :											
All durations—total	„	284·8	232·2	257·0	263·9	275·6	265·5	297·0	382·6	380·1	362·9
„ „ —men	„	184·4	146·7	168·8	173·2	186·5	175·9	199·7	267·7	262·4	251·2
„ „ —women	„	100·4	85·5	88·2	90·7	89·1	89·6	97·3	114·9	117·7	111·8
Temporary or under 2 weeks—men	„	58·0	51·5	62·7	62·6	69·7	62·0	75·4	103·2	76·3	73·9
„ „ „ —women	„	36·4	36·7	35·5	39·9	34·1	37·7	29·8	44·3	37·2	32·8
Over 8 weeks—men	„	81·7	67·7	65·7	63·3	67·3	72·2	73·4	90·6	103·9	110·6
„ „ —women	„	37·1	26·5	27·4	28·8	29·0	30·3	32·8	40·3	41·4	42·8
By industry (4) :											
Textiles	%	0·9	1·6	1·4	1·1	1·3	1·5	1·0	1·1	1·2	1·2
Clothing	„	1·3	0·9	1·0	1·0	0·9	0·9	1·1	1·3	1·2	1·1
Vehicles	„	0·5	0·4	1·2	0·4	0·4	0·5	2·2	2·7	1·4	1·6
Engineering, etc.	„	1·1	0·8	0·9	0·8	0·8	0·9	0·9	1·1	1·2	1·3
Coal-mining	„	0·2	0·1	0·1	0·1	0·1	0·1	0·2	0·2	0·2	0·2
Distributive trades	„	1·3	1·0	1·0	1·1	1·1	1·1	1·1	1·5	1·6	1·5
By regions (4) :											
Great Britain	„	1·3	1·1	1·2	1·2	1·3	1·2	1·4	1·8	1·8	1·7
London and South Eastern	„	1·0	0·7	0·8	0·8	0·9	0·9	1·2	1·5	1·3	1·2
Eastern	„	1·2	0·9	1·0	1·1	1·6	1·2	1·2	1·7	1·9	1·7
Southern	„	1·1	0·9	1·0	1·0	1·1	1·0	1·2	1·7	1·8	1·5
South Western	„	1·5	1·2	1·2	1·4	1·4	1·4	1·6	2·1	2·2	2·0
Midland	„	0·6	0·5	1·1	0·6	0·6	0·7	1·0	1·5	1·6	1·3
North Midland	„	0·6	0·5	0·6	0·6	0·7	0·7	0·8	1·1	1·1	1·1
East and West Ridings	„	0·9	0·7	0·8	0·8	0·8	0·8	0·9	1·0	1·0	1·0
North Western	„	1·5	1·4	1·3	1·4	1·4	1·3	1·4	1·7	1·8	1·8
Northern	„	2·2	1·8	1·6	1·9	1·9	1·7	1·6	2·0	2·0	1·9
Scotland	„	2·8	2·4	2·4	2·7	2·7	2·6	2·5	3·0	3·1	2·9
Wales	„	2·5	1·8	2·0	1·9	2·0	2·0	2·3	2·9	3·0	2·9
VACANCIES											
Unfilled vacancies notified to Employment Exchanges (5) :											
Total	'000s	338	382	279	373	363	380	279	256	239	250
Men	„	191	214	152	207	204	208	152	134	124	128
Women	„	147	168	127	166	164	172	127	122	115	123
DISPUTES (6)											
Workers involved		37	55	42	28	98	45	11	44	35	...
Working days lost :											
Total	„	205	315	173	83	189	384	32	129	108	...
Mining and quarrying	„	39	93	42	24	37	45	10	27	35	...
Engineering, etc.	„	62	56	85	45	49	24	17	48	52	...
Other industries and services	„	104	166	46	14	103	315	5	54	21	...

(1) Annual figures are for June of each year. (2) *Engineering*, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) From June, 1956, onwards comparison with earlier figures is affected by the revocation of the Notification of Vacancies Order, 1952. (6) United Kingdom.

Prices and Money Supply in Western Europe

WHOLESALE PRICES (1) (1953 = 100)

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
1948	42	94	74	65	80[2]	...	78	104	75	66	72	94
1955	108	101	103	93	101	120	101	101	102	104	104	119
1956	110	104	107	102	103	129	...	102	...	109	109	...
1956, September	111	103	107	102	102	129	101	101	104	110	108	130
„ October	112	104	107	102	103	129	...	102	105	110	109	138
„ November	112	106	108	103	104	132	...	102	107	111	109	...
„ December	113	106	110	104	105	131	...	103	...	112	110	...
1957, January	113	106	110	105	...	...	...	...	...	112	...	...

COST OF LIVING (2) (1953 = 100)

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
1948	50[2]	95	81	60	93	63	79	86	78[4]	74	77	89
1955	105	101	107	101	102	122	103	106	106	105	104	119
1956	108	104	112	103	105	126	107	111	108	109	109	...
1956, September	108	104	...	103	105	126	...	112	110	110	109	132
„ October	110	105	114	103	105	126	...	111	109	110	109	133
„ November	111	105	...	103	106	126	107	111	109	110	110	137
„ December	111	105	...	103	106	126	...	112	110	111	111	...
1957, January	...	106	115	103	106	...	...	...	...	...	...	...

IMPORT PRICES (3) (1953 = 100)

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
1948	37	84	84[5]	59	...	...	82	98	85	80	72	113
1955	94	96	98	97	100	118	104	100	97	100	99	103
1956	97	...	...	...	103	...	...	...	100	102	104	...
1956, August	96	98	104[10]	98[10]	104	126	108	104	101	100	104[10]	...
„ September	98	98			104	124	110	105	100	102		...
„ October	97	...	...	...	102	127	110	106	100	101		...
„ November	97	...	...	...	101	123	111	...	101	103	106	...
„ December	97	...	...	...	100	...	...	...	99	109		...

EXPORT PRICES (3) (1953 = 100)

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
1948	42	95	91[5]	68	...	...	78	103	97	84	76	91
1955	102	97	100	96	98	133	101	98	101	107	102	111
1956	105	...	...	...	101	...	...	...	103	115	102	...
1956, August	109	101	103[10]	102[10]	102	137	98	106	100	117	105[10]	...
„ September	107	102			102	140	96	106	103	113		...
„ October	103	...	...	...	100	140	97	104	104	120		...
„ November	101	...	...	...	101	149	98	...	103	115	104	...
„ December	103	...	...	...	101	...	...	...	103	117		...

TOTAL MONEY SUPPLY (7)

End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas[8]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	'000 mn. kroner	mn. liras
1948	...	154·0	7,110	2,165	11·8	1,984	110·3	1,989	7,285	6,937	6·27	1,715
1955	28·62	...	7,438	5,916	29·1	11·97	154·7	4,477	9,837	9,357	9·30	4,882
1956	29·71	...	7,617	...	...	...	154·7	...	9,462	...	9·46	...
1956, August	29·12	...	7,423	6,305	29·3	12·83	148·1	...	9,711	9,472	8·39	...
„ September	29·24	...	7,345	6,312	29·3	...	151·6	4,548	9,595	9,430	8·56	...
„ October	29·26	...	7,361	6,254	29·5	...	153·3	...	9,360	9,456	8·81	...
„ November	29·43	...	7,713	6,308	30·2	...	156·8	...	9,337	9,466	8·84	...
„ December	29·71	...	7,617	...	...	...	154·7	...	9,462	...	9·46	...

GOLD AND FOREIGN EXCHANGE HOLDINGS (8) (mn. US Dollars)

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
1948	62	938	84·0	...	295	6·2	209	539	343	140·6	233	192
1955	357	1,146	133·1	2,120	3,076	10·9	242	1,237	1,284	165·3	470	211
1956	402	1,177	131·1	1,416	4,291	...	234	...	1,077	178·8	473	230
1956, September	403	1,244	127·6	1,655	3,998	10·9	225	1,358	1,138	164·6	448	224
„ October	417	1,217	135·7	1,638	4,118	10·9	230	...	1,138	168·1	451	223
„ November	414	1,206	136·2	1,497	4,194	10·9	235	...	1,080	173·1	466	223
„ December	402	1,177	131·1	1,416	4,291	...	234	...	1,077	178·8	473	230
1957, January	400	1,119	127·7	1,278	4,357	...	...	...	1,054	183·1	465	...

(1) Relates to wholesale prices in Athens and Piraeus only for Greece. Figures for Ireland from *1955 onwards are for home produced goods only*. Figures for Germany, F.R. are producer's prices of industrial products. (2) July-December. (3) Relates to prices in capital cities only for Austria, France, Greece and Turkey. Austria and Belgium *exclude rent*. Denmark includes direct taxes. Figures for Ireland are based on August, 1953=100. (4) Including direct taxes. (5) Including trade with Faeroe Islands. (6) Index numbers of unit value which compare the current average value of trade with its value in 1953; they are influenced by changes in the composition of trade as well as price movements. (7) Deposit money and notes and coins held by business, individuals and foreigners. Except for Greece holdings of the issuing authority and other banks are excluded. (8) Holdings of the government and *central* bank at end of period. Figures for Greece are gold reserves only. Foreign exchange figures for Norway exclude *government holdings*; Netherlands, Norway and Sweden include foreign investments. Ireland includes *some long-term securities*. (9) Beginning May, 1954, a new drachma equal to 1,000 old drachmas was introduced. (10) *Average for third quarter.*

Financial Statistics

EXCHEQUER RETURNS

For the six days ended April 6th, 1957, there was an "above-line" surplus (after allowing for Sinking Funds) of £17,999,000 compared with a deficit of £54,204,000 *in the previous eight days* and a surplus of £3,125,000 in the corresponding period of last year. There was a net expenditure "below-line" last week of £8,493,000, leaving a total surplus of £9,506,000 compared with £3,086,000 in 1956-57.

£'000	Estimate, 1957-58	Financial Year 1955-56	Financial Year 1956-57	Week ended April 7, 1956	5 Days ended April 6, 1957
Ord. Revenue					
Income Tax	2176,250	1942,332	2114,173	313,74	50,055
Surtax	149,000	153,603	158,000	4,600	4,500
Death Duties	170,000	175,700	169,000	3,400	2,700
Stamps	60,000	70,500	63,000	800	500
Profits Tax, EPT & E.P.L.	255,000	210,950	200,000	5,500	3,000
Special Contribution and other Inland Revenue	500	770	640	...	...
Total Inland Rev.	2810,750	2553,522	2704,813	45,674	60,765
Customs	1204,250	1143,598	1198,832	19,635	23,015
Excise	912,850	864,511	901,735	5,940	12,940
Total Customs and Excise	2117,100	2013,109	2100,617	25,576	35,355
Motor Duties	93,000	86,937	90,610	3,280	3,438
PO (Net Receipts)	20,000	...	4,464	...	...
Broadcast Licences	31,000	25,300	23,400	...	...
Sundry Loans	32,000	29,458	32,714	52	48
Miscellaneous	135,000	197,367	196,195	6,361	5,430
Total	5238,850	4893,143	5157,813	80,943	105835
Ord. Expenditure					
Debt Interest	640,000	537,831	710,634	7,164	26,982
Payments to N. Ireland Exchequer	69,000	59,152	65,444	2,007	2,286
Other Cons. Fund	10,000	10,173	9,669	...	...
Supply Services	40 :9,877	3752,342	4044,299	45,450	58,200
Total	4788,877	4359,551	4831,046	74,621	87,468
Sinking Funds	38,000	36,439	36,985	110	168
"Above-line" Surplus or Deficit	+ 397,102	+ 239,782	+ 6,212	+ 17,999	
"Below-line" Net Expenditure	537,981	621,136	3,126	8,493	
Total Surplus or Deficit	— 140,873	— 381,354	+ 3,086	+ 9,506	
Net Receipts from :					
Tax Reserve Certificates	— 45,729	20,935	8,655	9,454	
Savings Certificates	20,500	72,000	—1,300	1,500	
Defence Bonds	—29,108	—35,631	—1,622	680	
Premium Savings Bonds	...	64,980	...	1,200	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956 April 7	3,240·0	1,561·2	277·7	...	5,078·9
1957 Jan. 5	3,530·0	1,450·0	245·7	1·8	5,207·5
„ 12	3,440·0	1,336·5	267·1	...	5,093·5
„ 19	3,320·0	1,437·0	244·0	...	5,051·0
„ 25	3,210·0	1,515·5	221·0	...	4,947·5
Feb. 2	3,120·0	1,507·0	204·9	...	4,831·9
„ 9	3,050·0	1,486·7	197·4	...	4,734·1
„ 16	2,980·9	1,247·9	245·5	...	4,474·2
„ 23	2,900·0	1,233·1	193·8	...	4,341·8
Mar. 2	2,890·0	1,304·7	209·7	...	4,404·5
„ 9	2,890·0	1,261·5	229·6	0·8	4,381·9
„ 16	2,900·0	1,249·9	247·5	...	4,397·2
„ 23	2,910·0	1,284·4	272·1	1·5	4,468·1
„ 31	4,195·3		276·9	...	4,472·2
April 6	2,860·0	1,306·4	289·3	...	4,455·7

THE MONEY MARKET

THE upturn in the Treasury bill rate that began in the second week of March was resumed at the tender on Friday of last week, when the discount market reduced its common bid by 4d. to £98 19s. 2d. per cent. Last week's reduction appears to have gone further than bids by some outside applicants—the average rate of discount rose by notably less than the market's ⅛ per cent—and as the unchanged offer of £250 million was under-allotted by £10 million, and applications rose by £19 million, to £410.6 million, the allotment at the market bid fell from 50 to 32 per cent. At yesterday's tender the offer was cut to £230 million.

Credit has been short in Lombard Street through the past week. The Bank gave special help to the market on each of the four working days from Thursday before the week-end (when it reached large proportions) to Monday. Market supplies of funds were adequate for demands on Tuesday, but on the following day some houses were again short, partly on account of repayments of seven-day penal loans, and two or three sought new, but very small, loans from the Bank.

The Bank return shows a further seasonal rise in the active note circulation of £11.6 million in the week to Wednesday. The fiduciary issue has therefore been raised by £50 million to £1,975 million. In the seven weeks since the seasonal low point, the outflow of notes from the Bank has reached £67.7 million.

LONDON MONEY RATES

	%		%
Bank rate (from 5.2.57)	5	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4⅛–4⅜
Bank	3	3 months	4⅛–4⅜
Discount houses	3*	4 months	4⅛–4⅜
		6 months	4⅜–4½
Money Day-to-day	3½–4½	Fine trade bills:	
Short periods	3½	3 months	5½–6
Treas. bills 2 months	4⅛	4 months	5½–6
3 months	4⅛	6 months	5½–6½

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	April 11, 1956	April 3, 1957	April 10, 1957
Issue Department :*			
Notes in circulation	1,859·1	1,915·2	1,926·8
Notes in banking dept.	25·3	10·2	48·6
Govt. debt and securities*	1,871·2	1,921·2	1,971·3
Other securities	0·8	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department :			
Deposits :			
Public accounts	15·9	10·8	20·1
Bankers	251·3	217·0	210·7
Others	72·5	71·8	71·8
Total	339·7	299·6	302·6
Securities :			
Government	272·2	240·9	193·9
Discounts and advances	25·8	44·8	51·6
Other	15·3	20·0	14·9
Total	313·3	305·7	260·4
Banking department reserve	37·2	12·5	50·9
"Proportion"	% 8·4	% 4·1	% 16·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £1,975 million from £1,925 million on April 10, 1957.

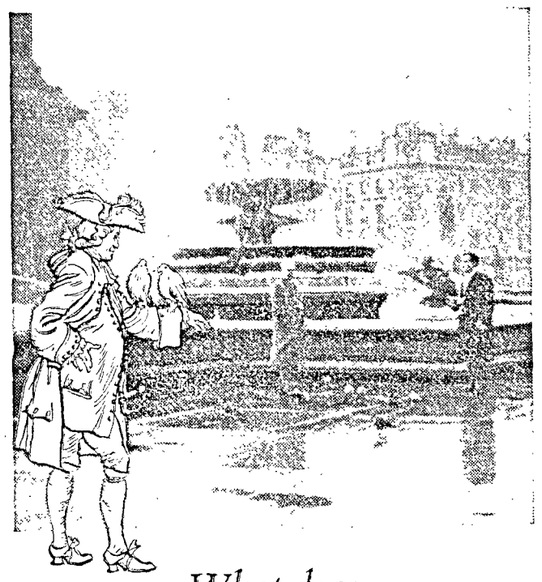
TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1956 April 6	*91 Day* 230·0	408·3	230·0	s. d. 100 5·55	% 5½
1957 Jan. 4	270·0	405·7	260·0	95 9·11	5½
„ 11	250·0	401·4	240·0	95 5·30	3½
„ 18	240·0	391·2	240·0	95 1·40	5½
„ 25	230·0	414·9	190·0	91 0·31	3½
Feb. 1	190·0	384·1	190·0	90 10·07	2½
„ 8	190·0	371·5	190·0	84 8·29	3½
„ 15	190·0	348·9	170·0	95 6·04	1½
„ 22	200·0	407·3	230·0	82 11·49	3½
Mar. 1	220·0	403·2	220·0	80 0·78	5½
„ 8	250·0	442·7	250·0	80 5·20	1½
„ 15	250·0	375·3	250·0	82 3·70	3½
„ 22	250·0	395·2	250·0	82 6·73	1½
„ 29	250·0	391·6	250·0	81 11·79	5½
April 5	250·0	410·6	240·0	82 11·49	3½

* On April 5th tenders for 91 day bills at £98 13s. 2d. secured 32 per cent, higher tenders being allotted in full. The offering yesterday was for £230 million at 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: April 10	Market Rates: Spot: April 4	April 5	April 6	April 8	April 9	April 10
United States $	2·78–2·82	2·78⅛–2·78⅜	2·78⅛–2·78⅜	2·78⅛–2·78⅜	2·78⅛–2·78⅜	2·78⅛–2·79	2·79–2·79⅛
Canada in $	...	2·67 15/16–2·68 1/16	2·67 15/16–2·68 1/16	2·67⅝–2·67¾	2·67⅝–2·67¾	2·67½–2·67⅝	2·67¾–2·67⅞
French Fr.	972·55–987·35	935⅝–986⅛	986⅜–935⅞	936⅜–936⅞	936⅛–937⅛	937 –937⅛	947 –987⅛
Swiss Fr.	12·15⅞–12·33⅞	12·27½–12·27⅝	12·27½–12·27⅝	12·27½–12·27⅝	12·27½–12·27⅝	12·27½–12·27⅝	12·27⅝ 12·27⅞
Belgian Fr.	138·95– 141·05	140·77½– 140·82½	140·77½– 140·82½	140·77½ – 140·82½	140·80½ – 140·85	140·82½ – 140·82½	140·82½ – 140·87½
Dutch Gld.	10·56–10·72	10·65 –10·65½	10·65½–10·65½	10·65–10·65½	10·65½–10·65½	10·65½–10·65½	10·65½ –10·65½
W. Ger. D Mk.	11·67⅞–11·84½	11·75½–11·75½	11·75 –11·75½	11·75⅛–11·75½	11·75⅛–11·75½	11·75½ 11·75½	11·75½ –11·75½
Portuguese Esc.	79·90–81·10	80·05–80·15	80·05–80·15	80·05–80·15	80·05–80·15	80·10–80·20	80·10–80·20
Italian Lire	1736½–1762½	1760½–1760⅝	1760½–1760⅝	1760½–1760⅝	1760½–1761	1760½–1761½	1761 –1761½
Swedish Kr.	14·37½–14·59½	14·49½–14·49½	14·49½–14·49½	14·49½–14·49½	14·49½–14·49½	14·50 –14·50½	14·50½–14·51	14·51 –14·51½
Danish Kr.	19·19½–19·48½	19·44½–19·44½	19·44½–19·45	19·44½–19·45	19·44½–19·45	19·45 –19·45	19·45 –19·45
Norwegian Kr.	13·35–20·15	19·93½–19·93½	19·93½–19·99	19·98½–19·93	19·93⅝–19·93⅝	19·93½ 19·99½	19·93½ –20·00
One Month Forward Rates							
United States $		⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm
Canada in $		1/16c.pm–⅛c.dis	1/16c.pm–⅛c.dis	1/16c.pm–⅛c.dis	1/16c.pm–⅛c.dis	1/16c.pm–⅛c.dis	1/16c.pm–⅛c.dis
French Fr.		par–3 dis	1–3 dis	1–3 dis	1–3 dis	1–3 dis	1–3 dis
Swiss Fr.		2½–2⅝c. pm	2⅝–2¾c. pm	2½–2⅝c. pm	3 2½c. pm	3½ 2¾c. pm	3½–3c. pm
Belgian Fr.		⅜–½ pm	⅜–½ pm	⅜–½ pm	⅜–½ pm	⅜–½ pm	⅜–½ pm
Dutch Gld.		1⅜–1⅝c. pm	1⅜–1⅝c. pm	1⅜–1⅝c. pm	1⅜–1⅝c. pm	1⅜ 1⅝c. pm	1⅜–1⅝c. pm
W. Ger. D Mk.		2–1¾pf. pm	2–1¾pf. pm	2–1¾pf. pm	2–1¾pf. pm	2¼–1¾pf. pm	2½–2pf. pm
Italian Lire		5·1 pm	4–2 pm	4–2 pm	4–2 pm	4–2 pm	4–2 pm
Swedish Kr.		4–5½ pm	4–5½ pm	4–5½ pm	4–5½ pm	4–5½ pm	4–5½ pm
Danish Kr.		4–2½ pm	4–2½ pm	4–2½ pm	4–2½ pm	4 2½ pm	4–2½ pm
Norwegian Kr.		15 pm–par dis	15 pm–par dis	15 pm–par dis	16 pm–par dis	15 pm–par dis	15 pm–par dis
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/8	250/6½	...	250/7½	250/5½	250/3½



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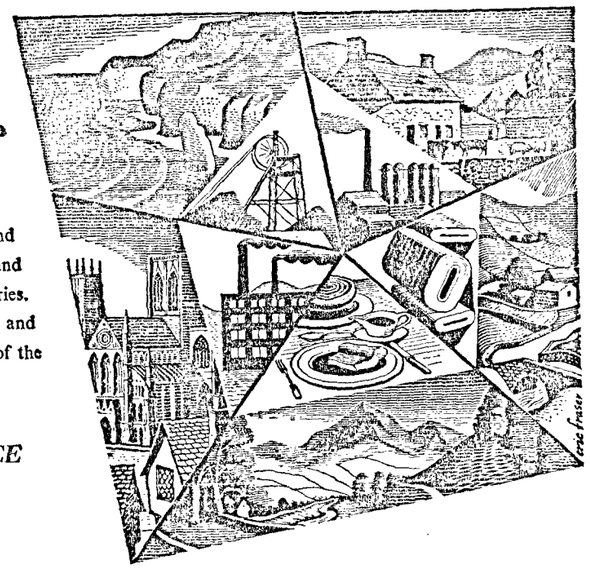
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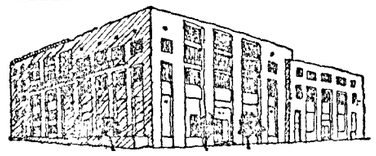


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COMPANY MEETINGS

UNION CORPORATION, LIMITED

(Incorporated in the Union of South Africa)

London Office: PRINCES HOUSE, 95 GRESHAM STREET, LONDON, E.C.2

ABRIDGED REPORTS of Gold Mining Companies for the year ended 31st December, 1956

(Copies of the full Reports and Accounts can be obtained on application at the London Transfer Office, Princes House, 95, Gresham Street, E.C.2.)

EAST GEDULD MINES, LIMITED

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the year ended 31st December, 1956

		Per ton milled s. d.
Working Revenue	£6,684,322	77 9
Working Costs	2,823,036	32 10
Working Profit	3,861,286	44 11
Add: Income from Investments and Sundry Revenue	134,509	£3,995,795
Less: Provision for Government Taxes	2,041,530	
Directors' Fees and Sundry Expenditure	31,769	
Net Expenditure during year on Fixed Assets	8,253	
Pneumoconiosis Outstanding Liability	4,419	2,085,971
		1,909,824
Balance unappropriated at 31st December, 1955		570,212
		2,480,036
Dividends Nos. 49 and 50 of 2s. 0d. and 2s. 3d. per unit of stock respectively		1,912,500
Leaving a balance unappropriated of		£567,536

Tonnage milled decreased from 1,765,000 tons to 1,720,000 tons, the average yield remaining 6.18 dwt. Of the 6,585 ft. sampled 51% proved payable, averaging 256 inch/dwt. The ore reserve was re-estimated at the year-end and showed a decrease of 700,000 tons to 10,000,000 tons, assaying 6.0 dwt. over an estimated stoping width of 52 inches.

GEDULD PROPRIETARY MINES, LIMITED

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the year ended 31st December, 1956

		Per ton milled s. d.
Working Revenue	£2,486,579	39 11
Working Costs	2,132,734	34 3
Working Profit	353,845	5 8
Add: Income from Investments and Sundry Revenue	795,219	
Pneumoconiosis Outstanding Liability Refund	5,070	£1,155,134
Less: Provision for Government Taxes	110,314	
Directors' Fees and Sundry Expenditure	18,323	
Net Expenditure during year on Fixed Assets	64	
Transfer to Township Reserve	1,649	130,350
		1,024,784
Balance unappropriated at 31st December, 1955		352,374
		1,377,158
Dividends Nos. 83 and 84 of 6s. 9d. and 7s. 6d. per share respectively		1,040,860
Leaving a balance unappropriated of		£336,298

Tonnage milled increased from 1,233,000 tons to 1,245,000 tons but the average yield decreased from 3.23 dwt. to 3.17 dwt. Of the 13,140 ft. sampled on the Black Reef, 39% was payable, averaging 284 inch/dwt. Of the 1,510 ft. sampled on the Kimberley Reef, 15% proved payable, averaging 175 inch/dwt. The ore reserve was re-estimated at the year-end and showed a decrease of 400,000 tons to 1,100,000 tons, assaying 3.6 dwt. over an estimated stoping width of 57 inches.

MARIEVALE CONSOLIDATED MINES, LIMITED

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the year ended 31st December, 1956

		Per ton milled s. d.
Working Revenue	£2,825,130	66 1
Working Costs	1,759,871	41 2
Working Profit	1,065,259	24 11
Add: Income from Investments and Sundry Revenue	35,703	£1,100,962
Less: Provision for Government Taxes	497,633	
Directors' Fees and Sundry Expenditure	29,693	
Net Expenditure during year on Fixed Assets	70,775	
Pneumoconiosis Outstanding Liability	1,758	599,859
		501,103
Balance unappropriated at 31st December, 1955		432,749
		933,852
Dividends Nos. 32 and 33 of 1s. 0d. and 1s. 3d. per share respectively		596,250
Leaving a balance unappropriated of		£477,602

Tonnage milled decreased by 2,000 tons to 855,000 tons and the average yield increased from 5.19 dwt. to 5.25 dwt. Of the 13,825 ft. sampled on the Kimberley Reef, 36% was payable, averaging 240 inch/dwt. Of the 11,679 ft. sampled on the Main Reef, 40% was payable, averaging 304 inch/dwt. The ore reserve was re-estimated at the year-end and showed an increase of 500,000 tons at 5,000,000 tons, assaying 5.4 dwt. over an estimated stoping width of 46 inches.

ST. HELENA GOLD MINES, LIMITED

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the year ended 31st December, 1956

		Per ton milled s. d.
Working Revenue	£4,792,517	73 0
Working Costs	2,686,055	40 11
Working Profit	2,106,462	32 1
Add: Income from Investments and Sundry Revenue	36,579	£2,143,041
Less: Provision for Government Taxes	10	
Directors' Fees and Sundry Expenditure	69,374	
Interest on Housing Loan	28,975	
Transfer to Loan Redemption Reserve	40,000	
Net Expenditure during year on Fixed Assets	1,311,349	
Pneumoconiosis Outstanding Liability	3,126	1,452,834
		690,207
Balance unappropriated at 31st December, 1955		632,988
		1,323,195
Dividends Nos. 1 and 2 of 6d. and 7d. per share respectively		521,354
Leaving a balance unappropriated of		£851,841

Tonnage milled increased from 1,238,000 tons to 1,312,000 tons and the average yield from 5.34 dwt. to 5.81 dwt. Of the 16,670 ft. sampled on the Basal Reef during the year, 55% was payable, averaging 387 inch/dwt. The ore reserve was re-estimated at the year-end and showed an increase of 250,000 tons at 3,250,000 tons, assaying 6.1 dwt. over an estimated stoping width of 56 inches. At the year-end No. 2 Shaft had been sunk to a depth of 3,775 ft., of which 3,626 ft. had been equipped. The extensions to the reduction plant were completed during the year and are operating satisfactorily.

In the case of each of the above Companies, *discounts have been applied to development values* to conform with adjustments necessary in estimating ore reserves.

UNION CORPORATION, LIMITED—*continued*

THE GROOTVLEI PROPRIETARY MINES, LIMITED

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the year ended 31st December, 1956

		Per ton milled s. d.
Working Revenue	£6,350,702	54 2
Working Costs	3,570,165	30 5
Working Profit	2,780,537	23 9
Add: Income from Investments and Sundry Revenue	75,731	£2,856,268
Less: Provision for Government Taxes	1,439,065	
Directors' Fees and Sundry Expenditure	37,046	
Pneumoconiosis Outstanding Liability	5,443	1,451,554
		1,404,714
Balance unappropriated at 31st December, 1955		660,236
		2,064,950
Dividends Nos. 35 and 36 of 1s. 1d. and 1s. 4d. per 5s. unit of stock respectively		1,382,190
Leaving a balance unappropriated of		£682,760

Tonnage milled increased from 2,322,000 tons to 2,344,000 tons but the average yield decreased from 4.34 dwt. to 4.31 dwt. Of the 14,020 ft. sampled on the Main Reef during the year 50% was payable, averaging 231 inch/dwt. In addition 4,572 ft. were driven on the Kimberley Reef horizon, 3,192 ft. of which were driven by Daggafontein Mines on this Company's behalf. 440 ft. or 22% of the footage sampled, proved payable, averaging 160 inch/dwt. The ore reserve was re-estimated at the year-end and showed a decrease of 500,000 tons at 15,000,000 tons, assaying 4.5 dwt. over an estimated stoping width of 47 inches.

VAN DYK CONSOLIDATED MINES, LIMITED

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the year ended 31st December, 1956

		Per ton milled s. d.
Working Revenue	£1,944,790	40 10
Working Costs	1,914,538	40 2
Working Profit	30,252	8
Add: Income from Investments and Sundry Revenue	42,681	
Transfer of appropriation for expenditure on Fixed Assets	38,589	£111,522
Less: Pneumoconiosis Outstanding Liability	6,342	
Directors' Fees and Sundry Expenditure	15,548	21,890
		89,632
Balance unappropriated at 31st December, 1955		213,964
Leaving a balance unappropriated of		£303,596

Tonnage milled decreased from 962,000 tons to 953,000 tons and the average yield decreased from 3.28 dwt. to 3.24 dwt. Of the 14,355 ft. sampled during the year, 23% was payable, averaging 275 inch/dwt. The ore reserve was re-estimated at the year-end and found to have decreased by 200,000 tons to 600,000 tons, assaying 3.9 dwt. over an estimated stoping width of 48 inches. No dividends were declared during the year.

WINKELHAAK MINES, LIMITED

(Incorporated in the Union of South Africa)

Extracted from the first Annual Report for the period from the inception of the Company to 31st December, 1956

CAPITAL: Of the authorised and issued capital of 12,000,020 shares of 10s. each, 3,000,000 were fully paid and 9,000,000 were 4s. paid at the end of the year.

SHAFT SINKING: At the end of the year Nos. 1 and 3 shafts had been sunk 1,210 ft. and 1,472 ft. respectively and Nos. 1A and 3A winzes were sunk to their final depths of 899 ft. and 874 ft. respectively.

DEVELOPMENT: Development started from Nos. 1A and 3A winzes in August and by the end of the year 3,765 ft. had been driven, of which 1,075 ft. from No. 3A winze were sampled. Of this sampled footage 44% proved payable, giving an average value of 484 inch/dwt.

REDUCTION PLANT: Since the close of the year preliminary work has been started on the foundations of the reduction plant, which is planned to have an initial capacity of 60,000 tons per month.

GENERAL: The temporary general offices, engineers office, a number of permanent mine buildings and parts of the native compound were constructed during the period. The compressor station and the main electrical sub-station have been completed and an emergency power supply has been installed. A water conservation dam to supply water to the mine and to Evander Township has been constructed.

EVANDER TOWNSHIP: In the residential area 194 houses and the first portion of the single men's residence have been completed.

EXPENDITURE: Expenditure by the Company to 31st December, 1956, on shafts, plant and equipment, mine development and general expenditure was £1,693,202. Investment in and loans to Evander Township Ltd. amounted to £779,517.

In the case of each of the above Companies, discounts have been applied to development values to conform with adjustments necessary in estimating ore reserves.

ANGLO-SWISS SCREW COMPANY LIMITED

Precision Turned Parts

SATISFACTORY RESULTS IN DIFFICULT CONDITIONS

The thirty-eighth Annual General Meeting of Anglo-Swiss Screw Company Limited was held at West Drayton on April 5th, Mr O. Frey presiding.

The following is an extract from the Chairman's statement:

It gives me much pleasure to welcome Shareholders to this, the first Annual General Meeting of the Company held since its conversion into a Public Company, and I offer a particular welcome to employee-shareholders. I was especially gratified to find that over 10 per cent of our employees took up shares when they came on the market last May.

The year 1956 was far from normal. Many of the industries we serve were severely hit by the credit squeeze, hire-purchase restrictions and purchase tax increases. Brass, our principal raw material, fell 30 per cent in price inside four months, with many subsequent fluctuations. Brass Swarf, which is one of our main sources of revenue, fell and fluctuated in price correspondingly. Finally came the Suez crisis.

Nevertheless, the 1956 net profit of £121,858, after making provision for all charges other than taxation, comfortably exceeds the ten-year average of £108,000 mentioned in our Stock Exchange advertisement last May. I feel that in all the circumstances the 1956 results are satisfactory.

Your directors recommend a final dividend of 4½d. a share, less tax, making with the interim dividend already paid a total of 7½d. a share, less tax, on the issued 5s. ordinary shares. This is the minimum rate for 1956 forecast last May.

Although nearly the whole of the plant and equipment now in use, costing about £340,000, has been installed since 1945 (£185,000 has already been written off in depreciation), your Directors estimate that present replacement cost is about £150,000 more.

It is accordingly recommended that, as well as adding £30,000 out of the 1956 taxed profits to the Capital Reserve for Development and Re-equipment, there should be transferred to the latter from the General Revenue Reserve a further £90,000, making Capital Reserve £150,000 in all. General Revenue Reserve becomes £85,000. Contingencies Reserve remains at £25,000 and unappropriated profits increase by £6,000 to £34,000. Total net assets are £600,000 compared with £594,000 at the end of 1955.

During the year we have considerably added to our facilities for high precision production and measurement. Net Capital Expenditure was £47,000 and capital commitments at the end of the year were about £36,000.

It is indeed no exaggeration to say that we have one of the most modern and best equipped screw machine plants in the world, a plant which is capable of very high productivity, second to none of its kind.

I have to report that the negotiations with British Engraving and Nameplate Manufacturing Company (London) Limited were completed by the end of the year. We are confident that in course of time there will be a good return on our investment to which will be added the advantage of mutual trading benefits.

At the moment it is too early for me to make any forecast for 1957, especially in view of political and economic uncertainties, but I feel the outturn of the year should not be unsatisfactory.

In conclusion, and very sincerely, I wish to thank all our employees who have given us their full and loyal support in 1956.

The Report and Accounts were adopted.

BRITANNIC ASSURANCE COMPANY LIMITED

POLICYHOLDERS' FUNDS NOW OVER £100 MILLION

BONUSES TO POLICYHOLDERS AGAIN INCREASED

At the Ninety-First Annual General Meeting held in Birmingham on April 5, 1957, Mr Frederick A. Powell, FCA, Chairman, said:

Ladies and Gentlemen. We are all very conscious today of the great loss the company sustained last November by the death of our esteemed Chairman, Mr J. A. Jefferson. His death ended an outstanding career of over 50 years with the company, including 40 years as a director and chief executive officer and 32 years as Chairman. To succeed Mr Jefferson, the Board have elected me Chairman. This is a very high honour and one which I appreciate deeply. Mr Kenneth J. Britt becomes our new Vice-Chairman. A number of changes in the higher executive positions have been made. Chief of these is the appointment of Mr John F. Jefferson as General Manager.

GENERAL PROGRESS

I am pleased to report that 1956 was a year of continued progress in all branches. The company's total income amounted to £17,475,000—an increase of £973,000. Premium income in the life branches increased by £541,000 to £12,771,000, and net interest by £371,000 to £3,869,000. Claim payments were over £8 million and included payments of over £5,880,000 to those who survived to receive the proceeds of maturing endowment assurances. Larger surpluses were earned and better bonuses have been declared, the sum allotted to policyholders in respect of the one year 1956 being £2,327,000—an advance of over £211,000 in comparison with 1955. The total funds held for the security of policyholders rose by £4,417,000 and have now passed the £100 million milestone. Our investment reserves of £7,500,000 are for the greater part free reserves, despite the magnitude of the fall in stock exchange prices as a result of the credit squeeze and high rates of interest on new money. The regular transfer of sums to investment reserves in good years and bad has enabled us to meet these fluctuations without a heavy drain on the year's profits or changes in our valuation bases. Policies in force in the life branches assured with bonuses over £221 million in capital sums.

ORDINARY BRANCH

In the Ordinary Branch the outstanding feature of the year was the large sum paid under maturing endowment assurance policies which, including bonuses, was £3,231,000 against £1,407,000 in 1955. It is satisfactory to note that in a year of such heavy maturity claims, for which of course we were fully prepared, we were able to increase the premium income of this branch by £140,000 to £4,217,000 and the fund by over £700,000 to £36,737,000. We were helped in this by a larger inflow of new business, the sums assured under new life policies being £8,229,000 at annual premiums of £415,000 and single premiums of £67,400. The annual premiums under deferred annuities issued were substantially more at £72,900 including annual premiums of £60,700 under retirement annuity contracts issued under the terms of the Finance Act, 1956.

Immediately the 1956 Budget became law, we produced an attractive range of contracts securing the valuable income tax and surtax concessions offered to the self-employed and those not entitled to pensions under approved staff schemes, and we appear to have obtained a fair share of the business so far transacted. Most of our retirement annuity contracts have been issued on a with-profit basis. We also improved our immediate annuity rates and devised an annuity contract securing a refund on death of the difference between the capital sum invested and the annuity payments received.

Other factors in the Ordinary Branch were favourable. Net interest earnings at £1,324,000 were higher by £118,000 and the net rate rose by 3s. 9d. per cent to £3 13s. 11d. per cent. Death claims were lighter than in 1955 and the expense rate remained moderate at 12.67 per cent.

INDUSTRIAL BRANCH

In the Industrial Branch good progress was made. New sums assured increased by £707,000 to £13,450,000, the premium income by £400,000 to £8,553,000, and the fund by £3,302,000 to £56,398,000. Death claims showed little movement and at £1,699,000 were up by only £17,000. Payments under maturing endowment assurances on the other hand again showed a substantial increase, the total of £2,650,000 being £544,000 greater than that of the previous year. The tendency for the percentage of new endowment assurance premiums to total new premiums to increase, which I mentioned a year ago, has continued, the percentage in 1956 being 92.0. Our policyholders are evidently looking on home service insurance more and more as a means of saving. It is a development which is of importance to the national economy, because the effect of saving is to help to keep prices down. Savings under home service insurance have the great virtue of being more permanent and continuous than most other forms of saving because of the regular weekly or monthly call of the insurance man.

Net interest earned amounted to £2,544,000 —an increase of £253,000. The net rate of interest earned on the fund increased by 3s. 11d. per cent to £4 14s. 5d. per cent.

VALUATION OF LIABILITIES

Our life contracts continue to be valued by the net premium method at 2 per cent, except for the closed British Legal Industrial Branch fund, which is valued at 2½ per cent. Ordinary Branch bonuses have also again been valued at 2½ per cent.

In the Ordinary Branch the directors, after transferring £100,000 to investment reserve fund, have allocated £1,007,578 to policyholders, against £936,405 a year ago, and have declared a reversionary bonus on with-profit policies in force on December 31, 1956, at the rate of 40s. per cent of the sum assured, against 38s. per cent a year ago. 1956 was the first time the allocation to Ordinary Branch policyholders for bonuses for one year exceeded £1 million.

In the Industrial Branch an allocation to Britannic policyholders of £1,300,000 has been made and has enabled the directors to improve the reversionary bonus scheme by starting with a declaration of 8 per cent of the sum assured after eight year's premiums have been paid. The total bonus additions to premium-paying policies will now range from 8 per cent after eight years to 37 per cent after 37 years. The voluntary allocations from surplus to Britannic and British Legal Industrial Branch policyholders have now reached a total of over £12,524,000.

INVESTMENTS

The further rise in the general level of interest rates provided us with good opportunities for the long-term investment of available funds. We have taken advantage of these opportunities by investing substantial sums in long-term loans to local authorities at remunerative rates of interest, our holdings in such loans having increased during the year by £1,917,000 to £12,209,000. United Kingdom mortgages increased during the year from £16,858,000 to £18,895,000, the addition of £2,037,000 arising almost entirely from loans advanced under the company's house purchase scheme. This scheme continues to attract borrowers who recognise it as a simple and effective method of becoming owners of their homes.

FIRE AND ACCIDENT BRANCH

In the Fire and Accident Branch the premium income, which amounted to £847,000, showed a very satisfactory increase of £102,000. As you are aware, our Fire and Accident business is wholly reinsured with the British General Insurance Company who manage the business for us. Our association is a mutually satisfactory one, and once again I am pleased to express our appreciation of the happy relations which exist between us.

STAFF

You will have seen from the accounts that we are increasing the amount transferred to the staff pension fund from £220,000 to £250,000. One of the reasons for the increase is that we have been conscious for a long time of the difficulties of our old pensioners in trying to make ends meet on a fixed income, and as from the beginning of this year we have increased the pensions granted under our pension scheme before 1955 by amounts depending on the size and date of the pension. You will understand also that increases in the general level of salaries of members of the staff, which have been inevitable in recent years, have added to the liabilities of the pension fund.

It is my privilege to express on your behalf our thanks to a very fine staff for their work during the year. Most of the credit for the excellent results before you is due to them, and we thank them very sincerely.

THE BRITISH SOUTH AFRICA COMPANY

A VERY FAVOURABLE RESULT

MR C. HELY-HUTCHINSON ON COPPER PRICES AND THE OUTLOOK

The fifty-ninth annual meeting of The British South Africa Company was held on March 28th in London.

Mr C. Hely-Hutchinson (the President) presided and, in the course of his speech, said: The Profit and Loss Account records that the gross income for the year was £15¼ million. This is an improvement upon the comparable figure for the previous year of £2¼ million, and of that improvement some £2 million was in respect of Mining Revenue and £750,000 in respect of interest and dividends. The larger receipts from dividends were due in part to larger distributions by Northern Rhodesian Copper Companies. The higher interest rates ruling for short term money which forms at all times a large part of the Company's liquid resources, accounted to a large extent for the increase in interest receipts. As to the Mining Revenue, this included royalty upon 368,000 tons of copper which was valued for royalty purposes at an average of £316 a ton. These figures are respectively about 30,000 tons and £30 a ton higher than those for the previous year.

The total charges, other than taxes, amounted to about £750,000. Taxes are recorded at £7½ million, and there remains a net profit of nearly £7 million, which is an improvement of £1.4 million. A dividend at the rate of 35 per cent (an increase of 5 per cent) is recommended.

CURRENT YEAR'S PROSPECTS

The London Metal Exchange quotation for a ton of electrolytic copper, which has been following a downward course since the end of the year under review, is now in the neighbourhood of £240. The value for royalty purposes based upon such a quotation would be £216. Bearing in mind the higher quotations ruling during the early months of the current financial year and if, for the remainder of the year, the quotation should remain at about its present level the average value per ton of copper for royalty purposes for the whole year may prove to be about £225.

On that basis, assuming a normal rate of production of copper and making appropriate provision for the lower rate of royalty per ton applicable in those circumstances and for a reduced income from dividends from shares in copper producing companies, the profit, after taxes, for the whole of the current financial year would be in the neighbourhood of £4½ million—say £2½ million less than the profit for the past year.

That estimate depends for its accuracy upon two unknowns—the future rate of copper production and the future course of copper prices.

As to the first of these, with the advent of Bancroft Mines and the Chibaluma Company as new producers it would under ordinary circumstances be reasonable to expect a higher rate of copper production this year than last.

The future course of copper prices is not a matter about which I should care to express any firm opinion. There appears to be some grounds for hoping that the price of electrolytic copper will not fall materially below its present level for any long period in the immediate future and, consequently, that it is reasonable to hope that the profit after taxes for the current year will not fall below the estimate of £4½ million, but there can be no certainty on that point.

RHODESIA RAILWAYS TRUST

The Company has recently made an offer to purchase at 60s. a share those shares in Rhodesia Railways Trust which it does not itself own. The issued share capital of the Trust is just over £2 million in shares of £1 each, and of these the Company holds just over 81 per cent, leaving just over 375,000 shares held by others. The amount involved in the offer is thus about £1,125,000.

The Balance Sheet shows that the net current assets at the end of last year amounted to £2 million. The Company had commitments in addition to the liabilities recorded in the Balance Sheet of about £8 million. These include, in addition to some lesser obligations, the Company's undertaking to subscribe £4 million spread over the four years 1957-1960 in respect of the Kariba hydroelectric undertaking and a further £2 million (which has since been provided) for the finance of Bancroft Mines.

In addition, arrangements are in train for setting up a new wholly-owned subsidiary to invest in property in the Federation, and for a substantial participation in the equity and loan capital of a company which has been formed in the Federation to take over and develop the Steel undertaking at present owned by the Southern Rhodesia Government. Furthermore, the Company always has to have moneys in hand to enable it to contribute substantially to projects calculated to add to its royalty revenues over the next 30 years, of which there are at least two now under consideration, and to enable it to continue, as in the cases of the Kariba and Steel undertakings, to take its proper share in the public affairs of the Federation from which it draws so large a proportion of its Revenues. Commitments such as these can be financed either out of the Company's existing assets or out of the Company's current and future profits.

It is, as you are aware, a guiding principle of the Company's financial policy to build up as best may be during the next 30 years a substantial body of investments, the income from which may to some extent compensate for the loss of the mineral revenues which in 1986 are to be handed over to the Northern Rhodesia Government. That policy will obviously be the more effectively served to the extent to which such commitments as have now been taken and may be taken in future are the more financed out of the profits of the Company. In these days of high taxation, and especially bearing in mind the crippling effect of the tax on distributed profits, the retention for investment of a substantial part of the profit may well commend itself to many Shareholders.

The report was adopted.

SCOTTISH AMICABLE LIFE ASSURANCE SOCIETY

ANOTHER NEW BUSINESS RECORD

FAVOURABLE FUTURE BONUS PROSPECTS

The one hundred and thirty-first Annual General Meeting of the Scottish Amicable Life Assurance Society was held in Glasgow on April 10th, Sir Lynden Macassey, KBE, QC (President of the Society) presiding.

In moving the adoption of the Report and Accounts, the Right Honourable Lord Bilsland, KT (Chairman of the Ordinary Directors) said that individual assurances had been issued for net sums assured in excess of £11,500,000, a total which had surpassed the previous year's record by nearly £1,000,000. Over the year, group life sums assured in force had increased by £4,000,000 and deferred pension benefits by more than £1,700,000 per annum.

RETIREMENT PROVISION FOR SELF-EMPLOYED

A new class of business had been opened up by the Government's decision to implement, in a modified form, the Millard Tucker Committee's recommendations dealing with retirement provision for the self-employed. The Society had accordingly devised special approved contracts to meet the needs of those who wished to take advantage of the new legislation. To meet the point that the earnings of self-employed persons frequently fluctuate quite widely from year to year, the premiums under these policies may be varied from year to year. The flexibility and simplicity of the Society's contract had aroused a great deal of interest and one particular feature of the with-profit deferred annuity was emphasised—its participation in bonus on the same basis as for life assurance policies. These with-profit contracts were therefore backed by the Society's unique record of bonus distributions over the past 130 years.

An important condition of Inland Revenue approval for these special annuity contracts is that they cannot be surrendered or assigned, a disability which restricts their usefulness in certain cases, and would lead self-employed persons still to find a prominent place among their policies for the traditional all-purpose endowment assurance which attracts a substantial degree of income tax relief and is entirely free of any tie or taxation liability in respect of the proceeds at maturity. The 1956 Finance Act also remedied the injustice of the taxation of the capital element in an annuity and brought about a reduction in the taxation on many annuities, both new and existing.

NEW QUINQUENNIUM'S EXCELLENT START

The Annual Report and Accounts showed that the total premium revenue continued to expand very rapidly, amounting to almost £7,200,000 in 1956, an increase of more than £705,000 when compared with 1955. The mortality experience under the Society's life assurance contracts had again been extremely favourable. In this and in other respects the excellent start to the new quinquennium gave a considerable measure of confidence with regard to future bonus prospects. As a result of the year's operations, the total funds had increased by over £5,800,000 and had now reached and passed the £50,000,000 mark. The funds had in fact doubled in the past six years.

The Report and Accounts were adopted.

TELEPHONE AND GENERAL TRUST

ANOTHER PROGRESSIVE YEAR

SIR ALEXANDER ROGER ON A STRONG AND HEALTHY POSITION

The thirty-first annual general meeting of the Telephone and General Trust Limited will be held on April 30th, in London.

The following is an extract from the statement by the Chairman, Sir Alexander Roger, KCIE, which has been circulated with the report and accounts:

The Directors' Report and Accounts show that we have had another progressive year.

Gross Profit before taxation amounted to £369,594 compared with £340,500 in the previous year. Taxation took £189,200 (£166,600 last year) or 51.2 per cent, leaving a Net Profit of £180,394—an increase of £6,494 despite the fact that Miscellaneous Income, always a variable item, was £4,288 only as compared with £18,650 in 1955.

We have transferred £25,000 to General Reserve, bringing that up to £200,000.

An Interim Dividend of 3 per cent was paid in October last on £1,110,000 Ordinary Stock. The "rights" issue of £245,000 Ordinary Stock made in July, referred to in the Directors' Report, did not participate in this Interim Dividend. We are proposing to pay a Final Dividend of 10 per cent on the £1,355,000 Ordinary Stock now in issue as against a Final of 9 per cent on £1,110,000 last year. In addition 13 per cent is being paid on the "A" Ordinary Stock against 12 per cent last year.

After providing for the foregoing and the 7 per cent Preference Dividend, Profit and Loss Carry Forward is increased by £28,721 to £185,630.

BALANCE SHEET

Your Directors propose that the Authorised Ordinary Capital be increased by £400,000 to a total of £2 million in order that we may be in a position to make further issues if and when necessary.

Capital Reserve is increased by the transfer of £175,500 from Share Premium Account bringing the balance thereon to £625,500, as referred to in the Directors' Report. In addition we have Revenue Reserves amounting to £485,630.

The valuation of £3,351,168 for quoted investments represents an appreciation of £1,788,643 on the net book cost of £1,562,525, forming a substantial margin against a variation in market values.

Of the Trust's total investments including loans to subsidiary and associated companies, on the basis of book cost 40.93 per cent are in Loans, Debentures and British Government Stocks, 6.01 per cent in Preference Stocks and 53.06 per cent in Ordinary Stocks. Geographically, 93.38 per cent are in the British Commonwealth and 6.62 per cent in foreign countries.

We have cash at call and at bank totalling £579,384, most of which will be required at least temporarily during 1957 for the development of our overseas subsidiary and associated operating companies.

The Group Reserves total £1,810,892—an increase of £350,596.

The Net Assets of telephone operating and servicing subsidiary companies have increased by £853,042 to £5,130,983.

TELEPHONE OPERATING COMPANIES PORTUGAL

The Trust has maintained close association with the Anglo-Portuguese Telephone Company since 1928 at which date it first acquired a considerable investment in the Company.

The unceasing demand for telephone service in Portugal necessitates the supply of greater quantities of plant and equipment and, consequently, additional financing to meet the cost.

In October, 1956, the APT Company raised 80,000 Contos (£1 million) in Portugal in the form of Obligations to Bearer.

A substantial part of the proceeds of the issue was paid to the Trust in reduction of loan.

The financial arrangements between the Trust and the Company for many years have proved to be mutually satisfactory.

The APT Company continues its sound progress and, in terms of telephone growth, nearly 19,000 stations were added during 1956, the number in service at December 31st last being well over 189,000.

The Company's relationship with the Portuguese Ministerial and Departmental Authorities is friendly and cordial in every direction.

The visit to Portugal of Her Majesty Queen Elizabeth and HRH the Duke of Edinburgh between February 18th and 21st last, aroused tremendous enthusiasm and rejoicing there and enhanced beyond all measure the goodwill and regard which has so long existed between Great Britain and Portugal.

WEST INDIES COMPANIES

Following a visit to Trinidad and Barbados by Mr A. F. Roger and Mr A. W. Anderson, both Directors of Telephone Trust, I also have just returned from a visit to the West Indies telephone operating Companies, calling in at Barbados and Trinidad, thence on to Jamaica where I spent some weeks, being joined by our Director, Mr G. W. Fyfe.

In Jamaica there were important outstanding problems to be dealt with, and I am glad to say that after talks with the Chief Minister and the Minister of Finance considerable progress has been made towards a mutually satisfactory settlement of the various problems, and I am hopeful that the complete accord reached will enable the Company to go ahead with its plans.

The three telephone operating Companies in which we are interested in Jamaica, Trinidad and Barbados, collectively expended some £976,000 on development and improvement of their inside and outside plant during 1956.

The aggregate gross book value of their Plant Assets amounted to over £6,300,000 at December 31, 1956, with some 57,000 stations in service in addition to the trunk service throughout the respective Islands.

Ten years ago at the end of 1946 the gross Plant Assets of these West Indies Companies amounted to some £1,028,000. Thus in that period they have grown more than six times.

This large development has been carried out practically entirely with automatic telephone equipment and cable exported from the United Kingdom, and has played an important part in the economic and social progress of those territories.

All this requires large sums of money, and the temporary and permanent financing of these Companies' capital expenditure programmes is under constant review by us in London and by the local Managements.

GENERAL

The Trust was formed in June, 1926, with an authorised Capital of £202,000 to carry on the business of an Investment Trust Company and is in particular, although not exclusively, interested in the telephone operating industry throughout the world.

Since that date there has been steady and progressive growth both in our telephone operating and in our general Investment interests so that today the Trust's Issued Share and Loan Capital amounts to £4,005,000.

I think you will agree that the Balance Sheet shows a strong and healthy position and I feel we can look to the future with confidence.

WESLEYAN AND GENERAL ASSURANCE SOCIETY

The one hundred and sixteenth Annual General Meeting was held on April 2, 1957. Mr A. H. Sayer, MC, JP, the Society's Chairman, in moving the adoption of the Reports, said:

During the year good progress was made in the Industrial Department where the new Sums Assured showed an increase of 16 per cent over the previous year and the premium income was £70,884 greater. The Fire and Accident Departments, too, showed a vigorous growth with an 11½ per cent increase in premium income. The new business figures in the Ordinary Department, however, were affected by the credit squeeze which caused a curtailment of House Purchase transactions compared with the previous year; this in turn affected the Ordinary Department new Sums Assured which at £4,400,000 were £650,000 below the figure for the previous year.

So far this year, business is good in all Departments, and I confidently expect that record figures will be achieved during 1957.

Exactly ten years ago yesterday, the then Chairman of the Society referred to the new form of annuity that the Society had introduced and said that the Inland Revenue might amend the law so as to allow a proper proportion of purchased life annuities to be free of tax, in which event the Society's new form of annuity would become unnecessary. What he then foretold has come to pass; Section 27 of the Finance Act, 1956, righted the injustice against which the Society's form of annuity was directed. The merit of the new legislation was so evident that the relevant clause of the Finance Bill passed through all Parliamentary stages with little or no comment from Members, in striking contrast to the lively debate on Section 25 of the Finance Act, 1949, which put an end to the Society's pioneering and novel form of annuity.

The Society has prepared a range of attractive policies, giving the "Self-Employed" the utmost advantage and flexibility that is to be obtained from the provisions of the Finance Act, 1956, including an option at any time during the currency of the policy to bring a wife or dependant within the scope of the policy.

The Valuation Surplus of the Ordinary Department was £489,019; £309,981 was used to grant a bonus of 32s. per cent of the original Sum Assured—the same rate as for last year—to With Profit policy-owners.

The Valuation Surplus of the Industrial (Home Service) Department was £392,441; £110,000 was used to grant additions ranging from 5 per cent to 12½ per cent to the claims moneys on policies becoming claims before the date of the next Annual Meeting.

Consequent upon these allocations of Valuation Surpluses, the Investments Reserve in the Balance Sheet now stands at £3,050,000. The General Reserve now amounts to £200,000.

The report and accounts were adopted.

REFUGE ASSURANCE COMPANY LIMITED

The Chairman, in a statement submitted with the 1956 accounts, referred to the part played by insurance companies in providing capital for industry with the funds resulting from the payments of their policyholders. He said that the public, by taking up and maintaining life assurance contracts, are doing a good thing for themselves and directly helping the country to maintain and increase its prosperity to the advantage of everybody.

He referred to the concessions given by the Finance Act of 1956 to self-employed persons who effect special policies providing an income in old age, but pointed out that for many people there was still much to commend straightforward endowment assurance policies for this purpose.

The combined new sums assured of nearly £35 million in the Life Branches were the greatest yet written by the Company in any year, and the total sums assured and bonuses in force were now £358 million. The total assets of the Company were £145 million.

ALLOCATIONS TO POLICYHOLDERS

In the Ordinary Branch surplus of £1,750,000 was allocated to policyholders to provide a bonus on with-profit policies at the rate of £1 18s. 0d. per cent on the sum assured in respect of each year's premium due in 1956 and paid. This rate is an increase of 4s. per cent over that of 1955.

In the Industrial Branch £1,200,000 was allocated to policyholders to provide a reversionary bonus to premium-paying policies (with certain exceptions) at the rate of £1 per cent on the sum assured for policies dated 1951 and earlier, and £4 per cent for policies dated 1952, it being the first time that the latter class has participated. The conditions under which paid-up policies are granted at advanced ages have also been improved and certain other increases in benefits continued.

HOUSE PURCHASE SCHEME AND INVESTMENTS

During the year £6,200,000 was advanced on House Purchase mortgages, increasing the total advanced on mortgages and loans to £29 million. In addition, the Company has assets of £51 million invested with the British Government or Local Authorities, £38 million in Debentures and Preference Stocks and £16 million in Ordinary stocks. Its investments in industry and commerce are widely spread over many companies.

THE BRADFORD DYERS' ASSOCIATION LIMITED

AMPLE FUNDS FOR DIVERSIFIED ACTIVITIES

MR JAMES EWING ON MIDDLE EAST EVENTS

The Fifty-ninth Annual General Meeting of The Bradford Dyers' Association Limited was held on April 8th at the Midland Hotel, Bradford. Mr James Ewing (the Chairman), who presided, in the course of his speech said:

When I last addressed you I stated that I hoped to place before you next time results no less favourable than were then submitted. But for the unfortunate events in the Middle East, with the improvement as a whole in our other overseas subsidiary companies and overseas investments, the figures today, notwithstanding the serious fall in the Home Branches' profits, would have been no less favourable. The sequestration of our property in Egypt is a serious blow to us but, because of the Association's financial policy during the past few years, our liquid position is sound. Your Board is constantly seeking opportunities of using our ample liquid resources in other fields of activity.

I am confident that, despite the interruption of earnings from Egypt, your Company, with its widely spread interests, is in a sound position to continue to show reasonable profits. Our investment in Egypt, in the accounts before you, actually shows a small trading loss because of our acceptance of the responsibility to resettle the British technical staff and their families.

UNITED KINGDOM

As mentioned in the statement accompanying the Balance Sheet and Accounts, the yardage available in cotton and rayon piece goods fell still further in 1956 and this, coupled with seriously rising costs of wages, dyestuffs, chemicals, fuel and most of our other raw materials, with little opportunity of passing these extra costs to our customers, adversely affected our trading figures. But, as a service section of the industry, with no opportunity of balancing costs by speculation in the finished fabric, it is essential that our selling prices bear a close relationship to cost of production. We stabilised our prices throughout the greater part of 1956, but recently steps have been taken by adjustment of the prices of all the major lines which we process to restore a reasonable level of profit.

We have been making progress with a long term and extensive plan of reorganisation of our wool dyeing and finishing section. The first step was the erection of a new power plant at Brighouse, which has now been operating satisfactorily for over a year. The next phase will be to transfer all processing now carried out at Edward Ripley & Son Limited, Bowling Dyeworks, Bradford, to a newly equipped works at Brighouse to be known as "New Bowling Dyeworks." The transfer will be effected in a gradual and orderly manner so as to allow of the greatest care being taken in ensuring that service to customers is not impaired in the slightest degree. When the plan is completed, the Association will possess at Brighouse the most up to date wool dyeing and finishing plants in the country, designed expressly to cater for the requirements of the woollen and worsted industry.

RESEARCH AND DEVELOPMENT

I am now able to report that later in the year our new Central Research Laboratories, being erected on a site near the centre of Bradford, will be completed and occupied. The work to be undertaken by the Staff in these Laboratories will be directed primarily to the immediate investigation of specific scientific discoveries which may be adapted or modified to provide new techniques for our industry. In severely competitive conditions we rely to an increasing extent on new ideas for the old familiar fibres, no less than for those of recent origin.

Your Board is very much alive to the value of research, but I think it is timely to say to those who are constantly exhorting industrial companies to show more enterprise, that research and the application of discoveries emanating from research require finance. This finance has to come either from an allocation of profits or from additional investment by the public who would only be willing to invest money provided that they could be reasonably certain of receiving an adequate return on the money invested. I refer to research by industrial companies as distinct from research by State aided organisations like the admirable Shirley Institute, for there is need for both.

DIVERSIFICATION

It may be that research and development efforts on our part, however successful, may not attract much new yardage to the looms of this country, but they should ensure that we maintain our share of the business available. Our research leads us into other fields of activity, and already we have linked with a large European Company to produce non-woven fabrics, wherein our skill and experience in handling and finishing fibrous materials can be put to good use. Bondina (BDA) Limited has now become established as a producing unit in the field of interlining fabrics for garment manufacture.

We have also acquired a controlling interest in an old-established company engaged in structural engineering. This company has a full order book and is producing very satisfactory results. Two smaller companies, of which we have acquired controlling interests, operate one in air conditioning and dust extraction, and the other in civil engineering. We believe that both these companies can be developed to make an increasing contribution to our revenues. Our other new interest is in the transport of liquids in bulk. This concern is in an early stage of development, but it is promising very well under an energetic management and will, we believe, become an important unit in an expanding field.

Altogether, these new interests represent the investment in permanent capital and loans of upwards of £500,000. They can be regarded as to some extent replacing dyeing and finishing units which have become redundant and thereby making us less exclusively dependent on the textile manufacturing industry than hitherto we have been.

The report and accounts were adopted.

TWINING CROSFIELD & COMPANY

RECORD RESULTS

The fortieth annual general meeting of Twining Crosfield & Company Limited was held on April 4th, Mr H. W. Backhouse (Chairman) presiding.

The following is an extract from his circulated statement:

We have a good year's trading to report and we are able to show a record profit for the Group. This result has, however, been achieved since the acquisition of the subsidiaries to which I referred in my last statement, as well as another small acquisition during the year. Moreover, it has been earned during a period when the Tea Market has been favourable and we have been able to trade at a reasonable profit for most of the time.

The Tea Market remained fairly steady until November. The price of plain tea varied between 2s. 10½d. per lb and 3s. 5½d. per lb until the Suez crisis created a spot shortage owing to delays in arrivals. The price then rose rapidly to 5s. 6½d. per lb in December, and made substantial retail price increases necessary.

Coffee has not been so favourable a market. There was a slow but steady advance of prices during the first eight months, followed by a steady pattern for the rest of the year. Some retail prices had to be increased and price increases are apt to disturb our regular trade and to prevent expansion.

The report of the Monopolies Commission was published on December 20th. It was very gratifying that the members of that body were able to say that in the Tea Trade there was no evidence of any restrictive practice or of anything of which we need be ashamed.

The prospects for 1957 are as hard to foresee as usual. Heavy buying during November and December has resulted in small sales in January and February. The improved UK stock position has brought about lower price levels, *with plain tea quoted at 3s. 8½d. per lb* on March 8th, and reductions in retail prices. These unsettled conditions will bring their usual anxieties, but we shall endeavour to continue to develop our trade at home and abroad. To this end we are extending our processing plant and warehouse.

The report was adopted.

BANK LEUMI LE-ISRAEL BM

STEADY PROGRESS

The sixth Annual General Meeting of the Bank Leumi Le-Israel BM, being the fifty-fifth of the business established in 1902, was held on March 28, 1957, at the Bank's registered office. Mr S. Hoofien was in the chair, and Dr A. Barth, the General Manager, addressed the meeting.

In his introductory speech, the General Manager pointed to steady progress: the Bank's Reserve Fund had been increased by I£250,000 and the Capital and Reserves amounted to I£5,250,000. The sum of I£100,000 was proposed for appropriation to Contingencies Reserve. Deposits had risen from I£144 million in 1954 and I£152 million in 1955 to I£174 million in 1956. The strengthening of the Bank's position had also found its expression in the considerable increase in the number of depositors, which had increased by 8.6 per cent in 1953, by 13 per cent in 1954, by 18.3 per cent in 1955 and by 20 per cent in 1956.

The number of branches had been increased from 61 to 70 and the opening of several additional branches was contemplated for 1957. The Bank's new Savings Scheme enjoyed great popularity and had attracted over I£7 million in Long-Term Deposits.

The General Manager explained that the credit restriction policy of the Bank of Israel, as an anti-inflationary measure, had almost entirely precluded an expansion of the Bank's loans and advances to customers, and that the increase which had taken place had been rendered possible mainly through rediscounts effected by the Bank of Israel and through Government deposits made for that purpose. The special additional credits had been directed mainly to agriculture and to the export trade

In reviewing general economic conditions, the General Manager referred to the new Interest Law and to the Order of the Minister by which the maximum interest rate had been fixed at 11 per cent, with a maximum of 10 per cent applicable to loans to industry and agriculture.

In conclusion, Dr Barth was in full agreement with the Government's policy aiming at the restriction of consumption through price increases. He stressed the need for increased production, for the reduction of unessential imports, and for the expansion of agricultural and industrial exports.

A final dividend of 6½ per cent was declared, which again brings the total dividend for the year to 12½ per cent.

The Directors retiring in rotation were re-elected, and Mr Y. M. Geri and Mr Z. Onn, who had been co-opted to the Board to fill the vacancies caused by the death of Mr I. Bareli and Mr L. Braudo, were elected.

THE RIO DE JANEIRO FLOUR MILLS & GRANARIES LIMITED

The seventy-first Annual General Meeting was held on April 4th in London.

The Chairman, Mr G. McT. Sheppard, in his address said that the Group Trading Profit showed an increase in Brazilian currency of Cr$6.274.385,00 but, as a result of a small decline in the exchange rate applicable this year compared with last, the sterling equivalent had increased by only £22,757.

Once again the Chairman said he had to report a very difficult year's trading for the four flour mills of the Group. Although larger quantities of wheat than in the previous year had been made available to the milling industry, the flour selling prices initially fixed by the authorities had been based on the assumption that the higher priced Brazilian wheat would not exceed 20 per cent of the total availabilities; this had proved to be a substantial underestimate. After protracted negotiations, which lasted until July, increased flour prices had been authorised to compensate for this and also for the inevitable additional working costs.

The Chairman said the need for expansion was constantly in the minds of the Board, especially in connection with the manufacture of products ancillary to the main business of flour milling. In recent years balanced rations had been produced in all the mills for sale to cattle and pig breeders and poultry farmers. During the last 18 months or so the Group had also manufactured cake mixes and similar articles. The demand for these products was steadily increasing.

The report was adopted.

APPOINTMENTS

ESSEX EDUCATION COMMITTEE

SOUTH-EAST ESSEX TECHNICAL COLLEGE, LONGBRIDGE ROAD, DAGENHAM

Required in September:—

Senior Lecturer in the Department of Commerce and Professional Studies to be responsible for the development of Management Courses and the direction of Research in the field of Management Studies. Applicants should possess good academic qualifications and have had research and teaching experience.

Salary: £1,350 x £50 to £1,550 per annum plus London Allowance.

Further particulars and application forms (stamped addressed foolscap envelope) from the Clerk to the Governors at the College.

OLD-established City Investment Bankers require MANAGER with investment and administrative experience to take charge of department dealing actively in Canadian securities. Age approximately 35-50 years.—Please write giving full particulars, to Box E.593, c/o 191 Gresham House, E.C.2.

ACTUARIAL STUDENTS—passed at least some part of Part I of Faculty or Institute Examinations—required by Australian Mutual Provident Society (the largest British Mutual Life Office). After short initial probationary period at London Office the Society will pay all moving costs to Australia. Salary depending upon qualifications—Minima £625 sterling at age 21, £725 sterling at age 23, £800 sterling at age 25. Substantial bonuses and increases on passing examinations. Excellent prospects, liberal long service leave, excellent staff pension and life assurance benefits.—Apply to Manager for United Kingdom, 73-76 King William Street, London, E.C.4.

THE SOUTH WALES ELECTRICITY BOARD

Applications are invited for the position of Assistant Statistician in the Department of the Chief Commercial Officer at the Head Office of the Board, St. Mellons, Cardiff.

Candidates should be over 30 years of age and hold a degree in statistics.

The salary for the position will be within the range of Grades 6/7 (£855/£1,025) of the National Joint Council (Administrative and Clerical Grades) for the Electricity Supply Industry, the commencing salary being determined according to qualifications and experience.

Applications, stating age, present position, present salary, qualifications, experience and three referees, should be addressed to the Secretary (Establishments Section) to arrive not later than May 1, 1957.

R. G. WILLIAMS,
Secretary.

St. Mellons, Cardiff.

ACTUARIAL CAREERS IN CANADA

A large Canadian Life Company offers careers to promising young Associates and Fellows. Due to the rapidly expanding nature of its International operations, several openings are already available at its Head Office in Canada with opportunities of promotion to Senior Positions. Salaries are based on time since qualification and experience. Good working conditions, staff privileges and benefits. Head Office located in Toronto, Canada's most modern and rapidly expanding city. Further details and emigration facilities may be discussed by making an appointment in writing with Mr R. E. White, Secretary and Actuary, Confederation Life Association, 18 Park Lane, London, W.1.

NATIONAL SAVINGS COMMITTEE ASSISTANT COMMISSIONERS. The Civil Service Commissioners invite applications for about 10 pensionable posts. Age at least 21 on March 1, 1957.

University education and knowledge of economics desirable. Final year university students may apply. Experience of public speaking, control of office staff and organisation of voluntary workers advantageous.

Men's starting salary (London): £385 at 21 to £625 at 25 or over. Maximum £1,225. Women's pay lower at present, but will reach equality with men's by 1961. Salaries outside London somewhat lower. Promotion prospects.

Particulars and application forms from Secretary, Civil Service Commission, Burlington Gardens, London, W.1, quoting 134/57/7. Completed application forms should be returned by May 2, 1957.

PERSONAL ASSISTANT

(SALES ADMINISTRATION)

Applications are invited for the post of Personal Assistant to the Managing Director of a well-known Chocolate and Confectionery firm.

The selected candidate will be required, after a few months' practical training, to take responsibility for the administration of sales policies, liaison with the production side of the Company, sales force personnel work, advertising, market research, etc.

Starting salary £1,500 p.a. with good prospects for substantial increments.

Candidates should be men between 28 and 37. A University degree in Economics or other relevant subject will be an advantage. Minimum educational qualification—Higher School Certificate or equivalent. Experience should include not less than three years on sales work, of which not less than two years should be in an administrative post. Preference will be given to men with experience in the confectionery or food trades, but this is not essential.

Applications must be on the standard form, which is available from the Secretary (D10), 14 Welbeck Street, London, W.1.

APPLICATIONS are invited from those having a medical or pharmaceutical background and fluent Swedish or Finnish for appointments as Medical Representatives in Sweden or Finland. Previous experience of such work is an advantage, but not essential, as adequate training will be given.—Apply to Personnel Manager, Parke, Davis & Company, Limited, Staines Road, Hounslow, Middlesex.

APPOINTMENTS

HE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

(UNIVERSITY OF LONDON)

Applications are invited for appointment in October, 9... to a Lectureship and an Assistant Lectureship in ...counting. The present salary scales are £700 x £50—...600 x £50—£1,400, and £600 x £50—£700 a year ...spectively, with superannuation benefits and family ...lowances. These scales are now being revised. In ...ssing the starting salary due consideration will be ...en to age, qualifications and experience.

Applications, with the names of three referees, should ...received not later than May 8, 1957, by the Secretary, ...ndon School of Economics and Political Science, ...ughton Street, London, W.C.2, from whom further ...rticulars may be obtained.

MANAGEMENT ACCOUNTANT

THE DISTILLERS COMPANY LIMITED

The Company invites applications for the post of Management Accountant in the Economics and Statistics Section of the Industrial Group in London.

Candidates, who should be under 35 years of age, must be Chartered or Incorporated Accountants and must hold an Honours Degree, preferably in Economics or Mathematics. Industrial experience with specialised knowledge of management accountancy or industrial economics is desirable.

Salary, depending on experience, in the range £1,000 to £1,500. Non-contributory pension scheme.

Write: Staff Manager, The Distillers Company Limited, 21 St. James's Square, London, S.W.1. Quote Ref.: 18/57.

P. D. LEAKE RESEARCH FELLOWSHIPS

Applications are invited from qualified members of ...he accountancy profession for appointment to a P.D. ...eake Research Fellowship financed by the P.D. Leake ...rust. The term of the Fellowship will be for the ...ear commencing October 1, 1957, and it may be held ...n the University of Birmingham, the University of ...xford, or at the London School of Economics and ...olitical Science in the University of London, the location ...f the appointment being determined by the three ...nstitutions concerned, in consultation, after considera...ion of candidates' preferences and research interests.

The object of the Fellowship is to provide university ...acilities for an experienced accountant to carry out ...esearch in subjects with which the accountancy pro...ession is directly concerned and within the charitable ...bject of the P.D. Leake Trust, namely, "to benefit ...nd advance the sciences of accounting and of political ...economy, including the subject of public finance and ...axation." Only accountants who are members of United ...Kingdom accountancy bodies which are recognised for ...he purpose of United Kingdom company law are eligible.

The emolument of the Fellowship will be £2,000, out ...f which the Fellow will be required to meet any ...onsequential expenses of his appointment.

Further particulars may be obtained from the Registrar, ...niversity of Oxford, with whom applications must be ...odged by June 1, 1957.

ASSISTANT ADVERTISING MANAGER

This Company's interests include Izal products, heavy engineering and NCK excavators. The duties include planning and control of press advertising for home and export markets, display and printed literature in conjunction with the Company's advertising agents. The appointment requires a combination of administrative ability and creative flair. Candidates must have a wide experience of product advertising and Company publicity, with preferably a personal as well as a professional interest in some of the side-line aspects of publicity. Age 27 to 32.

The appointment is permanent and pensionable with excellent prospects. Reply (briefly, please) to STAFF OFFICER, Newton Chambers & Company Limited, Thorncliffe, near Sheffield.

STAFFORDSHIRE COUNTY COUNCIL

COUNTY PLANNING AND DEVELOPMENT DEPARTMENT

Applications are invited for the appointment of a Senior Assistant in the Research Section of the Department on A.P.T. Grades V-VI (£814 17s. 6d. to £1,107 0s. 0d. per annum). The commencing salary and grading will be in accordance with qualifications and experience.

The person appointed will be concerned primarily with the economic aspects of the Development Plan and the implementation of overspill proposals. Applicants should have an honours degree in economics, geography or related subjects and should preferably have had research experience in the public service, with a research institution or with industry.

Consideration will be given to the granting of financial assistance in appropriate cases towards removal expenses. Canvassing will disqualify.

Applicants should give details of age, education and training, qualifications, present and previous appointments and experience, and the names of two persons to whom reference can be made. Applications, in which relationship to any member or senior officer of the County Council must be disclosed, should be sent to D. W. Ripley, County Planning and Development Officer, 41a Lasgate Street, Stafford, not later than April 27, 1957.

T. H. EVANS,
CLERK OF THE COUNTY COUNCIL.

INTELLIGENT young man in twenties, preferably with some experience in commerce, offered opportunity with large City company to assist on the trading side of the business. Scope for progress with good initial salary.—Box 678.

UNIVERSITY OF ST. ANDREWS

LECTURESHIP IN POLITICAL ECONOMY

The University Court of the University of St. Andrews invites applications for a Lectureship in Political Economy in St. Salvator's College. Candidates should have a particular interest in Welfare Economics and the economic development of Britain and U.S.A. in the present century. The appointment will date from October 1, 1957. The present salary scale is £650 x £50 to £1,350 per annum (subject to an efficiency bar at £1,000), but the scale is under review and the successful candidate will be placed at a point on the newly revised scale according to qualifications and experience. The post carries F.S.S.U. benefits and family allowances, and a grant towards expenses of removal will be made. Further particulars may be obtained from the undersigned, with whom five copies of the application, together with the names of three referees, should be lodged not later than April 30, 1957.

D. M. DEVINE,
Joint Clerk to the University Court.

College Gate, St. Andrews.

MARKET INVESTIGATIONS LIMITED, an independent, rapidly expanding company with a wide range of clients and a national field staff, need an experienced research officer to plan and carry out consumer surveys. Great variety of work and excellent prospects.—Please telephone LANgham 6507 (extension 5) for an appointment.

MANAGEMENT SELECTION LIMITED have been retained to advise on the appointment of the

WORK STUDY MANAGER

who will be a senior member of an

OPERATIONAL RESEARCH DEPARTMENT

set up by the Board of an industrial group employing about 35,000. This O.R. department is pioneering the development of measurement and control techniques which are among the most advanced in use today. The Work Study Manager will be responsible for developing work study policy, for applying this policy as the empirical branch of an integrated O.R. programme and for directing factory work study teams comprising about 70 staff.

To merit serious consideration, candidates must have at least five years varied experience of work study, including some in engineering; consultancy experience would be helpful. Formal training in work study is essential and a degree, preferably in engineering, is highly desirable. They must produce evidence of original work in this field and be able to perceive the long-term possibilities of work study in the wider context of O.R.

Probable age 28 to 40. Salary subject to negotiation, but not less than £2,000 at the lower end of the age bracket and generous fringe benefits.

Please send brief details to: R. A. Denerley, Management Selection Limited, 17 Stratton Street, London, W.1, quoting reference S357. No information will be disclosed to our clients until candidates have been told their identity and have given permission after full discussion.

ECONOMICS/STATISTICS.—A Graduate with a good degree in Economics is required to analyse the statistics produced by subsidiaries of a large engineering group, and to produce regular reports on the trends revealed. The work has to be developed and there is much scope for initiative. A background of Mathematical Statistics is not required, but candidates do need an aptitude for analysing figures and trends. Actual industrial experience in the work would be of particular interest. The ability to write lucidly and briefly is essential.

Application forms from the Secretary, Market Research Department, T.I. (Export) Limited, 58-72 John Bright Street, Birmingham, 1.

SECRETARY required to run small office of growing professional body. Five-day week; Salary range £400—£480 per annum.—Apply Box 672.

ASSISTANT MARKET INFORMATION OFFICER

A vacancy exists within the Marketing Division of one of the foremost Pharmaceutical Companies in Britain for an Assistant Market Information Officer. Applications are invited from persons preferably in the age range 25-35, having a sound knowledge of the Pharmaceutical Industry or, alternatively, experience in Agricultural Economics relating to the marketing of Veterinary and Agricultural products.

The Company offers a commencing salary commensurate with age, experience, etc., good prospects of advancement and a non-contributory Pension and Life Assurance Scheme.

Applications, giving full details as to age, career to date, current salary, etc., should be addressed to Box 675.

TUBE INVESTMENT LIMITED has two vacancies in its Operational Research team:

(i) Statistician with experience of the application of statistical methods, including design and analysis of experiments;

(ii) Economist with experience of costing and accounting methods. In each case a good honours degree is essential. Preference will be given to candidates in the age range 26 to 30, with experience in manufacturing industry and ambition for the wider opportunities this work can lead to.

Full details to Personnel Manager, T.I. (Group Services) Ltd., Rocky Lane, Aston, Birmingham, 6.

NEWCASTLE UPON TYNE EDUCATION COMMITTEE

MUNICIPAL COLLEGE OF COMMERCE

Applications are invited for the following posts, duties to commence in September, 1957:—

(a) Lecturer in Economics and Commerce.

(b) Lecturer in Management.

Salary in accordance with the Burnham Technical Report, 1956, £1,200—£30—£1,350.

Further information and application form, to be returned within 14 days, obtainable from Director of Education, City Education Office, Northumberland Road, Newcastle upon Tyne, 1.

QUALIFIED Accountant with wide experience required for professional appointment in Central Africa. Initially the appointment would be for a tour of 2 years, but it is a permanent one leading to exceptional prospects for a man with energy and initiative. Sound knowledge of French is necessary.—Write Box X.892, c/o Streets, 110 Old Broad Street, E.C.2.

MARKET RESEARCH

HOOVER LIMITED require a

MARKET RESEARCH EXPERT

to take charge of their new home and overseas Market Research and Economic Forecasting Department. This is a senior appointment and calls for an honours degree economist with some years' experience in a Market Research Organisation.

Applications, giving details of age, education, qualifications and experience, to the Employment Officer, Hoover Limited, Perivale, Greenford, Middlesex.

COST ACCOUNTANT required by manufacturing Company producing consumer goods in the East Midlands. The Company, which is progressive and expanding, requires a young man with practical experience of the whole subject. The successful applicant would be directly responsible to the Managing Director. Commencing salary £1,200 or according to experience.—Box 674.

UNIVERSITY OF BIRMINGHAM

The University will offer a number of Scholarships to graduates and to those expected to graduate this summer who wish to read for higher degrees in the Faculty of Commerce and Social Science. There will be opportunities for advanced study and training in research in all the main departments of the Faculty and in subjects common to more than one department.

Further particulars may be obtained from the Registrar, the University, Birmingham, 15, to whom applications should be sent before June 15, 1957.

UNIVERSITY OF BIRMINGHAM

FACULTY OF COMMERCE AND SOCIAL SCIENCE

EDWARD WILSHAW POSTGRADUATE EXHIBITION

One Exhibition, of the order of £200, but the amount to be determined in each case by the applicants' merits and circumstances, will be offered each year from a fund founded by Sir Edward Wilshaw, K.C.M.G., D.L., LL.D., F.C.I.S., J.P. The Exhibition is open to graduates of this and other Universities who wish to prepare themselves for careers in business administration and management and who propose to read for the Graduates' Commerce Diploma in business administration. Applications (two copies), including the names of two referees, should be sent by June 15, 1957, to the Registrar, the University, Birmingham, 15.

B.Sc.(ECON.) LONDON UNIVERSITY

UNIVERSITY CORRESPONDENCE COLLEGE provides postal tuition for the above degree (obtainable without residence), which is a valuable qualification for those seeking executive appointments in commerce or industry, government or municipal posts. The College, established 1887, is an Educational Trust. Highly qualified Tutors. Low fees. Prospectus of U.C.C., Courses for London Degrees and Diplomas, G.C.E. free from the Registrar, 60 Burlington House, Cambridge.

THE CHARTERED INSTITUTE OF SECRETARIES

Employers requiring the services of CHARTERED SECRETARIES to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute (Dept. E), 14 New Bridge Street, London, E.C.4.

WORK STUDY.—Next six-weeks' full-time course starts May 6th. Details of this and eight others, including part-time, evening and correspondence, from The School of Time and Motion Study, 29 Cork Street, Piccadilly, London, W.1.

ASHRIDGE

COURSE 31. THE TREASURY. MAY 3rd-6th.

Introductory Address: Sir Herbert Brittain, K.C.B., K.B.E.. The Influence of the Treasury on the National Economy: Mr R. W. B. Clarke, C.B., O.B.E., Financial Policy at Home: Mr H. H. Hutchinson, The Treasury and External Financial Arrangements: Professor J. H. B. Tew, Ph.D., Prospects of Future Prosperity: Mr. Roger G. Opie, M.A.

Inclusive Fee: £4 4s. 0d.

Applications to the Secretary, Ashridge, Berkhamsted, Herts. Tel.: Little Gaddesden 3191.

AMATEUR CONJURERS: brand new spectacular production. Open a bottle of Duff Gordon's 11 Cid Sherry, and watch hundreds of thirsty people appear out of thin air. Works every time.

EXPERT POSTAL TUITION

for Examinations—University Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus—and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2).

METROPOLITAN COLLEGE, ST. ALBANS

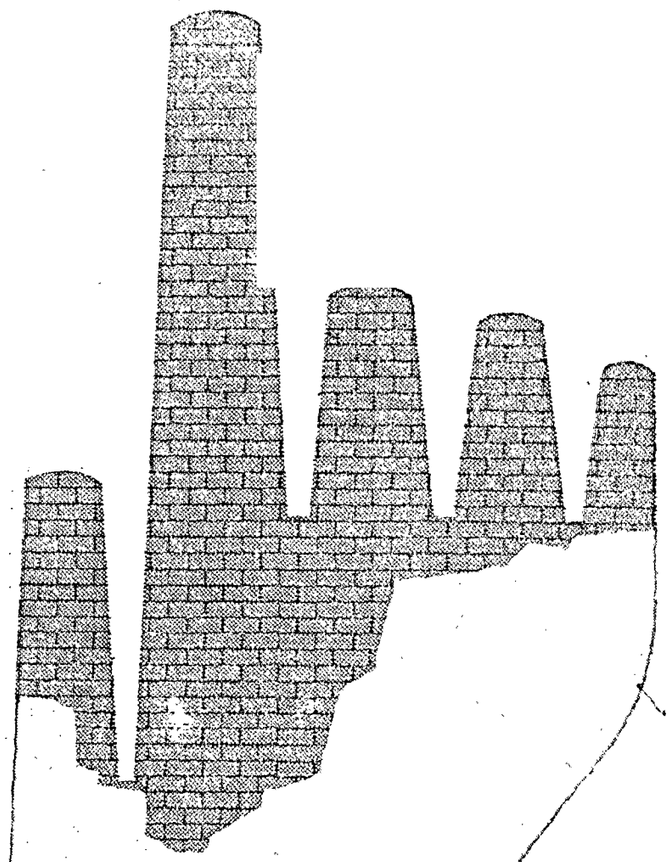
or call at 30 Queen Victoria Street, London, E.C.4.

ANNUAL AIR SUBSCRIPTION RATES

Subscriptions to most countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is either because the alternative is not available or not recommended.

	Airmail	Air Freight		Airmail	Air Freight		Airmail	Air Freight
Australia	£8 5s. stg.	—	India & Ceylon	£7 15s.	£6	Pakistan	£7 15s.	£6
Canada	—	$21.50 or £7 14s.	Iran	£6	—	Rhodesia (N. & S.)	£7 15s.	£5 10s.
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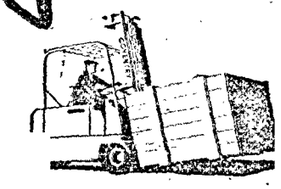
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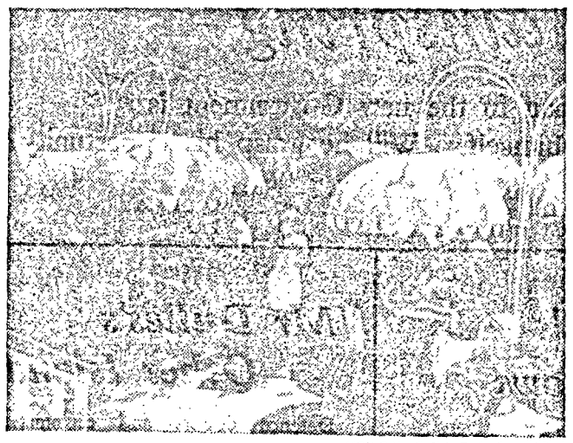
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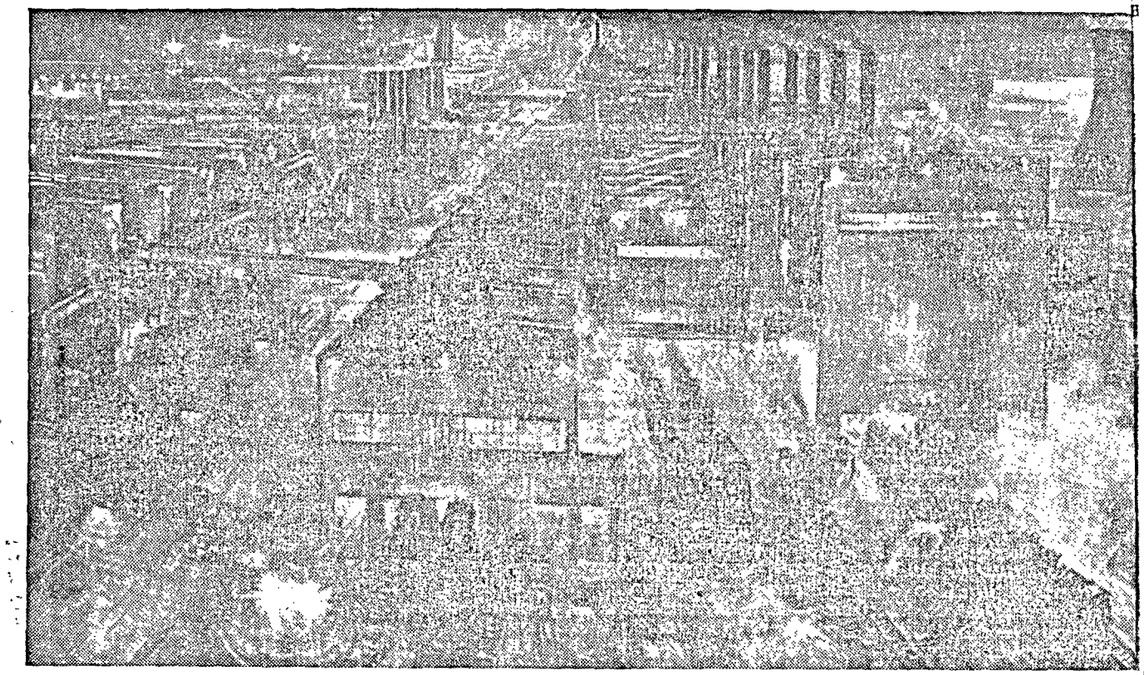
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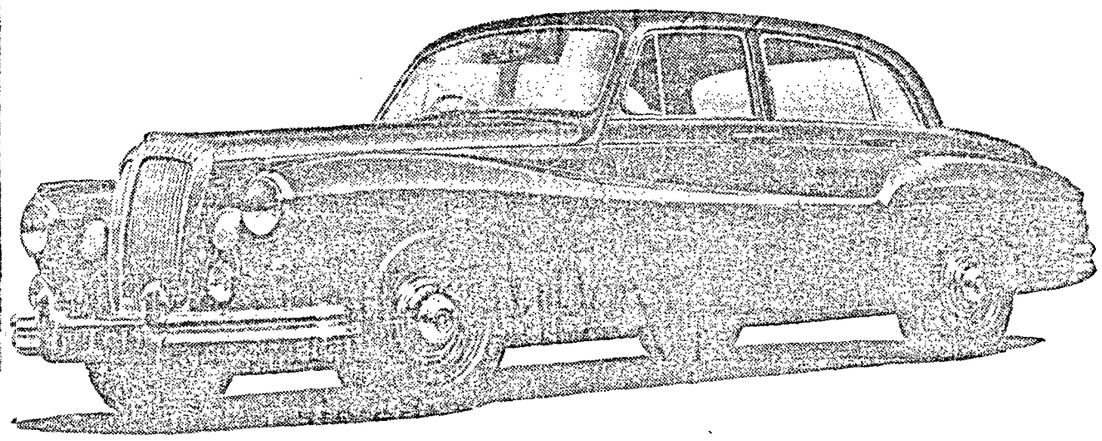
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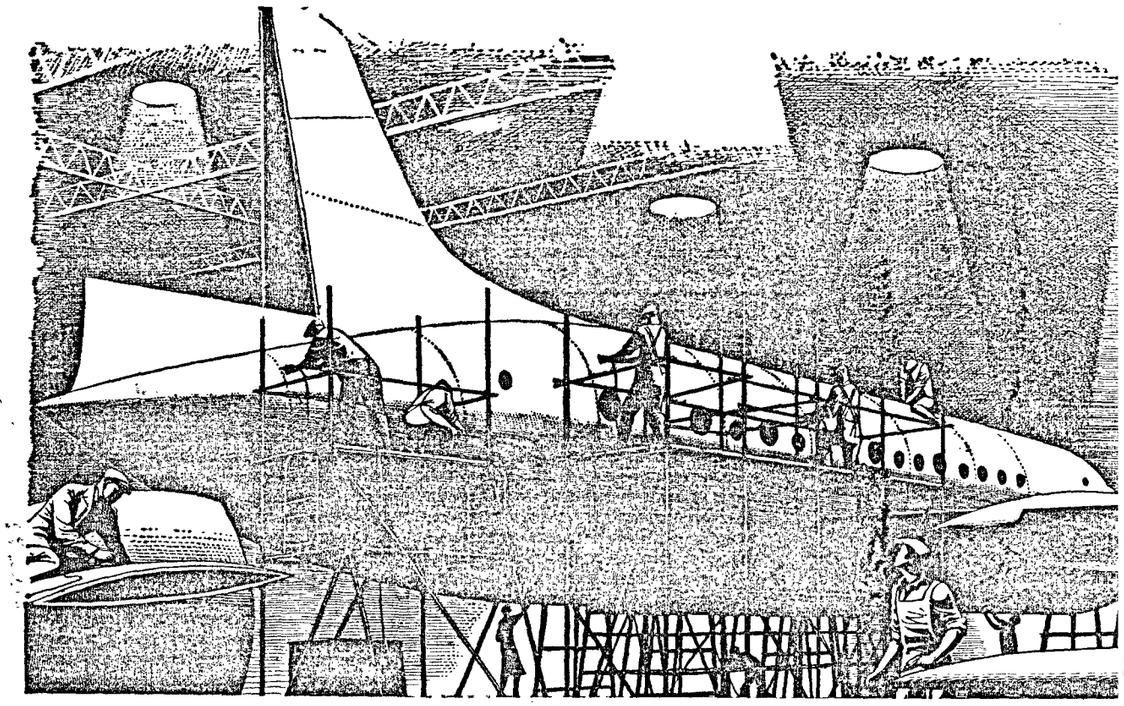
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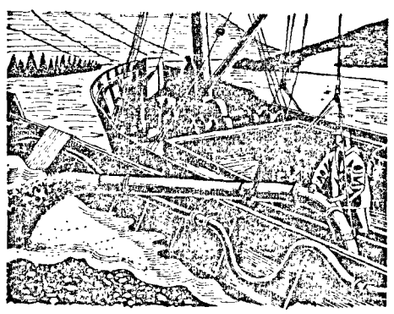
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Looking for the Mainspring

THERE are more reasons this week than the accident of the calendar for asking the question always put by journalists when Parliament breaks up for Easter: how is the Government doing? Mr Macmillan, the third Prime Minister in little more than two years and the first for a very long time to reach No. 10 unexpectedly and without any overt grooming, has now been in office for three months; and his first spell has been rounded-off by a new defence policy and a novel budget in an old frame. Ever since January all the signs have suggested that the tide in the country was running persistently in the Government's disfavour. The immediate query therefore splits into three, one personal, one political, and one that goes deeper and really embraces the rest. What sort of Prime Minister does Mr Macmillan look like being? What effect are the performances of Mr Sandys—the man of the Government so far—and Mr Thorneycroft likely to have on the tide of opinion? And, finally, what evidence is there in these and other ways that the Government knows where it is going in the search for a mainspring for British policy?

The Prime Minister pointed hopefully the other day to the large number of "don't knows" in the otherwise unfriendly polls. Whether these turn out to be hidden Conservative assets or not—which depends on what the Government does—they are certainly significant. They reflect the fact that neither the new Government nor its new leader has yet taken shape in the public mind. The mystery man is Mr Macmillan himself. Determinedly casual and relaxed, he is obviously enjoying enormously the job of running the country; and his method of doing it is said to be quite simple. He tells his departmental colleagues in a couple of sentences what he wants done, and leaves them to do it: Mr Sandys's defence white paper is one successful, if controversial, example of the method; Mr Thorneycroft's budget is another less path-breaking, but also debatable, example. The doubt that has still to be resolved is whether the Prime Minister's sentences, composed without any burdensome scrutiny of the background, do in fact add up to a coherent policy for this country in 1957.

There are two views of Mr Macmillan. One, now widely held, sees him as shrewdly realistic behind his mannered Edwardian facade; the other sees him as still a deft political dilettante, with only a cursory and Baldwinesque approach to the knobbly details. Politically, his ancestry goes back before Baldwin. He is the first Prime Minister since Bonar Law who has not been, in one sense or another, a crossbencher. In his speeches he is, combatively, a partisan Tory, for all the fabianism of his earlier "middle way," which in any case has been overtaken in the party by the more liberal Butlerism. What is his "middle way," his dynamic, now?

It would be a brash journalist who gave a confident answer. But it is possible to state the problem that has to be solved. Too often it is

treated in three separate parts: foreign policy, defence and home economics. In fact these are, of course, three facets of the same problem. What is Britain's place in the world today? The task is to make the most of the country's means in order to secure the most of its ends. Mr Sandys's defence policy makes no sense without its counterpart in foreign and economic policy. Understandably, this post-Eden administration has so far had no foreign policy beyond the sensible endeavour to talk again, as friends, with the Americans and, as partners, with the Europeans—though Lord Salisbury has again revealed how divided in mind the Conservatives still are on what sort of a foreign policy is feasible. Economically, last week's budget makes no sense unless what is saved by Mr Sandys and by common sense from trying to sustain the pretensions of a great imperial power—Mr Thorneycroft's tax concessions almost exactly equal the savings on defence—is applied to fuelling the new Britain based upon high investment, high production, and the techniques of the new industrial revolution.

This, of course, is the ultimate test of last week's budget. The first and indispensable foundation of any policy for this crowded trading island must indeed be its solvency: a secure pound both at home and abroad. But to secure the pound by putting British industrial development indefinitely into a strait-jacket, to balance the country's economy at less than the highest practicable level, would be to confess failure, and to waste Mr Sandys's resolves. The country's need is to face the world with a new honesty—and fresh zest.

As it is, with Easter at hand, the politicians are thinking more of politics than of policy. The Conservatives can only too easily rally against a Labour line that, on the budget, blames them for spending too little and inflating too much, and, on defence, does not know whether to blame them for having the H-bomb or not. Their most unifying emotion at the moment is scorn for Mr Gaitskell, the "renegade" who knows the right economic questions but gives the wrong political answers. And, on the Opposition side, opportunity is being no less let slip. The Labour party is relying too much on the swing of the pendulum. It is waiting for the fruits of office to fall into its lap. So it is increasingly concerned with what it might do then, not with what it positively stands for now. To the future municipalisation of rented houses, and the future pensioning-off of present and future workers, is painstakingly to be added the future purchase of blocks of shares in key industrial concerns: all in the cause of proving that Labour is, after all, socialist. This is the weakness of Mr Gaitskell's "lonely" non-trade union, non-Bevanite position; he has, all the time, to prove his faith, whether about bombs or about nationalisation.

Yet, in front of him and his followers, there is, in a Labour version, the same glittering opportunity that the Conservatives have still to capture: the opportunity that American labour has glimpsed and partly grasped, the opportunity of standing for, above everything else, a high investing, high producing, high earning, high living—and high profit-making—society. This is the only future for Britain; it is the only future for British Labour and British Conservatism alike. It is the mainspring that both Government and Opposition should be seeking.

Jordan Survives

King Hussein and the state of Jordan have been saved for the moment by the reluctance of the Arab countries and Israel to make a decisive move

JORDAN has, for the moment, survived as a state and a monarchy. Its king has lived through ten hazardous days of government crisis. A new government has taken office under a former Mayor of Jerusalem, Dr Khalidi, a Palestinian Arab leader in no way more friendly to the West than his predecessor (now his foreign minister) Mr Nabulsi. Nothing has been resolved, nothing of substance changed, but peace in the Middle East has been granted a breathing-space.

The western governments, with their power and their money, have been, so far as can be perceived, totally without influence on the Jordanian crisis or on its outcome. On the face of things, peace on the Jordan has depended on the solitary efforts of a man of twenty-one at Amman, but even this appearance—pleasant as it is to see Arab politics in terms of Bedouin warriors rallying to a standard in the desert—is no more than a trick of the light. King Hussein remains caught in the trap that killed his grandfather; a quiet desert principality, conveniently carved out by the British to provide a domain for a Hashemite prince, was transformed in 1949 into a factious Palestinian state divided in outlook and burdened with a mass of malcontents. Since then it has had no rest from the strains of Palestinian politics or from the tug of forces between the neighbouring Arab states, though these stresses were concealed until the King's last year gave in to the mounting pressure and jettisoned public security along with General Glubb.

No doubt King Hussein is able to call on some traditional and family loyalties to help him out from day to day, but there is no national loyalty on which he can stand. The dominant national sentiment in Jordan is not Jordanian, but Arab, and in the state of the Arab world as it is, national loyalties are more likely to pull Jordan apart than to hold it together.

King Hussein found himself in conflict with Suleiman Nabulsi and his National Socialist party on grounds in which political outlook and views of the national future were combined. The late government was neutralist, pan-Arab, left-wing; it was inclined to encourage the movement for the federation of Jordan with Syria, and possibly with Egypt as well. There is no truth in the descriptions of Suleiman Nabulsi as a communist, but his desire to exchange embassies with the Soviet Union cut across the king's fear of communist influence. The trial of strength between the king and his political leaders took the form, when it came, of a curious stalemate. King Hussein found himself unable to rally a political opposition to form a government of a different complexion. The ministers, in their resistance to his wishes, stopped short of agitating for his overthrow. The army did not turn against the king. Apparently its chief of staff, General Abu Nuwar, was disposed to do so, but his faction of young officers proved weaker than it had seemed. He was opposed by a sufficient number of senior officers, over whose heads he had been promoted when General Glubb was dismissed, to turn the trick against him.

The stalemate could at any moment have been upset by interference—for instance, from Syria, which has had troops stationed on Jordan soil in the northern desert since the autumn; or from Cairo, which could have roused the crowds in the towns of west Jordan or in Amman itself. But no intervention came, and the towns remained reasonably quiet. The Syrian government may have drawn back at the thought of an Iraqi counter-move. President Nasser, whose hold on Arab feeling puts him in a position to destroy Jordan without firing a shot, was evidently restrained by uncertainty about the Saudi Arabian reaction. Iraq, which never signed the Palestine armistice, is clearly better off out of contact with Israel; for this, as well as for dynastic reasons, it would prefer the break-up of Jordan to be postponed. The Israelis, as they showed in October, reciprocate heartily Iraq's fear of a common frontier. Preoccupied with the Gulf of Aqaba, they are reluctant to involve themselves on their eastern frontier just now, though if Jordan were to break up they would be bound to make a bid for some or all of the land west of the Jordan river. The truth is that Jordan has survived, not from inner cohesion or from an ability to defend itself, but through the equal reluctance of all its neighbours, at this particular moment, to take the decisive step that would have submerged it. Our correspondent who has returned from Amman to Beirut describes the course of the crisis on page 237.

The circumstances that have spared Jordan this time may or may not be repeated on another occasion. When, one day, they fail to be repeated, a clear danger will arise of a renewal of the Palestine war, accompanied or unaccompanied by fighting among the Arabs themselves. Western interests would plainly be affected by the danger; but it does not follow that any simple course of action offers itself by which American policy (still less European or British policy, with its narrower range of action) can avert it. Britain has written off its military commitment in Jordan and will not be so foolish as to attempt to resume it; the intrinsic absurdity of the commitment was shown in October, when the British Government had to threaten to fight the Israelis on behalf of Jordan at the same time as it prepared to fight Egypt on its own behalf.

The United States government, conscious of the best motives and disposed by habit to simplify issues, may be tempted to apply the formula of offering aid for two purposes, to support national independence and to

The Economist

APRIL 18, 1857

THE LIFE OF CHARLOTTE BRONTË

WE have before us the life of a truly great and noble woman, written by one who has sufficient moral sympathy to understand her character, and sufficient intellectual insight to appreciate her genius. More need not be said—such a work cannot fail to be of the deepest interest. It contains a special interest for female readers, as recording the history of one who, in sickness and health, in obscurity and distinction, ever performed her woman's part with a persistency of gentle willingness and of scrupulous conscientiousness that excite the utmost admiration. It contains an equally deep interest for the general reader, as recording the struggles of genius under circumstances of peculiar difficulty. . . . Wherever her materials admit, Mrs Gaskell has wisely endeavoured to make the subject of her memoir tell her own tale, and she appears to have had access to a large collection of letters, for her work is thickly strewn with them. They are all interesting, but we gain from them more knowledge of the woman than of the authoress; being addressed mostly to relatives or intimate friends, they are naturally a reflex of the heart rather than of the mind. It is chiefly towards the close of her life, after her fame was established and she had been brought in contact with congenial intellects, that the character of her correspondence changes, and that we can gather from the letters any indications of her habit of thought, her opinions, or her tastes. Altogether, the work unveils a side of her character which shows itself very little in her tales. . . . It has been objected by some that Miss Brontë's works show a special defect, particularly objectionable in a lady's writing. We can safely assert that this coarseness is only attributable to the diction—never to the thoughts. . . . Her characters speak as she had heard them speak. The dialect of Yorkshire fairly represents the character of her sturdy sons. They are a plain, out-spoken people, calling things by their real names and scorning euphemisms; and Miss Brontë's sense of the requirements of art would not allow her to depict the men of the West Riding as other than they are. She was unfortunate too, in the gentlemen with whom she came in contact. The curates of "Shirley" and her own brother were not good or refined specimens, and for many years of her life they must have constituted almost all the masculine society that she had.

encourage resistance to communism. It is not clear that the American formula is applicable to Jordan. On the one hand, Jordanian independence cannot count for support on Arab patriotism, to which, indeed, it is an impediment. The choice of political attitudes is not a choice between communists and anti-communists, but merely between various shades of anti-western neutralism and various degrees of attachment to neighbouring parts of the Arab world, with the bitter anti-Zionist obsession running through all. Mr Nabulsi, when he was prime minister, made it clear that he would not sign other people's pledges to fight communism, and that if he accepted aid he would offer nothing whatever in return. As foreign minister now he is probably of the same mind. In the present condition of Jordan it is doubtful if Mr James Richards, the President's special envoy and exponent of the Eisenhower doctrine, will find a visit there worth his while. The western governments will do well to resist the temptation to suppose that they can do anything in Jordan to produce an alignment in its affairs favourable to themselves ; their most useful course would be to concert among themselves their future course of action to limit the damage if, another time, King Hussein fails to walk the high wire.

Aid for Poland?

Poland will not be able to afford much independence of Moscow so long as its economic life is precarious and dependent on Soviet support. It may be in the longer interest of the western countries, including Britain, to help the Poles to repair and reorganise their economy

POLAND is the test case of the thaw in Eastern Europe. Six months after the dramatic beginning of the Gomulka experiment it has become easier to see how far the thaw can go and what are its limits. In the first period, after the Poles had successfully defied Mr Khrushchev's orders, changes went on in Poland at such a pace that it was impossible to guess where the revolutionary tide would carry Mr Gomulka. Since then, the Polish leader has clearly been trying to get the situation under control and to slow down the pace of change. The anti-Stalinist wing of the United Workers' party, which brought Mr Gomulka back, has been told to limit its polemical zeal and to refrain from outbursts that Russia might find provocative. The new regime is making an attempt to consolidate its political position against the background of economic flux. The first signs of a Polish halt coincided with disappointments over western, particularly American, aid. The question began to be asked whether the coldness of Washington had not contributed to Polish caution.

How much could western aid affect the shape of events in Poland ? Those who expect a quick political return on any credits granted are backing the wrong horse. Admittedly, Poland, unlike Jugoslavia, cannot move outside the Soviet orbit. Mr Nagy's example in Hungary is a warning by itself. Mr Gomulka is a communist reformer, not an apostate. He wants to convert other countries within the block, by persuasion or example, to get rid of Stalinist survivals. In order to achieve this aim gradually, without violent and tragic setbacks, he has to act quietly and avoid treading too heavily on Stalinist toes. He has internal reasons, too, for keeping his radical supporters on the leash. His overwhelming electoral success in January has deceived nobody into thinking that the great bulk of the Polish people is unreservedly ready to follow the new road towards a communist society. While more concerned than his predecessors with the popular mood, Mr Gomulka is still determined to maintain the dictatorship of the proletariat based on the United Workers' party. The party may have to be purged of some of its most compromised elements, but it is to remain the pillar of the regime. The snag is that the pillar has been badly battered by the blows it has received since October. The diatribes against Stalinism and the wholesale condemnations of the past did not stir Moscow alone ; they had an unsettling effect on the party rank and file in Poland. To avoid mass desertions, Mr Gomulka was compelled to restrain his reforming followers who in October had helped him to defeat the Stalinist diehards. He now stands in the middle hoping to be able to close the ranks.

A DISCIPLINED party is the more important for the Polish leadership since it expects to meet difficult obstacles. The Catholic Church has been able to feel its own strength since the new regime has given it greater opportunities for action. The truce signed by the two protagonists has been observed so far, but it is an uneasy one and the communists are watching suspiciously the growing power of their chief rival. The other main threat to Mr Gomulka's regime lies in the countryside. Peasants interpreted the announcement of a new course as a signal to dismantle existing collective farms overnight, and the government is finding difficulty in procuring food supplies. Agricultural production is apparently rising in response to the stimulus of better prices, but the farmers shirk compulsory deliveries and prefer to sell at a higher price for

the market. The ghost of inflation haunts the new regime.

No secret is made of this threat. Mr Gomulka himself recently admitted that in the first months of this year the state's outlay on wages and food had risen faster than was planned, and that the increased cost would not be explained by a corresponding rise in supplies. This spells danger because the nation's resources would in any event have been taxed to the full to keep the pledge of a 15 per cent increase in incomes. Much is already being done to improve the lot of the consumer. New investments have been cut and are being shifted from heavy to light industry. The armed forces have been reduced for the third time in quick succession, and defence expenditure has been cut to about one-tenth of the budget. Private craftsmen and traders have been allowed to fill gaps in the planned economy. Most of the changes, however, will take time to yield results.

Imports might fill a large part of the inflationary gap, but Poland has not now the means to pay for them. Coal shipments, which hitherto accounted for nearly half of the country's exports, have been reduced by increased home consumption, and by the shorter working week in the mines, from 25 million tons in 1955 to an expected 14 million tons this year ; they may be even less in 1958. Exports of timber and cement have gone down. Poland needs credits to pay for its rising import bill. Its leaders turned to Russia first, and in November Mr Gomulka signed a trade agreement in Moscow, the main features of which were the cancelling of past debts and the promise to supply Poland with 1,400,000 tons of grain on credit in the current year. This was not enough, and Polish envoys in western capitals began to sound out the prospect for supplementary loans. Their chief hope was pinned on Washington, where, possibly encouraged by the Jugoslav precedent, the Polish delegates apparently asked for credits amounting to some $300 million. Neither Congress nor the Administration is willing to go as high as that.

POLAND really needs two kinds of credit. Grain, which could be thrown on the market to force the hand of reluctant peasants ; cotton for textile mills ; finished consumer goods to meet growing demand—all these are reliefs required immediately for the present emergency. The other kind, credits for investment, would help Poland to pay its way in future. Coal mining equipment is a case in point. Poland has the resources of coal to step up its output and exports sharply, provided it can sink new shafts and commission new mines. Polish envoys in the western countries, including Britain, have been suggesting that if western concerns were to provide them with mining equipment on credit they could be repaid by the proceeds of the resulting coal exports.

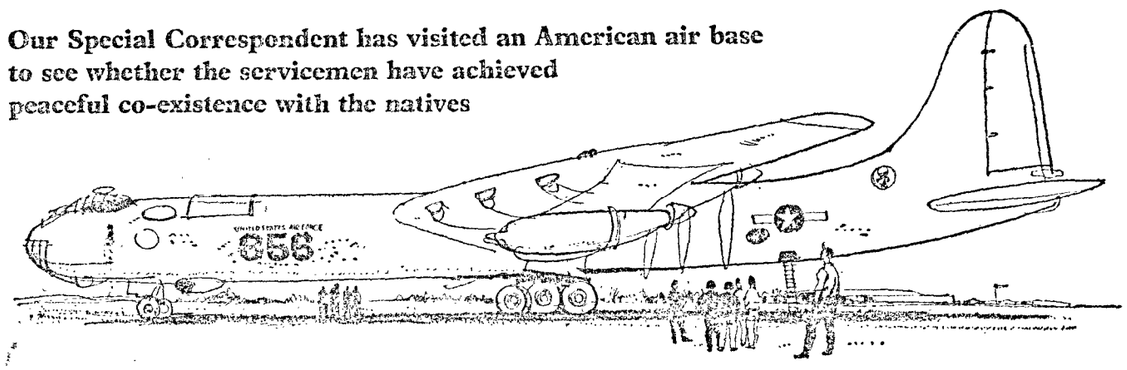
Each of the two forms of aid has a political signficance. If Poland is to hover dangerously on the inflationary precipice, with only the Soviet Union to turn to in case of an emergency, it can hardly be expected to make much of a show of independence of its potential saviour. Western credits for investment, it is argued, could help Poland to reduce its economic dependence on Russia ; until last year two-thirds of Poland's trade turnover was accounted for by the Soviet block. But the ties with Russia, though they might be loosened, cannot be broken. Marks, pounds, or even dollars cannot draw Mr Gomulka's Poland out of the Soviet orbit. A campaign for aid to Poland carried on under the banner of an anti-communist crusade would defeat its purpose and serve nobody. On the other hand, despite the present standstill in Poland's political evolution, it is an incomparably freer country than any other in the Soviet block; and its example could not fail to attract the people of other countries, including those of the Soviet Union, where the fate of eastern Europe will ultimately be decided. Aid given to Poland might have an impact well beyond its frontiers, but the example would be contagious only if it were successful.

GREATER trade across the former iron curtain might possibly contribute to bringing a European solution nearer. This idea may have been behind the suggestion (prompted also by difficulties with Congress) that, while half the American credits should enable the Poles to buy grain or cotton in the United States, the bulk of the rest should be given to west Germany as payment for supplies to Poland. A more acceptable way might be to use the UN Economic Commission for Europe as a channel. The United States would naturally be the chief western lender. But it is now obvious that American credits will fall far short of Poland's hopes and needs. Western European governments would have to fill at least part of the difference. Britain could make an important contribution. Polish trade missions in this country have shown a great interest, particularly in coal-mining equipment, electrical equipment, fertilisers and raw materials from the Commonwealth. The Government, as Mr Selwyn Lloyd told the House of Commons on April 1st, is not prepared to discuss a loan to Poland at present ; but there are possibilities short of a state loan. The machinery of the Export Guarantees Act could be used ; and the Board of Trade could be encouraged to take a broad view in considering applications for export credit guarantees for Poland.

Poland, even before the recent changes, had proved a fair debtor by east European standards, and an investment in Poland today is more likely to prove a gain than a loss. A mixture of western public and private aid for Poland might go a long way towards ensuring the success of Mr Gomulka's experiment in limited independence. This, in turn, might conceivably tend to relax the deadlock and relieve the despair in eastern Europe. The communist heretic will not leave his faith and company, but he might possibly prod his brothers along the road of a limited reform.

American Base

Our Special Correspondent has visited an American air base to see whether the servicemen have achieved peaceful co-existence with the natives



By the entrance to the airfield stood a Spitfire fighter, the pride of a generation of aircraft, set up on a concrete raft as a memorial to the Battle of Britain. Her once-revolutionary lines looked graceful but effete in comparison with the chunky scarlet-and-silver jets howling along the runways in the background. The Royal Air Force ensign fluttered from a twin flagpole, while, next to it—tactfully on the same level, but much larger—flew the Stars and Stripes. This old RAF station, having fallen into disuse after the war, was taken over in 1950 by the United States Air Force as a base for interceptor fighters, and is now manned by some two thousand Americans and two hundred British employees.

This base is one of a score or more of American operational bases in this country, and there are half as many again which are non-operational. The units they serve are the Third Air Force (tactical aircraft supporting General Norstad), and the Seventh Air Division (which is part of the United States Strategic Air Command, whose heavy bombers come over here in relays for training). Including supply depots and air transport services, the total of American bases in Britain is over thirty—the exact number being secret until you have counted them.

These bases are manned (more generously than RAF bases) by some 45,000 American servicemen, who between them have about 35,000 dependants here. Nearly all of them are volunteers; there are no national service conscripts in the American air force. As well as the hard core of long-service regulars, there are large numbers of young men who enlist for four years, instead of doing their ordinary two years of selective service in the army. They usually spend three years overseas. On this camp in Southern England they are evidently far less comfortable than in Germany, where, as a former occupying power, they have done what they like with their airfields. In England, they merely borrow (not lease) the bases from the Air Ministry, which remains responsible for building and extending them. Countries to ge[illegible]is one the men live in long dormitory huts taken over from the RAF, only the officers and senior NCOs having single or double rooms.

The services available to them on the base are, however, better than those available for their British predecessors. There are clubs and bars for all ranks; games fields, with baseball ground and bowling alleys; a cinema, whose films, the American companies insist, must already have been shown on the public circuits; the commissary, or self-service store, where air force wives can buy not only local perishable produce but also the canned goods, cake-mixes and so on, which go to make the American way of life; and finally, the PX (Post Exchange), that remarkable shop through which almost anything from cars to whisky (rationed, for senior ranks only), from suits to toothpaste and baby clothes, can be bought duty free.

None of the servicemen's wives actually lives on this base. Unlike some larger and more remote ones, it has no married quarters and the families live in the nearby towns. As these are holiday resorts, there are plenty of landlords or landladies who are only too glad to find tenants who will stay all the year round. Their enthusiasm first showed itself in the charging of grossly inflated rents to Americans, but this was checked by a few appeals to rent tribunals, and now by the compulsory inspection by the air force authorities of all leases entered into by airmen—an arrangement that still permits some fat profits to be made. Here at least competition for housing is not a source of friction with the local population. And here at least, too, the servicemen are better off than they are in one East Anglian base, where they live, on an average, sixteen miles away.

This sort of problem is being met by building "tobacco houses" on the bases themselves. They are so called because they are built by the British Government, in return for free supplies of tobacco. British manufacturers can then buy this tobacco from the Government for sterling, and in addition to their normal supplies. The houses, built to an ugly bungaloid American specification, remain the property of the Air Ministry.

The American authorities consider, however, that their people can be too much on the base and that it is better that they should live among the local population. A few parents even send their children to British schools on the theory that they pay more regard to the three R's, but most of the young children go to the American school on the base. Children of secondary school age usually go to a boarding school at Bushey Park, where the curriculum fits on to that of American high schools or universities.

It is the single men, rather than the families, who make the most impact on society, sometimes reviving the wartime complaint that what is wrong with Americans is that they are "overpaid, oversexed and over here." With an American private earning perhaps half as much again as a British national service second lieutenant, there is bound to be some ill-feeling. But this is confined to the males, for Anglo-American marriages take place at the rate of 250 a month. The US Air Force regards itself as being *in loco parentis* in the matter of the men's matrimonial affairs. Its control is a marriage guidance counsellor's dream.

If a man wants to get married both he and his girl friend fill in a form giving particulars of parentage, date of birth and so on, including a declaration that each is free to marry; and he must be able to say that he has saved at least $300. He is interviewed by the commandant, and then the couple go to see the chaplain, who will try to find out whether they seem compatible and whether she realises what it means to emigrate. Then she must have a medical examination in an American hospital, to find out whether her health is such that she would be granted an American visa. After all this, the would-be bridegroom is told whether his choice is approved. The authorities have no legal power to stop him marrying if he insists on it—they cannot even withhold dependants' allowances, though they tried that at first—but they can post him elsewhere, and make him aware of the likely effect of defiance on his promotion prospects.

Attempts are sometimes made to introduce the men to girls of guaranteed respectability, but they understandably fight shy of guaranteed girls. Friendship with English people other than girls develops still more slowly; but Englishmen join the Americans round the juke box in the local pub, while across the room sergeants with improbable numbers of stripes devotedly play darts. American negroes, though fully integrated into the air force as far as work is concerned, do not mix much with the others off duty, but they often make friends with West Indians and Africans in England.

Laments have greeted the recent news that two bases in the north are to be closed. The reasons for this sorrow are partly economic—closure will certainly be a hard blow to the local garage-owners and dance-hall proprietors, as well as to British civilians employed there. American military expenditure in 1955-56 brought the United Kingdom an income of $346 million—the largest single source of dollars, three times greater than the dollar income from tourism (excluding fares). And of this, personal expenditure by American servicemen and their families amounted to $63 million—nearly as much as the proceeds of whisky exports.

But, setting aside such mercenary considerations, the further reduction of American forces here will arouse regret, at least on personal grounds. (A lessening of the fearful noise of the jets that now drive the local populations mad is another matter.) One airman told your correspondent that he "had a much better time in Germany." But, as the satisfaction of some individuals may well be in inverse proportion to that of the natives, there seems no reason to doubt the opinion of the American authorities that the relations of their overseas troops with the local people are nowhere better than in Britain.

NOTES OF THE WEEK

COMMONWEALTH RELATIONS

June Rendezvous in London

It is customary to withhold the official announcement of a meeting of Commonwealth prime ministers until they have all had time to make sure that their programmes can be conveniently adjusted; and, as their number grows, so the almost astrological problem of finding a propitious date becomes more complicated. That is doubtless a sufficient explanation of the fact that, while prime ministers in various Commonwealth countries have already made known their intention of attending a meeting in London towards the end of June, there has been an interval between Mr Macmillan's forecast on April 1st and the official announcement. There is no sign that any member government is still too upset by the past winter of discontent to accept a midsummer rendezvous.

This is heartening evidence of the resilience of the system, if "system" is not too precise a word for an organic growth such as the Commonwealth partnership has newly shown itself to be by the budding of a sovereign Ghana. But there is a lurking danger in so successful an overcoming of the strains imposed on the Commonwealth bond by Britain's actions last November. The danger now is of a rebirth

of the feckless assumption that Britain's special historical position entitles it to the loyalty of its fellow members whatever it does. While the Government may have lost any inclination to play the Bourbon, sections of British opinion do not yet seem to have learned the lessons of recent months.

During those months of stress, the suggestion was canvassed that it was time to start rotating the meetings of Commonwealth premiers around their respective capitals. If the Government has considered this idea, its disinclination to try it now has presumably been influenced by the belief that, if this next meeting was held in, say, Ottawa, it would suggest a chillier relationship between Britain and the Asian members than in fact exists. That is a fair argument. But it may also be argued that, once a London meeting has served its purpose as a token of reconciliation, there should be no delay in arranging that subsequent meetings should symbolise the sovereign equality inherent in the Commonwealth bond.

TORIES

Easter Bonnets

THE Conservatives approached the Easter recess feeling more pleased with themselves than at any time since the early days of the Suez invasion. They have been almost equally pleased by the budget, the defence review and the ineffectiveness of the Opposition. They are delighted that Mr Gaitskell has undoubtedly had an unhappy last three weeks of terms. After his somewhat inglorious showing in Labour's internal squabble about defence, about which his party thinks he feels too little, Mr Gaitskell spoke in Monday's debate on economic policy, about which his party feels he thinks too much. At the end of his honest, if painstaking, review—in which, unlike Mr Wilson last week, he did not try to ride every horse in every direction at once—the Labour party, which had admired Mr Wilson's considerable political dexterity, gave their leader only a very ordinary ovation. Mr Nigel Birch seized the opportunity in the following speech to make some spontaneous mockery of Mr Gaitskell, and the Tory benches showed their delight. They also enjoyed themselves on the first day of the defence debate, on Tuesday, as Labour's right and left wings threw unconventional bombs at each other.

There are, however, still three clouds on the Tory horizon. One is the fear of what may happen in the party if Britain and other users of the Suez Canal accept "whatever terms are imposed on them by Colonel Nasser"; Lord Salisbury's unexpected letter to *The Times*, declaring that he hopes "most sincerely that the Government will not lend themselves to any such course," would be ominous for Mr Macmillan in any circumstances but the present. The second cloud, however, which could blot out any major Tory revolt on the Canal issue, is disappointment that petrol rationing is to continue; the party is waiting for its abandonment sufficiently eagerly to make some backbenchers want to solve Middle East awkwardnesses by ignoring, not exacerbating, them. The third cloud is the memory that there has been no by-election since the budget, and that the greater feeling of confidence among Tories at Westminster may not necessarily be reflected in a greater geniality among non-surtax payers in the country. But at Westminster, at least, the Tory sun is shining.

PARLIAMENT

Well up to Timetable

THE general (if mildly spurious) air of Government efficiency and good heart which overlies Westminster on the eve of the recess has been enhanced by the fact that Mr Butler and Mr Heath seem to be well on top of the Parliamentary programme. Admittedly, with Easter falling late and the Finance Bill due to take up so much time from now on, the timetable needs to be well advanced, but there is no sign of the usual spring log jam—despite the fact that a large part of the pre-Christmas term had to be spent in endless debates about Suez. More than twenty bills have been given the Royal Assent since the session began last November. These include several of at least medium size and importance, including Films, Rating and Valuation, Anti-Dumping, House of Commons Disqualification, Homicide and Railway Finance.

The Commons have finished with two of the big bills of the session—Rents and Electricity. The Lords gave the Rents Bill a second reading on Tuesday and will probably have it on the statute book by Whitsun; they will start on the Electricity Bill immediately after Easter. This leaves the Commons with only one big measure, apart from the Finance Bill, and that is the wretched Shops Bill. This is still chugging its way through the Lords, and there seems every prospect that it will either be sufficiently amended to placate liberal (which in this case means Tory) opinion or else dropped altogether. This ill-conceived brat was left on Mr Butler's doorstep at the beginning of the year; as a reform-minded Home Secretary he would presumably like to turn it on its head, and as Leader of the House he would certainly like to forget it. As one other questionably Tory project, the proposed Hire Purchase Bill, has wisely been dropped, the Government is left with only one item outstanding from an admittedly modest Queen's Speech—Lords reform. Mr Macmillan has promised some Government proposals about the Upper House this session, but nobody is expecting any early legislation on the subject. Yet it is fear of controversy, not the exigencies of the timetable, that must now stand in the way.

BUDGET DEBATE

Economics Under a Bushel

MR THORNEYCROFT'S £100 million of tax reliefs must be designed to bring total demand into balance with some estimate, however tentative, of safe potential production; but the four-day budget debate has confirmed that the Government is not going to reveal to anybody what that estimate is. This trend towards hiding the main economic calculations on which the budget is based, for fear that the calculations may prove to be wrong, was started last year, when it was excused as a temporary phenomenon in a "year of redeployment"; its repetition this year, thus throwing out of public sight the budgetary principles which Lord Keynes brought into the Treasury, has been allowed to pass with insufficient parliamentary attack. If the Economic Section of the Treasury, which is the guardian of the Keynesian tradition, is to become a secret service, then it is bound eventually to lose some influence over policy

to purely administrative branches. Anybody who doubts how unfortunate this would be should read a discreet, but implicitly rather worrying, article by the ex-deputy director of the Economic Section in the current issue of *Lloyds Bank Review*. He should also read the speeches of the two junior Treasury ministers in this week's debate. Mr Birch's sparkling inconsequences, delivered without notes, were a parliamentary success; but Mr Enoch Powell's survey of the minutiae of the Exchequer accounts—the sort of speech that could have been made in any pre-war budget debate—was a really rather startling reminder that the new Financial Secretary to the Treasury is a former Professor of Greek.

The immediate explanation of the unrevealing, and deliberately non-economic, way in which the Government has chosen to present the case for its budget this year is presumably that the advice given to it by economists has been conflicting; Mr Thorneycroft virtually confirmed that the amount of tax reliefs eventually decided upon is a compromise, with a bias towards caution. But he was not going to say what figure for the expansion of demand and national income those who have reached this compromise have in mind. Sir David Eccles, at one stage in his speech, seemed to be bubbling on the verge of more welcome indiscretion. He announced that the Government now believes that the prospect for expansion of exports is "somewhat better than when the Economic Survey was drafted" (but was no more explicit about what the prospect then was), and he laid more emphasis than any other minister on the expected rise in consumption this year, on the "undoubted slack in the economy," and on the fact that "the spare capacity could more than meet the extra demand on the home market." His speech accorded fairly well with the estimate, made in *The Economist* last week, that the Government may be hoping that sufficient of this slack will be taken up in the new financial year to allow production to rise by £500 million or so. But nobody really knows. The 1957 debate on the budget resolutions will therefore be remembered principally as the occasion on which Mr Jack Jones burst into tears on the floor of the House. He was not the only one to feel that way.

SUEZ CANAL

The West's Weak Hand

AFTER a six months' break, the Security Council is expected to resume its discussion on the running of the Suez Canal. But the western countries have committed an error of judgment in thinking that the terms which the Egyptians agreed to in October would still be open now. The Egyptian commitments then were sufficiently vague for President Nasser, who now has an immensely stronger hand, to interpret them in the light of new circumstances. He has explained his dismissal of the Security Council's six principles with the intriguing logic that as the principles stood they would be too difficult to understand, but that he has incorporated their substance in his new proposals. The memorandum from Mr Hammarskjöld to Dr Fawzi, which on November 2nd was accepted by Egypt as the basis for negotiation, has apparently been waved aside as no longer relevant: among other points the letter emphasised co-operation between canal users and Egypt and laid down that "the manner of fixing tolls and charges would be subject to agreement."

But the users have now little means of bringing pressure on Egypt to accept these earlier transactions as binding. The resumption of traffic through the canal, even before negotiations began, demonstrated the users' disunity, which makes idle all talk of a complete boycott. The apparent failure of the private American-Egyptian negotiations to produce any substantial concession from President Nasser shows that in this case the West's strongest card has proved a dud. American pressure, without the threat of economic sanctions, has not budged Cairo, and the American government in September repudiated any idea of economic sanctions against Egypt.

The only issue over which Egypt's position is clearly weak is the breaking of the 1888 convention by President Nasser's continued refusal to allow Israeli ships through the canal. The Egyptian claim to belligerent rights under the armistice agreement was denied by the Security Council in 1951, and by both Mr Hammarskjöld and Mr Dulles during the present crisis. But this one point on which the West's bargaining position may be stronger than Egypt's has been omitted from the recent discussions. The Israeli claim is thought an embarrassment and it is known that the State Department would like to hand the problem over to the International Court. But only over Israel is there general agreement, outside the Afro-Asian countries, that President Nasser is in the wrong.

CYPRUS

Solomon's Knife

A PASSAGE in the white paper on defence suggests that the government has begun to re-assess its attitude towards Cyprus. The white paper says that bomber squadrons capable of delivering nuclear weapons are to be based on Cyprus in fulfilment of defence obligations under the Baghdad Pact. A corollary to this seems to be that British sovereignty over Cyprus has become expendable; for the Baghdad Pact faces north, not east, and nuclear weapons are an international factor, not a purely British one. The bombers to deliver them can no doubt be accommodated on Cyprus without British sovereignty.

This new line of thought does not yet seem to have reached Archbishop Makarios, who has apparently emerged from his exile like Rip van Winkle from his sleep, to a world that has changed without his realising it. The Archbishop no longer holds the power of veto over a negotiated settlement because the choice is no longer—as it was at the time of his exile—simply between a negotiated settlement and maintaining the British presence by force of bayonets. If the Cypriots will not accept self-government without enosis, the British may have no alternative to partitioning the island, maintaining only a bomber base by agreement with the Baghdad Pact countries or Nato.

Everything that Archbishop Makarios has said since his release has indeed made partition, deplorable as it would be, seem more probable. The Turkish government has reacted to his intransigent statements as might have been expected. It has now again made it clear that consultations leading to partition must take place with Greece and Britain; and meanwhile it refuses to talk to the Archbishop. It should now be clear to the Greek government and the more fanatical Greek Cypriots that the Turkish factor can no longer be ignored. For all concerned, the breathing

space must be measured in weeks rather than months. Failure to agree on self-government will leave the baby in British hands, but not for long: in the tragic series of postwar disputes unsatisfactorily shelved by partition, another judgment of Solomon may be at hand.

KENYA

A Row in Prospect

THE Lyttelton settlement which gave Kenya a council of ministers of all races—European, Asian, Arab and African—is now in danger. Mr Tom Mboya, who has emerged as the African leader since the African communal election put eight new nationalist-minded Africans into the legislature last month, has made it clear that neither he nor any other African member will serve as a minister unless the government agrees to increase the number of elected members at an early date. Mr Mboya is demanding a reinforcement of 15. This would mean that there would be 23 African elected (and two nominated) members in a House of 74; the size of the present house is 59. Thus the Africans would not have a majority over other races, but they would be more or less equal in strength to the other elected members, both European and Asian. Mr Mboya is claiming this increase on the not entirely unreasonable grounds that eight members find it hard to represent five million Africans adequately. He has in mind a great deal of African constituency work, which he would describe as political education and the settlers as agitation. There can be no doubt that Mr Mboya's ultimate aim is, first, equality of African representation with the other races combined, then superiority on the basis of population.

The Asian members are evidently inclined to back the

Continued on page 211

An Account of Shop Stewardship

THE main finding of Lord Cameron's court of inquiry into the dispute at Brigg's Motor Bodies was that "a section of the shop stewards' organisation at Briggs is largely identified with the unfortunate state of affairs existing there," and that this organisation had allocated to itself some extraordinary powers. It raised funds by means of a lottery, which, in the five months from March to August, 1956, had brought in over £16,000. Of this the stewards paid out only £9,340 in prizes; the rest went on their own expenses, on producing a paper ("raucous and belligerent in tone") called *The Voice of Ford Workers*, on supporting strikes, and on contributions to a mysterious "central fund," the purpose of which was not disclosed. In all this the stewards were virtually responsible to no one.

Elected by his own shop, each steward at Briggs represented members of other unions beside his own, and apathy had secured for one union more than its share of the shop stewards. Out of 160 stewards, 54 belonged to the Amalgamated Engineering Union, although it was one of 22 unions and had only some 2,000 of the 9,000 workers employed. The AEU stewards were in theory responsible to their district committee, but this consisted largely of themselves. Lord Cameron found that there were some reasonable people among them, but on the whole they used their power and their newspaper to stir up trouble. They were strongly under communist influence. The court recommended that the unions concerned should immediately look into the organisation of the shop stewards' committee and liquidate its excess powers.

This is not a problem confined to the AEU, nor to Briggs' Motor Bodies, although the dispute there has brought it into sharp relief. The shop stewards' tendency to run off union rails has long been a matter for anxiety at head offices. But they are now recognised as a regrettable necessity in the rules of most unions, for they are usually charged with collecting contributions and recruiting new members. They first made their appearance in the engineering industry at the end of the last century, at a time when rapid technical change made the workers feel the need of a representative who understood their particular problems. Their dissident power became evident in the first world war, when they fomented strikes after the unions had agreed to ban them. During and since the second world war their power has increased still more. Full employment has strengthened them against the employers, so that they are sometimes able to extract wages and conditions over and above what is prescribed in national agreements. Their authority in the eyes of the workers has increased at the expense of that of the branch secretary—the local paid union official, with an office outside the factory. Prosperity, comfort and the telly have robbed the average trade union member of the sense of personal injustice and the missionary zeal that once drove him out to attend dreary branch meetings in the evening.

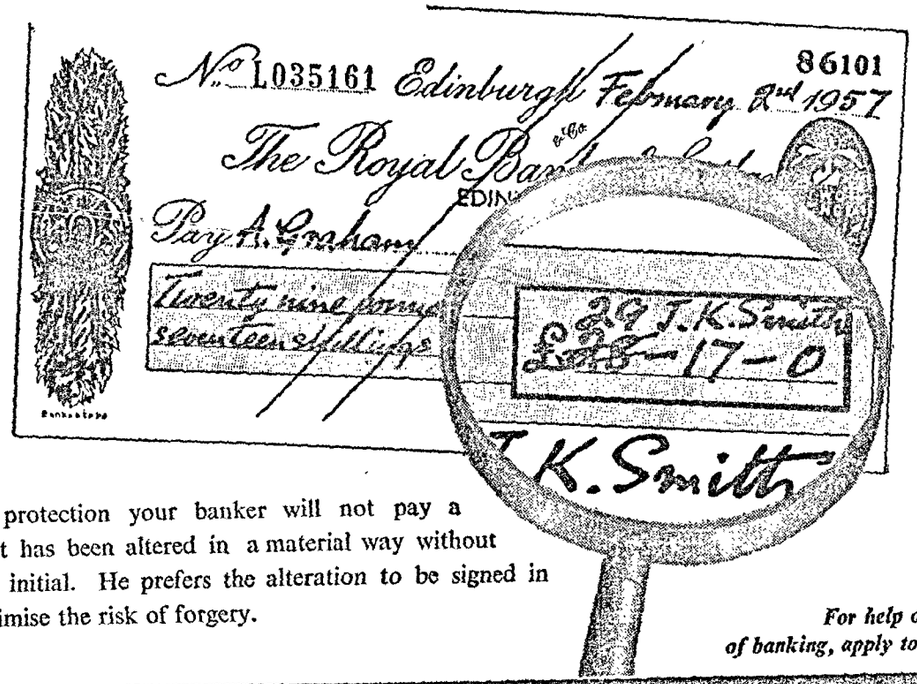
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So, for many, the shop steward is the only contact with the union. But it is a contact over which the member has little democratic control. The steward does not work through properly ordered meetings, where resolutions are gravely considered and passed. A shouted slogan or two, answering cries from the comrades, abuse and contempt for anyone who counsels caution—and a strike call is issued which the rank and file is induced to obey in the name of solidarity. It is true that in theory the rank and file can sack their steward. But tradition is such that they are more likely to do so if he makes too little fuss than if he makes too much.

In any case, who would take his place? As Lord Cameron pointed out, the shop steward's is "a thankless task." In most firms he gets time off, with pay, for his union business; but he has less opportunity to earn than his mates. Sometimes he gets a small commission on the contributions, but few stewards, presumably, have had the bright idea of meeting their expenses as luxuriously as the Briggs men did. It follows that the job attracts those who get their satisfaction not from money but from power, or from the pursuit of a mission. Above all, it attracts communists.

Lord Cameron said that Briggs had one of the most powerful shop steward movements in the country; not all industries, certainly, have the same trouble.* The boot and shoe industry is notable for peace, and so, since the war, are the iron and steel workers. Some industries, like agriculture or the docks, lacking factory organisation, do not have stewards at all. But the problem is widespread enough to warrant drastic action by the trade union—even perhaps to the extent of organising the branch, with a centrally appointed and paid official, at the place of work. It is not only particular industries or exports that suffer from the stewards' irresponsible power. It is, above all, trade union authority.

* See Mr B. C. Roberts's excellent "Trade Union Government and Administration in Great Britain," to which acknowledgments are made.

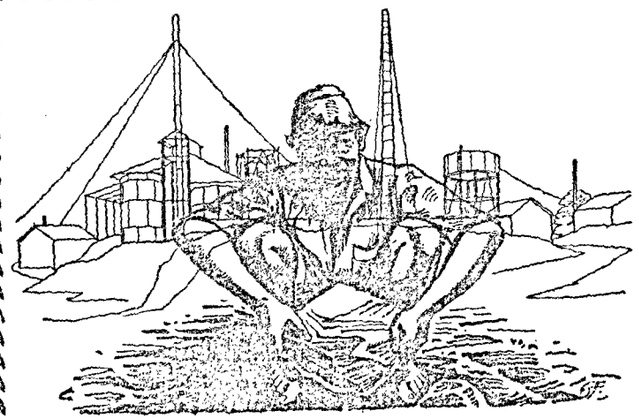


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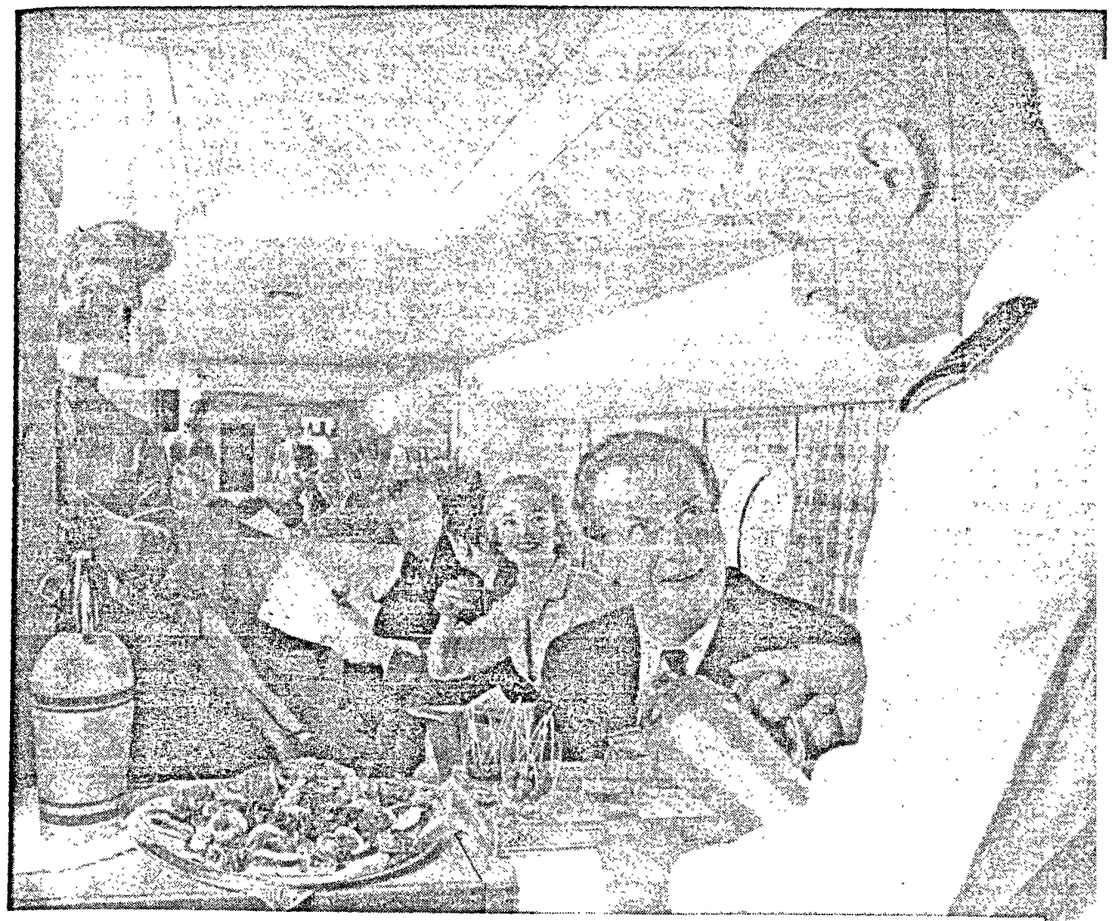
Though Kenya possesses a fast-developing modern mining industry, it is still possible to see ores being won from the earth by the old traditional methods. For successful business dealings the Westerner needs to know something of both these sides of life in Kenya. Here he will do well to consult the National Bank of India; for the bank not only provides an efficient modern banking service, but has also a fund of knowledge of all kinds concerning Kenya, as well as India and Pakistan.

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BRITISH OVERSEAS AIRWAYS CORPORATION

Continued from page 208

Africans in this request, which means that one (though probably not both) Asian ministers may be ready to resign if the government refuses to negotiate. This would finally bring the Lyttelton settlement to an end—unless the governor nominates African and Asian ministers from outside the house, as he has the constitutional right to do, if he can get men to serve. This would be an unhappy expedient, as the whole intention of the former Colonial Secretary when he made the agreement was to have ministers responsible to their communities. Yet rule with a government of white ministers only would be a thoroughly bad alternative, and would attract criticism from abroad as well as from the Labour party at home.

A serious row is therefore in prospect. There should be no illusions about negotiating with Mr Mboya. He is out for power in a mainly, if not entirely, African state. Of course, the way in which this situation should have been avoided—and perhaps in which it could still be ameliorated now—would have been by moving more swiftly towards the creation of multiracial constituencies, with whites and blacks voting for some of the same candidates side by side. But anybody who advocated this during the Mau Mau emergency was accused of "weakness"; and now any concession to Mr Mboya will be dubbed "weakness" too.

LITTER

A Bill for the Bin

On Friday a sparsely attended House of Commons gave an unopposed second reading, against the advice of the Government, to a Conservative private member's measure called the Litter Bill. The impression given by almost every speaker in the debate was that the two junior ministers who opposed the bill must obviously be scruffy types, who were personally in favour of litter. That is the sort of charge that is apt to be levelled against anybody who points out that some social evils can best be solved by non-legislative action—in this case by more education about tidiness in the schools and by more litter bins in public places—and that bills which seek to counter undoubted nuisances by imposing ever-higher penalties can set up strains of which their sponsors could not really approve. Friday's debate was a minor but characteristic case; it is worth examining closely what sort of measure is this Litter Bill, which the wind of a few enthusiasts has now blown on to the floor of the House.

The bill has three objects. One is to embody in general legislation the anti-litter regulations that are now contained in local bye-laws at local authorities' option; as all but one of the 61 county councils in the country have such bye-laws in operation, there can be no great harm (but also not much point) in that. The bill's second object is to increase the theoretical maximum fine for litter-scatterers from £5 to £10; as the actual fines imposed by magistrates throughout the country are almost invariably below the present maximum, ranging from 10s. to £2 according to the magistrates' individual fierceness, the justification claimed for this provision is mainly—and mysteriously—that it would have a "psychological effect." The third object is to extend anti-litter controls from public places to private land. The bill would actually make it a criminal offence to leave a piece of paper in somebody's back garden or somebody's field, and would allow the occupier or his "authorised agent" to tell the passer-by to pick up litter or else be compelled to give his name and address.

It is this last provision which conjures up a picture whose implications the bill's supporters cannot possibly have thought out. "Pick up that dirty piece of paper into which a child has been sick, and put it into your pocket until you find a litter bin some half-an-hour's walk hence," says the Authorised Agent. "But I didn't drop it," says the passer-by. "Don't argue with me," says the Authorised Agent. "If you dispute my authority, by Parliament enacted, I must have your name and address." What is the right answer to give to that? What is the right comment to make about MPs, who would give unofficial—or even official—*authorised agents the right to say that?* The right answer, in Britain if not in Prussia, must be to put this Litter Bill into the parliamentary litter bin very quickly indeed.

GERMANY

Electoral Explosive

Atomic weapons have become electoral explosive in west Germany. Fifteen leading German nuclear scientists have attacked the proposal to give them to the German army and have refused to play a part in their production. The statement is a direct challenge to the stand taken by Herr Strauss, the Minister of Defence, last week, that the military need to arm the Bundeswehr with atomic weapons is incontestable. Dr Adenauer has answered the scientists sharply, emphasising both his own concern for agreed disarmament and the need for the deterrent so long as it is not achieved. But neither the Social Democrats nor the Free Democrats have been slow to use the scientists as a bludgeon in return. The socialists have long opposed atomic weapons for the German army, like any other sort of rearmament; and they fear this would lead to German armed forces getting atomic weapons from the Russians.

Dr Adenauer's position is the harder to contest after the British defence white paper. The use of atomic weapons by German forces was implied in the whole change in the aims of German military planning last year from Herr Blank's mass old-fashioned forces to the streamlined divisions of Herr Strauss. But the cruel prospect that two German armies may in a few years be pointing atomic warheads across the Elbe is as painful for the German electorate as for Germany's allies. Nato's careful distinction between a tactical atomic war in central Europe and the great cataclysm itself seems unreal to Germans; from time to time Nato manœuvres on German soil strengthen the fear that either may mean Germany's extinction.

The debate has been given a new twist by the scientists' discussion of the broader issue whether Germany should make the bomb as well as use it. This naturally raises still greater fears in Germany; feelings abroad need hardly be described. West Germany renounced the manufacture of atomic weapons under the Paris agreements. But Britain's retreat after a mere two years from its undertaking not to reduce its forces on the Continent has, despite formal compliance with the procedures of the alliance, devalued the whole concept of restricted German rearmament and opened the door to a German demand for revision, too. The problem remains obscure so long

as the extent of American atomic aid to Nato is uncertain. Herr Strauss has clearly stated that the German government is not undertaking research on atomic weapons and that it does not contemplate doing so, at least on a national (as against a European) basis. But talk of the manufacture of atomic weapons by a European arms community has spread in Germany.

CANADA

Death by Innuendo

THE anger that has been aroused in Canada by the circumstances surrounding the suicide of Mr Herbert Norman, the Canadian ambassador in Cairo, is entirely understandable. Three weeks before his death, a sub-committee of the United States Senate had published the transcript of a hearing at which an American diplomat had been questioned about Mr Norman's political views. The diplomat said nothing to his discredit, but the published record included a repetition of allegations made—and refuted—several years ago that Mr Norman had had communist connections before the second world war.

It may be questioned whether Mr Norman's suicide can be attributed purely to this particular bit of muck-raking. His government had sent a strong note of protest to Washington immediately after the sub-committee issued its transcript, and had assured him of its unshaken confidence in him. The State Department had expressed similar confidence. Mr Lester Pearson had told the Canadian House of Commons that the sub-committee's action should be treated with the contempt it deserved. In a message to Mr Pearson, Mr Norman himself had expressed deep appreciation of the Commons' reaction, in terms which suggested that he was heartened rather than dismayed, only a fortnight before his death. Nevertheless, the Canadian MP who spoke of "assassination by innuendo" was voicing an anger which was as inevitable as it was nation-wide. Canadian churchmen and other public figures joined the leaders of all the country's political parties in venting their indignation.

Mr Eisenhower and the State Department have firmly disclaimed responsibility for the sub-committee's conduct, emphasising the American constitutional division of powers in terms that imply disapproval of the senators concerned. Canadians, however, are familiar enough with the United States constitution to need no such reminder, and they show little sign of being mollified. While it is undeniable that the Administration has no constitutional means of improving congressional behaviour, the unappeased wrath of a very good neighbour may yet have a healthy effect on Capitol Hill.

FRANCE

Holiday Tasks

M. MOLLET and his ministers will not have much rest during the parliamentary Easter recess, which lasts till the middle of May. M. Ramadier, the finance minister, faces a particularly heavy holiday task. His troubles with the fast sinking foreign exchange reserves are discussed in a Business Note on page 245. On the home front, the higher bank rate and credit restrictions introduced last week will not be enough to halt the inflationary tide. The government intends to supplement these measures with some cuts in public investments. It now also admits the need to raise money through new taxes, which it hopes to be able to fit into the framework of fiscal reform. But new taxes, under whatever guise, are liable to precipitate a crisis when parliament reassembles, so that the fate of the government now partly depends on M. Ramadier's homework.

Budgetary cuts were to form an important part of the austerity programme. No agreement, however, has yet been reached on the means of carrying out the promised reductions of £150 million in civilian and £100 million in military expenditure. It had even been suggested in some quarters that M. Mollet might take advantage of a few weeks' freedom from the deputies to make a fresh attempt to break the Algerian deadlock. But there are no signs as yet that he contemplates throwing over his minister resident in Algeria, M. Lacoste, or altering his hitherto fruitless policies. M. Mollet may claim that the boot is on the other foot and justify his inaction by the recent intransigence of the Algerians. But if the present efforts of the Tunisian premier, Mr Bourguiba, to get the Algerian rebels to moderate their attitude meet with any success, the French government will no longer have any excuse for hedging.

MALTA

No Equivalence Via Extravagance

WHILE the major negotiations about Malta's possible integration into the United Kingdom are in peril—because the British Government boggles at Mr Mintoff's demand that integration should in a fixed period entitle Malta to "equivalence" in wages, social service and living standards—some cold water of criticism has been poured on Mr Mintoff from a strictly independent source. Sir George Schuster and Mr W. D. Scott, the two commissioners who were asked to investigate how much British aid should go to Malta in the interim period before integration, have issued their report. They declare that many of the Maltese government's proposals and estimates under their 1956-57 and 1957-58 budgets were too ambitious: last year it proved to be physically impossible for spending to reach the level originally proposed. The commissioners recommended that the Maltese government's requests for aid for the present year should be scaled down from £6,918,000 to £5,877,000; the Colonial Office, less willing to annoy, has awarded Malta £6,070,000.

The commissioners strongly oppose many Maltese schemes for local betterment, such as a large and sudden increase in Maltese civil servants' salaries. They reject an expensive scheme for a general hospital on grounds (supported by medical evidence) that Malta needs doctors and consultants before beds. They throw doubt on schemes for an industrial trading estate, "where firms should not be encouraged to erect their own factories . . . as this might lead to speculation," and urge that it would be far better for firms to have a fixed stake in their enterprise. The commission's report hardly suggests that the British Government is merely mean to haggle firmly with Mr Malta on the size of block grants. There is still too little sign of understanding in Malta how higher productivity is to be achieved—but more than a suggestion that "equivalence" can be attained by simple subsidy. It cannot.

ASIA

Mr Bevan in India

DURING his visit to India, Mr Aneurin Bevan has been speaking his mind to some purpose. He made short shrift of the sadly common Indian belief that British criticism of Delhi's Kashmir policy is merely a tit-for-tat after India's denunciation of the attack on Egypt. He told members of the Indian parliament that they, having enjoyed the right to disagree with Britain, must not be "hypersensitive" when Britons disagreed with them. His words seem to have had a healthy impact; it is, after all, difficult to identify Mr Bevan as a supporter of Sir Anthony Eden. Later, when questioned about Kashmir, he brought out the essential point that is so often passed over in discussion of that dispute: the fact that the prime interest of India and Pakistan is to live together in friendship, and that the Kashmir question should be resolved in the way that will best contribute to that friendly co-existence.

When he came to discuss the Middle East, Mr Bevan was able to cite Mr Nehru and Mr Krishna Menon in support of his plea that India ought to put pressure on the Arab countries to accept the existence of Israel as a hard fact. He went further. Insisting that those who had thought Sir Anthony Eden wrong were by no means committed to the proposition that President Nasser must be right, he argued that instead of Israel having to go to the International Court to establish its right to use the Suez Canal, it was for Egypt to ask the court for a decision on its claim to bar Israeli commerce. This kind of plain speaking, addressed to an important Asian audience by a speaker whose independence of judgment could hardly be challenged, can do nothing but good.

FOOTBALL

Economics in Sunderland

HAS anybody at the Ministry of Labour paid any attention to the rumpus which has broken out over the affairs of Sunderland Football Club? It is a nice little test case in economic attitudes. At the moment, professional footballers get a maximum wage of £15 a week, plus small bonuses for wins and draws—exiguous payments by results. The marginal productivity of individual star players—easily measurable by the difference in gate receipts when they are not playing—is well up in the surtax class. Inevitably, therefore, many stars get payments on the side—subsidised houses, dummy jobs and, sometimes, straight cash payments; including these and advertisement fees, an international player can probably expect to earn around £1500 a year. Recently a Welsh international centre-forward, a Mr Ford, publicly alleged that side-payments to star players were becoming more and more open and common; the Football League promptly suspended him from football for making this allegation (a committee of the Football Association—a more U-body, including ex-university footballers and the like—has since reversed this decision. Now the chairman and some directors of Sunderland Football Club, for which Mr Ford formerly played, have been arraigned and suspended by a joint committee of the Football League and the Football Association for making precisely the sort of payments to which Mr Ford referred. These payments for special ability were admittedly flatly against the League's rules (by which Sunderland had said it would abide); but to the outsider they would seem to be good commercial practice, even if the methods alleged to have been used for hiding them in the club's accounts were, perhaps, not.

Most professional footballers are not discontented with their lot, because they feel that they are well treated to earn a middle-class standard of living for playing a game. Football directors are not in the industry to make money out of it; usually they spend considerable sums on their hobby. The temptation, therefore, is to say that the League's arrangements for restricting competition in its industry should be left alone. (On a moral plane, there is more reason to get indignant about the international, than the national, football cartel; the present refusal to allow some Hungarian refugees to play in first-class football—for fear that Mr Kadar's government would then refuse to allow its national side to play in international competitions—is a disgraceful infringement of human rights.) But the Football League's national arrangements are, after all, arrangements that could be tackled under the Restrictive Trade Practices Act if the League were concerned with the buying and selling of goods, instead of the buying and selling of contracts for human beings. The case for prodding the League into more liberalism by a Government enquiry, is quite strong.

COMMUNIST BLOCK

Peking and Warsaw

PEKING was the last and most important stage on the Asian journey of the Polish delegation headed by the prime minister, Mr Cyrankiewicz. The Poles' chief aim was to balance Chinese caution against the possibility of new Soviet threats. It is generally believed that the Peking government helped to restrain the Russians during the dramatic days of last October when a conflict with Poland seemed imminent. Then, alarmed by the Hungarian rising, it sent Mr Chou En-lai to Europe to promote a compromise which would prevent satellite unrest from spreading. The Sino-Polish declaration now published suggests that this is still Peking's main preoccupation.

The declaration restates the orthodox communist view on topics such as disarmament, German unification, the Middle East and the situation in Asia. But the Chinese art of compromise is revealed in the passages that deal with relations between communist countries. The common aims of these countries and their need for solidarity are stressed. At the same time, the declaration expresses satisfaction that talks have been held between various communist countries "based on principles of equality, respect for national sovereignty and mutual non-interference in other countries' internal affairs." Finally the Chinese declare their wholehearted approval of Poland's achievements since October, considering them a "growing contribution to the socialist family of nations." At the end of the talks Mr Mao Tse-tung apparently accepted a Polish invitation to visit Warsaw later in the year. If he does go, it will be his first trip abroad since he visited Moscow in the winter of 1949-50 for a memorable piece of oriental bargaining with Stalin—since when China has acquired a new weight in the communist councils.

SOVIET UNION

Medals for Mr Khrushchev

MR KHRUSHCHEV is riding high again, having just been decorated with the Order of Lenin and the gold star of the Hammer and Sickle. Usually the Russians reserve such distinctions for an anniversary (thus on his sixtieth birthday, in 1954, Mr Khrushchev received the title of Hero of Soviet Labour), but on this occasion Mr Khrushchev's success in directing the drive to conquer virgin lands has been used as an occasion. The purpose is to show that the first secretary of the party has recovered his once shaken position. The new decorations are one among several steps to put him more sharply in the limelight. All the recent economic debates in the central committee were dominated by Nikita Khrushchev, and it has also been left to him—and not to the prime minister, Marshal Bulganin—to present next month to the Supreme Soviet the crucial project for the reorganisation of the country's government and planning.

Clinging to the top rung of the Soviet ladder has not been easy for Mr Khrushchev. The rebuff to Soviet authority in Poland and the rising in Hungary exposed him to criticism as the author of the indictment of Stalin at the twentieth party congress. Sensing the danger, Mr Khrushchev retreated a little way from his advanced positions, paid tribute to Stalin's memory, and applied the brakes in eastern Europe. He was probably helped in the struggle by the windfall of an exceptionally good harvest from the new lands of Kazakhstan and Siberia, which have been brought under cultivation through a campaign led by him. But Mr Khrushchev knows that the variable weather conditions in those difficult regions cannot be relied upon for two years running; he is now busy touring collective farms in European Russia to exhort farmers to produce more there. Agricultural success is only one element in the still unfinished struggle among the Soviet leaders. Mr Khrushchev's medals, however, are tokens that he has weathered one storm at least.

SOVIET MORATORIUM

THE Soviet Government has been asking meetings of workers and farmers to endorse a proposal that it should cease floating its annual state loans, while simultaneously suspending the servicing of the past loans debt for 20 or 25 years. It claims that the project is being received enthusiastically, but the average Russian probably has mixed feelings on the subject. He must be pleased that this year's small loan promises to be the last dose of forced saving for a long period. He cannot be delighted by the prospect of getting no return on his previous savings for the next quarter of a century.

Semi-compulsory loans were the favourite form of saving in Stalin's time. Each spring a new loan was floated and a campaign followed in which workers and civil servants could hardly refuse to subscribe the agreed amount, usually equal to four weeks' wages. Originally a choice was offered between interest-bearing and prize-winning bonds, but the inflationary complexes of the population made the interest-bearing loans unpopular and caused them to be dropped; for some time only bonds resembling the premium bonds in this country, with lottery drawings equivalent to a rate of interest varying from 3 to 4 per cent, have been floated. The stability of prices in recent years, and even more the growing purchasing power of the rouble, however, have turned the resulting state debt—now amounting to 260 billion roubles, or about half the annual budget—into a real burden; its servicing by now exceeds half the intake from new borrowing. In other words, through this moratorium the government will be getting for the next quarter of a century a sum, part loan, part gift, exceeding two weeks' wages a year.

That the system was unpopular was shown by the fact that in the two years following Stalin's death the amount thus levied was halved. It was subsequently restored to its previous level, however, from fear of inflation. On balance, the average Russian may be lucky to have done with the whole system. Mr Khrushchev replied in advance to any suggestions of lack of enthusiasm by declaring that outsiders "cannot understand the soul of the Soviet man." The charitable comment on the whole operation is that Russia's new leaders cannot get rid of Stalin's system of forced saving without defaulting on the debts incurred under it.

GERMANY

Bromide for a Spring Boom

THE new credit restrictions in Germany, designed to prevent spring fever from getting out of hand, are a renewed mark of the economy's vitality. Mild weather has prevented the normal winter slackening, and the economy is more fully stretched than usual as consumers and business men turn to their spring shopping. In February, industrial production was 12 per cent higher than a year before; consumer prices were up 4 per cent and industrial prices 3 per cent. Last year production per man hour rose by only about half as much as earnings. And new wage increases and the shortening of the working week from 48 to 45 hours should mean a further upward pressure on production costs. The Bank deutscher Länder has therefore tightened the credit squeeze and cut by 15 per cent the rediscount facilities of credit institutions.

The distinctive feature of these measures is a sharp new discrimination against borrowing from abroad. Reserve requirements for deposits from non-residents in large banks are put at 20 per cent, compared to 12 for German residents, and there are similar differences for other foreign deposits as well as new discrimination through the rediscount arrangements. The new credit measures thus ingeniously strike at both the enemies that flank the German boom. Inflation will be hit by a cut in bank liquidity of over DM 2,500 million, made in a manner designed to discourage foreign funds, unlike the earlier rise in interest rates which tended to draw them in. The bank's policy of lowering interest rates remains unchanged.

But a cure for Germany's structural payments surplus seems unlikely before the full impact of rearmament as well as of heavier social spending and tax reliefs is felt next year. Professor Erhard continues to do what he can to encourage imports by every sort of ingenious scheme. But the mark's strength was shown by a recent survey. Between 1949 and 1956 its purchasing power declined by 5.3 per cent; that of the pound by 24 per cent.

LETTERS

Car Fashions at Geneva

SIR—In your note of March 23rd you comment on the Swiss car market and state that British manufacturers get an insignificant share of it because of concentration on the medium-sized car. You further infer that the reported action of an agent of a major British medium-sized car manufacturer, by taking on an additional agency of a 450 cc German car, indicates the preferences of the Swiss car buyers.

The following table gives details of the new car market in Switzerland for 1956. This table is divided into four groups and shows for British and all other makes of cars, the proportion of sales in each group.

New Car Registrations 1956

	All Makes	British
Total.....	55,001	5,555
Of which :—	%	%
Under 800 ccs. ...	10·5	—
801–1000 ccs.....	6·7	6·8
1001–1650 ccs.	58·3	53·8
1650 ccs. and over	24·5	39·4

It is clear from the above figures that 90 per cent of the market is covered by classes in which British cars compete and, furthermore, that the bulk of registrations cover cars which are in the medium and big car classes.

It is assumed that by "this richest car market in Europe" you mean that the individual there is better off than other Europeans. It is this very fact, coupled with the mountainous nature of their country, that makes the medium-sized car attractive to Swiss buyers.—Yours faithfully,

C. G. TIPPER
Vauxhall Motors Limited,
Luton, Beds Export Sales Manager

Uno's Abacus

SIR—In outline there is little difference between the general plan of the United Nations and the general plan stated in your article of April 13th. In both plans there is an assembly of the representatives of the member states, which elects an executive committee, which takes action as may be required by circumstances and by a sufficient majority of the world. As you say, the sufficient majority is that which the criminal state cannot afford to antagonise. There is already a scale regulating the subscriptions of members to the expenses of Uno, and this scale could be applied to weight the voting in the Assembly. There remains the veto, which is now due for revision. The voting on the Security Council (the executive committee) should require a majority which the criminal state cannot afford to antagonise, say 60 per cent of the power of the world. A three-fifths majority of the Security Council, elected by weighted voting, should control sufficient power. It is only necessary to revise the Charter.—Yours faithfully,

Birkenhead F. A. ROBINSON

Frozen White Elephant?

SIR—The interesting article in your issue of April 13th contains one most misleading sentence. Thorium and radium have no pride of place in ease of exploitation. Thorium minerals are not high priced (even tin ore sells for more), and radium is essentially a by-product. Secondly, no element depends, even remotely, on the price of itself or its minerals as regards exploitability. Exploitability depends upon the richness of the ore; for example, a given lead ore can be more valuable than a workable but low-grade uranium ore (though this last phrase is too extreme to apply to Antarctica).

The interest of Antarctica lies in the possibility of freak deposits of rare elements as regards richness. There is no positive reason to expect this, but insufficient is known of the crust of the earth in relation to the genesis of ores to exclude such a possibility. To search for such deposits, even in the recent past, would have been unthinkable. Today, airborne geophysics has proved itself by finding deposits, and the fairly near future could see its application to Antarctica.

Yours faithfully,

London, E.C.2 ROBERT A. MACKAY

Seeing Eye Machines

SIR—In their letter in your issue of March 30th, Dr Bell and Miss Haddy draw the conclusion that "ultra-fast" reading machines are a doubtful investment. In fact, we are being pressed to increase our reading speed, and are planning to do so. Why this discrepancy? It is because the assumptions on which your correspondents argue are untrue.

(1) The amount of arithmetical processing required in accounting, the recording of stock movements, and other such activities varies over a wide range. The enormous majority of the work consists of simple addition and subtraction. The rest may have a number of multiplying and comparison processes, or may require sorting in a long random list. It is precisely because so many operatives are needed to feed a computer with the first kind of work that almost only the minority kind, needing "a mere handful" of clerks, is in practice undertaken and so is quoted as typical.

For simple subtotalling and totalling, one of the slower commercial equipments accepts 60 characters per second; one of the faster 1,000 per second. A good punch operator and a verifier will average 5 punches per second, the pair of them over a 40-hour week. So these computers, on a 160-hour week, need 96 to 1,600 operators. Scale down this utilisation by a large factor; it is still quite a "handful."

(2) We point out to all potential clients for a reading machine that it is better, if at all feasible, to produce punched cards or tape while originating the document. Attachments for this purpose vary in cost according to their nature; a typical price is £300 extra. If, therefore, 100 typewriters, time clocks or cash registers are involved, a reading machine may be cheaper. But in many cases several hundred or even several thousand such separate feeds are involved; the capital argument for a reading machine then becomes overwhelming.

(3) Separate documents of varying sizes can be moved up to about 750 per minute. The "ultra-fast reader" in our nomenclature beginning to be called the "slow" version) will just read about 18 characters per document at this speed.

(4) It is not fair to quote the price baldly at £50,000. This is the extreme of the price-range quoted, which includes transferring and sorting machinery and an effective maximum of various input and output arrangements. The lower end of the price range is £22,000; and your correspondents disregard the capital or rental saving on the card-punching machines. These facts make even your correspondents' first example one of fair capital recovery.

—Yours faithfully,

C. E. G. BAILEY
Technical Director
Solartron Electronic Business
Machines Ltd., Thames Ditton, Surrey

Black and White

SIR—In the conclusion to the article of March 2nd you seem to have been led astray by Mr Colin Welch's article in *Encounter*.

Mr Welch challenges South African liberals' contact with and knowledge of African leaders. As one who is glad to have the friendship of many of the accused at the "treason trial" and other African leaders, I repudiate the suggestion that the main African leaders think in terms of ultimate "black domination."

They want a democratic South Africa in which, of course, Africans will numerically predominate, but as men, not blacks. The extent to which they might then wish to do to the white minority what it today is seeking to do to them, depends on our attitudes in the meanwhile and the way that democracy is finally won. But "preaching partnership" will get nowhere. The word at present seems a device for maintaining the privileges of 200,000 Federation whites against 7 million blacks. No system of balancing unequal groups can stand by comparison with a democracy of persons, which is an ideal irrevocably implanted in Africa.

The future of white-black co-operation no longer depends on words, but on the degree of active identification with each other achieved in working towards a common goal, even if this involves being charged with "treason," etc.—Yours faithfully,

Port Elizabeth, S.A. C. W. M. GELL

BOOKS

The Paragon of Animals

Battle for the Mind: *A physiology of conversion and brainwashing*

By William Sargant.
Heinemann. 272 pages. 25s.

THE Russian trials of the nineteen-thirties, with their stereotyped confessions, were disturbing for more than political reasons. Why should respected men confirm these confessions as they stood there in court, apparently unbruised, well-fed and unafraid? Dark rumours of brutal treatment, threats of death and "drugging," somehow failed to square with their demeanour.

Since the war a small avalanche of books and articles in the psychiatric journals has made the technique familiar. Fear, suspense, squalid conditions, the naked high-powered bulb, semi-starvation, prevention of sleep, interminable interrogation and possibly torture are the usual ingredients, and it is easy to understand how by these methods confessions, true or false, are obtained. What is more difficult to grasp is the change of heart which has so often happened at the same time: the wholesale discarding of established values and the firm adoption of a new philosophy. It is the tenacity of this conversion, persisting through the fattening-up period while the bruises are fading, which is the essence of brainwashing.

In this stimulating and well-written book the author, a well-known psychiatrist, ranges widely over the world and through history looking at the methods of those who have sought to alter men's beliefs for religious, political or medical ends. With Mr Robert Graves's help he even explores the means that ancient Greek priests and doctors used both for treatment of nervous and mental illness and for religious indoctrination at the "Mysteries."

His starting-point and recurring theme is the later and less well-known work of Ivan Pavlov. Long after his classical experiments on conditioned reflexes, Pavlov turned to inducing experimental neurosis in dogs and related his discoveries to the problems of neurosis in human beings. He defined four temperamental types of dogs, two of which he found to be much less resistant to stress than the others. They seemed to correspond to the old Hippocratic categories of choleric and melancholic man. But although these two types broke down more easily, all dogs could be made neurotic by sufficiently severe experimental stress. Three progressive stages of breakdown emerged: the "equiva- [illegible] " in which all stimuli resulted only in the same depth of response; the "paradoxical," in which weak stimuli provoked greater responses than strong ones; the "ultraparadoxical," in which the dog's conditioned responses were reversed—it would attack its loved master or take a sudden liking to a person it has previously disliked, just as the brainwashed grow fond of their inquisitors. All the three stages were accompanied by heightened suggestibility.

In his chapters on Russian and Chinese methods of indoctrination, Dr Sargant shows that the brain-washers seem to be deliberately applying Pavlov's discoveries to human beings for their own purposes. But long sections of the book are devoted to showing how extraordinarily similar these methods are to the technique arrived at empirically by John Wesley and others who aimed at rapid religious conversion, and also to the means used for extracting confessions by the Inquisition and in police stations nearer home. Dr Sargant finds Pavlovian theory fruitful of understanding in several diverse fields: for instance, the treatment of neurosis by drug-induced catharsis; some aspects of the case of Timothy Evans; the strange modern revivalist cult of snake-handling in parts of North Carolina; and in the success of Dr Billy Graham.

Everywhere Dr Sargant looks, he sees Pavlov's paradoxical and ultraparadoxical stages of brain inhibition emerging under the influence of profound emotion, and the reader must admit that it is a most illuminating concept. But does Dr Sargant see it too often? When he drags schizophrenia and severe depressive illness into his net, and expounds them and the shock therapies in these terms, he strains his theory to breaking point, as the Freudians have done before him in trying to understand these illnesses in terms of their own theory. With these presumably biochemical diseases we had best still confess almost total ignorance of causes and in the meantime be thankful that they can, in a measure, be treated.

As a mechanistic philosopher, Dr Sargant does not ring true. With his apparent, though unexpressed, interest in religious, ethical and political values, beyond the mere mechanism of indoctrination and conversion, it is not surprising that, despite his obvious efforts to avoid the word mind and to write brain instead, the word will keep intruding. Had this book been written by a cold-blooded man, it would have been unbearable.

His conclusion about man's resistance to indoctrination is depressing. Firm unco-operation, detached amusement, refusal to worry and ability to sleep in snatches seem feeble weapons to pit against the battery of the brainwasher. But the book itself is not depressing. I is intelligible, human and highly enjoyable, and a landmark in its field.

Unfinished Melodrama

Votes for Women: *The story of a struggle*

By Roger Fulford.
Faber. 343 pages. 25s.

"IF it's by a good author it's a good play." Flawner Bannal's rule of thumb gives the right answer more often than not, and if we add "and a good subject" the odds in favour are raised. Mr Fulford has always displayed a gift for gathering up and displaying stores of strange information about his chosen subjects, and never has this gift found a happier hunting ground than his present theme, for among the champions of votes for women are to be found a goodly fellowship of oddities nicely combining the sublime with the ridiculous. So here we have the whole story. It begins, after a glance at Anglo-Saxon abbesses who are alleged to have been summoned to the Witanagemot, with Wm. Thompson, whose "Appeal of one half of the human race, Women, against the pretentions of the other half, Men," published in 1825, stated all the arguments subsequently advanced in favour of votes for women and refuted all arguments subsequently advanced against it; but it fell so flat that hardly anyone in the suffragette decade had even heard of the book or its author.

The suffragette melodrama was cut short by the outbreak of war, and before it was over the vote had been granted. So a number of questions arise to which no certain answers can be given. At one end of the scale are those who say that the Pankhurst army won the vote, and that the enfranchisement in 1918 was the work of a male sex which could not face a postwar renewal of suffragettism. Then there are those who say that the vote was won by feminine war service, and in spite of suffragettism—to which, of course, a Christabel Pankhurst might reply that the suffragettes could not foresee that a war would come and do their job for them.

There are also those who regard the vote as an inevitable result of the advance of woman on all fronts, and point to the great increase in the membership of the non-violent woman suffrage societies during the suffragette years—to which, again, a Christabel Pankhurst might reply that the Women's Social and Political Union was the best recruiting agent for its sleeping partners, the societies that wanted "votes without tears." A careful reading suggests that Mr Fulford is not quite certain of the right answer. His job is to tell the story, and it could not be better told.

On the Brink of Defeat

Invasion 1940

By Peter Fleming.
Hart-Davis. 323 pages. 25s.

THIS interim report on five months of war is excellent reading. Squire Fleming and Colonel Fleming join forces with the winner of a First in English at Oxford to produce wise and well-flavoured history. On almost every page a wry smile or a good-humoured sneer crosses the face of the sage as he describes a hesitating Hitler and the bewildered British groping for contact across thirty odd kilometres of sea. To the sentiment that has gathered around the time when we "stood alone" (not quite alone, in fact) some corrective was needed, and Mr Fleming as a historian is notably un-Bryantish. The adjustment is made quite simply by placing Churchill's situation and Hitler's face to face.

How very odd were those five months of waiting after Dunkirk. Britain could not know of the Fuehrer's belief that it might collapse under appeals and threats, and that "Dr Jekyll wistfully titivating his olive branch" was preventing "Mr Hyde from sharpening his sword." Nor could we know that the state of the German Navy, the failure to plan invasion far ahead, and the belief of the generals that this would be only a glorified river-crossing doomed the attempt to failure. Mr Fleming's military criticism of Operation Sealion is devastating. The number of divisions to be landed was reduced in weeks from 25-40 on a broad front to 13 on a narrow front. The plan assumed that surprise was possible and took no serious account of what the Royal Navy could do to the build-up. The difficulties of inter-service planning were scarcely grasped. And when the Luftwaffe was in sight of its end—by destroying the Sector Stations of Fighter Command to win supremacy in the air—it was switched to the bombing of London just because we had lightly bombed Berlin.

★

The military analysis in this book is very well done. The picture of the national mood, of "John Bull at Bay," is not always so good. The flavour of Eton and Printing House Square is rather too strong. Life in arms factories, shipyards and marshalling yards was nasty, strenuous and short for many; not for them the patriotic melodrama of the rural Home Guard. But it is fun to have one's favourite legends examined through Mr Fleming's eyeglass. Could we really have believed that parachutists came down holding live grenades in each hand? Or that airborne troops were disguised as nuns? Or that there was really a fifth column in this country? We seem to have been more frightened of being outwitted than of being bombed. If Hitler had just left us alone, how quickly it would all have become another phoney war.

Mr Fleming shows that Sealion was no piece of dilettantism but a deadly serious plan, defeated not only by Fighter Command but by the spirit of the people. And he argues in a most important closing chapter that the island's resistance—the first of the great resistance efforts—saved Russia and doomed Hitler.

★

The Defence of the United Kingdom: *History of the Second World War, United Kingdom Military Series*

By Basil Collier.
Her Majesty's Stationery Office. 576 pages. 50s.

HOW far ought the official history of the defence of the United Kingdom to stretch? Had this volume stood alone, its scope would have had to be immense. One might argue that the Battle of the Atlantic would have occupied the foremost place. This volume is, however, only one of many, and the defence of sea routes is fully covered elsewhere. Mr Collier rightly makes no more than brief allusion to it. He also sharply prunes some naval plans for events that did not occur. The main features of his book are prewar preparations, the Battle of Britain, the "Sealion" invasion plans, and the episode of the long-range weapons, V.1 and V.2.

★

This writer is not censorious and is less outspoken than some of his colleagues. From the inter-war years there emerges, when one digs through crowded facts and cautious comment, a picture shading off from the brilliant to the woolly and the inert. In the former category are found air organisation, aircraft design, progress with radar; in the latter the half-hearted treatment of reports from one committee after another, nearly all to the point, and features such as the playing about with port defence. The caution is exemplified by the term "highly inconvenient" for unjustifiable delay.

Caution appears too as we approach the Battle of Britain, in allusion to the work of Lord Beaverbrook, who is handled as though he were a hot potato, which in a sense perhaps he was, and is. Sobriety is, however, useful in the account of the day-to-day fighting, which gives a clearer impression than the highly-coloured narratives that followed events at various intervals. The historian pays a warm tribute—and none can be excessive—to the courage and skill of the British pilots, but he also suggests, pretty convincingly, some errors in tactics and reports. Of July 10th, in the phase of attacks on convoys, he remarks that it was "not unsatisfactory" but that "intercepting fighters had not arrived in such good time as to suggest that escort for convoys could be abolished." He also argues forcibly that the Luftwaffe was too versatile, too ready to accept a success as decisive for that phase, and thus too much given to chopping and changing.

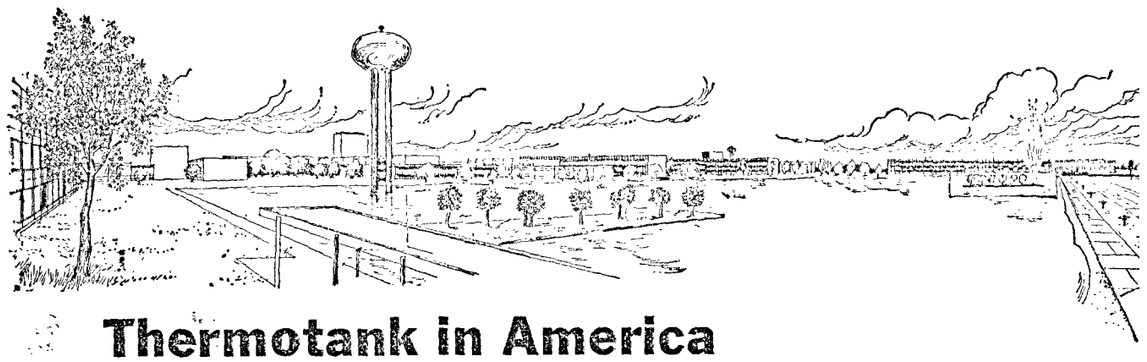
Few who study his examination of the preparations for Sealion will subscribe to the theory, often advanced by both sides but in particular by Germans, that Hitler "never really meant invasion." It is scarcely possible to maintain that view in face of the vast preparations and concentration of force here described in detail. The Germans certainly over-insured themselves in land forces, though this made no difference since they had to win their air war first in any event. Their intelligence must have been at fault about the state of the British Army after Dunkirk. It was, as all know now and many knew then, through no fault of its own the weak link in the defence chain.

The story of the search for details of the V.1, or flying bomb, and the even more difficult groping for news of the V.2 is fascinating. We had rather more than our share of the luck in the shape of unprompted intelligence, and how much we needed it! The combination of these weapons represented a frightful menace, only a small fraction of which became a reality. The present Minister of Defence comes out well; Lord Cherwell's prophecies were unlucky; but the alliance of the late Sir Roderic Hill and Sir Frederick Pile was vital and one of the finest of the war. Surely few more astonishing feats can have been accomplished in its course than the destruction, near the end of the offensive, of 83 per cent of the flying bombs approaching the country. However, not all the defensive measures against V.1s and V.2s were equally sound. Much of the bombing of sites in France was almost pure waste of effort. Errors were inevitable, but it looks as though the organisation and methods of launching and storing the weapons should have been grasped earlier than they were.

★

History of this sort is seldom vividly presented, and that of Mr Collier is more or less on standard lines. One figure, that of Air Marshal Hill, arouses his enthusiasm, though he is most sympathetic to Air Chief Marshal Sir Hugh Dowding. Where he is most successful is in making it clear that the peril which was defeated or avoided has not been exaggerated in anything previously written about the defence of the United Kingdom. On the contrary, it is probable that many who survey that period in retrospect, while fully conscious of personal danger, of suffering, and of acute discomfort, fail to realise the full extent of the risk to the very existence of the nation.

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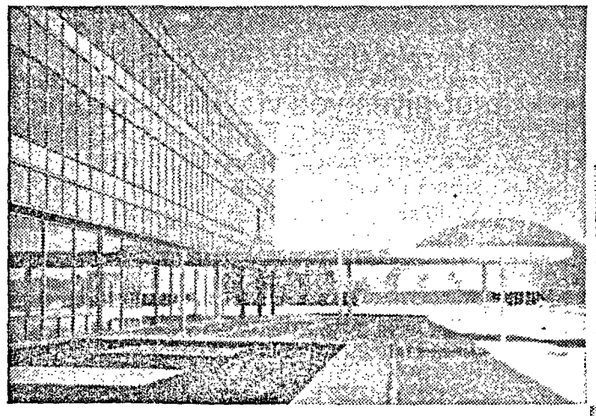


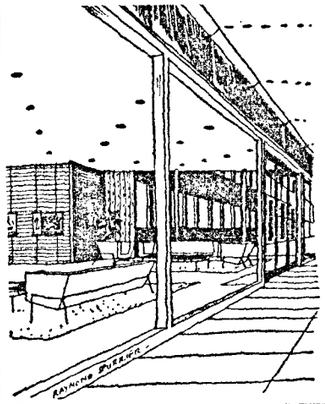
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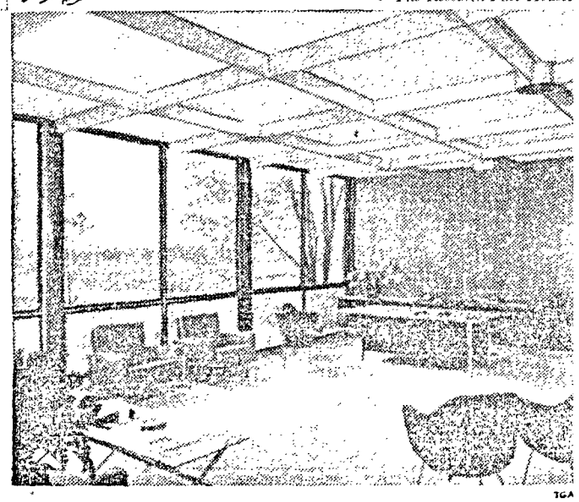
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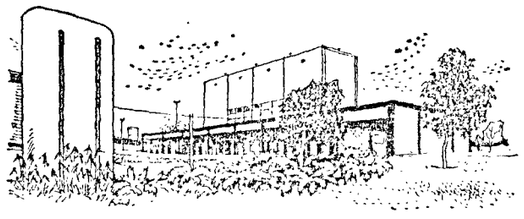
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TGA

Paperbacks

THE launching of St. Martin's Library by Macmillan marks a new phase in paperback publishing in Britain. Penguins apart, most of the publishers' paperback editions are aimed at the bookstall buyer. They are designed to give new life to a recent best seller, war stories being favourite selections, and they try to catch the buyer's eye by glossy pictorial covers.

Earlier this year Collins added Comet books (*2s. 6d. each*) to their paperbacks, a series which, by including such titles as "Guide to the Moon," by Patrick Moore, and "The Universe and Dr. Einstein," by Lincoln Barnett, is obviously intended to instruct rather than to entertain. The new St. Martin's Library has a different appeal again. Like the Penguins, it has been produced for people who want to possess a particular book rather than for those who want to read any book, though its list is naturally restricted to Macmillan authors. The first twelve titles are certainly varied: they include fiction in the form of "Rogue Herries," by Hugh Walpole, two Hardy novels, Charles Morgan's "Portrait in a Mirror," and Margaret Mitchell's "Gone with the Wind" in two volumes; autobiography in the form of the first two of Osbert Sitwell's four enchanting volumes about his family; "Shakespearean Tragedy," that long-respected piece of criticism by A. C. Bradley; drama in three plays by Sean O'Casey; and Frazer's "The Golden Bough" in two volumes. Their sober covers will consign them to the bookshop rather than for display on the bookstall, and so will their price, varying from 3s. to 6s. a volume.

In the meantime Penguins have gone gayer. Some of their titles now have illustrated covers, though these are carefully designed to attract a new public without offending old Penguin customers. The variety of Penguin titles is as wide as ever. In the last few weeks have appeared, excluding fiction, a Penguin handbook on foreign food (*Plats du Jour* by Patience Gray and Primrose Boyd), which is an illustrated book of recipes for 3s. 6d.; a Pelican on "The English Penal System," by Winifred A. Elkin (3s. 6d.); a Penguin on "Wines and Spirits" by L. W. Marrison (5s.); "Is Peace Possible" by Kathleen Lonsdale; and Doctor Pevsner's second compressed but comprehensive volume on the buildings of London, covering the City and Westminster and costing 15s.

THE Penguin Shakespeare (edited by G. B. Harrison) has long been familiar to British readers. Now the first volume of its American counterpart has been produced in the Folger Library General Reader's Shakespeare, edited by Louis B. Wright and Virginia L. Freund. Ambiguously, the editors have started with one of the more difficult texts: *King Lear*. To judge from this volume, the aim of this Pocket Library series appears to be to present collated texts; the Penguin series, in contrast, leans heavily on the Folio. The text is illustrated by Elizabethan and Jacobean woodcuts.

The editors have broken with a long tradition in presenting the editorial notes on pages facing the text. These take the place of the normal extended notes of explanation and the glossary at the back of the volume. They may distract the reader's attention from the actual text, but they at least save him a continual search back and forth through the book. As this edition is designed for the general reader, the notes define and explain rather than indulge in the literary detective work and cross-referencing so loved by most editors of Shakespeare. The reader may lose in scholarship but he will gain in clarity. And it would be possible to direct and to act from these volumes, which, at the price of 35 cents, is no small advantage.

Roman Poets

Poets in a Landscape

By Gilbert Highet.
Hamish Hamilton. 276 pages. 30s.

PROFESSOR HIGHET is a Latinist who knows how to use a camera. He has had the ingenious idea of writing a book about his favourite Latin poets in relation to the places where they were born or lived, and illustrating it by his own photographs. The latter are first-rate; fifty of them, illustrating charmingly chosen bits of Italy. Lake Garda seen from Sirmio with a storm rising from the North, the Mincio and his Roman scenes are particularly good.

The text is thorough and informative, but not quite up to the pictures. Professor Highet cannot forget that he is a teacher: each poet is dealt with at some length, and the link with the photographs is occasionally tenuous. There is no difficulty about such strongly localised poets as Catullus and Horace; but the main point about Ovid's native town is that he left it. Therefore an essay about Ovid the poet and Ovid the product of Sulmo becomes a trifle two-headed. The home-town part of the book is the best of it. It is pleasantly done and takes one down new paths. As a critic and brief biographer Professor Highet is less inspiring: he explains too thoroughly and uses modern instances with more zeal than illumination. The whole smacks rather of the first-year lecture-room.

The translations, of which there are many, aim high but do not always succeed. Professor Highet is rightly at pains to avoid the impression that his poets were writing a dead language; but the attempt to avoid artificiality sometimes leads to flatness. His versions are accurate, so far as the content of the poems is concerned; but he is not a poet, and where the tension of the originals is high he is apt to fail. He does best where he accepts the discipline of imitating the original metre, and least well in the many cases where he is translating hexameters and pentameters, which he turns into unrhymed six-foot and five-foot iambics. This is not a natural form in English and, as his rhythms are slack, it amounts to little more than a prose translation and loses the tautness of the original. The book is therefore best read with the originals in hand; with that reservation, it forms a pleasant and unusual introduction to a tour of Italy.

Human Comedy

Honoré de Balzac: *a biography*

By Herbert J. Hunt.
University of London. The Athlone Press.
210 pages. 21s.

"I SHALL have carried a whole society in my head . . ." so claimed Balzac in the preface to his "*Comédie Humaine*" and nobody acquainted with that literary monument will deny his claim. Professor Hunt decided that it was time to reintroduce its author to the British public. In this short book he has succeeded in stripping the man from the legend, while tracing Balzac's life from its provincial beginnings through years of strife and creation in Paris to his death on the morrow of the wedding with Countess Hanska, for so long an awkward and distant epistolary lover. The book is scholarly and elegant. If the final portrait is not very fascinating, the fault is Balzac's: the man was so much smaller than his work. A social climber, a snob seeking a coat of arms for an imaginary title, a grotesque dandy, a tragicomic businessman always losing money, Balzac often cuts a poor figure. No wonder that a talent for story-telling was his redeeming social grace; creation was his realm.

Harassed by publishers, pursued by creditors, Balzac had to slave at his writing table despite his proverbial ease and fertile imagination. Inevitably his pieces were uneven. Some were slipshod, over-written and interspersed with naïve philosophical digressions. But such was his genius, his skill in observation, that, put together, they form a gigantic and most vivid canvas of nineteenth-century France, with almost all walks of life accurately described. The protagonists reappear on the stage against this background: not only the legendary figures—Le Père Goriot, Vautrin, the criminal turned head of police, or de Rubempré and de Rastignac, two studies in ambition; but also a host of minor characters, such as the banker Nucingen or the doctor Bianchon. And above them all towers "the saintly, worshipped, solid, lovable, beautiful, noble and young, the all-powerful five-franc piece"—the mainspring of all activity.

Professor Hunt recalls the apocryphal story of Balzac on his deathbed asking for the imaginary Bianchon: "he would save me . . ." *Se non è vero,* it sounds true of the man who believed in the world of his own creation and was also dominated by it. It is a sign of his genius that the picture he draws is more devastating than he intended and the vision much richer than the petty ideas of the author. Professor Hunt intends to follow this interesting study of the man with a guide to his immense work.

Lonely Road

Proust's Way

By Georges Piroué. Translated by Gerard Hopkins.
Heinemann. 141 pages. 15s.

HARD on the heels of Professor Germaine Brée's excellent "Marcel Proust and the Escape from Time" comes this new "essay in descriptive criticism" to present an instructive contrast. In the earlier study, all the emphasis was on the architectural organisation of Proust's masterpiece: what was expounded was a triumph of construction, the technical embodiment of a coherent philosophy; what was emphasised was the success both of Proust the author in imposing, against all expectation, a perfect form on his apparently formless material and of "Marcel" the narrator in discovering, against all expectation, the life-giving significance of his apparently futile past. The keynote was victory.

To M. Piroué, on the contrary, the keynote is defeat. From the evening when, at Combray, the child Marcel guiltily but ecstatically imposes his will on his mother, to the evening when, at the Guermantes' reception, he finds his vocation under the shadow of death, the story is of one long degradation, of a more and more pathological retreat from life and love into a private nightmare, where nothing is directly experienced or has any reality except as fodder for the solitary self-tormenting imagination. Through the medium of that imagination the characters themselves, and the society of which they form part, suffer a similar degradation and disintegration; death is at work on them all, not only physical death, but moral death. Art is the only redemption; but that which is redeemed is cruelty, misery and lies—above all, and at the root of every relationship, lies. No true contact between human beings is possible.

To M. Piroué, this obsession with falsification and solitary self-torment is a reflection of Proust's private life; of his inversion which must be concealed, of the emotionally generated invalidism confining him to the shelter of his cork-lined room. No nonsense about "Marcel" being a separate, autonomous creation; he is merely a heterosexual version of his author. His agonising encounters with Gomorrah—and the surprising extension of Gomorrah's frontiers—correspond to the invert's agonising encounters with the normal; with "the desires, in those he loves, which are incompatible with his own." (The enigmatic Albertine becomes perfectly comprehensible when rechristened Albert.) The Proustian universe is merely a magic-lantern projection of a sick man's preoccupations; the expression, imputed to all society, of a deepening self-disgust.

Even were the biographical facts not incontrovertible, it would hardly be possible to spring to Proust's defence with a flat denial. But in proving degradation and disintegration to be Proust's master-theme and the only one he was capable, whatever its guise, of handling, M. Piroué sweepingly omits—and indeed denies in the teeth of the evidence—other elements that match and balance that theme. Thus he asserts, as a highly significant fact, that no new generations are shown growing up in the sterile Proustian world to replace the dead or doomed elders; whereas a principal character in the final, all-illuminating scene is, precisely, the lovely and vital young girl who is the descendant at once of the Guermantes and of Swann and in whom the narrator greets his own youth. Nor, surely, is it merely the desire to pay a brief tribute to a piece of real-life human goodness that prompted Proust to tell the wartime story of the Larivières, those representatives of the magnificently robust and well-rooted stock from which he drew his indomitable Françoise. Unemphatically but surely they set, like Françoise herself, a standard of objective sanity, energy and worth; they stand for all those "by whom France has survived." The invert in his cork-lined room, the "illustrious sufferer from a passion for the absolute," as M. Piroué calls him, is a pitiable figure portraying, for the most part, other pitiable figures; but to represent him as unable to see or depict anything but magic-lantern projections of his own moral and physical malady is unwarrantably to diminish him and his work.

World Integration?

An International Economy: *Problems and Prospects*

By Gunnar Myrdal.
Routledge and Kegan Paul. 392 pages. 37s. 6d.

THE problem of the underdeveloped countries has become increasingly urgent in recent years. The demand for self-determination and economic development has spread through the world. In nearly all countries the appetite for political and economic progress has now been whetted. But in many of the underdeveloped countries little material progress has yet been made; hence the sense of frustration that can easily lead to extremist policies.

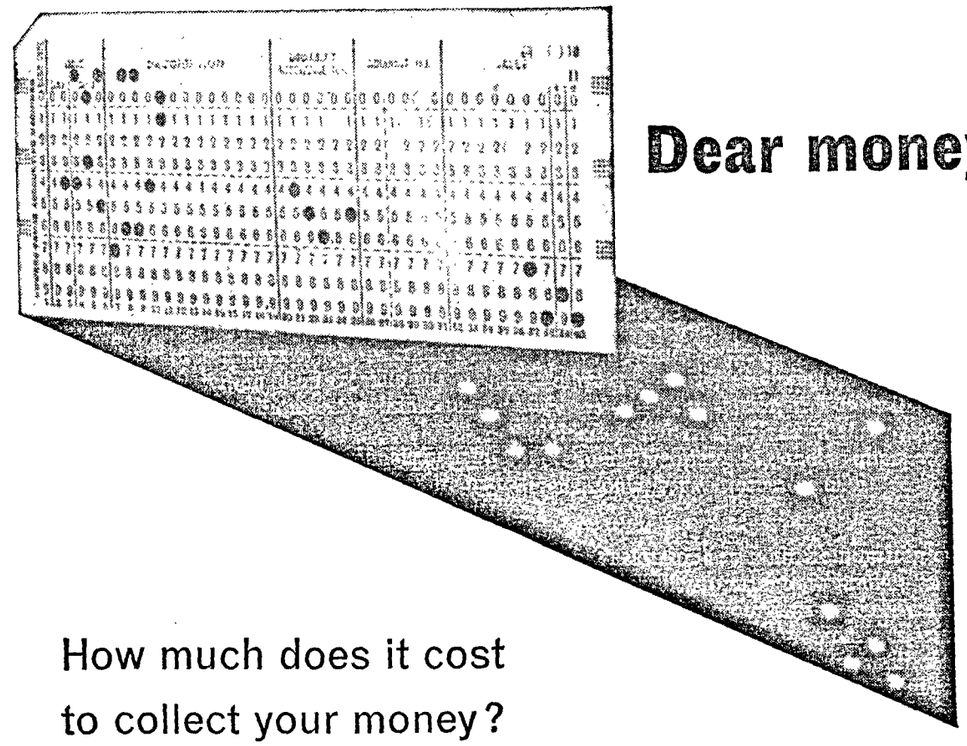
A survey of international economic developments in the west, which concentrates on the problems of relations with the underdeveloped countries, is therefore most welcome. And Professor Myrdal, who is a master of economics and sociology, and who has also had practical experience as a politician and international civil servant, is well equipped for the task.

The main thesis of his book is that if peace and stability are now to be preserved, the disparity between economic conditions in the poor, underdeveloped countries and those in America, Europe and other rich countries must be narrowed and eventually removed. That would require abandoning calculations of national interests, which motivate most international economic policies, in favour of a more enlightened and generous spirit of internationalism. The rich countries should help the poor. World government, and perhaps a "Welfare World," would be the ultimate ideal. Mr Myrdal recognises that the world is not ripe for this. Nationalism is too strong. He therefore turns to the world as it is to seek the political, economic and social reasons why international economic co-operation has not made better progress and to examine what practical steps can help the underdeveloped countries.

Unfortunately, his survey of recent economic history is as confusing as it is provocative. It sweeps across the sociological problems of economic development, the problems of international trade and payments, the immobility of capital and labour, and the problems of European integration. It seems at moments to contain a sociologist's general theory of historical progress, clothed in the term "integration." At other moments its main purpose seems to be to condemn the world, with the wrath of an Old Testament prophet, for its nationalism. Indeed in this context the author seems to be in danger of so exaggerating the failures of post-war economic co-operation that he may damage rather than help the cause of internationalism.

When he turns to the problems of the underdeveloped countries, Mr Myrdal is much more lucid. He analyses the internal problems of underdeveloped countries, emphasising the interplay of social, political and economic forces in the process of economic growth. He argues strongly that more capital and aid should be given to underdeveloped countries, and that it should be given through international agencies so as to avoid the political strings—or the suspicions of them—which are associated with bilateral aid. In a most interesting chapter he considers what should be the objectives of the external commercial policies of underdeveloped countries. He is led to the conclusion that the traditional doctrines of Free Trade are generally inapplicable to underdeveloped countries: in their own interests—and without harming the long-term interests of their trading partners—they are justified in regulating their imports and exports by unorthodox methods.

This, and many of Mr Myrdal's other conclusions, will provide plenty of food for thought for those concerned with international economic policies. And the emphasis on the moral and political foundations of international economic relations is most salutary: too often these issues are buried beneath a flood of financial and commercial technicalities. As a whole, however, the book is too loosely written and suffers from excessive use of sociological jargon. Like all Mr Myrdal's works, it is original and stimulating. But for a book in which integration is the dominant word, the argument is not well integrated.



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Crossbench Tory

Beyond the Dreams of Avarice: *Essays of a Social Critic*

By Russell Kirk.
Henry Regnery Company, Chicago. 351 pages. $4.50.

LORD KEYNES once referred to Marxism as "the *reductio ad absurdum* of Benthamism," and Dr Kirk would fully endorse this view. Perhaps the thought of the nineteenth century, as of any age, is fully understood only when one has exposed those underlying assumptions and latent beliefs that were shared in common by thinkers who seem, superficially, to be poles apart. It has been Dr Kirk's special contribution to conservative thinking in the United States that he has tirelessly groped for a set of ideas that enables him to group for attack Bentham and Marx, John Dewey and Dr Kinsey, American liberals and English socialists. He has drawn his ideas from such equally unusual combinations as Burke and Samuel Johnson, Tocqueville and Newman, and among American heroes Randolph of Roanoke and Orestes Brownson. It is characteristic that his two favourite modern poets seem to be T. S. Eliot and Roy Campbell.

It is this crossbench toryism that gives Dr Kirk, as a vigorous critic of modernity, his special flavour of sturdy independence. He has shown, more triumphantly than any of his counterparts on this side of the Atlantic, that conservatism can still be intelligent even when crotchety; and that strong convictions about the silliness of modern society need derive neither from mere reactionary prejudice and nostalgia, nor from that "defected rationality" which he delights to attribute to the "intellectuals" of both right and left. He holds that "the Benthamite and the Marxist do common service to Mammon," that the age of gluttony and unbounded avarice is upon us, and that escape from it lies only in a return to traditional moral and religious principles. He sees, in the commercialised lubricity of much of the American and British press, in the drab standardisation of modern town planning, above all in the welfare state and in the "improvements" of it proposed by all parties alike, the signs of a civilisation decaying because it has lost Christian values, humanist standards, and traditional wisdom.

With much of this criticism the reflective and independent observer of present conditions and trends will readily agree. But Dr Kirk gives the irresistible impression that he is more eager to attack liberals and socialists than to find a balanced and exact explanation for the trends that he deplores. Despite his love of traditions his historical perspective is badly foreshortened, as when he argues that "serious journalism . . . commenced at the end of the French Revolution," and that the welfare state as it exists in Britain was almost entirely the creation of utopian socialists. He does not know his Bentham very well, and his argument about literary censorship is oddly lacking in logic. It was not, after all, collectivism that produced the astonishing standardisation of American life, but the operations of free enterprise commercialism in all its forms: and if he will not have a predominantly individualist or collectivist economy and will not attempt to "split the difference" between them, there is little wonder that he refuses to suggest any constructive proposals for concrete improvement.

These essays, half on America and half on Britain, have all appeared before as articles and are full of repetitions and transient reflections. But there is much in them that is sane, shrewd, provocative and interesting. Let Dr Kirk shed some of his more obvious partisan bias, read more widely in history, and present his conclusions in more integrated form, and he can become one of the outstanding social critics of our age.

BOOKS RECEIVED

LONDON PLEASURES FOR YOUNG PEOPLE.
By Leslie Daiken. *Thames and Hudson.* 112 pages. 5s.
A most useful illustrated guide, especially for those entertaining young foreigners. It gives information on how to visit out-of-the-way places of interest.

FIVE HUNDRED OVER SIXTY: *a community survey on Aging.*
By Bernard Kutner, David Fanshel, Alice M. Togo and Thomas S. Langner. New York: *Russell Sage Foundation.* 345 pages. $4.00.

VERHAEREN.
By P. Mansell Jones. 64 pages.
ORTEGA Y. GASSET.
By José Ferrater Mora. 69 pages.
FLAUBERT.
By Anthony Thorlby. 63 pages.
HOFMANNSTHAL.
By Hanns Hammelmann. 64 pages.
CHEKOV.
By W. H. Bruford. 62 pages.
Studies in Modern European Literature and Thought Series.
Bowes and Bowes. 7s. 6d. each volume.

THE EMPIRE OF THE ST. LAWRENCE: *a study in commerce and politics.*
By Donald Creighton. *Macmillan of Canada.* 448 pages. 55s.
This book was originally published as "The Commercial Empire of the St. Lawrence, 1760-1850," and is now reissued with a new preface.

THE SMALL WOMAN: *the heroic story of Gladys Aylward.*
By Alan Burgess. *Evans Brothers.* 221 pages. 16s.

THE LEGION OF THE DAMNED.
By Sven Hassel. Translated by Maurice Michael. *Allen and Unwin.* 297 pages. 15s.

VENICE: *and environs.*
FLORENCE: *and environs.*
Edited by L. Russell Muirhead. The Blue Guides. *Benn.* 64 and 87 pages, respectively. 4s. 6d. and 6s.

PROGRESS IN THE AGE OF REASON: *the seventeenth century to the present day.*
By R. V. Sampson. *Heinemann.* 259 pages. 21s.

WITH BLOOD AND WITH IRON: *the Lidice story.*
By J. B. Hutak. *Hale.* 160 pages. 15s.

Time Remembered

The Twenties

By John Montgomery.
Allen and Unwin.
334 pages. 25s.

BOOKS written with a view to cashing in on a vogue are rarely very good. The current vogue of the nineteen twenties—as exemplified in the success of "The Boy Friend," the revival of the Charleston, and the repeated but luckily unsuccessful attempts by fashion-fuehrers to get women back into extinguisher hats and tubular dresses—has inspired Mr Montgomery to throw together an "informal social history." It is satisfactory neither as information, in the sense of giving the reader any understanding of the sequence and development of events between the Armistice and the Depression, nor evocative, imparting the feel and colour of life as it was lived a generation ago. The political and economic history is superficial, disconnected, cocksure, and not infrequently wrong; the account of social and intellectual life, art, sport, fashion and crime, gives much the same impression as an incompetent photographer's snapshot album—yes, one feels, that's Aunty, underexposed and showing all her teeth, that's little Johnny, overexposed and blank-faced, here is the View, which needed a colour-filter and did not get it. Here, in fact, are Pip, Squeak and Wilfred, Mrs. Meyrick, Michael Arlen, Rudolph Valentino, D. H. Lawrence (obsessed with "thwarted passion"), Wonderful Wembley, Aimée McPherson, 2LO, and the General Strike; recognisable, but all in flat dim grey or obliterating black-and-white, and, almost unbelievably, dull.

And yet something gets through; something not entirely unsympathetic, despite the frightful clothes, and the Bright Young Things, and Jix, and ribbon-building, and the humours of Punch, and the combined callousness and stupidity of the Establishment. There was plenty of indignation, but little *argot*; plenty of vulgarity, but plenty of vitality, too; a loosening-up which held the promise of genuine freedom; above all, hope.

Something else gets through, too; a conviction that there is, after all, such a thing as progress. A good many things, from economic policy to music recording, really are managed better these days. There is less blaring self-righteousness, whether from the Old Guard or the *avant-garde*, than there was. There is more tolerance. If distrust for the intellect remains unabated, positive worship of stupidity has decreased. If the relations between the sexes are still rather a mess, at least the mess is handled more humanely. And—inevitably, looking at those dreadful pictures, one returns to the topic—girls today have more sense than to try to convert themselves into the likeness of vertical worms or praying mantises. *Eppur si muove*—not always, it is well for the older generation to remind itself, in undesirable directions.

AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Mr Dulles's Other Island

WASHINGTON D.C.

THE American Administration is gradually assimilating the conclusions reached at Bermuda. They were conclusions rather than decisions, since the much advertised realism of the conference consisted of each side gracefully acknowledging those policies of the other which it was powerless to alter. America accepted the British defence cuts, while Britain swallowed the American approach to the Middle East which, although sketchy on the positive side, is firm in eschewing the use of force.

But changes of this order are not digested overnight. Generals in the Pentagon still mutter into the receptive ears of influential journalists that at Bermuda the President again sold the pass of his former service. The British cuts are interpreted as yet another forced retreat in the rearguard action the American Army has been fighting against a commitment to conduct only one type of war, that of total destruction. After the President had adopted the military "new look" America seemed to have lost the ability to fight other kinds of war. But so long as the strategic concepts of the North Atlantic Treaty Organisation remained intact, it was possible to visualise a limited struggle being undertaken by the alliance as a whole. The Defence Department, accordingly, is pressing for *diplomatic* delaying action against further instalments of the British military "withdrawal" from Europe. In particular, concern is being expressed that the President, advised only by a civilian Under Secretary of Defence—and one who has since retired—should have left the British with the impression at Bermuda that the Americans endorse the notion that missiles replace manpower without loss of effectiveness, after precisely the opposite conviction had been conveyed to M. Mollet.

While in the military establishment there is pressure to limit America's accommodation to its ally, the State Department, which has been operating for nearly a fortnight without any communication with its chief, is showing some nervousness in finding itself the West's bargaining agent over the Suez Canal. Weeks of direct contact with Colonel Nasser have convinced the Americans that the only terms to be had are those offered by Egypt, somewhat dressed up to look like an international instrument. But they are not willing to bear the odium of forcing any such unpleasant medicine down the throats of the principal users of the canal. While the British have encouraged the United States to take the lead, the Americans are acutely conscious that they have not been formally authorised to negotiate on anybody's behalf but their own. Not wishing to provoke any further backlash of anti-Americanism in Britain if they can help it, they have been confining themselves to narrowing the gap between the Nasser memorandum and the demands which Mr Dulles felt last summer that the users were legally entitled to advance.

To this end, the Americans took advantage of the Egyptian invitation to make "comments" on the Nasser memorandum. Under this guise, the United States made what were in essence *counter-proposals*. The Egyptian reply to these is described cautiously as "responsive" to some degree. But a very wide gulf remains. As a result, the Americans have tentatively decided to lay the two drafts before the Security Council and ask its help in reconciling them. Thus the responsibility for the virtual acceptance of the Egyptian terms would be more widely spread.

Meanwhile it remains the objective of American policy to refer two questions to the International Court at the earliest suitable moment: that of the international passage of the Straits of Tiran and that of Egyptian belligerency towards Israel in the Suez Canal. In both cases the United States undertakes to support the juridical position of Israel. In the American view, Israel should be content with this and should not, with vulgar ostentation, demonstrate that it has gained anything whatsoever from its military victory in Sinai. The strongest pressure is being put on Mr Ben Gurion not to make any test case of Israeli rights in the canal, on the ground that agreement with Egypt over principles, not mentioning Israel in any way, should come first, to provide the basis for an Israeli resort to law.

Even the celebrations over the passage to Eilat of the American ship *Kern Hills*, which had been chartered by the Israelis, and whose owners had not co-operated with the State Department, were thought to be in bad taste. They seriously threatened America's relations with King Saud, just at the moment when he was proving his anti-communist *bona fides* by urging King Hussein of Jordan to dismiss his left-wing Prime Minister, who had no intention of accepting economic aid from Mr Richards, President Eisenhower's emissary in the Middle East. And they disrupted the delicately planned minuet according to which the Americans were to have warned the Saudis of the approach of an American vessel testing its rights through the Straits, the King was to have protested formally, and everyone would have cheerfully trooped off to The Hague to take the matter to court.

★

It is to this rather stagnant Washington that Mr Dulles has just returned after ten days of primitive seclusion on Duck Island. In this Canadian retreat, according to his latest biographer, Mr John Robinson Beal of *Time* magazine, he lives in a log cabin, built by Red Indians, without telephone or even electric light, and, at the crucial turning points of foreign policy, jots down his ideas on a yellow pad under an oil lamp. Almost invariably when he has gone there something has come unstuck in Washington. This time the only explosions have issued from small time-bombs

which he had carelessly left behind, in the shape of two more than usually strange diplomatic appointments, and from the backhanded compliments bestowed on him in Mr Beal's book.

The American government's latest gifts to the capitals of Switzerland and Ireland are respectively Mr William Taylor, an eccentric whose half-baked opinions on every conceivable subject have been proffered to radio audiences nightly by courtesy of the General Motors Corporation, and Mr Scott McLeod, a McCarthyite policeman who demoralised the State Department for months by the pathological zeal with which he pursued his duties as its security officer. Mr Taylor's reward seems to have been the President's own idea; Mr Eisenhower has admired his judgment on foreign affairs ever since Mr Taylor, unlike most commentators, upheld him over his wartime arrangement with Admiral Darlan. But the President has placed squarely on Mr Dulles the responsibility for Mr McLeod. From Mr Beal's book it appears that Mr Dulles's distaste for administration led him, as soon as he became Secretary of State in 1953, to delegate immediately all that side of his duties to the president of the company which makes Quaker Oats. This gentleman, learning that he would have to appoint a security officer, consulted a neighbour in Chicago and thus, casually, Mr McLeod's name was proposed. Mr McLeod's first major act was to leak derogatory allegations to the press about Mr Bohlen, the department's most accomplished career officer, who had just been nominated as Ambassador in Moscow. Mr Dulles, according to his biographer, then decided to dismiss Mr McLeod for disloyalty, and was only dissuaded on the grounds that it would look bad to make such short riddance of a man who should not have been appointed in the first place. It is with this information freshly before the public that Mr McLeod has been rewarded, and removed from Washington, by elevation to the quiet patrician comforts of the Dublin Embassy. The Democrats would be less than human if they did not take partisan advantage of the appointment.

But, despite this uproar, Mr Dulles's main test—and the only excuse for his neglect of administrative chores—will be the quality of the ideas he has brought back on the pages of the yellow pad. In his book Mr Beal compares Mr Dulles to Einstein and the doctrine of liberation of the Soviet satellites to the theory of relativity. He says they were equally complicated processes of thought ending in a grossly over-simplified formula. It is to be hoped that Mr Dulles's plans for the Middle East will be less rarefied.

Budgeting for Ballots

THE Democrats, who are itching to beat the Administration to a tax cut, can hardly wait to hear what the Treasury found in the 60 million individual tax returns which were due this week. Only if the revenue holds up can the Democrats cut taxes without laying themselves open to charges of blatant irresponsibility. Such a cut, to take effect in January, would set their scene admirably for the congressional elections of 1958. But, if revenues are disappointing, the prospective $1.8 billion surplus may be wiped out and tax relief put out of political reach.

The other half of the battle is how big a dent Congress can make in the Administration's $71.8 billion plans for spending in the year which begins next July. It would cost at least $2.5 billion to increase the exemption for individual taxpayers by $100, the kindest cut of all for 60 million voters. Such calculations are anguish to the Republicans. They have to stand by while their opponents make off with Republican traditions of thrift and low taxes. But their patron saint of economy, Mr George Humphrey, the Secretary of the Treasury, argues that the Budget must be reduced by at least $3 billion to justify tax relief; and Mr Gabriel Hauge, the President's personal economic adviser, insisted this week that the cuts made so far have not gone nearly far enough to hold out hope of early relief.

The saving spree in the House has so far yielded $1 billion out of appropriation Bills totalling $14 billion. To this the President has added $254 million which will not be needed for the soil bank, but this is likely to be more than swallowed up in the rise in military costs beyond what was expected. The big appropriations Bills are yet to come, particularly the giant one for defence. But already the House has demonstrated the bluntness of its shears and the undiscriminating way in which it handles them.

Among its penny-wise proposals is one to prevent the Bureau of Labour Statistics from checking the sources of its price index, which is used to fix wages for millions of workers—something the President may have had in mind when he said that in 1957 the United States could not be run with the tools of 1890. Cuts in the money for administering unemployment insurance, which is required by law, will almost certainly have to be replaced. The need for something like the Senate's proposal of a joint committee on the Budget, to do for Congress what the Bureau of the Budget does for the Administration, was never more apparent. Unfortunately, there is no sign that the House is any more willing than it has been in the past to share its financial prerogatives in order to secure more effective control over spending.

No Postman's Knock

LOCKED-UP post offices and an almost complete absence last Saturday of postmen completing their appointed rounds marked a notable turn in the constant guerilla warfare between the Administration and Congress over money. This time it was the Postmaster General, Mr Summerfield, who bit the congressional watchdogs. The PMG, moreover, has hung on with a bulldog grip, refusing to provide certain services until Congress not only promised but actually voted, the cash he sought. The dispute was over a supplementary request for $47 million for the remaining three months of the present fiscal year, without which Mr Summerfield insisted he could not provide even the existing level of services. An Administration of businessmen has failed to make the Post Office conspicuously efficient. But its inability to staunch the deficit is largely the responsibility of Congress, which feels that there are both principles involved and votes to be lost in putting the Post Office on a paying basis.

Part of the reason why Mr Summerfield spent his appropriation too fast this year is that Congress gave his postmen a $17 million wage rise in 1956 and is only now ready, very grudgingly, to give him the money to pay it. The other difficulty is the growing number of letters and parcels posted by Americans. The uninformed—among whom

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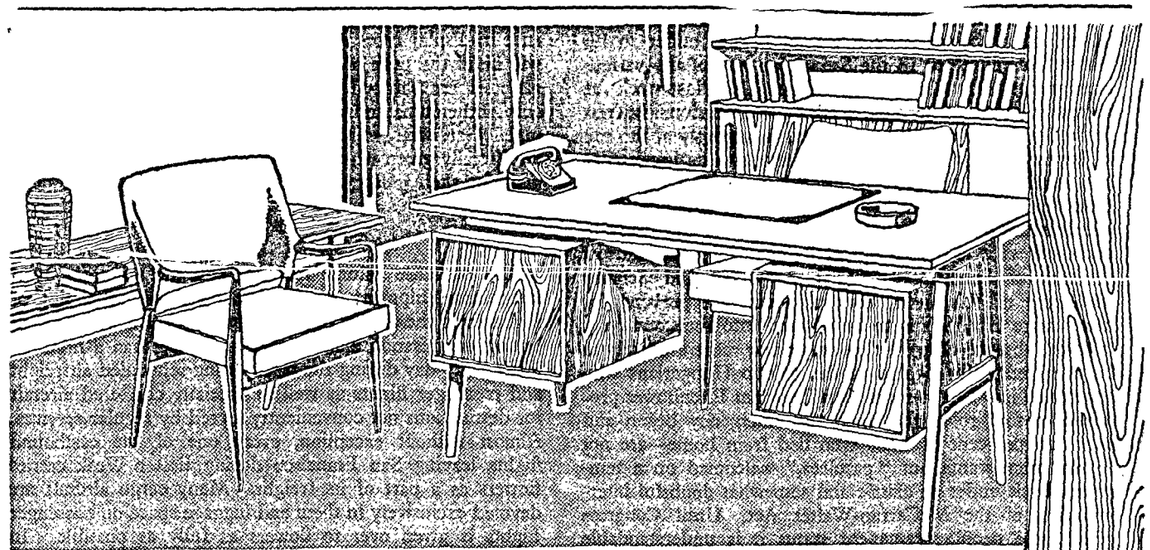
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this time must be counted Mr Brundage, the Director of the Budget—might conclude that this would swell postal revenues. But this is not the case. All such income goes to the Treasury, leaving the Post Office completely dependent upon its congressional appropriation. In an effort to hold down spending and discourage requests for supplementary appropriations, Congress has passed an anti-deficiency law which requires departments and agencies of the government to spend no more than a quarter of their money in each three months. Like Canute, however, Congress has found that its fiat fails to hold back the population or prevent it from writing letters. The Postmaster General had no choice but to disregard the law.

Mr Summerfield's sit-down strike has apparently been successful and Easter cards will be delivered on time. But Congress dislikes being made to eat humble pie. The Administration's hopes of persuading it to wipe out the postal deficit by authorising higher postal rates never looked very substantial. Now they are slimmer than ever and so is the prospective budget surplus, which was calculated on the blithe assumption that the $600 million subsidy for the Post Office would not have to be found next year.

No More Room for Refugees

WHEN the Hungarian refugees flooded into Austria last winter, it looked as if they might also sweep a new immigration Bill through Congress. For a time they even managed to shake Representative Walter out of his self-satisfaction with the existing legislation. But now he is once more firmly entrenched in his suspicions of all foreigners, especially those who want to come to the United States, and hearings have not even begun, either in his House Committee or in the Senate, on any of the various immigration Bills which are pending. Until last week the President had done nothing to stir up congressional interest in the legislation which he requested so urgently at the end of January. Now he has drawn attention to its importance but at the same time, by pointing out that the legislators have "quite a bit on their plate right now," he offered Congress an excuse for inaction which it is only too likely to take—unless it is shaken out of its apathy by the unusual coalition of Senator Case of New Jersey and Senator McCarthy of Wisconsin, both of whom are pressing for many more Hungarians to be allowed into the country.

In the absence of legislation only a few more are likely to be admitted. For 25,000 of the 31,000 Hungarians who have come in—10,000 more than President Eisenhower promised to find room for when the emergency began and about 20 per cent of those who fled from home—are not regular immigrants but "parolees," welcomed on a temporary basis under an elastic and somewhat doubtful interpretation of the McCarran-Walter Act. Until Congress gives these people permanent status it is understandable that the Department of Justice, although apparently not the State Department, should have doubts about admitting any further large number of Hungarians. Moreover the influx into Austria has eased and there seems some prospect that, with the help of other countries, all of the existing Hungarian refugees may be provided for. The United States, for the present at least, is therefore only prepared to admit those whose exclusion would involve breaking up families and skilled workers, such as scientists and engineers, for whom there is a real need in the United States.

Floral Tribute

FROM A CORRESPONDENT IN CALIFORNIA

THE Easter ritual takes an odd and very American form at the San Francisco International Airport. Here the growers and distributors of cut flowers join with the commercial air lines to spend a frantic Holy Week sending millions of blossoms eastward for the corsages which most American women expect to receive before they join the Easter Parade. The mass movement of more than $5 million worth of flowers in this single week is the climax of the year for a major industry of the San Francisco Bay area, whose greenhouses and fields are the largest single source of flowers in the country.

The remarkably even, temperate climate of the region and its long growing season, the fortunate result of combining a southerly latitude with cold offshore currents, led very early to commercial flower growing. The coming of air-freight services, to which flowers, because of their lightness, are ideally adapted, brought the whole country within reach. Today, flowers constitute approximately 80 per cent of all airfreight leaving the San Francisco airport, and the city's immense wholesale flower centre is one of the largest and most modern in the United States.

During the week before Easter, the outlying growing areas, the flower market and the airport are scenes of day and night activity as the flowers are picked, prepared and packed for their last-minute flight to florists' shops across the continent. The flowers are placed in waterproof cardboard cartons as short a time as possible before their scheduled departure, so that often scarcely twelve hours elapse between the time they are picked and their appearance in display cases in eastern cities. To insure that they will be at the peak of perfection on Easter morning, many varieties are shipped before they are in bloom. Roses, chrysanthemums and camellias are sent as partially-opened buds. Gardenias, which are especially favoured for corsages, are literally green when they leave San Francisco, and turn white on their journey.

* * *

The immense volume involved and the premium upon last-minute shipment require almost split-second timing of flights from the airport during Easter week. One large distributing organisation alone dispatches more than a hundred loads every day during the week, using scheduled airfreight and passenger flights as well as specially chartered aircraft for destinations not conveniently served by regular services. Almost without exception, every one of the eastbound flights leaving San Francisco during Easter Week carries flowers as a part of its freight. Many cargo aircraft are devoted exclusively to them and luggage space on passenger flights is given over to flowers as fully as possible. In addition, a number of regular passenger flights during the week leave with no passengers aboard; the seats and much of the aisle space are occupied by cartons of flowers instead. Because of their lightness, a special category of charges has had to be devised for airborne flowers; a carton of 250 cubic inches is considered as the equivalent of one pound, although it is usually much less in actual weight. But aircraft carrying shipments composed largely of flowers are so much lighter than usual that they can provide speedy delivery.

The flower growers of the San Francisco area, with their space limited by their nearness to expanding urban centres, have turned increasingly to the more expensive varieties and to those cultivated in greenhouses. One result is that the city has become the orchid capital of the nation; it not only produces the most, but also carries on the most advanced experiments in breeding and cultivation. Such field-grown flowers as daisies, stocks and heather are migrating to Los Angeles, despite the celebrated smog which is a serious threat to the industry, and to Phœnix, Arizona. Daffodils are a specialty of the Pacific Northwest, although growers are frequently unable to exploit the huge Easter market because of the difficulty of causing the peak season for blossom to coincide with the varying dates on which Easter falls.

San Francisco also serves as the distribution centre for a growing trade in exotic floral products from Hawaii. These, including ginger flowers, field-grown orchids, frangipani and bird-of-paradise flowers, are particular favourites on the Pacific Coast, and have claimed part of the market originally served by San Francisco growers.

Although much of the industry's annual schedule is dominated by the planning and cultivation necessary to arrange the fullest production just before Easter, the San Francisco area's flower farmers continue to be a chief source of supply for the nation's florists throughout the year. They provide hothouse varieties in the summer, when most places have their own field-grown supplies, and summer blooms throughout the winter by planting new crops each week. They also supply San Francisco's numerous street-corner flowerstalls, which rank with the cable cars as one of the city's distinctive charms. But best of all the flower grower knows that if Easter is here, Mother's Day cannot be far behind; the second Sunday in May is an occasion for national flower-giving on a scale that rivals Easter itself.

Lead for Labour?

MR WALTER REUTHER, the president of the United Automobile Workers, was unanimously re-elected for his seventh term last week at Atlantic City and the members of the union who, under his vigorous and blameless leadership, have set the pace for many other trade unionists, also approved his plan for creating a public review board of distinguished citizens. This will guarantee the purity of the union's practices and, it is hoped, exempt it from the hostility inspired by the sensational discoveries of the Senate investigating committee. Such a board is of course more needed by the teamsters, or lorry-drivers, whose officers have provided the sensations, than by the UAW, where virtue is rampant.

In a forthright speech to the convention Mr Meany, the president of the American Federation of Labour and Congress of Industrial Organisations, made it quite plain that Mr Beck, the erring president of the teamsters, is not likely to be reinstated as a vice president of the federation when his case is heard in May. But Mr Meany said frankly that the teamsters alone can act on this hint to clean out their own stable. On this score, the meeting of the executive council of the teamsters which was held last month was more hopeful than was at first reported; instead of endorsing Mr Beck's demand for a $1 million personal publicity fund, the council, by a vote of 962, rebuffed him and limited it to fighting anti-labour legislation. Voting with the majority were Mr Hoffa, considered to be Mr Beck's heir until he was indicted for bribing a member of the investigating committee's staff, and Mr Lee, who is a likely candidate should the reformers triumph.

Mr Lee is the favoured candidate of the AFL-CIO, not only for his personal qualities—he is honest and the respected president of the Chicago Federation of Labour as well as the teamsters' eighth vice president—but because so many other top teamsters have been rolled in Mr Beck's mud, or worse. Any change in the drivers of the teamsters' union, however, would have to be undertaken at the union's convention in September, to which few of the angry rank and file will find their way.

Fortunately for labour, Congress does not seem likely to legislate against trade union abuses until the committee has finished its work next year. Labour has time to put its house in order. But there will be a constant prod at its back: the McClellan committee has been looking this week at a case of a dynamiting "goon squad"—strong-arm men—in Scranton, Pennsylvania, the state that once produced the Molly McGuires, and then goes to New York City, where it will once more pick up the teamsters' trail, and in particular that of Mr Hoffa.

Southern Stalling

WASHINGTON, D.C.

ATTEMPTS to move the Civil Rights Bill out of the Senate Judiciary Committee, headed by one southern segregationist, Senator Eastland of Mississippi, and out of the House Rules Committee, headed by another, Mr Howard Smith, appear to have been thwarted until after the Easter recess. The supporters of the Bill, which would protect the civil liberties of Negroes, particularly their voting rights, are accusing both Mr Eastland and Mr Smith of deliberately holding up the Bill as they did last year. But, since the Administration presented its case earlier in the session this year, there is a limit to what stalling can do. The more time wasted, however, the better from the southern viewpoint, since it is generally considered that the inevitable filibuster to delay passage of the Bill in the Senate will be very difficult to overcome unless the floor debate is started by May 1st—that is, immediately after the Easter recess—which now seems impossible.

The main danger foreseen by the northern supporters of the Bill is that, as the session wears on and urgent business

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piles up, pressures will accumulate in favour of a compromise that will take the heart out of the Administration's proposals. One that is already being suggested would concede the skilful case being developed by Senator Ervin of North Carolina against the Bill's reliance on judicial injunction to prevent Negroes from being deprived of their voting rights. When the federal government brings a suit against an alleged violation of such an injunction, there is no trial by jury. Senator Ervin pictures Southerners deprived of this traditional safeguard and thrown wholesale into gaol, for contempt of injunctions. But liberals, even though some are troubled in their consciences by this feature, argue that the new Bill will be of no help to the Negroes if its enforcement depends on inevitably prejudiced southern juries.

The outcome turns very largely on the Administration. The Negroes and their allies will judge its performance less by what the President and the Attorney General say than by what is actually done by General Persons and Mr Jack Martin, the White House liaison officers; these are the men who have real influence with the conservative Republicans on whose votes depend any hope of breaking the filibuster. Senator Lyndon Johnson of Texas, the Democratic majority leader and the most skilful manager in the Senate, is thought to have presidential ambitions and, if he wishes to be considered anything more than a southern regional candidate, he will have to avoid disappointing the northern liberals too greatly. For this reason there is a possibility that he may surprise everyone by helping the measure on its way.

Laboratory for Peace

FROM A SPECIAL CORRESPONDENT

THE Manhattan District of the United States Army Corps of Engineers, the project which produced the first atomic bomb, was a unique combination of industrial, scientific and military minds. When the war was over, a group of educationalists who had worked on the project felt deeply that the teamwork between governmental and academic institutions which had achieved such important results ought not to come to an end. A scheme for a non-profit corporation including nine leading universities in the northeastern states, called Associated Universities Incorporated, found instant favour and its functions were continued and enlarged when in August, 1946, the Army was succeeded by the newly-created Atomic Energy Commission. Today, the Brookhaven National Laboratory, the research facility operated by this group, has physical assets of more than forty million dollars and an annual operating budget of a quarter of that sum. It is the largest establishment in the world devoted entirely to research on peaceful applications of nuclear energy, and many important discoveries have resulted from the scientific activities of its staff.

The laboratory is seventy miles from mid-town Manhattan, on a 6,700 acre tract in the middle of Long Island, formerly known as Camp Upton, which served as an overseas screening centre in two wars. The technical and administrative buildings are widely dispersed over the southern half of the site and the architecture displays a weary aspect which is a kind of camouflage, since it dulls the eye to a careful observation of detail. There is none of Harwell's visible concession to æsthetic feeling and members of the staff complain that the only flowers which bloom on the grounds are those in the six-acre field used for experiments in plant genetics.

The atomic pile and high energy particle accelerator which are the very heart of Brookhaven's research effort stand on a pleasant rolling knoll some distance from the administrative buildings. Nearby is the inescapable towering chimney which carries short-lived radioactive wastes away from the ground. The centre of the pile, or reactor, is a twenty-five foot block of granite; inside, atoms of normal metallic uranium are splitting in a continuous chain reaction. This pile became "critical" (that is, the continuous reaction began) more than six years ago; since then research activities have been proceeding on its dome and two of its faces for twenty-four hours a day; it is designed so that seventy separate experiments can be performed simultaneously.

There have been many valuable results from these experiments. Brookhaven physicists have developed new methods of computing the weight of atomic nuclei. They have also invented a device called a "fast chopper," an ingenious way of measuring the "cross-sections" of nuclei, that is, their power to absorb the neutrons which strike them. Elaborate information has been collected here on the effect of radiation on chemical substances, such as rubber, petroleum and plastics, knowledge which will have important industrial repercussions in the years to come. Radioactive isotopes, for use in hospitals, agriculture and industry, are also produced.

Brookhaven's Cosmotron is the second largest particle accelerator now in operation. In the middle of the Cosmotron is a giant magnet, an iron ring with an outer diameter of 75 feet. Around it is a vacuum chamber, not unlike a race track; into this chamber tiny sub-atomic fractions of matter known as protons are fired. As they circle the track, the particles are given an extra kick in voltage until, after making the trip round the magnet some three million times, they are moving at a velocity approaching the speed of light. At this point, a target is inserted into the chamber; the hopped-up protons smash into it, and the observed results add to fundamental knowledge about matter. Using a recently developed principle known as "strong focusing" of protons, the National Laboratory's scientists are now engaged in building a new accelerator almost ten times as powerful as the Cosmotron, due for completion in 1960.

Also under construction is a new medical research reactor which will be in operation by 1958. The laboratory operates a forty-eight bed hospital, and medical research, particularly into cancer, is an important part of its programme. The nuclear engineering department is now designing a new kind of industrial reactor using a mixture of uranium and liquid bismuth to generate electricity.

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Altogether, more than 1,800 persons are employed at Brookhaven, including 35 senior scientists, some of whom are paid $10,000 to $15,000 a year; there are 325 people on the permanent scientific staff in all, and the median annual income for this group is $8,000 (about £2,850). Until recently those who have just gained doctorates in science have been brought in at starting salaries of $6-$7,000, but this is now being raised to $7,200-$7,800 because of the fierce competition for young scientists and engineers in the United States. As well as the permanent employees, there are some 300 transients working at the laboratory. These "visitors" are an important part of the Brookhaven staff; they come from universities, industry and overseas, and often stay for a year or more. Those of the transient staff who come from large industrial concerns are, of course, paid by their companies; the Westinghouse Corporation, the Dow Chemical Company and the B.F. Goodrich Rubber Company are among those which feel that it is good business to maintain one or more employees at the laboratory. Scientists on leave from universities may be supported either by Brookhaven or by their own institution. In another category are the 65 foreign scientists; in order to obtain permission to employ them, the laboratory must show that they are essential to its work. In contrast to the Argonne National Laboratory and the Institute of Nuclear Studies at Oak Ridge, Brookhaven offers no formal teaching programme; here all learning is by doing.

The executive staff at Brookhaven is drawn from scientific or academic pursuits and its attitude toward research workers is protective; they are considered to be delicate blooms which must be insulated as much as possible from non-technical detail. Amateur theatricals flourish at the laboratory, but it is music which seems to engage most of the off-duty interest of the scientific intellectual. It is not uncommon for a physicist earning $8,000 a year to possess a high fidelity gramophone system worth over $1,500.

Both at work and away, Brookhaven people assert their fierce devotion to pure basic research, which they define as an attempt to understand how nature works. With this is coupled a drive to get things into print, to publish the results of experiments in the scientific journals. Many, perhaps most, of Brookhaven's dedicated scientists regard research as an end in itself; the practical application of their work is to them a distasteful appendage. The constant emphasis on separation of pure and applied physics recalls the fact that the laboratory, and modern nuclear science itself, sprang from the wartime development of a weapon of mass destruction, which outraged the consciences of many of the scientific employees of the Manhattan District. It is an attitude which will alter as the atomic energy programme grows away from its origins.

What is the future of the National Laboratory? Associated Universities was originally established to encourage co-operative effort in an area in which the cost of equipment was enormous and there was a shortage of trained personnel. Now, ten years later, the big machines—the reactors, accelerators, electronic computers—have become even more costly. And, while the number of scientists and technicians with nuclear experience has grown, research in the United States is hobbled by the tendency of such persons to collect in "sub-critical" pools, too small to tackle the really big jobs, and cut off from outside contacts by corporate or institutional boundaries—and by security regulations.

But the director of the AEC's physics programme has stated that basic research carried on at university laboratories is far less costly to the government than that done at the national laboratories—Brookhaven, Argonne, Oak Ridge and Berkeley, California. Nevertheless, the building programme now going on at Brookhaven indicates forward planning on a semi-permanent basis. Moreover, Associated Universities itself is being asked to do other jobs in addition to its operation of the laboratory. The group recently completed a study of radiation for the Defence Department, and has now undertaken to construct and operate the new National Radio Astronomy facility in West Virginia. New needs, in a functioning society, evoke new institutions, and Associated Universities offers one tested method of meeting some of the problems of organising technological progress.

Going to the Fair

FROM A CORRESPONDENT IN NEW YORK

THE so-called Trade Fairs which spread across Europe during the interwar years, never quite caught on in the United States, where the tradition of holding fairs, which was at least half a millenium old when America was settled, had taken an agricultural and competitive rather than a mercantile, form. While specialised efforts, such as the annual Toy Fair and the Furniture Exhibit, have been extremely successful in the United States, previous attempts to launch a general trade fair have failed. One was held in Chicago in 1950, but was not repeated, and the Canadian Industries Fair has been given up. What seems to be a general trend away from such gatherings has been emphasised by the closing down of the London section of the British Industries Fair. Nevertheless, a sanguine entrepreneur in New York city has now organised the United States World Trade Fair, billed as the largest international trade exposition ever held in the Western Hemisphere.

During this week and next, in New York's huge white Coliseum, an estimated one million visitors will go "Around the World for 90 cents." They will look at the lavish national pavilions of 42 countries, including Poland and Czechoslovakia. They will examine three thousand separate displays from trade exhibitors in 59 countries, and a large number of items which would have appealed to P. T. Barnum. Among these are King Farouk's jewel collection, carillons from the Netherlands and gorgeous mannequins. A smaller but more significant stream will be those who come to buy. Perhaps 100,000 representatives of retail shops and wholesale distributors will compare prices and order goods. The sponsors hope to make the fair an annual or biennial effort, which will play a significant part in international trade and in the American economy. Only a few general trade fairs in the past have achieved such significance, an historical example being the fair at Nijni Novgorod, which was closed down by the Russians in 1930.

The British Government is spending approximately £12,000 on its national pavilion, displaying woollens, tourism, aircraft and atomic energy. This amount is approximately one-eighth of the sum previously spent in publicising the British Industries Fair, and it is something of a gamble by the British who are feeling Japanese and German competition in the dollar market. According to a Board of Trade official, 500 serious enquiries from buyers in the dollar area would justify the expenditure involved. In addition, 150 British companies are represented in the nine commodity groups, including manufacturers of the world's smallest and cheapest power-saw, of pocket knives, of overcoats, and of seersucker plastics. The results of the fair, in terms of new orders for British manufacturers, will be awaited with interest. Unlike the United States government, which regards participation in such fairs as a propaganda device, Whitehall is primarily interested in the ring of the cash register.

The World Overseas starts on page 23

THE ECONOMIST APRIL 20, 1957

ADVERTISEMENT ADVERTISEMENT

IN THE BELGIAN CONGO A BRILLIANT SUCCESS HAS BEEN ACHIEVED BY PRIVATE ENTERPRISE:

The Union Minière du Haut Katanga

THE serious shortage of copper from which the whole world suffered during 1955 and 1956 led to the acceleration of numerous mining projects, especially in Northern Rhodesia. It is interesting to stress the no less spectacular development in the neighbouring territory of the Haut-Katanga, at the same time as these mines began to be worked on the copper belt. The British public is, of course, not unaware of the importance of the interests their country has obtained there through the medium of Tanganyika Concessions Limited.

The Union Minière du Haut Katanga enjoys a reputation today both on the score of the position it occupies in the world among the producers of strategic metals as well as on that of its successes in the social field. Nevertheless, its beginnings were very difficult. The company was compelled to undertake its work in unhealthy conditions, of discomfort and of isolation which nowadays are difficult to imagine.

It need hardly be recalled that the Union Minière was born of the collaboration of Belgian and British business men and technicians under the aegis of Leopold II, King of the Belgians and Sovereign of the Independent Congo State, so much maligned at the time, who created the basis of modern Katanga and who, whilst co-ordinating the efforts of those working to build up the essential infrastructure, in particular a railroad, conceived the plan of a limited company able to make good use of the mineral resources of the Haut-Katanga.

In 1891, a Chartered Company, the Cie. du Katanga, belonging to the group, Société Générale de Belgique, had received the property rights in one-third of the unoccupied part of that province together with a concession for its mineral wealth, the Independent State retaining the other two-thirds. In 1900 the Comité Spécial du Katanga, in some degree a Chartered Company, was created for the joint management of this property. The C.S.K. in the same year conceded to Robert (later Sir Robert) Williams prospecting rights in the Haut Katanga mining region. Leopold II had, in fact, the political vision to unite himself with his powerful southern neighbour, the only one capable in that region of furnishing technicians able to undertake the immediate investigation of the mineral wealth revealed by the Belgian geologist Cornet eight years previously. Furthermore this collaboration was tantamount to the *de facto* admission by Cecil Rhodes of the sovereignty of the Congo over the Katanga. The future was thus assured.

In the following year, Robert Williams transferred his rights to Tanganyika Concessions Limited. Thus the work was set in train. Five years later, in 1906, the Union Minière du Haut-Katanga was created in order to work the mines discovered or yet to be discovered. The C.S.K. in agreement with the T.C.L. brought to the U.M.H.K. the results of the studies and the prospecting carried out, and granted to that company the exploitation rights in a well defined area for a period of 30 years. The concession was later extended to 1990.

The initial capital was fixed at 10 million francs, 100,000 shares subscribed half by the Société Générale de Belgique and half by the T.C.L. Further, 100,000 dividend bearing shares were allocated gratis to the C.S.K. as remuneration for the assets brought in by it. 40,000 of them were reassigned to the T.C.L.

In case of an increase of capital, it was laid down that as many dividend bearing shares would be created as there were shares in the new issue, which dividend bearing shares would enjoy the right to vote and would be given gratis to the C.S.K., two-thirds of whose capital belongs, it will be recalled, to the Colony.

The community of the Belgian Congo has therefore already derived the greatest benefit from the work of the Union Minière.

The undertaking by the U.M.H.K. of the activities of the T.C.L. presented some problems of a delicate nature. The young company had neither the experience nor the personnel to undertake this task by itself immediately. Thus a technical committee of management, acting under the direction of Robert Williams, Vice-Chairman of the Company, was created. This committee set to work in Africa and was independent of the representative of the Board. This chain of command was naturally bound to create difficulties, which were not, indeed, absent. In addition to this, the creation in the heart of Africa of a mining and metallurgical industry presented in itself a number of extremely difficult problems.

Coming from the South, the railway reached Elisabethville and the Etoile Mine in 1910. A foundry, the first metallurgical venture of the Katanga, had been built close by on the Lubumbashi river. The first copper casting was made there in 1911, but this activity was only a very temporary one. In point of fact, the cost price of the metal proved itself to be prohibitive. The whole capital of the company was swallowed up and its liabilities grew continually heavier.

In 1912 important measures of reorganization were undertaken. From that point onwards, Belgian engineers and technicians in ever increasing numbers took the place of their English and foreign colleagues and it was with the consent of the British shareholders that the technical management passed into Belgian hands. On the financial level, Belgium also increased its activity. The Société Générale under the influence of its Governor, Jean Jadot, agreed to take further risks and made further investments in the Union Minière. The latter's capital was increased by 2.5 million francs and 10 million francs of debentures were put on the market. This was certainly a heavy burden, but within a short while the correctness of these views was proved: during the 1914-18 war it was possible to supply the Allies with 85,000 tons of copper, an outstanding achievement for that time.

Since those heroic days, the Union Minière has developed spectacularly. After the brief crisis which followed the first world war, the company began to thrive.

The period from 1923 to 1930 is one of great achievements: Elisabethville became a metallurgical centre of the greatest importance. The process of electrolysis began to be used. Cobalt, at first considered an impurity, was recovered from production. In 1930, the Francqui hydroelectric power station began to operate.

Since there was insufficient labour at Katanga, it became necessary to import it from more or less remote districts. These men were at first housed in camps and were subject to demoralising influences. It is greatly to the credit of the Union Minière that since 1928 it applied a policy of settling families of the workers and that it has never ceased to promote their social welfare. As a matter of fact, since the beginning the company has been concerned with the well-being of the natives. It has been a pioneer in this field.

The increase in the financial means of the Union Minière kept pace with the rapid development of its installations. Between 1921 and 1930, the capital was increased to 400,000 francs and debenture loans for an amount of nearly 500 million francs were placed on the London and Amsterdam markets.

Then, suddenly, the great crisis of the 1930's came, sparing neither the Congo nor the Union Minière. The price of copper dropped sharply and production had to be drastically reduced. But, even when this period was at its darkest, the company continued to use its initiative. Several branches were created and in the midst of the crisis new installations were established. Consequently, when circumstances, under the pressure of international tension, again became favourable, the Union Minière was prepared to continue its upward trend.

The year 1937 is an important date in the history of the company's capital. The various securities were unified and replaced by capital shares without nominal value, the same as those with which we are familiar today, offered on the market in tenths of one share. The company's capital was increased to 300 million francs by the issue of 414,000 new shares. According to the agreement, the Comité Special du Katanga at the same time received a certificate, entitling it to 414,000 votes at the meetings of the company. It was understood furthermore that the C.S.K. would be entitled to a royalty of 10% of the extra dividends to be distributed among the shareholders over and above a first dividend of 1,150,000 francs. As in the case of each increase in capital, the C.S.K. reassigned a part of its rights to the T.C.L. in conformity with the agreements between them.

The increase of capital in 1937 permitted the Union Minière to take radical steps towards rendering its financial position a sound one and towards repaying the considerable loans it had contracted in sterling and in guilders.

The 30's were for the company the end of an era which may be termed that of the creators. With the second World War a new era commenced, an era of rapid and uninterrupted development up to the present day. During the war, in spite of all difficulties and at the cost of an all-out effort the U.M.H.K. was able to afford the Allies the indispensable aid of 800,000 tons of copper delivered to the U.K., the whole production of cobalt shipped to the U.S.A. and invaluable supplies of uranium. Whilst the metallurgic works were modernizing their equipment, the region of Kolwezi in the western sector became the principal mining centre of the Haut Katanga.

The transformation of Katanga in these last ten years, the result of the ceaseless activity of the Union Minière, is at least as spectacular as that of 1923 to 1930. Visitors today are unanimous in recognizing the economic and social equilibrium of this region which was recently so poor and so desolate.

The industrial power of the company is considerable. The range of its products has increased and their volume has grown incessantly. Through the intermediary of its numerous branches it participates in all sectors of economic activity. In 1956, the Union Minière produced 247,500 tons of copper, 9,100 tons of cobalt, 203,800 tons of concentrates containing approximately 58% zinc, 110 tons of cadmium, 118 tons of silver and large quantities of germanium, uranium and radium. Four hydroelectric power stations have a production capacity of about 2,400 million k.w.h. per year, of which 500 million are now exported each year to Rhodesia.

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In the social field, the company employs those methods best adapted to the progress of the work, in agreement with the Government of the Colony. The population of its settlements at the end of 1956 was nearly 89,000—the families of its 22,000 native workers.

On the financial plane, the capital evolution of the U.M.H.K. goes hand-in-hand with its astonishing expansion. The capital was increased from 300 million to 1 milliard francs in 1946 and then by stages to 8 milliard in 1956, by incorporation of its various reserves.

The profits obtained by the Union Minière reflect its prosperity. In spite of considerable investments, they have increased from 600 million francs (or £4.3 million) in 1946 to 1,838 million francs (or £13.1 million) in 1950 and 4,098 million francs (or £29.3 million) in 1955, whilst production of copper, the principal product of the company, rose from 144,000 tons to 235,000 tons. The increase in production enabled the greatest profit to be obtained from price increases on the non-ferrous metals markets.

All this, however, is only a phase of development. The near future will see numerous new plans realized, both in mines and metallurgy and in the social sphere.

After a period of extraordinary boom and then of instability, the copper market is now recovering its equilibrium. There can be no doubt that before long it will experience a new prosperity. The shareholders of the Union Minière du Haut Katanga can face the future with confidence.

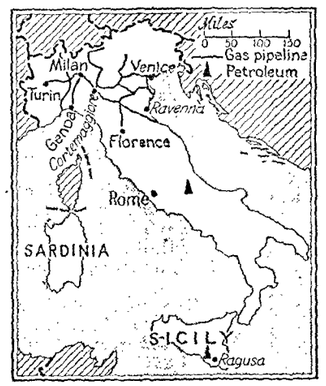
THE WORLD OVERSEAS

The Oil Outsider

THE hold of the great private oil companies in the Middle East, eroded already by nationalism, has now been challenged by a new figure, Signor Enrico Mattei, the 51-year-old president of the Italian state corporation, Ente Nazionale Idrocarburi (ENI). Two months ago he reached an agreement with Egypt for joint exploitation of the oilfield of *El Belayim in Sinai*, on terms which depart from the 50-50 principle for royalties adopted by the established companies in the Middle East. Since then he has been seeking an agreement with Iran to explore the promising Qum field. Here he has failed for the moment. But he remains a thorn in the side of the established oil giants and an economic and political force to reckon with in his own country.

His combination of capitalist enterprise with state privilege and power is peculiarly Italian. When Mussolini's bloated corporative state was decapitated, many of the hydra's limbs remained adrift in the economy, inert bureaucratic monstrosities in some cases, in others a ready tool for able and ambitious men—of whom Signor Mattei was the most spectacular. Like the fifteenth century condottieri who became as powerful as the princes they served, he has carved out an economic empire for himself in the state's name. In the confusion of 1945, the Italian provisional government sent him to the Po valley to wind up the local branch of the state-owned natural gas company, which had prodded at the basin for years with negligible results. Instead of selling off the gear and firing the staff, he threw his orders into the wastepaper basket, borrowed money and drilled as fast as he could. He was either very able or incredibly lucky; perhaps both. Small finds were followed in 1949 by an astonishing strike at Cortemaggiore. By 1956 Signor Mattei was producing 3.5 billion cubic metres of gas compared to a mere 400 million cubic metres seven years before. Natural gas, flowing mainly through the pipelines which he had thrown across northern Italy with conspicuous scorn for municipalities and property rights, was supplying 11.5 per cent of the country's fuel, and a precious raw material for the chemical industry.

Signor Mattei sold his methane not at the tiny production cost but at a price competitive with imported fuel, and his financial assets quickly multiplied. He entered parliament as a Christian Democratic deputy, and in 1953 it gratefully appointed him head of a new and bigger state corporation with a monopoly of oil and natural gas production in the Po valley, and with capital assets of some £33 million. He was not without critics. Industry, handicapped by high fuel costs, complained that he was not passing on the benefits of the new cheap fuel. Politicians began to ask how Mussolini's legacy of economic states within the state could be brought under parliamentary control. A "Ministry of State Participations" was eventually set up, a new democratic head for the hydra. But whether the head will move the limbs, or the reverse, remains uncertain. Signor Mattei's success and influence have grown year by year. ENI makes an annual profit of over £2 million, and has an investment programme of £102 million for 1956-8.



The golden egg of natural gas has recently shown signs of tarnishing; production went up by only 22 per cent in 1955, a slower growth than in former years. No new finds have been made as rich as Cortemaggiore. But Signor Mattei is expanding his empire. He distributes a fifth of Italy's petrol and has developed "motels" to encourage sales; he is building a £26 million synthetic rubber plant at Ravenna; he is said to have searched Sardinia for uranium by helicopter. And he has set his sights on the biggest quarry of all, oil.

The Po valley is regarded by some geologists as Italy's most promising potential source of oil. Since Standard Oil, which had been exploring there, was driven out by the 1953 law, it has been Signor Mattei's preserve. But his search has had little success. Critics claim, perhaps unjustly, that his technical resources are hopelessly inadequate to the task of exploration. Drilling does seem to have been more active in Sicily, where, under a regional law favourable to foreign companies, a patchwork of busy exploration concessions has taken shape. The Gulf company struck oil near Ragusa in 1953, and they expect to bring up over a million tons this year. Thus, from their preserves in the opposite ends of Italy, the private firms and Signor Mattei glowered jealously at one another.

The struggle came to a head in 1955 when oil was struck 100 miles east of Rome. This was neutral ground, where, while ENI had no monopoly, private companies had no security for the future. The existing law allowed them exploration rights but no guarantee that they could continue to exploit any oil they found. The first strike was made by a company jointly formed by Gulf and the Italian chemical concern, Montecatini. But Signor Mattei rushed his drilling teams to the area, and soon struck oil close by. Then he concentrated all his efforts on influencing a new bill which was designed to clarify the ambiguous law.

This time the opposition to him was more articulate. It comprised the international companies; Signor Sturzo, the Sicilian founder of the Christian Democratic party; many oil technicians; the small band who appreciate how much liberal economic policies have done for Italy since the war; and a growing number who were disquieted at Signor Mattei's swelling power. But on his side were not only the left and centre of his own party, but many Communists and Socialists. Adept at publicity, he also commanded widespread emotional support outside parliament. Habits of thinking derived from both Mussolini and Marx, social bitterness, and anti-American and anti-British resentment originating in the bungling of Italy's surrender, combined to increase the popular backing for the Italian David in his challenge to the Goliaths of Anglo-Saxon capitalism.

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Signor Mattei did not get all he wanted, but the law clearly gives him a privileged position. A belt of ENI territory may surround each private concession, and the 50-50 profits rule is abandoned for a more flexible arrangement; any of the international companies which worked under it would be breaking the common front. Gulf soon gave up its drilling on the mainland and retired to Sicily in a huff. And as yet the promise of the Abruzzi field has not been fulfilled.

Successful in Italy, Signor Mattei is now challenging the great oil companies in the Middle East. Last year he quietly went into a company in Egypt, which is producing oil along the Gulf of Suez. Now this has gone into partnership with the Egyptian Government to exploit El Belayim, which might yield a million tons this year. The contract is not a direct affront to the 50-50 principle, but it can be interpreted as one. ENI's subsidiary will pay 50 per cent royalty on the profits it draws, but it will only hold 51 per cent of the shares of the new company, and the Egyptian government the remainder. In all, therefore, Egypt will get some 74 per cent of the total profits from the field. The contract which Signor Mattei hoped to sign with Iran was similar. He was not to produce the Qum oil, but he hoped to play a large part in its distribution, a task for which his experience suits him well. But the scheme fell through—perhaps because of the awareness of the Shah and his advisers of their dependence on the United States.

Signor Mattei's weakness is lack of finance and technical resources in comparison to those of the great companies. He might well be content to stop his disturbing activities once they accept him as an equal, if a smaller one, and give his infant company a chance to learn from them. The outsider's strength is political. As a have-not power, defeated Italy, like Germany, is acceptable to a Nasser or a Mossadegh. Mattei's search for a partnership with the nationalism that alarms the Anglo-Saxon powers awakens an echo of political sympathy in Italy too. A stir of approval ran through Italy when an Italian tanker broke the ban on Mossadegh's Abadan. Mattei's challenge to the 50-50 principle is not merely a means of pressure on the major companies but a political challenge too.

Albania Steps Up the Attack

FROM OUR CORRESPONDENT IN BELGRADE

THE Albanian leaders, whose visit to Moscow completed the set of satellite pilgrimages to Russia since the Hungarian revolt, wasted no time in getting down to their favourite occupation of attacking Jugoslavia. In his first speech, the Albanian prime minister, Mr Mehmet Shehu, hailed the Soviet Union's glorious leadership and attacked the Jugoslav communists as "revisionists and opportunists" in almost the same breath. Ever since 1948, reviling the "comrades" across the border has been one of the main occupations of Albania's communist leaders. They have acted as pace-setters in making loud accusations against Marshal Tito which are later echoed by the rest of the Soviet block; while, more recently, when flattery of Jugoslavia was the order of the day, Albania lagged behind. Personal antagonism towards their former Jugoslav "protectors" is one reason for the Albanians' attitude, for no gratitude is felt for the support which the Jugoslavs gave the Albanian communist party in its infancy; but it is also undoubtedly approved and abetted by the Kremlin. Ever since 1948, Albania has been cited by the Russians as an example of a small country threatened by a big one—a victim of Jugoslav interference, imperialism and exploitation—so that when the Jugoslavs make similar accusations against the Russians, they can be told that they are in no position to throw stones.



When diplomatic relations between Marshal Tito and the Soviet block were "normalised," the Albanians alone refused to make an unreserved apology for having made "wrongful accusations." Their gestures of conciliation to Belgrade during their last party congress were only half-hearted. Mr Hoxha, the first secretary of the party, refused to rehabilitate those Albanians who had been executed for "Titoist" deviation, and continued to insist that Koci Xoxe was an "imperialist criminal" whose liquidation was justified. While other East European communists were falling over backwards to withdraw their earlier abuse of Marshal Tito, the Albanian leaders only talked of pre-1948 "misunderstandings."

Then, last November, when the new differences between Belgrade and Moscow developed into fierce public criticism of the Jugoslavs, it was Mr Hoxha who heralded the campaign by writing an article for *Pravda* in which the deadly term "revisionist" was applied to Marshal Tito's attitude towards the Soviet intervention in Hungary. The Jugoslavs retorted by publishing Tito's Pula speech, and so took up openly the challenge to verbal hostilities which have been gaining in bitterness ever since.

The new battle is not confined to ideology. The Albanians have also been delegated to set the pace in reviving traditional national quarrels which were not brought up even in the worst days of the 1948-54 feud. Mr Hoxha recently complained that the "Belgrade chauvinists" had "denationalised" the Albanian minority of 500,000 living in the Kosmet region, declaring that not even "Serbian royalists and Greek imperialists" had been guilty of such practices. Kosmet, whose inhabitants also include Serbs and Shiptars, is particularly sensitive to national antagonisms; and, according to the Jugoslavs, Moscow chose it as a propaganda target to divert attention from the embarrassing ideological principles now in dispute. The Jugoslavs quickly reacted by holding a big meeting at Pristina, the main town of Kosmet, to demonstrate with facts and figures the wellbeing of the Albanian minority. They have also brought counter-charges about Albania's treatment of its Montenegrin minority, and have accused Albania of desecrating Serbian graves of the first world war, adding the taunt that "even King Zog had respected the last resting place of dead soldiers."

It is hard to say how much antagonism really exists among the mixed population of Kosmet. Since the war, the government has been very careful in its handling of minority rights. The national groups have an equal say in municipal, regional and district committees, and there is substantial evidence that neither group is unfairly favoured. Among individuals, however, the old feuds have yet to disappear. This is not surprising in an area where education is still scanty. The old grudges are still raw, and a longer period of education and intermingling will be needed before they are healed. But now the government's efforts will probably be intensified, if only to impress Albanians across the border.

Since making these charges of "revisionism" and "denationalisation," Tirana has carried the offensive a stage further. Just before the Albanian leaders left for Moscow, their party newspaper, *Zeri i Populit*, claimed that the Jugoslavs have "actively joined" the imperialists; previously the charge had only been that they were "objectively aiding" the imperialists. The pace may have been set for a new attack.

Towards Multi-Racialism

FROM OUR SPECIAL CORRESPONDENT LATELY IN TANGANYIKA

TANGANYIKA is the quietest but by no means the dullest of the British African territories. Between the surrender of the fabulous General Lettow von Vorbeck in 1918 and the opening of the no less fabulous ground-nuts campaign of 1947, virtually no event disturbed the equatorial scene. During the thirties, there was a good deal of Nazi propaganda among the remaining German settlers; and at one time, the immigrant British became seriously alarmed by rumours that Neville Chamberlain would restore Tanganyika to Germany. But when war came, the German plotters were efficiently rounded up and their property was first sequestrated and then confiscated. Today, nothing remains of *Deutsch Ost-Afrika* save the blockship sunk in Dar-es-Salaam harbour and a number of *bomas* or fortresses from which the former administrators used to exercise their dynamic and ferocious rule. Of Mr Strachey's ground-nuts nothing remains whatever.

The Tanganyika of today is politically unique in Africa, being a genuine multi-racial society in embryo. This is formally recognised in the agreement under which the British Government accepted the Mandate. But it also results naturally from the population structure. At the end of 1955, Tanganyika contained 8,205,000 Africans, 94,400 Asians and only 25,000 Europeans. (In Kenya, a territory about half its size, the corresponding figures were 5,815,000 Africans, 180,000 Indians and 52,400 Europeans.) Whatever, therefore, the political future of Tanganyika, it obviously cannot be a preserve either of Europeans or Indians. Sir Edward Twining, who has been Governor since 1949, has never failed to make this fact crystal clear. And the Africans, because they do not fear European domination, have at present no desire to root the Europeans out.

If Tanganyika is spared the troubles of Kenya or Rhodesia, it suffers from the opposite complaint of political inertia. The territory is still ruled in colonial style by the governor and a Legislative Council containing 31 official and 30 representative members. The latter are divided equally between the three races, one of each race representing each of the eight provinces and the capital, Dar-es-Salaam. Next year there are to be elections in certain constituencies and the franchise is being extended, but compared with developments in Ghana and elsewhere, these measures are bound soon to seem antiquated.

*

Because of poor communications, especially with the Central African Federation, Tanganyika has not yet felt the impact of African nationalism. There is one party, the Tanganyika African National Union (Tanu) which is in line with African nationalist parties elsewhere. But its leader, Mr Julius Nyerere, a globe-trotter of considerable ambition, is still rather small beer in the great anti-colonial capitals, and he has not as yet much support from the left wing of the British Labour party. Inside Tanganyika, support for Tanu is chiefly concentrated in the Dar-es-Salaam area, in the towns on the central railway.

Confronted with Tanu, the government encouraged the formation of the multi-racial United Tanganyika Party (UTP). Its task is delicate: to animate political life in a country which is still pre-political. In particular, the party is faced with the problem of grafting western institutions such as local, county and town councils upon African tribal government. Democratic local government at the Native Authority level works well enough, and in some cases, for instance among the Chagga tribe on Kilimanjaro, even the women take part in administrative decisions. But the UTP's aim is to recruit a political elite of all three races.

The party's main complaint is that the British provincial and district commissioners, whose instinct is to isolate and protect the African, make it difficult to mix the races. During its short life the UTP has also found the attitude of the European settlers depressingly negative. A few of them, notably a group of young farmers on the western slopes of Kilimanjaro, subscribe to the programme of the Capricorn African Society, which at its congress last year contracted to establish common citizenship and multi-racial institutions in all British African territories. But most of the thinly scattered European farmers and businessmen regard the UTP merely as a means of containing Tanu. The Indians have responded politely. But they will not commit themselves, since they are afraid that they may eventually have to live in a African nationalist Tanganyika rather than in the multi-racial society which they would much prefer.

The economy of Tanganyika steadily improves. In 1955 exports of sisal and coffee amounted to £10 million and £7 million respectively. Although coffee is mainly grown by African smallholders on plots averaging less than an acre (unlike sisal which is a European owned plantation crop) the production and marketing of coffee is highly organised by bodies such as the Kilimanjaro Native Co-operative Union and the Bukoba NCU. As a producer of minerals, Tanganyika, with its diamonds, gold, silver and lead, reigns unchallenged in East Africa, and production rose from £2 million worth in 1951 to £5½ million in 1955. In its land policy the government has been guided by the report of the East African Royal Commission on Land and Population. Only a tiny percentage of the land has been alienated to Europeans. But great efforts are needed to raise African agriculture above the subsistence level. The hoe is still the basic implement throughout most of the territory's vast area, the African is still inclined towards a shifting cultivation, and the tsetse fly still debars large regions from carrying stock.

All this means that a great deal of capital is needed, particularly for bush clearance and farm mechanisation. But there is a danger that investors, particularly the large corporations, will be put off either by doubts about the territory's future status or by impatience with the slow financial return from a country so undeveloped in its communications and power resources. If substance is to be given to the multi-racial political concept, Tanganyika must surely undergo the kind of steady economic advance that has succeeded so well in the Belgian Congo. But this seems beyond the present resources of the resident Europeans.

Jordan's Breathing Space

FROM OUR CORRESPONDENT IN BEIRUT

Tuesday night

FEW people in Amman foresee a long life for the new government formed by Dr Hussein Fakhri el Khalidi yesterday. Although the initial reception was reasonably good, it is widely regarded as a stopgap designed to give the tension a chance of easing. It consists of three politicians, a banker, a doctor, a dentist and a judge. Two of its members, the premier and the deputy premier, Said el Mufti, are from the Senate; the rest are drawn from outside parliament. An early test will come when the government presents its programme to parliament.

There seems no intention of effecting any radical break with the foreign policy of the former left-wing coalition government of Suleiman Nabulsi. The appointment of the premier of the outgoing government as foreign minister in the new one itself suggests that there is no such intention. Both the King and Dr Khalidi, moreover, have explicitly stated that Jordan will continue to pursue the ideal of Arab unity, that it rejects "imperialism" and foreign alliances, and adopts a system of "positive neutrality" as the basis of its policy.

The vigorous statement of these slogans by the King and the premier is an attempt both to appease the nationalists and to steal their thunder. There is strong latent radicalism among the urban masses of Jordan and in the refugee

camps; allied to nationalism, it carries an appeal of overwhelming strength. The King and his advisers have wisely decided to go along with the nationalist current, although they certainly hope to purge it of its extreme radical taint.

The desire of the King to have at least one outstanding member of the former government in the new administration is easy to understand. He badly needed to reassure the masses, among whom the Nabulsi government was probably the most popular Jordan has ever had. But Nabulsi's decision to accept the foreign ministry is less easy to interpret. Perhaps he did so in order to ensure the continuity of foreign policy, which might otherwise have been undermined in spite of the King's recent declarations. Perhaps he hopes to wean his National Socialist party, the largest in the chamber, away from its alliance with the extremist Baath Socialists and National Front, and to aim at a right-centre coalition in which the National Socialists would have a larger say, commensurate with their representation in the chamber. At all events, his decision marks an abrupt reversal in policy since last week, when Dr Khalidi's first attempt to form a government failed because of the joint refusal of the left-wing parties to serve with him.

"I don't like it; it's much too quiet." This remark is often to be heard in Amman today. There is little doubt that the King's resolute action on Saturday night stopped the left wing in its tracks. His action against the plotters at Zerka, and the subsequent show of force in Amman, with an armoured regiment rumbling into town to shield the palace, had a stunning effect. But few would care to prophesy that the leftist masses have been disposed of once and for all. Loyal troops are in command in Amman and its neighbourhood. But where the masses are concerned, action in Jordan usually begins on the West Bank, whence it hits the country with hurricane speed and violence. The fact that the mob has held its hand has given the army no chance of chopping its fingers off, and there is a widespread feeling that the real test of strength lies ahead.

The new government is confronted with three delicate problems: diplomatic relations with the Soviet Union; the reinstatement of the civil servants who were dismissed by the Nabulsi government; and what to do about the mission of Mr Richards, President Eisenhower's special envoy.

The first question is delicate for Mr Nabulsi personally, rather than for the government as a whole. There is no evidence of any widespread popular demand for relations with the Soviet government. But Nabulsi himself forced the issue on King and people, and he will have to do some adroit word-swallowing if the new government—as seems likely—decides to defer consideration of the question. It

"Motor Business"

The March issue of this quarterly research bulletin for the motor and allied industries is now available and includes:
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is on the issue of reinstating the dismissed civil servants that the Left feels strongly. It regards the civil administration as having been packed by former "reactionary" governments, and it was the insistence of the Nabulsi government on reversing that trend that contributed more powerfully perhaps than any other factor to the crisis between King and government. The new government must walk warily if it is to avoid storms from the left.

The problem of the Richards mission is still more serious. There is no doubt that the moderates in Jordan would welcome United States aid if it were offered on reasonable conditions that left Jordanian sovereignty untouched. Yet many left-wing leaders have made it a prestige issue by stating in so many words that they would bring the mobs into the street rather than admit Mr Richards. Popular agitation against his mission by largely left-controlled "national guidance committees" is just the spark to set off the kind of popular explosion that would stretch the army to the limit and put almost irresistible temptation in the way of Jordan's neighbours.

Tunisian Light and Shade

FROM A SPECIAL CORRESPONDENT

At the first anniversary of Tunisian independence last month the official delegates and journalists from forty-seven countries were present as guests of the government. The idea of celebrating in a big way came to the prime minister, Mr Bourguiba, when he attended the celebrations in Ghana. Tunisia, he thought, should do at least as much as Ghana to make itself known in the world. Not that the Tunisians suffer from the Egyptian itch to be a great power, for which position their population of three and a half million and lack of natural resources in no way fit them. But they do have the ambition to be a model progressive state in the Arab world, of which they recognise themselves to be part. They remember that they were the first Arab state to experiment with a constitution nearly a century ago. Some of them will say that whatever harm colonialism may have done them, they are deeply grateful to France for having given them the Cartesian outlook. However this may be, they give the impression of believing in racial and religious tolerance, of a marked tendency towards social reform and of pursuing a foreign policy which, while directed to complete independence, aims at co-operation with their Muslim and Christian neighbours.

Though the draft constitution states that sovereignty resides in the people, Tunisia is, for the moment at least, governed by one party, the New Destour, with an unquestioned leader, Mr Habib Bourguiba. In the foreign field his object is to emancipate Tunisia from too great dependence on one country, France, by cultivating relations with other African and western Mediterranean countries and with the United States. He would like the North African countries, including Libya and Algeria, to be linked in a loose federation which would have a kind of commonwealth relationship with France or western Europe as a whole. Within the Arab world he supports the more moderate and less fanatical elements wherever these are to be found. His energy in furthering his aims is considerable, as shown by his personal attendance at the United Nations and at the Ghana celebrations, his recent stay in Morocco, his forthcoming journey to Libya, and his flying visit to Spain.

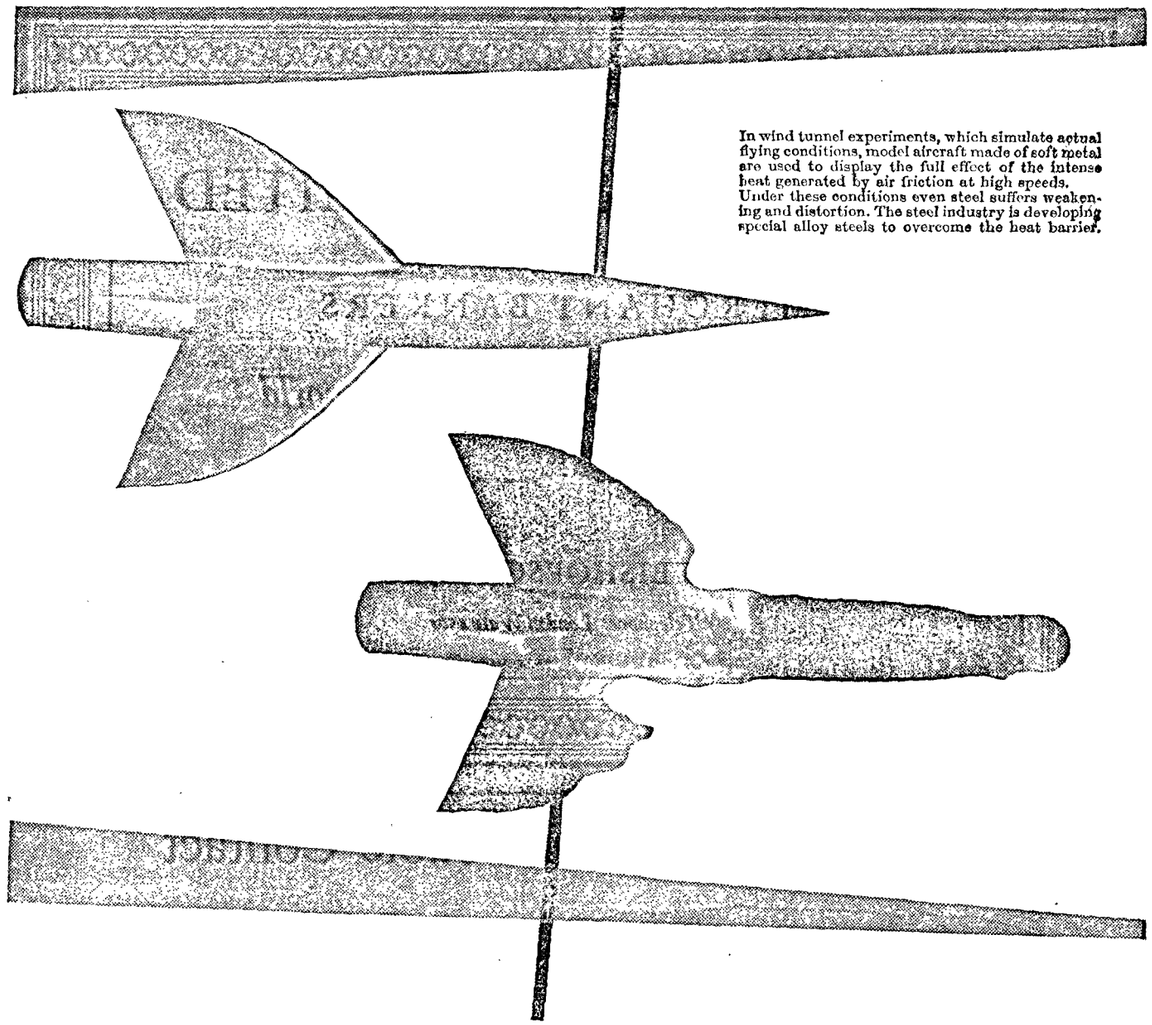
The greatest obstacle to the fulfilment of these plans is the continued struggle in Algeria, with its inevitable effects on Tunisian public opinion. French residents and French capital are leaving the country, and the otherwise excellent prospects of peaceful Franco-Tunisian coexistence are being ruined. The damage thus done to French interests is obvious and irreparable, and as France's closest ally Britain shares to some extent in the French eclipse; for an Englishman it was something of a shock to be asked more than once whether one was American or Russian as if no other alternative could exist. The British Council is investigating the possibilities of working in Tunisia; but the BBC Arabic service, which used to command an immense audience, has lost much ground, partly as a result of the opening up of many newer and more direct western contacts and partly because of British support of France in Algeria and the joint Suez expedition. The most conspicuous foreigners are the Americans, thanks to their large and efficient diplomatic organisation, their economic mission studying Tunisian needs, and the visit of the Vice-President, Mr Nixon.

In internal affairs, the tendencies of the government have been shown by the subordination of the *waqf* administration to the civil government, by the abolition of plural marriage and by the granting to women of the right to vote in municipal elections. Jews are treated as the equals of other citizens and there is a Jewish minister in the government. Another revealing sign is the attention given to youth activities and sport; these are grouped in a special ministry under the prime minister's office. Tunisia has a very high birth rate and half the population is under twenty years of age. A considerable percentage of the budget is devoted to them.

★

Unemployed young men can earn their keep (without wages) by working on various construction projects. Children's hostels, founded under the protectorate but now greatly extended, take charge during the day of the children of needy parents who cannot at present be accommodated in the schools. They receive food, medical attention and a simplified form of elementary education. "Children's Villages" take complete charge of some three thousand orphans, feeding and clothing them, providing a boy scout type of training and teaching them a craft or agriculture. The teachers are keen and the children obviously well and happy.

The charm of the Tunisian scenery and the friendliness of the people make Tunisia a pleasant country to visit. The dark side of the picture, apart from the Algerian nightmare, is the tremendous growth of the population, unaccompanied by a corresponding increase in productivity; the massive unemployment; the recurring droughts and the lack of easily exploitable natural resources. But the examples of neighbouring Libya and of other undeveloped countries show that worse difficulties than Tunisia's can be overcome by the joint operation of international philanthropy, interested or disinterested, and the resources of modern techniques. Miracles are being worked by these means daily in many parts of the world; and Tunisia is by no means the least worthy candidate for a miracle.



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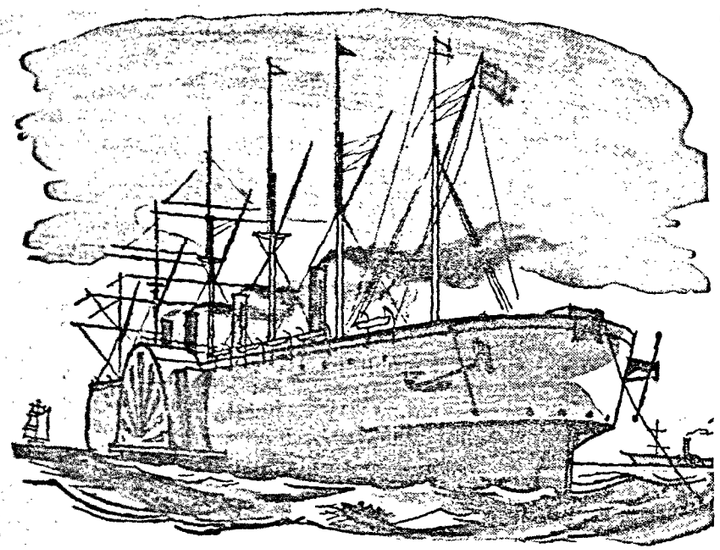
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THE BUSINESS WORLD

Courtaulds Swallows Celanese

THE press officer at British Celanese got out a rather pathetic release recently: "Textile event of the year," he wrote, "is the 'Tricel' fashion parade and exhibition on May 7th to 10th." But fate had other plans. The textile event of the year—indeed of the decade—was nearer to hand and was not a mannequin show. It was the plan that British Celanese should be swallowed by its much larger rival, Courtaulds, and that a single vast combine controlling over 85 per cent of the British rayon industry should thus be formed. It is an event that many have expected for years and yet took everyone by surprise.

There is no struggle. In the joint statement the board of British Celanese announces that it will strongly recommend all classes of stockholders to accept. Details of the offer are likely to go out to Celanese stockholders early in May. They will find it most attractive. The basis of exchange into Courtaulds ordinary and preference stocks shown in the table gives each class of stockholder a prospective rise in income except the participating second preference holders, and they get cash compensation. It gave the Celanese ordinary at 15s. 3d., an immediate rise of 7s. 6d.; and it gives the two classes of Celanese preference stockholder a markedly better covered security. The offer excludes final ordinary dividends by both companies. They will be 6 per cent, making 10 per cent for the year to March 31st, by Courtaulds and 3 per cent, making 4½ per cent, from British Celanese. There is, of course, no promise that the 10 per cent dividend will be maintained after the merger, but that seems a likely target and would justify the present price of 35s. 6d. for Courtaulds and make Celanese worth 23s. 9d. There should be little difficulty in getting the necessary acceptances. The big shareholder in British Celanese is the Dreyfus family trust, and both the Dreyfus brothers are now dead. The spirit of pioneering rivalry between the two groups seems to have died down.

WHY has Courtaulds thought it worth while to bid so high for its smaller rival? Celanese is markedly the weaker of the two. The announcement of the bid shows the relationship between them when it foreshadows that, despite some recovery in the second half of the financial year just ended, Celanese profits have been about two-thirds of the £2.4 million achieved in the previous year, while Courtaulds profits for the same period will turn out (before tax and before preference dividends) at about four-fifths of the previous year's £18.1 million. Exact computation of earnings per share is difficult on those rough approximations, but it seems that Celanese ordinary stockholders are leaving a company in which earnings per stock unit are about 6 per cent and are going into one in which they are in the region of 22 per cent. They are also leaving a company in which capital gearing is fairly high, where management has its ups and downs, and where the vulnerability to trade fluctuations is great for one where capital gearing is low, dividends conservative, and a dominating position in the industry.

Courtaulds clearly is buying partly for the assets—for

TERMS OF EXCHANGE

Holding in British Celanese	Present Income Gross	*Exchange Offer by Courtaulds*	Prospective Income Gross*
	s. d.		s. d.
£3 of ordinary.....	2 9	£2 of ordinary	4 0
£5 of 7% preference.	7 0	£6 of 6% preference..	7 2½
£4 of 7½% participating preference.....	8 0	£5 of 6% preference (+ £1 in cash).....	6 0

* Assumed dividend 10 per cent.

the good manufacturing capacity on the more expensive acetate side of the industry, which Celanese possesses. The terms seem to have been based on asset values. Working from the last available balance sheets (those of March 31, 1956) Courtaulds net tangible assets should rise from £124 million to around £146 million and its issued capital from £56 million to £70.5 million.

The explanation for the merger given by the two boards reads thus :

> It would greatly strengthen the ability of both companies to meet competition from imported textiles in the home market, and would also enable them to improve their position in the export markets having regard particularly to the problems and opportunities which are certain to arise if the proposals for the European Common Market and free trade area are completed.

That is all true enough but it should not be tied too closely to the Common Market. The first attempts to arrange a merger date from before the war.

THOUGH the new combine will not be financially enormously greater than Courtaulds now is, in the eyes of the trade it will be much more dominating. Of the British production of man-made fibres last year —255 million lbs of staple and 225 million lbs of continuous filament, some 80 per cent was viscose in which Courtaulds dominates, about 10 per cent acetate, in which Celanese is probably bigger than Courtaulds, and about 10 per cent the newer synthetics. It seems that by weight, Courtaulds already has about 75 per cent of the home market and the combined firm will have well over 80 per cent, probably nearly 90 per cent if Courtaulds' half-interest in British Nylon Spinners is included. Outside the combine there will remain several small companies : Lansil and Nelsons Silk make acetate ; Lustrafil, Kirklees, Harbens, and British Enka (also licensed to make nylon) make viscose.

On the newer synthetics Courtaulds is also strong but nothing like so dominating. It has a 50 per cent interest (jointly with ICI) in British Nylon Spinners. It has announced the arrival of its first acrylic fibre this summer, while Celanese has arranged to manufacture nylon 6 under licence from British Nylon Spinners. ICI on the other hand has the whole of Terylene and the other half of British Nylon Spinners and Chemstrand —the American associate of Monsanto Chemicals and American Viscose—proposes to manufacture acrylic fibres in Ireland. There are rumours, not yet confirmed, that fibres will be included in the products that Du Pont de Nemours will make in Northern Ireland. It is partly to face those giants from the chemical trades and to face imports that the merger will be needed.

Such a monopoly might not be permitted in America, which makes it unfortunate that Celanese does not disclose its shareholdings in Celanese Corporation of America and in Canadian Celanese. They are believed not to be dominating. The merged concern will need to convince its customers that though a monopoly, it does not intend to behave like one. It will not be helped by the practice so highly developed by British Celanese (but practised by Courtaulds, too), of competing with the Companies' own customers—the textile spinners, manufacturers and makers up.

It is fair to point out that Courtaulds traditionally pursues a low and steady price policy ; that it does so most markedly in that section of its business where it already enjoys a monopoly in this country—viscose rayon staple ; and that nothing but sheer size has enabled it to quote those low prices. Courtaulds seems to regard itself less as competing with other rayon manufacturers than as supplying the cheapest raw material that the spinners can buy, complementary to and in competition with, other fibres.

In the field that Courtaulds already has to itself there is no reason to expect a change. The chemical sides of Courtaulds and Celanese should also fit in well together. But where the two companies overlap—in acetate, in triacetate, at last passing out of its birth pangs, in warp knitting, in the overseas developments in the United States and in Australia and in the large staffs in London and Manchester—there will be opportunities for big, and painful rationalisation. One of the first decisions to be taken must obviously be whether to admit the employees of Celanese to the Courtaulds profit-sharing scheme and, if so, on what terms ? Even that decision has apparently not yet been taken. No new management could fail to unify and to prune, but a wise one would tackle that distasteful job piecemeal.

CAPITAL STRUCTURE AND GEARING

	BRITISH CELANESE			COURTAULDS NOW			COURTAULDS NEW FORM		
	Description	Amount	Gearing	Description	Amount	Gearing	Description	Amount	Gearing
Debenture	4% 1st 3½% 2nd	£ 1,989,060 868,586	% 11 5	— —	£ — —	% — —	4% 1st 3½% 2nd	£ 1,989,060 868,586	% 2½ 1½
	Total	2,857,646	16	—	—	—	*Total*	2,857,646	4
Preference	7% 1st 7½% part. 2nd	3,500,000 4,250,000	19 23½	5% cum. —	8,000,000 —	14 —	5% 1st cum. 6% 2nd cum.	8,000,000 9,512,500	11 13
	Total	*7,750,000*	42½	*Total*	*8,000,000*	*14*	*Total*	*17,512,500*	24
Ordinary	£1	7,518,534	41½	£1	48,079,453	86	£1	53,088,476	72
Total	—	18,126,180	100	—	56,079,453	100	—	73,458,622	100

How Big a Car?

Demand for cars is surging up again—and in spite of restraint last year, expansion of motoring in Britain is still ahead of forecasts. But are the cars Britain is building the ones to keep that expansion going ?

IN 1953, an attempt was made in these columns to assess the potential growth of the car population of this country. The latest figures then available gave a total of registrations in 1952 of 2¼ million cars, with an average annual increase from 1948 of 6 per cent. Making assumptions that were then proclaimed, and facts have proved, to be optimistic—that motor car manufacturers would seek to cater in particular for the lowest-priced potential market, and that the Government might somewhat lighten the monstrous burden of taxation on motoring—we predicted a car population for 1959 of between 4.28 million and 5.58 million—the higher figure representing an average annual increase (compound) of 12 per cent.

Meanwhile, the Government has substituted scorpions for whips in their treatment of motoring, increasing the purchase tax on cars and restricting hire purchase facilities ; nor have the British manufacturers been concerned to develop very small cars for "minimum motoring" of the character, or the technical brilliance, of their Continental competitors. None the less, the registrations in the autumn of 1956 had reached 3.84 million—an average annual increase of 11.2 per cent. By 1959, a continuation of this rate of increase would mean a car population of 5.30 million—much nearer to the upper than the lower of our two limits. The desire of the people of this country to enjoy the extra convenience that the ownership of a motor car affords seems well-nigh insatiable.

Given this insatiable appetite, how much further can the extension of car ownership go ? Implications that are important both for the motor car manufacturers and for the Government may be drawn from an attempt to answer that question. The key factor is the pyramid of income distribution in this country. The table of net incomes after income and sur-tax, gives the basic information for the tax year 1954-55. In the middle of the 1954-55 tax year, namely, August, 1954, there were 3.17 million cars registered in Britain. From the table of net incomes, it appears that there were then about 3.2 million taxpayers with an income, after tax, of £680 a year, so that there must have been about as many car-owners with net incomes below that figure as non-motorists with net incomes above that figure. It seems a fair guess that by 1970, with an improving standard of living and only modest assumptions as to the encouragement of new motoring by Governments and manufacturers, the number of car owners might reach about 7 million. This figure would be about the same as the number of taxpayers who had net incomes over, say, £525 a year in 1954-55. It might also indicate UK sales of new motor cars in the region of 800,000 to a million a year.

If it is assumed that the average purchaser of a new car keeps his car for three years, such a forecast would postulate 2¾ to 3 million motorists in the new car-buying class. If so, some of the new car buyers would have to be in the income groups that were earning less than £750 a year net after tax in 1954-55—for above this limit, there were in 1954-55 only about 2¼ million income tax payers. Allowing for some rise in the real net income of this class, a fair figure to set might be that the purchase of a new car, of the type in maximum demand and, on that account, offering the most economical motoring of an acceptable standard, would have to be within the reach of those with a net income of about £900-£950 a year. From these figures certain deductions can be made about the size and operating cost of a car that might meet the greatest demand in this country. How far are such deductions in line with the design and marketing policies now being followed by the British motor industry ?

OF Britain's "Big Five" manufacturers, the British Motor Corporation, Ford and Standard make what Britain classes as very small cars—the Austin A.35 and Morris Minor, the Anglia, and the Standard Eight. In addition, Ford offers a car that is no smaller but much cheaper, the Popular, by continuing to build the former model of Anglia on tooling that has already been amortised. Rootes does not compete in any class below the Hillman Minx, and it became clear this year that Vauxhall, *in posse* if not *in esse* the one of

BRITISH INCOMES AFTER TAX, 1954-55

Net Income After Tax	Net Incomes in Group Total		Cumulative Total of Incomes in Succeeding Groups	
	Number	£m	Number	Amount £m
Above £4,000	7,300	33·1	7,300	33·1
£4,000–£2,000	131,000	339·0	138,300	372·1
£2,000–£1,000	731,000	958·0	869,300	1,330·1
£1,000– £750	1,650,000	1,382·0	2,519,300	2,712·1
£750– £500	5,730,000	3,469·0	8,249,300	6,181·1
£500– £250	8,730,000	3,265·0	16,979,300	9,446·1

the three biggest makers in the country, will not compete below that class either. In unveiling its new Victor car recently, Mr Philip Copelin, Vauxhall's managing director, gave a closely reasoned explanation why not—which in essence may offer the reasons why none of Britain's popular makers have yet descended into the "minimum motoring market" for which Continental makers have vied in recent years.

Mr Copelin said that the company's design and engineering studies, which led to the creation of the Victor, had showed that, if they had chosen a smaller size of car than the Victor—a full four-seater with a kerb weight of 19½ cwt—they would have "squeezed out value quicker than cost." The implication, unspoken but inescapable, seemed to be that this was the optimum size of car for the maximum market. From the marketing side, what is the cost of such a car to the owner who buys it new and runs it for three years? If the manufacturing economies of large-scale production give a selling price, ex PT—in 1957 terms—of £420 or 46d. per lb of kerb weight, depreciation of 55 per cent in the first three years would cost £230, or, adding interest, about £100 a year for capital charges. Running, say, 7,000 miles at 35 mpg would take 200 gallons of petrol, or, at 3s. ex-tax, £30 a year. Insurance, tyres and other costs would add, say, £40 a year, making a total of £170 a year. Fiscal policy at present adds 70 per cent to that annual cost; but even if it added no more than 30 per cent, to cover both a reasonable contribution to the cost of the roads and an equal amount for sumptuary taxation, the total annual cost would be about £220 a year. This is clearly beyond the reach of most people at the income level of £900-£950 a year after tax, who were postulated above not only as potential motorists, but as potential buyers of new cars.

★

One might consider, instead of a car of 19½ cwt kerb weight, a vehicle of 10½ cwt kerb weight—or 6½ per cent below that achieved by the 600 cc Fiat. A technical assessment might possibly judge that more than 50 per cent of the value had been squeezed out. But it should be possible, if all inessentials were eschewed, and every technical economy secured, to achieve a saving of at least 40 per cent in the initial price and—given enlightened co-operation in fiscal policy—in almost all the other costs. This would give a total annual cost of 60 per cent of £220 a year, or, say, £130 a year—a figure that might be just within the means of an owner with a net income of £900-£950 a year. Such an analysis would point to a car that could offer motoring they could afford to the number of car-owners needed to buy the number of new cars necessary to sustain the size of British car population which seems to be feasible.

American thinking about the size, weight and power of automobiles is almost inevitably dominated by American conditions. Until lately the leaders of the American market were the six-cylinder Chevrolet, Ford and Plymouth. These are cars of some 3,400 lb weight and about 140 bhp, able to carry six passengers in ample room at a top speed of over 90 mph with acceleration greater than that of most European sports cars at a fuel consumption that—with 25 per cent gasoline—was not expensive. (The larger, thirstier, more powerful V-8 car now coming into vogue seems to give poor value for the increment in cost, and shows only how superabundant is American prosperity and how powerful are the forces of emulation.) With 5-8 million new cars—of full size, or, to European eyes, larger than life size—coming into the market each year, more economical motoring could be obtained by buying a secondhand full-size car in the latter part of its eight- to ten-year life than by a smaller car, new or jalopy.

BUT for the British market—and almost certainly for the rest of the European market—the pattern that suits the American market does not necessarily apply. To most readers of *The Economist*, buttered bread is better value for money than dry bread; but to a starving man who can afford enough dry bread, but not enough bread and butter, to sustain life, unbuttered bread is preferable. Motoring with a vehicle which is, technically speaking, sub-standard in value for money, but can be afforded, will be preferred to no motoring at all. For some of the existing car markets outside North America, the array of sizes of vehicle offered by the British makers caters pretty well—as a letter from Vauxhall Motors on page 215 very fairly points out. But if the expansion of motor building capacity is to be based upon a continuing expansion of car ownership in European economies, cars tailored neatly for the classes who can at present afford new cars may not do.

The medium-sized, comfortably-priced car hardly offers the home market, the common market, or indeed most of the world's markets any vision of design and manufacture such as generated the Ford Model T. The target at which the Victor, the new Wolseley and the Minx are aimed is certainly there, and can be hit. It is suggested here that there is a greater target for which a very different missile is needed. Can that target be seen from Dagenham or from Longbridge—or from any firing point in Germany or France? Or is it a hallucination? The fact that Fiat, having achieved a resounding success with its 600 model of 11¼ cwt kerb weight, is now establishing manufacturing facilities of perhaps greater capacity, for a two-cylinder air-cooled car of 400-500 cc, suggests that from Mirfiori it is seen as a target and not taken to be a hallucination. With the wealthier British market as the primary consideration, something between the two Fiats, say a 500-cc car of 10½ cwt kerb weight, might be justified. One could expect the manufacturing costs of such a car in the quantities that the British home market would make possible, to have a very good prospect of sweeping the board throughout Europe.

BUSINESS NOTES

THE FRANC UNDER PRESSURE

France Scrapes the Barrel

THE shifts and improvisations by which France has been trying to defend the ultimately untenable position of the over-valued franc are almost exhausted. Recent defensive measures include raising to 15 per cent the "compensation" tax on imports liberalised under the OEEC code. This is the additional tax which France has the right to exclude from its obligation to reduce tariffs under the Common Market Treaty. For all practical purposes it is a veiled, selective devaluation of the franc to compensate for the difference between French and foreign costs of production. The government is also trying to combat inflation by offering a new loan on unprecedently generous terms. The loan, for which the lists are still open, carries interest at 5 per cent tax-free for the first five years and is repayable by drawings over the next 10 years at a premium of 10 per cent. The drawn bonds will be repaid at the price of 110 adjusted to movements in the index of French ordinary shares, thus combining for investors the attractions of a generous fixed interest security and an equity stock. In addition the Bank of France has raised its official discount rate from 3 to 4 per cent and introduced other restrictive measures. Down payments on hire purchase contracts have been increased from 25 to 30 per cent, and the repayment period has been reduced from 21 to 18 months for cars and from 18 to 15 months for household goods.

The French balance of payments, despite these stop gaps, is now running at a deficit which threatens to wipe out the free gold and exchange reserves in a matter of weeks. The French EPU deficit in March was a record $94 million and would have been even larger had the Bank of France not introduced a special element into the figures by ordering commercial banks to hand over all their foreign exchange holdings in excess of the sum held at the beginning of last year. The latest figures of the Bank of France show that the free reserves at the disposal of the Stabilisation Fund have dropped to the equivalent of £42 million from £110 million at the beginning of 1956. There is also the Bank of France's own gold reserve of £300 million, generally regarded as sacrosanct. France has already drawn $100 million from the $262 million credit placed at its disposal by the International Monetary Fund. The bottom of the barrel is in sight.

IN THE MARKETS

Investors Prefer Equities

INVESTORS have begun to tread out in the markets the measure that they think expressive of Britain after the budget. It differs hardly at all from the steps they were tracing out a fortnight earlier. Gilt edged are dragging gently downwards. In the week since the budget the *Financial Times* index of government securities has fallen from 87.34 to 86.26. Industrials are edging haltingly upwards. *The Economist* indicator worked out to Tuesday instead of Wednesday for this shortened week, and now excluding British Celanese, which has become largely a duplication of Courtaulds, shows a rise on the six days from 212.6 to 214.9, the rise has been anything but wholehearted. It has been checked by the troubles in Jordan, which unsettled oil shares though only for a day or two. Recently, moreover, some of the stocks that the budget favoured, for example shipping shares, have lost some of their first gains. But the preference of investors is clear. They are much more ready to buy selected industrials than to go further into gilt edged.

That preference, unless it is soon redressed, may have important repercussions. It is going to be fairly easy to make industrial issues. This week has seen one of them, the offer of 2,200,000 £1 ordinary shares of Thomas Firth and John Brown at 20s. 6d. to help pay for the purchase from ISHRA of William Beardmore. These are offered as rights on a two for five basis at 20s. 6d. and the price is sufficiently below the existing shares at 28s. to ensure success. It is going on the other hand to be fairly difficult to make gilt edged issues though there have this week been two small corporation loans of £2 million each for Brighton and Nottingham, both in 5 per cent 1969 stocks at £97 10s. per cent. If it does remain difficult to make large gilt edged issues, the Government will be faced with a difficult problem. It has to deal with about £300 million of Exchequer 5 per cent stock of 1957 maturing in mid-June. The normal solution would be a funding issue some time in May to put the Treasury in funds to meet the repayment. Such an issue at the moment seems a poor prospect. There is currently hardly any absorption of government stocks from official portfolios. On the contrary there is selling—not heavy—by the public. A fraction of this is thought in the markets to come from Lloyd's underwriters switching part of their deposits into equity stocks. As attractive rights issues like that of Thomas Firth and John Brown are announced there must be more such selling. Owners of the rights often have to sell something in order to exercise them, and they often choose to sell gilt edged.

SHIPPING OUTLOOK

P & O, Nasser and Nassau

SIR WILLIAM CURRIE'S speech at Wednesday's meeting of the P & O company will be studied chiefly for his guidance on two points: What difference has the closing of the Suez Canal meant to the earnings of one of its biggest users? It happens that Peninsular and Oriental's last accounts ending on September 30th were struck at the very moment when the Suez crisis was about to impinge on shipping profits. And what effect will the budget's concession to shipping—the widening of investment

allowances to 40 per cent—have on P & O's plans to build tankers in Bermuda?

Sir William, who does not mince words about the Egyptian action and who strongly supports the Suez Canal Company, nevertheless cannot attempt any estimate of the effect of the crisis on the group's earnings. Many of the effects will continue long after the ships are passing through the canal again. He does give stockholders a useful consolation. Net earnings of the group before tax so far this year are just about the same as in the corresponding period of last year. It should naturally be underlined that Sir William is not thereby saying that the Canal affair has had no effect on P & O's earnings. Had it not been for that upheaval he believes that results for the current year to date would have shown considerable improvement.

On the second point—Bermuda and Charter Shipping Company, which is P & O's instrument there, Sir William is much more specific. The increase in the investment allowance to shipping was the most important single concession for which the British Shipping industry had asked, and he is most grateful to the Chancellor. The company has not had time to consider whether it should reduce its proposed investment in Charter Shipping (which has already placed contracts for several tankers). But the budget concession will do more than any other step to remove the inducements to shipping capital to continue to flow into tax-free countries.

LONDON TRAFFIC

Signs of Relief

PERHAPS by coincidence the last parliamentary day before Easter last year and the year before happened to find the House of Commons discussing London's traffic problems; on neither occasion was the Minister of Transport—or to be precise his parliamentary secretary—able to convince his hearers that something definite was being done about them. This year, however, several notable announcements two days before the House went into recess gave quite the opposite impression. The most significant item of news concerned Park Lane and Hyde Park Corner, which is thought to be the busiest traffic intersection in the world with nearly 100,000 vehicles using it on average every 12 hour day. It seems that the Ministry has at last convinced the London County Council that something more than a reconstructed roundabout is required at Hyde Park Corner, and the LCC will get a 75 per cent grant from the Ministry towards the total estimated cost of £3 million for the new agreed scheme. This will include an underpass for east-west car traffic in addition to two new roundabouts at Hyde Park Corner and converting the two roads running north from there to Marble Arch into two one-way carriageways. Together with several other major reconstruction projects now in hand in inner London, this should give a marked impetus to traffic flow at these more notorious points of congestion. But much traffic will pass round the present Hyde Park Corner roundabout before this new arrangement materialises; final plans have still to be prepared, the Royal Fine Arts Commission has still to give its final views, and a bill has to be promoted in Parliament. Nevertheless the Ministry should perhaps get some commendation for at last coming to a decision on a scheme that it has had in its pigeon holes for several years.

The second major announcement this week came from Westminster City Council, which has shown much more commendable speed in preparing a parking meter scheme for the north west corner of Mayfair, even though it has been taken more or less wholly from the proposals of the Samuels Committee in December, which intended it to be the prototype for others in London and elsewhere in the country. It has adopted the Samuels list of charges—sixpence for one hour, a shilling for two, and ten shillings extra for staying up to two hours more—but perhaps unwisely it has also adopted the area the Samuels Committee suggested, which covers only about an eighth of a square mile and is much too small, in inner London, for an experimental scheme to run smoothly. The area should be extended to the whole of Mayfair, which is four times larger, and the prototype scheme should be extended rapidly to neighbouring areas as soon as it has been in operation for a short while.

HAWKER SIDDELEY

Retreat from Aircraft

THE details of the offer that Hawker Siddeley has made for the entire capital of the Brush group were not available when this issue of *The Economist* went to press, but it is in line with Hawker Siddeley's new policy of developing interests outside the aircraft industry. The need for this was stressed by Sir Thomas Sopwith in his recent statement to shareholders; it is an obvious and sensible choice at a time when the defence programme is shrinking. The choice of Brush is a logical one in the sense that it serves the expansion of Hawker-Siddeley's atomic interests. The group has set up a nuclear laboratory, and Brush could provide the electrical manufacturing capacity essential to the development of an atomic business.

How far this policy will go and how much of it will be concentrated in Canada is a secret of the Hawker Siddeley boardroom. But it is also rumoured that the group is negotiating for the purchase of the Algoma Steel Corporation, one of Canada's two large steel producers. From aircraft into steel seems a long step, but Hawker Siddeley has interests, both British and Canadian, on the periphery of the steel industry, and it has not denied the report.

Out of a total profit of £12½ million by the Hawker Siddeley group in the year to July 31st, over £6 million came from the Canadian members. By no means all the profit came from aircraft: through Canadian Car and Foundry, the Hawker Siddeley group is a producer of railway rolling stock and buses, and through its other Canadian interests steel castings and alloy forgings and castings.

RESTRICTIVE PRACTICES

Agreements on View

MORE than 30 people arrived to inspect the files of the Registrar of Restrictive Trading Agreements at London, Edinburgh, and Belfast on Monday afternoon, the first day the registers were opened to the public. For a shilling they were able to examine any of the 1,003 agreements that the Registrar had by then been able to make available for inspection out of the 1,424 he had received. This is good progress in six weeks since February 28th, which was the closing date for registration. Only 800 of

Continued on page 243

The Trail in Profits

IT is, indeed, a long, long trail. Profit margins have been steadily whittled down, but an absolute fall in quarterly profits has still to occur. Beginning with the group of companies which reported in January-March, 1956, the quarterly analyses—comparing the latest year's profits with the previous year's—show that the rate of advance has slowed down from 12½ per cent through 11½ per cent, 4 per cent and 2½ per cent to 1 per cent in the latest sample. This was made up of 439 companies reporting in the first quarter of this year and their accounts relate to a mean financial year ending in mid-November. But these are all plus signs and if the results of Unilever and Royal Dutch/Shell are typical of the experience of those international giants whose 1956 accounts are to be published soon, profits in the current quarter may still not show a minus sign. The capital base, thanks to new issues and retained profits, is, however, constantly rising. In terms of return on investment the fall has begun.

The increase of 1 per cent (by £5 million to £489½ million) in this particular sample of 439 companies is not out of line with the Economic Survey's estimate, that in the whole field of domestic corporate earnings, private as well as public, trading profits in 1956 rose by 3 per cent (by £84 million to £3,043 million). The survey suggested that while profits from transport, distribution and other services rose the profits of manufacturing industry declined slightly. It is difficult in *The Economist's* sample to make a clear distinction between these two sectors of corporate earnings. But clearly the profits of those companies closest to consumers were expanding the most. The profits of breweries and distilleries rose by 9 per cent, of food companies by 11 per cent, of shops and stores by 4 per cent and of shipping companies by 11½ per cent. By contrast, big falls in profits were reported in the following groups: motors, etc. (down by 16 per cent), electrical manufacturing (down by 10 per cent), paper, etc. (down by 12 per cent) and miscellaneous manufacturing (down by 6 per cent). The profits of the iron and steel companies, which nearly all come in at this season, show no perceptible change, while the profits of the tobacco companies (including both Imperial Tobacco and British-American Tobacco) rose by 2¾ per cent.

Because statutory depreciation was higher (up by £8 million) and because profits tax (up by £6½ million), though not income tax, took more, the 439 companies were not able to plough back in reserves as much as in the previous year. Reserve appropriations from net profits came down by £19 million to £117 million. Net ordinary dividends paid by these companies went up by £4 million to £66 million. But these dividends were declared on more issued capital. Grossed up at the standard rate of income tax, the average dividend rate on issued capital emerges unchanged at 17¼ per cent. The capital employed by these companies rose more sharply than did their issued capital, so that the average rate of return on net worth came down slightly from 6.8 per cent to 6.6 per cent.

Growth is apparent in the increase in the gross book value of fixed assets by £227 million and in stocks and debtors by £127 million. Part of the increase in fixed assets represented revaluations. Part of the increase in working capital was involuntary; some companies were not able to cut back production in step with the fall in demand. Whatever the cause, the increase of £353 million in fixed and working capital had to be financed. Trade creditors and other current liabilities rose by £47 million, revenue and capital reserves by £133 million, tax reserves by £4 million and depreciation by £64 million. These sums were not sufficient. Net liquid assets were reduced by £40 million and £65 million was raised in new issues—£4 million in preference, £25 million in ordinary and £36 million in loan capital.

Last year was not an easy time for British industry. Some manufacturers had to reduce output; almost all of them saw their profit margins falling; and yet most of them were anxious to maintain their rate of investment. These figures show that real mortar was being slapped on real bricks and that new plant and machinery was being installed in the factories. The rate of real new investment may not be high enough: much of this figuring could easily relate to physical replacement of worn-out assets. But the costs of this investment, whatever its purpose, are high. The break-even points of profits on British industrial capital have risen. From this fact the investor in British ordinary shares can draw a lesson: if the sap of production rises he can sit back to admire the bloom on the rose; if it fails to rise he might have to reach for his secateurs.

COMPANY RESULTS PUBLISHED JANUARY TO MARCH 1957
(£'000)

Capital Liabilities and Reserves	439 Companies		Assets	439 Companies		Profit and Loss Account	439 Companies	
	Previous Year	Latest Year		Previous Year	Latest Year		Previous Year	Latest Year
Capital (Parent Companies):—			**Fixed Assets:—**			**Gross trading profit**	484,034	489,459
Debenture	249,697	285,901	Land, property and plant	1,666,782	1,894,220	Income from investments	16,076	18,565
Preference	169,954	174,245	Less depreciation	511,354	575,610	Other current income	593	283
Ordinary	622,849	664,452				Non-recurring credits	11,987	7,462
	1,042,500	1,124,598		1,155,428	1,318,610	**Total Income**	512,690	515,769
Reserves and Surplus:—								
Capital reserves	293,614	328,226				Depreciation	75,272	83,306
Revenue reserves and carry forward	668,928	751,925	**Trade Investments**	60,070	65,176	Income tax	163,677	163,676
						Profits tax	32,297	38,787
Total Capital Reserves and Surplus	2,005,042	2,204,749	**Intangible Assets**	32,785	34,585	Directors' emoluments	11,529	11,823
						Administrative charges	4,376	4,561
Outside Interests in Subsidiaries	82,095	81,596				Contingencies, provisions, etc.	27,045	7,920
						Pensions	5,321	5,690
						Minority interests	6,817	5,587
Current Liabilities and Provisions:—			**Current Assets:—**			Loan interest	9,977	13,387
Bank overdraft and loans	127,448	154,875	Stocks	944,272	1,043,349			
Creditors	654,547	422,543	Debtors	530,639	550,565	Preference dividends	5,444	5,641
Other current liabilities		277,818	Gilt-edged securities	85,897	85,656	Profits retained by subsidiaries	44,151	36,042
Future taxation	207,836	206,820	Other marketable investments	26,904	25,032	Ordinary dividends	62,002	66,060
Other provisions	47,267	47,373	Cash	283,290	272,806			
	1,032,148	1,109,434		1,871,002	1,977,408	Reserves (parent company)	45,902	61,846
						Brought in (parent company)	70,188	89,068
	3,119,285	3,395,779		3,119,285	3,395,779	Carried forward (parent company)	89,068	100,511
						Year's Free Scrip Issues	—	16,364

Continued from page 246

the 1,424 had arrived by then, the bulk of them in the last few days, and the majority had failed to satisfy fully all the rules for registration, which meant further correspondence and scrutiny. But this 1,400 or so—allowing for those agreements which have been submitted but appear to be not liable to registration—represent, according to the Registrar, a high proportion of the practices that were called up in the first batch last August: namely, agreements about common prices and conditions of sale, agreed tendering, and preferential or exclusive trading. This number is much smaller than some people may have thought. But the mere threat of registration has forced the abandonment of many agreements and another substantial number appear to have been modified or replaced by new agreements which are not due for registration until three months after they were made.

This should make the task of compiling and scrutinising the register much simpler—at least until the next batch of restrictive practices are called up. But the Registrar, for quite compelling reasons, has decided not to provide an index of parties to registered agreements. The number of parties is immense, and the index could only list names since the Act did not stipulate registration of the parties' addresses. Thus the ordinary member of the public is provided only with a classified list of the commodities affected by agreements, and the code numbers of the files containing agreements concerning each commodity. On the performance of the staff at the public search room in London on Monday afternoon, where eight people arrived in the first five minutes—including one girl who immediately compiled a list of more than twenty files she wanted to inspect—all for a shilling—this method of classification should not prove a major difficulty, even though the present index lists 45 files under the heading of building materials and 32 under electronic valves and cathode ray tubes. The staff can give much help in tracking down the file that contains the particular agreement that is wanted, and also in explaining—though not in commenting upon—the documents in the file. These are straight copies of the documents registered by the parties to the agreement, such as resolutions, rule books, the list of parties, and the area the agreement covers. The time of the next stage—taking these practices to Court—is still uncertain, but the Board of Trade has now issued the list of agreements it will direct the Registrar to start on first. It is a curiously assorted bag, possibly designed to secure precedents over as wide a range of practices as possible. But this first list should fully occupy the Court for quite a while.

AIRLINE AGREEMENTS

One Out of Step

THE most surprising outcome of the emergency decision by the international airlines to raise their fares in Europe and the North Atlantic by five per cent from May 1st is that one or two operators appear to have refused to make the increase. Aer Lingus announced last week that all its fares would remain unchanged with the single exception of the Dublin to Barcelona excursion fare which is going up by 13s. There are also reports that the Greek airline, which is in the throes of being reorganised into Olympic Airlines, has come to the same decision; certainly no instructions had been received early this week from Athens to apply the increase to current fares.

Any exception of this kind is both important and welcome, because the International Air Transport Association, which provides the machinery by which the airlines fix the level of international fares, normally stipulates that all its members shall keep in step and move fares up or downwards together. It is the enforcement of this rule that has given IATA the much resented label of "cartel." To permit an operator with modern equipment such as Aer Lingus to opt out of this emergency increase is a sensible gesture. Last year was a generally profitable year for the airlines, but different operators are caught by rising costs in different ways. Both the British corporations seem to have increased their traffic by about 11 per cent during their past financial year; both cautiously report having made a profit without yet putting a figure to it.

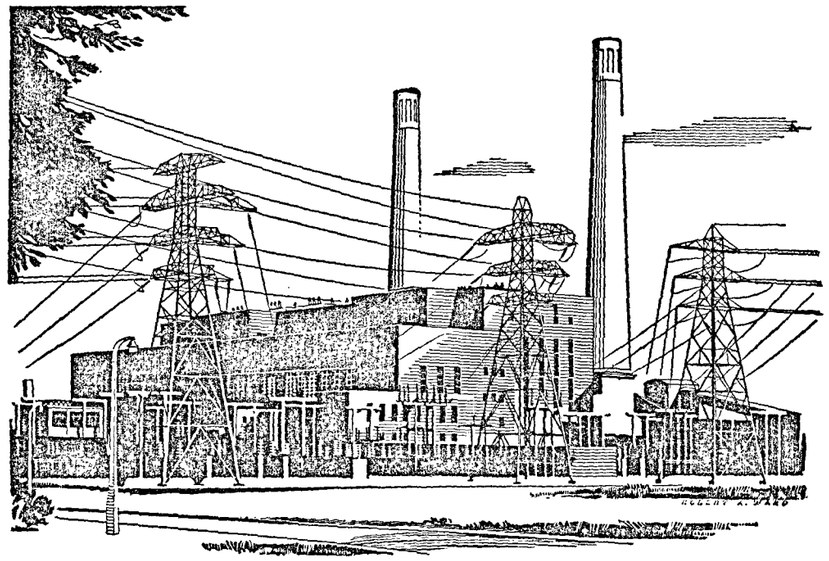
Among the European operators, KLM has made a profit of more than £2 million, nearly 13 per cent higher than the year before, Sabena ended the year with a profit of about £600,000, four times higher than in 1955; SAS, whose financial year ends in September, ended the 1955-56 period with a net surplus of nearly £750,000 and Air France too expects to show a profit when returns are available next month. The American North Atlantic airlines also did well.

These profits, however, are a tiny margin on gross revenues that run into tens of millions of pounds for each airline. During the past three or four months fuel costs, salaries and landing charges have all risen, the increases hitting some operators harder than others. Individual operators have their own particular difficulties; BEA, for example, which has been carrying servicemen at half-fare on some of its most lucrative routes. These are genuine difficulties, but since they do not affect all airlines with equal severity, it is plainly sensible to let those whose costs have been hit the least hard continue to pass the benefit on to their passengers.

BEA TO DUBLIN

ON Sunday, in bright sunshine, British European Airways opened the first British air service to Dublin for eleven years. The occasion marked more than the ending of the practical monopoly of the Irish airline, Aer Lingus, of the traffic between Dublin and this country. No government allows a foreign airline into its territory without extracting a comparable concession for its own operator, and Aer Lingus now has the right to pick up passengers from the north at Manchester and fly them through to the continent.

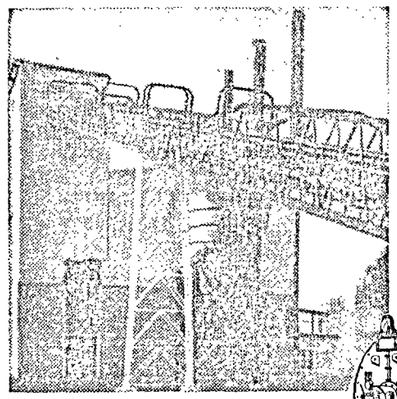
BEA can certainly afford to be generous, even though its financial holding in Aer Lingus has been reduced from 40 to as little as 10 per cent. As in so many cases in Europe, the services to Dublin are based on a pooling arrangement with Aer Lingus—but one that still allows BEA to take three-quarters of all new traffic until the two reach parity. During the summer, BEA has been strengthening its hold on European air traffic by introducing new Viscounts specially tailored for routes like those to France (especially Paris), Switzerland, Germany, and Ireland that are rather too short to be economic for the standard Viscounts even though some other airlines, including Aer Lingus and Air France, do use them for this purpose. BEA had formerly been at a disadvantage in operating the same routes with ageing piston-engined aircraft such as the



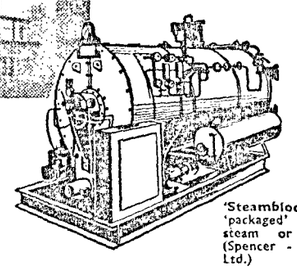
Carrington power station. Equipment includes Babcock boilers, coal-pulverizing mills, ash and dust-handling plant.

"Industry depends on STEAM"

MOST of the world's electricity is steam-generated, and Industry, largely dependent upon electricity from steam power stations, is itself an enormous user of steam for processing and heating and, in some large industries, for both power-generation and processing. Babcock & Wilcox are the world's largest manufacturers of steam-raising equipment for both land and marine applications, and offer to steam-users *large or small*, a comprehensive, world-wide service embracing everything from fuel-handling and boiler plant, for every kind of fuel, to complete systems of ash and dust disposal. They are also large makers of welded pressure-vessels, heat-exchangers, separately-fired superheaters and other plant for the oil and chemical industries, and of a whole range of general equipment such as cranes and conveyors, steel chimneys and fabricated steel structures. The Babcock organisation serves Industry at every level.



Boiler house of H. J. Heinz Co. (Pty.) Ltd. factory in Australia; equipped with Babcock boilers, coal, ash and dust-handling plant and steel self-supporting chimneys.

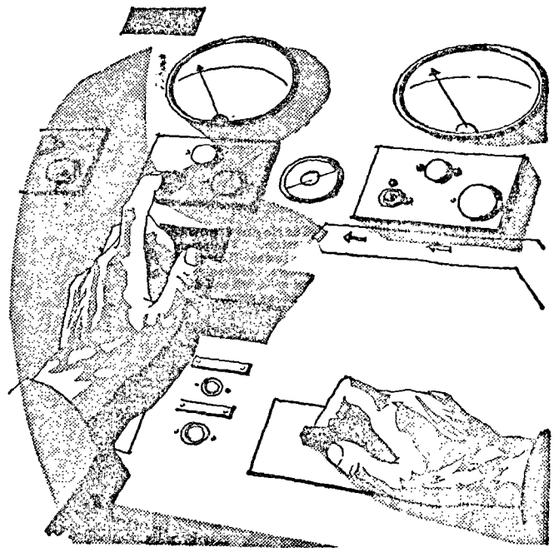


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Mechanised Muscles



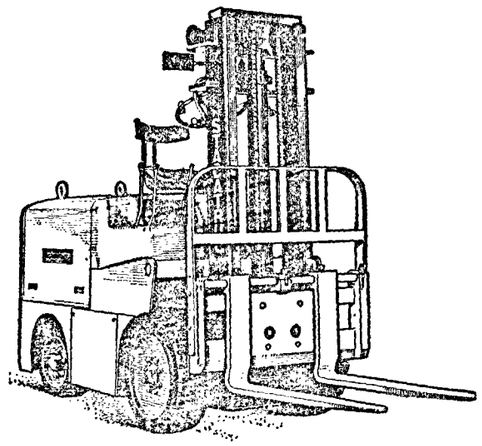
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Ambassador or downright old ones like Dakotas. The process of replacing them with the new Viscounts began in February and should be completed in July, giving BEA a fleet based almost entirely on turbo-prop aircraft.

PETROL

Jordan and the Ration

LAST week it seemed that the government had decided to accept the economic risks and reap the political rewards of abandoning petrol rationing before Easter. Ie was being admitted in Whitehall that, with motorists now free to cash four months' coupons at will, the prevailing optimism might easily turn rationing into a farce. Hopes were raised further by the Prime Minister's hint in his speech at Ayr that some temporary accommodation with Colonel Nasser might be reached, thus enabling British tankers to use the canal, and a decision to abandon petrol rationing to be taken before a satisfactory solution of the long-term problem of the canal had been achieved. But the risks and the rewards were very nicely balanced ; rumblings from Jordan—and from Hatfield—have now tipped the scales the other way.

Stocks of petrol in Britain are high—in some refineries embarrassingly so—and supplies are now arriving in the country at virtually the normal rate. Even if petrol were sold freely now, at the beginning of the peak motoring season and at a price 1s. 1d. a gallon cheaper than it was in the winter, it seems unlikely that stocks would be drawn down very much faster than they would have been under normal conditions at this time of year. But although physical supplies may be maintained at adequate levels by continuing to draw on Western Hemisphere sources—unless the skeleton Middle East supply routes now open to Mediterranean are sabotaged again—there is now no assurance that the extra dollar burden can be quickly reduced and eliminated. Three-fifths of the capacity of the trans-Syrian pipelines is still out of action ; trouble between Jordan and Syria could hinder the repairs to this and endanger the two-fifths that has already been repaired. TAPline, which carries 16 million tons a year of Saudi-Arabian oil through both Jordan and Syria to the Mediterranean, could lose even its charmed life. These additional uncertainties, even if they do not delay still further a settlement on the use of the canal, are enough to justify the retention of rationing, at least until the dust in Jordan settles. And if it does not settle, the motorists who are optimistically using up their four months' supply of petrol coupons in advance may find themselves on short commons before the end of the summer.

EXPORTS OF MANUFACTURES

Britain's Share Falls Further

THE latest estimates of world exports of manufactures bring up to date, but do not substantially modify, the figures published in the Economic Survey and in the Board of Trade's detailed analysis of the changes in Britain's share of that trade in recent years. It is now clear that in 1956 the value of world exports of manufactures continued to grow at the exceptionally high rate of the previous year. The total is provisionally estimated at $38,545 million, an increase of 14 per cent over 1955. British exports again rose at a smaller rate—10 per cent—and its share of the world market fell further. When allowance is made for the repayments of silver bullion to the United States last year and for the distortions of the dock strikes of earlier years, the board estimates that Britain's share fell from 19.5 per cent in 1955 to 18.8 per cent in 1956. The rate of decline was smaller than in 1955, but greater than in earlier years.

Britain's main competitors, the United States, Germany and Japan, did better than that: with a greater than average

EXPORTS OF MANUFACTURES—US $ million
(Shares of Individual Countries in Italics)

	1954		1955		1956	
United States..	7,466	25·0	8,300	24·5	9,738	25·3
Britain.....	6,082	20·7*	6,686	19·5*	7,337	18·8*
West Germany	4,422	14·8	5,250	15·5	6,320	16·4
France.....	2,705	9·1	3,077	9·1	3,023	7·8
Belgium.....	1,835	6·2	2,212	6·5	2,568	6·7
Japan	1,385	4·6	1,740	5·1	2,181	5·7
World exports	29,806	...	33,894	...	38,545	...

* Adjusted figures.

rise in exports their share of the market increased. United States exports of manufactures rose by 17 per cent and its share increased from 24.5 per cent in 1955 to 25.3 per cent in 1956. West Germany increased its exports by 20½ per cent and its share of the market rose from 15.5 to 16.4 per cent. By the fourth quarter of last year the value of Germany's exports was only six per cent less than Britain's —a striking advance since 1951 when its exports were less than half of British exports. The German figures, moreover, exclude East Germany, which accounted for roughly one-third of all Germany's exports before the war.

RAW SUGAR

Russia Buys More

THE recent weakness in commodity prices has passed raw wool and sugar by. This week raw sugar touched a new peak of 6.75 cents a lb fas Cuba and it is now twice as dear as a year ago. Though wool prices (which are discussed in another Business Note) are also high, they cannot match sugar's gains. The advance was set off by a further purchase by Russia of 150,000 tons of Cuban raw sugar at a net price of 6.06 cents a lb fas ; an option on another 50,000 tons at a slightly higher price was not taken up. Russia, traditionally an exporter to the free market, has now bought about 410,000 tons this year, including about 60,000 tons of British refined sugar. As Russia has an export quota—which may yet be fulfilled—of 200,000 tons, it has already become a net importer to the tune of over 200,000 tons. With demand from other countries still buoyant, there is little prospect of any easing in supplies until the European beet crop is harvested towards the end of the year.

The high level of sugar prices has brought a handsome surplus to the British Sugar Board. Since it started operations on January 1st the board has been able to sell Commonwealth sugar to refiners at a market price well above the fixed price that it pays to producers. It can hardly be long now before the Minister of Agriculture and Food decides that the surcharge on raw sugar can safely be sus-

pended or reduced. This surcharge, introduced at 1s. 2d. a cwt, is meant to recoup the loss incurred by the board when the market price is below the fixed price ; it is not intended that the board should do more than balance its accounts over a period.

RAW WOOL

£1 Million A Day

WOOL growers in the Dominions are enjoying a wonderful year. Prices are high ; the adventitious factors—such as the Suez crisis—that assisted the advance earlier in the season are gone and prices now seem to be pretty firmly based on a buoyant world consumption. Last week the average price of merino 64's reached a new peak for the season of 137d. a lb (clean weight) cif UK ; that was 4¾d. a lb above the average for July, when the 1956-1957 season began. The average price of crossbred 56's last week was 106d. a lb, slightly below the peak of last month but 26d. a lb above the average for July. The high price of merino wool relative to crossbreds has led consumers to use some fine crossbreds in substitution, thereby narrowing the premium for merinos.

WOOL PRICES THIS SEASON
(average price, d. per lb (clean), cif UK)

	July	Sept.	Nov.	Jan.	March
Merino 64's	114	123	125	130	133
Crossbred 56's....	80	88	88	96	105
Crossbred 50's....	72	79	81	82	85

Source : *New Zealand Wool Commission (London Agency)*

Australia, the largest wool producer, is riding high on the sheep's back. Bigger earnings from wool have enabled import restrictions to be eased, to the benefit of British and other exporters. Australia's wool cheque may well amount to about £365 million this season, roughly £100 million more than in 1955-1956, and higher than in any season since the Korean peak of £509 million in 1950-1951. In the first nine nine months (July to March) of this season, the volume of wool sold rose by 14 per cent to 1,057 million lb, compared with the same period of 1955-1956, and earnings rose by over 50 per cent to £285 million.

CHEQUE ENDORSEMENT

Mr Page Comes into the Straight

MR GRAHAM PAGE'S pertinacity in the cause of abolishing the endorsement on cheques has almost won through. Last week his Cheques (No. 2) Bill was given a second reading, and committed to a Committee of the House with the blessing of the Government. The Economic Secretary to the Treasury indicated that "certain minor amendments" may be necessary in committee, to make the Bill "more water-tight," but the general approval of the banks and the business community is assured and there is no reason to expect real trouble in this last stage.

The struggle has been long and complicated. It has been argued for years that endorsements in general, and particularly on cheques paid in to the payee's own account, serve no useful purpose. But the law, laid down in other days was the practical complication that in recent years the endorsement on a cheque has also often been used as a receipt, so that the banking system has been called in aid of business accountancy. But pressure for reform has been growing, and at the end of 1954, after five years of public discussion, Mr Graham Page, the member for Crosby, introduced a bill to abolish the endorsement on cheques paid in to the payee's account. That bill did not receive a second reading, but it prompted the Government to set up the Mocatta Committee to examine the whole question. The Committee reported in November of last year in favour of abolition ; the problem of the endorsement-receipt had been finally solved by the willingness of the banks to continue to examine such endorsements, by arrangement with individual customers and on the addition of a distinguishing mark to the front of cheques requiring that treatment.

Mr Page's present bill does not adopt the method of reform recommended by the Committee: it is simpler than the bill drafted by the Committee, and Mr Birch, while acknowledging the importance of the Committee's work, has expressly preferred Mr Page's approach. When the bill becomes law a cheque will have to be endorsed only when it is passed on to a third party, or when it has a receipt form on its back. Some remarkable statistics have been produced of the man-hours that the reform will save. Business men will accept with mild gratitude whatever small time-saving comes their way.

BANK CAPITAL CHANGE

District Bank Rearranges Its Shares

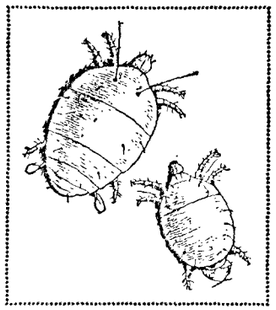
THE last four years have been a period during which the bank dividend freeze of long standing has been thawed. This year several banks have got down to the problem of modernising their capital structures, cancelling uncalled liabilities, and making their shares a more marketable commodity. It is now the turn of the District Bank. That bank's capital consists of three classes:

1,896,000 of "A" shares of £5 (£1 paid)
316,000 of "B" shares of £1 fully paid
764,428 of "C" shares of £1 fully paid.

The "A" shares are the original capital ; the "B" shares date from the 1929 centenary bonus and the "C" shares from the absorption of the Manchester and County Bank in 1935. The "A" and "C" shares participate equally in the equity and currently enjoy a 20 per cent dividend ; the "B" shares are limited to a maximum dividend of 10 per cent. But the "A" shares, because of their uncalled liability, of which 13s. 4d. is callable (in theory) at any time and £3 6s. 8d. per share only in a winding up, are distinctly less marketable than the "C."

The bank has sought to even out these historical anomalies and to bring all three classes down to a straight equality. It proposes first to cancel all the uncalled liability on the "A" shares, and, because they have normally stood lower in the market than the "C" shares, to compensate the "C" shareholders with a one for 25 free issue. Secondly, the "B" shares are admitted to dividend equality by the simple process of first halving their nominal amount and then reconsolidating them. That, incidentally, lets them into the equity gratis on the reduced nominal capital basis. Thirdly, the bank proposes after the adjustment to make a two for five free scrip issue to the single new class and to move on to a 15 per cent dividend basis on its new capital.

Livelihood in bloom



Bulbs are not the only bringers of beauty and brilliance to the flower fields of Holland—or of bread to the Dutch breadwinner. When spring has finally fled and the black earth basks in the stronger suns of summer and autumn, myriad new buds will open, fresh petals unfurl, other colours awaken. Provided . . .

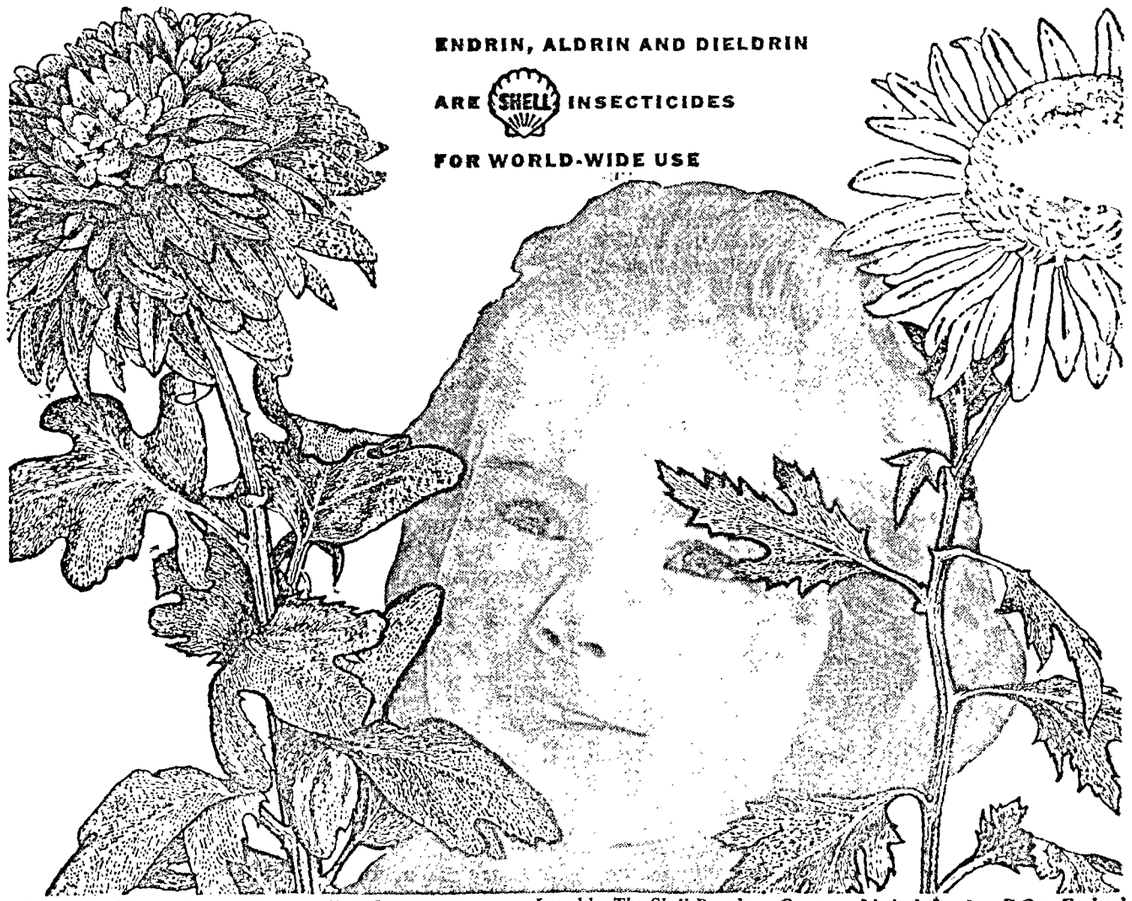
Provided green fingers. Good feeding. Care, attention and *protection*—from wind and weather and from a host of eager enemies which creep or crawl or fly, for a million billion insects believe that flowers are made for them alone. Of these, one of the most damaging to a livelihood in bloom is, or was, *Steneotarsonemus pallidus*, the Cyclamen Mite.

This tiny but widespread pest of temperate climates attacks many valuable plants and flowers: conceals itself in fold of leaf or bud and there silently sucks the life-sap. Unchecked, the result is inevitably complete loss, commercially, for in the flower market a deformed plant is as unsaleable as a dead one. Yet until recently the Cyclamen Mite defied every effort at control. Then, sprays of Shell endrin were tried—and the answer found. Deeply penetrative and highly persistent, Shell endrin not only destroys the destructive mite, *but provides protection from further attack for nine months or more without re-spraying.*

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That 15 per cent will be a small advance on the 20 per cent now paid on the old basis, which is equal to 14 2/7 per cent on the new capital. The table shows how the capital now stands:—

	Present holding number of shares	Gross dividend	New holding number of shares	Future gross income
		£		£ s. d.
"A" shares	250	50	350	52 10 0
"B" shares	250	25	175	26 5 0
"C" shares	250	50	364	54 12 0

If the scheme is approved by shareholders it will also need the sanction of the court.

BOWATER PAPER

Disappointment with a Better Dividend

THE first effective conversion price on Bowater Paper's new convertible loan stock is 46s. 6d. per £1 ordinary share. On the eve of the company's dividend announcement the £1 shares stood above this price, at 47s. 9d. In the prospectus for the convertible loan stock Sir Eric Bowater had foreshadowed an increase in the ordinary dividend. The promise has been kept and the ordinary dividend is in effect raised from 11¼ per cent to 12½ per cent. Some potential sellers were waiting for this announcement and after it the market price dropped 1s. 7½d. to 46s. 1½d. before recovering to 47s. 6d.

The full year's trading results for 1956 show how dependent the group has become on overseas earnings. For the whole group the consolidated revenue is £16,129,000, including the earnings of the new subsidiary, Mersey Paper of Liverpool, Nova Scotia, for eight months; the trading profits of that subsidiary in that period came to $5,019,000. The revenue of £16,129,000 is well up on the 1955 figure of £13,210,000, as is the net profit of £6,251,000 on the 1955 net profit of £4,323,000. But the fact that the profit of £7,715,000 in the six months to June 30th last included only about two months of the earnings of the new subsidiary suggest that margins may have fallen in the latter months of 1956. And while the profits of Bowater's principal British subsidiary have crept up from £3,629,000 to £3,835,000, the profits of the Bowater Corporation of North America have gone ahead from $22,579,000 to $28,404,000. The directors attribute the increase in profits to the inclusion of the new subsidiary's figures and to an increase in output at the Tennessee mills; they add that "the overall production of the organisation also exceeded that for the previous year, and this was achieved without taking into account the production of the new Mersey company."

NEW CARS

A Forerunner from British Motor?

THE unveiling of the new Wolseley 1500 is in its own right not uninteresting. If, as may well be the case, it is the forerunner of new British Motor Corporation cars to use not only most of the mechanical parts—engine and transmission—but also most of the same body panels, it is of much greater interest. There are some details of the Wolseley panels which seem to lend themselves to cosmetic treatment, chromium trim and so on, that could transform the appearance. If BMC could be as successful as General Motors are in the United States in utilising a very high common factor of body panels in a surprisingly wide range of different-looking cars, they would certainly produce their range of different makes with much more economy than at present.

The new Wolseley can be very readily compared with the Vauxhall Victor. The stated maximum power of the Vauxhall 1500 cc engine is 10 per cent greater than that of the BMC engine, and at lower engine speeds, the gain is slightly greater. It will be surprising if the Wolseley's fuel economy is as good as that of the Victor, which sustains Vauxhall's excellent standard in this increasingly important characteristic. The Victor has a three-speed gearbox, which gives an easier life to the indolent driver. Wolseley have used a four-speed box most intelligently, reacting to the increasing popularity of overdrive gears by giving an unusually high top gear ratio, with a top speed of 18½ miles per hour at 1,000 revs, against the Victor's 16½ mph; and a third speed, close up to top gear, which the driver should be able to use freely in traffic when the Victor will be using top gear.

The Wolseley's body is a good deal more conservative, in lines and in decoration, than the Victor's; while its lines are likely to be more acceptable to British eyes for the next year or two, in two or three years, when much bigger windscreen and rear window areas are likely to have become more general, it might look rather old-fashioned compared to the Victor. The Vauxhall car also appears to provide more room for passengers and much more room for luggage.

SHORTER NOTES

De Beers Consolidated Mines announce that sales of diamonds through the Central Selling Organisation totalled £17,742,000 in the first quarter of this year, nearly £2 million lower than in the fourth quarter of 1956. The decline was entirely in gem diamonds, sales of which amounted to £10,972,000, compared with £13,742,000 in the fourth quarter; sales of industrial diamonds rose by £825,000 to £6,770,000.

* * *

Following the sharp advance from 50 per cent to 100 per cent in the total dividend of the Legal and General Assurance Company, the chairman, Mr W. B. L. Barrington, warned shareholders at this week's meeting that the company must accumulate strong internal reserves and that it would be unwise for some time to expect any further increase in the dividend.

* * *

A sharp expansion in the gross profits of Whitbread, from £2,286,669 to £2,675,020, in 1956 has been followed by an increase in the ordinary dividend from 21 to 24 per cent.

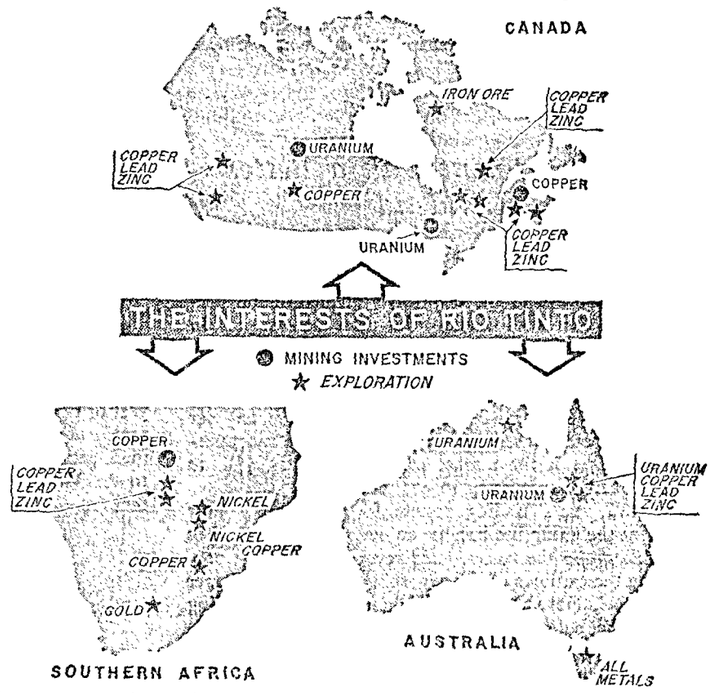
Rio Tinto's New Colours

RIO TINTO is not a mining finance house in the usual sense of that phrase. It is a holding company whose interests are in mines and minerals. The distinction is important—and not simply because of the attitude of the tax collector. It means that if Rio Tinto's *extensive exploration programmes* produce properties worth developing, the company is likely to look around for partners to help to finance the new ventures. It has already done so. Rio Tinto of Canada (in which Rio Tinto's interest went down to 40 per cent last year, but which is now back to just over 50 per cent) is the product of the merger of Rio Tinto and Mr J. H. Hirshhorn's Canadian mining interests; and Union Minière de Haut Katanga, for which Rio Tinto is doing some exploration work in Africa; has a 10 per cent interest in it.

Rio Tinto now has a large number of subsidiary companies. They are effectively controlled by the British company, but they are directed and managed locally. On occasions the Rio Tinto directors may think of Pooh Bah, but the effect is that the earnings of these subsidiaries (until they are distributed to this country) do not attract British tax. Thus the Chancellor's concession of the "overseas trade corporation" probably has no great significance for Rio Tinto. An extensive structure is based on a capital of about £20 million employed by the parent company; of this sum about £6 million represents the instalments from the Spanish syndicate which brought a two-thirds interest in the Spanish pyrites properties formerly owned by Rio Tinto. There is another £2 million to come from this source.

The accompanying map sets down in detail the location and the minerals in which Rio Tinto either has an investment or for which it is exploring. At the moment its interests are divided as to 60 per cent base metals, 20 per cent uranium and 20 per cent others. Thus in 1956 the uranium proportion went up from 15 to 20 per cent. Another division which may expand soon, if and when the offer for Kern Oil goes through, is oil.

At the moment the principal sources of Rio Tinto's income are its investments (undisclosed in detail) in the Rhodesian copper producers; and because their dividends may be lower this year Rio Tinto's income may also fall. In 1960 profits will flow from Canadian and Australian uranium sold under fixed price contracts. Some of these ventures have been financed on loans raised on terms that strictly limit the dividend that the operating company can pay before the loan is redeemed. But at the end of the contracts capital expenditure on the mines will be fully amortised (as will that laid out by other producers). Then Rio Tinto may have to offer its uranium on a free market with the risk of lower prices. Meanwhile, Rio Tinto is pushing ahead with exploration for many kinds of metals; some of these already show promise, as does the nickel project in Southern Rhodesia, and profits from uranium may come at the right time for full development. But such programmes are costly and the risks must not be minimised. Investors, however, seem to be looking more at the uranium than at the risks, for on the maintained dividend of 15 per cent, tax free, the 10s. stock units yield only 2¼ per cent at the current price of 95s.



COMPANY AFFAIRS

SEARS HOLDINGS

WHEN Mr Charles Clore announced a year ago a 50 per cent free scrip issue of "A" non-voting ordinary shares of Sears Holdings, he said that the ordinary dividend for 1956 on the new capital would not be less than 20 per cent. He is actually paying 22½ per cent (against the 1955 equivalent of 13⅓ per cent). Last year was as busy a year as ever for Mr Clore and Sears Holdings in the matter of new acquisitions. Scottish Motor Traction, after a bitter struggle, was added to the group; later in the year Manfield and Sons and Dolcis were added to the footwear division of the group.

One year's profits are not strictly comparable with another in this growing industrial holding company. In 1955 Sears earned a profit of £4,210,266, including £42,999 of pre-acquisition profits of new subsidiaries. In 1956 the group earned a profit of £6,121,129, including pre-acquisition profits of £1,191,204. Deducting these pre-acquisition earnings the Sears directors show the 1956 gross profit at £4,929,925 (against £4,167,267) and net profits at £1,928,063 (against £1,605,021). And they add that the aggregate profit of £6,121,129 includes fifteen months' profits of Scottish Motor Traction and the profits of "certain other subsidiaries for periods of less than twelve months."

BRITISH INSULATED

NOWHERE is the story of narrowing profit margins more familiar than in the electrical manufacturing industry. British Insulated Callender's Cables is another company in that industry to report a drop in trading profits. In 1956 they fell from £11,852,852 to £9,322,544. But this result came as no surprise to investors, for in December

the company's half-yearly report revealed that while sales had risen profits were falling. Even then the directors were speaking of the difficulty of passing on increases in costs, and said that the 1956 results would not reach the record level of 1955. One factor which added to the cable-makers' difficulties must have been the fluctuations in the price of copper.

Taxation has fallen from £4,839,058 to £3,464,752, but the net profit attributable to members of the holding company has been reduced from £4,501,532 to £3,715,631. The cover on the ordinary dividend, which the directors left unchanged at 12½ per cent, has thus been reduced from over four to three times. At the current price of 52s. 6d., the £1 ordinary stock units yield 4¾ per cent.

GENERAL MINING

BY no means all the South African finance houses are basking in golden sunshine. A shadow was suddenly thrown across the Kaffir market by the preliminary report of General Mining. For twenty years this finance house has paid a dividend of 25 per cent. For 1956 that dividend was reduced to 20 per cent. The £1 ordinary shares, which were weak before the preliminary announcement, immediately lost another 3s. 9d. to stand at 58s. 1½d. and to yield 6⅞ per cent.

General Mining's profit has risen from £906,492 (including sharedealing profits of £13,463) to £975,469 (including sharedealing profits of £6,814). Admittedly £442,717 has been written off investments (of which £150,000 has been provided from the investment reserve), but this is not out of line with the drop of about 10 per cent in the market value of Kaffirs last year and it is less than the £540,080 (of which £475,000 came from the investment reserve) written off in 1955.

But behind these figures and the dividend decision loom other facts. General Mining has interests in some of the old producers and, though uranium production has given a few of them a fresh lease of life, their dividends are static or declining. Other of its interests are in an active and costly stage of development. Thus much of General Mining's extra income must have come from the OFS producing mines in which it has only minority investments. With development programmes under way at Riebeeck (which is adjacent to Loraine and Freddies Consolidated), at Buffelsfontein and Stilfontein, General Mining is probably short of liquid capital. It is progress at these properties to which investors in General Mining will pin their hopes.

SWAN HUNTER

IN a note accompanying the full accounts of Swan, Hunter, and Wigham Richardson the directors say: "before his death, Mr J. W. Elliott had completed his annual statement accompanying the accounts. The Board does not desire to alter these remarks in any way and they are reproduced in their entirety." Mr Elliott's review, after recording the jump in the trading surplus from £3,012,874 to £3,803,599, looked forward. Last year the group spent £1,480,764 on capital account (a sum equivalent to 84 per cent of the 1956 net profit) and within the next four or five years will spend something in the region of £6 million.

That expenditure is "considerably in excess" of what was contemplated a year ago. This revision is due in part to an increase in costs, but in the main to an expansion of the programme in order to meet the demand for large tankers. Mr Elliott said: "The closure of the Suez Canal, while not initiating the movement to increase the size of tankers, has accelerated the demand for large ships, and we now have to adapt, our yards to build these large ships at an earlier date and at an increased tempo." The revised programme seems in the directors' opinion to provide reason enough for the decision to leave the ordinary dividend unchanged at 14 per cent in spite of a rise in net profits from £1,380,100 to £1,622,472 and in the face of an order book which will keep the "works busy for some years ahead."

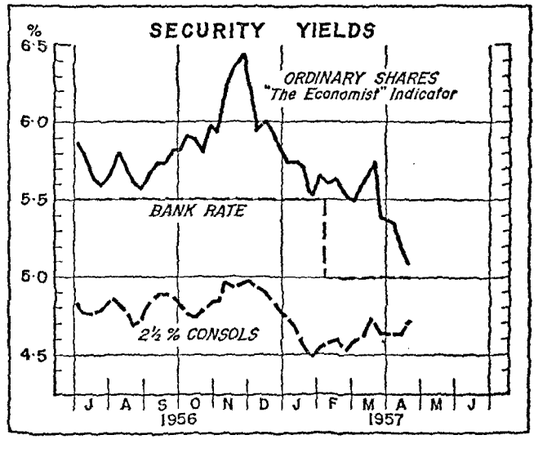
London Stock Exchange

FIRST DEALINGS:	Apr. 10	May 1	May 15
LAST DEALINGS:	Apr. 30	May 14	May 28
ACCOUNT DAY:	May 7	May 21	June 4

A SHORT-LIVED rally, following the reduction in the Treasury bill rate on Friday, was the only favourable movement in gilt-edged prices in a week of persistent losses. The *Financial Times* Government securities index recorded a loss of nearly a point to stand at 86.26 on Tuesday's close; 3½ per cent War Loan lost 1⅛ to 73⅛ and 4 per cent Consols ⅞ to 79½. Industrial stocks fully held their recent gains and The Economist indicator rose 2.3 points to 214.9. Canadian stocks were again firm and International Nickel were especially strong. The dollar premium rose to 8 per cent over the rate for the day.

Insurance shares were unsettled. London and Lancashire and Commercial Union fell sharply on the announcement of unchanged dividends. Legal and General dropped 4 points to 31½ on the chairman's statement about future dividends. Prudential "A" fell 2 points to 41½ xd. On the increased dividend, Whitbread "A" gained 4s. 3d. to 73s. Taylor Walker improved 3s. to 32s. 6d. xd. Road construction shares rose, with Associated Portland Cement putting on 1s. 4½d. to 43s. 6d. Better prospects for the motor industry brought British Motor up to 8s. 1½d. and Standard to 7s. 4½d. and, among the steel shares, John Summers rose 3s. 6d. to 34s. J. & P. Coats and English Sewing Cotton were prominent among the textile issues with gains of 2s. 6d. and 1s. respectively. Shipping shares improved.

The £1 ordinary stock units of British Celanese have been removed from *The Economist* ordinary share indicator. The indicator now comprises 49 stocks.



STOCK EXCHANGE INDICATORS
"The Economist" Indicator

1957	Indicator*	Yield %	1956 High	1956 Low	1955 High	1955 Low
Mar. 20	193·5	5·74				
,, 27	204·9	5·39				
April 3	206·9	5·35				
,, 10	212·6	5·20	210·4 (Jan. 4)	170·0 (Nov. 28)	232·1 (July 20)	175·2 (Mar. 23)
,, 16	214·9	5·10				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956 High	1955 High
		%		%			
April 10	197·6	5·53	95·47	4·63	13,033	203·6 (Jan. 3)	233·9 (July 21)
,, 11	197·9	5·53	95·33	4·65	11,378		
,, 12	198·4	5·52	95·30	4·66	11,570		
,, 15	199·2	5·49	95·10	4·68	14,747	Low	Low
,, 16	199·8	5·47	94·86	4·72	11,354	161·5 (Nov. 29)	175·7 (Mar. 15)

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

LONDON ACTIVE SECURITIES

Prices, 1956 High	Prices, 1956 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Apr. 10, 1957	Price, April 16, 1957	Net Yield, Apr. 16, 1957 §	Gross Yield, Apr. 16, 1957
					£ s. d.	£ s. d.
99¼	97	Funding 2½% 1952-57	99⅛	99⅛	5 6	3 18 6
95½	93¼	War Loan 3% 1955-59	96⅛	96⅛	3 3 3	4 9 5
91⅝	88⅛	Funding 2½% 1956-61	92¼	92⅜	3 10 5	4 12 9
100⅛	99⅛	Exchequer 5% 1957	100/3/3	100/3/6	...	3 17 10
99⅜	97	Conversion 4% 1957-58	98⅞	98⅞	2 15 8	5 0 11
97⅛	95½	Serial Funding 2½% 1957	98⅛	98⅛	3 18 2	4 15 1
94⅝	91	Conversion 2½% 1958-59	95⅜	95⅜	3 11 7	4 11 9
92⅛	88⅞	Exchequer 2% 1960	93⅛	93⅛	3 11 8	4 10 6
95⅛	92⅛	Exchequer 3% 1960	95⅞	95⅞	3 3 3	4 10 6
98⅜	97⅜	Conversion 4½% 1962	98⅛	98⅛	2 15 9	4 15 9
88⅛	83	Savings Bonds 3% 1955-65	87⅞	87⅛	3 11 0	4 19 3
82⅝	77⅛	Funding 3% 1959-69	81⅛	80⅜	3 14 8	5 3 6
92¼	84½	Funding 4% 1960-90	89⅛*	88⅜*	6 7 0 / 2 16 4	8 3 0 / 4 13 1
81⅞	75½	Savings Bonds 3% 1960-70	79⅜	79	3 15 2	5 4 10
91⅞	88⅛	Exchequer 3% 1962-63	92¼	92	3 5 6	4 14 1
87⅛	83⅜	Exchequer 2½% 1963-64	87⅛*	87⅛*	3 9 10	4 12 6
81⅛	76⅛	Savings Bonds 2½% '64-67	80⅞*	80⅜*	3 16 0	4 19 11
79⅛	71⅛	Savings Bonds 3% 1965-75	75⅛	75⅛	3 12 4	5 3 2
83⅛	78	Funding 3% 1966-68	82⅛	82	3 14 8	5 4 1
96⅛	90	Victory 4% 1920-76	94⅛	94⅛	2 19 11	4 16 0
88⅜	81⅞	Conversion 3½% 1969	86⅝	85⅞	3 10 4	5 3 5
83⅜	74⅜	Treasury 3½% 1977-80	79⅛	79	3 7 4	5 3 0
84⅛	75⅝	Treasury 3½% 1979-81	78⅛	77⅞	3 7 11	5 3 5
72⅝	64½	Redemption 3% 1986-96	69⅝	68¾	3 2 2	4 15 6
81⅛	73⅛	Funding 3½% 1999-2004	78	77½	2 18 6	4 15 3
84⅜	76	Consols 4% after Feb. '57	80⅛	79½	2 18 5	5 2 0
77	68	War Loan 3½% after 1952	74⅛	73⅛	4 17 6	4 17 6
76⅞	67⅜	Conv. 3½% after Apr. 1961	72	70⅛	2 16 10	4 18 11
66⅜	58⅜	Treas. 3% after Apr. 1966	62⅝	62	2 15 8	4 16 11
56⅜	49⅝	*Consols* 2½%	53⅛	53	2 14 4	4 14 6
56⅜	50	Treas. 2½% after Apr. '75	53⅛	52⅝	2 14 8	4 15 3
98⅛	90	Br. Electric 4½% 1967-69	94⅞	94⅜	3 3 4	5 3 9
80⅜	72⅜	Br. Electric 3% 1968-73	77⅛	76⅜	3 13 11	5 3 11
79⅜	71½	Br. Electric 3% 1974-77	75⅛	74⅝	3 10 5	5 1 2
95	85½	Br. Electric 4½% 1974-79	89	89	3 2 9	5 1 11
83⅛	74⅜	Br. Electric 3½% 1976-79	78⅛*	78⅛*	3 7 7	5 2 1
90⅜	84⅛	Br. Gas 4% 1969-72	88⅝	88⅛	3 6 8	5 4 2
87⅞	80	Br. Gas 3½% 1969-71	85⅛	84⅝	3 8 0	5 1 3
73⅜	65½	Br. Gas 3% 1990-95	69⅞*	68⅝	3 3 0	4 16 1
80⅞	72⅜	Br. Transport 3% 1968-73	77⅛	76⅛	3 13 11	5 3 11
90⅞	81⅜	Br. Transport 4% 1972-77	87⅞	86⅜	3 4 8	5 3 1
73⅛	65¼	Br. Transport 3% 1978-88	70⅝	69⅝	3 6 6	4 19 9

Prices, 1956 High	Prices, 1956 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Apr. 10, 1957	Price, Apr. 16, 1957	Yield, Apr. 16, 1957
					£ s. d.
80⅛	74⅜	Australia 3½% 1965-69	79½	79⅛	5 14 8
98⅜	92⅛	Fed. Rhod. & Nyas. 5% 1975-80	94⅛	94⅛	5 9 0
76	70	S. Rhodesia 2½% 1965-70	72½	72½	5 10 6
88⅛	80⅛	N. Zealand 4% 1976-78	87	87	5 0 8
101⅜	99⅛	L.C.C. 5½% 1977-81	105⅛	105	5 1 9
97⅛	88⅛	Agric. Mortgage 5% 1959-89	92⅛	92⅛	5 10 0
68⅜	61	Met. Water Board 'B' 3% 1934-2003	66	66	4 18 3
81⅛	71	German 7% 1924 (Br. Enfaced 5%)	77½	...	...
169⅜	159¼	Japan 5% 1907 (Enfaced)	165	...	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, April 10, 1957	Price, April 16, 1957	Yield, April 16, 1957
		% %				£ s. d.
			BANKS & DISCOUNT			
21/-	18/6	2 a	7 b Bk. Ldn. & S. Amer. £1	27/9	28/-	6 8 7
50/-	39/10½	5 a	7 b Barclays Bank £1	45/6	45/-	5 6 8
35/9	27/9	4 a	4 b Barclays D.C.O. £1	33/6	33/-	4 17 0
41/9	32/9	7½a	7½b Chartered Bank £1	36/-	37/6	8 0 0
51/-	42/10½	...	7 b Lloyds Bank £1	48/9	48/-	5 8 4
72/4½	61/-	9 a	9 b Midland Bank £1	68/6	68/6	5 5 1
46/-	29/3	5 a	5 b Nat. Discount 'B' £1	40/-	39/6	6 1 3
50/-	40/6	6½a	6½b Union Discount £1	48/9	49/-	5 2 0
			INSURANCE			
92/6	75/-	30 a	43½b Commercial Union 5/-	85/-	83/9	4 7 7
29	16½	12½a	37½b Legal & General £1	35½	31	3 4 6
25½	18½	†20 a	†50 b Pearl £1	22½*	21½*	5 13 3
48⅜	34⅛	†125 c	†132½c Prudential 'A' £1	43½*	42½*	5 8 6
			BREWERIES, ETC.			
119/6	106/-	10 a	33 b Bass £1	110/-	111/3	7 14 8
24/10½	18/7½	11½b	6 a Distillers 6/8	23/9	24/6	4 15 3
45/10½	36/9	10 a	15 b Guinness 10/-	39/3	40/-	6 5 0
76/-	61/9	7 a	17 b Whitbread 'A' £1	69/3	68/9	6 19 8
			OIL			
183/9	99/-	†10 b	†5 a British Petroleum £1	149/-	146/3	3 11 5
117/9	63/-	12½b	5 a Burmah £1	106/3	104/4½	3 7 1
17 1/16	11 3/8	7½a	17 b Royal Dutch 20 fl.	18½	18½	2 11 6
171/-	103/3	†5 a	†13½b Shell £1	178/9	180/7½	3 12 3
58/6	33/3	...	... Ultramar 10/-	75/6	74/3	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, April 10, 1957	Price, April 16, 1957	Yield, April 16, 1957
		% %				£ s. d.
			STEEL & ENGINEERING			
85/6	64/-	8 b	7 a Babcock & Wilcox £1	80/3	80/-	3 15 0
13/-	9/4½	14 c	4 a Cammell Laird 5/-	11/9	12/-	5 16 8
35/-	22/9	3 a	5 b Dorman Long £1	25/6	26/-	6 3 1
54/9	39/-	8½b	3½a Guest Keen N'fold £1	49/9	49/6	4 16 11
55/6	41/6	6 b	4 a Metal Box £1	55/3	56/10½	3 10 4
31/6	25/7½	5 a	12½b Stewarts & Lloyds £1	29/3	29/9	5 17 8
60/-	47/3	3 a	11 b Swan Hunter £1	71/-*	70/-*	4 0 6
43/9	31/4½	4 a	8½b United Steel £1	31/4½	32/6	7 13 10
44/7½	32/4½	7½b	2½a Vickers £1	45/10½	45/6	4 7 11
			ELECTRICAL			
75/3	45/-	7½a	7½b Assoc. Elec. Inds. £1	65/6	66/3	4 10 7
54/9	45/3	4 a	8½b Br. Ins. Callenders £1	53/6	52/6	4 15 1
35/6	24/4½	43½c	6½a Decca Record 4/-	29/10½	29/4½	5 19 1
37/-	22/6	15 c	6 b Elect. & Mus. Inds. 10/-	32/3	32/3	4 13 0
66/1½	43/6	4 a	10 b English Electric £1	57/3	57/6	4 17 5
65/6	40/9	9½b	4½a General Electric £1	56/-	56/3	4 19 1
			TEXTILES			
24/9	19/4½	4 a	6 b Bradford Dyers £1	21/4½*	20/9*	9 12 9
23/7½	13/-	5 b	1½a British Celanese £1	15/3	22/6	...
25/10½	20/7½	6½b	2½a Coats, J. & P. £1	25/4½	25/-	7 0 0
44/-	29/-	6 b	4 a Courtaulds £1	35/6	35/9	5 11 10
37/3	22/3	5 a	12½b Lancashire Cotton £1	35/7½	35/9	9 15 10
33/3	26/-	10 b	2½a Patons & Baldwins £1	35/10½	35/10	6 19 9
			SHOPS & STORES			
18/10½	12/9½	14 c	6 a Boots Pure Drug 5/-	16/6	16/6	4 4 11
41/4½	29/-	20 b	7½a Debenhams 10/-	41/9*	41/4½*	6 12 1
44/9	30/1½	47½b	15 a Gt. Universal 'A' 5/-	46/7½	47/-	6 12 11
35/6	27/4½	16½b	10 a Marks & Spen. 'A' 5/-	43/9	44/6	2 18 1
25/10½	19/-	20 b	12½a United Drapery 5/-	27/1½	27/6	5 18 1
43/3	34/-	13½a	26½b Woolworth 5/-	43/3	44/6	4 9 11
			MOTORS & AIRCRAFT			
22/1½	16/-	6½b	3½a Bristol Aeroplane 10/-	19/3	19/6	5 2 1
9/-	5/9½	8½b	Nil a British Motor 5/-	7/7½	8/-	5 6 3
44/3	25/9	2½a	5 b Ford Motor £1	37/9	38/6	3 17 11
49/3	29/9	3 a	7 b Hawker Siddeley £1	33/4½	35/9	5 11 11
47/3	38/10½	10 c	12½c Leyland Motors £1	49/-	49/4½	5 1 0
115/10½	85/6	12½b	5 a Rolls-Royce £1	123/9	122/6	2 17 1
9/3½	5/5½	12 c	8 c Standard Motor 5/-	7/0½	7/3	5 10 4
			SHIPPING			
38/9	28/6	...	6½a Brit. & Com'wealth 10/-	42/9	42/6	3 15 6
21/-	20/4½	7½b	3 a Cunard £1	27/9	26/6	7 10 11
35/9	27/-	3 a	5 b P & O Defd. £1	37/-*	37/6*	4 5 0
			MISCELLANEOUS			
45/6	34/3	7 b	3 a Assoc. Port. Cem. £1	47/1½	48/-	3 15 5
22/9	17/9	10 b	20 a Beecham Group 5/-	21/6	21/9	6 17 11
60/9	38/6	4½a	8 b Bowater Paper £1	47/3	47/6	5 1 0
81/10½	40/4½	4 a	8 b Br. Aluminium £1	69/9*	68/9*	3 9 10
60/-	45/3	†20 c	†5½a Br. Amer. Tob. 10/-	60/3*	60/-*	5 15 1
19/9	15/4½	15 b	7½a B.E.T. 'A' Defd. 5/-	21/7½	21/-	5 7 6
42/-	32/9	4 a	6 b Br. Oxygen £1	36/9	36/-	5 11 0
$69	$56⅜	3 a	4 b Canadian Pacific $25	$66⅞	$67⅛	4 16 3
25/9	14/7½	10 b	2½a Dunlop Rubber 10/-	19/9	19/6	6 8 8
49/10½	36/-	6 b	4 a Imp. Chemical £1	45/4½	45/3	4 8 4
62/9	42/3	8½a	12½b Imp. Tobacco £1	42/9	41/-	10 4 10
$211	$141⅜	$3·75c	$5·75c Int'l. Nickel n.p.v.	$209½	$212½	3 3 3
40/3	28/6	5 b	2½a J. Lucas (Inds.) £1	34/9*	35/7½*	4 4 0
22/7½	16/7½	6½a	15 b Monsanto Chem. 5/-	21/1½	21/6	4 3 1
18/-	14/10½	10 c	2½a Ranks 10/-	17/-	17/3	5 11 6
75/4½	42/9	15 b	6 a A. E. Reed £1	52/6	52/9	6 1 1
16/4½	11/7½	20 c	22½c Sears Hldgs. 'A' 5/-	15/6	15/6	7 5 6
69/1½	54/1½	4½a	12 b Tate & Lyle £1	63/4½	64/6	5 2 6
69/6	49/9	6½a	7½b Tube Investments £1	66/-	65/7½	4 11 5
115/6	92/6	5 a	22½b Turner & Newall £1	128/3	131/3	4 3 10
82/9	61/7½	6 a	11½b Unilever Ltd. £1	93/3*	93/1½	3 15 3
41/9	22/9	†7½b	†4½a United Molasses 10/-	42/6	42/6	4 17 6
			MINES, ETC.			
172/6	133/9	20 a	50 b Anglo-American 10/-	135/-*	133/9	5 4 5
40/-	22/6	†23a	†7½b Cons. Tea & Lands £1	27/-	27/6	12 13 0
130/7½	91/3	80 a	120 b De Beers Def. Reg. 5/-	95/-	95/-	10 10 0
25/-	19/7½	...	... Doornfontein 10/-	20/3	...	...
10/11½	8/6	30 c	30 c London Tin 4/-	11/10½	11/9	10 4 4
16⅜	11⅜	112½b	25 a Nchanga Cons. £1	12½	12⅛	11 3 5
64/-	52/6	40 b	50 a President Brand 5/-	48/1½	48/1½	9 7 0
29/-	21/-	12½a	25 b Rho. Selection Tst. 5/-	22/9	22/6	8 6 8
61/9	37/6	30 b	12½a United Sua Betong £1	56/-	57/6	14 15 0
81/9	64/4½	40 b	40 a Western Holdings 5/-	61/10½	63/1½	6 6 8

New York Closing Prices

	Apr. 10	Apr. 16		Apr. 10	Apr. 16		Apr. 10	Apr. 16
	$	$		$	$		$	$
Am. Viscose	35	34⅜	Can. Pacific	34⅜	34½	Int'l. Nickel	108⅜	109
Beth. Steel	45	44⅛	N.Y. Central	30⅛	29⅜	National Dist.	27⅛	26⅞
Chrysler	75⅛	75⅝	Pennsylvania	20⅛	20⅜	Sears Roebuck	26⅞	26⅞
Crown Zeller	53½	53	Amer. Tel.	177½	177½	Shell Oil	79⅛	80
Du Pont de Nm.	185⅞	188½	Standard Gas.	12½	12½	Std. Oil of N.J.	58⅝	59
Ford Motors	58	58½	Western Union	18⅜	18⅜	U.S. Steel	62⅛	61⅜
Gen. Elect.	59½	61½	Alumin'm Ltd.	127⅜	131	West'house E.	57½	57
Gen. Motors	40½	41½	Am. Smelting	56½	56½	Woolworth	43½	43½

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10 years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) On 16%. (h) After Rhodesian tax. (i) On 17½% tax free. (j) On 13%. (t) To latest date. (w) On 10%. (n) On 16%. (o) On 15%. (p) On 9%. (q) On 8¾%. (r) On 18%.

STATISTICS

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

World Trade	This week		
British		*Overseas*	
Prices and Wages	Mar. 30th	Western Europe:	
Production and Consumption	Apr. 6th	Production and Trade	Mar. 23rd
Manpower	Apr. 13th	British Commonwealth	Apr. 6th
External Trade	Mar. 23rd	*Western Europe:*	
Financial Statistics	This week	Prices and Money Supply	Apr. 13th
Industrial Profits	This week	United States	Mar. 30th

World Trade

(*Million US Dollars*)

	Exports (f.o.b.) 1948	1955	1956	Annual Rate July to Sept., 1956	Annual Rate Oct. to Dec., 1956	Imports (c.i.f.) 1948	1955	1956	Annual Rate July to Sept., 1956	Annual Rate Oct. to Dec., 1956
WORLD										
otal (1)	**53,784**	**84,148**	**92,800**	**90,206**	**98,800**	**59,935**	**88,693**	**97,800**	**95,958**	**102,800**
STERLING AREA										
otal	**15,014**	**20,509**	...	**20,462**	...	**18,327**	**23,479**	...	**23,573**	...
United Kingdom	6,605	8,468	9,292	8,608	9,847	8,370	10,874	10,890	10,496	10,995
UK overseas territories	2,280	3,550	...	3,595	...	2,595	3,967	...	4,214	...
Hong Kong	404	444	563	538	557	523	651	799	750	810
Malaya and Singapore	813	1,358	1,361	1,329	1,393	842	1,249	1,357	1,342	1,360
Nigeria	252	370	...	356	...	169	380	...	434	...
Other sterling countries	6,129	8,491	...	8,259	...	7,362	8,638	...	8,863	...
Australia	1,649	1,749	1,896	1,640	2,404	1,411	2,160	1,937	1,924	1,710
Ceylon	306	407	364	385	363	301	307	343	357	381
Ghana	201	244	...	155	...	121	246	...	243	...
India	1,363	1,276	1,256	1,192	1,389	1,616	1,363	1,698	1,702	1,766
Iraq	81	519	...	564	...	183	273	...	314	...
Ireland	199	309	301	311	341	549	572	507	436	476
Kuwait	95[3]	830[3]	840[3]	930[3]	655[3]	...	...	...	...	...
New Zealand	493	724	770	718	642	450	804	...	819	...
Northern Rhodesia	115					71				
Nyasaland	17	484	510	532	479	18	435	499	519	507
Southern Rhodesia	99					192				
Pakistan	494	401	339[3]	244	305[3]	312	290	344[3]	355	475[3]
South-West Africa	52	1,059	1,185	1,184	1,290	49	1,485	1,524	1,492	1,435
Union of South Africa	565					1,567				
EUROPE										
otal	**11,461**	**26,059**	...	**27,912**	...	**17,735**	**29,033**	...	**32,708**	...
Belgium-Luxemburg	1,690	2,776	3,150	2,981	3,238	2,046	2,830	3,261	3,142	3,611
Denmark	569	1,056	1,111	1,069	1,201	714	1,178	1,311	1,282	1,454
France	2,012	4,911	4,541	4,258	4,930	3,443	4,739	5,553	5,342	5,940
Germany, Federal Republic	...	6,735	7,358	7,303	8,311	...	5,793	6,617	6,748	7,316
Italy	1,077	1,856	2,156	2,204	2,399	1,539	2,711	3,169	3,049	3,337
Netherlands	1,024	2,688	2,862	2,792	3,025	1,871	3,208	3,712	3,763	3,945
Norway	415	633	772	744	824	750	1,090	1,209	1,037	1,254
Sweden	1,107	1,726	1,941	2,084	2,182	1,377	1,997	2,208	2,130	2,469
Switzerland	799	1,307	1,442	1,405	1,664	1,163	1,489	1,766	1,771	1,996
Turkey	197	313	305	171	346	348	498	407	396	346
otal *related areas* (excl. sterling area)	**2,039**	**3,353**	...	**3,223**	...	**2,814**	**4,430**	...	**4,328**	...
Netherlands Antilles	407	803	...	792	...	544	996	...	1,007	...
NORTH AMERICA										
otal	**16,622**	**20,316**	**24,246**	**24,152**	**26,388**	**11,082**	**17,533**	**19,997**	**19,662**	**20,314**
United States	12,666	15,553	18,993	18,692	20,697	8,058	12,368	13,725	13,527	13,744
Canada (2)	3,356	4,763	5,253	5,460	5,691	3,024	5,165	6,262	6,135	6,570
LATIN AMERICA										
otal	**6,311**	**7,669**	...	**8,090**	...	**6,103**	**7,551**	...	**7,581**	...
Argentina	1,407[3]	928	911	929	942	1,491[3]	1,172	1,113	1,076	1,081
Brazil	1,173	1,423	1,482	1,537	1,516	1,134	1,306	1,235	1,264	1,483
Chile	327	472	549[3]	528	632[3]	269	376	359[3]	345	381[3]
Colombia	289	582	600	611	533	337	669	669	714	522
Cuba	724	594	...	560[3]	...	569	633	...	468[3]	...
Mexico	466	668	672[3]	606	616[3]	561	885	1,064[3]	1,084	1,099[3]
Peru	157	268	308	329	334	168	299	361	378	400
Venezuela	1,040	1,912	...	2,141	...	814	1,092	...	1,102	...
REST OF THE WORLD										
otal	**2,937**	**6,037**	...	**6,452**	...	**3,874**	**6,872**	...	**8,048**	...
Egypt	591	397	408	269	323	663	525	534	578	355
Indonesia	394	932	857[3]	901	895[3]	464	604	...	821	...
Iran	462	...	...	...	...	167	...	...	...	...
Japan	253	2,011	2,501	2,476	2,888	684	2,471	3,230	3,299	3,620

Figures cover general trade as far as possible. Area totals include estimates for countries for which data are not available. Data refer to calendar years. (1) Excludes China (mainland), USSR, and non-reporting countries of Eastern Europe. (2) Including the trade of Newfoundland in 1948, with no adjustment for trade between the two areas. (3) Partly estimated.

Industrial Profits and Assets

THE tables below continue the analysis of company balance sheets and profit and loss accounts which was introduced in *The Economist* of January 22, 1949; the figures are discussed on an earlier page in this issue.

Comparative analysis of 439 profit and loss accounts published January-March, 1957 (£'000)

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(26)		(22)		(27)		(9)		(3)		(17)		(48)		(20)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	21,222	23,157	4,614	4,558	23,552	26,105	33,767	35,174	87,414	89,863	5,353	5,847	18,940	21,058	107,129	107,255
Income from investments	560	637	87	66	304	364	698	936	6,372	7,146	58	56	274	406	1,933	2,076
Other current income	22	9	1	1	1	1	8	7	...	...	36	...	111	92	316	...
Non-recurring credits	505	274	320	128	1,405	579	922	310	59	54	130	221	483	768	2,021	619
Total Income	**22,309**	**24,067**	**5,022**	**4,753**	**25,262**	**27,049**	**35,395**	**36,427**	**93,845**	**97,063**	**5,577**	**6,124**	**19,808**	**22,324**	**111,399**	**109,950**
Depreciation	2,250	2,516	671	723	4,823	5,514	1,474	1,659	5,679	6,435	1,048	1,250	2,823	3,311	21,092	21,462
Income tax	7,853	8,737	1,440	1,417	7,372	8,279	13,744	14,161	34,311	36,339	1,515	1,743	6,342	7,340	33,166	32,064
Profits tax	1,742	2,293	354	446	1,710	2,081	2,948	3,736	5,979	7,945	359	497	1,228	1,639	6,425	5,631
Directors' emoluments	582	612	502	527	766	793	810	748	731	838	460	451	1,093	1,160	905	1,012
Administrative charges	121	129	84	73	341	442	111	14	1,388	2,349	48	69	105	219	1,407	221
Contingencies, provisions, etc.	935	79	72	26	1,253	813	1,090	433	1,301	1,714	67	47	1,291	374	9,068	212
Pensions	230	220	7	63	151	130	59	52	784	1,050	21	20	154	185	1,409	1,505
Minority interests	309	297	1	1	365	225	277	279	3,240	2,480	112	86	41	52	489	339
Loan interest	1,118	1,136	24	42	342	343	201	203	3,014	3,179	81	79	135	213	2,954	5,497
Preference dividends	424	438	110	124	424	434	467	467	859	863	64	68	194	223	936	943
Profits retained by subsidiaries	1,532	1,505	109	86	2,493	2,747	1,355	1,398	17,605	14,515	238	495	981	1,174	4,327	3,238
Ordinary dividends	3,860	3,948	660	666	3,004	3,037	8,739	9,242	13,867	14,758	651	712	2,320	2,404	6,449	7,055
Reserves	1,023	1,968	725	458	2,289	2,017	2,728	3,048	4,946	4,550	660	554	2,597	3,736	16,552	26,864
Brought in (parent company)	3,692	4,022	1,066	1,329	2,937	2,866	2,969	4,461	3,814	3,955	959	1,212	3,873	4,375	16,519	22,739
Carried forward (parent company)	4,022	4,211	1,329	1,430	2,866	3,060	4,461	5,448	3,955	4,003	1,212	1,265	4,375	4,669	22,739	26,646

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(3)		(12)		(10)		(28)		(14)		(62)		(5)		(11)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	1,642	1,660	9,785	11,170	30,509	27,449	37,110	31,146	9,595	8,434	36,272	34,040	23,490	26,230	5,174	5,195
Income from investments	11	26	177	277	729	559	1,266	1,421	240	276	768	1,133	1,094	1,547	272	390
Other current income	...	...	...	...	9	1	7	...	20	14	5	7	...	...	...	...
Non-recurring credits	9	...	252	33	693	238	1,112	1,306	327	117	1,331	1,027	326	183	865	531
Total Income	**1,662**	**1,686**	**10,214**	**11,480**	**31,934**	**28,247**	**39,495**	**33,873**	**10,182**	**8,841**	**38,376**	**36,207**	**24,910**	**27,960**	**6,311**	**6,116**
Depreciation	198	229	2,518	3,171	4,873	6,201	5,673	6,691	1,084	1,173	6,123	6,818	10,179	10,482	415	508
Income tax	637	605	2,763	2,991	10,460	8,520	12,625	9,548	3,504	3,073	12,221	11,377	4,810	5,783	1,850	1,792
Profits tax	98	142	626	802	2,160	2,831	1,950	2,205	692	785	2,213	2,683	841	1,110	505	734
Directors' emoluments	84	75	339	366	339	347	937	945	393	410	1,440	1,291	139	150	268	286
Administrative charges	7	8	45	44	48	59	114	280	7	14	229	238	40	41	15	27
Contingencies, provisions, etc.	57	10	118	100	2,346	170	1,950	411	239	23	1,339	552	2,914	2,205	861	3
Pensions	25	10	301	399	...	35	1,085	1,055	65	20	356	346	200	381	...	6
Minority interests	...	...	304	238	219	78	21	5	78	63	197	156	1,113	1,221	19	34
Loan interest	...	...	173	56	668	701	33	91	10	10	303	390	186	584	67	66
Preference dividends	11	11	70	88	240	251	264	300	159	163	398	426	107	107	84	85
Profits retained by subsidiaries	2	2	931	807	4,290	1,138	3,010	2,457	1,383	759	3,011	1,084	2,024	3,504	230	148
Ordinary dividends	168	213	1,310	1,427	3,722	4,621	3,852	3,962	1,083	1,063	4,890	5,053	1,533	1,588	1,023	1,220
Reserves	350	405	730	975	2,430	3,153	1,897	2,103	1,318	1,291	2,965	4,449	760	815	908	1,319
Brought in (parent company)	454	479	1,560	1,546	1,983	2,122	9,687	15,771	770	937	10,472	13,163	637	701	2,170	2,236
Carried forward (parent company)	479	455	1,546	1,562	2,122	2,264	15,771	19,591	937	931	13,163	14,507	701	690	2,236	2,124

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS	
No. of Companies	(4)		(19)		(11)		(4)		(35)		(6)		(43)		439 Companies	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	1,845	2,031	7,990	9,262	3,394	3,405	2,340	1,970	2,374	2,307	1,716	2,202	9,007	9,941	484,034	489,459
Income from investments	9	17	156	201	52	60	124	186	212	254	16	26	864	515	16,076	18,565
Other current income	...	...	...	...	1	5	...	...	53	123	2	1	7	22	593	283
Non-recurring credits	59	13	495	147	58	127	29	297	236	131	36	15	314	344	11,987	7,462
Total Income	**1,713**	**2,061**	**8,641**	**9,610**	**3,505**	**3,597**	**2,493**	**2,453**	**2,875**	**2,815**	**1,770**	**2,244**	**9,992**	**10,822**	**512,690**	**515,769**
Depreciation	338	373	1,042	1,236	598	762	234	276	152	173	130	129	1,855	2,214	75,272	83,306
Income tax	440	630	2,648	3,118	1,024	1,022	929	764	823	818	654	871	2,546	2,684	163,677	163,676
Profits tax	123	174	685	894	258	324	209	249	325	396	140	189	727	1,001	32,297	38,787
Directors' emoluments	129	157	611	641	280	274	88	91	65	65	42	38	524	546	11,529	11,823
Administrative charges	3	5	62	33	11	7	20	26	73	90	11	11	186	162	4,376	4,561
Contingencies, provisions, etc.	93	12	507	7	10	12	159	143	525	258	304	15	546	301	27,045	7,920
Pensions	24	23	242	89	26	25	...	...	...	...	16	6	166	70	5,321	5,690
Minority interests	...	2	7	8	...	...	...	...	...	...	...	...	25	23	6,817	5,587
Loan interest	10	10	64	95	8	8	...	...	10	9	34	34	542	641	9,977	13,397
Preference dividends	33	33	194	199	129	130	2	2	5	5	18	17	252	264	5,444	5,641
Profits retained by subsidiaries	13	69	276	568	64	7	4	5	...	...	96	225	177	111	44,151	36,042
Ordinary dividends	232	244	1,273	1,306	427	418	499	519	735	815	239	265	1,466	1,524	62,002	66,060
Reserves	250	320	1,020	1,148	581	510	275	390	128	292	77	431	693	1,050	45,902	61,845
Brought in (parent company)	298	323	2,151	2,161	684	773	593	667	200	234	83	92	2,617	2,904	70,188	89,068
Carried forward (parent company)	323	332	2,161	2,429	773	871	667	655	234	128	92	105	2,904	3,135	89,068	100,511

* This group includes canals and docks, entertainment, finance and land, hotels and restaurants and warehousing.

Comparative analysis of 439 balance sheets published January-March, 1957 (£'000)

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(26)		(22)		(27)		(9)		(3)		(17)		(48)		(20)	
Year	Prev.	Latest	Prev	Latest	Prev	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	127,911	142,483	14,172	15,068	98,039	107,518	71,204	81,289	118,645	128,951	17,143	19,163	46,111	54,694	474,628	550,466
Trade investments	2,559	2,592	176	187	2,600	3,428	750	754	24,918	24,505	50	64	1,360	1,821	8,594	9,689
Stocks	21,359	23,747	11,810	12,117	43,621	43,454	27,204	27,506	340,149	352,536	7,109	7,850	40,933	50,112	120,992	155,873
Debtors	13,231	14,721	3,458	3,756	25,041	26,141	6,868	7,627	107,423	107,642	9,324	10,414	23,910	25,411	96,149	103,914
Net balances due to parent company	70	13	...	...	32	4	336	342	...	...	10	...	109	87	6,869	450
Gilt-edged	4,681	5,038	137	137	401	332	4,319	4,258	...	...	11	21	1,028	843	2,982	4,228
Cash	11,614	10,975	3,467	3,706	12,395	10,093	42,966	41,826	41,936	41,927	1,487	1,490	12,243	13,072	25,344	25,402
Other marketable investments	1,263	1,036	42	43	1,382	980	249	454	3,021	3,902	625	644	602	580	1,959	1,347
Intangible assets	2,680	2,233	237	253	7,222	8,253	3,587	4,092	10,236	10,224	828	1,130	657	1,428	189	170
Total Assets	**185,368**	**202,838**	**33,559**	**35,767**	**190,733**	**200,203**	**157,983**	**168,548**	**646,328**	**669,689**	**36,587**	**40,776**	**126,973**	**148,028**	**739,906**	**851,539**
Bank overdrafts and loans	928	840	995	1,013	14,472	11,659	118	32	38,823	38,170	1,171	1,637	3,546	4,693	35,690	46,836
Reserve for future income tax	8,169	9,498	1,486	1,445	9,354	9,770	13,424	13,886	17,814	19,168	1,845	1,725	6,870	7,504	59,985	62,604
Depreciation and obsolescence	16,361	18,450	4,729	5,096	20,892	24,470	17,723	18,941	45,343	49,297	6,108	5,367	18,594	21,654	124,783	142,926
Capital reserves	10,763	17,285	1,747	1,845	26,550	28,106	2,183	2,966	47,588	50,529	2,008	2,189	7,749	10,009	51,724	65,243
Other provisions	4,517	1,258	84	85	3,482	3,282	3,674	3,404	5,675	5,675	274	1,569	866	600	16,294	19,154
Creditors	29,968	30,570	5,739	3,051	34,775	32,836	36,932	33,727	96,441	61,387	8,740	6,254	31,185	22,595	115,829	74,559
Other current liabilities		12,085		2,639		12,836		23,727		40,677		3,229		12,992		54,403
Revenue res. and carried forward	31,824	34,621	7,941	8,356	28,734	33,718	24,921	30,305	158,642	169,138	5,406	6,395	23,392	27,579	116,253	135,465
Net balances due to subsidiaries	75	...	...	...	...	...	27	13	115	116	3	...	114	156	2,641	1,951
Minority interests	5,396	6,134	13	14	4,282	4,096	6,457	6,439	24,828	24,906	556	162	723	1,010	3,668	3,784
Loan capital	26,763	31,208	664	1,203	7,120	6,932	4,590	4,567	83,222	82,849	1,724	1,552	2,623	6,473	78,339	95,252
Preference capital	14,504	14,537	3,354	3,354	12,855	12,889	12,429	12,427	24,658	24,658	1,932	1,976	7,199	7,186	29,822	30,072
Ordinary capital	36,080	36,912	6,607	6,926	28,177	28,769	35,505	35,805	103,179	103,179	6,820	8,721	24,110	25,587	104,858	118,880
Total Liabilities	**185,368**	**202,838**	**32,559**	**35,267**	**190,733**	**200,203**	**157,983**	**168,548**	**646,328**	**669,689**	**36,587**	**40,776**	**126,973**	**148,028**	**739,906**	**851,539**
Year's Free Scrip Issues	—	342	—	119	—	451	—	100	—	...	—	725	—	681	—	50

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(3)		(12)		(10)		(28)		(14)		(62)		(5)		(11)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	6,734	6,911	47,743	57,802	86,874	107,212	93,827	111,515	23,177	26,747	99,236	113,071	217,302	234,651	22,057	24,798
Trade investments	91	109	486	584	5,853	6,975	1,036	1,442	576	566	4,319	5,089	2,115	2,241	91	377
Stocks	4,019	2,749	12,335	15,342	103,630	120,427	65,790	78,554	9,189	9,554	52,744	55,322	5,904	6,625	18,238	20,165
Debtors	2,510	2,102	8,935	9,975	75,982	85,330	33,302	34,494	8,106	7,612	47,610	48,579	16,724	17,990	6,101	7,060
Net balances due to parent company	...	...	19	19	686	656	158	227	1	...	154	201	...	...	...	...
Gilt-edged	589	762	49	46	198	185	25,418	17,963	665	557	5,481	4,239	31,781	37,785	1,190	699
Cash	860	1,126	7,010	2,445	9,393	13,093	29,355	21,614	8,628	8,803	26,697	26,979	16,057	20,844	13,071	9,342
Other marketable investments	...	...	1,128	795	...	...	337	240	1,499	1,345	2,618	2,544	5,054	4,648	1,597	2,800
Intangible assets	...	...	165	148	1,428	1,495	260	126	1,427	1,345	2,122	2,307	...	...	171	171
Total Assets	**14,831**	**13,759**	**77,870**	**87,179**	**284,044**	**335,373**	**249,483**	**266,175**	**53,268**	**56,529**	**240,983**	**258,331**	**294,937**	**324,784**	**62,516**	**65,412**
Bank overdrafts and loans	115	134	228	4,203	11,342	21,772	3,517	6,820	322	624	7,425	8,847	139	493	257	670
Reserve for future income tax	548	599	3,290	3,371	11,737	10,443	13,831	10,027	4,390	3,709	14,589	13,236	25,475	28,828	328	349
Depreciation and obsolescence	2,282	2,506	19,945	22,505	37,878	43,203	38,704	42,446	9,031	10,100	32,874	38,374	74,653	83,169	8,240	9,455
Capital reserves	2,158	2,157	9,638	4,332	33,193	42,175	11,023	11,657	3,237	2,281	14,510	14,612	57,114	60,030	3,168	3,888
Other provisions	39	39	119	69	2,996	3,229	1,477	1,645	16	...	3,277	3,261	351	361	1,607	1,628
Creditors	4,597	1,739	11,891	6,964	68,586	61,398	67,120	46,961	7,020	3,290	48,847	28,911	32,546	21,462	8,207	2,723
Other current liabilities		1,101		5,654		14,194		22,025		3,913		20,878		15,770		4,808
Revenue res. and carried forward	2,823	2,935	10,526	11,899	44,263	56,171	41,395	48,847	13,743	15,652	50,147	54,327	40,023	42,259	20,583	21,755
Net balances due to subsidiaries	...	...	2	2	98	185	7	3	60	60	101	16	...	...	...	...
Minority interests	...	...	2,033	2,254	6,095	5,195	427	417	1,078	1,110	4,278	3,308	21,546	22,026	183	213
Loan capital	...	...	1,195	1,253	15,565	15,285	643	1,459	281	274	5,524	8,065	7,911	15,203	1,866	1,849
Preference capital	340	340	2,960	2,983	8,263	9,082	8,633	10,160	4,958	4,953	12,423	13,363	3,695	3,699	2,684	2,684
Ordinary capital	1,929	2,209	16,035	21,690	44,008	53,041	62,646	63,708	9,132	10,563	46,988	51,129	31,484	31,484	15,393	15,390
Total Liabilities	**14,831**	**13,759**	**77,870**	**87,179**	**284,044**	**335,373**	**249,483**	**266,175**	**53,268**	**56,529**	**240,983**	**258,331**	**294,937**	**324,784**	**62,516**	**65,412**
Year's Free Scrip Issues	—	280	...	5,662	—	45	—	642	—	1,426	—	4,338	—	...	—	...

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS	
No. of Companies	(4)		(19)		(11)		(4)		(35)		(6)		(43)		439 Companies	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	5,179	6,217	21,242	24,199	12,164	13,653	7,458	7,826	9,894	10,184	3,043	3,175	42,216	46,621	1,656,782	1,894,220
Trade investments	7	10	609	1,050	95	92	65	58	830	833	10	49	2,660	2,681	60,070	65,176
Stocks	3,898	3,932	23,075	25,234	7,031	7,454	1,859	2,329	1,105	1,046	4,052	4,818	18,236	16,201	944,272	1,043,349
Debtors	1,847	2,063	8,259	9,018	4,350	4,525	3,514	3,868	572	529	116	128	16,622	15,539	520,074	548,438
Net balances due to parent company	...	...	...	...	...	...	...	...	...	...	...	...	121	128	10,565	2,127
Gilt-edged	89	119	1,343	2,501	218	209	1,422	1,367	1,934	1,998	173	597	1,788	1,772	85,897	85,656
Cash	1,150	1,254	5,292	3,932	2,201	1,759	3,566	3,777	2,587	2,687	697	909	5,026	5,751	283,290	272,606
Other marketable investments	...	...	1,307	43	174	171	1	...	314	307	...	...	3,732	3,153	26,904	25,032
Intangible assets	207	207	72	107	234	234	...	...	322	368	...	...	341	277	32,383	34,585
Total Assets	**12,898**	**13,802**	**61,449**	**66,084**	**26,647**	**28,097**	**17,885**	**19,225**	**17,550**	**17,952**	**8,291**	**9,676**	**90,742**	**92,123**	**3,630,639**	**3,971,389**
Bank overdrafts and loans	701	528	1,604	1,933	321	496	461	798	...	9	161	...	5,110	2,688	127,448	154,875
Reserve for future income tax	436	655	2,814	3,124	1,120	1,097	1,177	1,018	855	901	654	858	2,682	3,065	202,886	206,810
Depreciation and obsolescence	2,414	2,874	7,590	8,751	5,194	5,770	5,404	5,611	1,277	1,438	658	765	10,677	12,432	511,354	575,610
Capital reserves	143	89	1,290	1,319	530	474	7	7	2,260	2,420	369	377	4,602	4,236	293,614	328,276
Other provisions	8	...	645	490	37	67	...	...	549	478	80	85	1,205	952	47,267	47,373
Creditors	1,723	1,195	9,831	5,847	3,947	2,632	2,548	697	2,287	1,201	1,761	1,081	20,297	7,933	650,837	422,548
Other current liabilities		591		4,170		1,860		2,510		1,317		1256		12,473		275,308
Revenue res. and carried forward	3,176	3,574	16,439	18,294	5,920	6,424	5,456	6,155	2,518	2,454	1,892	2,188	12,861	13,974	668,928	751,935
Net balances due to subsidiaries	...	...	...	...	...	...	292	...	...	...	...	...	74	6	3,710	2,510
Minority interests	5	11	236	236	...	...	...	...	...	...	...	...	267	281	82,095	81,596
Loan capital	250	250	1,385	2,205	289	203	...	...	150	134	750	750	8,823	8,931	249,697	285,981
Preference capital	1,130	1,130	5,281	5,281	4,091	4,091	611	611	332	1,017	590	590	7,712	7,712	169,954	174,245
Ordinary capital	2,905	2,905	14,284	14,434	4,993	4,993	2,378	2,378	7,330	6,583	1,376	1,729	16,432	17,440	622,849	664,452
Total Liabilities	**12,895**	**13,802**	**61,449**	**66,084**	**26,647**	**28,097**	**17,885**	**19,225**	**17,550**	**17,952**	**8,291**	**9,676**	**90,742**	**92,123**	**3,630,639**	**3,971,389**
Year's Free Scrip Issues	—	...	...	150	—	...	—	...	—	...	—	350	—	983	—	16,364

* This group includes canals and docks, entertainment, finance and land, hotels and restaurants and warehousing.

THE ECONOMIST APRIL 20, 1957

Financial Statistics

EXCHEQUER RETURNS

For the week ended April 13th, 1957, there was an "above-line" deficit (after allowing for Sinking Funds) of £30,127,000 compared with a surplus of £17,999,000 in the previous six days and a deficit of £30,379,000 in the corresponding period of last year. There was a net expenditure "below-line" last week of £13,022,000, leaving a total deficit from April 1st of £33,643,000 (£16,120,000 in 1956-57).

£'000	Estimate, 1957-58	April 1, 1956 to April 14, 1956	April 1, 1957 to April 13, 1957	Week ended April 14, 1956	Week ended April 13, 1957
Ord. Revenue					
Income Tax	2176,250	53,701	67,776	22,327	17,711
Surtax	149,000	7,000	7,500	2,400	3,000
Death Duties	170,000	7,300	5,700	3,900	3,000
Stamps	60,000	1,900	2,000	1,100	1,500
Profits Tax, EPT & E.P.L.	255,000	7,900	7,000	2,400	4,000
Other Inland Revenue Duties	500	...	...	...	...
Total Inland Rev.	2810,750	77,801	89,976	32,127	29,211
Customs	1204,250	41,559	46,630	21,923	23,615
Excise	912,850	11,595	17,505	5,655	4,565
Total Customs and Excise	2117,100	53,154	64,135	27,578	28,180
Motor Duties	93,000	5,223	5,630	1,943	2,192
PO (Net Receipts)	20,000	...	...	...	...
Broadcast Licences	31,000	...	...	...	...
Sundry Loans	32,000	128	107	76	59
Miscellaneous	185,000	7,040	5,566	679	136
Total	**5288,850**	**143,346**	**165,414**	**62,403**	**59,779**
Ord. Expenditure					
Debt Interest	640,000	33,706	33,497	6,542	6,515
Payments to N. Ireland Exchequer	69,000	2,007	2,286	...	...
Other Cons. Fund	10,000	300	...	300	...
Supply Services	4069,877	131,250	141,200	85,800	83,000
Total	**4788,877**	**167,263**	**176,984**	**92,642**	**89,516**
Sinking Funds	38,000	250	558	140	390
"Above-line" Surplus or Deficit		**24,167**	**30,379**	**30,127**	
"Below-line" Net Expenditure		*Cr.* 8,047	21,515	*Cr.* 11,173	13,022
Total Surplus or Deficit		**16,120**	**33,643**	**19,206**	**43,149**
Net Receipts from:					
Tax Reserve Certificates		8,328	9,632	— 327	178
Savings Certificates		— 2,000	4,600	— 700	3,300
Defence Bonds		— 4,924	169	—3302	— 511
Premium Savings Bonds		...	1,400	...	200

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
Apr. 14	3,260·0	1,575·5	270·4	...	5,105·8
1957					
Jan. 12	3,440·0	1,386·3	267·1	...	5,093·5
„ 19	3,320·0	1,487·0	244·0	...	5,051·0
„ 26	3,210·0	1,516·5	221·0	...	4,947·5
Feb. 2	3,120·0	1,507·0	204·9	...	4,831·9
„ 9	3,050·0	1,486·7	197·4	...	4,734·1
„ 16	2,980·0	1,247·9	246·3	...	4,474·2
„ 23	2,900·0	1,298·1	193·8	...	4,391·8
Mar. 2	2,890·0	1,304·7	209·7	...	4,404·5
„ 9	2,890·0	1,261·5	229·6	0·8	4,381·9
„ 16	2,900·0	1,249·9	247·3	...	4,397·2
„ 23	2,910·0	1,284·4	272·1	1·5	4,468·1
„ 31	4,195·3		276·9	...	4,472·2
April 6	2,860·0	1,306·4	289·3	...	4,455·7
„ 13	2,840·0	1,362·5	295·6	...	4,498·1

THE MONEY MARKET

THE see-saw in the Treasury bill rate continues. At the tender on Friday of last week the discount market reversed its tactics of the previous week and raised its bid by the unusually large margin of 8d. per cent, to £98 19s. 10d. *per cent—within 2d. of the recent peak* of £99 per cent. The market's move last week was larger than expected by outside applicants; its allotment rate rose from 32 to 54 per cent and the average rate of allotment fell by only 2s. 2d. (compared with the market's effective reduction of 2s. 8d. per cent) to £4 0s. 9.36d. per cent. Total applications rose by £5.1 million to £415.7 million, and the allotment fell by £10 million to £230 million; yesterday's offer was stepped up to £240 million.

Credit conditions in Lombard Street have been mixed in the past few days. One or two houses were "in the Bank" for small amounts on both Thursday before the week-end and on Monday, despite moderate official help through purchases of bills on both days. But conditions were comfortable on the short Saturday session (when there was actually a surplus of funds) and on Tuesday (when official disbursements were heavy). Money became available at down to 3 per cent and July maturities changed hands at 3⅛ per cent.

At the Treasury bill tender in New York the rate rose from 3.154 per cent to 3.194 per cent.

LONDON MONEY RATES

	%		%
Bank rate (from 5½%, 7/2/57)	5	***Discount rates*** Bank bills: 60 days	4⅛–4 3/16
Deposit rates (max.)		3 months	4⅛–4 3/16
Bank	3	4 months	4⅛–4 3/16
Discount houses	3*	6 months	4 3/16–4⅛
Money Day-to-day	3½–4	Fine trade bills:	
Short periods	3½	3 months	5½–6
Treas. bills 2 months	4	4 months	5½–6
3 months	4 3/16	6 months	5½–6½

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	April 18, 1956	April 3, 1957	April 1957
Issue Department :*			
Notes in circulation	1,842·1	1,915·2	1,926
Notes in banking dept.	33·3	10·2	48
Govt. debt and securities*	1,871·2	1,921·2	1,971
Other securities	0·8	0·8	0
Gold coin and bullion	0·4	0·4	0
Coin other than gold coin	3·0	3·0	3
Banking Department:			
Deposits:			
Public accounts	22·9	10·8	20
Bankers	213·9	217·0	210
Others	77·8	71·8	71
Total	314·6	299·6	302
Securities:			
Government	251·6	240·9	198
Discounts and advances	33·4	44·8	51
Other	15·2	20·2	18
Total	300·2	305·7	269
Banking department reserve	35·3	12·5	50
"Proportion"	11·0	4·1	16

* Government debt is £11,015,100, capital £14,553,0 Fiduciary issue increased to £1,975 million from £1,925 mil on April 10, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Allotted	Three Months' Bi Average Rate of Allotment	Allot at M Rat
1956	*91 Day*			s. d.	%
April 13	240·0	381·3	240·0	102 5·97	6
1957					
Jan. 11	260·0	401·4	240·0	95 5·30	3
„ 18	240·0	391·2	240·0	95 1·40	5
„ 25	200·0	414·0	190·0	91 0·81	3
Feb. 1	190·0	384·1	190·0	90 10·07	2
„ 8	190·0	371·5	190·0	84 8·29	3
„ 15	190·0	348·9	170·0	85 6·04	1
„ 22	200·0	407·3	200·0	82 11·49	3
Mar. 1	220·0	408·2	220·0	80 0·78	5
„ 8	230·0	442·7	230·0	80 5·20	1
„ 15	230·0	375·3	230·0	82 3·70	3
„ 22	250·0	395·2	250·0	82 6·73	4
„ 29	250·0	392·6	250·0	81 11·79	5
April 5	250·0	410·6	240·0	82 11·49	3
„ 12	230·0	415·7	230·0	80 9·36	5

* On April 12th tenders for 91 day bills at £98 19s. 10d. secu 54 per cent, *higher tenders being allotted in full. The offe* this week was for £240 million at 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates April 16	Market Rates: Spot April 10	April 11	April 12	April 13	April 15	April 16
United States $	2·78–2·82	2·79–2·79⅛	2·78⅞–2·79	2·78⅛–2·78⅛	2·78⅛–2·78⅛	2·78⅛–2·78⅛	2·78⅛–2·78
Canadian $	...	2·67⅛–2·67⅜	2·67⅛–2·68⅛	2·68⅛–2·68⅜	2·67⅛–2·67⅛	2·67⅛–2·67⅛	2·67⅛–2·6
French Fr.	972·65–987·35	987–987¼	987–987¼	987–987¼	987–987¼	987–987¼	987–987
Swiss Fr.	12·15⅛–12·33⅛	12·27½–12·27¾	12·27⅝–12·27½	12·27⅝–12·27½	12·27½–12·27⅝	12·27½–12·27½	12·27½–12·
Belgian Fr.	138·95–141·05	140·82½–140·87½	140·82½–140·87½	140·85–140·90	140·85–140·90	140·87½–140·92½	140·87½–140
Dutch Gld.	10·56–10·72	10·65½–10·66	10·65½–10·66	10·65½–10·66	10·65½–10·66	10·65½–10·65⅞	10·65½–10
W. Ger. D-Mk.	11·67⅛–11·84⅛	11·75½–11·76	11·75½–11·75⅞	11·75½–11·76	11·75½–11·75⅞	11·75½–11·75⅞	11·75⅝–11
Portuguese Esc.	79·90–81·10	80·10–80·20	80·10–80·20	80·10–80·20	80·10–80·20	80·05–80·15	80·05–80
Italian Lire	1736⅜–1762½	1761–1761½	1760½–1760⅝	1759⅝–1760½	1759⅜–1760⅛	1759½–1760½	1758⅜–175
Swedish Kr.	14·37⅝–14·59½	14·51–14·51½	14·51–14·51½	14·51–14·51½	14·50⅝–14·51½	14·51–14·51½	14·51–14
Danish Kr.	19·19½–19·48½	19·45–19·45½	19·45½–19·45⅝	19·44⅞–19·45⅛	19·44⅛–19·45⅛	19·45½–19·45½	19·45½–19
Norwegian Kr.	19·85–20·15	19·99½–20·00	19·99½–20·00	19·99¼–19·99½	19·99½–20·00	19·99¼–20·00	19·99½–20
One Month Forward Rates							
United States $		⅛–3/16c. pm	⅛–3/16c. pm	⅛–3/16c. pm	⅛–3/16c. pm	⅛–3/16c. pm	⅛–3/16c. pm
Canadian $		⅛c. pm–⅜c.dis	⅛c. pm–par	⅛c. pm–par	⅛c. pm–par	⅛c. pm–par	⅛c. pm–par
French Fr.		1–3 dis	1–3 dis	1–3 dis	1–3 dis	1–3 dis	1–3 dis
Swiss Fr.		3½–2½c. pm	3½–2½c. pm	3½–2½c. pm	3½–2½c. pm	3½–2½c. pm	3½–3c. pm
Belgian Fr.		¾–½ pm	¾–½ pm	¾–½ pm	¾–½ pm	¾–½ pm	¾–½ pm
Dutch Gld.		1⅜–1¼c. pm	1⅜–1¼c. pm	1⅜–1¼c. pm	1⅜–1¼c. pm	1⅜–1c. pm	1⅜–1¼c. pm
W. Ger. D-Mk.		2¼–2pf. pm	2¼–2pf. pm	2¼–2pf. pm	2¼–2pf. pm	2¼–2pf. pm	2¼–2pf. pm
Italian Lire		4–2 pm	3–1 pm	3–1 pm	3–1 pm	3–1 pm	3–1 pm
Swedish Kr.		3½–3o pm	3½–3o pm	3½–3o pm	3½–3o pm	3½–3o pm	3½–3o pm
Danish Kr.		4 2o pm	4–2o pm	4–2o pm	4–2o pm	4–2o pm	4–2o pm
Norwegian Kr.		15 pm–par	15 pm–par	2o pm–par	2o pm–par	2o pm–par	2o pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/3½	250/3½	250/4½	...	250/4½	250/3½

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For information on markets, sources of supply and other vital matters affecting trade with Canada, ask our Business Development Department.

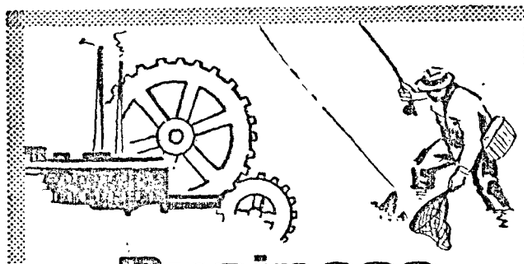
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COMPANY MEETINGS

LEGAL AND GENERAL ASSURANCE SOCIETY LIMITED

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The one hundred and twentieth Annual General Meeting of Legal and General Assurance Society Limited will be held on May 8th at Aldwych House, Aldwych, London, W.C.2.

The following is an extract from the statement by the Chairman, the Honourable W. B. L. Barrington, which has been circulated with the report and accounts:

SHARE CAPITAL

With this statement you will have received a proposed resolution to sub-divide each of the Society's shares into four shares of 5s. each. Your directors feel that the shares in this form will have a wider appeal and they therefore recommend you to adopt this resolution.

ACCOUNTS FOR 1956

The accounts relate to the last year of the Society's twenty-fourth quinquennium and are associated with the valuation of assets and liabilities on which a formal statement, incorporating the valuation report of the actuary, is submitted herewith. I shall refer to this again later in this review.

It has been in truth a great quinquennium for the Society in which we have seen our affairs go forward in all our spheres of activity; and we find ourselves today able to look with considerable satisfaction on our position, even though the five years in question were fraught with many problems and ended at a time when our valuation coincided with an exceptionally depressed level in the market values of fixed interest securities, and with correspondingly high interest rates.

LIFE AND ANNUITY FUND

Last year I was able to speak of a record total of new life business of £115,020,108 net sums assured. This figure was exceptional, but it has, nevertheless been exceeded in 1956 when we attained a total of £137,102,052. This was indeed a fine achievement and made a total for the quinquennium of £507 million, or rather more than the aggregate for the five preceding quinquennia; that is, the new life business obtained in these last five years exceeded the whole of the new life business for the preceding 25 years.

We have now completed one full year of operation as a life office in Australia with the excellent total of £2,433,573 in new life sums assured of which no less than 63 per cent is on a with-profit basis. This high proportion is very welcome and is in line with our intention to foster an increase in policies participating in the profits of the Society, which we feel would be in the best interest of the policyholders and the Society. Our enterprise in Australia has made an admirable start and we are confident that it will come to successful and profitable maturity.

In Southern Africa we have again obtained a record total of new business exceeding £22 million, in keeping with our position as a long-established Office which is very much at home in the Union. Our interests in the Rhodesias steadily increase and it is our hope and desire to play a full part in the progress of this young and promising territory.

MORTALITY EXPERIENCE

We have made the usual investigation into the mortality experience of our life assurance and annuity business. I am glad to be able to state that in the case of life assurance the experience is entirely favourable, the claims being less than the amount expected under the valuation tables of mortality.

RATE OF INTEREST

The gross rate of interest earned on the life assurance and annuity fund, excluding the amount invested in purchased reversions, was £5 1s. 7d. per cent as compared with £4 16s. 4d. per cent in the previous year. The corresponding net rates were £4 9s. 4d. per cent and £4 4s. 1d. per cent.

EXPENSES OF MANAGEMENT

The total cost of commission and expenses of management, expressed at a ratio to the life premium income, was 10.07 per cent compared with 9.42 per cent in 1955 and 9.34 per cent in 1954. A material part of this increase for 1956 was occasioned by an over-all improvement in the remuneration of the society's staff as a whole dating from October, 1955, which first operated for a full year in 1956.

FIRE INSURANCE ACCOUNT

The net premium income of the fire insurance account amounted to £2,364,935, which represented an increase of £170,036.

ACCIDENT INSURANCE ACCOUNT

The net premium income of the accident insurance account amounted to £1,845,373, which represented an increase of £161,989.

FIRE AND ACCIDENT

The results of our combined fire and accident operations were—premium income £4,210,308; claims paid and outstanding £1,840,429 or 43.71 per cent of income; commission, expenses of management, and overseas taxation £1,875,787 or 44.55 per cent.

The total profit transferred to the profit and loss account after providing the necessary reserves for unexpired risks and for liability under special contracts was £272,819.

MARINE ACCOUNT

The marine account continues to make satisfactory progress. The premium income for 1956 was £835,992, as against £725,544 in 1955.

The 1954 account has been closed and the balance for that year of £33,348 has been retained in the fund. This at the end of 1956 was £1,056,313, representing 126.35 per cent of the premium income.

ASSETS

The total assets of the society at December 31, 1956, amounted to £290,038,315, having increased during the year by £27,873,161.

QUINQUENNIAL VALUATION

I have directed your attention to the separate report by the directors on assets and liabilities which includes the quinquennial valuation report, and recommendations by the actuary as to allocation of available surplus. These have been adopted by the board and are reflected in the report and accounts now submitted for your consideration.

The resultant position is that the surplus disclosed in the life fund is £2,808,690, that in the sinking fund £228,233, and that in the permanent sickness fund £97,233. Of these amounts, £2 million, £100,000 and £40,000 respectively have been transferred to the profit and loss account and after provision of the sum of £219,961 for bonuses to the new series participating policyholders there remains a total sum of £774,195 to be carried forward in the three funds.

PROFIT AND LOSS ACCOUNT

The balance brought forward in the consolidated profit and loss account was £238,773, to which has been added £250,813 in interest and dividends and £2,140,000 in quinquennial transfers as already explained. Transfers from the fire insurance and accident insurance accounts totalled £272,819.

The account will retain a balance carried forward of £1,925,813.

BONUS DECLARATION

I have left to the last a special reference to the bonus rates of 45s. per cent per annum compound which we have felt able to declare for new participating policies in the United Kingdom and Southern Africa, of 32s. 6d. per cent per annum compound in Australia, and of 30s. per cent per annum simple for pension policies for self-employed. The society has a long and very creditable history where bonus declarations are concerned and we are very mindful of this proud record. We are also concerned to look ahead and in the years to come the recent changes in our constitution should be much to our

advantage. These enabled us, for example, to embark on the new series of participating assurances, and generally to move to a policy more directed to with-profit business activities which we regard as all-important since our future goes hand in hand with the satisfaction of our policyholders. They may rightly feel entitled to a substantial interest in the success of the society and we should not expect the same progress in the future as in the past if we did not agree with them.

We shall, therefore, direct our best endeavours to increasing our strength and resources for the security of our policyholders as a whole, and secondly, as we hope and trust, for the profit of all who participate in our fortunes. These are important responsibilities which have grown with our rapid expansion in recent decades.

Finally, may I say a word to the shareholders for whom a substantial increase in dividend is now recommended.

I have already stressed the importance of accumulating strong internal reserves in order to meet any unforeseeable contingencies with which the society may be faced in the future and which it is impossible to assess at the present time. In the light of this, and bearing in mind that we are at the beginning of a new quinquennium involving more development at home and overseas, our shareholders would be unwise to expect for some time any further increase in the dividend.

In conclusion, both I and the directors, and I am sure that I can also speak for the shareholders and policyholders, would like to express our gratitude and thanks to our general manager, Mr G. W. Bridge, and to all his officials and staff at home and overseas, for the splendid contribution they have made to the success of the society.

NORTH BRITISH & MERCANTILE INSURANCE

RECORD NEW LIFE BUSINESS

The annual general meeting of North British and Mercantile Insurance Company Limited will be held on May 9th in Edinburgh.

The following is an extract from the circulated statement of the Chairman, the Right Honourable Lord Brand, CMG, DCL:

Fire Department.—During the past year the experience of this very important section of our business has, I am sorry to say, been unsatisfactory. This is due almost entirely to the outcome of our United States and Canadian business though in the United Kingdom the results from our Fire Department business were not as good as those to which we are accustomed largely owing to the abnormal number of claims for water damage following burst pipes in the very severe weather conditions of the early part of the year.

Premiums at £18,480,490 show an increase of £1,054,463 compared with the 1955 figure of £17,426,027 whilst losses at £9,905,399 show an increase of £1,345,203 over the figure of £8,560,196 in the previous year with a ratio of 53.60 per cent against 49.12 per cent in 1955.

After an addition of £265,606 to the Provision for Unexpired Risks we are left with an adverse balance on our Fire Account this year of £318,669, 1.72 per cent, which compares wtih a profit of £491,268, 2.82 per cent, in the previous year.

Casualty Department.—Total premiums amounted to £9,428,598, being £1,768,650 in excess of those for 1955. Total claims incurred amounted to £5,453,510 against £4,135,629, the percentage of claims to premiums being 57.84 per cent compared with 53.99 per cent for 1955.

Commission, Expenses of Management and Overseas Taxes were £3,937,411 compared with £3,072,140 for the previous year, the respective ratios to premiums being 41.76 per cent for 1956 and 40.10 per cent for 1955.

There is an underwriting loss of £165,176, 1.75 per cent of premiums compared with an underwriting profit of £237,927, 3.11 per cent for 1955.

Marine Department.—The Marine premium income for 1956 was £1,837,413, which compares with £1,730,660 in 1955.

We have transferred the sum of £338,532 from our Marine Fund to Profit and Loss Account.

Life Department.—We again wrote a record volume of new business, the total new sums assured after deduction of reassurances given off being £14,384,509 in 1956 compared with £13,791,700 in 1955.

Consolidated Profit and Loss Account.—Net Interest on Investments amounts to £1,171,492 compared with £1,133,727 in the previous year. The operations in the Fire, Accident and Marine Accounts during the year resulted in a net loss of £145,313 compared with a profit of £1,060,831 in 1955.

The proposed dividend of 2s. 3d. per share and the preference dividend will absorb £751,812.

United Kingdom Taxes amount to £299,587 and Overseas Taxes charged to this Account £5,211.

GENERAL REFRACTORIES LIMITED

GENEFAX HOUSE, SHEFFIELD, 10

A comprehensive range of refractories serving all industries is produced by the Company and its Subsidiaries at their Works and Quarries situated in many parts of England, Scotland, Wales, and in Belgium. Research and technical field service facilities are available. The Company has offices and representatives throughout the United Kingdom and Agents in all parts of the world.

SUMMARISED CONSOLIDATED BALANCE SHEET: GENERAL REFRACTORIES LTD. & SUBSIDIARIES: Based on figures as at 31st December, 1956.

	£		£	£
Issued Capital...	1,250,000	Fixed Assets	4,272,639	
Capital Reserves	398,597	*Less:* Accumulated Depreciation ...	2,134,999	
Revenue Reserves and Unappropriated Profits ...	1,230,021			2,137,640
Liabilities	1,983,658	Trade Investments, etc.		5,092
		Current Assets...		2,719,544
	4,862,276			4,862,276

SUMMARISED APPROPRIATION ACCOUNT OF GENERAL REFRACTORIES LTD.

	£
Profit for year after providing for Depreciation, Taxation, etc.	285,157
Net Distribution for year to Shareholders	125,781
Retained in the business	£159,376

EXTRACTS FROM THE CHAIRMAN'S STATEMENT:

The Gross Sales of your Group of Companies have exceeded those of last year by almost 20 per cent, and Export Sales again exceeded £1 million. This substantial increase in the turnover was most gratifying, especially as a considerable proportion of it was in specialities such as "Ferroclad" Brick, "Densyl," and the "Sillmax" range of high alumina products.

This has been another year of progress. The Group Trading Surplus for 1956 amounted to £871,119, which shows an increase of £179,720 over 1955. Your Directors recommend a Dividend of 17½ per cent, less Income Tax.

The statement then referred to the progress of the three major Capital development programmes and continued: During the year record tonnages of output have been established.

As part of our schemes for increasing our production capacity, work on the erection of a new tunnel kiln at Lowood Works, near Sheffield, has been commenced, and as a result of this and other projects we shall, in the near future, be in a position to increase substantially our production of basic and other high class refractories.

At home the demand for our products remains at a high level and we feel that the future is full of promise. Our export trade continues to expand at a very satisfactory rate.

Your Directors have been giving careful consideration to the proposals that this country should, to a modified extent, link itself to the European Free Trade Area. While I have little doubt that we should be able to increase our continental trade, we must not overlook the possibility that some of our best customers in this country might be seriously affected by continental competition.

Copies of the Accounts and Chairman's Statement may be obtained from the Secretary, Genefax House, Sheffield, 10.

Peninsular and Oriental P&O *Steam Navigation Company*

"Every New Ship... an expression of Faith in the Future"

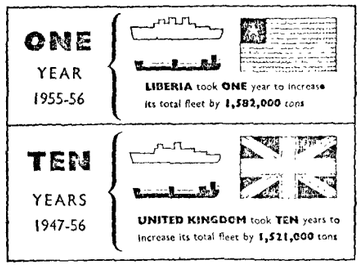
Who would have thought a year ago that a few months later the greatest international shipping highway in the world would be blocked?

STOCKHOLDERS may well ask what the closing of the Canal has cost the P. & O. Group.

The losses on the liner voyages subsequent to those which had been begun when the dislocation occurred, have been reduced by surcharges on the freight and passage earnings. The tramps owned by the Group have, of course, benefited from the high market rates induced by the closing of the Canal. Not all has been loss for the Group as a whole. But you will, I hope, see from this very brief mention of some of the factors involved that it is impossible to evaluate the nett loss to the Group through the seizure of the Canal by Egypt in July 1956, simply because much of it has been indirect and will continue for long after the ships are passing through the Canal again.

To the citizens of this country in their personal lives, to the commercial community, as well as to shipping, this act of sabotage has caused grievous loss. And not only to the West, but also to the East.

TAXATION AND TANKERS



I said a year ago that your Board were studying the position created by the increasing number of ships registered in countries where little or no taxation is levied. Two facts are enough to show the scale of the problem. First, the growth in the tonnage registered in Liberia during the twelve months ended 30th June, 1956, has been greater than the growth in tonnage registered in the U.K. during the ten years 1947-1956. Secondly, during the year 1956 the combined tonnage of Liberian and Panamanian tankers actually surpassed the total of British tanker tonnage and these two countries combined are now the largest tanker owners in the world.

We came to the conclusion, after the most exhaustive investigation, that we could not ignore the attraction of investing in a shipping company which would operate in a tax-free country. We therefore decided to form a wholly-owned subsidiary company, the Charter Shipping Company, which has been registered in Bermuda and which has already placed contracts for several tankers. The Board of the Company intend that any tankers which may be owned by Charter Shipping Company will be registered under the British flag, will be manned according to British standards and at British rates of wages; the ships will be at the disposal of the British Government as are ships owned in this country.

BUDGET CONCESSION WELCOMED

The Chancellor's proposals to extend the investment allowance for shipping to 40% has greatly altered this picture. This was the most important single concession for which the Shipping Industry had asked, and we are most grateful to the Chancellor for meeting it and so enabling us to face the problem of replacement with a very much greater chance of success than before.

There has not been time for us to consider fully whether as a consequence we should reduce our proposed investment in Charter Shipping Company, but at least this concession will do more than any other step to remove the inducements to shipping capital to continue in the future to flow into tax free countries.

OUR EARNINGS

Rates of freight current at the time when the plans for a ship are being prepared are not infrequently below what is required to show a reasonable return on the investment. But fortunately importers and exporters are starting to appreciate that if new ships are to be built to keep open the lifelines of trade, rates of freight must rise to a level which allows for the current cost of replacement besides providing reasonable interest on capital invested in the ship. In the long term, unless this simple economic fact is recognised, the money to pay for new ships will not be forthcoming.

Had it not been for the Canal upheaval, I believe that the results for this present year to date would have shown considerable improvement on the figures for the same period in the accounts before you. Tramp rates have been very high although now well below their peak; there has been time for rate increases in some of the liner trades to produce results and as a result—in spite of everything—our net earnings as a group for the current year before taxation, based on individual returns received at this date, are just about the same as the corresponding figures for last year.

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If you are interested in these extracts from Sir William Currie's speech at the 117th Annual General Meeting please write for a full report to the Secretary, P & O Steam Navigation Co., 122 Leadenhall Street, London, E.C.3.

SINCE THE WAR ENDED *our faith in the future of Britain has been symbolised in the construction for our Group fleets of more than 1.3 million gross tons of passenger and cargo ships at a cost of over £150 million. Every new ship is an expression of faith in the future.*

THE BRITISH WAGON COMPANY LIMITED

COMPANY'S LONG SERVICE TO INDUSTRY AND COMMERCE

The eighty-eighth Annual General Meeting of The British Wagon Company Limited was held at the Company's Offices, 23 Moorgate, Rotherham, on April 12th, the Chairman, Mr W. H. Copley, FCA, presiding.

The following is an extract from his circulated Statement:

The Net Earnings of the Group for 1956 of £922,343 show an increase on 1955 of £131,000, and the Net Profit for the year of £229,217 after providing for taxation is a satisfactory result.

A first Interim Dividend of 5 per cent on the Paid up Capital was distributed on August 1, 1956, and a second Interim Dividend of 15 per cent was paid on March 15, 1957, making a total of 20 per cent for the year. No further dividend will be recommended in respect of 1956.

TRADING CONDITIONS

In our report last year we referred to the effect which the Hire-purchase (Control) Order No. 180, introduced on February 18, 1956, was likely to have on our business. You will recall that this Order provided for a minimum initial rent of 50 per cent. Not only did this Order reduce the amount of our average investment per case, but it also put a considerable brake on the demand for hire-purchase facilities throughout the year.

This reduction in business unfortunately coincided with increased money cost, and rising overhead expenses, by no means all of which were passed on to our hirers.

In these circumstances it may appear anomalous to report a record profit for 1956, but as you know, the earnings on our hire-purchase business are spread over the life of the Agreements, which may be up to two years, and it follows that the reduction in our hire-purchase business in 1956 will have an effect upon our earnings in 1957.

Early in this current year the pendulum swung somewhat in our favour. As you will remember, the motor car manufacturers experienced increasing difficulty with their export markets in the latter part of 1956, and this position was materially aggravated by the Suez Crisis. In addition, following the introduction of petrol rationing in December, sales in the Home market were seriously curtailed.

In order to stimulate a demand for motor cars in an effort to maintain employment during the temporary recession the Government found it necessary to relax the Hire-purchase (Control) Order on motor cars and light vans, reducing the initial rent required from 50 per cent to 20 per cent of the cost price.

It is difficult to see why this relaxation was not extended to cover heavy commercial vehicles and agricultural machinery.

On February 7, 1957, we were glad to learn that the Bank rate had been reduced by ½ per cent to 5 per cent. This showed an immediate saving upon our short term borrowings and represents a welcome contribution towards our steadily increasing overheads, which we have been unable to offset by increased turnover.

Summarising, 1957 has opened on a more cheerful note than pervaded 1956, although in the same way that the decrease in business in 1956 will have a marked effect upon the earnings of the current year, improvement in 1957 will yield most of its fruits in 1958.

PERMANENT POWERS TO CONTROL HIRE PURCHASE BUSINESS

We learned from the Queen's Speech last autumn that we are to have additional legislation to take permanent powers to control the terms of hire-purchase business on the one hand, and the manner and extent of borrowings by Hire-purchase Companies on the other.

Your Company has always been conducted on the most conservative lines, and we would not oppose a reasonable degree of control providing that it does not hinder normal growth. However, if there is to be permanent legislation to control the terms of hire-purchase business on the one hand, and the ratio of borrowings to capital and reserves on the other, we should clearly be freed from the yoke of the Capital Issues Committee and be able to increase our borrowings on the terms we think best suited to our business within the prescribed limitations.

A VERY SOUND BORROWING BASE

We submit that there is no case for the suggested introduction of a statutory liquidity ratio. Although the growth of Finance Companies in this country is, with some exceptions like ourselves, comparatively recent, the inherently liquid nature of our business provides a very sound borrowing base. Deposit loans, mainly at three and six months' notice, are relatively long dated compared to the period of repayment appertaining to Bank and Building Society funds, and our Assets are self-liquidating in about 20 months even in free trading conditions.

Building Societies are required to make periodical returns to the Registrar, and in our view the adoption of a similar procedure in the appropriate form for Finance Companies would provide an adequate safeguard and would be a much more workable arrangement than the cumbrous legislation envisaged.

We have endeavoured to convey these views to the Government through Finance Houses Association.

In spite of current frustrations we remain quietly confident that the need for our services will ensure our continued progress. There are other countries within the Commonwealth, however, where great strides are being made, because people there still have the incentive to work and take responsibility, and where private enterprise can flourish in freer conditions. Our long service to commerce and industry at home has given us many valuable introductions overseas, which are being carefully but energetically followed up.

The Report concluded with a review of the satisfactory progress of the Subsidiary Companies.

The Report and Accounts were unanimously adopted.

The Special Resolution amending the Articles of Association of the Company in accordance with the requirements of the Stock Exchanges was sanctioned.

COW & GATE LIMITED

A VERY GOOD YEAR

The forty-eighth annual general meeting of Cow & Gate Limited was held on April 12th at Guildford. Mr Ernest E. Taylor, CBE (Chairman and Joint Managing Director), presided and, having paid tribute to Mr Bramwell Gates on his retirement from the Chairmanship owing to ill-health, continued:

I am pleased to announce that we have had a very good year, and the total trading profit of the Group has increased by almost £300,000. Nearly every Company in England has been affected by the credit squeeze, and it is obvious that, at any rate for the time being, we have got to finance the development and expansion of the Company largely from our own resources. For this reason we have decided this year to put more to reserve than last year and maintain the dividend at 17½ per cent. In spite of the building of reserves it is apparent that your Company will be requiring more permanent capital, and I hope that during the coming year I may have some statement to make about this and to invite your co-operation and participation.

It is interesting to recall that in 1955 we had a revaluation of the freehold and leasehold properties in the United Kingdom made by Messrs Debenham, Tewson & Chinnocks, and in their opinion the valuation of the Companies' properties stands at upwards of £1¼ million above the book figures. The new figures are shown in the Group accounts.

OUR INFANT FOODS SUPREME

Sales of our infant foods have increased during the past year, and indeed there has been a steady increase for the past six years, which we believe shows that parents are more than ever determined to see that their children get a proper start in life.

Many shareholders may perhaps not realise the ramifications of the Cow & Gate Group. Not only do subsidiary companies retail bottled milk, butter, cream and cheese, but we also manufacture butter, cream and cheese. For those who prefer the best English butter there is "Farmer's Wife" and "Rose of Torridge." Our Farmer's Wife and Double Devon creams, which are long-keeping fresh creams of the finest quality, can be bought from dairymen, grocers and fruiterers over a very wide area.

I am glad to say that, largely as a result of the work of the English Country Cheese Council, many of our excellent territorial cheeses such as Wensleydale, Caerphilly, Lancashire, etc., previously little known beyond the confines of their local areas, are now becoming popular on a much wider scale.

We have also recently introduced "Creamed Rice," which is a milk pudding packed in cans.

On the liquid milk side we have expanded still further, but mainly in our existing operating areas, because we believe that after so many years of extensive growth we should consolidate our business, and in the coming years this should increase the profitability of the liquid milk subsidiary companies.

Our business in Canada is going ahead by leaps and bounds, and Farmer's Wife, a milk food which is largely used as a foundation for infant feeding by the medical profession in this Dominion, is earning the tremendous reputation which Cow & Gate already enjoys in this country.

At the moment profits in Canada are comparatively small but in the years to come we are certain that we shall have a fine and profitable business there.

The report and accounts were adopted.

GRESHAM LIFE ASSURANCE SOCIETY LIMITED

RECORD NEW BUSINESS

THE HONOURABLE W. B. L. BARRINGTON'S REVIEW

The One Hundred and Eighth Annual General Meeting of the Gresham Life Assurance Society Limited was held on April 11th at 188 Fleet Street, London, EC.

The Honourable W. B. L. Barrington, the chairman, who presided, said:

Before I proceed, I would refer with deep regret to the death in July last of Mr Henry Hoare, who had been a director of the Society for 48 years until his retirement in May of last year. He will be greatly missed by all of us. We benefited for many years from his wise counsel, his great knowledge and charming personality. His place on the board has been filled by Sir Charles Norton, MBE, MC, whose name will be submitted to this meeting for re-election. Sir Charles, who is a director of the Legal & General and is the immediate past president of the Law Society, is a most welcome addition to our board.

Lord Harcourt has now returned from Washington on relinquishing his office as Her Majesty's Economic Minister. I am sure you will all wish to join with me in congratulating him on his being created a KCMG in recognition of his valuable services.

NEW BUSINESS RECORD

I referred last year to the imminent nationalisation of our business in India. This has now been carried out and, of course, has resulted in the loss of that branch's large production, but it is pleasing to be able to record that, in spite of this, our results for 1956 were an all time record for the Society. Our total new sums assured under life and endowment policies of all types, after deducting sums reassured, amounted to £12,545,000, compared with £11,992,000 in 1955 and £12,502,000 in 1954.

This excellent result is mainly accounted for by an increase in our British new business, from £6,939,000 in the previous year to £8,545,000 in 1956. Allowing for the loss of our nationalised Indian business our remaining overseas branches did very well in producing £4 million in new sums assured. The increased total production is indeed welcome and I have no doubt that you will wish me to express a special vote of thanks to our agency organisation, including the managers and staff of our branches in this country and overseas, for their excellent efforts.

INDIA

During 1956, the Indian Government passed a law nationalising all life assurance business in India, and as from September 1, 1956, the large and valuable portfolio which the Gresham had built up in that country over more than 60 years passed to the newly formed Life Insurance Corporation of India. Whilst we cannot but regret the decision of the Government of India to nationalise life assurance, we have every confidence that the conditions of the nationalisation will be carried out with fairness to all concerned. We feel sure, also, that our former policyholders will continue to receive the service and attention to which they were accustomed and which caused them to effect their policies with the Gresham in the first place.

THE SOCIETY'S FUNDS

Following the Indian nationalisation the life assurance fund decreased during the year from £22,332,848 to £20,896,436. The total funds of the Society amounted to £21,150,195 at the end of the year.

A further fall occurred during the year in the Stock Exchange quotations of all fixed interest investments, and the generally upward trend in the values of Ordinary shares which has been experienced for some years was reversed. Nevertheless, the usual valuation of the Society's assets as a whole, that is, including the investments in property, revealed that the assets appear in the balance sheet at values which in the aggregate were within their market value at December 31st last.

There is an increase in the average rate of interest, net of United Kingdom income tax, earned by the Society's funds. The rate of interest in 1956 was £4 11s. 3d. per cent, compared with £4 3s. per cent in 1955, but perhaps I should explain that part of this increase is accounted for by certain effects of the nationalisation in India.

PREMIUM INCOME

During 1956 the Society received premiums, net of reassurances, amounting to £3,587,648, whilst income from all sources amounted to £4,476,170. These figures are both approximately £225,000 less than those for 1955, which again is due to the exclusion of figures for India.

TAX CONCESSIONS

You will no doubt have read with pleasure of two somewhat overdue tax concessions which were included in the Finance Act, 1956.

First, the Act provided a relief to annuitants for which life offices had been pressing for many years. "Purchased annuities" are now taxed only on the interest portion of each payment, the part representing the return of the purchase money being free of tax.

The other concession affects the self-employed, including many members of the professional classes, who are now, within limits, relieved of both income tax and surtax on premiums for approved types of deferred annuity policies.

MANAGEMENT AND STAFF

I would again express our appreciation of the admirable work of our manager and secretary, Mr Chapman, and his excellent staff who have had many complicated problems to deal with particularly in connection with the nationalisation of our Indian portfolio and the completion of the Egyptian transfer.

The report and accounts were unanimously adopted and, the other formal business having been transacted, the proceedings terminated with a vote of thanks to the chairman.

CALEDONIAN INSURANCE COMPANY

RECORD NEW LIFE BUSINESS

The one hundred and fifty second Annual General Meeting of the Caledonian Insurance Company will be held on May 9th, in Edinburgh.

The following is an extract from the circulated Statement of the Chairman, Mr P. G. Macdonald, WS:

Previous Chairmen have from time to time commented on our unfavourable underwriting results in the United States of America, which have persisted over many years. The Board decided to sell as at December 31, 1956, to the Peerless Insurance Company, of Keen, New Hampshire, the Caledonian-American Insurance Company, our American Subsidiary, together with the portfolio of business written by our United States branch. The profit resulting from the sale of our subsidiary has been used to strengthen the Company's inner reserves.

Life Department.— I am pleased again to report record new Life business for the Company. After deducting Reassurances the new Sums Assured, including Group Life business, amounted to £4,286,000 as against £3,918,000 last year and Annuity Bonds securing £407,000 per annum were issued as compared with £327,700 in the previous year.

Our Life premium income exceeded £1,162,000 and has increased by more than £39,000 and net interest income increased by more than £53,000 to £546,304. The rate of interest earned in the year before deduction of tax was £5 9s. 10d.; in the previous year the rate earned was £5 6s. After deduction of tax the corresponding rates are £4 3s. 4d. and £4.

The Life Fund before allocation of the Shareholders' portion of profits stood at £13,822,838 as compared with £12,993,608 a year ago.

Last year was the final year of another Triennium. The results of the Actuarial Valuation are extremely satisfactory. Reversionary Bonuses have been declared for the three years ended December 31, 1956; ordinary participating Whole Life Assurances receiving 50s. per cent per annum and Endowment Assurances receiving 48s. per cent per annum, both calculated on the Sum Assured. At our last Triennial Valuation the corresponding bonus rates were 42s. and 40s. per cent per annum. In respect of Retirement Pension Policies a Reversionary Bonus of 45s. per £100 of guaranteed pension per annum has been declared. Reversionary Bonuses have also been declared at appropriate rates in respect of all other classes of participating Policies according to the profit-earning capacity of the respective classes of Assurance.

We have also decided that With Profit Policies becoming claims by death or maturity after December 31, 1956 will, until further notice, be granted interim bonuses at the same rates.

After allocating £130,000 to additional reserves we are carrying forward £143,370 as against £138,864 when our last Triennial Valuation was made.

These very favourable results justify a confident outlook for the future and demonstrate the attractiveness of a "Caledonian" With Profits Policy.

The total premium income for all departments was £8,960,279 compared with £9,316,904 for 1955.

ATLAS COPCO AB

(Compressed Air Engineers)

STOCKHOLM, SWEDEN

ORDERS AND DELIVERIES AT RECORD LEVEL

The annual general meeting of Atlas Copco AB was held in Stockholm on Saturday, April 13th. The following is an extract from the report submitted and approved at the meeting :

The Board of Directors and the Managing Director (Mr Walter Wehtje) have pleasure in submitting herewith their Report on the Company's activities during 1956.

The Board are pleased to report that both orders received and deliveries effected reached a record level during the year. Deliveries in 1956 totalled Kr.159 million (£11 million) and exceeded the previous year's figure by Kr.30 million (£2.1 million). It is expected that delivery dates can be shortened during 1957, an improvement which should strengthen sales still further.

The aggregate value of invoiced orders rose from Kr.247 million (£17 million) in 1955 to Kr.315 million (£21.7 million) in 1956. Sales were particularly high in Sweden, Canada, France and Italy. Out of the total of invoiced orders 70 per cent were distributed to subsidiaries and agents abroad, and 30 per cent to the Swedish sales company. New associate companies have been set up in Austria and the Belgian Congo.

TECHNICAL DEVELOPMENTS

A new pusher-feed rock drill, larger and faster than existing models, was introduced during the year. Manufacture has also begun of large rock drilling machines for long-hole drilling and for use with wagon drills. The Company also introduced a dentist's drill, driven by compressed air, which has aroused great interest. Other developments have included transport trucks driven by compressed air for use underground and a loading machine running on rubber tyres, based on an Italian design.

PRODUCTION AND EMPLOYMENT

The steadily rising demand for the Company's products entailed an increase in production. Owing to the growing difficulties in achieving such an increase on the required scale, the Company acquired a share majority in Arpic Engineering SA, of Antwerp, a former competitor. This firm is equipped with modern and well-organised workshops and, according to present plans, will be used to manufacture those portable compressors which have been built in Stockholm up to now.

In the year under review 200 new employees joined the Company in Stockholm.

RESULTS

Thanks to the larger turnover the gross operating profit increased from Kr.23 million (£1.6 million) in 1955 to nearly Kr.28 million (£1.9 million) in 1956.

This increase was largely offset by increased depreciation on buildings and machinery, higher administrative costs and interest charges, and a slight reduction in dividends paid by subsidiaries.

Owing to the heavy burden of taxation and the high level of investment duties the results were still further reduced so that the net profit was only slightly higher than in the previous year.

DISTRIBUTION OF PROFITS

The Company's profit for the year was Kr. 8,224,989 (£0.6 million) compared with Kr. 7,851,170 (£0.5 million) in 1955. Figures show that profits totalling Kr.13,014,224 (£0.9 million) are at the disposal of the General Meeting. The Board of Directors accordingly propose to distribute a dividend of 10 per cent (i.e. Kr.2.50 per share) totalling Kr.4,900,000 (£3.3 million), and to carry forward to 1957 the balance of Kr.8,114,224 (£0.6 million).

NATION LIFE AND GENERAL ASSURANCE

PROGRESS REVIEWED

The thirty-second Annual General Meeting of Nation Life and General Assurance Company Limited was held on April 16th at Teddington, Mr H. Cox, the chairman, presiding. The following is an extract from his circulated statement:

The company's income during 1956 was £324,359, as compared with £312,756 for 1955, an increase of £11,603. The premium income for the year was £275,697. The new sums assured totalled £430,615 in 1956 as compared with £502,082 in the previous year. The average sum assured per policy was £89 as compared with £82 in 1955.

The company continues to increase the amount of the sum assured per policy issued, and our house purchase prospectus has assisted in this. We continue to bring the advantages of our home service to members of the community who are not ordinarily associated with industrial assurance. Some of our policies are for substantial sums assured, and we have arrangements for reassurance so that the liability of the company is strictly limited.

During the year we have paid to our policyholders £152,053, the total being made up of claims by death £35,745, maturity £108,512, and cash surrender £7,796. In 1955 our payments to policyholders amounted to £137,582.

It is the policy of your board to encourage policyholders to maintain their business in force and we believe that our arrangements do help our policyholders. The rate of collections to premiums due to be collected is extremely satisfactory, being 98.6 per cent for the year. We have contractual obligations to our policyholders to revive or reinstate our policies within 12 months from the date of lapsing.

Our increased income for the year indicates that your board's judgment was correct in believing that opening the branch offices would lead to increased premium income. We believe our expenses ratio is at its peak, and with increased premium income lower working costs must follow.

Our investment income was £47,371, an increase of £4,360 as compared with 1955, and the net interest yield on the fund was £5 5s. 3d. per cent as compared with £4 18s. 5d. per cent for 1955.

You have a recomendation that a final dividend of 6d. per 5s. stock unit (free of tax) be paid, making a total dividend of 8d. per 5s. stock unit (free of tax) for the year ended December 31, 1956. The directors also recommend that the payment of an interim dividend of 2d. per 5s. stock unit (free of tax) be made for the year ending December 31, 1957.

Your board decided to issue a prospectus for Ordinary Branch business, to operate from January 1, 1957, the purpose of the prospectus being the issue of policies for our retirement annuity plan, approved under the Finance Act of 1956.

The report and accounts were adopted.

CLERICAL, MEDICAL AND GENERAL LIFE ASSURANCE SOCIETY

CONTINUED STEADY PROGRESS

NEW LIFE BUSINESS EXCEEDS £10M

The hundred and thirty-third Annual General Meeting of the Clerical, Medical and General Life Assurance Society was held on April 17th, at the Society's Chief Office, 15, St. James's Square, London, S.W.1.

Lieutenant Colonel Sir Francis H. Humphrys, GCMG, GCVO, KBE, CIE, the chairman, presided and, in moving the adoption of the report and accounts, said:

Although the year 1956 was one of considerable disturbance, both political and economic, I am glad to be able to place before you a Report which, with the accompanying Accounts, gives evidence of continued steady progress in the Society's affairs.

NEW BUSINESS

The amount of the net new Sums Assured under individual and group Life Assurances exceeded £10 million for the first time, the actual figure being £10,126,000, as compared with £9,821,000 for 1955. In addition, provision was made for Deferred Annuities of £355,000 per annum under the new form of Pension Contract which we introduced in 1955.

I should like once more to express our thanks to the Employers' Liability Assurance Corporation for the valuable help we have continued to receive from them.

CLAIMS

The claims by death, at £570,000, were considerably heavier than those of the previous year, but remained well within the provision made in our valuation. Fluctuations in the amount of death claims are inevitable, and we were fortunate in experiencing an exceptionally favourable year in 1955.

The claims by maturity, amounting to £684,000, were also greater than those of 1955, but this is merely a reflection of the amount of business on our books.

PROGRESS OF FUNDS

As a result of the year's transactions, the Life Assurance and Annuity Funds increased by over £1,500,000 to £27,364,000.

The Capital Redemption and Annuity Certain Funds fell by about £225,000 to £2,118,000. Since the "return of capital" element in an ordinary Immediate Annuity is now not taxable under the 1956 Finance Act, contracts for Annuities Certain, which alone used to enjoy this concession, have become less attractive.

INVESTMENTS

We have valued our assets on the same conservative lines as usual, and their market value continues to show a substantial margin over the figure at which they appear in the Balance Sheet.

The gross yield on the Life Assurance Fund increased by 3s. 3d. to £5 17s. 2d. per cent, and the net yield by 2s. 7d. to £4 8s. 1d. per cent.

THE VALUE OF LIFE ASSURANCE

Life Offices today perform so many complex tasks that their basic function—that of providing simple Life Assurance—is in danger of being submerged. The unique value of Life Assurance to the married man, during his working years, is self-evident in these days when heavy taxation makes the saving of adequate capital sums by other means so difficult. Its continuing value to the married man, after retirement on pension is, however, just as real though not, perhaps, when viewed from earlier life, so obvious.

When retirement on pension occurs and stock has to be taken of the family's income position, the husband may feel forced, by lack of capital resources, to exchange the pension on his own life for a smaller "last survivor" pension in order that a portion of the income may continue, after his death, to a wife or other dependant. If, however, there are in existence adequate Whole Life policies on his life to make provision for his dependants after his death, all need to consider such a reduction in pension income is avoided.

If, further, the payment of premiums upon these policies has been arranged to cease at the retirement age, not only can the pension be enjoyed in full but also there is concurrent relief, at the most welcome moment, from further premium payments. It only remains for me to add, in this connection, that the terms quoted by this Society for Whole Life policies with premiums limited in number are most attractive.

The report and accounts were adopted.

BROWN BROTHERS LTD.

CONTINUED EXPANSION OF BUSINESS

The sixtieth Ordinary General Meeting of Brown Brothers Limited was held in London on April 12, 1957.

Sir Richard Yeabsley, CBE, FCA, the Chairman, presided. The following is an extract from his circulated statement: I am pleased to report once again sales at a record level. However, there has been a considerable increase in operating expenses, with the result that the net trading profit of the Group, amounts to £976,894, compared with £1,096,929 for the previous year.

The Group net profit, before tax, amounts to £789,342, as against £941,944 a year ago.

The provision for taxation amounts to £460,419, leaving a net profit for the Group, after charging taxation, of £328,923.

The directors propose a final payment of 10 per cent (less tax) on the issued Ordinary capital, making a total of 12½ per cent for the year.

No capital has been issued by the Company for cash since the sum of £326,880 was raised in 1951. Since that time the business of the Company has greatly expanded.

At the present time, plans have been prepared for the building of certain properties, at a combined cost of approximately £250,000.

To finance these projects, and to ensure that the further development of the Company will not be hindered, your Directors have obtained permission from the Capital Issues Committee to raise the sum of £400,000 by way of mortgage on certain of our properties.

I mentioned in my speech last year that we were hoping to introduce a simple form of Employees Profit Sharing Scheme. I am pleased to say that this has now been carried into effect.

TRADING CONDITIONS

Our Motor Departments are fully employed in servicing the repairing industry of the Motor Trade.

The facilities of our tyre fitting departments have been kept fully employed and once again we can report an increased business.

The Cycle section showed a substantial reduction in the early part of the year. In the last months, however, sales showed a considerable improvement.

It is pleasing to report further progress in our Radio and Electrical departments.

NEW SUBSIDIARY COMPANY

The Needham Engineering Company, Limited. The Share Capital of this old-established company, which specialises in the electrical, radio and machinery fields, was acquired during the year.

DEVELOPMENTS

The rebuilding programme at our main premises at Great Eastern Street is making good progress. During the next few weeks we shall be opening a new branch of the parent company in Sheffield.

At this stage it is impossible to make any reliable forecast of our prospects for the coming year. Sales for the first two months compare favourably with the opening months of 1956. Attention must be drawn, however, to the fact that this increase in sales is not, in itself, sufficient to cover the continued increase in costs of all kinds.

The report was adopted.

THE NATIONAL MUTUAL LIFE ASSURANCE SOCIETY

HIGH BONUSES

The annual general meeting of The National Mutual Life Assurance Society was held on April 16th in London.

In his speech to the members Mr Kenneth Moore said that in spite of the strains and stresses of political and international troubles of the years 1955 and 1956 the biennial valuation showed the Society's affairs to be in thoroughly sound shape. The bonuses declared, 52s. 6d. per cent per annum compound on whole life policies and 47s. 6d. per cent per annum compound for endowment assurances, were amongst the highest in the long history of the Society. Equally significant was the decision that interim bonuses also were to be at these high rates.

EXCELLENT VALUATION RESULTS

The Chairman went on to comment on some of the individual items in the valuation report and accounts.

Mortality experience had continued to be remarkably favourable. The valuation of assurances had again been carried out on the 1924/1929 mortality tables—a conservative basis having regard to the striking improvement in the expectation of life since that period, which would be reflected in the new mortality tables due to be published this year by the Institute and Faculty of Actuaries. The rate of interest earned on the total funds, including the Reserve Fund, had risen over the last two years from £3 14s. 7d. per cent to £4 3s. 9d. per cent after deduction of income tax, a significant increase which was, however, in part, a reflex of the considerable fall which had taken place in the market value of fixed interest securities in the same period.

Although it had been impossible to avoid depreciation on the Society's holdings of fixed interest securities, it had, to a considerable extent, been off-set by substantial appreciation on the Society's holdings of Ordinary Shares. These holdings of Ordinary Shares amounted at December 31st last to over £3,800,000—representing roughly 27 per cent of our total assets. These shares, which in the main had an external or international favour, including a substantial proportion of Canadian and American equities of the highest class, had served the Society well with the result that the free reserve fund stood at the end of a very troublesome period at £1,100,000 or 11 per cent of the marketable securities.

Mr Kenneth Moore then looked back over past history and recalled references by the Society's Chairman in the 1920s, Mr J. Maynard Keynes (afterwards Lord Keynes) to the case for an active investment policy and for investment in ordinary shares "within the due bounds of prudence." The Society's progressive lead at that time was materially divergent from the practice of other life offices but, thirty years later, what was regarded in the past as a distinctly unorthodox development of investment policy, had now become common practice. This had operated in the national interest and, for policyholders, as a most valuable hedge against the evils of inflation.

MANAGEMENT AND DIRECTORATE

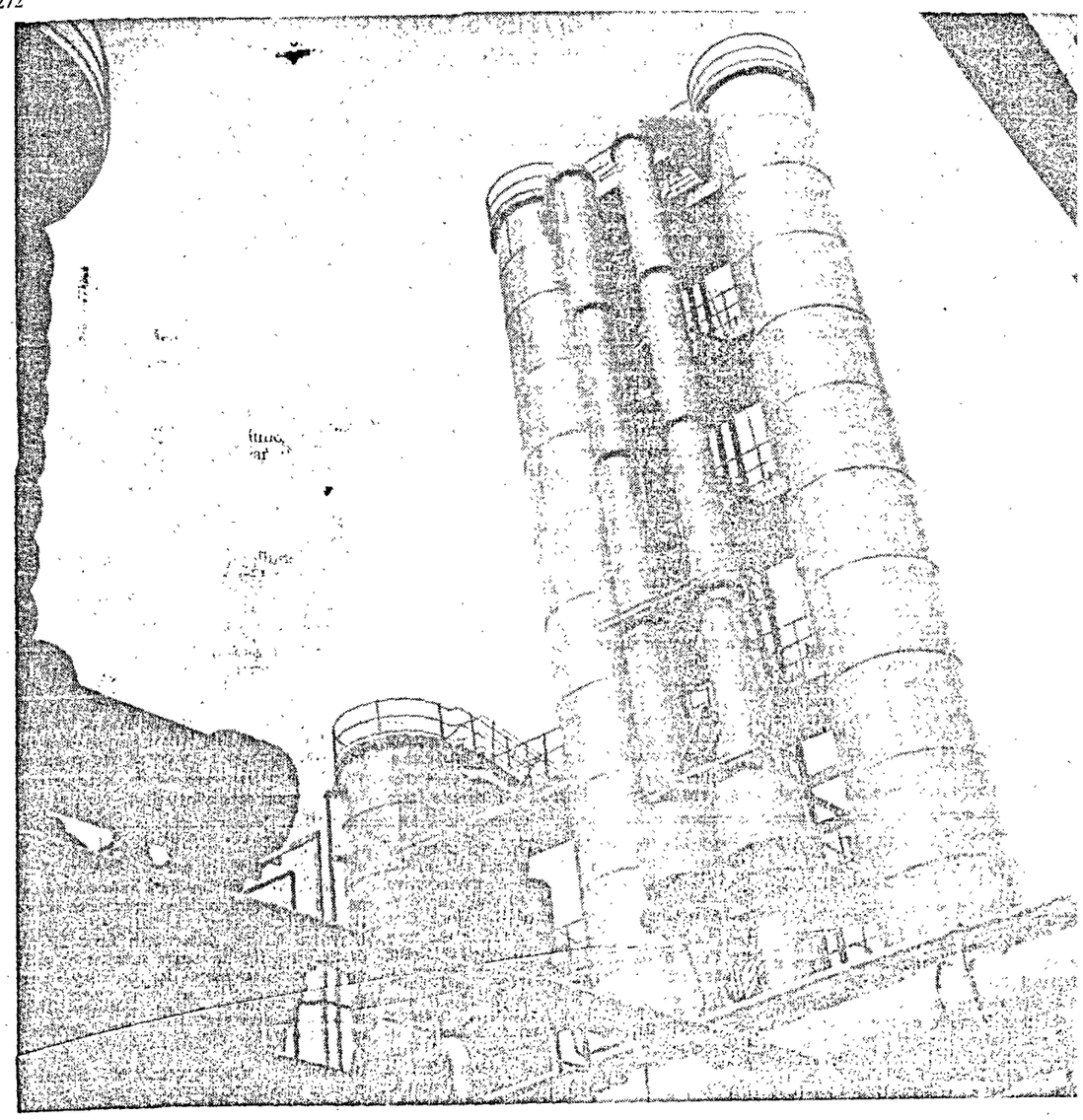
A tribute was paid to Mr Recknell who retired after thirty-three years in the service of the Society including twenty-four years as its Actuary and Manager and fifteen years as a member of the Board. The Board had appointed Mr M. H. Oram to succeed him as Actuary and Manager, and to fill the vacancy on the Board had appointed Mr G. L. C. Touche as a Director.

The report and accounts were adopted.

ANNUAL AIR SUBSCRIPTION RATES

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He is drilling in a search for natural gas and although final results as yet cannot be assessed, the important possibilities of underground gas storage are being studied.

Technical problems involving the transport, handling and storage of imported liquified natural gas are being studied — to this end visits have been paid to the United States of America and Soviet Russia.

To meet the Clean Air Act Mr. Therm's research programme includes the production of high grade smokeless fuels from coal.

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Stiffer competition should induce industry to give these British markets more support.

Lull in the Boom

Officials in Washington do not agree that the danger of inflation in America is over.

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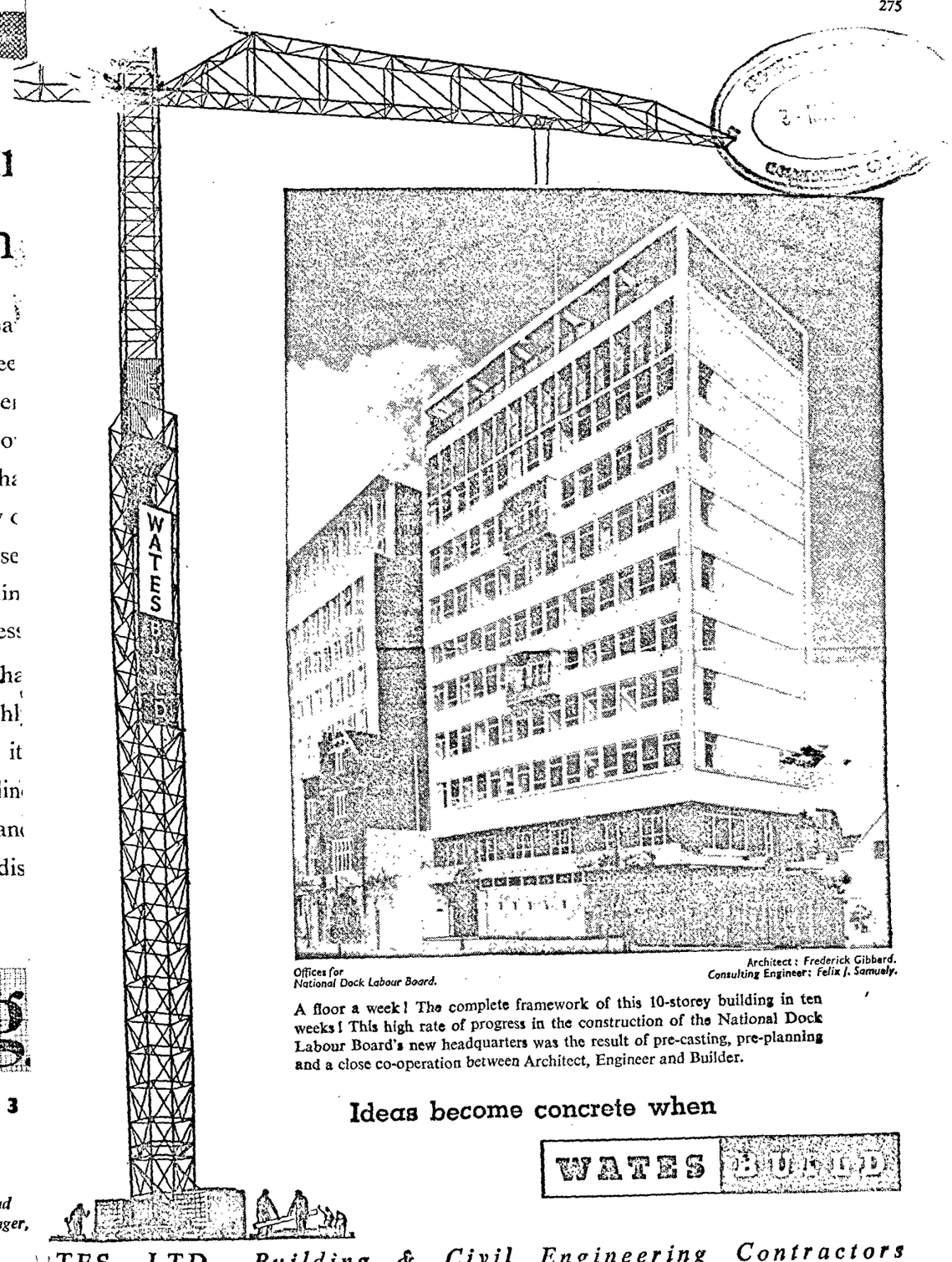
It is to help solve this problem that *The Times* is producing the monthly publication TECHNOLOGY. In its pages Industry will explain the line of its development, its problems and its needs, while Education will discuss its plans and its difficulties.

Technology

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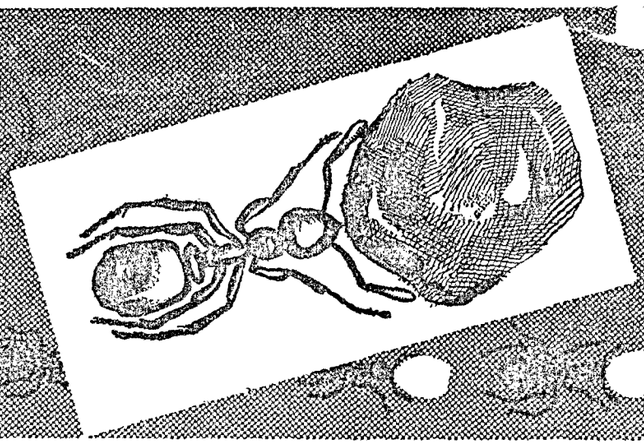
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HEAT is the Houdini of the elements. Only the most meticulous insulation applications can hold it, make it work and pay for itself.

The general principles of heat insulation have been known for at least twenty centuries. The elder Pliny commented on the ability of cork to retard the flow of heat, pointing out its application to winter footwear and roofing. Yet it's only a few decades ago that thermal insulation went almost unconsidered in industry—so long as some uncomfortably hot surface was covered with something which would not perish, the job sufficed. The vast stride which industrial insulation has taken since says much for the foresight of industrial leaders and the work of specialist insulation manufacturers.

Yet even today, in a thousand and one factories in the British Isles—from a platoon of platers in a single storey shed to those twenty-acre labyrinths of modern industry—heat is escaping into thin air. Hundreds of thousands of tons of coal are wasted each year—hundreds of thousands of tons producing nothing but loads of clinkers.

In this specialised field of thermal insulation, Newalls have led the way for more than fifty years. Factories, ships, power stations, paper mills, oil refineries, all owe to Newalls some credit for increased efficiency and economy of operation.

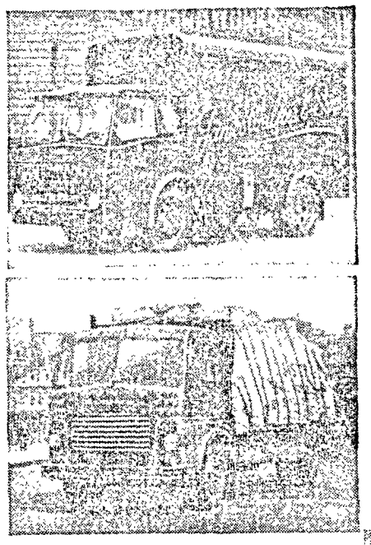
This organisation is at the call of any business today which considers that it can improve its own efficiency and increase its profit margin by the application of modern insulation methods. There's very little about heat control unknown to Newalls after fifty years of experiment with, and manufacture and application of, thermal insulating materials. Correspondence on the subject is cordially invited.

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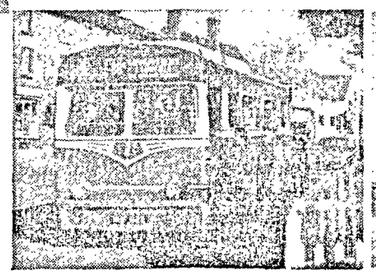


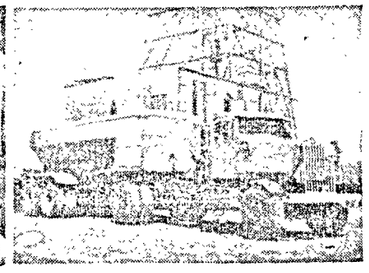
Today, trucks are just as much part and parcel of trade equipment as typewriters! Practically every firm employs them in some shape or form, scaling from small delivery vans to giant multi-wheelers.

The Leyland Group of commercial vehicle makers... incorporating the famous firms of Leyland, Albion and Scammell... is the only single organisation which makes almost every size of truck needed in industry. Their factories produce well over 100 types, ranging in capacity from 30 cwt. to 150 tons with every practicable size in between.

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(Above) The most popular cruiser-weight truck in the world is the Leyland 7-8 ton 'Comet.'
(Adjoining right) The 'Tiger-Cub'—one of the range of Leyland buses which forms so great a proportion of public transport both at home and abroad.
(Outside right) This Scammell 4-wheel drive 'Mountaineer,' with a 25-ton drilling cement hopper, working in a Middle East oilfield.



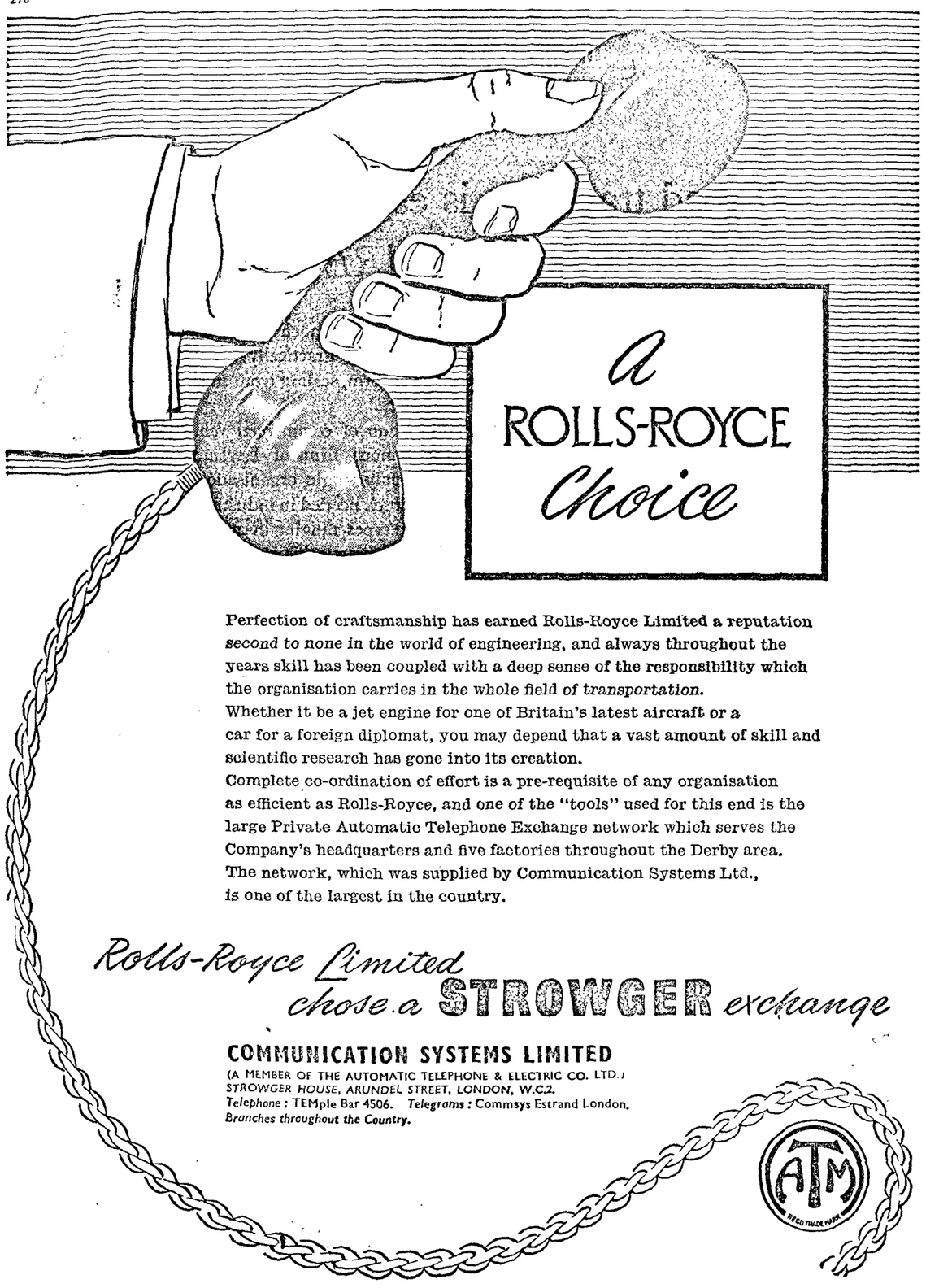


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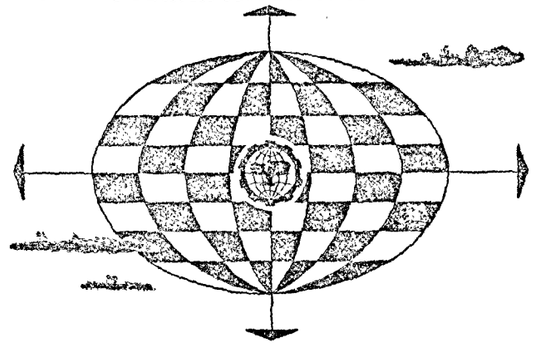
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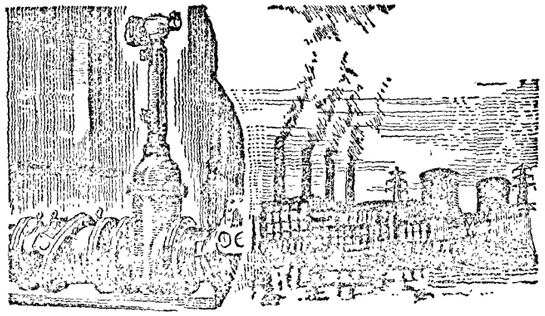
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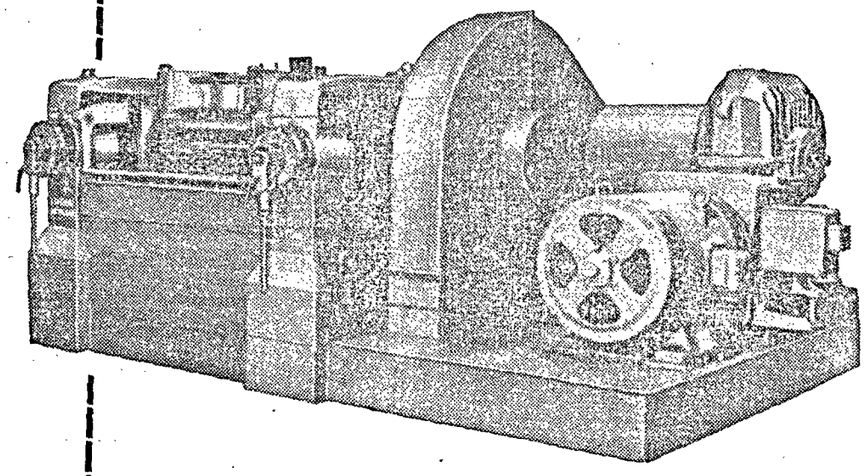
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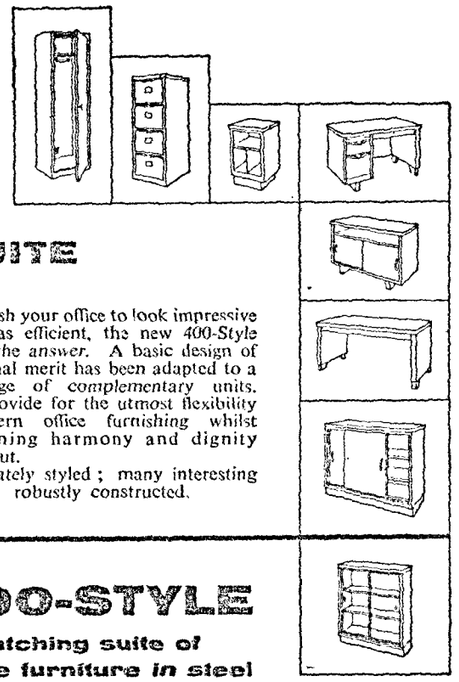
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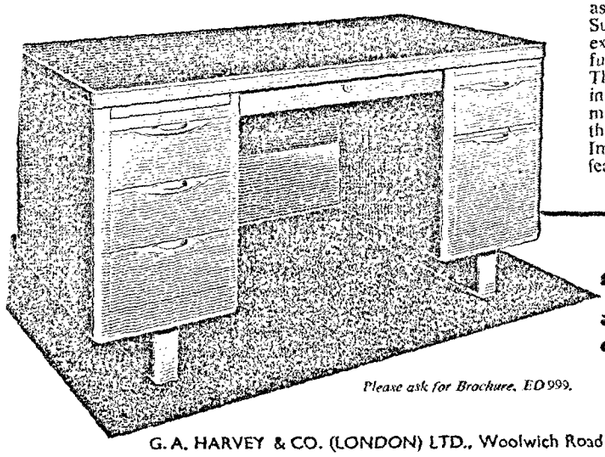
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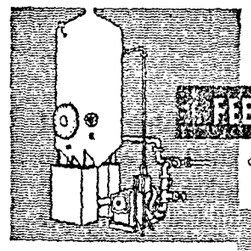
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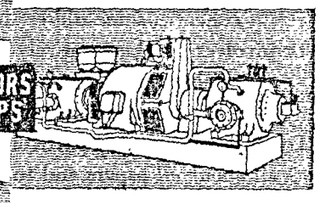
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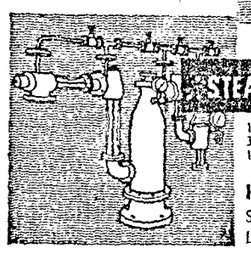
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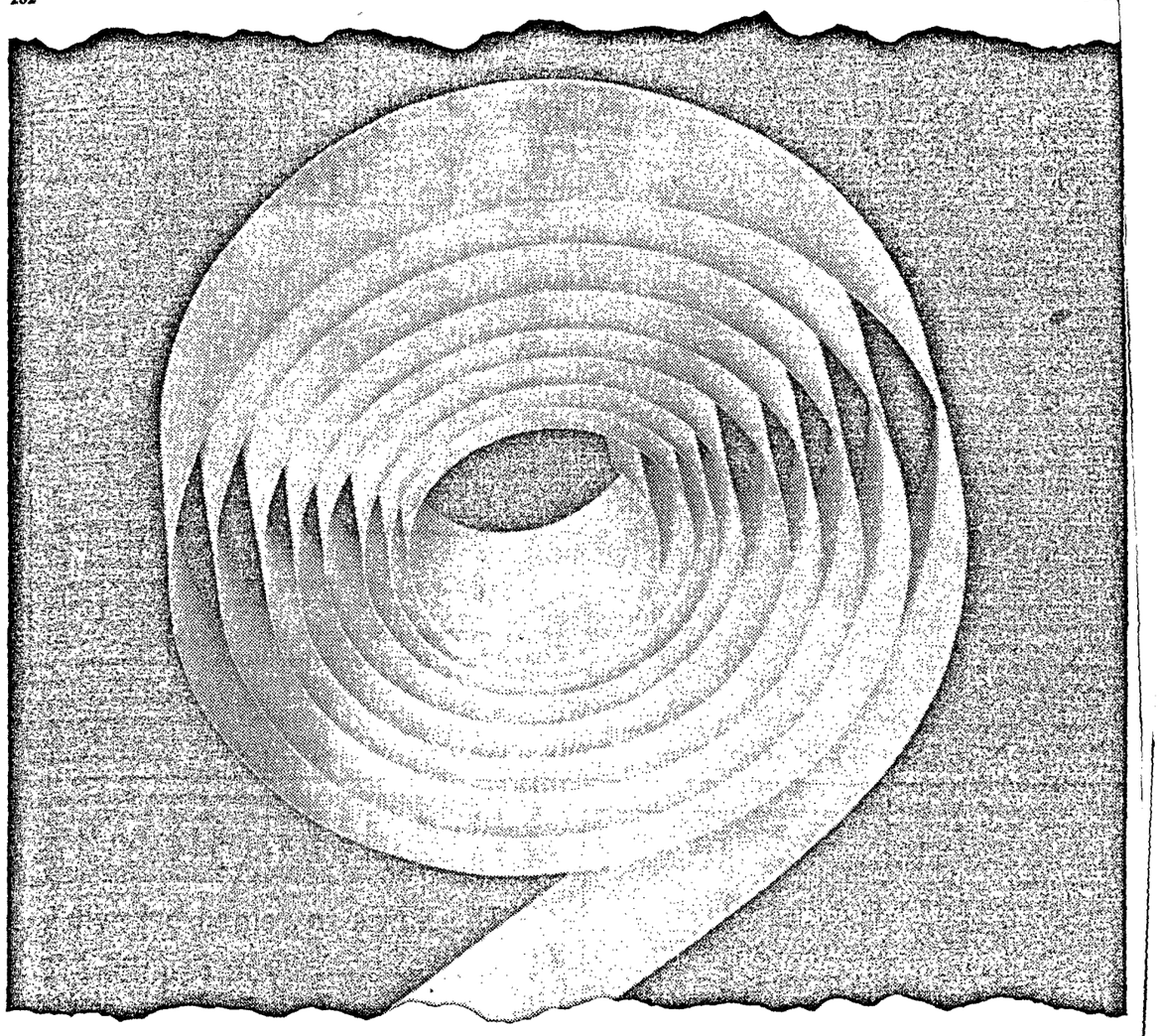
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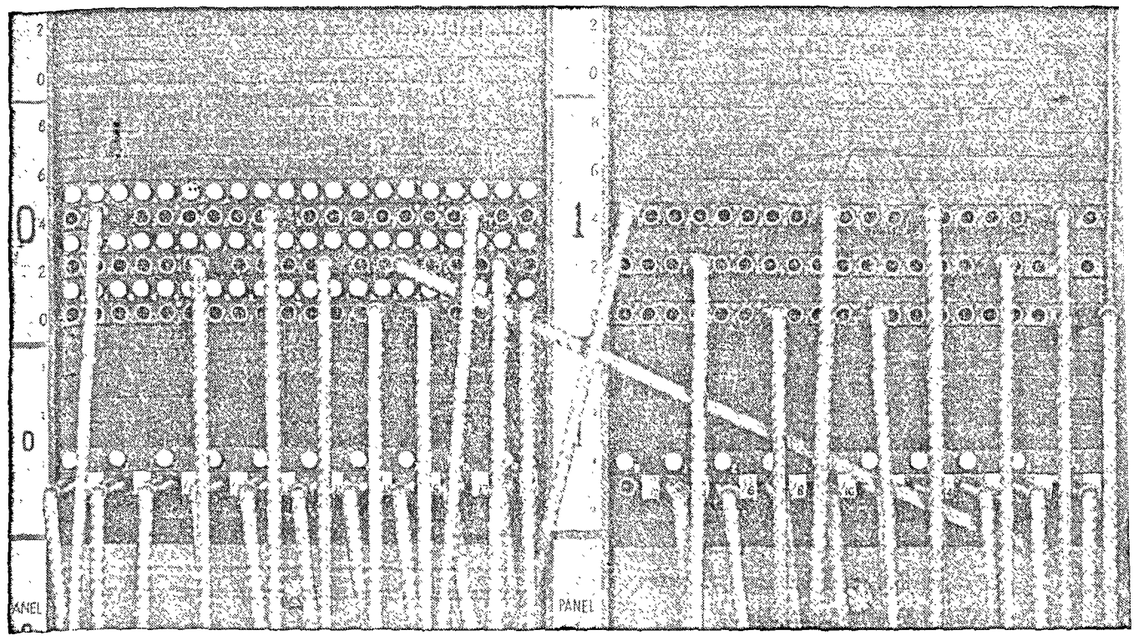
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The Economist

APRIL 27, 1957

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Disarming Candour

A SHOCKING lot of nonsense is being talked about disarmament, so clouding the air, and carrying such risks, that it may be a bigger menace than strontium. This fall-out of fallacies seems to have been set off by a fusion of hopes and fears. People whose eyes are glued to the heavens, whether in apprehension or in sure expectation of seeing a bluebird, are apt to walk into ponds or step on the end of a rake. Taking the fearful and the hopeful together, there are at present plenty of volunteers for immersion or concussion.

On the one hand, there are those obsessed by fears that nuclear test explosions may both endanger posterity and bring death or disease to several thousand present inhabitants of the world (a world, let it be coldly recorded, whose population is rising by thirty million each year). Most of the alarm voiced about this is as sincere as it is natural, and has no connection with the efforts being made by western communists to send down their fellow countrymen's spines shivers which evidently do not affect the vertebrae of their own masters in Moscow. But it is fair to ask campaigners against the Christmas Island tests—if they reject Mr Macmillan's assurances that the effects will be negligible—to ponder a timely piece of evidence. The Russians, whose scientific advisers are thought to be pretty good these days, have just set off five explosions in twelve days on their own territory. Siberia today is no longer an empty land, and millions of Russians are settled much nearer than Japan to the test sites. The Kremlin's aberrations scarcely extend to the mass maiming or extinction of its own productive workers, particularly in strategic areas such as its Far Eastern maritime provinces or the reclaimed "virgin lands" east of the Urals.

However, the frankly fearful deserve vastly more sympathy and respect than the busy chasers of bluebirds, among whom must be numbered a good many speakers in last week's defence debate in the Commons. Some supporters of the Opposition proposal to postpone the British tests, in the hope that Russia and the United States would then quickly accept the termination of their own programmes, seemed to think a unilateral gesture would suffice to bring about this miracle. They have had their answer from Mr Khrushchev, whose rejection of a Japanese appeal for a unilateral Soviet suspension of tests was based on the argument that this gesture would look like a sign of weakness. But other members of the House tried to depict a lightening of the skies, an imminent break in the clouds that have hung over the United Nations disarmament talks for eleven years.

What exactly they thought they saw in the heavens is not clear. The infectious warmth of Mr Stassen's smile may have led some people to overlook the cautionary clauses in his remarks about the progress of the present talks at Lancaster House. The relative suavity with which Mr Zorin had there been reiterating the familiar Soviet position perhaps created a belief that the position itself had changed. The mere fact that

both Russians and Americans have been stressing the importance of limited first steps, in phrases which have a very similar ring to them, tends to divert attention from the fact that the "first steps" which each advocates have been firmly rejected by the other. Mr Zorin may, of course, have brought something new back from Moscow this week (though a first reading of Mr Bulganin's Easter letter to Mr Macmillan does not suggest it). But up to the eve of Easter the Russians had not budged.

WHY, then, the facile assumptions in the defence debate, the rash of headlines headier than the cautiously qualified diplomatic correspondents' messages beneath them, the echoing optimism of Mr Eisenhower, Mr Dulles and Mr Macmillan over the weekend? Is it just the sight of the blue UN flag still dipping lazily under a blue spring sky outside Lancaster House? Nobody would wish the talks to break down; but the mere fact that they are continuing proves no more than that no party wants the odium of leaving the table first. Even the Americans, the most ebullient of the western participants, have denied that there has been any "break-through." There are really only two explanations for the recent prevalence of optimism. One is the vernal mood; the other is that the instinctive reaction to prophecies of doom such as have lately been uttered by MM. Joliot-Curie, Schweitzer and others, is to grab the nearest tranquilliser.

This is as regrettable as it is easy to understand. There was never a time when it was more necessary to look the less pleasing facts of life in the nuclear age in the face. There is no excuse for any public man failing to do so. All the harsh truths have been newly burnished up and laid before his eyes. The Russians have made it clear that they will no more accept an effective policing of tests than an effective policing of general disarmament; either project would rob them of the advantages their top-secret system gives them over the relatively "open" West. Mr Eisenhower and Mr Macmillan have rejected the idea (revived by Mr Bulganin in his latest letter) that test explosions could be controlled without supervision on the spot. Marshal Zhukov has shattered western hopes that Russia might accept, in its own interest, a distinction between the use of tactical nuclear arms and the resort to all-out, mutually suicidal thermonuclear conflict. Moscow will have none of the idea of reciprocal air inspection between Russia and the United States; Washington, none of the Soviet counter-proposal (also included in Mr Bulganin's Easter letter) for inspection limited to a zone in Europe, which would apparently embrace most of the Atlantic allies' territory, including Britain, but no significant portion of Russia's home terrain. And after all these years even the greenest back-bench MP can hardly need reminding that the simple "ban the bomb" slogan lacks all meaning when its own advocates reject the restraints and controls which would be essential to the putting into force of a real ban.

One cannot altogether exclude the possibility that Mr Bulganin actually wishes to step through the door, as opposed to just keeping it ajar; and that Mr Zorin may therefore have returned from Moscow bearing something more substantial than the traditional kisses and eggs of a Russian Easter. But one can very nearly exclude it. Why should the Soviet government feel any need to give ground on disarmament now? The shift toward nuclear arms has helped it to grapple with the manpower shortage which oppressed it a year or two ago. It can contemplate with serenity a western world distracted by British and French withdrawals of troops; by public anxiety about strontium 90 (an anxiety from which the Russian public is considerately shielded); and by the spectre of nuclear weapons in the hands of a Germany whose political future is uncertain, but whose people have an urge to be free of foreign restraints and a hankering for frontier revisions. When the West is stewing in so much juice, it is hard to envisage Moscow rushing in to ease its embarrassments.

NONE of this amounts to any sort of case for slackening in the decade-long struggle to secure disarmament. On the contrary, the shedding of these prevalent illusions must be regarded only as a first step towards a new effort. It is in fact an indispensable first step. Today's need is for another good look, unblurred either by fright or by optimistic fantasy, at the realities of the problem. There is much to be said for the new American moves in that direction. Mr Stassen has blown two healthy whiffs of realism into Lancaster House, by announcing that the United States has no thought of again slashing its forces down to the level of weakness at which the second world war and the Korean war caught them, and by proposing that production of nuclear weapons should be ended without any linked attempt to detect and destroy stockpiles. Swingeing disarmament on the scale of which the western powers carried it out after both the world wars, is simply not to be seriously considered until international supervision of a ubiquitous and unrestricted kind becomes acceptable to the powers; and since that degree of supervision would destroy the top-secrecy which is one of the bases of the Soviet system, it is not going to be accepted.

The routing out of hidden bombs from under everybody's beds is an even less conceivable development in the real world in which we have to live; it would involve a degree of interference by outsiders which would be as unacceptable to, say, India's new defence minister as to the United States Congress or the Soviet Presidium. The policing of production would itself be a massive and delicate undertaking; but it is at least imaginable, and it may prove practicable. It is surely along lines such as these that the new attack on the whole problem must be made. Disarmament, like other forms of politics, is the art of the possible.

The Statesman's Burden

The Prime Minister has said that he will give "further study" to the load of work upon Ministers

SHORTLY before the Parliamentary recess the Prime Minister was asked by Mr Desmond Donnelly whether he would recommend

> the appointment of a select committee to review and enquire into the working of the present system of government with a view to reducing the burden on ministers and securing the more efficient working of Parliament.

Mr Macmillan replied that he intended to give this idea "further study," and that he was thinking of consulting "very experienced colleagues on both sides of the House" on the

> very large questions as to the functions of ministers and their duties to Parliament, and the great increase in work, which, of course, has grown up with the complexity of modern government.

It seems possible that a pebble is about to be thrown into a considerable pool. This may be a good week to start discussing the most useful ripples.

The parliamentary question that the Prime Minister was answering had its origins in a letter which Mr Donnelly (who is a Labour backbencher) wrote to *The Times* last December, and in which Mr Macmillan and some of his senior ministers are known to have shown some interest. In that letter, Mr Donnelly made three points. One was that he wanted to recreate the wartime precedent of getting Whitehall "to make greater use of men outside the bureaucracy." There may possibly be a case for bringing more scientists, economists and other experts (often, preferably, on short sabbatical leave from the universities) into strictly specialist jobs in the civil service. But the idea of bringing in so-called "distinguished" general help from outside is, in general, one to be regarded askance: in Labour's case it would mean bringing into salaried posts some party supporters on the model of the American civil service, in the Tories' case it would probably mean bringing in more "practical business men." Many of the people who would have sufficient time to take temporary posts of this sort would be likely to be of lesser quality than the established civil servants.

The second point in Mr Donnelly's letter was that the work of Parliament needs to be reformed; he himself suggested

> regional authorities to deal with matters such as education, housing and health, leaving Parliament more time to deal with national and external problems.

Regional devolution does not seem to be what is needed; intra-parliamentary devolution may be. There is a case for examining the uses to which Parliament puts the main devices at its disposal—question time, standing committee, select committee, and general debate by the whole House. This, perhaps, is one problem that could well be examined by a select committee of MPs.

It is, however, Mr Donnelly's third and principal point which may be of greatest interest to the Prime Minister at this time. This was the argument that senior cabinet ministers nowadays do not get time to function properly as cabinet ministers: they do not get time to think. The problem was first posed after the first world war, and has recently become sadly familiar in practice. A statesman falls ill through overwork; there follows a period when he is making many wrong decisions because he is ill, but he himself does not recognise the fact and his colleagues are too embarrassed to tell him; then his illness overpowers him and he retires, his mistakes made, into the shadows.

WHERE the problem is that of departmental ministries a little below the summit, the remedy is surely obvious. It is to have government departments that are not too big. A department is too big, and ought to be split, if the number of papers which is thrown up on to its chief civil servant's desk in any average day is greater than an ordinary man can handle in that day. On this criterion, the Ministry of Transport has been too big for some years; the Board of Trade would have been too big but for the extraordinary luck it has had in the capabilities of its top civil servants; and there are other ministries (defence is the obvious case in present point) which can become intolerably heavy burdens for a short period while they stand unaccustomedly near the centre of policy. But, in general, provided his top civil servants are not persistently overloaded, a minister with only departmental responsibilities can still lead a not impossibly overworked life.

The real difficulty arises for those who, in addition to—or instead of—departmental responsibilities, have to think out the genuinely top policy decisions. To meet this problem, the recipe usually proposed is that as much as possible of the detailed work should be passed down to more junior ministers: that the man right at the top should act, either through the chairmanship of cabinet committees or in some more or less formal way, as a species of "overlord." This, in essence, was Mr Donnelly's own suggestion. The main difficulty that arises is what sort of a man an overlord should or may be. Both Sir Anthony Eden (as Prime Minister) and Sir Stafford Cripps (as Chancellor, with a Minister of Economic Affairs below him) were supposed to be overlords. Both, although able men,

proved to be temperamentally incapable of devolving many of the details of policy on to their subordinates. They worked far into the night, and the strain of office sapped the one and killed the other.

It is no answer to say that overlords should not work that way, for it is sometimes extraordinarily difficult for them not to. The extreme view of an overlord's function, as held by some people, is that he should think out the general policy he wants implemented, and tell his subordinates to implement it—without himself being too concerned about the details. This system might conceivably work for a Prime Minister, but it is unlikely to work well for any other office. If any lesser overlord passed down policy ukases to his subordinates without knowing sufficient of the details on which those policies should be based, then the man lower down (who did know the details) would be constantly complaining to the Prime Minister and Cabinet about what an impossible job his overlord was setting him.

Those who think that one must be able to find a half-way house between the overlord who busies himself with all the details and the overlord who busies himself with none should take heed of the example of Ernest Bevin, who tried. His method of running his departments was said to be to devolve a lot of work on his subordinates in the first instance; and then, when anything went wrong, to call them into his office and shout knowledgeably at them. The result was that timid subordinates began to hand all the most awkward, if minor, policy decisions up to him; he became, against his will, an "overworking" type, and undermined his health.

ALL this may sound very gloomy. But it surely goes to suggest that the only way out of the *impasse* is not by referring the problem to a select committee, but by pragmatic trial and error. Trial in the last ten years has suggested that in one field of modern British Government an overlord has a part to play; it has confirmed the moderate usefulness of the Morrison/Butler role as Lord Privy Seal or Lord President—that is, as the principal co-ordinator of those strands of policy that do not pass through the Foreign Office or the Treasury. Recent experience suggests that four points can be made about this role.

First, it should be allied to the job of Leader of the House (and thus manager of the parliamentary programme), and probably also to the control of a department of state with a sizeable civil service staff; Mr Butler's assumption of the Home Office, given his willingness to devolve much of the detailed work there to the ablest of his under-secretaries, may well be the right solution.

Secondly, the best way to run this co-ordinating office (and, incidentally, probably also the best way to be a Prime Minister) is for the overlord to throw out a stream of ideas, as suggestions not ukases, to his subordinate departmental ministers: and to ask those departmental ministers to come to him if they run into real difficulties —the best measure of "real difficulties" being if there is a split between a departmental minister and his top civil service advisers.

Thirdly, the office probably needs to be flanked by a second senior "small department" minister who will concern himself with the details, as distinct from the broad objects, of designated legislation; the nearest approach to this function in the present Government is performed by the Lord Chancellor, who has acted as step-parent to Mr Thorneycroft's Restrictive Trade Practices Act and to much other useful legislation.

The *fourth* point that has emerged about the office of Lord Privy Seal or Lord President, however, is the most awkward one. Although the role needs to be filled, it is becoming increasingly obvious that it is not, by itself, a main seat of power; both Mr Butler and Mr Morrison, looking back on recent personal political disappointments, would probably agree.

THE most obvious remaining problems of devolution concern the two monster departments that are the main seats of power: the Foreign Office and the Treasury. There is not much that can profitably be said at the present time about the running of the Foreign Office. The way it has been run since Sir Anthony Eden left it seems to be that an army of under-secretaries has managed the less important departments in it; and that the Foreign Secretary has acted as the principal co-ordinator of their work, but only collectively—until recently, with the Prime Minister and one other—as a director of general foreign policy. This has not been an ideal system; now that the "one other," Lord Salisbury, has departed, the situation is more confused still. But this, like so much else in this reckoning, is a matter that must depend essentially upon personalities.

In the other monster department of central policy, the Treasury, however, a reform of structure can be suggested. The idea of hiving off a Minister of Economic Affairs, under the Chancellor, was tried in Sir Stafford Cripps's day. It did not work. A better idea might be to hive off a department equivalent to the American Bureau of the Budget. The office of Financial Secretary to the Treasury could be abolished, and a Minister of State put in charge of the Inland Revenue, the Customs and Excise, and part of the Home Finance section of the Treasury. The Economic Secretary to the Treasury could then become an under-secretary to keep an eye on overseas financial affairs; and the Economic Section of the Treasury should cluster around the Chancellor himself, who would thus become a species of economic overlord (the detailed job of pruning government expenditure and improving the efficiency of revenue collection having become the main responsibility of some ambitious ministerial colleague immediately below him). It is to specific reforms of this kind that the Prime Minister might most profitably turn his mind. On the whole, he would be wise to keep a select committee out of it.

Egypt's Empire-Builders

Egypt's best known instruments of propaganda are Cairo radio and illustrated weekly magazines; just as potent is Egypt's influence through the export of teachers. Do its Arab neighbours realise what Egypt wants to make of their young people?

PRESIDENT NASSER, talking of Egypt's home affairs to a foreign visitor just over a year ago, remarked that a solution of its economic and population problems hung on three requirements. The first was control over some major source of energy; the second was the hold on Arab emotions that was best to be gained by championing the Arab cause against Israel; the third was control over the Suez Canal earlier than the appointed date in 1968. Since he spoke, his second and third wishes have come true with such éclat that his progress with the first tends to escape notice. Yet it is considerable.

At present, and for so long as Egypt lacks the capital to develop hydro-electric or solar energy, the nearest major energy source is the oil of Saudi Arabia and of the sheikhdoms of the Persian Gulf (now called the Arabian Gulf on Cairo radio). In each of these rich, under-developed territories, a hereditary ruler with oil revenue to burn is responding to the popular cry for education. It is important from President Nasser's angle that it takes far less time to build a school than to train the staff to man it. Therefore today, and for perhaps fifteen years to come, all the less developed Arab countries (including Iraq but not the more prudent or more fortunate Sudan, where teachers' training has kept pace with the school building programme) are obliged to recruit even their vernacular-teaching staff abroad. The same applies, of course, to their English language teachers; there are more Egyptians than any other nationality teaching English in the Middle East today.

The situation predates President Nasser's regime. For years, the more cultivated Arabic-speaking nationalities—Lebanese, Syrians, Palestinians, Egyptians—have been in demand for lack of local teachers everywhere from Libya to Muscat; the difference between then and now is the pace at which schools are mushrooming into being through the expenditure of revenue from oil. Opportunity meets Egypt half way because, whereas the supply of Lebanese or ex-Palestinian teachers is limited, that from the overcrowded Nile valley seems inexhaustible. President Nasser is in a position to reap the reward of Egypt's twenty-five-year start in the matter of higher education and of a university structure that has long been top-heavy. The quality of Egyptian pedagogy may be low by European standards (and it has fallen catastrophically in the last few years) but it thrives on its old reputation and is still high by the standards of Arabia. In each oil-bearing country, therefore, the protagonist of a "greater Arab nation" under Egyptian management has an instrument ready to hand—the schoolmaster for the new school, not to mention the inspector for the schools system as a whole.

Two other factors promote this export of teachers. One is Egypt's practice of the French system whereby a teacher seconded for service abroad gets not only his Egyptian salary and all rights of seniority and promotion, but the salary paid by the employing territory as well; there is no dearth of recruits. The other—a temporary phenomenon, though it may well last another ten or fifteen years—is the reluctance of the young secondary schoolboy in the fast-developing oil states to take up teaching as a career. Most young men prefer to get rich by the much quicker methods available in the bazaar; or if they take to a profession they will rate law, medicine, engineering, or even the grade they call "agricultural economist," higher than teaching—not merely because teaching is less well paid, but because it is socially lowly. In Kuwait, where teachers' pay is good, the number of male Kuwaiti teachers has lately fallen, not only proportionately but absolutely (from 107 in 1954-55 to 98 now; the corresponding numbers for Egyptians are 159, rising to 262). Nowhere else does the unbalance reach these proportions, but then no one else is building schools as fast as Kuwait.

The figures can be misleading, because by no means every Egyptian abroad is a hot-gospeller for Nasser. This should be fairly recognised; and to satisfy the thirst for education is, in itself, good work. Inside Egypt, the teaching world contains many independent minds that are dubious about President Nasser's methods of pushing education around. Abroad, therefore, one meets many Egyptian schoolmasters who have chosen foreign service either in order to save money, or because, being genuine pedagogues, they like the excellent apparatus available in, say, Kuwait, or because they belong to the Moslem Brotherhood and so, while anti-western, are also anti-Nasser. Here and there one comes across a royalist, or an Egyptian of Syrian or Lebanese extraction who fears that dictatorship may sometime lead to discrimination against non-members of the Nile Valley *Herrenvolk*, or even sceptics who prefer to put by some savings in a currency that is not Egyptian pounds. But these people, though they may even constitute the majority, are everywhere interspersed with members of Egypt's Cultural Mission—men and women glib with patter from Cairo's Ministry of National Guidance and capable ("like the one rotten mango in a basket," as an Iraqi put it) of injecting into a whole school the tincture

of disloyalty to the local ruler or government. Moreover, although not every Egyptian abroad is a Nasserite any more than every German abroad was a Hitlerite, a sense of national pride is apt to turn even the lukewarm into propagandists whenever Egypt's position is challenged or criticised.

How far is a ruler such as King Saud, or the Sheikh of Kuwait, aware of the anomaly whereby he is paying Egyptians to teach the next generation of his subjects that thrones and hereditary rule are out of date, that the western race that has created the wealth that produces superb classrooms and self-wiping blackboards is fit only to be booed, and that a role of importance for the Arabs hangs on creating a greater Arab nation run in subservience to Cairo? The education departments in Libya and Iraq have seen the red light and consider that they have dismissed the firebrands; in Iraq, where about 500 Egyptian teachers are still serving, arrangements are being made to reduce the number by altering the liability of teachers for military service. But some of the Egyptians so dismissed seem to have had no difficulty in getting taken on by Kuwait or Saudi Arabia. A point that at once strikes anyone who scrutinises the efficient work they are doing is their proprietary behaviour. "We are doing this and that. We intend to run a university here." Who is we? Egypt's greater Arab nation, not the Kuwaitis.

Even in remote Qatar this spring, where Wahhabi tenets have caused the employment of many Egyptians who are Moslem Brethren, the *pièce de résistance* at a recent school festival, acted by small boys who would never in the normal course have heard of Sinai, was a mimed attack on a tent adorned with Israel's Star of David, and a triumphal stoning and burning of it by fellow-pupils dressed as Egyptians. In the penniless sheikhdoms still farther south, primary schools that are being built out of the rulers' small purses, or with British money, have to be staffed with Egyptians or with equally anti-western Palestinians. Would it matter if the school were in a tent, if the money could be put to paying a less biased master? But for the moment, and for teaching in the vernacular, no other is available.

This limitation of choice will shrink with time. More schools must lead, in the end, to more local candidates for the profession of schoolmaster; it may take less time to get girls than to get boys of quality to think of the job as a vocation—partly because fewer alternatives are open to the educated girl and partly because, as a reaction against her enclosed life, she works harder than her brother. Provided rulers and ministries of education push on with organising better training, pay and status, therefore, the local teacher should be elbowing the foreigner out of the vernacular section some ten years from now. But action is needed if that decade is not to be turned to account by an expansionist Egypt. The Nasser dictatorship is ready to sow unrest in order to bring its protagonists to power in Jordan today, and is forging a weapon to do the same in the rich oil-bearing lands of Saudi Arabia and Kuwait tomorrow.

A generation of good local schoolmasters cannot be conjured up overnight. But there are ways of hastening the process if the need for it is taken seriously. Cannot the great endowed educational bodies (such as the Rockefeller and Ford foundations) prime the pump by setting on foot, perhaps in Beirut, an institute for producing the men and women to train Arab teachers? To do the actual training centrally would be out of the question because, as Turkey and the Sudan both discovered long ago, the rural schoolmaster, and probably all primary and intermediate schoolmasters, are best trained in the environment in which they must later live and teach. Secondary schoolmasters may be another matter. What is needed today is a pooling of thought by educationists both from the independent oil countries and from the west—for both have an interest in widening the choice of candidates for schoolmastership in the Arab world.

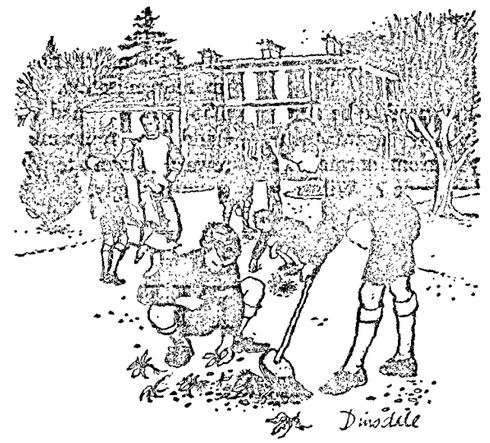
Approved School

Our Special Correspondent (who wrote about primary schools on January 26th and preparatory schools on March 9th) last week visited two schools which had not broken up for the Easter holidays

The big house at the end of the drive was an unusually pleasant specimen of early Victorian architecture. Beneath an arched loggia French windows opened on to the well-mown lawns. The hall was spacious, with parquet flooring, doors faced with mirror glass, and a fine staircase leading to the headmaster's flat. This also led to the boys' dormitories. These rooms, now with their rows of iron bedsteads, were once occupied by the guests and entourage of the Baroness Burdett-Coutts.

Great philanthropist though she was, it was not the Baroness who was responsible for turning her home into an "approved school" for delinquent boys. It was bought in 1937 by the managers of what was originally one of the two all-Jewish "approved schools" in this country. (It still houses all the Jewish children in the country between the ages of 8 and 13 who have been committed by courts to approved schools, but, as Jewish parents seem to strive harder than Christians to keep their families together, they are now enough to fill only 9 out of 63 places.) This original religious background is not untypical, for as many as 94 of the 119 approved schools in England and Wales are run by voluntary bodies of one kind or another, the rest being run by local authorities. The phrase "Home Office approved schools" merely shows who does the approving—and half the paying, the other half being paid by the local authorities in whose areas the culprits live.

The cost per child is at present £9 a week. Whenever this figure is mentioned in the press, angry letters from readers point out that it costs less to send a boy to Eton, and urge the folly of accommodating slum-dwellers in stately homes. But the Home Office is not quite as extravagant as the protesters think. In the first place it costs less to buy an unwanted stately home than to build a new institution; only one of 119 was built as an approved school. Secondly, the figure of £9 a week includes clothes. The children's own clothes, often filthy and verminous, are sent back to the parents. Thirdly, the £9 is the average cost of keeping a boy all the year round, except for 24 days home leave to which he is entitled under Home Office regulations. Fourthly, although (unlike Borstals) approved schools have no supervisory staff as such, the staff-pupil ratio has to be high. At this school the teaching staff consists of the headmaster, his deputy and four assistants—giving average classes of only about 15. Moreover, they are paid rather more than the Burnham scale as a small recognition of the arduousness of their work and the brevity of their holidays.



As it boasts a psychiatrist, which not all approved schools do, this school gets a good many emotionally disturbed boys sent on to it by the "classifying school," where they are studied and sorted out in the first three weeks of their detention. But less than a third of the 63 pupils here have ever had psychiatric treatment. More often than not, said the headmaster, they are just plain naughty and psychiatric treatment might lessen their sense of responsibility. Almost invariably, their family background is chaotic. Johnny, for example, was illegitimate, and his mother later married a Mr Evans and had two more children. Mr Evans disappeared and she went to live with Mr Morris, until he disappeared too. Joe comes of a family, all of whom either are or have been in prison, except for his seven-year-old sister who is not yet quite old enough for an approved school. The first task of the school, when such boys arrive, is to win their confidence and liking—for until that is done they are quite unteachable. It was easy to believe that this headmaster could accomplish much by kindness.

But gentle methods, he says, will not do for every boy and sometimes a good beating produces better results. Corporal punishment, however, is probably a good deal less frequent than at the average public school. Discipline is chiefly maintained by a system of weekly grading, on which privileges are based Those in the first and second grades can go out on Saturday afternoons without escort; those in the first grade get 1s. 6d. pocket money, while those in the fourth grade get only 2d. Ought good behaviour to earn a monetary reward? Anyway the system seemed to work, at least while your correspondent was there. Some were sitting round a master in the paddock, studying the flowers that they had picked in the grounds; some were reading (comics allowed); some were making a new home for the rabbits. All were little angels.

Possibly the imminence of Easter leave had something to do with this. All 63 boys were due to go home—or if they had no homes, to temporary foster-parents — next day. Occasionally they have to be brought back, just as, occasionally, they walk out of the unbarred gates and abscond. But they know that this will lengthen their detention. By law the maximum period is three years, but the school managers will let a reasonably well-behaved boy out on licence after eighteen months or less. A welfare worker then keeps an eye on him and, if necessary, he can be recalled to the school. After that he is still under supervision for another three years. At present about 75 or 80 per cent of boys at junior approved schools, and 66 per cent of all ages, are not brought before the courts again in the three years after their discharge.

The success rate for girls is higher—about 80 per cent—and there are far fewer of them in approved schools. Compared with 5,760 boys there are only 1,172 girls. The female of the species is at all ages more law abiding than the male, partly perhaps from lack of initiative and partly from a greater interest in security and stability. But there is a technical reason for the higher success rate for approved school girls. Whereas 90 per cent of boys are sent there for stealing, most of the older girls are committed as being "out of control" or "in need of care and protection." This normally means that they have been staying out all night with men. If they do this again when they get out, nothing can be done—if they are over seventeen. Besides, no one supervises them after they are married.

Paradoxically, the fact that the girls usually have not broken the law tends to make the task of the girls' schools harder. The pupils are full of resentment at being "put away" for what their elder sisters can do with impunity. They are furious at being in a school at all at their great age. At the one which your correspondent visited, run by a religious organisation for girls between 15 and 17, there was very little academic work going on. The time-table was almost entirely occupied by dressmaking, cookery, shorthand typing, bible-reading, letter writing and so on; but there was one period in English or arithmetic, and this was bitterly resented. Equally, the girls loathe the netball and the organised games, regarding rock 'n' roll as the only sort of exercise appropriate to their age and station. And they long to make up their faces, to get out of their brown serge pinafore dresses and flat heels into C & A Modes and high heels. Most of all, however, they want to get back to the boys. The cloistered conditions that any girl at an expensive boarding school takes for granted are purgatory to them.

THERE are searching questions that need to be asked about this system. Will the girls regard their stay here as being too far removed from normal life to have any relevance to it when they leave? Will they want to model themselves on the devoted officers who now look after them? A glance at their dressing tables shows that Elvis reigns supreme. But there is one other question which, though natural, turns out to have less relevance. Your correspondent inquired whether innocent girls in need of care might not be corrupted by association with the others. The headmistress replied in a matter of fact way that she had no V.I.s: "Virgo intacta," she explained. She certainly has a tougher job than any headmaster.

The girls' schools, perhaps, should strive after a more normal way of life; and in this they need the co-operation of visitors, who can introduce the girls to normal happy homes. The schools would also have an easier task if they were larger, so that their activities could be made more varied and more interesting. As the approved school population has declined in the last ten years from 11,000 to 7,000 (mainly because of other methods of treatment), the Home Office has succeeded in closing 20 schools, all in the teeth of strong opposition from the managers. It would be a pity if the multifarious voluntary interests were to hold up reorganisation. But to meet some of the people who are concerned with approved schools is to understand how reluctant they are to be deprived of the rewarding work to which they have devoted themselves so unsparingly.

NOTES OF THE WEEK

SOVIET RELATIONS

Letters from Moscow

B and K, before they checked out after ten days at Claridge's exactly a year ago, agreed with Sir Anthony Eden upon a joint communiqué, in which it was stated:

> One of the important factors in strengthening international confidence consists in personal contacts between leading statesmen, which have produced positive results.

As things have turned out, international confidence has not flourished in any luxuriant degree since then; but the discovery of "personal contact" evidently bore fruit in an exchange of letters between Mr Bulganin and Sir Anthony Eden. These, or some of them—they relate to the Middle Eastern crisis and bear dates between September 11th and October 6th—were suddenly published by London and Moscow on Monday night; so much for the benefits of private correspondence. On April 20th, as if to make sure that the practice will not be continued with Sir Anthony Eden's successor, Mr Bulganin sent Mr Macmillan a long letter, which Moscow proceeded to publish three days later.

The letter to Mr Macmillan repeats the Soviet proposal for a four-Power declaration of non-intervention in the Middle East; it talks of "temporary transitional measures" towards disarmament and towards a collective security system in Europe; and it ventilates once again the idea of a demilitarised zone, "and of areas with restriction of armaments," in Europe. This last, as Mr Bulganin points out, is roughly the idea put up by Sir Anthony Eden in 1955 as part of a possible settlement of the German question.

Dr Adenauer did not like the Eden plan, as it was called for a short time, and the western powers quietly buried it between the two Geneva conferences; but similar or related plans continue to crop up. Dr Adenauer himself, in January, startled his opponents and confused his friends by declaring a long-standing interest in the idea of a "thinned-out zone"—thinned out in a military sense, that is—in and near Germany.

Mr Gaitskell when he spoke in Berlin last month produced a set of ideas for a solution of the German question that looks like the Eden plan in an extended and elaborated form, and Labour members of Parliament made these ideas known, under the name of the Gaitskell Plan, to the Anglo-German conference at Königswinter before Easter. Their reception at Königswinter was mixed, British conservatives and German Christian Democrats looking sideways at it as a threat to Nato, while even the German socialists, suspicious of neutralisation, would go no further than to say that the Gaitskell Plan would need careful study. This

Eden, Adenauer, Bulganin or Gaitskell plan suffers from the defect that the vital factor would be the accompanying political and military conditions; and these, in advance of negotiations (which, so far, always recede) are necessarily wrapped in uncertainty.

WITHOUT JUGOSLAV PIMENTO

AT a reception in Moscow Mr Khrushchev turned to the Jugoslav ambassador and said in a jocular mood: "Jugoslavia wants us to buy pepper, but at the moment we find Bulgarian pepper more to our taste." Two days previously Marshal Tito had declared at Brioni that Jugoslavia, to preserve its position of independence, refused to rejoin the Soviet block. The Kremlin is busy devising a new and more appetising fare for Eastern Europe, and Mr Khrushchev may have wanted to let it be known that the new menu was not going to include any highly-spiced dishes prepared by the chef at Brioni.

"National communism" is now violently attacked in the Soviet Union. It may seem odd that this campaign coincides with renewed praise of Stalin, who, as the theoretician of "socialism in a single country," could stake claims of paternity for the idea. But words serve here as a cloak for the real discussion. Heretics in Eastern Europe would not disagree with the Soviet leaders that communism is by definition an international movement. What they resent is that "internationalist" has been identified with Russian and "internationalism" used as a disguise for Soviet domination.

It was this inflexible domination of the world communist movement by Moscow that Stalin's successors tried to relax after his death. The experiment got out of hand, however, and ended in the Hungarian insurrection. Since then the Russians have been busy preventing the fire of revolt from spreading. Mr Khrushchev brutally warned the West on April 20th against interference in eastern Germany or anywhere else within the block: "We are not saints and, if necessary, we will rap your knuckles." Mr Molotov echoed him with a warning to the satellites that by going it alone they would weaken themselves even more than the block. Finally, the Poles were reminded that the solidarity of the communist camp is their only guarantee of the Oder-Neisse frontier. Having made plain the limits of relaxation, Stalin's successors may soon feel able to revert to a gentler treatment of their allies.

JORDAN

East Bank and West Bank

THE throne of Jordan is like a sand castle at the edge of the tide; maybe the waves will recede and leave it standing; maybe one larger than the rest will suddenly reduce it to a little heap of remains. As our correspondent in Beirut points out on page 316, King Hussein's fate now hangs on the loyalty of the army.

He has had to succumb to popular clamour from the left and accept the resignation of the mixed-bag cabinet that was formed with such difficulty last week. He can count only on the loyalty of the Beduin segment of his army; its west-bank Palestinian element is bound to favour the views of the crowd that would like to unseat him, and even its east-bank town element is uncertain—witness the defection of General Hayyari last week, apparently in the belief that the enquiries that are being made in connection with the King's present purge would uncover something shady.

The future of Jordan as an independent state now seems to turn on three dubious factors. The first is the intention of Saudi Arabia to be true to a club of Kings, to pay the Jordanian army, and, if need be, to use its own troops, now in Jordan, to maintain the throne. Its self-interest in doing this would be to keep its pipeline free of communist interference and to ward off an added suggestion of throttle-hold by Egypt and Syria. The second is the unwillingness of Egypt to pitch Saudi Arabia into opposition by over-calling its hand in Jordan. The third, most dubious of all, is remembrance on the part of the left-bank Palestinians that turmoil in Arab Palestine could deliver them into Israeli hands.

SUEZ CANAL

West Breeze *Blows the Gaff*

EVER since the United Nations decided that it was in their interests to clear the Suez Canal unconditionally, it has been patent that the best thing to do with it, once cleared, would be to use it. To leave it unused hurts the users much more than it hurts President Nasser, and they cleared it—surely—for their own ends rather than as a sop to him for having been attacked. The surrender to his commanding position was made in November, when it was decided to treat him as a victim at the hands of a belligerent, without simultaneously demanding that he should cease to claim his brand of belligerent rights in the matter of Israeli shipping. The passage through the canal this week of the ship *West Breeze* flying the British flag publicised the situation but did not alter it; it was the first falling stone of a landslide; but the landslide is common sense.

None of this exempts the users from the need to establish, to the extent that is in their power, a legal standing to sustain them in their future dealings with the Egyptian canal authority. The Egyptian declaration, addressed to the United Nations and made public on Wednesday night, does not give them very much in this respect, simply because it is a unilateral Egyptian declaration. Like many Arab instruments, it is worded in a manner that leaves a good deal to interpretation, though it is not as loose as Dr Mossadegh's sublimely fuzzy nationalisation law of 1951. Since the declaration is a unilateral Egyptian instrument, it is easy to guess who will do the interpreting in the first instance.

President Nasser does, however, undertake specifically to abide by arbitration in certain kinds of dispute, and he accepts for some purposes the jurisdiction of the International Court of Justice. His acceptance may have to be tested before it can be held to be worth much: what would his attitude be, for instance, if the Hague Court were asked for a ruling on the rights of Israeli shipping under the 1888 Convention? Perhaps he would then claim to decide for himself that the declaration did not give any rights to Israel; but ought not some of the users, in their own interest, to consider applying this particular test? This would be more useful than simply to dismiss the declaration out of hand as worthless.

PARLIAMENT

The Gap in Defence

THE defence debate just before Easter brought the Government a political victory, but left one big question mark over its defence policy. Mr Sandys made out his case both for nuclear forces which will prevent (or at worst fight) a world war, and for saying that the small, mobile conventional forces Britain is to keep will be adequate for dealing with the Yemeni and any minor colonial wars. But the debate confirmed that the gap which his economies may be creating is in Britain's resources to wage or prevent the intermediate type of war. Labour hammered effectively at the point that Mr Sandys's plans seem to be based on using tactical atomic weapons in such campaigns, and at the question: can any war be fought with these tactical atomic weapons (remembering they are as powerful as the Hiroshima bomb) without leading up to full-scale nuclear bombing? All Mr Sandys would say is that "the possibility is not to be excluded." He thought, for instance, that tactical atomic weapons might have been used in Korea without leading to a general conflagration. It is a fair political—and military—point that this is a pretty crucial issue to poise on a "might."

Apart from this, the only fresh news out of the debate was the scheme for thinning down the number of men who are to be called up during the interim two and a half years before National Service is abolished. All men born in 1938 will be liable for call up; all men born in 1940 or later will not. Some of the class of 1939 will be needed, but not all. There is therefore bound to arise a situation where men born on one day in 1939 will be liable for call up, but those who entered the world 24 hours later will escape. All systems of call up involve arbitrary chances, but the Government (which has consistently shrunk from arbitrary selection through a ballot) may yet regret that it has not faced this frankly. Its chosen system rests on the single point that as few men as possible should be able to complain that they are having to serve while their precise contemporaries are not; it would be a strange coincidence if this proved to be the most sensible method of selection in an industrial society.

Labour, however, was in no case to take up this point, since it carries the albatross of egalitarianism round its neck. Labour's opening shot in the debate was surprisingly effective, for Mr George Brown, even though he lacks discretion, is not short of courage; he was the one Opposition leader who could convincingly make some virtue out of Labour's troubles over the H-bomb. But Mr Macmillan tartly reminded Mr Gaitskell that those with responsibility cannot afford the luxury of evading decisions. Mr Gaitskell has been criticised by some people for not taking on the Prime Minister in this debate. Considering the state of the going, he was probably wise.

CO-OPERATIVES

A Bizarre Alliance

DESPITE public efforts by both Labour and Co-operative leaders to minimise their differences, the annual Co-operative party conference at Skegness did not dispel the sense of strain hanging over the relations between the two bodies. It is not, however, a strain that is likely to break into real crisis; perhaps that can best be understood by examining how the strain has come about. Labour's dissatisfaction with the *status quo* boils down to a simple matter of arithmetic. There are now 21 Co-operative MPs, and, if left unchecked, the number might rise to about 30 after the next election. Labour leaders remember that twice since the war governments have come to power with Commons majorities well below 30. The quality of the Co-operative MPs and candidates is, if anything, above the Labour average (that is one reason why more selection committees are picking them) but Labour cannot be happy about so big a group being finally answerable, at least in part, to the Co-operative organisation rather than to Transport House.

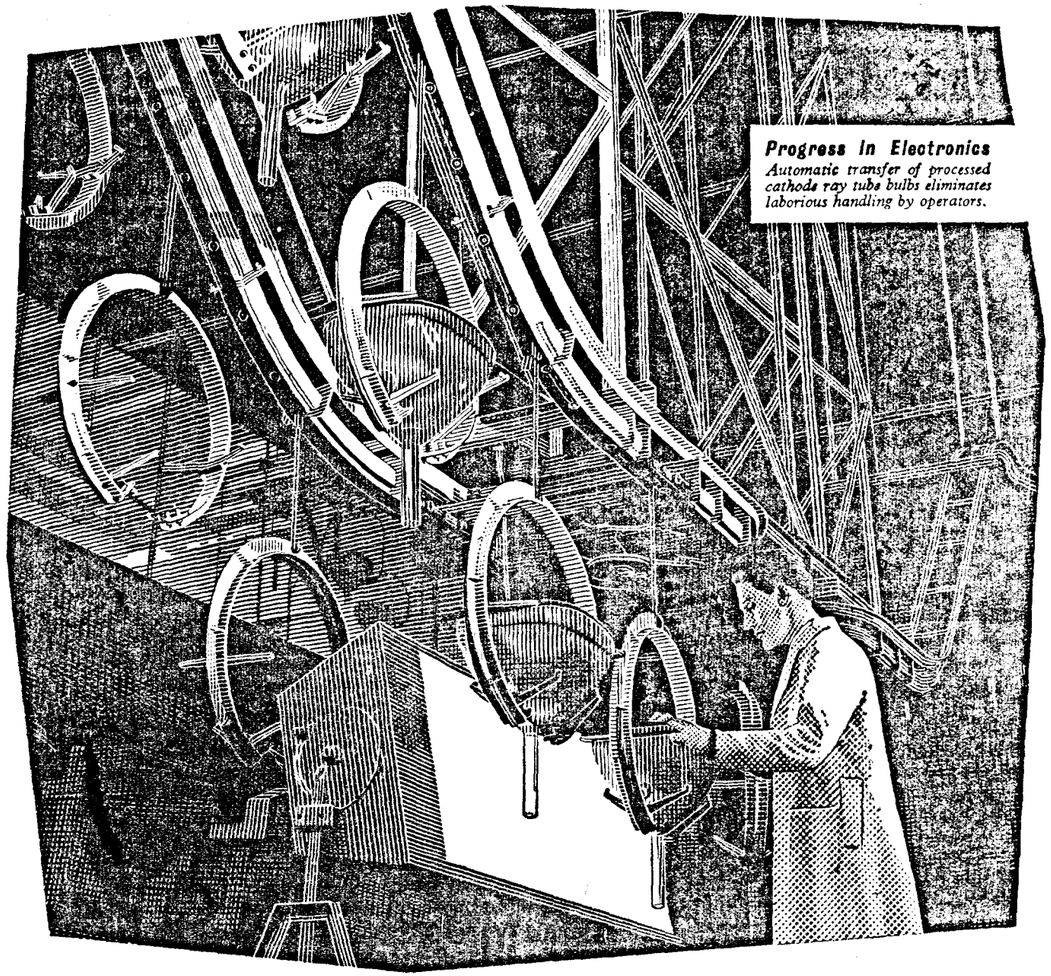
This dissatisfaction, however, is checked by three considerations. One is that the Co-operatives bring Labour a lot of money. A second is that although the Co-operative party tends to be a rather left wing organisation—at Skegness it came within an ace of calling for a complete ban on the H-bomb—it is, theoretically, just one of several subordinate departments of the staider Co-operative Union. The decisions taken at Skegness have no validity unless approved by the Co-operative Union's annual Congress over Whitsun. And with this more sober parent body—still more with the Co-operative MPs who actually turn up at Westminster—Transport House's relations have always been much more friendly.

A third check on Labour dissatisfaction, however, is that Transport House must be uneasily aware that the make-up of the Co-operative party—and of the financial advantages Labour derives from it—is bizarre. At Skegness the number of votes officially entered in each division totalled around eight million. This figure is reached by counting one vote for every housewife who has taken a number at a local Co-operative Retail Society affiliated to the Co-operative party. (Only in a few places has the more democratic practice been adopted of making local societies set up separate political groups, which the politically keen join voluntarily.) The result, of course, is that many of the eight million votes nominally cast at Skegness were the votes of people who are certainly not Labour in their politics. It is surprising that the other parties have not done more to try to capture local influence in a customers' organisation with such large political funds attached to it. Two doors away from the Co-operative party's London headquarters in Victoria Street, for example, is the home of the Liberal party. The latter might be wise to show a greedier interest in its neighbour.

BRITISH COMMUNISM

Dispensable Comrades?

SOMEWHERE in the Soviet Embassy, or in some other office in London, there must be an official whose duty it is to make recommendations to Moscow about the attitude it should adopt towards the British Communist party. In drawing up his report after the 1957 annual congress of the party at Hammersmith last weekend, he may well feel that two points stick out like a sore thumb. First, there is no real prospect that the political arm of the party can do any better in the foreseeable future than in the recent past, when it has usually managed to win only about 3 or 4 per cent of the votes in any ordinary working-class constituency where it has put up



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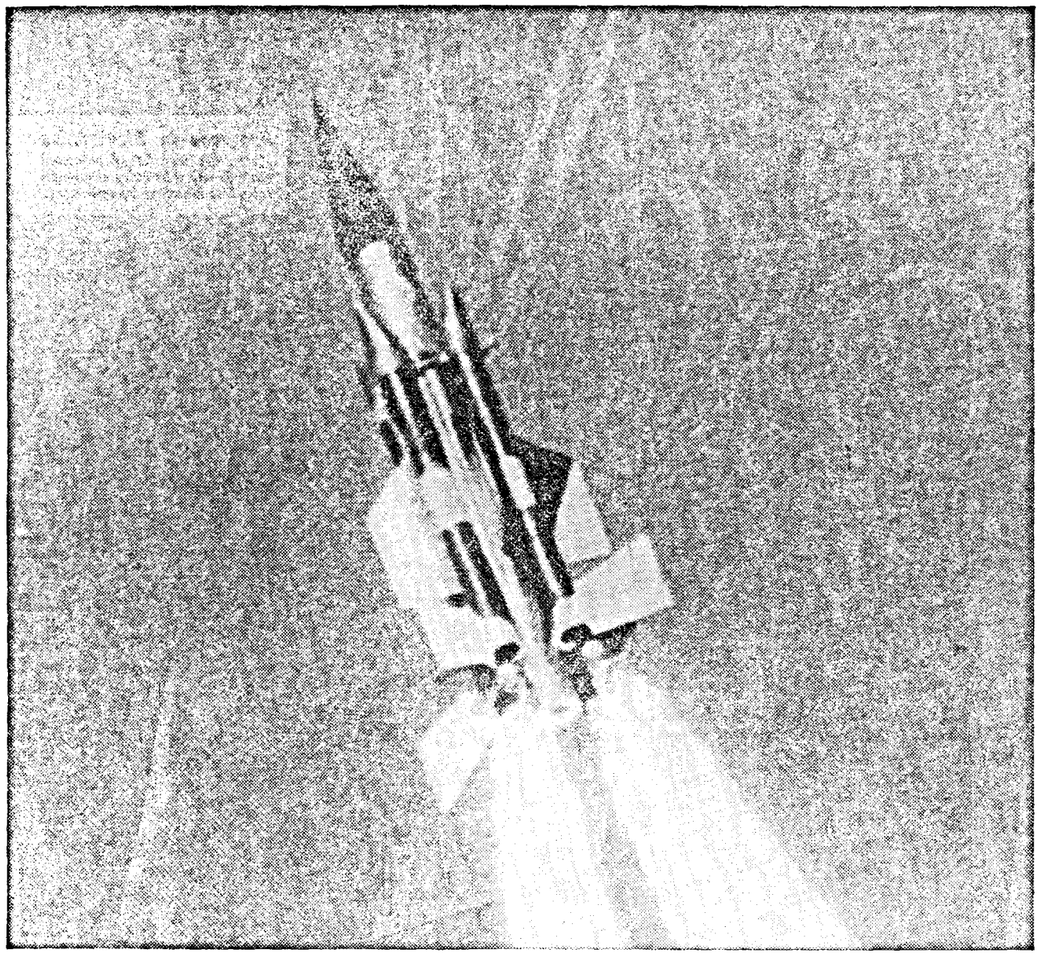
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parliamentary candidates; it wins only about the same proportion of the potential poll in the union elections where it puts up candidates, but there, as only about 7 or 8 per cent of the total membership votes, its candidates sometimes get in. The industrial side of the party's work is therefore much more valuable for international communism than the political side. Secondly, the political arm of the party—Mr Gollan's King Street campaigners—are becoming more of a propagandist liability. This diminution of value to the Soviet cause of British communist politicians was not checked by the fact that the party leaders, after having lost 7,000 of their previous 34,000 registered followers last year, duly won all the voting divisions they wanted to win at Hammersmith. The principal result of the sheeplike voting—despite such speeches as Professor Levy's—is that British communist congresses have become even more of a national newspaper joke. The best propaganda for international communism last weekend, it may have been noted, was the bluff attack launched on Mr Gollan and his henchmen by Mr McLoughlin, the bellman of Briggs—an attack that did Russia no harm.

The conclusion that an intelligent Soviet analyst would draw is not that Mr Gollan and his henchmen should be thrown overboard. People who are in communist politics because official party positions pander to their sense of self-importance, rather than because of any active disruption they are able to do, are still of some subsidiary value to the Soviet cause. But it might now be craftier if less of the advice that goes to some of the industrial cadres went through King Street, and more through the less open channels that exist. It would not be greatly to Russia's disadvantage if the *Daily Worker*, a King Street organ and a bit of a liability in post-Hungary conditions, became a weekly instead of a daily paper; and if office-holders in the British Communist party went on fewer political visits to Russia for a time. It will be interesting to see if any developments of this kind take place.

PANAMA

The Other Canal

PANAMANIANS, though clearly of the opinion that the winds from Suez should blow Panama some good, are confused about what they want. President de la Guardia made a nationalist splash a couple of weeks ago by telling a British journalist that Panama intends to resume complete control over the Panama Canal; but a few days later, to still the ripples, he was denying any intention to nationalise. Since the seizure of the Suez Canal the opposition parties at Panama have joined with the extreme hotheads. Led—by some twist of Latin American politics—by the vice-president, they have been demanding that Panama should have a say in the administration of the canal. This has led to a lot of quibbling over the kind of sovereignty that the Americans exercise over the canal and the five miles of land on either side of it. The wording of the 1903 treaty is so ambiguous that the Americans understand it to mean complete sovereignty, while the Panamanians take it to mean jurisdictional rights. But since most responsible Panamanians are in fact very happy to leave the complicated business of running the canal to the Americans, the main purpose of the dispute is an attempt to embarrass the American government into giving Panama a larger share of the profits.

But the Panamanians may be overplaying their hand. They are running the risk of irritating the Americans at a time when the 1955 treaty with Panama is still before Congress. American military manœuvres have been held in the zone this week, perhaps as a warning to the Panamanians as well as a general demonstration of strength. The supplementary provisions of the treaty, which have still not been approved by Congress, include the handing over of American surplus property to Panama; the building of a $20 million bridge over the canal and, most important, the equalisation of the wages paid to Panamanians working in the Canal Zone with the wages paid to Americans who also work there. It would be a very severe political blow for President de la Guardia if these clauses failed to get congressional approval.

Panama at present gets a yearly rent of nearly $2 million from the Americans. Partly because the Suez Canal has been blocked, traffic across Panama was higher last month than ever before. Instead of this pointless dispute over sovereignty, which is much more likely to annoy than embarrass the American government, the Panamanians would be well advised to concentrate on their case (in itself, not unreasonable) for better terms.

JAPAN

A Japanese Agag

MR KISHI, the Japanese prime minister, has cause to tread as delicately in his travels this summer as Agag, the King of Amalek. When he visits Washington he has to convince Mr Dulles that Japan is still a loyal ally of the United States and a worthy recipient of American dollars. American special procurement orders are expected to fall below the $587 million earned last year, but they will amount to a considerable sum. Even apart from military considerations, Japan still cannot afford to antagonise the United States. Indeed, one of the purposes of Mr Kishi's visit will be to seek American financial backing for Japanese commercial ventures in south-east Asia and to co-ordinate American and Japanese policies there.

But when he goes to India and Burma, Mr Kishi will need to avoid giving the impression that he is in Mr Dulles's pocket; in the Philippines he must decide whether Filipino nationalism or American dollars will win the presidential elections next autumn and play his cards accordingly, while in Formosa he has to encourage the Chinese Nationalists to continue their flourishing trade with Japan without prejudice to Japanese hopes of increased trade with Communist China.

Mr Kishi's efforts to be all things to all men will not have been made easier by the visit of a delegation of the Japanese Socialist party to Peking. This was the first political delegation from Japan to Communist China. Mr Chou En-lai welcomed it with an offer to abrogate China's anti-Japanese alliance with the Soviet Union if the Japanese tore up their security pact with the United States. The visit ended with a joint declaration calling for Japanese neutrality, a Far East peace pact, and recognition of Communist China.

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EUROPE IN 1960

Prospects of Economic Growth

FOR the third time since it was set up in 1948, the Organisation for European Economic Co-operation has produced a survey looking several years ahead into the economic future of Western Europe; but its new survey, "Europe in 1960,"* is of an essentially different character from the others. Its first "four-year plan," in 1948, simply aggregated the expectations submitted to OEEC by its eighteen member nations for their economies from 1948 to 1952. The second survey, in 195', set the "broad objective" of a 25 per cent expansion of output during the ensuing five years, and indicated what this goal would require in various economic sectors. The survey published this week offers an intelligent all-round guess how expansion in Western Europe might be expected to continue "under reasonably favourable peacetime conditions" during the next few years. It sets no targets; but it dovetails the changes that it expects in the major sectors of demand into the expansion that it considers practicable in the major determinants of output—labour and productivity.

Any such exercise in circular economic reasoning has to be based upon specific assumptions. OEEC assumes that full employment will, on the whole, be maintained ("as an essential condition for expansion . . . not a purely formal assumption"); that there will not be any catastrophic setback in world trade; inflation will be kept in hand; barriers to trade and resources will continue to fall. These assumptions do not seem unrealistic at present; of the two main problems of domestic policy, OEEC evidently feels that the most difficult will be, not to maintain expansion, but to prevent inflation.

GIVEN these assumptions, OEEC expects the gross national product of its members to rise by 17.4 per cent in the five years. This is a slower rate of expansion than the growth of 26.5 per cent between 1950 and 1955, when an element of postwar reconstruction, the taking up of the slack in productive capacity, and the addition to the labour force of about 8 million people helped expansion. In the next five years OEEC expects that there will be a slower growth in the labour force—some 4 million people—partly because two major sources of extra labour in recent years, the influx of refugees from east Germany and the absorption of additional people of working age into paid employment, cannot be counted on to the same degree. Moreover, labour is likely to be working shorter hours; capacity will be more fully stretched; with reconstruction mainly over, OEEC thinks the yield of output from new investment will fall.

But the expected growth of 2.7 per cent a year is a fairly rapid one by most standards, faster, for instance, than that of the United States in the last five years or of prewar Europe. During the period, however, OEEC expects that fixed investment in the OEEC countries might rise by 24 per cent, or 4-4½ per cent a year. One reason for this high rate is that a much larger proportion of investment, in Europe as in Britain, will have to go to basic sectors which do not yield immediate returns in output; another that these sectors are highly capital-intensive and tending to become more so.

The most important of these sectors will be fuel. Merely to raise coal production by 5 per cent, investment may have to rise to some $600 million a year, against $480 million in 1955. By 1960 investment in oil refining will have to be double what it was in 1955, for oil requirements are expected to be half as big again. And there might be an investment of some $2,000 million in nuclear energy, even though it will be making little contribution to power supplies during the period.

Transport is another sector where there may be a big increase in investment without direct return. Long-term capital investment in roads is put at $1.6 billion in 1960, double what it was in 1955, though this should not do a great deal more than sustain present miserable expenditure, let alone provide Europe with the new highway network it needs.

Investment in iron and steel may also have to rise sharply. Though it cost only $3,000 million to raise output by 20 million tons between 1950 and 1955 when reconstruction was still going on, it may cost twice as much to raise it by 23 million tons by 1960. Investment in manufacturing is expected to rise 20 per cent by 1960, though this factor seems a rather rough guess in the OEEC assessment.

Private consumption is expected to grow by 18 per cent between 1956 and 1960, more slowly than in the previous five years but still faster than national production as a whole—for governments are cutting down their share of consumption. The leading sector, OEEC expects, will remain durable consumer goods, above all cars and other means of transport. There should be nearly 9 million more vehicles on the road by 1960 (a growth of over 50 per cent); 7½ million of these vehicles will be passenger cars. Scrapping could bring new car sales up to some 10 million. Spending on food and rent will continue to rise much more slowly; spending on clothing, a little faster than consumption as a whole. OEEC expects an all-round rise in industrial production of 25 per cent if the demand develops as expected.

TO feed this expansion, imports are expected to rise by 22 per cent, with imports of manufactures growing by 40 per cent as more are liberalised. To pay for these and allow for some export of capital and strengthening of reserves, exports will have to grow by about 24 per cent. But the bulk of this growth will fall upon certain industries, above all industrial equipment and chemicals.

The survey thus shows that in the next five years a considerable shift will have to take place in the pattern of Europe's production. With resources fully stretched, the change will not be easy, and a chapter is devoted to obstacles to the mobility of resources. Internally, controlled rents and the dependence of investment on retained profits are picked out as two vital inhibitions to free movement of labour and capital. But international movement is still inhibited too. In this next, tighter phase of Europe's growth, removal of tariffs and quotas and of obstacles to movement of labour and capital will become more important than ever.

A number of structural problems are discussed. There is a danger that the undeveloped Mediterranean countries of OEEC—Greece, Turkey, Portugal, Southern Italy—will lag behind, or at least fail to gain much ground in comparison with the surging growth of developed northern Europe. With demand for food growing only slowly, agriculture remains a chronic problem, especially, again, for specialist countries like Denmark and for the undeveloped South.

Despite the hope that payments as a whole will remain balanced, the dollar problem, OEEC believes, will remain. These problems, too, seem to cry out for common efforts. The south can only be developed through a common investment effort; agricultural expansion depends on an increase in intra-European trade; the dollar problem can only be resolved if institutions like the free trade area and the common market are used to bring pressure on the United States for tariff reduction. Impartially and unobtrusively, OEEC's report is a remarkable economic justification for its own efforts.

* Eighth Report of the OEEC. Volume II: Europe in 1960. Paris: Organization for European Economic Co-operation.

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None of this is new—it has been an avowed policy of the Japanese socialists for years—but the thought of neutrality has a strong appeal for many non-socialist Japanese, and Mr Chou En-lai's offers may make it more difficult to assure the Americans of Japanese loyalty without antagonising voters at home. One thing may help; Mr Menzies, the prime minister of Australia, has paid a good will visit to Tokyo to improve Australian-Japanese relations and open up the way for increased trade.

RATIONING

Petrol Leaks

RATIONING does not work unless people believe in its continuance; that is the first lesson of this Easter, making the Ministry of Power's rumbling warning that those who buy or sell petrol without coupons may be prosecuted (under the Defence Regulations) seem rather pointlessly portentous. The apparently normal holiday stream of cars on the road this Easter, despite rationing, was due to two main causes. First, motorists, with their new ration books in their pockets, are no longer economising in coupons, because they believe that before the official end of this coupon period, rationing will have been discontinued. The Ministry could counter this by making coupons valid for only one month at a time, but this would be a pity. Secondly, however—and this annoyed the Ministry—some garages were undoubtedly trying to attract customers last weekend by not asking for coupons at all.

The Ministry cannot possibly expect to check this by sending an army of coppers' narks round to every roadside garage. It can effectively check illegal sales only by its method of administering the rationing scheme. This method is simple enough: the garage-manager, having collected coupons from drivers, hands them in bulk, with a statement of their value, to the wholesaler's tanker-driver, who delivers that amount into the storage-tanks. Through the wholesaler the coupons reach and are checked by the Ministry—or rather, the extra staff of 1,900 (half civil servants drafted in from elsewhere, and half temporary employees) checks as large a sample as it can. The surplus which was sold without coupons last weekend must have come from two main sources: (a) from stocks held over by the garages (probably from the time of the "voluntary" ten per cent cut in supplies); and (b) from optimistic garage owners who believed that by the time they next need to refill their pumps, wholesalers will no longer be required to check off deliveries against coupons. As many garages have only a fortnight or so between deliveries, this last assumption was risky.

The rationing scheme would really break down if wholesalers, although legally required to collect coupons from the garage owners, delivered petrol without doing so. But there has never been a danger of this; most of the wholesalers are the distribution departments of the big oil companies, and big concerns keep within the law. If political conditions in the Middle East really do lead to further limitation of supplies, and if rationing has (and is seen to have) to be kept on, the Ministry will therefore quickly recapture control of the situation, and sales of off-ration petrol will cease in all garages that want to have enough petrol to remain in business. As a matter of practical administration and sensible public relations, the Ministry would have been wise to rely on this, instead of peevishly pretending that it could largely rely instead on spot checks and petty prosecutions.

DOCTORS' PAY

Five per cent Interim

IN the whole of the protracted and unhappy dispute between the Government and the medical profession over doctors' pay, the most illuminating remark came earlier this month in a debate in the House of Lords. "The state," said Lord Home, replying for the Government,

> has no inherent virtues as an employer . . . . [This] is the first time it has had to work out a relationship with one of the great skilled professions, and . . . it must take time before a satisfactory code of relationship and conditions of service can be finally established.

However much one is disposed to blame the British Medical Association for the extent to which the dispute has become embittered in recent months—and it does deserve quite a lot of blame—the fact remains that in the whole nine years of the service no Government has taken a single step towards working out the relationship which Lord Home now belatedly recognises to be needed. Last week's announcement of further interim pay increases, pending the recommendations of the royal commission, almost seems to have been designed to show the state at its worst in dealing with "one of the great skilled professions."

It would have been perfectly possible, once the case for an interim increase had been accepted, for the Government to have decided on the total sum that it was willing to grant for such increases, and then to have offered to negotiate with the profession on how it should be distributed. Instead, the Government fixed on a percentage increase one month for junior hospital staffs, and then halved it the next for all other practising doctors. There was at least a case for negotiating whether a higher proportion of the £4,600,000 which all these increases are to cost, excluding the 5 per cent rise for dentists, should not have gone to all doctors who earn less than £2,000 a year (and who, incidentally, will not benefit from the surtax reliefs in the budget). As it is, the Government has decided without explaining how its decision was arrived at, that below the surtax level hospital senior registrars, previously earning up to £1,400 a year, should receive a 10 per cent increase, but that the 5,000 or so general practitioners who earn less than £2,000 a year net of practice expenses should receive only 5 per cent. Possibly, however, the reference in Mr Macmillan's statement to consultation on the distribution of the award means that the Danckwerts precedent will be followed so that, by loading some of the capitation fees, doctors with small and medium-sized lists of patients get a higher proportionate benefit.

But, for the long term, the relation between the earnings of general practitioners and of hospital staffs, and between medical earnings as a whole and those of other professions, is a matter for the royal commission. Now that the doctors have been reassured about the way the commission will interpret its rather stupid terms of reference, it is equally stupid of the British Medical Association to persist in boycotting it. The commission will certainly produce a report

and make recommendations, and the doctors are bound to be the losers if these findings are made without the fullest possible expert evidence.

SHOPS BILL

No Reasons Why

MR WALTER PADLEY'S presidential address at Blackpool to the Union of Shop, Distributive & Allied Workers, attacking "irresponsible and misleading" criticisms of the Shops Bill, was just beaten into second place for the Easter booby-prize by that of the USDAW's Assistant General Secretary, who characterised the supporters of the general consumer as a "small minority interest." It contained, however, more pearls of economic and social unwisdom than might have been expected by even the most sadly experienced observer. Mr Padley had one valid, if not precisely novel, point to make: when overtime has to be paid to employees working late or unorthodox hours, then—unless there is a counterbalancing improvement in efficiency—the expense must be recouped in the price of the goods. The increase in prices needed to cover the cost of universal overtime for prewar hours would, he asserted, amount to between six and seven shillings per week per family of four.

His calculations may be correct. They are certainly irrelevant. For shopkeepers do not face the alternative of being legally forced or legally forbidden to incur extra costs by offering extra convenience to their customers; in the absence of restrictive laws they would be as free to choose one policy or the other as they now are to provide or to do without expensive amenities like carpeted floors, elaborate displays, and especially expert service—and to price their wares accordingly. The threadbare argument that a few inveterate late closers can enforce longer and longer hours on their unwilling competitors is sufficiently answered by the very fact cited by Mr Padley to prove that earlier closing would inflict no inconvenience—the fact, that is, that not all shopkeepers stay open for the full period now legally permitted.

There may conceivably be reasons, not apparent to the outsider, why any enterprising grocer should not constitute himself the working woman's friend, and, while keeping his total hours at the present level, substitute—as is common practice in some countries—evening for afternoon opening; why shop assistants should find appropriately paid overtime more abhorrent than do industrial workers; why an employer who (having more workers in his shop than the average 1.75 quoted by Mr Padley) is able to introduce a shift system, should not do so. There may be circumstances, peculiar to British retail trade, forbidding that freedom which in America is found compatible with a thirty-nine-hour average week and sixty-dollar average weekly earnings; a freedom which, allowing retailers to cater for the "night people" of industry, has done so much to make shift-working practicable and so to increase productivity in general. If there are such reasons and such circumstances, Mr Padley has not made them public. All that he has made plain is that undesirable pressure from this union's vested interest must be one of the reasons why the Government has not yet scrapped or significantly liberalised its restrictive Shops Bill.

IRAN

Firm Hands in Teheran

THE Shah's new government is sticking to its predecessor's policies on both home and foreign fronts. It is asking the Majlis for authority to agree to exploit oil resources, in certain areas not covered by the consortium, in conjunction with the Italian state-controlled corporation, ENI; but the area envisaged does not, as was suggested at one time, include the Iranian national oil company's best plum, which is at Qum on the central plateau. With its eye on the Suez Canal as the lifeline for imports of capital equipment for development, the Iranian government has told an Egyptian minister in transit through Teheran that it has no use for politicians who, while labelling themselves "neutral," in fact come down on the Soviet side of the fence on account of their anti-western prejudices. As to home affairs, it has announced that it hopes to change the parliamentary term from two years to four, and—a familiar platitude—that it intends to reform the civil service. The immense difficulty in the way of pruning this hopelessly overstaffed machine is that there is as yet no alternative work that the extra and well-kept hands could, or would, take to outside the public service.

The cause of the recent change of government was purely internal. When three American members of a Point IV mission in south-east Iran were murdered by bandits in lonely country near the Pakistan border, Mr Hossein Ala resigned office to make way for a much younger successor and one more calculated to take a strong line over internal security. Dr Manouchehr Eghbal, the new premier, is made of tough stuff. By profession a medical man, he has for some time been president of Teheran University, which he has ruled with so firm a hand that student demonstrations are no longer fashionable. His techniques have been various: one is the institution of foreign travel bursaries for the best young men of the year; another, which he exercised on a famous occasion during the Suez crisis, is the physical insertion of his burly presence into a crowd in order to disband troublemakers—an operation which, being also Minister of Court, he has been known to perform in white tie and top hat.

How far will he allay the misgivings of the educated and deeply discontented element within Iran that detests and resents absolute government, stacked elections and hand-picked parliaments? His rousing vote of confidence in the Majlis, obtained last week by 110 votes to 4, needs to be interpreted in this light. He began his term of office with the statement that he intends to rescind martial law (for the first time since the war); but those who have disliked it will need to see changes before they believe them, for General Teymour Bakhtiar, a man who personifies the strong hand, brain-washings and the like, is one of four "assistants to the prime minister."

SIERRA LEONE

Probity or Expediency?

WELL-MEANT efforts by the Colonial Office to graft British standards of probity on to African institutions do not always turn out as expected. In Sierra Leone, attempts to keep the House of Representatives clean appear to have been twisted to less honourable ends. On May 8th, Sierra Leone will be holding its first general election with a wide franchise, but at the last minute there has been a flurry about candidates' qualifications. A clause inserted in the new constitution at the end of last year debars any candidate who has ever been disqualified from practising a profession. This clause, which had been in Sierra Leone's earlier constitution, had been removed in 1951 as unduly severe, but was put back in response to strong pressure from the present Legislative Council, which was elected indirectly and on a limited franchise.

The person most affected by the clause is Mr Rogers-Wright, the leader of the United Progressive party, who in 1947 was disqualified for less than a year from practising as a barrister. A delegation from this party, which a fortnight ago visited London with a petition to the Queen, tried to persuade the Colonial Secretary to cancel the rule which prevents its leader from standing for election. The delegation's case, which seems to have some justification, is that the government only re-inserted the clause in order to hamstring the most formidable opposition party. The UPP, a young and noisy party with a rather ill-defined socialist policy, claims a larger membership than the well-established Sierra Leone People's party, and even without Mr Rogers-Wright (whom the delegation described as the Nkrumah of Sierra Leone) is expected to make a good showing in the elections. The petition is still being considered, but on April 10th Mr Lennox-Boyd said in the House of Commons that nothing can now be done until after the elections, and then only if the new House of Representatives votes for a change. But neither the clause itself, nor the process by which it became law, is easy to defend. It looks as if the Colonial Office's zeal against corruption has led it into an error.

TEACHERS' CONFERENCE

Professional Pride and Union Restriction

THE annual conference of the National Union of Teachers this week was enlivened, reassured and cheered by a speech from the Minister of Education. Any speech of Lord Hailsham's is enlivening. Its reassuring aspect was the Minister's expression of confidence that the block grant would not, as the teachers fear, mean that local authorities will cut down their expenditure on education in order to spend more on other things. One had the feeling that Lord Hailsham was reassuring himself too, especially as much of his speech was devoted to attacking those who would economise on education. His most cheering words, from the point of view of his audience, was the news that he intends to put before the Cabinet in a week or two proposals for a three-year training course for teachers. The teachers have long felt that the two-year course for non-graduates at state training colleges is incompatible with their desire to be regarded as professional people. Lord Hailsham certainly got off on the right foot when he began by calling himself "a professional man coming before a body of professional men and women." But of course he has better reasons for the three-year training than merely pleasing the teachers' vanity. Two years is little enough time to learn not only what to teach but also how to teach, especially as training college recruits are unlikely to have been the brightest members of their schools, for these will have gone to universities. There is a good case for making this change after 1960, when the size of classes is falling.

Too much mumbo-jumbo, however, can be attached to this question of how to teach. In demanding that the regulations should make it quite impossible (instead of, as now, nearly impossible) for people to teach unless they have had the recognised training, the teachers think they are behaving like a profession. But to allow people without a specific qualification to teach is not like allowing unqualified persons to practise medicine. There are born teachers just as there are born writers and artists; and there are others who, after a ten-year course, would still be very bad teachers. In passing unanimously their silly resolution (against the advice of their executive, which favoured a woollier formula for the same idea), the teachers were once again behaving like a trade union. This is the Apprenticeship Method of keeping labour scarce. And let them remember Lord Hailsham's warning, as one professional person to another, that where professional pride is accompanied by superiority and arrogance, it is justly unpopular.

The Economist

APRIL 25, 1857

POPULATION IN FRANCE

¶ Persons at all familiar with the interior of French households of the middle and the humbler classes are thoroughly aware that not "merely the spirit of thrift," but the spirit of the severest parsimony, compared to which the hard frugality of the Scotch peasant is indulgence in luxury, very generally presides, and has long presided, over the general *ménage* of France. From this we comprehend how the French have gradually dwindled in stature; and we may be excused for saying—looking back at their Colberts, L'Hopitals, Des Cartes, Malebranches, Pascals, Fenelons, and crowds of other great *men . . .—we can comprehend how they* have dwindled in mind. We can fancy, too, that the mothers of France have had irresistible motives for not caring to provide more generous nourishment for their children when stunted bodies saved them from being the prey of the conscription. The wars of the first Bonaparte were less destructive to the population than the conscription and the imperial system of Government, *with all its vast taxes and minute* supervisions and restrictions continued and extended by his successors, whatever titles they might bear. . . . All history teaches the same lesson. Rome flourished after the proscriptions of Marius and Sylla. Italy recovered and was *glorious after the devastating inroads of millions of* barbarians. But Rome became stagnant under Augustus and his successors, and was conquered: and *Italy fell into* decay under the chronic care of Pontiffs and Emperors. The fixed and exhausting Government of the Sultan has been more ruinous to European Turkey and to the part of Asia under his sway than were the inroads of his barbarian *ancestors and the subversion of the Eastern Empire.* We should now fall, therefore, into a ruinous error were we to ascribe to wars—passing calamities—exceptions, as it were, to the general progress and yet parts of it—the destruction of nations. . . . These are not, indeed, sufficient *reasons for* ever wantonly or unjustly commencing and obstinately continuing them. But with all their evils and crimes, wars are not so destructive to nations as are the false and pernicious policy which grows from themselves. . . . The all-ruling, all-pervading, all-interfering Government of France is the palpable cause of the slow progress of its prosperity and population.

KOREA

Korean Storm Against Britain

THE Board of Trade has caused a furore in Korea by casually announcing that the total ban on trade with North Korea, imposed when the war broke out, has been relaxed and that non-strategic goods can now be exported on licence, as they are to China. In itself the concession is of little importance; no British firm has shown any interest in the North Korean market since the announcement was made. But the South Koreans regard it as a betrayal. A government-owned newspaper, *The Korean Republic,* said:

> Trade with the Reds in the north, in our opinion, would be a partial surrender—certainly a compromise—with an enemy at least as evil and threatening as Hitler's Germany. The war in Korea has not ended . . . there is only a state of suspended hostilities between field commanders. On moral grounds trade with the enemy under these circumstances is indefensible; from a practical point of view it is folly.

Preparations for "spontaneous demonstrations" against the British decision are going forward throughout the country, and although the foreign minister, Mr Cho Chung-wan, has been soothed by assurances that no war materials will be licensed, he has not yet taken back his threat to *blockade North Korean ports against British shipping.*

All this is a storm in a tea-cup, but it need not have arisen with such violence if the Board of Trade and the Foreign Office had taken the trouble to prepare the South Korean government for the announcement. The Board of Trade stated clearly enough that Britain had no intention of sending North Korea embargoed goods or of granting it official recognition; and indeed the new arrangements merely remove an anomaly by bringing Britain's treatment of North Korea into line with that accorded to North Vietnam. But this might well have been explained in advance to the South Koreans.

IRISH REPUBLIC

Awaiting Their Budget

Our correspondent in Dublin writes:

DR RYAN will present his first budget early in May against a background of more encouraging trade returns (the trade deficit for the seasonally adverse first quarter of 1957 was £15 million, against £33 million in the first quarter of 1956), and of a savings success on the Irish version of premium bonds. But there his encouragement stops. Both above and below the line, the budget is in deficit. The programme of capital investment calls for a much higher volume of saving than is likely to be achieved. It does not seem that Dr Ryan will have any liberty of action—unless, like Mr Thorneycroft, he manages to cut current government expenditure.

The first report of the advisory committee on capital investment, which was set up by Mr Costello's government last November, has just shown him how he could do this. This remarkably valuable and plain-spoken document points out that "the community has been unwilling to sustain, by its own current efforts, public capital outlay at the level reached in recent years." It dismisses the possibility of large-scale borrowing from the banking system whose liquidity was affected by the loss of external assets in 1955 and 1956. It therefore recommends the abolition of the wartime subsidies on butter and flour. Still more uncompromisingly, it suggests that grants to local authorities on relief of rates on agricultural land should be discontinued. It remains to be seen how the new government will take this courageous report. Ministers have a clear majority; they have the political opportunity for radical measures. The committee's suggestion that farmers should be compensated for the withdrawal of the relief grant by the provision of vouchers for fertilisers and lime has much to commend it. A weakness of Irish agriculture is that, while there is no great incentive to farm better, there is no sanction at all against farming badly.

SOCIAL SERVICES

Double Duty Mothers

AFTER so much uninformed and indiscriminate criticism, from pulpits and elsewhere, of the growing class of wage-earning mothers, a recent survey by the National Council of Women comes as a highly desirable antidote. After careful sifting of the views and experience of probation officers, teachers, health visitors, magistrates, school attendance officers, doctors, and a wide range of working mothers themselves, its verdict is of open acquittal. "No case," says the report, "was made that the mere fact of a woman's going out to work is detrimental to her home and family"; notably "there was an overwhelming consensus of opinion that there has been no increase in juvenile delinquency due to mothers taking up employment." The governing factor in the family's welfare is not the mother's status as earner or non-earner but her character and competence—in either situation. This is not to say that no problem exists. Where working hours and school hours coincide, or where a grandmother or friendly neighbour will look after otherwise unsupervised children, all is well; but hours do not always fit, a responsible substitute is not always available, and holidays are a recurrent difficulty. There are nowhere near enough day nurseries for small children, and play centres and clubs for their elders, to relieve working mothers of anxiety.

By implication, the report favours a re-expansion of the shrunken day-nursery programme; the inquiry, being social rather than economic, did not bring out the fact that day nursery places are apt to cost considerably more than a woman's total earnings (and therefore, presumably, more than her contribution to national output when in work). The motive for taking paid employment is, it appears, purely economic nine times out of ten—either to provide sheer necessities (in widowhood, desertion, or the disablement of the chief breadwinner), or, more frequenly, in order to provide the family with a generally higher standard of living. The report sensibly concludes that the balance of advantage, varying from family to family, is for those concerned to decide. The tipping of that balance by the provision of heavily subsidised nurseries would mean, however, a net loss to national output for the sake of an erratically distributed gain to the beneficiaries. It would come much cheaper to pay those in need quite generously to look after their children themselves—and to encourage employers to explore more wholeheartedly the possibilities of part-time work harmonising with family responsibilities.

BOOKS

Fortunes of the Gentry

The Wealth of Five Northamptonshire Families, 1540-1640.

By Mary E. Finch.
Northamptonshire Record Society. 265 pages. 30s.

RECENT investigations of the changes in English society in the century before the Civil War have aroused almost as much passion among historians as did the war itself for those involved. In 1941 Professor Tawney set up his standard. He imposed upon the period 1540-1640 the broad generalisation of "the rise of the gentry." In a period when prices were trebled, the crown and the aristocracy were enfeebled by habits of extravagance and traditional ways of management. The beneficiaries were the gentry who saw and realised the great profits to be derived from the application of business methods to agriculture. This great shift of power both caused and was completed by the Civil War, a gigantic act of foreclosure.

A decade later Mr Trevor-Roper attacked this position, first turning its flank by destroying the arguments for the ruinous indebtedness of the aristocracy, and then mounting a powerful assault on the main thesis of the rise of the gentry. Land alone, he argued, however efficiently managed, could seldom do more than enable a family to keep up with inflation. The spectacular and significant rises of this period are to be attributed to the profits of trade, law and, above all, of office. The line of cleavage came not between aristocracy and gentry, but between the court gentry, the beneficiaries of trade, law and politics, and the mere gentry, excluded from opportunity and living a pinched existence on their estates. It was the resentment of the mere gentry which produced growing political strain and, eventually, civil war.

The controversy continues, generating both heat and light. It gives particular interest to Miss Finch's study of the fortunes of these five families, the Ishams, Spencers, Treshams, Fitzwilliams and Brudenells. Four out of the five families owed their establishment on the land to the profits of trade, law or office. Only the Spencers, recognised as exceptional by Trevor-Roper, owed their rise into the peerage principally to the profits of sheep-farming. But four out of the five families were already established upon the land by 1540, the entry of the Ishams being delayed until 1560. Consequently, as Miss Finch emphasises, her study throws light on the factors which affected the prosperity, survival or ruin of landed families, but cannot be used to answer more general questions. Again, a detailed study such as this is dependent on the survival of family records and is likely to emphasise the survival of families. Here only the Treshams present Miss Finch with a study in ruin, and their papers only survived because they were walled up, probably by Francis Tresham before Gunpowder Plot. But by restricting her inquiry to these five families Miss Finch has been able to achieve remarkably detailed and precise results. She knows what questions to ask, and she has shown both skill and caution in analysing the accounts.

Apart from the Spencers, agricultural profits alone produced no spectacular rises in the fortunes of these families. The Ishams were able to treble their income from land in the fifty years before 1640, but this was achieved by a rigorously frugal policy and the sacrifice of the younger sons. It was by trade and marriage that the Brudenells enlarged their estates in the sixteenth century; and in the thirty years before the Civil War Thomas, Lord Brudeneil, by unusually careful and enlightened management, succeeded in doubling his income from his lands. Against the background of the price rise over the century these expansions of agricultural income were not enough to carry a family upwards. Other sources of income were of considerable importance. In the sixteenth century Sir Thomas Brudenell was trading in wool; and in the seventeenth century Sir John Isham was investing in mortgages, showing a higher yield than land. The Fitzwilliam family was maintained by court patronage and office in the sixteenth century, and its fortunes were restored by a City marriage in 1638. Wise marriages could indeed do much. The fortunes of the Ishams, Spencers and Brudenells all benefited substantially from marriages. In contrast there stands Sir Lewis Tresham's marriage, at a critical moment for his family, to a Spanish girl, who brought him nothing but the illusory hope of the fortune of her grandfather, the Spanish Viceroy of the West Indies.

In Miss Finch's view, "it was the factors governing family expenditure which directly determined the rise and fall of a family"; and she shows how much both the Ishams and the Spencers owed to their savings. This was particularly important in the earlier part of the period, for it was not until the 1630s that landowners could raise long-term loans on mortgage. The unfortunate Sir Thomas Tresham, in addition to his expensive tastes for hospitality, building and Catholicism, had to provide for three sons and six daughters. Ruthless

1947-1957

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improvements of the estate were inadequate, and, failing long-term loans, he was driven to sell. Even so, the history of the Treshams shows the degree of adversity, extravagance and folly which was required to destroy a landed family. Miss Finch's lucid analysis will not settle the controversy among general historians. But the Northamptonshire Record Society is to be congratulated on a volume that should arouse the interest of a wider circle of readers than its own members.

Fighting Journalist

Turkey in my Time

By Ahmed Emin Yalman.
University of Oklahoma Press. 304 pages. $4.00.

THE author's name means "the highest summit of a mountain." "It sounded pretentious," he says, "but most people were taking pretentious names." He chose it, after much thumbing through the dictionary, in 1935, when Mustafa Kemal passed a law compelling all Turks (most of whom had hitherto had no surnames) to adopt and register a family name. Ahmed Emin Yalman was born in 1888, in Salonika, at a time when the despotic Sultan Abdülhamid II was ruthlessly repressing his subjects' aspirations after reform. He began his journalistic career at the age of eighteen in Istanbul when the press was subject to a double censorship (the second was by palace officials and spies) and when each paper employed two special men to write the obligatory praises of the Sultan that all reputable journalists spurned as "dirty work." Today, after a long and distinguished journalistic career, he is owner and editor of a well-known Istanbul newspaper, *Vatan*.

Mr Yalman describes the tremendous changes that have taken place in his country during his lifetime. He also describes—and these are some of the best bits in the book—his various encounters with Atatürk. In 1917, for instance, a long conversation with Turkey's great leader during a chance encounter on a train journey from Germany brought it vividly home to him that Turkey was not, as he had previously believed, a "seaworthy ship," but a "doomed, floating wreck." Another meeting took place seven years later when Mustapha Kemal summoned Mr Yalman and six other editors to a private conference at which he explained and justified his proposal to abolish the Khalifate—a proposal which at the time appeared so revolutionary that it made the assembled editors feel "as though we had been struck by lightning."

Mr Yalman has never been tied to his editorial chair. Apart from his involuntary stay in Malta in 1920-21 as an internee of the British, he has travelled widely in the United States and Western Europe. He is sympathetic towards America, but his comments on his other travels tend to suggest that, in his view, Turkey has been the only bright spot in an otherwise naughty Europe. Yet on occasion he has been deeply critical of both Atatürk and his successors. The vicissitudes of his journalistic career bear witness to his determination to maintain his independent stand and to speak out boldly against evils and abuses. Several times his outspokenness led to the suspension of the newspaper on which he was then working, and his criticism of Atatürk's policies in the mid-twenties led to his retirement from journalism for ten years. After the last war, his vigorous campaign against reactionary forces in Turkey led, in 1952, to a very nearly successful attempt to assassinate him. It is not without reason that Mr Yalman has come to be known as the best liked and most hated man in Turkey.

Israel Unexplained

The State of Israel

By L. F. Rushbrook Williams.
Faber. 229 pages. 21s.

PROFESSOR RUSHBROOK WILLIAMS decided to write his survey of the State of Israel because he "could not find out" from any existing books "how this little state manages to maintain itself as an independent entity." He is quite right in thinking that an intelligent gentile's guide to Israel has yet to be written; he was also right in thinking that 1956-7 was a good time to write one. But he is wrong in thinking that he is—or we are—any the wiser now.

He was struck, he says, by the fact that there have only been four short periods in history when Palestine has possessed a separate political existence—under David, under Judas Maccabæus, under the Frankish crusaders, and under Mr Ben Gurion. But his analysis of Mr Ben Gurion's formula for independence contains no more than a passing reference to foreign economic aid; the Israeli army is considered only in its role as a welfare institution, while the fact that it is the most potent military force in the Middle East is not even mentioned; and the defence of the frontiers by quasi-civilian settlements and by "the policy of retaliation" rates less than a page.

Professor Rushbrook Williams's book is, indeed, completely uncritical—part stodgy travelogue ("The streets are gay with bright-coloured skirts and blouses . . ."), part statement of fact and near-fact about the organisation of the State. But with Israel, all uncritical descriptions are inevitably misleading to the point of inaccuracy.

It is, for instance, misleading to give a "brief history" of the events leading up to the Balfour Declaration which does not mention the offers of territory elsewhere. "Eventually," says Professor Rushbrook Williams, "it was found that only Palestine was suitable. . . ." It is misleading to describe the events leading up to the end of the Mandate without mentioning the Stern Gang. It is misleading to describe the absorption of immigrants, in a chapter headed "Unity out of Diversity," without mentioning that the expression "Black Jews" has become common in Israel and that "Black Jews" do resent the present supremacy of the "White Jews." It is misleading to say that the Maabaroth (transit camps for immigrants) were a "great success" and that they consisted of "neat tin huts," when the squalid little shanty towns that have grown up on the fringes of Haifa and Tel Aviv are regarded, even by Israelis, as a regrettable necessity. It is misleading to say that "everyone is proud of the part that he is playing in making the Zionist dream come true," when many of the recent immigrants from North Africa have been settled more or less against their will (though no doubt rightly) in the development areas of the Negev.

The sins of omission in this book are equally grave. What is the value of describing Israel's economic progress without counting the cost? Is it really sensible to give less space to the balance of payments than to the tourist trade, or more space to the evolution of leghorn cross-bred chickens than to American aid?

It may fairly be said in the author's defence that he has looked at Israel from the viewpoint of an expert in Asian affairs. By Asian standards Israel is, no doubt, a highly efficient Utopia. But the conclusion that should surely be drawn is that the real issue between Israel and its Arab neighbours is that Asia cannot afford (or thinks it cannot) to tolerate an efficient Utopia in its midst. Professor Rushbrook Williams seems only to have been impressed with the fact that there is "no hubbub" at Lydda airport, that there are no beggars, and that Israelis are good at road safety. It is not surprising, therefore, that he has failed to state the Arab case in terms even as strong as those which most enlightened Israelis would accept.

The Soviet Air Threat

Soviet Air Power

By Richard E. Stockwell.
New York: *Pageant Press.* 250 pages and 16 pages of photographs. $7.50.

THIS book, written by an outstanding American and published in America last year, gives a comprehensive picture of the growth of the Soviet air power, its present organisation and its tactical and strategical principles. The Soviet Union, which, according to Nato, has over 20,000 aircraft, has six air forces in all:

(1) The *Army Air Force*, accounting possibly for about 70 per cent of all operable aircraft, has the task of supporting the ground forces. The Russians have in peacetime 175 divisions, organised in six independent armies, and each such land army has two or more air armies attached to it, equipped with modern jet aircraft.

(2) The *Long Range Flying Command*—an equivalent of the American Strategic Air Force—is the most dangerous force and the most feared in the United States. This air force, equipped with about 2,000 long range bombers, some with a range enabling them to reach almost any target in America, is based mainly in the area along the Arctic Circle.

(3) The *Fighter-Interceptor Command* is a small force. It defends two zones of approach to Russia as well as all strategic targets.

(4) The *Naval Air Force*, consisting of some 1,500 aircraft, is a handmaiden of the rapidly expanding Soviet navy.

(5) The *Airborne troops* consist of seven divisions of 10,000 men each, with another three divisions in formation; according to the German expert, Colonel General K. Student, these formations have about 7,500 aircraft for an air-lift.

(6) *Civil Aviation* consists of several air-lines, covering the whole of Russia's vast territory and linking it with China, the Middle East and other countries adjacent to Russia; all these air lines serve as a strategic reserve.

This very brief summary of Mr Stockwell's book would be incomplete without a few words about the effort devoted to developing guided missiles. The launching sites are particularly densely concentrated along the Soviet-controlled shores of the Baltic. There are at least twenty in the area of Riga, poised against Sweden, and in the countries of Eastern Europe, especially in Rumania and Bulgaria, aimed at Turkey and the Dardanelles. There are also many along the North Sea, and on the Island of Sakhalin—intended to counteract American bombers operating from the bases in Japan.

In the closing chapter of his book, Mr Stockwell quotes several Soviet high ranking military leaders, who in their statements or articles put a special emphasis on the importance of a surprise; it is obvious that, in case of a future war, the Soviet will try to stage another Pearl Harbour, only more so, on the presumption that the initial blow could be so staggering as to make retaliation only theoretical.

Liberation and Defeat

Four-Power Control in Germany and Austria 1945-1946. *Survey of International Affairs 1939-46*

By Michael Balfour and John Mair.
Issued under the auspices of the *Royal Institute of International Affairs.*
Oxford University Press. 402 pages. 48s.

MR BALFOUR and Mr Mair write as insiders, as men who took part in the four-Power control, the one of Germany, the other of Austria. Three of the powers subscribed to liberal democracy, the fourth to dialectical materialism. The term "democracy," however, was used by all—only with different connotations. Apparent verbal agreement veiled disagreement over real aims. And the definition of words may in the end mean the delimitation of spheres of power—which shows how important it is to be clear about meanings.

The two stories in this book are dissimilar. This may be partly because the Germans pose such dreadful problems, the Austrians less so (though they can produce a Hitler). The Austrians were liberated, the Germans defeated. The Moscow declaration of 1943—both stories go back to the planning stage of Allied occupation policy—called Austria "the first free country to fall a victim to Hitlerite aggression." But even then the Russians had already staked their claim for reparations: they had insisted on the inclusion in the same declaration of a reference to Austria's responsibility for taking part in Hitler's war. The effects of this inclusion persisted into the State Treaty of 1955, which ended the occupation of the country. But despite economic spoilation by the Russians Austria was lucky; from the beginning its people had their own "all-Austrian" government, remained united, and is now free. The country may owe its luck to its small size. Germany was a greater prize, and here the Russians proceeded more methodically (the book does not quite convey how methodically). They were helped by the French, who prevented the setting up of central German agencies.

Mr Balfour is concerned to point out that the notion of collective guilt was a German invention and that the Allies never spoke of anything more damning than collective responsibility even in Germany. But then he describes their initial determination to impose a "hard peace." He discusses the possible merits of a revolutionary peace, that is, of the imposition by the victors of a new social structure such as was achieved by the Russians in their zone. But he rejects the idea that states of mind depend decisively on environment. The West was pledged to a removal of "the psychological roots of German aggression." Any such operation requires a precise diagnosis of the evil. The author's reference (admittedly after speaking of the emergence of Christian Democratic parties in other European countries) to the Protestant and Catholic churches' common resistance to "fascism" makes one wonder. Why fascism? National socialism was a different, a much nastier phenomenon.

After diagnosis comes the question of cure. European integration as the therapy for the German psyche (possibly the only one) belongs to a later period than that described by Mr Balfour. What the two authors present is a clear and very useful account of what needed to be done in the early phase, what was done, and how. This is given with a high degree of reliability.

SHORTER NOTICES

Italy

By Gerardo Zampaglione.
Benn. Nation of the Modern World Series. 282 pages. 30s.

To write a general survey of Italy, past and present, in under 300 pages is a tall order indeed. Signor Zampaglione has produced a useful book, but he would have produced an even more satisfactory one if he had not tried to combine survey with apologia. The reader ends by feeling that the author protests too much, and that he has failed to realise that he can count on a preponderantly sympathetic audience in England.

In discussing, for instance, the part

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played by Italy during the first world war, he is, quite naturally, much concerned that Italy's contribution to the allied victory should be given full recognition (he mentions three times in six pages that it has been under-estimated), but he fails to give a clear picture of the very divided war aims of the different Italian political groups at that time. His anxiety to present his country always in the best possible light sometimes involves him in inconsistencies. He is obviously a sincere democrat and a strong opponent of fascism. In his concluding chapter he hails the gradual disappearance of colonialism as a moral achievement with far-reaching consequences. But all this does not prevent him from justifying Mussolini's annexation of Abyssinia as "legitimate expansion." (Mussolini's flirtations with Hitler, however, were "bad statesmanship.") Why, he says, should Italy be deprived of the benefits of colonialism just because it had achieved unity late and "had been unlucky" in its first attempts at colonial expansion?

The first part of the book deals with the story of the *Risorgimento* and the history of united Italy up to 1945. The second part deals with postwar Italy, and includes chapters on foreign policy, economic matters, the south and relations between church and state. The author provides much useful information, but does not give a sufficiently clear picture of the particular political and economic problems confronting Italians today—for instance, the frustration that many moderate left-centre Italians feel at the lack of a strong, genuinely democratic, socialist party. It is also a pity that, although there is a good map, the index should be confined to proper names.

★

Economics of Plantations

By W. E. Hiley.
Faber. 216 pages. 25s.

The purpose of this book is to convince students that some of the accepted practices of forestry are uneconomic, and that the study of forestry economics can substantially influence productivity. Although the techniques described are not original, it is claimed that their application in solving the practical problems of forest management and policy is new. However, from the frequent references to his earlier writings, it is clear that they represent a consolidation of earlier and consistently held ideas: the long production period means that compound interest plays a dominant role and the rate of interest is a measure of the productivity; influential factors in the economic cultivation of forests are land fertility and methods of thinning, yet good land is seldom used in afforestation and the influence of thinning methods have not received adequate attention in the past. The value of relating the thinning methods to the simple criterion of the pattern of annual growth rings is a good example of an economics technique applied to a technical problem.

The scope of the book is broadly described as how to grow timber as profitably or as cheaply as possible. Much is made of the importance of compound interest in the economic calculations, but it would have been worth emphasising that once a forestry enterprise is built up into a "flow resource," net revenue can be gauged in terms of simple interest on the capital value. Apart from supplying students with an understanding of the special complexities of forest finance, the book will show potential investors in tree-growing what considerations they will have to face and what methods they can adopt in forming estimates of future return. It is no mean task to attempt to marry the complex biological requirements of good silviculture with the economic considerations, especially as the essential measurements are not always available. In these circumstances the author has to be congratulated in developing a line of thought that carries conviction.

LETTERS

Surplus Rather than Energy

SIR—You think that the general principle that should underlie the investment allowance is that there should be a flat rate encouragement for all types of capital development. You appear to mean that there should be a flat rate allowance for all types of fixed asset and hence you criticise a discriminatory doubling of the allowance on ships. But a flat rate allowance on all types of fixed asset will not provide a flat rate of encouragement to investment in all types of asset. To accomplish that objective, the availability of funds for, and the expected profitability of, different types of asset must be improved by the same proportion. Obviously no complex of rates can be devised to do this perfectly, but certainly a single flat rate is not the answer.

The truth of the matter is that all capital allowances involve inequities between classes of taxpayer and this is true of the various schemes of accelerating allowances limited to original cost as well as those which, like the investment allowance, provide for allowances in excess of original cost. Whether such inequities should be accentuated to promote fiscal objectives is another question, but it is noteworthy that capital allowances seem to excite less complaint of tax inequity than one might expect. So long as the "gentlemen in Whitehall" wish to exercise a selective influence on investment, capital allowances are probably a less objectionable way of doing so than the much more rigid and administratively difficult alternative of physical controls.—Yours faithfully,
London, S.W.15 A. F. EARLE

Talking Turkey in Kashmir

SIR—May I offer one comment on the report of your correspondent in your issue of March 16th? The Indian General Staff seem to assume that Laddakh would go to India in certain circumstances, and from this unwarranted assumption they make out a case that they ought to control the lines of communication through the Srinagar Valley in order to keep out Chinese infiltration.

In the first place there is no reason whatsoever why Laddakh should go to India. In accordance with the 1941 Indian Government census, the population of the Laddakh District was 195,431, of which 154,492 were Muslims. Of the 40,939 non-Muslims, the majority were Buddhists. Since there are in Pakistan more Buddhists than in India, there is no reason why these few thousand Buddhists should not choose Pakistan.

Again, if the object is to prevent infiltration, then I suppose Pakistan is better qualified to deal with it than neutral India. Furthermore, it is difficult to conceive why the Chinese should infiltrate through the remote passes, some of them the highest in the world, and closed for the better part of the year, when they can easily get anywhere in India without let or hindrance.—Yours faithfully,
S. M. HAQ
Office of the High Commissioner for Pakistan, London, S.W.1

Towards Collective Defence

SIR—In your article of April 18th you use the adjective "military" to describe the fiasco of Suez. I am surprised to see you slipping in this direction.

It is always easy to blame those who cannot speak up for themselves and it will be interesting one day to read the full story and see where the blame really should lie. I feel that on that day many from whom we have heard a great deal since October 29th will not be so confident that their loud-spoken opinion did anything except accelerate the fiasco.

Unlike some of the louder-mouthed, the fighting services have at least never faltered in their loyalty to their country and therefore I beg you, Sir, not to descend to easy insinuation against the efficiency of those who, in spite of endless restrictions, brought off a remarkable feat of arms only to be deprived of complete success when within twenty-four hours of their wide-open goal.—Yours faithfully, J. NELSON
London, S.W.3

Cyprus After the Storm

SIR—As the partition of Cyprus is being freely mooted, may I advise that when the time comes to divide Gibraltar into two self-contained flats, the Spaniards, with their predilection for cooking with garlic, should be allotted the upper half.—Yours faithfully,
London, N.2 GEORGE SCHWARTZ

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MARCH 31, 1957

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Cash and due from Banks	$117,278,850.79
United States Government Securities	93,189,746.90
Municipal and Other Public Securities	6,477,292.75
Other Securities	7,774,846.88
Loans and Discounts	257,357,543.47
Banking Houses	6,691,950.51
Customers' Liability for Acceptances	12,837,696.83
Accrued Interest and Other Resources	3,058,408.91
	$504,666,337.04

LIABILITIES

Capital (160,000 Shares—$100 Par)	$ 16,000,000.00
Surplus	18,000,000.00
Undivided Profits	8,735,854.62
Reserve for Contingencies	2,634,778.49
Dividend Payable April 1, 1957	480,000.00
Deposits	438,723,571.37
Acceptances	13,841,735.28
Reserve for Taxes, Interest, etc.	4,518,565.44
Other Liabilities	1,731,831.84
	$504,666,337.04

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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Lull in the Boom

WASHINGTON D.C.

AMERICAN businessmen, like their European counterparts, have a marked capacity for pessimism. Their hearts flutter nervously and their heads wag knowingly with every report of a decline in the stock market, a layoff in an automobile factory, a fall in the number of new houses started in a month. One sturdy representative of the breed, the respected president of a large corporation, predicted to the chairman of the Federal Reserve Board last spring that if the bank rate were raised again—as it subsequently was—there would be between 9 million and 10 million unemployed by August. Recently, when the *Wall Street Journal* reported, with something less than complete accuracy, that in Washington the authorities now feared deflation more than inflation, businessmen in New York reacted with: "Well, I'm glad to see they're waking up to the situation down there."

Government economists may feel, as most of them do at the moment, that business is much better than business sentiment makes it out to be, but they are also aware that this pessimism may create an uncomfortable situation for the authorities. It is the sort of climate that leads to increasing pressure for relaxation of the restraints on total demand which the government has now been applying for about eighteen months. Mainly, the pressure is likely to be directed at monetary restraint. The chairman of the Federal Reserve Board (the central bank), who believes that inflation is still the main problem facing the economy, feels that the present lull is "the most critical period in the fight against inflation." He knows how difficult it is to justify restraint when the current economic indicators demonstrate some softness in the economy and when the immediate inflationary threat has clearly evaporated.

What, in fact, is the current situation? The economy has been accurately described as "moving sidewise" for about four months. The Federal Reserve Board's index of industrial production was the same in March as it was in October, and it would have showed a small decline but for the increase in petroleum output as a result of the Suez crisis. The gross national product—a better indicator of the general economic situation—barely inched upward in the first quarter of the year, according to preliminary estimates, and most of the rise is probably attributable to higher prices. The motor industry is making and selling cars at about the same reduced rate as last year. House building is in a genuine recession with new starts in March at the lowest rate since 1949, though total construction activity is still at near-record levels. Wholesale prices have finally stopped rising and the average is now about the same as in January. Perhaps most important, business has sharply reduced the rate at which it is adding to its reserve stocks of goods and materials.

The point about all this, however, is that the worst the pessimists can claim is that the economy, as a whole, has stopped growing, not that it is actually receding. True, an onslaught of statistics comes from the left showing that the annual growth in productivity, combined with the growth of the labour force, should lead to a persistent rise in the gross national product of at least 5 per cent every year. This embattled band, led by President Truman's chief economic adviser, Mr Leon Keyserling, feels that every quarter in which the gross national product fails to rise by the prescribed percentage brings the Russians nearer to victory in the cold war. In a situation like the present, the left and the more vociferous of the business pessimists—such as the National Association of Homebuilders—join forces, cry alarm, and urge an immediate end to "tight money." Yet somehow, despite some statistical legerdemain, these people cannot quite make out a convincing case that the economy is in real trouble.

★

The reasons are obvious from the front pages of the newspapers: two weeks ago it was total employment which was at another record high in March, with unemployment still only about 4 per cent of the labour force. A few days later it was personal income which reached a record. Then over last weekend came the preliminary reports on gross national product, which scarcely looked like a slump. Meanwhile, all the underlying forces of demand continue to show strength, though not the exuberance of 1955 and 1956. From present indications, consumers, government, business investors and foreign buyers will all spend more in the aggregate this year than last.

To officials of the central bank, who have spent most of their time in the past two years trying to inject a note of sanity into the psychology of boom, this is a situation in which the chief danger is that the economy will take off again toward the stratosphere, not that it will sink gently into recession. To the sceptic who asks where the renewed upsurge of inflationary demand is to come from, they reply that in each of the past two years the degree of upsurge—once from consumers and once from business investment—was badly underestimated in advance, and that they "just have a feeling" that the push will come again from some unexpected quarter.

This caution is reinforced by two recent events. One is the sudden spate of tax-cutting talk—quite serious talk—in Congress. It is now as certain as anything can be that there will be a reduction in personal income taxes to take effect next January, whether the Bill passes late this session or early next, and therefore that consumers will soon have still more money to spend. The second is a technical

problem associated with the management of the government debt which has produced a rather sharp increase in the money supply. The problem resulted from the almost simultaneous decision of thousands of holders of wartime "F" and "G" savings bonds—bonds in large denominations held by large investors—to cash them and to invest the money in more recent government issues and other places where it could earn more attractive yields. This created a serious cash problem for the Treasury during the winter months, and it was forced to resort to the banks for ready money.

The problem was made worse by the recent heavy drawings upon the International Monetary Fund, which, while they do not affect the American budget or taxes, do affect the Treasury's cash position. The result of it all was an unwanted expansion of $2.3 billion in bank credit in March alone. The Federal Reserve system, in effect, had to bolster up bank reserves—both by open market operations and by a liberal policy of lending through its "discount window"—more than it would have liked, simply to help the Treasury over its difficulties.

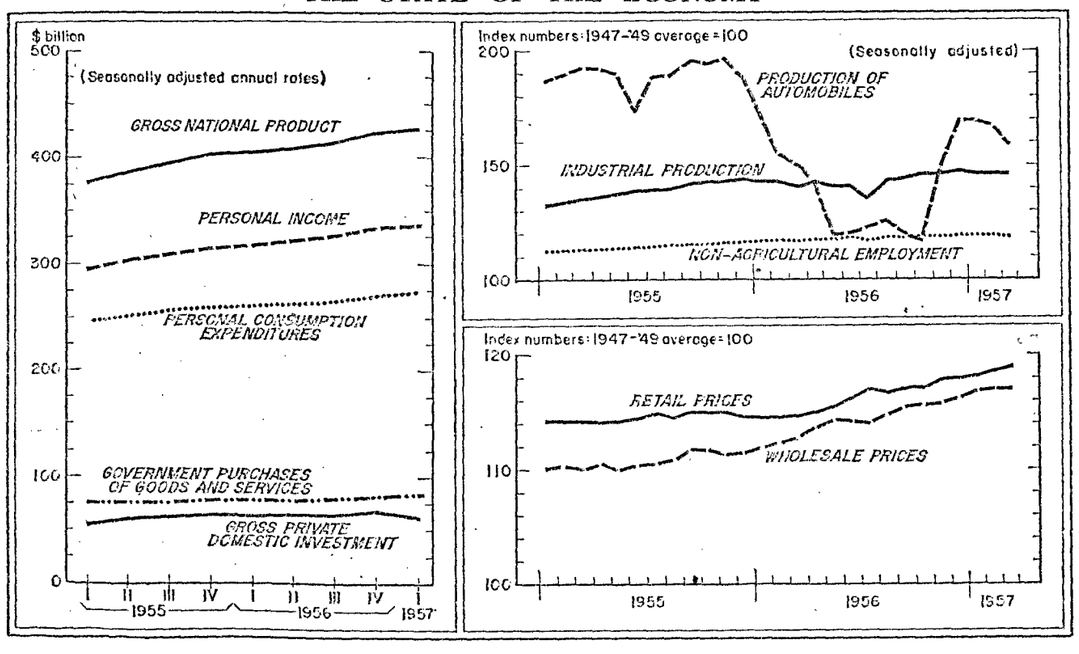
There should be no mistaking the seriousness with which the government as a whole, and the Federal Reserve Board in particular, viewed last year's 3 per cent rise in prices. There is little disposition in the government to accept the thesis of Professor Slichter of Harvard and others that in today's American economy the lesser evil is to accept a creeping price rise of perhaps 2 per cent a year as a sort of insurance against unemployment. In the present situation, the "Fed" will not be entirely satisfied until a significant proportion of prices actually declines, to offset those which for various reasons concerned with costs and productivity must be expected to continue rising. In short, a stable level of wholesale prices is not quite good enough; the central bank will not feel it has wrestled the devil inflation to the ground until the index shows a convincing drop.

Mr Dulles's Menu

At his press conference on Tuesday the Secretary of State put a little meat on the very bare and rather stale bones of the basic concepts—peace, justice, liberty—underlying American foreign policy which he had set before the annual luncheon of the Associated Press on Monday. The only juicy mouthful in his speech had been his account of the conflict of loyalties which arose over the middle eastern crisis last autumn, when the United States felt obliged to put its pledge to renounce force under the United Nations Charter before its historic ties to Britain and France. Now, in pursuit of a peaceful and just settlement, Mr Dulles feels the time has come to report to the Security Council on the long-drawn out American negotiations with Egypt over the operation of the Suez Canal. But apparently he does not intend to press for any action in the council—an omission which makes it doubtful whether the report will in fact do much to advance a settlement in the Middle East.

Similarly, in the case of Jordan, Mr Dulles's expression of confidence in King Hussein will not be of much practical help in preventing Jordan from "falling under the dominance of other countries," particularly since it has been emphasised that the Administration does not consider that any of Jordan's neighbours, even Syria, are "controlled by international communism." This means that the United States is not committed under the Eisenhower doctrine to use force to preserve Jordan's independence or King Hussein's throne—even if he should ask for such aid. Thus all that the King can expect from the United States is behind-the-scenes pressure on Saudi Arabia to continue supporting him and, if nevertheless Jordan is attacked, an American effort in the United Nations to make the aggressors withdraw.

THE STATE OF THE ECONOMY



On other less urgent matters, however, Mr Dulles was a little more promising, perhaps in response to the friendlier winds which have recently been blowing from Moscow. At his press conference he held out some slight hope that it might be possible to stop testing hydrogen bombs; in his speech he had declared categorically that controls on armaments were not only possible but "in the last reckoning indispensable" and that they need not "encompass everything at once." He had also talked once again at length about the liberation of satellite countries from Soviet domination; he has now made it clear that he meant only "peaceful liberation," but that this is something which must always be an issue between the United States and the Soviet Union. Finally, even before Mr Dulles spoke of promoting "the interchange of goods to mutual advantage," the United States had at last proposed some modification in the embargoes on trade with Communist China which have irked its allies for so long; these are discussed in detail in a Business Note on page 334.

How to Cut a Budget

Last week President Eisenhower was twice rapped over the knuckles for the extravagance of his budgeting: his conservative elder brother "who has been criticising me since I was five years old" could be dismissed with a laugh, but it was more serious when Mr Per Jacobsson of the International Monetary Fund said that, in the interests of a stable world economy, the United States should not let its foreign aid programme stand in the way of a possible fall in government outlays. However, it was not this criticism but a realisation that the enthusiasm for budget-cutting in both Congress and the Republican party was getting out of control which led the President to send his own proposals for reducing government spending to the Speaker of the House of Representatives.

The President's letter was a tactful lecture on how to set about cutting the Budget without jeopardising the national security and on why the House's efforts so far will have little if any practical effect on actual expenditure in this or any other fiscal year. The money to be spent in the 1958 year, which begins next July, is already committed either by law—ex-servicemen's pensions, for example—or under authorisations for future spending approved by Congress in past years, as in the case of aircraft contracted for long ago which will have to be paid for when they are delivered next autumn. Most of the cuts made by the House will therefore have to be put back either by the Senate or by later supplementary appropriations. Nearly all the cuts which Mr Eisenhower now feels can be made in the Budget which he submitted last January are in appropriations which will not affect spending before the 1959 fiscal year. Congress is still talking of a reduction of $3 or $4 billion but the President's recommendations amount to only $1,858 million; they include $500 million less for the military part of foreign aid, a similar cut in American military procurement, which would only be a deferment and would involve less efficient forward planning, and smaller reductions in funds for housing and public works.

Then Mr Eisenhower threw budget-cutting back into Congress's lap by telling the House how it could improve the situation by doing things which it has always refused to do: by raising postal rates and charges for various other government services; by requiring states to participate in federal programmes for relieving disasters and for developing water resources; by considering the future, as well as the immediate, cost of programmes when they are initiated; and by rejecting public works projects which are put forward by local interests without the approval of government engineers. And in case such projects still creep into appropriation Bills, the President wants power to veto individual items without having to veto the whole Bill and thus leave an entire government department without funds. Presidents have been wanting this power for eighty years but Congress is as determined as ever not to make this concession to the executive.

How Not to Cut a Budget

It was typical of the mood which has prevailed during the present session of Congress that the traditional Easter recess was threatened not by any feeling among members that they had accomplished too little to deserve a holiday but by a squabble over money. For weeks urgently needed funds for public assistance and loans to small business men were held up because the House refused to provide metal subsidies on which Senators from mining states insisted until the last moment. There was some justification for the House's parsimony in this case, but little for the way in which it dealt with appropriations for the United States Information Agency, the last and the worst of its fund-slashing performances before the recess. Three separate appeals from the President, who cannot on this occasion be criticised for failing to fight for his programme,

"It's No Bunny"



Herblock in the *Washington Post*

made no impression on a House determined to cut $38 million—26 per cent—from the $144 million requested for overseas propaganda next year; another $47 million was taken from the $228 million requested at the same time for the State Department.

It was clear that Congressmen were thinking only of saving as much money as possible in a way which would cause no direct pain to their constituents. For the USIA is left free to adapt its plans to its lack of money as it chooses—except that it may not add to its present almost farcical entertainment allowances. If by selective cuts the House had tried to improve the agency's operations, the attempt would have been received with some sympathy even by those who believe most strongly that a little money spent abroad on countering communist misstatements and spreading the American point of view will do far more to foster peace than a lot of money spent on armaments.

Mr James Reston, of the *New York Times*, speaks for many when he argues that the USIA might achieve more if it changed some of its methods. But, as he points out, its main difficulty is that it has had no responsibility for the policy which it has to try and explain to the world. Now, however, the agency has recently been given a new head, Mr Arthur Larson, a dynamic intellectual who has the ear of the President and more influence than his predecessors in the places where national policy is made. For this reason it is particularly hard that he should now be hampered by lack of funds. Moreover, Mr Larson's "modern Republicanism" is unfortunately so suspect among the conservative Republicans who dominate the Senate Appropriations Committee that they may refuse to allow that committee to repair even a little of the damage done by the House.

Airways for Tomorrow

IN 1946, six billion passenger miles were flown by commercial airlines in the United States; last year the figure was 20 billion, and by 1975 it is likely to be 70 billion. There is not expected to be any great increase in the number of commercial airliners—there are about 1,500 in operation today—but they will be larger, carrying an average of 100 or more passengers instead of 40, and faster, making many more landings a day than they do now. On top of this, there will probably be double the present number of 61,000 private aircraft flying by 1975. Already there can be as many as 220 aircraft in the air at one time in the neighbourhood of a major city and in the last four months of 1956 452 "near collisions," almost four a day, were reported, about three-quarters of them when visibility was good. There is thus a solid statistical basis for the growing concern lest the country's airways may become as overcrowded and as dangerous as its highways.

This concern, unfortunately dramatised every few months by a serious air disaster, has led to a proliferation of administrative and congressional studies on how to ensure both safety and speed in the air. At first sight the latest proposal from Mr Edward Curtis, the President's special assistant for planning aviation facilities, seems to be no more than a request for yet another committee to stir a broth which has already been cooking since 1948. But Mr Curtis's three-man Airways Modernisation Board is intended to test, and to choose between, various new methods of regulating military and civilian flying. He insists that it is traffic controls at the airports which are at fault, not the actual lay-outs of the airports themselves. He has found "an over-abundance of electronic systems . . . to improve our terminal and *en route* operation," but he has also found an over-abundance of government agencies studying aviation problems with no one having sufficient authority to decide which improved system of control is best.

If Congress approves the new board, it will only be a temporary organisation and it will be left to other agencies to acquire the equipment and to set up the system which it recommends. Mr Curtis goes out of his way to praise the recent efforts of the Civil Aeronautics Administration to expand its existing radar facilities in order to reduce the dangers and delays in air traffic; the programme begun last year, to be completed by 1961, has now been expanded and its estimated cost stepped up from $246 million to $810 million. But on his final report, coming shortly, Mr Curtis nevertheless intends to propose a drastic change in the governmental organisation for dealing with aviation.

Indian Spending

FROM A CORRESPONDENT IN COLORADO

THINGS are looking up for the 80,000 Navajo Indians, the largest, but until not so long ago among the poorest and most neglected, of all the American Indian tribes. The credit, however, is due more to the ironic compensations of nature than to man's benevolence. In 1868 8,000 Navajos were herded on to a reservation of 25,000 square miles in the southwest, mainly in Arizona and New Mexico, a huge tract but one which consists of some of the dryest and poorest land in the United States. The economy of the tribe remained almost wholly pastoral and the Indians and their animals multiplied until the resources of the reservation could no longer support them. Despite the conscientiousness of many federal officials and fitful attention from Congress, the Navajo became one of the most poverty-stricken minorities in the country, 80 per cent illiterate and racked by disease.

In recent years their plight has been alleviated. Congress approved a development programme to cost $80 million over ten years; many members of the tribe have been resettled outside the reservation; educational opportunities have improved and able Navajo leaders have emerged. About five-sixths of all Navajo children are now going to schools of some sort, and most of the 2,300 older children attending the government's special intertribal school at Brigham City, Utah, are Navajo.

Now geography has done still more for them. Underneath those barren acres are stored large reserves of uranium, oil and other minerals unknown and useless in 1868, but of vast importance to the industry and technology of today. One of the largest American uranium mills operates mostly with ores on which the Navajo receive royalties. Oil fields already in production are another source of income. Now the Navajo have, in the past few months alone, been offered about $35 million by oil companies, just for the privilege of exploring for oil on their lands, and more such bids are about to be opened. The Navajo themselves would prefer a half-share of the profits from any oil discovered, such as countries in the Middle East now enjoy, in place of the flat sum and the 12.5 per cent royalty on oil produced which is specified in the Act permitting them to lease their land. But such a change would mean taking a risk and the Department of the Interior has so far refused to allow the Indians to do this, on the ground that the law demands that all leases be awarded after competitive bidding.

In addition the Navajo will have the benefit of the $33 million Navajo dam, one of the larger units in the vast Upper Colorado Basin storage project, and one of the first to be built. It will generate no power, but will store water to irrigate some 80,000 parched acres of the reservation, and thus help some of the tribesmen to make the transition from flocks to farms. The Navajo also own the site on which the government is to build a town for workers on the huge Glen Canyon dam, which is just now getting under way, and they will be paid for it. Furthermore, plans are being discussed for a large timber project, which would harvest mature trees from the upland forests included in the reservation, for an electric power plant to be run by coal found on the reservation, and for other similar enterprises. One fund, of about $350,000, is to be used to interest industries in building suitable factories on or near the reservation. The Navajo who have been resettled outside the reservation have proved to be quick with their hands and adept at fine work and two small industrial plants have already been established near the reservation. The Navajo council is also discussing using some of its money for greater efforts in the fields of health and education.

However, with $30 million in hand, the coming meeting of the tribal council this spring will be able to make much larger plans. It has already spent a year or more in preliminary discussion. As one observer has said, $30 million is far from wealth if it is to be divided among 80,000 people. But as seed money for a planned economy and prosperity, it is potentially capable of mighty things if used as wisely as the Navajo hope to use it.

Storming the Brain Waves

"BRAINSTORM," thanks to the advertising profession, no longer means a temporary fit of insanity, although there is perhaps a superficial resemblance between a day in a lunatic asylum and some of the brainstorming sessions which caught the fancy of leading American industrial companies a few years ago and are now winning favour in governmental and academic circles. The jargon too seems ludicrous—"creative ideation," "imagineering"—but to laugh at a new idea or to suggest that it is impractical is the only reaction forbidden to people "phasing in and out" of these "group thinks." The original brainstorming technique was to bring together a dozen or more persons, sometimes including outsiders and housewives as well as those directly concerned, and present them with a problem for solution: how to sell a new gadget or how to use an unprofitable by-product. The group then attacks the problem without any preconceived views on it, with rapid fire suggestions, the quicker the better; no one is inhibited from producing any idea, however ill-informed or fantastic.

What is supposed to result are enough brain waves—187 in 47 minutes on one occasion—to solve the problem. But it may take weeks of evaluating the secretary's notes or the tape recording to decide whether the session has in fact produced even one feasible proposal; at the most about 6 to 10 per cent are found to be applicable. Those who contend that brainstorming is not worth the trouble argue that in any case ideas are usually plentiful; what is lacking is the sustained imagination needed to apply them in practice. Another argument is that in fact the people who have genuine brain waves at a "buzz session" would have had just the same bright ideas if they had been left alone at their desks or machines. But to many of the industrialists who now use the technique, its main advantage is that it gives minor employees, who might otherwise feel isolated in a huge organisation, an opportunity to make a contribution to the company's development. The opportunity may in fact be used only to voice complaints but, even so, brainstorming is regarded as a better morale builder than the suggestion box.

It is hardly possible to make any accurate assessment of how many new ideas of commercial, or any other, value have actually been produced by brainstorms; but many companies are taking them seriously, even sending their staffs to college to attend courses in "creative thinking." The research institutes also arrange brainstorms for the benefit of their clients. Here the group, usually smaller, is composed of people who are experts, although not in the particular field under study; sometimes they evaluate their brain waves themselves or this may be left to the trained staff of the institute, with the commercial sponsors of the project receiving periodical reports. This is known as the "packaged brainstorm."

SHORTER NOTES

Mr Jack Soble, a Lithuanian who has become a naturalised American citizen, and his Russian-born wife, have now pleaded guilty to having conspired to obtain information relating to the national defence for transmission to Russia. This is only one of the six counts on which they were indicted at the beginning of February; they pleaded not guilty on all of them at that time. The change of plea, on a count which does not carry the death penalty as does the first count in the indictment, suggests that they expect to save their lives by co-operating with the government in its investigations of Soviet spy rings—an expectation which is likely to be fulfilled.

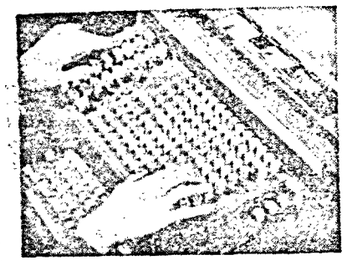
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No sooner had President Eisenhower proposed an independent study of the country's monetary and fiscal system than it became obvious that such a study would be conducted by Congress if at all and on a definitely partisan basis. In the end, however, the investigation is to be undertaken, not by the liberal Democrats who wanted to turn it into an attack on the Administration's tight money policy, but by the conservatives of both parties, led by Senator Byrd of Virginia, who dominate the Senate Finance Committee. Even so, the study, which begins shortly, is likely to concentrate much more on the immediate questions of taxation and debt management than on long-term developments in financial institutions, which was what the President proposed.

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Company's growth and development has been financed mainly out of retained earnings. Working capital is ample for present needs and to finance some further expansion.

Management staff and loyal and skilled labour force will continue with new owner; and principal shareholder (in early 60's and excellent health) who founded business and is chief executive, would also be willing to continue in whole or partial management capacity during transitional period, if desired by purchaser.

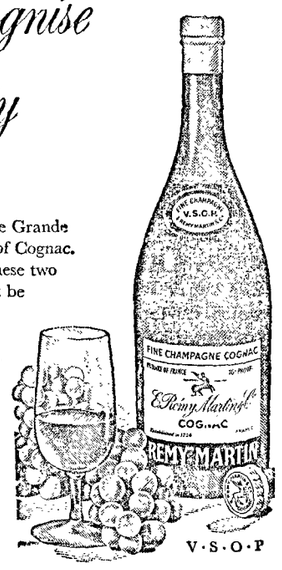
Interested parties should write Box 676 The London Economist.

How to recognise fine Brandy

V·S·O·P

The finest brandy comes from the Grande and Petite Champagne districts of Cognac. Only Cognac originating from these two areas, at least half of which must be from the Grande Champagne, is entitled by French law to be called Fine Champagne Cognac.

Remy Martin produce Fine Champagne V.S.O.P. Cognac and *nothing less good*. They only offer for sale Brandy which has reached perfection. That is why when you insist on Remy Martin you can be sure of getting *a really fine Cognac*.



V·S·O·P

PRIDE OF COGNAC

REMY MARTIN

THE WORLD OVERSEAS

Nigeria Prepares to Parley

FROM OUR SPECIAL CORRESPONDENT IN LAGOS

NIGERIA'S big three, the Sardauna of Sokoto, premier of the Northern Region, Dr Azikiwe, premier of the East, and Chief Awolowo, premier of the West, have "hung heads" together in Government House and come up with the happy announcement that they are agreed on demanding independence in 1959 at the London conference next month. Since independence was approved in the House of Representatives on March 26th this was the inevitable outcome of the premiers' talks. The question is what else have they agreed upon? Will independent Nigeria be a loose confederation of the three regions; a close federation on present lines; or a unitary state with a strong central government? The premiers may have settled the agenda, but this is a long way from agreeing on detailed proposals.

If the premiers anticipated a hard fight with the Colonial Office there would be more sense in hiding their hand. But as they know quite well, no such fight is in prospect. What the Colonial Office wants from the Nigerian leaders is the outline of an agreed and reasonably practicable scheme. In the past it was possible to temporise and leave the most thorny problems—revenue allocation or the control of the police—unresolved in the hands of British officials at the centre. But this is the last lap, the final share-out of power.



All the parties are sending delegates to the conference. Of the three main parties, the Northern People's Party is most intent on increased regional powers. The Action Group, in power in the West, is committed to regional self-government this year; in the East its supporters, who are in opposition, want to break down that region into smaller states. Dr Azikiwe's National Council of Nigeria and the Cameroons, in power in the East, also favours the "creation of states," but not unless the North will also submit to dismemberment. Then there are minor groups such as the United Middle Belt Congress, which exists to split a mainly pagan middle state off from the Moslem North; the Northern Elements Progressive Union, which is anti-chiefs and anti-feudalism; the Conference of Chiefs, which is pro-chiefs and pro-feudalism; and finally there are three Cameroons parties, the most important of which favours an independent Nigeria, provided it pays the Cameroons' financial deficit, until such time as the British and French Cameroons can join to form an independent republic.

This babel of voices ought not, however, to obscure one important advance. Nobody after the Lyttelton conferences in 1954 could have predicted with certainty that three years later Nigeria would want to remain a single state. Yet this has happened; the regions have even agreed on a federal franchise—adult suffrage in the East and West; manhood suffrage in the North, which keeps its women in purdah. There are several reasons for this new sense of nationhood. One is the growth of a sense of federal power and dignity among Nigerians in public life and in the public service. Another is the example of Ghana, which has suddenly shown up regional self-government for the makeshift it is, and has kindled the ambition to create a new West African state beside which Ghana would be very much the "small brother" in both world and African affairs. Chief Awolowo has said his work is done in the West and has indicated that he might transfer to the centre—a big change in attitude.

The pressure of Nigerian professional and middle-class opinion is another reason for the swing towards federation. This has helped to force the Northern Emirs to face independence in 1959. The tribal jealousies, which tend to break up regions, combine with more sophisticated intellectual attitudes to weaken the regions and strengthen the centre. So do party rivalries in the south, where the NCNC stirs up agitation in the West for the creation of a non-Yoruba "Mid-West state," and the Action Group replies tit-for-tat by encouraging pressure in the East for a non-Ibo "Calabar-Oguja-Rivers" state. Ironically enough, the Zikist doctrine of a unitary state is making headway at the moment when Dr Azikiwe himself is having to fight hard to retain his grip over his own party and keep alive his own slim chances of Federal leadership. Mr Tafawa Balewa, now Minister of Transport, is tipped for the post of federal prime minister.

But regional feelings will be strongly represented at the conference. And once the regions start bargaining, the hard fact will emerge that everything they want tends to weaken the federal power. For instance, the regions want

control of the police, which in the opinion of some British officials would make the task of the governor-general or the federal prime minister extremely difficult. They are completely at odds on finance—the North and West wanting the revenues to be apportioned according to derivation (if it can be ascertained) and the East and Cameroons wanting it shared according to need. In this battle, the federal power is almost certain to lose control of finance.

Nobody wants the federal centre to wither away, but if it is to be avoided the regions must all make big concessions. The Nigerian front in London is likely to be a ragged one, which prompts fears here that the British will use these disagreements to postpone independence. There is a strong likelihood, in fact, that the Nigerian delegation will end by proposing that the conference should merely make interim decisions about a purely African federal council of ministers, and relegate the states problem, the fiscal share-out, the public service and law and order to a series of commissions. But 1959 is not far off, and unless decisions are taken now, the danger is that there will be no agreement on the structure of the state to which sovereign powers are to be transferred. And that might be fatal to the tender plant of Nigerian nationhood, which is now just showing above the soil of tribalism, illiteracy and provincialism.

Revulsion in Jordan

FROM OUR CORRESPONDENT IN BEIRUT

Wednesday

EMBOLDENED by the flight of General Ali Hayyari to Damascus and by the evident signs of confusion in the Jordan army, the left-wing parties have shown their hand.

A strike movement that developed this morning quickly led to violence and early clashes between rioters and the police, and resulted in several casualties among the latter, including four in Amman alone. Demonstrations also flared up in the West Bank cities of Jerusalem, Rammallah, Nablus, Jenin and Tulkarm, attacking the Khalidi government and the Eisenhower doctrine and carrying Egyptian, Syrian and Jordanian flags. A strike movement began, despite the agreement of left-wing leaders to give the government twenty-four hours in which to study the latest demands advanced by the left-wing parties. This suggests that the control of the movement by its leaders leaves much to be desired. In fact, there is every indication that a thoroughly ugly situation is developing with the prospect of a head-on collision between the mob and the army.

This new phase in the Jordan crisis began with the presentation to the government, under threat of strike action, of demands elaborated by the national steering committee of the left-wing parties during their conference at Nablus. The National Socialist party, of which Suleiman Nabulsi is the leader, was represented at the conference; and the fact that its representatives acquiesced in the demand for the government's resignation, despite Nabulsi's acceptance of the portfolio of foreign affairs, is a measure of the strength of the reaction from the left that has developed since the weekend. It is clear that the National Socialists either condemned the action of their leader, or felt compelled to go along with the other left-wing parties for fear of losing their mass following to more extreme groups—the Baath Socialists and the National Block.

The demands that were presented to the government by the representatives of the national steering committee yesterday could scarcely be more comprehensive. They included the resignation of the Khalidi government, its replacement by a government based on political parties, the rejection of the Eisenhower doctrine, the adoption of a policy of "positive neutrality," a purge of the civil service and the release of army officers now under arrest for the part they are alleged to have played in the Zerka conspiracy against the Palace. In fact, the left wing is demanding a return to the position of lunchtime on April 10th, when the former government of Suleiman Nabulsi was still in the saddle and pressing the King hard.

The only possible difference might lie in the position of Suleiman Nabulsi himself. After his apparent attempt at compromise with the Palace by accepting the portfolio of foreign affairs in the Khalidi government, the Left may well regard him with suspicion and insist on party government under a different prime minister. A National Socialist speaker addressing the demonstration in Amman announced Nabulsi's resignation from the government.

There is every prospect that under resolute leadership the left-wing masses can wear down the resistance of the loyal elements in the army, and thereby force a decision in their favour which would leave the King in a most precarious position. Spectators of the Amman demonstration noticed several government officials taking part. The King may face a choice between abdication and virtually complete submission to those elements which he has hitherto shown every determination to extrude from the government of the country. Even before that painful choice is put before him, he must decide whether to seek yet another compromise on terms still more unfavourable to himself—or to throw the weight of the army against the mob in a desperate effort to restore the situation to the position of last week. A decision in the latter sense would clearly mean serious bloodletting. (*The fall of the Khalidi government, which followed, is discussed on page 293.*)

Germany's Outsize Easter Egg

FROM OUR BONN CORRESPONDENT

IN many west German gardens last Sunday the Easter Hare performed even more startling prodigies than usual. All sorts of elaborate toys were found in the bushes along with the traditional chocolate and painted eggs. In the adult world, innumerable newly hatched cars and motor scooters swelled the awesome southward flow of glittering traffic along the autobahns and the Rhine. Probably never have the flower shops bunched so many roses and carnations at 1s. 8d. a head. Only a few sourpusses—mostly bankers, economists, and big employers—viewed the Easter spree with some misgiving.

The wage increases that came into force on April 1st and the recent improvements in old age pensions and social insurance payments are raising the purchasing power of employees and dependants by some £1,000 million a year. The Bank Deutscher Laender estimates that this represents an increase of 15 per cent since the second quarter of 1956. Well over three million people are sharing in the new handout. For some 840,000 railway, post office, and federal, state and municipal workers, wages have gone up by 7 per cent. For 1,200,000 builders hourly pay is up by 10 per cent, part of which is meant to compensate for the cutting of the working week from 48 to 45 hours. At the same time the 45 hour week was introduced for a million textile and clothing workers, hourly rates being increased by 7 to 9 per cent for the former and by 8 per cent for the latter. Nor is this all. At the end of May a 45 hour week and a rise of ten per cent in hourly pay will come into force in the shoe trade and the chemical, paper, and ceramic industries.

It is much too early to determine what effect this distribution of largesse (the wrong word, perhaps, since many think the increases long overdue) will have on the givers and the takers; to predict how far extended automation can offset rising costs of production, and whether in fact the takers will in the end be any better off. But it is being pointed out that between 1955 and 1956 the west German worker increased his output on the average by only 3.4 per cent while that hour's work cost his employer 8.8 per cent more.

Some of the measures that are being taken or contemplated to stop the boom galloping headlong into inflation were discussed in *The Economist* last week. That the problem is engaging managerial as well as official minds is apparent from a striking three-quarter page advertisement published in all the major newspapers, in which 58 big consumer-goods manufacturers jointly undertake not to raise their prices before the end of the year. They include Agfa, Muelhens 4711, Faber-Castell, Bosch, Salamander (shoes), Henkel (soap and detergents), Beiersdorf (Nivea products), and last (but, as the warmer weather sets in, not least) the Dortmund breweries.

"The hour," the manufacturers declare, "demands from our firms, which are particularly dependent on the consumer's buying power, an active contribution towards keeping prices stable. Consequently we have decided not to raise the prices of the branded articles that we make for private use." Many other firms will feel compelled to follow this example. Already several big stores have sent telegrams to the Minister of Economics assuring him that they will do their utmost to keep prices steady and that they approve of his programme for opening west Germany more widely to competitive imports.

But there is doubt in the air. The 58 would-be benefactors end their proud announcement with the sobering observation: "Whether we can maintain our current prices beyond the end of this year does not rest within our power alone. Our prices are linked with the costs of production and marketing." Dr Adenauer's opponents have quickly fastened upon this warning, protesting that the campaign to keep prices stable is no more than an electioneering stunt organised by big business.

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Migration from North Africa

FROM OUR PARIS CORRESPONDENT

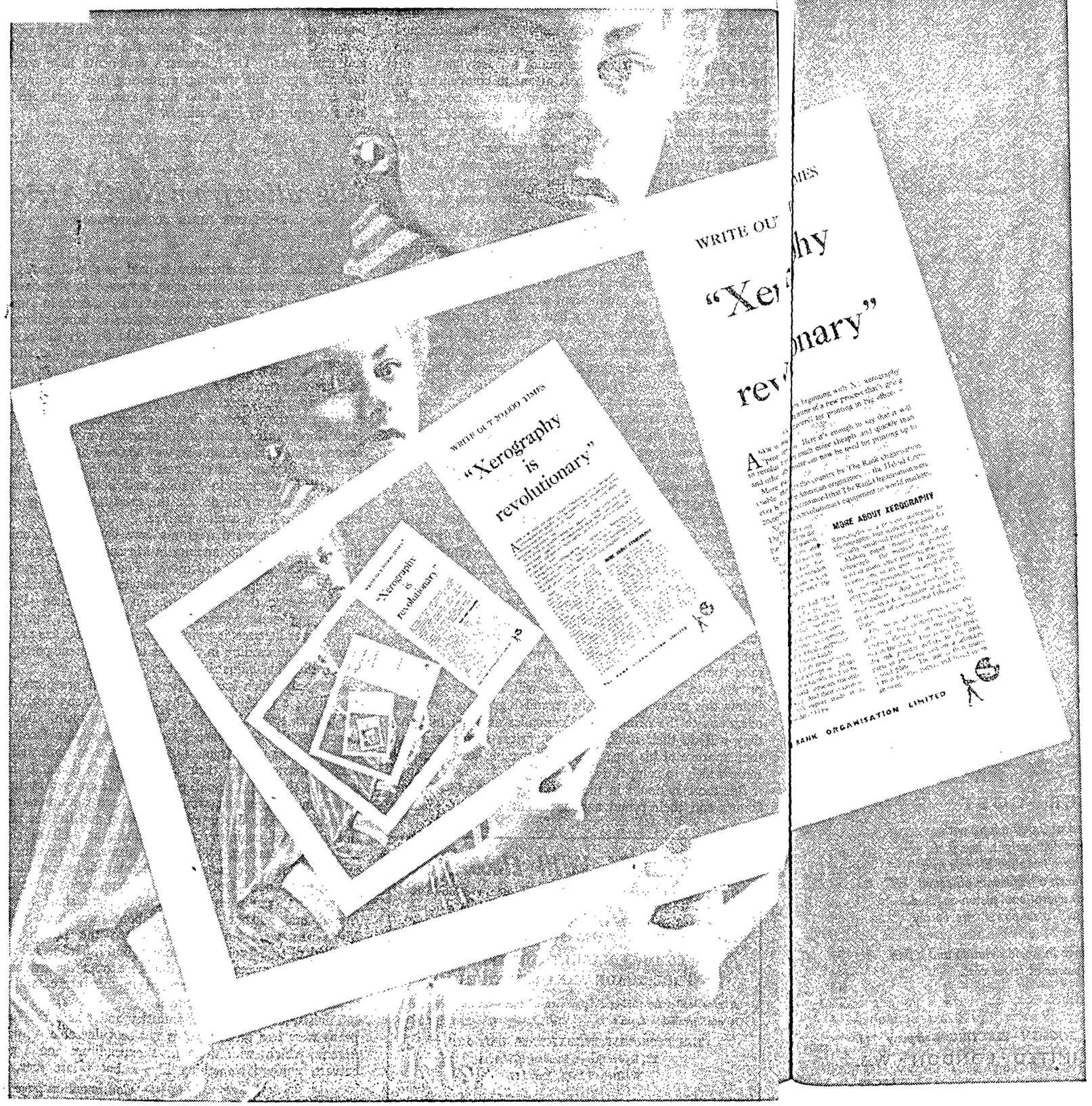
So much anxious attention is paid to the obstacles the million French settlers raise to peace in Algeria that little has been given to the effects of independence in Tunisia and Morocco on the European settlers in these countries. Yet by March 80,000 of the 530,000 settlers in the two former protectorates had returned to France and the current flow is perhaps a thousand a week. Financially, even many of those who remain are now on the way out. Nearly £300 million apparently streamed last year from the oversea franc zone on to the domestic French money market, most of it from North Africa. Much of this enormous sum was military spending in Algeria finding its way home. But the economic substance draining out of Tunisia and Morocco also went to swell investment in France, and helped to maintain private loans last year despite the extra money the government drew off the capital market.

Half the homeward migrants have come from Tunisia, though the French community in Morocco is twice as large. Yet Morocco has suffered more. For Tunisia is speeding emigration by replacing three-quarters of the French civil servants—even the village postmen were French—by its own young men. Morocco, on the other hand, with relatively fewer literates, is trying to keep its Europeans; and is apparently succeeding in the case of government posts, but not in the vital industrial sector.

Morocco, which has excellent industrial prospects, was until 1954 a haven for tax-shy and trouble-shy capitalists. Casablanca resembled a New World boom town. But the insecurity the Europeans have felt since last October's massacres, the unwillingness of Moroccans to work well for French masters, and their constant wage demands have created a slump. The old, privileged life enjoyed by Europeans on salaries that would have been unimpressive in France, has been destroyed by inflation and heavier taxes. Badly needed engineers and foremen, as well as shopkeepers, are leaving. The bigger firms will remain, but several building contractors have decamped, lock, stock and barrel, to France. Out of 528 firms employing more than 50 workers, 122 were closed and 350 on short time in March, and 200,000 out of a labour force of a million Moroccans were unemployed. Even the farmers, the minority of true "colons," who now find it hard to sell their land at good prices, are tending to extract the maximum profit from it with little regard to the future, and are sending the proceeds to France.

Tunisia, which has little industry and where the Europeans were less productive, is not so vulnerable. And in Algeria, which, with the army's expenditure and a good harvest, enjoyed something like a boom last year, the

Continued on page 321



THE ECONOMIST APRIL 27, 1957

WRITE OUT 20,000 TIMES

"Xerography is revolutionary"

A NEW WORD joins the select company beginning with X: xerography (pronounced zerography). It's the name of a new process that's going to revolutionise the production of 'masters' for printing in big offices — and other organisations too.

More about xerography further on. Here it's enough to say that it will enable offset litho 'masters' to be made much more cheaply and quickly than ever before; and that even a paper master can now be used for printing up to 20,000 good copies.

Xerography was introduced into this country by The Rank Organisation. This need not surprise you. The American originators — the Haloid Company of Rochester, New York — were convinced that The Rank Organisation were the right people to introduce this revolutionary equipment to world markets.

'Rank?' you may say. 'But they make films'. Yes indeed. And for the past year we have been telling you about our film making, its problems and achievements. But one of the ways in which The Rank Organisation has tackled its problems has been to broaden its base. It now has interests — very important interests — far beyond the world of entertainment.

Rank industrial activities had their origin in manufacturing for the film industry. Apart from its well-known interests in the radio and television fields the Organisation today includes companies making electronic equipment, precision instruments, optical equipment and machine tools of many kinds.

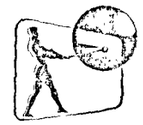
Rank-XeroX Limited is its newest scion; xerography its latest enterprise. Many of its products are acknowledged to be the best in the world; some are the only ones in the world. And their contribution to Britain's export trade is as important as that of films.

MORE ABOUT XEROGRAPHY

Xerography is a process analogous to photography, but without the need for specially sensitised paper or plates.

Making 'masters' for offset lithography (the process used in many office printing machines) is only one of its uses. It also opens up exciting possibilities in aerial photography and medical X-ray. Its scope is boundless. And it produces the masters in a few minutes at a fraction of the cost of conventional lithographic plates.

The basis of the process is a special photo-conductive plate which will conduct electricity in the light but not in the dark. After the plate has been charged and exposed, dry developing powder is applied which adheres only to the dark parts of the image. The powder image is then transferred by electrostatic attraction to the final material, such as an offset litho plate, and fused on by heat.



THE RANK ORGANISATION LIMITED



MORE POWER AT LOWER COST

*The **Eland** is a Turbo-prop aero engine type tested at 3,000 e.h.p., with even greater power being developed. It combines low weight, low fuel consumption and ease of maintenance. Napier have installed **Elands** in a Convair 340 airliner and the conversion has shown a handsome all-round efficiency increase. Similar conversions of other operational piston-engined airliners are being investigated. **Elands** will also power the Fairey Rotodyne 40-seater helicopter.*

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ntinued from page 317

opeans are staying put. Though money has flowed ntifully from Algeria to France, bank deposits in Algeria e also risen—in marked contrast to the ex-protectorates. geria has grown richer during the rebellion, independent nisia and Morocco have grown poorer.

The labour-hungry, booming state of the French onomy has made the transfer home less painful than ght have been expected. Apart from lawyers, most tech-cally and professionally qualified repatriates can easily find bs. Civil servants are absorbed in the home administra-on (though policemen have found themselves re-posted to lgeria, probably nearer their starting point than they oped). A few hundred farmers have settled down in outh-western France. They bought considerable tracts of heap land (annoying the peasants by raising its price) and oubled yields by go-ahead management (which meant acking labour). Despite the consequent tension they have ontributed to the recent revival of the long declining outh-west. The government would like to settle other epatriates in Corsica. The less self-reliant were, until ecently, accumulating in camps and boarding-houses round Marseilles and other southern ports. But the government is now providing loans up to £15,000 to set up repatriates in business. The great problem remains housing: the rich have pushed up prices in Paris and the Riviera, the less lucky are living with relatives or in the depressing, rented hotel rooms which are the new slums of a house-hunting France. Nevertheless, the fear that the influx of embittered "colons" from Tunisia and Morocco would foment political trouble in France has not yet been justified.

★

Even in Algeria, where the settlers are most deeply rooted, many will leave when their privileges are curtailed. But big firms will stay, and many people will leave only gradually, since it is hard to realise assets like land in a hurry. As long as the French economy continues to expand, the rate of return will probably be manageable and the migration, like most others in history, will finally benefit the receiving country. The dangers will probably lie less in France than in North Africa.

The Europeans' departure impoverishes poor countries which are explosive with the revolutionary social pressures of one of the world's most rapidly rising populations. It makes their need of capital, and of the technicians to use it, more urgent than ever. But the longer the Algerian war lasts, the greater will be the migration and the consequent strains on the moderate North African regimes. And this year the situation will be aggravated by bad harvests. French public grants to Tunisia and Morocco have become bargaining counters in negotiations complicated by the Algerian issue and have been repeatedly postponed. Every year's delay will increase the ultimate burden on France, which has probably put more money into the French Union since the war than any European country into under-developed areas, but cannot continue to meet the ever rising bill. America has given few signs of filling the gap. Even the end of the Algerian war will bring little quiet to North Africa unless the Sahara's future is settled, and the still sketchy idea of "Eurafrica" filled out; these seem the only ways of providing new revenues as prolific as the rising population.

"Uncle Louis" Nears Polling Day

FROM OUR OTTAWA CORRESPONDENT

A DEFINITIVE study is badly needed of the "father image" in North American politics. It must embrace Canadian experience as well as the Eisenhower phenomenon; for it is now obvious that Mr Louis St Laurent led the way as long ago as 1949, although Canada—as well as being less prone to "Mom-ism"—was content with an uncle instead of a father.

A few months after Mr St Laurent succeeded Mackenzie King as Prime Minister, in the election campaign of 1949, he established a new public character called "Uncle Louis." This benevolent figure appeared without warning. Before the campaign Mr St Laurent had seemed a cultivated corporation lawyer, rather too stiff and too prosperous to please the Liberal strategists. He combined the air of a grand seigneur with a tendency to outbursts of Irish temper. But all went well "on the night": the unsuspected Uncle Louis played to tremendous applause. He repeated the success in 1953, and he is now attempting his third, and presumably last, appearance with every hope of a similar result. Polling day is June 10th; and the Prime Minister probably trusts Uncle Louis well enough by now to be confident of taking him to London for the Commonwealth meeting later in the month.

Observation of Mr St Laurent's success alongside Mr Eisenhower's—different as the two men are—suggests a certain common formula to which many a prospective statesman should be able to conform. Obviously he should not appear to be too bright. He should not offer specific policies, for that brings him down to the level of ordinary politicians. He should cultivate the air of a slippered family man sucking his pipe by the fire, all passion spent. He should claim only the tolerant judgment of one long acquainted with human folly, thus tacitly asserting his own immunity from it. He must display an unconquerable affection for every grubby child that crosses his path, and a deep, old-fashioned love of his native land. This last quality he will wisely concede also to his opponents: but somehow it will seem nobler and wiser in him. Finally, he will convey a slight suggestion of weariness under burdens patiently borne. This wistful touch arouses the maternal instinct in both male and female voters. It clinches all.

It is a pity that the coming election has to be presented in these terms; but unfortunately it promises no real test of opinion on Canada's basic problems. Its chief fascination will be to see how the old master, now in his 76th year, can re-create the character of Uncle Louis. For Uncle Louis is the vote-getter; Mr St Laurent himself hasn't been trying to get votes for four years. But Uncle Louis hasn't been seen in the House since the early stages of this parliament, and his memory has faded among those who do daily business with the Prime Minister. The real St Laurent is as different from the public image as the real Eisenhower; but he has no Sherman Adams. That tricky tendency to outbursts of temper is no longer a secret; it was one of the features of the parliamentary session just ended.

During this three months' session, the opposition apparently set out to rattle the entrenched Liberal ministers: it succeeded beyond hope, but in doing so forfeited the chance

of showing its own qualification to govern. It may have tarnished the government's shining armour in the eyes of a few close observers, but it never looked anything like a knight itself. The Conservatives missed their new leader. Mr John Diefenbaker, elected leader only in December, must have deliberately decided that it was more important to show himself in the country than to demonstrate leadership in the House of Commons. The fact that he was probably right is a bitter judgment on Canada's parliament after 22 years of Liberal rule.

The government, enjoying the support of 168 members out of 260 (with five vacancies), devoted much of its legislation to patching up soft spots in the constituencies, with special attention to the rural vote, which is heavily overweighted. It cast aside long held and oft proclaimed principles about keeping out of provincial affairs in the hope of rescuing Nova Scotia and New Brunswick, which have both ungratefully elected Conservative provincial governments. It has committed itself to extensive power developments, which it always previously refused on the highest grounds of principle. The free-trade standards of Gatt, which it has long and self-righteously paraded before the world, have been abandoned, with all their international significance, for the sake of making doubly sure of a dozen seats in rural Ontario. A price support has been established, at a high level, for powdered milk. It automatically invokes powers of control over imports which precisely parallel those of Section 22 in the United States Agricultural Adjustment Act —a favourite object of denunciation by this government for many years. It happens that the chief victims of the powdered milk subsidy are not in the United States, but in New Zealand and Australia. This will provide a good opportunity for Mr St Laurent to show what Uncle Louis can do at the June Commonwealth meeting.

★

Not one of the opposition parties has stood up in protest against these measures. They have preferred to concentrate on revelations of small improprieties and misleading or careless statements by ministers; and these show no sign of stirring an apathetic public. Postwar prosperity has not palled on the Canadian people, and it is now at a peak. Fear of toppling over the peak into recession is still inchoate and remote.

Even the voters most worried by signs of Liberal deterioration find nowhere else to turn. The opposition is split three ways: the Progressive Conservatives (51 seats) are the only challenge in the Maritimes and Ontario; in the west, Social Credit (15 seats) and CCF (22 seats) are stronger. And the Conservatives seem determined to make their appeal more amorphous even than that of the Liberals. It is hard to be more all-inclusive than a party with such a long record of being all things to all men, and the effort is again ending in demands for higher spending and lower taxes, less inflation and easier money.

Mr Bruce Hutchison, the editor, reporter and historian, complained the other day that Canadians suffer from the illusion that they can go on indefinitely living beyond their means by foreign borrowing; and from the illusion that their economy is secure, when it is tightly geared to this investment. But these very illusions are being acclaimed as the Liberal government's miracles, and, says Mr Hutchison, "we have no party willing to warn us of these dangers".

German Assets in Austria

FROM A CORRESPONDENT

For the past nine months a joint Austro-German government commission has been wrestling with the intricate question of German assets. They met in Pörtschach on the Wörthersee, in Baden-Baden, Munich and Vienna. They shunned publicity and for six months no report of their activities percolated through the press, until the Catholic weekly *Die Furche* interrupted the idyll with a long anonymous article which alleged that the commission's recommendations contravened the State Treaty. At this rate, it said, the country would get into difficulties with its foreign relations.

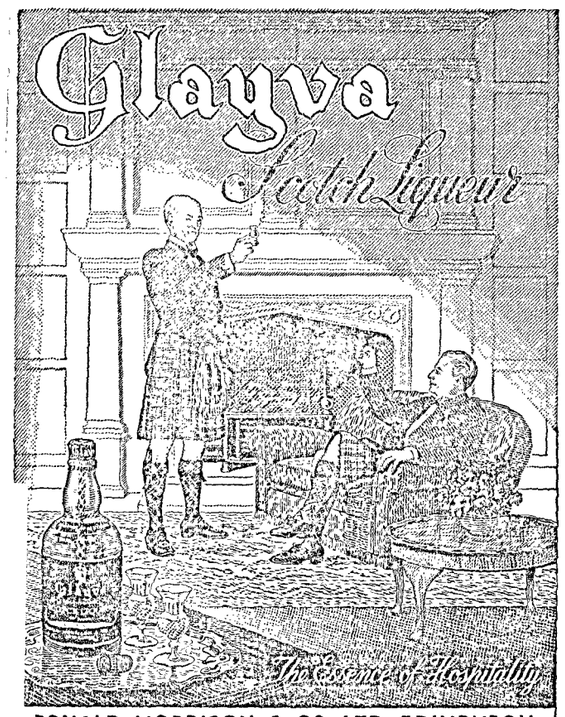
The article caused official consternation and much speculation not only about the identity of the author but about the nature and intention of the "leak." Two things are now certain: the author was a member of the Foreign Ministry speaking for the left-wing Catholic pressure group, and whoever authorised the leak it was not the Chancellor, Herr Raab. Dr Canaval, editor of the *Salzburger Nachrichten* and a personal friend of the Chancellor's, replied with a leader attacking *Die Furche* mainly on the score that it had accused honest, well-meaning civil servants of what amounted to high treason. It would have been more to the point to ask what motive the author might have for warning public opinion in advance about the outcome of incomplete and delicate negotiations which must in any case be followed by prolonged debate before the treaty is ratified. It is assumed that *Die Furche* thought it better that Bonn should be irritated at an early stage rather be forced to witness a violent struggle on the floor of Parliament in Vienna. At all events, the Catholic group has succeeded in prolonging the negotiations through the winter.

Essentially the questions at stake are these: Since the Austrian State was never *de jure* at war with the Allies and was consequently exempted from payment of reparations, was it, or was it not, the intention that the German assets should to some extent compensate Austria for the heavy oil payments to Russia? And has Austria not been allowed to pay Russia for these assets at the rate of, to quote the treaty, "$150 million in freely convertible currency within a period of six years"? (The payment is actually being made in industrial products.) The answer is: Yes, but pacific relations with western Germany are not only desirable but must always be a vital tenet of Austria's foreign policy. Therefore Austria cannot afford to stand pat on its rights.

Interpretation of the treaty text raises a thicket of tactical considerations. Article 22, paragraph 13, of the State Treaty lays down that

> Austria binds herself to return no properties handed over to her as former German assets, rights and interests, with the exception of property serving educational, cultural, charitable or religious purposes, to the ownership of German legal persons, or, in so far as the value of the assets exceeds 260,000 schillings, to the ownership of German natural persons.

This sum of 260,000 schillings has won a certain well-deserved notoriety. First of all, it is unclear whether it is intended to represent $10,000 at the exchange rate prevailing in 1955 or whether the sum in Austrian schillings



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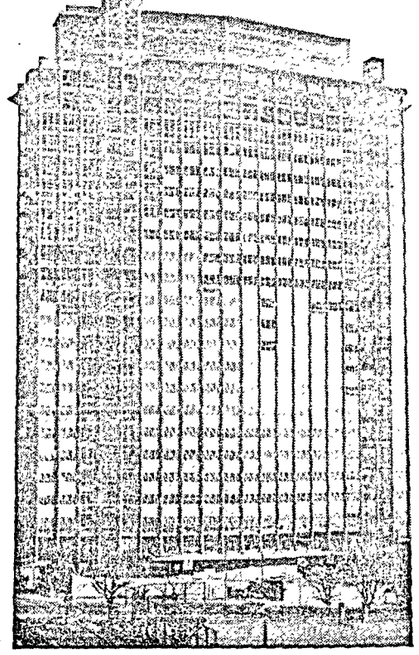
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has a legal validity of its own. And were the *signatories'* financial advisers aware that they must distinguish between the taxable value of property and its market value, which may well be a multiple of the taxable assessment? It can at any rate be maintained that these 260,000 schillings stand for a sum X. Subject to conditions stated in the Treaty, properties worth less than X may be returned, those worth X-plus may not. And it is not altogether a bad thing that a treaty which is riddled with ambiguities throughout should leave ample room for negotiation on this issue. What particularly agitated the author of the criticism in the *Die Furche* article, however, were recommendations that where property consists of various categories (factories, land or housing) these may be considered separately, and that 260,000 schillings may be repaid on each part. Here protest is certainly justified; the wording of the Treaty is perfectly clear.

A fresh development is that the east German government has presented a note to Vienna, stating that, as one of the two successor states of the German Reich, eastern Germany cannot be left out of the discussions on German assets. The east German government is willing, the note continues, to enter on negotiations on Austrian assets in its part of Germany, and vice versa, but it will not recognise the validity of a treaty concluded with Bonn alone. It is considered here that the note is merely part of Pankow's campaign to gain piecemeal recognition by way of commercial agreements or any other means which presents itself. Vienna has no diplomatic relations with Pankow.

The commission's work is now at an end, but a few relatively minor points are still open and are to be settled by the Cabinets. These are believed to concern pensions and liabilities: some reluctance has been noticed among Austrian purchasers to take over their predecessors' debts in spite of the advantage of a low tax assessment.

It is intended that the treaty should be signed and ratified by Whitsun, when Dr Adenauer is to visit Vienna.

Chile's Legal Dictatorship

FROM A CORRESPONDENT IN SANTIAGO

The riots at the beginning of this month brought Chile to the verge of its most serious political crisis since 1931, when the dictatorial regime of General Ibañez was overthrown. This time, General Ibañez, who again became president in 1952, has managed to surmount the crisis, but only by using methods which are reminiscent of his earlier dictatorial government.

The riots arose from Chile's notorious inflation. During the last four years, national income per head in Chile has been dropping at the rate of 7 per cent a year. In 1955, the cost of living went up by over 80 per cent, while last year the government and their financial advisers were congratulating themselves on having kept the annual rise to a mere 38 per cent. An ill-timed increase of 50 per cent in bus fares, announced by the authorities during the last week in March, released a wave of protests which for three days kept the capital in a state of chaos. The Central Trade Union Organisation planned to call a general strike in support of the students who started the riots, but this was averted by the government, which put all trade union leaders under preventive arrest.

The government has said that the whole disturbance was a preconceived and seditious plan by the extreme left-wing parties. But while there is no doubt that agitators took advantage of the rioting to incite the crowds against the authorities, the incentive for the riots was already there.

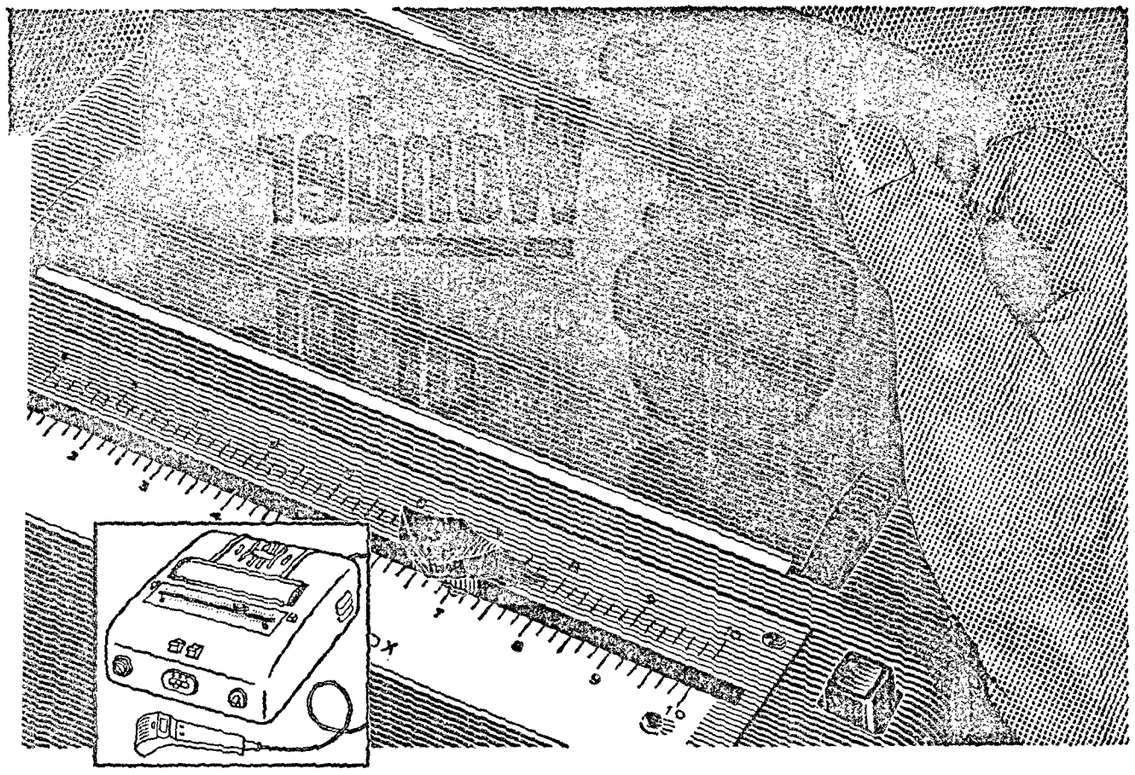
President Ibañez was elected in 1952 for a six-year term in office against the strong opposition of every traditional political party. Independent voters supported him because they believed that his firm and austere personality was the most likely to put an end to corruption and to curb the inflationary spiral. They remembered his achievements as a strong leader when he ruled between 1927 and 1931. However, far from putting an end to corruption, his administration has been involved in an embarrassing series of scandals involving wholesale smuggling, unlawful disbursement of public funds and even bribery. Furthermore, his administration has been extremely inept in solving the economic problems of the nation, and his decision in 1955 to hire the services of the American firm of financial advisers, Klein-Saks, was felt by some to be an admission of his inability to cope with the inflation unaided.

The latest, and most telling, demonstration of his loss of popular support came at the beginning of March when his party—the Agrarian Labour Party—suffered an extremely severe defeat in the general elections which has left him without congressional support. And to crown all this, many people were alienated by the unnecessary brutality displayed by army and police in repressing the riots. The official casualty list of 23 dead and 287 wounded, of which only five were policemen lightly injured, reflects the character of the struggle.

President Ibañez has reaped some important advantages from the seven days of crisis. He has ordered the total destruction of the Horizon Press, where six left-wing newspapers and magazines are published, thus, at one blow, assuring himself of a friendly press for the remainder of his term in office. Also, using the riots as justification, he has asked congress to grant him special extra-constitutional powers to deal with what he calls "the grave communist menace." Congress (the pre-election congress, since the new one does not take office until May 21st) voted him powers to arrest, imprison and deport to concentration camps anybody he wants out of the way. Chile is today under what some people call a "legal dictatorship." Scores of journalists and trade union leaders have already been arrested and sent to concentration camps in Melinka and Putre, in the south of Chile. The government also controls all radio news broadcasts, and has imposed a strict press censorship.

Some supporters of General Ibañez believe that these measures will eventually be justified by the defeat of inflation. His critics maintain that political repression is hardly likely to solve the country's economic problems. Chile, according to these critics, is on the way to becoming an "illegal dictatorship." President Ibañez is already 79, and is not likely to want to stand again for the presidency when his term runs out next year. But his close friend, the former Minister of the Interior, Colonel Benjamin Videla, is said to be an eager candidate for the presidency, especially if this does not involve the bother of going through an election. In the latest cabinet reshuffle precipitated by the resignation of four ministers who objected to President Ibañez's police methods, Colonel Videla lost his ministry. But this may well be a case of *reculer pour mieux sauter*.

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THE BUSINESS WORLD

A Future for Futures?

NEARLY all the futures markets reopened in Britain after the war have now been operating for three years—some for much longer. Trading in rubber was freed at the end of 1946; tin followed late in 1949, cocoa in January 1951 and lead in October 1952. In the following year zinc, copper and wheat joined the ranks of the free and a new futures market in wool tops was opened. Futures trading in barley and maize was resumed in January 1954, and cotton futures followed in May. Futures trading in raw sugar, the last market to be freed, started only last January.

How successfully have the markets fulfilled their functions? Futures markets try to anticipate future prices of actual commodities and allow traders to protect themselves against loss on their transactions in actual commodities. In so doing they help to adjust supply and demand, facilitate dealings for forward delivery, and reduce the cost of distribution.

When a trader buys a commodity to sell it later on, or when a consumer buys it to use it later on he runs the risk of a change in its value; he becomes an involuntary speculator. To protect himself he sells an equivalent quantity of paper warrants entitling the buyer to delivery of the commodity in, say, six months' time. When he sells the actual commodity he buys back his futures. If prices have fallen in the meantime the loss on the sale of the actual commodity is offset by the profit on the futures transaction; if prices have risen the profit on the actual sale is offset by the loss on futures. The method of operating has several variants, and the risk of price changes can never be completely hedged; the "paper" commodity is of a standard grade whereas the actual commodity is a particular grade chosen for a particular need, and the prices of each do not always move together. But the broader the market the smaller the disparity in price is likely to be and the better the hedge.

No one supposed that the markets would have an easy time in the first few postwar years, and many doubted whether they could regain their prewar trade. They had to start again in a very different world. Consumers, for so long cossetted by official supply departments, had forgotten the art of buying and hedging; many preferred fixed prices. The merchanting community had declined in numbers and substance; its capital had been eroded by inflation. The freedom of the markets was circumscribed by exchange restrictions and other forms of official interference with the marketing of commodities.

Given the world in which they now work it is gratifying that some markets have functioned as well as they have. The London Metal Exchange, the markets in rubber, cocoa and wool tops are enjoying a modest success and the barley futures market has recently got on its feet. But after a promising start the cotton futures market is now struggling for survival, and wheat and maize futures show only the faintest signs of life.

The Liverpool Cotton Exchange, the birthplace of futures trading, provides an unhappy case study of the difficulties that beset markets. The famous "ring" in the exchange is a sad sight today. The clamour and excitement of prewar days are gone, leaving only a handful of jobbers to chat idly with one another, do the crossword puzzles and—just occasionally—make a trade. The main trouble is that present government policies—American government policy in particular—are incompatible with free markets.

In 1955 trade in raw cotton and manufactures was disrupted by the expectation that the American government would be forced to subsidise exports of raw cotton. In 1956 a subsidy was introduced, at a level that closely confirmed the Liverpool market's predictions, and the Government became the primary exporter. The new American selling programme has

been successful within its limits, but it has wrecked the delicate mechanism of futures markets. The New York cotton exchange has been turned into a purely domestic market (as Chicago is for grains), and the link between New York and Liverpool has snapped. In effect a floor price has been put under American cotton for export this season; spinners here have thus had little need to hedge and futures business has fallen away.

The day may come when spinners will want to hedge their risks, only to find that the weary jobbers have drifted to other jobs. Some of the big spinning combines see the risk and fear it. But with stronger finances than before the war, with an increasing use of man-made fibres and—in some groups—a move towards verticalisation, the combines would not be the hardest

TURNOVERS BEFORE AND SINCE THE WAR
(Monthly averages in tons)

	Average 1936–1938	1954	1955	1956*
Rubber	...	16,218	36,622	36,091
Tin	7,538	2,463	3,313	3,993
Lead	33,456	13,258	13,585	17,485
Zinc	31,651	16,235	18,485	18,525
Copper	45,667	21,117	28,875	32,931
Cocoa	22,443	23,733	15,935	17,660
Wool†	...	1,581	1,219	1,814
Cotton‡	...	4,473	5,799	2,235

* Turnover in metals not fully comparable with previous years. † Contract units of 5,000 lb. ‡ Contracts of 100 bales.

hit. It is the small independent mills that would suffer most from the lack of hedging facilities, and the pace of elimination or amalgamation with larger concerns would quicken in consequence.

The spinners themselves could do something to help the futures market, if more of them regarded it as *their* market and knew how to use it. If they based their selling prices for yarn on Liverpool futures all members of the trade could hedge their risks on a common price basis and future trading and stock-holding would be encouraged.

Even in those markets that are more active there is no call for complacency. Take the Metal Exchange: before the war the United States was a large exporter of non-ferrous metals and the exchange (or rather the merchants and operators who used it) was the residual world buyer. Now the United States is a large net importer and the American government is the residual world buyer of lead and zinc; a similar service it performed for tin has now passed to the International Tin Agreement's buffer stock. And though copper is in surplus little of it has appeared on the exchange. When metals were short and spot supplies commanded a premium consumers justly complained that the cost of hedging was often disproportionate to the risks involved. Now the shortage has disappeared, but because the surplus is not allowed to flow to the market the premiums for spot supplies tend to persist and merchants cannot build up stocks.

Hedging facilities also suffer because all markets are to a greater or lesser degree "thin"—that is, turnovers are small, with the result that prices are too sensitive and buyers and sellers cannot trade without moving prices against them. This produces a vicious circle: markets are thin because too few traders use them, and more traders will not use them because they are thin.

CHANGES in the method or pattern of trading are partly to blame for the thinness of some markets. Before the war British West African cocoa was shipped by many private firms whose activities stimulated business in futures. Now all that cocoa is sold through the official marketing board which does not hedge. Before the war the United States bought a large part of its supplies of natural rubber through London; now it buys direct from the East. Prices of wheat are fixed by government agencies, who are often the sole sellers too. And by selling on a "price-to-be-fixed" basis the Canadian and Australian wheat boards are covering buyers against a large part of their price risks. Turnover in metals is restricted not only by the changed role of the United States: British consumers now draw far more of their supplies direct from the producers than before the war. Opportunities for arbitrage between futures markets have also diminished, not because exchange is denied but because some foreign markets—such as the Chicago grain and New York cotton markets—have lost their international character. And all markets report that professional speculators, whose activities did much to broaden business, are almost non-existent.

Though the futures markets may never regain their prewar importance they should not be content to stand still. It is doubtful whether some market authorities have done all they can to attract custom, and doubtful, too, whether their potential customers have done all they can to help put the markets on their feet. They have a responsibility for despite the changed pattern a great part of the world's trade in commodities is still done in sterling, and the hedging facilities that London and Liverpool offer help to hold that trade together. If there were a greater willingness to operate, periods of extreme prices would be shorter and fluctuations less sharp. Would that not be in everyone's interest?

Harder times may come to the markets' aid. When profit margins are narrow industry can least afford to carry the risk of unhedged stocks; the Dunlop Rubber Company's accounts point the moral. Hedging facilities should therefore attract more interest. Marketing policies may also change for the better. The copper producers may be obliged to put metal on the market, and the American government cannot go on acquiring the surplus of lead and zinc for ever. And if the United States solves its problem of over-production of farm products the time will surely come when exports of American grain and cotton are handled wholly by the private trade. In the long run, it will pay trade and industry to give the futures markets full support.

Camera on Companies

Statistics published by the National Institute of Economic and Social Research throw light on the sources and uses of corporate finance

FAMILY snapshots, however faded, have some charm but little use. Statistical snapshots, unavoidably faded, have little charm but some use. They suggest where the camera should now be pointed. The roll of statistical film exposed, developed and printed by the National Institute of Economic and Social Research looks old: it relates to "Company Income and Finance 1949-53." But its findings have a contemporary relevance. Such studies are not new. *The Economist* began the first series of the kind after the passing of the 1948 Companies Act—in January, 1949. But the National Institute breaks new ground in using accounting dates (and not the dates on which the reports were published). Above all, the results have been so analysed as to produce a full survey of the sources and uses of company finance.

Reliance on these statistics, as on any others of the type, has to be qualified. The figures relate only to public quoted companies. That population, because of the births, marriages and deaths of public companies, is slowly shifting. The results are broken down into industrial groups, and a group can be dominated by the untypical experience of one giant or rapidly growing company. Companies trading wholly abroad have been excluded, but many which trade both in this country and abroad are unavoidably included in the analysis. The years of tabulation relate to accounts made up at any time within the fiscal year: the year "1953" may thus include both an account drawn up on March 31, 1954, and one drawn up on April 30, 1953, though most company accounts cluster around the calendar year-end.

How comprehensive are these statistics? Each year about 2,900 public companies were included in the analysis. These companies had in issue about 43 per cent of the paid-up capital of all public and private companies (totalling £6,412 million) and about 67 per cent of the paid-up capital of all public companies (totalling £4,062 million). Because public companies control a large number of private companies these percentages are appreciable understatements. Over the five years, 1949-53, the National Institute's "grid" of companies earned about 56 per cent of all corporate profits (and in manufacturing alone about 71 per cent). Over this period, because of a higher rate of growth, these grid companies increased their share in total corporate profits from 51 to 60 per cent (and in manufacturing from 66 to 75 per cent). These percentages probably represent slight overstatements. By numbers employed, the grid companies covered about 46 per cent of British manufacturing activity, but the cover varied widely between industries; it was 21 per cent in clothing and footwear and 85 per cent in tobacco.

It is probably fair, without regarding the figures as exact, to use them as a measure for public companies and to compare the experience they depict with that of the corporate sector as a whole. Such a comparison establishes that profits in 1949-1953 were growing faster in public companies than in other companies. The difference may be partly due to the acquisition of non-quoted companies by public companies. It may also reflect differences in managerial ability, financial strength, and in access to capital for the purpose of

THE SHARE OF THE 100 GIANTS
(1949—1953)

	ALL COMPANIES		100 BIGGEST COMPANIES		REMAINING COMPANIES	
	£ mn.	%	£ mn.	% of total	£ mn.	% of total
Profits (1949-1953)						
Trading profit	6,344	100·0	2,703	42·6	3,641	57·4
Taxation	3,089	100·0	1,284	41·6	1,805	58·4
Net income	2,335	100·0	1,014	43·4	1,321	56·6
Net ordinary dividends	692	100·0	273	39·5	419	60·5
Balance Sheet 1953						
Fixed assets, etc.	3,961	100·0	1,932	48·8	2,029	51·2
Net current assets	3,570	100·0	1,556	43·6	2,014	56·4
Net assets	7,531	100·0	3,488	46·3	4,043	53·7
Ordinary capital	1,880	100·0	757	40·3	1,123	59·7
Reserves	3,326	100·0	1,561	46·9	1,765	53·1
Sources and Uses (1949-1953)						
Additions to reserves, etc.	2,809	100·0	1,249	44·5	1,560	55·5
New issues (total)	653	100·0	329	50·4	324	49·6
New issues (ordinary)	307	100·0	138	45·0	169	55·0
Total sources	*4,592*	*100·0*	*2,093*	*45·6*	*2,499*	*54·4*
Expenditure on fixed assets	2,113	100·0	1,002	47·4	1,111	52·6
Increase in stocks	1,087	100·0	513	47·2	574	52·8
Total uses	*4,252*	*100·0*	*1,955*	*46·0*	*2,297*	*54·0*
Additions to liquid assets	365	100·0	152	41·6	213	58·4

expanding capacity. Secondly, the public companies alone do not appear to have been net lenders to the rest of the economy as the Blue Book on the national income suggests that all companies were. The Blue Book estimated gross domestic fixed capital formation, plus additions to stocks by companies, in 1949-53 at £4,606 million; but it also estimated that the undistributed income of these companies was some £1,000 million greater, at £5,721 million. Within the National Institute's grid, gross expenditure on fixed assets, plus additions to stocks, was £3,045 million; but those companies set aside from income only £2,688 million. Thus these public companies were net borrowers from the rest of the economy—a fact which may owe something

to the inclusion of some companies which operate in part overseas, as well as to the greater proportionate growth of the quoted companies.

It is possible to take these comparisons made by the National Institute a stage further and to compare the experience of the 100 biggest companies with that of the smaller ones. The accompanying tables have been framed with that purpose in mind. This analysis is tentative because in the giants overseas earnings probably have a greater proportionate weight on the results. Moreover, these were the 100 biggest companies (by the measure of net assets) at the beginning of the period; by 1953 the list of the first hundred had changed, and so had the ranking within it.

By the end of the period, the 100 giants owned about 46 per cent of the net assets of the grid companies (including 49 per cent of fixed assets) and about 47 per cent of the reserves. Over the five years they had earned about 42½ per cent of the grid companies' trading profits (and possibly something like 28 per cent of all corporate profits); they had added to their own reserves and depreciation about 44½ per cent of total appropriations; and they had spent on fixed assets about 47½ per cent of the total expenditure of the grid companies. Because of linking difficulties these percentages are probably slight understatements, but it is thus tempting to think of a 45/55 split between the giants and the rest.

Over the five years the giants were expanding faster than the smaller companies. The expenditure on assets of the first 100 is not far short of the total expenditure of the remaining 2,750-odd companies and in terms of the formation of fixed assets (net of depreciation) seems to have been absolutely higher. To finance this growth, the giants relied slightly more than the smaller companies did on the capital market and slightly less on ploughed back profits. In particular they relied on debenture and loan stock issues, raising more in this way than did the remaining companies, and they raised less by issues of ordinary capital. Profits of the giants were also advancing faster than were profits of other public companies or private companies; but it also seems they were distributing slightly less of their net earnings in dividends. Nevertheless, the differences between the giants and the other public companies are marginal.

The National Institute's statistics have opened up a useful new line of study. A much more refined analysis and economic appreciation of the role of the giants is needed. So, too, is work on differing rates of growth and on the differing experience of declining, static and expanding industries. Fortunately, much of that work is now in hand at the National Institute. And the framework of the statistical analysis pioneered by the National Institute has been taken over by the Board of Trade, where it will be applied to more up-to-date material. A longer series of statistics and a refinement of their interpretation should produce firmer conclusions.

NET EXPENDITURE AND FINANCE
(1949—1953)

	ALL COMPANIES		100 BIGGEST COMPANIES		REMAINING COMPANIES	
	£ mn.	%	£ mn.	%	£ mn.	%
Net Expenditure on Fixed Assets						
Fixed assets (gross)	1,958	...	927	...	1,031	...
Less depreciation	*953*	...	*419*	...	*534*	...
Net expenditure	1,005	...	503	...	497	...
Other fixed assets	72	...	40	...	32	...
Investments in subsidiaries	125	...	31	...	94	...
Total (fixed assets)	**1,202**	**48·0**	**579**	**49·0**	**623**	**47·0**
Increase in Working Capital						
Increase in stocks	1,087	...	513	...	574	...
Increase in debtors	781	...	321	...	460	...
Less increase in creditors	*565*	...	*229*	...	*336*	...
Total (working capital)	**1,303**	**52·0**	**605**	**51·0**	**698**	**53·0**
Total net expenditure	**2,505**	**100·0**	**1,184**	**100·0**	**1,321**	**100·0**
Net Finance						
Reserve appropriations	1,533	...	669	...	864	...
Added to tax reserves	229	...	107	...	122	...
Less net capital payments	*27*	...	*5*	...	*22*	...
Finance from appropriations	**1,735**	**69·0**	**771**	**65·0**	**964**	**73·0**
Debenture issues	298	...	189	...	109	...
Preference issues	49	...	2	...	47	...
Ordinary issues	307	...	138	...	169	...
New issues (total)	**654**	**26·0**	**329**	**28·0**	**325**	**24·0**
Increase in minority interests	45	2·0	34	3·0	11	1·0
Residual	71	3·0	50	4·0	21	2·0
Total net finance	**2,505**	**100·0**	**1,184**	**100·0**	**1,321**	**100·0**

THE TREND IN PROFITS
(1949—1953)

	1949	1950	1951	1952	1953
All tabulated companies	100	122	147	131	146
100 biggest companies	100	126	152	137	158
All companies (Blue Book)	*100*	*118*	*140*	*120*	*136*

SOURCES AND USES OF COMPANY FINANCE
(1949—1953)

	ALL COMPANIES		100 BIGGEST COMPANIES		REMAINING COMPANIES	
	£ mn.	%	£ mn.	%	£ mn.	%
Additions to reserves, depreciation, etc.	2,809	61·3	1,249	59·7	1,560	62·5
Increase in credit received	902	19·7	394	18·8	508	20·3
New issues	*653*	*14·2*	*329*	*15·7*	*324*	*13·0*
Of which :—						
Debenture	298	6·5	189	9·0	109	4·4
Preference	48	1·0	2	0·1	46	1·8
Ordinary	307	6·7	138	6·6	169	6·8
Other sources	228	4·8	121	5·8	107	4·2
Total sources	**4,592**	**100·0**	**2,093**	**100·0**	**2,499**	**100·0**
Expenditure on fixed assets	2,113	49·7	1,002	51·3	1,111	48·3
Increase in stocks	1,087	25·6	513	26·2	574	25·0
Increase in debtors	781	18·4	321	16·4	460	20·1
Other expenditure	271	6·3	119	6·1	152	6·6
Total uses	**4,252**	**100·0**	**1,955**	**100·0**	**2,297**	**100·0**
Change in liquid assets	*+365*	...	*+152*	...	*+213*	...
Residual balance	*— 25*	...	*— 14*	...	*— 11*	...

BUSINESS NOTES

IN THE MARKETS

English Electric's £16 Million

The big event in the market since Easter has been the announcement of English Electric Company's new issue—debenture stock and ordinary shares to raise £16 million altogether and thereby almost to extinguish a bank overdraft that stood at £16¼ million at the end of 1956. It is a big sum and in an unresponsive market could have been difficult to raise. But English Electric has been happy in its timing. It struck a responsive market both on the fixed interest and equity sides. *The Economist* Indicator of ordinary shares has risen 1.9 to 218.3 over the week ended on Wednesday and the gilt-edged market enjoyed a good rally after the Easter break. The market and the Government broker's selling prices have come together for the medium-dated stocks and he is a successful seller, particularly of 4½ per cent conversion stock. The institutions seem to have money to invest and the speculators some to risk. A noticeable speculation by some of the "gross funds" was the buying of 3½ per cent war loan on Wednesday before it went ex interest in the hope that the price would not drop by the full value of the interest payment by Thursday afternoon with a further rise in gilt-edged that speculation was beginning to come right. Much of the upward flurry on the Stock Exchange, but hardly the sudden rally in sterling, was the result of hopes so premature as to be almost silly of an immediate reduction in Bank rate. The rise in gilt-edged, but not in industrials, continued on Thursday afternoon after the Bank rate hopes had been dashed.

Careful investors do not trust the market yet, but English Electric, expected to post provisional allotment letters on May 3rd, got a fine start. The debenture issue to be offered to all classes of stockholder but not the general public consists of £9 million of 5½ per cent stock 1977-82 at £97 and the ordinary share issue goes as rights in the ratio of one for five at 50s. requiring 3,044,244 £1 ordinary shares. The terms for the debenture issue are generous. The gross redemption yield of £5 14s. 6d. per cent compares with £5 14s. per cent obtainable from the Metal Box 5½ per cent loan stock, and most investors would regard the English Electric debenture as superior. The company and Lazard Brothers, who advise it, have set their faces against seeking easy popularity with a convertible stock and rightly so. They will have to use the issue market again from time to time and to borrow well the company must have a firm capital structure. Payments on the new stock are spread out until August 13th. In the price of the ordinary share issue the company has not given away any large bonus. The existing shares stood at 59s. when the issue at 50s. was announced (making the rights worth 1s. 6d. per share). The reasons for cutting the rights fine are clear. The directors who "view the future of the electrical industry with great confidence" intend to maintain the total distribution this year on the ordinary capital at 14 per cent and to do so must obviously avoid any watering of the capital. Since the last issue 18 months ago the number of ordinary stockholders has gone up from 23,000 to 35,000. Investors do not seem to need much persuading.

STERLING

The Pound's Rally

It has been an excellent week for sterling. The official rate against the dollar improved on Wednesday from $2.78¾ to $2.79⅛ though it slipped back on Thursday to $2.79 3/16. There has been evidence of some support from the Exchange Equalisation Account, but there was also good commercial buying of sterling from New York, which is as it should be at this season of the year. The oil companies seemed temporarily to have stopped buying dollars. The highly sensitive market for transferable sterling has been helped by considerable buying from Communist sources. The rate in Zurich has improved from $2.76 to $2.77. The Russians have recently been big buyers of sugar and it is estimated that about half their purchases are made in terms of sterling. The Chinese also have been replenishing their sterling balances, which they try to maintain at a fairly high level, and which had been considerably run down at the height of the Middle East crisis.

The Bulganin letter has now been interpreted in some quarters as the first hint of an easing of the international situation. If that be so, it must help sterling. In a negative way the approach of the German elections, though this introduces an element of uncertainty in the political and economic future of Germany, also helps sterling. But the bear account in sterling is exclusively the work of non-residents, while the bull account in Deutsche marks is largely held by the Germans themselves.

STEEL EXPANSION

From Sheet to Plate

A production target of 28 million ingot tons a year by 1962 has been talked about in the steel industry for some time: though no full development plan has yet been presented by the Iron and Steel Board to the Minister of Power, the British Iron and Steel Federation this week gave details of some of the major projects that will be included. The most important is perhaps the integrated steelworks to be built by Richard Thomas and Baldwins on a site close to deep water at Newport. Significantly, this last major nationalised company has not committed itself to installing the fourth wide strip mill as the finishing end of this new steelworks. Though the size of the commitment for a company still to be resold to the public may have something

to do with announcing only the first bite at this project, the setback of expansion in the motor industry, which was the consumer most concerned to argue for starting on the fourth strip mill forthwith, may have been more important. In spite of the motor industry's insistence that it is growing steadily busier, and may need more sheet steel than existing mills can provide as soon as this autumn, their steel suppliers have become a good deal more cautious about providing such expensive supporting investment. This is an argument about timing, not about the eventual need for a fourth mill: the steelworks at Newport is on a site that could accommodate one. Capacity at the existing strip mills, meanwhile, is being considerably enlarged.

Other items in the programme reflect the shift of emphasis in flat steel production towards heavier products. Colvilles are installing two four-high plate mills at Ravenscraig, while the massive expansion scheme at South Durham will double its plate production: Consett is putting in a plate mill and extra integrated steelmaking capacity, and United Steel is to instal a plate mill at Appleby-Frodingham. By the end of the new development plan, plate capacity will be increased by about a million tons a year.

BRITISH PETROLEUM

Three Shillings, Tax Free

UNLIKE the Royal Dutch/Shell statement, the preliminary report of British Petroleum for 1956 says nothing about the effects of the Suez crisis on earnings. What it does record is that over the whole year British Petroleum's sales of crude oil and refined products rose by 11 per cent, from 48 million tons to 53 million tons—figures which give no indication of value, because they are not broken down by products. The consolidated profit rose from £139,817,943 to £155,480,900. The depreciation provision was about £3 million higher at £25,202,874 and the total tax charge (after crediting British tax relief) went up from £71,389,477 to £76,324,120. Consolidated net profits thus made a sizeable advance, from £45,308,243 to £53,014,561.

Cautious investors, arguing that after all the British Government has the controlling interest in the company and that it would at the moment be impolitic and untimely to be more generous in dividends, were not much disappointed with the directors' decision to leave the ordinary dividend unchanged at 3s., tax free, per £1 unit (or 15 per cent, tax free). The price of the shares remained little changed at around 146s. The yield of a few pence over £2 per cent at that price still represents a big leap forward in political and economic time.

IMPERIAL CHEMICAL INDUSTRIES

A Fall in Margins

IN December, when Imperial Chemical Industries made its highly successful convertible loan stock issue, the directors said that the policy of stable prices was having its effect upon profit margins. Investors drew the obvious inference: the ordinary dividend would be left unchanged. The inference was right: the 1956 dividend is 10 per cent, as in 1955. And the profit statement spells out in figures the directors' warning about margins.

Last year ICI's sales rose by about 5¾ per cent, from £411 million to £435 million, but, before all charges, the consolidated trading surplus was £65,245 lower at £76,727,131. The tax provision is also down slightly (from £23,900,433 to £23,764,834), but the depreciation provision is quite sharply up (from £20,379,824 to £23,459,049) and the employees' profit sharing bonus is slightly higher at £3,146,643 (against £2,833,467). Thus the net income for the year has fallen by £4,684,024 to £19,293,139. This is one measure of the fall in profit margins. Another—and perhaps more significant one—is to compare the ratio of net income to sales in six-monthly periods since the beginning of 1955. In the consecutive half-years the ratio has come down from 5.8 per cent, through 5.9 per cent and 4.7 per cent, to 4.2 per cent in the last six months of 1956. This downward drag is not a new investment factor and investors in accepting a yield of 4½ per cent on the £1 units at a price of 44s. 9d. are looking beyond current experience to the point at which ICI's new heavy capital investments make their contribution to earnings. There is no need for them, on these results, to lower their gaze.

BRITISH DELIVERIES

Not So Competitive

AN organisation that orders a wide range of British capital equipment and other materials to the value of £58 million, as the Royal Dutch/Shell group did last year, is well placed to assess the competitive performance of British suppliers. British delivery dates for many types of equipment have indeed shortened slightly, and British manufacturers now have a much better record than they had some years ago in meeting promised delivery dates once they have set them. But in the experience of the oil industry, at least, the statement made by the President of the Board of Trade in the course of the budget debate that "... as a result of the credit squeeze, British prices (have) become competitive and delivery dates reasonable in almost all markets in the world" sounds almost incredibly complacent.

Of its £58 million worth of purchases in Britain last year, the Shell group bought £44 million worth for use in its operations overseas, and of these exports roughly a third were destined for capital projects. Yet there are still relatively few important items of capital equipment used by the oil industry overseas that can be obtained in Britain without waiting at least a year for delivery. Delivery periods for some of the smaller equipment, such as diesel engines and milling and pipe-cutting machines, have shortened during the past year, but this gain is counterbalanced by long delivery times on heavier types. Certain heavy machines, for example, are still consistently quoted at 24 to 30 months delivery, and the oil companies still have to wait up to three years for large gas turbines, up to two years for large generating plant, and a year or more for boilers, pressure vessels, tankage and heat exchangers from British suppliers. In some cases delivery times have been lengthened—the steel structures now urgently needed for under-water drilling, for example, now take 13 months to deliver, compared with 10 months two years ago.

If time were of no account, substantially all of the materials needed to build a new refinery, and over 80 per cent of the materials required for a new drilling venture, could be bought in Britain. But oil exploration and development programmes overseas cannot wait, and because of

long delivery times in Britain, the oil company buyers are forced to take their business overseas, especially to suppliers on the Continent. The Shell group, for example, last year bought for its overseas operations even more from Continental suppliers than it bought in Britain, although a few years ago over 60 per cent of its requirements were filled from this country. The oil equipment industry in Europe is largely a postwar development, and in many cases Continental firms entered the field later than the British. But the better delivery terms still offered on the Continent show that British suppliers have been less ready than their foreign competitors to expand capacity in anticipation of a continuing high demand from the oil industry. Such caution has lost them orders, and lost the country exports.

MANUFACTURING INVESTMENT

Revising the Figures

A MAJOR revision that the Board of Trade has had to make to its estimate of investment by manufacturing industry during the last three months of 1956 gives this series of figures an unexpected upward twist. Hitherto the rate of increase in manufacturing investment had taken the form of a very smooth curve. It rose steadily during 1955, the quarterly increases being 15, 21, 22, and 35 per cent respectively, and it had been falling away just as steadily during 1956, when the quarterly increases were thought to be 29, 26, 13, and 6 per cent respectively. The forecast of investment spending this year, which was made last September by the companies that contribute to the Board's survey, showed a rate of increase—of one per cent more than in 1956—that also fitted snugly into this trend. But the increase in manufacturing investment during the last quarter of 1956 has now been put at 17 per cent, instead of 6 per cent, which is bigger than the third quarter's increase and makes the estimated increase for the whole year 20 per cent (instead of 17 per cent) and not much different from the original forecast of 21 per cent.

Why investment expenditure by manufacturing industry should have risen like this at the end of last year is somewhat perplexing. In real terms, however, there appears to have been very little difference between the third and fourth quarters; the volume of manufacturing investment in those two periods was about 8 and 9 per cent respectively more than in 1955 compared with real increases of 18 and 19 per cent respectively in the first and second quarters. The reasons for the Board's change, however, are explained; the provisional estimate was not based upon full returns, the completion of provisional results of the 1955 census of production has given the Board the opportunity of bringing the weights for different industries more up to date, and the provisional figure contained a sizeable arithmetical error.

The changes this revision makes to previous estimates of total investment in 1956 are not very large. Total investment at current prices was about £21 million larger than stated, making the increase on 1955 about 8½ per cent, and at 1948 prices it was about £14 million higher, giving an increase of not quite 4 per cent over the year before. For the fourth quarter, though, the revised figure means that in real terms the level of total gross investment was about the same as at the end of 1955 and did not fall slightly as had previously been thought.

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The March monthly supplement dealt with the implications of the European free trade area for the paper industry.

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DEFENCE PRODUCTION

The Air Ministry's Case

THE Air Ministry has stated its grounds for the drastic switch in defence production outlined a few weeks ago in the Defence White Paper. The decision to stop further development of manned fighters and bombers was, it was explained, taken on purely military grounds. But at least one of these grounds seems to have been that, faced with a choice of cuts, the Service chiefs felt that it was better to gamble on the weapons of the future than to accept the nominally shorter odds on further development of conventional aircraft that had already run into a good many difficulties.

The gamble is not, in fact, so much as a wild throw as it seems. The project for a manned supersonic bomber may have been dropped—and even the Americans have only ordered 18 of their own supersonic Hustler—but the Air Marshals have a supersonic bomber of sorts up their sleeve. This is a small, supersonic, rocket powered and unmanned aircraft, somewhat misleadingly described as a "powered guided bomb" that will be carried by the big V bombers, or even the smaller Valiant, part of the way to its target, and will complete the journey with its bomb through the enemy defences under its own power. It was suggested this week that such a machine would be released from the mother aircraft outside enemy radar range. If it develops successfully, this two-stage bombing technique would provide a back-stop to development delays to the American ballistic missile, Thor, firing trials of which this year have so far been dogged with accidents.

Where air defence is concerned the RAF, with orders for two anti-aircraft guided weapons safely signed, is already beginning to talk of manned fighter aircraft as a means for filling the gaps between the first missile launching sites until these have been built into an adequate network. This is hardly a cheap defence system; up to 100 rounds of each missile need to be fired to complete service acceptance trials, and more if the trials are unsuccessful. The manufacturers themselves fire about 100 complete missiles a year during tests.

THE FIRST GUIDED WEAPONS

IT was only on Thursday week, in an eight-line statement, that the Minister of Supply slipped in an announcement about the first three guided weapon orders placed with British industry. One is for the airborne weapon, Firestreak, developed by de Havilland; its infra-red guidance system is the work of Mullard, and it is just starting its service trials before becoming the standard armament for

fighter aircraft like the Javelin, the P.1, and perhaps even the Folland Gnat. The other two are both for anti-aircraft weapons. One still unnamed weapon is built entirely by English Electric teams and the other, Bloodhound, is the work of the Bristol Aeroplane Company and Ferranti. The main difference between the two is that the English Electric weapon is rocket powered throughout, the Bristol one uses rocket boosters but flies on a ram-jet engine. The choice of two anti-aircraft weapons is reminiscent of the decision to order both the big V-bombers.

Neither the Bristol nor English Electric weapons are as far advanced in production as that of de Havilland; indeed the English Electric order has only been signed very recently and represents in part a reassessment of the weapon's potentialities. The development of these big rockets, which must have an effective range in the order of 50 miles to be of any value, is more difficult than that of a small airborne rocket carried by fighter aircraft to within a few miles of its target, making the task of the homing equipment incomparably easier. This week English Electric showed excerpts from test films illustrating not only successful flights that ended on the target but unsuccessful ones that ended abruptly with the disintegration of the missile.

The British anti-aircraft designs are the rough equivalent of the more sophisticated American service missiles; they are not, however, as advanced as those that the Americans now have under development. It is generally reckoned that such early weapons have a one in three chance of homing on their target. The de Havilland-Mullard weapon, on the other hand, is widely believed to be ahead of any comparable design in the United States. The use of an airborne weapon of this kind is limited, but it marks an important interim stage until anti-aircraft missiles are lethal enough and reliable enough to assume all the functions of the fighter.

EXPORTS TO CHINA

America Gives Some Ground

The American government's proposals for easing the embargo on exports to China go some way, but not all the way, towards meeting the views of Britain and other countries. At present the list of goods that cannot be shipped to China contains over 400 items, more than twice as many as the Soviet block list contains. Britain has long wanted to end this strange discrimination by removing from the China list all items that can be shipped to the Soviet block. The United States agrees that one list should serve for both areas, but the system of control proposed would still discriminate against China. It would remove from control certain "non-strategic" items on the China list, and place on the Soviet block list the remaining items still embargoed for China. Such items would then become subject to supervisory control for export to the Soviet block, and could be restricted in quantity if there were subsequent grounds for believing that the goods were being transhipped to China. Finally the exceptions procedure, whereby limited quantities of embargoed goods, such as Malayan rubber and British heavy tractors, have been sent to China, would be tightened up. The United States would not itself take advantage of its proposals; it "will continue its unilateral embargo on all trade with Communist China."

The detailed American proposals were expected in London this week, and will be jointly discussed with all the governments represented on the China committee of the Consultative Group at its regular meetings in Paris. The attitude of the British Government must depend on how many goods of substantial interest to British exporters are still left on the proposed embargo. Exporters will not be able to assess the merits of the American proposals before the decisions are reached: the Prime Minister, in his promised statement, is unlikely to reveal full details. But however irritating British exporters may find America's attitude they should exaggerate the potential loss of trade. British exports to China last year rose by £2.8 million to £10.7 million; if the British case had been accepted in full, British exports might not rise to much more than twice the 1956 total. Such an increase would be useful but it would not dramatically swell Britain's export earnings. Short of the complete removal of controls, the gains for Britain and for the entrepot trade of Hongkong could hardly be large.

INSURANCE POLICY

The Prudential in 1956

The Prudential, with total assets of £856.8 million, towers above the next biggest insurance company—the Legal and General (which passed the Pearl in 1954) and has assets of £289.3 million. Very size, therefore, restricts the Prudential's scope for investment manœuvre. It can pursue a gradual policy, but it cannot in the markets available to it make sudden and dramatic changes in the composition of its investment portfolio. The table shows

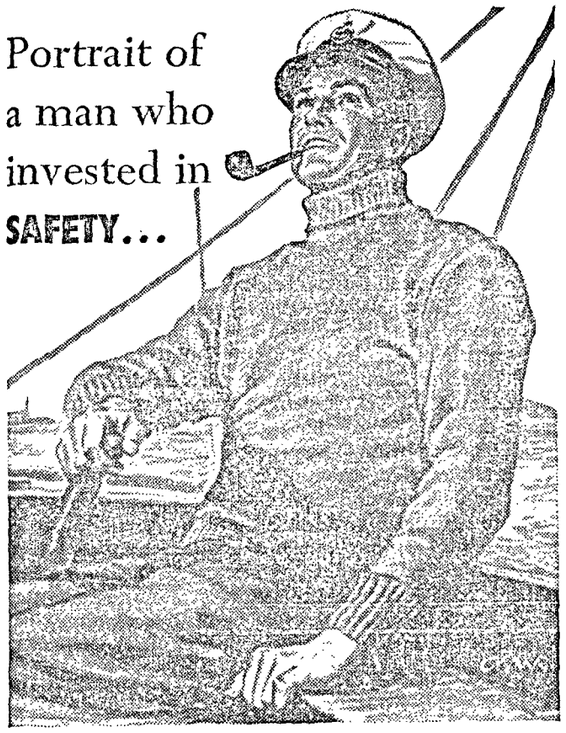
DISTRIBUTION OF ASSETS

	1953	1954	1955	1956
	%	%	%	%
Mortgages, including policy loans	5·6	5·6	6·7	7·8
British Govt. and Govt. guaranteed	42·3	39·8	35·3	32·8
British municipal and county and Overseas Govt. and municipal	6·0	5·8	5·5	5·8
Debenture stocks	14·0	14·8	16·3	16·7
Preference shares	6·9	7·0	7·3	7·1
Ordinary shares	11·8	14·2	15·4	16·0
Other investments	0·2	0·2	0·3	0·3
Property	9·8	9·9	10·3	10·7
Cash, agent's balances, etc.	3·4	2·7	2·9	2·8
Total %	100·0	100·0	100·0	100·0
Total £ million	709·4	771·5*	817·4	856·8

* Ordinary shares were written up by £8 million and properties by £3 million to strengthen the actuarial reserves.

that it has gradually over a period of years been making important changes. The stake in gilt-edged is being progressively reduced. Substantial new lines of debentures are being absorbed, the equity portfolio is growing steadily and an increasing interest is being shown in mortgages and property investment. It may be that this last change received an extra fillip last year because the building societies had less money to put into mortgages than the mortgage market could have taken from them. The Prudential last year put £8.3 million into mortgages, it also put £2.8 million into loans to local authorities, reflecting the fact that the local authorities were forced away from the Public Works Loan Board on to the market.

Assets increased last year by £39.3 million (£6.6 million less than the increase of the previous year). Balance sheet figures have been struck after transfers to investment reserve of £1.9 million (against £1.8 million). Despite the bad year in markets the Prudential was able to meet the whole of its depreciation out of inner reserves, large contingency funds at £32¼ million remaining unhypothecated.



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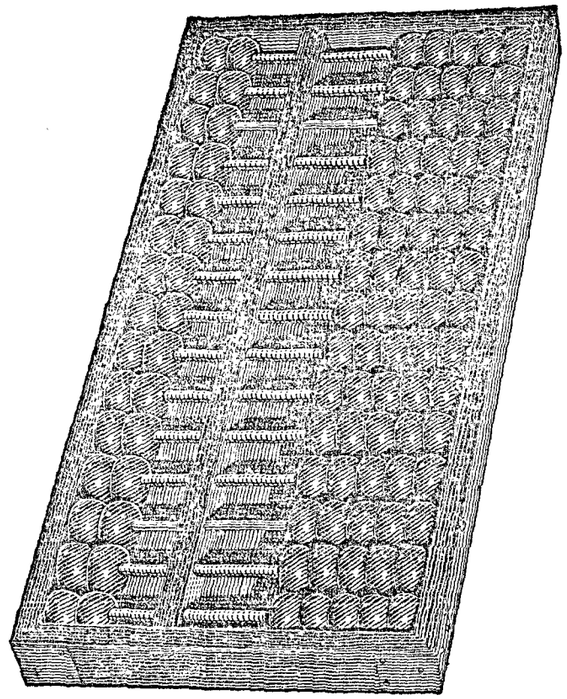
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UK EXPORTS

Metals Take the Lead

DESPITE the buffetings that followed the Suez crisis British exports are still buoyant. The record value of £297 million in March brought the average for the first quarter to nearly £279 million a month. If repayments of silver bullion to the United States are excluded the increase in value over the first quarter of last year was seven per cent, and the volume was 3 to 4 per cent higher. The rate of growth, however, has slackened; in the whole of 1956 exports were 10 per cent higher in value and six per cent higher in volume than in 1955. The Suez crisis is partly to blame. Exports to Egypt, which formerly took about one per cent of total British exports, have almost ceased and the volume of petroleum shipments has had to be sharply

PROGRESS THIS YEAR
(monthly averages—£ thousands)

	Year 1956	1st qtr. 1956	1st qtr. 1957
Machinery, non-electric	41,964	42,366	45,942
All textiles	27,679	28,215	30,155
Road vehicles and chassis	25,073	25,815	25,631
Chemicals	20,377	20,046	22,518
Electric machinery	18,082	17,637	18,853
Iron and steel	14,440	13,713	17,508
Non-ferrous metals	8,566	7,963	10,337
Petroleum	8,290	8,317	8,021
Aircraft	5,967	7,072	4,620

reduced. But exports to other Middle East countries, particularly Kuwait, Persia and the Sudan, have continued to increase and were 20 per cent higher in the first quarter than in the same quarter of 1956. Last year's remarkable growth in exports to North America and India has not been maintained, but shipments to the OEEC countries have forged ahead; the average value in the first quarter was £86 million a month (including re-exports), 24 per cent higher than in the same quarter of 1956 and 14 per cent above the average for the whole of 1956.

Engineering products as a group are no longer making the fastest gains, though they still accounted for over one quarter of the total rise in British exports between the first quarter of 1956 and 1957. Leading the field now are iron and steel and non-ferrous metals, shipments of which were both about 30 per cent higher than in the first quarter of 1956; chemicals, which rose by 12½ per cent; and textiles, which increased by seven per cent, thanks mainly to a further growth in shipments of wool textiles and partly to a welcome revival in shipments of cotton and synthetic textiles. The absolute figures for the main groups are shown in the table. The rise in export prices was checked last month, the index remaining at 110 (1954=100); import prices fell by one point to 110, thus moving the terms of trade in Britain's favour by one point to 100.

FUEL CONSUMPTION

Oil Conversion before Suez

OIL consumption in Britain rose by 8.5 per cent in 1956 to 25.2 million tons, a rate of increase only slightly lower than that recorded in 1955, in spite of the lack of any rise in industrial production last year. Statistics issued by the Petroleum Information Bureau show that the demand for fuel oil continued to increase in 1956 at a rate of over 20 per cent a year, although in the last quarter, when the first impact of the restrictions on consumption was felt, the rate of increase dropped to 16 per cent. As this rise in fuel oil consumption was not accompanied by higher industrial output, it must be mainly accounted for by conversion from coal-burning plant and by the rising demand for oil for central heating. The figures for the first quarter of 1957, when they are published, will be the first to show the full effect of the restrictions on consumption, but of much greater concern to the oil companies is the rate of increase in demand that can be expected when a free market returns. How much, for example, will the rate of growth in fuel oil demand be retarded by consumers' memories of the restrictions—and experience of the much higher prices—that resulted from the closure of the Suez Canal?

In contrast to fuel oil, petrol consumption rose by little more than one per cent in 1956, and in the last quarter, when rationing began to take effect, started to fall. Deliveries of petrol through dealers rose faster over the year, but were offset by the reduced demand from commercial consumers, as more lorry fleets were switched over to diesel fuel. Partly as a result of this switch, the premium grades of petrol were again more popular than the regular grades. A similar trend towards the increased use of diesel fuel was evident on the land, where the tractor powered by tax-free vaporising oil continues to give way to the more efficient diesel equipment.

THE WOOL INDUSTRY

High Output in Britain

SOME sections of the British wool industry may complain of severe competition, but the level of output as a whole remains high. Prices are firm; demand at home and abroad is buoyant; and delivery dates are tending to lengthen. Output in the woollen section, after lagging behind, has recently increased. That appears to reflect a general improvement in demand, including the recovery in the fortunes of the carpet industry, and not simply a swing of fashion from worsteds to woollens in women's wear. The latest returns of the Wool Industry Bureau of Statistics show that the rate of delivery of woollen fabrics in February was five per cent higher than a year ago, while deliveries of worsted fabrics were six per cent higher. The rate of wool consumption in all sections was five per cent higher than in February last year. Production of tops (the worsted process) in February rose by six per cent compared with a year ago and deliveries of worsted yarn were seven per cent up; though deliveries of worsted yarn fell by 6½ per cent, deliveries of weaving yarn rose by 11 per cent and deliveries of hand-knitting yarn rose by as much as 28 per cent, reflecting the fashion for "quick-knit" wools.

Topmakers still find that they cannot sell on the basis of the current replacement cost of raw wool and they are apt to be envious of the spinners' superior bargaining power. Spinners appear to have had little difficulty in passing on higher prices of wool, though a 64's B top now costs them about 152d. a lb, 24d. more than six months ago. Nevertheless the rise in prices is encouraging the use of lower grades of wool and the use of rayon in mixtures. Firms are experimenting with the new acrylic fibres, and some are beginning to use less terylene in mixtures, say 33 per cent instead of 50 per cent. Some spinners of coloured yarns have been offered more orders than they care to accept; experience has shown them that if wool prices were to fall some orders could disappear overnight. Few people are anticipating a fall in prices soon, but topmakers will be cautious about buying wool forward to tide them over the between-seasons' gap in the auctions.

RUSSIAN STEEL

Expansion Helps Efficiency

FOUR or five years ago the fashion was for British industry to send productivity teams to the United States: in the last two years technical teams have been going in the opposite direction—to Russia. Their purpose has been rather different—primarily to learn what was there rather than to learn from what was there. But these processes are inter-related. Two years ago some British steel experts accompanied an international mission to steelworks in South Russia: last year a completely British team visited the massive steel complex in the Urals, inspecting the works at Magnitogorsk, Chelyabinsk and Novo-Taguil. Both teams were interested in seeing the reality behind Russian steel statistics: both returned with a high respect for Soviet management and advancing technical efficiency.

Reporting upon the second visit in the British Iron and Steel Federation's *Steel Review*, two members of the team pick out a number of sharp differences between Russian steel and British:

> Far higher earnings differentials for skill, and more sharply rising bonuses for output. A labourer at Magnitogorsk earns 600 roubles a month (say £22 at the latest "tourist" exchange rate); a skilled man 1,200 roubles; top craftsmen 2,000 roubles; managers, 4,000 roubles.
>
> Total labour productivity in Russian steel is a little below British or German, and less than a third of American, though in the large integrated plants labour productivity "is probably as good as the general run of plants in this country."
>
> Being shorter of capital than labour, the Russians concentrate on plant productivity. Automatically-controlled blast furnaces at Magnitogorsk, with a 26 foot 9 inch hearth diameter, produce 2,000 tons of pig iron a day, operating on 86 per cent sinter and using 13-14 cwt of coke per ton of iron. This rate is 40-50 per cent higher than at similar furnaces in Britain or the United States.

Much of this "splendid performance," the report suggests, is the outcome of a pattern of development in which the steelworks have been deliberately planned as the core of

More Offshore Oil

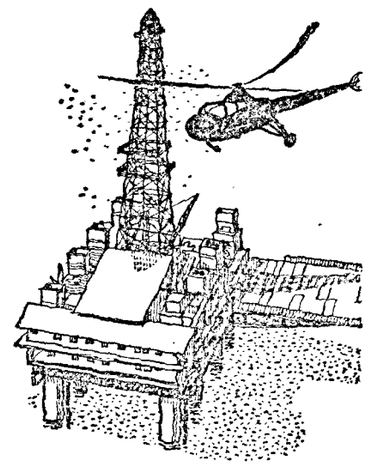
THE first major offshore oilfield discovered in the Middle East, Aramco's Safaniya field off the coast of Saudi-Arabia, came into production last week. Elsewhere in the Persian Gulf, Shell is waiting only for a replacement of the expensive drilling platform destroyed in a storm last winter to recommence drilling in 80 feet of water off the coast of Qatar; BP, in association with a French company, is preparing to drill its first exploratory well off the Trucial Coast; and the Italians are negotiating for leases to drill off the Persian coast.

This flurry of activity is a measure of the oil companies' confidence that more major oilfields underlie the waters of the Persian Gulf. But all offshore drilling is enormously expensive—an offshore well may easily cost five times as much as a well on the mainland. So the greatest stimulus to offshore exploration comes when the chances of finding a large oilfield underwater are much greater than on the more intensively explored mainland.

This is to some extent the case off the coast of Borneo, where Shell drilling rigs are active, and also, if recent discoveries are an accurate guide, in the Gulf of Paria off the coast of Trinidad. But by far the most extensive exploration for offshore deposits has been carried out off the coast of the United States—above all in the Gulf of Mexico off the coast of Louisiana, where over a hundred offshore drilling rigs are now in operation and over 600 wells are expected to be drilled this year. Even there the 1956 production rate of some 40 million barrels of crude oil and 124 billion cubic feet of natural gas is still far short of the volume required to make an investment of well over $1,000 million pay off.

Three main types of equipment are used in offshore drilling. Permanent self-contained platforms can be mounted on huge piles resting on the sea bed and by "directional drilling" up to a dozen wells may be drilled from one platform. Mobile drilling platforms, one of which is shown in the diagram, are equipped with huge legs which, although resting on the sea bed while the rig is operating, can be retracted so that the entire structure floats and can be towed away to the next location. Floating drilling tenders, mounted on barges or converted tank landing craft, are moored to a small permanent structure on which the derrick alone is mounted.

The depth of well required is not a limiting factor in offshore drilling; wells up to four miles deep are quite



feasible. The main problem is the depth of water in which the equipment has to operate. So far no well has been drilled in the seabed below more than 112 feet of water, although drilling in 125 feet of water is to be attempted in the Gulf of Mexico this year, and existing types of equipment might be economic in depths of up to 200 feet.

But for deeper water some completely new techniques will be required. Fully floating drilling platforms, with flexible drill pipe connections to allow for tidal movements; diving bells for underwater well completions; and even underwater storage tanks—these are the talk of the future, if the rewards for finding oil are sufficiently attractive.

new engineering and industrial activities, assuring each plant of a steady and economic load. Moreover, the rapid expansion of capacity—it rose by about 18 million tons between 1950 and 1956 and is planned to rise another 23 million tons by 1960—means that entirely new plants are constantly being commissioned in which all the technical improvements Russia has developed or can learn from elsewhere are continually being applied.

MANPOWER

Labour Force Shrinks Slightly

THERE were about 81,000 fewer people in civil employment at the end of February than a year before, and about 83,000 more unemployed. The total working population, in which one might have expected a "natural" increase of say 30,000 during the twelve months, was 42,000 down : this expected increase will have been wholly offset by the withdrawal of people of working age, particularly women, from gainful employment during the period of disinflation.

Making allowance for seasonal factors and for the revision of manpower figures by the Ministry of Labour, one can infer that the labour force in British civic employment went on rising up to last summer, though at a slower rate than in the years up to 1955. In September it was about 120,000 higher than in September, 1955—when civic employment was fully 320,000 up on September, 1954. But since September civil employment has fallen by another 120,000, over and above the seasonal drop.

During the whole disinflationary period the major decline has been in manufacturing industry: other sectors of the economy, notably construction, distribution and the service trades, have been gaining extra workers. Within manufacturing, there have been marginal net increases in employment in chemicals and in some few capital goods industries within engineering. But these have been largely, according to last week's Economic Survey, of unskilled labour. The main effect of disinflation on the labour market has been slightly to soften the extremity of demand at the margin—there are now rather more people wholly unemployed than jobs on offer—and to halt the steady absorption of extra people into gainful employment that had been the main mitigating factor during the period of brimful employment from 1952 to 1955.

BUILDING PROSPECTS

Prosperity but not Expansion

THE pace of building and civil engineering construction is still steadily easing off. It is a little too early for provisional estimates of output in the first three months of this year, but the value of work done in that period is unlikely to have been much more than 3-5 per cent more than twelve months ago. This would reflect the trend of last year, when the value of the industry's output rose by 14 per cent in the first six months but by only 7 per cent in the last quarter. For over a year the industry has been voicing apprehensions about its prospects and last year's results certainly showed the declining trend expected by builders, though the actual physical increase of some 6 per cent (and a 3-4 per cent improvement in productivity) was somewhat larger than their public remarks would have le one to expect.

The industry's apprehensions about actual redundanc this year have been much more vocal, though they ar blended with a philosophic view that if it is necessary the the industry will have to put up with it. Nevertheless th immediate basis for these fears is also not very convincing There is still a large volume of work in hand for mos sections of the industry. The fall in house building shoul be more than offset by other public new work and thoug credit restrictions seem to have brought the recent shar increase in industrial building and other private work t an end for the time being, there is unlikely to be any reduc tion in the rate of this type of construction this year. It i indeed difficult to see why total building and civil engin eering output in 1957 should be less than in 1956. Th present prospects for 1958 are perhaps more bleak and th budget failed to provide any obvious stimulus for th industry's customers, but the fall in the amount of worl passing through architects' and surveyors' offices tha started just over a year ago seems recently to have tailed off

AIR TRANSPORT

Two IATA Anniversaries

THE International Air Transport Association is marking up two anniversaries, the tenth year of inter-airline clearing operations and, on May 1st, the fifth year of tourist fares. The clearing operations, which began in London in 1947 with a turnover of £13 million, and ended last year with a turnover of £176 million, are one of the most valuable services that IATA performs for the international airlines, but the introduction of tourist fares was a major landmark in the industry's commercial development.

The first tourist fares of 1952 were 30 per cent below the standard rates for what then became first-class travel. Introduced first on the North Atlantic, they spread over the main international routes, tapping the first mass market for flying. More than 3 million passengers have flown across the North Atlantic in the five years since the new fares were introduced, and two-thirds of them flew tourist. Of the 785,000 who crossed last year, nearly 80 per cent flew tourist.

These figures seem to suggest that the airlines are right in contemplating another major change in May next year, the introduction of third-class fares at roughly 20 per cent less than the present tourist rates, but in five years of experience with a two-tier fare structure, many of the illusions with which the airlines embarked on their great tourist experiment have been rudely shattered. It is not, as was once thought possible, feasible to pension off old aircraft on tourist services. These will operate first-class services adequately for years—witness the Stratocruisers, but low fares call for the most efficient machines available, and these are usually the newest and fastest.

Another illusion was that low fares could be introduced without seriously affecting the first-class market. The evidence is that first-class air travel has been all but destroyed by the growth of tourist services, and the North Atlantic, which is a particularly uncomfortable journey, is one of its last bastions. Third-class fares may destroy the tourist market in the same way, for the difference between the two will be largely a matter of leg room, and it is arguable how much three inches of extra space (the average

difference) is worth in hard cash. The airlines, most of whom have just raised their fares by 5 per cent as an emergency measure, must decide this autumn whether they are going to anticipate events by eliminating the middle fare entirely, leaving only first and the new third class, or whether they will wait a year or so to see how the new experiment shapes.

FEED GRAINS

Barley Cheaper than Maize

PRICES of feed grains are still depressed. American maize is now about £24 a ton cif UK, over £5 10s. below its post-Suez peak and Canadian No. 2 feed barley, at about £21 10s. a ton, is over £8 below its peak. Prices originally fell because freight rates dropped ; then the mild winter and the early spring cut consumption of feedingstuffs. Producing countries had to reduce export prices and some speculators were caught out. Now freight rates have eased again, demand has slackened further, and the American government is accepting lower prices for its surplus stock of maize. Canada, which normally meets the bulk of Britain's needs for imported barley has had to meet keen competition here from France, and from Argentina and Iraq in Continental markets. Barley at present prices is drawing some demand away from maize, but there is a limit to the interchangeability of the two grains in the manufacture of feedingstuffs. Some recovery in demand for feed grains is due, for consumers' stocks are running low and consumption of feedingstuffs for poultry begins to increase at this season. But supplies in the producing countries are plentiful and prices are unlikely to rise far.

PULP AND PAPER

OEEC Remains Cautious

A SECOND series of forecasts of consumption of pulp and paper in Europe has just been published by the Organisation for European Economic Co-operation (OEEC). The original forecasts for the period up to 1960 were all reached or exceeded by 1955 ; will the revised ones suffer a similar fate ? In 1953 consumption of pulp products—paper, board and rayon pulp—in the OEEC countries and Finland was reckoned to increase from 9.7 million tons in 1950 to 12.3 million tons in 1960. By 1955 consumption had already soared to 14.2 million tons. Why did the OEEC so greatly underestimate demand ? First, the forecasts prepared in 1953 were undoubtedly influenced by the events of the previous year, when the paper industries of Western Europe—and none more than the British—suffered a severe recession after the buying spree provoked by the Korean war. Secondly, the subsequent removal of most restrictions on usage of paper and board released a massive suppressed demand, especially in Britain.

In revising its forecasts for 1960 the OEEC disregards this non-recurrent influence and assumes that henceforth demand for pulp products will be at a "normal level." This apparently means that demand is not expected to expand appreciably faster than the gross national product. In the favourable conditions of 1950-55 a rise of 26½ per cent in the gross national product of OEEC countries was accompanied by a rise of 47 per cent in consumption of pulp products. For 1955-1960 an increase of 17 per cent in GNP is forecast and one of 20 per cent in consumption of pulp products. Between 1955 and 1960 Western Europe's requirements of pulp products would rise by just over 2¾ million tons to nearly 17 million tons. The OEEC does not think that Western Europe will have much difficulty in meeting that demand from its own resources. There is enough wood in Scandinavia ; and the formation of a free trade area could stimulate construction of pulping capacity. But has the OEEC again been too cautious ? Paper enjoys a dynamic demand which may continue to grow much faster than GNP. It is still displacing timber in packaging ; it is being used ever more lavishly as an aid to selling ; and its technical and domestic applications are multiplying.

CITY MERGERS

Merchant Banks Expand

MERGERS and expansion schemes are gaining popularity among the merchant banks of the City. Earlier in the year Hambro Bank absorbed Mocatta and Goldsmid, the bullion brokers, thereby adding to the merchant banking side a new business which was maintained as an entity. Now a true merger between two merchant banks—Seligman Brothers and S. G. Warburg and Company—is announced. The joint business will be known as S. G. Warburg and Company (incorporating Seligman Brothers), so that the Seligman house, familiar to the City of London for nearly 100 years, disappears as a separate entity, the Seligman partners joining boards of companies in the Warburg group. For S. G. Warburg and Company this acquisition adds a final feather in an already well-adorned cap. The Warburg firm, which was established in London in 1934 under the name of New Trading Company, has thus quickly made its way to that inner sanctum of acceptance houses, whose paper is eligible for rediscount with the Bank of England. To achieve membership of the Acceptance Houses Committee in little more than twenty years is record-making progress.

STOCK EXCHANGE STATISTICS

Curious Calculations

LAST year the gross interest and dividend payments on stock exchange securities came to £1,316 million, an increase of 7.5 per cent on the 1955 total of £1,244 million. Not more than £625 million of this is believed to have flowed into personal disposable income—£35 million, or 6 per cent, more than in 1955. These estimates are taken from the third issue of *Interest and Dividends upon Securities quoted on the Stock Exchange, London.* The formality of the title shows that the statistics have the official blessing of the Stock Exchange Council.

Gross interest on loan capital, largely made up of gilt-edged stocks, rose by 7.9 per cent, from £627 million to £676 million ; gross dividends on ordinary capital by 8.5 per cent, from £524 million to £567 million ; but gross preference dividends remained unchanged at £73 million. These payments were made on more issued capital. In all the nominal value of securities in the year to end-June, 1956, went up from £24,997 million to £26,309 million, with loan capital going up from £20,546 million to £21,577 million, preference capital from £1,224 million to £1,240 million and ordinary capital from £3,226 million to £3,492

million. The stock exchange statisticians go a step further and calculate the change in market values in the year to end-June: loan capital at market prices thus came down from £17,218 million to £16,831 million, preference capital from £1,190 million to £1.059 million and ordinary capital from £10,171 million to £9,530 million.

These figures have involved a great deal of work. But the material is used to produce the odd concept of an average rate of return on preference and ordinary capital. The total of all dividends paid over the year on ordinary stocks is related to the market value of those stocks on a single date (June 29th) and the return on ordinary capital is set down at 5.95 per cent (against 5.15 per cent). Similarly the rate on preference stocks is set down at 6.90 per cent (against 6.16 per cent) and the rate on all share capital —an even odder concept—at 6.05 per cent (against 5.26 per cent). These figures have little meaning.

WATER POLLUTION

Detergents Downstream

THERE is no easy solution to the problem of what to do with synthetic detergents once they have gurgled down the sink hole. Experiments carried out by the Water Pollution Research Board of the DSIR, and described in the Board's report for 1956, suggest that if purification plants at sewage works are designed with a certain margin of capacity in hand, they are likely to be able to remove up to 80 per cent of the detergent coming in to the works, but probably not much more. If, however, the plant is working to its full capacity, as it will be at many works, the proportion of detergent removed will probably be much lower. In some of the Board's experiments only 50 per cent was removed.

Until, therefore, the manufacturers of detergents alter their chemical formulae to give a product that can be destroyed by the normal biological purification process used by sewage works, a certain proportion of household detergent will continue to flow into the streams, rivers and reservoirs of the countryside. This could hardly be described as a major additional source of water pollution. People are eating a far greater amount of detergent from washed plates and cutlery than they are ever likely to drink from not wholly purified water supplies, and there is less alarm about the effects of detergents than when they first came on the market and manifested their presence in clouds of scummy foam blowing off the rivers. Even this foam can to some extent be trapped before it becomes a nuisance.

But the Board's investigations have brought one unexpected factor to light. "Very small concentrations" of detergent—as little as one part in a million in water—cause a marked reduction in the rate at which a slowly flowing stream can absorb oxygen from the air. This could have serious consequences in polluted streams or, as the chairman of the Board prefers to put it, "would be an important factor in determining their capacity for self-purification." This is a rather more disquieting aspect of the use of synthetic detergents. The growth of their market proves their popularity and their washing efficiency: but they are not an unmixed blessing. The standing committee set up by the government to keep their effects "under review" has a complex task on its hands.

OIL MEASUREMENT

Everyman an Oilman

TO the British motorist—and the Canadian—petrol comes in imperial gallons. In the United States the motorist also thinks in gallons, but smaller ones: one imperial gallon equals about 1.2 US gallons. Gallons are also the preferred unit of measurement of the British Customs' authorities—measured, however, at 60 degrees fahrenheit.

For larger quantities the oil industry itself abandons the gallon completely. In America, and in the calculations of American oil companies overseas, the standard unit is the barrel (of 42 US gallons or 35 imperial gallons). In describing the throughput or capacity of refineries or pipelines, their favourite term, which the British companies sometimes adopt as well, is a measurement of a rate of flow—barrels per day. British and Dutch companies as a rule, however, have a penchant for measurement by weight. Their favourite unit is the ton—the long ton of 2,240 pounds, not the metric ton found on the Continent, nor the American short ton of 2,000 pounds which is used in American oil circles mainly to measure bitumen supplies. British companies also use tons to measure pipeline and refinery capacity or flow—in tons per year.

Conversion of tons into gallons or barrels is always difficult, because it varies with the specific gravity of the oil. Thus there are only about 240 gallons of fuel oil in a ton, but over 300 gallons of petrol. Even crude oil varies according to the country and field from which it is produced, although usually within the range of 7 to 7½ barrels a ton. A convenient shorthand, which can be used with crude or fuel oil, is that one barrel a day is roughly equal to 50 tons a year.

Thus the resumption of the flow through the trans-Syrian pipelines at 200,000 barrels a day is equivalent to an annual throughput of some 10 million tons. But the innocent observer who wants to find out whether the consortium of oil companies in Iran has met its production target will find himself confronted by an agreement expressed in cubic metres. This is the final equation: 1 barrel = 35 imperial gallons = 42 US gallons = 0.159 cubic metres = 159 litres.

BUILDING WITH ASHES

Profits from Waste

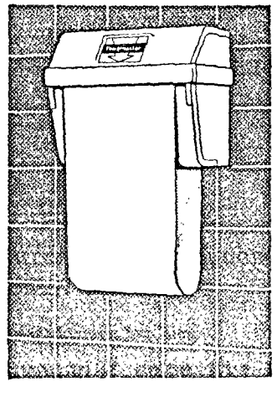
DISPOSAL of the fly ash waste product of power stations has become a major—and costly—headache for the Central Electricity Authority. Roughly six million tons of clinker and fly ash has now to be got rid of each year after burning about 43 million tons of coal, and as power stations turn steadily towards pulverised coal firing rather more of this waste product will be fly ash and less will be clinker, for which some market has been built up in breeze blocks and in road building. The amount of fly ash residue, now about two million tons a year, is likely to double by 1960 and to treble by 1964. Hitherto only a negligible amount has found a useful outlet—in cement; disposal of the remainder can cost 10s. or more a ton, and finding new dumping sites is becoming progressively more difficult.

But a process developed by Dr Somogyi, a consulting engineer who has formed a private company, Sinterlite



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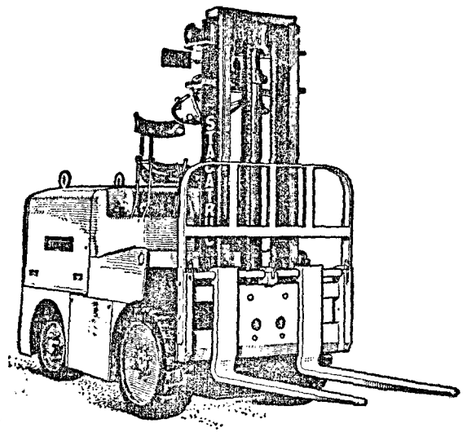


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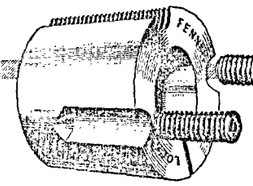
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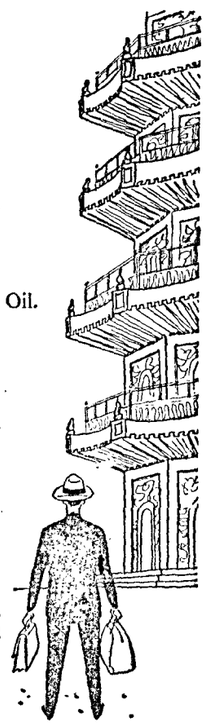
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Ltd., to promote it, opens up the prospect of turning this increasingly expensive waste product into a profitable by-product by converting it into light weight aggregate for the building industry. The first plant of this kind has been installed at Battersea Power Station, where it will be operated by The Cementation Company after it is opened by Lord Mills next week. The fly ash is first turned into small pellets and then heated in a furnace at a temperature of up to 2,000° F. The furnace is heated by burning the carbon contained in the fly ash pellets; with high carbon residues the process gives off surplus heat that can be used elsewhere, but the plant has been designed specifically to burn materials with very low carbon content—with as little as 5-7 per cent.

This feature of the Somogyi process has attracted considerable interest from overseas and in this country, as it could be applied not only to power station refuse but also to colliery slag and even to low grade coal seams. About 40 million tons of colliery refuse is dumped each year and roughly 2,500 million tons has accumulated from the past, and Dr Somogyi claims that much of this could in time be economically processed to produce heat and aggregate. But other materials are also found in these waste residues. CEA is now investigating the possibility of recovering germanium and other elements from power station refuse, and research undertaken by Sinterlite has shown that it is economically feasible to recover iron by magnetic separation from fly ash with a sufficiently high iron content. A large number of the slag heaps that disfigure mining areas have, it seems, suitable iron contents and on the basis of the work so far done by Sinterlite the cost of extraction would be less than the present cost of imported iron ore.

SHORTER NOTES

United Drapery Trust has evidently maintained the improvement in its trading results shown in the half-yearly figures. Consolidated profits for the full year to January 26th were £6,647,033, against £6,091,144 in the previous year. Group net profit after tax shows a more moderate rise at £2,599,879, against £2,453,756. The dividend is held unchanged with a final payment of 20 per cent, again making 32½ per cent for the year. The company is, however, capitalising £693,211 of reserves to make a one for ten free scrip issue to ordinary stockholders.

* * *

Cammell Laird announces an unchanged final dividend of 10 per cent, again making 14 per cent for 1956. Profits before tax were £1,913,000, against £1,785,000.

COMPANY AFFAIRS

HAWKER SIDDELEY

PLANS to diversify Hawker Siddeley, away from aircraft and towards expanding industries, took final shape last week end. Hawker Siddeley's plans to absorb the Brush Group point directly towards nuclear energy, for Brush can provide the electrical manufacturing capacity that Hawker Siddeley needs to take, in Sir Roy Dobson's words, "a further big step in this field that will be all important in the years to come."

The details of the offer of Hawker Siddeley shares for those of the Brush Group are as follows:

One new Hawker Siddeley £1 ordinary share is offered for every five of the 11,461,652 Brush 5s. ordinary shares. With the Hawker shares at 37s. 6d. the offer prices the Brush shares at 7s. 6d. On the eve of the offer the Brush shares stood at 7s., having come up recently from 5s. 1½d.

One £1 cumulative preference share in Hawker Siddeley is offered for one £1 5½ per cent Brush preference share (1,660,000 are in issue). The dividend on the Hawker Siddeley preference is to be increased from 5 to 5½ per cent. On this offer the Brush preference shares gained 3s. 6d. to 18s.

Four new Hawker Siddeley ordinary shares are offered for every five 6 per cent £1 convertible preference shares of Brush (of which 474,587 are in issue). These units jumped 11s. 3d. to 28s. 9d. on the offer.

Shareholders in the Brush Group will presumably follow the advice of their directors and the example of Thomas Tilling (which owns about 20 per cent of the Brush ordinary capital) and accept the offer. There is a gain in income; the 1956 ordinary dividend of Brush was passed and Sir Roy Dobson has said that, as the Hawker Siddeley dividend will be left at 10 per cent for 1956-57, the Brush ordinary shareholders will thus receive the equivalent of a dividend of 8 per cent on their present holdings. And the offer should solve the capital problem which has overshadowed the Brush Group for years; at the end of 1955 it had a bank overdraft of nearly £6 million and that overdraft has since grown. It is to this problem that the directors of Hawker Siddeley will have to turn their attention if the offer goes through. Its existence explains why a company with net assets of £8 million should be taken over for the equivalent of £6 million.

Canada's expanding horizons have already attracted Hawker Siddeley. Nearly half its profits in 1955-56 were earned in that country and its interests there range well beyond aircraft and include Canadian Car and Foundry, makers of railway rolling stock. Hawker Siddeley was already on the fringes of the Canadian steel industry. And it is now to have a direct stake in that industry. Through its subsidiary, A. V. Roe, Canada, Hawker Siddeley has bought a minority interest in Algoma Steel largely from the estate of the late Sir James Dunn. The purchase at an unrevealed price consists of 150,000 Algoma shares; McIntyre Porcupine has bought another 150,000; the Royal Bank of Canada, acting on behalf of British investors, another 50,000; and Mannesmann International, a German company which is building a seamless tube plant adjacent to Algoma, has bought 200,000 shares. Thus about one-third of the issued capital of Algoma, which has yet to pay a dividend but which has accumulated about $78½ million in reserves, has changed hands. The total price paid for the shares (out of an issued capital of 1,650,000 shares) is believed to be in the region of $50 million.

BABCOCK AND WILCOX

HAVE investors over-estimated the growth prospects of some of the nuclear power companies? Following the fall in Reyrolle's profits, another nuclear power concern, Babcock and Wilcox, has reported a big fall in its profits in 1956. This leading firm of boiler-makers secured an early contract from the Atomic Energy Authority to supply boilers for Calder Hall and Chapel Cross; work on these sites is well advanced. But it has not secured a contract from the Central Electricity Authority for a commercial nuclear station.

Thus it was first in the field. Yet in 1956 its gross profits fell by about 22½ per cent, from £4,728,418 to £3,668,461. Its net profits came down from £2,239,809 to £1,547,216, but the ordinary dividend was left unchanged at 15 per cent. Can the pressure of rising costs on profit margins and difficulties in export markets be the only reasons for this sharp decline in profits? The answer must await the chairman's state-

ment, but at the current price of 79s., to which they fell from 81s. 3d. after the preliminary announcement, the yield on the £1 units of 3¾ per cent still looks low.

"BLUE CIRCLE"

ON Thursday morning the £1 ordinary stock units of Associated Portland Cement fell from 48s. 3d. to 45s. 6d. This was a measure of the disappointment in the market with the results and dividends of the "Blue Circle" group of cement companies. Since these companies' big free scrip issues (150 per cent by Associated Portland Cement and 200 per cent by its subsidiary, British Portland Cement) there had been hopes that the directors would loosen the purse-strings. But the dividend policy remains as conservative as ever. Effectively the dividend rates have been left unchanged: at 9 per cent for 1956 from Associated Portland Cement, 7½ per cent from British Portland Cement, and 35 per cent from Alpha Cement.

Better dividends were expected because of the tremendous accumulated resources of these companies. The reason why better dividends have not been declared is perhaps the stickiness of earnings. Sales, no doubt, have been well maintained, but margins may have been trimmed. The pressure on margins has since increased and prices will be raised in July. The gross profits of Associated Portland have edged up—from £13,072,868 to £13,672,157—and so have the gross profits of Alpha Cement—from £1,175,054 to £1,197,307—but those of British Portland have fallen—from £4,129,482 to £3,994,681. All three companies have reported a slight fall in their net surpluses.

VICKERS

THROGMORTON STREET was not looking for an increase in the Vickers ordinary dividend but it was expecting a strong advance in profits. The ordinary dividend was in fact left unchanged at 10 per cent, but the 1956 preliminary statement revealed only a slight increase in profits before tax—from £12,286,558 to £12,701,167—and a slight fall in net profits—from £5,597,696 to £5,332,546.

The failure of gross profits to expand more reflects first the bigger provision for depreciation (resulting presumably from past capital expenditure)

Consolidated earnings :—	1955 £	1956 £
Gross profit	16,359,469	20,055,601
Development and tooling	410,150	2,109,115
Depreciation	2,554,712	3,120,057
Provisions on work in progress	1,108,049	2,125,262
Profit before tax	12,286,558	12,701,167
Taxation	5,938,376	6,521,045
Net profit	5,597,696	5,332,546
Ordinary dividends	1,680,567	1,680,567
Retained by subsidiaries	2,619,216	2,893,731
Retained by parent	954,497	414,832

£1 ordinary stock at 44s. yields £4 11s. per cent.

and secondly an increase in special charges. The charge for "development and special tooling" rose sharply, from

£410,150 to £2,109,115; in itself that could foreshadow some future benefits. The provisions "for further expenditure on completed work and possible losses on work-in-progress" also rose abruptly, from £1,108,049 to £2,125,262; that could relate to contingent as well as to actual items.

The results suggested a deferment of hopes and the £1 ordinary stock units fell another 1s. to stand at 44s. and to offer a yield of £4 11s. per cent.

THOMAS TILLING

DIVERSITY of interests protects an industrial holding company, as it does an investment trust, from many risks. Such a company as Thomas Tilling does not spread its investments as wide as a trust but it has a much closer control of the investments it does hold. Most of its investments are controlling interests; and the industrial holding company keeps control of the purse strings. It also on occasion provides part of the management. In an expanding economy almost automatic growth comes to such a holding company. But to make the most of it the holding company must be prepared to provide new money or to extend credit.

Thus, while growth seems likely, the funds of Thomas Tilling seem fully employed. They could in a sense receive substantial reinforcements this year, for the group has accepted the Hawker Siddeley offer for its 20 per cent holding in the Brush group. Will it wish to retain the Hawker shares it will be receiving in exchange? At the end of last year Thomas Tilling held in cash and tax reserve certificates £399,731 and £728,355 in quoted investments (which had a market value of £554,310) and it had borrowed £891,964 from the banks. Its funds included £2,403,544 of the net assets of Cornhill Insurance (which insurance company has invested £1,567,889 of its portfolio of £5,421,483 in ordinary shares); and £2,810,497 of the hire purchase debts of Mutual Finance. Against this, there was £4,245,000 in ordinary capital, £4,227,457 in revenue reserves, £3,762,154 in minority interests and £1,615,030 of the deposits and current accounts of Mutual Finance.

The consolidated trading profit rose from £2,179,015 to £2,420,181 and total income from £2,794,457 to £3,076,122. Following an increase in net income from £712,702 to £814,685, the ordinary dividend was raised from 10 to 11¼ per cent. But the chairman, Mr Lionel Fraser, has already announced that the next interim dividend will be 6¼ per cent (against 5 per cent) so that a total payment of 12½ per cent seems likely for 1957. On that assumption, the £1 units yield about 4⅞ per cent at 51s. 3d.

Unfortunately, Mr Fraser does not reveal what contribution the main subsidiaries make to profits. But he does say that James A. Jobling, the manufacturers of "Pyrex," in which Thomas Tilling has a 60 per cent interest, achieved an increase in sales but reported

lower profits; but this company has added to its capacity and has an "excellent order book." Mr Fraser does not expect the profits of Mutual Finance, the hire purchase finance house in which Tilling has a 98 per cent interest, to be as good as the record results for 1956. The premium income and underwriting profits of Cornhill Insurance, in which Tilling has a 53 per cent interest, have grown.

CUNARD STEAM-SHIP

CUNARD is automatically associated with the "Queens," and with the North Atlantic. The emphasis is correct, for more than some other large shipping companies its fortunes are bound up with passenger liners. But Cunard does a big cargo trade as well and last year it must have enjoyed some benefit (though this may prove temporary) from the increase in freight rates. Like the other shipping companies it must benefit from the doubling of investment allowances.

On that fact alone, the decision to raise the ordinary dividend from 10 to 11 per cent can be justified. It can also be justified by the increase in profits. Last year its operating surplus went up from £7,405,872 to £8,419,874. The net surplus advanced from £1,827,969 to £2,260,971, from which the 11 per cent ordinary dividend absorbs £822,250 net. The British tax provision was £2,675,683 before crediting the investment allowance relief of £802,476, compared with £2,504,070 (before a relief of £746,148) in 1955. The increase in the ordinary dividend was not reflected in the price of the £1 ordinary stock, which, at 27s., yields £8 3s. per cent.

GALLAHER

GALLAHER has recently been one of the most successful competitors in the tobacco industry. It has also been the most active in the capital market, with the result that for the year 1956 it has £11 million of ordinary capital ranking for dividend, compared with £5,437,500 (of which £500,000 ranked for the final dividend only). The company has

	Years ended December 31, 1955 £	1956 £
Group trading profit	4,033,217	5,060,995
British tax	2,085,196	2,917,501
Net profit	1,948,021	2,143,494
Exceptional profit (net) to contingencies Reserve	Nil	216,377
Carry forward	1,963,206	2,813,212
Parent Company :—		
Preference divs. (net)	145,439	180,262
Ordinary divs. (net)	767,266	1,106,875

achieved an increase of about £1 million in the group profit before tax, excluding a windfall of £397,022 gross (£180,645 net) resulting from the increase in the tobacco duty. The net result, which conforms with the directors' forecast of last August, is that with much more money at its disposal the group has been able to declare a final dividend of 12½ per cent making 17½ per cent for 1956, against 25 per cent on half the capital in 1955, and that the group balance carried forward has been increased by about £850,000. The market's expectations were thus fulfilled.

RUBBER SHARE-OUT

LAST November Guthrie and Company's scheme for redeploying the surplus liquid assets of the rubber companies in that group through a new trust company was produced and quickly abandoned. It was obvious that opposition to a plan that might hoist assets out of the reach of shareholders, was strong. The surplus liquid assets above what the rubber companies seemed likely to need, remained. It is good to see that Sir John Hay and his co-directors have been big enough to adopt the obvious alternative and to allow shareholders to taste the fruits that are theirs. Only two of the companies concerned have produced dividend statements since the scheme was abandoned. Linggi last month paid a special tax free dividend of 10 per cent making a total of 35 per cent for the year ended October 31st (against 25 per cent tax free), and thereby used up some £85,000 of its reserves. This week Labu Cheviot in addition to raising its normal dividend for the year ended December 31st from 40 per cent, less tax, to 42½ per cent, less tax, proposes to repay 6d. on each 2s. ordinary share. The repayment is tax free to shareholders. It knocks £145,801 off the company's share premium account.

HARLAND AND WOLFF

AFTER tax, the net profits of Harland and Wolff, the shipbuilders, fell in 1956 from £920,859 to £901,297 and, for the fourth successive year the ordinary dividend was left unchanged at 10 per cent—not a surprising decision in view of the labour dispute. But the trend in profits was rather better than the net earnings suggest. First, the

tax provision was higher at £900,845 (against £888,768). Secondly, the profit of £60,315 on the settlement of contracts completed in earlier years was much lower than the 1955 credit of £200,581. If these profits of earlier years are excluded, gross profits on the year's business appear to have risen from £1,609,046 to £1,741,827. The £1 ordinary units of Harland and Wolff now stand at 34s. and yield 5⅛ per cent.

LOMBARD BANKING

THE introduction on the Stock Exchange of the £1 six per cent preference shares of Lombard Banking this week with an expected opening price of between 17s. and 18s. is small beer in the issue market: there are only 413,693 of the shares in issue; the company's 1,412,753 5s. ordinary shares are not yet to be quoted. Yet in another way the emergence of Lombard Banking as a quoted company is worth note. Its growth, even for a hire purchase finance house, has been phenomenal. In the decade 1947-56 group net profits before tax have risen without a break from £11,000 to £398,000—a thirty-six fold increase. The group specialising in hire purchase finance on agricultural, industrial and commercial goods, including motors but not the smaller domestic consumer goods, has recently been reorganising its affairs, so that the parent company concentrates on banking and the subsidiaries on hire purchase financing. It must be contemplated that the parent will thus receive deposits and re-lend them to the hire purchase subsidiaries. The building up of a bank in the full and normal sense of the word is naturally not complete. No right is yet claimed to create and maintain hidden reserves.

It must be expected that growth will continue and that to promote it a quotation will ultimately be sought for the ordinary capital. The ordinary shares that received 27½ per cent last year also received a free scrip distribution of four ordinary shares and three £1 6 per cent preference shares for every 16 ordinary shares held and must now be considered to be on a 20 per cent dividend basis.

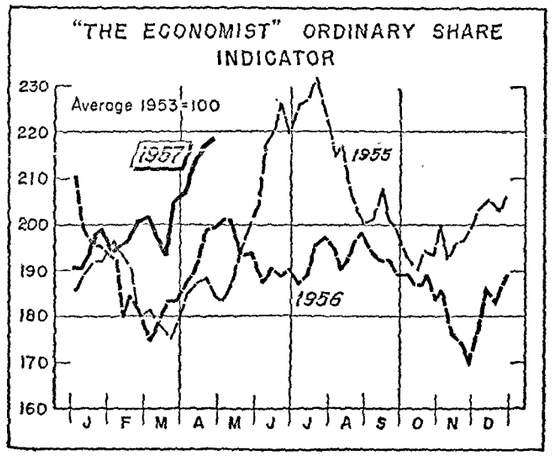
London Stock Exchange

FIRST DEALINGS:	Apr. 10	May 1	May 15
LAST DEALINGS:	Apr. 30	May 14	May 28
ACCOUNT DAY:	May 7	May 21	June 4

LAST week's fall in the Treasury bill rate followed by talk of a reduction in the Bank rate led to a reversal of the downward trend of gilt-edged stocks. Since last Wednesday and even after the announcement of an unchanged Bank rate on Thursday prices advanced steadily, the *Financial Times* index of Government securities improving a point to 86.98 in the three days of dealing. Short-dated issues moved up, 4 per cent Conversion 1957-58, rising to 99⅝. Scarborough Corporation took advantage of the good market to announce an issue of £1 million 5 per cent stock at £96¾, with the single date of 1966. Though underwriters of both the Brighton and Nottingham issues had been left with stock and both started at ¼ discount on Wednesday Brighton rose to ⅛ discount and Nottingham to ½ discount. Industrial stocks were again better and Canadian issues attracted considerable support, International Nickel and Aluminium Limited making outstanding gains.

Bank shares were mainly quiet, although Bank of British West Africa advanced 3s. to 33s. 6d. on the increased dividend. Royal Exchange Assurance held the gain of 12s. 6d. to 150s., which followed the increase in dividend, but Employers' Liability fell 1s. 3d. on the dividend announcement. A surprise among stores was provided by a sharp rise of 8s. 3d. to 68s. 9d. in John Barker. Austin Reed jumped 4s. to 29s. 9d. on the higher dividend. Hoover "A" gained 2s. 4½d. to 37s. 10½d.; finance houses advanced, United Dominions Trust rising 3s. to 95s. Bowmaker fell 9d. to 22s. 4½d. on the publication of the full report. Steel shares rose. The Pressed Steel convertible debenture rose to a premium of 17.

Oil shares fell back on the troubles in Jordan. Kaffirs weakened again. Rubbers continued to attract support and there were small changes in tea shares.



STOCK EXCHANGE INDICATORS
"The Economist" Indicator

1957	Indicator*	Yield %	1956 High	1956 Low	1955 High	1955 Low
Mar. 27	204·9	5·39				
April 3	206·9	5·35				
" 10	212·6	5·20				
" 17	216·4	5·06	210·4 (Jan. 4)	170·0 (Nov. 28)	232·1 (July 20)	175·2 (Mar. 23)
" 24	218·3	5·02				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½ Consols Yield %	Bargains Marked	1956 High	1955 High
April 17	200·8	5·45	94·64	4·74	11,789	203·6 (Jan. 3)	233·9 (July 21)
" 18	201·0	5·44	94·64	4·75	10,580		
" 19	Good Friday						
" 22	Easter Monday					Low	Low
" 23	201·2	5·44	94·90	4·71	11,803	161·5	175·7
" 24	201·1	5·44	95·05	4·66	11,414	(Nov. 29)	(Mar. 15)

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

LONDON ACTIVE SECURITIES

Prices, 1956 High	Prices, 1956 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, April 16, 1957	Price, Apr. 24, 1957	Net Yield, Apr. 24, 1957 §	Gross Yield, Apr. 24, 1957
					£ s. d.	£ s. d.
99¼	97	Funding 2½% 1952-57	99⅛	99⅜	—	3 17 9
95⅝	93½	War Loan 3% 1955-59	96⅛	96⅜	3 2 9	4 9 11
91⅜	88⅛	Funding 2½% 1956-61	92⅛	92¼	3 10 7	4 13 01
100 7/16	99 7/16	Exchequer 5% 1957	100/3/16	100/3/4	—	3 15 2
99⅛	97	Conversion 4% 1957-58	98⅝	99	2 10 1	4 15 41
97⅛	95⅜	Serial Funding 2½% 1957	98⅛	98⅜	3 12 5	4 9 11
94⅛	91	Conversion 2½% 1958-59	95⅛	95⅜	3 10 10	4 11 21
92¼	88 7/16	Exchequer 2½% 1960	93⅜	93⅝	3 11 4	4 10 4
95 1/16	92½	Exchequer 3% 1960	95⅝	95⅞	3 2 9	4 10 3
98⅛	97⅛	Conversion 4½% 1962	98⅜	98⅝	2 15 4	4 15 6
88½	83	Savings Bonds 3% 1955-65	87½	87⅝	3 9 6	4 17 91
82⅛	77½	Funding 3% 1959-69	80⅝	81⅜	3 12 9	5 1 61
92⅛	84½	Funding 4% 1960-90	88⅞*	89⅛*	6 3 0	7 19 2c
81⅞	75½	Savings Bonds 3% 1960-70	79	79⅛	3 13 10	5 3 51
91⅞	88⅛	Exchequer 3% 1962-63	92	92⅜	3 4 4	4 13 01
87½	83 3/16	Exchequer 2½% 1963-64	87⅛*	87⅜*	3 8 9	4 11 51
81 5/16	76⅛	Savings Bonds 2½% '64-67	80⅜*	81⅛*	3 14 2	4 18 01
79⅛	71⅛	Savings Bonds 3% 1965-75	75⅛	75⅜	3 11 6	5 2 21
83 5/16	78	*Funding* 3% 1966-68	82	82⅜	3 12 8	5 1 11
96⅜	90	Victory 4% 1920-76	94½	94⅞	2 18 7	4 14 8½
88⅝	81⅞	Conversion 3½% 1969	85⅛	86⅛	3 8 10	5 1 9
83⅜	74⅜	Treasury 3½% 1977-80	79	79⅛	3 6 6	5 2 01
84¼	75 5/16	Treasury 3½% 1979-81	77⅞	78⅜	3 6 11	5 2 31
72¼	64½	Redemption 3% 1986-96	68⅜	69	3 1 11	4 15 31
81½	73⅛	Funding 3½% 1999-2004	77½	77⅝	2 18 2	4 14 111
84⅜	76	Consols 4% after Feb. '57	79⅛	79⅜	2 18 0	5 1 51
77	68	War Loan 3½% after 1952	73½	72⅝*	2 15 6	4 16 31
76⅞	67⅝	Conv. 3½% after Apr. 1961	70⅞	71⅛	2 16 4	4 18 1/
66⅜	58⅜	Treas. 3% after Apr. 1966	62	62⅛	2 15 1	4 15 111
56½	49⅝	Consols 2½%	53	53⅜	2 13 8	4 13 6/
56¼	50	Treas. 2½% after Apr. '75	52⅝	53⅛	2 14 1	4 14 2/
98⅜	90	Br. Electric 4½% 1967-69	94⅝	95⅛	3 2 2	5 2 61
80⅜	72⅝	Br. Electric 3% 1968-73	76½	77⅛	3 12 9	5 2 91
79½	71¼	Br. Electric 3% 1974-77	74⅝	75⅛	3 9 5	5 0 11
95	85½	Br. Electric 4½% 1974-79	89	89⅜	3 2 4	5 1 61
83 15/16	74⅜	Br. Electric 3½% 1976-79	78⅝*	78⅞*	3 6 11	5 1 41
90⅞	83⅜	Br. Gas 4% 1969-72	83⅛*	83⅜*	3 5 3	5 2 71
87 7/16	80	Br. Gas 3½% 1969-71	84⅜	85⅛	3 6 11	5 0 11
73⅜	65⅛	Br. Gas 3% 1990-95	68⅛	69⅛*	3 2 4	4 15 31
80 7/16	72⅝	Br. Transport 3% 1968-73	76⅛	77⅛	3 12 9	5 2 91
90⅛	81 15/16	Br. Transport 4% 1972-77	86⅞	87⅜	3 3 10	5 2 11
73⅛	65⅛	Br. Transport 3% 1978-88	69⅛	70⅛	3 5 7	4 18 71

Prices, 1956 High	Prices, 1956 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Apr. 16, 1957	Price, Apr. 24, 1957	Yield, Apr. 24, 1957
					£ s. d.
80⅜	74⅞	Australia 3½% 1965-69	79⅛	79⅜	5 12 31
98⅛	92⅛	Fed. Rhod. & Nyas. 5% 1975-80	94⅛	94⅜	5 7 61
76	70	S. Rhodesia 2½% 1965-70	72⅛	72⅝	5 10 61
88¼	80¼	N. Zealand 4% 1976-78	87	86⅝	5 2 41
101½	99½	L.C.C. 5½% 1977-81	105	105¼	5 1 0c
97½	88¼	Agric. Mortgage 5% 1959-89	92⅜	93	5 9 31
68⅜	61	Met. Water Board 'B' 3% 1934-2003	66	66	4 18 31
81¼	71	German 7% 1924 [Br. Enfaced 5%]	75*	74⅞*	...
169⅜	159½	Japan 5% 1907 (Enfaced)	165	165	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, April 16, 1957	Price, April 24, 1957	Yield, April 24, 1957
		%	%				£ s. d.
				BANKS & DISCOUNT			
21/-	18/6	2	7	Bk. Ldn. & S. Amer. £1	23/-	27/9	6 9 9
50/-	39/10½	5	7	Barclays Bank £1	45/-	43/9	5 9 9
35/9	27/9	4	4	Barclays D.C.O. £1	33/-	32/6	4 18 6
41/9	32/9	7½	7½	Chartered Bank £1	37/6	38/6	7 15 10
51/-	42/10½	—	7	Lloyds Bank £1	48/-	47/-	5 10 8½
72/4½	61/-	9	9	Midland Bank £1	68⅜	68⅜	5 5 11
46/-	29/3	5	5	Nat. Discount 'B' £1	39/6	40/-	5 0 0
50/-	40/6	6½	6½	Union Discount £1	49/-	48/-	5 4 2
				INSURANCE			
92/6	75/-	30	43½	Commercial Union 5/-	83/9	84/6	4 5 9
29	16½	12½	27½	Legal & General £1	31	32½	3 1 0
25½	18½	20	50	Pearl £1	21½	20⅝	5 16 7
48⅜	38	125	132½	Prudential 'A' £1	42½	43¼	5 6 6
				BREWERIES, ETC.			
119/6	106/-	10	33	Bass £1	111/3	113/-	7 12 3
24/10½	18/7½	11½	6	Distillers 6/8	24/6	24/10½	4 13 10
45/10½	36/9	10	15	Guinness 10/-	40/-	40/6	6 3 6
76/-	61/9	7	17	Whitbread 'A' £1	68/9	75/-	6 8 0
				OIL			
183/9	99/-	10	15	British Petroleum £1	146/3	147/6	3 10 9
117/9	63/-	12½	5	Burmah £1	104/4½	105/10½	3 5 5
17⅞	11⅞	7½	17½	Royal Dutch 20 fl.	£18½	£18½	2 10 0
171/-	103/3	15	123½	Shell £1	180/7½	179/4½	3 12 10
58/6	33/3	...	...	Ultramar 10/-	74/3	74/1½	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, April 16, 1957	Price, April 24, 1957	Yield, April 24, 1957
		%	%				£ s. d.
				STEEL & ENGINEERING			
85/6	64/-	7	8	Babcock & Wilcox £1	80/-	81/3	3 13
13/-	9/4½	14	4	Cammell Laird 5/-	12/-	11/10½	5 17
35/-	22/9	3	5	Dorman Long £1	26/-	27/6	5 16
54/9	39/-	8½	3½	Guest Keen N'fold. £1	49/6	51/6	4 13
55/6	41/6	6	4	Metal Box £1	56/10½	58/9	3 8
37/6	25/7½	5	12½	Stewarts & Lloyds £1	29/9	31/9	5 10
60/-	47/3	3	11	Swan Hunter £1	70/-*	68/-*	4 2
43/9	31/4½	4	8½	United Steel £1	32/6	33/6	7 9
44/7½	32/4½	2½	7½	Vickers £1	45/6	44/-	4 11
				ELECTRICAL			
75/3	45/-	7½	7½	Assoc. Elec. Inds. £1	66/3	68/-	4 3
54/9	45/3	4	8½	Br. Ins. Callenders £1	52/6	54/6	4 11
35/6	24/4½	43½	6½	Decca Record 4/-	29/4½	29/4½	5 19
37/-	22/6	15	15	Elect. & Mus. Inds. 10/-	32/3	32/3	4 13
66/11½	43/6	4	10	English Electric £1	57/6	59/-	4 15
56/-	43/6	9½	4½	General Electric £1	56/3	58/-	4 16
				TEXTILES			
24/9	19/4½	4	6	Bradford Dyers £1	20/9*	20/7½*	9 13
23/7½	13/-	5	1½	British Celanese 5/-	22/6	22/10½	...
25/10½	20/7½	6½	2½	Coats, J. & P. £1	25/-	27/10½	6 5
6	4	a	a	Courtaulds £1	35/9	35/9	5 11
37/3	22/3	5	12½	Lancashire Cotton £1	35/9	36/4½	9 12
33/3	26/-	10	2½	Patons & Baldwins £1	35/10	36/4½	6 17
				SHOPS & STORES			
18/10½	12/9½	14	6	Boots Pure Drug 5/-	16/6	17/3	4 1
41/4½	29/-	20	7½	Debenhams 10/-	41/4½*	42/9*	6 8
47½	30/1½	15	10	Gt. Universal 'A' 5/-	47/-	49/1½	6 7
16½	10/-	10	12½	Marks & Spen. 'A' 5/-	44/6	46/4½	2 16
27/4½	19/-	20	12½	United Drapery 5/-	27/6	27/9	5 17
13½	8/6	30	26⅜	Woolworth 5/-	44/6	44/10½	4 9
				MOTORS & AIRCRAFT			
22/1½	16/-	6½	3½	Bristol *Aeroplane* 10/-	*19/3*	*20/-*	*5 0*
9/-	5/9½	8½	Nil	British Motor 5/-	8/-	8/1½	5 4
44/3	25/9	2½	5	Ford Motor £1	38/6	38/-	3 19
49/3	29/9	3	7	Hawker Siddeley £1	35/9	38/7½	5 3
47/3	38/10½	10	12½	Leyland Motors £1	49/4½	*50/-*	*5 0*
115/10½	85/6	12½	5	Rolls-Royce £1	122/6	123/1½	2 16
12/-	7/3	8	8	Standard Motor 5/-	7/3	7/4½	5 8
				SHIPPING			
38/9	28/6	...	6½	Brit. & Com'wealth 10/-	42/6	43/3	3 14
27/-	20/4½	3	8	Cunard £1	26/6	27/-	8 3
35/9	27/-	3	5	P & O Defd. £1	37/6*	36/6*	4 7
				MISCELLANEOUS			
45/6	34/3	3	6	Assoc. Port. Cem. £1	48/-	48/3	3 12
22/9	17/9	10	20	Beecham Group 5/-	21/9	22/4½	6 14
60/9	38/6	4½	8	Bowater Paper £1	47/6	47/9	5 4
81/10½	40/4½	4	8	Br. Aluminium £1	68/9*	71/-*	3 7
60/-	45/3	†20	†58½	Br. Amer. Tob. 10/-	60/-*	59/9*	5 16
19/9	15/4½	15	7½	B.E.T. 'A' Defd. 5/-	21/-	22/-	5 2
42/-	32/9	4	6	Br. Oxygen £1	36/-	37/-	5 8
$69	$56⅜	3	4	Canadian Pacific $25	$67¼	$67¼	4 17
25/9	14/4½	10	2½	Dunlop Rubber 10/-	19/6	19/3	6 9
49/10½	36/-	6	4	Imp. Chemical £1	45/3	45/9	4 8
62/9	42/3	8½	12½	Imp. Tobacco £1	41/-	42/4½	9 19
$211	$141⅛	$3·75c	$5·75c	Int'l. Nickel n.p.v.	$212½	$222	2 19
40/3	28/6	5	2½	J. Lucas (Inds.) £1	35/7½*	36/6*	4 2
22/7½	16/7½	6¾	15 5/16	Monsanto Chem. 5/-	21/6	23/-	3 18
18/-	14/10½	10	2½	Ranks 10/-	17/3	17/4½	5 15
75/4½	42/9	15	6	A. E. Reed £1	52/9	53/9	5 19
16/4½	11/7½	20	22½	Sears Hldgs. 'A' 5/-	15/6	15/9½	7 9
69/1½	54/1½	4½	12	Tate & Lyle £1	64/6	65/9	5 1
69/6	49/9	6½	7½	Tube Investments £1	65/7½	65/4	4 12
115/6	92/6	5	22½	Turner & Newall £1	131/3	133/6	4 3
82/9	61/7½	6	11½	Unilever Ltd. £1	93/11½	94/6*	3 15
41/9	22/9	†7½	†14¾	United Molasses 10/-	42/6	42/9	4 16
				MINES, ETC.			
172/6	133/9	20	50	Anglo-American 10/-	133/9	131/3*	5 6
40/-	22/6	†2½	†7½	Cons. Tea & Lands £1	27/6	26/9	13 0
130/7½	91/3	80	120	De Beers Def. Reg. 5/-	95/-	93/11½	10 14
25/-	19/7½	...	...	Doornfontein 10/-	20/6	20/3	...
10/11½	8/6	30	30	London Tin 4/-	11/9	12/6	9 12
16⅝	11⅛	112½	25	Nchanga Cons. £1	12⅝	12⅝	10 18
64/-	52/6	40	50	President Brand 5/-	48/11½	47/6	9 9
29/-	21/-	12½	25	Rho. Selection Tst. 5/-	22/6	22/10½	8 3
61/9	37/6	30	12½	United Sta Belong. £1	57/6	58/6	14 16
81/9	64/4½	40	40	Western Holdings 5/-	63/11½	60/7½	6 11

New York Closing Prices

	Apr. 16	Apr. 24		Apr. 16	Apr. 24		Apr. 16
	$	$		$	$		$
Am. Tel.	177¼	177¼	Am. Tobacco	77½	77½	Int. Nickel	109¼
Am. Tobacco	77½	77½	Anaconda	44¼	45¼	Nat. Dairy	69¼
Anaconda	44¼	45¼	Bethlehem Steel	44¼	46½	National Dist.	26⅛
Bethlehem Steel	44¼	46½	Chrysler	75¼	78⅜	Sears Roebuck	25⅜
Chrysler	75¼	78⅜	Gen. Electric	61¼	64	Shell Oil	80½
Gen. Electric	61¼	64	Gen. Foods	72⅜	72⅜	Std. Oil of N.J.	59¼
Gen. Foods	72⅜	72⅜	Gen. Motors	41¼	41⅝	Swift & Co.	29⅜
Gen. Motors	41¼	41⅝	Goodyear	73⅛	73⅛	Texas Co.	74⅜
Goodyear	73⅛	73⅛	Int. Harvester	53	53⅛	U.S. Steel	61¼
Int. Harvester	53	53⅛	Kennecott	94⅜	94⅜	Westinghouse E.	57
Kennecott	94⅜	94⅜	Lockheed Aircraft	29⅜	29⅜	Woolworth	43⅜
Lockheed Aircraft	29⅜	29⅜	Nat. Cash Reg.	104½	104½		

* Tx dividend. † Tax free. ‡ Assumed average life approx. 10 years. § Less tax at 8s. 6d. in £. ‖ Tx rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) To earliest date. (f) Flat yield. (g) On 15%. (h) After Rhodesian tax. (i) On 17½% tax free. (j) On 13%. (k) To late

TATISTICS

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

World Trade.....April 20th

BRITISH		OVERSEAS	
Prices and Wages	Mar. 30th	Western Europe: Production and Trade	This week
Production and Consumption	April 6th	British Commonwealth	April 6th
Manpower	April 13th	Western Europe: Prices and Money Supply	April 13th
External Trade	This week	United States	Mar. 30th
Financial Statistics	This week		
Industrial Profits	April 20th		

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages 1954	Monthly averages 1955	Monthly averages 1956	1956 Jan.	1956 Feb.	1956 March	1956 Dec.	1957 Jan.	1957 Feb.	1957 March
VALUE											
Imports:											
Total	£ million	281·2	323·6	324·1	346·3	309·1	330·2	307·9	376·5	320·8	361·8
Food, drink and tobacco	,,	110·5	120·1	121·0	126·7	116·5	126·2	119·9	143·6	125·9	140·3
Basic *materials*	,,	85·5	93·7	*92·0*	99·6	83·7	82·9	88·8	115·0	86·6	98·8
Mineral fuels and lubricants	,,	27·4	34·0	34·5	36·1	34·2	37·2	31·5	30·8	36·6	44·8
Manufactures	,,	66·6	74·7	75·5	81·6	73·9	82·9	66·3	85·1	70·4	76·8
Exports of UK produce:											
Total	,,	222·9	242·1	264·3	257·9	245·5	271·3	253·7	261·0	278·2	297·0
Manufactures	,,	180·9	199·0	218·3	212·3	202·1	224·5	202·9	213·5	231·9	247·4
Re-exports	,,	8·4	9·9	12·2	14·2	13·5	13·3	11·2	11·7	10·9	16·4
Balance of trade (exports *less* imports)	,,	— 49·9	— 71·6	— 47·6	— 74·2	— 50·1	— 45·5	— 42·9	—103·9	— 31·7	— 48·4
VOLUME											
Imports	1954=100	100	111	111	...	113[2]	...	106	126	108	...
Exports	,,	100	107	114	...	112[2]	...	107	110	117	...
BY AREA											
Imports:											
Dollar area—total	£ million	61·6	70·1	71·0	69·9	69·8	62·7	72·3	87·6	83·8	85·7
,, USA	,,	23·5	35·0	34·0	37·8	34·1	*29·0*	40·6	51·2	47·5	46·4
,, Canada	,,	22·7	*28·6*	29·0	25·4	26·3	25·0	24·8	24·9	23·3	24·3
Non-sterling OEEC *countries* [4]	,,	66·9	78·4	79·7	88·1	72·6	81·1	71·2	84·9	73·6	78·2
Sterling area	,,	124·8	130·9	126·5	151·2	123·5	140·1	125·2	155·0	118·8	154·3
Exports:											
Dollar area—total	,,	31·3	34·8	45·2	34·5	41·6	43·3	41·5	41·8	41·9	46·9
,, USA	,,	13·3	16·6	21·6	17·3	19·6	18·6	20·2	22·9	20·7	23·2
,, Canada	,,	11·3	12·1	15·2	10·3	11·7	13·7	12·1	12·5	11·6	14·4
Non-sterling OEEC *countries* [4]	,,	64·1	67·5	75·1	68·1	64·1	77·8	77·1	80·5	83·6	94·5
Sterling area	,,	112·2	120·9	122·4	130·7	120·4	129·8	116·8	118·3	130·8	131·3
Balance of trade (exports *less* imports):											
Dollar area	,,	— 20·3	— 35·3	— 25·8	— 35·4	— 28·2	— 19·4	— *30·8*	— 45·8	— 41·9	— 38·8
Non-sterling OEEC countries	,,	— 2·8	— 10·9	— 4·6	— 20·0	— 8·5	— 3·3	+ 5·9	— 4·4	+ 10·0	+ 16·3
Sterling area	,,	— 12·6	— *10·0*	— 4·3	— 6·5	— 3·1	— 10·3	— 8·4	— 36·7	+ 12·0	— 23·0
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	288·6	374·3	399·6	348·0	422·5	408·3	319·2	375·6	404·0	418·9
Meat	,,	56·3	67·0	72·4	99·9	68·0	100·6	61·2	76·9	63·2	106·4
Sugar, unrefined	,,	201·2	*186·2*	194·9	171·8	247·9	209·8	243·7	261·0	231·2	222·0
Raw cotton [1]	,,	30·8	24·2	27·1	27·1	22·7	28·5	32·7	46·8	45·1	35·8
Raw wool, sheep's and lambs' [1]	mn. lb.	51·6	55·1	53·5	84·2	56·2	50·1	69·0	81·7	45·8	68·6
Rubber, natural and synthetic [1]	'000 tons	20·6	24·6	18·3	20·6	23·8	27·4	17·2	31·8	19·0	8·7
Softwood	'000 stds.	122·0	140·0	105·3	88·4	55·2	51·5	99·3	89·1	53·1	59·6
Woodpulp	'000 tons	159·8	186·9	183·4	200·5	134·2	106·2	183·9	214·1	146·6	141·2
Crude petroleum	mn. galls.	606	601	618	598	640	598	508	424	465	595
Exports of UK produce:											
Coal, including bunkers	'000 tons	1,351	1,196	836	914	856	826	781	756	796	709
Woven piece-goods—cotton	mn.sq.yds	53	46	40	41	39	40	40	38	41	41·9
,, ,, wool [3]	'000 sq. yds.	8,204	8,965	9,102[3]	9,030	8,545	9,398	7,532	9,970	9,207	10,160
Passenger cars and chassis [5]	number	31,123	32,545	28,088	30,319	26,040	30,693	22,337	26,372	28,400	35,925
Commercial vehicles and chassis [5]	,,	9,889	11,656	10,509	12,907	10,897	12,037	7,797	8,560	9,950	10,698
Agricultural tractors	,,	8,908	*8,720*	7,483	8,630	8,249	8,028	5,006	7,250	8,254	8,568
Machinery—electrical	£'000	4,923	*5,158*	5,302	6,426	4,869	5,055	4,130	4,385	5,613	6,010
,, other	,,	30,553	34,687	38,657	39,751	35,911	40,474	36,217	39,281	42,272	44,997
Chemicals, elements and compounds	,,	4,214	4,422	4,943	4,602	5,190	5,127	4,761	5,049	5,450	5,861

[1] Retained *imports*. [2] Average for first quarter. [3] Excluding fents from January, 1956. [4] Revised to exclude the former French protectorates of Tunisia and Morocco. [5] Revised series; figures of new motor cars include station wagons which were previously counted as commercial vehicles.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION [1] (1953 = 100)												
1948	54	87	82	79	...	52	70	62	70	70	90	
1955	133	116	112	121	129	130	107	118	118	117	111	
1956	...	...	111	132	138	145	...	128	124	122	113	
1956, September	146	124	121	133	144	135	100[4]	133	123	132	120	
„ October	149	127	124	138	145	140	...	141	136	133	124	
„ November	152	128	125	143	154	139	...	133	134	135	124	
„ December	...	...	116	133	142	140	...	128	117	121	122	
1957, January	...	...	118	...	136	...	...	...	125	127	...	
VALUE OF EXTERNAL TRADE [2]												
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas[3]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lir
IMPORTS (c.i.f.)												
1948	243	7,249	285	56·08	264[4]	152[4]	11·36	70·36	414	310	413	6
1955	1,922	11,790	678	136·74	2,029	955	17·03	141·22	1,016	649	861	11
1956	2,110	13,594	755	161·96	2,315	1,159	15·08	165·06	1,157	719	951	9
1956, September	1,979	12,899	760	151·11	2,381	1,178	12·25	149·03	1,191	621	961	8
„ October	2,424	15,174	829	181·86	2,599	1,604	14·42	175·38	1,341	785	1,093	7
„ November	2,287	14,399	845	167·95	2,568	1,338	13·70	170·17	1,266	739	1,098	9
„ December	2,219	15,600	836	170·00	2,511	1,185	14·44	175·87	1,104	722	1,004	7
1957, January	...	...	759	206·98	2,532	1,104	...	180·32	1,433	834	1,141	7
EXPORTS (f.o.b.)												
1948	165	6,171	228	36·18	151[5]	39[4]	4·11	47·99	226	172	332	4
1955	1,514	11,566	609	139·94	2,142	457	9·19	96·69	851	377	744	7
1956	1,839	13,129	639	132·38	2,571	475	8·95	112·27	895	459	837	7
1956, September	1,987	12,991	610	118·00	2,630	342	9·89	114·69	999	483	934	4
„ October	2,044	14,234	639	143·95	2,865	753	10·98	133·36	1,016	537	947	5
„ November	1,936	12,846	702	150·33	2,819	1,047	10·50	121·13	994	455	978	8
„ December	2,013	13,400	682	136·91	3,031	1,017	8·84	120·33	838	482	900	9
1957, January	...	...	642	158·40	2,446	759	...	110·29	980	470	915	10
BALANCE												
1948	− 78	− 1,078	− 57	−19·90	− 113	− 113	− 7·25	−22·37	− 188	− 138	− 81	− 1
1955	− 408	− 224	− 69	+ 3·20	+ 113	− 498	− 7·84	−44·53	− 165	− 272	− 117	− 4
1956	− 271	− 465	− 116	−29·58	+ 256	− 684	− 6·13	−52·79	− 262	− 260	− 114	− 2
1956, September	+ 8	+ 92	− 150	−33·11	+ 249	− 836	− 2·36	−34·34	− 192	− 138	− 27	− 3
„ October	− 380	− 940	− 140	−37·91	+ 266	− 851	− 3·44	−42·02	− 325	− 248	− 146	− 1
„ November	− 351	− 1,553	− 143	−17·62	+ 251	− 291	− 3·20	−49·04	− 272	− 284	− 120	− 3
„ December	− 206	− 2,200	− 154	−33·09	+ 520	− 168	− 5·60	−55·54	− 266	− 240	− 104	+ 20
1957, January	...	...	− 117	−48·58	− 86	− 345	...	−70·03	− 453	− 364	− 226	+ 3
VOLUME OF EXTERNAL TRADE [2] (1953 = 100)												
IMPORTS												
1948	48	86	59	84	...	...	90	57	64	71	85	
1955	183	122	120	122	152	135	108	112	140	119	128	
1956	195	...	...	144	170	156	95	...	158	132	135	
1956, September	196	125	123[6]	135	173	160	74	119[6]	159	112	129[6]	
„ October	223	145	...	158	192	212	86	129	179	142	} 147	{
„ November	210	...	...	144	194	182	81	131	171	131		
„ December	203	...	...	146	189	162	85	...	161	121		
1957, January	...	...	...	...	184	...	...	...	...	139	...	
EXPORTS												
1948	37	69	48	48	...	...	55	66	34	70	69	
1955	136	127	118	134	142	121	95	123	124	117	115	
1956	160	...	...	120	165	117	97	...	130	133	128	
1956, September	170	125	114[6]	108	167	86	110	147[6]	143	141	135[6]	
„ October	182	138	...	130	186	190	119	168	145	150	} 141	{
„ November	175	...	...	135	180	248	114	173	144	130		
„ December	179	...	...	126	194	229	97	...	122	137		
1957, January	...	...	...	...	155	...	...	...	...	133	...	

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark excludes mining; Greece, mining and manufactured gas; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Germany excludes West Berlin. (2) Special trade (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxemburg. Italy includes Trieste. (3) New drachma introduced May 1, 1954 (1 new drachma=1,000 old drachmas). (4) Thousand million drachmas. (5) Bizonal area. (6) Average for third quarter.

Financial Statistics

EXCHEQUER RETURNS

the week ended April 20, 1957, there was bove-line" deficit (after allowing for Sinking) of £41,045,000 *compared* with a deficit of 7,000 in the previous week and a deficit of 0,000 in the corresponding period of last year. was a net surplus "below-line" last week ,462,000, leaving a total deficit from April 1st ,226,000 (£49,813,000 *in* 1956–57).

£'000	Estimate, 1957-58	April 1, 1956 to April 21, 1956	April 1, 1957 to April 20, 1957	Week ended April 21, 1956	Week ended April 20, 1957
I. Revenue					
e Tax	2176,250	72,594	87,788	18,893	20,012
	149,000	9,000	8,900	2,000	1,400
Duties	170,000	16,700	7,900	3,400	2,200
	60,000	2,900	3,300	1,000	1,300
s Tax, EPT &	255,000	8,900	9,800	1,600	2,800
r Inland enue Duties	500	...	...	...	...
Inland Rev.	2810,750	104,094	117,688	26,293	27,712
ms	1204,250	65,855	67,748	24,296	21,118
e	912,850	17,045	21,820	5,450	4,315
Customs and se	2117,100	82,900	89,568	29,746	25,433
Duties	93,000	5,223	5,630	...	...
Net Receipts)	20,000	...	...	...	...
oast Licences	31,000	...	...	...	...
ry Loans	32,000	128	107	...	...
llaneous	185,000	7,290	6,716	250	1,150
	5283,850	199,635	219,709	56,239	54,235
I. Expenditure					
d Interest	640,000	59,251	57,611	25,545	24,114
ments to N Irel					
al Exchequer	69,000	2,007	2,286	...	...
r Cons. Fund	10,000	654	276	354	276
ly Services	4059,877	189,980	211,500	58,730	70,300
	4783,877	251,892	271,674	84,629	94,690
ing Funds	38,000	1,160	1,208	930	650
ove-line" Surplus or Deficit		53,437	53,173	29,270	41,045
		Cr.	Cr.	Cr.	Cr.
low-line" Net Expenditure		3,624	21,917	4,423	43,462
		—	—	—	+
al Surplus or Deficit		49,813	31,226	33,693	2,417
Receipts from:					
ax Reserve Certificates		9,678	11,602	−1350	1,970
vings Certificates		−2,300	5,400	−300	800
ence Bonds		−9,624	− 340	−4700	− 509
mium Savings Bonds		...	1,600	...	400

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
ch 21	3,260·0	1,600·6	286·0	...	5,146·5
1957					
ch 19	3,220·0	1,487·0	264·0	...	5,051·0
„ 26	3,210·0	1,516·5	221·0	...	4,947·5
ch 2	3,120·0	1,507·0	204·9	...	4,831·9
„ 9	3,050·0	1,486·7	197·4	...	4,734·1
„ 16	2,980·0	1,247·9	246·3	...	4,474·2
„ 23	2,500·0	1,298·1	193·8	...	4,391·8
ch 2	2,490·0	1,304·7	209·7	...	4,404·5
„ 9	2,490·0	1,261·5	229·6	0·8	4,381·9
„ 16	2,900·0	1,249·9	247·3	...	4,397·2
„ 23	4,910·0	1,284·4	272·1	1·5	4,468·1
„ 31	4,195·3		276·9	...	4,472·2
ril 6	2,560·0	1,306·4	289·3	...	4,455·7
„ 13	2,830·0	1,302·5	295·6	...	4,496·1
„ 20	2,820·0	1,390·5	273·5	...	4,494·1

THE MONEY MARKET

At the Treasury bill tender on Thursday before the holiday the discount market raised its bid by 6d. to £99 0s. 4d. per cent, following the increase of 8d. per cent at the previous week's tender. The discount rate has thus been reduced below 4 per cent, reversing the rise in March occasioned by the weakness of sterling and the strikes. The market last week secured allotment of 55 per cent of its common bid (compared with 54 per cent the week before) and the total allotment was stepped up by £10 million to £240 million. The average rate of discount rose in line with the market rate, by just under 2s. per cent to £3 18s. 9.15d. per cent, its lowest since July, 1955. At yesterday's tender, the offer was cut £40 million to £200 million.

Credit conditions in Lombard Street continued difficult around the holiday. On Thursday last the Bank gave a moderate amount of special aid, partly to facilitate repayments of seven-day penal loans; but on Tuesday it gave no special relief, and one or two houses had to take a small amount at Bank rate. The stringency has kept rates for overnight loans up to 3¾ per cent—that is within ⅝ of last week's bill rate. July maturities have changed hands at 3⅞ per cent and also at 3¾ per cent.

The Bank return for Wednesday shows a further outflow of notes of £7.0 million in the week straddling Easter; this brought the total outflow in the nine weeks since the seasonal low point to £93.1 million.

LONDON MONEY RATES

	%		%
Bank rate (from 5½%, 7/2/57)	5	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4⅛–4⅜
Bank	3	3 months	4⅛–4⅜
Discount houses	3*	4 months	4⅛–4⅜
		6 months	4⅛–4⅜
Money Day-to-day	3½–3¾	Fine trade bills:	
Short periods	4	3 months	5¼–6
Treas. bills 2 months	3½	4 months	5¼–6
3 months	3¾	6 months	5¼–6¼

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	April 25, 1956	April 17, 1957	April 24, 1957
*Issue Department**:			
Notes in circulation	1,842·0	1,945·2	1,952·2
Notes in banking dept.	33·4	30·2	23·1
Govt. debt and securities*	1,871·3	1,971·2	1,971·3
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	12·8	16·9	11·5
Bankers	225·9	214·6	262·4
Others	76·4	74·8	74·5
Total	315·1	306·3	288·4
Securities:			
Government	254·9	247·5	240·2
Discounts and advances	30·3	25·0	21·5
Other	15·5	19·0	19·0
Total	300·7	291·5	280·7
Banking department reserve	35·4	32·5	25·6
	%	%	%
"Proportion"	11·1	10·6	8·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £1,975 million from £1,925 million on April 10, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Allotted	Three Months' Bills Average Rate of Allotment	Allotted at Max. Rate*
				s. d.	%
1956 April 20	91 Day 230·0	382·4	230·0	102 4·55	43
1957 Jan. 18	240·0	391·2	240·0	98 1·40	53
„ 25	200·0	414·0	190·0	98 0·81	36
Feb. 1	190·0	384·1	190·0	99 10·07	21
„ 8	190·0	371·5	190·0	99 8·29	38
„ 15	190·0	348·9	170·0	99 6·04	10
„ 22	200·0	407·3	200·0	99 11·49	39
Mar. 1	220·0	408·2	220·0	99 0·78	59
„ 8	230·0	442·7	230·0	99 5·20	12
„ 15	230·0	375·3	230·0	99 3·70	54
„ 22	250·0	395·2	250·0	99 6·73	44
„ 29	250·0	391·6	250·0	99 11·79	50
April 5	250·0	410·6	240·0	99 11·49	33
„ 12	230·0	415·7	230·0	99 9·38	54
„ 18	240·0	411·5	240·0	99 9·15	55

*On April 18th tenders for 91 day bills at £99 0s. 4d. secured 65 per cent, higher tenders being allotted in full. The offering this week was for £200 million at 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	April 24	April 16	April 17	April 18	April 20	April 23	April 24
United States $	2·78 2·82	2·78½–2·78¾	2·78½–2·78¾	2·78½ 2·79	2·78⅛–2·78⅛	2·78½–2·79	2·79⅛ 2·79⅜
Canadian $	...	2·67⅝–2·67¾	2·67⅝–2·67¾	2·67⅝–2·67⅝	2·67⅝–2·67⅝	2·67⅝–2·67⅝	2·67⅝ 2·67¾
French Fr.	972·65–987·35	987–987¼	987–987¼	987–987¼	987–987¼	987–987¼	987 987¼
Swiss Fr.	12·15⅜–12·33⅜	12·27–12·27¼	12·27–12·27¼	12·27–12·27¼	12·27–12·27¼	12·27½–12·27¾	12·27½–12·27¾
Belgian Fr.	138·95–141·05	140·87½–140·92½	140·87½–140·92½	140·90–140·95	140·92½–140·97½	140·95–141 00	140·95–
Dutch Gld.	10·56–10·72	10·65½–10·65¾	10·65½–10·65¾	10·65½–10·65¾	10·65½–10·65¾	10·65½–10·65¾	10·65½ 10·66
W. Ger. D-Mk.	11·67⅜–11·84⅜	11·75½–11·75¾	11·75½–11·75¾	11·75½–11·76⅛	11·75½–11·76	11·75½–11·76	11·75½–11·76⅛
Portuguese Esc.	79·60 81·10	80·05–80·15	80·05 80·15	80·05 80·15	80·05–80·15	80·05 80·15	80·05 80·15
Italian Lire	17364–17624	1758½–1759½	1758–1758½	1758½–1758¾	1759–1759½	1759½–1759¾	1760¼ 1760½
Swedish Kr.	14·37½–14·59½	14·51½–14·51¾	14·51½–14·51¾	14·51½–14·51¾	14·51½–14·51¾	14·51½–14·51¾	14·51½–14·51¾
Danish Kr.	19·19½–19·48½	19·45½–19·46	19·45½–19·46	19·45½–19·45¾	19·45½–19·45¾	19·45½–19·45¾	19·45¾ 19·46
Norwegian Kr.	19·85–20·15	19·99½–20·00½	19·99½–20·00½	19·99½–20·00½	19·99½–20·00½	19·99½–20·00½	19·99½ 20·00½
One Month Forward Rates							
United States $		⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm
Canadian $		½c. pm par	½c. pm par	½c. pm par	½c. pm par	½c. pm par	½c. pm par
French Fr.		1–3 dis	2–4 dis	2–4 dis	2–4 dis	2–4 dis	2–4 dis
Swiss Fr.		3½–3c. pm	3½–3c. pm	3½–3c. pm	3½–3c. pm	3½–3c. pm	3½–3c. pm
Belgian Fr.		¾–1 pm	¾–1 pm	¾–1 pm	¾–1 pm	¾–1 pm	¾–1 pm
Dutch Gld.		1½–1⅛c. pm	1½–1⅛c. pm	1½–1⅛c. pm	1½–1⅛c. pm	1½–1⅛c. pm	1½–1⅛c. pm
W. Ger. D-Mk.		2½–2pf. pm	2½–2pf. pm	2½–2pf. pm	2½–2pf. pm	2½–2pf. pm	2½–2pf. pm
Italian Lire		3–1 pm	3–1 pm	3–1 pm	3–1 pm	3–1 pm	3–1 pm
Swedish Kr.		3½–3o pm	3½–3o pm	3½–3o pm	3½–3o pm	3½–3o pm	3½–3o pm
Danish Kr.		4–2o pm	4–2o pm	4–2o pm	4–2o pm	4–2o pm	4–2o pm
Norwegian Kr.		2o pm par	2o pm par	2o pm par	2o pm par	2o pm par	2o pm par
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/3½	250/4	250/3½	...	250/1½	250/1½

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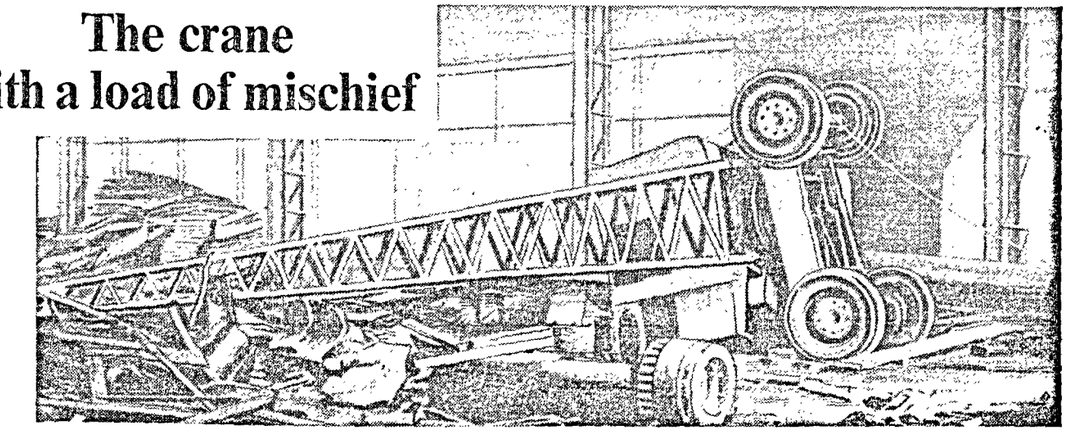


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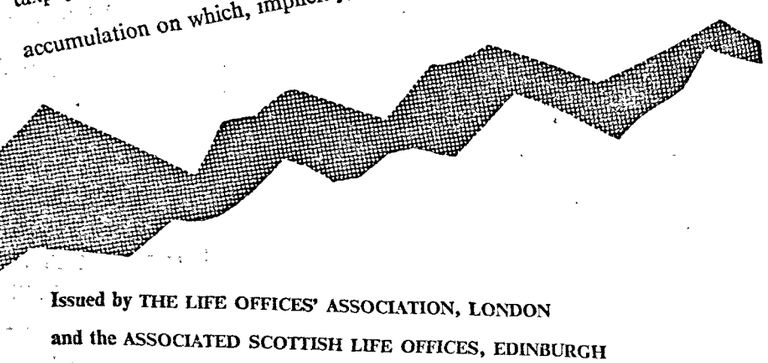
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The following extract is from the Report of the Committee on the Economic and Financial Problems of the Provision for Old Age, 1954. Cmd. 9333 ("The Phillips Report"), Page 34.

Pensions and Capital Accumulation

128. It is evident that pensions are intimately linked with the whole process of capital accumulation and that the scale of pensions that can be contemplated depends, on the one hand on the enhancement of the country's productive power that would result from the building of additional capital assets, and on the other on the ease with which additional savings can be spared for this purpose. If the National Insurance Scheme were conducted on the same principles as a private scheme, then the investment of the contributions would enable valuable assets to be constructed that would eventually furnish the means out of which pensions could be paid. But the Scheme is heading for a deficit that will have to be met out of general taxation, and, to some degree, out of the savings of the taxpayer, so that it will actively impede the very process of capital accumulation on which, implicitly, it rests.



Issued by THE LIFE OFFICES' ASSOCIATION, LONDON and the ASSOCIATED SCOTTISH LIFE OFFICES, EDINBURGH in the interest of a better understanding of the fundamental problems of providing a higher level of retirement pensions without harm to the Nation's economy.

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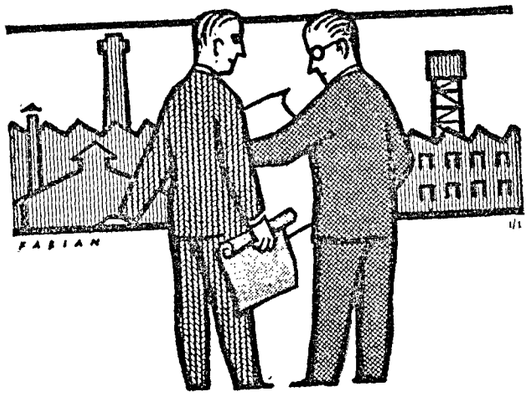
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COMPANY MEETINGS

CO-OPERATIVE INSURANCE SOCIETY LIMITED

SATISFACTORY RESULTS IN SPITE OF DIFFICULTIES

MR S. LEONARD KASSELL'S REVIEW

Mr S. Leonard Kassell, Chairman, at the eighty-ninth Annual General Meeting held on April 24, 1957, said:

In concluding my report to the Shareholders last year, I stated that the year 1955 had not been an easy one in many respects and that 1956 had not opened very auspiciously. I expressed the view that as the CIS is very firmly established and well organised we should face up to and overcome any difficulties which might arise.

Difficulties did arise and were greater than I visualised at the time. The prolonged dispute with our full-time Agents Union has resulted in a setback in the rate of progress which we have been making in the postwar years. Nevertheless, in my opinion the eighty-ninth Annual report, Statement of Accounts and Balance Sheet which I now submit for your approval are satisfactory.

Our premium income increased by £2,355,855 to £40,464,224 and our assets by £15,635,004 to £180,029,361. The Industrial Life Assurance Fund has passed the £100 million mark and the Ordinary Life Fund is over £60 million.

These life funds are held in trust for and invested primarily for the benefit of the owners of the 11¼ million life policies which were in force as at the end of 1956.

It will be seen from the Balance Sheet that the Society's investments are well spread.

Owing to the limitation of loans by Building Societies the CIS was subject to great pressure during the early part of 1956 and it was necessary therefore to take steps to limit the volume of applications. Nevertheless, the new advances made reached the very substantial total of £5,750,000.

Other important classes of investment, all of which have grown during the year are Debentures and Debenture Stocks, Preference and Guaranteed Stocks, and Ordinary Stocks. By investing in these categories the Directors ensure that the Society's policyholders shall have an interest and a share in the profits of the many and varied industries in which they are employed.

It will be seen, therefore, that the holder of a life policy in the CIS is not only protecting his dependants and probably accumulating a capital sum to be paid in later life, but he is also securing a stake in the property and industry of the country which in most cases he could not acquire by any other means.

Whenever the Directors in the investment of the Society's Funds can serve not only the interests of our policyholders, but also the wider interests of the Co-operative Movement they are very happy to do so. Many Retail Societies can testify to the assistance they have received in recent years from the CIS in the furtherance of their development schemes.

ADMINISTRATION

As most of our policyholders are aware, in 1956 the Society's full-time Agents staged a new business strike which lasted about twenty weeks and was finally resolved by referring the matter under dispute to a newly constituted Conciliation Board. The Directors agreed to the setting up of this Conciliation Board for the whole of the various grades of CIS employees, although, so far as they were aware, no other Insurance Office had done so.

In the interest of the Society's policyholders it is vital that costs of administration should be reduced to the minimum consistent with the maintenance of an efficient service and equitable treatment of the staff. Any concessions made beyond this cannot be justified, for they can be made only at the expense of the policyholders whose interests it is the duty of the Board to protect.

It was solely with this in mind that the Directors resisted the demands of the Agents' Union and not in their own or the shareholders' interests—neither the Directors nor the shareholders of the CIS can benefit in any way whatever from the success or prosperity of the Society; the CIS is a Society run for the benefit of the consumers—in this case the policyholders.

The Board are anxious to maintain good relations with all grades of the staff and are always willing to hear representations on their behalf—I doubt if there is any other Insurance Office where the staff, through their appropriate Unions, have such ready access to the Management and the Board. The Directors have always been ready and willing to concede improvements in salaries and conditions where they feel that they are justified, and this policy will continue to guide them in the future in their dealings with the various Unions representing the staff.

LIFE DEPARTMENT

The new sums assured in the Life Department last year totalled £63,378,659, of which £23,709,845 was in the Ordinary Life Section and £39,668,814 in the Industrial Life Section.

During the year we introduced a new Pension Annuity policy for persons in non-pensionable employment. This policy has been designed to take advantage of the valuable concessions made in the Finance Act 1956 to employees who have a job which does not carry a pension on retirement, and to self-employed persons. I am glad to say that we are meeting with some success in the sale of these policies despite the fact that nearly all employees in the Co-operative Movement are in pensionable employment and thus ineligible to take out such policies.

I am very happy to be able to announce a further increase in the bonus in the Ordinary Section from 38s. per cent to 40s. per cent.

The bonus in the Industrial Section has been maintained at 25s. per cent. You may remember that last year we increased the rate in this Section by one-half from 16s. 8d. per cent.

MOTOR DEPARTMENT

For the second consecutive year the premium income in this Department increased by almost £600,000 to nearly £4,700,000. Part of this increase was due to the revision in rates which came into operation as from January 1, 1956, for new business and as from March 1, 1956, onwards in respect of renewals of existing business. The balance of the increase was due to the continued expansion of our Motor business.

Despite the general impression that it is difficult to write Motor insurance at a profit, I am once again able to report a surplus on this account. The surplus for 1956 amounted to £389,588, of which £312,994 represents the actual underwriting profit and the balance interest on the Fund. The claims ratio for 1956 showed a considerable improvement over that for 1955, but as I said last year there can be no doubt that one of the principal reasons why our Motor account so consistently shows a surplus is that the Society's administrative expenses are so low.

FIRE DEPARTMENT

The premium income of £1,765,855 in this Department showed an increase of £61,634.

There was an increase of £119,055 in the claims paid and outstanding compared with 1955, which is in part attributable to the number of claims which arose in respect of burst pipes in the early part of 1956. Notwithstanding this, however, the account produced a satisfactory surplus.

ACCIDENT DEPARTMENT

This Department deals with Personal Accident and a large variety of General Accident risks. It also handles a substantial volume of Fidelity, including Mortgage Guarantee business. The total premium income was £1,743,430.

The results in all sections were again very satisfactory and the surplus of £332,417 was not much below that for 1955, which was the highest ever achieved.

PROFIT & LOSS ACCOUNT

The sum of £2,600,000 has been transferred to the Profit and Loss Account from the Departmental Revenue Accounts, of which £2 million has been applied to writing-down investments.

DISTRIBUTION OF PROFITS

It is gratifying to be able to report that, after making these transfers and making adequate reserves for contingencies, the total amount to be distributed to policyholders in respect of our operations for the year 1956 is the record sum of £5,800,000. Approximately £5,300,000 of this is due to our Ordinary and Industrial Life policyholders. The balance of approximately £500,000 is payable to Co-operative Societies as a dividend on the Fire and General and Collective Life premiums paid to the CIS during the year. The dividend payable to the shareholders—the CWS and SCWS—amounts to only £2,625, being 5 per cent on the nominal paid-up share capital of £52,500.

TAXATION

Each year I have to report that the Society's tax liability continues to grow. In respect of our transactions during the year 1956 it amounted to £1,322,108, being an increase of £289,391 over our liability for the previous year.

The Report and Accounts were adopted.

STANHOPE STEAMSHIP

The fifth annual general meeting of the Stanhope Steamship Company Limited, will be held on May 17th in London.

The following is an extract from the circulated statement by the Chairman, Mr J. A. Billmeir, CBE, FICS:

The Accounts show that the policy adopted by the Company last year in purchasing four modern vessels and ordering three new vessels has been fully justified.

The Newbuilding Contracts then outstanding covered two diesel cargo vessels of over 11,000 tons each and one diesel tanker of 19,000 tons. Notwithstanding the delays in completion, the cargo vessels were delivered in December, 1956, and the new diesel tanker has been delivered since the end of the year. It is interesting to note that the cost of these three new vessels, approximately £3 million, is almost equal to the original cost to the Company of the other ten vessels, and this will give Stockholders some indication of the difficulties of fleet replacement.

During the year, the Company completed the registration of a small subsidiary company in Bermuda. This subsidiary has contracted for a new diesel tanker of 18,500 tons, which is to be built in the United Kingdom.

Freight rates during the year have been firm. The closing of the Suez Canal, whilst causing higher freight rates, has also given rise to higher running costs and trading expenses for both dry cargo and tanker tonnage. Since the turn of the year, freight rates have fallen sharply, but subject to no other unforeseen circumstances arising, the outlook seems reasonably sound.

18 35
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At the Annual General Meeting on April 11, 1957, it was resolved to distribute **a dividend of 12 per cent.** on the ordinary share capital of DM 60,000,000. for the business year 1956. This dividend will be paid by any of our branch offices and by the authorized paying agents, as from April 12, 1957, on presentation of dividend warrant No. 4. The following are the principal items of the

Annual Balance Sheet as at December 31, 1956:

Capital (initial capital and reserves)		DM	100,010,000.—
Pension Funds	abt.	DM	58,198,000.—
Deposits with Banking Department	abt.	DM	1,402,415,000.—
including Savings Deposits	abt.	DM	435,962,000.—
Debtors	abt.	DM	628,284,000.—
Long-Term Loans extended by the Mortgage Department	abt.	DM	958,795,000.—
Circulation Mortgage Bonds and Long-Term Borrowings extended by the Mortgage Department	abt.	DM	1,059,311,000.—
Net Profit	abt.	DM	7,372,000.—

The complete 1956 Balance Sheet was published in No. 72 of "Bundesanzeiger" (German Federal Gazette), dated April 12, 1957.

THE BOARD OF MANAGEMENT

Munich, April 1957.

MANCHESTER OIL REFINERY (HOLDINGS) LIMITED

IMPROVED RESULTS

MR RUDOLPH E. F. de TRAFFORD'S STATEMENT

The ninth annual general meeting of Manchester Oil Refinery (Holdings) Limited will be held on May 17th at Winchester House, Old Broad Street, London, E.C.

The following is the statement by the Chairman (Mr Rudolph E. F. de Trafford, OBE), which has been circulated with the report and accounts:

I am glad to be able to report improved results for the year ended December 31, 1956.

The Accounts of the company have been circulated. The Consolidated Profit and Loss Account shows a trading profit of £385,312 which compares with £327,239 for the previous year, while the Group profit before taxation amounted to £204,820 as against £163,720. Taxation, other than profits tax arising from the distribution of preference and ordinary dividends, absorbs £90,242 and the profits attributable to outside shareholders amount to £6,424 leaving a net profit attributable to Parent Company at £108,154 which compares with £82,879 for the previous year. Your directors recommend the payment of a final ordinary dividend of 8½ per cent less tax, making a total distribution for the year of 12½ per cent less tax—the same as that paid for the last two years. There will be carried forward on the Consolidated Profit and Loss Account the sum of £93,782 which compares with £67,250 as at December 31, 1955.

BALANCE SHEET ITEMS

Turning to the Consolidated Balance Sheet, it will be observed that the cost of fixed assets shows an increase during the year of £155,710 and after providing for depreciation the net book value of these assets has risen from £763,490 to £824,183. Mention should be made of the considerable increase in Stocks, mainly due to the fact that two tankers with crude oil were in transit at the end of the year, in addition to one cargo which had just arrived. In this connection stockholders should realise that our crude oil supply position, fortunately, was not adversely affected by the Suez crisis as our crude oil supplies are all drawn from the Western Hemisphere. You will note that the debtors have increased by approximately £180,000 as compared with the figure at December 31, 1955. This is partly due to the inclusion for the first time of the debtors of Marine & Industrial Lubricants Limited but mainly to exceptionally high sales at increased prices during the last three months of 1956.

Your company during the period under review increased its investment in Albatros S.A. Belge pour le Raffinage de Pétrole to the extent of acquiring at par 12 million Belgian francs 7 per cent Convertible Notes due for repayment in 1964 at a cost of £36,773 of which £50,731 was paid in 1956 and the balance after the turn of the year. It will be recollected that stockholders were advised of this proposed investment at last year's Annual General Meeting. Other investments made during the year were a further £17,500 in Marine & Industrial Lubricants Limited, £12,500 in Stratton Chemicals Limited and a further £3,250 in Petrocarbon Developments Limited. I will deal with these companies later in this statement.

CHANGES AMONGST SENIOR EXECUTIVES

I will now refer to certain changes which have taken place amongst our senior executives. Mr E. J. Dunstan, a director of the Holding Company and the General Manager of the refining and sales companies, has retired after nineteen years' service. I should like to take this opportunity of paying tribute to the great services which he has rendered during this period in all aspects of the development of our Group of companies. Dr G. Tugendhat has been appointed Group Managing Director and has resigned as Deputy Chairman. Major General L. O. Lyne has been appointed Deputy Chairman. We have appointed Mr J. C. Wood-Mallock and Mr S. R. Jarvie to be Joint General Managers of the refining and sales companies and both have been elected to the Board of the Holding Company. Mr Wood-Mallock has been responsible for the technical side of our refining operations and Mr Jarvie has been Manager of our export company, Raven Oil Company Limited. Both joined the Group ten years ago.

PROSPECTS

Turning now to your company's prospects; our aim continues to be the strengthening of our position as producers of high grade petroleum products in our own field. This necessitates continual review of the processes by which we produce our established grades and a vigorous search for new products with which to extend our range. In this connection you will appreciate the great importance of a strong research organisation. We have recently reorganised and strengthened this department, which should, under the direction of Dr Steiner, materially assist our progress. Our relationship with our crude oil suppliers remains excellent and we are taking active steps to ensure the continuity of our supplies for the next few years. We have been fortunate enough in a world of wildly fluctuating freight charges to complete arrangements for our tanker requirements for the next two years on satisfactory terms. We have decided to put up additional storage tanks at the refinery which will allow us to increase the throughput in 1958. On the chemical side of our business the new sulphonate plant, to which I referred in my statement last year, is now in operation. Sulphonates are assuming more and more the character of "tailor made" products to meet customers' increasingly stringent and individual requirements. In order to maintain and expand our position in this market we are erecting certain ancillary plants and providing for additional storage facilities. The chemical products plant is now in full production and should make a quite substantial contribution to our profits in the current year. The overall prospects can best be summarised by the statement that your directors look forward to the future of your company with confidence and believe that, subject to there being no general recession in the trade of the country or widespread industrial unrest, the profits for the current year should show further improvement.

ACTIVITIES OF SUBSIDIARY COMPANIES

Turning now to the activities of our subsidiary companies. Raven Oil Company Limited has had another successful year. Flexibox Limited has made further progress under the management of Mr F. B. Porges. Its new factory at Ballymena in Northern Ireland has started operations, and production and sales should show an improvement in the current year. The company capitalised a portion of its undistributed profits during the year and as a result the issued share capital has been increased from £25,000 to £60,000.

I will deal briefly with the companies in which we have made investments during 1956. Albatros SA Belge pour le Raffinage de Pétrole, whose refinery continues to operate under the processing agreement made with the British Petroleum Company Limited, is today in a strengthened financial position as a result of the note issue made during the year, to our investment in which I have already referred. During the year we acquired from Lambert Brothers Limited their shareholding in Marine & Industrial Lubricants Limited, which thus becomes a wholly owned subsidiary. This company has made good progress during the year in the marine field and will, I am sure, under the vigorous management of Mr J. E. Harvey, MP, continue to provide a useful and profitable market for the off-take of some of our oils. Stratton Chemicals Limited is a new company formed in conjunction with C. P. Steuber & Company Inc., of New York, one of the leading American firms specialising in export and shipping of liquid chemicals in bulk. This company has acquired the existing business of Chemitrade Limited, a firm dealing in the distribution of imported chemicals in the UK market. In view of your company's increasing interest in the chemical field, it was felt important to have first-hand contact with developments in the international chemical market and in this country, and we believe that this small investment should prove profitable.

The £3,250 subscribed to Petrocarbon Developments Limited is a re-investment of capital profits received after the voluntary liquidation of the original company, Petrocarbon Limited. Petrocarbon Developments Ltd., a chemical engineering company, has already rendered valuable consultancy services to our refinery and is currently designing and engineering one of the ancillary plants for sulphonates to which I referred earlier.

DIRECTORS' FEES

You will see from the Agenda for our Meeting that you are asked to sanction an increase in the fees of your directors from £400 to £600 a year and of the additional fee of your Chairman from £800 to £1,000 a year. These fees have remained unaltered for nine years and the new rates are designed to bring the remuneration of your non-executive directors more into line with their responsibilities and current practice. I hope that these proposals will commend themselves to you.

Finally, I am sure that I shall have the full support of all stockholders in using this opportunity to convey to the management and to all members of the staff our very real appreciation of their good work during the year and of their great contribution to the fortunes of the company.

THE LONDON & LANCASHIRE INSURANCE COMPANY LIMITED

HE HONOURABLE R. M. PRESTON'S STATEMENT

The Annual General Meeting of The ondon & Lancashire Insurance Company imited will be held on May 15th at 7 hancery Lane, London, W.C.

The Chairman, The Honourable R. M. reston, DSO, has issued a Statement to tockholders from which the following has een taken:

For the first time since 1906 the accounts isclosed an overall underwriting loss. The ggregate net premium income for all Departments for 1956 had increased to 30,162,186 against £29,200,230 for 1955, an ncrease of £961,956. The underwriting loss mounted to £398,364, or 1.32 per cent, as gainst a profit of £804,602 or 2.76 per cent f premiums.

Fire Department.—Premiums amounted to £11,797,133 as against £11,545,717. The nderwriting loss was £201,547, or 1.71 per ent, as compared with a profit of £425,325, r 3.68 per cent.

Rather more than half of the business in the Fire Department was transacted in North America and the experience there was markedly worse in 1956. The losses in the United States and Canada more than accounted for the underwriting loss in the Department as a whole.

Accident Department. — Premiums amounted to £14,450,610 compared with £13,770,347, with an underwriting loss of £596,817, or 4.13 per cent, as against a loss of £120,723, or 0.88 per cent.

Motor Vehicle insurance again showed a widespread worsening experience caused by increasing rate of accident occurrence, higher repair costs and ever amounting injured Third Party awards. The proper and justified correction of the insurance experience could only come from an increase in premium rates.

Marine Department.—Premium Income—current year—1956, £3,914,443 against 1955, £3,884,166. Profit transferred to Profit and Loss Account £400,000.

The balance of underwriting funds for all years amounted to £4,700,301 against £5,235,774.

In Marine, as in other forms of Insurance, inflation was causing a continuing increase in cost of repairs and in claims settlements.

Life Assurance Account.—Net new sums assured, excluding Annuity business and Group Life Assurance at £6,657,131, were approximately the same as the previous year.

The net interest receipts and Shareholders' proportion of Life profits amounted in all in 1956 to £941,099, a slight increase on last year's figure of £928,787.

Mr Preston stated that although net interest earnings had increased somewhat, the Directors had decided that it would not be appropriate at the present time to increase the final dividend which would become payable on May 17th.

In the investment market the considerable rise in interest rates early in the year resulted in a quite substantial drop in the excess of market value of investments over the Balance Sheet value. There was a similar rise in interest rates in the United States, where the Company had substantial funds invested. Nevertheless, that extraneous reserve at the end of the year still amounted to more than 25 per cent of the Balance Sheet values of the investments. The lowering of Bank Rate since 1956 had resulted in some recovery of the earlier depreciation.

The Chairman concluded his Statement by according thanks to the General Manager and Staffs for their work during the year.

BANCO DI ROMA

ROME, ITALY

Joint Stock Company—Paid up Capital L. 1,000,000,000 Reserve L. 3,500,000,000

77th Year

ORDINARY MEETING OF APRIL 15, 1957

Under the Chairmanship of H. E. Prof. Costantino Bresciani Turroni, the Banco di Roma held the Ordinary Meeting of its shareholders which, after hearing the reports of the Board of Directors and of the Auditors, approved the Balance Sheet closed at December 31, 1956, the Profit and Loss Account and the allocation of the year's profit.

After giving a brief outline of the most salient aspects of Italy's economic situation in the framework of world conditions, the Board of Directors' report comments on the outstanding data referring to the activity carried on by the Bank in 1956 both in Italy and abroad, which, as shown by the grand total of the balance sheet items, amounts to L. 1,128,000 million, with an increase of 127,000 million Lire over the total for 1955.

The volume of credit supplied in different forms to the Italian economy, including total investments (381,900 million Lire), credits for commercial acceptances, opening of documentary credits and guarantees for third parties (70,000 million Lire), amounts to about 452,000 million Lire and shows an increase of 49,000 million Lire over the corresponding figure in the previous balance sheet. The funds collected, which show a further increase of 52,700 million Lire, added to the circular cheques outstanding, make a total of 581,000 million Lire. Cash funds and investments in Government, Government-guaranteed and other bonds also followed an upward trend, reaching a global amount of about 242,000 million Lire.

The net profit for the year which, after provisions have been made for the usual sinking funds and appropriations, amounts to 846,214,018 Lire—over 26 million Lire more than in 1955—has made it possible to grant Shareholders a 9 per cent. dividend and to allocate 750 million Lire to the Reserve, which is thus brought up to 3,500 million Lire.

The Meeting then proceeded to appoint the Auditors for the three-year term 1957-1959 and to elect the Chairman of the Board of Auditors. The Board of Directors, which met immediately after the Shareholders' Meeting, re-confirmed the following appointments: H. E. Prof. Costantino Bresciani Turroni as Chairman, Baron Prof. Francesco Mario Oddasso as Deputy Chairman and Cav. del Lavoro Ugo Foscolo as Managing Director.

BALANCE SHEET AT DECEMBER 31, 1956

ASSETS			LIABILITIES		
Cash and Funds with Central Bank and Treasury	L.	69,675,767,914	Share Capital	L.	1,000,000,000
Funds with other Banks in Italy and abroad	"	75,082,517,547	Reserve Fund	"	2,750,000,000
Ordinary Treasury Bills, Government, Government-guaranteed and other Bonds	"	97,169,385,080	Savings Accounts	"	171,184,315,749
Industrial and other Securities	"	339,807,448	Current and Sundry Accounts	"	391,743,597,032
Portfolio	"	149,020,615,849	Circular Cheques	"	18,035,845,449
Contangoes	"	14,205,068,771	Ordinary Cheques	"	281,646,804
Secured Advances	"	37,285,728,111	Bills for Collection	"	19,800,898,327
Loans, Advances and other Accounts	"	181,403,001,909	Sundry Creditors	"	20,436,900,959
Sundry Debtors	"	2,614,972,983	Commercial Acceptances and Openings of Documentary Credits	"	31,895,988,053
Liabilities of Customers for Commercial Acceptances and Openings of Documentary Credits	"	31,895,988,053	Guarantees for Third Parties	"	38,055,961,411
Liabilities of Customers for Guarantees	"	38,055,961,411	Rebate on Portfolio and on Treasury Bills	"	2,862,048,722
Banking Participations	"	1,672,780,412	Balance and Profit brought forward	"	26,050,478
Bank Premises	"	497,871,513	Net Profit for current year	"	846,214,018
Furniture and Fittings	"	1		L.	698,919,467,002
	L.	698,919,467,002			
Contra Accounts					
Securities:			Contra Accounts		
As collateral	L.	71,970,407,569	Depositors of securities for guarantees	L.	72,019,854,757
As guarantee	"	49,447,188	Sundry securities accounts	"	357,149,694,213
Sundry securities accounts	"	357,149,694,213			
Total	L.	1,128,089,015,972	Total	L.	1,128,089,015,972

Bresciani Turroni, *Chairman.* Foscolo, *Managing Director.* Nazareth, *Chief Accountant.*
Matteucci *Chief Auditor.* Bossi, Foschini, Mazzantini, Obber, *Auditors.*

The 9 Lire dividend per share will be payable from April 16, 1957 at all branches of the Banco di Roma in Italy on presentation of the share certificates.

THOMAS TILLING LIMITED

(Industrial Holding Company)

MR W. LIONEL FRASER ON HIS CONFIDENCE IN THE FUTURE PROSPERITY OF THE GROUP

"WE HAVE GOOD MEN AND WE HAVE GOOD BUSINESSES"

The Sixtieth Annual General Meeting of Thomas Tilling Limited will be held on 15th May at Crewe House, Curzon Street, London, W.1.

The following is an abridgement of the review by the Chairman, Mr W. Lionel Fraser, CMG, which has been circulated to Stock and Shareholders with the Directors' Report and Accounts for the year ended 31st December, 1956:

Mr J. A. Falconer, who has been the Managing Director of the Company since 1st January, 1950 has expressed his desire to retire from that appointment on 31st May next, but will remain on the Board. He will be succeeded by Mr P. H. D. Ryder, who was appointed Deputy Managing Director last June.

The proportion of the 1956 profit before taxation of £2,487,065 attributable to Thomas Tilling Limited was £1,675,455. This compares with £1,520,859 for 1955. The consolidated profit of the year 1956 attributable to Thomas Tilling Limited after allowing for taxation and the interests of minority shareholders is £814,685, which is an increase of £101,983 over 1955. Preference Dividends of £79,062 have been paid and an Interim Dividend of 5 per cent on the Ordinary Stock was paid on November 24, 1956. Your Board recommend the payment of a Final Dividend of 6¼ per cent, making a total of 11¼ per cent for 1956 (1955, 10 per cent). It is the intention of the Board, provided no unforeseen circumstances arise, to pay an Interim Ordinary Dividend of 6¼ per cent in November 1957.

Reports on the following Companies and Interests were then given by the Chairman.

Alexandra Building Services Limited (Quarry Masters, Brick-makers Building Trades' Merchants & Haulage Contractors in Scotland), John H. Ashton Limited (Mahogany and hardwood merchants), Bagshawe & Company Limited (Manufacturers of conveyors and elevators, mechanical chains and malleable iron castings), The British Steam Specialties Limited (Manufacturers and distributors of valves, gauges, etc.), The Brush Group Limited (Manufacturers of electrical equipment and Diesel engines), Cornhill Insurance Company Limited, Daimler Hire Limited (Motor car hirers, chauffeur-driven and drive-yourself services), Mark Dawson & Son Limited (Worsted spinners), Heinemann Holdings Limited (Book printers and publishers), Timothy Hird & Sons Limited (Worsted combers and spinners), Hobourn Aero Components Limited (Manufacturers of light engineering components, textile machinery, electrical convection heaters), E. R. Holloway Limited (Comb and plastic goods manufacturers), James A. Jobling & Company Limited (Manufacturers of "Pyrex" brand glassware), Lime-Sand Mortar Limited (Ready-mixed mortar and ready-mixed concrete manufacturers, sand and gravel producers), Henry Lister & Sons Limited (Manufacturers of flannel and blazer cloths), Mutual Finance Limited (Hire purchase finance, brokerage and banking), Newey & Eyre Limited (Industrial electrical engineering suppliers), Palmer's Travelling Cradle & Scaffold Company Limited (Scaffolding and cradle contractors), Safca Aerosol Manufacturing Limited (Fillers of pressurised packages and manufacturers of Aerosol valves), Spray & Burgass Limited (Dyers and Finishers), Stevensons (Dyers) Limited (Hosiery dyers and finishers), Stratstone Limited (Distributors of Daimler & Volkswagen cars), H. C. Wakefield & Sons Limited (Building contractors), Walton Hosiery Company Limited (Manufacturers of fully fashioned nylon stockings).

Having mentioned the Company's interest in real estate, the Chairman then continued:

GENERAL REVIEW AND PROSPECTS

"There is not much I can add to what I have already said, but perhaps Stockholders will share my satisfaction that in a year of severe economic and political crises, the Tilling Group has come through not only unscathed but stronger. It is a real tribute to the Group's resilience and diversification, and it seems to me to give added proof that our conception of Tillings as an Industrial Holding Company is sound and progressive.

Our oft-repeated policy has been to gather around us men of vision and energy who can retain their interest in the businesses so many of them have helped to create and establish. They unite with a bigger central organisation, but they keep their own sense of identity and their freedom to manage their Companies. They are our willing partners and our friends, and they have our entire support in all their legitimate endeavours for their development and expansion. For our part, we are fully aware of the responsibility this close association entails, and we have formed a highly skilled Headquarters Staff at Crewe House, who are always ready to advise and to encourage on a basis of mutual respect and co-operation.

I proclaim my faith in the future of this country, simply because I believe we have a high proportion of decent, sensible men and women of all grades. They must of necessity vary in their outlook and in their ability technically and otherwise, but basically they are sound and wise in their judgments. And by the same token I affirm my confidence in the future prosperity of Tillings, because we have fine, varied interests and an abundance of able, forward-thinking people to guard and guide them.

Conditions beyond our control may seem at times to impede us, but your Board is resolute in its determination to ensure that your Company shall continue to play a constructive and a developing role in British Industry. We have good men and we have good businesses. As time goes on others will join us, but we shall remain discriminating, and we are likely to build on our existing interests and those of a kindred nature. We believe our foundations are well constructed and as I have said before, Stockholders should have no cause for disappointment in the years to come."

NATIONAL BANK OF PAKISTAN

EXPANSION OF ACTIVITIES

The Eighth Annual General Meeting of the National Bank of Pakistan was held on April 13th at Dacca, East Pakistan.

The following is an extract from the speech by Mr Hoshang N. E. Dinshaw president of the central board of directors:

Our deposits reached the peak figure of Rs. 51.64 crores, showing a substantial increase over the previous year's figure of Rs. 47.22 crores.

Our advances likewise, which attained a peak figure of Rs. 38.25 crores, show further improvement on the total of Rs. 34.11 crores recorded last year. Advances to the general public have shown a satisfactory increase from Rs. 20.02 crores to Rs. 30.19 crores and reveal the expanding participation of the Bank in the development of commerce and industry throughout Pakistan.

The Foreign Exchange business of the Bank showed further expansion to Rs. 114 crores during the year under review.

The profits earned by the bank increased from Rs. 75.12 lacs in 1955 to Rs. 79.52 lacs in 1956. This increase was the result of an all round expansion and also of careful and effective control over expenditure. The dividend paid to the shareholders remains unchanged at 5 per cent.

Reserves have been further strengthened by an allocation of Rs. 20 lacs, and now aggregate Rs. 85 lacs, 56 per cent of the paid-up capital of the Bank.

ECONOMIC ACTIVITY

Economic activity was maintained at a high level throughout the year and the industrial production index (1950=100) rose from 386 in 1955 to 420.

Bank credit attained a peak figure of Rs. 124.34 crores in February. After the usual off-season decline the year closed with outstandings of Rs. 123 crores, against Rs. 116 crores in December, 1955. Industrial advances increased by 56 per cent whereas commercial advances rose by 27 per cent only during this period.

Our gold and foreign currency reserves, which had increased from Rs. 97 crores in September, 1955, to Rs. 139 crores in June, 1956, fell back to Rs. 126 crores by the end of the year.

An event of great importance was the publication in May of Pakistan's first Five-year Plan. This provides for a total expenditure of Rs. 1,160 crores of which Rs. 800 crores have been allocated to the public sector and Rs. 360 crores to private account. The emphasis throughout the Plan is on the importance of private enterprise.

It is gratifying to learn that the Pakistan Industrial Development Corporation, which has already initiated and brought to fruition vast industrial projects in many fields, has now, nearing finalisation, complete plans for the establishment of a major steel plant for which suitable ores and fuels are available in the country.

I welcome the proposed establishment of the Pakistan Industrial Credit and Investment Company which is expected to commence functioning this year.

Preparations for the establishment of an Agricultural Bank are also well advanced. This Bank will provide direct credit facilities and technical assistance to co-operative societies, agriculturists, etc.

INTERNATIONAL NICKEL COMPANY OF CANADA

1956 AN HISTORIC YEAR

The annual meeting of The International Nickel Company of Canada was held on April 24th in Toronto.

Dr John F. Thompson, the chairman, in the course of his address, said: For the Company 1956 was an historic year. Net earnings reached a new high, ore production was the greatest for any year and deliveries of our two principal products—nickel and copper—were at high levels. In spite of the record ore production our ore reserves were increased.

The year saw the beginning of the development by the Company in northern Manitoba of two nickel mines and related surface plants which by 1960 will give International Nickel a second nickel-mining operation, exceeded in importance only by its Sudbury District enterprise, in Ontario, which is the largest in the world. The Manitoba project, together with expansion already under way in the Sudbury District, is scheduled to lift Inco's annual nickel-producing capacity to 385 million pounds in 1961.

Net earnings for the year of $96,296,000 showed an increase of $4,730,008 over the previous peak year of 1955.

Deliveries of nickel in all forms in 1956 totalled 286 million pounds. These were the second highest for any year, being exceeded only by the 290 million pounds in 1955, when the Company delivered in excess of its production by depleting working stocks.

Commenting on the price of nickel, the chairman said: Our policy of selling our production at reasonable prices is consistent with the large production which we must move year after year and the responsibilities which stem from our position in the industry. We have an obligation to our shareholders and customers to see that there is a perpetuation and growth of the market in the future at reasonable and stable prices at which satisfactory profits can be realised, markets can be held and important consumers can be reassured that they can plan well ahead for the economic use of nickel.

OTHER PRODUCTS

The 1956 deliveries of copper were at a postwar high of 271 million pounds, an increase of more than 8 million pounds over 1955. The average price realised by the Company in 1956 was higher than in 1955 and was a major factor contributing to the increased earnings.

Deliveries of platinum metals were 371,000 ounces, down 200 ounces from 1955.

The year 1956 saw the first shipments of pellets from the Company's iron ore recovery plant near Copper Cliff, Ontario. This newest of our plants is playing a key role in making possible the Company's high nickel output.

Manitoba Project.—We regard the Manitoba project as one of the important events in our Company's history and one which will have a significant effect on future operations and progress. It is gratifying to be able to report that the development of this project is proceeding on schedule and according to plan.

Outlook.—The extent of the confidence your Company has in the future of nickel is clearly evident from the comprehensive activities it has undertaken to develop simultaneously both sources of supply and markets for the metal. Regardless of International Nickel's relative position in the industry, it is our firm intention to continue striving not only to enlarge existing markets and uses but to build up new ones as well. It is our firm belief that this Company will be selling nickel in the future in larger quantities than ever.

The report was adopted.

THE LEADING BELGIAN BANK WITH 135 YEARS OF EXPERIENCE

BANQUE DE LA SOCIETE GENERALE DE BELGIQUE

3, Montagne du Parc, Brussels (Belgium)

ASSETS — BALANCE SHEET AS AT DECEMBER 31, 1956 — LIABILITIES

	Fr.	Fr.
CURRENT ASSETS:		
Cash in hand, at the Banque Nationale and the Postal Cheque Office*		2,587,437,847.79
Money at Call		268,092,300.—
Balances with other Banks		941,841,321.79
Head Office, Branches and Affiliated Banks(1)		538,522,615.03
Other short-term assets		1,702,393,624.64
Bills Portfolio:		
(a) Trade bills	4,672,681,930.58	
(b) Government bills rediscountable with the Banque Nationale	3,600,000,000.—	
(c) Government bills mobilizable up to 95% with the Banque Nationale	7,877,900,000.—	
		16,150,581,930.58
Loans and advances on securities		289,187,372.66
Liabilities of customers for acceptances		2,859,508,215.27
Sundry debtors		6,610,900,726.89
Securities Portfolio:		
(a) Legal reserve securities	100,000,000.—	
(b) Belgian government securities	7,609,874,684.80	
(c) Foreign government securities	25,460,329.—	
(d) Bank stocks	776,020,516.25	
(e) Other securities	491,015,965.—	
		9,001,370,394.05
Other assets		125,631,761.30
FIXED ASSETS:		
Bank premises	125,000,000.—	
Participation in real estate subsidiary companies	1.—	
Amounts due from real estate subsidiary companies	1.—	
		125,000,002.—
	Fr.	Fr. 41,221,423,051.79

	Fr.	Fr.
CURRENT LIABILITIES:		
Preferred or Guaranteed Creditors:		
Banque Nationale de Belgique	—	
Other creditors	29,812,185.71	
		29,812,185.71
Balances due to banks		2,882,687,681.14
Head Office, Branches and Affiliated Banks(1)		468,433,772.93
Acceptances		2,860,568,215.27
Other short-term liabilities		652,953,340.76
Bills in course of collection		297,281,753.39
Deposits and Current Accounts:		
(a) At sight or at one month's notice	26,424,397,567.55	
(b) Time deposits	3,905,249,516.89	
		30,329,647,083.44
Bonds and Notes(2)		1,186,871,000.—
Amounts callable on securities		323,816,800.—
Other liabilities		328,303,276.56
CAPITAL AND RESERVES:		
Capital	1,000,000,000.—	
Legal Reserve (Royal Decree No. 185, art. 13)	100,000,000.—	
Available reserve	930,550,750.25	
		2,030,550,750.25
PROFIT AND LOSS ACCOUNT:		
Balance brought forward	63,170,041.74	
Profit for 1956	323,427,150.70	
		386,597,192.44
		Fr. 41,221,423,051.79

(1) Affiliated Banks. (*) £1 = 140 Belgian francs.

(1) Affiliated Banks. (2) Notes.

CONTINGENT ACCOUNTS

	Fr.	Fr.
Assets pledged as collateral:		
For own account with the Banque Nationale (credit unused)	2,110,000,000.—	
For account of others	24,360,000.—	
		2,134,360,000.—
Securities pledged for own account		120,782,000.—
Guarantees received		17,866,600,903.32
Guarantees given for account of others		4,648,865,864.44
Bills rediscounted		3,712,698,560.81
Forward exchange		2,006,743,642.—
Securities held in safe custody		117,739,027,731.—
Monetary reform loan (law of 14.10.45, art. 1):		
(a) For private holders	2,474,775,000.—	
(b) For tax-collectors		
		2,474,775,000.—
Other accounts		8,194,672,712.09
Promissory notes executed by debtors		159,919,869.13
Assets deposited with third parties		4,629,881,896.35

F. PERKINS LIMITED

(Manuf[illegible]rs of High Quality Diesel Engines)

EXCELLENT RESULTS OF EXPORT DRIVE

MR F. A. PERKINS ON MEASURES TO COUNTERACT INCREASING COSTS

The twenty-fifth annual general meeting of F. Perkins Limited will be held on May 13th at Peterborough.

The following is an extract from the statement by the Chairman, Mr F. A. Perkins, which has been circulated with the report and accounts for the year ended December 31, 1956:

The Directors recommend a Dividend to Ordinary Shareholders of 10 per cent for 1956.

I am again able to report an increase in turnover, which for the year was over £21,500,000, being 8 per cent over 1955.

During the year there were increases in our own wages and also in the prices charged to us by our suppliers. It was found that the Company could no longer absorb these increased costs and for the first time since early 1952 we increased the prices of engines and spares. We were, however, only able to pass on to our customers a part of this additional cost and the nett profit for year at £768,934 shows a decrease on 1955.

Last year I referred to the necessity to raise additional finance but up to the time of writing there has been no propitious moment to carry out this operation. At the same time we have not delayed the progress of our plans and due to the low level at which we have maintained our stocks we have limited the bank overdraft to a reasonable figure.

During the year there has been expended £655,000 on capital assets, and at the end of the year the capital commitments stand at £601,000. These commitments cover the completion of the building operations and the equipment required to meet the present programme of the Company, but further expenditure has been planned for the near future.

OVERSEAS ACTIVITIES

The progress of the Canadian Subsidiary continues and in order to provide engineering facilities to meet the most encouraging demand for our engines from manufacturers in N. America further accommodation has been acquired. I feel sure that our policy of persevering with the development of this market will prove successful.

In Australia new marketing arrangements have been developed during the year which have enabled us to meet the growing demand for our engines, particularly in view of the increase in the Australian Home Market manufacturing programme. In South Africa the favourable trend reported last year continues.

I am happy to report that Messrs Simpson and Company, Limited, have made great strides in developing the manufacture of Perkins engines in India to meet the wishes of the Indian Government.

I am also able to report that satisfactory progress has continued in France with the local manufacture of Perkins engines, and during the year we have increased our investment in our Associated French Company by £24,500.

COMPREHENSIVE TRAINING SCHEME

I believe you will be interested to know that, in order to play its part in achieving a higher level of technical skill, which is so essential to our national economy, your Company has established a comprehensive Training Scheme in a separate Training School at Eastfield. In our Training schemes we provide individual attention to the practical and theoretical requirements of the trainee, not only for his future in the Company, but for his future as a citizen and craftsman, professional engineer, or business man.

Our Service School which provides training in the maintenance of our engines, and is well known all over the world, has an attendance of over 3,000 students each year.

DEVELOPMENT DIFFICULTIES OVERCOME

The difficulties experienced in the development of the R6 engine were overcome in 1956. The R6 Mark 2 was introduced and in subsequent service the unit has proved itself completely reliable and equal to the well-proven P6.

As is generally known, Vauxhall Motors have for many years employed our engines with success but growing demand has now caused them to manufacture their own diesel engine. It is, however, a particular pleasure for me to advise you that we have secured two large contracts with manufacturer customers which will more than offset our loss in this direction.

There has been a noticeable increase in the demand for the L4 engine in agricultural and industrial applications.

It is significant that there has again been an overall increase in the number of engines exported, to a figure of 74 per cent of the production of the Company, as direct exports and also indirect, i.e., through manufacturers in this Country fitting our engines in their equipment. The increase is due in large part to exports direct from Peterborough to the customers overseas. This is the result of an intensive drive by our Export Department.

FUTURE PROSPECTS

I do not believe that any Chairman's Statement is complete unless some estimate of the future is given to the Shareholders. In recent years there has been little difficulty in doing this, but at this particular time this is not so easy to do in spite of the fact that we have complete faith in our products, our organisation and our ability to maintain our business against competition. We can see ahead of us further rising costs due to increases in wage rates and certain raw materials. To counteract this trend we are making a concentrated effort to re-design our products where economies in production are possible, and are continuously investigating new materials and processes.

I hope to have illustrated to you the continuing and growing vitality of your Company. Whatever difficulties lie ahead will, I am sure, be surmounted and I gladly pay tribute to all employees, and to my colleagues on the Board to whom is due a very large share of our continued prosperity.

ADAMS (DURHAM) LIMITED

STATEMENT BY LIEUTENANT COLONEL W. D. GIBB[illegible]

The fifth annual general meeting of Adam (Durham) Limited was held on April 15[illegible] in London, Lieutenant Colonel W. D. Gibb[illegible] chairman, presiding.

The following is an extract from his circulated statement:

The year under review has again been difficult period of trading in the Confectioner Industry and Shareholders will have read the declining profits and, in some cases, substantial losses of our competitors. There has been one or two exceptions where manufacturers have maintained or even bettered the results and your Company falls into the latter category.

At the last Annual General Meeting reported that for the first three months of the year your Company had been on a profit making basis. This improvement was maintained and the net profit for the year amounted to £11,515, out of which it is proposed to pay a dividend at the rate of 5 per cent, less tax

Sales were the highest in the history of your Company and they continue to show an upward trend in spite of the fact that the small to medium size manufacturers appear to be losing ground to the larger firms. However, increased costs of raw materials and wages had the effect of reducing our margins in the year under review and are likely to continue to do so We face the future with cautious optimism

The report and accounts were adopted.

THE RHEOSTATIC CO.

INCREASED SALES

The twentieth annual general meeting of The Rheostatic Company Limited was held on April 24th at Slough, Mr M. J. Gartside, chairman and managing director, presiding.

The following is an extract from his circulated statement for the year to September 30, 1956:

The figures represent a steady advance in the growth of your Company. Increased sales in the home and export fields were achieved in spite of credit restrictions and increasing competition in the Export markets

The net profit of the parent Company in the United Kingdom before taxation was £249,985. After deduction of Income Tax and Profits Tax the remaining Profit is £148,175, which compares with last year's figure of £134,965. The Directors recommend a final dividend of 7½ per cent, which makes a total of 12½ per cent for the year.

The products of your Company, Satchwell temperature controls, are extensively applied in the fields of domestic electric water heating and electric cooking, and of central heating and air conditioning. In the central heating field the rapid increase of popularity of automatic oil-burning in all kinds of buildings produced an unprecedented demand for the Company's products.

In spite of adverse factors, sales for the first six months of the current financial year are appreciably the same as those of the corresponding period last year. Your Board continues to have confidence in the future progress of the Company.

The report and accounts were adopted.

WINTERBOTTOM BOOK CLOTH COMPANY LIMITED

FURTHER EXPANSION AND DEVELOPMENT

The sixty-fifth annual general meeting of The Winterbottom Book Cloth Company Limited was held on April 24th in Manchester, Mr Mark Brickhill, the Chairman, presiding.

The following is an extract from his circulated statement: The sum of £648,295 has been spent during the year by the group on land, buildings, plant, etc., of which £116,014 is attributable to the parent company. This money has been spent on both expansion and modernisation which, you may recall, I mentioned to you last year. The policy is continuing, as will be realised from the amount of capital commitments at the date of the Balance Sheet amounting to £383,000, which includes £47,000 in respect of the Parent Company.

All these projects have been financed from our own resources which has necessitated the realisation of some of the investment portfolio. These investments have been acquired over the years by funding the Company's reserves with the intention of having funds available for the expansion of the Group's activities as and when opportunities occur.

INVESTMENTS REVIEWED

During the year, the whole of the investment portfolio was reviewed and its construction revised in order to include a higher proportion of equity investments, thus guarding both capital and income against continued inflation. Furthermore, it was considered wise to include in the portfolio a higher percentage of dollar securities. Based on the market value at December 31, 1956, the approximate distribution of the portfolio was:

	per cent
Fixed Interest Investments	38
Equity Investments — United Kingdom	44
Equity Investments—USA and Canada	18
	100

As a result of the above transactions the book value of the Parent Company's quoted investments at December 31, 1956, was reduced to £2,064,093, from which should be deducted the Investment Reserve of £172,602, giving a net value of £1,891,491. Against this, the market value was £1,978,688, showing a surplus of £87,197.

Stocks of Raw Materials have been maintained at a level sufficient for our requirements and although the values show increases in both the Parent Company and Consolidated Balance Sheets this is due to increased costs and not increased quantities.

The Group Trading Profit has been increased slightly but the charge for taxation on the profits of the year has been increased by £56,984. Further, the amount brought into credit for Taxation provisions no longer required has been reduced by £31,958 with the result that the profit after taxation is reduced by £53,544. After allowing for Minority Interests and Profits retained by Subsidiary Companies the profit of the Parent Company amounts to £496,560.

The Accounts provide for the same dividends as last year and a further £100,000 has been placed to Group Plant Replacement and Development Reserve. I feel sure you will agree that it is essential for the Company to retain a reasonable amount of its profits in order to provide funds necessary to maintain and increase where possible the scope of the business. The penal effect of the Profits Tax Distribution charge is such that the Company has to pay the sum of £117,000 approximately on the annual dividends and this shows an increase of £25,000 over last year when the same dividends were paid.

BROADENING ACTIVITIES

The year 1956 has been one of considerable expansion and development in the Parent Company and in every one of the various subsidiaries, a list of which is given in the printed Report in your possession. It should be realised that the scope of the Company's activities is now spread over a wide field and the original business of weaving, bleaching, dyeing and finishing is now a much smaller percentage of the business of the Group than that of a few years ago. The entry into this larger field by our subsidiaries has been very successful. Although our subsidiaries, both at home and abroad, are very busy, we have experienced considerable difficulty at some of our branches in securing sufficient labour. We have experienced, and still are experiencing increasing costs of materials, as evidenced in the lower margin of profits, which we hope to improve by greater productivity.

The report was adopted.

THE EAST ASIATIC COMPANY, LIMITED

(Aktieselskabet Det Ostasiatiske Kompagni)

COPENHAGEN, DENMARK

60th ANNIVERSARY

The following is a summary of the report for the financial year 1956 presented by the Board of THE EAST ASIATIC COMPANY, LIMITED at the Company's Annual General Meeting in Copenhagen on March 27, 1957.

It is steadily becoming more and more evident that international developments are staging towards a grouping of countries in larger spheres of interest. This it is to be hoped, will pave the way for the initiation of economic co-ordination on a global scale for the benefit of all, through a rational apportioning of work and an effective distribution of what is produced.

The difficulties to be overcome are not only of a national and geographical nature. A change of mentality is required to realise that economic progress is measured in terms of production and not only in increased incomes.

The Company, whose activities, in view of their nature, are susceptible to changes in international conditions, must, under such circumstances, regard it of importance to invest in equities and enterprises of various kinds. In the course of the past year the Company, through expansion and other means, endeavoured to act accordingly, both in regard to locality and commercial circumstances.

Shipping Department

Satisfactory supplies of cargo were available for the Company's routes, several of which had to be diverted via South Africa after the closing of the Suez Canal in October. The events associated with the Suez crisis occasioned very firm freight markets in the latter half of the year.

In the course of the year the Company took delivery of the M.S. "Sinaloa" from the Nakskov Shipbuilding Yard, and M.S. "Sargodha" and M.S. "Baroda" from Burmeister & Wain. The Company's fleet at the close of the year thus comprised 55 motorships aggregating 588,592 tons deadweight, with an average age of 10 years, standing in the books at Kr.386.66 per ton deadweight.

At the close of the year 9 ships were under construction or on order: three 10,000-ton cargo liners from Burmeister & Wain, and two 10,000-ton cargo liners and four 17,500-ton tankers from the Nakskov Shipbuilding Yard. Of this new building programme, M.S. "Ravenaga" will be delivered to the Company in the spring of 1957, while the remaining vessels will be completed at the rate of between two and three ships a year during the next few years.

In the Profit and Loss Account the fleet has been written down by 5 per cent, ordinary depreciation, and further by Kr.25,104,062.23 as extraordinary depreciation on ships and new buildings Kr.34,366 618 92 in all.

The Commercial Departments

The general inflationary tendency in conjunction with the political crisis in the latter half of the year contributed to maintaining prices in world markets, although the presence of considerable surplus stocks of several categories of commodities might have had a contrary effect.

The commercial departments of the Head Office—the import, export and wood departments—took cognisance of the situation in their dispositions, which affected the turnover and working results.

In the Company's spheres of operations in the Far East work proceeded normally during the year, but a continued closing of the Suez Canal will result in increasing transport costs, which in turn will influence the commercial turnover, and economic conditions in various countries will accordingly be adversely affected.

In Australia, where the import of goods is still restricted, interests have been extended to new enterprises.

The Company is steadily expanding its investments and business in Africa: in South Africa, Federation of the Rhodesias and Nyasaland, British East Africa and the Congo, as well as in Ghana (Gold Coast) and Nigeria.

In the United States of America, Canada and the South American countries where the Company is established steady progress is being made.

Participation in Other Companies

With the addition of new investments these interests stand in the Balance Sheet at Kr.77,062,014.14, against which there is a Security Fund showing a reserve of Kr.6,121,031.12.

The results of the year under review were as follows:—

From Shipping		Kr. 55,486,087.49
From Trade		„ 10,699,083.06
Branches		„ 53,082,829.80
Dividends from Investments in other Companies		„ 6,077,869.12
		Kr. 125,245,669.46
Less: Interest and Financing Expenses		„ 2,888,779.95
		Kr. 122,356,889.51
Administration Expenses at Head Office and Branches	Kr 50,415,126.88	
Allocation for Taxes	„ 10,204,262.72	
		„ 60,619,620.60
		Kr. 61,737,268.91
Depreciation		„ 38,312,722.88
		Kr. 23,424,546.03
Balance brought forward from last year		„ 7,556,473.20
for disposal		Kr. 30,981,019.23

which it is proposed to apply in accordance with the accounts as follows: to pay to the shareholders a dividend of 15% plus a bonus of 3% on the occasion of the Company's 60th financial year; to distribute a bonus of Kr.4,603,400.12 to the Board, Managing Directors and Employees; to allocate Kr.3,000,000.00 to the Extra Reserve Fund, Kr.3,500,000.00 to the Pension Fund, Kr.1,000,000.00 to the Extra Depreciation Fund for Buildings and Furniture and Kr.2,000,000.00 to a Research Fund; leaving Kr.7,877,619.11 to be carried forward to next year.

The printed accounts and an accompanying booklet are available on application to the Company's Head Office, 2, Holtergegade, Copenhagen K.

JAS. WILLIAMSON & SON, LTD.

TURNOVER WELL MAINTAINED DESPITE OBSTACLES

LORD PEEL'S STATEMENT

The twenty-sixth annual general meeting of Jas. Williamson & Son, Ltd., was held on April 17th at The Royal King's Arms Hotel, Lancaster, The Right Honourable The Earl Peel, chairman of the company, presiding.

The following is the Chairman's statement circulated with the report and accounts for the year ended December 24, 1956 :

You will, I am sure, understand that both politically and economically the year 1956 brought much anxiety to a business with such widespread interests as ours. Credit restrictions at home and reduced import quotas in some major overseas markets rendered trading conditions much more difficult, but in spite of these obstacles turnover was well maintained. Profit margins were narrower than in 1955, which was our record year, and Group Trading Profit at £869,415 compares with £1,002,885. Taxation, of course, takes the major portion of this and from what is left your Board recommend you to declare a final dividend of 8 per cent, making with the interim a total of 12 per cent for the year. We think it advisable to make this small reduction from the rate of 12½ per cent paid last year and also to strengthen our Reserves in the manner set out in the Directors' Report.

EFFECT OF TAXATION

At some risk of being wearisome I feel I must once again refer to the effect of taxation. Let me instance a piece of equipment which originally cost £100,000 and must now be replaced at current prices of, say, three times the original cost. We have, of course, set aside year by year the £100,000 but what about the balance of £200,000 now required. This must be found from the profits of the business, or rather from what is left of these profits after they have been ruthlessly taxed. A business which cannot make profits enough to bear all these burdens will die and the livelihood of its workpeople will disappear.

It will have been a satisfaction to you that the Monopolies Commission could find nothing of moment to complain about in the current practices of the Linoleum Industry. The cost of the years of searching examination has, of course, to be paid for out of profits and taxation. Over and above this, however, the enquiry imposed a burden on the time and attention of hard-worked men, which could have been used to better purpose.

THE LEATHER CLOTH COMPANY

Integration of The Leather Cloth Company's business with the corresponding departments of Williamson's has reached a point at which it is desirable to consolidate their activities. Accordingly, as from December 24th last a complete merger of assets and liabilities was made in proper form. This will also make possible a simplification of office procedure and will eliminate much inter-company paper. I need only add a brief explanation of the relevant figures in the Consolidated Balance Sheet. The Leather Cloth Company has paid from its Reserves a Special Dividend of £50,000. This comes to Williamson's as owners of the whole of the Subsidiary's Share Capital and has been carried to Capital Reserve (part of £105,986). This fund should take care of any contingencies which may arise. You will notice that there has been a small adjustment in the amount of "Excess of Net Tangible Assets over Cost of Shares. . . ." This now stands as a Capital Reserve at £105,277. Any estimate of the ultimate element of profit contained in that figure must be hypothetical. We bought this shareholding at what we regarded, in all the circumstances, a fair price and we have reason to be well pleased with our purchase.

I am glad to say that I have been able again to visit some of our Overseas Markets. It has been our policy for many years to regularly to send out suitably trained officials from Lancaster, but we believe it to be highly desirable that the Chairman should himself go from time to time.

TRIBUTE TO MANAGEMENT, STAFF AND WORKPEOPLE

You will wish that I should express our thanks to the Management, the Staff and Workpeople of the Company for their real combined effort that has been given during the past year. We have always been proud of the good relationships that have existed for so long amongst all ranks of the organisation and much has been done since the war to develop joint consultation, training methods, and a knowledge of the Company's affairs and policies. More may always remain to be done, but as one example of team work I may instance the accident frequency rate which, after showing a steady reduction in recent years, has reached a remarkably low figure in 1956.

I know it is generally hoped that a Chairman will make some forecast of the trend of business for the current year. I wish I could see the future clearly enough to make any such remarks worthwhile. I can only say that we have a business of which we have good reason to be proud and we are steadily and methodically improving our factories and equipment at no small cost. This is an earnest of our confidence.

The report and accounts were adopted and the final dividend as recommended was approved. The retiring directors, Mr. J. Black, Sir Cuthbert B. Clegg, and Mr. Hedley Bell, FCA, were re-elected and the remuneration of the auditors, Messrs Van Price and Goodyear, was fixed.

APPOINTMENTS

UNIVERSITY OF DUBLIN

TRINITY COLLEGE

ASSISTANT LECTURER IN POLITICAL SCIENCE

Applications are invited for the post of Assistant Lecturer in Political Science (salary £550 x £50 to £650).

Further information may be obtained from the Registrar, Trinity College, Dublin, who will accept applications until June 8, 1957.

SALZBURG SEMINAR IN AMERICAN STUDIES

Schloss Leopoldskron, Salzburg, Austria

Scholarships are offered for the following sessions: LABOR IN AMERICA, June 16 to July 13, 1957. AMERICAN LAW AND LEGAL INSTITUTIONS, July 21 to August 17, 1957. LITERATURE AND SOCIETY IN AMERICA, August 25 to September 21, 1957.

Lectures and Seminars at the post-graduate level. Admission is granted for evidence of ability and accomplishment. General age range 23 to 35. Special attention given to those engaged in public life, teaching, journalism, and creative work. For further information and application forms, please write promptly to: Salzburg Seminar, 35 Portman Square, London, W.1.

PRODUCE OFFICER required by the GOVERNMENT of the NORTHERN REGION, NIGERIA, for one tour of 12 to 24 months in the first instance with prospects of permanency. Commencing salary according to experience in salary scale (including inducement addition) £780 rising to £1,680. Clothing allowance up to £45. Free passages for officer and wife. Assistance towards children's passages and maintenance grant up to £288 annually. Liberal leave on full salary. Candidates should hold degree in Agriculture or Economics or National Diploma in Agriculture and should possess administrative ability. Experience in the handling of agricultural products, particularly grading, inspection and storage and some knowledge of prevention and control of pest infestation of stored products would be advantageous.—Write to the Crown Agents, 4, Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote M1B/42896/EN.

STATISTICAL CLERK required by Arthur Guinness Son & Co. (Park Royal) Ltd. Minimum qualifications G.C.E. "A" level Maths., ability to draw graphs an advantage but not essential. Assistance will be given to the selected candidate to prepare for the examinations of the Royal Statistical Society or the Association of Incorporated Statisticians. Salary in the range of £350 (for someone with "A" level maths. aged 18) to £718 (for someone with Diploma of the R.S.S. and some experience). Five-day week, free luncheons, three weeks' holiday (two weeks this year), non-contributory pension scheme, excellent sports facilities.—Apply in writing to Personnel Manager, Park Royal Brewery, London, N.W.10.

UNIVERSITY OF HULL

APPOINTMENTS ARE INVITED for the post of Assistant in the Department of Social Studies. Candidates must have reached a good Honours standard in Geography or Social Anthropology, and experience of sociological or community research would be an additional qualification. Salary scale £500-£750 per annum (new grade under review).—Further particulars may be obtained from the Registrar, to whom applications (six copies) must be sent not later than May 31, 1957.

MANAGEMENT SELECTION LIMITED

have been retained to advise on the appointment of the

PERSONNEL MANAGER

for the Head Office in London of a well-known company manufacturing and marketing high quality domestic electrical appliances. The Company has three factories, employs several thousands and has plans for substantial expansion.

This is a new senior appointment and the Personnel Manager will be responsible for: formulating personnel policy; establishing and operating a central personnel department; and providing operating management with appropriate services to facilitate the maximum development of personnel throughout the Company.

The starting salary of up to £2,500 is envisaged; a car provided. There are good prospects of early advancement.

The high responsibilities and scope offered will suit men aged 30 to 40 who have had at least five years' practical experience of industrial personnel management, including experience of management recruitment and development. A degree or one year course in P.M. is essential but candidates must provide evidence of their ability for constructive and original thought.

Please send brief details, in confidence, quoting Ref. S.380, to R. A. Demeriey, Management Selection Limited, 17 Stratton Street, London, W.1. No information will be disclosed to our clients until candidates know their identity and have given permission after personal discussion.

UNILEVER LIMITED

UNILEVER'S Economics and Statistics Department has a vacancy for a statistician in its operational statistics section. His basic training should be as an economist, but should also have a good understanding of the statistical bases of the modern statistical techniques (preferably being a strong mathematician). Practice in applying economics and statistics to business operations desirable; a knowledge of accounting would also be an advantage.

The successful candidate should be aged about 30. Starting salary will depend on qualifications and experience but will not be less than £1,200 p.a.

Applications should be made to Personnel Division (PRB/1535), Unilever Limited, Unilever House, London, E.C.4.

ACTUARY

A Head Office of a Canadian Life Assurance Company with $6 million premium income has a vacancy for an assistant actuary in its rapidly expanding group department. Applicants should either have recently qualified as Fellows of the Institute of Actuaries or Faculty of Actuaries or should expect to do so shortly. Experience in life and group annuity work is an advantage but not essential. Relocation expenses paid.—Box 679.

ACTUARIAL STUDENTS—passed at least some part of Part I of Faculty or Institute Examinations—required by Australian Mutual Provident Society (the largest British Mutual Life Office). After short initial preparatory period at London Office the Society will pay all fare costs to Australia. Salary depending upon qualifications—Minimum £625 sterling at age 21, £725 at age 23, £800 sterling at age 25. Substantial bonuses and increases on passing examinations. Excellent conditions, liberal long service leave, excellent staff pension scheme, assurance benefits.—Apply to Manager for United Kingdom, 73-76 King William Street, London, E.C.4.

LEADING MERCHANT HOUSE in Malaya offers attractive appointment to experienced executive, age 30-40, with successful commercial engineering background to take charge of all their engineering activities including the sale, installation and servicing of a wide range of engineering plant and equipment and the representation of many well-known U.K. manufacturers. This post involves control of technical staff and direct responsibility to the Board for the success of a major department. Total remuneration would be not less than £3,000 per annum.—Apply with full details to box 136, Haddon's, Salisbury Square, London, E.C.4.

ENGINEERING OFFICER required as Senior Executive Assistant to administer and control all aspects of Management Engineering and Apprenticeship training for group of Engineering Companies employing 6,000 personnel.

Applicants should be ex-Public School and University man, fully conversant with modern educational methods and training methods. Preference given to ex-Service Administrative Officer.

Salary limits 40/55. Primary location near Birmingham. Full details of age, experience, etc., to Secretary,

[illegible] LIMITED invites applications from men aged [illegible] for the position of management assistant in [illegible]ming Organisation at Harrow. A developed [illegible] the economics of planning is essential, and [illegible] of the problems of stock planning, control and [illegible] distribution would be an advantage. The post [illegible]-education to degree standard, but more weight [illegible]ven to previous commercial experience.—Apply [illegible]st 125A, Kodak Limited, Harrow, Middlesex.

THE UNIVERSITY OF MANCHESTER

RESEARCH STUDENTSHIPS AND RESEARCH GRANTS IN ECONOMIC AND SOCIAL STUDIES

Applications are invited for the above studentships and grants, tenable for one year in the first instance, and renewable for a further period not exceeding two years. The studentships are normally of the value of £350 or £400 per annum. They are offered to candidates who have obtained the degree of Bachelor or Master in this or any other approved University. Applications should be sent not later than July 1, 1957, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

MANAGEMENT ACCOUNTANT

THE DISTILLERS COMPANY LIMITED

The Company invites applications for the post of Management Accountant in the Economics and Statistics Section of its Industrial Group in London.

Candidates, who should be under 35 years of age, must be Chartered or Incorporated Accountants and must hold an Honours Degree, preferably in Economics or Mathematics. Industrial experience with specialised knowledge of management accountancy or industrial economics is desirable.

Salary, depending on experience, in the range £1,000 to £1,500. Non-contributory pension scheme.

Write: Staff Manager, The Distillers Company Limited, 21 St. James's Square, London, S.W.1. Quote Ref.: 18/57.

ECONOMICS/STATISTICS.—A Graduate with a good degree in Economics is required to analyse the statistics produced by subsidiaries of a large engineering group, and to produce regular reports on the trends revealed. The work has to be developed and there is much scope for initiative. A background of Mathematical Statistics is not required, but candidates do need an aptitude for analysing figures and trends. Actual industrial experience in the work would be of particular interest. The ability to write lucidly and briefly is essential.

Application forms from the Secretary, Market Research Department, T.I. (Export) Limited, 58-72 John Bright Street, Birmingham, 1.

STATISTICIAN required by Arthur Guinness Son & Co. (Park Royal) Ltd. Graduate preferred but Diploma of Royal Statistical Society would be acceptable. Salary in the scale £700 to £900 according to qualifications and experience. Five-day week, free luncheons, four weeks' holiday (24 weeks' this year), non-contributory pension scheme, excellent sports facilities.—Apply in writing to Personnel Manager, Park Royal Brewery, London, N.W.10.

UNIVERSITY COLLEGE OF RHODESIA AND NYASALAND

Applications are invited for a Lectureship in Economics. Salary scales: Assistant Lecturer £1,050 x £50—£1,250 p.a., Lecturer (Grade II) £1,200 x £50—£1,450 p.a., (Grade I) £1,450 x £50—£1,750 p.a., entry point determined by qualifications and experience. Superannuation scheme. Passages to Salisbury for appointee, wife and dependent children on appointment with allowance for transport of effects. Unfurnished accommodation at rent of up to 15 per cent of salary.

Detailed applications (6 copies), naming 3 referees, by May 15, 1957, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

BORD FAILTE EIREANN

Applications are invited, from persons who are citizens or of Irish parentage, for a top Manager position. Wide administrative experience, proved ability and flexibility are desired. Experience in any aspect of the tourist industry and of promotional work desirable.

Age limits: 30 to 45.

Salary will be commensurate with the responsibilities of the position, which is superannuable.

Applications, which will be treated in strict confidence, should state in full, personal particulars, qualifications and experience, and should be addressed to

Director-General,
Bord Failte Eireann,
13 Merrion Square,
Dublin.

Latest date for receipt of applications, which should be marked "Appointment," will be Tuesday, April

GOVERNMENT OF PAKISTAN

APPLICATIONS INVITED for post of Director [illegible]mercial Audit, Pakistan Audit Department, from [illegible] Accountants preferably having previous experience [illegible] Government audit and accounts work. Appointment [illegible] a contract basis for five years. Salary for the first [illegible] at the rate of 2,250 rupees per month with increment [illegible] 100 rupees per month for the second, third and [illegible] years of the contract. First class B sea passage [illegible] and family for outward and backward journey, [illegible] medical treatment, according to Rules. Leave on [illegible] pay at 1/11th of duty plus leave on medical certificate. One return leave passage after completion of the first [illegible] service. Benefit of Contributory Provident Fund, [illegible] Branch. Liable to serve anywhere in Pakistan.

Further information obtainable from the Chief [illegible] High Commission for Pakistan, 34 Lowndes Square, London, S.W.1, to whom applications with the names of two referees should be sent by May 17, 1957.

UNIVERSITY COLLEGE, IBADAN, NIGERIA

APPLICATIONS ARE INVITED for Assistant Lectureships, Lectureships (Grade I or II) or Senior Lectureships in ECONOMICS, ECONOMIC HISTORY and GOVERNMENT, in the new Department of Economics and Social Studies.

Salary scales :

Senior Lecturer	—£1,700 x £75—£1,925 p.a.
Lecturer (Grade I)	—£1,400 x £50—£1,650 p.a.
Lecturer (Grade II)	—£1,000 x £50—£1,300 p.a.
Assistant Lecturer	— £800 x £50— £900 p.a.

Entry point determined by qualifications and experience. Child allowance for up to 3 children £50 p.a. per child resident in Nigeria, £100 p.a. per child resident elsewhere. Outfit allowance £60. F.S.S.U. Part-furnished accommodation at rent not exceeding 7.7 per cent. of salary. Passages paid for appointee, wife and up to three children under 11 years, on appointment, annual overseas leave and termination.—Detailed applications (6 copies), naming three referees, by May 30, 1957, to Secretary, Inter-University Council for Higher Education Overseas, 29, Woburn Square, London, W.C.1, from whom further particulars may be obtained.

GHANA (GOLD COAST) PUBLIC SERVICE COMMISSION

VACANCIES IN THE MINISTRY OF FINANCE

Applications are invited from suitably qualified candidates for the following vacancies in the Ghana Civil Service :—

MINISTRY OF FINANCE : Three STATISTICIANS urgently required to plan the collection of statistics and to analyse and interpret the collected material particularly with a view to providing advice to those branches of Government which have responsibilities in the field of policy. Candidates must possess either (a) a recognised University degree with Statistics as a special subject, or (b) an honours degree in Economics or Mathematics combined with Statistics at an advanced level, or (c) an honours degree with a recognised University diploma in Statistics or the certificate of the Royal Statistical Society or the Fellowship of the Association of Incorporated Statisticians, and with at least five years' experience in Statistical Organisation. Consolidated contract salary in range £1,530-£1,950 per annum.

DEPUTY COMMISSIONER, INCOME TAX DEPARTMENT to be responsible to the Commissioner for all matters of administration and organisation, including recruitment and disposition of staff, preparing departmental estimates and controlling expenditure, supervising departmental forms and procedures, and dealing with all personnel and establishment matters. Candidates must have had not less than three years' experience in an income tax department including experience in charge of an area or district in a grade at least equivalent to that of Senior Inspector of Taxes in the United Kingdom Board of Inland Revenue. Consolidated contract salary £2,250 per annum. Pensionable appointment at consolidated salary £1,875 per annum may be offered.

ASSISTANT COMMISSIONERS OF INCOME TAX for the assessment of companies and traders, and assist in investigation and back-duty inquiries. Candidates must have been appointed to a substantive rank in the United Kingdom Board of Revenue or in an income tax department not lower than that of Senior Inspector of Taxes. Consolidated contract salary in range £2,190-£2,310 per annum.

INVESTIGATING ACCOUNTANT, INCOME TAX DEPARTMENT. Duties include the investigation of suspected cases of fraud or under-declaration of income for the purposes of income tax and the conduct of appeals and prosecutions in cooperation with the Department's legal officers where appropriate, and the supervision and training of professional accountants in the work of the branch. Candidates must be full members of at least seven years of any of the recognised Institutes or Societies of Accountants with at least three years' experience in the work of an income tax department or five years in general practice since qualifying. Consolidated contract salary in range £2,010-£2,130 per annum. Pensionable terms in salary range £1,400-£1,500 with overseas pay £175-£350 per annum available.

All appointments (except where pensionable terms are available) are on contract for two to three tours each of 18-24 months duration with extension by mutual agreement. Gratuity at rate of £8 6s. 8d.-£12 10s. for each completed month of residential service, payable on completion of contract. Outfit allowance of £30-£60 on first appointment. Free passages. Generous home leave. Income tax at low local rates. Preservation of superannuation rights, where applicable, can be arranged.

For further particulars and application form write, stating age, qualifications and experience, to THE DIRECTOR OF RECRUITMENT, GHANA HIGH COMMISSIONER'S OFFICER, 13, BELGRAVE SQUARE, LONDON, S.W.1.

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DIVIDEND NO. 279

NOTICE IS HEREBY GIVEN that a DIVIDEND of 50 cents per share upon the paid-up capital stock of this Bank has been DECLARED for the current quarter and will be PAYABLE at the Bank and its branches on and after June 1, 1957, to shareholders of record at the close of business on April 30, 1957.

By Order of the Board,
K. M. SEDGEWICK,
General Manager.

April 17, 1957.

THE CUNARD STEAM-SHIP COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the TRANSFER BOOKS for ORDINARY STOCK and PREFERENCE STOCKS will be closed from May 8 until May 21, 1957, both dates inclusive.

By Order of the Board,
J. C. TOMLINSON,
Secretary.

Offices :—Cunard Building, Liverpool.
April 25, 1957.

AVELING-BARFORD LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books of the 5½ per cent. Cumulative Preference Stock, the 5 per cent. Second Cumulative Preference Stock, the Ordinary Stock and the "A" Ordinary Stock will be closed from Monday, May 6, 1957, to Monday, May 20, 1957, both days inclusive.

By Order of the Board,
R. A. STONHAM,
Secretary.

Invicta Works, Grantham.
April 16, 1957.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability).—Ontario & Quebec Railway Company, 5 per cent Debenture Stock, 6 per cent Common Stock. In preparation for the payment of the half-yearly interest payable on June 1st next, the Debenture Stock Transfer Books will be closed on May 1st and will be re-opened on June 3rd. The half-yearly interest on the Common Stock will be paid on June 1st to holders of record on May 1st.—R. F. Tremayne, Deputy Secretary, 8 Waterloo Place, Pall Mall, London, S.W.1. April 16, 1957.

ASHRIDGE. Course 37. Trade and Foreign Policy. 17th May 17th-20th. Opening Address : British Foreign Policy : Mr. Ian Harvey, T.D., M.P. ; British Overseas Trade : Mr. Roger G. Opie, M.A. ; The Plan for a Free Trade Area : Mr. Roy Harrod, F.B.A. ; Oil and the Middle East : Mr. P. E. L. Fellowes ; Trade and the Commonwealth : Mr. Michael Stewart, M.P. Inclusive Fee : £4 4s.—Applications to the Secretary, Ashridge, Berkhamsted, Herts. Tel. : Little Gaddesden 3191.

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GRAND 15-day MOTOR COACH TOUR of ITALY (by air to Basle) organised by the Gondrand Organisation (over 50 offices in Italy), cost £52 10s. Itinerary includes Milan, Venice, Florence, Rome, Naples and Capri. VENICE-LIDO JESOLO—15 days' holiday in newly built hotels on the beach, by air to Milan, cost £39 3s. 5d.; by train to Venice, £30 9s. 3d. (July and August £3 more). ITALIAN RIVIERA—15 days' holiday on sun-drenched beach, cost £31 8s. 3d. DOLOMITES AND VENICE-LIDO JESOLO—one week in each, cost £33 1s. 6d. (July and August £3 more). This two-centre holiday combines the Alps with the queen of the Adriatic. —For further details of these and other attractive holidays write to

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Egypt	£6 0s.	£5 5s.	Israel	£6	—	S. America .	£7 15s	—
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Gibraltar, Malta.	£3 15s.	—	Malaya	£7 15s.	£6 15s.	U.S.A.	—	$21.50 or £7 14s.
Hongkong	—	£7	New Zealand ..	£9 strlg.	—	W. Indies ..	£7 15s.	—
			Nigeria, Ghana	£7 15s.	£5 5s.			

ATOMIC POWER FOR PEACEFUL USE

FIRST BRITISH REACTOR EXPORT ORDER:

Mitchell Engineering Ltd of London, working as a consortium with their American associates AMF Atomics Inc, and Siemens-Schuckertwerke of Erlanger, are to supply an atomic power station to the largest power organisation in the Ruhr, Rheinisch-Westfalisches Elektrizitatswerk AG

THE CONTRACT—for a station of the closed cycle boiling water type—was secured in the face of competition from seven international companies because this type of reactor was considered the most promising and suitable design at the present stage of development for the capacity required. Mitchell's share of the contract is valued at over three million dollars. The station is expected to provide electrical power to the grid by 1959. Mitchells are providing the primary and secondary steam circuits, the reactor vessel and heat exchange pipes. AMF Atomics will be responsible for the core, core control gear and instrumentation.

This reactor for the Federal Republic will provide the first practical contribution to the introduction of nuclear power in Germany and is also the first large scale reactor contract to be obtained for export by a British Company. It is a tangible expression of the joint Mitchell/AMF programme for the peaceful development of atomic power.

▶ *Mitchells are also engaged on four contracts for British Atomic Plant at Chapelcross, Capenhurst, Springfields and Dounreay.*

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AIR EDITION

The Economist

MAY 4, 1957 *FOUNDED 1843* ONE SHILLING

Half per cent Downwards?

The authorities may be being forced to consider another reduction in Bank rate. An alternative is suggested to them.

When the Dust Settles . . .

The engineering and shipbuilding reports have recommended a wider inquiry into industrial problems.

Who Wins in Jordan?

Suppression of the pro-Syrians and pro-Egyptians in Jordan has bought time, but it contains a danger.

Hungarian Exodus

A reminder is needed that the problem of the refugees from Hungary is not yet solved.

Shipping's Boom Year

The shipping companies made fine profits in 1956; less buoyant figures are to be expected in 1957.

Lancashire's Lot

Britain's cotton industry may shrink further; the Japanese industry has its difficulties too.

Britain's Turkish Friends

The Cyprus issue is coming between Britain and one of its few remaining Middle Eastern friendships.

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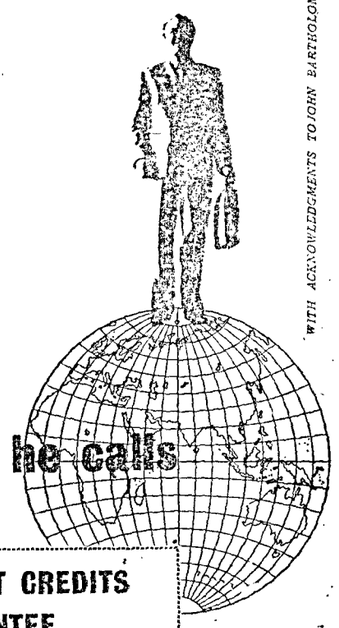
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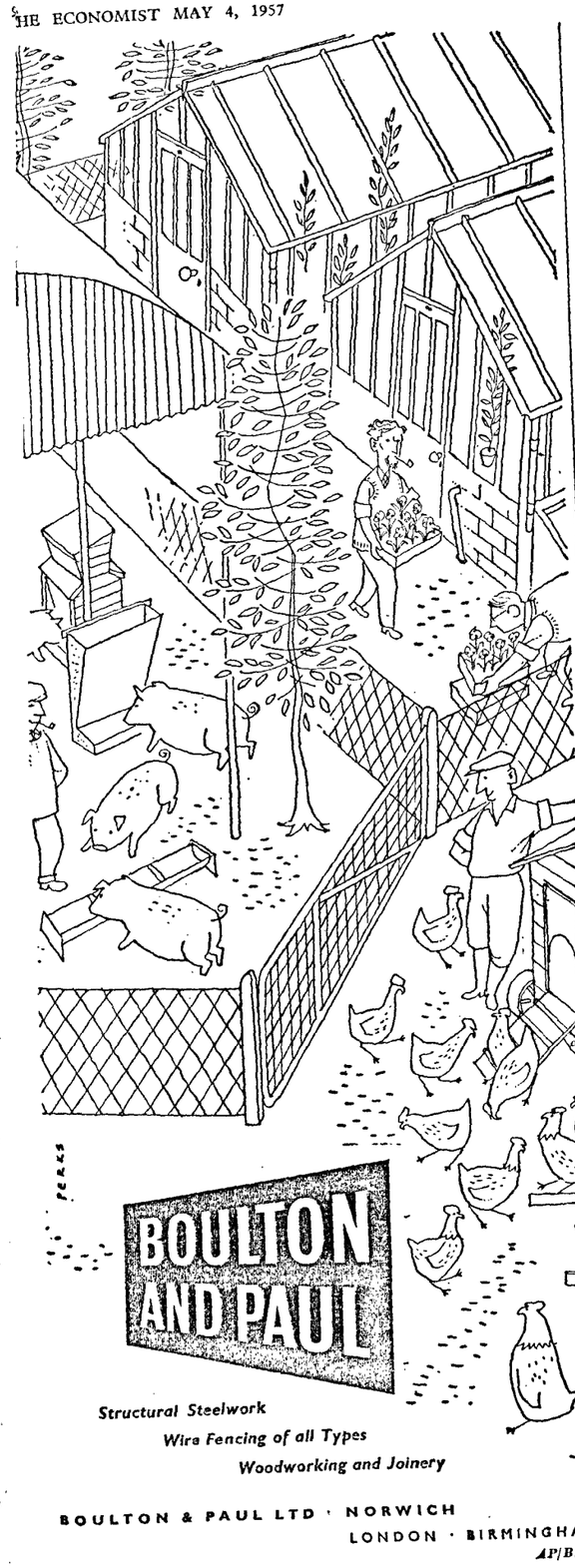
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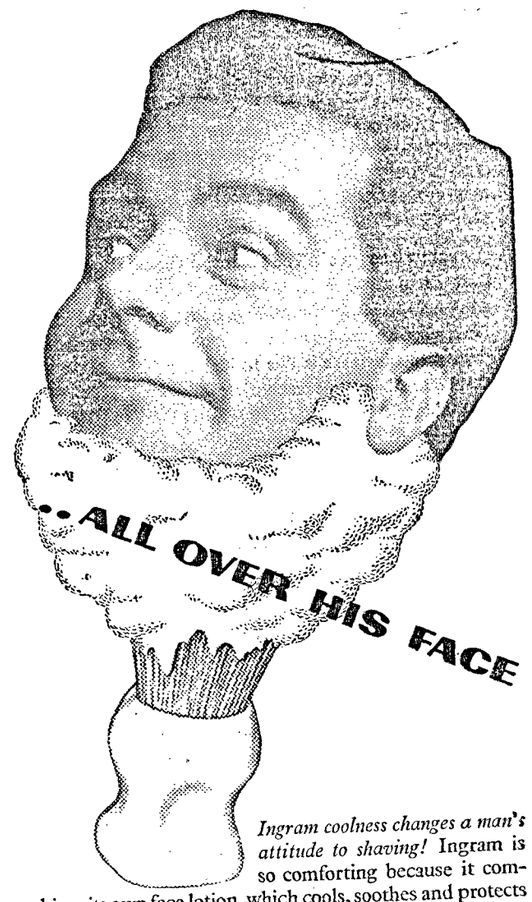


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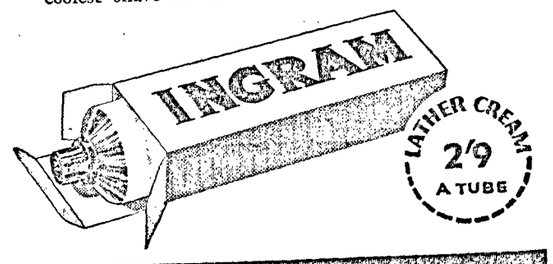
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INGRAM combines its own face lotion

Who are the most likely prospective customers for cars, washing machines, refrigerators and other durable goods?

A RECENT ARTICLE in The Financial Times* shows that expenditure on durable household goods and motor cars in 1956 amounted to £923 million. This is an increase of 37 per cent on 1952, when expenditure was £675 million. Moreover, only a small part of this increase is due to higher prices.

Who are the people responsible for this colossal rise in buying? A table of ownership of certain durable goods gives this picture.

Obviously, but significantly, the upper and middle classes are far heavier buyers of durable goods than the working class.

The figures on Chart I also suggest strongly that the upper and middle class market for these goods is far from saturated. And this market offers the most immediate likely prospects.

OWNERSHIP OF DURABLE GOODS BY CLASS

	Middle Class %	*Working Class* %
Lawn Mower	65	29
TV Set	55	45
Telephone	50	7
Car	41	12
Washing Machine	37	20
Refrigerator...	25	5
Motor Cycle	6	7

How to reach these prospects

The Hulton Readership Survey for 1956 and the I.P.A. National Readership Survey for 1956 give the *readership* of The Observer as 1,880,000 and 2,056,000 readers respectively.

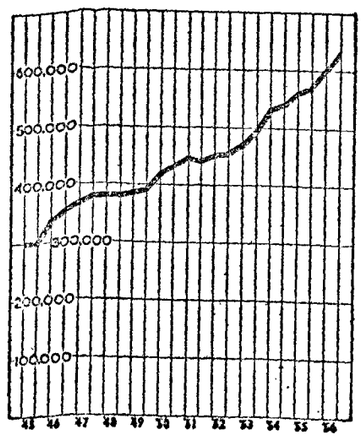
Three-quarters of The Observer's readers belong to the middle classes as defined by The Financial Times, which contain 4,212,100 adults—the top 11% of the population.

Thus The Observer is an unexcelled advertising medium for durable household goods—not only those in the Financial Times' list but many other household goods traditionally thought of as mass-market rather than quality goods.

Not only does The Observer provide an audience of the most likely buyers, but it provides it most economically with a minimum wastage. Nor is this audience small—a glance back at the readership figures shows it to be surprisingly massive.

Manufacturers of durable household goods, motor cars and other automotive products, and their advertising agents, are cordially invited to write or phone for further details to Norman Berridge, The Observer, 22 Tudor Street, E.C.4. Fleet Street, 9991.

* *Taken from an article by Mark Abrams in The Financial Times of Saturday, March 16, 1957*



THE OBSERVER

The astonishing growth of The Observer's circulation

The circulation of The Observer has doubled since the war from 298,619 to 633,064. It is still increasing.

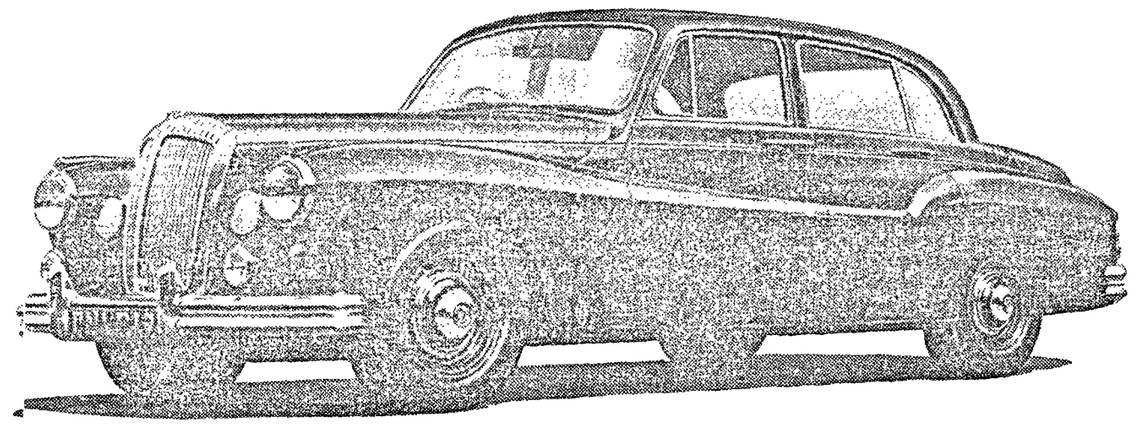
Last year alone, The Observer's circulation went up by 10.4%—the largest increase of *any* Sunday paper. And this was in a year when Sunday papers as a whole lost 1.2% of circulation.

The Hulton Readership survey for 1956 indicates that it has the highest number of readers per copy of *any* national daily or Sunday paper.

According to the latest available Hulton figures, The Observer has a higher percentage of readers, who read only one Sunday paper, than any other of the Sundays.

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2 One of the world's fast cars. The One-O-Four has a most impressive build-up of speed and reaches 100 m.p.h. quickly and easily. The notable characteristic of its performance is its unfussy behaviour. A quiet engine, absence of wind noise and exceptional road holding achieve an unbelievable docility at the top end of the speedometer. With its powerful servo-assisted brakes, the One-O-Four is also one of the world's safest cars.

3 Fully Automatic Drive. The fully automatic transmission is positively human. Super-human, in fact, for it silently and efficiently changes gear, up or down, always at the right time and always more quickly, more smoothly, than one could do it oneself. Add an exceptionally small turning circle, and you have a large car that is actually very much easier to take through heavy traffic than many a smaller one.

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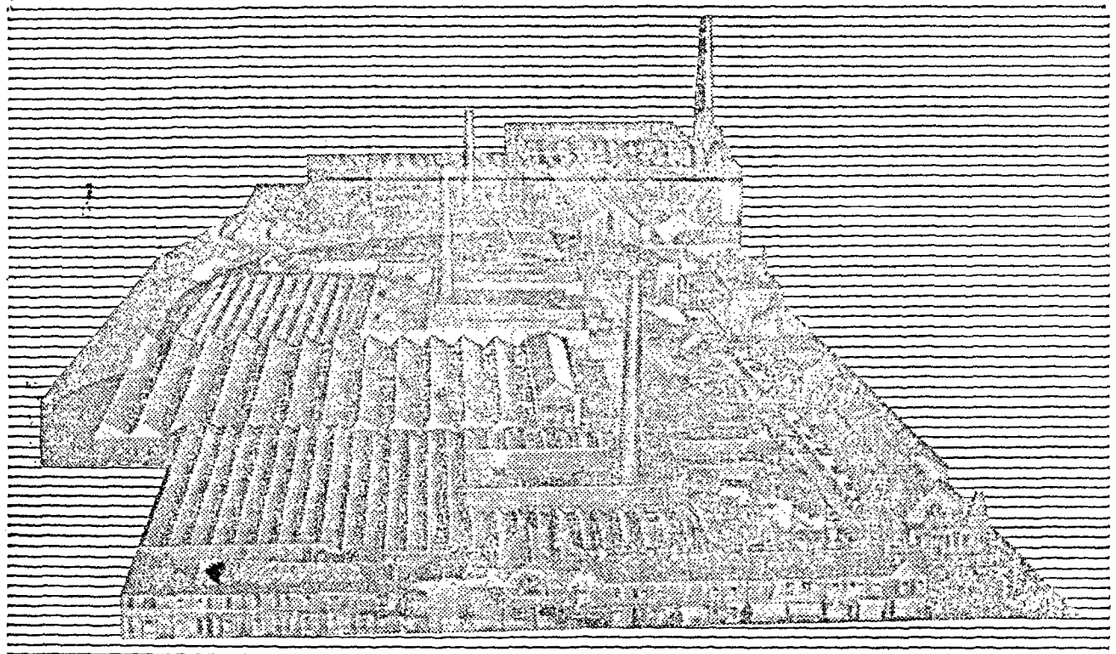
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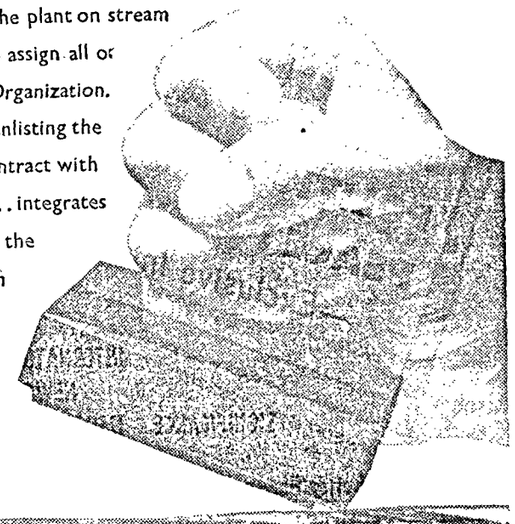
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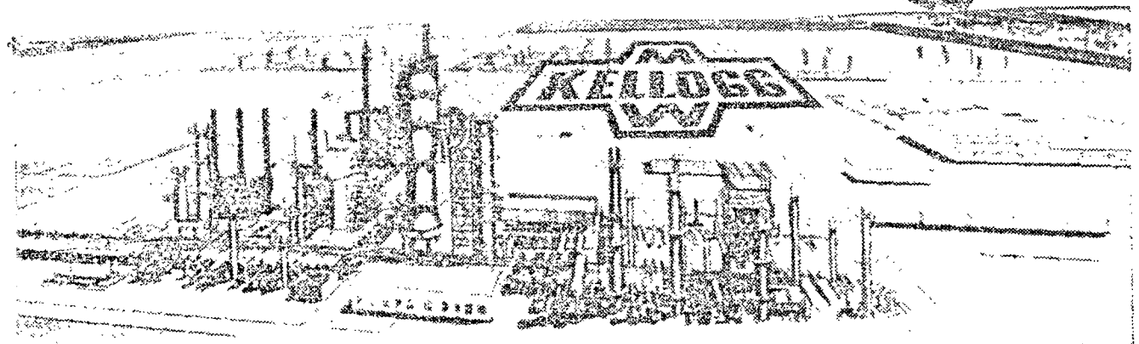
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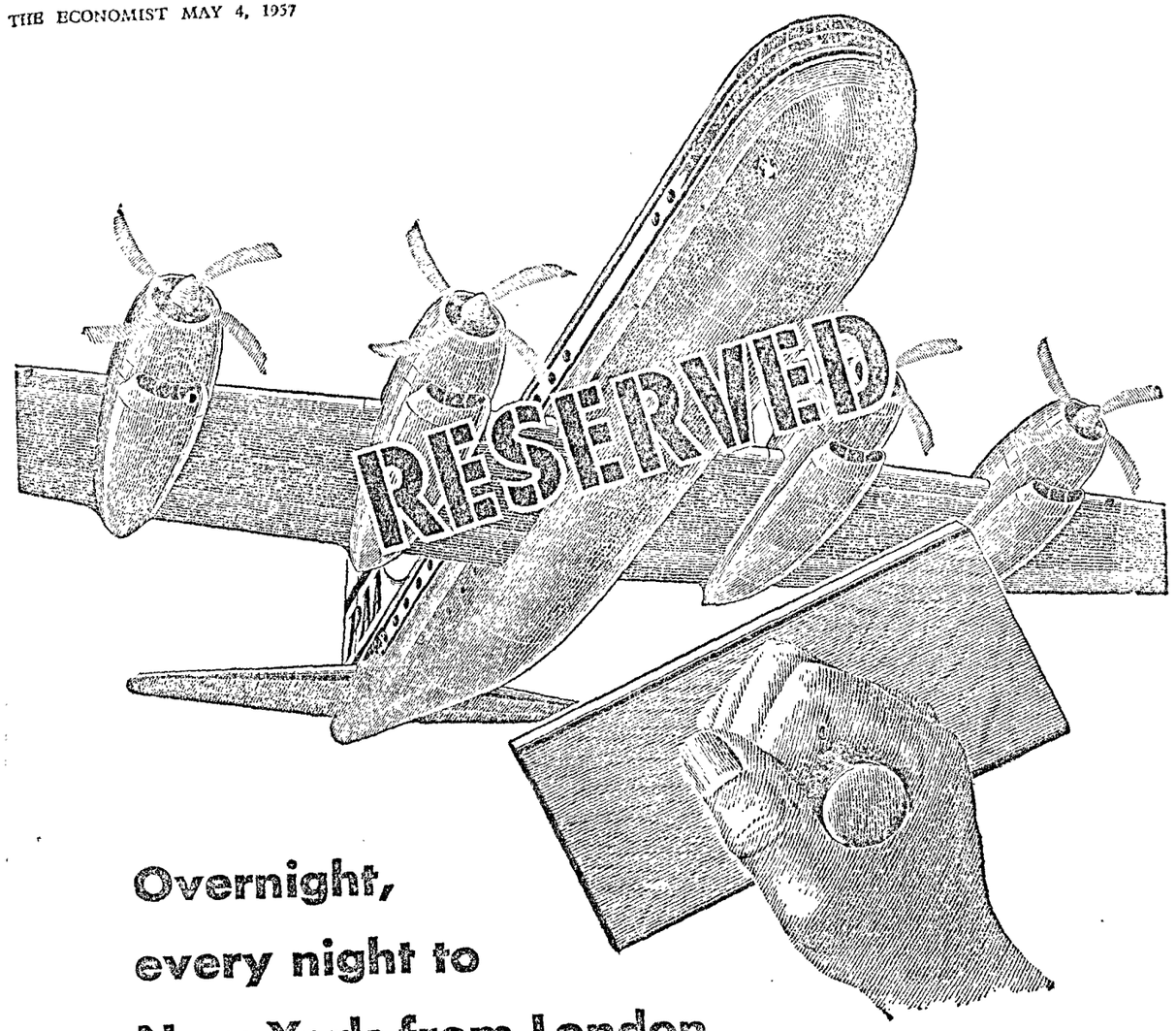
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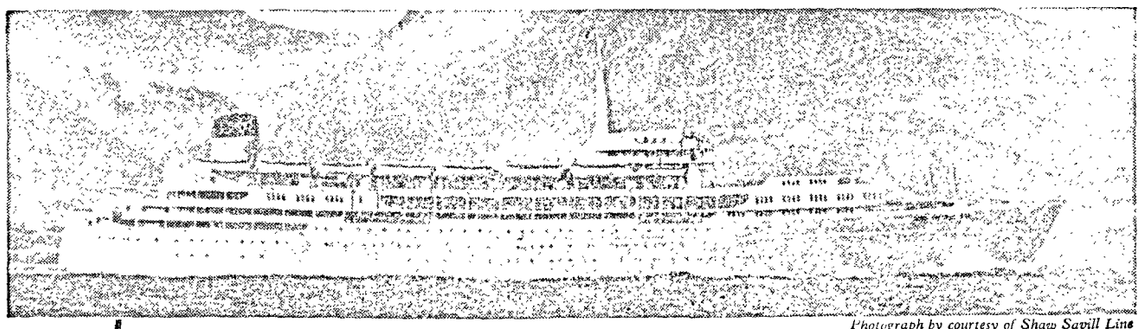
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Pye links ships on the Clyde with G.P.O. Telephone System

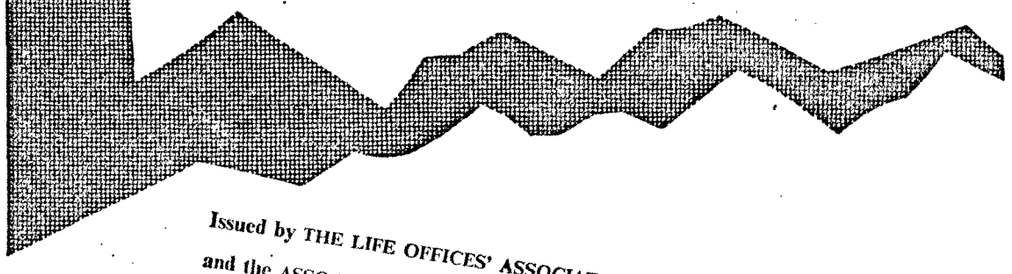
The first International V.H.F. Public Correspondence Radio-Telephone Station opens on May 6th at Piper Hall on the island of Bute. This station provides facilities for passengers and personnel of ships on the Firth of Clyde to be connected with any telephone subscriber in Great Britain. Test crews of new vessels on trials on the measured mile of Arran will be able to communicate direct with suppliers of equipment, or with shipyards, to arrange immediate replacements or repairs; passengers can make social or business arrangements well in advance of docking; the crews can arrange for supplies and replacements to be awaiting them.
The Clyde station is the first of a series which are to be set up at strategic points on the coastline of Great Britain to take this type of call, because owing to the enormous increase of radio-telephony in yachts and coasters, the main coastal stations have been unable to handle all the resulting calls, which has meant considerable time-lag for urgent business users and occasionally delayed emergency calls.
All the equipment at the Piper Hall station is designed by Pye Engineers to British Post Office specifications. It is the outcome of a three-year engineering programme, which has put Pye V.H.F., A.M. and F.M. equipment in the fore-front of world development. All Pye marine V.H.F. equipment, both fixed and mobile, is designed to meet the new international F.M. marine requirements.

PYE LIMITED OF CAMBRIDGE

The following extract is from the Report of the Committee on the Economic and Financial Problems of the Provision for Old Age, 1954. Cmd. 9333 ("The Phillips Report"), Page 34.

Pensions and Capital Accumulation

128. It is evident that pensions are intimately linked with the whole process of capital accumulation and that the scale of pensions that can be contemplated depends, on the one hand on the enhancement of the country's productive power that would result from the building of additional capital assets, and on the other on the ease with which additional savings can be spared for this purpose. If the National Insurance Scheme were conducted on the same principles as a private scheme, then the investment of the contributions would enable valuable assets to be constructed that would eventually furnish the means out of which pensions could be paid. But the Scheme is heading for a deficit that will have to be met out of general taxation, and, to some degree, out of the savings of the taxpayer, so that it will actively impede the very process of capital accumulation on which, implicitly, it rests.



Issued by THE LIFE OFFICES' ASSOCIATION, LONDON and the ASSOCIATED SCOTTISH LIFE OFFICES, EDINBURGH in the interest of a better understanding of the fundamental problems of providing a higher level of retirement pensions without harm to the Nation's economy.

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Half per cent Downwards?

THE continuing fall in the rate for Treasury bills has naturally given rise to the expectation that the Bank rate itself may be reduced again fairly soon. This is therefore an apt moment to ask whether, if in fact a further reduction in Bank rate is being contemplated, it would in present circumstances be the right step to take. In part, any answer must depend upon the general view that is taken of the circumstances themselves; and it has to be confessed that the Government, like other governments in other countries and like most of its critics here, is in two minds about the medicine which the economy will need most—a tranquilliser or a stimulant—in the next twelve months. But, even without embarking upon this wider argument, there are good reasons for doubting whether another reduction in Bank rate will necessarily be the proper prescription.

The authorities' reaction to the fall in the Treasury bill rate seems to be that they do not think it should be happening, but that if their hand is forced they may let Bank rate be reduced by another half per cent and explain that this is yet another purely "technical operation." It is, of course, entirely sensible to wait and see if the plentiful supply of investible funds in the short money market is a temporary Treasury bill phenomenon, rather than a sign that savings are beginning to run ahead of a possibly slackening urge for private investment; and the fact that the whole issue of engineering wages comes up for decision this weekend provides a powerful additional reason for caution. But if the recent glut of short funds does prove to be neither temporary nor adventitious—if, that is, the downward pressure on market rates continues—then a reduction of Bank rate in response to it could hardly be regarded again as "purely technical." A lowering of Bank rate to 4½ per cent would mean that the rate had been reduced by a full one per cent in two stages over three months. Quite clearly, the volume of investment and consumer demand in the economy in 1957 would then be higher than it would have been if the rate had been kept at its pre-February level of 5½ per cent all through the year; and the practical question—which is also a question of principle—is whether a "technical" reduction of Bank rate is the best way of achieving this economic result.

This is not to say, of course, that, if the downward pressure on rates really is considered to be something more than a temporary money market phenomenon, the authorities should stand resolutely and permanently against it like inverted Daltons, trying to rig the market against a basic economic trend. If, however, this trend does become established—if, that is, the authorities decide that it does mirror the fact that intentions to invest are falling short of the funds available for investment—there is one obvious alternative to reducing Bank rate. (Another would have been to restore the investment allowances in the Budget, but this was not done.) This alternative is to make some relaxation in the restrictions at present imposed on credit. Money is now rationed partly by price and

partly by physical controls (directives to bankers, references to the Capital Issues Committee, and so forth). Within the confines of this double control, the demand for short funds has once again fallen short of supply. The reaction last February was to lower the price of money, but to keep the physical controls intact; indeed, by last month's extension of the power of the Capital Issues Committee, the physical controls have actually been tightened.

For any other commodity but money, the natural impulse of a Conservative Government would have been to put the emphasis the other way round. Why not in money? Why should not the Chancellor write to the Governor of the Bank of England asking him, in view of the easier conditions in the money market, to relax somewhat the previous directives and "requests" that commercial bankers should exercise an even greater restraint in their lending than would be imposed on them by ordinary banking principles? Mr Thorneycroft should then add that it is the intention of the Government, by its operations in the money market, to keep money sufficiently short—and money rates sufficiently high—to enforce the rationing of credit by price. If the authorities feel that market conditions are about to force them to take some action, a move in this direction would be economically more sensible, and liberally preferable, to another reduction in Bank rate at the present time.

When the Dust Settles . . .

Which problems of industrial relations could be usefully subjected to "authoritative examination," and by what sort of body?

THE courts of inquiry into the engineering and shipbuilding disputes reported on Thursday. The main immediate interest will be in their recommended awards, and whether there is any danger that the strikes will be renewed; these aspects are discussed in a note on page 382. But when the dust has settled, as the Minister of Labour put it the other day, there will be more interest in the proposal that there should be an "authoritative and impartial examination of the wider issues of wages policy in an inflationary setting" by a small body with which the Treasury, "the British Employers Confederation, the TUC and the nationalised industries should be associated." It is not clear whether the court wants a standing body or a once-for-all inquiry. A standing body, bringing together all these staid people and trying to make agreed statements each year on the sort of percentage wage increase (if any) that might be afforded in most industries, would probably tend to become a body that would make most of the right noises; it is unlikely that it would be a very powerful organ and its proposed make-up certainly needs study. But these are not sufficient reasons to condemn it out of hand.

The idea of a once-for-all inquiry—a sort of Royal Commission—is a different matter. One's immediate reaction is that if such an inquiry were held, it should not be confined to the problem of inflation, but should consider all the features of industrial relations that currently cause alarm. No one is in much doubt what these are; and it is important that they should be regularly restated, even though the remedies may be hard to find. But it must be asked soberly in which of these problems an inquiry could really help.

(1) Wage Inflation. The automatic annual process by which the unions decide on a claim in the early summer, submit it in the autumn and get perhaps half of what they asked in the following spring, has this week suffered a small variation which has reduced it to the absurd. The Amalgamated Engineering Union, at its annual conference, while still involved in its old wage claim, is discussing a new one—based, presumably, either on the rise in the cost of living since the increase they have not yet had or on the rise in productivity since then?

No doubt an impartial inquiry could voice once again the old advice about linking wage claims to productivity. It might put its authority behind a proposal to make wage contracts of, say, three years' duration, with a cost of living escalator clause, so that frontal clashes were at least less frequent. It might make specific recommendations about the structure of collective bargaining—for example, that some of the big units of national wage negotiation, notably in engineering, should be broken up into smaller units that would take account of differing degrees of prosperity in such heterogeneous industry. It might propose that efforts should be made to organise production without such heavy reliance on overtime, which not only puts up costs, but also makes nonsense of a wages structure. But it is idle to think that a once-for-all report on more general issues could really add very much to what was said in the white paper on wage inflation last year.

It is equally idle to suppose that a committee of inquiry could find a way out by proposing legislation to put what is called a national wages policy in place of collective bargaining. The unions have always resisted the idea of governmental interference with wages, and as their co-operation is essential, a national wages policy (even if it could be devised, and even if the Government wanted it) is simply "not on." Is the conclusion, therefore, that if free collective bargaining is to stay, full employment will have to go? There is another alternative: it is to carry collective bargaining to its own logical conclusion and, when the wage demands are unbearable, to stand up to strikes.

In so far as there has been any attempt to stand up to national stoppages since the war, it has succeeded—on the railways in 1955, in London printing in 1956 and at the docks in 1954-55. Admittedly, in these disputes—which were the only recent major stoppages in which all members of one union were involved—the workers' effectiveness was impaired by another union, in the same trade, which remained at work; admittedly a strike such as the recent one in engineering, when workers were being called out in relays, could probably last a longer time and inflict more damage. But even the strike of engineering and shipbuilding workers in March, although it resulted in the loss of 3.65 million working days or 50 per cent more than were lost in the whole of 1956, seems unlikely to have depressed production in that month by more than a point or two; spread over the whole twelve months of the year, that loss in production seems almost insignificant. Of the western democracies, only Sweden, the Netherlands, Switzerland and Western Germany have a lower postwar average of days lost in disputes per thousand workers than Britain has. Yet whenever a strike is threatened, such an atmosphere of impending disaster is created that the whole nation hangs on the footsteps of Sir Wilfred Neden as he shuttles between union leaders and employers. (One danger of a "standing" committee of inquiry is, of course, that it could conceivably become a force for urging him to shuttle more assiduously still.)

(2) Restrictive practices. On this question, there is even less that a new committee of inquiry could usefully do. The matter is already being dealt with on the National Joint Advisory Council (on which are represented employers, TUC and the nationalised industries), taking individual industries in turn. Though the results may be of limited value, this appears to be the most practical approach; what it needs is speeding up.

(3) Communists in the unions. The communist problem is a very real one. But the union leaders themselves know about it well enough. They take one of three attitudes; to fight the communists and try to keep them out of union jobs; to do the reverse and try to get them in; or, most frequently, to say "What do I care about his politics? He's a good trade unionist." But whatever attitude a leader adopts he usually does so in full possession of the facts, and there is nothing that a committee of inquiry could do to make him change his mind.

(4) Union organisation. The inefficiency of trade union organisation is brought home to the public chiefly by inter-union disputes. It is baffled that the Trades Union Congress, whose power in labour relations is so great that the Government can hardly move without its assent, should be almost powerless to prevent dog fights among its own members. It seems only common sense that the unions should forget their history, sink their jealousies, and be prepared to yield up some of their autonomy to the TUC; that they should reorganise themselves into fewer unions, exchange their overlapping membership, and find a better alternative to the branch which few bother to attend. Clearly some unions have better organisation and communication with their rank and file than others. Possibly a committee of inquiry could hold up one or two unions with an effective organisation as a model for the others. But the unions are unlikely to put their house in order on the advice of inquiring outsiders.

(5) Human rights. Here at last is something that a commission could valuably examine, and progressive opinion should no longer run away from it. Nothing is more disturbing in the current trade union scene than the occasional—but increasing—cases of workpeople who are victimised, and perhaps expelled from their unions with consequent loss of livelihood, because they have annoyed either their national or (more often) their local union officials. There are three alternative things that might be done about it:

(*a*) To prohibit by law compulsory membership of a union as a condition of holding a job. This is the effect of recent legislation in some states in America; the objection to it—apart from the political fuss it would cause—is that there is just a little justice in the union leaders' claim that no one who benefits from wages and conditions negotiated by the union should be exempt from making his contribution to it, in money and solidarity.

(*b*) To accept the closed shop and, because that endows the unions with a privileged position, to regulate parts of their conduct by law—e.g. prescribe secret ballots and specified minimum votes for election of officials, etc. There is quite a lot that could be said for this—but it would require the state to assume new supervisory powers over trade union activities and needs careful probing.

(*c*) To recognise the right of workpeople to sue unions for damages if they have been hurt by malicious actions against themselves as individuals. At the moment (e.g. the Bonsor and Huntley cases), these suits for damages may lie only if the unions have offended against their own rules, which can easily be changed.

These are fundamental matters of personal liberty and justice. They are far too much glossed over; and a Royal Commission would be worth while if it lifted their weight from the nation's conscience. But it is not with them that the sort of inquiry now being discussed would apparently be most concerned; indeed, there is a danger that the form of strictly representative get-together suggested by the courts might tend to put them into eclipse.

Who Wins in Jordan?

Young King Hussein has defeated his extremists; Egypt, and perhaps Russia, have suffered a setback. But can he, with American support, keep the lid on the Palestinian cauldron?

KING HUSSEIN has dispersed or imprisoned the leaders of the extreme nationalist and left-wing parties in Jordan and, with the support of those loyal elements in his army which Sir John Glubb gathered with such care from the desert, has reimposed a thinly veiled autocratic rule. The democracy established by free elections in October has been abandoned because the popular will was too wilful in the hands of the people's chosen leaders. The young king has, in short, returned to the way of his grandfather, King Abdullah, who saw his people as children to be led benignly or, if need be, beaten for their transgressions. The strong man of the new government is the Foreign Minister, Samir el-Rifai, to whom King Abdullah himself sometimes turned in a crisis. He is a man admired for his cleverness and disliked for his toughness. He and the very old guard who constitute the cabinet were brought up to rule at the king's will; they have few illusions about the wisdom of the Jordanian people.

The king has acted with courage and determination. He took his throne and even his head in his hands when he went two weeks ago to Zerqa to halt a mutiny of his troops. He has shown an acute sense of the issues at stake, which were no less than his country's solvency and the existence of his throne. The Nabulsi government, with the king's approval, ended the Anglo-Jordanian Treaty in March and secured from Egypt, Syria and Saudi Arabia promises of £12.5 million a year to replace the British subsidies. But only the Saudi instalment was paid, rather late. Meanwhile, the Nabulsi government drew daily closer to the Egyptian-Syrian camp. In its "positive neutralism" it decided to exchange embassies with Russia, and dismissed many officials who opposed its policies. The king and the conservatives feared that if the Nabulsi policy were sustained, the country would go bankrupt and be denied American aid. Further, the result of the pro-Syrian policy of Abdullah Rimawi as foreign minister could have been the end of Hussein's kingship, for the Baath Party, of which Rimawi is the leader in Jordan, advocates a united Arab republic and looks for the union of Jordan and Syria as one step on the road. Any financial or other difficulty in Jordan that tends to push it towards Syria is regarded by the Baathis as a good thing. It is too early to say how the king's riposte will turn out. But on the face of it, Nabulsi and Rimawi left him little choice.

The United States government links events in Jordan with King Saud's acceptance of the Eisenhower doctrine as, together, a major victory against Russia in the cold war in the Middle East. It was through King Saud that the Americans assured King Hussein that he could have aid without a visit from Mr James Richards, the President's special envoy. At the request—as it is stated in Washington—of Iraq and Lebanon it sent the Sixth Fleet to the eastern Mediterranean to deter either Israel or Syria from intervention. American marines, equipped "to drop from the sky" on Jordan if the need arises, are on a "friendly visit" to Lebanon.

This is the Eisenhower doctrine in action. King Hussein, self-committed to the fight against international communism, has been promised some of the funds he needs, and a force is standing by in case anyone should intervene from outside. The State Department is justifiably pleased with the immediate results. Three months ago, Syria and Saudi Arabia were solidly aligned with Egypt, and Jordan was being steadily welded to the block. Now Egypt and Syria are alone; for whatever declarations of "brotherliness" the Jordanian king and ministers may make to President Nasser and President Kuwatly, the fact remains that neither Saudi Arabia nor Jordan is at this moment in the Egyptian camp. They are, in fact, very close to Iraq and Lebanon, the two pro-western Arab states.

THE gains are great. The danger lies in overrating them, as they are overrated if the month of crisis in Jordan is viewed as a simple struggle between King Hussein and the red pawns of Russia. Jordan's trouble is that it is not really a country at all. It requires about ten million pounds a year to save its trade and treasury from bankruptcy. The east bank, the former Transjordan, was a desert remnant of Ottoman Syria given by Britain to Abdullah as an emirate in 1921. The west bank is a residue of mandatory Palestine which King Abdullah incorporated in his kingdom after the Palestine war. The east bank may still be in the main loyal to the throne, but it has only 600,000 people. Some 900,000 Palestinians, nearly half of them refugees, constitute the remainder of the population on the west bank. They have no inherent loyalty to the king, regard the people across the river as backward, and have an impassioned belief that the western powers were, by the creation of Israel, responsible for all their ills. King Abdullah was himself assassinated in Jerusalem.

The Palestinians are the most fervent and bitter element in popular nationalism, which is everywhere stronger in the Middle East than it was two or three years ago. They are firm supporters of President Nasser. Whatever faults they may see in him, these weigh lightly in the scales against the fact that he has carried the primary aim of liberation from western dominance a stage further. He had the courage to turn to Russia and snap the West's leading strings. He got the British out, seized the Suez Canal, and procured arms; and even when they admit his defeat by Israel, his reputation is retrieved for them by his diplomatic success in emerging with profit from the defeat. When King Hussein permitted Jordan its first free elections last autumn, Palestinian nationalism won outright.

Neither the structure of Jordan nor the opinion of the people has changed. The king has succeeded in imposing his will with the aid of a small ruling group, long out of touch with popular sentiment, and of an army that is neither as well led nor as loyal as it might be. In turning his back on Egypt he is in conflict with the great body of common opinion in Jordan. It is far too soon to say that the crisis is over; for in effect he has clamped down a powerful head of nationalist steam without fitting a safety valve.

Indeed, the Eisenhower doctrine, by calling on the Arabs to resist international communism, could itself increase the explosive pressure. The Arab nationalist regards it as an effort to drag him back into the clutches of the west, and he tends to prefer the Russians because they ask him for no more than neutrality. King Hussein has been very careful to insist on his friendship for Egypt and Syria, on his Arab patriotism, on his enmity for Israel and, despite his opposition to communism, on his neutrality; but it is still doubtful whether his words will convince the rabid west bank, which will look to the immediate grant of $10 million aid and to the arrival of the Sixth Fleet off the coast of Lebanon as true evidence of what the king's policy is. Already people in the cafés and bazaars of Jordan will be murmuring that the king has sold the new freedom of Jordan for dollars. Mr Eisenhower may find himself converting governments while Mr Khrushchev continues to convert people, in the Middle East.

The events of April have bought time. Jordan was in danger of total collapse and possibly of dismemberment by Israel, or Syria, or both; or it might have survived as a Syrian appendage and a playground for Soviet policy. These dangers have been staved off, but the solution is temporary. King Hussein and the west need to build a relationship on some foundation more solid than the suppression of all popular opposition. If that could be done, the respite that the young king has won might bring more durable gains than are yet to be seen. If it cannot, then American policy has to face the danger that the popular forces in the Arab world will be permanently aligned against it, just as, in the last ten years, they have been aligned against Britain.

(*The position in Jordan and Lebanon, and Israeli anxieties about the future of Arab Palestine, are discussed in messages from overseas on pages* 409 *and* 410.)

Hungarian Exodus

What kind of people are the Hungarians who six months ago started fleeing across their frontiers, where have they gone to, and what has happened to their hopes?

THE mass migration of Hungarians from Hungary began just six months ago. More than 170,000 people flooded over the border into Austria and, later, when this crossing became too dangerous, another 19,000 made their way to Jugoslavia. Two-thirds of all these refugees have now moved on; some to permanent or semi-permanent settlement in countries which they may have reached by chance or snap decision; others filling in time in Europe while they hope for a further move to the American or Australian continent. Six months is not very long, but the wave of half-guilty emotion that swept the non-communist world has had an even shorter life. In the host countries, refugee anecdotes quickly became as tedious as a war-time bomb story; the sense of responsibility spent itself without awakening much curiosity or understanding.

Most of the refugees are under thirty; many are unmarried men. Some were escaping from a fight which they had lost—freedom fighters faced with the choice of flight or deportation. Others fled to avoid the fighting; some of these, including many farmers who had land near the frontier, went back when the revolution failed; others, such as the entire University of Sopron, staff and students, who all crossed into Austria together, chose to stay in exile. The refugees who fled to Jugoslavia differed from those who fled to Austria only in that they waited longer before leaving their country. They include several trade unionists and other politically conscious Hungarians who stayed as long as it seemed useful to stay; many of these had more time to plan their escape and took their families with them.

The mistake of some western countries has been to think of the Hungarian exodus in terms of the premeditated escape of other political refugees from communism. Although for many years the Magyar

instinct for migration had been frustrated by closed frontiers, the minefields and the barbed wire barriers on the border had been removed as part of destalinisation. The discontented could have left their country without very much difficulty several months before the insurrection. But for most of these young men and women, their eventual escape was not a conscious journey to a paradise of western freedom and opportunity. Many of them had not seriously thought of leaving their country before the revolution. Decisions were made in fear, anger, and the turmoil of a mass flight. Some seized a chance; others were blown out of their country as if by an earthquake and landed in a capitalist world which they had been taught to despise and fear, looking at their new surroundings not with gratitude, but with the shock and suspicion of earthquake victims.

OFTEN it was only a matter of chance in which country they landed. Most of them wanted to go to the United States (for about a hundred years the traditional destination of emigrant Magyars), but had no other strong predilections. In the later stages of the exodus it became possible for voluntary workers to help the refugees to choose a suitable destination, but at the beginning, when some 10,000 arrived in 36 hours and there was nowhere to put them, methods had to be arbitrary. Batches of refugees would simply be asked to agree to go to a certain country, and except for a superficial medical check, that would be all. During some of the more chaotic episodes, refugees got into trains without knowing where they were going. They arrived, often shocked and fearful, in a country about which they knew nothing but which they believed to be hostile.

Those host countries had least trouble that made an effort to understand the turmoil in the minds of their guests. Some countries made mistakes that now seem elementary. France, though it generously put no ceiling on the number of refugees it was ready to take, made few preparations to receive them. For instance, several Hungarians, deeply disturbed by being housed in occupied military barracks, were sent flying over the nearby Swiss frontier by an unexplained army exercise. By contrast, Holland prepared its reception carefully. The problems of resettlement are now being sorted out, but muddles might have been avoided if the hosts had been more imaginative. In Britain, nearly half the 21,000 Hungarians who came here are now in work. Of the remainder, 5,000 are on their way to Canada (and will be replaced by refugees still in Austria). Nearly 4,000 are the miners brought over by the Coal Board; their training is now nearly complete, but so far only a handful are to be allowed down the mines. Other trade unions have welcomed the refugees, but not the Musicians' Union, which has turned a cold face to Hungarian musicians.

The most serious and immediate problem concerns refugees who are now in Jugoslavia awaiting resettlement. Of the 19,000 Hungarians who escaped to Jugoslavia, only about 1,000 have so far been settled in other countries. For this there is more than one explanation. The first wave of western generosity was spent by the time the flight into Jugoslavia began; several countries, ignoring the facts, are reluctant to accept refugees who escaped to a communist country; and, finally, pigheadedness on the part of both Jugoslavia and some west European countries has made it impossible until now for the various United Nations and voluntary organisations to set to work. About 2,000 refugees gave up and returned to Hungary, but it is costing Jugoslavia almost $30,000 a day to maintain those who remain. The situation has now suddenly got much worse. The Jugoslav government had housed some refugees in old army camps, others in hotels along the Dalmatian coast. But now the tourist season is starting; the government cannot afford to forfeit the foreign currency, and the refugees in hotels have been turned out to join the others in camps which were already overcrowded. Australia has offered to take 2,000 refugees from Jugoslavia, Belgium 1,500, and other countries have promised to take about 2-3,000 between them. A trickle of about 20 refugees a day is still entering Jugoslavia. There is urgent need both for more generous offers and for European half-way stages where the refugees can live and work while they wait for shipping to Australia. But many European countries are remarkably reluctant to offer temporary hospitality. Britain has agreed to replace the 5,000 Hungarians going to Canada, but, ignoring the urgent wishes of the United Nations High Commission for Refugees, has stipulated that they should all come from Austria; this seems an indefensible attitude.

The housing problem in Jugoslavia is at the moment particularly disquieting. But over the six months' period the Austrian government has carried the heavier burden, paying out about $10 million and still looking after some 37,000 refugees. About two months ago Mr Lindt, the United Nations High Commissioner for Refugees, appealed to members of the United Nations for financial help for Austria and Jugoslavia. The only government to respond to this appeal was Holland, with a cheque for nearly $3 million. The United States is arranging to send surplus food and has promised help with transport.

Other governments apparently think that they have provided enough money already. But between now and the end of the year about $22 million may be needed to maintain the 50,000 still in Austria and Jugoslavia. If they could be resettled the cost would be less: the expense of sending a thousand refugees even to the furthest destination is only two-thirds the price of maintaining them for a year. There is almost no hard core among the Hungarian refugees; the ones who remain were unlucky, arrived late or refused other offers because they hoped to get to America. But as the problem drags on, resettlement becomes more difficult.

NOTES OF THE WEEK

DISARMAMENT

Mr Zorin's Easter Bunny

TWO cries are apt to go up whenever the Soviet foreign ministry whips another rabbit out of the hat which Mr Molotov and his sporadic successors have long kept stuffed with bunnies for all occasions. One school dismisses the Russian move as pure propaganda, the other hails it as proof that the Kremlin is at last ready to settle. Both are wrong in the case of the proposals which Mr Zorin brought back to the London disarmament talks after his Easter trip to Moscow. Obviously the proposals have propaganda value. Marshal Zhukov was telling the troops in Red Square that the reactionaries had rejected them just when most of us reactionaries were reading the first summaries of them in Wednesday's newspapers. Equally obviously, it is something that the Russians have taken another bite at Mr Eisenhower's "open skies" offer, even if they cannot yet swallow it whole.

Mr Stassen can now claim to have budged them a long way from their earlier insistence that mutual inspection from the air was merely an intolerable form of espionage. The Americans will doubtless reject the idea that aerial access to a slab of Siberia which excludes that territory's main industrial centres is a fair swap for access to an area stretching from Seattle to Texas, from California to Omaha; they will go on pressing for "open skies" for the whole of both powers' territories. But Russia has virtually invited them to press on that door, and may have difficulty in slamming it shut again.

Quite possibly the Soviet rulers, contemplating the impracticability of policing full-scale disarmament on the one hand, and the strain of keeping up full-scale armament on the other, are now no clearer than the West about what their real terms ought to be. There is no evidence that they are panicky and on the point of giving way; on the contrary, they give the impression of being sure of themselves and of their ultimate goals—although less sure how to proceed at the present stage of affairs. If one assumes that their natural objective is to get rid of the bases in Europe and Asia which will give the United States a military advantage over them until they possess intercontinental missiles, then time is on their side in one important respect, and they need not worry unduly about the immediate present. In that case it is essential that the West should not develop illusions that the Russians are on the run and, exulting in that thought, stiffen its own terms.

AUSTRIA

Mr Mikoyan's Sales Talk

A FORMER minister of trade, Mr Mikoyan is Russia's most expert salesman. Moscow made a wise choice when it sent him abroad last week as part of its drive to break the European wall of suspicion surrounding the Soviet camp ever since the Hungarian insurrection was crushed. Mr Mikoyan used Vienna as a platform to inform not only the Austrians, but the world, that the Russians really are striving for peace and are willing to listen to any reasonable proposals. He interspersed his plea for disarmament with praise for the lucky neutrals.

Compliments to the Austrians on their neutrality were a pleasant departure. Not so long ago the Soviet press was violently attacking Austria for its "interference" in Hungarian affairs, and issuing stern warnings against Vienna's alleged intention to join the European Coal and Steel Community or the proposed free trade area. Mr Mikoyan dismissed all such incidents metaphorically: "Autumn was a period of bad weather. Now one can feel the advent of political spring." Preferring the carrot to the stick, he chose to conciliate the Austrians with offers of more trade. The final communiqué foreshadows that Soviet-Austrian trade exchanges will be boosted under a new long-term agreement. It was disclosed at the end of the talks that Mr Malenkov will soon follow his colleague's trail, and that the Austrian chancellor will pay an official visit to Moscow in the second half of this year. Mr Mikoyan has accomplished his mission.

GERMANY

Dr Adenauer in the Toils

BONN must have seemed an ingenious, even imaginative choice for this week's meeting of the North Atlantic Council. German forces are at last beginning to take their place in the Nato system. The Hungarian rising had aroused in the German people a new awareness that their life depends on the alliance. What more fitting than this demonstration that Germany is now an equal ally? What better fillip for Dr Adenauer, the paladin of Nato, in his electoral campaign? Russian diplomatic efforts have, however, been neatly timed to obliterate these advantages. The resurrection, by Mr Bulganin and Mr Mikoyan, of the Eden plan for a zone of controlled disarmament running down either side of the iron curtain has an obvious appeal in Germany, which (or part of which) the zone would cover. And the urgency of disarmament has been driven home in the German mind by Mr Bulganin's brutal warning that atomic war would turn Germany into a cemetery.

The Russian campaign, however, would not have been so successful if Dr Adenauer had not played up to it by seeking to create the appearance of activity in German-Russian relations with an eye to his electoral campaign. A fortnight ago he answered a letter from Mr Bulganin by agreeing to send a delegation to Moscow to talk on trade and other matters. On April 25th he had another long talk with the Soviet Ambassador. The Chancellor's policy—to put out friendly feelers towards Russia, but rearm in the meantime—is in itself reasonable, and it can be made to appear reasonable to the German electorate.

But Dr Adenauer appears not to have reckoned with any active reaction from Moscow, and now that Moscow has joined in the game, he has become involved in inconsistencies. Under the pressure of a public opinion alarmed by the prospect of a concentration of atomic weapons in Germany, the Chancellor appealed for a renewed effort at world nuclear disarmament. He told Mr Smirnov that western Germany had not asked for atomic weapons, but hoped, rather, that their possession would be restricted to America, Russia and Britain. Yet it was the Chancellor himself who first suggested that German troops would have to have atomic armaments. Once more his logic is perfectly right. Every effort must be made to achieve disarmament, nuclear and conventional. If these efforts fail, the arming of German troops with atomic weapons may in time become a military necessity for Nato. Still, the Chancellor can hardly have been as indignant or as surprised as he seemed at Russia's violent warning on Monday. With one eye on the ballot box, he has taken a diplomatic fall.

THE COURTS OF INQUIRY

Choice for the Confederation

THE courts of inquiry have recommended a pretty rough splitting of differences in the shipbuilding dispute, and (more controversially) have said that the same settlement should apply to engineering. When the disputes were referred to the courts the engineering employers had offered increases of about 3½ per cent and the shipbuilding employers increases of about 5 per cent, both of them to be conditional on certain undertakings. The documents concerned (which are reproduced in the reports) would pledge the unions to refrain from submitting a wage claim for twelve months afterwards; to use their authority to promote efficiency, punctuality, the cessation of restrictive practices; and to settle all disputes by the agreed procedure. The unions had not liked the twelve month standstill (the average time between the submission of a claim and the granting of an increase has been 7½ months, so the actual gap between wage increases would be more than twelve months); but they were prepared to agree to this provided the offer were raised to 12s. 6d. The courts proposed that they should choose; either a rise of 8s. 6d. (i.e. about 5 per cent) without conditions, or a rise of 11s. (about 6½ per cent) with a possibly modified version of these conditions, which they believe would go far to pay for the increase.

In making these recommendations, the courts admit that a rise of 5 per cent throughout industry would be inflationary. But they have not made their recommendations in the light of the economic situation—that is what they think should be done by an independent body. They have taken the situation as they found it, with less profitable industries than shipbuilding and engineering having recently won increases of 5 per cent. The point again illustrates the conflicting nonsense in the reasoned arguments for wage claims: the railwaymen get a good rise because, working for an unprosperous industry, they have been paid less than workers elsewhere. Then the engineers must get at least as much because their industry is more prosperous.

The attempt to link the wage increase, not to any index of productivity, but to an undertaking to promote it, is obviously good. But before hailing this as a turning point in industrial relations it will be as well to remember that the unions are still under considerable pressure not to accept it, that the executives have sadly little influence with the tough characters of the engineering shops and shipyards, and that undertakings of a similar type have produced disappointing results elsewhere.

DEFENCE

Mr Sandys's Children

THE three service ministries have now published their belated estimates for 1957-58, together with the usual memoranda explaining them. They have prompted the cynical comment that the Air Ministry does not seem to have read the defence white paper, that the navy has read it but is determined to pay no regard to it, and that the army thinks merely that the white paper's implications are a subject for parliamentary discussion. Like most cynical comments, this is not quite fair. The most accurate judgment is probably that, while the broad decisions enumerated in the white paper have been accepted by all three services, some of the polite phrases in it about the continuing residual importance of forms of armament to be cut are made a little politer in these memoranda; the services are applying balm to their own wounds.

The important thing is that they should not also throw up resistance against the continuing cuts themselves. The RAF's main predicament is that it must carry on with programmes which—like piloted aircraft—have now only a short useful life; the thing Mr Sandys must guard against here is any tendency to try to make those useful lives uselessly longer. The fact that the net air estimates this year are to be £10 million higher than last year is not, however, a sign that the RAF is craftily avoiding the axe; it reflects the parallel deliveries of the old and the new weapons which will continue for the next few years. The navy, whose net estimate is £25 million lower than last year, still avers in its memorandum—which takes advantage of certain inconsistencies in the white paper about the possibility of "broken-backed" conflict—that it must be ready to fight every kind of war. But there would not be much point in having a navy equipped to keep the sea lanes open in thermonuclear war if a thermonuclear war was only going to last ten minutes. The army, which is taking a cut of nearly £100 million in its net estimate, intends to cut out a lot of fat in surplus non-operational units and equipment; it has, perhaps, been less economical than the navy about this hitherto.

DOCTORS' PAY

Operation Postponed

AT two crucial meetings this week, doctors have, very wisely, deferred taking any step in support of "phased withdrawal" from the health service. Since those who attended the special representative meeting of the British Medical Association had arrived armed with all sorts of motions in support of the drastic policy previously adopted by the association's council, the change is the more remarkable—though it is not the first time that bloodletting has given way to tranquillisers at a doctors' meeting.

The reasons for this sudden change of prescription are twofold. First, in the last few weeks, the medical profession has shown itself divided both on withdrawal and on boycotting the royal commission. But this division of views became much more pronounced after the terms of a letter, dated April 26th, from the Minister of Health to the chairman of the association's council had become known. The Minister emphasised that though the commission's terms of reference could not be altered, its declared views on how they would be interpreted could be regarded as valid and that there will be full consultation with the doctors before the commission's findings are implemented. It seems to have been the receipt of this letter which prompted this week's change of front by the General Medical Services Committee (an autonomous committee of the British Medical Association, which looks after the interests of family doctors in the health service). After a close vote it put to Tuesday's conference of the local medical committees a resolution favouring co-operation with the royal commission. The conference preferred to refer the question back to their local bodies, but the proceedings were enough for the council of the British Medical Association to decide to alter its policy overnight.

As a result, decision has been deferred. The scheme for withdrawal remains indefinitely in abeyance. The question of co-operation with the royal commission will come up for decision at the association's ordinary annual meeting in July. From the speeches made on Wednesday it looked as if

Scorecard for the Local Elections

THE 1957 crop of local elections takes place next week. On Tuesday there will be polling for a third of the places on Scottish town councils; on different days throughout the week there will be polling for a varying number of seats on over 400 urban district councils in England and Wales, and similar elections for seats on a smaller number of rural district councils; then, next Thursday, there will be polling for a third of the 10,000 places on the councils of the 402 provincial boroughs in England and Wales. There are no elections this year in London boroughs, nor for county councils.

Because of the pattern of wards, candidacies, and confusing party nomenclatures, results in the Scottish and district council elections usually under-emphasise any swing of opinion in the country; it will not be a cause for surprise (or for premature Tory optimism) if the Scottish election results again present a picture of relatively few gains and losses, and if the early results from the district councils also present a picture of reasonable stability (although, most probably, with some net Labour gains). But it is the results in the provincial English and Welsh boroughs next Thursday that will be the most useful political barometer.

There seems to have been rather a muddle in some press comment about the prospects for these. Because the seats being fought this time are the seats last fought in 1954, when Labour marked up sweeping gains, it is being said that Labour cannot expect many further successes this time. But Labour marked up big gains in 1954 because when these seats had previously been fought in May, 1951—at the nadir of the Attlee Government's unpopularity—Labour had taken an appalling hammering. In 1954, Labour merely took some of those quite exceptional 1951 losses back.

The sensible way to assess the prospect is to remember that although different seats are filled in borough elections each year, the people voting are generally the same; the usual rule is that each ward has three councillors, and one councillor falls due for re-election each year. In 1953 (in seats refought last year) and 1954 (the seats to be refought this year) Labour returned almost precisely the same number of candidates (between 1,360 and 1,365, out of a possible approximate 3,300 seats in the provincial borough elections; and both these elections took place at a time when—according to the usual indicators—political opinion was probably just about equally divided in the country. In the local elections in 1955, which took place a fortnight before the parliamentary general election, Labour returned between 85 and 90 fewer provincial borough candidates than in either 1953 or 1954; immediately afterwards the general election returned a Conservative Government with a majority of 60 in the House of Commons.

It is these figures that can best be utilised to devise some sort of scorecard for next Thursday's provincial borough elections. If the Tories were in exactly as good odour as at the time of the last general election, Labour would probably show between 85 and 90 net losses in the provincial boroughs next Thursday; but it will be very surprising if they do. If the political climate is such as would return an evenly divided House of Commons at a general election, then, by coincidence, this year's provincial borough elections would probably show virtually no net gains or losses; but one suspects that Labour must surely be riding higher than that. It is the next political signpost that may therefore be the most useful to bear in mind:

If political opinion stands now approximately where it stood a year ago, Labour should again (as in 1956) be expected to gain between 180 and 200 seats net in the provincial boroughs next Thursday (and perhaps, very roughly, up to about 100 net in the district councils); most analysts assumed last year that this sort of result would accord with a trend that in a general election would bring Labour a majority of rather under 100 in the House of Commons.

According to most of the political indicators that are available, Labour ought to expect to do even better than this. The next signpost is, therefore, that Labour will need to secure between 250 and 300 net gains in the boroughs next Thursday to get back to their previous highwater mark in local elections—the Tory debacle of May, 1952 (from which, however—as Conservative optimists point out—the Tories recovered to a break-even point in parliamentary by-elections within no more than five months).

If the pre-budget parliamentary by-elections were a true guide to political opinion now, Labour might well expect to get back to or beyond its 1952 highwater mark next Thursday. But has there been a partial swing back to the Tories since the budget? One reason for supposing that there might have been is that in recent local council by-elections Labour has not done nearly as well as in previous parliamentary by-elections (but note that a lot of uninstructed Labour voters never know when a local council by-election is going on anyway).

A last point that should be made, however, is that, even if there are Labour net gains next Thursday near the top of the scale discussed here, there will not necessarily be changes of control in very many borough councils. There are no aldermanic elections in the boroughs this year; next year, when there are, the changes of seats secured this year may cause more changes in council control.

co-operation would have won had a vote been taken then. As it was, the meeting preferred not to vote until constituent members had been consulted, but it is unlikely that they, and consequently the council of the association, will persist in boycotting the commission after what has happened this week. By July the tranquillisers can be relied upon to have produced the desired effect.

EGYPT

The Canal and Sterling

THE American response to President Nasser's terms—which was in effect that he would be judged by his works rather than his words—has saved enough face for most nations to resume using the Suez Canal. However distasteful it may be to Britain and France, traffic through the canal can be expected now to climb back, though perhaps slowly, to its norm of about 40 ships a day. Because the British Conservative party is reluctant to concede the victory to Egypt, the Government is reluctant to admit the fact; but it will do so in due course.

While it still waits it has to decide how the British shipowners will pay their dues. Egypt will not accept sterling because its sterling accounts have been blocked by the controls which Britain imposed after the seizure of the canal in July. Payment in any other currency acceptable to Egypt would require amendment of the exchange control regulations, or a blind eye to their infringement. It has been suggested that, if Egypt agrees, dues could be paid in sterling to a special account which would not be blocked by Britain.

Ultimately the solution must be a substantial easing of the July controls, or their cancellation; this would take Britain a long way back towards normal relations with Egypt. It will have to be faced some time, but the Government, and perhaps the country, is not ready for it yet. Among the difficulties in the way are the questions of compensation for the canal company, of Britain's claim in respect of British property in Egypt and the Egyptian counter-claim for damages, and of the sterling balances agreement by which Britain undertook to release £20 million a year from Egypt's wartime balances in London. There are political difficulties as well: the Government will have to reckon with vociferous opposition to any proposal that unfreezes Egypt's current sterling account when so much else remains unsettled.

MIDDLE EAST

Iran Baulks Israel

IF Israel's prime object in attacking Egypt was to free the gulf of Aqaba for Israeli trade with Asia, or for a share of the transit trade between Asia and Europe, a new blow to its policy has been dealt by Iran. During April, and by working overtime, the Israelis finished the 140 miles of oil pipeline from Eilat to their railhead at Beersheba; but, simultaneously, Arab diplomats were working just as fast to deprive Israel of its only handy source of Asian oil, which is southern Iran.

The American tanker *Kern Hills*, which on April 6th delivered the first cargo of oil for the new pipe, had loaded at Abadan with oil bought from the National Iranian Oil Company. This company, though not yet itself producing enough oil to meet Iranian home requirements, is entitled to take part of its annual "stated payment" from the consortium in oil which it can either use or sell. Home political pressure to sell the oil ties in with a desire to establish a marketing network for future use, although at present Iran would find it more economic to take a direct cash payment from the consortium than to labour to earn the same sum by exporting oil. Nevertheless, it exported 456,000 tons last year, and remains an exporter.

But, as a result of Arab pressure on grounds of Moslem solidarity, the Iranian government has instructed NIOC not to sell to Israel—that is, to cut the painter with its most willing customer. The government has also made a "friendly démarche" to the 17 companies of the consortium, asking them not to sell oil to Israel either. An immediate outcome of its act will be to blight the present effort of Israeli emissaries in France and America to interest investors in a large-diameter pipeline from Eilat to the Mediterranean. If Eilat's oil supply has got to come from, say, Indonesia, a small-diameter pipeline for feeding Israel may pay its way, but a big-inch line for transit traffic will not.

ADEN

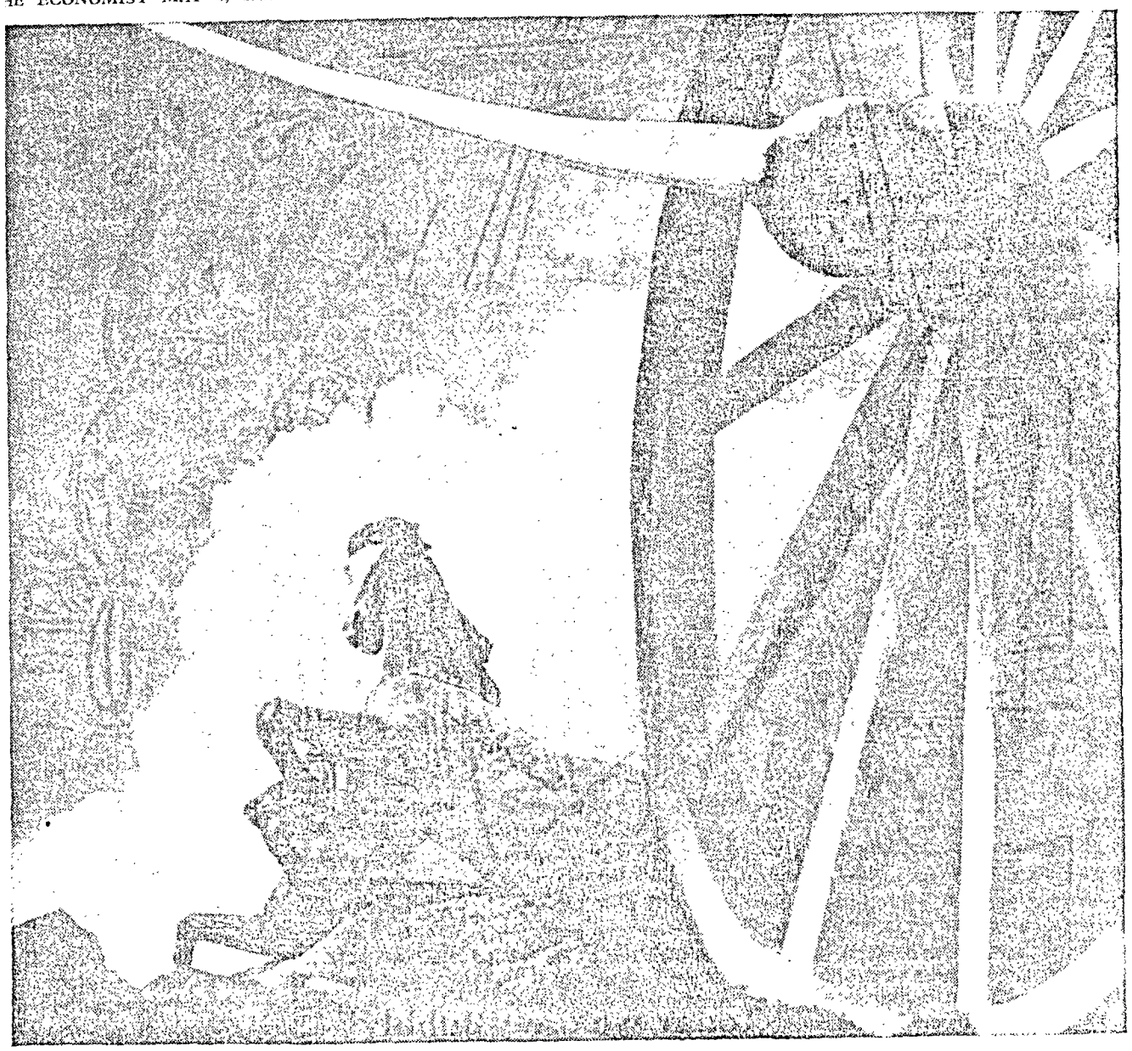
Abstinence from Qat

QAT, a mildly narcotic plant that looks like a dejected privet hedge, provided until April 1st the spirit of café society in Aden. The mass of the people chewed it to acquire a gay or sad mood, a glibness of tongue, a powerful thirst, a contempt for sleep and new energy for pleasure—and even for work. The best kind came from Ethiopia and was flown in daily from Dira Dawa. Even more dejected qat came plodding in from Yemen on camels.

Every month the 138,000 people of the colony spent £200,000 on this drug. This is equivalent to £2 10s. for every man and woman—an excessive sum for the poor people who did most of the chewing. Educated people deplored the waste, and the Aden newspapers campaigned against it. In March, the Legislative Council decided that "it was bound to cause hardship to numerous families, was a social menace and entailed other hardships," and banned it from the colony from April 1st.

The immediate effect of this revolutionary act was dulled by the advent of Ramadan, the Moslem month of fasting, during which the indulgence is particularly sinful. The majority accepted the ban as an aid to virtue. A minority quickly organised a "qat bus service," which took them nightly 12 miles to Lahej Sultanate, outside the colony and therefore outside the ban. There they collected oil lamps and sat in twilit circles chewing the cheap Yemeni qat. Traders promptly raised the price and Lahej put a four shillings tax on the lamps. For the moment, this is costly, inconvenient, and not too clean fun. The novelty will probably wear off.

The authorities were pleased to find the ban did not stir up trouble, but the real testing time began with the end of Ramadan on Wednesday. With the spur of virtue withdrawn, the Adeni Arabs will find abstinence a strain. Nevertheless, there are very many who are pleased to be released from a habit which society imposed on them, and the women, who now find there is a little money in the house, are strongly on the government's side. The betting



Quicker by chariot?

Boadicea's chariots were slow and cumbersome—one reason, perhaps, for her ultimate defeat at the hands of the well-equipped Romans.

Her strategy might have succeeded had she been able to equip her charioteers with light, fast-moving vehicles. She would, of course, have specified TITANIUM.

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in Aden is that the ban has come to stay but that there will be some smuggling.

The courageous decision to ban qat was taken on the initiative of the four elected members of the Legislative Council. Without their unanimous support the government would hardly have dared to challenge an ingrained habit of the people. It is a small but useful demonstration of the value of elected members in colonial legislatures.

EGGS

Rotten for Denmark

IT would be hard to find in the history of commerce a more blatantly irrational trade-flow than that of subsidised British eggs to the continent of Europe. The British hen's response to the precocious spring of 1957, and the British farmer's response to a guaranteed price of 4s. 1¼d. a dozen, have between them produced a flood of eggs which, even at retail prices in the neighbourhood of 2s. a dozen (compare the 8s. a dozen prophesied at derationing) cannot be absorbed by the home market. The surplus, during the three months December to March, was reported in a Parliamentary answer as amounting to some 13,000 boxes (each of 360 eggs) and was exported to 21 countries—by far the most important being Western Germany, with the Netherlands, Switzerland, France, and the Irish Republic also taking substantial quantities. The economics of this trade, even from Britain's point of view, are worth close scrutiny. As (under the inefficient British system of feeding hens) about two-thirds of the cost of producing eggs is normally the cost of (mainly imported) feedingstuffs, and as the eggs are being sold at little more than half-price, the foreign exchange cost of the imported grain that is being fed into many British hens must be more than the foreign exchange value of the eggs that come out of them—and the British taxpayer is paying farmers a subsidy of some 2s. per dozen for supervising this curious exercise of turning an imported commodity into a less valuable exported one. All that can be said for this trade is that it is not quite such a bad bargain for the taxpayer as dumping the surplus eggs in the sea.

Not unnaturally, however, the fact that the eggs are being dumped in Europe instead of in the sea has annoyed the Danes. Danish egg producers have endured with remarkable patience the loss of 85 per cent of their once all-important British market to domestic competitors barely capable—on the evidence of their own spokesmen—of breaking even at an off-the-farm price just double that received by Danish farmers. That loss has up to now been compensated by increased sales to the rest of Europe and especially to the prosperous west German market. Now the European market is itself worse than threatened; during March, sales of British eggs in western Germany virtually equalled those of Danish eggs. A Danish protest that these sales contravene Article XVI of Gatt (which "recognises the harmful effects of subsidies on exported goods") has been met by the highly legalistic rejoinder that exports are not being subsidised as such, and by a reassurance that British hens must surely soon become less prolific. But the proper remedy is to subsidise fewer British farmers to keep fewer British hens; it is not sensible to be actively wishing that the productivity of British hens would please go down.

CHURCHES

Bishops in the Kirk?

THE proposals for closer relations between the Anglican and Presbyterian Churches are an appropriate subject for lay comment; they are certainly getting it in Scotland. The first point to be made is surely that although the churches should be encouraged to move as far forward as they can towards an authorised interchange of communicants, the so-called split between them—the fact that different churches, even outside the Roman Catholic communion, occasionally try to proselytise members from each other—is not necessarily a bad thing. People have different ideas about how they prefer to worship, drawn too much from their inherited family tradition and too little from their own conscious thought; a mild competition between the churches in some areas can keep Christian activity more alive than would a "unifying" attempt to put everybody under one mitre.

Preferably, therefore, the proposals made this week, after inter-church discussions under the chairmanship of the Bishop of Durham, should be judged according to the contributions they could make towards more efficient organisation within the Anglican and Presbyterian churches themselves. The main suggestion for the Anglican church is that lay members might be given more participation in the government of their church at all levels. The ordinary non-conformist is always surprised that they have not got this already, but lay government can go too far. The subjection of a clergyman to his local churchwardens or elders can sometimes have rather the same danger as the subjection of an MP to his local (and extremist) party organisation, or of local trade union policies to shop stewards.

But it is the big change in terminology, and smaller change in organisation, proposed for the Presbyterian church that will arouse more controversy. If the argument were simply that the Presbyterians would be wise to replace moderators who change by rote by more permanent dignitaries, many liberal Presbyterians would be inclined to agree; if the argument were that, to facilitate interchange of communicants with the Anglicans, these dignitaries should amicably agree to a ceremonious laying on of hands by Anglican bishops, to preserve the historical beauties of the Apostolic Succession, it would be churlish to object. But it is surprising how many liberal Presbyterians—even while recognising that they are being irrational—will find that their private sticking point is the proposal to call these Presbyterian senior ministers bishops, or even bishops-in-presbytery. In the real split between low church and Anglican church attitudes—the pomp and circumstance which Anglicans regard as a display of beauty for the greater glory of God, and which older Presbyterians regard as near-idolatry and even younger ones regard as play-acting in serious concerns—the bishop in his robes has long been one of the most potent symbols. The ordinary Scot will find it surprisingly difficult to get himself, let alone his grandfather, to swallow this. The misfortune is that if only the Anglicans would agree to regard the proposed Presbyterian dignitaries as bishops, and if only the Presbyterians could call them almost anything else, there would not be nearly as bitter an opposition in Scotland as is now likely to be aroused.

THE LAND

Wasted Acres

ABOUT a third of the surface of Britain—some nineteen million acres—consists of remote moors and uplands. Until the war these areas were growing steadily less productive and fertile. Since 1945 their decline has been partly checked by the generous subsidies paid for the rehabilitation of hill farms and, in a few lucky areas, by the large planting programme of the Forestry Commission. But most of these hill lands still produce very little, and the local population—not only in Scotland and Wales, but over much of England—is still declining at a rate which makes the provision of modern services exceedingly costly. Antiquated schools and suspended bus lines (not to mention the disappearance of many an Emett-like railway branch line) foreshadow the likelihood of further cumulative decline.

Does this matter, or should something more—or something different—be done to rescue all these wasting acres? A recent report by the National Resources Technical Committee (HMSO, 4s.) believes that something should. The committee emphasises the potential output of these hill areas. For example, it says that the improvement of 3¼ million upland acres should enable 400,000 more store cattle to be kept and beef imports to be cut (if necessary) by a third. It has an even greater enthusiasm for afforestation, which it regards as a very sound "import-saver."

Economically, these arguments are highly ingenuous. The report smacks far too strongly of the idea of "import-saving" at any cost, and the case for sinking money in marginal land for a low return is quite inadequately substantiated. A case may nevertheless exist. It is not simply (as the report does point out) that hill farming and lowland agriculture are essentially complementary, with the hills rearing livestock for fattening on the plains. There is the further point that the present marginal lands of Britain may eventually be relied on, quite reasonably, for an appreciably higher proportion of total agricultural production, as a consequence of urban growth and as a preferable alternative to present costly methods of protecting farmland. The gradual and careful rehabilitation of hill farms, envisaged in the Hill Farming and Livestock Rearing Acts, has much to commend it—on two conditions. One is that Government aid should be coupled (as it is in Sweden and Holland) with an insistence upon the reorganisation of farm boundaries and units. The other is that there should be proper joint planning of farming and forestry in these areas; there should be more careful plans for the integrated use of marginal land, such as that recently produced for mid-Wales—plans with which the Forestry Commission and other bodies should be required to comply.

EUROPE

Cold Welcome for the Grand Design

THE Council of Europe has given a chilly reception to Britain's scheme for a single European assembly. Years of British equivocation in Europe, followed by the Egyptian adventure and then by the arbitrary reduction of British troops on the Rhine, have left a deep distrust on the Continent of British intentions, and this has reinforced the practical objections to the "Grand Design." Could an assembly which, in the British scheme, might contain American and Canadian representatives, effectively supervise the European organisations? Could the neutrals, like Sweden and Austria, come into an arrangement which covers defence? The assembly proposed by Britain would not—at least at the outset—be given definite powers. But the six common market countries have decided upon a supranational assembly. They ask whether the new plan is merely a plot to water this down.

In practice, something on the lines of Mr Selwyn Lloyd's scheme may be inevitable, if the free trade area comes into being beside the common market. The institutions of the two overlapping groups will have to work together closely, indeed virtually as one. And more and more the growing European organisations will require effective parliamentary scrutiny. Yet the practical criticisms of the Grand Design in its present form are cogent. To combine a loose North Atlantic parliamentary link with a much closer European one will be difficult. A special constitutional arrangement would be needed to keep defence separate. The problem of fitting the assembly of the Six into the larger one is so delicate that Britain might best concentrate at present less on the parliamentary aspect of the scheme than on the practical need to bring the many executive European bodies together in one place.

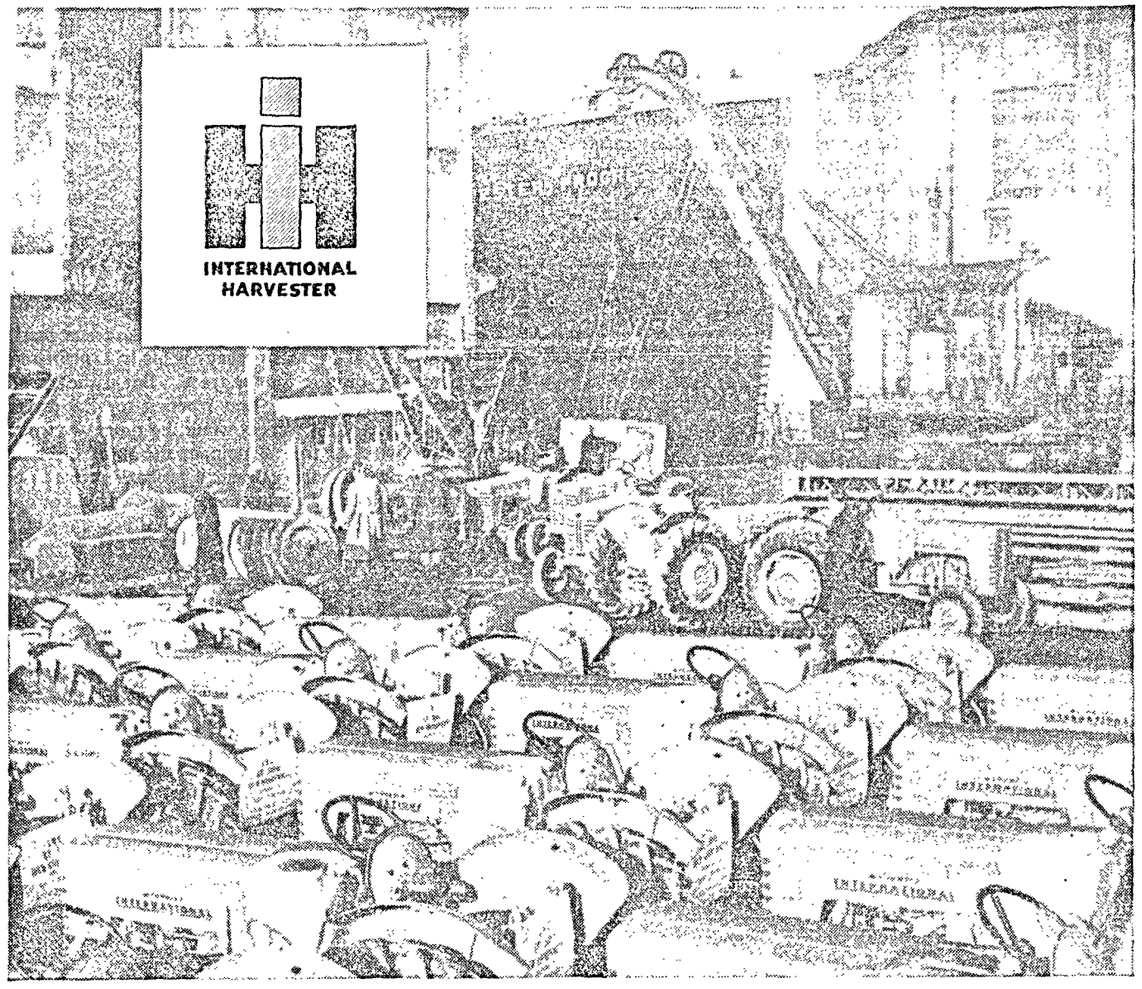
After years of hesitation in Europe, Britain can in any case hardly expect an unqualified European welcome for a new British political design, which in some respects does not go so far as the Six wish to go themselves. The Europeans will want first to see proof of British sincerity in practice. That means pushing ahead with the free trade area, working together more closely on defence, and sharing atomic knowledge. From these activities, the necessity of something like the Grand Design should emerge.

NATO

Blackball from Oslo

THE Spanish government and its press seem to have been expecting an early American move to bring Spain into the Atlantic alliance. Hr Gerhardsen's brusque intimation that Norway for one would not hesitate to blackball a Spanish candidacy appears to have come as a real shock to them. Perhaps the idea that Nato really does operate by unanimous agreement has never got through to Madrid, where the element of consent has never had a prominent place in official thinking.

The case for admitting Spain to the alliance may look a strong one to amateur strategists conning the untidy map of Europe, to some Mediterranean Nato governments which have never been able to understand their allies' distaste for General Franco's regime, and to the Atlantic Council's hosts this week in Bonn. But the case against admission is overwhelming. One need not be too spiritual about it. Spain has long since ceased to be treated as an outcast, and it already has a part in western defence planning by virtue of its agreements with America and Portugal. Yet what would its admission to Nato contribute to that organisation's assets? The Franco government is still, after nearly two decades of power, unable to make itself acceptable enough



DOLLARS FOR BRITAIN!

These tractors, proudly marshalled on the dockside at Manchester, are International Harvester B-250s—a few of the thousand comprising an initial dollar order for Canada—almost as many tractors as the entire total of all types and sizes shipped to Canada from Great Britain in 1956.

In highly competitive markets in all parts of the world, International Harvester equipment is being increasingly acclaimed. Speaking of the B-250 tractor, the President of the International Harvester Company of Canada said:

"This small tractor fills a definite need long expressed by many of our customers. We are happy that British manufacturing and research skill has permitted us to give better service to our customers and, at the same time, to increase trade between our two countries."

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to its own people to contemplate the future with any assurance. Its continued existence is grudgingly tolerated, its end eagerly awaited—and nobody can be sure what will follow that end. A regime that has failed to co-exist amicably with the Spaniards themselves would be a decidedly uncomfortable partner for its democratic neighbours. Neither Nato's morale nor its reputation could be unaffected by such an accession to its ranks. It is already a reflection on the more powerful members of the alliance—including Britain—that one of their smaller partners should feel compelled to make a solitary stand in public against the Spanish accession.

KASHMIR

The Jarring Version

CHANCE had it that the president of the Security Council in February, when it debated Kashmir, was a diplomat from alliance-free Sweden with personal experience, not only of service in Delhi and Karachi, but also of the hills and valleys of the disputed state itself. The costliest electronic brain in the world could not have selected a more suitable United Nations envoy to India and Pakistan than Hr Jarring. His report on his mission is a frank confession of failure which does him credit. He records the two governments' antagonistic attitudes and does not try to pretend that there is any point in further efforts by any UN representative until those attitudes change.

Such frankness is all to the good. Admittedly it may lead some people to conclude that the Kashmir problem is insoluble. Indian apologists have hastened to encourage that conclusion by seizing upon every sentence in the Jarring version which could be read as implying approval of their government's rigidity. Pakistan's next move awaits Mr Suhrawardy's return from Japan and possibly his imminent tussle with East Bengali dissidents ; but it is only a question of time before it comes. Another dreary exchange of legal sterilities, selective histories, and arguments of head-splitting ingenuity lies ahead ; and beyond it another, and another. How much longer can two nations whose vital interest is to live together in friendship stand the strain of this quarrel ?

CATTLE EXPORTS

Beastly for Cows ?

AN uncompromising British zeal for the protection of animals is the dominant note struck by the report of a committee which has been inquiring into the export trade in live cattle (Cmnd 154). The origins of this trade do not provide a very good basis for a display of national self-righteousness. It was because British slaughterhouses did not satisfy the standards demanded by an American army contract that live cattle were first shipped to Holland for slaughter. This transaction attracted the attention of continental buyers, and last year quite a brisk trade developed in the export of live cattle to Holland, Germany, and France.

To reduce the suffering which long journeys initially entail for cattle the Government has already stipulated that they must be rested for ten hours, and watered and fed, at the port of embarkation. The committee proposes a number of additional regulations for reducing the animals' discomfort and for ensuring that no unfit beast is made to travel. These are sensible and humane. But the committee's solicitude for the cattle then extends beyond both reason and national frontiers—to the extent of suggesting that no beast ought to be made to endure a long continental train journey on top of its other travels. Accordingly, it wants to ban live cattle exports to any save small and accessible countries, and also to any country whose methods of slaughter are less humane than Britain's. Both stipulations would rule out exports to France.

It would be pompous to say that this sort of discrimination might hurt French susceptibilities as much as the journeys have sometimes hurt the cows. In itself, the live cattle trade is not particularly important. It consists largely of unsubsidised cows, whose poor appearance in the Bordeaux market compared with local animals perhaps helps to explain some British observers' distaste for the trade. But if the French retain their Gallic wit, their best reaction to any governmental acceptance of this report would be promptly to ban the import of live cattle from Britain, on the quite reasonable grounds that British railway wagons probably cause more bruising to cattle than do continental trains. It is not only the French who are beastly to cows.

FRANCE

Visitor-Shy Algeria

GROWING numbers of Frenchmen are perturbed by reports of atrocities committed by French troops and police in Algeria. To stem this tide of moral indignation the government promised to appoint a commission of inquiry designed to check the truth of all such allegations. Before the members of this commission were nominated, however, the Radical friends of M. Mendès-France had decided to send a small group of their own to probe the facts on the spot. Since the Radical envoys were known not to share the gospel of extremist settlers that (to quote Professor Duverger) the guilty men are not those who commit crimes but those who denounce them, a campaign of intimidation was immediately launched in Algeria to prevent their journey. It reached such proportions that the minister resident, M. Lacoste, warned the prospective travellers that their visit would tie up thousands of soldiers to ensure their personal safety. Under this pressure the Radicals put their visit off.

The delay in itself would not be a grave thing, but it is a bad omen for the prospective official commission of inquiry. The settlers learnt in February of last year that riots could force M. Mollet to capitulate. They can use the threat of similar methods—burning down hotels or blocking the streets—to prevent the inclusion in the commission of any member opposed to their views. In the circumstances, too, witnesses will also need extraordinary courage to testify.

FINLAND

A Prime Minister Wanted

FINNISH politics are normally in a state which would be headline news in any other country. But now that the prime minister, Mr Fagerholm, has resigned, even the Finns recognise that the situation is a little out of the ordinary. Mr Fagerholm was defeated in a contest for the Social Democratic party presidency by 95 votes to 94. The faction

that voted for him is no longer represented on the party's executive committee because its leaders refused to accept less than seven seats out of fifteen. It is not surprising that the prime minister feels his position to be impossible.

The new president is Mr Tanner, the founder of the party, a veteran politician who was made a scapegoat for Finland's alliance with Germany in the last war. In 1946, to placate the Russians, he was convicted as a war criminal and imprisoned for five and a half years. The Russian press has been conducting a virulent press campaign against him since it became known that he would run for the party presidency ; and his election, even if he does not become prime minister, will produce some embarrassing moments if Mr Bulganin and Mr Khrushchev carry out their intention of visiting Finland early in June.

Quite what the original split was about nobody seems to know—least of all the Finns. Factions within the Social Democratic party are caused by habit and personal rivalry, and although Mr Tanner claims to differ from Mr Fagerholm in matters of policy, the difference has not yet been defined. Possibly long-suffering Mr Fagerholm will consent to return to his thankless task. The Farmers' League, the second major party in the coalition, has threatened to leave the government if Mr Tanner or Mr Leskinen (the effective leader of Mr Tanner's faction) is offered the premiership ; and the country's economic position is too weak to allow of using economic concessions to induce either the Farmers or the powerful trades union congress (SAK) to support Mr Tanner's faction.

THE VATICAN

Three Pilgrims

NOW is the busy season for protocol at the Vatican. The Pope's reception of Grace, Princess of Monaco, has naturally caught the public's eye, but the Pope has more important, if less photogenic, guests calling on him this month of May: M. Coty, the President of France, and Cardinal Wyszynski, the Polish primate.

M. Coty's reception will be the more formal. The head of the French state is bound to visit the Vatican when on an official trip to the Italian capital ; this is one of the conventions established between Paris and the Papacy since the Concordat between the two was dropped and the Catholic Church separated from the French state more than half a century ago. There are persistent rumours in Paris that M. Coty's visit is destined to prepare the ground, if not actually for the signing of a new Concordat, at least for some concessions to the Church. It has been whispered that M. Mollet, leader of an anti-clerical party, would ask the Pope, in exchange, to restrain Catholic zeal against French conduct in North Africa. Such insinuations are denied by both sides, and it can fairly be assumed that this official visit will not bring any immediate results.

Cardinal Wyszynski's trip, on the other hand, is much more urgent. It is his first contact with the Holy See since his release from forced residence last year after the advent of the new political regime in Poland. Since then the two sides have struck a bargain: the Church was granted important concessions, chiefly the reintroduction of religious instruction in the schools ; for his part, Cardinal Wyszynski has given Mr Gomulka's experiment his blessing. The question now is whether the Pope will give his blessing to a compromise with a relatively tolerant communist regime.

CENTRAL AFRICA

Sir Roy's Bludgeon

THE innocuous vagueness of the statement issued after Sir Roy Welensky's London talks with Lord Home and Mr Lennox-Boyd has been rather marred by Sir Roy's subsequent pugnacity. But his boast at a Salisbury press conference that the London agreement has put paid to the " half-baked ideas " which a future British Labour government might try to impose on the Central African Federation was probably an attempt at diversion: the white electorate have been expressing dismay at how little he has brought back for them. The possibility of a Labour victory at the next elections is the bogey of European settlers in east and central Africa, and there is mounting urgency in their pleas for continuity in colonial policy. British Labour leaders have rejected the idea of a bipartisan approach to colonial affairs, but in this case they may have welcomed Sir Roy's forthrightness. His statement reveals nothing fresh, but it acts as a warning to African nationalists in the federation that the actions of a future Labour government may fall short of the views now expressed by Labour's left-wing.

The question of constitutional advance has been sensibly shelved until 1960, when it was due for reconsideration in any event. The Federal Assembly is to be enlarged, but the future balance of power between the races has not been specified. The one real step which Sir Roy has taken towards the federation's independence is his agreement that a " reasonable number " of British-protected citizens should be allowed to vote in federal elections: these are Africans in Northern Rhodesia and Nyasaland who retain their British status. He has been fiercely attacked by his white opposition for making this concession. But it would have been unthinkable for the federation to have moved towards self-government while 4 million Africans in Northern Rhodesia and Nyasaland did not even have the right to qualify for a federal vote.

TRADE UNIONS

Smoke Among the Firemen

A MAJOR row has flared up among the members and ex-members of the controversial Fire Brigades Union. Both the general secretary, Mr John Horner, and the assistant secretary, Mr J. Grahl, resigned from the Communist party after the revolt in Hungary—a gesture that possibly did something to revive their prestige with their members. But unfortunately they seem to have fallen out with each other. Mr Burns, the president, circulated to executive members a document accusing Mr Grahl of uses of union funds that he considered to be improper ; later Mr Grahl resigned, on grounds of ill health—but for some reason the executive has agreed to pay him (although he is no longer an employee of the union) sick benefit up to a maximum of something over £900. He himself made no counter accusations, but a colleague on the executive, Mr Leo Keely (another ex-communist), circulated to area officers and district secretaries a document in which both Mr Burns and Mr Horner were indicted. Mr Keely has now been " dismissed " by the executive—a curious action since he is an elected member. Now Mr Sidney Withers's nomination for Mr Grahl's old job has been vetoed by the executive

because, as a national officer, he did not inform them of the intention to circulate the accusing documents.

It is impossible for an outsider to pass judgment on the truth or untruth of charge and counter-charge. But one thing is plain: an inquiry into this union ought now to be invited. The question is, who should do the job. At the Easter conference of the Communist party one delegate, himself an ex-officer of the Fire Brigades Union, thought that the party executive should look into the leadership of a union which he did not specify, but which he evidently felt reflected no credit on the party. The Salford branch of the Fire Brigades Union, on the other hand, is putting forward a resolution for the union's annual conference in June that an independent Labour party committee should investigate "the administration and financial position of the Fire Brigades Union over the past five years." But the right body to conduct an inquiry is undoubtedly the Trades Union Congress. If such a demand is made in an emergency resolution, it should be debated, passed and then accepted by the TUC; the demand should not be fobbed off whether or not libel actions are then being thrown between executive and ex-executive members.

The Economist

MAY 2, 1857

RIGHT REPRESENTATION

NOW what we want in a representative assembly is not merely an index to the most powerful forces of the national life, but a full expression of that life itself. We want the Nation to be organically represented by the State. We want to see in it not simply the organs of the greater social interests, but the organs of all interests which are of vital importance to the well-being of the nation. What is most of all to be dreaded in a hasty reform is, that uniformity of representation may take the place of a healthy variety—that the smaller interests may be drowned in the monotonous reduplications of members who represent the numerically larger interests. No doubt it is idle and mischievous to maintain that a system of representation which suits one generation will fairly express the mind of another. But what is to be avoided in preparing the public mind for any great change is the injurious notion that classes stationary in numbers must lose their voice in the national councils, in order to leave room for a fuller chorus from the classes which are increasing in numbers. Let us not be misunderstood. We desire nothing more than to see those larger classes, not yet adequately represented, receive their share of influence. But let it not be laid down that that share of influence ought to be in proportion to their numbers. This is the radical evil of a democratic constituency, and sincerely as we believe that the time is not far distant when some new modifications must be adopted into our representative system, there is no object we have more at heart than this—that before such a change takes place, the country should clearly understand that they ought not to aim at indefinitely extending the parliamentary representation of classes in proportion even to their social weight, but rather at securing a fair influence to those who are in danger of being outnumbered in the constituent bodies. . . . Our safety lies in the various play of mutual influences which our various classes exercise on each other. . . . There is a reserve of power in the English people which they are wise enough never to put wholly forth into their political organisations. . . . A new and vivid political interest calls forth a whole mass of unused force which to the surprise of everybody changes the whole face of the political world.

EUROPEAN TRADE

New Pilot for ECE

THE job of executive secretary of the United Nations Economic Commission for Europe requires special qualities, which Professor Gunnar Myrdal, who is retiring from the post after ten frustrating years, possesses. It is not his fault if the body that alone amongst European organisations seeks not to develop eastern or western Europe, but to join the two, has failed in its broader purpose.

Professor Myrdal has always had a dual sense of mission—a political vision of the need to bring east and west together, and an economist's vision of the greater wealth that Europe could enjoy if greater trade joined the developed west to the young, developing east. And ECE has quietly made a larger practical contribution to east-west trade than is generally realised. For some years, for instance, its committees played a useful part in the allocation of Polish coal and timber. And a committee under its auspices has just produced a standard code for engineering contracts in both east and west; this should overcome a chronic obstruction to trade in capital equipment between the two. Myrdal's ECE has less tangible achievements to its credit too. At the height of cold war, it was one of the few points where economists from east and west could meet and discuss at ease. And it has been a valuable source of economic information about both worlds.

Professor Myrdal's successor, Mr Tuomioja, once Finnish Ambassador in London and a former Prime Minister of Finland, is well fitted to carry on these tasks. He is not only a hardheaded and shrewd economist. Finland is perhaps unique among non-communist countries in its experience of trade with Russia, its drawbacks and advantages. ECE's main positive function has always been connected with trade between the satellites and western Europe; and it may grow in importance in the next few years. ECE has a part to play, for example, in Poland's search for long-term coal contracts in the west in exchange for credits. And it might well be a channel for western aid to Poland, free from political embarrassment to either side.

SHORTER NOTE

In a note last week, it was said that the Ministry of Power, by issuing a statement about petrol rationing, seemed to be "peevishly pretending that it could largely rely on spot checks and petty prosecutions" to stop illegal off-the-ration sales. Although what purported to be an official warning from the Ministry was printed in several daily newspapers, we have since learned that all that really happened was that an agency reporter rang up the Ministry and asked what they were going to do about off-the-ration sales; he was reminded, not unnaturally, that they had the power to prosecute. In common fairness to the Ministry, it should be said that our comment last week would not have been so critical if we had known this background. The point that no rationing scheme could ever be enforced by "sending round an army of coppers' narks" stands; the allegation that the Ministry was ever silly enough to pretend that it could falls, thank goodness, to the ground.

LETTERS

No Reasons Why

SIR—You may call me a "booby" as long as you like, but you should not falsify the facts about shops legislation.

1. You again make vague references to "other countries" which enjoy the "freedom" of a "liberal" regime where shops can stay open all night. I understand your reluctance to name them, because your principal ally in Europe is General Franco if the communist dictatorships are excluded. Outside North America all the progressive countries in the world have shops legislation more advanced than that proposed by the Government, e.g., Norway, Sweden, Finland, Denmark, Holland, Austria, Germany, Australia and New Zealand have general closing hours by law ranging from 5.30 p.m. to 7 p.m.

2. Your second paragraph is a downright falsification of the history of shop closing hours in every country in the world, including America. A kind of "Gresham's Law" *does* operate: the "rogue elephants" *do* compel their competitors to keep open. You say that present practice in Britain proves your point. It does not. From 1939 to November, 1952, 6 p.m. closing was enforced under the Winter Closing Order. Since then the brakes on a return to prewar conditions have been (*a*) local authority orders of 7 p.m. closing, (*b*) trade union vigilance and the resistance of staff and working shopkeepers, and (*c*)—decisively—inflation, which blunts the competitive struggle.

3. Your references to America are most misleading. Please read the Anglo-American Productivity Team Report as a corrective to your doctrinaire myopia. If the correct comparisons are made between the relative positions of shopworkers in the advanced countries of Europe and America, the latter is not the Eldorado of labour conditions you would have us believe. Shop managers in particular work very long hours, usually a six-day week, and often have no half-day. Moreover, you omit the cost of long shopping hours to the consumer. In the food trades all the economies of self-service and supermarkets are swallowed in additional costs, mainly labour costs. In the non-food trades the American system is much more expensive than the British. Precise figures exist for the large department stores, which show that retailing costs are about 4s. in the £ in Britain and over 7s. in the £ in America. Again labour costs are a major factor. A restoration of the prewar shopping hours of Britain would cost 6s. to 7s. a week for the average family. The introduction of the American system would be even more costly.—Yours faithfully,

WALTER PADLEY
President, Union of Shop, Distributive and Allied Workers
House of Commons

An Account of Shop Stewardship

SIR—In your issue of April 20th, in the last paragraph on page 208 you say, "The boot and shoe industry is notable for peace and so, since the war, are the iron and steel workers."

I am a little intrigued at the words "since the war," assuming you mean the 1939-45 war, and am wondering what incidents prior to the last war prompted this qualification in view of the fact that there has been no major disturbance in the steel industry in this country for the past half century.—Yours faithfully,

H. DOUGLASS, General Secretary
Iron and Steel Trades Confederation

Chile's Legal Dictatorship

SIR—In the edition of your paper dated April 27th there appears an article based on information received from your correspondent in Santiago, which constitutes a violent and unwarranted attack on the government of my country.

The article states that, in order to put an end to the disturbances which recently occurred in Chile, the government of President Ibañez exceeded its constitutional powers, victimising by arrest, imprisonment or deportation to concentration camps, numbers of trade union leaders, journalists and others. Furthermore, the situation is described as being one of chaos, corruption and maladministration in general.

It would seem that you have been misled by your correspondent in Santiago in allowing to appear in your columns a picture of violence and mob hysteria quite uncharacteristic of the Chilean people and which does not correspond at all to the actual facts.

In view of this, I would ask you to take note of the following corrections:—

1. The recent disturbances in Chile were not general, and affected three cities only; they were instigated by extreme left-wing elements, especially the Communists.

2. All political parties, including some in opposition, and the country itself were solidly behind President Ibañez, and the National Congress accorded him immediately the extra-constitutional powers for which he asked.

3. These extra-constitutional powers were expressly renounced by the President as soon as it was seen that the disturbances had no popular support and were solely the work of small groups of extremists.

4. The Parliamentary elections in March last were freely carried out within the Constitution and in conformity with the democratic standards which have always characterised the Republic.

5. The anti-inflationary measures of the government have not only put a curb on rising prices and stabilised the currency, but international financial circles, particularly the United States, have shown their confidence in this policy by their reactions towards it. The government of the United States has supported it with stabilisation loans and the International Bank has recently provided the credit necessary for the development of a plan to stimulate industry and transport.

6. The situation is now completely normal and the life of the country proceeds in an atmosphere of mutual understanding between government and people.—Yours faithfully,

ENRIQUE BALMACEDA,
Ambassador
Embassy of Chile, London

New Age Banking

SIR—In view of the comments of a correspondent in your April 13th issue on the undesirability of adapting computers to an involved currency, it might perhaps be pointed out that difficulties of this type could be easily avoided if people responsible for keeping accounts could be persuaded to record them in florins and farthings as a decimal. Interconversion is simple and inaccuracy due to the approximated farthing negligible. It is open to anyone to record his accounts independently on this decimal basis, and such a change could, of course, be introduced in accounts and price lists immediately and unilaterally by anyone with a sales monopoly and presumably also, with advantage, by all exporters.

As a corollary of the simplicity of this change it would appear that English coinage is substantially decimalised already and that the only additional coin necessary in the series £0.1, £0.05, £0.025, £0.01 and £0.005 is a coin with the value 0.1 florins. It is obvious that a reform of the coinage itself could be carried through at once by withdrawing the anomalous half-crown and the ugly threepence and revaluing the penny by law to 5 farthings. Minting of the missing 0.1 florin coin could follow at leisure. The natural anxiety of most people to avoid the loss of the extra farthing would force the change through very rapidly and the face value cost would be spread about as evenly as the present supply of pennies.—Yours faithfully,

B. R. THOMAS
Stockholm

BOOKS

Hungary in the Balance

October Fifteenth: *a History of Modern Hungary 1929-1945, Volumes I and II.*

By C. A. Macartney.
Nelson for Edinburgh University Press. 509 and 519 pages respectively. 84s. for both volumes.

IN these two volumes Professor Macartney has woven, closely and intricately, a gigantic piece of historical tapestry. Its fluency and eloquence are marred here and there by odd, unexpected slang phrases, the more regrettable because in every other way his work will survive the tests of time. The rich texture and the pattern of "October Fifteenth" are enhanced above all by its characters, here depicted with the perception and rhythm perhaps rather of a great fresco painter. These representations include everyone from Horthy to Szálasi, but it is the account of Count Pal Teleki which will remain most insistently in the reader's mind.

> His Transylvanian ancestry and his studies had imbued him with a fixed belief that the only possible policy for Hungary was one of "balance"; a concession to one side must always be balanced by a gesture to the other, or else by a counter-move of reinsurance. He did not always realise how much of substance there was in what he thought a mere gesture of form, nor did he fully appreciate the difficulty of spinning several threads at once; more than once they got tangled in his hands, and at the end, fatally. There were even times when, strangely enough for a man of such lofty moral character, he let subtlety approach perilously near double-dealing. . . . When things got very difficult, he sometimes let himself be stung into sudden action of which he did not always foresee the final consequences; sometimes he would relapse into fits of fatalistic pessimism, in which he merely let things drift and watched them drifting.

There is indeed nothing very simple about the Hungarians or their history during the period with which Professor Macartney deals; as he shows us repeatedly, all the simple interpretations break down when subjected to serious analysis. Those already familiar with an outline of the facts have often, it is certain, asked themselves where people like Gömbös and Szálasi really stood since the facts readily accessible were often contradictory. Such questions are as fully answered as they can be in these pages. When Gömbös visited Berlin in September, 1935, we now learn that he signed a secret personal agreement with Goering: "it seems to have included at least an undertaking to introduce in Hungary . . . a political system closely resembling the German; possibly other engagements were assumed." As for Szálasi, it becomes plain that his "Hungarism" was so extreme that the Germans only fell back upon him as a last resource; it was unjust to regard him as their agent until then.

No one with any knowledge of Hungarian affairs will have failed to understand the tragedy of Hungary's geographical position in the second great war. If its outlook after the Treaty of Trianon was always somewhat distorted by revisionist nostalgia, yet to have to steer between the German Scylla and the Russian Charybdis was a fearful undertaking; it was performed for two years with something like virtuosity by Kállay as Minister President. When Horthy reluctantly gave way to Hitler and agreed to dismiss Kállay in March, 1944, he at least prevented "Operation Margarethe II," according to which the Rumanians, Croats and Slovaks would have marched into Hungary with the German troops and dismembered it completely. Horthy himself told Professor Macartney that when Hitler announced his intention of occupying Hungary, if Horthy had had his revolver with him, "I should have shot the scoundrel dead; and I shall regret all my life not having done so." What a tantalising thought that the Regent of Hungary might have shot the Fuehrer four months before Stauffenberg tried to blow him up.

If this book has a fault, the fault lies in its great length and the assumption of too much knowledge in its readers. If Mr Macartney felt it essential to make a record as complete as human ability could make it, then some kind of digest of his work should be made available, or at least an accompanying chronology. Since he is the unrivalled expert in Hungarian matters and now more than ever disclosed as such, it is difficult for any reviewer to suggest even trifling criticism. But, while admiring his use of difficult and unwieldy material, one wonders why, with his exhaustive thoroughness, he ignored the official Italian Documents; although those published hitherto cover only about half the year 1939, it was a critical year and Italy's role was far from negligible.

The Creed of a Humanist

Religion Without Revelation

By Julian Huxley.
Max Parrish. 262 pages. 21s.

THIS book was first published on the eve of the war; was reprimed, in an abridged edition, in 1941; and now reappears in a revised and enlarged version. It will, say the publishers, "arouse discussion anew throughout the world—discussion which is essential if the mental conflicts of humanity are to be resolved."

Will it? That is just the point. It ought to. It is by far the most satisfying and realistic statement of the anti-supernaturalist world view ever presented; it is firmly based on the central fact, neglected or denied by too many rationalists and believers-in-reverse, that awe, and a sense of the sacred or "numinous," are as normal a human attribute, as much a product of evolution from lower to higher forms of life, as a large brain-case and the capacity for speech. The quarrel of science is with the pre-scientific hypothesis, hardened into dogma, of a personal God; not with the apprehension of sacredness in the external universe, in the human spirit, and in the relation between them. Indeed, a cocksure rationalism which denies this apprehension is itself grossly unscientific.

Dr Huxley works out the implications of this thesis for the interpretation of history, for private and public ethics, for the social sciences, and for the individual searcher after truth, with great argumentative skill, literary power, much erudition, and more charity. But as for arousing world-wide discussion, let alone launching a new and more comprehensive Reformation, one can only conclude that his chances are now what they were when his book was first published—that is, nil. Behind dogma and counter-dogma alike there can be a dæmonic drive, no less potent when the counter-dogma, like that of Marx, wears a "scientific" mask. But science, whose essence it is to eschew dogma entirely, can only note the existence and analyse the effects of dæmonic drives; it cannot, while remaining scientific, itself generate them. "Religion without Revelation" may have a harmonising effect on a few uncomfortable private lives, an immunising or liberating effect on a few intelligent young people; on the mass of unintelligent, superstition-shot apathy, not to speak of the convinced adherents of dogmatic systems, it is unlikely to make more impact in the future than in the past.

Among the Germans

Watcher on the Rhine

By Brian Connell.
Weidenfeld and Nicolson. 281 pages. 21s

MR CONNELL'S report of his eighteen months' watch on the Rhine is timely, instructive, and exuberantly provocative. A fluent speaker of German, and by no means a stranger to the country, Mr Connell put up at a mellowed winehouse just across the river from the provisional federal capital, where he swivelled his inquiring telescope lustily in every promising direction. He does not seem to have liked very much of what he saw.

Readers seeking to be informed will probably feel most gratitude to Mr Connell for his well-ordered accounts of such important features of the German scene as Ruhr industry and the east German Democratic Republic. He has put a lot of sound work into these chapters and made complicated subjects intelligible and interesting. Readers with an ineradicable antipathy to the Germans will love the author for the fierce swipes he takes at pretty well everything the Germans are and do, of which indiscriminate thwacking the following is a sample chosen at random:

> Underneath the heavy, dull prescribed forms of their day-to-day life there is an ungovernable mass of resentments and complexes. Like their food, their music and their humour, their personalities are heavy. It is not the inert heaviness of lead but the menacing quiescence of neat sulphuric acid. Confined in a glass carboy it is harmless, but once released uncontrolled, it burns and ravages everything in its path.

Mr Connell is not happy about the efficacy of the stopper. He comes to the conclusion that in west Germany "government rests on a quicksand" because the Bavarians hate the Prussians, the provinces speak contemptuously of the capital, the socialists insult the capitalists and the industrialists fulminate against the trade unions. Pointing out how certain Junker officers have put themselves with ease at the service of the east German People's Army, Mr Connell fears that the west Germans' "present professed admiration for the western way of life could perform a somersault overnight without a qualm." He shows little compassion in judging the Germans of today; he damns them wholesale for their failings, ignoring the pressures to which they have been subjected and giving little credit for those who genuinely exert themselves to redeem the national character and reputation. He does not seem to have watched at all closely the schools, the universities, and the professional and working classes, whose faces do not have "the liverish pallor of over-eating," who are not to be sighted "floating on a sea of embassy cocktails," and many of whom his uninhibited generalisations do not fit.

Brainwashed

Captured in Tibet

By Robert Ford.
Harrap. 256 pages. 18s.

ROBERT FORD, "the loneliest Briton in the world," was operating a radio station for the Tibetan government when the Chinese Communists invaded Tibet in 1950. He was captured, taken to China, held for nearly five years, much of the time in solitary confinement, and relentlessly brainwashed. His release in 1955, after unremitting British representations, made him headline material in the international press. His account of his experiences is of absorbing interest, not merely because these experiences are unusual and well told, but in two other respects as well. It contains a fairly full description of an under-reported invasion; and it is a welcome addition to the slowly growing documentation on the brainwashing techniques of Chinese Communists.

The Communist invasion of Tibet is a neglected field of study, partly because of the paucity of facts, but also because of a long-standing confusion about boundaries and sovereignty. The absence of Tibetan-drawn maps and the traditional reluctance of an ancient theocratic community to speak up on its own behalf have allowed the Tibetan case to go by default—a circumstance favoured by the fact that the Chinese Nationalists agree with the Communists in regarding Tibet as a province of China. Mr Ford puts Tibet's relations with China in a perspective which widespread ignorance has made unfamiliar.

But many readers will find the second half of Mr Ford's book even more interesting than the first. His long ordeal at the hands of the Communists was made the more difficult because he was never, until after his release, given a clear idea of the "crimes" with which he was charged. He inferred that they included espionage on behalf of the British "imperialists" and the alleged murder of a Tibetan "living god" who had combined, before his death from poisoning, the duties of a lama and of a Communist agent. As the interrogation wore on, the emphasis changed: the attempt to establish guilt gave way to the desire to reform.

The author was never subjected to physical violence, but the mental torture was unrelenting, and in the end he confessed to some of the things his gaolers wanted of him and mastered the technique of self-incrimination in a wider sense. This would be a depressing book, even in the light of Mr Ford's release, were it not for one important fact: re-indoctrination, though intolerably thorough, was little more than skindeep. The man who emerged to freedom in Hongkong was bewildered, but he was not a Communist. Brainwashing can be less than final.

Law and Police

A History of English Criminal Law and its Administration from 1750: *Volume 2, The Enforcement of the Law* and *Volume 3, The Reform of the Police.*

By Leon Radzinowicz.
Stevens and Sons. 766 and 703 pages, respectively. 84s. each.

IN their efforts to give due praise to the author of this astonishing series of volumes, of which the fourth is yet to come, reviewers are liable to find their vocabularies strained if they try to emulate the long series of commendations quoted on both sides of the dust-covers as having greeted the appearance of the first volume in 1948. This difficulty can best be surmounted by repeating a small selection. What Dr Radzinowicz has again given us, with the generous assistance of the Rockefeller Foundation, certainly continues to be "monumental work." No one will question the assertion that it "compels a kind of awed

AN ECONOMIC GEOGRAPHY of the COMMONWEALTH

THE ECONOMIST INTELLIGENCE UNIT

This book provides a straight-forward account of the economic geography, resources and potentialities of the Commonwealth countries. The first part gives a concise account of the growth of the Commonwealth and its peoples, and a survey of its supplies and raw materials, its industries and communications; the second part describes each country separately. Both parts combine to show how the modern unique association of colonies and independent nations is economically advantageous to all its widely scattered members. With sketch maps, glossary, index and photographs.

BLACKIE *18/6 net*

Coming 13th May

Documents on British Foreign Policy, 1919-1939

Second Series Volume VI
1933-34

The primary theme of this volume is the policy of His Majesty's Government between November 1933 and August 1934 in the situation created by the breakdown of the Disarmament Conference and the increasingly rapid progress of illegal German rearmament. The volume also covers exchanges with the French, Italian and Austrian Governments with regard to the preservation of Austrian independence against the menace of interference from Germany. The question of British war debts to the United States is the subject of the final chapter. **100s.** (post 2s.)

HMSO

from the Government Bookshops or through any bookseller

admiration"; that it "staggers the imagination"; that it is "a monument of our legal literature"; and that it will surely "make the author's name a permanently outstanding one in English law."

What is now due for announcement with equal assurance is that certain surprises provided by these two new volumes are of even greater interest than the immensity of the labour which they represent. One surprise is that they are much more obviously "A History of Police in Britain" than "A History of English Criminal Law." This is extremely interesting, because not only police history, but even the existence of the police in their relationship to law and the constant dependence of both on each other have been almost consistently ignored by legal historians. The assumptions that the power of law in Britain lies exclusively in what is called its "rule" and its "supremacy," or, alternatively, in the Englishman's inherent love of it and respect for it have been, and still are, frequent themes of historians. The wind which blows through Dr Radzinowicz's pages can be relied upon to balance the one-sidedness of all such reasoning.

Legal and academic historians are probably equally to blame for the consistent neglect of police history in Britain. Those who know the late Major William Melville Lee's remarkable book, "A History of Police in England," will be interested to note that, in spite of his monumental augmentation of it, Dr Radzinowicz has found himself following in general outline the simple thesis of this solitary saviour of police history. He deserves more recognition of what is due to him than has been given by Dr Radzinowicz.

Volume I of Dr Radzinowicz's work covered consideration of the subject of capital punishment in the eighteenth century and the beginnings of the movement for reform of the criminal law. Volume II, with the sub-title, "The Clash Between Private Initiative and Public Interest in the Enforcement of the Law," opens with a return to the seventeenth century, and continues with an elaboration of the story of the use of informers and rewards, of the evils of gin-drinking, and other matters whose interest lies mainly in the mass of new details that are provided. The sub-title of Volume III is "Cross-currents in the Movement for the Reform of the Police," and it brings the long and thrilling story of crime and riots and antagonisms between various groups of reformers and resisters of reform up to the year 1828. Of greater value in both these volumes than the extent to which their author breaks new ground is his success in handling an immensity of detail without in any way spoiling the simplicity and clarity of his presentation of his story.

Readers may hope that, in his promised fourth volume, Dr Radzinowicz will provide fuller details than has yet become available regarding the influence of Patrick Colquhoun on his fellow-townsman from Glasgow, Sir John Moore. This led to the strange by-passing of police history through military history by Moore's adoption in his army reform scheme, initiated with the support of the Duke of York in 1803, of Colquhoun's preventive police principles, based on a new form of relationship between officers and men. Moore's early death in 1809 frustrated results except in a few units of the Army. But one of these was commanded by Colonel Charles Rowan, who was appointed by Peel as Commissioner of the Metropolitan Police in 1829, and whose plan for the organisation of the new police was a detailed and most ingenious adaptation of all that, as a young man, he had learned from his commanding officer, Sir John Moore. It was Charles Rowan who created the British policeman and his fame throughout the world.

Also to come is some account of how the relationship between the judicial and the executive branches of the law in London changed in the course of the early decades of the new police from bitter animosity to smooth and friendly co-operation. If a warning inspired by some comment in Volume III may be ventured, there is danger in regarding too seriously, at any period of his long life, Edwin Chadwick's muddled conception of the preventive principles of police.

In the Depths

The Galathea Deep Sea Expedition 1950-52. *Described by members of the expedition.*

Allen and Unwin. 296 pages and folding chart. 40s.

THE voyage of the *Galathea* round the world was a major venture in post-war oceanography and worthy of the fine record of Danish achievement in the exploration of the deep sea. This book, which is handsomely illustrated, is a general account of the expedition, whose main object was to find out what life, if any, exists in the greatest depths. Trawling was successful and brought up animals from all depths down to the greatest attempted, at 10,190 metres (more than six miles) in the Philippine Trench, where the catch included sea anemones, sea cucumbers, molluscs, and a bristle worm. Dr Anton Bruun, the leader of the expedition, says "the known limit of life had been pushed some 2.5 kilometres lower down." The greatest known ocean depth is 10,863 metres (recorded by *HMS Challenger* in 1951), so we may reasonably conclude that life exists at all depths. In the exacting conditions of the great deeps, where pressures are of the order of 1,000 atmospheres, animals are small and few in species. Even so, it is surprising to learn that quantitative sampling with the Petersen grab showed that, at least between 5,000 and 8,000 metres, a square metre of the ocean floor supports about 10 animals, weighing together about one gram. The food supply of this "hadal" fauna has been thought to be the rain of dead plankton from upper water levels, but Dr Druun considers other possible sources of food, including vegetable matter sunk from the land and made available by deep sea bacteria.

Besides her main programme of fishing the deep trenches, the *Galathea* fully exploited opportunities for the most varied work, and the subjects of the eighteen contributors range from oceanic productivity to geomagnetism, from the technique of trawling to the ethnology of unfrequented islands. All the chapters are interesting, but not all develop a theme. There are some misleading statements, which seem to be due to inadequacies of translation. An irritating feature of the book is the continuous straining after "records," whether of the deepest, the largest or the first, or simply the most sensational. Contributors are thereby led into some awkward qualifications and even contradictions, while the reader is prepared for the last chapter on the *Galathea's* public relations section, a new departure for a research vessel.

BOOKS RECEIVED

REPERTOIRE NATIONAL DU COMMERCE EXTERIEUR.
Union Francaise d'Annuaire et de Propagande. 1,477 pages. No price given.

THE STATISTICAL YEAR BOOK 1956: *Tin, tinplate and canning.*
International Tin Study Group, Holland. 284 pages. 40s.

CAPITAL FORMATION IN RESIDENTIAL REAL ESTATE: *trends and prospects.*
By Leo Grebler, David M. Blank and Louis Winnick. *Princeton University Press.* London: *Oxford University Press.* 549 pages. 80s. $10.00.

LAW AND ORDERS: *an inquiry into the Nature and Scope of Delegated Legislation and Executive Powers in English Law. Second edition.*
By Carleton Kemp Allen. *Stevens and Sons.* 507 pages. 42s.

COMPANIES: *Law and Practice. Third edition.*
By S. W. Magnus and Maurice Estrin. *Butterworth.* 963 pages. 63s.

HISTORIC TOWNS OF ENGLAND IN PICTURES. Introduction by Brian Vesey-Fitzgerald. *Odhams.* 128 pages. 12s. 6d.
If not for the connoisseur, some 180 photographs with descriptions make this a pleasing book for its modest price.

ENGLISH GONE WRONG.
By Eric Partridge. *Phœnix House.* 46 pages. 3s.

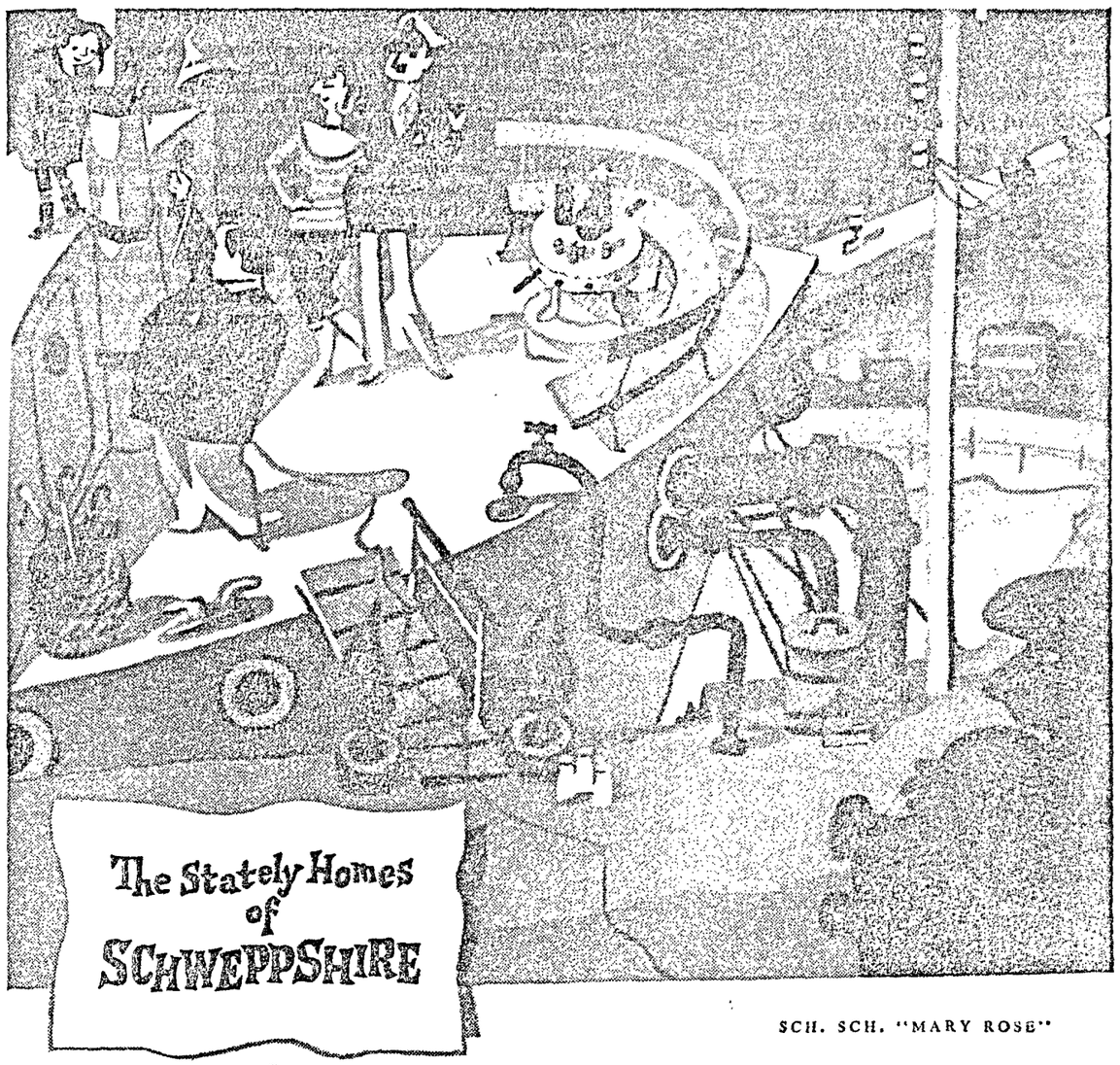
COMPILATION OF THE LEGAL PROVISIONS, REGULATIONS, CIRCULARS AND FORMS RELATING TO DOUBLE TAXATION RELIEF IN THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND.
By F. E. Koch and Richard Moss. International Bureau of Fiscal Documents. Distributed by *Gee.* 164 pages. 17s. $2.25.

TRADE WITH CHINA: *a practical guide.*
Ta Kung Pao, Hong Kong. 124 pages. 15s. $HK12.00.

SCIENCE AND THE NATION: *the Reith Lectures 1956.*
By Edward Appleton. *Edinburgh University Press. Nelson.* 115 pages. 10s. 6d.

BRITANNICA BOOK OF THE YEAR 1957.
London Editor: John Armitage. *Encyclopaedia Britannica.* 532 pages. £6 6s.

THE MIDDLE EAST 1957: *fifth edition.*
Europa Publications. 458 pages. 70s.



SCH. SCH. "MARY ROSE"



For those whose blood is salt with the tang of the sea and whose pulse quickens at the sniff of pitch or tarpaulin and the savour of good hemp, home is on the water, and if possible actually floating.

Visit with us the boat, or rather craft — a keel-lined gaffy with double-reefed jiffer — of Mr. and Mrs. Oakley Cornsalad, tethered just off Blackspot By-pass in a reedy nook of the Reclamation Overflow, well out of the stream of the factory effluent.

T.V.'d in "Keyhole Camera" as the only all-aquatic couple drawing 2½ ft. of water, Mr. "Jack" Cornsalad proudly showed off his "Yellowcrome" stainless steel ship's bell (rung by clockwork cuckoo emerging from miniature crow's nest), the strong smell of tar (or something very like it), real rope in permanently ship-shape coils (stuck on with Yo-ho), a sail locker with a sort of sail or something in it, and a portrait of Captain Cook in the maid's bedroom.

Pleasing detail (*see inset*). Every morning (two bells) Mr. Cornsalad takes a bearing, plots course, and proves that his position is exactly 16¼ sea miles East North East by East of Lot's Road Power Station.

Written by Stephen Potter; designed by George Him

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Doctrine for a King

ONCE the Administration decided, apparently with a speed which matched that of developments in Jordan last week, that King Hussein must be wrapped in the mantle of the Eisenhower Doctrine if war was to be prevented in the Middle East, then the doctrine had to be tailored to fit him—or rather remodelled to look less like a western strait-jacket. The process has justified those who contended last January that the President had no constitutional or political need to ask Congress to endorse his middle-eastern policy in advance. It did not require a doctrine to send the Sixth Fleet hurrying to the eastern Mediterranean—officials are now pointing out that this is its normal station. Once it was there, no invocation of the "threat to the independence and integrity of Jordan by international communism" was needed to prove to the Israeli, Syrian and Egyptian governments that the fleet's purpose was to protect Jordan. Admittedly these words set the stage for American forces to come to King Hussein's rescue under the Eisenhower Doctrine, but they did not make it certain that the President had in fact decided to go as far as actual war if necessary. And early congressional reactions show that, even if the Legislature had not been on holiday, it would hardly have questioned emergency action taken without the support of the doctrine, especially when it was to help a brave young King—and especially when it has succeeded without Americans having to fire a shot.

> The **Joint Resolution of the Congress on the Middle East,** popularly known as the **Eisenhower Doctrine,** authorises the President to:
>
> 1. Co-operate with and assist any nation or group of nations in the general area of the Middle East desiring such assistance in the development of economic strength dedicated to the maintenance of national independence.
> 2. Undertake military assistance programmes with any nation or group of nations of that area desiring such assistance.
>
> The **Resolution** then declares that:
>
> The United States *regards as vital* to the national interest and world peace the preservation of the independence and integrity of the nations of the Middle East. To this end, if the President determines the necessity thereof, the United States is prepared to use armed forces to assist any such nation or group of such nations requesting assistance against armed aggression from any country controlled by international communism.

A fleet off the coast of Israel and Lebanon may not have enough direct impact on the people of Jordan to arouse their suspicions of American attempts to dominate them, but economic aid, without which King Hussein could not carry on for long, is a different matter. The Administration has had the tact (or at least what from Washington looks like tact) to offer this aid without forcing the King to beg for it, and through an existing agency, the technical assistance mission already in Jordan, instead of through the machinery of the Eisenhower Doctrine, the Richards mission around which resentment against American interference has crystallised. The $10 million now being added to the $5 million already available for Jordan this year is officially for "economic development and the maintenance of political stability in Jordan," but in practice some of the money may become indirectly a military subsidy.

No one can deny that an American Administration which has often been accused of lacking initiative and imagination in foreign affairs has shown both on this occasion. It is not the independence of Jordan which is vital to the United States but peace in the Middle East and, when this was directly threatened, no attempt was made to seek shelter behind the United Nations. But without joining the cynics who are comparing the position of the United States today with that of Britain over the Suez Canal last autumn, it is still possible to wonder if the American people realise the implications of what the *New York Times* calls a "landmark in American foreign policy," the fact that the United States seems now to be fully committed in the Middle East, apparently ready and willing to use force there if necessary.

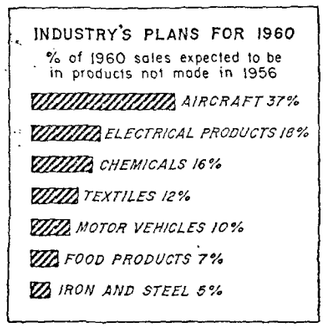
Manufacturing a Boom

FROM A SPECIAL CORRESPONDENT

THE boom in capital outlays by business, which has supported the American economy during 1956 and 1957, seems to be turning into a boom of a very different sort. At least that is the clear implication of a survey of businessmen's plans for the years from 1957 to 1960 which has just been released by the Department of Economics of the McGraw-Hill Publishing Company. The survey shows that capital expenditure is due to level out—a point already made by government surveys. But it also shows that a boom in consumer goods is in the making. "Making" is exactly the right word for it. Left to their own devices, consumers have not been spending fast enough to absorb all the output of manufacturing industry. In order to make them spend, manufacturers are planning to introduce more new products between 1958 and 1960 than in any previous period, to back up these products with a greatly increased advertising and selling effort and to increase expenditures on research and development by over 50 per cent—so as to find still more new products. If all this does not make a boom in

consumer goods long before 1960, it will not be for lack of trying.

The boom in spending for new plant and equipment has not really collapsed yet. The surveys indicate that 1957 will run 10 per cent or so above 1956, and plans for 1958 indicate a level within 5 per cent of 1957. But the years ahead are not expected to show anything like the spectacular 1956 rise, of about 23 per cent compared with 1955, in the demand for capital goods. Moreover, the McGraw-Hill report shows clearly that the nature of investment plans is changing. Manufacturing companies intend to put only 47 per cent of their expenditures into plant expansion from 1958 to 1960, compared with 52 per cent in 1957. From now on, the greater share is to be used for modernisation, and a larger share of the total dollars available, for investment of all sorts, is to go into research and the development of new products rather than into new plant.



The reason for going slow on expansion is that capacity has increased so greatly in the past *eighteen months*. In 1956, manufacturing capacity rose by 6 per cent, and before long most of another 6 per cent increase planned for this year will be in place ; total manufacturing capacity will then be nearly 50 per cent greater than in 1950. While this is not alarming, in view of the rise in consumption, it does suggest that most firms have been able to achieve a comfortable reserve. According to the McGraw-Hill survey, the average manufacturing company was only operating at 86 per cent of full capacity and would have preferred to operate at 90 per cent ; the current rate of operations may average as little as 83 per cent. It is therefore not surprising that managements are putting increased emphasis on investment that will raise sales.

To most companies research is evidently the best way to do this (in the typical manufacturing corporation, research has the practical objective of developing a commercial product within five years). The most striking increases in the McGraw-Hill survey are those in research expenditures—up from $6.1 billion in 1956 to a planned $7.3 billion in 1957 and $9.3 billion by 1960. It thus seems likely that more new products will reach the market between 1957 and 1960, and more new processes will enter industrial technology, than in any previous four-year period. There is already a significant increase in the number of companies which are making capital outlays to bring out new products. In manufacturing, McGraw-Hill reports that 32 per cent of all firms expect such expenditures in 1957, compared with 28 per cent in 1956. Some of the individual industries show much sharper increases, particularly in steel, non-ferrous metals, electrical machinery and transport equipment.

In dollar terms, the heaviest investment in facilities for new products will be by the motor and electric appliance industries—and by chemical companies that make plastics, paint, packaging and other materials for a wide variety of consumer goods. Among the products already announced for 1957 are several completely new cars (notably the Ford Motor Company's new "Edsel"), an air conditioner that comes in colours to match the wall and a synthetic wool suit that can be washed in a machine without creasing. By 1958 this stream of new consumer goods is likely to become a torrent, and by 1960—if the researchers keep on—it will be a flood.

Most of the companies reporting to McGraw-Hill expect the new items to pay off heavily in larger sales. For manufacturing companies as a whole, the estimates work out at a total increase of 26 per cent in sales by 1960 ; about half of this is evidently to be accounted for by new products. It is well known that the American population of working (and so of spending) age will not increase as rapidly between 1955 and 1965 as it did in the first postwar decade ; but companies evidently plan to compensate for this by making present consumer goods obsolete and so raising consumption a head. Thus even with only a moderate growth in population and incomes it may be possible to push up total consumption by nearly as much as in the earlier postwar years.

If so, this will be a new kind of boom—for the United States or for any other country—a boom fostered by deliberate creativeness in fields ranging from laboratory research on products to art work on the design of packages, and music and scripts for television advertising. Investment in new and efficient manufacturing facilities is still a vital part of the effort to raise consumption ; but, in the total strategy, facilities for making goods are becoming secondary to the drive to invent new types of goods and new ways of selling them. There is no estimate of the total amount to be spent on advertising and promoting the new articles, but it may well come to several times the original outlay on research if all forms of selling are included. In 1957 $10 billion is expected to be spent on advertising alone, and the trend is sharply upward.

It remains to be seen whether American companies will be as successful in this new effort as they have long been in achieving low-cost production, but the attempt to devise and sell more new products will certainly not fail for lack of money or of interest. Manufacturing companies have already appropriated more for research in the next few years than they were spending on all types of new plant and equipment at the end of the last war.

Dividends from Labour

COMPETITION is now under way between the Administration and the Democrats for the political dividends to be drawn from the congressional investigation into trade union abuses. The Administration was plainly trying to seize the initiative from Congress when, after the Secretary of Labour, Mr Mitchell, had gone to Georgia to see the President, Mr Eisenhower issued a special statement. This asked for the passage of proposals which he has been laying before a Democratic Congress, though not with any great sense of urgency, ever since 1954. The Bill the Administration favours, which is sponsored by Senator Ives, a Republican specialist on labour problems, would require *full information* about pension and welfare funds to be registered and published. At present the only control over such funds, which now total between $25 and $30 billion, is a minor provision of the Taft-Hartley Act requiring that they be kept separate from other trade union reserves. The President also asked Congress to give Mr Mitchell power to make public the general reports on trade union finances which must be filed with him before a union can use the services of government labour machinery.

News of the President's move at once produced more drastic proposals from the Democratic side. Senator Kennedy, whose labour subcommittee is to hold hearings this month on legislation to curb corruption in connection with welfare funds, thinks that federal supervision imposing certain standards of administration and accounting may be needed ; the Administration would be content to leave this to the states, *counting on publicity* to stir up action. Senator McClellan, the head of the Senate Investigating Committee, has added that federal regulation should also apply to welfare funds financed entirely by the employers. The risk that any law might do so is one reason why none has been passed, and the Administration has been tactfully ambiguous on this point.

It is one, however, on which labour may *insist*. Mr Meany, the president of the American Federation of Labour and Congress of Industrial Organisations, has welcomed Mr Eisenhower's proposals ; indeed the federation is ready for even more drastic measures, as long as the Administration continues, as the President and Mr Mitchell have done, to oppose fastening punitive legislation on the vast majority of honest trade unionists. But it would save the federation's face, and seem no more than simple justice, if all welfare funds were treated alike.

Oil on the Carpet

WITH tankers about to move again through the Suez Canal, the tide in oil has turned ; it is excessive imports and not inadequate exports which are once more troubling the Administration. Mr Gordon Gray, the new defence mobiliser, hopes to succeed where his predecessor, Dr Flemming, failed when he asks the international oil companies this week to restrict their imports voluntarily to about 10 per cent of domestic production. He carries a big stick, although an Administration which leans toward liberal trade practices and is wooing the Arab world is reluctant to use it. Oil imports in the second half of this year are scheduled to reach 17.4 per cent of domestic production, and the President, on being told by Mr Gray that this might constitute a threat to the national security, has ordered an inquiry to determine whether government controls are needed, either in the form of a quota or a higher tariff.

This is the first action taken under an amendment to the Reciprocal Trade Agreements Act which was adopted in 1955 with the whole-hearted support of the independent—that is, the domestic—oil companies ; it provides that the President can impose quotas or raise tariffs if imports endanger the national security. In oil national security cuts both ways. The independents argue that cheap imports from Venezuela and the Middle East discourage new drilling and enfeeble an essential defence industry ; they also endanger the nice balance of demand and supply in the United States, which is one of the pleasant results of the European oil lift, and make it harder to maintain the increase in prices which went into effect in January. But imports also save American reserves for any future emergency and help the Middle East to earn its living.

In Congress, however, it is the domestic oil producers who are in the saddle. The international companies recognise Mr Gray's offer as their last chance to avoid federal controls, as well as an opportunity to squeeze out new oil importers if, as he says, "historic patterns" are to be maintained. The big five are also concerned to settle the civil war inside an industry which is beleaguered from outside. The House Commerce Committee, while paying tribute to the "stupendous achievement" of the oil lift, finds the timing of the price increase regrettable because it seemed to take mean advantage of Europe's need ; three other congressional committees, as well as a federal grand jury, are investigating possible violations of the anti-trust laws. To cap it all, Aramco, the Arabian-American Oil Company, which is owned by four of the big five, is on the carpet because it has suceeded in having its payments to Saudi Arabia labelled as a tax, rather than a royalty ; as foreign taxes can be offset against American ones, Aramco is saving—and the American taxpayer is losing—about $80 million a year.

Atomic Stalemate?

WASHINGTON, D.C.

BRITAIN'S programme for atomic energy, *tripling* the original proposals, has provided the domestic critics of the American Atomic Energy Commission with another stick to beat it with. This is an old controversy, but the charges are now more specific : that first Britain, then Euratom, not to mention the more secretive Russians, are gaining the only kind of experience which really counts, that of building large-scale nuclear reactors, while the United States fritters away its initial lead on a variety of experiments and prototypes. Both for reasons of national prestige and for the sake of future export orders, the federal government is being urged to build industrial reactors itself instead of waiting for private enterprise to nibble at the subsidies being dangled before it.

The response of Mr Strauss, the AEC's chairman, and his technical staff is that in the United States, where supplies of conventional fuels are cheaper and more plentiful than in Europe, the new source of power has to undergo a much severer economic test. According to the official argument, this can best be met by combining private enterprise and its cost-cutting incentives with research by the commission on the greatest practicable range of promising types of reactor and an austere refusal to give a permanent subsidy to the production of electric power from atomic energy by linking it, through dual purpose reactors, with the production of plutonium. Further, the majority of the commission holds that, with the exception of the British and their gas-cooled reactor, no one is ahead of the United States.

The AEC's present plans are for three stages in the development of energy from nuclear power. During the first, which extends until the end of 1959, ten experimental plants are expected to produce electricity. But of the total generating capacity of 130,000 kW, no fewer than 100,000 kW are accounted for by one large-scale plant, the pressurised water reactor at Shippingport. A private company is participating rather nervously in this project, but all of the plants, with one exception, will be owned by the federal government ; they are the fruits of the early decision by the AEC to experiment on a variety of types. A boiling water reactor, with a generating capacity of

5,000 kW, has been providing the power for the AEC's Argonne laboratory since February; a "reactor package," which is theoretically though rather clumsily mobile and is meant to produce electricity at isolated military posts, was opened by Mr Strauss this week; and there will also be sodium, homogeneous and two breeder reactors.

The second stage, nicknamed "the first generation," is to last from 1960 to 1964, when the plants at present being planned, and in a few cases already being constructed, on a partnership basis between industry and government, will come "on stream," together with at least two projects to be wholly financed privately, and perhaps two or three to be financed by the federal government. According to the AEC's leading technicians, costs at these plants will be lower than at the experimental models, but will still not be competitive with the most advanced conventionally fuelled power stations. It is thought, however, that the costs will be comparable and possibly a little below those which would be charged by British plants, if costing were done on the same basis.

★

It is this second stage of the AEC's plan which is felt to be lacking in real American drive by the Democrats on the Joint Atomic Energy Committee of Congress; they are backed up by the "odd man out" on the commission itself, Mr Thomas Murray. The main contribution is to come from the power reactor demonstration programme. Under this projects proposed by private enterprise, if acceptable to the AEC, are subsidised to a specific extent, usually in the form of government research and development and the lease of enriched fuel without charge.

To begin with, in 1954, came large-scale projects. Of the three then launched, two, for a pressurised water plant in Massachusetts and for a sodium graphite reactor in Nebraska, have run into serious technical delays and major increases in costs. The third, a fast breeder reactor in Michigan, is going ahead on schedule, but it has not yet been finally cleared for safety.

After that came proposals for smaller reactors, of the kind which might ultimately prove most useful in the export trade and in bringing down to the national average electricity prices in high cost areas in the United States. Three of the seven projects in this group were rejected by the AEC as inadequate, and none of the remaining four has got much beyond the conceptual stage. Finally, early this year, in order to pacify the commission's critics, industry was asked to make clear in the reasonably near future what would be its maximum accomplishments by June 30, 1962. The commission undertook to step in and do the job itself if industry failed to come up with enough suggestions, particularly in relation to two concepts which are not yet being tried out. So far the industrial response to the request has been vague and the political response negative, with no noticeable diminution in the volume and tone of the criticism.

But it is in the stage after this, in the era of "second generation" nuclear plants, from 1965 onwards, that the AEC calculates that atomic energy will become economically competitive. To some extent, the turning point will be psychological—when simultaneously a fairly large number of electricity producers and manufacturers become confident that the plants will be economic when built and can be successfully operated over a long period of time, during which coal and oil prices will be increasing slowly.

In the meantime, there is political *débris* to be cleared. In the present economy-minded mood of Congress, it seems most unlikely that the Democratic critics of the AEC can put through a Bill forcing it to undertake government projects that it does not consider useful. However, Mr Strauss's opponents have certain cards to play, which could induce him to make some concessions to the Democratic point of view. The most important is the urgent need for a Bill providing government indemnities for private industry to cover liabilities in case of catastrophe at an atom plant. The General Electric Company has bluntly threatened to withdraw from all major projects if this measure is not passed at this session of Congress. The Democrats will have to decide whether they really want to deal this much of a setback to such progress as is now being made in order to punish Mr Strauss for not making the greater progress which they are powerless to force on him. The Democrats might be prepared to withdraw their veto on the Indemnity Bill, to ratify the International Atomic Energy Treaty, and to speed the AEC's appropriations in return for a lesser concession, such as the reappointment to the commission of the persistent dissenter, Mr Murray, when his term expires in June. But it would be the very acme of futility if this congressional session ended in the atomic stalemate which overtook the last.

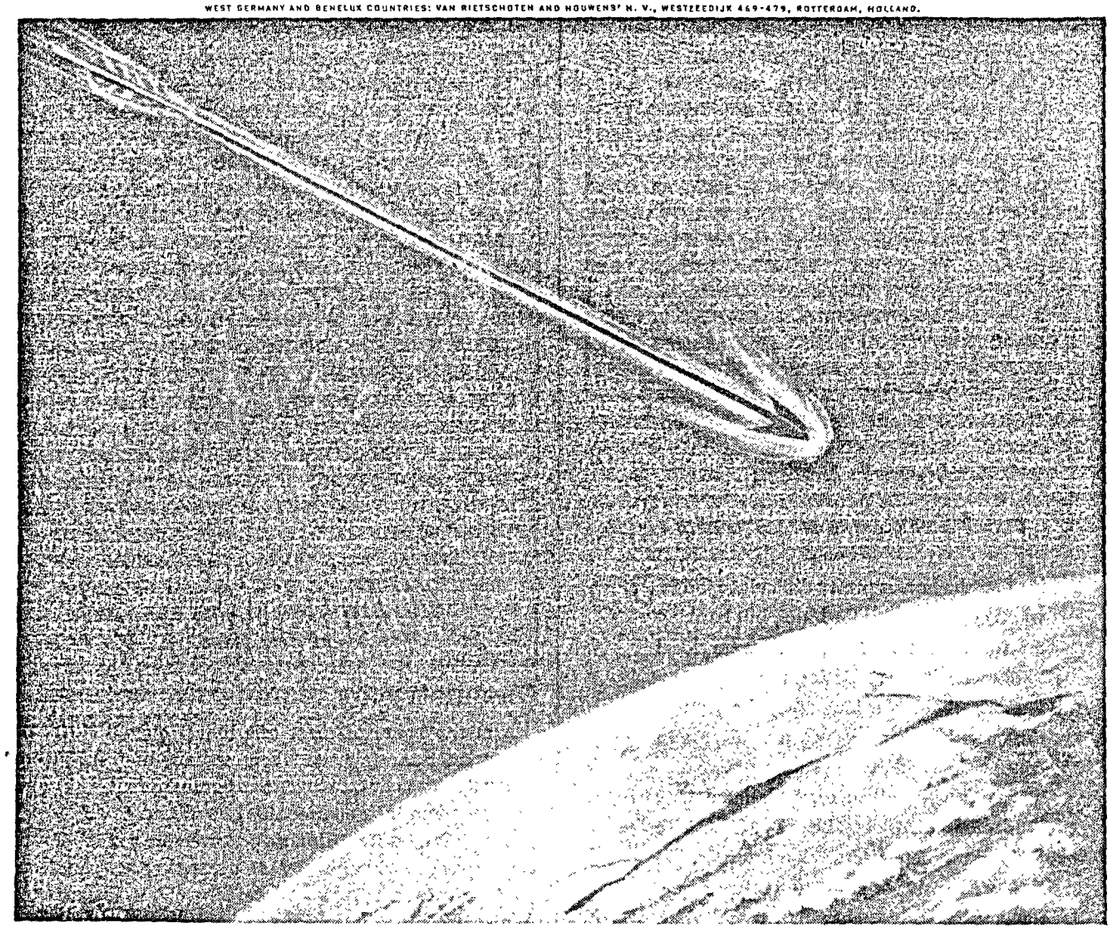
Far Eastern Approaches

UNDER pressure from Britain and Japan, the State Department last week grudgingly announced that it was willing to discuss some relaxation of the increasingly ineffective controls on trade with Communist China, although American businessmen will not share in the somewhat problematical benefits. Under pressure from the whole American press, Mr Dulles two days later reluctantly executed another retreat, this time from his even more untenable embargo on American journalists in China. He was willing, he said, to consider a "one-shot" experiment of allowing a few reporters to go on a pooled basis, if the news-gathering organisations could devise some means of preventing a flood of other journalists and ordinary citizens from pouring through the breach in the Chinese-American wall.

As an argument, this is the feeblest of all the defences Mr Dulles has served up during the nine months since the State Department refused to allow a group of newspapermen to accept a Chinese invitation to step through the bamboo curtain. There are innumerable precedents both at home and abroad for admitting accredited journalists to places from which the public is barred. Moreover, a pool arrangement, with all its overtones of the hand-out and the hand-picked correspondent, has little appeal for American editors. The heavy expense of keeping a permanent correspondent in China would in itself prevent the great influx of which Mr Dulles seems so unnecessarily nervous.

For that matter, there is no certainty that the Chinese government, which in 1949 ejected all correspondents from countries which did not recognise it, would allow American newspapermen to stay more than a month or two. At present American reporters stationed in Hongkong have to depend on the Peking radio and controlled newspapers from the mainland for their information, a situation which has advantages for a totalitarian government. The need to

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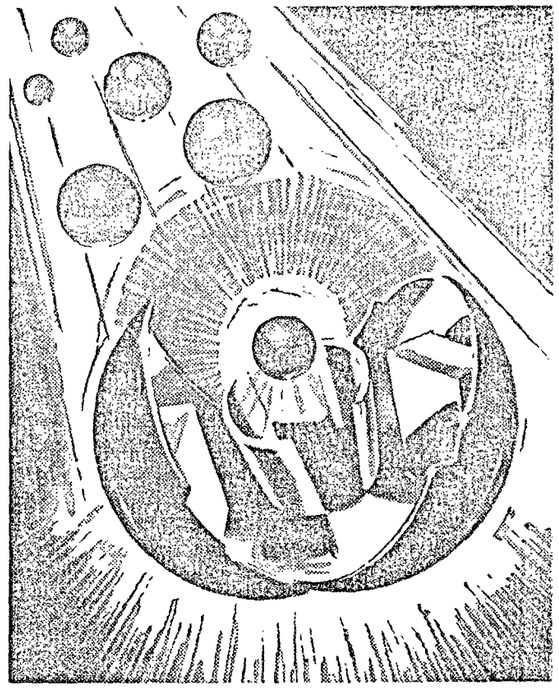
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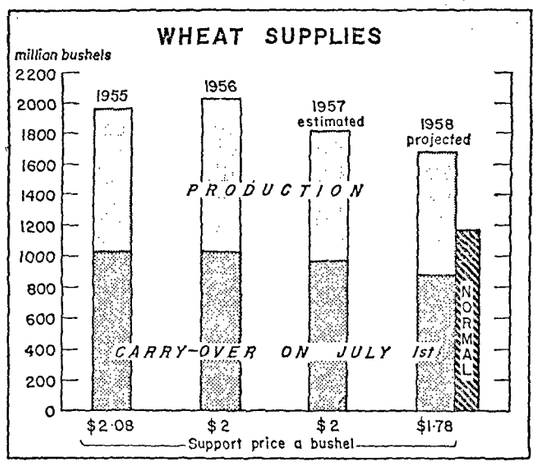
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placate Senator Knowland lest he take out his resentment of concessions to China on the delicate Polish aid negotiations and other foreign policies of the Administration may explain the meagreness of Mr Dulles's offers. Otherwise it is hard to understand why he does not cheerfully transfer the onus of any censorship to Mr Chou En-lai and win back, at home, some of the editorial cordiality of which he stands in need.

Seeds of a Farm Policy

WITH Congress trying to economise at almost any cost and with the cracks in the farm block unusually obvious since the recent deadlock over maize controls, the Administration has decided that a few seeds sown in this favourable soil might eventually grow into a new farm policy, although certainly not this year and probably not next. The break in the drought has improved this year's crop prospects, so price-supporting operations are likely to be more costly than forecast and may absorb the money saved by the reduced need for drought relief and the unexpected reluctance of farmers to join the soil bank scheme.



The present farm laws are even more self-defeating over the long term: when the existing surpluses have been eliminated—and a good deal is being achieved in this direction—then the rates at which prices are supported automatically go up to levels which encourage farmers to grow new surpluses.

The Secretary of Agriculture, Mr Benson, would like genuinely flexible price supports, instead of ones which only move within strictly confined limits. But he is not ready to send proposals to Congress, to be almost certainly thrown on the rubbish heap; instead he seems to be trying to stimulate Congress into working out its own suggestions for reforming a programme which, with all its ramifications, costs the taxpayers, most of them urban dwellers, $5 billion a year, or $1,000 a farm, without satisfying the farmers.

So far prices are still falling under the present system, most recently and most sharply in the case of wheat; its support price is to go down by 22 cents a bushel in 1958, to the lowest level since 1946. It will be lower still if farmers refuse the marketing quotas on which they will vote in June and under which they will be permitted to grow wheat on a total of 55 million acres as they are this year. This acreage allotment is the minimum permitted by the law, in order to avoid the full rigours of the strict legal formula under which plantings in 1958 should be cut to 23 million acres. This formula attempts to prevent unwanted surpluses being grown by basing both acreage allotments and price supports on the relationship between the amount of wheat which, it is calculated, will actually be available and the "normal" supply needed to provide for domestic uses, exports and a reasonable carry-over (195 million bushels in 1958 compared with the 875 million which, it is estimated, there will be in fact). Representatives from wheat-producing states are complaining bitterly about the coming fall in wheat prices, but it is indicative of the changing mood in Congress that no one expects anything to be done about it this year.

Supping with Tammany

FROM A CORRESPONDENT IN NEW YORK

A RELATIVELY minor scandal involving the parole from prison of a fallen gangster named Mr "Socks" Lanza has shaken the Democratic party leadership in New York State and cast light on the inner flaw in the superficially unexceptionable political record of the Governor, Mr Averell Harriman. When Mr Harriman captured the Governorship for the Democrats by a narrow margin in 1954, he ended a dozen years of Republican control exercised by Mr Thomas Dewey. But since winning his first elective public office at sixty-three, Mr Harriman has not added to his distinguished reputation, earned as a member of the Cabinet, ambassador, and international trouble-shooter. His administration, although conscientious and progressive in outlook, has accomplished little, while his settlement of the vexed problem of the allocation of hydro-electric power from the St Lawrence and his timidity on civil liberties have affronted liberal sentiment.

The political style that Mr Harriman has consciously adopted—Mr Truman's earthy "give-'em-hell" approach—is artificial and unbecoming to a man of the Governor's wealth and social background. His bid for the presidential nomination against Mr Stevenson last year ended not simply in defeat, but in a humiliating fiasco. His eagerness to assume the mantle of a great Governor and national party leader in the Smith-Roosevelt-Lehman tradition of which New York Democrats are immensely proud has provoked the cruel gibe that, if there is one thing worse than a young man in a hurry, it is an old man in a hurry.

The Lanza case underscores the view of many observers that Mr Harriman has come to his political apprenticeship too late in life and has misread the lessons of his masters. Mr Lanza, a power in the underworld a quarter of a century ago who was finally sent to prison for extorting money from a trade union, was released in 1950 in accordance with routine parole procedure. He was arrested last February for violation of his parole, but was released after a fortnight. When a committee of the Republican-controlled Legislature began an investigation and the Governor ordered a parallel inquiry of his own, the member of the parole board who had ordered his release hastily resigned.

Mr Lanza, though no longer an important figure in his

own right, has, as an Italian, connections with the Democratic party in Manhattan which make his case political dynamite. As the Irish have moved up in the economic scale, they have also moved out into the suburbs; their places at all levels in the Democratic machine in New York City have been taken by politicians of Italian ancestry. The rise to power of the Italians is symbolised by the success of Mr Carmine DeSapio, the leader of Tammany (the ancient and evil-sounding name of the Manhattan Democratic organisation which its modern leaders are at pains to disavow) who had much to do with the election of both Mr Harriman and of the Mayor of New York City, Mr Robert Wagner.

Mr Harriman has made the capital error of believing that he could best establish himself as a political force by identifying himself with the party organisation. But the sad truth is that, not withstanding Mr DeSapio's strenuous efforts to present Tammany as not only thoroughly reformed but also as a kind of New Deal Memorial Association, the Democratic machine remains dedicated to the acquisition of cash, and the enjoyment of power.

Moreover, at its lower and middle levels, Tammany still has connections with the underworld, as the Lanza case has once again reminded the public. This is partly because during the years of the New Deal, when Tammany was starved for patronage by President Roosevelt, by Governor Herbert Lehman, and by the late Fiorello LaGuardia, the Fusion mayor, its desperate leaders in many districts turned to gangsters and gamblers for the financial support necessary to keep their clubhouses operating. Many, though not all, of these underworld figures, notably the famous Mr Frank Costello, were themselves of Italian ancestry. Their interest in politics derived not so much from corrupt motives as from a craving for respectability and a desire to advance the prestige of other Italians. Mr DeSapio, the first Italian leader of Tammany, is personally of good repute but he is carrying on their efforts on behalf of the Italian interest.

Last autumn, Mr DeSapio chose Justice Samuel DiFalco to run for Surrogate; he was the first Italian to win this judicial prize. The office of Surrogate, which appoints guardians and administrators for widows and orphans and the funds of those who die intestate, is of strategic importance to the party organisation because its holder can reward so many different lawyers with choice plums. In this age of the professional civil service, the elective judiciary is the last and richest stronghold of patronage politics in New York. Out-of-town journalists who noted that the Democrats in New York were devoting more energy to the election of Judge DiFalco than to the victory of Mr Stevenson were not wrong in concluding that Mr DeSapio was more interested in electing a Surrogate than in electing a President. The lure of the long term, good pay, and rich patronage of the judiciary explains the high turnover and mediocre quality of the city's large Democratic delegation in Congress. Able, ambitious politicians are frequently unwilling to serve in Washington and those who do are eager to return home to the main channel of political advancement.

These mundane, parochial affairs are much closer to the heart of Tammany than Mr DeSapio's sermons on the glories of the New Deal. No honest Governor could hope to master these dangerous intricacies and no wise Governor would try. Mr Harriman, indisputably honest, has been somewhat less than wise. He has found, to paraphrase a poem of Miss Marianne Moore, that while to one of his genteel background and rarefied experience the Tammany garden may seem imaginary, its toads are painfully real.

The leaders of the Republican party have watched with rising hope, and the leaders of the Liberal party with deepening apprehension, Governor Harriman's involvement in the affairs of Tammany. The Liberal party, which exists only in New York, is dominated by intellectuals and the Jewish trade unionists of the garment industry, with their eastern European socialist tradition. They have clung to an independent position, despite their ideological affinity with the Democrats, because of a stubborn distrust of Tammany. Since the Liberals have roughly 300,000 adherents, their endorsement is a prize both the Democrats and the Republicans seek. If the Liberals are disappointed in Mr Harriman but are not yet ready to disavow him, the Republicans are eagerly exploiting his errors and are looking forward to launching their customary anti-Tammany crusade in the 1958 election. Many hopeful candidates are already jostling for the honour of leading this crusade. The most notable is Mr Leonard Hall, the recently retired chairman of the Republican National Committee, who has already received President Eisenhower's public laying on of hands, but who is still some way from obtaining the nomination.

It is ironical that Mayor Wagner, who is an organisation man born and bred, has had far greater success than Mr Harriman, the convert, in escaping the stain of Tammany's past history and present connections. Mr Wagner's advantage, like that of the late Alfred E. Smith, may well be that Tammany makes fewer demands on one of its own men than it does on a newcomer to politics. By cautious, intermittent, but convincing displays of independence, the Mayor has neutralised press criticism, disabused the fears of the Liberals who opposed him four years ago, and persuaded most of the public that he is doing a capable and devoted job at City Hall. Local Republicans are nearly in despair in their search for an impressive candidate to oppose him in the election which is coming in the city this autumn.

SHORTER NOTES

New York's first World Trade Fair, which closed last week, will not be its last; the event is to be repeated in 1958. Its surprising success is in large part attributable to the growing attraction of foreign goods for American customers, mainly because of the rising standard of living in the United States. While public attendance was less than had been expected, 700,000 instead of a million, far more buyers came than had been forecast—and came to do business. Exhibitors received firm orders from shops in Canada, Bermuda and Latin America, as well as from American firms, and a number of British manufacturers who were new to the American market found satisfactory agencies to represent them in the Middle and Far West.

* * *

All but six of the twenty people who were hanged as witches in Salem, Massachusetts, in 1692 had been exonerated twenty years later. But only this year has the State Legislature got around to clearing the rest on the condition thta their descendants would not be able to claim damages. The delay is partly due to reluctance to tamper with a tourist attraction, partly to a feeling that the matter was no concern of the state authorities, since in 1692 Salem was a British colony.

THE WORLD OVERSEAS

Britain's Turkish Friends

FROM OUR SPECIAL CORRESPONDENT LATELY IN ANKARA

THE emotional storm that hit Turkey after the release of Archbishop Makarios was as violent as the hot southern wind that buffeted and stifled Ankara and at times shrouded the parched city in thick clouds of dust. People said that the weather was quite exceptional; so was the crisis in Anglo-Turkish relations. At the time it seemed possible that it might leave permanent scars. But determined first-aid efforts, particularly on the British side, have had good results.

Whether the storm has seriously damaged and delayed the chances of a Cyprus settlement is not yet clear. What it has certainly done is to give a clear demonstration of the present strength of Turkish feeling about Cyprus. Many Turks feel that their government, lulled by the conviction that Britain would not leave the island, tended to let the Turkish case on Cyprus go by default and thereby tempted the Greeks to be intransigent. This error, if such it was, is unlikely to be repeated.

When the Greeks think of Cyprus, they think of the people who live on it. When the Turks think of it, they think of the land; to them it is simply an extension of the Anatolian plateau, divided from the mainland by forty miles of sea, but commanding the approaches to the important ports of south-eastern Turkey. For the island to remain in British hands is tolerable; for it to fall under Greek sovereignty is not. All Turks, whatever their views on domestic politics, or on the ultimate solution of the Cyprus problem, agree on this. The fact that Turkey has accepted Greek rule over a string of islands, many much closer than Cyprus to the Anatolian coast, reinforces rather than weakens their conviction; in their view, if Cyprus went the way of Mytilene, Chios and the Dodecanese, the circle of potentially hostile islands round Turkey would be closed and the territorial balance set up under the Treaty of Lausanne in 1923 would be upset.

The Turks fear that Cyprus, under Greek control, might become hostile if Greece's tendency towards political instability caused that country to fall under communist domination; no international guarantees, apparently, can exorcise this fear. It is, moreover, buttressed by other, more emotional, anxieties that now threaten to destroy Atatürk's achievement in healing the long-standing enmity between Greeks and Turks. In any conversation today with a Turk about Greco-Turkish relations, it is not easy to get far without being reminded that little more than thirty years ago the Greeks nearly reached Ankara. One is also assured that Greece's dreams of a Greater Hellas that would include Constantinople are not dead, and that the Greek Orthodox Church plays a large and sinister part in the direction of Greek policy. (The Patriarch of Constantinople is under heavy fire from the Turkish press.) These fears may seem foolish, even fantastic, but they cannot be left out of account. They have been fanned by Greece's refusal to compromise on Cyprus, and by the violent propaganda campaigns waged by the Greek press and radio—which have been well reported in Turkey. They were still further accentuated by the release of Archbishop Makarios and his triumphal return to Athens. To the growing distrust of Greece was then added the shock of feeling—genuinely if misguidedly—that Britain had let Turkey down.

To the Turks Archbishop Makarios is the evil genie of the Cyprus affair; they credit him with Machiavellian cunning and profess to discern this even in his behaviour since his release. When he was deported to the Seychelles they felt that the genie had been safely bottled up: when he was released they felt the bottle had been wantonly unstoppered and they feared the worst. They felt, too, that Britain had changed its policy behind their backs—for had it not released the Archbishop without exacting from him an unconditional denunciation of terrorism, and without first completely destroying Eoka? Would not the next step be negotiation with the Archbishop? Hard things were said about "perfidious Albion"; and the newspapers were full of cartoons satirising the alleged uncertainty of British policy.

The Turkish government has at length been prevailed upon to adopt a more charitable and realistic view of Britain's action. But if the British government's intentions are acknowledged to be honourable, its tactics are still deeply deplored by the Turks; it has set its foot, it is argued, upon a dangerously slippery slope down which it may gradually slither willy-nilly into the pit of *enosis*. In particular, the Turks have shied away from the Radcliffe constitution. They never liked the idea of self-government anyway; but they were brought to accept it last December on the understanding that it would definitely be followed by self-determination for Turks as well as for Greeks—that is, by partition, which most Turks say they are convinced would be a practicable proposition. Now that the Archbishop has been set free to plot and manœuvre, however, and Britain has committed itself to hold, at some stage, talks with the Cypriots (as well as international talks), they feel that the Radcliffe constitution, towards which they had previously

been favourably disposed, will be manipulated in favour of the Greeks.

Since this is an emotional and not a rational feeling, it is hard to dispel by argument. It is reinforced by the conviction that relations between the two races on the island are now so bad that in any case they could no longer settle down together to work the constitution. (This view has been sedulously propagated in Ankara by Dr Kucuk, the leader of the Turkish Cypriots, who has, however, shown himself to be seriously misinformed about various aspects of the Cyprus situation.)

It is not yet clear whether the Turks can again be brought to the point of seriously considering the Radcliffe constitution, or whether they will persist in setting their sights on more or less immediate partition. The cabinet has been discussing the matter interminably, but a pronouncement of policy has been delayed from day to day ; with pressure from the opposition parties growing, it probably cannot be delayed long after the end of the post-Ramadan holiday.

The Turkish prime minister has not, indeed, had an easy row to hoe. He could not ignore the storm of popular anger that greeted the release of the Archbishop ; yet he did not want Anglo-Turkish friendship to be thrown to the winds. He took firm measures to see that the popular disapproval did not get out of hand. Very strict security precautions were taken in Istanbul, where on April 21st the Greeks celebrated their Easter and the Turks celebrated their "Cyprus Day"; the governor of the city banned all public meetings, including football matches ; and throughout the rest of the country attempts to hold meetings and demonstrations on Cyprus have been stopped. These precautions, and Mr Menderes's reference, in his statement condemning Archbishop Makarios's reception in Athens, to Turkey's "very friendly" relations with Britain, show that friendship with Britain remains of major importance in Turkish foreign policy. All through the Suez crisis the Turks stood loyally and helpfully by Britain. In spite of recent events and in spite of appearances, they believe that Britain will continue to be a Middle Eastern power. They hold that the British interest in the Middle East is vital to Britain in a way that the American interest there is not vital to the United States. They do not feel confident that the Americans will be prepared permanently to replace the British. Closer American participation in the Baghdad Pact does not, therefore, alter their view that British membership is still essential.

But the events of the last few weeks have shown again that the weak point of the Anglo-Turkish relationship lies in Cyprus. In moving from their first stand—the *status quo* or Turkish sovereignty—to acceptance of partition, the Turks have in fact shown a greater readiness to be accommodating than have the Greeks. But, whatever the rights and wrongs of the Cyprus issue, if they become convinced that their vital interests are being finally disregarded, then the whole character of their relationship with Britain will inevitably be changed.

French Doubts Over Algeria

FROM OUR PARIS CORRESPONDENT

ALTHOUGH a holiday calm falls on Paris when Parliament is not sitting, there is no real truce in the battle of conscience over Algeria. All the main incidents of the past fortnight are offshoots of the war. M. Lacoste's refusal to co-operate with the Radical commission of inquiry into atrocities is a lamentable sign of the hold the diehard settlers have gained in Algiers. At home, the split in the student movement raises the question how far France itself will be torn by its imperial troubles. On the other hand, the 48-hour rail strike and the 10 per cent increase in miners' wages have shown that the workers are not prepared to see their living standards cut down through inflation in order to pay for the French military effort in Algeria. The government's efforts to close the budget gap by £400 million of spending cuts and new taxes will take the war into the pockets of many voters and deputies to whom it has so far been mainly an idea. The future of the crisis may well depend on a choice—the retention of Algeria, or prosperity. As it approaches, the temperature of the body politic rises.

Many informed Frenchmen who last year mentally gave military pacification a trial have now lost confidence in its future. The vigour with which the rebels have been reacting to the French army's heavy blows, and their increased political intransigence, have brought home to many moderate people that M. Lacoste's policy may be only a prelude to another "Indo-Chinese rot." The controversy over tortures and the remarkable articles of M. Servan-Schreiber, the director of the Mendesist weekly, *L'Express*, describing his experiences as a conscript officer in the field, have shown how the use of force strengthens the rebels' grip on the Moslem population and the settlers' grip on the official world in Algiers.

*

Settlers and government have lived up to the Servan-Schreiber thesis. The Peyrega incident is an unpleasant witness to the atmosphere. M. Peyrega, dean of the law faculty at Algiers university, wrote privately to M. Bourgès-Maunoury, protesting against the killing of an unarmed Moslem which he had seen. His letter leaked to the Paris press. In the storm that followed, Professor Peyrega was supported by many academic men in France, but was attacked by the teachers and students of his own university ; and he got no support from the Minister of Defence, to whom his letter had been addressed. If M. Lacoste, who has implicitly endorsed the virulent campaign of the settlers' organisations against the Radical commission, were merely trying to avoid trouble while he made use of the time to introduce reforms, his attitude might be defended. But since his refusal last year to fight on two fronts (that is, to stand against settlers and Moslems equally) he can refuse the settlers little when they feel really threatened.

Despite the sheaves of protests at home every time some Algerian excess is reported, many of the government's leftward critics fear that France, faced with an insoluble crisis, may lose its soul to reaction. Certainly the fight is growing increasingly uncompromising. M. Soustelle, for instance, has attacked the government's grant of £12 million to Tunisia, arguing that the former protectorates should not get a centime till they stop helping the rebels. Despite its patent sterility, this approach increasingly tempts the militant Right. The Left, with the Socialists committed to M. Lacoste, is in poor shape to take the initiative away from them.

At present the only group, bar the far Left, to admit that it may be France's interest to recognise an Algerian nation is the level-headed conservatives, like M. Raymond Aron and some important business men. They see no benefit in clinging on to an Algeria subject to fantastic population pressures and hostile to French tutelage. The strikers, in their different way, take a similar bread-and-butter line. There were even signs during the last major policy debate that the conservative Independents, who regard themselves as M. Mollet's heirs-apparent, might also finally incline that way. Today, their instinctive sympathy with the settlers who are repressing the rebels is uppermost, but the distaste of their electors for taxes or rising prices may influence them more in the end. An eminent business man recently gave it as his view that it was for M. Mollet to push the European treaties through and for the Right to clear up the Algerian mess afterwards.

It is unlikely, in view of the Socialists' central position in the Assembly and the long road that any of the Right must travel to change their mind, that a solution can come so neatly or so soon. But certainly many Frenchmen now doubt whether M. Mollet can ever end the Algerian war, and the economic situation is the government's Achilles heel. People have once more been talking as if it might fall at the Becher's Brook of the budget and tax debate. That debate does not now seem likely to take place until July, perhaps after the debate on the European treaties. Events, therefore, are unlikely to move rapidly. But the atmosphere is becoming more heavily charged.

Israel Watches Jordan

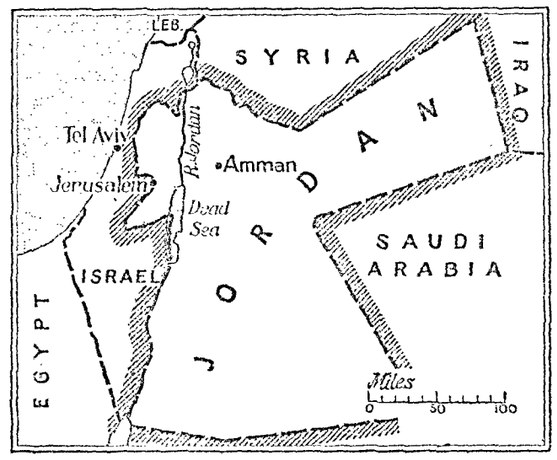
FROM OUR CORRESPONDENT IN TEL AVIV

FROM the outlying quarters of Jerusalem, which since the partition of the Holy City nine years ago end abruptly in a tangle of ruins and barbed wire, one can look down on the Damascus gate which leads to the old city, the hub of the western sector of Jordan. Anyone who is familiar with the traffic before the gate can easily guess when something is afoot in the neighbouring state. During the last few weeks everyone in Israel has been listening to the rumblings of the upheavals on the other side of the eastern border. What, they have been asking, should be done if the neighbouring kingdom totters and is partitioned between its neighbours, between Saudi Arabia to the south, Iraq to the east and Syria to the north ? Should Israel look on and wait or should it take a hand in the struggle and plant its eastern border at the Jordan river ?

Nobody in Israel doubts that it would be militarily feasible to occupy the "big triangle" and take the area of eastern Palestine which was attached to Jordan nine years ago. There are many who hope for such a move. The activists, both from the ranks of Heruth and from Achduth Avodah, have never given up their dream of an "undivided homeland." And many outside their ranks believe that the guerrilla warfare which has flared up again recently on Israel's eastern and northern borders would be stopped once the Jordan river ran between the states of Jordan and Israel. National emotions and military calculations both point to a move which might be made easy by the tensions on the other side of the Jordan valley.

But there are warning voices and they produce weighty arguments. They admit that Jordan without British support is weak and that the kingdom is a somewhat artificial political creation. They admit also that the frontier with Jordan is dangerous, since at some points the state of Israel is so narrow that one can overlook it from end to end ; and this small wasp-like waist looks like an invitation to a tank column to drive through and cut the state in two. But they also point out that Jordan did not dare to carry out this drive to the sea during the Sinai campaign and that there have been long periods when the eastern border has been completely quiet. What is more, they maintain that the occupation of eastern Palestine would not solve Israel's problems but only produce new ones.

In the first place, the Sinai campaign has shown that in contrast to the war nine years ago, the Arab civilians have lost their one-time instinct for flight before the Israeli army. Therefore occupation of the country up to the Jordan would mean a considerable increase in the Arab population of Israel. To many people in Israel, probably to the big



majority, this appears undesirable. The addition of several hundred thousand Arabs would present difficult problems of internal security and a change in the existing Jewish character of the country. No additional land would be gained for Jewish settlement, since the country west of the Jordan river is not only hilly but rocky and cannot be intensively farmed. Thus there would be no economic advantages in an occupation. And it is no secret that the withdrawal from Gaza was made easier by the knowledge that this step would allow Israel to get rid of the tremendous task of integrating the 300,000 Arabs from the Gaza strip into the political and economic life of the country. If, in order to keep Iraqi and Syrian troops from setting foot on the west bank of the Jordan, Israel should find itself forced to occupy the area, there would be no choice but to form an additional Arab state out of the occupied territory.

All these arguments held good before the Sinai campaign. They have now been reinforced by others. It has been proved that international opinion, as embodied in the United Nations and strongly backed by the United States, is against forcible seizures of territory under any provocation whatsoever ; that it is strong enough to enforce this view against certain states and at certain points on the globe even after a swift victory. Thus Israel might find that intervention in Jordan only demonstrated once again that military solutions are abortive.

Mr Ben-Gurion has given repeated warnings that Israel would move if the *status quo* in the region were violated. This declaration is meant to keep Iraqi and Syrian army units east of Jordan. Israel is closely watching the Jordan struggle to see whether this warning will do the trick.

King Hussein's Balancing Act

FROM OUR MIDDLE EAST CORRESPONDENT

KING HUSSEIN seems to have strengthened his position still further in the past week. If the wisdom of his decision to crush the political parties is assumed, it is difficult to see how he could have played his cards more skilfully or with more success. Yet there is cause for reflection: his position contains a basic contradiction which must be resolved before his victory is secured. The policy of the new government—repeatedly proclaimed—is to pursue the aims laid down by the February meeting of the Arab heads of state in Cairo. That meeting committed Egypt, Syria, Jordan and Saudi Arabia to reject imperialism and foreign pacts and to work for the ideal of Arab unity. Beneath that commitment lay the unspoken assumption that Egypt was the acknowledged leader of the four main Arab states, excluding "unliberated" Iraq. Yet King Hussein has attacked and suppressed the main bases of Egyptian power in Jordan and has castigated Cairo by name for its interference in Jordanian politics. Following up his words with deeds, he expelled Egyptian journalists and closed the Jordanian branches of the Middle East News Agency, which is Egyptian-controlled.

How long can the King keep up his balancing act, accepting Egyptian policies while suppressing the partisans of Egypt in his country? Jordan has never been a viable economic unit and cannot become one in the foreseeable future. The British treaty was terminated only after assurances of financial support had been obtained from Cairo, Damascus and Riyadh. But will Egypt and Syria carry out their promises to support Jordan? If the King is determined to suppress Egypt's power to interfere in Jordanian affairs, he may be forced to look elsewhere for a prop. His only obvious alternative is Iraq, and an approach to that quarter would mean a major realignment of policy, only feasible with Saudi support. And while King Saud has assured him of support in domestic troubles, there is no sign yet that he is prepared for a break with Egypt.

★

Much will depend on developments after the relaxation and eventual lifting of the curfew. It proved a powerful weapon during the closing days of Ramadan; but it cuts both ways. On the one hand, the curfew made it impossible for the opposition to meet and organise their forces. On the other hand, it threatened to bring the economic life of the country to a standstill. Thus it is a weapon that can be brandished only for short periods. What will happen when economic needs dictate freedom of movement and communication is anyone's guess, though majority opinion in Amman inclines to the view that the measures already taken to suppress the opposition—a judicious mixture of imprisonment, exile and fright—have been drastic enough to ensure law and order for the time being.

The communiqué issued after the meeting between King Hussein and King Saud at Riyadh is receiving careful scrutiny. Some appear satisfied with the statement that the Jordan crisis "is an internal matter"—though this hardly squares with King Saud's action assuring King Hussein of the support of the Saudi troops in Jordan. Others, while conceding that the statement is probably intended as a warning to Egypt and Syria, are disappointed that King Saud did not see fit to declare his interest in the independence of Jordan and the preservation of the Hashemite dynasty. There is some tendency to read a sinister significance into this omission—especially as the rest of the communiqué reiterated the adherence of the two kingdoms to aims and policies which are essentially of Egyptian origin.

Meanwhile, the Sixth Fleet has arrived. Small grey ships are moored in Beirut harbour; big ones, including the giant USS *Forrestal*, are lying out beyond the horizon; sailors and marines are attracting the attention of the city's beggars and touts, thus taking the heat off other foreigners. They are the visible signs of the latest twist of American policy, which is now based on the view that the integrity and independence of Jordan "are vital" to the United States. A Beirut cynic remarked that the great powers appear to have so many "vital" interests that it is a wonder they survive at all.

At first there was a tendency in American circles here to describe the visit of the fleet as directed solely to keeping Israel in check. But that deceived nobody. The puzzle is what effect this show of force will have in the Arab states. Perhaps the mere presence of the fleet will achieve its object—which is to stabilise the situation long enough for King Hussein to consolidate his military grip on Jordan. More cautious observers express doubts about the speed with which the United States is assuming the former role of Britain in the Arab world—that of the nation with special influence based on superior power. They saw what happened to Britain.

The signs of the times were clearly visible in Amman during the troubles. Roadblocks were thrown up to guard the approaches to the American Embassy, while the British Embassy made do with a couple extra policemen. King Hussein has taken the obvious course of accepting the aid offered through diplomatic channels, but he had to declare in round terms that a visit by the Richards mission at this juncture would be "inopportune." The intention presumably still stands to invite the mission if Egypt and Syria do so first. But the cruise of the Sixth Fleet is likely to strengthen rather than to diminish Egyptian and Syrian hostility to the missionary of the Eisenhower Doctrine.

Belgium's African Estate

(FROM A SPECIAL CORRESPONDENT LATELY IN THE BELGIAN CONGO)

THE Belgians maintain that their Congo is the most successful dependent territory in the world; a country untroubled by politics and proud of the rapid economic advancement of Africans. The observer who moves north from the British Central African Federation finds it hard to refute this claim. Even American senators when confronted with the Congo's harmoniously exploited wealth have been known to swallow their indignation at a regime that denies political rights to a whole population, black and white alike. The country is rather like a well-run private estate. It lacks both imperial style and anti-imperial heart-searchings. The calmness of the administration is such that critics are almost made to feel guilty of trespass.

There are some 54,000 whites, between 11 and 12 million Africans and practically no Asiatics in the Congo. The Europeans are almost all Belgian; no Rhodesian or South



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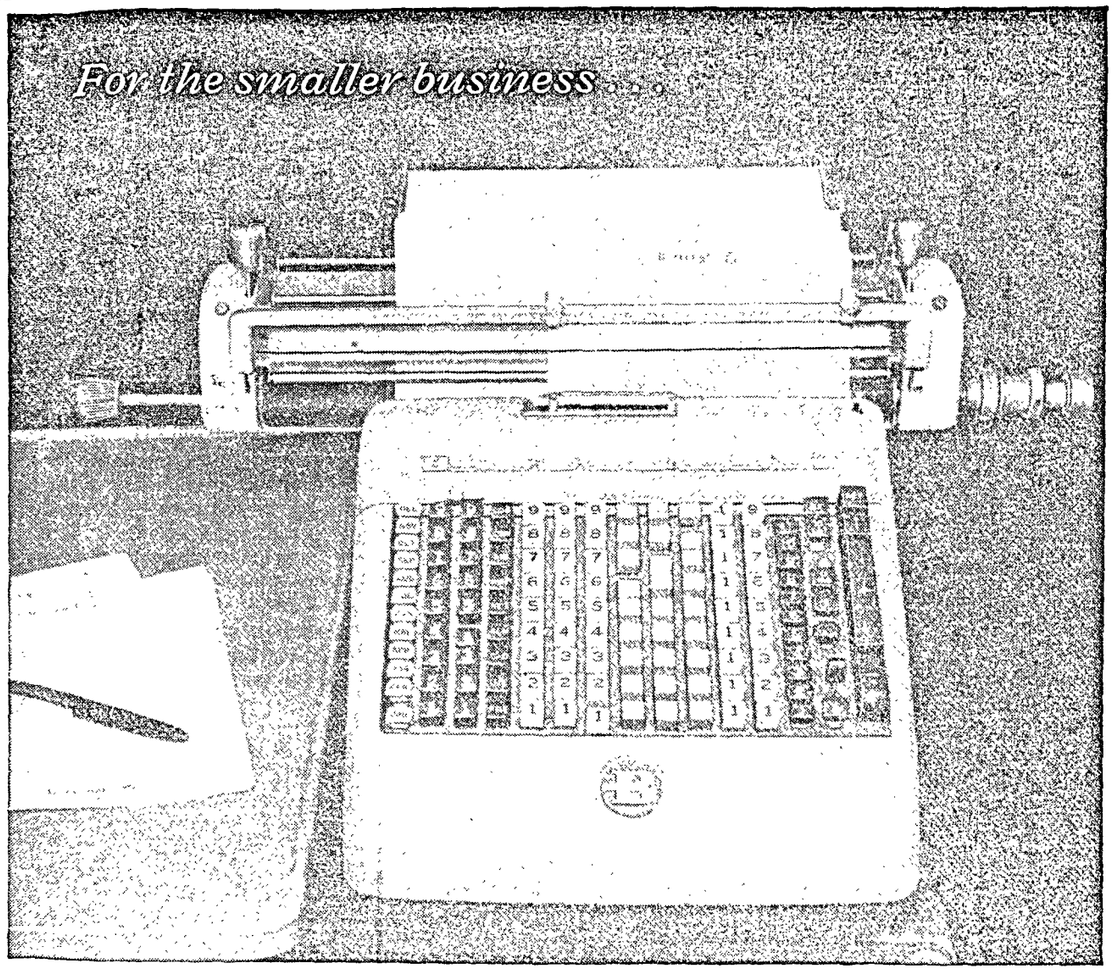
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African would normally be given a job in the mines of Katanga. But Belgians themselves are not admitted unless they are considered to be of some use to the colony. Undoubtedly, this strict immigration control is an important political safeguard in race relations; and it is one that is lacking in the Rhodesias, where Asiatics are kept out but almost anyone from the United Kingdom or South Africa is let in.

Belgium's only colony is blessed with vast mineral wealth. It is the world's fifth largest producer of copper and has very rich ore. It mines most of the world's industrial diamonds and cobalt, as well as much manganese, tin, zinc and uranium. All these contribute to the country's trade surplus. The province of Katanga, especially its high southern plateau, is an intensely developed industrial region; almost a Ruhr in the African bush. This is the creation of a giant monopoly, the *Union Minière du Haut Katanga,* which is itself the child of the *Société Générale,* the supreme banking combine of *Belgium.* The Belgian government is a majority stockholder in the UMHK.

The reputation of Belgium as a colonising power in the twentieth century rests very largely on the exercise of these industrial monopoly rights. In the mid-twenties the UMHK decided to employ not migrant, but settled labour, and to turn Africans into skilled operatives as far as possible. Since then, tens of thousands of Africans have been accommodated in Katanga as permanent residents with their families. No expense seems to have been spared in providing them with medical and other services. Meanwhile, the technical training of Africans has continued so that today very few jobs in the mines are restricted to Europeans. "African advancement," which is still an idealistic slogan in other parts of Africa, in Katanga is a reality of many years' standing.

The European economy has, however, touched only some 15 per cent of the Congo's inhabitants. The rest still live their traditional life in the bush, many of them still nomad farmers without any machinery or livestock. As late as 1949, the native tax produced only 4 per cent of the total budgetary receipts. The current ten-year plan, which is due to end in 1960, provides for an investment of $200 million in agriculture. The African farmer must be enabled to produce more for himself and for the industrial worker. At present Africans contribute only 20 per cent of cash or export crops, although they own most of the cultivated land. A big expansion of the Congo's production of palm oil, cotton, and ground nuts is planned. This will entail mechanisation under European auspices and the resettlement of rich but remote land that has been abandoned. Hitherto the administration has been often too inclined for its own convenience to try to concentrate the rural population near the roads. The development of both European and African agriculture is essential to the stability of the Congolese economy, which is at present still too dependent on its mineral exports.

The main features of the Congo's finances are an annual investment rate averaging 30 per cent of the value of the national product; a budgetary reserve equivalent to three-quarters of a year's current expenditure with which to curb inflation; an annual increase in production of 4.6 per cent and a rise in the productivity of labour of 3 per cent a year. All this is very sound. The ploughing back of capital by companies in the Congo has entailed a progressive limitation of dividends. But this is in keeping with the unexpressed mystique of this colonial venture, which is as different from the boom atmosphere of Salisbury, Southern Rhodesia, as it is from the capital-starved atmosphere of East Africa.

Some observers see cracks in Belgian paternalism in the Congo and argue that revolutionary African politics must come soon. One important recent innovation by the government is the authorisation of trade unions, which must be multi-racial and cannot be communist. They will be affiliated to the unions of Belgium and follow the same pattern. In view of the advancement of Africans in industry, this development seems timely and natural, and without obvious political consequences. There are certainly African intellectuals in Leopoldville who are demanding a share in government. These *évolués*—there are only one or two thousand of them in the whole Congo—must be assimilated, if they are not to become rebels. But it seems that room is being found for this small African elite both socially and in the professions. So long as the African industrial workers continue prosperous, it is hard to see what bombshell could destroy the existing regime. Your correspondent was told that Cairo broadcasts to Central Africa had had an unsettling effect for a time, but in the end President Nasser had bored the Congolese.

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Hanover as East-West Fair

FROM OUR BONN CORRESPONDENT

It is fitting that the British, who fostered the Hanover Fair in the numb days of 1947, should be providing one of the star turns at the tenth birthday of this now strapping infant. Of the long-term advantages of being bombed and dismantled, especially for those who were not about at the time, much wisdom has already been spoken. It remains true that it was the open spaces of a destroyed factory some miles out of town that gave Hanover its chance.

Bold planning and generous spending have gone into the layout and approaches of what is now claimed to be the largest industrial fairground in Europe. Three fast motor roads connect it with the city and the autobahn. The car park takes 35,000 vehicles. The fairground has its own goods station from which lines run to the halls; lorries can drive right up to most of the stands; every hall can be heated; and the faint showman can be sure of finding almost round every corner a glass of beer and a pork chop.

The prospect of steel masts, derricks, and cranes rising

into the sky from the Hanoverian plain excite in the approaching visitor the vague pleasurable expectations aroused by the distant view of any big port. Nor is he heavily let down on examining the scene at close quarters. From the milestone "Berlin 282 Km.," demonstratively planted outside the office of the Berlin marketing council, to the Cantina Romana and the bookshop catering even for such rare birds as English-speaking business men interested in "The Papal Encyclicals in their Historical Context," there is already much in the permanent scenery that tells of Hanover's far-flung associations.

The foreign visitors' list is impressive, indeed enviable. It has been long and catholic enough this year to warrant the holding of a special East Asian Day, on which German business men discussed trading problems with delegations from Communist China, Japan, India, Burma, Ceylon, Indonesia, Malaya, the Philippines, Thailand, Vietnam, and South Korea. The Soviet delegation has included the ministers for heavy engineering, building machinery, and iron and steel. The Soviet Ambassador has been observed amiably downing Bavarian beer with the federal minister of economics in the Franconian-style inn which a porcelain manufacturer has installed alongside his stand. What the West Germans have been hoping for seems to be coming about: Hanover is taking the place of Leipzig as the principal east-west market in Europe. For the first time, Russia, China, Poland, and Czechoslovakia are using the fair as a base from which to answer prospective traders' inquiries.

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Of more than 4,000 exhibitors, the majority are here to demonstrate the infinite variety of the applications of mechanical power and its ever-increasing dexterity in replacing the labour of man. For the general run of visitors by far the most interesting exhibits are those of the office equipment industry, and the exhibit of the British consortium which offers to set up a nice atomic power station for all comers who are prepared to pay. With a justifiable sense of their importance to the lives of the "back-room boys," the office equipment manufacturers have done themselves proud in a huge two-storey hall all to themselves, so designed that exhibitors' vans can run right up to stands on the second floor. Here are displayed prodigies of office comfort and efficiency.

The British star turn, showing the new-fangled way of generating power to drive the machines that make the Hanover fair what it is, has been admirably staged by the Board of Trade, the Atomic Energy Authority, and the Nuclear Energy Trade Associations' Conference. There are good models and diagrams, lucid and well-translated hand-outs, and colour films which people are queueing to see. In another hall a Harwell team shows what can be done with isotopes and offers them for sale.

The remainder of the British showing at Hanover is on the whole disappointing. Although west Germany is becoming an increasingly important customer only fifty-odd British firms, few with big names, have thought it worth while to put in an appearance. It is possible that some of them have stayed away for the same reason that the three I. G. Farben successor companies have this year: that there are too many fairs these days, taking up the time of too many experts. But for British exporters, Hanover is potentially a much more rewarding market-place than Leipzig, where in recent years many firms have been more or less fruitlessly trying their luck.

How Indians See Kashmir Today

FROM OUR CORRESPONDENT IN INDIA

A YEAR ago, one met many educated Indians who were not altogether happy about their country's Kashmir policy. Today most of them have joined the clerk and the village shopkeeper who were always sure that Kashmir simply had to be defended against Pakistanis; only a few still argue that India can gain nothing from unwilling citizens and must find out what the Kashmiris want.

The main arguments which convince people are legal. The Maharajah acceded to India in 1947; the UN Commission for India and Pakistan recognised that Pakistani troops had no right in Kashmir and that the Azad Kashmir government could be treated as only a *de facto* authority; the Pakistanis are aggressors, who threaten India with war, have built airstrips in Azad Kashmir, and have increased and re-equipped the Azad forces. The Indians claim that they have complied scrupulously with the only two UN resolutions they accepted, those of August 13, 1948, and of January 5, 1949. They claim that as Chapter VI of the UN Charter is only recommendatory, they were entitled to reject other resolutions.

These arguments have satisfied most Indians. The Security Council's February vote denying India's right to go ahead unilaterally with the absorption of Kashmir has evoked introspection about why India does not have more friends, and indignation at Britain's and America's supposed favour for their Pakistani ally, but few doubts about the justice of India's cause.

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Nevertheless, the arguments used by the government might seem legalistic and inadequate to many Indians, if it had not managed to put over the idea that it must stand firm to prevent the appeal of religion from being exploited in a plebiscite, and that its efforts to create a secular state would be imperilled if mullas were allowed to suggest that a vote for India was a passport to hell. The government does not want to remind Hindus that the loyalty of Muslims whom they accept as fellow citizens may be doubtful; but the anxiety is still real.

The argument, sometimes used here, that the recent elections in Kashmir were an adequate alternative to a plebiscite, carries little conviction. There were too many unopposed returns—over half the total seats. The elections were not rigged throughout Kashmir. In Jammu, with its safe Hindu majority, pro-Indian opposition parties got nearly half the votes. (Nobody, of course, was allowed to champion secession or accession to Pakistan.) The National Conference party, led by Mr Bakshi since Sheikh Abdullah was jailed, has done much for the Valley. When one talks to villagers without an interpreter, their complaint is about some leaders of the party whom they accuse of being communists; they quote Mr Sadiq's position in the "World Peace Council" and Mr Dhar's use of extension workers to preach Marxism. They say that Sheikh Abdullah eventually alienated them by driving in a big car, wearing a suit and going to the club instead of the villages. They say they would vote for the National Conference; but in 37 out of 45 seats they were given no chance to do so.



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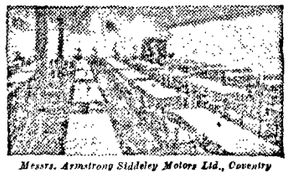
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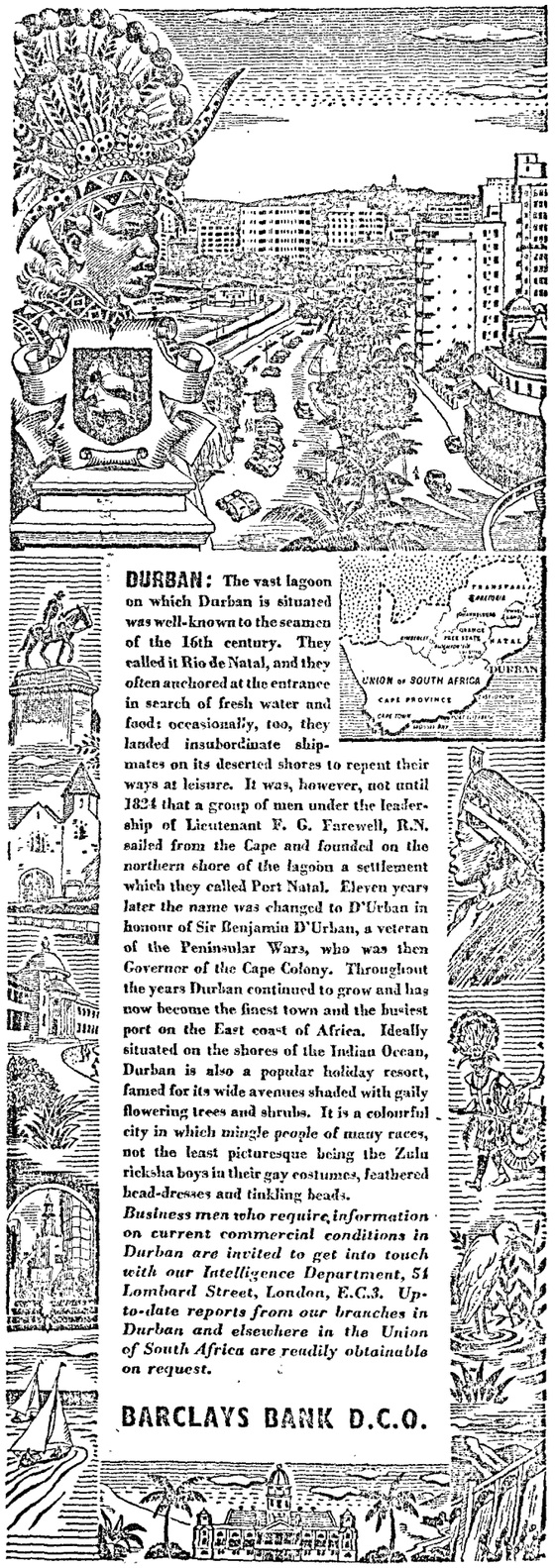


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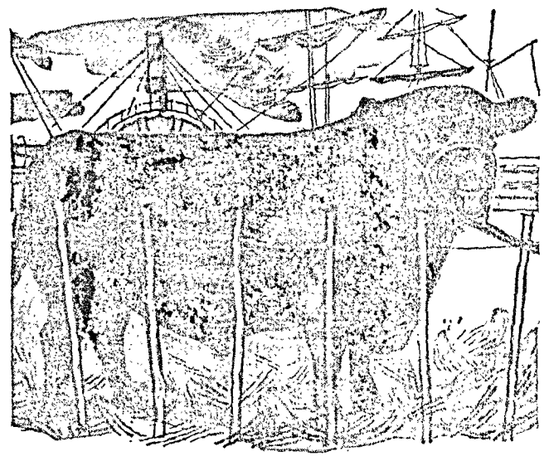


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THE BUSINESS WORLD

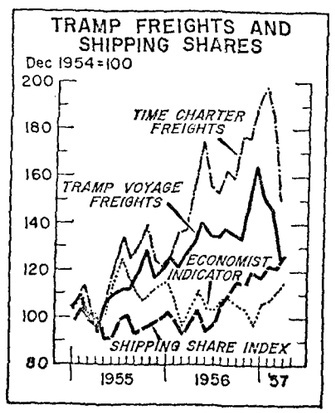
Shipping's Boom Year

As shipping companies await the signal to start using the Suez Canal again, their financial results, dividends, and chairmen's speeches for last year are pouring in. Bumper profits have been earned and many companies' purse strings have been loosened. Investors cannot hope to appraise the present or guess the future unless they realise that those results contain little—for some companies nothing—of the financial consequences of the closing of the canal in November. They do, however, contain some of the consequences of the upsurge in freight rates that went on through most of 1956 and gained impetus when the canal was seized but not closed at the end of July. The results recently published cover for some companies the year which ended on September 30th, for most the calendar year. The most up to date of them (from Stanhope Steamship Company) runs to February 7th.

Most of the consequences of working without the Suez canal will come in the current year's profit and loss statements and with luck the same financial periods will also cover the reversion to normal routing. The impact will be different in the three main types of shipping, liners, tramps and tankers, and between companies, because of differences in accounting dates.

A feature of the 1956 accounts is that liner companies, tramp companies and tanker companies all shared in the good times. The table shows no single operating surplus, from the selection of companies recently reporting, that was not higher in 1956 than in 1955. But there is a caveat to be entered here. Most liner companies also do some tramping, and P and O which does a great deal of it has explained that its liner experience running to Australia and New Zealand was "very substantially worse than for 1955." The improvement in the consolidated figure sprang partly from better tramp freight rates and partly from *rationalisation of certain far eastern services.* The chairman of Cunard, Colonel D. H. Bates, however, reports more passengers carried across the Atlantic and good cruise results as well as higher freight earnings. It has been the tramp shipping companies that have shown the biggest proportionate rises in profit.

The companies will soon be moving back onto the Suez route. For the general run of tanker and dry cargo ship companies two months might see the bulk of the ships re-positioned and the shortening of the routes will have the same effect on the freight market as a large additional supply of shipping. Anticipation of that is doubtless one of the reasons why freight rates broke sharply in March. But it is not the only reason. A mild winter has reduced Europe's demand for grain and a current high coal output suggests less demand for coal freights across the Atlantic to Britain. Freight rates have not become uneconomic to the owner of good modern ships, and there is no warrant for predicting that they will. For the tramp owner, and perhaps for the tanker owner, too, the experience since the closing of the Suez canal has been on balance a boon. Those shipowners must now look forward to a period of smaller earnings. Companies that close their accounts in June should still be showing good figures; those that account to later dates may account less buoyantly.



For the liner owner normally using the Suez route the balance is more

intricate. While unable to use the canal the owner has faced three disadvantages :

Loss of the earnings from intermediate trade, for example with the Mediterranean ports.

Loss of time and therefore higher voyage costs and less voyages per ship per year.

Higher costs of fuel bunkers.

He has sought to offset those extras by the 15 per cent surcharge on basic freights. That surcharge has now been cut to 5 per cent and the basic freight rates increased which must imply that the liner conferences intend to charge somewhat more in total when they start re-using the canal than their scale before the trouble started. It will take some of them much longer to fall back into normal schedule of sailings, even if they are prepared to trust all their ships to the Egyptian controllers of the canal as soon as they are allowed to do so. When the choice lies between an expensive income-less journey just to get a ship into position for the changed schedule or a longer delay they will probably accept the delay. It is doubtful, for example, whether P and O will have slipped back fully into routine before its financial year ends on September 30.

Sir William Currie, the chairman of P and O, said that the closing of the Suez Canal had had " a most serious effect on operating results . . . of a number of group companies." How far has the 15 per cent surcharge gone towards mitigating that effect ? Sir William has also said : " In spite of everything, our net earnings as a group for the current year before taxation . . . are just about the same as the corresponding figures for last year." That naturally does not mean that the impact on the liner companies has been exactly nothing. Earnings were on the upgrade when the Suez crisis broke.

Shipowners must base their plans for new building—as they have presumably based their better dividends—on the assumption that the bumper results of 1956 will not be so easily attained in 1957, but they must look far beyond this year, too. They must take account of the steady increase in the supplies of modern tonnage that has recently come on to the oceans. So far as tankers go, the vast building and financing plans of the oil groups promise that most active building will continue for many years. The shipowner's traditional miseries—time wasted in port, dock strikes and rising operating costs other than direct wages, are all still with him. But he can plan the replacement of his ageing tonnage in the light of the doubled investment allowance that this budget grants, provided he is willing to assume that that allowance will be maintained as long as his programme lasts. That allowance impinges on the Bermuda ventures. Those who have already arranged to breed in Bermuda—London and Overseas Freighters and their associates, Stanhope Steamship, the Dene-Silver Line group and its associates—will go ahead, though whether the proportion of their ship breeding that will be done there will be as high as originally contemplated is another question. Certainly P and O is thinking again about the proportion of its tankers to be owned and controlled in Bermuda. Those who have hovered on the brink of a Bermudan venture will stop hovering. Court Line, refused permission to start a wholly owned subsidiary in Bermuda, and transfer certain assets to it, is one such. But the 40 per cent investment allowance to shipping should encourage building plans in total.

Investors in shipping seem also willing now to take a long and soberly cheerful view. Shipping shares fell back, as might be expected, when the freight market broke, but the fall was not dramatic and was soon halted. The investment status of shipping shares has improved greatly over the past 18 months. To illustrate this an *ad hoc* index of shipping shares has been plotted against *The Economist* Ordinary Share Indicator and is seen to have broken right through the general level of industrial ordinary shares. The quality of the investment buying is also reported to have improved.

SHIPPING PROFITS AND DIVIDENDS
(£'000s)

	Operating surplus		Depreciation		Net profit		Ordinary dividends		Gross Ordinary dividends		Share price April 30,		Yield April 30,
	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956	1956	1957	1957
									%	%			
Liners :—													
Cunard £1	7,406	8,420	3,446	3,825	1,827	2,260	748	822	10	11	24/6	26/9	8·2
Liner Holdings £1	5,666	6,382	1,156	1,245	2,177	2,453	435	514	11	13	37/6xd	49/3	5·3
P. & O. deferred £1	21,923	24,198	9,615	9,857	4,756	5,228	1,268	1,268	8	8	31/6xd	35/–	4·6
Royal Mail £1*	1,814	3,480	435	995	1,505	2,257	276	345	12	15	32/3	49/9	6·0
Tankers :—													
John S. Jacobs 4s.	783	948	245	237	253	303	99	99	15†	15†	15/6‡	29/6	2·9†
United Molasses 10s.*	5,171	7,102	1,179	1,191	1,892	2,308	977	1,246	19·32‡	24·64	27/10½	41/9	5·9
Tramps :—													
Britain £1	1,371	2,080	213	227	335	648	86	173	6‡	12	14/7½xd	24/6xd	9·8
Houlder Brothers £5*	1,550	2,244	366	396	392	560	69	81	15	17½			
Indo-China Deferred £1*	479	777	147	227	328	460	74	112	15	22‡	49/3	57/–	7·9
Stanhope £1	231	915	215§	650§	1	136	...	92	...**	10	24/9	35/–	5·7
Thomasson 4s.	135	303	33	38	60	190	29	83	4‡‡	13‡‡	3/6‡	8/–	6·7

* Preliminary profit statement. † Also tax free distribution of 12½ per cent. ‡ Adjusted for free scrip issue. § "Transfer to depreciation of ships." ‡‡ Also 2½ per cent. tax free bonus paid on old capital. ** Special distribution of 3 per cent. free of tax.

Lancashire's Lot

BY A CORRESPONDENT

A state of transition from a difficult past to an uncertain future has been Lancashire's lot for almost half a century. While some things have changed many old problems remain

It is rare for two books on those old rivals, the cotton textile industries of Britain and Japan, to appear simultaneously. But the two have now been published*; they are written by men with a long experience of their subject and are addressed to a wider circle than their own industries. Mr R. Robson, for many years the Cotton Board's economist, writes on the Lancashire industry and Mr K. Seki, chairman of the Toyo Spinning Company, on the Japanese. Both authors delve deep into history, survey the present and probe forward into the future. Mr Robson's book is notable for its full economic and statistical analysis. The cotton industry has always been forward with information about its affairs ; like the American colonel smothered under his statistical reports in the Pentagon, Lancashire can at least claim " If we should lose this war then by God, sir, we go down with full statistical honours." Mr Seki's book is less objective and less up-to-date, but also well documented.

The observer of Lancashire may look back from last year's output of less than 2,500 million square yards of cotton and rayon fabrics to the 4,500 million yards produced in 1937 with the same nostalgia as the pre-war observer looked back at the 6,000 million yards of 1924 and the 8,000 million yards of 1912. Before the war much thought was being given in Lancashire and Whitehall to a policy for the industry. The need for adjustment is still present, though Lancashire would now claim that Whitehall has left it to find its own salvation.

The mechanical capacity of the industry still greatly exceeds the demand. Although the number both of spindles and looms in place is one third less than in 1937, there are still nearly 50 per cent more spindles and 30 per cent more looms in place than are currently required for full-time working even on a single shift basis. In Japan too, despite a much more drastic reduction in capacity during the war, excess capacity has reappeared. Mr Seki attributes this—and the consequent price competition—to " the excesses of the Anti-Monopoly Law " imposed by the Allies, which hindered the " Big Ten " combines from restoring their comfortable pre-war system of restrictions.

Now, as before, many seek a solution in the protection of Lancashire against low wage competition. The relative cost structures have changed only slightly. The average Japanese margin† in spinning and weaving together is still about half that in Britain. Low wages in India are, in Mr Robson's view, just about offset by lower productivity, but the Indians gain substantially from access to cheap Indian cotton. Competition in the British home market from imported cloth, again, is nothing new, but the level of imports is much higher (equal to nearly 10 per cent of domestic consumption) and the main source has shifted from Japan to India and Hongkong—Commonwealth industries against which protection presents special political difficulties.

Despite the strides made by individual firms in Lancashire, average output per man-hour in spinning rose by only about five per cent between 1948 and 1956, and by slightly more in weaving ; nor was this increase any greater, in Mr Robson's judgment, than could have been expected in view of the reduction in average counts and the growth in consumption of rayon. Somewhat shatteringly, the improvement in output per man-hour since the war has done little more than bring productivity back to the 1937 level. " British performance has fallen increasingly short of American standards, while European producers have tended to narrow the gap which separates, or did separate, them from British standards."

CHANGES IN THE LANCASHIRE SCENE

	1936–38	1953–55
Spinning margins,* d. per lb.	5·07	22·84
Spinners' profits, av. per coy., £.	7,086	28,839
Raw cotton consumption, mn. lb.	1,302	834
Exports of piece goods, mn. lin. yds.	1,821	624
Spindles in place, mn. mule equiv.	43·4	32·1
Percentage employed	80	69
Looms in place	502	359
Percentage employed	76	79

Table prepared from statistics in Mr. Robson's book.
* 32's cop twist.

Part of the explanation of the lag in average productivity in Lancashire, when research, publicity and the example of individual firms have not been lacking, is a reduction in the proportion of workers directly engaged on productive work. " Otherwise," says Mr Robson, " it is difficult to resist the conclusion that the advantages of such improved methods of working as have been introduced have been largely taken out in the form of increased leisure or less effort, for which the gradually ageing working population may account."

Against the similarities in the Lancashire scene now

* The Cotton Industry in Britain, by R. Robson. Macmillan, 368 pages. 45s. The Cotton Industry of Japan, by Keizo Seki. Japan Society for the Promotion of Science, 417 pages, $6.50.

† The difference between the price paid by the spinner or weaver for his material and the price of his product.

and twenty years ago may be set some striking contrasts. These spring less from any action taken by the textile industry itself than from the state of full employment in the British economy. Unemployment has effectively disappeared. In nearly all postwar years the industry has been crying out for more labour—even when it was shrinking too. Shortage of labour has not done much to stimulate productivity, but it has had other results. Wage earnings for men and for women have risen to about the average for all manufacturing industry, and excess machine capacity has ceased to be an effective threat to the profitability of the operating mills. The labour shortage has achieved what none of the prewar schemes for freezing redundant plant managed to do.

Perhaps the most striking contrast of all is given in Mr Robson's table of spinning margins. In 1929-39, the spinners' margin on 32's cop twist only once reached 6d. a lb. (in 1937), and in most interwar years it was under 4d. Throughout 1952-55 it was 23d. Wages, it is true, accounted for most of the prewar margins, leaving little—sometimes less than nothing—for profit.

After ten years or more of almost continuously profitable operation, how much has been done to renovate the industry? In 1953, the latest year for which comprehensive profit estimates are available in the Inland Revenue reports, the cotton industry's gross trading profits, before depreciation, were £38 million. Gross fixed investment in the same year was £8 million. This ratio of 21 per cent of gross investment to gross profit compares with about 30 per cent for manufacturing industry as a whole. Nearly three million new spindles (nearly all ring spindles) have been installed since the war, but this represents something less than one-fifth of the equivalent spinning capacity now in operation. About 50,000 new looms have been installed (nearly 40,000 automatic); again less than one-fifth of the looms now remaining.

Mr Robson is convinced that some further reduction in output is probable. Somewhat pessimistically he suggests that a more or less stable level of output may not be reached until exports (which now account for about one-quarter of total production) have diminished so far that a further decline would be offset by the gradual normal growth of the home market.

The policies advocated before the war and still strongly entrenched today—price maintenance with sanctions, redundancy schemes, large amalgamations and standardised wage agreements—were founded on the belief that the industry must be regarded as a single whole: the less efficient units must be kept afloat to prevent weak sellers from scuttling the boat. What seems to be needed now are experiments with new methods of trading, integration between the productive and merchanting sections and willingness to break away from the tradition of operating in a vast horizontal framework of specialised units; a number of firms have already moved far in this direction. The framework and traditions were well adapted to an 8,000 million yard industry selling every kind of cloth all over the world. To the outside observer at least, they seem inappropriate today. The aim in the future should have less to do with keeping the industry as a whole afloat and more with clearing a channel for its more enterprising members.

Free Trade in Paper

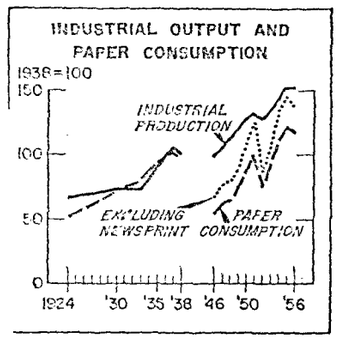
Paper is one British industry most firmly opposed to British membership of a free trade area. How much substance is there in its fears?

ONE of the eighteen trade associations that last October declared themselves "*unconditionally* opposed" to British membership of a free trade area in Europe—out of the 128 that replied to the enquiry made by the Federation of British Industries—was the British Paper and Board Makers' Association. This was unmitigated opposition from the representative body of a sizeable British industry, with a turnover now of more than £200 million a year. It was a flat refusal to take up the challenge of unrestricted trade in Western Europe, too, from an industry that has recently been achieving a rate of growth exceeded among major industries only by the chemical and vehicle producers. All three of these pace-makers of expansion have benefited to some degree from three decades of protection, but the paper industry is the only one that appears afraid to lose the safeguard.

The paper makers are prepared to set out their arguments for this attitude quite plainly. They depend for much of their supplies of paper-making materials upon countries that would be their principal competitors in the finished product—paper and paperboard. These suppliers, Sweden, Norway, and Finland, have already been slowly moving towards the production and sale of paper rather than of pulp; and the removal of tariffs and physical controls upon the British and continental paper and board trade would seem to be a perfect incentive to accelerate that development, which would certainly be more profitable to the pulp producers. Britain is their major market: hitherto it has imported pulp and other paper-making materials free of duty and levied a protective duty upon imports of paper and board (other than newsprint) in order to help foster the home industry.

Paper-making here at the present scale of output is

virtually entirely dependent upon imports of raw materials. A little woodpulp—mainly mechanical—is made but, so far at least, entirely from imported pulp wood. Production of paperboard is based primarily upon reclaimed waste paper, which amounts to rather less than a third of all the paper that is used. Of the four million or so tons of paper and board now used in Britain each year, very roughly a quarter is imported as such, a half is made here from imported materials and only a quarter is produced from indigenous materials. Moreover, half of otal British paper stems originally from forests that night come into the free trade area, while less than a hird of that (and less than a sixth of total consumption) arrives in its finished state.



Any sizeable shift in the established pattern of importing could lead to serious trouble for a number of British paper-makers. And it would be difficult to build up any compensating programme of exports to the continent. There they would also face competition from the Nordic producers as well as from the various domestic industries, all of which have been enjoying at least an equal degree of protection. At present, paper exports amount to well under a tenth of total British output, and most of that is newsprint and kraft wrapping paper shipped to Australia, New Zealand, and other Commonwealth countries—which incidentally now have plans to produce their own.

Scandinavian membership of the proposed free trade area is not certain yet; nor for that matter is Britain's. Both Sweden and Norway are members of OEEC and received the general invitation a year ago to consider the formation of a free trade area, but their reaction only became active and urgent when it became clear that Britain was seriously contemplating joining. Finland is not a member of OEEC, but it participates in the work of the pulp and paper committee of OEEC and is likely in time to be drawn into any West European free trade scheme in order to "protect" the principal export markets for the forest industries on which its economy so heavily depends.

REMOVAL of the remaining tariffs on paper and board imports would let in the full force of Scandinavian competition which, the outside observer could properly infer from the industry's reply, British manufacturers fear to face. Does it really do itself justice? Is free trade likely to bring disaster to the rapidly expanding home industry? If so, it might be observed that it is about time that the industry was given the stimulus of external competition to weed out the less efficient firms—assuming that some at least ought to be able to stand the pace.

Paper-makers last autumn may have been influenced somewhat by conditions in the paper and board markets at that time. Demand for their products, which nearly always varies closely with the rate of industrial activity, had stopped rising after an exceedingly prosperous three years; import controls had just been completely lifted; and a round of tariff reductions negotiated under Gatt (which still left duties on paper and board other than newsprint at rates varying between 14 per cent and 20 per cent) was just about to come into force. Costs had been rising, and with the temporary flattening of demand in a period when plant capacity was still being increased a number of manufacturers had costly surplus capacity on their hands. But the removal of tariffs in the projected free trade scheme would be a gradual process, spread over a period of 12 to 15 years—and it is the time scale of this regional approach to free trade that should be the starting point of any case study of its detailed implications. Paper consumption in Britain, as in most other highly developed countries, has been growing at a phenomenal rate. In the fifteen years before 1939 it doubled. In the first postwar decade it more than doubled, though this last ten years has not been a "normal" period; in 1946 consumption was only a little more than half as large as in 1938 and demand has been controlled in one way or another until last summer, with restrictions upon newsprint use being particularly severe. If newsprint is excluded, the level of other paper and board consumption by 1955 is found to be nearly half as high again as in 1938 and not very far below the overall growth in industrial output since then. The pace of general industrial expansion for which one can hope here in the next decade or two would perhaps indicate a doubling of the present volume of paper consumption by the mid-seventies. This would still mean an average consumption of only about 350-360 lb a head, well below the present American figure of more than 400 lb a head.

Paper consumption among continental members of the free trade area would be rising at the same time. Last week the pulp and paper committee of OEEC forecast a 20 per cent increase in consumption by member countries in the five years from 1955 to 1960—after having seen its estimate of a 40 per cent increase between 1950 and 1960 achieved by 1955. A doubling of consumption throughout the free trade area in the next 15 to 20 years is indeed not beyond the realm of probability.

The question western European pulp and paper producers should now be asking themselves is how and where this increase is to be produced. In an area of completely free trade—with full mobility of labour and capital too—the theoretical answer would be between the main pulp wood producing areas with large forest reserves and the main areas of consumption. Scandinavia, the main woodpulp producer in western Europe, is hardly likely to be able to cope single-handed

with that order of growth in demand, and encroach heavily into the existing markets of other producers sited closer to areas of heavy demand as well. It will undoubtedly want to process more of its own pulp into paper before shipment but this desire will be handicapped by the severe shortage of capital in these countries, which free trade is unlikely to remedy for some considerable while. Present profit margins are low and all Scandinavian companies suffer from really heavy taxation. Until their governments adopt a more sensible policy towards their major industries, pulp and paper producers there may not present a major threat even to British paper manufacturers' share of the growth of demand in their own market.

Scandinavia will still want to sell its pulp, and Britain is currently its largest single market. Moreover, a detailed comparison of British and Scandinavian costs would probably show up a number of products made in Britain and many mills making them, that compare favourably with their Scandinavian counterparts. High-cost small-scale units here may well have to go out of production, but the remainder, particularly those not heavily committed in products such as kraft paper and certain others which might suffer immediately from untrammelled Scandinavian competition, should have good chances of surviving and prospering further without a protected home market, even though their future rate of growth may be slower.

BUSINESS NOTES

IN THE MARKETS

Talk of Bank Rate

CITY talk, not quite so confident as it was a week ago, is still about the possibility of an almost immediate reduction in Bank rate. It has been sufficient with the opening of a new Stock Exchange account to produce firm market on the industrial side and to keep gilt-edged better than steady in a quiet market. In a leading article of this issue reasons are given why taking another half per cent off Bank rate might not in the best interests of the economy be the first priority. It may occur to investors that there are also strong grounds of market technique for making haste slowly. Those who believe that a change should be made at once base their arguments first on the continuous fall in the Treasury bill rate and the obvious surplus, at the shortest end of the market, of funds available for applying for bills. They go further and say that with sterling and the gold reserves looking a little stronger an ultimate influx of foreign short term money must be expected unless that money is discouraged by a less inviting rate of interest. There is, however, no general pressure of surplus funds operating on other sections of the gilt-edged list.

That is not the whole story. A major aim in British financial policy is to fund by selling stocks through the market. In the early weeks of this year that policy was highly successful. Large sales were made including large sales of short bonds to the discount houses, some of which acquired too high a proportion of bonds (and too low a proportion of bills) in their portfolios. Part of the renewed appetite for bills reflects the ending of that phase of indigestion though much is also due to the reduction in the supply of them. The surplus of bonds seems to have been cleared. The stage is now set for a resumption of selling of gilt-edged stocks by the government broker. He now has a varied offering and his prices are more nearly in line with the market than recently. Funding by sales in the market has indeed been resumed.

It is true that the Government has big maturities to face in mid-June—£300 million of 5 per cent Exchequer stock and £100 million of 2½ per cent Funding stock 1952-57. Some conversion operation must be expected to cover those maturities and it would not be surprising if some conversion option were at the same time offered to holders of the £503 million 2¼ per cent Serial Funding stock in order to reduce the size of the further operation that will be needed by November. But once it is understood that the Government makes most of its issues primarily to itself and that the real process of issue consists in subsequent sales of the stocks by the government broker at varying prices over a period, the relationship between a maturity and a change in Bank rate becomes entirely different. The market generally buys from the government broker in periods when it expects a reduction in Bank rate and takes little from him in periods when it cannot foresee a further move. If Bank rate were reduced now it would have fallen twice in about three months. The City could not possibly start talking it down again at once. The Government, apart from avoiding any charge of rigging the market to its own advantage, might actually sell more stock to the public by delaying any change in Bank rate until decently after its operation in the issue market.

EAST AFRICA'S ISSUE

HOPES of a lower Bank rate, though unfulfilled, accounted for some of the substantial amount of stagging that accompanied the issue of £9½ million 5¾ per cent East Africa Stock 1977-83 at par in the London market. The issue was attractive, however, even on the basis of present interest rates, and was well covered. It was apparently the complicated structure of the issue—the two issues and two application forms that prevented the Crown Agents for the Colonies from getting allotments out on Thursday. In form the issue consisted of two loans. One was of £8½ million for railways and harbours, £1½ million of it being taken up by colonial government funds, leaving £7 million for the public. The other was of £3 million for posts and telecommunications, £500,000 of it having been taken by colonial government funds, leaving £2½ million for the public. Both are guaranteed as to principal and interest by the governments of Kenya, Tanganyika and Uganda.

The high coupon and 5¾ per cent yield (since the issue is made at par) were obviously pitched to ensure success. An obvious comparison is with the 5¾ per cent Tanganyika stock 1978-82 which was quoted in the market at £104½ just before the East Africa loan was announced and at £102½ just afterwards. Even at the lower price the East Africa stock is markedly cheaper both in price and in yield. But just because the issue was heavily stagged the market foresaw that the premium was not likely to be high.

STEEL OF WALES

THE steel group has been well supported on the Stock Exchange for a fortnight. But a small movement within that strong group should not escape attention. Steel of Wales £1 ordinary shares now 5s. per share paid have moved up this week from 4s. 6¾d. to 4s. 10½d.—that is to a mere 1½d. per share discount. That move, natural, and spread gradually over a few days, can have only one meaning—that those underwriters who received much more of the £40 million issue than they wanted have finished selling. There is believed to be almost no surplus of the stock still overhanging the market. It is early days to think of the consequences, but if the small discount on the stock turned into a small premium, the way would be clear for the last of the Iron and Steel Holding and Realisation Agency's big sales of ordinary stocks—the shares of Richard Thomas and Baldwins. The market is beginning to think of some time early in the second half of the year as a possibility for that marketing.

BRITAIN'S FUEL POLICY

Facing the Forecast?

IN a quite masterly survey of the British energy policy with which he has been associated for barely three months, Mr Maudling this week demonstrated that he is well aware of all the underlying questions that it raises—though he did not commit himself to answering all of them. He did not mince words about "the completely new phase" that looks to be approaching in Britain's fuel situation—in which the new source of primary energy, nuclear electricity, should rapidly interpose itself between the slowly rising output that is all the coal industry can plan and the greatly increasing imports for which the oil industry is glad to arrange. That is the course set for the next decade to "ensure that our fuel supplies are adequate" for the demand with which the government is reckoning. But within that decade the possibility must be faced that this course will sooner or later throw up a potential surplus of conventional fuel that cannot neatly be offset by writing up coal exports. And in dealing with that surplus, the Paymaster-General frankly admitted that the government's second major objective in energy policy, ensuring "that the contribution to our balance of payments from indigenous supplies is as large as we can possibly make it" might eventually conflict with price and consumers' choice.

Like most people who have considered this prospective dilemma, Mr Maudling doubted whether it would become significant before the second half of the nineteen-sixties; unlike most of them, he did not retreat from it by assuming that the National Coal Board cannot possibly achieve the coal output it plans in 1965 (and, incidentally, happens to have touched during some admittedly exceptional periods this year) or by pushing up his estimate of total fuel demand in the future. His forecast, by some standards, was indeed on the conservative side, perhaps rightly so (too much refinement of figuring with such an inherent degree of error might be described as silverplating ingots). He put British consumption of fuel in 1965 at the equivalent of about 300 million tons of coal, and assumed net exports of 10 million tons more than in 1955, apart from foreign bunkering, which takes oil and coal to the tune of 10 million tons a year—say, just over 325 million tons a year in all. If the coal industry provides 240 million tons of that, and nuclear electricity the equivalent of 14 million tons (by the end of the year it will be saving coal at the rate of 18 million tons a year), then the "gap" to be filled by oil imports would be the equivalent of about 71 milion tons of coal—say, 41-42 million tons of oil a year, with some 35 million tons sold inland, against just over 20 million tons sold inland in 1955.

HOW MUCH MORE OIL?

THE oil companies have been reckoning on selling a good deal more than 35 million tons of oil inside the British market by 1965—indeed, something closer to 45 million tons. They have balanced their own forward estimates by assuming that coal output will rise less than is planned, that total consumption might be slightly more than the Paymaster-General suggests, and that net coal exports can be pushed up rather more. These assumptions may all be right; but Mr Maudling's statement has bluntly put the other side of the matter. In recent years, Ministers of Fuel and Power had encouraged the oil industry to think of much more than Mr Maudling's (admittedly minimal) figures. In 1955 Mr Geoffrey Lloyd, talking mainly about the black oils, said that as early as 1960 the Government "could see its way" to the use of oil on a scale "equivalent to an extra 25 million tons of coal a year." Early in 1956, Mr Cunliffe of Shell-Mex and BP was able to say that Government policy implied the use of nearly 22 million tons of fuel oil alone by 1960, quite apart from bunkering and rising consumption of other products.

THE FUEL BALANCE, 1955 AND 1965
(million tons coal equivalent)

Supplies	1955	1965	Use	1955	1965
Coal :—			Inland :—		
Deep-mined	211	230	Coal	214	(223)
Opencast	11	10	Oil	35	(62)
Oil	44–45	71*	Nuclear	...	14
Nuclear	...	14	Hydro, etc.	1	2
Hydro, etc.	1	2	Total Inland	250	301
			Net coal exports*	4–6	14–16
			Bunkers :—		
			Oil, say	2	(9)
			Coal, say	7	(1)
Total	267	327	Total	267	327

* Allowing for changes in stock.

Of the 20-21 million tons of oil used as fuel in Britain in 1955, about 9½ million tons were gas/diesel and fuel oils used in general industry. Assuming moderate rises in consumption of transport and other oil fuels—something of the order of 3 per cent per year—from the 1955 level, one

might guess that these would account for, say, half of the 35 million tons of "oil requirements" officially assumed, which postulates less than 20 million tons of black oil consumption in general industry by 1965. Last year about 11 million tons were so used, of which about half a million tons was used in generating electricity. The CEA's 10-year contracts with Esso and with Shell-Mex and BP provide for an increase in CEA consumption alone of 5½ million tons by 1965. So the increase allowed for in black oil consumption by other industries is only of the order of, say, 2-3 million tons between 1955 and 1965—which would barely exceed the likely increase in the refineries' own use.

INFLUENCE AND FUEL

At face value, the Paymaster-General's estimates of oil "needs" ten years from now might imply a rapid flattening out of the recent phenomenal growth curve of fuel oil sales in British industry—little extra oil, that is, for anyone except CEA, perhaps steel, and the refineries themselves. Even as a minimum, this looks incredibly low. Mr Maudling made much of what he called "that horrible word flexibility" in forward estimates. The oil industry, naturally, expects (it prefers not to say "hopes") that the flexibility will in fact come on the side of coal, through lower output than planned or higher net exports. But this speech has given it an unpleasant reminder that things might not arrange themselves quite so conveniently for it: oil imports might be made to afford the flexibility. On price and consumers' choice, the surplus would probably be of coal. Nevertheless, this week has made the oilmen a little more uncertain about the attitude of this and later governments, in such awkward circumstances.

In the last few years Government influence has in fact generally been exerted to promote conversion to oil fuels, by exhortation and by counting this conversion as a "fuel-saving" investment qualifying for low-interest loans from the Government and for the 20 per cent allowance no longer allowed to most other industries. Since the Suez affair no more loans have been given for oil conversion, and the question whether such re-equipment should still qualify for investment allowance appears to be under discussion now. A much bigger element of Government influence was originally lent to bless the plan for converting some existing power stations to dual-firing so that they could take oil and equipping some new stations such as Marchwood for oil-firing. Mr Maudling, in the Commons, said "some rephasing" of the oil-fired power programme might take place, though Mr Renton later said that "the contracts must be fulfilled."

Reassurances for every fuel industry abound in Mr Maudling's statement: understandably, the coal industry received rather more than any other. He was hardly in a position to throw any doubt upon the NCB's forward estimate of output, or on CEA's nuclear programme. So it is anybody's guess how significant his setting of those estimates inside conservative estimates for total fuel and thus his derivation of minimum figures for oil "needs" may turn out to have been. If the choice between free marketing of competitive fuels or strategy and the balance of payments should arise, it will obviously be a ticklish one for any government in power. Miners, moreover, unlike oil companies, have votes at elections—and between elections, with their feet. But the slightest sign of a surplus of coal also tends to have a very rapid effect upon the amount they are prepared to get out of the ground.

GOLD FIGURES

Return to Dollar Surplus

THE gold figures for April are probably the best since the Suez crisis. The gold and dollar reserves rose by $111 million. Admittedly, all but $7 million of the increase was attributable to the return of the special holding account into which Britain paid the 1956 interest on the North American loans, pending final ratification of the waiver (now amended to deferment); but the true dollar balance for April is much better than this residual.

The explanation is the regular month's lag in settlements with the European Payments Union. In April, Britain paid EPU $6 million in settlement of the March deficit; but the April EPU balance was a surplus of £16 million,

THE GOLD RESERVE

($ million)	EPU settlement*	Direct dollar balance	and special payments or credits	Change in reserves	Reserves at end of period
1956 :—					
August	−51	− 68	− 10	−129	2,276
September	−34	− 94	+180†	+ 52	2,328
October	−28	− 63	+ 7	− 84	2,244
November	−28	−285	+ 34‡	−279	1,965
December	−49	−169	+386§	+168	2,133
1957 :—					
January	−17	− 36	+ 4	− 49	2,084
February	+20	− 20	+ 63	+ 63	2,147
March	+17	− 27	+ 72	+ 62	2,209
April	− 6	+ 11	+106**	+111	2,320
	May	+ 34	...	...	...

* Relates to balance in *previous* month. † Includes $177 mn. from sale of Trinidad Oil. ‡ Includes $30 mn. from official sale of US government bonds. § Balance of drawing of $561 mn. from IMF, defence aid of $6 mn. and end-year instalments of $181 mn. on US and Canadian postwar loans. Includes drawings by India from IMF of $59 mn. in February and $67 mn. in March. ** Including the return of $104 mn. of deferred loan interest.

which will yield a gold payment of $34 million next week. If the EPU settlement were made in the month to which it relates there would have been a commercial surplus last month of $47 million (including $2 million defence aid).

Since dollar payments for oil remained fairly high in April—though they did show some reduction from the peak levels of the first quarter—this represents a handsome surplus in the sterling area's other commercial transactions. The strengthening confirms the indications in the exchange market, in which sterling showed a marked strengthening in the second half of April.

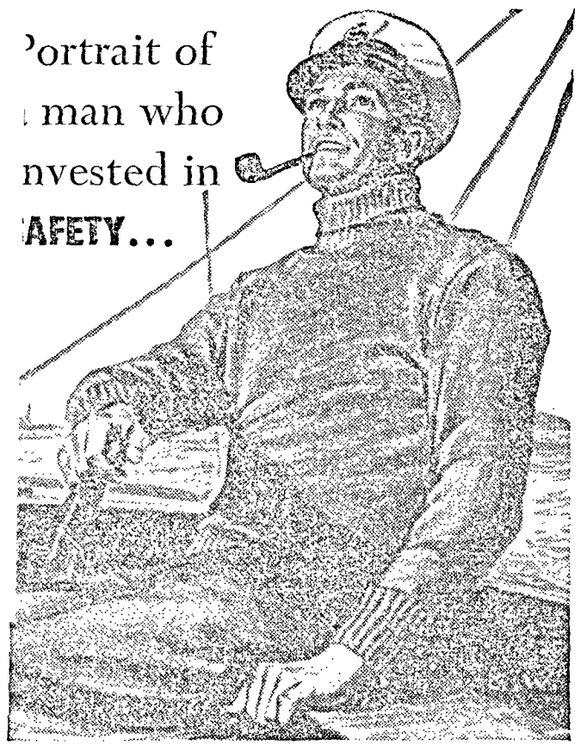
INDUSTRIAL OUTPUT

Looking for the Turn

ALL that can safely be deduced from the official index of production published this week is that British industry has weathered the period while the Suez Canal was closed without the slight dip in output some people expected. If allowance is made for seasonal factors, output seems to have remained steady in the first quarter of this year at the same level, 136-137 per cent of its volume in 1948, that it has been for the previous two years.

It is possible to discern some faint traces that a mild groundswell in total output may have begun by March, though these could be illusory. Motors were already showing some recovery; the indices for January and February

Continued on page 428



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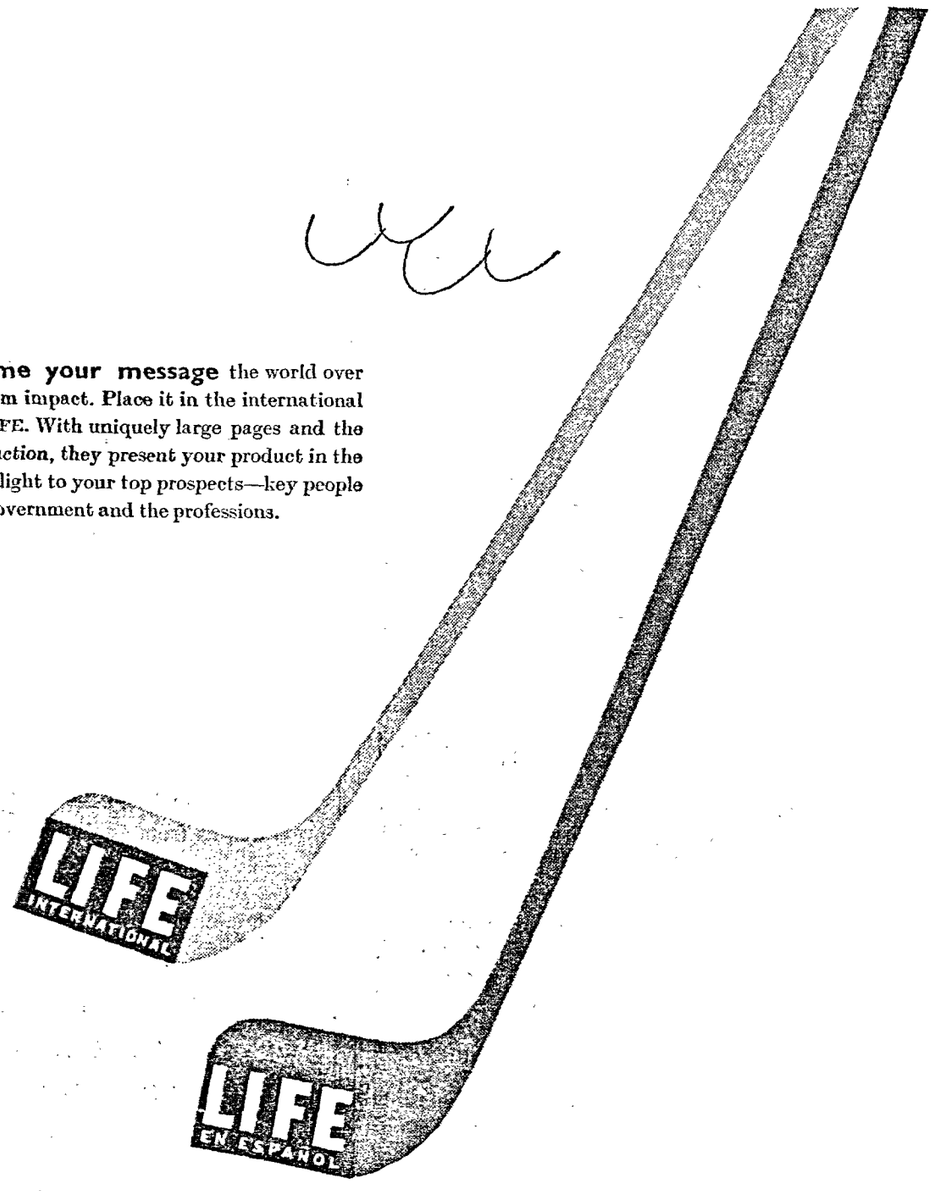
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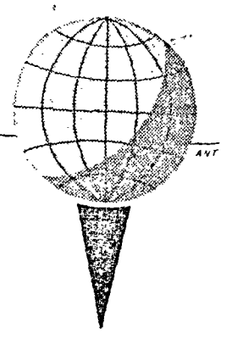
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THE FINANCE BILL

The OTC Labyrinth

ONE of the minor but still irritating consequences of the erosion of the tax base is complex law. Thirty of the fifty-eight pages of the 1957 Finance Bill are devoted, in language which may be a lawyer's joy but which is a layman's sorrow, to the relief from British tax on the profits (so long as they are not distributed) of overseas trade corporations (OTC's). This concession, the Chancellor estimated, would cost the revenue £35 million in a full year. Twelve months before Mr Macmillan estimated the cost of an unspecified tax relief on overseas profits at £75 million.

The original estimate seems to have been based on a calculation of all profits earned overseas, either by trading or by export sales. The new bill takes pains to avoid the charge of granting hidden export subsidies by strictly limiting the area of relief. For this concession to be secured sales between a British parent and its overseas subsidiary (or in the reverse direction) will have to be at arm's length prices and the subsidiary will have to take delivery of the goods fob (thus neither performing any service nor incurring any charge in respect of the goods while they are in Britain). This limitation, which already applies to trade between British resident and non-resident companies, is perhaps one reason for the smaller cost of the relief. Another is that, though the relief represents a new departure in the fiscal system, it is not one that automatically benefits all British companies trading overseas. Many of these have already secured the tax advantages now offered to OTC's by transferring the nominal control and management of overseas subsidiaries abroad. The gain is only substantial where local taxes are low (or non-existent) and are likely to remain so. The gain is steadily whittled down as the local rate approaches the British rate (though here local allowances on, say, depletion may be as important as the actual rate of tax) and where the local tax is as high or higher than the British one it can be positively disadvantageous to become an OTC.

EACH company will thus have to consider its own particular circumstances with great care. This is all the more necessary because whether or not a company ranks as an OTC seems to be a matter of fact—not of choice. Some companies will be able to qualify by reorganising themselves; others will have to reorganise themselves to avoid doing so (if, say, they wish to offset overseas losses against British profits). A company, controlled and managed in this country, will qualify as an OTC if it carries on all its trade abroad (except in the Republic of Ireland). Alternatively, a British parent company can form a separate sub-holding company controlling the operations of overseas subsidiaries; and this holding concern, so long as it has no British subsidiaries, will qualify as an OTC—thus permitting a British tax-free flow of funds from one overseas subsidiary to another. The fact that some companies sell their produce here will not be a disqualification so long as the goods are sold in a recognised *market* (as, say, tea or rubber). But banking, insurance, money lending, hire purchase credit and security dealing businesses are excluded—on the grounds,

***"Our laws should recognise as entitled to special tax treatment a class of Overseas Trade Corporations."* — Mr Thorneycroft in the Budget speech. The Finance Bill sets out the conditions of this relief.**

it seems, that their overseas trade depends on the backing of their British head offices and assets. Shipping companies, too, are excluded, because, under reciprocal agreements, their profits are taxed as if they were all earned in this country. Nor can an OTC be formed to exploit the services of individuals ordinarily resident in this country (as, say, those of actors, authors or film stars).

Though relief from British tax will be granted on the profits earned abroad by an OTC, once they are distributed they will attract that tax; and relief will not be granted on an OTC's investment income. On distribution, these profits, having borne local tax, will bear British income tax—and profits tax as well if the shareholder is a company (for example, if the shareholder is a British parent company). Loans and grants from an overseas subsidiary to a British parent will be treated as distributions, thus attracting both income and profits tax. To enjoy the concession, retained profits will have to be used to build up overseas businesses and not those of the British parent. But it is possible, through a sub-holding company, to transfer funds from one overseas subsidiary to another or to bring them back to this country for investment outside the controlling group without attracting tax. Any income arising from such an investment would, however, not rank for relief. As the concession encourages the growth of assets, its investment appeal is to the surtax payer, interested less in dividends than in capital appreciation. Moreover, on liquidation, capital distributions from an OTC (over and above the tax free repayment of capital) will be subject to income tax only. But it should be noted that a private company which becomes an OTC can still be subject to a surtax direction.

THE simplest example of an OTC is a plantation or mining company earning all its profits overseas. Having paid local tax, its retained profits will not be subject to British tax. Its dividends to shareholders (so long as these are not companies) will attract British income tax only. Thus if the local tax is 2s. in the £ the dividend to British resident shareholders will in addition attract 6s. 6d. in the £ (that is the difference between the local rate and the British standard rate), and those not paying the standard rate can claim relief up to the limit of 6s. 6d. in the £. Foreign shareholders will be able to claim back all British tax (which would be 6s. 6d. in the £); the provisions thus encourage foreign investment in British companies trading overseas.

The more complicated case occurs when an OTC subsidiary pays a dividend to its British parent. That dividend attracts local tax (say, 2s. in the £), and then British income tax after double tax relief (in this case, 6s. 6d. in the £). Thus far this dividend, attracting tax at 8s. 6d. in the £, is on a par with that paid by a British subsidiary to its parent. But the OTC dividend is not franked investment income; therefore, duly grossed up, this dividend will attract British undistributed profits tax, payable by the recipient. (And, of course, once the parent pays its own dividend that attracts distributed profits tax). The fact that an OTC's dividend is not franked income has an important consequence. Where local taxes are higher than the British standard income tax rate, there will be no advantage in creating an OTC, since an OTC can obtain double tax credit when paying dividends only to the extent of the standard rate (8s. 6d. in the £) and no relief is available against profits tax. Where this is true, a dividend by an OTC received by another company will be of less value than an equivalent dividend paid under the existing double tax relief rules.

This elaborate piece of machinery deliberately encourages the formation of new capital from ploughed back profits abroad—just as the discriminatory rate of distributed profits tax encourages that formation from retained profits at home.

Continued from page 424

have now come out at the top of the range first forecast for them; and revision of the manufacturing index shows a more than seasonal rise between the two months. The shipbuilding and engineering strikes affected output in late March and the beginning of April. In spite of the major loss in working days they caused, they at present seem unlikely to depress the index by more than a point or two in March. The seasonally-corrected index for March is, in fact, now expected to be down to about 135-136 (1948 = 100); though comparatively few of the engineering industries concerned report actual output quickly enough to have affected this forecast which is made on the basis of early reports from a few major industries such as steel, fuel and power, motors, an allowance has been made for the strikes. Output in the early months of the year, moreover, may have been improved by good weather and unusually good health among workers—a factor elaborately recorded in an industry such as coal, which may well affect attendance in many firms that never measure absenteeism.

INDUSTRIAL OUTPUT UNCHANGED

Official Index (1948—100)	Unadjusted			Adjusted		
	1955	1956	1957	1955	1956	1957
January	135	139	138	134	138	137
February	140	142	143	134	136	137
March	143	141	142–143	136	136	135–136
April	134	137	...	136	136	...
May	140	136	...	137	135	...
June	137	142	...	135	138	...
July	122	127	...	136	137	...
August	118	113	...	136	134	...
September	140	140	...	138	137	...
October	146	143	...	139	136	...
November	147	145	...	139	137	...
December	138	133	...	141	136	...

BANK CREDIT

Sales of Gilt-Edged

MR THORNEYCROFT in his budget speech enjoined the banks to continue to conform to the terms of the official "request" on restricting advances and instructed the Capital Issues Committee to tighten its hold over advances for capital purposes. His warning, possibly unwise, was certainly unnecessary, for the bankers are being obliged to tighten up because of their own need for liquidity.

The run-down of the banks' liquid assets in the early months of this year has been substantially larger than in previous years—though by no means as large as might be expected from the extraordinary reduction in the outstanding public issue of Treasury bills, from £3,600 million at the end of 1956 to £2,830 million, the lowest for four years. Moreover, between mid-January and mid-March, advances were rising especially fast, even for the tax gathering season, despite substantial repayments by the nationalised industries from their Exchequer borrowings. Consequently, despite sales of investments by Lloyds and the National Provincial, offsetting in part the purchases made by other banks earlier in the year, the average liquidity ratio dropped to 32.6 per cent, and that at Lloyds dipped below the conventional minimum of 30 per cent.

In the latest period, the four weeks to April 17th, the pressure of rising advances slackened considerably. The nationalised industries, having paid off roughly that part of their overdrafts that represented finance for capital outlays, re-appeared as net borrowers to the order of £12.6 million. But, nevertheless, total advances of the clearing banks rose by only £17 million. This marked an increase in advances to borrowers other than the state boards of £4.4 million—compared with £70.7 million in March and £97.1 million in the (five week) February period.

LONDON CLEARING BANKS

	April 17, 1957		Change on Month	Change on Year
	£mn		£mn	£mn
Deposits	6,202·9		+41·7	+90·6
"Net" deposits*	5,903·4		+11·8	+55·2
	£mn	%†		
Liquid assets	2,025·3	(32·7)	+17·9	−14·7
Cash	491·0	(7·9)	−10·0	− 1·2
Call money	436·3	(7·0)	−10·0	+13·9
Treasury bills	931·1	(15·3)	+36·1	−65·7
Commercial bills	146·9	(2·4)	+ 1·8	+39·3
Investments and advances	3,962·6	(63·9)	− 7·1	+66·5
Investments	1,969·1	(31·7)	−24·2	−19·2
Advances	1,993·5	(32·2)	+17·1	+84·7
To State Boards	52·4	...	+12·6	...
All other	1,941·1	...	+ 4·4	...

* After deducting items in course of collection. † Ratio of assets to published deposits.

The banks' liquid assets, however, rose less than seasonally, and liquidity ratios continued under pressure. Lloyds restored its ratio to 31.7 per cent by selling investments to a total of nearly £22 million, and the District Bank sold a further £2 million. But liquidity fell below 30 per cent at the National Provincial, which showed only a fractional reduction in its portfolio. The average ratio for the eleven clearing banks rose very slightly to 32.7 per cent. In coming weeks, an obvious source of replenishing liquidity will be redemption of the maturing Funding and Exchequer stocks, of which the banks are believed to be considerable holders.

FOREIGN EXCHANGE

Troubles of the Franc

STERLING has held firm this week. The official spot rate against the dollar, which was $2.79 at the end of last week, has strengthened to $2.79 1/16—compared with $2.79⅞ touched on Wednesday of last week and around $2.79¾ before the March labour disputes. There has been a fair commercial demand from New York which persists in spite

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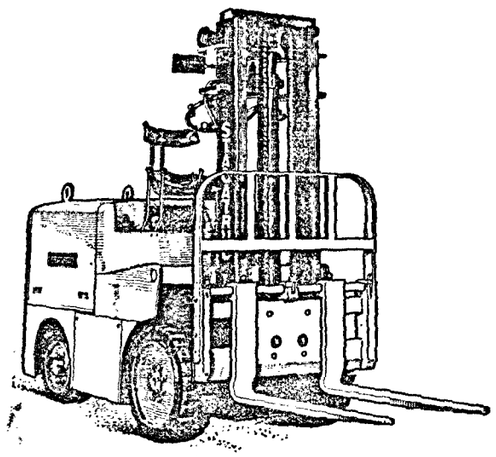
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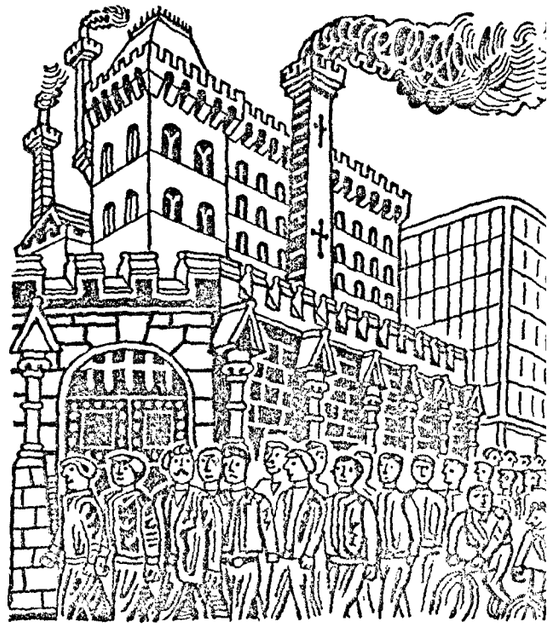
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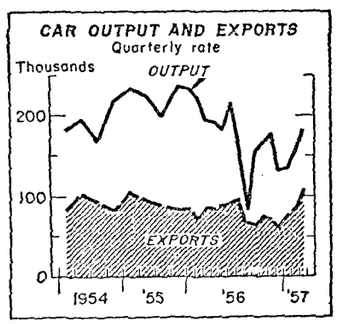
of the fact that the seasonal buying of sterling to pay for sterling area commodities should now be past its peak. Seasonal influences have become blurred by other factors in the sterling-dollar balance of payments. Tourist traffic, the expenditure of American troops in Britain, and the satisfactory growth of direct UK exports to the dollar area now make the seasonal dollar earnings from sterling area commodities, though important, a secondary influence. There has also been good demand for transferable sterling—from New York, but not this week—mainly from Zurich. The rate has improved to $2.7730. Security sterling, though slightly better, remains around $2.58.

In sharp contrast the French franc remains under persistent pressure and against sterling has touched its lowest permissible limit of 987½. There was also an ominous widening of the forward discount on French francs early this week, the three months' rate jumping from 10 to 12 francs. The outlook for the franc seems ominous, but there is no general expectation of immediate devaluation. It is unlikely that France would consider such a move at the beginning of the tourist season and on the eve of another renewal of the European Payments Union. Decision on the future parity, if it is not forced earlier, is likely to be postponed at least until the IMF meeting in Washington in September.

CAR SALES

Recovery and Prospects

CAR output is still reviving remarkably strongly. A weekly rate of output of 13,950 in March was fully 17 per cent better than in February and the best rate of production the industry has turned in since June last year. It was still a long way short of the number of cars leaving the factories two years ago just before the market broke, but exports, at just under 36,000 for the month, are already back to those record levels. Home sales are also doing well in the circumstances, shooting up markedly in March, the beginning of the best home selling season in any normal year. It seems that April will show even better figures this year, allowing for the fall of the Easter holiday. With commercial vehicle sales also picking up steadily, short-time working has now disappeared and several thousand workers have been taken back in the last two or three months.



The higher export figures are due almost entirely to the expansion of one market—none other than the United States. Exports to the continent have been gaining some ground slowly, but Commonwealth shipments are even lower than a year ago. But in the first three months of this year the industry shipped just under 20,000 cars to the United States, which is more than in the whole of 1955 and more than half last year's record total. All continental producing countries have been doing as well there ; Britain's gain, also, appears to be well shared by most firms tackling that market.

With the prospect of fewer restrictions for the remainder of this year in its main Commonwealth markets, the industry is hoping to turn in an export performance not very far short of its best year, which was 1955. Hopes for the home market are less sanguine. Sales are going quite well now despite rationing, particularly in second-hand cars, but to catch what the industry feels should be the full summer season it would like to see an early end to the petrol ration. The autumn and winter is again likely to be poor, if the prewar seasonal pattern of sales has really returned to stay, and total production for the year may well therefore reach only about 770,000, the same roughly as in 1954 and less than a tenth more than last year.

GOVERNMENT CONTRACTS

Building at a Fixed Price

THE Minister of Work's decision to return from now on to a system of fixed price tendering for all government building contracts has not been taken particularly well by builders and civil engineers. Though the experimental scheme that the Ministry launched last May for fixed price tendering in the case of all contracts valued at £100,000 or less has worked quite well, and building costs have edged forward only slightly in the last year or so, the industry is not so certain that its costs will remain relatively as stable in the next twelve months. But the Ministry sees its decision as an effective contribution to forcing stability in building prices, whether the industry likes it or not. With local authority and nationalised industry work as well—the Government is inviting them to adopt the same policy—the practice of fixed price tendering would cover a sizeable portion of building and civil engineering output: perhaps about a half of all new work done by the industry. So far the practice has not appeared on any significant scale in the private sector ; but the Minister is hoping that his lead in returning to prewar practice will be followed in time by private clients.

The industry managed to get one concession from the Minister. Fixed price tendering will not apply to contracts lasting for a period of more than two years. It will also not apply to contracts that have not been "thoroughly planned in advance" by the architect or engineer of the public authority concerned. The two-year rule will cut out a fair slice of civil engineering work, such as hydro-electric schemes and power stations, but it has been estimated that about two-thirds of all local authority and government contracts for new work are normally completed within two years.

THE FINANCE BILL

A Very Dead Horse

SEVERAL well-known estate duty loopholes are plugged by the Finance Bill. The "disappearing trick" (which dates from a decision about a dead racehorse and which freed from duty gifts which ceased to exist before the death of the donor), and the watering down of share values by means of free scrip issues (originating in the Oldham decision) are both to go. Under the new proposals, gifts of money will be charged to duty in the event of the donor's death within five years at the amount actually given.

Other outright gifts (as for instance shares) will be chargeable for duty either at their value at the date of the donor's

Overheard in the bar of the Royal Court Theatre Club.

"Now my wife swears by the News Chronicle"

"So do millions of other people. They like it because it's different from any other popular daily."

"In what way?"

"Well, it treats its readers as adults to start with. It assumes that they like to make up their minds without having other people's opinions forced on them. Whatever the event the News Chronicle reports it objectively. Whatever the controversy, the News Chronicle weighs up the pros and cons and encourages its readers to think for themselves. That is why it is the most influential of all popular dailies."

"But what sort of people does it influence?"

"The more intelligent sections of the community, irrespective of class or income group. For the News Chronicle has a readership of over 5 million you know, so its readers must be a pretty good cross-section of all walks of life. They're the sort of people who appreciate worthwhile things—good music, good books, good drama—in fact, I bet there were quite a few News Chronicle readers in the audience tonight. One great advantage of advertising to such people is this. They have the *nous* to recognize good value."



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death, if they still exist unchanged, or at the value—also at the date of death—of the property received in substitution for the original gift. If the original gift is sold or redeemed for cash, no difficulty will arise : the proceeds will be apparent, and it is not proposed that the proceeds of reinvestment should be followed. More trouble will be encountered where the gift bears fruit in the form of rights issues since the value of the additional shares thus acquired, less the issue price paid for them, will be brought into account. Where the gift takes the form of a settlement, the new proposals put the law back to where it was before the Sneddon and Iveagh cases in 1954. The estate duty office will look, not at the individual items put into the trust fund, but at the value of the corpus of the fund at the date of death. Thus, if the trust receives cash and invests it, duty will be assessed on the value of the investments when the donor died.

One small concession is given to the taxpayer in the form of marginal relief where gifts to a single individual slightly exceed the exemption limit of £500. But the bill does not link the justifiable stopping of avoidance with the introduction of tapering provisions on gifts *inter vivos* when the five-year period is nearly, but not quite, up. And the bill is retroactive, since its provisions apply to all gifts made within five years before the date of legislation.

LEAD AND ZINC

New Props for Old?

THE American Administration's decision in 1954 to take the surplus of domestic lead and zinc into its "supplemental stockpile" was simply a palliative for an industry faced with competition from foreign supplies. Subsequently foreign metal was also taken into the stockpile as a means of obtaining additional markets for surplus farm commodities. Like the first, this action tended to aggravate the disease ; by bolstering prices it encouraged production in foreign mines. Late last week producers were reminded that the present system of support cannot go on for ever. The stockpiling of domestic zinc, said the Assistant Secretary of the Interior, is due to end "in a matter of months."

Prices in London fell sharply, prompt zinc closing on Thursday at £93 15s. a ton, a fall of £6 on the week ; the discount on forward metal, however, remained at about £3 10s. a ton, an indication of how short the London market has been kept by shipments of foreign zinc to the stockpile. Lead prices fell too, prompt metal closing about £2 10s. lower at £109 a ton. Reports from Washington suggest that the Administration will soon present to Congress its long-promised "long range" programme for assisting high-cost producers ; and this may be the explanation of the Assistant Secretary's remark. A more selective method than stockpiling is certainly needed.

COMMERCIAL TELEVISION

ATV Takes a Strong Line

THE state of confidence among the programme contractors of the Independent Television Authority can be gauged by the concessions they offer to advertisers. By this standard, the changes that Associated Television has just introduced into its advertising rates are a sign of confidence riding high. To tempt bookings, it has been the practice for some time now for the contractors to cut up their hours of transmission into segments sometimes as short as 30 minutes, each consecutive segment attracting a different advertising rate. ATV has suddenly put this process into reverse. Its present rate card lists as many as 11 different segments for Saturday afternoon and evening, and the same for Sundays (in London). From September, these are being cut on Saturdays to three broad divisions that might roughly be described as off-peak (5 pm to 6 pm) ; peak (6 pm to 7 pm) ; and half-way-up-the-slope (7 pm to 12 pm). For Sundays the reductions are rather less drastic.

This has two results. The most important is that the advertising rate for anything but the peak viewing times has jumped sharply. The second result of the change is that where the advertiser could be fairly certain under the old booking system where his commercial would appear, he will now have to pay a 10 per cent surcharge to get the commercial appearing near the kind of programme that attracts the audience he wants. To sweeten the pill, ATV has taken the rather surprising and unconventional step of guaranteeing that these new rates will run unchanged until September 1958.

This is the first open move made by a programme contractor to recognise the fact that not only is advertising fully booked at peak times, but it is becoming pretty congested at off-peak times as well. ATV's rates for peak times have been increased only slightly ; it is the advertiser who slyly booked 10 or 15 minutes after the peak time and so got his audience at bargain rates and the genuine off-peak advertiser who face the really big rises in their advertising costs. Compared with the size of audience, even the new rates are regarded as competitive. It now remains to be seen how quickly the other programme contractors follow suit and whether they are also going to be bold enough to commit themselves to a given level of rates, as far ahead as ATV has done.

TRADE FAIRS

Birmingham's Brave Effort

THE British Industries Fair, which opens at Birmingham next Monday, is a courageous attempt by the local Chamber of Commerce to show that there is no reason why Britain, almost alone among European countries, should fail to organise a successful trade fair. This year the entire fair is being held in Birmingham, none of it in London, and the organisers have had to do without the £90,000 of government funds formerly available each year for advance publicity overseas. Considering this handicap, and the initial setbacks caused by petrol rationing, their achievements in selling exhibition space and in stimulating enquiries from overseas buyers now sound quite promising.

The extra £90,000 that the government is now prepared to spend on overseas trade fairs is certainly badly needed there, and even allowing for it Britain still spends much less on overseas fairs than its main competitors spend. But it is often difficult for the many small firms that make up a large proportion of British industry to display their goods abroad. If this year's BIF is a financial success, or makes only a small loss, in spite of the smaller sums spent on publicity, there may be a case for providing at least some government money for publicity next year. Even a disappointing result should not be taken as proof that it is

finally time to call out the burial party; it would still be possible to change the character of the BIF. Recent discussions in the Birmingham Chamber of Commerce about the possibility of making the BIF an international fair—that is, admitting foreign exhibitors—point in the right direction.

A general fair, providing for simultaneous exhibition of products from all important industries, as the BIF was originally intended to do, could not be opened to foreign exhibitors without becoming of quite unmanageable size. But the BIF has already become, to a large extent, a specialised fair for hardware, building, electrical and heavy engineering, with a small consumer goods section. More buyers would be attracted to a specialised fair covering only one group of industries, if they could be assured that all of the most important suppliers in that special field throughout the world would be represented. Moreover, a series of specialised fairs staggered throughout the year in one exhibition building would bring down the overhead costs that now have to be charged against each fair.

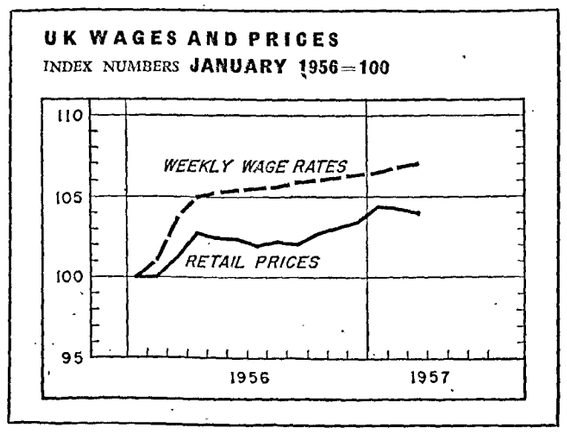
LARGE COMPANIES AND SMALLER

A Professor Looks at Equities

INVESTMENT is a word with two meanings. To economists it usually means the creation of physical assets—the building of factories or piling up of stock. But recently some of them have started to look closely at the other kind of investment—the acquisition of Stock Exchange securities. The latest is Professor Sargant Florence, who produces an essay—part of a larger study—on "The Reward for Risk-bearing by Shareholders in Large Companies" in the current number of the Journal of Industrial Economics. It is a painstaking study seeking to find out how the long term equity investor has fared in each of three sizes of company—"very large" over £3 million issued capital in 1936, "medium large" between £1 million and £3 million, and "smaller large" between £200,000 and £1 million. He is assumed—arbitrarily, but any assumption must be arbitrary—to have bought his shares in 1936 and to have held them 15 years (until 1951). Professor Florence then works out what he has gained over the period, in dividend, in capital value and in total.

The very large companies show a considerably lower average investment gain, but a narrower dispersion in that gain than the medium large companies. The medium large companies in turn have a slightly lower average total gain than the smaller large companies. In a limited examination by industrial groups, textiles—not everybody's first tip for a growing industry—showed better gains at all sizes of company than did the engineering or distribution groups. The general conclusions of the study are sensible—if platitudinous; a wide spread is recommended for the investment portfolio. Industrial ordinary shares, it is admitted, are not a full hedge against inflation; "the incentive to save, not consume . . . looks somewhat slim." But equities are better than fixed interest stocks.

Such discoveries will not come as a surprise to investment experts. The pity is that in reaching them Professor Florence has perpetuated one or two howlers that a less academic mind would have avoided. To add together capital appreciation and gross dividends received and call the result total gain is, as he almost admits, just not permissible. In the hands of the private investor the latter is tax free and the former taxable at his personal effective rate; for other funds—which make up a large part of the investment market—the tax liability varies. "Total gain" is a term without meaning. And is mere size of company—size measured with that most inaccurate of yardsticks, nominal issued capital—the only basis for the analysis? It has some relevance; most investors prefer shares in a company large enough to enjoy a good market. But in times of inflation, capital structures, the shape of a company's capital—its gearing—is likely to be at least as important as size. The shrewd investor chooses companies where the prior charges debentures and preference shares are large, so that any increment in earnings may impinge with magnified effect on a relatively small equity.



HAWKER SIDDELEY

New Atomic Link Up

THE next stage in Hawker Siddeley's bid to enter the atomic power market seems likely to be an association with John Brown, the shipbuilder. When Hawker Siddeley first set up its atomic division, it was announced that research would be concentrated on small power reactors, which are, surprisingly enough, much more difficult to design than big power stations. The link with Brush gives the group the electrical manufacturing experience that it will need, an agreement with John Brown would open the way to develop reactors for shipping. The most serious competition Hawker Siddeley is likely to face in this field will come from its old rival, Rolls-Royce, which has been working now for a matter of years with Foster Wheeler and Vickers-Armstrong's shipbuilding division on the Admiralty's atomic submarine under the direction of scientists at Harwell. There are signs that the American government may soon be providing some technical data on its own atomic submarines to assist this work.

THE NEW SPEED LIMIT

Wages Not at 30 mph

THE speed limit on heavy goods lorries was raised on May 1st, but negotiations on the consequent changes in wage payments to lorry drivers—which have been the main cause of the twenty-year delay to this particular reform—have still not been completed. Another attempt to get

agreement was made after the Minister of Transport announced last year that he would raise the speed limit willy nilly, but the meetings broke down. The trouble is that most lorry operators (British Road Services and firms with "C" licence vehicles) are not governed by the statutory wage machinery for the haulage industry, and that not all independent hauliers will benefit from the new speed limit—for example, short distance and urban delivery operators.

The position now is that long distance operators, who stand to gain most from the change, are waiting to see precisely what benefits they will get with quicker schedules, but the unions in some parts of the country have become restless and have instructed their members to continue working to the old 20 mph rule—which means in effect travelling as now at faster speeds and having longer tea-stops. The result appears to be close to another deadlock, but another meeting of hauliers' and union leaders is due to take place soon, and the new haulage wage award which will probably come into force later this month departed from the trend of previous awards by widening differentials and giving to long distance heavy goods vehicle drivers a rise more than enough to cover the increase in the cost of living.

SHORTER NOTES

The airlines operating on the North Atlantic have been unable to put their 5 per cent increase in fares into operation on May 1st as planned because the American Civil Aeronautics Board is asking for more evidence of the need for an increase before it gives its approval. Without this, no airline of any nationality can operate to the United States at the new fares. Mounting airport charges are one of the most pressing reasons for looking for an increase, and the decision to raise landing fees in this country by 37 per cent from June 1st may ultimately put Britain's airfield operations on a paying basis but to the North Atlantic operators it is going to look like the last straw.

* * *

Mr J. P. Berkin, who has been a member of the Board of the Shell Petroleum Company since 1953, has been appointed, from July 1st, a managing director of the Shell Petroleum Company and a principal director of N.V. De Bataafsche Petroleum Maatschappij, the two parent operating companies of the Royal Dutch/Shell Group. He will replace Mr J. W. Platt who has decided to retire from these offices from the end of June, prior to which date he will have reached the age of 60.

* * *

The Federation of British Industries has published *European Free Trade Area* (price 6s.) to help industrialists to assess the implications of the scheme for themselves. It contains a wealth of useful information and discusses the conditions and safeguards which the FBI considers necessary to British participation.

COMPANY AFFAIRS

SIMON-CARVES

SINCE their introduction to the London Stock Exchange in September, 1955, the ordinary shares of Simon-Carves have grown in popularity with investors. They have a double attraction: the company is the type of family business that investors fancy; and though its main concern is the building of coke ovens it is a member of the General Electric nuclear power consortium. Another factor which encouraged investors was the 50 per cent free scrip issue. An interim dividend of 7½ per cent was declared on the enlarged capital in November and the directors then said that this dividend should not be taken as an indication that the total distribution for 1956 would be greater than for 1955, when the rate was equivalent to 16⅔ per cent on the increased capital.

Throgmorton Street was still prepared, however, to guess at a total payment of 17½ per cent. In fact, the dividend is better than this; the final payment of 12½ per cent makes the total distribution for the year 20 per cent. That is an encouraging omen for the future. But it marks a liberalisation of dividend policy—not an expansion of profits. In November the directors said that the 1956 profits would show little change on the 1955 figures and in the event the latest gross profit of £1,374,024 is a few pounds down on the 1955 profit of £1,385,041. The tax provision has fallen from £755,553 to £708,275 and net profits have risen from £629,488 to £665,749. These profits are yet another warning to investors in nuclear power stocks that they must not count their chickens too soon.

INTERNATIONAL PAINTS

RECENT results from paint manufacturers have been patchy. Where the manufacturer has a big stake in the home market, results have been affected by the credit squeeze as well as by the general rise in working costs. Against this domestic background, the 1956 results of International Paints must be judged good. No doubt, the group's overseas interests and its share in the production of marine protective paints have stood it in good stead.

Last year, the consolidated gross profit rose from £1,404,853 to £1,599,914 and net profits after tax and minority interests from £718,572 to £792,933. And the ordinary dividend has been raised from 20 to 22½ per cent and to this trading dividend has been added a tax-free 2½ per cent jubilee cash bonus payable out of capital reserves. The bigger payment was well received in Throgmorton Street, where the 4s. ordinary stock units were marked up 1s. 1½d. to 14s. 3d. At that price, leaving the jubilee bonus out of account, the yield on a 22½ per cent dividend is 6.3 per cent.

ALBRIGHT AND WILSON

SINCE the war the chemical industry has grown fast and Albright and Wilson has grown with it. One step in its growth was its purchase of Marchon Products in December, 1955. Another is last year's advance of about 33⅓ per cent in trading profits, by £1,216,000 to £4,416,000. A large part of that increase is due to the inclusion of a full year's trading results from Marchon Products, but when the Marchon figures are excluded there is still a growth in profits of around £652,000. So the directors had no difficulty in maintaining the

ordinary dividend at 18 per cent on the capital as increased by the rights issue.

Growth, too, is measured by the spending of about £2½ million on capital account last year: about half that sum was devoted to expansion in Canada. Growth will continue: the group intends to spend about £3 million on its capital programme this year. Much of this expenditure will have to be financed from profits earned and ploughed back this year, for on December 31st the group possessed only £862,000 in net liquid resources. The chairman, Mr Kenneth Wilson, confidently predicts a further expansion in sales and in profits from manufacturing. But the total consolidated profit may show little change over the 1956 figure, as only the distributed income on the group's investment in Hooker Electrochemical, which took over Oldbury Electrochemical, will be included in the gross profit whereas the 1956 consolidated profit included the whole of Oldbury's profits.

UNITED SUA BETONG

SIR JOHN HAY has accepted defeat most gracefully. The scheme of Guthrie and Company to deploy the surplus liquid assets of its rubber companies through a new trust company, and thus putting them out of the reach of shareholders, was strenuously opposed and had to be abandoned. Now Sir John and his fellow directors are distributing some of these surplus liquid assets directly to those to whom they belong, the shareholders. This policy was revealed first in the accounts of Linggi and Labu Cheviot; now it is applied to the pick of the Guthrie bunch, United Sua Betong.

That company is to make a tax-free capital distribution of 25 per cent from the share premium account, paying 5s. on each of the 1,350,000 £1 ordinary shares. This was revealed in the company's preliminary statement for the year to December 31st. In that year gross profits fell from £1,221,198 to £1,037,360 and net profits, following a decline in taxation from £709,389 to £601,069, fell from £511,809 to £436,291. As the company is well off in liquid assets, the dividend policy is liberal, as indeed it has been in the Guthrie group for the last year or two. It is not surprising, therefore, that the ordinary dividend (excluding the special bonus) has had to fall with the profit; it is down from 45 to 42½ per cent. But shareholders should remember that United Sua Betong is one of the more obvious beneficiaries of the tax relief on overseas trade corporations. At 58s. the £1 units of this top company of the rubber market yield over 15½ per cent.

SPILLERS

WHATEVER the commotions in the milling and baking industries, shares in the leading flour milling companies remain among the most staid of equities. There was satisfaction but no excitement when Spillers announced that its trading profits in the year to January 31st had risen by over £665,000 to £5,643,000 and that the ordinary dividend was again to be slightly bigger. The dividend was raised from 12 to 13 per cent and in response the £1 ordinary units gained 1s. 3d. to 46s. 6d. At that price the yield is 5.6 per cent, a yield a few shillings above the average blue chip yield.

The rise in profits is impressive for a year in which for a short time the margin on flour milling came down to a very low level. But the period of squeezed margins lasted only about three months; for the rest of the time margins were more satisfactory—for the millers. And Spillers is not just a flour miller. It has big interests in animal feeding stuffs, and like its competitor, Ranks, it has been adding to its baking interests. These sides of the business must have made their contribution.

Net earnings, advancing from £1,616,549 to £1,721,000, do not fully reflect the increase in gross trading profits, as depreciation absorbed £120,000 more (at £1,450,000) and taxation £357,000 more (at £2,500,000). But the increase was enough to enable the directors to pay the slightly bigger dividend and to plough back slightly more —£995,000, against £940,726.

London Stock Exchang

FIRST DEALINGS:	Apr. 10	May 1	Ma
LAST DEALINGS:	Apr. 30	May 14	Ma
ACCOUNT DAY:	May 7	May 21	Jun

GILT-EDGED prices fluctuated in a w which included a fall in Treasury bill rate and the offer of high coupon East African loan. Wednesday prices were moving upwa once more but the *Financial Times* in of Government securities was bas altered on balance at 87.05.

Industrial shares were generally fir and began the new account on Wedn day with many gains. *The Econom* indicator receded fractionally to 218 but several losses among the leadi stocks following last week's divide announcements were recouped this we Associated Portland Cement drop 2s. 6d. to 45s. 9d., but recovered 49s. 3d., Babcock and Wilcox fell same amount to 78s. 9d. and reced further to 76s. 6d. xd. ICI fell 2s. 43s. 9d., recovering later to 44s. 3d. and Turner and Newall at first lost to 132s. 6d., but rose sharply on Wedn day to 134s. xd. United Drapery firm, but failed to participate this wee in the sharp advance of other stor Cammell Laird eased to 11s. 4½d. and United Molasses to 42s. Rug Portland Cement gained 1s. 7½d. ov the week to 27s. 3d. xd and Tate a Lyle rose 2s. 1½d. to 67s. 10½d.

After fluctuating, oil shares we strong on Wednesday and Thursday a Kaffirs recovered from the low poi reached at the close of last week. Co sideration of the OTC provisions in t Finance Bill led to renewed firmness tin, tea and rubber stocks.

This is the first time since its inception that *The Economist* indicator has moved in an opposite direction to the *Financial Times* ordinary index. The difference is only fractional and is due to the fact that seven of the stocks in the indicator have gone ex-dividend

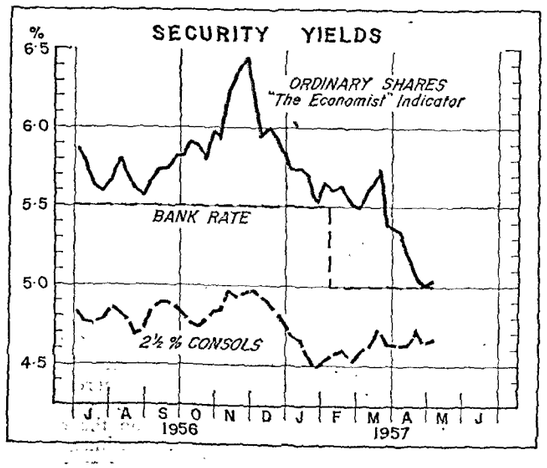
LONDON ACTIVE SECURITIES

Prices, 1956 High	Prices, 1956 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Apr. 24, 1957	Price, May 1, 1957	Net Yield, May 1, 1957 §	Gross Yield, May 1, 1957
					£ s. d.	£ s. d.
97		Funding 2½% 1952-57....	99[21/32]	99/17/7	...	3 15 5
93[1/4]		War Loan 3% 1955-59...	96[3/4]	96[3/4]	3 2 6	4 9 0 *l*
88[15/16]		*Funding 2½% 1956-61*....	92[9/32]	92[7/32]	3 10 6	4 13 0 *l*
99[1/16]		Exchequer 5% 1957.....	100/3/4	100/3/0	...	3 14 2
97		Conversion 4% 1957-58..	99[5/32]	99[3/32]	2 9 7	4 15 7 *l*
95[3/8]		Serial Funding 2½% 1957.	98[1/32]	98[1/32]	3 7 3	4 5 5
91		Conversion 2% 1958-59..	95[1/16]	95[3/32]	3 10 9	4 11 4 *l*
88[6/16]		Exchequer 2% 1960.....	93[1/16]	93[1/32]	3 11 1	4 10 2
92[1/2]		Exchequer 3% 1960.....	95[3/32]	95[3/32]	3 2 9	4 10 5
97[1/2]		Conversion 4½% 1962....	98[27/32]	98[1/32]	2 15 4	4 15 8
83		Savings Bonds 3% 1955-65	87[1/16]	88[1/16]	3 8 6	4 16 10 *l*
77[1/8]		Funding 3% 1959-69.....	81[3/8]	81[1/2]	3 12 2	5 0 11 *l*
84[1/2]		Funding 4% 1960-90....	89[1/2]*	89[3/8]	6 0 11 2 15 5	7 17 2 *e* 4 12 0 *l*
75[1/2]		Savings Bonds 3% 1960-70	79[11/16]	79[1/16]	3 13 5	5 3 0 *l*
88[1/2]		Exchequer 3% 1962-63...	92[1/2]	92[1/2]	3 4 1	4 12 10 *l*
83-[3/16]		Exchequer 2½% 1963-64..	87[1/2]*	87[3/8]	3 8 1	4 10 10 *l*
76[1/2]		Savings Bonds 2½% '64-67	81[1/2]*	81[1/2]	3 13 3	4 17 2 *l*
71[1/2]		Savings Bonds 3% 1965-75	75[1/16]	75[1/16]	3 11 1	5 1 10 *l*
78		Funding 3% 1966-68.....	82[1/2]	83[3/8]	3 11 7	5 0 10
90		*Victory* 4% 1920-76	94[1/2]	95[1/2]	2 18 2	4 14 3[1/2]
81[7/8]		Conversion 3½% 1969....	86[1/4]	86[1/32]	3 8 3	5 1 3
74[3/8]		Treasury 3½% 1977-80...	79[1/16]	79[1/16]	3 6 2	5 1 8 *l*
75-[3/16]		Treasury 3½% 1979-81...	78[3/8]	78[3/8]	3 6 8	5 1 11 *l*
64[1/2]		Redemption 3% 1986-96 .	69	69	3 2 0	4 15 4 *l*
73[1/4]		*Funding* 3½% 1999-2004..	77[1/8]	77[1/4]	2 18 5	4 15 1 *l*
76		Consols 4% after Feb. '57	79[1/16]	79[1/32]	2 18 1	5 1 6 *l*
68		War Loan 3½% after 1952	72[1/4]*	72[1/4]*	2 15 8	4 16 8 *f*
67[3/8]		Conv. 3½% after Apr. 1961	71[1/8]	71[1/32]	2 16 2	4 17 11 *f*
58[5/8]		Treas. 3% after Apr. 1966	62[1/2]	62[1/2]	2 15 1	4 16 0 *f*
49[7/8]		Consols 2½%.....	53[3/8]	53[1/2]	2 13 10	4 13 10 *f*
50		Treas. 2½% after Apr. '75	53[1/4]	53[1/4]	2 14 3	4 14 6 *f*
90		Br. Electric 4½% 1967-69.	95[1/4]	95[7/8]	3 2 5	5 2 11 *f*
72[3/8]		Br. Electric 3% 1968-73..	77[1/4]	77[7/8]	3 12 6	5 2 6 *l*
71[1/4]		Br. Electric 3% 1974-77..	75[1/4]	75[1/2]	3 9 1	4 19 9 *l*
85[3/8]		Br. Electric 4½% 1974-79.	89[1/8]	89[1/8]	3 1 10	5 0 11 *l*
74[3/8]		Br. Electric 3½% 1976-79.	78[1/8]*	79[1/8]	3 6 8	5 1 1 *l*
84[1/2]		Br. Gas 4% 1969-72	89	89[3/8]	3 5 1	5 2 6 *l*
80		Br. Gas 3½% 1969-71	85[1/4]	85[3/8]	3 6 8	4 19 11 *l*
65[1/4]		Br. Gas 3% 1990-95	69[1/2]*	69[3/4]	3 2 4	4 15 4 *l*
72[3/8]		Br. *Transport* 3% 1968-73	77[1/4]	77[7/8]	3 12 6	5 2 6 *l*
81[13/16]		Br. Transport 4% 1972-77	87[3/8]	87[1/2]	3 3 7	5 1 10 *l*
65[1/8]		Br. Transport 3% 1978-88	70[3/8]	70[3/8]	3 5 5	4 18 6 *l*

Prices, 1956 High	Prices, 1956 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Apr. 24, 1957	Price, May 1, 1957	Yield, May 1, 1957 §
					£ s. d.
80[3/8]	74[3/8]	Australia 3½% 1965-69	79[1/2]	80	5 11 9 *l*
98[3/8]	92[1/4]	Fed. Rhod. & Nyas. 5% 1975-80....	94[1/2]	94[1/2]	5 7 6 *l*
76	70	S. Rhodesia 2½% 1965-70	72[1/2]	72[1/2]	5 10 6 *l*
88[1/2]	80[1/2]	N. Zealand 4% 1976-78.....	86[1/2]	87	5 0 8 *l*
101[1/4]	99[1/8]	L.C.C. 5½% 1977-81	105[1/2]	105[3/8]	5 1 3 *e*
97[1/4]	88[1/4]	Agric. Mortgage 5% 1959-89	93	93	5 9 3 *l*
68[1/2]	61	Met. Water Board 'B' 3% 1934-2003	66	66	4 18 3 *l*
81[1/2]	71	German 7% 1924 (Br. Enfaced 5%)..	74[1/2]*	73[1/2]	...
169[1/2]	159[1/2]	Japan 5% 1907 (Enfaced).....	165	165	...

Prices, 1956 High	Prices, 1956 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, April 24, 1957	Price, May 1, 1957	Yield, May, 1, 1957
		%	%				£ s. d.
21/-	18/6	2 *a*	7 *b*	BANKS & DISCOUNT Bk. Ldn. & S. Amer. £1	27/9	28/3	6 7 5
20/-	39/10½	5 *a*	7 *b*	Barclays Bank..... £1	43/9	44/-	5 9 1
35/9	27/9	4 *a*	4 *b*	Barclays D.C.O. ... £1	32/6	31/9	5 0 9
41/9	32/9	7½ *a*	7½ *b*	Chartered Bank.... £1	38/6	40/-	7 10 0
51/-	42/10½	...	7 *b*	Lloyds Bank £1	47/-	46/9	5 11 3*g*
72/4½	61/-	9 *a*	9 *b*	Midland Bank £1	68/-	68/-	5 5 11
46/-	29/3	5 *a*	5 *b*	Nat. Discount 'B' .. £1	40/-	39/6	5 1 3
50/-	40/6	6½ *a*	6½ *b*	Union Discount.... £1	48/-	48/6	5 3 1
32/6	75/-	30 *a*	43½ *b*	INSURANCE Commercial Union 5/-	84/6	85/-*	4 7 4
29	16[1/2]	12½ *a*	87½ *b*	Legal & General ... £1	32[1/2]	32[1/2]	3 2 0
25[1/2]	18[1/2]	†20 *a*	†50 *b*	Pearl..... £1	20[1/2]*	20[1/2]	5 19 6
48[1/2]	38	†125 *c*	†132½ *c*	Prudential 'A' £1	43[1/2]*	43	5 7 2
19/6	106/-	20 *a*	33 *b*	BREWERIES, ETC. Bass £1	113/-	113/-	7 12 3
24/10½	18/7½	11½ *b*	6 *a*	Distillers..... 6/8	24/10½	25/3	4 12 5
45/10½	36/9	10 *a*	15 *b*	Guinness..... 10/-	40/6	40/6	6 3 6
76/-	61/9	7 *a*	17 *b*	Whitbread 'A' £1	75/-	74/6	6 9 0
33/9	99/-	†5 *a*	†10 *b*	OIL British Petroleum.. £1	147/6	146/10½*	3 11 0
17/9	63/-	12½ *b*	5 *a*	Burmah £1	106/10½	108/1½	3 4 10
17-[7/16]	11[3/4]	7½ *a*	17½ *b*	Royal Dutch....20 fl.	£18[1/2]	£18[1/2]	2 10 0
71/-	103/3	†5 *a*	†13½ *b*	Shell £1	179/4½	178/9*	3 13 0
48/6	33/3	...	...	*Ultramar* 10/-	74/1½	75/4½	...

Prices, 1956 High	Prices, 1956 Low	ORDINARY STOCKS	Price, April 24, 1957	Price, May 1, 1957	Yield, May, 1, 1957
					£ s. d.
45/6	34/3	STEEL & ENGINEERING Babcock & Wilcox. £1	81/3	76/6*	3 18 5
22/9	17/9	*Cammell Laird*....5/-	11/10½	11/4½*	6 3 1
60/9	38/6	Dorman Long £1	27/6	28/9	5 11 4
81/10½	40/4½	Guest Keen N'fold. £1	51/6	53/-	4 10 8
60/-	45/3	Metal Box £1	58/9	58/10½	3 8 0
19/9	15/4½	Stewarts & Lloyds. £1	31/9	33/6	5 4 5½
42/-	32/9	Swan Hunter..... £1	68/-*	66/6	4 4 3
$69	$56⅜	Wickers £1	44/-	43/3*	4 12 5
25/9	14/4½	ELECTRICAL Assoc. Elec. Inds. .. £1	68/-	67/9	4 8 8
49/10½	36/-	Br. Ins. Callenders. £1	54/6	54/6	4 11 10
62/9	42/3	Decca Record 4/-	29/4½	28/7½	6 2 3
$211	$141½	Elect. & Mus. Inds. 10/-	32/3	31/7½	4 14 10
40/3	28/6	English Electric ... £1	59/-	60/6	4 12 8
22/7½	16/7½	General Electric ... £1	58/-	58/3	4 16 3
18/-	14/10½	TEXTILES Bradford Dyers.... £1	20/7½*	20/4½	9 16 3
24/9	19/4½	British Celanese ... £1	22/10½	22/-	...
23/7½	13/-	Coats, J. & P. £1	27/10½	28/-	6 5 0
25/10½	20/7½	Courtaulds £1	35/9	34/7½	5 15 8
44/-	29/-	Lancashire Cotton.. £1	36/4½	37/6	9 6 8
37/3	22/3	Patons & Baldwins. £1	36/4½	36/1½	6 18 5
33/3	26/-	SHOPS & STORES Boots Pure Drug.. 5/-	17/3	17/3	4 1 3
18/10½	12/9½	Debenhams 10/-	42/9*	43/-	6 8 0
41/4½	29/-	Gt. Universal 'A' .. 5/-	49/1½	49/6	6 6 3
44/9	30/11½	Marks & Spen. 'A' 5/-	46/4½	47/-	2 15 10
35/6	27/4½	United Drapery.. 5/-	27/9	27/10½	5 16 8
25/10½	19/-	*Woolworth*..... 5/-	44/10½	44/7½	4 9 8
43/3	34/-	MOTORS & AIRCRAFT Bristol Aeroplane 10/-	20/-	20/9	4 16 5
9/-	5/9½	British Motor..... 5/-	8/1½	7/10½	5 8 0
44/3	25/9	Ford Motor £1	38/-	37/4½	4 0 3
49/3	29/9	Hawker Siddeley... £1	38/7½	40/9	4 18 3
47/3	38/10½	Leyland Motors.... £1	50/-	50/6	4 19 0
115/10½	85/6	Rolls-Royce..... £1	123/1½	122/9	2 17 0
9/3½	5/5½	Standard Motor.. 5/-	7/4½	7/1½	5 12 3
38/9	28/6	SHIPPING Brit. & Com'wealth 10/-	43/3	43/6	3 13 7½
27/-	20/4½	Cunard £1	27/-	26/3*	8 7 7
35/9	27/-	P & O Defd..... £1	36/6*	35/-	4 11 5
45/6	34/3	MISCELLANEOUS Assoc. Port. Cem... £1	48/3	49/3	3 13 0
22/9	17/9	Beecham Group... 5/-	22/4½	22/3	6 14 10
60/9	38/6	Bowater Paper £1	47/9	46/3*	5 8 3
81/10½	40/4½	Br. Aluminium £1	71/-*	70/-	3 8 8
60/-	45/3	Br. Amer. Tob. ..10/-	59/9*	58/9	5 18 5
19/9	15/4½	B.E.T. 'A' Defd...5/-	22/-	21/6	5 4 8
42/-	32/9	Br. Oxygen £1	37/-	37/6	5 6 8
$69	$56⅜	Canadian Pacific.. $25	$67½	$66⅜	4 18 0
25/9	14/4½	Dunlop Rubber..10/-	19/3	18/10½	6 12 5
49/10½	36/-	Imp. Chemical..... £1	45/9	44/3*	4 10 5
62/9	42/3	Imp. Tobacco £1	42/4½	41/3	10 3 8
$211	$141½	*Int'l. Nickel*....n.p.v.	$222	$218⅜	3 1 6
40/3	28/6	J. Lucas (Inds.).... £1	36/6*	35/9	4 4 0
22/7½	16/7½	Monsanto Chem.. 5/-	23/-	22/7½	3 19 8*j*
18/-	14/10½	*Ranks*.....10/-	17/4½	17/-	5 17 8
75/4½	42/9	A. E. Reed..... £1	53/9	54/6	5 17 5*k*
16/4½	11/7½	Sears Hldgs. 'A'...5/-	15/9½	15/3½*	7 6 11
69/1½	54/1½	Tate & Lyle..... £1	65/9	67/10½	4 17 3
69/6	49/9	Tube Investments. £1	65/4	66/9	4 9 10*m*
115/6	92/6	*Turner & Newall*...£1	133/6	134/-*	4 2 0
82/9	61/7½	Unilever Ltd..... £1	94/6*	97/6	3 11 10
41/9	22/9	United Molasses .10/-	42/9	42/-	5 17 5
156/10½	121/7½	MINES, ETC. Anglo-American .10/-	119/4½	123/9‖	5 13 1
40/-	22/6	Cons. Tea & Lands. £1	26/9	26/6	13 2 8
130/7½	91/3	De Beers Def. Reg. 5/-	93/1½	95/-	10 10 6
25/-	19/7½	*Doornfontein*....10/-	20/3	20/-	...
10/11½	8/6	London Tin 4/-	12/6	12/10½	9 6 4
16[3/16]	11[3/8]	Nchanga Cons. £1	12[3/8]	12[3/8]	10 18 10
64/-	52/6	*President Brand* ..5/-	47/6	48/9	9 4 6
29/-	21/-	Rho. Selection Tst. 5/-	22/10½	22/9	8 4 10
61/9	37/6	United Sua Betong. £1	58/6	58/-	14 13 3
81/9	64/4½	Western Holdings 5/-	60/7½	62/6	6 8 0



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1956 High	1956 Low	1955 High	1955 Low
April 3	206·9	5·35				
,, 10	212·6	5·20				
,, 17	216·4	5·06				
,, 24	218·3	5·02	210·4 (Jan. 4)	170·0 (Nov. 28)	232·1 (July 20)	175·2 (Mar. 2
May 1	218·1	5·03				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956 High	1955 High
		%		%			
April 24	201·1	5·44	95·05	4·66	11,414	203·6 (Jan. 3)	233·9 (July 2
,, 25	199·5	5·48	95·13	4·65	11,522		
,, 26	198·2	5·52	95·09	4·66	11,612		
,, 29	199·2	5·51	95·02	4·67	13,550	Low	Low
,, 30	200·0	5·48	94·98	4·68	12,405	161·5 (Nov. 29)	175·7 (Mar. 1
May 1	201·3	5·45	94·94	4·67	12,375		

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

New York Closing Prices

	Apr. 24	May 1		Apr. 24	May 1		Apr. 24	May 1
	$	$		$	$		$	$
Can. Pacific ..	34[1/4]	34[3/4]	Am. Viscose..	34[1/4]	35[3/4]	Int'l. Nickel..	112	112
N.Y. Central .	30[3/8]	30[1/2]	Beth. Steel...	46[1/2]	46[3/4]	National Dist.	27	27
Pennsylvania .	20[1/8]	20[3/8]	Chrysler	78[3/4]	77[1/4]	Sears Roebuck	26[1/8]	26
Amer. Tel. ...	177[1/2]	177[3/4]	Crown Zeller..	51[3/4]	49[1/2]	Shell Oil	83[1/2]	82[1/4]
Standard Gas.	12[1/4]	12[1/2]	DuPontdeNm.	193[1/2]	194	Std. Oil of N.J.	60[1/2]	60[3/8]
Western Union	18[1/8]	18[3/8]	Ford Motors..	58[3/4]	58[3/4]	U.S. Steel	63[3/4]	64[1/8]
Alumin'm Ltd.	138	140[1/2]	Gen. Elect....	64	63[3/4]	West'house E.	58[1/2]	58[3/8]*
Am. Smelting.	55[1/8]	52[3/4]	Gen. Motors..	41[3/4]	42[1/4]	*Woolworth*....	43[1/4]	44

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10 years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (*a*) Interim dividend. (*b*) Final dividend. (*c*) Year's dividend. (*e*) To earliest date. (*f*) Flat yield. (*g*) On 13%. (*h*) On 8¼%. (*i*) On 16%. (*j*) On 18%. (*k*) On 16%. (*m*) On 15%. (*n*) After Rhodesian tax.

STATISTICS

The following list shows the most recent dates on which each statistical page appe
World Trade.....April 20th

British		Overseas	
Prices and Wages.....	This week	Western Europe :	
Production and Consumption	April 6th	Production and Trade.....	April
Manpower.....	April 13th	British Commonwealth	April
External Trade.....	April 27th	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	April
Industrial Profits	April 20th	United States	This

Prices and Wages

	Unit	1954	1955	1956	1956			1957 (1)			
		mid-June			April 17	April 24	May 1	April 9	April 16	April 23	April
WORLD PRICES											
Commodity Price Indicator :											
All items	1952=100	99	93	91	93	93	94	95	96	96	9
Food	,,	119·6	92·0	90·8	91·9	93·2	92·9	96·6	99·9	100·1	9
Fibres	,,	88·7	83·2	81·5	83·1	83·9	83·3	93·0	93·5	93·9	9
Metals	,,	81·5	95·7	95·6	103·2	102·1	98·1	90·6	89·9	89·8	8
Other items	,,	93·5	106·9	96·1	103·4	102·4	102·7	99·3	99·4	99·9	9
		Monthly averages			1956			1957			
BRITISH WHOLESALE PRICES		1954	1955	1956	Jan.	Feb.	Mar.	Dec.	Jan.	Feb.	Ma
Materials used in :	June 30, 1949=100	143·5	152·4	156·2	154·7	154·9	155·6	161·6	160·8	159·6	15
Non-food manufacturing (excl. fuel)	,,	150·4	168·1	177·3	176·0	175·6	177·3	181·0	183·4	182·1	18
Mechanical engineering	,,	160·5	185·7	190·0	196·0	196·2	199·9	187·8	188·4	184·9	18
Electrical machinery	,,	131·4	137·3	142·4	141·1	141·2	141·9	144·5	146·7	146·5	14
Building and civil engineering	,,	130·7	137·1	142·3	140·9	141·1	141·7	144·6	146·5	146·3	14
House building	,,										
Products of :		125·5	129·6	135·6	133·3	134·1	134·8	137·5	138·0	138·2	13
Non-food manufacturing (excl. fuel)	,,	139·1	143·9	148·1	144·6	144·2	146·5	154·3	160·3	161·3	16
Food manufacturing	,,										
Commodities :		155·0	149·7	154·0	137·0	142·7	148·3	159·9	159·2	157·8	15
Cotton, raw	,,	160·8	142·0	145·3	135·7	134·1	131·5	161·2	164·5	170·0	16
Wool, raw	,,	197·9	329·9	284·2	339·9	302·0	281·1	321·3	288·2	260·2	26
Rubber, No. 1 RSS, one month future	,,	145·0	154·9	155·9	156·5	156·1	156·7	155·8	156·5	156·2	15
Softwood, imported	,,	213·4	295·7	280·5	328·5	336·0	351·3	234·9	229·3	211·0	20
Copper, ex-warehouse	,,										
UK RETAIL PRICES	Jan. 17, 1956=100										
All items (1)	,,	...	...	102·0	100·0	100·0	101·3	103·4	104·4	104·3	10
Food	,,	...	...	102·2	100·0	99·6	102·9	102·3	104·0	103·5	10
All items	1938=100	232	242	254	249	249	252	257	260	260	
Food	,,	239	257	269	263	262	271	269	274	272	
Rent and rates	,,	134	138	145	141	142	142	148	148	148	
Clothing	,,	255	256	263	261	262	262	264	264	265	
Fuel and light	,,	216	228	251	248	248	248	263	263	264	
Household durable goods	,,	284	288	308	305	305	306	309	310	311	
Drink	,,	257	260	264	261	261	261	268	268	268	
Tobacco	,,	387	389	411	397	397	397	418	418	418	
Purchasing power of £ (based on all consumer spending)	1938=100	41	39	38	39	39	38	37	37	37	
UK TERMS OF TRADE											
Import prices :											
All items	1954=100	100	103	105	105	105	106	109	110	111	
Food, drink and tobacco	,,	100	101	101	101	100	99	106	104	105	
Basic materials	,,	100	104	106	105	105	106	109	112	111	
Export prices :											
All items	,,	100	102	106	104	105	105	108	109	110	
All manufactures	,,	100	102	106	104	105	105	108	107	108	
Metals	,,	100	104	112	110	110	111	114	114	114	
Engineering products	,,	100	103	107	105	104	105	110	109	110	
Textiles (excluding clothing)	,,	100	100	99	93	100	100	99	100	100	
Terms of trade :											
Ratio of import to export prices	,,	100	101	99	101	100	101	101	101	101	
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	86·1	127·7	157·0	144·3	140·2	147·2	189·4	173·7	167·6	14
UK WAGES											
Weekly wage rates :	Jan. 31, 1956=100										
All workers (2)	,,	...	...	104·7	100·0	101·1	103·7	106·3	106·4	106·7	10
Men	,,	...	...	104·7	100·0	101·1	103·8	106·2	106·3	106·6	10
Women	,,	...	...	104·2	100·0	100·8	103·1	106·3	106·3	106·3	10
	Sept.,										
All workers	1939=100	236	252	272	260	263	270	276	277	277	
Weekly earnings : (3)											
All workers	s. d.	171 9	187 2	200 8	...	...	...	...	...	...	...
Men	,,	204 5	222 11	237 11	...	...	...	...	...	...	...
Women	,,	108 2	115 5	123 2	...	...	...	...	...	...	...
	Oct.,										
All workers	1938=100	323	351	377	...	...	...	...	...	...	...
Men	,,	296	323	345	...	...	...	...	...	...	...
Women	,,	333	355	379	...	...	...	...	...	...	...

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (4) Surveys made twice a year; annual figures relate to October survey. (5) Revised figure for March 26th: food 97·5 and fibres 91·9.

US Statistics

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

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1956 prices
	1947–49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	46·69
1955	110·7	89·6	114·5	110·9	103·7	120·0	119	102	117	304·6	76·52	77·69
1956	114·3	88·4	116·2	111·7	105·5	121·7	123	107	115	345·0	80·19	80·19
1956, November	115·9	87·9	117·8	112·9	107·0	123·0	123	108	114	338·5	82·22	81·08
,, December	116·3	88·9	118·0	112·9	107·0	123·5	123	109	113	344·0	84·05	82·81
1957, January	116·9	89·3	118·2	112·8	106·4	123·8	...	...	...	338·2	82·41	81·03
,, February	117·0	88·8	118·7	113·6	106·1	124·5	...	...	...	325·1	82·41	80·64
,, March	116·9	88·8	118·9	113·2	106·8	124·9	...	...	...	328·5	82·00	...

PRODUCTION AND MANPOWER

	Gross national product	Total industrial production	Manufacturing production						Building	Civilian employment [1],		
			Durable goods			Non-durable goods						
			Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals and petroleum products	New construction; seasonally adjusted annual rates	Total labour force	Total employment	Unemployed as % of labour force
	Seasonally adjusted annual rate		Index 1947–49=100: seasonally adjusted									
	$ billion								$ billion	thousands		% rate
1939	91·1	58	49	54	47	66	80	49	8·2	55,230	45,750	17·2
1955	390·9	139	155	140	203	126	109	159	43·0	65,847	63,193	4·0
1956	412·4	143	159	138	199	129	108	167	44·3	67,530	64,979	3·8
1956, November	423·8 [6]	146	165	146	216	129	105	168	44·4	67,732	65,269	3·6
,, December		147	167	146	223	130	106	170	44·7	67,029	64,550	3·7
1957, January		146	164	144	221	131	104	174	45·2	65,821	62,578	4·9
,, February	427·0	146	164	143	223	131	105	172	44·9	66,311	63,190	4·7
,, March		146	163	138	222	131	106	173	44·3	66,746	63,865	4·3

TRADE

	Personal consumption Annual rates	All business [2]		Total retail [2]		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res.	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1948=100	
1939	67·6	10·8	20·1	3·5	5·5	190	62	41	260	139	76	53
1955	254·0	51·7	82·2	15·5	23·9	945	237	231	1,285	782	134	120
1956	265·7	54·0	88·5	16·0	23·9	1,041	256	250	1,570	911	143	141
1956, October	270·9	55·0	87·2	16·0	23·3	1,126	280	282	1,647	886	155	149
,, November		55·6	88·0	16·4	23·5	1,001	236	260	1,508	828	137	135
,, December		55·8	88·5	16·5	23·9	1,044	253	268	1,979	1,022	143	176
1957, January		56·6	88·6	16·4	24·0	1,111	260	264	1,662	873	...	...
,, February	275·0	56·4	88·9	16·5	23·9	...	...	...	1,679	829	...	...
,, March		...	...	16·3	...	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics [3]		Budget expenditure [4]		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion; end of period		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	— 3·9	0·023	...	3·01
1955	306·1	217·4	11·7	38·65	29·02	78·3	82·6	64·6	— 4·2	1·753	2·80	3·06
1956	325·2	232·4	11·6	41·86	31·55	74·4	91·2	66·5	+ 1·6	2·658	3·06	3·36
1956, October	332·5	237·1	12·8	40·20	30·81	73·7	88·8	6·0	— 2·8	2·961	3·18	3·59
,, November	333·5	238·4	12·0	40·63	31·02	74·4	89·6	5·7	— 0·9	3·000	3·30	3·69
,, December	334·0	240·3	11·6	41·86	31·55	74·4	91·2	5·7	— 0·3	3·230	3·43	3·75
1957, January	335·0	240·2	11·7	40·92	31·30	73·7	89·0	6·1	— 1·3	3·210	3·33	3·77
,, February	336·6	241·2	11·7	40·51	31·23	73·0	89·4	5·7	+ 0·4	3·165	3·20	3·67
,, March	337·6	241·7	11·7	...	...	...	...	...	...	3·140	3·25	3·66

(1) 1939 figures calculated on the basis of a smaller sample. From January, 1957, as a result of a change in definition some 200,000 to 300,000 persons temporarily laid off or waiting to start new jobs formerly classed as employed are subsequently classed as unemployed. (2) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (3) All commercial banks. (4) Annual figures are totals for the fiscal year ended June 30th. (5) Figure for third quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended April 27, 1957, there was an "above-line" deficit (after allowing for Sinking Funds) of £16,568,000 compared with a deficit of £41,045,000 in the previous week and a deficit of £2,873,000 in the corresponding period of last year. There was a net expenditure "below-line" last week of £12,326,000, leaving a total deficit from April 1st of £60,120,000 (£54,740,000 in 1956-57).

£'000	Estimate,* 1957-58	April 1, 1956 to April 28, 1956	April 1, 1957 to April 27, 1957	Week ended April 28, 1956	Week ended April 27, 1957
Ord. Revenue					
Income Tax	2176,250	94,311	106,140	21,717	18,352
Surtax	149,000	10,800	10,500	1,800	1,600
Death Duties	170,000	13,600	10,900	2,900	2,100
Stamps	69,000	4,100	4,000	1,200	700
Profits Tax, EPT & EPL	255,000	11,200	11,500	2,300	1,700
Other Inland Rev. Duties	500	...	...	...	...
Total Inland Rev.	2810,750	134,011	142,140	29,917	24,452
Customs	1204,250	89,905	85,250	24,050	15,502
Excise	912,850	30,190	38,934	13,145	17,174
Total Customs and Excise	2117,100	120,095	122,244	37,195	32,676
Motor Duties	93,000	6,216	6,827	993	1,197
PO (Net Receipts)	20,000	...	...	...	...
Broadcast Licences	31,000	1,700	1,809	1,700	1,800
Sundry Loans	32,000	128	107	...	...
Miscellaneous	125,000	7,515	7,058	225	342
Total	5288,850	263,665	280,176	70,530	60,467
Ord. Expenditure					
Debt Interest	640,000	63,907	61,964	4,656	4,353
Payments to N. Ireland Exchequer	69,000	4,324	4,023	2,317	2,637
Other Cons. Fund	10,000	693	635	33	559
Supply Services	4069,877	255,591	281,047	65,521	69,547
Total	4789,877	324,425	343,569	72,533	76,895
Sinking Funds	38,000	1,550	1,348	370	140
"Above-line" Surplus or Deficit	50,310	69,741	2,873	16,568	
"Below-line" Net Expenditure	Cr. 1,570	Cr. 9,631	2,054	12,326	
Total Surplus or Deficit	54,743	60,129	4,927	25,894	
Net Receipts from:					
Tax Reserve Certificates	14,853	14,441	5,185	2,839	
Savings Certificates	−3,200	5,400	−900	...	
Defence Bonds	−18,355	−887	−8731	−547	
Premium Savings Bonds	...	2,400	...	600	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956 April 28	3,230·0	1,423·5	279·9	...	4,953·4
1957 Jan. 26	3,210·0	1,516·5	221·0	...	4,947·5
Feb. 2	3,120·0	1,597·0	204·9	...	4,831·9
„ 9	3,050·0	1,485·7	197·4	...	4,733·1
„ 16	2,980·0	1,247·9	246·3	...	4,474·2
„ 23	2,900·0	1,298·1	193·8	...	4,391·8
Mar. 2	2,890·0	1,301·7	209·7	...	4,401·5
„ 9	2,890·0	1,261·5	229·6	0·8	4,381·9
„ 16	2,900·0	1,249·9	247·3	...	4,397·2
„ 23	2,910·0	1,284·4	272·1	1·5	4,468·1
„ 31	4,195·3		276·9	...	4,472·2
April 6	2,860·0	1,306·4	289·3	...	4,455·7
„ 13	2,840·0	1,362·5	295·6	...	4,498·1
„ 20	2,830·0	1,330·5	273·5	...	4,494·1
„ 27	2,830·0	1,377·7	313·6	...	4,521·2

THE MONEY MARKET

THE market made a further reduction in its discount rate at the Treasury bill tender on Friday of last week, maintaining its bid at £99 0s. 4d. per cent; but outside applicants carried further the movement of preceding weeks, raising their bids up to £99 0s. 10d. per cent. The upshot was that the average rate of discount fell by 5¾d. to £3 18s. 3.43d. per cent; and although total applications fell by £52.2 million to £359.3 million whilst the allotment fell by £40 million to £200 million, the allotment rate at the market's common bid fell from 55 to 22 per cent.

In Lombard Street credit conditions have alternated between stringency and extreme ease in the past week. On Thursday last funds were short, and despite some special purchases made through the banks—and passed on at rates up to 4 per cent, i.e., above the market's bill rate—one or two houses were obliged to take a small amount at Bank rate. Before the weekend funds became abundant, and some remained unlent; but on Monday stringency returned and in the absence of any official aid one or two houses were again "in" the Bank. On the following day market credit was just about adequate but on Wednesday conditions were again transformed, and the Bank stepped in to mop up part of the surplus through sales of bills.

The Bank return for the week to Wednesday shows a rise in discounts and advances of £13.8 million.

LONDON MONEY RATES

	%		%
Bank rate (from 5½%, 7/2/57)	5	**Discount rates**	
Deposit rates (max.)		*Bank bills*: 60 days	4⅛–4¼
Bank	3	3 months	4⅛–4¼
Discount houses	3*	4 months	4⅛–4¼
		6 months	4⅛–4¼
Money Day to day	3–3½	*Fine trade bills*:	
Short notice	3½	3 months	5½–6
Treas. bills 2 months	3⅝	4 months	5½–6
3 months	3⅝	6 months	5½–6⅛

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	May 2, 1956	April 24, 1957	May 1
Issue Department:*			
Notes in circulation	1,848·7	1,952·2	1,93
Notes in banking dept.	26·6	23·1	2
Govt. debt and securities*	1,871·2	1,971·3	1,97
Other securities	0·8	0·7	
Gold coin and bullion	0·4	0·4	
Coin other than gold coin	3·0	3·0	
Banking Department:			
Deposits:			
Public accounts	9·8	11·5	1
Bankers	231·9	222·4	21
Others	75·3	74·5	7
Total	318·0	233·4	30
Securities:			
Government	271·0	240·2	24
Discounts and advances	23·9	21·5	3
Other	15·4	19·0	1
Total	310·3	280·7	29
Banking department reserve	28·6	25·6	2
"Proportion"	8·8	8·8	

* Government debt is £11,015,100, capital £14,553, Fiduciary issue increased to £1,975 million from £1,925 on April 10, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Allotted	Three Months' Bi Average Rate of Allotment	Allotted at Ma Rate
1956 April 27	*91 Day* 240·0	395·3	240·0	s. d. 100 1·95	% 6
1957 Jan. 25	200·0	414·0	199·0	91 0·81	3
Feb. 1	199·0	384·1	199·0	99 10·07	2
„ 8	199·0	371·5	199·0	84 8·29	3
„ 15	199·0	348·9	179·0	85 6·04	1
„ 22	200·0	407·3	200·0	82 11·49	3
Mar. 1	200·0	408·2	220·0	80 0·78	5
„ 8	230·0	442·7	230·0	89 5·20	1
„ 15	230·0	375·2	230·0	82 3·70	3
„ 22	250·0	395·2	250·0	82 6·73	4
„ 29	250·0	391·6	250·0	81 11·79	5
April 5	250·0	410·6	240·0	82 11·49	3
„ 12	230·0	415·7	230·0	84 9·36	5
„ 18	240·0	411·5	240·0	78 9·15	5
„ 26	200·0	359·3	200·0	78 3·43	2

* On April 26th tenders for 91 day bills at £99 0s. 4d. secure 22 per cent, higher tenders being allotted in full. The offeris this week was for £200 million at 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: May 1	Market Rates: Spot: April 25	April 25	April 27	April 29	April 30	May 1
United States $	2·78 2·82	2·79½-2·79¾	2·79 -2·79¼	2·79 -2·79¼	2·79 -2·79⅛	2·79⅛-2·79⅜	2·79¼-2·79⅜
Canadian $	...	2·67⅛-2·67½	2·67⅛-2·67⅜	2·67⅛ 2·67⅜	2·67⅛ 2·67⅜	2·67⅛ 2·67⅜	2·67⅛-2·67⅜
French Fr.	972·65-937·35	937 -987½	987 -987½	987 -987½	987 -987½	987 -987½	987 -987½
Swiss Fr.	12·15⅜-12·35⅜	12·27½-12·27⅝	12·27½-12·27⅝	12·27⅝ 12·27⅞	12·27⅛-12·27⅜	12·27⅛ 12·27⅜	12·27⅝-12·27⅞
Belgian Fr.	138·95-141·05	140·97½-141·02½	140·97½-141·02½	140·97½-141·02½	140·97½-141·02½	140·97½-141·02½	140·97½-141·02½
Dutch Gld.	10 55-10·72	10·66 -10·66½	10·66 -10·66½	10·65 -10·65½	10·66 -10·66½	10·66 -10·66½	10·66½-10·67
W. Ger. D-Mk.	11·67⅜-11·84⅜	11·75½-11·76⅛	11·75½-11·76⅛	11·76 -11·76⅛	11·75⅞-11·76⅛	11·75⅞-11·76⅛	11·75½-11·76
Portuguese Esc.	79 90-81·10	80·05 80·15	80·05-80·15	80·05 80·15	80·05 80·15	80·05-80·15	80·05 80·15
Italian Lire	1735⅜-1762½	1759½-1760½	1759½-1760½	1759½-1760½	1759½-1760½	1759½-2000½	1759½ 2000½
Swedish Kr.	14·37½-14·53½	14·51½-14·51¾	14·51½-14·51¾	14·51½ 14·51¾	14·50½-14·50¾	14·49½-14·50	14·49½-14·49¾
Danish Kr.	19·19½-19·48½	19·45½-19·46	19·45½-19·45¾	19·45½-19·45¾	19·45½ 19·45¾	19·45½-19·46	19·45½-19·46
Norwegian Kr.	19·85-20·15	19·99½-20·00½	19·99½-20·00½	19·99½-20·00½	19·99½-20·00½	19·99½-20·00½	19·99½-20·00
One Month Forward Rates							
United States $		⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm	⅛ c. pm	⅜ c. pm	⅜ c. pm
Canadian $		⅛c.pm-par	⅛c.pm-⅛c.dis	⅛c.pm-⅛c.dis	⅛c.pm-⅛c.dis	⅛c.pm-⅛c.dis	⅛c.pm-⅛c.dis
French Fr.		3·5 dis	3·6 dis	3·6 dis	4·7 dis	3·6 dis	3·6 dis
Swiss Fr.		3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm
Belgian Fr.		⅞-1 pm	⅞-1 pm	⅞-1 pm	⅞-1 pm	¼ 1 pm	¼-1 pm
Dutch Gld.		1⅞-1⅛c. pm	1⅞-1⅛c. pm	1⅞-1⅛c. pm	1⅞-1⅛c. pm	1⅞-1⅛c. pm	1⅞-1⅛c. pm
W. Ger. D-Mk.		2½-2pf. pm	2.-2pf. pm	2½-2pf. pm	2½-2pf. pm	2½ 2pf. pm	2½-2pf. pm
Italian Lire		3-1 pm	3-1 pm	3-1 pm	3-1 pm	3-1 pm	3-1 pm
Swedish Kr.		3½-3⅛ pm	3½-3⅛ pm	3½-3⅛ pm	3½ 3⅛ pm	3-2⅝ pm	3-2⅝ pm
Danish Kr.		4-2⅝ pm	4-2⅝ pm	4-2⅝ pm	4-2⅝ pm	4-2⅝ pm	3-1⅝ pm
Norwegian Kr.		2⅝ pm-par	2⅝ pm-par	2⅝ pm-par	2⅝ pm-par	2⅝ pm-par	2⅝ pm-par
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/0½	250/2	...	250/3	250/2½	250/2½



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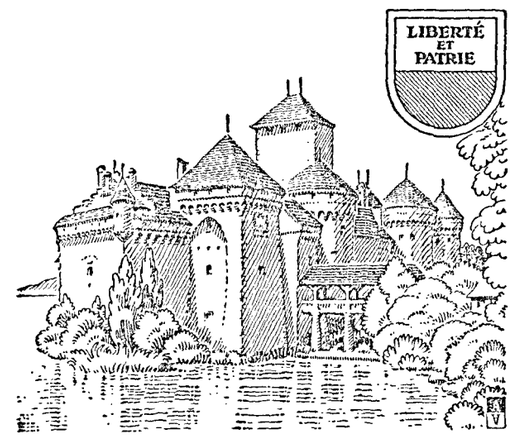
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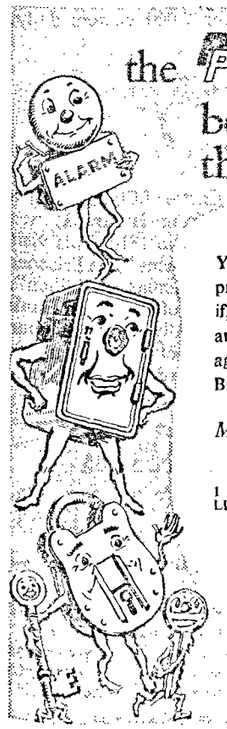
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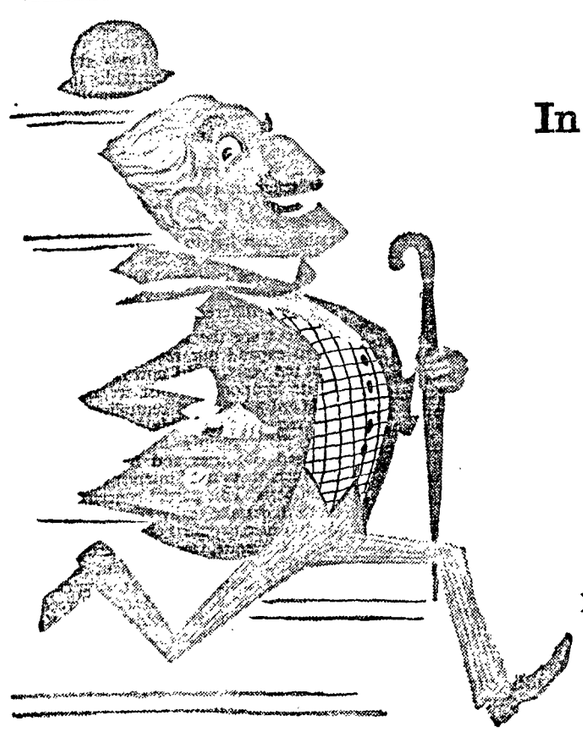
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COMPANY MEETINGS

UNILEVER LIMITED

MEETING THE CHALLENGE OF THE TIMES

CONTRIBUTION OF RESEARCH TO COMPANY'S CONTINUED PROSPERITY

INTRICACIES OF AN INTERNATIONAL BUSINESS

LORD HEYWORTH ON THE VITAL ROLE OF MODERN SCIENCE

The Annual General Meeting of the Members of Unilever Limited was held on April 25th at The Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.2, The Lord Heyworth (the Chairman) presiding.

Addressing the meeting the Chairman said:

RESEARCH IN UNILEVER

I have taken as the title of my address to you today "Research in Unilever" and I propose to tell you something of the part research plays in our operations and of its importance to the continued prosperity of your company.

We live in times when all over the world the pattern of life is changing—and changing fast. Populations are growing, standards of living are rising, and scientific activity is intense. Circumstances such as these offer a particular challenge, and a particular opportunity, to a business which, like Unilever, is mainly engaged in the manufacture and sale of consumption goods for the housewife. We have to be alert to what this climate of change means in terms of new markets and of a demand for new and better products which will alleviate drudgery and increase leisure. Without research and development we could not meet these needs.

At the outset I should, I think, define the two terms I have just used—research and development. By *research* we mean a quest for new knowledge which can find immediate commercial application or provide the basic scientific information we hope will ultimately lead to new and improved products and processes. The translation of the results of research to pilot and thence to full-scale plant application is a function of *development*, as also is the improvement of existing products and processes by the application of familiar scientific knowledge. I shall also be using the term *market research*, and by this I mean the investigations we make into the factors that induce the public to buy certain goods in preference to others and the way the consumer's habits and reactions are changing. We are becoming increasingly aware that scientific research alone, though essential, is not enough. It has to be reinforced by studies, long-term and short-term, of the changing habits of people in different countries and of the needs these changes may be expected to create. Thus we can get our scientists early to work and anticipate the need rather than be overtaken by the march of events.

FIRST PRINCIPLES

Starting with first principles, let us consider why a business such as ours engages in research at all and when we have settled that, we can go on to consider where, how, to what extent and with what resources.

I have already indicated that the prime object of our research is to enable us to forecast and meet the new needs arising in a world of change. I do not pretend our motives are entirely altruistic. In a competitive age, failure in our efforts to produce new and better and cheaper products will cause the expansion which is the hall-mark of a dynamic business to fade and die. It is by the discovery of new and better products that we keep our place in the race. It is by improving methods and processes and reducing the costs of manufacture that we bring our products within the reach of new classes of customers and so expand our markets. And here again scientific research must be supported by sound market research, for whatever the intrinsic merits of the product it is futile to produce it if the public will not or cannot buy it. The interplay of scientific research and market research must therefore be close and continuous. It is some evidence of the importance which we attach to market research that we spend on it each year an amount no less than half that of our annual expenditure on scientific research and development throughout the world.

SEARCH FOR NEW RAW MATERIALS

Another object of research which follows as a natural consequence of rising standards of living and growing populations is the search for new raw materials that can be processed to yield ingredients for existing or novel products. Not only can this make more of these products available to satisfy increasing demands and cheapen the cost, but it often releases for other essential purposes the raw materials hitherto used. The development of synthetic detergents is a striking example. If these had not been invented the world demand for vegetable oils and fats for soapmaking would at the present time be nearly one million tons a year greater than it is. Instead this extra fat is now available for food, and is sufficient to provide the portion of the diet that is bought as fat each year for about fifty million people in the Western world, or for two hundred and fifty million people in Eastern countries.

ACHIEVEMENTS

Perhaps I may pause here a moment to give some illustrations of what has been achieved. In industries of the kind with which Unilever is associated the achievements of scientific research are apt to be unspectacular, because their effect is gradual and far-reaching rather than sudden and dramatic. Moreover, they are usually related to homely objects, either of the sort with which everyone is so familiar that they are taken for granted, or new products that swiftly lose their novelty once they become, as they are designed to do, a familiar pa of the household purchases. Yet these pr ducts are some of the small pieces that, wh put together, determine, by the purposes th serve, the basic pattern of a way of life. Ov a short period the change may be hard perceptible; over a long period the improv ment is considerable.

The development of synthetic detergent for example, together with the improvemen in soaps and soap powders, has eased th domestic burden of cleaning in all its aspect Advances in the field of cosmetics and ha preparations have brought glamour to th maiden—and the matron too, for that matte —in every walk of life. The discoveric scientists have made in bettering the flavou and texture of margarine have so improve the product that in this country it sells freel at a price within a few pence per pound o the price of butter—something which a fe years ago we, who think ourselves experts i this trade, would have told you was im possible. Deep-freezing techniques of pre servation have enabled men to disregard th seasons and to put foods that are to a intents fresh upon their tables the year round with the labour of preparation transferre from the kitchen to the factory.

Changes of these kinds have in total a profound effect upon the lives of all of us Such changes must and will go on; but with out scientific research they would never se the light of day. And unless much of thi research is undertaken by industry itself rather than left to government and academic institutions, the results are not so likely to be what the customer himself wants as wha the authorities think that he ought to have —a very different thing.

These are the influences that have urged us to expand our research effort during the past ten years, and I now turn to the question of its location. Whilst we have in general followed a policy of centralisation in expanding our research, this has been allowed to take place mainly in three highly industrialised countries and has been applied to products that are of interest to us on a world-wide basis. This partial concentration enables us to undertake really effective basic research work which would not be possible in small scattered units, to make economic use of expensive research equipment and to benefit from the inspiration that results from the cross-fertilisation of ideas between groups working in different fields and with different scientific disciplines.

MAIN RESEARCH ESTABLISHMENTS

Our three main research establishments are situated in the United Kingdom, the Netherlands and the United States. The two biggest establishments are at Port Sunlight, in this country, and at Vlaardingen in Holland, where the Dutch Prime Minister, Dr Drees, opened the new research laboratory last November. This event marked an important step forward in the development of our scientific facilities in that country. The laboratories at Port Sunlight and Vlaardingen are today concerned mainly with the traditional—and still the largest—interests of Unilever in washing products, edible oils and margarine. At Port Sunlight, the historic home of the soap side of your business, the major effort is directed towards detergents whereas in Holland, the birthplace of the margarine business, the chief concern is with edible oils and fats. Research and development in these two establishments does much to satisfy the basic needs of our world-wide interest in these two fields. In addition, at Bahrenfeldt, near Hamburg, a research laboratory has been set up to meet the special needs of our substantial margarine interests in Germany.

Another major research centre is in the United States where, in 1952, our Lever business in that country concentrated its research activities in a large establishment at Edgewater, New Jersey. Here is carried out research for washing products, toilet preparations, edible oils and other foods. If one is to carry on business in the highly competitive conditions of the United States it is practically essential to conduct one's research on the spot. But we get in addition the special benefit that the results of the research done by our American business are made available to Unilever throughout the world. Much of the basic scientific knowledge in the fields in which we operate originally reached the United States from Europe, but now the flow of ideas and discoveries runs in both directions. And one particular advantage gained from carrying on research in the States is that there we have the liveliest industrial community in the world and the point of origin of many of the changes in the pattern of life that later spread to other countries. Recognising, as we do, the importance of changing social habits to a business which makes and markets products of the kinds in which we deal, it has seemed to us good sense to locate a substantial part of our research effort in the country where change is to be observed in its most animated form.

MAJOR EXPANSION OF INTERESTS IN FOOD

We have also decided in favour of a concentration of research effort when the question is one of making a major incursion into a new kind of activity, for in such a case it is more economic at the outset to do the basic development work in a single centre. The results can then be applied in those countries where the market research has shown them to have possibilities that are commercially attractive. Towards the end of the last war, for example, we decided upon a major expansion of our interests in foods—foods, that is, other than the edible oils and fats, and we were not prepared to embark upon a new enterprise like this without at the same time planning a substantial programme of research. So we concentrated the work of food research at a centre established in 1951 at Colworth, in Bedfordshire. Here, besides laboratories and pilot scale plants, we have twelve hundred acres of pasture and arable land used for the horticultural research associated with the preservation of fruit and vegetables and for animal nutrition work on behalf of our feeding stuffs business in the United Kingdom and on the Continent.

Similar considerations to those which decided us to establish a food research centre at Colworth led us to set up on a smaller scale a research establishment for toilet preparations at Isleworth, on the outskirts of London. Here research is done on preparations for the teeth, skin and hair, and here, too, the results are available for our businesses throughout the world.

So much, then, for the factors that count in favour of centralisation and have led us to establish our major research centres in England, Holland and the United States. Now I turn to the other side of the picture. Centralisation must not be carried to extremes. In the first place, we feel sure that our research effort will continue to expand, but we are certain its effectiveness will suffer if huge research establishments are to emerge from such growth. In such places communications are difficult, the director becomes remote from the staff and the team spirit does not arise so naturally as in a smaller unit.

DEGREE OF DISPERSION

Again, a number of our companies are engaged on special problems peculiar to themselves, peculiar perhaps to the country in which they operate. For the research in such a case to be carried on at a centre remote from the factory or the country concerned would be an unnecessary disadvantage. Therefore a company with special research problems that lie outside the broader interests of Unilever is encouraged to set up its own specialist research group. There are a number of these small units dotted about the Unilever map. In Germany there is one working on drying oils, one dealing with hair dyes, one working on paper and packaging materials. Similarly in the United Kingdom separate small units are responsible for research into glues and silicates. Research on the agronomy of our plantations, where we produce oilseeds, coffee, cocoa, rubber and bananas, and on the manufacture of plywood and veneers is delegated to the units operating in those fields and our American business of Liptons maintains its own laboratory at Hoboken to work on tea and dried soups. Development work, too, is by its nature often best tackled in the factories and therefore development departments will be found in most large Unilever factories.

It might appear at first sight that even the limited degree of dispersion which I have described would make our research effort as a whole less effective. There are certainly problems of co-ordination and communication, but we are accustomed to dealing with these in all parts of our international business. On the other hand, to locate our research units in a number of countries gives us the intrinsic advantages of diversity. Our staffs are able to maintain close touch with University activities, with Government research, with other industrial research workers and with the latest advances in the great industries of those countries. In this way we are able to draw on a pool of accumulated scientific and technological experience. Moreover, the business as a whole benefits from a pooling of the national scientific genius of the countries in which our main laboratories are situated. A better balance between fundamental and applied aspects of industrial research results from the European emphasis on the former and the American on the latter.

CROSS-FERTILISATION OF IDEAS

I have dealt at some length with the way we have approached the question of *where* to locate our research units, and now I want to say something of *how* they operate. The individual contributions are co-ordinated in a comprehensive programme of Unilever research effort which keeps those concerned with the direction of research fully informed of the objectives of all groups. But for the maintenance of a smooth flow of communication we rely on the circulation of reports, interchanges of visits between laboratories, meetings at which particular aspects of our research are discussed, and, above all, on the people concerned getting to know one another.

Research cannot be maintained at the high pitch necessary for success unless there are lively sources of inspiration. We do not underrate the value of ideas which stem from individuals. Many great advances owe their origin to such ideas and our people are encouraged to think on these lines. However, we feel sure that even greater progress comes from discussions between groups of people, particularly when they represent different interests. I have already mentioned the value we place upon the cross-fertilisation of ideas between scientists of different disciplines and similarly we are convinced that in a business such as ours, concerned as it is with goods to be consumed by the general public, it is essential for research and marketing people to be closely associated in the early stages of developing a new product. Such discussions generate the sparks of ideas that would otherwise never appear, and often they make clear needs which were hitherto ill-defined or even unsuspected.

Most research projects owe their inspiration to the recognition of a need—the need to develop an improved process for the production of margarine, the need for a product to be included in washing powders to counteract the discolouration of fabrics with age; the need for a calf food that will be cheaper than milk and yet will eliminate the manual labour associated with gruel feeding. In general the greater the intuitive foresight in perceiving the need, often one of which the consumer is quite unaware, the greater the potential value. These needs form the broad basis of our research programme. It is the responsibility of the research staffs to carry each project through the first all-important stage of conceiving the elements of the solution and to follow through to the pilot scale work in close collaboration with the production staff concerned. An inventive approach is essential for success, but equally so is a spirit of dogged persistence. If the end result of the research project is to be a new or improved product its performance is assessed throughout the progress of the work in experimental laundries, bakeries, farms, kitchens or hairdressing salons, according to its nature. Research into consumer reaction having satisfied us that the project has good prospects of commercial success, the erection of full scale plant is authorised and the development staff advises on its design and commissioning.

Not all projects follow this pattern. Sometimes invention precedes recognition of the need, as when someone with abnormally keen perception sees the implication of some chance observation. Science provides many outstanding examples of great developments —X-rays, penicillin, polyethylene—where the genius of discovery is sometimes described, somewhat ungenerously, as accidental. Not all such discoveries are as epoch-making as these—but lesser ones can nevertheless make valuable contributions to progress. A recent example of such a discovery in our laboratories is the case of one of our German research chemists who, whilst studying the reactions of fatty acids under the influence of certain catalysts, found that one of his experiments had "gone wrong." He might well have consigned the sticky mass to the refuse bin, but realising the importance of the unexpected he probed further and finally developed a product with resin-like, water resistant characteristics, which could have interesting applications in the paint and linoleum industries. Not all explorations of chance observations lead to successful applications, but our staffs are encouraged to

explore such avenues and any other ideas that interest them and may ultimately benefit the business.

SHORT-TERM PROJECTS

Some of the research projects are based on short-term aims. The results of such projects are expected to have immediate application in the business as new or improved products and processes and for which the promise of reward is high in relation to the estimated effort to achieve it. The time taken to achieve success varies. The new liquid detergent for the general wash, launched last year by Lever Brothers, New York, took two years to bring to fruition. Detergent products of this type contain more than a dozen ingredients ; not all are soluble in water and some are incompatible in concentrated solution. The production of a highly concentrated liquid that would remain stable and show no signs of separation, and could be packed in cans without corrosion problems, kept a research team in Edgewater very busy during these two years.

This year one of our companies in the United Kingdom has begun to manufacture a fat that has the unique characteristics of cocoabutter. This is a problem that has been frequently tackled unsuccessfully in the past, but a new approach in our laboratories in the United Kingdom and Holland has culminated in the launching of a satisfactory product in less than three years. In this instance it was necessary, not only to devise means of modifying fatty raw materials, but also to design a completely new process.

By contrast the artificial sow's milk first marketed by one of our companies two years ago can be made on standard compounding machinery. One of the novel features of this project was the designing of a food to be eaten in a dry form by young piglets at a stage in life when normally they would be suckling. The formulation of this product necessitated striking the right balance between the essential nutrient factors and in providing these in easily digestible form. To cater for the needs of life and growth by way of the restricted intake of the young stomach called for concentrated ingredients that had to be chosen from commercially available and reasonably priced raw materials. This development has enabled the pig farmer to rear piglets that, for one reason or another, cannot be fed by the sow, but what is more important is that it enables him also to breed three litters from the same sow during a period when she would normally produce only two.

Short-term projects, a few of which have been quoted to illustrate the kind of work in which we engage, are supported by long-term research directed to no specific product or process, but whose nature is such that it may lead to developments on which our progress a few years hence may well depend. Many of the short-term projects on which we will be working must rely on this storehouse of fundamental knowledge for some of their basic components. Not all the results of this work will find application, but we believe that much of the new thinking and novel developments essential to progress must stem from it. This is exemplified by the studies our scientists have been making of the inter-actions that take place at the surfaces between solids, liquids and gases. Six papers on this subject were read by Unilever scientists at the recent International Congress on Surface Activity. An understanding of the forces that come into play is very important to us since the formation and structure of emulsions is dependent on these forces and we have many product interests in emulsification. Margarine, ice cream and cosmetic creams are emulsions and emulsification is important alike in baking, shampooing and washing greasy dishes. A knowledge of these forces is an essential part of our study of the basic mechanism of detergency in order to answer such questions as what causes particles of dirt to adhere firmly to fibres and what factors contribute to the stability of lather.

BIOLOGICAL WORK

It is equally important for us to make basic studies of biological aspects. Our bacteriologists are examining bacteria in the mouth, since bacterial action is a most important factor contributing to dental decay ; they are studying bacteria on the body, because this can be of value to our work on deodorants and bactericidal soaps ; and their work on bacterial contamination of food is particularly important because there are great dangers to guard against in this field. A fourteen-year programme of study has done much to contribute to the knowledge of the nutritive value of oils and fats, and in another biological field we have examined some of the factors that interfere with the water balance in the layers of the skin and that can result in its drying and cracking.

Much of our biological work is devoted to assuring ourselves that ingredients to be used in our products will not affect adversely the well-being of those who use them or even ill-use them, as for example, when little Johnny consumes a bar of soap. Although such work cannot contribute to the development of new products it is nevertheless an essential part of the responsibilities of our research teams. The effects of washing products on the skins of both animals and humans are examined and exploration of possible toxic effects of food ingredients often necessitates life span studies of rats and tests through three generations that may take up to three years. If, for example, research can show the way to use beams of electrons or gamma rays from radio-active sources to preserve food, it will not be possible to contemplate applying the results until exhaustive feeding trials have demonstrated that the food is a satisfactory article of diet in every respect.

WORLD-WIDE DEVELOPMENTS

Naturally we aim to keep in touch with the latest world wide developments in all branches of science that have a bearing on our research activities. Many of them originate in University laboratories and the great fundamental advances these have initiated in the postwar years command the highest admiration. Contact with Universities and their staffs provides a constant source of inspiration to us. Not the least important of the benefits that have emerged from research in Universities and in government sponsored research establishments are the highly specialised techniques that now have a key role in industrial research. The complex nature of the techniques and of some of the equipment serves to emphasise that the days are gone when a test tube, a piece of string and ingenuity were enough. Some of these recently developed techniques have opened new vistas to us. Analysis of the components present in a naturally occurring fat, which previously occupied a chemist for 5 or 6 weeks and in many instances could only be made in part, can now be completed in a few hours. We are also able to detect and segregate substances present in fats, meat, fish, fruit and vegetables at levels as low as one part in one thousand million, and we have been able to identify nearly fifty of the components which are present in the flavour extract of butter. This technique of vapour-phase chromatography, in which the sample is vapourised and split into its components like the colours in a spectrum, is being used together with the latest spectroscopic techniques to explore flavour, and stability of products during processing and storage, it is even being used to supplement the delicately attuned nose of the perfumer.

We are finding the techniques of radiochemistry to be invaluable in a variety of applications. Radio-active isotopes are being used to trace the absorption of fertilisers in our plantation investigations, to determine the nature of certain flavours and changes in flavour when food is cooked, and in nutritional studies of fats.

THE MAIN CONSIDERATIONS

It is no easy task to determine exactly how much research should be done. It is a healthy sign that we find that more potentially rewarding projects are conceived than can be undertaken. This forces us to be selective and tackle only such a proportion of them as is consistent both with the rate at which our research effort can expand and with our ability to take commercial advantage of the results. The main considerations are, therefore, on the one hand the problem of recruiting research scientists in general, and in particular the difficulty of finding men in whom outstanding scientific ability is coupled with the administrative ability necessary for a research manager ; on the other, the availability of the capital and management resources that will be required if the results of the research are to be applied commercially.

What this comes to is that we must measure the estimated amount of research effort required against the potential reward. The latter is judged by the capital expenditure needed, by the possible earnings in relation to expenditure, that is the yield, by the number of countries and the size of the markets in which commercial development is likely to be possible, and by the length of the period during which it is probable that Unilever will enjoy the benefits of the work. Then, too, we must consider the speed with which a solution to the problem is likely to be found, for while all projects are urgent, some are more urgent than others. Again, we must see how the new product that we hope will result from the research project is going to fit into the structure of our business. Can it, for example, be marketed by an existing sales force or shall we have to create a new one ? And finally we have to see that we still keep allocated to long-term research work, in contrast to short-range product work, a sufficient part of our resources to enable the business to maintain its competitive position five to ten years hence.

VITAL ROLE OF RESEARCH STAFFS

And now, what does all this add up to in terms of the proportion of Unilever's resources applied in this field ? To measure the total effort in terms of monetary cost would be misleading, since research in the United States is more than three times as expensive as in Europe. The number of people engaged on research, including technical assistants, mechanics and administrative staff, is a safer guide. We have eight establishments where the staffs range in size from fifty to five hundred and these employ in all nearly 1,500 people. Factory development units and small specialised research groups account for a further 750 or so, bringing the total in Unilever engaged on research and development to around 2,250. Of these, exactly 666 are qualified scientists and engineers, but there is no mystic significance in this number.

To maintain a staff of this size presents a considerable problem in recruitment. No useful purpose would be served by dilating at

E ECONOMIST MAY 4, 1957 COMPANY MEETING REPORTS

th on the oft-lamented shortage of
tists in industry. Although the shortage
s to be equally serious in both North
rica and Europe it is interesting to con-
the attitude of scientists to industrial
rch in these two areas. On this side of
Atlantic industrial research appears as
unknown territory to the pure scientists
leave our universities ; territory where
imagine that initiative and creative
us will be put in fetters, territory in-
ted by hard-faced business men who
done well out of exploiting scientists
where the whole level of activity will be
llectually lower than in government or
ersity research. Yet many industrial
rch projects differ from academic ones
in their aim, that is, commercial appli-
on on the one hand and knowledge for its
sake on the other. We are by no means
med of our aim for it is an important
or essential to the continued prosperity
the country and on this prosperity must
mately depend the sinews of research—be
ndustrial or academic. There is satisfac-
in being part of such research endeavour,
seeing the results applied, in influencing
ial change and in having the means to
iate such change. Naturally those who
k in industrial laboratories must expect
e degree of direction if the general effort
o be effective, but we recognise the value
the enthusiasm which springs from ample
pe and freedom of choice, and throughout
business we are not so foolish as to ignore
fact that the heights of enterprise are
ched when a man is doing what interests
n most.

The part that our research staffs play in the
siness is vital. Their achievements con-
bute to its material progress and their
pport gives confidence to our production
d selling organisations. But their contribu-
n is even greater than this. For what, in
ence, are the distinguishing characteristics of the research approach to problems ?
ey are the creative and lively imagination
at is alertly ready for new ideas and the
gged perseverance that sees them through.
hey are the ability to use existing knowdge as the base from which to advance to
w concepts. They are the inquisitive spirit of logical enquiry, the readiness to keep an open mind that neither blindly accepts the old nor illogically rejects the new. All these are qualities that must not be confined to research alone but can be applied in every field of endeavour throughout the business. And so it is that for the rest of us in Unilever constant contact with our research colleagues stimulates us in the quest for new ideas, keeps us lively and helps to save us from the deadly sin of complacency. (Applause.)

The Chairman concluded by moving the adoption of the Report and Accounts for the year 1956. Mr G. J. Cole, Vice-Chairman, seconded the motion and it was carried unanimously.

The proposed final dividend of 11½ per cent on the Ordinary Stock and a dividend of 6 per cent on the Deferred Stock payable on May 14, 1957, were approved.

The retiring Directors were reappointed with the exception of Mr A. E. J. Simon Thomas, who, having reached retirement age, did not seek reappointment.

The remuneration of the Auditors, Messrs Cooper Brothers & Company and Messrs Price Waterhouse & Company, who had been reappointed under the provisions of the Companies Act 1948, was fixed.

A Special Resolution was passed amending the Articles of Association to permit the signature of the Secretary to certificates for stockholdings in the Company to be affixed by mechanical means and to include a provision covering the Company's practice of making no charge for the issue of a balance certificate where a member transfers part of his stockholding.

The proceedings terminated with a vote of thanks to the Chairman, Directors and all employees.

UNILEVER N.V.

The Annual General Meeting of the Members of Unilever N.V. was held on April 25th at Museumpark, Rotterdam. Mr F. J. Tempel presided and made a speech in similar terms to that delivered by Lord Heyworth at the Annual General Meeting of Unilever Limited, reported above.

The Report and Accounts for the year 1956 were adopted. The proposed final dividend of 10¼ per cent (being the equivalent of the final dividend for the same year to be paid by Unilever Limited to its Ordinary Stockholders calculated in accordance with the provisions of the Equalisation Agreement) was approved, the retiring Directors, except Mr A. E. J. Simon Thomas, were reappointed and the Auditors, Messrs Price Waterhouse & Company and Messrs Cooper Brothers & Company, were reappointed.

THE LIVERPOOL & LONDON & GLOBE INSURANCE COMPANY LIMITED

Mainly due to the adoption of the current rate of exchange of $2.80 to the £ for North American business, considerably increased Fire, Accident, and Marine premiums exceeding £45 million were announced in a statement by the Chairman, Mr T. H. Naylor, circulated with the Annual Report and Accounts of The Liverpool and London and Globe Insurance Company Limited.

Underwriting profit at £780,000 was the lowest in amount since 1947, and in ratio for twenty-five years. Seldom had underwriting conditions been so unfavourable in so many territories and for so many classes of business in one and the same year.

Premium income in both the Fire and Accident Departments, at some £20 million and £23 million respectively, had shown healthy increases, but profit margins were substantially lower. Marine premiums exceeded £2 million, but it had been decided to put the account on a three-year basis, and accordingly the transfer to Profit and Loss account had been deferred. The Life department had again had a successful year, and it had been possible to make a further increase in the rate of interim bonus from 42s. per cent to 45s. per cent.

An increased final dividend of 30s. is recommended by the Directors, making 57s. for the year 1956, an increase of 6s.

PARKINSON & COWAN, LIMITED

GREATLY IMPROVED RESULTS AND FINANCES

MR H. P. BARKER'S REVIEW

The Fifty-seventh Annual General Meeting of Parkinson & Cowan, Limited, was held on May 1st in London.

Mr H. P. Barker, in the course of his review, said:

A record turnover in 1956 brought a Consolidated Net Profit of £171,536 compared with a loss of £35,456 in 1955. After allowing for Preference dividend, but before providing for Debenture redemption and Distribution Profits Tax, the balance represents an earnings rate of 35 per cent gross (20 per cent net) on our Ordinary Stock. I think you will agree that this is a satisfactory result.

The £390,000 debt to our Bankers at the end of 1955 has been converted to a credit of £68,000.

Depreciation has absorbed £200,448 against £160,552 last year and Stocks have been reduced from £1.58 million to £1.34 million.

DIVIDENDS AND APPROPRIATIONS

In recommending a return to an Ordinary dividend of 9 per cent your directors aim at achieving stability as well as eventual advancement in dividend policy. In addition to £27,600 credited to Debenture Redemption reserve it is proposed to add £50,000 to General Reserve, and £12,613 to Profit and Loss balances.

OPERATIONS IN 1956

In our domestic appliances activities we closed two factories and concentrated production at our main Birmingham Works. In the now combined Parkinson-Monitor Division we have a first-class industrial asset of great potential.

Similarly in Measurement Limited (our Division concerned with the manufacture of liquid meters, pumps and electricity meters) we are concentrating our manufactures at one factory where we have space for eventual expansion.

Our Gas Meter Division continues to operate satisfactorily and the excellence of its products is obtaining growing recognition.

NEW PRODUCTS OF THE GROUP

Our business is so diversified that I can only mention some of the new products which we have introduced in 1956. The Renown Mark Six Gas cooker made by the Parkinson Stove Company is proving an outstanding success. A range of devices has been developed by Measurement Limited which we collectively term "fluid automation" for the metering and control of liquid processes in the food and chemical industries. This business is progressing rapidly. A new gas meter has been designed primarily for overseas markets. A range of high temperature radiant heaters has been introduced and progress is promising.

STAFF

We try to treat all those who work in our Group as separate individuals and to give opportunity, training and security to each as best we may. In these days more than at any other time in industrial history the wealth of a Company is no more and no less than the quality of those who work in it.

The Report and Accounts were adopted.

The retiring directors, Mr C. H. Pearson and Mr R. C. Symondson, were re-elected.

PHILIPS' INCANDESCENT LAMP WORKS HOLDING COMPANY

EINDHOVEN

The Annual Report and Accounts of the above-named Company and of the Operating Company, Philips' Incandescent Lamp Works, are now available in their English translation. The Holding Company owns fl.487,859,000 Ordinary shares of the Company out of a total of fl.488,181,000 and fl.143,571,000 Preference shares out of the fl.144,000,000 in issue. Below are given the Balance Sheet and Profit and Loss Account of the Operating Company as at 31st December, 1956.

BALANCE SHEET AS AT 31st DECEMBER, 1956

ASSETS				LIABILITIES			
Property, plant and equipment :				**Share capital and reserves :**			
At replacement value	fl.	590,314,000		Ordinary share capital	fl.	488,181,000	
Less depreciation	„	288,930,000		6% cum. part. pref. share capital	„	144,000,000	
			fl. 301,384,000	Share premium account	„	54,625,000	
Intangible Assets			—	Retained profit reserve	„	416,129,000	
Investments in and amounts due from Associated Companies			„ 1,191,884,000		„	1,102,935,000	
Sundry non-current assets			„ 4,644,000	Revaluation reserve	„	299,289,000	
							fl.1,402,224,000
Stocks :				**Sundry provisions**			„ 76,832,000
Factory stocks	„	180,013,000		**Long-term Liabilities :—**			
Commercial stocks	„	56,681,000		3½% 25 years' unsecured debentures	„	63,750,000	
			„ 236,694,000	3½% 20 years' unsecured dollar debentures	„	19,125,000	
Debtors :				4% 25 years' unsecured dollar debentures	„	76,500,000	
Trade and other debtors	„	115,692,000		Other long-term liabilities	„	162,983,000	
Prepaid expenses	„	6,481,000					„ 322,358,000
			„ 122,173,000	**Current Liabilities :**			
Liquid Assets :				Creditors, incl. provision for taxation	„	68,308,000	
Marketable securities	„	10,201,000		Accrued expenses	„	27,418,000	
Cash at bank and in hand	„	124,212,000					„ 95,726,000
			„ 134,413,000	**Profit Available for Distribution**			„ 94,052,000
			fl.1,991,192,000				fl.1,991,192,000

PROFIT AND LOSS ACCOUNT FOR THE YEAR 1956

Profit, including profits made by Subsidiaries, after foreign taxation and before deduction of the following items			fl. 271,439,000
Depreciation of property, plant and equipment	fl.	31,159,000	
Interest paid	„	12,736,000	
Payments to pension funds	„	18,433,000	
			„ 62,328,000
Profit before taxation			„ 209,111,000
Provision for Netherlands tax on profits			„ 61,060,000
Net Profit for the Year			fl. 148,051,000

Profit Available for Distribution :—		
Shareholders' dividends at the rate of 7.6 per cent. per annum on the Cumulative Participating Preference Shares and 14 per cent. on the Ordinary shares	fl.	79,289,340
Board of Directors and Board of Management	„	6,974,389
Personal interests	„	7,788,667
	fl.	94,052,396

The development of the Philips Group as a whole over recent years is shown in a table published in the Annual Report, from which the following figures have been extracted.

	1956	1955	1954	1953	1952
	In millions of guilders				
Sales	2,686	2,280	1,936	1,601	1,384
Profit before taxation	313	269	231	172	143
In relation to sales	11.6%	11.8%	11.9%	10.7%	10.4%
Net profit for the year	158	148	119	88	64
In relation to sales	5.9%	6.5%	6.2%	5.5%	4.6%
Profit distributed	94	71	48	37	31
In relation to net profit	60%	48%	40%	42%	48%
Dividend on ordinary shares	14%	14%	14%	14%	12%
Dividend on preference shares	7.6%	7.6%	7.6%	7.6%	7.2%
Additions to property, plant and equipment	293	239	144	82	113
Depreciation of property, plant and equipment	100	82	74	64	59
Current assets	2,135	1,916	1,481	1,378	1,276
Current liabilities	1,038	839	713	618	570
Long-term liabilities	654	491	393	378	347
Net worth	1,535	1,426	1,029	949	902
Ratios :—					
Current assets to current liabilities	2.1	2.3	2.1	2.2	2.2
Net worth to liabilities	0.9	1.1	0.9	1.0	1.0
Number of persons employed	152,000	143,000	123,000	106,000	95,000

Copies of the above Accounts may be obtained from the Company's British Fiscal Agents,

PHILIP HILL, HIGGINSON & CO., LIMITED

34, MOORGATE, LONDON, E.C.2

TRADE INDEMNITY COMPANY LIMITED

CREDIT INSURANCE A VALUABLE INSTRUMENT OF MANAGEMENT

SIR JOHN MAKINS ON THE OUTLOOK

The thirty-ninth ordinary general meeting of Trade Indemnity Company, Limited, was held on April 25th in London, Sir John Makins (the chairman) presiding.

The following is an extract from his circulated statement:

The gross premiums earned in 1956 amounted to £1,654,593, of which we retained £523,038, an increase of about 5 per cent on 1955. In this respect the outcome is very much in line with the expectations indicated to you a year ago. Although additional premiums on 1954 (including previous years) were up a few thousand pounds, those relating to 1955 were heavily down, due to contraction of the business of our Insureds. On the other hand, initial premiums and first year's additional premiums on 1956 Account were substantially up—undoubtedly due to an increasing realisation of the value of Credit Insurance in the prevailing uncertainty.

During 1956 the turnover of transactions underwritten increased by only 1.6 per cent from £862 million in 1955 to £876 million.

In 1955 the claims paid less salvages were low. The same cannot be said for 1956, when we have a gross figure on all Accounts of £756,889 and a retention of £192,115. The deterioration has been most marked in connection with our overseas business, though internal risks have also contributed to it.

We have also developed our selling organisation by the opening of new branches in Newcastle and Gloucester and by expansion in other areas.

PROFIT AND LOSS ACCOUNT

Turning to the Profit and Loss Account, interest on investments and other income (gross) comes to £42,908, which, added to £243,373 transferred from Underwriting, gives us £286,281. Taxation on income within the Account is estimated to absorb £145,559, but we have previously provided £4,198 in respect of the Excess Profits Levy 1952/1953, which is no longer required, so that the net tax figure, at £141,361, is lower than it was in 1955.

Because of the lower tax provision, the actual profit for the year, after providing for tax, is £144,920, to which must be added the carry forward from 1955 of £90,697, giving a total of £235,617. Against this total we have written £50,000 off the book value of the investments and transferred £50,000 to General Reserve. Your Directors then recommend payment of a Dividend of 12½ per cent, less Income Tax, which will absorb £35,937 and leave a carry forward of £99,680.

Balance Sheet. — Current assets at £539,989 (including Treasury Bills at £98,777, since redeemed for £100,000) exceed current liabilities by £260,548. A year ago the corresponding excess was £99,437.

As a result of the £50,000 transferred to General Reserve, this now stands at £200,000.

GENERAL REMARKS

As I have already indicated, interest in Credit Insurance increased during 1956 and this slightly over-compensated for the contraction in business which reduced the turnover under most of our policies. The extent of contraction varied from trade to trade but was particularly noticeable in the timber trade, where it was of the order of 20 per cent. The average reduction per policy was 12 per cent and it is against this background that our overall 1.6 per cent increase in turnover of insured transactions and 5 per cent increase in premium income must be viewed. Also, it is worth noting that we gained ground principally in trades outside those from which our business has come in the past, that is to say mainly in the engineering and metal trades as opposed to timber and textiles. We have, therefore, made some progress in the spread of the sources from which our business is derived and I hope we shall continue to do so.

In the last resort our progress in 1957 will be linked with the solution to the problem which faces this country's economy, namely whether to stimulate demand so as to employ industry more fully or to restrict demand in order to restrain imports and to preserve the trade balance. Unless the right adjustment is found between these two objectives the country will encounter either a situation of continuing inflation or one of deflation. Both these states of economic disequilibrium can make the practice of Credit Insurance difficult and even hazardous, though, so far as we are concerned, inflation in the past has tended to result in a reduction of claims.

It is, however, difficult to escape the fact that one of the problems with which many branches of industry are now contending is that liquid resources are getting scarcer. From an analysis of Balance Sheets recently published, it is clear that cash holdings are decreasing, while debtors are increasing. Many firms are, therefore, in a less favourable position now than they were a year ago to meet rising costs and to pay for investment expenditure. This situation, coupled with the difficulty of obtaining bank loans, may produce a condition of financial stringency for many firms. In these circumstances managerial ability in all spheres of industry is increasingly important and we feel that it is still not widely recognised that Credit Insurance is a very valuable instrument of management.

We have continued to maintain very friendly relations with the Export Credits Guarantee Department and now scarcely regard them as competitors. So far as medium and long term credits for capital goods exports are concerned it is inevitable that the field should be theirs, and when it comes to short-term credits we find there is sufficient scope for both of us. They are mainly concerned with risks where the exchange transfer and political factors are important, and we must recognise that these are contingencies which are beyond our horizon.

The report and accounts were adopted.

WILLIAM BATE (HOLDINGS)

(Electro Platers and Metal Finishers)

YEAR OF DEVELOPMENT

The eighth annual general meeting of William Bate (Holdings) Limited was held on April 30th at Walsall, Mr G. F. Bate (chairman and joint managing director) presiding.

The following is an extract from his circulated statement:

Last year I mentioned the various uncertainties in the outlook which might affect our ability fully to maintain profits at the 1955 level. In all the circumstances we are satisfied to have maintained both our turnover and trading profit at a level substantially higher than in 1954.

After making full provision for Depreciation, Administration Expenses and all Taxation we are left with a disposable surplus of £46,934 on the year's working. Out of this we recommend the maintenance of the Ordinary dividend at 30 per cent for the year, leaving a residue of £26,809 to augment the Reserve Fund and Profit and Loss Account. It is with reluctance that we have decided not to recommend the additional bonus of 5 per cent as paid last year, but prevailing trading conditions which continue to press on profit margins have been taken into account in reaching this decision.

During the past year we have made further substantial additions to our Factory and Plant having in mind that, in the long run, the increasing competition which is abundantly evident in our trade makes it essential to keep ahead in the facilities we are able to offer our customers. In this connection it will be recalled that two years ago I gave brief details of a new service we were inaugurating for the benefit of our larger customers by the installation of special Plant for their exclusive use.

So far as I know, this service is unique in the Electro-Plating Trade. We design, lay out and instal at our Walsall Factory the Premises and Plant necessary to meet customers' individual requirements. Thereafter we are responsible for operating and maintaining it, the customer having access to it at all times as though it were part of his own factory. By its nature this is essentially a long-term project from which I do not doubt we shall derive increasing benefit in the future.

NEW ACQUISITION PURCHASE COMPLETED

Following the increase in our Authorised Capital earlier this year we have completed the purchase of the well-established and well-known undertaking of Willmott-Taylor Limited, of Birmingham. This business is to a large extent complementary to our own and we expect its acquisition will broaden and reinforce the whole basis of our activities.

While we are at last beginning to shake off some of the bad effects of the serious recession in the Motor and allied trades, the high level of activity we enjoyed in the early part of last year has not as yet been fully re-established. Furthermore, economically shattering events seem to occur out of the blue and few branches of industry can view the immediate future with as much confidence as they would like. However, our sound financial condition and general state of operational efficiency enable us to face without misgiving whatever temporary problems may lie ahead.

The report was adopted.

THE CUNARD STEAM-SHIP COMPANY LIMITED

SATISFACTORY OUTCOME OF 1956 DESPITE DIFFICULTIES

Colonel Denis H. Bates, Chairman of the Company, in a statement to stockholders for submission at the 80th Annual Meeting, to be held on May 22nd, says :

A year ago I warned that "the costs of running ships are still rising" and that "it will be very difficult to increase revenue to cover additional expenditure." It appeared questionable if the "Balance Surplus" could be maintained; however, the 1956 surplus is actually £433,002 above 1955, despite the difficulties.

The essence of this satisfactory outcome lies in Management. The whole team of the Cunard Group tackled the situation with skill in the face of frequent industrial trouble. We carried more passengers across the Atlantic, cruise business was good, earnings of the cargo ships increased. I express thanks to the team at home and abroad, ashore and afloat, and to our agents for their unremitting help. During operational difficulties our sole considerations have been the safety of our ships and the comfort of our passengers : to terminate voyages at intermediate ports is not the service Cunard aim at, and I am grateful to the many passengers who have written not only to forgive us, but to add their thanks for our success in meeting these interjections.

When it comes to dividing the year's "Balance Surplus," £500,000 to reserve and £759,561 retained by subsidiary companies are below what is necessary for depreciation to provide for replacement at current building costs, but they represent a reasonable allocation out of the available surplus after taxation. A final dividend of 8 per cent is recommended, a total of 11 per cent for the year.

AIR VIS-A-VIS SEA

From time to time I have been asked what effect the air has had on our passenger business. In my view, sea and air passenger traffic have been complementary rather than competitive; so far Atlantic air travel has largely promoted its own traffic and total numbers by sea and air have continued to increase. If economic law were allowed to prevail, that process would be maintained but the airlines appear to be able to ignore such normal factors of transportation as cost and profit margins.

Air fares are arranged through the International Air Transport Association. Its decisions require Government approval but profit and loss do not seem to have been given much consideration, either by airlines or the Government. It is not surprising to read in the press that the two state corporations or "chosen air instruments" of Britain "have had so far the benefit of capital expenditure of £126 million of public money while their losses to date amount to nearly £40 million." We can fairly ask why people who want the speed of air travel should not pay the economic price for it and why they should expect to be subsidised by their fellow taxpayers. Further, is it wise policy for Britain to authorise its state air corporations to quote uneconomical fares in competition with British ships when in two world wars and more recently over Suez it has been proved how dependent this Island is on its Merchant Service? The United States Government is at least consistent in its policy of subsidising its merchant service to ensure its survival though recently the president of an American airline was reported as saying that the Civil Aeronautics Board should recognise, by authorising increased rates, that a 15-year-old rate structure is not realistic today.

Last year a record number of passengers crossed the Atlantic by sea and we are convinced that for the foreseeable future the demand for Cunard travel will be well sustained.

Year after year it has been emphasised that adequate provision for replacement has been denied us under United Kingdom taxation computation, which only takes into account the original cost of a ship. Since a passenger ship for our Canadian service cost approximately £1 million before 1939 and now requires £5 million, and a dry cargo liner costing £247,000 in 1939 cannot be replaced under £1,200,000, the attrition of our capital assets is obvious. Naturally the replacement problem has caused us to examine carefully the relief from penal taxation obtainable through a "flag of convenience" based on ownership say in Bermuda. The advantage of a Bermudian subsidiary starts at the end of about the seventh year of a ship's life, taking into consideration UK tax allowances granted prior to the 1957 budget, and after the seventh year funds accumulate quickly and would be readily available for building ships; but unless stockholders resided in Bermuda, the advantage could not easily be passed on to them because dividends would be subject to full UK taxation.

In 1956 the Chancellor recognised the struggle British shipping was fighting and retained the investment allowance at 20 per cent. I am thankful that in 1957 he has reinforced the efforts of British shipping to remain domiciled in Britain by increasing it to 40 per cent.

This summer the *Sylvania* joins the *Saxonia, Ivernia, Carinthia,* completing our present Canadian building programme, and it is heartening to report that the three sisters in commission have proved eminently suitable.

NEW SHIPS AND FIXED PRICES

It is still impossible to obtain fixed prices for new tonnage and shipbuilders should remember that just as the country's economy is working on a bare margin so the financial margin of shipowners is inadequate to pay for new ships. New construction today is an act of faith in the future; our faith would be greatly reinforced if we were not faced with ultimate first costs much in excess of those originally contemplated.

This year will bear the impact of longer voyages in our Eastern services via the Cape instead of Suez and whilst the deviation has been met by a freight surcharge the number of voyages annually per ship will be reduced. The early months have already been affected by strikes in America and the United Kingdom. Strikes in this country are particularly devastating: they reduce profits already inadequate for full replacement, they hit the country's exports and imports upon which

strikers as well as the stricken depend for their existence and they discourage passenger traffic which means so much to Britain.

Our economy is balanced on such a narrow margin that the continuance of industrial strife will inevitably bring nearer a repetition of the hardships of the 1930s. We do not seem to learn from bitter experience that we must produce at prices competitive with the rest of the world.

Against the background of difficulties ahead a cheering feature is that the skill of our managements and the loyalty of our staffs surmounted these obstacles in 1956 and all are determined to repeat the effort in 1957, especially if we are allowed a clear run.

W. & A. GILBEY

(Wine Merchants and Distillers)

CENTENARY YEAR

The annual general meeting of W. & A. Gilbey Limited was held on April 30th in London, Mr R. D. Gilbey (the chairman) presiding.

In his statement the chairman, having drawn attention to the fact that it was in February, 1857, that Walter and Alfred Gilbey commenced business, said: Credit restrictions are apparently still necessary for the economic welfare of the country, but one of their curious effects has been that our trade has benefited from the diversion of expenditure from hire purchase of household equipment to better eating and drinking and also to holidays abroad, with the result that the demand for wines, particularly the cheaper beverage wines, has greatly increased.

Last year I remarked upon the larger proportion of our net profit which arose from our overseas business, and this year's results show that this trend continues.

We felt it desirable to make a special announcement in the Press in the New Year that we had concluded negotiations for the sale of our one-third interest in W. & A. Gilbey, Limited (Delaware), to National Distillers Products Corporation, who already owned the other two-thirds. A substantial capital profit has emerged; and, in our Centenary Year, the Board feel it appropriate to release a part of this as a Special Distribution to the shareholders. The balance of the money received will be required for the general purposes of the Company.

At the end of 1956 we established our Canadian Branch as a wholly-owned subsidiary company, W. & A. Gilbey (Canada) Limited, and we were able to conclude satisfactory financial arrangements locally to provide for the considerable expansion which we have made to the plant.

We have also set up a special Canadian subsidiary for the manufacture and sale of vodka.

In order to take advantage of the increasing demand for brandy in Australia we have acquired the Horndale distillery, and there are encouraging reports of our prospects in this market.

The release of the funds invested in the USA has made our cash position more liquid and enabled us to recommend an increase in the Final Dividend, in addition to the Special Distribution mentioned earlier.

The report was adopted.

THE RHODESIA BROKEN HILL DEVELOPMENT COMPANY LIMITED

(Incorporated in Northern Rhodesia)

EXPLORATION WORK LENGTHENS MINE'S LIFE

SIR ERNEST OPPENHEIMER'S REVIEW

The forty-seventh annual general meeting of members of The Rhodesia Broken Hill Development Company Limited will be held in Salisbury, S. Rhodesia, on Tuesday May 21, 1957. The following are extracts from the review by the chairman, Sir Ernest Oppenheimer, which has been circulated with the annual reports and accounts.

The prices of lead and zinc did not fluctuate widely during the year and were higher on average than the prices during 1955. A record tonnage of 28,925 long tons of zinc was produced but the tonnage of lead at 15,200 long tons was slightly lower than the record of 16,050 tons achieved in 1955.

COSTS OF PRODUCTION

The accumulated stocks of zinc concentrates were sold during the year for £360,000, which figure is included in the total revenue. The cost of these concentrates was, however, £320,000, including nearly £200,000 of transport costs leaving a profit of only £40,000 from this source.

Costs of production continued to rise and in consequence the net profit for the year at £1,342,000 was only £188,000 more than in 1955.

In order to maintain lead production at a level where it would meet contractual sales, it has, in recent years, been necessary to produce zinc concentrates in excess of the capacity of the electrolytic zinc metal plant. Lead production under present operating conditions will therefore be slightly reduced to about 14,500 tons per annum, in order to avoid future accumulation of the unremunerative zinc concentrates.

The revenue from the sale of lead and zinc metal was £4,463,000 which is about £435,000 more than last year.

EXPANSION OF POWER

Last year *I stated that future* capital expenditure would be heavy, and £522,000 was spent during the year. Of this, £300,000 was on the expansion of hydro-electric and thermal power generating capacity. During the year the Consulting Engineers recommended that we should proceed with the construction of the Mita Hills Dam, as it is essential to maintain a steady head of water to the existing generator plant throughout the year if the full utilisation of the existing plant is to be obtained. It is hoped that this regular output of power will, together with power from Mulungushi and the thermal plant at the Mine, meet all anticipated requirements of the Mine and the town of Broken Hill until 1959 or 1960.

The project which was being examined to install further generating plant has therefore been deferred and it is now estimated that an amount of about £850,000 will be required to build the dam wall and install the necessary transformers and transmission lines. The date of starting on the dam wall depends on our being able to complete the necessary

formalities to clear the area for flooding, and on negotiations with the Broken Hill Municipality from whom the company hopes to obtain a loan of £400,000, which will materially assist in providing the capital sums required.

The capital expenditure has still to be met and it was, therefore, decided to appropriate £500,000 from profit to meet the capital expenditure of £522,000 during the year, and to carry forward most of the amount of about £200,000 available from last year's appropriation so as to spread the burden of providing the capital required for the Mita Hills Dam and other essential projects. We were able to do this and to recommend a final dividend of 10d. per share which together with the interim dividend of 5d. makes a total of 1s. 3d. for the year, the same dividend as for 1955.

IRON DUKE MINE

Last year I referred to the possibility of disposing of the Company's Iron Duke pyrites mine. This property is a very small mine near Salisbury with a small ore reserve capable of producing some 70,000 tons of pyrites a year. Even if contracts for the supply of pyrites to consumers in Southern Rhodesia were secured, the operations at the mine would result in only a small annual profit for the Company and it is moreover too far from Broken Hill for its operations to be economically conducted. Negotiations for the sale of the property were therefore continued during the year.

It is hoped that a price of £150,000 will be obtained. In this event, this amount will be usefully employed towards meeting the capital expenditure to which I have referred.

The production of cadmium started during the year, and about 52 tons were produced mostly from accumulated stocks. Normal production in future is expected to be about 2 tons per month.

MINE'S LIFE EXTENDED

The known life of the Mine is continually being extended by the exploration work being carried out. I recall that in 1948 the ore reserve was 2,618,000 tons, and in 1949 the Chairman at the time stated that the Mine had at least 15 years' life. Since then the Mine has continued to produce for 8 years and the proved and indicated ore reserves now stand at 3,357,000 short tons of ore. I have no doubt that as our explorations proceed this tonnage will be further increased. The future is therefore assured, and although it is probable that the price of the principal metals produced will be subjected to the normal influences which affect the metal markets, there are indications that prices will remain at a level which will continue to provide a satisfactory profit on our operations.

Copies of the annual report and accounts may be obtained from the London office of the company, 40 *Holborn Viaduct, E.C.*1.

Gestetner

LIMITED

TOTTENHAM, LONDON, N.17

The Company manufactures the world-famous "Gestetner" Duplicating Machine and accessories. It has branches throughout the United Kingdom and subsidiary companies or representatives in all parts of the British Commonwealth, in the Americas, the Far East, and many countries in Europe. Extensive servicing facilities are available throughout the organisation.

SUMMARISED CONSOLIDATED ACCOUNTS AT 30th MARCH, 1957

	£		£	£
Issued Capital	2,366,880	Fixed Assets at cost ...	3,514,896	
Capital Reserves	477,025	Less : Accumulated depreciation	1,708,550	1,806,346
Revenue Reserves and Unappropriated Profits	1,818,688	Patents and Goodwill ...		1
Amounts set aside	694,814	Subsidiaries not consolidated		272,511
Debenture	495,000	Excess of Current Assets over Current Liabilities		3,774,107
Outside Shareholders' Interests ...	558			
	£5,852,965			£5,852,965

Net Group Profit for the year, after Taxation, Provision for Staff Pensions, etc.		£597,471
Dividends Net by Gestetner Limited :		
Preference...	£ 19,406	
Ordinary	167,347	
		186,753
Retained in the Group		£410,718

*Copies of the Accounts and Chairman's Statement may be obtained from the Secretary, Gestetner Works, Tottenham, London, N.*17.

ATLAS ASSURANCE COMPANY LIMITED

RECORD NEW LIFE BUSINESS

The Annual General Meeting of the Atlas Assurance Company Limited will be held on May 31st at the Company's Head Office, 92 Cheapside, London, E.C.

The following are extracts from the Statement to Shareholders by the Chairman, Mr. Rudolph E. F. de Trafford, OBE, which has been circulated with the Report, Accounts and Balance Sheets for the year ended December 31, 1956:

Before proceeding to give shareholders an account of our rather mixed fortunes during 1956 there are certain matters to which I should refer.

Shareholders will be interested to know that in the United States we have commenced Accident Department operations—better known there as Casualty business.

The use of atomic energy in the industrial field is a problem to which we as a company, in association with others whose purpose it is to provide insurance protection wherever the need for it may present itself, are continuing to give close attention, both in the United Kingdom and elsewhere. It is an international subject and we shall play our appropriate part in catering for it internationally, naturally with a careful watch on the liabilities which we assume.

FIRE DEPARTMENT

Net Premium Income 1956	£5,265,398
Net Premium Income 1955	£6,237,496
Increase	£27,902

As will be seen, our premium income in 1956 was a little higher than in 1955. Our profit, amounting to £34,129 only (.5 per cent), as compared with £384,686 (6.1 per cent) in 1955, was very meagre. No conflagrations or other spectacular events were responsible for our experience last year and I would be more inclined to attribute this, partly at least, to the general tempo of the age in which we live and to the hazards which in one way and another are to be associated with modern-day industrial development and progress.

Our home business, after a series of satisfactory years, went badly. In the United States, although hurricanes caused us less trouble than in recent years, we again had an unhappy time from an underwriting point of view. On the other hand, our business derived from the Commonwealth and elsewhere overseas fortunately continued to run well and was in fact responsible for our finishing up with an overall profit, small though it was.

ACCIDENT DEPARTMENT

Net Premium Income 1956	£3,311,714
Net Premium Income 1955	£3,015,761
Increase	£295,953

In these days of continually growing road transport of various kinds it was perhaps inevitable that this increased income should have come very largely from motor business. There was, however, a welcome expansion both at home and overseas of other classes of business. Our motor business has continued to run at a growing loss in spite of increases in rates of premium which have been introduced in recent years in various parts of the world. There does not seem to be any doubt at all that rates—as I indicated in my statement relating to our 1955 Accounts—are still too low, both in this country and elsewhere, and that this is a situation which must be remedied.

In closing another difficult year with a profit of £102,565 (3.10 per cent), as compared with £70,343 (2.33 per cent) in 1955, I think we have cause for some satisfaction.

MARINE DEPARTMENT

Net Premium Income 1956	£798,221
Net Premium Income 1955	£776,478
Increase	£21,743

Although the income derived from our cargo account was lower than in the previous year this was more than offset by an increase in hull premiums due to new vessels coming on the market and to increases in the insured values of old tonnage. Claims paid on account of 1956 and previous years exceeded by approximately £87,000 the corresponding payments in 1955.

With regard to marine insurance market conditions generally, although in the hull market there is at least a degree of steadiness, I fear that this cannot be said of the cargo market. Rates are pared as an almost everyday occurrence while at the same time the width of the cover given continues to grow, so much so that one wonders to what extent the hazards that come to be covered can really be counted amongst—to use the language of the marine insurance policy—the adventures and perils which underwriters are contented to bear! In this context the mounting marine casualties in 1956 certainly do not bring any comfort.

The sum of £150,000 has been transferred to Profit and Loss Account, leaving the Marine Fund at the end of the year at £1,300,416, which is a strong position.

LIFE DEPARTMENT

In 1956 the Life Department's new business was a record. Net new sums assured amounted to £11,617,260, £4¼ million more than in 1955, and new deferred annuities were issued for £630,959 per annum, £63,360 per annum more than in 1955.

The expense ratio last year was £12 5s. 3d. per cent, as against £11 10s. 8d. per cent in 1955.

The actuarial valuation as at December 31 last revealed a surplus of £562,638 including £104,901 brought forward from the previous year. £175,000 has been transferred to the Investment Reserve and, after providing for interim bonuses and bonuses on reassurances received from other companies, a balance of £382,093 has been carried forward.

The Fund at the end of the year amounted to £31,169,135, an increase of £2,134,327 in the year. The gross rate of interest earned was £5 7s. 7d. per cent and the net rate £4 8s. 6d. per cent.

APPROPRIATION ACCOUNT

After providing for the dividend at the rate of 3s. 6d. per share, 1s. 6d. per share of which was paid in November last, the carry-forward amounts to £1,435,384.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

MR A. C. S. MEYNELL'S ADDRESS

The fifty-second Annual General Meeting of the Association of Certified and Corporate Accountants was held in London on April 30, 1957. Mr A. C. S. Meynell, FACCA, was in the Chair.

In the course of his address he said: The membership of the Association continues to show a satisfactory rate of advancement. I had hoped that at this meeting I might have been in a position to report that we had achieved our 10,000th member. But I am afraid that that particular goal still eludes us.

APPRENTICESHIP TRAINING SCHEMES

Apprenticeship training schemes in industry continue to develop along very favourable lines. There are now a number of companies of international repute—as well as others less well known—which are running such schemes in connection with the Association's examinations.

PERSONAL PENSIONS SCHEME

One noteworthy feature of our pension scheme—and one which, so far as I know, does not appear in any other—is the fact that benefits under it are available not only to members of the Association but also to non-members, provided always that these non-members are themselves in the employ of a certified accountant. This we hope will provide some reasonable scope for those practising members who, although their staffs are perhaps not large enough to justify a formal pension scheme, may nevertheless wish their employees to have the advantage of what is becoming a desirable benefit.

THE BUDGET

Professional and business men will welcome the Chancellor's decision to set up a committee to enquire into the workings of our monetary and credit system. That decision is an extremely wise one and at the same time is most necessary. There is, perhaps, no department of our economy which calls for more constructive thinking at the present time, especially as the Government itself, has, by force of circumstances, become one of the largest of industrial investors.

On the other hand we are bound to feel a sense of deep disappointment at the Chancellor's unwillingness to restore investment allowances or to take any steps to level up rates of profits tax. Mr Thorneycroft's view that there are no signs of stagnation in investment is difficult to reconcile with the facts. The rate of investment in plant and machinery flagged noticeably in 1956. It seems likely to continue to do so this year and the recent Board of Trade survey of building plans shows that investment there is also falling. At the same time the level of industrial production has become almost stationary.

The assistance to be given to overseas trade corporations in competing with more lowly taxed competitors will be generally welcome. It will raise overseas earnings, but the concession applies only if those profits are kept overseas and may therefore encourage overseas investment. That can be a very good thing, but not if it provides any serious competition to the demands of home investment.

JOHN BARKER & COMPANY

FACTORS AFFECTING RESULTS

The sixty-fourth ordinary general meeting of John Barker & Company Limited was held in April 26th in London.

Mr Trevor A. Bowen, DL, JP (the Chairman), in the course of his speech said: The result of the year's trading operations of John Barker & Company Limited is a net profit, before taxation, of £707,895. Of this amount, taxation absorbs £396,969 (or 56 per cent) leaving a balance profit of £310,926.

There is a combination of several causes which contribute to the lower profits, the main ones being dislocation of departments due to rebuilding, petrol rationing, and the considerable rise in working expenses, such as salaries and wages, rates and general expenses.

Our Stores are located outside the area in which are found the theatres, restaurants, and other forms of entertainment which act as a magnet to the public. To offset this natural draw to the West End and its shops, we have created a shopping centre in Kensington which we know, from the goodwill built up over many years, has appealed to the general public because here can be obtained all types of merchandise of excellent quality, at the lowest possible price.

Through our concerted efforts, Barkers, Derry & Toms and Pontings are household names, known throughout the country and indeed throughout the world, and we will do our best to maintain the reputation and success so justly gained, of which we are very proud.

The report was adopted.

HUDSON'S BAY COMPANY

A SUCCESSFUL YEAR

The two hundred and eighty-eighth Annual General Court of the Governor and Company of Adventurers of England trading into Hudson's Bay was held on May 2nd, in London, Mr W. J. Keswick, the Governor, presiding.

The following is an extract from his circulated report for the year ended January 31 1957: Canada achieved a record output of goods and services in 1956 and the Company's profits reflected this prosperity as well as the strength of its organisation. Net profit after taxes of £1,854,000 was £2,170,000, or 7s. 9d. per share. Trading dividends paid and proposed amount to 15 per cent being 3s. per share gross or 1s. 8¾d net after United Kingdom Tax. The same distribution as last year is proposed from the Land Account of 2½ per cent (6d per share).

The most important projects were the completion of the Edmonton store extension, the Calgary "Parkade," the Calgary store extension which will be finished in 1957, and four new Bay Stores.

The Department Stores had another good year with an improvement in sales better than the reported average national increase.

The Fur Trade Department, which includes the Fur Sales operations, also had a successful year.

With the Wholesale Department the welcome improvement in profit is an indication of success towards overcoming the problems of this highly competitive business.

The report and accounts were adopted.

JOSIAH PARKES AND SONS, LIMITED

(Manufacturers of Union Locks and Brassfoundry)

The ordinary annual general meeting of Josiah Parkes and Sons Limited was held on April 25th at Willenhall, Staffs, Mr Cyril W. Parkes, JP (chairman and joint managing director), presiding. The following is an extract from his circulated statement:

Your company has again enjoyed a successful year's trading. The sales of UNION Locks and Brassfoundry in 1956 were higher than ever before. The factories were fully employed during the whole of the year; in fact at Willenhall they were overfull for most of the time, and it is clear that further expansion of capacity must be considered in the near future, even to cater efficiently with the existing load. We have continued the development of new and improved products, and purchased last year the patents and manufacturing rights of the BESCOT door closer, which is being marketed under our own UNION Trade Mark. We have also acquired the whole of the undertaking of Edwin Showell and Sons Limited, of Stirchley, Birmingham, who manufacture Brassfoundry.

The net profit before tax at £266,990 is higher by £40,031 than in the previous year, an increase of 17½ per cent. After taxation, the amount left for the company is £130,170 against £117,359 in 1955. The proportion of profit taken in tax is 51 per cent against 48 per cent in the previous year.

The beginning of 1957 has been encouraging, with demand maintained at a high level.

The report was adopted and a total distribution of 15 per cent approved.

UNION CORPORATION LIMITED

(Incorporated in the Union of South Africa.)

ABRIDGED REPORT OF THE DIRECTORS FOR YEAR 1956

After providing £486,100 for United Kingdom taxation the profit for the year is £1,973,473, plus £992,103 brought forward, making a total of £2,965,576. The Directors have placed £1,000,000 to General Reserve Account and £175,000 to the credit of Exploration Reserve Account and have declared a final dividend of 2s. 6d. United Kingdom currency per share, less United Kingdom Income Tax, absorbing £734,750, leaving £883,451 to be carried forward.

With a view to conserving the cash resources of the Corporation the Directors, as indicated above, have transferred £1,000,000 to General Reserve Account bringing the balance on that Account to £2,300,000 at the end of the year.

The final dividend of 2s. 6d. per share less tax was declared on 20th March, 1957, and makes, with the interim dividend of 1s. 6d. per share less tax, a total dividend of 3s. 0d. per share less tax for the year compared with 2s. 9d. per share less tax for the previous year.

Holdings of shares, debentures and other securities have been taken into the Accounts at cost or under but in no case above the market value of December 31st last, or, where no market price exists, above the Directors' valuation. The Directors, as on other occasions, have thought it expedient to write down the book cost of certain holdings below both cost and market price to allow for the wasting nature of a substantial part of the Corporation's portfolio. To this end they have charged the Profit and Loss Account with £150,000

A copy of the Corporation's Annual Trade Cycles Chart, revised to date, is enclosed with the Report.

GOLD MINING INTERESTS

Summary of the operating results for the past year of the Companies operating in the Transvaal and Orange Free State in which the Corporation is largely concerned:—

	East Geduld Mines, Ltd.	Geduld Proprietary Mines, Ltd.	The Grootvlei Proprietary Mines, Ltd.	Marievale Consolidated Mines, Ltd.	St. Helena Gold Mines, Ltd.	Van Dyk Consolidated Mines, Ltd.
Tons milled	1,720,000	1,245,000	2,344,000	855,000	1,812,000	953,000
Yield per ton, dwt.	6.18	8.17	4.31	5.25	5.81	3.24
Working Costs, per ton	32s. 10d.	34s. 3d.	30s. 5d.	41s. 2d.	40s. 11d.	40s. 2d.
Working Costs, per ton	44s. 11d.	5s. 8d.	23s. 9d.	24s. 11d.	32s. 1d.	6s. 6d.
Working Profit, per ton	£3,861,000	£354,000	£2,781,000	£1,065,000	£2,106,000	£30,000
Total Working Profit	£1,918,000	£1,026,000	£1,399,000	£572,000	£2,039,000	£51,000
Net Profit	£1,912,000	£1,041,000	£1,382,000	£506,000	—	—
Dividends: Total	4s. 3d.	14s. 3d.	2s. 5d.	2s. 3d.	—	—
Per Stock Unit or Share						

The net profit figures include revenue from other sources. Thus East Geduld Mines' dividend income in 1956 on its stockholding in The Grootvlei Proprietary Mines was £64,960 and Geduld Proprietary Mines' dividend income in 1956 on its stockholdings in East Geduld Mines and The Grootvlei Proprietary Mines was £746,347.

ST. HELENA GOLD MINES.—*At the end of February*, 1957, the new vertical shaft (No. 2) had reached a depth of 4,175 feet below surface, the Basal Reef having been intersected at 4,097 feet. The shaft is being continued to 5,500 feet. The extension to the Reduction Plant was completed during the year, increasing its nominal capacity to 125,000 tons per month. In March of this year the Company declared a further dividend of 9d. per share.

WINKELHAAK MINES.—During the year the two small vertical shafts were sunk to depths of 1,210 and 1,472 feet respectively and sinking of the ancillary ventilation winzes was completed. Development from these winzes commenced in August and by the year-end a total of 3,765 feet had been driven. Of this footage 1,075 feet were on Kimberley Reef and sampled, disclosing 470 feet or 44% payable averaging 484 inch-dwt. The majority of the necessary buildings, machinery and plant for shaft sinking and development work on this new property have been completed and good progress has been made with the provision of the necessary accommodation for European and Native employees.

THE WITHOK PROPRIETARY COMPANY.—During the year this Company, in which the Corporation continues to hold a substantial interest, sold to the S.A. Land and Exploration Company, Limited, its entire fixed property on the Farm Withok No. 7, district Brakpan, consisting of 2,240 morgen of Freehold Land and 2,628 morgen of Mineral Rights. The consideration payable is £457,500. The purchaser has also refunded to the Company expenditure incurred by it on prospecting operations amounting to £57,500.

Interests in Gold Mining Companies not under the administration of the Corporation.

STILFONTEIN GOLD MINING COMPANY.—There was a further increase in profits from gold and uranium production during the year and two dividends totalling 1s. 6d. per share were declared. The ore reserves at 31st December last were estimated to amount to 4,286,000 tons with a value of 9.54 dwt. per ton over a stoping width of 38.1 inches.

WESTERN HOLDINGS.—During the year ended 30th September, 1956, the rate of milling increased substantially and there was an improvement in the grade of ore milled. The working profit was £2,502,445 and two dividends totalling 2s. 6d. per share were declared. A further dividend of 2s. 0d. per share was declared in March of this year.

OTHER MINING INTERESTS

SAN FRANCISCO MINES OF MEXICO.—The Company earned a Working Profit of £1,497,000 in the year ended 30th September, 1956, and paid a dividend of 4s. 6d. per 10/- Stock unit in respect of that year compared with 4s. 0d. per unit for the previous year. The mill again treated a record tonnage and ore reserves at the end of the year were estimated at 5,073,000 metric tons.

CHROME MINES OF SOUTH AFRICA.—As a result of an improved demand for the Company's higher grade ores and a small increase in tailings and shipments, the net profit for the year ended 30th June, 1956, was £127,721, or more than double that for the previous year. The Company declared a maiden dividend of 6d. per share in September last.

The Corporation is also interested, *inter alia*, in the following Company:—

TSUMEB CORPORATION.—The Corporation's interest in this Company is approximately 9 per cent. The net profit for the year ended 30th June, 1956, was £3,021,946 compared with £4,089,103 for the previous year, and dividends totalling 35s. 0d. per share were declared. Dividends totalling 8s. 0d. per share have been declared during the first nine months of the current financial year.

OTHER INTERESTS

RAY HALL TRUST.—*The net profit for 1956 was* £132,417. A dividend of 16 per cent. less tax was declared compared with 15 per cent less tax for the previous year. The sum of £25,000 was placed to General Reserve and the amount carried forward increased from £119,727 to £130,144. The Trust's investments as at 31st December last showed an appreciation of £389,378 over book cost of £1,021,841. The 3¾ per cent. Series "A" Registered Debentures were redeemed at par at the end of the year.

BRITISH ENKA.—The net profit for 1955 was £258,565 compared with £805,777 in 1954. After adding £41,158 in respect of taxation and other provisions made in previous years and no longer required, transferring £200,000 to General Reserve and paying a dividend of 8 per cent, involving a net outlay of £86,250, £180,907 remained to be carried forward. The results of operations in 1956 have not yet been published.

SOUTH AFRICAN PULP AND PAPER INDUSTRIES.—After providing for taxation and depreciation the net profit for the year ended 31st December, 1956, was £489,078 as compared with £409,572 for the previous year. A dividend of 2s. 0d. per share has been declared. The Company's output of both white and kraft papers increased during the year and efforts are being made further to increase efficiencies and output. As part of the latter programme a medium sized paper machine has been ordered for the Tugela Mill.

EXPLORATION

In the Kinross area further drilling was carried out on that portion of the holdings of Crystal Mining Areas and Acacia Mines which had previously yielded encouraging results. This work has given some further encouragement and is continuing. As indicated last year, however, the amount of drilling involved is considerable and will take some time to complete.

In addition the Corporation is actively engaged in other exploration in the Union of South Africa and elsewhere.

Copies of the full Report and Accounts can be obtained on application at the London Office, Princes House, 95, Gresham Street, E.C.2.

CITY DEEP, LIMITED

MR N. W. S. LEWIN'S STATEMENT

The Fifty-sixth Ordinary General Meeting of shareholders will be held in Johannesburg on May 7, 1957. The following is an extract from the circulated statement by the Chairman, Mr N. W. S. Lewin, dated April 30, 1957:

WORKING RESULTS

The ore milled, at 1,851,000 tons, was 85,000 tons less than in 1955. The yield improved from 3.797 dwt to 3.862 dwt per ton milled. There was a slight increase in the average amount per ounce received for gold. The working revenue, at 48s. 7d. per ton, was 10d. per ton greater than in the previous year. Working costs at 47s. 7d. were only 1d. per ton milled higher than in 1955 and the working profit rose from £23,435 to £90,180.

ACCOUNTS

To the working profit was added a credit adjustment of £6,967 in respect of pneumoconiosis liabilities, interest received amounting to £20,754 and £6,138 being the difference between sundry items detailed in the Income and Expenditure Account, making a total profit for the year, before taxation, of £124,039. This, together with the unappropriated balance of £690,411 brought forward from the previous year, gave a total of £814,450, which was dealt with as follows:

Dividend No. 71 of 6d. per share totalled	£50,671
A transfer to Capital Reserve in respect of expenditure on mining assets, less realisation of trade investments absorbed	64,562
and provision for taxation amounted to	47
making a total of	115,280
and leaving an unappropriated balance to be carried forward to the current year's accounts of	699,170
	£814,450

The unappropriated balance, together with Retiring Gratuities and Abnormal Costs Reserves, was represented by net current assets totalling £930,436 as detailed in the Balance Sheet.

PNEUMOCONIOSIS

The proportion of the outstanding liabilities under the Pneumoconiosis Act, 1956, which the Company would be called upon to pay in order to meet future pneumoconiosis compensation in the event of the mine being closed down, has been finally determined at £545,055, a decrease of £9,008 compared with the previous apportionment as at March 31, 1955.

POSITION AT THE MINE

The intensified development and shaft sinking programme of recent years was eased somewhat during the past year with a consequent reduction in the footages accomplished in each category of work. The total footage developed was 12,173 feet less at 48,398 feet. The payable ore developed, at 871,300 tons, was greater by 29,200 tons than in 1955, but the value at 5.2 dwt was 0.9 dwt per ton lower. At the bottom of the mine development results on the Main Reef Leader horizon showed no marked change from those of the previous year and continue to be satisfactory.

In view of the possibility that payable values may persist beyond the present southern boundary of the Company's mining property, the permission of the Government was sought and has recently been granted to prospect in that area. The work will be undertaken in due course and if results warrant it, an application for a lease over additional claims will be made.

It will be some time before the question of the resumption of the sinking of K1 Sub-Incline Shaft can be considered as this will depend on the results of development from the pilot winze which is being sunk to test the reef on the other side of the Vierfontein dyke. The total footage sunk in Sub-Incline shafts during the year amounted to 1,473 feet or nearly 1,000 feet less than in 1955. The maintenance of a satisfactory ore reserve, however, may call for some increase in this footage.

The reorganisation of the hoisting and pumping arrangements, mentioned in my Statement last year, has made satisfactory progress. During the year two vertical and two incline shafts on the Nourse Section were stopped and since the year-end a further incline has ceased operating. Certain other technical improvements have also been carried out, including the extended employment of scraper winches in stoping, and modified stoping methods leading to a greater concentration of work and output. As a consequence, the profit-earning ability of the mine has shown a welcome improvement and unless there is any marked change in the circumstances governing the mine, there are some grounds for confidence in future operations.

ORE RESERVE

The available ore reserve, recalculated at the year end at 3,750,000 tons, was 83,000 tons higher than at the end of 1955. The average value and stope width, however, decreased by 0.3 dwt to 5.9 dwt per ton and by 0.1 inch to 42.2 inches respectively.

PROPERTY

There is little further I can add to the remarks contained in the Directors' Report concerning the proposed sale of approximately 260 acres of the Company's freehold land to the City Council of Johannesburg. The Company has not been informed what progress the Commission, which has been appointed by the Administrator to examine the merits of the Council's scheme for the new market, is making. As the scheme presents numerous problems, it may be some time before the Commission has completed its investigations and is in a position to submit its recommendations to the Administrator.

RUGBY PORTLAND CEMENT

RECORD RESULTS

MR HALFORD REDDISH'S SPEECH

The Annual General Meeting of The Rugby Portland Cement Company Limited will be held on May 31, 1957. The following are extracts from the speech of the Chairman, Mr Halford Reddish.

The year 1956 was not by any means an easy one, with many problems ranging from the extreme frost of February to the effects of the Suez crisis in the autumn, and with shrinking profit margins in both the home and export trades; a year perhaps of consolidation rather than of any particularly exciting step forward.

At our Southam Works the new kiln and ancillary plant which were being erected during 1956 have just come into production.

The so-called "Profits" Tax with all its iniquitous and inequitable features is still with us. Nevertheless we feel that the time has come when some increase in the dividend on the Ordinary shares should be made. I have pointed out before that profits which are not distributed but "ploughed back" into the business are in effect fresh capital subscribed by the holders of the Ordinary shares and that they are entitled to a proper return on that additional capital. That in itself is justification—if such be needed—for an increase in the rate of dividend; and we are not to be deflected from that view by any outside influences. But to do anything approaching justice is costly so long as the so-called "Profits" Tax takes 27 per cent of the gross amount of the dividend. It is monstrously unfair to that section of the population on which all of us in industry depend for our jobs—the risk-taking investors in ordinary shares, who are thus singled out for penal treatment. And there is still this quite anachronistic distinction for income tax purposes between earned and "unearned" income. If the nation is to survive we need a rapid return to those old virtues of hard work and thrift. We need hard work: we need savings. Yet the man who practises those virtues and then invests his savings is told that his dividends are "unearned." Some more realistic approach is surely necessary in these times.

ORDINARY AND "A" DIVIDENDS

A dividend on the Ordinary shares of 1s. 1½d. per share is in reality one of 6.36 per cent on the book value of the equity capital employed in the business. If the present day value of the assets were substituted the real rate of dividend would be about 3.7 per cent. That portion of the dividend on the Ordinary shares attributable to the home market profit represents a little more than one penny per cwt bag of cement.

An increase in the dividend on the "A" shares is also recommended. £91,170 (gross) is now carried forward to the credit of the "A" shares and is available for future distribution.

Of the Group net profit of £1,093,436, the manufacture and sale of cement in the home market accounted for 39 per cent. The balance was derived from exports, investments, and subsidiaries at home and abroad.

For the first three months of the current year our profit on the manufacture and sale of cement in the home market is slightly down; but the production, deliveries and profits of the Group as a whole are up in comparison with the first three months of 1956.

Our national economy is still balanced on a knife edge and leaves no room for complacency. The action taken by the Government to reduce expenditure, to cease the over-straining of our resources, to begin the lightening of our burden of taxation, must be warmly welcomed by all thinking men.

Copies of the full speech may be obtained on application to the Secretary, Crown House, Rugby.

THE EMPLOYERS' ASSURANCE

PROFIT IN A DIFFICULT YEAR

The seventy-sixth Annual General Meeting of The Employers' Liability Assurance Corporation Limited will be held on May 29th in London.

The following are extracts from the statement by the Chairman, Lord Knollys, which has been circulated with the report and accounts for the year ended December 31, 1956:

The premiums of our Group at £34,595,000 showed an increase of £2,522,000 over those for 1955, and the combined trading profit, after deduction of tax, was £640,508. A final dividend of 4s. per share is recommended by the Directors, making, with the interim dividend of 1s. 6d. per share, 5s. 6d. per share for the year. The total of our Share Capital and published Reserves, including Carry Forward, now stands at £8,787,268.

Fire.—The 1956 results of Fire insurance for all insurers in the United States were probably the worst for at least a quarter of a century. It was not therefore surprising that the loss of £304,000 on our Fire account was primarily attributable to our United States branch.

Its Fire premium income increased, however, by over £700,000, and therefore not only is a part of the book loss accounted for by additions to reserves, but also there is on our ledgers additional business on which we may expect to earn profits in the years to come.

In the United Kingdom for the first time for many years we made no profit, and what turned the scales against us was the cost of claims for frost damage in the early months of the year. Elsewhere generally we made profits, and in all our major branches we increased our premium income.

Accident.—Our experience on this account was satisfactory, and it exhibits the value of possessing a strong and healthy Accident account in a year that is generally unfavourable for Fire business. In the United States, where our Accident business is extensive, whereas Motor business had been profitable and Workmen's Compensation unprofitable in 1955, in 1956 it was the other way round. The remaining Accident lines written by our United States branch turned out well for us, as usual.

In Canada our Accident account was again successful, though we were only able to break even on our Motor business there.

On our United Kingdom Accident account in all we made a fair profit, besides adding satisfactorily to our premium income. It was disappointing only in that our Motor business, in spite of the rate increases to which I referred last year, was again unremunerative.

Life.—Net new business of our associated Life Office, the Clerical, Medical & General Life Assurance Society, was £10,126,498 for the year. The premium income increased to £2,981,760, and the gross rate of interest earned on investments rose to the record figure of £5 17s. 2d. per cent.

Investments.—The Corporation's total investments, including property and associated and subsidiary companies, amounted to £41,722,433, which represents an increase of £2,314,899 over the figure at the end of 1955. Our total investments were still worth a good deal more at market prices at December 31st last than this figure, which represents their book value in our Balance Sheet.

ENGINEERING COMPONENTS LIMITED

The twenty-second annual general meeting was held on April 30th in London, Mr C. C. Griffith, MC (the chairman) presiding.

The following is an extract from his circulated statement:

My half-yearly Report whilst envisaging a drop in our profits, did not anticipate the Suez crisis and the serious effect it could have on your Company's output and earnings.

Sales during the first six months compared very favourably with 1955, bearing in mind the conditions existing, and it was not until September that we saw a serious fall in sales and with this, keener competition than ever, while all the time costs tended to rise. Another factor has been the fall in the price of one of our principal raw materials.

The profit of £418,251 is after allocating £26,000 as Bonus to Employees and £4,000 to the Educational Welfare and Social Fund.

Taxation takes £232,526, and the Subsidiary Companies retain £6,489, leaving your Company a net profit of £179,236.

Sales in the export sphere have proved remarkably good.

Our constant endeavours are to produce better products, which include gaskets, gasket materials and air cleaners.

Your Company is confident that the new products we are producing, and the fields we are exploring outside the Motor Industry, will in the future maintain the position that your Company has enjoyed for so many years.

The report was adopted and the total dividend of 15 per cent approved.

PEARL

ASSURANCE COMPANY LIMITED

Chairman: **GEOFFREY KITCHEN, T.D., M.A.**

Points from the Annual Report and Balance Sheet for the year ending 31st December, 1956

TOTAL ASSETS £243,834,360 **GROSS INCOME £50,992,588**

INVESTMENTS

The Assets show an increase of £13,614,962. The valuation of the investments taking Stock Exchange securities at middle market prices showed a comfortable margin compared with the values shown in the Balance Sheet after taking into account the Investments Reserve Funds.

LIFE BRANCHES

In the two Life Branches the total sums assured on new policies issued amounted to £72,168,907 compared with £60,141,962 for 1955 and the total sums assured and bonuses in force (including the Capital Redemption Fund), amounted to over £582 millions (an increase for the year of over £38 millions). The total new annuities of all kinds amounted to £460,378 per annum.

FIRE AND ACCIDENT

In this Branch the premium income was £8,851,588.

REVERSIONARY BONUSES

ORDINARY BRANCH.—A reversionary bonus of **£2 0s. 0d.** per **£100** sum assured or annuity on United Kingdom policies entitled to participate in full profits.

INDUSTRIAL BRANCH.—A sum of £2,372,041 has been allocated to provide bonuses and other benefits to policyholders in the Industrial Branch making a total allocation up to date of **£28,760,279.**

CHIEF OFFICES: HIGH HOLBORN, LONDON, W.C.1.

INSTITUTE OF CHARTERED ACCOUNTANTS

ANNUAL MEETING

The seventy-sixth annual meeting of the Institute of Chartered Accountants in England and Wales was held on May 1st in London. Mr A. S. H. Dicker, the President, in the course of his address, said:

MEMBERSHIP

On January 1st this year our membership totalled 19,414. Since then we have admitted the successful candidates in the Final examination held last November and we are therefore now approaching 20,000. This is a remarkable achievement, bearing in mind the stringent requirements for admission on which the Institute has insisted throughout its seventy-seven years of existence.

RECRUITMENT

New registrations of articles are being maintained consistently at a satisfactory level, but, as you all know, we are now passing through an era in which there is intense competition from industry for the better educated and abler school-leavers and university graduates. High initial remuneration must obviously be a great attraction for youngsters and it is therefore important that they should be encouraged to take other considerations into account, including the need for a really satisfying career.

We have therefore prepared a small booklet of pocket size called WHY NOT BECOME A CHARTERED ACCOUNTANT? We have issued a large number of copies for sending to all public schools, all grammar schools (whether boys, girls or mixed) and all youth employment officers—a total of over 4,000 recipients. We hope it will be found attractive. It is intended as a first introduction to the profession not only for pupils but also for those responsible for advising them.

The Council would like to see a much higher proportion of university graduates among the Institute's recruits. Personally I have no doubt that national service has played a major part in preventing any expansion of our recruitment from the universities. There must be a severe limit to the number of boys who are either willing or able financially to contemplate waiting until they are over twenty-six years of age before they are in a position to earn their own living as qualified men. I hope, therefore, that when the Government decision to dispense with compulsory national service becomes effective it will have a noticeable effect upon the recruitment of graduates to the profession. We welcome the graduates of all United Kingdom universities, whatever subjects they have taken for their degree courses.

THE BUDGET

A President of the Institute has to avoid party politics and this makes it rather difficult nowadays to comment even on the Budget. I seem to remember a time when sixpence off the income tax was greeted with more or less universal joy and sixpence on the income tax was greeted with almost universal gloom. Nowadays it is well-nigh impossible for any Chancellor to introduce any change without being accused of adding insult to someone's injury or adding cream to someone's jam.

Speaking purely as an accountant, I regard the Chancellor's proposals this year as being steps in the correct direction. Relief for incomes in the early range of surtax was long overdue.

BOWATER-EBURITE

MERGER SUCCESS

The Annual General Meeting of Bowater-Eburite, Limited, was held on April 30th in London.

Sir Eric Vansittart Bowater, chairman, in the course of his speech, said: I am particularly glad that I have sitting next to me my old friend and your former chairman, Mr J. F. Fielding, our president, thus assuring to us the continued benefit of his great knowledge and experience of the industry in which we are engaged.

Mr N. P. Gold and Mr H. Tomlinson, joint managing directors, from which office they recently retired, have agreed to continue to serve as directors of the company, so that we shall also continue to enjoy the benefit of their experience. These three men have constituted a great team. It will be our endeavour to follow the pattern that they have set by the yet further development of our interests.

IMPORTANT NEW PLANT

1956 was a great and memorable year in the history of your company; the highlight was of course the merger of the Bowater interests in the corrugated container field with those of Eburite. This merger will be of the greatest possible benefit to Bowater-Eburite, for amongst other things it has brought into our fold one of the most modern corrugated container factories in this country. Furthermore, the new corrugated container plant under construction by Bowaters Fibre Containers at Ellesmere Port is now nearing completion and should be in operation within the next month or two. In equipment and efficiency it will be the equal of any plant of its kind in the world. This new plant is situated alongside the paper mills of the Mersey Division of Bowaters United Kingdom Pulp and Paper Mills, with which company we have entered into a favourable service agreement for the supply by it of the new plant's requirements of steam, water and electrical energy. This arrangement has resulted in greatly reducing the capital expenditures that would otherwise have been involved had the plant been situated elsewhere.

But for the merger, two such plants would have been built in the north west area, for you will recall that plans had already been drawn up by Eburite to build a similar plant, which would have resulted in costly competition between the two companies in that area.

Our consolidated revenues for the year under review were the highest so far attained, amounting as they did to £1,463,000. The net income of your company for the year amounted to £701,000 by comparison with £592,000 for the previous year.

It is highly gratifying that the board finds itself able to recommend a higher rate of dividend in respect of the first year's operation of the merged company.

I have great confidence in the future of the industry in which we are engaged. It is my belief that the packaging industry is still in its infancy in this country and there is still great scope for its further expansion and development.

The report and accounts were adopted.

HANDLEY PAGE LIMITED

QUANTITY PRODUCTION OF VICTOR BOMBER

The annual general meeting of Handley Page Limited was held on April 29th in London, Sir Frederick Handley Page, CBE (chairman and managing director), presiding.

The following are extracts from his review of the year's operations:

The development and quantity production of crescent-winged Victor strategic bombers for the Royal Air Force has been your Company's major activity during 1956 at its Cricklewood works and Radlett works and aerodrome. These long-range, high-flying, near-sonic aircraft are Britain's premier V-bombers. They fly faster, farther and higher than any other contemporary type. The country's deterrent strategy is largely based upon them.

Flying trials of the Herald branchliner have been going well at our Woodley aerodrome and works. The Herald is now in production to meet the world-wide demand for airliners of this type.

VICTOR

The importance of the Victor in Britain's defence armoury has been clearly stated by the Government. Recently, the Minister of Supply said he believed that the performance of our V-bombers was as good as, if not better than, anything the Americans were producing.

The great development potential of the Victor makes it likely that even more formidable bombers of this type will be produced in the years to come.

BOAC is showing interest in an advanced civil development of the Victor. This will be an excellent aircraft for its routes in the early 1960s.

HERALD

Testing of the Herald is going well. It was awarded a special-category certificate of airworthiness last July. Following its tropical trials, which are due soon, it is expected that it will receive an unrestricted airworthiness certificate, which will enable the Herald to enter airline service. Its performance has been accurately determined and guarantees of its ability have been given to many operators.

RESEARCH

Structural and aerodynamic research during the year has been carried out both on supersonic civil and military aircraft and on the development of highly-efficient long-range transports for flight at subsonic speeds.

In association with several other British aircraft constructors your company is investigating the design of a supersonic civil transport.

FINANCE

The group net profit, after providing £339,370 for taxation thereon, is £273,275.

The net surplus of current assets over current liabilities has increased by £60,932 to £2,712,719.

It was decided to pay an interim dividend of 5 per cent on the ordinary stock of the company and to recommend a final dividend of 10 per cent, making 15 per cent for the year.

The report was adopted.

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED

TOTAL ASSETS EXCEED £130 MILLION

INCREASED ORDINARY BRANCH BONUS

The ninety-sixth annual general meeting was held on April 30th at the Chartered Insurance Institute, 20 Aldermanbury, E.C.

Mr E. H. Haynes, FIA, chairman and joint managing director, who presided, said:

Our future is dependent on the Government's ability to stimulate investment and at the same time to keep consumer demand within the limits imposed by our capacity to export. Unless this is done there can be no question of improving our standard of living; indeed, it will prove impossible to maintain the standard of living already enjoyed by the community.

Organisations such as ours which have large funds for investment arising from the regular collection of small amounts at millions of homes all over the country are assuming an increasingly important place as providers of capital. In this way we help to ensure that the savings of the many are used to provide the capital which is essential for the development of the economy.

Our field staff in their daily contact with the public inculcate the habit of thrift which is vital if consumer demand is to be kept within bounds.

As many of you are aware, an extension of our Head Office building in Finsbury Square is in course of erection and will be ready for occupation around the end of the year. When completed this fine new building, which we intend to let, will provide one of the most modern and attractive office blocks in the neighbourhood of the City of London.

PROGRESS OF BRANCHES

The premium income in the Ordinary Branch (including consideration for annuities granted) amounted to £4,080,000, an increase of £118,000 over the previous year. The Fund at the end of the year amounted to £36,254,000, an increase of £1,457,000.

On with-profit policies becoming claims, etc., during the current year the Interim Bonus will be at the rate of Two Pounds per cent in respect of each of the years 1956 and 1957.

In the Industrial Branch the premium income for the year amounted to £9,901,000, an increase of £308,000 over the previous year. Claims and surrenders amounted to £5,218,000. The Fund at the end of the year amounted to £84,877,000, an increase during the year of £5,176,000.

Interim Bonus will be continued during the ensuing year at the same rate as the Reversionary Bonus declared for the period 1951-1955, namely One Pound Three Shillings per cent per annum upon the sum assured.

The premium income in the General Branch for 1956 was £804,000, an increase of £74,000.

The year 1956 has seen yet further expansion in the business we transact. The total income of the Society during the year was £20,104,000 while benefits paid to policyholders amounted to £8,574,000. The total payments to policyholders since the inception of the Society amount to more than £148 million. The report was unanimously adopted.

NORWICH UNION INSURANCE SOCIETIES

ANNUAL MEETINGS

LIFE SOCIETY

Speaking at the one hundred and forty-ninth annual meeting of the Norwich Union Life Insurance Society, held at Norwich on April 30th, the President, Sir Robert Bignold, reported expansion in almost all sections of the society's business. New assurance business at over £70 million showed an increase of nearly £2 million (despite the loss through nationalisation of the Indian portfolio), whilst the capital value of pension business totalled nearly £40 million, an increase of over £10 million.

Total funds at £136 million were nearly £9 million up, while the net rate of interest earned had risen from £4 4s 4d per cent to £4 7s 9d per cent. The expense ratio was 17.9 per cent compared with 18.6 per cent for 1955.

Sir Robert said that at home as a result of the concessions afforded to the self-employed by the 1956 Finance Act, pension business amounting to approximately £7 million had been underwritten. The Society had also been able to reduce the rates of premium in this country for non-participating whole-life and endowment insurances.

FIRE SOCIETY

At the one hundred and fifty-ninth annual meeting of the Norwich Union Fire Insurance Society Limited, the chairman, Sir Robert Bignold, said the accounts for 1956 revealed considerable expansion of premium income. The total at £17,912,775 showed an increase of £1,653,237 over 1955.

Fire premiums totalled £7,318,321, an increase of £650,790, profit in this account being £269,467. Accident premiums advanced by £969,894 to £9,336,077, but the account showed a loss of £510,368. Marine premiums totalled £1,258,377 (£1,225,824 in 1955) and the transfer to profit and loss account was £75,000.

The net transfer from profit and loss was £165,901, whilst interest earnings increased by £12,601 to £379,348 net, covering dividend requirements with a margin of £126,348.

Total assets amounted to £24,034,625, an increase of £1,093,436.

INNS & COMPANY

(Public Works Contractors, Asphalters, Sand and Gravel Pit and Quarry Owners)

HIGH LEVEL OF TURNOVER MAINTAINED

The twenty-second annual general meeting of Inns & Company, Limited, was held on April 30th in London, Mr Walter Wallace (Joint Managing Director) presiding said: The Company has had another successful year's trading. The high level of turnover reached in 1955 was maintained, the trading profit amounting to £684,050 as against £676,787, which is again the highest trading achievement of your Company.

The Profit and Loss Account shows that the balance carried down after depreciation and other items amounts to £552,366 against £549,241 last year. The total amount required for taxation is £301,500. The Capital and Revenue Reserves amount to £779,174.

Current assets at the date of the Balance Sheet amounted to £1,343,525, of which £604,760 was represented by Balance at Bank and Cash in Hand. This latter figure has been reduced by payment of the taxation due January 1, 1957. You will gather that the Company continues to be in a strong financial and industrial condition, ready to satisfactorily compete with whatever trading it may undertake.

You will have received Notice of Extraordinary General Meeting, from which you will observe that the Company has entered into contracts to purchase additional lands for the purpose of the Company's trade. The acquisition of these various lands is very desirable if the Company is to maintain its strong trading position.

The purchase consideration is the sum of £400,000 based on the valuation received by the Company from Messrs Leopold Farmer & Sons and will be satisfied as to £150,000 in cash and the balance by the issue of 200,000 Ordinary shares of 4s. each in the capital of your Company.

At the Extraordinary General Meeting you are asked to increase the capital of the Company and to authorise a Share bonus issue to the owners of Ordinary Shares of one new share for each Ordinary share held.

The report was adopted and at a subsequent extraordinary general meeting the capital proposals were approved.

The Times FURNISHING (HOLDINGS)

INCREASED TURNOVER

The ninth ordinary general meeting of The Times Furnishing (Holdings) Limited was held on April 25th in London, Mr Henry Jacobs (the Chairman) presiding.

The following are extracts from his circulated statement:

Results for the year 1956 are considered to be satisfactory, having regard to the credit squeeze, and the further restrictions upon Hire Purchase trading.

Turnover of the group was in excess of the previous year.

Profits before taxation £872,430, decreased £94,460. Profits after taxation £378,839, decreased £56,850. Excess of Current Assets over Current Liabilities £2,887,217, decreased £77,909. Fixed Assets £1,869,106, increased £270,589. General Reserves and Unappropriated Profits £875,834, increased £200,216.

The decrease in profits is attributable to rising working expenses, a heavy increase in Rates and to costs incurred in the opening of new branches.

The considerable increase in fixed assets includes new buildings for Furniture Stores at St Albans, Slough and Maidstone, expenditure upon the building and equipping of an important new production unit for Willesby Tailoring at Basildon New Town and the acquisition of sites for new Willerby shops. A large new furniture store will open at Watford in coming weeks.

The opening months of 1957 have shown a marked improvement in turnover.

The Directors have received unfailing loyalty and support from all members of the staff, and extend to them their warmest thanks.

The report was adopted.

THE SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

MR CHARLES F. J. YOUNGER'S REVIEW

The one hundred and thirty-second Annual General Meeting of The Scottish Union and National Insurance Company will be held in Edinburgh on May 22, 1957.

The following is an extract from the Statement by the Chairman, Mr Charles F. J. Younger, DSO, TD, circulated with the Report and Accounts for the year 1956:

The new Act of Parliament received the Royal Assent on July 5, 1956, and the Capital Reconstruction Scheme became effective on December 31, 1956. To achieve the objects embodied in the Scheme, a sum of £600,000 has been transferred from General Reserve and capitalised, thereby increasing the Paid-up Capital from £600,000 to £1,200,000.

The new life business completed, after deduction of reassurances, was more than £7,800,000, a new record for the Company. Despite the loss of the Indian business, as a result of the nationalisation of life business in that country, the Life and Annuity Funds have increased over the year by £1,616,501, and now amount to £23,592,741.

The premium income in the Fire Department for the year 1956 amounted to £5,280,901, a decrease of £73,666 compared with 1955. The unfavourable underwriting experience in the USA continued throughout 1956 and was common to most companies doing business in that territory. The results in Canada, where the premium income is growing, were also disappointing, due to very keen competition. After making provision for unexpired risks the underwriting loss of £198,526 was met by a transfer from the Profit and Loss Account.

The net premiums in the Accident and General Insurance Account increased by £211,800 to a total of £2,178,030. The Motor Account was adversely affected by the increase in both number and cost of motor claims, especially in Canada, but the results in the other sections of the Account were satisfactory. Although the year's operations showed a trading profit of £34,107 on the whole Account the sum of £71,983 was transferred from the Profit and Loss Account in order to maintain the unexpired risk provision of 50 per cent of the premium income.

In the Marine Department an increase took place in the premium income, and the sum of £70,000 was transferred to the Profit an Loss Account.

The past year has been marked by a increase in interest rates, and the gross yiel from the Life Fund investments wa £5 10s. 5d. per cent compared wit £5 6s 11d. per cent for 1955. Loans o dwellinghouses and other properties in Gre Britain have been increased and addition investments have been made in industr both fixed-interest securities and ordina shares.

Despite the adverse underwriting experi ence of recent years and keeping in min the continued growth in the investmen income the Directors felt able to recommen that a dividend of 2s. on the "A" shares an 4s. on the Ordinary shares, which is equiva lent to the dividend paid for 1955, before th capital was doubled be confirmed. If under writing results continued to be unfavourable the Directors would require to hav regard to this in relation to future divi dend policy.

The Chairman paid tribute to all the offi cials and members of the staff at home an overseas who have given wholehearted servic to the Company during the past yea and to all members of local boards an agents at home and abroad who hav continued to give the Company thei valuable support.

SUN INSURANCE OFFICE

EXPANSION OF BUSINESS CONTINUES

SATISFACTORY RESULTS IN A DIFFICULT YEAR

MR C. G. RANDOLPH'S STATEMENT

In his statement to Shareholders, Mr C. G. Randolph, the Chairman, mentioned that, owing to advancing years, Mr W. M. Pryor had resigned from the Board. Sir Miles Thomas and Lord Rupert Nevill were appointed in February

Their United States Manager, Mr P. J. Prive, had retired at the end of the year, and the Directors had appointed Mr W. M. Kearns to be General Attorney and Mr G. Leycester Parker, United States Manager. In this country their West End Manager, Mr G. J. Morley Peel, and Mr H. R. Shipley, Branch Manager, Kingston, had retired. They had heard with regret of the death of Mr D. S. N. McCartney, Manager of Wellington Branch, New Zealand.

CONDITIONS AT HOME AND OVERSEAS

The year had been one in which losses had been somewhat higher. Intensely competitive conditions existed in many areas, and reductions in rates and a tendency to widen the scope of the cover were reflected in a narrowing of the slender margin of profit. The problems which accompany inflation, such as inadequate insurance, higher costs for repairs and heavier settlements of liability claims, had continued. Insurances for Nuclear Energy Power Stations were likely to be so large that the resources of the entire international insurance market would be required. Conferences in London to achieve mutual support through Pooling were a fresh example of the international character of insurance.

FIRE ACCOUNT

	1955	1956
	£	£
Premiums	7,993,841	8,441,339
Claims	3,702,801	4,202,284
Ratio of Profit	9.40%	6.16%

The expansion of income of £447,498 had taken place in most fields. The reduction in the rate of profit was accounted for by increased claims for, owing to the larger business, a substantial increase in cost had been carried without a corresponding rise in the ratio of charges. In this country the bitter weather at the beginning of the year emphasised the value of Householders' Comprehensive policies. In the United States and Canada losses occurred on many apparently desirable insurances.

In North America a substantial volume of fire business was transacted by policies issued for longer than a year and the usual 40 per cent reserve was not sufficient. Although the general reserves had always been ample to cover such liability, it had been decided to create an additional reserve in the Fire Account by a transfer from Profit and Loss of £963,940 so that the accounts more truly reflected the underwriting results. The profit for the year was £519,948.

ACCIDENT ACCOUNT

	1955	1956
	£	£
Premiums	7,934,130	8,476,333
Claims	4,229,426	4,782,502
Ratio of Profit	6.25%	4.06%

The premium increase of £542,203 was well spread, but the profit was meagre, and the decrease was due to sharp increases in claims. Motor insurance had continued to present many difficulties. In this country there had been a temporary easing following the restriction in petrol supplies. Rate increases in the United States of America were expected to produce some improvement ther and similar action here was essential.

Workmen's Compensation also cause concern, and in Australia and Cuba the ex perience had been unfavourable. Othe classes had proved generally satisfactory.

The profit for the year was £344,352.

MARINE ACCOUNT

	1955	1956
	£	£
Premiums	1,275,459	1,253,534
Fund at the end of the year	2,225,057	2,216,854

The run-off of years prior to 1955 ha been satisfactory, to a great extent owing t freedom from major casualties. 1955 an 1956 had shown a trend to a more norma total loss experience and there had been great increase in repair costs. Competitio for cargo business had continued to b intense.

After a transfer of £150,000 to Profit an Loss Account, the Fund represente 176.9 per cent of premiums.

PROFIT AND LOSS ACCOUNT

Transfers from Revenue Account amounted to £1,014,300. In order to in dicate more clearly the burden of taxation it had been decided to show overseas taxe on profits in the Profit and Loss Account instead of in the Revenue Accounts. Simi larly, Interest, Dividends and Rents ha been brought into the accounts before de duction of tax, the tax being shown separ ately. Investment income had risen fro £1,009,374 in 1955 to £1,106,761. The boo value of investments was £22,070,934.

The Directors recommended a final div dend of 4s. per share, less tax, making total of 6s. 6d. per share for the year.

In conclusion, the Chairman extended be thanks to the Staff, the Advisory Committe Local Directors, and other representatives the Office throughout the world.

APPOINTMENTS

THE UNIVERSITY OF LEEDS

PARTMENT OF ECONOMICS AND COMMERCE Applications are invited for the post of assistant ecturer or lecturer in Accountancy in the Department Economics and Commerce. Salary scales are at present under review. It is expected that the Lecturer ale will be £900 x £50—£1,350 x £75—£1,650 and Assistant Lecturer scale £700 x £50—£850. The ties consist mainly of teaching in connection with the Scheme operated by the Universities and the countancy profession. Candidates should have a good nours degree preferably in Economics or Commerce practical experience in accountancy and, preferably, fessional qualifications. Applications (three copies), ing date of birth, qualifications and experience, ether with the names of three referees, should reach Registrar, The University, Leeds 2 (from whom ther particulars may be obtained) not later than e 25, 1957.

USTRALIAN NATIONAL UNIVERSITY

CANBERRA

RESEARCH SCHOLARSHIPS

Applications are invited from post-graduate students capacity for research for scholarships in Anthropology Sociology, Demography, Economics (including omic History and Economic Statistics), Geography, stralian History, Far Eastern History (China and —a substantial knowledge of the relevant language a pre-requisite), History, International Relations, Law, Political Science including Public Administration, Philosophy, Political and Social Philosophy, and tistics including Mathematical Statistics.

The scholarships are tenable for an initial period of years and may be extended for a third year. holars will be expected to enrol for a PhD degree, to commence their studies in September, 1957.

The present value of a scholarship is £A771 per num. Married scholars with dependent children may granted additional allowances, and the University ll make a contribution not exceeding £stg.165 towards scholar's fares to Canberra from the United Kingdom, of the same amount towards his return fare.

Application forms and further information may be ained from the undersigned,* or from The Secretary, e Association of Universities of the British Commonalth, 36 Gordon Square, London, W.C.1. Applications should be lodged with the undersigned* by ne 31, 1957.

*R. A. HOHNEN, Registrar, Box 4, GPO, Canberra ACT, Australia.

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE

Applications are invited for the post of Lecturer or Assistant Lecturer in Social Science, from September 1 or October 1 1957. The salary scale for Assistant Lecturers will be £700 x £50 to £850, the salary scale of Lecturers will be £900 x £50 to £1,350 x £75 to £1,650 per annum, and the starting salary will be determined by the candidate's qualifications and experience. Candidates should be Honours graduates with experience in University teaching or research, or in Social work. Training and experience in advanced case work would be an advantage. Six copies of applications together with the names of three referees, should be sent not later than May 27, 1957, to the undersigned, from whom further particulars may be obtained.

E. R. EVANS, Registrar.

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE

Applications are invited for the post of Research Assistant in Economics and Social Science, from graduates in the field of Social Science with specialisation in Sociology and/or Statistics. The present salary of the post is £850 per annum, which will be subject to review by August 1, 1957. The Research Assistant will be required to assist in general economic and social research in the Department of Economics and Social Science, particularly in work now being undertaken in connection with changes in the social and industrial structure of Wales. There may also be opportunities for teaching. The appointment will date from October 1, 1957, and is for one year in the first instance with a possibility of renewal for a further two years.

Six copies of application, together with the names of three referees, should be sent not later than May 27, 1957, to the undersigned, from whom further particulars may be obtained.

E. R. EVANS. Registrar.

AUCKLAND UNIVERSITY COLLEGE

(UNIVERSITY OF NEW ZEALAND)

Applications are invited for a LECTURESHIP IN ECONOMICS. The Lecturer's primary duty will be to assist with the teaching of Economic History courses in the Department of Economics, but qualifications to teach other courses in economics are also desired. Opportunity will be given for research.

The salary scale for the position is £1,025 per annum, rising to £1,275 by three annual increments. An allowance is made towards travelling expenses.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

The closing date for the receipt of applications in New Zealand and London is May 31, 1957.

EDUCATION OFFICER required for provincial area of political party organisation. Applicants should be University graduates preferably between 25 and 45. Commencing salary, according to experience and qualifications, not less than £750.—Write to Conservative Political Centre, Abbey House, 2/8 Victoria Street, London, S.W.1.

ACTUARY

The Head Office of a Canadian Life Assurance Company with $6 million premium income has a vacancy for an assistant actuary in its rapidly expanding group department. Applicants should either have recently qualified as fellows of the Institute of Actuaries or Faculty of Actuaries or should expect to do so shortly. Experience in group life and group annuity work is an advantage but not essential. Relocation expenses paid.—Box 679.

CADBURY BROS. LTD. invite applications from men who are likely to graduate this year with a good Honours Economics (or PPE) degree, or have graduated within the last two years, for a vacancy in their Market Research Department. A good knowledge of statistics and ability to interpret figures are desirable. —Further particulars and application forms may be obtained from the Men's Employment Department, Cadbury Bros. Ltd., Bournville, Birmingham.

ECONOMIST. British Nylon Spinners Ltd., invites applications for a post in its Commercial Department. Duties will be concerned entirely with market research and intelligence and will extend over a wide range of markets and products. Essential requirements are (1) a first- or second-class honours degree in Economics or Commerce, and (2) a good knowledge of German; some previous knowledge of market research, not necessarily in textiles, would be preferred.—Please send full personal history to The Personnel Manager at Pontypool, Mon.

RESEARCH MANAGER

Young executive wanted to organise and supervise product and market research for American company in Britain. Excellent opportunity for right man. Salary open.

International Latex Corporation Playtex Park, Port Glasgow, Scotland.

ESTABLISHED manufacturers of prefabricated housing and storage buildings with expanding export markets require overseas representatives of high calibre, used to negotiating with top-level executives. Technical knowledge overseas and on the industry experience an advantage. Salary over £2,000 p.a. plus expenses, allowances, bonus, etc.—Box 684.

SENIOR BRANCH OF THE FOREIGN SERVICE. The Civil Service Commissioners invite applications for about five posts in Grades 7 or 8. Age at least 20 and under 32 on August 1, 1957, but the upper age limit may be extended to 40 for members of H.M. Overseas Civil Service whose experience is directly relevant to the needs of Foreign Service. Selection by interview in July. University honours graduates and other candidates with suitable qualifications and experience will be considered. Sound knowledge of international problems and experience of administrative or other responsible work essential. Competent knowledge required of at least one foreign language; Middle Eastern and Oriental languages particularly useful.

Salary scales:

Grade 8—£605—£1,055 (Starting pay according to age).

Grade 7—£1,375—£1,950.

Women's scales somewhat lower but being raised to reach equality with men's by 1961.

Particulars and application forms, from Secretary, Civil Service Commission, Burlington Gardens, London, W.1, quoting No. 292/5717. Completed applications should be received by May 30, 1957.

MANAGEMENT SELECTION LIMITED have been retained to advise on the appointment of a

DIRECTOR OF MERCHANDISING

for a group controlling a chain of service provision shops and supermarkets, based in the London area. This new appointment will include overall responsibility for merchandising food and allied products through all these outlets, the number of which it is planned to increase considerably. Initial salary about £3,000. Life Assurance and non-contributory pension scheme.

Commodity knowledge is not important compared with some years of senior executive experience in merchandising, preferably for multiple shops. The ability to base decisions on calculation rather than uncritically on experience is important in this rapidly changing field. A degree would be an advantage. Probable age 35 to 45.

Please send brief details in confidence, quoting reference S.373, to P. J. H. Fryer, Management Selection Limited, 17 Stratton Street, London, W.1. No information will be disclosed to our clients until candidates know their identity and have given permission after personal discussion.

SECRETARY required by the Women's Liberal Federation. This highly responsible position gives scope for the exercise of initiative and requires organising and administrative abilities.—Applications to 54 Victoria Street, S.W.1.

CAREER openings available in International Investment Department, London Merchant Bankers, for experienced security analyst with knowledge American stocks, and for young man completed National Service interested statistical work and economic problems.—Apply by letter to Box AP/107, c/o 95 Bishopsgate, E.C.2.

OXFORD GRADUATE, 41, wide experience industrial administration in senior management positions, seeks post requiring exceptional ability and drive.—Box 683.

SECRETARIAL TRAINING especially for university graduates and older students, six-month and intensive 14-week courses.—Write, Organising Secretary, DAVIES'S, 2 Addison Road, W.14. PARk 8392.

UNIVERSITY OF LONDON

A lecture entitled "International Technical Assistance as a Factor in Economic Development" will be delivered by Mr. David Owen (Executive Chairman, Technical Assistance Board, United Nations) at 5 p.m. on May 10th at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2.

ADMISSION FREE, WITHOUT TICKET.

JAMES HENDERSON, Academic Registrar.

OTTOMAN BANK

(Incorporated in Turkey with Limited Liability)

NOTICE IS HEREBY GIVEN that in accordance with Article 29 of the Statutes, the Annual General MEETING of Shareholders will be HELD on WEDNESDAY, May 22, 1957, at Winchester House, Old Broad Street, LONDON, E.C.2, at 12.30 p.m., to receive a Report from the Committee with the Accounts for the year ending December 31, 1956; to propose a Dividend; and to elect Members of the General Committee.

By the 27th Article of the Statutes the General Meeting is composed of Shareholders possessing at least 30 shares, who, to be entitled to form part of the Meeting, must deposit their shares at the chief office of the Company, Istanbul, or at any of the several branches or agencies abroad (in London at 20/22, Abchurch Lane, E.C.4, and in Paris at 7 rue Meyerbeer, 9me) 10 days at least before the day fixed for the Meeting.

J. VASSALL ADAMS, Secretary to the Committee.

April 29, 1957.

NORANDA MINES LIMITED

DIVIDEND NOTICE

Notice is hereby given that an interim dividend of Fifty Cents (50c) per share, Canadian Funds, has been declared by the Directors of Noranda Mines Limited, payable June 14th to Shareholders of record May 17, 1957.

By Order of the Board.

Toronto, Ontario. C. H. WINDELER, April 26, 1957. Secretary.

THE CUNARD STEAM-SHIP COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the Eightieth Annual General Meeting of The Cunard Steam-Ship Company Limited will be held in Cunard Building (Fifth Floor), Pier Head, Liverpool, on Wednesday, May 22, 1957, at eleven o'clock a.m.

(1) To receive and consider the Statement of Accounts for the year ended December 31, 1956, with the Reports of the Directors and Auditors.

(2) To sanction the declaration of final dividend for the year 1956.

(3) To elect Directors in place of those retiring but who, being eligible, offer themselves for re-election. In accordance with the provisions of the Companies Act 1948, special notice has been received of the intention to move at the above Meeting a resolution for the re-election as a Director of the Company of Col. D. H. Bates, who at the date of the Meeting will be aged 70 years and who retires by rotation and offers himself for re-election.

(4) To confirm re-appointment of Auditors and to fix their remuneration.

By Order of the Board.

J. C. TOMLINSON, Secretary.

Offices:—Cunard Building, Liverpool.

April 27, 1957.

Note to Members.—A Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not also be a Member.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability). CANADIAN PACIFIC RAILWAY PERPETUAL 4 per cent CONSOLIDATED DEBENTURE STOCK, NEW BRUNSWICK RAILWAY 4 per cent DEBENTURE STOCK, CALGARY AND EDMONTON RAILWAY 4 per cent DEBENTURE STOCK. In preparation for the payment of the half-yearly interest due July 1, 1957, on the above Stocks, the Transfer books will be closed on May 17th and will be re-opened on July 2, 1957.—R. F. TREMAYNE, Deputy Secretary, 8 Waterloo Place, Pall Mall, London, S.W.1. April 26, 1957.

DOMINION OF CANADA THREE-AND-A-QUARTER PER CENT REGISTERED STOCK, 1958-63. For the purpose of preparing the Interest Warrants due July 1, 1957, the BALANCES will be STRUCK at the close of business on June 1, 1957, after which date the Stock will be transferred ex-dividend.

For the Bank of Montreal, Financial Agents of the Government of Canada in London.

A. D. HARPER, Manager.

47 Threadneedle Street, E.C.2.

May 1, 1957.

TRANSLATIONS

R. PAIGE, 12 Odessa Road, N.W.10. German, French, Italian, Spanish. Into English 3s. per 100 words. From English, 4s. per 100 words. Immediate service by post.

TIRED TAMBOURINISTS: recapture the authentic Spanish rhythm with a glass or two of Duff Gordon's El Cid Sherry. Flamencos in the Fulham Road! Ole! Ole!

EXPERT POSTAL TUITION for Examinations—University Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus—and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2),

METROPOLITAN COLLEGE, ST ALBANS or call at 30 Queen Victoria Street, London, E.C.4.

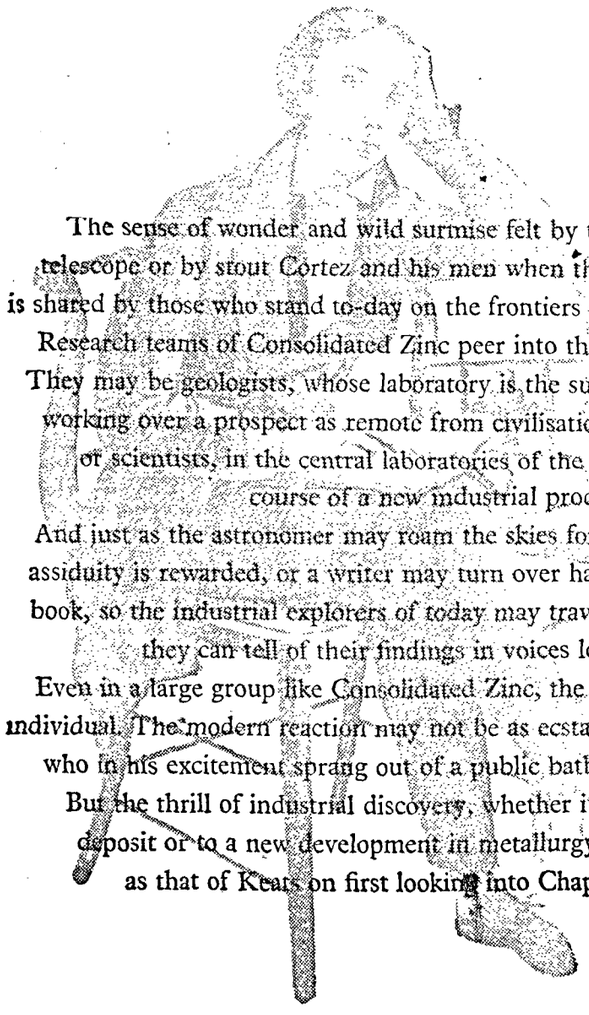
ANNUAL AIR SUBSCRIPTION RATES

Subscriptions to most countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is either because the alternative is not available or not recommended.

	Airmail	Air Freight		Airmail	Air Freight		Airmail	Air Freight
Australia	£8 5s. strlg.	—	India & Ceylon	£7 15s.	£6	Pakistan ...	£7 15s.	£6
Canada	—	$21.50 or £7 14s.	Iran	£6	—	Rhodesia (N. & S.)	£7 15s.	£5 10s.
East Africa	£7 15s.	£5 5s.	Iraq	£6	—	S. Africa ...	£7 15s.	£5 10s.
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Calling the Bans

None of the possible restrictions on H-bombs affords a short cut to nuclear disarmament.

Albion in the Dock

The sincerity of British co-operation in defence and European policy is being actively questioned in Europe.

Russia's Managerial Revolution

Motives behind the proposed drastic changes in the Soviet system of government.

Kings in Oil

Royal Dutch/Shell and British Petroleum are compared.

Government Funding at Work

The government is replacing £400 million of maturing stocks with only £100 million of new stock. Funding policy may be changing.

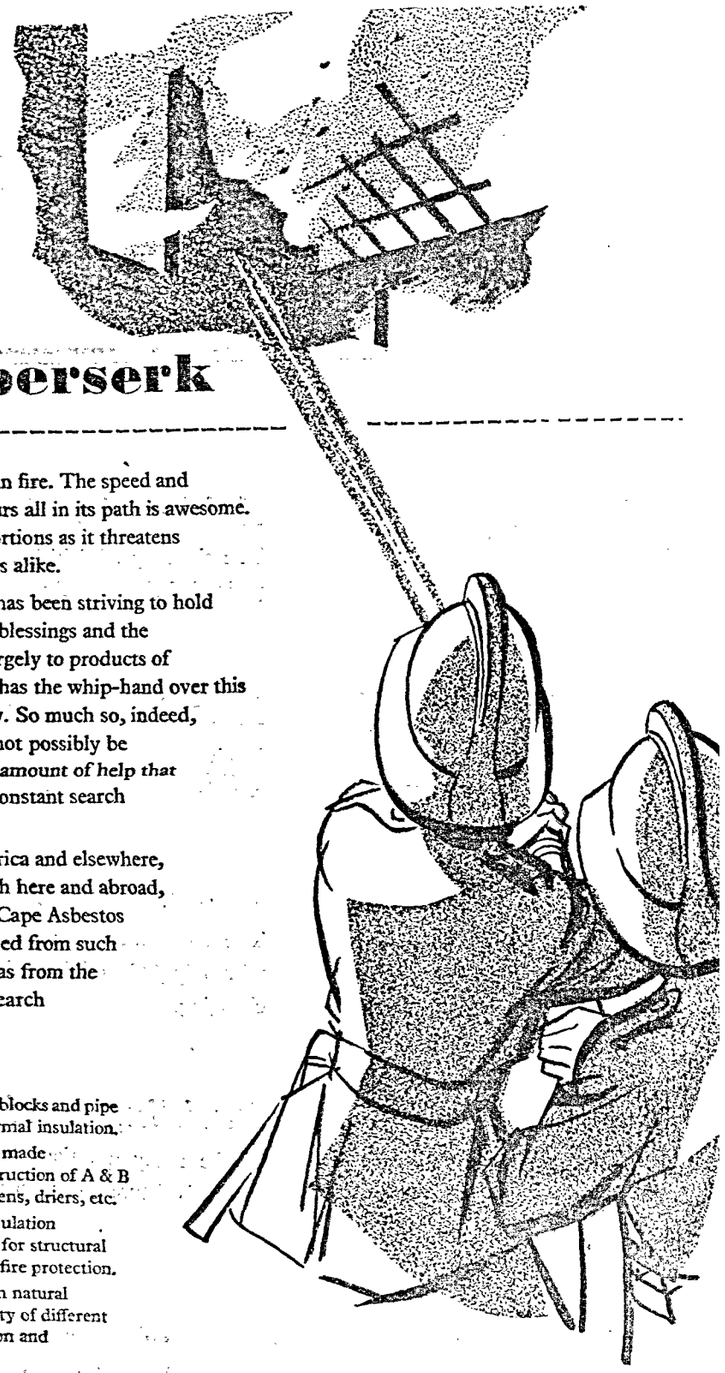
New Town

Our Special Correspondent describes how people live in London's outlet at Harlow.

Building Societies' Bare Balance

Of the many questions facing the Association next week the biggest is future policy on interest rates.

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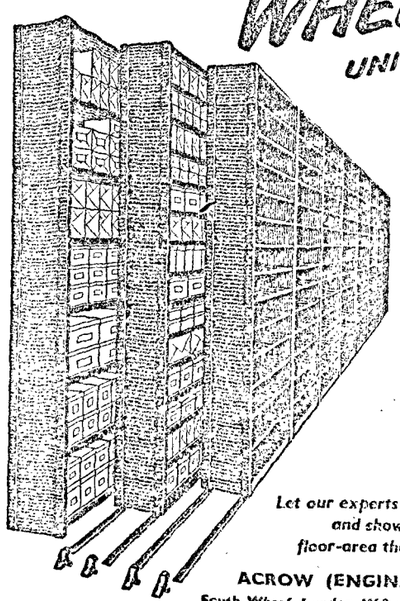
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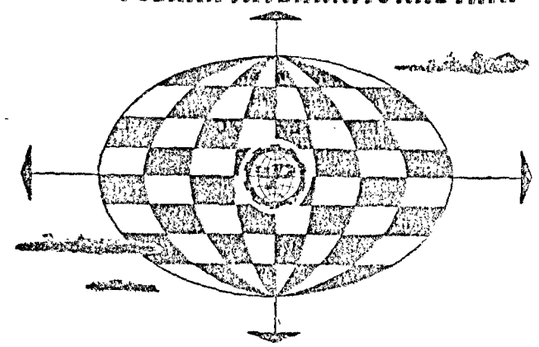


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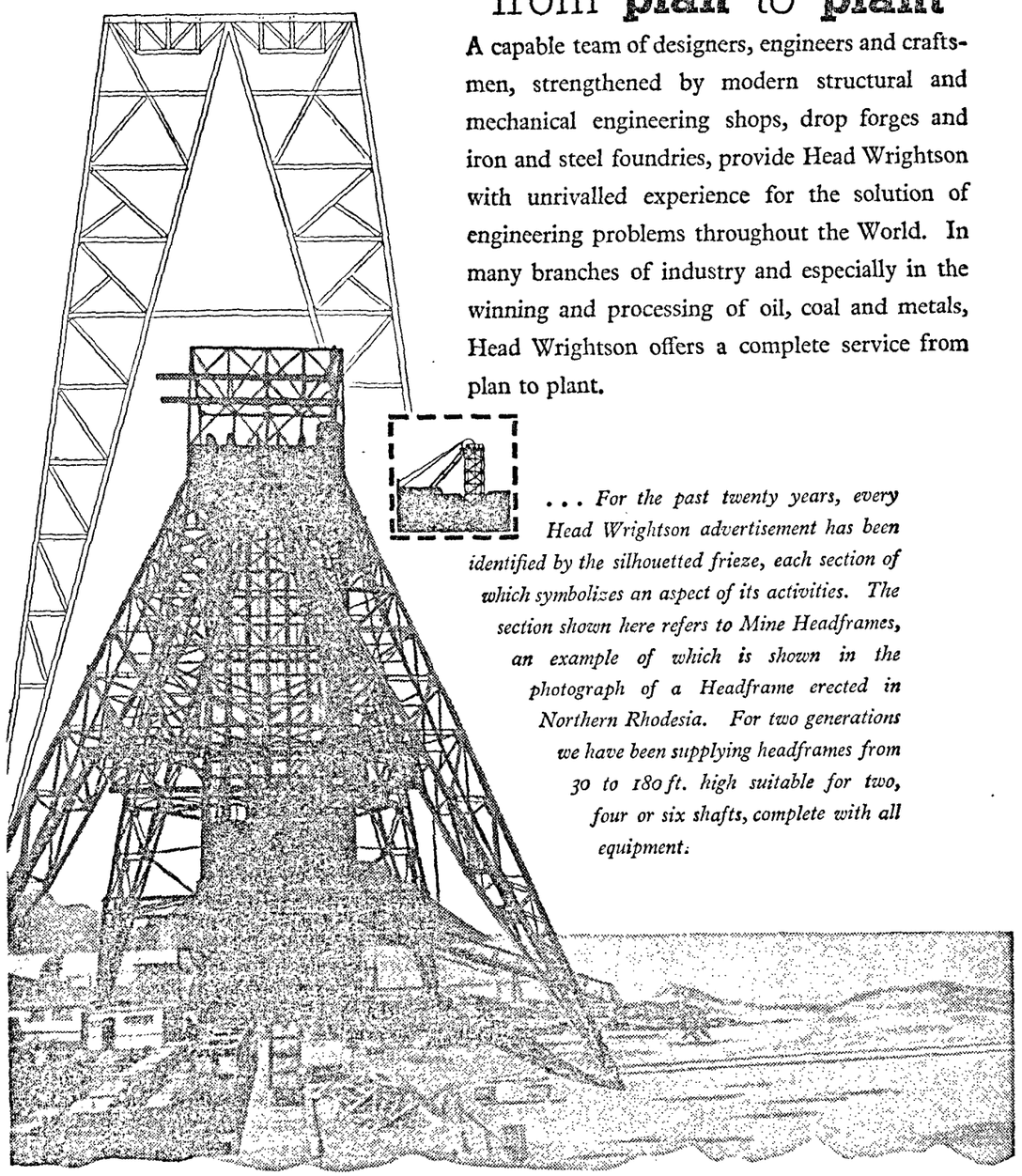
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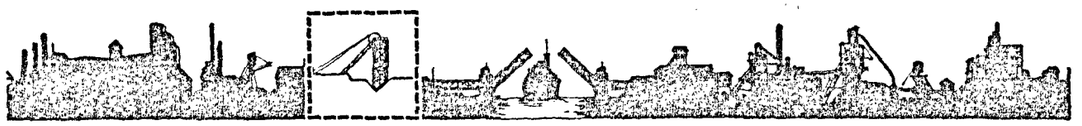
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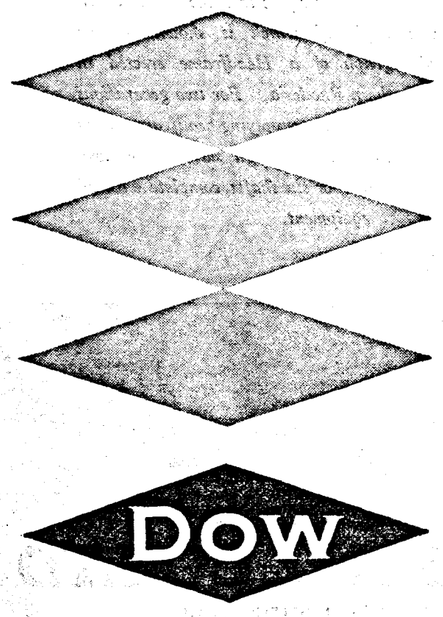
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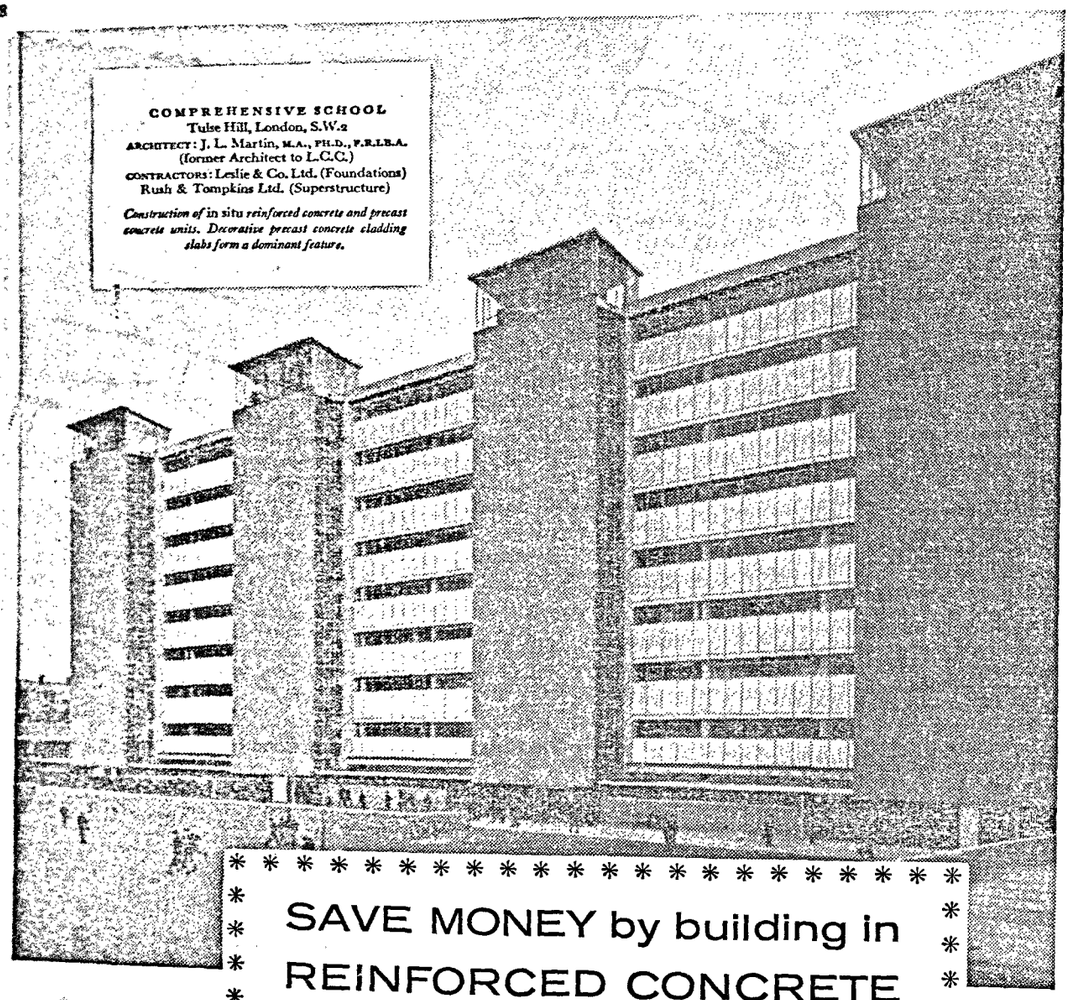
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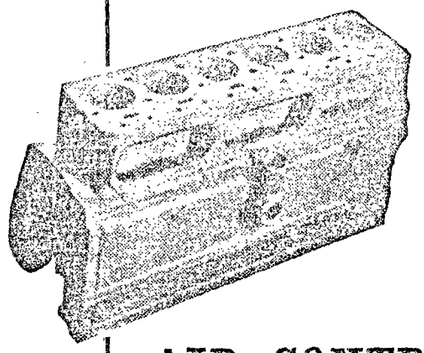
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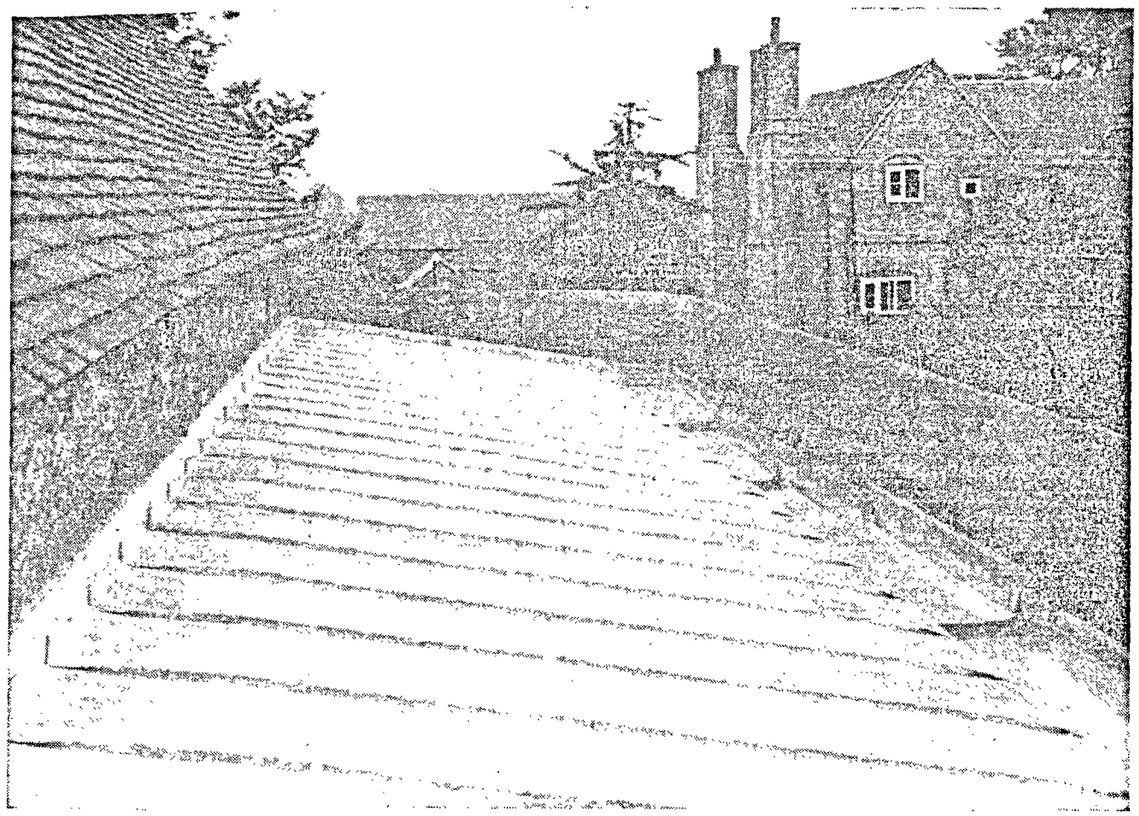
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The Economist

MAY 11, 1957

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Calling the Bans

THE British proposals for the registration of nuclear bomb tests and for the examination of their possible limitation, and perhaps cessation, by international agreement do not break new ground. But they come at an apt moment, when there is a mounting outcry for bans upon the hydrogen bomb. And they point an apt moral, which is that there is no short cut to nuclear disarmament.

The outcry, which was amplified last week and at the weekend in May Day celebrations, and is bombinating inside the Labour party, as the question of German rearmament did some years ago, cannot simply be explained as a success for Soviet and communist insinuation. It reflects, among many people with no part in the processions or the public protests, a natural feeling of revulsion and fear in face of a dreadful prospect (an article on page 496 records the rising anxiety in the United States itself about the possible effects of the weapons tests in Nevada on residents in the region). But the outcry also shows what a treacherous counsellor mere emotion, however natural, can be; and it demonstrates the need for some attempt to disentangle the issues and, within the limits of incomplete knowledge, the facts.

The use of hydrogen bombs by both sides in another conflict would certainly be suicidal; but, because of this, the possession of hydrogen bombs by both sides may be a means to prevent another world war. This is the balance of terror to which Sir Winston Churchill has attached his eloquent hope. But the risk remains that hydrogen bombs in being will, in fact, be used. The question is whether and how this risk can be removed or reduced. Different kinds of bans are proposed; and the would-be banners have differing motives. The outright demand is to ban the hydrogen bomb altogether: that is, not only to put an end to its manufacture (and so to its testing) by all countries, but also to get rid of the stocks of hydrogen bombs already in the possession of Russia and the United States. There are formidable obstacles: the first is that the powers would have to agree to it and accept its enforcement; the second is that, without agreement on effective all-round disarmament, it would leave the Russians and their allies with strategic superiority both in conventional weapons and in manpower; and the third is that, from what we are told, there is no known means, even with international inspection and control, of making sure that no stocks of bombs exist.

The next demand is to ban the fresh production of hydrogen bombs. Its fulfilment is no easier. Successful, it would leave the United States with the strategic superiority of its superior stocks of the bombs; it is hard to see how the Russians could honestly consent; the sanction of effective inspection and control would still be indispensable. So it is that most of the recent demands in this country have fixed upon two more limited objectives. One is a ban, by all the powers, upon further tests of hydrogen bombs, if only to prevent the insidious harm which may be done to human life and health by "fall-out"; the other is that,

whatever the international deadlock may be in these decisions, Britain itself should either abjure the hydrogen bomb or refrain from testing it. These were the loudest May Day cries. They echo widespread and understandable anguish that, whether war is prevented or not, these military preparations may cause uncounted casualties from the lingering and far-reaching effects of radiation. They also echo some confusion. Part of this confusion arises inevitably from the divided counsel of the scientists. No layman can yet say whether there is a " safe " limit to the total fall-out injected into the world's atmosphere by bomb tests, or what that limit may be—though every sensible man would like, if it were feasible, to take no risk of the creeping calamity. Nor is any layman in a position to refute the contention that possession of the bomb is useless unless it is tested, perhaps in several different forms. And an international ban on tests, if it could be agreed upon, would presumably require, like other disarmament measures, the means of check and enforcement.

Thus, while the plodding search for disarmament goes on, as all the time it must do, the argument comes back to what, within that framework of painstaking diplomacy, Britain itself should desirably, or could usefully, do. There is confusion here, too. The direct difference made either to the prospect of a hydrogen bomb war or to the risks of fall-out by Britain abandoning the bomb or its testing would be small ; and it is disingenuous to advocate it on moral grounds while at the same time accepting the western policy of deterrence based upon the American bombs. There are, however, two other separate arguments intermingled in the discussion. The first contends that, if Britain insists upon not only having but also testing its hydrogen bomb, it will be correspondingly harder to prevent other countries from having hydrogen bombs of their own, with corresponding perils to the world. In reply it might be argued that the existence of British bombs should make, say, German bombs less not more necessary to the western allies. On the British side itself, it is not altogether unreasonable to ask—and this is the second of these separate arguments—whether the determination to have the bomb is necessarily right, not morally but in terms of policy and economics.

The decision to have first the atomic and then the hydrogen bomb is of long standing and belongs to both political parties. Mr Sandys was faced with the further decision that, for economic reasons, an adequate supply of both the new weapons, with their means of delivery, and the old, with their demands on manpower and resources could no longer be afforded. He made his choice boldly and logically on the side of the deterrent —and the running-down of national service. The fact remains that there was an alternative choice, which by maintaining Britain's conventional forces, would at any rate not have caused the present high indignation (described in the following leading article) in Europe. And the reasons of strategy and prestige which have influenced the British choice, in addition to the evident economic and political motives (which the Opposition shares), are open to argument. But this is on practical not moral or emotional grounds.

The truth is that, though the universal horror of the bomb is a powerful force, the demon cannot be exorcised simply by calling the bans. The way to peace is still by the old long hard road of defence and diplomacy. Many of the implications of what is being done are alarmingly unknown and this time the penalty for failure may well be universal ruin, but there is still no short cut to the safety we all crave.

Albion in the Dock

The hostile reception at Bonn and Strasbourg of British defence policy and of the British "Grand Design" for Europe has revealed a powerful undercurrent of suspicion of British motives. A dose of humility is recommended

THE British Government's effort to make co-operation with Europe a main pillar of its policy has been through a black fortnight. The Council of Europe received the British "Grand Design" for a new western assembly with a barrage of devastating criticism. A burst of inspired rumours from Paris has made it clear that the negotiations on the free trade area have been marking time. In the North Atlantic Council at Bonn, Mr Selwyn Lloyd's exposition of Britain's new defence philosophy of relying on the nuclear deterrent was received with indignant European criticism, and he was forced to mince if not to eat his words. A majority in the parliamentary assembly of Western European Union, the body set up to implement the Paris agreements, which marked the high-water-line of British influence in Europe, has voted for the first censure motion in its history: the WEU ministers had been wrong to accept any reduction whatsoever of British forces on the continent. The two rescue operations—Mr Macmillan's visit to Bonn and M. Maurice Faure's trip to London to see Mr Thorneycroft—were badly needed ; for the chronic European suspicion that Britain's new smiles towards Europe are just another trick in the old national game of a perfidious Albion has come to a head.

Past British conduct in European matters gives cause for distrust. The Prime Minister and some of his colleagues will no doubt recall the excitement in the Council of Europe when Mr Churchill expounded in his rolling, imaginative phrases the idea of a European army. But its execution was left to others, and continued to be left to others even when Mr Churchill was back in power. In Paris Sir Stafford Cripps agreed to join the Coal and Steel Community, only to be repudiated by his government when it heard the news. It will take more than a few months of sincere and constructive efforts in Europe to overcome the deep suspicions such equivocation has inspired. And many British attitudes today—the Prime Minister's own talk of national "greatness," the evident attempt to retain a privileged position in relations with the United States —keep alive European fears that Britain's enthusiasm for Europe may not last. Europeans ask whether it really stems from a humble awareness that the only future for the weak nations of Europe lies together, or merely from a passing wish to bolster a weakened position of national interest.

Their doubts have been violently enflamed by the new British defence policy. Whatever its wisdom, the new policy has been introduced in a way that offends the spirit of the European alliance. The decision to concentrate on nuclear weapons was made without regard to Nato's own struggles to find a common solution to the military, economic and political problems of tactical nuclear warfare. The decision to cut the Rhine Army was, even more, a plain retreat from obligations.

THE defence policy has been insensitive to the problems of Germany in particular. The Germans, especially, feel that Britain's decision to concentrate on atomic rather than conventional weapons sacrifices the interests of European defence to an illusion of national pride. For what purpose, they ask, is it necessary that Britain, as well as the United States, should have the great deterrent ? If all is left to the deterrent, how can a local invasion be stopped ? Would the H-bomb be used if fighting broke out in, say, Berlin ? It was such forceful arguments, from Norwegians and Dutchmen as well as Germans, that obliged Mr Selwyn Lloyd to modify his position in the Nato council at Bonn, and to agree that the nuclear deterrent by itself is not enough. The Bonn government's bitter reaction against the defence White Paper is in part prompted by electoral convenience: Dr Adenauer and the governing party at Bonn would have preferred less to be said about nuclear weapons until after the autumn. But behind this there is a genuine uneasiness and revulsion of very many Germans at the prospect of a concentration of tactical atomic weapons in their country ; for Germany might well be the battlefield on which they were used, as Mr Bulganin has roughly reminded them. Fear has therefore combined with the rumbling resentment left in Germany by Britain's unilateral action in Egypt to produce an explosive charge of anti-British sentiment.

Mr Macmillan, it can be supposed, has done his best to cool the feeling down. But in defence, as in the whole of policy, the sole lasting remedy for European doubts is a more active, practical demonstration of Britain's wish to co-operate, a more real consideration of European views. It is not too late to make a new effort to fit the new model of British defence into common Nato plans balancing the need for conventional and atomic weapons. And Tuesday's resolution of Western European Union in favour of a European arms pool for the production of guided missiles offers Britain a timely opportunity to take the lead in common arms production.

IN the differences over the free trade area the Government has had worse luck than it might have hoped. The scheme is, after all, a revolution in British policy and the greatest single demonstration of the sincerity of Britain's new interest in Europe. Yet even here British attitudes—an air of generosity, a sense that the decision to interest ourselves in Europe is a gift from an insular St. Nicholas to the continental children—arouse resentment. It was hardly surprising that Mr Ormsby-Gore got a poor reception at Strasbourg for the Grand Design, when he went out of his way to explain in his speech that Britain could be asked " to pay too high a price " for collaborating with Europe. " What about the price that Europe is asked to pay ? " mutter the Danes. The exclusion of agriculture from the free trade area scheme, which would so ingeniously give Britain the best of both worlds—Europe and the Commonwealth—raises cruel problems for this nation of farmers. A Danish spokesman sharply rejoined to Mr Ormsby-Gore that for his country the inclusion of agriculture was a *sine qua non* of the free trade area. It is difficult to see how the substance of the British position—to retain preferences for Commonwealth farmers but to do something for European agriculture by a more liberal import policy—can be changed. But the Government can hardly expect the Danes to trust its vague assurances when not only the British but the German market is being ruined by the fatuous dumping of subsidised British eggs. More considerate day-to-day policies are essential.

It is a broader conflict of interests, however, between the common market countries and Britain that has bogged down the free trade area negotiations and brought M. Maurice Faure to London to see Mr Thorneycroft. After their long months of negotiations, the six common market governments, above all that of France, are anxious to get their treaty ratified without further delay. The British Government, on the other hand, sincerely wishing to develop the free trade area around the common market, would like the treaty to be modified in certain ways. This could clearly delay

it, and to a suspicious common marketeer, British requests for alterations look much like "sabotage." They are not; some modifications in the common market treaty will probably have to be made. The problem is to make them quickly enough (so that the two schemes can have a chance of coming into operation together) without holding up the ratification of the Rome treaties which have already been signed.

At this stage it would therefore be helpful if Britain made a point of looking out for those elements in the common market that can be simply taken over by the free trade area. If Britain had taken an active interest from the start, it could have had a large say in moulding the pattern of free trade in Europe. But it cannot expect the Six to alter the substance of their arrangements now. Fortunately, it is clear that in practice the needs of the two schemes are much alike. Both will require rules of competition and bodies to enforce them, for instance an investment bank for southern Europe and central institutions to deal with the policy aspects of balance of payments problems—common economic policies, escape clauses, credits, rates of exchange. Combined arrangements for the two schemes are not merely sensible but essential.

This is the practical reason why a political arrangement, more or less of the nature of the Grand Design, will have to be worked out. Yet the Grand Design could hardly have been presented to Britain's European allies in a more irritating way or at a more tiresome moment—just when the treaties are signed and when the six governments each face the problem of getting parliamentary ratification. The shadowy plan and the ostentatious title are red rags to European suspicions that this is another Foreign Office plot to steal the thunder of the European movement without making any practical contribution to it.

A recovery from the present severe setback to British policy in Europe depends on two conditions: a patient continuous practical effort to work together with Europe; and a greater measure of humility. The national British vice of complacency, indeed, which, when exported, looks so like arrogance, has been nowhere more apparent than in Britain's relations with Europe since the war. Europeans are irritated when British politicians, after dragging their feet for so many years, tell them how to unite. The social and political stability of Britain, its ties across the oceans, its empirical practical approach, are deeply appreciated by other Europeans. But at present, Britain is *in statu pupillari*. It should not behave like a tourist walking into a café in a distinguished wine district and ordering a cup of tea.

Russia's Managerial Revolution

Mr Bulganin has recovered his letter-writing form, and Mr Khrushchev his winsome smile, just when the Soviet government is embarking on a major shake-up in its administrative machine

PROPOSALS for large changes in the pattern of the Soviet system of government have been put before the Supreme Soviet. The project introduced by Mr Khrushchev will sweep away a score of industrial ministries in Moscow, leaving but eight mostly connected with defence. It will give seats in the central government to the fifteen prime ministers of the member republics. At the same time it will overhaul radically the ponderous administrative machine that runs the Soviet economy. It foreshadows a mass dispersal of bureaucrats from Moscow to the provinces, accompanied by the setting up of regional economic councils closer to the points of production.

The reforms will affect the lives of millions of Soviet citizens. It is not surprising that the public discussion started by the publication of Mr Khrushchev's theses on this subject has given the impression of arousing genuine popular interest and even some opposition. The survival of eight ministries may indeed be due to such resistance, which could have forced Mr Khrushchev to scale down his plans.

The Russian rulers are faced with a problem of growth. The present system of planning has been bursting at the seams under the pressure of an expanding economy. Once before, after the October Revolution, the Bolsheviks thought of combining an economic council at the centre with regional boards at the periphery. But when Stalin began to carry out his industrial revolution through five-year plans, the central planning board, or *Gosplan*, relied in its task on ministries in Moscow, rather than on regional agencies. These ministries could work fairly efficiently, and their co-ordination was not too difficult, as long as each of them had only a limited number of undertakings under its control. But as industry grew more complex and more widespread, remote control ceased to function smoothly. The number of economic ministries in Moscow grew to more than 40, and each department tended to become a separate empire, oblivious of what was happening outside its field of competence. The result, for all the efforts of the *Gosplan*, was mounting confusion, red tape, duplication, a disproportionately heavy transport burden, and bad economics.

Even in Stalin's time an abortive attempt was made to cure the ills of departmentalism by appointing deputy premiers as overlords for groups of ministries. Mr Khrushchev's remedy is more drastic. The Soviet Union is to be subdivided into 92 economic areas. Smaller republics, such as Georgia, will form regions by themselves; the large ones will comprise many economic units; thus there will be eleven in the Ukraine and 66 in Russia itself. Each area will have its own economic council to control large-scale production within the region (small enterprises are to be left in the hands of local authorities). The council will organise current production and draw up plans for the future. But it will do so under closer local supervision, both administrative and party.

It is hoped that this decentralisation will get rid of such waste as, for example, the shipment from Kazakhstan to Moscow of a piece of equipment required by a factory (controlled by a different department) next door. The new system, however, could fall into the opposite evils of parochialism and regional self-sufficiency. It is to counter such tendencies that *Gosplan* in Moscow is to acquire a new stature and new powers.

MR I. I. KUZMIN is the unexpected choice for the job of master planner and overlord of the country's economy. How important the post will be may be gathered from the fact that, though hitherto Mr Kuzmin was not even a member of the party's central committee, he has now been appointed a first deputy premier. In Mr Khrushchev's draft not only the chairman of the *Gosplan*, but his chief assistants as well, are to have cabinet rank. After the mass elimination of industrial ministers, there will be many vacant places in the streamlined Soviet government. Fifteen of them are to be filled automatically by the prime ministers of the republics which form the Soviet Union. This is a clever move. It is doubtful whether, at this stage, the premiers of, say, Estonia or Uzbekistan can carry a weight in the Soviet councils comparable to that of their colleagues from the party presidium, but the people of the restless minorities will have the feeling of a double gain: a greater say in running their own economy, and a stronger voice in the government of the Soviet Union.

Mr Khrushchev revealed that 900,000 civil servants have been sacked in the economy drive since Stalin's death. Thousands more are now to be directed to more productive employment. The staffs of the abolished ministries will be the first to feel the axe. Numerous colleges, institutes and other bodies are next on the list for removal from the capital; they are to be spread more evenly over the country. "Far from Moscow" was the title of a popular Soviet novel; the lament of Chekhov's Three Sisters may soon be in the mouths of displaced bureaucrats. One strategic consequence of the dispersal would be that the Soviet Union could no longer be knocked out by a single blow against Moscow. Industrial tycoons in the provinces will fare scarcely better in the change. Hitherto the manager of a provincial plant felt pretty well master in his own house under the not so watchful eye of a distant ministry; he will be less confident under supervision from close at hand.

Altogether the Soviet leaders seem to have drawn important conclusions from recent events. The Jugoslav experience, the Hungarian revolt and Poland's quasi rebellion have taught them how potent the forces of nationalism still are and how tantalising the slogan of "workers' control" remains. This does not for a moment mean that Moscow will now let, say, the Uzbeks shape their own destiny or hand over factories to workers' control, the Soviet state is not going to wither away yet. But it does mean that, to prevent explosions near home, the Soviet rulers now hope by timely concessions to harness these potentially disruptive forces to the drive for production. This is the heart of the matter. It is through fast expanding production, allowing them to relieve the pressures, that Stalin's heirs expect to consolidate their succession and to avoid being overwhelmed.

The reorganisation now envisaged to achieve this end, with its massive cuts or shifts of civil servants and its radical overhaul of the planning system, is a major

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A LIBERAL PARLIAMENT

The House of Commons, which has just met, represents, perhaps, more completely than any other we have ever had, the characteristic meaning of the word *Liberal*. In other words it is anti-sectional. It has rejected the parties which were superlatively parties. It has still representatives of almost all sides and phases and classes of public opinion, but it has rejected all those who were purely and conspicuously one-sided. The country seems to be making the demand that each interest, while defending itself, shall not be wholly self-absorbed—that it shall at least be able to appreciate and make some concession to the rival desires and interests with which it has to struggle. . . . Just as liberal culture implies the mingling of many intellectual habits, so liberal politics implies expressly the mingling of many political sympathies. Lord Palmerston, like the late Sir Robert Peel, is in many respects the political type of the House he leads. He has passed through many experiences of party life, and gathered in each something of courteous tolerance for them all. And now the country, weary of the animosity of one-sided sections, has proclaimed its sympathy with him by sending up a House remarkable for what we may call its apparent catholicity. Almost for the first time the county constituencies have returned not a few members in general sympathy with the representatives of the liberal boroughs. . . . This tendency in the politics of the country, only reflects a similar tendency in the social life of England. The different classes begin to regret their own deficiencies. Manchester invites the education of Art in 1857, in return for London's eagerness after industrial inventions in 1851. Even in the home of party strife—the Church itself—the most vehement parties are falling into disrepute. Everywhere the social elements are seeking to mingle; and leaders are disowned for that which would have been their chief merit a short time ago—that they show no candour in estimating the point of view of their opponents. The sin which of all others the country will not forgive is Rancour.

operation involving risks of disruption. It may not be pure coincidence that Marshal Bulganin has recovered his epistolary talent, and Mr Khrushchev his winning smile, just at the moment when the reorganisation is being launched. Russia needs peace in this transition.

Soviet consumers are promised that more efficient methods will result in a larger cake and, therefore, in bigger slices all round. But Mr Khrushchev has said nothing to promise them a larger share of the national income. On the contrary, he has repeated the now ritual condemnation of the pro-consumer policy associated with the name of Mr Malenkov.

The Russians do not live by bread alone, any more than other people. Yet, if the unrest among the minorities and the growing ferment among intellectuals are not to spread rapidly and dangerously among the mass of the population, the Soviet people must be given the feeling of a stake in the regime through rising standards of living. Their expectations have been raised. They want an easier life, more to consume, and a relief from the housing nightmare. The government is taking some steps to meet their demands. But even the present managerial revolution cannot bring about a rapid and radical change in the living conditions of the mass of the Russian people. For this purpose Mr Khrushchev would have to apply the axe to defence and to allied branches of heavy industry—a question of strategy rather than of administrative reform. The ordinary Russian hoping for an improvement of his lot must still look to the international barometer.

New Town

Our Special Correspondent finds prosperity, grumbling and social problems in one of London's eight artificial—but apparently successful—new towns

THE first sound your correspondent heard as the Green Line bus drew up in Harlow in Essex was the yell of a recalcitrant child—raucous, but symbolical, as the town itself is shortly to celebrate its tenth birthday, and one-fifth of its population is under five years old. Together with the seven other new towns around London, it was founded to absorb some of the city's extra population: for various reasons London is still growing, and—a reminder of fears that these new towns could still become merely distant suburbs—ribbon building can be seen in ominous progress along the bus route on the way to Harlow itself. But that is a problem for the future. It was on what still really is a separate community—in which people live, pleasantly and healthily, near their work—that your correspondent had come to report.

Harlow, designed eventually to house and employ 80,000 people, now contains 29,500; unlike other new towns, it started with an almost blank site, and Old Harlow (population 4,500 in 1947) is now a mere appendage to it. On rolling ground, with a few carefully preserved woods, an area some three miles long is laid out in four neighbourhoods, which are to be permanently divided by a cross of green farmland—each neighbourhood (only one is complete) is to have its own shopping centre, while there are to be larger and gayer shops in the town centre itself. On each side of the town are two industrial areas, easily reached by intersecting motor roads and separate cycle and footpaths; the London-Cambridge railway runs by one of the industrial areas; a new main road is to pass the town, and the river Stort is nearby.

The masters of this domain are the Harlow Development Corporation, as established by the 1947 New Towns Act. Their job is to supply buildings, and to balance the different forms of growth: employment, population, housing, and services. Their initial employment battle is won, with fifty prosperous employers in the town; a possible weakness is that most are in various forms of light engineering, toolmaking or research (which are naturally attracted by new and clean factories) and that the only heavy industry is a glass bottle factory. But employers seem very well satisfied: productivity is high, sickness and absenteeism very low, and several firms have expanded their premises (some more than once) since they arrived.

Many of these firms have moved in from London complete with their original labour force; this fact, and the need for certain specialised craftsmen, has relaxed the first intention that all incomers should be on a waiting list for housing in London. But the new houses (together with good working conditions) have been the main bait for Londoners. Different architects have been employed for each area, but the pattern is everywhere of terraces which, in their strivings after urbanity, occasionally achieve mere banality: detached houses are rare, and the few maisonettes unpopular. The terrace houses are dismissed by the conservative inhabitants of Old Harlow, who dislike the "foreigners" anyway, as rabbit-hutches. But they are remarkably well-kept, and the little gardens behind each are the pride of many ex-Cockney hearts. A popular verdict on them was given by the man who said that his wife, although delighted with her house when she first arrived, was now jealous because they kept building nicer ones.

The incomers, Londoners all, traditionally combine a love of the city with a love of grumbling. Discontent decreases with time, but many newcomers say that they would go back to London if they could get a house there. There are some legitimate grumbles. When they move in, the newly built houses are surrounded by all-pervading mud. Shopping has been hard, with some queuing, but it should be abated by the new shops now

opening at the town centre. The only cinema is improvised by the corporation in a factory shell, until a super-cinema is opened next year. There are only six wide-scattered pubs, which annoys habitual pub-crawlers. Bus services are rare and irregular, which comes hard on the multitudes of pregnant women; and people who have been paying five shillings a week in rent find that they must pay thirty-five shillings a week for their new houses. Newcomers arrive with no possessions, and money is tight until the hire-purchase payments on necessities are completed after eighteen months—which, again, makes minor troubles weigh more heavily, and prevents visits to relations, friends and familiar London.

Those attracted by the new housing and the opportunities are, for the most part, youngish married people, whose discontents are balanced by their children's happiness and health. There are fields and woods for them to play in, and the schools have big playing-fields, so that fathers find their interest in football widened from pools coupons to their sons' prowess on a team (though many still hanker after the Spurs). There are fine new school buildings—but also complaints about the impersonal largeness of the two secondary schools, both of which are designed for 950 places, but are already overfull. The problem arising from floods of children of primary school age at different times in different parts of the town is ingeniously faced by a temporary school, which can be moved when needed. Whatever the difficulties about educating them, the children are certainly extraordinarily healthy-looking in Harlow, as well as being extraordinarily numerous.

IN each neighbourhood are "common rooms," which are supposed to encourage the adults' social life; there are also larger "community centres," with a bar for people to meet at, and rooms available for the local clubs. Anything may go on, from caged bird clubs to amateur dramatic societies (of which there are seven in the town), or from rock 'n' roll to trade union or political meetings; there was an awkward moment at one, when an industrialist who subsidised the centre objected to its use by the local Communist Party. The community centre idea, however, has not really worked. Once newcomers have made a few friends, they tend to keep to them, and leave the community clubs alone.

Those who are active in organising local activities remain, in Harlow as elsewhere, the middle-class. The activities committee of a community association, attended by your correspondent, was an unmistakably middle-class group, inspired by an open-shirted idealist in the old garden city tradition, without whose energy things would have been much less lively. Among the aims of the new towns was that, with managerial staff and workpeople living side by side, class distinctions would break down: the original rows of "middle class" housing scattered among the cheaper ones were distinguishable only by their size and the possession of a garage. This is another idea that has not worked. Neither proletariat nor salariat seemed particularly thrilled by it, and the corporation is now selling sites for private building in one part of the town, which is rapidly becoming the "smart" area.

The corporation's main problem for the future may be to provide work in the town for the coming flood of school-leavers. They hope that some offices will move there, which would provide for the scores of potential typists, but the employment of the boys will be harder. At present the town's success is made, not only by its industrial prosperity, but also by the keenness of a few enthusiasts and the lack of alternative living space for those who are there: the second generation, ignorant of the delights and trials of city life, may long to get back to London. The small number of people between the ages of sixteen and twenty-five, as well as making employment temporarily easy to find for the young people, keeps down the delinquency and hooliganism that have accompanied other resettled populations; the bulge in this awkward age group lies ahead. But the achievement is that, in ten years, a town has grown from an architect's idea to a lively community. The corporation is now partnered by an urban district council (on which the only Conservative seems likely to lose his seat); there is a local paper published in the new town itself; the streets and terraces are growing out of the stage of being rather self-consciously Anglo-Saxon names on a map. The squalling child is growing up—and it may have troubles before it. At the moment it looks a nice, hard-working ten-year-old.



NOTES OF THE WEEK

LABOUR PARTY

Mr Bevan's Star

MR BEVAN has lost little time in signalling his return from the East. There has been something for everybody—a swipe at President Nasser to cheer the Tories, a smack at H-bomb tests to rally the May Day demonstrators and a stirring call for steel renationalisation to warm the left. This was a masterly trio of appeals to all that is most Bourbon in British political life. The growing acclaim for Mr Bevan, even in the most unlikely places, contrasts with the growing criticism of Mr Gaitskell, especially in the most likely ones. It is causing speculation whether the future of the Labour leadership is settled after all. The Tories would be less than human if they did not try to fan this doubt for all they are worth.

But it is really a very little doubt. The left, of course, would always prefer Mr Bevan, and some in the centre may have clambered back on the fence. But Mr Gaitskell is still accepted unreservedly by a majority of Labour MPs. Moreover, all the talk about the future of the Labour leadership presupposes that Mr Bevan still wants it. It would be odd if he did not, but that does not mean he will make another direct challenge to Mr Gaitskell. As he cannot hope to unseat Mr Gaitskell on the present balance of power, his obvious (and only hopeful) tactic is to bide his time. One suspects that his wiser self is issuing warnings to Mr Bevan about this all the time; the doubt is whether he is a very good self-listener.

Two possible destinies may now lie before this remarkable man. First, his well-known temperament may get the better of his discretion, and he may still strike out openly against Mr Gaitskell (possibly on some quite irrelevant issue) during this Parliament; if that happens, it is more likely to be Mr Bevan than Mr Gaitskell who is broken in the subsequent fight. Secondly, he may successfully restrain the imp within him until Labour returns to power, gathering good opinions all the while; if he does, he can look forward to becoming a Foreign Secretary in Ernest Bevin's mould—a man who not only dominates Britain's diplomacy but also has a big say in domestic policy. And then, but only then, it is not entirely inconceivable that he might suddenly and surprisingly reveal Mr Bevin's other great characteristic—fanatical loyalty to his party leader and Prime Minister.

FINANCE BILL

Marginal Accommodation?

GOVERNMENT speakers once again steered the debate on the second reading of the Finance Bill away from any detailed discussion of the broad economic prospect ahead; but although Mr Thorneycroft warned the House that he considers himself committed to "keep within the compass of about £100 million" of tax reliefs, he seemed willing to be marginally accommodating. He is going to re-examine whether the bar against the "dead horse" escape route from death duties contains an undesirable "element of retrospection." It does. He said that one other plea from the Opposition—that old age pensioners should be exempt from the excise duty on television licences—"can be discussed in committee, but there are real difficulties." There certainly are. A new debate on old age pensions is about to begin; Labour's "comprehensive" scheme for national superannuation is expected to be published on Sunday week, and it looks as if the Conservatives may introduce a superannuation bill of their own early next session. But the worst possible way of aiding pensioners would be to give better-off groups of them special exemptions from indirect taxes, of the sort that the smokers (or alleged smokers) among them get already. Half the families in the country might suddenly decide that their television sets really belong to grandma. And she already smokes like a chimney.

Apart from this pressure about pensions, the two front-bench contributions from Labour on Tuesday were unusually constructive. Mr Gordon-Walker indicated that Labour is increasingly apprehensive that the overseas trade corporations might lead to "over-stimulation of overseas investment" at the expense of home investment; many other people harbour that fear also. And Mr Houghton urged the Chancellor to introduce a tax management bill, which would incorporate some of the administrative reforms that were suggested by the royal commission on taxation but that are squeezed out of each successive Finance Bill through sheer lack of room. This is a suggestion that deserves wholehearted support; the Chancellor promised to consider it.

DISARMAMENT

Mr Stassen to Move

MR ZORIN'S dismissal of the British proposals on bomb tests seems one of Moscow's less happy moves in the chess game at Lancaster House. Admittedly, Russia had rejected two of the three points in the British memorandum before they were made—advance notification of tests, and total cessation of tests at the point when a general disarmament programme had made it possible to prevent the manufacture of any more nuclear weapons. Mr Zorin showed no enthusiasm on Wednesday for the third point, which was a suggestion for an expert inquiry into means of supervising an agreed limitation of tests.

Presumably the Soviet government will have calculated that its resistance to all these proposals will not prevent it from continuing to pose as the champion of all anxious peoples. It will rely on the simple appeal of its offer to join in a cessation of tests and in a general disarmament programme. If world opinion misses the vital point—that such offers are meaningless without adequate arrangements for supervision, which Russia still rejects—then this Soviet confidence will be justified.

While Christmas Island nears midsummer and black-veiled ladies ambush members of Parliament, the Lancaster House talks look like stretching out for a further period of several weeks. They have already lasted longer than was originally forecast. Mr Stassen, who this week tabled separate proposals for the control of international traffic in arms, will doubtless soon have a new American offer of zones of reciprocal inspection to make, in response to Mr Zorin's move last week—which, if it meant nothing more, certainly amounted to an invitation to further bargaining. The idea that the formal proceedings at these talks should remain confidential has now been tacitly abandoned by all parties. There would seem to be a strong case for devoting less of the delegates' time to preparing, delivering and listening to formal speeches, and more to informal sounding-out conversations outside the conference room, at least until the sounding-out has caught up with the current spate of proposals and counter-proposals.

ITALY

Signor Segni Falls

SIGNOR SEGNI'S government, having survived so many hazards for 22 months, has suddenly fallen. The fatal blow was delivered by Signor Saragat, the vice-premier and leader of the Social Democrats, who decided to take his party out of the coalition and thereby deprived the government of its exiguous majority in the Italian Chamber. This was a complete change of front. Less than three weeks ago, Signor Saragat had opposed a proposal by the Social Democrat secretary-general, Signor Matteotti, who is a strong protagonist of union with the Nenni Socialists, that the party should go into opposition. He was supported by a majority of the party executive, and Signor Matteotti resigned.

Nothing that had happened in the meantime explains Signor Saragat's change of mind. On the contrary, the pronouncements of the two Socialist parties just before Mr Gaitskell's Easter visit, and the discussions during his visit, seemed to confirm Signor Saragat's expressed belief that Socialist unity was impossible until after the next general elections. Nor has Signor Saragat himself provided a convincing explanation. Almost certainly he was propelled into sudden action by pressures within his own party; how and why can only be guessed. He may have come to the conclusion that the coalition government would shortly be finished off by its divisions over the land tenure bill, over Signor Martino's foreign policy and so on. And with the rank and file of the Social Democrats apparently increasingly in favour of socialist unity, he may have suddenly reckoned that his standing at next month's party congress would be improved if he administered the *coup de grâce* himself.

The chances of a stable government in Italy are not bright. The possibilities include another centre coalition of three or four parties, a minority Christian Democrat government, or—worst solution of all—a Christian Democrat alliance with the extreme Right. President Gronchi's search for a new cabinet will not be made any easier by the fact that every Italian politician will now calculate each move in the light of the next general elections; these must be held by June, 1958, and might possibly be brought forward to this autumn.

CREDIT POLICY

Lord Radcliffe's Committee

THE names were announced last weekend of the eight distinguished public figures who are to serve with Lord Radcliffe on the committee to inquire into the monetary and credit system. One's first impression is that they all have the same face. Given the conventions about picking a politically "balanced" committee, Mr Thorneycroft could hardly have chosen eight members with a greater chance of reaching broad agreement and a smaller danger of exploding into too many minority reports.

All eight—two bank directors, two other business men, two "moderate" trade unionists, and two professors—have seen previous public service in some sphere of economic policy; the dominant atmosphere in the committee room seems likely to be that which usually exudes from enlightened ex-civil servants. As in the Macmillan committee, one of the two academics is an expert on banking (Professor Sayers plays the 1931 role of Professor Gregory), while the other is a teacher of general economics (Professor Cairncross is presumably intended to play the heavy role of Lord Keynes). It is tempting to assign to other members 1931 equivalents (Sir Oliver Franks equals Mr McKenna?), but as the Radcliffe committee is to have five fewer members than the Macmillan committee had, the analogy does not quite work. The Labour representation is rather smaller than might be expected (the orthodox labour representation is confined to the two trade unionists, the usual Mr Woodcock and the miners' Mr Jones); but, against this, there are no obviously very Conservative members—the business men's element can reasonably be called extremely middle of the road. One suspects that a majority of this committee may be more inclined than is *The Economist* to assume that, if you impose a physical rather than a monetary control, the physical control is likely to work. All in all, however, the committee will be expertly fitted to assess the evidence put before it, without carrying the burden of too many predetermined and publicly stated individual views. It is broadly the right sort of committee to have.

WAGES

Plucking at the Strings

THE Confederation of Shipbuilding and Engineering Unions decided on Thursday to enter negotiations with the employers "without their hands being tied in any way." This was a direct—and left-wing inspired—slap in the face for the leaders of the Amalgamated Engineering Union, who had wanted the confederation to express its readiness to discuss certain "conditions" in return for a bigger wage increase. What should the employers do now? If the unions are unwilling to discuss any strings, then the employers should certainly refuse to offer more than the minimum 5 per cent recommended by the courts of inquiry; the only extra concessions the employers should consider are if the confederation's "untied" negotiators do in fact find themselves moving along the road to which the AEU wanted them to be committed.

Between an increase of 8s. 6d. without strings and 11s. on certain conditions, the AEU wisely favoured the 11s. But it wanted the strings relaxed. The most important of them

concerns the so-called twelve months' standstill on the presentation of new claims. If there were no standstill at all, the engineers could presumably be expected to get their usual inflationary annual rise some time in the usual first four months of 1958; if the strings were tightly drawn, their next claim could not be presented until May, 1958, and settlement of it presumably would not come before the late autumn of that year. It would not be surprising if there is bargaining aimed at the possibility of a 1958 wage claim being settled somewhere between these two dates. Perhaps the best attitude for the employers to take would be to link bargaining about this with bargaining about another "safeguard" the engineers may well ask for: namely a promise of a special wage review if the cost of living rises sharply in the meanwhile. If a figure—of, say, 5 per cent in the cost of living index—could be agreed upon as a definition of "sharp," the employers might be wise to be more accommodating about this than about other proposals for whittling away the period of standstill. Although estimates are very hazardous, and despite next winter's prospective rise in rents, the year ahead still looks more like being a year of three or four per cent, than of five or six per cent, price inflation.

The other strings that the AEU thinks should be resisted would bind the affiliated executives to nothing more exacting than the mildest of undertakings to do what they could to see that men observed the freely negotiated agreements and did not come to work late or slope off early. The employers, even if they feel a little cynical about the effectiveness of union efforts to keep the rank and file in order, should stand firm by the essentials of these conditions. But some minor changes in drafting might be worthwhile.

MINISTRY OF LABOUR

Temporary Help; Permanent Review

Much is going on at the Ministry of Labour, even though it has not yet been called back into the engineering dispute. This week Mr Macleod told the House of Commons that from June 11th workers who have been unemployed for at least eight weeks, who seem unlikely in the near future to find a job, and who maintain dependants at home, will be able to draw: (*a*) a free fare to a place of work away from their home towns; (*b*) a lodging allowance of 35s. a week for a maximum of twelve months; and (*c*) help in returning home to try again to get a job there. (A resettlement scheme was already in existence for certain areas, but only 34 workers were drawing lodging allowances under it.) The new scheme looks like a sensible aid to mobility; it may remind some workers threatened with redundancy that there is a profitable alternative (from both the individual and the national point of view) to the well-known custom of standing about all day holding meetings to demand a three-day week.

But the main matter now on Mr Macleod's plate is, of course, the proposal of the courts of inquiry that an impartial body should be set up to consider wages in the context of inflation. On Tuesday he answered the question that everyone has been asking: the impartial body, if any, should in his view be permanent, and not merely required to produce a "once-for-all" review. A once-for-all review might be more inclined to probe into awkward questions. Discussions even on the project for a permanent body have, however, reached only the departmental stage; up to Wednesday the leaders of the Trades Union Congress had not been approached. Will they be any more favourable to the idea than they were in 1954, when they turned it down flat? At that time they could not see how an inquiry would differ from the annual economic survey already published; and the argument that there would be no suspicion of Government propaganda in it left them unconvinced. They might not oppose a permanent body, on which they were well represented, which tried to put out agreed statements about the trend of profits; but that does not mean that they think a bunch of university gentlemen can teach them anything about wages. A few union leaders do consider that some sort of order should be brought into wage claims. But they believe that this is a task for the TUC, not for an outside body; and there is no sign that the TUC as a whole is willing to undertake it. At the moment the brain-child of the courts of inquiry has an even chance of being stillborn.

MOROCCO

Swoop on a Great Inheritance

A MYSTERY pervades Marrakech. It began on May 1st, a day on which the whole country was rejoicing, since the feast that marks the end of Ramadan coincided with the May Day celebrations inspired by the new trade unions. Under cover of the clamour, five sons of the late Glaoui, the wealthy pasha of Marrakech, were kidnapped there by men wearing the insignia of the so-called "army of Liberation." Six other well-to-do burgesses who had either money or blood ties with the Glaoui family also disappeared from circulation. Simultaneously, the family palace, which is a walled citadel within the alleys of Marrakech, was occupied by the same force. It was said to be searching for "papers." When the deputy governor of the province (whose superior was at Rabat doing homage to the Sultan) sent regular security officers to the palace, his men were repulsed with gunfire.

More than twenty-four hours later the government issued an unexpected statement which said that the missing men had been taken into custody because they had been "mobilising substantial funds abroad" for operations against the state. Before this news broke, trade union leaders in Rabat had been talking of the need for soaking the unduly rich, and both they and their counterparts in Marrakech seem satisfied with the general trend of the affair. But no one knows where the missing men are.

Conjecture is rife about the motives behind the action. It will be remembered that the Glaoui, once the Sultan's biggest vassal and strongest critic, was one of the instruments of his exile in 1953, but did abject homage at the Restoration. The Glaoui's estate is immense; apart from his feudal holdings as a Berber chieftain, he made a modern fortune by canny investment in French enterprises, many of them in Morocco. The division of his estates between his heirs is in progress. Was the swoop made for loot by rebels who have more local control than the Sultan cares to admit? Or was it a demonstration by the left-wing leader of the Liberation army to win left-wing sympathisers for dissidence in the towns? In either of these cases, the government statement, with its implied admission that its own security forces were not the right tool for the job, would seem bound to weaken the Sultan's hand in the long run. Or did he use the Liberation army in order to reduce the striking power of a clique belonging to a bygone era? If so, why not have used his police or, at a pinch, his own army? To explain these mysteries, a commission of enquiry has been promised.

FRANCE

M. Mendès-France as Hamlet

The Radical ministers are not leaving the cabinet; M. Mollet has avoided yet another crisis. The Radical Party congress ended last Saturday in anti-climax. After the terrible indictment of the government's handling of Algeria by M. Mendès-France, who was enthusiastically applauded, the final resolution contented itself with yet another warning that the Radical ministers will have to withdraw if M. Mollet's government does not mend its ways. At the end of it all, the impression was left that M. Mendès-France, who had made his reputation as a man of action, was reduced to the posture of a Prince of Denmark, unable to choose between reluctance to precipitate a governmental crisis and the desire to change France's policy in Algeria.

Many reasons can be found for M. Mendès-France's acceptance of a compromise resolution: reluctance to break away from the Socialists; a fear of splitting his party still further; perhaps even a fear of defeat within the party if he had tried his strength too far. Whatever the reasons—and even though the latest ultimatum is couched in stronger terms than any before—the man who gave himself only a month to settle the Indo-Chinese question when he was prime minister has now given a warning without a time-limit. The effect on the Radical party—or, at least, on its younger supporters who joined it not because of its gift for always being in the government or its flair for compromise formulæ, but because they associated the name of M. Mendès-France with new, dynamic methods—may be demoralising.

M. Mendès-France, aware of these feelings, will no doubt try to prevent the latest Radical ultimatum from fizzling out as an empty threat. The fall of the government might increase his freedom of action, and it cannot be ruled out. When parliament reassembles next week, M. Ramadier, the minister of finance, will have to ask the deputies not only to endorse budgetary cuts, affecting chiefly investment, but also to approve some of the new taxes to raise £150 million. The conservatives who so firmly insist on great military efforts in Algeria will be less enthusiastic about paying the bill. Despite its reprieve from the Radicals, it is still uncertain that M. Mollet's government will live till the end of June, when the ratification of the European treaties should come before parliament.

ATOMIC ENERGY

A European Target

Euratom has been given an immediate practical meaning by the report of its "three wise men," setting a target for nuclear power development in the six European countries that have signed the Euratom treaty. The argument is in part familiar: the six countries already import 23 per cent of their fuel needs, nearly twice as large a proportion as Britain. Costs of nuclear power already compare with conventional costs and will steadily fall further. The time has therefore come for Europe, too, to plunge into large-scale commercial production of nuclear power. If plans are laid at once, the six countries might set up some 15 million kilowatts of capacity in ten years (two and a half times the British plan) and might stabilise their fuel imports in about 1963.

The target (it is not a plan) will not be easy to achieve. The experts admit that it takes four years to build an atomic power station and that orders cannot be placed until the end of 1958. Investment will cost some $4,000 million more than equivalent investment in conventional plant would cost. A great drive from the Euratom agency will be needed to fulfil it.

Even then the wise men's hopes depend on technical help from Britain and the United States, and in the first years the six countries will have to import reactors, or parts of them, from both. These imports may cost some $11,000 million in the ten years, an inviting prospect for British industry, at present first in the field. But imports will decline as the Europeans gain experience and the strength of the commercial and technical links which then remain will depend a great deal on the efforts which the two tutor countries make in the early years to forge lasting ties with Euratom. Here the report is disquieting. Britain, like the United States, has been open with its secrets and generous with offers of training. But while the United States showed great interest in learning from Euratom's practical experience in return and, it seems, in joint projects to improve and adapt reactors, there is no mention of any parallel British interest. This is a pity. For if the six countries follow the experts' suggestions they will acquire a varied commercial experience—with enriched uranium reactors, for instance—which might be of great value to Britain later on.

GHANA

Christiansborg Castle

Our special correspondent cables from Accra:

A very dangerous chain of events is threatened—and threatened quite absurdly—by Dr Nkrumah's decision that he will move into the governor's palace at Christiansborg Castle as soon as Sir Charles Arden Clarke leaves it, so that the new governor-general (whoever he is to be) will have to make do with some less imposing building in the town. The Colonial Office and the Commonwealth Relations Office must shoulder some of the blame. Had a successor to Sir Charles Arden Clarke been lined up and accepted before independence, Dr Nkrumah would not have been presented with the immediate vacant possession of so desirable a residence. The delay gave time for the Prime Minister or his advisers to conceive the idea that independence should be brought home to the Ghanian people by such a spectacular occupation of the former seat of British colonial power; in the exhilaration of the moment to think was to act.

Now, it is feared, a barrier may have been put in the way of any distinguished British figure accepting an office where his main duty—upholding the dignities of the head of state as Her Majesty's representative—would be made initially rather humiliating; in fact, one possible incumbent is believed to have withdrawn his name on hearing the news, a couple of days after provisionally accepting the commission. It will suit those of Dr

Nkrumah's colleagues who are republican-minded equally well if the governor-generalship remains in abeyance and the powers are exercised by the Chief Justice, or if some sort of puppet governor-general is dredged up from somewhere who will visibly play a poor second fiddle to the African Prime Minister. Their objective is the elimination of all the remaining symbols of former British power.

If this were the universal sentiment in Ghana, there would be every reason to encourage Ghanians to take the final steps to become a republic like India. But it is not the universal sentiment. Dr Nkrumah's political opponents set great store by the preservation of the constitution, which embodies safeguards for minorities and provides important brakes on the growth of a one-party, absolutist type of state; it had been thought that some sort of British father-figure as governor-general in the early years of independence would be a tactful force for constitution-preserving. Under an African governor-general—which now seems the most likely eventuality—there is a fear that some of Mr Nkrumah's colleagues will not be able to restrain the impulse to make a forced march towards what would virtually be party dictatorship. Once again, let it be emphasised, as Ghana is now independent, none of this is Britain's direct concern; but it will be a tragedy for all Africa if history has to record that a deciding factor which sent the Ghanian experiment down that fatal road was an extreme fussiness—in May, 1957—about who should live where.

LOCAL GOVERNMENT

Awaiting a Labour Swing

With only a handful of results to come in the Scottish municipal elections, Labour had marked up 22 net gains, which is considerably better than it did in Scotland last year. With results from some 900 seats in English and Welsh district councils to hand, Labour seemed to have marked up 24 net gains, which is probably rather better than it had done by an equivalent stage last year. An interesting feature of the Scottish elections is that Labour is reported to have made most of its gains in the smaller towns, where there have been polls of about 50 per cent; in the big cities, where polls have generally been much lower, Labour has merely maintained its position.

As *The Economist* goes to press, voting is in progress in the main round of local elections this year—in the English and Welsh provincial boroughs. It is perhaps worth repeating the rough standard of measurement suggested here last week. If political opinion stands now approximately where it stood a year ago (which means in a state where most analysts would be forecasting a Labour majority of rather under 100 in the Commons in any immediate general election), Labour could be expected to secure between 180 and 200 net gains of seats in these provincial borough elections; if Labour gains of seats in these provincial borough elections have gone higher, to between 250 and 300, then Labour will have got back to the highwater mark in local election popularity which it achieved in 1952. But the Tories would not need be too disheartened even then; their standing in the country recovered from that 1952 debacle very quickly indeed.

To cite these abstract psephological figures is in no way to state a prophecy. But before these elections some Labour spokesmen have wisely been undercalling the gains they might reasonably expect, while some Tories have unwisely been whistling to keep their courage up. There has also been a muddle in some of the newspapers, arising from the fact that Labour is defending the seats it won in 1954 (when it did not win so many marginal seats as some comment has suggested, but merely took back some "normal" Labour seats which it had lost in the abnormal Tory landslide of 1951). When this year's results are announced—and they will be in the newspaper headlines at just about the time when this issue of *The Economist* is reaching readers' hands—there could therefore be a tendency to regard them as rather worse for the Tories than in fact they are.

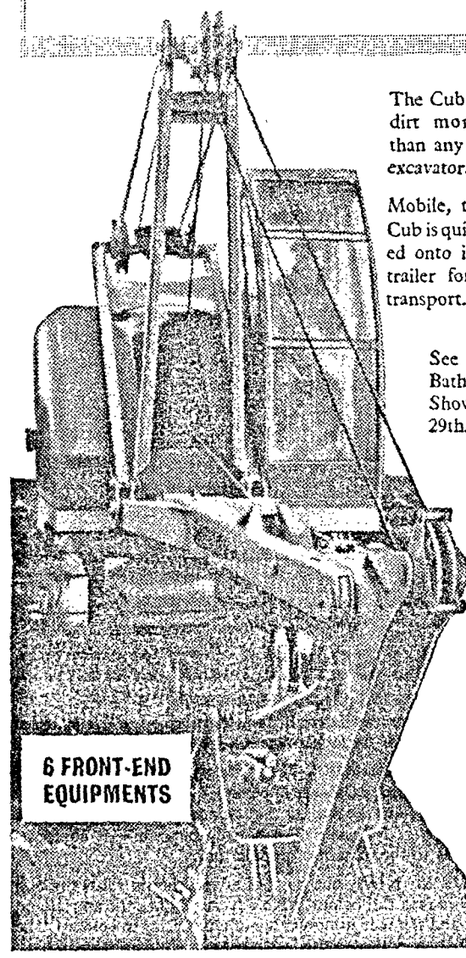
Delegating Power

The Government has taken another timid bite at reforming the structure of local councils for which people are now voting. The proposals of its second white paper* (the first dealt with areas and status, and the third—which may appear next month—will deal with finance) concern the delegation of functions by the 61 county councils in England and Wales (excluding London) to the 1,300 county districts. These minor local authorities, who have lost many of the direct powers they once had, have been insisting upon an extension of delegation schemes as the price of their support for other reorganisation measures. Broadly speaking, only 55 of them—non-county boroughs and urban districts of more than 60,000 population—will get much comfort from the white paper. Most of these 55 medium-sized towns are already responsible (as "excepted districts") for education and town planning; they will now operate these services "automatically"—and not just at the counties' discretion—and will be responsible for health and welfare as well. Up to a point, this is a perfectly sensible way of meeting the frustrated ambitions of towns which (under the first white paper's proposals) cannot now expect to become county boroughs. Yet the divided responsibilities it entails (resulting from the fact that finance—and hence ultimate control—will continue to emanate from the county council) make it a very second-best solution.

Although the Minister would have discretion to add to the list of these lucky 55, the other county districts are at present offered only a few crumbs. The white paper suggests that there might be wider delegation of classified roads (subject, however, to stricter county control), of town and country planning (which, given the outlook of most small councils, will be a very mixed blessing) and of certain regulative services; and it thinks that county councils' delegation schemes should be subject to the Minister's arbitration in cases of dispute. But the Government is also proposing one major change in the opposite direction of centralisation: the abolition of the divisional executives in education. This is a sensible change which the Minister should not let himself be talked out of; these experiments in joint county and local administration have, in general, been a failure. Many at present moribund local authorities will be disappointed at these proposals, but Mr Brooke is undoubtedly right to resist the pressure for extensive delegation to small, ill-equipped local authorities. The really disappointing thing about this white paper is that it appears by implication to be rejecting the only sensible alternative: the wholesale amalgamation of smaller units and the integration of urban and rural authorities.

* Cmnd 161.

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2,530,014 NET SALE JULY/DEC. 1956

READERSHIP 6,958,000 WOMEN. *N.B. The readership figures quoted on this page are taken from the 1956 National Readership Survey conducted by the Institute of Practitioners in Advertising. Net sale figures, where quoted, are audited figures.*

A copy of the important new brochure concerning the vital women's mass market and how it may be reached through Woman's Own *can be obtained from:*
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CHINA

Mao's "Khrushchev Speech"

SELECT groups of Chinese communists have been digesting a speech which Mao Tse-tung made on March 1st, but which has remained unpublished. Less privileged citizens will presumably have to wait to get the full text from foreign broadcasts, as happened in the case of Mr Khrushchev's similar "secret" speech last year. But since the middle of April the Chinese public has been deafened by echoes of what was evidently Mr Mao's main point: that the communist leaders are "in danger politically" if they do not stop "evoking the just dissatisfaction of the masses."

Press and radio have launched a campaign, with Mr Mao's personal *chop* on it, against the "roughshod intervention" of government officials and party bosses, their "arrogance and indulgence in the bad habits of the old society," and the "pushing beyond reason" of their claims to privileges and high pay. They must abandon the attitude of hauteur expressed in the Confucian phrase "Respect and keep your distance from gods and ghosts." They must stop obstructing the policy of more free speech which Peking ordered a full year ago. The delicious slogan for this policy was "*Let all flowers bloom together; let diverse schools of thought contend*" (though it was made clear, for the benefit of the less perceptive, that the contention must always end with a victory for the party line). Not enough flowers have bloomed this spring, according to Peng Chen, who runs the party organisation in Peking city. "At meetings, the masses must be encouraged to express their views. Speakers will not be punished."

The "current contradictions between the people and their rulers" are, to quote the Peking press, "a new and important phenomenon." Their importance is clear enough, for Mr Mao rarely makes a personal intervention nowadays. The word "new" is more intriguing. Ever since the *cheng feng* ("correct the wind") drive of 1942, which the party propagandists are now invoking, the Chinese communists have undergone periodic disciplinary campaigns. This one is enlivened by Mr Mao's ukase that officials must all do a regular stint of "actual work" alongside peasants and mechanics; it is decorated by injunctions that erring comrades should be "rectified" by methods "gentle as a breeze and mild as rain," unless their offences are serious; "comradely heart to heart talks" are recommended instead of the more customary, and much more terrifying, "large struggle meetings." Otherwise the slogans, with their warnings against "commandism" and "bureaucracy," have a familiar sound. What then is "new," and why the mystery?

Austerity and Absenteeism

THE new *cheng feng* campaign needs to be looked at against the background of China's current economic difficulties. The instances cited in the communist press then prove very revealing. One describes a factory where absenteeism recently rose to 70 per cent of the labour force because an allegedly beneficial "wage reform" was mismanaged by the bosses, and the workers were "provoked into making unreasonable demands." Another refers to the habit of accusing any peasant who ventures to speak frankly of "sharing the views of landlords and rich peasants." Mr Peng warns party officials that they must not get frightened and resort to violent repression when deputations approach them to voice complaints, or when "the masses," provoked by "utter lack of democracy . . . get together and create disturbances." They must stop treating ordinary people as the enemy, or the people will turn into the party's enemies. They must, moreover, explain the "contradiction between production and demand," and "urge the people to stick to austerity."

In brief, "the masses feel deceived" because, after being fed on so much propaganda about economic triumphs, they have lately been ordered once more to tighten their belts. This disenchantment, and the "absolutely wrong" methods used to deal with it by too many cadres ("enforcement, imprisonment, extermination") are further imperilling Peking's already rickety economic planning. The Chinese press this week has been full of stories of workers retaliating by absenteeism, go-slow methods, and partial strikes, against managers and party bosses who will not listen to their complaints. Uglier things than that have evidently happened; and Mr Mao's speech, like Mr Khrushchev's, has presumably remained unpublished because it recorded them too starkly.

CZECHOSLOVAKIA

Sitting Tight in Bratislava

SOMETHING of the strains and stresses under the sluggish surface of Czechoslovak life were divulged during last week's congress of the Slovak Communist party in Bratislava. Both Mr Bacilek, the first secretary of the Slovak party, and Mr Novotny, the first secretary of the Czechoslovak party (who headed a strong delegation from Prague), were at pains to demolish the "wrong views" and "even opinions of an anti-party character" that were being put forward both inside and outside the party. Mr Bacilek was particularly concerned to show writers and journalists where their duty lies; he referred to "incorrect articles . . . full of liberalistic tendencies" and even to "furious attacks" made on the Communist party. Mr Novotny inveighed bitterly against those who try to undermine the regime and lead the people astray with "democratic phrases and revisionist demagogic proposals."

The Communist leaders did not, in fact, show the slightest sign of giving any ground to the reformers and the malcontents. Mr Novotny said cryptically that such people could not be left at large. The national conference of the Czechoslovak party nearly a year ago, which showed remarkably little sign of being influenced by the 20th party congress of the Soviet Union, did at least listen to proposals for breathing new life into the moribund Czech parliament. Last week's Slovak congress—held six months after the crises in Poland and Hungary—merely listened to lectures on the wrong-headedness of confusing "socialist" with "bourgeois" democracy. And since the party leaders refuse to admit that any major policy mistakes were made in the past, they naturally refuse to contemplate any important changes in the future. "Doubtful experiments and doubtful examples which are alien to our life" (no doubt like the Jugoslav workers' councils) are eschewed; and the importance of pushing ahead (by "all means which persuasion may require") with collectivising agriculture is reaffirmed. The Czechoslovak party bosses seem content to sit tight and be tough.

TANGANYIKA

Experiment Misfired

THE most important landmark in Tanganyika's slow journey to self-government was a pilot scheme for holding elections in three or four constituencies next March. These elections have now been postponed. In a debate in the Legislative Council last week many of the unofficial members, who are nominated by the Governor from all three races, objected to the scheme's limitations and held out for elections throughout the territory; but the Governor, Sir Edward Twining, is not prepared to agree. The life of the present council expires in March, and unless it is extended, the unofficial members will have to be nominated again.

Sir Edward Twining, whose term of office ends in about a year, had hoped to introduce two constitutional innovations before he left. One of these has already been brought into effect. Official members in charge of departments have been renamed ministers, and six posts of assistant minister have been created in order to give unofficial members training in responsibility. The second step was to have been the introduction of elections on a multi-racial basis. In each constituency chosen for the experiment there would be European, Asian and African candidates, and no ballot would be valid unless it contained a vote for a candidate of each race. The franchise would be qualitative (with criteria of income, property or position) but, even so, in eight out of the nine possible constituences the African electorate would outnumber the European and Asian together.

A too tentative advance has proved to be no advance at all. At one time the United Tanganyika party, to which nearly all the unofficial members belong, was in favour of the plan. In recent weeks, however, members have become increasingly worried by the activity of the Tanganyika African National Union (the African nationalist party) and in order to hold their own in the country, they may have felt it unwise to identify themselves with the slow tempo of the Governor's proposals.

EUROPE

A Gesture to Poland

THE United Nations Economic Commission for Europe began its twelfth session at Geneva with an overt recognition of Poland's new status among the countries of eastern Europe. It had become customary for the ECE to elect a chairman chosen from western Europe or Scandinavia and a vice-chairman from eastern Europe. But this time Professor Oskar Lange, of Poland, was elected chairman on a French proposal. An economist of international repute and a former professor at Chicago and Columbia, Mr Lange renounced his American citizenship and returned to Poland at the end of the war. During the Stalinist period he fell into disfavour and disappeared from the Polish scene; he emerged again after Stalin's death. He is a very different man from the last vice-chairman, Mr Katz-Suchy, who is also a Pole. Mr Katz-Suchy was one of the five Poles with most influence in the conduct of Polish foreign policy in the Stalinist period; at international meetings he made a name for intransigence. For some time his influence had evidently been on the wane.

The gesture of offering this year's chairmanship to Poland was met by the Poles with a gesture of their own; they withdrew Mr Katz-Suchy from their delegation. The ECE has thus for a second time become a platform for Poland's aspiration to independence in economic policy. Some weeks ago the Polish delegation used a meeting of the ECE coal committee to appeal for western investment in the Polish coal industry; Poland offered in return to help with increased coal deliveries to the West. Jugoslavia has expressed the hope that its own successful co-operation with the capitalist countries would encourage similar co-operation with Poland. The Russians have shown less enthusiasm for Poland's new status. Unable to oppose the election of a Polish chairman, they yet accepted it with an ill grace that was generally noted.

CENTRAL AMERICA

Oil and Frontiers

THE Organisation of American States has held on to its reputation for damping down flare-ups in Central America by checking the clash between Nicaragua and Honduras. A commission of five men led by Señor Arias of Panama has been entrusted by the organisation with the task of determining which of the two republics was the aggressor, and of producing a settlement by the end of this week. If the mission succeeds, it should give a time-and-method lesson to the larger international organisation in New York.

The frontier dispute between Nicaragua and Honduras has been simmering ever since the two states became independent more than a hundred years ago. In 1906 the king of Spain was asked to arbitrate, but Nicaragua later rejected the ruling in favour of Honduras. From time to time there were squabbles over timber rights, but neither country put great store by the triangle of swampy, mosquito-ridden jungle, although politicians often used the claim when it was expedient to whip up national feeling.



As with some other Latin American border disputes, the possibility of finding oil reserves in the area has given edge to the quarrel. Both Nicaragua and Honduras are believed to be negotiating with American oil companies over concessions, but Honduras has taken the greater initiative by creating a new state, Gracios a Dios, covering the disputed area. Interest in Central American oil is building up other potentially explosive situations. Further north in the Peten district of Guatemala, a favourable change in the Guatemalan oil law two years ago released a flood of applications for concessions. Several oil companies are surveying in the area, and though oil has not yet (as was wrongly stated in *The Economist* of April 6th, page 54) been found there, the hope of oil has given practical significance to the Guatemalan claim to British Honduras, which would offer a quicker route from Peten to the sea.

SCHOOLS

Money for Labs

IN 1955 a number of companies engaged in chemical, electrical and mechanical engineering got together to raise a fund for helping schools to enlarge their facilities for science teaching. They confined their generosity to independent schools and those receiving a "direct grant" from the Exchequer, which meant that they were promptly accused of favouring only better-off children. But these are the schools, the companies thought, that find it hardest to get the money for capital expenditure; "maintained" schools are provided for by the Government and local councils between them.

The second report on the use of this "Industrial Fund for the Advancement of Scientific Education in Schools" was published this week. Over £3 million was subscribed by 141 firms; grants for building were made to 187 schools and grants for apparatus to 308. The result is that the number of science places in the schools concerned will be increased by half and the number of science specialists raised by perhaps 5,500.

This is particularly satisfactory because in many independent schools—especially those away from industrial areas—the prejudice against a scientific education has been dying more slowly than in the state schools. It remains for science masters to conquer the prejudice that many of them still have against encouraging their pupils to be technologists rather than pure scientists. The achievement of the fund also shows how fruitful industry's interest and co-operation in education can be. There is growing scope for its help in sending young men and women to the universities and technical colleges.

BANK STAFFS

Bank Clerks Militant?

ON Monday, some 2,500 members of the National Union of Bank Employees gathered in the Central Hall, Westminster, before going to the House of Commons to lobby their MPs; on Thursday the executive of the union met members of all parties, led by Mr Robens and Mr Ted Leather. The object of these meetings is to get their union recognised by the employers: it has nearly 50,000 members and has been going for forty years, but is only recognised by two of the clearing banks, by the Co-operative and Trustee Savings Banks, and by some overseas bankers in the City. The other banks prefer to negotiate with their own staff associations, whose officers are appointed and paid by the employers themselves.

The union claims that these associations have no power to look after members. Their great talking point is the history of the Midland Bank staff association, which was voted out of existence by its own members a few years ago after a disappointing end-year bonus, but has been reconstituted, and is again recognised by the bank as representative of the employees, although it has a smaller membership among them than the union, which is ignored. The Minister of Labour could not intervene in this dispute, since it involved an unrecognised body and was therefore not official. The staff associations, however, appear as satisfied with their position as the employers; and this is the weakness of the union's position. As well as the bank men who belong to the staff associations (and there are a majority of these in most of the clearing banks), there are many who belong to neither employees' organisation: the mood of even those more active NUBE members who were in the Central Hall on Monday was illustrated by a jovial voice which called "Give them hell, chaps, but don't forget that you are a responsible bank clerk." Bank men are inhibited by their status and traditions from any very militant action, which is why they hope to gain their ends by Parliamentary means. In those banks where union members are in a majority—or in any where union membership is sharply increasing—the employers might be well advised to come to a compromise before they are compelled to: the compromise suggested by the union (though vehemently opposed by at least two of the staff associations) is a joint employees' negotiating body of staff associations and union together. But it is not very clear what MPs are expected to do about it.

SOVIET UNION

Not By Bread Alone

SOVIET artists are resisting attempts to hobble their creative activity with the fetters of "social realism." When the musicians' and painters' organisations lately held their congresses, both were addressed by Mr Shepilov, who attacked "formalistic" deviations and reiterated the party's right not only to take care of, but also to control, the arts. At a meeting of Moscow writers Mr Dudintsev was officially taken to task for his controversial book *Not By Bread Alone*. But the attacks are milder than the thunder of former days, and men of letters find courage to talk back.

Mr Dudintsev has so far refused to alter his text. In the preface to the English edition, which is to be published by Hutchinson in July, he deplores the use to which his book has been put in the West, but does not deny that his picture is drawn from real life and makes no attempt to change it. At the Moscow meeting he argued that to camouflage the truth will only lead to defeats and bitter disillusion. He also made a plea for greater artistic independence: "I think that, like young swimmers, we should be allowed to swim on our own; maybe we shall not drown. Unfortunately all the time I feel on myself a leading-string, like those by which children are led, and this hinders my swimming." Having experienced the exhilarating feeling of striking out on their own, the Russian intellectuals have begun openly to resent the party leash. The administrative organ of the party, *Partyinaya Zhizn*, reports with disapproval that, when they are told to mend their ways, the culprits retort: "So we are getting back to the old ways, which prevailed until the struggle against the cult of the individual."

The same organ accuses historians of falling under the influence of bourgeois liberalism and of minimising the hostile part played by Trotskyists, nationalists or other deviationists. But such is the effect of destalinisation that heretics no longer go in terror of the stake. It is enough to look at the latest issue of the magazine *Moscow Literature*, with its devastating attack on Soviet playwrights who seek their inspiration in yesterday's decree, official article or even broadcast, to realise that Soviet musicians, painters or writers are no longer prepared meekly to cut their creative work to rigid party measurements. Mr Shepilov has a difficult job on his hands.

LETTERS

No Reasons Why

SIR—It would seem impertinent to correct such an authority on shopping as Mr Walter Padley, but he gives a misleading impression in your issue of May 4th when he seeks to imply that the Scandinavian countries, Holland, Austria and Germany have shorter shopping hours than those proposed by the Government in the Shops Bill. It is the habit of people in most if not all of these countries to get up much earlier in the morning than we do here and certainly as far as Germany is concerned shops open at 7.30 a.m. (7 a.m. in the case of food shops), so that a closing hour of 5.30 to 7 p.m. should be regarded in the terms of life in this country as 6.30 to 8 p.m. at least.

At the end of his letter Mr Padley mentions the cost of long shopping hours to the consumer. Surely what the consumer wants is variety and freedom of choice, so that if Mr Padley is right and short hours really mean low prices, those who want to shop in the cheapest market can do their shopping in one of the many chain stores which already shut long before the legal closing hour, leaving available to the not inconsiderable number of those who work from 9 a.m. until 6 p.m. the more elastic hours of the little man round the corner. If these people have to pay more for what they get, then at least they are getting more, in the form of service, for what they pay.—Yours faithfully, LAURA GRIMOND

Richmond, Surrey

★

SIR—We are puzzled by Mr Walter Padley's strictures on your comments concerning the Shops Bill. We have studied the Anglo-American Productivity Team Report on Retailing. It seems to us to justify your attitude.

First, freedom in the matter of shopping hours has not produced uniformly long hours of opening in America. In food distribution, hours "vary from shop to shop within the larger cities" (page 31); in the non-food trades "the hours of opening differ widely and those of private traders and multiples show almost infinite variation" (pages 44-45). To speak of "Gresham's law" in this context therefore seems doubly improper: it misrepresents the facts as well as prejudging the issue of whether long hours of opening are desirable.

Second, there is evidence in the productivity team report for your view that long opening hours and good labour conditions in retailing are not incompatible. The team noted that "in California, where trade union organisation among food workers is strongest and traditionally more militant, and where wages are highest and working conditions most favourable, the shop trading week is much longer than elsewhere" (page 32).

Third, the report is by no means clear on the question of whether long shopping hours raise costs in the United States. These hours are said on the one hand to be necessitated by "the need for an adequate return on ... large capital expenditure" (page 3) and to be worth the large traders' while in terms of profits (pages 32-33); on the other hand, in the part of the report dealing with the non-food trades, a non-quantitative reference is made to the extra cost of extended hours (page 69). We would be much interested to see Mr Padley's detailed calculations on this point.

Mr Padley suggests that longer shopping hours have led to an inflation of American distribution costs, particularly labour costs. His evidence on this point is both inaccurate and irrelevant. Margins in the food trade are higher in this country than in America and not equal to them. Wage costs in relation to sales are relatively higher still here, although the meaning of this last figure is not clear on account of differences in the proportion of paid employees in the retailing labour force in the two countries. In the non-food trades American margins are higher, but this cannot be used as evidence for saying that "the American system is more expensive than the British." Percentage gross margins are a very bad guide to performance in distribution, because they are heavily influenced, in international or inter-temporal comparisons, by differences or changes in comparative manufacturing productivity. (This is a point on which the productivity team itself slips up rather badly.)

Mr Padley will have to produce much more telling arguments before he convinces us that the various progressive countries outside North America whom we are about to join have shops legislation which it is fair to describe as "advanced."—Yours faithfully,

BARBARA FREEMAN
JOHN KNAPP

Oxford

A Speculator's Best Friend?

SIR—Mr Bevan repeated at Reading on Sunday that a Labour government would renationalise the steel industry. Three effects follow:—

1. On Monday the Stock Exchange put the prices of steel shares down. That means that the dividend yield goes up. So that threats to renationalise (before Mr Bevan has power to carry it out too) simply result in a bigger take-off for Stock Exchange speculators when the market gets back to normal. Yet these are the people whom Mr Bevan wants to punish, not to reward.

2. The country wants more steel. That means the industry must have more capital equipment for expansion. Because of statements made by Mr Bevan and others, steel companies are compelled to offer a high rate of interest in order to attract the money. The Steel Company of Wales, for example, which has just been denationalised, offered the shares at a price which yields 8 per cent (is this the highest yielding "blue chip" on the market?). The price was £40 million, which at 8 per cent means a dividend of £3,200,000 a year. Without the threat of renationalisation, a yield of 7 per cent would have been ample and a yield of 6½ per cent satisfactory. Speeches of the renationalisers have thus given to these investors between £400,000 and £600,000 extra a year.

3. Shareholders in steel companies are putting pressure on directors to pay out bigger dividends. If the industry is going to be renationalised, they say, let us take out what we can while we have the chance. The dividends on steel shares are still rising. A one per cent increase on the dividends of renationalised steel companies means about £3 million extra for the shareholders every year on £260 million. An increase of 2½ per cent, which is likely, will be £7½ million for the shareholders.

4. Everybody knows that, even if the industry is renationalised, a "fair" price will have to be paid. A Labour government will not itself be able to decide a price without reference to the international impact of such an action. The "fair" price will be the one determined not by a Labour government, but by independent bodies. The Labour party has a chance of succeeding only so long as it stands by the principle of compensation that impartial persons would consider fair, whatever its own views about compensation.

What is the point, therefore, of continuing to issue threats which only yield bigger benefits to just the sort of people who are threatened? Is Mr Bevan the shareholders' and speculators' best friend? Or is he just a proper Charley?—Yours faithfully,

MEMBER OF THE LABOUR PARTY

Chile's Legal Dictatorship

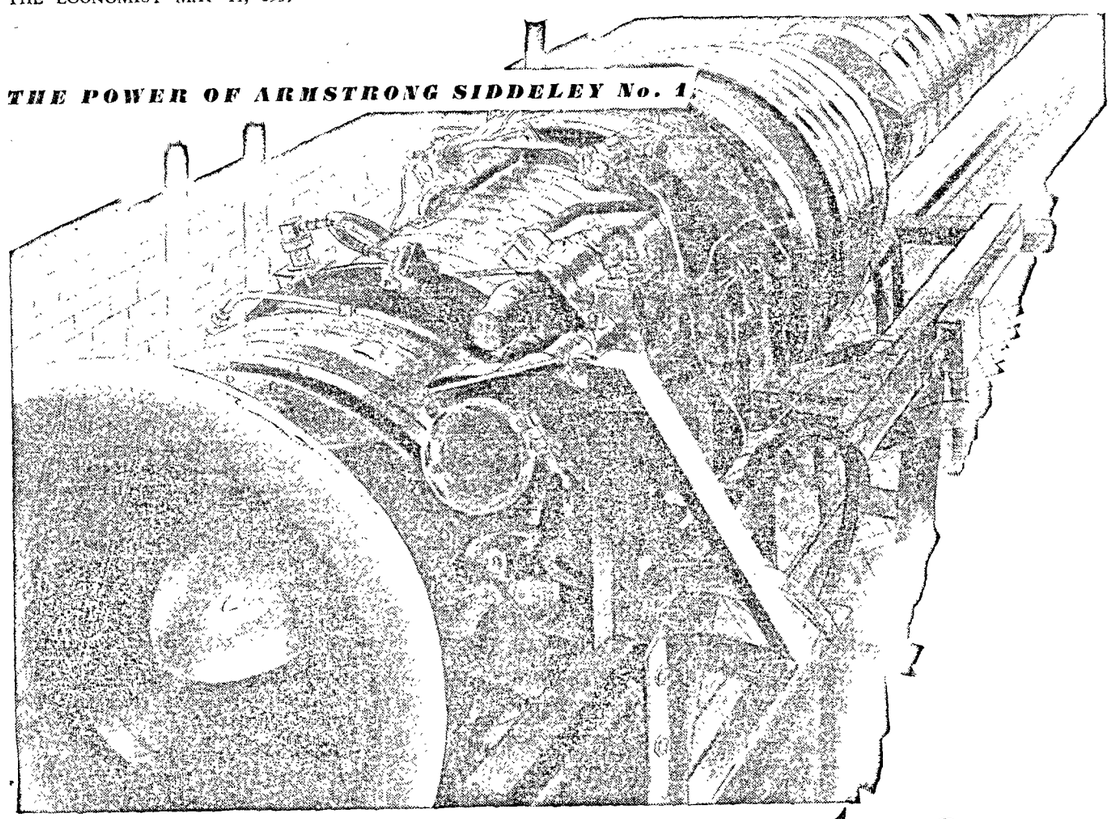
SIR—In your issue of May 4th you publish a letter from the Ambassador of Chile in which he states "these extra-constitutional powers were expressly renounced by the President as soon as it was seen that the disturbance had no popular support and were solely the work of small groups of extremists."

This would seem to imply that the extra-constitutional powers were in fact taken to suppress what was thought to be a popular movement. Is this how Chile achieves "an atmosphere of mutual understanding between government and people"?—Yours faithfully,

D. E. LUKE

The Queen's College, Oxford

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BOOKS

Paganini among Bankers

Lord Norman
By Henry Clay.
Macmillan. 506 pages. 36s.

CLAY had worked for four years on this life of Montagu Norman before he met his death in a road accident in Holland in the summer of 1954. His draft, as he recognised, was spade-work, needing revision and cutting, and he had not made a start on two last chapters on Norman's work in the war and an appraisal of "The Man." To publish Clay's work substantially as he left it, with two contributed chapters to round it off, took the risk of doing something less than justice both to the author and to his subject. The decision was rightly taken, and the only regret is that by Clay's tragic death the world should have been denied a polished masterpiece based on the raw material that he assembled and sifted with such expert care. The picture of Norman, incomplete though it may be in the later stages of his career, emerges in the round—a virtuoso, an artist, an autocrat, a man who relished his own mystery, the last of the classical central bankers.

How did Norman achieve this eminence? His background was secure; his opportunities at Eton and King's were great; yet he achieved little in his early years. Already he showed something of the rebellious instincts and the intuitive habits of mind that distinguished his work in maturity. His early career with the family merchant banking business was steady rather than impressive, though he enjoyed his apprenticeship in America. In the Boer War, with a well-earned DSO to his credit, he found a curious fulfilment, but he undermined his health; and even ten years later, in 1912, a Swiss physician gave him only three months to live. Sickness of spirit ("a very erratic corner in my brain which makes all the trouble") was cured, not so much by the contemplation of "a complicated series of linear patterns" prescribed by another Swiss doctor as by the relief from the strain of disagreement with his banking partners. The outbreak of war in 1914 postponed his departure from the firm until the end of 1915; within a few days he had been invited to "devil" for the Deputy Governor of the Bank, eight years after his election to the Court of Directors. His real career had started at the age of 45.

It lasted nearly thirty years, twenty-four of them as Governor, and spanning most of two world wars, the struggles of reconstruction in the twenties, the transient restoration of the gold standard, boom and world depression. They were years of great achievement for Norman and of hardly less disappointment. He saw some real chance of restoring his kind of world in the early twenties and he worked with skill and imagination to secure it. But new tides, stronger than his skilful navigation could master, had turned against him. His own technical *tour de force* was *inadequate when governments took an* increasing hand in economic affairs, and when Britain was losing its economic leadership. Norman's agile pragmatism never deserted him. There is nothing in these pages to support the charge that he was a mere deflationist. But his own traits did him mischief in popular estimation. The British people like a "character"; but they were never free of a certain uneasiness about Norman's aloofness; his charm of manner was mixed with an aristocratic disregard; the beard and the hat came close to ostentation in a man who cultivated the prankish mystery of "Professor Skinner."

In all these matters, Norman was not successful in his public relations. He could afford to be contemptuous of anything so vulgar. But his limitations of mind were a different matter. When the world of the twenties deserted his conceptions of Edwardian normality and self-regulation, he had no systematic principles on which he could fall back. He was moved to action by what was happening in the market place, not by response to economic generalisations. Clay says that "his powers of explanation and advocacy fell far short of his powers of insight and decision"; and the contributor of the chapter on "The Man," writing from close experience with Norman, admits its truth. When Norman faced Keynes at the Macmillan Committee, he was quite unable to do himself justice; his was a craft of cases and not of systems, a practice of affairs (not organised save into the broadest principles) that he was too impatient to rationalise. The brilliant executant fell a long way short of creative economic exposition.

"It is not easy," says Clay, "to recall, after the experience of government credits and gifts after the second world war, the responsibility and the influence which bankers carried in the twenties." Norman's striving for order, international co-operation, the essence of free trade and competition, and the fending off of political interference in monetary policy finds an example on every page of Clay's account. He created the art of modern central banking as no one else could have done and he enjoyed, perhaps unduly, its mystique. But he was always seeking the conditions of an honest currency, fair and stable economic relations between Britain, Europe and the United States, and the limiting of economic ambitions to economic means. His intervention to remove some of the structural callouses of British industry in the twenties can easily be misrepresented; he was more attached to expansion and efficiency than those who saw him merely as a banker selling up over-swollen industries would ever allow. The charge that he was addicted to dear money and deflation cannot be squared with economic expansion throughout the twenties (save in 1926) nor with the readiness of London to lend up to the hilt of what the country's surplus could afford for reconstruction in Europe and expansion in the Commonwealth.

These were brave attempts—the work of "a person" rather than "an organisation." Organisation was in the end inescapable; the position of the Bank changed fundamentally after the country abandoned the gold standard, and by 1937 even Norman, though proud to be a central banker talking to central bankers, asked his audience to remember that he was "an instrument of the Treasury." There was still a long way to go before the Bank was nationalised and a Chancellor of the Exchequer could bring himself to describe it in public as "not my agent but my creature." Norman's personality and the strictness of his beliefs still have their lessons for an age devoted to the centralisation of economic power in government. It has not got rid of the economic sloppiness that he, more than anyone else, would have despised.

Guilty or Not?

Not Guilty
By T. E. Utley.
Macgibbon and Kee. 158 pages. 10s. 6d.

A DEFENSIVE task is not a gay one for the controversialist. To attack a wrong policy can be exhilarating; to defend what has been done is dull. Controversialists of the Opposition can enjoy themselves thoroughly attacking the Government, but if the Government's advocates want enjoyment, there is only the Opposition for them to attack; and this, since the Opposition has merely been in the position of saying, not of doing, is a less rewarding pursuit. Mr Utley, setting out to vindicate the home and foreign policies of Sir Anthony Eden's government, is therefore unremittingly exposed to the temptation of turning his attention from the actions of Sir Anthony Eden and his colleagues to the words of Mr Hugh Gaitskell and his; although, as he himself admits, "a government cannot be defended merely by the argument that the opposition to it is foolish and inconsistent."

Mr Utley devotes much of his book to the Conservative record at home, and on this front his exposition has at least the advantage of a consistent philosophy, expounded with cogency though with too many glib sneers at the other side. He says rightly that the government's actions can only in general be justly judged in relation to the acts of policy that went before, and in the framework of the general political and economic behaviour of the British people in our time. The method serves him well until he comes to the election of 1955 and the perplexing strokes of economic policy (Mr Butler's spring and autumn budgets) which preceded and followed it.

His task in defending the record of the Eden government in the Middle East is harder, and perhaps his heart is not so much in it. Certainly, in any fundamental sense, he shirks the task. It is difficult to put up an effective defence of the government's policy if one is not prepared to say honestly what the policy was. Mr Utley maintains somewhat perplexingly that Sir Anthony Eden had foreseen the strong and hostile American reaction to his ultimatum to Israel and Egypt, "for his policy to meet it was prompt." What was this policy? According to Mr Utley, it was the proposal for a United Nations police force, which was to

> remain in the Middle East until a settlement between Israel and Egypt had been achieved and the control of the Suez Canal had been put on a proper footing.

He goes on to say that the force was set up on these lines. As Mr Utley goes on to say, the United Nations force was set up "with the specific objects of securing and preserving the cessation of hostilities." The argument comes adrift over the unfortunate fact that the hostilities which were to be stopped included, and primarily, the hostilities that Sir Anthony Eden had just started. To represent this as the achievement of a statesman who had foreseen what was going to happen is absurd. Mr Utley's final balance sheet is equally incapable of holding water. A war had been stopped, he said; the possibility of a settlement in the Middle East existed; all this was "thanks to the success of British policy in establishing the principle that the Middle East was an international concern." Perhaps it was not possible to do better if the writer was unwilling to consider seriously what the British government was really trying to do and how its intentions were related to the intentions of France and of Israel.

Handing out the Food

The Combined Food Board: *A Study in War Time International Planning*

By Eric Roll.
Stanford University Press. London: *Oxford University Press.* 398 pages. 60s.

FOR four years, from June, 1942, to June, 1946, the Combined Food Board was the focal point for operations affecting the food supplies of half the world. Yet it left no official history of its work, and we owe it to the initiative of the Food Research Institute of California that Mr Eric Roll, who was one of the Board's principal officers, undertook this task. He has done this with great skill and judgment in an interesting and lucid account of the board's failures and successes. He emphasises throughout that the board was merely a piece of machinery for trying, not always with success, to co-ordinate the policies and actions of the governments of the United States, the United Kingdom and Canada, and in no sense a supra-national organisation.

The book opens with the striking contrast between the food position of Britain and America in the first two years of war—in Britain state control and rationing due to lack of ships and dollars, and in the United States free markets and a record level of food consumption. In the first half of 1941, before lend-lease brought vital relief, the food supply of Britain fell to a dangerously low level. (Infant mortality in 1941 was 5 per cent above the prewar average and nearly twice the current level.) Then in June, 1942, when the Combined Food Board was set up, Roosevelt and Churchill announced that "the entire food resources of Great Britain and the United States will be deemed to be in a common pool." This led to the first statistical comparison of food consumption in the three countries, which was the starting point for the national "food balance sheets" now published by the Food and Agriculture Organisation and the Organisation for European Economic Co-operation.

Mr Roll rightly emphasises that "allocation" by the Combined Food Board could never be based on any cut-and-dried formula—an illusion that survived to plague the International Emergency Food Council when world-wide allocation of food supplies became necessary in 1946-47. The board, and later the council, could only recommend, and never dictate, to whom and how much exporting countries should sell; and import requirements were almost impossible to assess with any precision. In April, 1945, the level of stocks in Britain had created such misunderstanding that the question was placed on the agenda of the Yalta Conference, though it was never discussed there. In the period of greatest world food shortage, from 1945 to 1947, countries where the shortage was greatest were generally those where statistics of stocks and consumption were most defective.

More important even than the allocation of scarce foods was the co-ordination of overseas procurement. Thus the Ministry of Food bought meat for the Allies from Argentina and tea from India and Ceylon, while the United States government bought sugar from Cuba and coffee from South America. During the postwar food crisis Unrra countries complained about the unrepresentative character of the Combined Food Board, and this led to its replacement by the International Emergency Food Council, consisting of more than twenty nations.

In the light of his later experience in OEEC and Nato, the author has some interesting comments to make on the effectiveness of international co-operation. He stresses the importance of daily and intimate contacts between permanent delegates. Reciprocal influence on national policies is more readily brought about in this way than by a strong secretariat or through the passing of resolutions by temporary delegates at periodic conferences. The story of the Combined Food Board illustrates once again that defence is more potent than opulence in promoting economic co-operation among nations.

Illjudged Suppression

The Accusing Ghost, or Justice for Casement

By Alfred Noyes.
Gollancz. 191 pages. 15s.

THE title suggests that the author has approached his subject in the wrong frame of mind; and so he has. This is a well-meaning but incoherent and tiresome little book, the work of an old man whose vehemence has outrun his judgment. There is a strong case for pressing the Home Office to authorise an examination of, and a public report on, the notorious "black diaries" and the use that was made of them at the time of Casement's conviction on the charge of high treason. Such a case could be stated in an article or a pamphlet and should be stated in a systematic and judicial manner. Instead, Mr Noyes roams at large over Casement's career and in a chapter on the trial displays so much prejudice that he shakes the confidence of the reader in his capacity to handle the points that really matter. Few reasonable people can doubt that Casement, a British citizen in receipt of a Government pension, actuated by motives with which one may or may not sympathise, committed "treason" and was convicted after a perfectly fair trial. The only remaining point was whether he should be hanged or sentenced to imprisonment for life. But Mr Noyes cannot keep off the red herring of Sir Frederick Smith, the prosecuting Attorney General, and is at pains to establish that "F. E.," by reason of his association with the prewar Ulster "rebellion," was the worse traitor of the two. One need not be an admirer of the man who became Lord Birkenhead to dismiss all this as irrelevance and "hot air."

When we come to the diaries it is a very different matter: Every solution of the problem seems grossly improbable. Was Casement a rabid homosexual? No one had noticed it till the diaries began to circulate: yet if they did not record his secret life, what were they? Is it really conceivable that Casement had made a full translation of the homosexual diary of Armando Normand? And if so why? Mr Noyes seems to think that the diary was fabricated for

use after Casement's arrest, by Sir Basil Thompson. It that conceivable either? The Home Office has once again presented a blank refusal to a request for an official investigation.

So long as that refusal is persisted in, there will continue to be a spate of books about Casement, and that is a dismal prospect.

Unfortunate Princess

The English Empress

By Egon Caesar Conte Corti. Translated by E. M. Hodgson.
Cassell. 419 pages. 42s.

LAST year the tragedy of the Empress Frederick was rather haltingly restated by Dr Richard Barkeley: *now* the posthumous work of Count Corti, who had access to a wealth of royal papers, has been published. But the unfortunate princess is still unfortunate in her biographers as well. Count Corti's book has for its sub-title "A Study in the Relations between Queen Victoria and her Eldest Daughter . . .," but it is not a study of anything so precise. The plethora of quotations from the correspondence between mother and daughter makes the book seem shapeless. Moreover, the author himself seems to have become infected by the royal ladies' taste for adjectives, mostly in the superlative and heaped together, and his narrative is, in consequence, often turgid and cloying.

The most interesting and important chapter in "The English Empress" is chapter XI because it was written by the Empress herself to record the experience of 1888, the year of her husband's accession and of his death: strangely enough Count Corti seems to have felt that this chapter required an apology for some of the "harsh and bitter" words it contained, although these words were no more excessive than the habitual style of the letters quoted throughout the book. Here the widow records that the liberal prince considered "as we did," that the *Kulturkampf* had been carried on with characteristic harshness. "But what seemed to him worst of all was that . . . the Prussian State as such suffered a severe reverse. . . ." She then goes on to say that

> Fritz considered the anti-Semitic movement equally terrible. . . . It was nothing but an element of hatred and dissatisfaction created merely to brutalise the feelings of the nation and to arouse their evil passions of envy, force, intolerance and injustice.

Alas, the Prince Consort had not taught his clever and promising daughter clarity of thought or expression. But the feverish intensity which makes her never dull yet monotonous to read, was part of a genuine interest in the social question. What other crowned head took the trouble in 1879 not only to read "Das Kapital," but also to inquire into the personality of Marx? It is thus to the Empress Frederick that we owe the delightful account from Grant Duff of that momentous figure, an account which has in fact been published before.

The history of the Empress Frederick has been described as a clash of dynastic traditions. One wonders, however, where Queen Victoria really stood. Of course she believed in the unquestionable superiority of her own family, but she certainly did not approve of an interest in Marx and Renan, while she had insistently begged her daughter to do her best to germanise "Bertie."

No Secrets

The Torment of Secrecy

By Edward Shils.
Heinemann. 238 pages. 15s.

THIS is a curious book and an unsatisfactory one. Something went wrong with it in the writing, and the trouble is probably explained in the statement on the jacket that Professor Shils was "associated with the American atomic scientists for many years" and in his own explanation in the foreword that the book was first written "in the heat of the struggle, as a broadside against the depredations of Senators McCarthy and McCarran" and that he then tried to mould it "into something more than a polemic."

The result is a book which has been impoverished by restraint rather than enriched by objective scholarship. Any reader who is used to skipping forewords will be hard put to it to find out what the book is about. It is certainly not about the torment of secrecy.

For a long time the dirty word "McCarthy" is studiously avoided, and the first third of the book is spent in a mild and not very original comparison of the social climates in the United States and Britain—always to the disadvantage of the United States. Professor Shils, for example, records the American belief that aggression overland to adjacent territories is legitimate, but that aggression overseas is imperialism, and the widespread notion that there is only one class on American railways while there are two in Britain. Both these curiosities have been observed and commented on more than once by members of university debating teams writing that inevitable account of a first trip to wonderland.

And when Professor Shils does get to his point his arguments are badly organised and his writing is deplorably slipshod. "A section of the population and a strand of sentiment which are ordinarily kept at bay expands" contains more bad grammar and mixed metaphor than even a sociologist should allow himself.

By "facilitating" the Professor's work the Fund for the Republic (an offshoot of the Ford Foundation) was making a brave try. It would, after all, have been too much to expect any very valuable treatise on lions to have been written by an Early Christian. The first useful book on the McCarthy era is likely to come from an outside observer, someone who is not oppressed by national shame, someone who will be able to understand the full significance of the fact that the Senate did, in the end and contrary to its traditions, effectively stamp on its most noxious member—and without help from the White House.

Port of the North

Liverpool

By George Chandler.
Batsford. 515 pages. 35s.

BOTH Birmingham and Manchester celebrated the anniversary of their incorporation as boroughs by subsidising the publication of valuable, scholarly studies of their historical development. It is a great pity that Liverpool has not followed this example. The city council has sponsored what purports to be a social history of the city, but it is social history of a disappointing kind, consisting largely of a collection of trivial anecdotes. Only one paragraph is given to nineteenth-century emigration and that only to comment on the establishment of the landing stages. The slave trade is shrugged off as benefiting all parties in the long run. Railways get one paragraph, rather less than the Grand National; nineteenth-century shipping is a list of names of lines and a few tales of accidents. That the constable had his truncheon decorated in 1834 seems to have much the same weight as the Poor Law Act of that year.

The book's major weakness is its general plan. By going chapter by chapter through the influences of kings and castles, barons, lords, mayors and burgesses, all sense of continuity is lost, and we are given little idea of how and why the town grew. This is not to say that there is no evidence of useful research in the book. Indeed, a considerable amount of it seems to be new, but its value has been lost by the way in which it is presented. We are told of a series of diaries, throwing valuable new light on Liverpool's social history and here studied for the first time, but all that emerges from them is that the diarist paid his barber 2s. 6d. a quarter for three visits a week and bought a book on the Lisbon earthquake.

Yet there is so much that could have been told. The political struggles over particular changes in social policy, which make up such a fascinating part of the Birmingham history, are not even hinted at. The decision to employ a private company to provide gas lighting is dismissed with the comment, "this must have resulted in improved street lighting," but with no indication that the provision of trading services was such a crucial question in nineteenth-century local government. Was there no one comparable to Joe Chamberlain in Liverpool politics and if not why not? Was it because a single party was in power for so long after 1835?

That the city councillors did not want a scholarly volume for the occasion might be accepted. They have indeed a well-produced book with over 300 illustrations; but if they present it as a serious social history, footnotes and all, then the reader is entitled to expect something more from the text. Parts here and there are not without interest—the chapter on the poor is probably the best—but they are not enough to make up for the rest.

The Dutch Press

Het Dagbladbedrijf in Nederland

By M. Rooij.
Kroese N.V., Leiden, Holland. 622 pages. 57s.

THIS is a dynamic book on a dynamic industry. Dr Rooij's analysis of the economic and social aspects of the newspaper business in the Netherlands is remarkable in many respects, and first of all because it is an editor and not a publisher who has written it. Dr Rooij is the well-known editor of the *Nieuwe Rotterdamse Courant*. Newspaper economics was an almost unexplored jungle in the Netherlands; now Dr Rooij has cleared it in a single bulldozer operation.

Not all Dr Rooij's conclusions are "dynamic." He finds, for instance, that the establishment of new daily newspapers is nearly impossible now: the acquisition of readers and advertisements would take too long and require too big an initial capital, for the circulation of Dutch dailies is almost completely based on subscriptions (a stabilising factor as far as sales are concerned); and existing newspapers already meet the needs of most religious and political groups. Dr Rooij scrutinises the tendency to monopoly (and oligopoly) in the newspaper market.

The book surveys the touchy domain of relationships between publishers and editors. The majority of the 65 newspaper enterprises in Holland do not have, as Dr Rooij thinks they ought to have, articles of association stipulating the competence of the editor. Only two newspaper enterprises explicitly confer upon editors the exclusive power of deciding their newspapers' contents. Dr Rooij also examines the experience of strikes in newspapers—among others the London strike of two years ago—and proposes regulations for Holland, such as exist in Sweden, to prevent newspaper strikes being used for political reasons. His proposal for compulsory arbitration is grounded, not only on economic and social considerations, but also on the wider responsibility of the press and the right of the public to be informed.

The book can be criticised. Dr Rooij's distinction between "opinion" papers and "neutral" papers in the Netherlands has lost a great deal of its significance since the last war; many papers which he apparently still regards as neutral actually contribute much to the expression of political opinions. His view that various agreements among newspapers (especially on minimum prices) are not at variance with Dutch anti-cartel policy is open to argument. His thesis that commercialisation is not a leading characteristic of Dutch newspapers has already caused a debate among Dutch journalists. These few criticisms, however, do not detract from the high merits of a profoundly scholarly work, which is a milestone in the "scientific" study of newspapers, all the more so because it bears witness everywhere of having been written from within.

Canadian Economic Studies

International Cycles and Canada's Balance of Payments 1921 - 33: *Canadian Studies in Economics, No. 1*

By Vernon W. Malach. *University of Toronto Press.* London: *Oxford University Press.* 165 pages. 24s.

Capital Formation in Canada 1896-1930: *Canadian Studies in Economics, No. 2*

By Kenneth Buckley. *University of Toronto Press.* London: *Oxford University Press.* 173 pages. 26s.

THESE "Canadian Studies in Economics" are sponsored by the Canadian Social Science Research Council and edited by Professor V. W. Bladen of the University of Toronto. Volume I is a study of the timing and causal factors at work in Canadian cyclical fluctuations and their relationship to the balance of payments in the eventful twelve year period extending from 1921 to the end of the great depression. Assuming as it does that the reader has a thorough knowledge of monetary theory, trade cycle theory and international trade theory, as well as of statistical method, this book is not for the general reader, but it is a notable, though rather cryptically compressed, experiment in applying theoretical concepts to the analysis of concrete cases and, conversely, using a factual study in a searching test of a battery of theories. There is an admirable critical examination of some widely held general ideas about the comparative timing of cyclical trends in countries heavily dependent on external trade, and in "young" and "old" countries.

There is a mass of useful material and some penetrating analysis in this slim volume. It is greatly to be hoped that Mr Malach will go on to develop this study with a fuller discussion of some of the questions raised in it. It is also to be hoped that he will write such future works in the lively, intelligible style ("Canada abandoned the gold standard rather than abandon prosperity") that occasionally penetrates the technical economist's shorthand into which most of this book's argument is compressed.

The second volume is concerned with establishing "the trend and pattern of real investment in Canada in the years from 1896 to 1930 during which an integrated national economy emerged." To obtain the necessary statistical series Mr Buckley has made a most comprehensive survey of possible sources and earlier estimates relevant to the problem. Although the usefulness of results obtained by such devices as interpolation and extrapolation and "blowing up" figures may be open to occasional doubt, the method of calculation is fully set out and the limitations of each estimate made clear for the reader's guidance. The statistical series are unfortunately reduced to a quinquennial basis (some data not being sufficiently dependable for use on an annual basis), which cannot but obscure certain turning points and so detracts from their usefulness. It would, for example, be most interesting to relate the secular changes traced in this volume to the cyclical changes that are the subject of the first volume, but cyclical upturns and downturns are lost in the five-year intervals.

Even so this is a valuable study. It not merely traces the trend of total investment in the formative period when, with the settlement of the prairies, wheat became the basis of the Canadian economy, but also analyses its components. The analysis brings out many fundamental points, notably the effect of the revolution in agricultural techniques involved in the transition from animal power to mechanical power, and the importance of the role of governments in building up the large-scale durable capital structures required in this type of staple product economy. The author has given his statistical series an admirable historical setting that puts them into clear and illuminating perspective.

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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Single Service On the Way?

WASHINGTON, DC

MR CHARLES WILSON, who is now generally understood to be entering the final few weeks of his unprecedently long term as Secretary of Defence, ended his press conference last week by turning down firmly the idea of a single armed service. Asked whether this was not the only way to end the present bickerings and duplication of work between army, navy and the air force, he simply remarked: "It wouldn't save any money at all. It would just move the argument into another place."

However, within the planning staffs of the army and air force there are many who agree emphatically with the idea that the coming of missiles has rendered archaic any division of forces according to the element in which they are most at home; the only logical distinction, it is dogmatically maintained in many of the staff papers circulated at the "colonel level," divides the forces according to the requirements of different kinds of war. Elsewhere there are compromise suggestions. One is that administratively and for training purposes the three services should retain their present identity, while operationally they would be organised into a strategic force and a tactical force. Another proposal much in the wind is for a fourth, missile, service: this would short circuit the argument as to whether a missile has the primary characteristics of a bomb or an artillery shell and would have the further merit of providing the nucleus for a combined service which would expand automatically as the missile progressively took over the functions of existing weapons.

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Meanwhile, however, the three services continue to press their competitive claims for separate funds, in the way which has long been normal but which now seems almost out of date, on the Appropriations Committee of the House of Representatives. The navy, most determined opponent of any merger of the services, made a very effective presentation of its case, after having been rather left on one side during last year's animated controversies over which service should have responsibility for long-range missiles. The air force declined to contemplate the total replacement of manned bombers by missiles, nor would it accept as final the decision of the Joint Chiefs of Staff that its strategic bomber force should be limited to eleven wings instead of the seventeen for which it had asked. The army contended that, thanks to its reorganisation into intensely mobile "pentomic" divisions deployed, by low-flying planes with an almost vertical take-off, in "chequerboard fashion" within a battle zone without fixed lines, it would remain a major factor in any kind of war. Moreover, because the nuclear component of a new-style division was concentrated in a small atomic support command, the army claimed that it could convert at instant notice from one style of war to another.

This does not mean that anyone seriously supposes that millions of men could be called up and despatched overseas if a major conflict broke out. The only important forces for fighting purposes would be those in being when the war began. Mr Wilson in his evidence dismissed the present nominal ready reserve of 2,900,000 men as being largely a paper army, but Admiral Radford, who does not cease to be chairman of the Joint Chiefs of Staff until the middle of August, appeared to satisfy the committee that it was still worth while to train proper reserves. He argued, first, that in the event of any threatening communist move their very *mobilisation* would be a serious warning that the United States meant business; and secondly, that the help of reservists would be only too grimly necessary to restore order and essential services if the Russians got through with a surprise atomic attack.

Finally, Mr Wilson and Admiral Radford both advised vehemently against the frequent assumption that, by the magic carpet of an airlift, a substantial task force could be sent with extreme speed to an area of local danger. If the United States had wished to land a division at Suez and had possessed 1,800 of the most up-to-date transport aircraft, it could not have done it in twenty-four hours. Extra fuel and maintenance men would need to be in position all along the way and many airfields would have been required at the other end. In Mr Wilson's words:

> There is no reality to the vision of taking two or three divisions in a couple of days to any place in the world and have them ready to fight. They could not even unload their stuff that fast.

Since the navy's case this year was the most assertive it aroused the most controversy. Its budget provides for the first atomic-powered aircraft carrier, of which six are now definitely planned; these vast mobile air bases will be the nucleus of all task forces. The retiring Secretary of the Navy, Mr Thomas, asserted enthusiastically that an atomic carrier, travelling at forty miles an hour, not requiring to stop for refuelling, carrying aircraft with a range of 1,500 miles, and surrounded by several rings of ultra-modern defences, was a practically impossible target to find and destroy. The navy's claims that its ability to launch crippling retaliation against Russia would be far more likely to survive a surprise assault than that of the Strategic Air Command with its land bases were only moderated by the realisation that, if the navy appears to be able to do too much of the air force's job, it may be conceding the case for a single service. With restraint but clarity Mr Quarles, who has just been transferred from heading the air force to be the new Deputy Secretary of Defence, took some of the shine off the ebullience by remarking in his turn that an air-to-surface missile with target-seeking qualities could be fired at a carrier task force from 100 miles away and, if it was accurate enough to come within a couple of miles of its target, could easily demolish the mobile air base.

At the end of these exhaustive hearings there were clearly two points about which Congressmen were markedly uneasy. The logic of all the presentations, except that of the army, pointed to tactical atomic weapons being used for everything except the most trivial brushfire wars. Admiral Radford and Mr Quarles almost, but not quite, conceded as much under questioning. Representative Sikes got no very clear answer when he asked what would happen if, in a middle eastern crisis, the Russians were to say that this was a local war and that civilised people should not use atomic weapons, but that, if the United States did use such weapons, they would retaliate with guided missiles against European capitals.

Secondly, with Mr Wilson admitting that from now on the curve of defence costs will inevitably be upward, the pressure is rising on the Joint Chiefs of Staff to force them to make a more fundamental review of the weapons they are authorising, even if this stops short of creating a single service. Rather to the surprise of the Congressmen, this idea received an emphatic assent from Mr Quarles: he agreed that the present system "lacks incisive military analysis and cross criticism" and that "some different organisational concept" from that found satisfactory by Mr Wilson might be needed. And, as the new Deputy Secretary of Defence, Mr Quarles must be regarded as Mr Wilson's possible successor.

Back to the Budget

CONGRESS has come back to Washington with sharpened enthusiasm for cutting the Budget and with little desire to do anything else at all during the three remaining months of the session. The Administration had hoped that the opposite would be the case, but the voters at home were found to be even more convinced than their representatives in Washington that the government must be made to save the taxpayers' money. The necessity of changing this mood of frustration and revolt if there is to be any hope not only for such programmes as foreign aid but also for those not directly linked with spending, such as civil rights for Negroes, is at last forcing the President to go to the people over the heads of his party and his congressional leaders. It is not difficult to justify what is being condemned as the largest peacetime Budget in history. But unfortunately Mr Eisenhower is not likely to be as appealingly frank as his Secretary of Defence: Mr Wilson is disgusted when his rich friends in the Chamber of Commerce who "have never been more prosperous . . . squawk about the Budget," and points out to these Republican stalwarts that security can never be cheap.

The President can only save his programme from being bled to death by re-establishing his leadership of the country. It is right that this test should come over the Budget, for it was when he allowed his Secretary of the Treasury to criticise it and urged his congressional leaders to cut it that his prestige began to slip. It was then that he ceased to look like the father figure whom the American people had re-elected with such an overwhelming majority only last November. At their Washington meeting last week the Democrats were criticising Mr Eisenhower openly and personally, something which few of them have dared to do before. And this year the Democratic leaders in the Senate are not coming to rescue him from the Republican conservatives as they have in the past; they cannot be expected to take a share of the blame for a programme which apparently is no longer liked even by the voters. It is now that the President who is above party feels the lack of a party; it is now that it becomes obvious that his attempts to build his modern Republicanism into a practical political force have failed so far. For these reasons Mr Eisenhower's coming television broadcasts, in which he will defend himself and his philosophy in almost every American home, are of vital importance for the rest of his presidential career.

Death of a Ghost

WHATEVER happened in fact, in effect Senator McCarthy died not last week but two years and five months earlier, when the Senate, for only the fourth time in its history, censured one of its members—in Mr McCarthy's case for contempt of its dignity. To those, both at home and even more abroad, who felt that this professional anti-communist had affronted the dignity of the whole United States by his demagogic charges, to those Americans whose lives had been ruined by his insinuations, this condemnation seemed not only late but inadequate. Many of these people may also be shocked at the Senate's attempt to make amends with an unusual funeral ceremony in its chamber this week. But coming after the national hero, President Eisenhower, had been attacked by Mr McCarthy, coming after his empty bombast had been displayed on every television screen during the lengthy hearings on his case, the Senate's vote of censure in 1954 had merely confirmed the contempt and boredom which almost the whole country already felt for a man who had once seemed to be a crusader. With Mr McCarthy, McCarthyism—the technique of the "big smear"—became ghostlike as well. It still walks, as the recent suicide of Mr Norman and the coming trial of Mr Arthur Miller demonstrate, but its influence is slight, largely because Americans are no longer lost in the confused fear of communism, the distrust of themselves and of their government, which fostered its original growth.

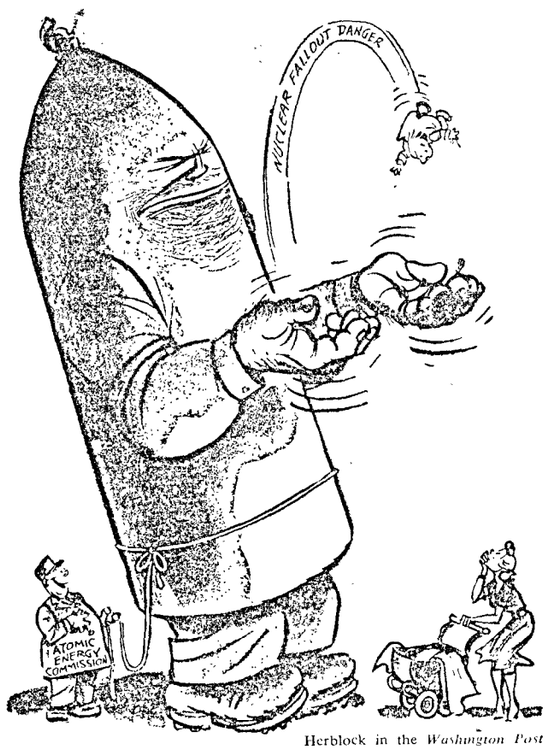
Senator McCarthy's death is not even of much immediate political interest. In Wisconsin, unlike most states, such a vacancy is filled by election, not by appointment by the Governor; it is expected that the latter will call a special election, rather than wait until the next regular election in 1958, but the final vote can hardly be held before this autumn. There were already several potential candidates in the field from each party, for it was by no means certain either that Mr McCarthy would have won the Republican nomination in 1958 or that he would have been re-elected to the Senate. His death removes one of Mr Eisenhower's embarrassments: the President does not now have to decide whether to endorse the candidacy of a man who was personally repugnant to him and who openly opposed his policies, in order to save the Republican party from losing a much-needed seat in 1958. For the Democrats the prospect of a special election this autumn offers hope of adding to their present narrow majority in the Senate, and also of reminding voters that "the Republicans cannot win" just as the 1958 campaigning season opens.

Radioactive Criticism

FROM A SPECIAL CORRESPONDENT

To a scientist, a " critical mass " is that minimum amount of fissionable material which must be assembled before nuclear energy can be released. And just as the nuclear physicist can detect, in advance, that the critical assembly point is being approached, so political observers are now aware that a nuclear explosion is in the making in their field also. As a result of a congressional investigation of atomic fall-out scheduled to begin on May 27th and the publication, this week, of a lengthy article in *The Reporter* magazine,

"Look, Lady—You Don't See Me Worrying"



Herblock in the *Washington Post*

analysing and criticising the Atomic Energy Commission's programme for testing nuclear weapons in the continental United States, the controversy in America over such tests may soon reach a critical assembly point and set off a chain reaction.

The article in *The Reporter*, taking up virtually the entire issue of the magazine, gives a detailed history of the tests of weapons conducted since 1951 at the Nevada site operated by the AEC and asserts that, as a result of the tests, thousands of people living in Nevada and the neighbouring state of Utah have been exposed, unknowingly, to doses of low-level radiation. Further, it is claimed that the AEC knew very little about the effects of radiation at the time it began the tests and concealed its ignorance behind a wall of secrecy and reassuring public statements. According to the article, information affecting health and safety has sometimes either been kept secret, even though military security was not involved, or released only in a way designed to avoid what one AEC official has called " very bad psychological effect."

The difficulties of the AEC are attributed to its attempts to carry out two seemingly contradictory missions with one organisation—to develop and test nuclear weapons and at the same time to be responsible for protecting the public health from radiation. It is pointed out that there is no official American counterpart to the British Medical Research Council which makes its recommendations to, but is independent of, the United Kingdom Atomic Energy Authority. Then, also, the security regulations of the AEC and the lack of technical or scientific training among members of Congress force the AEC scientists to substitute themselves for legislators and to make policy decisions which should be outside their responsibility. Even the Joint Congressional Committee on Atomic Energy, set up as a " watchdog " over the AEC, is handicapped because it is bound by the same security system as the commission itself.

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Specifically, *The Reporter* charges that one reason why it was decided to open a test site in Nevada was the fear, during the Korean War, that American atomic scientists and their devices might have been captured or lost if the tests had to be conducted in the Pacific. The magazine also states that, after one test detonation in the 1951 Pacific series, the personnel had to remain under cover for several hours because of the atomic fall-out. Other incidents quoted in the article include a comparatively heavy unexpected fall-out in 1953 on a Nevada motel, where residents were not told that they had been exposed to radioactivity. The charge is also made that, during the same series of tests, about 5,000 people in one town in Utah were kept indoors for two and a half hours after another unanticipated fall-out. This same radioactive cloud made it necessary to wash and decontaminate motor vehicles on the roads in the area ; furthermore, people living in this community were exposed, for 16 days, to atmospheric contamination which during one 24-hour period was 1,260 times the concentration permissible for radiation workers.

The " limited manpower " which the AEC had available for monitoring fall-out in Nevada and Utah resulted in either inadequate or no warnings being given to the residents of some places affected ; and until just a few weeks ago, according to the article, many of the " official doses " listed by the AEC were only estimates of radioactivity rather than accurate data based on actual monitoring records. It is said that some communities in the area were never monitored until the 1955 tests, when badges of sensitive film were placed on the sites of tests and carried by people outside those sites. One reason for the AEC's failure to use these film badges more before 1955 was apparently that some of its officials feared that they might have bad psychological effects. The article analyses, in great detail, one investigation conducted by the AEC into the deaths of thousands of sheep in Nevada and Utah, allegedly from radioactive fall-out ; it points out that the AEC cleared itself of responsibility for the deaths months before the investigation was completed, and in spite of disagreement among some of the scientists making the investigation. " What is still at issue," says *The Reporter*, " is not the conflicting scientific evidence concerning sheep deaths but the conduct of the AEC."

It is around the AEC's conduct rather than around the possible danger to health that controversy arising out of the article is likely to centre. It certainly provides new ammunition for the already well-armed critics of the commission. But, in its editorial comment on the article, *The Reporter* directs attention to an even graver issue of public policy. It calls for an end to " this mad business " of testing weapons, and asks for " any man who is still free to deny his skill—not to speak of his enthusiasm "—to refuse his co-operation to " this insane, unending race." As a result of this article and of the mounting concern over the uncertain perils of hydrogen bomb explosions, powerful pressure to stop tests of all nuclear weapons may pile up within the very country which first created an atomic bomb.

Woollen Pincers

WASHINGTON, DC

The hearings in which the Office of Defence Mobilisation is giving domestic woollen manufacturers a chance to prove that imports of blankets, felt hats and similar items are damaging the national security, represent one arm of a pincer movement menacing an important British dollar earner. The other and much more threatening arm is the prospect of higher duties on imported woollen fabrics. Under the present tariff concession, the *ad valorem* portion of the tariff can be raised from 25 to 45 per cent when total imports in a given year have exceeded 5 per cent of the average annual volume of domestic production in the preceding three years. President Eisenhower invoked this provision last October for the remaining quarter of 1956.

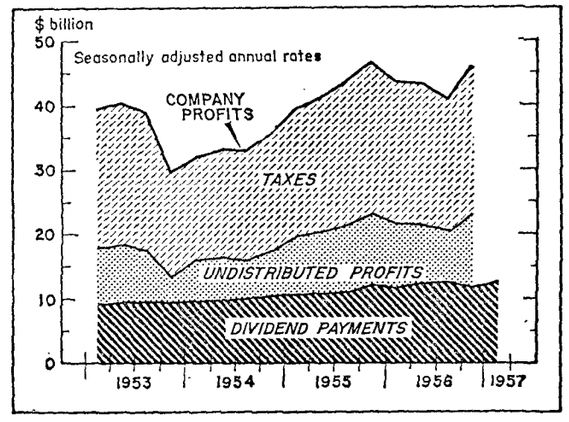
As a result the quota of low-duty imports was exhausted by the end of November and imports completely dried up during the last month of the year. Many of the fine British worsteds which had been held in bond were rushed out in large quantities in the first three days of January. The pace has been so fast ever since that, should the President decide to enforce the minimum quota this year—it would come to about fourteen million pounds' weight—low-duty imports would cease altogether by the end of August. This would mean a very substantial loss of dollars ; the British stake last year was about $34 million and the earnings so far this year are running well ahead, despite the fall in Britain's share in the trade because of the increase in Japanese competition.

While British interests are more involved in the President's decision, which has been postponed by arguments within the Administration, the ODM's hearings on a whole range of woollen goods will probably develop into an attack on Japan. This accords with the recent trend : of the four new " escape clause " proceedings which have just been started before the Tariff Commission, three of the cases, involving stainless steel flatware, umbrella frames and parts, and cheap, so-called Toyo caps, are based mainly on the boom in Japanese imports.

So far during his second term, the way in which Mr Eisenhower has handled the Tariff Commission's recommendations to raise duties has been encouraging. The ludicrous plea of a single violin manufacturer, whose fiddles were so bad that they even aroused the protests of school teachers, was dismissed after passing the commission's scrutiny. A recommendation that America's straight pins should be defended from foreign assault was summarily rejected, while the President called for further information about the alleged danger that the prosperity of the American economy would be pricked if imports of British safety pins continued at their current rate.

Squeeze on Profits

Analyses of the flood of reports on the earnings of American companies during the first quarter of the year are almost as plentiful and almost as complicated as the reports themselves. There appear to have been an unusual number of changes in the relative positions of individual companies, but the general impression, which is borne out by the recent optimistic activity on the stock exchange, is that business has been better than expected. When the quarter's profits are all added up, the total should be much the same as in the preceding three months, and substantially higher than in the first quarter of last year. The petroleum industry is largely responsible for this—or rather the closing of the Suez Canal which pushed both prices and actual sales of American oil well above the similar



period in 1956, an advantage which is not likely to continue. The sharpest fall in earnings, compared with early 1956, were those of the airlines, which are suffering particularly badly from rising costs ; the profits of building material companies reflected the fall in house construction and those of mining companies the decline in metal prices, while poor results have also been shown by textile manufacturers and in the entertainments industry.

Satisfactory increases in earnings during the first quarter were frequently the result of efforts, which it may not always be possible to maintain throughout the year, to increase sales, improve efficiency and cut costs in order to counteract the effects of the expected falling off in business, and to escape from the profit squeeze which is causing growing concern to businessmen. As competition becomes sharper, it is no longer possible to set off constantly rising costs of labour and materials by constantly raising prices, and an increase in the volume of sales is now less likely to mean an equivalent increase in the volume of profits. Moreover, profit margins—the ratio of earnings to sales—have been going down in general for several years, with the exception of 1955, and total profits have been relatively stable, while the national income as a whole has been going up steadily.

Divided Jewry

FROM A CORRESPONDENT IN NEW YORK

WHEN Mr Dulles called eight leaders of American Jewry to his office, during the Gaza crisis last February, in an effort to persuade them to exercise a restraining influence on the government of Israel, he ventured upon terrain as rough as any he has encountered in diplomatic negotiations abroad. It was an unusual action for a Secretary of State, since this kind of dealing with racial and religious groups is usually left to political emissaries of the White House. Moreover, Mr Dulles's action stirred up controversy within the American Jewish community for, although the meeting was subsequently pictured as a routine briefing of important private individuals, the conference was in fact an overt intervention in the quarrel between Zionist and non-Zionist factions in the United States; in effect, it was an attempt to exploit that quarrel for the Administration's own ends.

Mr Philip Klutznick, president of the B'nai B'rith fraternal organisation, Mr Barney Balaban, president of the Paramount Pictures Corporation, and the six other people who attended the meeting are among the most influential non-Zionist leaders. As such, they are active money-raisers and sympathetic supporters of Israeli causes, but they do not have the vehemence and single-mindedness of the Zionists. Mr Dulles could expect them to advise American Jews privately to adopt a sympathetic attitude towards the Administration's desire that Israel should withdraw from Gaza and to vouch for the sincerity of his expressions of personal goodwill; he also knew that both the advice and the assurances would be made known to Mr Ben Gurion through the Israeli Ambassador in Washington, Mr Eban.

Privately, however, Zionists deplored the conference with considerable bitterness. This was partly because their exclusion seemed an affront to their prestige but, more important, because they believed Mr Dulles was leading Israel down the garden path; and they are increasingly restive at the patience displayed by Mr Eban and by their non-Zionist rivals.

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There is no doubt that Mr Dulles was trying to influence one of the major sources of Israel's strength. Since Hitler's destruction of the Jews of eastern Europe, the Jewish community in the United States has emerged as the principal cultural, religious, and economic centre of Jewish life outside Israel. New York is now to world Jewry what Warsaw and Vienna were a generation or more ago, and financial remittances and purchases of bonds by American Jews, to the extent of more than $100 million annually, play an indispensable part in Israel's balance of payments. Moreover, while there are less than 2 million Jews in Israel, there are some 5 million in the United States.

Many of the divisions among American Jews have their origin in the historical gap between the early emigration of German Jews to the United States and the later arrivals from eastern Europe. Time and Hitler have blurred these cleavages but their ramifications persist. The two principal non-Zionist organisations are the B'nai B'rith ("Brothers of the Covenant") which, founded in 1843 and now having 425,000 members, is the oldest and largest Jewish organisation in America, and the American Jewish Committee, a rather select philanthropic organisation financed by the Lehmans, Warburgs, and other *grands seigneurs* of the German Jewish community. B'nai B'rith, through its Hillel Foundations in the colleges, its Anti-Defamation League, and its other subsidiaries, carries on a diverse, large-scale programme of cultural activities and vigorous propaganda on behalf of civil liberties and of inter-racial and interdenominational goodwill.

These two organisations broke away four years ago from the National Community Relations Advisory Council, the parent holding company of all other Jewish groups. At present, the principal constituent organisations of the National Council are some seventeen community federations in leading cities (excluding New York and Chicago which are too large for a single city-wide Jewish organisation), the Hadassah, an important women's organisation of over 300,000 members, and the American Jewish Congress founded by the late Rabbi Wise, the famous New York preacher and ardent Zionist. In simplified terms, the American Jewish Committee is distinctly aristocratic, the B'nai B'rith is middle-class in character, and the other organisations are more militant and plebeian. They are also the hard core of the "political activists" and the most tenacious sympathisers with Israel. A Congressman from New York City would probably pay more attention to a resolution passed by a local chapter of Hadassah than to an editorial in the *New York Times*.

★

The coming to office of the Republicans in 1953 shifted the political balance of power within the Jewish community from the Zionist activists to the moderates more nearly represented by B'nai B'rith. That consummate politician, Franklin Roosevelt, had personal working relationships with every Jewish faction and the late David Niles, one of his more astute assistants, devoted much of his time to maintaining and perfecting this liaison. President Truman not only retained Niles but also came to rely heavily, particularly in his hour of need in the 1948 campaign, on Jewish political and financial support. Israel had no stauncher friend anywhere than the "Man from Independence" and Zionist leaders had easy access to the White House.

President Eisenhower, although he has individual Jewish supporters, has nothing remotely resembling this kind of broad backing in the Jewish community or this personal link with the leaders of the principal organisations. Mr Dulles, in pursuing his less than benevolent policy toward Israel, has thus had to shoulder some of the political burden of explaining and defending it, which was carried in previous Administrations by the White House. His strategy has been to woo more conservative Jewish opinion and thus to try to soothe the broader Jewish community which has often felt in the last four years that he was leaving Israel lone and friendless. His efforts have not been without success in tempering the tone of criticism, but it is safe to say he has not substantially mollified the Jewish rank-and-file who remain among his more obdurate domestic critics. He has, however, helped to strengthen the hand of Mr Eban, who is strongly of the opinion that Israel cannot in the end ever divorce itself from American patronage. And the strengthening of a sympathetic Ambassador is an accomplishment of very real importance for any Secretary of State.



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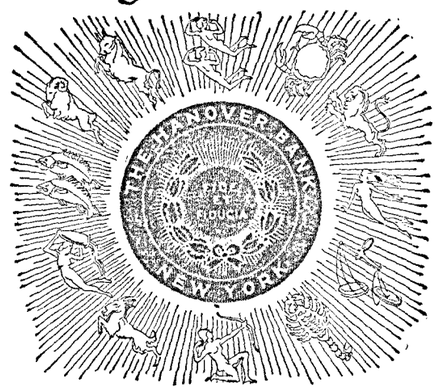
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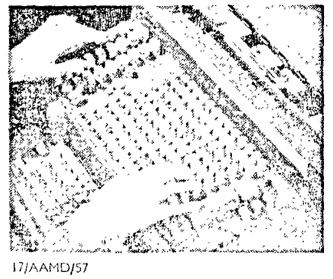
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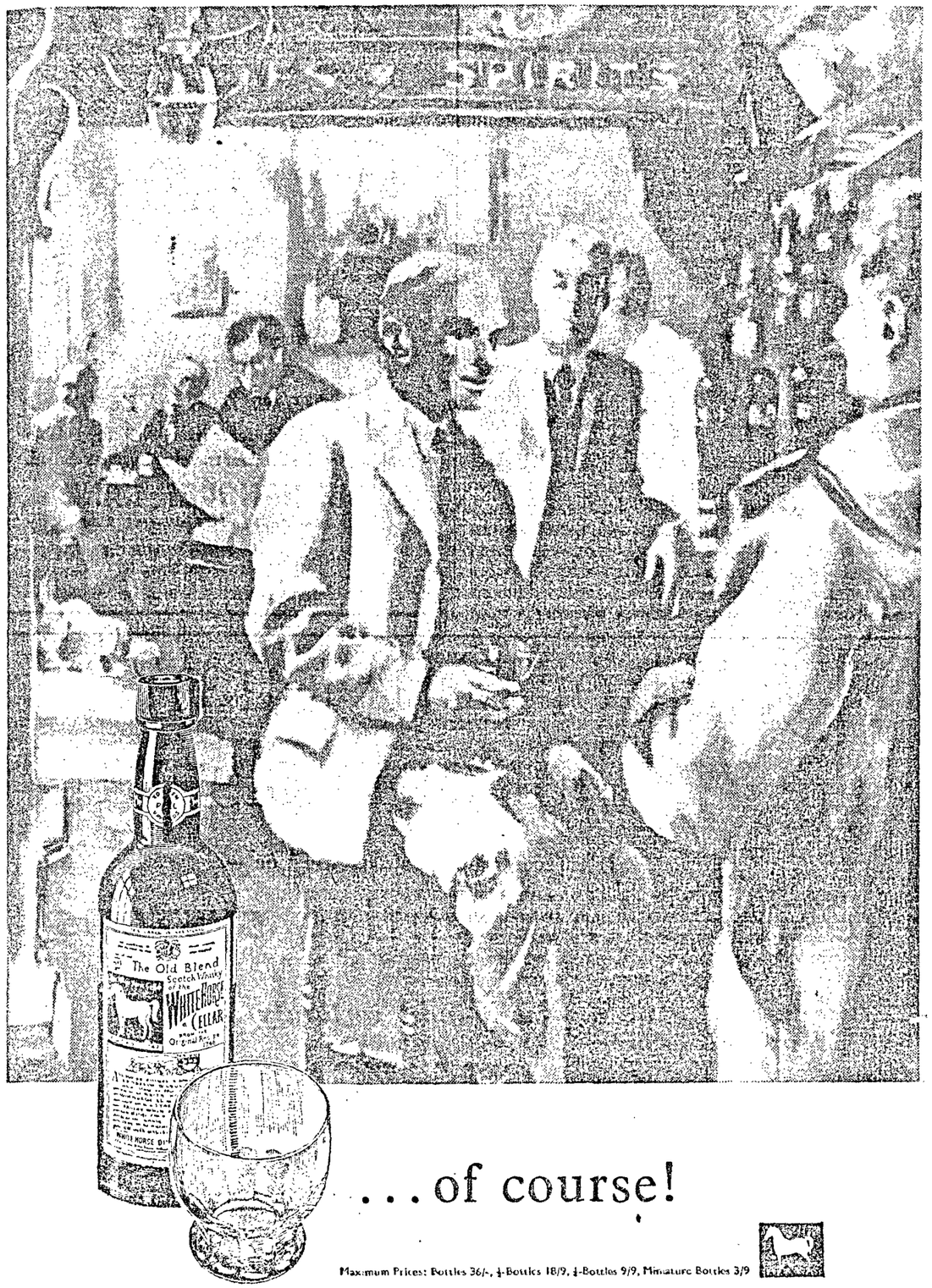
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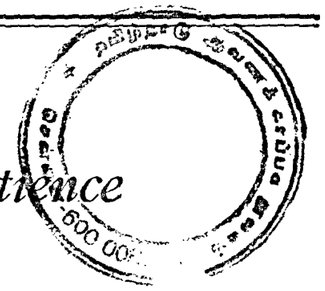


THE WORLD OVERSEAS

IRAN TODAY—1

Iran's Race with Impatience

(BY OUR SPECIAL CORRESPONDENT)



DURING the orgies of self-analysis that are a favourite Iranian pastime, someone is sure to remark to the visiting foreigner that Iran is unique. He will be using the word in its purest sense, and his claim need not be dismissed as mere conceit. For where else has the memory of a great though distant past been kept so green, or been so thoroughly overlaid with habits bred by centuries of insecurity? The combined result of these two characteristics is an unreadiness to take advice (because an Iranian is as talented as anyone) married to a disinclination to take a decision (because times change and a decision taken now may count against one in some unforeseeable future contingency). Generally speaking, Iranian politics and the Iranian economy can be relied on to coast in neutral for longer than Iranian grumbling would lead one to expect.

Here and there, a head rises above the sea of indecision. Dr Mossadegh's was one such; that of the present director of development under the Seven Year Plan Organisation, Mr Ebtehaj, is another; that of the new prime minister, Dr Eghbal, may be another if everyone resists the national inclination to instal so many checks and balances that little gets done. In foreign policy, the Shah seems to be developing into a decisive figure. He seems to have decided that his country's biggest need, at present, is a period of internal stability during which to recover from the gratifying but ruinous years of Dr Mossadegh's adventure, and that this stability is best attained in partnership with the West. This decision has led him to conduct a most consistent foreign policy, including membership of the Baghdad Pact, membership of the Suez Canal Users' Association, efforts to deflect Arab attention from the narrow field of Arab nationalism to the wider one of Moslem solidarity, and a rejoinder—in answer to criticism during a visit to the Soviet Union last year—that Iran had a right to make a pact with anyone it wished.

Dr Mossadegh, between 1951 and his fall in 1953, had fulfilled some nationalist and anti-western dreams, but at the price of doubling the government debt, raiding 31 per cent of the country's gold and foreign exchange reserves, printing notes, promoting inflation, and delaying social and economic development. Since his fall in 1953, stability has been regained, but, as before, at a price—though this time the price is political and not economic. On the economic front recovery has been organised with generous injections of western help, mostly American. Grave unbalance between expenditure and revenue was offset for three years only thanks to American willingness to pick up the chit for three large deficits, but in 1956-57 it has been more nearly righted. (The United States made these payments in addition to gifts and loans covering the largest of its individual foreign aid operations.)

The western oil consortium, with which agreement was reached in 1954, is paying out more than was bargained for and seems likely to furnish about £67 million during 1957; new oil has been struck at Qum on the central plateau (though not yet proven in commercial quantities); Italian, Japanese and German firms as well as more tried American ones are competing for a share in rights to drill and explore the Caspian shore and the Persian Gulf sea-bed; inflation, stayed in 1955, has never since resumed the catastrophic pace of 1953-54; trade is good, and an agreement has been signed with Russia for mutual duty-free transit rights which should improve it further, particularly in the north; an atmosphere of confidence reigns in the bazaar.

But the price paid has been martial law, a stacked parliament, and a general limitation on freedom of expression. When, for instance, a party calling itself the Iran party and consisting of the younger intellectuals of the old Mossadegh group, came out in February with a statement in support of the Eisenhower doctrine, the Majlis (which still looks under the table to see which foreign power is at the back of any Iranian move, however trivial) banned it apparently for the sin of daring to steal the pro-American label. Dr Eghbal has rescinded martial law and the Shah has since announced the intention to found an official opposition party. Time will show what this body is allowed to oppose. Meanwhile, neither move has provided safety valves for the immense feelings of frustration and resentment that pervade the whole of the educated class except those actually in office or enjoying the privilege of a court appointment.

For though there have been a number of material improvements in Iran in the last few years, the social climate has changed little. A building boom in Teheran has caused unskilled employment to keep pace with the lightning growth of the town, and has worked wonders for anyone with capital, since rents are so exorbitant that a speculator in houses reckons to recover his outlay in four years. Some improvements—malaria control or better supplies of drink-

ing water for the towns—have a wider spread. But these benefits do not offset the static feature, which is mistrust of the governed for government and the failure of the government to dispel it. Dr Eghbal, though he has kindled a spark of hope because he springs from the professional class, will have his work cut out to do so.

Where else in the neighbourhood is there so little grasp by a ruling class that the free education it is spreading is fast producing critics of its habits? How soon will it see that a few score families cannot go on appropriating with impunity the first pick of every new development—first water from the newly diverted river, first job for the contractor in whose business someone holds shares, first post, irrespective of qualification for it, in the new technical organisation? The Shah, though so keen to promote innovations that bring good, seems so flag when it comes to the harder job of stopping traditional practices that are unfair and bad. Therefore despair reigns among the men who have the requisite training but no friend-at-court. (This English expression seems more apt than its Persian equivalent, "support for the back.")

The peasants, more than three-quarters of the population, remain inert; though they use a word that means "the cruel ones" when they mention government officials, they are still thinking of little beyond their debts, tomorrow's meal and next year's harvest. They could be roused, but remain a passive force until better communications or some more sudden upheaval stings them to action. Active discontent reigns chiefly among civil servants and professional men, most of whom live in Teheran, partly because of the capital's greater social freedom but chiefly because of the better chance that it offers of attaining everyone's heart's desire, a job at a desk. It teems, therefore, with men boasting unsullied hands but an income which no longer buys them the house or even the meal it used to do. In any case, civil service incomes are pitifully small because of redundancy in a corps to which each successive government has appointed its cronies, and from which no one can be sacked. (Government salaries account for four-fifths of the total budget; the payroll includes many idle hands who attend the office only to draw their monthly money.) Being underpaid, all feel aggrieved; presumably all must continue in this mood until either some cabinet decides to earn new revenue and allocate it to pensioning off the idle hands, or else until the development programme yields alternative employment sufficiently attractive (which means sufficiently *dignified*) to draw off the surplus and release more money to pay the section that carries the load.

★

Iran is running the race that is common to almost all under-developed territories—between the impatience of people who have glimpsed better things and the capacity of the ruling class to keep development abreast of public discontent. Up till now, it has not managed to hold out promise of new openings; the chances that the income from oil may create them, through the seven year plan and the national oil company, will be reviewed in a second article.

Two impressions stick in the mind after a tour of Iran. One is that of the elegance, the good manners, the quick intelligences, and the delight in beauty that extends into the poorest homes in a way that is equalled only in Greece or Italy. The other is of the fatal nationwide capacity for the exercise of negative power: that is, for postponing a decision, or baulking a rival, or withholding responsibility from the man at the far end of the road because (in the case, for instance, of a provincial governor) the central government trusts no one who is beyond its immediate control. Iran's administration is still over-centralised to a degree that is a perpetual handicap in so enormous a country. Because of the consequent frustrations and delays, some watchers predict open revolt by the growing class of educated malcontents. But, all told, the citizen who described his attitude towards the government as one of *"apathie malveillante"* appeared most closely to reflect the mood of the nation. Both his noun and his adjective seemed worth treasuring.

(To be concluded)

Germans Unimpressed

FROM OUR BONN CORRESPONDENT

THE satirical weekly *Simplicissimus,* which never pulls its punches however wayward its choice of targets, depicts the British Prime Minister, hat in hand, standing at the gate of the Federal Chancellery in Bonn. The west German finance minister in servant's livery is proffering Mr Macmillan a bowl of steaming soup, saying: "The master says we don't give cash." The cartoon reflects suspicions widely held in Germany and seemingly underestimated by Dr Adenauer. By no means the whole parish is impressed by the comings and goings of the foreign gentry at the big house. Nor, for that matter, by the master's own travels across the ocean. The churlish question is not infrequently heard: "What are we being let in for now?"

This was not quite the effect intended by the decision to hold the Atlantic Council meeting in Bonn last week. It is an open secret that the foreign ministers' chief object in showing themselves by the Rhine was to stimulate confidence in the Atlantic alliance. In four months' time the west Germans will go to the polls to elect a new Bundestag, and the statesmen of the alliance are naturally anxious that the Germans should vote in a proper state of mind, confident of the ultimate efficacy and fruitfulness of the partnership, undeflected by warnings that they are taking the primrose path to perpetual partition, if not to nuclear annihilation. The foreign ministers' gesture could not but look like heavy backing for Dr Adenauer. It was scarcely surprising to hear the Social Democrats' chief spokesman excitedly protesting that the Council gathering in Bonn was "the greatest interference yet by foreign Powers in the federal election campaign."

Yet it so turned out that in one way and another the Council unwittingly helped to ensure that the issue of arming the Bundeswehr with nuclear weapons will dominate the coming election campaign. For one thing, the final communiqué implied pretty clearly the ministers' agreement, including that of Herr von Brentano, that all members of the alliance should be ready to fight with nuclear weapons. For another, the retiring secretary-general rubbed it in to the press that each member state of Nato was completely at liberty to reject the decisions or recommendations of the majority. This is not where Dr Adenauer and Herr von Brentano had been putting the responsibility a few days before when they seemed to be delicately preparing public opinion to accept the necessity for a nuclear-armed Bundeswehr. The fact that the German government in power in twenty months' time, when nuclear arms will become available, will be free to reject them, has been jumped upon by Herr Ollenhauer. The Social Democratic leader has declared that his party will oppose the nuclear recommendation with all its might. Deeply disturbed by the warnings of Dr Schweitzer and the eighteen German nuclear scientists, millions of Germans will listen sympathetically to this platform.

How far the Prime Minister has succeeded in allaying official and unofficial German suspicions of British policy remains to be seen. Before his visit the impression was deepening that in both the military and economic fields Britain is acting almost solely out of self-interest and expecting Germany to make the sacrifices. The communiqué published on Thursday at the close of his talks with Dr Adenauer indicates one concession, at least, on the British side: it was agreed that the Rome treaties should be ratified first, and that pursuit of the Grand Design—efforts "to simplify and clarify the European institutions"—should be left till later. On defence policy it was known that Mr Macmillan was not prepared to give ground, and presumably these differences were left unresolved; it was announced that Herr Strauss, the federal defence minister, would be coming to London for talks.

When the Christian Democrats hold their pre-election party conference in Hamburg at the beginning of next week it will be interesting to observe with what confidence and with what ammunition their heavy cannon tackle the electorate's misgivings about the alliance.

One omission from Mr Macmillan's programme here must be regretted: was it impossible for Mr Macmillan to meet Herr Ollenhauer? One would have thought it would have served the interest of both countries if Mr Macmillan had been given the opportunity to repeat what he had to say in Bonn to the man who has a chance of becoming Federal Chancellor before the year is out, and in turn to listen to the opposition leader's views. But protocol and party ambition stood in the way.

Complicated Europe

FROM OUR SPECIAL CORRESPONDENT IN STRASBOURG

BRITAIN has had a fairly uncomfortable fortnight at Strasbourg. With the Grand Design last week and the arms cuts this week, the Government was on the defensive and its European stature has not been enhanced by the debates. Yet the atmosphere was quite different from the days when Britain was the "bad European." The Council of Europe delegates gave the Grand Design the benefit of Mr Macmillan's European faith, and treated it as a sincere, if bargaining, proposal. Even the severe comments on defence in the Assembly of the Western European Union were modified by everyone's visible satisfaction at having, at last, a real debate. The session was unwontedly animated.

The Europeans again criticised Britain for encouraging defence cuts on the Continent. While agreeing that Nato's "shield" is not badly hit by Britain's defection alone, they argue that it will be if others follow the British example—which they probably will, as Britain's economic motives for the cuts apply to most of the European partners as well. The British possession of the H-bomb is not accepted gladly as an alternative to conventional obligations—few people believe that it could be used in a continental crisis. The censure motion on the Council of Ministers for accepting the cuts without consulting the Assembly neatly combined criticism of Britain with the Assembly's permanent dogfight with the Ministers over its powers. (The voting went 31 to 27 in favour of the motion of censure—which, however, was technically not carried, since it did not receive an absolute majority of the Assembly's total membership.) The defence committee's vigorous and depressingly circumstantial report on the weakness of the shield suggests that at least the Assembly is getting more information than it was. After this report, the source might well dry up again.

As for the Grand Design, the Continentals took it as evidence of an unsuspected British taste for abstract art. Everyone agrees that the international assemblies should be regrouped. But few Europeans want the mother-parliament to be the Atlantic Assembly dear to the Grand Designers; they fear that it might blur the confines of European unity. Even those parliamentarians who would welcome the Americans are convinced they would not come, except as observers; rumour says they discouraged the notion at Bermuda.

The Grand Design, further, offended the Six by confounding their assembly (they have the Coal and Steel Community, and are preparing for Euratom and the Common Market), which has some powers, and which they see as an embryo parliament, with the consultative assemblies, which have no powers. It proposed an overall assembly working in committees: economic, defence, and so on. The implication was that Icelanders interested in the OEEC could sit in the economic committees making recommendations to the Six. The six governments' reaction was to detect a *revenant* of the old Eden Plan, vividly remembered in Europe, for linking the Council of Europe and supranational coal and steel communities as if they were comparable bodies. Last week, however, Mr. Ormsby-Gore stressed that there would be no constraint on the powers of the assembly of the Six. By that token, there would still, it seems, be two assemblies.

This might please the Germans, who wish to keep the Six pure. But the Italians and the French, with ratification problems, want to strengthen the link with Britain. One even detects a new note of suspicion that some Germans are too keen to lead the happy few. The result is the Martino plan, which proposes that all the assemblies should share one roof (probably near Paris, as the British suggest) and one administrative secretariat, and should sometimes meet jointly; and, above all, have as many as possible of the same members so that incipient antagonisms between the assemblies would be discouraged. The practical difficulty is that, if the Common Market operates, MPs of the Six who belong to the other assemblies as well may easily spend more than a hundred working days a year on them.

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Hence the proposal of M. Dehousse, the president of the assembly of the Council of Europe, that delegates should have deputies. This would raise the number of MPs in national parliaments interested in European affairs and reduce the strain on each of them.

The Martino approach seems to have the best prospect, for it suggests a loose regrouping; a tighter one would violate the functional differences of the assemblies. The Six are now discussing in Brussels an "additional protocol" to the European treaties, leaving the door open to some such proposal. But even if they agree and if the European treaties are ratified (a government crisis in Italy and the chances of one in France are ruffling the recent euphoria), and if the free trade area negotiations go smoothly, the difficulties will remain considerable. For example, the British will stress Nato, but the Swiss, interested in the free trade area, would hesitate to join any assembly linked with defence. Above all, there is no overriding urgency for action. The debate has as its aim to simplify the European parliamentary structure, but it is already a mightily complicated debate, and it has only just begun.

The Brakes Fail in Northern Nigeria

(FROM OUR SPECIAL CORRESPONDENT IN NIGERIA)

"WHY 1959?" said the Emir softly. "Why, because a date had to be set in order to force us to act, to make an effort of will. We of the North have been content merely to talk of getting self-government some day, and meanwhile to leave everything to the British. Of course, we shall keep the British. But the world is changing, and we must start changing with it." To your correspondent, the fiery wind from the Sahara which scoured the little mud-built walled city seemed inimical to any great effort of will; and the troops of caparisoned horsemen converging upon the place to participate in the prayers and ceremonies of Salla, the completion of Ramadan, the month of fasting, testified to the strength of tradition. In they came, to drum-beat and pipes, armed, attended, to acclaim the risen moon, pray and do fealty. In the squat maroon-coloured palace the Emir's council nodded grave, grey Islamic heads; the side-board gleamed with polo cups; outside, the little Union Jack flapped from the residency car. Everything seemed redolent of Lugard and indirect rule and the dual mandate; but—as the Emir said—change was the order of the day.

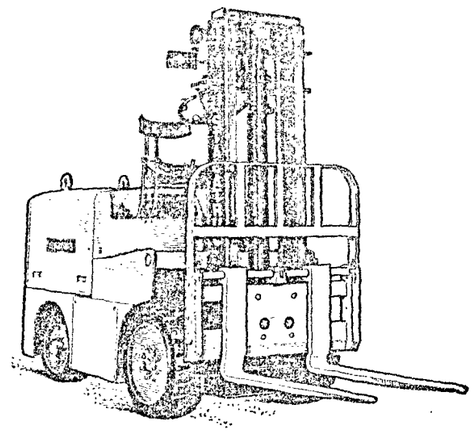
It came as a considerable shock, however, to senior officials in Northern Nigeria when not only the politicians in Kaduna but the emirs themselves accepted 1959 as the target date for independence. Again and again they had insisted that Northern Nigeria would not be ready for years yet; that the impatience of southern leaders masked a plot finally to deliver the North over to Ibo rule and exploitation; that Zik and Awolowo were welcome to regional self-(or mis-) government—but that the North would stay entrenched behind British sovereignty and the Governor's reserved powers—which meant that the Federation must remain colonial in status, too. Considering that there were exactly 18 Northern university graduates in a population of 18 million, that three cabinet posts in the Northern government could not be filled for lack of possible ministers—let alone the dearth of African civil servants—and measuring the rate at which even under a superheated educational programme these gaps could be filled, the officials felt confident that they could play for time. Even now, they cannot quite believe that the Northern leaders mean it. They note that the premier of the Northern region, the Sardauna of Sokoto, has insisted that there must be "safeguards," without explaining what; they feel that as the brutal facts of the North's unreadiness become clear, and as the southerners show their true colours, the North will somehow back out at the forthcoming conference in London.

But the fact remains that the emirs are backing the Sardauna, and they are the virtual controllers of the Northern People's Congress. There are many motives behind this sudden, apparently emotional reaction to Ghana's independence. The Sardauna has said that he cannot afford to be the stumbling-block to Nigerian independence. Some officials think this exposes the premier's weakness and susceptibility to the flattery which Zik and Awolowo have laid on with a trowel. But the Sardauna's political position is involved. He is threatened on two sides in the North itself. On the one hand, the Northern Elements Progressive Union, led by Amino Kano, makes capital out of his conservatism and emirate inefficiency and misrule; on the other, the growth of the United Middle Belt Union from the ranks of the Northern People's Congress threatens the unity of the Northern region. Both parties are weak; but if the Progressive Union could rid itself of its attendant riffraff it could appeal to the rising middle classes in the Northern towns; the "middle belt"—the southern and more pagan part of the North—is increasingly afraid of Moslem domination through the emirs, the "retired slavers," as British power wanes everywhere.

★

But the only real safeguard which the North has in the Federation is the fact that it is the majority party at the centre by sheer weight of numbers and party loyalty. No government can be formed in Lagos, at present, except under Northern leadership; this is true even under the present limited degree of ministerial responsibility. But if the Northern People's Congress dragged its feet too long, it might lose enough members to the other Northern parties to make possible a coalition at the centre which would outvote it and put it into opposition. In that case independence might come not under its leadership and on its own terms—which are, of course, permanent Northern preponderance at the centre. These were potent arguments for the Sardauna to use with the emirs. On their side, the emirs may have begun to reflect that British rule is not the only possible safeguard of their own prerogatives: a weak "Northernised" Kaduna regional government and the end of British residents might strengthen their hand in local matters. In fact, however, many of them still hardly see beyond their own emirates.

If independence comes quickly, moreover, the North will be able—since there will be no time for anything else—to entrench its regional powers and boundaries. It could bargain with the other regions, and get increased local powers of taxation and (unfortunately) even of borrowing in return for its support. In theory, under full (or even partial) responsible government it would always control the central governments, playing the National Council of Nigeria and the Cameroons against the Action Group, keeping the centre weak, but safeguarding its own access to the



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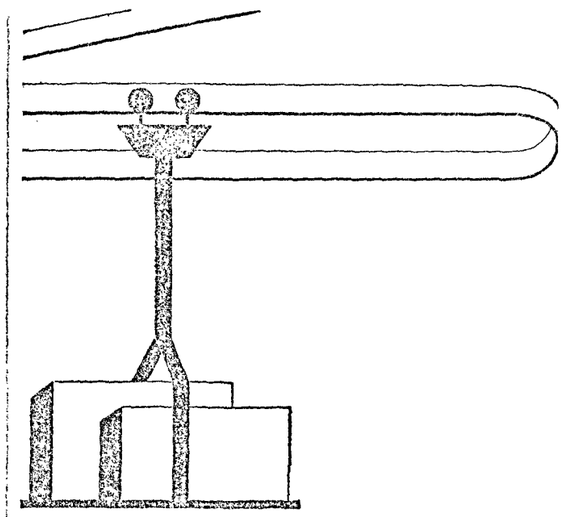
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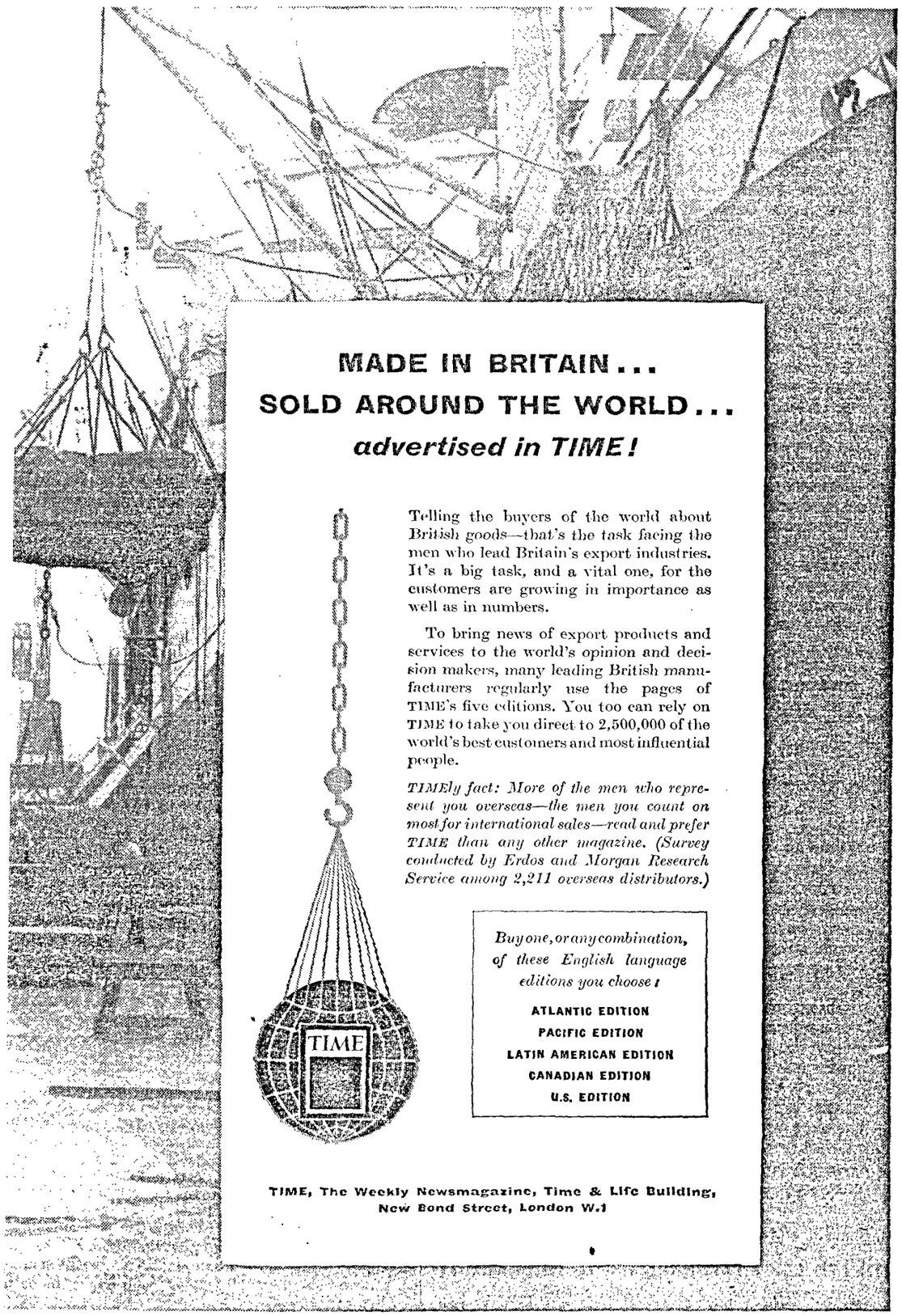
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sea and holding the important cabinet portfolios in Northern (or obedient) hands. Northern politicians bluntly admit that they have the greatest interest of any region in maintaining the unity of Nigeria—provided they rule the union.

The weakness of these ambitious plans, of course, lies in the North's political and administrative inexperience. This year just thirty boys will be eligible to take the two-year course at Zaria for the higher school certificate, which qualifies them for a scholarship to Ibadan University College. The number will increase; but virtually the whole of the higher administrative posts in Kaduna are filled by "expats," while most of the middle range, and even secretaries and typists, have to be imported from England on contract. There are also the new provincial administrations to man, quite apart from the Federal civil service where in theory every other officer should be a Northerner. The position of Northern ministers with almost exclusively Ibo or Yoruba-manned departments would be uncomfortable. Meanwhile, for the first time, the Northern colonial service is energetically discussing whether to take its compensation in 1959, or hang on "for a year or two." Although relations with the Sardauna's ministers are excellent, the British are asking how long the Northern People's Congress will stay cohesive and in control.

What the Congress needs is organisation—and an effort of will, date or no date. At present the emirates run the party on local lines to suit themselves and "run" is an equivocal word. They cannot even, for the most part, run their own Native Administrations very effectively; a good Native Administration treasury producing decent accounts is a treasured rarity. The truth is that without the British the North will fall apart like a rope of sand; and this is precisely the card which the southern parties hope to play. They see in the North's preponderant strength a mere paper facade, and they expect to be able to manage any Northern government supported by British administrators, in their own way.

A minister belonging to the National Council for Nigeria and the Cameroons told your correspondent that under the apparent diversity of parties and personal ambitions, there were only three real parties to the London conference—or the struggle for power in Nigeria: the North, the South, and the British. *De facto* the North and the British have worked together, but now that their tacit agreement to play for time has been broken, the brakes have been taken off—and even if thoughtful Northerners have second thoughts it will probably be impossible to put them on again.

Denmark's Kid-Glove Election

FROM OUR CORRESPONDENT IN COPENHAGEN

AMONG the minor problems posed by next Tuesday's Danish election is the identity of the Ministers who will attend various functions connected with the state visit to Copenhagen of Queen Elizabeth and the Duke of Edinburgh the following week. At least as much excitement has been aroused by the visit as by the election; and the issue of invitations from Amalienborg Palace to present Ministers and their wives has started the rumour that even Court circles expect a victory for the Social Democrat minority government.

The results however are not easily predictable. Proportional Representation rules out clear-cut majorities, and no landslide is likely. Recent Gallup polls show only marginal losses by the Social Democrats, a marked drop in Communist support, and small gains for the right-wing and the neutralist Radicals. Indeed, there might be a danger of Danish politics assuming the rigid Socialist mould of Sweden and Norway, but for the existence of the small Radical party, which perennially holds the balance of power. The present single-chamber *Folketing* is composed of 75 Social Democrats; 14 Radicals, who usually vote with the government on domestic issues; 43 Liberals; 30 Conservatives; and 19 in other parties. A Liberal-Conservative coalition held office from 1950 to 1953 and today it is—with or without Radical participation—the obvious alternative government.

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The campaign has been conducted with kid gloves, and election fever is absent. Meetings have been thinly attended, and only a few well-bred posters adorn Copenhagen's streets. Only the prime minister, Hr Hansen, who is undoubtedly his party's biggest single asset, has attracted large crowds. The major issues confronting the 2.8 million electorate are too complex to generate much heat. Denmark is in the throes of another economic crisis, with creeping inflation and with foreign reserves gravely depleted. The low prices of agricultural products have brought serious deterioration in the terms of trade. But until he is personally required to tighten his belt the ordinary Danish voter remains unmoved by the news that the National Bank's deficit rose by £5.5 million to £19 million in April. Since most wages are linked with the cost-of-living index, and since the unions have secured big additional increases, traditional socialist supporters have few complaints.

The bourgeois opposition points hopefully to broken socialist promises. The Bank rate, far from being reduced, stands at 5½ per cent; unemployment during 1956 averaged 43,000; and the urban housing shortage remains acute. The opposition parties allege that production and capital investment have stagnated and (supported by the Radicals) they advocate a temporary freeze on wages, prices and profits to stabilise the currency. Over foreign and defence policy, the main parties—except the Radicals—broadly agree.

The Social Democrats claim that, under their rule, production has risen satisfactorily, except during 1955-56. They point to a 70 per cent increase in the value of exports since 1953. Unemployment, they say, has averaged 9.1 per cent, compared with 10 per cent under their predecessors; and they have built 5,000 more dwellings. Moreover, the new people's pensions will be paid from this October. The Social Democrats firmly support Nato, but their defence effort has been marred by ill-advised economics intended to placate the Radicals.

The Radicals enjoy increasing support among young people who are less dogmatically neutralist than the party's Old Guard. It is noteworthy that *Politiken*, an important Radical mouthpiece, supports Nato. The Radicals would, however, prove uneasy bedfellows in either a left-wing or a right-wing coalition; some of them echo Communist demands for a referendum before Denmark accepts defensive rockets or atomic weapons. After the blood-bath in

Budapest, Russian sabre-rattling in the Baltic, and the expulsion of Soviet diplomats for espionage, the Communists are expected to lose three to five of their present eight seats. Close results are expected and, with various combinations possible, there may be hard bargaining over the formation of the next government.

Cambodia: Foreign Aid and Freedom

FROM OUR CORRESPONDENT LATELY IN PNOM PENH

CAMBODIA is a visible disproof of Chou En-lai's dictum that a country's independence is measured by its ability to dispense with foreign aid. This nation of under five million people takes aid from all ideological quarters and uses its neutrality (the word "neutralism" is taboo in neutralist countries) to offset against one another the pressures which come from either side. A year ago observers here were engrossed, and distressed, to watch Cambodia almost publicly insulting the United States from whom it was receiving about $50 million worth of aid a year. And the American giant, under the implied blackmail: "We might go Communist if you stop the aid," continued to pay up and look as dignified as it could.

The four winds of foreign aid—from America, France, China and Russia—are blowing at Cambodia, and the results are sometimes curious. The French are building Cambodia's first deep sea port at Kompong Som ; the Americans contribute an $18 million roadway 140 miles across the jungle to connect the port with the capital of Pnom Penh ; through this port and along this road, when they are finished next year, will presumably come the equipment promised by the Chinese and Russian aid missions which arrived in Pnom Penh seven months ago.

Like four large men in a small room the aid-bringers tread on one another's toes. When the Polish prime minister Mr Cyrankiewicz arrived in March the first item on his programme of visits was the medical school built and equipped by the Americans and French. The story recently published in an American magazine that a 500-bed hospital offered by the Russians is being built on a site prepared by the Americans, though not strictly true, is symbolic. Most curious of all perhaps is the fact that the Russians, when they arrived last autumn to set up an embassy in Pnom Penh, actually called on the American information service and asked their advice as to how they should proceed. There is a temptation, in a country like this, where poverty meets one at every corner, to forget politics and to ask both sides why they do not join forces and work together for the good of the country with no ulterior motive. One feels that in Cambodia this could almost happen.

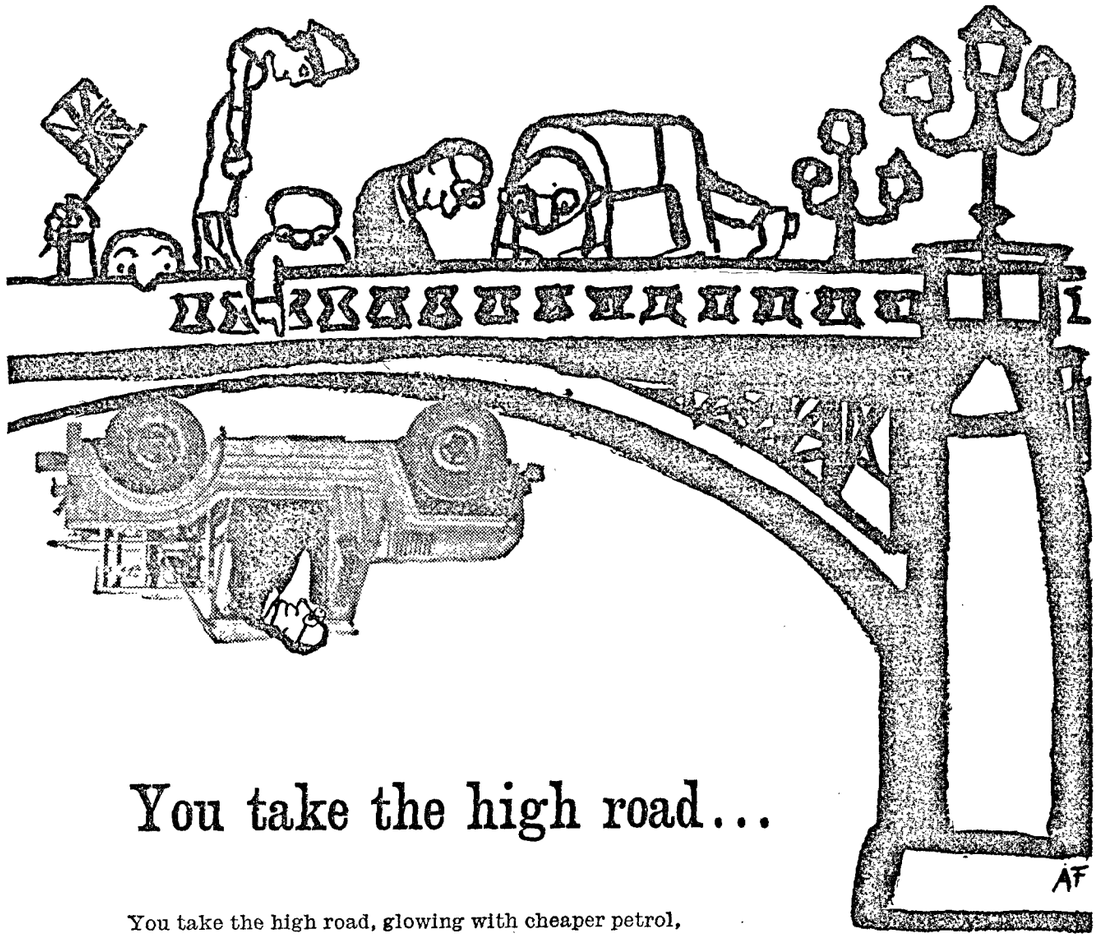
As it is, western aid administrators are scornful of the lack of tangible results produced by the Russian and Chinese aid missions since their arrival. The Chinese have promised "four factories"—cement, textiles, paper and plywood. Samples of Cambodian limestone, of which there is said to be plenty, have been sent to China for analysis, to see whether cement really can be made here, and the Chinese mission is now back in Peking. Nothing is known of Russian aid, beyond the offered hospital which has not yet materialised, and the arrival of about £70 worth of surgical instruments (said by the Americans to be rusty).

Chinese aid amounts to £8 million, of which it is estimated that £3 million will be required for the four factories. This £3 million of industrial equipment will be a direct government to government grant. The other £5 million will be supplied on a commercial aid—counterpart fund system almost, though not quite, identical with the system used by the Americans in Cambodia, Vietnam and many other countries. Under the American system the goods are imported by private firms who pay the price of them into a counterpart fund in local currency which is then used for internal aid projects. The difference in the Chinese aid to Cambodia will be that the buying agency will be not private firms but the Cambodian government, and the Chinese "counterpart fund" (which will have a different name but the same functions as the American fund) will be generated by resale of the goods by the Cambodian government to private enterprise. What emerges from these technicalities is that in their aid to neutralist countries, the Communists have taken a leaf out of the American book.

Cambodian policy gives rise to the question: which is the best defence against communism in this corner of South East Asia ? The method of South Vietnam, where Communists are simply illegal and are arrested, where there is only one official line and the press is strictly muzzled ? Or the method of Cambodia—which is less vulnerable than partitioned Vietnam—where both sides are allowed to flourish at will, and, short of slander of the Cambodian royal family, can print what they wish ? In Cambodia there is a real gain in freedom, and, with the reserve that all Asian regimes are more or less autocratic, the government is perhaps as tolerant as any comparable regime in the world. The question is: is it wise ? The large Chinese and Vietnamese minorities (300,000 and 400,000 respectively) tend to sympathise with Peking or with Hanoi and the book shops of Pnom Penh are filled with literature from China.

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Cambodia's neutralist policy is rendered more dangerous by its recurrent political crises. The government which fell at the end of March was the seventh to resign since September, 1955, when the Sangkum party of Prince Sihanouk won all 91 seats in the National Assembly at the general elections. The trouble is that the Sangkum party is not a political party in the western sense, with loyalty to a programme and a leader. It is a false monolith, which contains all sorts of diverse tendencies, including some which in western parliaments would normally be found in the opposition. The other serious political question is the personal position of Prince Sihanouk, who again—for the fourth time—took over the premiership last month. He is the man who makes all decisions in Cambodia, and it would obviously be best that he should retain the office of prime minister permanently, instead of popping in and out of office like a jack-in-the-box. But according to the Cambodian constitution no criticism is permitted of the royal family, and Prince Sihanouk, as the former King and present King's son, is unquestionably of the royal family. The result is a dilemma. Either Prince Sihanouk is prime minister, and royalty is exposed to criticism ; or he is not prime minister, and nobody else has the authority to remain in office. All of which goes to show how dangerous it is for kings to descend into politics.



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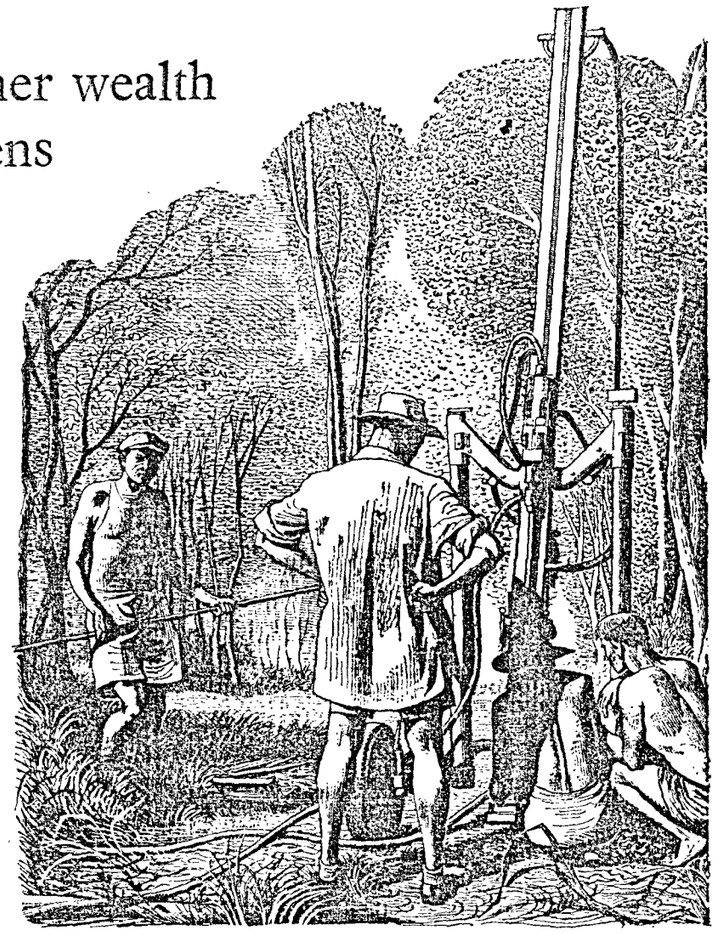
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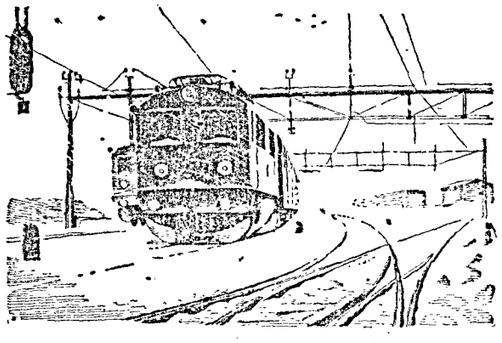


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THE BUSINESS WORLD

Funding at Work

FEW people foresaw the strength of the hand that the authorities would play in dealing with the June maturities—the £300 million of 5 per cent Exchequer stock of 1957 and £101 million of 2¼ per cent Funding stock, 1952-7. They have decided to replace only £100 million of the maturing £401 million. No offer of conversion is made to the holders of the two maturing stocks : they will be paid off in cash at par on June 15th and about £100 million was raised with the issue on Wednesday of a further tranche of 4½ per cent Conversion stock, 1962, at £99.

These operations might give the appearance of a complete reversal of recent policy. They seem to involve the unfunding into cash of £300 million of government stock, and a reversal of recent efforts towards keeping credit taut and inflation in check by the opposite process of mopping up cash by selling more and longer dated government stocks through the market. To avoid any risk of misinterpretation, and the possible implications for sterling and for foreign confidence in Britain, the Bank of England has taken the unusual course of laying some of its cards face upwards on the table :

> As a result of market operations during recent months, carried out in accordance with the policy stated by the Chancellor of the Exchequer in his Budget speech of continuing to make full use of market opportunities for funding, the two maturing stocks are now mainly held by the departments, having been bought by them against the sale of longer stocks. The new issue of 4½ per cent Conversion Stock, 1962, will amply cover such remainder of the two maturing stocks as will fall due to be repaid to the public on June 15th next.

As the Bank sees the operation it is not a distribution of cash to the public in place of maturing stock. It is a distribution of cash to the departments which already hold more of the maturing stocks than the net £300 million that is being repaid. It enables them to round off an active and successful funding operation on which they embarked at the beginning of the year.

The departments will no doubt take " tap " Treasury bills at first with the proceeds of their repayment and then gradually switch into the next maturity—the £503 million of 2¼ per cent Serial Funding stock, 1957, due for repayment in November. The process of acquiring that stock in exchange for longer dates has probably started. If the aim of funding is to pull the shortest dates into the departments, selling longer dates in exchange, the policy has certainly not been abandoned. On the contrary, the Bank is just taking the first steps to try to repeat on the November maturity its handling of the June maturities. But it is cerainly arguable that its technique has been modified, and to some degree softened, over the past eighteen months. Funding through the market was interpreted at the beginning of 1956 as selling any stock—even including the next maturity—at prices that were tailored down to the market. It is now interpreted as switching by the Government broker so as to place longer-dated stocks with investors. The Government remains a net seller ; it still refuses to contemplate a partial switch which would result in paying out money, and it much prefers to take in money. But to move the public into longer-dated stocks seems to be the first objective.

Lengthening the life of the funded debt, provided it is not accompanied by any strong market boosting, will normally succeed in curtailing the effective liquidity of the economy as a whole. But it will by itself do nothing to curtail the liquid assets of the banks, which exclude all permanent Government stock, however short. To tighten pressure on the liquidity of the banks it is necessary to reduce the supply of tender Treasury bills ; and other things being equal, that demands a net sale of stock by the Government.

The offer of £100 million 4½ per cent Conversion stock, 1962, must be judged in that light. The authorities have chosen a stock which, though technically just within the money market's range, is intended to be ultimately saleable to the banks. But they have also chosen a stock of which they already had a supply, so that demand from the banks, had it existed, could have been met. The presumption must be that the Bank knew when it fixed the issue that a large part of the £100 million must go "inside"—that is, into departmental hands. The issue was priced precisely at the market level with no obvious intention of forcing it up or down—though it happens that on two days this week it would have been possible for an operator inside the "house" to buy the old tranche a shade cheaper than the new issue. In the event the issue did find a demand from the public, though the statement after lists had closed that applicants for up to half a million received full allotment and larger applicants 63 per cent of their applications leaves it to be assumed that the departments must have taken some of it. The new stock started at the issue price on Thursday.

Such a result is in line with the modern conception of issuing Government stock. Issues are made not primarily to be sold to the public on the day when lists open, but to supply the Government broker with wares for gradual sale as opportunities occur. No exact correlation between maturities and new issues is necessary. The essential aim is that the Government broker should be able at all times to offer a reasonable selection of the longer-dated stocks to meet investment demand. And the fair deduction is that his supply of them is at present adequate.

The most important of all the changes in the form of the open market policy, however, is the increasing weight given to the opinion, held by those who are closest to the market, that it is possible to sell more and longer stocks on a reasonably good market than on a bad one, and that to force the market downwards by indiscriminate cutting of the Government broker's prices must defeat its own object. That argument is slippery, because its logical limit is that it is possible by skilfully forcing the market upwards to dispose of very large quantities of funded stocks—for a time. Forcing the market up would now be discountenanced, but funding is more successful if the market is not depressed.

Funding was difficult through much of last year when prices were being cut; it went well in December and the early weeks of this year when the natural recovery from the Suez anti-climax was allowed to run its course; it stopped dead in February when £300 million of 3½ per cent Funding stock, 1999-2004, was issued with the clear intention of curbing the market. It needs no great intuition to see that funding might be more difficult now instead of easier if a reduction in Bank rate had been made before or even just after the Government issue, instead of being still held as a carrot before the donkey. The same consideration may help to explain why the Bank has taken the trouble to explain the significance of the way in which the June maturities have been handled. It is not playing a strong hand because it expects the market to rise; it has to tell the world truthfully that funding through the market will continue. But on the home front it has to reckon with a pronounced preference by some institutions for equities and convertible loan stocks. A visible increase in the supply of long-dated stocks might have been indifferently received. To walk this tightrope requires courage. To lift a corner of the curtain that conceals their motives is a welcome move by the authorities.

Kings in Oil

"During 1956 we obtained from Kuwait, Iraq, Iran and Qatar, our main sources of supply, a total of about 49,500,000 tons [out of 50,000,000 tons] of crude oil."—MR. N. A. GASS, BRITISH PETROLEUM.

"The Group, as you know, operates in virtually every country of the free world. It has two parents of different nationalities, and it is therefore by structure as well as by the character and extent of its business completely international."—LORD GODBER, SHELL.

THESE two quotations come from the reports of British Petroleum and Royal Dutch/Shell for 1956. One is matter of fact and bound by the limited political and economic horizons of the Middle East. The other ranges further and is as conscious of the Caribbean as of the Persian Gulf. Any comparison of these two oil giants must begin with their size. Last year the sales proceeds and other income of Royal Dutch/Shell topped £2,321 million, more than treble the sales proceeds and other income of British Petroleum—£732 million. The net income of Royal Dutch/Shell—£179½ million—is also more than treble British Petroleum's net income of £53 million.

British Petroleum, which towers above Royal Dutch/Shell in the Middle East, is dwarfed by it internationally. That is most clearly revealed in a comparison of crude oil production at the head of the next page.

The comparison does not end with production. Royal Dutch/Shell markets its products virtually throughout the whole of the free world; British Petroleum, strong in Europe, Africa and the Commonwealth, markets practically nothing in the Western Hemisphere. But

Royal Dutch/Shell, operating a tanker fleet of over nine million tons deadweight, and having tankers on order of 1½ million tons, has put proportionately less of its resources into tankers than British Petroleum, which, with its associates, has a fleet of over 7¼ million tons and expects to add another 2 to 2½ million tons.

1956	Royal Dutch/Shell million tons	British Petroleum million tons
Middle East	28	49·5
North America	19	
South America	45	0·5
Far East	11	
Europe and other	1	
Total	104*	50·0

* Including supplies received under long term contract.

It was easier for Royal Dutch/Shell to adapt itself to the re-routing of supplies after the Suez crisis than it was for British Petroleum. The two chairmen put the contrast in bold relief. Lord Godber says:

> The impact of this event—confined as it was to a limited area—was insufficient to reduce in the last quarter the rate of increase in our trade established for the world over the preceding period of the year, throughout which it was gaining impetus.

Mr Gass has a rather different emphasis:

> The increase over the preceding year was 11 per cent, or 5 million tons . . . and thus was less, by 1 million tons, than the 6 million ton increase attained in 1955. This is attributable to the effects of the Suez crisis; prior to this, we were expecting to achieve in 1956 an expansion of 8 million tons, or 17 per cent.

The effects of the crisis are not yet spent. But while Mr Gass speaks of "adverse conditions" affecting results in the first six months of this year, it will not be surprising if the first quarter's results of Royal Dutch/Shell make a strong showing. The most spectacular contribution to European supplies after Suez was made by the increase in production in Venezuela, achieved principally by the Shell group. There the group's production is now running at about 50 million tons of crude oil a year; that output, making up about one-third of total production in Venezuela, is as big as British Petroleum's entire production in the Middle East.

The enforced switch to Western Hemisphere crude oil supplies, obtainable only at higher prices, has swollen the operating expenses of both groups. During 1956, the expenses of Royal Dutch/Shell rose by 15 per cent, and in the last quarter of the year its shipping expenses were no less than 50 per cent higher—an increase that could not all be immediately recovered from consumers. But, unlike British Petroleum, Royal Dutch/Shell, as a Western Hemisphere producer, has been receiving as well as paying these higher prices; for it, a shut down in any area has compensating adjustments elsewhere. Indeed, in 1956, no less than 57 per cent (against 53 per cent in 1955) of the net income of Royal Dutch/Shell came from its operations in the Western Hemisphere.

Last year British Petroleum spent £86 million on capital account, twice as much as in 1955. Royal Dutch/Shell spent £388 million, £55 million more than in 1955. The figures are not directly comparable. The capital expenditure of Royal Dutch/Shell includes that made by associated companies, in which the group has not more than a 50 per cent interest; that of British Petroleum relates to the parent and its subsidiaries alone. The Royal Dutch/Shell figure also includes expenditure on exploration charged to income; the British Petroleum figure does not. British Petroleum, which produces more than it can market through its own outlets, devoted less than one-third of its capital expenditure to production and exploration. Royal Dutch/Shell, more dependent on outside purchases of crude oil, allocated over half its programme to that end.

British Petroleum's contracts for further capital expenditure are put at £120 million: but this estimate looks beyond the current year and includes £88 million for shipping. Neither giant makes a firm estimate of the cost of its 1957 programme, but if the size of the Royal Dutch/Shell programme is the same as last year the cost is likely to be near £400 million. Both groups will have to rely largely upon ploughed-back profits to meet these costs. But recently both

BRITISH PETROLEUM

	1955 £'000s	1956 £'000s
Consolidated earnings:		
Gross profit	133,827	149,375
Investment income	*5,991*	*6,106*
Depreciation	22,143	25,203
Taxation	71,389	76,324
Net income	45,308	53,015
Ordinary dividends	15,103	15,139
Retained profits	25,742	32,442
Consolidated balance sheet:		
Net fixed assets	124,935	134,757
Trade investments	76,224	115,833
Exploration expenditure	8,552	18,959
Stocks	38,639	39,409
Debtors	61,812	64,439
Liquid assets	77,776	57,547
Net current assets	*61,860*	*43,991*
Reserves	127,698	170,343

ROYAL DUTCH/SHELL

	1955 £'000s	1956 £'000s
Consolidated earnings:		
Sales, etc.	2,051,866	2,321,474
Expenses	*1,141,655*	*1,313,726*
Sales, taxes, etc.	443,869	485,536
Depreciation, etc.	171,302	197,595
Taxation	116,631	126,801
Net income	159,992	179,528
Consolidated balance sheet:		
Net fixed assets	820,768	952,685
Stocks	334,955	382,603
Debtors	244,293	284,682
Liquid assets	*344,121*	*320,110*
Short-term debt	30,813	53,208
Net current assets	525,947	515,701
Net assets applicable to:—		
Royal Dutch (60%)	664,973	749,240
Shell Transport (40%)	443,315	499,493

have turned to the capital market for help, particularly in their arrangements with the banks and insurance companies for financing the building of new tankers. To finance the exploitation of its new Venezuelan concessions, Royal Dutch/Shell has arranged to borrow $150 million at 4¼ per cent for four years from two New York banks.

The reliance of both giants on self-financing is seen in the fact that Royal Dutch/Shell distributed less than a quarter of its net income to the two parents and British Petroleum less than one-third of its net income to shareholders. For last year ordinary shareholders in "Shell" Transport and Trading did receive a higher dividend—the tax-free rate of 3s. 9d. per £1 unit being maintained on a capital increased by the 25 per cent free scrip issue. The directors of British Petroleum were content to leave the tax-free ordinary dividend unchanged at 3s. per £1 unit. With the £1 units of "Shell" standing at 181s. 10½d., and those of British Petroleum at 146s. 9d., the gross dividend yields offered by the two stocks are within a few pence of each other—at just over £3 11s. per cent.

Long-term investors look beyond current dividends and yields, and they see that the future development of both groups will be partly determined by the success of their exploration programmes. Royal Dutch/Shell continued to put the emphasis upon the Western Hemisphere; of the £86 million spent by its subsidiaries, about £37 million represented the cost of new concessions—mainly in Venezuela (the first offered by the Venezuelan Government since 1945) and the group has already submitted bids for further concessions to be granted by that government this year. But both giants are casting their nets wide; and the growing scope of British Petroleum's programme should lead to a less than absolute dependence upon the Middle East.

The world's lowest cost oil, however, is in the Middle East and the greater part of the continued increase in world demand for oil can be met economically only by Middle Eastern supplies. Both groups have equal interests in Iraq Petroleum, but British Petroleum is nearly three times as big as Shell in the Iranian consortium, and produces half of Kuwait's prolific yield. Royal Dutch/Shell's smaller share of Kuwait oil, which amounts to over half of all its Middle Eastern supplies, comes from its long-term contract with Gulf Oil. If Middle Eastern politics allow British Petroleum to exploit its Middle Eastern reserves, it stands to gain more than does Royal Dutch/Shell. If not, then the diversity of Royal Dutch/Shell will tell.

Building Societies' Bare Balance

The building societies go to their conference at Eastbourne feeling that the arguments against immediately following money rates downwards are even stronger than they were against following them upwards

NEXT week, in the bracing air of Eastbourne, leaders of the building society movement will discuss their problems. They will assemble to a Gilbertian state of affairs. Mr Bentley's welcome election to the Halifax society's board means that the Association exchanges an independent chairman for a chairman from a society that has resigned membership; they will elect their friendly competitor enthusiastically. They will face an unusual situation when the voting shows whether Mr Herbert Ashworth, general manager of the Co-operative Permanent, has secured election to the Council. By common consent he is one of the ablest men in the movement, but the Co-operative already has one man on the council, and it would be unusual to elect a second. They will face a pleasing occasion when the "Sir Harold Bellman cup" is presented to the Bristol and West society for the best produced accounts of the year from a member society. Discussions about the possibility of amendments to building society law will continue in the appropriate subcommittee. The Co-operative Permanent and probably some other societies would like to be able to do business in overseas countries including the Isle of Man and the Channel Isles, and that would make it almost essential also to allow the societies to have subsidiaries. But an early outcome to these discussions is scarcely to be expected.

A silent guest will be present at all these proceedings, whose presence will be keenly felt however the discussions go. This important gate-crasher is to be found in the shaded strip on the accompanying chart; he is the man who provides the net inflow of money. Investment in the societies recovered smartly towards the end of last year; at last the facts were faced, the rate for new mortgages was put up to 6 per cent, and the rate for shareholders' money to 3½ per cent net (equal to about £6 1s. 9d. per cent with tax at the standard rate). But that expansion of funds has continued only slowly. The 90 per cent sample of the movement shows that net new investment in the first quarter of 1957 was £30.7 million compared with £28.1 million in the previous quarter and £23.0 million in the first quarter of 1956, but nearly the whole increase compared with a year earlier was in the Halifax Society now quoting competitive rates. So most societies could lend far more on good mortgages at 6 per cent—if they had the money to lend.

"How on earth," they ask themselves, "can we be expected to lower our rates with the next fall in Bank rate when we cannot meet the demand for mortgages at present interest rates?" That is a fair point; so is the next. "How can we reduce the rates on share

investments when the current issue of savings certificates yields about 7¼ per cent if held to maturity and when the premium bonds are skimming about £2½ million a month from just the sort of savings that might otherwise have flowed into building societies?" To most building society men the answer is clear. They know that Bank rate may fall another half per cent any week (making one per cent since building society interest was last raised), and they intend to do nothing immediate about it. There is evidence that outside the association the Halifax is thinking along different lines. It already charges its old borrowers (who are naturally the majority) only 5¼ per cent. If it decided once again to pay lower share interest than the others it would stem its own generous inflow of money to the other societies' benefit.

BUILDING SOCIETY GROWTH
(£ millions)

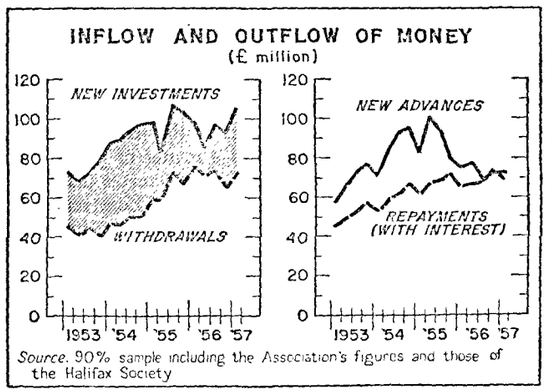
	1954	1955	1956*
Mortgages–	1,573	1,749	1,873
Investments and cash	279	298	340
Other assets	15	16	17
Total assets	1,867	2,064	2,230
Financed by :—			
Shareholders	1,535	1,731	1,910
Depositors	222	217	195
Reserves	90	96	103
Other liabilities	20	20	22
Net receipts from shareholders during year	161	152	125
Net receipts from depositors during year	15	—9	—30
New mortgage advances	373	393	340

* Approximate: the Registrar's figures will be published on Monday.

To decide in effect to disregard Bank rate will be bold. Some would argue that it will be foolhardy. The societies were not happy pulling against a rising Bank rate in the previous two years. The table and the charts show the consequences of tardy action. The inflow of new money for investment declined and withdrawals rose. The societies did not jeopardise their financial stability; liquidity was fully protected by restricted lending. But the supply of money was allowed to dry up and the demand for mortgages to pile up. This year, if they have to pull against a falling Bank rate, the societies might have to meet the reverse of the problems of 1955 and 1956—too many investors and too few borrowers. Their liquid funds would pile up at a time when the yield on the government stocks, Treasury bills, and local authority loans in which liquid funds have to be invested is falling. There is no sign of such conditions yet.

The societies have defended and even increased their liquidity through the two years of dearer money. The ratio of investment holdings to total assets, 14.9 per cent at the end of 1954 was allowed to drop to 14.4 per cent in 1955, but was brought back strongly to 15.2 per cent in 1956. The association's sample showing liquidity of 14.6 per cent at the end of March, compared with 14.9 per cent at the end of December, suggests that there has been some decline since. True liquidity naturally is not exactly reflected in these figures. Most societies do not write down their investments to market value, and therefore most of them last year (the Halifax was a notable exception) had some depreciation that was not made good. They had good reason during much of 1956 for keeping liquidity high. Withdrawals by investors were high and the societies had to hold ample liquid funds to meet them. Moreover, through most of the year it was not bad business to be liquid. Before the summer increase share interest stood at 3 per cent, which grossed up at the composite rate of 5s. 4d. in the £, cost the societies £4 1s. 1cd. per cent. Treasury bills and short-dated government bonds then yielded more than the cost of servicing the money. Now with share interest up to 3½ per cent net (costing the societies £4 15s. 5d. per cent, and Treasury bills yielding around 3¾ per cent), the incentive is strongly in the opposite direction. And those who care, as they should, about the current value of the liquid funds that provide the primary security for their shareholders and depositors, are being forced to recognise that fluctuations in gilt-edged holdings can inflict a heavier loss than is ever likely to be suffered on carefully chosen mortgages. The societies are not likely, if they can help it, to allow their liquid funds to pile up beyond what they regard as a reasonable safety margin.

Six per cent is historically a rather high rate for mortgages and most societies—even those who proclaim most strongly that there will be no immediate change, would probably like to see it lower. When it does come down, the intention is that the whole interest structure shall move as far as possible at the same time. On the upward moves in interest rates that carried owner occupier mortgages up from 4½ per cent to 6 per cent and share interest from 2½ per cent net to 3½ per cent net in two years, much had to be given away. The moves were left too late; and share interest had to be moved at once while old borrowers had to be given proper notice. Often they were given long additional grace—indeed, old borrowers from the Abbey National started paying 6 per cent in March this year, and those of the Woolwich Equitable in April. By that time, 5½ per cent Bank rate, the visible cause of the increase, had already disappeared.



The societies have no great margin between income

and outgoings (they hate the word profit because any surplus is carried straight to reserve, and they resent having to pay profits tax on it), and they cannot contemplate a reduction in mortgage charges until they feel strong enough also to reduce share interest. Among the fifteen biggest societies management expenses per £100 of mortgage assets range from 12s. 3d. in the Provincial to 18s. 1d. in the Co-operative Permanent. Expense ratios are not noticeably rising, but the margins between income and expenditure are small—in the region normally of 6s. per cent. And they really ought not to fall below some such figure if reserves are to be built up. The recommendation from the Association in favour of a five per cent reserve ratio has never been revoked, but of the fifteen largest societies only six (none of them in the first four) can now show it. The margin from which reserves can be built up was squeezed further last year, when the composite rate of tax—intended to represent the effective tax rate of the average building society investor—jumped from 4s. 10d. to 5s. 4d. in the £. This year there is the risk of another small rise. Naturally when share interest rates can be reduced the societies will have less tax to pay on behalf of their members. But before that can happen the shaded strip on the chart grows fatter.

BUSINESS NOTES

IN THE MARKETS

Investors Still Buying Equities

INVESTMENT markets have been irregular but the familiar pattern of a rise in industrials and a marking of time in gilt-edged stocks persists through the irregularity. *The Economist* indicator rose from 218.1 to 221.9 in the week ended May 8th, and for the first time since it was started its yield has fallen below 5 per cent, to 4.98 against 5.03 per cent. The *Financial Times* index of Government stocks shows a net fall over the same period from 87.05 to 87.00. The net change conceals the fact that gilt-edged stocks enjoyed a spurt covering the issue of the prospectus for the issue at £99 of £100 million 4½ per cent Conversion stock 1962; the index in fact touched 87.36 on Monday. The market pattern is typical of current thinking by investors. Many of them are inclined to move into industrial ordinary shares and industrial prior charges at the partial sacrifice of their portfolios of gilt-edged as a matter of policy that will not be deterred by evidence of cost increases that seem likely to cut further into profit margins. Those very cost increases are the substance of inflation. But some investors also feel that the attitude of the controllers of monetary policy towards the gilt-edged market is itself changing.

That is the problem that operators in the market are now pondering. While they ponder the market, though not active, is behaving reasonably well. Not only was the response to the Government issue better than had been expected but the two-legged East African 5¾ per cent issue at par that preceded it was a marked success. For the Railways and Harbours issue applicants for up to £500 received full allotment, while applicants for from £600 to £1,000 got £500 stock, and larger applicants received 30 per cent of their applications. For the smaller telecommunications issue applicants up to £300 got £100, from £400 to £600 the allotment was £200, from £700 to £1,000 it was £300, larger applicants again receiving 30 per cent of their applications. An opening premium of around ¾ was established.

Naturally much of the steadiness of the market stems from the speculation that a reduction in Bank rate will have to come in the course of time. In the discount market bill prices continue to be levered up by stagging in anticipation of a reduction. The rate at which the tender Treasury bills were allotted last week fell below 3¾ per cent for the first time in two years and at £3 14s. 9.00d. per cent it showed a drop of 3s. 6.43d. per cent on the week. That leaves Treasury bill rates so far out of line with the 5 per cent Bank rate that it can be claimed that a half per cent reduction is already fully discounted there.

Central African Airways Corporation

An Apology

In a Business Note on page 587 of *The Economist* of February 16th, 1957, the Central African Airways Corporation was referred to as "the Central African Government's insolvent airline." We wish to make clear that this statement was untrue and, in withdrawing the imputation of insolvency, to express our apologies and regret.

EXPANSION, ONCE MORE?

What We Can Afford

DURING the "past year or so," as the Chancellor told industrialists and trade unionists at the National Production Advisory Council on Industry last week, "we have deliberately held economic expansion back": now, remaining cautious, it is prepared to let output rise again.

> Now it may be about to rise and if certain conditions are fulfilled—I say if—then it can rise without risk and with benefit to the nation.

The prolonged pause, he was able to show, had improved the balance of payments by moderating exceptional imports such as coal and steel, while labour was rather easier to get; moreover, there had been a large increase in industrial capacity. But "if we are to look forward without anxiety," both exports and productivity would have to rise.

Mr Thorneycroft emphasised the danger of beginning "another 1955." In the years 1948-56, he said, every 1 per cent increase in industrial production had brought about a 1 per cent increase in imports: so re-expansion would *mean* higher imports, and a substantial proportion of the extra output would have to be exported to pay for them. The proportion of manufacturing output exported last year was back to 30 per cent, a higher proportion than had been attained since 1952. The Chancellor singled out motor vehicles, the rising exports of which this year have especially encouraged him: "I would urge the motor industry—and other industries—not to be deflected from putting exports first by any improvement in the home market." It would also be particularly necessary, this year, to raise productivity:

> In many parts of industry it should be possible to ensure that higher wage rates are offset by higher productivity: in some it may be practicable to do better and bring prices down. This is an important object to aim at, for in other parts of the economy it is not always reasonable, on past experience, to expect productivity to rise as fast as wages.

The Chancellor recognised that the economy is now well off his predecessor's plateau; he hoped merely that the inevitable increases in price from the latest wage concessions could be kept as few as possible and offset elsewhere.

In part his counsels were inevitably those of perfection. The reason that the proportion of manufacturing output exported rose last year, for example, was largely that total production fell while exports did not. There are strong signs, at least, that demand for durable consumer goods is again in the early stages of a boom. To increase car exports as much as home demand for motors seems likely to rise when petrol rationing goes, for example, will be a huge task—and in comparison with home sales not a particularly rewarding one for the makers. But the dose of disinflation administered in 1955-56 has completed its course, to some extent effectively. The government has not chosen re-expansion deliberately this year, as it chose restriction in late 1955: it is accepting the phenomenon, rather gingerly.

FOREIGN EXCHANGE

Agonies of the Franc

STERLING made no response to last week's gold and dollar figures. New York has been less inclined to buy, allowing the commercial demand for dollars in London has depressed the sterling rate. In the official market sterling has fallen from $2.79 7/8 at the end of last week to $2.79¼, while transferable sterling, also sold from New York in the latter part of this week, has fallen from $2.77¾ to around $2.77¼. Overseas merchants requiring sterling seem still to be living from hand to mouth. Peak seasonal commercial demand for sterling should by now be past, and the talk of an early reduction in Bank rate has led to some short sales. In the forward markets, however—particularly forward dollars, Swiss francs and German marks—the anticipation of still lower interest rates in London has been reflected in a slight narrowing of the discount on forward sterling.

The agonies of the French franc, which remains at the bottom of its permissible range of fluctuation against both the German mark and sterling, remain the chief feature of the foreign exchange market. The sterling rate has been at Frs. 987 to Frs. 987.35 throughout the week. It is in the forward market that the main evidence of weakness has been apparent. The three months discount against sterling has widened to Frs. 15. The franc's underlying weakness was reflected in last month's record French EPU deficit of $108.2 million. This was probably a truer figure than the previous month's deficit of $93.7 million, which was kept down by raking into the Bank of France and, therefore, into the EPU settlement the surplus foreign exchange balances of the French commercial banks. That nest-egg has been raided, and few nest-eggs, except the gold reserves of the Bank of France itself, remain.

AUSTRALIA

Reserves Resurgent

AUSTRALIA is now one of the sturdiest members of the sterling area. Thanks mainly to a larger wool clip and an average rise of one third in wool prices compared with last season, Australia's external reserves have recovered impressively. The sterling and foreign exchange balances of the Commonwealth Bank rose by £A48 million to £A441 million in the month ending April 24th. Since the beginning of this year its balances have shot up by £A113 million. If the sterling and foreign exchange balances of the commercial banks are included Australia's total exchange reserves now exceed £A500 million.

The recent acceleration is partly attributable to seasonally heavy shipments of wool, but the import restrictions of last year must be given part of the credit. While the recent relaxation of those restrictions is fully justified, the Australian balance of payments can swing so sharply that it might be rash to count too much on the persistence of the latest improvement.

METALS

Lead and Zinc Fall Further

METAL prices remain weak. The mounting surplus of zinc in the United States, and fears that the government will stop buying it for the stockpile have forced American producers to cut the price by 1½ cents to 12 cents a lb (£96 a ton); prices in London have fallen further, helped by heavy selling by American interests. On Thursday it was learned that the United States price of lead had also been cut, by half a cent to 13 cents a lb (£104 a ton). Prompt zinc closed at £83 10s. a ton in London on Thursday, about £16 lower than a fortnight ago, and lead closed at £96 a ton, about £15 lower than a fortnight ago. Tin prices have dropped by £16 to £763 a ton for cash metal, and copper has been held up by buying which seems designed to keep the price close to £240 a ton, the fixed price charged by the Rhodesian Selection Trust copper companies. Though prompt supplies of zinc still command a premium over forward zinc, the prompt and forward quotations for each of the other three metals are now almost identical. The open market prices of two other metals, nickel and aluminium, have also weakened recently. In the last few months the open market price of nickel has

fallen by nearly £800 to about £1,450 a ton (cif Continent) and it is doubtful if consumers in this country would pay more than £1,300 a ton. Though some Canadian producers are selling part of their output at premium prices the bulk of free world production is sold at the price set by the largest producer, International Nickel Company of Canada. This company raised its price last December by £81 to £600 a ton (delivered UK) and there is no lack of demand for nickel at that price.

The fall in the open market price of nickel reflects a slight increase in supplies for civilian use, thanks to shipments diverted from the United States stockpile, and possibly anticipation of a further improvement in supplies in the future. But a really big increase in supplies is unlikely before 1960-61, when the producers may be hard pressed to find outlets for all they can produce. The chairman of International Nickel has forecast that by 1961 the free world will be able to produce between 650 and 675 million lb a year, about 50 per cent more than in 1956. Assuming that nickel is not taken into government stocks in 1961 and that defence demands are no larger than at present, the 1956 rate of civilian consumption would have to increase by over 75 per cent to absorb that production. The challenge is not, perhaps, as naked as that forecast implies, for producers should be able to deliver to the American government's stockpile a part of any surplus resulting from their expansion programmes. But the need to expand consumption of nickel in the years ahead goes far to explain the company's policy of price stability.

Aluminium in Surplus

PRODUCERS of aluminium are facing a surplus now. In Europe the surplus is small, but the open market price has dropped to about £185 a ton cif Continent; this is about £50 below last year's peak and it is also below the price of £200 a ton cif (£197 delivered UK) charged by the Aluminum Company of Canada. Russia now seems to be the main supplier of the open market. Demand in Britain suffered from the recession in the motor car and other durable goods industries, and the outlook in these industries

HOW METAL PRICES HAVE MOVED

	January 2, 1956 £ per ton	January 2, 1957 £ per ton	May 9, 1957 £ per ton
Tin, cash	834	777	763
Copper, cash	396	268	238
Lead, prompt	121	117	96
Zinc, prompt	102	101	83
Aluminium	179	197	197
Nickel	519	600	600

has now improved. The steep fall in copper prices must also have encouraged a switch back to copper from aluminium for certain uses. As a conductor of electricity, however, aluminium is still claimed to be the cheapest metal. Producers here and in North America are not greatly disturbed by the surplus. They are confident that the assurance of adequate supplies will assist the development of new markets and the expansion of existing ones.

The president of Aluminium Limited, the parent company of Alcan, said recently that since the end of the year stocks had increased by 10,000 tons to 38,000 tons, equivalent to about three weeks' production from its Canadian plants. The company's big expansion programme was flexible, and it was prepared to adjust the rate of expansion in the light of market and other conditions that might develop. The surplus in the United States is substantial, but in this metal, too, producers have a friend in the American government. Under the terms of their agreement for expanding production American producers can deliver surplus metal to the stockpile, and have recently "declared" a surplus of 200,000 short tons for 1956.

STEEL DELIVERIES

Consumption Rises Again

EXPERIENCE last year, when total output in the "metal-using" industries declined slightly in spite of a significant rise in the output of capital goods, showed that capital investment does not take as large a part of the total output of British engineering as might have been supposed. The same looks to hold good for steel consumption, of which investment is often guessed to account for an even larger proportion—roughly half. During last year, after a peak in the spring, the "apparent consumption" of steel—that is, the total deliveries minus the reported changes in consumers' stocks—looks to have declined; by the end of the year it was about 4 per cent lower than a year before. But in the first quarter of this year, with some revival in the output of the domestic equipment and car trades as well as a continued high level of capital goods output, it seems to have turned upwards again. In the first three months, the Iron and Steel Board estimated this week on the basis of preliminary estimates from their quarterly stock census, steel consumption was markedly higher than in the previous quarter and approaching the high level of last spring.

With home demand softening in the last half of 1956 and new capacity still coming in, British steel producers disposed of their extra steel by taking somewhat larger export orders; meanwhile, the reduction and cancellation of import orders earlier in the year was steadily reducing the very high rate of steel imports. By the first quarter of the year the "export surplus" of steel had very considerably increased; with imports down to less than half the rate of a year before and exports nearly 20 per cent up, Britain exported about half a million tons more than it imported. The import rate is now down to roughly 800,000 tons a year; but the board comments that rising demand in Britain "is likely to check for a time the rise in the export surplus and will also call for the maximum increase in steel output in this country."

BANK LENDING POLICY

The Straight and Narrow Path

TWO years ago Sir George Erskine, who is a merchant banker of distinction and a leading force behind the denationalisation of the steel companies, caused a sensation in his presidential address to the Institute of Bankers by suggesting to his colleagues in the big deposit banks that they should revise their classical tenets and meet the needs of the time by providing long-term and even risk capital for industry. This week Sir George's successor at the Institute, Mr T. M. Bland of Barclays, has devoted his presidential address to a riposte in the form of an uncompromising re-statement of the orthodox point of view.

Mr Bland sees no reason why the banks should disregard the classical principles, and no means whereby they could safely do so. "Safety, diversity and liquidity" must remain the precept of lending policy. Bankers should be bankers, providers of trade and other short-term credit, leaving the task of providing medium and long-term capital to the institutions engaged in that job. He recognises that in certain spheres, notably the export of capital goods, the lack of adequate alternative facilities makes it desirable for the banks to take on some commitments running into years; but he has some doubts about the recent essays in tanker finance—"I can never bring myself to regard an advance for eight years or more as good banking." The national interest dictated that the banks break their rules and step in to fill this particular gap in financing facilities—but Mr Bland is anxious that such long-term financing shall be recognised as exceptional.

URANIUM

Cheerful View in South Africa

INVESTORS in the South African uranium industry may find comfort and will certainly find information in the speech of Mr R. B. Hagart, who is joint deputy chairman of Anglo American Corporation and one of two industry representatives on the South African Atomic Energy Board. In a recent address to the Institute of Mining and Metallurgy he expressed his confidence that there will be a strong demand for uranium after the contracts with the British and American government expire in 1964-66 and that South Africa will be a highly competitive supplier. He did not try to guess what the future price of uranium might be, but believes that it will not be unacceptable to South Africa. The current world price of uranium oxide is between 70s. and 80s. a lb, and the American government is offering local producers $8 a lb (about 56s.) for forward contracts. He said:

> Although the average grade of our ore reserves is lower than that of America or Canada, most of our mines have the great advantage that they are producing uranium oxide as a by-product of gold. No mining or crushing costs have to be charged to uranium production and only actual treatment costs in the uranium plants are charged. In America and Canada, however, all mining and crushing costs, as well as treatment costs, have to be charged against revenue from the sale of uranium. For these reasons our average grade of 0.67 lb of uranium oxide per ton is economic and profitable, even against the average grade in the United States of 5 lb per ton and of 2 lb per ton in Canada.
>
> By 1964-66 the entire cost of the present uranium plants will have been paid for out of revenue received under the present contracts. No capital costs, other than for renewals and replacements to plant, will thereafter be necessary. With assured reserves of ore far in excess of our milling capacities, we will be able, if necessary, to offer long-term contracts and assurances of delivery. We should thus be highly competitive.

When the present programme is completed over £66 million will have been spent on uranium and ancillary plants, said Mr Hagart. The contribution of uranium to the South African economy was already substantial. Output of uranium oxide in 1956 was 4,400 tons and exports of oxide were valued at somewhat less than £38 million. Gross profits in 1956 were about £25 million. When all the plants were in full production the annual value of uranium oxide exports would be nearly £50 million and the net value (allowing for payments of principal and interest on the American and British loans) would be over £40 million.

COAL OUTPUT AND COSTS

What Price the Bonus Shift?

IF it were not for having turned the bonus shift into an addition to the miners' daily pay, the National Coal Board by now would probably be thinking of a rise of 4 million tons in this year's output: as it is, nobody knows quite how much to expect. In the first 18 weeks of the year the mines produced 1.8 million tons more coal than in the same period of 1956: even allowing for the loss of slightly less tonnage in holidays, for the better health of miners during this mild winter, and for some slight decline in manpower from its current peak level, some experts think this might imply an increase of 1½-2 per cent in deepmined output. On the other hand, in bargaining about the bonus shift at the beginning of the year the board was alleging that to abandon this would cost 4 million tons of output a year. It now hopes that guess may have been too high: but the abandonment of this financial incentive to attendance might well reduce the industry's net increase in output this year to not much more than 2 million tons. In a year when "effective working time" may be going down, even that would be creditable.

The costs of output rose another notch last week with the increase of 5 per cent in minimum day wages for miners, with slightly more for craftsmen and winding-engine men. At face value, this would cost about £10 million a year: but by the time corresponding increases spread by local negotiation to the industry's more highly paid men on piecework, the cost might reach twice as much. The board seems likely to have earned a substantial surplus after paying interest on its operations in 1956 and high spring output should have improved costs: but these higher wages for nine months of the year, plus the extra costs it is now incurring for mining subsidence, will thin down any margin it is now earning. After this summer's exceptional bargain prices—a pound a ton down—it seems likely that the price of coal may rise again.

MOTOR INSURANCE

Make the Bad Driver Pay

MOTORISTS who are as "accident prone" as the average can hardly cavil at the increases of up to a third in motor car insurance premiums announced by the insurance companies last week. Rates have risen on the average by less than 50 per cent since 1938; during the same period the cost of settling claims has soared, and is now some three times as high as before the war. Company after company has reported a substantial loss on its motor account, and only the imposition of petrol rationing, which diminished both road traffic and accidents, enabled the introduction of this inevitable rate increase to be postponed until next July.

Unitary construction of bodies, extravagant chromium-plated fronts, multi-tone paintwork, and the disappearance

of the protecting running board, all tend to turn what would have been an inconspicuous dent in a prewar car into a major repair job on any recent model. This trend shows in the rates : increases for postwar cars are much stiffer than on old cars. But only a radical change in the policy of the motor manufacturers—and the garage trade—could do much to arrest the rise in the cost of repairs. More adequate roads might help to reduce accidents slightly, although it is significant that in many parts of the United States more fatal accidents (which produce the largest claims) occur through high speeds on good roads than through congestion on bad ones.

Careful drivers who seldom or never have an accident have a more justifiable grouse. The careful driver, generally entitled to a no-claim bonus of 30 per cent, will find that his premium does not rise as much in absolute terms as does that of the man with a bad accident record. But it still seems hard that the percentage rise in the net premium paid should be as high in the one case as in the other. Could this be avoided ? The insurance companies might get the increase in premium income for which they are now budgeting by putting rates up still more, but increasing the maximum no-claim bonus to 35 or 40 per cent (now granted only in very rare cases) at the same time. The higher the reward for a clean record, the more the motorist would be inclined to protect it by more careful driving or by footing the bill for more small claims himself.

The rise in claims might also be checked by requiring the motorist—instead of leaving it as an option, as it now is in most cases—to bear the first £10 or £20 of every claim himself. By moving in the opposite direction in July, and in fact reducing the discount allowed where a policy holder elects to bear the first £10 himself, the insurance companies are going to extract more income only at the probable cost of more claims. It might take a Canute to try and stop the average cost of motor insurance from rising —and British rates are still far below those on the Continent and in the United States. But more of the burden should be put more squarely where it belongs—on the motorist who causes an accident.

STERLING AREA MARKETS

Britain's Shrinking Share

ONE reason for the continued decline in Britain's share of world trade is that it is losing ground to competitors in traditional and partly protected markets in the sterling area. An analysis published in the *Board of Trade Journal* shows that in 1956, total imports into the overseas sterling area from manufacturing countries went up by five per cent ; imports from Britain, however, did not increase, and its share of the market declined. Imports from Germany increased by 21 per cent and imports from other OEEC countries by 10 per cent. The United States, the second largest supplier, and Japan also won larger shares of the market. Though the analysis is directed at trade in manufactures the import figures also include primary products and shipments under special aid programmes. These goods, however, are important only in trade between the United States and India and Pakistan, and changes in the value are unlikely to affect the calculations significantly.

Britain held its share in the contracting markets of Australia and New Zealand (which together took over one quarter of Britain's shipments to the sterling area), and in India and Ceylon. In all other markets Britain's share shrank. Germany and the other OEEC countries together were particularly successful in expanding their sales to South Africa and India, and rapidly enlarged their foothold

IMPORTS INTO OVERSEAS STERLING AREA

From	1956 £mn.	Change on 1955 £mn.	Change on 1955 %	Percentage share 1955	Percentage share 1956
Britain	1,475	+ 2	0	53·6	51·0
Germany	232	+ 40	+21	7·0	8·0
Other OEEC	490	+ 46	+10	16·2	16·9
United States	467	+ 35	+ 8	15·7	16·2
Japan	228	+ 22	+11	7·5	7·9
Total of above	2,893	+146	+ 5	100·0	100·0
Total imports	4,532	+238	+ 6	...	...

in many other markets. The United States held its share in South Africa, and gained ground in Australia, Rhodesia, the West Indies and Malaya ; in India and other markets it slipped back. Japan gained ground spectacularly in the largely entrepôt trade of Hongkong and to a smaller extent in South Africa, India and Ceylon.

RAILWAY TRAFFICS

Advantage Lost

THE railway's gain in traffic from rationed road transport did not last for long. The shift back appears to have started early in March and though the Transport Commission has not yet compiled figures for the volume of its freight and passenger carryings in April, total receipts fell further still last month. Compared with last year the railway hauled only 2 per cent more freight tonnage in the four weeks to March 24th against nearly 8½ per cent more in the previous four weeks, though passenger journeys seem to have held up rather better. This comparison is made a little difficult by the exceptionally fine weather for the end of winter this year, particularly by its effect upon coal movements ; it also ignores what the present level of traffic might have been had the pre-rationing slide continued. To that extent straight comparison with 1956 probably underrates the improvement.

THE CHANGE IN RAILWAY TRAFFICS

(Previous year = 100)	Freight: Total receipts	Freight: Ton mileage: Total	Freight: Ton mileage: March.	Freight: Ton mileage: Minerals	Freight: Ton mileage: Coal	Passengers: Total receipts	Passengers: No. of journeys
1956 :—							
Jan.-Sept.	105·6	101·4	98·7	104·2	101·6	107·8	103·5
Oct.	97·9	95·7	94·7	99·1	94·6	104·2	103·9
Nov.	101·6	97·6	97·2	97·1	98·2	103·6	101·7
Dec.	104·3	100·1	103·7	98·0	99·0	111·2	110·6
1957 :—							
Jan.	110·7	103·1	110·1	101·5	99·9	122·2	115·3
Feb.	115·0	108·4	112·2	106·0	107·3	123·2	115·4
March	106·9	102·2	105·1	102·4	100·4	116·0	...
April	103·5	...	...	...	...	112·2	...

Passenger traffic was showing signs of picking up before the end of last year, both in number and length of journeys, and the Commission believes it stands a good chance of keeping a substantial slice of its recent windfall business, even though petrol rationing has not yet been formally abandoned. About freight traffic, it is less sanguine. But

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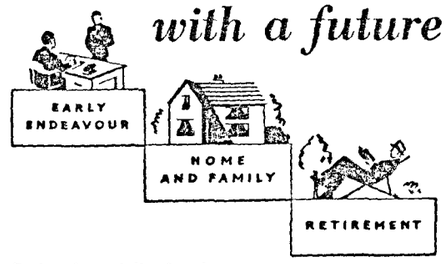
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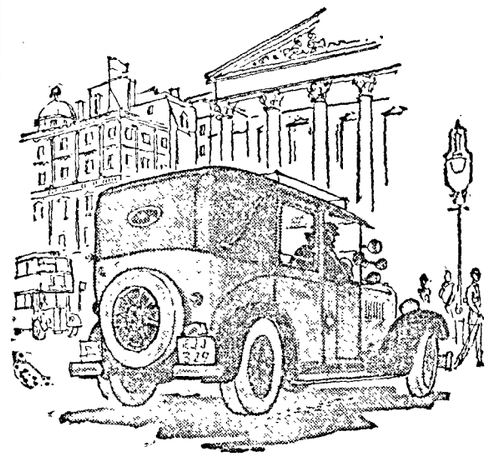
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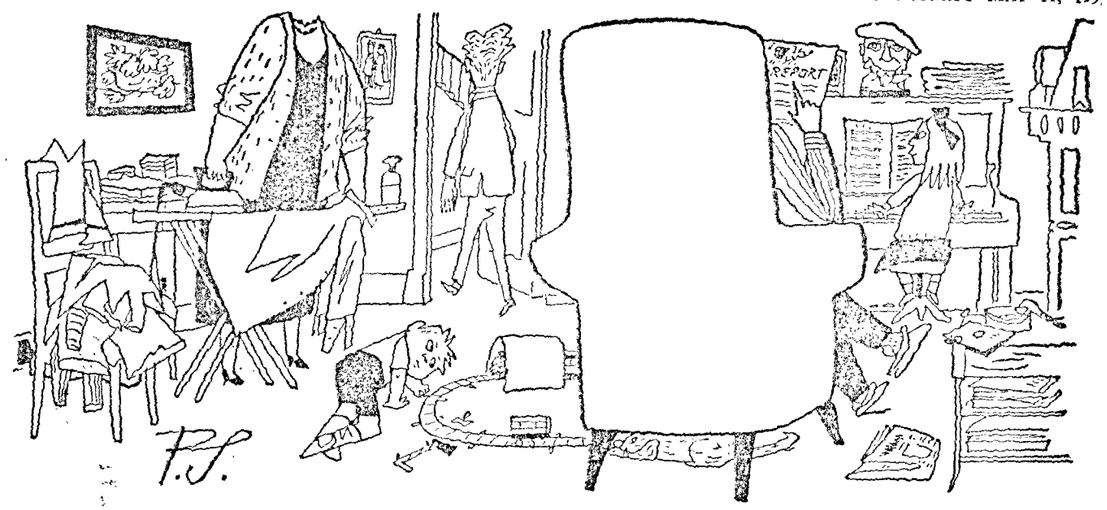
A man on his first posting to the Far East is a man who needs advice. While you are in Town to collect your tropical suit, look in on us.

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the things they say!



85 marks for Chemistry — the boy's doing well!

Yes, but I wish he wasn't quite so keen on Science.

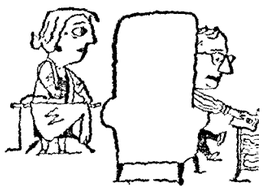
Why? What have you got against Science?

I don't think it's the best course for someone who really wants to get on.

Nonsense! The scientist is going to be the key man of the future.

They're certainly not at present. The highest posts don't go to the scientists.

You're wrong, you know. This careers book from I.C.I. shows that the technical man has first-class opportunities with them. And not only on the scientific side — on the commercial and administrative sides, too.



Oh, a few good posts go to them, no doubt.

More than a few. 15 out of the 19 full-time Directors of I.C.I. are graduates in Science or Engineering.



Directors? That's a bit ambitious, isn't it?

All right. Let me tell you this: of the men holding the 243 most senior posts, over 164 are graduate scientists or engineers.

Have it your own way! You always get the better of me in the end.

F

ICI

the goods vehicle petrol ration is now virtually at an end and the railways are still carrying traffic they would not have been doing before the Suez canal was closed, though by no means as much as the Commission is still trying to attract back.

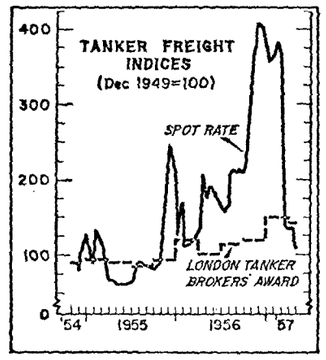
However, the Commission's revenue has received a useful fillip. Total traffic receipts in the first sixteen weeks of this year are £20 million up on 1956—or roughly by 10 per cent. The railways' contribution to that is just over £14 million, with about £9½ million from freight and nearly £6 million from passenger movements; the switch in road traffic probably accounted for well over half of the £14 million.

TANKER FREIGHTS

Harder Times for Tramps

It now costs about a third less to charter a tramp tanker to bring oil from the Persian Gulf via the long route round the Cape than it did last October using the Suez Canal. Tramp tanker freights have dropped like a plummet since February, when owners were able to get Scale rate plus 340 per cent for their vessels for early loading on the two-way trip round the Cape. This was equivalent to about £18 a ton, and was not far below the peak price for tramp tonnage early last December. The current rate is as low as Scale plus 40 per cent, or roughly £6 13s. a ton, against the price of £8 18s. a ton (including canal dues) for the last tramp tonnage that used the Canal route. The cost of bringing oil from the Caribbean has fallen even more sharply. The current tramp freight rate from Curaçao to this country is equivalent to about £1 14s. a ton, against £7 3s. a ton last December and £5 14s. a ton in October.

But not much tramp tonnage has been booked lately for the Caribbean route. The oil companies are using their own or previously chartered vessels to bring most of the available supplies of oil from there, and they have also not needed to take single voyage vessels for other routes since February. Indeed at times their pooling arrangements have led to some surplus tonnage, which they have relet to other charterers. Their absence from the market has been the prime reason for this sharp depression in tramp freights, but the mild weather and the end of the winter programme of fuel oil imports to the north eastern ports of the United States have also contributed.



The fall in tramp freights has not cut the cost of this country's imports of oil to any marked extent, though it has brought them to a level when it could soon be uneconomic for some of the older tankers to continue working. Normally tramp tankers chartered for single voyages carry about a tenth of the world's oil movements, but the proportion is much lower than that now. The award made every three months by the London Tanker Brokers' Panel—a weighted average of the freights at which all the world's oil is being moved—is a better guide to the freight element in oil import costs. The last award, on April 1st, showed a drop of 7 per cent, but this was still 19 per cent higher than on October 1st last year.

DISCOUNT HOUSES

Sun after Storm

The three big houses in the discount market, the Union Discount, the National Discount and Alexanders, all report for the calendar year, and for 1956 all showed a marked recovery from the buffetings inflicted by the onset of dear money in 1955. The four discount houses with accounting years ending on March 31st or early in April have naturally enjoyed an even sharper recovery. They have benefited from the sharp rise in bond prices in the weeks preceding the February reduction in Bank rate. While the discount houses have suffered some decline in their bill portfolios as a result of the strong outside competition, margins on financing the bills have been better than average (though they have come down somewhat with the fall in the bill rate); and on the increased holdings of bonds the market has enjoyed both running profits (compared with the losses suffered in the early phase of dear money when low coupon bonds had to be financed with money at the new and high rates) and substantial capital appreciation.

This favourable turn has transformed the look of the profit and loss accounts of each of the four houses. In 1955-56, Cater Brightwen, Jessel, Toynbee and Smith St Aubyn could show no true profit but only a "balance" drawn up after transfers from inner reserves. This year, the houses have been able to replenish these reserves—Smith St Aubyn states that inner reserves now stand at a record level—and to show buoyant net profits. Allen Harvey and Ross, which in 1955-56 (but not in the previous year) managed to show a profit after transfers to reserves now reports a substantial increase in profits and "the most successful year" in its history.

This house and Smith St Aubyn are increasing their distributions—Allen Harvey by again paying a 6 per cent final dividend on a capital increased by the two-for-seven free issue of February, so that the total distribution of 10 per cent for the year is equivalent to 11.7 per cent (against 10 per cent) on the old capital—and Smith St Aubyn by a straight increase in dividend from 10 to 12½ per cent. It has also (in company with Jessel, Toynbee) made a substantial addition to its published reserves. King and Shaxson, whose preliminary statement for the year to April 30th is published this week, also reports a big increase in profits, but an unchanged dividend. It is proposed to capitalise £75,000 from undivided profits in a one-for-three issue to shareholders.

ENERGY POLICY

"Stabilising Fuel Imports"?

One sentence in this week's report of Euratom's "Three Wise Men" (discussed in a Note on page 481) appears to summarise Britain's present energy policy with more brutal frankness than any official spokesman here has yet been prepared to use:

Britain's programme of six million nuclear kilowatts by

1965 is expected to stabilise fuel imports from 1960 onwards.

The three experts add that Britain now imports only 12 per cent of its energy requirements (against 22 per cent for the six nations in Euratom): in 10 years' time fuel imports here would have risen to 22 per cent without the nuclear programme. This seems entirely in line with last week's estimates by Mr Maudling of energy requirements in 1965 and how they might be supplied. On such official forecasting, Britain might in fact rely on imports for about 22½ per cent of home consumption of fuel by 1960: but if total energy consumption were to continue to rise while oil imports did not, that percentage would be a peak, and the proportion of imports would come back to about 20½ per cent in nine years' time. And within a "stable" level of oil imports, demand for motor fuel must be assumed to rise—implying that general industrial consumption of the black oils might correspondingly recede.

In a similar way, Euratom's experts suggest that the growth of total oil consumption in the six member nations might similarly be cut off after 1963. They would expect otherwise that these countries' fuel imports—oil and American coal—might double in the next ten years, reaching a third of total energy consumption. "Stabilisation" there might imply total oil and coal imports equivalent to about 164 million tons of coal in 1963, rising no more: increases in total energy consumption from then on would be supplied essentially by extra nuclear power. The experts take the position that Western Europe cannot support the economic growth it hopes for in future, with the expansion of exports that already implies, upon imported fuel. But between its conclusion that the extra energy must therefore come from nuclear electricity and the actual provision of 15,000 megawatts of nuclear capacity by 1967 yawns a considerable gulf of political decision, plus technical and economic achievement.

INDUSTRIAL RESEARCH

What Unilever Does

RATHER curiously, in the course of his recent lengthy discussion of research in industry in general and in Unilever in particular, Lord Heyworth did not disclose what the group actually spent on research. He justified this, not on grounds of discretion, but on grounds of intelligibility. The monetary measurement, he said, would be misleading, since research in the United States is "more than three times as expensive as in Europe"; he preferred to measure the Unilever effort in terms of eight research establishments employing nearly 1,500 people, plus another 750 or so in factories and small specialised groups, with 666 of them, 30 per cent of the total, qualified scientists and engineers. This is, indeed, a useful "real" measure of the group's research. Nevertheless, since the company appears fairly well seized of the "research rates of exchange," it ought to be able to give figures of cost, in Britain, Holland and the United States, and show what they really mean—adding to the usefulness of such an assessment, since cost is the yardstick by which research generally is most often measured. Lord Heyworth added, in monetary terms this time, that Unilever spends half as much on market research as on scientific research and development.

Clearly, the group does not deduce from the comparatively high cost of research in the United States that the effort might more economically be concentrated on this side of the Atlantic. "To carry on business in the highly competitive conditions of the United States," said Lord Heyworth, "it is practically essential to conduct one's research on the spot." Moreover, changes in the pattern of life in the liveliest industrial community on earth often later spread to other countries, and, recognising the importance of such changes to a group selling consumer products of its own kind, it seems sensible to Unilever "to locate a substantial part of our research effort in the country where change is to be observed in its most animated form."

Lord Heyworth touched on the difficulty of recruiting first-class scientists; in Britain, unlike America, he felt:

> industrial research appears as dark, unknown territory to the pure scientists who leave our universities: territory where they imagine that initiative and creative genius will be put in fetters, territory inhabited by hard-faced business men who have done well out of exploiting scientists and where the whole level of activity will be intellectually lower than in government or university research.

His second point, in particular, is a significant one. Whether or not scientists believe they would be exploited in industry by rapacious people, many of them undoubtedly do believe that they would be bored in industry by people who talk a different language: employed either on fiddling jobs or, if on engrossing ones, denied the chance to publish the results of their most interesting speculations. These are genuine, and beyond a certain point perhaps irreducible, disadvantages of industrial research. Against them, it can offer bigger teams, sometimes though not always more lavish research equipment, and higher pay—plus intelligent research management, though this itself involves an even more knotty problem of recruitment.

COFFEE

A Confused Market

THE coffee market is idle and confused. European importers, who bought heavily during the Suez crisis, have shown little interest in recent months and American buying has slackened; dealers there are well stocked and roasters are nearing the summer decline in consumption of coffee. Some Central American producers have introduced minimum export prices, withdrawn them, reinstated or reduced them and it is not clear what the existing minima are, nor how effective they are. Quotations for Brazilian coffee in Europe have become nominal owing to the uncertainty that surrounds the government's new registration rules.

Good quality Brazilian coffee is scarce and prices are steady at 54 to 55 cents a lb fob; robusta coffees have also held steady. But prices of mild coffee have declined, though they rallied this week on the news of the riots in Colombia. The Colombian coffee growers' federation is supporting the market by buying at prices that are above the current export price of about $70.75 per 50 kilos fob. That policy has been successful in past seasons, but this time pressure from other producers may hamper Colombia's subsequent efforts to dispose of its stock. Buyers in Europe are apparently confident that there is enough mild coffee until the new crops become available, and they are aware that supplies in future seasons may exceed consumption. This assumes that the weather will be favourable.

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It means that B.R.S. are flexible and adaptable. They can transport any load, of any shape or size, to any destination. They can provide the most suitable vehicle for your load. They can store your goods in B.R.S. warehouses and look after your distribution. And by means of their teleprinter service, they can link their business with *your business* — down to the last careful detail. Result? Speedy, reliable, economic services for you.

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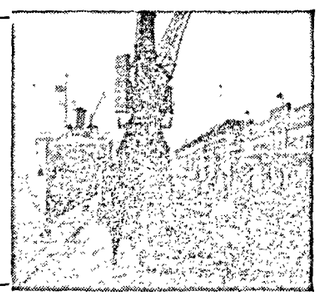
Being the largest carrier of goods by road in the United Kingdom is no light responsibility. But with their well-knit national organization, British Road Services are well geared to carry this responsibility. And now that fuel rationing has eased they are able, once more, to devote the whole of their resources to the service of trade and industry throughout the British Isles.

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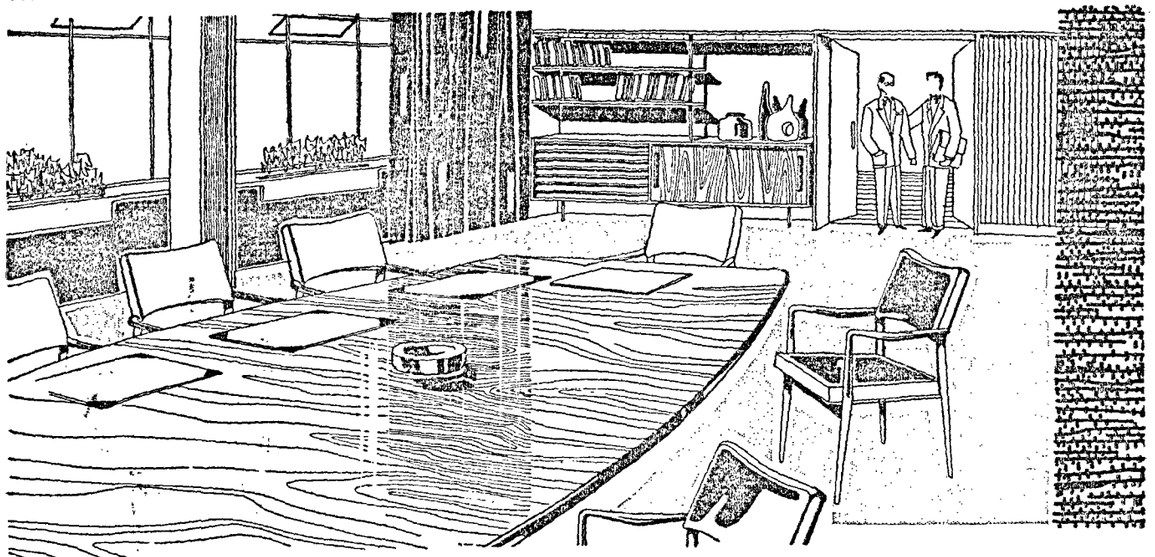
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May 1, 1957.

OIL ENGINES

Diesels by Rolls

ROLLS-ROYCE has been putting its entire range of oil engines on show this week at its works at Sinfin, Derby, for the first time since its oil engine division was set up and production began about six years ago. The company was a relative late comer in this field, but this is not a new experience for Rolls-Royce, and, as before, by drawing upon its work in other directions, it has come up with something worth selling. Apart from the company's traditional emphasis upon quality and reliability—and the overheads of its inspection and testing facilities at Sinfin must be quite high—the main feature of its venture into oil engine manufacture is its concentration upon component standardisation. Hence, though it is now producing four, six and eight cylinder engines, including horizontally slung models, all have the same bore and stroke, and so all parts, other than those that must vary in length with the number of cylinders, are common to each engine. As well as greatly simplifying spares and servicing problems, this also cuts batch production costs quite appreciably.

The Rolls-Royce family of oil engines was based upon the six-cylinder model, which was first installed in a Vickers heavy tractor. Four-cylinder and eight-cylinder models were added about two years ago, and with twin six and twin eight-cylinder power pack sets the range of power now offered runs from 60 to 600 bhp. Earth moving equipment, heavy duty vehicles, industrial power and generating sets are the present main outlets, and nearly three engines out of four are exported. One recent development nearer home is the supply of engines for the Yorkshire Engine 200 and 400 hp diesel electric shunting locomotives and for the new twin eight-cylinder 476 bhp rail cars of British Railways. The company does not say how many engines it is now producing, but output doubled last year and is going up again sharply this year. As a result, it is gradually moving the oil engine division from its present site at Derby to the Sentinel works at Shrewsbury, which it took over last September.

SHORTER NOTES

The Directors of Burmah Oil Company recommend a final dividend of 17½ per cent raising the total payment for the year from 17½ to 22½ per cent. Consolidated net profit was up from £5,990,453 to £7,123,896; after providing for taxation of £9,550,543 (against £7,642,336). On the announcement this share rose to 110s. 7½d., a net rise of 1s. 10½d. on Thursday.

* * *

Canadian Eagle Oil Company has declared a dividend for 1956 of 2s. per share of no par value, against 1s. 9d. Relief from United Kingdom income tax has been authorised on 35/100th of the dividend, the same proportion as last year. Consolidated profit after tax rose from £7,704,149 to £9,341,672. Earnings retained in subsidiaries, the most important of which is Eagle Oil Shipping Company, were £4,016,057 against £726,433. Earnings retained by the parent company were £2,279,350 against £4,306,405.

The number of people in civil employment in Britain fell rather more than seasonally in March: if one allows for seasonal changes, it seems now to have been falling since October. The number in employment at the end of March was in fact 22,900,000: during the six months there looks to have been a decline in employment of about a half of one per cent. But the number of people wholly unemployed has not risen by as many people as employment has declined; and between mid-February and mid-April, after allowing for seasonal variations, it seems to have remained about level.

* * *

In spite of having drastically rationalised their advertising rates into three flat charges for the early, mid- and late evening, Associated TeleVision still intends to continue the practice of dividing its transmission hours into a wide variety of time segments so that advertisers can book reasonably close to particular programmes. The 10 per cent surcharge mentioned in a Business Note last week will apply only when an advertiser wants to pin-point the exact timing of his commercial within the broad segment.

* * *

Esso Petroleum Company, Limited, the equity of which is wholly owned by the Standard Oil Company (New Jersey), is the first oil company to put a precise figure to the cost of the Suez affair in 1956. Helped by a more valuable pattern of production at Fawley refinery, as well as by an increase in the volume of refinery production and sales, Esso's trading profit increased by nearly £3¾ million last year. But this balance was struck before counting the additional costs of £1¼ million incurred by the company in diverting tankers round the Cape and in purchasing extra supplies from the Western Hemisphere that had not been recovered in selling prices by the end of the year. As a result of these and other exceptional costs the net profit, at just over £5½ million, was some £800,000 lower than in 1955.

* * *

The ordinary capital of Turner and Newall of £10,944,718 is to be doubled by a 100 per cent free scrip issue, but the directors tell shareholders that the final dividend will be exactly equivalent to the 22½ per cent paid last year.

* * *

The directors of Boots Pure Drug Company have raised the ordinary dividend from 14 to 16 per cent, following a rise in gross profits from £4,390,637 to £4,754,998 in the year to March 31st and in net income from £2,029,454 to £2,191,828.

* * *

The net profits of Consolidated Zinc fell in 1956 from £2,344,928 to £2,044,383 and the ordinary dividend has been left unchanged at 22½ per cent. The directors say that it is unlikely any "material benefit" will accrue to the company from the relief of tax granted to overseas trade corporations.

COMPANY AFFAIRS

PROFITS FROM PAPER

THROGMORTON STREET has long known that the 1956 accounts of the paper manufacturers would reveal a big decline in earnings. Costs were squeezing margins and there was some competitive price cutting. Moreover, half-yearly reports published in the autumn revealed that earnings were declining.

Bowater Paper Corporation is an exception in that its ordinary dividend has been increased, effectively from 11¼ to 12½ per cent, and its profits are up from £9,868,000 to £12,183,000. But the directors had forecast some increase in the dividend at the time of the convertible loan stock issue and the prospectus and the half-yearly report both indicated an increase in profits. The group's production of paper rose from 994,000 to 1,144,000 tons and of pulp from 328,000 to 351,000 tons. The sales value of paper, pulp and kindred products went up from £72 million to nearly £81 million and of power, merchanted goods and charges for services from £10.7 million to £14.5 million. Perhaps the whole of the increase in the group's profits can be attributed to the inclusion of eight months' earnings of the new North American subsidiary and to the increased production of the Tennessee mills, and perhaps it is only logical that Sir Eric Bowater, the bulk of whose earnings come from overseas, should also be in the minority among paper manufacturers in supporting the common market. Bowater's experience at home—especially if it is remembered that the Corporation has far bigger interests in newsprint than the other companies—cannot have been much different from that of the other manufacturers.

Albert E. Reed is a newsprint manufacturer, but its principal concern is in other forms of paper. Its directors attribute the fall in its profits from £6,671,182 to £5,691,434 to the increased costs of wages, fuel, power and transport. Profits in the year to March 31st last include £316,877 earned by new subsidiaries since their acquisition. Similarly, the sales figure of £58.5 million (against £53.6 million in 1955-56) includes £3.8 million for these new subsidiaries. The group's net profits have fallen from £3,570,723 to £2,979,545. But, as forecast, the ordinary dividend is 16 per cent for the full year on the increased capital of £16 million; in 1955-56, the dividend was 25 per cent on a capital of £6½ million.

Spicers, like Albert E. Reed, made a rights issue of ordinary shares last year. The forecast payment of 10 per cent has been declared on a capital of £3½ million; in 1955, 15 per cent was paid on a capital of £2 million. This company, too, has reported a decline in earnings. Gross trading profits have fallen from £1,035,565 to £751,414 and net profits from £455,509 to £278,046—from which the ordinary dividend absorbs £201,250.

Wiggins Teape also forecast the dividend in their half-yearly report; it is left unchanged at 17½ per cent (including a 2½ per cent bonus) for 1956. That interim report revealed a fall in profits and gross profits over the full year fell from £5,026,127 to £4,363,558. Thanks to a fall in the tax provision, the decline in net profits is by no means as sharp; they have fallen from £2,546,337 to £2,539,023.

SEARS HOLDINGS

MR CHARLES CLORE'S name is automatically associated with the take-over bid. But as the chairman of Sears Holdings he speaks as the head of a "large industrial family," which employs nearly 30,000 people. In that role he speaks of the "benefits of diversification." In his more familiar role as a financier he speaks of an examination of various proposals to extend the vehicle distribution business of the group (now based on Sears' control of Scottish Motor Traction and of Shaw and Kilburn, both distributors for Vauxhall Motors) and of a consideration of "various possibilities" of investment in the United States.

Diversity of interests certainly paid the group handsome dividends last year. Excluding from the calculation the interests which Sears acquired last year, it is apparent that profits from footwear rose by £281,000 (from £1,501,000 to £1,782,000) while other profits fell by £291,000 (from £1,952,000 to £1,842,000 in the Bentley engineering group and from £844,000 to £663,000 in the Furness shipbuilding group). Thus on the basis of its shape in 1955, the profits of Sears fell by a mere £10,000 to £4,287,000; but to this figure must be added a profit of £1,027,000 from the footwear companies Sears acquired in 1956 and another £836,000 from its other acquisitions (including Scottish Motor Traction and Parmeko). The total profit in 1956 was thus £6,150,000 and this was earned in a business which controlled over £23 million in fixed assets, over £15 million in stocks and over £3 million in cash. The directors therefore had little hesitation in recommending an ordinary dividend of 22½ per cent, a dividend covered, they estimate, twice by earnings. Sears as an industrial holding company is still growing and it controls companies in expanding industries. No one can deny its past success: its future success may turn not only on the financial acumen of Mr Clore but also on the managerial skills of the staff he employs in the diverse subsidiaries of the group.

BABCOCK AND WILCOX

SINCE the publication of Babcock and Wilcox's preliminary report, which revealed a fall in gross profits from £4,629,498 to £3,560,808 and an unchanged ordinary dividend of 15 per cent, the £1 ordinary stock, which is one of the nuclear power growth stocks, has fallen from 81s. 3d. to 76s. 3d. xd. There is little in the full report to encourage early recovery. The turnover fell slightly from £33,627,000 to £32,714,000, and increased costs of production eroded profit margins. The group had to continue to invest heavily in capital equipment and to devote a good deal of its attention to research and, as a result, it ended its financial year short of liquid resources.

Two quotations from the statement by the chairman, Mr Lionel Fraser, put the prospects into perspective:

> It is becoming evident that the stage is rapidly approaching when any material reductions in over-all costs will be difficult to achieve and it is the view of your board that any further advances in costs must inflate the price of our products significantly, with unfortunate effect on our competitive power abroad.
>
> Our plans are long term, and faced with ever-growing fierceness of competition and the much finer margins with which we now have to be content, we cannot expect better figures for the time being. Indeed, I ought to stress that development of some of our new projects, especially overseas, is still at an early stage and capital thus invested must of necessity be temporarily unremunerative.

GUEST KEEN AND NETTLEFOLDS

IN anticipation of the ordinary dividend announcement, the £1 stock units of Guest Keen and Nettlefolds had risen to 53s. 3d. The dividend of 13½ per cent, against 12 per cent in 1955, was even better than had been expected and the stock made a further advance, to 56s. 9d., at which the yield is only 4¾ per cent. But, as the dividend is covered about five times by earnings, investors are still looking for a further loosening of the purse strings.

A bigger dividend was justified by the advance in net profits in 1956 from £8,561,190 to £9,185,738. Because of bigger provisions for taxation and statutory depreciation and of a bigger appropriation to replacement reserves, the advance in net profits is but a shadow of the increase in gross trading profits, which jumped from £22,754,701 to £27,052,187. But the latest profit includes a full year's trading of the two steel companies, Brymbo and John Lysaght's, which Guest Keen acquired in December, 1955. The rise in profits cannot therefore be taken as meaning that Guest Keen was isolated from the rise in costs and pressure on margins which troubled the engineering industry last year.

BRISTOL AEROPLANE

A LARGE block of the ordinary shares of Bristol Aeroplane Company has been hanging over the market for some time. The completion of that selling order took place just before the company announced its trading results and ordinary dividend for 1956. The dividend has been left unchanged at 10 per cent, which may have been disappointing to those who have recently bought the stock.

The dividend was unchanged despite a growth in earnings. Before depreciation and taxation, the profits of the group in 1956 were £3,708,234, compared with £3,322,903 in 1955. The tax provision—up from £762,191 to £781,949—has not risen in step with the increase in gross profits, for the group has set £265,000 (against £260,000) of investment allowances relief against its total liabilities. But depreciation is higher at £1,861,257 (against £1,583,349), so there has been only a small advance in net earnings—from £977,363 to £1,065,028. Orders for the Bristol Britannia and the group's interest in guided missiles—now its second largest single activity—have encouraged investors to believe that growth prospects are not exhausted.

MONSANTO CHEMICALS

OVER the postwar years few industries have struggled harder to absorb rising costs and to compete in prices than chemicals. It has been an uphill fight and Monsanto Chemicals (the English subsidiary of the American parent) in its accounts to December 31st shows some scars. In tonnage, the 1956 turnover rose by 11.8 per cent to 97,250 tons, overseas markets accounting for 41 per cent of the total, against 37 per cent. In pounds sterling the turnover of 1956 rose by only 4 per cent to £14,035,000. In group profits 1956 was not a record year. The group trading account plus interest and dividends yielded £2,687,064, against £2,928,057, and in net profits after tax the figure was £919,315, against £1,097,311. The final dividend of 15 5/6 per cent, again making 22½ per cent for the year, is well covered, but it is easy to understand why the company did not increase it.

The group is to forge ahead with its programme of capital expansion. The £8½ million expansion scheme at Fawley and the rights issue of one for two in 5s. shares at 7s. 6d. have already been announced; the chairman, Sir Miles Thomas, now discloses that the American parent subscribed for its full proportion. This is being followed by a one for three free scrip issue and will be followed further by an issue of £3 million of loan capital.

RHODESIAN SELECTION TRUST

THE fall in the price of copper continues to make its impact upon the profits of the Rhodesian copper producers. Average costs fall with the price, because of the mineral royalty and mining bonus elements, but that, of course, is never sufficient to compensate for the loss in revenue. How serious an effect the decline in the copper price has had is shown by Mufulira's estimated profit in the January-March quarter which was £2,286,000, a fall of £229,000 compared with the September-December quarter and Roan Antelope's profit which was £1,482,000—a reduction of £435,000.

Nine months ended	Mufulira Mar. 31, 1956 £000's	Mufulira Mar. 31, 1957 £000's	Roan Antelope Mar. 31, 1956 £000's	Roan Antelope Mar. 31, 1957 £000's
Sales revenue ..	23,802	18,171	21,681	15,448
Costs	11,157	10,724	11,278	10,269
Estimated profit	11,958	7,640	10,656	5,324
Production (long tons)	73,107	75,363	66,858	65,069
Sales (long tons)	69,747	67,566	64,205	59,178

Over the nine months to March 31st, Mufulira's profits have dropped from £11,958,000 to £7,640,000 and Roan Antelope's even more sharply from £10,656,000 to £5,324,000. That contrast owes something to the fact that Roan is a producer of blister copper while Mufulira produces electrolytic as well. But this fall in copper profits and the almost certain prospect of a reduction in dividends is not a new factor for investors in copper shares.

London Stock Exchange

FIRST DEALINGS:	May 1	May 15	May 29
LAST DEALINGS:	May 14	May 28	June 18
ACCOUNT DAY:	May 21	June 4	June 25

THE buying of industrial shares, which followed the recommendation of higher wages in the shipbuilding and engineering industries, lifted *The Economist* indicator from 218.1 to a new peak for the year of 221.9. Prices rose sharply on Friday and again on Monday, when 17,727 bargains were marked, and the gains were mostly held on Tuesday and Wednesday in active trading. Government stocks, especially shorts and medium dates, were firmer at first on the renewed fall in the Treasury bill rate and the small size of this week's funding operation.

Insurance shares improved, Royal Exchange Assurance rising 5s. to 167s. 6d. on the report. King and Shaxon gained 4s. to 58s. 6d. on the scrip issue, and other discount houses advanced, Alexanders rising 2s. 6d. to 30s. and Union Discount 1s. 6d. to 50s. Finance houses were strong, United Dominions Trust jumping 6s. to 100s. Breweries, provisions and stores were exceptionally strong; Bass rose 3s. 6d. and Whitbread "A" 6s. 9d., Ranks gained 1s. 3d. to 18s. 3d. and Tate and Lyle 2s. 1½d. to 70s. Rumours of impending bids raised A. W. Gamage 10s. 9d. to 51s. 3d. and Montague Burton 5s. to 30s. 3d. Steel shares fell sharply on the threat of re-nationalisation. Hudson's Bay rose 9s. 6d. to 23os. 3d. Channel Tunnel was active following the meeting and on the announcement that the Suez Canal Company is interested they rose to 12s. Shipping shares turned weak; Reardon Smith lost 1s. 3d. to 42s. and Stanhope 2s. 6d. to 31s. 6d.

Oils were mainly firmer on balance, but Kaffirs declined. The fall in commodity prices, followed by the disappointing results, resulted in a loss of 7s. 9d. to 74s. in Consolidated Zinc.

THE ACTUARIES INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100) April 24, 1956	Mar. 26, 1957	April 30, 1957	Average Yields (per cent) April 24, 1956	Mar. 26, 1957	April 30, 1957
Ordinary Shares :—						
Electrical engineering ...	152·5	151·0	154·4	4·80	5·02	4·93
Engineering	180·5	178·8	184·0	4·70	4·98	4·83
Motors and aircraft	176·0	172·6	181·1	5·46	5·39	5·16
Chain stores	269·1	298·5	326·3	4·04	4·00	3·67
Cotton textiles	102·6	103·7	110·3	8·92	8·67	8·45
Chemicals	212·8	182·6	196·7	4·46	5·31	4·60
Oil	277·2	351·6	379·0	4·68	4·89	4·69
Shipping	179·0	205·8	223·8	5·54	5·49	5·43
Investment trusts	221·6	239·9	266·9	4·93	5·01	4·61
Industrials :—						
Ordinary (all classes)	151·4	151·9	160·8	5·90	6·16	5·86
Preference	77·9	76·3	75·5	5·86	5·99	6·06
Debenture	72·3	72·0	71·8	5·67	5·71	5·73
Total (capital goods)	170·8	169·1	174·3	5·10	5·28	5·13
Total (consumption goods) .	130·5	137·2	134·0	6·89	7·15	6·83
Consols 2½%	76·6	75·4	75·2	4·62	4·70	4·71

STOCK EXCHANGE INDICATORS
"The Economist" Indicator

1957	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
April 10	212·6	5·20				
„ 17	216·4	5·06				
„ 24	218·3	5·02				
May 1	218·1	5·03				
„ 8	221·9	4·98	221·9 (May 8)	190·5 (Jan. 2)	210·4 (Jan. 4)	170·0 (Nov. 28)

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1957 High	1956 High
		%		%			
May 1	201·3	5·45	94·94	4·67	12,375	206·3 (May 7)	203·6 (Jan. 3)
„ 2	202·2	5·42	94·87	4·68	12,146		
„ 3	204·6	5·33	94·84	4·68	12,607		
„ 6	206·1	5·34	94·90	4·68	17,727	Low	Low
„ 7	206·3	5·34	94·90	4·71	15,826	178·9 (Jan. 1)	161·5 (Nov. 29)
„ 8	205·8	5·35	94·80	4·72	14,290		

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

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 1, 1957	Price, May 8, 1957	Net Yield, May 8, 1957 §	Gross Yield, May 8, 1957
					£ s. d.	£ s. d.
99 31/32	99 1/4	Funding 2 1/2% 1952-57	99/17/7	99/18/4	3 12 2	3 12 2
97 1/4	95 1/2	War Loan 3% 1955-59	96 31/32	97 1/32	2 19 2	4 5 11 l
92 1/4	90 1/2	Funding 2 1/2% 1956-61	92 1/16	92 25/32	3 7 6	4 10 1 l
100 1/8	100 3/32	Exchequer 5% 1957	100/3/0	100/2/9	3 12 4	3 12 4
99 1/16	98 3/4	Conversion 4% 1957-58	99 3/32	99 1/16	2 15 0	4 6 1 l
99 3/32	97 3/4	Serial Funding 2 1/2% 1957	98 15/16	99 1/32	3 4 4	4 3 1
96 7/32	94 13/32	Conversion 2% 1958-59	95 27/32	96 1/4	3 5 11	4 6 9 l
93 25/32	91 27/32	Exchequer 2% 1960	93 1/4	93 1/8	3 8 10	4 8 0
96 3/4	94 1/2	Exchequer 3% 1960	95 31/32	96 1/4	3 0 7	4 8 5
99 1/4	97 1/4	Conversion 4 1/2% 1962	98 1/16	99 1/32	2 14 2	4 14 7
89 1/2	89	Savings Bonds 3% 1955-65	88 3/4	89	3 6 3	4 14 6 l
84 1/2	79 1/2	Funding 3% 1959-69	81 1/16	82 1/8	3 10 8	4 19 5 l
92 1/8	87 1/4	Funding 4% 1960-90	89 7/8	90 3/8	2 14 9	4 11 2 l
81 1/8	78 1/8	Savings Bonds 3% 1960-70	79 1/16	80 1/4	3 12 10	5 2 5 l
93 1/8	90 1/8	Exchequer 3% 1962-63	92 1/4	92 1/2	3 2 6	4 8 8 l
88 1/8	85 1/2	Exchequer 2 1/2% 1963-64	87 1/4	88 1/4	3 4 10	4 7 6 l
83 1/16	79 1/2	Savings Bonds 2 1/2% '64-67	81 1/2	82 1/16	3 10 3	4 14 0 l
77 1/8	74 1/8	Savings Bonds 3% 1965-75	75 1/16	76	3 11 1	5 1 10 l
84 1/8	80 3/4	Funding 3% 1966-68	83 3/8	84	3 10 3	4 19 5
95 1/4	91 1/4	Victory 4% 1920-76	95 1/8	95	2 18 7	4 14 9 1/4
88 1/16	84 1/16	Conversion 3 1/4% 1959	86 1/8	87 7/16	3 6 11	4 19 10
81 1/4	77	Treasury 3 1/4% 1977-80	79 1/16	78 5/8 *	3 7 2	5 1 7 l
80	77	Treasury 3 1/4% 1979-81	78 7/8	78 5/8 *	3 7 2	5 2 7 l
71 7/8	67 1/8	Redemption 3% 1986-96	69	68 1/2	3 2 4	4 15 9 l
80 1/8	75 1/4	Funding 3 1/4% 1999-2004	77 1/4	77 3/8	2 18 6	4 15 5 l
81 1/16	77 1/4	Consols 4% after Feb. '57	79 1/8	79 3/8	2 18 3	5 1 10 l
75	70 1/16	War Loan 3 1/2% after 1952	72 1/4 *	71 1/2 *	2 16 1	4 17 4 f
75 1/4	70 1/8	Conv. 3 1/4% after Apr. 1961	71 1/8	71 5/16	2 16 5	4 18 4 f
65 1/8	61 1/4	Treas. 3% after Apr. 1966	62 1/8	62 3/8	2 15 3	4 16 3 f
55 1/8	52 1/8	Consols 2 1/2%	53 1/4	53	2 14 5	4 14 9 f
55 1/16	52 1/4	Treas. 2 1/2% after Apr. '75	53 1/8	52 1/2	2 14 6	4 15 1 f
96 1/2	91 3/4	Br. Electric 4 1/2% 1967-69	95 1/8	95 3/8	3 1 7	5 2 1 f
80 7/8	75 1/4	Br. Electric 3% 1968-73	77 1/8	77 1/4	3 12 9	5 2 10 l
78 1/4	73 1/2	Br. Electric 3% 1974-77	75 1/4	75 1/4	3 9 7	5 0 5 l
92 7/8	87 1/4	Br. Electric 4 1/2% 1974-79	89 1/16	89 3/8	3 2 0	5 1 2 l
81 1/4	77 1/2	Br. Electric 3 1/2% 1976-79	79 1/8 *	79 1/16 *	3 6 10	5 1 4 l
90 1/8	85 1/2	Br. Gas 4% 1969-72	89 1/8	89 3/8	3 4 9	5 2 2 l
87 1/8	82	Br. Gas 3 1/2% 1969-71	85 1/8	85 3/8	3 6 8	4 19 11 l
72 1/4	68 1/2	Br. Gas 3% 1990-95	69 1/8	68 3/8	3 2 10	4 16 0 l
80 1/16	75 1/2	Br. Transport 3% 1968-73	77 1/8	77 1/4	3 12 9	5 2 10 l
88 1/8	84	Br. Transport 4% 1972-77	87 3/8	87 3/8	3 4 0	5 2 5 l
72 1/8	68 3/8	Br. Transport 3% 1978-88	70 1/2	70	3 6 2	4 19 5 l

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, May 1, 1957	Price, May 8, 1957	Yield, May 8, 1957
					£ s. d.
81 1/2	76 1/2	Australia 3 1/2% 1965-69	80	80	5 11 9 l
97 1/2	92 1/2	Fed. Rhod. & Nyas. 5% 1975-80	94 1/2	94 1/2	5 7 6 l
75 1/8	71 1/8	S. Rhodesia 2 1/2% 1965-70	72 1/2	73 1/4	5 9 3 l
87 1/2	81 1/2	N. Zealand 4% 1976-78	87	87 1/2	5 0 0 l
105 1/2	101 3/8	L.C.C. 5 1/2% 1977-81	105 3/8	105 5/8	5 1 0 c
93 1/2	89 1/4	Agric. Mortgage 5% 1959-89	93	93 1/2	5 8 6 l
69 3/8	64	Met. Water Board 'B' 3% 1934-2003	66	65 1/2	4 18 6 l
79 1/2	72 3/8	German 7% 1924 (Br. Enfaced 5%)	73 1/2	73 1/4	...
169 1/2	164	Japan 5% 1907 (Enfaced)	165	165	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, May 1, 1957	Price, May 8, 1957	Yield, May 8, 1957
		% %				£ s. d.
			BANKS & DISCOUNT			
29/–	19/6	2 a	7 b Bk. Ldn. & S. Amer. £1	28/3	29/–	6 4 2
47/3	43/3	5 a	7 b Barclays Bank £1	44/–	46/9	5 2 9
35/3	29/3	4 a	4 b Barclays D.C.O. £1	31/9	32/6	4 18 6
40/–	34/6	7 1/2 a	7 1/2 b Chartered Bank £1	40/–	39/–	7 13 10
51/3	46/9	...	7 b Lloyds Bank £1	46/9	47/6	5 9 5 a
73/3	68/–	9 a	9 b Midland Bank £1	68/–	68/3	5 5 6
40/6	35/–	5 a	5 b Nat. Discount 'B' £1	39/6	39/6	5 1 3
51/–	46/6	6 1/4 b	6 1/4 b Union Discount £1	48/6	50/–	5 0 0
			INSURANCE			
90/–	83/–	30 a	43 1/2 b Commercial Union 5/–	85/–*	85/–*	4 7 4
35 1/2	26	12 1/2 a	87 1/2 b Legal & General £1	32 1/2	31 1/2	3 3 0
22 1/4	19 1/2	†20 a	†50 b Pearl £1	20 3/4	22 1/2	5 8 4
46	41 1/2	†125 c	†132 1/2 c Prudential 'A' £1	43	43 1/2	5 5 4
			BREWERIES, ETC.			
116/6	106/–	10 a	33 b Bass £1	113/–	116/6	7 7 8
25/4 1/2	21/6	11 1/2 b	6 a Distillers 6/8	25/3	25/3	4 12 5
41/9	37/–	10 a	15 b Guinness 10/–	40/6	41/6	6 0 6
81/3	63/6	7 a	17 b Whitbread 'A' £1	74/6	81/3	5 18 0
			OIL			
152/–	130/–	†5 a	†10 b British Petroleum £1	146/10 1/2 *	146/9	3 11 3
110/9	83/9	12 1/2 b	5 a Burmah £1	108/1 1/2	108/9	3 4 5
£19 1/4	£15 3/4	7 1/4 a	17 1/4 b Royal Dutch 20 fl.	£18 3/4	£19	2 9 5
185/–	153/1 1/2	†5 a	†153 1/2 b Shell £1	178/9*	181/10 1/2	3 11 10
77/6	59/4 1/2	...	... Ultramar 10/–	75/4 1/2	76/–	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, May 1, 1957	Price, May 8, 1957	Yield, May 8, 1957
		% %				£ s. d.
			STEEL & ENGINEERING			
50/6	41/9	10 c	12 1/2 c Leyland Motors £1	50/6	50/–	5 0 0
39/6	30/3	4 a	10 b English Electric £1	60/6	59/–‖	4 15 1
59/–	49/3	9 1/2 b	4 1/2 a General Electric £1	58/3	58/9	4 15 5
			TEXTILES			
24/1 1/2	19/7 1/2	4 a	6 b Bradford Dyers £1	20/4 1/2	19/10 1/2	10 1 1
23/3	13/4 1/2	1 1/2 a	3 b British Celanese £1	22/–	23/3	...
28/–	23/–	6 1/2 b	2 1/2 a Coats, J. & P. £1	28/–	27/–	6 9 1
36/7 1/2	31/9	6 b	4 a Courtaulds £1	34/7 1/2	36/4 1/2	5 10 0
32/9	5 a	12 1/2 b	Lancashire Cotton £1	37/6	38/–	9 4 1
38/–	30/10 1/2	10 b	2 1/2 a Patons & Baldwins £1	36/1 1/2	38/–	6 11 0
			SHOPS & STORES			
18/6	13/9	6 a	10 b Boots Pure Drug 5/–	17/3	18/6	4 6 5
43/3	34/4 1/2	20 b	7 1/2 a Debenhams 10/–	43/–	43/3	6 7 3
51/4 1/2	33/3	47 1/2 b	15 a Gt. Universal 'A' 5/–	49/6	51/4 1/2	6 1 9
48/–	30/3	16 1/2 b	10 a Marks & Spen. 'A' 5/–	47/–	47/10 1/2	2 14 1
28/6	21/1 1/2	12 1/2 a	20 b United Drapery 5/–	27/10 1/2	28/4 1/2	5 14 9
46/4 1/2	38/3	13 1/2 a	26 3/4 b Woolworth 5/–	44/7 1/2	46/1 1/2	4 6 10
			MOTORS & AIRCRAFT			
21/6	18/1 1/2	3 1/2 a	6 3/4 b Bristol Aeroplane 10/–	20/9	21/–	4 15 3
27/9	23/6	3 a	8 b Cunard £1	26/3*	26/–*	7 13 10
38/–	33/–	3 a	5 b P & O Defd. £1	35/–	36/–	4 8 11
			MISCELLANEOUS			
50/–	38/3	3 a	6 b Assoc. Port. Cem. £1	49/3	48/6	3 14 3
22/10 1/2	18/6	10 b	20 a Beecham Group 5/–	22/3	22/10 1/2	6 11 3
47/9	41/–	4 1/2 a	8 b Bowater Paper £1	46/3*	46/9*	5 7 0
72/–	63/9	4 a	8 b Br. Aluminium £1	70/–	71/–	3 7 8
61/9	50/4 1/2	†20 c	†5 3/4 a Br. Amer. Tob. 10/–	58/9	61/6	5 13 3
22/9	17/4 1/2	15 b	7 1/2 a B.E.T. 'A' Defd. 5/–	21/6	22/6	5 0 0
38/3	31/6	4 a	6 b Br. Oxygen £1	37/6	37/9	5 6 0
$69 1/8	$57 3/8	3 a	4 b Canadian Pacific $25	$66 3/8	$69 3/8	4 14 0
19/9	15/6	10 b	2 1/2 a Dunlop Rubber 10/–	18/10 1/2	19/6	6 8 3
46/6	38/10 1/2	4 a	6 b Imp. Chemical £1	44/3*	45/10 1/2	*4 7 3
50/6	41/8	8 1/2 a	12 1/2 b Imp. Tobacco £1	41/3	41/4 1/2	10 3 0
$222	$191	$3·75 c	$3·75 c Int'l. Nickel n.p.v.	$218 1/2	$213 1/2	3 2 7
36/6	30/9	5 b	2 3/4 a J. Lucas (Inds.) £1	35/9	36/3	4 2 10
24/6	16/6	6 3/4 a	15 3/4 b Monsanto Chem. 5/–	22/7 1/2	24/3	3 14 3
18/3	16/10 1/2	10 c	2 1/2 a Ranks 10/–	17/–	18/3	5 9 0
55/6	49/6	6 a	10 b A. E. Reed £1	54/6	53/3	6 0 3
15/9 1/2	13/7 1/2	20 c	22 1/2 c Sears Hldgs. 'A' 5/–	15/3 1/2 *	15/6*	7 5 2
70/3	60/4 1/2	4 1/2 a	12 b Tate & Lyle £1	67/10 1/2	70/–	4 14 4
69/–	57/6	6 1/2 a	7 1/2 b Tube Investments £1	66/9	68/–	4 8 3
138/6	106/4 1/2	22 1/2 b	5 a Turner & Newall £1	134/–*	138/6*	3 19 5
101/3	72/–	6 a	11 1/2 b Unilever Ltd. £1	97/6	99/1 1/2	3 10 8
44/–	37/4 1/2	†4 1/2 a	†10 b United Molasses 10/–	42/–	42/9	5 15 1
			MINES, ETC.			
133/–	117/6	20 a	50 b Anglo-American 10/–	123/9	117/6	5 19 2
29/–	24/6	†2 1/2 a	†7 1/2 b Cons. Tea & Lands £1	26/6	27/6	12 13 0
106/3	92/6	80 a	120 b De Beers Def. Reg. 5/–	95/–	97/6	10 5 2
26/3	19/9	...	... Doornfontein 10/–	20/–	19/9	...
12/10 1/2	10/–	30 c	30 c London Tin 4/–	12/10 1/2	12/4 1/2	9 13 11
13 1/16	11 1/4	112 1/2 b	25 a Nchanga Cons. £1	12 9/16	12 1/4	11 0 0
55/7 1/2	45/9	40 b	50 a President Brand 5/–	48/9	45/9	9 16 8
24/9	20/6	12 1/2 a	25 b Rho. Selection Tst. 5/–	22/9	22/1 1/2	8 6 8
59/6	46/–	12 1/2 a	30 b United Sua Betong £1	58/–	58/3	14 11 10
77/6	58/1 1/2	40 b	40 a Western Holdings 5/–	62/6	58/9	6 16 5

New York Closing Prices

	May 1	May 8		May 1	May 8		May 1	May 8
	$	$		$	$		$	$
Can. Pacific	34 1/2	35 3/8	Am. Viscose	35 3/8	37	Int'l. Nickel	112 1/2	109 1/4
N.Y. Central	30 1/2	32	Beth. Steel	46 1/2	45 1/2	National Dist.	27 3/8	26 1/2
Pennsylvania	20 3/8	21 1/8	Chrysler	77 1/2	75 1/2	Sears Roebuck	26 1/2	27 1/8
Amer. Tel.	177 1/2	177 1/2	Crown Zeller	49 1/2	51 1/2	Shell Oil	82 1/4	82 1/2
Standard Gas.	12 1/2	12 3/8	DuPont de Nm.	194	195	Std. Oil of N.J.	60 3/4	60 3/4
Western Union	18 3/8	18 1/2	Ford Motors	58 1/2	57	U.S. Steel	64 3/8	63 1/2
Alumin'm Ltd.	140 1/2	138 1/2	Gen. Elect.	63 1/2	63 1/2	West'house E.	58 3/8 *	59 1/2
Am. Smelting	52 3/8	52 1/2	Gen. Motors	42 1/2	43 1/2	Woolworth	44	43 1/2

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10 years. § Less tax at 8s. 6d. in £. ‖ Ex Rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) On 13%. (h) On 8 1/2%. (i) On 16%. (j) On 18%. (l) To latest date. (m) On 15%. (n) After Rhodesian tax.

STATISTICS

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

World Trade.....April 20th

British		Overseas	
Prices and Wages	May 4th	Western Europe: Production and Trade	April 27th
Production and Consumption	This week	British Commonwealth	This week
Manpower	April 13th	Western Europe: Prices and Money Supply	April 13th
External Trade	April 27th	United States	May 4th
Financial Statistics	This week		
Industrial Profits	April 20th		

UK Production and Consumption

M=Monthly averages or calendar months. W=Weekly averages. Stocks at end of period.

		Unit	Monthly averages 1954	1955	1956	1956 Jan.	Feb.	Mar.	Dec.	1957 Jan.	Feb.	Mar.
INDUSTRIAL PRODUCTION												
Index:												
All industries		1948=100	130	137	137	139	142	141	133	138	143	142–143*
" "	*seasonally adjusted*	"	...	...	...	*138*	*136*	*136*	*136*	*137*	*137*	*135–136*
Mining and quarrying		"	110	108	109	113	115	114	110	114	121	...
Building and contracting		"	115	116	123	...	116*	...	127*	...	...	...
Gas, electricity and water		"	145	153	160	183	198	171	178	188	184	...
Manufacturing, total		"	133	142	140	143	146	145	135	140	146	...
" "	*seasonally adjusted*	"	...	...	...	*143*	*141*	*141*	*139*	*139*	*141*	...
Engineering, shipbuilding, electrical goods		"	140	155	151	154	157	154	152	...	...	...
Vehicles		"	155	172	160	174	177	184	144	...	...	...
Chemical trades		"	168	179	185	188	190	183	185	...	...	...
Textiles and clothing		"	116	116	117	120	126	126	104	118	...	...
Food, drink and tobacco		"	116	117	121	109	112	117	126	113	...	...
BASIC MATERIALS												
Production of:												
Coal (1) (2)		W '000 tons	4,298	4,250	4,270	4,411	4,459	4,486	4,385	4,452	4,734	4,667
Pig iron		W "	229	240	253	261	263	262	262	257	268	277
Steel, ingots and castings		W "	356	381	397	405	418	426	396	416	432	431
Sulphuric acid		M "	170·2	174·6	187·2	191·1	185·8	211·9	201·6	205·5	...	...
Newsprint		W "	11·77	11·91	12·36	12·08	13·36	13·83	13·67	13·67	...	...
Electricity (1)		M mn. kwh	6,075	6,679	7,263	8,588	8,809	7,806	8,456	9,030	7,889	...
MANUFACTURING												
Textile production:												
Cotton yarn, single		W mn. lb.	19·17	16·91	16·33	17·19	17·48	16·62	16·00	17·54	18·25	...
Worsted yarn		M "	18·80	18·48	19·38	20·49	19·54	20·20	17·62	22·00	19·96	...
Rayon and synthetic fibres, total		M "	37·30	39·32	40·21	43·39	42·66	45·36	36·89	43·25	40·43	...
" " " "	staple fibre	M "	19·00	19·94	21·31	21·72	21·53	23·57	19·82	22·80	21·65	...
Cotton cloth, woven		W mn. yds.	38·3	34·3	31·0	32·8	32·4	31·8	30·0	32·1	34·1	...
Wool fabrics, woven		M mn. sq. yds	34·5	34·2	33·1	36·5	33·9	34·7	29·5	37·9	34·1	...
Engineering production:												
Passenger cars and chassis		W '000s	14·51	17·26	13·61	17·92	17·15	15·01	10·24	10·40	11·91	13·94
Commercial vehicles and chassis		W "	5·07	6·53	5·71	7·42	7·48	6·96	4·42	4·65	5·25	5·38
Metal-working machine tools		M '000 tons	11·39	12·52	12·70	11·93	13·04	12·43	13·23*	...	...	...
Internal combustion engines		M '000 BHP	356	408	411	391	390	464	353	...	...	...
BUILDING ACTIVITY												
Permanent houses completed: (3)												
Total		M '000s	28·97	26·42	25·03	21·27	17·40	28·93	27·77	22·75	23·46	30·30
By private builders		M "	7·55	9·46	10·35	8·57	7·20	10·75	10·73	9·97	9·36	*10·04*
By local housing authorities		M "	19·58	15·98	13·86	11·79	9·71	17·35	16·14	12·10	13·47	18·07
Other		M "	1·83	0·98	0·82	0·91	0·49	0·84	0·91	0·68	0·63	2·20[11]
WHOLESALE SALES (1)												
Textile houses:		Av. value										
Total home sales		1950=100	95	98	101	59	90	120	98	...	...	...
Women's and children's wear		"	96	98	102	57	91	125	95	...	...	...
Men's and boys' wear		"	90	94	99	56	76	114	98	...	...	...
Piece-goods		"	63	62	63	54	81	83	53	...	...	...
RETAIL SALES (1)												
All kinds of business:		Weekly av. value										
All retailers		1950=100	...	140	148	132	129	141	192	143	138	144
Independent retailers		"	...	136	140	130	126	134	175	139	132	136
Multiple retailers		"	...	148	156	135	132	147	213	150	145	152
Co-operative societies		"	...	142	154	140	143	153	183	154	156	162
General department stores		"	...	117	121	113	84	110	181	128	97	112
By kind of shop:												
Food		"	...	148	156	147	150	155	178	157	157	158
Clothing and footwear		"	...	121	127	108	89	116	184	119	97	111
Household goods		"	...	150	153	139	134	140	203	160	153	154
STOCKS												
Basic materials:												
Coal, distributed (1)		'000 tons	15,682	18,340	17,893	16,744	14,408	13,535	17,893	16,088	15,700	16,158
Steel (8)		"	973	1,365	1,563	1,386	1,401	1,436	1,573	1,510	...	...
Copper (4)		"	61·5	76·2	59·6	79·4	71·6	73·7	59·6	59·2	...	...
Sulphur (5)		"	67·2	85·2	102·3	73·5	73·5	85·3	102·3	78·8	...	...
Newsprint (10)		"	97·5	105·0	133·6	111·3	119·4	114·9	133·6	124·0[10]	...	...
Textiles:		Av. value										
Wholesale houses, total (1)		1950=100	95	90	95	102	115	113	95	...	...	...
Large retailers, clothing and footwear (1)		"	107	110	118	105	136	147	118	110	140	157

(1) Great Britain. (2) Provisional estimate. (3) Excluding all screening losses normally amounting to around 5,000 tons a week. (4) Excluding government stocks. (5) Average for first quarter. (6) Average for fourth quarter. (7) Rayon and nylon production only. (8) Including filter cake from May, 1956. (9) Revised series; stocks at producers' works of ingots, semi-finished steel and alloy, in terms of ingot equivalent. (10) From January, 1957, excluding newsprint for periodicals and certain other purposes for which stocks at end December, 1956, totalled 19,600 tons. (11) *Change in classification* has resulted in transfer of about 1,000 houses from local authorities.

British Commonwealth

PRODUCTION OF FUEL AND POWER (1)

Monthly averages or calendar months	Coal				Crude petroleum		Electricity				
	Australia	Canada	India	S. Africa	Canada	Pakistan	Australia	Canada	India	N. Zealand	S. Africa
	'000 tons						million kwh				
1948	1,232	1,255	2,511	1,969	139	5·3	728	3,714	381	204	77
1955	1,607	931	3,185	2,646	1,429	22·6	1,340	6,358	707	336	1,36
1956	1,604	931	3,288	2,781	1,897	...	...	6,807	803	347	1,41
1956, September	1,680	862	3,189	2,606	2,003	23·2	1,499	6,887	813	372	1,49
„ October	1,909	1,085	3,164	2,871	2,090	...	1,526	7,533	824	371	1,53
„ November	1,844	1,101	3,325	2,821	2,062	...	1,390	7,199	811	348	1,47
„ December	1,275	1,012	3,674	2,646	2,208	...	...	7,404	882	344	1,44
1957, January	...	...	3,628	...	...	...	...	7,457	...	330	1,47

PRIMARY PRODUCTION (2)

Monthly averages or calendar months	Copper		Rubber		Tin	Steel				Gold		
	Canada	N. Rhodesia	Ceylon	Malaya	Malaya	Australia	Canada	India	S. Africa	Australia	Canada	S. Afric
	'000 tons									'000 fine ounces		
1948	16·3	17·4	7·9	58·2	4·14	106	238	104	49	73·8	294	965
1955	21·6	28·9	7·8	53·3	5·89	183	337	142	130	87·4	378	1,216
1956	23·9	32·4	7·9	52·3	6·11	214	395	145	132	...	366	1,321
1956, November	26·3	34·3	9·7	49·7	6·16	234	397	140	136	96·4	368	1,345
„ December	24·3	34·8	11·4	58·9	5·96	234	402	152	140	...	365	1,315
1957, January	21·2	32·6	8·8	63·4	6·68	247	...	...	149	...	...	1,380
„ February	23·4	31·2	4·6	49·1	4·38	...	...	...	...	...	...	1,318
„ March	...	...	5·7	47·0	...	...	...	...	...	...	...	1,405

EXTERNAL TRADE (3)

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa [4]	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Export
	mn. £A		mn. $C		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1948	28·2	33·8	220	259	537	382	10·71	12·27	85·9	136·1	29·5	11·4
1955	70·1	63·4	393	363	567	503	23·93	21·55	90·5	125·4	40·2	30·1
1956	68·2	64·5	476	405	...	...	...	22·91	...	...	...	...
1956, October	57·1	96·3	543	457	709	532	...	13·3	217·3	101·9	40·9	54·1
„ November	59·7	95·3	525	426	700	559	...	20·1	159·5	139·8	...	...
„ December	52·0	76·6	403	411	694	563	...	23·9	...	...	...	...
1957, January	62·7	89·0	460	404	...	...	...	...	184·8	255·9	...	...
„ February	...	...	434	347	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES (4)

	Gold and Foreign Exchange Holdings					Cost of Living						
	Australia [5]	Canada	India [5]	New Zealand [5]	S. Africa	Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesi
	End of period: mn. US dollars					1953 = 100						
1948	1,265	1,011	3,355 [7]	237	652	56	84	...	75	89 [8]	77	75
1955	835	1,910	1,791	179	368	104	101	90	107	94	105	101
1956	...	1,939	...	193	372	110	102	99	111	97	107	105
1956, November	...	1,972	1,374	201	354	112 [10]	104	103	112 [10]	99	108	106
„ December	...	1,939	...	193	372		104	103		98	108	106
1957, January	...	1,940	...	187	379	...	104	...	...	103	...	106
„ February	...	1,929	...	201	380	...	...	...	...	...	...	106
„ March	...	1,933	...	...	379	...	...	...	...	...	...	...

(1) Electricity production for New Zealand represents deliveries only. (2) Copper and tin refer to metal production. (3) General trade (including re-exports) except for Canada, which is special trade only. Imports are *cif* except for *Australia, Canada and S. Africa* which are *fob*; exports are *fob*. Trade for India includes that going by land; annual figures for India are for 12 months beginning April 1st of year stated and for Australia 12 months ended June 30th. (4) Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for S. Africa and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. (5) Including foreign investments. (6) Including semi-processed gold. Beginning January, 1955, *including South-West Africa*. (7) In July, 1948, part of holdings was transferred to the State Bank of Pakistan. (8) April, 1948—March, 1949. (9) Including some long-term securities. (10) Average for fourth quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended May 4, 1957, there was an "above-line" surplus (after allowing for Sinking Funds) of £61,526,000 compared with a deficit of £16,568,000 in the previous week and a surplus of £29,480,000 in the corresponding period of last year. There was a net expenditure "below-line" last week of £15,968,000, leaving a total deficit from April 1st, of £14,562,000 (£27,499,000 in 1956–57).

£'000	Estimate, 1957-58	April 1, 1956 to May 5, 1956	April 1, 1957 to May 4, 1957	Week ended May 5, 1956	Week ended May 4, 1957
Ord. Revenue					
Income Tax	2176,250	112,347	136,626	18,036	30,486
Surtax	149,000	12,700	12,500	1,900	2,000
Death Duties	170,000	18,300	13,000	4,700	3,000
Stamps	60,000	5,600	5,500	1,500	1,500
Profits Tax, EPT & EPL	255,000	15,200	13,500	4,000	2,000
Other Inland Rev. Duties	500	60	...	60	...
Total Inland Rev.	2810,750	164,207	181,126	30,196	38,986
Customs	1204,250	116,435	108,894	26,530	25,644
Excise	912,850	72,355	71,315	42,165	32,321
Total Customs and Excise	2117,100	188,790	180,209	68,695	57,965
Motor Duties	93,000	8,587	9,399	2,371	2,572
PO (Net Receipts)	20,000	...	...	...	...
Broadcast Licences	31,000	1,700	1,800	...	...
Sundry Loans	32,000	2,107	107	1,979	...
Miscellaneous	185,000	7,653	45,031	138	37,973
Total	5288,850	373,044	417,672	103379	137496
Ord. Expenditure					
Debt Interest	640,000	86,029	84,782	22,122	22,818
Payments to N. Ireland Exchequer	69,000	6,332	4,923	2,008	...
Other Cons. Fund	10,000	693	667	...	32
Supply Services	4069,877	304,001	333,517	48,500	52,470
Total	4788,877	397,054	423,889	72,629	75,320
Sinking Funds	38,000	2,820	1,998	1,270	650
"Above-line" Surplus or Deficit	–	–	+	+	+
	26,830	8,215	29,480	61,526	
"Below-line" Net Expenditure	669	6,347	2,259	15,968	
Total Surplus or Deficit	–	–	+	+	
	27,499	14,562	27,241	45,558	
Net Receipts from:					
Tax Reserve Certificates	29,719	26,140	14,856	11,699	
Savings Certificates	–4,600	6,800	–1400	1,400	
Defence Bonds	–27,217	–4,291	–8860	–3404	
Premium Savings Bonds	...	3,100	...	700	

FLOATING DEBT

(£ million)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1956					
May 5	3,240·0	1,431·1	251·9	...	4,923·0
1957					
Feb. 2	3,120·0	1,507·0	204·9	...	4,831·9
„ 9	3,050·0	1,486·7	197·4	...	4,734·1
„ 16	2,980·0	1,247·9	246·3	...	4,474·2
„ 23	2,900·0	1,298·1	193·8	...	4,391·8
Mar. 2	2,890·0	1,304·7	209·7	...	4,404·5
„ 9	2,890·0	1,261·5	229·6	0·8	4,381·9
„ 16	2,900·0	1,249·9	247·3	...	4,397·2
„ 23	2,910·0	1,284·4	272·1	1·5	4,468·1
	4,195·3				
„ 31			276·9	...	4,472·2
April 6	2,860·0	1,306·4	289·3	...	4,455·7
„ 13	2,840·0	1,362·5	295·6	...	4,498·1
„ 20	2,830·0	1,390·5	273·5	...	4,494·1
„ 27	2,830·0	1,377·7	313·6	...	4,521·2
May 4	2,840·0	1,417·3	259·7	...	4,517·0

THE MONEY MARKET

In the discount market a reduction of ¼ per cent in Bank rate has now been discounted virtually in full. At the Treasury bill tender on Friday of last week the market made a determined attempt to get ahead of outside competitors. It raised its bid for the 91-day bills by fully 1s. per cent, to £99 1s. 4d. per cent (equivalent to just under 3¾ per cent); its tactics succeeded, for despite an increase in total applications of £7 million for the unchanged offer of £200 million, the market's allotment rate rose from 22 to about 50 per cent.

This included 92-day maturities offered to circumvent August Bank holiday; for these the market bid at £99 1s. 2d. per cent and received a full allotment. The average rate of discount on allotments to all applicants fell by 3s. 6½d. per cent, to £3 14s. 9d. per cent. This brought the discount rate ½ per cent below its level on the morrow of the February reduction in Bank rate and over 1¼ per cent below Bank rate itself.

Credit remained in abundant supply just before the week-end, but in the first half of this week conditions have tightened. The market was "in" the Bank on both Monday and Tuesday, though only a few houses were involved and the amounts borrowed were small. On Wednesday the issue of the further tranche of £100 million of Conversion stock resulted in a big turnover, and the Bank gave very large special help.

LONDON MONEY RATES

	%		%
Bank rate (from 5½%, 7/2/57)	5	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	3⅜–4
Bank	3	3 months	3⅜–4
Discount houses	3*	4 months	3⅜–4
		6 months	4 1/16–4¼
Money Day-to-day	3½–3¾	*Fine* trade bills:	
Short periods	3⅝	3 months	5⅜–6
Treas. bills 2 months	3⅝	4 months	5⅝–6
3 months	3⅝	6 months	5¾–6¼

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	May 9, 1956	May 1, 1957	May 8, 1957
Issue Department:*			
Notes in circulation	1,855·7	1,952·2	1,948·6
Notes in banking dept.	19·7	23·2	26·8
Govt. debt and securities*	1,871·3	1,971·2	1,971·3
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	16·5	11·8	9·2
Bankers	228·3	219·5	210·8
Others	74·6	74·0	77·3
Total	319·4	305·3	297·3
Securities:			
Government	278·6	243·4	202·0
Discounts and advances	24·8	35·3	65·0
Other	15·5	18·9	18·9
Total	318·9	297·6	285·9
Banking department reserve	21·6	25·6	29·2
"Proportion"	% 6·7	% 8·3	% 9·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £1,975 million from 1,925 million on April 10, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million)			Three Months' Bills	
	Offered	Applied for	Allotted	Average Rate of Allotment	Allotted at Max. Rate*
				s. d.	%
1956 May 4	250·0	397·9	240·0	99 0·35	45
1957					
Feb. 1	190·0	384·1	190·0	90 10·07	21
„ 8	190·0	371·5	190·0	84 8·29	38
„ 15	190·0	348·9	170·0	85 6·04	10
„ 22	200·0	407·3	200·0	82 11·49	30
Mar. 1	220·0	408·2	220·0	80 0·78	50
„ 8	250·0	442·7	230·0	80 5·20	12
„ 15	250·0	375·2	230·0	82 3·70	34
„ 22	250·0	395·2	250·0	82 6·73	44
„ 29	250·0	391·6	250·0	81 11·79	50
April 5	250·0	410·6	240·0	82 11·49	32
„ 12	230·0	415·7	230·0	80 9·36	54
„ 18	240·0	411·5	240·0	78 9·15	55
„ 26	200·0	359·3	200·0	74 9·00	47
May 3	200·0	366·3	200·0	78 3·43	22

* On May 3rd tenders for 91 day bills at £99 1s. 4d. secured 47 per cent, higher tenders being allotted in full. The offering this week was for £200 million at 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	May 8	May 2	May 3	May 4	May 6	May 7	May 8
United States $	2·78–2·82	2·79⅛–2·79¼	2·79⅛–2·79¼	2·79 1/16–2·79⅛	2·79⅛–2·79 1/16	2·79¼–2·79⅜	2·79 3/16–2·79 5/16
Canadian $	...	2·67⅜–2·67½	2·67 3/16–2·67⅜	2·67¼–2·67⅜	2·67¼–2·67⅜	2·67 3/16–2·67¼	2·67–2·67⅛
French Fr.	972·65–987·35	987–987½	987–987½	987–987½	987–987½	987–987½	987–987½
Swiss Fr.	12·15 3/16–12·33 5/16	12·27½–12·27¾	12·27½–12·27¾	12·27⅝–12·27⅝	12·27⅝–12·27⅝	12·27⅝–12·27⅝	12·26¾–12·27
Belgian Fr.	138·95–141·05	140·97½–1410·21	140·97½–141·02½	140·92½–141·02½	140·97½–140·90	140·85–140·90	140·75–140·80
Dutch Gld.	10·56–10·72	10·66⅞–10·66⅞	10·66⅞–10·67⅛	10·66⅞–10·67	10·66⅞–10·67	10·67–10·67⅛	10·66⅞–10·67
W. Ger. D-Mk.	11·67 3/16–11·84 5/16	11·76–11·76⅛	11·76–11·76⅛	11·76–11·76⅛	11·75⅝–11·76⅛	11·75⅝–11·76⅛	11·75⅛–11·75⅝
Portuguese Esc.	79·90–81·10	80·05–80·15	80·05–80·15	80·05–80·15	80·05–80·15	80·05–80·15	80·05–80·15
Italian Lire	1736⅜–1762½	1760½–1760⅞	1761–1761½	1761½–1761⅝	1761½–1762	1761½–1762	1761½–1761⅝
Swedish Kr.	14·37½–14·59⅜	14·49⅜–14·50⅛	14·49⅜–14·50⅛	14·49⅛–14·50	14·49–14·49½	14·48⅞–14·49½	14·48½–14·48⅝
Danish Kr.	19·19½–19·48½	19·45⅜–19·45⅝	19·45⅜–19·45⅝	19·45⅜–19·45⅝	19·45½–19·46	19·45½–19·46	19·45½–19·46
Norwegian Kr.	19·85–20·15	19·99½–20·00⅛	19·99½–20·00⅛	19·99½–20·00⅛	19·99½–20·00⅛	19·99½–20·00⅛	19·99½–20·00⅛
One Month Forward Rates							
United States $		⅝–⅛c. pm	⅝–⅛c. pm	⅝–⅛c. pm	⅝–⅛c. pm	⅝–⅛c. pm	⅝–⅛c. pm
Canadian $		⅛c.pm–⅛c.dis	⅛c.pm–⅛c.dis	⅛c.pm–⅛c.dis	⅛c.pm–⅛c.dis	⅛c.pm–par	⅛c. pm–par
French Fr.		3–6 dis	4–6 dis	4–6 dis	4–6 dis	4–6 dis	4–6 dis
Swiss Fr.		3¼–2¼c. pm	3¼–2¼c. pm	3¼–2¼c. pm	3¼–2¼c. pm	2¾–2c. pm	2–1½c. pm
Belgian Fr.		⅝–½ pm	⅝–½ pm	⅝–½ pm	⅝–½ pm	⅝–½ pm	⅝–⅜ pm
Dutch Gld.		1⅝–1¼c. pm	1⅝–1¼c. pm	1⅝–1¼c. pm	1⅝–1¼c. pm	1⅝–1¼c. pm	1¼–1⅛c. pm
W. Ger. D-Mk.		2¼–2pf. pm	2¼–2pf. pm	2¼–1¾pf. pm	2¼–1¾pf. pm	2¼–1¾pf. pm	1¾–1¼pf. pm
Italian Lire		3–1 pm	3–1 pm	3–1 pm	3–1 pm	3–1 pm	3–1 pm
Swedish Kr.		3–26 pm	3–26 pm	3–26 pm	3–26 pm	3–1⅝ pm	2½–1⅝ pm
Danish Kr.		3–16 pm	3–16 pm	3–16 pm	3–16 pm	3–1o pm	3–1o pm
Norwegian Kr.		26 pm–par	26 pm–par	26 pm–par	26 pm–par	26 pm–par	26 pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/1	250/0½	...	250/1½	250/1½	250/2½

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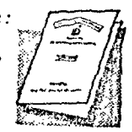
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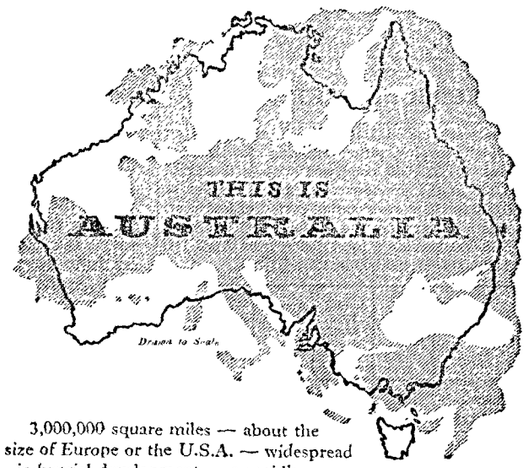
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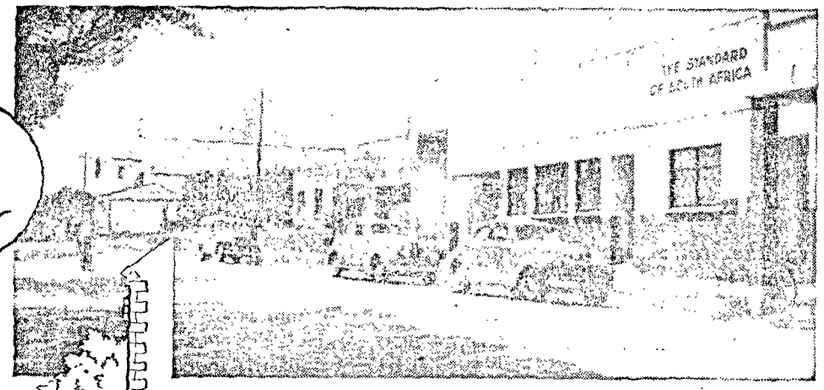
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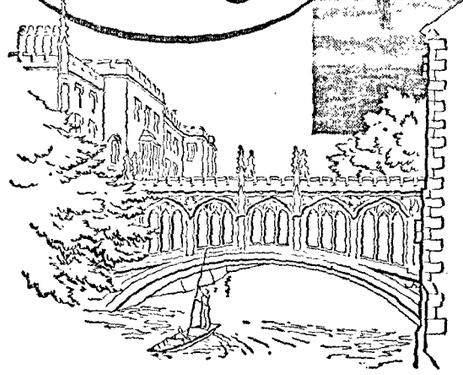
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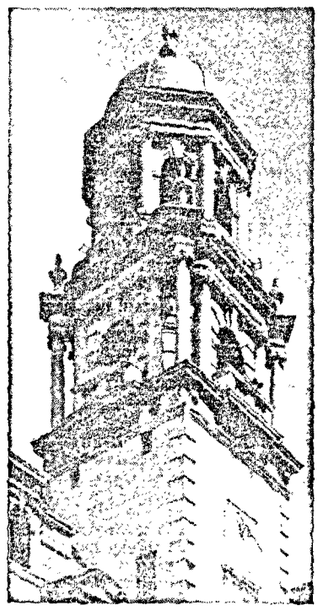


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KEYSTONE FUND OF CANADA, LTD.

Investment portfolio at 31st March, 1957, comprised Bonds and Preferred Stock $335,089 and 44 soundly established Common Stocks $11,504,751, in the following Industrial Groups :

	%
Oil and Gas	21.6
Metal and Mining	18.1
Utilities	15.6
Banks, Insurance and Finance	9.3
Lumber, Pulp and Paper	7.9
Pipe Lines	7.6
Iron and Steel	6.6
Chemical	2.0
Automotive Equipment	1.7
Building	1.5
Aircraft Manufacturing	1.3
Electrical Equipment	1.1

EXTRACTS FROM THE REPORT TO SHAREHOLDERS FOR THE FISCAL YEAR ENDED MARCH 31, 1957:

* The Fund's large investments in Canada's valuable natural resources, 79% of total assets, including utilities, provide many excellent opportunities to share in the growth of Canada.

* Over-all Canadian corporate earnings in 1956 were 13.7% above the earlier 1955 record, and present trends indicate a probable new high in 1957.

* The Toronto Stock Exchange Industrial Average showed a decline of 5.3% for the twelve months ended March 31, 1957, and the Montreal Stock Exchange Industrial Average, a decline of 13.5%. In the United States the Dow-Jones Industrial Average (30 high-grade New York Stock Exchange Issues) showed a decline of 7.2%. Whereas the net asset value of the Fund, during the same period, increased by 6.2%.

* A further proof of the value of careful selection and supervision of the Fund's portfolio is that 28% of the total assets were invested in the ten portfolio stocks which registered the best gains during the twelve months ended March 31, 1957.

NET ASSETS AT MARCH 31, 1957 — $12,202,695

Keystone Fund Units are obtainable in U.K. through Stock Brokers and Bankers.

Quotations in Sterling are reported daily.

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The Company undertakes the duties of Executor and Trustee

JEREMIAH AMBLER LIMITED

	1950	1951	1952	1953	1954	1955	1956
Profits before Taxation ...	£ 222,244	£ 246,292	£ 259,866	£ 263,110	£ 238,950	£ 186,431	£ 284,164
Taxation ...	116,504	155,119	147,700	139,180	108,288	94,141	150,634
Dividends (net) Ordinary and Preference ...	30,264	32,325	38,030	44,289	45,354	48,564	51,544
Dividends (gross) on Ordinary Stock...	14%*	16%†	18%‡	20%‡	20%§	20%§	21%
Balance Sheet Value of 5/- Stock Unit ...	12/5	13/7	13/10	14/4	14/7	14/3	15/8
Earnings per Unit of Ordinary Stock ...	3/7	3/8	3/4	3/3	2/10	2/-	3/3
Current Assets less liabilities ...	968,908	1,188,921	1,233,820	1,197,641	1,143,281	1,144,131	1,240,557
Balance of Undistributed Profits carried forward ...	325,273	365,127	396,983	462,789	521,867	544,392	595,807

* and 1 bonus share for every 3S. † and 10% scrip bonus. ‡ and 3% scrip bonus. § and 2½% scrip bonus.

The Chairman, Mr. E. Beddington Behrens, at the Annual General Meeting on May 8th, stated: These record profits, subject to taxation, amounted to £284,164 as compared with £31,099 for the year 1943—the year prior to that in which Lord Barnby and I joined the Board. As regards the proposed European Free Trade Area, we are quite satisfied that our costs of production with the new machinery at Peterlee can stand up to any European competition under fair trading conditions. At present we have to face highly subsidised competition from the Continent. Under the rules of the proposed Free Trade Area and Common Market, subsidies of this kind would be abolished.

We have sold practically our whole production to the end of this year, so that satisfactory results for the current year can be expected.

COMPANY MEETINGS

THE BRITISH PETROLEUM COMPANY LIMITED

GROUP'S SALES IN 1956 INCREASED BY 11 PER CENT TO NEW RECORD

RETARDING EFFECTS OF SUEZ CRISIS

CONTINUING HIGH LEVEL OF CAPITAL EXPENDITURE

MR N. A. GASS REVIEWS WIDESPREAD DEVELOPMENT

The forty-eighth annual general meeting of The British Petroleum Company Limited will be held on May 30th at Britannic House, Finsbury Circus, London, EC2.

The following is the statement by the Chairman, Mr N. A. Gass, CBE, MC, which has been circulated to Stockholders with the Report and Accounts for the year ended December 31, 1956: In January last, less than a year after his appointment as Chairman, the Board had most regretfully to accept the resignation on medical grounds of Mr B. R. Jackson, whose death was announced two months later. Stockholders will share, I am sure, our deep sympathy with his widow and our sorrow at the premature loss of a distinguished colleague, who in 36 years of devoted service made a great contribution to your Company's progress and earned widespread respect and affection not only within our own organisation but far beyond it, especially in the United States oil industry.

The Board have appointed me to succeed Mr Jackson as Chairman.

On the recent retirement of Sir Gordon Munro, who had been a valued colleague as an ex-officio Director since 1954, HM Treasury appointed to succeed him Lieutenant-General The Lord Weeks, whom we welcome to the Board.

Mr E. H. O. Elkington has also retired after 35 years' service with the Company, during which he was General Manager in Iran and Iraq from 1929 to 1937 and a Managing Director since 1948. The outstanding ability and energy with which he has furthered the Company's interests deserve our warmest thanks. He has been succeeded on the Board by Mr R. Gillespie, previously responsible for the Company's shipping interests as Managing Director of the BP Tanker Company, who first joined the BP group in 1922.

Mr R. B. Dummett has been appointed to the Board to fill the vacancy caused by the resignation of Mr B. R. Jackson, and will shortly take up his duties as a Managing Director on his return from Australia where for the past four years he has been Managing Director of our marketing organisation: Mr Dummett's service with the Company dates from 1936.

EFFECTS OF SUEZ CRISIS

The expansion in the BP group's business in 1956, as described in this statement, would have been at a higher rate but for the retarding effects in the last two months of the year of the closure of the Suez Canal, and the damage in Syria to the Iraq Petroleum Company's pipeline system to the Eastern Mediterranean.

The manner in which the resultant problem of maintaining the essential flow of oil supplies to Europe was dealt with has been explained in a full statement issued for public information, making unnecessary any enlargement on it here. We have played our full part in the collaboration between the petroleum industry and the Organisation for European Economic Co-operation through its Petroleum Industry Emergency Group. Great and much appreciated assistance was rendered by the Middle East Emergency Committee of American oil companies set up under the authority of the United States Government. Whilst the normal rate of imports into Europe could not be achieved, and there had to be some restriction of consumption despite the ameliorating effect of an unusually mild winter, the measures adopted were effective in dealing with the emergency.

The problem was essentially one of transportation, the available tanker tonnage being insufficient to maintain on the long voyage around the Cape the normal rate of supplies from the Middle East. In consequence, liftings from short-haul sources in the West increased and production in the Middle East, where so much of our interests lie, declined to a monthly average of just over 10 million tons for the four months November 1956/Februrary 1957 compared with nearly 15½ million tons monthly for the preceding four months.

The early months of 1957 have, in such circumstances, been a difficult period in which we have experienced a reduction in our trade, and the growth of consumption in the European area, where we have a large marketing interest, has, for the present, slowed down. But the basic facts of the world's growing forward energy requirements, and the increasing contribution to be made by oil, remain unchanged, and we can look forward to an expanding business granted the stable conditions requisite for the progressive development of Middle East oil-production on which the economic future of the producing countries in that area so largely depends.

ACCOUNTS AND FINANCE

The Accounts which are now presented include, as in previous years, the Balance Sheet of The British Petroleum Company Limited with a Consolidated Balance Sheet and Profit and Loss Account of the Company and its Subsidiary Companies.

In the Consolidated Profit and Loss Account the Trading Profit, after providing for depreciation and amounts written off, was £124,171,691 for 1956 compared with £111,683,900 for 1955. The increase of £12,487,791 is due, in the main, to higher sales tonnages.

Depreciation and Amounts written off totalled £25,202,874 compared with £22,143,401 for 1945, the increase being mainly in the amount written off Exploration Interests due to greater expenditure being incurred in 1956 in searching for new sources of oil.

The total taxation charge is £76,324,120 of which £64,036,101 is Overseas Taxation arising mainly in the countries of production: Iran, Iraq, Kuwait and Qatar.

After providing for the items mentioned above and for Debenture Interest the Consolidated Net Profit is £53,014,561 compared with £45,308,243 for 1955.

Your Directors, after placing £1 million to Debenture Stock Reserve, have allocated £32,500,000 to General Reserve and have recommended a final dividend on the Ordinary Stock of 2s. per £1 stock unit free of income tax making a total for the year of 3s. per £1 stock unit free of income tax. Your Directors consider, in view of the present difficult and continuing unsettled conditions and the need to conserve resources to finance capital expenditure, that no larger dividend should be paid at this time. The carry forward on Profit and Loss Account of the Company is increased by £2,359,624.

COMPANY AND CONSOLIDATED BALANCE SHEET

The Issued Capital has been increased by £338,068 as a result of the issue of Ordinary stock in exchange for Ordinary stock, totalling 1,014,205 units of 5s. each, in Trinidad Petroleum Development Company Limited. This exchange was effected on the basis of the market values and the premium at which this Company's stock stood at the time has been transferred to Share Premium Account. The Company acquired for cash a further 2 million Ordinary stock units in Trinidad Petroleum Development Company Limited at a price of 47s. 6d. per unit from the Liquidator of British Controlled Oilfields Limited, bringing our total holding in the Trinidad Company to 77 per cent of the Ordinary stock.

The Capital Reserve which last year stood at £34,766,594 has been increased during 1956 by £3,695,568 being the sums payable to the Company by the other Consortium Companies with whom we are associated in the operations in Iran.

The total capital expenditure of the Group

during 1956, represented in the Consolidated Balance Sheet partly under the heading of direct capital assets and partly under Investments and Exploration was approximately £86 million (as against £43 million in 1955) under the following main headings:

	1956	1955
	£	£
Refineries	22,000,000	8,000,000
Tankers	12,750,000	5,000,000
Marketing Interests	29,500,000	20,000,000
Exploration and Production	21,750,000	10,000,000
	86,000,000	43,000,000

In addition to the Capital Expenditure mentioned above our expanding business required an increasing amount of working capital.

The amounts retained in the business in 1956 as shown in these Consolidated Accounts may be summarised as follows:

	£
Increase in Capital Reserve	3,695,568
Depreciation & Amounts written off	25,202,874
Allocation to General Reserve	32,500,000
Increase in unappropriated balances	3,777,291
	£65,175,733

In addition the non-consolidated Companies retained £15,561,000 consisting of Depreciation £12,085,000 and profits £3,476,000.

In the Consolidated Balance Sheet the heading Investments in Subsidiary Companies Not Consolidated comprises our holdings in subsidiary companies engaged mainly in the distribution of petroleum products. These subsidiary companies are now included in the Group Income Statement referred to below and are listed in the Accounts.

Investments in Allied Companies include mainly our refining interests in Belgium and Italy, our advances to the refining company in Iran and holdings in the Lowland Tanker Company Limited, in British Hydrocarbon Chemicals Limited and in certain distribution companies which are not subsidiaries.

Expenditure on Oil Exploration Interests covers our investments in exploration and producing companies including those in Canada, Iraq and Qatar and our advances to the exploration and producing company in Iran. Our one-half interest in Kuwait is held by the subsidiary company, BP (Kuwait) Limited, which is consolidated in these accounts and whose assets are, therefore, included under the appropriate headings in the Consolidated Balance Sheet.

GROUP INCOME STATEMENT

It is the intention, as stated at the last Annual General Meeting, to publish yearly and half-yearly Group Income Statements: the first of these is issued with the Accounts and shows the summarised trading figures of The British Petroleum Company Limited and its Subsidiary Companies. The Net Income for the year 1956 is £56,194,000, of which £52,718,000 is dealt with in the Consolidated Profit and Loss Account and £3,476,000 relates to Subsidiary Companies which are not included in the Consolidated Accounts.

The initial half-yearly statement, for the first six months of 1957, will show comparative figures for the corresponding period of 1956 and it will be appreciated that the income in the current half-year will be affected by the adverse conditions.

GENERAL

To assist in providing for Capital Expenditure over the next three years, we have made finance arrangements for part of our tanker programme which will enable the Company to obtain £40 million over the years 1957 to 1959. This will be achieved by selling tankers, after delivery, to Tanker Charter Company Limited, which will obtain loans against ship mortgages on the tankers. The BP group will obtain the use of the tankers for the whole of their life paying a hire to Tanker Charter Company Limited sufficient to meet the interest on the loans and to repay the capital over 23 years. At the end of the hire period, BP will acquire at par the £1,000 capital of Tanker Charter Company, which is at present held jointly by Robert Fleming and Company Limited and Ship Mortgage Finance Company Limited.

It will be seen from the Notes on the Accounts that the estimated amount of contracts for Capital Expenditure at the end of last year was £120 million (of which £88 million relates to shipping, including, in part, the expenditure on tankers to be dealt with under the new tanker financing arrangements). It has to be anticipated that actual Capital Expenditure will continue at a high rate, and will necessitate the continued retention in the business of a very substantial proportion of the earnings.

PRODUCTION AND EXPLORATION

During 1956 we obtained from Kuwait, Iraq, Iran and Qatar, our main sources of supply, a total of about 49,500,000 tons of crude oil, or 4 million tons more than in 1955. But for the curtailment of Middle East production necessitated by the Suez crisis in the last two months of the year, this increase would have been substantially greater. Larger production in Iran, as shown in the table at the end of this section, was the principal contributor towards the increase in our crude oil supplies.

In Kuwait, production continued to be drawn from the Burgan group of fields, where development drilling was maintained. Further drilling operations in north Kuwait have proved, as forecast last year, considerable reserves of crude oil, although at a greater depth than at Burgan, and development of this area is proceeding.

In Iran, production of crude oil for members of the Consortium continued to increase, and exceeded the quantity guaranteed to the Government of Iran despite the difficulties arising from the closure of the Suez Canal. Our share of the crude oil amounted to 9,400,000 tons, an increase of nearly 4 million tons over our share in 1955. Development and exploration drilling is being actively carried on and there is a strong indication of further reserves being located in a continuation of the Agha Jari field.

In Iraq, the companies in which we have an interest continued the development of their established fields and exploration for further reserves. On November 2nd the destruction in Syria of the pumping stations on the pipelines from Iraq to the Mediterranean brought the flow of oil from the Iraq Petroleum Company's and Mosul Petroleum Company's fields to a standstill; production from the Basrah Petroleum Company's field, whose export outlet is via the Persian Gulf, was not affected.

In the United Kingdom, the increase of crude oil production to 66,000 tons from 53,500 in 1955 was mainly due to the new Egmanton field, which contributed 9,000 tons to the 1956 total. Our exploration for natural gas on behalf of the Gas Council has not yet found commercial production.

In Scotland, the decrease of 19,000 tons in shale oil production reflected the curtailment of operations which, to our great regret, has been necessitated by this industry's continued trading losses.

In Canada, the Triad Oil Company is expanding its operations, and has raised further finance and increased its technical staff. Our financial interest in this company will reach 50 per cent, in accordance with our agreement of two years ago, during 1958.

In Trinidad, Trinidad Northern Areas Limited continued to increase production both from the deviated wells drilled from shore, and from the off-shore Soldado field discovered last year in the Gulf of Paria. During the year we increased our interests in Trinidad, by the acquisition of stock in Trinidad Petroleum Development Limited described earlier in this statement.

In Egypt, the properties of our associate company, The Anglo-Egyptian Oilfields Limited, were sequestrated by order of the Egyptian authorities on November 2, 1956; all possible action is being taken to protect our interests.

In Papua, a well is being drilled below the accumulation of natural gas at Kuru, but has not yet established the presence of an underlying oilfield. Two other wells were started in Papua under very difficult jungle conditions; one has since proved unproductive and been abandoned, the other is drilling ahead. Geological and geophysical surveys continue.

In Australia, two further wells were drilled, neither of which was successful.

In the North Island of New Zealand, initial geological and geophysical surveys made good progress.

In East Africa, a deep well on Zanzibar Island was carried to 14,281 feet; but did not find either oil or gas. A deep test on the mainland is under consideration.

In Nigeria, where encouraging developments were reported last year, test drilling has located an oilfield at Oloibiri which may reasonably be expected to yield commercial production, and arrangements are in hand for testing its capacity.

In the Mediterranean area our preliminary examination of the island of Malta was concluded. In Sicily, preparations are being made for further test drilling. In Libya, geological and geophysical examination is in progress.

At the southern end of the Red Sea, we have completed a survey of the Kamaran Islands, near Aden, and are examining an area in British Somaliland, where we have been granted exploration rights.

Under arrangements concluded with our French marketing associate and other French interests, we are participating in drilling operations in France. These arrangements having been extended to include exploration in French West Africa; geophysical work is in progress in that area and in the adjoining British Colony of Gambia, where we have also obtained prospecting rights.

The extensive preparations necessary for our first off-shore well in the Persian Gulf Area of Abu Dhabi were continued, and drilling is expected to begin early next year.

CRUDE OIL PRODUCTION INTERESTS

The following table shows the BP group's percentage shareholding in companies producing crude oil in various parts of the world and the total production by each company in 1956 compared with 1955.

	BP Group Shareholding Per cent.	Total Crude 1956 Tons	Oil Production 1955 Tons
Kuwait:			
Kuwait Oil Company, Ltd.	50	54,117,000	53,894,000
Iran:			
Iraanse Aardolie Exploratie en Productie Maatschappij N.V. (through Iranian Oil Participants, Ltd.)	40	25,934,000	15,772,000
Iraq:			
Iraq Petroleum Company, Ltd.	23¾	21,086,000	24,202,000
Basrah Petroleum Company, Ltd.	23¾	8,439,000	7,232,000
Mosul Petroleum Company, Ltd.	23¾	1,078,000	1,282,000
Qatar:			
Qatar Petroleum Company, Ltd.	23¾	5,784,000	5,362,000
Trinidad:			
Trinidad Petroleum Development Company, Ltd. (as from November, 1956)	77	600,000	500,000
Trinidad Northern Areas, Ltd.	33⅓	76,000	58,500
Egypt:			
The Anglo-Egyptian Oilfields, Ltd.	31	1,180,000 (10 months only)	1,472,000
United Kingdom:			
BP Exploration Company, Ltd.	100	66,000	54,000
Scottish Oils, Ltd. (shale oil)	100	77,600	96,600
Canada:			
Triad Oil Company, Ltd.	42	77,000	73,000

REFINING

In 1956 our total refinery throughput was 32,500,000 tons, 3 million tons more than in 1955. But for the dislocation of crude oil supplies caused by the Suez crisis our 1956 throughput would have been about 2 million tons larger.

In addition to the major expansion schemes at Kent and Kuwait refineries described last year, which are making excellent progress, construction has begun of a new distillation unit at Lavera refinery in the south of France to raise its throughput capacity from 2,200,000 to nearly 4 million tons per annum. All these extensions should be completed towards the end of 1957 or early in 1958.

To provide port and terminal facilities for the largest tankers now contemplated, we are developing a new scheme at Angle Bay in Milford Haven and improving the existing installation at Finnart on Loch Long, to service Llandarcy and Grangemouth refineries respectively. Other refinery terminals are also under consideration for improvement.

In the United Kingdom, crude oil processed at our Kent, Llandarcy and Grangemouth refineries increased by 400,000 tons to 8,900,000 tons. At both Kent and Llandarcy, lubricating oil production was substantially increased, totalling just over 200,000 tons, as compared with 166,000 tons in 1955. At Kent, construction work is well advanced on the new distillation unit to raise the refining capacity from 4,600,000 tons to over 7 million tons, and also on the units for the manufacture of aviation gasoline. Other plants under erection include a second catalytic reformer for the production of additional high grade motor spirit and a hydrofiner to produce higher quality gas oil. Work is also in hand on major extensions to jetties and tankage required to deal with the higher rate of crude oil input.

In the Republic of Ireland, we are to participate with other oil companies in the construction of a refinery at Cork.

At the six BP group refineries on the continent of Europe throughput totalled 9,500,000 tons, 500,000 tons more than in 1955. Lubricating oil output in France and Germany was about 140,000 tons, an increase of 20,000 tons. In addition to the new distillation unit under erection at Lavera, modifications are being made to the existing crude oil units at Antwerp and Hamburg to increase their capacities. Catalytic reformers are being installed at Antwerp and Dunkirk, and hydrofiners at Antwerp and Hamburg. Plant to increase the output and improve the quality of bitumen was completed at Dunkirk.

A new refinery, of an initial capacity of 4 million tons per annum, is to be built for our German subsidiary company in the Ruhr by 1960.

At the Aden Refinery, throughput increased to 4,615,000 tons from 4,271,000 tons in 1955. Additions to the refinery completed during the year included facilities for the production of liquid petroleum gas and for loading to sea-going ships of packed oils and bottled gas.

At Kuwait, throughput was maintained at the maximum capacity of 1,500,000 tons. The scheme to expand distillation capacity to 8,500,000 tons per annum is due for completion early in 1958.

In Australia, 1956 was the first full year of refinery operations at Kwinana, throughput being 2,304,000 tons, compared with 1,690,000 tons in 1955. Additions completed during the year included a bottling plant for liquid petroleum gas, an extension to the bitumen plant and additional tankage.

In Iran we had 4 million tons of crude oil processed at Abadan refinery, a substantial increase over the 1955 figure of 2,600,000 tons.

In Canada, as announced in February this year, we are to build a refinery of some 1 million tons per annum initial capacity at Montreal.

In Turkey, as announced in March, we are to participate with other oil companies in the construction of a refinery of about 3 million tons per annum capacity which is scheduled to come into operation in 1960.

PETROLEUM CHEMICALS

The manufacture of chemicals from petroleum feedstocks continues to expand rapidly in the plants of our three associated companies at Grangemouth.

During the year the cracking capacity for olefine production at the plant of British Hydrocarbon Chemicals Limited (in which we have a half interest) has been doubled, ethylene manufacture now being at the rate of 60,000 tons per annum. The greater part of this ethylene is used for the manufacture of industrial alcohol, the plants for which have also been substantially increased. The new butadiene plant has been successfully commissioned and the liquefied product shipped to producers of synthetic rubbers and other polymers. Another plant in this stage of the British Hydrocarbon Chemicals expansion is a large catalytic polymerisation unit, recently commissioned for the manufacture of propylene tetramer, one of the main feedstocks for detergent alkylate manufacture.

Forth Chemicals Limited (in which British Hydrocarbon Chemicals Limited has a two-thirds interest) completed and commissioned its extensions, which have trebled the capacity for styrene monomer manufacture.

Grange Chemicals Limited (in which British Hydrocarbon Chemicals Limited has a two-thirds interest), whose detergent alkylate plant started operation in 1955, has been producing a very high quality product at well above designed output capacity.

The existing plants of these three companies are expected to produce over 150,000 tons of chemical intermediates during 1957, in addition to high grade motor spirit and other hydrocarbon by-products. Plans are in hand for further extensions to produce polyethylene and further intermediates for the organic chemical industry.

Our French company, Société Française des Pétroles BP has increased its holding in Naphtachimie, which is engaged in the manufacture of petroleum chemicals at Lavera. The operations of Naphtachimie have been extended during the year and olefine production capacity is being substantially increased. A polyethylene plant is now in the initial stages of construction.

SEA TRANSPORT

BP Tanker Company's fleet (the name was changed from British Tanker Company in 1956) is now 143 ships totalling 2,016,000 deadweight tons, comparing with 144 ships of 2,018,000 tons at this time last year. The Company also has about 3 million tons of tanker shipping on charter, an increase of some 500,000 tons.

Of the 41 ships referred to last year as under construction or on order one, recently completed, has been purchased by Tanker Charter Company Limited and chartered to us in accordance with the arrangements already described.

The remaining 40 ships of that building programme are all due for completion during the next three years. In addition, BP Tanker Company has placed orders for a further number of new tankers, including several of 65,000 deadweight tons, and particulars of these orders will be published at an early date.

Our French associated company, Société Maritime des Pétroles BP, has now 10 ships totalling 210,000 deadweight tons. They have on order one ship of 33,000 tons for commissioning next year, and two of 47,000 tons each and one of 67,500 tons for delivery between 1960 and 1963.

The Lowland Tanker Company, in which we have a 50 per cent interest, has on order five ships of about 19,000 tons each for completion in 1960/61, when they will join that Company's existing fleet of 10 ships of 16,000 tons each in our service. These five new ships are being financed entirely by loans with mortgage of the vessels to the lender.

Tanker freights reached record high levels during the latter part of 1956 mainly on account of the Suez situation. The cost of engaging tankers for forward delivery on period charter also increased considerably, reflecting higher building and operating costs as well as the world shortage of tanker tonnage before and during the crisis.

The general shortage of officers, particularly of certificated engineers, accentuates the manning problems presented by our expand

ing fleet. Among the steps which the Company is taking to alleviate the situation is the extension of its apprenticeship schemes for the training of deck and engineer officers.

DISTRIBUTION AND SALES

The BP group's sales of crude oil and refined products in 1956 rose to the new record total of 53 million tons. The increase over the preceding year was 11 per cent or 5 million tons—almost equally divided between crude oil and refined products—and thus was less, by 1 million tons, than the 6 million ton increase attained in 1955. This is attributable to the effects of the Suez crisis; prior to this, we were expecting to achieve in 1956 an expansion of 8 million tons, or 17 per cent.

The cessation of shipping movements through the Suez Canal, and of the delivery of oil through the Iraq Petroleum Company's pipeline system to the Eastern Mediterranean, affected operations severely during the last two months of the year. The enforced rerouting of tankers involved a sharp reduction in the rate at which we could ship supplies to Europe, and also in the liftings of crude oil by our buyers. The reduced arrivals of crude oil for our European refineries necessarily involved a cut in their throughput rates, with a consequent contraction in the availability of refined products, and whilst consumption in the markets was affected by various measures of restriction adopted by Governments, there was a considerable drain on stocks.

During the first ten months of the year, we were able to supply from our own resources an increased proportion of our trade, and so to reduce the volume of our oil purchases. But during the last two months of the year, it became imperative to purchase what supplies we could from the West, so as to obtain the benefit of the shorter haul.

There was no general change in the level of crude oil prices during 1956.

Until the closing weeks of the year, the level of refined products prices in the world market reflected, apart from the usual seasonal variations, a marked degree of stability. With the abnormal strains brought about by the sudden and severe dislocation of normal supply channels following the closure of the Suez Canal, there was a sharp upward reaction in the level of prices at which supplies had to be procured. This was accompanied by a general rise in tanker freight rates, as the very limited available reserve tonnage was rapidly absorbed, and we had to face the incidence of much longer hauls in arranging supplies to many of our markets. In such circumstances, an advance in prices was unavoidable as the year ended.

In the United Kingdom consumption of petroleum products increased by 8½ per cent in 1956, as compared with almost 10 per cent in 1955; fuel oil consumption again showed a high rate of increase—approximately 20 per cent. In the summer, a new and advanced motor spirit, BP Super Plus, specially prepared to meet the needs of the highest compression engines, was launched and had a good reception. As announced towards the end of the year, arrangements were made for our associated marketing Company, Shell-Mex and BP Limited, to acquire the motor fuel and motor lubricants distributing trade of the National Benzole Company Limited. We have been concerned for nearly 30 years in the supply of petroleum spirit to the National Benzole Company, and this latest development, which became effective at the beginning of 1957, consolidates the position.

In Europe, mounting industrial production brought about a further substantial increase in the consumption of petroleum in 1956, amounting to some 18 per cent, and we have maintained our position in the market.

We are partners in a project to build a crude oil pipeline from Wilhelmshaven to the Ruhr to supply the refining industry which we and others are developing there to meet the rapidly growing demand in Western Germany. We are also participating with other oil companies in a company formed to investigate the economic advantages and general feasibility of a Trans-European crude oil pipeline system from a west Mediterranean port to refineries in North West Europe.

Early in November of last year, our marketing and other interests in Egypt were sequestrated by the Government, and activities in this market have, for the time being, ceased.

Further progress was made in the North and West African territories.

In markets bordering on the Indian Ocean, results have been satisfactory despite the intensification of competition, particularly in southern Africa, from newcomers to the market.

Our marketing company in Australia, The Commonwealth Oil Refineries, Limited, has recorded its most successful year to date.

In New Zealand, BP (New Zealand) Limited, celebrated its tenth anniversary on December 19, 1956, and continues to make encouraging progress.

In Canada, we have formed a new subsidiary, BP (Canada) Limited, with headquarters at Montreal, to engage in the marketing of products under the BP housemark, commencing in the Province of Quebec in the summer of this year. This marketing effort will, in due course, be supported by the new refinery at Montreal already referred to in the Refining section.

BUNKERING SERVICE

The BP International Oil Bunkering Service continues to enjoy the support of shipowners of all maritime nations. The closure of the Suez Canal, and the consequent diversion of shipping, severely reduced the offtake from Aden which is normally our most important bunkering installation and caused very much heavier demands on bunkering facilities both at South African ports and at ports in the Atlantic Islands. At the same time, efforts were successfully made to divert offtake from United Kingdom and European ports to other ports which were less difficult to supply, and I should like to express particular appreciation of the willing co-operation of all our customers in the efforts made to mitigate the effects of the crisis on the European supply position.

Our sales to civil and military aircraft operators have continued to expand, and the BP Aviation Service has extended its international network in order to cope with the rapid development of the world aircraft operating industry. Particular emphasis continues to be placed on the perfecting of modern fuelling techniques, and on keeping in step with the new trends of aircraft manufacture and usage, from helicopter to the new turbo-jet passenger aircraft.

During the year, sales of our branded lubricants increased most satisfactorily, showing an average improvement of 35 per cent over the previous year. The BP Energol brand name continues to flourish and, despite increased competition, our "Visco-Static" motor oil has maintained its position as the foremost multigrade oil in the United Kingdom, on the Continent, and in Australasia. We have made some further progress in developing our marine lubricants business.

In bitumen we have a profitable, but still somewhat limited, trade and increased supplies from Abadan have enabled us to expand our activities.

We have taken increasing advantage of the opportunities for rigorous product testing provided in the motor racing field, and a number of Grand Prix events in 1956 were won by cars using BP products.

We have arranged the supply of all petroleum products for the British Trans-Antarctic Expedition, and our companies in Australia and New Zealand have supplied the petroleum product requirements of the Australian Antarctic Expedition and the New Zealand contingent of the Trans-Antarctic Expedition.

RESEARCH

Research and development facilities have been further expanded. At Sunbury Research Station the current building programme includes a large analytical and physical research building. In addition, a production and exploration research laboratory, providing comprehensive facilities for geo-physical, petroleum engineering, and geological research, is being built to replace Kirklington Hall and will be ready for occupation by the end of this year.

As in previous years we have continued to study and improve our manufacturing methods particularly with regard to the production of motor gasolines and lubricants.

A new method, originated at Sunbury, of controlling corrosion in oil-fired equipment using high sulphur content fuels aroused considerable interest when demonstrated at the Fuel Efficiency Exhibition in London last October. Numerous enquiries have been received from industrial users of fuel oil wishing to apply this process.

We are participating in investigations at the Atomic Energy Research Centre at Harwell into the use of radio-active substances in various phases of oil industry operations. For the detection of oil-water interfaces, for instance, a prototype neutron gamma-ray borehole instrument is under construction. We are also co-operating through the shipping industry in the study of the application of nuclear power to marine propulsion.

Geophysical research has included study of seismic wave propagation aiming at improved recording and interpretation of seismic field records. New methods and techniques such as magnetic tape recording, are being investigated and adapted to our particular needs. In petroleum engineering and reservoir study, we are keeping abreast of the latest developments including techniques for secondary recovery and repressuring.

An electronic computer is to be installed in our London offices, where this versatile machine will be used for the complex calculations necessary in many phases of our business.

PERSONNEL

In addition to the increased volume of work caused by the continued expansion of operations in 1956, the BP group's staff had to deal with many extra problems caused by the Suez crisis in the latter part of the year. For the good results achieved in such circumstances, special credit is due to personnel at all levels.

Although the general shortage of sufficient technical and scientific recruits to match our growing needs persists, substantial benefit is now being derived from our established training schemes at home and overseas. The inauguration of the new BP University Apprenticeships, under which some 50 young men were enrolled at British Universities in 1956, will further improve our position.

We spare no effort to ensure that employees, wherever they work, not only enjoy good standard of life but also have every incentive and opportunity for training and advancement in technical and administrative responsibility. Marked success is being achieved in under-developed territories in training adults with no previous industrial experience and young commercial and trade apprentices.

Our constant aim is to promote mutual understanding and respect between our managements and the representatives of the trade unions with which we have agreements. It is agreeable to report that our operations have been practically free from industrial unrest.

It is again a very real pleasure to record the Board's appreciation of the excellent and devoted services of the group's personnel at home, afloat and overseas.

EAGLE STAR INSURANCE

TOTAL RESOURCES EXCEED £113 MILLION

The Annual General Meeting will be held in London on May 31, 1957. The following is a summary of the statement by the Chairman, Sir Brian Mountain, Bt:

The total resources of the Company now exceed £113 million.

In the Life Department, expansion has continued with record figures for the eleventh year in succession. The Investment position continues to be satisfactory.

In the Fire Account, in spite of less favourable experience in the United States and Canada, a profit of £352,088 resulted.

The Accident Account proved profitable, but the Home Motor business showed a loss on the year's operations and the general trend of this business indicates that a rise in Motor rates is inevitable. Overseas Motor business produced reasonable results.

In the Marine Account the year 1953 has been closed satisfactorily, but in view of the uncertainties surrounding the Underwriting years 1955 and 1956, no transfer has been made to Profit and Loss Account, but the Fund has been further strengthened.

The year witnessed a further expansion in the Overseas Account. The widespread extent of the Company's interests throughout the world enabled reasonably satisfactory results to be achieved.

Income from Investments at £826,921 showed a satisfactory increase. The amount carried forward is £1,503,372. The consolidated Balance Sheet totalled over £124½ million. Aggregate premium income over £28 million.

ROYAL DUTCH PETROLEUM COMPANY

N.V. KONINKLIJKE NEDERLANDSCHE PETROLEUM MAATSCHAPPIJ

(Founded in 1890)

BALANCE SHEET AS AT DECEMBER 31, 1956

	£	£
Investments in Group Companies		7,971,915,994
Current Assets :—		
Receivables from Group Companies :—		
Dividends	181,944,000	
Supplementary Amounts	32,107,765	
Other Receivables	14,367,117	
Short-term Investments	119,135,803	
Cash at Bankers	46,614,317	
Total Current Assets	394,169,002	
Current Liabilities :—		
Proposed Dividends	304,151,400	
Accounts Payable and Accrued Liabilities	5,097,492	
Unclaimed Dividends	4,966,510	
Amounts held for Shareholders in respect of 1947 issue	4,836,422	
Total Current Liabilities ...	319,051,824	
Excess of Current Assets over Current Liabilities		75,117,178
		8,047,033,172
Capital :—		
Ordinary Shares	2,908,500,000	
Of which Unissued	1,782,134,400	
	1,216,365,600	
Cumulative Preference Shares	1,500,000	1,217,865,600
Capital Reserves :—		
Share Premiums	22,428,490	
Investments	6,674,317,021	6,656,745,511
Retained Earnings (after deducting proposed dividends)		132,422,061
		8,047,033,172

STATEMENT OF INCOME, 1956

	£	£
Income :—		
From Group Companies :—		
Dividends		262,696,424
Supplementary Amounts		47,401,705
Net Profit (loss) on Short-term Investments		14,357
Other Income, principally Interest on Short-term Investments		2,382,673
		312,395,159
Expenses :—		
Administrative and Other Expenses ...	3,486,134	
Share in Profit at the disposal of the Board of Directors and of the Managing Directors*	3,601,933	
		7,087,067
Net Income for the Year		305,308,092

* If the proposed distribution of profit is approved.

STATEMENT OF RETAINED EARNINGS, 1956

	£	£
Balance at beginning of Year		131,242,502
Net Income for the Year		305,308,092
Unclaimed Dividends Forfeited		22,867
Available for Distribution		436,573,461
Deduct :—		
Proposed Dividends :—		
Preference Shares	60,000	
Ordinary Shares	304,091,400	
		304,151,400
Balance at end of Year		132,422,061

The Hague, April, 1957.

The Board of Directors :

J. B. AUG. KESSLER, *Chairman* — W. H. DE MONCHY — M. P. L. STEENBERGHE
W. H. VAN LEEUWEN — C. J. COLLOT D'ESCURY — B. TH. W. VAN HASSELT
J. KLOPPER — F. Q. DEN HOLLANDER — H. BLOEMGARTEN
E. J. IJZERMAN — J. LUYTEN

The Managing Directors :

J. H. LOUDON, *President*
F. A. C. GUPEIN
L. SCHEPERS
L. E. J. BROUWER

ROYAL EXCHANGE ASSURANCE

237th ANNUAL REPORT

FURTHER MATERIAL INCREASE IN TOTAL BUSINESS

LORD KINDERSLEY'S STATEMENT

The Annual General Court of the Royal Exchange Assurance will be held at the office of the Corporation at the Royal Exchange, London, EC3, on May 29, 1957.

The following is the statement of the Governor, The Right Honourable Lord Kindersley, CBE, MC, which has been circulated with the Report and Accounts:

There have been no alterations in the Court of Directors since the Annual Court a year ago; nor have there been any changes amongst our higher executive officers.

1956 IN RETROSPECT

While the year was relatively free from natural disasters which have in recent times afflicted so many of our policyholders, the Middle East situation and a wide range of other political, social and economic events exerted their influence on our activities of insurance and investment. In the final outcome 1956 must be accounted a lean year for the British Insurance market.

In all the circumstances, the results of our group of companies as shown by the annual accounts must be considered as not unsatisfactory even though, except as regards expansion, they do not compare favourably with those of the last few years. You will appreciate that insurance experience can run in cycles so that, in order to enable you to judge the results of our underwriting practices over a longer period than the twelve months under review, I have given a brief five-year comparative précis of results when referring to the separate departments.

In pursuance of our policy of expansion we achieved a further material increase in the total of business written, so that the aggregate of premiums in the fire, accident and marine accounts since 1950 reads as follows:

	£
1950	19,131,829
1951	22,019,017
1952	24,917,487
1953	25,613,912
1954	26,016,542
1955	27,176,614
1956	30,664,073

The notable progress in the year under review has, however, had a considerable effect upon the fire and accident revenue accounts where increased premiums of over £3½ million have required additions to departmental reserves of more than £1½ million. We have of course a substantial equity in these increases in reserves and we look upon the planned expansion of our business as of the utmost importance.

Before turning in detail to the subsidiary but vital activity of investment I must mention quite briefly one current major development in the world of insurance—the great potential demand for indemnity in respect of the risks arising from the peaceful application of atomic energy.

During 1956 much time and thought has been devoted by us in common with other British insurers to the problems which will confront us in affording this form of protection. Although the nature and extent of the risks, both at home and overseas, against which indemnity may be required could easily be over-estimated, the conventional methods of insurance and reinsurance cannot easily be applied, and the problems of market capacity, cover and rating for nuclear energy risks have been and still are the subject of continuous study.

INVESTMENTS

In essence the Corporation contracts to pay stated sums of money as indemnity upon the happening of those events which are the subject of its fire, accident and marine insurance policies. Equally so are money payments the subject of our life assurance policies and annuity contracts. For these reasons, and in the discharge of their responsibility for safeguarding the policyholders' money, your Directors have always felt it necessary to carry a substantial proportion of the investment portfolio in high grade fixed interest securities. Moreover, it is necessary in a certain degree to match the investments with the currencies in which liabilities will arise, so that amongst our assets are to be found substantial holdings of the bonds of the Governments of the United Kingdom, Australia, Canada, New Zealand, South Africa, United States and other territories where we operate.

So that you may be able to understand the measure of the depreciation with which we have had to contend in recent years, but especially since the end of 1954, I have set out the market prices at the last three annual valuations of medium dated bonds which are probably typical of those held widely by insurance companies, including members of our group.

31st December	British Govt. 3%	Canadian Govt. 3¼%	USA Govt. 2½%
	1960/70	1975/78	1967/72
	%	%	%
1954	96	107½	98⅜
1955	81½	103⅜	94⅜
1956	78½	95	87 1/16

However, you may remember that in my statement a year ago I revealed that throughout 1955 and in the early months of 1956 we had adopted investment policies designed specifically to afford protection to the capital value of our portfolio of investments, and one immediate outcome of this action was of course an inevitable and quite material restraint upon the volume of our investment income.

Additionally I can assure you that the investments of our life and annuity funds even at the low market quotations at the end of 1956 were in the aggregate substantially more valuable than the figures recorded in the balance sheet. Similar remarks can also be applied, again in the aggregate, to the many separate funds which we combine under the omnibus title of the General Fund.

As 1956 wore on many of the very factors which had exercised such a harmful influence upon our primary business of insurance were able to be turned to our advantage in the investment field because at the appropriate moment we were holding large cash balances and substantial amounts of treasury bills and other short-term securities.

The opportunities we took of acquiring, at home and overseas, during the latter half of 1956 and the first quarter of 1957 both high yielding long term fixed interest bearing securities and relatively cheaply priced industrial equities are likely to have a significant effect upon the future income earning capacity of our funds. The early fruits of this policy can already be observed in the higher interest income earned during the year.

LIFE FUND

	Year	Premiums	Gross Interest income	Gross Yield per cent	Fund at year end
		£	£	£ s. d.	£
Previous Triennium	1952	2,214,801	1,040,249	4 16 1	22,421,999
	1953	2,343,102	1,143,310	5 1 10	23,346,680
	1954	2,483,357	1,224,600	5 4 9	24,232,051
Current Triennium	1955	2,730,200	1,321,753	5 8 5	25,550,794
	1956	2,917,615	1,428,914	5 11 4	26,869,624

In the life account, the volume of premium income and interest income continued to show a steady improvement as compared with earlier years.

The interest income derived from investments is a considerable factor in the profit earning capacity of this fund and the gross rate of £5 11s. 4d. per cent in the year under review is the highest level achieved since 1932. This improving yield coupled with the strong investment reserve position of the fund provides great security for our life policyholders generally and may also be regarded as a happy augury for those with participating contracts when the bonus investigation is made at the end of this year.

The nett new sums assured written during the year totalled £9,536,520 which is within a few thousand pounds of the record achieved in 1955, and the total annual premiums increased by some £187,000.

ANNUITY FUND

	Year	Consideration money	Gross Interest income	Gross Yield per cent	Fund at year end
		£	£	£ s. d.	£
Previous Triennium	1952	185,668	111,238	5 7 5	2,140,341
	1953	260,620	124,312	5 14 0	2,286,716
	1954	227,297	135,978	5 17 1	2,281,193
Current Triennium	1955	264,561	141,047	6 2 0	2,423,011
	1956	291,682	151,227	6 2 5	2,611,599

The foregoing figures suggest that satisfactory progress is also being achieved with this fund but the full measure of our success will not of course be revealed until the results of the triennial valuation are made known at the end of 1957.

The fund has now been divided into two parts, the General Annuity account, containing the major part of the existing business, and the Pension Annuity account which contains certain pension schemes for employees and the new contracts now being written for professional men, controlling directors and others broadly classified as the "self-employed." This latter account enjoys freedom of taxation of investment income under the provisions of last year's Finance Act.

In designing the form of our contract for the "self-employed" we have been guided by three principles. First, we believe that the most satisfactory results for the purchaser will be secured by a participating contract. Then we feel we must keep clearly before us the main object to be achieved, namely the provision of the maximum personal pension obtainable from the limited amount of annual premium permitted by statute, without dissipating any part of it on subsidiary benefits. Lastly we consider it desirable that the amount of premium should be capable of variation from one year to another. Our Participating Pensions Contract is the result.

It is a statutory requirement that this type of contract should be incapable of being surrendered or used as security and for this reason some people prefer an endowment assurance policy with the option of using the proceeds at maturity for the purchase of an annuity. Such an annuity benefits from another provision of the 1956 Finance Act relieving the capital part of each payment from liability to tax.

FIRE UNDERWRITING ACCOUNT

Year	Nett Premiums	Surplus transferred to Profit & Loss Account	Ratio
	£	£	%
1952 .	9,300,241	895,819	9·6
1953 .	9,541,464	1,142,952	12·0
1954 .	9,763,652	700,944	7·2
1955 .	9,597,570	998,408	10·4
1956 .	10,831,189	305,924	2·8

For the first time the group premium income in the fire department has exceeded £10 million and the increase of over £1,233,000, derived largely from abroad, was certainly not achieved through lack of competition, which remained as keen as ever. Substantial rating concessions were made in various directions and the account produced the highest loss ratio and the lowest surplus for many years. Nonetheless, the surplus realised was still quite substantial and in all the circumstances very creditable.

Overseas we escaped any major catastrophe but in some of the territories in which we operate—notably the United States—the fire wastage was much above normal and gives cause for disquiet.

At home, the nation was put to a high and unnecessary expense through the failure of domestic plumbing to withstand the sudden spell of cold weather which occurred early in February, 1956. The total of the claim payments made under Householders' Comprehensive policies as a result of frost during this brief period exceeded the cost of the fire claims under the same policies for the whole year.

On the industrial side there were several very serious fires, and one matter which is causing us great concern is the rapidity with which they have spread. I have previously drawn attention to the increasing tendency for modern methods of mass production and automation to increase the concentration of production and storage in one large block of communicating buildings, and thus expose enormous wealth to destruction by conflagrations involving a fire loading which taxes the resources of the Fire Service.

I sincerely hope that those responsible for industrial planning will give added consideration to the desirability of further sub-dividing premises by adequate fire breaks; and in particular to segregating valuable stores, in which fires are less likely to originate, from manufacturing processes where such outbreaks must be anticipated.

MARINE UNDERWRITING ACCOUNT

Year	Nett Premiums	Surplus transferred to Profit & Loss Account	Fund at 31st December	Ratio to Nett Premiums
	£	£	£	%
1952	2,242,256	202,112	3,828,651	170·7
1953	1,883,979	208,525	3,753,396	199·2
1954	1,766,950	289,548	3,771,715	213·5
1955	1,829,182	275,091	3,775,030	206·4
1956	1,836,829	233,375	3,761,856	204·8

The results of the 1954 Underwriting Account proved satisfactory and permitted a transfer of £233,375. This was largely through freedom from major casualties in that year, but 1955 and 1956 were not so fortunate in this respect.

This last year was of course notable for the sinking of the Italian liner *Andrea Doria*, which imposed very heavy claims upon the London market, where the greater proportion of the value was insured. In recent months, there have been many other casualties which, although individually not comparable with the loss of a liner, have in total reached a formidable figure. With the continued increase in the cost of ship repairs, which has now spread to all ports of the world, I am afraid the outlook for the 1956 account is uncertain, but it is evident that its profit is unlikely to reach the levels we have experienced in recent years.

The cargo market is still very competitive, and we have reached a stage when little more than the war risks premium is left in hand to Underwriters after the close of an underwriting year.

GENERAL ACCIDENT UNDERWRITING ACCOUNT

Year	Nett Premiums	Surplus transferred to Profit & Loss Account	Ratio
	£	£	%
1952 .	13,374,990	558,847	4·2
1953 .	14,188,469	942,925	6·7
1954 .	14,485,940	867,910	6·0
1955 .	15,749,862	611,786	3·9
1956 .	17,996,055	—57,468	—0·3

It will be recalled that last year I drew attention to two particular features of this account:

Increasing appreciation by the public of the extent to which insurance serves their interests in the social, scientific and industrial development of the day, and the wastage of human and material assets arising from motor accidents.

Those same features have been even more prominent in the year under review. Whilst the even greater use made by the public of the services we offer is reflected in the addition of almost 2¼ million pounds to our aggregate income. I am sorry to say that substantial losses have been incurred in the transaction of our world-wide motor account, due to continued worsening experience in many parts of the world but particularly in the United States of America. It is clear that rate revisions are overdue in many territories in which we operate.

The cumulative effect of the transfer to reserve of the customary 40 per cent of the increase in premium income and adverse motor experience is that, after making full provision for outstanding liabilities, £57,468 has had to be transferred from the Profit and Loss Account.

TRUSTEE AND EXECUTOR DEPARTMENT

The highly specialised services which this department provides continue to be in demand both by industry and individual members of the public. At the end of the year the aggregate amount of the trust funds administered by the Corporation, and of debenture and loan stocks for which it acts as trustee, exceeded £255 million.

The Corporation derives many benefits from the activities of this department which cannot be measured solely by the profits transferred to the Profit and Loss Account, which for 1956 amounted to £44,484. This was a record figure but it included some special fees obtained, after many years of negotiation, on reaching settlement terms for certain Foreign Bond Issues.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

On the revenue side of these accounts the principal items are £1,541,917 income from investments, £526,315 aggregate nett transfers from departmental revenue accounts, and £101,210 being the Proprietors' share of the life department's valuation surplus. There is also a refund of UK taxation in respect of an earlier year amounting to £17,974.

Turning now to the expenditure side you will observe that as usual much the largest figure is the £1,241,271 absorbed by taxation of various kinds. After allowing for the usual charges including the material item of £235,670 transferred to pension funds, a profit of £536,731 emerges. To this is added the carry forward from 1955 giving a total of £4,157,956.

After transferring a further sum of £280,267 to strengthen the pension funds, paying the interim dividend and providing for the final dividend as proposed, £3,270,416 remains to be carried to the balance sheet.

INCREASE OF CAPITAL AND DIVIDEND

The principal bench marks in a year in which much progress and other material successes were achieved, despite the generally unfavourable political and economic climate are quite apparent; substantially increased premium income, the buoyancy of our interest earnings and the high qualities displayed by our invested funds.

The Court of Directors now consider that the capital ought to be increased so as to relate it more nearly to the immense size of our trading to-day and to bring it more into line with the true capital which we are employing in our business. Accordingly, having obtained the consent of HM Treasury but subject of course to the passing of the appropriate special resolutions, it is intended to capitalise £2,850,000 being part of the sum standing to the credit of the share premium account, and thereby allot 2,850,000 shares credited as fully paid to Proprietors in the

proportion of one such share for each £1 stock held.

You will already have learned that it is the recommendation of the Court of Directors that the final dividend shall be 22 per cent, making the total distribution for the year 32 per cent. Although the surplus disclosed in the underwriting accounts was not as high in 1956 as in some recent years, the favourable features I have mentioned above encouraged the Court to recommend the small increase in the distribution.

Looking ahead a little, it is the Directors present thought that they may be able to pay in November an interim dividend of 8 per cent upon the doubled capital; principally so that the interim dividend should be brought more into line with the final. I cannot at this stage make any definite forecast of our total distribution for 1957 as this must depend so much upon factors beyond our control but one yardstick for the dividend about which I am confident is the mounting total of our interest earnings.

HOME AND OVERSEAS ORGANISATION

The successful growth of our business in the postwar years has brought us to the stage where the Royal Exchange can no longer house the whole of our Head Office staff and we have taken accommodation in the fine new building which the Bank of London and South America have erected in Queen Victoria Street. In the course of the next month or two our Life and Trustee Departments will move into modern offices in this building which will relieve the congestion in the Royal Exchange and enable the staff remaining there to work in more comfort and with greater efficiency.

The year 1956 saw the opening of excellent new premises which we designed and built at Welwyn to accommodate our mechanised accounts, renewal and statistical departments. The latest type of equipment is being installed there as the smooth running of our home organisation depends to a considerable extent on the accuracy and promptitude with which this work is performed.

During the past few years we have moved to better offices in a number of provincial centres while elsewhere existing accommodation has been modernised. We have also opened several new offices in districts where the prospects are favourable.

Our field force, on which we largely rely for the expansion of our business—and to whom the brokers, our agents and the public look for advice and service—has been greatly expanded. Today it is larger and better equipped than at any time in our history.

Abroad our operations continue to receive close attention, and a number of visits overseas were undertaken by the General Manager and other officials.

Our business in Egypt was sequestrated towards the end of the year but I am glad to say that our Manager there was quite well treated and returned safely to this country. All possible losses arising out of this action by the Egyptian Government have been provided for in the accounts although we are hopeful that we shall effect some recovery at a later date.

Elsewhere on the African continent our business has gone ahead. In Nigeria we now have three branches instead of only one—with plans for further expansion. We have also sponsored the formation of a local insurance company, the "New Africa." This is a long-term venture but we have good reason to

We were the first insurance company to open a branch in the Gold Coast—which we did thirty years ago—and we were delighted to be officially represented at the recent celebrations on the occasion of the inauguration of Ghana as an independent State within the Commonwealth.

In Southern Rhodesia we have opened an office at Salisbury in addition to our principal branch in Bulawayo and this will put us in a better position to participate in the great developments which are taking place in the Federation.

All our Eastern branches were visited during the year. There are special problems connected with our operations in that part of the world, but we are fortunate in having many good friends there. However, constant review is necessary to keep our organisation abreast of the ever changing political and economic scene. In Ceylon we were very glad to assist a recently formed national company, Colombo Assurance Limited, by agreeing to provide them with a technical adviser for a few years.

Reference has already been made in the departmental review to the exceptional difficulties which we have had to face in the United States. Much time and thought are devoted to the study of our affairs there and in Canada; and everything possible is being done to improve the results.

STAFF

My tribute to the staff is, as in previous years, left to the end of this statement which I hope will have given some idea of the variety of the problems with which they have to deal in the course of their duties. It is upon their calibre and loyalty and on their exertions that the results of this great group depend from year to year and I am sure the Proprietors will wish me to record their sincere appreciation to them all.

To this I would like to add my personal thanks to the branch managers at home and abroad, the departmental managers, our General Manager, Mr H. A. Walters, and his executive assistants, on all of whom special responsibilities devolve. Nor must I forget our Local Directors, our agents and our many friends and supporters all over the world.

Finally, I must thank the members of the Court and especially the Sub-Governor and Deputy-Governor for their help throughout the year.

CROFTS ENGINEERS

Essential machinery for world's vital industries

Crofts power transmission products play their vital part in virtually every field of industrial endeavour —in mines, power stations, factories, chemical plant, steel works, oil refineries and textile mills. Wherever power is used—the list is endless.

Summarised Consolidated Balance Sheet as at 31st December, 1956.

	£		£	£
Issued Capital	2,500,000	Fixed Assets	2,581,905	
Revenue Reserves and Surplus	842,815	*Less*: Accumulated Depreciation	853,970	
Income Tax 1957/58	492,052			1,727,935
Liabilities	1,069,690	Trade Investments, etc.		108,276
		Current Assets		3,068,346
	£4,904,557			£4,904,557

Summarised Profit and Loss Account For the Year ended 31st December, 1956.

	£	£
Profits for the year before Taxation	1,168,302	
Less: Provision for Taxation	597,514	
		570,788
Net Distribution for the year to Shareholders		158,125
Retained in the business		£412,663

EXTRACTS FROM CHAIRMAN'S STATEMENT:

The whole of our Group of Companies have played their part in the good results obtained. The increase in profits is due to the demand for our goods and the increased producing power and efficiency of our whole organisation; as the further extensions in hand and the new machinery get into production, I am expecting our financial results to grow accordingly.

PROSPECTS: In the present upset state of the world it would be foolish to make statements about the future, but I can say that we are ready to deal with a much greater amount of work than ever before.

We start the year 1957 with a good order book, and this, with our improved delivery position, is a guide to the results we can expect if the demand for our Products continues.

The world wide use of our equipment is progressively expanding, our Home and Overseas Sales Departments keep a constant watch for any demand, and see we get our share of any business that is going.

Our Overseas Subsidiaries have shown successful results and will continue to make their contribution to the benefit of the whole Group.

The prosperity of our Company has been shared by our employees generally through the various schemes of payment.

CROFTS ENGINEERS (HOLDINGS) LIMITED

Empire Works, Thornbury, Bradford, 3.

Subsidiaries and Representation throughout the world.

CANADIAN PACIFIC RAILWAY COMPANY

(Incorporated in Canada with Limited Liability)

A YEAR OF PROGRESS AND ACHIEVEMENT

MEETING THE NEEDS OF A RAPIDLY GROWING ECONOMY

POST-WAR EXPENDITURE LARGELY FINANCED FROM RETAINED EARNINGS

REAL AND PRESSING NEED FOR ATTRACTING ADEQUATE CAPITAL

MR N. R. CRUMP ON FOSTERING THE SPIRIT OF ENTERPRISE

The Annual General Meeting of the Canadian Pacific Railway Company was held on May 1st in Montreal, Mr W. A. Mather, the chairman, presiding.

The President, Mr N. R. Crump, addressing the meeting, said:

The Annual Report on the affairs of your Company for 1956 has now been in your hands for several weeks, and you will have found in it a story of progress and achievement, as well as reference to some familiar and some new problems. For the Country as a whole 1956 was a year of notable prosperity. The gross national product reached an unprecedented level, having increased 11 per cent over 1955. Although higher prices accounted for about one-third of this increase, the balance represented actual growth. This growth was reflected in an increase to a new high in the volume of revenue freight carried by your Railway.

Records were also set in operating efficiency. Your freight trains carried, on the average, more tonnage per train hour than in any previous year. The level of net earnings from railway operations was far less satisfactory.

IMPACT OF RISING COSTS

In common with many industries, your Company felt the impact of rising prices during 1956. Compared with most other businesses, however, your Company is less able to absorb higher costs. The margin between its rail earnings and expenses is extremely small, largely because of the maintenance of the statutory low rates on the large segment of traffic represented by grain and flour. The balance of traffic to which higher freight tolls could be applied has become progressively narrower, as a result of increasing competition from highway transport. A further difficulty arises from time lags between the advent of higher costs and the effective dates of rate increases. Thus while wage rates of employees were increased starting from January 1, 1956, on the basis of recommendations of various Boards of Conciliation, it was not until July that an interim increase in freight rates was put into effect and a further interim increase in the same application was not effective until the new year. The balance of the increase sought remains to be obtained and is still pending. Meanwhile further increases in wage costs and material prices have already been incurred. The effect of these conditions was to dissipate in large measure the benefits of the large volume of traffic.

The ratio of net earnings to railway revenue for the year, at 8.2 per cent, must be considered inadequate while it is realised that the capital investment per dollar of revenue is far higher in the railway industry than in most manufacturing, construction and commercial undertakings. Expressed as a percentage of the net investment in railway property, net earnings in 1956 were 3.15 per cent, a return which is less than can be earned currently by investing in risk-free Government Bonds.

Turning now to the current year, I should like to refer briefly to the effect on 1957 earnings of the strike called by the organisation representing the locomotive firemen and hostlers. It is estimated that in the nine days during which railway operations were suspended, the loss in railway revenue amounted to some $14 million. Fortunately, some of this traffic loss can be recovered and the final effect on railway revenues should prove to be materially less than that figure. Numerous instances of customer loyalty came to light in the course of the strike and the spontaneous expressions of public support for the position taken by your Company were highly gratifying. There was a great deal of evidence of general approval for the position of the Company that there is no justification for retaining employees in positions in which no essential work is performed. The issue as to whether firemen are necessary on diesel locomotives in yard and freight service is now before a Royal Commission whose appointment was a condition for ending the strike. An offer to abide by the decision of the Commission was made by your Company in the belief that such disputes should be settled finally by impartial tribunals without the necessity for strike action and the damage to the economy which must inevitably result.

1957 OUTLOOK

There are some indications that the rate of expansion of the economy in 1957 will not be as great as it was last year. In his Budget Speech a few weeks ago, the Minister of Finance said that present investment intentions point to capital spending of $8.5 billion for the Country as a whole during the current year. This amount is 8 per cent above 1956, whereas the increase in 1956 as compared with 1955 was 17 per cent. In absolute terms, however, a capital programme of the magnitude indicated is substantial and adds to the productive capacity of Canada. In the light of this, it could reasonably be expected that there would be some additional volume of railway traffic which together with the rate increases already authorised should produce an increase in revenue.

Expenses will, of course, be affected by the further increases in wage rates which have still to be faced under the terms of agreements made last year with the various organisations representing employees. On the other hand, capital outlays for improvements will produce economies and hence on balance it appears probable at this time that the net earnings for the year will equal, if not exceed slightly, those of 1956.

Patronage of your Hotels is expected to be at a high level this year, but because of increased costs there seems little likelihood of an improvement in net earnings. Work on the 400-room addition to the Royal York Hotel in Toronto is proceeding as scheduled and is expected to be completed about the end of next year.

The demand for communications services of all types—leased wires for radio and television transmission, telegraph, teletype, and facsimile transmission—has been particularly buoyant in recent years. It is expected that this will continue, but an increase in net earnings from your communications is essentially dependent upon an adjustment in tolls to offset increased costs.

Your Ocean Steamship operations should continue to make a favourable showing. The schedule for the summer season calls for 22 more sailings by the *Empresses* than in 1956. This increase is made possible by the entry into service of the *Empress of England*, which left Montreal yesterday to complete her maiden voyage. Steamship freight revenues are expected to be well maintained; demand for cargo space, particularly on Westbound crossings has been good and cargo rates tend to be firm as a result.

The acquisition of the right to extend its Mexico City-Toronto Service to Lisbon, via Montreal, is a further step in the expansion of international routes flown by your Air Lines. The first commercial flight on the new route is to take place on May 30th. This new route, it is hoped will not only appeal to people in Latin America, but will provide new attractions to Canadians for travel through Southern Europe. The regular service between Vancouver and Amsterdam of two flights weekly is being doubled for the Summer season.

DEVELOPMENT OF OIL AND GAS RIGHTS

Your Company owns mineral rights in over 12 million acres of land in the Western Provinces, largely in Alberta and Saskatchewan. This ownership in most cases includes oil and gas and in 1956 provided a net income before income tax of $9.3 million, an increase of $584,000 as compared with the previous year.

In view of the increasing importance of the interests of your Company in the development of oil and gas, a firm of petroleum engineering consultants has been engaged to conduct a complete geological survey of a large and important portion of your acreage. This survey is part of an intensive study to determine the best method of maximising net income from these resources over the long term consistently with sound growth in Canada's petroleum and petro-chemical industries.

ECONOMIC STUDY FORECASTS GROWTH

Last year at the Annual Meeting I referred to the economic study which had been undertaken for your Company. The study was designed to give some indication of the conditions which the transportation industry might face over the next 15 years. The final report has now been completed, and I think you will be interested in some of its findings and conclusions. You will probably be interested first in knowing that there is general agreement between the forecasts made in this report concerning the probable nature and pace of the development of the Canadian economy and the forecasts in the preliminary report of the Royal Commission on Canada's economic prospects, popularly known as the Gordon Commission Report.

Looking ahead for 15 years from 1955, the Havard-McGill group which made the study found that the population of Canada might be expected to increase by 35 per cent to 21 million people: That the gross national product, valued at the price level prevailing in 1955, might climb in the same period to $48 billion, an increase of 80 per cent: and that manufacturing output could increase by 90 per cent, mineral production by 300 per cent and overall transportation requirements by 170 per cent. The Report points out that technological change has radically altered the competitive relationships between the different forms of transportation. Monopoly or partial monopoly conditions have become the exception rather than the rule, but regulatory policy has not kept pace with this development. As a result, a certain amount of economic dislocation is created, not only for the railways but for the other sections of transportation. The continued handling of traffic by other than the most economic medium has prevented the achievement of maximum economy in the total transportation cost of the Nation.

The Report forecasts intensification of competitions, but finds that railways in this Country possess decided cost advantages which continue to assure them a prominent role in providing essential transportation services. Effective use cannot be made of the greater freedom. Regulatory policies will need to be brought up to date so that railways can be at least as flexible in pricing their services as are other forms of transportation. The railway industry also needs greater freedom to adjust services to changing traffic conditions, by increasing, supplementing, or abandoning them as the demand requires.

BURDEN OF GRAIN TRAFFIC

To increase one of the most serious handicaps under which the railways operate is the statutory scale of rates applicable to grain and grain products in Western Canada. It is gratifying to note that the preliminary report of the Gordon Commission acknowledges the need of the railways for relief from the worst effects of that troublesome combination—rising costs and rigid rates—and suggests that the relief might be in the form of a subsidy. Between one-quarter and one-third of the freight traffic volume of your railway moves at statutory and related grain rates, which average about half a cent per ton mile. While these rates have prevailed for the past sixty years, except for an interlude at the end of the first World War, labour and material prices have increased many fold. The conclusion of the Commission that amelioration is called for is thus thoroughly justified by the facts.

In Canada's rapidly developing economy it can be expected that the general price and cost level will be forced upward. Thus, unless corrective action is taken, the burden of losses from grain carried at statutory rates will increase in future years and will result in eventual detriment to most users of railway services.

A RECORD OF PROGRESS

Difficult as our problems have been and are, we continue hopefully to attack the job in hand. The success which your Company can achieve in continuing to meet the needs of a rapidly growing economy can be gauged in some measure by looking at what has already been accomplished and what is being planned. Improvement and modernisation of rail facilities in the past ten years have brought benefits to all three groups affected by the operations of your Company—patrons, employees and shareholders. Patrons have benefited from capital expenditures made with a view to keeping costs as low as possible, as well as from those designed to improve service. Evidence of saving to shippers can be found in comparing the increase since 1946 of 49 per cent in the average unit price paid for all rail freight traffic with the increase of 62 per cent in the general level of wholesale prices in Canada. In terms of service, the use of modern communications has made possible improved utilisation of equipment and expedited car movements.

With further developments in electronic transmission and processing of vast quantities of operating data, more accurate information regarding freight shipments will be available more quickly than ever before. Average freight train speed has been increased from 16 miles per hour in 1946 to 19 miles in 1956, and this trend will continue with greater use of diesels. Sturdier and more specialised freight equipment has reduced damage to goods in shipment. Similarly, improvement of your passenger service has not been neglected. The "Canadian" and the "Dominion" offer transcontinental service on fast schedules in the most modern equipment available. On shorter runs, rail diesel cars have been successfully introduced to effect economies.

The employees of your Company have fared well, too. The average earnings of railway employees in 1946 were $2,300, while in 1956 they amounted to $3,750, an increase of nearly 65 per cent. To this increase have been added improved working conditions, such as the reduced work week of 40 hours, and health and welfare benefits. Out of every dollar of revenue earned in 1956, 53 cents was paid out for wages and pensions as compared with 51 cents in 1946. In this connection I think it is significant that the investment per employee in railway plant and equipment was increased in the same period from $20,000 to $26,000, or 30 per cent.

RETENTION OF EARNINGS

I realise that shareholders have benefited least from the growth of traffic and from the modernisation of the property in the period under review. The declaration of the extra dividend of 25 cents per share last year was the first change in the dividend rate since 1950. Earnings which otherwise would have been available for dividends have been retained for investment in new and improved railway plant and equipment. Indeed, a substantial portion of rail capital expenditures since 1946 has been financed by such retained earnings. An acute problem arises from this fact because the so-called "requirements" authorised by the Board of Transport Commissioners for rate-making purpose have not been modified to provide for a return on investment not directly represented either by debt or by capital stock. The present formula for establishing permissive earnings provides an allowance for fixed charges apportioned to rail operations, an allowance for the actual dividends paid on the Preference Stock, a dividend from rail earnings of 5 per cent on the par value of the Ordinary Stock, and an allowance for retained earnings. In view of the large amounts of shareholders' money reinvested in the property, the "requirements" basis is deficient in not allowing any return on that sum.

Last Autumn I had the opportunity of presenting to the Board of Transport Commissioners the views of your Company on this important question. At that time I pointed out that in the years 1947 to 1955 some $215 million had been so reinvested: another $37 million can be added to that figure to bring it up to the end of 1956. I submitted that shareholders were not being fairly treated unless all the funds, contributing to the increase in rail investment, whether from Capital Stock issues or from retained earnings, received recognition in the permissive level of rail income.

The Board has set out a number of special matters for review during hearings in September on the final determination of the application for the balance of the 15 per cent freight rate increase applied for in 1956 which remains to be dealt with. The permissive level of rail earnings for your Company is among the matters to be reviewed. The need for attracting adequate capital to your rail enterprise over the next 15 years is real and pressing. To secure such capital, Canadian Pacific must offer opportunities comparable with those afforded investors in other enterprises. If it cannot do so, it will fail to get the necessary funds at reasonable cost, and patrons and employees, as well as shareholders, will suffer the consequences accordingly.

AN ATMOSPHERE OF ENTERPRISE

Your Board and the Officers of your Company do not believe that this will be allowed to happen. It is their conviction that the difficulties to which I have referred can be, and will be, resolved. There is no doubt in the minds of any of us that the Canadian public is prepared to give its railways a fair deal. By both its performance in the past and its realistic planning for the future, your Company has demonstrated that it has the flexibility and adaptability that are necessary in these stirring years of change and growth. Great things remain to be done if we are to realise the attractive goals that our forecasters say are within reach. The widespread transportation facilities built up by your Company, the valuable pool of skills and experience possessed by its employees, the energy and initiative of management and the confidence of investors will all be needed in supplying the transportation necessary for development of the tremendous potential of our Canadian economy.

The response of your Company to tasks entrusted to it has always been dynamic. By fostering the spirit of enterprise to which Canadian Pacific is no stranger, we intend to meet the challenges posed by our problems no less than those offered by our opportunities. Motivated by faith in the future and by determination to play our part in it, we are going ahead with plans for adapting the transportation plant to changed and expanding needs. Granted reasonable opportunities to compete, there is every reason to believe that the transportation system which will evolve from our planning and from the careful application of capital will fully measure up to the demands that the future growth of Canada may make upon it.

The report and accounts were adopted.

ROYAL INSURANCE COMPANY LIMITED

A statement by the Chairman, Mr T. H. Naylor, circulated with the Report and Accounts of the Royal Insurance Company Limited announced an underwriting profit of £1,956,000, which was considered satisfactory in the circumstances, as 1956 had been an extremely difficult year for Insurance Companies.

DOLLAR RATE OF EXCHANGE

The accounts this year had been substantially affected by the decision to bring in US and Canadian business at $2.80 to the £ instead of approximately $4.86 as hitherto. In addition to the conversion of current business at the new rate, the corresponding assets and liabilities had been similarly revalued at the beginning of the year.

In comparing the figures with those for 1955, the various increases shown—which arose very largely from a change in the basis of accounting—did not represent any addition to the intrinsic worth of the Company, other than the enhancement that had arisen from the normal development of operations.

In the underwriting accounts the total premium income for Fire, Accident, and Marine business showed an increase of £42 million from £79 million in 1955 to over £121 million in 1956. Eliminating the effect of the dollar revaluation, however, the income in the Fire, Accident, and Marine departments had increased by a little over 7 per cent.

In the Profit and Loss account the interest item at £3,243,174 was higher by over £600.000. The increase here was less marked than might have been anticipated, because dividends and remittances received from North America had always been converted at the current rate of exchange. The revaluation, therefore, affected only that proportion of the interest retained in the US and Canada in conformity with the best standards prevailing in those territories, and did not make the slightest difference to the amount of interest available at home.

In turning to the balance sheet, the Chairman said that the increase of £72 million in the assets had largely arisen from the revaluation of dollar assets, against which there had of course been an increase in the corresponding liabilities. Insofar as the excess of assets over liabilities was retained abroad to cover contingent future liabilities and the continuing development of business, the increase resulting from revaluation had properly been applied to augment various departmental and other reserves. It would be seen from the accounts that the sum of £13 million had been allocated to Additional Reserve in the Fire Account, a small amount of £250,000 to the Additional Reserve in the Accident account, and the General Reserve had been increased by £10 million.

FIRE DEPARTMENT

Year	Net Premiums	Underwriting Profit	Percentage of Premiums
	£	£	
1956 ...	52,599,302	1,217,970	2·3
1955 ...	32,248,998	2,016,085	6·3

At home, Fire premiums had advanced slightly, but loss ratios had been higher than for many years.

In the overseas field, Fire loss experience had been heavier than usual, but the Company had nevertheless been able to show a reasonable profit.

ACCIDENT DEPARTMENT

Year	Net Premiums	Underwriting Profit	Percentage of Premiums
	£	£	
1956 ...	63,045,235	737,917	1·2
1955 ...	42,074,680	1,396,519	3·3

Business in the Accident department had shown satisfactory development, but the profit margin had been reduced, due mainly to a loss on the motor account.

MARINE DEPARTMENT

Year	Net Premiums	Funds as at Dec. 31st	Percentage of Premiums
	£	£	
1956 ...	6,046,875	13,546,933	224·0
1955 ...	4,729,962	10,539,273	222·8

Consequent upon the decision to keep the underwriting account open for a full three years, the transfer to Profit and Loss account in respect of the 1955 underwriting operations had been deferred until the end of 1957.

LIFE DEPARTMENT

Year	New Sums Assured	New Annuities (per annum)	Claims by death	Matured Endowment Assurances
	£	£	£	£
1956..	35,995,786	1,524,999	1,442,072	2,282,056
1955..	33,180,218	1,066,920	1,382,086	2,147,759

New sums assured had shown a considerable advance compared with the previous year, partly owing to the adoption of the new exchange rate for Canadian business. It had been possible to make a further increase, from 42s. per cent to 45s. per cent per annum, in the rate of interim bonus, except in certain overseas territories.

INVESTMENTS

Money had continued dear during the past year in this country, and conditions had been modified only marginally by the reduction in the bank rate in February. Maintenance of dearer money policies had also been observed in many other parts of the world.

Despite higher interest rates, the demand for money had remained strong, and it had been possible to continue to invest substantially both at home and abroad in new issues at attractive rates of interest. At home such investment was also reflected in an increase in the portfolio of mortgages and loans. It was stressed, however, that the Company had acted only in conformity with the Governments policy of restraint, and the greater part of the investment in mortgages and loans had been made in projects of a size sufficient to require the sanction of the Capital Issues Committee.

The inevitable consequence of higher interest rates was a fall in the market value of existing fixed interest securities, but in spite of this the market value of the Company's investments at the end of 1956 still showed a substantial margin over the value at which they appeared in the balance sheet.

In the conduct of investment affairs overseas, great benefit had been derived from the knowledge and experience of the various Local Boards and Committees. The Chairman extended warmest thanks to all these, and in particular said how much the Company valued the care and attention devoted to the specially important investment interests in the United States by the New York Finance Committee under the distinguished Chairmanship of Mr Benjamin Strong.

TAXATION

£500,000 had been set aside in the Profit and Loss account in respect of United Kingdom taxation, this being additional to an amount of £2 million charged to interest, which was shown net of taxation. There were also overseas taxes of some £5 million in respect of underwriting and interest, and after home and overseas income tax on the Life and Capital Redemption accounts had been taken into account, the aggregate taxation on the year's operations had amounted to some £8½ million.

DIVIDEND

An increased final dividend of 1s. 11d. is recommended by the Directors, making 3s. 8d. per 5s. unit of stock for the year.

REICHHOLD CHEMICALS

CONTINUED EXPANSION OF SALES

MR W. H. BREUER ON ADVERSE FACTORS

The fifth annual general meeting of Reichhold Chemicals, Limited, will be held on May 28th, at Winchester House, Old Broad Street, London, E.C.

The following is the statement by the chairman, Mr Walter H. Breuer, circulated with the report and accounts :

The annual accounts are presented in a similar form to last year and adequately reflect the year's operations of our group of companies and their position at the close of the year. During the year the operating companies continued to expand their sales particularly in the fields of Glass-fibre Reinforced Plastics and Vinyl Polymers but like many other companies a very substantial increase in overheads covering wages, salaries, heating, transport, etc., had to be absorbed with a consequent reduction in profit margins, as evidenced in the accounts before you.

In view of these adverse factors coupled with the problems which arose from the credit squeeze and increased competition, your Directors consider the results satisfactory. However, they have been obliged to consider the impact of the reduced profits and the increased rate of Profits Tax and they propose the cash bonus be reduced to 2½ per cent.

DIVIDEND AND BONUS

Accordingly they recommend the payment to the holders of Ordinary shares a final dividend of 10 per cent and a cash bonus of 2½ per cent. With the interim dividend of 7½ per cent already paid, this makes a total dividend of 17½ per cent and a total distribution of 20 per cent compared with 22½ per cent last year. It is essential to maintain the prudent policy of an adequate ploughback, and it is proposed to place a further £75,000 to General Reserve.

Due to continued delays in delivery of component parts of the Phthalic Anhydride Plant, our hopes of deriving benefit from the production of this essential raw material in 1956 were frustrated. It is anticipated that production will shortly commence.

Our associates, Reichhold Chemicals Inc., USA, became a public company in Novem-

ber, 1956. Under a renewed agreement at a reduced rate of commission the Beck Koller Company should effect a satisfactory saving in the full year since the new agreement obtains from July 1, 1956.

We continue to enjoy the benefits from our close association with Reichhold Chemicals Inc., and its associated companies throughout the world, in the frequent exchange of technical information and, further, a reciprocal agreement has been concluded with Reichhold Chemicals Inc., and their associated companies involving commissions to the Beck Koller Company.

BURDEN OF TAXATION

May I emphasise the effect of the intolerable burden of taxation confronting industrial enterprises today. I can only hope that due regard to the necessity of fostering and maintaining increased production as so often expressed by the Chancellor of the Exchequer may soon result in the alleviation of the present penal level of taxation which is detrimental to the progressive expansion of industrial concerns.

In spite of all difficulties such has been the capital expenditure programme of the group that at the end of 1956 the book value of the fixed assets is double the figure at which they stood in 1952.

You will doubtless wish once again to associate yourselves with the tribute I am happy to pay, on behalf of the Board of Directors, to all our factory employees, technical and administrative staffs and directors of the operating companies, for their continued enthusiasm and support in these difficult times.

MONSANTO CHEMICALS LIMITED

The following are salient features of the circulated Report of the Directors, 1956, and of the statement by the Chairman, Sir Miles Thomas, D.F.C., which will be presented at the Annual General Meeting on May 30th, 1957.

SALES New records were achieved in both total sales and exports.
Sales at £14,035,000 were 4 per cent. higher than in 1955.
Exports at £5,821,000 were 15 per cent. higher.
Exports represented 41 per cent. of total sales and were distributed through 124 countries.
Home selling prices were held as near as possible to existing levels while export prices were dictated by the keenest international competition. It was consequently necessary to absorb most of the continuing increases in the cost of raw materials, services and labour.

PRODUCTION New plants completed during the year or shortly after included—maleic anhydride for paint, plastics and resins; cyclohexylamine for our own use in rubber chemicals manufacture and for sale; toughened polystyrene plastics. Several existing plants were expanded.
Increased efficiency achieved the highest volume of manufacture in our history whilst enabling experienced operatives and staff to be released to operate on new plants.

FUTURE DEVELOPMENT New manufacturing facilities will make more phthalic anhydride available to the paint, plastics and synthetic resin industries. Other new plants in 1957 will manufacture by-products of synthetic phenol, and "synthetic rubbers" for shoe soling, and chemicals for the rubber industry.
Construction of the new factory at Fawley will begin shortly. The first plant, to be completed by mid-1959, will initially produce 10,000 tons of polyethylene annually. This will add a new and valuable group to our range of plastics.

THE YEAR AT A GLANCE

	£	Percentage of total Income
WE RECEIVED:		
From the sales of our products and from dividends, interest, etc.	£14,166,890	100.0
WE PAID OUT OR PROVIDED FOR:		
Raw materials, fuel, supplies, etc.	9,237,728	65.2
Wages, salaries, national insurance, pensions, etc.	2,635,093	18.6
Depreciation and obsolescence	574,990	4.1
Interest on loan stock	175,000	1.2
	£12,622,811	89.1
WHICH LEFT	£1,544,079	10.9
THIS HAS BEEN APPLIED AS FOLLOWS:		
For payment of income and profits taxes	708,975	5.0
For payment of dividends to our stockholders	422,625	3.0
For items not applicable to the year	38,501	.3
Retained in the business	373,978	2.6
	£1,544,079	10.9

Copies of the Annual Report are available on application to the Department of Industrial and Public Relations.
MONSANTO CHEMICALS LIMITED
Registered Office:
Monsanto House, 10-18 Victoria Street, London, S.W.1

THE BRUSH GROUP LIMITED

TWO IMPORTANT PROPOSALS

The sixty-eighth annual general meeting of The Brush Group Limited will be held on May 30th in London.

The following is an extract from the Statement by the Chairman, Mr Geoffrey C. F. Eley, CBE, which has been circulated to Stockholders:

I am sure you will wish to know a little more about the two proposals reported in the Press on April 18th, and how they will affect both you and the Company.

HAWKER SIDDELEY OFFER

The first proposal is the offer made by the Hawker Siddeley Group Limited to acquire the whole of the issued capital of your Company. The Brush Group has been hampered for many years by a lack of permanent capital and whilst we justly appreciate the considerable assistance afforded by the Group's Bankers, the shortage of permanent working capital has had a restraining effect on the development of many projects.

The proposed merger with the Hawker Siddeley Group should enable both Groups to participate fully in the tremendous possibilities of the nuclear era. The advantages to be obtained from the fusion are, however, not restricted to nuclear activities. The addition of the varied range of Brush Group products with their world-wide sales markets would broaden the basic interests of the Hawker Siddeley Group whilst the Brush Group could not fail to benefit from the technical and manufacturing knowledge available in the Hawker Siddeley Group.

Various formalities have to be completed before the formal offer is sent to Brush Group Stockholders, but it will be issued as soon as possible. Your Board regard the terms as fair and favourable to all parties and strongly recommend acceptance.

ASEA ELECTRIC LIMITED

The second proposal is the acquisition, subject to necessary formalities, of the entire share capital of ASEA Electric Limited, the name of which is to be changed to Fuller Electric Company Limited. That company is the English subsidiary of Allmänna Svenska Elektriska Aktiebolaget (ASEA) of Sweden and has a large, modern and well-equipped factory at Walthamstow.

Subject to the necessary consents, the purchase of ASEA Electric will take place irrespective of the proposed merger with the Hawker Siddeley Group.

After commenting on the financial results for the year to December 28, 1956, Mr Geoffrey Eley continued: Notwithstanding the difficult trading conditions of 1956 which affected most of the country's engineering industry, the Group slightly increased its turnover and received more orders than in 1955. In the important dollar market of Eastern Canada we achieved greater success than ever before in the sale of Diesel engines and generating sets.

The Chairman then reviewed the Group's widespread manufacturing activities, and continued:

Our products are of high quality and our trade is sufficiently spread throughout the world to prevent our being too greatly affected by local recessions in any one area.

SAXONE, LILLEY & SKINNER (HOLDINGS)

MERGER BETWEEN SAXONE SHOE COMPANY AND LILLEY & SKINNER (HOLDINGS) SUCCESSFULLY CONCLUDED

RECORD TRADING RESULTS

MR THOS. LILLEY ON BENEFITS FROM EXPANSION PROGRAMME

The annual general meeting of Saxone, Lilley and Skinner (Holdings) Limited will be held on May 30th at 21 Tothill Street, Westminster, London.

The following is the statement by the Chairman, Mr Thos. Lilley, which has been circulated with the report and accounts:

During 1956 the negotiations for the amalgamation of your company with Lilley and Skinner (Holdings) Limited were brought to a successful conclusion and the two companies were finally merged on January 8, 1957. This important development is the one which will naturally be of most interest to shareholders. The accounts which are now submitted to you cover the trading results of the former Saxone Shoe Company Limited for 1956 in the manner in which they have always been presented. For the information of shareholders there is submitted also a consolidated statement of assets and liabilities and a profit and loss account drawn up on the assumption that the amalgamation between Saxone Shoe Company Limited and Lilley and Skinner (Holdings) Limited had been completed by December 31, 1956.

RECORD SALES

In dealing first with the former accounts it is encouraging to report that the combined sales of Saxone Shoe Company Limited and its two subsidiaries, Ritchie's Paper Products and Saxone Shoe Company Australia, established new records in 1956. Much of the profit arising from the increase in sales has been absorbed by heavy increases in overheads, particularly wages. Nevertheless the company has been able to show an improvement of £20,576 in the net trading profits which at £901,879 are themselves the highest ever achieved.

An important contribution to these fine results comes from new shops opened during the year as well as a number of extensions made to existing branches. Entirely new shops were opened in Sheffield, York, Blackpool, Southsea, Lewisham and Strand, London. This last opening caused particular interest because the shop occupies the site of the old Romano's Restaurant and gives a fine example of the style of shop front which has been installed recently by the Company.

REDUCED RATE OF DEPRECIATION

In the past, shopfronts have been written off over 12 years, but in view of their more permanent nature nowadays your directors have decided to adopt a more realistic policy and these assets will now be written off over 20 years. This reduced rate of depreciation, equivalent to 5 per cent per annum, has in fact been applied in the accounts before you and is responsible for the reduction in the charge for depreciation on shopfronts, fixtures and fittings. I would, however, point out that the amount set aside for the renewal of these assets of over £83,500 is still a very substantial sum. Moreover, although the rate of depreciation has been reduced, the ever-increasing cost of replacement must be provided for and, while inflationary conditions prevail, your directors have decided that this is best done by an appropriation from profits. A further addition to the provision for renewals of £25,000 has therefore been made and appears later in the profit and loss account.

The extra profits tax reflects the increased rate imposed last year and now applied for a full year. There is no change in the total distribution by way of dividends, but as already announced the ordinary dividend takes the form of a first and second interim at the same rates respectively as the interim and final dividends of last year. In this connection your Directors have agreed that the total distribution in future will be divided between a higher interim and a correspondingly lower final dividend than has been the practice in the past.

CONSOLIDATED ACCOUNTS

There are no other items in the profit and loss account or balance sheets which require explanation, and I will turn now to the consolidated accounts to which I referred at the beginning of my statement. Two items in the consolidated statement of assets and liabilities require comment. The first is the share premium account of £2,250,000. This represents the excess of the market, over the nominal price, of the company's shares which were issued to the members of Lilley and Skinner (Holdings) Limited in exchange for their shares in that company, at the time of the amalgamation. The second item is the freehold and leasehold properties appearing in the statement under the heading Fixed Assets. The value shown for these properties is the book value, but, as explained when the proposals for the amalgamation were announced, recent assessments have shown that the current values of the properties are substantially greater than those at which they are included in the statement.

The profits shown in the consolidated profit and loss account are those of the two companies together for 1956 and do not, of course, reflect any of the benefits which, we are sure, will follow from the amalgamation, some of which are already being felt. I am glad to be able to report that a most happy and co-operative spirit exists between the different companies in the group, all of which enjoy the continued loyalty and enthusiasm of their staff and employees. Your directors are confident that, in the long run, the amalgamation will be beneficial to everyone connected with Saxone, Lilley and Skinner (Holdings) Limited.

BRITISH ALUMINIUM COMPANY

INCREASED INCOME

The Annual General Meeting of The British Aluminium Company, Limited, was held on May 7th in London.

Marshal of The Royal Air Force, The Right Honourable Viscount Portal of Hungerford, KG, GCB, OM, DSO, MC (the Chairman), in the course of his speech, said: The consolidated income for the year, after tax, amounted to £1,584,269, which compares with £1,426,717 for the previous year.

The demand for our general semi-fabricated products eased slightly during the year under review. We attribute this, at least partially, to two factors: firstly, improvement in the world supply of ingot resulting from new capacity in various countries enabled our customers to reduce their stocks owing to the removal of anxiety about supplies; secondly, the credit squeeze accentuated the tendency towards stock reduction.

Our subsidiary and associated companies operated satisfactorily throughout the year.

PRICES

The price of aluminium ingot, which is influenced in this country by the North American price, increased during last year by a total of £26 per ton, and now stands at £197 per ton. This increase, coupled with increases in wages and other costs, made it necessary to adjust the prices of our semi-fabricated products.

During the latter months of 1956 and the early months of this current year the trading position was adversely affected to some small extent by a number of factors, among them the credit squeeze, hire purchase restrictions, a general recession in the motor industry and industrial unrest.

We have the greatest confidence in the long-term future of our metal, and there is no doubt that the removal of the metal shortage which has been so hampering to development work, will enable us progressively to expand. It is obvious that there must be considerable reluctance on the part of users to make all the adjustments necessary for the use of a new material when there is no guarantee of the availability of supplies. We are therefore looking forward with other members of the industry to expanding demand resulting from an active programme of development work unhampered by anxiety regarding metal supplies.

Last year we were able to expand our export orders in spite of keener and more intensive competition.

CANADIAN SUBSIDIARY

Last year I informed you of the formation of our new subsidiary, Canadian British Aluminium Company Limited, and you will wish to have a report of progress made to date. This has been well up to schedule, and the amount of work achieved has been most impressive, reflecting great credit on all concerned.

When we add to the net income of the Parent Company the amount brought forward from the previous year and deduct certain appropriations and provisions, we are left with the sum of £1,055,172. We recommend a final dividend of eight per cent on the Ordinary Stock which makes twelve per cent, less tax, for the year.

The report and accounts were adopted.

LONDON & MANCHESTER ASSURANCE

LORD GRANTCHESTER'S SPEECH

The eighty-eighth Annual General Meeting of the London & Manchester Assurance Company, Limited, was held on May 8, 1957, at the chief office, Finsbury Square, London, EC2. The chairman, Lord Grantchester, OBE, presiding, said:

DIRECTORS' REPORT AND ACCOUNTS

The Directors' Report and Accounts for the year 1956 have been in your hands for some weeks and I assume you would wish to take them as read.

There is nothing very remarkable on which comment is necessary; you will probably agree that the accounts record moderate progress. The Life Funds stand at over £52 million and show an increase in the year of over £2 million. There is an increase in the premium income in all branches. In the ordinary Branch, where the premium income is approaching £3 million a year, the year's increase is £111,000. In the Industrial Branch, where the premium income is now over £3½ million a year, the year's increase is £159,000. The total sum assured in the two Life Branches is now over £125 million, including bonus additions. In the Fire & General Branch, where the premium income is over £330,000 a year, the year's increase is £35,000.

Our thanks are due to the Directors, Management and Staff of the County Fire Office for their ever-ready assistance with our Fire and General business. In common with the general experience, due to exceptional weather conditions of frost and storm and to the continued bad experience in the Motor Department, the results in the Fire and General Department were disappointing.

There is a further improvement in interest income, which has been one of the objectives of our investment policy over the past few years. The total gross interest has increased during the year by over £200,000 and the gross yield on the funds is £5 11s. 6d. per cent.

The year has not been without anxiety. Costs have risen more sharply than premium income. Local rates figure prominently among the increases as well as an increase in the contributions to the Staffs' Pension Fund and increased remuneration to the Staff, of which we have not felt the full impact in the year under review. It is a disquieting feature that whereas expense ratios were steadily coming down they are now moving upward. It is in the long term interests of the Staff to co-operate with the Management to correct this trend.

INVESTMENTS

The problems of Investment have not been easier. I said last year that the balance sheet values of our Stock Exchange securities as at December 31st, 1955, were in total less than their market value without recourse to the Investments Reserve Fund. This is again the position today although at the date of the Balance Sheet before you it was necessary to take into account the Investments Reserve Fund to a limited extent. There has been no marked change during the year in the spread of our Investments. The growth in assets is reflected in Mortgages which have increased by approximately £1 million and in Debentures and Ordinary Shares which have increased by approximately £½ million each.

BONUSES

I believe, having regard to current premium rates and to the rates of bonus which we are paying, the contracts which we offer in all departments are very good value. The bonus in the ordinary Branch this year is £2 per cent on the Sum Assured and the cost of the bonuses declared this year in the two Life Branches is in excess of £1 million.

INVESTMENT TRUST RETIREMENT ANNUITIES

In addition to the demand for conventional contracts, we sensed a potential demand for a retirement annuity, where the obligation to pay does not arise for a comparatively long period of years, under which both premiums and benefits are related to the level of equity prices instead of being payable in sterling. As a consequence we launched in January this year a new contract under the title "Investment Trust Retirement Annuity," which is based on the price of Investment—Trust—Units.

You will be gratified that our pioneering effort has met with a most satisfactory response. We feel well rewarded for having met a new demand attracting new customers to the Company under this prospectus.

MONETARY POLICY AND INFLATION

I welcome the decision of the Government to set up a Committee to enquire into various aspects of monetary policy and hope the conclusions of the Committee will help toward the re-establishment and maintenance of sound money, for inflation continues to threaten the future value of our currency and our standard of living. It is surely to be expected that the purchasing value of the pound note would fall when the number of pound notes in circulation has been increased four times since 1939 and the quantity of Treasury bills by five times, while production has increased less than 40 per cent over the same period.

SAVINGS

Once again I must stress a subject which is of supreme importance and directly linked with our business. This is the question of saving.

I want to give three reasons for saving—

The first is personal; our sympathy is stirred when we hear or read of the hardship from which some old people still suffer. They need sympathy and help—but, while pity is aroused, we should also fear lest a worse fate befall this generation, as it well may if something is not put aside for the future. There is no better way than through an insurance policy.

The second is both personal and comradely. Savings invested in a policy help to step up the rate of investment in industry and thereby raise the level of productivity. The amount of investment is limited by the supply of savings so every policy-holder helps to keep the wheels of industry going on which he depends for employment.

The third reason is personal and national. A high rate of personal saving restrains the immediate demand for goods, helps the export drive and reduces our balance of payments difficulties. It also helps to keep up the value of our money.

AGRICULTURAL MORTGAGE CORPORATION

INCREASED LOANS

The annual general meeting of The Agricultural Mortgage Corporation Limited will be held on May 29th at Stone House, Bishopsgate, London, E.C.

The following is an extract from the circulated statement of the Chairman, Mr E. J. Bunbury, CBE, MC:

The year 1956 opened with high promise for farming, but after a mild spell, arctic conditions gripped the country and held up work for a month. This was followed by true Spring weather in March. In spite of these vicissitudes, our borrowers have generally maintained their record for the prompt payment of their loan repayment instalments, 95½ per cent of the amounts due having been paid by the end of our financial year.

We have completed loans to the total of £4,116,135 during the year, an increase of £609,919 (17 per cent) over last year, while further loans of £1,169,362 were granted by the Directors and will be completed as soon as the usual legal formalities have been arranged.

The recently published Government long-term assurances to the agricultural industry have been well received, and they are by far the most important steps taken to promote the welfare of the farming community since the passing of the Agriculture Act a decade ago.

Turning to the Balance Sheet, loans on mortgage and improvement loans have increased to £30,528,044. These advances are secured on well selected properties spread over the whole of England and Wales. The liability in respect of our loan capital has increased to £31,577,434, taking into account the further issue of £5 million 5 per cent Debenture Stock and allowing for purchases of earlier issues for cancellation.

GENERAL EXPANSION OF BUSINESS

The items in the Profit and Loss Account reflect the general expansion in our business. Interest on loans to farmers has increased by £161,764 this year to £1,294,541. We have this year received a grant of £47,000 from the Minister of Agriculture, Fisheries and Food under the provisions of the Agriculture (Miscellaneous Provisions) Act 1944 in accordance with the terms of the Agreement with the Minister, which is the lowest amount paid to us since the passing of the Act. Of this sum, £40,200 has been credited to Profit and Loss Account and the balance of £6,800 has been taken to General Reserve, which now stands at £309,900.

After transferring £2,500 to Contingencies Account, making provision for all bad and doubtful debts, and setting aside a sum sufficient to cover all interest payments due from borrowers up to December 31, 1956, and not received by the end of our financial year, the amount available on Profit and Loss Account is £56,580. Of this, £8,400 has been transferred to Special Reserve, £25,105 has been written off the item for expenses of issues of Debenture Stocks, £15,374 has been written off the discount at which various Debenture Stocks were made, and £5,270 has been paid this year for compounding for Stamp Duty on the issue of 5 per cent Debenture Stock 1979/83, leaving a balance of £2,429, which the Directors propose to carry forward.

COMMERCIAL UNION ASSURANCE

NEW RECORDS

The Annual General Meeting of the Commercial Union Assurance Company Limited will be held on May 27th in London.

The following is an extract from the circulated statement by Lieutenant Colonel John Leslie, DSO, MC, DL, the chairman:

In retrospect the year 1956 was perhaps one of the most difficult we have experienced since the war.

It is gratifying to record that our premium income for general business—that is to say, fire, accident and marine together—reached a new record, and the total achieved exceeded £58 million. Our new life business fell just short of last year's record figure but is none the less impressive.

The increase in our premium income for general business has been derived from most of the principal territories in which we operate and it is particularly encouraging as there has been a marked tendency for premium rates to fall for many classes of business. In contrast, our underwriting profit is considerably less than that to which we have been accustomed in recent times.

FIRE DEPARTMENT

At home the premium income has continued to develop, although there is evidence that sums insured have not kept pace with current prices. It is unfortunate that underinsurance does not normally become apparent until claims arise, and it is again emphasised that policyholders should, in their own interests, make certain that sums insured are adequate to meet today's costs.

In the overseas field, which continues to provide us with the greater part of our fire business, we have again achieved a satisfactory expansion in our premium income, to which most of the territories in which we operate have contributed.

I have previously referred to the growing tendency in countries overseas to introduce nationalistic legislation which has had the effect of interfering with the development of insurance business on a truly international basis. Bearing in mind the search which is being made for ways and means of liberalising trade and commerce between the nations, I had hoped this year to report some improvement in the position, but I regret I am unable to do so. I can assure you, however, that every endeavour continues to be made to remove these barriers and we hope that ultimately the efforts will be successful.

ACCIDENT DEPARTMENT

The home revenue again showed satisfactory progress and the rate of expansion in recent years was well maintained.

Unfortunately it is again necessary to draw attention to the high claims cost in the transaction of motor insurance, which, over a large portfolio, has a marked influence on the whole of the home accident account. Last year reference was made to the ever increasing number of accidents on our roads and during the past twelve months the number of our claims again rose substantially. Against this background of rising claims in number and cost, and in spite of the continued use of all underwriting skill, it is evident that a position has been reached where our present rates of premium can no longer be considered adequate.

Employers' liability insurance must continue to be affected by the present inflationary trend in wages and awards but no entirely new difficulties were encountered and some measure of stability can now be said to have been attained.

The revenue from the miscellaneous classes of the accident account again showed expansion, notwithstanding the keen competition encountered in this field.

In the United States, where our casualty business is conducted by our associated companies, The Ocean Accident and Guarantee Corporation Limited and the Columbia Casualty Company, our premium income continued to expand but our operations, in common with those of most casualty insurers, were unprofitable.

MARINE DEPARTMENT

The year 1956 will be remembered for the tragic sinking of the Italian liner, *Andrea Doria*, with more than half of the loss falling on the British market. This loss, together with a general increase in casualties, has raised our first year settlements to the highest in postwar years.

The rating of new tonnage still falls below an economic level and fails to take into account the spiral of inflation in the increased cost of repairs.

LIFE DEPARTMENT

The total life department production shows evidence of continuing progress, despite the fall in the life assurance total.

During the year the life fund increased by £3,789,848 to £57,261,265, and on December 31st, despite the depressed conditions in the investment market, only a relatively small extra provision was required to ensure that, on a strict market price valuation basis, the aggregate market value of the invested assets exceeded the aggregate value at which they are carried in our books. The average earned rate of interest was £3 16s. 4d. per cent net, an improvement of 1s. 1d. per cent on the previous year's figure. The net premium income for life assurance policies was £5,678,113 (1955, £5,399,316) and £1,427,955 (£983,525 for 1955) was received as single and annual premiums for various types of annuity contract, including the substantial volume of the new pension annuity business written during the closing months of the year. Expressed as a percentage of the life assurance premium income only, commission and expenses absorbed 13.2 per cent thereof, compared with 12.8 per cent in 1955, but the rapid growth of our annuity activities has made obsolete this traditional method of quoting a figure for the "expense ratio." As the simplest of the many ways in which this controversial fraction can be calculated I prefer to state that for 1956 the total commission and expenses absorbed 10.5 per cent of the total life assurance and annuity premium income, compared with the 1955 figure of 10.8 per cent similarly calculated.

The directors recommend a final dividend of 2s. 2d. per 5s. unit of stock, making, with the interim dividend of 1s. 6d. paid in November last, a total of 3s. 8d. per 5s. unit.

The further expansion of our business is seen in the continued growth of our assets, which now exceed £165 million.

THE HOFFMANN MANUFACTURING COMPANY

A SUCCESSFUL RESULT

MR J. W. GARTON ON BOARD'S MODERNISATION POLICY

The annual general meeting of The Hoffmann Manufacturing Company Limited was held on May 2nd in London, Mr J. W. Garton, JP (Chairman and Managing Director), presiding.

The following is an extract from his circulated statement:

Last year I mentioned that there was a slowing down in demand from the motor industry. However, we were able to obtain considerable orders for special bearings and in consequence to absorb the surplus manpower very quickly, which has meant that we have been able to achieve a slightly higher level of turnover than in the previous year. We have also had some very good orders from abroad for special bearings and expect to be busy on this class of work for several months ahead. We now have better news to report from the motor industry. The position is improving and we have received increased schedules.

The profit of the Hoffmann Group for 1956 before taxation, but after all other charges, amounts to £1,093,269 and compares with £1,079,802 for the previous year. Income Tax and Profits Tax absorbs £541,608 in 1956 against £543,114 in 1955. The net profit of the Group for the year 1956 after taxation is therefore £551,661 and compares with £536,688 for 1955. This successful result was achieved notwithstanding increased wages and the higher cost of raw materials, which were borne in part by the Company. The Directors recommend a Final Dividend of 6d. per share (free of tax) which together with the 1¼d. per share (free of tax) paid as an Interim is an increase of ¼d. per share (free of tax) on last year.

CAPITAL EXPENDITURE

During 1956 the Group expended £363,000 on Capital Account, and this brings the total expenditure under this head for the three years 1954, 1955 and 1956 to £1,141,000. Orders for capital commitments at December 31, 1956, amounted to £178,611 and, in addition, further expenditure amounting to £165,000 has been sanctioned by the Board for which orders have or will be placed in the near future. In addition, the Board have agreed for a further sum of £300,000 to be spent over the next few years in accordance with their policy of continually keeping production plant up to date by purchase of the most modern machine tools and essential maintenance plant.

As you all know, every year wages have been going up considerably, and it is not possible to recover the whole of the increases in wages and raw materials by increased prices; this can only be done by better plant and machinery, methods, organisation and management, and also good labour relations. We are fortunate in this Company in having a good understanding with people at all levels on the Shop Floor who are told exactly what is happening and, in consequence, we have met no difficulties whatsoever in any of our Schemes of Reorganisation which has helped and will continue to help to maintain the goodwill and prosperity of the Company.

The report and accounts were adopted.

BABCOCK & WILCOX LIMITED

MR W. LIONEL FRASER ON TIMES OF CHANGE AND UNIQUE PROMISE

The fifty-eighth annual general meeting of Babcock and Wilcox Limited will be held on May 30th in London.

The following is an extract from the Review by the Chairman, Mr W. Lionel Fraser, CMG, which has been circulated with the report and accounts for the year ended December 31, 1956:

Loyalty and co-operation on the part of our Staff and Operatives both here and abroad have this year been most marked, and on your behalf it gives me much pleasure to express to all our grateful thanks and appreciation of their splendid work.

The Group profits, after setting aside the sum of £1,942,385 for depreciation, were £3,560,808 which, after providing for United Kingdom taxation and making other necessary adjustments leaves £1,527,844. Your Directors recommend a Final Dividend of 8 per cent on the Ordinary Stock, making a total of 15 per cent, less tax, for the year; and that £500,000 be transferred to General Reserve, raising that Reserve to a new total of £8,445,110; and that £150,000 be transferred to Special Research and Development Reserve.

TURNOVER AND ORDER BOOK

Our actual turnover was substantially the same as the record figure of last year, but increased costs of production due to wage advances and higher prices of raw materials, have further eroded the profit margin. It is becoming evident that the stage is rapidly approaching when any material reductions in over-all costs will be difficult to achieve, and it is the view of your Board that any further advances in costs must inflate the price of our products significantly, with unfortunate effect on our competitive power abroad. It is extraordinary that this is not more generally realised. If Great Britain is to hold her own, it must be emphasised that the only real prospect of stable costs lies in raising output by even more concentrated efforts on the part of all of us who work in Industry and Commerce, whether in offices or factories, and by continual improvement in the machinery and equipment used.

The volume of work on hand is still encouraging. During 1956 almost 40 per cent of the orders received were for the export market, a substantial proportion being in respect of contracts secured in the Commonwealth.

MARINE

The year 1956 was a record for the receipt of new orders. Boilers were built under licence by shipyards in the British Isles, Belgium, Holland, Sweden, Italy and Japan. The majority were for Tankers, but other outstanding orders were for a new passenger ship for The Union-Castle Mail Steamship Company Limited and for a new design Car Ferry.

ATOMIC ENERGY

During the past year we have substantially enlarged our Atomic Energy Department to enable us to handle the wide range of inquiries in this new development. Our main activity, in close association with our partners, The English Electric Company Limited, and Taylor Woodrow Limited, is centred on the national programme for atomic power stations using graphite moderated reactors. A substantial percentage of our research and development work is devoted to studies connected with the problems arising from the raising of steam from an atomic reactor.

In spite of the massive programme of power supply within the United Kingdom, it is to be hoped that adequate facilities will be available, both in money and materials, to maintain this country's overseas business, not only for conventional power stations but also for atomic energy stations. Markets once lost are most difficult to regain and it is clear that British manufacturers need all possible encouragement and support at home in respect of long-term credits and, coupled therewith, credit insurance for this all-important export.

GENERAL REVIEW AND PROSPECTS

We say that "Babcock spans the world," which indicates that ours is a business with international ramifications, and considering the upheavals, economic and political, with which the world has been faced during the past year, it speaks well for the underlying strength of this Company that our results have not been more affected. This is a great Company, and I say it because it should be said. Its standards are high and its sense of service unrivalled, a fine tribute to all who work for the Company but especially to the inspired leadership of Sir Kenneth Hague and his colleagues.

These are times of change and of unique promise, and they call for special zeal and newness of approach to all problems. It may well be that the conduct of industry, and indeed of our entire way of life, will be transformed during the next few years by the development of nuclear energy. Apart from all its other manifold activities associated with steam-raising plant, the Company is determined fully to play its part by the application of its scientific and technical knowledge of nuclear projects, reinforced as this has been by the practical experience in production already gained through the important orders undertaken for the Calder Hall and Chapel Cross Atomic Energy Power Stations.

Our plans are long term, and faced with the ever-growing fierceness of competition and the much finer margins with which we now have to be content, we cannot expect better figures for the time being. Indeed, I ought to stress that development of some of our new projects, especially overseas, is still at an early stage, and capital thus invested must of necessity be temporarily unremunerative. It is also well to remember that whilst we see magic in the future of atomic energy, contracts in this sphere are just as competitive as any others.

Nevertheless, we believe we are building on sound and firm foundations. If I am right in my opinion that we possess the knowledge, the skill and the boldness, to meet and overcome the vast problems which constantly beset a manufacturing concern like ours, then it is certain that the results of our work will prove to be constructive and creative, and should in time be adequately remunerative.

UNITED PREMIER OIL AND CAKE COMPANY

IMPROVED TRADING RESULTS

The thirty-eighth annual general meeting of United Premier Oil and Cake Company Limited was held on May 8th in London, Sir Eric Mieville, GCIE, KCVO, CSI, CMG (the chairman), presiding.

The following is an extract from his circulated statement:

The gross trading profit of the group amounted to £441,000, an increase of £117,000 over the previous year. The great bulk of this increase was achieved by the seed-crushing side of the business, which, you will remember, had been very badly hit it 1955.

The subsidiary companies outside the seed-crushing industry have all had satisfactory results and have maintained their position in spite of intense competition during the latter part of the year. Two of our subsidiaries were affected to some extent by the reduced output of the motor industry.

After all charges, the amount available for the Ordinary Stockholders is £105,296. We now recommend a final dividend of 9d., making a total of 1s. per unit, less tax. This absorbs £46,000, leaving £59,296 to be retained in the business. This, together with certain over-provisions for tax now credited back, has enabled us to place £79,500 to General Reserves and increase the amount carried forward by £14,107.

Early in 1956 we issued £500,000 of 6 per cent Debenture Stock and the result of this issue is reflected in the virtual elimination of the Bank overdraft. We have spent since the war nearly £1¾ million on new plant. It is quite clear, however, that we shall not be able to take advantage of modern developments unless we reinvest at least our annual depreciation allowances in new plant and machinery.

Our proposed dividend of 20 per cent represents no more than 5 per cent on the equity capital employed in the business. In the last ten years we have paid in direct taxation £1,884,000 which compares with £604,480 paid to shareholders as dividends and £1,970,000 retained in the business. This last figure includes depreciation.

PROSPECTS

It is not possible at this early stage to forecast the results for 1957, but I can say that the first three months of the year would appear to be satisfactory. When the low pressure expeller plant now nearing completion at Isis Mill is in operation we shall have there a plant of which we may be justly proud and, apart from some small ancillary machinery and provision of some further warehouse space, the postwar programme of modernisation at that Mill will be virtually complete. At Universal, on the other hand, new techniques are constantly developing.

It is too early to assess the possible effect upon us of a European Common Market. This is a matter of vital importance and it seems to me most undesirable to attempt to prejudge the issue on insufficient evidence. All that I would wish to say at this stage is that it appears probable that some such association of the major Western Powers of Continental Europe will be formed and that we in this Company may have to meet intensified competition with ever increasing efficiency.

The reports and accounts were unanimously adopted.

BLAW KNOX LTD

The annual general meeting of Blaw Knox Ltd. was held on May 8th in London, Mr John M. Wallace (the chairman) presiding.

The following is an extract from his circulated statement:

Our trading profit amounts to £389,097, which compares with £398,089 for the previous year. After making full provision for Depreciation, Income Tax, Profits Tax, Directors' Fees and Directors' Managerial Services the balance available for distribution is £153,800 as compared with £171,122 for the previous year.

Construction Machinery: It has been the consistent policy of the Board to encourage the development of new products and continuously to improve the efficiency of established lines. The good effects of this policy were clearly seen in maintaining the volume of sales in more severely competitive conditions.

Steelworks Equipment: This Department again had a satisfactory year, with new orders and deliveries being higher than for the previous year.

Chemical Process Equipment: During the year there were satisfactory increases in both sales and deliveries. Good progress continues to be made in developing this Division.

Transmission Towers: Orders, particularly for domestic use, continue to rise.

As to the future, your Directors feel that the range and quality of our products ensure our being well equipped to meet competition and to maintain your Company's leading position in the industries which it serves.

The report was adopted and the dividend of 30 per cent approved.

GENERAL ACCIDENT

PROGRESS IN A DIFFICULT YEAR

The seventy-first annual general meeting will be held on May 29th at Perth.

The following is an extract from the circulated address of the Chairman, Sir Stanley Norrie-Miller, Bt, MC, DL, JP:

Experience generally, both at home and overseas, showed marked deterioration, but fortunately there were no disasters of a catastrophic nature and we were able to emerge from a difficult year with our financial position not only unimpaired but in fact strengthened. Income from all sources amounted to £55,484,661, an increase of £4,402,203, which in the circumstances can be regarded as no mean achievement.

The revenue balance, a decrease of £532,944 on the preceding year's figure, was £2,157,757.

A final Dividend of 6s. per £1 unit of Ordinary Stock is recommended, making a total Dividend of 9s. for the year as compared with 8s. 6d. for the previous year.

It might not be inappropriate to remind Stockholders of the solid progress made in the last five years. Our premium income, excluding Life, for 1951 amounted to £32,860,879. For 1956 it was £49,572,664. As between these two years Life premiums show an increase of 136 per cent and Life sums assured at £15,192,652 are almost four times greater. Interest earnings have doubled and our total assets, net of reserves, have increased from £59 million to £91 million.

Premium income in the Accident and General Department advanced by more than three and a quarter million pounds to the record total of £44,469,549.

AUTOMATIC TELEPHONE & ELECTRIC COMPANY LIMITED

Annual Report and Accounts of the Group for the Year ended 31st December, 1956

PRINCIPAL FEATURES

	1956	1955
	£	£
Profit (after Depreciation, etc.)	1,794,031	1,271,629
Taxation	805,935	486,262
Net Profit	988,146	785,367
Dividends	292,127	211,692
Retained in the Business for Research Development, Expansion, etc.	696,019	573,675
Issued Capital	3,994,400	3,294,400
Reserves and Amounts set aside	7,848,905	6,431,097
Fixed Assets	2,147,832	1,735,461
Investments	288,655	296,602
Net Current Assets...	9,406,818	7,693,434

The following is an extract from the Statement to Stockholders made by Sir Thomas Eades, Chairman:—

We entered 1957 with a full order book, and our budgeted manufacturing programme for this year and 1958 evidences new records for the Group.

Prospects for the future are good and with the settled conditions we are all striving for, your Company should be assured of plenty of work to keep all our factories at a high level of production. We remain confirmed optimists for the progress of the Telephone Business and the ability of our people to fully play their part in its development.

UNITED BISCUITS LIMITED

RECORD GROUP SALES

The ninth annual general meeting of United Biscuits Limited will be held on May 30th in Edinburgh.

The following are extracts from the circulated Statement by the Chairman, Mr P. G. Macdonald, WS, JP, for 1956:

Once more I am glad to be able to report group sales for the past year which break all our former records at a figure of over £15,500,000, an increase of £2 million over the previous year. This continued progress is in a large measure I feel sure due to the confidence which the British housewife has in the excellent quality maintained by the biscuits and cakes manufactured by McVitie & Price and Macfarlane Lang.

Your Directors continue to develop their policy of producing biscuits of first-rate quality at the lowest possible price. Full advantage is being taken of the experience we gained from our pioneering in the bulk handling of ingredients and further modernisation is still in progress.

BISCUIT PRICES

The price of our biscuits was reduced by a penny per pound during 1955 and in spite of the further increased costs for wages, certain raw materials, freight, etc., since then the price remains unchanged. This has only been made possible by the continuing expansion in sales with a consequent spreading of overhead charges and the greater use of mechanical and electronic devices both in the handling of raw materials and in the packeting of biscuits. We can, I think, be justifiably proud of our achievement in maintaining stable prices and a satisfactory profit figure.

Our export trade still shows a healthy increase, especially to the dollar countries.

The group profit before providing for taxation amounted to £2,309,841, as compared with £2,163,270 in the previous year. Income tax and profits tax require provisions of £1,187,015 (1955, £1,062,741) and there remains after taxation a balance of £1,122,826 (1955, £1,100,529). Practically the whole of the increase in earnings has been absorbed by additional taxation. The Directors recommend that the final dividend on the ordinary shares be 11 per cent, less tax. The total dividend of 15 per cent for the year is 1 per cent more than last year. The subsidiary companies have carried £750,000 to general reserve and £55,000 to fixed assets replacement reserve, and there remains to be carried forward a balance of £472,089. Since the inception of the Company in 1948, the capital employed has nearly doubled; this has been achieved by retention in the business of profits earned.

THE FUTURE

During the current year to date our progress continues to be maintained satisfactorily. In the knowledge of what the country has come through in the past few months, I would be a bold man who would prophesy as to the future.

There is one matter, however, upon which I have not the slightest doubt and that is that the Government must grant further substantial reductions in taxation.

For far too long have successive Governments taken for granted that it is inevitable that a large section of the community should continue to be taxed at a penal rate.

FRIENDS' PROVIDENT AND CENTURY LIFE OFFICE

STATEMENT BY SIR OLIVER FRANKS

The one hundred and twenty-fourth Annual General Meeting of Members was held on May 8, 1957. The following is an extract from the statement by the Chairman, the Right Honourable Sir Oliver S. Franks, which has been circulated with the Report and Accounts for the year ending December 31, 1956:

This year marks the 125th birthday of your Office, formed as the Friends' Provident Institution, and known since its acquisition of The Century Insurance Company Limited in 1918 as Friends' Provident and Century Life Office.

The New Life Business in 1956 totalling £29¾ million constituted another record. The greater part of this has been written under the ordinary individual contracts with an increasing number of proposers selecting the With-Profit tables. Our Group Life and Pension Schemes are obviously still very attractive and much sought after. As an Office specialising in Pension business we have evolved a variety of schemes for the self-employed.

We report yet another record year in the Continuous Disability Department, which has again been profitable. An increasing part of the new business written relates to Group Schemes for Employers.

A very satisfactory profit comes from the Sinking Fund Account and also from our Subsidiary Hire Purchase Company—Southern Industrial Trust Limited.

The Marine Account has made much the same contribution to profit as in the previous year and the fund is in a strong position.

The Home Fire Account continues to grow steadily, and in spite of storms and serious fires contributes a somewhat larger profit than in 1955.

The improvement reported in the Home Accident results last year has not been maintained except in the Miscellaneous Section, where growth is steady and profit good, but this profit has been more than swallowed up by losses in other Sections, particularly in the Motor Section.

Last year I reported a substantial loss in our Fire trading in the United States and in Canada, a loss in our Accident trading in the United States, and a good profit in Canada. The present results show that the trend has gone further. This is disappointing, and the disappointment is not lessened by reason of the fact that so many of our competitors, both British and foreign, find themselves in a similar position.

These losses in North America have affected the dividend payable by The Century to the Parent Office. This year it amounts to £221,375. This is approximately £30,000 less than in the previous year, though it is still greater than the average amount paid during the last quinquennium.

The funds of the Group increased during the year from just over £60 million to about £67 million. The gross return earned on the whole of the funds of the Friends' Provident of £6 0s. 6d. per cent showed some reduction, however, as a result of the lower dividend received from the investment in The Century Insurance Company, but the net return of £5 6s. 6d. per cent after deduction of Income Tax again exceeded by a large margin the rate of interest on which our actuarial liabilities are calculated.

Mr J. Douglas Pringle resigns under the age limit from the post of General Manager at the end of June. He joined the Century at Edinburgh Head Office in 1942 and succeeded Mr Henry Tapscott as General Manager in 1945.

Your Directors have appointed Mr David Bevill Tregoning, MA, ACII, to succeed him. Mr David Tregoning joined us in 1935 and has had wide experience in the Departments of the Office.

TIMOTHY WHITES & TAYLORS LTD

POLICY OF EXPANSION CONTINUES

The twenty-eighth ordinary general meeting of Timothy Whites & Taylors Limited was held on May 2nd in London, Mr George Ingham Rushton, MPS (Chairman and Managing Director), presiding.

The following is an extract from his circulated statement: The trading profit and sundry income of the Group amounted to £1,670,681 in 1956, compared with £1,520,237 in 1955. The charge for taxation was £790,788, as compared with £681,611.

The Directors recommend a final dividend on the Ordinary Share Capital of 20 per cent, less Tax, making 32½ per cent, less Tax, for the year.

During the year eleven additional branches have been established and again a number of branches have been enlarged and refitted. The results at our new and altered branches have been very encouraging, and your Directors intend to continue this policy of expansion. Coupled with this, your Directors are continuing the policy of closing uneconomic branches, and during the year a further 31 such branches have been closed.

In the early part of 1957 the business of the Group has shown an upward trend as has been the experience of the last few years, but it is not so great as was experienced in the previous year, although expenses, including salaries and wages, continue to rise.

The report and accounts were adopted.

The proposed increase of capital and scrip issue of one new 5s. Ordinary Share for each 5s. Ordinary Share held was approved.

THE MANGANESE BRONZE AND BRASS COMPANY

VOLUME OF BUSINESS FURTHER IMPROVED

The fifty-eighth ordinary annual general meeting of The Manganese Bronze and Brass Company Limited was held on May 3rd in London, Mr J. C. Colquhoun, MBE, chairman and managing director presiding.

The following is an extract from his circulated statement:

The consolidated profit for the year ended December 31, 1956, after charging £83,630 for depreciation but before providing for taxation and dividends, amounts to £536,426. The corresponding figure for the parent company only for 1955 was £485,254. Provision for taxation requires £289,570, so that the net amount available is £246,856.

Your directors recommend that a final dividend of 17½ per cent be paid on the increased Ordinary share capital making 25 per cent for the year (same) plus a bonus of 2½ per cent making a total distribution for the year on all shares held prior to the increase of 27½ per cent. If approved, the surplus remaining out of the year's profit (part year's profit from subsidiaries) after payment of all dividends will amount to £161,362.

It was towards the end of the year that your company acquired, by exchange of shares, the entire share capital and Convertible Debenture stock of Lightalloys Limited, which now becomes a wholly owned subsidiary with profits accruing to your company as from July 1, 1956. Simultaneously your company acquired for cash the entire share capital of Steven and Struthers Limited of Glasgow, which likewise becomes a wholly owned subsidiary. These two companies will, in the opinion of your directors, fit in well with and broaden the scope of the business of your company.

In regard to Paxol Limited of Canada, your directors decided during the year to accept a cash offer and royalty for a period for your two-thirds interest in that business, and a small profit of £7,413 on the realisation of this interest is shown in the accounts.

BALANCE SHEET SUMMARY

Fixed Assets.—The increase of just over £1 million in the written down value of the fixed assets of your company results from a revaluation by professional valuers. This was based on replacement values at 31st December, 1955, less appropriate depreciation for each item, and the total write up is balanced, in the balance sheet, by a "Capital Reserve." The total net fixed assets shown for the group will be increased when an up-to-date revaluation is made of the subsidiary companies.

Net Current Assets.—The excess of current assets over current liabilities of your company showed an increase of £67,559 on the year at £1,080,408.

Total Net Assets.—For the group this value amounted to £2,936,834 at the close of 1956 as against £1,413,389 for your company at the end of 1955. Here again, the figure would be further increased by a revaluation of fixed assets of subsidiary companies.

Birkenhead Works.—The output of ships' propellers in actual tonnage was the best for some years with the highest yet proportion (83 per cent) to our own Scimitar design and an ever increasing proportion in our high strength alloy Nikalium. Scimitar-Nikalium propellers have indeed established a high reputation in the marine world.

Handford Works, Ipswich.—The excellent results which I reported for this factory for 1955, mainly in extruded and rolled products, were well maintained in 1956 despite appreciable fluctuations in the demand for such products or semi-finished products. Again there were indications of a recession towards the end of the year, but 1957 was started with a satisfactory order book.

Elton Park Works, Ipswich.—Some falling off in demand for "Oilite" products became evident as the year progressed, particularly from the motor and domestic appliance industries. The reduction would have been more serious had it not been for the continued development by our technical staff of new applications. In the event there was a 15 per cent decline in sales for the year.

Future Prospects.—Increasing competition from abroad, the passing of the Restrictive Trade Practices Act and Britain's participation in the European Free Trade Area will all affect British industry generally and require readjustments to the general pattern. I believe, however, that your business is now well equipped and sufficiently diversified to adjust itself to whatever the new pattern may become.

The report and accounts were adopted.

APPOINTMENTS

UNIVERSITY OF CAMBRIDGE

Applications are invited for the posts of Senior Research Officer, Research Officer and Junior Research Officer in the Farm Economics Branch of the School of Agriculture.

Qualifications should include an honours degree (or equivalent) in economics, statistics or agricultural economics. For the senior posts, research experience is essential. Some teaching may also be expected.

Salary scales (now under review) are at present: S.R.O., £1,000 to £1,300; R.O. £750 to £1,050; J.R.O., £500 to £700. These scales attract family allowances at the rate of £50 for each child up to the age of 16, or in receipt of full time education. The posts are pensionable under the F.S.S.U.—Further details are obtainable from the Secretary, School of Agriculture, Downing Street, Cambridge, and the closing date for applications, containing the names of not more than three referees, is June 1, 1957. For the junior posts applications will be considered from those graduating in the next six months.

AN INFORMATION OFFICER FOR MANAGEMENT CONSULTANCY

A British firm of management consultants with subsidiaries in Australia and America requires an Information Officer for its head office in London. The work will be concerned with the development and furtherance of good management in both private and nationalised industry and in commerce, and will entail a high degree of responsibility in the collection and dissemination of specialised management information. Applicants should be approximately 35 years of age, with several years' experience of information work and a background which includes some time in industry. They should have the facility quickly to appreciate a technical problem and should be enthusiastic about the development of management skills. Starting salary will be up to £1,500 p.a. and will rise in a period of years to £2,500 p.a. Pension and life assurance. The company is anxious to provide a career opportunity.—Please write, with tabulated details of age, education and experience, to Box 686.

THE UNITED LIVERPOOL HOSPITALS

Applications are invited for the post of ASSISTANT SECRETARY to the Board of Governors. The duties of the post are to assist the Secretary in the administration of the Board's group of hospitals dealing in particular the patients' records and statistics services. Candidates should have a knowledge of statistics and of office organisation and methods. The salary (£802-£983 per annum) and conditions of service will be those laid down by the appropriate Health Service Whitley Council, and the appointment is subject to the National Health Service (Superannuation) Regulations. Applications together with the names of three persons to whom reference may be made should reach the undersigned not later than Saturday, May 25, 1957.

A. J. HINDS, Secretary.
The United Liverpool Hospitals,
80 Rodney Street, Liverpool, 1.

AN EDITOR

is required for a monthly magazine serving the top level of industry and commerce in Britain.

The position is one of considerable responsibility and will only go to the man who can execute a vigorous and imaginative editorial policy exploiting a hitherto undeveloped field of circulation.

His task will be to increase the readership of the magazine by means of lively and authoritative editorial content. To do this he must have extensive contacts in industrial journalism and must be able to obtain first-class material for features of topical interest to industry.

Minimum age: 30. Write, giving fullest details of education and experience, to Managing Director, Box 687.

HOME OFFICE: CHILDREN'S DEPARTMENT. The Civil Service Commissioners invite applications for at least three pensionable posts as Inspectors (Grade II). The inspectorate is organised in Regions.

Duties include inspection of arrangements for boarding out children with foster parents, children's homes and nurseries, approved schools and remand homes. Inspectors also assist in training child care workers.

Age at least 28 on April 1, 1957. Candidates must have wide experience of social conditions and an understanding of behaviour problems of children and young persons. Experience of residential establishments for children will be an advantage. Preference given to holders of a University degree, or an appropriate diploma or certificate, and to those who have had other recognised training in social or educational work.

Salary scales (London)—Men £1,085 to £1,390; Women £989 to £1,296. Women's scale being improved each year until equality with men's scale is reached by 1961.

Particulars and application forms from Secretary, Civil Service Commission, 6 Burlington Gardens, London, W.1, quoting 47055/14. Application forms should be returned by May 28, 1957.

STATISTICIANS in the HOME CIVIL SERVICE. The Civil Service Commissioners invite applications for about three posts of Assistant Statistician. Selection by interview. Age at least 20½ and under 24 on August 1, 1957, with extension for service in H.M. Forces and approved postgraduate statistical experience. Candidates may be mathematical or economic statisticians; they must have a higher degree in statistics or a postgraduate University diploma in statistics or a First or Second Class Honours Degree (II (i) where the Second Class is divided) of which statistics formed the main part, or in which at least two statistics papers were taken in the final examination. Those so qualifying this summer will be eligible. Starting pay for men in London from £605 to £755 according to periods of National Service and postgraduate experience. Maximum £1,055. Promotion prospects to £1,950 and higher. Women's scales at present lower, but are being raised to reach equality with men's by 1961.—Particulars and application forms from Secretary, Civil Service Commission, Burlington Gardens, London, W.1, quoting No. 96/57/7. Completed application forms should reach him by June 20, 1957.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the temporary post of ASSISTANT LECTURER IN ECONOMIC STATISTICS. The appointment will extend for a period of two years from October 1, 1957. The salary scale is at present under review, and is expected to be within the range £700 to £850 per annum with membership of the Children's Allowance Scheme.—Applications should be sent not later than May 25, 1957, to the Registrar, The University, Manchester, 13, from whom further particulars and forms of application may be obtained.

RESEARCH MANAGER

Young executive wanted to organise and supervise product and market research for *American company in Britain. Excellent opportunity* for right man. Salary open.
International Latex Corporation, Playtex Park, Port Glasgow, *Scotland.*

LIFE ASSURANCE—HONG KONG

British Company invites applications for Managerial position at Head Office. All-round Life Department experience (Non-Life experience would be a further asset). Age preferably 25/35. Attractive salary and Contract terms, i.e., leave, accommodation, superannuation, etc. Interviews to be arranged at Company's London Office. —Written applications, in confidence to Box E.797, c/o 191 Gresham House, E.C.2.

AN Accountant is required to take charge of all accounting and costing functions of an expanding engineering organisation. This is a position for a man of sound judgment and initiative and one who can appreciate and interpret the economic aspects of business. Candidates should have previous industrial experience with knowledge of all up-to-date accounting methods. Familiarity with budgeting and standard costing essential. Salary £950 p.a. to £1,250 p.a., dependent on age, experience and qualifications. There is a pension scheme and assisted house purchase. Pleasant working conditions.—Write, stating age, salary, experience, to Box 688.

MANAGEMENT LABOUR RELATIONS

Applications are invited for post as DIRECTOR of the JAMAICA EMPLOYERS' FEDERATION. Industrial relations experience essential.—Applicants should write by air mail stating age and giving full particulars of qualifications and experience, to the Secretary, Jamaica Employers' Federation, 11 Duke Street, Kingston, Jamaica, B.W.I.

UNIVERSITY OF LONDON

A lecture entitled "A Geographical Interpretation of Perón" will be delivered by Professor Preston E. James (*University* of Syracuse) at 6 p.m. on May 16 at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2.
Admission free, without ticket.
JAMES HENDERSON,
Academic Registrar.

THE POLYTECHNIC

309 REGENT STREET, W.1.
SESSION 1957-58.

Enrolment can now be made for the following full-time courses:—
(1) General Certificate of Education Advanced Level; Final B.Sc. (Econ.) and B.Sc. (Sociology), and Diploma in Social Studies of London University.
(2) Commercial Administration.
(3) General Secretarial Studies.
(4) Professional Course for Accountants.
(5) Professional Course for Statisticians.
Enquiries and application to the Head of the School of Commerce, from whom a prospectus can be obtained.

B.Sc.(ECON.) LONDON UNIVERSITY

UNIVERSITY CORRESPONDENCE COLLEGE provides postal tuition for the above degree (obtainable without residence), which is a valuable qualification for those seeking executive appointments in commerce or industry, government or municipal posts. The College, established 1887, is an Educational Trust. Highly qualified Tutors. Low fees. Prospectus of U.C.C. Courses for London Degrees and Diplomas, G.C.E. free from the Registrar, 60 Burlington House, Cambridge.

DUNDEE TECHNICAL COLLEGE

Principal: John R. Whittaker, M.Sc., Ph.D., M.I.Mech.E., M.I.C.E., F.R.S.A. offers two residential summer courses on the application of electronic computers to business problems.

ELECTRONIC COMPUTERS
AND
BUSINESS PROBLEMS
August 12-16, 1957
BUSINESS MANAGEMENT
AND
ELECTRONIC DATA PROCESSING
August 19-23, 1957

Details and application forms may be obtained from the College.
EARLY APPLICATION ADVISED

FOR SALE. Complete set of Economists from 1952-57. —*G. Lewis,* 124, Great Portland Street, London, W.1.

SECRETARIAL TRAINING especially for university graduates and elder students, six-month and intensive 14-week courses.—Write, Organising Secretary, DAVIES'S, 2 Addison Road, W.14. PARK 8392.

ECONOMIST *file, unbound, from March 30, 1946, to date, including "wraith" issues of February, 1947, and strike issues of February-March, 1956. Index from July, 1948. Any reasonable offer accepted.*—Postgate, 45 Hendon Lane, London, N.3.

ROYAL DUTCH PETROLEUM COMPANY

(N.V. Koninklijke Nederlandsche Petroleum Maatschappij)
established at The Hague.

ANNUAL GENERAL MEETING OF SHAREHOLDERS to be held on Wednesday, May 29, 1957, at 11.30 a.m., in the large hall of the Carlton Hotel at Amsterdam, The Netherlands.

AGENDA

1. Appointment of a Director.
2. Appointment of a Director owing to retirement by rotation.
3. Annual Report for 1956.
4. Approval of the Balance Sheet and the Profit and Loss Account for 1956.
5. Distribution of profit, declaration of dividend for 1956.

This agenda, the nominations relating to items 1 and 2 of the agenda, the documents named under items 3 and 4 of the agenda with the relevant notes in accordance with Article 42 of the Netherlands Commercial Code, and with the proposals submitted by the Board of Directors, together with the proposals submitted under item 5 of the agenda, will be available for inspection from today until after the Meeting, and may be obtained by shareholders free of charge,

at the Company's office,
30 Carel van Bylandtlaan, The Hague, and at the offices specified below.

In order to attend and address the Meeting and to exercise voting rights thereat in person or by proxy:

(A) Holders of share certificates to bearer will be required to deposit against receipt either their share certificates or evidence that their share certificates have been deposited in open custody with the Nederlandsche Bank, not later than Thursday, May 23, 1957, at one of the places mentioned below, viz.,

IN THE NETHERLANDS
at the Nederlandsche Handel-Maatschappij, N.V., Amsterdam;
at the Kas-Associatie N.V., Amsterdam;
at the Amsterdamsche Bank N.V., Amsterdam;
at the Banque de Paris et des Pays-Bas, Amsterdam;
at Messrs. Hope and Co. Amsterdam;
at Messrs. Pierson and Co., Amsterdam;
at the Rotterdamsche Bank N.V., Amsterdam;
at the Twentsche Bank N.V., Amsterdam;
at Messrs. Schill and Capadose, The Hague;
at Messrs. Heldring and Pierson, The Hague;
at Messrs. Van der Hoop, Offers and Zoon, Rotterdam;
at Messrs. R. Mees and Zoonen, Rotterdam;
and at the branches and sub-branches of these banking houses in the Netherlands.

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at MM. Lazard Frères and Cie.
at the Crédit Suisse.
at the Banque de la Société Générale de Belgique; or
at the Crédit Lyonnais S.A.

and

(B) Registered holders of registered shares must make known to the Company in writing their desire to attend and address the Meeting and to exercise voting rights thereat by not later than Wednesday, May 22, 1957: (1) with respect to shares of New York registry, at the office of The Chase Manhattan Bank, Corporate Securities Division, 43 Exchange Place, New York 15, New York; (2) with respect to the shares of Amsterdam registry, at the Nederlandsche Handel-Maatschappij, N.V., Amsterdam; and (3) with respect to all other registered shares—even if no share certificate pertaining thereto is in circulation—at the office of the Company in the Hague or at any of the offices listed in paragraph A above.

THE BOARD OF DIRECTORS.

May 7, 1957.

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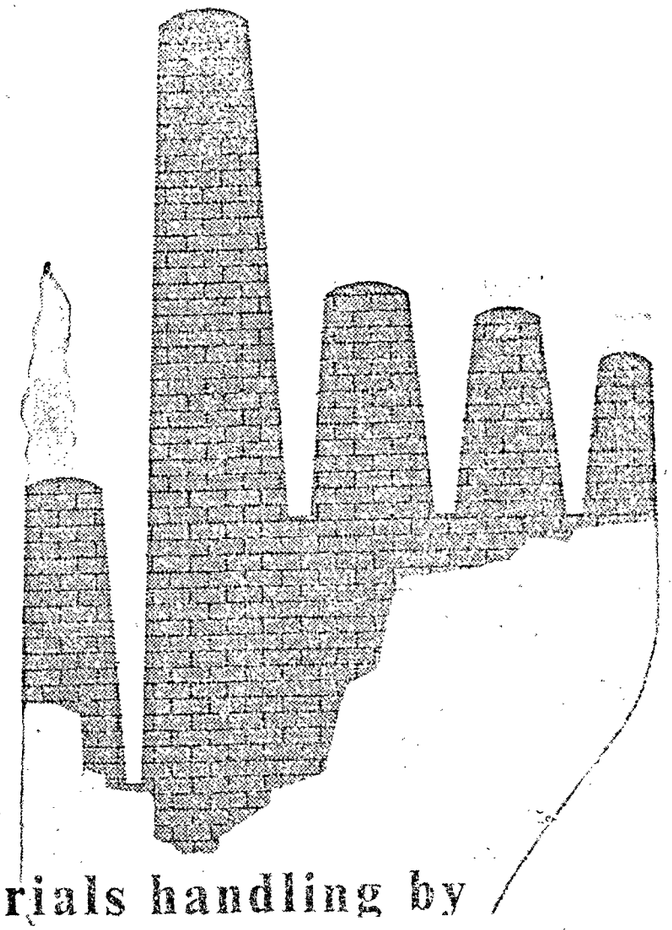
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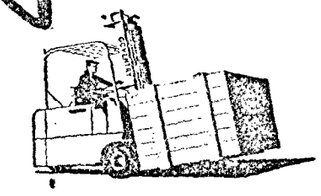
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The Economist

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...sser Gets His Dues

...hat the Suez Canal is back in use, the ...tages of an approach to normal relations ...pt argue themselves.

...n and the Alliance

... misunderstandings between Bonn and London ...tween Bonn and Washington reveal underlying ...es of interest.

...aft Industry Flies Solo

... ...ingly the aircraft industry will have to rely on its ... ...urces and less on government grants. Big changes ... ...ructure are likely.

Something for How Much?

Both parties are competing for votes with their pensions plans. If the Conservatives steal their rivals' clothes, alterations will be needed.

Steel Plans Again

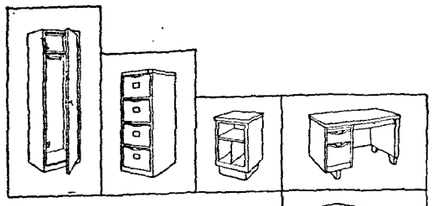
Britain's steel industry is lifting its sights as it prepares to put in capacity to meet the demands of the sixties.

Indonesia's Troubles

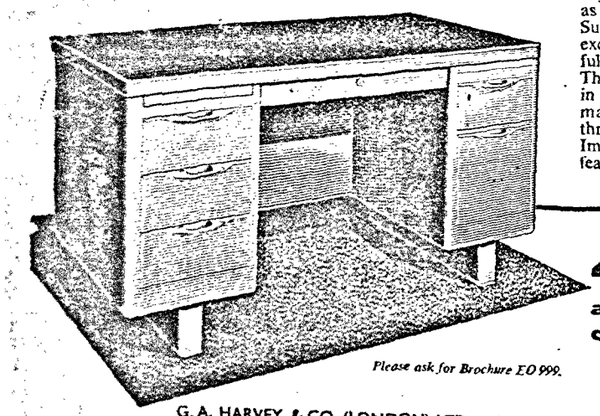
Despite chaos and collapse of Government in Indonesia, there is some hope and much scope for future progress.

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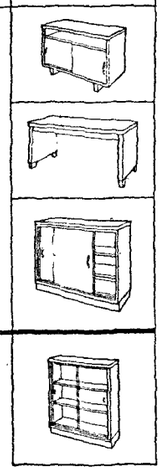
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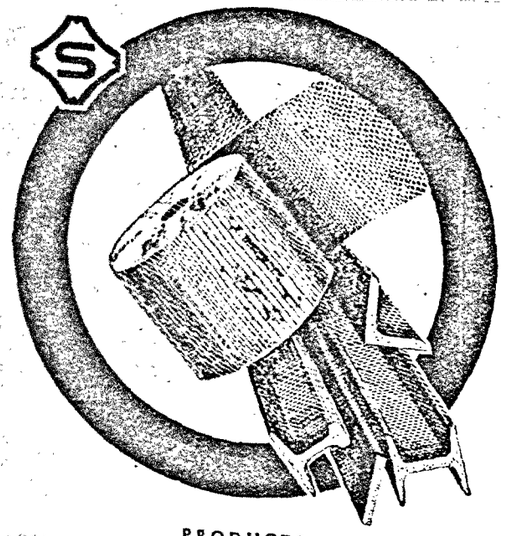


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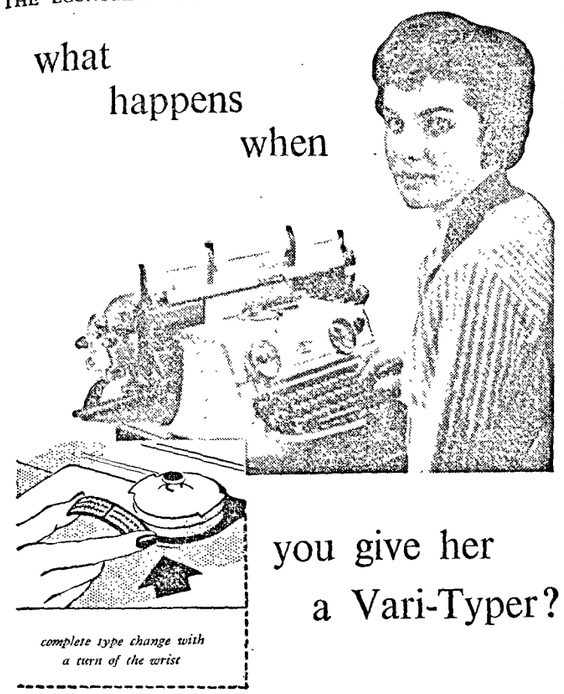
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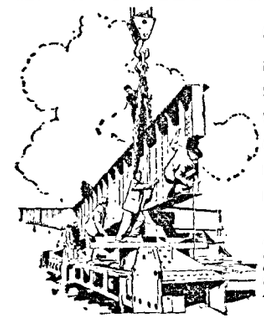
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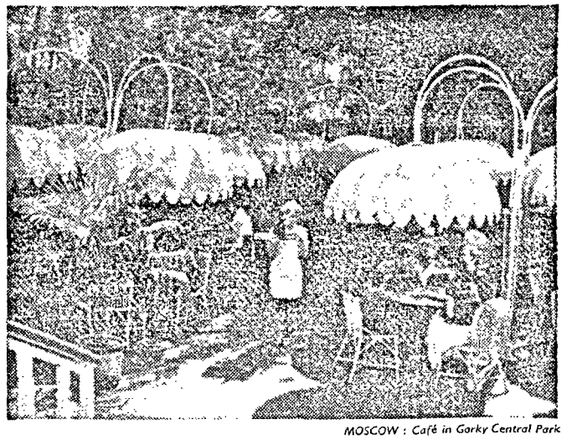
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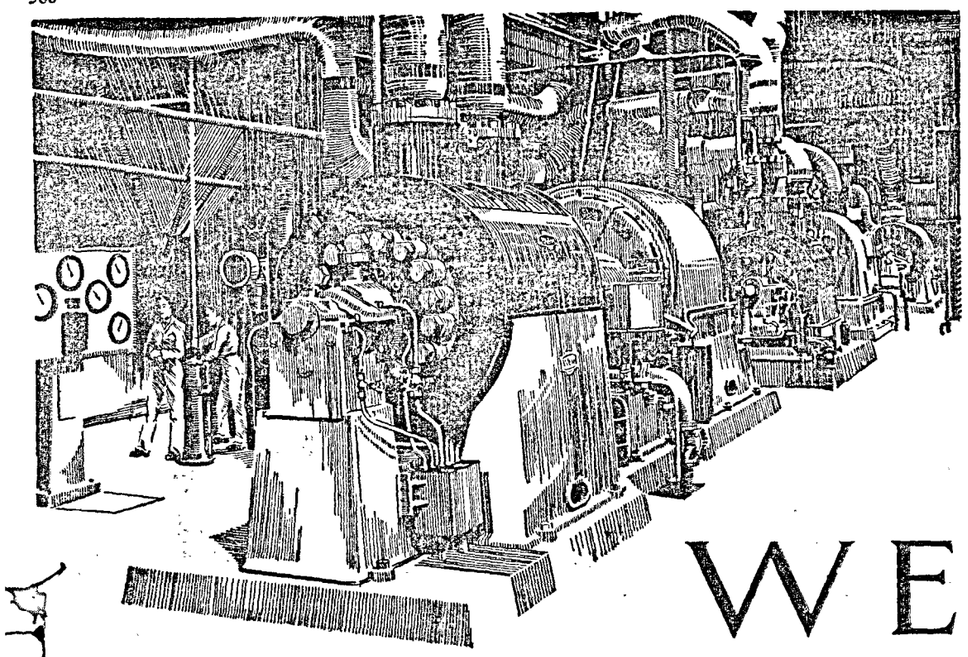
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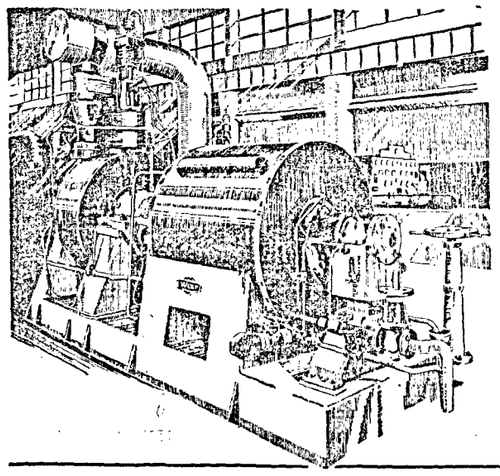


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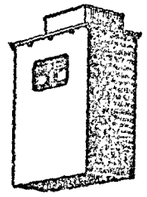
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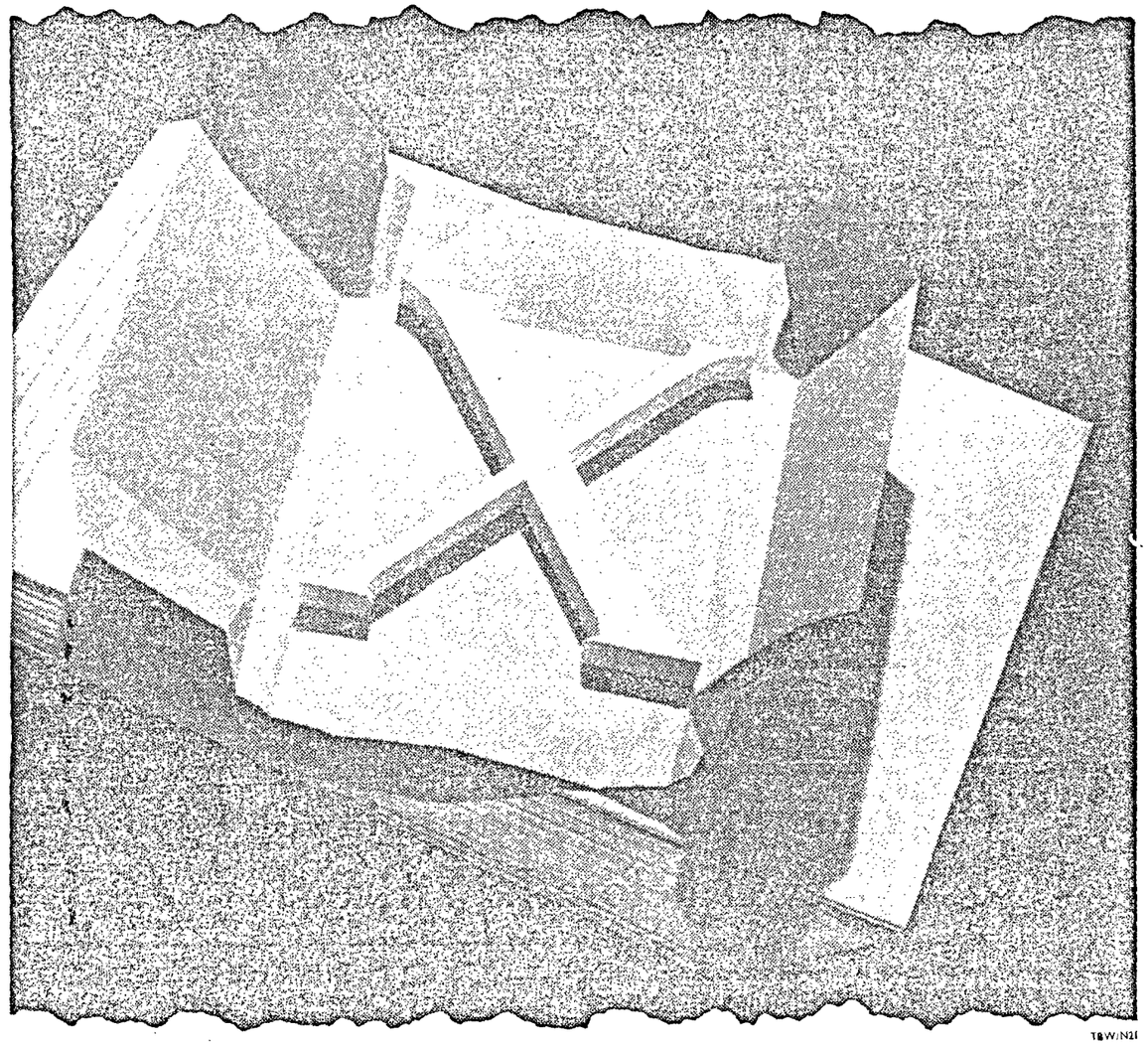
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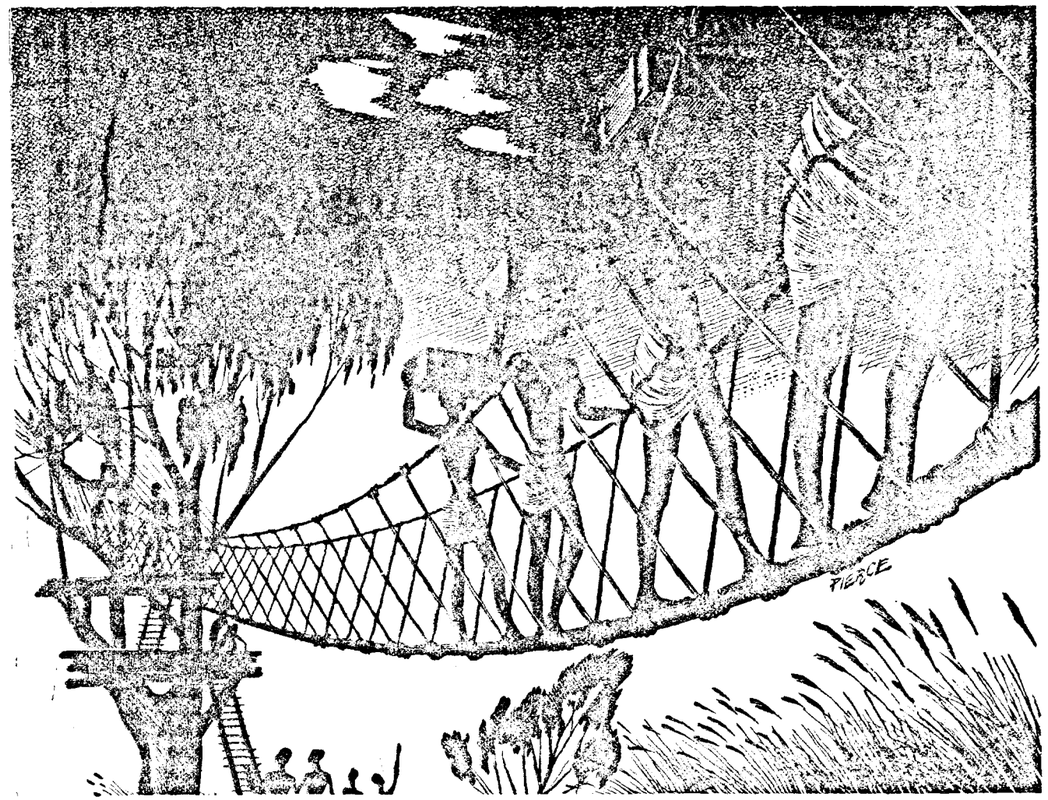
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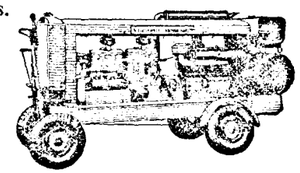


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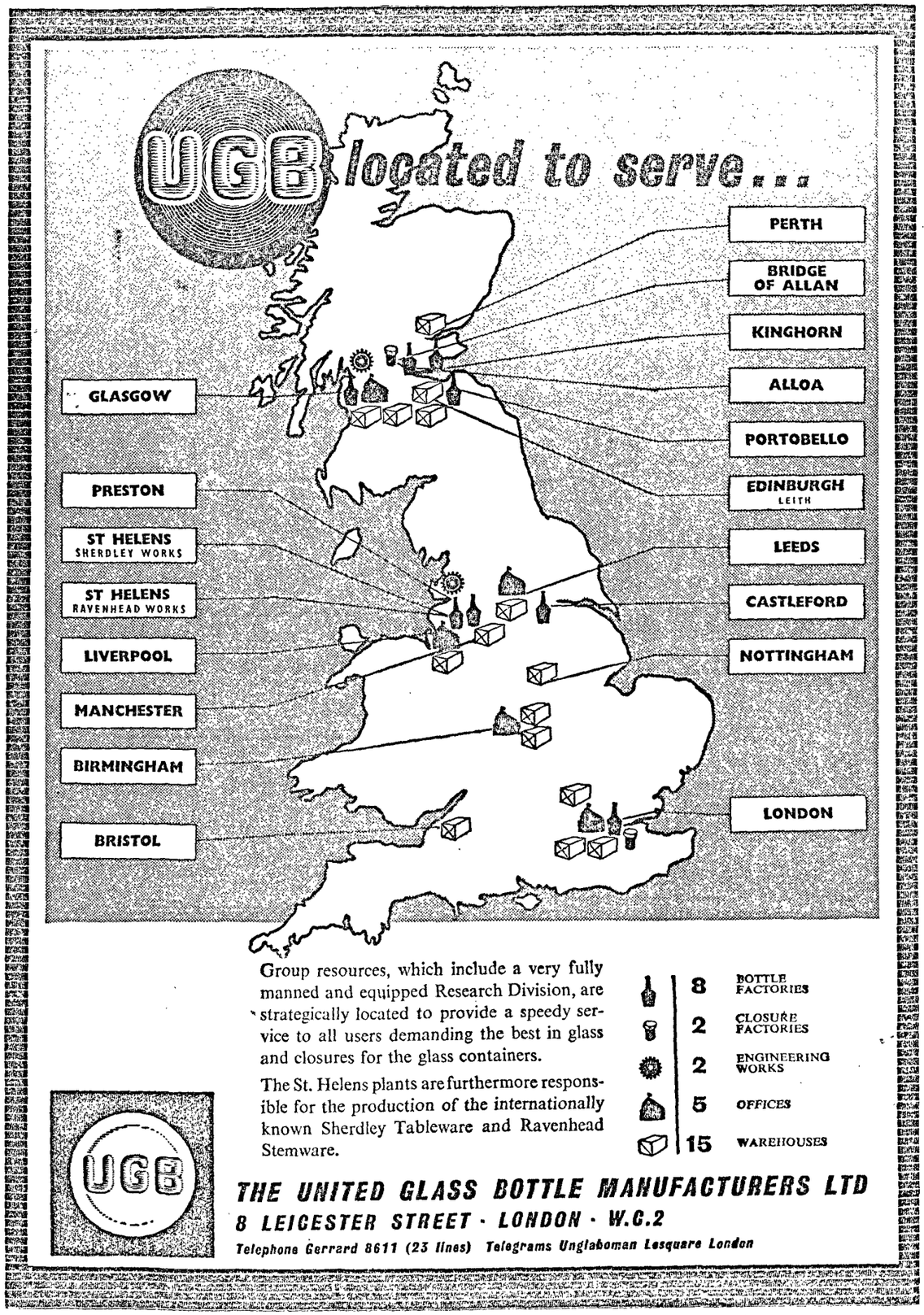


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The Economist

MAY 18, 1957

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Nasser Gets His Dues

MR MACMILLAN, announcing arrangements on Monday for the use of the Suez Canal by British ships, was the first to insist that these terms represent neither an agreement nor a settlement; this was not the end but a stage in the story. It is a stage that brings home to the remaining partisans of last autumn's military adventure the facts which a baffling quality of innocence had enabled them, these six months, to contrive not to see. It is a painful stage, in which some honest men are exposed to severe heart-searching—believing, as many Tories do, that to "give in" to President Nasser (or to "retreat" from Egypt, as a Labour member put it) is not only undignified but wrong, and finding it a wrench to their consciences to support the Government in its decision to take the practical man's way.

These feelings, though they are honest, are out of touch with the world; it is Mr Macmillan who is doing the right thing, and he is entitled to support for it. It is not in the power of this country—except at political and military risks quite disproportionate to the scale and nature of the Suez Canal dispute—to restore in Egypt an imperial position in which Britain could act as arbiter and guarantor of the world's interests. Egypt's territorial control of the Suez Canal does not date from President Nasser's nationalisation decree in July. It followed from the Anglo-Egyptian agreement of 1954, and became fully effective when the bulk of the British garrison left in February, 1956.

The point at issue since then has been not President Nasser's territorial control of the canal (much less his government's sovereignty), but his seizure of a company that, if legally Egyptian, had an international character and held a concession that still had a decade to run. The issue for the maritime nations was the threat to their interest in sound administration, reasonable dues, the safety of navigation, and freedom from political blackmail. None of these threats was confirmed in fact up to the point of the intervention—immediately followed by the blocking of the canal—in the autumn. They were legitimate matters of dispute but they did not entitle, or enable, the British Government to reassert the position of special power in Egypt that it had previously given up. Talk of a "retreat" from Egypt today is, therefore, nonsense founded on fiction. The alternative to what is called retreat would be to ask British shipowners to stand and sulk while competitors use the canal and corner their trade; this would be mere foolishness.

In October, after working the canal for a time without mishap despite the withdrawal of British and French pilots, President Nasser was ready to reaffirm the 1888 Convention with its guarantee of freedom of transit, and to consult the users regarding dues and development. At that time he accepted the "six principles" unanimously adopted by the Security Council, which, *inter alia*, laid down that the canal would be insulated from the politics of any country (whatever that means) and that the dues would be fixed by agreement between Egypt and the users.

He considered that the Anglo-French invasion absolved him from these promises. The terms which he offers now, while they do not in themselves run counter to the main requirements of the canal users, are insufficiently binding ; since they rest solely on an Egyptian pledge. Egypt can withdraw them or change them when it chooses. To that extent Mr Gaitskell was entitled to contend that better terms were on offer in October. In reserving their rights, the users are doing what they might have done in July: contesting the legality of the act of nationalisation and waiting to see if any of the feared evils happen. There is nothing else that Britain and France can do, whether as individuals or in combination.

British and French policy after the seizure of the canal suffered from the fundamental defect that its underlying intention was not to negotiate a canal settlement but to bring about the downfall of President Nasser. He had, from the signing of the Baghdad Pact in February, 1955, conducted a policy that was inimical to British interests in the Middle East and East Africa. The British Government considered the act of nationalisation as a major offence justifying the effort to unseat him ; no other explanation makes sense of the sequence of events. The effort failed ; and Britain, back where it started, has to decide again what its attitude to President Nasser and Egypt will be in the future.

THE position now is encumbered with a lot of political and economic debris from last year. There is the question of compensation for the Suez Canal Company, in which the British Government is the largest single shareholder ; this is complicated by about £50 million of assets of the company which are held mainly in Britain and France. Egypt has "egyptianised" British banks and insurance companies, requisitioned and sequestered other British firms, seized the real property —and in some cases the entire wealth—of British citizens, and confiscated the Suez Canal base with its contents. What this amounts to in money is uncertain, but the base and the Shell Company's assets alone were together valued at more than a hundred million pounds. Egypt, on the other hand, claims—according to newspaper reports—about £500 million reparations for damage done by the British and French attack. There is a substantial fund of ill-will in both Britain and Egypt and, not by any means to be forgotten, four British subjects are standing trial in Egypt ; whatever their alleged offences, they are entitled to succour from their government.

Delegations from Britain and Egypt will start discussing these problems in Rome later this month. Mr Macmillan told the Commons that the unfreezing of Egyptian sterling must depend on their settlement. If this is the case, relations with Egypt are not likely to be normal for a long time to come. There can be little trade, for example, as long as Egypt cannot use sterling except as limited by the new special account for canal dues. Common sense suggests that the wiser procedure would be for Britain and Egypt to resume diplomatic relations ; this can be done without prejudice to any Anglo-Egyptian disputes. Relations were preserved in the autumn of 1951, when the state of dispute was almost total and when British and Egyptians were killing each other in the Canal Zone.

Information from Egypt indicates that President Nasser wants to resume relations. There is no reason why he should not, since he has won his point ; but apart from this he is reported to be anxious about Egypt's increasing isolation, of which the latest indication is the meeting of the two Arab kings in Baghdad. His economic position is weak and too dependent on the Soviet block ; domestically, the communist movement, officially banned, is now exerting a threatening pressure upon him and he has difficulty in dealing with it as long as he depends on Russia and its satellites as much as he does.

SOME members of the Conservative and Labour parties would prefer to leave President Nasser to stew in his own juice. Even the Government, in facing the hard facts of the situation, limps painfully towards normality. The "Suez policy" dies hard. Yet it is usual for British governments to conduct their international relations on the basis that facts must be faced. In Egypt, the fact is that President Nasser's government is the government.

There are cogent reasons for ceasing to hanker after the end of the Nasser regime as if this would solve a problem of British policy. People who know Egypt see no logical succession to it except chaos ; and the most likely result would be the triumph of the xenophobic left wing of the army, or of an equally anti-western Moslem Brotherhood, or of both in alliance. None of these possibilities would do Britain any good. Certainly the British Government need not go cap in hand to Egypt: President Nasser has learnt some hard lessons in the last few months. He needs the west, for economic reasons if no other. He is busily learning that he cannot lead his Arab brethren by the nose into increasing conflict and disorder without paying some of the price himself. This is a time when Britain could demand a halt to the anti-British campaign in the Middle East as the price for ending the most disfavoured nation treatment that has been accorded to Egypt since July.

Finally, a working relationship with Middle Eastern nationalism is at present impossible to the west unless it is on terms with Egypt. The momentary western successes in the Middle East are being built on a few ruling cliques whose authority is not necessarily stable ; convenient as these successes are, their political value may be fleeting. In the end, it will be through Egypt that the west re-establishes contact with the main body of Arab nationalism, which, whether the rest of the world likes it or not, is an established fact of political life in the Middle East. This cannot be done by incubating a sense of grievance.

Something for How Much?

Whether national superannuation is what the nation wants, or ought to have, both parties are determined to offer it to the voters. Here is a first look at Labour's plan

BEFORE the air is filled with the noise of the political barkers, shouting the merits of their rival pension schemes and translating ninepence for fourpence into modern vote-catching terms, there may be time for a blunt question or two. Is retirement on half-pay, or any other fraction, the natural or inevitable end of state welfare ? The Labour party this week has asserted that it is, and that it can justifiably be made compulsory on all who earn. The Conservatives are still doing their homework, and one of the tests of their scheme, when it comes, will be whether they adhere to their proclaimed principle of letting people choose for themselves rather than exploit the obvious convenience, in this sort of exercise, of forcing everybody in.

It is as well to understand from the outset what compulsory contributions to a national superannuation scheme would mean. They would in part be a tax on wages, however elegantly they may be set out as subscriptions from wages. They would represent, in another part, an increase in employers' costs, and, therefore, an increase in prices (with smaller opportunity for personal savings) or a reduction in profits (with smaller opportunity for company savings). A compulsory scheme can be made to look plausible, and even, when the politicians are not looking, to be respectable. But to claim merit for compulsory pensions with no discounting of their effects on the continued willingness of people to make provision for themselves is unrealistic. Private savings and personal economic decisions have taken so many blows from the modern state that they will have little fight left against the compulsory pension.

In this age, it will be thought old-fashioned to argue, in the little time that is left, that the state should content itself with securing the basic freedoms from want and of opportunity. Compulsory state superannuation meets neither case. It proposes not a decent minimum standard in old age (which the public conscience demands, rightly and with increasing success) but a scheme that purports to have the merit of matching benefits to contributions. The sad fact that many modern states cannot be trusted to run their monetary systems honestly is not much of an argument for supposing that they could run an insurance system of this kind with much greater virtue. And the spectacle of the two parties engaging in a kind of progressive Eatanswill, doubling and redoubling their bids for the votes of the prospective pensioners of the next century, promises to be one of the less agreeable political adventures of the next year or so. In this game, no jokers will be left unturned. But the Labour party's first hand is at least dealt in a respectable way by the inclusion of a technical report by Professor Richard Titmuss and two of his professional colleagues. The introductory statement by the Labour Party Executive is in part proudly proprietorial, in part cautionary, and in some part purely escapist. Whenever Mr Titmuss seeks to balance his scheme by provisions that might not be too smoothly popular, Labour mutters hastily that it will have to consult the TUC about them.

THE primary question for either party ought to be whether a national superannuation scheme can be made economically sound. Mr Titmuss's scheme leads what seems to be a strong card. He calculates that it will be possible to raise the old age pension by £1 a week in 1960, and pay a pension to old people even if they stay at work—*and* have a surplus of contributions to invest in the state superannuation fund for many years ahead. Employers would contribute 5 per cent of each employee's earnings, employees would contribute 3 per cent of their own earnings and the self-employed 8 per cent of theirs and the state (that is, the taxpayer) another 2 per cent. The suggestion that the scheme would not only meet an immediate increase in old age pensions but would yield an increase of real savings too (£335 million is the estimate for the first year) looks attractive. What is impossible to estimate is the potential effect it would have in drawing off personal savings that would otherwise be made. The scheme presupposes a satisfactory increase in the real national income and hence in contributions. That is not an unreasonable assumption ; but it is an essential condition of its soundness.

There are, however, at least three objections to Labour's arithmetic. First, nearly £400 million a year —£60 million more than the whole of the net addition to savings expected in the first flush year—would come from the increased contributions to be paid by employers (these contributions, Labour itself concedes, would lead to a rise in costs and prices, and thus provoke a further raising of pensions) and from the high rate to be levied on the self-employed (many of whom, Labour seems to admit, may understandably agitate to be excluded from the scheme altogether). A second objection is that Mr Titmuss seems to have made no allowance for the cost of sickness and other social benefits which Labour admits it would feel bound to

raise at the same time as pensions. And the third—and perhaps most serious—objection concerns the effect on existing private superannuation schemes. Mr Titmuss assumes that three-quarters of the population will want to come into his national scheme, which implies some desertion now and serious desertion in future from private schemes to the state scheme. But if there were no national scheme, private superannuation schemes would certainly grow swiftly in the next ten years ; and, as private schemes would be actuarially sounder than the state scheme, the net savings in their funds would accrue at a higher rate than in the state scheme. The apparent result of Labour's national scheme might be to raise savings in 1960 above their present volume, but it does not follow that they would be higher than they would otherwise be in the 1960s ; if they were not, taxation would have to be higher than it would otherwise be.

This may sound horribly complex. But the broad conclusion is very much what one might have expected from a report written by a responsible economist, but conceived in a Labour-political atmosphere. Mr Titmuss has prevented this Labour scheme from being merely a blithe tossing of bonnets (complete with bees) over the windmill. But the scale of benefits now dangled before the public would not be completely paid for by the proposed increases in contributions. Some increase in taxation would also follow, rather bigger than the tone of the report suggests, and probably bigger still as time wore on. To engage in an exercise that prays in aid only a partial adherence to actuarial principles is really disingenuous. One cannot offer ninepence for fourpence without finding fivepence from somewhere. If the superannuation funds do not provide it, the taxpayer must. To start a scheme on such a questionable foundation would give alarming hostages to fortune.

Objective advice may not get much of a hearing from two parties in hot competition for votes. But it must be urged that any sound scheme would differentiate sharply between help for existing pensioners and a superannuation scheme for future pensioners. Labour has mixed the two up for political reasons. The ordinary non-political man who looks at Labour's proposals for existing pensioners (to raise their basic rate by £1 a week) will think that many pensioners, married ones in particular, will still be pretty badly off. If the money could be reserved for means-tested national assistance payments, the incomes of those most in need might be raised by more than twice as much as under the scheme.

IT is, however, the proposals for superannuation schemes for those now in work that are likely to absorb more immediate attention. Although there are features of the Labour scheme that would not be adopted by the prudent, there may be a case for state encouragement of a model "national superannuation scheme." For such a scheme, the principle of relating contributions to earnings—so that they will rise each year that incomes and prices rise—is certainly the right one. But a Conservative scheme might incorporate several amendments to Labour's proposals :

(1) Should the scheme be managed by the insurance companies instead of by the state? The Tories would be as unwise to assume that they must necessarily protect the insurance companies as Labour is to assume that it is a good thing to hit them. But Labour's conception of a single board of trustees managing the vast funds of a national superannuation scheme is frightening in its obvious implications. It would be much better to spread investment decisions and not to concentrate the opportunity to make mistakes (and to succour any renewed Daltonism?) in a single national board. There would be certain advantages if the insurance companies could run a basic and self-supporting "approved scheme," but with each company offering variations of its own if its customers wished.

(2) Should the scheme be compulsory? The Labour policy document says that "unless provision for superannuation is compulsory in one form or another many employers would continue to deny their workers superannuation rights." Has Labour heard of the existence of trade unions? The best tactic for the Conservatives might well be to set up a framework for an approved voluntary scheme, and then urge the unions to press employers to implement it in 1958 or 1959, as fringe benefits in place of an annual wage increase. Labour would then have an effective option to join a model non-compulsory state scheme.

(3) Pension rights in existing schemes should be made transferable ; this is not an amendment to the Labour plan but a necessary reform even if there were no plans.

(4) It is claimed for the Titmuss scheme that it would be in actuarial balance but for (a) the discriminatorily favourable treatment proposed for existing pensions and (b) the discriminatorily favourable treatment proposed for pensions for lower paid workers. This leaves in question (c) the proposed revalorisation of pensions (i) to relate pensions at the moment of retirement to the rise in average earnings since the contributors concerned started work and (ii) to raise all pensions of those who had already retired to make up for any increases in the cost of living. Part (i) of this concept of revalorisation can be made to sound more respectable when contributions are related to variable earnings than under a flat rate national insurance scheme. Part (ii) is an obvious vote catcher. But the fact remains that revalorisation of this sort would confer benefits on people who had not paid for them in the past ; and these benefits could only be at the expense of current contributors to the scheme, either through dilution of their future benefits or through an increase in their current taxes. This proposal requires the most critical scrutiny ; it would, in effect, be a built-in inflator.

These are preliminary comments thrown out after a first reading of the Labour policy document. Both the big political parties—and outside analysts—will have to do much thinking on these matters in the months ahead, and the first burdens of decision will fall on the Conservatives. Meanwhile, Labour's first essay at such thinking should be greeted with some reserve and some cynicism.

Bonn and the Alliance

Mr Macmillan's relative success in dispelling German resentment does not remove the sources of future difference between Bonn and the western powers

GERMANY'S allies, whom the fear now and then disturbs that a German government might one day come to terms with the Russians behind their backs, tend to forget that German minds can be equally troubled by the converse fear—that the western powers, together or singly, might be tempted into an agreement with the Russians over Germany's head, leaving the German question unsolved or else solving it by the course, unpalatable to them, of neutralisation. To avoid this is the main and most persistent aim of west German foreign policy. For that reason almost any serious exchanges between the western powers and Moscow—the present meetings on disarmament in London, like the summit talks of 1955—are watched from Bonn with mistrust and disquiet. This is by no means the only ground of German suspicion in what has lately become a remarkably touchy set of relationships, but it is always there, just beneath the surface. Mr Bulganin has been able with the greatest ease to render it active again, simply by giving an approving mention to one of the Eden proposals of 1955.

Mr Macmillan's talks with Dr Adenauer in Bonn ten days ago were concerned in the main with more specific and less fundamental grounds for uneasiness ; and within its limited sphere of reference the Prime Minister's visit was a fair success. He was able to dispel a good part of the cloud of suspicions and resentments that had been piling up against Britain in the Chancellor's immediate circle. Put roundly, the German reproach against British policy was that this country seemed to be aiming at a position of special influence in Europe without being prepared to accept any binding European ties or obligations. This intention (the case runs) made the British Government insist on being a nuclear power on its own, made it uninterested in keeping troops on the Continent, and caused it to throw spanners (the free trade area, the "Grand Design") into the works of the European community.

As it appears, the Prime Minister has been able to disarm the last charge by giving the Rome treaties his public blessing and by agreeing that action towards the free trade area (as distinct from the drafting work of the OEEC sub-committee), and any further promotion of the "Grand Design," shall wait a few months until the parliaments of the six countries have had time to ratify the Rome treaties. He did not make any such concession on defence ; frank explanation, and the arrangement that Herr Strauss should come to London next month, were all that could be done. As a reading of the German press suggests, the Bonn government evidently believes that the British ministers gave an assurance on another matter : the Eden Plan of 1955, at any rate in the version that envisaged a zone of inspection of armaments on either side of the German interzonal border, would not be brought up again, at least without Bonn's assent.

JUST as Dr Adenauer was thus obtaining reassurance against any British interest in plans that would neutralise Germany, a journalist's question to Mr Eisenhower threw the whole question up again, this time between Bonn and Washington. Asked on May 8th about the Soviet revival of the Eden plan for a demilitarised zone in east and west Germany, the President said that the United States would study proposals for disarmament test areas "very sympathetically." Steps were quickly taken to water his words down, but they were given great prominence by *Die Welt* and other German papers ; Bonn sought explanations ; on May 14th Mr Dulles took pains to put things right, stating that "we do not accept any arrangement which is based on the present partition of Germany" and that

> in anything which touched directly or indirectly upon Germany and its prospects for reunification, we would act only in the closest concert with Chancellor Adenauer.

Handsome as it was, this disclaimer by Mr Dulles does not appear to go quite as far as Bonn would have liked, as the Bonn government's guidance to its own press at the weekend shows. This, quoting American authority, dismissed as "pure speculation" any reports that the United States wished to propose anything at the London conference that would "dissolve the link between reunification and disarmament."

This idea of a link implies a determination, which the German Chancellor on Wednesday affirmed in so many words, not to accept any disarmament proposals unless the German question is solved at the same time. It is not the British, American, or French attitude to disarmament ; but it is a logical part of Dr Adenauer's foreign policy, which, put briefly, regards the reunification of Germany as the price which the Russians will one day have to pay for a reduction of the tension in world affairs. There is no other deal that Bonn is prepared to offer. The western powers would like a reduction of the tension for its own sake, though for the moment their desire is academic. But if and when it ceases to be academic, the interests of Bonn and of the other western powers may suddenly diverge ; and even before then, any flicker of interest in possible terms between the western powers and Moscow may give rise to these bursts of ill-feeling in Bonn.

Indonesia's Troubles

Indonesian affection for President Sukarno has not been extended to his new "concept" of government, which the communists may be able to dominate. Threats of secession may force him to modify his policy

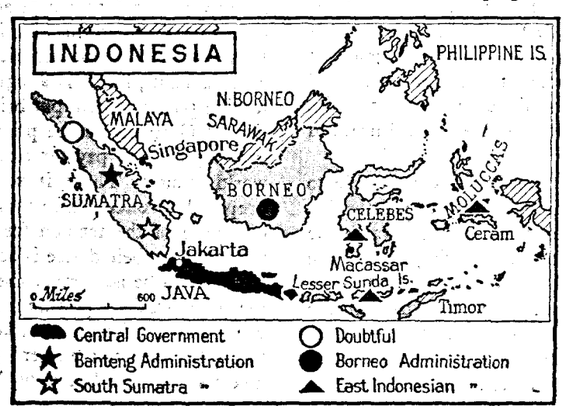
THE proclamation of martial law and the appointment of a new "cabinet of experts" have not yet been effective in restoring order to Indonesian affairs. The government has not succeeded in regaining the authority that its predecessor lost; its control extends only to Java and, in a qualified degree, to northern Sumatra. A budget deficit of $526 million is expected, and the gold reserves have fallen so low that it has been found necessary to suspend all ordinary commercial imports—a measure unlikely to have much effect, since the bulk of Indonesia's external trade now seems to consist of smuggling, especially between Sumatra and Singapore and between the Celebes and the Philippines.

Even in Java it is by no means certain who is actually in control. Under martial law President Sukarno, as commander-in-chief, theoretically exercises supreme power. But he can only work through the army, and even those army leaders who acknowledge his authority have their own ambitions and their own factions. The cabinet is responsible to the President and not to parliament (which is at present in recess), but it seems to exercise little executive power. Its main task is to draw up a workable blue print for constitutional and economic reform which will enable President Sukarno to "guide" Indonesian democracy in what he considers to be the right direction.

President Sukarno, who fought for his country's independence and who has dominated it since its birth, must bear a heavy share of responsibility for the present chaos. He attributes Indonesia's troubles to the machinations of the Dutch and the inefficiency of "western type democracy," as compared to the communist variety. When the army revolts in Sumatra last December produced a cabinet crisis which left Indonesia virtually without a government, President Sukarno elaborated his idea of a *gotong - rojong* (mutual-assistance) cabinet in which all major parties, including the communists, would be represented, thus eliminating an opposition; the cabinet was to be advised by a National Council representing group interests.

The bitter resistance of the Moslem parties to sharing office with the communists convinced the president that *gotong-rojong* could not be established by his fiat. But in the present cabinet of experts he has gone as near to an all-party cabinet as he dare, or can, go: three members are said to be communist sympathisers. He has induced the new cabinet to set up the National Council by passing an emergency law which has no parliamentary sanction. President Sukarno intends to preside over the council and select its members, but he has little chance of winning acceptance for it unless he placates the rebel local governments by turning it into a council of regional representatives; this he is evidently reluctant to do. The major Moslem party, Masjumi, has already denounced the council as a threat to democracy.

THE great danger is that, having originally intended to use the communists without accepting their ideas, the president will find that he has isolated himself from the Moslem parties and become dependent on communist support. The power of the communists derives not so much from their number, although six million electors voted for them in the parliamentary elections, as from their control of the principal Javanese trade union group, SOBSI, and the efficiency of their organisation in comparison with that of the other political parties. This efficiency was well demonstrated when President Sukarno announced the details of his "concept"; in one night they plastered the whole of Jakarta with communist slogans supporting it. But even the communists are not free from the internal splits and jealousies that plague Indonesian parties, and their membership has lost in quality a good deal of what it has gained in quantity since their leaders decided, in 1952, to aim for power through parliament and to throw membership open to virtually all applicants. The main communist strength is on Java, where 54 million of Indonesia's population of 81 million are concentrated. Neither the army nor the people in the remaining three



thousand islands of the archipelago would accept without a struggle a government which the communists were in a position to dominate.

Mistaken as his policy seems, President Sukarno is right in thinking that Indonesia needs competent, unified command, and if his plan looked like producing this, much might be forgiven it. Indonesia is naturally rich and with a little financial and political commonsense it could make quick progress. An overvalued currency (officially pegged at a level now three times the black market rate), constant bureaucratic interference, and a weakness for showing westerners, in trivial matters, that the mighty are fallen, make foreign firms reluctant to increase their capital investment, and discourage what could be a flourishing tourist trade. (The tourist's ardour is often cooled when he has waited several hours at the customs and paid a small fortune for an indifferent bed in an hotel room that is already occupied.) Technical aid, training and investment from the Americans, the United Nations and the Colombo plan countries could be of great value if the reports produced by foreign experts were not often promptly pigeon-holed, while the money intended to implement them was allowed to vanish. The Dutch residents might be a fruitful source of capital and advice, if they were not officially snubbed at every turn.

Instead of forgetting past grievances and making use of their former masters, the Indonesians have lost no opportunity of rubbing salt into old sores. The major irritant of Indonesian-Dutch relations is West New Guinea, which the Indonesians claim as part of the Dutch Indies, and which the Dutch refuse to give up, partly because of its strategic importance and partly because of a genuine concern for the Papuan tribes that inhabit it. New Guinea is some 2,000 miles from Jakarta, and few Indonesians had heard of it ten years ago, but emotional fervour has been so whipped up by now that any reference to New Guinea is an infallible distraction from discontents nearer home. Dutch-Indonesian relations have also been exacerbated by the arrest of a number of Dutchmen on suspicion of assisting the fanatical Moslem bandits of the *Darul Islam* movement; many have not yet been charged, and the procedure in the trials that have taken place seems far from impartial. If these men were pardoned and sent back to Holland, a new period in Dutch-Indonesian co-operation might begin which would be perhaps even more valuable to Indonesia than to Holland.

IT is doubtful whether any Indonesian politician could, or would, pursue this policy of friendliness to the west wholeheartedly; and still more doubtful whether Indonesia will, in the near future, have a leader with authority to pursue any policy on behalf of the whole archipelago. President Sukarno has lost much of his influence by his attempt to impose his own constitutional ideas on an unwilling country. He is still able to block attempts either to bring Dr Hatta (the former vice-president, an upright man and a firm anti-communist) back into power, but he cannot dictate future policy to the whole of Indonesia. The army leaders really hold the reins, both in the dissident islands and in Java, but the army is split into factions which have come near to open fighting. A score of army officers were arrested in Jakarta on May 10th and are accused of plotting to overthrow the government by force.

But in spite of the failures of the past few months and the prospect of deepening chaos in the future the moderation that has been shown in a time of severe stress offers ground for hope for Indonesia's political future. The revolutions in the islands have been bloodless, gentlemanly affairs remarkably free from mob emotion; the Moslem political parties have been quiet but firm in their stand against communist threats and presidential appeals. Indonesian behaviour in an upset does not suggest a society that is easily led into violent courses.

The Economist

MAY 16, 1857

EDUCATION AND EXAMINATION

¶ In fact it is an error to which the English world is just now exceedingly prone, to identify education with ready knowledge. . . . Which really tells us the most about a man's mind—to know that he has spent three years at college after leaving school—or that he got "full marks" for . . . writing out Euclid? No man can make up in after years for losing the freedom of study and the reciprocal influences of mind on mind at a time when the powers of the mind are first developing. Why, for instance, have none of the conspicuously able men who have gradually won a great position as the representatives of the middle classes of England in the House of Commons, seldom or never been able to take their place as ministers with men who have little more knowledge and less than half their capacity? Why have men so eminent as Mr Cobden and Mr Bright been obliged to forgo the satisfaction of carrying out the reforms they had rendered necessary, and to deliver them over at the last moment into the hands of Sir Robert Peel? Not surely from any English worship of birth, for the Statesman was but one step removed from the cotton-spinner—not from any want of capacity, administrative or oratorical . . . but simply because in the advantage of liberal education the Minister's mind had received that width and polish—that insight into various aspects of a question—that tact in adapting the means to the end—that power of generalising particular truths . . . to which men are willing to concede quietly what they will never yield to dead weight of argument, or the menace of superior strength. It is vain to talk of knowledge as the equivalent of liberal education. Could not a man of Mr Cobden's acute and vigorous intellect master with unexampled rapidity the qualifications for a "degree-examination." . . . Yet would this rub down the sharp corners of his temperament—would it eradicate the grooves of practical prejudice—would it give him the smooth and flexible intellect of Peel or Gladstone? It is a blunder of the most fatal kind that a University can commit to merge the collegiate training in the examination-test; for while the former gives a fine and permanent temper to the character, the latter is a mere *tour de force* which is scarcely possible to confide in too little, or to despise as too transient.

NOTES OF THE WEEK

TORY UNREST

Rebels with a Cause?

UNTIL Tuesday there seemed to be two differences between the Tory revolt at Westminster and the explosion of Britain's nuclear device over the Pacific: it had taken place at a low not a high altitude, and the party leaders seemed confident that it would be a single outburst rather than the first of a series liable to cause increasing concern as it rumbles along. This was a cosy sort of revolt in which those who had renounced the whip seemed to have indicated that they would support the Government on every issue except the one that had now been settled. But two things could now make the split a more serious proposition. They are, first, the rebels' intimation that they will set themselves up as a pressure group for a "tough line" about Cyprus; and, secondly—much more important—Lord Salisbury's re-emergence as an active campaigner against Mr Macmillan's general foreign policy.

All previous right wing revolts since the war have suffered from lack of leadership. Now, for the first time, the Suez Group has a leader of real stature. The Government has tried hard to de-Cecil the Tory party since Lord Salisbury resigned, and in the Commons it has largely succeeded, with envy and sour grapes as its chief allies. But there is no evidence that it has exorcised the Salisbury myth from the two points where it has always been strongest—in the House of Lords and, much more important, among the hard core of local party officials. However much rank and file Tories may press for the democratisation of the party for vote-catching purposes, when it comes to the business of government there is still a deeply ingrained respect for the aristocratic tradition. It is this that Lord Salisbury embodies. How real a threat he becomes will depend on how wide is his disagreement with Government policy, and how strongly he chooses to press it. If he contents himself with rare forays into the House of Lords and the correspondence columns of *The Times*, he need prove no more than a nagging nuisance. But if he should start making contact with the party in the country, he could prove formidable. As a student of history, Mr Macmillan will know better than to underestimate a kingmaker scorned.

Voting by Convention

FOR the time being, however, even the leadership of Lord Salisbury is not likely to win many new recruits to the rebel band in the Commons. The eight members who have resigned the whip are a mixed bag. Mr Maude is one of the party's brains, Lord Hinchingbrooke one of its most attractive characters, and Mr Maitland a skilful propagandist. In considering the other five, one rather runs out of nice things to say. Unless Lord Salisbury becomes an active leader in the wilderness, most observers at Westminster assume that many of the new Independents will ask for the whip back after a time. Potentially the most important of the rebels could be Lord Lambton, who has resigned from the post of PPS to Mr Selwyn Lloyd, although he has not renounced the whip. Such a step by a rising young man so close to the seat of power cannot be without some significance.

The proceedings in the House this week, however, have had a certain air of unreality. Mr Gaitskell's motion, which the House was debating, declared

> That this House expresses its concern at the outcome of the Government's Suez Canal policy, and deplores the damage to British prestige and economic interests resulting therefrom.

How anybody who reads that motion carefully could vote against it defies imagination. The fact remains, however, that—although a number of right wingers were expected to join the new Independents in abstaining from voting in Thursday's division—there was never any doubt that the Government would get the sort of majority that it needed. In the first day of the debate Mr Macmillan made great play with the argument that Mr Gaitskell is no fit person to be talking about British prestige; the Tories' personal assault on Mr Gaitskell is continuing as a principal propaganda tactic, although the exchange of unpleasantries is gradually getting a little more good-humoured. The only other significant point in Mr Macmillan's speech on Wednesday was his announcement that Sir Matthew Slattery has been appointed as the Government's "special adviser on the transport of Middle East oil." This introduction of another business man to sit on part of Lord Mills's shoulder seems a peculiarly cluttering device.

ATOMIC TESTS

The Pacific and the Rhine

NOW that the long heralded tests of British nuclear weapons in the Pacific have begun, will anxiety and agitation about them increase or diminish? The next few weeks ought to provide a revealing study in public psychology. Before Wednesday's big bang there had been far more excitement, both here and abroad, about the British tests which had not yet been held than about the Soviet ones which made thunderous background music during the Japanese mission to London in April. Controversy about Christmas Island had already become so heated that it is anybody's guess whether the actual start of the tests will heighten the fever or bring it down.

Foreign reactions to the news of the first test will soon be known. Meanwhile it is relevant to note last week's resolution in the German Bundestag calling for a temporary ban on tests. By agreeing to this resolution, the government parties deferred to public revulsion against the dangers of atomic warfare and radiation. Its wording was not very helpful to West Germany's allies at a time when British and American tests were imminent and Soviet tests just completed. But such strains on the alliance are to be expected as the west German elections approach.

With the aid of this concession, the Bonn government emerged from a long and tense debate on atomic weapons without retreating from any of the fundamentals of its policy. The Social Democrats demanded that the federal German government should refuse to allow any atomic weapons on its territory and should permanently renounce them for its armed forces. Both suggestions were flatly rejected. A one-sided German renunciation would gratuitously strengthen Russia's hand in the disarmament talks, Dr Adenauer explained. The resolution which was eventually passed declared that a decision on arming German forces with atomic weapons was closely bound up with the success of the disarmament talks in London; and that a lasting peace was insecure without German reunification. The only action specifically required from the government is to publicise what measures it will take against atomic radiation and to set up a committee of scientists, politicians and soldiers on atomic weapons.

FRANCE

Fifteenth-Month Itch

M. MOLLET may need all his skill and confidence to stay in power beyond next week. France's hopelessly isolated stand on the Suez Canal issue has shaken his already precarious position. To restore it, he has handed in his resignation—which was naturally refused—and asserted that France will not leave it at that, but will take the matter to the Security Council. His government, however, is also threatened with the resignation of the Radical ministers over the official policy in Algeria. More dangerous still is a possible conservative attack on the government's conduct of economic affairs. Not all the austerity measures which the government proposes need parliamentary approval. Out of new taxes expected to bring in £150 million, some £42 million can be raised by decree. Only the remainder require parliamentary legislation, and it will be M. Mollet's purpose to limit the debate next week to the specific measures involved. The conservatives may not accept this.

M. Mollet cannot offer any strong prospect that the present programme will be enough to avert an economic crisis. Budgetary cuts and new taxes together will at best yield some £400 million—less than the cost of the Algerian war—and the French government has just reasserted that it will keep 400,000 troops in Algeria until a very problematical cease-fire. It has also claimed, rather romantically, that it will still refuse to pay Suez Canal dues to Egypt. It is to be wondered for how long a country in such financial difficulties can afford such a costly gesture. The French franc is faced with immediate dangers. Admittedly France has just received credit facilities worth about $50 million from the European Payments Union. The government can also draw on some $100 million remaining from the credit granted by the International Monetary Fund, and something is also left from the oil loan. But unless the trade gap is rapidly narrowed, within the next two months the French government will have to dip into its last-ditch reserves—the £301 million worth of gold in the vaults of the Bank of France. This would have a dangerous psychological effect.

The government's survival of next week's vote of confidence will depend on M. Mollet's ability to split his opponents' ranks. The conservatives, in particular, may at the last moment hesitate to precipitate a crisis that would threaten the present Algerian policy and play into the hands of his arch-enemy, M. Mendès-France. "Europeans" are now lobbying for the government, and all deputies are aware that Socialist votes will be needed for any future coalition. Yet all these assets may prove not enough to enable M. Mollet to extend his record-breaking run into its sixteenth month.

LOCAL ELECTIONS

Swing Low

LABOUR'S net gain of just over 200 seats in the provincial borough elections, and of something under 100 in the scattered district council elections, accorded fairly well with the standard of measurement that had been suggested in these columns. Labour has done slightly better than a year ago; any Tory parliamentary seat with a majority of less than 5,000 would be quite likely to fall to Labour in any immediate by-election; in any immediate general election Labour would be widely expected to win a majority of perhaps about 100 in the House. Nevertheless, the swing to the left has still not gone as far as it did in Labour's peak local election year of 1952, and from that debacle the Tories recovered very quickly indeed.

The geographical pattern of results this year could perhaps best be described as suggesting a process of regional evening out. A year ago Labour gains seemed to be especially influenced by the rash of discontent with the Tories across the industrial midlands. There has been no obvious repetition of that this time. Indeed—following a trend that had also been evident in Scotland—the bigger cities and towns, including the bigger cities and towns in the Black Country, seemed a little less angry with the Conservatives than a year ago; the elections for Birmingham city council, quite exceptionally, showed two net Conservative gains. The determined searcher after geographical trends can find some evidence that Labour gains were the general rule in some parts of Lancashire (*vide* Blackpool, Burnley), East Anglia (Norwich, Lowestoft), some holiday resorts (Brighton, Bath), and in those old friends of the electoral analyst—the half industrial, half residential boroughs which appeared on so many lists as marginal Tory or Labour seats at the time of the 1955 elections (*vide* Rochester, Chatham, Watford). But this was mainly because marginal boroughs naturally tend to have rather more marginal wards, and was therefore largely merely another sign of the slow percolation of the steady Labour gain throughout the country.

It is no longer possible to explain these widely distributed swings by talking of dissatisfied retired majors who no longer bother to turn out to vote Tory; nor, on what were reasonably average polls, can one now sensibly talk of any other pattern of differential abstentions. The most common type of Tory voter who has got away is probably that most common type of floating voter: the upper working-class and lower middle-class employee, sitting before his television set in a semi-detached villa, has become something more than semi-detached in his politics again. He voted Tory in 1955 when he felt that he and everybody else were getting significantly better off all the time; now that real

incomes seem more stagnant and that he has learned to associate the term "crisis" with Tories as well as Labour, he has swung left. But, to achieve political parity in a re-expanding economy, the Tories would still need to win only about three of every hundred of him back.

PARLIAMENTARY PAY

Still Standing Committees

LABOUR MPs have been wise to kill any suggestion that they may "strike" if they do not get more pay. To trade union MPs, in particular, the idea of direct action may seem superficially attractive, but it would lose them all public sympathy for what is really a very good case. What apparently happened last week was that about seventy Labour MPs drew up a joint declaration, which they planned to present to their Chief Whip. In this they complained about the interminable delay in granting their claim to a salary of at least £1500 a year, and implied that if MPs' pay was not soon raised, they might have to start looking for part-time jobs, which would prevent them from serving on standing committees that meet in the mornings. This, it seems, was the nearest they got to a "strike threat." In the end they were dissuaded from handing in their declaration, but their party leaders have been left in no doubt that they want some action.

It is now three years since an all-party select committee of MPs recommended a pay rise to £1500, and members are still having to make do with a maximum of about £1280. Out of this, those who have no other income must meet all the expenses of being an MP (including, in many cases, keeping a second home in their provincial constituencies) and at the same time meet all their normal family costs. The case for an increase to at least £1,500, and probably more for out-of-town members, remains overwhelming. The sort of MP most electors should want is a politician who can afford to invite, say, controversial colonial politicians to lunch if they happen to come to London; at the moment many MPs simply could not afford to do so.

But two qualifications must be made in discussing MP's pay. The first is that the claims of junior ministers are even more urgent, and should be met without any further delay. The second is that, up to now, part of the Government's economic policy has been based on the supposition that appropriate "moral suasion" might help to damp down wage claims. There always comes a period, between about May and September, when it is realised that the current year's bout of moral suasion has failed, but the new year's bout has not begun. MPs have learned that it is in this period that charges of "invidiousness" can least easily be levied against their own claims.

SOVIET UNION

The Heart of the Cabbage

"THE case of international tension is like a cabbage. If you tear off the leaves one by one you come to the heart. And the heart of this matter is relations between the Soviet Union and the United States." Through this vivid metaphor Mr Khrushchev tried to convey his view of the real balance of world power to the managing editor of the *New York Times* in an interview last week. He added: "If it were possible to come to an agreement with the United States, we could possibly come to an agreement with Britain and other powers."

The notion of the two colossi coming to terms and thus bringing peace to the world is not new in Moscow, but it has not been so bluntly expressed for a long time. Mr Khrushchev's cabbage was nothing if not crisp. He seemed indifferent as regards the size of the conference he envisaged, implying that, whether it was a two-power or a four-power meeting, the Russians would address themselves to the Americans in any case (as they tend to do at, for example, the London disarmament talks). He was firm about the need for a meeting of "leaders of governments"—a term which presumably would embrace himself as well as Marshal Bulganin—and he dismissed the foreign ministers summarily: "If it were a meeting between Gromyko and Dulles it might take a hundred years. Only our grandchildren would see the results." He was even more firm about the agenda. Neither eastern Europe nor Germany could be discussed. It is not clear how this condition could be reconciled with his insistence that "Europe is the area in which relations are most tense," and that the question of European security must be prominent on the agenda.

More encouraging was the fact that he did not seem to share Mr Molotov's familiar liking for conferences for their own sake. On the contrary, he argued that without adequate preparation beforehand a great-power meeting would lead to "disappointments for the participants and for the people they represent." This kind of warning has often been uttered in the West, and it is heartening to hear it echoed in Moscow—perhaps in recognition of a more critical attitude towards its own government on the part of the Russian people.

After the Supreme Soviet

GLOOM must now prevail in the quarters of civil servants in Moscow. Twenty-four central ministries alone are to vanish by the end of next month. Thousands of officials will have to accept jobs in the provinces, some in production, others in the new regional economic councils. Mr Khrushchev has carried his gigantic scheme of economic reorganisation through the Supreme Soviet. True, in his original "theses" on the subject he had envisaged the abolition of all industrial ministries. He has had to accept the survival of eight: aircraft production, defence, radio-technical industry, medium machine-building, shipbuilding, transport construction, chemical industry, and power stations, probably under pressure from the generals and some colleagues in the party presidium. But the enterprises of the surviving ministries will be under the supervision of the economic councils. This high-level agreement had been reached before last week's parliamentary session began. There only remained the question of how many ministries should be kept in the various republics. Many deputies, particularly from the Ukraine, Mr Khrushchev's former stronghold, spoke in favour of complete abolition, and since this was in keeping with his original proposals, he could not deal too harshly with amendments. In fact they probably suited him. A compromise was finally reached: each republic will decide for itself.

The project has become law. Mr Khrushchev, who cannot be accused of timidity, has now a tremendous job on his hands. The whole planning machine is to be overhauled. Within a few weeks innumerable ministries have to balance their books and get ready to hand over, and the new regional councils have to be set up, ready to take over and supervise production. It is doubtful whether the transition can be as smooth and as rapid as Mr Khrushchev imagines. The benefits expected from this reorganisation, in the form of higher production, will take time to materialise. But will the Russian consumer wait patiently?

Bombs or Butter

EVIDENTLY anticipating some grumbling among their people as the Khrushchev upheaval proceeds, and, in particular, some impatient questions about long-promised economic benefits, the Soviet leaders took care to give their answer in advance. It was a simple one: Russia is unwillingly involved in a costly arms race, and guns—or rather bombs—must come before butter. "The Soviet Union is compelled to produce both atomic and hydrogen weapons," said Mr Gromyko last week in a speech in which the word "compelled" recurred like a refrain. The Supreme Soviet's appeal to the British and American parliaments spelt it out: "Production of expensive nuclear weapons is a heavy burden on taxpayers, compelled to spend an ever-growing part of their income on arms."

Revealingly, the Kremlin seems concerned to persuade not only the outside world, but also its own subjects that the West is to blame for the arms race. Hence, presumably, Mr Khrushchev's blunt statement to the *New York Times* that the United States "indisputably" wants war. His sole argument was that "a country which does not want war would not continue to develop its armed forces and to stockpile weapons, and would seek agreement with the other side." The description fits Russia like a glove, but few would claim that it proves that Russia wants war.

Mr Khrushchev has chosen to announce his doctrine at a time when the Americans are conspicuously anxious for some agreement on disarmament, even if it has to be only a partial one. The road to comprehensive disarmament still seems blocked by Soviet rejection of effective means of international control; and American efforts have therefore been increasingly directed toward particular sectors of the problem. Moscow has shown no liking for Mr Stassen's suggestion that all further production of nuclear arms be halted under supervision. But it has at last joined in the discussion on "open skies," although its first move was, characteristically, a maximum bid which it doubtless knew would be unacceptable. Meanwhile the Americans' eagerness to get the disarmament log-jam moving somehow has embroiled them with the problem of German susceptibilities—a problem which is discussed in a leading article. This eagerness may at times disturb America's friends and allies; but it is hard to fit it into Mr Khrushchev's simple scheme of things.

DEFENCE

The New Army

IN the memorandum attached to the Army Estimates the Secretary of State for War promised a full parliamentary discussion of the army's future. This was much needed, for the memorandum was an empty, backward-looking document: Mr Hare has now come up to scratch with a clear speech about the army's prospects. The need is for an army which, behind a major nuclear deterrent, can be a mobile, flexible and compact fighting force. The basic combat unit is to be the infantry or armoured brigade group: some of the small units scattered around the world are to be abolished, and their place to be taken by a central reserve in Great Britain which can be transported by air to wherever it is needed. All new equipment is to be portable by air. New conventional weapons of all kinds are to be developed, including an anti-tank guided weapon which should make heavy tanks obsolete and a mobile ground-to-air guided weapon. Heavy artillery is to be replaced by nuclear guided weapons. Heavier weapons are to be kept at strategic points around the world, to be manned by the central reserve forces if necessary. Plans for the Territorial Army are less satisfactory: it is to be an all volunteer force for the defence of the United Kingdom itself, working, to put it bluntly, as an adjunct of civil defence, instead of, as now, a second echelon for the regular army. In a nuclear war this means that the Territorial Army would provide a disciplined element in a chaotic situation disposing of the dead and organising the living.

The great question mark which hangs over the whole plan is the prospect of maintaining an army of some 150,000 volunteers. To maintain morale and attract volunteers, living conditions are to be improved, and the system of regimental recruiting, with its traditional pull, is to be maintained for fighting regiments. The minimum period of service with the colours is to be lengthened from three to six years. Mr Strachey is not alone in questioning whether the necessary 11 per cent of the available manpower reaching recruitable age in the 1960s will in fact volunteer for the services. Morale among field officers and NCOs is bound to be impaired by the fact that some 3,500 field officers and some NCOs are to be compulsorily retired within five years. There is going to be a restless period in the army until the names of those who must go are known. Having got rid of its surplus officers the army must then set about attracting the necessary troops. If it fails in this, the new pattern for defence (and the abolition of conscription?) will presumably have to be reconsidered.

NIGERIA

Independence and Federation

THE leading politicians in the three regions of Nigeria are now assembling in London for the Nigerian constitutional conference. A hard task and possibly a long conference await them. It is known that one region expects to spend £24,000 on the expenses of its delegates; even if they stay at the best hotels in London, they must therefore presumably be expecting that they will still be here towards the end of June. The premiers of the Eastern and Western regions have persuaded the North on the wave of emotion engendered by Ghana's independence to accept the goal of Nigerian independence in 1959, although the country as a whole is hardly ready for it and the North in 1954 declared that it needed thirty years to catch up the South. But unless the North backs out during the negotiations, the problem is now, for good or ill, to give Nigeria a constitution which will take the strain of political inexperience in all regions, a grave shortage (in the North a catastrophic shortage) of indigenous trained civil servants, and strong tribal and cultural rivalries.

As the target date of 1959 gives the country so little

time to take the fateful last steps, the conference will have to stick to what is strictly practicable if it is to get anywhere. The attitudes likely to be struck by the various Nigerian negotiators are described below. Demands by Dr Azikiwe and the leaders of minor parties for the break up of the federation into smaller units than the three present regions and the Cameroons will have to be resisted. There is no immediate alternative to the present regional structure, on which immense sums have been spent since 1954; the problem is the relation of these regions to the centre in such a way that Nigerian unity can be preserved, tribal rivalries mitigated, and the central government given adequate powers.

The kernels of these powers are finance, the administrative service, and security. While the taxing powers of the regions could reasonably be increased, the centre must have control over currency, credit and the raising of external and internal loans. This control is now too weak. What is wanted is a central economic body composed of the finance ministers of all the regions and the centre meeting regularly and co-ordinating policy; this could be vital at a time of deficit financing and running down London balances such as may lie ahead. The British negotiators must persist in their opposition to any breaking up of the Nigerian police—which is, in Nigerian conditions, a vital instrument of central power. Finally, all will be in vain if something is not done to meet the danger that this year the British civil servants will start taking their compensation and melting

Parties to the Nigerian Palaver

A NOTE above considers the objectives of the Nigerian constitutional conference which is now assembling in London. The Nigerian delegation is intended to be representative of all the major parties and groups in that country: as these are not united on every issue, the conference will proceed by a series of inter-party bargains in which the British Government will be at times the intermediary and at times an interested party. The Nigerian delegation is composed as follows (figures in brackets are alternates or advisers):

	North	West	East
Northern People's Congress (NPC)	5 (3)	...	...
National Council of Nigeria and Cameroons (NCNC).....	...	3 (2)	5 (3)
Action Group.....	...	5 (3)	2 (1)
Chiefs, etc.	2 (1)	2	2
United Middle Belt Congress	1 (1)	...	...
Northern Elements Progressive Union	2	...	...
United National Independence Party.....	...	...	1 (1)

There will also be a delegation from the Cameroons. The condition and attitudes of the parties, our correspondent in Nigeria writes, are roughly as follows:

NCNC: This is the senior nationalist party, which once spoke, and still purports to speak, for advanced opinion in all regions. It was founded by Dr Azikiwe soon after the war, and he is still its president as well as premier of the Eastern region. It forms the opposition in the Western region, with 32 out of 80 seats; but it has the majority of *federal* seats of both East and West, and therefore represents both regions in the federal council of ministers. Its present policy is not to press for regional self-government now but for provisions in the new constitution permitting the creation of new states based on "ethnic" boundaries; these states would, in effect, be mere provinces, so that more powers would then be given to the centre. Dr Azikiwe's ascendancy was shaken by the Foster-Sutton report into the Anglo-Continental bank, which showed his henchmen, and especially the federal NCNC ministers, the extent to which he made decisions without consulting the party. Although the electorate has confirmed him in office, these colleagues of his have rebelled, and personal feuds have torn the party. Meanwhile a new wing of the party, the "Zikist Vanguard," is gathering strength and demanding a return to the pure Zikist doctrine of a unitary, free Nigerian state, with adult suffrage throughout and unrelenting pressure on the British officials and the "feudal elements" (i.e. the Chiefs, Emirs and Action Group bosses).

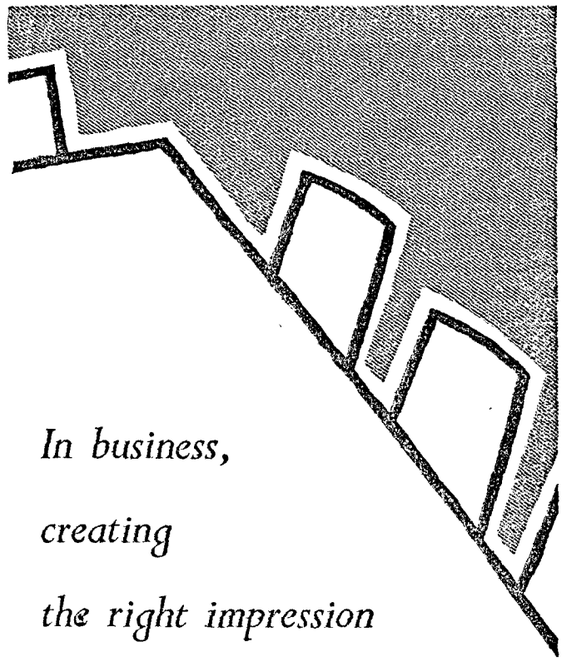
The Action Group: grew from a dissident, anti-Ibo, Yoruba group among the nationalists; its leader is Chief Awolowo. It based itself on Yorubaland in the West, and now challenges the NCNC in the East and to a lesser extent the NPC in the North. It is at present too weak to win in the East, and, elated by its administrative success as the government in the West, is determined to maintain and extend regional powers; it will probably demand regional self-government this year—that is, an end to the governor's reserve powers. It has territorial designs on its neighbours, and wants to take charge at Lagos, merely leasing territory to the federal government. Chief Awolowo is backed by able and determined men who wash no dirty linen in public, value and sometimes even cherish their British civil servants, and mean to win back a full share of control in the centre at the next federal election. They say that it is quite essential that there should be such an election before independence.

The Northern People's Congress has little real party organisation, but is loosely run by the Emirs and leading Northern families; it maintains power by a simple but effective, appeal to loyalty, to the Islamic religion, and to hatred of Dr Azikiwe's Ibos who have migrated to the North as civil servants, traders, teachers and police. It controls the Northern regional house and by weight of numbers predominates at the centre. It is led by the aristocratic Sardauna of Sokoto, who may be Sultan of Sokoto one day—and if not will probably be free Nigeria's first prime minister This party will also provide the first interim chief minister this year. But its policy is strictly regional, it lacks educated and experienced leaders, has a limited outlook, and is weakened by arbitrary decisions of the Emirs in their own kingdoms.

The Northern Elements Progressive Union embodies the reaction to the NPC and is in alliance with NCNC. It appeals to the restive minority in the northern towns, where it is fast gathering strength, but until it becomes more respectable, and gathers in the growing educated classes, it cannot challenge NPC seriously. It favours a strong centre and creation of more states, as well as direct elections in the North; these might weaken the Emirs' grip on the regional house and the NPC's preponderance at the centre.

The United Middle Belt Congress is a new party demanding a separate state covering approximately Ilorin, Kabba, Benue, southern Zaria, and the Plateau provinces. It is now anti-NPC in sentiment and represents pagan fears of Muslim domination.

The United National Independence Party is an anti-Zik remnant left in the East after a previous party row. It has a limited future allied to the Action Group.

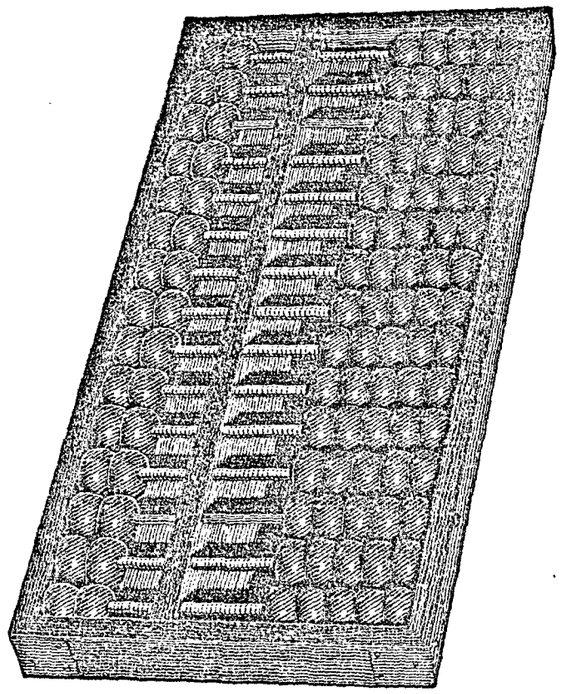


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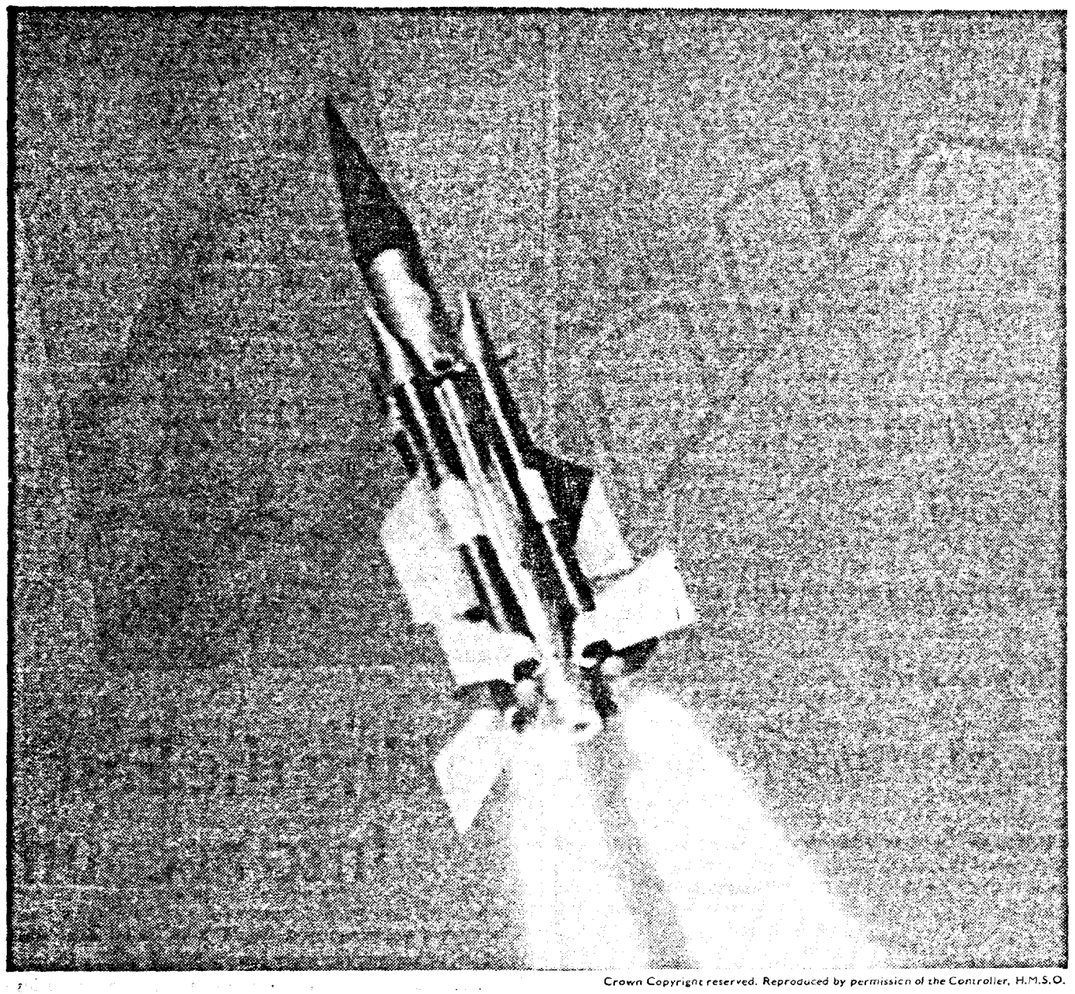
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away from the Eastern and Western regions, to be followed by their colleagues from the North and Centre in 1959. To achieve even these bare minima of a viable Nigerian federation will be a massive task.

THE ADAMS CASE

Responsibility for Contempt

THE trial of Dr Adams for murder two months ago is still having repercussions. Last week, the High Court gave judgment in the case brought against the European correspondent of the American magazine *Newsweek,* and its distributors, for contempt of court because one of its issues contained matter prejudicial to Dr Adams that was not produced in evidence at his trial. The court held that the paragraphs complained of constituted a serious contempt, and it imposed a fine of £50 on each of the distributors—the Rolls House Publishing Company and W. H. Smith and Son.

The importance of the case lies in the monitory words of the Lord Chief Justice in giving the court's judgment. For the court, having excluded the European correspondent from editorial responsibility for *Newsweek's* contents (and all foreign correspondents of overseas newspapers will render thanks for this), could not punish the American editors who were responsible because they were outside the court's jurisdiction. It therefore imposed nominal fines on the distributors in order—in Lord Goddard's words—"to emphasise the risk which [they] run by dealing in foreign publications imported here but which have no responsible editor or manager in this country." Lord Goddard went on to warn distributors that in those circumstances they were the only people whom the courts could reach and that, now that the risk and responsibility had been exposed by this case, future offences might not be dealt with so leniently.

This hint of prison or swingeing fines in store for luckless distributors of contempt could have unfortunate consequences for the British public. It is threatening to curtail the distribution of foreign publications and—almost as bad—to lead to the imposition of an amateur and probably heavy-handed censorship by the distributors. But is it as difficult as Lord Goddard made out to bring the real offenders to book—at any rate in those cases where the judge is not determined to send somebody to prison? Could not the fines be imposed on the foreign editors and be collected by writs of attachment on subsequent sales of their publications in this country? The proprietors would then have to choose between paying the fine or losing their British market. If this is not possible, then the best way of preventing the British public from being deprived of papers it wants to read is to amend the law in order to exclude distributors from liability for contempt and possibly libel as well. This seems a meet subject for a private members' Bill.

MIDDLE EAST

Three Kings of Orient

IT is not surprising that King Hussein of Jordan felt obliged to refuse the invitation to join the Kings of Iraq and Saudi Arabia in Baghdad. He is sitting on a smouldering volcano at home, where the two-thirds of his subjects who are ex-Palestinians would sooner see him linked to Syria, Egypt and Russia than to Iraq, Saudi Arabia and the dollar. He excused himself frankly enough, on the ground that conditions in Jordan are not back to normal yet.

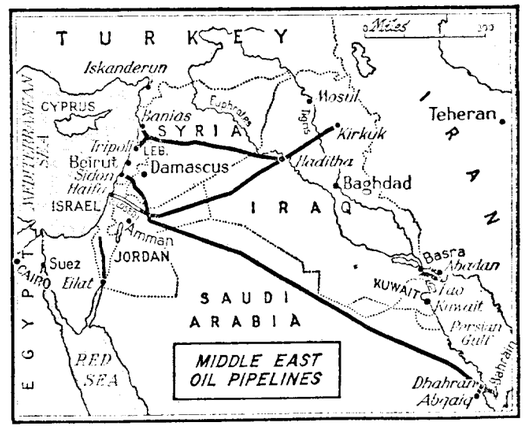
His second reason for staying away is implicit in a statement made this week by his foreign minister, Samir Rifai. This announced budget revisions, to include "large amounts" for development aimed at economic independence. Since Jordan has no money, the "large amounts" must come from abroad—and the more sources they come from, the greater the chances of behaving independently while accepting them. Just as last year, when Egypt and Syria first suggested replacing Jordan's British subsidy, he hedged with the proviso that Iraq, too, must help, so this year he does not want entirely to drop support from Egypt and Syria in favour of support from Iraq and Saudi Arabia. One result of King Saud's rapprochement with Iraq, therefore, is that it improves Jordan's meagre bargaining power. But its chief significance is that it mitigates Iraq's isolation from its fellow Arab states.

OIL

The Big Pipe Dream

THE representatives of the 17 oil companies concluded their conference at Shell-Mex House on Thursday and now have a clear idea of what they want to do. They desire to provide two additional pipelines each of 38-40 inches to move an additional 70 million tons of oil a year from the Persian Gulf area sometime after 1960. They estimate that a million tons of steel and ancillary equipment, including ten or twelve pumping stations, will be needed, and the cost will be in the region of £300 million.

The method is less clear than the requirement. The general idea is that a north-south line through Iraq would link the Persian Gulf with the Kirkuk field, and this would



"drain" additional oil production into an associated, new pipeline system which would carry it to the Mediterranean. The production of the Basra field could then be moved north-east to feed the expanding markets of Europe; but it might also provide a quicker, cheaper route for Kuwait oil, together with additional transport facilities for Saudi Arabian oil and for the Iranian oil of the Consortium.

The companies are said to favour a route from northern

Iraq to the Mediterranean through Turkey, across southern Anatolia to the Mediterranean coast ; it is now thought that they will if possible avoid Iskanderun, because that port is the subject of dispute between Turkey and Syria. But the companies are adamant that they have made no decision on the route. Iraq, which is the key to the plan, may not favour taking the proposed pipelines round Syria, despite the bad relations with Syria at the moment, because the Arabs of the Middle East would consider it disloyalty. It is possible that Iraq and Saudi Arabia have formulated some views of their own about future pipeline policy during the visit of King Saud to Baghdad.

A pipeline through Turkey would, of course, reduce the dependence of Iraq and of the companies on Syria, but there is no suggestion that it would divert the oil flow away from the Iraq Petroleum Company's existing pipeline system across Syria. The IPC will in due course restore the flow through that system to the pre-Suez 25 million tons a year, and it may prove necessary to increase capacity further. The truth is that by the middle nineteen-sixties oil production will be big enough to need giant tankers and the Suez Canal route as well as the new pipelines which the companies have been discussing this week.

DENMARK

A Vote for Uncertainty

DANISH electors do not lightly change their voting habits, in spite of economic crises, as last Tuesday's general elections showed. But there was, as had been predicted, a slight swing to the right. The Social Democrats (70 seats) who, with Radical backing, formed the last government, lost four seats and the Communists (6 seats), who were expected to go down heavily, lost 2. The Liberals (45 seats) gained 3, and so, rather surprisingly, did the eccentric Single Tax party (9 seats), whose members cling to the principles of Henry George. The Radicals (14 seats) and the Conservatives (30) did not change their strength.

Hr Hansen has resigned, but unless the new government is formed more quickly than most people expect, he will still be in charge when the Queen and the Duke of Edinburgh arrive on Tuesday on a state visit. The Radicals still hold the balance of power between the Social Democrats on the one hand and the Conservatives and Liberals on the other, and the election results have made them more powerful than before. Any new government will presumably have to depend on them to some extent, but since they are neutralist in their foreign policy, it will not be an easy partnership to work out. The Single Tax party is an unknown factor and if, as seems probable, it chooses to support the Conservatives, it will make an important difference to the bargaining power of the Danish right wing.

SOCIAL SERVICE

Help for the Old

MR MCLEAVY'S National Assistance Act (1948) Amendment Bill, which got its second reading with all-party support last week, is an excellent legislative example of what in the realm of town-planning is known as "in-filling." The original act provided that the larger local authorities should have power to make grants to voluntary organisations (such as the WVS and the Councils of Social Service) supplying hot meals and other domiciliary services or organising recreation for the old. The amending bill extends this power to smaller authorities and empowers them to run such services, when necessary, otherwise than through the voluntary organisations. The principle of co-operation between voluntary and public services is a valuable one, and there is no reason why it should suffer. But there seems no reason, either, why the wellbeing of old people, once recognised as a matter of common concern, should depend on the hazard of the adequacy of voluntary services in their neighbourhood. The amending bill plugs a gap ; and while some improvements in drafting will, by common consent, be needed to fit its provisions into the current reshaping of local government functions and finance, it deserves the welcome it has received.

It is not, indeed, only geographically that a gap exists in the services available to the old. Roughly and perhaps unscientifically—and certainly with little reference to chronological age—the retired population may be divided into three groups: the elderly, the old and the senile. All these need, of course, an income ; the senile need continuous care such as can hardly be rendered outside special institutions. So much is recognised. But between the hale and active elderly pensioners and the "medicated survivors" there is a large and growing class of old people whom it is a waste, an insult and a cruelty to assimilate to the latter group but who are no longer capable of fending entirely for themselves. "Meals on wheels," home help, shopping services, chiropody and the provision of clubs were among the activities mentioned in the Commons debate: a range of good-neighbourly services which for many old people make all the difference between continued independence and an unwilling—and from the public point of view vastly more expensive—resort to the Old People's Home or the hospital. They should be recognised as a necessity rather than provided, optionally and unevenly, as a kind of frill on the structure of the welfare state. Whether in the exact form provided for in Mr McLeavy's bill or otherwise, their expansion and consolidation would be both humanely and economically a very good thing.

GERMANY

Volkswagen Shares for All

THE success of the Volkswagen firm is a continual mockery of arguments about the value of public or private ownership ; since the war nobody has really owned it at all. The claim to ownership made by the subscribers of its original capital through Hitler's Labour Front has not been accepted. The German Labour Front has no legal successor. Since nobody owns the Volkswagen undertaking it has been difficult to sell it to anyone—whether new private owners, as many industrialists have asked, or the state, as the Socialists wish. The firm has been in the joint trusteeship of the federal government and the *Land* government of Lower Saxony, but in practice its management has enjoyed virtual independence.

Professor Erhard now promises to bring Volkswagen out of limbo. He has told the Christian Democratic party congress that the party will soon table a bill to declare the firm a state-owned undertaking and then to sell its shares to the public ; the issue would be a pioneer endeavour in a broader drive to sell off the shares of many of the other

314 firms in which the German treasury has inherited (mainly from the Third Reich) a holding of more than 25 per cent, and at the same time to spread the habit of owning shares to the "little man." To ensure that control as well as ownership is broadly spread, no single initial holding may be more than DM 25,000 (£2,100) ; there will be rebates for small incomes ; proxy voting will be limited. The scheme is in part intended to strengthen Germany's frail capital market, bringing into industrial investment small savings and some of the horde of "stocking-money" which is still estimated at 5 or 6 billion marks. But the belief that economic democracy depends on a broad spread of private industrial ownership throughout the community is also an article of Professor Erhard's political and social faith. The Christian Democrats hope that "Volksaktien" (people's shares) will be a successful electoral answer to Socialist demands for nationalisation.

Volkswagen's competitors will no doubt seize avidly on the hope that their rival will become less competitive once it, too, has to pay dividends. They should not indulge too fond hopes. It may be some time before the bulk of the shares is sold. And Volkswagen, though it has ploughed back profits vigorously, has also been amassing reserves against the day when an owner might be found, as well as paying 50 per cent of its profits to its own workers. The firm will continue, moreover, to enjoy the benefits, not only of its excellent management, but also of the brilliantly simple basic design of its product.

COLOMBIA

A Regime Changes

GENERAL Rojas had become in the last year or so little more than a puppet dictator controlled by the Colombian armed services. Now, after some last wild jerks on his string, he has been thrown out. Without popular or church support he had become a liability to his military protectors, and on May 10th, two days after his farcical re-election by a handpicked constituent assembly, he was packed off to Spain. His final efforts to save himself by holding bogus presidential elections while his term still had more than a year to run—and by imprisoning the opposition candidate, Dr Valencia—precipitated his fall.

Colombians had long been disgusted by the corruption and illiberality of the regime, and last week saw continuous riots and strikes, organised by students but quickly catching on elsewhere: about a hundred people were reported to have been killed. Then the church intervened, accusing the government of murder and sacrilege. General Rojas had already angered the church, which is extremely powerful in Colombia, by his abortive attempt to launch a nationalist movement on the Peronist model, and Cardinal Luque's denunciation killed any hope he had left of staying in power.

★

Four generals and an admiral are now ruling by junta. The new regime began badly when thirty people were crushed to death in a panic stampede, for which the troops seem to have had some blame, during celebrations in Bogotá. But the generals are doing their best to convince the country that they hold with democracy. They have promised free presidential elections in 1958 ; they have established relations with Dr Valencia, leader of the conservatives, and with Dr Lleras, the liberal leader and a former president. As one sign of resurgent political life these two rival parties, who joined to oust the dictator, have split again. The constituent assembly has been suspended, and a new cabinet appointed. The press censorship is to be brought to an end. Colombia has a tradition of honest and independent newspaper reporting, and if the end of censorship proves to be more than a temporary measure, then the order of things may really have changed for the better.

HUNGARY

Mr Kadar Digs In

KOSSUTH'S emblem—for Hungarians the precious symbol of their fight against foreign oppression—has been removed from the Hungarian national flag, and from the uniforms of policemen, postmen and other officials. The secret police (AVH), the most violently hated representatives of the communist régime, are not only more active than ever ; scarcely a day passes without the press eulogising the "heroic" exploits of one of them during the October rising. These flights in the face of popular feeling are made possible by the Kadar régime's increasingly severe reign of terror. Cafés and restaurants in Budapest are raided frequently, and the persons arrested are given such farcical trials that even judges familiar with the judicial mockeries of the Rakosi régime are said to be horrified ; those who betray their feelings are sacked. Sentences of death are carried out summarily, often within a couple of hours.

★

Mr Kadar is entrenching himself in other ways, too. The workers' councils, which played such a key part in the October revolt, are constantly attacked in the press even though they have been thoroughly purged. Some important officials, including the Budapest chief of police, have been dismissed for suspected "counter-revolutionary tendencies." The National Assembly, meeting for the first time since last October, has been told to extend its own mandate—which should have expired last week—because, according to Mr Kadar, the Hungarian people are preoccupied with healing the wounds inflicted by the revolt and "it would not be correct if we spent our time and strength on parliamentary elections." The cabinet has at last been brought up to strength, but the new members, with one possible exception, are all either men who supported Mr Kadar in November or technicians who served under Mr Rakosi. There is no longer any question of broadening the régime by bringing in members of other parties. Indeed Mr Kadar bluntly told the National Assembly that the multi-party system could not and would not be introduced.

The new communist party, however, is clearly causing anxiety. Its membership has crept up to 300,000. But some 400,000 members of the old pre-October party are still holding back ; according to the official paper *Nepszabadsag* "we regard them with some anger and sometimes with hostility." Mr Karoly Kiss, a member of the party executive, nevertheless claims that the party's strength and influence "are much greater than indicated by the membership figures." In bourgeois circles this would be known as making the best of a bad job.

LETTERS

Albion in the Dock

SIR—As one who attended the recent meetings of the Council of Europe and WEU, I believe that your article of May 11th, like most other British press reports of these meetings, misrepresents continental opinion at Strasbourg. Will you allow me to comment on the two main topics of debate: the "Grand Design" and the defence white paper?

On the first you say that "it was hardly surprising that Mr Ormsby-Gore got a poor reception for the Grand Design." But in fact both what he said and the way he said it were most favourably received. I have not heard a single continental politician allege that our proposals for rationalising the increasing number of international bodies spring from a wish to torpedo the further integration of the Six. This wholly incorrect appreciation of motive has been planted by the press. There was nothing "complacent," still less "arrogant," about Mr Ormsby-Gore's insistence that these were only tentative suggestions for bringing order out of increasing chaos. The main criticism which was in fact voiced, and which you do not mention, was that no provision is suggested for contact with the Executive through a Council of Ministers.

Our delegation did its best, not I think unsuccessfully, to explain the following objectives of British policy. Common sense alone demands that the proliferation of bodies which have as their object the integration of Europe within the Atlantic Alliance should be streamlined so as to reduce their demands on manpower, time and money. That means not only that those bodies which now have, or will have, a supra-national character shall continue to enjoy their powers quite undisturbed by those countries which have not yet joined them; but also that, when other than purely European matters are under discussion, such as a common foreign policy for Nato, the Canadians and Americans should be invited to join in.

As to our defence proposals, I am sorry to have to contradict some of the statements in your article. The motion of censure on the Council of Ministers of WEU was not passed because they "had been wrong to accept any reduction whatsoever of British forces on the Continent," but because the Ministers had not explained in detail the reasons for this acceptance. All were agreed that we had scrupulously observed the conditions of Article 6 of Protocol II to the Brussels Treaty; and no one suggested that our decision was "a plain retreat from obligations." Finally you allege that the Germans are asking: "if all is left to the deterrent, how can a local invasion be stopped?" But the Germans have very carefully read the white paper, clause 20 of which clearly states: "The possession of nuclear air power is not by itself a complete deterrent. The frontiers of the free world, particularly in Europe, must be firmly defended on the ground."

Here again Mr Ormsby-Gore and the delegation did their best to explain the following reasons underlying the "new look" in British defence policy. The UK has in no way abandoned its firm intention to bear its fair share in the collective defence of Europe. "The defence of Britain is possible only as part of the collective defence of the free world" (para 10 of the white paper). But we cannot continue to make a disproportionately large contribution (more than twice the cost per head of the population compared with any other country except France). Having some ten years ago decided to manufacture the atomic deterrent, part of our contribution is made to the "sword" and therefore we can contribute rather less to the "shield" of ground forces. (Parenthetically—and with reference to your other article last week, "Calling the Bans"—it was interesting that a resolution urging suspension of tests pending further talks was overwhelmingly defeated by the Assembly.)

In conclusion, may I say that I fully agree with you that "it is not too late to make a new effort to fit the new model of British defence into common Nato plans balancing the need for conventional and atomic weapons." But I confidently assume that such an effort is now being made.—Yours faithfully,

GILBERT LONGDEN

House of Commons

The Canal and Sterling

SIR—I have been surprised at the line *The Economist* has taken about the dispute with Colonel Nasser, but I was frankly amazed to read the article in your edition of May 4th. This article stated that the American response to Nasser's terms had "saved face" and went on to suggest that canal dues should be paid in sterling and that, in order to persuade Colonel Nasser to accept this currency, Egyptian assets in this country should be released.

In other words, we should not only concede a complete victory to Colonel Nasser, but should prostrate ourselves before the Egyptian Pharaoh in order that he might graciously allow British ships to use the canal. It is perhaps beside the point to add that in so doing we would be betraying the interests of all those private individuals and companies whose property in Egypt has been sequestrated.

One is becoming used to reading counsels of complete defeatism in certain sections of the British press, but I refuse to believe that this represents the true spirit of the nation. Owing to the defection of our allies last autumn, Colonel Nasser has won a temporary victory, but the battle is not yet over and we should not overlook the historic fact that Britain invariably loses the first round.

The picture is not nearly as gloomy as it is painted. The American public have already come round to the view that Sir Anthony Eden was right in taking action last year and the Administration, slowly and reluctantly, appears to be following suit. Mr Dulles has been forced by the pressure of events to imitate many of the actions he condemned last autumn—the Eisenhower doctrine; the adherence to the military sections of the Baghdad Pact and the recent movements of the 6th Fleet point the way, and it is hoped that a joint Anglo-American policy on the Middle East will eventually emerge.

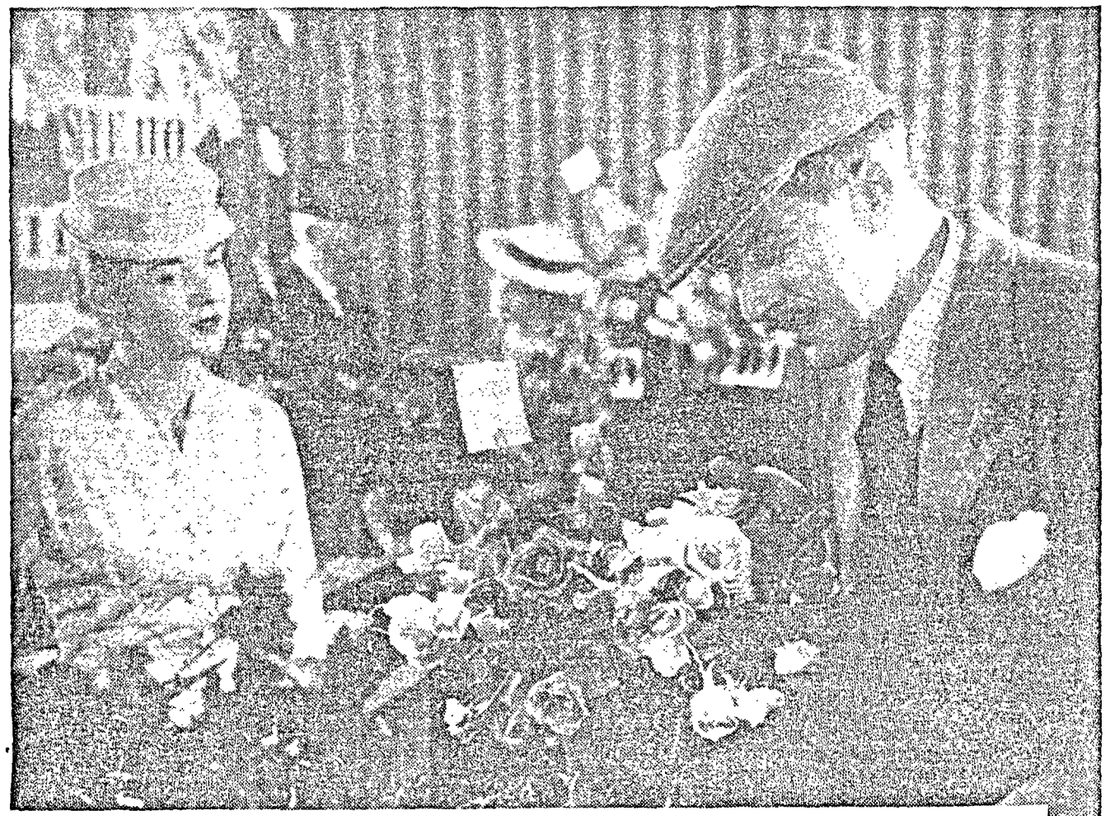
The Commonwealth, apparently divided by the rapid move of events last year, is now reunited. Australia and New Zealand, to which the canal is vital, are solidly behind us, Pakistan is our ally in the Baghdad Pact, India and Ceylon are doing their best to bring Colonel Nasser to a more conciliatory frame of mind, Canada is the leading power in advocating the constructive use of the United Nations Emergency Force as opposed to its present employment, which appears to many to be merely putting everybody back to the start lines so that the whole business can start all over again.

Colonel Nasser's position is insecure. Though he has won a propaganda victory, it is known throughout the Arab world that his armies have been defeated and he can no longer be regarded as the leader of the Arab League. In Saudi Arabia, in Jordan and in the Lebanon there is a clear weakening of ties with Egypt. Even Mr Dulles seems to think that it is no longer worth while to try and conciliate Nasser.

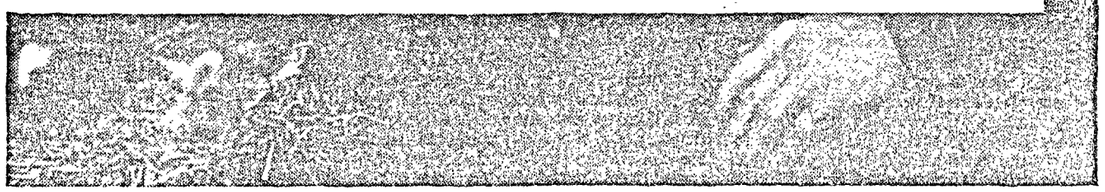
In the long run the value of the Suez Canal to Egypt has been greatly diminished, for never again will the maritime nations of the world allow themselves to be placed in a position where their trade is subject to the whims of one man. All these powers are now thinking of ways they can avoid being dependent on the canal, by the construction of super tankers, by alternative pipelines, by planning for an alternative canal, etc.

In the short term Colonel Nasser's control over his own country has been seriously weakened by the strain on Egypt's economy, which if it continues could well cause his overthrow. Though it must be admitted that the alternative to Colonel Nasser may well be fascism and the Moslem Brotherhood, resulting in bloodshed and anarchy.

Britain and France were the first world powers to take action against



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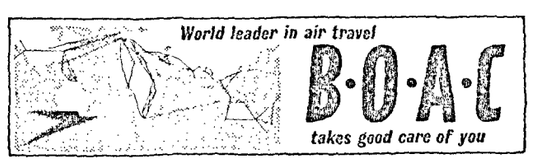


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Colonel Nasser. It is now clear that events are moving in their favour and that, though it may be necessary for British shipping companies to use the Suez Canal, it is surely the worst possible time for the British Government to seek any agreement with Colonel Nasser which does not include the six principles accepted by the Security Council. Any such action would place the future of the canal completely in the hands of Colonel Nasser, who would be in the unique position of being subservient to no legal or international control and would thus be able to discriminate as he wished against the shipping of nations to whom he personally was opposed. Surely the world could not tolerate this?—Yours faithfully,

PATRICK WALL

House of Commons

Disarming Candour

SIR—There is, as you say in your article of April 27th, no reason to think that the Soviet Government's nuclear test policy envisages maiming its own productive workers. All that is necessary is that the policy should be formed by ignorant and self-confident persons, devoted to toughness and able to pick those scientific advisers who are likely to agree with them. Given these prerequisites, and since a mere increase of 1,000 bone cancer cases per megaton is a negligible risk by the standards of political morality, Soviet policy can be as bland about the release of more radioactivity as is Mr Macmillan.

The Kremlin has the further advantages, from its own point of view, of having to pay much less attention than Mr Macmillan to public opinion, and of being able to call on eminent anti-Mendelians to talk down its scientific opponents. Since the essential problems before us—or those of us who are more concerned with public health than with demonstrations of prestige—is to reduce the number of explosions regardless of their origin, it would be necessary to apply the pressure of public opinion to those quarters first where it is most likely to work—even if it were not likely that the successful prevention of the British tests would prevent others.

The division of opinion, one might add, is not between the frightened and the steadfast, but between those scientific authorities who are willing to say loudly that all increases in radioactive background are dangerous, and those who, for various reasons, are only willing to say it quietly. The estimate of danger depends in part on the importance one attaches to a few thousand extra deaths, and in part on the direction of the speaker's interests—biologists seem uniformly more disturbed than physicists; medical biologists are most disturbed of all, so far as I can judge by conversation with them. But they, of course, are biased by a professional unwillingness to laugh off that few thousand extra deaths in a realistic manner.—Yours faithfully,

Loughton, Essex ALEX COMFORT

BOOKS

Psephologie Française

Les Elections du 2 Janvier 1956

Edited by Maurice Duverger, François Goguel and Jean Touchard. Cahiers de la Fondation Nationale des Sciences Politiques. No. 82.
Paris: *Armand Colin.* 505 pages. 1,700 frs.

THE French general election of January 1956 presents a number of unique features. It was the first to be held since 1877 as a result of a deliberate dissolution of the Parliament; and it produced the highest turnout of voters ever recorded, the largest number of candidates—almost ten for every seat—and, ultimately, the election of an Assembly which led to a minority government destined to beat the Fourth Republic's record for longevity.

Other distinctions emerge from a closer study. The calculation upon which the dissolution was based proved wrong; not because of any public resentment against M. Faure, its author, but because the electoral alliances (*apparentements*) upon which he relied to strengthen the right-centre coalition were ineffective. This in its turn was largely due to the quite unexpected strength of poujadism, which drew away votes that might otherwise have benefited the right-centre. Although inability to agree on a change in the electoral law was one of the factors contributing to the dissolution, with the result that the election was fought on the 1951 system of proportional representation, the way in which the lists were drawn up, particularly on the less-disciplined right, and the French predilection for personal rather than party politics, made the actual working of the system quite other than the theorists believed. More than half of the deputies elected were the only ones on their list to get in. What mattered more often than not was to be head of a list—any list—and the rest was electioneering. Again, the huge number of lists and candidates did not correspond to political realities. About 300 of the deputies up for re-election were certain to get in; the real struggle was over 250 seats for which there were some 700 serious candidates.

This would at first sight suggest that the differences between British and French electoral habits might have been overrated and that what ought to have happened this time would be a national campaign fought over a limited number of marginal seats. Despite some effort by M. Mendès-France to act like a British party leader, nothing of the kind did, in fact, happen; and the story of the election, like that of other French elections, rapidly reduces itself to the story of a number of individual contests, the links between which are to be found in general tendencies, economic, sociological or even religious.

Such differences in the nature of elections explain the differences, or many of them, between the British type of election study and that developed in France. We can now compare to some extent work in the two countries on the same election, since we have the four articles on the French election of 1956 (reprinted from *Political Studies*), a part of the Nuffield College series of election surveys, to put alongside the much larger volume of Professor Duverger and his colleagues. The British contribution includes two constituency studies, one being on M. Mollet's campaign; the French includes several, one being on M. Mendès-France's constituency. One thing that emerges is the much greater French interest in the sociological aspect of election studies, and in using these as a guide to the political thinking and behaviour of social and regional groupings. This is due not only to the different pattern of French elections, but also to the more abundant and manageable data available. France, for instance, has the constant unit of the department, whereas Britain has constituencies with shifting boundaries, which makes historical comparisons of one British election with another very much harder. British counts are on a basis that is constituency wide; those in France are taken by each commune or polling station. In a few cases, women's votes are taken separately and in one case, on this occasion, newcomers to the register voted separately. It is the ability to map voting behaviour against other sociological and religious data that gives French psephology its particular interest and flavour.

The work as a whole, made up as it is of over twenty separate papers differing greatly in the extent of their generalisation, tends to be almost as elusive in its general picture as the phenomenon it attempts to analyse. And although the editors are to be congratulated on getting out a work of this size and complexity so rapidly and with so few obvious slips, the usual French habit of omitting an index does not make it easy to handle. Some of the matter—the analysis of the content of election addresses and speeches—is useful for the record rather than immediately exciting, but much of the remainder is highly suggestive, especially where contributors are found to disagree rather sharply—for instance, on the effectiveness of meetings as a method of electoral propaganda. Some chapters, particularly M. Jacques Kayser's very thorough survey of the Paris and provincial press, provide important reference material; indeed the whole volume will provide an inexhaustible quarry for commentators on French politics for quite a time to come.

Broadsides on Freedom

Freedom in Contemporary Society

By Samuel Eliot Morison.
Oxford University Press. 162 pages. 22s. 6d.

IN a month in which the American body politic has thought itself compelled to lament, in public, the passing on to his reward of Senator McCarthy, there is something refreshing, something pleasant and reviving in reading the broadsides of Admiral Morison. We have had the spectacle of Congress going through a parade of mourning that would have strained the self-control of a Roman augur, and the more intolerable spectacle of funereal laments for the late statesman in terms that could have been justified for a combination of St. Louis and William Lloyd Garrison but, unfortunately, recalled only an eighteenth-century divine on the make for preferment.

We may be sure that Admiral Morison would not have fallen for the *de mortuis nil nisi bunkum* line. But we may also be sure (this admirable little book is proof of it) that he would not have fallen for some of the more naïve "liberal" protests against McCarthyism. For Admiral-Professor Morison is that very rare bird, a real "come-outer," an independent, a real liberal. He is rightly concerned (he is a most distinguished academic) with academic freedom, but he knows that this is part of a wider freedom, political freedom. He puts first things first. *Politique d'abord* is his motto, but in a very un-Maurrasian sense. Freedom, the old-fashioned article marketed by the founding fathers, is primary and fundamental. If you ignore this truth, you get into the mess in which our muddled and lachrymose party members and fellow-travellers now find themselves. Professor Morison holds the view that a Communist must be either a fool or a knave, and there is certainly a great deal of weighty evidence for this proposition. People who had to wait till the Twentieth Congress or the Hungarian atrocities before they saw the light were blind, deaf, but not, alas, dumb. So Admiral Morison, on general principles, does not think that Communists ought to be tolerated as university teachers or that the problem of security is a bogus one. If American universities are under fire it is partly their own fault for accepting outside control and bogus arts and sciences peddled by Departments of Education. (Here his vigorous remarks, even more vigorous than those of Professor Bestor, have acquired topicality in the English context).

But Professor Morison does not confine his view of freedom to politics and learning. He deals with economic freedom with the same independence of views, attacks "fair price" laws with wit and wisdom and draws on a very wide range of economic history to make his points. (He does not tell us that he is himself a member of the dynasty that had made the Plymouth Cordage Company a model of free enterprise or that he is its historian.) He has no use for the preachers of a blind *laisser faire* that Adam Smith neither knew nor wanted. He still thinks the New Deal a good thing and the yelps of anguished businessmen at best funny. He fires a broadside at some academic denigrators of state interference, notably "the three weird sisters, Hayek, Jewkes and Schumpeter." Is it too bold to suggest substituting von Mises for the undogmatic Schumpeter? For Professor Morison, Schlichter is the boy.

This book will infuriate many people, but all of them ought to be infuriated or at least stung into thought. It is pedantry, no doubt, to point out that *la trahison des clercs* is a phrase we owe to Julien Benda, not to Jacques Maritain; it is Christian charity to suggest that we do not *know* that Harry Dexter White was a secret Communist; and it is pleasant to congratulate Professor Morison on converting the Supreme Court of Canada (where these lectures were given) to his view of the Quebec padlock law.

The Melting Pot

Waterloo to Peterloo

By R. J. White.
Heinemann. 211 pages. 18s.

"RULERS who neither see, nor feel, nor know, but leech-like to their fainting country cling." Shelley's opinion of the English Government in 1819 was echoed in 1919 by the Hammonds' comparison of Lord Castlereagh's England with "an Asiatic police-state." But though the historiographical pendulum has swung since then, Mr White does not hang uncritically on to it. And this book is not intended to be a history of Regency England but a reinterpretation of the transition period, which he calls "the melting-pot."

"The Hunting of the Snark" was still to be written; but to Lord Liverpool the wordy arguments of the hunters would have seemed familiar. Voices clamoured for electoral reforms much wider than those proposed before the war; some, reminiscent of 1789 rather than of 1689, raucously demanded universal suffrage. Those who agreed about nothing else insisted that the social ills of the day could only be remedied at Westminster. The Government found itself attacked for following Burke's gospel in constitutional, and Adam Smith's in economic, theory.

The motives of such diverse leaders of "the people" as Sir Francis Burdett, Bamford, Cobbett, and Hunt are impartially examined. So are the backgrounds of governors and governed. The Liverpool administration had to rule England with Elizabethan machinery: yet it has been blamed by historians, as well as by contemporary critics, for not conjuring up those civilian police-forces which no Englishman of the day would have tolerated. The author quotes J. W. Ward as saying in 1811, "I had rather half-a-dozen people's throats should be cut in Ratcliffe Highway . . . than be subject to domiciliary visits, spies, and all the rest of Fouché's contrivances." The inhabitants of Birmingham and Manchester would have said the same thing more bluntly. The yeomanry's inefficient attempts to shepherd the crowd while Orator Hunt was arrested resulted in the so-called massacre of Peterloo; but if the Manchester city constabulary of today could miraculously have appeared, their reception would have been the same.

Lacking Fouché's spies, the Government relied on local magistrates for supplying information as well as for maintaining order; though the Home Office employed a few paid agents, some of whom were undoubtedly "provocateurs"—hence the ubiquitous notoriety of "Oliver the Spy." Such forms of "security" were crude, but necessary: Hunt's intentions might be constitutional; but his followers drilled like the Sections of revolutionary Paris. The watchword of Cartwright, "the Father of Reform," was "hold fast by the laws"; but the network of his Hampden

Plato, Patinkin, and all that...

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Clubs seemed disquietingly like that of the Jacobin Clubs in France; and the teeming populations of the new manufacturing areas, which had far outgrown their original parochial boundaries and lacked the supervision of parson or squire, were dangerously vulnerable to the incitements of mob-oratory. The Spa Fields riot and the Pentrich "revolution" before Peterloo, and the Cato Street conspiracy after, seemed to justify Sidmouth's precautions.

Mr White does not debate the evils or the blessings of the Industrial Revolution; he analyses the ingredients of the "melting-pot," illuminating them with a clear uncoloured light. His approach, method, and style should appeal to the general reader. Beginning with a painting of the Life Guards at Waterloo, and ending with a cartoon of the yeomanry at Peterloo, the illustrations are aptly chosen and explained; and there is the kind of comprehensive bibliography that encourages further reading.

Keats Reassessed

On the Poetry of Keats

By E. C. Pettet.
Cambridge University Press. 403 pages. 35s.

BECAUSE of the marvellously swift development of Keats's poetic powers, because he died tragically young, because there are so many shafts of penetrating wisdom in his letters, it has been—and perhaps always will be—easy for his admirers to blur the distinction between promise and performance, and to ignore his limitations, though he himself was almost agonisingly aware of them.

In the Induction to *The Fall of Hyperion* the dreamer-poet, hitherto concerned with "a feast of summer fruits," "a cloudy swoon," is confronted with the need to renounce such luxuries in order to attain a new degree of poetic insight. It is apparent enough from this poem and from passages in the letters that Keats was severely critical of all that he had achieved in his brief writing life—impatient with his "poesy," the outcome of daydreaming and feverish unrest. He was dissatisfied just because he understood that he had not yet reached that maturity which engenders supreme poetry.

His apologists have therefore done him a disservice—as Dr Leavis pointed out some twenty years ago—by claiming for him a Shakespearean degree of greatness, and by reading into his poetry metaphysical meanings which the language of the poems does not support. Mr Pettet corrects all this. He has a just and lively appreciation of the peculiar genius of Keats, but by careful examination of what he actually wrote he demonstrates the untranscendental nature of his imagination and stresses the youthful qualities of even the finest poems.

Exuberance of fancy, hypersensitive reactions to stimuli, the quick shifting of mood, the blend of erotic dream and death-wish, these are all characteristically youthful and highly characteristic of Keats's poetry. Mr Pettet suggests that *Endymion* is more plausible, and therefore more enjoyable, if it is read as a young man's fantasy about an imagined beloved, far beyond his actual reach and experience than if we approach it (forewarned by the critics) as a neoplatonic allegory. Similarly, he refuses to read esoteric meanings into the Odes.

A reader unacquainted with twentieth-century criticism of Keats, might accuse Mr Pettet of labouring the obvious. Actually his book is a very useful corrective to much extravagant and irrelevant theorising. He is patient and percipient in his reading of the poems, and clear in his exposition of them.

What Liberals Believe

The Liberal Tradition

Edited by Alan Bullock and Maurice Shock.
Black. 344 pages. 25s.

THIS latest addition to Messrs Black's series of books on the British political tradition contains 134 extracts from the works of great liberal thinkers and orators, from Adam Smith and Charles James Fox to J. A. Hobson and John Maynard Keynes. Controversies now entirely dead are left alone; there is little to be seen here even of the Irish rock on which the Liberal party of the eighties splintered. Plenty is left for exposition by the numerous authors cited: free trade, free thought, free action in politics are all discussed and analysed; imperialism and armaments are condemned; plain morality is put forward as the guiding clue through the mazes of international entanglements; and some attempt is made to answer the questions of social reform that became unexpectedly graver as questions of political reform were solved.

In a telling introduction, Mr Bullock and Mr Shock are sceptical of any suggestion that the Liberal party could ever have developed in a radical direction, and turned itself into a successful competitor with the Labour party for the allegiance of urban working men and women. They make no attempt to conceal the self-contradictions of liberalism; they suggest indeed that "one of the most spectacular triumphs of the Liberal tradition" is to be found in the modern British Commonwealth, with all its inconsistencies.

The most striking feature of this historical collection is its relevance to contemporary events. Fox in 1793 "maintained as a principle inviolable that the government of every independent state was to be settled by those who were to live under it, and not by foreign force." Morley wrote in 1874 that "You have not converted a man, because you have silenced him"; Acton, in 1877, that "Liberty is not a means to a higher political end. It is itself the highest political end." Mr Gladstone appealed in the same year to "a tradition not which disregards British interests, but which teaches you to seek the promotion of those interests in obeying the dictates of honour and of justice," and said in 1880 that "the true barrier against despotism is in the human heart and in the human mind." Grey wrote in 1918 that "Peace can never be secured by the domination of one country securing its power and prosperity by the submission and disadvantage of others." Such examples may help to show that this is a book that everyone interested in politics ought to read.

Levantine Facts and Figures

Syria and Lebanon

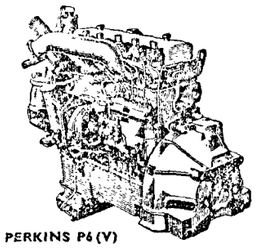
By N. A. Ziadeh.
Benn. 312 pages. 30s.

THERE has been room for a good book in English about the Levant states, and Professor Ziadeh's "Syria and Lebanon" to some extent fills the gap. Most of the vital facts and figures are here, and so is the complicated day-to-day political story from the last years of the war onwards. The chapter on political parties is particularly useful. That on economic life is at least adequate, though the account of negotiations with the oil companies is so skimped that it could leave a wrong impression.

Professor Ziadeh is less successful in putting flesh on the bones. The essence of young countries like Syria and Lebanon—inevitably in this series they are lumped together, though differing so much from each other in every way that the reader's attention has to jerk constantly to and fro as in a tennis match—is too elusive for the factual approach. Statistics, indeed, can be positively misleading when springing from an unstatistically-minded world. Ideally an analysis such as this would have a strong strain of travel book in it. There are the sort of questions which it would be helpful to find asked and answered. How does a man from Aleppo differ from a man from Homs? To what is due the sort of collective boorishness which makes the Syrians quarrel with all their neighbours almost all the time? How deeply engrained are the Lebanese conventions allotting office along sectarian lines?

Admittedly Professor Ziadeh discusses the confessional problem with considerable candour. If here and elsewhere one misses a rather more *nuancé* approach, this may be due to handicaps of language. The author's use of English sometimes slips off the rails, plunging either into involved obscurities or into equally surprising simplicities (when, for example, writing of the Presidency of the Syrian Republic, he says: "The post is attractive, and more than one person aspires to [it]"). But although this is not an easy book to read, it is one that students of the Middle East will make good use of.





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AMERICAN SURVEY

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Teamster Overboard

WASHINGTON, DC

THE Senate's select committee on improper activities in the labour or management field is within reach of its first important scalp. After the fortnight the committee has just spent further unravelling the intricate financial operations of Mr Dave Beck, the president of the teamsters' trade union, it is reliably reported that the feudal barons who divide up the power in the union are ready to drop their chief. A more important development is the broad support which is emerging for a complete reassessment of the status and responsibility of trade unions in American life. They are, after all, tax-exempt organisations. Since strikes are rare and dues continue to roll in, they have large idle resources, the disposal of which is a matter of legitimate public concern. It is being recognised in many quarters that the attitude toward trade unions has not kept pace with reality. They continue to be treated with unthinking indulgence as though they were still struggling underdogs. The hard fact is that this indulgent attitude, combined with the political influence the unions exercise in many northern cities, has given them in practice a virtual legal immunity.

Apart from the daily sensations concerning the alleged misdeeds of Mr Beck, a general pattern is emerging. Businessmen who are eager to avoid costly disputes or to tie up their competitors with them, who are anxious to raise extra funds quickly in the middle of a fight for control, or even to arrange the policing of their own restrictive practices, have accepted into partnership trade union officials eager for the outward symbols of respectability and recognition. The brokers in these relationships have been a proliferating race of smooth-talking middlemen. The prime example so far has been Mr Nathaniel Shefferman, a high priced labour consultant to big department stores, whose personal relations with trade union leaders have been conducted under the cover of streams of rhetoric about the need for a grand reconciliation between capital and labour.

The McClellan committee in general retains popular respect although a few conscientious observers are deeply concerned at the spectacle of a man who is already under indictment for not paying enough income tax being made to appear repeatedly before the television cameras, while the evidence against him is laid out for all to see without the usual safeguards of a court trial. After this it is difficult to visualise any jury in the country coming unprejudiced to the task of trying Mr Beck.

On the other hand, the danger of the teamsters—as lorry-drivers are still called—arrogantly shrugging off the charges against them and subjecting the labour movement to bitter and perhaps violent internecine warfare appears to have been reduced by the efficient presentation of the committee's case. Accusations of the sort now being aired against the teamsters' union have been in circulation for a long time, but Mr Beck had history on his side when he questioned whether either Congress or the American Federation of Labour and Congress of Industrial Organisations would dare to offer a serious challenge to "His Majesty the Wheel," as his business associates were in the habit of calling him.

What Mr Beck did not allow for was the exemplary thoroughness with which the committee's large staff of investigators and accountants, headed by its young counsel, Mr Robert Kennedy, prepared its material, and the unqualified support given to the committee by the AFL-CIO. Last week the teamsters' union was handed a twenty-two page bill of particulars of charges drawn up by the federation's ethical practices committee and was given until May 24th to prepare its answer. Next Monday Mr Beck himself, who has already been suspended as a vice president of the federation, will be called on by its executive council to show why the suspension should not be made permanent. But the real test of all this pressure is whether it shakes the confidence of the teamsters themselves in their officers. If they were to stick with their present leaders, depart from the federation and link up, as it has been rumoured they might, with the International Longshoremen's Association, which has already been expelled, and with Mr John L. Lewis's United Mineworkers' Union, they would confront would-be reformers with a formidable array. From every point of view it would be preferable for there to be a radical house-cleaning within the teamsters' own ranks. The risk is that Mr Beck and a few of his more vulnerable associates will be sacrificed, without anything essential being changed.

THIS minimum achievement may not be far off. The new revelations show that Mr Beck's instinct for personal profit extended to the investment of a fund raised for the widow of his oldest friend ; this may be more damaging than the discovery that, like the bosses, he runs up a fancy expense account. Moreover, local branches now understand why they were put under intense pressure to sell toy lorries to their members ; this was a private enterprise of their president. There are also the labour disputes which Mr Beck tried to settle in favour of the liquor business in which he was desperately attempting to launch his son. It has become clear that, whatever formal votes it may have taken, the teamsters' executive board is not really behind Mr Beck. To crown it all, the public relations firm which he hired, with such a flourish and at such expense, to defend his union's reputation, has made as its first recommendation the proposal that he be removed from office forthwith.

The leaders of the American labour movement are sadly aware, however, that the downfall of Mr Beck will not bring the unfavourable publicity to an end. The McClellan committee has yet to reach New York, where the material

awaiting it on the teamsters looks limitless, and it has yet to round up the other black sheep known to be in the pasture. The AFL-CIO claims that so far it is managing to hold the line against any mass defections from its ranks, but it is obvious that recent events, combined with the unpopularity of the unions' opposition to racial segregation in the South, have blighted for years to come the high hopes of organising the 23 million unorganised workers with which the two rival groups came together.

One important consequence is that, in the course of deciding their attitude to the present investigation, the union leaders have fundamentally revised their traditional attitude to governmental interference in labour relations. The Taft-Hartley Act, the principal statute regulating collective bargaining, is no longer denounced as a "slave labour law." Instead the AFL-CIO is calling for legislation tightening up the supervision of trade union practices and publicising union finances. Since many union officials no longer think of themselves as engaged in a crusade, they must be compelled to behave as though they were administering a trust.

A Senate subcommittee headed by Senator John Kennedy, the elder brother of the McClellan committee's counsel, is now considering what kind of legislation would be useful. Senator Kennedy is particularly worried by the discovery that in many local branches of the teamsters' union there have not been elections for years ; the local officials had been removed and trustees appointed from headquarters. The most obvious need is for regulation of the enormous welfare and pension funds, many of which are so loosely controlled that they are a standing temptation to dishonest officials. The committee will find it less easy to define what conflicts of interest are not permissible for a labour leader and to decide how much democracy in trade union affairs should be required by law. The AFL-CIO is prepared to go a remarkably long way to co-operate in such legislative pioneering. By doing so it hopes to side-track the legislation it really fears and which its enemies hope to slip through on the tide of the public's present disgust. This is "right to work" legislation which would make compulsory union membership illegal throughout the whole country, as it is already in about a third of the states, mostly non-industrial ones, and legislation which would debar unions from taking an effective part in politics. Naturally enough, since most union money goes to support Democrats, Republicans are taking the lead in attempting to shut off this supply. It is ironically fitting that Mr Beck, the man who has given them their big chance, has been the one major trade-unionist who has consistently backed Republicans.

Defending the Budget Abroad—

To the regret of many of his supporters, President Eisenhower's nationwide television talk on Tuesday did not directly counter-attack those in Congress and the business world who have been assailing his Budget as unnecessarily costly. Indeed, the President has since made it clear that even now he does not propose to use the influence of his office, as his less high minded but more politically experienced predecessors did so effectively, to punish members of Congress who do not support his requests. The broadcast was simply an attempt to strengthen the defences of his Budget by enlisting the public on his side. His straightforward explanation of "what happens to the tax dollars that you send to Washington" and why government spending cannot with safety be reduced further was designed to remind Americans that this was the implementation of the programme which they endorsed when they re-elected him last November.

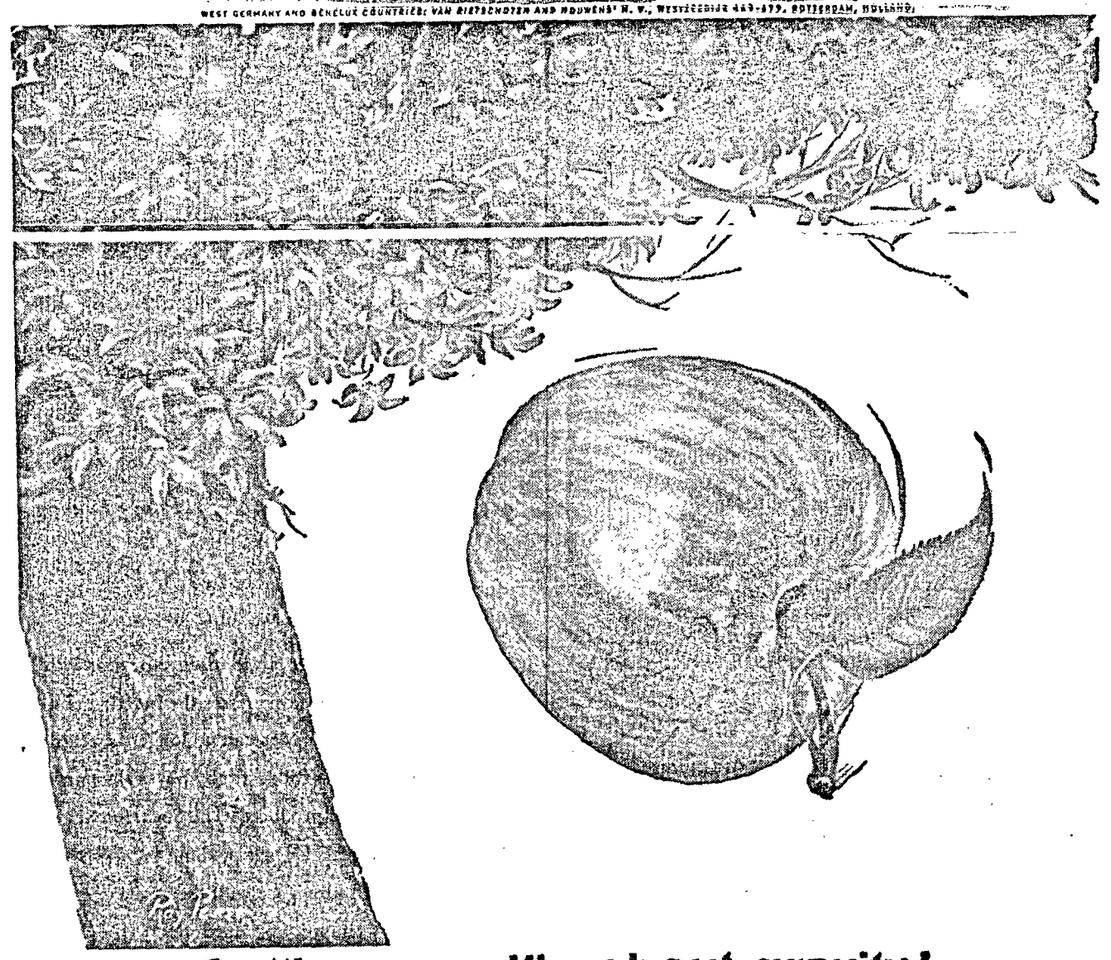
The President's main theme was that "the price of peace is high," that "there is no cut-rate price for security." Spending for defence and for the aggressive waging of peace, through diplomatic efforts, aid to other countries and fostering understanding of America abroad, is responsible for $45 billion of the $71 billion in the Budget ; the rising costs of armaments account for 80 per cent of this year's increase over last year. Nevertheless, the President does not seem to have checked the House's belief that military spending can be reduced or the enthusiasm in the Senate, usually more generous than the House, for cutting American information activities abroad. The congressional difficulties of the foreign aid programme have just been increased by the resumption of arms deliveries to Jugoslavia, which had been held up since last October to please Congress, and by a reduction of $520 million in the original estimate for military aid in the coming year ; only $2.8 billion is now being requested for this and $1 billion for the economic side of the mutual security programme.

These discrediting admissions by the Administration that savings can now be made where a few weeks ago the maximum economy had already supposedly been achieved are more likely to encourage Congress to cut again than to convince it that every penny is essential to the safety of the United States. Neither the visit of President Diem of Vietnam as a living testimony to the success of American help in countering communism, nor the return of Mr Richards to bear witness to the effectiveness of the Eisenhower doctrine, will be enough to shake Congress's determination to take at least another $500 million from foreign aid. It is doubtful if even President Eisenhower's second lecture next week, to be devoted entirely to economic assistance abroad, can mobilise enough public pressure to prevent this particular reduction.

—And at Home

So far the President's first appeal does not seem to have had much effect on Congress, particularly not on Mr Knowland, the leader of the Republican party, supposedly the President's own, in the Senate. Mr Knowland still believes that $3 billion can be cut from the Budget "without damaging the essential needs" of the country. He is particularly opposed, for reasons of principle as well as of cost, to the school Bill which the President considers one of the most essential items in the smaller, $26 billion part of the Budget which covers domestic concerns—charges fixed by law, such as military pensions and interest payments, and the costs of government and of services to citizens. This Bill, the only important new spending proposal this year, would provide an emergency programme of school building, to remedy the national shortage of class rooms. The President firmly denies either that this would involve federal interference with local responsibility for education or that aid would

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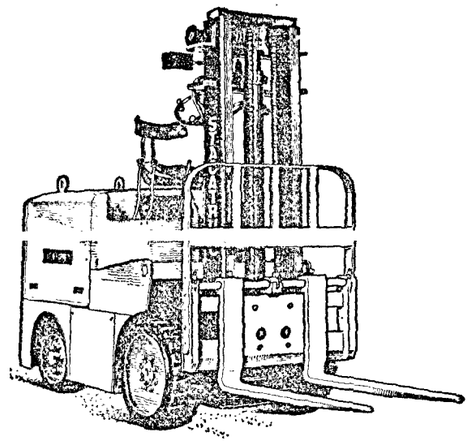
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become permanent. These two arguments, and the expense of the scheme, are the objections to the programme put forward by Senator Knowland and by the United States Chamber of Commerce, and the opposition to this project epitomises the President's difficulties with Congress. While he and his modern Republicanism have a few faithful friends there, they are not numerous or influential enough to provide the solid block of support which is needed to push his programme through the blockade set up by the Republican conservatives and the Democratic opposition, particularly since that blockade has been reinforced by the general distrust of government spending.

For these reasons and because in the House the school Bill is again being linked with racial segregation, Congress now seems likely to adjourn without approving what in January seemed to be one of the President's most promising proposals. Another once promising Bill, being publicised by its supporters as the "*right to vote*" Bill, which would protect the civil liberties of Negroes, is also now suffering from the lack of any pressure to drive it through Congress. But here the blame lies mainly on the delaying tactics of its southern opponents, which have so far prevented the Bill from being debated in either House, and here at least Senator Knowland may come to the rescue.

Hot Potato from Idaho

MR GORDON GRAY, the new defence mobiliser, has accomplished the seemingly impossible with his announcement that the Idaho Power Company will be allowed, for tax purposes, to write off in five years—a quarter of the usual time—*over $60 million* of the $103 million cost of two of its three dams on the Snake River. He has temporarily united Senator Byrd and Senator Morse, respectively the far right and the far left of the Democratic party. Both find the award indefensible, Senator Byrd because it seems to fly in the face of his Bill to bring the whole rapid depreciation programme to a virtual end, and Senator Morse because he is one of the bitterest critics of the Administration's policy of allowing a private firm to develop the electric power at the Hell's Canyon site on the Snake. Mr Gray's decision is equivalent to a $30 million loan to the company. On this flood of indignation the Democrats on the Senate Interior Committee have promptly relaunched the Bill to authorise a federal dam which was narrowly defeated last year. Mr Gray, who must take responsibility for his predecessors' decisions, explains that the company applied for fast amortisation in 1953, when many other electricity companies were receiving similar benefits, but that the decision had to be held up until the Supreme Court, on April 1st, decided not to interfere with private exploitation of the site. What advocates of public power will suspect is that the announcement was withheld to deprive them of a telling argument.

Mr Gray will presumably find it harder now to persuade Congress to leave him discretion to expand the rapid depreciation programme if the need arises. The scheme, which was used during both world wars, was revived during the Korean War to induce industry to build the facilities which would be needed for full mobilisation. It was interpreted broadly, and firms in 229 industrial categories have been allowed to depreciate $23 billion worth of new facilities over five instead of the customary twenty or twenty-five years. The number of these categories has now been reduced to eight, and five of these are being reviewed.

In practice, rapid depreciation will shortly be available, with one or two exceptions, only to producers of new kinds of military goods and firms doing research for the Department of Defence and the Atomic Energy Commission—the groups to which Senator Byrd and Mr Humphrey, the Secretary of the Treasury, would like the plan to be restricted. Their concern is partly with cost; although if tax rates remain the same, the Treasury eventually gets back the revenues it loses in the initial five years, Mr Humphrey estimates that it will have to pay $3 billion in interest by 1960 on borrowing which would otherwise not have been necessary. But Mr Humphrey also argues that such industrial favouritism distorts the economy, stimulates inflation, and postpones the day of tax reduction for all, including the more realistic depreciation charges all industries favour —and he seems to have convinced the President.

Death in the Dock

FROM A SPECIAL CORRESPONDENT

CAPITAL punishment, which for many years has been a less controversial matter in the United States than in Britain, is now being debated on the west coast. The Legislature of Oregon is considering a constitutional amendment to end the death penalty which has been proposed by Mr Robert Holmes, the state's first Democratic Governor in eighteen years. In his inaugural message the Governor maintained that the state "has an obligation to be civilised," and that "*capital punishment* neither prevents murder nor edifies and refines the society that exacts the death penalty." If the Legislature agrees with Mr Holmes and its decision is confirmed by the voters in November, 1958, Oregon will become the first state in forty years to repeal the supreme penalty. But the abolitionist cause has also gained strength in California from a number of sensational cases, the latest of which involved the execution of a man convicted of murder a few minutes before the arrival of a stay from the Governor. This has built up considerable support behind a proposal now before the Legislature for a five-year suspension of the penalty. Once more the western states, which in the past were laboratories of social legislation, seem prepared to take the lead.

Within broad limitations established by the Constitution of the United States, and with the exception of certain crimes which come under federal law, criminal justice is administered by the states. The form punishment takes therefore varies across the country. In only four of the forty-eight states—Maine, Michigan, Minnesota and Wisconsin—is there no provision whatever for the death penalty. Two others, North Dakota and Rhode Island, are practically in the same category since criminals are executed only for first-degree murder committed while serving a sentence for another first-degree murder. (Under American law murder is in the first degree when it is premeditated or committed in the course of a felony.)

In the remaining forty-two states death may be inflicted, in twenty-four by electrocution, in nine by hanging and in

eight by lethal gas, while in the Mormon state of Utah the condemned man has the choice that Kevin Barry, in the Irish ballad, sought in vain, between being shot or hanged. Although in most of these states there are several crimes which may be punished by death, it is essentially a penalty for first-degree murder and, in the southern states, for rape, when it is committed by a Negro on a white victim. Indeed, the states which have a discretionary death penalty for rape coincide exactly with those that have racial segregation laws, and in Virginia, according to the National Association for the Advancement of Coloured People, although not one of the 809 white men convicted of rape since 1909 has been executed, 52 Negroes have been sentenced to death. Only one and a half per cent of the executions in the years from 1930 to 1950 were for offences other than these two ; they included armed robbery, kidnapping, burglary, espionage and aggravated assault.

★

Some of the crimes for which the penalty is theoretically available have never been punished by execution, as in the six states which treat train wrecking as a capital offence. But as long as such laws remain on the statute books, they can be invoked ; last month a Negro was sentenced to death after he had been convicted of "first degree burglary" by an all-white jury in Alabama. Federal law makes treason, as well as certain forms of espionage and sabotage, punishable by death. The latest and, as yet, unused, addition to the short federal list was made last year when Senator Price Daniel's narcotics Bill empowered juries to recommend the death penalty in the case of dope peddlers who had supplied heroin to young people under eighteen.

Even for first-degree murder the death penalty is mandatory only in Vermont although Connecticut and Massachusetts only made it discretionary in 1951, when at last the memories of the Sacco-Vanzetti case had grown dim. Outside Vermont the jury has the power to recommend mercy. This usually results in a sentence of life imprisonment, which may in turn be modified, except in Connecticut, by conditional parole or an unconditional pardon after the prisoner serves a substantial sentence. Even without a jury's recommendation, the way is open for executive clemency, again except in Connecticut, where the prerogative of mercy belongs to the State Legislature. Elsewhere clemency is exercised either directly by the Governor or by a board of pardons, both of which are subject to political influence in every sense of the term.

In recent years there has been little discussion of the issue of capital punishment either in learned journals or the popular press, perhaps because the number of actual executions has been going down steadily. It averaged 143 a year in the period 1930 to 1950 ; so far in the present decade the comparable figure has been 79, while, on average, fourteen states a year have had no executions at all. But half a century or more ago the subject used to arouse intense passions. In Oregon the death penalty has already been abolished once and then restored, as it has been in three other states—Missouri, South Dakota and Washington—while in Maine it was restored for a period of four years in the eighteen-eighties before being abolished a second time. In Michigan, where there have been no executions since the admission of the state in 1837, the ban on capital punishment has bent but not broken under frequent gusts of popular sentiment. Proposals to establish such a penalty have been before the Legislature twenty-five times since 1885, usually after the widely reported trial of a particularly brutal murder.

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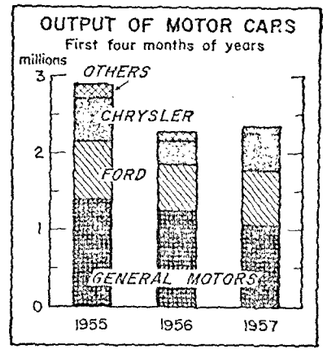
Much less public concern is now usually shown over the penalty itself than over the delays in criminal justice which add an unintended refinement of cruelty. The best publicised, though by no means the most typical, instance of this is that of the author-convict, Mr Caryl Chessman, who has been for nine years under sentence of death in California for causing bodily harm to a victim of kidnapping, and has written three books about his experiences. His case came up once more before the Supreme Court this week on a technical appeal arising from the fact that a court reporter had died before his shorthand notes had been transcribed. Mr Chessman has indicated that if this fails he will abandon his ingenious efforts to prolong his life.

Some of these delays are inherent in the federal system, since appeals from state courts of the first instance must go to the highest appellate court of the state, sometimes passing through an intermediate stage, before questions arising under the Constitution can be brought to the United States Supreme Court. These questions, which usually deal with the propriety of the proceedings under the clause of the Constitution guaranteeing due process of law to the accused, rather than with points of guilt or innocence, are often delicate and complex. It may happen that the case when it first comes to the Supreme Court is not in a form in which the federal issue can properly be determined, and must therefore be referred back to the state courts for further proceedings. Some of the delays, however, must be attributed to the casual, if not slovenly, habits of the criminal bar, which notably lacks professional standards. Prosecutors in particular are inclined to place the furtherance of their own political careers before the speedy administration of justice. In an atmosphere so highly political, local judges, often themselves elected, are reluctant to try to accelerate the proceedings.

No Records for Cars

SPRING has failed to spread much sunshine in Detroit, for it has failed to bring with it the upturn in sales of cars which the manufacturers were counting on to raise output substantially above the 6 million automobiles turned out last year. Production is running only about 2 per cent higher than it was in the depressing first four months of 1956, exports are lower, particularly to Canada, and the automobile capital is now resigned to running below top speed at least until the 1958 models are unveiled in the autumn. Then the General Motors Corporation, the giant of the industry, hopes the scheduled restyling of its cars will put it far in front. So far this year, General Motors has turned out nearly 14 per cent fewer cars than it did up to the end of April last year and, in the low-priced field, GM's Chevrolets have let Ford take the lead. It is the smallest of the big three, however, which has recorded the biggest gains in output: the production of the Chrysler Corporation has jumped by 40 per cent over the first four months of 1956 despite recurrent labour troubles. It has captured 21 per cent of the market, compared with 30 per cent for the Ford Motor Company and 46 per cent for General Motors.

Disappointed as they may be in 1957, the automobile industry has comforted itself with the thought that after two mediocre years, 1958 should rival 1955, when a record 7.9 million cars were produced. By next autumn, those who went into debt in 1955 to buy a car should have paid their last instalment, and should be ready to start again. Such calculations have been somewhat dashed by the appearance of the sixth volume of the Federal Reserve Board's study of consumer credit. It is devoted to automobile loans, and concludes that the bumper crop of cars in 1955 was produced by a combination of favourable circumstances which is not likely to recur. There was a liberalisation of credit terms which probably went as far as lenders are ever likely to go ; as the economy recovered from the recession of 1953-54 there was a great spurt in employment and incomes ; and the styles of the 1955 models were particularly beguiling. The result was a 50 per cent increase in the number of cars sold on credit. But the board's analysts suggest that the industry would be foolish to count on it happening again very soon.



Putting Food to Work

WASHINGTON, DC

ANNOUNCEMENT of the agreement under which Poland is reported to be getting $95 million worth of American economic aid, mainly in the form of surplus farm commodities, is apparently being held up until the House of Representatives has extended the Administration's authority to sell such surpluses abroad for local currencies. The Senate has already approved the extension of the Act, Public Law 480, for a further year and added another $1 billion of authority for this purpose to the $3 billion which has been almost exhausted. This law, which also permits the government to barter its stocks of food for more durable goods and to use them for relief abroad in emergencies, is one of two schemes under which farm produce is supplied to other countries for soft currencies ; the other is a provision in the Mutual Security Act by which a percentage of military and economic aid is furnished in this fashion.

The problem now is what to do with the substantial sums of foreign currency which, as a result, are being credited directly to the American government's account. Ten possible uses are authorised by Public Law 480, but two have been paramount : 40 per cent of the money has been allotted to meeting American expenses overseas, for example the costs of Embassies and of visiting Congressmen, and 50 per cent has been lent back to the foreign governments to help their own economic development. The governments have the choice of paying back these loans in dollars at an interest rate of 3 per cent or in their own currency at a rate of 4 per cent. Money is only just beginning to come into American accounts from these sources, since repayment does not start until three years after the loan is made and may continue for as long as forty years. But ultimately very substantial sums of foreign currency will be in American hands ; already $1½ billion generated by sales of surplus farm commodities have been loaned back to receiving countries.

One interesting proposal that is being advanced within the International Co-operation Administration is that some of the interest payments should be used to establish local capital markets and so force down impossibly high local rates of interest. The aim would be to encourage small-scale entrepreneurs to own land and to launch small processing industries which would both mop up urban unemployment and earn extra foreign currency for the backward countries. The ICA is also talking about the possible financing of "swing credits" which would encourage a favourite American objective, the development of regional marketing and trade. For example the Americans might make yen available to India to import equipment for iron mines from Japan and the Japanese would get rupees to import the raw iron for processing and manufacture.

Problem of the Plains

FROM A CORRESPONDENT IN COLORADO

AT last the Great Plains, which cover nearly 600,000 square miles, one-fifth of the area of the United States, seem to be emerging from their five-year drought, the worst in their history. But the catastrophe only accentuated the permanent strains which have made this region the successor of the Deep South as the country's number one economic problem. The fundamental difficulty confronting the people and institutions of the plains springs from the fact that the rainfall is not only inadequate, averaging 20 inches or less a year, but erratic. Most of it comes in the spring and early summer, that is, in the growing season, but if this rainfall fails it means disaster for the region's agriculture, the basic activity of the "breadbasket of the nation." Moreover the light loamy soil is particularly susceptible to blowing in the high winds which are also characteristic of the Great Plains. Recurring droughts, and the progressive ploughing up of the primeval prairie sod, since the region was first settled have meant that billions of tons of the soil have been blown all over the eastern United States and western Atlantic in the famous and feared dust storms ; the most recent of these brown blizzards came only last March.

The national government has alerted all its agencies to the urgency of the immediate problem and has spent enormous sums on specific aid to the people of the drought area. Nearly $700 million has gone for this purpose alone in the latest five years of extreme need and a further expenditure of $150 million has been authorised over the next decade, largely to help farmers to change over to grassland agriculture, that is to cattle and sheep ranching. Yet all this seems like putting a plaster on a cancer—petty, ineffective and failing to reach the cause of the disease. The case has been put most clearly by Dr Carl Kraenzel, a rural sociologist at Montana State College, whose book, "The Great Plains in Transition," has become almost the bible

of people who insist that the problem of the Great Plains needs a wider and deeper approach than has ever been contemplated so far.

Institutions and customs developed to suit the humid parts of the country from which most of the original settlers came have been clamped down upon the plains even though few of them suit a region where people have to learn to live with aridity if they are to survive. The pattern of life and work needs to be adapted to a longer cycle, building up more



THE GREAT PLAINS

reserves in the good years for the bad years which are more frequent and usually much worse than in the coastal areas. Farming techniques, banking and credit regulations, local government, school and road systems, all have been imported and hardly altered. The commerce of the plains has been dominated by outsiders and there is practically no industry, so that almost every manufactured article the people use comes from other regions, often travelling a thousand miles or more, while the raw materials produced in the plains go east or west, at heavy cost, for processing.

This is of course the familiar story of the economic exploitation of a colonial economy from afar. But this, according to Dr Kraenzel, is not the whole difficulty. He points out that in each of the ten states which lie partly (none wholly) within the area of the plains, the inhabitants of that area are a powerless minority; only about 6 million of the 19 million people in these states actually live on the plains. No state capitals lie on them, except for Bismarck, North Dakota, no large cities, except for San Antonio, Texas, no state universities and only a few institutions of higher learning. The states on the western edge look outwards to the mountains, the states on the eastern edge are dominated by the influence of the humid midwest. State Governors and legislators alike take little interest in the problems of the plains, apparently holding that these are a matter for the federal government. But the same fault of remoteness prevails among federal institutions. Dr Kraenzel traced back to the policy-making centres the eighty-eight federal agencies which are active in eastern Montana. He found that local officials had to go to Washington itself, to Salt Lake City, to Denver, to Kansas City, to San Francisco, to a dozen other regional capitals, none of them on the plains, for final orders. An example is the Federal Reserve banking system, which splits this homogeneous region among three districts, one with its headquarters in Minneapolis, one in Kansas City and one in Dallas.

Dr Kraenzel maintains that the plains have never been treated as the economic and geographic whole which in fact they are, and that their people have never been consulted as a group about their own peculiar problems. But now his book has aroused extraordinary interest and "grass-roots" meetings are being held in towns and villages throughout the region to discuss ways of implementing its recommendations. The foremost is that an institute or foundation should be established to study the difficulties of the plains and to call them to the attention of the public.

Carib-Ex

FROM A SPECIAL CORRESPONDENT

LAST month's all-service military exercise in and near the Panama Canal was widely and inaccurately viewed as having a realistic bearing on the United States' ability to defend the canal itself, and keep it intact, in the event of a major war. Nobody of military importance thought anything of the sort. The Canal Zone was chosen for "Carib-Ex" primarily because it is fully under American control (which eliminates both excessive expenditures and elaborate diplomatic arrangements) and because it is a tropical region offering an opportunity for jungle warfare such as might be needed some day in many regions of Central and South America. The United States Army operates all the year round a jungle warfare training centre in Panama to which are sent both officers and enlisted men not only of the United States Army but of most Latin American countries by invitation. The list of observers for Carib-Ex, which included ranking officers as well as ministers of eighteen Latin American states, made it obvious that the exercise was staged at the canal largely to demonstrate, as it did for those guests' benefit, the massive power and high mobility of the American military establishment.

Notable was the swift dash of a formation of F-100 aircraft, which left a Texas airbase well after sunrise, did their aerial refuelling en route, whizzed over the Canal Zone at an altitude so high that only the white vapour trails could be seen against the tropical sky, then zoomed down to low-level just over the observers' heads for the bombing run and were off again on a return trip ending at the Texas base during the afternoon. The point, of course, was that this sort of aid could be delivered at supersonic speed, not only to the canal but to any of the Latin countries which were threatened with aggression and called on the United States for help. At a slower pace, but still more swiftly and efficiently than in the last war, the seaborne forces could come in as they did, to deliver bombers far inland, to parachute nuclear-armed and conventionally-armed soldiers to a trouble spot, to send in marines by helicopter or amphibian alternatively—in both cases avoiding the awful exposure of ordinary, unarmoured landing craft to enemy fire. For most of the observers some of these modern techniques were a stunning novelty.

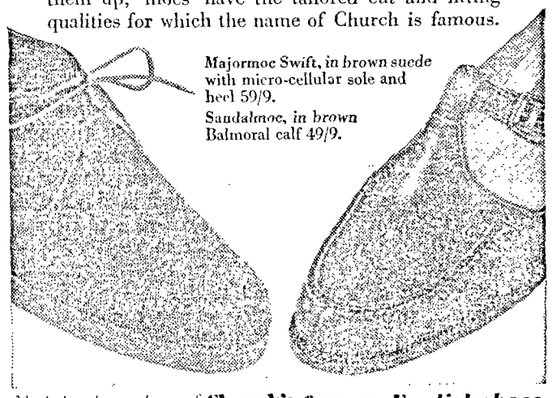
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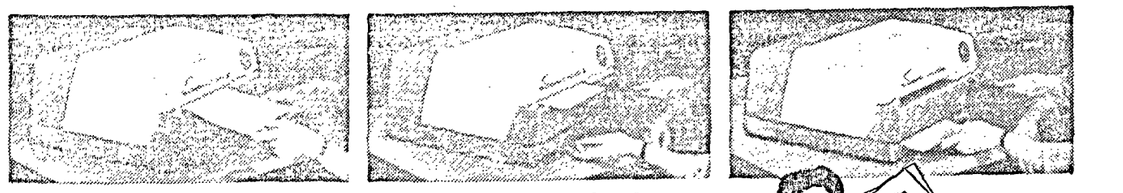
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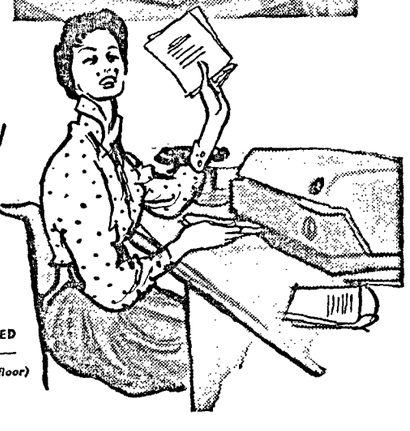
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THE WORLD OVERSEAS

Ghana on Honeymoon

FROM OUR SPECIAL CORRESPONDENT IN ACCRA

It is only eight weeks since independence, but already a good deal has happened in Ghana, and everyone is attempting to read the signs of the times. There is certainly a perceptible change of direction, which the government describes as beginning to do things in an African way, and the opposition as the lashing out of a power-drunk coterie of politicians. The most spectacular move is, of course, the decision to isolate the prime minister's offices behind the parapets and cannon of Christiansborg castle ; European residents regard this as the continuation of the ominous symptoms which showed themselves when the prime minister's head was placed on the postage stamps. It has been followed by a ban on playing the British national anthem even when the governor-general is present. But the decision whether or not to put the prime minister's head on the new bank notes has been deferred since it threatened to split the government.

Dr Nkrumah's explanation of this hurried suppression of the symbols of the crown is that it is necessary to bring home to the people the change in authority in the country ; but there have been enough other assertions of authority to suggest that he intends simply to show who is boss. The decision to replace the chief regional officers, who are British colonial servants, with political commissioners (supported, however, by permanent secretaries who may still be British) has been indignantly received in Ashanti as proof that the regional devolution secured on paper in the constitution will be whittled away to nothing. Why, the Ashantis ask, are these satraps appointed before the commission to define the powers of the regional assemblies has been set up, far less has reported ? A change was inevitable, but such quick action is regarded as an attempt to exert Accra's centralising power before the regional assemblies get started. The Ashantis find further proof of this in the injunction which the government has taken out against the speaker of the interim regional assembly (composed of the MPs of the region) as being illegally elected, and in the petty way in which it has sought to detract from the impressiveness of the ceremonial opening of the assembly by the Asantehene.

The government is asserting itself in other directions. It makes no secret that it is dissatisfied with Ghana's British-type university and intends to have something much more American in style and more amenable to government ideas of what is suited to a tropical, rising, African state. This, in the view of university people, may not be unconnected with the fact that sympathy for the Convention People's Party among the students has remarkably declined.

It is hardly fair to judge a marriage from the honeymoon. A certain nationalistic ebullience was to be expected, and all that has happened as yet hardly adds up to a definite intention to abandon democratic forms or to break the constitution before it has been tried. There are a number of checks on sudden change. The constitution itself is a rigid one, and until the government can win a regional election either in Ashanti or the Northern Territories—which of course it cannot do until it has set up the assemblies—it cannot begin to think of a republic, since to do so it must have the agreement of two-thirds of the regions and it cannot create new regions without the agreement of the existing ones.

There are also checks within the government itself. It is no secret that Mr Gbedemah, the minister of finance, is firmly opposed to policies which will make his task more difficult. He will not find it easy to raise the revenue needed this year to meet expenditure running into £40 million, compared with half that amount four years ago ; expenditure rises inexorably as the earlier period of rapid capital expenditure progressively loads the budget with recurrent charges. In addition Ghana must pay for its own diplomatic service, its army, and the much increased police force which the government feels is necessary now that imperialism has been crushed. The country's reserves are fully committed to the completion of development schemes already started, to the currency reserve, or to cocoa support. Mr Gbedemah knows that the government's actions now will have a crucial effect on the attraction of new overseas capital. The party demands ever more development—for one thing, to keep government workers employed and provide jobs and directorships for deserving party men. But already foreign firms are revising their plans, postponing decisions for further expansion for six months or more and thinking in terms of short-term investment.

The great Accra boom threatens to peter out. The decision to let an American syndicate investigate the Volta scheme on behalf of some rather vaguely indicated principals, against a first option on a concession, suggests that there is now little or no hope of getting the original sponsors to do anything about it. Sources of new revenue other than cocoa are few ; capital is hard to find ; and this to Mr Gbedemah must indicate a period of retrenchment and consolidation. He must be opposed to extravagant schemes, such as that to set up a radio transmitter and broadcasting services powerful enough to rival Cairo in the task of rousing the African continent ; and he can hardly relish actions, however useful in impressing Ghanians that they are now under entirely African management, which might spoil the hopes that Britain would make a large contribution to the development of the Northern Territories.

Such mundane considerations are apt to isolate Mr *Gbedemah* from his own party ; indeed he is completing the budget in the seclusion of his Togoland home. But he *carries great weight* ; he would be formidable in opposition —indeed would give the opposition the leader it lacks—and so far Dr Nkrumah has not been able to appoint a deputy premier because it would be dangerous to promote anyone permanently over Mr Gbedemah's head.

The Convention People's Party, however, is powerful, and the party needs victories and benefits to sustain it. The government has dissolved the Cocoa Purchasing Corporation, so stringently criticised (along with several CPP ministers) by the Jibowu commission, but has carefully placed its functions in the hands of the United Ghana Farmers Council—a body which is just as completely under the domination of the CPP and may be as little capable of producing accounts to satisfy the auditors. The party will also expect the prime minister's "pan-African policy" to be pursued with appropriate flourishes. Invitations for the meeting of independent African states went out even before much necessary diplomatic routine had been completed ; but it was necessary to assert Ghana's claim to leadership, and indeed a meeting may take place in Accra. The idea is also in the air of a purely unofficial party conference of African nationalist parties. The momentum must be kept up ; the leader must demonstrably be leading ; the party must visibly be the winning side.

It is this party pressure that may determine events ; for example while experienced ministers and senior African administrators know that everything should be done to hold the efficient expatriate officials and technicians in Ghana, party job-hunting may make this increasingly impossible ; the last eight weeks have made it certain that far more British civil servants will take their compensation and go between now and 1959 than seemed likely before March 6th. It is one thing to satisfy the party ; another to give Ghana a sound economy, win the respect of other states even in Africa and gain the full allegiance of the regions in Ghana itself. It will require exceptional wisdom and firmness to do these things.

German Christian Democrats Prepare for Elections

FROM OUR BONN CORRESPONDENT

From the unhallowed vantage point of the press gallery it was observed that there was no drummer in the Hamburg Opera House orchestra when it performed Mozart's symphony in D minor at the Christian Democratic Union party congress on Sunday. It was as promptly explained that obviously no one else would be allowed to have a go at the drums when Dr Adenauer was around. As if aware that witticisms of this kind were in the air, the party chairman throughout the conference showed as much self-effacement as is possible for a Federal Chancellor and Grand Old Man.

He could well afford to. There was not the slightest need for him to assert himself. No elections to party offices had to be faced, as they had to be at Stuttgart two years ago. Dr Adenauer's primacy was undisputed and seemingly unresented. At eighty-one he appeared fresher than most of his colleagues, good for another four years at least ; and at his side, offspring of doubts that troubled the last party conference, sat the three vice-chairmen, Eugen Gerstenmaier, Karl Arnold, and Kai-Uwe von Hassell—all well-behaved hopefuls under sixty. The Christian Democrats know that in Dr Adenauer they have an unequalled electioneering asset. Some day it may occur to the Social Democrats that they, too, require a personality at their head and have nothing to gain by keeping their few men of outstanding ability and style as far away as possible from the centre of the stage.

The Christian Democratic Union and its south German *alter ego*, the Christian Social Union, have only some 250,000 registered party members between them in contrast to the Social Democrats' 600,000. Notwithstanding, by polling 45.5 per cent of the votes cast in the federal elections of 1953, the CDU-CSU won an absolute majority in the Bundestag. At that time they could count on the support of all the right-wing parties against the Socialists, as well. In September it will be different. For one thing the Free Democrats have abandoned them for the time being, hinting that they will have no part in a coalition dominated by Dr Adenauer. For another, the small right-wing parties which have strung along with the Christian Democrats in the past look as though they may not clear the five per cent hurdle at the polls.

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Premonitions of isolation are acting as an antidote to complacency. The strategists have decided to try to widen the party's appeal. They chose to hold the pre-election congress in Hamburg not solely because it is Federal Germany's greatest city. Hamburg is also strongly socialist and largely protestant, and it lies but a few miles from the artificial frontier dividing Germany. It is probably in Hamburg more than in any other west German city that the Bonn administration is accused of being regional in outlook, clerical in patronage, and doctrinaire in decision. The CDU hopes to refute these charges during the next four months. And they are still sure that Dr Adenauer, for all his association, is the right champion to push to the fore. "The great simplifier," as M. François-Poncet once labelled him, can be counted upon to use language everybody will understand. He did so at Hamburg. The party's fundamental principle, Dr Adenauer underlined at the outset, was "Christian humanity": a principle appealing alike to Protestants and Catholics of all classes, it gave the Christian Democrats a unity that rival parties lacked.

It became evident during the conference that the Christian Democrats intend to make their eight-year record as governing party the main plank of their platform. The catalogue of achievement is indeed impressive, if it is granted that this one party should get all the credit: the end of military government only four and a half years after unconditional surrender ; the restoration of sovereignty six years later ; full employment, houses going up at the rate of half a million a year, tax reductions of eight billion marks a year, wages and pensions up ; and so on. All this would not have been possible, it was repeatedly rubbed in, but for Dr Adenauer's foreign policy, which the Social Democrats had opposed at every turn. There was a shaky moment when *Die Welt* gave great prominence to the report that Washington was dickering with the Russians for a parcel of disarma-

ment without insisting that German unification should be part of the bargain. But Herr von Brentano hurried to the tribune to declare that so long as the Germans gave no cause for the Allies to suspect their loyalty, they themselves had no reason to doubt the loyalty of the Allied statesmen.

As for the next four years, the Christian Democrats ask nothing more spectacular than the opportunity to consolidate. They promise to foster private enterprise, to keep prices stable, and to continue to strive for German unity on western terms, in concert with the West. They will be difficult and confusing years, the line runs. All the the more reason why the electorate should return to power the man whose aims are clearly known and whose word is trusted at home and abroad. Who knows what the Opposition would do in office ? Which wing of the Social Democrats would then rule the roost ?

Such is the line laid down at Hamburg. The election campaign has formally opened. Overnight the Social Democrats set up their own posters alongside each Christian Democratic poster in the centre of the Free Hansa City of Hamburg. " Security for all. Therefore SPD," they proclaimed. " Security for all ? ", the Great Simplifier gently asked. But the Christian Democrats had already provided it, and could offer more : their election slogan would be the three simple words, " Peace, Freedom, and Justice."

IRAN TODAY–II

How to Pay the Piper

BY OUR SPECIAL CORRESPONDENT

An article in *The Economist* last week described the social and psychological handicaps that beset any Iranian reformer bent on narrowing the gap between rich and poor. The financial obstacles to be overcome, though no less awkward, are easier to describe.

The modern name for reform is " development," and funds for this have been coming in from two sources. One is receipts from the operating companies of the foreign oil Consortium ; these were £54 million in 1956 and are likely to rise at least to £67 million in 1957. The other is aid from the American government, which (including technical assistance) totalled nearly $84 million in 1954 and more than $74 million in 1955, but is tapering off as oil revenue gets into its stride. Oil production is expected to rise by 9 or 10 per cent a year.

The income from oil is allotted as to 60 per cent to the Seven Year Plan Organisation, 30 per cent to the National Iranian Oil Company and 10 per cent to the ordinary budget, which also receives any balance unspent by NIOC and all oil revenue in excess of the amounts agreed with the foreign Consortium. This arrangement is due to end in 1958, by which time the two former organisations are supposed to be going to produce enough income to replenish the ordinary budget. The review which follows shows that neither will produce income as soon as that, and that a new tussle over fair shares is to be expected next year.

The exchequer might not need this injection into current account if some finance minister were to pluck up courage to increase taxation, but each is dogged by a disinclination to increase any but the indirect kind, which is easy to collect but falls more hardly on the silent poor than on the vociferous rich. Last year's climb back towards balance after three years in which American aid had met the deficit was achieved by devices which cannot be counted on annually —among them no salary rises, a good trade year which increased the yield from customs and excise, and about £1½ million wrung from NIOC.

Going over to the debit side of the account, expenditure seems bound to rise in a country where its chief heads are defence (on the upgrade) and education (everywhere in demand). Thus, even if the yield from indirect taxes increases as standards rise, the proceeds are likely to be eaten up by new outlays. Civil service salaries and wages, which account for four-fifths of the total outlay, are difficult to cut because of the problem of finding alternative employment, and the cost of pensioning off many thousands of redundant officials is daunting. It follows that the target for any finance minister ought to be more revenue other than from the foreign oil companies. The blueprints are all ready ; a report on taxation was commissioned from an American expert in 1954. Broadly speaking, this pointed out that agricultural land which produces 50 per cent of the national income must be made to produce more than 4 per cent of budget revenue—the present figure. But 1 per cent of the landlords own 56 per cent of the land, and to tax land entails resistance too strong for most finance ministers to contemplate ; there results a fatal inclination to play for time by calling in another taxation expert. Until this resistance collapses, contriving, borrowing and even begging must be the fate of any finance minister until the new developments of the seven year plan start to produce revenue for the exchequer.

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When will the plan begin to pay dividends ? In the opinion of all Iranians except those actually engaged on the job, " development " ought to be unfolding before their eyes. Their complaints of the Seven Year Plan Organisation are as vehement as those of Iraqis about their Development Board four years ago. The name " seven year plan " has been on Iranian lips for so long that impatience is understandable. Yet the present one (1955-1962) cannot be expected to show major results in its second year. (Its predecessor, which was intended to run from 1949-56, sank almost without trace in Dr Mossadegh's day, and the pundit of today's, Mr Ebtehaj, has had much trouble unravelling the surviving commitments). Today, the second plan has its own blueprints, page on page, and hopes usefully to spend $936 million over seven years, divided as to 32 per cent on communications, 26 per cent on agriculture, 15 per cent on industry and 26 per cent on social development.

What is worrying about the Organisation is not its ability to plan, but its administrative capacity to execute the plans it has thought of. Even jobs that could have been put out to tender quickly, and which could have been approved without much delay, lag at the blueprint stage, either because someone has indulged in the national pastime of postponing final decision lest there should be a catch in the estimates, or else because, to ward off accusations of regional favouritism, the Plan Organisation has tried to cover the whole country with plans instead of finishing something somewhere. If it finds it has costed too low, its corrective is to cut back a little everywhere. It was partly in order to encourage the planners to attempt less, and to finish more, that the World Bank devised the unusual terms on which it lent the Plan Organisation $75 million last year.

The Bank also sought to ease the financing of the first, deficit years while oil revenues are still low. As things stand today, far too little is being spent on finishing the kind of pilot projects that serve as window displays or that excite imitation, and the public, seeing nothing, grumbles accordingly.

A point not much appreciated in Iran is that at present about half the cash the plan is disbursing is being funnelled out through ministries ; the Plan Organisation therefore does not get the credit that it might. This statement is to some extent guesswork, because, while estimates abound, the breakdowns of actual disbursements that would enable the planners to confound their critics are not available. Iran is deficient in this matter by comparison with India or Iraq, where the development organisations run statistical departments that can supply a visiting economist, almost on demand, with breakdowns showing what has been spent on surveys, labour, transport, building purchases and the like. The point that such details serve to reduce criticism seems to escape Teheran.

But, judging by observation at the receiving end, minor local works are quite often being done by provincial authorities who tell the traveller that they have had " some seven year plan money." Such works never catch the eye of the critic in the capital who hankers for huge dams, pulsing generators and a network of pylons marching across the huge wastes between Iran's centres of activity (conceived without taking into account the local price of oil). The number of small works already completed is tiny if measured by Iran's population, or its needs ; but they bring change of the only kind that a primitive peasantry can assimilate, and they will cumulatively grow important—if only the seven years pass without too much upheaval in the ministries. They are, however, more an educative than an income-yielding proposition, except in the very long term.

For quick returns, therefore, the sanguine turn to NIOC. But this, too, must be a spender, not an earner, for some years before it can be a big contributor to the exchequer. For one thing, it loses on distribution ; it felt obliged to continue to sell oil at home at the old cut price made available by the Anglo-Iranian oil company and, though its rate of loss will drop as it increases the distribution by pipeline on which it has started, the capital cost of such networks is high. On its production side, too, new capital works will absorb its available revenue for some years ahead ; by the agreement just initialled with the Italians, they are to pay all exploration costs in the first place, but NIOC has to put up half the capital cost ; and the three concession areas are wholly untried. Even in the national company's most promising area, which is at Qum and which it has kept for itself, expensive new wells must be spudded in before it can be sure of commercial quantities, and then the company—or someone ready to invest in it—has got to build a pipeline of a thousand miles to the Mediterranean.

Perhaps the Consortium and, ultimately, NIOC, will do so well that there will be oil revenue and to spare. But, in addition to the over-dependence on one commodity that such a calculation entails, there is the social snag described in last week's article. Classes for the elimination of illiteracy are all the rage ; if by the nineteen-sixties most young men can read and many more than now are highly qualified, there must come a moment when two of the present characteristics of Iran become intolerable to the bulk of its people. One is the system whereby a ruling clique gets too many of the plums ; the other is the mistrust of everybody outside one's immediate family. There is a proverb: " If companions were to be trusted, Allah would have had a companion " ; this principle of mistrust works well enough in a one-man business in the bazaar, but it will not serve for the task of evolving a modern machine to administer a great country.

(*Concluded*)

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Mr Kishi in Search of "Face"

FROM OUR CORRESPONDENT IN TOKYO,

In preparation for his visit to President Eisenhower in June, Mr Kishi, the Japanese prime minister, is busily brushing up his English and practising his putting. He has also been earnestly conferring with the American Ambassador. Formerly one of the world's most insular nations, who made the British look forthcoming, the Japanese under the American impact are fast becoming public relations conscious. They talk about " pr," as if it were a sort of tranquilliser in reverse. Lacking King Saud's flowing robes and having no crippled children, Mr Kishi has so far had to content himself with dispatching a much-publicised ten-year-old orphan to take part in the anniversary celebrations of the American " Wolfhound " Regiment in Hawaii. But his advisers are still on the job, earnestly studying how best the prime minister can score a bull on the heart of the great American public.

Next week, as a prelude to his Washington visit, Mr Kishi is starting on a tour of six selected South-East Asia countries. " I am an Asian," he announced the other day (in English). " The nations of Asia are fast gaining in strength." On his South-East Asian trip, he will be accompanied by a 33-man suite, comprising eight Diet members, eleven Foreign Office officials, and fourteen pressmen. Tartly describing this as a " travelling carnival," the *Yomiuri*, a daily, commented : " Since the plane they propose to charter has a seating capacity of only 31, the general public is looking forward with some interest to seeing whether the prime minister himself will be crowded out."

The six countries that Mr Kishi will visit consist of three " neutrals " (India, Burma and Ceylon) and three that are more or less firmly in the western camp (Formosa, Thailand and Pakistan). Mr Kishi's much advertised protests against

further nuclear weapon tests are calculated to please Asians abroad as well as the electorate at home. Japan would dearly love to play a leading rôle in non-communist Asia, with American backing. But this is not going to be an easy proposition to sell to other Asians. The people of the Philippines are pro-American and anti-communist, but they are also rather strongly anti-Japanese. The Republic of Korea is highly suspicious of Mr Kishi's Asian tour. The Indonesians are incensed by a remark attributed to Mr Kishi, whereby he is alleged to have implied that Japan need not be in a hurry to settle its reparations dispute with Indonesia, because that country's internal crises would soon compel it to settle on Tokyo's terms. Mr Kishi will not visit the Philippines, Korea or Indonesia, or at any rate not until after he has been to Washington.

Whether Washington, and the six South-East Asia countries that have been selected, will relish Mr Kishi's most recent remarks, remains to be seen. He recently told 800 Japanese businessmen in Osaka that the United States had "failed in Asia," despite great sacrifices made for South-East Asian development, through "lack of understanding." The development of South-East Asia, he added, should be carried out by Japan, "in view of Japan's deep understanding of Asia and its capacity to extend assistance." The six countries he proposed to visit, Mr Kishi continued, "lack a sound economic foundation, because they became politically independent only recently." After those home truths, it was something of an anti-climax when Mr Kishi cheerfully wound up by saying that Japan ought to co-operate with those countries "in a spirit of modesty."

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Mr Kishi is holding off an inevitable reshuffle of his Cabinet—which is bound to rouse the factions in his party—until after his Washington visit. He also intends to remain his own foreign minister longer than that, and indeed as long as possible. The broad aim of his diplomacy is to allay any fears which Washington might be entertaining of Japan drifting into the neutralist camp, while at the same time indicating to the Asian neutrals that he is no stooge of the West. This might suggest that Mr Kishi has a devious mind, but such an impression ought to be dispelled by the remarks quoted above. He is in fact remarkably candid for a Japanese politician. He has affirmed that in Washington his intention is to place frankness above politeness, and to talk rather severely about the future of Okinawa as well as about the revision of the Japanese-American Security Treaty which most Japanese now regard as being hopelessly one-sided.

Japan, in short, is trying desperately hard to regain the "face" that it lost in Asia by losing the war. In the process, it hopes to avoid repeating the sort of errors that led to its downfall. That is why the Japanese are studying "pr." At the same time, they do sincerely believe that nobody is better equipped than they are to help other Asian countries develop themselves—provided the United States will put up some of the money. As for understanding Asia, it is possible to get a Japanese to admit that in the past Japan made mistakes of method, but not that America is doing much better now. He will quickly point out that Americans say so themselves.

When Americans confess, as some are prone to do, to conservative Japanese friends that the United States erred in conferring on Japan the dubious blessings of trade unions (now alleged to be "communist led") and a constitution which, strictly interpreted, would make even the existing inadequate "Self-defence Force" illegal, the Japanese agree, but are by no means mollified by the admission. "That is just the trouble," they retort. "The West cannot make up its mind what it wants in Asia. You told us to democratise ourselves, and to disarm. Now you complain about our Communists, and urge us to rearm faster. You vacillate. At present you urge us not to restore relations with mainland China. If we rebuff the Chinese, and rearm, how do we know you will not in five or ten years change your mind about that also, and leave us at their mercy?"

Japanese politicians have done considerable vacillating themselves since the surrender, but this, they say, was because the Americans had them all confused. The Kishi regime may usher in a new period of non-vacillation. After a long winter, old hopes are putting forth tender new shoots. China is, or ought to be, preoccupied with its internal reconstruction: has not Mao admitted that China is still a "very backward" nation? China can supply Japan with coal and iron, but Japan, not China, is a great trading country as well as an industrial workshop. On the psychological side, there is "pr"; did not the Ambassador of Ceylon declare recently in Tokyo that if it had not been for Japan entering the second world war when it did, Ceylon would not have got its independence?

It is with such reassuring reflections in mind that Mr Kishi and his 33-*man suite will set forth in search of Asian* goodwill and restored "face." If all goes well, the Japanese prime minister may even turn up in Washington to speak on behalf of a fair segment of Asia. That would be almost as good as a Middle East monarch's oil bargaining counter.

No Snow, No Boots, No Bases

FROM OUR MIDDLE EAST CORRESPONDENT

As a result of the recent by-elections, informed opinion in Damascus is expecting—or at least would greet without surprise—a reshuffle of the Syrian government in favour of the Left. The by-elections were the third successive victory, within a few months, of the coalition of Left and Centre elements known as the National Front. The first was the ousting of the Populist (moderate Right) members of the Cabinet and the appointment as acting minister of defence of Khalid al Azm, perhaps the strongest advocate in Syria of the Soviet link. The second was the successful resistance of the left-wing group in the army to proposed army postings that would have weakened its position—notably by the transfer of its leader, Colonel Abdul Hamid Sarraj, from command of the Deuxième Bureau to the post of military attaché in Cairo. It is scarcely likely that the Left will let slip this further opportunity of strengthening its hold. A further incentive to change is the desire to fire off a counterblast against the right-wing coup in Jordan, which, for all the studious official reticence of the Syrians, has caused great worry in Damascus.

Conservative and moderate groups are loudly contesting the validity of the elections on grounds of intimidation and fraud. Mustapha Sibai, the defeated candidate in Damascus, has appealed to the High Court, and the right-wing press has launched a robust onslaught on the government. One paper came out with the remarkable headline: "As a result of government terror, pressure on the public, mobilisation

of all resources of the state, exploitation of ministerial influence, threats and slanders directed against citizens, more than 100 cases of kidnapping, attacks and threats of armed force, and straight bribery, *Malki won by 2,645 votes.*"

Most of the charges are wildly overdrawn. The fact that the government came out in favour of the National Front candidates must have exerted some effect. There was also some jostling at the polling-booths, where Socialist and Communist gangs were better organised and more effective than those of the Moslem Brotherhood. But these methods are unlikely to have spelt the difference between victory and defeat, except perhaps in Damascus, where the winning candidates' majority amounted to only 4 per cent of the votes cast.

The fact that the Left won the elections does not mean than it has a majority in the country. The number of abstentions was large, perhaps 60 per cent. Neutral opinion still gives the edge to the moderates and the Right when it comes to counting heads. But the Left coalition is a more effective political force; its leaders know where they are going. By contrast, the Right is leaderless and divided in itself. Its constituent elements agree on wishing to check the leftward drift. But where, when and how are points on which they fall apart. It was already a considerable achievement for them to agree on putting forward a single candidate for each constituency; but there the effort ended. The various groups, in particular the Moslem Brotherhood, failed to bring their voters out.

One of the main props of the Left position is the genuine popularity of the Soviet Union among the Syrian people. This is due in large measure to Soviet aid before, during and after the crisis in Egypt; Communist party exertions have played a secondary part. The Russians and their satellites have behaved adroitly, eschewing politics. Whatever Marshal Zhukov may say in Moscow, the Russians in Syria talk only trade, particularly trade in arms.

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The propaganda barrage against the Syrian government launched from London and Paris during the winter was presumably intended for American consumption. But it penetrated to Damascus, with unfortunate results. The wild charges then made—and repeated in varying forms ever since—aroused anger among the masses and amusement among the sophisticated. Perhaps the angriest men in Syria were the remaining western service attachés, who worked themselves to a standstill chasing *canards* concerning underground hangars and Migs darkening the skies of Aleppo and Palmyra. One of them worked himself into hospital.

As misconceptions still persist, it is worth stating in general terms the present position, as seen by the best qualified neutral observers on the spot. Syria is not a Soviet base. There is no Soviet base in Syria. Arms from the Soviet block have been entering the country in quantity since June. They include aircraft, tanks, vehicles, artillery and anti-aircraft guns. The amount already received is probably sufficient for a major re-equipment of the Syrian army. But there is no sign of arms being sent in excess of Syrian requirements; no sign of a stockpile for the use of volunteers. The equipment is obsolescent by modern Russian standards, but it stands up well to comparison with that of other Middle Eastern armies. About half the machines of the small Syrian air force are jet fighters of Soviet origin; the other half consists of fighters (mostly jets) from Britain. The number of military technicians from the Soviet block now working in Syria may amount to 200, not more. Most of them are from the satellite states.

The arms are bought on a commercial basis. Prices are low and delivery dates unusually favourable. Syrian officials wave aside the suggestion that exceptional terms of trade might conceal a bribe offered for ulterior motives; they claim that it is simply good business. Quick delivery is certainly good psychology. It has had a profound effect in Syria. Within a month of the signature of the first contract last June, the arms began to arrive. The Syrians were pleased by the contrast with the difficulty and delays they had met earlier in screwing arms out of the West, particularly as western arms for Syria were balanced, as a matter of policy, by western arms for Israel.

What the future may hold is another matter. "Once the camel's head is in the tent, it is difficult to get rid of the brute." Those more familiar than the Syrians with the pattern of Soviet expansion may well feel alarm. But to warn the Syrian government of pitfalls ahead is one thing; to condemn it in advance for deeds that it may not commit is another. The Syrians, naturally, look for the motive.

Thursday's Child

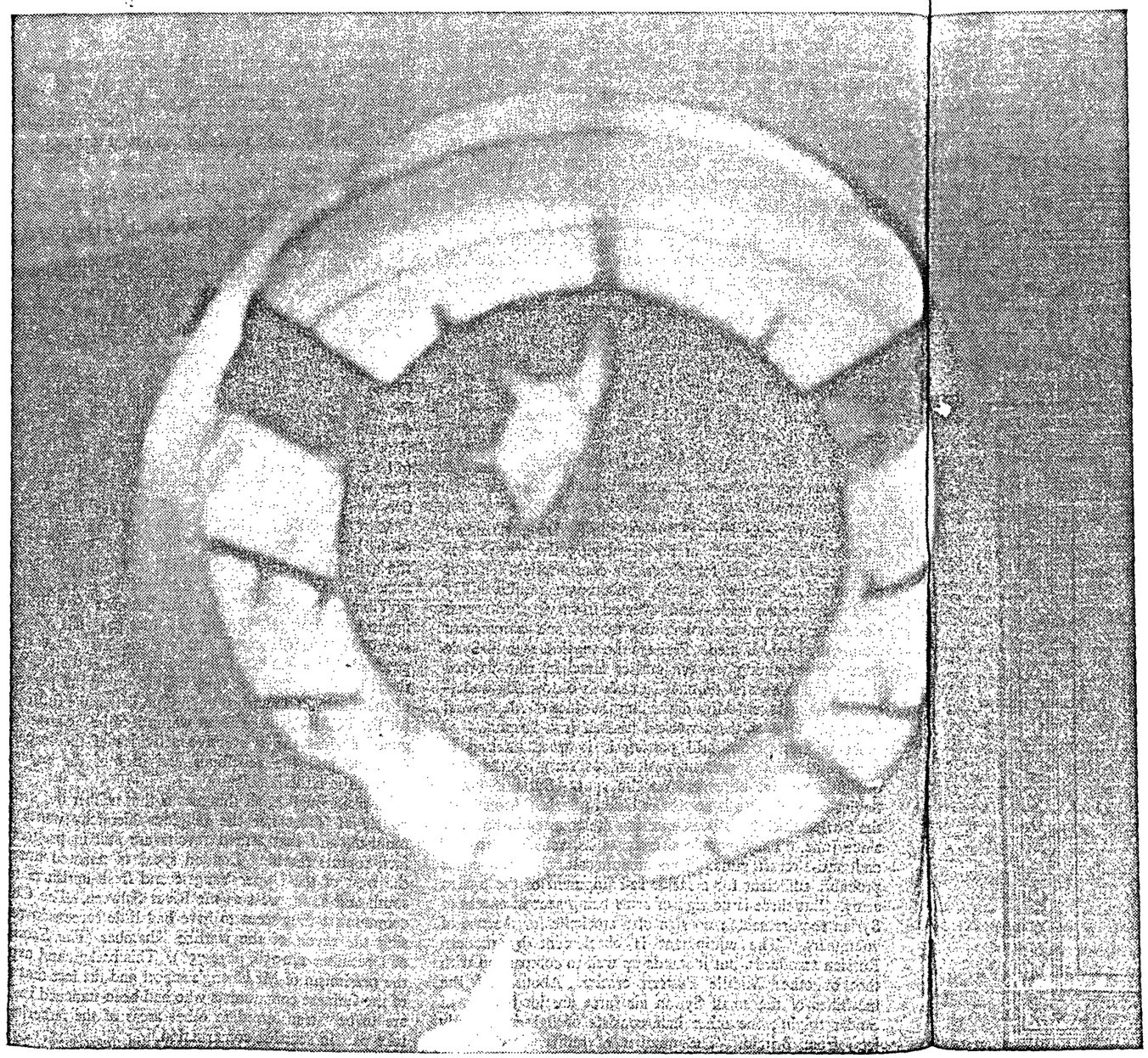
The road to socialism, compulsory for all communist colonies, is slower for some than for others. Tibet, it seems, is the backward child of the Chinese communist classroom; having apparently failed its eleven-plus, it will have to wait longer than others for the benefits of people's democracy. This emerges from a lengthy statement by Chang Kuo-hua, the Chinese communist resident in Lhasa. Reporting on the work of the preparatory committee for the autonomous region of Tibet (PCART) Mr Chang says that the "democratic reforms of the Tibetan area" are not to be carried out during the second five-year plan and adds that whether they will be carried out during the third five-year plan will depend on conditions at that time.

Mr Chang, listing shortcomings and errors in the work of the PCART, complains of "inadequate detailed study of the general objective conditions," of insufficient consultations and failure to develop the initiative and organisation of Tibetan "cadres." The jargon becomes more illuminating in later passages. Writing of future prospects Mr Chang says that "certain conditions are necessary to carry out peaceful reforms in the Tibetan area, such as the demand of the masses of people for reforms, the support of personages of the upper strata and so on." And listing the future tasks for the PCART, the resident warns it to be "constantly on guard against the subversive activities of the imperialist elements and the rebellious activities of the separatists against the fatherland."

In plain English, all this means that neither the ordinary people of Tibet nor the religious hierarchy wants communism, and that armed revolts are still in progress. In fact, reports reaching London speak of renewed unrest to the west of the Upper Yangtse and fresh uprisings to the south and as far west as the River Salween. The Chinese communists thus seem to have had little success in repressing the revolt of the warlike Khambas (*The Economist* of December 1, 1956, page 798). This background explains the pessimism of Mr Chang's report and the fact that many of the Chinese communists who had been stationed in Tibet are to be "transferred to other areas of the fatherland to take part in socialist construction."

THE ECONOMIST MAY 18, 1957

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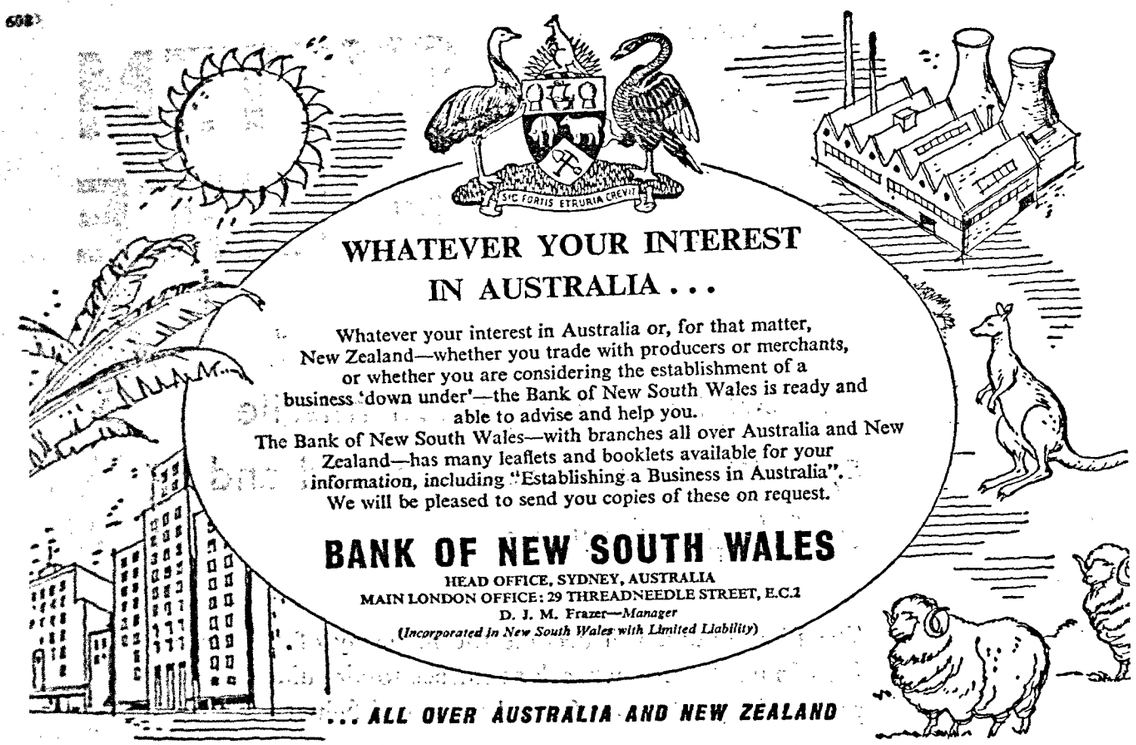
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THE BUSINESS WORLD

Steel Plans Again

LAST year's pause in the expansion of the British economy did not mean a pause in the expansion of British steel, though it gave the industry a chance to catch up its customers. Industrial production failed to rise and output in the "metal-using" industries actually fell; but steel production went on rising, at much the same rate—about 4½ per cent a year—as it has averaged ever since the war. Today, with general re-expansion in prospect, the plans for further expansion in steel that have been in the air for many months are crystallising out. So are some of the issues that they raise.

The Iron and Steel Board has now completed a report for the Minister of Power upon steel development from 1958 to 1962—the industry's third post-war development plan—and this may be published within a couple of months. The British Iron and Steel Federation, less inhibited now than when it had the major responsibility for such central planning, has already announced that "the industry is planning to increase total capacity to at least 28 million ingot tons of steel by 1962," and has set down its views on some of the implications of such a programme. A number of the big companies have committed themselves to completely new projects that will be carried out during the period—though here and there in the industry tones of caution continue to be heard, as when Mr Pode of the Steel Company of Wales commented this week:

> Others feel that such a quantity (28 million ingot tons) might not be required until 1965. This latter point is of very little practical significance as it is very doubtful whether the plans could be physically carried out by the former year (1962).

He is not the first spokesman of a British steel company to wish "to avoid the waste of physical resources in premature expansion of the steel industry."

Any recapitulation of the past forecasts of steel demand on the basis of which this industry's development has been planned—and criticised—since the war must certainly induce humility among planners and critics alike. But far more of the errors have come from underestimating the rate at which the British economy could increase its consumption of steel than from overestimating it. The accuracy of this forecasting is obviously crucial for the profitability of such capital investment; and over anything longer than a few months ahead its accuracy must obviously be shaded by growing areas of guesswork; but it has to cover as long a period as the industry takes to bring major new plant into full operation. Postwar five-year plans in steel—like even longer ones in fuel and power—do not arise from some bureaucrats' desire to emulate Gosplanners; the periods are dictated simply by the size and complexity of units of production in such heavily capitalised industries.

IN PRACTICE, perhaps again inevitably, central assumptions for all such long-range planning by industries must come from the Government. The Iron and Steel Board, in order to estimate future demand for steel, must know the rate of expansion that the Government thinks the whole economy may be able to achieve—and, in terms of the balance of payments, may be able to afford. It can consult Whitehall, too, about the rates of change that are postulated in the major sectors of national demand—consumption, investment, Government expenditure, and exports; and of the growth therefore required in production and likely in imports.

To guess how much such expansion will require in extra steel, even in terms of total demand, is not easy; in terms of specific products, for the production of which fairly specific items of steel finishing plant will have to be laid down, it is far harder. Over the first

half of this century total steel consumption in Britain seems to have developed in a fairly constant proportion to total industrial production in the country. But in the last few years there are signs that the proportion of steel needed to support expansion here is growing.

The British economy, which some economists think is at present becoming more "capital-intensive," seems also to be becoming more "steel-intensive." That would not seem surprising; but the one would not be the only explanation of the other. Investment, when strictly defined, probably takes a much smaller proportion of the steel used in Britain than the board assumed four years ago in the second development plan; but the amount of steel used in current consumption seems on closer analysis to be much larger than was assumed. Moreover, expenditure on durable consumer goods, which take a good deal of steel, seems likely to rise much more rapidly than consumption in general if Britain's standard of living keeps rising.

To such estimates of growth in steel demand associated with the main sectors of national demand the steel planners can also bring more direct estimates of forward steel requirements from some of the other major industries, nationalised and private, which make similar long-term plans. The board has carefully not committed itself to agreement with what the steel federation has disclosed of "the industry's plans," though presumably the total output it envisages for 1962 cannot significantly differ. But it does seem possible that differences might arise between the "product mix" that the board thinks might be demanded by consumers in the early sixties and the amounts of different products for which the member companies of the federation prefer to invest their capital in extra plant. Liaison between the board, the development committee of the federation and the major companies is fairly close: the process of dovetailing schemes for expanding output that companies put forward into the estimates of long-term steel requirements that the board is making is not as difficult as it might appear. But on some issues there is plenty of room for legitimate difference—the changing pattern of demand for different products; the raw materials to be used and, therefore, where plants should be built; and the profitability steelmakers require to induce them to invest something of the order of £120 million a year in fixed and working capital.

One major question obviously attaches to the emphasis of demand for flat steel. The check to motor output in this country, plus some misgivings about the extent to which all of Europe's motor industries can achieve their sales targets at once, has made the steel industry reconsider the timing of expansion in wide strip mill capacity for making sheet, strip, and tinplate. Richard Thomas and Baldwins, which a year ago was saying openly that it would build a fourth continuous strip mill, has now taken the curious step of announcing that it will certainly build an integrated steelworks on a site at Newport that could take a strip mill, but that it has not yet decided what kind of finishing capacity it will lay down. How will this plant appear in the board's schedules of finished products in the development programme? And how, incidentally, in the construction programme of the plant builders, which are liable to become too full for lengthy reconsideration as the investment plan proceeds?

All parties in steel, moreover, are today responding to the sharp growth that is forecast in demand for steel plate, to build tankers, pipelines, and atomic power stations (for which total demand bulks small but the qualities required are specialised). Nevertheless, some unresolved questions remain. By the time some of the extra plate capacity planned comes into operation, the crest of the current wave of tanker construction may be passing. To move a given tonnage of oil from the Middle East to the West, a super-tanker will take less steel (though more of some heavier qualities) than the same capacity in smaller tankers over the same route; and the new pipelines proposed would take far less than either. Future demand for oil transport, and for steel to carry oil, must be estimated more upon the growth of world demand than on assumptions that the oil industry will for long be forced to go round unnecessary capes and corners; and the great markets of the West are having second thoughts about future oil imports.

In its second development plan in 1953 the board postulated once again the question that has riven steel planners for many years: how much steel expansion should be based upon Britain's home reserves of low-grade iron ore? Social as well as economic considerations intrude here, and the companies that are the best advertisement for efficient and cheap steelmaking from home ore are by no means necessarily those that believe that new integrated works should be built on the same basis. The federation has this year repeated its own conviction that the development planned for the use of home ore at existing works once again precludes the possibility of any new integrated plant to produce common steel on a new "greenfields site"; the board, which has at times looked on that possibility with more favour, has kept its own counsel. The whole industry, again, seems to accept that the majority of its new plant must be based upon the much richer imported ores, but so far, at least, waves aside the possibility that it might have to use imported coking coal as well. Its confidence looks fairly well founded; but if it should turn out not to be, Continental steelmakers who are putting new plant at Bremen and Dunkirk could gain an advantage in comparative cost in a free trade area.

As the price-fixing authority, the board has moreover kept silence in face of the steel makers' elaborately argued case for higher margins of profit, to allow them to finance a much larger proportion of this vast investment programme than hitherto from internal resources. In its last major price determination in December, the board did for the first time admit the principle that for certain products, where technological change had not been dramatic enough to offset the effects of inflation on total costs, the profit margin should bear some relation to what might have to be earned on a new plant making the same product. Is it prepared to continue this logical course and base prices more and more upon the costs, plus reasonable margins, of an entirely modern plant employing the most advanced techniques to make each product (which would probably not mean uniformly higher prices for all steel products)? If not, is it confident that the capital for the programme can in fact be raised?

From here to 1962, perhaps, the board need be less concerned with what may radically affect the shape of steel planning in the years that follow—what experts in the industry are quite coolly beginning to call "a revolution in technique." The beginnings of that revolution will clearly make their mark during its course: the growing proportion of investment in making steel with oxygen, and in particular in the various forms of oxygen-blown converter that are bringing Bessemer steel back to Britain on so massive a scale, point to rapid and widespread change in steelmaking technique and efficiency. But the further possibilities in which the industry is now actively interested—of importing instead of ore some much more refined "melting base" of iron or very crude steel, possibly in conjunction with the use of direct steel reduction processes to bypass the conventional blast furnace, plus continuous casting to by-pass some of the primary mill capacity—lie beyond this plan. The faster an industry grows, the more room it is always making for new ideas. Any outside observer of steel, in recent years, has been able to sense this quickening of change in what had seemed a successful but pretty settled technology: this industry is gaining confidence not only in economic but in technical advance.

Aircraft Industry Flies Solo

In defence, conventional aircraft give place to rockets; in the market for civil aircraft, requirements are increasingly exacting. Financial and technical consolidation faces the industry.

Capital airlines in the United States have been good customers of the British aircraft industry, yet it has fallen to Capital to deliver an unpleasant jolt to manufacturers still nursing the bruises inflicted by the Defence White Paper. The white paper foreshadowed a cut in production of military aircraft and radical changes in the types required. It left the aircraft industry feeling that the one reliable element in its shifting world was a steadily expanding market for civil aircraft. But the decision of Capital Airlines to defer the orders placed for 14 Comets from de Havilland and 15 Viscounts from Vickers-Armstrongs (to supplement its existing fleet of 60 Viscounts) has thrown some doubt even on this. Rolls-Royce were providing the engines for both orders. Capital Airlines are not now raising the capital to pay for these additions to its fleet; yet in 1956 the Viscounts earned the profit and Capital's older piston-engined aircraft incurred the losses.

The defence cuts have not spread an even blanket of gloom over the industry. At least two companies should positively benefit from the change in weapon policy. One is English Electric. The decision to develop no new fighter aircraft promises a long and varied life for English Electric's P.1 fighter, with no replacement treading on its heels. In addition, the company has secured an order for the anti-aircraft guided weapons that will eventually replace the manned fighter.

The second beneficiary should be Bristol Aeroplane Company. After a trying span of years, during which they have been almost wholly dependent on civil aircraft, Bristol are now re-entering military production with the second, and larger, of the anti-aircraft missile orders. Thus they are broadening their manufacturing activities when those of other companies are narrowing. Vickers-Armstrongs, for example, now finishing the last batch of Valiant bombers, will be building only civil aircraft by the end of the summer, with the exception of the limited development of Navy fighters at their Supermarine works.

Vickers' retreat from production of military aircraft has been a phased withdrawal, spread over several years. This does not hold for Hawker Siddeley, the country's largest aircraft manufacturing group, whose member companies had concentrated their resources on military aircraft, and particularly on types that have borne the brunt of the defence cuts and feel most sharply the implications of the new defence policy. One of the group, Armstrong-Whitworth, recently began to design a work-horse type of civil airliner; the other companies, Hawker, Gloster, and A. V. Roe, have suffered the withdrawal of support for major development projects, and have seen only too plainly the end of existing production orders. It is not surprising that Hawker have been casting round for new fields of activity beyond aircraft; in this country mainly in atomic energy, which is the reason behind its intention to take over the Brush Group.

Hawker have a stake in guided weapons through Armstrong-Whitworth's work on missiles for the Navy,

but Admiralty orders are never so big as those for the other services. This point applies equally to de Havilland's work on the Sea Vixen fighter, but this company made an earlier start and should enjoy an earlier return on its work on guided weapons. Firestreak will be in production sooner than the bigger, anti-aircraft missiles, and will probably remain the standard armament for such fighters as continue to be built in this country.

The Handley Page Victor bomber, like English Electric's P.1 fighter, is likely to stay in production—longer, perhaps than the other V-bombers. The company is now attempting to do what neither Vickers nor A. V. Roe succeeded in doing—to convert its military aircraft into a satisfactory civil airliner: it has a somewhat larger margin of performance in hand with which to do so. This will be the second airliner Handley-Page can offer, the first being the feeder-line Herald.

THE defence cuts suggest an eventual reduction of perhaps 25 per cent in the size of the aircraft industry. At present it employs nearly 270,000 people: the extent of its contraction will depend on the progress it can make in civil aircraft and on the support that the government may offer in their development. Heavy compensation will be payable to various companies for the cancellation of contracts, and this will wipe out much of the saving that the Ministry of Supply would otherwise have shown this year. But the Ministry has gradually and consistently reduced its commitments to the aircraft industry by letting development contracts expire and not extending them. Development contracts, often for specialised research aircraft, have provided bread and butter for many of the manufacturers. Money for pure research in aircraft will have to come largely from the Government in future, but there will be less of it; and research of this kind in future is likely to be done directly by those manufacturers who are going to apply the results in new aircraft, instead of being distributed as a series of subventions to needy sections of the industry. The outlook for the smaller concerns is far from clear.

Vickers-Armstrongs lead in orders for short and medium range civil aircraft; Bristol and perhaps also de Havilland on longer range types. Rolls-Royce, as engine builders, benefit from a diversified policy providing military and civil engines for aircraft builders both in Britain and overseas. All these companies are fighting for orders for new types of aircraft primarily intended to fit the needs of the British airlines, but planned also with an eye to overseas customers. British European Airways want a medium-range jet airliner for their high-density traffic; British Overseas Airways will eventually want a supplement for their North Atlantic American jet airliners. It does not follow automatically that such orders will go to British factories, but if they can offer satisfactory aircraft they will get the first chance to tender.

Present estimates suggest that in the bidding for these two orders, the present balance between Bristol and Vickers is liable to be reversed, with Bristol building a medium-range jet for BEA, and Vickers a long-range one for BOAC. There are, however, other candidates on offer.

It seems still to be expected, both by the Ministry of Supply and by the aircraft industry that if these, or indeed any other contracts materialise, the Government will pay the major part of the cost of development. In the past, such bills have been substantial. More than £6 million has been provided towards the building of the Britannia, £1.8 million for the Viscount, £4½ million for the Comet, and £8 million for the cocooned Princess flying boats. Development expenditure on military aircraft, too, has been heavy. All told, about £600 million has been handed from public funds to the aircraft industry since the end of the war. Now the purse strings are tighter, and some companies have come to dislike the strings attached to government advances for development (which are intended to be repaid from sales). So there is an increasing tendency for companies in the aircraft industry to invest their own money in projects: the Folland Gnat; Hawker's private venture fighter; the Armstrong-Whitworth and Handley Page feeder airliners; and Vickers' huge Vanguard, which may cost at least £12 million to develop. But the principle that the Government finances development work of companies with limited resources stands unchanged. If Vickers build a jet airliner, they are likely to do so out of their own funds, if the market prospects are right. But if Bristol build a medium-range jet, they will probably call for at least some government aid.

AIRCRAFT production has become increasingly complicated. Huge jigs, elaborate tools, milling machines and presses are needed to build the large airframes that can stand up to high-speed flight. Modern aircraft imply large manufacturing resources. Government development contracts, especially for civil aircraft, are intended to help companies that cannot raise the resources for themselves; that is a justifiable policy if it puts tools in the hands of technical genius that would otherwise remain unassisted, but it has also led to support for too many individual companies, the perpetuation of scattered, unco-ordinated factories and the endowment of too many design teams.

Does this policy not also penalise the big companies with the resources and the manufacturing capacity required for modern aircraft production? The fostering of smaller manufacturing groups may at least delay the emergence in this country of a handful of aircraft manufacturers big and vigorous enough to stand comparison with the major manufacturers in the United States and able to meet the Boeings, Douglases and Lockheeds in open market on their own terms. Bigness is not everything, but efficiency and adequate technical resources often go with bigness. The only British company serving the aircraft industry that can claim such independent stature today is Rolls-Royce; it is no accident that Rolls-Royce are responsible for well over half of this country's capacity for making aero-engines.

BUSINESS NOTES

VIA SUEZ

Freights Through the Canal

BRITISH ships are steaming towards Suez, Colonel Nasser is being paid, and petrol is free. But everything is not just as it was before. The surcharges imposed by the liner conferences have been reduced, but they have not yet been eliminated. They were imposed to cover the extra costs of longer voyages round the Cape and the higher prices of oil bunkers. Bunker prices have already been reduced, although not to their original levels, and it will take some weeks for the liner companies to reorganise sailing schedules and issue new sailing instructions. When normal navigation through the canal has been resumed, the remainder of the special surcharge on freight rates will probably be removed, although if the oil companies fail to return bunker prices to pre-Suez levels, it may be necessary to merge part of the remaining Suez surcharge into basic rates.

So far as the tramp dry-cargo and tanker market is concerned, freight rates for some time have discounted the possibility that opening the canal will make more tonnage surplus to requirements. In fact, since the peak rates reached in the first two months of the emergency, tramp and tanker freight rates have been declining steadily, and are already well below pre-Suez levels. The Chamber of Shipping index of tramp voyage rates for April was 134.3, the lowest figure since August, 1955, and far below the peak figure of 189.4 for last December. Tramp freight rates have responded to the effects of the mild winter, which has greatly reduced the consumption and demand for oil, coal and grain, and it is apparent that the anticipated pressure on tonnage due to diversion to the Cape route was overestimated.

The reopening of the canal may, paradoxically, have the effect of increasing employment for tramp ships to some extent, since it is probable that potential charterers have refrained from fixing vessels by the more expensive Cape route on the assumption that use of the canal would not be much longer delayed. Normal seasonal influences are likely to have more effect on tramp freight rates in coming weeks than the reopening of the canal, but if the decline continues much further it will lead to scrapping or laying up of vessels, which has hardly taken place at all for more than a year.

Payments to Egypt

CANAL dues and disbursements by British ships will be paid in sterling to a No. 1 (special) account which has been opened at the Bank of England in the name of the National Bank of Egypt. To make this possible an Exchange Control order has been issued readmitting Egypt to the transferable account area from May 13th. Out of the No. 1 (special) account the National Bank of Egypt can transfer into other transferable currencies at par or into dollars at the transferable rate. But that account will for the present be the only Egyptian account out of which transfers can be freely made. Non-residents may also make payments to Egypt through this account. But the only payments by residents of the United Kingdom that will normally be approved for crediting to it will be those for canal dues and ships' disbursements. If there is any occasion for making other payments by a resident of the United Kingdom the matter must be referred to the Bank of England.

Other Egyptian accounts, which for the time being remain blocked, include the drawing accounts and the No. 2 blocked accounts. The only moderation of the freezing order imposed on them when the canal was nationalised last July is that amounts due to British exporters under contracts entered into before July 28th last year may be paid from the existing No. 1 Egyptian account at the Bank of England; each request for such a payment will, however, be subject to the approval of the Bank of England and the Treasury. Although restrictions on Egyptian accounts remain, these changes are a possible first step towards the resumption of normal Anglo-Egyptian trade and payments. Restrictions on the blocked Egyptian accounts are to be discussed by British and Egyptian officials, who meet in Rome on May 23rd. A start will then be made on the large and complicated exercise of tabling claims and counter claims between Britain and Egypt, and the discussions may be widened to cover the resumption of normal commercial relations between the two countries.

Petrol in a Free Market

STOCKS of petrol in Britain have long been adequate to meet the immediate impact of free demand. But while tankers could not use the Suez Canal, petrol stocks could be replenished only at an exceptional cost in dollars. Although the oil companies are now free to use the canal again, it will take some weeks before all their tankers can be re-routed; there is still no guarantee that the canal will be able to handle as many tankers a day as it did before it was blocked; and the trans-Syrian pipelines are still operating at only 40 per cent of their capacity. But the government now feels that it has enough assurances that the extra 30 million dollars which had to be spent every month on Western Hemisphere oil at the height of the crisis can be progressively eliminated as it becomes easier to ship to Britain more cheaper Middle East oil with a lower "dollar content."

In Britain, the price of petrol is still 4d. a gallon higher than it was before the Suez canal was blocked. About 1½d. of this extra charge is incurred in this country, about 1½d. going to the dealers and ¼d. to the oil companies. The remaining 2¼d. has been attributed to a rise in external costs, including higher basic prices of oil (1d.), higher freight charges (½d.) and the cost of diverting tankers round

the Cape (1d.). Now that the petrol sales of the average garage are approaching normal, the 1½d. a gallon increase in dealers' margins is clearly no longer needed to help them spread fixed overhead costs over a restricted turnover. Refinery operations are now returning to normal, freight rates have fallen sharply, and product prices have begun to weaken in the Gulf of Mexico. It will take time to divert tankers to normal routes and switch from contracts to purchase expensive Western Hemisphere crude oils back to the cheaper Middle East oil—and there are already mutterings of an increase in the price of Middle East oil which (with lower freight rates and the Suez canal in use again) can now easily undercut Texas crude oil delivered to the eastern seaboard of the United States. But the oil companies can now anticipate a progressive reduction in these exceptional costs as they return to a more normal pattern of operation. No case at all has been made for the retention of more than 2d. of the extra 4d. a gallon charged on petrol. And a gesture removing the other 2d. as well, anticipating the reductions expected in their own costs, will add to the goodwill that the oil companies have justly earned in maintaining so efficiently a high level of supplies throughout the winter.

CORPORATION ISSUES

Sorting Out the Queue

A CHANGE in policy about stock issues for local authorities has quietly occurred. The Government broker, who acts as the link between the Stock Exchange and the Bank of England, has informed brokers specialising in such operations that issues and placings for less than £3 million will not be allowed to come forward. The object of the restriction is to reduce the queue of would-be borrowers down to manageable length. At present the waiting list of local authorities wishing to borrow or refund is unnecessarily long, and the queue is shuffling forward at a rate that produces no reduction in its length. A local authority putting its name down today must expect to have to wait a year for its turn. Hence the decision to weed out the small borrowers from the stock list. Now they must try to satisfy their needs in the mortgage market, where money is also scarce and rates higher, or perhaps hope for a kindlier reception by the Public Works Loans Board.

This act of streamlining seems more than a little hard on the local authorities. A few months ago, some of the smaller ones were raising money on placings without standing in the queue ; the trustee savings banks liked the placings and provided a large slice of the money. The flow expanded and brokers with less special expertise in that class of business were attracted to it. To avoid a flooding of the market with placings, they were ordered to take their place in the new issue queue. Now they are marshalled out again, still unsatisfied. The local authorities were rightly driven into the market by Mr Butler in October, 1955. Now a number of them (by no means all small, for £3 million is a fairly high limit) are barred from the most important part of the market where they could expect, with patience, to cover their needs.

Poor Advertisement

IF these borrowers turn to the mortgage market, and if rates there remain unchanged, they will have to pay from 5⅝ per cent to 5⅞ per cent for 10 to 20-year mortgages, or they may borrow shorter at higher rates—say, 5¾ per cent to 6 per cent for 6 to 10-year mortgages. For comparison, gross redemption yields on recent corporation issues through the Stock Exchange have varied from £5 2s. 6d. per cent on Birmingham's probably too finely cut 18 year loan to £5 8s. 11d. per cent on Scarborough's 9-year issue. The difference is not as great as appears, because the costs are different. Mortgage market commission, plus stamp duty on a mortgage of over two years, costs 9s. per cent (or only 4s. per cent if the money is raised on a housing bond not carrying stamp). Full costs, commissions and management expenses on a public issue by a local authority are materially higher. Compounding for stamp duty alone costs 2s. per cent per half year.

Some local authorities will be glad to accept the mortgage market's terms. Others will find means of keeping their names on the waiting list and waiting until they can step over the £3 million limit. But it is hardly creditable for the capital market that gilt-edged borrowers, even small ones, should be turned empty away from the Stock Exchange. The job of persuading local authorities back to the stock market was not easy. For the present predicament, neither the Bank of England nor the Government broker is to blame. The blame lies rather in the narrowness of the market. Could the gilt-edged jobbers not have provided a better welcome for the small gilt-edged issue and placing ? Could the few brokers specialising in this type of issue have made it more attractive to underwriters and investors ? The weakness that has been exposed is regrettable.

IN THE MARKETS

Insurance Share Flurry

WHEN the new Stock Exchange account started on Wednesday prices made a brave attempt at a rally, but the market flattered itself a little. Over the whole week ended Wednesday industrial prices have held nearly steady. There has been a moderate rise in oil shares, but no significant move in shipping shares on the Suez Canal decision and the removal of petrol rationing. *The Economist* indicator has declined a small fraction from 221.9 to 221.4, the *Financial Times* ordinary share index showing a minute move in the opposite direction. Gilt-edged over the same period have sagged, the *Financial Times* index of government securities dropping from 87.00 to 85.63. There has been no encouragement for the market from the trade figures or from the sterling exchange rate, for sterling has also been sagging. On Wednesday the dollar rate touched 2.78\frac{13}{16}$, its lowest for about a month.

Birmingham Corporation and its advisors R. Nivison and Co., in London, and R. Murray and Co., in Birmingham, have surely been most unfortunate in their date for the corporation's issue of £5 million of 1973-75 stock at £98½. Conversion was also offered to the holders of the 2¾ per cent Birmingham stock which matures for redemption on July 1st. So applicants will not know their fate until after the conversion lists have closed on Monday. But the terms—the gross redemption yield of £5 2s. 6d. per cent to redemption in 1975—were finely drawn and made no allowance for a falling gilt-edged market. Cash lists remained open throughout banking hours on Wednesday.

In a week such as this it is hardly surprising that the outstanding market feature should have been a fall based on nervousness and misinformation. Insurance shares came

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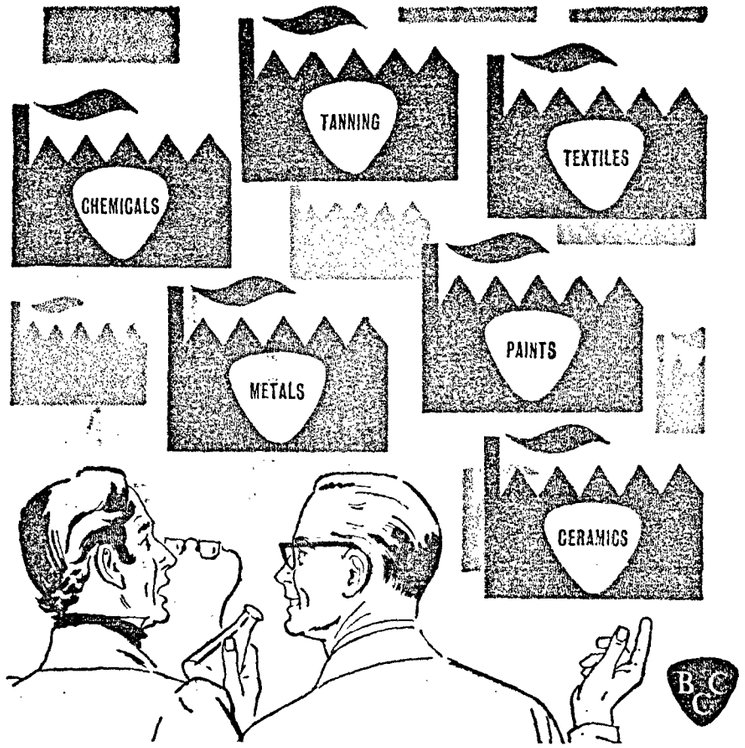
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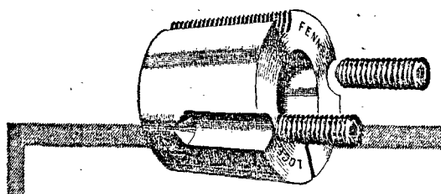
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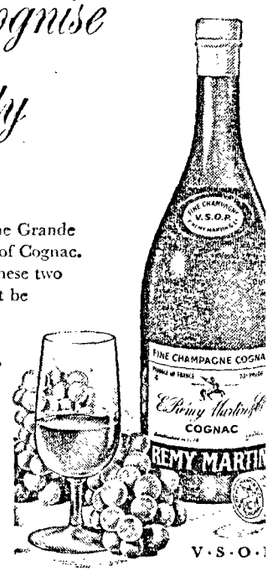
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PRIDE OF COGNAC

REMY MARTIN

tumbling down on Tuesday and again on Wednesday, though by Wednesday evening there were buyers about and some of the losses had been recovered. The fall preceded the publication of the Labour Party's pension plan, but was based on newspaper forecasts of it—on fears that the life insurance market would suffer from the arrival of a great

INSURANCE SHARES

	May 10	May 15
Life :—		
Britannic	118s. 9d.	106s. 3d.
Pearl	£23	£20⅞
Prudential "A"	£44 5s.	£43
Refuge "A"	£11 15s.	£11 6s. 3d.
Equity and Law	167s. 6d.	158s. 9d.
Composite :—		
Atlas	8s. 10¾d.	79s. 6d.
London and Lancashire	128s. 9d.	123s. 9d.
Royal	87s. 9d.	84s. 6d.
Yorkshire	£14 5s.	£13 5s.
Non-Life :—		
Employers'	142s. 6d.	140s.
General Accident	£15 5s.	£14 12s. 6d.
Prudential "B"	155s.	152s. 6d.

State pension fund enjoying full investment freedom. But, as the table shows, shares of the life offices, the composite offices and the non-life offices were sold indiscriminately. There is probably an argument for investors to reassess their insurance investments, making new allowances for the continued build-up of retirement insurance that must be expected, and perhaps also to make the opposite allowance on the non-life shares in view of the adverse underwriting experience that continues to be suffered in the United States. This week's flurry was not such a reassessment. It was hurried profit-taking after three weeks of a good market.

UK TRADE

Trade Deficit Up

THE balance of British overseas trade worsened last month, and the decision to send ships through the Suez Canal again will tend to prolong the deterioration. By June, if not before, the import figures will be swollen by the simultaneous arrival of cargoes sent through the canal and of cargoes still arriving via the longer Cape route. Any increase in export shipments, however, is unlikely to be large enough to offset the rise in imports. Hence the trade deficit will temporarily worsen—the reversal of the fortuitous improvement that followed the closing of the canal. But freight rates may fall further, thus reducing the cost of imports at the expense of British earnings from shipping, and imports of dollar oil will fall while British earnings from exports of Middle East oil should increase.

UNITED KINGDOM TRADE
£ million—monthly averages or calendar months

	Imports c.i.f.	Exports f.o.b.	Re-exports f.o.b.	Trade deficit	Exports to North America
1956	324·1	264·3	12·2	47·6	35·1
1st qtr	328·3	258·3	13·6	56·4	28·5
1957 :—					
1st qtr	352·7	278·8	13·0	61·0	33·9
April*	349·6	272·2	8·6	68·8	44·1
Jan./April, '56	327·4	257·8	13·6	56·0	29·8
Jan./April '57*	352·0	277·1	11·9	63·0	36·4

* Provisional.

Last month exports fell by £24.8 million to £272.2 million fob, partly, no doubt, because of the Easter holidays and the engineering strikes. The average value of British exports in the first four months of this year (excluding repayments of silver bullion to the United States) was £275.3 million a month, seven per cent higher than in the same period of last year; allowing for the rise in prices the increase in volume was probably about 4 per cent. Imports in April also fell, by £12.2 million to £349.6 million, and the average value in the first four months of 1957 was £352 million, 7½ per cent more than in the same period of 1956. About one-third of the increase is accounted for by cargoes that would have arrived in 1956 but for the closure of the canal, and the remaining increase is largely explained by higher prices. With re-exports almost halved at £8.6 million, the gross visible trade deficit increased by £20.4 million to £68.8 million; the fall in re-exports probably reflects smaller shipments of rubber to Russia, and the seasonal fall in shipments of furs. If the Suez backlog is excluded from the import figures the Board of Trade estimates that the average deficit in the first four months, actually £63 million a month, would have been close to the average of £56 million in the first four months of 1956.

Shipments to North America remain high; in April they rose by nearly £8 million to £44.1 million, mainly because the returns included the value of the *Empress of England* (about £6 million) recently delivered to Canada; the returns also included a final repayment of £1.5 million worth of lease-lend silver to the United States.

PROSPECTS FOR GAS

Fuel in the Middle

SINCE 1948, Britain's gas industry has managed to expand its total sales rather more than inland fuel consumption as a whole—much more, that is, than coal sales, much less than electricity or oil. But the whole of the industry's expansion has been outside its traditional and still by far its major market, the household. Domestic sales of gas in 1955-56 were actually lower than in 1948, while domestic electricity consumption was up by about 50 per cent, sales of smokeless solid fuels were up by about a fifth, and even the rationed supplies of domestic coal were slightly higher than seven years before. There has been a slow increase in the number of domestic consumers of gas, as would be expected; but the average number of therms sold per consumer has been dropping. The industry reasonably says that gas appliances are becoming more efficient and houses less overcrowded: but as Mr Wilfred Bailey, chief accountant of the Gas Council, said at the annual general meeting of the Institution of Gas Engineers this week, "good reasons do not sell gas nor reverse the trend of sales."

In the industrial and commercial fields, sales of gas have been rising by about 6 per cent a year; together, these two markets now take about half the gas sold in Britain. But the price of gas in these fields is lower than in the domestic market; any substantial switch from the domestic market to these other growing markets will mean a fall in revenue. Since the price relationship between gas and oil—a direct competitor in the industrial and central heating fields—is critical, Mr Bailey felt that such a fall in revenue would have to be offset by reducing costs rather than by raising prices.

Unless cheaper methods of making or supplying gas can be found in the near future, gas will get little or no share of the expanding market; it may even have difficulty in maintaining its present position.

As an accountant, Mr Bailey offered the assembled engineers no opinions about such "cheaper methods." In recent years, much attention has been paid to ways of making gas from oil, particularly for peak load operations and where surplus products in general or tail gases in particular from oil refineries can be utilised. While large coals, including carbonisation coals, have to be imported, liquid methane might prove a cheaper foreign source of gas. But low-grade small coals are the only fuel likely to become "surplus" in the British market in coming years: and there now seems to be a welcome shift of attention back towards systems for the complete gasification of these coals. There are some hopes that radical improvements might be achieved in the economics of such processes. Unlike the steel industry, the gas industry could not afford to buy prior access to Britain's large carbonisation coals by pricing other consumers out of the market. Unlike electricity, oil, and even coal, it is a fuel industry with no safe sphere of monopoly anywhere in its market. Tightly constricted between its costs and the price at which it can sell, this fuel in the middle is being forced to concentrate on technique.

DISCOUNT MARKET SQUEEZE

Why Bill Rates Have Fallen

THE fall in the Treasury bill rate was checked at the tender on Friday last week, as the discount market reduced its common bid by 6d. to £99 0s. 10d. per cent (involving a rise in the discount rate on bills obtained at that price of just over 3/32 per cent). As on other recent occasions on which the market has moved to check the decline in the rate, it has suffered a marked reduction in its allotment. Last week, the successful proportion of bids made at the market's concerted price dropped from 50 to 28 per cent. The reduction in the portfolios of the discount houses may not have been as large, because since the beginning of this year houses have been making small individual tenders at non-concerted prices, above the common tender price. These individual tenders normally secure full allotment. But the discount houses have been feeling a squeeze on their bill portfolios. This is attributable both to an increased outside demand for bills and to a reduction in the supply of them. These "real" market factors, as well as speculation on a coming fall in Bank rate, are responsible for the marked fall in the Treasury bill rate—which before last week's recovery was down to 3¾ per cent, ½ per cent below its level on the eve of the reduction in Bank rate to 5 per cent in early February.

The reduction in the supply of tender Treasury bills is most striking, and has continued long beyond the regular seasonal peak of tax collections, which occurs in January, February and early March; even now the issue has risen only modestly above its end-April low point. Since the end of 1956, the tender issue has fallen by no less than £750 million—easily a record fall, comparing with £290 million in 1956 and £150 million in 1955. In consequence the total of tender bills outstanding has dropped to £2,860 million, its lowest for four years. The most important factor in this year's exceptional run down in the total was the large receipt of cash by the Government from the heavy sales of gilt-edged stocks in the early weeks of the year (which had its counterpart in an excess of bonds in the discount market and a weak market in short-dated gilt-edged subsequently).

The rise in demand for bills has come from two sources—industrial holders of liquid funds, and the banks. The banks have been attracted by the high margin obtaining last year between the Treasury bill rate and their call loan rates to the discount houses. Moreover both they and investors outside the banking system have seen special reasons for holding bills in weeks when a reduction in Bank rate seemed on the cards. Bidding for the reduced volume of bills has therefore been strong, and the discount market has been obliged to follow the auction. The Bank of England could have dissuaded the discount market from following the bill rate down by toughly forcing the houses to take larger loans at Bank rate. In that event the mood of the money market as a whole would have been transformed. But while the market has periodically found itself in the Bank, the amounts involved have been small. Official policy towards the downward drift in money rates appears to have been neutral.

INDIAN STEEL

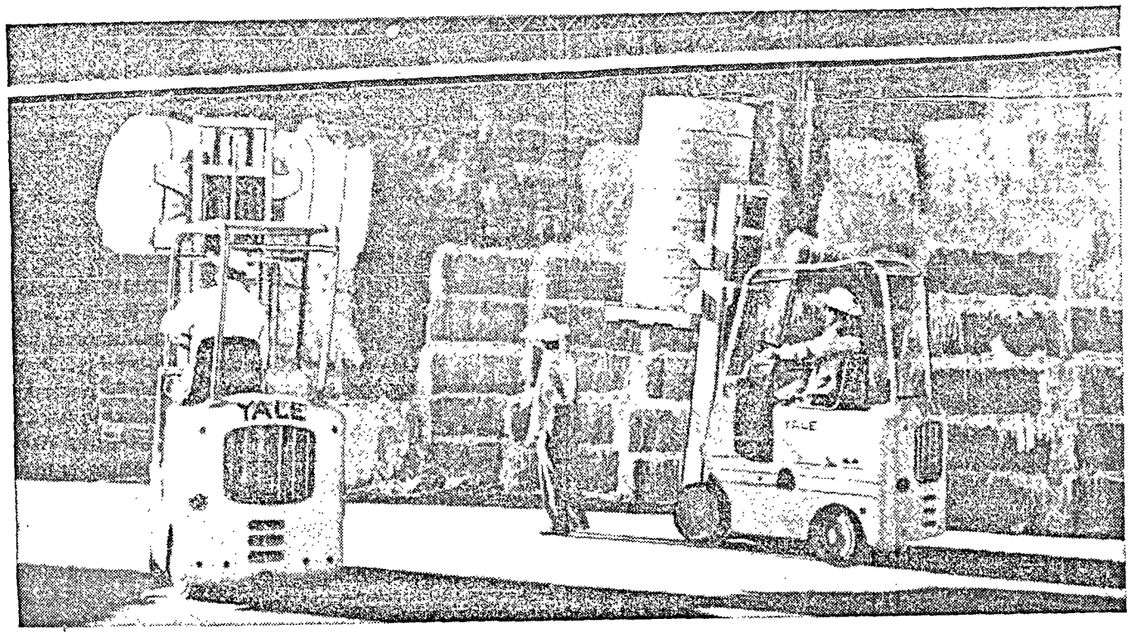
The Race for Expansion

IT remains anybody's bet which of the three integrated steelworks that competing foreign contractors are building for the Indian Government will come into operation first: the Germans, who were first in the field, seem certainly now to have lost their clear lead, and some experts are prepared to back the British consortium's project at Durgapur. Sir Charles Goodeve of the British Iron and Steel Research Association, who recently returned from visiting the iron and steel industries of India, Australia and Canada, is at present placing no bets on this race. But he has no doubt that the three works, built by British, Russian and German engineers, can be completed broadly in the period planned, along with the expansion by American engineers of the existing Tata works; that technically the second stage of expansion, in which it is planned to increase capacity at all these works and to build another, raising the country's output to an eventual 15 million tons a year, is perfectly practicable; and that with the productivity it is hoped to achieve, India's cheap and good ore, and its low wage rates, it ought to be able to make the cheapest steel in the world. Whether the Indians will accept the logical role of becoming a major exporter of steel products into the rest of South East Asia seems less clear.

Even such independent and expert confidence in India's steel expansion will hardly remove doubts here about the absolute need for the heavy engineering industry in India—almost amounting to a complete steelworks plant industry—that the Indian government has now decided to construct. The heavy machine shop and the plant to make mining machinery recommended by a Russian technical mission, plus three of the four plants outlined by a mission from this country—a heavy machine tool plant, a heavy structural fabricating works, and a heavy plate works—will provide a very substantial heavy capital goods industry. Both technical teams were given this remit and asked to suggest how it should be done: the Russians preferred one highly concentrated plant while the British team suggested four separate units located in different areas. The Indian com-

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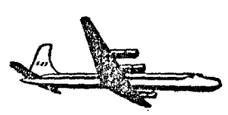
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SCANDINAVIAN AIRLINES SYSTEM

promise achieves both—and even more production capacity than either mission had suggested. The large credit offered by the Russians last year was clearly an inducement the Indians could not easily ignore.

The whole scheme will cost about Rs 800 million to Rs 900 million, of which some Rs 500 million will be spent outside India; and credit terms will also determine where the remaining overseas contracts are to go. The west Germans are intensely interested in the heavy machine tool plant, and are also in the field together with the Czechs for a heavy steel and foundry forge which will be located alongside the Russian heavy machine shop. The Indians are asking for seven-year credits as a minimum. The money could be found in Britain, and so could the capacity —at a pinch. Whether this is where Britain's investment resources should be going, largely to wipe Russia's eye, is another matter.

FOREIGN BANK RATES

Increases in Switzerland and India

THE Swiss national bank has raised its rate from 1½ to 2½ per cent. The move is the first change for nearly 21 years. The Swiss bank rate has throughout this long placid period reflected the fact that Switzerland has been the favoured refuge for hot money and has, therefore, experienced a glut of liquid funds. There has been little change in the inflow of money, but demand has recently been stimulated by a building boom in Switzerland and by an increased flow of foreign loans. The reserve bank of India has raised its rate this week from 3½ to 4 per cent. The official discount rate has long been out of alignment with the true state of the capital market in India. It has been kept there on the argument "why use bank rate when the inflation is due to government spending?" The shift of ½ per cent in bank rate still leaves it unrealistic.

CINEMAS IN DECLINE

Accounting for Rationalisation

IN the cinema trade, like some others, accountants seldom enjoy unmixed popularity; but when they talk, it becomes uncomfortably necessary to listen. Two accountants, one in a dominant position at the centre of the trade, and the other perhaps its best-informed independent observer, talked to the Cinema Exhibitors' Association last week; what they had to say was both brutal and salutary, but impressively well received. Mr John Davis, managing director of the Rank Organisation, coldly analysed the present circumstances of this sagging sector of entertainment; he left the trade none of the comfortable excuses with which it is accustomed to plaster its sorrows, particularly the traditional one of: "It's all the Chancellor's fault":

> However unpleasant it may be as a theory, I hold the view that no final solution to our problems would have been found if a much larger amount of relief [from Entertainments Duty] had been granted this year.

And Mr Clifford Barclay, an independent accountant who has recently acted as chairman of the industry's joint committee on revision of Entertainments Duty, outlined for the exhibitors a complete scheme of "voluntary rationalisation."

Mr Davis's survey of film industry difficulties was world wide. He forecast

> A shift of the main source of film production from Hollywood, and a continuing shortage of American films;
> a larger proportion of dubbed foreign language films in British cinema programmes;
> co-operation between West European production industries, possibly protected by a common film quota for the free trade area;
> a further "material contraction of the number of cinemas in the western world," which "nothing can stop"; and
> eventually, the distribution of films by tape, wire, or a scrambled television network.

His main proposal was simple but comprehensive; consolidation of the industry's 60 trade associations into one combined organisation, to sort out the inevitable rationalisation into "the successful pattern of the future."

Mr Barclay's rationalisation scheme was worked out in greater detail. He suggested that seat prices should be raised; that from the extra Entertainments Duty thus generated, the Chancellor should take over responsibility for paying the levy by which a share of box-office receipts is channelled direct to producers, and allow a slight further general remission of duty. Part of the extra revenue accruing to exhibitors should be paid into a fund for compensating cinemas going out of business. Similar schemes have been familiar in some other industries in decline, and might be logical in this one, given the peculiar financial circumstances in which small cinemas trade. One of its incidental consequences certainly would be logical, though no doubt unpalatable to the Treasury; of making the veiled subvention that it now arranges for British film producers into quite an open one.

BANK CAPITAL SCHEME

Streamlining the Westminster

ONE after another the banks are rearranging their capital structures; they are shedding the uncalled liability on their shares, realising that its security for depositors is purely theoretical, and that a partly paid share is an anachronism. Indeed numerous potential investors are barred from becoming shareholders. Reserves are at the same time being capitalised and "heavy" shares split so as to make bank stocks more attractive and marketable investments. The latest bank to come forward with proposals—proposals that will require the approval of the High Court and therefore cannot be effective before October—is the Westminster. It did a preliminary tidying up operation in 1954 and now has the good fortune to start with a simple capital structure.

The bank's 2,249,167 £1 "A" shares are already fully paid and they are in effect, though not in name, 12½ per cent non-cumulative preference shares. The directors see no occasion to interfere with them. The Bank has also 7,070,990 "B" shares of £4 each of which 25s. per share is paid up, 15s. is callable at any time, and £2 per share is callable only in liquidation. It is proposed to cancel this £2 per share reserve liability, to split each share into two, and then to dispose of the callable liability by capitalising £5.3 million of reserves and paying up 7s. 6d. per new share. In the result, in place of each share of £4 with 25s. paid, holders will have two shares of £1 fully paid. The bank will then in part restore its published reserves by a transfer of £2.9 million from contingency account.

"B" shareholders are also promised an increase in dividend. The interim dividend payable in August on the old capital is to be at the old rate of 2s. per share. But the final dividend next February after the share split is not to be one shilling per share, but 1s. 3d. That would be equivalent in terms of the present capital of a rise in the total annual rate from 4s. per annum (16 per cent) to 4s. 6d. per annum (18 per cent). The plan will commend itself to "B" shareholders. Effectively it does no harm to the "A" shareholders who remain a first charge with unchanged income. A highly theoretical argument can be adduced that the "A" shares rank *pari passu* with the "B" for capital and that the increase in the "B" capital is therefore to their disadvantage. Such an argument would be valid only in liquidation or on distribution of capital assets, which is not a possibility worth considering. The "B" shares rose from 75s. 9d. to 80s. 9d. after the announcement while the "A" shares remained unchanged at 44s.

METALS

The Argument About Copper

Apart from tin, metal prices drifted further this week. Prompt lead closed on Thursday at £94 10s. a ton, a fall of £1 10s. on the week and zinc closed £1 lower at £82 10s. a ton. American zinc producers have reduced prices by another half cent to 11½ cents a lb (£92 a ton), and lead prices have also been cut by half a cent to 15 cents a lb (£120 a ton). Cash tin closed a little higher at £764 10s. a ton and many traders believe that the manager of the International Tin Agreement's buffer stock has bought tin this month. Copper finished the week £1 10s. lower at £236 10s. a ton for cash metal. After falling by £200 in the last fourteen months many people are wondering whether copper has now touched bottom. In London, the majority thinks not. It is argued that the restriction of output has not gone far enough to bring world production into line with consumption, and that lower prices are needed to cut out the marginal producers.

Figures from the Copper Institute, which do not cover all countries, put production of refined copper in the first quarter at 255,000 short tons a month, slightly less than in the fourth quarter but 8,500 tons higher than in the first quarter of 1956. Deliveries to fabricators, which can be greatly affected by changes in stocks, are put at 247,000 tons a month; this was nearly 10,000 tons higher than in the fourth quarter (thanks mainly to an increase in deliveries outside the United States), and slightly higher than in the first quarter of 1956. These figures indicate an apparent surplus in the first quarter of 8,000 tons a month. Refiners' stocks of refined metal at the end of March totalled 369,000 tons, about 15,000 tons higher than at the end of December and 152,000 tons higher than at the end of January, 1956. Guesses about the current rate of surplus vary widely; one estimate is 8,000 to 10,000 tons a month; another is 15,000 to 17,500 tons a month. The surplus for the whole of last year was about 200,000 tons.

The bullish argument points to the fall in consumers' stocks brought about by the lack of confidence in prices, and to the recovery of European consumption of copper and the prospect of an improvement in the United States. The most dramatic run-down in consumers' stocks has occurred in the United States. According to the British Bureau of Non-Ferrous Metal Statistics stocks of refined copper at American wire and brass mills fell by 26,000 tons to 68,000 tons between September and February, though the decline in consumption was negligible. During the same period producers' stocks rose by over 43,000 tons to 136,500 tons. It is argued that consumers will soon have to buy more copper to replenish their stocks, and that prices in London look cheap. The American producers are holding to 32 cents a lb (£256 a ton) and the custom smelters are charging 30 cents a lb (£240 a ton). American copper cannot be landed in Europe for much less than £248 a ton, which is nearly £12 above the current price in London. The next few months will show whether the bulls or the bears are right.

JERSEY STANDARD

Another King in Oil

Last week the operations of the Royal Dutch/Shell group were compared with those of British Petroleum. But the part played by British interests in the world oil industry as a whole can be seen in even better perspective by comparing Royal Dutch/Shell with the biggest American oil company, Standard Oil (New Jersey). "Jersey" is the larger, but Royal Dutch/Shell is by no means dwarfed by its American rival.

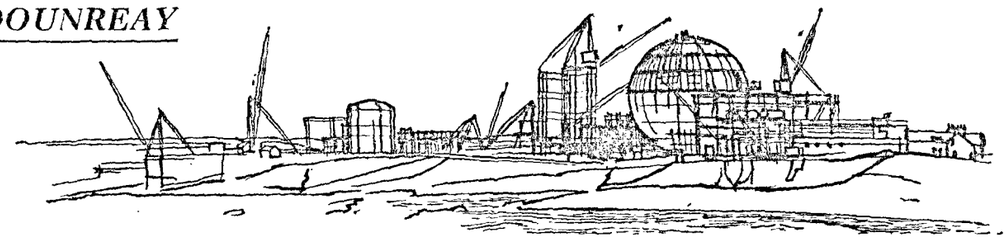
Last year the capital expenditure of the companies consolidated in the Jersey group, at £387 million, exceeded Royal Dutch/Shell by only £33 million. Non-consolidated companies add £40 million to the Jersey figure and £34 million to Shell's. While Jersey affiliates produced 2,328,000 barrels a day of crude oil in 1956, Royal Dutch/Shell, after including 411,000 barrels a day received under long-term contracts, came close with 2,074,000 barrels a day at its disposal. By contrast, Jersey's sales and other revenue (excluding import duties and sales taxes) at £2,600 million, were over 40 per cent higher than Royal Dutch/Shell's net sales of £1,836 million; while Jersey's net income after tax, at £290 million, was over 60 per cent higher than Royal Dutch/Shell's £180 million, giving the American company a slightly higher ratio of net income to sales.

Both groups have achieved the strength and flexibility of a wide geographical spread of crude oil production, with Jersey ahead of Shell in the United States, Canada, Venezuela and (excluding long-term supply contracts) in the Middle East, too, while Royal Dutch/Shell predominates in the Far East. Jersey is thus slightly stronger in production, which is usually the most profitable side of the business of any integrated oil company. Jersey, which derives nearly 80 per cent of its income from its operations in the Western Hemisphere (against Shell's 57 per cent in 1956), secures most of its crude oil nearer to its final markets than does Royal Dutch/Shell. On the average, therefore, Jersey's transport costs should be lower, and it has to lock up less of its resources in transport equipment. And by concentrating more in the American market, Jersey has a higher share of the profitable motor gasoline sales there, while Shell is meeting a greater share of the rapidly rising but less profitable European demand for heavy fuel oil.

On its income tax, Jersey receives greater relief than Shell from the 27½ per cent depletion allowance which is granted in the United States. Royal Dutch/Shell's income before tax (but after allowing for depreciation) amounts to nearly 17 per cent of the group's net sales, which is very close

Continued on page 624

DOUNREAY



On the northern tip of Caithness the winds from the Pentland Firth rake ceaselessly over treeless country and a spade hits granite 18 inches below the soil. Here the Atomic Energy Authority has built the most astonishing atomic structure yet attempted here or in any other part of the world. The Dounreay fast breeder reactor is as experimental and as forward-looking as the power station at Calder Hall is (in atomic terms) conservative, cautious and foolproof.

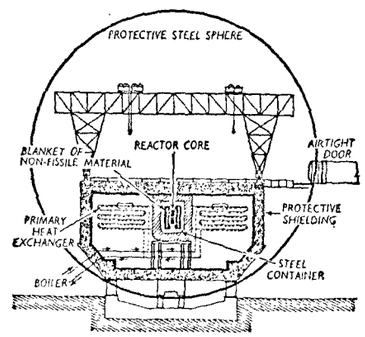
The intention behind Dounreay is to find whether a relatively large reactor can be designed to manufacture more fuel than it burns. Reactors like those at Windscale and Calder Hall, which manufacture plutonium out of the non-fissile parts of natural uranium, cannot produce more than 8 atoms of plutonium to every 10 of fissile uranium burnt. Research reactors at Harwell have yielded the equivalent of two fresh atoms of fuel for every one consumed; the problem is to get similar results from a plant built on a commercial scale. Dounreay's physical dimensions are about a quarter of the size required for a 200,000 kW power station. If it achieves a "breeding" rate of more than 1.1, it will more than match its engineers' hopes. But to make more than one atom of non-fissile uranium (or thorium) fissile for each one used up opens the prospect of converting eventually a far greater proportion of the nuclear fuel into energy than in reactors such as Calder Hall.

The design of Dounreay calls for a core of almost pure fissile material in quantities that are not easily obtainable. The core of the Dounreay atomic furnace is roughly 21 inches in diameter—not much bigger than a party balloon. It represents the entire output of uranium 235 from the gaseous diffusion plant at Capenhurst over a considerable period.

The view now held in the Atomic Energy Authority, as expounded by Sir Christopher Hinton, is that breeder reactors become economic only when they can draw on an existing chain of Calder Hall-type reactors for enough plutonium to make up their initial fuel charge. By the end of 1965, atomic power stations will be producing plutonium at the rate of 4 tons a year and the seven years from next April, when Dounreay will become "critical," will be spent in developing breeder reactors that will be safe, reliable and efficient—which is not easy.

Calder Hall was commissioned with ease; but atomic plants are not necessarily so biddable and docile. The heart of the Dounreay reactor is housed in a steel pot measuring 10 ft. 6 in. by 20 ft.; the rest of the structure, enveloped in the 135 ft. steel shell that sits like a roc's egg at the seashore, consists of devices to contain, control, cool, damp down, lift out and generally keep in order a ferocious and potentially malevolent hedgehog which is made up of hundreds of thin, spear-shaped fuel rods, and thousands of equally thin, attenuated rods of breeding material (in this case natural uranium) stuck point downwards into a steel plate in the base of the reactor pot.

Heat for power generation is transferred from this reactor core by liquid metal—an alloy of sodium and potassium—in two stages. The primary heat exchanger is directly outside the reactor pot, and within the concrete shielding that contains it. Secondary heat exchangers, which will raise enough steam to generate 15 megawatts of electricity, are outside the sphere. The risk with this type of reactor is that the sodium might catch fire and vaporise the highly radioactive fuel if the cooling system were to break down, or the reactor to become over-heated. The chance that molten fuel in the reactor itself might run together and cause an explosion can



be avoided by seeing that the fuel always runs away and never together. But the fire risk cannot be eliminated in the design of such a plant; that is why it is housed in a steel sphere to contain a fire and the maximum pressure changes that one might set up.

In its present stage this huge structure resembles a half-erected circus tent. Spotlights hang from its sides, the roof arcs away into the darkness; wooden planks and metal catwalks built in concentric circles round the focal point of the tiny reactor run like the Wall of Death round the sides high above the floor. The orange trapeze is a crane to hook out the reactor pot complete with its contents if all other means of controlling it should fail.

A drawing to give a rough idea of how the sphere is laid out conveys nothing of the size or complexity of this undertaking, its engineering problems and its special maintenance requirements. Seven miles of steel pipe and 7,000 welds have gone into the building of a relatively small plant that does nothing but concentrate the radio-active waste extracted from spent fuel elements. The fuel rods themselves are so delicate that they sway at a breath and the manufacture of one single fuel element for a simple test reactor takes a fortnight. Some £17 million will have been spent on Dounreay by the time the present building programme is completed.

It is incongruous to hear such a complex structure described by American visitors as rough and crude. This is not intended as a derogatory judgment, whatever may be thought of some other American comments reported this week from Japan. It is a simple recognition that the unelaborate engineering and the deliberate simplification of the design of Dounreay (almost a signature of Sir Christopher Hinton) persuades them that Dounreay will work, and be freer from teething troubles that are besetting more refined, though smaller, American atomic projects. Local American conditions have dictated one line of atomic power research, and local British conditions have dictated another. Both countries will find export markets where conditions most closely parallel their own.

Continued from page 622

to Jersey's ratio if computed on the same basis. Jersey distributed in dividends over half of its net income in 1956, while the proportion paid out by Royal Dutch/Shell was less than a quarter.

BUILDING SOCIETIES

The Watch Dog Barks

A BLUE book from the Stationary Office is not the most obvious place in which to look for investment counsel. In his report on building societies* the Chief Registrar of Friendly Societies, Sir Cecil Crabbe, shows much concern for the protection of investors in building societies. His first warning concerns go-getting directors who take over old-established and inactive societies and blow them up with advertising:

> The new directors of some of these societies authorise advances on mortgage to companies in which they have financial interests and also advances to themselves. . . . Investors would be well advised to consider carefully the general financial and reserve position before investing in a society that has shown exceptionally rapid expansion after a long period of comparative inactivity.

Another warning concerns the societies that pay shareholders a high rate of interest earned by charging borrowers a premium:

> Where therefore, because of premium income a society is able to pay its investors a higher rate of interest on shares than usually obtains, it is probably because the security for their money is not so firmly based as that of the usual building society investor: they receive more for taking a greater risk.

The Chief Registrar does not spare those societies—even big ones—that fall short of the accounting standards he desires. The Alliance Building Society sustained a loss of about £16,000 by the fraud of a local manager which it included along with other items in its 1955 account in "Sundry expenses of management." The amounts needed to "restore the balances of the manipulated investment accounts" were treated as subscriptions. Sir Cecil pertinently comments:

> The accounts and statements of a building society are intended for the information of members and other interested parties and it is hardly consistent with this object that such amounts should be included in items that give no clear indication of the unusual nature of the transactions involved.

BUILDING SOCIETY GROWTH

(£ millions)	1954	1955	1956
Mortgages	1,573	1,751	1,882
Investment and cash	279	297	337
Other assets	15	16	16
Total assets	1,867	2,065	2,234
Financed by :—			
Shareholders	1,535	1,732	1,913
Depositors	222	217	194
Reserves	90	96	102
Other liabilities	20	20	25
Net receipts from shareholders during year	161	154	125
Net receipts from depositors during year	15	—10	—29
New mortgage advances	373	394	339

* Report of the Chief Registrar of Friendly Societies 1956—Part 5 Building Societies. H.M. Stationery Office. 3s.

Such comment together with the greater information that now has to be included in the new form of accounts (Form A.R.11) prescribed by the Registrar last autumn can do nothing but good. Indeed the chairman of the Building Societies Association, Mr Fred Bentley, implicitly underlined the advantage of full publicity in his presidential address at the Eastbourne conference this week. He advised investors to be guided by the more incisive information now available for their protection, though he could justifiably claim that building society directors in general have not failed to act prudently. The detailed figures for 1956 now published by the Registrar clearly tell of investors' continued confidence.

EUROPEAN PAYMENTS UNION

Renewal Agreed

THE European Payments Union has been extended for another year from July 1, 1957, to June 30, 1958. In contrast to earlier renewals when the details were agreed at the eleventh hour (and sometimes after the twelfth hour had struck), they were this year decided well ahead of time. Settlement of surpluses and deficits will remain on the basis of 75 per cent gold and 25 per cent credit. The existing *rallonges* (extensions of normal quotas) by Belgium and Switzerland will also be continued. The only major changes relate to France, Italy and Germany. France is to receive an additional credit facility of $50 million, while Italy is to renounce the special additional drawing rights of $12½ million granted in 1955. Western Germany, whose accumulated surplus is now well beyond its quota, will continue to grant 25 per cent credit facilities to EPU, regardless of the level attained by the cumulative surplus, so that Germany is providing an unconditional *rallonge*. The council of OEEC has also urged member countries to conclude bilateral funding agreements to keep the deficits within the quotas.

SHORTER NOTES

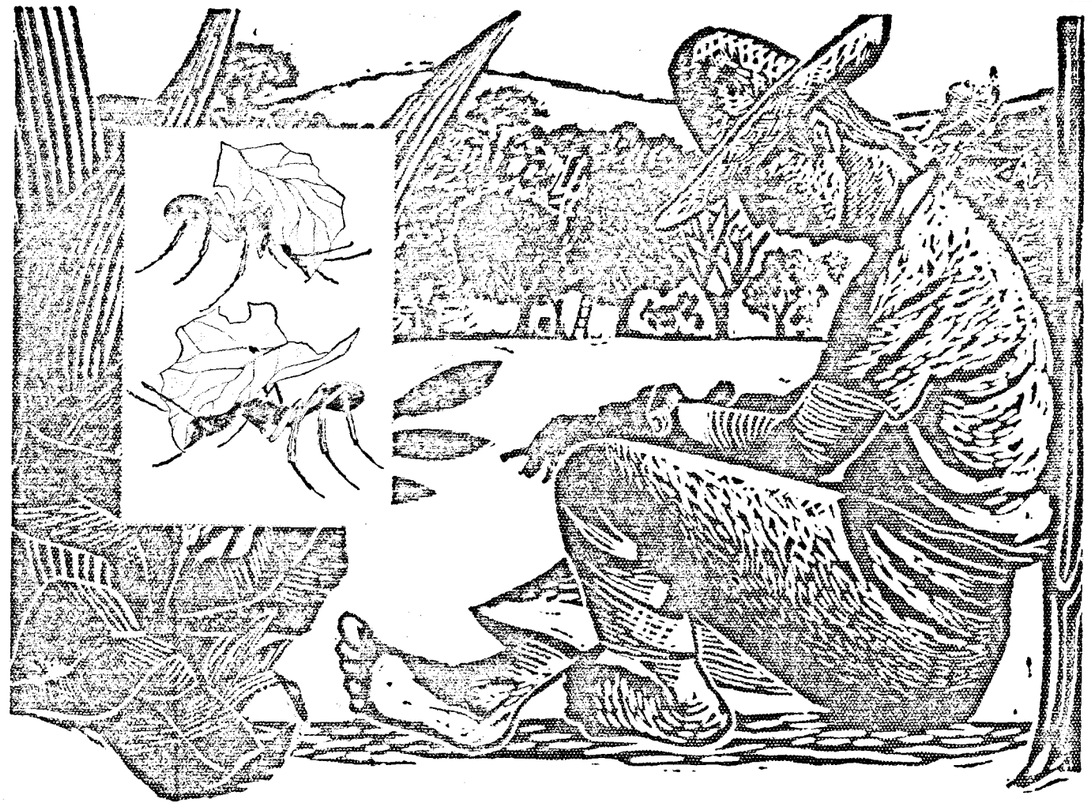
If some of Rio Tinto's properties in Canada and its low grade copper-nickel deposit in Rhodesia prove to be economic propositions—and the chairman, Mr Gerald Coke, hopes they soon will be—Rio Tinto will come to the market for more permanent capital. The group will encourage cross shareholdings between associate companies and ultimately intends to invite local subscriptions in the capital of these companies in Africa and Australia, as has already been done in Canada.

* * *

Net earnings of International Nickel Company of Canada in the first quarter of this year amounted to US $23,504,000, equivalent to $1.61 per common share; this compares with $23,702,000 ($1.63 per common share) in the fourth quarter and with $26,614,000 ($1.79) in the first quarter of 1956. A dividend of 65 cents a share payable on June 20th was declared. Nickel prices and deliveries of primary metals were higher than in 1956, but earnings were reduced by the fall in copper prices and by a strike at one of the plants.

* * *

The interim ordinary dividend of Tube Investments has been raised from 6¼ to 7¼ per cent. In 1955-56 the final



no siesta for leaf-cutters

In the plantations at the fringe of the rain forest, noon is dust red, dark shadowed, heat heavy, languid. *And a man must sleep.* At sun high, from the Caribbean to the Matto Grosso, the green world shimmers and dissolves under a bleached sky, sweltering, silent but for the hum of a billion insects. Macaw and marmoset and spider monkey drowse in the high forest fastnesses; puma and anaconda and yaguarundi brood in the shadows. *And in the plantations a man must sleep.*

But for the parasol ants, the leaf-cutters, disciplined, deliberate and undeterred, there is no siesta. Leaves are life to the ravaging sauva ants, and their hunger is as great as their numbers. For years they have been a feared plague and a source of serious loss in the citrus and cacao plantations of Central and tropic South America, for in a few hours foraging workers from a single nest can defoliate an entire tree.

Persistent as all ants but more difficult of location than many, their nests are often vast in extent and descend into labyrinths many feet deep. Control and extermination were difficult, expensive and—dangerous. *Until aldrin entered the arena.*

Aldrin, first of the now-famous group of advanced Shell insecticides, provides umbrella protection from parasol ants and is far safer and less costly into the bargain. Tests have shown that—nest for nest—2½% aldrin dust is *more than seven times cheaper* than alternative methods using toxic, and explosive, vaporising liquids. No small consideration in view of the size of the problem and of the areas affected.

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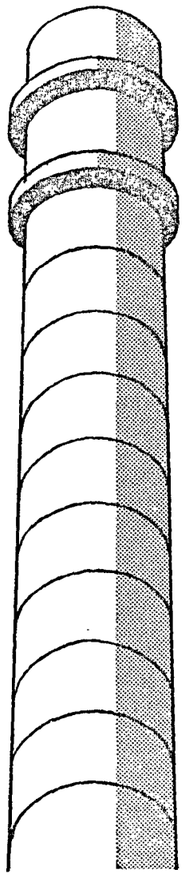


How do you stand with Mrs. Smith of Sheffield? Does she accept your product, ask for it, insist on having it, when she's shopping in Sheffield? One way to be sure: consistent regional press advertising. The big-sale Kemsley regionals are supremely economical because supremely efficient. They are not skimmed but *read*, day in, day out: they fit your product securely into the buying pattern of major markets.

KEMSLEY REGIONAL NEWSPAPERS

MORNINGS *(Combined ABC sale:* 403,000) *Western Mail Newcastle Journal · Sheffield Telegraph · The Press and Journal/Aberdeen*
EVENINGS *(Combined ABC sale:* 1,212,000) *Evening Chronicle/Manchester · Evening Chronicle/Newcastle The Star/Sheffield · South Wales Echo/Cardiff · Evening Gazette/Middlesbrough · Evening Telegraph/Blackburn Evening Express/Aberdeen*
SUNDAY *The Sunday Sun/Newcastle (ABC* 213,412)

A clean stack



means to the plant engineer
a chimney emitting little or none
of the smoke and fumes which
lead to smog, illness,
and letters to the press.
For many years Simon-Carves
research and development
engineers have been working
intensively (and are still at it) on
advanced techniques of
electro-precipitation and flue
gas washing. At many power
stations and industrial plants these
methods nowadays remove—
and sometimes recover in
usable form—the dust, grit, tar
fog, sulphur and other
undesirable emissions which
darken the sky, damage buildings
and much else, and give the
citizen his winter cough.

SIMON ENGINEERING GROUP

research and development

Simon-Carves Ltd
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Huntington, Heberlein & Co Ltd
Chemical Engineering Wiltons Ltd
Turbine Gears Ltd.
Simon Engineering (Midlands) Ltd
Dudley Foundry Co Ltd
Thos. Adshead & Son Ltd
Sandholme Iron Co Ltd
Metal Laundries Ltd
Tyresoles (Overseas) Ltd
Tyre Products Ltd
and overseas companies

ENGINEERS, DESIGNERS AND CONTRACTORS TO WORLD INDUSTRY

HS 297/PS

payment of 7½ per cent made the full year's dividend equivalent to 15 per cent, as compared with an earlier forecast of 14 per cent.

* * *

Accounts of the Stock Exchange for the year ended March 24th give the first official estimate of the claims by public resulting from the failure of Banyard Lacey and Co. Before meeting those claims the compensation fund stood on March 24th at £132,161. The Council has since paid public claims which it is estimated will amount to approximately £57,000. Losses suffered by other members of the Stock Exchange cannot be claimed against the fund.

* * *

Wool prices in London were fully comparable with values in the Commonwealth markets when sales opened here this week. Merino wools were 5 to 7½ per cent dearer than at the close of the last sales on April 5th; crossbreds were generally about 5 per cent dearer but some fine wools advanced by 10 per cent.

* * *

The major Belgian airline, Sabena, has gone into the car ferry business in partnership with the British independent airline, Air Charter. The two airlines will operate the service on a pooled basis between Southend and Ostend, starting with 24 flights a day this summer and reaching 50 a day by 1958.

* * *

Television sales during the first quarter of this year were 23 per cent higher than in the same period of 1956; radio sales were 21 per cent higher. Sales of radiograms jumped 54 per cent. But in March, television sales were 16 per cent lower, at 79,000 receivers, than they were in February. About half the television sets and radiograms were bought either on hire purchase or credit terms.

COMPANY AFFAIRS

ROLLS-ROYCE

ROLLS-ROYCE could not grow as quickly as it has done or intends to do without the help of the capital market. Just over a year ago, when it had firm orders on hand of over £70 million, it raised about £4 million by a rights issue of ordinary shares. This year, with firm orders on its books of over £100 million, it will raise another £10 million, again by a rights issue of ordinary shares. Orders from the Government will probably be reduced, but this is likely to be more than offset by an increase in commercial business (which a year ago was running at the order of £23 million a year) and Rolls-Royce's industrial capacity must therefore be booked for several years ahead.

Consolidated earnings:	1954 £'000	1955 £'000	1956 £'000
Gross profit	4,416	3,911	4,605
Total income	5,259	4,644	5,331
Net income	1,969	2,129	2,131
Ordinary dividends	596	626	863
Retained profits...	1,373	1,503	1,267

The new money is to be raised by offering ordinary shareholders 2,157,250 new £1 ordinary shares, as rights at 95s. per share in the proportion of two new units for every £7 of ordinary stock held. After the announcement, the existing stock fell by 4s. 9d. to 121s. 3d. and then rallied to 124s. 6d. At this price the rights are worth 6s. 6d. per share. The new shares are being offered on a yield of 4⅜ per cent, for the directors expect to maintain the dividend at 20 per cent on the increased capital. They have raised it from 17½ per cent to that level for 1956 on the old capital, following an advance from £3,911,369 to £4,604,868 in gross profits last year.

The new shares carry an assurance of expansion. The motor-car business is showing a "healthy revival"; the atomic and guided missile divisions are both "active in projects for the British Government"; but the "most important expansion" will take place in the aero-engine division. Here the Conway and Tyne engines "will supplement the substantial business" in Dart and Avon engines and the oil engine division is being moved to the Sentinel (Shrewsbury) premises to "release factory capacity and labour at Derby for the expansion of the aero-engine business."

MARKS AND SPENCER

SINCE the 100 per cent free scrip issue, which raised the ordinary capital to £18,093,966, there has been a firm expectation that for the year to March 31st Marks and Spencer would pay a full year's dividend equivalent to 30 per cent on the new capital, against the equivalent of 25 per cent in 1955-56. That expectation has now been fulfilled. The drop of 3d. to 47s. 9d. on the announcement was not significant and a day later the stock went up to 50s.; at that price the yield on the 5s. "A" ordinary shares is still only 3 per cent.

Earnings:	Years to March 31, 1956 £	1957 £
Gross profit	12,103,604	14,426,581
Taxation	5,175,000	7,200,000
Net profit	4,954,681	5,606,029
Ordinary dividends..	2,601,007	3,121,806

What is significant is the growth in the company's profit margins, in a year in which almost all other profit margins, whether industrial or retail, have been reduced. The turnover of Marks and Spencer went up by about 6 per cent, from £118 million to £125 million, but gross profits rose by over 19 per cent, from £12.1 million to £14.4 million. The charge for repairs and maintenance was down from £1,281,012 to £743,894, but depreciation went up from £692,911 to £876,658, while taxation rose from £5,175,000 to £7,200,000. Net profits rose by 13 per cent, from £4,954,681 to £5,606,029.

Multiple stores, concentrating upon the mass clothing market and trading for cash, as Marks and Spencer does, usually work on smaller mark-ups percentage than do the department stores, but with their big cash turnover a slight increase in profit margins has a big effect on absolute levels of earnings. This certainly happened with Marks and Spencer, where the ratio of gross profits to sales went up from 10¼ to 11½ per cent and of net profits to sales from 4.2 to 4.5 per cent.

DUNLOP RUBBER

THROGMORTON STREET knew that Dunlop Rubber Company would have to reduce its ordinary dividend for 1956. But it did not know how big the cut would be. When the directors announced that the dividend had been cut from 14 to 10 per cent, the 10s. stock dropped from 18s. 10½d. to 18s. 3d., then recovered to 18s. 9d. and a day later moved up to 20s. There can be only one explanation of these fluctuations: there was a "bear" account in the stock and the bears, after the dividend announcement, decided to cover.

One reason why they covered was that, though the full year's gross profits fell from £17,508,519 to £15,094,662, the figures indicate a strong recovery in profits in the second half of last year. In half yearly periods, beginning in January-June, 1955, the trend is as follows: £9.1 million; £8.4 million; £5.7 million; £9.4 million. The big fall in profits thus occurred in January-June, 1956. Then Dunlop's stocks were piling up as the motor manufacturers cut back production and rubber prices were falling; Dunlop Rubber made

heavy inventory losses. That it did so is not unconnected with the fact that, although recently the company has made greater use of hedging facilities in the rubber market it has never wholeheartedly believed in hedging; indeed, it would be difficult for it to hedge all its stock. In the second half of last year, rubber prices were forced up by the Suez crisis and Dunlop Rubber could not have made losses on stocks; indeed, there is the possibility that it gained.

That possibility must exist because profits in the second half of the year were so high—higher even than in 1955. Yet the company did not announce an increase in tyre prices until last December; it had probably to face an increase in working costs through that period; and the recovery in vehicle production came so late that it could have had little or no effect on the 1956 results.

In looking at the fall in the consolidated net profit from £4,376,514 to £2,734,547 (from which the 10 per cent dividend absorbs £1,108,655) and in considering the possibility of a restoration of the dividend to 14 per cent this year, investors have to take account of the effects of the increase in tyre prices and of the marked recovery in vehicle production. Moreover, petrol rationing has ended—a fact which cannot but benefit a company which gains more from the sale of tyres in the replacement market than it does from its sales of original equipment to motor manufacturers.

VICKERS

"For the Vickers Group, 1956 was a year of expansion." That is how Lord Knollys begins his review. A few figures from one of the most attractive and informative sets of accounts published this year illustrate this statement. Sales went up from £131 million to over £163 million; stocks and work in progress rose from £118 million to £139 million, while the counter-balancing item, instalments received on contracts, went up from £80 million to £89 million; trading profits went up from £12 million to over £12.6 million; and orders on hand expanded from £301 million to £315 million. These—and there are others—are all impressive figures. But there are also two which show that even this bright coin has another side to it: the rate of return on capital employed went down from 13.9 to 13.5 per cent, and the ordinary dividend, covered 2.3 times by earnings, was left unchanged at 10 per cent.

The key to the dividend decision is that expansion always has a capital cost. Last year the group's total cash outlay on capital account was £23 million, over two and a half times the 1955 outlay of £9 million. The group was able to plough back only £3.7 million from its net trading income. Thus it had to borrow another £9.2 million from the banks (bringing the total of its bank loans to £11½ million). Further capital expenditure will be entailed if the group is to exploit its opportunities fully. The loss of some defence orders may almost be regarded as a blessing in disguise, for it may help to provide additional factory space and labour needed to meet commercial orders. With a step up in the production of the Viscount planned, with the development of the Vanguard still to be completed, with new shipbuilding orders in excess of production, with full order books in the English Steel division and with the engineering works "fully loaded," the Vickers group is a prospective borrower in the capital market.

BRISTOL AEROPLANE

Disappointing was the verdict passed on the decision by the directors of Bristol Aeroplane to leave the ordinary dividend unchanged at 10 per cent in the face of an advance in gross profits of £630,197 to £4,016,387 in 1956. Three arguments can be advanced to support this conservative policy.

First, the group's rapid expansion cannot be supported by retained profits alone. Last year its sales grew to over £50 million and the value of orders, which in 1955 exceeded £100 million, grew to £130 million. Stocks and work in progress rose by over £8 million in line with the increase in sales and the group spent over £4 million on fixed assets. Capital commitments were of the order of £1½ million at the end of last year but Sir Reginald Verdon Smith says, "further outlays will be required in most of the company's undertakings." And last year bank overdrafts grew from £3½ million to £8 million. They have increased still further since then and it will not be long before the company makes an appeal for permanent capital finance.

The second point is that Bristol Aeroplane has not recovered all the money it has put into the production of the Britannia. Most of the development cost was carried by the Government, but Bristol will not recover its own share until over 100 aircraft have been sold. So far, it has orders for 70 aircraft, and Sir Reginald hopes "that this number will steadily increase as the practical evidence of Britannia's qualities become apparent from BOAC's operations."

The delay in bringing the Britannia into airline operation has added to costs. This helps to emphasise the third point: production costs are rising and rates of return on capital employed are falling. All three arguments support a case for dividend conservatism now. The first two, plus the fact that Bristol is very active in the development of guided missiles, also point to future growth so long as a watchful eye is kept on the third factor, the rise in costs.

DE BEERS CONSOLIDATED

When the directors of De Beers announced an unchanged dividend of 10s. per 5s. share, their statement was criticised in these columns because it included only the profits of the parent company, which were there shown to have fallen in 1956. In the full accounts the consolidated statement now shows receipts on the diamond account up from £30 million to £33.7 million and "interest and dividends on investments" from £5.5 million to £6.4 million. The consolidated gross profit before tax advanced from £29,360,721 to £29,759,321, after writing off £2,680,094 (against nil) from investments. This writing down presumably relates largely to De Beers' indirect interests in Orange Free State gold mines.

About three-quarters of De Beers' consolidated income comes from diamonds. The demand for gem diamonds is still much in excess of supply but in his review Sir Ernest Oppenheimer says that, since the United States has ceased to stockpile industrial diamonds, he is prepared for smaller sales of these stones in 1957. Was he speaking of quantity or of value? Recently prices have been increased. In any event total receipts from the diamond account this year hardly seem likely to lag far behind 1956, while the income from De Beers' non-diamond interests is likely to grow.

Sir Ernest estimated the net market value of non-diamond interests—largely but not exclusively in Kaffirs and ranging out to include copper and its indirect interest in African Explosives and Chemical Industries—plus cash and near liquid assets at about £83 million at the end of last year. That figure will have changed little since then. In market values, De Beers' interests in its diamond subsidiaries are worth about £9½ million and its diamond stocks have a value of about £5¾ million. Thus the market worth of De Beers' own deferred stock (currently about £79 million) and its own preferred stock (currently about £11 million) is more than covered by this rough "break-up" value of £98 million, which takes no account at all of the value of the productive capacity and goodwill of the parent company.

ROYAL MAIL LINES

The shipping industry is especially favoured. It need not publish its accounts in accordance with the full rigour of the 1948 Companies Act and thus it can create and maintain hidden reserves. And it is most favourably treated for tax, especially after this year's budget which raised from 20 per cent to 40 per cent the investment allowances on new ships. Yet, like Oliver Twist, the chairman of Royal Mail Lines asks for more. Mr Walter Warwick in his statement to shareholders attacks the "balancing charge," under which tax is charged on any proceeds of a sale of a ship in excess of its written down value. In effect he asks the Chancellor—as shipowners often have done—to exempt the shipping companies from this charge.

Mr Warwick's concern is understandable. The group has about £11½ million in liquid resources but has in prospect a fleet replacement programme of more than double that amount (in round terms £23½ million). And when four of the old "Highland" ships are due for

replacement they might easily realise substantially more than their nominal written down value. Yet a request for further tax relief looks odd besides the fine results of Royal Mail, which trades largely to South and Central America. Last year its operating profits, thanks to the rise in freight rates and a bigger volume of trade, jumped from £1,768,302 to £3,329,907 and Mr Warwick says that, though freight rates have fallen, current prospects are "not unfavourable" and if there is no recurrence of last year's strikes there should be "another satisfactory year's trading." Last year the ordinary dividend was raised from 12 to 15 per cent. That is to be followed by a 100 per cent free scrip issue; Mr Warwick says that "it must not be anticipated that a dividend at this rate (15 per cent) will be maintained on the increased capital." The yield of just under 6 per cent on the £1 units at the current price of 50s. 3d. xd. suggests that some investors are looking for an effective increase in the dividend though not for its doubling.

GALLAHER

Last year was eventful for Gallaher, the tobacco company. From the capital market it raised nearly £13,400,000, enabling it to finance an increase of £6,250,000 in stocks and to reduce its bank overdrafts and short-term Bills by £8,500,000 (to just under £9 million). It was a year of keen competition between the cigarette manufacturers but Gallaher secured an increase in sales and in profits (which advanced by nearly £1 million to over £4,230,000). Indeed, Gallaher's manufacturing capacity could not quite meet all the demands put upon it and twice during the year—in the summer holidays and in December—it could not meet the demand for its "Senior Service" brand of cigarettes in full.

This is a strong base from which to advance this year, a year in which the chairman, Sir Edward de Stein, expects "even keener competition than at any time since 1939." To keep and, if possible, to extend its place in this market, Gallaher is adding to its manufacturing capacity; when the American auctions open it will buy additional dollar leaf to improve the duration of stocks over and above twelve months' supply; it intends to "watch closely the development of any new sales promotion methods used by competitors." The group will have to absorb higher costs and competition may trim margins. But since January the group has been able to meet all its orders in full and sales in the first four months of the year show "a steady improvement" over the corresponding months of 1956. But Sir Edward does not expect the group to achieve "anything like the same rate of increase in profits" as was achieved in previous years. On the 1956 dividend of 17½ per cent, the 10s. ordinary stock units yield 7.7 per cent at 22s. 9d.

CAMMELL LAIRD

The reconstruction of Cammell Laird's shipyards, enabling it to build bigger ships, will cost £17 million and take about eight years to complete. The group, which held about £6 million in liquid assets at the end of last year, will have to seek additional finance from the capital market to cover the cost of its programme. The directors have not yet made any decision as to the timing or method of the issue but they have cleared the way for it by proposing an increase in the company's borrowing powers. In weighing the yield of 6.2 per cent offered by the 5s. units at 11s. 3d. on the maintained ordinary dividend of 14 per cent, investors must always keep this need for new money in mind. It is as significant for them as the fact that the group has big order books. On the immediate prospects, the statement by the chairman, Mr J. C. Mather, gives investors little help. But last year the operating surplus rose by only £217,000 to £1,490,000 and that figure included the results of the newly acquired subsidiary, Patent Shaft and Axletree. Trading results in the current year will be affected, just as the 1956 results were, by strikes and increases in labour costs.

London Stock Exchange

FIRST DEALINGS:	May 1	May 15	May 29
LAST DEALINGS:	May 14	May 28	June 18
ACCOUNT DAY:	May 21	June 4	June 25

The rise in the Treasury bill rate caused gilt-edged to fall in the early part of the week, and although a slight recovery took place on Wednesday, and was maintained on Thursday, appreciable falls were seen on balance. 4 per cent Consols and 3 per cent Gas stock 1990/95 both lost 1⅛ to 78⅛ and 67-⅝ respectively. 3½ per cent War Loan declined from 71⅞ to 70¾ and 2½ per cent Consols from 52¾ to 52⅝.

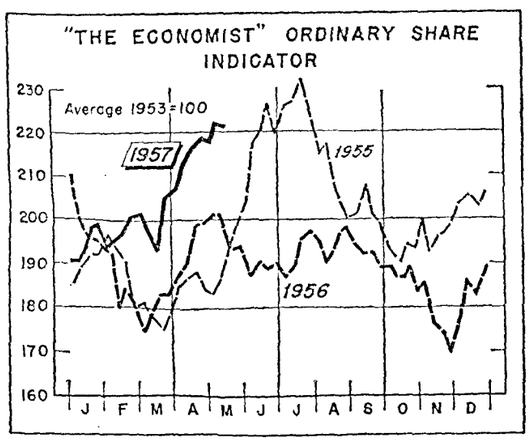
The Labour party's pension plan caused weakness in insurance shares, and among those which fell, Commercial Union declined from 85s. to 81s. 6d. and Legal and General from 31¼ to 30⅛.

Business remained active and the account closed on Tuesday with markings above 14,000, with just over 16,000 for the previous day. This compares with markings around 9,600 a year ago. The best prices of the week were not always maintained and some irregularity was seen. *The Economist* indicator showed a fractional decline at 221.4. Special features in the industrial market were provided by Borax Deferred, which rose to a new peak for 1957 to 32s. in an active market on news that the shares of its US subsidiary are to be listed on the New York market, while demand for Montague Burton carried the shares from 29s. 3d. to 34s. 3d.; Hunt Partners scored a spectacular rise on the offer from Bowater Paper, the shares rising from 15s. 3d. to 23s. 9d.

The end of petrol rationing brought strength to the oil market, which became firmer on Thursday, British Petroleum rising from 147s. 3d. to 153s. 7½d. and Shell from 182s. 6d. to 187s. 3d.

Kaffirs were quiet and irregular. Free State Geduld firmed up from 58s. 9d. to 59s. 4½d. and President Brand from 45s. 9d. to 46s. 6d.

Base metals were weak, Consolidated Zinc established a new low of 71s.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
April 17	216·4	5·06				
„ 24	218·3	5·02				
May 1	218·1	5·03				
„ 8	221·9	4·98	221·9 (May 8)	190·5 (Jan. 2)	210·4 (Jan. 4)	170·0 (Nov. 28)
„ 15	221·4	5·01				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1957 High	1956 High
		%		%			
May 8	205·8	5·35	94·80	4·72	14,290	206·3	203·6
„ 9	206·3	5·34	94·60	4·74	13,381	(May 7)	(Jan. 3)
„ 10	205·2	5·37	93·79	4·80	12,684		
„ 13	205·5	5·36	93·75	4·81	16,014	Low	Low
„ 14	205·7	5·29	93·74	4·80	14,225	178·9	161·5
„ 15	206·2	5·31	93·71	4·80	13,199	(Jan. 1)	(Nov. 29)

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

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 8, 1957	Price, May 15, 1957	Net Yield, May 15, 1957 § £ s. d.	Gross Yield, May 15, 1957 £ s. d.
99 13/16	99 1/4	Funding 2 3/4% 1952-57	99/18/4	99/18/6	3 14 1	3 14 1
97 1/2	95 1/2	War Loan 3% 1955-59	97 3/32	97 3/32	2 19 2	4 6 11
92 7/8	90 1/4	Funding 2 1/2% 1956-61	92 7/32	92 1/4	3 7 9	4 10 5
100 3/32	100 3/32	Exchequer 5% 1957	100/2/9	100/2/3	3 11 11	3 11 11
99 3/32	98 3/4	Conversion 4% 1957-58	99 11/32	99 13/32	2 17 6	4 9 2
99 1/32	97 3/4	Serial Funding 2 1/2% 1957	99 1/32	99	3 6 4	4 5 10
96 1/4	94 1/8	Conversion 2% 1958-59	96 1/4	96 1/4	3 6 3	4 7 4
93 13/16	91 15/32	Exchequer 2% 1960	93 13/32	93 13/32	3 9 0	4 8 4
96 1/4	94 1/4	Exchequer 3% 1960	96 1/4	96 1/4	3 0 7	4 8 7
99 1/16	97 1/4	Conversion 4 1/2% 1962	99 1/32	98 31/32	2 14 3	4 14 11
89 1/2	87	Savings Bonds 3% 1955-65	89	88 1/2	3 8 8	4 17 2
84 1/2	79 3/4	Funding 3% 1959-69	82 3/8	81 1/2	3 14 4	5 3 5
92 3/8	87 1/4	Funding 4% 1960-90	90 3/8	90	6 1 6 / 2 15 5	7 13 3 / 4 12 0
81 3/8	78 1/2	Savings Bonds 3% 1960-70	80 1/4	78 3/4	3 16 3	5 6 3
93 1/4	90 3/8	Exchequer 3% 1962-63	92 1/4*	91 1/4*	3 4 1	4 10 6
88 1/2	85 1/4	Exchequer 2 1/2% 1963-64	88 1/4*	88 1/8	3 6 11	4 9 9
83 15/16	79 3/4	Savings Bonds 2 1/2% '64-67	82 15/16	81 7/8	3 13 9	4 17 9
77 3/4	74 1/8	Savings Bonds 3% 1965-75	76	74 1/8	3 14 2	5 5 6
84 1/2	80 3/4	Funding 3% 1966-68	84	82 3/8	3 13 9	5 3 3
95 1/4	91 1/2	Victory 4% 1920-76	95	94 1/2	3 0 6	4 17 0
88 1/16	84 1/8	Conversion 3 1/2% 1969	87 7/8	86 1/2	3 10 0	5 3 4
81 1/2	77	Treasury 3 1/2% 1977-80	78 5/8*	77*	3 9 2	5 4 1
80	77	Treasury 3 1/2% 1979-81	78 3/8	77 1/2	3 9 4	5 5 3
71 7/8	67 1/2	Redemption 3% 1986-96	68 1/2	67 1/2	3 4 1	4 18 2
80 3/4	75 1/2	Funding 3 1/2% 1999-2004	77 3/8	76 1/2	2 19 9	4 17 2
81 11/16	77 1/4	Consols 4% after Feb. '57	79 5/8	78 3/8	2 19 1	5 3 6
75	70 5/8	War Loan 3 1/2% after 1952	71 1/2*	70 3/8*	2 16 10	4 18 9
75 1/4	70 3/8	Conv. 3 1/2% after Apr. 1961	71 3/8	70 3/8	2 17 5	5 0 1
65 7/8	61 1/4	Treas. 3% after Apr. 1966	62 1/8	61 3/8	2 16 5	4 18 4
55 1/16	52	Consols 2 1/2%	53	52 1/4	2 15 4	4 16 5
55 1/16	52	Treas. 2 1/2% after Apr. '75	52 1/4	52	2 15 6	4 16 9
96 1/4	91 5/16	Br. Electric 4 1/2% 1967-69	95 3/4	94 1/2	3 3 6	5 4 4
80 1/16	75 1/2	Br. Electric 3% 1968-73	77 1/4	75 1/2	3 15 10	5 6 4
78 1/2	73 1/2	Br. Electric 3% 1974-77	75 1/2	73 1/2	3 12 3	5 3 5
92 7/8	87 1/2	Br. Electric 4 1/2% 1974-79	89 1/2	88 7/8	3 3 10	5 3 5
81 1/16	77 1/2	Br. Electric 3 1/2% 1976-79	79 1/8*	77 1/4	3 9 3	5 4 3
90 1/4	85 1/4	Br. Gas 4% 1969-72	89 3/8	88	3 7 4	5 5 2
87 3/4	82	Br. Gas 3 1/2% 1969-71	85 1/2	83 1/2	3 9 8	5 3 5
72 1/2	67 1/8	Br. Gas 3% 1990-95	68 1/2	67 3/8	3 4 6	4 18 3
80 1/8	75 1/4	Br. Transport 3% 1968-73	77 1/4	75 1/2	3 15 10	5 6 4
88 1/4	84	Br. Transport 4% 1972-77	87 3/8	84 3/8*	3 6 5	5 3 11
72 1/4	68 3/8	Br. Transport 3% 1978-88	70	68 3/8	3 8 0	5 1 10

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, May 8, 1957	Price, May 15, 1957	Yield, May 15, 1957 £ s. d.
81 1/4	76 1/2	Australia 3 1/2% 1965-69	80	79	5 14 6
97 1/2	92 3/8	Fed. Rhod. & Nyas. 5% 1975-80	94 1/2	93 1/2	5 10 0
75 3/8	71 1/8	S. Rhodesia 2 1/2% 1965-70	73 1/2	72 3/8	5 10 4
87 1/8	81 1/2	N. Zealand 4% 1976-78	87 1/2	85*	5 4 2
105 1/8	101 1/2	L.C.C. 5 1/2% 1977-81	105 1/8	104 1/2	5 2 0
93 1/2	89 1/4	Agric. Mortgage 5% 1959-89	93 1/2	93 1/2	5 8 6
69 3/8	64	Met. Water Board 'B' 3% 1934-2003	65 3/8	64 1/2	5 0 3
79 3/8	72 1/8	German 7% 1924 (Br. Enfaced 5%)	73 1/2	73 1/4	...
169 1/2	164	Japan 5% 1907 (Enfaced)	165	165 1/2	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, May 8, 1957	Price, May 15, 1957	Yield, May 15, 1957 £ s. d.
		% %	BANKS & DISCOUNT			
29/6	19/6	7 b	Bk. Ldn. & S. Amer. £1	29/-	29/6	6 2 0
47/3	43/3	5 a	7 b Barclays Bank £1	46/9	46/3	5 3 7
35/3	29/3	4 a	6 b Barclays D.C.O. £1	32/6	33/-	4 17 0
40/-	34/6	7 1/2 a	7 1/2 b Chartered Bank £1	39/-	38/-	7 17 11
51/3	46/9	...	7 b Lloyds Bank £1	47/6	47/6	5 9 5 g
73/3	67/6	9 a	9 b Midland Bank £1	68/3	67/9	5 9 6
40/6	35/-	5 a	5 b Nat. Discount 'B' £1	39/6	39/6	5 1 3
51/6	46/6	6 1/2 a	6 1/2 b Union Discount £1	50/-	50/9	4 18 6
			INSURANCE			
90/-	81/6	30 a	43 1/2 b Commercial Union 5/-	85/-*	81/6	4 9 11
35 1/2	26	12 1/2 a	87 1/2 b Legal & General £1	31 1/2	30	3 6 8
22 3/4	19 3/8	†20 a	†50 b Pearl £1	22 1/2	20 1/2	6 0 11
46	41 1/2	†125 c	†132 1/2 c Prudential 'A' £1	43 1/2	43	5 7 2
			BREWERIES, ETC.			
122/6	106/-	10 a	33 b Bass £1	116/6	122/6	7 0 5
25/4 1/2	21/6	11 1/2 b	6 a Distillers 6/8	25/3	25/1 1/2	4 12 10
42/-	37/-	10 a	15 b Guinness 10/-	41/6	42/6	5 17 8
83/-	63/6	7 a	17 b Whitbread 'A' £1	81/3	83/-	5 15 8
			OIL			
152/-	130/-	†5 a	†10 b British Petroleum £1	146/9	150/-	3 9 8
113/3	83/9	5 a	17 1/2 b Burmah £1	108/9	111/10 1/2	4 0 5
£19 1/8	£15 1/8	7 1/2 a	17 1/2 b Royal Dutch 20 fl.	£19	£19 1/2	2 7 6
186/3	153/1 1/2	†5 a	†13 3/4 b Shell £1	181/10 1/2	185/-	3 10 8
77/6	59/4 1/2	...	... Ultramar 10/-	76/-	75/6	...

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10 years. § Less tax at 8s. 6d. in £. ‖ Ex Rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) On 13%. (h) On 8 1/2%. (i) On 16%. (j) On 18%. (l) To latest date. (n) After Rhodesian tax.

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, May 8, 1957	Price, May 15, 1957	Yield, May 15, 1957 £ s. d.
		% %	STEEL & ENGINEERING			
83/-	72/-	7 a	8 b Babcock & Wilcox £1	76/3*	74/-	4 1
29/3	22/10 1/2	4 a	10 b Cammell Laird 5/-	11/9*	11/3	6 4
29/3	22/10 1/2	3 a	5 b Dorman Long £1	26/9	25/3	6 6
57/6	44/3	3 1/2 z	10 b Guest Keen N'fold. £1	56/9	57/-*	4 14
59/-	45/6	6 b	4 a Metal Box £1	58/9	55/6	5 8
34/-	26/6	5 a	12 1/2 b Stewarts & Lloyds £1	30/9	29/7 1/2	5 13
72/6	61/3	3 a	11 b Swan Hunter £1	66/9	66/6	4 4
36/3	30/3	4 a	8 1/2 b United Steel £1	33/6	34/3	7 6
46/-	39/9	2 1/2 a	7 1/2 b Vickers £1	43/6*	43/3	4 12
			ELECTRICAL			
72/3	61/3	7 1/2 a	7 1/2 b Assoc. Elec. Inds. £1	68/6	67/6	4 8
55/-	48/9	4 a	8 1/2 b Br. Ins. Callenders £1	53/9	51/9*	4 15
32/6	27/3	4 3/4 c	6 1/2 a Decca Record 4/-	29/4 1/2	29/1 1/2*	6 0
33/3	24/-	15 c	15 c Elect. & Mus. Inds. 10/-	32/-	32/3	4 13
60/6	48/-	4 a	10 b English Electric £1	59/-‖	59/-‖	4 15
59/-	49/3	9 1/4 b	4 1/4 a General Electric £1	58/9	58/9	4 15
			TEXTILES			
24/1 1/2	19/7 1/2	4 a	6 b Bradford Dyers £1	19/10 1/2	21/4 1/2	9 7
24/1 1/2	13/4 1/2	1 1/4 a	3 b British Celanese £1	23/3	24/1 1/2	...
28/-	23/-	6 1/2 b	2 1/4 a Coats, J. & P. £1	27/-	27/9	6 6
4	2	4 a	4 a Courtaulds £1	36/4 1/2	37/9	5 6
38/7 1/2	32/9	5 a	12 1/2 b Lancashire Cotton £1	38/-	37/9	9 5
38/1 1/2	30/10 1/2	10 b	2 1/2 a Patons & Baldwins £1	38/-	38/1 1/2	6 11
			SHOPS & STORES			
18/6	13/9	6 a	10 b Boots Pure Drug 5/-	18/6	18/-*	4 8
44/9	34/4 1/2	20 b	7 1/2 a Debenhams 10/-	43/3	44/9	6 3
51/7 1/2	33/3	15 a	Gt. Universal 'A' 5/-	51/4 1/2	51/3	6 2
50/-	30/3	10 a	20 b Marks & Spen. 'A' 5/-	47/10 1/2	50/-	3 0
29/-	21/1 1/2	12 1/2 a	20 b United Drapery 5/-	28/4 1/2	28/9*	5 13
46/4 1/2	38/3	15 1/2 a	26 3/4 b Woolworth 5/-	46/1 1/2	46/3	4 6
			MOTORS & AIRCRAFT			
21/6	18/1 1/2	3 1/4 a	6 1/2 b Bristol Aeroplane 10/-	21/-	19/3*	5 3
8/7 1/2	6/6 1/2	Nil a	8 1/2 b British Motor 5/-	8/4 1/2	8/4 1/2	5 1
39/-	30/3	2 1/2 a	5 b Ford Motor £1	38/6	38/4 1/2	3 18
41/6	32/-	3 a	7 b Hawker Siddeley £1	40/3	39/6	5 1
51/6	41/9	10 c	12 1/4 c Leyland Motors £1	50/-	51/6	4 17
126/-	112/3	5 a	15 b Rolls-Royce £1	124/-	124/6	3 4
7/9	5/11 1/2	12 c	8 c Standard Motor 5/-	7/3	6/11 1/2	6 12
			SHIPPING			
46/1 1/2	38/-	...	6 1/2 a Brit. & Com'wealth 10/-	44/-	43/3	3 14
27/9	23/6	3 a	8 b Cunard £1	26/-*	25/10 1/2	8 10
38/-	33/-	3 a	5 b P & O Defd. £1	36/-	35/9	4 9
			MISCELLANEOUS			
50/-	38/3	3 a	6 b Assoc. Port. Cem. £1	48/6	47/6	3 15
23/-	18/6	10 b	20 a Beecham Group 5/-	22/10 1/2	23/-	6 10
47/9	41/-	4 1/4 a	8 b Bowater Paper £1	46/3	46/3	5 8
72/-	63/9	4 a	8 b Br. Aluminium £1	71/-	69/-	3 9
61/9	50/4 1/2	†20 c	†5 5/8 a Br. Amer. Tob. 10/-	61/6	60/9	5 14
22/9	17/4 1/2	15 b	7 1/2 a B.E.T. 'A' Defd. 5/-	22/6	22/3	5 1
38/3	31/6	4 a	6 b Br. Oxygen £1	37/9	37/-	5 8
$71 1/4	$57 1/2	3 a	4 b Canadian Pacific $25	$69 3/8	$71 1/4	4 12
20/3	15/6	2 1/4 a	7 1/2 b Dunlop Rubber 10/-	19/6	19/9*	5 1
46/6	38/10 1/2	4 a	6 b Imp. Chemical £1	45/10 1/2	44/10 1/2	4 9
50/6	40/9	8 1/2 a	12 1/2 b Imp. Tobacco £1	41/4 1/2	40/9	10 6
$222	$191	$3·75 c	$3·75 c Int'l. Nickel n.p.v.	$213 1/2	$217	3 1
36/6	30/9	5 b	2 1/4 a J. Lucas (Inds.) £1	36/3	35/9	4 4
24/9	16/6	6 3/4 a	15 1/2 b Monsanto Chem. 5/-	24/3	24/9	3 12
18/3	16/10 1/2	10 c	2 1/2 a Ranks 10/-	18/3	18/3	5 9
55/6	49/6	6 a	10 b A. E. Reed £1	53/3	50/9	6 6
15/9 1/2	13/7 1/2	20 c	22 1/2 c Sears Hldgs. 'A' 5/-	15/6*	15/7 1/2	7 2
70/3	60/4 1/2	12 b	4 1/2 a Tate & Lyle £1	70/-	68/6*	4 16
69/-	57/6	7 1/2 b	7 1/2 a Tube Investments £1	68/-	67/9*	4 8
141/9	106/4 1/2	22 1/2 b	5 a Turner & Newall £1	138/6*	139/6	3 18
101/9	72/-	6 a	11 1/2 b Unilever Ltd. £1	99/1 1/2	101/6	3 9
44/-	37/4 1/2	†4 1/4 a	†10 b United Molasses 10/-	42/9	39/9*	6 4
			MINES, ETC.			
133/-	115/-	20 a	50 b Anglo-American 10/-	117/6	116/3	6 0
29/-	24/6	†2 1/2 a	†7 1/2 b Cons. Tea & Lands £1	27/6	27/3	12 15
106/3	92/6	80 a	120 b De Beers Def. Reg. 5/-	97/6	97/6	10 5
26/3	19/9	...	... Doornfontein 10/-	19/9	20/3	...
12/10 1/2	10/-	30 c	30 c London Tin 4/-	12/4 1/2 c	12/9	9 8
13 1/8	11 1/2	11 2 1/2 b	25 a Nchanga Cons. £1	12 1/2	12 1/2	11 4
55/7 1/2	45/9	40 b	50 a President Brand 5/-	45/9	46/6	9 13
24/9	20/6	12 1/2 a	25 b Rho. Selection Tst. 5/-	22/1 1/2	21/6	8 14
59/6	46/-	12 1/2 a	30 b United Sua Betong £1	58/3	56/3*	15 1
77/6	58/1 1/2	40 b	40 a Western Holdings 5/-	58/9	59/4 1/2	6 14

New York Closing Prices

	May 8 $	May 15 $		May 8 $	May 15 $		May 8 $	May 15 $
Can. Pacific	35 1/2	36 1/2	Am. Viscose	37	38 1/8	Int'l. Nickel	109 1/2	111
N.Y. Central	32	30 1/2	Beth. Steel	45 1/4	46	National Dist.	26 5/8	27
Pennsylvania	21 1/8	21 1/8	Chrysler	75 3/8*	75 1/4	Sears Roebuck	27 1/4	27
Amer. Tel.	177 1/2	178 1/8	Crown Zeller.	51 3/8	51 1/4	Shell Oil	82 3/8	85 1/2
Standard Gas.	12 1/8	12 1/8	DuPont de Nm.	195	199 3/4	Std. Oil of N.J.	60 3/8*	61 1/8
Western Union	18 1/4	18 1/8	Ford Motors	57	56 1/2	U.S. Steel	63 1/8	64 1/8
Alumin'm Ltd.	138 1/4	137 1/2	Gen. Elect.	63 1/2	65	West'house E.	59 1/4	61 1/8
Am. Smelting	52 1/8	53 1/8	Gen. Motors	43 1/8	43 1/4	Woolworth	43 1/4	43 1/8

STATISTICS

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

World Trade ..... April 20th

British		Overseas	
Prices and Wages	May 4th	Western Europe: Production and Trade	April 27th
Production and Consumption	May 11th	British Commonwealth	May 11th
Manpower	This week	Western Europe: Prices and Money Supply	This week
External Trade	April 27th	United States	May 4th
Financial Statistics	This week		
Industrial Profits	April 20th		

Manpower in Great Britain

	Unit	Monthly averages 1954	1955	1956	1956 Feb.	Mar.	Apr.	1957 Jan.	Feb.	Mar.	Apr.
TOTAL MANPOWER (1)											
Working population:											
Total	'000s	23,667	23,912	24,107	24,066	24,044	24,091	24,085	24,024	23,961	...
Men	"	15,974	16,084	16,188	16,163	16,157	16,184	16,212	16,167	16,136	...
Women	"	7,693	7,828	7,919	7,903	7,887	7,907	7,873	7,857	7,825	...
Armed Forces	"	839	803	761	776	773	770	740	728	719	...
Civil employment:											
Total	"	22,604	22,933	23,149	23,029	23,045	23,097	22,979	22,948	22,908	...
Agriculture, forestry and fishing	"	1,074	1,066	1,032	1,001	1,005	1,013	994	999	1,004	...
Mining and quarrying	"	867	862	858	860	861	861	864	866	866	...
Building and contracting	"	1,453	1,486	1,541	1,458	1,492	1,514	1,502	1,494	1,502	...
Distributive trades	"	2,743	2,811	2,870	2,857	2,854	2,864	2,887	2,877	2,866	...
Public administration	"	1,326	1,289	1,300	1,291	1,293	1,295	1,293	1,293	1,291	...
Manufacturing industries	"	8,976	9,206	9,269	9,352	9,324	9,314	9,213	9,189	9,143	...
CHANGES IN EMPLOYMENT (1)											
Increase or decrease since June, 1955:											
Employees in engineering (2)	"	− 190	...	+ 53	+ 99	+ 85	+ 78	+ 11	− 2	...	...
" " consumer goods industries (3)	"	+ 13	...	− 9	+ 14	+ 4	+ 5	− 16	− 25	...	...
UNEMPLOYMENT											
By duration:											
All durations—total	"	284·8	232·2	257·0	275·6	265·5	251·5	382·6	380·1	363·0	342·3
" " —men	"	184·4	146·7	168·8	186·5	175·9	161·5	267·7	262·4	251·2	236·5
" " —women	"	100·4	85·5	88·2	89·1	89·6	90·0	114·9	117·7	111·8	105·8
Temporary or under 2 weeks—men	"	58·0	51·5	62·7	69·7	62·0	58·0	103·2	76·3	74·0	67·5
" " " —women	"	36·4	36·7	35·5	34·1	37·7	41·6	44·3	37·2	32·9	31·3
Over 8 weeks—men	"	81·7	67·7	65·7	67·3	72·2	70·2	90·6	103·9	110·6	114·1
" " —women	"	37·1	26·5	27·4	29·0	30·3	28·6	40·3	41·4	42·8	44·0
By industry (4):											
Textiles	%	0·9	1·6	1·4	1·3	1·5	1·9	1·1	1·2	1·2	1·2
Clothing	"	1·3	0·9	1·0	0·9	0·9	0·9	1·3	1·2	1·1	1·1
Vehicles	"	0·5	0·4	1·2	0·4	0·5	0·5	2·7	1·4	1·6	1·0
Engineering, etc.	"	1·1	0·8	0·9	0·8	0·9	0·9	1·1	1·2	1·3	1·4
Coal-mining	"	0·2	0·1	0·1	0·1	0·1	0·1	0·2	0·2	0·2	0·2
Distributive trades	"	1·3	1·0	1·0	1·1	1·1	1·0	1·5	1·6	1·5	1·4
By regions (4):											
Great Britain	"	1·3	1·1	1·2	1·3	1·2	1·2	1·8	1·8	1·7	1·6
London and South Eastern	"	1·0	0·7	0·8	0·9	0·9	0·8	1·5	1·3	1·2	1·1
Eastern	"	1·2	0·9	1·0	1·6	1·2	1·1	1·7	1·9	1·7	1·6
Southern	"	1·1	0·9	1·0	1·1	1·0	1·0	1·7	1·8	1·5	1·3
South Western	"	1·5	1·2	1·2	1·4	1·4	1·2	2·1	2·2	2·0	2·0
Midland	"	0·6	0·5	1·1	0·6	0·7	0·7	1·5	1·6	1·8	1·5
North Midland	"	0·6	0·5	0·6	0·7	0·7	0·6	1·1	1·1	1·1	0·9
East and West Ridings	"	0·9	0·7	0·8	0·8	0·8	0·8	1·0	1·0	1·0	0·9
North Western	"	1·5	1·4	1·3	1·4	1·3	1·4	1·7	1·8	1·8	1·9
Northern	"	2·2	1·8	1·6	1·9	1·7	1·6	2·0	2·0	1·9	2·0
Scotland	"	2·3	2·4	2·4	2·7	2·6	2·5	3·0	3·1	2·9	2·8
Wales	"	1·5	1·8	1·0	2·0	2·0	2·0	2·9	3·0	2·9	2·7
VACANCIES											
Unfilled vacancies notified to Employment Exchanges (5):											
Total	'000s	338	232	279	368	380	390	256	239	250	285
Men	"	191	114	152	204	208	213	134	124	128	143
Women	"	147	118	127	164	172	177	122	115	122	142
DISPUTES (6)											
Workers involved	"	57	65	42	93	45	54	43	34	589	...
Working days lost:											
Total	"	205	315	173	189	384	142	124	107	3,646	...
Mining and quarrying	"	39	93	42	37	45	61	27	34	88	...
Engineering, etc.	"	62	56	85	49	24	56	46	52	3,538	...
Other industries and services	"	104	166	46	103	315	25	51	21	20	...

(1) Annual figures are for June of each year. (2) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) From June, 1956, onwards comparison with earlier figures is affected by the revocation of the Notification of Vacancies Order, 1952. (6) United Kingdom.

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
WHOLESALE PRICES [1] (1953 = 100)												
1948	42	94	74	65	90[2]	...	78	104	75	66	72	94
1955	108	101	103	98	101	120	101	101	102	104	104	119
1956	110	104	107	102	103	129	101	102	104	109	109	139
1956, November	112	106	108	103	104	132	101	102	107	111	109	142
„ December	113	106	110	104	105	131	101	103	107	112	110	149
1957, January	113	106	110	105	105	131	...	103	108	112	110	...
„ February	113	106	109	104	105	131	...	101	...	112	110	...
„ March	113	...	107	104	...	...	...	...	...	112	109	...
COST OF LIVING [3] (1953 = 100)												
1948	50[2]	95	81	60	93	63	79	86	78[4]	74	77	83
1955	105	101	107	101	102	122	103	106	106	105	104	119
1956	108	104	113	103	105	126	107	111	108	109	109	136
1956, November	111	105	...	103	106	126	107	111	109	110	110	136
„ December	111	105	...	103	106	126	...	112	110	111	111	139
1957, January	112	106	115	103	106	127	...	113	110	111	113	...
„ February	112	106	...	104	106	127	103	112	...	111	113	...
„ March	111	106	...	103	...	...	...	...	...	...	...	...
IMPORT PRICES [4] (1953 = 100)												
1948	37	84	84[2]	59	...	...	82	98	85	80	72	113
1955	94	96	98	97	100	118	104	100	97	100	99	103
1956	97	...	102	102	103	124	105	105	100	102	104	...
1956, October	97	101	102[10]	102[10]	102	127	110	106	100	101	106	...
„ November	97	101			101	123	111	108	101	103		...
„ December	97	...			100	123	111	111	99	109		...
1957, January	104	...	...	...	104	126	...	...	102	110	...	...
„ February	103	...	...	...	103	...	...	...	102	115	...	...
EXPORT PRICES [5] (1953 = 100)												
1948	42	95	91[2]	68	...	...	78	103	97	84	76	91
1955	102	97	100	96	98	133	101	98	101	107	102	111
1956	105	...	103	100	101	143	97	104	103	115	102	...
1956, October	102	103	106[10]	102[10]	100	140	97	104	104	120	104	...
„ November	101	104			101	149	96	105	103	115		...
„ December	103	...			101	157	96	106	103	117		...
1957, January	98	...	...	...	103	134	...	...	105	117	...	...
„ February	100	...	...	...	103	...	...	...	102	119	...	...

TOTAL MONEY SUPPLY [7]

End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas[9]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	'000 mn. kroner	mn. liras
1948	...	154·0	7,110	2,165	11·8	1,984	110·3	1,989	7,285	6,937	6·27	1,715
1955	28·61	...	7,449	5,916	29·1	10·99	154·7	4,541	9,837	9,357	9·30	4,832
1956	29·71	...	7,626	6,566	31·2	...	154·7	4,930	9,461	9,650	9·91	...
1956, November	29·43	...	7,720	6,290	30·2	11·30	156·8	...	9,338	9,466	8·84	...
„ December	29·71	...	7,626	6,566	31·2	...	154·7	4,930	9,461	9,650	9·91	...
1957, January	29·01	...	7,420	6,435	29·4	...	152·3	...	9,258	9,620	9·73	...
„ February	29·28	...	7,661	6,391	29·6	...	152·1	...	9,222	9,658	9·78	...
„ March	29·33	...	...	...	...	...	153·7	...	...	...	9·60	...

GOLD AND FOREIGN EXCHANGE HOLDINGS [8] (mn. US Dollars)

1948	62	938	84·0	...	295	...	209	539	343	140·6	233	192
1955	361	1,146	133·1	2,120	3,076	207·6	242	1,237	1,284	165·3	470	211
1956	406	1,177	131·1	1,356	4,291	...	234	1,308	1,072	178·8	473	230
1956, November	418	1,206	136·2	1,497	4,194	205·2	235	1,358	1,080	173·1	466	223
„ December	406	1,177	131·1	1,356	4,291	...	234	1,308	1,072	178·8	473	230
1957, January	409	1,119	127·7	1,278	4,357	...	229	...	1,049	183·2	465	226
„ February	406	1,094	118·9	1,289	4,457	...	233	...	1,032	175·0	454	230
„ March	403	1,081	124·2	1,249	4,487	...	239	...	1,041	186·6	476	...

(1) Relates to wholesale prices in Athens and Piraeus only for Greece. Figures for Ireland from 1955 onwards are for home produced goods only. Figures for Germany, F.R. are producers' prices of industrial products. (2) July-December. (3) Relates to prices in capital cities only for Austria, France, Greece and Turkey. Austria and Belgium exclude rent. Denmark includes direct taxes. Figures for Ireland are based on August, 1953=100. (4) Including direct taxes. (5) Including trade with Faeroe Islands. (6) Index numbers of unit value which compare the current average value of trade with its value in 1953; they are influenced by changes in the composition of trade as well as price movements. (7) Deposit money and notes and coins held by business, individuals and foreigners. Except for Greece holdings of the issuing authority and other banks are excluded. (8) Holdings of the government and central bank at end of period. Foreign exchange figures for Norway exclude government holdings; Netherlands, Norway and Sweden include foreign investments. Ireland includes some long-term securities. (9) Beginning May, 1954, a new drachma equal to 1,000 old drachmas was introduced. (10) Average for fourth quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended May 11, 1957, there was an "above-line" surplus (after allowing for Sinking Funds) of £18,835,000 compared with a surplus of £61,526,000 in the previous week and a surplus of £12,102,000 in the corresponding period of last year. There was a net expenditure "below-line" last week of £10,110,000, leaving a total deficit from April 1st, of £5,836,000 (£22,479,000 in 1956–57).

£'000	Estimate, 1957-58	April 1, 1956 to May 12, 1956	April 1, 1957 to May 11, 1957	Week ended May 12, 1956	Week ended May 11, 1957
Ord. Revenue					
Income Tax	2176,250	125,953	151,115	13,606	14,489
Surtax	149,000	14,300	14,000	1,600	1,500
Death Duties	170,000	21,600	16,500	3,500	3,500
Stamps	60,000	6,800	6,500	1,200	1,000
Profits Tax, EPT & EPL	255,000	18,500	16,000	3,300	2,500
Other Inland Rev. Duties	500	60	50	...	50
Total Inland Rev.	2810,750	187,213	204,165	23,006	23,039
Customs	1204,250	139,397	138,628	22,962	29,734
Excise	912,850	116,375	116,225	44,020	44,910
Total Customs and Excise	2117,100	255,772	254,853	66,982	74,644
Motor Duties	93,000	8,908	9,933	321	534
PO (Net Receipts)	20,000	3,200	4,200	3,200	4,200
Broadcast Licences	31,000	1,700	1,800	...	...
Sundry Loans	32,000	2,235	2,195	128	2,088
Miscellaneous	185,000	8,156	45,090	503	58
Total	5288,850	467,184	522,236	94,140	104563
Ord. Expenditure					
Debt Interest	640,000	90,357	87,753	4,326	2,971
Payments to N. Ireland Exchequer	69,000	6,332	7,209	...	2,287
Other Cons. Fund	10,000	693	667	...	...
Supply Services	4059,877	381,351	412,717	77,350	79,200
Total	4738,877	478,732	508,346	81,678	85,728
Sinking Funds	38,000	3,180	3,268	360	1,270
"Above-line" Surplus or Deficit	—	14,729	10,621	12,102	18,835
"Below-line" Net Expenditure	7,750	16,457	7,081	10,110	
Total Surplus or Deficit	— 22,479	5,836	5,021	8,725	
Net Receipts from:					
Tax Reserve Certificates	30,511	29,659	1,792	3,519	
Savings Certificates	— 5,300	7,200	— 700	400	
Defence Bonds	— 23,602	— 5,278	3,615	— 987	
Premium Savings Bonds	...	3,600	...	500	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
May 12	3,230·0	1,426·6	257·4	...	4,914·0
1957					
Feb. 9	3,050·0	1,486·7	197·4	...	4,734·1
„ 16	2,980·0	1,247·9	246·3	...	4,474·2
„ 23	2,900·0	1,298·1	193·8	...	4,391·8
Mar. 2	2,850·0	1,304·7	209·7	...	4,404·5
„ 9	2,850·0	1,261·5	229·6	0·8	4,381·9
„ 16	2,900·0	1,249·9	247·3	...	4,397·2
„ 23	2,910·0	1,284·4	272·1	1·5	4,468·1
„ 31	4,195·3		276·9	...	4,472·2
April 6	2,860·0	1,306·4	289·3	...	4,455·7
„ 13	2,840·0	1,362·5	295·6	...	4,498·1
„ 20	2,830·0	1,390·5	273·5	...	4,494·1
„ 27	2,830·0	1,377·7	313·6	...	4,521·2
May 4	2,840·0	1,417·3	259·7	...	4,517·0
„ 11	2,850·0	1,291·2	264·1	...	4,405·3

THE MONEY MARKET

THE discount market reduced its bid for the £200 million of Treasury bills on offer on Friday of last week by 6d. per cent to £99 os. 10d. per cent. Credit had been tight in the preceding week, pushing the average cost of the market's money uncomfortably close to the bill rate.

Outside applicants, however, made no corresponding reduction in their bids. The upshot was that although total applications fell by £5.4 million to £360.9 million, the allotted portion of bids at the market rate dropped from about 50 to 28 per cent, and the average rate of discount on the whole allotment rose by only 1s. 5d. to £3 16s. 1.84d. per cent. At yesterday's tender, the offer was cut by £10 million to £190 million.

Credit has remained in keen demand during the past week. Two or three houses had to take loans (of a very small amount) at Bank rate on Monday, despite moderate official help through special purchases from the banks. On Tuesday market funds were just adequate—though discount houses paid up to 3¾ per cent for money. Wednesday was the clearing banks' make-up day; and the Bank gave no special help. As a result the market was again "in" the Bank, two or three houses taking a small amount.

Business in the London gold market has been moderate this week, with marked buying from the Middle East. On Wednesday the price edged up by 1½d. per ounce to 250s. 5d. per ounce.

LONDON MONEY RATES

	%		%
Bank rate (from 5th, 7/2/57)	5	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4-4 1/16
Bank	3	3 months	4 4 1/16
Discount houses	3*	4 months	4-4 1/16
		6 months	4 1/8-4 1/4
Money Day-to-day	3 1/2-3 3/4	Fine trade bills:	
Short periods	3 3/4	3 months	5 1/4-6
Treas. bills 2 months	5 5/16	4 months	5 1/4 6
3 months	5 5/16	6 months	5 1/4 6 1/4

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	May 16, 1956	May 8, 1957	May 15, 1957
*Issue Department**:			
Notes in circulation	1,861·0	1,948·6	1,947·8
Notes in banking dept.	14·4	26·8	27·6
Govt. debt and securities*	1,871·2	1,971·3	1,971·2
Other securities	0·8	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	19·7	9·2	10·4
Bankers	219·9	210·8	207·8
Others	74·9	77·3	73·9
Total	314·5	297·3	292·1
Securities:			
Government	291·8	202·0	207·3
Discounts and advances	12·0	65·0	53·6
Other	15·4	18·9	19·1
Total	319·2	285·9	280·0
Banking department reserve	16·3	29·2	30·0
	%	%	%
"Proportion"	5·1	9·8	10·2

* Government debt is £11,015,100, capital £14,553,000. *Fiduciary issue* increased to £1,975 million from £1,925 million on April 10, 1957.

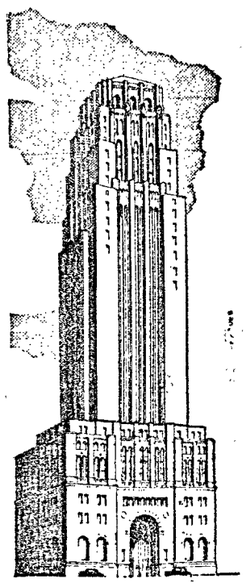
TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
				s. d.	%
1956 May 11	250·0	404·5	250·0	98 11·66	42
1957 Feb 8	190·0	371·5	190·0	84 8·29	38
„ 15	190·0	348·9	170·0	85 6·04	10
„ 22	200·0	407·3	200 0	82 11·49	30
Mar. 1	220·0	408·2	220·0	80 0·78	50
„ 8	230·0	442·7	230·0	80 5·20	12
„ 15	230·0	375·2	230·0	82 3·70	34
„ 22	250·0	395·2	250·0	82 6·73	44
„ 29	250·0	391·6	250·0	81 11·79	50
April 5	250·0	410·6	240·0	82 11·49	32
„ 12	230·0	415·7	230·0	80 9·36	54
„ 18	240 0	411·5	240·0	78 9·15	55
„ 26	200·0	359·3	200·0	78 3·43	22
May 3	200·0	366·3	200·0	74 9·00	50
„ 10	200·0	360·9	200 0	76 1·84	28

*On May 10th tenders for 91 day bills at £99 0s. 10d secured 28 per cent, higher tenders being allotted in full. The offering this week was for £190 million at 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: May 15	Market Rates: Spot: May 9	May 10	May 11	May 13	May 14	May 15
United States $	2·78-2·82	2·79 1/8-2·79 1/8	2·78 1/8-2·79 1/8	2·79 -2·79 1/8	2·79 1/8-2·79 1/8	2·79 -2·79 1/8	2·78 1/8-2·78 1/8
Canadian $	...	2·66 1/8-2·67	2·66 1/8-2·66 1/8	2·66 1/8-2·66 1/8	2·66 1/8-2·66 1/8	2·66 1/8-2·66 1/8	2·66 1/8-2·66 1/8
French Fr.	972·65-987·35	987 -987 1/4	986 1/8-987 1/4	986 -987 1/4	986 1/4-986 1/2	985 1/4-985 1/2	985 1/4-985 1/2
Swiss Fr.	12·15 1/8-12·33 1/8	12·26 1/4-12·27 1/4	12·26 1/4-12·26 1/2	12·26 1/4-12·26 1/2	12·26 -12·26 1/4	12·25 1/4-12·25 1/2	12·24 1/4-12·24 1/2
Belgian Fr.	138·99-141·05	140·80-140·85	140·80-140·85	140·80-140·85	140·72 1/2-140·77 1/2	140·67 1/2-140·72 1/2	140·65-140·70
Dutch Gld.	10·56-10·72	10·66 1/2-10·67 1/2	10·66 1/2-10·66 1/2	10·66 1/2-10·66 1/2	10·66 -10·66 1/2	10·65 1/2-10·66	10·65 1/2-10·65 1/2
W. Ger. D-Mk.	11·67 1/8-11·84 3/8	11·75 1/2-11·75 3/4	11·75 1/2-11·75 3/4	11·75 1/2-11·75 3/4	11·74 3/4-11·75	11·74 -11·74 1/2	11·73 1/2-11·73 3/4
Portuguese Esc.	79·90-81·10	80·05-80·15	80·05-80·15	80·05-80·15	80·05-80·15	80·05-80·15	80·05-80·15
Italian Lire	1756 1/2-1762 1/2	1761 1/4-1762	1761 -1761 1/2	1760 1/2-1761 1/2	1760 -1760 1/2	1758 1/2-1759 1/2	1758 1/2-1759
Swedish Kr.	14·37 1/8-14·59 3/8	14·48 1/2-14·48 3/4	14 48 1/4-14 48 1/2	14·48 -14 48 1/4	14·47 1/4-14 47 1/2	14·46 1/2-14·46 3/4	14·45 1/2-14·45 3/4
Danish Kr.	19·19 1/2-19·48 1/4	19·45 1/2-19·46	19·45 1/2-19·46	19·45 1/2-19·46	19·46 1/2-19·46 1/2	19·45 1/2-19·45 3/4	19·44 -19·44 1/2
Norwegian Kr.	19·85-20·15	19·99 1/2-20·00 1/2	19·99 1/2-20·00 1/2	19·99 1/2-20·00 1/2	19·99 1/2-20·00 1/2	19·99 1/2-20·00 1/2	19·99 1/2-20·00
One Month Forward Rates							
United States $		1/2-5/8 c. pm	1/2-5/8 c. pm	1/2-5/8 c. pm	1/2-5/8 c. pm	1/2-5/8 c. pm	1/2-5/8 c. pm
Canadian $		1/2 pm-par	1/2 c. pm-par	1/2 c. pm-par	1/2 c. pm-par	1/2 c. pm-par	1/2 c. pm par
French Fr.		4 6 dis	4 6 dis	4 6 dis	4 6 dis	5·7 dis	5·7 dis
Swiss Fr.		2 1/2-3 1/2 c. pm	2 1/2 2 c. pm	2 1/2 2 c. pm	2 1/2-1 1/2 c. pm	2-1 1/2 c. pm	1 1/2-1 1/2 c. pm
Belgian Fr.		1/2-3/4 pm	1/2-3/4 pm	1/2-3/4 pm	1/2-3/4 pm	1-1 1/4 pm	1-1 1/4 pm
Dutch Gld.		1 1/2-1 1/2 c. pm	1 1/2-1 1/2 c. pm	1 1/2-1 1/2 c. pm	1 1/2-1 1/2 c. pm	1 1/2-1 1/2 c. pm	1 1/2-1 1/2 c. pm
W. Ger. D-Mk.		1 1/4-1 1/2 pf. pm	1 1/4-1 1/2 pf. pm	1 1/4-1 1/2 pf. pm	1 1/4-1 1/2 pf. pm	1 1/4-1 1/2 pf. pm	1 1/4-1 1/2 pf. pm
Italian Lire		3 1 pm	3 1 pm	3 1 pm	2 1 pm	2 1 pm	2 pm par
Swedish Kr.		2 1/4-3 1/2 pm	2 1/4-3 pm	2 1/4-3 pm	2 1 1/2 pm	1 3/4-3 1/2 pm	1 1/2 1/2 pm
Danish Kr.		2·1o pm	2 1o pm	2 1o pm	2 1o pm	2·1o pm	2 1o pm
Norwegian Kr.		2o pm par	2o pm par	2o pm par	2o pm par	2o pm par	1o pm par
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/4	250/3 1/2	...	250/3 1/2	250/3 1/2	250/4



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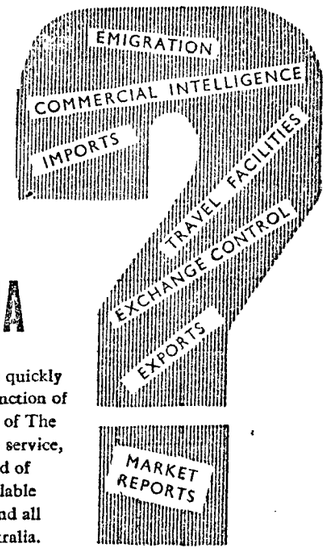
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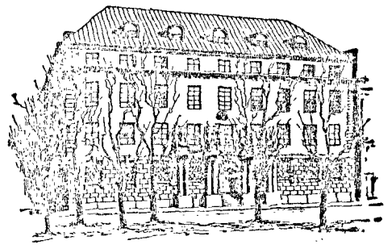
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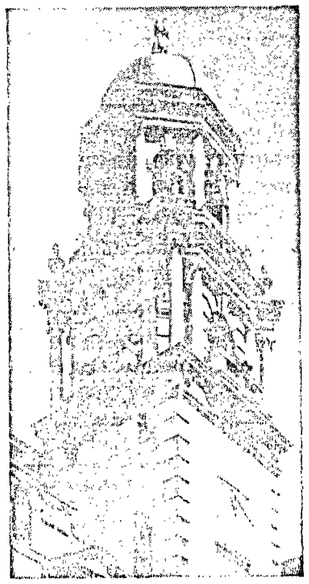
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Extract from Accounts to 31st December, 1956

	1955 £	1956 £
Trading Profit	380,652	494,540
Tax Provision	171,236	215,901
Profit after Tax and Minority Interests	151,788	194,361
Paid in Dividends (less Tax)	76,693	83,959
Retained	75,095	110,402
Dividends paid gross on Ordinary and "A" Ordinary Shares	25%	25%
Fixed Assets	2,179 253	3,079,880

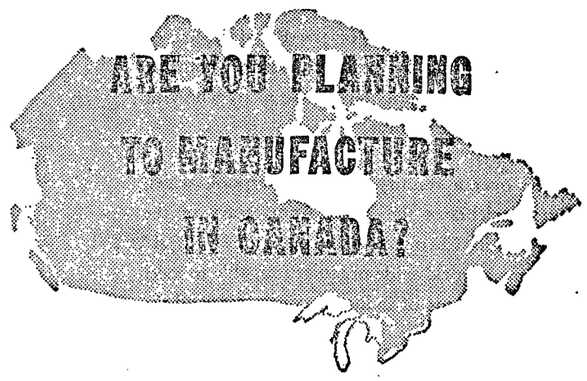
Salient points from Joint Chairmen's Review
Annual General Meeting May 14, 1957

Four Dance Halls were acquired in 1956, and Three New Catering Establishments were opened, and all are enjoying a satisfactory volume of business. We are well satisfied with the increased Trading Result of the First Quarter 1957. Our wonderful new premises in Colonial House, Mark Lane, have just been opened and Two more new Cafeterias will shortly be opened in the City. A Freehold Site has been acquired in Bradford, on which we hope to build a new Dance Hall. The possibility of further extensions is being continually examined.

A further Issue of Mortgage Debenture Stock is being considered to provide for expansion.

Proposals for Capitalisation of Profits will be presented at a later date.

CAPITAL
Authorised. £1,295,000
Issued : £826,854
5% £1 First Cumulative Preference £145,000
5% £1 Second Cumulative Preference £138,302
5/- Ordinary shares £350,000
5/- "A" Ordinary shares £193,552
Quoted London
Ordinary share price at May 13 1957 16/6xd
High/Low quotation 1957 17/1½ / 15/-



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COMPANY MEETINGS

THE BRISTOL AEROPLANE COMPANY, LIMITED

SIR REGINALD VERDON SMITH'S REVIEW

The Forty-seventh Annual General Meeting of The Bristol Aeroplane Company will be held on June 6th at Filton House, Filton, Bristol. The following is the Statement by the Chairman, Sir Reginald Verdon Smith, which has been circulated with the Report and Accounts for the year ended December 31, 1956:

THE BOARD

It is with deep regret that we have to record the death on February 19, 1957—the forty-seventh anniversary of the foundation of the Company—of my father, Sir William G. Verdon Smith. Sir William became a Director of the Company in 1927; he was appointed Chairman in the following year and continued in that capacity until 1955, when he retired from the chair but remained a member of the Board until his death. The progressive expansion of the Company during his chairmanship is clear evidence of his qualities of judgment and leadership: I trust that my colleagues and I will maintain successfully in the future the high standard which he set both for himself and for others in the conduct of the Company's affairs.

STRUCTURE AND ORGANISATION OF THE GROUP

The year 1956 was the first in which the manufacturing Divisions of the Company operated as subsidiary Companies. The changes in administration and in accounting arrangements have been carried through smoothly, and your Board is satisfied that the development of increased responsibility and of delegated authority is working out to good advantage in the widening fields of activity in which we are engaged. It is customary for the Chairman to express the thanks of the Board to all staff and employees who have contributed to the Company's progress, and this I most warmly do on this as on previous occasions.

Although the year was by no means free from difficulty and anxiety, much progress was made, the turnover of the group was substantially increased and although trading profits did not expand proportionately to the increased volume of work undertaken the year's results should, I believe, be regarded as reasonably satisfactory. It will be convenient in this review to follow the pattern of previous years, commenting first on the financial results of the Group as a whole and thereafter upon the activities of each of the constituent members and associates both at home and overseas.

FINANCE

It is evident from the Accounts for 1956 that there has been no relaxation in the expansion which has characterised the Group's affairs in recent years. Although the volume of production reached a new high level and turnover exceeded £50 million, the value of orders held, which in 1955 was reported to exceed £100 million, increased substantially during the year and currently stands at approximately £130 million.

The trading profit of £4,016,387 shown in the Consolidated Profit and Loss Account, before charging depreciation is £630,197 more than the corresponding profit of £3,386,190 in 1955. On the other hand, despite the increase in turnover the rate of return on capital employed by the Group has been reduced both by lower profit margins on trading and additional costs arising from the delay in getting the Britannia into airline operation, to which I refer later. As before, we have written off part of the preliminary expenditure on projects in the development stages.

Against the trading profit there is an increase from £1,583,349 to £1,861,257 in the charge for depreciation, leaving the trading profits, after depreciation, at £2,155,130 compared with £1,802,841 in 1955.

Dividends received from Associated Companies, including Rotol Limited and Short Brothers and Harland Limited, amount to £72,927 compared with £21,120 in 1955.

Interest on Bank Overdraft (less Interest received) of £362,437 is considerably more than £54,699 charged in 1955.

The interest on Canadian Bonds is less than for 1955; it is convenient at this point to record that the original Bonds have now been fully repaid, but we have recently arranged a new issue of $1½ million 6 per cent Bonds maturing 1969/70 of which $1¼ million were issued in 1956 and $250,000 are to be issued in 1957.

The taxation charge of £781,949 although slightly higher than the 1955 charge of £762,191 is fractionally less as a proportion of the profits for the year due to the benefit of Investment Allowances. The effect of these allowances has been to reduce tax payable in respect of 1956 by £265,000 (compared with a parallel reduction of £200,000 for 1955) and we have again taken account of this saving in the transfer made to General Reserve.

The effect on productive industry of the high level of taxation which has been imposed over a prolonged period is clearly illustrated by the extent to which your Company has been obliged to supplement the profits already retained as working capital and for fixed investment in buildings and plant, by calling on additional facilities from its bankers during 1956 with a consequent increase in the interest charged against profits to which I have already referred. The Group is not alone in having to face this problem, and it is disappointing that the Chancellor, whose Budget was in other respects so encouraging to initiative, did not feel able this year to lighten the burden carried by industry: the re-equipment and further development of the productive capacity of industry remain vitally important especially in a phase of rapid technological change such as we are currently experiencing in the aircraft industry. Some measure of relief in relation to capital expenditure is afforded by the Investment Allowances on scientific research capital expenditure but this will continue to be a limited benefit unless the increase in the Investment Allowance granted to the shipping industry in this year's Budget is the forerunner of an early restoration of the allowance on other industrial capital outlays.

The net profit after taxation amounts to £1,065,028 compared with £977,363 in 1955; before reference is made to the disposal of this balance the main items in the Consolidated Balance Sheet call for comment.

The value of the Stockholders' interest in the group represented by the total Capital, Reserves and Surplus, has increased by £1,280,329 to £15,970,338 at the end of 1956, representing net profits retained in the business, and including a transfer of £650,000 to Contingencies Reserve from certain provisions considered to be in excess of requirements following a review made during the year.

In my statement on the 1955 Accounts I referred to the high level of capital expenditure which would be required in future years. In 1956 the total expenditure by the Group on Fixed Assets amounted to £4.3 million; at the end of the year there were capital commitments of £1.5 million, and further outlays will be required in most of the Company's undertakings. Items of note during 1956 included the completion of our new Wind Tunnel, a Deuce computer installation and new Test Plants for high-powered turbo-jet engines and for ramjets, whilst the largest single heading of expense relates to machine tools (£1.4 million) and other improved production facilities.

In the process of building up the Group turnover there has been a considerable rise, amounting to £8.2 million during 1956, in the value of Stocks, which is mainly responsible for the increase over the year from £3.3 million to £8 million in the bank overdraft.

To the net profit for the year of £1,065,028 there falls to be added £366,905 brought forward from 1955, out of which your Board has transferred £118,384 to Capital Reserve (representing profits earned by the original Canadian holding company which was wound up during 1956 on completion of the reorganisation in Canada to which I referred last year). From the £1,313,549 remaining £500,000 (1955—£450,000) has been transferred to General Reserve, which is thereby increased to £4,150,000 at the end of 1956.

After payment of Preference Dividends and an interim dividend (less Income Tax) on the Ordinary Stock there remains a balance of £637,859 for appropriation. The Board recommends a Final Dividend of 6½ per cent on the Ordinary Stock, making 10 per cent for the year—the same rate as for last year.

This absorbs £259,009 and the balance of £378,850 will be carried forward.

In the light of what I have said about the rate of return on capital employed and the pressure on resources as well as of the rising cost of production to which I make reference later, Stockholders will not be surprised that we have not found it possible to recommend a higher rate of dividend than last year.

The level of borrowing from the Company's bankers has been further increased since the end of 1956, and your Board has under consideration the steps which should be taken to provide that some part of this borrowing should be placed on a more permanent basis. Meanwhile Stockholders will observe that the Board is seeking authority to increase the Company's borrowing powers, and in conformity with modern practice we have recommended that borrowing, which under the present articles is limited to twice the issued capital, should be authorised to the extent of twice the issued capital, reserves and surplus of the Company.

The following table displays a breakdown on the Company's income during 1956 on a percentage basis:

Materials, subcontracted and bought out parts	47·86
Wages, Salaries and Employees' benefits	33·86
Depreciation	3·49
Other expenses	10·60
Interest on borrowed money	0·72
	96·53
Taxation	1·47
Retained earnings	1·18
Net dividends	0·82
	100·00

BRISTOL AIRCRAFT LIMITED

The three principal tasks of the Aircraft Company were the Britannia airliner, Helicopters and Guided Weapons; in addition, good progress was made in the production of Plastic Drop Tanks, Rocket Motors and on certain research projects for the Defence Programme.

The Britannia was, of course, the major project of the Company, and nine aircraft were completed during the year. As is well known, the introduction of Britannia into Airline Service was delayed by the discovery that dry ice could accumulate in the power plants, particularly at certain altitudes in tropical latitudes; in consequence, although a total of ten aircraft had been delivered to BOAC by the end of 1956, they did not begin scheduled operations until early this year. The setback both to sales and to the flow of production, and the consequential effect upon the Company's trading results for the year were a great disappointment to us; it is encouraging, however, to record the vigour and determination with which the problem, hitherto unknown, was diagnosed and attacked, and it is appropriate to record our appreciation for the co-operation which we received from the Royal Aircraft Establishment and many others. We are confident that the Britannias now in service with BOAC will rapidly establish themselves with the travelling public, and that they will shortly be followed into service by the successive variants of Britannia ordered by other airlines and for RAF Transport Command. In Canada, following our agreement with the Canadian Government under which Canadair Limited have developed a maritime reconnaissance version of the Britannia for the RCAF, and are now proceeding with a transport version, a further agreement has recently been concluded with Canadair licensing them to sell their version of the Britannia transport in certain civil markets.

During the year a Weston Division was formed within the Aircraft Company. This Division is concerned primarily with development and the production of Bristol Helicopters, but it includes the plant which is engaged on Rocket Motor Tube production and the development and production of Pressure Vessels.

Production of the Bristol Sycamore continued steadily at Weston, to which factory it was transferred from Filton early in the year. In addition to the further orders for the RAF, a substantial order has since been secured from the German Government, which will keep the Division busily engaged for the next two years. Development of the twin-rotor helicopter was continued, attention being increasingly concentrated upon the turbine-powered version, for which Napier Gazelle engines will become available this year.

Substantial progress was made on the Guided Weapon side of the Aircraft Company's business. Past years of intensive research and development were rewarded by a substantial production order for the Bristol surface-to-air weapon now officially named Bloodhound. In a memorandum covering the recent Air Estimates the Secretary of State for Air stated that Bloodhound would be in use for service trials at the first RAF Missile Station now being built at North Coates in Lincolnshire. To facilitate the execution of this order Bristol Aircraft Limited occupied early in 1956 a Government factory in South Wales, the adaptation and equipment of which have since been carried out. Further development of this weapon continues and marked progress has been made in firing trials both in this country and Australia.

Certain revisions in defence policy may bring changes in the future types of weapon we have under study, but our technical team and resources are likely for some time to come to be engaged at full pressure on the programme ahead of us.

BRISTOL AERO-ENGINES LIMITED

The efforts of Bristol Aero-Engines Limited were mainly devoted to the development and production of their comprehensive range of gas turbines, including turbojets (Olympus and Orpheus), turboprops (Proteus and Orion) and ramjets (Thor and others). The Olympus 2-spool axial turbojet is now with the Royal Air Force in the Avro Vulcan and is the most powerful jet engine in service use. A more powerful version, known as the Olympus 6, has been type-tested at 16,000 lb thrust (dry) and is the most powerful type-tested engine available in the world today. The Company had to fight a prolonged battle to avoid its cancellation during 1956, but we have recently been assured that the Olympus 6 will be used by HM Government, and our confidence in it has been justified by other encouraging prospects as well as by the rapid and successful course of its technical development.

The Orpheus turbojet shows great promise: it has been flying in the prototypes on new British, French and Italian light fighters, and is already the subject of licences in several countries, including in particular India, where we have entered into an agreement with the government to provide extensive technical advice in the construction of an aero engine plant in which the Orpheus will be built. The development of the Orpheus has been made possible by the support accorded to it by the Mutual Weapons Development Programme on behalf of Nato and its adoption by one country after another promises to be a notable realisation of the policy of collective defence. Its simplicity of design and adaptability to a variety of applications make it particularly suitable for licensed manufacture.

The Proteus turboprop has established itself as an outstandingly reliable engine. It is the most powerful turboprop to go into airline service so far and has secured a notable list of "firsts"—it is the first axial engine in airline use, it has the lowest specific fuel consumption of any gas-turbine in service, it is unique in having the advantages of the free-turbine principle and it is remarkably quiet. In addition to its aircraft applications, the Proteus is being developed for marine use in high performance craft, both naval and civil.

The Orion turboprop is being developed as the successor to the Proteus. This new engine first ran on the test bed in December, 1955, and made its first flight in August, 1956. Results have been most encouraging and include a recent successful 150-hour development test run carried out in conformity with British and American airworthiness conditions. The Orion which will power later versions of Britannia has been selected by the Royal Canadian Air Force for their military transport version of the Britannia—the Canadair CL-44.

There are welcome signs of increasing American interest in Bristol gas-turbines, and Stockholders will be aware from recent Press reports that important negotiations have been taking place between the Company and the Curtiss-Wright Corporation of America with a view to American manufacture of the latest Bristol types. It is a feature of these negotiations that they should bring valuable dollar-earning work, both on development and on production, into our factories at Bristol.

Bristol ramjets are being produced in increasing numbers for the Bristol Bloodhound surface-to-air missile: development of more advanced and more powerful ramjets has continued and the Company has established unique facilities and a dominant position in this field. A vast background of experience and "know-how" of supersonic work has been accumulated and an engineering team of outstanding quality has been built up over the years. The future of this section of our business is, of course, closely linked with decisions about defence policy currently under consideration.

The manufacture of Bristol Centaurus and Hercules piston engines continues—the former for the Blackburn Beverley Transport in service with the RAF and the latter by our licensees in France for installation in the Noratlas transport which is now to be built in Germany as well as in France. These well established engines are being used by some thirty-seven operators and continue to give a good account of themselves in a variety of aircraft in all parts of the world.

The activities of Bristol Aero-Engines Limited include, too, the operation of aero engine repair shops at the Company's Whitchurch premises, a large and growing spare parts business and the maintenance of a world wide network of engineers' services. The experience gained over the years in backing Bristol piston-engines in transport aircraft throughout the world is proving an invaluable basis for the support of the airlines who have selected Bristol gas turbines.

BRISTOL CARS LIMITED

The current model of the Bristol 2-litre car has made many friends for itself in the specialised field with which this Company is concerned, but the restriction of credit at home and abroad and the rationing of petrol affected sales, and output was accordingly curtailed. Your Board does not feel that the time is ripe for any large-scale development in this direction and the facilities of the company have been increasingly utilised on work for other companies in the group.

ROTOL LIMITED

Rotol Limited and its subsidiary British Messier Limited, had a successful year's trading, and there are good prospects for an increase in turnover this year.

SHORT BROTHERS AND HARLAND LIMITED

Although your Company holds only a small percentage of the capital of this associated company the link between Bristol and Belfast is of great importance to us and we look to Short Brothers and Harland, Limited, for a large part of the Britannia programme. The trading profit for the last financial year was affected by changes in defence orders and so far the rate of return on our investment in the Company has not been as satisfactory as we could wish. We hope, however, to see its excellent facilities and the abilities of its management and workforce turned to fuller account in the years ahead.

Europe.—In France, SECA and, in Spain, TABSA, our associated companies, have made satisfactory progress—the former having considerably expanded its sales during the year thus justifying the increase in capital to which I referred in my report last year.

Canada.—The Canadian group of Companies, with plants in Montreal, Winnipeg and Vancouver, has again made a valuable contribution to our turnover and profits. Prospects of work ahead are encouraging, but in Canada as elsewhere there are inescapable requirements for additional funds, both for plant and for working capital: the Vancouver plant is being adapted to provide for the overhaul of Proteus gas turbines which will soon be in service with Canadian Pacific Airlines and the Winnipeg plant is being adapted and extended to meet the overhaul programmes of the RCAF and to carry out manufacturing subcontracts.

Latin America.—The Mexican subsidiary of our Canadian group, the formation of which we reported to you last year, is making steady progress and should commence engine overhauls in its new factory later this year.

United States.—The successful completion of negotiations with Northeast Airlines for the sale to them of Britannia aircraft and the active pursuit of further business in the United States have led us to establish a further overseas subsidiary under the title The Bristol Aeroplane Company (USA) Incorporated with the object of representing the Bristol group in the USA, promoting sales of Bristol products and ensuring first-class after-sales service.

Australia and New Zealand.—In Australia activity was again limited by the scale of the market and by an outlook on the part of our customers, both military and civil, which favours American equipment. Despite our best efforts to persuade them to buy Britannias the leading Australian overseas airline decided to place orders for further American aircraft, whilst on the military side the Prime Minister of Australia has recently declared his Government's policy to standardise the Australian forces largely on American equipment.

Our subsidiary company in New Zealand representing our own Group and other British aircraft interests is operating satisfactorily.

GENERAL REVIEW

Against this background of a year of great activity but at a time of change for the aircraft industry it is important not only to report on the past but also to consider the future. The state of the British economy, the need for cost stability, changes in Defence Policy, technical developments in aviation—both civil and military, the immense scale and competitive power of the American industry, the emergence of the European common market—all these are factors of major importance which must profoundly influence the judgment of anyone considering the prospects of your Company.

With regard to defence policy, I believe we can claim that our engineers had recognised correctly and in good time the changes that have been forced upon this country by the hydrogen bomb and by the development of the means of delivering it, in that we have concentrated upon three major needs, viz.: providing power for the delivery of the deterrent (Olympus engines for the Vulcan Bomber); providing the defence of the bases from which the deterrent is launched (surface-to-air missiles); and providing a long range heavy load carrying transport force (Britannias with their Proteus gas-turbine engines). We have thus undertaken a role of the greatest importance and value to the defence of this country and to the primary object of policy, the prevention of war.

With regard to commercial air transport our immediate hopes are concentrated upon the success of the Britannia. We are all well aware of its importance both to your Company and to the prestige and the export trade of this country. As is not unusual in this exacting branch of engineering its development has taken longer and its cost has been greater than we had intended. Some part of this cost has been carried by the Government (and will in due course be recovered by the Government in the levy on sales which we pay to the Ministry of Supply), but our own share is an outlay of several million pounds which will not be fully recovered until over 100 aircraft have been sold at satisfactory prices. Orders so far received total 70, and we hope that this number will steadily increase as the practical evidence of Britannia's qualities becomes apparent from BOAC's operations.

Looking ahead, it is evident that the number of new aircraft projects undertaken in this country will be fewer, the competition to secure them will be keener, and the proportion of business related to civil and military transport, as distinct from combat types, will be greater than in the past. We believe that we are well placed to secure a good share of such work and to carry it out effectively. Speculation on the extent to which we can hope to be successful raises the general issue whether the aircraft and aero engine industry of this country can compete with that of the USA, as long as the latter has the backing of a massive volume of Government business and a scale of sponsored research and development which this country, weighed down with the cost of past wars and today's social services, finds too expensive. If brains and skill and application to the task are the decisive factors we shall not disappoint you.

But in many ways the most worrying factor affecting our prospects is this country's continuing failure to achieve reasonable stability in costs. It is worrying to industry because inflation is outside the control of any single industrial undertaking, especially one concerned with an end-product, and in recent months it seems once again to have proved to be beyond the control even of a Government which had the intention of curbing it. It is worrying too because it is so closely linked with the stability of our labour relations: in so many other aspects of industrial relations wise and progressive policies are being jointly pursued with much success, but when the question of wage rates is mentioned, wisdom and progress give way to pressure for annual increases irrespective of productive efficiency or the effect upon the real value of money. These wage demands have now become a chronic disease of the economy, and no remedy has yet been found which the patient is willing to accept and adopt. Yet it is no longer possible to treat such demands with sympathy as though they were the result of price increases, when it is openly acknowledged that claims are put forward in anticipation of price increases to be expected later on. It cannot be too often repeated that the overseas buyer upon whom we all depend for our standard of living is only interested in quality, price and delivery date—not in the domestic problems of the British economy. Whilst a national wages policy may be disagreeable and difficult the present display of unenlightened sectional self-interest is foolish and short-sighted, and totally removed from the objectives of thrift, saving and increased productive investment which the country needs so urgently.

It is greatly to be hoped that, recent events having pointed to the necessity for change, fresh efforts can now be made to develop and adopt new methods and procedures, both nationally and within the engineering industry itself, for the settlement of wage differences; but however excellent the procedure, it will be the attitude of mind and the sense of responsibility displayed by all concerned which will decide whether we can as a nation grasp the opportunity of industrial progress which scientific developments have made possible, and which in a competitive world we cannot afford to lose.

THE UNITED SCOTTISH INSURANCE COMPANY

The annual general meeting of The United Scottish Insurance Company Limited was held on May 15th in Aberdeen, Mr R. H. McLeod (the chairman) presiding.

The following is an extract from his circulated statement:

The accounts show an over-all increase in premia but losses have been frequent and heavy.

Fire and Accident Premia increased from £525,333 to £567,887. In both Departments results have deteriorated although the Fire Department continues to produce a profit; after providing £17,022 for additional reserve, a loss of £17,256 has been transferred from Profit and Loss.

The Marine Account, for the first time, includes Aviation business. Premiums have benefited by the inclusion, despite which there is an over-all decrease of £16,981 compared with the previous year. The 1954 Account has liquidated favourably and the sum of £12,500 has been transferred to Profit and Loss Account.

In the Profit and Loss Account your Board recommend that £5,000 be transferred to Investment and Contingencies Reserve; that the dividend on the Ordinary Shares be maintained at the rate of 10 per cent and that £50,905 be carried forward.

Balance Sheet.—The Investment and Contingencies Reserve has been reduced by £1,821. This is due to a loss of exchange on Foreign Currency which has been realised during the year and to a small loss on the sale of certain Securities.

The extension of the Company's business mentioned in the last report continues to receive special attention and will, I am sure, well repay this in the future.

The report and accounts were adopted.

THE LITTLEWOODS ORGANISATION

MR JOHN MOORES ON 'CREDIT SQUEEZE'

THE GROUP'S PROGRESS MAINTAINED

1956/7 has been an important year for us. On the one hand the effects of the credit squeeze, to which I shall refer in more detail later on, have slowed down the expansion of some parts of our business. On the other hand, we have carried through certain reorganisation which will, I am convinced, prove of the utmost benefit during the coming year. Perhaps I would best describe the past twelve months as a period of consolidation. Nevertheless, our gross turnover, irrespective of Pools, has increased by over 6 per cent and now stands at £48 million per annum, against £45 million per annum for 1955/6.

LITTLEWOODS POOLS LIMITED

As is our legal obligation laid down in the Pools Betting Act of 1954, we published our Accounts on August 31, 1956.

The now very recognisable cycle caused by rising material and labour costs is very naturally reflected in an operation which employs many thousands of men and women and a very considerable quantity of materials of which paper forms a very large part; therefore, due to circumstances beyond our control, the costs of running the Pools have slightly increased.

However, the Executives of the Pools are continually investigating new methods for increasing efficiency with what must be subsequent economies. The efforts over the years have proved their considerable success, because our average operating costs have been and still are lower than any other Pool in this country.

It is our constant endeavour to see that we return to our successful investors, after the statutory deduction of the Pools Betting Tax of 30 per cent, the greatest possible amount of the total money invested in the Pool, and everyone in the Organisation is conscious of this, our No. 1 precept.

In my last report, I mentioned the attention we paid to the well-being of those who win large sums of money on Littlewoods Pools. I think it must be of considerable interest to financial people, Economists and Sociologists to know that our careful records of investigation prove that in a very high percentage of the cases of the big dividend winners, after supplying the requirements of the family, paying off the house mortgage, the acquisition of a small car, they invariably devote the rest of their money to investment in Government Savings, Gilt Edge Securities and other sound propositions yielding them attractive regular incomes without dispersing the bulk of their capital, which is devoted to the furtherance of the country's Industrial and Economic progress.

MAIL ORDER STORES

I am happy to report that our Mail Order business continues to prosper. We founded it in 1932 as a cash club business, and it has developed along the lines laid down at the start, growing steadily on a pattern profitable to our public and ourselves. In the past year our Organisers who collect both orders and cash and then forward them to us, have found that more and more their customers want their goods quickly. We have helped organisers to meet this need by encouraging them to deposit money with us at 5 per cent interest, in return for our allowing them to take goods in advance of payment, in proportion to the value of their deposits. The response has been extraordinary. The idea was welcomed as a real contribution enabling Organisers to serve their members better and to do better business for themselves. Many people have asked why we had not started this system before. We had to reply, I admit it, that we just did not think of it.

This system is now a success and deservedly so For our part we are proud that people are prepared to deposit money with us, and, from a purely objective point of view, we are satisfied that by relating the value of the goods forwarded to the amount of money deposited, we have a sufficiently tight control to enable us to prevent this unique trading device from being inflationary to any extent

One of the problems in retail selling, whether it be by Mail Order or in Stores, is keeping adequate but not swollen stocks, and being in the position to supply by return any one of the tens of thousands of items on our list but at the same time never being overstocked.

We pride ourselves that we do this reasonably efficiently, but we have always sought ways and means of utilising the tremendous statistical information at our disposal. But so far this has been extremely difficult, if not impossible, because of the time it would have taken.

Now, with the application of electronics to commercial work, we think we can see the answer to this problem, and have ordered an electronic computer which will cost us around £80,000. In doing this our objective is not to dispense with labour, but to achieve a more efficient stockkeeping by taking advantage of this most up-to-date scientific device, and whilst we are proud to be leaders in the field of applying electronics to retail business, we are much prouder that we shall be able to improve our service to our customers.

CHAIN STORES

The main points to be noted as marking progress over the last year are the improved standards of styling we have introduced into our clothing ranges, both for men and women; and the considerable increase of the sale of food in the Stores.

No one can sell clothes successfully today without a high degree of fashion awareness. We have always known this; but we also know that just to accept this axiom without making an all-out effort to put it into practice merely breeds that most dangerous attitude, complacency. And so, over the past year we have not hesitated to integrate many of our people who are not engaged in the Buying Departments into the vital discussions which contribute to the completing of a successful range of fashion merchandise. For we have come to believe that the opinions of the girls and women working in the Littlewoods Organisation can, when properly analysed and weighted, materially assist our buyers and the top management in determining which aspects of the latest fashion trends will really mean something to our customers, and which are ephemeral and will have no lasting appeal.

As for food, we have developed this side of our Chain Store business as a direct result of an increased demand by our customers. As soon as we introduced food into the Stores, just after the war, we found that it had an exceptionally ready sale. By constantly stepping up our standards of hygiene and presentation, and steadily increasing the range of products for sale—we have recently introduced complete butchery departments into four of our major stores—we can now say without fear of contradiction that Littlewoods Stores sell a larger proportion of food, fresh as well as canned, than any other competing chain.

THE CREDIT SQUEEZE

We opened six new stores in 1956, but nevertheless I am bound to report that the credit squeeze has hindered extension of the Chain as a whole. Obviously this is a setback and means that our target of 12 new stores per annum has to be shelved for the time being.

What is so deplorable about it from the point of view of public interest is that because Littlewoods acquired many valuable sites before the restriction on credit came into force, many of these sites lie derelict today.

To quote an example, we purchased a site in Glasgow on which it was planned to erect a £1 million building. Littlewoods would have occupied the ground floor and basement, while a major Public Utility had agreed to occupy the rest of the building. A start was made, the basement was excavated, then came the Government's announcement about the restrictions on credit.

Thus, the situation now is that what could have been a valuable amenity in the third largest city in the United Kingdom is—quite literally—just a hole in the ground.

Again, we want to improve and extend our premises in Oxford Street, London. We have acquired an important site, almost derelict because of war damage, next door to our present store, and we were looking forward to putting up a magnificent building which would add greatly to the trading amenities of the most popular shopping street in Great Britain. But under the present circumstances we have had to stay our hand. The façade of Oxford Street continues to bear an unsightly scar; and our public, though continuing to support us loyally, must buy their goods in premises 20 years out of date.

Then there is the site at Kingston-on-Thames. This is a shopping area we believe ourselves particularly well suited to serve. A growing community, youthful, modern and forward-looking in the best sense of those words, is precisely the market to which Littlewoods chain stores are geared. The ever-increasing accent on fashion in our Clothing Departments, the continued high standards over the whole range of our merchandise are just those qualities that such men and women are looking for. But, for the moment, we find ourselves unable to provide them in Kingston because of the credit squeeze.

I have spoken in detail about these three sites; I could speak in equal detail of half a dozen more. The outlook may seem frustrating but I refuse to be depressed. I refuse to be depressed because I am convinced that our economy, as a whole, is a sound one; and that it is only a matter of time—and hard work—before we can take great new strides forward; and I also remind myself that during the whole trading life of Littlewoods Chain Stores there have only been four years when we were entirely free from restrictions on building—one year before the war, and three years since.

Nevertheless, we have built up our business progressively through what has been perhaps the most difficult trading period for a century. That proves that we are on the right lines, which is the main thing.

CENTRAL BUYING

Checked in one direction, we have continued to make improvements in our organisation. One of these is the establishment of Central Buying Office situated at Crosby near Liverpool.

Until quite recently we had two Buying Departments, one for our Mail Order business, the other for Chain Stores. There had grown up a tradition that buying for mail order was in some way a specialised art, differing from buying for sale over the counter. It is true, of course, that certain aspects of selling by mail order—the vast turnover in blankets and other household textiles for instance—are not reflected in Chain Store sales. But the fact remains that the prime object of all our buying is to provide the best possible goods at reasonable prices, and that the division between the two sides of our retail business was artificial. I believe that now we have set up the Central Buying Office, we are more efficiently organised. And I wish to take this opportunity to say a special word of thanks to our Buyers for the strenuous efforts they have made while the reorganisation has been taking place.

I also want to thank all those suppliers and manufacturers who have supported us so loyally durjng the year. We appreciate their wholehearted co-operation in the maintenance of the quality, finish and presentation which we require so that we can give an unconditional guarantee to our customers of complete satisfaction, or money refunded.

Similar thanks are due to the staffs in our own factory who have also served us well.

THE LABORATORY

To be able to sell quality merchandise one must have the most complete arrangements possible for testing and checking samples before bulk purchases are made. We have recently extended the Laboratory at Crosby which now covers more than 7,000 sq. ft. and from first to last has called for an investment of more than £50,000.

I would stress that the Laboratory has no concern as to the price of the samples submitted to it. It exists to provide standards and to see that merchandise complies with these standards. It is also the duty of the Laboratory to see that shipments are equal in quality to the samples. Finally new developments in fibres, textile finishes, electrical appliances, etc., have to be tested and checked. Liaison, therefore, has to be maintained with major research and development laboratories so that all new items can be considered long before the marketing stage is reached.

ANXIOUS TIMES

If I concentrate largely on domestic matters it is not that we are not acutely aware of the dangers of the world we live in.

All of us have been deeply disturbed by the revolt in Hungary, the Suez Canal crisis, and the strikes which threatened the shipbuilding and engineering industries. Engaged in the retail trade as we are, we might well have suffered grievously. But when we look at the situation in detail, the effect of these profound shocks to public confidence has not been nearly as great as might have been anticipated. I attribute this to two things. The first is that we offer exceptionally good value for money. In a difficult situation people who, after all, must continue to buy essentials will continue to support a concern where their money will, they know, be spent to the best advantage.

Littlewoods has made a feature in recent years of selling the very highest quality goods at reasonable prices. We believe that we have established a trading policy which is now well understood and appreciated, and that it will stand us in good stead in bad times as well as good.

PUBLIC SERVICE

As I said, the times we live through have not left us unmoved. During the Hungarian crisis, we were able to help by flying to Vienna a plane-load of clothing for the refugees who were pouring into Austria. And later, when the same unhappy people were in transit to America we were able to offer hospitality and rest to some hundreds as they passed through Liverpool. I am sure it was our duty to make this contribution. Large scale organisations such as ours have a responsibility to the whole community.

And where can this responsibility be better carried out than in the organisation's "home town"? That is why Littlewoods is actively co-operating with the Walker Art Gallery, here in Liverpool, in organising an art exhibition this Autumn which, by offering substantial prizes, will encourage the most forward-looking artists in the country to show their works on Merseyside.

ROAD SAFETY

I have said "the whole community." That has a national implication in one aspect of which we have been able to take a part. We have gone to considerable lengths to co-operate in road safety campaigns, both national and local. For instance, we have given various Road Safety awards and all our printed material now bears road safety slogans. Again, we have printed these slogans on all the bags used in our Chain Stores.

I should add this: when we first undertook this particular task, we were astounded at the simplicity of it. If other firms would do the same thing, we could all help to create and maintain a national conscience—today practically non-existent—that would effectively reduce the appalling annual total of road tragedies.

CONCLUSION

It remains for me to thank all our people for their hard work in the past 12 months and this I do very sincerely. I am very proud of the vast numbers of people we employ in our many enterprises, and I attach very great importance indeed to the many schemes we have for Training, Staff Welfare, Pensions, Sports activities, etc., etc., as I believe that a successful business must have a happy staff. In this connection, it is most gratifying that every year more and more members of the staff qualify for the gold watch we present for 25 years' unbroken service.

Not everything has gone right, as I have told you, but our trading philosophy of a fair deal for everyone has been maintained and calls for no modification. We look forward to the coming year with confidence, for I believe that we are better equipped to deal with the problems ahead than ever before.

TRAWLERS GRIMSBY BUILD FOR THE FUTURE

Fine New Fleet in spite of Soaring Costs and small margin of profit

The trading profits of the Group including income from investments were £452,445. This was £23,619 less than in the previous year, almost entirely due to violent increases in the price of coal and oil, amounting to £48,000.

Profits and Distribution of Profits

1956 will go down in the Company's books as a year of very bad weather, both at home (fruit and vegetables) and on the high seas.

On the credit side of our review it is noteworthy that our new trawlers played a substantial part in contributing to our profits.

The net profit of the Group is £113,761. After crediting tax provisions made in previous years and now no longer required amounting to £35,712, as against a similar item last year of £22,068, your Company has a net profit after taxation of £149,433, an increase of £12,272.

	£
Preference Dividend Takes ..	7,763
Ordinary Dividend 16% takes	57,500
Retained for Development ..	84,170

Trawler Building Programme

This year has seen further progress in the development of your Company.

During the period of the Accounts three new vessels were delivered: ST *Kelly* and ST *Stella Aquila* in March, 1956, and the MT *Ross Lion* in April, 1956. Since the close of the year three further vessels have been delivered: ST *Rodney* in January, 1957, the MT *Ross Tiger* in February, 1957, and the ST *Kipling* in March, 1957, whilst another three new vessels are due to arrive in Grimsby before December 31, 1957.

It will be seen that at September 30, 1956, a sum of £332,758 was outstanding under "Vessels and Cold Store under construction," a large sum to be totally unproductive.

Analysis of Turnover and Profits

One cannot but be impressed by the small margin of profit realised throughout the fishing industry, and this is again confirmed by the fact that for the year under review a net trading profit after tax of only £113,761 has been realised on a total turnover of £7,948,024, which gives a rate of profit of 3.4d. per £ sales.

Your Company's fishing fleet landed in the year under review 5,671,330 stones of fish. This realised £1,899,526 which after deducting expenses yielded a net profit after tax of only £46,660. This net profit is 6d. per £ sales and only .14d. per lb fish landed.

Our wholesale fish and poultry businesses trading at all the main fishing ports and large inland centres of population had a turnover of £5,637,340. The turnover in weight was 5,138,449 stones which resulted in a net profit after tax of £50,788, or 2.15d. per £ sales or .17d. per lb weight of fish sold.

Consumer Packs

Consumer packs of "SEASPARKLE" brand fish and "WESTWICK" brand fruit and vegetables are becoming increasingly available throughout the country where centres of distribution have been established.

Further progress has been made in the development of our packs of quick frozen fruit and vegetables at Westwick in Norfolk.

The new Cold Store referred to in my report last year, with a capacity of some 750 tons, is now in operation.

JAGUAR CARS LIMITED

SUCCESS OF NEW MODELS

SIR WILLIAM LYONS'S STATEMENT

The Twenty-third Annual General Meeting of Jaguar Cars Limited was held on May 9th at the registered office, Browns Lane, Coventry.

In his speech, which was circulated with the accounts, Sir William Lyons, the Chairman, said:

The year under review marked the return of the Industry to a buyers' market, and the introduction of the credit squeeze. These factors adversely affected our sales on the home market, and, in consequence, we did not achieve our planned programme, although our exports more than equalled their previous level. Nevertheless, we were able to maintain a full five-day week.

Our American Subsidiary, Jaguar Cars North American Corporation, has made most satisfactory progress, and has completed the considerable reorganisation which was commenced last year, covering the whole of the United States and Canada. Jaguar is now represented in the North American continent by over 300 efficient Sales and Service organisations, backed by heavily stocked Spares Supply Depots in New York, Los Angeles and Montreal. On the continent of Europe, our sales were more than twice as great as in any previous year. Unfortunately, many markets still remain closed to us, and the restriction on Australian imports has continued.

Whilst these aspects may be considered as satisfactory having regard to the circumstances, our profit margins, due to rising costs, have become dangerously low. Although our turnover is up on last year by one-third, the profit, except for some favourable tax adjustment, is approximately the same. The net profit does, in fact, amount to about 6d. in the £ on turnover, a very small sum indeed out of which to meet new wage awards. Last year I expressed our anxiety on the subject of increased costs and the danger they presented to the efforts we were making to preserve our selling prices at levels necessary for meeting world competition. Unfortunately, the gravity of the situation confronting our Industry is not understood by all, with the result that costs, already disproportionately heavy by reason of wage levels amongst the highest in the country, are continually being forced upwards by demands for even higher wages, which I sincerely believe many of our workpeople themselves realise is a danger to their future livelihood. I must make it clear that we do not criticise high wages. We desire our workpeople to enjoy the highest possible standard of living, but if wages price our goods out of the market the country must face a serious recession. Productivity, such a popular word today, may be the answer to increasing costs in the case of popular low-priced goods, but there is most certainly a limit to the target at which one can aim, without undue risk in the medium and higher-priced bracket products.

Referring to Accounts, it will be noted that the results show an increase on last year, although, as I have already stated, they do not reflect the substantial increase in turnover.

The expenditure on buildings, etc., has reference to the factory extensions mentioned in the Report last year.

Material purchases show a higher figure reflected in the larger amount for Stock-in-Trade and Work-in-Progress. Much of the latter is accounted for by shortage of shipping which resulted in accumulation of finished cars awaiting shipping space.

Taxation is still a dominant factor in the Accounts, but for this year is lower as a result of the benefits accruing from Investments and Capital Allowances in respect of the large purchases of plant and equipment made in recent years, also, although the planned expansion to which I have referred in the last two years has been completed, we have deemed it prudent, in view of the ever increasing need to maintain efficiency by taking advantage of the most up-to-date production plant and equipment, to provide a higher figure in the Reserve for Plant and Replacement than we did last year.

NEW MODELS

Introduced at the Earls Court Motor Exhibition last October, the new Jaguar Mark VIII Saloon is universally acknowledged to have set a standard of refinement and performance unmatched even by cars costing many times its price. A point of interest in connection with this car is that the demand for the automatic transmission model now far exceeds that for the orthodox manually operated gearbox model.

Following the introduction of the 2.4 litre model which has now become well established as an outstanding success, we have introduced the 3.4 litre model in response to an insistent demand from America for a car of this type. Large shipments have already been made to America where it has been so well received that we are confident it will prove to be a valuable addition to our range and a source of further dollar revenue.

Another new model which has created a considerable amount of interest and for which a demand has arisen in excess of conservative expectations is the Jaguar XKSS. This is a development of the world-famous Jaguar "D" type and is presented with full-width screen, folding hood, bumpers, luggage grid and all the appurtenances necessary for a comfortable sports car for normal road use.

Development work on other new models yet to come proceeds without interruption, and in such directions as will ensure that Jaguar cars will continue to remain in the forefront of design and performance.

INTERNATIONAL COMPETITIONS

Once again our cars demonstrated their superiority in the field of international motoring events by winning that most famous and gruelling of all sports car races, the Le Mans 24-Hour Grand Prix d'Endurance. This is the fourth time in six years that Jaguars have won this race, but on this most recent occasion added lustre was brought to Jaguar's success by reason of the fact that the race was won by a car privately owned and entered by a team of Scottish enthusiasts known as "Ecurie Ecosse." When two of the three works-entered Jaguars were put out of the race in the opening minutes due to a multiple crash, the privately owned Scottish Jaguar carried on to beat the best that British and foreign works entries could pit against them.

Prior to this fine victory the Jaguar works team had scored yet another outstanding success at the Rheims Grand Prix meeting where, in the 12-Hours Sports Car Race, they finished 1st, 2nd, 3rd and 4th, broke the course record and set up a new lap record at 118 mph.

At the Silverstone meeting, where, ever since its inception eight years ago, Jaguars have registered an unbroken chain of successes, the Touring Car Race was again won by Jaguar with a Mark VII Saloon. This was Jaguar's fifth annual successive victory in this particular event which was instituted five years ago.

In the International Production Car Races held at Spa in Belgium, Jaguar again won the Sports Car Race, setting up a new record at 115 mph. Special interest attached to an additional Jaguar success at this meeting, since the Production Touring Car Race was won by a 2.4 litre saloon, this being the first appearance of this model at an international race meeting.

WITHDRAWAL FROM RACING

At the close of the 1956 season, the Company announced that it would not take part with officially entered works cars in competition motoring events in 1957. This decision was made only after serious consideration and was due to the very heavy strain imposed by racing on the directorate and staff of our Engineering and Development Division. It has to be borne in mind that the primary function of this Division is to apply itself to the design and development of the Company's products. Any considerable absorption of its time and energy brought about by the additional and extraneous work of developing and preparing cars for use in a full programme of racing events throws an unreasonably heavy burden on the personnel concerned. That they have carried this burden for so long, and with such marked success, is an indication of the loyalty and enthusiasm which, I am proud to say, is characteristic of all who make up our organisation.

I am mindful of the immense amount of publicity and world prestige which our long record of success in international racing has brought to us, and also, I might be allowed to add with propriety, to our country. I hope that the occasion may arise in the future when we shall find ourselves able to re-enter the lists.

ROYAL VISIT

During the month of March, 1956, the Company was accorded the signal honour of a visit from Her Majesty The Queen and His Royal Highness Prince Philip. In the course of a detailed tour of inspection lasting for over two hours, Her Majesty and Prince Philip displayed the keenest interest in our methods of manufacture and were greeted in every department with spontaneous demonstrations of loyal affection.

THE FIRE

In February, 1957, public attention was again focused upon our Company but this time in unhappy circumstances, for on the night of February 12th a serious fire occurred which, but for the efforts of all the Fire Services and all others concerned in dealing with it, might have developed into a total disaster. The fire destroyed approximately one-quarter of the main factory block, the Despatch Shop, containing a large number of cars, the major part of the Assembly Lines and the Main Assembly Stores, the Saw Mill and a large portion of the Service Department. Fortunately no damage occurred to the valuable plant and machinery which we have installed at considerable cost in recent years. The details of the fire and many events arising out of it have been so widely reported that I feel it is unnecessary for me to elaborate further on them all. Nevertheless, there are certain aspects to which I would like to make special references. First I would like to reiterate my thanks to Her Majesty The Queen for her gracious telegram of sympathy and encouragement. Next, I would like to take this opportunity of offering my sincere thanks to the senders of the enormous number of messages of sympathy and offers of help which we have received. These came from every part of the country, from overseas, from people in every walk of life and from organisations both great and small inside and outside the Motor Industry. All of these messages, numbering many thousands, have demonstrated in a most striking manner the extremely high regard which is felt for this Company and have given us great encouragement in our work of recovery.

I would like to pay further tribute to the many who have helped us to move so rapidly along the road to this recovery. Throughout a critical period our workpeople, the apprentices and staff have displayed the very highest degree of loyal co-operation for which I tender my sincere appreciation. No less deserving of thanks are the outside contractor firms and their workpeople who worked night and day with so much vigour and determination in clearing away debris and effecting the considerable structural repairs necessary for enabling production to be resumed.

Finally, I would like to place on record my grateful thanks to our suppliers of material for the magnificent help they have given us in replacing losses and in ensuring continuity of supplies, and to the Insurance Companies and Assessors for their help.

In conclusion, I am glad to be able to report that our production has now been built up to the level of output at which we were running before the fire.

The retiring director, Mr W. M. Heynes, was re-elected.

The report and accounts were adopted.

AFRICAN AND EUROPEAN INVESTMENT COMPANY LIMITED

(Incorporated in the Union of South Africa)

RECORD PROFIT OF £1,235,000

OFS GOLD MINES' FURTHER PROGRESS

The following is an extract from the review by the chairman, Mr T. Coulter, which has been circulated with the annual report and accounts:

ACCOUNTS

For the first year since its inception in August, 1904, the company made a profit exceeding £1 million. The net profit for 1956 at £1,235,233 exceeded that earned during the previous year by £316,757. This is the more gratifying in view of the relatively small contribution to the total made by profits on share transactions when compared with previous years.

Income in the form of dividends and interest at £994,249 was £360,643 higher than in 1955. The substantial improvement in this item of revenue is, of course, principally due to increasing returns on the company's considerable investment in the Orange Free State goldfield and we can look forward to further improvements in our revenue from this source in the next few years. In addition, higher dividends were received from certain colliery interests.

After adding in the unappropriated profit brought forward of £252,026 an amount of £1,487,259 was available for appropriation. This was dealt with as follows:

Provision for taxation absorbed £78,500, the book value of shareholdings in subsidiary and other companies was reduced by £250,000, and an amount of £200,000 was transferred to general reserve.

The dividend on the ordinary capital was raised to 3s. 3d. per stock unit as compared with 2s. 6d. for the previous year. An unappropriated profit of £150,288 was carried to the balance sheet.

At December 31, 1956, shareholdings and other interests, apart from those in subsidiary companies, had a market value of £14,740,190, which was slightly in excess of the figure for the previous year. The book value of these assets was £8,030,600.

Loans to affiliated companies and others show a substantial reduction compared with the previous year, reflecting the provision of £500,000 which it was decided to make in respect of doubtful loans to certain companies.

Revenue reserve now stands at £3 million.

OFS GOLD MINING INDUSTRY

During 1956 a further impressive improvement was achieved in the overall operating results of the eleven mines currently producing in the Orange Free State. A total of 9,409,000 tons was milled and, at a grade of 6.732 dwt, 3,167,011 ounces of gold were recovered to give a working profit of £14,644,277, an increase of £5,651,488 over the previous year.

President Brand Gold Mining Company Limited distributed a total of 3s. 6d. per share and President Steyn Gold Mining Company Limited 1s. 9d. per share. The third company in which we have a large shareholding namely, Welkom Gold Mining Company Limited, has not yet reached the dividend paying stage but improved gold operating results and the start of uranium production hold promise for the future.

In addition, of course, considerable profits are being derived from the production of uranium oxide. During 1956, 1,802,629 lb of uranium oxide were recovered by Orange Free State producers and working profit from this source was £4,512,780—more than double the amount earned in the previous year. The current output of the four uranium plants in the Orange Free State is approximately 180,000 lb of uranium oxide per month, giving an estimated monthly working profit of £470,000.

There appears to be every prospect that the demand for uranium will continue after termination of the existing ten-year contracts. By that time the cost of the uranium plants will be fully amortised and loans raised through the Atomic Energy Board to finance the construction of the plants will be repaid. The producing companies should therefore be favourably placed in securing a participation in any future production programme for the sale of uranium from South Africa.

THE SOUTH AFRICAN COAL INDUSTRY

Following upon increases in the controlled price of Transvaal and Natal coal during 1955, the operating results of all collieries have shown an overdue improvement.

The internal consumption of coal continues to increase and the total sales output for 1956 at 35,569,818 tons was approximately 2,500,000 tons more than for the previous year and 5,500,000 tons more than 1954. Estimates indicate that demand will continue to increase steadily.

Profit Margins.—Increased recruiting costs and higher wages on the one hand reduce the already small margin of profit allowed to South African collieries and on the other hand, mechanisation, if undertaken to any significant extent, involves heavy capital expenditure on which no adequate return can be expected. Price increases are, of course, granted from time to time but in the nature of things only when they are overdue. It will therefore be appreciated that the benefits arising from increases granted for Transvaal and Natal coal in 1955 are already being reduced—and this despite continuous improvements in efficiencies.

Some pride can be taken in the fact that the industry can still operate profitably with pithead prices of the order of 10s. 9d. per ton in the Transvaal and 17s. per ton in Natal but the long-term problems created by narrow profit margins must be recognised and sympathetically treated by the Government and by Government departments. This means that the question of prices for bituminous or other coals must be considered not only against rising costs of labour, pneumoconiosis liabilities, equipment and other such factors but also against the financial demands which will be made on the industry if it is to meet its obligations to supply the country with ever-increasing quantities of coal.

Sales.—During the year 1956 the total sales of coal mined in the Union amounted to 35,569,818 tons, as compared with 33,065,650 tons in 1955. Collieries in which your company is directly or indirectly interested sold 14,182,093 sales tons, representing 40 per cent of the total.

Excluding coke produced by the South African Iron and Steel Industrial Corporation Limited, for its own purposes, the total Union output of coke in 1956 was 769,347 tons, of which a colliery in which your company is interested produced 502,964 tons equal to 65 per cent of the total.

BOWMAKER LIMITED

CHAIRMAN'S ADDRESS

The twenty-ninth annual general meeting of Bowmaker Limited was held on May 10th in London.

Sir Arthur Morse, CBE (the Chairman), who presided, said:

Ladies and gentlemen, in my Circular to you on February 5th I told you of your Directors' intention to defer the Annual General Meeting until after the proceedings involving the former Managing Director had been concluded.

It is a matter of the greatest regret to your Directors that a servant of the Company who, at the time he began his fraudulent actions, enjoyed the confidence of his colleagues and of many other men of business with whom he came in contact both within the Company and elsewhere, should have abused this confidence and his high office to such an extent that not only has he been convicted of the crimes with which he was charged, but has been sentenced to seven years' imprisonment.

Robertson was the senior whole-time executive of the Company and, as such, responsible for the carrying out of the policy formulated by the Board. He consulted me frequently in regard to the Company's activities and sought my advice, but, I believe like the Chairmen of other companies, I did not regard it as one of my duties to check the authenticity of the documents he produced or the accuracy of the statements he made to me. It is to be remembered that Robertson, who joined the Board in March, 1954, became Deputy Chairman in June of that year. He was appointed Managing Director in March, 1955, and during the time he was in office he did much that contributed to the prosperity of the Company, as you will have seen from the Balance Sheets of recent years.

When in 1956 his conduct was first questioned I asked our auditors to look into the matter but asked them to try to do so diplomatically in the Company's interests, and without causing embarrassment to Robertson. In due course the auditors reported to me that they were satisfied that the matter in question was in order, and letters were produced to confirm this. As we now know these letters were forgeries. However, some months later my attention was drawn to certain entries in our books and records, and in December 1956 our solicitors, after examining the evidence then produced to them, reported that such evidence revealed no irregularities but advised that having regard to the nature of the transactions as recorded in relation to the shares in Olds Discount Company Limited it would be desirable and proper that the auditors should make inquiries at the Bank about these transactions. Before such inquiries were made additional evidence became available as to the matters the subject of inquiry and our solicitors advised that the Fraud Squad at Scotland Yard should be informed. As a result Robertson was arrested on December 20, 1956.

Provision has been made out of this year's profits for the losses in which Robertson has involved the Company and whilst I do not think there is any prospect of recovering any significant amount from Robertson's assets we shall take whatever steps we are advised and consider appropriate to minimise the loss to the Company.

No Board of Directors is proof against its most senior executive who turns out to be a forger. Although it is easy to be wise after the event, and although a poor consolation, it is a fact that many men in prominent positions outside the Company were as completely deceived by Robertson as I was.

In the Accounts which have been circulated to Shareholders you will see that out of this year's profits a provision of £118,000 has been made in respect of the losses in which Robertson has involved the Company. I am satisfied that this figure represents the Company's maximum losses and it takes no account of any possible future recoveries. I would mention again, as advised in my Circular of February 5th, that the Directors considered it advisable to have an investigation made by the Auditors, of the Company's books and records from the end of the last financial year to December 19, 1956, on which date the former Managing Director was removed from office.

THE ACCOUNTS

I now turn to a review of the Accounts for the year.

It will be seen that the Group Profit before tax, but for the Special Provision to which I have referred, would have shown an increase of approximately £90,000. It cannot be said that all of this arose from increased business because, although revenue was higher than in the previous year, almost half of it resulted from transactions entered into in previous years. Our overdraft facilities were reduced in January, 1956, for reasons of Government policy, of which you are well aware, and of no less than seven Control Orders affecting our business during the year under review the one which had the greatest influence on our results was that of February, 1956, imposing a minimum deposit of 50 per cent on nearly all Hire Purchase Agreements. This resulted in a material fall in our purchases of all classes of merchandise except industrial plant and machinery; these factors also explain the decline under the headings of Debtors and Unearned charges in the Balance Sheet.

If you will refer to the Consolidated Profit and Loss Account you will see that, although the Profit for the year before tax is lower by £27,707, taxation thereon is higher than in the previous year. This is explained by the fact that the amount of £289,917 deducted for taxation was calculated on Profits including the amount of the Special Provision to which I have referred, pending clarification of the Company's liability for tax on that amount.

After deducting an amount of £35,566, which was the Profit retained by the Subsidiaries, Dividends and Profits Tax and other items, and adding the balance brought forward from last year, all of which are explained in the Accounts and Notes thereon, there remains the sum of £97,843, which has been carried forward as Unappropriated Profit. You will also have seen from the Accounts and the Notes thereon that an amount of £60,000 arising from the sale of shares of Bowmaker (Ireland) Limited, has been added to Capital Reserve.

In my Statement last year I referred to an unfortunate transaction in which we and other financial institutions were involved. The winding up of this affair has proved more complex than anticipated, and while proceedings against the offenders have been completed, there are civil actions still pending. The matter is in the hands of a receiver and a number of liquidators and I am afraid that completion of the matter may be prolonged. We have already received a considerable sum as our share of assets realised, and there is hope of more to come. However, we have considered it prudent in the circumstances to make full provision in our Accounts after taking into consideration an amount known to be due to us. Our share of any further recoveries will accrue to profits of future years. I should mention that throughout this whole affair we have worked in close consultation with the banks and with other Hire Purchase finance companies concerned.

OPERATING SUBSIDIARIES

As stated in the Report of the Directors, the profits earned by the operating Subsidiaries are considered satisfactory. The profit of Bowmaker (Plant) Limited was less than in the previous year but allocations of import licences for machines were delayed with the result that there were no sales of some models until after the close of the financial year. The main feature of our operations in the Republic of Ireland was the sale of 40 per cent of the shares in Bowmaker (Ireland) Limited to which I referred earlier.

Last year I referred to the possibility of extending our interests into overseas territories and you will have noted in the Report of the Directors already in your hands that a Company was registered in the name of Bowmaker (CA) (Pvt) Limited, at Salisbury, Southern Rhodesia, in May last year. The share capital is now held in equal proportions by the Hong Kong and Shanghai Banking Corporation, Messrs Tozer, Kemsley and Millbourn, Limited, and your Company.

Mr Hunt, whose appointment as a Director you are asked to confirm today, undertook to go out to Rhodesia and form this Company; indeed most of his time was spent out there during the period now under review and he has visited the Federation again during the current year. I would like to pay a warm tribute to the way in which Mr Hunt carried out this operation and the success so far attained is, to a great extent, due to the solid foundations he laid. Those whom he invited to join the Board and direct the affairs of the Company are gentlemen with wide knowledge and long experience in the Federation and whose services I am sure will be of great value to that Company.

PRESENT POSITION AND PROSPECTS

Due to the necessary postponement of this meeting until after the time when it is normally held I am able to say a little more than usual about the present position and prospects. Business in the early months of the current year continued at much the same rate as in the latter part of our last financial year, but I am pleased to tell you that with the easing of restrictions business has steadily increased from January onwards to a point at which we are making full and profitable use of our available resources.

I wish to thank our Bankers, other financial institutions and our numerous Depositors for their patient understanding and uninterrupted support and encouragement.

My thanks are also due to the management and staff for their loyal support and efficient service during the year covered by the Accounts now before you and in the months which followed.

YEOMAN CREDIT LIMITED

In conclusion, I wish to inform you about *definite steps which have been taken with a* view to strengthening the direction of your Company's affairs. Informal negotiations have taken place, and are now in an advanced stage, with this object in view, and with the simultaneous object of acquiring another company.

The company in question is Yeoman Credit Limited, which, in my opinion, since its inception a comparatively short time ago, has demonstrated its ability to expand its activities and increase its profitability. It is intended that the purchase consideration will take the form of an issue of a number of Ordinary 5s. shares of your Company in exchange for the transfer to your Company of all the shares of Yeoman Credit Limited at the date on which the terms of the transaction are finalised. When negotiations are concluded, it is proposed that Mr M. A. Colefax and Mr G. J. F. Samengo-Turner, the Chairman and Managing Director respectively of Yeoman Credit Limited, should join the Board of your Company and take an active interest in its affairs.

Ladies and Gentlemen, I now move that the Directors' Report and Statement of Accounts for the year ended October 31, 1956, be received, approved and adopted, and when the motion has been seconded, if any shareholder has any question to raise arising out of the Directors' Report and Statement of Accounts, that will be an appropriate time to do so.

The resolution was duly seconded and carried without dissent.

HAMBROS BANK LIMITED

EFFECT OF CREDIT RESTRICTION

MR. R. OLAF HAMBRO'S STATEMENT

The FORTY-FIFTH ANNUAL GENERAL MEETING of Hambros Bank Limited will be held on Thursday 6th June, 1957, at the offices of the Bank 41, Bishopsgate, London, E.C.2.

The following is the Statement of the Chairman, MR. R. OLAF HAMBRO, circulated with the Report and Accounts for the year to 31st March, 1957 :—

When I issued my statement with the Acounts of the Bank last year, I stated that, although we were doing our best to comply with the request of the authorities to restrict credit, in a business such as ours, where contracts for the sale of goods are made some time ahead it was impossible to do so during one year without serious inconvenience to our customers. The enclosed Accounts reveal that many of our customers have now been able to comply with our desires; this is shown in the decline of £5,080,700 in Acceptances and £212,053 in Loans and Advances.

MOVEMENT OF FUNDS

The drop in Deposits has no special significance; they fluctuate from day to day and the end of March is always a period when large payments and transfers of sterling are made on foreign account. The movement of funds was particularly evident this year, chiefly no doubt as a result of the unsettled industrial labour relations existing at that time.

Our holding of British Government securities has been brought into the Accounts in the same way as last year. These securities are all short- and medium-dated and are valued at or under cost and below their redemption prices. As stated last year, any difference between the market quotation and the valuation is more than covered by inner reserves.

The Profit and Loss Account shows a slight contraction, largely due to heavy taxation and increasing costs and does not reflect the gross earnings of the Bank which were maintained during the year. The Directors have decided to recommend an increase in the final dividend to 15 per cent, making 20 per cent for the year, and to transfer £175,000 against £200,000 last year, to the Contingency Reserves. In making this transfer the Directors are confident that, in view of the amount standing to the credit of the Contingency Reserves, any larger transfer this year would be unnecessary.

ACQUISITION OF MOCATTA & GOLDSMID

As announced in the Press, we have recently acquired the business of Messrs. Mocatta & Goldsmid, which has been formed into a limited company and is now a wholly-owned subsidiary of the Bank. We have always had an active Foreign Exchange Department and the facilities which we obtain through the ownership of a firm of bullion dealers fit in well with this. We hope to enlarge the business of both concerns.

During the year we have increased the ordinary capital of another subsidiary, Hambros Investment Trust Limited, from £1,250,000 to £1,750,000. This Trust gives the Bank a good return and the increased value of its investments over their cost constitutes a very considerable reserve for the shareholders of the Bank.

NEW OFFICES FOR HOLBORN

We have also acquired new offices in Charterhouse Street, with new and modern installation to accommodate our Holborn Branch, our diamond trading clients and our own diamond interests. The Building is situated opposite the new offices of the Diamond Corporation, the Chairman of which, Sir Ernest Oppenheimer, is also a Director of our Bank.

In conclusion I extend my thanks, and those of my colleagues on the Board, to the Officials and Staff of the Bank for their continued loyalty and support.

HAMBROS BANK LIMITED

Head Office: 41, Bishopsgate, E.C.2.

STATEMENT OF ACCOUNTS AT 31st MARCH, 1957

LIABILITIES

	£
Current, Deposit and other accounts	49,974,122
Acceptances	19,523,266
Paid up Capital	3,000,000
Reserve	3,000,000

ASSETS

Cash in Hand, at Bankers and at Call	21,097,627
Bills of Exchange	8,684,778
British Government Securities	8,341,024
Loans, Advances and Other Accounts	14,850,693
Investments in Subsidiaries	3,000,000
Liabilities of Customers for Acceptances	19,523,266

MAPLE & COMPANY LIMITED

BUOYANCY OF COMPANY'S BUSINESS

The sixty-seventh annual general meeting of Maple and Company Limited was held on May 9th in London, Mr H. Stanley Wharton, President of the Company, presiding.

The following is an extract from his circulated statement:

I would like to draw your particular attention to the increase in the Profit of the Group before taxation which is of the order of 12 per cent. There is thus a continuation of the upward trend which has been apparent in the Group's affairs over the past few years. This satisfactory outcome demonstrates the buoyancy of the business of your Company and its increased profitability is constantly becoming broader based, in that the actual number of customers is growing, as is the total volume of turnover. Simultaneously the size of the average individual purchase tends to decrease, whereas the proportion of Cash to Hire Purchase Sales has risen. All this in my judgment is healthy.

The policy of opening Branches and acquiring Provincial businesses over recent years is beginning to show real results and is being instrumental in spreading the profit earning capacity of the Maple Group. Your Company's substantial manufacturing and contracting interests have also played their important part in the overall result.

In the past year not only have we had greater costs in wages, salaries and general maintenance, but we have had, as we anticipated, a very heavy addition to the rates on all our Freehold and Leasehold properties amounting to over £30,000.

Rebuilding: During the year our War Damage rebuilding programme has proceeded and we anticipate having two further extensive Blocks open by the end of 1957.

NEW BRANCHES AND TRADING PROGRESS

Our new store in Bristol was duly opened on July 11, 1956, and we are very pleased with the volume of business being done there, and we look forward with confidence to the results of its first full twelve months of trading. In July, too, we opened our new Branch in The Headrow, Leeds, and we look forward here also to our first full year's trading results.

After reviewing the activities of the Subsidiary Companies, at home and overseas, the Chairman said: All our other Branches have generally maintained their trading figures.

Contracts: Our Contract Department and the Maple-Martyn Organisation have had a good year and have produced a further advance in sales; they have executed as usual, many important contracts both at home and abroad.

Overseas: Exports have expanded further. There is no doubt as to the national importance of this side of your business, and no effort has been, or indeed will be, spared to encourage our overseas sales.

Current Trading Position: The Turnover here and abroad, and also the number of visitors to our London Store have continued to expand. I am confident that, given reasonably stable conditions, your business should continue to prosper.

The report was adopted and the final dividend of 10 per cent, making a total of 12½ per cent for the year, was approved.

THE NORTHERN ASSURANCE COMPANY LIMITED

121st ANNUAL GENERAL MEETING

NEW LIFE BUSINESS AGAIN A RECORD

The one hundred and twenty-first Annual General Meeting of The Northern Assurance Company Limited will be held on June 6th in Aberdeen.

The following is an extract from the Statement by the Chairman, The Right Honourable Lord Glenconner, which has been circulated with the Report and Accounts:

At home we have made further progress in the reorganisation of our Group of Companies. This has been based on the two principles of standardisation of the terms and conditions of which we write business and the decentralisation of underwriting responsibility to Branch level. This has enabled us to carry through a policy of integrating and merging of certain Branch Offices of the individual Companies. New Group Branches of this type are already in full operation in Manchester and Glasgow and plans are in hand to extend this to all provincial centres in which we are represented. This reorganisation, together with the mechanisation of accounts, which is continuing, will enable us to handle the growing volume of business with increased efficiency and despatch.

Overseas we have opened an office to serve and develop the business which we transact in Brazil. In West Africa also the growth of our business since the war has been both rapid and considerable, and we have, therefore, opened another office at Dakar which will serve our agencies throughout French West Africa and the Belgian Congo.

CAPITAL REORGANISATION

A matter of exceptional importance during the past year was the reorganisation of the Company's share capital and the issue of 1,465,000 new ordinary shares of £1 each at a price of 52s. 6d. It is not necessary to recapitulate what has already been made known to you in the various documents which you have received in connection with this issue. This simplification of the Company's capital, which now consists of 6,151,610 £1 ordinary shares, is, of course, an essential part of the reorganisation of our business as a whole. The new funds, amounting to approximately £3,750,000, which have been made available, are necessary to finance further expansion both at home and overseas which we are now in a position to undertake.

In particular, new branch office accommodation at home must be provided, while overseas we are in need of new Chief Offices. In Sydney and in Salisbury plans have already been approved for the erection of important new buildings. An existing building has been purchased in Johannesburg and over the years to come similar steps will be taken in Melbourne and in Canada. Meanwhile, we have been able to invest these new funds at a satisfactory rate of interest.

LIFE DEPARTMENT

1956 will be remembered for the change in the law affecting the taxation treatment of several of the types of life policy which we issue. The most important change concerns deferred annuities issued to the self-employed to enable them to provide for their own retirement. The premiums on such policies now receive full relief from Income Tax and Surtax and we are able to accumulate our corresponding funds at a gross rate of interest. There has been considerable competition amongst Life offices to secure this new type of business, and we have taken special pains to explain the details of the new legislation to our agents during its passage through Parliament. We have also been successful in devising a contract which, while satisfying all the conditions laid down by law, gives policyholders the greatest measure of choice as to when their pensions should begin, and as to provision for widows' or dependents' pensions. I am glad to be able to tell you that in the first six months since we started transacting this business we have obtained an annual premium income amounting to over £500,000 from this source alone. The new legislation also makes it an attractive proposition to apply the proceeds of a maturing endowment assurance to the purchase of an annuity and we have, therefore, devised a special endowment assurance policy for providing pensions.

Excluding the deferred annuities to which reference has just been made, our Life business for the Group has continued to grow and new Life sums assured were again a record at £28,952,893, or an increase of 7½ per cent on the figure for 1955 which was also a record figure at that time. A contributory factory to this new business was a special scheme for educational assistance involving endowment assurances. This type of scheme is creating increasing interest and we have received a number of inquiries on the subject, which should help in the continued expansion of our Life business as a whole.

Our Life business in South and Central Africa has also continued to grow, so that we have now appointed an Actuary to give technical advice to our Chief Offices in Salisbury and Capetown.

FIRE AND ACCIDENT DEPARTMENTS

Our Fire and Accident premium incomes for the year 1956 amounted to £11,032,004 and £11,601,780 respectively. This combined total of £22,633,784 constitutes an increase of £2,596,116 or some 13 per cent on the corresponding figure for 1955. This is a substantial and a satisfactory advance. Unfortunately, however, adjustment of premium rates has not matched the deterioration of underwriting experience, particularly in the case of motor insurance, where a serious problem is the constant rise in the cost of repairs. In addition we are faced with a continuing increase in administrative costs due to the gradual fall in the value of money. Competition has been particularly severe in both America and Canada, where like other groups we have suffered adverse underwriting experience. As a result, profit in the Fire Branch for 1956 is only £63,726, whilst for Accident there has been a loss of £278,967. These figures have been reached after making our customary provision of 80 per cent of the premium income for unexpired risks.

MARINE DEPARTMENT

Turning to our Marine business, costs are still continuing to rise throughout the world and so far show no signs of becoming stabilised. As a result, however, of the deteriorating experience of the last few years there has been a hardening in the attitude of Marine insurers generally which has led to the adoption at the beginning of 1957 of a higher scale of penalties under the Joint Hull Understandings. The chief loss among the major casualties was that of the Italian liner *Andrea Doria*, which sank following a collision with the Swedish liner *Stockholm* in July. A loss of this magnitude is bound substantially to affect the accounts of the particular year to which it applies. The transfer from the Marine Account to the Profit and Loss Account for 1956 is £299,722, against £251,146 in 1955, and the fund shows an increase from £8,289,692 to £8,444,608.

PROFIT AND LOSS ACCOUNT

The transfers to Profit and Loss Account from the Fire, Accident and Marine Accounts total, therefore, only £84,481, compared with £390,139 in 1955. On the other hand, gross income from investments held in the shareholders' non-life funds has increased again—from £1,204,051 to £1,297,990, or from £705,003 to £762,312 after providing for British Income Tax. In addition there is a profit on exchange of £15,778, against a loss last year of £113,432, and the group's gross profit, including other items, amounts, therefore, to £1,437,737, against last year's figure of £1,524,625. Taxation at home and abroad, at £900,578, takes no less than 63 per cent of the gross profit, against 57 per cent last year, and the group's net profit thus shows a fall from £655,858 in 1955 to £537,159 for the year under review. Of this it is proposed to allocate £100,000 to Contingency Reserve.

An interim dividend of 10s. per share, less Income Tax, was paid in November, 1956, on the 401,661 issued ordinary shares, and a second interim dividend of 90 per cent, less Income Tax, equal to 18s. per share, less Income Tax, was paid on the same shares in May, 1957, making 28s. per share for the year. In accordance with the provisions of the Scheme of Arrangement a special dividend of 12 per cent, less Income Tax, was also paid in May, 1957, on the 502,500 ordinary shares held under conversion from the 67,000 preference shares. This payment was in addition to the fixed dividend on the preference shares for the half-year ending December 31, 1956. The total net cost of these dividends amounted to £375,345.

In conclusion, the book value of our Stock Exchange securities has shown a further increase from £48,244,539 to £52,554,498. According to the Actuaries Investment Index there has been a further substantial fall in market quotations during 1956 amounting to as much as 9 per cent on industrial equities of all classes, with much the same figure for Government securities, debentures and preference shares. I am glad to be able to say, however, that there is nevertheless a surplus in the total market value of our holdings compared with their book values.

NORTH BRITISH & MERCANTILE INSURANCE COMPANY LIMITED

ESSENTIALS FOR ECONOMIC STABILITY

LORD BRAND ON NEED FOR CONFIDENCE IN STERLING

The one hundred and forty-seventh nual General Meeting of the North British d Mercantile Insurance Company Limited as held on May 9th at the Registered Office the Company, 64 Princes Street, dinburgh.

The Right Honourable Lord Brand, CMG, CL (Chairman of the General Court of irectors), presided.

The Chairman said:

I have given in my statement, already irculated to the shareholders and published n the papers, full information with regard o the Company's results during the past ear. I shall supplement it only by a few additional remarks today.

First of all I should like to say how glad we are to have present with us today Mr W. L. Nolen. Mr Nolen, as our shareholders will know, is in charge of our highly important business in the United States. He has been since 1952 the Manager of the United States Branch of the North British and Mercantile and is also President of all our associated companies in that territory. Mr Nolen has our complete confidence. Mr Harman, in the Autumn of last year, spent some six weeks in the United States and Mr Nolen is now making a return visit in order to have further discussions with him, not only about matters in connection with our own business but also about the general situation relating to fire and casualty business in the United States which, as you are aware, has recently been causing concern not only to British but also to American companies. We must expect some ups and downs, more particularly in so developing, competitive and quickly moving an economy as that of the United States. I hope and expect the insurance world there will take measures which will before long bring about a very definite improvement. I feel sure that the shareholders will understand why, the circumstances being as they are, the Directors felt that it would be wiser to make no material change in the dividend.

APPOINTMENT OF A ROYAL COMMISSION

This country, as you know, has not recovered that secure and stable economic and financial position which is so greatly to be desired. I am glad the Government has appointed a Royal Commission to make a wide inquiry into this problem. I hope that the Commission's terms of reference as given by the Chancellor in his Budget Speech can be interpreted in such a way that it will not be precluded from commenting on economic matters lying rather outside the pure field of currency and banking. The Commission should be able, if it thinks fit, to draw attention to the ways in which unwise decisions in other fields can entirely frustrate the working out of even the wisest possible policies which the Bank of England can pursue in the monetary sphere.

"OUR FIRST AIM"

What our first aim should be is in essence a simple one. We must move away steadily from our present position of running into one crisis after another because we have not sufficient surplus on our balance of payments to meet all the demands of a capital nature that we make on it. Take, for instance, the year 1956. We had a surplus on our Current Balance, that is on our visible and invisible trade, of £233 million. This compares with a deficit on the year 1955 of £79 million. Therefore the year 1956 shows a remarkable improvement. The Balance of Payments White Paper puts our average net long-term investment abroad for the last four years at about £200 million a year and this is an essential first charge on our Current Surplus. That leaves, even with a Current Surplus like that of 1956, very little indeed either to meet repayments of sterling held by Commonwealth and foreign countries—and our Sterling Balances held by other countries amount to about £3,500 million—or to add to our gold and dollar reserves, which are now much too small. In fact in 1956, partly owing to withdrawals by foreign countries for political reasons, our reserves fell by almost £200 million, excluding our drawing upon the International Monetary Fund, and they are now lower than they have been for eight years.

REQUIREMENTS OF THE SITUATION

What is essential, if we are to get into a position where crises can be avoided, is that our policy shall be such as will enable us not only to have a sufficient surplus to make investments abroad but also enough to add steadily each year to our reserves, thus indicating to the world that we are steadily improving our position instead of fluctuating wildly up and down. It is only in this way that we can hope slowly to restore sterling to its old repute in the eyes of the world. Our debts are so large that confidence in our soundness as bankers is essential to our economic stability. Until the constant fear of withdrawals by nervous foreign depositors and creditors is removed we shall never escape from the danger of any long-term policy of expansion being sabotaged by the need to impose restrictive short-term expedients in order to prevent renewed flight of capital from this country.

To meet these requirements we want at least Mr Butler's £300 million surplus on our Current Balance and it would be nice to have Mr Gaitskell's £500 million if one only had some idea how he was going to get it. We are nowhere near these figures at present. We are therefore faced with the necessity either of increasing our production or reducing our internal demands whether for current or capital expenditure and whether by the community at large or by the Government, or both, and in consequence proportionately increasing our savings. But while our aim can be stated in simple terms, to achieve it is by no means a simple matter. Most modern industrial countries are suffering with us, from inflation and a continual rise of prices. There may be more than one cause but essentially it seems to me that a modern democracy aiming at absolutely full employment attempts to get more than a pint out of a pint pot.

Continuing serious inflation will, in the end, in my opinion, destroy a community's faith in its currency.

I make no apology for a brief reference to these all-important matters. I do so believing that the solvency of our country and the stability of sterling concern the shareholders of British Insurance Companies just as much as anyone else.

As you know this is my last appearance as Chairman of your Company. Having been a Director for 41 years it is, of course, a wrench to say goodbye to my colleagues, whether on the Board or in the Management, and to the shareholders. I am glad to say that a highly competent Chairman, Mr Cyril Kleinwort, will take my place. I wish him and our great Company all success in the future.

A shareholder asked that the Board of Directors should give consideration, at an early opportunity, to an increase in the rate of dividend.

On the motion of the Chairman, seconded by the Honourable Arthur O. Crichton, the Report and Accounts were approved and adopted.

Following the re-election of the Directors, extraordinary and ordinary, and the adoption of the resolution regarding the fees and expenses of the Auditors, Messrs. Lindsay, Jamieson and Haldane, CA, which was proposed by Mr Walter G. Scott and seconded by Mr J. H. Eddison, the proceedings terminated with a cordial vote of thanks to the Chairman and Directors, proposed by Mr Alexander Harrison, CBE, CA.

GEORGE MALLINSON AND SONS, LIMITED

SALES MAINTAINED

The twentieth annual general meeting of George Mallinson and Sons, Limited, was held on May 9th in London, Mr Dyson Mallinson (chairman) presiding.

The following is an extract from the chairman's circulated statement for the 52 weeks ended February 16, 1957:

The Accounts show a Nett Profit (after making full provision for Taxation) of £123,143, a decrease of £2,160 on the previous year.

The Plant and equipment has been maintained in good order, and we consider the depreciation written off is adequate.

Liquid Assets exceed Current Liabilities by £931,655 (an increase of £40,294), and the Directors recommend a Final Dividend of 30 per cent, making a total of 40 per cent for the year.

The extra depreciation we have allowed on the new machinery installed during the year has helped to reduce the Trading Profit, but owing to the value of wool having risen we have not been involved in any stock losses on raw materials.

Sales have been maintained at a high level, but shortage of labour is still our chief problem.

Production costs continue to rise, but we have orders on our books to ensure full time running for some months to come, and in the absence of any circumstances over which we have no control I feel we can look forward to a satisfactory result from the present year's operations.

We have appointed Mr James Harpin to be a Director. His long experience of the textile trade should prove to be a valuable asset.

I should like to take this opportunity of thanking all our Directors, Executives and Employees for another year of loyal and able service.

The report and accounts were adopted.

DE BEERS CONSOLIDATED MINES LTD.

(Incorporated in the Union of South Africa)

DEMAND FOR GEM DIAMONDS STILL EXCEEDS MINES' PRODUCTIVE CAPACITY

GROUP'S £80 MILLION INVESTMENTS OUTSIDE DIAMOND INDUSTRY

The following extracts are from the Statement by the Chairman, Sir Ernest Oppenheimer, DCL, which has been circulated with the annual report and accounts.

The Group Profit, after providing £9,167,065 for taxation, was £20,592,256. The net profit attributable to our Company was £18,145,649 (£18,616,909 in 1955).

The Consolidated Balance Sheet shows total assets of £153,300,344. In addition, the Group held a stock of diamonds valued at £5,747,175 on the basis of cost of production in the case of the Mining Companies and cost or market value, whichever was the lower, in the case of The Diamond Corporation, and a stock of Mining Stores and Materials valued at £1,526,929.

The Group has large financial reserves which, together with the £15 million capital resources of the marketing companies, not only provides a strong protection for the diamond trade, but also permits of the investment of substantial sums in other companies, to which I will now refer.

INVESTMENTS OUTSIDE THE DIAMOND INDUSTRY

Through substantial holdings in De Beers Industrial Corporation, Limited, and De Beers Investment Trust, Limited, the Group has very valuable investments in varied undertakings not connected with the diamond industry.

The principal interest of De Beers Industrial Corporation is its joint holding with Imperial Chemical Industries, Limited, of the equity share capital of African Explosives and Chemical Industries, Limited.

The latter Company is benefiting from the large capital expansion programme it embarked upon some years ago, and is undertaking further major extension schemes to keep pace with development in Southern Africa.

Our investment, which incidentally originated in 1898 when our Company established the first dynamite factory in the Union, will become increasingly valuable with the expansion of African Explosives and Chemical Industries. We take particular pride in this Company.

De Beers Investment Trust, Limited, continues to participate in the economic development of both the Union and the Rhodesias. Its interests range from investment in industrial concerns, in gold mines on the West Rand and in the Orange Free State, to coal, and to copper in the Rhodesias.

Income by way of dividends from these investments is steadily increasing and, in due course, De Beers Investment Trust will prove to be an important contributor to the revenue of our Company.

The value of non-diamond investments, including loans to concerns similarly unconnected with the diamond industry, plus the Group cash assets less liabilities totalled £83,070,538 (1955—£73,339,394).

DIAMOND RESEARCH LABORATORY

As it is 10 years since the establishment of the Diamond Research Laboratory I feel it is appropriate for me to outline the results so far achieved. The examination of recovery methods by the Laboratory has led to the use of totally new methods as well as the improvement of existing processes, not only by ourselves here in South Africa, but also by producers in the Belgian Congo, Angola, Tanganyika and West Africa.

Work done on the application of diamonds to industry has resulted in more efficient use of diamonds, and a consequent wider application of diamond tools. A method has been found of considerably extending the life of a diamond drill bit.

On the subject of research I should like to refer to the manufacture of synthetic diamonds announced last year by the General Electric Company. The scientists concerned must be congratulated on a striking scientific achievement.

It is too soon to make predictions as to where this achievement may lead. However, in the field of abrasives, it is apparent that further investigation is called for before the synthetic article can compete with the natural one, both as regards cost and quantity.

PROSPECTS OF THE DIAMOND TRADE

The diamond market enjoyed a record year, and the sustained heavy demand for gem diamonds continued in excess of the productive capacity of the diamond mining companies.

Since the beginning of 1957 the United States has ceased to stockpile industrial diamonds. There has also been a slight decline in sales of industrials.

In view of these two factors we must be prepared for smaller sales of industrials in 1957. However, taking everything into consideration I look to the future with much confidence.

THE SOCIETY OF INCORPORATED ACCOUNTANTS

The seventy-second annual general meeting of The Society of Incorporated Accountants was held on May 15 in London.

Sir Richard Yeabsley, CBE, FCA, FSAA, the President, presided and, in the course of his speech, said: This is indeed a momentous year for the Society, but the seventy-second annual report of the Council calls for little amplification. Our main preoccupation during 1956 was with the negotiations which resulted in the publication on December 20 last year of proposals to integrate the Society with the English, Scottish and Irish Institutes of Chartered Accountants. As you must all know, the Schemes of Integration have now been approved by each of the English, Scottish and Irish Institutes.

The alterations to the English Institute's Charter and Bye-laws and to the Scottish Institute's Bye-laws have been submitted to the Privy Council for approval. A further general meeting of the Irish Institute is to be held on May 30 to approve the alterations to the Bye-laws of that Institute, and thereafter these will be submitted for approval of the Government of the Republic of Ireland and of the Governor and Privy Council of Northern Ireland.

An extraordinary general meeting of the Society will be convened to be held on June 19 to approve of the Schemes.

That is all I have to say on matters referred to in the report, and I now propose to direct my remarks to certain developments in accounting which merit careful thought by members of the Society.

Referring to the vast changes in accounting techniques, the President said: Are we prepared for the great changes that have recently been introduced? I refer to electronic accounting and the use of computers. The machines are complicated but the fundamental features as to input, accumulation, storage and output are there. It is for us to understand what they can do, their advantages and their limitations. We must be prepared to play our part in the rapid developments that are now taking place. Opportunities are available for the study of electronic accounting and its implications. Let us take advantage of them and create others.

Another development in recent years is the growing demand for interim statements. This subject is not only one of growing importance but one on which the profession has yet to state a positive view. In my view there should be published significant figures at reasonably frequent intervals and not unduly delayed, and that such as are published should be the responsibility of the directors. However, we should do all we can to ensure that the appropriate figures are made available and available when they are wanted, but that those concerned are well aware of the purpose for which they are given and the inferences which can reasonably be drawn from them.

Other developments which the President discussed were the form of presentation of accounts and the exchange of information on manufacturing techniques and costs.

The report and account were adopted.

McINTYRE & SONS LIMITED

(Constructional Engineers)

NET PROFIT MAINTAINED

The fourth annual general meeting of McIntyre & Sons Limited was held on May 10 at The Waldorf Hotel, Aldwych, London, W.C., Lieutenant Colonel W. D Gibbs (chairman of the company) presiding.

The following is the Chairman's statement circulated with the report and accounts for the year ended December 31, 1956:

I am pleased to report that the increased Net Profit of your Company last year (£36,427) has been maintained and is shown at £38,360 for the year under review. Taxation absorbs the high figure of £20,581, so that the Net Profit after taxation comes out at about the same figure, viz., £17,779.

As already announced, it is proposed to recommend the payment of a dividend of 15 per cent less tax on the increased capital of £90,000 which is the same as last year's dividend of 15 per cent and bonus of 7½ per cent (both less tax) on the lower capital of £60,000.

COMPANY FULLY ENGAGED

Your Company was again fully engaged during the year and most contracts proved profitable on completion. The additional plant purchased justified the outlay so that further capital expenditure in this respect is being incurred during the current year.

It was hoped that steel would have been obtainable more promptly but this has not proved the case and one still has to look well ahead.

Your Company may have to relinquish a rented stockyard which it has used for over twenty years and is experiencing difficulty in obtaining suitable alternative accommodation so resources have to be conserved with a view to the purchase of a suitable site when found.

The recent strike adversely affected your Company but it is hoped that the final outcome will make for a better understanding, particularly as there are signs of fewer projects moving, due, no doubt, to the credit squeeze.

In conclusion, I again express my appreciation of the co-operation shown by my colleagues on the Board and by the staff and workpeople employed by your Company.

The report and accounts were adopted.

HUMPHREYS LIMITED

(Building and Civil Engineering Contractors)

LARGE ORDER BOOK BUT PROGRESS HAMPERED

The sixty-fifth annual general meeting of Humphreys Limited will be held on June 4th at Winchester House, Old Broad Street, London, E.C.2.

The following is an extract from the statement by the Chairman, Mr A. V. Bridgland, CBE, which has been circulated with the report and accounts:

Considering the difficulties encountered and the extra cost caused by slower output as the result of strikes the result shown is not unsatisfactory.

The Balance Sheet shows that current liabilities total £816,836 whilst current assets equal £1,149,925, giving a surplus of current assets over liabilities of £333,089, of which £103,420 is in cash.

Our South African contracting business has been a disappointment this year and has shown a small loss. The conditions surrounding this result have now been eliminated and during my recent visit to South Africa various changes were instituted which should prevent its recurrence. We have three main departments there, civil engineering, building and woodworking. Civil engineering is still expanding, but new buildings are almost at a standstill due to increased costs and low rents. Woodworking looks like making a very good return on capital this year.

As to the quarries, they are still earning good profits, but as I pointed out last year, we are under considerable political pressure to close them. To offset this and to make provision for increased demand for crushed stone, a new area is now being tested so that we can meet all contingencies.

PARENT COMPANY

We ourselves have still a large order book, but like all Companies operating here our progress is hampered by credit restrictions, strikes, restrictive practices, and Government interference. Probably no industry is so heavily handicapped as the building industry and our clients work under the greatest difficulty in starting new projects. The immense sums that are lost each year through delays in approving plans, obtaining necessary official approvals, and other forms of interference, coupled with labour troubles of all kinds, can only be conjectured but that they run into many millions is no exaggeration. Sooner or later a day of reckoning must come, and when it does the result could be astonishing.

Another matter to reckon with is our high taxation. Of course, this is mentioned by nearly every Chairman in his report, but one of the catastrophic results is the difficulty of holding trained technicians in this country. Only the most drastic economies by the Government and a reform of the present system of taxation will provide the incentive that is so necessary if we are to remain a country capable of meeting world competition.

You may ask what, therefore, are our prospects. On the basis of our national economy of today I think we are as well equipped as others to meet present difficulties. We have no reason to be afraid of our future if the Government stands firm in its efforts to improve our economy.

Finally, I want to thank the staff for their help in bringing the Company through another successful year.

POSITION IN BRIEF

	£
Earned profit before taxation ...	119,374
Less taxation ...	63,750
Net profit after taxation...	£55,624
Appropriated as follows:—	
Expenses of Capitalization of £50,000 of General Reserve ...	500
Preference dividend net ...	3,163
Ordinary dividend, net ...	21,562
Balance retained ...	30,309
	£55,624
Preference Shareholders:—	
Issued capital ...	£100,000
Gross dividend covered by taxable profits ...	21.7 times
Capital covered by net assets ...	6.1 times
Ordinary Shareholders:—	
Issued capital ...	£250,000
Gross rate of dividend paid ...	15%
Gross rate earned on present capital excluding Reserves ...	45%
Net assets attributable to each 5s. Ordinary Share ...	10s. 2d.

VINE PRODUCTS LIMITED

PEAK WINE SALES

At the thirty-first annual general meeting held on May 9th, Viscount Marchwood, chairman, in the course of his speech, said: Group sales of our British Wines in 1956 reached a new postwar peak. The increase in revenue so produced was, however, insufficient to meet the continually rising costs of our imported raw materials, bottling materials and freight charges.

Thus, in spite of stringent economies such as the adoption of lighter-weight cartons and the greater use of Depot facilities, we are faced with a reduction in profit before tax of £56,613. This figure is almost doubled after tax has been deducted. I would like to emphasise that 1955 was an exceptional year in that the accounts for that year were credited with the recovery of Excess Profits Tax amounting to £26,528 which had accumulated during postwar years.

Another difficulty encountered in 1956 was that a major customer, for whom one of our subsidiaries had produced Egg Flip and British Wine Cocktails since these products were first introduced, decided to go into production on their own account.

"FILLIP" AND "QUIZ"

We, therefore, resolved to market our own Egg Flip under the name "Fillip," and a range of British Wine Cocktails under the name "Quiz," selling at a lower retail price to the public and showing a larger margin of profit to the Trade. Although this venture did not commence until the latter part of the year, both have had a very good reception.

BritviC Fruit Juices have continued to enhance their reputation for quality and excellence and in spite of increased competition have easily been able to maintain their supremacy in this field. Meanwhile their Mineral Water subsidiaries are being successfully reorganised to the advantage of the Group as a whole.

COMMONWEALTH COMPETITION

One of the most significant developments during the past year has been the amount of money which the Wine Producing members of the Commonwealth have expended in this country to subsidise the advertising and promotion of their products. It is a matter of concern to your company and to other members of the British Wine Industry that the Government is prepared to tolerate a state of affairs in which the Commonwealth producer is enabled to produce a Blended Wine at a lower rate of Duty than the home producer with whom he is directly competing. It is to be hoped that this position will be remedied in the near future.

On February 1st of this year we reluctantly put up the price of our Low Strength Bottled Wines by 6d. a bottle to the consumer, the first increase we have made since 1947; even since that price increase, however, the cost of some of our basic raw materials has shown a further substantial advance.

With regard to the future, sales are being well maintained; the cost of outside finance should steadily decrease and constant attention is being given to effecting economies wherever possible and I have every confidence, therefore, that your company will continue to maintain its pre-eminent position in the Trade.

The report and accounts were adopted.

THE RIO TINTO COMPANY

BOARD'S POLICY OF DIVERSIFICATION

MR GERALD COKE ON EXPANSION OF INTERESTS

The eighty-fourth annual general meeting of The Rio Tinto Company, Limited, was held on May 15th in London.

Mr Gerald Coke (the Chairman) presided and, in the course of his speech, said:

Since the end of the year under review, your Company has acquired a further holding in The Rio Tinto Mining Company of Canada, which now gives it an interest of just over 50 per cent in that Company.

As I pointed out in my remarks last year, your Company's investments in the Rhodesian Copper Belt remain its principal source of income. The increase in the profit which is shown in the Accounts under review is almost entirely due to the increase in the dividends received from these investments. The dividends paid by your Company will continue to depend on this source of income during the period when the properties of our associated companies in the Commonwealth are coming into production and are engaged in repaying their prior charges.

WIDENING BASE OF OPERATIONS

As an active mining group it is indeed our business to explore for and develop mineral resources in any part of the world where such operations can be profitably carried out. Your Board feel that the greatest strength can be achieved for the Group by building its activities on a wide base—wide both in the geographical sense and in the types of minerals mined. We hope to achieve this strength mainly within the confines of the British Commonwealth with its greater security of working conditions and where our activities can bring the most benefit both to this country and to the Commonwealth as a whole. We aim, moreover, at building up, both for the parent company and for the principal company in each country in which a main base of activity is established, a portfolio of investments representing a spread over a range of different metals and minerals.

In order to widen still further the functional base of our operations, your Board have felt that the Group should have an interest in oil, which will give it a stake in a more traditional method of producing power, to balance our substantial interest in uranium. We have, therefore, made an offer to the shareholders of the Kern Oil Company, which we hope and believe will be accepted.

Moreover, it is our ultimate intention to invite local subscription to the share capital of the Group's main holding companies in Africa and Australia, as has already been done in Canada. We feel that it is to the benefit of those shareholders if the shares acquired by them represent interests and assets not only in their own country but in other parts of the world where the Group is operating.

A UNIQUE ACHIEVEMENT

Within the framework which I have outlined, each of our associated companies has been going ahead with the exploration or development of its properties. The Rio Tinto Mining Company of Canada is, of course, farthest advanced in this respect because of the eight uranium mines in the Blind River area which are managed by that company, three are already in production and the remainder will come into operation between July of this year and March 1958. This bare statement hardly does justice to an achievement which must surely be unique in the world of mining. The magnitude of the achievement can be appreciated when it is remembered that from the time when the first contracts for uranium were signed and when the Blind River area was still untouched woodland and lakes to the time when the first mine was in operation was only about twenty months; and it will be under three years by the time all eight mines are in production.

The speed and importance of this dramatic development in mining can be assessed when its relation to some of the other mineral products of Canada is stated. By 1958, for instance, uranium will become the metal of greatest gross value produced in Canada.

In Northern Rhodesia our exploration has continued, in association with other mining houses, at an intensified rate. In Southern Rhodesia our main concern has been with the Empress Nickel deposit. This deposit is a large mass of low-grade nickel/copper ore first discovered by Mrs M. M. J. Leslie. By the beginning of this year we had obtained sufficient knowledge of the deposit to decide to exercise our option to purchase the rights from Mrs Leslie and our task will now be to prove the extent of the deposit in order to ascertain whether sufficient ore exists to operate on a scale large enough to make the proposition an economic one.

In the Union of South Africa the principal matter engaging our attention is the Palabora copper deposit.

In Australia the principal activity of our Australian associates is the development of the Mary Kathleen mine. In this task they have been faced with a number of difficulties and problems, not least those arising from the location of the mine and the nature of the country in which it is situated. We know that the energy and spirit of the team in Australia will make light of all obstacles, and it is satisfactory to be able to report that the townsite is already nearly completed, though the mine is not expected to come into production before the end of next year.

QUESTION OF FINANCE

From this brief survey of the Group's principal undertakings in the Commonwealth it will be evident that requirements for further capital to develop promising mines will arise from time to time. In meeting these requirements it will be our policy to retain, in every case, management, even if not de jure, control of the undertaking and we shall always secure for the Group an interest of sufficient size to ensure this. There are some developments, notably the Empress Nickel mine and one or two of the properties of The Rio Tinto Mining Company of Canada, which we hope may in the near future turn out to be sufficiently profitable to bring to the stage of production. If this proves to be the case, I shall have some proposals to lay before you in due course in connection with the raising of the necessary capital.

The report was adopted, and the dividend of 15 per cent, free of tax, was approved.

AMALGAMATED BANKET AREAS, LIMITED

The twenty-first annual general meeting was held on May 14th in London.

Major-General W. W. Richards, CB, CBE, MC, Chairman, presided. The following is an extract from his circulated Statement: The year ended on September 30, 1956, proved one of the most difficult in the Company's postwar history. The Strike of African employees, which lasted from November 20, 1955, to February 27, 1956, cost the Company in direct maintenance charges the sum of £137,996. The net loss for the year of £206,000 was almost entirely due to the labour dispute, and in no way discredits the intrinsic value of the Company's undertaking and assets.

The Consulting Engineer's report contains a detailed appreciation of the Pepe Open-Cast area, and the factors which persuaded the Board to discontinue open-cast operations in August, 1956, and concentrate work in the future on the higher grade underground sections. This was a major policy decision, reached only after detailed investigation and sampling had convinced the Engineers that open-cast operations could no longer be conducted profitably.

We are now conducting development operations at an expenditure rate of £217,000 per annum, as compared with an average rate of £132,000 per annum for the past six years.

The total ore reserves at September 30, 1956, were computed at 1,568,706 tons, of an average value of 5.675 dwts per ton of a width of 40.19 inches. It is anticipated that the present high rate of development will henceforth add progressively to the reserves.

The report and accounts were adopted.

ADAMS PEAK TEA ESTATES LIMITED

The thirty-seventh annual general meeting of Adams Peak Tea Estates Limited was held yesterday in London, Sir Charles Miles, OBE (the Chairman), presiding.

The following is an extract from his circulated review:

The profit for the year ended December 31, 1956, after charging Depreciation, is £46,570, which compares with £25,753 for the previous year. Sales proceeds are up by some £26,000 despite the smaller crop produced, but upkeep expenditure shows a slight increase over 1955. The lower outturn is attributable to the drought which occurred early in 1956.

Your Board has decided to transfer £3,000 to General Reserve and £4,125 to Contingencies Reserve. We recommend a dividend of 25 per cent, less Income Tax, leaving £20,065 to be carried forward.

Our teas realised good prices and a very high standard was maintained. Since the turn of the year, however, values for all descriptions of tea have fallen by over 2s. per lb, and it is too early to say whether the decline in the market has been finally checked. At present, it seems probable that the results for the coming year will not be so favourable as were those for 1956.

In regard to the current year, crop to the end of March is 244,732 lb, an increase of 66,466 lb over the same period last year, but latest reports indicate that the April crop may be down, owing to near drought conditions now prevailing. Export duty still remains at 65 cents, or nearly 1s. per lb.

The report was adopted.

MINERALS SEPARATION, LIMITED

MR J. N. BUCHANAN'S STATEMENT

The Fifty-second Annual General Meeting of Minerals Separation, Limited, will be held on June 5th, at the Chartered Insurance Institute, 20, Aldermanbury, London, E.C.

The following is the Statement by the Chairman, Mr J. N. Buchanan, which has been circulated with the Report and Accounts for the year ended December 31, 1956.

In the autumn of 1956 Minerals Separation purchased further shares in Foundry Services (Holdings) and we thereby brought our holding in that Company up to 60 per cent. of the issued ordinary capital. Foundry Services (Holdings) thereupon became a subsidiary of our Company, and the Group Accounts now before you include the Foundry Services Group results, subject to the deduction of profits attributable to outside shareholders. This is the main cause of the substantial variation in the consolidated figures of our accounts as compared with last year. It is not, however, the whole reason for the satisfactory improvement in our profits. You will notice that our income from dividends rose from £279,000 to £326,000, partly due to higher dividends from Rhodesian and other investments, and partly also to a fuller return upon the moneys raised by the Debenture Issues made in 1954-55. A clearer comparison of the results of the year may perhaps be seen from the net figures. If a deduction is made of the sum attributable to outside shareholders and pre-acquisition profits, £49,000, from the balance of £305,000, there remains a figure of £256,000 to compare with £224,000 last year. It is to be noted, too, that tax provision this year takes £395,000 as against £230,000 last year.

The Group Balance Sheet similarly reflects changes, resulting from the grouping of Foundry Services, both in the premium paid on acquisition of the shares, and in the substantial increase in most of the items under Fixed and Current Assets and Current Liabilities.

When it is remembered that the Foundry Services Group is a world-wide organisation with wholly or partly owned subsidiaries in USA, Canada, South Africa, France, Germany, Italy and Austria, the amount of work that has been necessary to bring to completion these Accounts may be appreciated. Owing to the time lag that is inherent in the preparation and auditing of all those Companies' Accounts individually, and thereafter in the Group, it is probable that we shall have to present our fully audited accounts later than we have been accustomed to in the past. Moreover, we think it wiser to await such audited accounts before declaring our final dividend, which next year, therefore, will probably not be declared before May or June.

REVIEW OF INTERESTS

I will now refer to the following of our interests in detail.

We received increased dividends from all our Rhodesian holdings. These should be regarded as exceptional; owing to the fall in the price of Copper, we cannot expect dividends on a similar scale for the current year. Nevertheless, we look for a satisfactory return from our Rhodesian investments, which are all in well managed enterprises commanding our continued confidence.

Another successful and progressive year was experienced by the Foundry Services Group. In the UK turnover increased, although in common with many other manufacturers, increased costs have brought about some lowering of the profit margin. The new factory at Drayton Manor went into full production, and the "Opening Week" attracted nearly 1,000 visitors from our customers and others in foundry circles, who showed lively interest and expressed satisfaction at what they saw.

The overseas interests continued to expand. Subsidiary Companies in Canada, South Africa, France and Germany increased their turnovers and profits; in the latter two countries additional factory space is now required, and plans are being studied to meet this position. In Italy and Austria, where the pace was slower, progress continues. In Japan a new Company has been formed which began operating at the beginning of 1957, and the prospects are considered promising. Other countries have been visited, and further plans of expansion are continually under review.

As stated last year, it is in the USA that the greatest potential scope lies. Although the turnover for the year under review was doubled and an increased profit made, we have felt for some time that our future development in that country was not easy to guide and control by ourselves alone. After careful enquiry and detailed negotiations, we have in the last month made an agreement with Messrs. J. H. Whitney & Co. of New York whereby they will in effect join us as partners in our American enterprise. Under that agreement they have acquired from us a substantial minority interest in the shares of Foundry Services Inc. They will take an active part, not only on the Board of that Company, but also at the executive level in direction and planning. We warmly welcome this association, which greatly strengthens our whole position in that field.

J. W. Jackman & Co. Ltd. had a good year with a record output and a good profit margin. The work in progress at the end of the year stood at a high figure and the value of orders on hand was also satisfactory. A new bay and new heavy machine tools were brought into operation during the latter part of the year. The first of the orders for large moulding machines mentioned in this report last year was delivered and other machines new to this country were also successfully introduced during the year.

The over-all position of the Howard Pottery Group did not improve during the year, and there was a small loss on the year's Accounts. Although, as a result of the writing down we have made in the last two years our financial interest at stake in the Group is now small, we are naturally anxious to restore the trading position. It will be remembered that the original owner and controller of the Group, mainly responsible for building up its earlier prosperity, was Mr D. K. Bailey, who, after we acquired control in 1947, continued as Managing Director until his resignation in 1954.

During the year, your Directors decided to invite Mr Bailey to resume his control, and I am pleased to report that this invitation was accepted, and he rejoined the Howard Pottery Group in December. We welcome his return. It must be appreciated that he has a difficult task of re-organisation before him, but both he and we are hopeful that better results will follow in due course.

Finally, our thanks are most sincerely tendered to all those in our Group who, by their loyalty, intelligence and work, have contributed to the results put before you this year.

BANCA TOSCANA

HEAD OFFICE AT FLORENCE, ITALY

A Company Limited by Shares under Italian Law

Capital L. 500,000,000 fully paid

Reserves and Revaluation Balances L. 929,550,000

Balance Sheet as at 31st December, 1956

ASSETS		L.
Cash		2,842,313,973
Bills, including Treasury Bills		29,850,504,738
Securities :—	L.	-
Government or Govt.-guaranteed	9,650,836,087	
Mortgage Bonds	790,360,362	
Miscellaneous	281,014,087	
		10,731,210,536
		225,478,561
Participations		
Time Loans Against Securities		241,200,000
Advances		17,600,364,968
Real Estate		851,253,349
Furniture and Fittings		1
Sundry Debtors		614,989,064
Acceptances and Guarantees		652,603,220
Items for Collection		5,398,174,260
TOTAL ASSETS		68,888,092,670
Memorandum Accounts :—		
Securities Deposited by way of Guarantee, etc. :—		
Pension Fund	615,500,000	
Outside Parties	9,288,875,091	
		9,804,375,091
Other Securities Deposited		18,420,681,639
TOTAL		97,113,149,400

LIABILITIES		L.
Savings Accounts		32,759,964,201
Current Accounts		27,775,502,531
		60,535,466,732
Circular Cheques		1,688,283,308
Sundry Creditors		986,149,511
Staff Pension and Welfare Fund		1,821,941,268
Undaimed Dividends		2,383,455
Items for Collection		784,588,765
Acceptances and Guarantees		652,603,220
Unaccrued Interest and Commissions		255,206,608
Balance of Profit from previous year		3,725,635
NET PROFIT		111,771,965
TOTAL LIABILITIES		67,520,190,467
CAPITAL AND RESERVES		
Capital	500,000,000	
Ordinary Reserve	70,841,101	
Special Reserve	200,000,000	
Currency Revaluation Fund	597,061,102	
		1,367,902,203
TOTAL CAPITAL AND RESERVES		68,888,092,670
Memorandum Accounts :—		
Securities Deposited by way of Guarantee, etc. :—		
Pension Fund	615,500,000	
Outside Parties	9,288,875,091	
		9,804,375,091
Other Securities Deposited		18,420,681,639
TOTAL		97,113,149,400

ALLIANCE ASSURANCE COMPANY, LIMITED

Extract from the Review of the Report and Accounts for the year 1956 by the Chairman, Mr T. D. Barclay

The business continued to expand, the total premiums in the Fire, Accident and Marine Departments having increased by approximately 8½ per cent from £15,629,620 to £16,963,793. The total underwriting surplus from these three Departments was £1,107,234 as compared with £1,642,058.

LIFE DEPARTMENT

The net new sums assured completed during the year amounted to £11,273,090 compared with £10,240,898 in the previous year. This increase of about 10 per cent is in line with that achieved by the Life Offices as a whole.

During the year the Life and Annuity Funds increased from £32,468,433 to £34,473,889.

FIRE DEPARTMENT

The net premiums rose from £6,812,777 to £7,293,974 and the claims from £2,519,083 to £3,348,179. It will be seen that the increase in the claims was nearly double that in the premiums and, in consequence, the underwriting surplus carried to the Profit and Loss Account was approximately £550,000 less at £314,984.

The business both at home and abroad continued to expand and the overall increase in premiums of about 6 per cent can be counted as satisfactory in the light of the very competitive conditions now obtaining.

MARINE DEPARTMENT

The net premium income shows a small reduction at £2,137,712 as compared with £2,170,140 in 1955.

The Underwriting Account for 1954 has now been closed with a balance of £426,216. Of this amount £195,751 was required to settle claims arising from previous years' accounts leaving £230,465 available for transfer to the Profit and Loss Account. This compares with £231,445 in 1955.

ACCIDENT DEPARTMENT

The net premiums in the Accident Department amounted to £7,532,107 as against £6,646,703 in 1955. The claims amounted to £3,632,142 as against £3,170,543 and the surplus carried to the Profit and Loss Account shows an increase of about £20,000 at £561,785.

The increase of £885,404 in the premium income, representing over 13 per cent, is remarkable even for this Department which has been expanding very rapidly for some years. Perhaps it is too much to hope that expansion will continue at this rate but I believe the prospects are still bright.

The Motor Account has again shown a loss, though less than that for 1955. At home the year opened badly and much worse results were only avoided by the most stringent underwriting policy aided by a comparatively mild winter and the restriction of motoring caused by petrol rationing.

TRUSTEE DEPARTMENT

The total fees received during 1956 amounted to £28,115, which represents a small increase over the previous year.

INVESTMENT DEPARTMENT

There was a further substantial fall during 1956 in the market prices of Stock Exchange Securities, in consequence of which the portfolio of the Alliance Life and Annuity Funds showed an excess of Book Values over Market Values by an amount of rather less than 2½ per cent of the total assets of the funds. It is noteworthy, however, that this depreciation was entirely eliminated by the general recovery which was experienced within the first few weeks of 1957; of more permanent importance is the very large ultimate increment which the investments in definitely redeemable stocks, which form a very large part of the whole, will show on maturity.

The average gross income yield on the whole Fund (ignoring increments on redemption) rose from £4 18s. 5d. per cent to £5 1s. per cent.

In the case of the Members' Funds it will be seen that the securities held by certain Subsidiaries were written down by the transfer of £78,458 from Profit and Loss Account; the favourable margin between the Book and Market Values at December 31st for the Group was, however, still substantial. The gross investment income on the Members' Funds rose in 1956 by some £87,000 to £1,120,938 and has thus nearly doubled since 1948.

PROFIT AND LOSS ACCOUNT

The profit of the Group, after making provision for taxation and other outgoings, amounted to £1,224,201 as compared with £1,458,625 in 1955.

As you are aware, the Board has decided to declare a dividend for the year at the rate of 3s. 9d. per share, less Income Tax. This compares with 3s. 6d. in the previous year.

TELEGRAPH CONSTRUCTION & MAINTENANCE

INCREASED TURNOVER

The ninety-third annual general meeting of The Telegraph Construction and Maintenance Company Limited was held on May 16th in London, Sir John Dean, BSc, ARIC, FIRI (Chairman and Chief Executive) presiding.

The following are extracts from the Chairman's circulated statement for 1956:

The earnings of the Group have fallen only slightly below the 1955 figure and the Group Profit before taxation shows a decline of 7½ per cent as compared with the 1955 figure, despite an increase in turnover amounting to 14 per cent. The directors have recommended a final dividend of 3¼ per cent and a cash bonus of 1 per cent on the Ordinary shares, as in 1955.

With the sole exception of the Cables Group, all sections of the company have operated in a highly satisfactory and profitable manner during the year.

Once again we start the year with a very satisfactory order book and look forward to further increases in our turnover so long as crises, which always seem to loom ahead, do not seriously interfere with our production programmes.

The outstanding event of 1956 was the successful completion of the manufacture of 92 per cent of the cable required for the first trans-Atlantic telephone cable system which was inaugurated in September last.

The report and accounts were adopted.

CRUSADER INSURANCE COMPANY LIMITED

MR HARVEY BOWRING'S STATEMENT

In his annual statement, the Chairman of the Crusader Insurance Company Limited, Mr Harvey Bowring, stated that in 1956 *new Life sums assured, other than Group,* amounted to a record £3,552,490. Reversionary bonuses of 47s. and 40s. per £100 assured on "With Profits" Whole Life and Endowment Assurances respectively, were declared for the year to December 31, 1956.

During the past year the Company had introduced a Deferred Annuity contract for controlling directors, self-employed persons and non-pensionable employees, a comprehensive scheme with a wide measure of flexibility. An applicant did not need to decide in advance on what date he wished to retire, or the guaranteed period of the annuity which besides being eligible for bonus additions each year during the premium paying term, would attract a final bonus at the time it vested, a valuable feature likely to have a material effect on the rate of pension payable.

Net premium income in the Fire branch was £151,238, £35,966 over 1955. Sickness and Accident and miscellaneous business included weekly premiums of £363,021. The installation of 62 Group Life and Pension Plans and 38 Group Sickness and Accident Plans brought the number of Group Plans in operation to 670. The results were proof indeed of the energy and enthusiasm shown by the staff in their work.

CROSSE & BLACKWELL (HOLDINGS) LIMITED

The annual general meeting of Crosse & Blackwell (Holdings) Limited was held on May 15th in London, Mr H. L. Roy Matthews, CBE, the chairman, presiding.

The following is an extract from his circulated statement: The total sales increased substantially and constitute a record for the Company. This advance in sales was reflected both in the home and export trade, but the improvement was proportionately greater at home than abroad.

The increase in sales is distributed over our various trading companies in the Group, but particularly satisfactory advances can be recorded both in regard to the Crosse & Blackwell and Tobler products. As regards the Keiller Company difficulties in the marmalade and preserves market still persist.

The trading profit has increased to £1,265,962 and the net profit to £543,633.

As has already been announced your Directors propose to issue additional capital to the extent of 450,000 Ordinary Shares. These shares are being offered to Stockholders on a basis of one in five at a price of 30s per share.

It is proposed to use the fresh money by still further modernising the Company's existing plant to enable actual and potential sales demand to be fully met. Furthermore, it is intended to develop certain new lines.

Increasing costs, both as regards wages and raw materials remain with us and it is inevitable that the price of certain of our products must increase in common with those of our competitors. The report and accounts were adopted, and a total dividend of 12½ per cent for the year was approved.

THE PYRENE COMPANY

LARGER TURNOVER

The forty-third annual general meeting of The Pyrene Company Limited will be held on June 4th at Great West Road, Brentford.

The following is an extract from the circulated Statement by the Chairman, Mr Francis A. J. Harrison, for 1956:

Group turnover for 1956 was up by 6.5 per cent, but wages and salaries increased by 9.8 per cent and costs of materials by 9.0 per cent. Group Trading Profit was £630,820, which is £282,457 lower. Unfortunately taxation at £272,635 was higher and reduces the consolidated profit to £223,246 against £28,117 for last year. Out of the proceeds of the rights issue made last December your Company acquired, shortly before the end of the year, the entire issued share capital of the C-O-Two Fire Equipment Company of Canada Limited.

The Pyrene Company Limited: The Parent Company's sales were just over 2 per cent higher than in 1955. Although this is a small increase, it constitutes a record. Direct exports were 3 per cent higher, and shipments were made to 93 overseas territories. Direct and indirect exports combined accounted for 41 per cent of sales.

Canada: Sales of Pyrene Manufacturing Company of Canada in 1956 were 13 per cent higher than those of 1955 and operating profit was increased. At the end of 1956 the company received a contract for Airfield Crash Trucks for the RCAF. The value of this contract is approximately one and a half million Canadian dollars. These crash trucks are being produced by the Parent Company who in addition is already producing Foam Crash Tenders for the Canadian Government's Department of Transport for use on civil airfields in Canada.

Minimax Limited: The development of production on the new plant for fire extinguisher manufacture took longer to finalise than was anticipated. Despite this, profits were nearly double those of the previous year. There is every reason to expect improvement in 1957.

High Pressure Components Limited: Sales of this company's special valves and couplings are increasing steadily.

Sun Engineering (Richmond) Limited: This company has in hand a considerable number of orders for the foam pump type of vehicle for which it is well known.

Looking Forward: The Parent Company's shipments over the first four months of the year will be somewhat lower than at April, 1956. This is not due to a lower order book, but rather to the changes in the products required. From May onwards the rate of output of Bumpers required by the Motor Industry will be approximately the same as over the corresponding period of 1956.

The Metal Finishing Division's demand in April has also increased and is in fact level with April of last year.

Work on the development of larger Dry Chemical Fire Extinguishing Units is nearing completion and will shortly provide useful additions to the company's range of products. Other developments in hand include a new type of portable tower for applying foam to oil and petrol storage tanks and the development of equipment and methods for dealing with special fire risks in the atomic energy and guided missile fields. Whereas the first half of 1956 was the better half, it will be the second half of 1957 that will help the year to finish better than the earlier months would indicate.

THE ANGLO-PORTUGUESE TELEPHONE COMPANY

A FULL AND ACTIVE YEAR OF CONTINUED PROGRESS

SIR ALEXANDER ROGER ON EFFORTS TO MEET RAPIDLY EXPANDING DEMAND

The seventieth annual general meeting of The Anglo-Portuguese Telephone Company, Limited, will be held on June 6th at Strowger House, 8 Arundel Street, London, WC2.

The following is an extract from the statement by the Chairman and Managing Director, Sir Alexander Roger, KCIE, which has been circulated with the Report and Accounts:

The Accounts for the year to December 31, 1956, give details of the continued progress of your Company.

Total Revenue at £2,564,829 is £276,173 higher than in 1955, mainly due to the large scale additions to the Company's networks in recent years.

Total Expenses, including Royalties to the Portuguese Government, Renewals and Depreciation, Taxation, Debenture and Loan Interest, Sinking Fund Instalments and Capital Issue Expenses, amounted to £2,185,826. This compares with £1,790,501 in 1955, a year which had the benefit of substantial taxation relief resulting from claims arising out of the very heavy capital programme undertaken in that year.

Net Revenue at £379.003 compares with the 1955 figure of £498,155, the difference of £119,152 being due to a higher provision for taxation.

You will have noted that the Chancellor, in his recent Budget, proposes to institute a new system for the taxation of certain Companies which are controlled in the United Kingdom but which carry on their business abroad. The Finance Bill giving effect to these proposals was published on April 30th last and is being studied but, until its final form is known, it will not be possible to assess its effect on the Company.

It is proposed to pay a final dividend of 5 per cent on the £3,985,500 issued Ordinary Stock making, together with the 3 per cent Interim dividend paid in November last, a total of 8 per cent for the year. It is also proposed to pay a dividend of 8 per cent on the "A" Ordinary Stock.

After providing for the above dividends which, together with the dividend on the 6 per cent Preference Stock, require £222,433 and after transferring £150,000 to General Reserve, the Carry Forward is increased by £6,570 to £235,073.

In October, 1956, an issue was made in Portugal, the first by your Company outside the United Kingdom. The issue, which was of 80,000 5 per cent Obligations of Esc.1,000 each at par, was highly successful, being over 2½ times subscribed.

The issue was entirely in Escudos but, for the purposes of the Accounts, conversion to Sterling has been made at an Exchange Rate of Esc. 80.50 to the £, the rate used throughout the Accounts.

The annual investigation of the telephone plant and equipment has been made by our Consulting Engineers and upon their recommendation, the Provision for Renewals has been increased by £206,245 to £2,388,963 which is 21.8 per cent of the original installed cost of the plant and which, in the opinion of the Consulting Engineers, is adequate.

The Provision for Renewals, together with the other Reserves of the Company, continues to be invested in the business.

GENERAL PROGRESS OF THE COMPANY

A large part of the capital expansion carried out during 1956 consisted of providing service to new subscribers by connecting up lines which had been made available in our exchanges in the previous year.

The net expenditure on Telephone Plant during 1956 again exceeded £1 million and, although this was substantially less than in the previous year, the number of new stations brought into service during 1956 at 18,960 was actually slightly above the corresponding figure for 1955 and created a record for the Company.

At the end of 1956 the number of stations stood at 189,715 including Exchange Lines of 145,260. The 200,000th station will be installed during 1957 and it is a mark of the ever growing importance of the telephone in a modern community that, whereas it was not until 1950, the 64th year of the Company's operations in Portugal, that the first 100,000 stations were completed the second 100,000 will have been added in less than seven years.

During 1956 extensions were made to existing exchanges, in both Lisbon and Oporto, at Lumiar, Graca, Norte, Almada, Lapa, and a number of smaller exchanges. In addition considerable work was undertaken which will become revenue earning during 1957.

CONSTANT DEMAND FOR TELEPHONES

Over the past ten years the number of telephones per 100 of the population of Lisbon and Oporto has more than doubled. Despite this unusually progressive rate of development, the Company continues to receive new applications for service at the rate of over 19,000 each year, which provides a measure of the continuing and beneficial new business open to us.

Our two concession areas, Lisbon and Oporto, are being developed rapidly. New houses, flats, shops, offices and factories are being speedily built and, consequently, it is essential that the company should anticipate demand, so far as possible, particularly in the newly developed sections of the cities. For this reason, the whole of our systems is under constant review. Existing exchanges have to be enlarged and often new exchanges must be built to relieve the pressure.

Our development planning has been brought to a very high standard of efficiency. Our aim is always to keep as short as possible the time between the drawing board and the bringing into operation of the exchange and we are always seeking new and improved methods of installation which will reduce the period during which, inevitably, capital is locked up. The sooner new exchanges are earning revenue the sooner are we able to turn our attentions to the installation of the further plant and equipment which is continually required.

The telephone group of which your Company is a member has a long record of

manufacture, operating and finance in many parts of the world and all the combined knowledge of the group is at our disposal.

Your Directors have continued their policy of obtaining from our associated company, Telephone and General Trust Limited, the short-term financial assistance which has proved so convenient and economical over the years. This assistance takes the form of day-to-day loans as they are required to meet the cost of materials needed for the purposes of our business in Portugal.

The loan stands today at approximately £475,000 and will be substantially increased by the end of the current year. Plans are closely under review for the issue of further Ordinary Shares on a "rights" basis.

Apart from a very small balance, the whole of the Authorised Capital of your Company has been issued and it is proposed, therefore, at the forthcoming Annual General Meeting, to create a further 2 million Ordinary Shares which will be available for issue when required.

LIMMER & TRINIDAD LAKE ASPHALT COMPANY, LIMITED

ANOTHER SUCCESSFUL YEAR

CHAIRMAN'S STATEMENT

The eighty-fifth annual general meeting of this company will be held on June 7th in London.

The following is an extract from the circulated statement by the Chairman, Sir John Hathorn Hall, GCMG, DSO:

The gross trading profit of the Group has increased from £711,255 in 1955 to an all-time record of £794,928, and the Group's profits, after deducting depreciation, constitute for the fifth successive year a record at £523,130, compared with £489,638.

This has only been made possible by means of a notable expansion of turnover, representing 17½ per cent over 1955, which in turn was 15 per cent above 1954. But this expansion has been achieved in the face of increasingly severe competition and, in consequence, at the cost of a general reduction of profit margins.

Your Board recommends a final dividend of 9 per cent, making a total of 15 per cent on the increased capital.

An exceptionally mild winter and fine spring have greatly assisted our outdoor work, and given us an excellent start for the year and, with the present satisfactory state of our order book, it may well be that the financial results for 1957 will in the event measure up to those of 1956.

If this should prove to be the case, and if once again our business expands and prospers, our success will be primarily due to the fact that we have got a first-class organisation possessed of ample and up-to-date plant and equipment and, infinitely more important, supremely well staffed and served at all levels.

APPOINTMENTS

GOVERNMENT OF CYPRUS

Trade Union Adviser required to encourage development of sound trade unionism, and to advise trade unions on organisation, methods and negotiation. Experience as a trade union officer in an established United Kingdom union, preferably as an organiser, and including experience as a negotiator, essential. Four-year contract. Salary £2,277, with gratuity. Outfit allowance. Normal tour, 21 months. Quarters provided, if available, at low rental. Free passages. Generous home leave. Low Income Tax.—Further particulars and application forms from Director of Recruitment (Overseas Service), Colonial Office, Great Smith Street, London, S.W.1, quoting BCD 132/17/03. Closing date for receipt of initial enquiries, May 31, 1957.

CORNER BROOK

CANADIAN PROVINCE OF NEWFOUNDLAND
CITY MANAGER

Applications are invited for the post of Manager of the City of Corner Brook (population 23,000) situated on the west coast of the Province of Newfoundland, Canada. The duties of the successful candidate will be similar in some respects to those of a Town Clerk but are better compared with those of a General Manager reporting not to a Board of Directors but to the City Council. Experience of municipal administration is essential. Salary $Can. 12/15,000 per annum.—Applications and requests for further particulars, should be sent to Box 694.

TARIFF SPECIALIST. A very well-known and expanding Company, with Head Office and chief manufacturing unit in the provinces, invites applications for an important appointment in its Market Research Section. The position is an exacting and responsible one, requiring sound judgment and high intellectual ability. Duties will be connected entirely with tariffs and related problems affecting the Company's activities and interests and will extend over a wide range of products and markets. Essential qualifications are a University degree with first or second class honours and at least two years' experience as a Tariff specialist in industry or a trade association. Applications, which will be regarded as strictly confidential, should set out full personal history.—Box 692.

J. SAINSBURY LIMITED

Food Distributors and Manufacturers operating in London, South East England and the Midlands, desire to appoint a man to take charge of investigations leading to the installation of an Electronic Computer and then to manage such installation.

Applicants should be between 30 and 35 years of age, of good education with a university degree or professional qualification demonstrating a good mathematical ability. Preference will be given to those applicants having experience in Organisation and Methods, and general, but not necessarily detailed, knowledge of electronic computing.

Commencing salary according to qualifications and experience; a figure in the neighbourhood of £1,500 is envisaged.

The post is permanent and pensionable.

Applications, giving details of age, education, qualifications and experience, should be sent to:

The Secretary, J. Sainsbury, Ltd., Stamford House, Stamford Street, Blackfriars, S.E.1.

UNIVERSITY OF GLASGOW

LECTURESHIP AND ASSISTANTSHIP IN SOCIAL AND ECONOMIC RESEARCH

Applications are invited for a Lectureship and for an Assistantship in Social and Economic Research, tenable from October 1, 1957. Salary scale: Lecturer—£900-£1,650; Assistant—£700-£850. Initial salary according to experience and qualifications. F.S.S.U. and family allowance benefits.

Applications (6 copies) should be lodged, not later than June 15, 1957, with the undersigned, from whom further particulars may be obtained.—Robert T. Hutcheson, Secretary of University Court.

A LARGE manufacturing company in the West Country has vacancies in its expanding Market Research Section for women university graduates, aged under 25, with good degrees in Economics. The work, which is in a new and interesting field, involves interviewing members of the public and assisting in analysis and reporting of the data collected. Retail surveys are also undertaken. About six months in the year is spent interviewing both in London and the provinces. A full training will be given.—Apply to Box 693.

RESEARCH MANAGER

Young executive wanted to organise and supervise product and market research for American company in Britain. Excellent opportunity for right man. Salary open.—International Latex Corporation, Playtex Park, Port Glasgow, Scotland.

BEN JOHNSON AND CO. LTD. requires a Technical Assistant of superior education and good background, with a sound grasp of chemistry and physics. Acquaintance with Letterpress, Lithography and, if possible, Gravure is desirable, though this last is not vital. The successful applicant would be trained in the latest printing techniques and would be required, amongst his other duties to visit Trade Exhibitions, leading Print Houses here and abroad, and manufacturers of Printing Machinery, with a view to improving his ability to make suggestions on the latest developments in the industry. Commencing salary £750 to £800 per annum.—Write, giving age and full details of education, personal background and practical experience, to the Secretary, Boroughbridge Road, York.

THE UNIVERSITY OF SHEFFIELD

DEPARTMENT OF EXTRAMURAL STUDIES

Applications are invited for the post of Staff Tutor in Industrial Relations/Economics to take day-release and normal evening classes, and to begin duties as early as possible in the session 1957-58. A new salary scale is being introduced, and is expected to be £700 x £50-£850, with F.S.S.U. provision and family allowance. Initial salary according to qualifications and experience.—Further particulars should be obtained from the Registrar, to whom applications (12 copies) should be sent by June 8, 1957.

UNIVERSITY OF NATAL

INSTITUTE FOR SOCIAL RESEARCH DURBAN
SOCIOLOGIST OR SOCIAL ANTHROPOLOGIST

The Institute for Social Research will be undertaking a study of certain demographic aspects of recent developments in the Swaziland Protectorate. The scheme, which is sponsored by the Colonial Social Science Research Council through the Swaziland Government, provides for the appointment, for a three-year period, of a sociologist or social anthropologist.

Applications are invited for this post, which will be on the salary scale, £1,050 x £50—£1,400, starting salary being dependent on seniority, qualifications and experience. Applicants should be suitably qualified in sociology or social anthropology, familiar with demographic techniques and prepared to learn the Swazi language. Some academic training in economics or law will be a recommendation.

A married appointee would receive a cost of living allowance which would be at the Swaziland rate (at present 12 per cent of salary up to a maximum of £132) when in the field, and at the South African rate (at present £234) when in Durban, e.g. when writing his report during the final nine months of the scheme. Housing at Swaziland Government rates (10 per cent of salary with a maximum of £150 per annum) and free medical service would be provided during service in Swaziland. This scheme makes provision for passages, local travelling, camping and research equipment, subsistence allowance when away from headquarters. Pension fund contributions, where applicable, will be paid.

Application forms and further details about the scheme are obtainable from the Director, Institute for Social Research, University of Natal, King George V Avenue, Durban. Application forms should be submitted in triplicate, one copy going to each of the following:

The Permanent Under Secretary of State for Commonwealth Relations, Downing Street, London, S.W.1.
The High Commissioner for the United Kingdom, Hill Street, Pretoria.
The Director, Institute for Social Research, University of Natal, King George V Avenue, Durban.

The closing date for South African and Federation candidates is June 15, 1957; and for United Kingdom candidates: July 15, 1957.

A PRODUCTION ENGINEER FOR MANAGEMENT CONSULTANCY

A British firm of management consultants, well established in this country and having overseas subsidiaries, has, as a result of expansion, a vacancy for a production executive or engineer. Applicants should be between 28 and 35 years of age and should be experienced in modern production management, shop-floor relations and work study. An honours degree is preferred. This is an outstanding opportunity to advance quickly to a high salary level and to gain a wide experience of large sections of British industry. Starting salary is up to £1,750 per annum with progress to between £4,000 and £5,000 per annum in 8 to 10 years. Movement is confined to small regions at all times and after four years' service all assignments are within daily reach of home. On the other hand, service in other parts of the United Kingdom or overseas including the USA can be arranged for those who prefer it.—Please communicate, in strictest confidence, giving short outline of age, education, experience and salary, through Box 695.

CAREER OPPORTUNITIES IN CANADA

Leading Canadian Trust Company, which performs a wide range of fiduciary functions and offers careers in estate administration, corporate financing and investment management, has attractive openings in its various offices for graduates (aged 22-35) in Arts, Law, Economics or Accountancy, with excellent opportunities for advancement in this rapidly expanding organisation.

Persons interested are invited to submit detailed accounts of their background, giving names of two references and accompanied by two photographs, to:

Messrs. Thomson, Dickson and Shaw, W.S., 1 Thistle Court, Edinburgh, 2; Messrs. A. and L. Goodbody, 24 Dame Street, Dublin, Eire.

Arrangements will be made to interview selected applicants in the latter part of June.

CENTRAL ELECTRICITY AUTHORITY

HEADQUARTERS

Statistical Assistant required in the Utilisation Research Section of the Commercial Department in London, E.C.2. Candidates should have a knowledge of statistical methods, especially sampling, analysis of variance and multiple-regression. Salary £851-£929 per annum.—Applications, stating age, qualifications, experience, present position and salary, should be forwarded to D. Moffat, Director of Establishments, Winsley Street, London, W.1, by May 31st. Quote ref. L/207.

RESIDENT MANAGER for Mediterranean Office required by London Chartered Accountants. Applicants should be qualified and aged about 30-40 years. Salary $2,500 for initial Contract of two years with possibility of accession to London partnership later. Write, with full particulars to T.K., Box 277, Reynells, 44, Chancery Lane, W.C.2.

APPOINTMENTS

LONDON OFFICE of national newspaper group requires a young male arts graduate with two or three years' experience in industry, not necessarily in newspapers or advertising, for its Research and Promotion Department. Required qualities: Aptitude for working with figures (but not a statistical background) and some ability to write (advertising, "copy" as well as marketing reports). Applicants should give details of education, experience and present salary.—Box 691.

KUWAIT OIL COMPANY

requires
BUDGET ASSISTANT
for their London Office.

The Company seeks a man who has had experience of Capital Programme and Budget preparation, subsequent control, and preparation of pay-out studies for projects. Alternatively he could be a qualified Cost and Works Accountant with Oil Company or Civil Engineering Contractors' experience. Age 25-35. Salary according to age and experience. Luncheon Vouchers. Pension Scheme.—Applicants should send brief details, quoting L.O.241 to Box W/1102, c/o 191 Gresham House, E.C.2.

NEWBATTLE ABBEY COLLEGE

DALKEITH, MIDLOTHIAN

Applications are invited for the post of Resident Staff Tutor, with special responsibility in the social sciences. Good Honours degree in Economics, Economic History, Political Economy, or an allied subject desirable. Salary £700 x £50-£1,350 (less appropriate reduction for residence). Starting salary according to qualifications and experience. Probationary period of two years.—Further particulars and Forms of Application, which should be lodged not later than May 31, 1957, may be had from T. M. Jinkins, W.S., Secretary to the Governors, 20 Castle Street, Edinburgh.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the full-time posts of Assistant in the Research Section of the Faculty of Economic and Social Studies. The successful candidates will be required to pursue research in Economics, Economic Statistics, Government, Social Administration, Social Anthropology or Sociology, and should be graduates in any of these subjects or in Modern History or Economic History. There are vacancies in both Grades II and III. The salary scales are at present under review and are expected to be as follows: Grade II—£700 to £850 per annum. Grade III—£600 to £650 per annum.—Applications should be sent not later than June 8, 1957, to the Registrar, The University, Manchester, 13, from whom further particulars and forms of application may be obtained.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the temporary post of ASSISTANT LECTURER IN ECONOMIC STATISTICS. The appointment will extend for a period of two years from October 1, 1957. The salary scale is at present under review, and is expected to be within the range £700 to £850. Full Superannuation membership of the Children's Allowance Scheme.—Applications should be sent not later than May 25, 1957, to the Registrar, The University, Manchester, 13, from whom further particulars and forms of application may be obtained.

UNIVERSITY OF HONGKONG

Applications are invited for the post of Lecturer or Assistant Lecturer in Economics.

Annual salary (Superannuable) is as follows: Lecturer, £1,575 x £50—£2,175 (man), or £1,200 x £40—£1,680 (woman). Assistant Lecturer £1,375 x £50—£1,525 (man), or £1,040 x £40—£1,160 (woman), together with an expatriation allowance of £225 a year if applicable. The equivalent of income tax in the Colony is comparatively low.

First-class sea passages are provided for expatriate staff and their families on first appointment and leaves.

Applicants should have an academic degree and qualifications for teaching in the fields of Applied Economics (Public Finance, Money and Banking, International Economics) and Economic Theory for undergraduates. Ability to give courses also in Statistics or Business Administration would be an advantage. Appointment to the Lectureship or the Assistant Lectureship will be made according to qualifications and experience. The post gives ample scope for research in economic problems of the Far East.

The successful applicant will be required to take up duties on September 1, 1957.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in Hongkong and London, is June 21, 1957.

RHODES UNIVERSITY

GRAHAMSTOWN, SOUTH AFRICA

Applications are invited for the post of Lecturer or Senior Lecturer in Native and/or Public Administration, from January, 1958.

The salary scales are: Senior Lecturer, £1,050 x £50—£1,400 per annum; Lecturer, £800 x £50—£1,050 per annum.

In the case of married persons only, a variable cost-of-living allowance, at present £234 per annum is payable in addition. Previous experience and academic qualifications may be taken into account in fixing the commencing salary.

Full particulars and application forms may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in South Africa and London, is June 15, 1957.

ASSISTANT ADVISER

UNILEVER LIMITED requires a qualified accountant or cost accountant, age 28-40, for advisory work in the fields of Organisation, Production Study, Budgetary Control and Distribution Cost Analysis. The successful applicant will be based on Head Office in London but may be assigned for short or long periods to any of the operating units in this country in which case expense and travel allowances will be paid. He must possess a first-class professional and/or industrial background, a sound knowledge of modern methods of cost control, and the ability to express himself clearly.

Starting salary will be dependent on age and experience but not less than £1,350 p.a. The post will offer the opportunity for original thinking and the broadening of experience over a wide field of subjects, and should lead eventually to a more senior appointment within the Concern. Pension scheme. Interviews in London or the North.

Replies, stating age, qualifications, current salary and brief details of education and experience to date, should be sent to Personnel Division (PRB/1155), Unilever Limited, Unilever House, London, E.C.4.

ASSISTANT TO COMPANY SECRETARY.—A large firm of Electrical Manufacturers, with offices in Central London, wishes to appoint an Assistant to the Company Secretary. He will be required to assist in dealing with problems falling within the province of the Company Secretary, particularly those of a legal nature. Candidates should preferably be men under 35, who have graduated in law and have also studied economics. Commercial or industrial experience, or practice as a Barrister or Solicitor, would be desirable. Alternatively, it might be possible to consider a recent graduate if it was thought that he had exceptional promise. A commencing salary of up to four figures would be paid, according to age and experience.—Please send detailed applications to Box 690.

IBM UNITED KINGDOM LIMITED, manufacturers and distributors of Punched Card Accounting equipment and Electronic Data Processing Machines, require men of outstanding ability, capable of meeting and working with senior executives. This is intensely interesting work comprising the investigation of accounting, computing book-keeping methods and systems, the preparation of reports and proposals, and the subsequent installation of recommended machine accounting methods. In other words, this is a specialist consultant's job.

Applicants should be under 35, preferably with a degree or professional qualification, or with a wide experience of commercial and/or industrial systems and methods, or experience in a large Punched Card installation. Recent graduates without experience will, however, be considered.

Up to two years of training is given, and good salaries, based on individual earnings and needs, are paid during this period. Subsequent earnings will be in the high income group. Vacancies exist in the London, Birmingham, Manchester, Newcastle and Scottish areas, and applicants for the next course (September, 1957) should write, giving full particulars of education, qualifications and experience (with recent photograph—returnable), to the Personnel Manager, 101 Wigmore Street, London, W.1, quoting Reference No. DP/EAM.1.

NIGERIAN INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH

UNIVERSITY COLLEGE, IBADAN, NIGERIA

Applications are invited for appointments on the research staff of the Institute. Applications considered for investigations in any of the fields of social study. Appointments will be in one of the following grades according to qualifications and experience.

JUNIOR RESEARCH FELLOW, £800 x £50 to £950 p.a.
RESEARCH FELLOW, £1,000 x £50 to £1,300; £1,400 x £50 to £1,625 p.a.
SENIOR RESEARCH FELLOW, £1,700 x £75 to £1,925 p.a.

Allowance for up to three children, £50 p.a. per child resident in Nigeria, £100 p.a. per child resident elsewhere. F.S.S.U. Part furnished accommodation at rent not exceeding 7.7 per cent of salary. Outfit allowance £60. Passages for Fellow, wife and up to three children under 11 years on appointment, overseas leave and termination. Detailed applications (10 copies), naming three referees, by June 15, 1957 to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

TAXATION ASSISTANT

Qualified Accountant (aged 23-28) required by large British industrial organisation with world-wide connections to start in the London Head Office Taxation Department. Good opportunities for promotion to executive posts at home and abroad later.—Applications, in strictest confidence, to Box 689.

AUSTRALIAN NATIONAL UNIVERSITY

CANBERRA
RESEARCH SCHOOL OF PACIFIC STUDIES

Applications are invited for three Research Fellowships in the Departments of Anthropology, Geography and Far Eastern History.

In the case of the post in Anthropology, preference will be given to applicants who are prepared to undertake research in the New Guinea Highlands within the Department's programme.

The successful applicant for the post in Far Eastern History will be expected to work on Chinese or Japanese history.

Salaries for Research Fellows are within the range £A1,224-£1,824 per annum. The appointments will be for three years, with a possible extension to the maximum of five years. Reasonable removal expenses will be paid, and superannuation on the F.S.S.U. pattern is provided.

Further details should be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close, in Australia and London, on June 3, 1957.

AUSTRALIA - CANBERRA UNIVERSITY COLLEGE

Applications are invited for appointment to the post of Lecturer in Economic History.

Salary range: £A1,224—£A1,774 per annum. Salary within the range will be determined in accordance with the qualifications and experience of the applicant. Annual increments are £70.

Further particulars, conditions of appointment and the summary form which must accompany applications may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close, in Australia and London, on June 15, 1957.

THE BUILDING ADVISORY SERVICE invites applications from men aged 30-40 years, with a technical qualification and experience in the building trade, for a management consultancy post. After training in consultancy techniques work involves advising building firms on management problems, lecturing to courses, &c. Travel in U.K. involved. Starting salary will be appropriate to experience in building trade.—Applications, which will be treated as confidential, should state age, education, training, experience and present salary and be addressed to the Director, NATIONAL FEDERATION of BUILDING TRADES EMPLOYERS, 82, New Cavendish Street, London, W.1.

YOUNG QUALIFIED ACCOUNTANT required by Important City Company. Opportunity will be afforded to gain experience in financial forecasting, budgeting, investment analysis, etc. Age about 25. Commencing salary £850-£1,000 per annum, and contributory pension scheme.—Write, with particulars of age, education, qualifications and experience, to Box Y.239, c/o Streets, 110 Old Broad Street, E.C.2.

UNIVERSITY COLLEGE OF GHANA

INSTITUTE OF EXTRA-MURAL STUDIES

Applications are invited for Resident Tutorship specialising in either (a) Trade Union Studies and Industrial Relations, or (b) Economics.

Salary scale £950 x £50 to £1,600 p.a. according to qualifications and experience. Allowance £100 p.a. per child (maximum £500 p.a.). Outfit allowance £60. F.S.S.U. Passages for appointee, wife and maximum of five children on appointment, normal termination and leave. Part-furnished accommodation at rent not exceeding 7.5 per cent of salary.

Detailed applications (eight copies), naming three referees by June 18, 1957, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

CITY OF JOHANNESBURG

3½ PER CENT INSCRIBED STOCK 1958/63
CITY OF PRETORIA
3½ PER CENT INSCRIBED STOCK 1953/58
CITY OF BLOEMFONTEIN

4½ PER CENT REDEEMABLE STOCK 1964/66

NOTICE IS HEREBY GIVEN that in order to prepare the Warrants for interest due July 1, 1957, the Balances of the several accounts in the above-mentioned Stocks will be struck on the night of June 1st next, and that on and after June 2nd the Stocks will be transferable ex dividend.

BARCLAYS BANK D.C.O.
(London Registrars of the above Stocks)
G. A. D. HARRISON.
Manager.

Circus Place, London Wall, E.C.2.
May 6, 1957.

CITY OF BLOEMFONTEIN

FIVE PER CENT INSCRIBED STOCK 1960

NOTICE IS HEREBY GIVEN that in order to prepare the Warrants for interest on June 30, 1957, the Balances of the several accounts in the above-mentioned Stock will be struck on the night of May 31st next, and that on and after June 1st the Stock will be transferable ex dividend.

BARCLAYS BANK D.C.O.
(London Registrars of the above Stock)
G. A. D. HARRISON.
Manager.

Circus Place, London Wall, E.C.2.
May 6, 1957.

TELEVISION.—The latest edition of a useful booklet summarising the cost and coverage of Commercial Television advertising to aid discussion at Board Meetings and Conferences is available free on request from Richard Potts & Partners Ltd. (Incorporated Practitioners in Advertising), 35 High Holborn, London, W.C.1. Telephone: CHAncery 4974.

EASTERN WORLD monthly magazine on Asia. 11th year. £1 10s. p.a.—58 Paddington St., London, W.1.

ASIAN ANNUAL concise handbook. Essential trade figures. 15s.—58 Paddington St., London, W.1.

SUCCESSFUL TUITION FOR THE B.SC.(ECON) DEGREE

Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the two examinations for Lond. Univ. B.Sc.(Econ) (Entrance is included). Moderate fees, instalments. Over 1,000 Wolsey Hall students have secured this valuable degree since 1925.—Prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. P.16, WOLSEY HALL, OXFORD.

FITTED CARPETS expertly cleaned on site; also repaired.—Yakoubian Bros. Ltd., 7 Milk Street, Cheapside, E.C.2.

ANGRY YOUNG MEN; before you write one more angry young novel, do try a glass or two of Duff Gordon's El Cid Sherry. Very, very soothing. Integrates you.

SECRETARIAL TRAINING especially for university graduates and older students six-month and intensive 14-week courses.—Write, Organising Secretary, DAVIES'S, 2, Addison Road, W.14. PARK 8392.

EXPERT POSTAL TUITION

for Examinations—University Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus—and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/21),

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THE ECONOMIST · 22 RYDER STREET · ST. JAMES'S · LONDON · S.W.1

VOLUME CLXXXIII · NUMBER 5935

Who are the most likely prospective customers for cars, washing machines, refrigerators and other durable goods?

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The figures on the right also suggest strongly that the upper and middle class market for these goods is far from saturated. And this market offers the most immediate likely prospects.

OWNERSHIP OF DURABLE GOODS BY CLASS

	Middle Class %	*Working Class* %
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TV Set	55	45
Telephone	50	7
Car	41	12
Washing Machine	37	20
Refrigerator	25	5
Motor Cycle	6	7

How to reach these prospects

The Hulton Readership Survey for 1956 and the I.P.A. National Readership Survey for 1956 give the *readership* of The Observer as 1,880,000 and 2,056,000 readers respectively.

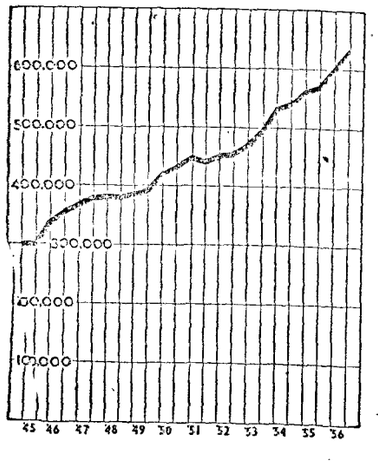
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* *Taken from an article by Mark Abrams in The Financial Times of Saturday, March 16, 1957*



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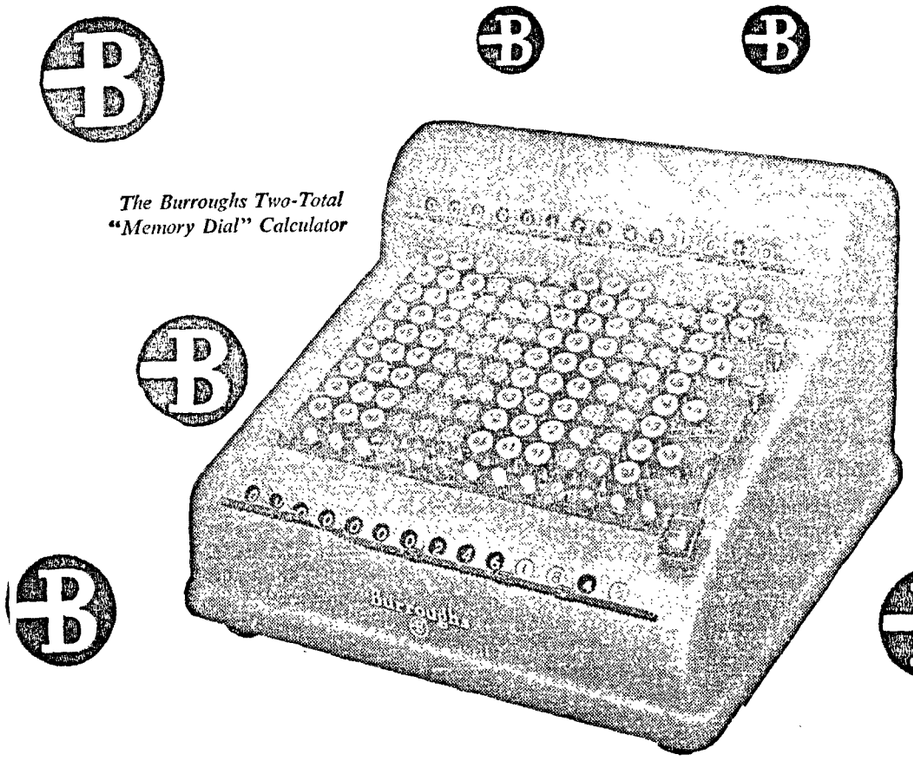
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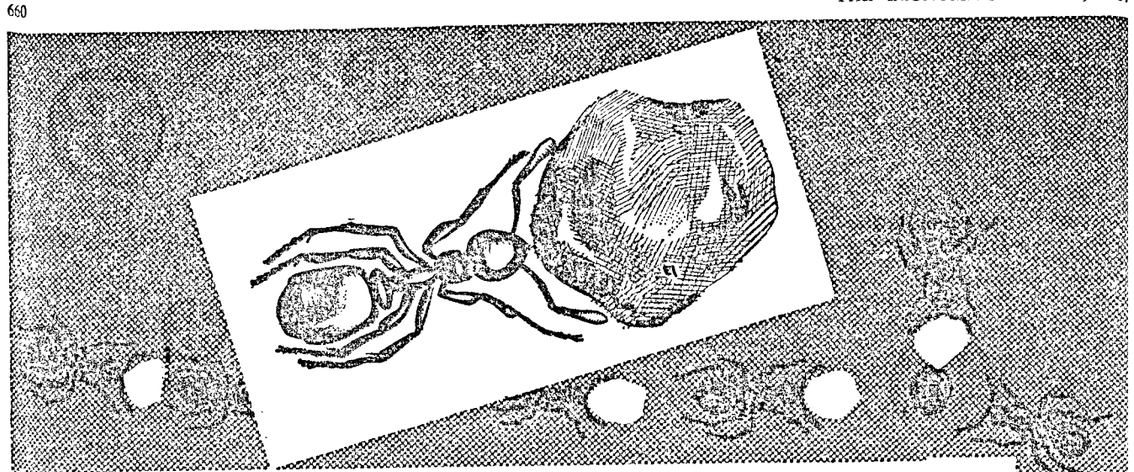
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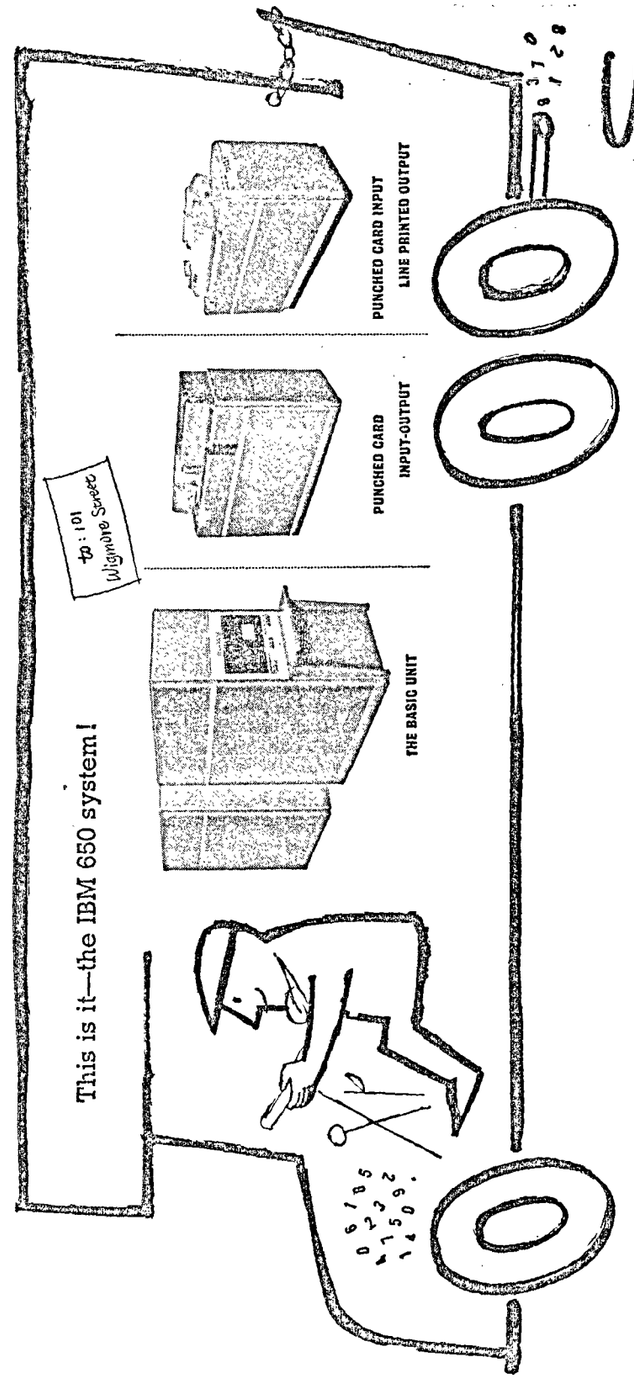
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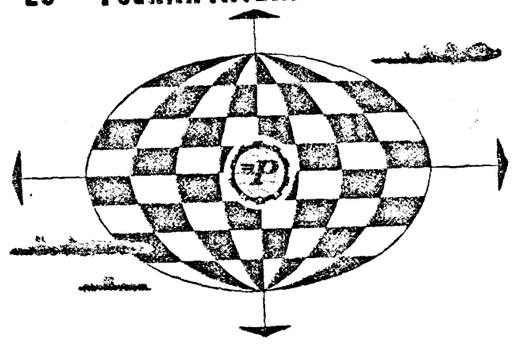
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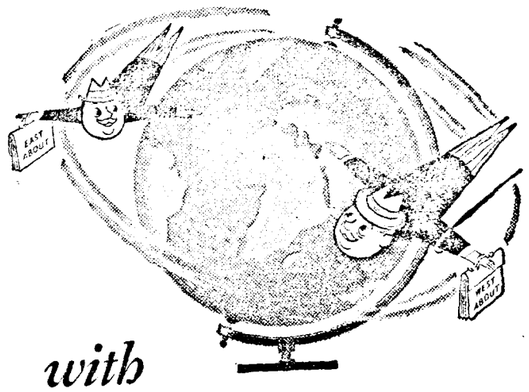
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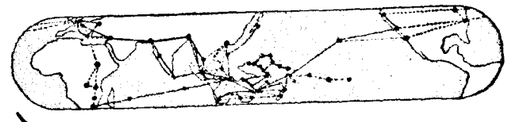
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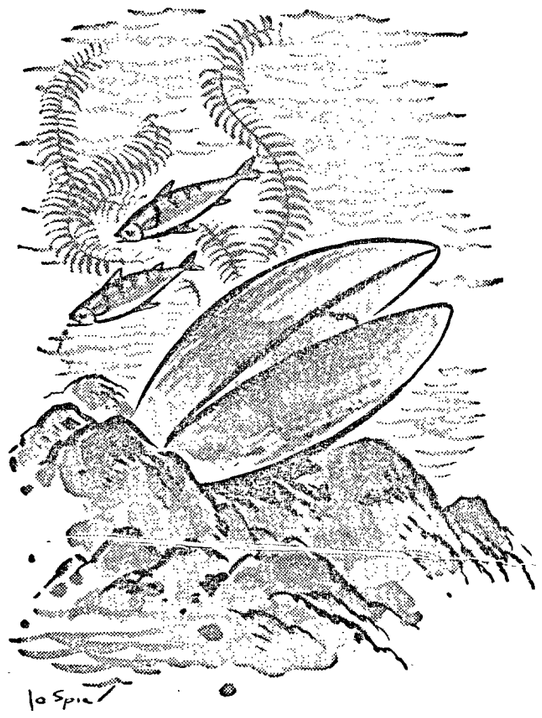
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The Economist

MAY 25, 1957

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Three Quarters Magnificently

THE Prime Minister has cleared his own Suez Canal. Now is the time to assess how much long-term damage the Conservative party has suffered, above and below the water-line, from the Egyptian venture. The damage is probably very much less than seemed likely six months ago, but somewhat greater than it may seem to some optimists now.

Any commentator who talks of "long-term damage" necessarily tends to mean damage to the prospects of keeping in forward march the sort of Conservative party he himself would like this country to have. It is open to very many Government supporters to say that the sort of Conservative party that *The Economist* would like Britain to have is the precise opposite of the sort of party they want; and none of us can say dogmatically that only the sort of party we want is likely to secure majority approval from the British people. But the sort of Tory party that this journal would like will be clear enough to most readers: a party committed to a belief in change rather than in stasis; a party that eschews the superiority complex which is the besetting emotional sin of its right as much as Labour ought to (but does not) eschew its inferiority complex; a party that believes in progress, economic expansion and a wholesale purloining of liberal clothes. Probably, too, the body of opinion which wants this sort of Tory party accounts for a sizeable proportion of that not wholly statistical abstraction, the floating vote. How far have hopes that modern Toryism will continue in this image been spoiled by the Egyptians?

If progressive moderates in the Conservative party (and they include the majority of ministers in Mr Macmillan's Cabinet) want to know what other moderates fear on their behalf, the best man to ask for a historical explanation might be Lord Attlee. Just before the last general election, which took place two years ago tomorrow, *The Economist* was describing the internal organs of the Labour party as an

> oligarchy of the faithful, who are, almost by definition, more fanatical than the voters and less realistic than the leaders. The strong bias towards extremism and irresponsibility that this creates in the party . . . can be corrected only by great force of personality among the leaders.

Up to 1955, that bias had not been corrected by Mr Attlee and his lieutenants. The misfortune of these last six months is that a right wing "oligarchy of the faithful" has been aroused to a similar position of potential nuisance value within the Conservative party. Nobody can be sure yet how far this development—which has owed much more to the party's disunited march out of Suez than to its almost united march into it—has gone. It could still be checked by the fact that Conservative associations contain more cool heads than constituency Labour parties; its origins have been more psychological (which may serve to make it more transitory) than political. But there can be no doubt that the views of a recognisable group of right wing backwoodsmen in local Conservative

associations have suddenly become more important, because their battlecries have suddenly been made to sound more respectable.

Before the Suez misadventure the assault of innate reaction in the Tory party was chiefly against the "softness" attendant upon the welfare state; and it was so obviously vote-repellent that it had to be hushed. But now the right wing appeal can be to a vague concept of "making Britain great"; the assault can be, and is, against the "gutless" who have "let this country down." These are cries that can be shouted from the battlements, and to which active politicians can be required to subscribe at the pain of being branded as "not Conservative." They are curiously similar to the parrot cry of Labour's left against the capitalist: like it they are made more raucous by being based on a traditional dogmatism's recent (and to them bewildering) failure. In departing from the dashed objectives of his predecessor, Mr Macmillan, in these last four months, has been hard up against these forces. He has been in the kind of predicament in which Mr Attlee found himself several times—for example, when he knew in 1951 that Labour ought to retreat from the nationalisation of steel, but knew, too, that this would land him in trouble in the party.

So much for the pressures. What of the leaders' reactions to them? It should be said immediately that Mr Macmillan has met his first task three-quarters magnificently. When Mr Attlee came under pressure from his left wing, his shrewdest course would have been to absorb the Bevanite men but to reject their policies; instead he usually half-absorbed the policies, while his lieutenants intermittently set about trying to swat Mr Bevan and his supporters with a knobkerry. Mr Macmillan has rightly tackled the job the other way round. He has reversed the Suez policy, *de facto* but not *ex cathedra*. He has absorbed some of the individual Suez rebels; those who have left him, Lord Salisbury (who is making an important speech as this issue goes to press) and the eight independent dwarfs, have left of their own free will—and there has been no vindictive central Conservative pressure to push them further into the wilderness. In all this Mr Macmillan has laid himself open to only one criticism. While consistently liquidating the Suez policy, he has said just as consistently that he was doing precisely the opposite.

Does this matter? Many will argue that it does not. In rough water in politics, as in a rowing boat, it is sometimes easier to move more swiftly in one direction if one's eyes are fixed pointedly in the other. But it is precisely because Mr Macmillan's recent tactical achievements have been so obvious that it is important to draw attention to the one equally obvious fly in this soothing verbal ointment. There is a danger in these smooth assurances by Mr Macmillan that Conservative policy is the opposite of what it is, and in last week's declaration by Mr Oliver Poole that the local Conservative associations have greater powers of autonomy than they really have. It is that the local associations may come to believe these assertions. No doubt, even so, they will not in fact capture much more influence over immediate policy. But there could be an effect on the sort of Conservative candidates chosen for by-elections—and for the next general election.

This effect could be felt long after the immediate divisions over the Suez issue are forgotten, if the right wing forces really are now to be allowed confident vent for uncontradicted views. No doubt it is as easy to exaggerate this danger as it seems to be to ignore it. It would be silly to pretend that new progressive Conservative candidates (of, say, the Iain Macleod or proto-Butler type) will from now on be rejected wholesale by local selection committees. It may be only a minor factor that some "new Tories" may recoil from the prospect that—like moderate Labour candidates who have to say that they believe in the "nationalisation of all means of production, distribution and exchange," even when they obviously do not—they may be under increasing compulsion to trim their real opinions at their adoption meetings. But a much bigger difficult may now inhibit some of the best of this type of Tory from presenting themselves as candidates. As a result of the developments of the past six months, many of them must now fear that, if they should become Conservative MPs, they will be subject to constant interference and attempted supervision from their local associations.

This possibility is a direct consequence of the way in which Mr Macmillan has sounded his Suez retreat. The most disturbing incidents have, of course, been the announcements of the local Conservative associations at Bournemouth East and Norfolk Central that they intend to eject their MPs because they abstained from supporting the Suez invasion. Mr Macmillan, whose ministerial team includes some members who took precisely the same attitude to the invasion as did Mr Nicolson and Sir Frank Medlicott, could have afforded to give some public intimation that such attempts to limit the leftward compass of the Conservative party do not meet with his approval. The fact that he has not done this reflects the one weakness of his recent policy. He has been determined to avoid giving any offence to the party's Blimpdom in any of his speeches, while reversing their policy by all of his deeds.

The Prime Minister has thereby given the appearance of power and influence to precisely the people who would like to lead Conservatism along the rightward road that he himself must most wish to avoid. No independent voter can discount altogether the risk that this ceding of the appearance could lead to a gradual ceding of part of the reality. This is the one-quarter of Mr Macmillan's handling of the post-Suez adjustment of policy that has not been magnificent. Unless he takes steps to reverse it, he or his successors may progressively find that it has not been very good long-term politics either.

The French Succession

M. Mollet has been brought down by deputies who, approving of his Algerian policy, resent paying for it. France's politicians now have to face some unpleasant realities

It is impossible to describe the French political crisis as just one more turn of the familiar governmental merry-go-round. M. Mollet had been Prime Minister throughout the life of the present Assembly, which was elected early in 1956. He had emerged apparently unscathed from the Suez debacle, while Sir Anthony Eden, a sorely sick man, fell by the wayside. Although a Socialist heading a predominantly Socialist government, M. Mollet seemed to have found a formula for ensuring right-wing support. After so long a period of stability his fall came as a shock, even though it was half expected.

In one vital respect, the new crisis fits the (unhappily) established pattern. Seldom do French governments yield the floor (as elsewhere) to a new team with a clear alternative policy. The only exception to this rule in recent years was the mandate given to M. Mendès-France in 1954 to end the war in Indo-China. Political logic would indicate that, since Algeria was at the heart of M. Mollet's tasks and problems, his successor should be a man with a new plan, or at least new methods, for tackling Algeria. But it was not the critics of his Algerian policy who brought him down; it was the conservative "Independents," who thoroughly approve of that policy. What laid him low was the refusal of these very men to pay the bill for it.

Conservative critics in last week's debate had one valid point: M. Mollet could not simultaneously follow all the courses to which he was committed. France now faces the need to invest heavily in order to survive the competition of the world at large, and of its prospective European partners in particular. It needs to broaden its fuel base, to intensify its agriculture and to modernise its equipment. It may be doubted whether such structural changes could safely be combined even with M. Mollet's limited social welfare programme. But in any case the question has become academic; for all France is also shouldering the burden of a colonial war involving over 400,000 troops and costing nearly £500 million a year. The effects have included swollen public expenditure, a growing budget deficit and something perilously near bankruptcy in foreign exchange. The franc is in grave danger, despite the most solemn assurances against devaluation. Some time ago people expressed the fear that France might "tiptoe" into inflation; the prospect now is a gallop.

M. Mollet's successor will inherit, without any modification, both the mounting pile of unpaid bills and most of the awkward problems that faced the Socialist premier when he took office sixteen months ago. Some of those problems are now even more acute. Preoccupied with Algeria (and with the Egyptian expedition—in French eyes the two are intimately linked), M. Mollet never achieved his projected reforms in the fields of education and national health. He pushed the European common market and Euratom treaties as best he could, but the Assembly was not due to debate their ratification until next month. M. Deferre's new statute for overseas territories, setting them on the road to some sort of Commonwealth status, may very well be recorded as the Mollet government's only major achievement.

The struggle in Algeria has created among French intellectuals a mood and a division reminiscent of Dreyfus days. The moral integrity of the government and its servants have been brought in doubt by numerous tales of atrocities. M. Mollet's inability to take any steps likely to bring a political solution in Algeria any nearer not only alienated his chief partner in the 1956 Republican Front, M. Mendès-France; it also left the government at the mercy of the Independents, who grew more frustrated with each month out of office and more confident with each new by-election. Last weekend conservative deputies returned to Paris from their constituencies with a strong feeling that their supporters had had enough of a Socialist-led government, whatever its Algerian policy.

Yet the Socialists retain their key position in the Assembly. As long as the 150 Communists and the forty Poujadists remain outside the parliamentary pale, any new prime minister needs the approval, open or implicit, of the great bulk of the remaining deputies in an Assembly of fewer than 600. Possible ministerial permutations may indeed be many and varied, but a workable majority can be found only within narrow limits. Parliamentary arithmetic still puts a premium on bargaining and conciliation; immediately after M. Mollet's fall, the two men tipped as most likely to succeed him were MM. Pleven and Mitterrand—both members of the UDSR, a tiny centre group close to the Radicals. Since the next premier will need the votes of the Socialists or the MRP or both, he will have to promise these "European" parties that he will go forward rapidly with the ratification of the two European treaties.

Nothing could be more disastrous than a prolonged

interregnum. Any sense of relief that the fall of a Socialist-led government may bring to businessmen would soon be outweighed by the perils of uncertainty. Financial embarrassments that can still be overcome could quickly turn into a financial catastrophe—in which a forced devaluation of the franc would be by no means the final stage. The European treaties would also be endangered. And, lastly, whatever one's views of M. Mollett's Algerian policy, matters could scarcely be improved by no policy at all.

Against this alarming possibility of paralysis there may be set the hope that a change of ministry, however closely the new resembles the old, could open the way to a change in policy—for the better. Admittedly, no aspiring premier could now stand up in the Assembly and promise Algeria independence ; but there are less dramatic ways of escape from the present blind alley. A government slightly further to the right might not be as sensitive as M. Mollet has proved to the accusation of defeatism ; the Socialists, out of office, would be les tightly committed to a "firm" policy ; the departur of M. Lacoste, the present minister-resident, fron Algiers might incline the rebel leaders toward compromise. Together, these things might give th Tunisian premier, M. Bourguiba, the chance of dis playing his talent for discovering face-saving formulae— though M. Mollett's last-minute decision to suspen credits to Tunisia was hardly the happiest prelude t such a development.

Economic considerations cannot alone dictate th policy of a government in France or anywhere else but the economic implications of a never-ending wa cannot be ignored. France's quixotic rearguard actio in the matter of Suez Canal dues shows that some o its leaders have burked the harsh realities of the balanc sheet. If the renewed political crisis injects som realism into French thinking about Algeria, it will no have been an unqualified misfortune.

Alliance of Arms

Better defence at smaller cost could be attained through a better co-ordination of Europe's arms production. Herr Strauss's visit to London may be a step towards this goal

THURSDAY'S meeting between Herr Strauss and Mr Duncan Sandys had one central purpose. This was to concert the two Defence Ministers' efforts to adapt the forces of their countries to the demands of tactical atomic war. Mr Sandys's white paper pioneered the revolution in European military thought and methods. But Herr Strauss, too, has ideas on the "new model" forces. He was appointed, indeed, to give the embryonic West German forces a new shape—small mobile divisions, difficult to hit and swift to move into the desolation left by a tactical atomic weapon, instead of the cumbersome formations planned by his predecessor, Herr Blank. Herr Strauss has been quick to realise —though German politicians may have been, understandably, slower—that one day German forces may have to be armed with tactical atomic weapons. But both British and German policies have had the faults that go with imagination and drive ; they have each been pushed through ruthlessly and with some disregard for allies' feelings. The meeting in London was politically urgent.

To many of West Germany's allies all talk of placing atomic weapons in German hands seems shocking. It raises, more acutely even than did German rearmament itself, the question whether the rearmed ally can be safely controlled. True, the problem is not immediate. Tactical atomic weapons are unlikely to be in German hands for perhaps another two years. Even then they would be supplied by the United States or Britain. There is no question yet of West Germany producing atomic weapons. The Federal Republic renounced the right to do so in the 1954 Paris agreements, accepting at the same time a European agency to supervise arms production. An encouraging account of the agency's first year's work has just appeared. It has begun to develop methods of inspection, and has found the Federal Republic most co-operative. It is not the control of a Germany armed with atomic weapons that presents the immediate problem. The problem with which the Ministers have to grapple now is a different one—and it lies in the field of economics.

THE British white paper on defence was a spectacular recognition that no European nation is now wealthy enough to carry alone the burden of both atomic and conventional arms. The case for closer working relationships between the members of Western European Union is reinforced by pressing economic arguments. And closer ties with Western Germany are particularly timely. German arms production and German forces are only just coming to life. It is essential that they should be, from the very beginning, part of a common allied arms programme and a common strategy.

The urgency of this has been bleakly exposed by a report from the defence committee of Western European Union, which was entrusted with the task not only of controlling German rearmament, but of strengthening the collective defence effort. The report gives a frightening picture of the weakness of ground defence in Europe. The forces under the Supreme Commander are too weak for effective resistance on the line of the

iron curtain—the "forward strategy" which is politically essential for the Atlantic alliance. Little except the great nuclear deterrent prevents the Russian troops from walking through to Calais. In part, this weakness is due to the failure of the main European allies to fulfil their ground commitments—the reduction of French forces in Germany to one division, the snail's pace of German rearmament, the cut in Britain's forces on the continent. But the alarming weakness of the "shield" is also the result of inadequate co-ordination of national forces and armaments. The Supreme Commander cannot even plan a common mobilisation to meet a sudden attack, for each country has a separate mobilisation timetable. And an alarming inflexibility is imposed on Nato's forces by national differences in equipment.

DIFFERENT transport and supply arrangements make it difficult for the Supreme Commander to move forces from one sector to another. Blatant examples are cited of the economic waste of separate national arms efforts. The WEU committee visited a centre in France where at a cost of £10 million an anti-aircraft missile has been developed three years after a similar one was produced in Britain and several years after a similar development in the United States. "A complete impression of duplication was left." The removal of such anomalies is an elementary approach to better defences at less cost. The Assembly of Western European Union has recommended a new drive to standardise arms, to undertake joint research and development of weapons, and to allocate production rationally amongst the allies. It seeks, within the European, if not the Atlantic, alliance, something like the intimate partnership and planned allocation of arms production between Britain and the United States during the last war.

The WEU report perhaps paints an unduly harsh picture of the patient efforts Nato has been making for some years to standardise arms. Nato has made some progress in standardising the simpler parts—vehicle batteries, wireless equipment, and now at last a common cartridge—where interchangeability in battle is of more vital practical importance than, say, the possession of a complete standard tank. Standardisation of arms, too, does present appalling practical problems. In the case of aircraft and other complicated weapons, development may take ten years ; with Nato only eight years old it may not be surprising that there is no common Nato aircraft. Even Britain's new PI fighter, not yet in service was conceived before Nato was born. And the moment when countries need replacements for a weapon do not coincide. When Britain, for instance, required a new rifle and chose the Belgian FN, the United States had no such need ; it will in 1965, but it has since developed a better rifle of its own. Yet the gap stands stark, with all that it costs in separate efforts and in lack of common equipment. The difficulties will have to be overcome if the armaments of European countries are not to become more and more obsolete and expensive, and the defence of Europe correspondingly weaker.

It is not, however, in the field of the conventional weapons of today, but in that of guided missiles, the weapons of the future, that the need for common effort is most exigent. No one European country has the resources to produce a modern range of these weapons by itself. If Europe is to have any significant arms production of its own in the missile age, the electronic industries of France, Italy and Germany, as well as Britain's, must be brought into a common effort, each pursuing research in different fields and specialising in the production of different parts or weapons. Guided missiles present a precious opportunity of making a new start. The main problem, frankly, is security. If the secrets of missiles are discovered years before they are ready for use, a potential enemy has time to find a counter to them. At first, bilateral arrangements for common research and development—like the two months old link between Britain and France—could perhaps be made more safely than multilateral ones. But they could be broadened later to bring in all the WEU countries.

Talk of pooling arms on a European basis may seem unrealistic in one fundamental respect. Europe is bound to remain partly dependent on the United States in these new fields of missiles and atomic weapons. It is in the matter of bringing European and American types into line that Nato's past efforts at standardisation have been least successful. The simplest answer to the problem would be to let the Americans make the lot. Yet, political factors apart—and the ability of European countries to contribute themselves directly to the deterrent could be crucial in the ultimate decision—a strong European arms industry has an obvious contribution to make to the alliance. The United States has shown much sympathy with the idea of a European pool. Ideally standardisation ought to be carried out on a Nato basis ; but much might well be achieved, and more quickly, in a smaller European group. If, as atomic weapons become more commonplace, the pressure to bring German scientists into atomic research becomes, as it may, inexorable, the existence of a common arms pool for the European allies may prove invaluable. German atomic scientists would then move not into a national but into a European system. Europe, the western world, and peace itself might gain.

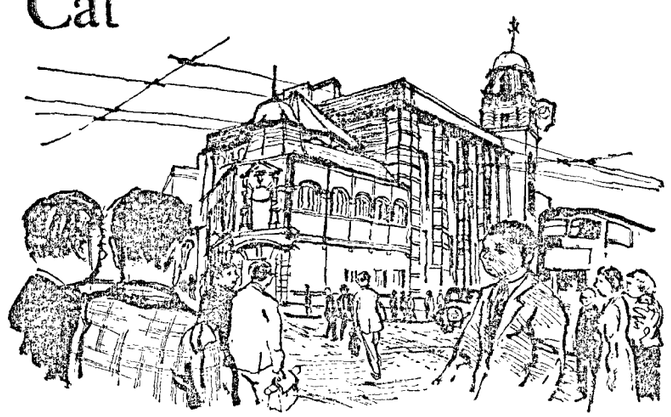
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On becoming a Cat

What with a ministerial circular, a report on the training and supply of teachers and a conference of the Federation of British Industries, technical colleges were in the news last week. Our special correspondent visits one of the new Colleges of Advanced Technology, at the top of this particular tree



THERE are many unsuspected ways of putting one's foot in it, and one of them, as your correspondent found, is to ask the Principal of what used to be called the Northampton Polytechnic whether his clock is right. "What a question to ask," said Dr Tait, "at the National College of Horology." But this proud subtitle is about to be surrendered now that Northampton has earned a far more distinguished title. It has been designated as one of the new Colleges of Advanced Technology. Alas, they are known in the business as "cats," but their eminence is unquestioned, and springs from last year's white paper (Cmd. 9703), as a result of which Britain's technical colleges are being sorted out into three grades.

At the bottom of the scale are the "local colleges," where elementary work only will be done ; in the middle are the "regional colleges," where there will be some advanced courses and some elementary work ; and at the national level are these "colleges of advanced technology." Here Northampton (which, by the way, is not in Northampton but in Islington, London) finds itself in the company of colleges at Birmingham, Bradford, Cardiff, Loughborough, Salford, Battersea and Chelsea.

To qualify for its new and august description, the college has had to fulfil certain conditions. For the sake of prestige, it must have an independent board of governors, as opposed to being run from the local council's education offices ; and its courses must lead to advanced qualifications only—to university degrees, the higher national certificate, or to the new Dip. Tech. Northampton had no trouble in fulfilling the first qualification. It was founded in 1891, built in bulbous red brick on land given by the fourth Marquess of Northampton, and supported partly by certain city companies—the Clockmakers, the Needlemakers, the Saddlers and the Skinners. Today, as everywhere, the authorities have taken over. The London County Council, as the education authority concerned, pays 85 or 90 per cent of the cost of running the college ; but as this is a CAT, they get back 75 per cent of the cost (as opposed to 60 per cent on less advanced work) from the Ministry of Education. The remaining 10 or 15 per cent comes largely from fees, paid either by the local authorities in whose areas the students live, or by the firms for which they work, or—in very rare instances indeed—by the students themselves. In spite of this the link with the Skinners' Company is still strong. The company has given many prizes as well as a generous grant for the library ; and the college governors meet in its board room to keep up the connection.

AS to the second condition—the provision of advanced courses only—this has not been quite so easy. The problem of staffing, it is true, is not at present serious. Northampton has always had a tradition of advanced work, and is staffed accordingly. But the college now expects to have its senior staff strengthened by the addition of readers—a new grade in this *milieu*—comparable in pay and status with university readers. Existing lecturers could be promoted to these posts, but presumably Northampton will also try to get the services of what Dr Willis Jackson's committee, in its report published last week, christened "special lecturers or readers"—that is, senior staff members of industry, lent by their firms on a part-time basis. The staff of this, as of every other technical college, have little time for contact with industry. Quite apart from the fact that, in the technical colleges as a whole, an extra 7,000 full-time and 8,000 part-time teachers are going to be needed by 1960, the quality of teaching would gain from the addition of men fresh from industry, as well as from the periodical release—also recommended by the Willis Jackson committee—of existing teachers for factory experience.

In recruiting staff, the technical colleges are in competition with the universities as well as with industry, but they are for the most part sadly at a disadvantage. Their holidays are rather shorter, and, as the Willis Jackson committee points out, there is far less time for the lecturer's own research. But at least the pay is no worse. A senior lecturer, under the scales that came into force last year, gets £1,350-£1,550 ; a reader £1,550 to £1,800; a head of department anything up to £2,250, according to his grade ; and a principal gets up to £3,200. Local authorities, it is true, are sometimes rather mean in grading posts in their technical colleges—and therefore get the calibre of staff that they deserve. One of the Willis Jackson committee's recommendations is that they should mend their ways in this regard. Your correspondent did not like to raise such personal questions, but heard not a word against the London County Council.

Northampton's staffing problem is made easier in the short run because, as a first result of its becoming a CAT, a large proportion of its students are being asked to go elsewhere, on the ground that their work is not advanced. This weeding out, however, brings its own problems. Much telephoning goes on to find them suitable places ; in the event, most of them are going to Hackney Technical College, and the equipment for their courses is going with them. That means goodbye to those working, for example, for the general certificate of education, the City and Guilds examinations, and the ordinary national certificates in the various branches of engineering and in applied physics and chemistry. Some of these partings—for example, with the students for the ordinary national certificate in physics, the course for which is largely the brainchild of the present head of the physics department—will be sad. Northampton would also hate to see the clockmakers and the ophthalmic opticians go, in view of their special place in the college hitherto.

Among the courses that will continue are courses leading to the BSc (engineering) of London University. Students at this technical college do not, as they do at many other advanced technical colleges, work for London external degrees. The college is what is called, in that university's administrative jargon, "an institution with recognised teachers," and this qualifies its students to take internal degrees (for the minute fee, incidentally, of three guineas for each year's lectures). But it is expected that more and more students will prefer to work for the Dip. Tech.—the new award that is being supervised by a council under the chairmanship of Lord Hives. Two such courses—in electrical engineering and physics—are already going strong ; and nine other courses—in five branches of engineering, applied physics and mathematics, industrial chemistry and instrument technology—are being developed.

The task of the technical college, in this connection, is not only to provide the courses, but also to "sell" the Dip. Tech. to industry, as a qualification peculiarly suited to its needs. The course usually lasts four years, with six months in college alternating with six months in industry throughout that time ; this will give a "feeling of the shop floor," as one lecturer described it, that could not be acquired from a degree course. Some employers are enthusiastic about this new sort of "sandwich course"; others are less so—especially as it is usual for industry to pay the fees of the students whom it designates, at a cost of about £2,000 a head for the whole four years. By contrast, most of the full-time students for degrees or other advanced courses are paid for by their local authorities.

Another matter on which the college needs the co-operation of industry is in integrating the academic and practical sides of the course. In the old type of sandwich course the student was a student only while he was in the college ; in the works he was just a cog in the productive machine. The new idea, however, is that he should be trained in the works, too, and some firms are setting up special departments for this purpose. There is also a sensible idea that small firms should get together to plan a joint training.

FINALLY, the developing college is faced with the task of providing for its students some of the "extra-curricular" features of university life. This is in line with government policy. The encouragement of college societies and corporate life was recommended in a circular issued last week by the Ministry of Education, as a means of "liberalising" technical studies. When "the bulge" leaves school and clamours at the narrow gates of the universities in the 1960s, the colleges of advanced technology must receive many of those who, at present standards of entry, would have got a university place ; it must combat the feeling, which they will undoubtedly have, of being fobbed off with an inferior substitute.

Northampton boasts a swimming bath, right in the midst of the lecture rooms, a rifle range, and some playing fields at Palmers Green ; the common room has actually acquired a carpet, and the library is beautiful, if not very well stocked with books. Soon a residential hostel will be built nearby, for now that Northampton is a CAT it will be drawing students from all over Britain for the courses in which it specialises. It has a students' union, of which membership, in case the students do not appreciate it, is compulsory, and this is to be housed in a new building, of which so far only the site exists. And to encourage the young men and women to raise their noses from the laboratory bench, they are to be given two hours for lunch on Thursdays, in the hope that perhaps half this time will be spent in extra-curricular activities other than eating.

Even so—no ancient stone, no college plate, no punting on the river. Perhaps the literary genius of the next few years will present for us the angry young man of the technical college, with a chip on his shoulder because he did not go to a redbrick university. Perhaps, indeed, if the educational system could be planned from scratch, we should be building new universities, not developing existing technical colleges. But if they get co-operation from industry, the technical colleges will do great work. And their alumni have the satisfaction of knowing that there can be no question about whether their education is worth the taxpayers' money. Armed with their Dip. Techs. and their engineering degrees, they will at least have the confidence that the nation is crying out for them.

NOTES OF THE WEEK

CHRISTMAS ISLAND

Coming Clean

If the statements made by Ministers since the first explosion in the Christmas Island area give an accurate picture of what happened there, their arguments for proceeding with the British tests have been strengthened. The hydrogen bomb that was dropped ten days ago, presumably a two-stage fission-fusion device, appears to have been a pretty "clean" one (the remark that it was "as big as a bathroom" seems almost too apposite). There have admittedly been reports of radio active rain falling in parts of Japan this week, but its origins seem uncertain. The political fall-out has also been notably limited. In India, Ceylon, Japan and elsewhere there have been fresh appeals and expressions of anxiety, but they have mostly been couched in sober terms, and on the whole the political atmosphere, like the physical one, seems no more highly charged than it already was before the Penney bomb dropped.

More details, and more tests, have to be awaited. It is fervently to be hoped that the elaborate precautions taken on May 17th were completely effective, and that the rest of the British series of tests will maintain the "clean" record. If so, Mr Macmillan's claim that these tests will not significantly increase general radiation hazards may carry conviction. There will also be added justification for the Government's sceptical attitude to the Russian offer to suspend tests without permitting any supervision of the suspension. (It would be interesting to know if Soviet scientists are in fact capable of detecting a "clean" and relatively small mid-Pacific explosion at long range.) And the technical prowess of the British scientists who seem to have advanced not merely into the megaton range, but right past the stage of massive and unpredictable fall-out with which the Russians are apparently still struggling, must evoke admiration. That admiration should neither be confused with, nor contribute to, the dangerous illusion that Christmas Island can restore to Britain the kind of ill-defined "greatness" that some people hanker for. It is the defence of human freedom that is in question—not a hot fomentation to comfort a bruised national psyche.

FOREIGN SECRETARYSHIP

Dropping the Scapegoat?

One obvious feature of last week's foreign affairs debate was that both the Tories and Labour were ganging up on Mr Selwyn Lloyd. In the beastly business of politics, this is usually fatal for anybody who holds as high—but not summit-high—an office as the Foreign Secretaryship. The same sort of thing happened with the shadow foreign secretaryship last year; Mr Selwyn Lloyd now seems to be in approximately the same parliamentary position as Mr Robens was then. His usefulness as a screen behind which past policies could be changed, while the Government pretended that they were not being, has also worn out; and, under present brutal parliamentary conditions, his advocacy of any new policy would probably harm it.

This does not mean that any change in the office is thought to be imminent. It also does not mean, however, that too much succour for Mr Selwyn Lloyd need be read into Mr Macmillan's widely expected rallying to his defence in his speech to some Conservative women on Wednesday. There would be political and personal disadvantages if the Prime Minister seemed to be firing his Foreign Secretary under such recent taunts as Lord Hinchingbrooke's and Mr Bevan's. With the summer recess only ten weeks away, and a Commonwealth Prime Ministers' conference to be hurdled in the meantime, the general if cynical belief in the lobby seems to be that Mr Macmillan will wait until about the time of the party conferences in October, and then see if there are any high legal appointments or usefully vacant governor-generalships lying about.

Replacing Mr Selwyn Lloyd, if he is to be replaced, will be no easy matter. One of the explanations of the undercurrent of agitation against him is the very proper feeling that the Foreign Secretaryship should now return to the position of Cabinet eminence it held in Sir Anthony Eden's and Mr Bevin's days. Some of Mr Butler's defeated admirers are therefore reviving the argument that Mr Butler would be the best Conservative Foreign Secretary, and that Mr Butler would be wise to press Mr Macmillan to ask him; one can accept the first, while doubting the second, of these propositions—and also doubting the probability of either coming to pass. Until last week the favourite successor in the betting—apart from a few whispers for Mr Sandys and Mr Lennox-Boyd—was Mr Heathcoat-Amory. Now there is a sudden rush of discussion about Mr Macleod. If one supports the plea for eminence, there is this much to be said for that discussion: while in Mr Heathcoat-Amory the Conservatives have long seemed to have a distinguished future elder statesman, Mr Macleod can more easily be seen as one of the best temporarily future Prime Ministers they have got.

BURDEN ON MINISTERS

Root and Branch

The inquiry into government machinery, and the burden on ministers, should have one basic aim: to give ministers more time to think out policy. No one will envy Lord Attlee and his little group of elderly Privy Councillors the task of trying to think out how to enable them to do so. The weight of any ministerial burden, of course, always depends partly on the nature of the man. Technically, the administrative burden laid on any British minister is much less than that laid, for example, on the President of the United States; yet there sometimes seem to be ways of

running the latter office as almost a part-time job. One peculiar difficulty of the British system, however, is that ministers have to be continually hurrying away from their desks to go to the House of Commons. It is not going to be easy to interfere with this. All recent experience shows that MPs remain jealously anxious to keep ministers at least as fully answerable to Parliament as they are now, if not more so. Ministers certainly need to be kept answerable at question time, even though there may be ways in which even that institution could be improved. Whether they should be obliged to turn up at so many divisions (proxy votes perhaps?) is another matter.

Mr Macmillan has said that the Attlee committee will only be carrying out an informal, preliminary study, designed to help him to decide whether there is a need for a full, formal inquiry. One's own inclination is to say that there should be such an inquiry, and that it should be thrown wide. There is a strong case for examining whether the pattern of Government departments is now out of date; the question whether more direct authority should be given to Ministers of State and Parliamentary Secretaries needs to be explored; and the investigation might also profitably extend to the organisation of the upper reaches of the civil service. The whole inquiry should be treated as a matter of urgency. Over the past ten years more than half of the few British statesmen of major stature have been affected, at least in part, by the strain of their work. National leaders are not so thick on the ground today that we can afford many more casualties; and the periods when the strength of these people has been impaired—when they have become casualties but do not realise it—are the worst periods of all for national policy.

ITALY

Monochrome Experiment

Italy is again trying the experiment of a "one-colour" minority government, this time under Senator Zoli, the much respected, if somewhat self-effacing, president of the Christian Democrat national council. The experiment has been tried three times before during the life of the present parliament. Signor Pella's minority government in 1953 lasted five months; the other two never survived their first presentation to the Chamber. Whether Senator Zoli can get over this hurdle will not be known until next weekend.

The cabinet that he will present to the Chamber is marked by the removal from the foreign ministry of the Liberal, Dr Martino, whose conduct of foreign policy, apparently not forceful enough to satisfy President Gronchi and a section of the Christian Democrats, contributed towards the downfall of the Segni government. But his successor, Signor Pella, is unlikely to make any important changes in policy. When he was foreign minister as well as premier in 1953 his strong nationalistic line over Trieste won him approval throughout Italy. But he is also a good "European," and will doubtless do his best to secure ratification of the common market and Euratom treaties. The only non-party member of the cabinet is Professor Carli, in charge of foreign trade. He has been on the executive board of the International Monetary Fund, and has been either chairman or member of the EPU managing board since it was set up. The removal of the right-wing champion of private enterprise, Signor Togni, from the ministry recently set up to control and co-ordinate state-owned undertakings, looks like an attempt to secure the good will of the socialists.

Signor Zoli's chances of gaining the approval, or at least the toleration, of the Chamber are improved by the lack of any alternative short of a recourse to the polls this autumn instead of next summer. All the four former coalition parties, including the Christian Democrats, have declared their disapproval, in principle, of a "one-colour" government. But the strains and stresses between them have apparently reached a point at which principle cannot be put to practical effect. Signor Zoli, commanding only 263 votes out of 590, will be condemned to limp painfully along picking up what votes (or abstentions) he can on each specific issue. One hopes he will not have to stray too far to the right in search of support. He has declared stoutly that he does not mean his government to have a merely transitional character. But if he tries to tackle anything controversial (like the long pending land tenure bill) he will be hard put to it to keep in the saddle.

MIDDLE EAST

King With A Mission

The communiqué which concluded the visit of King Saud to King Feisal of Iraq last weekend and the cheerfulness of Nuri el-Said at his subsequent press conference suggest that the understanding between the two kings is something more than royal politeness. Taken together with King Saud's imminent visit to Jordan, this marks an important change in the political complexion of the area, which has long been coloured by the enmity of the Saudi and Hashemite royal families. Ever since the formation of the Arab League in 1945, Egyptian dominance in Arab affairs has been made possible by the support given by Saudi Arabia simply for reasons of opposition to Iraq.

King Saud has struck out on a line independent of—although not necessarily opposed to—that of Egypt. He is reported to be anxious to mediate between Iraq and Egypt in order to end the internecine political strife in the Arab world and, to that end, he seeks to avoid an open break with Egypt. This is a wise policy. It is more important that he should have good relations with Iraq than that he should turn against Egypt; for it is from the middle position that he can do most to end the spate of angry propaganda which is disturbing the area and driving the nationalists into more extreme positions. According to the *New York Times*, King Saud believes that President Nasser "can still be won back to moderation."

President Nasser may now have good reason to be more moderate. British and American correspondents have reported from Cairo that the trade relations between Egypt and the Soviet block had been marked by tough bargaining on the communist side and that Egypt had become "cool and cautious." They also reported that Egypt has been just as tough with the Soviet block as with western countries over canal dues and that Russia, Hungary and Poland have protested because dues were demanded in dollars or Swiss francs. (*Pravda* has, naturally, denied all this.) And the Syrian foreign minister, who keeps close to Egyptian policy, has told British newspapermen that he wants to improve relations with Britain.

The time may therefore be opportune for King Saud to attempt to bring some commonsense into Arab politics.

The discussions which started yesterday between British and Egyptian delegations in Rome, on claims for damages and the removal of restrictions on Egyptian sterling, should throw some light on the prospects.

One Pipe First

THE last-minute decision of the seventeen oil companies which conferred in London last week to plan one new giant pipeline for the Middle East, instead of two, does not mean that two pipelines will not eventually be laid. The companies have to raise the wind before they lay the pipe, and practical considerations about how and when to do so have led them to modify their general plan at this stage. The companies will still need means of moving an additional 70 million tons of oil from the Persian Gulf area by about 1963.

One new pipe of about 40 inches diameter could handle about half the additional flow and there is little doubt that the companies could, if compelled to, transport the remainder by loading existing facilities to the limit and increasing the tanker facilities beyond what is already planned. It would, of course, be better to have two new pipelines; but that would cost about £300 million, and presumably the companies will want to feel more confident about the security of such a large investment than they have been since Syria blew up the pumping stations on its territory last November.

The original plan has now to be redrafted to provide for only one pipeline. The companies will then enter the stage of consultations with the producing governments, Iraq, Saudi Arabia, Kuwait and Iran. They know how to finance and build a pipeline if the governments approve the plan.

UNIONS

Strings on Whom?

THE disunity in the Confederation of Shipbuilding and Engineering Unions is another indication that if the strikes in these industries had been withstood from the start the unions would not have been likely to win them. It is also indicative of something even more interesting. The definition of a left-wing trade union leader in 1957 is apparently to be one who votes for accepting less money than his members could get. On Thursday the engineering workers, under the leadership of Mr Carron of the Amalgamated Engineering Union, settled with their employers on an increase of up to 11s. a week—but subject to "strings" which would include a "twelve month freeze." By contrast, the shipbuilding workers, under the leadership of the rumbustious Mr Hill, seem to have decided that they will have nothing to do with the strings; although Mr Hill is still making threatening noises about the possibility of reopening the strike, the indications are that the shipbuilding unions may be more ready to accept an offer of 8s. 6d. without conditions (which the courts of inquiry recommended, but the shipbuilding employers have not yet made) than the 11s. offer with them.

Mr Hill has been supported by the left wing throughout the confederation's debates. In part, the left's opposition to the strings has been based on the political objection that to accept even a twelve months' standstill would be tantamount to accepting a partial wage freeze under a Tory Government; this point may have weighed particularly heavily with Mr Cousins, who has consistently cast the votes of his Transport and General Workers' Union to the left in the confederation's decisions—but for whose massive general union engineering and shipbuilding wages are necessarily only a small part of a wider wage struggle. It is not so clear why unions whose main interest lies in shipbuilding, such as Mr Hill's boilermakers, should be so opposed to the standstill. Any advantage the shipbuilding workers may derive from keeping themselves free to get any 1958 claim on to the bargaining boards a little earlier than the engineering workers seems most unlikely to outweigh the disadvantage of getting 2s. 6d. less a week for the next twelve months. The conclusion is irresistible that one of the major objections of the leaders of some shipbuilding unions is to that part of the employers' conditions which seeks to assault the plethora of restrictive practices in the shipyards.

There is a personal interest involved here. With some twenty-one unions having a stake in the shipyards, there are too many union officials chasing too little work there; the militancy they display and the restrictive demarcation agreements they establish are sometimes designed not so much to protect status and make jobs for their members, as to protect their own status. That is one reason why the officials of some shipbuilding unions so bitterly resent attempts to tie wage increases to any discussion of these practices. The tangled restrictions in the shipyards already diminish opportunities for higher earnings there; the refusal to discuss them may now be going to keep down the basic wage there as well. But the workers involved, even though the season for most of their annual conferences is now opening, seem unlikely to offer a word of protest.

Israel and the Suez Canal

ISRAELI shipping has never been allowed through the Suez Canal. The only vessel flying the Israeli flag which has tried to get through was the *Bat Galim*, which in 1954 arrived at Port Suez carrying hides and meat from Eritrea. Both ship and cargo were confiscated by the Egyptian authorities, the crew was detained in Egypt for several months, and at the Security Council debate which followed the incident the Egyptian delegation made it plain that no Israeli ship would be allowed through the canal. At present less than a quarter of Israel's trade is carried in its own ships, but tonnage amounting to about 400,000 tons is on order in German shipyards and by 1962 Israel should have about four times the shipping capacity it has now.

Ships carrying Israeli goods but sailing under another flag are allowed through the canal but they are denied services such as bunkering, water or repairs at all ports on the way. Since 1949 a black list has been kept of ships which are known to have called at Israeli ports, and these vessels—even when not carrying Israeli goods—are refused facilities at Egyptian ports. Moreover such ships run the risk of being searched and their Israeli cargo being confiscated; since 1953 the contraband list has included "foodstuffs and all other goods likely to strengthen the Zionist war potential." Although such seizures have happened only on isolated occasions—for instance, a cargo of meat from an Italian ship and motor cycles from a Norwegian freighter, both in 1953—the risk of interference makes shippers think twice before accepting Israeli goods. The stringency with which the Egyptian embargo is enforced depends on the heat of anti-Israeli feeling at the time. Many shippers take precautions such as calling at other ports beside Haifa or even getting the goods trans-shipped by way of Genoa. This is expensive for the Israelis; it also means that when there is a run on shipping space, Israeli traders are put far back in the queue.

Effects on trade. Israel's hope of building up trade relations with East Africa and the Far East depends on securing regular shipping services through either the canal or the Gulf of Aqaba. Although the gulf may eventually be the more important of the two to Israel, it will be some time before the port of Eilat can carry heavy traffic.

At present Israel trades almost exclusively with Europe and the western hemisphere; its small trade with the east is either carried slowly and expensively round the Cape or else taken riskily through the canal by chartered vessel. Israel badly wants new markets for its minerals (and in return needs oilseeds and timber from East Africa, and rice and jute from the Far East), but it will be difficult to break into these markets except by offering cut prices or quick delivery. Both these inducements are out of the question under present conditions. Except with Burma, Israel's trade with the east is on too small a scale to be commercially worth while. But the Israelis believe that the rapid expansion of trade with Burma is an indication of what could happen elsewhere if the trading route were open.

BY-ELECTIONS

The East Ham Actors

BY far the most interesting of next week's three by-elections will be that at East Ham North. The other two (Edinburgh South and Hornsey) will be dull affairs of counting swings and calculating whether there has been any slowing in the rate of fall in two comfortable Tory majorities. But East Ham, though a safe Labour seat, is going to present a rare opportunity to test strengths of opinion and emotion right across the political spectrum. To the left of Labour will be an Independent Labour Party candidate, standing on the main plank of opposition to the hydrogen bomb; this could be an interesting test of emotions in itself, although there are some doubts whether the ILP candidate will prove to be a very good vote catcher. On the right of the Tory candidate, however—and some observers think likely to push him out of second place—is Mr Edward Martell of the People's League for the Defence of Freedom. Mr Martell is the chairman of his movement, which can be compared, according to taste, with Poujadism or true Liberalism: he regards the contest more as a test of opinion than as a battle to be won. He chose East Ham because his potential supporters there need not be afraid of splitting the anti-socialist vote—since, split vote or not, Labour is plainly going to get in anyway.

The League's case is based on a dislike of "trade union tyranny and arrogant bureaucracy"—with much emphasis on the faults of the unions. Mr Martell believes that he will gain votes if there is a further outbreak of trouble in the Briggs works, many of whose employees (and, more important, their irritated neighbours) live in the constituency; he wants to introduce legislation to make it compulsory for ballots to be held before strikes could be called. This, and his determined opposition to all things smacking of socialism, will undoubtedly win some support among Conservatives in the constituency. Mr Martell is an extremely capable electioneer; in 1946, when he fought Rotherhithe as a Liberal, the Labour candidate won but the Tory lost his deposit.

The main interest next Thursday will be to see how near he can come to repeating this performance, how many of the so-called "Tonbridge-type" Conservative abstainers he can get to vote for him. One difficulty, however, is to see in which of the local houses his prospective supporters are supposed to live. There can be few retired majors, on whose abstentions the Conservatives are apt to blame their recent lack of support, living in East Ham. The constituency is very largely an industrial workers' area; apart from an enormous cemetery, it contains a section of docks and much factory workers' housing. It is much less of a middle-class area than Lewisham, where Miss Greene—a right-winger who was admittedly much less moderate than Mr Martell in the expression of her views—recently failed to save her deposit.

FARM SURPLUSES

Rotting Potatoes, Wasted Milk

THE Minister of Agriculture was asked in the Commons last week "what he considers to be a fair price for a rotten potato." The answer, given by Mr Heathcoat-Amory, in an understandably elliptical manner, is between £13 and £14 a ton. This is the support price at which the Potato Marketing Board stands ready to buy all ware potatoes, not actually diseased, which the market will not absorb at higher prices. Its normal practice is to ask farmers to store their own surplus potatoes, until either market prices improve or the board can itself dispose of them for stockfeed. This year's surplus is so large that although the board is urging farmers to "buy back" their own potatoes for feed (at the taxpayers' expense), and is also exporting subsidised potatoes, quite a lot of potatoes are rotting in their clamps. But they still have to be paid for at the support price, and 95 per cent of this year's sizeable bill for unwanted potatoes will fall on the taxpayer—with the board graciously carrying the remaining 5 per cent.

The problem of surplus milk is proving equally embarrassing. Since butter and cheese manufacturers are now getting all the subsidised milk they can handle, the Milk Marketing Board has been reduced to dumping unwanted skim milk in fields. This has given rise to complaints—about its effect on public health. In this case, since the Government has limited its liability for surplus milk, the major loss falls on milk producers collectively. A number of milk producers are now agitating for the introduction of a scheme that would reduce the returns of any producers who expand their output.

There is, of course, only one answer to this problem of rotting potatoes and wasted milk, and to that of Britain's crates full of unwanted and subsidised eggs (of which Her Majesty will have heard quite a lot in Denmark): the need in each case is for a cut in the guaranteed price. The potato support price was originally intended to be an insurance against severe market depression, not (as it has turned out to be) a positive inducement to farmers to switch to potatoes, and to grow them moreover from the exclusive viewpoint of weight instead of quality. The egg

guarantee was similarly intended to be a genuinely minimum price, not a price habitually above market level. For both eggs and potatoes, the Government has let itself be duped by the farmers. Milk is a more complex case, but here it is equally plain that the only solution lies through lower off-farm prices and a larger liquid market—not through elaborate schemes for penalising the more efficient producers.

MALAYA

Citizens of Tomorrow

THE representatives of the Federation of Malaya who completed their constitutional talks with the Colonial Office this week may perhaps ask themselves whether, in retrospect, their conference was strictly necessary. The legal implications of Commonwealth citizenship, which formed the principal debating point, had been made quite clear before the conference began, and the truth, when repeated by Mr Lennox-Boyd, can have been neither more nor less true than when it first fell from the lips of the legal experts. But the conference may have had its value for the Chief Minister, Tengku Abdul Rahman, who can now use the Colonial Secretary's reassurances to mollify those who had misunderstood the citizenship proposals of the Reid Report (an article on page 701 discusses the objections raised in Malaya).

A bleakly uninformative communiqué on Tuesday night merely recorded complete agreement. It is understood that the Tengku and his delegation accepted the British proposal that Malayans who are now British citizens—mainly Chinese living in Penang and Malacca—should be given Commonwealth citizenship in addition to Malayan citizenship when the Federation becomes independent on August 31st. They would owe undivided loyalty to Malaya, as recommended by the Reid Report. Indeed, Commonwealth citizenship will confer no special privileges on them beyond that of free right of entry into and residence in the United Kingdom. But the British Government appears to have conceded that Commonwealth citizenship should not be hereditary and should not be granted to anyone born after August 31st. It has also been agreed that Islam is to be the state religion and that the special privileges of the Malays will be extended to Penang and Malacca. A white paper on the talks will not be published until the Malay rulers have approved the decisions reached.

With the Tengku's agreement, Mr Lennox-Boyd also received an unofficial delegation of Chinese associations who want the qualifications for citizenship to be widened to include many Chinese now disqualified, and recognition of Chinese and Tamil as official languages. Although he said he had taken these views into account, there is no evidence that he has allowed himself to be swayed by them.

POLAND

Mr Gomulka's Middle Road

SEVEN months after its memorable meeting during which Mr Gomulka was brought back to power, the central committee of the Polish Workers' Party has just held a new plenary session. Mr Gomulka seized this opportunity to define at length his middle road between the two evils of Stalinism and "revisionism." Although he paid tribute to Soviet achievements and stressed the need for "proletarian internationalism," he also declared that, quite apart from the mistakes of the Stalin regime, the Soviet road "is neither indispensable nor suitable" for other countries which must take their own circumstances into account. He is reported to have summed up his attitude with the terse phrase: "Internationalism, yes; servility, no."

In this first speech, Mr Gomulka concentrated his attack on the revisionists, whom he accused of falling into "bourgeois" deviations. It seems, however, that later in the debate he was provoked into a violent outburst against the diehard Stalinists of the so-called Natolin group. He was apparently encouraged to do so by the mood of the meeting, which was more hostile to the diehards than was originally expected. That Mr Gomulka won the day once again was shown by the election to the party secretariat of Mr Kliszko and Mr Morawski, two of his close collaborators. But there is still no clear balance of forces among the communist rank and file, many of whom are disgruntled and bewildered at being asked to carry on their political work without recourse to the old tough and repressive methods. Mr Gomulka has succeeded in getting the Party Congress postponed until December in order to give himself a better chance of securing a firmer grip on the party first.

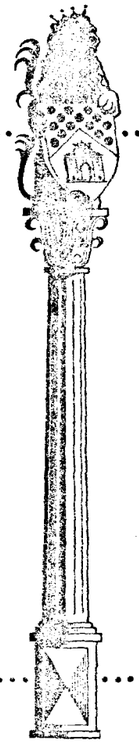
He may soon be faced with yet another showdown. At last week's meeting he defended the new conciliatory attitude towards the Church not on ideological grounds, but because communism and Catholicism will have to live together in Poland for years to come. The echo from the Vatican, where Archbishop Wyszynski has gone to receive his cardinal's hat, was not encouraging. In an encyclical letter addressed particularly to the Poles, the Pope had not a word of praise for the new regime. He merely warned the faithful against pitfalls and exhorted them to show firmness. The tone of the letter was in strange contrast to the blessing that Cardinal Wyszynski gave to Mr Gomulka's experiment last October. Last week, Mr Gomulka appealed to the cardinal to "follow the Polish road." If the reply now comes that all roads must lead to Rome, there is little prospect of continued understanding between Poland's two main powers.

DOCTORS' PAY

A Salaried Service?

THE medical profession might have thought that the question of a salaried service of general practitioners had been settled once for all in 1948. Doctors, by a large majority, then refused to enter the health service until Mr Bevan agreed, among other things, to put into legislative form the government's promise not to introduce a full-time salaried service by regulation. However, at the annual conference of the Socialist Medical Association Mr Blenkinsop, a Parliamentary Secretary to the Ministry of Health in the last Labour government (and possibly a prospective full Minister of Health in the next one), raised the issue again. The present method (capitation fees) of paying general practitioners, he said, encouraged doctors to keep their lists of patients as big as possible by handing out drugs like tranquillisers too readily. This pressure from patients for unnecessary drugs would be eased if doctors would accept a salaried service.

If there is much undue pressure from these drugs, and its extent is probably greatly exaggerated, the most effective way to check it would be through the prescriptions charge.



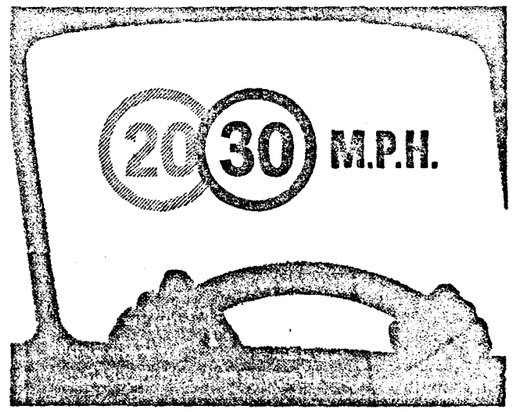
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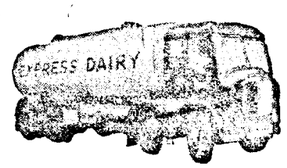
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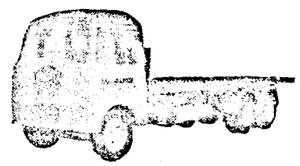


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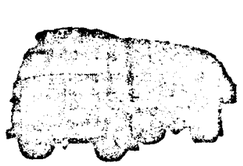
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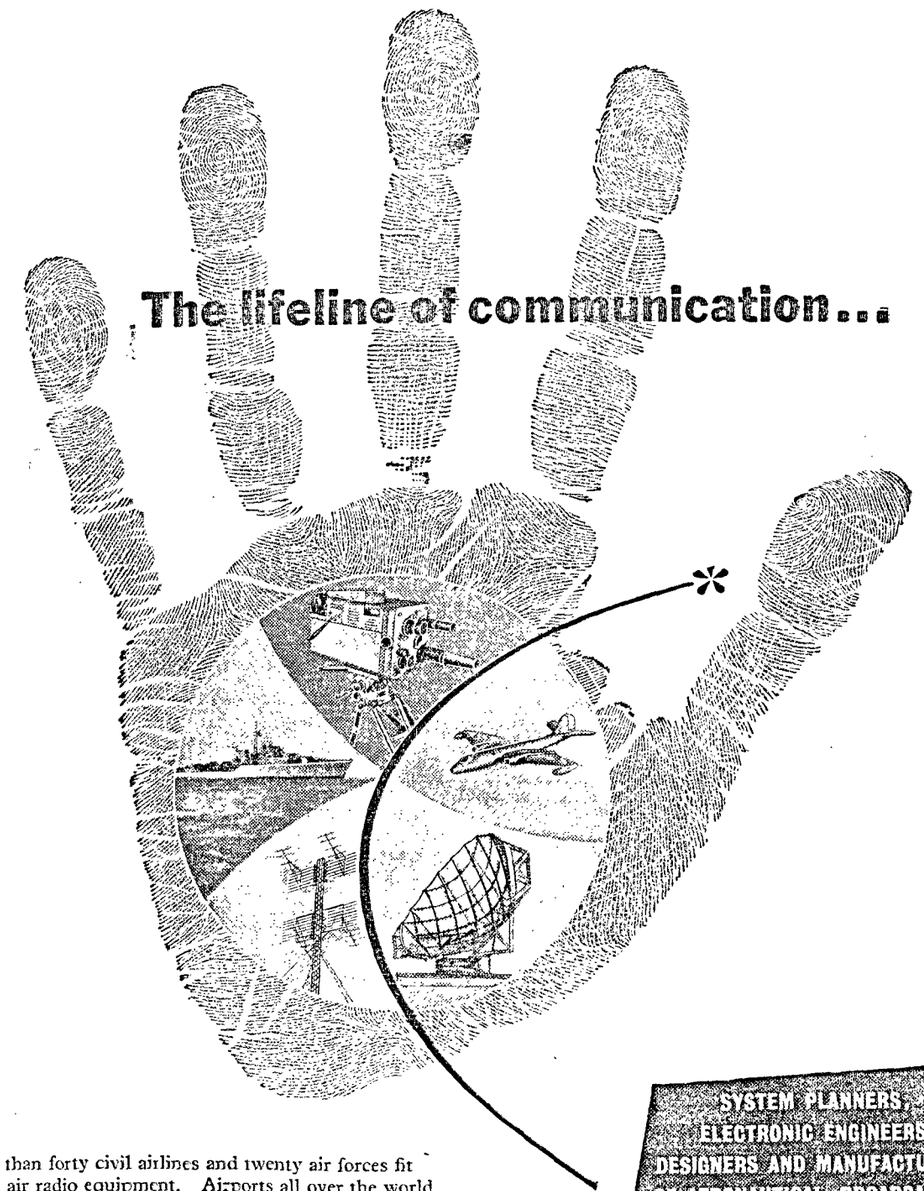
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It is a remedy that Labour would not, of course, consider for a moment, even though other countries have satisfactorily established a system by which life-saving drugs are free and not strictly necessary drugs are paid for. But perhaps Labour could be persuaded to consider the effects of a salaried general practitioner service. That it would lower the standard of general practice by removing the incentive to work harder and better is probable. Mr Blenkinsop's comparison between general practitioners and salaried hospital doctors in this connection is irrelevant, because the latter do not work in isolation, but, like teachers, have colleagues to keep them up to scratch. In any case, it has been thought desirable for hospital doctors to have an additional incentive in the form of merit awards. But what is much more certain than the lowering of professional standards is the abolition of free choice of doctor that would follow from a salaried service. If all general practitioners are to be paid the same salary, varying only with age, obviously they will expect to work much the same hours and look after the same number of patients. Patients who want to leave Dr X, not because he refuses to hand out the tranquillisers, but because they think he is a bad doctor—or simply because they do not like him—will find that they are his patients for keeps. The capitation system has disadvantages, but at least it upholds the patient's freedom to change.

WEST INDIES

The Hailes Storm

THE Caribbean federation poses for its first Governor-General an exacting and intricate task. During his term of office he will have to guide towards independence *in unity* islands which are jealous of each other, have very different economic levels and are separated by miles of ocean. He will not be able to give this guidance unless he has the confidence of the political leaders in the different islands. It is in this context, not on the score of personal ability, that the appointment of Lord Hailes (formerly Mr Buchan-Hepburn) has rightly given rise to a fuss. Whatever the strict constitutional position in relation to a dominion which has not yet come into existence (the only parallel case was the Central African Federation where Lord Malvern was fully consulted), the most important factor governing the appointment should have been to pay maximum attention to the wishes and susceptibilities of the men with whom the Governor-General will have to work. In this case, the suspicion (not least among West Indians) will be that the most important factor has been Mr Macmillan's desire to give alternative office to an ex-minister for whom he embarrassingly had not found room in his own cabinet. The chief ministers of Trinidad, Jamaica and Barbados were consulted about the qualifications (but not the name) of the Government's candidate. But, apart from the difficulty of discussing qualifications in the abstract, consultation implies the acceptance of advice as well as the handing out of information. Although the Caribbean leaders were apparently not happy about the appointment of an ex-party manager with no West Indian or colonial experience, their advice went unheeded.

If the Government wanted to avoid appointing an ex-colonial Governor to this non-colonial post, there was another course they could have taken, in preference to the appointment of Lord Hailes. Governor-Generals in the past used invariably to be from the United Kingdom. Recently, South Africans, Australians and Canadians have been chosen to represent the Crown in their own dominions. Logically a next step would be to choose a Governor-General from any dominion for any other, and there was an opportunity to do this by appointing a Canadian (with experience of the West Indies) to the Caribbean federation. Canada takes a special interest in the West Indies, and the link between old and new dominion might have been cemented by a personal exchange at the highest level. Many people will feel that a chance of strengthening the fabric of the Commonwealth has been missed.

CHINA TRADE

Embargo in Eclipse

THE divergence of view between the United States and its allies on the China trade embargo has evidently become once more a yawning gulf. There have been efforts at compromise in "Chincom," their China trade committee, where a Canadian proposal evidently won the support of Japan, and there are reports of pressure in the United States for a less stringent line; but Britain is unwilling to budge from the essential principle that the anomalous differences between the restrictions on trade with Russia and with China be removed. And unless the United States moves a long way from its original proposals there may be no agreement.

Britain's wish to relax the China embargo stems not only from the impracticability of having two sets of rules for China and Russia, but from the size of China's sterling balances, which clearly make it a promising buyer. Reports

£ million	1952	1953	1954	1955	1956
Chinese exports to sterling countries	86	96	78	93	118
Imports into China from sterling countries	79	65	63	53	51

last year that these balances had grown to well over £100 million—and that a (partly political ?) decision to turn some of them into other European currencies at the time of the Suez crisis could have been a significant factor in the flight from sterling then—may find some support in some figures given in an answer to a parliamentary question last week. These figures seem to suggest that China's favourable balance of trade with the sterling area grew steadily from a mere £7 million in 1952 to £67 million in 1956. They tend to inflate China's actual export receipts as some freight and insurance charges that are really paid to foreign firms are included in them; but this is probably offset by the fact that China also receives substantial sums in sterling in remittances from Chinese living in Malaya and other Far Eastern sterling area countries.

IRAN

Who will the Opposition oppose?

"IF only the government would put up two candidates for me to choose from," said a disgruntled Iranian to a correspondent of *The Economist* in February, "at least I would have the illusion of choice and I think—mind you, I make no promises—but I *think* I would be more contented." Perhaps the long ear of the Shah overheard him,

for His Majesty's Opposition has now been officially created. It will, presumably, present candidates next time an election falls due. Meanwhile, what will it be allowed, or encouraged, to oppose ?

There could be more than one motive for forming it in a country that has a hand-picked parliament and permits no unofficial formation of parties. Perhaps the Shah wanted to open a safety valve for critics. Perhaps he believes, as did Ataturk's successor when he founded a similar party in Turkey in 1946, that a two-party system ought to be everybody's goal, and must be imposed because it would never develop out of the countless personal followings that so often form as soon as there is unbridled party life. Perhaps—a more sinister thought—there was a desire to insure against the gathering of too much power into the hands of a strong prime minister. The characters of the new prime minister, Dr Eghbal, and the new opposition leader, Mr Alam, suggest that this was part of the plan.

Dr Eghbal springs from the disgruntled professional class (he is a specialist in infectious diseases) and has long been known as a thruster and a tremendous worker. He was the Shah's choice in 1954 as Minister of Court, and his transfer to the premiership has kindled a spark of hope in a class that resents the supremacy of the *deux cent familles*. Mr Alam is a landowner from the south-west, a contemporary of the Shah and closely associated with many of his ideas for rural reform ; but he has not yet made any great mark on the many rural problems which, until lately, he handled from the Ministry of the Interior. The two men are as different as chalk from cheese. Whether their work as political opponents will promote the social changes that most Iranians want to see will remain in doubt till they have tried the system.

The Economist

MAY 23, 1857

ENGLAND'S INFLUENCE

One of the soundest and best characterstics of the English nation—we mean its entire freedom, not from the authority of fixed political *principles*, but from the monotonous tyranny of fixed ideas—in other words, the great flexibility of the English political system and its adaptation to the totally different exigencies of totally different occasions—is often the source of considerable confusion in the impression we produce on foreign nations. . . . Unlike America, whose defined and isolated position among the nations cannot easily change from year to year—scarcely even from half-century to half-century—unlike the arbitrary Powers of Europe, whose leanings are at once determined by territorial temptations or territorial fears—the elements of English politics are at once sufficiently complex and sufficiently independent of external influence, to render her opinion in foreign affairs something which really varies with the varying circumstances of the case—something not absolutely predetermined by over-ruling abstract considerations, but changing with the changing aspects of justice and international obligation. Hence her public opinion is watched with deep and often breathless interest by the Continental Courts, and her Ministers are respected and influential in conjectural proportion to the sympathy in which they are supposed to stand with the deeper springs of the national life. It is not that any fickleness is attributed to English opinion; but it is known that that opinion is not a mere stereotyped political necessity on the one hand, nor on the other a matter which can be easily tested by the votes of a body of men selected for a different exigency and during the predominance of a very different class of interests. Hence a Cabinet is powerful abroad in proportion to the demonstrable directness of its descent from the great representative classes of English society. If it depends, or seems to depend, on the favour of a Parliament elected in a different crisis, and therefore, we might even add, by a very different body of electors . . . it will have a very different kind of influence abroad from that which it wields when stamped afresh with the deliberate approbation of a roused and unanimous people.

SMALL TOWNS

A Suggestion from East Anglia

THE little borough of Thetford, in the remote Norfolk Breckland, is the latest town to reach agreement with the London County Council upon a scheme for expansion under the Town Development Act. The initial plan is to build 1,500 houses, develop industrial sites, and improve local services and amenities, with the LCC doing most of the development as agents for the borough council. A similar scheme has already been agreed for the Suffolk town of Haverhill. The idea of transplanting cockney families to remote corners of East Anglia, and persuading London industrialists to go with them, certainly appears both curious and ambitious. Yet the auguries for these schemes' success are fairly bright. Can the idea be extended?

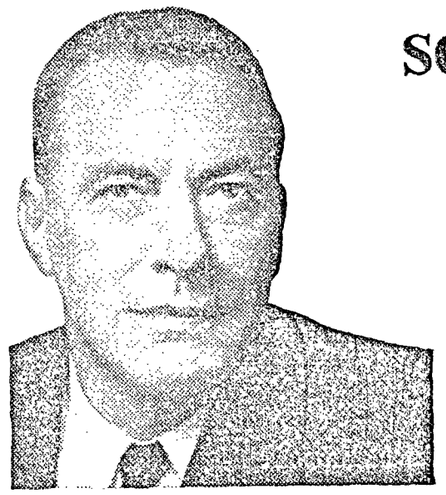
The land is available for such an extension. East Anglia is the ideal field for the kind of modest expansion schemes which were originally envisaged under the Town Development Act. It contains large numbers of little towns struggling with the problems of decline as their marketing and service functions are absorbed by larger centres. In Norfolk and Suffolk there are about 25 towns of between 2,000 and 10,000 population, as well as several rather larger ones. Many of these places have an ancient industrial tradition, and one or two local industries often of a "family" type. The prospect of a "London influx" is not alien to them, but they naturally want a moderate amount of development rather than a pell-mell expansion that would overwhelm the town and drown its character.

The main difficulty is that of organisation. The small local councils are ill-equipped to nose out prospective industries and to undertake development schemes. The London County Council's ability to act as absentee fairy godmother is inevitably limited by the divergence of its own interests (which point in the direction of larger, speedier housing schemes) and by doubts as to how long its ratepayers will subsidise development 100 miles from home. Despite its useful but precarious successes at Thetford and Haverhill, the Town Development Act is limping badly ; a great deal of effort and good will has gone into these two schemes, and many equally promising ones have fallen by the wayside. A much better solution might be to create a development corporation for East Anglia, similar in structure to the new town corporations, which would be charged with aiding or promoting development in a dozen or so suitable towns. Such a body would have the staff and resources to undertake good-quality housing and attract suitable industries, without being tied to the day-to-day exigencies of reducing the London housing list and satisfying London ratepayers.

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"Northern Ireland has what we need"

says Mr. ARVON L. DAVIES, Managing Director of Chemstrand Ltd.

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"Northern Ireland has what we need", says Mr. Arvon L. avies, Managing Director of Chemstrand Ltd. "We looked at sites in the U.K. Our decision to go to Coleraine was based on a detailed assessment of costs per pound of fibre. When the ures for alternative sites were close together, factors such as our availability, services, housing, schools and recreational ilities came into play.

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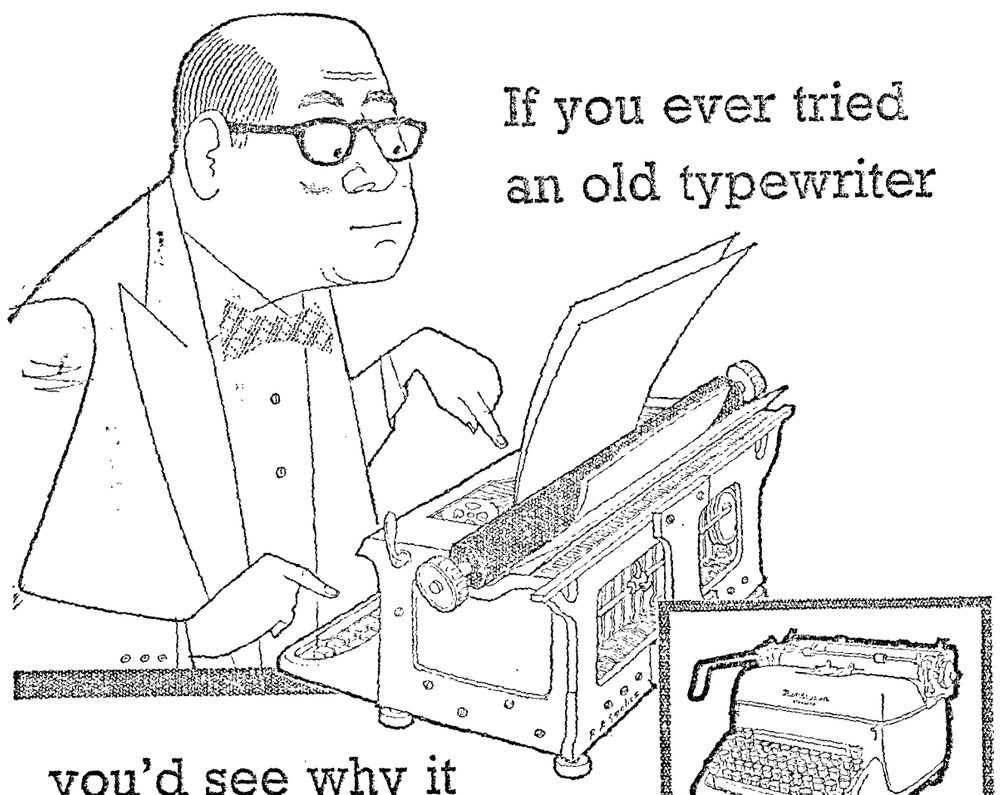
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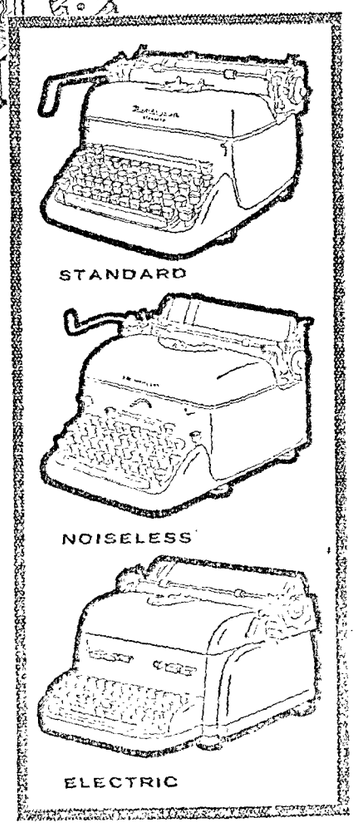
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LETTERS

The Kashmir Problem

SIR—May I put some proposals before your readers, in the light of Mr Jarring's report explaining his inability to secure any agreement upon possible methods of solving the problem of Kashmir?

Both India and Pakistan have strong arguments in favour of the accession of Kashmir to each of them. The greatest strength of India's case lies in the facts that she entered Kashmir in response to an appeal for help against invading tribesmen, and that she exercised circumspection before eventually accepting the accession of Kashmir; whilst the greatest strength of Pakistan's case lies in the fact that she is willing that a plebiscite should be held and hence that she relies predominantly upon the principle of "self-determination"—a principle which should appeal to all democratic peoples. These cases fail to join issue. Hence it is impossible to resolve them by agreement.

I therefore maintain that there is only one solution which can secure the approval of all concerned. This is that Kashmir should federate at one and the same time with both India and Pakistan.

An agreement could be signed on behalf of India, Pakistan and Kashmir that steps should be taken to construct a constitution for Kashmir providing for federation with both India and Pakistan, which would eventually be accepted by the national assemblies of the three countries. The problem presented by the occupation of the existing two parts of Kashmir by Indian and Pakistani troops could be resolved by an agreement to withdraw those troops, simultaneously, on a given date, their place to be taken by a Kashmiri defence militia, which would in the meantime be organised and trained separately in each "half" of Kashmir, but would finally be united by a High Command. All federal expenditure in, or contributions to, Kashmir would be borne in an agreed proportion by India and Pakistan, whilst all payments due from Kashmir would likewise be paid in an agreed proportion to India and Pakistan.

More autonomy would have to be given to Kashmir than to other states and provinces, but this has already been conceded in principle by both India and Pakistan. Special arrangements would have to be made to meet problems arising from differences between India and Pakistani policies, but there is in many respects great similarity between the ideals and policies of the two countries. Space forbids further discussion here of such difficulties and possible solutions. My one objective is to secure consideration of an unprecedented but nevertheless feasible constitutional solution.—Yours faithfully,

VERA ANSTEY

University of London

The Statesman's Burden

SIR—As one who passed a large part of his life in the Civil Service I appreciate the importance of your article of April 27th. Would it not be possible, in this, to learn from local government and provide for national government the equivalent of the aldermen in county and borough councils?

The demands of his constituency on a Cabinet Minister are no negligible part of his activities, and to relieve him of them would go an appreciable way towards freeing him to concentrate on the serious national problems with which he has to deal.

The change might take the form of allotting, say, 40 aldermanic places in some agreed, equitable way between the parties in the House of Commons, the selection of their own representatives, in effect, being left to the parties themselves.

While this would be a considerable constitutional change, such an arrangement has for many years worked smoothly in local government and should not arouse any party controversy. In effect it would be no more than a new redistribution of constituencies and should at least be worthy of further investigation.—Yours faithfully,

HAMMOND B. JENKINS

Hadstock, Cambridge

Aid for Poland?

SIR—An article in *The Economist* of April 20th discussed the outlook for western aid to Poland, and particularly the idea of helping to re-equip Polish industries, such as coalmining, thus assisting the Poles to stand on their own feet.

May I add the suggestion that the West, and Britain first of all, should also help Poland to remedy her lack of up-to-date scientific and technical knowledge, due to the isolation of recent years. My experience is that this is keenly desired in Warsaw, both in communist and in non-party circles.

The British Council and the Ford Foundation are providing scholarships for Polish students in Britain and the United States, but this can only meet a small part of the demand. British industrial firms, for example, might be willing to take Polish managers, foremen and apprentices for a period of attachment, if the language problem could be met. It might be worth while to set up a central office in London to deal with the possibilities in every field.

I have heard the objection made that such a programme "might annoy the Russians and make the Polish situation more difficult." I believe this attitude to be not only unduly timid but ill-informed and unfounded. Moscow undoubtedly approved the visit of a Polish economic mission to seek aid in Washington. The Soviet leaders have themselves made substantial economic concessions to Poland. They must be well aware that, if the present economic crisis in Poland continues, there is a real risk of public discontent setting off a repetition of Hungary, but on a much larger scale, which they must wish to avoid. Why, then, should Moscow object to technical aid from the West for Poland? The Soviet military grip on Warsaw remains unchanged.

We are offered what we have long awaited, an opportunity for breaking through the barrier and developing new contacts with Poland for our mutual benefit, on a practical, constructive basis free from political conditions. Poland is still deeply rooted in the western civilisation and now looks to the West, and especially to Britain, with fresh hopes. Are we to let the chance go begging?—Yours faithfully,

Berlin GUY HADLEY

Bank Clerks Militant?

SIR—The note in your issue of May 11th contains (I am sure quite unintentionally) a mis-statement of fact. Staff association officers are appointed by their associations, not by the banks, and in this as in all other matters the associations have perfect freedom of action in relation to the employers. As to banks preferring to negotiate with their staff associations rather than the union, this is also the preference of the staffs, or staff associations would not flourish as they do. The union may, as you say, claim that staff associations have no power to look after their members, but the majority of those working in banks do not wish to be looked after by the trade union. Nothing is more certain than this.—Yours faithfully,

A. W. B. PAYNE

Central Council of Bank Staff Associations, London, S.E.1

Blackball from Oslo

SIR—In view of the comment in your May 4th issue, I feel compelled to communicate that General Franco's Government is not "grudgingly tolerated" and "its end eagerly awaited," as your correspondent says. General Franco is unanimously appreciated here as much as your gracious Queen could be loved in England; all the governments make errors, including General Franco's, Sir Anthony Eden's (Suez), and Mr Macmillan's.

In connection with the fact of a sure contemplation of our future, I must point out that the Succession Law of the Spanish State appoints as the future King HRH Prince Juan Carlos de Borbón y Borbón.

Lastly, Nato never will be embraced with enthusiasm by the Spaniards. We can defend our nation by ourselves again (as happened in our 1936 civil war), but certainly we don't like to lose our lives for others.—Yours faithfully,

S. GROSSO BURNHAM

Madrid University of Economics

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Gibraltar

SIR—It is odd that you should publish such an ill-informed letter in your issue of April 27th. There are no Spaniards living in Gibraltar except a few refugees of 1936 vintage and a number of temporarily resident maidservants, waiters and cabaret girls. As for the Gibraltarians themselves they are mostly of Genoese origin and have a liking for garlic anyway. As for the English, mostly doing a tour in the Services, most of the sensible ones quickly become addicted not only to bullfights, lotteries and flamenco, but to garlic in their cooking as well.—Yours faithfully,

Gibraltar DARRELL BATES

Oxford's Roads

SIR—Now that the Oxford roads problem has gone back to the Minister it is to be hoped that he will look at the matter broadly, not forgetting the problem that we share with every other town—the problem of inducing the man who lives in the suburbs and works in the town to use public transport instead of his own car.

Two simple changes in Mr Sandys's scheme would go a long way toward this:

(*a*) The Meadow Road should pass under or over St Aldates, and should permit no northward turn until it reaches a car park near the station.

(*b*) Magdalen Bridge should be closed to all motor vehicles *except city buses under a 20 mph limit.*

The inhabitants of the huge dormitory that now extends from Marston to Littlemore would then have two options—either to drive round the city to the west, park their cars and walk or bus back to town, or to ride up a relatively empty High in a bus. The second is so obviously the better choice that hundreds of cars would be left at home. Later, a similar restriction might be placed on the north end of Cornmarket, after the construction of a north-western relief road through Jericho to the station. We should then have an inner city or precinct comparatively free from traffic and noise.

Nothing in this letter suggests that outer by-passes are not needed. They ought to have been finished years ago.—Yours faithfully, H. B. BARWISE

Oxford

Shops Bill

SIR—Mr Walter Padley's intemperate and pig-headed letter in your issue of May 4th cannot fail to arouse the indignation of any working woman who has kept house on both sides of the Atlantic. Nothing can be more irksome and impractical than London's closing hours. When I lived there, food shops opened just as I left for work and closed shortly before I got back from a city office in whose neighbourhood there were no facilities for household shopping. In addition, the department stores were closed on the one afternoon a week when any person working a normal week can get off—Saturday. One cannot travel from Ludgate Circus to Oxford Street or Knightsbridge to shop in a lunch-hour.

Here my grocery opens from 9 am to 9 pm, though the chain store next door is open until 9 pm only one night a week. Elastic closing hours and credit policies are the main defence of the independent grocer against the cut-price chains. It is true that I pay a little more for food, but I pay for the convenience of not having to do all my food shopping on one day of the week, as I should have to do in London.

This city's department stores are open until 9 pm two nights a week, and until 6 pm on Saturdays. There are also all-night groceries and pharmacies, since shopkeepers recognise that many industrial and some government enterprises are on a three-shift day (as are hospitals) and that their employees have money to spend.

The spread-out shopping hours help to ease the traffic problem and provide business for cinemas and restaurants on shopping nights. Store employees (who get an employee discount on their purchases) are many of them married women, students and so on, who are glad of a part-time job even at comparatively low wages. I should like Mr Padley to be able to talk to union members here; they would be horrified at his blind devotion to restrictive practices which, in what even he admits is a "progressive" country, have long been recognised as bad for everyone. And any intelligent person should be annoyed by his bland ignorance of a basic principle behind every "service" industry—that people will pay extra for comfort and convenience.—Yours faithfully, J. S. RIDGELY

Baltimore, Maryland

Secret Justice

SIR—It may not be generally appreciated that people are sometimes sent to prison after a private hearing in the High Court, where neither the public nor the press is permitted to be present. It arises in the Queen's Bench Division where a judge in chambers directs the issue of a writ of attachment for the breach of an injunction. This is the normal procedure of that division; it is of long standing.

This procedure is not followed either in the Chancery Division or the Probate, Divorce and Admiralty Division, where a writ of attachment is only ordered to be issued in open court.

For a judge to send a person to prison when he is sitting in his private room would appear to violate the maxim that not only must justice be done, but it must be seen to be done.

I urge that the matter should receive the attention of Parliament.—Yours faithfully, EDWARD F. IWI

London, N.W.11

BOOKS

Goodness is not Enough

Fulness of Days

By The Earl of Halifax.
Collins. 319 pages. 25s.

"COMPARED with my private school," Lord Halifax recalls, "Eton was very tolerable, but I cannot say I *enjoyed it.*" So, too, he writes of Parliament years later, when he was about to be Viceroy of India: "I had no particular regrets at leaving the House of Commons since it had no particular appeal for me." What, then, were the sources of the remarkable career which kept him for so long in so many of the seats of the mighty, when he was never one of the mighty himself?

The sources were three: family, the Church and Oxford. "In the interval between adoption as candidate and the coming of the election in 1910, I had been concerned with two main preoccupations. One was writing a short life of John Keble . . . and the other was getting married." And of Christ Church, All Souls and Oxford he writes with a quiet lifelong love. These were what he *was* and, after three-quarters of a century, still is; politics and public office were what he *did*, always dutifully.

No doubt Lord Halifax was called upon to do what he did because he was what he was. No man in his lifetime ran so wide a gamut of public positions: Under-Secretary for the Colonies (under Churchill), President of the Board of Education, Minister of Agriculture, Viceroy of India, President of the Board of Education again, Secretary of State for War, Lord Privy Seal, Lord President of the Council, Secretary of State for Foreign Affairs, and British Ambassador in Washington—and Chancellor of the University of Oxford. It sounds like the recital of the titles of the Duke of Wellington in Guedalla's famous funeral chapter. Yet Lord Halifax could make no claim to any kind of greatness; though he was fleetingly Mr Churchill's only rival to follow Mr Chamberlain in 1940, he has never been a political force, even in the sense that Lord Salisbury might be a force today.

But the secret is not just Lord Halifax's connections. It is his character: public office has been for him, simply and honestly, public service. "The setting of life," he says of his father's influence on his childhood, "was one of order against a religious background that was never far away"; and so it has stayed. (The parallel with Sir Stafford Cripps, with whom he worked in the Christian Action movement, is nearly as interesting as the glaring contrast between them.) He has neither needed nor wanted to be ambitious.

It must indeed be doubted whether, chosen so, the man matched his high calling. Lord Halifax added very little through all these years to the content of public policy: he contributed most abroad, abortively in India when he did his best to safeguard Indian unity by shaping self-determination federally, and successfully in the United States when, in the teeth of sceptics and detractors, he kept and won so many wartime friends for Britain. At home, whatever his responsibilities, he never seems to have been responsible for the big decisions, though he never shirks his share. In this most modest, human and attractive book, he records only two initiatives: his advice to Mr Chamberlain to seek a national government after the Munich agreement and to Mr Churchill to suggest a meeting with Stalin after the Fulton speech. Both were ineffective.

It is all written in the accents, not of an actor, but of an observer who was there, with his friends, at the time. This detachment makes it almost unkind to enter a verdict; his contacts with the Nazis take on an unreal, even naïve air. His faults were of omission not commission. Here he was out of his depth; there out of touch. He was, at worst, in the wrong place; and it was an absurd turn of fortune (as he, to his characteristic credit, saw at once) that made him the alternative to Mr Churchill when the reckoning came.

The truth is that, duty apart, he was in fact detached. His heart has been all his life, as Edward Grey's was, outside of politics, in the whole rewarding compass of country and college life, with his family and his friends. Where Grey watched birds, he hunted foxes, diplomatically with Goering or at dead of night in Kentucky, but for a lifetime over the peaceful English fields which, with the Yorkshire wolds, he loves so well. There is some reason for sadness that Lord Halifax is one of the last of his kind in politics.

The Paradox of France

The French Nation: *From Napoleon to Pétain, 1814-1940*

By D. W. Brogan.
Hamish Hamilton. 328 pages. 25s.

THE history of France between the defeat of the First Empire and the defeat of the Third Republic is intensely dramatic, mingling tragedy with comedy and sometimes with farce. Until 1870 it was avowedly nostalgic, an often conscious restaging of the same three-act drama of Monarchy, Republic, Empire that had occurred in that sequence between 1789 and 1814. The surface turbulence concealed the more steady progress and deeper continuity that existed in economic and social life. After 1870, French history became the story of a parliamentary democracy haunted by wars and the aftermath of wars. The surface continuities of the Third and Fourth Republics concealed a deeper and rapid change—the belated but important industrial revolution connected with the first world war, the social decay of the inter-war years, the economic revival since 1945.

There is thus, in both halves of the story, a curious lack of correlation between constitutional and political history on the one hand, and economic, social and cultural history on the other. The story is full of the play of paradox. The revolutionary tradition is more traditional than revolutionary, more backward-looking than up-to-date. The instabilities of governments are accompanied by an *immobilisme* of economic life; crises arise because of inertia; national solidarity is born from the disintegration of defeat.

Here is a theme admirably suited to Professor Brogan's brilliant talents of scholarship, style and wit. Yet the book he has written is in some respects disappointing. His intention to weave together political, economic, social and cultural history has been only partly fulfilled, sometimes because he has not fully accepted and explained the inherent disjointedness of these aspects, sometimes because political detail has been allowed to smother such significant developments as French scientific thought and artistic achievement. The story of government has been handled much more systematically (and with more sureness of touch) than the story of French social change or of cultural contribution. The author is at his very best on the Third Republic, about which he has already written a well-known and brilliant book. He is at his least illuminating on the defeat of France in 1940, which should have been the climax of his story. One outcome of his vast learning and miraculous memory is a mosaic of hard facts which builds up into an impressive, concrete account of certain events, like his summary of the Dreyfus case. But another result is an occasional sentence so allusive as to be intelligible only to the expert. "If Nachod was a new Magenta (with Verdy du Vernois, son of a gentleman of the household of the Comte d'Artois, as the new and bolder MacMahon), Sadowa was no Solferino, but a victory as complete as Wagram if not as Austerlitz."

The book is packed with information, and based on great learning. Parts of it are memorable prose. Much of it is illuminating. For all its defects, it is a valuable survey of an important subject. But it would have been better for more systematic analysis, and for explanations made more explicit.

Humane Witness

My Indian Mutiny Diary

By William Howard Russell.
Cassell. 315 pages. 30s.

RUSSELL of *The Times* came late to the Mutiny. Delhi had been stormed and sacked. The Lucknow Residency had been relieved. He came in time to witness the final taking and looting of Lucknow and the long-drawn-out mopping-up operations in Rohilkhand and Oudh, the province where the Mutiny did take on some of the character of a national rising. Russell's diary of his stay in India has now been condensed by Michael Edwardes, who in his introduction makes a worthy contribution to the re-examination of the place of the Mutiny in imperial history. Here, in these republished pages, are displayed a keen eye, a quick intelligence and a sense of decency and humanity.

Russell came to India with the power of a man who by his pen had toppled a Government out of office. Lord Canning, the Governor-General, was friendly, and the Commander-in-Chief, Sir Colin Campbell, who had known Russell in the Crimea, was quick to make a pact with him to show him all the dispatches and signals. Few war correspondents can have been so fêted; few of them can have been so powerful.

Above all else, Russell was a great journalist. He had the eye of a cinécamera and the ability to recreate a scene in sturdy prose. He was able to express the "feel" of a landscape or of a battle. In all the voluminous accounts of the Mutiny—and they are voluminous, for the Mutiny fascinated the Victorians—there is nothing better than Russell's description of the third battle of Lucknow. It is an extraordinarily vivid eye-witness account, not a piece of tactics to be mulled over on a map. It begins with the fantastic panorama of the crenellated and domed skyline of Lucknow. It narrows down to Sir Colin Campbell damning one regimental commander for taking his troops into fire in close column of companies. It broadens to show the columns hunting and killing the sepoys without quarter or mercy, only to narrow again to the Irish soldier offering Russell a small fortune in precious stones for two mohurs and a bottle of rum. It reveals the terrible incongruity of war in a garden of blood-stained statues, where "leaning against a smiling Venus is a British soldier shot through the neck, gasping, and at every gasp bleeding to death."

Russell brings that great sprawling mass of soldiers and camp followers which was an Indian army on the march as much to life as he does the battle. The close columns, stifled in the heat, stagger along, with the men in the ranks crying out continually for the bheestie. Then, at the end of the march, there is the sudden luxury of the camp, where champagne is served and complaints are made about the camel-borne port.

Russell's descriptive and re-creative powers are sufficient reason for recommendation. But that is not all. Russell was a man with a conscience in a land and at a time when the British lost all sight of conscience in an almost prurient desire for bloody retribution. Atrocity bred atrocity. The humanitarian Russell comments: "all these kinds of vindictive, unchristian Indian torture, such as sewing Mohammedans in pig-skins, smearing them with pork fat before execution, and burning their bodies, and forcing Hindus to defile themselves, are disgraceful, and ultimately recoil on ourselves." There were not many British voices which said that then—or later. More radical than the newspaper he represented, Russell questioned the idea of empire, writing: "In effect, the grave, unhappy doubt which settles on my mind is whether India is the better for our rule, so far as regards the social condition of the great mass of the people. We have put down widow-burning, we have sought to check infanticide; but I have travelled hundreds of miles through a country peopled with beggars and covered with wigwam villages." Not many said that then—or later.

Home-Grown

British Essays in American History

Edited by H. C. Allen and C. P. Hill.
Edward Arnold. 357 pages. 30s.

THE tradition of British scholarship in American studies is a long and reputable one. Yet in the prewar years when an insular trend in British historiography coincided with an enormous expansion in historical output in the United States, it seemed as if in scholarship or in diplomacy a new isolationism was on its way. In fact, the exact reverse was true. The thirties were, one can now see, a germinating period in Britain when a new generation of scholars were having their interest in American history awakened by visits to American graduate schools and by the inescapable impact of even isolationist America upon Europe. Of the seventeen contributors to this volume of "Essays," about half can be identified as falling within this category, while most of the rest represent the postwar generation who have grown up in British universities where at last the study of American history and American politics is coming to have an assured and substantial place in the curriculum. This volume may therefore properly be hailed as a symbol of the interest and talent which American studies now command in British universities.

The editors, however, have made it something more than that. Skilful selection and arrangement make the book almost an outline history of the United States. Although contributors have obviously fastened on subjects that interested them, they have subordinated private enthusiasms to public weal and general interest, so that the book can in fact be read as a whole. Moreover, though plain story-telling is not eschewed, the narrative treatment of a topic has often been deftly related to an exposition of the way American historiography (and popular myth-making) have subsequently handled it. Thus few of the essays are a mere rehash of facts available elsewhere; they almost all have the great merit of introducing the reader to at least the main interpretative themes of the American past. Brief bibliographies appended to each chapter serve as further signposts for anyone who wants to read further.

The editors point out that they have aimed their publication to coincide with the three hundred and fiftieth anniversary of Jamestown. Loaded down as that event has been with all the symbolisms that orators and editors have attached to it, it yet, one hopes, will tolerate this one modest tribute more. For it is a fitting one. The study of Britain's past has benefited so enormously from the labours of transatlantic scholars that the present balance of payments is as lop-sided academically as financially. Perhaps "British Essays in American History" is an augury, three hundred and fifty years after Jamestown, that substantial westbound exports will be beginning again.

Indifference, Maps and All That

Theoretical Welfare Economics

By J. de V. Graaf.
Cambridge University Press. 188 pages. 22s. 6d.

THE analysis of theoretical welfare economics is to the layman about as remote, impractical and gratuitous a form of intellectual gymnastics as can be found within the general rubric of economic studies; this in spite of the fact that its conclusions have an immediate bearing on such eminently practical matters as the tax system, the pricing policy of public enterprises, and the degree of control to be exercised over private industry. No layman, it is safe to say, will even try to read Dr Graaf's study, which is "intended for professional economists and advanced students" and is a stiff specimen even of its uncompromising kind—though its mathematics has been mercifully segregated in appendices to the relevant chapters.

This is perhaps just as well, for the reaction of the common sense lay mind to the disappearance, into a whirl of symbols and a tangle of curves, of the apparently simple notions "better off" and "worse off," is likely to be a robust dismissal of the whole argument in favour of whatever combination of naïve belief in competitive optima and naïve belief in political interventions happens to suit its unexamined preconceptions. And indeed a great deal of Dr Graaf's argument concerns the conclusions to be drawn *if* certain assumptions fantastically more unrealistic even than those of "perfect competition" were fulfilled; *if*, for instance, all conceivable hypothetical choices between different methods of production and between different patterns of consumption were simultaneously known to an "observing economist," what could that economist say about the comparative results of these choices in terms of welfare?

Yet from these explorations of the theoretical empyrean Dr Graaf returns with an eminently common sense precept, disappointing to those economists who for the past thirty years have been kicking against the pricks of Professor Robbins's "Nature and Significance of Economic Science." "The job of the economist," he says, "is not to try to reach welfare conclusions for others, but rather to make available the positive knowledge—the information and the understanding—on the basis of which laymen (and economists themselves out of office hours) can pass judgment." Given "information and understanding" he does not for a moment believe that society would plump for the policies suggested by what he calls "*laisser-faire* welfare theory." But it would be less likely to pursue policies which were incongruous either practically or—and here the painstaking analysis of welfare concepts comes into its own—ethically.

The Heiress

The Unhappy Countess: *and her Grandson John Bowes*

By Ralph Arnold.
Constable. 213 pages. 21s.

THE author says that this book explains how two Earls of Strathmore changed their surnames from Lyon to Bowes and why the tenth Earl's son remained Mr. John Bowes. But, fortunately, it does more: it tells the story of Mary Eleanor, daughter of George Bowes, great landowner and colliery proprietor, the first MFH in County Durham, who left her a fortune of £600,000. She was "a catch"; and she was caught, despite her mother's warnings, by her infatuation for the ninth Earl of Strathmore, handsome, dull, bibulous and delicate; who bored her and was irritated by her intellectual affectations, lack of common sense, and perverse dislike of her eldest son. His visits to health resorts separated them for long periods; but when he died in 1776 she claimed that all her five children were his. She had, however, acquired a lover, George Grey, who was expected to marry her; but this time she was caught by an Irish half-pay captain, a cross between Thackeray's Barry Lyndon and Fielding's Fitzpatrick; who first arranged a correspondence in the *Morning Post* about her relations with Grey, and then a duel with its editor in which the alleged wounds he gained on her behalf won her foolish heart.

The tragi-comedy which followed this marriage in 1777 is suggestive of Sheridan rewritten in terms of Victorian melodrama; and happily it occupies more than half the book. Andrew Stoney was an unmitigated blackguard, promiscuous and cruel. He squandered the estate which his dupe settled on him, even felling the woods that were the glory of George Bowes's planned landscapes at Gibside. His mental and physical ill-treatment drove her to flight in 1785; but while she was instituting proceedings, secular to safeguard her property, ecclesiastical to secure a divorce, and Stoney was convalescent after a pretended suicide, his bravos kidnapped her in Oxford Street and hurried her north by night and day, coach and pillion, in November weather. She was eventually rescued, more dead than alive, by a posse of Durham miners, led by a village constable, fortified by a *habeas corpus* writ and the promise of a fifty pound reward; and Stoney was escorted to King's Bench Prison, where for twenty-two years he lodged in sufficient comfort to father several illegitimate children, and litigiously plague Mary Eleanor and, after her death in 1800, her executors.

The rest of the saga is comparatively conventional. The tenth Earl, Mary Eleanor's son, rebuilt Gibside, replanted the woods, and revived the stud; but omitted to marry his mistress in time to qualify her son for the Strathmore title, though he gave him the Bowes name and fortune. With this Mr. John Bowes acquired a theatre in Paris for his actress-wife, won three Derbys and an election, and founded the Bowes Museum at Barnard Castle.

Mr Arnold's style is somewhat heavy; but he has skilfully used the life of Stoney Bowes by his doctor Jesse Foot, and the Countess's "Confessions," which Stoney purloined and published, to produce a drama that provides its own excitement. The book is illustrated by portraits well reproduced: the Countess's suggests that in no walk of life could her face have been her fortune.

At Home in Sarawak

Borneo People

By Malcolm MacDonald.
Cape. 376 pages. 32s. 6d.

THIS book is a by-product of the many years when its author held high office in south-east Asia; but seldom has a proconsul written so humanly and with such sympathetic insight of his *ressortissants*, especially when these have been members of primitive and still partly pagan races. Despite its title, the book treats only of those "Borneo People" who inhabit Sarawak, one of the four territories into which the world's third greatest island is divided; and although the only monarchy left in Borneo since the departure of the Brooke dynasty in Sarawak—the Sultanate of Brunei—is Malay, the Malays are a minority of later advent in Borneo. Mr MacDonald is here concerned mainly with members of the now indigenous races, with the Ibans, Kayans, Kenyahs, Melenaus and others; with life in the jungle which these vigorous peoples inhabit; with the social system of the long-house; with the problems and difficulties attending the impact of mid-twentieth century conditions, as they penetrate inland from the coast, on ancient ways of life

Mr MacDonald deals with these fascinating themes not as some scientist dissecting his specimens with analytical detachment; he introduces his readers into the homes of these people, some of whom he came to know so intimately that he became an adopted member of the family and even brought his adopted parents, brothers and sisters straight from the Borneo bush to stay for weeks as his guests in sophisticated Singapore. We see the change, as it can affect these quasi-aboriginal primitive races, operating at almost cinematographic speed. The attire of a particular family of five brothers and sisters, the author notes, "seemed to separate them by generations as well as continents." His principal object is to portray the lives, characters, thoughts and problems of these once fierce and savage tribes as they seek to face not only the future but an increasingly confusing present as well, but he also gives a clear, sober, well-balanced account of the Brooke dynasty's paternal rule; of the once vexed question of the cession of Sarawak to the Crown by the third white Rajah; of the complications inherent in the development of the new colony's heterogenous population of many kinds and stages of civilisation.

Mr Macdonald writes sympathetically and well, and the book abounds in pleasant verbal touches. And he must be congratulated not only on his writing, but also on the endurance with which he participated—so actively and with such gusto as to become the life and soul of the parties given in his honour—in the incessant long-house ceremonies that continue without a break from dusk to dawn. On the other hand the book is marred by the lack of an index and, even

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more regrettably, a glossary. Almost every page is liberally besprinkled with native terms; and, whereas words such as *kampong* and *prahu* are probably familiar to those with but a superficial acquaintance with the Far East, it is a serious omission to leave the reader to guess the precise significance of the titles *temonggong, penghiran, penghulu* and the rest; of the names of ceremonies, meats, drinks, garments, types of boat and many other things with which the author assumes for his readers a familiarity equal to his own.

It should be added that the excellent photographs pleasantly and helpfully illumine the text.

More About the Far East

The Far East in the Modern World

By Franz H. Michael and George E. Taylor.
Methuen. 734 pages. 50s.

Far Eastern Politics in the Post-war Period

By Harold M. Vinacke.
Allen and Unwin. 497 pages. 40s.

THE proliferation of American academic studies of international affairs goes on unchecked. The phenomenon may be inseparable from the American concept of the proper function of teachers in seats of higher learning, but it undeniably leads to duplication of effort. Thus the first of these books covers almost precisely the same ground as "The Far East," by Professor Claude Buss of Stanford University (which was reviewed in *The Economist* of January 21, 1956). On the whole, the newer work is the better of the two: it is stylistically more pleasing and rather fuller in treatment—a point perhaps worth mentioning since both books are gargantuan in scale. But it must be added that Messrs Michael and Taylor of the University of Washington do not appear to have brought to their monumental undertaking anything noticeably new in research or original in interpretation; not, at any rate, to an extent that justifies another book in an admittedly important but well-trodden field.

Minor errors are apparently inseparable from an enterprise of such scope. And since the authors ask for such errors to be pointed out to them, their attention is drawn to pages 590 to 593, in which the control of the Vietnamese police in the early days of Mr Diem's government is ascribed to "the Xuan sect," the leader of which is given as "General Nguyen Van Xuan." In fact, the gang of vice-monopolists then in control of the police was known as the Binh Xuyen, whose leader was General Le Van Vien; the police was under the orders of a member of the Binh Xuyen named Lai Van Sang; and General Xuan, a respectable officer of the French army, was at no time in control of the police. In itself, this error is of little consequence; but its existence undermines the reader's confidence in what is in more general terms an impressive work of scholarship.

"Far Eastern Politics in the Postwar Period" fulfils perhaps a more demonstrably useful function. It is more concise, less expository, more interpretative. It provides a lucid and dispassionate analysis of American policy in the Far East, through its wavering course from its greatest failure in China to its more recent successes in the containment of communism.

SHORTER NOTICES

Union Democracy: *The Inside Politics of the International Typographical Union*

By Seymour Martin Lipset, Martin Trow and James Coleman.
The Free Press, Glencoe, USA. 483 pages. $7.50.

This book seeks by the methods of sociological research to answer a question of the political scientist: can power, in an industrial society, be effectively dispersed among organisations, such as trade unions, in order to avoid the dangers to freedom from its increasing concentration in the state? It is a case-study of the International Typographical Union — unique because a flourishing two-party system operates within it. The book is lucid and readable; it shows how the best methodology and research can be the most intelligible. The material was mainly gathered from a random sample of New York printers. A comprehensive interview was devised, which permitted refined analyses and scaling of replies. The findings underline the conditions in which "union democracy" can flourish; they throw light on the basis for a two-party system, the extent to which officials can be opposed at elections without threats to unity, and the reasons why officials do not fear reduction to the ranks.

Yet the question remains: how far can the special conditions of the ITU apply elsewhere? The fact that printers are a closely knit community, wherein differences between officials and members are narrow, constitutes a powerful reinforcement to the two-party system, but the technological and social nature of other industries must increasingly separate officials from their members. Moreover, in Britain, the major unions are affiliated to the Labour party, so there is less scope for a formal two-party system. Granted that the ITU is exceptional, this study confirms that there are good prospects for democracy in voluntary bodies.

Studies in the Quantity Theory of Money

Edited by Milton Friedman.
University of Chicago Press. London: *Cambridge University Press.* 270 pages. 37s. 6d.

The quantity theory approach to monetary problems has had comparatively little attention, at the higher levels of discussion, since the Keynesian revolution; it has indeed acquired a bad name—at least partly earned, as Dr Klein freely concedes, by "much of the literature on policy that was spawned by quantity theorists." At the University of Chicago, however, a vigorous oral tradition has kept quantity theory alive and applied its analysis to current events; and the present collection of essays is designed to demonstrate the usefulness of quantity theory concepts and the conformity of a number of historical sequences to its principles.

The argument is largely mathematical and statistical. There is a formal "restatement" by the editor; a study of seven cases of hyperinflation, by Dr Phillip Cagan; an attempt to apply the theory to the suppressed inflations of the second world war—the author, Dr John J. Klein, earns a certain mistrust by perpetuating some elementary howlers about the British rationing system; a study of inflation in the Confederacy during the American Civil War; and a record of changes in monetary velocity in the United States. From the evidence presented there emerges a conviction that quantity theory can indeed illuminate just those fields which the new orthodoxy leaves darkest; for it reintroduces rationality into that irrational entity the demand for money. It is perhaps significant, however, that no attempt is made here to apply the analysis to periods of depression.

The History of Japan: *Revised Edition*

By Kenneth Scott Latourette. New York and London: *The Macmillan Company.* 305 pages. 35s.

Any attempt to compress the history of Japan into a book this size must be unreadable or highly selective. Mr Latourette selects. His account of Japan up to the Meiji restoration is only a short background essay on Japanese social and religious development that barely touches on feudal politics. This is followed by a concise, unbiased and well-written outline of Japanese foreign policy and fighting during the last hundred years. The corresponding chapters on internal development are not quite so good, largely because Mr Latourette seems determined not to involve himself in any description of the party factions; since these are the mainstay of Japanese politics his account leaves a good deal unexplained.

But it is the postwar years that have suffered most from condensation. Only twelve pages have been allotted to the section in which, according to the publishers' blurb, "all the historically important events" since the war have been incorporated. This is a pity and will detract considerably from the usefulness of the book for any reader who wants a general background to modern Japanese politics.

Economic Co-operation in Europe: *A Study of the United Nations Economic Commission for Europe*

By David Wightman.
Stevens. 299 pages. 21s.

This case study of the techniques and problems of international economic co-operation was sponsored by the Carnegie Endowment for International Peace. In it Mr Wightman traces in detail the history of the Economic Commission for Europe from its birth in 1946 until 1954. He is as much at home disentangling diplomatic history and the reasons why ECE became a half-abandoned orphan of the cold war, as he is in explaining the detailed workings of its committees and showing how the organisation remained active. The result is a most competent work, which will provide a valuable record for those who are specially interested in the subject. Apart from the introductory and concluding chapters, it is, however, too specialised a book for the general reader—unless he is interested in the workings of international committees on coal, timber, inland transport and other such subjects.

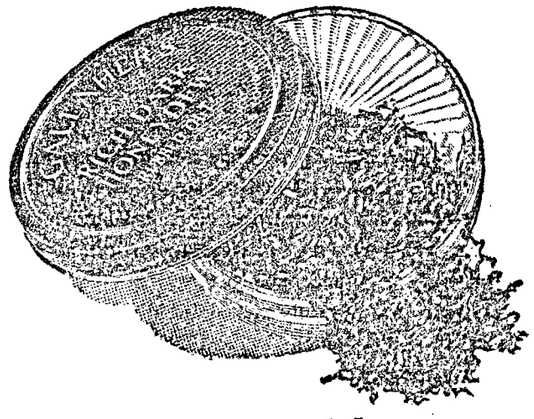


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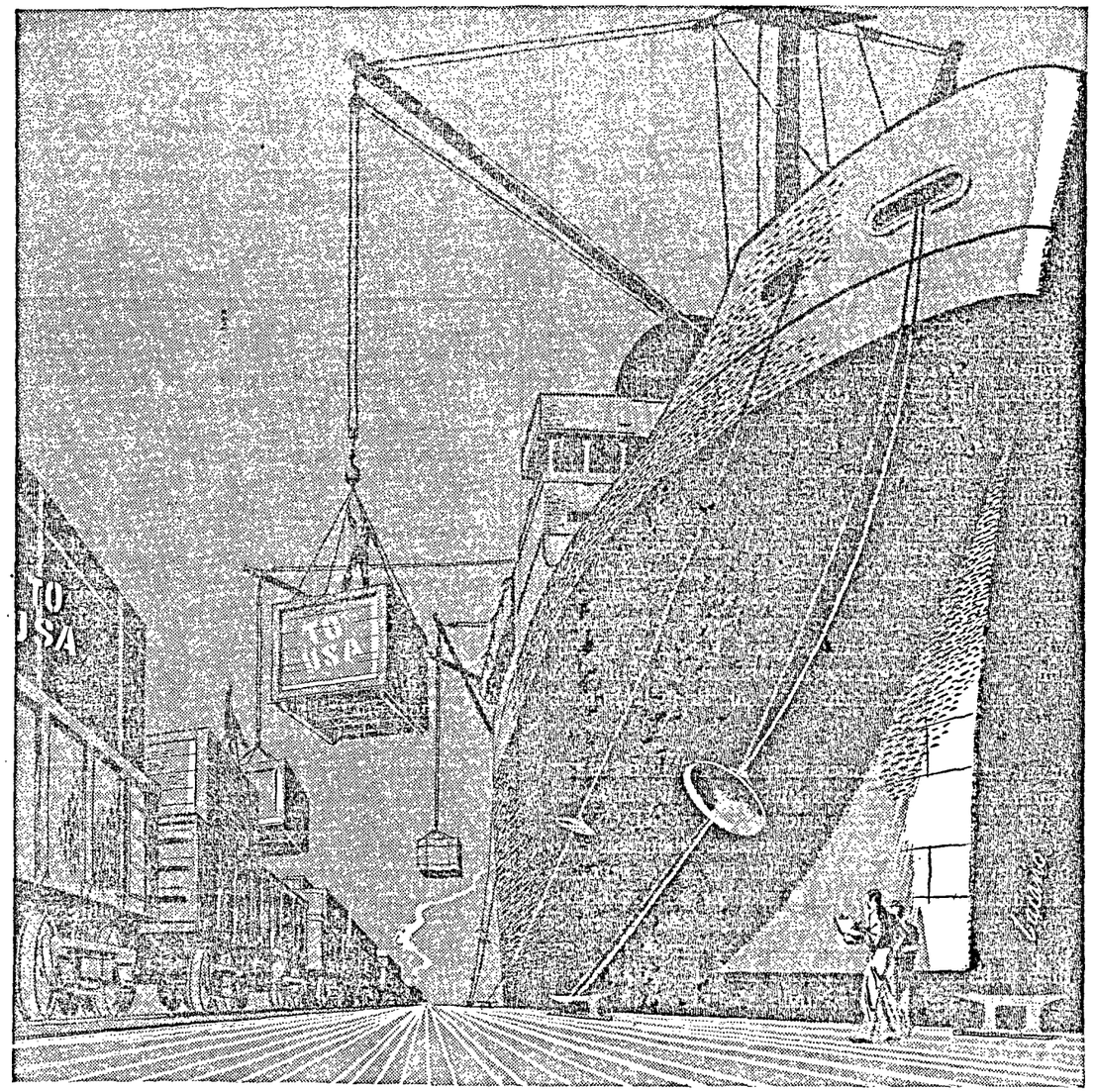
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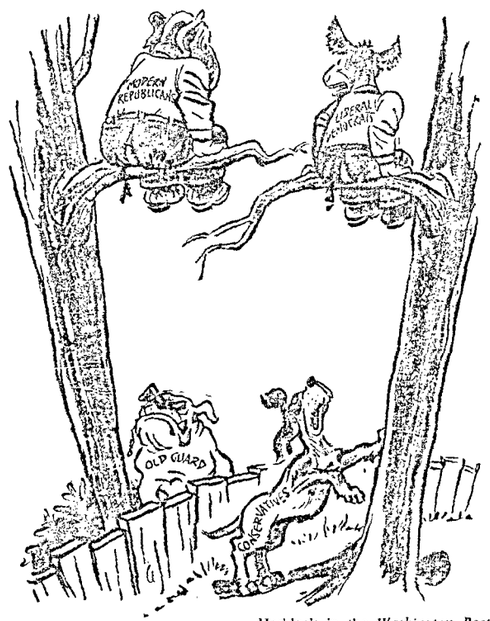
No Party for the President?

WASHINGTON, DC

On Tuesday, for the second week in succession, the President went over the head of Congress to plead with the voters for his Budget. His first televised *talk* had discussed the Budget as a whole; his second dealt almost exclusively with foreign aid, the item which, to judge from Congressmen's mail, the voters considered the most expendable. Yet contrary to all expectation Mr Eisenhower got a much better response this week than last. Perhaps it was because of the almost evangelical zeal he brought to his theme. In any event, the White House was able to announce a strong flow of favourable letters and telegrams, a welcome change after its dismal experience of the week before. And when Mr Dulles went before the Senate Foreign Relations Committee on Wednesday to defend the President's new streamlined version of foreign aid, he was greeted with smiles all round. This unusually friendly reception doubtless owed much to the tactful incorporation in the new proposals of many of the features suggested by outside studies commissioned by the Senate.

Apart altogether from the *merits of the* fiscal arguments, the battle of the Budget, which has turned out to be the main political theme of the congressional session, is of striking interest because of the light it throws on President Eisenhower's leadership. Six months ago he received the second largest majority ever given to a President. He promptly interpreted this as a national endorsement of "modern Republicanism." Since then he has received disheartening lessons on the distinction between popularity and power. The very concept of modern Republicanism has been ridiculed on the floor of the Senate by Senator Goldwater of Arizona, the most articulate spokesman of the party's conservative wing, in terms that have been taken up by Republicans across the country. The official leaders of the President's party have deserted him repeatedly in both the Senate and the House of Representatives. The series of regional meetings which the new chairman of the Republican party has been convening to plan a congressional comeback in 1958 have turned into demonstrations of protest against the Republican President.

"Boy, Do You Look Silly"



Herblock in the *Washington Post*

Genuinely puzzled by all this, the President has taken his case to the country. His first talk, on the Budget as a whole, was crisply written and delivered, from behind his desk in the White House, in his best paternal manner. Observers in Washington, admiring the performance, waited for the impact on the country. It was disappointing. Relatively few of the voters, especially in the midwest and west, were looking in, and a good many of those who were switched off before the end. The response in letters and telegrams to the White House was unimpressive; the letters reaching Senators and Representatives continued to be heavily in favour of cuts in the "superluxury" Budget. The President, in the privately-spoken words of more than one of his associates, had "laid an egg." Morever the very day after he had taken his solid stand on television Mr Eisenhower, in characteristic fashion, sold the pass that he had just so tardily occupied by conceding that he did not feel strongly about parts of the Budget he claimed to have drawn up.

Last January, when television speeches would have done him more good, coming immediately after his electoral triumph and before so many politicians had publicly committed themselves to the cause of economy, the President was behaving as if the Budget did not belong to him. Attacks on it by prominent Republicans, including by implication the Secretary of the Treasury, produced a widespread popular response. The Chambers of Commerce, sensing a breeze blowing in their direction, sent teams of speakers up and down the country to work it into a gale. Conservative Republicans, who have felt cheated of victory by the Eisenhower Administration's endorsement of most of the policies of the New Deal, saw the chance of emasculating with the fiscal axe what they lacked the power to repeal.

The Democrats, in their turn, have begun to exploit some of the advantages of their own party's divisions. When there is economic distress, or a popular interest in social reform, Mr Truman is pushed to the front, flanked by Senators Morse and Humphrey and the liberal Governors of Michigan and New York. When it is conservatism and economy that are in demand, there for all to see is the Democrats' other face, featuring Senators Byrd, Russell and Lyndon Johnson hacking away at the extravagant Republican Budget. Nowhere is this inconsistency more dramatically illustrated than over defence. Last year Mr Charles Wilson, the Secretary of Defence, was accused of being unduly dominated by budget considerations and was forced by Democratic Senators to take $900 million he did not want. This year he is in danger of having $2.5 billion clipped off his estimates by Democrats in the House of Representatives.

The extent to which the President has been let down by his own party has been strikingly illustrated, though in rather different ways, in both Houses. In the Senate the Democratic leader, Mr Lyndon Johnson, in league with the conservative Republicans, carefully timed a stroke that was particularly humiliating to the President for the day after his television appeal. Mr Eisenhower had made a special plea for an enlarged appropriation for the United States

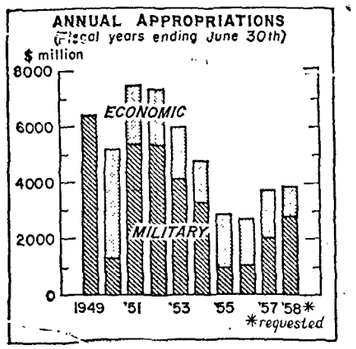
Mutual Security for 1958

In the setting-out of his request for new funds for next year's foreign aid programme, the President has recognised last year's demand for a new approach to the programme. That demand was also expressed in a series of studies, by experts, by government officials, by legislative committees; all of them accepted that, in some form or other, both military and economic assistance to foreign countries was, and would continue for some years to be, essential to the security of the American people and to world peace. President Eisenhower argues that if "the tested and proven mutual security programmes" are not supplied with adequate funds, there will be a risk that spending for American defence, the main obstacle in the way of a tax reduction, will be forced up to a level far higher than it is today.

Defence Assistance

It is to emphasise the close connection between defence spending at home and military aid abroad that the President wants two of the *four main changes* which he has recommended in the programme.

1. *Defence Assistance*—"our and other free nations' common effort to counter the Soviet-Chinese military power"—is to include both direct *military aid*, weapons and training in their use, and what used to be called *defence support*, which is superficially economic aid, covering such things as uniforms and food for troops, but which in fact enables friendly countries to maintain greater military forces than they would otherwise be able to do.



2. Funds for these purposes, if the President has his way, are to be included, after this year, in appropriations for the American armed forces, although in a separate section of the Bill, and they are to be granted under a continuing authorisation.

Economic Assistance

As a result of separating military from economic assistance, the constructive side of the programme will be seen clearly for what it is and for how comparatively little it is; only just over $1 billion is requested for next year and half of that will be in the form of loans, not grants. The President wants aid for economic development to be supplied through a loan fund which will provide not only a clear statement of the intention of the United States to help to develop the economies of backward countries, but also an assurance that such help will continue.

3. This *Development Loan Fund*, for long-term projects only, is not to compete with, or take the place of, existing sources of credit, whether private or governmental, and there will be a "reasonable expectation of repayment" although "presently demonstrable financial soundness" will not be demanded. An initial appropriation of $500 million is asked, and authority to borrow $750 million from the Treasury in each of the two succeeding years.

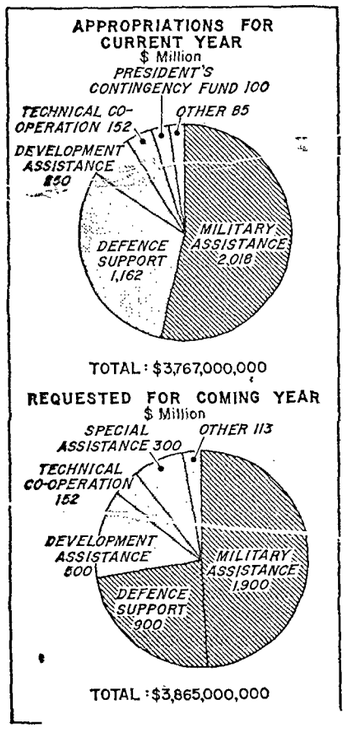
The *Technical Co-operation Programme* (Point Four), which provides expert advice and help, should be closely related to the new fund and the President therefore asks that it be authorised on a continuing basis, although money will be appropriated annually.

Special Assistance

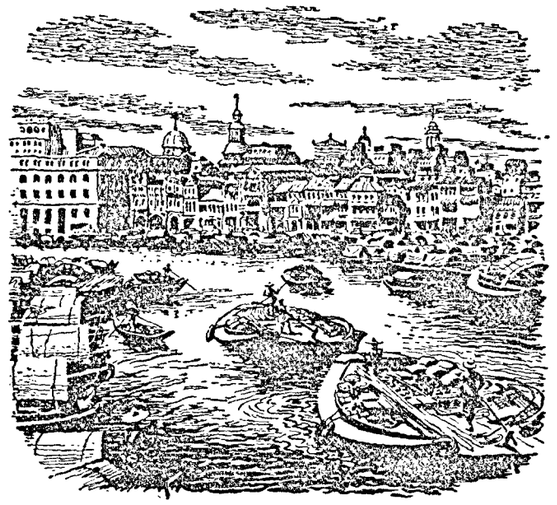
4. This is a new category intended to meet emergencies, whether economic or military, and the President wants the money to be free of some of the legal restrictions on other foreign aid funds, in order to allow for greater flexibility in its use. Some of the additional needs for the Middle East under the Eisenhower Doctrine will be met from this source.

Other Programmes

This category includes the American contribution to such international projects as aid for refugees and children, the development of peaceful atomic energy, and the administration of economic assistance.



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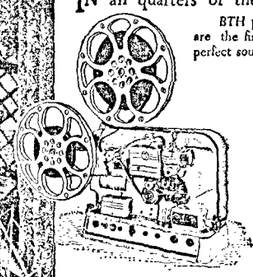
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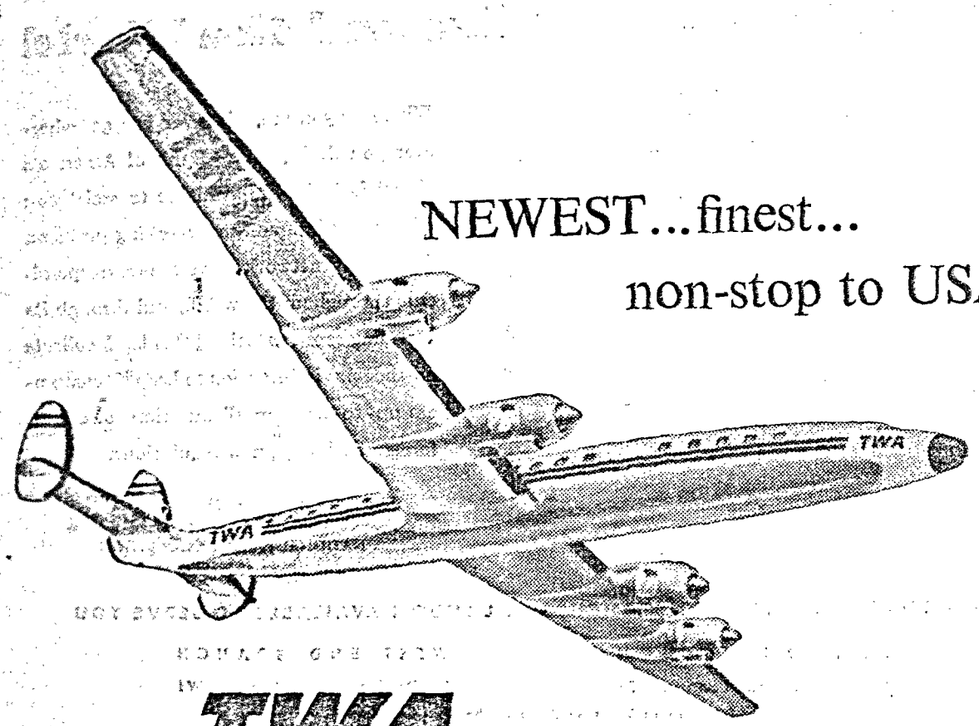
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Information Agency to exploit divisions in the Communist world and build up American influence in Africa. Last year, to underline his personal interest in the agency's work, he had appointed Mr Arthur Larson, modern Republicanism's bright young intellectual, as its director. The House of Representatives cut out most of the extra funds the President had asked for. Then, partly because Mr Larson was not very happy in presenting his case, and partly because it was addressed to a group containing only conservatives of both parties, a Senate subcommittee recommended unanimously that the agency's funds should be cut still further. When the report was brought to the Senate floor, only fourteen Republicans and one Democrat were prepared to support the President's request. In the House of Representatives, a different pattern emerged over the appropriations for the Department of Health, Education and Welfare. Most of the proposed cuts in the social services were defeated, but in twelve key votes the President's proposals were upheld by a majority of Democrats and opposed by a majority of Republicans.

In these circumstances one might have thought that the President would give special encouragement to those few modern Republicans in Congress who were willing to defend his policy. Senators Javits, Case, Cooper and Bush have been working closely as a team to rescue what they can. It was not very encouraging for them to hear the President's remark at his press conference that he did not see how it was possible for him to work with the Republican group in Congress "except through their elected leadership"—men such as Senator Knowland and Senator Dirksen, who are openly defying the President.

Whatever his mistakes, Mr Eisenhower's experiences with this Congress have brought out strongly some of the peculiar features of the American system. In the first place, the Administration's case has to be argued by proxy and, since there is no guarantee that the party's leaders in Congress are loyal to the Administration, there is no certainty that the official case will ever be put intelligently by anyone senior enough to carry weight. Secondly, the only possible way of providing cohesion lies in the President's devoting a major part of his time to the manipulation of Congress from the outside. This President Eisenhower has consistently failed to do. It may very legitimately be argued in his defence—and this is perhaps the most serious criticism of the system—that this is not the most valuable thing that a President can do with his time. He is, after all, charged with the chief responsibility for foreign affairs and defence. But one thing is clear: that President Eisenhower's recognition that his illnesses would force him to conserve his strength for his most important duties means that one of his chief aims in seeking a second term—the desire to see his legislative programme enacted—is unlikely to be achieved.

Open Minds on Open Skies

WHETHER or not he was directly reprimanding Admiral Radford, the chairman of the Joint Chiefs of Staff, for his declared refusal to trust the Russians on anything, President Eisenhower's concern that the United States should not seem recalcitrant on disarmament is certainly an expression of his own determination to keep an open mind. He does not intend to allow suspicion, however well founded, to interfere with what he feels is a real possibility that something constructive may at last be coming out of ten years of negotiation on disarmament. Although both the President and Mr Stassen, his personal representative at the London conference, are well aware of the domestic political advantages they would gain from an agreement on disarmament, both are also genuine enthusiasts for what they believe is the only hope of easing world tensions. Both are therefore resolved that this week's interdepartmental attempts in Washington to translate into practical terms the principle of at least slightly open skies, which has been agreed in London, should not produce American proposals which would rebuff the new Russian readiness to consider some sort of aerial inspection.

The President believes that this Russian readiness is a sign that the cost of today's weapons is putting economic pressure on the Soviet government as it is on the American. That the Russians would allow such pressure to deflect their international plans is doubted by the many government officials who share Admiral Radford's view and who think that, after years of negotiation, they are better able to understand the Soviet mentality than is the President. These professional sceptics, who are found in the State Department as well as in the defence agencies, argue that the Russian approach is simply a recognition that the United States is drawing ahead in the armament race and must be checked. The test of whether the President's and Mr Stassen's cautious optimism is justified will come when the Russians show, or do not show, readiness to compromise on the zones of inspection and on the other controls which are the essential safeguards of any disarmament agreement, however limited.

Pinch at the Treasury

WHEN Mr Humphrey steps down, his successor at the Treasury will inherit a headache. The latest symptom was the demand for cash on the part of holders of 28 per cent of the $4.2 billion in notes which came due last week. The Treasury, pinched like everyone else by tight money, offered in exchange an 11-month certificate at 3½ per cent, or a 4¾-year note at 3⅝ per cent—the highest interest paid since the bank holiday of 1933. Yet the demand for cash, chiefly from corporations with better uses for the money, was the greatest in six years. The Treasury attributed this not unexpected short-fall to better business sentiment and the great flood of corporate, state and local financing, which in the first four months of the year exceeded, by $1.9 billion, the record reached in the first four months of 1956. In addition, the clear preference of the market for the shorter term security shows why Mr Humphrey has made so little progress toward his admirable aim of lengthening the maturity of the public debt.

The mere rumour that the Treasury was considering the issue of a long-term security to pay off certain savings bonds drove the prices of outstanding long-term issues down to near their historic low points, and prices did not recover until the Treasury announced that, as the market was "not receptive" it would issue, instead, $1.5 billion worth of tax anticipation certificates to meet its immediate needs, among them the $1.2 billion it has had to pay out in cash. In June or July it will be raising another $3-4 billion in new money, to replenish its balance for the months when

revenues are always low, and it has, in addition, nearly $30 billion of short-term notes to refinance this year.

Unfortunately short-term financing, on which the Treasury is so dependent, is no longer cheap. The cost of servicing the public debt has risen from $6.4 billion in 1955 to at least $7.3 billion this year. The Administration is painfully aware that if the Treasury has to ask Congress for another extension of its privilege of exceeding the statutory limit on the public debt, it will be handing ammunition to the Democrats, who seem determined to turn Senator Byrd's approaching monetary investigation into an arraignment of the Administration's tight money policy. But Mr Humphrey may not have any choice. Military spending has been running ahead of the estimates and, unless tax payments from individuals last month were better than rumour suggests, this year's surplus may be less than the $1.7 billion on which the Administration has been counting.

Soil Bank Hold-up

WHEN the House of Representatives suddenly voted last week to close down the soil bank after this year, it seems not only to have been speeding the economy campaign but also to have been declaring bankrupt the whole American farm policy. The soil bank itself will probably be saved by the Senate, at least until it has had a fair trial ; in any case this scheme, under which farmers are paid for taking cropland out of production, was only intended to be a temporary measure, until the government's holdings of surplus crops had been dissipated. Neither the Administration nor Congress has ever been enthusiastic about it and it has not had time to become popular with farmers ; this is its first full year of operation. It is definitely disliked by businessmen in rural areas, since the demand for their services —repairs of agricultural machinery, cotton ginning and so on—suffers when farm output is cut back.

More important, southern representatives in Congress feel that in practice the soil bank helps only the wheat and maize farmers of the middle west. It has opened up the cracks which have been deepening in the congressional farm block as the growing diversification of agriculture in the south has brought that region into direct competition with other farm areas. With members from rural districts no longer voting together whatever their politics, agriculture has ceased to be a nonpartisan affair. In the vote on the soil bank the House divided on almost strictly party lines.

But greater—perhaps too great—significance is being read into this vote. It is being taken as a sign that Congress has given up hope of solving the farm problem by present methods and that even farmers themselves are beginning to have doubts about a price support system which is not only expensive but self-defeating. For some time the Secretary of Agriculture, Mr Benson, has been encouraging such views : he holds that the technological revolution which is responsible for the present agricultural abundance requires an equivalent revolution in farm legislation. In general what he wants is to broaden the markets for agricultural produce and to move farmers off uneconomic land. Congress is now in a mood to consider such a revolution and is pressing Mr Benson for specific proposals. But it is unlikely to look with favour on his immediate recommendation—that he should be allowed to lower price supports even further in order to prevent the accumulation of surpluses.

welcome

Slum Clearance Saved

FOR all its ostentatious wooing of the taxpayer, Congress is not going to let economy stand in the way of rescuing the distressed housebuilding industry. In its Bill passed a fortnight ago, the House approved in all the use of $2.1 billion to pump new federal credit into the market for homes ; even the more cautious Senate Banking Committee is prepared to grant more than the Administration asked. By comparison, the $250 million which now seems safe for next year's slum clearance is a small sum, but it is at least the full amount the Administration requested before it began to cut corners to appease Congress.

Now that the postwar demand for cheap homes is, in the main, satisfied, measures to encourage the rebuilding of blighted town centres ought to have priority over the suburban growth which has contributed to the flight from the cities and the decay which has followed it. Title One of the 1949 Housing Act authorised the federal government to pay two-thirds of the net cost of buying up deteriorating areas and re-selling them to private developers, and $1 billion has been provided for this purpose. Only $88 million of it has actually been paid out because the cities were slow to seize their opportunity and to draw up their plans. But now they wholeheartedly agree with Mr Cole, the Housing Administrator, that a city which does not have an urban renewal plan by 1960 will face bankruptcy by 1965. Unfortunately, almost all Mr Cole's money had been earmarked by the time the economy blizzard struck and he announced that no more large projects could be approved.

Protests from all over the country have saved the slum clearance programme, but the noisiest have come from New York City, where Mr Robert Moses's ambitious and ever-growing scheme for Lincoln Square seemed to be in danger of having to be abandoned. This is a project for replacing rotting slums on the west side of Manhattan with blocks of flats, shops, a cultural centre, theatres, and a new home for the Metropolitan Opera. In the compromise reached early this month part of the plan, including the theatres, has had to go, but the city has been promised a total of $30 million, compared with the $42 million it wanted for Lincoln Square, and another $25 million toward ten other schemes. Philadelphia, where blight is even more serious, has been reassured. But the queue of applicants stretches across the country. Even the $250 million a year Congress now seems prepared to grant will not go far toward arresting the decay at the heart of America's urban civilisation.

Junior Colleges

FROM A SPECIAL CORRESPONDENT

THE proper role of the colleges and universities, on the one hand, and of the secondary schools, on the other, continues to be a subject of controversy in the United States. Between the two levels, however, lies an intermediate one, that of the junior colleges. A good many of the controversialists, though they may agree on nothing else, are hopeful that the junior colleges may help to solve the dilemma sometimes summed up as "mass *versus* class education." The number of young people seeking higher education is

increasing much faster than the number of places in the traditional colleges and more and more educationists are looking to the junior college to deal with the overflow.

The term "*junior college*" covers virtually any institution offering a two-year post-secondary school course instead of the usual four-year university course, whether it is technical, vocational, devoted to general education, or a mixture of these. Such institutions are rooted in the conviction that all Americans ought to be able to have some higher education, regardless of whether they can afford to go away to college, or have taken the proper courses in secondary school to prepare them for it, or have any interest in the subjects that traditionally comprise the academic curriculum of the universities. It will readily be seen that the clientèle of the junior college is a mixed group: some financially poor but intellectually well-endowed students, some not academically inclined at all, and some (far more, in fact, than were originally expected) much older than the usual college student.

Given this diversity of background and purpose among its students, the junior college has been hard pressed to meet the demands made upon it. Within its walls, "terminal programmes" for those whose formal education will be over when they leave must co-exist with a general course designed to run parallel to the first two years of the regular four-year college, and to prepare students for transfer to such a college or university. The enthusiastic supporters of the junior college movement, it is perhaps fair to say, are primarily interested in the terminal programmes. It is these that most clearly distinguish the junior college from the more familiar liberal arts variety, and they are designed for students whose needs are not readily met in the four-year college.

HISTORICALLY, the junior college has often grown out of the secondary school system. Chicago Junior College, with over 20,000 students, began forty-five years ago as a modest programme of studies for thirteen students of Crane High School who wanted to go on beyond the normal four-year secondary school course but could not go to college. Sometimes the junior college is an integral part of the city or county school system ; three-quarters of its staff are, on the average, former high school teachers ; and the two years of its curriculum often seem to be regarded more as a continuation of high school than as the beginning of a university course.

The dilemma of the junior college stems partly from its uncertain position half way between secondary and higher education, and partly from the fact that no one has clearly established whether it is to be the means of broadening still further the already generous scope of American higher education, or of narrowing it, and perhaps bending it somewhat towards the British or European conception. Some university leaders, such as Dr James Conant, the former President of Harvard, have dared to express the hope that the junior colleges may relieve the four-year institutions of their considerable burden of non-academically inclined undergraduates: in short, that American parents may reverse their current tendency to regard a bachelor's degree as the *sine qua non* of respectability, and settle for a junior college Associate of Arts degree for the non-professional man or woman. But this would mean perpetuation of the adjective "junior," just when many of the two-year colleges are trying to escape it by calling themselves "community colleges," offering a wider range of instruction and often a four-year course as well.

For the many cities and towns not placed near a Harvard, a Yale, or a State University, the community college would serve as a cultural focus, sponsoring concerts and lectures, providing refresher courses for adults as well as post-secondary education for the young, and in general serving as a local province of the republic of ideas and the arts. At the same time, it would continue to offer vocational and technical courses, moulding its curriculum to the particular industrial and commercial employments of its community.

THOSE who favour this trend consider that it is in the best tradition of American education—a flexible programme which can be adjusted to the needs of society unhampered by conventional notions of what constitutes higher education. They have in their favour the undeniably increased need for trained persons at a sub-professional level, and the probably immutable American tendency to consider a college degree as the culmination of the average middle-class education, rather than the mark of the scholar or professional person.

Some critics of this development, however, see it as blurring still further the line between real higher education and mere continuing instruction—a line already far from clear in the United States. Even the teachers in junior colleges, grounded for the most part in the older academic tradition, are often sceptical of the "practical" and vocational training they provide. It is sad but true that the staffs of junior colleges are full of people who wish they were teaching in a university. The doubters are not reassured by much of the literature in support of junior and community colleges. Nor is this surprising when they scan the titles of articles in the *Junior College Journal* ("Why Worcester Junior College Converted Its Registration to Manual Punch Cards") or read, in *The Public Junior College*, published by the National Society for the Study of Education:

> The values of a course in fly- or bait-casting is (*sic*) considered far below one in mathematics, whereas in terms of human happiness and mental health it may be far above.

At their most pessimistic, the sceptics see the proliferation of such colleges as the ultimate triumph of the "life adjustment" school of educationists, advancing upon the defences of higher education from their prepared positions in the primary and secondary school systems. It has long been true that the academic value of an American bachelor's degree cannot be estimated even approximately without knowledge of the particular institution that granted it. Rare is the college teacher in the United States who has not suffered at one time or other (usually while reading examination papers) from the nightmare vision of a nation of semi-literate Bachelors of Arts—college for everyone, and higher education for none.

But the junior colleges, with a scant 700,000 students, almost half of them concentrated in the single state of California, are at least as yet no octopus. They represent an attempt to supplement, not supplant, the existing structure of higher education. Most Americans, whether parents, students or educators, are well aware that Contra Costa Junior College and Harvard College are in fact different kinds of institution, with different and not necessarily conflicting aims and achievements.

New "Law" in Jersey City

THE crushing defeat, in last week's municipal elections, of the candidates backed by Mr John Kenny, the boss of Jersey City, is also a blow to Governor Meyner, the personable Democratic Governor who is running for re-election next November. In 1953 a split in the Republican ranks enabled Mr Meyner to become the first Democrat since 1940 to win the Governorship of this normally Republican state. Now Mr Meyner has trouble in his own organisation. Hudson County, which encompasses Jersey City, was until eight years ago the impregnable Democratic fortress of Frank ("I am the law") Hague; in 1953, under Mr Kenny, it rolled up half of Mr Meyner's winning margin of 153,000 votes. But in 1956, even Jersey City floated along with the Eisenhower tide; the President won the state with twice as many votes to spare as he had in 1952. Jersey City's defection was a sore point with some Democrats and a nail in Mr Kenny's coffin.

Although Mr Murray, the man who vanquished the Kenny machine, is a Democrat, he is no friend of Governor Meyner, and he has lost no time in announcing that the price of his support is a veto over all state appointments in Hudson County. To surrender to so blatant a demand for political blackmail from a Democratic boss would be particularly damaging to Governor Meyner. His chances in the election depend on his ability to win independent votes and some Republican ones by a sterling display of good and non-partisan government.

More is at stake for Mr Meyner than the Governor's mansion. If he wins a decisive victory, he will be well in the forefront of the contenders for the Democratic presidential nomination in 1960. The Republicans, for their part, have put their Eisenhower foot foremost in Mr Malcolm Forbes, a wealthy, young, and energetic publisher who has been, early and late, a consistent supporter of the President. The cracks in the Republican party in the state have been hastily papered over, and Mr Forbes is to have the full support of the Republican national organisation in his effort to prove that an Eisenhower Republican can win even when the President is not in the field. Between these two attractive candidates there is little to choose in the way of issues; the campaign is likely to be a popularity contest.

Barter Suspended

WASHINGTON, DC

ALTHOUGH the Department of Agriculture has promised to resume, in a revised form, its bartering of farm surpluses for foreign supplies of metals which, in theory at least, are not sufficiently plentiful in the United States to provide a strategic reserve for emergencies, the news that this bartering had been suspended remains an unpleasant shock for the American lead and zinc mining industries. Originally they were suspicious of barter arrangements, but more recently these have won a good name for themselves by holding up the world price of metals and by syphoning off the market foreign supplies which would otherwise have competed with American output in the form of ordinary imports. At the same time came an official reminder that government purchases of domestic lead and zinc for the strategic stockpile, which have been tapering off for some time, are likely to end in a "matter of months," both because the reserves are now large enough and because funds are running out. The two news items together had a spectacular effect on zinc prices, which dropped by 2 cents to 11½ cents a pound, while lead went down from 16 to 15 cents a pound.

Barter, as operated by the United States, is not as pre-capitalist a device as it sounds. The first approach comes from a private importer of metals; if the exchange seems fair and other conditions are met, a contract is issued by the Department of Agriculture. The importer then arranges to sell off quickly abroad the farm commodities thus acquired, but he does not have to deliver the metals in exchange for several months, if not years. Thus the importer acquires an interest-free loan from the American government. These deals are highly complicated, usually involving at least three countries, and a whole brokerage industry had grown up with firms making large profits on very small capital by bringing together dealers in metals and farm commodities. During April there was a suspiciously sudden rise in the volume of barter sales involving cotton. The Department of Agriculture has had great success in unloading its surplus stocks of cotton on the world market by offering them for competitive bidding. But large numbers of successful bidders have now started using their option of notifying the department within three days after the sale that they have made deals with metal importers. As a result the department is cheated of its cash and can only look forward to receiving in a year or two's time a load of metal which it can no longer be certain of passing on to the stockpile.

Even now the Office of Defence Mobilisation, which is in charge of the stockpile, rendered cautious by cuts made in appropriations by an economising Congress, has failed to take off the Agriculture Department's hands some $300 million worth of metals which have already arrived and there is another $300 million worth due to arrive under contracts already signed. It is this, coupled with the fact that, as the cotton situation shows, some of the barter sales have clearly been competing with the department's own cash exports, which led the department to suspend the programme, about which it has never been enthusiastic in any case.

SHORTER NOTES

Last week the President dissolved his emergency committee for Hungarian refugee relief, which was created last December and has helped 32,075 Hungarian refugees to enter the United States. Most of them came in as "parolees," under an obscure clause in the immigration law, without the right to remain in the United States and acquire American citizenship which ordinary immigrants have. This backdoor into the United States is to remain open to Hungarian refugees in Austria, and will be extended to Hungarian refugees in other European countries with relatives in the United States or with special skills.

* * *

No sooner had the President signed the Bill permitting an increase of ¼ per cent in the interest paid on 3 per cent savings bonds than the Treasury put it into effect by adjusting maturities. So far, however, the change has not slowed down redemptions, which for months have been exceeding sales and subjecting the Treasury to a steady drain.

THE WORLD OVERSEAS

India Squeezes the Pips

FROM OUR CORRESPONDENT IN INDIA

MR T. T. KRISHNAMACHARI, India's Finance Minister, has accepted more advice in one budget than any of his predecessors in a whole term of office; the result is the severest budget in Indian history. Some of the advice has come from Mr Nicholas Kaldor, the Cambridge economist, who last year recommended to the government a wealth tax, an expenditure tax, and a reduction of the maximum rate of income tax and supertax together to 45 per cent. Mr Krishnamachari has introduced a wealth tax and an expenditure tax, and reduced the maximum rate to 77 per cent on earned income and 84 per cent on unearned income; previously it was 92 per cent. The world's first expenditure tax will be levied on all those whose assessable income exceeds £4,500 a year—perhaps 5,500 people—and on all expenditure above £1,800 a year plus an allowance of £375 for each child. The wealth tax will affect all individuals with net assets of more than £15,000, at rates rising from ½ to 1½ per cent, and—probably to Mr Kaldor's own astonishment—all companies with net assets of more than £37,500, at a standard ½ per cent.

Some of the advice has come from the Chambers of Commerce. Mr Krishnamachari has eased some of the business community's bitterest grievances. He has reduced the supertax on dividends paid by a subsidiary to its parent company to 10 per cent; he has made the tax on dividends above 6 per cent somewhat less intolerable; he has amended the burdensome Section 23A, under which companies in which the public (according to a very artificial definition of "public") was not largely interested had to distribute sometimes 60 per cent, sometimes 100 per cent of their profits or pay a penal supertax; industrial companies will now have to distribute only 45 per cent. Above all, he has eased the burden of direct taxation on the salaried, who carry more of the revenue burden than any other section of the community. A married man with an earned income of £4,000 will now pay £120 a year less tax. Indian rates are still amongst the world's highest, but they will no longer crush all incentive.

Some of the advice has come from officials. Delhi had been impressed by the discovery that, while Chinese food prices were the same as India's, Chinese cloth prices were twice as high, and that the difference was explained by the Chinese turnover tax on cloth. Last year the excise on cloth was pushed up to a height which has again freed 1,000 million yards for export. This year the sugar excise is being doubled in the hope that this will make available at least 100,000 tons to ease India's foreign exchange crisis; and there have been other, less drastic, increases on tobacco, tea, coffee, vegetable oil, petrol, matches and paper.

One wonders, however, who can have advised the Minister about his increase in company taxation by roughly 7 per cent. Like the wealth tax on companies, this may be tolerable in a year when the aim is to damp down private industrial expansion; three quarters of bank deposits are already tied up in advances, which have increased by nearly a third in sixteen months, and steel and cement are so short that Mr Krishnamachari has sharply increased the excise on both. But if the present level of taxation continues, it may well neutralise the impetus which has produced a rise in industrial production of 8 per cent a year; one cannot do much expanding when burdened with a tax which begins at 51½ per cent on undistributed profits and rises to 81½ per cent on that part of distributed profits which pays a dividend of more than 18 per cent.

With the inclusion of the increase in railway freights announced in the railway budget, Indian taxation will now go up by some £80 million a year. This is not much by British standards, but the figure must be multiplied by at least ten to obtain a measure of the relative sacrifice involved. In the last six years the central government's revenues have been increased by three quarters, and the tax level of 1951-52 was already as stiff as wartime Finance Members had dared make it. The taxpayer is being squeezed to the pip, and if he gasps rather than groans, it is only because the government has successfully persuaded him that all this, and more next time, and the time after that, is necessary if the five-year plan is to succeed. Last year's and this year's measures will provide the whole amount the plan expected from extra taxation, and also the extra £300 million which the plan left uncovered. But the Finance Minister—Oliver Twist reincarnate—calculates that he will still need another £400 million to cover the increases sanctioned in the plan to meet price rises and transport needs, and to permit some reduction in the very large amount of note printing originally contemplated. Cereal prices are some 15 per cent higher than last year, and, though prices have hardly risen for the last six months, the Minister is obviously queasy when he contemplates the effect that this year's £200 million of deficit finance may have when it is piled on top of last year's similar amount. Last year India ran its sterling balances down by nearly as much as its deficit. That performance cannot be repeated, though many of the goods bought last year are still there to drain money out of the market this year.

Mr Krishnamachari has been immensely courageous. Already edge has been given to wage demands, and the communists have been muttering about demonstrations. India seems prepared to make the sacrifices required to make the plan go through in its five years ; somehow or other, the internal resources will be found. One great question still remains. Can the foreign exchange be found too ? Mr Krishnamachari has made his gestures. Taxation on the foreign investor has been fractionally eased ; the foreign resident will not pay tax on his wealth or on expenditure out of it at home. Now everybody is waiting to see what the foreigner will do, and particularly whether the World Bank will lend the railways their £150 million.

The Fall of M. Mollet

FROM OUR PARIS CORRESPONDENT

THIS week's crisis in Paris had the look of a double exposure. Superimposed on the stylised patterns of a French parliamentary crisis, which need not mean any real change in policy, was the long shadow of Algeria, which is quite another matter. Seen together, the two images were naturally blurred.

The tense parliamentary atmosphere had begun to build up when the Radical party congress, influenced by M. Mendès-France's " young Turks," attacked the government's Algerian policy, with the implicit threat that the thirteen Radical ministers in M. Mollet's team would have to give up their portfolios. The divisions within the Radical party probably made the immediate danger more apparent than real ; but it quickened the impatience of the conservative backbenchers, whose constituents disliked the Socialist-led government's financial tactics. The threat to the government thus became focused on its finance Bill, which proposed budget cuts of £250 million and new taxes amounting to £150 million, intended to limit the budget deficit and halt inflation. The conservative " Independents " demanded that M. Mollet should renounce his proposed reforms in the fields of health and education, and, more generally, that he should give them direct influence in government as their price for his continuing in office.

The Algerian shadow, however, has subdued the natural exuberance with which French parties normally take turns on the governmental roundabout. MM. Mollet and Lacoste themselves have admitted that the conflict in Algeria will be a long ordeal of attrition. The pretence of quick solutions has long been abandoned. The conservatives know this, and their leaders have been less anxious than the rank and file to assume responsibility for Algeria. They would have preferred to wait at least until the Mollet government's financial debacle had emerged more visibly. Yet, with the traditional economic inconsequence of French party politics, they refused to admit that Algeria was a major factor in causing inflation, and claimed that they could mend matters simply by dropping M. Mollet's " social extravagance." They were anxious and angry about the government's failure to stop the drain on France's foreign exchange, now running, partly as a result of speculation against the franc, at a rate 50 per cent higher than last year's alarming losses. This anxiety of the conservatives, despite their political attitude to the Algerian problem, was the first symptom of restlessness in face of its consequences. It may in the last analysis be the most important aspect of the crisis.

From another angle, M. Mollet's fall is a victory for M. Mendès-France, who was openly gunning for him on Algeria. Though M. Mendès-France did not want to be responsible for a crisis and offers no clear alternative Algerian policy, he certainly aims at a more flexible one. The Socialist party itself, if it is no longer committed to a prime minister of its own, may return gradually to its old preference for negotiations. Significantly, the minority of Socialist critics of M. Mollet obtained a much better hearing than in the past at the Socialist National Council a fortnight ago. As for public opinion, despite the evidence of the by-elections, it does not seem to be wholly blinkered about Algeria. It seems tired of seeing no results. Thus, though M. Mollet has been overthrown by the conservatives, who are at least as eager as him for M. Lacoste's " pacification," a change of government does reintroduce a certain flexibility that was sorely lacking. It will have to be matched by the rebels, whose intransigence has hitherto made it difficult for liberal opinion to suggest roads to a compromise.

The common view on the night of M. Mollet's fall seemed to be that a politician slightly to the right of the Socialists, like M. Mitterrand, the Minister of Justice, had the best chance of forming a government which might include the Socialists and the MRP, but probably not the conservatives. (This would have the disadvantage of not forcing the conservatives openly to acknowledge the link between Algerian and financial troubles.) It is a sign of the climate that M. Mitterrand himself, well aware of all this, came out over the weekend in favour of a federal solution in Algeria (leaving the door ajar for slightly more diverse interpretations than M. Mollet) and of the European treaties. One thing is certain: the foreign trade position being what it is, France cannot afford a long political vacuum which would intensify speculation in francs.

Light on the Long Knives

FROM OUR BONN CORRESPONDENT

IF one can point to any one date early in the Nazi era that marks how fatally the rot of acquiescence in illegality had already penetrated responsible Germans it is surely Saturday, June 30, 1934. For the German community as a whole that particular weekend marked the official beginning of the summer holidays. Even the four million brownshirts of the SA had been told there would be no need for any of them to report for duty throughout July. When at the close of that incongruously superb June day the wireless was turned on, in and out of doors, and the news came through that six senior SA commanders had been shot (apparently for treason), and the Chief of Staff of the SA had been arrested, no one seems to have been disturbed by unreasonable doubts concerning the legality of Hitler's action. One may excuse the half-listening waiter in the Wannsee beer garden whose reassuring comment among the startled tables was: " A fine fellow, the Fuehrer! There's a man who knows what he wants! " But what of the officer commanding the Berlin military district, General von Witzleben, who, on being told that the shootings meant that the Party was getting rid of its wild men, replied approvingly: " Wish I could have been there " ? Almost exactly ten years later, Field-Marshal von Witzleben, senior officer in the July 20th conspiracy against Hitler, was himself to be hustled to the gallows after a travesty of a trial.

Most of the principal actors in the drama of June 30th have since suffered their violent ends. But the law has caught up at last with two survivors who had a hand in the killings, and at Munich this month they have each been sentenced to eighteen months' imprisonment. The one-time SS General Sepp Dietrich did not deny that he had superintended the execution of the six SA commanders in Stadelheim prison, Munich, on June 30th, and he related uninhibitedly how, with a smug " Heil Hitler! ", he had informed each victim in turn of his impending death. Clearly, notwithstanding all that has happened since, Dietrich has had no doubts or regrets. The Fuehrer had ordered the executions. That was good enough for him.

Michael Lippert, who was found guilty of having played an active part in the shooting of Ernst Roehm, the SA chief of staff, was doggedly evasive. Roehm had refused to accept the " privilege " of ending his own life with a proffered pistol. He was shot in his cell next day under the direction of Theodor Eicke, then commandant of Dachau concentration camp, whom Lippert had accompanied at least as far as the cell door. There were witnesses to incriminate Lippert still farther, and by the end of the trial he had cut a repulsive figure—except in his own eyes, of course. Self-righteously he told the court how sincerely he hoped that the German Federal Republic would be served as loyally as was the Third Reich by those who unhesitatingly carried out the Fuehrer's orders at that moment of crisis.

★

Had there really been a crisis ? The trial added nothing to what is already known about the overmighty subject Roehm and his four million bully-boys who were beginning to wonder restively by the summer of 1934 whither they should go next. The defence called a few witnesses, chiefly old Reichswehr hands, to testify that Roehm and his fellow-victims had indeed constituted a threat to law and order, and that this had been a case, if ever there was one, of good riddance to bad rubbish. They, too, seemed not to have been troubled by the reflection that the dead men were never put on trial. Happily for the German Federal Republic it can be recorded that the presiding judge and most of the German journalists reporting the trial noted and duly publicised this facet of the case.

When the Reichstag met in July 1934 to endorse unquestioningly Hitler's claim that for forty-eight hours he himself had been the supreme court, it was already beginning to be widely known that the company of those who had been summarily executed that week-end was very much larger and more various than had been officially admitted. By then Hitler was ready to concede that fifty-eight had been killed, including such prominent " conspirators " as Gregor Strasser and Generals von Schleicher and von Bredow. He did not acknowledge the truth of what was being whispered furtively from house to house—that simultaneously hundreds of political and private scores had been murderously settled ; that some innocents had been struck down by mistake, such as the music critic of the *Muenchener Neueste Nachrichten*, who had had the bad luck to have been born with the undistinguishing name of Schmitt. These tragedies were widely known among responsible people. But they asked no loud and insistent questions. The fatal rot had set in.

Malaya Prepares for Independence

FROM A CORRESPONDENT IN KUALA LUMPUR

THE Chief Minister of the Federation of Malaya, Tengku Abdul Rahman, has been in England again for final discussions on the constitution for an independent Malaya that was drawn up by the Reid Commission. The Reid report's proposals on citizenship have aroused misgivings in Malaya. These attempt to deal with the special problems of Chinese residents who are British subjects and of those who are not. The report proposes that the first group should be given Commonwealth as well as Malayan citizenship ; for the second, there should be easier Malayan citizenship qualifications, and they should swear allegiance to the Federation, renouncing any rights they might have as citizens of another country—for instance, China.

At first these proposals seem to have been misunderstood by most people in Malaya, and among them, by the leaders of the ruling Alliance party (which includes the United Malays National Organisation and the Malayan-Chinese Association) who rejected them outright on the ground that a new nation could not be founded with people who could swing from one nationality to another with the ease of a perfoming monkey as and when it suited their personal desires. The Malays in particular believed that the Chinese would eventually swamp them by sheer weight of voting numbers. The rulers at first accepted Commonwealth dual citizenship, then swung round to the Alliance point of view ; they may change their minds again in view of the agreement now reached in London.

But dual citizenship outside the Commonwealth (for instance, Chinese and Malayan citizenship) is quite another matter and there was no question of it being accepted by the Tengku—or indeed pressed upon him by Whitehall.

The Reid recommendations have given the opponents of the Alliance political ammunition which they are using for communal attacks. The man who has led the rest in this dangerous political game is Dato Sir Onn bin Jaafar, once Member for Home Affairs in the last nominated government. Dato Onn hates the Chinese and is said to be a bitter man—bitter over his defeat in the Federal elections, and bitter over the defection of his former supporters in his own Party Negara. He has accused Tengku Abdul Rahman of " selling the Malays down the drain " because the citizenship laws framed by the Alliance and largely accepted by the Reid Commission, will let more non-Malays on to the electoral roll.

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The Chinese mutterings might be summarised as demands for nationality by birth, equal rights for all citizens, multilingual legislatures, and a five-year residential qualification for citizenship. In one of his most straightforward speeches the Tengku told a Chinese audience: "This is the time when we must make up our minds to sink or swim together. Unless we do this, there will always be this fear, this distrust for one another which can ruin our efforts to build a strong Malayan nation." This did not, however, stop the powerful group of Chinese guilds and teachers' associations from deciding to send a three-man deputation to London.

No single community has obtained all that it wanted from the Reid Commission; Probably the Malays will end by having greater benefits and privileges as "owners" of the country. The Reid Commission went beyond the Alliance's own agreed memorandum on citizenship and on Malay rights and privileges. It gave the Chinese more than the MCA had thought it prudent to ask of Umno, and recommended limiting the rights of Malays for fifteen years. This set the Malay nationalist cat among the pigeons but the Chinese tactfully took Tengku Abdul Rahman's hint that they should for the time being accept only what they had agreed on in the tripartite memorandum to the Reid Commission.

★

The Chief Minister's problems will increase with the declaration of independence. Apart from the racial issues —which need only a silly impulsive move by either an ignorant Malay or a Chinese to lead to violence—he will still have to contend with the Emergency, which enters its tenth year next month. The Communist terrorists are obeying orders to lie low. They are conserving their strength, stockpiling food and waiting for an end by negotiation after independence. It is becoming more and more difficult for the Commonwealth security forces to find their hiding places. The abysmally low surrender rate in the last few months is an indication of the tight hold that the district leaders and field officers have on their small units. As a result, information is slowly drying up.

The Emergency will turn more and more from a military into a political and administrative problem. Tengku Abdul Rahman will undoubtedly find pressure being placed on him by certain Chinese sections to end the war by negotiation and to use the money saved for building more schools, hospitals, and roads. At the moment he is determined not to end the war by negotiation, since this would mean victory for the Communists and an overwhelming shift of allegiance among the Chinese, who would see the writing on the wall growing larger and would wish to protect themselves. The Tengku plans to continue the present Emergency Operations Council, though its membership will be changed, and to appoint a new director of emergency operations responsible to the new Defence Council of which the minister of defence—probably the Tengku himself—will be chairman. The Commonwealth forces will continue to augment the Federation army and police.

There are only about 2,000 armed terrorists left in the jungle. The number has never been smaller. But a dangerous complacency over the emergency exists in Malaya, and the situation is not improved by the political troubles that occupy the minds of the people and will continue to occupy them for months to come.

The Race for Perón's Cloak

FROM A CORRESPONDENT LATELY IN BUENOS AIRES

It is a well-worn café joke in Buenos Aires that if General Perón had been asked for a good date on which to be overthrown, he could not have chosen better than the autumn of 1955. His administration had thrived on the accumulated wealth of Argentina. Money was spent lavishly on luxurious workers' flats, new stadiums, magnificent public buildings. Then, when the dictator was nearing the limit of his spending spree, he was overthrown and so spared the morning-after. Moreover, General Perón was not overthrown by a popular uprising. His downfall was brought about by a small military group supported by the middle classes. To the workers, General Perón has remained an extremely popular figure and the economic chaos which followed his fall has been interpreted as proof of the efficiency of his administration.

The austere economic regime made necessary by the dictator's lavishness would in any case have been extremely difficult to maintain because Argentinians are about the least austere people in the world. But the revolutionary regime simply does not have the political or popular support to maintain a systematic and unpopular policy of austerity. The Prebisch plan which advocated such a policy soon had to be revised to make it more palatable. One of its key items was a combined wage-freeze and a gradual policy of liberalisation of price controls. The wage-freeze soon had to be abandoned and price controls were put back last April to check an imminent wave of strikes.

The government's most serious problem is the country's balance of payments. The year 1954 ended with a favourable balance of $47 million. By the end of 1956 there was a deficit of over $210 million. This dramatic fall was caused by the world wheat surplus helped by the United States policy for getting rid of its agricultural surpluses. Brazil, for instance, which used to be one of Argentina's main buyers, has received American wheat and will be a closed market for Argentine wheat at least for this season. Moreover, this year's maize crop has been 60 per cent below normal. But even if Argentina were to have a bumper crop of any agricultural product, there is not the transport to move the crop to the ports. Transport, capital goods for heavy industry, fuel and power; these are the bottlenecks of Argentina's economy. Rising fuel costs have made matters worse. Buenos Aires has a partial black-out every evening from 7 to 10. In addition, there is a power rationing scheme which restricts supplies in whole districts, industrial and otherwise, for several hours every week.

Politically, the steady deterioration of the economy has had one important consequence; nobody wants to be identified with it. This, added to the fact that General Perón's popularity is daily increasing, has transformed political activity into a scarcely veiled competition between the parties to pose in front of the electorate as the heirs of a "revised peronismo" stripped of all its undesirable qualities but preserving its popular ideas of social reform. Not one of the political leaders interviewed by your correspondent had any doubts about the outcome of a hypothetical election in which General Perón could participate: he would be the winner.

In the race to put on the neo-peronist cloak, the Radical party leader Dr Arturo Frondizi looks like an easy first. Although the Radical party is divided into at least five warring factions, Dr Frondizi controls the most powerful faction and, in addition, he counts on the support of important industrial pressure groups, a sizeable sector of the middle class and, perhaps, the largest portion of the working class vote. Although he became General Perón's bitterest political opponent, he has now succeeded in convincing many of the General's former supporters that he is the presidential candidate most likely to continue Perón's good work while abandoning the excesses of "*justicialismo.*"

Dr Frondizi, when interviewed, agreed that his movement was closely identified with the social and political forces of "peronismo" but he denied that he was trying to become the dictator's unofficial heir. "The Radical party embraced the cause of social and economic justice many years before Perón. What Perón did was to steal our programme and our slogans and use them for his own purposes. During his regime, in order to present a solid opposition to the dictatorship, we also appeared as opposing all his policies—that was a strategical necessity. Today we have regained our traditional position as interpreters of the progressive, democratic aspirations of the people."

★

President Aramburu has called for elections for a constituent assembly on July 28th. This move has been severely criticised both from the left and from the right. Many feel that a new constitution should wait until a democratically elected government is in power. Whichever party assumes power after the presidential elections promised for February, 1958, might feel justified in revoking this hastily prepared constitution in favour of the 1949 constitution, which is still legally binding. Others fear that the call for a constituent assembly is a last-ditch effort by the military groups to remain in power by declaring the assembly a sovereign parliament and then asking it to elect another provisional president for an indefinite period. Dr Ricardo Balbin, the leader of an anti-Frondizi faction of the Radical party, has gone so far as to say that the only alternative to free presidential elections in February, is civil war. President Aramburu is already facing a revolt of senior army officers. The minister and the under-secretary for war have both been forced to resign and on Wednesday the chief of the army was removed from his post and arrested. The President will need all the naval support he can muster to weather this military storm.

Two unknown factors in Argentine politics are the possibility of General Perón's return, and the future policy of the powerful trade union movement. The exiled dictator undoubtedly wants to stage a comeback, and can certainly count on vast popular support. But the political parties which are now so hopelessly divided and so eager to appear as followers of certain peronist policies, would immediately reunite and start a civil war rather than allow the ex-dictator to regain power.

The trade unions are solidly opposed to the present government. Under the dictatorship, they were privileged, but since the revolution they have come down in the world. In fact, the "deperonisation" of the trade union movement has been carried to such lengths that Dr Frondizi is not alone in feeling that the revolutionary government, supported by the right wing, has systematically destroyed the complex trade union machinery built by General Perón. Some observers believe that the trade unions are so disorganised that they can no longer play an important role in political affairs. But the trade union leaders are convinced that their united vote can easily decide the next presidential election.

Danish Eggs and Bacon

FROM OUR CORRESPONDENT IN COPENHAGEN

"Eggs and bacon," it has been said, "are the only things that count in Anglo-Danish relations." Happily, this need not be interpreted too literally; it would have taken a great deal more than the Danish annoyance at the dumping of subsidised British eggs in Germany to affect the warm welcome that was given to the Queen and the Duke of Edinburgh in Copenhagen this week. But the matter is of sufficient concern to Anglo-Danish relations to have been referred to by the Queen in her speech at Tuesday's state banquet; and it was pleasantly appropriate that the British Government should have announced on Wednesday that it had agreed to take steps to prevent subsidised British eggs from doing serious damage to normal Danish export markets.

The Danes consider that their arguments against British dumping, based on Article 16 of Gatt (they have complained to the Gatt organisation) are incontrovertible. In their eyes, Britain is hypocritically preaching European free trade while, in practice, adopting export subsidies. Britain formerly took two-thirds of Denmark's egg exports. When domestic egg production drove the Danes from the British market, they painstakingly built up alternative markets in Germany, which are now endangered by the sale of cheap British subsidised eggs that are undercutting Danish eggs produced at half the cost. Britain insists that the egg surplus was an accident, unlikely to recur, but the Danes are less convinced.

At Strasbourg, Hr Lannung found cold comfort in Mr Ormsby-Gore's undertaking to reduce the minimum prices guaranteed to farmers, because only small reductions are permissible in the annual farm price review. The Danes would like to see an outright ban on subsidised agricultural exports, before British exporters have built up markets and acquired vested interests in the trade. The shrillness of their outcry is intelligible in the light of the present economic crisis. After Christmas, the terms of trade deteriorated sharply. Imports, largely solid and liquid fuel, were 5 per cent dearer this February than a year before, while the prices of Danish agricultural exports, notably bacon and butter, were 12 per cent lower. At present there is a slight improvement; the price of Danish bacon exports has risen twice in a fortnight, domestic egg prices have improved, and export prospects have brightened.

The import surplus has led to an alarming depletion of foreign reserves; on May 1st the deficit at the National Bank was £19 million. But for last week's general election the government would probably have moved three to four months ago, and when the new government is formed its first task will be to halt the drain. The situation, aggravated by difficult economic conditions last year, calls for more

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THE ECONOMIST MAY 25, 1957

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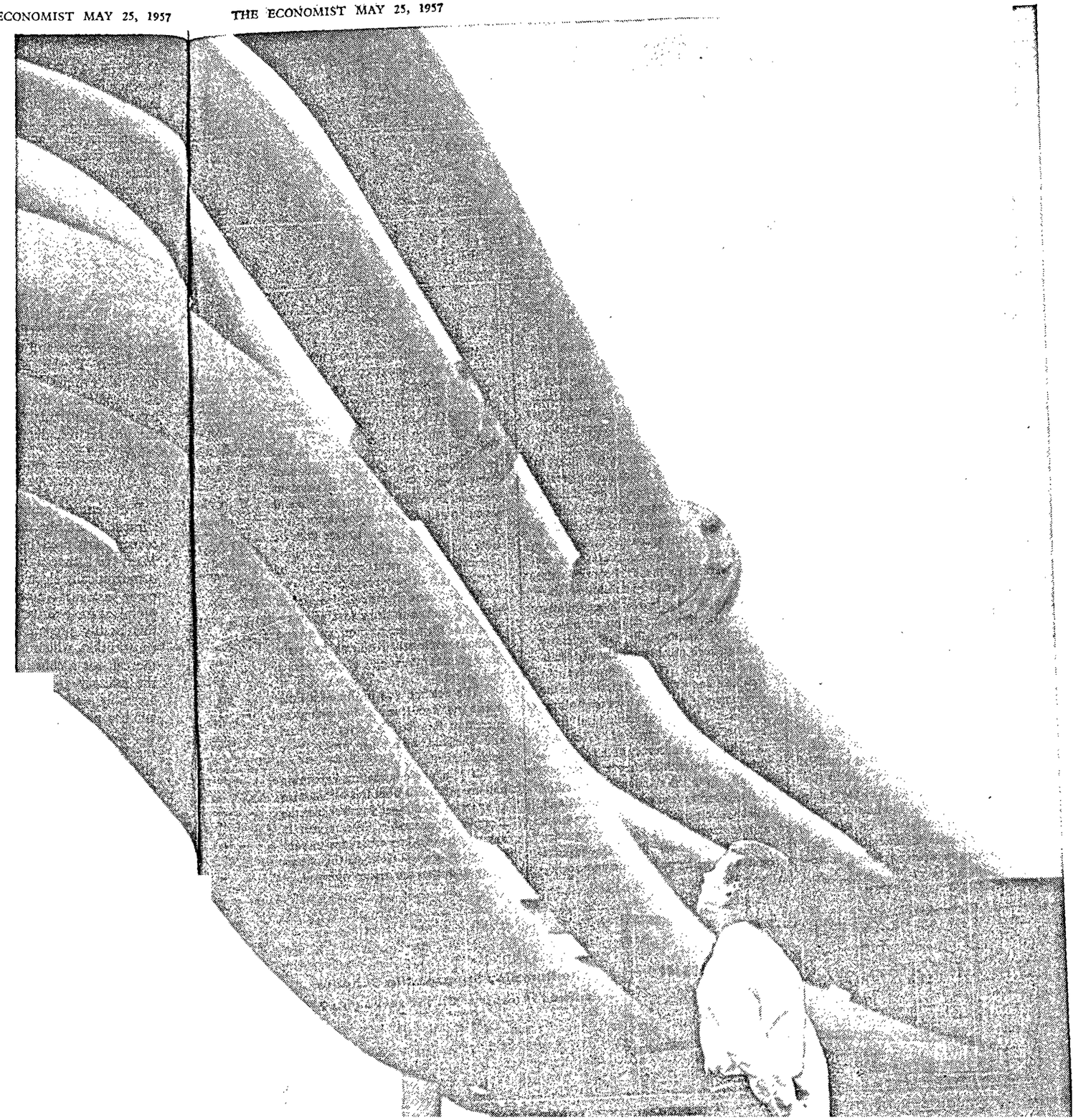
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To assist towards that end, the Government allocates an annual subsidy of £2,500,000. But against that subsidy, there must be set the taxes paid to the Exchequer from the wages of these disabled employees, and the non-payment of unemployment benefit or national assistance in some form or other which would otherwise become a charge. Therefore what at first appearance would be a charge to the Nation of £400 per person per year is reduced to something nearer £200 a year. And the benefit to these disabled people in their re-establishment as useful employable citizens is incalculable.

The Remploy Sponsorship Scheme is an extension of Remploy usefulness in that, in addition to guaranteeing greater security of employment to disabled people, it provides a direct benefit to Industry, to these firms where, as already mentioned, extra space and labour force is needed for expansion. It also presents some benefit to the Exchequer in the possibility of a reduced subsidy.

The Scheme briefly is as follows: The sponsoring firm equips an existing Remploy factory with the necessary plant (if such plant is not already established in the factory), provides the technical knowledge needed, supplies the raw materials, and buys back the finished products at an agreed economical price. No concessions are expected by Remploy in the quality or accuracy of the products produced under this Scheme. These will be fully up to the standards required in the sponsoring firm's parent works and will be vouched for by careful supervision and management, as will also be strict adherence to delivery dates. One stipulation must be agreed by the sponsoring firm—a guarantee of a continuous flow of orders over a long period, as obviously changes in methods cannot readily be made with the class of labour involved.

The Scheme is of particular interest to firms which have a section of their own factory at present engaged on the continuous production of component parts in large quantities and in constant demand. By removal of that section and its equipment to a Remploy factory, the sponsoring firm is able to free both its own factory space and labour force for expansion of present productions or development of new projects.

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stringent budgetary policies. Danish officials pooh-pooh any suggestion of devaluing the currency, which would, they say, provide at best a temporary respite. They look instead for improved agricultural prices and determined government action.

Denmark's fundamental weakness is its lack of natural resources (oil, coal and minerals) which make it dangerously dependent on agricultural exports to pay for its imports. Moreover, its choice of markets is strictly limited, with Britain holding a dominant position. Postwar agreements allocated to Britain 90 per cent of Danish bacon exports, 75 per cent of butter and two-thirds of eggs. Britain's consumption of butter has, however, declined sharply since before the war, and Danish butter has to compete with both butter from the Commonwealth and elsewhere and with margarine.

Nearly every industrial country has protection for agricultural products, and domestic price support. The Danes, thanks to superior efficiency and know-how, are unique in dispensing with subsidies. They find it paradoxical that, with free trade areas planned throughout the world, foreign farmers remain the *enfants gâtés*, feather-bedded by tariffs and subsidies against the chill winds of competition. They maintain that this policy brings high prices and long-term disadvantages to the countries which follow it and that it leaves Denmark too little room for manœuvre.

In return for British concessions, Denmark would gladly recognise Britain's special position in the Commonwealth. At present Danes suspect that Commonwealth ties are a specious argument for retaining protection. The long-term solution of Danish problems lies in increasing industrial exports, further diversifying agricultural products, and seeking alternative markets and bilateral agreements. Meanwhile, policy makers in London might bear in mind that only a prosperous Denmark can remain a good customer.

Portugal's Civilised Natives

FROM A CORRESPONDENT LATELY IN MOZAMBIQUE

PORTUGAL has no colonies. But it has a number of "overseas provinces," subject to the Ministry of Overseas Provinces in Lisbon, which in its turn is subject to Dr Salazar. Among the overseas provinces are some remarkable places: bits of India and China and an island called Timor, which is divided between Portugal and Indonesia. But by far the most important possessions are Angola and Mozambique. Angola—the richer—produces diamonds, coffee and huge quantities of fish. Mozambique makes its living through cotton, copra and sisal. Both do a roaring trade in transit traffic as anyone can see who stands on Beira docks and contemplates the serried ranks of Austins and stacks of water-closets Rhodesia-bound. The railways from Beira to Salisbury and Nyasaland are clogged with British goods, for the port carries 80 per cent of the overseas traffic of the Federation. The new railway from Lourenço Marques to Bulawayo will also carry a heavy share of traffic, for this line is 500 miles shorter than the old route to Bulawayo from Port Elizabeth. It is, indeed, land-locked Rhodesia which removes the greater part of the yearly deficit in Mozambique's visible balance of trade. The remainder of it and more is wiped out by the earnings of Portuguese natives working in the Rhodesias and the Transvaal.

But the remarkable thing about Portuguese East Africa is the colonial system itself; it might be described as "strength through inertia." The Portuguese have in their own eyes a *mission civilisatrice* but they are clearly in no hurry to achieve it. Meanwhile the population is neatly divided into "civilised" and "uncivilised" — there are about 100,000 of the former class and six million of the latter. Those who are white, yellow, Indian or half caste are deemed to be civilised *per se*. Negroes, on the other hand, must be "assimilated." In 1950, 4,345 of them in Mozambique had achieved assimilation.

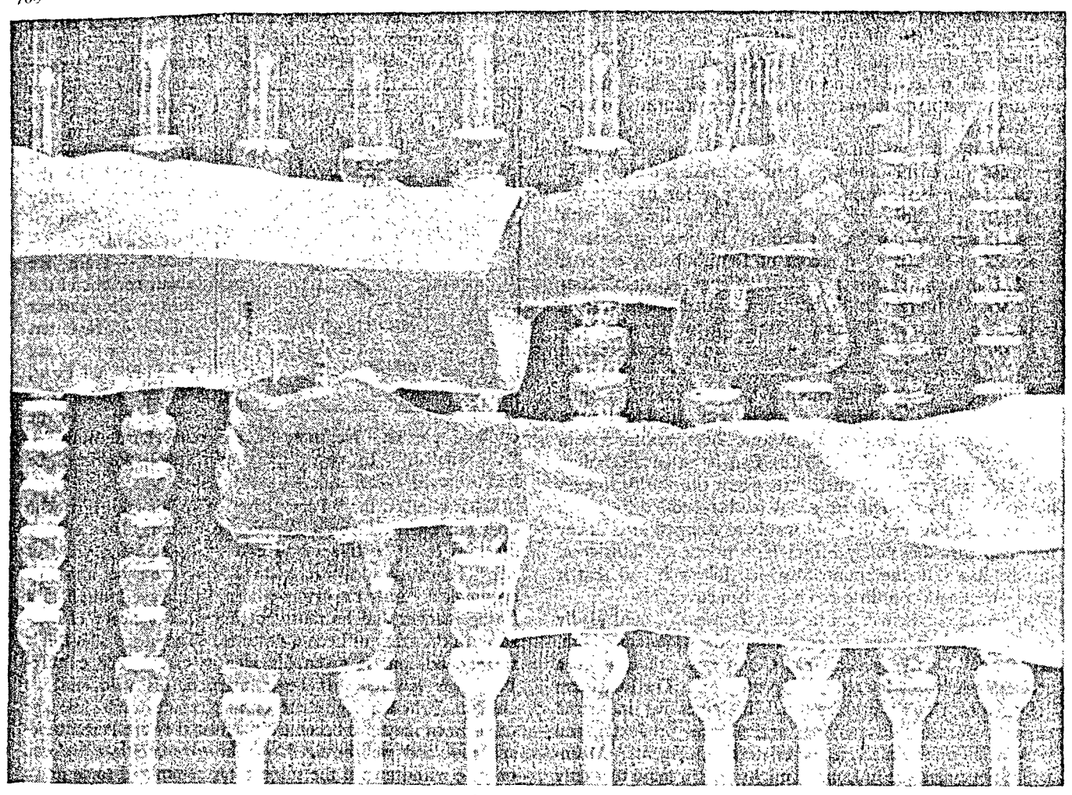


What is called the "Portuguese native" is the negro who does not qualify to be a Portuguese citizen. How can he cease to be a "native"? He must be eighteen years of age: he must speak accurate Portuguese; he must be economically self-supporting; he must behave himself in a fitting manner and he must not have had a heavy charge-sheet in the army or been a deserter. The negro who fulfils these conditions is given his identity-card. The culture-barrier is lowered. If he is married, his wife and his children (whether legitimate or illegitimate) under the age of eighteen may also become citizens if they are Portuguese-speaking and well-behaved. Once given, citizenship can only be withdrawn if the subject has committed some grave crime.

The Portuguese assimilation technique makes an interesting comparison with the Belgian one. In the Congo there are two categories of persons: Belgian citizens and *nationaux belges de droit colonial*. There is no promotion from one category to the other. Whereas Congolese can never become Belgians, the Portuguese can claim to have actually fabricated fully-fledged Portuguese out of African material. These *assimilados* are few but impressive. For instance, the Goanese—who are to be found in Mozambique—are full Portuguese citizens who are in no sense comparable to the native intelligentsia of British Africa; they are managers, not politicians. The *assimilados* do not, of course, have full electoral freedom; but neither do the metropolitan Portuguese who are citizens of what the 1933 Constitution calls a unitary and corporate republic.

The "uncivilised male natives" are made to do useful work for six months in the year. This is done both in the economic interests of Mozambique and, the authorities claim, in order to civilise the natives. Labour is not plentiful in the province partly because of the exodus to the neighbouring territories, and the system is controlled by an inspectorate. It cannot exactly be called forced because the natives have the right to choose their employers.

The atmosphere of overseas Portugal is not unhappy. The government is severe and rather humourless. It is intensely Roman Catholic. Education is almost a monopoly of the Church. But, in Mozambique, as in the Congo, the African is not unsettled and his standards are slowly and steadily improving.



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THE BUSINESS WORLD

The Press under Pressure

THERE are no typical newspapers in Fleet Street. Each selects, by its editorial objectives, most of its own circumstances along with its own public, and how well it manages continuously to adapt its operations to both is its own responsibility. It would be unrealistic to seek to explain the vicissitudes now admitted to be besetting what are sometimes called " the unpopular populars " among national newspapers wholly in economic terms—and embarrassing to speculate about private manœuvres to escape from their peculiar plights. But it is undoubtedly true that the time at which these vicissitudes have suddenly become apparent—and similar difficulties have shown themselves among periodical and provincial papers—has been decided by a number of general economic factors, partly beyond the control of the British press, that are at present intensifying competitive pressures within it and upon it.

It is only by stages over the last two or three years that the British press, somewhat reluctantly, has again become free : not until December last year were newspapers, for the first time since 1939, allowed to publish as many pages in every issue as they chose and could afford (though officially they still do not accept unsold returns). Newsprint control did not suppress competition in Fleet Street, but for the most part canalised it simply into circulation, selling as many papers as one could without enlarging them. And because of the peculiar nature of newspaper economics, the years of control have delayed the full commercial impact of this postwar competition—protecting, for a time that has now ended, the " weak sisters " from the strong.

A newspaper ordinarily seeks to increase its circulation not simply to spread its overhead costs over more units of output, but also to maximise its " overhead income "—advertising revenue. And control over the number of pages in the average issue, limiting the sheer space in which they could accommodate advertisements, robbed the two competitors that surged so far ahead in the postwar circulation race, the *Daily Mirror* and the *Daily Express*, of the full reward in that overhead income that they could otherwise have expected during those years. Some margin of advertisements that simply could not be accommodated in these intensely economical " mass media " was spread over the rest of the national newspapers; and since the space that all the national papers could offer was in its turn limited, the periodical press and some of the provincial papers also received more benefits from the boom in national advertising than they could have hoped for in free competition. As restrictions on paging have successively been moderated and finally removed during the last few years, advertising revenue, across the whole competitive array of Britain's press, is at last moving into line with circulations and pulling power—though the *Daily Mirror*, for various reasons, still does not carry as much advertising as its huge sales might be expected to bring into its pages.

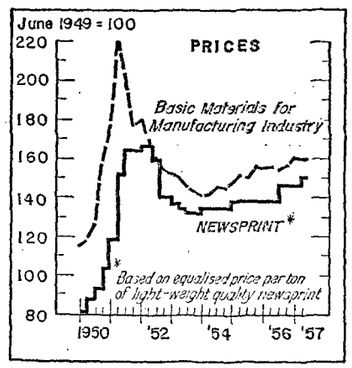
ONE does not decide where to put an advertisement simply by counting heads ; quality as well as quantity counts in circulation. Market research provides the media department of an advertising agency with the most elaborate cross-sections of the class, age, sex, habits and purchasing power of the readers of Britain's newspapers and periodicals ; and " keyed " advertisements, demanding a specific response, may somewhat less certainly supplement its judgment of the pulling power of a particular paper. For certain classes of product certain classes of readers are irrelevant, however many a paper has of them. The specialised appeal of

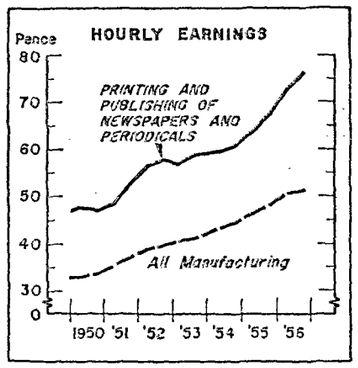
Newspapers as a Business

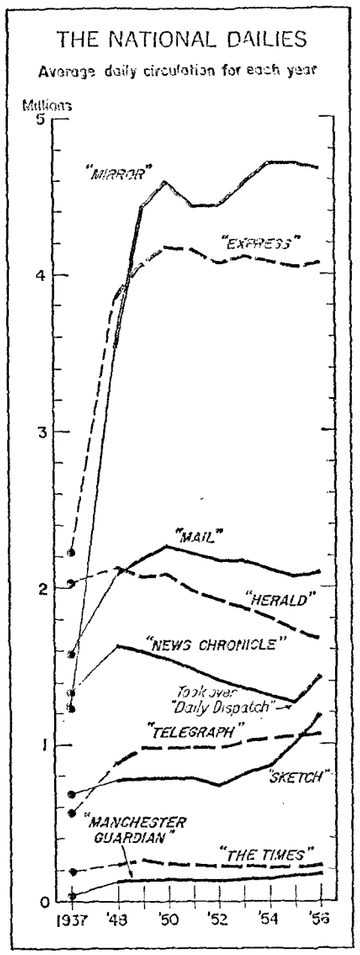
NEWSPAPER production is a highly capitalised industry selling two commodities—newspapers to its readers and access to the attention of those readers to its advertisers. The price at which it sells to readers is fairly stable, relatively cheap and generally below cost. The price at which it sells advertising space to make up the difference is a changing price settled competitively in two interlocked free markets: competition for circulation and the supply and demand for advertising space throughout the press—and now for advertising time on television.

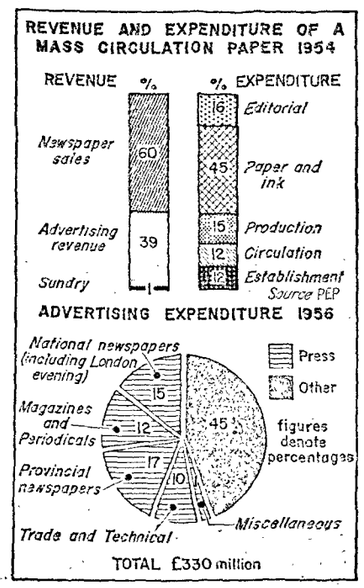
With the different patterns of male and female, "AB, C1, C2, and DE" readers, young and old, that different newspapers select for themselves by editorial policy and appeal, they can obtain varying prices for their "single column inches per thousand readers"—an advertiser will have to pay well over a shilling "milline rate" for access to the specialised and presumably well-heeled readers of the *Financial Times* to little over a penny for the more plebeian millions of the *Daily Mirror*.

Within the sphere chosen for it by editorial objectives, the key question for the business management of any newspaper is "How many pages—editorial and advertising—should we aim at?" This is a recurring question answered in practice for every issue of every paper, but also a long-term question integral to the whole policy of any paper. And without getting the long-term answer right no paper can prosper to the full—for then too much circulation may begin to be financially embarrassing, as well as too little.









NEWSPAPER PROFITS Earnings of few single newspapers are individually identifiable. In this table extracted partly from filed returns at the Inland Revenue Department, there is some double counting. The *Daily Herald* belongs as to 51 per cent to Odhams and 49 per cent to the TUC. Profits of the *Daily News* embrace the earnings of the *News Chronicle* and the *Star*.

	Year ends	Trading profit £000			Net profit after tax £000			Price May 22	Yield May 22
		1954	1955	1956	1954	1955	1956		
Amalgamted Press 10/-.	Feb. 28	5,028	5,558	4,980	2,005	2,505	2,278	25/3	8-14- 4
Assoc. Defd. 5/-	March 31	2,342	2,519	2,587	839	1,274	1,403	13/10½	8- 2- 3
Beaverbrook 'A' 5/-	June 30	884	854	...	337	381	...	14/-	8-18- 7
Daily Herald	Dec. 31	158	50	...	31	—60	...	not quoted	
Daily Mirror 5/-	Feb. 28	709	271	925	792	596	856	10/6	7-18- 8
Daily News	Dec. 31	414	55	...	204	Nil	...	not quoted	
Daily Telegraph	March 31	646	513	316	303	229	133	not quoted	
Financial News 5/-	June 30	69	84	65	69	82	74	18/6	8- 2- 2
Financial Times £1	June 30	642	645	668	235	255	253	85/-	7-13- 0
Hulton Press 2/6	March 31	379	479	334	190	221	117	2/3	16-13- 3
Kelly's 5/-	Feb. 28	1,549	1,610	1,499	668	761	715	25/-	5- 0- 0
Kemsley £1	Dec. 31	1,999	1,758	1,657	685	627	639	19/3	10- 7-10
Manchester Guardian	March 31	333	352	296	103	93	87	not quoted	
Newnes, Geo. £1	March 31	1,614	1,640	1,332	724	909	721	38/9	6- 3-10
News of the World	June 30	731	476	744	285	90	234	not quoted	
Odhams 10/-	Dec. 31	3,038	3,107	2,927	1,264	1,226	1,133	20/9	8- 8- 8
Sunday Pictorial 5/-	Feb. 28	427	298	407	436	426	429	10/7½	10-10- 3
Westminister Press	Dec. 31	501	601	...	190	224	139	not quoted	

Names in italics represent subsidiary companies.

"quality papers" that sell for more than the rest, such as the *Financial Times* and *The Times*, enables them to charge rates "per single column inch per thousand readers" far above that of the popular press, and keeps them in business with a very small fraction of the daily circulation of the *Mirror* or the *Express*. The *Daily Telegraph*, at present "popular" in price though its "average reader" would probably work out in a slightly higher class than certain more expensive quality papers, is highly profitable at a circulation of about 1,100,000, well below the level at which some "popular" papers of the same price are floundering in financial loss; it has a special strength in classified advertising. The *Daily Mail* gains significant advantages in advertising revenue, among the middle-circulation dailies, from its more middle-class appeal; and even at the top, the *Express* charges higher rates, and relies for much more of its total revenue upon advertising than the *Mirror*.

BUT though advertising advantage does not depend simply on circulation totals, for a mass of nationally advertised consumer goods the two probably gear more closely than they were allowed to do during the years of newsprint control. The trend towards greater equality in purchasing power, and particularly in households' "disposable income" since before the war, means that more and more of the buying even of relatively expensive advertised goods is done by the working class, the young, and—among all ages and classes—by women. For many consumer goods, the advertiser logically appeals to these buyers through the media that reach most of them most cheaply—the mass circulation dailies, the women's magazines and, increasingly, television. There seems a growing tendency, with the easing and eventual abolition of newsprint control, for advertising campaigns to be concentrated rather than peppered across a wide range of media.

This delayed concentration of advertising effort towards papers offering the greatest economic advantage in quantity and quality, moreover, seems to be occurring at a time when total newspaper circulation in Britain seems more likely to decline slightly than to grow further. With more newspapers bought per head of population than any other country in the world, Britain must be practically a saturated newspaper market; and larger papers may tend to make fewer people buy more than one at a time. The total national daily circulation, about two-thirds higher than in 1937, has not changed much from the level it first reached in 1949 (the peak was in 1950); the two mass dailies still hold just over half of this, but some transfers of circulation have taken place between other papers. From now on, it seems prudent to assume that any national paper's growth in circulation must be at the expense of others. Moreover, each successive rise in price has had an immediate effect on sales, from which it has taken individual papers some time to recover. Further price increases, too, could further thin the margin of people who buy more than one of what are still the world's cheapest daily papers.

Newspaper owners are today compressed more or less tightly between this possibly declining total market for what they sell, major changes in the shares of total press advertising income that each receives, and the fairly steadily rising costs of what they buy. Newsprint prices are at present on the crest of the second upward wave they have experienced since the war; a further price rise is indeed imminent, though buyers guess that after that prices will stabilise and may slip a little; and there is at best only a temporary respite in the round-by-round succession of wage claims in an industry beset by restrictive practices.

UPWARD swings in newsprint prices, even temporary ones, have since the war killed off more than one weak paper; but the long-term upward trend is now and for a long time is likely to be one of the facts of life of the newspaper business, and any paper that cannot live with it cannot expect to stay in that business. The "equalised" price is today nearly £60 a ton, rather less than in 1952, five or six times the artificially low level that prevailed in the thirties, when many of the world's major producing companies were in very low water; only about a third higher than in an inflationary peak just after the first world war, and about four times the price during much of the twenties. The pulp from which newsprint is mainly made is short, and supplies can only be increased at growing cost. Newsprint manufacture involves very heavy capital investment and is a good deal less remunerative than making the same raw materials into many other paper products. Producers are not prepared to expand capacity rapidly, and Britain has no great bargaining power in the world market, with some 10 per cent of a world consumption that is rising far more rapidly abroad. Since the war, at least, the price of newsprint has not moved radically out of line with those of other basic materials.

Nor have wages in this industry risen faster than wages in general manufacturing, though printers have maintained their substantial extra margin as one branch of "the aristocracy of labour." The canker in the newspaper industry's labour relations arises less from the level or growth of wages than from the union grip upon manning in this industry, with gross overstaffing in certain departments, while in others key men are short and the entry of fresh apprentices is restricted. Labour relations in the physical production of newspapers have suffered, over the years, from bitter inter-union rivalries, on the one side, and from weakness among certain sections of employers on the other. It is not easy to see any likelihood that the bargaining pressure—exerted in recent years alternately upon newspapers and periodicals—will be moderated.

Strength to withstand these pressures from below and overhead varies very widely between the national

newspapers, the periodicals, and provincial groups—all of which have at least some cushion of local advertising support. Dependence upon advertising revenue varies very widely in Fleet Street, but among newspapers the shift in advertising revenue seems to have been more important in current financial difficulties than changes in costs. On the side of costs, the mass circulation papers are affected more by rises in the cost of paper and less by increases in printing costs than papers of "middle" circulation—which include the nationals now under the greatest pressure. Certain of the large newspaper groups have substantial interests in paper companies making newsprint; they integrate the production of national dailies with Sunday papers and London and provincial evenings; and some have extended their interest into the *Reveille* type of weekly and into papers for women. Provincial evening papers, once again, are both cheaper to produce and more secure from national competition than the provincial morning papers, though the spread of television may affect them more.

The stock market assessment of this beleaguered industry is simply indicated. Whereas equities in general have risen by just about 20 per cent over the last 15 months, the prices of a general sample of quoted newspaper shares have fallen by about 12 per cent (a significant exception being Beaverbrook Newspapers). It is not easy to disagree with this judgment of its prospects; though the need for selectivity between groups argues itself. Total advertising expenditure in Britain is now nearly back to its 1938 share of national income, and seems unlikely to grow as fast as it has since the war; television is certain to secure a sizeable slice of the increase, so that expenditure on other media cannot be expected to grow even as fast as the total. Pressure within the newspaper industry seems certain to be forced in upon the weaker groups—some provincial morning papers and the national papers with no edge either in quantity or quality of circulation. A decline in the number of national newspapers, in particular, seems economically inevitable; whether consolidation could avert or slow this seems to depend largely upon the quality of editorial inspiration and business management now available in Fleet Street.

BUSINESS NOTES

IN THE MARKETS

Friendless Gilt-Edged

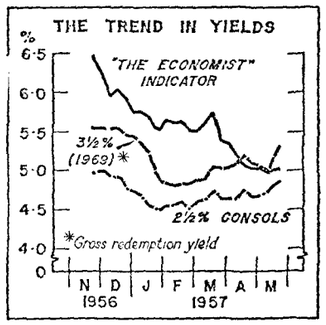
It appeared in the first half of this week that the heavy decline in gilt-edged stocks of the last few weeks was coming to a stop but on Thursday the market resumed its fall, War Loan reaching 69½, the lowest point of the year. The *Financial Times* index of government securities touched 84.66 on Monday, rallied fractionally to 84.70 on Tuesday and Wednesday, but the fall was resumed on Thursday when it dropped to 84.16 also its lowest of this year. The selling wave has at no time been heavy. But there has been a succession of small selling orders and it is general experience that a thousand sales of £1,000 stock have more effect on prices than one sale of £1 million stock, if only because the smaller bargains tend to pass through the small gilt-edged jobbers, who then seek to even their own books by dealing with the big jobbers.

GILT-EDGED NET PRICES

	Nov. 29 1956	Dec. 31 1956	Feb. 6 1957	Feb. 8 1957	May 22 1957
Serial Funding 2½% 1957	97 3/32	100½	98⅛	98 5/32	99
Exchequer 2% 1960	91 31/32	92	92 2/32	93 5/32	93 3/32
Savings 3% 1955/65	83 3/32	86⅜	89⅛	89½	86 15/32
Conversion 4½% 1962	96 3/32	96 13/32	98⅜	99 1/32	98 3/32
British Elec. 4½% 1967/69	89 3/32	90⅜	95 2/32	96 3/32	92 9/32
Treasury 3½% 1979/81	74	76 5/32	79⅛	79 3/32	75 7/32
British Transport 3% 1978/88	65⅜	68½	72⅛	72 1/32	66 5/32
British Gas 3% 1990/95	65⅛	68	71½	71 1/32	66 3/32
Funding 3½% 1999/2004	72⅜	75⅜	80	80 3/32	73 7/32
War Loan 3½%	68 3/32	70 5/32	73 3/32	73 1/32	70 5/32
Consols 2½%	49 3/32	52⅛	54 3/32	54 7/32	51 5/32
Treasury 2½%	49 1/32	51⅛	54 3/32	54 1/32	51⅛

The Demand for Equities

Unquestionably the cause of the fall in gilt-edged has not been the succession of small sales, so much as the absence of buyers. Institutions have switched their buying from the gilt-edged market to the industrial share market and to a less extent to industrial prior charge stocks. The change in the composition of insurance company and pension fund portfolios towards a higher proportion of industrial stocks and smaller proportion of gilt-edged has extended over many years. There are no vast floating supplies of industrials such as would make it possible to carry it out quickly. But there are nevertheless periods when the distaste of the institutions for gilt-edged makes itself felt in the market and the last few weeks has been one of them. A number of influences have helped to speed the process. The greater freedom of investment now available to Lloyd's underwriters was one such. The publication of the Labour party's pension plan and the results of the local elections were others. And there are those who see in current wage negotiations the signs of renewed inflation.



The fact that equities were rising through much time as gilt-edged stocks were falling and that the rise in industrials stopped almost at the moment when the fall in gilt-edged was checked seems to confirm the diagnosis. It is highly improbable that the shift in institutional portfolios is completed. But equally it seems unnecessary to suppose that it will continue to force gilt-edged prices down regardless of the level that gilt-edged have reached. To the insurer concerned in a fixed contract maturing at a known date—and that covers a high proportion of life business—yields on gilt-edged stocks of the appropriate dates, now overtaking industrial share yields, must have begun to look attractive.

Two Rights Issues

The fall in equity prices brought *The Economist* indicator down by 2.7 points to 218.7. One factor that the equity market always has to keep in mind is the continual flow of new issues. And two such issues from expanding industries came along this week. To step up its steel production, John Summers is raising about £4½ million from a rights issue of 4,500,000 new £1 ordinary shares at par in the proportion of one for two. The issue, which was not underwritten, was adroitly managed, and dealings in the new scrip (nil paid) began on the morning after the announcement. The old shares stood at 34s. 6d., indicating an ex-rights price of about 30s. The new shares (nil paid) opened at a premium of 10s. 10½d. On Wednesday, when steel shares suffered a shake out, the premium came down to 9s. 4½d. and the old shares lost 1s. to 29s. The profits of John Summers have been running at a higher level than they did a year ago, and the directors expect to pay a final dividend of not less than 8 per cent, for which the new shares will rank.

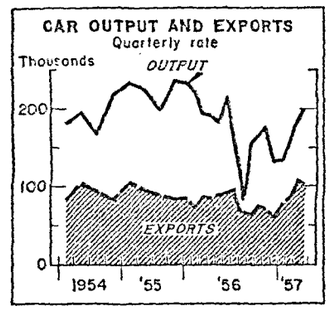
A smaller issue, designed to raise about £1.3 million, has been announced by John Thompson in order to finance its new nuclear energy commitments. The issue, which is underwritten by Lazard Brothers, takes the form of rights to 1,048,227 new 5s. ordinary shares at 25s. each in the ratio of one for seven. On the eve of this announcement the old shares stood at 35s. The issue is backed by a preliminary statement which shows that in 1956 the company's profits advanced from £2,113,866 to the record figure of £2,550,961. The ordinary dividend was left unchanged at 25 per cent, the rate which the directors expect to maintain on the increased capital this year. Thus the new shares are offered at a yield of 5 per cent (against a yield of about 3¾ per cent ex-all on the old shares). That is not a big yield, and presumably the appeal to investors is the glamour of nuclear power stocks—a glamour which has been known to dazzle.

CAR OUTPUT

Recovery Sustained

This year's improvement in the fortunes of the motor industry is still gathering pace. In April, the latest month for which full figures are available, output of cars reached the rate of just under 3,400 a day, a good fifth higher than in March and all of three-fifths higher than in January. It was, moreover, a better performance, allowing for the fall of the Easter holidays, than in April last year and it was only 10 per cent short of the record number of cars leaving the industry's factories two years ago at the peak of the boom.

Thriving export sales are the mainspring of this sharp recovery, and shipments have in the last two months regained the record level of two years ago. But the home market has also been getting noticeably firmer since hire purchase restrictions were eased at the beginning of the year. In March registered home sales shot up sharply from the very low level of 22,800 in the two previous months to 35,200 (against 53,100 in March, 1955). Since Easter, and particularly since the end of petrol rationing, they appear to have been doing better still. The number of new cars bought on hire purchase was twice as high last month as in January, and second-hand car prices have been hardening sharply in the past few weeks.



Commercial vehicle manufacturers have not been experiencing quite as good a revival. Their sales, both at home and overseas, have been picking up, but since February the rate of production has remained almost constant at a little over 1,000 vehicles a day, still a fifth or more lower than last year. This sluggishness is found throughout the whole range of vehicle types, though it is rather more marked among the very small vans of less than 15 cwt capacity and also among the lighter types of lorries of between 3 ton and 5 ton capacity.

The American Market

In one overseas market, the United States, British cars have done outstandingly well this year, and in two others, Australia and Eire, outstandingly badly. It is only fair to say that in Australia import restrictions were largely to blame, and these are now being relaxed; in Eire sales have been handicapped by the special import tax imposed last August. Shipments to the United States in the first four months of this year amounted to a record 27,000 units, more than three times larger than in the same period of 1956. It may be too much to hope that that rate of increase will be

maintained throughout the year, but it may be that Britain has now regained top place among foreign suppliers to the American market. Britain's success cannot be compared with that of other exporters over the whole period, for their figures are less up to date. But Germany's exports to the United States are believed to have increased; French exports in the first three months, 8,866 units, were more than eight times higher than in the same period of 1956 (thanks mainly to the success of the Dauphine), and Italian exports, 500 units, were nearly four times higher.

BRITISH EXPORT OF CARS AND CHASSIS

(January to April, thousand units)

	1956	1957		1956	1957
United States ..	8·3	27·0	Sweden	4·5	6·5
Canada	8·5	9·4	Belgium	4·4	5·5
Australia	25·4	13·3	Holland	2·9	3·5
New Zealand ..	10·6	11·6	Denmark	1·6	2·4
Rhodesia	3·3	3·7	Switzerland ...	1·0	1·3
Singapore	2·6	2·1	Austria	0·8	1·5
South Africa ...	10·5	10·7	Eire	4·8	0·9

There was a heartening recovery in British car exports to several European countries in the first four months of this year, notably to Sweden, Holland, Belgium and Denmark. Shipments to New Zealand and Rhodesia rose too, while shipments to South Africa showed little change and shipments to Singapore and Malaya fell. Shipments to all countries in the first four months totalled 125,294 units, 6½ per cent more than in the same period of last year. The latest figures for other exporters cover only the first quarter of the year, when their exports were rising faster than Britain's. Germany maintained its lead as the major exporter, shipping 118,324 units, an increase of 21 per cent on the same period of 1956, and French exports, at 45,978 units, increased by 31 per cent. Italian exports rose by seven per cent to 20,493 units, while Britain's rose by four per cent to 90,677 units.

INTERNATIONAL MONETARY FUND

Scarcer Dollars

It may not come as hot news that the American dollar is becoming a scarce currency, but in the technical sense of the International Monetary Fund's articles the dollar does seem at least to be becoming scarce. In the tough haggling at the Bretton Woods Conference of 1944, when the blueprints of the IMF and the World Bank were drawn, it was agreed after much resistance from the United States that complete multilateralism of trade and complete freedom of payments must be hedged by escape clauses. The most important of those clauses is in Article 7 on scarce currencies. This establishes that if the Fund finds a "general scarcity" of a particular currency developing, it must first issue a report expounding the causes of the scarcity and give recommendations to bring it to an end. If that report does not produce immediate results, the Fund may then attempt to replenish its holdings of the currency either by borrowing or by buying it against gold from the member country. If in spite of all those measures the demand for the currency still outruns the Fund's ability to supply it, the Fund "shall formally declare such currency scarce." The formal declaration enables any member, after consultation with the Fund, to impose restrictions on the freedom of exchange and to discriminate against imports from the country in question.

Has the US dollar now at last become in that technical sense scarce? Article 7 avoids specifying the standards by which scarcity is to be judged. But, in the IMF's own thinking, if the Fund's holding of a currency falls below half that country's quota the currency is entering the realms of scarcity. That 50 per cent yardstick was reached by the dollar last February, since when France and India have bought additional dollars from the Fund. At the end of February the US dollars held by the Fund had fallen to $1,290 million and represented only 47 per cent of the US quota. At the beginning of the Fund's last financial year (May 1, 1956) the figures were $1,784 million and 65 per cent. Moreover, a responsible financial assessment must also take account of unused dollar facilities under standby credits. At the end of February these unused and still available credits amounted to $1,066 million, constituting a contingent liability even though it is likely that the bulk of the drawing rights they represent will not in the end be used.

No Precipitate Action

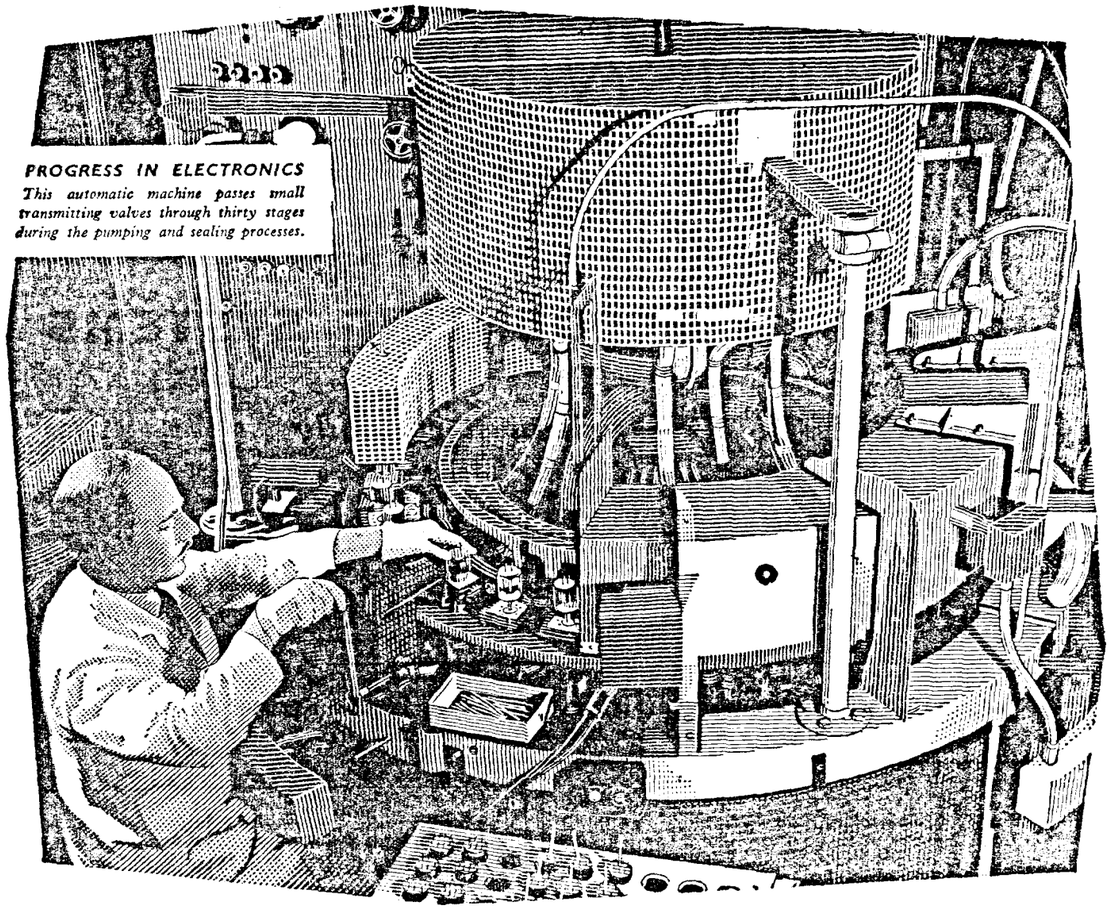
No step towards declaring the US dollar a scarce currency has yet been taken. No report has been drawn up. If it were it would no doubt point the finger of accusation, not at the United States, but at the main drawers of dollars: the United Kingdom for engaging in overseas adventures that precipitated a run on sterling; France for persisting in an overvaluation of its currency that puts its balance of payments into chronic deficit; and India for allowing its industrialisation and imports of capital goods to outrun the bounds of discretion. Nor has the Fund yet proceeded to reconstitute its holdings of dollars by sales of gold to the US Treasury; the gold held in reserve amounted to only $1,419 million on January 30th last. The ultimate sanction—the threat to discriminate against dollar imports—has been used by various members of the Fund for a decade, even though the dollar has never been declared scarce.

Openly to condone restrictive measures by declaring a scarcity would presumably be most unwelcome to the new managing director of the Fund, Mr Per Jacobssen, but he is aware of the problem. In a recent address before the Economic and Social Council of the United Nations he reported that "a fair amount of the Fund's liquid assets has thus been committed, which gives occasion to the exercise of a certain amount of caution concerning new drawings and commitments."

JUTE IN DUNDEE

Protection for How Long?

It is not difficult to guess what the President of the Board of Trade and leaders of the Dundee jute industry talked about when they met in Glasgow this week. More than three years ago the Government assured the industry that the existing form of protection against cheap Indian goods would continue until other safeguards could be introduced. The Jute Control has thus remained the sole importer of jute goods; it buys from India what cannot be supplied from Dundee, and sells those goods at the higher prices that



This machine is part of the product

In the final stages of manufacture, Mullard valves and television tubes part company with the machines on which they are processed. But until they do, the machines are virtually part of the product.

Machines on which electronic valves and tubes are manufactured can be used for no other purpose. Their design is so closely related to the design of the product that the introduction of a development in one is rarely possible without a modification or adjustment in the construction of the other. In many cases, the valves or tubes are activated while still on the machines which process them.

That is why the greater part of Mullard machinery and equipment is designed, developed and built in Mullard's own engineering department. Constant research into manufacturing techniques and progressive development of plant and machinery are among the reasons why Mullard products enjoy a world-wide reputation for performance and reliability.

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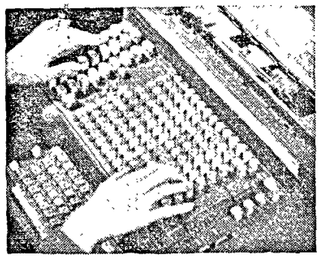
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Dundee charges for its own products. When the working party on jute reported in 1948, and found in favour of protection, it estimated that a tariff of about 20 per cent would be necessary to bridge the gap between Dundee and Indian prices; today the gap is probably at least twice as wide, mainly because export prices of Pakistan jute (the raw material for Dundee) have risen more than the price of Indian jute goods. In practice, an arrangement introduced during the war now not only restricts shipments of Indian goods to Britain by volume, but also subjects them to an effective duty of roughly 40 per cent. By treaty India is guaranteed freedom from quantitative restrictions and duty-free entry.

Protection at anything like the present rate could hardly be maintained indefinitely; in one respect it may even be harming Dundee by encouraging the substitution of paper for jute bags. And the prospect of a European free trade area has hastened the need for a new policy. Imports of jute goods from other members of the free trade area would eventually be freed from quantitative restriction, and the present duty of 20 per cent on foreign goods would disappear. India would then be at a disadvantage against foreign as well as British manufacturers. India has tacitly accepted discrimination up to now, but it would not willingly allow imperial preference to be thus stood on its head. The government knows that alternative methods of protection are all objectionable in one form or another. Is it not time to consider whether the need for protection could gradually be removed? Some cotton textile firms, faced with competition from low-cost Asian producers, are beginning to spread their manufacturing interests into other fields. Is this not the only sound solution for Dundee? The industry is progressive, and if it were given a period of grace in which to diversify it would probably do so. The government, having shied away from the problem for so long, could hardly refuse a helping hand.

AIRCRAFT ORDERS

An Airliner for 1963

FEW details are revealed of the new VC 10 jet airliner that BOAC is to buy from Vickers-Armstrong. It was selected from three other preliminary specifications submitted by de Havilland, Handley Page and Bristol, and is still on the drawing board. But BOAC wants an airliner to operate on its Far Eastern, African and Australian routes in the 1960s, and Vickers intended that the design and development should be financed without the help of government money, so some advance support from BOAC was clearly acceptable.

The total order of £68 million is for 35 aircraft and initial spares. Delivery is due to start in 1963, and then, so Vickers claims, the VC 10 will be "a strong competitor" with American jet airliners of the same class. It will have certain "unusual features" and good take-off characteristics, but what these are remains unrevealed for the time being. It will seat up to 147 passengers in a "double-bubble" fuselage, and will be powered by the Rolls-Royce Conway by-pass engine, which has a high power-weight ratio and a fuel consumption lower than a straight turbo-jet. For both Vickers and Rolls-Royce, this statement of intention from BOAC represents a notable success, and helps to fill out their respective order books comfortably into the next decade.

CENTRAL MINING

Preference Share Victory

MUCH is heard about the voteless and helpless preference shareholder. A battle for preference shares that are over-endowed with voting rights has been fought out this week. The shares that carry the votes are the 5 per cent preference shares of Central Mining and Investment Corporation—one vote for each five of the one million preference shares against one vote for each eight of the four million ordinary shares—and the victors are a group of bankers and mining finance companies. Messrs. C. W. Englehard and Gordon Richdale of New York, Anglo American Corporation of South Africa, Union Corporation, N. M. Rothschild and Sons, J. Henry Schroeder and Robert Benson and Lonsdale, have announced that they have got 80 per cent of the preference shares from the institutions at 24s. per share net and are offering the same figure for the rest. The new group is also taking over from its participants a substantial holding of Central Mining ordinary shares but it makes no offer to the public for ordinary shares which have fallen in recent days from about 75s. to 62s. 6d. The battle for the body of Central Mining—a battle that seemed inevitable when the merger with Consolidated Goldfields fell through—is over. The potential counter bidder, Mr Sam Glazer, the South African property dealer, is resoundingly defeated; it is now confirmed that the Rio Tinto company was not among the bidders.

To those who wish to calculate who now holds effective control of Central Mining the order in which the members of the successful syndicate appear should provide the clue, C. W. Englehard and Gordon Richdale (the Baker Platinum group) comes first, Mr Richdale being an ex-mining engineer of Central Mining; Anglo American comes next. To those who wish to foresee what may happen now, the answer is more complicated. A new company with a capital of about £5 million, predominantly British and South African owned is being formed in South Africa to take over the shareholding and the Central Mining—Rand Mines group will be offered a participation in it. The capital of Central Mining and the voting rights attached to it would not themselves have made the 5 per cent preference shares attractive to the syndicate at 24s., if it had not been known that a meeting was due next week to reorganise the preference capital, reducing its voting rights and raising the dividend to 6 per cent. Then will be the time for Lord Baillieu to map out the future.

A Problem of Tax

THE new company in South Africa will assist the group's expansion not only in Southern Africa, but in other countries as well. It may be guessed that it will become a main channel of investment outside Africa for the finance houses concerned. The list of its members shows that it has acquired an important American investor and Central Mining has already acquired a useful investment footing in Canada. Nothing has been done without the agreement of the chairman of Central Mining. Central Mining is well supplied with money, thanks to its £8 million Trinidad oil profit, but investors may feel that one day the expansion of Central Mining may call for new funds and for revigorated management; the directions from which these

sinews of progress are to come seem to have been mapped out.

When a new South African company acquires effective control of an old British one there is necessarily a tax aspect. In this instance there are several. There is first the question of the liability to British tax of the £8 million Trinidad Oil profit. Central Mining was a dealing company when its Trinidad oil sale was made even if it is now an investment holding company. There may be room for argument, but the probability seems to be that the Trinidad Oil profit will be taxable. Secondly, there is the liability to profits tax—a liability that would be different depending on whether or not the new company has mathematical control of the old one. It would be useful to have confirmation whether voting control has been obtained. That confirmation has not been given because Central Mining shares in foreign ownership are voteless and Paris has a big holding. Mathematical control if it does not still exist after the rearrangement of the preference voting rights could be maintained by buying ordinary shares in the market; distributed profits tax would then be avoided. Thirdly, there is the question whether Central Mining is in any case an overseas trade corporation. It seems clear that the mining finance houses in general are not, because of their share dealing profits.

FOREIGN EXCHANGE

Franc Without a Government

THE inherent weakness of the franc has been accentuated this week by the fall of the French Government. There will be an interval of uncertainty during which more psychological pressure will be brought to bear on the currency. The state of apprehension is reflected in the widening of the discount on the forward rates, the three months' rate being now quoted at 30 francs "sellers only"; though in the Paris market a strictly insulated quotation of 8 to 9 francs premium for three months' sterling is maintained. No arbitrage in forward is possible between Paris and foreign centres.

Although France has lost about $1,000 million of reserves in the last 15 months, including the amount drawn from the IMF, many well-informed bankers still think an early devaluation improbable. They argue that the recent loss of reserves is only partly due to continuing factors such as the military expenditure in Algiers, but partly also to temporary influences such as heavy capital imports (which should soon yield foreign exchange income) and last year's harvest, which was as bad as this year's promises to be good. France is now running into its seasonal peak of foreign earnings.

The franc remains near its gold export point in relation to most European currencies, including sterling. Its weakness and the continued drain on the French reserves has brought some indirect relief to sterling which this week has strengthened slightly against most European currencies. Against the dollar the official rate, which dipped below $2.79 towards the close of last week, has recovered to $2.79⅛.

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FLAMMABLE CLOTHING

A Perverse Report

THE committee set up last July by the British Standards Institution to consider how readily clothing textiles catch fire has produced a most disappointing report. Its first conclusion that "clothing will not catch fire unless it is exposed to a source of ignition" is no doubt fundamental, if unsurprising. But some of the other findings of the committee, which consisted of no less than 51 members, nominated by the industry, government departments, and various other bodies, plus two secretaries and a chairman, are equally unhelpful and more debatable. It turns down flat any idea of a detailed grading of fabrics according to their resistance to flame, which was the question it was set up to answer—although it states quite positively and clearly that "it is possible to calculate the flame-resistance possessed by any fabric, and to express this in terms which will permit valid comparisons with other fabrics, provided that all of them are tested under the same conditions."

Its alleged grounds for rejecting such a grading of "flammability" are that it would be "misleading and dangerous" and "engender a false sense of security." Instead it wants the government and other "appropriate organisations" to be primed immediately of the need for a campaign of public education to emphasise that "all kinds of exposed flame in proximity to textiles create risk." The three factors in accidents involving the burning of clothing that appear most controllable, as the report itself points out, are exposure to ignition, garment design and type of fabric. Common sense and publicity can surely take care of the first but the BSI report was intended to deal primarily with the last two. The type of yarn and process of manufacture do not seem to affect "flammability," but the weight of a fabric, the type of fibre, and laundering can. Cotton, linen, viscose or cuprammonium rayon fabrics, for example, however made up, will catch fire more easily than wool, silk, and acetate fabrics of the same weight. Some thermoplastic fabric fibres, such as nylon and Terylene, unless they are stiffened with certain synthetic resins or dyed with particular chromium dyes, have a relatively small risk of catching fire. There are a few "highly flammable" fabrics, but since they are little used the committee rejects any suggestion of banning them, even though some are prohibited in other countries.

Two recommendations the committee makes are good, as far as they go. A standard for fabrics that may be regarded as flame-resistant should be established by BSI—though this would apply to only a small quantity of the clothes the public now buys; and the development of processes that make fabrics flame-proof or flame-resistant should be further promoted. There are already several suitable proofing processes on the market but they are expensive. Surely a

Continued on page 720

IMPERIAL CHEMICAL INDUSTRIES

Capital Intensity Grows

GROWTH in such a large and dominant concern as Imperial Chemical Industries is automatic and self-perpetuating. ICI has about 100 works in this country, producing 12,000 different products and employing over 115,000 people, and its research and capital expenditure programmes have to be geared to guesses about markets several years ahead. The drive is towards more capital intensive operations—the assumption being that capital will be freely available even if the right sort of labour in the right places is not. This type of forward planning must produce occasional mistakes. Some cygnets turn out to be ducks and some ugly ducklings to be swans. Errors are wasteful of resources but they are submerged by the successes, the investor getting a wide industrial spread in a single shareholding. ICI has the means to finance its capital programmes. It has a ready access to the capital market (as the recent £40 million issue of convertible loan stock showed) and it can always plough absolutely large (though not necessarily sufficient) sums back into the business.

Last year ICI tucked away £16.1 million in reserves and £23.5 million in depreciation. That is only £300,000 less than in 1955, even though in 1956 ICI's profit margins were being squeezed. Its sales to customers in Britain went up from £235.5 million to £243.7 million and to overseas customers from £175.5 million to £191.6 million. The fob value of ICI products exported from this country rose from £71.1 million to £73.1 million; of these exports £18.7 million worth went to Europe and it is not surprising that the directors welcome the opportunity the common market will give ICI to expand its European trade. In all, sales rose by 5.9 per cent (much less than the 16.7 per cent increase in 1955) but gross profits came down from £56.5 million to £53.4 million. Every division felt the impact of increased working costs but, with the exception of the leathercloth and metals divisions (which were both affected by the recession in the vehicle industry), all the manufacturing divisions achieved an increase in sales. Some of the newer products, notably "Terylene" fibre and titanium, made "a significant contribution" to this increase, though sales of another man-made fibre, "Ardil," are described as "disappointing."

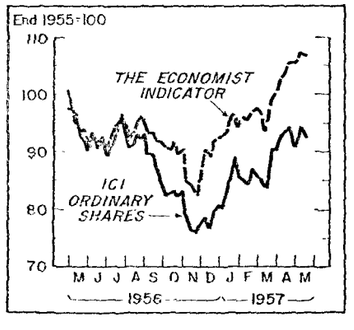
Greater production and sales were achieved with the net addition of a mere 100 people to ICI's labour force. They were achieved through the more intensive use of capital. About £44 million was spent on ICI's capital programme in Britain (making £267 million in all the post war period), another £12½ million by subsidiaries and another £12 million (about 3.1 per cent of turnover) on research. Hence, the amount of capital equipment per ICI employee in this country went up from just under £3,000 to £3,329. Not all that expenditure was immediately remunerative; its cost reduced net liquid resources from £23½ million to almost nothing.

That is by no means the end of the programme. Indeed it might be asked whether there will ever be an end? ICI has raised nearly £40 million on the convertible loan stock (not reflected in the end-year balance sheet) and it has sanctioned capital expenditure of about £83 million at home and another £25 million by overseas subsidiary and associate companies. That does not reflect the continual expenditure on research, which for such products as dyes and pharmaceuticals can exceed the expenditure required for new plants. And the directors emphasise the proportion of ICI's resources devoted to research (split as to 40 per cent on existing products and processes, 40 per cent on new ones and 20 per cent on basic scientific and technical information) "is similar to that of the more progressive American chemical companies."

The prospects of growth for investors in the ICI stock stretch out—like the capital programme—several years ahead. The use of a convertible loan stock as a means to finance expansion explicitly recognised the slow maturity of such a programme. It is easy enough to label the ICI equity, yielding 4.4 per cent on the maintained dividend of 10 per cent, as a growth stock. It is easy, too, to recognise that immediately ICI will plough back a hefty proportion of its profits and that, even so, it remains a potential borrower in the capital market. But what sort of growth stock is it?

More capital is being used but profit margins are being squeezed. And the directors are obviously reluctant to break with the policy of price stability in which they have long taken pride. Some prices were increased early last year but last July the directors said that for twelve months most home trade prices would be frozen and that promise has been kept. Thus the rate of gross profits to the capital employed in the business has fallen from 11.6 to 10.5 per cent and may fall again this year. And the ratio of the ordinary dividend to the net worth of the business applicable to the equity came down from 4.6 to 4.3 per cent.

Looking still further ahead—say to the time when research schemes and capital expenditures started this year become productive—it is also apparent that the shift in emphasis away from batch production towards continuous flow production will result in still more capital (and less labour) being employed per unit of output. Unless ICI is prepared to raise its prices and to continue to shift towards more generally valuable products, the return of profits on capital employed may continue to fall. That could be as significant for the investment prospect as the "lag" element which must always be present in a capital programme as big as ICI's. Investors have recognised the presence of the second element, for the price of the ICI stock over the last nine months has run at a slightly lower level than the prices of leading blue chips as measured by *The Economist* indicator. But have they recognised the presence of the first?



Income and Expenditure:—	1955 £ mn.	1956 £ mn.
Sales, etc.	416·0	440·8
Materials, etc.	243·2	257·9
Wages, etc.	89·4	99·0
Pensions	6·6	7·1
Depreciation	20·4	23·5
Profit sharing bonus	2·8	3·1
Taxation	23·9	23·8
Retained profits	19·5	16·1
Net dividends	10·2	10·3
Gross income	53·6	50·1
Gross income/capital employed	11·6%	10·5%

Employment of Capital :—	1955 £ mn.	1956 £ mn.
Net fixed assets	325·0	358·8
Intangible assets	16·6	16·6
Associated companies	15·4	16·8
Net current assets	103·2	87·3
Total investment	460·2	479·4
Ordinary capital	142·0	143·0
Capital reserves	106·6	121·8
Revenue reserves	60·7	64·6
Minority interests	19·5	21·2
Future tax	27·5	24·4
Loan capital	70·2	70·5

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system of grading, which the committee admits is feasible, would help promote a public demand for these processes and thus lower the costs of their production, as well as bringing the danger of clothes catching alight home to the public more effectively and cheaply? Or is it difficult for manufacturers to admit this?

COTTON TEXTILES

Lull in Home Demand

NEW business in the cotton textile industry has slackened off, but most mills still have enough work on hand. With the capacity of the industry much reduced and some areas still short of labour there seems little danger of short-time working this year. A slackening in orders was to be expected. The seasonal revival last autumn was accentuated by the need to build up stocks after confidence in American cotton prices had been restored. Stocks have now been replenished and the industry is experiencing the usual lull in home demand. Exports have picked up, though merchants are not expecting a substantial recovery abroad. Opportunities in the Australian market have been increased by the relaxation of import restrictions, but sales of cotton textiles to certain Asian countries, financed by deliveries of surplus American cotton to Britain, are coming to an end. Meanwhile imports of duty-free textiles from Commonwealth countries are again increasing, and Lancashire's attempts to persuade these countries to restrict their shipments have been rebuffed.

WEEKLY AVERAGE OUTPUT IN LANCASHIRE

	Single Yarn : mn lb		Cloth : mn yds	
	Total	Cotton	Total	Cotton
1st quarter, 1956	17·13	12·25	45·9	32·3
4th quarter 1956	17·33	12·14	45·9	32·6
1st quarter 1957	17·95	12·68	47·3	33·4

Both Hongkong and Pakistan have refused to accept a ceiling on their own shipments, though the Pakistanis suggested that consideration should be given to a common quota that would allow each of the three countries to compete for their share of trade. Pakistan is naturally loth to hamper the development of its own export trade, and thinks that its modern mills could more than hold their own against India's. The Indian industry, which is by far the largest exporter to the British market, had previously agreed to restrict its own exports to the 1956 level, provided that the Hongkong and Pakistan industries would do the same. It seems unlikely that India would accept a common quota. If that proves to be so, the Cotton Board will not be slow to appeal again to the government for protection. Having failed to secure protection in the way suggested by the British government, the board would no doubt feel that its case for government action had been strengthened.

BUILDING OUTPUT

No Sign of Decline

EXPECTATIONS are still that the rate of new investment in building and civil engineering work will slacken off this year, but there is no sign at all of any such easing of the pace in the Ministry of Works' returns from the industry in the first three months of this year. The value of all work done, at £525 million for the quarter, was a good 11 per cent more than a year ago, and this was achieved moreover with a labour force of just about the same size. The cost of finished work rose by about four per cent, so the gain in volume of output was a little over six per cent—and the increase was somewhat greater in new work than in repairs and maintenance.

BUILDING & CIVIL ENGINEERING OUTPUT
(January—March)
(£ million)

	1955	1956	1957
Housing—public	79	73	78
„ —private	46	57	60
	125	130	138
Industrial—private	44	59	71
Other—public	85	97	111
„ —private	26	36	44
	111	133	155
Total new work	280	322	364
Repairs and maintenance	140	152	161
Total	420	474	525
Index of volume of output (1948=100)	109	116	123

The rate of house building is tapering off, but that is the only major kind of new construction that is. Private development in factories and other types of new building was more than a fifth greater in value than twelve months ago, and in the public sector spending rose by nearly 15 per cent. It is still thought, however, that spending on private account will slacken later this year; at least the past flow of new contracts suggests that though builders may find it possible as a result to complete the contracts more quickly. But new building for and by public authorities is expected to continue growing, and the industry's total output in 1957 should still be higher than last year.

THE STOCK EXCHANGE

A Costly Future

THE Stock Exchange in Throgmorton Street cannot be rebuilt for a good many years, though plans to improve the building are in hand and these improvements can be financed largely out of existing resources. But in his speech to the annual general meeting of the proprietors, Sir John Braithwaite spoke of the need to prepare the ground financially for rebuilding now. He envisaged the creation of a rebuilding fund "sufficient to bridge the gap between total cost and suitable finance by debenture or mortgage."

Considerably increased expenditure on stock exchange publicity, including the possibility of national advertising, will also, Sir John thinks, become "increasingly desirable and advantageous." And, turning to another matter, he said that the compensation fund will need to be increased to a "more substantial figure." The failure of Banyard and Lacey is likely to cost the compensation fund £57,000; the allocation of £25,000 to the fund this year, against £30,000 in 1956-57, will restore the fund to £100,000. Sir John presumably has a larger figure than this in mind for the ultimate size of the fund.

No one can dispute the wisdom of these three proposals. But they will all cost money, and members of the Stock Exchange will have to provide most of it. Sir John is blunt on the matter, saying:

> Some help may be obtained from outside sources of revenue, but the main cost must fall on the membership. If we are to plan for the future in the way I have suggested, a substantial increase in our annual revenue will be necessary by one means or another.

Sir John did not specify by what means. But his warning has all the more point after a year (which ended on March 24th) in which the Stock Exchange's accounts showed a net deficit of £20,139, against a profit of £32,286. Salaries and wages have been rising, and so too have the costs of printing the Stock Exchange's publications, and receipts from the entrance fees of members and clerks and from quotation fees have been falling. If the London Stock Exchange is to become as strong a citadel of private capitalism as the New York Stock Exchange is, members will have to pay more for the privilege of belonging to it.

DEFENCE PRODUCTION

Price List for Weapons

THIS year's white paper on defence made an allowance of nearly £550 millions for production and research during this coming year, although production orders for some of the most expensive types of equipment—namely aircraft—have been drastically cut back and several new projects abandoned. The following table attempts to calculate the cost of some of the main items of defence equipment and it shows, for example, that an order for as few as 100 modern fighters can approach £20 million.

Guided weapons appear relatively cheap in comparison with aircraft, but they are highly expendable pieces of equipment; while an aircraft on test by the services usually completes its trials intact, it is customary to have to fire as many

Super-tankers for Milford

MILFORD HAVEN has never quite attained the prosperity its magnificent natural deep water harbour ought, one would have thought, have made its due. The Welsh name for it, Aberdaugledau, means "the mouth of the two harbours." But apart from short-lived periods of stimulated activity, primarily during times of war, the lack of any substantial and accessible industrial hinterland and of decent onward communications overland from this tip of Pembrokeshire has left the haven comparatively undeveloped and in recent decades in a state of positive decline.

Ten years ago, too, when the ambitions of oil companies were running only as far as super-tankers of 25,000 tons deadweight, Milford Haven offered them no special advantage over other British estuaries that happened to be closer to the main areas of oil demand. But the choice of sites for ocean terminals capable of handling the super-tankers of 60,000 to 100,000 tons that the oil industry is now thinking of building is narrower; and much the same applies to iron ore terminals for the size of ore carriers the steel industry may soon be using.

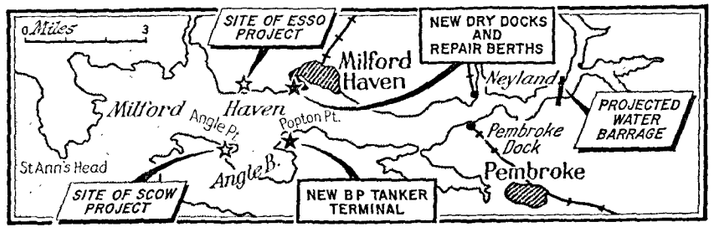
By extending jetties and by undertaking costly periodic dredging operations the capacity of many present British tanker terminals can be kept abreast of the growth in tanker sizes right up to, in some places, 100,000 tons. But Milford Haven will take vessels of this size and bigger with ease at low tide, and in the last few months four separate schemes of new development there have been made public (not counting the local authority's water barrage project and others that may yet be unveiled).

Poor overland communications will still make it necessary to trans-ship, build pipelines, or set up oil refineries on the estuary and move the refined products by coastal tankers. Thus British Petroleum, which has a refinery already some 60 miles away at Llandarcy, near Swansea, is intending to lay a pipeline from there to the terminal it plans to build at Popton Point. Swansea Docks, which now supply Llandarcy, can at present take tankers of only up to 20,000 tons, but Popton Point will have a 1,550 ft. jetty capable of handling simultaneously two 60,000 ton tankers or one of 100,000 tons and one of 32,000 tons. The terminal and the pipeline will have an initial capacity of 5 million tons of crude oil a year and will cost about £5 million.

Esso's plans have not yet been finally settled. But it is thinking of building a £20 million refinery and terminal on a site it has acquired on the north side of the estuary. This refinery will also probably have an initial capacity of about 5 million tons of crude a year, but the refined products will be shipped around the coast to other ports.

The third scheme is also not yet fully formed. This is the deep water iron ore unloading terminal Steel Company of Wales and Guest Keen may build on a site they have bought to the west of the BP terminal. Probably the ore brought there by very large carriers would have to be trans-shipped into smaller vessels and taken to other South Wales ports. But the fourth scheme, that of the Milford Docks Company itself, is firm. This is the construction, for an outlay of about £9 million, of two dry docks, five wet repair berths, and an oil discharge pier, capable of accommodating tankers of up to 100,000 tons, a little to the west of the present harbour. This project and the local council's plans to construct a water barrage across the river Cleddau will provide the necessary repairing and fresh water facilities for the other three—and any others that may follow.

Until last January, however, each of these schemes had been prepared more or less in isolation and at least two of them clashed. But a liaison committee has now been set up, pending the establishment of a conservancy authority to supervise navigation. The authority is unlikely to be established this year, but the haven can at least look for a sharp and imminent revival in its fortunes, with a firmer foundation than any previously attempted programmes of development.



as 100 rounds of any one guided weapon before it is accepted for service and training must consume a certain number. In the United States it has already been discovered

COSTS OF DEFENCE EQUIPMENT

	Approximate price £'s
V-Jet Bomber	600,000
Light Jet Bomber	160,000
Ground to Air Guided Missile	15,000
Air to Air Guided Missile	6,000
All Weather Fighter	175,000
Day Fighter	90,000
Helicopter (12 seater)	50,000
Centurion Tank	35,000
3-Ton G.S. Truck	1,200
.30 Automatic Rifle	35
Standard Rifle (.303 Mk. IV)	16 10s.
.303 Ball Cartridges (per 1,000)	20
2-inch Mortar Bomb	1

that missiles are not the short cut to economy that they sometimes seem. The German V-Is founded this legend because they were cheap and simple to make, but subsequent generations of missiles have become both more complicated and more expensive.

DOLLAR INVESTMENTS

IFC on Tour

MR ROBERT GARNER, president of the newly formed International Finance Corporation, arrived in London this week to begin a tour of Western Europe designed to bring the facilities that IFC can offer to the attention of the banks and industrialists in Western Europe. This offshoot of the World Bank, established in July last year with an authorised capital of $100 million (of which $92 million has been paid up by 49 member Governments), has done no business yet. The main flow of enquiries that have reached it has come from United States firms seeking investment in Latin America. Mr Garner wishes to make his institution truly international by bringing Europe and the Commonwealth into it. There is, however, a serious currency problem. The whole capital (unlike that of the World Bank which has a mixed bag of currencies to lend) is in dollars. The IFC can in normal course only lend dollars, and some potential borrowers may be unwilling to take the transfer risk involved in accepting dollar investments made outside the dollar area.

Much work remains to be done in publicising the kind of business that IFC can undertake. It is intended to foster private enterprise and as far as possible to act in partnership with private investors. The corporation will attempt to keep its capital turning over and therefore will give its help in such a form that the securities of its subscribers will be suitable for resale to the public. Since the IFC is debarred from holding equities, while the public taste is for such securities, the IFC will tend to subscribe for convertible stocks; for example, fixed interest loans that can be converted into equity stock or shares when the IFC wishes to divest itself of its investment.

AUSTRALIA

Precarious Balance

SINCE the Commonwealth government published its first annual economic survey a year ago Australia has restrained the boom of 1953-55. Higher taxes and tighter credit have slowed down the growth of expenditure and output and—less successfully—the rise in costs. Thanks mainly to a substantial increase in export earnings, notably from wool, the trade balance swung round from a deficit of £A36 million in the second half of 1955 to a surplus of £A91 million in the second half of 1956. After allowing for invisibles, including capital receipts of £A59 million, Australia's reserves rose by £A70 million. Since then exports have increased further, and import restrictions have been relaxed by about £A100 million a year. The latest survey, *1957 and Beyond*, thus looks forward from a year of progress, but it finds the economy still precariously balanced and the central problem of growth without inflation unsolved.

In 1957-58 the ceiling for imports is £A775 million fob, or roughly £A900 million cif; other invisibles may well bring total payments to more than £A1,100 million. If invisible earnings continue to run at about £A160 million a year and net capital receipts at £A90 million (the average of the last five years), export earnings of at least £A850 million will be required. Though exports are likely to exceed that figure this year the survey emphasises that there is no margin of safety in prospect. Export earnings and capital receipts can fluctuate sharply and the level of imports is still inadequate. As in Britain, the only way to avoid recurrent crises is to increase exports so that Australia's reserves, now over £A500 million, are large enough to withstand future shocks. The last part of the survey examines the conditions of growth for a nation which is allergic to saving and which yet looks on expansion as the natural and proper order. Throughout it urges the need to avoid repeating past attempts to do too much too fast. The survey candidly observes that the postwar expansion, "especially at some stages, was anything but an efficient performance."

RADAR AT SEA

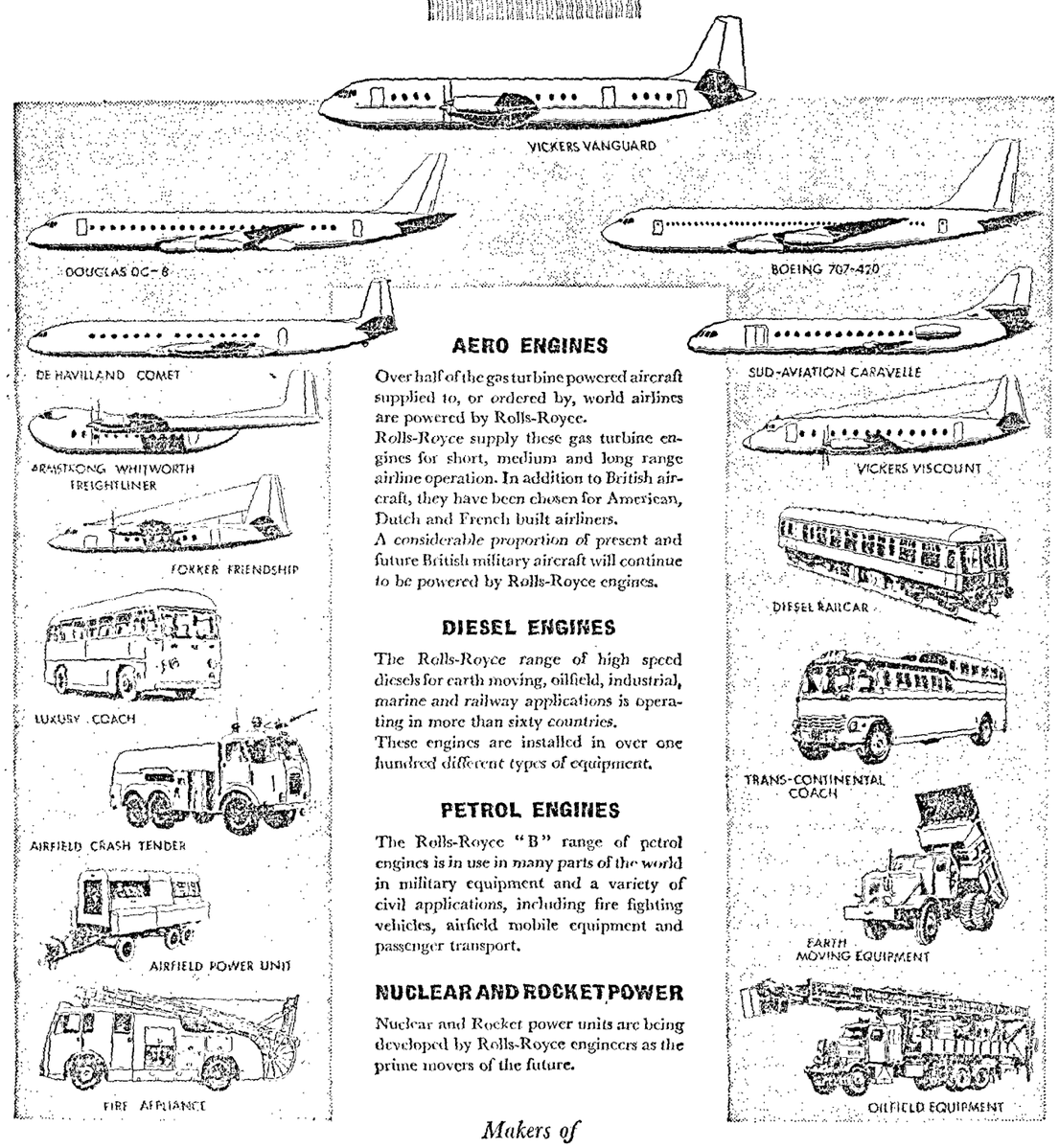
Training is Vital

A CONFERENCE ended at Genoa last week which had been called to examine the use of radar at sea. Italian opinion has been shocked by the loss last year of the *Andrea Doria* (which was about the latest and also the largest passenger ship in the Italian mercantile marine), and this conference was held at the instigation of Italian maritime lawyers. The collision of the *Andrea Doria* and the Swedish *Stockholm* was a classic example of two modern ships, fitted with every navigational aid and manned by officers of the highest quality available in their two countries, which detected each other by radar in ample time and then proceeded to collide.

To use the well-known phrase from naval gunnery manuals, "this should not be possible," but the fact remains that it is: and it is natural that the Italians wish some international action to be taken to render the possibility at least less likely. Except to the extent that the radar set may be blamed for offering less information on the whole than is available to the human eye in daylight, the fault cannot be attributed to the equipment. The human element is the weak link in this chain.

In this field, Britain has given the rest of the world a useful lead. Radar observer courses have for some years been available at a number of the nautical training colleges in Great Britain; in other countries such courses are either few or non-existent. It is true that until recently these

Powered by ROLLS-ROYCE



AERO ENGINES

Over half of the gas turbine powered aircraft supplied to, or ordered by, world airlines are powered by Rolls-Royce.
Rolls-Royce supply these gas turbine engines for short, medium and long range airline operation. In addition to British aircraft, they have been chosen for American, Dutch and French built airliners.
A considerable proportion of present and future British military aircraft will continue to be powered by Rolls-Royce engines.

DIESEL ENGINES

The Rolls-Royce range of high speed diesels for earth moving, oilfield, industrial, marine and railway applications is operating in more than sixty countries.
These engines are installed in over one hundred different types of equipment.

PETROL ENGINES

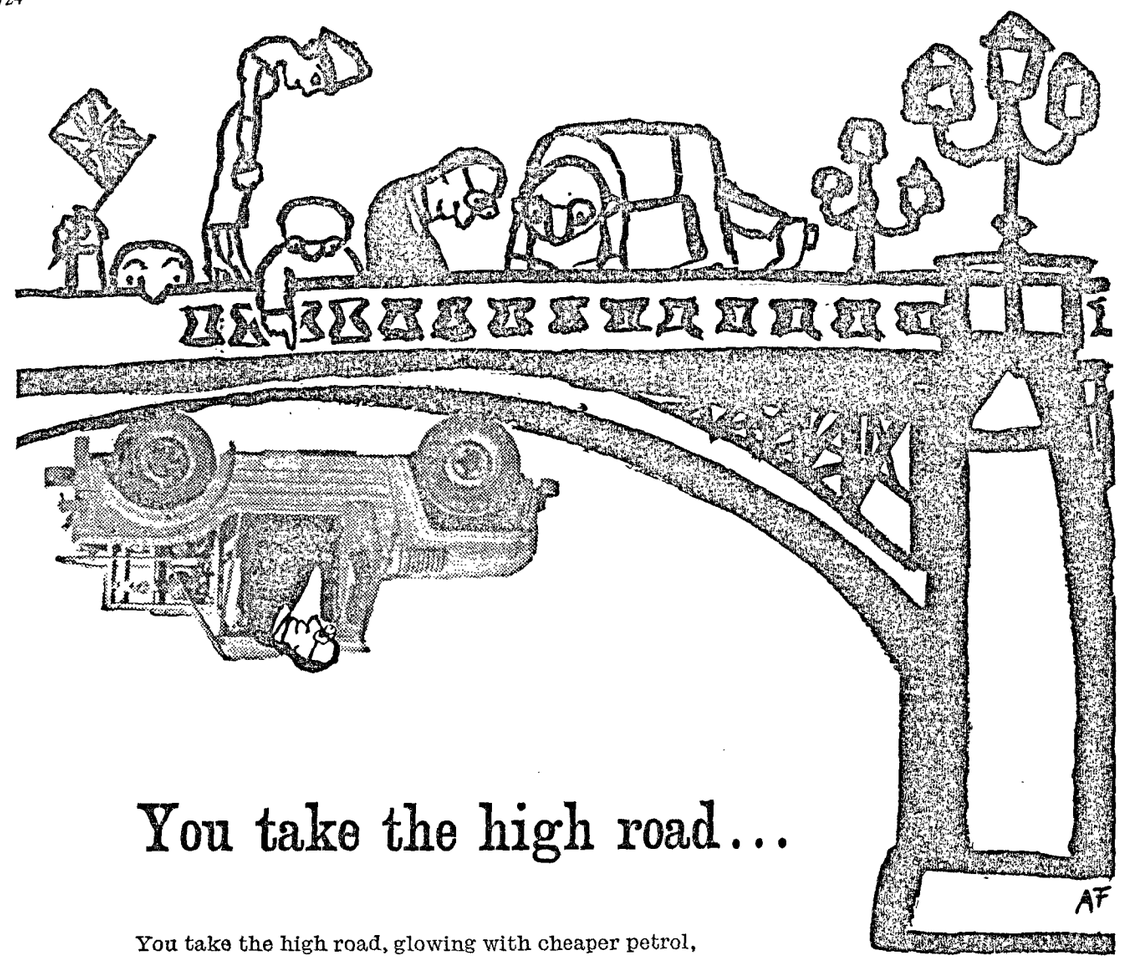
The Rolls-Royce "B" range of petrol engines is in use in many parts of the world in military equipment and a variety of civil applications, including fire fighting vehicles, airfield mobile equipment and passenger transport.

NUCLEAR AND ROCKET POWER

Nuclear and Rocket power units are being developed by Rolls-Royce engineers as the prime movers of the future.

Makers of

THE BEST CAR IN THE WORLD



You take the high road...

You take the high road, glowing with cheaper petrol,
confident of your judgment, your engine, your suspension,
your brakes, your everything . . .

We'll take the low road, doggedly making sure your car's locks never fail you.
You take it easy . . . We'll be out on a corrugated track for six
days at a time, dragging one swooning driver after another from the
wheel of our special, squat, welterweight testing vehicle.

You enjoy yourself . . . We'll be out there pitching and tossing,
over Belgian pavé and herringbone-wrinkle, up and up the Thirty-nine
steps and down the rocky glen, testing new prototype locks
under what we always refer to as "actual road conditions".

The findings, automatically recorded, are important both to us and to you.
They go to explain why Wilmot Breeden components — locks, handles,
bumpers, window-winders, steering-wheels and all — are part of virtually
every British car on the actual roads today.

courses have not been well supported, but this has now been rectified in a manner which gives a further lead to the world. From June 1st it will be compulsory for British candidates for mates' certificates to have attended an officially-approved radar observer course lasting two weeks.

Various suggestions were put forward at the Genoa conference for amendments to international agreements in the maritime field, including a proposal for an alteration to the Rule of the Road that would have allowed for a more "intelligent" approach to the use of radar. Such ideas are more attractive on paper than in practice, and the majority of delegates favoured the resolutions that were finally passed unanimously. Among these the two most important were one advocating general instruction in the use of radar and the other the taking of bold evasive action when ships meet in fog, instead of the small alterations of course often practised. The second of these is admirable as a guide to the instructors at the new courses that one hopes will be set up in maritime countries, but it is the first that really matters. If the British lead here is followed, it should do much good.

BANKRUPTCY

Fewer Failures in 1956

One effect that could be expected from a credit squeeze would be an increase in the number of bankruptcies—and exactly the opposite happened last year.* Receiving orders fell from 2,163 to 2,136, the lowest figure since 1948. In 1938, the last complete prewar year, the number was 3,105. The liabilities estimated by the debtors last year fell, too; they amounted to £6.7 million compared with £7 million in 1955 and £7 million in 1938—a small fall perhaps compared with prewar in terms of sterling, but an astonishingly big one if allowance is made for the change in the value of money. The Inspector-general in Bankruptcy reports that the number of bankruptcies in the first half of the year was steadily increasing; by the end of June, 1956 was showing a lead of about ninety orders over the first half of 1955. Thereafter the number decreased particularly in the months of July, September and December. The trades that lead in the bankruptcy race number pick themselves out clearly; they are builders (240), farmers (154) and grocers (121).

EAST WEST CLEARING

East West Payments Scheme

The shape of a new scheme for payments between countries of the political East and of the West has been quietly worked out by financial experts during the recent 12th Session of the United Nations Economic Commission for Europe. It aims at introducing more flexible arrangements in the narrow bilateral methods by which trade debts between countries of the East and of the West are at present settled. The plan has been under consideration since September, 1955; it has been hampered by the opposition of Britain and Germany, and by the refusal of the Bank for International Settlements to act as agent. All these would have preferred a more direct approach to multilateral clearing. The present scheme is a modest one. There is to be no formal agreement and no automatic clearing arrangement, and there will be no new credit facilities.

All governments participating in the work of ECE are to notify the ECE Secretariat of any foreign balances they wish to compensate. The ECE acting as central agent will then prepare and transmit compensation proposals to particular governments with whom a compensation circuit seems possible. Governments may notify the ECE of the amounts they wish to compensate; but they need not report their total balances. Moreover, and necessarily in these circumstances, each compensation transaction will require the consent of all the governments directly concerned.

Supporters of the scheme hail this proposal as a step away from strict bilateralism in trade between East and West, but Britain, acting as spokesman for a group of countries including Western Germany, Italy, Belgium and Turkey, takes the opposite view, arguing that to soften bilateralism may lead to its perpetuation and will make the desire for a broad multilateral arrangement less keen. A British counter proposal submitted to governments suggested that the western countries should simply make their currencies freely transferable within EPU, even when held by eastern countries. Sterling, D-marks and some other currencies already conform to this requirement.

AIRLINES TO AFRICA

BOAC and CAA

Negotiations over the future of Central African Airways, during which the British Overseas Airways Corporation, the independent airline Hunting-Clan and at one time even Pan-American World Airways all appeared interested in taking over the airline, have ended in a compromise. Central African Airways remains an operating entity responsible for the internal services in the region, but for the next 10 years its international services will be operated by long-range aircraft on charter from BOAC.

The agreement with BOAC will relieve the smaller airline of the difficulties inherent in international operation on a small scale. The reasons that led the Federal government to reject Hunting's offer to buy a 55 per cent interest in CAA have not been spelled out in detail. It means that Hunting loses the opportunity to acquire traffic rights on an international route without the strings that hamper the operation of long-range services by independent airlines based on this country.

SHORTER NOTE

The first reduction of Australian tariffs negotiated in the new UK-Australian trade agreement came into effect this week. It was stated in Canberra that the most favoured nation rate of duty on a wide range of capital and producers' goods has been reduced to 7½ per cent from previous rates of 12½ per cent or more. These goods, which generally are not manufactured locally, remain free of duty if imported from Britain. It was also announced that the Commonwealth government has rejected the Tariff Board's recommendations for higher duties on wool tops, woollen yarns, blankets and piece-goods, and also on alkali chlorine and chlorine products.

* Bankruptcy General Annual Report for the year 1956. HM Stationery Office. 1s. 6d.

COMPANY AFFAIRS

DUNLOP RUBBER

THE full report of Dunlop Rubber Company tells of the past. It says *nothing about* the future, leaving shareholders free to hope that it will be brighter than the 1956 reckoning when trading profits fell from £17,508,519 to £15,094,662 and the ordinary dividend was cut from 14 to 10 per cent. Over the last two financial years the results, divided into half-yearly periods, are as follows: a profit of £9.1 million was earned from sales (including inter-group transactions) of £144 million; £8.4 million from sales of £158 million; £5.7 million from sales of £147 million; and £9.4 million from sales of £165 million.

Thus in 1956 sales (including inter-group transactions) went up in value from £302 million to £312 million and sales to customers from £219 million to £224 million, though in volume the sales to customers fell by about 5 per cent. The margin of profit on sales fell from 5.3 per cent in 1955 to 3.6 per cent in 1956; but that margin was only 2.1 per cent in the first six months of 1956, compared with 5 per cent in the last six months. The results for the first half of the year were affected, as the directors explained in October, by "the non-recovery of high material costs in selling prices and of inventory losses from fluctuations in the price of natural rubber."

There was a further small loss on inventories in the second half of 1956. The directors have drawn attention to the contrast between the company's experience in the home market and its experience in overseas markets. In Britain, sales turnover was 9 per cent lower, owing to "difficult conditions in the motor industry" which affected the sales of tyres, wheels and Dunlopillo. Moreover the inventory losses occurred mainly in Britain. Profits arising from trading in Britain were "very low."

On the other hand, the directors describe the export trade and trade from Dunlop's overseas factories as "very satisfactory," especially as "there was a noticeable improvement in several countries in the second half of the year." As a result, and despite serious competition in overseas markets, the total profit from overseas operations "accounted for well over three quarters of the total group profit" of £15 million.

The group's expenditure on its capital programme is split almost equally between overseas factories and those at home. Last year the total capital expenditure was £11.6 million (against £12.4 million), of which £5.5 million (against £6.1 million) related to overseas factories. Most of the cost of the synthetic rubber plant will be borne this year, but the Dunlop group has trimmed the total of capital expenditure.

UNITED MOLASSES

TWO photographs are printed in the full report of United Molasses for 1956. They are not, as some investors might have expected, a sugar cane and a tanker. One is a photograph of the American plant of Olympic Portland Cement (in which United Molasses acquired a controlling interest in 1955); the other is of a passenger liner belonging to the subsidiary, Anchor Lines. Each draws attention to the diversity of the United Molasses group.

But molasses and shipping are still its principal interests. The advance in trading profits by £1,930,879 to £7,101,533 last year reflected the inclusion of the full year's results of Olympic Portland Cement and E. N. Bray, the electrical control gear manufacturers, but it was primarily due to the increased level of tanker and general cargo freights prevailing during the year. And, though the group has spent money on increasing the factory space of E. N. Bray and is spending money to increase the capacity of Olympic Portland, its biggest capital commitment is its ship building programme. That commitment is of the order of £7,700,000, which the group should have no difficulty in meeting from its liquid balances of about £14.7 million.

On the immediate trading prospects, the chairman, Mr G. W. Scott, is cautious without being pessimistic. The year started well; shipping freights were satisfactory and profits on molasses and manufacturing were "well maintained." But single voyage freight rates have fallen since then, though, having said that, Mr Scott qualifies any inference from it by adding that the company's tankers "are fully employed and a number are trading under remunerative long-term charters." On the molasses side, the high level of prices has reduced consumption. Mr Scott, therefore, sums up the prospect as being that "the profits for the ensuing year should be reasonable and sufficient to cover distributions at the rate for 1956." In that year, the ordinary dividend was raised from the equivalent of 19.32 to 24.64 per cent. The 10s. stock units yield 6½ per cent at 38s. xd.

BURMAH OIL

ONE figure dominates the accounts of Burmah Oil. It is the market value of its investments (made up largely of holdings in British Petroleum and "Shell" Transport and Trading). On December 31st it was just under £213 million, against a book value of £32 million. Currently the £1 ordinary stock units of Burmah Oil are quoted around 112s. 6d. xd. The market capitalisation of its equity is thus around £232 million. A comparison of these two figures suggests as it so often has done that the stock market has put an absurdly low estimate of worth on Burmah Oil's own interests in the distribution of oil, petrol and natural gas in India, Pakistan and Burma.

Those interests cannot be ignored. Last year, they made the biggest contribution to the growth in Burmah Oil's income. The company's trading profit rose by £1,566,576 to £7,584,750, while its investment income, thanks to the bigger dividends of British Petroleum and Shell for 1955, rose by £1,082,834 to £8,018,336; there will be a further growth in investment income this year as Shell has effectively raised its 1956 dividend, though British Petroleum has not. Burmah Oil's net income went up from £5,990,453 to £7,123,896 and the ordinary dividend was raised from 17½ to 22½ per cent.

The increase in trading profits followed on a 12 per cent rise in the group's sales in Burma, of 7 per cent in India and of 2 per cent in Pakistan. The chairman, Sir Kenneth Harper, has this to say about the prospects of this side of the business: "The petroleum products trade in all our markets and perhaps particularly in India is a 'growth industry' and given normal conditions in the domestic as well as the international sphere we can look for a gradual annual expansion in volume." Similarly in Pakistan, sales of natural gas from the Sui Gas pipeline, after a disappointing start, have begun to improve. The snag is to be found in Sir Kenneth's reference to "normal" domestic conditions. *What in India is normal?* The cumulative effect of some of the measures the Indian government has taken must, Sir Kenneth says, "be taken into account whenever we have to consider investing further capital in India."

PROFITS FROM PAINT

THE paint industry is intensely competitive, and competition keeps its prices low. But last year costs were rising, so that without exception the paint manufacturers were earning lower margins of profit. Their trading results vary quite widely. Some have reported lower total profits, some higher, as the accompanying table shows. Where profits are higher there has usually been an increase in the company's sales. Most of the large manufacturers also have a big overseas business and, though here too competition was keen, that business stood them in good stead last year.

At home, the situation can be summed up in the words of the directors of ICI writing about the company's paint division. They say: "Conditions in manufacturing industries were none too favourable for the Paints Division in 1956, for among the biggest consumers of its paints and other finishes are the motor industry and the makers of such goods as washing machines, refrigerators, furniture and other domestic equipment,

all of whom were hit by the credit squeeze. In spite of this, home sales were appreciably higher." They then add that this was due in the main to successful sales of decorative finishes. Many of the other manufacturers draw a similar picture. But competition in the "do-it-yourself" market is also keen and several spokesmen of the industry have pointed to the heavy costs of national advertising campaigns—another reason for smaller margins. In the first months of this year sales have been rising, but margins are still low and the chairman of British Paints says "we have about reached the peak so far as the price of paint is concerned."

Consolidated earnings:	Previous year £	Latest year £
British Paints		
Gross profit	1,089,002	1,101,443
Net profit	411,048	359,750
Ordinary dividend	25%	25%
International Paints		
Gross profit	1,617,600	1,641,359
Net profit	718,572	792,933
Ordinary dividend	20%	22½%
Goodlass Wall & Lead		
Gross profit	2,984,000	2,826,000
Net profit	1,451,000	1,281,000
Ordinary dividend	16%	18%
Blundell Spence		
Gross profit	341,168	303,716
Net profit	160,768	67,646
Ordinary dividend	15%	15%
Sherwood's Paints		
Gross profit	42,038	231
Ordinary dividend	27·08%	6¼%
Indestructible Paint		
Gross profit	126,302	112,028
Net profit	54,677	44,220
Ordinary dividend	18¾%	18¾%

The investor in paint shares has then to look for the well-established company, with resources big enough to support a heavy advertising programme, with big overseas interests and with a stake in the market for decorative and household paints. He should note, too, that the manufacture of maritime paints can give profits a fillip at a time of large shipbuilding orders.

J. AND P. COATS

FOR the third year running, the profits of J. and P. Coats, the thread manufacturers trading on a big scale in almost every corner of the world, have expanded and for the third year running the directors have left the ordinary dividend unchanged—at 8¾ per cent. The immediate reaction in Throgmorton Street was to mark the £1 ordinary stock down 1s. 3d. to 26s. 3d. But the stock soon rallied to its original price of 27s. 6d. (to give a yield of about 6⅜ per cent).

There were two reasons for second thoughts. First, the 12 per cent increase in gross profits (from £10,878,524 to £12,238,591) shows that the company has done well. Its net profits went up from £5,376,123 to £6,225,807, giving a cover of about three and a half times on the ordinary dividend, and if, strong as it is in the international market, the group can match its 1956 profits this year there must be a chance that the directors will abandon their ultra-conservative dividend policy. Secondly, the group last year set aside £3,708,229 in foreign taxation (against £2,304,229 in British tax). Thus J. and P. Coats looks to be an obvious candidate for the tax reliefs granted to overseas trade corporations.

EVER READY

A BIGGER dividend, a free scrip issue and slightly better profits from a company which could not have been unaffected by the credit squeeze would at first sight be all that investors should take delight in. Yet when Ever Ready announced that its profits in the year to March 2nd had risen from £1,749,743 to £1,797,810, that the ordinary dividend was to be raised from 35 to 37½ per cent and that £1,515,603 was to be capitalised from reserves to make a 100 per cent free scrip issue, the company's 5s. stock was marked up only 3d. to 37s.

At that price the yield is 5⅛ per cent. That yield provides the clue to the coolness of the stock market's welcome. An increase in the dividend had been anticipated and the free scrip issue was put down merely as a book-keeping transaction without any implication about the size of the next dividend payment.

London Stock Exchange

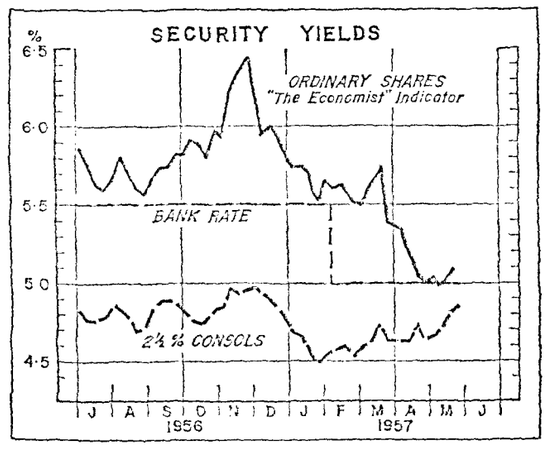
FIRST DEALINGS:	May 15	May 29	June 19
LAST DEALINGS:	May 28	June 18	July 2
ACCOUNT DAY:	June 4	June 25	July 9

WEAKNESS continued in Government funds and a considerable number of low points for the year were established this week. A steadier tone developed on Wednesday, though small selling still persisted and the decline was resumed on Thursday. Birmingham 5 per cent 1973/5 issued at 98½, 82 per cent of which was left with the underwriters, opened on Tuesday at 1¼ discount, eased to 1⅞ and closed at 1¾ discount.

The oil market has provided the most spectacular section, mainly in Trinidad issues. Apex Trinidad rose from 54s. 9d. to 60s. Shell Trinidad from 120s. to 146s. 3d., Trinidad Central from 43s. 9d. to 50s. 9d. and TPD from 83s. 9d. to 90s. British Borneo Petroleum have moved up from 59s. 9d. to 68s. 7½d. and Ultramar put on 1s. to 78s. 3d. Considerable speculation in Channel Tunnel 4s. shares, 1s. 9d. not long ago, rocketed to 29s. 6d. at one time on Tuesday, and touched 17s. 3d. on Wednesday. Activity has continued in industrials on a slightly lower level than last week. Movements have generally been downwards. *The Economist* indicator eased again from 221.4 to 218.7. Among textiles, Crosses and Heatons rose from 16s. 9d. to 19s. 6d. and Fine Spinners from 17s. 10½d. to 19s. 1¾d. Steel shares were weak. Stewarts and Lloyds eased from 29s. 9d. to 28s. 6d. and United Steel from 34s. 7½d. to 32s. 6d.

Copper shares weakened on lower dividend announcements, Rhokana dropped from 38 to 37, but a firmer tone developed and the price recovered to 37½. Tin shares displayed firmness, Pahang hardened 4½d. to 17s. 7½d. and Amalgamated Tin from 9s. 9d. to 11s.

Gold shares became a brighter market on Wednesday. Ofsits rose 1s. 3d. that day to 48s. and Western Holdings also put on 1s. 3d. at 60s.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
April 24	218·3	5·02				
May 1	218·1	5·03				
" 8	221·9	4·98				
" 15	221·4	5·01	221·9 (May 8)	190·5 (Jan. 2)	210·4 (Jan. 4)	170·0 (Nov. 28)
" 22	218·7	5·09				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1957 High	1956 High
		%		%			
May 15	206·2	5·31	93·71	4·80	13,199	206·3 (May 7)	203·6 (Jan. 3)
" 16	206·5	5·30	93·65	4·81	12,061		
" 17	207·4	5·27	93·33	4·85	13,332		
" 20	206·6	5·29	93·08	4·87	16,535	Low	Low
" 21	205·7	5·32	93·02	4·87	13,351	178·9 (Jan. 3)	161·5 (Nov. 29)
" 22	204·6	5·35	92·85	4·85	12,718		

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

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 15, 1957	Price, May 22, 1957	Net Yield, May 22, 1957 §	Gross Yield, May 22, 1957
					£ s. d.	£ s. d.
99 4/4	99 1/2	Funding 2 3/4% 1952-57	99/18/6	99/18/10	3 14 6	3 14 6
97 1/2	95 1/2	War Loan 3% 1955-59	97 1/2	96 15/16	3 0 0	4 7 11
92 1/2	90 1/2	Funding 2 1/2% 1956-61	92 1/16	92 3/16	3 8 4	4 11 2
100 3/4	100 3/4	Exchequer 5% 1957	100/2/3	100/1/8	3 12 6	3 12 6
99 1/2	98 1/2	Conversion 4% 1957-58	99 1/2	99 1/16	3 1 4	4 13 7
99 1/2	97 1/2	*Serial Funding* 2 1/2% 1957	99	99	3 7 2	4 7 5
96 1/2	94 1/2	Conversion 2% 1958-59	96 1/2	96 3/8	3 7 9	4 9 1
93 3/8	91 1/8	Exchequer 2% 1960	93 1/8	93 3/16	3 9 11	4 9 5
96 1/4	94 1/4	Exchequer 3% 1960	96 1/2	96 3/8	3 1 1	4 9 4
99 1/16	97 1/2	Conversion 4 1/2% 1962	98 3/4	98 3/16	2 15 0	4 15 10
89 1/2	87	*Savings Bonds* 3% 1955-65	88 1/8	87 3/8	3 10 9	4 19 5
84 1/2	79 1/2	Funding 3% 1959-69	81 1/2	80 1/4	3 16 6	5 5 11
92 1/2	87 1/4	Funding 4% 1960-90	90	89 1/2	6 6 4	8 3 6
					2 15 11	4 12 9
81 1/8	77 1/4	Savings Bonds 3% 1960-70	78 1/2	77 1/8	3 18 4	5 8 8
93 1/2	90 1/2	Exchequer 3% 1962-63	91 1/2*	91 1/8*	3 6 9	4 13 4
88 1/4	85 1/2	Exchequer 2 1/2% 1963-64	88 3/8	87 5/8	3 9 1	4 12 1
83 1/16	79 1/2	Savings Bonds 2 1/2% '64-67	81 1/16	80 3/8	3 16 6	5 0 9
77 1/2	73 1/8	*Savings Bonds* 3% 1965-75	74 5/16	73 1/2	3 15 9	5 7 4
84 1/8	80 1/2	Funding 3% 1966-68	82 1/8	81 1/2	3 16 0	5 5 10
95 1/4	91 1/2	Victory 4% 1920-76	94 1/2	93 5/8	3 2 1	4 18 10
88 5/16	84 1/16	Conversion 3 1/2% 1969	86 1/8	85 1/2	3 12 5	5 6 1
81 1/4	76 1/4	Treasury 3 1/2% 1977-80	77*	76 1/4*	5 5 6	3 10 4
80	76 1/8	Treasury 3 1/2% 1979-81	77 1/4	76 1/2	3 10 6	5 6 9
71 1/2	66 1/2	Redemption 3% 1986-96	67 1/2	66 1/4	3 5 4	4 19 10
80 1/8	75 1/2	*Funding* 3 1/4% 1999-2004	76 1/2	75 1/4	3 0 9	4 18 8
81 11/16	77 1/4	Consols 4% after Feb. '57	78 1/16	77 1/8	2 19 10	5 4 10
75	69 1/8	War Loan 3 1/2% after 1952	70 1/8*	70 1/8*	2 17 4	4 19 9
75 1/4	69 1/8	Conv. 3 1/4% after Apr. 1961	70 3/8	69 7/8	2 18 1	5 1 4
65 1/4	60	Treas. 3% after Apr. 1966	61 3/8	60 1/2	2 17 6	5 0 3
55 1/16	51 1/2	Consols 2 1/2%	52 1/4	51 1/2	2 16 0	4 17 9
55 1/16	51 1/8	Treas. 2 1/2% after Apr. '75	52	51 1/2	2 16 1	4 17 9
96 1/2	91 1/8	Br. Electric 4 1/2% 1967-69	94 1/2	93 1/8	3 5 7	5 6 9
80 1/4	74 1/8	Br. Electric 3% 1968-73	75 1/2	74 1/2	3 17 8	5 8 5
78 1/4	72 1/2	Br. Electric 3% 1974-77	73 1/2	72 1/2	3 13 10	5 5 4
92 7/8	87 1/4	Br. Electric 4 1/2% 1974-79	88 7/8	87 3/4	3 5 5	5 5 4
81 1/16	76 1/8	Br. Electric 3 1/2% 1976-79	77 1/4	76 3/8	3 10 7	5 5 11
90 1/4	85 1/2	Br. Gas 4% 1969-72	88	87 1/16	3 9 2	5 7 4
87 1/2	82	Br. Gas 3 1/2% 1969-71	83 1/2	83 1/4	3 11 4	5 5 3
72 1/2	66 1/2	Br. Gas 3% 1990-95	67 1/2	66 3/8	3 5 6	4 19 7
80 1/4	73 1/8	*Br. Transport* 3% 1968-73	75 1/2	74 1/2	3 17 8	5 8 5
88 1/2	83 1/2	Br. Transport 4% 1972-77	84 1/8*	83 3/8*	3 7 10	5 5 8
72 1/8	67 1/2	Br. Transport 3% 1978-88	68 1/2	67 1/16	3 9 2	5 3 4

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, May 15, 1957	Price, May 22, 1957	Yield, May 22, 1957
					£ s. d.
81 1/2	76 1/4	Australia 3 1/4% 1965-69	79	78 1/4	5 16 9
97 1/2	92 1/8	Fed. Rhod. & Nyas. 5% 1975-80	93 1/2	93	5 11 0
75 1/8	71	S. Rhodesia 2 1/2% 1965-70	72 3/8	71	5 14 7
87 1/2	81 1/2	N. Zealand 4% 1976-78	85*	83 1/2*	5 5 6
105 1/2	101 1/8	L.C.C. 5 1/4% 1977-81	104 1/2	103	5 5 0
93 1/8	89 1/2	Agric. Mortgage 5% 1959-89	93 1/2	93	5 9 3
69 1/8	63	Met. Water Board 'B' 3% 1934-2003	64 1/2	63	5 3 0
79 1/2	72 1/2	German 7% 1924 (Br. Enfaced 5%)	73 1/2	73 1/4	...
169 1/2	164	Japan 5% 1907 (Enfaced)	165 1/4	165	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, May 15, 1957	Price, May 22, 1957	Yield, May 22, 1957
		% %				£ s. d.
			BANKS & DISCOUNT			
29/6	19/6	2 a	7 b Bk. Ldn. & S. Amer. £1	29/6	29/3	6 3 1
47/3	43/3	5 a	7 b Barclays Bank £1	46/3	44/-	5 9 1
35/3	29/3	4 a	4 b Barclays D.C.O. £1	33/-	32/6	4 18 6
40/-	34/6	7 1/2 a	7 1/2 b Chartered Bank £1	38/-	37/-	8 2 2
51/3	46/9	...	7 b Lloyds Bank £1	47/6	47/-	5 10 8 g
73/3	67/6	9 a	9 b Midland Bank £1	67/9	68/9	5 4 7
40/6	35/-	5 a	5 b Nat. Discount 'B' £1	39/6	38/-	5 5 3
51/6	46/6	6 1/2 a	6 1/2 b Union Discount £1	50/9	50/3	4 19 6
			INSURANCE			
90/-	80/-	30 a	43 1/2 b Commercial Union 5/-	81/6	81/-	4 10 4
35 1/2	26	12 1/2 a	87 1/2 b Legal & General £1	30	28 1/4	3 10 2
22 3/4	19 3/4	†20 a	†50 b Pearl £1	20 1/4	20 1/2	6 0 11
46	40 1/2	†125 c	†132 1/2 c Prudential 'A' £1	43	40 1/2	5 13 10
			BREWERIES, ETC.			
123/6	106/-	10 a	33 b Bass £1	122/6	123/-	6 19 11
25/4 1/2	21/6	11 1/2 b	6 a Distillers 6/8	25/1 1/2	25/-	4 13 5
43/-	37/-	10 a	15 b Guinness 10/-	42/6	43/-	5 16 3
83/-	63/6	7 a	17 b Whitbread 'A' £1	83/-	83/-	5 15 8
			OIL			
160/-	130/-	†5 a	†10 b British Petroleum £1	150/-	160/-	3 5 3
115/-	83/9	5 a	17 1/2 b Burmah £1	111/10 1/2	112/6	4 0 0
£20 3/8	£15 3/8	7 1/4 a	17 1/2 b Royal Dutch 20 fl.	£19 3/4	£20 3/8	2 6 6
190/-	153/1 1/2	†5 a	†13 3/4 b Shell £1	185/-	188/-	3 9 5
78/9	59/4 1/2	...	... Ultramar 10/-	75/6	78/3	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, May 15, 1957	Price, May 22, 1957	Yield, May 22, 1957
		% %				£ s. d.
			STEEL & ENGINEERING			
83/-	72/-	7 a	8 b Babcock & Wilcox £1	74/-	73/6	4 1 6
12/10 1/2	11/-	4 a	10 b Cammell Laird 5/-	11/3	11/4 1/2	6 3 1
29/3	22/10 1/2	3 a	5 b Dorman Long £1	25/3	24/-	6 13 3
58/3	44/3	3 1/2 a	10 b Guest Keen N'fold £1	57/-*	*56/10 1/2	4 15 6
59/-	45/6	6 b	4 a Metal Box £1	58/6	58/-	3 9 6
34/-	26/6	5 a	12 1/2 b Stewarts & Lloyds £1	29/7 1/2	28/3	6 3 10
72/6	61/3	3 a	11 b Swan Hunter £1	66/6	67/9	4 2 3
36/3	30/3	4 a	8 1/2 b United Steel £1	34/3	32/6	7 13 10
46/-	39/9	2 1/2 a	7 1/2 b Vickers £1	43/3	43/9	4 11 5
			ELECTRICAL			
72/3	61/3	15 c	2 1/2 a Assoc. Elec. Inds. £1	67/6	67/-	4 9 8
55/-	48/9	4 a	8 1/2 b Br. Ins. Callenders £1	51/9*	51/6*	4 17 0
33/3	24/-	15 c	15 c Elect. & Mus. Inds. 10/-	32/3	32/-	4 13 10
60/6	48/-	4 a	10 b English Electric £1	59/-‖	58/9‖	4 15 5
59/-	49/3	9 1/2 b	4 1/2 a General Electric £1	58/9	57/9	4 17 0
			TEXTILES			
24/1 1/2	19/7 1/2	4 a	6 b Bradford Dyers £1	21/4 1/2	21/3	9 8 3
24/1 1/2	13/4 1/2	1 1/2 a	3 b British Celanese £1	24/1 1/2	23/4 1/2	...
		6 1/2 b	Coats, J. & P. £1	27/9	27/4 1/2	6 7 10
37/9	31/9	6 b	4 a Courtaulds £1	37/9	36/3	5 10 5
38/4 1/2	32/9	5 a	12 1/2 b Lancashire Cotton £1	37/9	37/6	9 6 8
38/4 1/2	30/10 1/2	10 b	2 1/2 a Patons & Baldwins £1	38/1 1/2	37/1 1/2	6 14 8
			SHOPS & STORES			
18/6	13/9	6 a	10 b Boots Pure Drug 5/-	18/-*	17/6*	4 11 5
44/9	34/4 1/2	20 b	7 1/2 a Debenhams 10/-	44/9	43/-	6 8 0
51/10 1/2	33/3	15 a	47 1/2 b Gt. Universal 'A' 5/-	51/3	50/3	6 4 5
29/-	21/11 1/2	12 1/2 a	20 b United Drapery 5/-	28/9*	28/3*	5 15 0
47/9	38/3	13 1/2 a	26 1/2 b Woolworth 5/-	46/3	46/-	4 7 0
			MOTORS & AIRCRAFT			
21/6	18/11 1/2	3 1/2 a	6 1/2 b Bristol Aeroplane 10/-	19/3*	19/4 1/2*	5 3 0
8/7 1/2	6/6 1/2	Nil a	8 1/2 b British Motor 5/-	8/4 1/2	8/4 1/2	5 2 3
39/11 1/2	30/3	2 1/2 a	5 b Ford Motor £1	38/4 1/2	38/11 1/2	3 18 8
41/6	32/-	3 a	7 b Hawker Siddeley £1	39/6	39/10 1/2	5 0 5
51/9	41/9	10 c	12 1/2 c Leyland Motors £1	51/6	51/9	4 16 7
128/1 1/2	112/3	5 a	15 b Rolls-Royce £1	124/6	126/9	3 3 3
7/9	5/11 1/2	12 c	8 c Standard Motor 5/-	6/11 1/2	6/11 1/2	6 12 3
			SHIPPING			
46/1 1/2	38/-	...	6 1/2 b Brit. & Com'wealth 10/-	43/3	43/3	3 14 0
27/9	23/6	3 a	8 b Cunard £1	25/10 1/2	25/6	8 12 7
38/-	33/-	3 a	5 b P & O Defd. £1	35/9	34/9	4 12 0
			MISCELLANEOUS			
50/-	38/3	3 a	6 b Assoc. Port. Cem. £1	47/6	46/3	3 17 10
23/-	18/6	10 b	20 a Beecham Group 5/-	23/-	22/10 1/2	6 11 3
47/9	41/-	4 1/4 a	8 b Bowater Paper £1	46/3	45/6	5 9 10
72/-	63/9	4 a	8 b Br. Aluminium £1	69/-	66/9	3 12 0
61/9	50/4 1/2	†20 c	†5 5/8 a Br. Amer. Tob. 10/-	60/9	58/-	6 0 0
22/9	17/4 1/2	15 b	7 1/4 a B.E.T. 'A' Defd. 5/-	22/3	21/3	5 5 10
38/3	31/6	4 a	6 b Br. Oxygen £1	37/-	35/-	5 14 3
$71 1/2	$57 3/8	3 a	4 b Canadian Pacific $25	$71 1/8	$70	4 14 7
20/9	15/6	2 1/4 a	7 1/2 b Dunlop Rubber 10/-	19/9*	*19/10 1/2	5 0 8
46/6	38/10 1/2	4 a	6 b Imp. Chemical £1	44/10 1/2	45/-	4 8 10
50/6	39/9	8 1/4 a	12 1/2 b Imp. Tobacco £1	40/9	40/-	10 10 0
$222	$191	$3·75 c	$3·75 c Int'l. Nickel n.p.v.	$217	$219*	3 0 3
36/9	30/9	5 b	2 1/4 a J. Lucas (Inds.) £1	35/9	36/6	4 2 3
24/9	16/6	6 3/4 a	15 5/8 b Monsanto Chem. 5/-	24/9	24/6	3 13 5
18/3	16/10 1/2	10 c	2 1/4 a Ranks 10/-	18/3	18/-	5 11 3
55/6	49/6	6 a	10 b A. E. Reed £1	50/9	50/-	6 8 0
15/9 1/2	13/7 1/2	20 c	22 1/2 c Sears Hldgs. 'A' 5/-	15/7 1/2	15/11 1/2	7 8 10
70/3	60/4 1/2	12 b	4 1/4 a Tate & Lyle £1	68/6*	66/9*	4 18 10
69/-	57/6	7 1/2 b	7 1/4 a Tube Investments £1	67/9*	66/9*	4 9 10
141/9	106/4 1/2	22 1/2 b	5 a Turner & Newall £1	139/6	137/6	4 0 0
102/9	72/-	6 a	11 1/2 b Unilever Ltd. £1	101/6	102/-	3 8 8
44/-	37/4 1/2	†4 1/2 a	†10 b United Molasses 10/-	39/9*	38/-*	6 9 8
			MINES, ETC.			
133/-	115/-	20 a	50 b Anglo-American 10/-	116/3	117/6	5 19 0
29/-	24/6	†2 1/2 a	†10 b Cons. Tea & Lands £1	27/3	28/-	15 11 0
106/3	92/6	80 a	120 b De Beers Def. Reg. 5/-	97/6	95/7 1/2	10 8 0
26/3	19/9	...	... Doornfontein 10/-	20/3	19/9	...
12/10 1/2	10/-	30 c	30 c London Tin 4/-	12/9	12/9	9 8 3
13 1/16	11 1/8	112 1/2 b	25 a *Nchanga Cons.* £1	12 1/8	11 1/8	11 15 4 n
55/7 1/2	45/6	40 b	50 a President Brand 5/-	46/6	46/-	9 15 7
24/9	20/6	25 b	8 1/2 a Rho. Selection Tst. 5/-	21/6	21/3	...
59/6	46/-	12 1/2 a	30 b United Sua Betong £1	56/3*	55/6*	15 8 0
77/6	58/1 1/2	40 b	40 a Western Holdings 5/-	59/4 1/2	60/-	6 13 4

New York Closing Prices

	May 15	May 22		May 15	May 22		May 15	May 22
	$	$		$	$		$	$
Can. Pacific	36 1/2	35 3/8	Am. Viscose	38 3/4	39	Int'l. Nickel	111 1/4*	111 3/4
N.Y. Central	30 3/4	32 3/8	Beth. Steel	46	46 3/4	National Dist.	27	27 1/8
Pennsylvania	21 1/4	21	Chrysler	75 1/8	75 1/2	Sears Roebuck	27	27
Amer. Tel.	178 1/4	178 3/4	Crown Zeller	51 1/4	52 1/4	Shell Oil	85 1/2	90 1/2
Standard Gas	12 3/8	3 1/8	DuPontdeNm.	199 3/4	196*	Std. Oil of N.J.	61 1/8	63 1/8
Western Union	18 3/8	18 3/4	Ford Motors	56 1/2	56 1/4	U.S. Steel	64 1/8	65 1/2
Alumin'm Ltd.	137 1/4	45 1/2	Gen. Elect.	65	66 1/4	West'house E.	61 1/2	60 3/8
Am. Smelting	53 1/2	54 1/8	Gen. Motors	43 1/4	42 3/8	Woolworth	43 3/4	43 1/8

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10 years. § Less tax at 8s. 6d. in £. ‖ Ex Rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) On 13%. (h) On 8 1/2%. (i) On 16%. (j) On 18%. (l) To latest date. (n) After Rhodesian tax.

STATISTICS

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

World Trade.....April 20th

British		Overseas	
Prices and Wages	May 4th	Western Europe: Production and Trade	This week
Production and Consumption	May 11th	British Commonwealth	May 11th
Manpower	May 18th	Western Europe: Prices and Money Supply	May 18th
External Trade	This week	United States	May 4th
Financial Statistics	This week		
Industrial Profits	April 20th		

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages 1954	1955	1956	1958 Feb.	March	April	1957 Jan.	Feb.	March	April
VALUE											
Imports:											
Total	£ million	281·2	323·6	324·1	309·1	330·2	327·4	376·5	320·8	361·8	349·7
Food, drink and tobacco	,,	110·5	120·1	121·0	116·5	126·2	118·3	143·6	125·9	140·3	125·7
Basic materials	,,	85·5	93·7	92·0	83·7	82·9	92·6	115·0	86·6	98·8	97·0
Mineral fuels and lubricants	,,	27·4	34·0	34·5	34·2	37·2	35·5	30·8	36·6	44·8	47·1
Manufactures	,,	56·6	74·7	75·5	73·9	82·9	79·9	85·1	70·4	76·8	79·1
Exports of UK produce:											
Total	,,	222·9	242·1	264·3	245·5	271·3	256·4	261·0	278·2	297·0	272·2
Manufactures	,,	180·9	199·0	218·3	202·1	224·5	215·4	213·5	231·9	247·4	226·9
Re-exports	,,	8·4	9·9	12·2	13·5	13·3	13·7	11·7	10·9	16·4	8·6
Balance of trade (exports *less* imports)	,,	− 49·9	− 71·6	− 47·6	− 50·1	− 45·5	− 57·3	−103·9	− 31·7	− 48·4	− 68·9
VOLUME											
Imports	1954=100	100	111	111	113 [6]	...	113 [6]	126	108	...	...
Exports	,,	100	107	114	112 [6]	...	117 [6]	110	117	...	...
BY AREA											
Imports:											
Dollar area—total	£ million	51·6	70·1	71·0	69·8	62·7	65·6	87·6	83·8	85·7	87·8
,, USA	,,	23·5	35·0	34·0	34·1	29·0	31·0	51·2	47·5	46·4	47·3
,, Canada	,,	22·7	28·6	29·0	26·3	25·0	25·1	24·9	23·3	24·3	23·6
Non-sterling OEEC countries [4]	,,	66·9	78·4	79·7	72·6	81·1	78·4	84·9	73·6	78·2	73·7
Sterling area	,,	124·8	130·9	126·5	123·5	140·1	136·7	155·0	118·8	154·3	139·5
Exports:											
Dollar area—total	,,	31·3	34·8	45·2	41·6	43·3	42·7	41·8	41·9	46·9	52·3
,, USA	,,	13·3	16·6	21·6	19·6	18·6	19·1	22·9	20·7	23·2	20·5
,, Canada	,,	11·3	12·1	15·2	11·7	13·7	16·6	12·5	11·6	14·4	24·2
Non-sterling OEEC countries [4]	,,	64·1	67·5	75·1	64·1	77·8	72·4	80·5	83·6	94·5	76·1
Sterling area	,,	112·2	120·9	122·4	120·4	129·8	120·4	118·3	130·8	131·3	120·6
Balance of trade (exports *less* imports):											
Dollar area	,,	− 20·3	− 35·3	− 25·8	− 28·2	− 19·4	− 22·9	− 45·8	− 41·9	− 38·8	− 35·5
Non-sterling OEEC countries	,,	− 2·8	− 10·9	− 4·6	− 8·5	− 3·3	− 6·0	− 4·4	+ 10·0	+ 16·3	+ 2·5
Sterling area	,,	− 12·6	− 10·0	− 4·1	− 3·1	− 10·3	− 16·3	− 36·7	+ 12·0	− 23·0	− 19·5
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	288·6	374·3	399·6	422·5	408·3	464·4	375·6	404·0	418·9	324·7
Meat	,,	56·3	67·0	72·4	68·0	100·6	59·4	76·9	63·2	106·5	74·7
Sugar, unrefined	,,	201·2	186·2	194·9	247·9	209·8	289·2	261·0	231·2	222·0	289·7
Raw cotton [1]	,,	30·8	24·2	21·1	22·7	28·5	27·3	46·8	45·1	35·8	27·5
Raw wool, sheep's and *lambs'* [1]	mn. lb.	51·6	55·1	53·5	56·2	50·1	65·5	81·7	45·8	68·6	62·5
Rubber, natural and synthetic [1]	'000 tons	20·6	24·6	18·3	23·8	27·4	17·1	31·8	19·0	8·7	21·5
Softwood	'000 stds.	122·0	140·0	105·8	55·2	51·5	58·7	89·1	53·1	59·6	64·5
Woodpulp	'000 tons	159·8	186·9	183·4	131·2	106·2	152·2	214·1	146·6	141·2	143·5
Crude petroleum	mn. galls.	606	601	618	640	598	663	424	465	595	649
Exports of UK produce:											
Coal, including bunkers	'000 tons	1,351	1,196	836	856	826	767	756	796	709	655
Woven piece-goods—cotton	mn. sq. yds	53	46	40	39	40	38	38	41	42	3
,, ,, wool [3]	'000 sq. yds.	8,204	8,965	9,102 [3]	8,545	9,398	7,965	9,970	9,207	10,160	9,11
Passenger cars and chassis [2]	number	31,123	32,545	28,088	26,040	30,893	30,451	26,372	28,400	35,925	34,62
Commercial vehicles and chassis [2]	,,	9,889	11,656	10,509	10,897	12,087	11,850	8,560	9,950	10,698	10,09
Agricultural tractors	,,	8,908	8,720	7,483	8,249	8,028	8,943	7,250	8,254	8,568	8,81
Machinery—electrical	£'000	4,923	5,158	5,302	4,869	5,055	6,187	4,385	5,613	6,010	5,0
,, other	,,	30,553	34,687	38,657	35,911	40,474	39,285	39,281	42,272	44,997	41,2
Chemicals, elements and compounds	,,	4,214	4,422	4,948	5,190	5,127	4,993	5,049	5,450	6,861	5,3

[1] Retained imports. [2] Revised series: figures of new motor cars include station wagons which were previously counted as commercial vehicles. [3] Excluding fents from January, 1956. [4] Revised to exclude the former French protectorates of Tunisia and Morocco. [5] Average for first quarter. [6] Average for second quarter.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (1) (1953 = 100)												
1948	54	87	82	79	...	52	70	62	70	79	90	63
1955	133	116	112	121	129	130	107	118	118	117	111	124
1956	138	122	111	133	139	145	102	128	124	122	113	...
1956, October	149	127	124	138	145	140	} 101	{ 141	136	133	124	...
„ November	152	129	125	143	154	139		{ 133	134	135	124	...
„ December	129	122	116	138	142	140		{ 128	117	121	122	...
1957, January	129	122	118	...	136	140	...	130	127	127	118	...
„ February	...	...	122	...	141	...	...	...	119	144	122	...
VALUE OF EXTERNAL TRADE (2)												
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas (3)	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lira
IMPORTS (c.i.f.)												
1948	243	7,249	285	56·08	264 (4)	152 (4)	11·36	70·36	414	310	413	64·2
1955	1,922	11,790	678	138·23	2,029	955	17·03	141·22	1,016	649	861	116·1
1956	2,110	13,597	755	161·95	2,315	1,159	15·07	165·06	1,175	720	952	95·0
1956, October	2,424	15,174	829	181·86	2,599	1,604	14·42	175·38	1,341	785	1,093	71·2
„ November	2,237	14,471	845	167·95	2,568	1,338	13·70	170·17	1,266	739	1,098	97·6
„ December	2,220	15,565	836	170·00	2,511	1,185	14·44	175·87	1,104	722	1,004	73·6
1957, January	2,457	...	878	206·98	2,532	1,104	15·87	184·05	1,433	837	1,141	77·4
„ February	2,403	...	870	182·60	2,408	...	...	178·90	1,245	714	1,050	115·3
EXPORTS (f.o.b.)												
1948	165	6,171	228	36·18	151 (5)	39 (4)	4·11	47·99	226	172	332	45·9
1955	1,514	11,566	609	143·26	2,142	457	9·19	96·69	851	377	744	73·1
1956	1,840	13,177	639	132·38	2,571	475	8·95	112·33	906	460	837	71·2
1956, October	2,044	14,234	689	143·95	2,865	753	10·98	133·36	1,016	537	947	59·2
„ November	1,936	12,846	702	150·33	2,819	1,047	10·50	121·13	994	455	978	88·8
„ December	2,015	13,430	682	136·91	3,031	1,017	8·84	120·33	838	482	900	94·3
1957, January	1,772	...	673	158·40	2,446	759	11·02	110·54	930	470	915	108·1
„ February	1,953	...	623	143·57	2,712	...	...	118·95	883	481	794	75·1
BALANCE												
1948	− 78	− 1,078	− 57	−19·90	− 113	− 113	− 7·25	−22·37	− 188	− 138	− 81	− 18·3
1955	− 408	− 224	− 69	+ 5·03	+ 113	− 498	− 7·84	−44·53	− 165	− 272	− 117	− 43·0
1956	− 270	− 420	− 116	−29·58	+ 256	− 684	− 6·12	−52·73	− 269	− 260	− 115	− 23·3
1956, October	− 380	− 940	− 140	−37·91	+ 266	− 851	− 3·44	−42·02	− 325	− 248	− 146	− 12·0
„ November	− 351	− 1,625	− 143	−17·62	+ 251	− 291	− 3·20	−49·04	− 272	− 284	− 120	− 3·3
„ December	− 205	− 2,135	− 154	−33·09	+ 520	− 168	− 5·60	−55·54	− 266	− 240	− 104	+ 20·7
1957, January	− 685	...	− 205	−48·58	− 86	− 345	− 4·85	−73·51	− 453	− 367	− 226	+ 30·7
„ February	− 450	...	− 247	−39·03	+ 304	...	...	−59·95	− 357	− 233	− 256	− 40·2
VOLUME OF EXTERNAL TRADE (2) (1953 = 100)												
IMPORTS												
1948	48	86	59	84	...	...	90	57	64	71	85	45
1955	183	122	120	122	152	135	103	112	140	119	123	91
1956	195	...	129	144	170	156	95	125	153	128	135	...
1956, October	223	145	} 143	{ 158	192	212	86	129	179	142	} 147	{ ...
„ November	211	137		{ 144	194	182	81	131	171	131		{ ...
„ December	203	...		{ 146	189	162	85	147	151	121		{ ...
1957, January	210	...	...	...	184	147	...	...	187	139	...	...
„ February	203	...	...	...	176	...	...	...	164	114	...	...
EXPORTS												
1948	37	69	48	48	...	...	55	66	34	70	69	55
1955	136	127	118	134	142	121	95	123	124	117	115	71
1956	160	...	120	120	165	117	97	147	130	133	128	...
1956, October	182	138	} 126	{ 130	186	190	119	168	145	150	} 141	{ ...
„ November	175	103		{ 135	180	248	114	173	144	130		{ ...
„ December	179	...		{ 126	194	229	97	174	122	137		{ ...
1957, January	165	...	...	...	155	200	...	...	138	133	...	...
„ February	179	...	...	...	170	...	...	...	128	134	...	...

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark excludes mining; Greece, mining and manufactured gas; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Germany excludes West Berlin. (2) Special trade (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxemburg. Italy includes Trieste. (3) New drachma introduced May 1, 1954 (1 new drachma = 1,000 old drachmas). (4) Thousand million drachmas. (5) Bizonal area.

Financial Statistics

EXCHEQUER RETURNS

For the week ended May 18, 1957, there was an "above-line" deficit (after allowing for Sinking Funds) of £21,650,000 compared with a surplus of £8,835,000 in the previous week and a deficit of £5,626,000 in the corresponding period of last year. There was a net expenditure "below-line" last week of £11,981,000, leaving a total deficit from April 1st, of £39,467,000 (£38,414,000 in 1956-57).

£'000	Estimate, 1957-58	April 1, 1956 to May 19, 1956	April 1, 1957 to May 18, 1957	Week ended May 19 1956	Week ended May 18 1957
Ord. Revenue					
Income Tax	2176,250	143,156	168,824	17,203	17,699
Surtax	149,000	16,100	16,000	1,800	2,000
Death Duties	170,000	24,600	20,500	3,000	4,000
Stamps	60,000	8,200	8,000	1,400	1,500
Profits Tax, EPT & EPL	255,000	22,400	18,500	2,900	2,500
Other Inland Rev. Duties	500	60	80	...	...
Total Inland Rev.	2810,750	213,516	231,864	26,303	27,699
Customs	1204,250	162,371	161,562	22,974	22,934
Excise	912,850	137,145	141,945	20,770	25,720
Total Customs and Excise	2117,100	299,516	303,507	43,744	48,654
Motor Duties	93,000	8,908	9,933	...	...
PO (Net Receipts)	20,000	6,750	9,300	3,550	8,200
Broadcast Licences	31,000	1,700	1,800	...	...
Sundry Loans	32,000	2,235	2,195	...	...
Miscellaneous	185,000	8,163	45,292	7	202
Total	5288,850	540,788	603,891	73,604	81,655
Ord. Expenditure					
Debt Interest	640,000	99,925	101,337	9,568	13,584
Payments to N. Ireland Exchequer	69,000	6,332	7,209	...	...
Other Cons. Fund	10,000	695	808	2	141
Supply Services	4069,877	460,551	502,017	79,200	69,309
Total	4788,877	567,503	611,371	88,770	103025
Sinking Funds	30,000	3,640	3,548	460	280
"Above-line" Surplus or Deficit		30,355	11,029	15,626	21,650
"Below-line" Net Expenditure		8,059	28,438	309	22,581
Total Surplus or Deficit		38,414	39,467	15,938	33,631
Net Receipts from:					
Tax Reserve Certificates		31,828	32,064	1,317	2,405
Savings Certificates		−6,500	6,500	−200	−700
Defence Bonds		−22,646	−4,338	956	540
Premium Savings Bonds		...	4,200	...	500

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
May 19	3,220·0	1,435·1	277·8	...	4,932·9
1957					
Feb. 16	2,980·0	1,247·9	246·3	...	4,474·2
„ 23	2,900·0	1,298·1	193·8	...	4,391·8
Mar. 2	2,890·0	1,304·7	209·7	...	4,404·5
„ 9	2,890·0	1,261·5	229·6	0·8	4,381·9
„ 16	2,900·0	1,249·9	247·3	...	4,397·2
„ 23	2,910·0	1,284·4	272·1	1·5	4,468·1
„ 31		4,195·3	276·9	...	4,472·2
April 6	2,860·0	1,306·4	289·3	...	4,455·7
„ 13	2,840·0	1,362·5	295·6	...	4,498·1
„ 20	2,830·0	1,390·5	273·5	...	4,494·1
„ 27	2,830·0	1,377·7	313·6	...	4,521·2
May 4	2,840·0	1,417·3	259·7	...	4,537·0
„ 11	2,850·0	1,291·2	264·1	...	4,405·3
„ 18	2,860·0	1,271·6	309·6	...	4,441·2

THE MONEY MARKET

THE discount market made no change in its rate for Treasury bills at the tender on Friday of last week, bidding at £99 0s. 10d. per cent, equivalent to just over 3⅛ per cent. However, outside tenderers generally raised their rates in consequence of the market's move at the previous tender, and the average rate of discount rose slightly, by 5½d. to £3 16s. 7¾d. per cent. And although total applications rose by nearly £8 million, whilst the allotment was reduced by £10 million (to £190 million), the allotted portion of bids at the market price was stepped up from 28 to 33 per cent.

Credit has been consistently short in Lombard Street through the week to Wednesday; at each session the Bank aided the market through special purchases, at times of moderate proportions. Nonetheless the market was "in" the Bank, taking a small amount of loans at the penal rate, both on Friday and on Monday. Moreover, most of the special aid has been given indirectly through the banks, which have passed the money on at rates of 3½ per cent, and at times even 4 per cent.

The banks have also succeeded in securing August maturities at up to 3¾ per cent, though 3⅝ per cent has been the more general rate. The discount houses have thus suffered serious inroads in their margins on their bill portfolios, which last year were at comfortable levels.

LONDON MONEY RATES

	%		%
Bank rate (from 5½%, 7/2/57)	4	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4–4⅛
Bank	3	3 months	4–4⅛
Discount houses	2*	4 months	4–4⅛
		6 months	4⅛–4¼
Money Day-to-day	3½–3¾		
Short periods	3¾	Fine trade bills:	
Treas. bills 2 months	3⅝	3 months	5½–6
3 months	3⅝	4 months	5½–6
		6 months	5½–6½

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	May 23, 1956	May 15, 1957	May 22, 1957
Issue Department:			
Notes in circulation	1,867·8	1,847·8	1,947·8
Notes in banking dept.	32·6	27·6	27·5
Govt. debt and securities*	1,896·3	1,971·2	1,971·2
Other securities	0·7	0·8	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	13·2	10·4	10·7
Bankers	222·8	207·8	206·4
Others	75·3	73·9	73·8
Total	311·3	292·1	290·9
Securities:			
Government	267·3	267·3	217·5
Discounts and advances	15·1	53·6	42·3
Other	15·5	19·1	19·0
Total	297·9	280·0	278·8
Banking department reserve	34·6	20·0	30·0
	%	%	%
"Proportion"	10·9	10·2	10·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £1,975 million from £1,925 million on April 10, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1956				s. d.	%
May 18	250·0	393·0	250·0	99 0·60	47
1957					
Feb. 15	190·0	348·9	170·0	98 6·04	10
„ 22	200·0	407·3	200·0	98 11·49	30
Mar. 1	220·0	408·2	220·0	98 0·78	50
„ 8	240·0	442·7	250·0	98 6·20	12
„ 15	230·0	375·2	230·0	98 3·70	34
„ 22	250·0	395·2	250·0	98 6·73	44
„ 29	250·0	391·6	250·0	98 11·79	50
April 5	250·0	410·6	240·0	98 11·49	32
„ 12	230·0	415·7	230·0	98 9·36	54
„ 18	240·0	411·5	240·0	98 9·15	55
„ 26	200·0	369·3	200·0	98 3·43	22
May 3	200·0	366·3	200·0	98 9·00	50
„ 10	200·0	360·9	200·0	98 1·84	28
„ 17	190·0	368·8	190·0	98 7·13	33

* On May 17th tenders for 91 day bills at £99 0s. 10d. secured 33 per cent, higher tenders being allotted in full. The offering this week was for £220 million at 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: May 22	Market Rates: Spot: May 16	May 17	May 18	May 20	May 21	May 22
United States $	2·78–2·82	2·78⅛–2·79	2·78⅛–2·78⅜	2·78⅛–2·78⅜	2·78⅛–2·78⅜	2·79 –2·79⅛	2·79 –2·79⅛
Canadian $	...	2·66 7/16–2·66 9/16	2·66 7/16–2·66 9/16	2·66⅜–2·66⅝	2·66⅜–2·66⅝	2·66⅜–2·66⅝	2·66⅜–2·66⅝
French Fr.	972·65–987·35	985¼–985¾	985¼–985¾	985¼–985¾	985¼–985¾	984¾–984¾	985 –985¼
Swiss Fr.	12·15 7/16–12·33 9/16	12·24⅜–12·25	12·24⅜–12·25	12·24⅜–12·25	12·24⅜–12·24⅞	12·23⅞–12·24	12·24⅛–12·24⅜
Belgian Fr.	138·90– 140·95	140·70– 140·75	140·70– 140·75	140·70– 140·75	140·62½– 140·67½	140·65– 140·70	
Dutch Gld.	10·56–10·72	10·65⅜–10·65½	10·65⅜–10·65½	10·65⅜–10·65½	10·64⅜–10·65	10·64⅜–10·65	10·65⅛–10·65⅜
W. Ger. D-Mk.	11·67 9/16–11·84 7/16	11·73½–11·74	11·73½–11·74	11·73⅝–11·74	11·73⅝–11·73⅞	11·72½–11·73	11·73½–11·73⅝
Portuguese Esc.	79·90–81·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15
Italian Lire	1750½–1762½	1758½–1758¾	1758½–1758¾	1758½–1758¾	1757½–1758	1755¾–1756	1755½–1756½
Swedish Kr.	14·37½–14·59½	14·45½–14·46	14·45½–14·46	14·45½–14·46	14·45½–14·45⅞	14·44⅜–14·45	14·45⅛–14·45⅜
Danish Kr.	19·70½–19·87½	19·44½–19·45	19·44½–19·45	19·44½–19·44⅝	19·44⅜–19·43½	19·43½–19·44	
Norwegian Kr.	19·85–20·15	19·99½–20·00	19·99½–20·00	19·99½–19·99⅝	19·99 –19·99½	19·99 –19·99½	
One Month Forward Rates							
United States $		⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm
Canadian $		¼c. pm-par	¼c. pm-par	¼c. pm-par	¼c. pm-par	¼c. pm-par	¼c. pm-par
French Fr.		4–6 dis	4–6 dis	4–6 dis	5–7 dis	7–9 dis	9–13 dis
Swiss Fr.		1⅜–1¼c. pm	1⅜–1¼c. pm	1⅜–1¼c. pm	1⅜–1¼c. pm	1⅜–1¼c. pm	1⅜–1¼c. pm
Belgian Fr.		½–¾ pm	½–¾ pm	½–¾ pm	½–¾ pm	½–¾ pm	½–¾ pm
Dutch Gld.		1⅜–1¼c. pm	1⅜–1¼c. pm	1⅜–1¼c. pm	1⅜–1¼c. pm	1⅜–1¼c. pm	1⅜–1¼c. pm
W. Ger. D-Mk.		1⅜–1pf. pm	1⅜–1pf. pm	1⅜–1pf. pm	1⅜–1pf. pm	1⅜–1pf. pm	1⅜–1pf. pm
Italian Lire		2 pm-par	2 pm-par	2 pm-par	2 pm-par	1 pm-par	1 pm–1 dis
Swedish Kr.		1⅜–⅝ pm	1⅜–⅝ pm	1⅜–⅝ pm	1⅜–⅝ pm	1⅜–⅝ pm	1⅜–⅝ pm
Danish Kr.		2–⅝ pm	2–⅝ pm	2–⅝ pm	3–⅝ pm	3–⅝ pm	3–⅝ pm
Norwegian Kr.		⅝ pm-par	⅝ pm-par	⅝ pm-par	⅝ pm-par	⅝ pm-par	⅝ pm-par
Gold Price at Fixing							
Price (s. d. per fine oz)	250/4⅛	250/5	...	250/5⅛	250/4⅞	250/4⅛	

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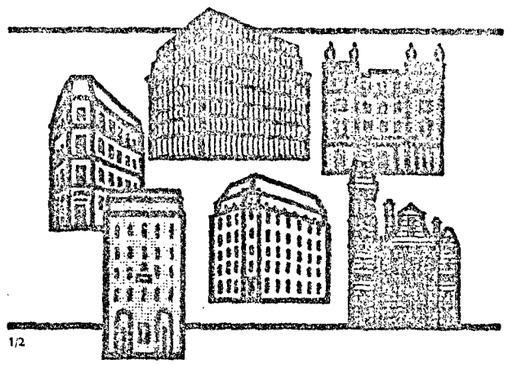
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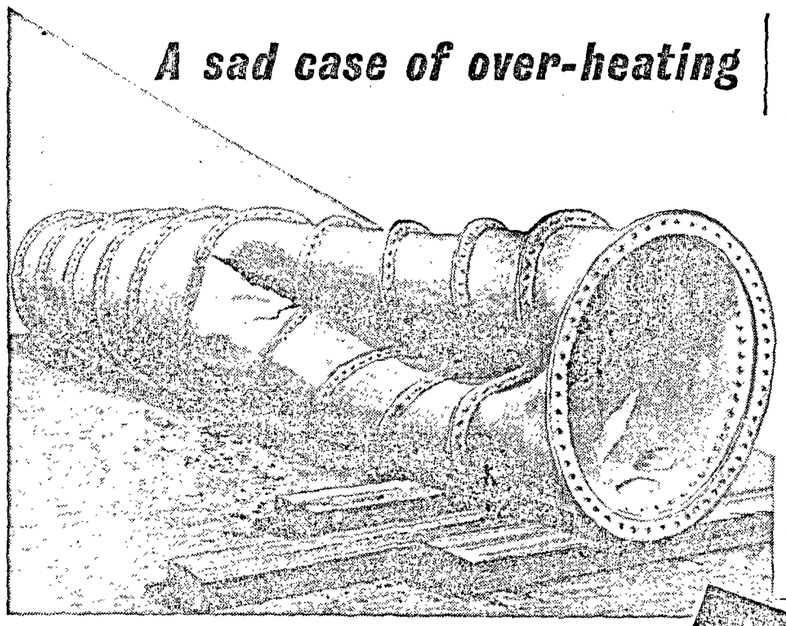
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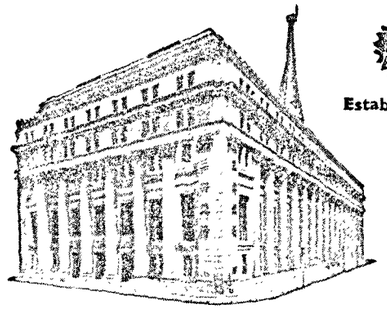
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BALANCE SHEET AS AT 31st DECEMBER, 1956

(To the nearest J.D. (Jordan Dinar))

ASSETS	1956 J.D.	1955 J.D.
Cash in Hand and at Banks	17,621,546	14,116,346
Securities (*Market price*)	404,668	279,686
Bills Discounted	3,386,340	2,635,725
Loans to Customers	17,475,180	17,315,251
Customers' Liability on Guarantees and Credits (*per Contra*)	20,542,875	17,556,457
Bank Premises and Sites (*at cost, less amounts written off*)	850,531	792,880
Furniture (*at cost, less amounts written off*)	233,720	119,384
Other Assets	415,597	614,443
	60,930,457	53,430,172

LIABILITIES		1956 J.D.	1955 J.D.
Deposits and other Accounts		35,242,211	31,570,206
Bills Payable		514,898	479,016
Guarantees and Credits on Account of Customers (*per Contra*)		20,542,875	17,556,457
Other Liabilities		473,361	3,096
Authorised and Subscribed Capital:	J.D.		
37,500 Founders' Shares at J.D. 8—fully paid	300,000		
237,500 Ordinary Shares at J.D. 8—fully paid	1,900,000		
	2,200,000		
Reserve Fund	900,000		
Special Reserve	700,000		
		3,800,000	3,450,000
Balance of Profit and Loss Account		357,112	371,397
		60,930,457	53,430,172

Abdul Hameed Shoman *Chairman, Board of Directors*
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COMPANY MEETINGS

THE BURMAH OIL COMPANY LIMITED

CONTINUED EXPANSION OF ACTIVITIES

VIGOROUS PROGRAMME OF EXPLORATION MAINTAINED

SIR KENNETH B. HARPER'S STATEMENT

The fifty-fifth annual general meeting of The Burmah Oil Company Limited will be held on Friday, June 14, 1957, in the Merchants' Hall, 30 George Square, Glasgow.

The following statement by the chairman, Sir Kenneth B. Harper, has been circulated with the directors' report and accounts for the year ended December 31, 1956.

ACCOUNTS

Once again I am glad to be able to report a year of continuing trade expansion with Group trading profits for 1956 at £7,584,750, an increase of £1,566,576 over the corresponding figure for 1955. Sales continued to expand, while our profit margins were on the whole little different from those obtained in 1955.

I refer later to the formation of a new Rupee Company with Indian participation to take over the oilfield at Nahorkatiya and certain other areas in Assam. Pending the formation of this company we have gone ahead with a comprehensive development programme in the areas to be taken over by it, the cost of which we have carried forward in our Accounts.

Depreciation at £1,243,080 is rather less than that for 1955, in which year there was an exceptionally high charge mainly in respect of the new seaboard installation in East Pakistan.

Dividends from Trade Investments have this year been shown as part of our trading income in the Consolidated Profit and Loss Account, in order to bring out more clearly the profit arising from all our trading interests. These dividends are brought into account as and when they are received and this year include the first dividend on our holding in Burmah-Shell Refineries Limited. The amount of the dividends actually received during the year from our other main Trade Investments was less than was received last year.

Dividends and interest on Other Investments received in 1956 amounted to £8,018,336 and are £1,082,834 up on 1955, due mainly to larger dividends received on our holdings in The British Petroleum Company Limited and in The "Shell" Transport and Trading Company Limited.

Full provision has been made for UK and Overseas taxation amounting in all to £9,550,543, compared with £7,642,386 in 1955. No account has been taken of the possible effect of the recent budget proposals, but as we already pay relatively little UK taxation on our overseas trading profits by reason of double tax relief the benefits that may accrue to us from these proposals are unlikely to be material.

The net profit for the year is thus £7,123,896, compared with £5,990,453 in 1955, an increase of £1,133,443. After adding the balance brought forward from 1955 there is available for distribution £7,764,382, from which falls to be deducted the interim dividend of 5 per cent paid on the Ordinary Stock on November 23, 1956, together with the dividends on the Preference Stocks. From £6,407,108 remaining for disposal your Board have appropriated £1,650,000 to General Reserve and recommend that a final dividend of 17½ per cent be paid on the Ordinary Stock on July 5, 1957. This, if approved, will absorb £4,146,710, leaving a balance of unappropriated profit of £610,398 to be carried forward.

The continued expansion of the activities of our Subsidiary Companies and the development of the new productive areas in Assam are reflected in Fixed Assets and Current Assets and Liabilities in the Consolidated Balance Sheet.

Trade Investments increased during the year due mainly to the call up of further capital by the Burmah-Shell Marketing Companies in India and in Pakistan to provide additional distribution facilities to meet the expansion of trade.

TRADING

Our Group's own production and purchased oils are marketed by our wholly owned Subsidiary Companies in Burma, Assam and part of East Pakistan and by Burmah-Shell in the rest of India and Pakistan.

By comparison with the previous year the Group's sales increased by 12 per cent in Burma, 7 per cent in India and 2 per cent in Pakistan.

The increase in Burma was satisfactory having regard to the state of the country which is still subject to outbreaks of insurgency despite the Government's efforts to suppress them.

The demand for motor spirit tended to slacken off during 1956 but this was more than compensated for by increases in the kerosene and furnace oil offtake. There has been more purchasing power in the hands of the cultivator and the demand for kerosene last year expanded in spite of quite an extensive electrification programme coming into operation. The demand for furnace oil is growing as new industrial units come into commission.

In Pakistan a contributing factor to the small increase in sales was some loss of trade in furnace oil because of displacement by Sui gas, but to us the loss of the former was partly offset by the latter.

The organisation for the development and sale of Sui gas is now as follows:

(1) The gas is produced by Pakistan Petroleum Limited at Sui.

(2) That Company sells it to Sui Gas Transmission Company Limited, who own and operate a pipeline for transmission of the gas to Karachi.

(3) Sui Gas Transmission Company Limited resell the gas for distribution to industrial and other consumers.

(a) on the pipeline route, to Indus Gas Company Limited;

(b) in Karachi and suburbs, to Karachi Gas Company Limited.

Your Company has no financial or management interest in either of the two retail companies, which are 100 per cent Pakistani owned.

Our interest in the ownership and management of Sui gas therefore goes no further than the Karachi end of the main pipeline. Sales of gas were running at the rate of 23 million cubic feet per day at the end of the year. This is less than earlier estimates, partly because the retail companies had not got fully into their stride in this new business and partly because of difficulties in getting import licences for equipment. Sales have been improving steadily this year.

Disappointing in some respects as the rate of offtake was, it has already begun to make a valuable contribution to Pakistan's foreign exchange balances. Last year's sales of gas were equivalent in value to about £1 million in terms of imported fuel oil.

There was a satisfactory expansion of trade in Assam which is Digboi's main supply area. The increase was in all products and particularly in furnace oil for which our chief customers are the tea gardens.

In the rest of India the distribution of petroleum products was affected by a continuing shortage of tankwagons, but the most marked feature of the trade was an increase in sales of diesel oil for automotive use alongside an almost negligible increase in motor spirit. The increases in our Group's sales of these two products were 31 per cent and 1 per cent respectively. The increased demand for the former is in keeping with the encouragement given by the Indian Government to the production of diesel engined vehicles in the assembly works sponsored by them. Imports of petrol driven cars were restricted in favour of cars assembled in India, which were for the most part of the small, lower powered variety.

The petroleum products trade in all export markets and perhaps particularly in India is a "growth industry" and given normal conditions in the domestic as well as the international sphere we can look for a gradual annual expansion in volume. This expansion should become more marked as the Government's industrial plans take practical shape but expansion calls for more and more facilities and therefore more and more finance. The Government of India has shown appreciation of this position by granting development allowances under its taxation law. This has been welcomed but it goes only part of the way.

The finance required for expansion of the

oil industry has for the most part to be generated by the industry itself, and selling prices must accordingly be allowed to remain at a level to meet this need as well as providing an acceptable return on the capital employed.

OILFIELD AND REFINERY OPERATIONS

Burma.—Our interest in these operations in Burma is through our 55 per cent shareholding in The Burma Oil Company (1954), Limited. The Union Government holds one-third of the equity in this Company and is helpful and co-operative, in the spirit of partnership in a joint venture.

The "1954" Company maintained crude oil production at Chauk and Lanywa—the latter field having been developed originally by one of the other shareholders—at the level required to meet Chauk refinery needs, and has since increased it to provide also the required throughput of the new refinery at Syriam, which came on stream in February this year.

The capacity of this new refinery is about one-quarter of our pre-war Syriam refinery which we were ordered to destroy in 1942 to deny it to the Japanese enemy, but the combined throughput of Syriam and Chauk is now sufficient to supply the whole of Burma's present requirements of the main petroleum products, thus making a valuable saving of foreign exchange which Burma has since the war had to find for imports.

Pakistan.—Production of crude oil at Balkassar and of gas at Sui is in the hands of Pakistan Petroleum, Limited, in which our partners are the Pakistan Government (29.3 per cent) and the Pakistan public (0.7 per cent). Relations with the Pakistan Government are cordial and the Company receives every assistance from it.

The small quantity of crude oil derived from Balkassar is refined under contract at the Attock Oil Company's Rawalpindi refinery.

At Sui no new wells were drilled during the year. Those already completed are capable of supplying all the gas required for some years to come.

Despite unprecedented floods, the Sui Gas Transmission Company's main pipeline from Sui to Karachi continued to operate successfully, delivering gas to the two Pakistani owned retail distribution companies to which I have referred.

India. — Assam Oil Company's new "field" consists of the three contiguous areas near Nahorkatiya, i.e., the original discovery area, the Nahorkatiya Extension and Hugrijan, and now a fourth area, Moran, about 25 miles to the south-west.

During 1956, out of eleven wells drilled on these areas nine were oil producers, one a gas producer and one a dry hole. All four areas have now been proved and the production target has been raised from one million tons a year, as reported last year, to two and a half million tons.

Outstanding progress was achieved in increased drilling speeds, with in consequence satisfactory reductions in cost per foot drilled.

It was a condition of the grants in 1953 of concession rights in these areas to Assam Oil Company that if oil were found a rupee company would be formed to develop it and that a prescribed percentage of the equity would be reserved for Indian participation. This percentage has been agreed at 33⅓ and the Indian Government has decided to take up this shareholding interest itself.

Throughout last year and up to the present date discussions have been going on with the Government regarding the formation of this rupee company and in the last few weeks have reached the stage where a formal agreement appears to be in sight. In the course of these discussions our main difficulty has been to reconcile the development of the valuable oilfield we have discovered with Government's restrictive policy towards this kind of private enterprise.

At Bombay, the Burmah-Shell refinery had its first full year of operation and treated nearly two and a half million tons of crude oil imported from Iran and Kuwait. This refinery company refines crude oil for your Group, Shell and BP and the products are sold through Burmah-Shell's marketing organisation.

At Digboi, Assam Oil Company's refinery had a trouble-free year. For many years past it has been quite normal to record that the transport of petroleum products to markets outside Assam had been interrupted by breaches in the railways, through flooding or landslides. In 1956, Assam Oil Company suffered no major interruption to its operations from this cause and, with Nahorkatiya to draw upon to supplement its crude oil production at Digboi, the refinery enjoyed a record throughput.

PROSPECTING

Burma.—During the year the "1954" Company made good progress with the geophysical survey of the Irrawaddy Delta.

The terms and conditions governing future exploration in Burma have been under discussion, and this survey was undertaken on assurances received by the Company in that respect.

A test well in the Delta area and another at Ondwe, 30 miles south of our old Yenangyaung field, will be started when formal licences have been granted.

Discussions are taking place between the Government of Burma and the "1954" Company for the grant to the oil industry in Burma of taxation conditions on the same lines as those granted in other countries where the search for oil is recognised as an important industry.

Pakistan.—Pakistan Petroleum Limited has continued its vigorous programme of exploration in both East and West Pakistan. A second well at Sylhet in East Pakistan repeated the indication of a useful natural gas field, first disclosed by the well which was destroyed by fire in 1955. Unfortunately, no oil was found in either of these wells, but if further drilling confirms results to date, this Sylhet gas, while not on the same scale as Sui, should prove valuable to industry in East Pakistan. The development and utilisation of the gas is now under consideration with the Pakistan Government. Meantime, the search for oil has moved further south to Lalmai, where a test well will be started in the current year.

In West Pakistan, two test wells were started, one is still drilling, so far without success, and the other found poor quality natural gas in considerable quantity but of no commercial value. Testing continues at the latter well in the hope of obtaining evidence which will assist in the search elsewhere.

The Pakistan Government during the year concluded an agreement with Pakistan Petroleum Limited which provides, mainly by taxation arrangements, additional incentive to the Company's prospecting effort.

India.—Apart from continued drilling to prove the value of the concessions at Nahorkatiya, Hugrijan and Moran, no prospecting was undertaken in India during the year.

By a Resolution on Industrial Policy which was announced early in the year, private enterprise is to be permitted in future to prospect for petroleum only by means of a rupee company in which Government itself will have a majority shareholding and, therefore, the controlling voice. Your Board feels unable to recommend any further expenditure of stockholders' money on prospecting for new areas in India so long as such conditions persist.

Our Group has been prospecting in India for 40 years, though with more disappointments than successes, and has been responsible for developing and producing all the oil that has so far been found in India. We have served both India and ourselves well in the process, and we would like to continue to do so, but only on conditions that will benefit both.

PRIVATE ENTERPRISE IN INDIA

Last year and the year before I referred to the difficulty we were finding in determining the place of private enterprise in India's "socialist pattern of society," because verbal encouragement was not being matched and, indeed, was being contradicted by legislative and executive measures. There were further instances of such measures last year, for example :

(1) The Seventh Amendment to the Constitution legalised the setting up of State Trading Corporations to compete with normal private enterprise.

(2) The Resolution on Industrial Policy to which I have already referred deprives private enterprise of the opportunity to develop the country's natural resources, except as an instrument of Government.

(3) The Finance (No. 3) Act of 1956 contains provisions under which a company cannot qualify for the benefits of depreciation allowances for income tax purposes unless it deposits a substantial part of its current and accumulated profits and reserves, not represented by fixed assets, with the Reserve Bank of India. Any release of the deposits requires the approval of Government.

Each of these measures could directly and adversely affect our business and their cumulative effect is such that it must be taken into account whenever we have to consider investing further capital in India.

TANKERS

Our small fleet usually trades in Indian waters, for which the ships were specially designed, returning to the United Kingdom only for Special Surveys or repairs which cannot be undertaken in yards in India and Pakistan. Two of our ships came home for these reasons during the year, and both have now returned to the East.

The remainder of the Fleet continued to operate steadily and satisfactorily.

During the year the Government of India acquired their second tanker.

STAFF

The staff of all the Group Companies at home and overseas, and on the seas, have given us another year's good service. The East is no longer "unchanging" and new situations constantly arise. Our Managing Directors, Managers and Staffs cope with them with understanding and in an admirable spirit, and our gratitude is due to them.

THE PRUDENTIAL ASSURANCE COMPANY LIMITED

(Incorporated in England)

YEAR OF CONTINUED EXPANSION

LIFE PREMIUM INCOME EXCEEDS £100 MILLION

In the course of his remarks at the Annual General Meeting held on May 16th, at 142 Holborn Bars, London, E.C.1, Sir Frank Morgan, MC, Chairman of the company, said:

Last year the combined premium income from our Life Branches exceeded £100 million. Eleven years earlier it was less than half this figure. The premium income of the Industrial Branch was then £30 million and is now nearly £50 million, while the growth of the Ordinary Branch has been even more spectacular—from a premium income of £18 million to over £51 million. In the combined figure of over £100 million we recognise, of course, the element of altered money values ; nevertheless it does represent a landmark in the Company's progress. Our overseas branches are entitled to a full share of the credit for this achievement, their contribution to the Ordinary Branch premium income having grown from £3 million in 1945 to nearly £14 million.

In recent years I have commented on the large part we play in encouraging and facilitating regular saving, to the advantage of millions of individual policyholders and their dependants and to the corresponding benefit of the country at large. Taking the increase in the funds of our Life Branches as a broad measure of the net saving achieved by means of Prudential life policies we find that last year, for the United Kingdom alone, this saving exceeded £32 million.

BONUS DECLARATIONS

Details of our bonus declarations have already appeared in the Press and in the Directors' Report. The rates of reversionary bonus declared for assurance policies issued in the United Kingdom are unchanged at 42s. per cent in the Ordinary Branch, and 32s. per cent in the Industrial Branch.

In both Branches we have also continued the special bonuses which we declared last year. They are at the same rates as before and still apply only to those policies effected prior to January 1, 1954, which become claims during the present year.

When speaking to you a year ago I explained why we had decided to declare special bonuses. It will be sufficient now to remind you that there had been an exceptional increase in the dividends on our holdings of ordinary shares in this country and that the special bonuses gave effect to our view that, since these increases largely arose from investments made in the past, the older policyholders had a prior claim upon them. I repeat that, whilst giving no guarantee, we hope, out of future surpluses, to declare similar special bonuses in the coming years on claims arising from the same range of policies.

DIVIDENDS

With increased distributable surpluses in the Life Branches the Directors have again been able both to improve the proportion of these surpluses allocated to the policyholders and to increase the amount allocated to the shareholders. In each of the Life Branches the policyholders' allocation, which for 1955 was approximately 92.3 per cent of the distributable surplus, is now 92.6 per cent.

The net dividend declared on the A shares is 26s. 6d. per share, an increase of 1s. 6d., and £93,750 has been transferred to the Dividend Reserve Fund. The net dividend declared on the B shares is unchanged at 3s. 6d. per share.

The sum set aside for the dividend on the B shares, together with the corresponding provision from the General Branch for dividend to A shareholders, is again more than covered by the interest earnings of our General Branch funds after deduction of the relevant taxes.

ORDINARY BRANCH

In the Ordinary Branch the total new sums assured under individual and group life assurance policies issued at home and overseas during 1956 amounted to £176 million. In addition to these new assurances the Company transacted a substantial amount of group pension and other annuity business. Our with-profit group pension business continues to expand at a satisfactory rate.

The total Ordinary Branch premium income for the year, including £11,200,000 in respect of deferred annuities, amounted to £51,600,000 and showed an increase of £3,800,000 over the preceding year.

FINANCE ACT, 1956

The Finance Act, 1956, made important changes in the basis on which the annuity business of a Life Office is taxed and also in the tax liability of individuals in respect of purchased annuities. The provisions relating to the taxation of annuity business distinguished two classes of such business—pension annuity and general annuity business—and improved the taxation position of pension annuity business. This class comprises schemes approved under Section 379 of the Income Tax Act, 1952, and the new class of individual pension policy permitted by the Finance Act, 1956.

Whilst we have been able this year to increase the annual rate of bonus on all our with-profit group pension schemes, the improved taxation position has enabled us to make a specially large increase for those policies which come within the definition of pension annuity business. In the case of the corresponding non-profit group pension policies we have made substantial reductions in our rates of premium, the improved rates being applicable to future premiums whether in respect of new schemes or of schemes already on the books ; we have also been able to allow ex-gratia increases in the deferred pensions that have already been purchased.

In the field of individual policies there has been a considerable demand for the new class of pension policy now permitted by the Act, not least from those who already have Prudential policies giving protection to their dependants. Although it was not until August that we were able to offer such business, annuity contracts providing over £1,800,000 per annum had been sold by the end of the year, involving an annual premium income of £800,000. As the types of life assurance and annuity contracts available increase in number and in degree of specialisation it becomes more than ever necessary to rely on the advice of the experienced insurance representative. It is necessary, for example, to appreciate that the Act imposes certain conditions on policies of the new class. They cannot be surrendered or pledged as security for any loan or bank overdraft, and the pensions cannot be commuted. These facts make it advisable to weigh carefully, in the light of individual circumstances, the merits of this new policy against those of the traditional endowment assurance policy, under which the maturity sum may be used to purchase an annuity. We have representatives throughout the country who are trained to give expert advice on this and all other aspects of individual provision for retirement.

The provisions of the Act by which the capital content of purchased annuities is no longer subject to income tax represented a much-needed reform which is of real benefit to annuitants. Previously the burden of taxation had fallen unfairly on savings invested in a life annuity.

STATE RETIREMENT PENSIONS

Over the years there has been an increasing awareness of the need for making provision for old age, and this has been manifested at different levels—at a national level, within occupations and among individuals. The life offices have played a big part both in developing an appreciation of the need and in meeting it. For individuals great numbers of endowment assurances, deferred annuities and immediate annuities are issued which in their different flexible ways have, as part of their object, provision for old age. Further, and more particularly in the last twenty years, there has been a great development in employees' pension schemes. In all that has been done it has been shown that it is possible to adopt the soundest principles of thrift and to provide good pensions without throwing the burden on future generations.

I would say to anyone who is considering any development of the State pension scheme that if promises of higher pensions are given there should be a full realisation by the country of the cost involved and of the inescapable fact that this cost must be met by somebody, somehow and at some time. It is very tempting to promise improvements in the lot of pensioners without paying sufficient attention to the other side of the picture.

The proper sequence of events is that the saving should take place first, and that those savings should be invested to fructify in increased productivity, so that finally pensions can be drawn from these additional resources. The need for some immediate provision may, however, be urgent, and up to a point it may be necessary for the State temporarily to ignore this sequence. But it should not be ignored merely because to ignore it—to postpone meeting the cost—is the easier way, the way giving the largest immediate benefits for the smallest current outlay and therefore the more popular way. The position of this country would inevitably be worsened if unsound extensions of the

State pension scheme were made and if sound habits of thrift were undermined by too easy promises that the State would do the providing.

OVERSEAS LIFE BUSINESS

New sums assured written by our Overseas Branches amounted to £68 million, which included £6 million under group assurances. This was again a record, despite the loss of our Indian business. The Overseas Branches which are now transacting new business wrote £12 million more than in 1955.

The achievement of the Canadian Branch was outstanding. They wrote £29 million new business, an increase over 1955 of 32 per cent, which was considerably above the average of life offices in Canada.

In the Australian and New Zealand Branches record amounts of new business were again written in 1956. In Australia the new sums assured amounted to over £18 million and in New Zealand to over £3 million.

Our Branch for the Southern and East African territories also achieved a record, writing over £14 million new sums assured. With-profit group pension business in this Branch continues to develop well.

It is a matter for great satisfaction that we have such well-established organisations in Australia and New Zealand, Canada and Southern and East Africa. The expansion which is taking place in our business in these territories augurs well for the future.

INDUSTRIAL BRANCH

In the Industrial Branch the new sums assured last year were nearly £95 million, compared with £86 million in 1955. The average sum assured per policy issued showed a further increase to £69.

With continuing efforts by our field staff there has again been a reduction in the rate of lapse among policies which have been less than a year in force, and less than one-tenth of new Industrial Branch policies now lapse within that period. Among policies on which premiums have been paid for a year or longer the rate of discontinuance remains below 2½ per cent, and in all of these cases either a free policy or a cash surrender value is allowed.

A sum of over £11 million has been allocated to policyholders from the surplus of the year to provide the Industrial Branch reversionary and special bonuses to which I have already referred. The allocations from surplus to policyholders in this Branch since the inception of the profit-sharing scheme in 1908 have now reached a total of £153 million.

GENERAL BRANCH

The General Branch premium income for 1956 exceeded £13,300,000, showing an increase of over £900,000. In addition, premiums of nearly £1,900,000 were written by our American subsidiary. The expansion has been mainly in our Home business, but nearly one-half of the total premium income still arises from overseas sources.

The underwriting experience in this Branch last year was very unfavourable and overall showed a loss. A profit was shown in the fire, sickness and accident and sinking fund accounts, but the profits were lower than in 1955 and were more than offset by the heavy loss on the motor vehicle account and a small loss on the miscellaneous account. Last year I expressed concern at the unfavourable motor experience and drew attention to the increasing cost of road accidents, both in this country and overseas. It was hoped that the revision of our home motor rates in December, 1955, would help to alleviate the position but, in common with the experience of other insurers, the results for 1956 in this country were again poor. In the early part of this year petrol rationing provided some relief, which should assist this year's account. A further increase in premium rates is, however, clearly justified and such an increase has recently been announced.

Certain overseas business, including some reinsurance contracts, which had proved unprofitable in the past and which contributed to last year's underwriting losses, has been cancelled. The adverse motor insurance results in several important overseas territories continue to cause serious concern and endeavours are being made to improve the position. Our experience in marine, aviation and transit insurance business continues to be very satisfactory and this fund is in a strong position. From it we have released £100,000, which includes the customary provision for taxation.

The gross interest earnings brought into the profit and loss account amounted to £695,000, showing a further substantial increase. Allowing for the underwriting loss the net surplus, after provision for taxes and excluding the amount brought forward, amounted to £237,000. The contingency and additional reserve funds in this Branch are substantial and its financial position remains strong.

The figures of our American subsidiary, The Prudential Insurance Company of Great Britain, are annexed to the accounts before you and show a small underwriting loss for the year. The overall position is, however, strong and a dividend of 7½ per cent has again been declared on the capital of $1,500,000.

INVESTMENTS

The year 1956 was not an easy one for the capital investment market. The major factors affecting the situation were, first, the intensification of the restrictive credit policy at home and then, during the latter part of the year, the events in the Middle East and the severe drop in our gold and dollar reserves. In spite of these difficulties the volume of money raised by industry in the new issue market during 1956 was comparable with the amount raised in 1955. This was an achievement that owed much to the support of institutional investors. There was, as might have been expected, a greater tendency than in 1955 to raise money in the form of debentures and loan stocks but, nevertheless, a substantial proportion of new finance took the form of ordinary capital. We participated in the majority of the new issues that were made, including a number of industrial issues of large size.

During the year we invested, in total, a sum of £63 million. The chief items were debentures £13 million, ordinary shares £11 million, property £9 million, and mortgages £18 million. The total of mortgages shows a large increase over the £7 million recorded last year. This is due to increases in both commercial mortgages and house purchase loans and also to the resumption, after an interval of some years, of direct loans to municipal borrowers, which are expressed in mortgage form. The increase in house purchase loans was mainly due to a temporary shortage of funds from other sources that normally provide finance for this purpose. The reduction of £8 million in the Balance Sheet figure for securities of, or guaranteed by, the British Government is due to some further writing down of the book values.

The gross rates of interest earned on the Life funds, £5 10s. 2d. per cent in the Ordinary Branch and £5 11s. 7d. per cent in the Industrial Branch, were higher than in 1955 by 2s. 11d. per cent and 3s. 1d. per cent respectively. These increases were mainly due to a further modest rise in ordinary share dividends in 1956 but the higher yields obtained during the year on new investments also contributed.

There was a further fall in the market values of fixed interest securities during 1956 and ordinary share values also declined. Nevertheless at the end of the year the total value of all our securities was in excess of book values and there has been a substantial improvement in market values in 1957.

There has been much public discussion of the problem of providing funds for the large programme of tanker construction which is now in progress. The useful working life of a tanker is such that the corresponding finance is required for a term of years that is longer than is generally acceptable in current banking practice, and shorter than is really appropriate for the long-term liabilities of life assurance companies. At the same time there is the problem of the management and operation of these expanding fleets of tankers. It is becoming clear that these problems are by no means intractable and solutions are being found in varying forms which should enable a substantial part of the finance to be provided on terms acceptable to life funds. Negotiations have been proceeding in recent months with some of the leading companies in this field under which we expect to provide over £13 million for this purpose during the next few years.

I do not often refer specifically to the question of the investment of the Life funds of our Overseas Branches, which are growing rapidly and now amount to some £70 million, but I can assure you that this matter receives the same careful consideration of the Board as does the investment of our home funds. A notable feature of the last two years in the major overseas territories in which we operate has been a movement to higher interest rates comparable to the movement which occurred in the United Kingdom. In line with our investment policy in the United Kingdom we have, in these overseas territories, taken the opportunity provided by this feature to make sound long-term investments at attractive rates of interest. We have also, in some territories, entered into investment commitments which will absorb an appreciable part of the investible funds arising over the next few years in propositions based on terms which reflect the present level of interest rates. This course of action should do much to strengthen our position in these territories.

APPOINTMENTS

Since our last meeting the Directors have appointed Mr R. S. Skerman, FIA, to be an assistant actuary and Mr P. B. Cockshutt to be senior solicitor.

STAFF

In this review of our activities you will have had in mind the large number of men and women who comprise our staff, both at home and overseas. Their knowledge and sense of responsibility well fit them for the many and varied parts they play in our organisation, and in their hands rests largely the reputation we enjoy.

I know you would wish me, therefore, to express on your behalf our continued appreciation of the efforts of the staff wherever they may serve; this I do with pleasure, knowing that they, too, are proud of their association with this great Company.

CEREBOS LIMITED

RECORD VOLUME OF SALES

FURTHER EXTENSION OF GROUP ACTIVITIES

OVERSEAS TRADE EXPANDED

MR W. ARNOLD INNES'S REVIEW

The fifty-third annual general meeting of Cerebos Limited was held on Thursday, May 23rd, at Cerebos House, London, N.W.10.

Mr W. Arnold Innes, the Chairman, presided.

The following is his Review, which has been circulated with the Report and Accounts for the year ended December 31, 1956:

Before proceeding to review our operations for the past year, I have to report that, in accordance with the indication which I gave in my previous statement, the following Chief Executives have been promoted to the Board —Mr John Robert Richardson, Mr Reginald Roland Seddon, Mr George Seddon and Mr Guy Chignell. Their appointments are within our policy of recognising the valuable contributions which can be made to our counsels by Chief Executives who have gained experience in the Group and possess specialised knowledge of various facets of our activities.

ACCOUNTS AND DIVIDEND

The Consolidated Balance Sheet and Trading Statement with the comparative figures for the previous year clearly set out the position of the Company and its Subsidiaries as at December 31, 1956; I offer a few comments on these which may be of assistance to Stockholders in their appraisal of the position.

The Authorised Capital of the Company has been increased during the year from £2 million to £4 million represented by 16 million Units of 5s. each. The Issued Capital at the same date, however, has remained unchanged.

As Stockholders will be aware from my notice dated January 7, 1957, we were fortunate in having an opportunity to add to the Group the business of Northern Enterprises Limited and since the turn of the year £76,350 of the new Stock has been issued to the Members of Northern Enterprises Limited in exchange for their holdings in the equity shares of that Company. Issued Capital of Cerebos Limited therefore now stands at £2,076,350.

The value of the Fixed Assets of the Group in the form of Land, Buildings, Plant and Equipment after making full provision for depreciation together with the premium paid on the acquisition of Shares in Subsidiary undertakings amounts to £3,151,245, an increase of £116,379 on last year's figures. In the main this increase reflects the further expenditure incurred during the year on the Middlewich factory reconstruction and re-equipment programme and by the Australian Company on their new factory at Melbourne. It is anticipated that both operations will be completed in the latter part of this year.

Productive capacity and the trend of Group sales have been upward and this position is reflected by the increase in Stock-in-Trade and Trade Debtors and again it is satisfactory to note that the sound liquid position has been well maintained and now shows an excess of Current Assets over Current Liabilities of £2,327,329, an increase over the corresponding figure for 1955 of £373,049.

Reserves and Surplus, including the sum set aside out of profits in cover of the deferred liability for Taxation on those profits at £3,089,291 show an increase of £485,851 over the previous year.

Outside Interests in Subsidiary Companies at £389,283 comprise the Share Capital not held within the Group and reserves and undistributed profits attaching thereto.

Group Capital Commitments amounting to approximately £410,000 are £40,000 lower than the corresponding figure for 1955.

The Trading Profit of the Group for the year is, as shown by the Directors' Report, £1,767,232, an increase of £224,082 over the 1955 figure. The estimated liability for taxation thereon, including Profits Tax of £206,000, amounts to £951,327.

The nett Profit of the Group for the year after providing for taxation and making due allowance for outside interests in the profits of Subsidiaries amounts to £791,770 and to this must be added £481,722 brought forward, making a total sum available of £1,273,492, out of which the following appropriations in the accounts of Cerebos Limited are recommended to the Stockholders for approval:—

(1) To write off £9,139 from Investments to reduce these to market value at December 31, 1956.

(2) To increase the General Reserve to £1,500,000 by the transfer of £500,000.

(3) The payment of a Final Dividend of 20 per cent (less tax) of £238,780, which, with the Interim Dividend of 10 per cent (less tax) paid in November last, makes 30 per cent (less tax) for the year.

These appropriations amount in total to £862,919 and will leave £410,573 to be carried forward to next year, which by reason of the increase in the proposed transfer to General Reserve, is £71,149 less than the corresponding figure for the previous year.

HOME SALES, MARKETING AND ADVERTISING

I am glad to report that the position in the Home Market is most satisfactory. Sales of our branded products, comprising the Cerebos, Bisto, Saxa, Stag, Paxo and Scott's range, continue to expand in both tonnage and value, the results achieved in 1956 constituting a record volume in all respects.

We have succeeded in achieving a continuous annual increase of sales over a period of many years, and the present high level which has been attained reflects great credit upon all concerned. It has been made possible only by maintaining the high standard of quality for which our products are renowned and by the pursuance of vigorous sales, advertising and marketing policies together with the expeditious service which we give to our numerous customers in the Wholesale and Retail Trades who co-operate with us so willingly in the distribution of our products.

The goodwill of any business, especially in the Food Industry, depends upon the satisfaction and value which it offers to the Housewife and it is evident that the Cerebos Group of Companies has been successful in this direction, and is continually adding to those millions of customers whom it already has the privilege to serve.

We have constantly before us the necessity of keeping our activities as wide as possible having due regard to economic factors. As sales in certain lines continue to increase year by year, the annual rate of increase must inevitably diminish and, moreover, those lines become increasingly vulnerable to attack by competitors. We have therefore a twofold policy, first to protect those lines by extensive advertising and effective salesmanship and, secondly, and simultaneously, to develop the popularity and consequently the sales of other lines where more room for expansion exists. Commercial television has opened up a new and exciting medium of advertising of which, as no doubt many members suitably located will have seen, we are taking advantage.

EXPORT AND OVERSEAS TRADING

The world wide character of our export trade has been well maintained despite the dislocation caused by the temporary closure of the Suez Canal. This has naturally affected our Middle Eastern trade and added considerably to the cost of freight, but otherwise we have not seriously been affected inasmuch as the time occupied in transit to our major markets is not materially increased by the voyage around the Cape of Good Hope. The events which led up to this international difficulty have given us a further warning of the world wide changes which are taking place and must inevitably alter considerably the pattern of future world trade.

Salt deposits are world wide, but the production of a highly refined salt suitable for table use requires a modern factory with all the equipment necessary to purify the material, convert it into fine crystals of regular shape and pack it into handy-sized containers for distribution throughout the market. This requires the investment of a very large amount of capital and only where natural deposits of salt are available, is it possible to do this successfully.

As the tendency in most countries today is to make themselves independent of imported salt, we are paying increasing attention to the export of those products of the Group which do not lend themselves so readily to substitution and I am very glad to say that our exports other than prepacked and bulk salt continue to expand, and are becoming increasingly popular in distant overseas markets.

Our Associate Company in Australia experienced a very good year in 1956, sales and profits being quite satisfactory. Unfortunately, difficulties of various kinds have

delayed the completion of the Factory, but very shortly the building will be ready for occupation and it will not take very long to install the necessary machinery provided we are granted the facilities for importing that part of the equipment which is not obtainable locally. We shall then be able to produce all the prepacked salt necessary to meet the local demand and to transfer to much more spacious and convenient premises the manufacture of Bisto and Gravox. We are quite satisfied with the development of our plans and that our Australian Company can look forward to a successful future.

Trading conditions in Europe are likely to be improved by the proposals now being considered by the Western Powers for a considerable measure of Free Trade, but sufficient information has not yet been divulged to enable any estimates to be made of the scope of these proposals as affecting our business.

PRODUCTION

Throughout the year production in the Group has been maintained at a level which, on the one hand, has been adequate to meet the demands of our customers, on the other, has been restricted to true requirements, thus avoiding the carrying of excessive stocks. Demand for our products varies from month to month and the control of production and of stocks distributed in the Company's warehouses throughout the country is a matter calling for skill and imagination.

The increase in the cost of producing our various products is due very largely to causes beyond our control, e.g., costs of raw materials and packing materials purchased, rates on premises, and carriage charges on goods inwards. Increased wages rates have been offset substantially by greater productive efficiency.

Keeping our factories and mills up to date as far as is economically prudent is always one of our main objectives. Greatham and Middlewich factories are now substantially complete in that respect. Extensions are in hand at Crampton's Manchester factory designed to give more space for the housing of additional machinery and the more economical supply of process heat in one form or another.

The concentration of the production of Scott's products in Mills at Colinton and Cupar only, is proceeding satisfactorily and space made available at Leith, together with that at property recently acquired at Mid-Calder, has now made it possible for John Inglis & Sons Limited to enter the Animal Food Market with the production of specially fortified Pig and Poultry Foods packed and marketed under the trade name "Hy-Line."

The recent acquisition of the businesses owned by Northern Enterprises Limited (referred to earlier in this review) is a further incursion into the Animal Food business and the economic production, by more up to date methods, of "Stamina" Dog and Cat Foods is receiving special attention.

However, bearing in mind the fact that the principal function of the Cerebos Group in the national industrial field, is the production of high quality foodstuffs for human consumption, the necessity of maintaining, and wherever possible, improving the standards of quality and purity of our products, receives our continuous attention. Research work designed to this end is constantly in hand, both by the Company's own staff of skilled engineers and chemists and, as occasion demands, by specially qualified outside agencies.

The Company now owns the following Factories in Great Britain:

The "Cerebos" Factory at Greatham (Co. Durham).

The "Cerebos" Factory at Middlewich (Cheshire).

The "Crampton" Factories at Manchester and London.

The "Scott" Mills at Edinburgh, Leith and Cupar (Fife).

The "Seddon" Works at Middlewich, and the recently acquired "Northern Enterprises" Factories at St Helens and Bootle, in all, ten Factories in Great Britain and, in addition and subject to minority interests, one each in Eire and Australia and two in France.

At all times the greatest possible care is taken to ensure that experience and knowledge acquired in all establishments is brought to bear on development plans affecting any one or more of them.

So far as this country is concerned, rapid intercommunication is essential to efficient operation and a teleprinter service now links our main producing units and the Head Office.

DISTRIBUTION

The vehicles concerned in our delivery services continue to function satisfactorily and we are giving an efficient distribution service to our customers, which is undoubtedly as important as any other aspect of our business. I am glad to report that our Transport Department succeeded in largely overcoming the special difficulties created by the Suez Canal crisis, and it is due to their improvisation that our service did not unduly suffer.

In my remarks two years ago I referred to the necessity of enlarging our Willesden warehouse to accommodate additional traffic. This has involved the absorption of the existing repair shop space and the building of new workshops. These extensions are now complete and we have been able to provide approximately 50% additional storage space, together with adequate facilities for the maintenance of vehicles.

The erection of a new depot at Nottingham has commenced and a suitable site has been found near Glasgow where we propose to erect a large depot from which the needs of most of our customers in Scotland will be met.

We have been able to overcome, to a certain extent, the problem of rising costs by taking advantage of modern methods of storage and distribution. We continue to review constantly our distribution arrangements in the light of changing circumstances in order to provide an efficient and economical service.

PERSONNEL

I am indebted to our Executives, Staff and to our Workpeople for a splendid year's work only made certain by friendly co-operation. I am also proud of the efforts of our Sales Representatives who, more than in most other industries, are our ambassadors of goodwill. The happy association we have with our many trade friends depends very largely on the courtesy, cheerfulness and confidence of our outdoor staff. We are indeed fortunate in having, within the Group, such loyal and enthusiastic teams and I welcome this opportunity of recording our appreciation of their combined efforts.

I am pleased to report that the introduction on July 1, 1956, of the Widows' Pension Scheme was most favourably received and the Company has met its obligation to provide the capital sum necessary to cover the element of Back Service. The welfare of our Employees is of paramount importance and this extension of the pension benefits is a further expression of our efforts in this connection. It is interesting to note that the book value of the Assets of the Pension Fund now amounts to £737,260.

In conclusion I should like to express my thanks for the unfailing co-operation and assistance accorded to me by my Colleagues on the Boards of both the Parent and Subsidiary Companies.

The Report and Accounts were adopted.

Mr W. Arnold Innes, the Director retiring by rotation, was re-elected.

Mr J. R. Richardson, Mr R. R. Seddon, Mr. G. Seddon and Mr G. Chignell, who were elected Directors during the year, also retired and were re-elected.

The proceedings terminated with a vote of thanks to the Chairman.

EVANS MEDICAL SUPPLIES

SETTLEMENT OF NHS PRICES

The Annual General Meeting of Evans Medical Supplies Limited was held on May 20th in Liverpool, Mr Ian Fergusson (chairman and managing director) presiding.

The following is an extract from his circulated statement: Some increase in sales just failed to compensate for reduced margins and increased expenses, so that Trading and Manufacturing profit fell from £373,321 to £362,922, whilst the year's available balance was reduced by £5,173 to £98,091. The proposed transfer of £40,631 to Reserve and the payment of a dividend at the same rate as a year ago, although now on the larger ordinary capital for the full year, will leave £89,179 to be carried forward compared with £86,655 brought in.

The construction work of most of the buildings for The Burma Pharmaceutical Industry is complete and we are now building up to full production.

NATIONAL HEALTH SERVICE

The negotiations with HM Government regarding prices paid for certain proprietary medicines prescribed under the National Health Service have been concluded. The Minister of Health announced this settlement in the House of Commons on April 8th last.

I have been privileged to serve as Chairman of the Negotiating Committee appointed by the Association of British Pharmaceutical Industry to represent the industry, and am gratified that after more than two and a half years discussion of the complicated issues involved, a settlement which seems to be fair to both the tax payer and the industry has been achieved.

A new Subsidiary Company, Evans Medical (Nigeria) Limited, was registered in Lagos on May 19, 1956 to develop our interests in this important market.

We shall continue to wage war on rising costs, which, with a further wage increase just agreed at National level at the time of writing this statement, becomes an increasingly arduous task. Nevertheless we believe that the new trading year will be one of opportunity, particularly in overseas markets which now take nearly one half of our production, and we shall strive to take full advantage of all such opportunities.

The report was adopted and a total distribution of 6½d. per 5s. Stock Unit on the Ordinary Stock was approved.

RICHARD COSTAIN LIMITED

YEAR OF SOLID ACHIEVEMENT

CONTINUED HIGH LEVEL OF ACTIVITY OVERSEAS

SIR RICHARD COSTAIN ON NEED TO ENCOURAGE INDUSTRIAL EXPANSION

The twenty-fourth annual general meeting of Richard Costain Limited will be held on June 12th at 111 Westminster Bridge Road, S.E.1.

The following is the statement by the Chairman and Joint Managing Director, Sir Richard Costain, CBE, which has been circulated with the report and accounts for the year ended December 31, 1956:

You will see from the Consolidated Profit and Loss Account that our Group Trading Profit is roughly the same as last year and that, after crediting income from Trade Investments, our Group Profit before tax is slightly lower. As I mentioned last year, the figures for 1955 included some exceptional items, so that I regard this year's results as reflecting a more solid achievement. The net balance available in Richard Costain Limited (after retaining £72,213 in subsidiary companies) is £101,152, from which must be deducted the provision for Preference dividend and the proposed Ordinary dividend of 10 per cent. This leaves £48,494, to which must be added the balance of profits brought forward of £229,405, making a total carried forward to next year of £277,899.

During the year we have made further capital profits. After applying part of this surplus to writing down investments in subsidiary and other companies we are left with a carry-forward figure of £247,203 in the Parent Company, which is available for distribution as capital profits.

BALANCE SHEET FEATURES

Turning to the Balance Sheet you will see that our current assets have increased by nearly £1 million. The principal factors were in respect of our large opencast coal contract in Northumberland, undertaken by Costain Mining Limited and the Kariba Township contract undertaken by our Southern Rhodesian company. The figures are also affected by the inclusion this year of the assets and liabilities of a property development company in which we increased our shareholding from 50 per cent to 100 per cent. In payment for these shares we issued 20,000 shares in Richard Costain Limited at the market value at that date. The increase in the proportion of contracts undertaken by subsidiary companies has resulted in an apparent drop in net current assets in Richard Costain Limited which is offset by the increase in amounts owing on current accounts by subsidiary companies. We have increased our holding of plant and the majority of this is attributable to opencast coal. Too much significance should not be attached to year-to-year fluctuations in the depreciation figure of the Group: the depreciation rate on plant varies substantially with the length, type, and location of contracts on which the plant is used and the figure of profit before depreciation has little significance.

You will notice that the Group general reserves have been increased from £350,161 to £600,161. This results from a transfer to reserve from the profits of one of our overseas subsidiary companies made in conformity with our policy of providing for future expansion abroad from the profits earned in areas of lower taxation in preference to remitting funds from the United Kingdom.

In February this year we sold our half share in Costain-John Brown Limited to John Brown and Company Limited. As the press announcement stated at the time, it was thought by both parent companies that the future development of Costain-John Brown would be facilitated if that company were under single rather than joint control. Each company was prepared to buy the other's shares, but it was agreed that Costain-John Brown's advancement, particularly in some of its latest developments, would fit in better with the interests of the John Brown group than with those of the Costain group.

AT HOME

For the first time since before the war the building of houses for sale has made an appreciable contribution to the profits at home. In this field our proposal to develop a free enterprise new town at All-Hallows-on-Sea was refused by the Ministry of Housing and Local Government, despite the favourable comment which we received from a substantial body of informed opinion, including such papers as *The Economist* and *The Manchester Guardian*.

On the contracting side the results for the year showed an improvement on the previous year and the volume of work available enabled us to be more selective in the contracts undertaken. It appears most unlikely that these conditions will continue. There has already been a substantial falling off in the smaller type of work undertaken by our area offices and the postponement of industrial development programmes by the credit squeeze will almost certainly result in a lower level of new industrial building work this year. Although it probably takes less time to start up industrial building programmes than to slow them down, the Government will have to give more encouragement fairly soon for the industrial expansion which is so vital to this country if we are to avoid a serious falling off in investment programmes in 1958.

On our large opencast mining contract at Acorn Bank, Northumberland, we completed the excavation of 10 million cubic yards of rock from the initial cut and commenced production of coal. Despite considerable difficulties caused by rock-slips in faulted strata, production of coal has now increased to over 12,000 tons a week, which is the highest output from an opencast site achieved in this country. The persistent slips in the faulted strata involved us in a considerably larger initial excavation and delayed the budgeted production of coal. As a result we have been involved in a larger investment in this contract than we would have liked, but the contract still has another 7 years to run and we hope that it will show a proper return in the end.

The Building Division has maintained its turnover during the year and had a satisfactory order book at the end of the year. Among the more interesting work it has been awarded are the contract for the temporary West London Air Terminal for Air Terminals Limited, acting for British European Airways and also the contract for the British Pavilions at the 1958 Brussels Universal and International Exhibition.

The Civil Engineering Division, United Kingdom, has also maintained its turnover and carried out substantial contracts during the year. Our Soil Mechanics Department expanded the scope of its activities during the year and achieved very satisfactory results. The division has recently been awarded a unique contract for the removal of several million cubic yards of peat and silt by dredging from a new opencast coal site at Westfield, Fife. The contract will be carried out in conjunction with our Dutch associates, D. Blankevoort and Zoon, N.V.

The Property Division.—The new Rent Bill should enable us to obtain in future a fair economic return from our properties, which has certainly not been the position in the past. The policy of your company will be to endeavour to enter into longer tenancies with reasonable increases in rent and clauses to cover future increased costs, rather than to seek substantially higher rents.

Despite the refusal of our proposals for All-Hallows-on-Sea, which I have mentioned, the division has sufficient developable land to maintain its present turnover for some time to come. Apart from a short period last year when Building Society finance tightened temporarily, our estates have experienced a steady demand for houses, which has continued this year. The division have also been engaged in the provision of new office accommodation and it is hoped that some of this will begin to show a modest return in 1958.

Costain Concrete Company Limited.—Substantial orders have now been placed with our Scottish factory for the improved type of concrete sleeper and both Scottish and English factories have increased their production of prestressed concrete products, including some large orders for bridge beams for the new road programme. Flooring programmes, on the other hand, have stabilised as a result of the credit squeeze.

WORK ABROAD

Work abroad continued at a high level during the year. It is perhaps worthy of note that over half your company's turnover at present arises from work overseas, and since contractors are the spearhead of exports, your investment in this company is making a very substantial contribution to the country's export drive.

Nigeria.—Costain (West Africa) Limited continues to show satisfactory results and to increase its reputation. The Ebute Metta Causeway contract, undertaken by Richard Costain Limited, has made satisfactory progress despite difficulties caused by the nature of the ground.

Rhodesia.—The Kariba Township contract has made excellent progress and will almost certainly be finished well ahead of schedule. We have been most gratified by the favourable comment which this contract has received in Rhodesia, the United Kingdom and elsewhere, and there is no doubt that

our Rhodesian companies have added to their laurels.

Middle East.—Your company increased its activities in Persia during the year, taking advantage of the considerable experience it had gained there before 1951, but international competition has increased considerably and it is doubtful whether we will be able to regain the share of work which we enjoyed previously. In particular some projects are financed by loans from other countries, the terms of which oblige the borrower to employ contractors selected by the tender.

Canada.—On the contracting side we completed our more unsatisfactory contracts during the course of the year. On the property and development side we are, with our Canadian partners, A. E. Le Page Limited, proceeding with plans to develop 1,600 acres west of Toronto. We have formed a company, Meadowvale Developments Limited, to undertake this venture and have issued some of the shares in Canada to assist in the financing. If the expansion of the Canadian economy continues at the present rate, we consider that the return from this company should be good, although work is not due to begin until next year and it is unlikely that any material results will be shown for two or three years.

Malta.—The Soil Mechanics Department have been engaged on a contract in Malta to establish the best method for increasing the Island's underground water supplies. Operations are proceeding satisfactorily and will continue well into 1958.

FUTURE PROSPECTS

The results for 1956 have proved better than appeared likely when I reported to you last year and I think that the improvement will be maintained in 1957. Looking further ahead is much more difficult. I am increasingly confident that we have, as a group, consolidated our position after the considerable expansion of the last few years. On the other hand, we are facing increased foreign competition abroad and the prospect of a falling off in capital expenditure at home unless the Government take action in time. I would like, too, to feel more confident than I do that the private building of property for sale and rent was finally out of danger of unwise political action.

STAFF

Your directors wish once more to place on record their appreciation of the enthusiasm, loyalty and hard work of the staff, who have had to work in all kinds of arduous conditions at home and overseas to make these results possible.

BOARD CHANGES

In February this year we appointed Mr H. F. R. Catherwood to fill one of our vacant seats on the Board and we propose to ask you at the Annual General Meeting to ratify this appointment. Mr Catherwood joined us as Financial Controller. He was appointed Secretary in 1954 and General Manager in 1955 and has proved himself a great asset to the company.

ELLIOTT BROTHERS (LONDON) LIMITED

A YEAR OF PROGRESS

MR R. E. F. DE TRAFFORD'S STATEMENT

The fortieth annual general meeting of Elliott Brothers (London) Limited, will be held on June 14th, in London.

The following is an extract from the statement by the Chairman, Mr Rudolph E. F. de Trafford, OBE, circulated with the report and accounts:

In October of last year your Company made an offer to acquire the entire capital of Associated Insulation Products, Limited (AIP) on a share-for-share basis and now owns the whole of the capital.

The year 1956 has been one of further progress for the Automation Group—the Elliott Group—the turnover of which has again increased. The profit before tax rose from £260,685 in 1955 to £292,818 in 1956.

I am glad that the hopes I expressed in last year's statement have been realised and I am hoping for continued improvement in the current year. The Order Book has continued to expand and is spread over the wide range of our activities.

We continue to pursue our aim of developing our interests in Automation. This is a vast new field, and although it takes time to develop, we can foresee that in the next few years applications of these modern automation techniques will grow at an increasing rate and will bring with them a very large demand for all kinds of automation equipment.

Arrangements were entered into with The National Cash Register Company Limited, under which that Company would market in this country our Digital Electronic Computers for all business applications.

Your Company continues to expand its interests in the field of scientific and mathematical computers. Among our new activities in automation I should like to refer to our development in Electronic Industrial Weighing.

Our Nucleonics Division is engaged on contracts for the instrumentation of Nuclear Power Stations and has been entrusted with the design and construction of the control systems and instrumentation for the nuclear-powered submarine "Dreadnought." Our Aviation and Guided Weapons Divisions are very active.

The interests of the AIP Group fall mainly within two categories: one consists of subsidiaries in this country engaged in the manufacture of electrical insulation materials, glue film and other resin films, and the other includes merchanting activities at home and overseas and mica mining.

Taking all the factors into account, your Board feel that, subject to unforeseen circumstances, the prospects for your Company in 1957 continue good and the indications are that your Company's long-term plans are maturing in the manner hoped.

The total shareholders' funds, as shown in the Company's Balance Sheet, exceed £4 million.

The Profit and Loss Account shows the profit of the AIP Group attributable to your Company, namely, £272,798 before tax and £117,890 after tax. The corresponding figures for the Group as a whole are £565,616 and £240,542.

At the time of the acquisition, both your Company and AIP paid interim dividends of 10 per cent, less tax, on their Ordinary share capital.

Your Directors now recommend the payment then foreshadowed of a final Ordinary Dividend of 10 per cent, less tax, which compares with 17½ per cent for the previous year on the capital then in issue.

BEYER, PEACOCK & COMPANY, LIMITED

(Locomotive Builders and General Engineers)

STRONG AND LIQUID POSITION

MR HAROLD WILMOT ON WIDESPREAD ACTIVITIES

The annual general meeting of Beyer, Peacock & Co., Limited, was held on May 21st in London, Mr Harold Wilmot, CBE (Chairman and Managing Director) presiding.

The following is an extract from the Chairman's circulated Review:

The accounts continue to show a strong and liquid position with revenue reserves further increased.

Trading conditions were not easy. For example, in December, 1955, we secured an important locomotive order from the South African Railways Administration for 35 powerful Beyer-Garratt Locomotives. An essential condition of the contract was a delivery commencing in seven months. On the face of it this seemed impossible. Only by straining to the utmost our friendly relationship with suppliers and by the adoption of unconventional methods in the manufacture of certain essential components were we able to meet our obligations. The first locomotive was in steam and under test at our Manchester factory one month before contract date and we were happy to have the General Manager of the South African Railways and Harbours at Manchester to witness that achievement. We are most grateful to all who contributed towards the success of that exceptional exercise. This is a small example of what can be done in the export field when men of goodwill co-operate in a determination to achieve the apparently impossible.

For many years the delivery record of your Company has been almost free from blemish. It is good to record this—especially in view of public comment which has often been critical of British Exporters in this respect. Shareholders will appreciate that efforts such as the one described are, however, costly and the direct profits from this contract naturally suffered somewhat as a result. Nevertheless, I believe that in relation to the goodwill maintained and strengthened the cost was relatively trivial.

TRADING ACTIVITIES

The results of the year are on the whole fairly satisfactory. Such small decline as there was is likely to be recovered in the current year.

Metropolitan-Vickers — Beyer Peacock Limited (Diesel Electric and Electric Locomotives) continued to make satisfactory profits and have a reasonable forward order book.

Our Subsidiary Companies have been somewhat re-organised for greater convenience of control. Some new models have been introduced and indications are that they will sell well in normal trading periods.

There are indications that subject to no further industrial or political disturbance our factories will be operating at satisfactory levels throughout 1957. Profit margins should also be reasonable.

Your Board consider it desirable that the ordinary capital of your company should be made transferable in units of 5s., so as to increase its marketability. The preference capital of the Company will continue to be transferable in £1 units.

The report and accounts were adopted and the proposed final dividend of 6 per cent, plus a bonus of 6 per cent, making 16 per cent, less income tax, for the year, was approved.

BAH LIAS RUBBER ESTATES

SIR ERIC MILLER'S SPEECH

The forty-sixth annual general meeting of The Bah Lias Rubber Estates, Limited, was held on May 17th, in London.

Sir Eric Miller, chairman, in the course of his speech, said: The crop harvested on the Sumatran estate during the year under review was 2,780,671 lb. A satisfactory standard of upkeep and cultivation has been attained.

On the main division of Bah Lias estate approximately 259 acres were replanted in 1956 with modern high-yielding material. The young plants are reported to be well established. This year preliminary work is already under way on the replanting of a further 200 acres and a new clearing of approximately 60 acres. The cost is being met out of unremittable rupiah, and in due course this expenditure will enable us to claim the release of a corresponding amount from the compulsory deposit with the Bank of Indonesia.

The rupiah profit, after Indonesian Company Tax and provision for remittance levy, was Rp.1,314,817. Approximately Rp. 1,520,000 has been remitted since October 31st, yielding £47,348; under current regulations Rp. 596,000 should eventually be remittable in respect of 1955/1956, though it is impossible to say when a permit will be granted.

PROFIT AND DIVIDEND

The parent company's sterling accounts show that the year's sterling profit is again mainly derived from our investment in Kulai Rubber Estate, Limited, only small balances in respect of past years having been remitted from Indonesia during the year. The balance on profit and loss account after taxation is £27,506 and the directors recommend the payment of a dividend of 20 per cent, less tax at 8s. 6d. in the £, absorbing £29,146, leaving £20,189 to be carried forward against £21,829 brought in.

This is the right time to determine the minimum sterling working capital which should be retained by Bah Lias. After reviewing the whole position the Board reached the conclusion that the Company's resources in London permit the repayment to members of the Share Premium Account, equivalent to approximately 4.41d. per share, together with a capital repayment of 1s. in respect of each of the present 2s. shares, both free of tax, which together will absorb £173,365.

Indonesia's financial condition has been rapidly deteriorating and it yet remains to be seen whether their government are capable of stopping the rot. Our estate there is a potentially valuable asset which we are keeping in good shape and which is helping the economy of the East Coast of Sumatra. I want to make it quite clear to all shareholders that we have sent none of our sterling resources to Indonesia since the war, and that we have no intention of doing so pending a complete transformation in the situation there, which is certainly not in sight at the present time.

The report was adopted and the proposed capital repayment approved.

SPICERS LIMITED

(Paper Makers, Paper Merchants and Manufacturing Stationers)

FACTORS AFFECTING RESULTS

CONFIDENCE IN LONG-TERM FUTURE OF PAPER TRADE

MR LANCELOT SPICER ON NEW DEVELOPMENTS

The sixty-ninth annual general meeting of Spicers Limited will be held on June 14th in London, Mr Lancelot Spicer, DSO, MC (the Chairman), presiding.

The following is an extract from his circulated statement:

Our profits for the first half of the year 1956, £454,949, which were announced in October were similar to, though a little higher than, those for the second half of 1955, £419,136. The figures for the second half of the year 1956 are, however, not so good and at £296,465 show a marked diminution in profits. The total profit of the Group for this year before taxation is therefore £751,414.

The final result is not as good as your Directors anticipated when they made their forecast as to the probable dividend prior to the Rights Issue in the Spring of last year. Nonetheless, after careful thought, your Directors do not propose to depart from their forecast and are now recommending a final dividend of 6 per cent, making 10 per cent for the year.

During the year 1956 the Paper Trade has inevitably been affected by the economic situation in this country, directly in the early part of the year by the strike in the Printing Trade in London, indirectly later by the decline in the Motor Industry, by the increase in advertising allocations to ITV; combined with the Chancellor's request to the banks to restrict credit facilities this has, throughout the year, created a general desire to reduce stocks—an operation which always takes longer than is expected due to the time taken to absorb previous commitments but which at once curtails demand.

Although I am being advisedly cautious as to the immediate future prospects I should like to assure you that I am not unduly pessimistic. The long term future of the Paper Trade must be good, with the rising standard of living throughout the world and the increase in education. We may, however, have to go through a period of two or three years when production temporarily exceeds consumption, and these are the times when the skill of management is fully tested.

During the year a Rights Issue of £1,500,000 at par was made to the Stockholders. The issue was a complete success. The amount of the issue has been used for reducing bank overdrafts, for replacement and general development of plant and buildings and as investment in additional working capital.

CONSISTENTLY HIGH SALES LEVEL

The sales of the Group have remained consistently high and at £21,960,000 are only £300,000 below those of 1955.

In the home market the merchanting side of our business has continued profitably, though on a reduced scale compared with a year ago.

An interesting feature of your Company's development in 1956 is the acquisition of the right to operate in this country under licence from an important Italian industrial concern a patented process developed by them of "bi-ondulating" paper and other materials. This can be used for producing an attractive and unusual packaging material which will be marketed under the name of CARBION. It had a favourable reception when exhibited at the Packaging Exhibition in January of this year. Production in a new factory at Loughton, Essex, has just begun.

The Chairman then reviewed the progress of the main Subsidiaries in the Group at home and overseas, and continued:

Our Sawston Paper Mill (Edward Towgood and Sons Limited) which has had much attention during the last few years, is today in good order. A considerable part of the output of this mill is on speciality industrial papers, for which we have developed a good trade. We are developing this market whilst not neglecting ordinary commercial papers.

Our Board Mill at Retford continues to prosper. Good management has increased the output of this mill without any spectacular additional investment in machinery, and consequently we have been able to maintain profits in a competitive market.

British Waxed Wrappings, an important subsidiary group, has had a good year. Their Canadian Company, acquired in 1955, is making a valued contribution to their profits. It is a tribute to the management of British Waxed Wrappings that despite all the trading difficulties the group of companies had a very satisfactory year.

In Australia the activities of the Company continue to expand and, as forecast in an earlier statement, we have proceeded with the construction of a new factory and warehouse premises at Sydney and this fine new building will come into operation about the middle of this year. This has enabled us to re-house and expand our existing manufacturing activities in New South Wales and also to provide improved storage and warehousing facilities for our paper merchanting side at reduced costs.

Spicers (South Africa) are still handicapped by import restrictions and particularly by government policy in issuing import licences whereby in many cases the licence for paper which normally we import has now been given direct to our customer. Our South African Company has in the past made substantial profits and we believe in its future, but it is going through a period of reduced profit making.

Our Export Company which trades in all those areas overseas where we have not got our own resident company has maintained its position. During the year we have opened our own office in Hongkong in which area we have previously traded through agents. I referred last year to our business as overseas agents for various types of printing machinery. In this connection it may be interesting to note that we have accepted the agency in the Far East for the Linotype Machinery Company. We believe this will be a mutually valuable connection. In Canada our new warehouse is operating successfully and our market there is steadily increasing.

West Africa, which is a growing area, is commanding our very close attention, and our efforts are bringing a proper reward.

In Latin American countries, within the limitations of exchange facilities, we are making satisfactory progress in most areas.

THE FUTURE

Referring to the short-term future of the Paper Trade throughout the world the prospects for Europe and those export markets served from Europe seem reasonably steady with a tendency towards temporary over-production due to new plant coming into operation. There are also two possibilities which must be watched carefully—reduction of armaments and the European Free Trade Area. Regarding the first, whilst it may have some direct influence on specialised sections of the packaging and wrappings side of the trade in the main the effect will be indirect. As for the European Free Trade Area no plan of this kind, beneficial as it may be to the country as a whole, can be introduced without causing difficulties in some directions. In the case of your Company the distribution side should be able to adapt itself readily to whatever may be the demands of the market.

This year has seen the expansion of our distributing organisation in the arrangements made with three important paper mills, the extension of our conversion activities in Australia and our entry into the packaging field in the production of Carbion. These ventures together with the normal demands of every one of our trading units will keep us well occupied during the coming year—but your Board will always be ready to examine any new developments which may seem suitable for addition to your Company's activities.

OLYMPIC PORTLAND CEMENT CO., LIMITED

The forty-sixth annual general meeting of this company was held on May 22nd in London.

The Honourable Gerald H. G. Williamson, chairman, in the course of his speech, said: The accounts cover a period of nine months from April 1st to December 31, 1956—a period in which some major decisions were taken, the most important of which was to double the kiln capacity at Bellingham from one to two million barrels per annum.

It was resolved to increase the Authorised Capital from £500,000 to £1 million. Consent of HM Treasury to an issue of 500,000 new shares of £1 each at a price of 30s. per share having been obtained, Renounceable Provisional Allotment letters were posted to shareholders on December 28, 1956, and upwards of 97 per cent accepted the offer.

I concluded my remarks at the last meeting by telling you that we had contracts which with the normal business should make the production during the period to December 31, 1956, reasonably satisfactory. These expectations were not fulfilled.

An increase in production costs was inevitable because of lower production, while lower deliveries meant lower profits. Trading profits amounted to £146,655 before taxation. For the twelve months to March 31, 1956, profits before tax were £219,505. The increase in cement prices which became operative in March, 1956, has, however, had the effect of offsetting the increase in the per-barrel costs for the nine months to December 31, 1956, and of leaving a little over. I had the privilege to visit your plants last month and I look forward with optimism to the future. The report was adopted.

G. & J. WEIR LIMITED

ANOTHER YEAR'S EXCELLENT RESULTS

THE HONOURABLE J. KENNETH WEIR'S STATEMENT

The sixty-third annual general meeting of G. & J. Weir, Limited, will be held on June 11th at Glasgow.

The following is an extract from the circulated statement by the chairman, the Honourable J. Kenneth Weir, CBE, for the year 1956:

This Statement records another year's excellent results, a proposed change in our Capital structure, an important acquisition to our Group, and heavy demands for our products, resulting in record Order Books.

The Consolidated Profit and Loss Account shows that the trading balance for the year is £3,338,752. This is a reduction of £85,346 compared with the previous year, which was a record for your Group. The reduced earnings are the result mainly of a drop in output of the Parent Company, coupled with the general incidence of higher costs.

AN IMPORTANT ACQUISITION

Wm. Simons & Company Limited.—During 1956 your Board had under particular review the capacity available in the Group to undertake the manufacture of heavy plant, such as evaporating and distilling plants for the production of fresh water from sea water or some of the equipment required for nuclear power plants. Installations such as these involve the machining and erection of very large units, tying up heavy machinery and assembly space for considerable periods. Moreover, there has been a substantial increase in the size of modern turbo-alternators and their ancillary plant such as feed heaters, de-aerators and boiler feed pumps, which are our products. We have also over the past few years secured several contracts for land condensing plants, and here we have been compelled to sub-contract the manufacture of the condensers themselves, as our existing equipment has not been large enough to deal with them.

All these considerations pointed to the desirability of acquiring an existing business having heavy machining and erecting capacity, and in addition having unused land for future development. These requirements appeared to be met in Wm. Simons & Company Limited, the well-known and long-established Shipbuilders and Marine Engineers, of Renfrew. We, therefore, decided to make an offer to purchase the Company, and, as Stockholders will have seen from the press, our offer was successful.

On the shipbuilding side the Company has at present on order a large suction hopper dredger for the Calcutta Port Commissioners, two diesel electric fish factory trawlers and two diesel electric paddle tugs for the Admiralty, and they have recently received a further order from the Admiralty for two boom defence vessels. This order book should ensure continuity of work for a reasonable period, and under today's conditions we would expect no difficulty in keeping the yard employed for some time.

SURVEY OF PERFORMANCE

G. & J. Weir, Limited.—As mentioned previously, the output of the Parent Company fell somewhat short of the record figures of the preceding two years. This reduction was mainly due to the completion in 1955 of the large individual contracts for distillation plants for Kuwait and Aden which so materially contributed to our output in 1954 and to a lesser extent in 1955.

On the other hand, our sales were exceptionally high. In my Statement last year I referred to the considerable increase in orders which began during the latter half of 1955. This agreeable state of affairs continued throughout 1956 so that by its end our Order Book had expanded to a figure well in excess of the previous record set up in 1952.

Last year I referred to the receipt of an order from the Island Council of Aruba for the world's largest plant for distilling fresh water from sea water—a total production of 10,000 tons of fresh water per day, the contract being valued at a figure of £1,500,000. Later in the year we received an order from the Island Council of Curacao for a plant for the combined production of fresh water and electricity. The value of this order was £1,400,000.

While the two large distillation plant contracts naturally take first place in a record year of orders, we enjoyed a year of high demand for our ordinary products.

Our research work continues to increase; the new Research building has been completed, and the extra space has enabled us to increase our staff and equipment. Development has proceeded along the lines I indicated last year.

Drysdale & Company, Limited.—The output from the Yoker Works has again been considerably increased, with the result that we were able to have another record year.

As I indicated last year, the size of units for Power Stations, Graving Docks, etc., continues to grow, and we have found it necessary to provide heavier building and plant to cope with this work.

The Argus Foundry Limited.—In 1956 there was an increase in the level of output, although during the last quarter demand lessened somewhat and production fell accordingly. In total, however, earnings showed an improvement over the previous two years.

Zwicky Limited.—Output during the year was maintained at a high level. The new factory and office buildings have been completed and are now occupied.

Weir Housing Corporation Limited.—I am pleased to report that the results for 1956 were very satisfactory indeed. The output of houses at 3,250 was higher than the previous year, and earnings were also at a higher level. It is gratifying to note that, of the total Local Authority houses completed in Scotland during the year, 13 per cent, or one out of every eight, was a Weir House, so enabling us to maintain our pre-eminent position in Scottish building.

Competition for housing contracts in 1957 is keener than ever before, but it is hoped that the output for 1957 will be maintained at the present level.

Weir Valves Limited.—The output during the year turned out to be better than anticipated and was maintained at the 1955 level. We have completed various large special contracts and have produced an increasing number of new standard designs.

Currently we are engaged in designing valves for use by the Oil Industry, and it is anticipated that production will commence on a large order towards the end of 1957.

BLOCK & ANDERSON, LIMITED

(Manufacturers and distributors of Office Machines and Equipment)

SALES AGAIN A RECORD

MR W. E. BLOCK'S STATEMENT

The twenty-sixth annual general meeting of Block & Anderson, Limited, was held on May 20th at the registered office, 58-60 Kensington Church Street, London, W., Mr W. E. Block, chairman and joint managing director, presiding.

The secretary (Mr W. Crosskey, FCWA) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts for the year to November 30, 1956:

The growth of your company continued during 1956 and the record sales of the previous year were again exceeded. Due to the constantly rising costs of production, sales and service, which could not always be passed on to our customers, the group profit, before taxation, is approximately the same as in the previous year, namely, £231,962 as compared with £235,793.

In addition to the interim dividend of 10 per cent paid last November, your Directors propose a final dividend of 25 per cent. less tax. This represents a total distribution on the Ordinary capital of £61,250 before tax as compared with £54,250 in the previous year. The balance of undivided profit to be carried forward in the Consolidated Balance Sheet after allowing for the above distribution, the dividend on Redeemable Preference shares and the scrip issue, dated March, 1956, of £56,250, amounted to £230,135 against £214,420 brought in.

NEW BRANCHES

At home we opened three more branch offices and now have twenty-two. In Canada new branches have been started in Halifax and Calgary, which brings the number of branch offices in that country to five besides the Head Office in Montreal. Our South African subsidiary showed particularly good results within the possibilities allowed by import restrictions.

The export of our Banda Spirit Duplicating and Systems machines also showed an increase. We actually exported 65 per cent of the total number of Banda machines sold last year and these went to 89 different countries. In the USA we concluded an Agency agreement with a well-known firm and exhibited our Banda machines for the first time at the New York Business Show, where they attracted considerable interest.

PROPOSED "RIGHTS" ISSUE

In London we were hard pressed for a long time to find space for our continually expanding activities, and at one time, occupied premises at seven different addresses. We are now awaiting completion of the reconstruction and modernising of spacious premises in Hammersmith where we shall be able to house all sections of our London Organisation, excepting London Sales, which will remain in Kensington. These new premises will also give us the possibility of further expansion for many years to come.

The move into the new premises, which we hope will take place towards the end of this summer, and the re-equipping of our offices, as well as the progress with several recent development projects, requires additional capital. Your Directors have, therefore, decided to make a "Rights" Issue of 500,000 Ordinary shares at 1s. each on the basis of one new share for every seven shares held. It is expected to announce the price at which the shares will be issued shortly before the annual general meeting. (Price announced on May 17th.) It is anticipated that allotment letters will be posted on June 3, 1957.

It may interest you to know that it was 35 years ago last March that I laid the foundation of this business, starting with a small office in St. Paul's Churchyard. The original staff consisted of three people. Today your company, with its subsidiaries, employs nearly 1,000.

HOPEFUL OUTLOOK

With regard to the outlook for the current year, I am glad to say that the recent Suez crisis does not seem to have affected our line of business and, although it is too early to judge, I hope that we shall be equally successful in counteracting any adverse effect of the recent industrial unrest, providing it will not last too long.

The continued success of your company depends to a large extent on the wholehearted support and co-operation of our management and staff and I want to thank, on your behalf and on behalf of your Board, all members of our personnel at home and abroad for the excellent work and devotion to duty which they have shown during the past year.

The report and accounts were unanimously adopted; the proposed dividend was approved; the retiring director, Mr L. E. Brougham, was re-elected and the remuneration of the auditors, Messrs Peat, Marwick, Mitchell and Co., was fixed.

BANCO DI SANTO SPIRITO

ROME

Established 1605

Capital and Reserve Funds: Lit. 1.830.000.000

THE ANNUAL GENERAL MEETING of the Banco di Santo Spirito was held in Rome on March 30, 1957, the Marchese Giovanni Battista Sacchetti being in the chair. The following Balance Sheet was approved:—

Statement of Conditions as of December 31, 1956

ASSETS			LIABILITIES		
Cash and Balances with other Banks	Lit.	6.308.461.089	Capital	Lit.	750.000.000
Bills and Government Bonds	„	58.441.106.018	Reserves	„	750.000.000
Securities:			Deposits	„	39.032.677.053
State or State-guaranteed	„	5.684.758.062	Current Accounts (Creditors)	„	14.602.764.157
Real estate securities	„	1.499.911.095	Bankers' Drafts	„	3.260.584.307
Miscellaneous shares	„	491.530.910	Government Revenue Collection	„	5.079.077.017
Holdings	„	368.989.198	Creditors (Bills Endorsed)	„	2.038.061.581
Stock Exchange Transactions	„	2.582.478.543	Miscellaneous Creditors	„	4.646.551.120
Current Accounts (Debtors)	„	29.813.828.242	Staff Retirement Fund	„	3.040.000.000
Government Revenue Collection	„	677.366.470	Assets Rediscounted	„	893.701.972
Staff Retirement Fund	„	1.396.773.480	Profit Balance Brought Forward	„	5.881.535
Miscellaneous Debtors	„	1.444.340.955	Net Profit 1956	„	400.295.891
Drafts for Collection	„	6.412.863.570			
Premises	„	377.187.000			
Furniture, Fixtures and Fittings	„	1			
	Lit.	115.499.594.633		Lit.	115.499.594.633
Unsecured Accounts	„	6.922.202.906	Unsecured Accounts	„	6.922.202.906
Counter Accounts	„	58.635.987.072	Counter Accounts	„	58.635.987.072
	Lit.	181.057.784.611		Lit.	181.057.784.611

Profit and Loss Account

EXPENDITURE			RECEIPTS		
General Expenses, Taxes, etc.	Lit.	4.476.159.421	Discounts, Interests, Commissions, etc.	Lit.	4.337.017.097
Interests on Deposits	„	971.887.921	Interests, Dividends from Securities	„	1.511.326.136
Net Profit	„	400.295.891			
	Lit.	5.848.343.233		Lit.	5.848.343.233

It was further resolved to transfer Lit. 330.000.000 to reserves and to distribute a dividend of Lit. 50 (10%) per share.

THE CAPE ASBESTOS COMPANY LIMITED

CONTINUED GRATIFYING PROGRESS

MR ROBERT WALKER ON SUBSTANTIAL EXPORT SALES

The sixty-fourth annual general meeting of The Cape Asbestos Company Limited will be held on June 12th in London.

The following is an extract from the statement by the chairman, Mr Robert Walker, MBE, which has been circulated with the *report* and accounts for the year ended December 31, 1956: The Balance Sheet and Accounts of your Company for the year to December 31st last, show, I am pleased to say, an improvement on the results for the previous year. In view of the increased earnings for the year, your Board has felt justified in recommending a moderate rise in the rate of dividend which I trust will meet with approval.

The general pattern of the Group's activities in what is generally admitted to have been a *somewhat difficult year, was not* dissimilar to that of 1955, the emphasis being on a further growth in the sales of manufactured products and continued efforts further to improve the quality and increase the production of crude asbestos fibre.

TURNOVER

The Sales revenue of the Group in 1956 increased by approximately 13 per cent. The proportion of our turnover in manufactured goods which was shipped to export markets was approximately 22 per cent. Something in excess of 5 million dollars was earned in sales, principally of crude asbestos, both Blue and Amosite, to the North American Continent. These figures I regard as eminently satisfactory, and there is every indication that with the increased production which has been planned for our Mines they can be further improved.

Great credit is due to our Sales force for these results and it is gratifying to observe the way in which the expansion of your Company's activities into the various new fields to which I have referred over the past three or four years is dovetailing into a cohesive pattern.

I should also like to make a special reference to the success of our subsidiary companies in Canada and the United States of America, which are opening up new markets, and cementing relationships with existing customers.

FACTORIES

All the factories of the Parent Company maintained a high level of productivity throughout the year, and at Stirling, where our fine quality and successful range of mineral wool insulation products marketed under the name of ROCKSIL are manufactured, the projected doubling of the factory's capacity was completed late in 1956.

At Barking, where our largest factory is situated, efficiency has been further improved and additional facilities for the manufacture of ASBESTOLUX insulation board, the demand for which is exceptional, are being installed.

The output of your Company's principal insulation product, CAPOSITE high-temperature Amosite asbestos insulation reached a record level and the demand shows no sign of slackening during 1957. All your Company's insulating materials are eminently suited to the demands for insulation of atomic power stations, and to other nuclear developments.

Research, both fundamental and in relation to specific requirements, continues at our Central laboratory and there are a number of interesting projects under review.

SUBSIDIARIES

The difficulties which have been encountered in the last two years in the mining and treatment of Blue and Amosite fibre are still a source of some anxiety. In the Blue Asbestos fields, however, our major problems have been surmounted, and I am glad to be able to report that production has increased and is steadily increasing. The continued maintenance of a high standard of quality of treated fibre is a matter of the first importance to us, and more scientific methods of both mining and treatment are constantly being introduced.

In the Amosite fields, which are operated by the subsidiaries Egnep Limited and Amosa Limited, 1956 was not a happy period, though I am glad to say that since the turn of the year there has been a very definite improvement. We have every confidence in the fibre resources of the deposit, but production has been handicapped by a number of mining and physical difficulties and a sharp increase in costs was experienced. I can explain the situation shortly by saying that we are passing through a transition stage from relatively simple adit level operations to mining at deeper levels, with attendant problems of pumping and ventilation. With the efforts that have been made to increase production in tune with customer demand, the development of ore reserves has lagged behind to some extent and must now be speeded up.

CAPITAL EXPENDITURE

The provision of sufficient power to cover the increasing scale of operations is a necessity which is being tackled as energetically as possible, and the first section of a large steam generating plant came into commission during 1956. More houses have been built and more equipment for fibre treatment has been and is being erected. All these operations constitute a heavy drain upon the Group's resources of both money and skill. During the next two years capital equipment at the mines will call for very substantial expenditures and the total will be swollen when other plans for expansion of manufacturing capacity both in the United Kingdom and abroad are put into effect.

The cash position of your Company remains strong, and it is my belief that our programme can be financed from existing resources supplemented by current earnings.

The demand for both our highly specialised types of fibre, Blue and Amosite, remains as strong as ever.

The statement concluded with a review of the other subsidiary companies at home and overseas.

GOPENG CONSOLIDATED, LIMITED

MR D. W. THOMAS'S STATEMENT

The forty-fourth annual general meeting of Gopeng Consolidated, Limited, was held on May 15th at the Registered Office, Station Hill, Redruth.

Major W. E. Hosking (a director), presided, in the absence of Mr D. W. Thomas (Chairman).

The Reports and Accounts for the year ended September 30, 1956, having been circulated for the prescribed time, were taken as read, as was also the Chairman's Statement, circulated with the Reports and Accounts, which was as follows:

The Accounts for the financial year ended September 30, 1956, show a profit of £113,331, after payment to the Malayan government of £72,860 for Royalty on Ore Sales and the provision of £154,269 for United Kingdom and Malayan Taxation. Four dividends, each of 2s. per £1 stock paid in respect of the year under review, absorbed a nett amount of £91,026. From the available balance £13,812 was written off Capital Expenditure and £8,485 written off in respect of Rubber Estates Replanting Costs. After sundry small adjustments the balance unappropriated at September 30, 1956, was £57,983, an increase over the previous year of £125.

The attention of Stockholders is drawn to the Report of our General Managers, Messrs Osborne & Chappel, circulated with the accounts, where comparative figures of ground treated, tin ore recovered, etc., are clearly set out. The volume of ground treated was a little more than in the previous year and the recovery per cubic yard slightly higher and, in consequence, the amount of tin ore produced was 849.85 tons as against 758.73 tons during the year ended September 30, 1955. The General Managers anticipate that the same satisfactory rate of production will be maintained during the current year.

From the Moynalpy Estate a profit of £6,103 resulted; and from the Sanglop Estate, in which your Company owns a half interest, the profit was £1,924.

Stockholders have been advised as follows of the production of tin ore for the first 5 months of the current year: October, 1956-February, 1957—6,500 piculs=387 tons.

The Security position at the Mine and Estates continues to improve and no incidents occurred during the year.

I have pleasure once again to record our appreciation of the services of the General Managers, the Resident Manager, and the Staff at the Mine and the Estates.

INTERNATIONAL TIN AGREEMENT

Since the beginning of the current financial year the agreement has become operative and and an initial Buffer Stock of 15,000 tons metal, or its equivalent in cash, originally calculated at £640 per ton, is being established

Producers were of course unlikely to contribute metal at £640 per ton while it commanded a much higher price on the market and, consequently it seemed probable that the Buffer Stock would consist entirely of cash. It has now been announced that the International Tin Council has approved the raising of the floor price, with immediate effect, from £640 to £730 per ton. The complete range of prices therefore become as follows:

Below £730 per ton the Manager of the Buffer Stock must buy tin, between £730 and £780 per ton he may buy and between £780 and £830 per ton he may neither buy nor sell. The ceiling remains at £880 per ton, but the Manager may sell when the price is £830 per ton or over.

Since the inception of the Buffer Stock your Company has made the following payments in accordance with the provisions of the International Tin Agreement:

October, 1956	£3,068
November, 1956	£3,862
December, 1956	£3,173
January, 1957	£3,394
February, 1957	£2,940

TAKE-OVER BID

In October, 1956, a take-over bid for the whole of the Issued Capital of your Company was made by a London Finance House. In the opinion of the Board the offer was totally inadequate, and thanks to the support given to the Board by the Stockholders it was rejected by an overwhelming majority. On behalf of the Directors I take this opportunity of thanking Stockholders for their continued support of the Board and its policy.

REPAYMENT OF CAPITAL

At an Extraordinary General Meeting held on December 6, 1956, Special Resolutions were passed with a view to repaying 1s. 6d. on each 5s. Stock Unit. I regret the repayment has, at the time of writing this statement, not been made, but the Petition has been filed and application is proceeding. The Court has, however, required copies of the audited balance sheet and Accounts for the year ended September 30, 1956, to be produced, and so delay has been unavoidable, but the latest advices indicate that the Repayment should be possible shortly before or soon after the Annual Meeting.

It is with deep regret that I have to report the recent death of our co-Director, Mr Francis Tom Rostron, who had been a Director of this Company for ten years. Apart from being a most agreeable colleague, he was a mining engineer of great experience and gave unstintingly of his services to the affairs of this Company.

The Statement of Accounts and Balance Sheet, together with the Directors' Report, were received and adopted.

At the close of the meeting the Chairman announced that a second Intetim Dividend of 2s. per £1 Stock on account of the profits for the year ending September 30, 1957, had been declared, payable on June 28, 1957.

COMPAGNIE MARITIME BELGE (LLOYD ROYAL)

SOCIÉTÉ ANONYME

ANTWERP, BELGIUM

The Annual General Meeting of the Compagnie Maritime Belge was held on May 2, 1957, and the following are details of the report presented by the Board of Directors.

REVIEW

The demand for shipping space, which had risen steadily in 1955, showed an even greater increase in 1956.

In addition to the factors mentioned in last year's report, the closing of the Suez Canal made a contribution of its own. The alternative routing of vessels round the Cape severely cut the tonnage available whilst the disparity between supply and demand was accentuated.

The cost of tramp freightage for dry cargo increased by some 25 per cent in 1956. Increases in charter rates and the price of secondhand ships followed a similar trend. In accordance with their traditional policy the established shipping lines participating in freight conferences made only moderate increases in their charges.

Total tonnage currently on order or under construction exceeds 26 million tons. Shipyards' order books are full, and many of them have work in hand to last until 1962. Shipowners wishing to ensure normal replacement of their fleet are obliged to place orders several years before renewal becomes necessary. At the same time, the shipping companies face rising operative costs, which are not being offset by the moderate increase in freight charges. These higher costs are reflected in every sector by demands for higher pay and shorter hours, and by rises in port expenses, maintenance costs, equipment prices and purchase of fuel and food supplies.

Current developments point to a continuation of this trend in 1957, a factor which must be taken into account in future decisions in the industry.

FUTURE DEVELOPMENTS

For many years the policy has been to offset rising costs by improving operating efficiency.

During the last year this policy led to a number of achievements. They include the commissioning of the mixed liner *Jadotville*, and the fast freighters *Lukuga, Lusambo* and *Lulua*.

The sister ship to the *Jadotville* was launched on January 10, 1957, and christened *Baudouinville*.

During 1955, the Company ordered four ships of a new design. In 1956, to ensure planned replacement of the fleet, a further order for four ships was made, to be delivered in 1959 and 1960. The first four of these will be assigned to the East African routes. The last four ships will be on the West African run.

Competition on the main route Antwerp-Congo caused a drop in freight rates in 1956 and led to the conclusion of an agreement. The rates in force in 1953 were restored as from February, 1957, and thus once again ensured commercial stability.

PROFIT

The result of the past year's operations was a profit of Bfrs.115,176,248—which, with the balance of Bfrs.1,685,073 brought forward from 1955, produced a total of Bfrs.116,861,321—which it is proposed to distribute as follows:

(1) A net dividend of 6 per cent on 31,540 units of registered stock at Bfrs.100 each, totalling	Bfrs.222,636
(2) To be carried forward ...	Bfrs.1,557,496
The balance of Bfrs. 115,081,189 is to be allocated as follows in accordance with Article 36 of the Company's statutes:	
9 per cent to profit sharing rights	Bfrs.10,357,307
91 per cent to 323,692 non-par shares ...	...Bfrs.104,723,882

The report and accounts were adopted.

BOARD OF DIRECTORS

MM. Paul Gillet, Chairman; André de Spirlet, Managing Director; Comte Gobert d'Aspremont Lynden; Carl de Brouwer; Baron Edouard Empain; John Hall Joyce; Robert Lippens; Alfred Loesch; Aimé Marthozh; Frédéric Osterrieth; Gilbert Périer; Léonard Scraeyen.

BANK OF BRITISH WEST AFRICA

SATISFACTORY OUTCOME OF ACTIVITIES

The sixty-third annual general meeting of the Bank of British West Africa Limited will be held on June 13th at the Office of the Company, 37 Gracechurch Street, London, E.C.3.

The following is an extract from the circulated statement of the Chairman, The Right Honourable Lord Harlech, KG, GCMG:

The extension of our network of branches undertaken in the past few years now provides a very good coverage of banking services throughout the territories.

The Balance Sheet shows some contraction in total, due to the loss of deposits in London, but I am pleased to tell you that in fact the volume of our business in West Africa shows again a steady increase. The Profit and Loss Account records an improvement of some £35,666 on the year's trading which I am sure Shareholders will regard as a satisfactory outcome of our activities.

The further improvement in our profits justifies an increase in the distribution to Shareholders and your Directors have much pleasure in recommending a final dividend at the rate of 7 per cent, which together with the interim dividend of 5 per cent paid in November last makes a total of 12 per cent for the year. This is an increase of 2 per cent, compared with the distribution for the year to March, 1956.

MOVEMENT TOWARDS SELF-GOVERNMENT

In all the West African territories the movement continues towards self-government. The successful conclusion of the arrangements for placing Ghana under her own Constitution was a great credit to the statesmanship of all those involved. Negotiations for further constitutional advance in Nigeria are proceeding. The precedent in Ghana has inevitably brought forward the aspirations of Nigerians.

The scheme for technical help very recently agreed between Ghana and the United Kingdom should be of great value not only in economic and administrative development but in drawing even closer the ties of mutual understanding and friendly co-operation.

There has been deep disappointment in West Africa occasioned by the fall in the price of cocoa. For several years these territories have profited by world prices which have been disproportionately high by comparison with other commodities. Happily a large part of this excess income has been channelled into reserves and the people have been saved from the serious slump into which they would have been plunged had the surplus not been syphoned off into Government controlled stabilisation funds, development schemes and reserves. Current prices leave little surplus for the financing of further programmes but the success of a sound policy of orderly marketing is very apparent in the recently prevailing conditions.

The statement then reviewed developments in Nigeria, Ghana, Sierra Leone and The Gambia, and concluded:

Our experience in these territories now extends over some 63 years. In addition we have our offices in Duala, French Cameroons, and in Tangier, Morocco. With our specialised knowledge and connections, I am sure we can look to the future with confidence.

POWER SECURITIES CORPORATION, LIMITED

LARGER PROFIT AND DIVIDEND

The thirty-fourth annual general meeting of this company will be held on June 12th in London.

The following is an extract from the Statement by the Chairman and Managing Director, Sir Andrew M. MacTaggart, circulated with the report and accounts:

In submitting the results for the year ended December 31, 1956, I do so with a feeling of satisfaction that, despite the somewhat stringent time we have been through during the past year, we are able to produce figures which I trust you will regard as satisfactory also.

The consolidated gross profit of £1,292,203, shows an increase of just over £198,000 on the previous year's figure. We have, however, had to meet higher expenses including depreciation of property and plant, which has increased by £119,000 over last year's figure. This year we have made provision for Contract Contingencies in the Profit and Loss account to the extent of £100,000, whereas in 1955 we transferred a similar amount to Contracts Reserve in the Appropriation account. The result is that the consolidated net profit of £222,680 is £88,316 less than the previous year, but for a true comparison the £100,000 provided for Contract Contingencies should be added to the net profit. If this is done the result is an increase compared with the previous year of £11,684. Adding to the consolidated net profit the balance brought forward from the previous year, there is a total of £398,769.

Your Board of Directors have given careful consideration to the results of the various companies in which this Corporation is interested, and having made ample provision for foreseeable risks, recommend that the dividend on the Ordinary shares shall be increased by one per cent, making 11 per cent for the year.

BALFOUR, BEATTY & COMPANY

Our principal source of income continues to come from our Subsidiary Companies, which comprise a wide cross-section of the constructional industries. Balfour, Beatty & Company, Limited, our principal Subsidiary Company, I am pleased to report continue to hold a leading position in civil and electrical engineering contracting, both at home and abroad, despite the ever-changing conditions one has to face in a world of cosmopolitan politics, creating at times situations which completely surpass anything one would reasonably expect and foresee in the constructional industry, and which add one more uninsurable risk to those we already run.

I ventured to remark in my statement last year that the Middle East was, in my opinion, problem number one for this country, and I am afraid it still is. It is a problem which must be solved if we want to be assured of a period of peace and prosperity in the world. All parties concerned appear to have collected different data, and so are unable to resolve a common formula, without which no real solution is possible.

We are well equipped to deal with any constructional work which may come our way, although undoubtedly the financial restrictions will affect our usual progressive adventure into new fields—even if only temporarily—but we are hopeful that the proposals regarding Overseas Trade Corporations in the Finance Bill will prove helpful.

THE UNITED MOLASSES COMPANY LIMITED

IMPROVED RESULTS

The thirty-first annual general meeting of this company will be held on June 11th in London.

The following is an extract from the circulated statement of the chairman, Mr G. W. Scott, CBE, for 1956:

The gross profits of the Group for 1956 at £7,101,533 showed an increase of £1,930,879 over the gross profits for the year 1955. This improvement is largely due to the increased level of tanker and general cargo freights prevailing during the year. The benefit derived from the incorporation of the results of E. N. Bray Limited and The Olympic Portland Cement Company Limited was also included for the first time.

Taxation again proved a heavy burden on the company's revenue and absorbed more than 60 per cent of the gross profits of the company after charging depreciation. The recent Budget concessions are welcome but will not materially affect the burden of taxation likely to be borne by your company for the ensuing year.

Molasses prices in producing areas showed a steady and substantial increase during 1956.

The new year started off well, with freights remaining at a satisfactory level and profits on the molasses trading and manufacturing well maintained. In view of the good start in trading your company has experienced during the first few months, it is felt that the profits for the ensuing year should be reasonable and sufficient to cover distributions at the rate for 1956.

ASSOCIATED FISHERIES LIMITED

At the General Meeting held on May 21st in London Mr W. A. Bennett reported another period of satisfactory trading by the Group. Keen competition continues in the Fishing Industry and these results were only obtained by efficient management, rigorous control of rising costs and continuation of a progressive policy. Our fleets' daily rate of catch attained a new record level and the average price realised also improved. This combination of higher productivity and higher price was quite insufficient to cover the increase in catching costs. These alarming increases in production costs are much too large to be absorbed either by increased effort or efficiency. Over the past three years our costs per sea day have risen by 35 per cent with only an increase of 8½ per cent on the average price realised.

The turnover of the Group rose by over £1,300,000, or 19 per cent, to a new record of £10,250,000. Excellent quality of fish, good value for money, and the Industry's advertising campaign stimulated public demand. After covering all costs and depreciation the profit remaining out of every 20s. turnover is 1s. 1½d. Taxation absorbs 6½d., net dividends 2½d., leaving 4½d. retained against the ever increasing costs of replacement and development.

Terrible weather conditions, lack of fish on the grounds, and mounting costs, including the staggering increase of 40 per cent in fuel oil costs consequent upon the Suez crisis, have markedly affected the results of the current year to date. Such testing conditions have been surmounted in the past, and the endeavours of your Board in expansion and development testify to their confidence in the future.

THE LONDON ASSURANCE

COMBINED ASSETS OF GROUP EXCEED £62 MILLION

The Annual General Court of The London Assurance will be held on June 12th in London.

The following is an extract from the circulated statement of the Governor, Mr R. Olaf Hambro:

The figures for 1956 show a further substantial increase in our premium income, the total for the Fire, Accident and Marine Departments amounting to £22,723,405, as compared with £17,540,757 in 1955. The post-war growth in income has continued, and the only indication of a levelling-off in the upward trend is in the Marine Department.

Over-all, the year has been a bad one. Notwithstanding a notable maintenance of our excellent profit record in the Marine Department, the adverse experience in the Fire and Accident Departments, principally in North America, has produced a total underwriting deficit. Broadly speaking, our two main troubles have been, as with other companies carrying on a similar business, the further deterioration of the Motor Account all over the world, particularly in North America, and in the latter territory a parallel deterioration in the experience of the Fire Department.

Life Account.—Our new Life Assurance business has for the first time exceeded £10 million, an increase of £1,600,000 on the previous year. The premium income in the Life Assurance Account increased by £140,000 to £2,443,537, and the Fund from £23,035,954 to £24,735,297.

Fire Account.—The fire premium income amounted to £8,937,689, compared with £8,521,416. The claims cost at £4,466,747 represented just 50 per cent of the premiums. An underwriting loss of £453,910 had to be met by a transfer from Profit and Loss Account.

Accident Account.—The premium income in the Accident Department shows a very large increase from £5,832,852 to £10,537,691. Of this increase, amounting to over £4,700,000, approximately £3 million represents the business of the Guarantee Insurance Company of Los Angeles and the Securitas Insurance Company of Bremen, now included in the total figures for the first time. It has been necessary to transfer from Profit and Loss Account the sum of £707,278 to balance the Account. As I have said, the Motor Account is principally responsible for this unfortunate result. It is greatly to be hoped that premiums and claims can be brought into more proper relation before very long.

Marine Account.—The total premiums at £3,248,025 show a small increase compared with the 1955 figure of £3,186,489. The transfer to Profit and Loss Account is £550,000, the same amount as in 1955.

PROFIT AND LOSS ACCOUNT

When a balance is struck, a net figure of £68,362 is brought out, and this represents the over-all loss for the Group on the year's operations. The Directors recommend that the dividend be maintained at the same rate as for 1955.

Balance Sheet.—The combined assets of the Group in the General Fund and the Life Department show very substantial increases. The total is now £62,412,563, as compared with £55,945,795 at the end of 1955.

"MONTECATINI" SOCIETA GENERALE PER L'INDUSTRIA MINERARIA E CHIMICA

(Milan, Italy)

The Ordinary General Meeting of "Montecatini" has been held in Milan under the chairmanship of Count Dr Carlo Faina. The Report of the Board of Directors whilst pointing out the contribution made by Montecatini to the economic progress recorded in Italy during 1956, emphasises the interest with which the Company has been following the programmes and agreements relating to a Common European Market. The Company reasonably expects to achieve within a European framework even more favourable results than those firmly established so far by operating mainly in the field of Italian economy.

The Report also expresses the hope that with an eye to the European community the Italian Parliament will make arrangements at the earliest possible moment to bring home legislation into line with the legal standards of the other countries, especially as regards Patent Law.

The Report then goes on to describe the results achieved in 1956 in the various spheres of operation of Montecatini, making special mention of the production of pyrites, blende, galena, aluminium and zinc. So far as the power division is concerned, special attention is drawn to the plans of the SORIN (Societa Ricerche Impianti Nucleari) which was formed on a basis of equal partnership by Montecatini and Fiat for operation in the field of atomic power. It is the purpose of SORIN to design and develop the experimental equipment and to bring into being plant for the utilisation of this source of power.

Prospecting for liquid and gaseous hydrocarbons has been intensified since the promulgation of the new Italian law which governs the field of prospecting for and exploiting hydrocarbon deposits. Nonetheless, it is hoped that a few modifications will be made to this law so as to give greater incentive to activities in this sector.

Progress made in chemical industry was satisfactory, especially in those branches of Montecatini which have become traditional: sulphuric acid (production in 1956: 1,297,598 tons), phosphatic fertilisers (production: 1,268,000 tons), nitrogen, chemical products for industry, fungicides and insecticides, paints and varnishes, and pharmaceutical products. Montecatini has brought about a marked increase in its plastics production; and a similar increase has been attained in the production of polyamide fibres. In particular, fresh successes have been achieved in sales of "Nailon" and "Terital."

In the field of hydrocarbons and their derivatives the Report mentions the commencement of work on an industrial scale in the polymerisation of olefines. This is a field which has been opened up to chemical industry by the researches carried out, using original processes, by Montecatini. Work was carried on in 1956 on the erection at the Ferrara Works of the new plant for the production of one of these new products: polypropylene. This new plastic material has been given the name "Moplen." Its mechanical strength and resistance to heat and to chemicals are such as to assure it a paramount position among other thermoplastic materials already known. For this reason the applications of this material are extremely numerous. The year 1956 also witnessed the continued success of the Fauser-Montecatini production processes abroad. In point of fact, contracts have been awarded for a further 25 installations for third parties in various countries. The number of employees also increased during 1956: Labour costs rose from 41,200 million lire in 1955 to 44,900 million lire in 1956.

Montecatini's Balance Sheet, which was unanimously adopted, closed on December 31, 1956, showing a net profit of 10,870,093,641 lire as against 10,178,846,649 lire in 1955. Profits totalling 9,660,000,000 lire rank for distribution to shareholders, equivalent to a dividend of 115 lire for each of the 84 million shares with a nominal value of 1,000 lire which made up the capital of the Company on December 31, 1956.

LUNUVA (CEYLON) TEA & RUBBER ESTATES LIMITED

MR H. W. HORNER'S STATEMENT

The Annual General Meeting of the Lunuva (Ceylon) Tea and Rubber Estates, Limited, will be held on June 13th in London.

The following are extracts from the address by the Chairman, Mr H. W. Horner, circulated with the report and accounts:

The tea crop for the year was nearly 9½ million pounds, only a little short of that harvested in 1955. The rubber crop, at just over 1½ million pounds, was slightly below the estimate but in excess of the actual crop for 1955.

Tea realised an average price (including 104,512 lb. unsold at the time of completion of the accounts and conservatively valued) of 40.82d. a lb. net, an increase of 3.91d. on the average for 1955. The comparable net cost per lb. shows an increase of just under 1d. Tea export duty was maintained throughout the year at 65 cents (about 1s.) a pound.

Profit, before taxation, is £464,450 and, after deducting the net tax and making an adjustment in respect of tax for previous years, the amount carried to appropriation account is £200,270 compared with £156,033 for the previous year. The Board recommend a final dividend of 19 per cent, making 25 per cent for the year.

For the current year production of tea is estimated at 9½ million pounds and of rubber 1½ million pounds. Climatic conditions so far have been good and there is every prospect of securing the crops. The trend of selling prices for tea of the character produced by this company should continue to be profitable, but is, of course unpredictable; rubber prices are reasonably secure. Our estates are in excellent order and well managed.

APPOINTMENTS

INVESTMENT SUPERVISION IN CANADA

Leading Canadian trust company has attractive positions for men (aged 30/45) with experience in the supervision of investment portfolios and capable of analysing financial statements and industrial trends.

Persons interested are invited to submit detailed accounts of their background and experience, giving names of two references and accompanied by two photographs to:

Messrs. Thomson, Dickson and Shaw W.S., 1, Thistle Court, Edinburgh, Scotland.

Arrangements will be made to interview selected applicants in the latter part of June.

MARKET RESEARCH EXECUTIVE

Applications are invited from fully experienced men (aged 27/35 years) for vacancies in the Marketing Research Division on London of a large manufacturer of consumer goods. Applicants must have had at least five years' practical experience in the design of consumer studies covering sampling procedures, questionnaire construction and report writing. Appointments will be permanent and pensionable. Starting salary not less than £1,000 per annum.—Replies, which should give full details of qualifications and experience, will be treated in confidence and should be addressed to Box 696.

THE EDINBURGH AND EAST OF SCOTLAND COLLEGE OF AGRICULTURE

Invite applications for the post of Agricultural Economist. The appointment will be on Grade III or IV, according to qualifications and experience.

Candidates should hold a degree in Agricultural Economics or Economics or Agriculture.

Post-graduate experience in *Agricultural Economics is* essential for a Grade III post and would be an advantage for Grade IV.

Salary (Intermediate) Men Grade III £795—£1,256
Grade IVa £585—£ 785
Grade IVb £565—£ 725

Scales for women somewhat lower but will reach parity *in 1961.*

Further particulars and application form from the Secretary, 13, George Square, Edinburgh, with whom application should be lodged within two weeks of the appearance of this advertisement.

MARKET RESEARCH MANAGER required to direct a newly formed *Market Research Department* in a large diesel engine manufacturing company with a world-wide market. Responsibilities will include the preparation and administration of market research programmes and reports, assisting in establishing sales forecasts, and the compilation and analysis of company sales statistics. This is a senior appointment, responsible to the Director *and General Manager*, Sales Division.

Applicants must have had previous *experience in* the preparation of sales forecasts, based on market research, and advising top *management* accordingly. Preference will be *given to graduates in either mathematics or economics* and statistics. Salary commensurate with experience and *qualifications.*

Write, stating age and full details of experience, and quoting reference MR 1 to Manager, Staff Department, F. Perkins, Limited, Peterborough.

KUWAIT OIL COMPANY

requires qualified
ACCOUNTANT

A post is vacant in Kuwait for a Chartered Accountant. The right man for the job must be under 30, keen for an opportunity abroad, and with at least a year's experience after qualifying.

Total pay for the post including basic salary and local allowance will be not less than £1,800 per annum clear. *Kit allowance and Pension Scheme.*

Applicants should send *brief details*, quoting K.2208, to Box S/20, c/o 191, Gresham House, E.C.2.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of Lecturer or Assistant Lecturer in Philosophy. Candidates must have a special interest and qualifications for teaching Political *Philosophy.* The salary scales are at present under review, and are expected to be as follows: Lecturer, £900 to £1,650 per annum; Assistant Lecturer, £700 to £850 per annum. Initial salary and status according to qualifications and experience. Membership of the F.S.S.U. and Children's Allowance Scheme.—Applications must be sent not later than June 15, 1957, to the Registrar, the University Manchester, 13, from whom further particulars and forms of application may be obtained. Overseas candi*dates may apply by letter (no forms)*, giving qualifications and experience and names of three persons to whom reference may be made.

ECONOMIST. British Nylon Spinners, Ltd., invites applications from honours graduates in economics or commerce for an interesting and responsible post in its Commercial Department. Duties will be concerned with economic research and forecasting and export intelligence, covering a wide range of markets. There will also be opportunities for the study of special problems, including those connected with the *European Trade Area* proposals. Preference will be given to applicants with (1) some economic research experience and (2) a good knowledge of *German.* Both starting salary and prospects are good.—Applications to Personnel Manager, Pontypool, Mon.

CAREER OPPORTUNITIES IN CANADA

Leading Canadian Trust Company, which performs a wide range of fiduciary functions and offers careers in estate administration, corporate financing and investment management, has attractive openings in its various offices for graduates (aged 22-35) in Arts, Law, Economics or Accountancy, with excellent *opportunities* for advancement in this rapidly expanding organisation.

Persons interested are invited to submit *detailed accounts* of their background, giving names of two references and accompanied by two photographs, to:

Messrs. Thomson, Dickson and Shaw, W.S., 1 Thistle Court, Edinburgh, 2; Messrs. A. and L. Goodbody, 24 Dame Street, Dublin, Eire.

Arrangements will be made to interview selected applicants in the latter part of June.

UNIVERSITY OF GLASGOW

LECTURESHIP AND ASSISTANTSHIP IN SOCIAL AND ECONOMIC RESEARCH

Applications are invited for a Lectureship and for an Assistantship in Social and Economic Research, tenable from October 1, 1957. Salary scales: Lecturer—£900-£1,650; Assistant—£700-£850. Initial salary according to experience and qualifications. F.S.S.U. and family allowance benefits.

Applications (6 copies) should be lodged, not later than June 15, 1957, with the undersigned, from whom further particulars may be obtained.—Robert T. Hutcheson, Secretary of University Court.

OTHER NOTICES APPEAR ON PAGES 750 AND 751.

APPOINTMENTS

UNIVERSITY OF SOUTHAMPTON

Applications are invited for the post of Lecturer or Assistant Lecturer in Sociology or Psychology with Sociology. Salary Scales : Lecturer, £900 x £50—£1,350 x £75—£1,650 ; Assistant Lecturer, £700 x £50—£850. Appointment may be made at any point on the scale appropriate to the candidate's qualifications and experience. Duties to commence on October 1, 1957.—Further particulars should be obtained from the Secretary and Registrar, to whom applications (7 copies) should be sent not later than June 15, 1957.

YOUNG & RUBICAM, ADVERTISING

REQUIRE

A SENIOR MARKETING EXECUTIVE with at least five years' experience on either the agency or client side, in the preparation and supervision of marketing plans for nationally advertised consumer goods. He will be an advantage to have had practical selling experience ; but the essential quality required is a capacity to analyse marketing facts objectively and to co-ordinate advertising, sales and merchandising policy in a comprehensive plan that will sell goods.

A SENIOR RESEARCH EXECUTIVE with at least three years' experience in a responsible market research position and a good degree in economics or one of the social sciences. This man will be required to handle the planning and analysis of market research of all kinds on an important group of accounts. He should have the capacity to present his findings, and to make constructive recommendations to groups of people inside and outside the agency.

Applications, which will be treated with the strictest confidence, should be sent to :
The Personnel Manager,
Young and Rubicam, Ltd.,
285 Regent Street,
London W.1.

THE UNIVERSITY OF SHEFFIELD

DEPARTMENT OF EXTRAMURAL STUDIES
(Amended advertisement)

Applications are invited for the post of STAFF TUTOR in Industrial Relations/Economics to take day-release and normal evening classes, and to begin duties as early as possible in the session 1957/58. Initial salary according to qualifications and experience on new salary scales that are being introduced and are expected to be £700 x £50—£850 for a probationary post and £900 x £50—£1,350 x £75—£1,650 for a full Staff Tutor, with F.S.S.U. provision and family allowance.—Further particulars should be obtained from the Registrar to whom applications (12 copies) should be sent by June 8, 1957.

UNIVERSITY OF ABERDEEN

Applications are invited for the post of Lecturer in Political Economy. Salary scale (b) at present £950-£1,350, or scale (a), at present £650-£950 ; maximum scale (b) on revised scales expected to be £1,650 ; F.S.S.U., child allowance, and removal allowance.

Further particulars should be obtained from the Secretary, The University, Aberdeen, with whom applications (8 copies) should be lodged by Wednesday, June 5, 1957. Applicants outside the British Isles may submit one copy.

UNIVERSITY OF NOTTINGHAM

DEPARTMENT OF EXTRA-MURAL STUDIES

Applications are invited from graduates for the appointment of a STAFF TUTOR IN ECONOMICS AND INDUSTRIAL RELATIONS which may be made in the grade of Assistant Lecturer or Lecturer. Salary scales : Assistant Lecturer £700 to £850 ; Lecturer £900 to £1,300 to £1,650 ; plus superannuation and family allowances.—Conditions of appointment and form of application, which should be returned not later than Friday, June 21st from the Registrar.

UNIVERSITY OF ST ANDREWS

LECTURESHIP IN POLITICAL ECONOMY

The University Court of the University of St. Andrews invites applications for a Lectureship in Political Economy in St. Salvator's College. Preference will be given to a candidate who has a particular interest in Welfare Economics, the economic development of Britain and U.S.A. in the present century, and the history of economic doctrine. The appointment will date from October 1, 1957. The present salary scale is £650 x £50 to £1,350 per annum (subject to an efficiency bar at £1,000), but the scale is under review and the successful candidate will be placed at a point on the newly revised scale according to qualifications and experience. The post carries F.S.S.U. benefits and family allowances, and a grant towards expenses of removal will be made.—Further particulars may be obtained from the undersigned, with whom five copies of the application, together with the names of three referees, should be lodged not later than June 15, 1957.

D. M. DEVINE,
Joint Clerk to the University Court.
College Gate, St. Andrews.

THE DURHAM COLLEGES

IN THE UNIVERSITY OF DURHAM

Applications are invited for the post of LECTURER IN POLITICS IN THE DEPARTMENT OF SOCIAL STUDIES from October 1, 1957. The salary scale attaching to the appointment will be £900—£1,650 a year.

Applications (three copies) together with the names of three referees, should be sent not later than June 18, 1957, to the Secretary, 38 North Bailey, from whom further particulars may be obtained.

THE POLYTECHNIC

309, REGENT STREET, W.1
SCHOOL OF COMMERCE

Applications are invited for a full-time post as Grade B teacher to take Economics (Principles and Applied) to final Economics degree standard, duties to commence if possible on September 1st next.

The salary scale for a graduate commences at £725 rising by annual increments to a maximum of £1,100 plus London allowance of £36 or £48 per annum. Additional allowances are payable for a good honours degree and training where applicable. The commencing salary may include increments in respect of previous teaching or professional experience.

A form of application, which should be returned not later than two weeks from the date of this advertisement, may be obtained on application to the undersigned.—J. E. Richardson, Director of Education.

OTHER NOTICES APPEAR ON PAGE 749.

NATIONAL COAL BOARD

NORTH EASTERN DIVISION

Divisional Staff Training Officer required at Divisional Headquarters, Sheffield (salary range £1,710—£2,275 per annum) to take charge of the Staff Training Branch of the Divisional Staff Department, and report to the Staff Director. He will be responsible for the development and operation of training schemes in accordance with the National Coal Board's policy, of : (1) education and training for non-industrial staff and junior officials, including courses and conferences, and management training schemes ; (2) courses of further education for certain industrial employees, including apprentices, in collaboration with the Department responsible for their practical training. Candidates should have broad administrative experience, a keen interest in the work and the ability to organise and develop, within the Yorkshire coalfield, the arrangements for education and training referred to above ; a technical qualification would be an advantage.

Apply, giving full details, to Staff Director, N.C.B., Holmwood House, Lodge Hill Road South, Sheffield 11, by May 31, 1957. Mark envelopes "Staff Vacancy," and quote N.E.V 141 (T.L.).

ENGINEERING IN THE CHEMICAL INDUSTRY?

Why is the Chemical Industry of interest to the Engineer ? Firstly because it uses a wider selection of engineering plant and equipment than any other branch of industry ; secondly, because the problems which it has to tackle are such that their solution depends as much on the Engineer as on the Chemist. The industry is expanding rapidly, and at

IMPERIAL CHEMICAL INDUSTRIES LTD., WILTON WORKS

over 4,700 men are working on the design and construction of the largest single project in Britain's chemical history. Wilton Works is a manufacturing centre with its own Power Station, where any Division of I.C.I. can build and operate production units. Twenty-one plants are in operation to-day, and included in these are "Perspex," "Terylene" and Titanium. The number of

MECHANICAL, ELECTRICAL AND INSTRUMENTATION ENGINEERS

required for design, construction, operation and Work Study is steadily increasing as the Works continue to grow.

Salaries depend on ability and experience and are reviewed annually after appointment. Promotion is by merit alone and individuals are considered at regular intervals. Help will be given with housing and removing. The design offices are pleasantly situated in the parklands of Wilton Castle, which lies at the foot of the Cleveland Hills.

Suitable applicants who should possess an honours degree will be invited for interview at the Company's expense. Please write to the Staff Manager, Imperial Chemical Industries, Ltd., Wilton Works, Middlesbrough, Yorkshire quoting reference 390/101.

SOLICITORS are invited to apply for an appointment in the Legal Department in London of a large industrial corporation. Applicants must have experience of conveyancing and be prepared to carry through substantial transactions with a measure of supervision and ready, if required, to undertake other legal work. Initial salary between £848 and £1,100 according to qualifications and experience. Good prospects for an able and energetic man. Superannuation Scheme.

Write, giving particulars of age, education qualifications and experience, to Box 698 before June 5, 1957.

UNIVERSITY OF BIRMINGHAM

FACULTY OF COMMERCE AND SOCIAL SCIENCE
EDWARD WILSHAW POSTGRADUATE EXHIBITION

One exhibition of the order of £200, but the amount to be determined in each case by the applicants' merits and circumstances, will be offered each year from a fund founded by Sir Edward Wilshaw, KCMG, DL, LLD, FCIS, JP. The Exhibition is open to graduates of this and other universities who wish to prepare themselves for careers in business administration and management and who propose to read for the Graduates' Commerce Diploma in business administration.—Applications (two copies), including the names of two referees should be sent by June 15, 1957, to the Registrar, the University, Birmingham 15.

UNIVERSITY OF BIRMINGHAM

The University will offer a number of Scholarships to graduates and to those expected to graduate this summer who wish to read for higher degrees in the Faculty of Commerce and Social Science. There will be opportunities for advanced study and training in research in all the main departments of the Faculty and in subjects common to more than one department.

Further particulars may be obtained from the Registrar, the University, Birmingham 15, to whom applications should be sent before June 15, 1957.

UNIVERSITY OF GLASGOW

ASSISTANTSHIP IN POLITICAL ECONOMY

Applications are invited for an Assistantship in Political Economy, tenable from October 1, 1957. Salary scale : £700—£850. Initial salary according to qualifications and experience. F.S.S.U. and family allowance benefits.

Applications (3 copies) should be lodged, not later than June 10, 1957, with the undersigned, from whom further particulars may be obtained.—Robert T. Hutcheson, Secretary of University Court.

UNIVERSITY COLLEGE, IBADAN, NIGERIA

DEPARTMENT OF EXTRA-MURAL STUDIES

Applications are invited from Honours graduates for (A) 3 Assistant Tutorships or Tutorships (Grade II) to work in the Northern and Western Regions (B) one Tutorship (Grade II) in Industrial Relations.

Initial appointment 3 years from October, 1957.

Salary scales :

Tutor (Grade II) : £1,000 x £50—£1,300 p.a.
Assistant Tutor : £800 x £50—£900 p.a.

Entry point determined by qualifications and experience. Allowance for up to 3 children £50 p.a. per child resident in Nigeria, £100 p.a. per child resident elsewhere. Part-furnished accommodation at rent not exceeding 7.7 per cent. of salary. Passages for appointee, wife and up to 3 children under 11 years on appointment, overseas leave and termination. F.S.S.U. Outfit allowance £60. Basic tour 15-18 months.—Detailed applications (8 copies) naming 3 referees by June 21, 1957, to Secretary, Inter-University Council for Higher Education Overseas, 29, Woburn Square, London, W.C.1, from whom further particulars may be obtained.

NORTH WESTERN GAS BOARD

CENTRAL LANCASHIRE GROUP
STATISTICAL ASSISTANT

Applications are invited for the above pensionable appointment at a salary within Grade A.P.T. 9 (£795/£895 p.a.).

The successful applicant will be required to deal with production and other statistics throughout the Group. Applicants should be suitably qualified and be experienced in the preparation and use of industrial statistics.

Detailed applications, giving the names of two referees, should reach the General Manager, Central Lancashire Group, N.W.G.B., Stanley Buildings, Silver Street, Bury within 14 days.

FIFE COUNTY COUNCIL

ORGANISATION AND METHODS

Applications are invited for appointment as Organisation and Methods Officer. The successful candidate will be attached to the County Chief's Department, and will be the head of an Organisation and Methods section which is being established to provide a service for all departments of the Council. Applicants should have experience in the operation of an Organisation and Methods Department and hold appropriate professional or other qualifications. Salary commensurate with the duties and responsibilities to be undertaken, but not less than a scale commencing at £1,500 per annum. Housing accommodation may be provided if required. Medical examination for admission to Superannuation Scheme. Interviews may be arranged to take place in London or elsewhere. Applications, stating age, experience, qualifications, etc., and accompanied by copies of recent testimonials, to be lodged with the undersigned not later than June 30, 1957. No canvassing.

MATTHEW POLLOCK,
County Clerk.
County Buildings, Cupar, Fife.

ORGANISATION AND METHODS DEPARTMENT

An important group of light engineering companies of international repute mainly based in the Midlands, which is broadening its activities in this important sphere, invites applications for the position of Head of its Organisation and Methods Department.

The group has around 6,000 employees, and the position carries direct responsibility to the board for the conception development and practical application of all methods, systems and organisational procedures throughout the Group's offices and factories.

The ideal candidate would have experience of both factory and administrative procedures, with broad knowledge of work study and similar techniques for the promotion of higher productivity.

Applicants should have a University degree or be able to show equivalent attainments. They must have had several years' practical experience and executive status in a similar appointment, and be conversant with the most modern methods and techniques.

Emoluments will be of the order of £2,500 upwards according to qualifications and experience, with adequate pension provision and excellent prospects for advancement.

Applicants should state age and in chronological order their education, training, qualifications, positions held and other relevant information, to Box 697.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the full-time posts of Assistant in the Research Section of the Faculty of Economic and Social Studies. The successful candidates will be expected to pursue research in Economics, Economic Statistics, Government, Social Administration, Social Anthropology or Sociology, and should be graduates in any of these subjects or in Modern History or Economic History. There are vacancies in both Grades II and III. The salary scales are at present under review and are expected to be as follows : Grade II—£700 to £850 per annum. Grade III—£600 to £650 per annum.—Applications should be sent not later than June 8, 1957, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

UNIVERSITY OF NATAL

INSTITUTE FOR SOCIAL RESEARCH DURBAN
SOCIOLOGIST OR SOCIAL ANTHROPOLOGIST

The Institute for Social Research will be undertaking a study of certain social and demographic aspects of recent developments in the Swaziland Protectorate. The scheme, which is sponsored by the Colonial Social Science Research Council through the Swaziland Government, provides for the appointment, for a three-year period, of a sociologist or social anthropologist.

Applications are invited for this post, which will be on the salary scale, £1,050 x £50—£1,400, starting salary being dependent on seniority, qualifications and experience. Applicants should be suitably qualified in sociology or social anthropology, familiar with demographic techniques and prepared to learn the Swazi language. Some academic training in economics or law will be a recommendation.

A married appointee would receive a cost of living allowance which would be at the Swaziland rate (at present 12 per cent of salary up to a maximum of £132) when in the field, and at the South African rate (at present £234) when in Durban, e.g., when writing his report during the final nine months of the scheme. Housing in Swaziland Government rates (30 per cent of salary with a maximum of £150 per annum) and free medical service would be provided during service in Swaziland. This scheme makes provision for passages, local travelling and camping and transport, subsistence allowance when away from headquarters. Pension fund contributions, where applicable, will be paid.

Application forms and further details about the scheme are obtainable from the Director, Institute for Social Research, University of Natal, King George V Avenue, Durban. Application forms should be submitted in triplicate, one copy going to each of the following :

The Permanent Under Secretary of State for Commonwealth Relations,
Downing Street,
London, S.W.1.
The High Commissioner for the United Kingdom,
Hill Street,
Pretoria.
The Director,
Institute for Social Research,
University of Natal,
King George V Avenue,
Durban.

The closing date for South African and Federation candidates is : June 15, 1957 ; and for United Kingdom candidates : July 15, 1957.

APPOINTMENTS

TARIFF SPECIALIST. A very well-known and expanding Company, with Head Office and chief manufacturing unit in the provinces, invites applications for an important appointment in its Market Research Section. The position is an exacting and responsible one, requiring sound judgment and high intellectual ability. Duties will be connected entirely with tariffs and related problems affecting the Company's activities and interests and will extend over a wide range of products and markets. Essential qualifications are a University degree with first or second class honours and at least two years' experience as a tariff specialist in industry or a trade association. Applications, which will be regarded as strictly confidential, should set out full personal history.—Box 692.

DIRECTOR OF DEVELOPMENT

IMPORTANT BRITISH COMPANY WITH WORLD-WIDE INTERESTS, including subsidiaries in the U.S.A., Europe and elsewhere and with growing interests in the organic and inorganic chemical fields, requires a SENIOR EXECUTIVE to direct a new Department embracing scientific research, development of new products and their production in this country and overseas. Research facilities, management and staff are already in existence and liquid resources are sufficient to back very large scale developments.

The successful candidate whose headquarters will be in London, will be required to act as technical adviser to Board of Directors with particular reference to acquisition of new interests and subject to satisfaction may expect promotion to the Board within approximately twelve months.

Candidates must have a good University degree in chemistry or chemical engineering and experience of actual chemical production work, including planning and management of men. Broad knowledge of the chemical industry in this country or overseas is desirable.

Since one of the principal responsibilities will be to recommend and implement production of new chemical products, it is essential that candidates should have the COMMERCIAL EXPERIENCE necessary to distinguish the practical from the visionary as well as the capacity to discern technical possibilities.

Starting salary, in addition to considerable fringe benefits, will be in the region of £4,000 per annum depending on qualifications. An outstanding man may expect more.

The position offers an exceptional opportunity and only exceptional men are invited to apply.

Candidates, who should be within the age group 30—40, should apply to ASHURST, MORRIS, CRISP AND CO., 17, Throgmorton Avenue, London E.C.2. Applications will be treated in strictest confidence.

BARRISTER OR SOLICITOR (age about 30) required in the Legal Department at the London Headquarters of a large industrial corporation. The successful candidate will be engaged principally upon commercial matters, but will also undertake some common law work. Initial salary between £850 and £1,350 according to qualifications and experience. Good prospects for an able and energetic man. Superannuation Scheme.

Write, giving particulars of age, education, qualifications and experience, to Box 699 before June 5, 1957.

CORNER BROOK

CANADIAN PROVINCE OF NEWFOUNDLAND
CITY MANAGER

Applications are invited for the post of Manager of the City of Corner Brook (population 23,000) situated on the west coast of the Province of Newfoundland, Canada. The duties of the successful candidate will be similar in some respects to those of a Town Clerk, but are better compared to those of a General Manager reporting not to a Board of Directors but to the City Council. Experience of municipal administration is essential. Salary $Can. 12/15,000 per annum.—Applications, giving full personal particulars and details of experience, should be sent to Box 694.

NEW SOUTH WALES UNIVERSITY OF TECHNOLOGY

LECTURER IN HISTORY, DEPARTMENT OF ARTS, NEWCASTLE UNIVERSITY COLLEGE

Salary : £A1,270 range £A1,820 per annum. Commencing salary according to qualifications and experience.

Applicants must possess a degree with honours or equivalent qualifications and previous university experience will be an advantage.

The Department of Arts prepares students for Arts Degrees of the University of New England and also undertakes courses in Humanities for Science and Engineering students of the N.S.W. University of Technology.

Successful applicant will be eligible, subject to medical fitness, to contribute to the New South Wales State Superannuation Fund, and shipping fares to Sydney of himself and family will be paid.

Five copies of applications (including the names of two referees) should be lodged with the Agent-General for New South Wales, 56, The Strand, London, W.C.2, and a copy airmailed to the Registrar, N.S.W. University of Technology, Box 1, Post Office, Kensington, New South Wales, Australia, before June 14, 1957. There are no special forms of application.

THE NGERIAN RAILWAY CORPORATION invites applications for the following appointments :

DISTRICT ENGINEER.—Pay £2,350 p.a. consolidated. Candidates must be A.M.I.C.E. and have at least 10 years' experience of maintenance of railway permanent way and work.

RESIDENT ENGINEER.—Pay £2,350 p.a. consolidated. Candidates, over 35 years of age, must be A.M.I.C.E., have engineering degree from recognised university, and have wide experience in reinforced concrete and steel. Railway experience desirable but not essential.

SENIOR ASSISTANT ENGINEER.—Pay £1,575 by £50 to £1,775 p.a. plus £300 p.a. Overseas Pay. Candidates must be A.M.I.C.E. and preferably have had experience in railway engineering, bridge work, and general reinforced concrete construction.

SUPERINTENDENT OF TRAINING.—Pay £1,575 by £50 to £1,775 p.a. plus £300 p.a. Overseas Pay. Candidates, preferably with railway experience, must have passed Parts I and II of A.M.I.C.E. examination or equivalent, and must have at least five years' experience in technical instruction of engineering apprentices or equivalent experience of teaching in a Technical Institute.

ASSISTANT ENGINEER.—Pay £800 by £50 to £1,600 p.a. plus £300 p.a. Overseas Pay. Candidates must be A.M.I.C.E. or have passed Parts I and II or equivalent and have two years' railway engineering experience or five years' experience of general construction in connection with a railway.

All posts are pensionable, or on contract with gratuity of 20 per cent. p.a. of total pay—except Resident Engineer, which is on contract terms.

Tours : 15-month tours followed by 15 weeks' leave in U.K. on full pay.

Allowances : In addition there are attractive allowances.

Applications to :
The London Representative,
NIGERIAN RAILWAY CORPORATION,
11, Manchester Square,
London, W.1.

A LARGE manufacturing company in the West Country has vacancies in its expanding Market Research Section for women university graduates, aged under 25, with good degrees in Economics. The work, which is in a new and interesting field involves interviewing members of the public and assisting in analysis and reporting of the data collected. Retail surveys are also undertaken. About six months in the year is spent interviewing both in London and the provinces. A full training will be given.—Apply to Box 693.

ASSISTANT ADVISER

UNILEVER LIMITED requires a qualified accountant or cost accountant, age 28-40, for advisory work in the fields of Organisation, Production Study, Budgetary Control and Distribution Cost Analysis. The successful applicant will be based on Head Office in London but may be assigned for short or long periods to any of the operating units in this country in which case expense and travel allowances will be paid. He must possess a first-class professional and/or industrial background, a sound knowledge of modern methods of cost control, and the ability to express himself clearly.

Starting salary will be dependent on age and experience but not less than £1,350 p.a. The post will offer the opportunity for original thinking and the broadening of experience over a wide field of subjects, and should lead eventually to a more senior appointment within the Concern. Pension scheme. Interviews in London or the North.

Replies, stating age, qualifications, current salary and brief details of education and experience to date, should be sent to Personnel Division (PRB/355) Unilever Limited, Unilever House, London, E.C.4.

CONSUMER COUNCIL associates get shopping advice, free help if sold shoddy goods, exhibition tickets and regular copies of *Shopper's Guide*. All for 10s.—Write to B.S.I., Consumer Council, 2 Park Street, London, W.1.

SECRETARIAL TRAINING especially for university graduates and older students, six-month and intensive 14-week courses.—Write, Organising Secretary, DAVIES'S, 2 Addison Road, W.14. PARK 8392.

FRETFUL FANDANGOISTS.—Nothing makes your toecaps tingle more than a few glasses of Duff Gordon's El Cid Sherry. Out with the bottles ! On with the dance ! Olé !

HOW TO INVEST in Ordinary Shares profitably : a suggested system. Lectures in North Room, Conway Hall, Red Lion Square, London, W.C.1. Fridays until June 21 (except June 7), 6-6.45 p.m., by Mr. J. C. Lamont (25 years' experience). Single lecture, 5s. ; 10s. the course. Preferably 'phone beforehand VIGilant 2737 (before 10.40 a.m. or after 8.15 p.m.). 5 Avenue Road, Belmont, Surrey.

PIT PONIES. 12,000 still used (and stabled) underground in British coal mines. No other coal-producing country has such a large number. No pony employed in a deep mine should work longer than 11 years. All horses and ponies should have a summer surface holiday each year and a supply of balanced food and stables provided above ground. Electric battery lamps should be fixed to their collars while at work or their roadways electrically lit. Ample dimensions for travel guaranteed, especially under bad roofs, and they should not be worked on steep inclines. No inspection by outside bodies is allowed in mines, and supervision that is normal in a factory is often impossible underground. Why not discontinue to employ horses and ponies in mines ? Why not an independent inquiry to see if this can be done in seven years ? Why not plan atomic power stations to generate nuclear electricity equivalent to 30 million tons of coal in seven years ? Contributions gratefully received.—D. Jeffrey Williams, Secretary, Pit Ponies' Protection Society, 66, Carlton Hill, London, N.W.8.

SUEZ CANAL COMPANY

Notice is hereby given that the Annual General Meeting of shareholders will be held in the Hall of Palais de Chaillot, Place du Trocadéro, Paris 16e, on Tuesday, June 25, 1957, at 10 a.m.

The business to be considered at this Meeting will be the following, namely :

1. Approval of the Directors' Report, of the Accounts for the year 1956 and of the balance sheet.
2. Termination of Directors' mandate.
3. Renewal of Directors whose term of office has expired.
4. Powers to be given to the Board to authorise, if need be, the payment of Debenture interest and redemption in Paris in accordance with a Resolution proposed at the Extraordinary General Meeting of Debenture holders.
5. Amendment of Article 2 of Statutes.
6. Amendment of Article 4 of Statutes.
7. Amendment of Statutes for the purpose of making them comply with the provisions of the Law of France of July 24, 1867, and subsequent enactments.
8. Amendment of Article 3 of Statutes.
9. Expressing Share Capital in French legal currency by amending Article 6 of Statutes.
10. Empowerment for the Board to seek the government sanction required under the old Article 37 of the French Code de Commerce and under Article 26 of the French Law of July 24, 1867, and to take steps to comply with all legal formalities entailed.
11. Approval of the composition of the Board during the interim period between the General Meeting and the date on which the government sanction referred to above will be given by decree.
12. Acceptance of conditional resignation of Directors to take effect on the date of the said decree.
13. Conditional appointment of Directors to take effect on the date of the same decree.

Resolutions Nos. 4, 5, 6, 7, 8, 9, 10 and 11 relating to amendments of the Statutes will require, particularly in regard to quorum and extraordinary majority, to be passed in accordance with the provisions of Article 57 of the Statutes.

Resolutions Nos. 1, 2, 3, 12 and 13 will require to be passed in the manner and in accordance with conditions laid down in Article 50 of the Statutes.

The new draft of Articles to be amended will be available to shareholders for perusal at the Head Office of the Company, 1 rue d'Astorg, Paris, 8e, one month before the Meeting.

Holders of not less than twenty-five shares who are desirous of being present or represented at the Meeting must prove at the Head Office of the Company, 1 rue d'Astorg, Paris, 8e, before 10 a.m., on Thursday, June 20, 1957, that they have deposited their shares with the Company or with any of the Company's appointed Agents.

Shares may be deposited in London with Messrs. N. M. Rothschild and Sons, who will in due course deliver a card of admission for the Meeting.

J. GEORGES-PICOT,
General Manager.

NORTH GLOUCESTERSHIRE INDUSTRIAL EDUCATION COUNCIL

gives advance notice of a

CONFERENCE OF INDUSTRIALISTS AND EDUCATIONISTS

to be held at

THE TOWN HALL AND THE QUEEN'S HOTEL, CHELTENHAM

on October 9 and 10, 1957.

The object of this Conference is to give Educationists and Industrialists the opportunity to discuss together the promotion of education for Industry, with particular emphasis on engineering, as part of the School Curriculum.

Full details of the Conference, which will be addressed by Lord Hives, Sir Harold Roxbee Cox, The High Master of St. Paul's School, Dr. B. V. Bowden, Mr. Henry Gardner, Mr. E. G. Sterland, Dr. J. S. Tait, and other nationally known personalities, will be available shortly. Meanwhile, enquiries are welcomed at the

Secretariat of the Council,
8 Lansdown Place, Cheltenham.

ASHRIDGE. Course 43. World Power Blocs. May 31st/June 3rd. Introductory Address : The Values of Western Civilisation, Professor G. J. Renier Ph.D. ; Armed Defence, Major-General A. C. Shortt C.B., O.B.E. ; Aims of the "Uncommitted" Nations, Lieut.-Colonel The Lord Birdwood, M.V.O. ; The Commonwealth, Mr. J. A. Cross, M.A. ; Prospects for the Future, Mr. Frank Darvall, C.B.E.

Inclusive fee : £4 4s.

Applications to the Secretary, Ashridge, Berkhamsted Herts. Tele. : Little Gaddesden 3191.

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METROPOLITAN COLLEGE, ST ALBANS

or call at 30 Queen Victoria Street, London, E.C.4.

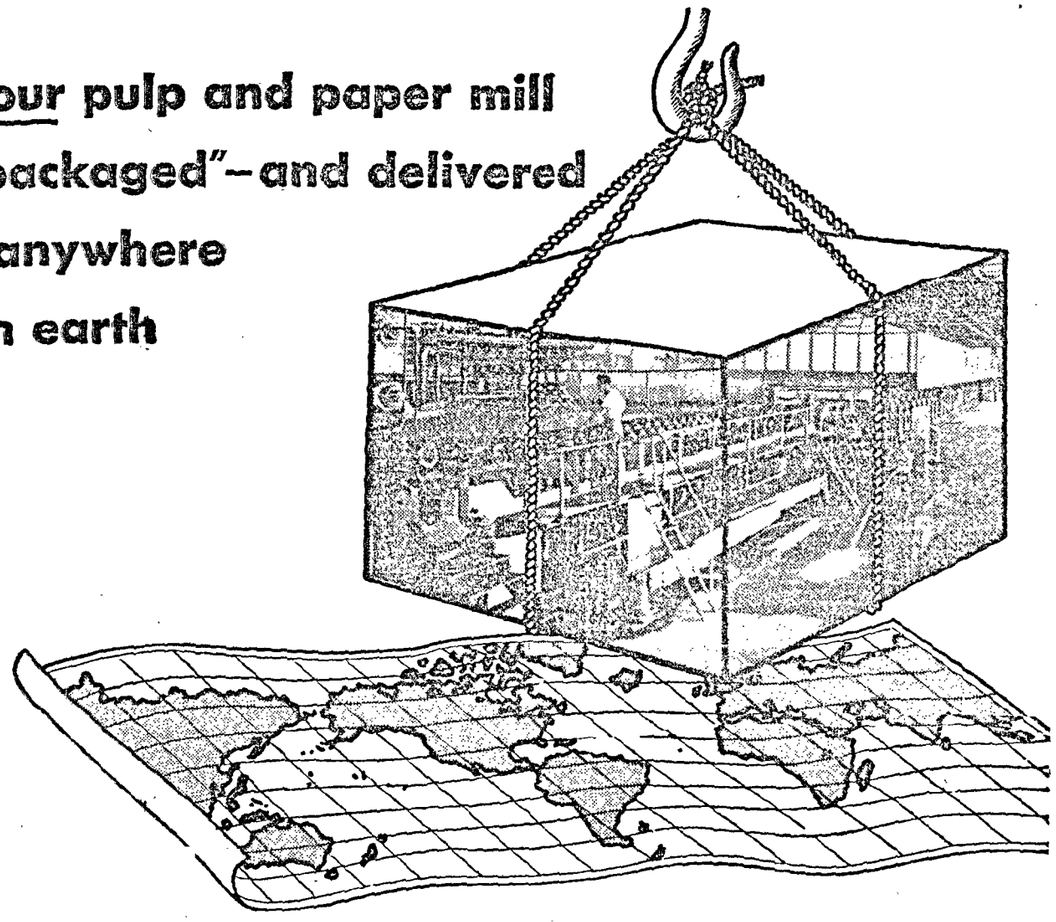
ANNUAL AIR SUBSCRIPTION RATES

Subscriptions to most countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is either because the alternative is not available or not recommended.

	Airmail	Air Freight		Airmail	Air Freight		Airmail	Air Freight
Australia	£8 5s. strlg.	—	India & Ceylon	£7 15s.	£6	Pakistan	£7 15s.	£6
Canada	£6	$21.50 or £7 14s.	Iran	£6	—	Rhodesia (N. & S.)	£7 15s.	£5 10s.
East Africa	£7 15s.	£5 5s.	Iraq	£6	—	S. Africa	£7 15s.	£5 10s.
Egypt	£9	£6 0s.	Israel	£6	—	S. America	£7 15s	—
Europe (except Poland)	£7 15s.	£6 15s.	Japan	£9	—	Sudan	£6	£5 10s.
Gibraltar, Malta, Hongkong	£4 15s. £3 15s.	— —	Malaya	£7 15s.	£6 15s.	U.S.A.	—	$21.50 or £7 14s.
			New Zealand	£9 strlg.	—	W. Indies	£7 15s.	—
			Nigeria, Ghana	£7 15s.	£5 5s.			

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Behind this concept of "packaged" paper mills stands our world-wide organization with over 100 years of experience in pulp, paper and machinery. We are equipped to render you *any* or *all* of the following services:

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6. Assist the local group to obtain the necessary raw materials and chemicals to operate the mill after it is built, as well as sell the output through Parsons & Whittemore's own offices.

Our book—"Growing with the Paper Industry Since 1853"—will give you more information on our ability to handle any pulp and paper mill project through all of the necessary steps from inception to completion or any combination of responsibilities that best suits your interests. Write for it without obligation.

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European Insecurity

The real problem behind the present plans for disarmament and pleas for German reunion.

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Economic crisis is hitting India sooner than her planners had supposed, though not before friendly critics had expected. Important consequences follow for British trade.

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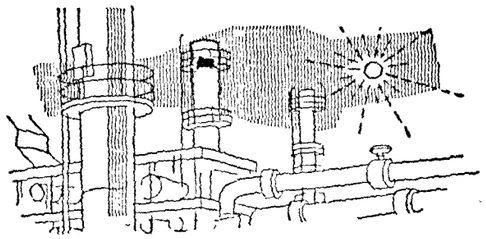
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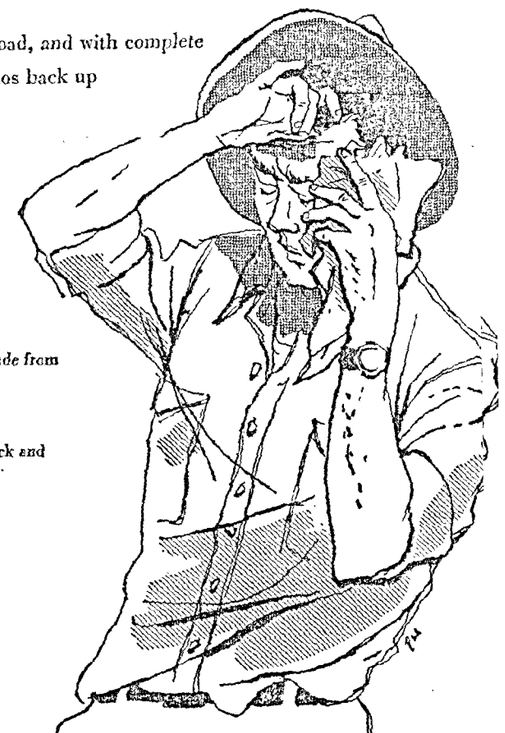
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VOLUME CLXXXIII · NUMBER 5936



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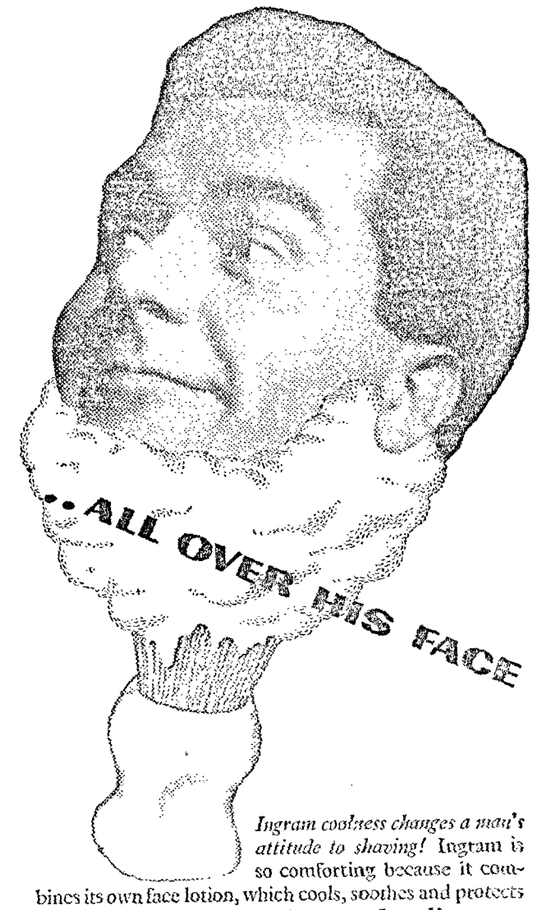
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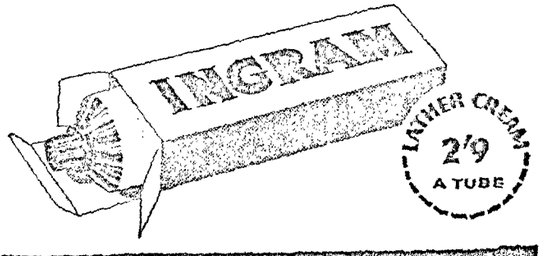
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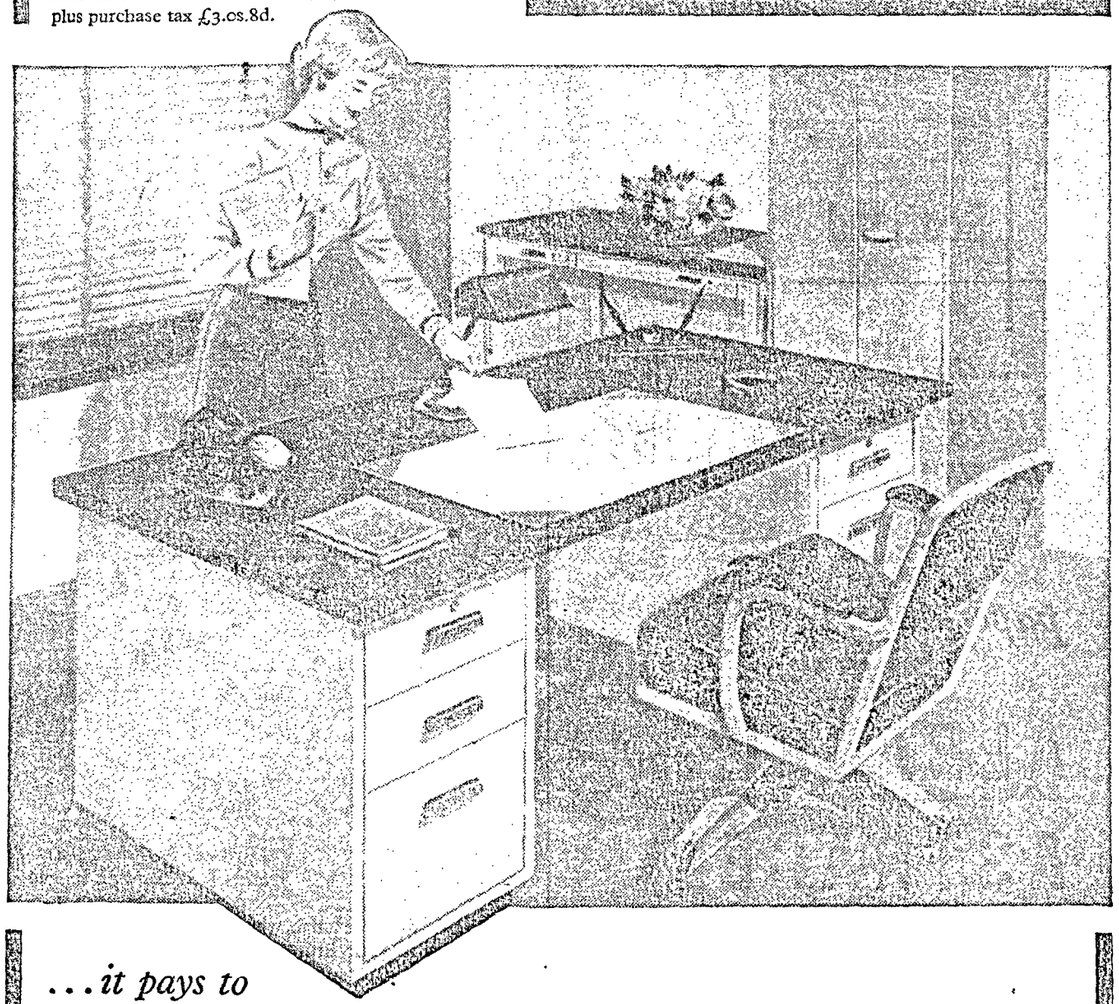
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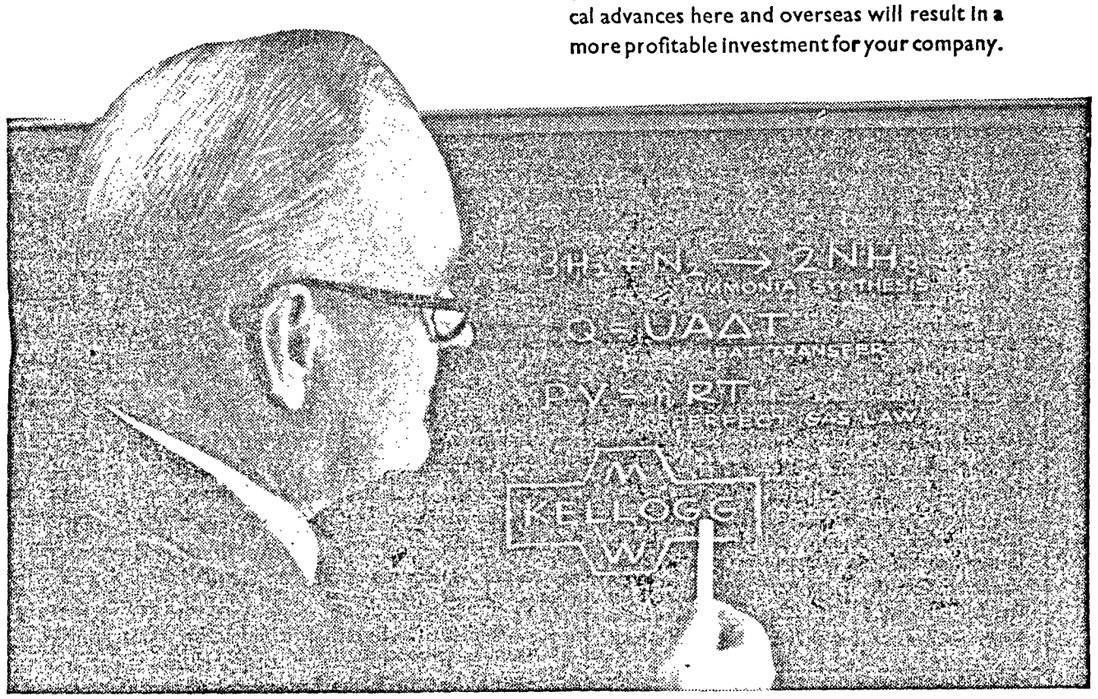
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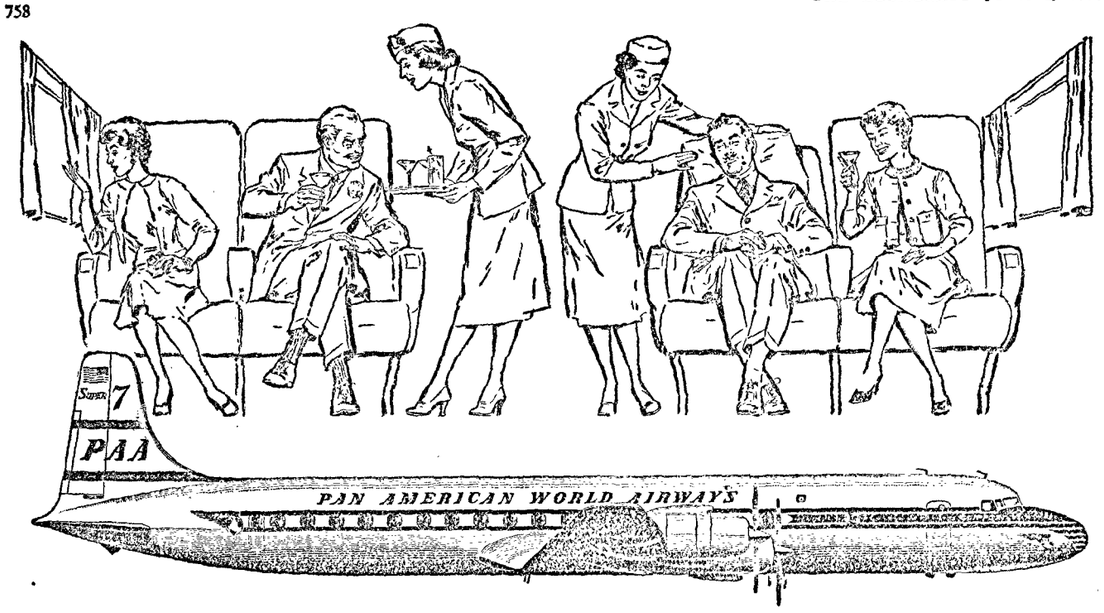
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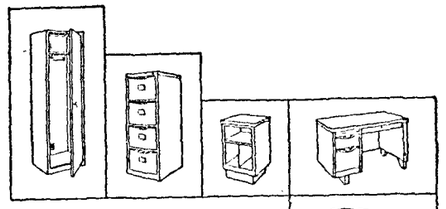
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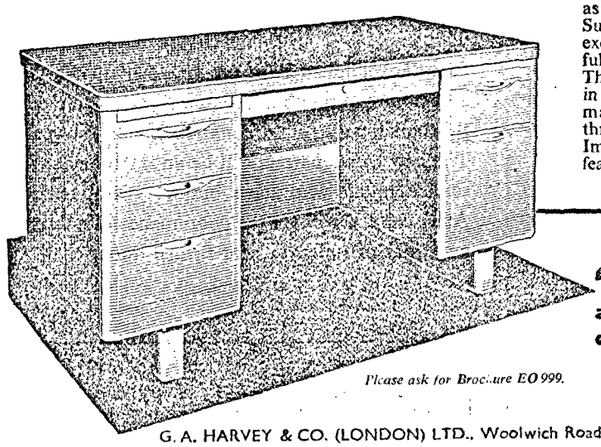
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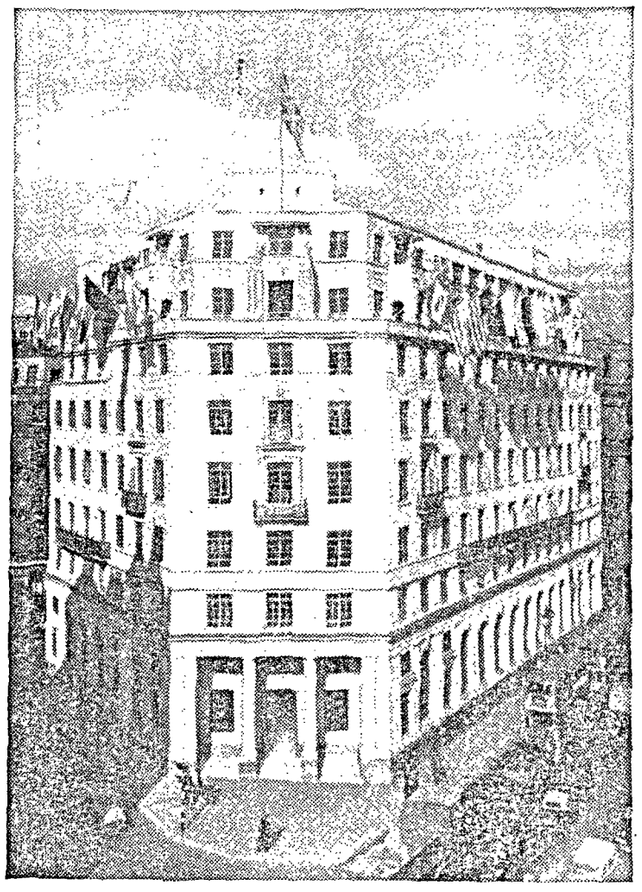
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The Economist

JUNE 1, 1957

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Labour Fundamentalism

SIR HARTLEY SHAWCROSS has never been in the main stream of Labour political thought about nationalisation or anything else. When he said at St Helens last week that the idea that "the state should engage in the wholesale nationalisation of industry . . . is as dead as a dodo," and that even steel "should not be renationalised merely in a fit of political pique," he was speaking only for himself. He probably was not, in any conscious way, trying out his ideas on the dog in his party's manger. The interesting thing, nevertheless, will be to see how loudly the dog is or is not set barking.

In the next twelve months, Labour's executive is due to do a lot of thinking and feeling about nationalisation. The reasons for this are rather odd. The chief of them is that Labour candidates found at the last election that nationalisation was a supremely uninspiring issue—where it was not actively unpopular. The decision was therefore taken to concentrate Labour's immediate post-1955 "rethinking" on what were believed to be the more lively issues, such as equality and housing; the idea was to take first things first. In practice, however, this has meant that these first things have been first forgotten. There is now much less danger that the next Labour Government will try to carry through "another 1909" against the middle classes than there would have been if the party's policy document on equality had been published just before the next election instead of just after the last one.

This is all to the good. But the unforeseen disadvantages of the re-thinking timetable have now caught up with its unforeseen advantages. Before its party conference in October, Labour is due to publish its views about existing nationalised industries and its plans for new ones. The broad pattern which is emerging out of this re-thinking and re-wrangling has become fairly evident. The trend is plainly against naming whole industries for prospective take-over. Moderate Labour leaders would no doubt resist Sir Hartley Shawcross's argument that "nationalising great firms like ICI and Unilevers" would "lead the country to disaster"; but they do now recognise the crucial fact that enterprise is more important than ownership. Some of them also see that for a variety of reasons—political pressure for uneconomic pricing policies, the brake put by Treasury consent on proper salaries for people like atomic scientists, certain difficulties in the way of laying off redundant staff under a regime of deficit finance—the nationalisation of whole industries can be an impediment to enterprise instead of a spur towards it.

In its place, however, Labour is now toying with the idea of introducing two new sorts of nationalisation. It is about these that debate is likely to rage in the year ahead. The test in each case should be whether the scheme suggested is designed merely as a *genuflection* to the original socialist ideal of public ownership of all means of production, distribution and exchange (in which Labour now believes to about the same extent as the Archbishop of Canterbury believes in Adam and Eve), or

whether it is designed as a remedy for some particular and real economic problem. By this test the first of Labour's burgeoning ideas—that the state might be empowered to take over majority control of particular firms rather than of particular industries—could presumably be turned into a not wholly uneconomic ginger device. There is room for discussion of it as a useful threat for certain industries which are still insufficiently competitive, and where the entry of a state competitor belonging to no trade association might do some good. (On pure grounds of efficiency, there has always been a better case for nationalising some small British firms than any large ones.) But, even if this objective was recognised and pursued, nobody can seriously suggest that a Labour Government would find that this inculcation of state competition was one of the first things that needed to be done.

It is, however, the second glint in Labour's eye that seems much more unfortunate and alarming. This is the idea (quarter-baked as yet) that the state should establish some vast nationalised investment trust, with its funds presumably accruing through an unnecessary transfer to public from private savings, *via* a higher rate of death duties and backdoor nationalisation of private superannuation schemes; and that this trust should then buy sizeable blocks of the shares of publicly quoted companies. The idea here cannot be to secure part-ownership of inefficient companies; an investment trust that concentrated on holding only the shares of inefficient companies would hardly accord with the brightest tenets of even Labour finance. The aim can only be to secure a stake for the state in the biggest and most efficient companies—on the theory that this need not bring into play as many undesirable political and governmental pressures as would the complete nationalisation of the same concerns; two or three state directors would be less inhibiting than a whole board. But it would introduce none of the benefits that were originally supposed to be associated with nationalisation either; and the best advice that can be given to Labour, on the brink of such re-thinking, is to chuck it.

This is why the party reaction to Sir Hartley Shawcross's assault upon the old type of nationalisation will be so interesting to observe. The first reaction, of course, will be complaints of disloyalty, tactlessness, impropriety; that happened long ago when a small boy drew attention to the fact that the old Emperor was no longer wearing any clothes. One of the tasks of Labour leadership this summer should be soberly to judge how far this orthodox party reaction really goes. To suggest that nationalisation (old-fashioned or new-fangled) should be left out of Labour's next election programme is, one suspects, somewhat akin to suggesting that bishops should be brought into the Church of Scotland; both propositions arouse very similar prejudices among the faithful, and Mr Gaitskell is not the only Moderator to be mortally afraid of Disruption. But Labour is now in a position where its most obvious risk of playing itself out of the prospect of being Britain's next government is by giving widespread offence; and it so happens that the issues of nationalisation which it is now weighing are precisely those that give most offence to the most marginal of its prospective fifteen million voters, perhaps to almost as illogically extreme an extent as they give delight to the most ardent of its few thousand active party workers. If Mr Gaitskell thinks that the most faithful can never be successfully withstood by an appeal to the more numerous—well, let him look first at the forecasts and then at the facts of the outcome of the Presbyterian Church's General Assembly at Edinburgh this week.

European Insecurity

Projects for the reuniting of Germany and for limited disarmament in Europe are really parts of a larger problem—and the parts should not be allowed to obscure the whole

A REALISTIC world map would show postwar Western Europe as a narrow strip of land, little more than an isthmus, between the broad blue Atlantic and the red-flagged Eurasian mass that stretches from Saxony to Shanghai. For all the energy and talent of the crowded peoples of this fringe area, their free societies could scarcely have survived the successive onslaughts of Nazi aggression and communist pressure without support from across the ocean. That is one half of the problem of European security. The other is the imposition of police states on east European peoples whose longing for freedom was made agonisingly vivid by the Hungarian revolt last autumn. As long as these two unstable situations persist, the problem of Europe's security will remain unsolved.

Today, with reunion looming large in the West German elections, and neutralised or "open" areas in discussion of disarmament, the European problem in its various guises is once more the focus of attention. Looking back, it is striking to note how little serious debate it was evoking a year ago. The four-power conferences of 1955 had bared post-Stalin Russia's determination to hold Stalin's ground. Neither the Geneva meetings nor Dr Adenauer's journey to Moscow produced any reduction of the unpayable price which Russia set for German reunion; the fate of eastern Europe was not even acceptable as a topic for discussion. From the sunlit "summit" Europe descended into new depths of gloomy resignation. In early 1956 Mr Khrushchev's "destalinising" experiment excited hopes which, however, were quickly dashed by his condemnation of "national communism" and "revisionism." The encouraging trend in Poland was darkened by the shadow of the Hungarian tragedy; and then the conflict in Egypt drew attention away to the immediate perils in the Middle East.

NOW the European problem is back in the centre of the stage, unchanged in essentials, yet changed in appearance. The approach of long-range nuclear strategy is transforming the military equation. In the continuing disarmament talks between the powers, possible zones of mutual inspection, or of arms limitation, have a new prominence. This, as was pointed out in *The Economist* on May 18th, and as both Dr Adenauer and Herr Ollenhauer have newly emphasised, is liable to make Germans (of all parties) fearful lest any disarmament scheme might take as its base line, and thereby perpetuate, the division of their country. It bears also on the new position of the satellites. As the nuclear age evolves Russia may be less concerned to preserve a military glacis of dwindling value in eastern Europe. And the Hungarian revolt and Poland's insubordination must have led at least some Russians to wonder if their east European empire is now more a liability than an asset.

It is, of course, arguable that events in Hungary and Poland should already have suggested to the Soviet rulers themselves that a withdrawal from eastern Europe would serve their own interests. This reasoning has inspired, among other projects, the "Gaitskell plan," which the Leader of the Opposition expounded in his recent Harvard lectures. This plan called for the progressive withdrawal of all foreign forces from Germany and the satellites, which countries would thenceforth be neutralised, their armaments restricted, and their frontiers guaranteed by each other and by the major powers. Many variations on the same theme have been put forward. All such plans evoke certain objections in the West itself. Western Europe without western Germany, it is objected, would be so weak, and so narrow an "isthmus," that its defenders' task would be impossible. A fatal blow would be struck to the domestic position and prestige of German champions of solidarity with the West. Moreover, the neutrality of seventy million reunited Germans simply could not be ensured by other powers whose mutual hostility might be skilfully exploited by a future German government bent on aggrandisement. These arguments boil down to a fear that projects of this kind would upset even the present uneasy balance of power in Europe—unless they went with a general disarmament programme drastic enough to produce a truly stable world balance of power.

But there would be at least an incentive for more lively discussion of these calculations if it were not so painfully clear that Russia will not look at any of the current projects. From the recent spate of Soviet statements, Marshal Bulganin's voluminous correspondence, and Mr Khrushchev's interview with the *New York Times*, one thing stands out. Moscow's objectives in Europe remain what they were in 1954-55. The Atlantic alliance must be dismantled; American and other allied forces must withdraw to their home countries; German reunion cannot be granted unless these things are done, and even then its basis must be a fifty-fifty deal between the elected government of the Federal Republic and the Soviet-imposed one of the "Democratic Republic"; political freedom in eastern Europe must be regarded as a dead letter. All that Russia offers in exchange is the scrapping of the 1955 Warsaw Pact—a painless concession, for its military grip on eastern Europe was if anything stronger before 1955 than it has been since; the reunion of a Germany which would be imperilled domestically by the privileged position obtained by Herr Ulbricht's communist apparatus, and externally by the sharp tilting of the European balance in Russia's favour; and Mr Molotov's familiar version of a European "security system."

THIS last dusty exhibit from the Kremlin archives is worth examining. Ostensibly its purpose is to reinforce the peace of Europe through an exchange of guarantees. But when, at the "summit" in 1955, Sir Anthony Eden offered an exchange of guarantees, specifically recognising Russian fears of German resurgence, Marshal Bulganin's terse rebuff was the comment that powerful states need no guarantees. Everything that has happened since then has confirmed the simple deduction that the Molotov "security" project has only one purpose: to make west Europeans think they can dispense with the alliances from which they in fact derive their security. It would be more accurate to call it an insecurity system. The cool attitude that west Europeans have adopted toward it for three years does credit to their good sense.

It might appear that the German Socialists are an exception in this respect. Herr Ollenhauer has just restated their inclination towards a somewhat vague European security arrangement which, in their view, would make it possible to dispense with the Atlantic alliance. But Dr Adenauer has likewise reaffirmed his government's support for a system of guarantees such as Sir Anthony proposed in 1955. And in practice the Socialists could stomach no better than the Chancellor the conditions with which Russia's plan is garnished—in particular, its insistence that western Germany must go cap in hand to Herr Ulbricht. They

may squeeze some electoral advantage out of their ill-defined position ; and Moscow, for its part, may dangle some new Damoclean question marks over the approaching German elections. But it is hard to see any reality in these gestures. Whatever government emerges from the elections will find its policy confined within very narrow limits as long as Russia's general intentions in Europe remain unchanged.

The prominence given this week to Dr Adenauer's success in obtaining allied reassurances about German reunification makes it pertinent to point out that, while the division of Germany undoubtedly complicates the disarmament problem, there is no evidence that this problem would be easily solved even if Germany did not exist. The same is true of the European problem. The Germans' longing for reunion provides Russia's strongest card in the European game ; but if Germany were to vanish from the map, the essential problem—the unstable division of Europe itself—would remain. The Soviet rulers, who regularly declare themselves dedicated to the worldwide triumph of their system, have motives other than fear of Germany for keeping their grip on eastern Europe.

To suppose that the grip can be maintained for ever would, however, be needlessly pessimistic. The east European peoples are increasingly restive. The Russian people are beginning to question their masters' argument that east Europeans must be subjugated and, if necessary, slaughtered to save them from alleged western bellicosity. Resentment at insulation from the outside world is mounting in both Russia and eastern Europe. Moscow has found that "competitive coexistence" is apt to turn into competitive disintegration, that the mood of relaxation which it has tried to foster is at least as dangerous for its own system as for the West. Its reaction has been to intensify its splitting tactics, which now range from the new series of warnings to west Europeans about nuclear perils, and the exploitation of anti-Americanism since the Suez crisis in Britain and France, to such well-worn themes as Rapallo talk for Germans and anti-German talk for Frenchmen.

The present tasks for the West are to maintain its unity in face of these tactics ; to keep discussion of a European settlement alive without letting Moscow make too much hay out of the inevitable controversy that this involves ; and to get its messages, reassuring as well as encouraging, across the iron curtain. Only in this way can a constructive approach be made to the restoration of true security in Europe.

Malthusians and Marxists

World population is liable to be doubled by the end of the century, according to a UN estimate. But will it ? Recent experience has exploded every available theory of population growth, revealing "social engineering" to be a very inexact science

IT is not long since the appearance of almost any current population statistics could be counted on to release a spate of warnings of imminent Malthusian calamity. The conquest—so ran the argument—of major killing diseases and the application of new standards of maternal and child care had triggered in the under-developed areas of the world a demographic explosion far vaster than that similarly set off in eighteenth-century Britain. No correspondingly vast open spaces remained to play the role that pampas and prairie played in the Industrial Revolution ; on the contrary, erosion, deforestation, and soil exhaustion threatened even the existing inadequate "estate of man." Chronic malnourishment punctuated by famine already afflicted most of humanity ; and it was—according to the prophet's pessimistic or Utopian cast of mind—the duty of the more fortunate nations either to get really tough and stop their misguided interference with mortality rates, or to get really tender and earmark a large part of their own resources to feeding, and educating into more moderate procreative habits, the victims of the Malthusian devil.

The human chain-reaction certainly continues. The latest United Nations Demographic Yearbook* shows that world population is increasing at a rate which would double the present total of over 2,700 million by the end of the century ; more significantly, it reveals that those countries which had the highest rate of increase in 1945-49 further accelerated that rate in 1950-54. But the forecast results of the chain reaction simply have not materialised. So far from famine extending its grip, it has retreated and, however precariously, has been contained. Even the swing of relative prices in favour of farmers and against secondary producers, which was supposed to constitute the chief economic feature of our time, has been halted and partly reversed. It is too soon to crow ; but humanity evidently has a longer breathing space, in which to adjust its breeding habits to the facts of "death control," than either pessimists or Utopians thought ten years ago.

Unadjusted breeding habits do impose a desperately heavy handicap, especially on under-developed nations aiming at economic transformation. So far as current output goes, they must run faster and faster to stay in the same place ; so far as capital development goes, they must earmark for the mere minimum housing and equipment of their new millions most of the resources that could otherwise be used to increase productivity. The weight of that handicap is now recognised even by Communist China, which until recently was proclaiming, in spite of all the hyena-economics of imperialist plotters, that the more babies the merrier. Since March, Chinese women have been able (in principle) to get abortions and sterilising operations on request ; the planned output of contraceptives has been stepped up five-fold and their prices cut by 30-60 per cent ; there have even been proposals to raise the minimum age for marriage to 23. China's *volte-face* has not so far been matched in Russia, but the deliberate drive for numbers seems to have been soft-pedalled there, too. A faint hope is discernible that demography may be taken out of politics.

* United Nations Demographic Yearbook, 1956. HMSO. 751 pages. 50s. paper, 60s. cloth.

EVEN without ideological blinkers, however, population policy still works largely at random for want of adequate knowledge of the factors affecting man's breeding habits. Hardly a wrack remains of the crude Malthusian theory that better living automatically raises birth rates and numbers. Its successor, diametrically opposite, was the argument that better living automatically lowered birth rates ; that theory hardly survived the spectacle of a rise in the American net reproduction rate to parity with that of India. Sociological theories, stressing the subservience or emancipation of women or the effectiveness or absence of "social capillarity"—the urge to rise in the world—are equally laid waste, as a comprehensive explanation, by the American evidence. Marxist theory, treating babies as a raw commodity, output of which varies with the demand for labour, and so with the class relationships arising from successive phases of economic development, has absolutely nothing to say about demographic causation once classes have been abolished. No theory has yet enabled demographers to predict numbers even half a generation ahead with a degree of accuracy sufficient for "social engineering," let alone indicated to governments the means of changing their peoples' breeding habits.

The latest attempt at a comprehensive theory* is neo-Marxist. In the eyes of its author, Mr Coontz, diet, health, income, contraceptive knowledge, social capillarity, feminism and all the rest, are direct or indirect effects of one overriding cause—the demand for labour power, interpreted in a sense rather more sophisticated than Marx's to allow for variations in the kind of labour power demanded and thus in its price, and the conditions, of supply. Procrustes himself had no harder job than Mr Coontz, and inflicted no more drastic maltreatment on his raw material, in the way of stretching, twisting and amputation ; but his book has a certain usefulness both positive and negative. Positively, it substitutes general economic opportunity—of which employment opportunity is, in a developed or developing economy, the most important kind—both for food supply and for achieved standards of living as the main economic influence on demographic change: which is a manifest improvement in realism. Only in actual famine does food take absolute priority over all other ingredients in the standard of living ; the chronically malnourished Asian or African will no more sacrifice all other amenities to a sufficiency of diet than the chronically shivering Englishman will sacrifice all other amenities to a sufficiency of space-heating. And the absolute level of the standard has less influence on family-raising attitudes than does a feeling, however unexplicit, that it is buoyant, stable, or threatened—a feeling largely dependent on the "demand for labour" in the widest sense.

* Population Theories and the Economic Interpretation. By Sidney H. Coontz. Routledge and Kegan Paul. 195 pages. 25s.

NEGATIVELY, Mr Coontz's omissions focus attention, paradoxically, on the obvious, but oddly neglected, matter of sheer personal taste. Admitting, in a footnote, that procreation itself is not economically motivated (a refreshing touch of realism), he discloses an assumption that "children are regarded as a good" whose acquisition is permitted or discouraged by economic circumstances. In other words, if raising families cost them nothing, all parents would produce as large a family as was physically possible. Anyone, of course, who believes that economic considerations alone settle a woman's willingness or unwillingness to spend half her adult life in a state of pregnancy, or for that matter a man's willingness or unwillingness to live permanently surrounded by clamorous babies, would believe anything.

But the very absurdity of this belief highlights the question: what does in fact determine the personal, subjective, emotional attitudes on which economic causes exert their influence ? What gives them their strength ? Those couples who are absolutely resolved not to have more babies will avoid them, whatever their material standards and prospects, by means ranging from total abstinence, however difficult, at one extreme to sterilisation, however repugnant, at the other, with a range of more or less satisfactory contraceptive practices and more or less dangerous abortions in between. Those who only mildly prefer not to have more babies will, even with adequate contraceptive devices to hand, take chances—and the consequences. These subjective differences stand out most clearly where contraception is universally familiar and the size of families is consequently a matter of means and taste. But they emerge even where contraception is forbidden (as witness the differing family patterns of Roman Catholic, agricultural Ireland and Roman Catholic, agricultural Italy), or only beginning to be known and respectable (as witness the precipitous fall in the Japanese birth rate between 1949 and 1954, and the lack of any comparable fall, despite official encouragement, in India).

Any government, or world organisation, trying to develop new family patterns must evidently take these differences into account. Equally evidently, in no field is prediction less possible or policy more uncertain of

effect. The projections of the UN Demographic Yearbook may well, in another couple of decades, look as funny as do today those of Dr Enid Charles, who in the 1930s was convincingly demonstrating that by 1950 the population of Britain would have begun to lead that of the West in general in a rapid and disastrous fall.

Complacency, however, is as unjustifiable as fatalism or panic. It is a fact that birth and death rates are still wildly out of step; it is a fact that the more overcrowded nations lack a hair's breadth of safety-margin against drought, flood, or other threat to their food supplies; it is a fact that their economic progress—in which, even from the narrowest national point of view, Britain has a strong interest—is hampered and endangered by their disproportionate fertility. That these facts should have been recognised in the teeth of that virtually fact-proof obstacle, Marxist dogma, gives them the greater weight. If any Asians still suspect that the West whips up population scares for its own obscure but nefarious purposes, the news from Peking should do more to convince them than any number of statistical demonstrations.

Harveian Ovation



William Harvey, who discovered the circulation of the blood and whom many regard as the founder of scientific medicine, died three hundred years ago next Monday. His outlook and methods still teach important lessons today

"He was . . . of the lowest stature, round-faced, olivaster complexion; little eie, round, very black, full of spirit." So John Aubrey, writing towards the end of the seventeenth century, described the man whom doctors from all over the world are honouring in London next week. The tercentenary of William Harvey's death in 1657 is being commemorated on a scale unprecedented in British medicine. Besides a full week of scientific sessions, ending in a meeting at Folkestone, Harvey's birthplace, there will be colour television demonstrations of human physiological experiments and a discussion on cardiac surgery, in which American doctors attending the annual meeting of the American Medical Association will participate by transatlantic radiotelephone.

Why is Harvey the most revered of English physicians? Most people who have heard of him at all will know that he discovered the circulation of the blood, and a first edition of that tiny book, "Exercitatio de Motu Cordis et Sanguinis," first published* in 1628, is worth several thousand pounds today. The layman, still pretty ignorant of how his body works, may find it hard to appreciate the importance of this work. But to the doctor it places Harvey in the same position in medicine as Newton in physics and Galileo in astronomy. In Harvey's day the ancient theories of the functions of the heart, the blood and blood vessels still possessed the inviolable imprint of Galen's teaching in the second century. They were so confused, and so far from reality, that it is difficult for anyone, brought up on the true facts of the circulation, to grasp them. It was asserted, for instance, that blood in the veins carried nutriment from the liver, and that blood in the arteries carried spirits mixed with air to all parts of the body; that blood ebbed and flowed like the tide in both arteries and veins; that the heart was the seat of primordial heat and charged the blood with vital spirit.

Others had made tentative attacks upon this theory even before Harvey began to study medicine at Padua in 1600, but it was the twenty years of his experiments, persistent demonstrations and teaching, culminating in the publication of his slim book, that eventually swept it away. It is wholly appropriate, therefore, that the general theme of next week's congress is "A review of the present knowledge of the circulation."

Yet Harvey's fame rests not only on his discovery itself, but also, and even more surely, on the way he reached it. There seems to have been no Eureka about the circulation of the blood. It was, his latest biographer† tells us, Harvey's anatomical observations as a medical student that first led him to question Galen's teaching, and he built up his theory bit by bit from what he observed over the following years in his experiments in his "museum." Here, evening after evening, after a professional day in St Bartholomew's hospital, at the Royal College of Physicians, or seeing patients (he was physician to Charles I), he dissected

* A new translation by Professor K. J. Franklin, together with the Latin text, has been published by Blackwell Scientific Publications. Price 17s. 6d.

† William Harvey. By Louis Chauvois. Hutchinson Medical Publications. 271 pages. 25s.

eels, frogs, shrimps, snails, snakes, fish and some warm-blooded creatures, too, examining their hearts and vessels and watching the minute pulse in a fertile egg. He did all this with inadequate instruments and what was little more than a magnifying glass, for Leeuwenhoek did not invent his microscope until after Harvey's death; he never actually saw the capillary vessels, but had to infer them. Yet were he alive today and possessed all the accumulation of modern knowledge and the precision of modern technique, there is little of substance that he would want to alter in "De Motu Cordis."

Harvey was, in fact, the first experimental physiologist—"the first that I heare of," says Aubrey, "that was curious in anatomie in England." But his curiosity was matched by his patience and thoroughness, and it was his demonstration of the virtues of systematic observation, of measurement, of planned experiment that entitles him to be called the originator of scientific medicine. He was an exponent of a dictum of Francis Bacon, whose doctor he had been, that

> all true and fruitful natural philosophy hath a double scale or ladder . . . ascending from experiments, to the invention of causes; and descending from causes, to the invention of new experiments:

Scientific medicine did not flower immediately. Indeed, it is only in this century that it has reached maturity, and in the eighteen-seventies, when the tercentenary of Harvey's birth was celebrated, it was still possible to regard clinical medicine as an art as much as a science. But the great clinicians of the past could not have practised as they did without the knowledge generated from Harvey's experiments, and there is a direct connection between these and the large-scale laboratory experiments of today, the Medical Research Council and the carefully controlled trials of therapeutic procedures.

Harvey's claim to immortality extends, however, even beyond the wide field of medical science. Nor is it only the immense range of his activities that gives him a place among the great minds of the world. In that, he was essentially a man of the seventeenth century, the century of Newton, Galileo and Descartes, the century of abounding energy in almost every walk of life, the century that saw the foundation of the Royal Society, some of whose founding members had been Harvey's friends. The eager questing minds of the intellectual giants of this century would not allow them to become blind to all pursuits but their own. Christopher Wren was an astronomer, who had also done physiological experiments, before he became the King's Surveyor of Works. Harvey himself was a general practitioner—though in this respect his contemporary reputation was poor—as well as a lecturer, demonstrator, anatomist and physiologist. Nor was "De Motu Cordis" his only published work. Towards the end of his life he published, somewhat reluctantly, his "Exercitationes de Generatione Animalium," which shows him as a pioneer embryologist: grasping, though admittedly imperfectly, the principle *omne vivum ex ovo*; and anticipating nineteenth century workers in his enunciation of the theory that the term of a new life is not suddenly transformed into a homunculus or animalunculus, but that in its development the new organism recapitulates the stages of evolution. Harvey had made numerous similar notes on the generation of insects, but they were all lost when Parliament's soldiers pillaged his house in the Civil War—as he himself put it, "the greatest crucifying" to him that he had ever suffered.

The specialists who will be gathered in London next week would do well to ponder the breadth of Harvey's mind. Pervading all his life, and what would have given him a lasting eminence even without his discovery of the circulation of the blood, was his passion for truth, combined with humility about his own experiments and tolerance for the views of others. This scientific pursuit of truth is apparent in his dedication of "De Motu Cordis," in which he addresses his colleagues of the Royal College of Physicians. "For true philosophers," he says,

> aflame with love of truth and wisdom, never find themselves so sage or so full of wisdom or so abounding in perception but that they cede place to truth from whomsoever or whensoever it comes.

Philosophers, he goes on, do not lose their freedom "in bondage to the traditions and precepts of any, except their own eyes convince them." Honest men should not let themselves become so angry or envious that they cannot give a fair hearing to proposals made on behalf of truth.

This was a vain plea. "De Motu Cordis" was received, especially abroad, with all the hostility that still greets a revolutionary idea; and even at home, Harvey told John Aubrey, "he fell mightily in his practize, and that 'twas beleeved by the vulgar that he was crackbrained." But it was not fear of unpopularity that had made him delay so long in publishing both "De Motu Cordis" and "De Generatione Animalium." Rather it was a genuine wish to be sure of his facts by repeated experiments, and to convince his colleagues and his students by demonstrations, so that they would believe only what they themselves had seen, that made him reluctant to rush into print—in such striking contrast to many medical researchers of today.

Harvey, moreover, never presumed that his investigations of the heart's movement represented the last word. "Others," he says, "given this lead, and relying on more productive talents, may find an opportunity to carry out the task more accurately and to investigate more skilfully." He was, says Aubrey, "far from bigotry." He disclaimed, in his dedication of "De Motu Cordis," any wish "to provoke a contemporary," or to "charge with falsehood any searcher after truth, or besmirch any man with a stigma of error." Observation is sacred, belief is free—this guiding principle of Harvey's life has an application as universal today as three hundred years ago.

NOTES OF THE WEEK

LORD SALISBURY

Ice and Acid

LORD SALISBURY last week displayed some very simple emotions in the House of Lords, but did so in a sufficiently familiar manner—detached, almost embarrassingly self-deprecating, and never angry—to make a much greater impact within the House than he seems to have made outside it. He spoke with his usual impressive authority, and chilled the House with the note of personal tragedy in his feeling (perhaps premature) that he will not take office again. But there was no playing to a wider gallery here—not a single striking, quotable phrase—and the magic of the manner could not disguise the fact that the content seemed almost lightweight. He would have liked the British and French governments to continue a partial boycott, and he pushed aside the obvious economic snags by evoking the spirit of Dunkirk. This was more up to date than Lord Hinchingbrooke, who took the Commons back to Agincourt, but it was no more relevant to the economic realities of 1957. By the end of the debate Lord Salisbury himself came near to acknowledging that a purely Anglo-French boycott might be difficult, and he shifted his complaint to the Government's failure to build up a wider resistance movement to Egypt within the Canal Users' Association. For the future, Lord Salisbury's one positive suggestion was that Britain should plan, as a matter of announced policy, to re-route all tankers round the Cape as soon as practicable. Even this, however, he recognised might take some years.

These were fairly narrow grounds for disagreement, and the nub of Lord Salisbury's dissatisfaction was no doubt to be found in his final homily about the need for being firm and consistent in foreign policy—with the implication that, over Cyprus and Suez at least, Mr Macmillan had been neither. But such strictures only deepened the mystery of why Lord Salisbury, having suffered silently the snipe-like course of Sir Anthony Eden, so quickly recoiled from the new Prime Minister. When Lord Salisbury sat down he was vulnerable to, and hurt by, the acid little historical reminiscences of Lord Attlee; and one was left to wonder whether the real event of the debate was not the contribution by Lord Halifax, whose criticism that those who ordered the invasion of Port Said did not seem to have "thought out fully the conditions of a successful issue" was one of the best Conservative speeches about last October for a very long time.

Yet it would be wrong to dismiss the Cecil influence from all future reckoning. The Government has still some major hurdles to clear: Cyprus, for instance, and the final Suez settlement. Mr Macmillan has got Tory MPs into a state where he can sell them anything (witness another deliberate success in twisting Mr Gaitskell's tail at question time on Tuesday), but he is still meeting sales resistance in the country. Many rank and file Tories instinctively warm to the appeal of Lord Salisbury and the eight Independents. Lord Salisbury told the peers that he did not want to rock the boat, but Mr Macmillan could still find him an awkwardly dragging anchor.

FRANCE

Tight Shoes and an Unmanned Helm

M. PLEVEN'S exploratory consultations deepened the French political deadlock by revealing the economic burden that will fall on M. Pflimlin or any other new premier. This week the treasury was compelled to make a first appeal to the Bank of France for money. But M. Pleven's most striking revelation was that drastic measures must be taken at once if a crisis in foreign payments is to be avoided. He suggested that France should go back on its obligations to OEEC, suspend all measures of trade liberalisation and revert temporarily to quotas and restrictions. Any such moves would go so much against the prevailing "European" spirit as to endanger the prospects of ratification of the common market treaties—and not in France alone.

Stubborn financial facts are apparently beginning to influence the general approach to the Algerian question. It is also significant that most of the politicians consulted on this topic have pointed to the need to face the United Nations Assembly later in the autumn. The feeling is growing that new initiatives have become inevitable. One suggestion is that representatives of all French overseas possessions should be called to a conference. There a new statute for Algeria might be evolved within a French Union reformed on federal lines.

The next prime minister will face a grim task, and there is understandably little enthusiasm for the job of filling M. Mollet's down-at-heel shoes. One man with both the stature and courage required is not only ignored, but has removed himself from the centre of the political stage. M. Mendès-France has resigned the leadership of the Radical party nearly two years after taking it over. Some of his admirers will say two years too late, since they could never understand what he was doing in the Radical galley. He tried to set it on a new course by imposing discipline. Recalcitrants, including figures as important as MM. Faure and René Mayer, were thrown overboard. But even this proved no cure for insubordination, and now M. Mendès-France has given up his command. It is not yet clear whether the alarmed Radicals will call him back to the helm of their drifting craft, or whether he will now paddle his own canoe. But what is clear is that he will not be called upon to solve the Algerian question—at least, not yet.

CYPRUS

Judgment Against the Police

DISQUIETING reports have been coming out of Cyprus about the treatment of accused persons by the police and about the conduct of trials. In five cases over the past month irregularities of various sorts have caused the courts, very properly, to quash convictions or award acquittals. In two cases (one of which involved five death sentences) the irregularity was the technical one of failing to translate all the evidence into Greek. But other cases have been more serious. Last week, for instance, the Supreme Court set aside a ten-year sentence passed on a Greek Cypriot found guilty of carrying and placing a bomb, on the grounds that there was a reasonable doubt whether the man's confession had been voluntary. Two days later, Nicos Sampson, a Greek Cypriot journalist, was acquitted on a charge of murdering a British police sergeant because of insufficient evidence. The judge strongly criticised the treatment that the police themselves admitted Sampson had received after his arrest; he ruled that an alleged confession made at that time was inadmissible because the prosecution could not prove that it was free and voluntary.

Although the border-line between torture and ill-treatment may sometimes be ill-defined, no question of actual torture is now involved. Fanatical supporters of Eoka will doubtless stick at nothing to discredit the British and, as the Cyprus government points out, neither in the Sampson case, nor in any other, have the courts accepted allegations of torture. But the authorities in Cyprus also maintain that the judges' findings in both cases last week do not support allegations of ill-treatment by the police. But the fact that in the Sampson case the police were criticised largely for acts of omission, and on their own admission, does not alter the fact that ill-treatment evidently took place. Some rough handling of suspected terrorists must be inevitable. But the evidence gives rise to fears that in a good many cases there has been a good deal more than was inevitable. If the government of Cyprus can put these fears to rest more convincingly in future, it has nothing to lose and a good deal to gain.

GERMANY

Adenauer Assured

THERE is no doubt who has won this week's set in the endless political game of fives between Dr Adenauer and Herr Ollenhauer, with Russia the wall and German reunification the ball. The aim of Dr Adenauer's fifth visit to the United States was to give a decisive boost to his electoral campaign. It has been achieved. The faithful ally got the usual warm welcome from Congressmen and President. And he obtained a specific assurance from the President (which has been echoed by the Foreign Office) that no comprehensive disarmament agreement would be concluded without German reunification. The German fear that the great powers might reach a settlement on the basis of the division of Germany, roused anew by the hopeful sounds from the disarmament talks in London, has been allayed.

The Chancellor paid a price for his success. He did agree that he was content for first steps toward disarmament to go ahead without reunification. It was not a big concession, for the first steps now envisaged in the American proposals directly affect German rearmament or prejudice reunification. But domestic critics are already accusing Dr Adenauer of having sold the pass. There seems, indeed, little prospect of any early realisation of his proposal (backed by Mr Eisenhower) that, once the first phase is over, a new foreign ministers' conference might be convened to discuss the German question. Meanwhile he is taking the initiative himself. Bonn's firm but restrained note, published this week, replying to Russia's note on reunification last autumn, surrenders nothing of the western case. But it does hold out the hope to Germans that the coming trade talks between Russia and Western Germany could be expanded into a broader parley. Badly defeated in the match with Mr Bulganin over atomic weapons, the Chancellor has recovered his poise.

Herr Ollenhauer has found it difficult to quarrel with all this. In detail, after all, the differences between Socialists and Christian Democrats on the key issue of German politics have become very small. The main distinction, a Socialist would claim, is one of sincerity, and in the differing roles ascribed to a "European security system" which would embrace a reunited Germany. So long, in any case, as Russia remains as unconciliatory as it is at present, the foreign policies of both parties will be severely circumscribed. Reunification will be a much discussed ideal at election times; the western alliance is still the plain necessity of west German political life.

THE LUNACY LAWS

Abolishing Certification

THE laws relating to lunacy and mental defect have always had to steer a safe course between, on the one hand, the preservation of civil liberties and, on the other, the provision of humane care and treatment for the mentally ill or defective. Usually, it is civil liberties that are most often heard about. Cases are taken up which appear to be a gross infringement of these liberties; and the other side of the question—the need to ensure that care and treatment are given to those who need it—tends to be ignored.

The royal commission on the subject is, on the whole, disposed to make the law veer nearer towards the safeguarding of the subject's liberty without abandoning the principle that there are times when liberty has to be forgone either for the patient's own sake or to protect other members of society. So far as mentally ill people are concerned the commission's proposals (Cmnd 169) would mean the end of the existing categories of patients—voluntary, temporary and certified. The purpose of the Mental Treatment Act of 1930 was to enable patients to enter hospital voluntarily, that is, without having to be certified and thus be detained against their will. But voluntary patients have to sign a form declaring not only that they are willing to enter hospital but also that they will give three days' notice before they discharge themselves. Even this formality has sometimes discouraged mentally sick people from entering hospital willingly, and the Percy commission accordingly recommends that it should be dispensed with altogether. This means that the great majority of patients would enter and leave mental hospitals as simply and easily as physically ill patients enter and leave other

hospitals. The commission also proposes that the same freedom should apply to "mental defectives" (as distinct from the "mentally ill") entering mental deficiency hospitals. Informal admission for mental defectives, who at present almost always enter under certification, could, the commission considers, start at once, without any change in the law. It is a far-reaching proposal.

But there will always be a small minority, of mentally ill and defective patients, who refuse treatment, or whose relatives refuse it for them, but who clearly need it either to protect society or because their illness is so serious. For these the Percy commission recognises that compulsion is necessary, but it has tried to remove the stigma of certification by new procedures—abolishing judicial orders and establishing independent mental health review tribunals instead of the Board of Control—and by new names (the word "certified" is to go). Its proposals for compulsory care without stigma are valiant and commendable. But it is doubtful whether they can entirely remove the feelings of resentment that are bound to be associated with compulsory detention—whatever new clothes it is given.

DEFENCE

Ending the Call-up in Britain

THE Government's choice of methods to taper off the call-up over the next three years is reasonably fair. Of the 570,000 men available for national service between now and 1960, when the call-up ends, 240,000 are on deferment and 330,000 are men who have not yet been called on to register. It is hoped that only 320,000 conscripts will be required. The men on deferment are those who would normally be called up after completing their university, technical or apprenticeship courses; the Government has decided that they should serve their turn, and that the classes to be called up in succeeding years should be cut back to the level required. According to this week's white paper (Cmnd 175) this will mean that men born before 1939 and up to the second quarter of 1939 will be called up; those born in the third quarter of 1939 may be called up if regular recruiting lags; men born in the fourth quarter of 1939 are told they should escape; and the 1940 and later classes will not be called up—unless volunteering fails. In all these classes, including those born in 1939, men who would normally get deferment will not be called up. An eighteen-year-old who can get a university place by October, 1959, is therefore likely to avoid service altogether; this is naturally causing a bigger crush at the universities' doors than ever.

Those in the doubtful classes—born in the second half of 1939 and, indeed, those in the 1940 and 1941 age groups too—should keep a critical eye on the recruiting figures issued by the Ministry of Defence, for their fate will depend on whether the Government's expectation is fulfilled that "it will be possible by voluntary recruitment to obtain the reduced manpower required under the new defence plan." The figures they (and our Nato allies) should look at in the returns are those taking six-year engagements or longer; the three-year engagements are to be discontinued when the Army Act is amended. During the past year, regular engagements have increased slightly, but at present men are joining the forces as volunteers at the rate of about 32,000 a year. On an average service of eight years this would produce armed forces of 250,000, compared with the 375,000 that are expected to be needed when conscription ends; there is therefore a considerable shortfall, particularly in the army where long-service recruiting will have to triple if the plan is to succeed. For the forces as a whole, 47,000 men a year will be needed as long-service volunteers out of an annual crop of 450,000 young men in the bulge-years ahead. In other words, something like one out of every ten young men will have to want to be a regular serviceman if the promise to end conscription in Cmnd 175's way is not to be a pipe-dream. It still seems a very high proportion for an unmilitary race.

Economic Crystal Gazing

ONCE again, immediately after the budget, the study section of the Royal Statistical Society invited leading economists and statisticians to forecast the movement in the current year of key indicators in the British economy. Of the 100 people invited to participate in this guessing game, 67 forecast the general trends, but only 36 went so far as to set out in detail what these would mean in changes in real supply and demand this year.

The average forecast of these bolder economists is that the real gross domestic product will increase this year by some £400 million (or by between 2 and 2½ per cent) compared with £240 million last year; and that a rather larger rise in the volume of imports will mean that total supplies will increase by some £550 million. On the demand side, real personal consumption is forecast to rise by £290 million (against only £60 million last year), which means that it would take just over half of the extra supplies; whereas exports are forecast to rise by £220 million, which would be only slightly smaller than their expansion in 1956, but would mean that they would take only about two-fifths of the extra supplies, compared with about three-quarters of last year's smaller rise in supplies.

These forecasts, set down in Table I, assume that industrial production will rise by 2½ per cent and that the unemployment rate will average 1.3 per cent over the year. Since in the first four months of 1957 output was still dead level on last year's plateau and average unemployment was 1.7 per cent, the forecasts imply a considerable improvement in the rest of the year. Unemployment does, of course, normally fall off in the summer months, and it would in fact have to fall no more than in 1954 to prove the unemployment forecast correct. If the index of production rose between now and the end of the year by only a little more than it did in the same period of 1954, the forecasts of output could prove correct also.

Are these economists likely to be right in believing that industrial expansion will get back to or beyond its 1954 keel this year? Some people will say that the present "feel" of the economy makes this assumption plausible, and the tighter restrictions on motor car hire purchase which the Government imposed this week presumably mean that the authorities think they are operating in a climate of potentially rising demand. But such indications as are available of the rise in consumption are not noticeably more buoyant than one should expect at this stage of the hire purchase cycle, and there could be some check to consumption at the end of this year with the onset of widespread rent increases. One would also have thought that the estimate in Table I for the fall in current government expenditure this year was on the low side. Last year the economists who participated in this guessing game were far too optimistic about industrial production, but underestimated the rise in exports. Our own hazardous guess is that they—and the authorities?—might well be making, at least to some degree, the first of these miscalculations again.

TABLE I—GUESSES AT THE BALANCE SHEET
(£ million at 1955 Factor Cost)

	Actual for 1956	Forecast for 1957		Actual for 1956	Forecast for 1957
Changes in supplies			*Changes in demand*		
Gross domestic product	+240	+400	Consumption	+ 60	+290
Imports	+100	+150	Govt. current expenditure	+ 50	− 50
			Fixed investment	+ 80	+ 50
			Stockbuilding	−100	+ 40
			Exports	+250	+220
Total	+340	+550		+340	+550

TABLE II—GUESSES AT THE INDICES

	Actual for 1956	Forecasts for 1957 Av.	Forecasts for 1957 Range
Industrial production (1948=100)	137	140·5	136 to 146
Volume of exports (1954=100)	113·5	118·1	115 to 122
% unemployment	1·2	1·3	1·0 to 1·6
Personal consumption (% change over previous year)	+0·5	+2·5	+0·5 to +5·2
Retail prices (% change over previous year)	+5·0	+3·7	+1·6 to +6·0

Belgians Debate a Cut

A FIRST explosion has already occurred in the chain reaction of defence cuts which our European allies prophesied as the disquieting sequel to Britain's defence white paper. Belgium's Christian Social (Catholic) opposition leaders have declared that if they are returned to office in the 1958 elections they will cut national service from eighteen months to a year. The cabinet, spurred on by this challenge, is also considering modifications in the call-up. Competition in defence cuts promises to become a live and dangerous element in the electoral campaign.

Ironically, some four years ago it was a Catholic government that stoutly proclaimed the necessity of a continued two-year period of national service. It was the Socialists and Liberals who were then carried to power on the promise of reducing conscription, which they carried out. The temptation to beat the Socialists at their own electoral game is naturally a strong one for the Catholic opposition, but their new move has been precipitated not by electoral considerations alone but by Britain's change of course.

The April white paper aroused a flurry of discussion in Belgium about the organisation and equipment of its forces. They are perhaps more closely modelled on Britain's than those of any other European ally, and Belgian and British forces in Germany are closely linked. The military planners in Brussels are bound to follow Britain's lead to some extent.

It is, however, regrettable that the first move toward the remodelling of Belgian forces is the promise of a cut which will probably reduce their strength. Yet another unilateral act (and there may be more from other allies) threatens to disrupt Nato's efforts to achieve a concerted adaptation to the new military needs. Taking a leaf out of Britain's apologia, the Christian Socialists offer assurances that more regulars will be brought in, to make their forces as strong as ever; and that Nato's studies will not be prejudiced. But until these claims are proved in practice, they will arouse as much scepticism as Britain's attempts to whitewash its withdrawals from "the shield."

Patching the Shield

HERR STRAUSS'S visit to London was successful in its aims. Like Mr Macmillan's visit to Bonn, it helped to smooth down the resentments aroused in Germany by Britain's abruptly announced new defence policy. A step forward has been taken in co-operation on arms development and research. And the £25 million of further German arms orders in Britain which are under discussion, as Herr Strauss explained, are a German gesture of good will.

The task now is to develop the European partnership. Co-operation on arms should reach out beyond mere German shopping in, say, Britain and France, and sporadic get-togethers on research, to embrace common planning—so that both the design and production of future weapons are based on an appraisal of needs by the alliance as a whole and common plans. Now seems the moment, for example, to decide together on a new tank, as successor to the lumbering Centurion, a light, fast vehicle, quick to scurry through the void left by a tactical atomic explosion. Britain is developing one already. France and Germany both have similar ideas. It would be absurd if two or three such European tanks came into service, quite apart from an American one. And the new bilateral links between Britain, France and Germany should be gradually extended to all the European allies.

Now that the Germans, who were most disturbed by Britain's new defence policy, have been mollified, Mr Sandys's main constructive task will be the fitting of his new policy into the reappraisal which is being undertaken in the alliance as a whole. At present, as each ally seeks to sort out for itself the implications of Britain's new defence policy, confusion is pretty complete. By next October, however, Nato and Western European Union hope to produce a common plan, both for a new concert in weapon production and for "new model" forces. Britain, which caused the disruption in the first place, has a special obligation to take Nato's comments seriously. At Dr Adenauer's suggestion, General Norstad is to set down his views on the new style forces and on Britain's contribution to "the shield." Mr Sandys's next mission might well be a pilgrimage to Fontainebleau to hear these opinions and defend his own.

UNIVERSITIES

Screening the Students

LORD CHORLEY'S complaints about the inquiries of MI5 in the universities could mean much or little—that little being the essential minimum of security inquiries which can reasonably be made when the authorities take up the university references given by graduates who put

in for jobs on secret work. Clearly it is extremely difficult to get precise information about how much questioning is done, and it is doubtful how far an inquiry among members of the Association of University Teachers will throw reliable light on it. The warning that MI5 is getting security reports on students and teachers in "nearly every" university in Britain hardly suggests that the network is complete. Fears that the political notions of young people are being noted down in large numbers to be used in evidence at every subsequent stage in their careers may be misplaced.

But complacency is out of place, too. The main things to guard against are clearly the spread of the habit and too much diffusion of responsibility. How far a check can be kept on the habit when national security is directly involved is doubtful, although it would be nice to know on roughly what proportion of the population MI5 considers it necessary to keep files. But universities should resist such questions being asked by all sorts of unauthorised departments or persons—industrial personnel officers, for example. As for the diffusion of responsibility, the danger here is of an unhealthy growth of amateur security agents among the less sensible and well-balanced type of university teacher. It has been suggested that some teachers may band together to refuse to answer any inquiries which they think improper or irrelevant; certainly they have a right to do this, but unco-ordinated action could do more harm than good. It might leave the candidate for a job at the mercy of the one teacher who was self-important enough to provide such answers, and his answers might be precisely those that were most illiberal and wild.

University organisation is surely adaptable enough to meet this difficulty. A good code of rules to lay down might be that security inquiries must normally be routed through an agreed channel—such as the principal's office or what corresponds to it—and that teachers and tutors should ordinarily confine their comments to a student's work, abilities and general character in the time-honoured way. The principal's office could decide how far the nature of the inquiry justified the provision of any further report on the student's (or ex-student's) political affiliations or associations, and how much of what was known should, in fact, be passed on. Of course, principals—like ordinary teachers—will vary in their interpretation of such rules, and possibly in their tendencies to distinguish between a healthy pink and red; but if the security authorities collected their information from a strictly limited number of dignitaries, they would have less excuse for not recognising which sort of reference-giver was which.

CHINA TRADE

Fission in "Chincom"

THE news that Britain's embargo on trade with China will be brought into line with that on Russia in defiance of the views of the United States is no surprise. The much-publicised "secret" negotiations in Paris have made it clear that the British and American standpoints cannot be reconciled. The break is regrettable. Though both governments will continue to work in "Chincom" and "Cocom," the allied co-ordinating committees on strategic trade restrictions, the blatant divergence of policy will hardly improve Anglo-American relations. The British view, however, is that the irritating difference between the two embargoes was more harmful to Anglo-American relations than a clean break. Certainly the old anomaly made the embargo difficult to operate and provided a dangerous focus for anti-American feeling. Britain had the sympathy of many other member countries for its logical point of view, and though most, including the Japanese, Germans and French, have been more disposed than Britain to find some sort of compromise, all these countries are likely in time to follow the British lead.

It will be interesting to see if the relaxation in fact yields the major increase in British exports which some traders hope for. The embargo which remains is still severe and in its twilight zone—the goods under "surveillance" or quotas—Britain may well be prepared to concede much in practice to the American view. A group of British business men, under the auspices of the Sino-British trade committee, may visit China soon; they should learn something of the possibilities. China has considerable sterling assets, as a note in *The Economist* last week pointed out. But this sterling is used to finance much of its trade with other areas, including eastern Europe. Political as well as economic factors will decide where China buys.

FORMOSA

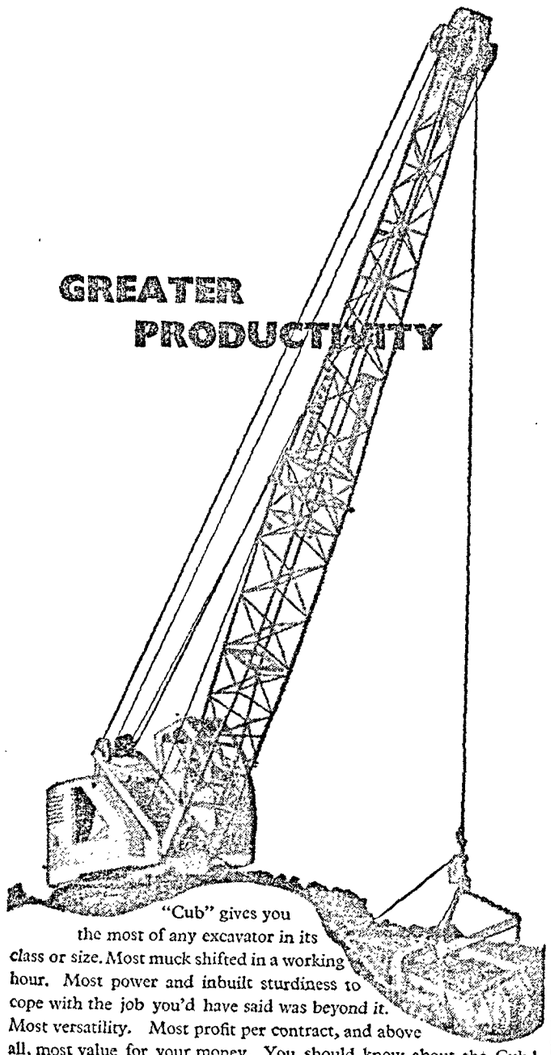
Storm in Taipeh

IN the anti-American riots in Taipeh there appeared to be some careful organisation behind the visible mob hysteria. The demonstrators were equipped with flags bearing anti-American slogans, and warning telephone calls were made to United States officials. The killing by an American sergeant of a Chinese civilian could scarcely have been planned, but it looks as if it was exploited by people who had been planning a demonstration since the sergeant's arrest in March. The fact that the Nationalist Chinese police stood by without trying to save the American embassy offices from being wrecked suggests either passive approval or collusion; the first is the more likely, for the rioters later turned on the police themselves and attacked their headquarters.

Who were the organisers? The young Formosan who ran up a Nationalist flag over the embassy in place of the United States one may have been moved by purely nationalistic and anti-American feelings. But his symbolic gesture suggests a state of mind receptive to the propaganda poured out of Peking in the past few months, which represents the Americans as hostile to President Chiang Kai-shek's regime and bent upon permanently colonising Formosa.

The fire behind this smoke is that the Chinese Nationalists have a genuine grievance about the retention of extra-territorial and diplomatic privileges by the American armed forces stationed on the island. The court-martial's acquittal of the sergeant was the spark that fired this explosive tinder.

Though the incident was serious, too much should not be read into it. Anti-Americanism is unfortunately a phenomenon of which Formosa does not have the monopoly: it is liable to arise at a popular level wherever American troops are stationed and American money is distributed. The grievance of extra-territoriality—a subject on which the Chinese are historically touchy—was fully shared by the Nationalist government, as the foreign minister's statement showed. But it would be absurd to suggest that the government condoned the riots, or is susceptible to communist



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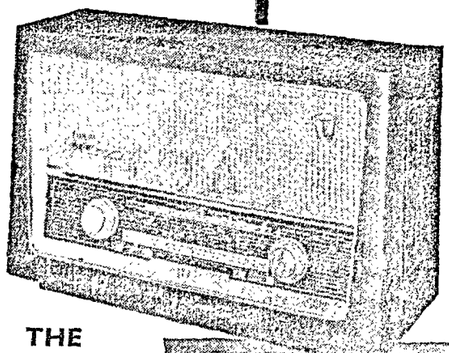
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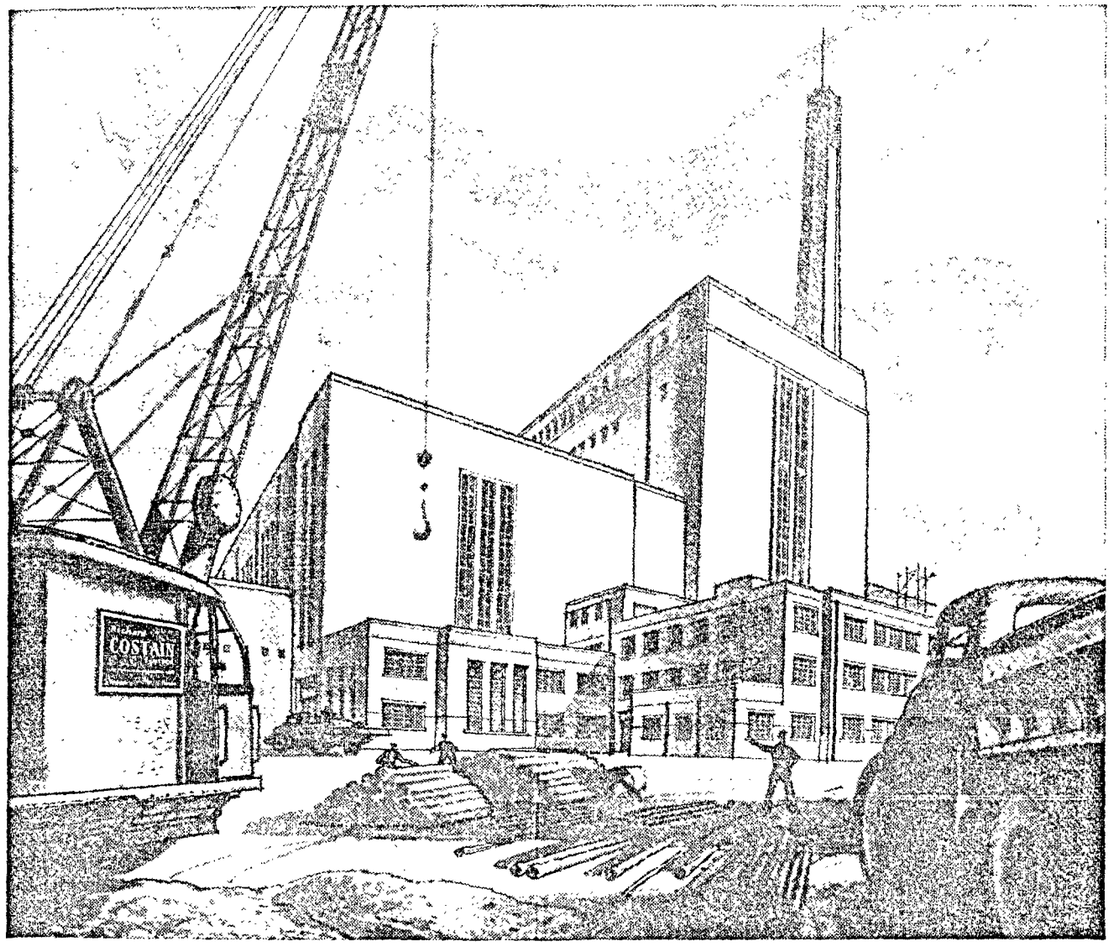
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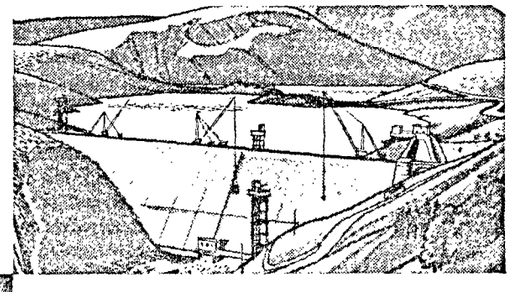
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propaganda. The Taipeh government's very existence depends upon American aid and support, and its leaders have no illusions about Peking's offers and reassurances.

KENYA

Mr Mboya Rampant

An African nationalist of the most awkward type has emerged to lead his race in Kenya, and at the worst possible moment. Mr Tom Mboya, the leader of the elected Africans in the Kenya legislature, has now put forward his case for repudiating the Lyttelton settlement, which brought multi-racial government to the country until the direct African election last March put eight nationalists in the house. He says that as the agreement was made with nominated, not elected, African members it cannot be held binding on their successors, who are the real voice of African aspirations. His demands fall into two parts. The first, specifically, is for fifteen additional African elected members at once, to give the Africans parity with the elected members of all other races. The second is that the present ministerial system should be discontinued and presumably, that there should be an interim return to rule by colonial officials until a new constitution is agreed.

Since the next stage in a more "advanced" colonial constitution is the replacement of official by elected members and the creation of a responsible government of elected ministers, Mr Mboya knows quite well that his second demand will not be granted. And the objective of his first demand is painfully clear: to get enough support in the legislature for an African government—or perhaps, at first, an Afro-Asian coalition. It is because he knows that the *local Europeans will not accept this that he is demanding* that negotiations should be between himself and the British Government. But by tying his immediate and longer-range aims so closely he is either being very naïve—or reckoning on a period of struggle which will end in him negotiating with an incoming Labour Government in Britain.

Mr Mboya disingenuously asks why such a programme should be regarded as demagoguery. The demagoguery lies not in what he says to the British press—however unpalatable to local Europeans—but what he and his lieutenants say to African mass audiences, which are, as usual, totally different things. The Kenya press has plainly been at some pains to make sure that some of his worst utterances—admittedly most come from a single political meeting—are reported back to Britain. They give grounds for disquiet. The consequences could be disquieting too. Already the Kenya government is seeking to curb African political activities again, which is a counsel of despair. Means should be found to expose and counter Mr Mboya when he tells lies or stirs up civil non-co-operation; but the worst step would be to make him a martyr. The Europeans will need to show great political skill and understanding of African mentality to bring Mr Mboya to a reasonable and bargaining frame of mind.

DENMARK

Odd Bedfellows

After a fortnight of kaleidoscopic manœuvring Hr H. C. Hansen, who led Denmark's outgoing Socialist ministry, has managed to form the country's first postwar majority government. He has coaxed into his coalition not only the Radicals, who have supported the Socialists on most domestic issues, but also, surprisingly, the mildly Poujadist single-tax party. This party's supporters may well view collaboration with the Socialists as a betrayal, all the more since its unexpected gains in the mid-May elections were mainly attributable to the broadcast fulminations of its leader, Dr Starcke, against bureaucracy and high taxes.

Charges of betrayal have also been launched against the Radicals by the right-wing parties. The Liberals were apparently confident of forming a Liberal-Conservative coalition government which, given Radical support, would be sure of a majority. But the Radicals proved willing to co-operate only with the Liberals, not with the Conservatives, whom they heartily dislike. The right wing's quandary may eventually lead to the Liberals absorbing their Conservative allies into a single "bourgeois" party—which, as things stand, would have 75 seats to the Socialists' 70 in a chamber of 175.

It is unfortunate that no broadly based coalition could be formed, for grave economic problems confront Denmark. The £20 million foreign exchange surplus inherited by the Socialists in 1953 has been turned into a corresponding deficit. Agricultural prices are low, and, against a background of creeping inflation, trade unions are clamouring for shorter hours. Hr Hansen and the former Liberal finance minister, Hr Thorkil Kristensen, would together have commanded general confidence; but the new coalition scarcely looks strong enough to stand the strain of the kind of austerity programme that the Prime Minister forecast on Wednesday. Once again, the utopian fairness of proportional representation appears ill suited to nations whose difficulties call for firm and speedy decisions.

HAITI

Too Many Presidents

Haiti, which shares a Caribbean island with the Dominican Republic, is overcrowded, badly in debt and at present politically chaotic. On Sunday a new provisional president, Professor Fignole, was sworn in, but it is still doubtful whether he will achieve a longer term than his immediate predecessors. Haiti has personalities and pressure groups, but no political parties. Six months ago President Magloire, who had ruled for six years with increasing totalitarianism and extravagance, was brought down by means of a prolonged general strike. The trouble since then has been an excess of presidential candidates.

Two provisional presidents were thrown out in quick succession; then Haiti was ruled for a short time by an executive council. This was overthrown last week by General Contave, the army chief of staff. Political comings and goings, however abrupt, had thus far been effected reasonably peacefully, but the general's barefaced snatch at power brought the republic to the verge of civil war. Colonel Armand, the police chief, was nominated head of the army by the ousted council, and led a force against General Contave. There was rioting and some bloodshed, ending with the appointment of President Fignole.

The new president has promised free and honest elections next month, but he has been discreet about his own personal plans. He has a lot to contend with. General Contave is unlikely to fade into the background. As usual

in Haiti in times of crisis there is a general strike, and the president is not supported by Senator Dejoie, who controls powerful business interests. The country is almost on the economic rocks. It lives largely on coffee and tourism, and not only is the coffee crop this season believed to be the worst for ten years, but tourists are notoriously gun shy. Haiti gets a fair amount of money and technical assistance from outside, but if it is to regain a modicum of political and economic stability it will need more.

CEYLON

Summer Lightning

FLICKERS of lightning in Ceylon's political sky give warning that a bad storm may be brewing, but provide little illumination. Alarming attitudes are being struck by the contestants, but are they meant merely to alarm ? The Tamil parties and organisations have given warning that they will launch a civil disobedience movement in mid-August, in protest against the imposition of Sinhalese as the country's only official language. They say they will limit themselves to non-violent action in the Gandhian tradition of satyagraha. It is to be hoped that they will ; but the Prime Minister, Mr Bandaranaike, and his Sri Lanka Freedom party seem to doubt it, for they propose to recruit thousands of volunteers to help the army and police in the event of trouble. Sections of the Ceylon press have sharply criticised this move as a step towards the creation of a private army.

Mr Bandaranaike may be bluffing, or seeking to call the Tamil leaders' bluff. His real aim may be to show the restive minority that he is in earnest, and to persuade them to call off their campaign. The same may apply to his reported decision to suspend the issue of passports and prevent anyone from leaving Ceylon between now and August unless the government approves of their leaving. This report could not be confirmed at the time of writing, and the purpose of the move is in any case obscure—unless it too is primarily a gesture meant to daunt the prospective satyagrahis. But the game that is now being played is a dangerous one. If the Tamils remain undeterred and the Prime Minister carries out his counter-measures, the August storm will loom black over a normally peaceful island.

THE YOUNG READER

Sixty per cent Book-buyers

THE survey of boys' and girls' reading habits carried out by W. H. Smith and Son and the publishing firm of George Harrap and Co (unpublished but circulated to the press), is on the whole an encouraging document ; it goes far to dispose of the popular legend that a telly-soaked younger generation is growing up either ignorant of the joys and uses of leisure reading or incapable of the necessary effort. The respondents were 4,000 boys and 4,000 girls at public, grammar and secondary modern schools in England and Wales ; once the schools had been chosen (on geographical principles) all pupils were included and, presumably with their teachers' encouragement, all replied.

As might be expected, public and grammar school pupils bought more books, and visited bookshops more often, than did the rest ; but even outside this group 60 per cent, on an average, claimed to be actual book buyers and a rather higher proportion belonged to a library. The choice of authors, revealing Mr W. E. Johns (of " Biggles ") as a runaway favourite among boys at all types of school and Miss Enid Blyton as holding an even longer lead among girls, may be hopefully related to the fact that numerically the middle forms constituted the largest group of respondents. Any writer proposing to challenge these two winners should note that both boys and girls preferred adventure stories by a wide margin to all others—the boys having a specific taste for war—but that for space fiction they appear to stick to their favourite weeklies. Only girls had a taste for romance. A fair percentage of respondents, especially at public and grammar schools, were interested in books on travel, history, biography and hobbies. On the choice of books the most powerful influence was clearly the library, with recommendations (by friends ? parents ? teachers ?) and bookshops as the next most important. All groups mentioned television as a guide to reading—a finding which lends force to the suggestion that any encroachment it makes on reading time may well be outweighed by its stimulus to interests and curiosities demanding print for their further satisfaction.

The Economist

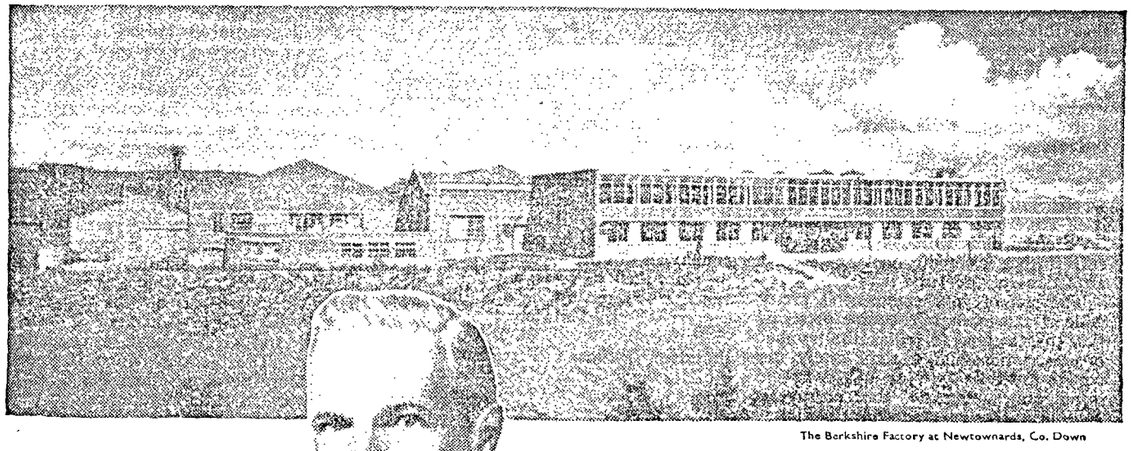
MAY 30, 1857

THE IMPORTANCE OF FOOD

¶ We have all of us looked for a long period with something like disdain on the cabbage broth and macaroni, the olives and chestnuts, the crout and the rye bread that constitute the diet of Continental Europe. We have attributed, and not without reason, some of the national superiority to our being better fed. We all believe that the poor rice-fed Hindoos would be more formidable foes, and we find them in our service more useful soldiers, from enjoying a superior diet. Throughout Europe the bulk of the opulent classes take great care to feed themselves well. Cooking is deservedly cultivated as an important art, and the due nourishment of the body is studied by those who look after their own welfare, or who secure a share of the wealth of the wealthy from ministering to their wants. What all the opulent classes do, what we see so plainly is necessary for the welfare of the Hindoos, the French, German, and Italian peasantry cannot be otherwise than very useful and desirable for all. To nourish the body regularly and well is a great part of civilisation. It preserves it in health, keeps the temper even, the mind free and active, and makes men altogether more pleasant and useful to one another. The public must learn, therefore, with some regret and alarm, that the " Scotch peasantry, in general, are worse fed than Scotch paupers in lunatic asylums." . . . Wretchedly fed as these people are, however, they contribute of their substance to the support of the opulent and the Government. There is nothing which they consume on which rent has not been paid and on which taxation has not been levied. . . . We mention the fact not invidiously, but to show how we are all bound up together, and that the opulence we admire in one class and the strength we admire in the State are conjoined with great poverty, great suffering, and with much disease and terrible insanity. We would further deduce from the fact of the intimate union between us all . . . that it is not a safe policy to meddle with one of its great businesses . . . lest we damage some other of equal or greater importance. After our experience of the corn laws and similar laws which the Legislature meant should be beneficial, it is greater wisdom not again to make such laws than to make them and repeal them after suffering their enormous evils.

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Mr. Fetherston

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LETTERS

A Salaried Medical Service

SIR—I notice that you commented last week on a speech I made to the Socialist Medical Association, when I suggested that a salaried service would have real advantages for the medical profession. And so it would! But I did not suggest that this either could or should be imposed on an unwilling profession. I argued that too many doctors are still isolated from other social and medical work and that they should be encouraged to co-operate in group practice and in the smaller type of health centre—co-operate both among themselves and with local authority health staff. I agree wholeheartedly that co-operation is in itself important; a pay structure should be evolved that would encourage this still further by reducing the financial attractions of the large list.

The rest of your comment is pretty wide of the mark. Of course prescription charges tend to reduce the number of prescriptions and, to some extent, the cost to the Exchequer, though even this is not quite automatic. Recent experience has shown that quantities prescribed have increased as charges have risen—and this can be dangerous medically as well as wasteful. But the strongest criticism of charges, and remember that charges are opposed by the British Medical Association itself, is that they have distorted the whole medical picture. The very patients who bring pressure to bear on their doctor are the least likely to be deterred by the charge, while some of those who really need the treatment may well not come forward for it. In fact, a purely financial decision takes the place of a medical one.

Finally, to come back to the question of a salary. If a salary were to be paid to doctors practising in a particular health centre, that need not prevent patients from making their choice of doctor. What I am above all concerned with is that we seem to have got into a rut at the very time when general practice could offer a most exciting and satisfying future for a doctor. In isolation he denies himself the opportunities of wider medical interests and denies his patients their right to a better service.—Yours faithfully, ARTHUR BLENKINSOP
House of Commons

Something for How Much?

SIR—In suggesting some amendments to Labour's proposed national superannuation scheme in your article of May 18th, you ask "Should the scheme be managed by the insurance companies instead of by the state?" and you answer "There would be certain advantages if the insurance companies could run a basic and self-supporting 'approved scheme,' but with each company offering variations of its own if its customers wished."

To avoid possible misunderstanding, we think it should be made clear that in addition to the private pension schemes which are arranged through insurance companies there are also many which are self-administered by their own trustees. Indeed, the statistics published by the Phillips Committee showed that the number of members covered by self-administered schemes (including those of the nationalised industries) was greater than the number covered by insured schemes. At present an employer who wishes to provide pension benefits for his employees has a choice of either a self-administered or an insured scheme. It is important that that choice should be preserved and that both types of scheme should be allowed to play their part if any "approved scheme" is set up on the lines you suggest.—Yours faithfully,

C. F. WOOD, President, *Institute of Actuaries*
F. J. MCGREGOR, President, *Faculty of Actuaries*
London, W.C.1 *Edinburgh,2*

A Perverse Report

SIR—May we reply to the criticism in your last issue of our report on the flammability of apparel fabrics? Essentially this criticism was aimed at the committee's decision against grading of fabrics in an "order of flammability."

The most important finding of the committee, not mentioned by you, is that most lightweight fabrics are about equally flammable and all require the same precautions; there are not, as some people have supposed, a number of relatively "safe" fabrics alongside the more dangerous ones. It is to the credit of the textile industries that they have accepted what might be thought an indictment of all their most popular products rather than offer an illusory grading scale which might delude purchasers into thinking that fabrics marginally higher in the scale than others were appreciably safer. For example, how much safer for a child's nightdress is a wincеyette with a flame-resistance rating of 50 than another cotton material rated at 30? Either will burn the complete length of the child's garment in less than 20 seconds with equally disastrous results.

The committee found that there are in effect only three possible grades—flame-resistant, potentially dangerous, and actively dangerous (at present almost non-existent). These facts were not generally known, either to the trades concerned or to the public, and the committee's final objective was precisely that mentioned by your contributor—to draw public attention to the danger of clothes catching fire and to stimulate demand for flame-resistant fabrics.—Yours faithfully, H. A. R. BINNEY,
British Standards Institution Director

Britain's Turkish Friends

SIR—Referring to the article in your issue of May 4th, I should like to express the opinion that too great stress is laid on the value to Britain of the friendship of Turkey, whilst that of Greece is entirely ignored. In World War I Turkey declared war on you without provocation, whilst Greece fought on your side. In World War II, although you had guaranteed Turkey's integrity and even when you were hard pressed in the Near East, she prudently kept out of the fray, preferring to sit on the fence and enjoy the benefits of neutrality; while Greece again fought throughout the war on your side, being in 1940, at one of the worst periods of the war, your sole ally. How should friendships be compared? By words or deeds?

As for the proximity of Cyprus to the coast of Asia Minor, it is, as your correspondent mentions, less than that of the islands of Mitylene, Chios, Samos and the Dodecanese—or of the Channel Islands to France—while in Thrace, Turkey and Greece have a common frontier. The Turkish nation is three times more numerous than the Greek, so of what strategic importance can the proximity of Cyprus be? The Turks in western Thrace and the Dodecanese live on entirely friendly terms with the Greeks, as they have always done, until quite recently, in Cyprus. They would again if the islanders were given the right of self-determination.—Yours faithfully, N. G. PASPATI
Athens

*

SIR—Your correspondent in your issue of May 4th analyses the situation in Cyprus from an English point of view. To me as a Turk the Cyprus question is not a simple matter of give and take. It is a question of prestige; or *amour propre*. The world is well aware that the Turks defied a much more powerful country than Greece in a much more critical situation. The question here is not one of hostility or fear of Greece. Why did we not ask for Mytilene, Chios and the Dodecanese islands? It was not that we were afraid; simply that we wished to keep our word.

But in the case of Cyprus the situation is totally different; if, for example, I gave you my purse to keep and a third person came along and insisted upon taking it; and if you yourself also wanted to give it to him; but at the same time said to me, "never you mind, old pal, we still are friends"; wouldn't it sound rather queer?

On the other hand one must ask what will become of Britain as a Middle Eastern power after the Suez crisis and with its bases in Egypt and Jordan gone. If it loses Cyprus too, what foothold will remain to it in the Near East?

There is an old saying that diplomacy is the ability to see the future and take the necessary precautions in advance.—Yours faithfully, RIFAT ATAMER
Istanbul

Ghana on Honeymoon

SIR—It is not desired to discuss the experience or judgment as an expert on matrimonial affairs of your special correspondent in Accra. But it might be useful to correct a few of the errors of fact in his article in your issue of May 18th. The Queen and the Ghana national anthem have always been played at official functions attended by the Governor-General. Your correspondent is misinformed on both the decision and design of the bank notes. A decision on the design of the bank notes has not been deferred; the printers are producing a final proof for consideration by this Government. The statement that the Government of Ghana intends to have a university something much more American in style is hardly consistent with the University Council's invitation to Professor Stoughton of Reading University to become the next Principal in the University of Ghana. I am asked by Mr Gbedemah to say that much of the speculation about his policies as Minister of Finance and his relationship to his political party is as wide of the mark as, for example, the statement that he has been completing the budget in the seclusion of his Togoland home. Mr Gbedemah completed the budget before he left Accra.—Yours faithfully, GERALD PLANGE,
Acting Director of Information Services
Accra

Tanganyika

SIR—In the article of April 20th your correspondent rightly stresses the importance of the economic horse preceding the political cart, but he does less than justice to some of the work being carried out. The memory of Mr Strachey's groundnuts may have faded from the mind of the British public, but in the Territory, the Tanganyika Agricultural Corporation, having taken over a somewhat ill-proportioned offspring from its original parents, the Overseas Food Corporation, is prominent in the search for ways to raise the standard of living of the African.

Development is proceeding along different lines in each of the three original groundnut scheme areas. At Urambo, in the Western Province, the Corporation, having proved the possibility of flue-cured tobacco production, has handed over most of its farms to European tenant farmers. Kongwa, the scene of such tremendous activity in 1948, has long since been shown to be entirely unsuited to the large-scale production of arable crops, owing to the unreliability of the rainfall. Nevertheless the emphasis in research work there has been effectively moved to the production of beef cattle on improved pasture. At Nachingwea in the Southern Province large areas of groundnuts and soya bean and, to a lesser extent, maize and sorghum are being grown at a level of yield that makes more certain the prospect of eventually achieving economic operation.

Although most of the farms are run by European managers with African labour, the problem of helping the African to rise above the limits of hoe cultivation is being tackled concurrently on an African Tenant Scheme. Here tenants farm holdings of 20-25 acres each under the general supervision of a European manager. Improved seed, technical advice and mechanical cultivations are available to the tenant, but for all services he pays the full market price, and much of the success of the scheme to date can be attributed to the fact that, from the outset, emphasis has been placed on the importance of utilising the labour of the tenant and his family to the maximum.

As in many other countries, capital for both agricultural and industrial development is extremely scarce, and only recently the plan put forward by a South African firm for the production of sugar on 60,000 acres in the Kilombero Valley had to be turned down due to the lack of £3¾ million required to build the necessary railway. Unless the Territory can continue to look to other countries and international agencies for a supply of development capital, independence celebrations in Dar Es Salaam would bring only cold comfort for the majority of the African population.—Yours faithfully, R. F. LORD
Tanganyika Agricultural Corporation, Nachingwea, Tanganyika Territory

Faith or Myth?

SIR—Your article "Aspects of a Myth" (in *The Economist* of February 9th) is somewhat misleading. It deals with the recovery by the Chinese Nationalists of the mainland now under the oppression and tyranny of Communism, but its argument is inferred from what "the highest American officials" would think.

I say it is not a myth but a faith, as much a faith as the War of American Independence, the wars of liberation against Napoleon's empire and the wars of freedom against Hitler's empire. "The battle is not to the strong alone."

In China's own history, the empire of Ch'in-Shih-Huang-ti (221-207 BC) is an illuminating example of an empire built entirely on force, formidable but fragile, and therefore easily overthrown by the people, and going down in history as the shortest empire ever recorded. During the years of war against Japanese aggression, Mao Tse-tung wrote of his aspiration to become even greater than Ch'in-Shih-Huang-ti. Helped by his greater brutality and ruthlessness and his complete submission to Russia, he certainly "outshines" the latter and the logic of events will certainly mean that his empire outdoes the Ch'in Dynasty in shortness of life. To "recover the mainland" is therefore not a myth but a faith, vindicated by history and destined to make history.—Yours faithfully,
Taipeh, Formosa CHEN-YU CHENG

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BOOKS

Strategic Birds in Hand

History of the Second World War: *Grand Strategy Volume II, September 1939—June 1941.*

By J. R. M. Butler.
Her Majesty's Stationery Office. 622 pages. 42s.

THE editor of the United Kingdom Military Series of the official History of the Second World War has revealed a proper responsibility in tackling this, perhaps the trickiest, volume personally: for it requires the closest, even rose-tinted, scrutiny to perceive between the outbreak of war and June, 1941, many of the lineaments of grand strategy—save, perhaps, to miss no opportunity of gaining American support. The hand-to-mouth, episodic, nature of the emerging problems pushed into the background, at the risk of outmoding, such longer-term priorities as were formulated by those responsible for thinking about our strategy. "When a man knows he is to be hanged in a fortnight, it concentrates his mind wonderfully," but it does not assist the best assessment of the subsequent priorities. One might be left with the impression from this volume that suspended over events (and usually disastrous events) was something called "grand strategy" which we were going to come to, as it were, when we were less busy. Yet the matters about which we were busy were already outlining, distorting, even dictating, ahead, decisions of grand strategic import. The Chief of the Imperial General Staff reminded the Prime Minister in the spring of 1941 that it had been accepted that in the last resort the security of Singapore ranked before that of Egypt. But we were busy in Egypt, the bird-in-hand.

One of the problems in organising this volume must have been to decide what detail to include of what we were busy about: a problem only apparently made easier by the publication already of the "campaign" studies (by Dr. Derry, Major Ellis, or General Playfair), not to mention the quite admirable "War at Sea" by Captain Roskill or several of the civil histories such as Professor Medlicott's concerning the economic blockade. Professor Butler may hardly be expected to do more than summarise their findings admirably and to provide an overall perspective. Whereas these authors had fairly clear frontiers within which to control their separate studies, he has had to discover a strategic unity in an essentially incoherent phase. The imposition, over all these organisational difficulties, of a single mastering mind is perhaps more than one should expect in an official history. Moreover, one such mastering mind has already imposed upon this period an unforgettable pattern which no subsequent annalist, official or otherwise, may disregard; for Sir Winston has twice (in neither case without some dissent) enforced his own grand strategy: first, at the time; and, since, about how it shall be remembered.

Mr Butler provides, instead, a well-stitched and effective summary, balanced and sensible: aware of the controversial matters and putting them before us in unobtrusive perspective. It would be asking too much of a sponsored, if independent, analysis of punctured optimisms that we should find it consistently enthralling. We get what we have the right to ask for: decent workmanship. Not many people will be reading this book through twice; but it will often be usefully referred to (about, say, British intervention in Greece, to take but one example), and it will be surprising if the reader, once started again, does not then move on to a reperusal of Mr Butler's short and competent final chapter, in which he looks back at his previous 550 pages to give us his own quiet personal measure of their upshot.

Father of Capitalism

Polity and Economy: *An Interpretation of the Principles of Adam Smith*

By J. Cropsey.
Martinus Nijhoff, The Hague. Distributed by *Batsford.* 113 pages. 20s.

TO most of his readers Adam Smith is a man of one book, the "Wealth of Nations," and one idea, commercial liberty. Certainly for a thousand who have read his masterpiece there can hardly be one who is acquainted with more than the title of his other major work, the "Theory of Moral Sentiments." It is the strongly supported contention of Dr Cropsey that the greater work cannot be properly understood—understood, that is, in the sense which remains relevant to our own day despite the obsolescence of its analytical theory—except in relation to Smith's views on ethics and society. "Polity and Economy" is an account of those views and a correlation of Smith's political conclusions with his economic precepts.

The harmony between them is by no means obvious. Smith's ethical and social theory is a theory of the practicable second best. The Christian and the philosophical virtues hold in it a place hardly less peripheral and unimportant than in that of Macchiavelli; indeed, if he champions the "commercial principle," it is in much the same spirit as Macchiavelli championed the

Prince—that is, as a remedy for worse evils. Princes, tyrannous, perfidious and cruel, save the polity from a more deeply bloodstained chaos; the "commercial principle," admittedly debasing the common people, giving power to ignoble hucksters and greedy landlords, saves it from princes—temporal and spiritual. It is based on "nature"—the instinct for self-preservation—and can therefore be relied on to remain operative, which is more than can be said for loftier virtues. It is civilised by the equally "natural" faculty of sympathy, coupled with the universal desire to be approved by one's fellows; but Smith did not see in this harnessing of egotism to ethics any prospect of a millennium of human perfectibility.

Dr Cropsey takes it as an axiomatic premise of his study that "capitalism is an embodiment of Smithian principles," from which it follows that an understanding of the tension between Smith's moral and economic thought is an understanding of continuing tension in the western world today. This is a highly debatable view. Modern capitalism would have to be curiously crushed and lopped to fit neatly into a Smithian mould, and in the light of modern psychology and anthropology Smith's theories of human motivation look naïve indeed. This intelligent and stimulating monograph may, however, have a salutary effect on those readers—commoner in the United States than in Britain—who are inclined to over-exalt the "commercial principle," by showing that the spiritual father of the capitalist order had few illusions about his offspring.

Copyright Reshaped

The Law of Copyright

By J. P. Eddy.
Butterworth. 373 pages. 35s.

THIS is a very good book, which will be found of great assistance to all legal practitioners who number authors, publishers, film companies or makers of gramophone records among their clients. The author begins by examining the previous law on the subject contained in the Copyright Act of 1911 and the cases decided thereunder; then he shows the shortcomings of the old law, as set out in the report of the copyright committee and the evidence laid before it; and lastly he examines, section by section, the new Copyright Act of 1956 to see how the shortcomings of the old Act have been put right in the new. This is obviously a sound and practical way of dealing with a complicated subject. Moreover, by way of further clarification, the new Act is printed in full in the book, with extremely good notes and cross-references by Mr Eddy's colleague, M Roydhouse.

The publication of such a book could not be more timely, since the Board of Trade has now made an Order bringing the new Act into force on June 1. It will, of course, still be necessary to consider the old law—for instance, to resolve matters of title, and existing controversies—but Mr Eddy's treatment of the subject, proceeding as it does from a detailed analysis of the Act of 1911, contains most of what is required in that respect.

The treatment of copyright from its international aspect is, however, a little disappointing. The Brussels Convention of 1948 is, indeed, reproduced in full, and so is the Universal Copyright Convention of 1952, to both of which the United Kingdom will now be able to adhere; but the outline of the previous international position is too sketchy to afford any real practical assistance. For example, the provisions about translation rights in the original Berne Convention, which were altered in the Act of Paris and altered again in the Act of Berlin, are not dealt with at all. It is, perhaps, unfair to labour this shortcoming in a book which is primarily concerned with the law of the United Kingdom, but the author himself stresses —rightly—the international importance of copyright, and every lawyer practising in that sphere knows only too well that nine of of ten transactions with which he has to deal—whether relating to books, films or broadcasting and television—are not limited to "the home market." If this weakness could be made good in subsequent editions, the book would fulfil almost every requirement of the busy practitioner.

War in Purple

This Hallowed Ground

By Bruce Catton.
Gollancz. 446 pages. 16s.

MR CATTON made his reputation in the United States with his trilogy on the Army of the Potomac, a long piece of historical impressionism. His next book, a short biography of Grant, was thin stuff. His latest, and the first to be published in this country, is over-blown. Its sub-title is "The Story of the Union Side of the Civil War." In fact, it is the story of the Federal Army and Navy. It is largely the story of the man in the ranks, built up from a mass of letters, memoirs and regimental histories on the foundation of that almost inexhaustible source, the "Official Records." Unfortunately, it reads as if Mr Catton had used his best material on the campaign in the East in his trilogy and, not wishing merely to re-hash it, has been content to make use of more trivial detail. And to that is added the matter he has extracted on the campaigns in the West.

Mr Catton has become the victim of a technique. That technique is worth examining as an attempt to make history familiar. What it is in essence and what it is at its best is shown in a quotation from William Faulkner:

> For every Southern boy fourteen years old, not once but whenever he wants it, there is the instant when it's still not two o'clock on that July afternoon in 1863, the brigades are in position behind the rail fence, the guns are laid and ready in the woods and the furled flags are already loosened to break out, and Pickett himself with his long oiled ringlets and his hat in one hand probably and his sword in the other looking up the hill, waiting for Longstreet to give the word, and it's all in the balance, it hasn't happened yet. . . .

That catches a mood exactly. Mr Catton, for all his striving, does not recapture it. Nor is it too fanciful to trace the origin of Mr Catton's technique to William Faulkner, with whom the past is always flowing into the present. Another obvious literary origin is Carl Sandburg, who built up a monumental lyrical biography on the minutiæ of Lincoln's life.

In "This Hallowed Ground" this derivative technique is handled clumsily. Mr Catton uses a *pointilliste* accumulation of detail. He can do so because the American Civil War is superbly documented—indeed, it is still alive in oral tradition—and because he knows his sources intimately. Here his book is only a comparative failure—in the sense that he used his sources more tellingly in his earlier books. But he is also anxious to make his story significant, to try to recapture the mood of the time and to communicate that mood to the reader. He has, then, to pull the reader away from his concentration on detail. Here he fails.

He does not make the military strategy of the war, which was basically simple, clear. His choice of emphasis is wrong: he devotes a paragraph to the origin of the swords John Brown used, and later he dismisses in a single sentence Lincoln's letter to Hooker (which in effect sets out the dilemma of command in the war), calling it "canny." He indulges in cascades of high-sounding but practically meaningless phrases. To keep on reading that "a doom was taking shape" or to be told of the "unforgettable moment, hanging suspended in the memories of that war forever after" does not make the Civil War momentous (which it was); it makes it monotonous (which it was not).

Yet it is a pity that the book is a failure. Mr Catton has a knowledge (almost a love) of the military aspects of the Civil War that is second to none. He has written a book to feed the apparently limitless appetite of American readers for volumes re-examining and re-appraising the war. With more discipline, he was capable of producing a book that would have made the great, inevitable tragedy of that war as apparent to the British reader as it is to his own countrymen.

Sugar War

The Dutch in Brazil 1624-1654

By C. R. Boxer.
Oxford University Press. 340 pages. 42s.

THE silver of Peru, the spices of the East, the sugar of Brazil—these were the colonial prizes for which European powers fought in the first half of the seventeenth century. The period was dominated by the ambitions and the successes of the Dutch in breaking the Iberian monopoly of colonial wealth. But though the Dutch triumphed in the East Indies, they were less successful in the West. In particular they failed to make good their bid for mastery of the south Atlantic. They never conquered Brazil, chiefly valued for its sugar, and they failed to hold Angola, complementary as the source of African labour for the sugar plantations. And when Portugal re-emerged as an independent power in 1640, its survival turned on the retention of the profits from Brazilian sugar.

Professor Boxer has already written one illuminating study of seventeenth-century Brazil woven around the career of Salvador de Sá, a great Portuguese figure in this struggle. Now, in this definitive study of the abortive Dutch campaign for Brazil, he shows an equal mastery of the Dutch sources. Necessarily he covers some of the same ground, but there is much that is new, and his modest but astringent scholarship is admirably deployed and impartially applied in this history of a sugar war.

Previous historians have held that the failure of the Dutch was inevitable. Mr Boxer shows how near they came to success. They enjoyed superiority at sea, great financial strength and, above all, an admirable eye for broad economic strategy. They had quick early successes, despite stiff guerrilla resistance by the Portuguese, and in 1629, thanks to the capture of a silver fleet, the Dutch East Indies Company was able to distribute a dividend of 75 per cent to its shareholders. In 1637 John Maurice of Nassau was sent out to Brazil as Governor, and his warm humanity did much to smother racial and religious hatred there. Mr Boxer writes a delightful chapter on John Maurice, a magnificent spender, a great builder and an enlightened patron of art and learning. The Portuguese called him "Santo Antonio" after their most popular saint; the Brazilian natives worshipped him; and his interest in natural history meant that "no such systematic and intelligently directed scientific work by white men in the tropics was to be seen again until Captain Cook."

But the guerrilla campaign reduced the sugar profits, and, in 1644, the directors, lulled into security by a truce with Portugal, decided to economise by recalling John Maurice. His departure was followed by a Portuguese rising sparked off by the planters, who were deeply indebted to the Dutch. It was now the turn of the Portuguese to put economics before religious orthodoxy. The Jesuit Father Antonio Vieira raised Jewish capital for the Portuguese Brazil Company by exempting Jewish subscribers from the penalties of the Inquisition. And the forces of the company, largely financed by Jewish capital, sailed and conquered under a flag adorned by a representation of Our Lady of the Immaculate Conception. The Portuguese capture of Recife in 1654 ended the dream of a Dutch empire of the south Atlantic. Its

failure, like its inception, can be ascribed to the diversified interests of the Dutch. There were deep divisions between the aggressive colonial traders of Zeeland and the powerful pacific interest of Amsterdam merchants, more interested in the immediate returns of the salt trade with Portugal than in the gamble for sugar. Moreover, the Dutch had wide commitments in Europe; and both France and England wished to preserve the independence of Portugal as a counterpoise to Spain. It is a fascinating study. Professor Boxer enjoys using his scholarship to deflate legends, is balanced but never dull, and has an appreciative eye for character and the humanities.

Unnecessary Intrusion

A. E. Housman: *A Divided Life*

By George L. Watson.
Hart-Davis. 235 pages. 25s.

THE idea that a man's private life may be of absorbing interest to other men is a comparatively modern notion. Until the Renaissance, only lives of heroic proportions were considered worthy of record. Dryden was one of the first Englishmen to commend biography because

> here you are led into the private lodgings of the Heroe: you see him in his undress, and are made familiar with his private actions and conversations. . . . The Pageantry of Life is taken away; you see the poor reasonable Animal, as naked as ever nature made him; are made acquainted with his passions and follies, and find the Demy-God a Man.

Dryden underlines the pleasure that is to be found in reducing the great to small proportions, and implies that it is legitimate to intrude and pry, for the sake of establishing a bond of common human weakness between the subject of a biography and its readers. Nowadays we take such intrusion to be the most natural thing in the world. The more outrageously vulgar manifestations of inquisitiveness may receive occasional censure; but a marked desire for privacy during a man's life is regarded as eccentric, and after his death—if he was a notability—it is flouted with the least possible delay.

A. E. Housman has been dead for twenty-one years; but his brother Laurence, his literary executor, is still living, and he refused to supply Mr Watson with unpublished material for this biography. Undeterred even by the reflection that A. E. Housman himself would have resented the project, Mr Watson has pursued his self-appointed task: "an undertaking, against his will, but in emulation of his own search for truth, to exhume that pattern, half-obliterated like a Roman pavement, of his buried life." Housman was not an archæologist, but an emendator of texts, and if Mr Watson had applied himself to a minutely critical examination of the poems in their several drafts, at least his claim to emulate Housman would have been apt. But he attempts no fresh assessment of either "A Shropshire Lad" or "Last Poems." His book is entirely concerned with Housman's life.

Most people who knew anything of its odd pattern must have guessed that the clue to its discrepancies was a sternly repressed tendency to homosexuality. The poems themselves suggest as much. Now the story of Housman's infatuation for an Oxford contemporary is fully set out. The author compels our pity and admiration for Housman's relentless determination to crush his passionate instincts and to build an unassailable academic reputation upon the humiliation of a failure in Greats. It is a story at once pathetic and, in a rather distorted way, noble; but does its telling enable us to read the poems with greater understanding? Perhaps this book, in spite of its affected style, may gain new readers for Housman's verse. If it does not, it has very little justification for its existence.

Housman during his lifetime was deliberately a recluse. He kept his own counsel and cultivated a dignified solitude. This violation of a dead man's privacy might have provided him with the theme for a bitter little lyric.

A Prairie Pepys

Alexander Begg's Red River Journal *and Other Papers Relative to the Red River Resistance of 1869-1870*

Edited with an Introduction by W. L. Morton.
The Champlain Society, Toronto. 659 pages. No price given.

IN 1870 the Great Plains of the north-west became the keystone of the infant Canadian nation and not, as had seemed likely, a northward extension of the United States—but only after a prolonged crisis precipitated by the transfer of the control of this vast fur-trading empire from the Hudson's Bay Company to Canada. The people of the Red River Settlement (modern Winnipeg), unaccountably left in official ignorance of the transaction, were alarmed and outraged, especially the Métis, the remarkable French half-breed "new nation" of the Plains. Under their fiery and able leader, Louis Riel, they refused the Canadian Lieutenant-Governor-designate admission to the territory; they organised a provisional government to negotiate terms with the Canadian government (Riel making great efforts to secure the co-operation in it of the English-speaking settlers); they seized Fort Garry; and they imprisoned a number of the local Canadian party led by the redoubtable Dr Schultz. For a tense year civil war, Indian war and annexation to the United States seemed imminent possibilities.

For most of this decisive period Alexander Begg, a shrewd and knowledgeable observer of the moderate party with a penchant for collecting important documents, kept the detailed, day-by-day record published in this volume by the Champlain Society. It is an exciting and fascinating story of the interplay of contending personalities, of human foibles and idiosyncrasies, of manœuvre and counter-manœuvre, told with terse economy of phrase and a sardonic humour. It has moments of high tragedy and moments of diverting farce. It gives a vivid picture of the place, the period and the people—as colourful a collection of characters as could well be imagined.

Its historical importance is made abundantly clear in an admirable introduction, in which the editor, Professor W. L. Morton, analyses its contribution to a fuller understanding of the significance of the Red River Resistance in the emerging pattern of the Canadian nation; in its effect on the future of Métis and Indians; in the triumph of agriculture and settlement over the fur trade; in the permanent extension of the French Catholic influences of Quebec to a national scope; in the pattern of nascent self-government on the western Canadian frontier achieved in the creation of the new Province of Manitoba.

SHORTER NOTICES

The Australian Wheat-Growing Industry 1788-1948

By Edgars Dunsdorfs.
Melbourne University Press. London: *Cambridge University Press.* 547 pages. 55s. 6d.

Dr Edgars Dunsdorfs has, with scholarly thoroughness, traced the story of the development of the Australian wheat industry from the beginning of British settlement in 1788. In doing so, he has made a close examination of the sources of statistical material. Concentration upon such sources, with less use of written sources, was done deliberately, since the author's intention, as he explains in his preface, was to trace the quantitative development of the industry. In the first part of his work he recounts, chronologically, the history of the industry; in the second he offers to the specialist a statistical analysis of the major factors encountered in the course of that history.

The book will find a ready place in economic and agricultural libraries. Data are carefully sifted; sources are acknowledged; the conclusions are lucidly drawn; and the reader is assisted by summaries of each chapter. For readers in this country a fuller and more up-to-date treatment of the International Wheat Agreement would have been well worth while. For readers in his own country he makes the point that an intelligently planned economic policy is not made superfluous by such an agreement.

Trends in Employment in the Service Industries

By George J. Stigler. National Bureau of Economic Research. *Princeton University Press.* London: *Oxford University Press.* 185 pages. 30s. $3.75.

From the short preface it appears that this is the last of the National Bureau's valuable studies of employment and output. Its appearance is timely, for it provides a most helpful background to recent trends in the service industries in the United States; two of the striking economic developments in that country today are the rising costs of services and the increasing proportion of consumer income which is being spent on them.

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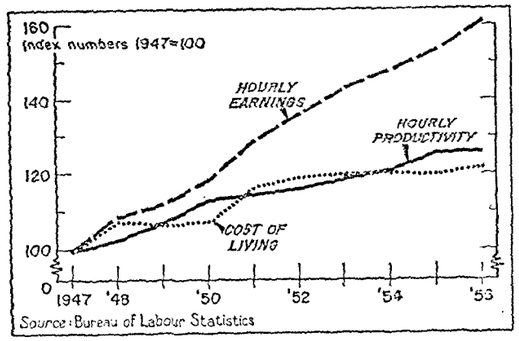
AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Inflation Come to Stay?

WASHINGTON, D.C.

THE persistence of inflation has plunged the government's economic managers into deep pessimism. Despite eighteen months of monetary restraint and a budget surplus during the last two years, prices paid by consumers are rising steadily. The cost of living, as measured by the consumer's price index, is now a little more than 4 per cent above the level it stood at in February, 1956, when the rise began; prices have been going up at the rate of more than 3 per cent a year.

Two equally important elements contribute to the despondency of the moderate conservatives who run Republican economic policy. The first is the distress which always accompanies the frustration of an ideal. Such Republicans as Mr Arthur Burns, their first chairman of the Council of Economic Advisers, and Mr Gabriel Hauge, the Economic Assistant to the President, came to Washington in 1953 with great hopes of proving that a modern capitalist society could have full employment without inflation. They used all of the classic weapons with great courage and considerable vigour and for three years it seemed that they would succeed. Prices were astonishingly stable. Though they had the good fortune of a somewhat fortuitous, and politically embarrassing, decline in farm and food prices, on balance the retail prices of manufactured good declined as well. Thus, while prices of a wide variety of services rose, the cost of living remained stable. Now, although the same weapons are being employed with equal vigour, all three categories of prices are rising month after month with depressing regularity. Conservatives who had attributed the first wave of postwar inflation to the huge wartime deficits in the Budget and the second, in large part, to a policy of artificially "easy money," see prices continuing to rise, although both these causes have been removed.



The second cause of gloom is the almost unanimous conviction of the President's economic advisers and of the economists in the Federal Reserve System that creeping inflation is bound to gather speed. Professor Sumner Slichter of Harvard has become the most articulate spokesman of a school whose argument, in brief, is that under modern conditions creeping inflation is inevitable, that it is an acceptable price to pay for many of the benefits of modern economic organisation, and that it can be lived with indefinitely. Professor Slichter has become a sort of devil's advocate to the men at the top in the Treasury, the Council of Economic Advisers and the Federal Reserve, who are passionately convinced that a creeping inflation cannot help but turn into a galloping one, and that this is certain to produce the very depression which Mr Slichter feels has been ruled out by modern organisation and techniques. Their argument is a complex one, centring mainly on the effect of expectations about price on decisions to spend or invest, but their conclusion is simple: that, if the rise in prices and business costs is not checked, the United States may once again be faced with massive unemployment.

The two parties to the debate—the Eisenhower economists and the Slichterites—are strikingly agreed upon one crucial point, the responsibility of wage settlements negotiated in modern conditions of collective bargaining for the rise in prices. This raises perhaps the most discouraging aspect of the problem. There is today a quite unbridgeable chasm between the public and most economists, on the one hand, and, on the other, the spokesmen of the trade unions and the small band of economists on the left who support their point of view. The strongly-held belief of the labour leaders is that with the decline in competition corporations have become able to fix their prices high enough to finance the bulk of their huge investment programmes out of earnings rather than by the "classic" method of raising new capital or borrowing at long term. Their profits, measured in dollars or as a proportion of capital, have risen markedly and are responsible for the high cost of living.

This argument has convinced hardly anyone except trade unionists and their apologists. The fact is that profit margins—the only fair measure of the impact of profits on prices—are a shade lower now than they were during most of the postwar period. The share of profits in the national income has declined fairly steadily; one of the great problems of directors of big corporations is what they think of as a profits squeeze. The "neutral" in the government may not accept the idea of a squeeze; he may agree that in many sectors of the economy prices are indeed administered rather than set by competition; he may even agree that too much business investment has been financed out of earnings. But he simply cannot find anything that makes the current level of profits in any way to blame for the rise in prices. The

evil of administered prices, as he sees it, is that they create a condition in which large corporations can grant excessive wage increases in the near certainty that they can pass along the higher costs.

A recent study by the Bureau of Labour Statistics, while carefully avoiding any conclusion that could seem to favour either trade unions or management, tells the story. Payments to wage earners as a whole have risen 61 per cent in the past decade while their productivity rose only 26 per cent. Even if it is conceded that wages followed prices upward during the surging inflation of the early stages of the Korean War, events since 1953 are damaging to the trade unions' case. The cost of living was stable for most of the period. Demand was restrained by the government and by the 1953-54 recession, yet wage increases continued to be granted year after year, and they were usually considerably larger than the gains in productivity. The resulting cost inflation was disguised for a time by a number of things, such as the fall in food prices and an outbreak of intense competition in durable goods. But it could not be concealed forever, particularly as the new wage levels tended to spread, under reasonably full employment, to the unorganised service trades where it is hard to increase productivity. Inevitably, it became necessary to pay higher wages to the vast army of government workers ; this in turn meant higher state and local excise and property taxes with all their impact on the cost of living.

In many unionised industries, especially in manufacturing, wage increases have scarcely exceeded the increase in productivity, if they have exceeded it at all. But most of the independent economists inside and outside of the government consider it to be both unjust and inflationary for a small group of highly productive and highly organised workers to usurp for themselves all of the annual national increase in productivity, instead of allowing consumers to get some of the benefits, through lower prices, in those areas where increases in productivity are rapid.

Nobody wants a recession, but it seems probable that only a substantial dose of unemployment could halt the month-by-month rise in prices. The lull in economic activity during the past four months has produced only a levelling off in wholesale prices and none whatever in retail prices. The Chairman of Finance of the United States Steel Corporation, in a thoughtful if partisan speech, argued recently that a totally " new force "—the social and political and economic power of the trade unions—had entered the realm of price economics in a way which negates all the classic formulae. The once-hopeful modern Republican economists around the President are increasingly, and gloomily, prepared to concede that he is right.

To and Fro on the Budget

THE long-expected resignation of Mr George Humphrey as Secretary of the Treasury has come at last ; he is to be succeeded by another, less well-known businessman, Mr Robert Anderson, once a Texan Democrat, now a New York Republican, who has already served in Mr Eisenhower's Administration, in the Navy and Defence Departments, from 1953 to 1955. Mr Humphrey's departure does not mean that the President's new aggressiveness on behalf of his Budget has led him to get rid of the man who, even if unintentionally, did much to inspire the original attack by publicly suggesting that such high government spending might be avoidable. Mr Eisenhower's regret at Mr Humphrey's resignation is obviously sincere. Nor does Mr Humphrey's departure mean that the battle of the Budget is over ; he is in fact to stay, at the President's request, until most of the critical problems before Congress at this session have been settled.

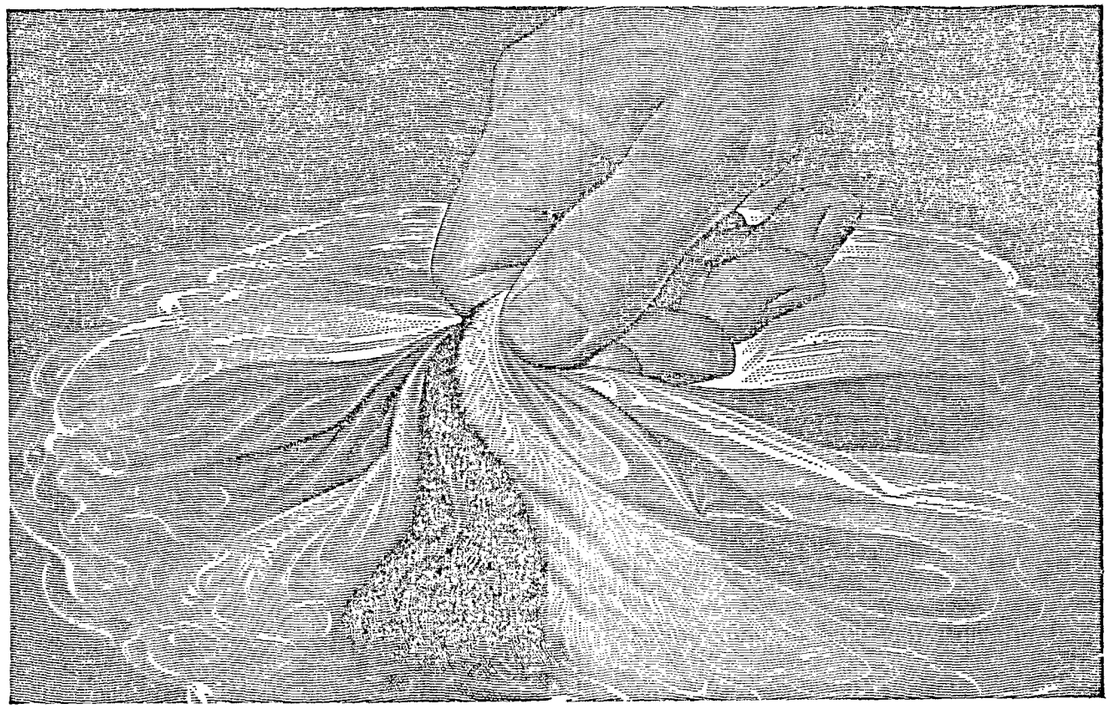
On the most critical of them, defence spending, the House of Representatives has just subjected the President to a discouraging reverse. It has insisted on cutting military funds for the coming year by the whole $2.6 billion which its committee approved, down to $33.6 billion, even though Mr Eisenhower himself insisted that, while half of this cut was only a matter of book-keeping, the other half would do real damage to aircraft procurement and to the development of guided missiles. The Republican leaders in the House rallied at last to the President's aid on this Bill, but without success, and there is every prospect that the Senate will confirm, or even deepen, the cut.

But on the other side of the Budget equation the battle has turned in the President's favour. The Democrats in the House of Representatives have reluctantly abandoned hope of passing a tax reduction this year, although they still intend to have one in time for the congressional elections next year. The main reason for their haste had been fear that the Republicans would beat them to the cut, and they have now received assurances that the Administration has no intention of proposing a tax reduction yet. Moreover, the President has implied that he would veto such a reduction if the Democrats succeeded in pushing it through Congress, and in the process he would presumably accuse them of endangering the country's solvency. Behind this change of mood on taxes is a realisation, confirmed by two reports from congressional experts, that government spending is running above estimates, and is likely to go on doing so, unless Congress deals much more drastically with appropriations than even it would contemplate ; as a result, the Budget surpluses both this year and next are expected to be even smaller than was originally forecast.

Occupational Disease

FEW Americans are likely to take the anti-American riots in Formosa as philosophically as Mr Dulles and, in the long run, this demonstration of ingratitude on the part of a country which exists only by virtue of American friendship and lavish aid may cause a revulsion of feeling toward all foreign allies. Even Mr Knowland, " the Senator from Formosa," has been shaken. But the immediate harm done to the mutual security programme—just as the President seemed to have brought off a successful rescue operation—depends on the closeness of the vote and on whether members of Congress are prepared to recognise that the presence of well-off American troops in poorer foreign countries inevitably causes frictions. The Administration is accelerating its review of the 250 American bases abroad with the aim of thinning out the number of troops where possible and of reducing tensions.

The spark which set off the conflagration in Formosa was the acquittal by an American court-martial, of an American who had killed a Chinese, allegedly in self-defence, whom he



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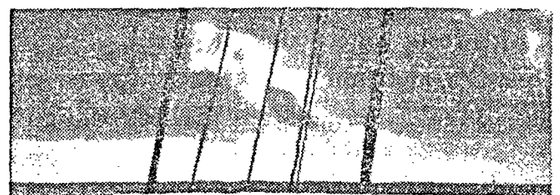
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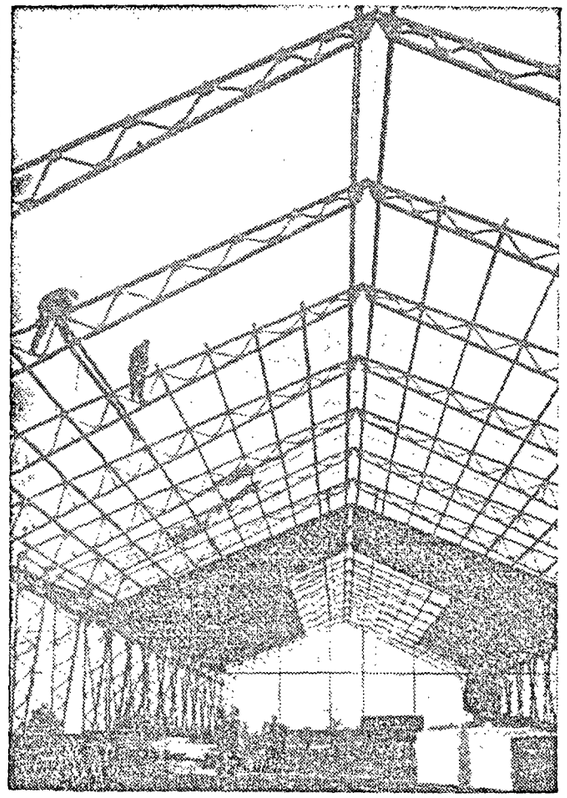
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had found peeping at his wife. The United States and Formosa have not yet signed a status of forces agreement, of the kind which in European countries permits the host country to try Americans for offences committed when they are not on duty; United States troops thus enjoy the extra-territorial privileges of which the Chinese have such long and humiliating knowledge. Such cases bring to a head Eastern suspicions that Americans regard Oriental lives and Oriental justice as of little account. And it is true that Americans, despite the good record of foreign

Saving the Water Crop

FROM A CORRESPONDENT IN COLORADO

In the United States the annual loss of stored water by evaporation from its exposed surface varies from about 30 vertical inches in the coolest part of the country to as much as 120 inches in the south-west, where the sun is fiercest and water is most precious. In Texas, for example, it is estimated that each year human beings use 8 million acre-feet of water from reservoirs, but that an equal amount is lost by evaporation before it can be used. (An acre-foot, about 325,850 gallons, would cover one acre one foot deep.) The United States Geological Survey puts the annual loss from western reservoirs at 18 million acre-feet yearly. All this is water which has been stored in works built at great expense and it therefore has a value as part of the "manageable water crop."

To lessen this loss at relatively small expense is the aim of anti-evaporation treatments; one of the most interesting and hopeful of these devices, which is now the subject of large-scale experiments in the water-starved western states, involves covering the surface of a lake or reservoir with a chemical layer, one molecule thick, in order to prevent evaporation. These monomolecular films are so strong that dew forms on them, on top of a water-surface, and evaporates again without ever breaking through to the water beneath. This was first tried on a large scale out of doors by Mr W. W. Mansfield, of the Commonwealth Scientific and Industrial Research Organisation of Australia, a few years ago. He found that a few pounds of a chemical called hexadecanol or cetyl alcohol, used principally as a base for cosmetics and costing about 50 cents a pound, could be manipulated to cover a 320-acre lake, and that it would prevent up to 45 per cent of evaporation.

Last year, in the middle of the great drought, Mr Mansfield described his experiments at a meeting called by the Southwest Research Institute of San Antonio, Texas, which immediately began an expensive research programme with funds contributed by both private and public groups interested in water conservation. In the meantime various federal government agencies, in co-operation with the State of Oklahoma and others, had also started large-scale experiments around the 2,500-acre Lake Hefner, from which Oklahoma City is supplied with water. This summer similar experiments are also going on at the 100-acre Rattlesnake Reservoir, high in Colorado's Rocky Mountains, where wind, freezing, snow and other conditions are much more severe.

The question is whether such an intangible film (it cannot be detected visually in any way) can be maintained on a large, continuously disturbed water surface long enough to be of value. So far the answer seems to be that it can. Moreover, the Public Health Service has already certified tentatively that hexadecanol is apparently harmless either to water-life, animal or vegetable, or to animals or humans drinking the water. In fact, the only biological drawback to this substance seems to be that certain greedy bacteria like it too well, multiply in the water and eat holes in the invisible covering.

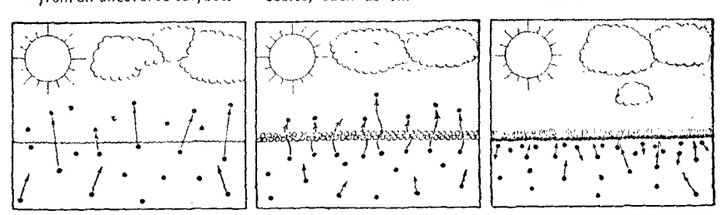
The peculiar magic of hexadecanol is that it is one of the long-chain molecules called "polar," which means that such a molecule, a long thin structure like an eel or snake, has one end allergic to water while the other end loves it. Therefore, if the edge of a water-surface covered with it is looked at through a super-powerful microscope, these is seen a thick forest of these molecules, only 6-10,000,000ths of an inch long, but all standing crowded together with their water-loving ends in the water and their water-hating ends lifted out of it. Evaporation occurs when individual molecules of water absorb so much energy from the heat of the sun that they get up "flying speed" and take off from the surface; but when they are underneath a complete carpet of hexadecanol molecules, they batter at it in vain. Ordinary "non-polar" molecules, such as those of oil, lie inert upon the surface like little pillows instead of clinging together; and heat-excited water molecules can easily escape between them.

To apply the coating, hexadecanol in flake or pellet form is brought into contact with water by being placed in a raft with a gauze or mesh bottom; the tiny molecules then begin to "march" into the surrounding water at amazing speed, millions upon millions each second, until the surface is covered. This process can be observed from its stilling effect upon the water; this calm spreads at a rate of many feet a minute. When parted by wind or rain, or by boats, the film will reform quickly as long as there is a reserve supply of "hexy" in contact with the water. Naturally, however, it is impracticable to cover really large surfaces of water from individual rafts and other methods are being discussed, such as spraying from an aircraft or boat.

Even if in the end these experiments show that only a small proportion of water, say 10 to 20 per cent, can be saved from evaporation by this treatment, it may still be worthwhile. In Oklahoma City, for example, water delivered to taps or industrial installations costs an average of $61 an acre-foot, while the annual cost of maintaining a hexadecanol cover is estimated at not much more than $1.60 per acre-foot. Farmers pay much less for water for irrigation—usually not much over $5 an acre-foot—but the cost of water is going up in the semi-arid west as the expanding population is forced to bring it in from farther and farther away.

WATER EVAPORATION

—from an uncovered surface. *—from a surface coated with ordinary non-polar molecules, such as oil.* *—from a surface coated with polar molecules, such as hexadecanol.*



countries in similar cases, and America's own historic stand against extra-territoriality, are reluctant to subject their fellow-countrymen to foreign—and particularly to Eastern—justice.

Resentment against the privileges of American troops has broken out in Okinawa, South Korea, Vietnam, and even in the Philippines; the Girard case in Japan shows that a status-of-forces agreement does not solve everything. This is the first time that, when jurisdiction was disputed, Japan has insisted on the letter of its rights; it has already chosen the judges to try an American soldier who killed a Japanese woman eking out her living by picking up spent shells on a firing range. The decision of Mr Wilson, the Secretary of Defence, to review the problem after the American authorities on the spot had given way is causing the Japanese Government to lose face—and political advantage—it can ill afford to its opposition. But the melancholy truth, which America's allies would do well to bear in mind, is that no occupying power in history has ever been so willing to accept the advice "Yanks, Go Home!"

Arthur Miller: Act II

WASHINGTON, DC

THE trial of Mr Arthur Miller, the playwright, for contempt of Congress ended last week after a fortnight of wrangling over the pertinency of the questions put by the Un-American Activities Committee which he had refused to answer. The proceedings took place in one of the brightly-lit panelled courtrooms of the modern federal district court building in Washington, but the brightest star connected with the case—Miss Marilyn Monroe, Mr Miller's wife—was absent. She had wanted to be there as a wife but the lawyers decided she might prejudice the case as a spectacle. The accused did not testify. Much of the time he was fingering the newly published collected edition of his plays which includes two—"The Crucible" and "A View from the Bridge"—in which he has attacked informers and written of the importance to a person of safeguarding his name. Mr Miller's present troubles stem from the day in June last year when he told members of the House committee that he would not give them a list of those present at a meeting of Marxist writers in 1947 because

> I am trying to and I will protect my sense of myself. I could not use the name of another person and bring trouble on him.

For twenty years the Un-American Activities Committee has been parading prominent personalities from the arts and the entertainment world, calling on them to atone for their ideological offences by naming others likewise involved in Communist associations. There has been the fiercest controversy in artistic circles about the right position to take. Some, like Mr Paul Robeson, have turned the hearings into noisy, ranting demonstrations. Others have quietly taken refuge in their constitutional protection against self-incrimination, while Mr Elia Kazan and Mr Leo Cobb, the producer and leading actor in Mr Miller's first major play, "Death of a Salesman," were among those who answered all the committee's questions.

Theoretically when the committee originally questioned Mr Miller it was supposed to be looking into a Communist conspiracy to misuse American passports. Mr Miller's connection with this endeavour was most tenuous. The State Department had once refused him a passport for security reasons, when he had asked for it at very short notice, but had relented later. At the trial, the government's chief witness was Mr Arens, the committee's counsel, a genuine primitive who delights in humbling famous men and whose clashes with Mr Miller had made the committee hearings rich in drama and irony. Protected by the judge, who refused the request of the defence that the committee's files should be produced, Mr Arens was able to state that the committee had evidence that Mr Miller had been a Communist from 1943 to 1947. Mr Miller, although he admitted to the committee that he had signed so many fellow-travelling petitions after the war that an outsider might have mistaken him for a Communist, has always denied that he was ever under Communist discipline.

Compared with most trials for contempt of Congress, which are usually brief and almost automatically result in convictions, Mr Miller's ordeal has been prolonged; the prosecution seemed determined to crush as well as to convict him. But arid as the trial has been compared with the hearings, the vein of irony has persisted. Mr Miller has declined to turn informer as a matter of conscience, but his lawyer had to argue his case solely on the narrow basis of the relevance of the question to the committee's legislative purpose. And while Mr Miller has repeatedly argued that no limits should be placed on an artist's right of advocacy, the only defence witness, Mr Harry Cain, a former McCarthyite who caught religion and campaigned against the injustices of the security system, gave expert witness that a writer's relation to Communism should be judged by his writings rather than his associations.

The maximum sentence to which Mr Miller is liable is a year's imprisonment and a $1,000 fine. But whatever the verdict, there will be lengthy appeals. The final outcome will probably be decided by the decision of the Supreme Court in another case, that of Mr John Watkins, a labour organiser, in which the issue is whether there are definable limits to the questions which a congressional committee may ask.

Atomic Hurdle

A HUMILIATING defeat for the President in his struggle with the right wing of his own party seems to have been averted in the Senate Foreign Relations Committee. Until the hearings ended last week, there was a real danger that Mr Eisenhower's "atoms for peace" programme, which drew almost universal applause when he launched it in 1953, might be repudiated. The opposition to the treaty authorising American membership in the United Nations International Atomic Energy Agency included such prominent Republicans as Senator Knowland, the minority leader, and Senator Hickenlooper as well as a scattering of Democrats; and a treaty requires a two-thirds vote in the Senate. Only by the most patient and prolonged testimony has the Administration overcome senatorial suspicions that a new "giveaway" was in prospect, this time of American atomic power, and one attended by the risk that it would help Communist countries to provide themselves with atomic weapons. In fact, the United States is to sell not give, atomic fuel to the agency; China, Senator Knowland's *bête noire*, is not a member, and the safeguards against improper use are similar to those in the bilateral pacts already concluded with nearly forty countries by the United States. The advantage of the new agency is that neutral countries can use it without committing themselves to anything except the proposition that atomic power should be used for peaceful, not warlike, ends.

Senator Hickenlooper, who at one time had forty-eight different doubts, is credited with suggesting that if the Administration would submit, in writing, its interpretation of disputed points, the committee would not insist on crippling reservations. Senator Knowland still has not committed himself, but his proposal that the United States should be able to withdraw from the agency looks like a grudging surrender. The prospect now is that the Senate will ratify the treaty before it goes home, so that the postponed first general conference of the agency can take place in October. It cannot come into being until three of the five atomic powers have ratified the treaty; of these five, so far only the Soviet Union has done so.

An American refusal to back up the President's leadership in a field where it has been enthusiastically accepted by most of the world would have been an invaluable propaganda gift for the Communists. It would have been particularly damaging to the President's prestige in the very week that Mr Eisenhower over-ruled some of his advisers by deciding to send Mr Stassen back to London with instructions to make concessions to the Russian point of view if progress toward disarmament seemed to warrant them. The new agency's approach to disarmament is the constructive, if roundabout, one of channelling atomic power into peaceful development; but it should also provide useful experience in the working of an international inspection system operating in both the Communist and free worlds.

Beck Climbs Down

MR DAVE BECK has evidently realised at last that he will be kicked out of the driver's seat of the teamsters' union if he does not go willingly. He has still not resigned but he has announced that he will not run for re-election as the lorrydrivers' president next September. He may be forced to go sooner, at a special meeting of the executive board which he is calling for next month, presumably to discuss the successor whom he had hoped to be allowed to nominate himself. His favourite, Mr Einar Mohn, is under indictment for refusing to answer the questions of a congressional committee, the predecessor of the one which displayed to the world Mr Beck's misuse of his union's funds and of his office. Mr James Hoffa, who until recently seemed Mr Beck's obvious heir, is also under indictment on charges of bribery and his future depends on the outcome of his trial in June. Neither of these two candidates, nor several others whose names have been mentioned, seem suitable presidents for a union whose reputation needs to be restored in the eyes of its members as well as of its critics.

There are other, more satisfactory, possibilities but so far they do not include Mr English, the present secretary-treasurer of the union, even though he has been chosen by the American Federation of Labour and Congress of Industrial Organisations to replace Mr Beck as one of its officers. When the executive council of the national labour organisation expelled Mr Beck last week, it was formally condemning only him personally, not his union. But the appointment of Mr English, an old antagonist of Mr Beck, without waiting for the teamsters themselves to nominate someone, in effect served notice on the union that it must cleanse itself of the Beck infection. It was then given time to do so: the AFL-CIO's hearings on the charges of corruption brought against the teamsters have been postponed indefinitely. At the same time the executive council also suspended the laundryworkers' union and put two others on probation, because none of them had yet dealt adequately with corruption among their officers which had been exposed some time ago. Finally, the council promulgated a new code of financial standards for trade unions.

As a result of all this unusual, even if indirect, interference in the private affairs of member unions, it is being asked whether the AFL-CIO, in its determination to re-establish labour's good name, is not in danger of arousing resentment among the autonomous unions whose creature it is supposed to be. What is certain is that the AFL-CIO does not want to expel the teamsters, as it was forced in the end to do in the similar case of the defiant longshoremen's union. With these two groups and with Mr Lewis's mineworkers all outside the federation, the unity which labour established so proudly only eighteen months ago would be shattered.

Television out of the Net?

FROM A CORRESPONDENT IN NEW YORK

UNTIL recently, the three television networks in the United States—the Columbia Broadcasting System, the National Broadcasting Company and the American Broadcasting Company—with their almost unlimited funds, ruled the airwaves virtually without challenge. No one else could afford the $100,000 or more that it costs to produce a programme for showing all across the country. In fact no one else could even show a programme in this way and thus provide a national advertising medium on television. The Federal Communications Commission does not allow more than seven stations to be owned by any individual or group, but the networks have affiliation agreements with privately-owned stations in nearly every city in the country. Under these contracts the networks supply programmes to a national chain of stations and share with

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them the revenues received from advertisers who sponsor the shows; in return, the stations agree to reserve for network programmes nine hours of time each day. Most of the 600-odd stations throughout the country are affiliated with one or more of the three networks, while each network, in addition to its owned-and-operated stations, contains upward of 180 affiliates.

At present, only Los Angeles and New York, each with seven stations—three network-owned and four unaffiliated independents—have more than four television outlets in the very high-frequency range, the only type of television signal which the majority of sets are adapted to receive; there are only five other cities with as many as four stations each. But the FCC has been granting additional allocations so that, by the autumn, there will be at least four stations—three with network affiliations and one completely independent—in the fifteen leading cities, with a potential audience of more than half the population of the United States; altogether there will then be more than one hundred independent stations in the country.

A year ago these independents would not have provided a very serious challenge to the networks, since the only programmes available to them would have been old second-rate moving pictures and filmed half-hour television shows not of network quality. But now the Hollywood studios have released feature films made before 1948 for showing on television and a number of organisations are distributing these films to the stations and arranging for advertising sponsorship. The independents have snapped up these ready-made, ready-sponsored and inexpensive programmes as fast as they have been offered. Moreover, it has been found that a moving picture, no matter how old, with a famous star, will nearly always draw more viewers than even a top-rated network programme.

As if this competition were not serious enough, the three networks are having troubles with their own programmes. Of the 121 shows appearing on network television this year, nearly half will be dropped at the end of the current season in June. Of this year's 34 new programmes, only 15 are still on the air; most of them have been so poorly received that, at the end of the standard 26-week contract, they have disappeared and, in many cases, taken their sponsors along with them. In the past, the fact that some programmes were failures did not unduly concern the networks, since there were always others to take their places and there were always advertisers willing and able to pay anything to get their names into homes all over the country. This is no longer the case: the cost of producing a television show has more than doubled within the past few years; and sponsors are no longer willing to risk their money on the types now being offered. The advertising agencies, as a result, are demanding more and more control over the programming end, even going so far as to take charge of production, leaving the networks as mere distributing centres.

To meet this threat, all three networks have changed both their presidents and their programmes without, however, impressing either the critics or the public. For the networks, in search of shows which will not be excessively expensive and will attract the greatest possible audience without antagonising or alienating anyone, have rushed to embrace the stereotyped. Programmes of a more intellectual or challenging nature, such as the Ford Foundation's "Omnibus," have either been relegated to unattractive times or been discontinued altogether. The comedians, once their ratings begin to slip, are cancelled out, so that the autumn will see the end of such one-time and long-time favourites as Sid Caesar and Jackie Gleason.

Instead of searching for new ideas in programming, the networks, desperately trying to hold audiences and sponsors, have gone into mass production of the types of programmes which are favoured in the popularity polls—westerns, quiz shows and situation comedies, such as "I Love Lucy." These will therefore be standard fare this autumn. More than twenty hours a week of westerns have been scheduled; for every quiz show that falls by the wayside, two more are waiting to take its place—offering if not more entertainment than the fallen one, then more money to contestants; variation on variation of "I Love Lucy" is ready to roll.

Perhaps the one imaginative project on television's horizon—and it is still no more than a prospect—came last April when Mr Sylvester L. (Pat) Weaver, until recently head of NBC, revealed that he was founding a new Programme Service. Mr Weaver, who has shown himself one of the most original and interesting thinkers in television, proposes to provide audiences and advertisers with genuine alternatives to the few offered by the three networks; his new organisation is to distribute programmes, either live, on film or by the new process of video-tape recording, to the independent stations. Advertisers will be able to buy time on as many or as few stations as they wish; under current network practices a sponsor must purchase a certain basic number of stations—usually over fifty—at a cost of more than $125,000 for each hour. The cost to the advertiser under his plan, Mr Weaver says, will be considerably less; moreover, the sponsor will not have to take stations in areas where he does not sell his products merely because they form part of the "basic network."

While the advertising agencies and their clients have, naturally, expressed considerable interest in such a departure from traditional network habits, Mr Weaver's programme plans have created a comparable stir among viewers. When the networks have children's programmes he proposes to offer programmes for adults. When none of the networks seem interested in vital and stimulating programmes, he will devise such a project—and "try to see that the audience for it at Programme Service price is a good buy for the advertiser." Mr Weaver's plans, then, may be another of the growing and serious problems facing the television networks, on top of the abuse from the critics, the jaundiced looks of both advertisers and audiences, the growing interest in some sort of "pay-as-you-view" television, and the anti-trust investigations in Washington.

SHORTER NOTE

Last week President Eisenhower ruled that this year an *ad valorem* duty of 45 per cent, nearly double the normal rate, must be paid on imports of woollen textiles when they exceed 14 million pounds. This is an extension of the quota imposed in the last quarter of 1956 to protect the depressed home industry against foreign, and particularly British, competition, although the American woollen trade has lost even more markets to domestic synthetic textiles. Imports, which last year totalled 17.2 million pounds, are expected to be held down to little more than 14 million by the punitive duty; already over half this amount has entered the United States.

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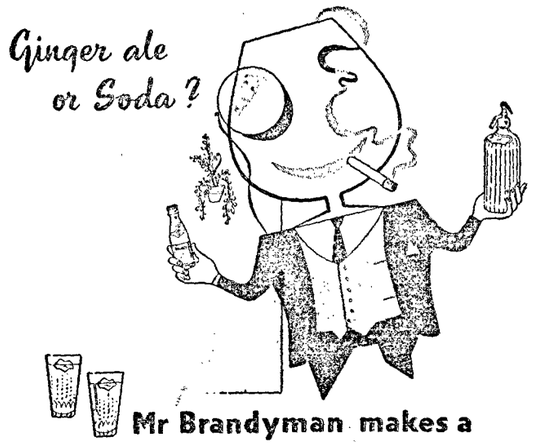
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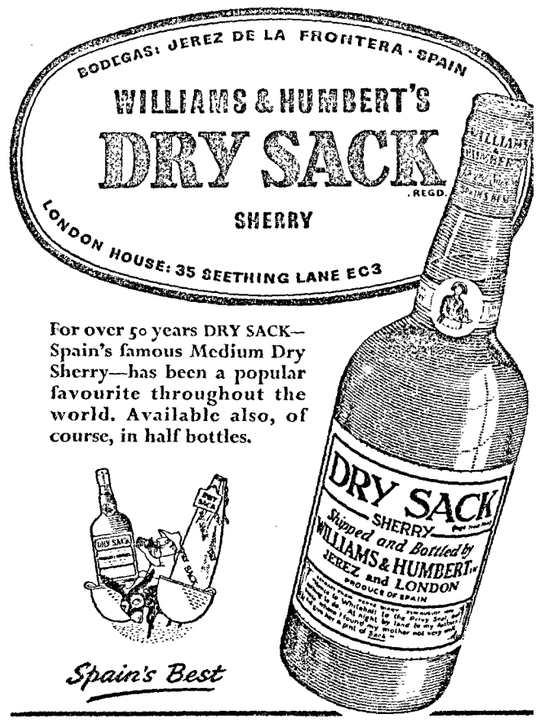
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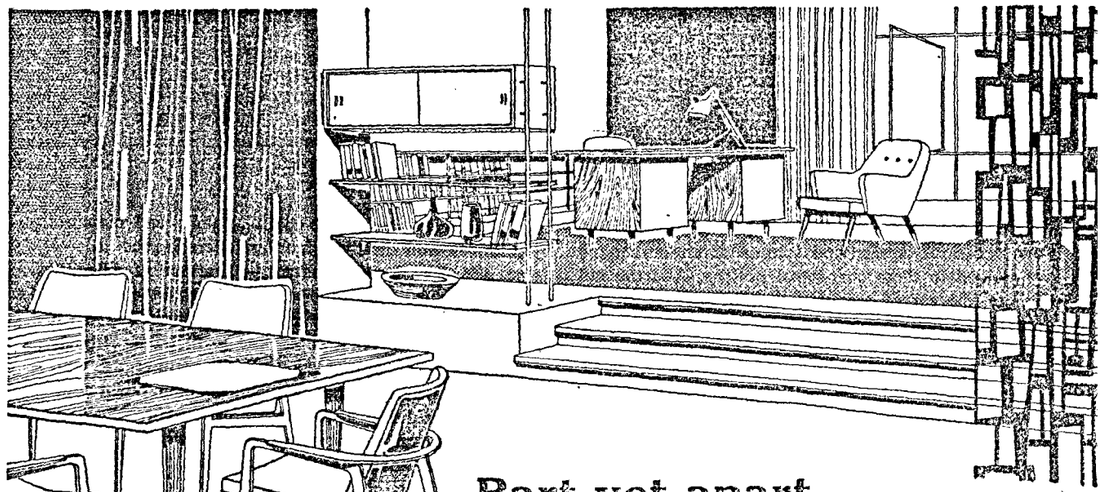
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THE WORLD OVERSEAS

Strydom Scorns the Doubters

FROM OUR CORRESPONDENT IN SOUTH AFRICA

THE deeper the Nationalist government drives South Africa into the turbulent waters of "baasskap apartheid," the more insistent become the expressions of apprehension and doubt—explicit and outspoken from anti-Nationalist sources, indirect and circumspect from party sympathisers. Although in recent weeks Mr Strydom and his colleagues have been forced to make tactical retreats or to stage diversionary sorties, they have not given ground anywhere on principle. They are determined, it seems, to attain two objectives: to prevent contact between the races on anything except a master-servant relationship, and to ensure this they demand the maximum physical separation of the races; and secondly, to possess powers to control the leadership of the emerging black urban proletariat whose economic and political demands will inevitably increase.

This is what lies behind the Native Laws Amendment Bill; it is a consolidating measure which has introduced into South African law the State's right to regulate the life of the individual in social, political and religious activities. Because there is so little inter-racial contact in the social and political spheres, and because the State already possesses the most fantastic powers to control and regulate the lives of Africans in urban areas, public attention was inevitably focused primarily on the church clause in the Bill. And to the extent that this constitutes an infringement of the right to worship freely, it has been fought with a vigour, persistence and determination which patently distressed and at times embarrassed the government—and some of its more sensitive supporters.

The powerful Dutch Reformed Church added to the Nationalist government's discomfiture by sending a deputation to the Minister of Native Affairs, Dr Verwoerd, seeking assurances about the State's intentions on freedom of worship. The emissaries went in secret, and Dr Verwoerd appealed to them not to make common cause with the English churches because that might result in a breakthrough for the anti-apartheid forces. The deputation of churchmen not only expressed themselves satisfied with the Minister's assurances about religious freedom and the "safeguards" of his amended version, but also agreed to publish only four of their eight points of principle on religious freedom and to amend two of the remainder. This striking if saddening manifestation of the close liaison between the Nationalist party and the Dutch Reformed Church has not obscured the fact that there is concern in both quarters over the Bill.

On university apartheid the government was also compelled to give ground for tactical reasons. It did so not only because it had encountered unexpectedly vigorous opposition from the "open" universities and their supporters, but because in its own ranks it was realised that the terms of the Separate Universities Bill were wholly unacceptable in academic circles. In its present form the Bill would make the proposed universities for non-whites into travesties of seats of higher education. After weeks of agitation from what the prime minister called "exaggerated liberalists" and "left-wing elements," this realisation even dawned on Nationalist sympathisers, and it was therefore decided to send the Bill to a select committee after the second reading. This means the postponement of university apartheid till after the general election next year—a breathing space which is being used by the government as an excuse to postpone its plans to increase the taxation of Africans (ostensibly to pay for their own education) and by the protagonists of academic freedom to rally further support to their cause.

A casual ministerial admission about the problem of issuing identity cards under the Population Registration Act—another concession to white resentment at having to carry passes—and the government's hopelessly inept handling of the Rand bus boycott, both add to the picture of Nationalist unease. This restlessness—it is no more—is aggravated by the fact that living costs rise steadily, that taxation remains high (by South African standards) and that for the average white man-in-the-street and white woman-in-the-home apartheid has produced nothing of direct benefit and a deal of turmoil. It was partly to divert attention from this, and in particular from the religious freedom debate, that the prime minister announced the abolition of "God Save the Queen," and the recognition of "Die Stem van Suid-Afrika" as the sole national anthem. The decision was accepted with muttered resignation—and in some quarters by bitterness—by non-Nationalists, many of whom were quite happy to accept "Die Stem" but deplored the government's arrogance, tactlessness and discourtesy in making a change which affected sentiment without any pretence at consultation.

Where does the United party stand in all this? To the great satisfaction of its more progressive friends it has fought splendidly in Parliament against the Native Laws Amendment Bill and university apartheid. Sir de Villiers Graaff has led his heterogeneous team firmly if cautiously, but since he has to look constantly over his shoulder at the timid United party follower, the uncommitted voter and the wavering Nationalist, all of whom are shockingly reactionary when it comes to colour issues, his position is intolerably difficult.

The brutal fact is that a progressive stand on colour pays no dividends: it tends, rather, to play into Nationalist hands. The leadership of the United party, therefore, apparently feels it must find other means of exploiting the discontent becoming apparent in Nationalist ranks—a discontent which is not yet significant and may not even grow, but which is there nonetheless. Mr Strydom's decision not to go to London for the conference of Commonwealth prime ministers is interpreted in some quarters as a concession to extremists in his party who have been reared on the story that attendance at these gatherings is a sign of subservience and who are grumbling at the government's delay in proclaiming a republic.

At the same time the "Black peril" argument, albeit in a more sophisticated form than in 1929, for instance, is being used increasingly in an attempt to rally support behind the white supremacists and to discredit the opposition groups. There seems little doubt that fear, prejudice and race consciousness will between them win next year's general election for the Nationalist party without much difficulty. So potent is the appeal to blood, so effective is Nationalist discipline—and loyalty—and so considerable the fear of non-conformity that there is little prospect of a substantial swing-away of votes from Mr Strydom. At the same time the growing realisation that the economic implications of Verwoerd apartheid, logically applied, are likely to be grave, and that South Africa is becoming more and more isolated on the African continent, is beginning to worry more and more people. There is also the constant criticism of Nationalist extremism by Dr Wassenaar, the expelled Nationalist leader in the Transvaal and the swelling chorus of world criticism of the Union and its policies.

The Nationalist leaders, however, are determined men who are gambling for what they have convinced themselves are the highest stakes: the very survival of Afrikanerdom, which they equate with white civilisation. And men in that position are not easily persuaded of the folly of their ways, especially when the electorate is as docile and unsophisticated as the majority of South Africa's white voters.

What is Pakistan to be?

FROM A SPECIAL CORRESPONDENT IN KARACHI

THE crowds of ministers, officials and journalists who are now descending on Karachi for the Baghdad Pact meeting are immensely welcome. Pakistan always suffers from a feeling of being unknown, unrecognised and neglected in comparison with India. Every effort will be made to win friends and influence the visitors by displaying the progress Pakistan has made in its ten-year life.

There is a good deal that is impressive. Partition left Pakistan practically without any industry; now, as the result of external aid and the Pakistan Industrial Development Corporation, there is a flourishing jute and textile industry, enough paper is produced to meet the country's needs, and sources of power (natural gas and hydro-electric) have been more than trebled. In spite of the extreme scarcity of imported consumer goods (which affects mainly the wealthy and the European residents) Karachi has the look of a prosperous capital of a fairly well-to-do state.

Those numerous prophets who said in 1947 that Mr Jinnah's new state would not last ten years are about to be *proved wrong.* But it is still uncertain what sort of a state Pakistan is going to be. Is it to be a modern, largely westernised, democracy, like its ally Turkey, or is it to make a Muslim compromise with both modernity and democracy, like its ally Iran? More pessimistically, is it in danger of becoming a military dictatorship like Egypt, or is it already, as its enemies claim, an intolerant theocratic state?

One thing which no amount of window-dressing can conceal is that Pakistan is not a working democracy in the western sense, or in the sense that India has just proved itself to be. West Pakistan, the province in which the capital is situated, has, since March, lived under "president's rule." The main point revealed by the complex political manoeuvres which preceded the suspension of the provincial assembly was that the rival parties still have no real basis in popular esteem or in coherent policies. This is not altogether surprising because—and this is the skeleton in Pakistan's cupboard—there has been no general election since independence: the central legislature and the West Pakistan assembly are predominantly co-opted bodies, still largely reflecting pre-partition elections.

★

But it would be a great mistake to suppose that Pakistan is dedicated to undemocratic principles. True, the constitution adopted last year declares that it is an Islamic state and that the ultimate source of all laws is the Koran; but any observer on the spot can quickly see that this is window-dressing designed to appease a few zealots. The mullahs, who insist on references to Islam in every state document, resemble those members of the British Labour party who press for references to the socialist state in every public pronouncement when they are in power, and would like to begin parliamentary proceedings with the singing of the "Red Flag" instead of with prayers. The men who really carry on the business of government in Pakistan privately curse these passionate proponents of orthodoxy who make their country look so ludicrously medieval.

In essence the constitution is democratic in the Westminster sense; but until general elections are held it will remain a democracy *in posse* rather than *in esse.* The failure to hold such elections is the reason why the political parties have no policy, no authority and no meaning; that long overdue reforms of land-tenure have not been attempted; and that the two provinces seem to be drifting apart. What then are the obstacles to elections?

The prime obstacle is fear—in particular the fear of successive governments that the state could not stand the shock of a general election. This lack of faith in the people is one of the more distressing features of political life in Karachi. The president does not trouble to conceal his view that democracy on the Westminster model is not suitable for Pakistan. The alternatives he has mooted are "controlled democracy," which has a rather sinister Orwellian ring, and, more recently, "presidential democracy" on the American model.

The other cause of fear is India. Pakistan is hypnotised by the threat of India, not only in Kashmir, but along all its borders in the eastern and western wings, and many Pakistanis fear that, in the confusion which an election might produce, India would somehow steal a march on them. Certainly the foreign policy of the prime minister, Mr Suhrawardy, is only explicable, and is only explained, in

How much coal has Britain got left?

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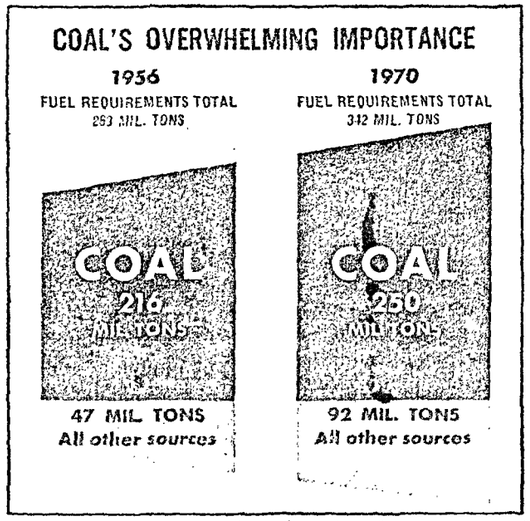
Don't think of coal as lumps in a scuttle. Think of it as your own work, your own wealth, and the good things in your own life. Warmth, light, clothing. Cars, houses, TV. Coal gives you them; lack of coal can take them away. Have we enough left? Yes, more than enough for all our needs in this century and the next. But every ton we take from the earth *makes the next ton harder to get.*

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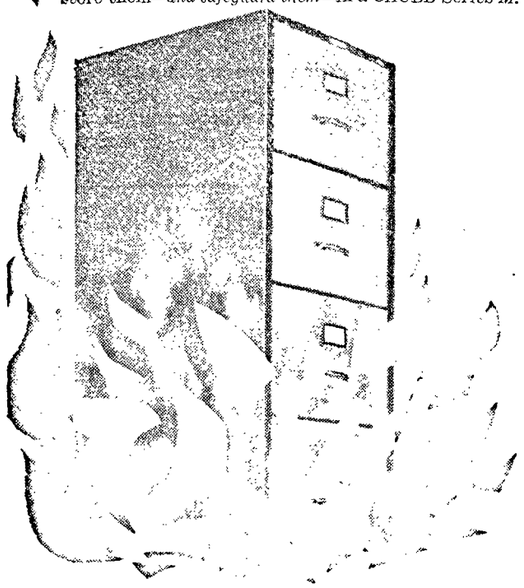
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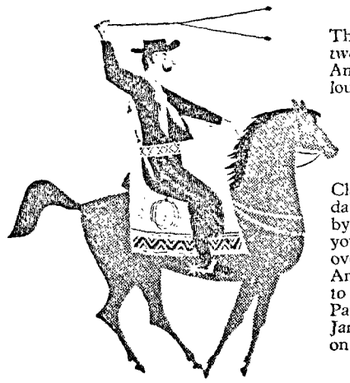
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terms of this "cold war" with India. When he was leader of the Awami League party in East Pakistan, Mr Suhrawardy was a vigorous opponent of both Seato and the Baghdad Pact. Today he justifies his support of these alliances by claiming that they are essential to the gaining of allies who will support Pakistan over Kashmir.

However, Mr Suhrawardy is also aware that Pakistan's great weakness in appealing to world opinion on Kashmir is its failure to appear as a genuine democracy. For this reason, and perhaps because he himself has appealed successfully to the people in the eastern province's elections, he has declared his support for nation-wide elections in March, 1958. He is not the first prime minister to favour elections in a year's time, but there are reasons to believe that Mr Suhrawardy means what he says, and intends to translate it into practice. Last month he suddenly introduced a bill to abolish the system of communal rolls, whereby Christians and other minorities were given special representation in West Pakistan (it had already been abolished in the east), and replaced it by a simple one man, one vote system. This move has been violently attacked by orthodox Muslims and Christians alike, but the way the prime minister shoved the bill through the assembly indicated that he was determined to get on with the job.

The question now is whether yet another crisis, real or imaginary, will supervene to prevent progress towards elections. The president might decide that the country was not ready for so liberal a dose of democracy and simply delay the elections again; the army—a very powerful independent influence—might advise the president that they could not guarantee stability during elections. Obstacles of a less subjective nature could also cause delay—for instance a severe food crisis if the floods of last summer are repeated. But the most likely cause of an upset remains the possibility of a sharp deterioration in relations with India. If, after its expectations have been roused by the 10—0 vote against India in the Security Council last winter, Pakistan were to get no satisfaction over Kashmir, and were even to see its supporters melt away, then there may be an outburst of passion which might in truth make elections and real democracy a very distant prospect.

Red Meat for Russians

MR KHRUSHCHEV has a knack for exciting slogans and lively comparisons. He coined his latest—"to catch up the United States in the output of meat, milk and butter per head of population"—last week in Leningrad, when he addressed a meeting of agricultural workers. In the same speech Mr Khrushchev pleaded for the abolition of nuclear weapons, but he added that, if such a rise in agricultural production were achieved by Russia, it would be more potent than the H-bomb; "we shall have struck the pillars of capitalism with the most powerful torpedo yet seen."

The call to a race with the United States is not new, but hitherto it has been limited to industrial production. Agriculture was the poor relation which the Russians were reluctant to exhibit for invidious comparison. Mr Khrushchev himself, when drawing an agricultural balance-sheet in 1953, had to admit that the number of livestock in Russia was then scarcely higher than in Tsarist times. True, some progress has been made since then, but the task now set, as Mr Khrushchev's figures make clear, remains tremendous. And the American level is to be reached, not in the distant future, but in two or three years' time, or four at the most.

The objective for meat seems truly fantastic, since Russia would have to more than treble its output within three years. Mr Khrushchev candidly admits that, when Soviet economists were asked for a date when parity in meat production could be reached with the United States, they mentioned 1975. Dismissing contemptuously such caution, Mr Khrushchev sets the target fifteen years earlier. What if the new schedule is not kept? At least the Russian peasants would have been exhorted to greater efforts in a spirit of competition, with a dazzling prize at the end of the road. Mr Khrushchev, after all, was formulating a slogan, designed to whip up enthusiasm, rather than an accurately formulated plan.

PRODUCTION PER HEAD OF POPULATION, 1956*
(lb)

	Meat	Milk	Butter
USSR	71·5	544	6·2
USA	227·3	762	8·5

* Mr Khrushchev's figures. Meat, presumably liveweight.

His optimism, if exaggerated, has certain foundations. It is claimed that the pig population has doubled since 1953 (rising from 28.5 million to 56.4 million this year). Supplies of meat and dairy produce have been growing, though not spectacularly, and apparently showed a marked increase in the first months of this year. The bumper crop from the virgin lands must have given the planners the feeling that they can now rely on a broader fodder base. Mr Khrushchev cannot be displeased with his policy of tax reliefs and price incentives for the peasants, since he has just promised them a new dose of the same medicine: from next year farmers will no longer have to deliver to the state part of their produce from their small private plots. Simultaneously, supplies of industrial consumer goods to the countryside are being stepped up to encourage production and sales.

Previous progress both in production and supplies is far from justifying Mr Khrushchev's confidence. He is clearly hoping that the new mood of the peasantry will finally yield the results expected from past investments in machinery, fertilisers and other equipment. Though the emphasis in Soviet investment has always been on heavy industry, money has been poured into agriculture without obtaining corresponding yields. One comparison with the United States that Mr Khrushchev failed to draw is the output per man employed in agriculture. In the United States agricultural employment absorbs less than one-tenth of a civilian labour force of 67.5 million people and the proportion could probably be reduced still further without greatly affecting output. Comparative Soviet figures are not available, but the striking difference is shown by the fact that in the Soviet Union 57 per cent out of a population of over 200 million are still living and working in the countryside. If and when Russia reaches a comparable state of efficiency, releasing manpower for industry, it will be better equipped for its economic race with the United States.

Mr Khrushchev's speech belongs to the field of political psychology rather than applied economics and must be treated as such. A good cornucopia of food replaces Mr

Malenkov's vision of plentiful industrial consumer goods. Even if his agricultural programme is only partly fulfilled, nobody will bother Mr Khrushchev with dates, while red meat could act as a temporary substitute for vacuum cleaners or television sets, though not for houses. Realistic or not, his speech makes pleasant reading: it is more relaxing to contemplate butter than atom bombing.

New Defences for Australia

FROM A CORRESPONDENT IN CANBERRA

THE Federal Government's new defence programme, which has been under lively debate in the Commonwealth Parliament, has been designed to take advantage of some of the technological advances of the past five years. Like the British programme, it has sought to "cut the tail and sharpen the teeth" without increasing the defence vote. In Australia there has been no pressing need or public demand to cut defence spending, though there has been considerable criticism of how the money has been spent. A number of government supporters would, in fact, like to see some slight increase in defence spending even if this were to mean forgoing tax reductions.

Australia has been budgeting for between £A190 million and £A210 million on defence during each of the past five years. The share of defence in total budget expenditure has fallen, however, from 20 to 16 per cent. The government, however, proposes again to spend about £A190 million on defence in the financial year beginning on July 1st. It is trying to get more defence value for the same amount of money—though the same amount now buys a little less—by the re-equipment and re-composition of the Australian forces.

The government has based its programme primarily on the concept of a limited war in South-East Asia in which Australia would be obliged to render swift aid to its Seato allies. For this reason the programme emphasises compatibility, as far as possible, with the United States. The Royal Australian Air Force is to be re-equipped with American fighter aircraft with a performance equivalent to that of the Lockhead F104 Starfighter and with American transport aircraft of the C130 type. The Australian aircraft industry, whose production of Avon Sabre jets is now drawing to a close, will concentrate on the new American-type fighters. The prime minister has emphasised that the programme relies particularly on mobility and fire power rather than on numbers.

The national service training scheme, which has given about 40,000 youths each year three months of enthusiastic but incomplete training, is to be "reluctantly modified" to cater for one-third of that number. The scheme is reducing, instead of increasing, the number of fully trained men available in an emergency. The compulsory inclusion of national servicemen in the voluntary Citizens Military Force for a couple of weeks' camp yearly and occasional night parades, has tended to keep citizen-soldier volunteers out of the CMF. As national servicemen cannot be compelled to serve abroad, the value of CMF battalions which included them became less, and it is upon the CMF that the government relies for rapid expansion of the army in an emergency. Moreover, the decision to cut national service will free about 2,000 regular soldiers who can ill be spared from their army duties. In order to decide which youths shall be called up the new programme introduces an ingenious "birthday ballot" which has intrigued lottery-loving Australians. It has also amused them since a demographer disclosed that the number of date-of-birth marbles, which had to be drawn—a Labour MP performed this duty a few days ago—depended on the seasonal mating habits of Australians.

To provide a regular, well-equipped and readily available force a brigade group of more than 4,000 men has begun to be organised: it will be trained in tropical warfare, and will be in addition to the infantry battalion group serving with the British Commonwealth Strategic Reserve in Malaya. Australian gunners will be given the American 105 mm field gun. The FN rifle will be produced at the Lithgow Arms Factory for the Australian infantry. There will be a speed-up of the naval construction programme. The Navy has been further consoled by the retention of the two fleet carriers—HMAS Melbourne with a front line establishment of 40 aircraft and HMAS Sydney as a flight training ship. Australia will continue in vigorous partnership with Britain in the long range weapons programme in South Australia. The strength of the regular Air Force will be raised by 10 per cent over three years. The first ground-to-air guided weapon unit will be introduced in the Sydney defence area. The defence administration will also become less remote by the transfer from Melbourne to the capital, as quickly as possible, of significant sections of the defence and services ministries so as to bring them within close reach of the Cabinet, Treasury and the External Affairs Department.

The programme has met with three sorts of criticism; that made by the official Federal Opposition has, unfortunately, proved the least effective. The Labour party is still so unhappily engaged with its domestic troubles that it has not evolved a comprehensive defence policy. It announced its opposition to continued national service and to nuclear war, and its sentimental support for the retention of the digger's slouch hat; then, after a few nostalgic reminiscences about Labour in office during the Pacific war, it sat down to watch the party crisis in Queensland. Friendship with all was the best defence policy for Australia, according to the party's chief spokesman on defence.

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Among the ranks of the government's supporters, one group disagrees with the limited war concept on which the government's programme is based. Air Vice Marshal W. D. Bostock, a former deputy chief of staff of the RAAF and now a Liberal MP, is treated as chief spokesman of the group; he and his supporters believe that present defence planning mistakenly omits the possibility of a nuclear attack on Australia, which would be short of a total world nuclear war. The group has asked the government to provide Australia with a nuclear deterrent in the form of a dozen or so atom bombs at about £5 million a dozen, and ten intercontinental bombers, American B 52s or B 56s, instead of, and at the same cost as, the thirty American intercepter fighters. Their plan is based on the premise that, even if a nuclear attack on Australia may be only a small possibility, ten million Australians could not, in the event of an attack, morally ask the 200 million odd Americans and Britons to risk entire destruction by nuclear retaliation, and that both countries might well refuse to oblige. This argument has been considered rather too far-fetched by most onlookers, as well as by the government.

The less radical of the government's critics believe that the programme does not go sufficiently far to meet even the government's concept of a limited war. They believe that at least two regular mobile brigades should not be beyond the ability of a £190 million programme, and that the brigade force should be armed with tactical atomic weapons. Both groups criticise the government's casual approach to civil defence and the national service change. The government has announced, however, that it will make a study to see if civil defence training can be included in the national service scheme and that, should this prove feasible, it will seriously consider adopting it.

France's Power Shortage

FROM OUR PARIS CORRESPONDENT

THAT M. Mollet should "on principle," and alone, boycott the Suez Canal beyond the point of no return and be applauded by much of the French public shows how much France's traditions are still military rather than commercial—even if M. Poujade proves it is also a nation of shopkeepers. Yet the unenthusiastic reactions of the business community show that the day for such gestures is passing. The moral of industrial expansion and the rising import bill is that France will have to become more of a trader on world markets. And the biggest item in that bill is a growing expenditure on fuel imports, which Suez itself has dramatised. France is Europe's biggest fuel importer; hence the recent emphasis on oil from the Sahara and the importance attached to the recent first flow of natural gas from Lacq, in the Pyrenees, towards Bordeaux.

Lacq's reserves are not yet fully known, but it should produce the equivalent of 4 million tons of coal a year by 1961 and double that by 1965. In five years it will be yielding twice the gas sold in the whole of France last year. This will be gradually piped, not only throughout the south-west, but to Nantes, to the St Etienne-Lyons region and, later, even to Paris. The experts, like the brilliant and ubiquitous Louis Armand, consider the Lacq pocket should be cleared out, whatever its reserves, in thirty years, by which time nuclear power should be solving energy problems.

The company developing the field has, in fact, been criticised for excessive caution: the gas field discovered in the Po Valley in 1949, two years before Lacq, produced as much in 1955 as Lacq will by 1961. But there are extenuating circumstances. The company has had great trouble, in particular, with the sulphur in the gas, which rapidly turns ordinary steel wells into something like blotting-paper. But the economic prospects are good, especially for neighbouring Gascony and Acquitaine, which have long been backwaters more romantic for the tourist than the native, because they lack power. By French standards Lacq gas is cheap fuel. An aluminium plant will be set up near the field; and chemicals should develop, fuelled by the gas and using the by-products as raw materials. These include some high-grade petrol and above all sulphur. Lacq will turn France from a major importer of sulphur into the world's biggest producer after the United States. The French hope to export to Britain and Scandinavia and save £30 million a year of precious foreign exchange.

Lacq is France's first windfall since the war in the way of home power resources. The Ministry of Industry is so enthusiastic that it announced the flow had begun a week before the stopcocks were opened. For last year alone, nearly a third of the big trade gap was due to greater fuel imports. Last year was, perhaps, exceptional: the inflationary boom raised the tonnage and Suez the price of foreign fuel. But even if France's coming trade crisis holds up output for the next eighteen months, it seems highly plausible that, as the planners estimate, France's energy needs will rise at least by half between 1955 and 1965. (Even then its consumption of energy per head, which roughly represents its level of industrial development, will only reach Germany's present level in 1965 and Britain's ten years later.) Fresh coal and hydroelectric power, the mainstays of postwar output, can only meet a third of this increase and Lacq raises the proportion to half. The rest *must* come, to save foreign exchange, from the atom or the Sahara.

Part of the official gloom over France's immediate trading prospects is due to the conviction that the fuel import bill must go on rising till 1961. The question is how soon it can be levelled-off afterwards. Nuclear development, at present rates, cannot save the day until the late seventies, too late to be helpful. If Euratom is ratified, the French seem ready to attempt the maximum rate of development recommended by the "wise men." That would give them about 4 million kW of capacity by the end of 1967, and level-off imports in the mid-sixties. But even this is late, and the French are not sure they can reach their targets. In any case, these estimates assume big French oil finds at home, despite the prospectors' moderate success so far.

These uncertainties explain why the government is giving top billing to the Sahara, where prospects, at least technically, are solid and substantial. Desert production could probably hold energy imports down at their present level from 1960 onwards. Here, again, there is a hitch: while the semi-war continues in Algeria, and no agreement is reached with Tunisia and Morocco, desert oil remains largely a mirage. In the most favourable circumstances, the investment effort needed will be very great. One of the most remarkable aspects of the Mollet reign has been the piling up of the cost of progress almost independently of government decisions. To create a more modern economy, the French must in the coming years pay for more schools, more export industries, especially in engineering, for dams and nuclear power stations, for Lacq and the Sahara, for overseas development and the costly reconversion of much land to dairy farming. The bill grows larger every time it is added up. The problem is not only how to finance the required investment (M. Mollet meant to launch a £250 million loan this autumn for the Sahara), but how to find productive resources for so many priority jobs.

Energy investments, for instance, were £375 million in 1956, but should rise to £560 million next year and £660 million in the mid-sixties. (And this excludes nuclear energy.) If these investments are cut to stem inflation, there is a grave danger that energy imports will drag down the trade accounts in five years' time. If they are not cut, other investments must be curtailed, or consumption reduced—always hard in a country with France's social tensions. The risk is that, unable in practice to fix steady

priorities, France will find its growth held up in a formative decade by its trade gap; and that this will lead it to continual backsliding on the spirit, if not the letter, of the common market. In face of this challenge, the expenditure of men and resources in Algeria becomes even sadder; and M. Mollet's willingness to cut off France's nose to spite Nasser's face at Suez seems a piece of gratuitous masochism.

Canada and the Younger Sisters

FROM OUR OTTAWA CORRESPONDENT

CANADA has now given its reply to the vaguely defined proposal for a Commonwealth Development Bank, on which the British Government asked other Commonwealth countries to comment. The Canadian view is understood to be quite unfavourable enough to satisfy Whitehall.

The question arises from the rapid emergence of independent territories in the Commonwealth. By moving out of the "colonial" column into the "Commonwealth" column, they sacrifice the chance of getting grants from the Colonial Development Fund. A couple of debates at Westminster have shown that there is anxiety about how the Commonwealth can help its new members to get a good start. The Canadian prime minister, Mr St. Laurant, has also talked about the problem in several election speeches.

Officials left behind in the capital, while the politicians are out campaigning, have been considering what practical means Canada might use to express its good will. It does not at present come to very much. The Commonwealth Bank idea is not much favoured. It looks like a new piece of machinery to distribute development funds, whereas the problem is not machinery nor distribution: it is to get the funds. Britain is the only Commonwealth country with a net export of capital. It is a moot point whether its limited savings might not be better used at home than abroad; and if they are going to be exported Canada might be a better place for them than the underdeveloped countries. That is for Britain to decide; but Canadians do not see that the decision would be any easier if there were a Commonwealth Development Bank.

Ghana is the first test case, and Canada's small study has not revealed any major need for government investment funds, unless for the Volta River project and the government is not inclined to get involved in this. If the Aluminium Company eventually goes for the project, that would mean private, not public, capital. It seems here that the most practical thing Canada can do for the new state is to provide technical training, particularly for administrative civil servants. The need for this was stressed by Dr O. E. Ault, Director of Planning for the Civil Service Commission, who visited Ghana last year on behalf of the United Nations Technical Assistance Service. Canada has approved the appointment of a High Commissioner to Ghana, and an *agrément* is now awaited. His first job will probably be to arrange for selected Ghana officials to come to Canada for training.

The second case engaging Canadian attention is the Federation of the British West Indies. Although full independence for the Federation may be some years off, Canada feels a special interest in the Caribbean islands; and there is some discussion whether Canada's relatively limited aid for Commonwealth countries should not be concentrated on this neighbouring area rather than spread more widely and thinly. Discussions are going on with West Indian leaders about the sort of help which would be most useful. The most favourite projects at present are modest, and training of administrators again tops the list. Canadian officials have also been impressed by the need to improve the inter-island steamship services, and the government might accept a recommendation to provide two suitable steamers as a sort of birthday present on Federation. This would give a hand to Canadian shipyards on the side, which commends it to politicians. It is, however, very doubtful whether an inter-island shipping service could operate economically; and the Canadian government would not find it easy to provide operating subsidies when it refuses to subsidise its own shipping even on coastal and inland routes—though it does subsidise a modest service between Canada and the West Indies.

Realistic International Assistance

FROM OUR UNITED NATIONS CORRESPONDENT

COMPETITION between different United Nations agencies can be as healthy as co-operation, and it will be interesting to see how the agencies react to the latest development of the germ of an idea which Mr Hammarskjöld planted a year ago and which has since been carefully tended by the UN Department of Economic and Social Affairs. A serious deficiency of United Nations technical assistance is that experts sent to underdeveloped countries can offer advice but cannot do what is often more badly needed: set a practical example of efficient administration. To meet this difficulty Mr Hammarskjöld urged the creation of an international pool of administrators and experts who could be employed in underdeveloped countries on a temporary basis and integrated into national administrations. For complicated technical and legal reasons it will be necessary to run this plan within the UN Secretariat somewhat separately from the ordinary technical assistance programmes.

Some officials of former colonial countries have been speaking of United Nations technical assistance as a concealed form of imperialism and have implied that the colonial countries are using the United Nations programmes to increase their influence in Asia and Africa in the guise of sending United Nations advisers. This is utter nonsense, but the serious thing is not so much whether it is true but whether it is believed. When the Economic and Social Council reviewed the plan for an international pool of professional experts, the Indonesian delegate praised the idea with faint damns and then suggested that the UN Secretariat should study the question of setting up a world training institution. This proposal no doubt springs from a suspicion of all technical assistance which involves training people in the West. The Indonesian idea is the sort of airy-fairy notion which takes a great deal of time to discuss but prevents action being taken on a more modest and realistic basis. It is to be hoped that when the Economic and Social Council meets in Geneva this summer, the British delegation will press for a modest and sensible experiment along the lines suggested by Mr Hammarskjöld.



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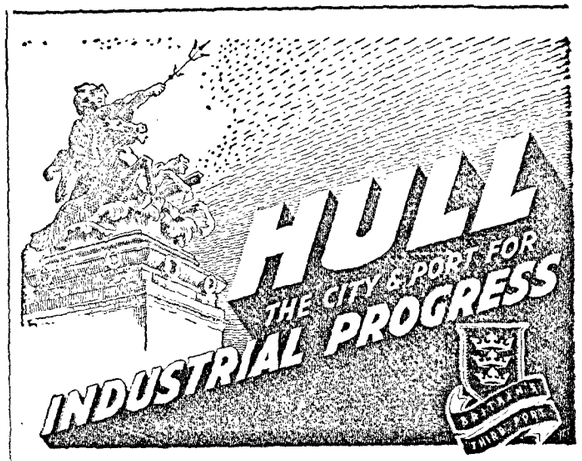
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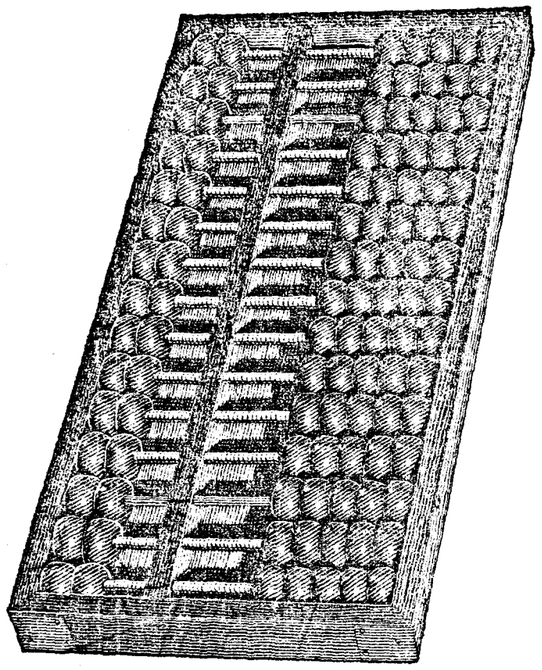
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THE BUSINESS WORLD

India's Crisis of Ambition

WHEN budgets succeed each other at Indian speed, the outside world (which thinks a budget a year enough and two an act of desperation) is bound to feel scared. Mr T. T. Krishnamachari's latest budget (described by our Indian correspondent last week) is indeed something much more imaginative than a mere collection of fiscal plugs to seal the holes in the Indian economy. It presents the fascinating equipoise of the Finance Minister himself—the man of business and the minister anxious to get things done, and the politician anxious to give his supporters a convincing display of soaking the rich. In an economy as over-extended as India, there is not much scope for handing out incentives; yet this is what Mr Krishnamachari's budget manages, in a very modest way, to do. His incentives are a shot of digitalis to keep the managerial classes interested in life to the extent of 23 per cent, instead of 8 per cent. It now becomes possible to save without evading taxes. But there is a price. Mr Krishnamachari's proposals for a tax on expenditure plunge him into the uncharted sea of fiscal discovery. Mr Kaldor will now have the opportunity of watching the government of India work out in practice the proposals that he submitted last year, in a field experiment of about 6,000 cases and at a maximum 100 per cent rate on taxable expenditure (after sizeable allowances) exceeding Rs 50,000 (£3,750).

This is an innovation of imagination, though it can have no immediate relevance in easing India's present economic stresses. Nor, for that matter, do Mr Krishnamachari's increased excises (some of them since modified) reduce the uncovered gap in government expenditures to a tolerable size. The second five-year plan was deliberately framed as an exercise in deficit financing—it was not, as Mr Krishnamachari was once heard to observe, "an exercise in budgeting by an accountant." He has made valiant attempts to keep the deficit to what was intended (though how one draws the line between deficit financing that is "allowable" and temporary deficits that ought to be covered later takes one into metaphysics) but he is still short of his aim by Rs 5,200 million. The impetus of the plan dominates the Indian economy, and it now confronts India with a first-class problem, not of controlling her internal inflation alone, but of finding the means to pay for the flood of imports that the plan is sucking into India.

In the original conceptions of the second five-year plan, the degree of dependence on external finance was reckoned to be modest, if not indeed marginal. The capital programmes were to cost Rs 3,800 crores (£2,850 million) towards which Rs 800 crores (£600 million) were to be found from investment by foreigners and Rs 200 crores (£150 million) were to be taken from India's sterling balances during the whole five-year period 1956-61. All the figures have gone astray, but none more seriously than the drawing-down of the sterling balances. They were intended to act as a balancing reserve to make good a relatively small gap in external resources. The figures are not easy to render in simple and accurate form; but the recent rate of drawing has been equal to £200 million a year, and the actual loss (excluding the reinforcements) in the first plan year must have been close to £250 million. India's sterling balances now stand at £370 million—this after they have recently been reinforced by the proceeds of $127 million drawn from the International Monetary Fund. In fact, these dollar proceeds have not offset the loss of reserves. Mr Krishnamachari has rather blandly stated that a further £70 million of the balances might be drawn to finance the plan. This provokes two comments: £70 million would last four months at the recent rate, and £300 million is the statutory minimum of sterling that the Reserve Bank must hold—unless the figure is again reduced by law.

It would not be sensible for anyone in this country to gloat that here is another plan gone wrong. The probability that something fairly violent would go wrong with India's second plan might be said to have been built into it from the start. In India, that is not usually admitted ; the doctrine that the plan is inviolable is thrust down one's throat although it has been perfectly plain for months that a process of stretching out had become inevitable. The main constituents of the plan may not be much changed but they will take longer to complete. During the elections no such hint was allowed to escape. But now there is growing criticism of the doctrine of " the plan at all costs and within five years." It will not happen, if only because India is using up her sterling so fast that it cannot happen.

To attract foreign capital has proved less easy than India had hoped. She has had a fair success in a new and not especially amiable kind of blackmail. " You in the West," said one of India's economic policy makers a few months ago, " will lend to us if you are sensible ; if not, the communist countries will." Credit at 2½ per cent for the Russian steel plant goes a long way to offset a certain disillusionment about Russian methods and manners ; so, in a very different kind of way, did credit at 13 per cent demanded by the Germans for the steel plant they are building. Such attempts to get the two opposing sides to outbid each other in a gigantic give-away competition (whether in steel, engineering, or military aircraft) are being pushed further. And they are meeting with a certain degree of response in London. But whatever industrial firms here will do under the encouraging pressure of their own government and of leading industrial spokesmen, they do not seem prepared to venture far on their own account. If, for example, the project for an Indian heavy machinery plant goes forward, with British assistance, it will be politics that primarily dictate the decision ; private commitments, privately financed, would be likely to take more direct cognisance of the weaknesses in certain of the big industrial plans that are under way.

It is not going to be easy to attract the venture capital that India still needs. One or two gestures in the latest budget, such as the modest tax concession to foreign companies, show an awareness that foreign capital deserves consideration—but it has not got much yet. A mixed pattern of socialism and private enterprise in the Indian economy has been proclaimed ; but it is heavily loaded towards the public sector. What the foreign investor sees is a country in which the plan has taken charge, where the Finance Minister has no field for manœuvre, where there is growing prejudice against private capital, where foreign companies are still thinking about the deposits they must hand over to Mr Krishnamachari (following his November budget) rather than the tax savings, if any, that they will gain from his May budget. He has shown himself capable of accepting a freer opportunity for private investment against the opposition of those who think of all investors, Indian or foreign, as demon figures devoted to unconscionable profit-making. But the urgent question is whether this modest change of attitude will be enough to persuade new capital into India.

An increasing number of western investors would answer that capital will not move there if its only reward is to be insulted or done down. There are foolish suggestions that India should block the transfer of profits earned by foreign firms ; Mr Krishnamachari has repudiated any such suggestions, save in the last extremity, but they do India's credit no good. Nor does the attempt to set a limit on profits by Indian ideas of what is "right." There is no such test. What matters to the foreign investor is how much he can earn in his investment in India compared with what can be earned in other countries. If India says 8 per cent and no more, and the capital can earn twice as much elsewhere, it will keep away from India. Nor will the urge to trade with India stand the pressure of linking import licences to the promise of five or seven year credit ; this policy would obviously suit India very well, for it enables a trade debt to be postponed and avoids the need for raising long-term capital. But it seems to be finding no broad commercial support in Europe or London, even though individual exporters may consider that they are justified, in their particular circumstances, in entering into such long-term credit arrangements. Dollars from the World Bank are hoped for, though they would be tied to transport improvement. Perhaps there will be a chance, eventually, of a loan in London. Meanwhile, some limited flow of private capital and a further running down of the sterling balances (though how can it be for long?) are the only sources of external finance. And the imports continue to roll in—not only for the investment programmes, but also for food ; the underweight given to agriculture in the plan is becoming increasingly apparent as large areas of Indian population are crossing the borderline from mere subsistence into positive scarcity.

British firms can hardly be blamed if they are tempted to go a little slowly in trading or investing in India. The rupee is under its own special pressure. This is marked by a fall in India's sterling reserves that cannot be indefinitely sustained and by the consequential drain on the central gold and dollar reserves of the sterling area countries. It is also marked internally by an inordinate rise in Indian domestic prices. Whether there is scope left to stem the drain, to check internal inflation, to maintain the basic necessities of the plan but to rephase its component parts, and finally to persuade the Indian people that their longing for economic improvement is not being abandoned—all this is clouded in uncertainty. But if the economic choices that now confront India sound difficult, they are immeasurably easier than would be the political and social consequences of a plan that failed because it got out of hand.

Aircraft for a Common Market?

French experts on air defence are sceptical about Britain's decision to go straight on to missiles—which would leapfrog their own brilliant supersonic fighters. But both industries could still gain by co-operation

Aircraft production anywhere, whether civil or military, has become such an expensive business that it needs an increasingly big order to justify tooling for a new design. This, in a nutshell, is the dilemma of the French aircraft industry. It has the designers, the pilots, the tools, labour and productive capacity to build aircraft that compare more than favourably with any in the world, but is hard put to find orders big enough to make their production an economic undertaking. Such an impasse is by no means peculiar to France. British manufacturers of civil aircraft have argued for some years that they cannot afford to build an airliner if it will be used only by the British corporations. In the United States there are rumours that one new airliner may be abandoned because its initial orders, which run to more than 100, are not big enough to justify pressing on with the venture.

In France, however, the numbers of military as well as civil aircraft ordered have never more than narrowly exceeded the minimum numbers required to break even on production: now this narrow margin is dwindling to nothing. The budget for the French Air Force has never been higher than it is this year, but the extra money is being spent in North African operations. Less and less is being spent on the production and development of aircraft, and no French manufacturer is optimistic enough to believe that this policy may be reversed.

Steps are therefore being taken with the blessing of the French Air Ministry to try to establish ties with the aircraft industries of other countries that may promise French machines a market outside France. The object is to secure enough home and export orders to give a new aircraft a decent production run. The practical result might very well be some degree of standardisation in the types of aircraft built in France, in the nascent aircraft factories of Western Germany and in the smaller aircraft industries of Belgium and Holland.

Above all the French are anxious to prevent the reviving German aircraft industry from developing along competitive lines, for there is not room for two industries of this size in Western Europe. The only hope for joint survival and conservation of the resources of both seems to lie in co-ordinating their research and production. While what would amount to the development in this way of a common market for aircraft in Western Europe is an obvious and sensible suggestion, it is understandably enough regarded with no enthusiasm by the British aircraft industry.

British aircraft exports to Western Europe have dwindled steadily since the days when Meteors and Vampires formed the backbone of the air forces on the Continent and Rolls-Royce engines were used in almost every aircraft flying. The decline has been connected partly with price, partly with the performance of later types of aircraft but also to some extent with the revival of aircraft production in Europe—mainly French. Yet the British industry has never stood more in need of firm export markets than it does today and a concerted drive by the major companies involved is planned to sell guided weapons abroad.

It would not be easy for British manufacturers to compete in Western Europe with a closely-knit local aircraft industry. The international air show which opened in Paris at Le Bourget airport last week served to stress both the high standard of French aircraft development and the widening gap that has emerged between Britain's and Europe's concept of air defence. Neither seems likely to assist British aircraft exports.

The French industry, which is partly nationalised and partly privately owned, consists of 21 companies employing about 80,000 people against the British industry's 270,000, but the bulk of development has been carried out by a handful of large companies. These are the state-owned groups of factories in the north and south (the latter is a new and still rather uneasy amalgamation of two regional groups) ; the privately owned Marcel Dassault factories ; the nationalised engine company and Hispano-Suiza, which builds Rolls-Royce engines under licence. Of the smaller manufacturers, one private company, S.E.P.R., has specialised in rocket motors ; the company owned by René Leduc has achieved remarkable results with ram-jet aircraft ; and the Breguet company, from building big transports, is branching out into fighters and anti-submarine aircraft.

Development in the French industry has been carried out on a much narrower front than in Britain with some remarkably successful results. No attempt has been made to develop either heavy or medium-range bombers or long-range civil transports. Civil development has consisted mainly of vast, weight-lifting aircraft, designed with an eye to French army requirements, and the medium-range, twin-jet Caravelle

airliner tailored for Air France's African services. Of the big transports, the Nordatlas built by the northern state factories has probably been the most successful. About 200 have been ordered, and most of them now delivered; this aircraft distinguished itself during the Suez operations, when the lack of a similar RAF aircraft was painfully apparent, and it has been ordered for the Germany Army. The Caravelle, built by the southern state factories, has not sold readily, even though it is highly regarded by engineers. Air France has 12 on order, and with them is likely to be the first airline to reopen jet passenger services.

Development of French military aircraft has taken two forms, one of them highly unconventional. The Dassault factories have evolved a wholly conventional series of Mystère fighters culminating in the Super-Mystère which is supersonic in level flight and should be coming into service this year; 370 are on order, compared with total orders for 420 of the slower Mystère IVs which are now in service (these compare for speed roughly with the Hunter). The southern state factories have built the Vautour light bomber as a complement to the Mystère. The Vautour doubles as a bomber or all-weather fighter; it might compare therefore roughly with the Javelin in this country, except that it is faster.

It is in the unconventional fighters that the gap between British and French ideas on defence becomes so apparent. The French have concentrated for several years on developing fighters that can climb at a rate approaching twice the speed of sound, toying with a variety of methods, afterburners, ram-jets and rockets, to attain this rate of ascent. They have an understandably scant respect for the efficiency of the early warning radar network in Western Europe—at least as far as giving adequate warning for defence of French targets—and are therefore still pinning their faith to a fighter that can get up to its target at the shortest notice. The fact that it may not be able to stay in the air very long because of its fuel consumption is immaterial. It is because they consider Europe's radar network to be inadequate that most Western European countries also consider that Britain's rapid shift towards reliance on a missile defence system is impractical at present.

These French aircraft are well advanced, and no longer merely aerodynamic curiosities. The rocket-powered Trident, which crashed just before the air show was due to open, has now been ordered in a development batch of 10. The Trident comes from the southern nationalised factories; other still experimental fighters have been built by the northern factories, by Dassault, by Leduc and by Breguet. Many people in Europe believe that such aircraft, carrying guided weapons and flying under radar instruction from the ground, will remain for several years a more effective means of air defence than any type of guided missile on offer. Some years ago the same view had enough adherents in Britain for a development contract to be placed for the Saunders-Roe combined jet and rocket fighter, which made its first flight a few weeks ago. This aircraft was intended for the close defence of bomber airfields: whether it is still intended to play this or any role in Britain's changed air defence system is not clear. At that time, although the funds spent on development in Britain needed to be husbanded for the most essential projects, no attempt was made to benefit from the extensive French work on various small, high-speed fighters either to accelerate development of the Saunders-Roe project or to save money by considering French assistance.

With its fundamentally different conception of air defence in present circumstances the French Air Force is thus about to put into service this year fighters and light bombers that are faster than those used by the RAF. Even though a bare handful of French geese turn into swans, the few that do are impressive. The French industry still buys some of its equipment from Britain, particularly electronic apparatus, but much less than it used to do. Dassault, for example, has set up an electronics division specially to make the miniature radar and electronics needed for the company's small fighters; British engines are used no longer, whatever their quality, if there is a French-designed substitute available. There is no chance that sales of British aircraft and engines can be maintained to France and to Western Europe unless Britain is prepared to take something in return from the aircraft industries of those countries, and genuine scope for interchange probably still exists.

There has been plenty of evidence in recent years that the British aircraft industry could have learned from the extensive programme of supersonic flying carried out in France; a much earlier exchange of data, or even of actual equipment, might have been of mutual advantage. Today, the divergence of views on air defence policy limits the possible common ground, and wishful thinking on the Continent that Britain's new policy will turn out in practice to mean the reverse of what it says can be dismissed as pipedreams. In re-shaping its own air defence, the British Government has not spared its own aircraft industry; it is certainly unlikely to go back on its new decisions because those in other countries have chosen to develop aircraft it does not want. But the French aircraft industry, in particular, has already turned a good deal of its technical brilliance to the study of guided weapon systems that show its characteristic ingenuity; moreover, its knowledge of high-speed manned aircraft might still offer valuable know-how for Britain's manufacturers. There was a hint in the recent Defence White Paper that steps might be taken to co-operate more closely with aircraft industries on the Continent. This ought to be made into more than a polite gesture.

BUSINESS NOTES

IN THE MARKET

Industrials Still in Demand

A BRIGHT start to the three week Stock Exchange Account on Wednesday and Thursday, a sharp rise in oil shares, a rally in industrials and a firmer tone in the gilt-edged market are hardly sufficient to justify a major re-assessment of the market. Two items more at least would be needed to justify a change of view—a broadening of the present narrow business in gilt-edged and a strengthening of sterling. Neither has been markedly weak. Sterling closed against the dollar on Wednesday at $2.79 3/16, against $2.79 1/8 a week earlier. Gilt-edged stocks, despite the rally, on balance show the loss of a little more ground; the *Financial Times* index of government securities over the week to last Wednesday declined from 84.70 to 84.28. The argument whether a rise in sterling is needed to promote new confidence in gilt-edged, or a rise in gilt-edged to strengthen the pound is highly unprofitable; it would become more relevant if the authorities intended, which at present they clearly do not, to promote a rise in the market as an exercise in pure tactics. The basic facts are that the two main channels of investment on which the gilt-edged market would have to rely for any sustained rise—the banks and the pension funds—are both reluctant to buy.

Investors still prefer equities. Some of them naturally enough are going for oil shares which enjoyed a good rise on the increase in British Petroleum's Persian gulf prices and the excellent quarterly figures of the Royal Dutch/Shell group. Over the week "Shell" Transport has risen from 188s. to 193s. and BP from 160s. to 163s. 1½d. The rally, which more than offset earlier losses, occurred on Wednesday when Shell gained 6s. and BP 8s. 1½d. Industrials generally attracted buyers with the start of the new account, and the rise gained momentum on Thursday, but it has been a modest rise and insufficient to offset in full the declines of the previous few days. Over the week ended on Wednesday *The Economist* indicator shows a fall from 218.7 to 216.2. But many investors must have had profits and some of them must have been taken in the closing days of the old account.

INDUSTRIAL OUTPUT

Hardly a Ripple

CAR sales in Britain may have recovered enough to alarm the Government; but motor output has not yet recovered enough to ripple the placid surface of industrial production as a whole. The index of industrial output for March, after allowance for seasonal factors, turns out to have been 136 (1948=100); and in April it is expected to be no higher, 136-137. It is true that manufacturing, at the beginning of the year, showed a slight upward tendency—later offset by the engineering and shipbuilding strikes and within total production by rather less buoyant sales of gas and electricity; moreover, there may exist certain "built-in lags" in the recording between actual production and the index, which in many industries depends upon deliveries from stock. But there is no real reflection at all of the somewhat livelier activity that many people in industry have been talking about recently, and

INDUSTRIAL PRODUCTION, SEASONALLY CORRECTED

	All industries			Manufacturing		
	1955	1956	1957	1955	1956	1957
January	134	138	137	139	143	139
February	134	136	137	140	141	141
March	136	137	136	141	141	140
April	136	136	136–7	142	140	...
May	137	136	...	143	139	...
June	135	138	...	140	141	...
July	136	136	...	141	140	...
August	136	134	...	141	137	...
September	138	137	...	143	141	...
October	139	136	...	144	139	...
November	139	137	...	144	141	...
December	141	135	...	147	139	...

which the renewed growth of personal consumption, at any rate, might lead one to expect. Recent wage settlements have been a powerful reminder that major elements of inflation in the economy remain unchecked; but it is much too early to fear that rising production will be adding its own influence through excessive demands on imports. It would indeed be ironical if the motor industry had brought this sudden new hire-purchase restraint upon itself by exaggerated complaints to the Board of Trade that in the autumn it would need more sheet steel than Britain could produce; but the joke would be on the economy as a whole.

OIL PRICES

Not Quite in Line

MIDDLE EAST oil prices began to swing back into line with the American "world prices" this week—but so far, not all the way. While the Suez Canal was blocked, sharply reducing Western demand for Persian Gulf crude, and leaving that demand to be filled by higher imports from Venezuela and Texas, the two price levels naturally moved apart; once the canal was re-opened, the normal pull of the reunited market began to re-assert itself. In practice last winter, the price divergence took the form that Middle Eastern prices were held level while crude prices in the Western Hemisphere rose about 20-30 cents a barrel. This week British Petroleum led the way in raising Persian Gulf prices: but it increased its posted price at Mina al Ahmadi by only 13 cents a barrel. It followed, incidentally, by posting prices for a variety of petroleum products in the Gulf—the first time this has happened.

Very roughly, it can be said that the "normal" relationship between Middle Eastern and American crude prices implies that they would compete equally when delivered on the eastern seaboard of the United States. The high cost of shipment via the Cape, which added about 80 cents a barrel to the price of crude transported from the Middle East to the United States during the winter, might indeed have implied a fall in Persian Gulf prices while the canal was closed, even allowing for the rise in western hemisphere prices. Today, with the canal open and tanker freights back to the level of about a year ago, it would have taken a much larger increase than BP has posted to restore the price relationship that existed before Suez. Other companies that post prices in the Middle East are certain to follow BP quickly: it will be interesting to see how closely they follow its price level. Product prices are already being shaded in the United States as the emergency demand for extra Texan and Venezuelan supplies falls away; and it remains to be seen whether the crude price in the western hemisphere can be held. But while the two price levels are held, Middle East oil is markedly more cheap by world standards than it was last year.

CENTRAL MINING

Mr Glazer Steps In

THE most gentlemanly takeover on record was in process when Mr Sam Glazer stepped in. Nothing was being done in the Central Mining affair without the approval of Lord Baillieu and his fellow directors. The syndicate—C. W. Englehard and Gordon Richdale, Anglo American, Union Corporation and the merchant bankers, Rothschild, Schroeder, and Benson-Lonsdale—had bought 80 per cent of the cheap votes through the preference shares at 24s. a share (£6 a vote) and were bidding the same sum for the rest. The institutions, too, had sold only on the assurance that Central Mining approved. The syndicate would make no general bid for the ordinary (about £25 a vote) but would form their new company in South Africa without the assurance of mathematical control. The new company would canalise some of the Oppenheimer millions and some of other people's money into new and re-invigorating mining investment, partly outside Southern Africa. The Central Mining-Rand Mines group still resident in London would have a stake in the new venture; the Trinidad Oil profits would be reinvested, and everyone would be happy.

At that moment Mr Sam Glazer, the South African property man, took up residence in the Savoy Hotel, and placed some of his cards almost face upwards on the table. He indicated that he would bid not 24s. but 30s. for all the preference and no less than £5 a share for 66⅔ per cent of the ordinary (then about 62s. 6d. and now standing at 70s. 7½d.). If the resolutions reducing the preference share votes to equality with the ordinary were not approved at Thursday's meeting of Central Mining, Mr Glazer would, in order to obtain control, bid for not 66⅔ per cent but 70 per cent of the ordinary. He let it be known that he had acquired a block of ordinary shares in bearer form, that he had satisfied himself that the number of disenfranchised Central Mining shares in foreign ownership was about 1½ million, and that subject only to satisfactory assurances from Lord Baillieu and to reference to his associates the bid would be on. Who were Glazer Brothers' associates? Mr Glazer has flatly refused to confirm or deny that they include the one and only Afrikaner mining finance house, Federale Mynbou, which has a stake in coal mining and would like one in gold.

It would not explain everything. Why did Mr Glazer wait so long? Why has he not as *The Economist* goes to press yet made a firm bid on which shareholders could be asked to decide? Why did he leave it open to the directors to reply that shareholders should ignore any announcement made in such vague terms? Mr Glazer explains his hesitancy by reference to the five million shares that the directors of Central Mining can issue after Thursday's meeting—a number that Mr Glazer claims "could easily turn a majority into a minority." Lord Baillieu at Thursday's meeting did not give Mr Glazer much help: only if and when there was a firm bid would the directors of Central Mining consider advising shareholders what to do. There was no present intention of issuing the new shares, but he would make no promise that any issue would be reserved for Ordinary shareholders. But for the general body of shareholders there was interest in his disclosure that even if the Trinidad Oil profits are taxable the incidence can be mitigated by using them as a reserve against the remaining portfolio.

AIR FARES

Stalemate on the North Atlantic

MAY the first was the day fixed by the international airlines for a 5 per cent increase on fares over the North Atlantic. Precisely one month later they are still waiting to put that increase into effect. Passengers along the route have been obtaining their tickets at the old cheaper rates by courtesy of the United States. The American Civil Aeronautics Board is still cross-examining American airlines about the reasons why they want any increase at all. Until the Cab has satisfied itself and authorised them to charge higher fares, no other international airline can make the move either. At the back of all rate-fixing among the airlines lies the basic requirement that before an operator flies into a foreign country, that country must approve the fares at which he flies. It would not, in fact, break the letter of the rules of the airlines' own organisation, the International Air Transport Association, if hard-put European airlines were to raise their fares regardless of American decisions: IATA rules specify simply that operators must charge the same minimum fares. But no operator yet has shown any desire to use its freedom to charge fares higher than the IATA minimum.

Because negotiations with the Cab have dragged on for so long, the airlines no longer fear that the increase will be rejected out of hand. But the American carriers involved, Pan-American World Airways and Trans-World Airlines, may have some difficulty in explaining why, when traffic is so buoyant, their fares should go up.

TRADE TALKS

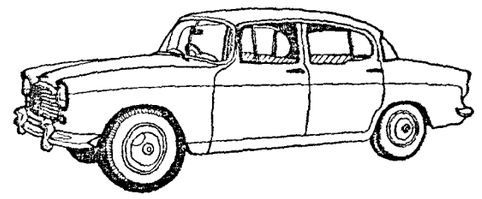
Little Joy for New Zealand

IT can hardly have been a joyful New Zealand trade mission that left London this week. After weeks of negotiation it has obtained no real concessions from the British Government. New Zealand argued that the balance of advantage under the Ottawa Agreements of 1932 had moved against it. While New Zealand granted high *ad valorem* preferences on imports from Britain, the specific duties granted by Britain on New Zealand produce had lost much of their protective value owing to the rise in prices. Though New Zealand enjoyed free entry to the British market, its sales here had suffered from the subsidised expansion of British agriculture and increasing competition from foreign suppliers, and were likely to suffer still more in the future. In the joint statement published at the end of the negotiations Britain implies that New Zealand's fears may be exaggerated. Present British policies and international commitments, it is stated, preclude the introduction of import quotas on foreign meat and higher preferences. But the existing undertaking for ten years not to restrict imports of New Zealand lamb and beef would be extended to pork and milk products; and Britain's qualified assurance, under the Ottawa Agreements, of duty-free entry for milk products, eggs and poultry, would henceforth be unqualified. These assurances seem academic: there never was any doubt that New Zealand would continue to have unrestricted access, in this sense, to the British market.

The two governments will consult regularly on their agricultural production and marketing policies, on British food import policy, and will take each other's views into full account. They will also co-operate on international measures for the disposal of agricultural surpluses, and consult on developments for a European free trade area. New Zealand

THE NEW CARS

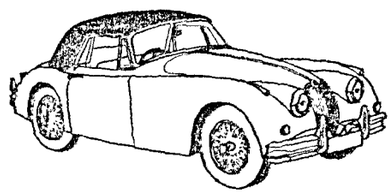
Excitement and Value

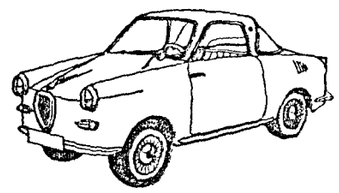


FOR the motorist to whom motoring is a matter of excitement as well as convenience, two new vehicles of very different character have just been added to the range of choice. At one end of the scale is the new Jaguar XK 150, in which a further development of the very successful 3.4 litre engine is mounted in a remodelled body—of the same character as the preceding XK 120 and XK 140 sports cars, but having a good deal in common with the 2.4 litre four-door saloon. In its latest state, the engine develops 210 bhp, which with a kerb weight of about 27 cwt will give a phenomenal performance. To match a top speed that should be of the order of 125 mph, the XK 150 has disc brakes on all four wheels—the first production car to be so equipped.

These brakes, which have been developed by Dunlop, have a far greater capacity to dissipate the heat into which, in braking, the energy of the car's speed is converted. In brakes of the conventional drum type, with heavy and repeated braking, the heat absorbed but not dissipated by the braking mechanism leads to dimensional changes that can rapidly nullify the effectiveness of the brakes—the phenomenon known as "fade" can be a real menace to cars in which high performance is freely used. With such tremendous performance and an appearance well in advance of its predecessors, and prices which, excluding purchase tax, start as low as £1,175, the car is likely to command a considerable market, especially in the United States, even though on all but a tiny proportion of American roads the maximum legal speed is no more than 70 per cent of the Jaguar's maximum.

At the other end of the scale comes the new Goggomobil coupe—a completely new and exceedingly attractive sporting body with the mechanical components of the very successful miniature saloon car made by a Bavarian agricultural machinery maker. Sales of 60,000 of the latter have been reported in the first two years since its production began—which must easily be a record for a newcomer to the vehicle business. Both models have a twin cylinder air-cooled two-stroke engine of 294 cc developing 17 bhp, mounted in unit with the gear box on the rear axle. The design shows how much can be saved and gained by technical boldness; and the coupe shows an eye for styling which would rather become a couturier than an agricultural machinery maker. With a maximum speed not much above half that of the XK 150—but at about one-third of the price—the Goggo coupe's appeal is, fundamentally, to the same emotions.





PARTICULARLY among successful conventional cars, the reluctance of motor car manufacturers to part with a name that has served them well may sometimes rob them of credit they have earned. The new Humber Hawk has basically the same 4-cylinder engine as its 2¼ litre predecessor, and the same kerb weight—28 cwt—which seemed in the old model to be perhaps 3 cwt too much. At a price of £840 plus tax, against £650, the new Hawk hardly seems a promising vehicle on paper. But when the car itself is examined, it does give full value for the material embodied in it. Within an overall length which is 3 inches longer than the old Hawk, really ample accommodation is offered for six persons. The interior dimensions of the new Hawk are almost identical with those of the standard American saloon of the Chevrolet-Plymouth-Ford class. The ratio of accommodation to weight must therefore be accounted very satisfactory. This is the largest body of integral construction in Europe.

In appearance the new car is very satisfying. A wrap-around windscreen is used without menacing the knees of anyone entering or leaving the front seat. But where the wrap-around rear light marches with the rear edge of the window in the rear door, there are curves that seem out of keeping with the idiom of 1956. The 2¼ litre engine is perhaps slightly overtasked with 12.4 cwt per litre, compared, for example, to 9.3 cwt per litre in the case of the Ford Zodiac II; but a 4-cylinder engine can shoulder a slightly greater burden, and there should be a reward in fuel economy.

expressed its concern lest the free trade area restricts its opportunities in British and other European markets by encouraging larger agricultural surpluses in Europe. It gave notice that if Britain was unable to absorb at profitable prices the full increase in New Zealand's exportable production, it would have to try to enlarge its markets elsewhere ; to this end it might be necessary to press for a reduction in the contractual rates of preference on British exports. It may have been unrealistic of New Zealand to seek quotas and higher preferences ; it is on firmer ground in seeking some reduction in official encouragement to British agriculture. The two governments will consult on agricultural matters each November, some months before the annual price review of British agriculture falls due. This is one field in which international obligations do not circumscribe Britain's freedom to act.

COMMERCIAL VEHICLES

Ford Moves Out to Pass

FOR some years the Ford company's range of medium weight goods vehicles have had only one major "selling point"—diesel economy at a remarkably low first cost. The quality and price of the excellent four-cylinder engine they embody—of which, in one form or another, and in tractors as well as lorries, little short of 250,000 must by now have been produced—have, indeed, even won it a place as a replacement engine in vehicles by other manufacturers. But the new range of commercial vehicles recently unveiled may well transform Ford's position in the goods market. For power plants (ignoring petrol alternatives which, at all events in the home market, are not likely to be of importance), the four-cylinder diesel engine is supplemented by a six-cylinder version for the heavier vehicles: in the middle of the range the user can choose between the two. Following its practice in passenger cars, Ford is using the same cylinder dimensions in the two sizes of engine, with the same pistons, connecting rods, bearings, and other components, which will give a valuable saving in production cost with a considerable reduction in manufacturing investment.

The new Ford vehicles—marketed under the name Thames Trader—will be in direct competition with the Bedford trucks made by Vauxhall, whose output of medium-weight trucks is a much higher proportion of their total output than in the case of other major passenger car makers. Vauxhall's output of commercial vehicles in 1956 was about 48 per cent of their total output, against a proportion of 30 per cent for the whole industry. Prices have not yet been announced for the heaviest vehicles of the Thames Trader range, which runs up to 7-ton capacity ; but for the medium sizes they are close to the Bedford prices. For example, a 5-ton truck with the 6-cylinder diesel engine will sell at £1,138, against Bedford's price of £1,111.

Most of the specialist producers of heavy vehicles produce trucks only in heavier sizes than this ; but typical prices of Albion trucks (made by the Glasgow associates of Leyland's) are some 40 per cent higher, while the Commer trucks made by the Rootes group and equipped with their original—and successful—opposed-piston Hill-type diesel engine carry a price tag intermediate between the Bedford and the Albion. Commercial vehicle users watch their operating costs closely and will pay substantial premiums in price only when they have good reason to think that the more expensive vehicles yield them value for money. Ford's manufacturing programme for Thames Traders is obviously based on the calculation that buyers will consider them under-priced in relation to their prospective operating economy. If operating experience confirms expectations, Ford's will certainly increase their share of the commercial vehicle market at home, and can be expected to add quite significantly to the volume of British automobile exports.

BANK FIGURES

Credit Expands

THE latest statements of the eleven London clearing banks show a sharp upward turn in the supply of credit. In the four weeks to May 15th, net deposits rose by £71 million —an exceptionally large increase for this season, as is reflected in the jump in the seasonally adjusted index compiled by Lloyds Bank by 1.2 to 106.8 (1948=100). But too much should not be read into this change following a notable shrinkage in credit in the preceding three months. Thus Lloyds' index is just back to its level in mid-January —though more than two points up on the year.

The two big influences in last month's expansion were Treasury bills and investments. The banks' holding of Treasury bills rose by nearly £55 million. This was notably larger than the rise in the tender issue during the period, and reflected to a considerable degree the banks' efforts to

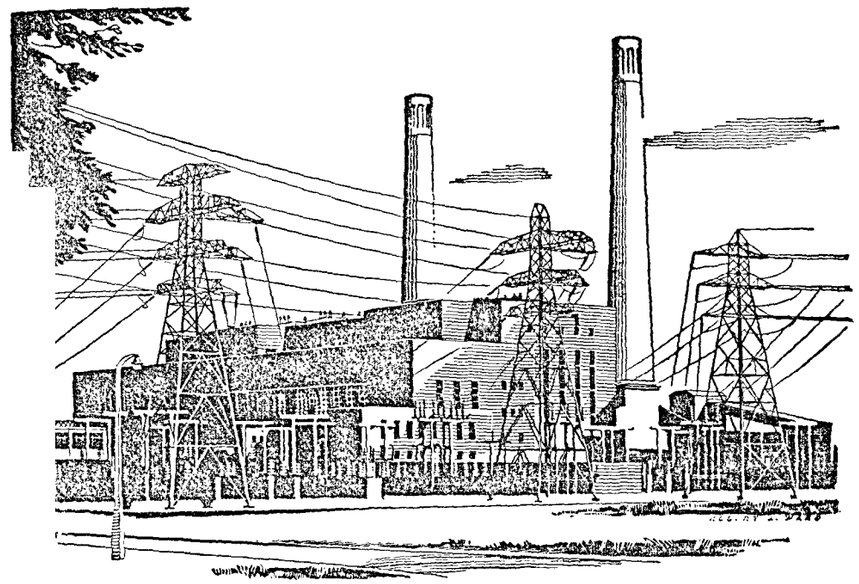
LONDON CLEARING BANKS

	May 15, 1957		Change on Month	Change on Year
	£mn		£mn	£mn
Deposits	6,284·6		+81·6	+132·5
"Net" deposits*	5,979·6		+71·1	+119·2
	£mn	%†		
Liquid assets	*2,064·7*	*32·9*	*+39·4*	*+22·9*
Cash	507·9	8·1	+16·9	+12·8
Call money	409·0	6·5	−27·3	− 7·1
Treasury bills	1,005·9	16·0	+54·8	−19·9
Commercial bills	141·9	2·3	− 4·9	+37·1
Investments and advances	*3,992·7*	*63·5*	*+30·1*	*+92·8*
Investments	1,994·2	31·7	+25·1	+ 3·9
Advances	1,998·5	31·8	+ 5·0	+88·9
To State Boards	*51·1*	...	*− 1·3*	...
All other	*1,947·4*	...	+ 6·3	...

* After deducting items in course of collection. † Ratio of assets to published deposits.

hold more bills themselves and lend less at call to the discount market in a period when many people expected a reduction in Bank rate. On balance, as the accompanying table shows, the total liquid assets of the bank rose by £39 million—a more than seasonal increase. The rise in the banks' investment portfolios, after two successive months of decline, was entirely attributable to the Midland and the Westminster—the two banks that took cash for their maturing '54-56 War Bonds in August last year. Their latest purchases—of £20 million and £5 million, respectively, just offsetting the previous month's sales by Lloyds and the District—still leave their portfolios a little below their level in July last.

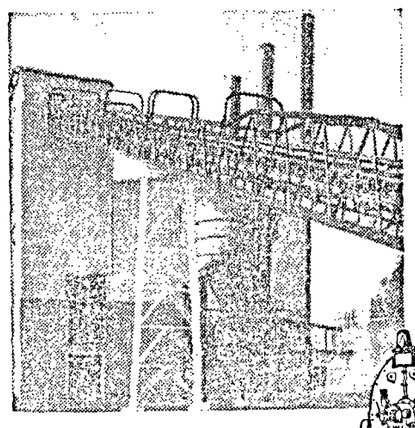
Advances again registered only a small rise of £5 million ; the large increases in January-March thus appear to have been caused partly by special factors. As liquid assets rose by more than risk assets, liquidity improved ; the ratio to deposits rose from 32.7 to 32.9 per cent. All banks are



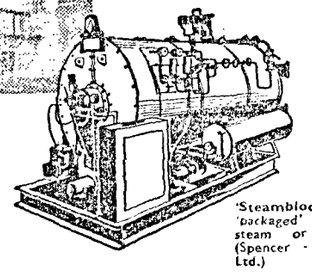
Carrington power station. Equipment includes Babcock boilers, coal-pulverizing mills, ash and dust-handling plant.

"Industry depends on STEAM"

MOST of the world's electricity is steam-generated, and Industry, largely dependent upon electricity from steam power stations, is itself an enormous user of steam for processing and heating and, in some large industries, for both power-generation and processing. Babcock & Wilcox are the world's largest manufacturers of steam-raising equipment for both land and marine applications, and offer to steam-users *large or small*, a comprehensive, world-wide service embracing everything from fuel-handling and boiler plant, for every kind of fuel, to complete systems of ash and dust disposal. They are also large makers of welded pressure-vessels, heat-exchangers, separately-fired superheaters and other plant for the oil and chemical industries, and of a whole range of general equipment such as cranes and conveyors, steel chimneys and fabricated steel structures. The Babcock organisation serves Industry at every level.



Boiler house of H. J. Heinz Co. (Fty.) Ltd. factory in Australia; equipped with Babcock boilers, coal, ash and dust-handling plant and steel self-supporting chimneys.

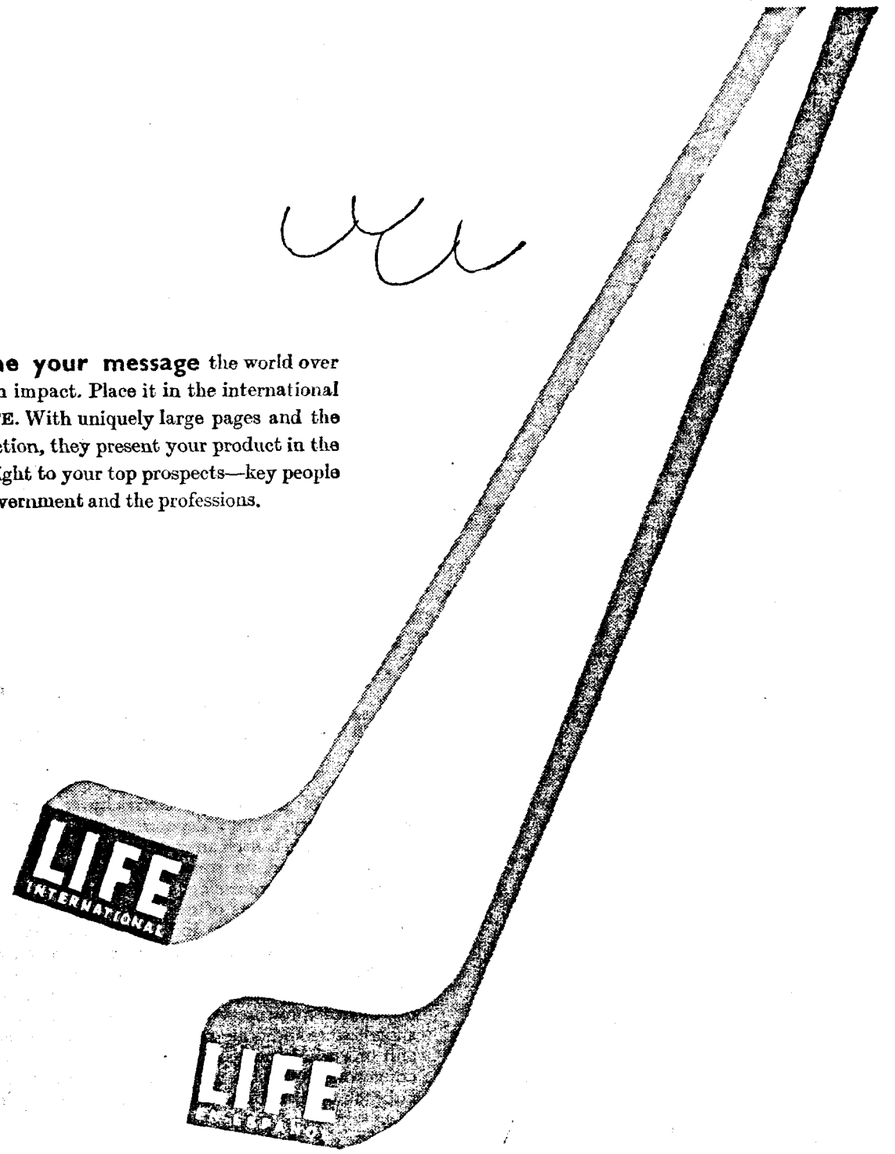


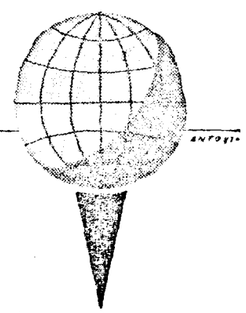
'Steambloc' automatic, oil-fired 'packaged' boiler for industrial steam or hot-water supply. (Spencer - Bonecourt - Clarkson Ltd.)

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now above the conventional minimum of 30 per cent, the National Provincial, helped by a drop of nearly £10 million in advances, rising from 29.6 to 31.7 per cent.

HIRE PURCHASE

In All Directions

THOSE who hope to find logic and clarity of purpose in the actions of government may find it difficult to reconcile the activities in the field of hire purchase taken this week by the fairy godmothers at the Board of Inland Revenue and the hard hearted stepmothers at the Board of Trade. The Board of Trade has fixed at 33⅓ per cent the minimum initial deposit on hire purchase contracts for all motor vehicles and on machinery and plant. This is an increase from 20 per cent on cars, motor cycles and light vans, but a reduction from 50 per cent on heavy vehicles and on machinery and plant. The reduction on the industrial equipment is naturally to be welcomed, but the main effect must be to act as a minor restraint on the booming hire purchase sales of second hand cars and on motor scooters and to a much smaller extent on new cars.

The Board of Trade is entitled to the argument that the minimum initial deposit on cars was fixed for credit squeeze purposes at 50 per cent in February of last year and that the reduction to 20 per cent in December was intended as a temporary offset for petrol rationing and Suez blues. Since that reduction, and perhaps partly because of it, the second hand car trade has been booming and HP motor sales in April were a record. It is also true, though irrelevant, that some of the finance houses do not like the statutory deposit too low: they prefer to see their rivals prevented by law from taking risks that they do not wish to take themselves. To restrain competition among finance houses is no duty of the Board of Trade.

The department of Inland Revenue seems less worried about inflation for without visibly altering its official stand it has agreed that finance houses may pay deposit interest without deduction of tax. A deposit for a fixed term of less than twelve months qualifies for that concession. Indeed by administrative practice, two finance houses already enjoy it. The deposit, however must be terminated (and if necessary restarted) at the end of the fixed period. A general arrangement to deposit money at, say, six months' notice will not qualify. Finance houses hope now to improve the attractions they can offer to foreign money. It will cost them something, since they will lose the use of the tax money which they normally deduct at three monthly intervals, but pay over to the Treasury at the end of the financial year.

Deposit interest naturally is not made tax free; the finance houses will have to account in detail for interest payments exceeding £15 just as the banks do and the obligation on the taxpayer to make a true return remains. But there will be some who will spread small sums around so as not to exceed £15 of interest from any one house. Some sound finance houses pay 6½ per cent on six months' money. To the evader escaping the standard rate of tax 6½ per cent is equivalent to 11.3 per cent. It seems possible that national savings and the building societies may feel the effect of the attractions that hire purchase finance can now offer.

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NUCLEAR ENERGY

Atomic Gamesmanship

THE smokescreen set up by American atomic salesmen in Tokyo, who have been busily attacking British atomic plants in preference to explaining why their own projects are running behind schedule and costing well above estimate, seems to have been intended to draw attention away from what looks like being the final Japanese decision on the matter. By all accounts, the Japanese government decided to hold the scales evenly between Britain and the United States and to buy one atomic power station from each country.

The two new installations there will be relatively small by current standards, only 140,000 kW. The American design will probably be one of the pressurised water types, while a delegation headed by the Japanese minister in charge of atomic energy is coming to Britain in the middle of next month to look at what variations on the classical Calder Hall type of gas-cooled, natural uranium reactor the four main atomic groups have to offer. Japanese technical experts have already come down heavily in favour of atomic power on the British pattern; but it is not surprising that the government has chosen to try out at least one American reactor at the same time, especially bearing in mind the heavy American sales pressure to which it has been subjected.

The Japanese will not be the only mission making a serious study of British atomic power stations. A group of German technical experts from the Baden-Wurtemburg electricity authorities has been in this country since the middle of May discussing atomic power projects with manufacturers and the Central Electricity Authority; they are likely to spend at least another week here. Atomic customers have so far shown a certain dislike for the limelight: it is surprising that the Americans think their decisions are likely to be influenced by the kind of atomic gamesmanship they have been playing in Tokyo.

THE AEA

Nuclear Accounting

IN most respects, the Atomic Energy Authority is neither grudging nor behindhand in giving information: but financially, it publishes less and later than almost any other organisation, private or nationalised, in British industry. It

never publishes full annual accounts; its operating account is withheld entirely because it deals mainly with the provision of warheads and work on atomic weapons carried out for the Ministry of Supply and its latest report, just published, deals with a year that ended 14 months ago. What remains therefore is a somewhat emasculated version of the year's activities dealing mainly with the value of fixed assets and plant under construction. During the year ended in March, 1956, the value of AEA's fixed assets had risen by £7 million to nearly £102.5 million while "assets in course of construction" had gone up by £16 million to nearly £30.5 million. This was largely due to the rising tempo of building at Calder Hall during the year.

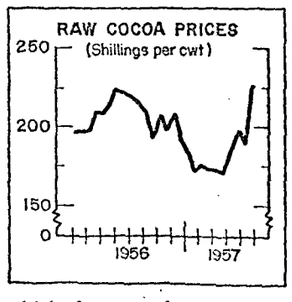
The Authority's loans and advances for the production of uranium had risen by nearly £3 million to £25.4 million, and total stocks and work in progress at March 31, 1956, amounted to nearly £63 million, against £41 million the year before. Sir Frank Tribe, the Comptroller and Auditor General, says that the valuation of work in progress (at over £45.5 million) did not include an element of interest on capital or provision for insurance. In all, the total assets of the AEA had gone up from £178 million in March, 1955 (and £113 million at the time the Authority took over the plants from the Ministry of Supply), to over £232 million. On the liabilities side, net advances from the Lord President's office had more than doubled from £25.8 million to £52.8 million.

Since the date of these accounts, March, 1956, the pace of building at the AEA's power stations at Calder "B" and at Annan in Scotland have greatly accelerated as has building at the experimental breeder reactor at Dounreay. But it is possible that by now the peak of the Authority's heavy capital expenditure has been passed—or is rather in process of being transferred to the electricity authorities that will own the commercial nuclear power stations.

RAW COCOA

Brazil Tries a Squeeze

RAW cocoa prices have risen sharply since Brazil announced its long-awaited new marketing policy for cocoa. By the beginning of this week Accra cocoa for June-August shipment had risen by 38s. to about 234s. a cwt cif, though it slipped back later to close on Thursday at about 226s. Some details of the new policy are still obscure, but the broad outline seems to be this: All purchases and sales are controlled by the Bank of Brazil. Growers are assured of a minimum ex-farm price of 1,200 cruzeiros per bag of 60 kilos, and the minimum price for exporters is 1,800 cruzeiros per bag fob. This is equivalent to about 31½ cents a lb or about 254s. 6d. a cwt fob; the equivalent price cif UK is about 271s. a cwt, which is 45s. above the present market price. When world market prices are above the minimum Brazilian exporters may be allowed to operate as principals; when prices are below it the Bank of Brazil will be the sole seller. In addition the bank will initially withdraw some 300,000 to 400,000 bags of cocoa from the market. In anticipation of the new policy little of the new crop has been sold; the decision to withdraw supplies will not deprive the farmers of their income, and it will help to squeeze world prices higher. Sales may begin again in July, when it is no doubt hoped that world prices will have reached or exceeded the minimum.



Brazil's action means that the governments of the three largest producing countries, Ghana, Brazil and Nigeria, now assure their cocoa farmers of a minimum price and control sales. Ghana and Nigeria, however, have sensibly refused to withhold supplies when prices are low; their single selling agent simply follows the world market. Brazil cannot hope to dominate the market for long, and its past record suggests that it would be unwise to try. But in the next few months it may be able to force prices higher. Some consumers and dealers, in the United States and Germany, for instance, do not appear to be fully covered, and Brazil has the market almost to itself. But when the new season's crops in West Africa start to be sold later in the summer Brazil will have competitors to face.

TAKE-OVER BIDS

Rubber Directors' Defensive

THE outgoing chairman of the Rubber Growers' Association, Mr H. T. Karsten, devoted a section of his speech at the association's meeting last week to trouncing the take-over bidders and the financial papers that, in his view, had supported them.

> These gentlemen with complete disregard for the well being either of this country or of the producing territories, are doing what they can to undermine a great industry so that they can benefit from liquidating what others have created.

It is not difficult to provide an answer to Mr Karsten's strictures. The natural rubber industry, still as he himself points out young, finds itself with cash and other liquid assets beyond any foreseeable need. That industry, which is one of Britain's finest overseas investments, was not built by sitting on surplus cash, but by scraping up risk capital—with risk in the truest sense of accepting big losses and making occasional big profits. If there is now money to spare, it is best that it should be handed to those equity owners to whom it truly belongs and who might put it to use again; otherwise somebody will come along with designs on it. The Guthrie group—one of the richest and most progressive in the industry—has seen the problem and wisely, after one false start, several companies of that group have begun making special distributions to stockholders.

Yet there are some real problems. The market in rubber shares is narrow, and the purchase of a few shares coupled with the rumour of a bid which may never materialise can give the directors a fright and the operator a killing. It may not be in the best interests of the industry that managements should be exposed to that risk. It surely is not desirable that large estates should be bought by Chinese to be broken up into highly priced and probably uneconomic small holdings. Moreover, Tengku Abdul Rahman, Chief Minister of the Federation, has made all the right gestures to encourage overseas investors in Malaya. It might be bad politics to meet those gestures by appearing to pull out. The answer is not yet clear. Something more than mere refusal by directors to part with surplus funds is the least that justice to share-

Overheard in "The Cornish Riviera"

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"Of course it can't, but you can still waste money if you don't advertise to the right people. For example, people living in the industrial areas have more money to spend because their wages and salaries are higher."

"That's obvious, but if you are going to advertise on a national scale you can't advertise in the industrial areas only."

"So you concentrate on the papers with the biggest percentage of sales in those areas. Take the eight main industrial areas for example, including Greater London. You can blanket them with three national dailies."

"And what are they?"

"The papers which come out top in the *I.P.A. Survey. The Mirror, the Express and the News Chronicle. Concentrate on those three and you can pretty well guarantee that your products will be seen by the people with the money to buy them. The News Chronicle is an absolute 'must', of course, because it appeals to the type of reader who likes to make up his own mind and knows good value when he sees it."

"Do you waste money on advertising?"

* *The Independent survey conducted by the Institute of Practitioners in Advertising.*

"And if you wish to know how economical it is to advertise in the News Chronicle, just ring William Memory, Advertisement Director, FLEET STREET 5000.

NEWS CHRONICLE
AND DAILY DISPATCH

holders demands. Is this the time for a defensive scheme for the plantation industry as a whole—a co-operation between some of the more powerful to defeat outside bids by take-overs from within the industry? So far the majority has held that this problem is not the concern of the industry as a whole or of the RGA, but of some individual companies in it, and that may still be the right view.

CYCLE MANUFACTURE

A Healthy Concentration

LAST year's setback to the cycle industry has claimed one notable but not unexpected victim. BSA's cycle business is being taken over by Raleigh, but the former's three cycle subsidiaries had been steadily losing ground, mainly to Phillips the fast developing Tube Investment subsidiary. For several years BSA cycles had been operating at a loss, despite a fairly recent reorganisation based upon the group's Waverley works. This was a modern factory laid out for quantity production with a capacity of 8,000 machines a week. The works, and most of the plant and the 800 or so factory staff, will remain with BSA, as will the group's auto-cycles which are to be transferred to the motor cycle division—which remains the largest producer on that side of the industry. It appears that Raleigh's main acquisition, for a price that remains unrevealed, is the manufacturing rights in BSA's models.

But this will be a welcome accretion for Raleigh, just as much as BSA should be healthier for the divorce. And the cycle industry itself should be better off, since it now largely lies in the hands of two very large groups. Tube Investments is gradually concentrating the production of all its Birmingham factories, apart from the manufacture of components, at Handsworth, where its new subsidiary, British Cycle Corporation, will be in charge of the greater part of this side of the group's business. Raleigh is already largely concentrated at Nottingham and is probably now producing more machines than TI.

This massive reorganisation comes at a time when the sellers' market in cycles has disappeared with a suddenness that is almost brutal. Cycle output last year fell by a fifth, exports by a seventh, and home sales by a half. Credit restrictions in the industry's home market coincided with the advent of real competition from the Continent, Japan, and from indigenous manufacturers in a number of hitherto good overseas markets. Sales to the United States, which before the increase in the tariff two years ago accounted for a quarter of the industry's direct exports, were cut by half last year and are lower still this year. The United States is now considering whether to impose a quota, particularly on imports of heavyweight models which several continental firms have been selling there in great numbers, to the cost of both British and American firms. The British cycle industry will no doubt be glad of any benefits its new concentration can give it.

FILM FINANCE

A Specialised Bank

LAST April the life of the National Film Finance Corporation was extended for another ten years and its powers of lending "end money"—the riskiest kind of finance in film production—were widened so that it could put up loans even if financial facilities could be obtained "on reasonable terms" elsewhere. But it now has to pay its way; it must act as a specialised bank rather than a distributor of a disguised subsidy to British film production. In the last eight years the corporation has lent £13¾ million for the production of some 450 films, 300 of them first features. About £6½ million has been repaid and of the rest just over £4¼ million has had to be written off or provided against further losses, including about £160,000 in its last financial year which ended on March 31st. Allowing for interest, fees, and the shares of profits received by the corporation, its total deficit since 1949 is about £3½ million. But the bulk of this deficiency, and of the loan write-offs, occurred two or three years ago with the old British Lion Company. Its successor, British Lion Films, is owned by the corporation and provides distribution guarantees and, through its subsidiary, studio space at Shepperton for film producers. It has made a profit in each of the last two years, and is now worth, the corporation states, somewhat more than £600,000, the price NFFC gave for its shares.

The corporation's statutory borrowing powers have not been increased, and virtually all of the £6 million it may borrow from the Board of Trade has been fully employed in its business for several years. By making small profits in its last two years, £84,727 in the year to March 31st and £79,132 in the previous year, the corporation has been able to operate without calling substantially on the £2 million it may borrow with Treasury guarantee from elsewhere. It borrowed £100,000 from its bankers last year and nothing the year before. Last year it helped to finance 58 films, a larger number than in any year since 1953, including 38 first feature films but as rather more films were being made this was still about half the total for the whole industry. But of the 32 first feature films assisted by the corporation which were released last year only 12 are expected to be profitable, though the combined earnings of the 32 would just about cover the costs of making all of them. This is better than in 1954 and 1955 and with the larger Eady levy that is to start next October the whole group of films produced would have shown a small total surplus. But this does not necessarily make British film production a sound commercial proposition: on the side of costs, the corporation notes a recent significant increase in the pay of producers, directors, artists, and other staff, which between them account for over half of total costs.

PRICING COPPER

One Price for Rhodesia

REPORTS from Salisbury confirm that Anglo American Corporation and Rhodesian Selection Trust have reached agreement on a common basis of pricing Rhodesian copper sold to British consumers, and that proposals have been sent to consumers. The two groups supply the bulk of Britain's requirements. The common price, it is understood, is to change less frequently than the London Metal Exchange price, but is to be related to it over a period. Details will be announced later. It may be several weeks before the consumers have completed their own discussions and forwarded their comments to the producers, and it cannot be assumed that all consumers will be willing to accept the new policy. Consumers seem to have been given little more information on the basis of pricing than has appeared in the press. The impression is that Anglo

Continued on page 820

Where Now in Kaffir Finance?

AT the end of last year, the Anglo American Corporation of South Africa held in its consolidated accounts investments entered in the books at £27 million, but worth £58½ million in the market, and £32½ million in cash; from associated companies and others it had borrowed over £48 million. Its dividend was left unchanged at 70 per cent but a 10 per cent free scrip issue is to be made and the dividend is likely to be maintained on the new capital. Similar free scrip issues will be made in the future. At the end of last year, General Mining (on whose board some of the leading members of Anglo American sit) had on its books quoted investments of nearly £10 million, with a market value of nearly £14½ million, and it held over £2¾ million in cash; it had borrowed £1 million as a short-term loan from Anglo American (with the right to call up another £1 million) and over £3½ million on deposit. Its dividend was reduced from 25 to 20 per cent.

These figures are not quoted merely to emphasise the difference between the "big brother" and the smaller finance house in South Africa, nor to draw attention to the comparative successes and failures of the two groups in the OFS and Klerksdorp areas. They form the background to the problems of mining finance in Southern Africa. The Oppenheimer nexus has money to lend. The General Mining directors say this:

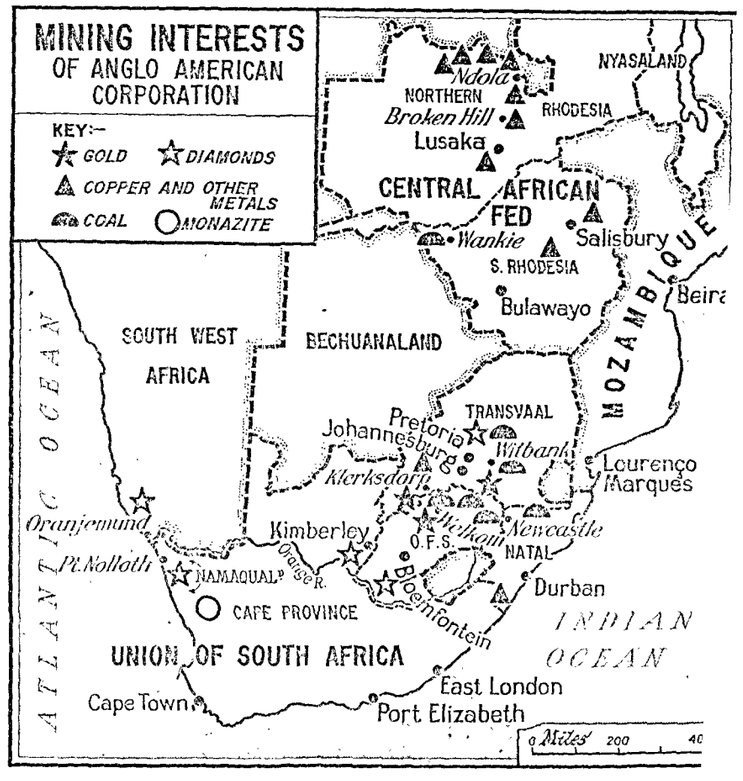
> A disturbing feature was the almost complete cessation of the traditional inflow of capital funds into the Union. . . . This trend must inevitably affect adversely development . . . of mining where no enterprise of any consequence can be initiated without the employment of risk capital on a substantial scale.

The continued depression of the Kaffir market has put the capital problems of the South African finance houses in a stark light. They made only a tiny profit from share dealings last year and they had to write off much bigger sums from their investments. One of their methods of financing new ventures is to sell some of the shares they hold in established mines to the public in London and Paris, those sales representing the inflow of capital into South Africa that has now dried up. Their portfolios are now crammed with shares and a long steady rise, rather than a short-lived boomlet, is needed to start the capital turning over again. The rise in working costs continues to press against a fixed gold price, reducing working profits. Yet last year the gross revenue from gold mines in the Union advanced from £177 million to £193 million and the profit from gold mining from £44¾ million to £48¾ million, while uranium profits rose from £17½ million to £24½ million. There are good dividends in prospect from the new producers. The yields on the shares of the new producing mines are high and the shares, as well as being a currency hedge, may attract a few investors as yield "sweeteners" in their portfolios.

Without an increase in the gold price—and the prospects of that look as remote as ever—the finance houses will have to generate their own capital for new gold developments. Development in the OFS and Klerksdorp areas is not complete and there is the Bethal area to be exploited fully. Where is the money to come from? Wherever one looks, the eye keeps coming back to the resources of the Oppenheimer trinity.

THE capital problem spreads beyond the borders of the Union to embrace all of Southern Africa. It spreads beyond gold and diamonds to other minerals: copper, lead, zinc, manganese, vanadium and the list will grow. Extensive prospecting is sure to produce some areas worth developing on a large scale and it is necessary for the vitality of the industry that they should be exploited. The exploitation of mineral deposits in Africa demands not merely heavy capital investment in mines but also in hydro-electric power, in transport, in housing and in social services. And in such developments, Anglo American, Rhodesian Anglo American or De Beers cannot help but be big partners. That does not mean that these corporations will seek absolute control of the new developments: indeed, from the recent examples of the South West Africa Company and Central Mining, it looks as if the destiny of Anglo American is to come in as a large minority holder in joint ventures.

To put money back into Africa, from whose soil the minerals have been torn, is in the tradition of Cecil Rhodes, but Rhodes always had behind him in the home country a big surplus available for investment. Without doubt, Sir Ernest Oppenheimer wishes to carry on in that tradition. It is to his credit that he has been able to do so on his own steam. That is the answer to the critics who deplored the diversion of diamond money into other enterprises. Where else could the money have been found? The great bulk of the capital generated from gold, diamond and copper profits will continue to go back into Southern Africa and back, moreover, into mining. Sentiment, politics and plain economic facts will always impel the Oppenheimer trinity to have the vast majority of its investments in Africa. But do not its directors now feel the need to devote some modest portion of its funds to developments in other promising areas?



Continued from page 818

American has moved much closer to RST than this group has moved to Anglo American. Up to now Anglo American has sold on the basis of the open market prices established on the London Metal Exchange. For the last two years RST has sold at fixed prices, and is now selling at £240 a ton; the open market price has held close to that level, partly by support buying by producers. In the past the two prices have diverged sharply from time to time.

Acceptance of the new policy would substantially reduce the volume of copper sold at prices established daily on the London exchange, but it would not diminish the turnover of the exchange. Nearly all the Rhodesian copper supplied to British consumers is sold direct by the producers. In the long run, however, it is hard to see how the new policy could be other than detrimental to the interests of the exchange.

NON-VOTING SHARES

A Compromise Proposal

THE Chartered Institute of Secretaries has come out strongly against non-voting shares. It recently accepted the view "that the issue of non-voting ordinary shares tended to contravene the commonly accepted doctrine that all equity shareholders should have a voice in the control of the company and that it contained inherent dangers for uninformed investors." This clearly defined opposition to a widespread practice, particularly among family controlled companies, where the issue of non-voting shares has been found a convenient mode for raising death duties without parting with voting control, was taken a stage further in a paper recently read to the Institute by S. L. Mears, who is secretary and joint general manager of the Sun Life Assurance Society.

Mr Mears thinks that legislation should be avoided if the dangers and difficulties of non-voting share issues can be avoided by other means. The most obvious of these, he pointed out, is to issue preference shares as a bonus instead of non-voting ordinaries. Mr Mears puts up the compromise idea that the court should be given power to enfranchise non-voting shareholders if satisfied on an application, supported by holders of at least 15 per cent of the equity, that such a course was in the interests of the company as a whole. He also suggests that holders of non-voting shares should receive for information a copy of every notice convening a meeting of ordinary shareholders and that they should be entitled to attend and speak, but not to vote. He argues that this would deter the submission of doubtful proposals.

SHORTER NOTES

Agreement in principle has been reached to merge the interests of Guardian Assurance and Caledonian Insurance. Guardian will issue seven of its 5s. ordinary units (now standing at 66s.) for every ten 5s. ordinary units of Caledonian (now standing at 34s. 9d.).

* * *

The Standard Bank of South Africa has announced a scheme to simplify its capital. Following the example set by each of the big clearing banks except the Midland, it is extinguishing uncalled liability of shareholders. The present capital consists of 4 million £1 shares fully paid and 5 million £2 shares, £1 paid. These are to be converted into £1 shares fully paid; and to compensate the holders of existing fully paid shares for the loss of preferential status in the event of liquidation, they are to be given a scrip issue of one for twenty-five. The board gives no indication of its intentions on dividends on the new capital. For the year to end-March, the dividend has been maintained at 12½ per cent.

* * *

The dividend of the mining finance house, Selection Trust, has been raised from 60 to 70 per cent and there is again to be a 5 per cent free scrip issue. Its investment income, thanks in part to the higher dividend of American Metal, in which it holds about a quarter of the equity, has risen from £2,920,024 to £4,534,811.

* * *

A series of highly successful conferences held by the Dollar Exports Council in seven British cities came to an end last week-end. They were attended by senior executives of British firms for the purpose of discussing present day sales and marketing research techniques in the United States with two leading American consultants in that field, Professor R. G. Seymour and Mr C. M. Johnson. The interest shown in this series has led the Council to think of arranging others on the same subject.

* * *

International Business Machines has opened at their new London office an electronic computing centre, which combines the dual functions of demonstrating the computors and ancillary equipment this British subsidiary of IBM is manufacturing at its factory at Greenock, and a fully equipped data processing centre available for use by other organisations. One IBM 650 digital computor has been installed and it will soon be joined by the larger 700 series computor.

* * *

In the year to March 31st, the gross income of the Commonwealth Development Finance Company rose from £103,463 to £124,859. Its investments remained practically unchanged at £8¾ million but during the year it made a token subscription to the Development Finance Corporation of Ceylon, and it arranged to lend £3 million on the Kariba hydro-electric scheme and £1 million to Fisons (Pty) Ltd of South Africa. CDFC is now also a channel through which the new Commonwealth countries can seek advice and assistance on industrial and other development problems. CDFC is faced with many complex tax problems on its investments in the Commonwealth, but it is unlikely to benefit from the tax reliefs granted to overseas trading corporations.

COMPANY AFFAIRS

BRITISH AND COMMONWEALTH SHIPPING

THE directors of British and Commonwealth Shipping, the child of the merger between Clan Lines and Union Castle, foreshadowed that its 1956 ordinary dividend would not be less than 16 per cent. In November they paid an interim of 6½ per cent (against their earlier forecast of 6 per cent) and that has now been followed by a final of 11 per cent, making 17½ per cent for the year to December 31st last. They have also announced a 5 per cent free scrip issue of 10s. ordinary stock units, requiring the capitalisation of £321,500 from the share capital account. That issue is so small that the market will automatically assume that there will be no corresponding scaling down in the 1957 dividend.

In an interim report, the directors said that the 1956 results would reflect an increase in earnings of tramp tonnage, thanks to higher freight rates, and that there had been some improvement in liner earnings. "Increase" and "improvement" turn out to be understatements. Before tax the group's profits have risen by nearly 54½ per cent, from £5,860,000 to £9,047,000, and this is after charging £3,020,000 (against £3,161,000) for depreciation. Tax has gone up from £2,887,000 to £4,556,000, but the net profit is £1,588,000 (or 55 per cent) higher at £4,474,000. Much of the 1956 net profit has been ploughed back into the business, with the net ordinary dividend absorbing only £647,000; that is inevitable with a big fleet replacement programme on hand. No one will expect the current year's results to match those of last year but the directors would hardly have announced a 17½ per cent dividend and a small free scrip issue unless they had hopes of maintaining the dividend.

ROYAL DUTCH-SHELL

THE Royal Dutch-Shell group was expected to make a good showing in the first quarter of this year. And it has done so. The directors make the reason clear:

> The enhanced income is attributable largely to higher earnings by Shell Oil Company in the United States and to a material increase in output in Venezuela, where production of crude oil available to the group averaged 962,000 barrels a day in the first quarter of 1957, compared with 753,000 barrels a day in the corresponding period last year.

Sales proceeds and other income in the first quarter of this year totalled nearly £644 million (higher than any quarterly figure recorded in 1955 or 1956) and net income was nearly £51¼ million (also a higher figure than any recorded in the two previous years). The ratio of net income to sales is thus just over 8 per cent, compared with 7.6 per cent for the first and for the last quarter of 1956. The Royal Dutch-Shell group needs such margins to finance its enormous capital programme (likely to be of the order of £400 million this year) but the two parent concerns have in the past shown some willingness to distribute a small part of the extra earnings to shareholders.

BICC

MR WILLIAM MCFADZEAN, the chairman of British Insulated Callender's Cables, comments on current prospects:

> In total our orders received are up to our figures for the corresponding period last year; the immediate trend of demand for some of our products is still uncertain; and competition remains exceptionally keen.

This cautious summing-up follows a year which saw an increase of £10 million in the sales of BICC to £129 million. Sales on the home market rose by £3 million to £79 million—but there was a decline of £2,530,308 to £9,322,544 in trading profits. About £560,000 of this decline follows from the exclusion from the 1956 figures of the profits of Indian Cable, the control of which BICC has reluctantly relinquished because of Indian tax laws. But the principal reason for the drop in profits was the inability of the group fully to recoup increases in costs in selling prices; "benefits from recent capital expenditure" served only as a partial off-set.

Another reason for the fall in profits was that in 1955, when prices were rising, the group made a stock profit on copper; in 1956 prices fell and a stock loss resulted. These profits and losses were not "substantial." The group tries to keep a "level book" in metals, matching purchases to sales, but it cannot always keep a precise balance. It is therefore a strong supporter of the Rhodesian Selection Trust policy of fixed prices, buying most of its copper from that group. The fall in copper prices has reduced the working capital commitments of BICC—stocks were nearly £2 million down at £27 million at the end of the year—and Mr McFadzean describes the current price as being "more realistic."

Though the immediate prospect is for little change, Mr McFadzean, observing the growth of the electrical industry all over the world, has every confidence in the long-term outlook. But the investment programme of the electrical supply industry sets up a capital problem for BICC. Between 1952 and 1956, the group spent about £7,300,000 on normal replacements and another £10 million on "major replanning and expansion schemes." Over the next three years another £9 million will be spent to complete this programme (the largest single item in it being in Canada). Earnings will eventually spring from that expenditure but some part, Mr McFadzean suggests, may be needed simply to maintain the current level of profits. For the time being, ordinary dividends may be held on a firm rein. Last year the dividend was maintained at 12½ per cent; the yield on the £1 units at 5cs. 6d. is about 5 per cent.

ASSOCIATED PORTLAND CEMENT

MR HALFORD REDDISH of Rugby Portland Cement was the first to let the cat out of the bag that cement prices will be raised at the end of June. Now, the new chairman of Associated Portland Cement, Mr J. A. E. Reiss, says that "the extra costs incurred, together with increases in wages and the expected rise in the price of coal this year, must inevitably lead to a rise in home prices for cement during the next few months." The increase, it is believed, will probably be not less than 2½ per cent. The opening of the Suez Canal may give the cement manufacturers, who charge for exports what the market can bear, the opportunity "to make up some of the leeway in shipments overseas." At home, Mr Reiss does not expect that the annual rate of increase in demand for cement that has been experienced since the war will be maintained but he does not expect "any significant reduction in demand compared with 1956."

Consolidated Earnings:	1955	1956
	£	£
Trading surplus	13,073,681	13,672,867
Depreciation	3,301,319	3,276,599
Replacement reserve	847,133	870,956
Taxation	4,564,363	5,738,307
Other reserves and c/f.	2,712,413	2,295,360
Ordinary dividends	1,035,000	1,035,000
Consol. balance sheet:		
Net fixed assets	42,812,651	44,604,211
Net current assets	19,728,322	20,056,429
Stocks	8,706,221	9,617,287
Cash & investments etc.	13,944,271	16,421,517
Revenue reserves	11,750,220	8,900,220
Capital reserves	27,230,224	19,947,769
Ordinary capital	8,000,000	20,000,000
£1 ordinary share at 44s. 3d. yields £4 1s. per cent.		

The cement industry earns good profits—the Associated Portland Cement group earned over £13½ million last year—and it is spending quite heavily on capital replacement and development. The "Blue Circle" group spent £4¾ million on capital account last year and will probably spend £4 million this year. Since the war it has spent over £36½ million, without appealing to the capital market. The consumer, faced with another increase in prices, may feel he is paying for that development. But his is not surely the biggest grouse. That must surely come from the ordinary shareholder in Associated Portland. Last year the ordinary dividend was left effectively unchanged; it cost just over £1 million. In all, the group ploughed back nearly £6½ million last year and the total of its investments and liquid assets rose by about £2½ million to nearly £16½ million. The company's dividend policy looks conservative in the extreme.

PHILIP HILL

PHILIP HILL INVESTMENT TRUST is more than an investment trust. It holds an investment portfolio, heavily geared towards equities, worth at market values about £12½ million on March 31st (against a net book cost of £6½ million). Its portfolio is growing; on March 31, 1956, the market value was £10¼ million, against a book cost of £6 million. But its real business through its subsidiary, Philip Hill, Higginson, is that of an active issuing and merchant banker. In the year to March 31, the investment trust had an income of £617,829 and received a gross dividend of £50,000 from its issuing house subsidiary. That subsidiary had an investment income of £101,532 and gained a profit from its other activities of £430,384 (against £296,872).

By its nature, the income of the subsidiary fluctuates sharply with the activity of the London capital market; and the subsidiary retains much of its net income within its own accounts. The directors of the parent investment trust therefore pursue a policy of covering the ordinary dividend paid to shareholders from the trust's own revenue. That dividend has just been raised from 15 to 16 per cent. This was a prelude to a "rights" issue of 3,500,000 new 5s. ordinary shares at 12s. 6d. each in the ratio of two for five. The directors intend to maintain the 16 per cent dividend on the increased capital and "have every hope that this can continue to be done out of the trust's investment income," even though the investment of the new money must inevitably be a "gradual process."

One key to success in an investment trust is gearing. Before the new issue, the Philip Hill trust had an ordinary capital of £2,125,000, ranking behind a preference capital of £1,312,000 (at 5 per cent) and a debenture capital of £2,500,000 (at 4½ per cent). That gearing has to be preserved and hence it is not surprising that the directors intend to follow the rights issue with a £2 million issue of a debenture "when conditions are considered propitious." In the meantime, the rights issue got off to a satisfactory start. The new shares were quoted at 3s. 6d. premium and the old shares ex-rights at 16s., against a price of 17s. 7½d. on the eve of the announcement of the issue.

CADBURY BROTHERS

COCOA prices fell again last year, but not so steeply as they did in 1955. Thus Cadbury Brothers had again to write down stocks but nothing like so drastically as in 1955. Mr L. J. Cadbury does not put a figure on this stock loss in his statement, and is to that extent less revealing than Rowntree and Company, which wrote down its stocks last year by some £2 million. But other figures in the accounts of Cadbury Brothers and the holding company of the group, British Cocoa and Chocolate, show how much easier the year 1956 was for the group than was 1955. The net profit of Cadbury Brothers was £3,659,015, compared with £952,112. At the end of last year stocks of British Cocoa and Chocolate were valued at £24.3 million, against £29.8 million, and the total of bank loans and acceptance credits had come down from just under £11 million to just under £3 million.

Mr L. J. Cadbury attributes the fall in the price of cocoa beans to "the extortionate level at which it stood two and a half years ago." Earlier he had said: "In the long run, of course, less expensive cocoa is good for us; while the lower prices are being reached, however, it is an expensive matter." He says that any attempt by the government of Ghana "to try a restrictive policy" would be "disastrous" and then argues that the "true solution" is "to stimulate world consumption."

The efforts of British Cocoa and Chocolate to increase consumption can be gauged to some extent by the growth of about 9 per cent in the volume of sales last year. In value the group's sales went up from £76.3 million to nearly £79.6 million, the increase of 6 per cent in home sales outweighing the fall of 2 per cent cent in exports.

London Stock Exchange

FIRST DEALINGS:	May 15	May 29	June 19
LAST DEALINGS:	May 28	June 18	July 2
ACCOUNT DAY:	June 4	June 25	July 9

BEFORE the week-end small sellers of gilt-edged continued to dictate the pace of the decline in prices and by last Friday the *Financial Times* index of Government securities registered a fresh low mark for the year of 83.43. Since Monday prices have improved steadily, but again without a proportionate rise in business done. New Dominion, corporation and industrial loans recovered; the new East Africa loan regained ⅞ to 2⅛ discount and the Birmingham stock ⅜ to 1⅞ discount. Industrial stocks receded farther from their recent peaks, but the downward movement was arrested on Wednesday at the beginning of the new three-week account. Due to Wednesday's sharp recovery, the decline in *The Economist* share price indicator was limited to a fall of 2.5 to 216.2. The Chancellor's remarks about the desirability of tax reductions assisted further recovery on Thursday.

Bank loans and discount houses suffered further setbacks and insurance shares weakened again, Equity and Law Life falling 10s. to 140s. Breweries improved. Tobacco stocks lost ground; BAT fell 3s. 9d. to 54s. 3d. and Imperial Tobacco sank lower. Folland Aircraft advanced 3s. 4½d. to 12s. 1½d. Vickers hardened as a consequence of the BOAC orders. John I. Thornycroft continued to fall after the interim dividend reduction, losing 3s. 7½d. to 30s. 7½d. xd. Unilever attained a new peak of 104s. 1½d. Paper, steel and shipping shares recovered on Wednesday after drifting earlier. The increase in British Petroleum's Persian Gulf prices and the Royal Dutch/Shell quarterly touched off a sharp rise in oil shares on Wednesday; BP recouped early losses and advanced to 163s. 1½d. and Shell was 4s. 10½d. higher on balance at 192s. 10½d. Ultramar lost 4s. 6d. to 73s. 9d. on disappointment with the distribution. Kaffirs were mainly quiet. Some rubber shares went ahead.

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 22, 1957	Price, May 29, 1957	Net Yield, May 29, 1957 § £ s. d.	Gross Yield, May 29, 1957 £ s. d.
99½	99½	Funding 2½% 1952-57	99/18/10	99/19/1	3 17 5	3 17 5
95⅝	95⅛	War Loan 3½% 1955-59	96⅛	96⅛	3 1 1	4 8 6
90⅜	90⅛	Funding 2½% 1956-61	92	92⅛	3 9 6	4 12 6
100⅜	100⅛	Exchequer 5% 1957	100 1/8	100 1/3	3 9 9	3 9 9
98⅛	98⅛	Conversion 4% 1957-58	99	99⅛	2 19 1	4 11 11
97⅜	97⅛	Serial Funding 2½% 1957	99	99⅛	3 6 7	4 7 8
94⅜	94⅛	Conversion 2½% 1958-59	96⅜	96⅜	3 9 8	4 11 4
91⅜	91⅛	Exchequer 2½% 1960	93⅜	93⅜	3 10 11	4 10 7
94⅛	94⅛	Exchequer 3% 1960	96⅜	96⅜	3 1 4	4 9 9
97⅛	97⅛	Conversion 4½% 1962	98⅛	98⅛	2 16 1	4 17 3
86⅜	86⅜	Savings Bonds 3% 1955-65	87⅛	87⅛	3 12 6	5 1 4
79⅛	79⅛	Funding 3% 1959-69	80⅛	79⅞	3 18 4	5 7 11
87⅛	87⅛	Funding 4% 1960-90	89½	88⅝	2 16 10	4 14 0
76⅜	76⅜	Savings Bonds 3% 1960-70	77⅝	77⅜	3 19 7	5 10 1
90⅛	90⅛	Exchequer 3% 1962-63	91⅛*	90⅜*	3 9 5	4 16 2
85⅛	85⅛	Exchequer 2½% 1963-64	87⅜	87	3 11 6	4 14 8
79⅛	79⅛	Savings Bonds 2½% '64-67	80½	80⅜	3 17 6	5 1 10
72⅛	72⅛	Savings Bonds 3% 1965-75	73⅛	72⅞	3 17 0	5 8 10
80⅜	80⅜	Funding 3% 1966-68	81⅛	81⅛	3 17 5	5 7 5
91⅛	91⅛	Victory 4% 1920-76	93⅝	93	3 3 9	5 0 9
84	84	Conversion 3½% 1969	85⅛	84⅜	3 14 4	5 8 3
75	75	Treasury 3½% 1977-80	76⅛*	75⅜*	3 11 9	5 7 3
75	75	Treasury 3½% 1979-81	76⅛	75⅝	3 11 8	5 8 3
65⅛	65⅛	Redemption 3% 1986-96	66⅛	66⅛	3 5 6	5 0 2
74	74	Funding 3½% 1999-2004	75⅜	74⅜	3 1 8	5 0 0
76⅛	76⅛	Consols 4% after Feb. '57	77⅛	77⅛	2 19 11	5 5 0
69	69	War Loan 3½% after 1952	70⅛*	70⅜*	2 17 4	4 19 9
68⅛	68⅛	Conv. 3½% after Apr. 1961	69⅜	69⅛	2 18 2	5 1 7
59	59	Treas. 3% after Apr. 1966	60⅛	60⅛	2 17 8	5 0 7
50⅛	50⅛	Consols 2½%	51⅛	51⅛	2 16 1	4 17 10
50⅛	50⅛	Treas. 2½% after Apr. '75	51⅛	51⅛	2 16 1	4 17 10
91⅛	91⅛	Br. Electric 4½% 1967-69	93⅛	93⅛	3 7 2	5 8 7
73⅛	73⅛	Br. Electric 3% 1968-73	74⅛	74⅛	3 19 3	5 10 4
71⅛	71⅛	Br. Electric 3% 1974-77	72⅛	72	3 15 5	5 7 3
86⅛	86⅛	Br. Electric 4½% 1974-79	87⅛	86⅜	3 6 6	5 6 10
75⅛	75⅛	Br. Electric 3½% 1976-79	76⅛	75⅛	3 11 10	5 7 5
85⅛	85⅛	Br. Gas 4% 1969-72	87⅛	86⅜	3 10 7	5 9 0
82	82	Br. Gas 3½% 1969-71	83⅛	82⅜	3 12 11	5 7 2
65⅛	65⅛	Br. Gas 3% 1990-95	66⅜	66⅛	3 6 11	5 0 2
73⅛	73⅛	Br. Transport 3% 1968-73	74⅛	74⅛	3 19 3	5 10 4
82⅛	82⅛	Br. Transport 4% 1972-77	83⅛*	82⅛*	3 9 3	5 7 4
65⅛	65⅛	Br. Transport 3% 1978-88	67⅛	66⅛*	3 9 10	5 3 2

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, May 22, 1957	Price, May 29, 1957	Yield, May 29, 1957 £ s. d.
81⅛	76⅛	Australia 3½% 1965-69	78⅛	77⅝	5 18 0
97⅛	92	Fed. Rhod. & Nyas. 5% 1975-80	93	92⅛	5 11 10
75⅛	70	S. Rhodesia 2½% 1965-70	71	70⅛	5 15 10
87⅛	81⅛	N. Zealand 4% 1976-78	83⅛*	82⅛	5 8 8
105⅛	101⅛	L.C.C. 5½% 1977-81	103	102	5 6 7
93⅛	89⅛	Agric. Mortgage 5% 1959-89	93	92⅛	5 10 0
69⅛	61⅛	Met. Water Board 'B' 3% 1934-2003	63	62	6 4 9
79⅛	72⅛	German 7% 1924 (Br. Enfaced 5%)	73⅛	74	...
169⅛	164	Japan 5% 1907 (Enfaced)	165	165	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, May 22, 1957	Price, May 29, 1957	Yield, May 29, 1957 £ s. d.
		% %	BANKS & DISCOUNT			
29/6	19/6	2 a 7 b	Bk. Ldn. & S. Amer. £1	29/3	29/3	6 3 1
41/3	43/-	5 a 7 b	Barclays Bank £1	44/-	43/-	6 11 8
35/3	29/3	4 b 4 a	Barclays D.C.O. £1	32/6	31/3*	6 2 5
40/-	34/6	7½a 7½b	Chartered Bank £1	37/-	36/6	8 4 5
51/3	46/-	... 7 b	Lloyds Bank £1	47/-	46/-	5 13 0g
73/3	66/6	9 a 9 b	Midland Bank £1	68/9	66/6	5 8 3
40/6	35/-	5 a 5 b	Nat. Discount 'B' £1	38/-	35/-	5 14 3
61/6	46/6	6½a 6½b	Union Discount £1	50/3	47/-	6 6 5
			INSURANCE			
90/-	79/-	30 a 43½b	Commercial Union 5/-	81/-	81/-	4 10 4
35½	26	12½a 87½b	Legal & General £1	28½	28*	3 11 6
22½	19¾	†20 a †50 b	Pearl £1	20¾	19¾	6 4 2
46	39½	†125 c †132½c	Prudential 'A' £1	40¼	41¼	5 12 0
			BREWERIES, ETC.			
23/6	106/-	10 a 33 b	Bass £1	123/-	123/-	6 19 11
25/4½	21/6	11½b 6 a	Distillers 6/8	25/-	24/-	4 17 3
44/3	37/-	10 a 15 b	Guinness 10/-	43/-	44/3	5 13 0
83/6	63/6	7 a 17 b	Whitbread 'A' £1	83/-	83/6	6 14 9
			OIL			
33/1½	130/-	†5 a †10 b	British Petroleum £1	160/-	163/1½	3 4 0
15/-	83/9	5 a 17½b	Burmah £1	112/6	113/9	3 19 3
21¼	£15⅜	7½a 17½b	Royal Dutch 20 fl.	£20⅜	£21⅛	2 4 9
12/10½	153/1½	†5 a †13½b	Shell £1	188/-	192/10½	3 7 8
18/9	59/4½	... ...	Ultramar 10/-	78/3	73/9	...

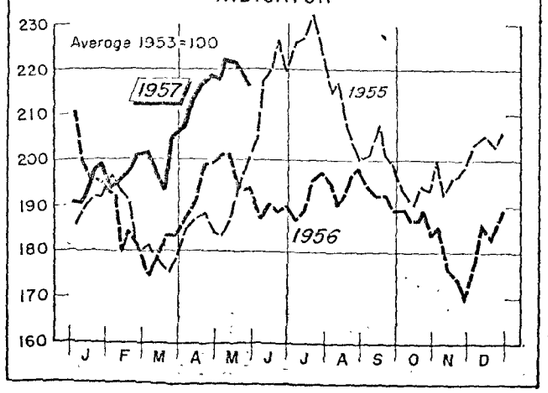
Prices, 1957 High	Prices, 1957 Low	ORDINARY STOCKS	Price, May 22, 1957	Price, May 29, 1957	Yield, May 29, 1957 £ s. d.
		STEEL & ENGINEERING			
83/-	71/9	Babcock & Wilcox £1	73/6	73/-	4 2 3
12/10½	11/-	Cammell Laird 5/-	11/4½	11/3	6 4 6
29/3	22/10½	Dorman Long £1	24/-	24/3	6 12 0
58/3	44/3	Guest Keen N'fold. £1	*56/10½	58/-	4 13 3
59/-	45/6	Metal Box £1	58/-	55/6	3 12 0
34/-	26/6	Stewarts & Lloyds £1	28/3	28/10½	6 1 3½
72/6	61/3	Swan Hunter £1	67/9	67/3	4 3 3
36/3	30/3	United Steel £1	32/6	32/3	7 15 0
46/-	39/9	Vickers £1	43/9	44/6	4 9 10
		ELECTRICAL			
72/3	61/3	Assoc. Elec. Inds. £1	67/-	65/9*	4 11 3
55/-	48/9	Br. Ins. Callenders £1	51/6*	50/9	4 18 8
32/6	27/3	Decca Record 4/-	28/9	28/6	6 2 10
33/3	24/-	Elect. & Mus. Inds. 10/-	32/-	32/-	4 13 10
60/6	48/-	English Electric £1	58/9‖	58/6	4 15 10
59/-	49/3	General Electric £1	57/9	56/3	4 19 7
		TEXTILES			
24/1½	19/7½	Bradford Dyers £1	21/3	21/-	9 10 6
24/1½	13/4½	British Celanese £1	23/4½	22/6*	...
29/-	23/-	Coats, J. & P. £1	27/4½	26/1½*	6 14 0
37/9	31/9	Courtaulds £1	36/3	35/3	5 13 6
38/7½	32/9	Lancashire Cotton £1	37/6	36/3	9 13 3
38/4½	30/10½	Patons & Baldwins £1	37/1½	35/-	7 2 10
		SHOPS & STORES			
18/6	13/9	Boots Pure Drug 5/-	17/6*	17/6	4 11 5
44/9	34/4½	Debenhams 10/-	43/-	43/-	6 8 0
51/10½	33/3	Gt. Universal 'A' 5/-	50/3	50/7½	6 3 6
29/-	21/1½	United Drapery 5/-	28/3*	28/3	5 15 0
47/9	38/3	Woolworth 5/-	46/-	46/-	4 7 0
		MOTORS & AIRCRAFT			
21/6	18/1½	Bristol Aeroplane 10/-	19/4½*	18/10½	5 6 0
8/7½	6/6½	British Motor 5/-	8/4½	8/2½	5 3 10
39/1½	30/3	Ford Motor £1	38/1½	36/9	4 1 8
41/6	32/-	Hawker Siddeley 5/-	39/10½	38/7½	5 3 8
52/3	41/9	Leyland Motors £1	51/9	52/3	4 15 9
120/9	108/4½	Rolls-Royce £1	126/9	119/6‖*	3 7 0
7/9	5/11½	Standard Motor 5/-	6/11½	6/7½	6 0 8
		SHIPPING			
46/1½	38/-	Brit. & Com'wealth 10/-	43/3	42/-	4 3 4
27/9	23/6	Cunard £1	25/6	25/6	8 12 7
38/-	33/-	P & O Defd. £1	34/9	33/9	4 14 10
		MISCELLANEOUS			
50/-	38/3	Assoc. Port. Cem. £1	46/3	45/3*	3 19 8
23/-	18/6	Beecham Group 5/-	22/10½	22/10½	6 11 3
47/9	41/-	Bowater Paper £1	45/6	44/9	5 11 10
72/-	63/9	Br. Aluminium £1	66/9	66/3	3 12 5
61/9	50/4½	Br. Amer. Tob. 10/-	58/-	54/3	6 8 3
22/9	17/4½	B.E.T. 'A' Defd. 5/-	21/3	21/3	5 5 10
38/3	31/6	Br. Oxygen £1	35/-	34/-	5 19 8
$71½	$57¾	Canadian Pacific $25	$70	$69½	4 15 0
20/9	15/6	Dunlop Rubber 10/-	*19/10½	20/-	5 0 0
46/6	38/10½	Imp. Chemical £1	45/-	44/6	4 9 10
50/6	38/6	Imp. Tobacco £1	40/-	39/3	10 14 0
$222	$191	Int'l. Nickel n.p.v.	$219*	$214¾*	3 2 8
36/9	30/9	J. Lucas (Inds.) £1	36/6	35/-	4 5 10
25/7½	16/6	Monsanto Chem. 5/-	24/6	24/-	3 15 0
18/3	15/10½	Ranks 10/-	18/-	18/-	5 11 3
55/6	48/-	A. E. Reed £1	50/-	49/9	6 8 8
15/9½	13/7½	Sears Hldgs. 'A' 5/-	15/1½	14/10½	7 11 2
70/3	60/4½	Tate & Lyle £1	66/9*	65/3	5 1 3
69/-	57/6	Tube Investments £1	66/9*	65/-	4 12 5
141/9	106/4½	Turner & Newall £1	137/6	134/6	4 1 10
104/1½	72/-	Unilever Ltd. £1	102/-	104/1½	3 7 3
44/-	37/4½	United Molasses 10/-	38/-*	38/9	6 7 3
		MINES, ETC.			
133/-	115/-	Anglo-American 10/-	117/6	117/6	5 19 0
29/-	24/6	Cons. Tea & Lands. £1	28/-	26/-*	16 14 5
106/3	92/6	De Beers Def. Reg. 5/-	95/7½	94/4½	10 12 0
26/3	19/9	... ...	Doornfontein 10/-	19/9	19/9	...
12/10½	10/-	London Tin 4/-	12/9	12/3	9 16 0
13⅛	11¼	Nchanga Cons. £1	11¾	11¾	12 1 0n
55/7½	45/-	President Brand 5/-	46/-	46/-	9 15 7
24/9	20/6	Rho. Selection Tst. 5/-	21/3	20/3*	...
59/6	46/-	United Sua Betong £1	55/6*	55/-	15 9 0
77/6	58/1½	Western Holdings 5/-	60/-	58/9	6 16 2

New York Closing Prices

	May 22 $	May 29 $		May 22 $	May 29 $		May 22 $	May 29 $
Can. Pacific	35⅜	35⅛	Am. Viscose	39	38⅜	Int'l. Nickel	111⅞	111
N.Y. Central	32⅜	32⅛	Beth. Steel	46⅛	46	National Dist.	27⅛	28
Pennsylvania	21	20⅜	Chrysler	75⅛	75⅜	Sears Roebuck	27	26⅛
Amer. Tel.	178⅞	179	Crown Zeller	52⅜	52⅜	Shell Oil	90⅛	91½
Standard Gas.	3⅛	3⅛	DuPontdeNm.	196*	196⅜	Std. Oil of N.J.	63⅛	64
Western Union	18⅜	18⅛	Ford Motors	56⅛	56⅜	U.S. Steel	65⅛	65⅛
Alumin'm Ltd.	45⅛	44⅞	Gen. Elect.	66⅛	66⅜	West'house E.	60⅜	61⅛
Am. Smelting	54⅛	55⅛	Gen. Motors	42⅜	42⅞	Woolworth	43⅜	43⅜

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10 years. § Less tax at 8s. 6d. in £. ‖ Ex Rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) On 13%. (h) On 8¾%. (j) On 18%. (l) To latest date. (n) After Rhodesian tax.

"THE ECONOMIST" ORDINARY SHARE INDICATOR



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
May 1	218·1	5·03				
" 8	221·9	4·98				
" 15	221·4	5·01				
" 22	218·7	5·09	221·9 (May 8)	190·5 (Jan. 2)	210·4 (Jan. 4)	170·0 (Nov. 28)
" 29	216·2	5·16				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½ Consols Yield %	Bargains Marked	1957 High	1956 High
May 22	203·6	5·35	92·85	4·85	12,718	206·3 (May 7)	203·6 (Jan. 3)
" 23	203·6	5·37	92·61	4·89	11,417		
" 24	202·9	5·39	92·07	4·95	11,169		
" 27	201·8	5·43	92·21	4·89	13,787	Low	Low
" 28	200·5	5·46	92·29	4·87	12,193	178·9 (Jan. 1)	161·5 (Nov. 29)
" 29	201·5	5·44	92·10	4·85	11,271		

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

STATISTICS

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

British		Overseas	
Prices and Wages	This week	Western Europe:	
Production and Consumption	May 11th	Production and Trade	May 2
Manpower	May 18th	British Commonwealth	May 1
External Trade	May 25th	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	May 1
Industrial Profits	April 20th	United States	This w

World Trade.....April 20th

Prices and Wages

	Unit	1954	1955	1956	1956			1957 (6)			
		mid-June			May 15	May 22	May 29	May 7	May 14	May 21	May 2
WORLD PRICES											
Commodity Price Indicator:											
All items	1952=100	99	93	91	93	92	90	95	94	93	9
Food	"	119·6	92·0	90·8	88·9	89·2	88·8	98·0	95·7	95·1	9
Fibres	"	88·7	83·2	81·5	84·9	84·7	83·3	97·1	98·3	97·3	9
Metals	"	81·5	95·7	95·6	99·0	98·1	92·5	85·8	83·3	83·6	8
Other items	"	93·5	106·9	96·1	101·1	99·4	95·2	98·8	99·2	98·1	9
		Monthly averages			1956			1957			
BRITISH WHOLESALE PRICES		1954	1955	1956	Feb.	Mar.	April	Jan.	Feb.	Mar.	Apr
Materials used in:	June 30, 1949=100										
Non-food manufacturing (excl. fuel)	"	143·5	152·4	156·2	154·9	155·6	154·9	160·8	159·6	159·1	16
Mechanical engineering	"	150·4	168·1	177·3	175·6	177·3	175·9	183·4	182·1	181·0	18
Electrical machinery	"	160·5	185·7	190·0	196·2	199·9	195·1	188·4	184·9	182·7	18
Building and civil engineering	"	131·4	137·3	142·4	141·2	141·9	141·4	146·6	146·5	146·6	14
House building	"	130·7	137·1	142·3	141·1	141·7	141·3	146·5	146·3	146·5	14
Products of:											
Non-food manufacturing (excl. fuel)	"	125·5	129·6	135·6	134·1	134·8	135·1	138·0	138·1	138·3	13
Food manufacturing	"	139·1	143·9	148·1	144·2	146·5	146·6	160·3	160·8	161·1	15
Commodities:											
Cotton, raw	"	155·0	149·7	154·0	142·7	148·3	150·6	159·2	157·8	156·5	15
Wool, raw	"	160·8	142·0	145·3	134·1	131·5	136·1	164·5	170·0	169·0	17
Rubber, No. 1 RSS, one month future	"	197·9	329·9	284·2	302·0	281·1	268·4	288·2	260·2	266·2	27
Softwood, imported	"	145·0	154·9	155·9	156·1	156·7	156·1	156·5	156·2	156·2	15
Copper, ex-warehouse	"	213·4	295·7	280·5	336·0	351·3	324·0	229·3	211·0	205·7	20
UK RETAIL PRICES	Jan. 17,										
All items(1)	1956=100	...	...	102·0	100·0	101·3	102·7	104·4	104·3	104·1	10
Food	"	...	...	102·2	99·6	102·9	106·0	104·0	103·5	102·1	10
All items	1938=100	232	242	254	249	252	256	260	260	259	
Food	"	239	257	269	262	271	279	274	272	269	
Rent and rates	"	134	138	145	142	142	145	148	148	149	
Clothing	"	255	256	263	262	262	262	264	265	266	
Fuel and light	"	216	228	251	248	248	248	263	264	264	
Household durable goods	"	284	288	308	305	306	308	310	311	311	
Drink	"	257	260	264	261	261	261	268	268	270	
Tobacco	"	387	389	411	397	397	397	418	418	418	
Purchasing power of £ (based on all consumer spending)	1938=100	41	39	38	39	38	38	37	37	37	
UK TERMS OF TRADE											
Import prices:											
All items	1954=100	100	103	105	105	106	106	110	111	110	
Food, drink and tobacco	"	100	101	101	100	99	101	104	105	102	
Basic materials	"	100	104	106	105	106	106	112	111	113	
Export prices:											
All items	"	100	102	106	105	105	104	109	110	110	
All manufactures	"	100	102	106	105	105	104	107	108	108	
Metals	"	100	104	112	110	111	111	114	114	115	
Engineering products	"	100	103	107	104	105	104	109	110	110	
Textiles (excluding clothing)	"	100	100	99	105	100	98	100	100	100	
Terms of trade:											
Ratio of import to export prices	"	100	101	99	100	101	102	101	101	100	
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	88·1	127·7	157·0	140·2	147·2	151·6	173·7	167·6	145·5	15
UK WAGES											
Weekly wage rates:											
All workers(4)	Jan. 31, 1956=100	...	...	104·7	101·1	103·7	105·0	106·4	106·8	107·1	10
Men	"	...	...	104·7	101·1	103·8	105·2	106·4	106·7	107·0	10
Women	"	...	...	104·2	100·8	103·1	103·9	106·3	106·8	107·1	
All workers	Sept., 1939=100	256	252	272	263	270	273	277	278	278	
Weekly earnings: (4)											
All workers	s. d.	171 9	187 2	200 8	...	...	197 9	...	...	...	
Men	"	204 5	222 11	237 11	...	...	235 4	...	...	...	
Women	"	108 2	115 5	123 2	...	...	119 9	...	...	...	
All workers	Oct., 1938=100	323	351	377	...	...	371	...	...	...	
Men	"	296	323	345	...	...	341	...	...	...	
Women	"	333	355	379	...	...	368	...	...	...	

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·562. (4) Surveys made twice a year; annual figures relate to October survey. (5) Revised figures for April 30th: food 97·6 and fibres 96·0.

US Statistics

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

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1956 prices
	1947-49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	46·69
1955	110·7	89·6	114·5	110·9	103·7	120·0	119	102	117	304·6	76·52	77·69
1956	114·3	88·4	116·2	111·7	105·5	121·7	123	107	115	345·0	80·19	80·19
1956, December	116·3	88·9	118·0	112·9	107·0	123·5	123	109	113	344·0	84·05	82·81
1957, January	116·9	89·3	118·2	112·8	106·4	123·8	124	111	112	338·2	82·41	81·03
" February	117·0	88·8	118·7	113·6	106·1	124·5	125	111	113	325·1	82·41	80·64
" March	116·9	88·8	118·9	113·2	106·8	124·9	...	...	...	328·5	82·21	80·36
" April	117·2	90·6	...	...	...	...	...	...	...	338·6	81·80	...

PRODUCTION AND MANPOWER

	Gross national product	Total industrial production	Manufacturing production						Building	Civilian employment [1]		
			Durable goods			Non-durable goods						
	Seasonally adjusted annual rate		Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals and petroleum products	New construction; seasonally adjusted annual rates	Total labour force	Total employment	Unemployed as % of labour force
	$ billion	Index 1947-49=100: seasonally adjusted							$ billion	thousands		% rate
1939	91·1	58	49	54	47	66	80	49	8·2	55,230	45,750	17·2
1955	390·9	139	155	140	203	126	109	159	43·0	65,847	63,193	4·0
1956	412·4	143	159	138	199	129	108	167	44·3	67,530	64,979	3·8
1956, December	423·8	147	167	146	223	130	106	170	44·7	67,029	64,550	3·7
1957, January	427·1	146	164	144	221	131	104	174	44·9	65,821	62,578	4·9
" February		146	164	143	224	131	105	172	44·5	66,311	63,190	4·7
" March		146	162	137	222	131	108	172	43·8	66,746	63,865	4·3
" April	...	145	161	134	219	132	107	173	44·7	66,951	64,261	4·0

TRADE

	Personal consumption Annual rates	All business [2]		Total retail [2]		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res.	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1948=100	
1939	67·6	10·8	20·1	3·5	5·5	190	62	41	260	139	76	53
1955	254·0	51·7	62·2	15·5	23·9	945	237	231	1,285	782	134	120
1956	265·7	54·0	68·5	16·0	23·9	1,041	256	250	1,570	911	143	141
1956, November	270·9	55·6	68·0	16·4	23·5	1,001	236	260	1,508	828	137	135
" December		55·8	68·5	16·5	23·9	1,044	253	268	1,979	1,022	143	176
1957, January		56·6	68·6	16·4	24·0	1,111	260	264	1,662	873	151	145
" February	275·0	56·2	68·9	16·4	23·9	1,002	228	231	1,591	828	135	138
" March		55·8	69·0	16·3	23·7	...	...	...	2,126	1,177	...	...
" April	...	...	...	16·3	...	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics [3]		Budget expenditure [4]		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion; end of period		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·60	23·4	17·2	9·0	— 3·9	0·023	...	3·01
1955	306·1	217·4	11·7	38·65	29·02	78·3	82·6	64·6	— 4·2	1·753	2·80	3·06
1956	325·2	232·4	11·6	41·86	31·55	74·8	90·3	66·5	+ 1·6	2·658	3·06	3·36
1956, November	333·5	238·4	12·0	40·63	31·02	74·5	89·5	5·7	— 0·9	3·000	3·30	3·69
" December	334·0	240·3	11·6	41·86	31·55	74·8	90·3	5·7	— 0·3	3·230	3·43	3·75
1957, January	335·0	240·2	11·7	40·92	31·30	73·9	88·9	6·1	— 1·3	3·210	3·33	3·77
" February	336·6	241·2	11·7	40·51	31·23	73·2	89·3	5·7	+ 0·4	3·165	3·20	3·67
" March	338·1	242·0	11·7	40·60	31·27	72·2	90·6	5·6	+ 5·2	3·140	3·25	3·66
" April	339·3	242·6	11·6	...	...	...	...	...	...	3·113	3·30	3·67

(1) 1939 figures calculated on the basis of a smaller sample. From January, 1957, as a result of a change in definition some 200,000 to 300,000 persons temporarily laid off or waiting to start new jobs formerly classed as employed are subsequently classed as unemployed. (2) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (3) All commercial banks. (4) Annual figures are totals for the fiscal year ended June 30th. (5) Figure for fourth quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended May 25, 1957, there was an "above-line" deficit (after allowing for Sinking Funds) of £1,909,000 compared with a deficit of £21,650,000 in the previous week and a deficit of £3,869,000 in the corresponding period of last year. There was a net receipt "below-line" last week of £30,906,000, leaving a total deficit from April 1st, of £10,470,000 (£44,279,000 in 1956–57).

£'000	Estimate, 1957-58	April 1, 1956 to May 26, 1956	April 1, 1957 to May 25, 1957	Week ended May 26, 1956	Week ended May 25, 1957
Ord. Revenue					
Income Tax	2176,250	160,247	192,130	17,091	23,316
Surtax	149,000	17,300	18,000	1,200	2,000
Death Duties	170,000	27,900	24,500	3,300	4,000
Stamps	60,000	9,100	9,000	900	1,000
Profits Tax, EPT & EPL	255,000	23,400	22,000	2,000	3,500
Other Inland Rev. Duties	500	60	50	...	...
Total Inland Rev.	2810,750	238,007	265,680	24,491	33,816
Customs	1204,250	181,356	185,711	18,994	24,149
Excise	912,850	154,270	157,065	17,125	15,120
Total Customs and Excise	2117,100	335,635	342,776	36,119	39,269
Motor Duties	93,000	8,908	9,933	...	...
PO (Net Receipts)	20,000	10,300	14,100	3,550	4,800
Broadcast Licences	31,000	1,700	1,800	...	...
Sundry Loans	32,000	2,235	2,195	...	...
Miscellaneous	185,000	8,461	48,739	298	447
Total	**5288,850**	**605,246**	**682,223**	**64,458**	**78,332**
Ord. Expenditure					
Debt Interest	640,000	105,785	105,547	5,860	4,210
Payments to N. Ireland Exchequer	69,000	8,689	9,880	2,357	2,671
Other Cons. Fund	10,000	695	978	...	170
Supply Services	4069,877	520,431	574,997	59,880	72,980
Total	**4788,877**	**635,600**	**691,402**	**68,097**	**80,031**
Sinking Funds	38,000	3,870	3,758	230	210
"Above-line" Surplus or Deficit		**34,224**	**12,938**	**3,869**	**1,909**
			Cr.		Cr.
"Below-line" Net Expenditure		10,055	2,468	1,996	30,906
Total Surplus or Deficit		**44,279**	**10,470**	**5,865**	**28,997**
Net Receipts from:					
Tax Reserve Certificates		33,416	35,630	2,588	3,566
Savings Certificates		−8,300	6,100	−1800	−400
Defence Bonds		−24,917	−4,242	−2271	96
Premium Savings Bonds		..	4,700	..	600

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
May 26	3,220·0	1,446·4	277·4	...	4,943·8
1957					
Feb. 23	2,900·0	1,298·1	193·8	...	4,391·8
Mar. 2	2,890·0	1,304·7	209·7	...	4,404·5
„ 9	2,890·0	1,261·5	229·6	0·8	4,381·9
„ 16	2,900·0	1,249·9	247·3	...	4,397·2
„ 23	2,910·0	1,284·4	272·1	1·5	4,468·1
„ 31	4,195·3		276·9	...	4,472·2
April 6	2,860·0	1,306·4	289·3	...	4,455·7
„ 13	2,840·0	1,362·5	295·6	...	4,498·1
„ 20	2,830·0	1,390·5	273·5	...	4,494·1
„ 27	2,830·0	1,377·7	313·6	...	4,521·2
May 4	2,840·0	1,417·3	259·7	...	4,517·0
„ 11	2,850·0	1,291·2	264·1	...	4,405·3
„ 18	2,860·0	1,271·6	309·6	...	4,441·2
„ 25	2,880·0	1,260·0	270·7	...	4,410·7

THE MONEY MARKET

THE Treasury bill rate rose at last week's tender. The discount houses reduced their common bid by 5d. per cent to £99 0s. 5d. per cent—equivalent to a rise in their discount rate to nearly 3 1/8 per cent above the low point of 3 1/4 per cent reached early in May when the Bank rate speculation was at its height. Since then the rate has moved back under the pressure of the market's constricted margins—the average cost of its money has been around 3 1/4 per cent.

Last week's move by the market appears to have been broadly followed by outside tenderers; the average rate of discount on all bills rose by 1s. 7 1/4d. per cent to £3 18s. 2.85d. per cent. Total applications rose by only £10 million (to £378.9 million), whilst the allotment was up by £30 million, to £220 million, so that the successful portion of the market's application rose from 33 to 37 per cent. At yesterday's tender the offer was raised by a further £10 million, to £230 million.

Credit has remained tight except around the week-end. On Thursday last the Bank gave a large amount of special help, mainly through the banks, which passed on loans to the market at 3 7/8 per cent—then actually above the market's Treasury bill rate. Further special help was given on Monday, but only on a small scale, two or three houses finding themselves "in" the Bank for a very small amount. The Bank continued to give special support on Tuesday and on Wednesday (when it was again large).

LONDON MONEY RATES

	%		%
Bank rate (from 5½% 7/2/57)	5	**Discount rate**	
Deposit rates (max.)		Bank bills: 60 days	4 1/16–4 1/8
Bank	3	3 months	4 1/16–4 1/8
Discount houses	3*	4 months	4 1/16–4 1/8
		6 months	4 1/16–4 3/16
Money Day-to-day	3½–3¾	Fine trade bills:	
Short periods	3¾	3 months	5⅛–6
Treas. bills 2 months	3⅝	4 months	5⅛–6
3 months	3⅝	6 months	5⅛–6⅛

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	May 30 1956	May 22, 1957	May 29, 1957
Issue Department:*			
Notes in circulation	1,871·3	1,947·8	1,953·7
Notes in banking dept.	29·1	27·5	21·7
Govt. debt and securities*	1,896·5	1,971·2	1,971·2
Other securities	0·7	0·8	0·4
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	11·4	10·7	10·1
Bankers	231·6	206·4	204·4
Others	77·0	73·8	75·3
Total	320·0	290·9	289·8
Securities:			
Government	278·0	217·5	224·1
Discounts and advances	15·3	42·3	40·5
Other	16·7	19·0	19·1
Total	310·0	278·8	283·7
Banking department reserve	31·1	30·0	24·1
"Proportion"	9·6	10·3	8·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £1,975 million from £1,925 million on April 10, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1956				s. d.	%
May 25	240·0	373·2	240·0	99 1·15	52
1957					
Feb. 22	200·0	407·3	200·0	82 11·49	30
Mar. 1	220·0	408·2	220·0	80 0·78	50
„ 8	230·0	442·7	230·0	80 5·20	12
„ 15	230·0	375·2	230·0	82 3·70	34
„ 22	250·0	395·2	250·0	82 6·73	44
„ 29	250·0	391·6	250·0	81 11·79	50
April 5	250·0	410·6	240·0	82 11·49	32
„ 12	230·0	415·7	230·0	80 9·36	54
„ 18	240·0	411·5	240·0	78 9·15	55
„ 26	200·0	359·3	200·0	78 3·43	22
May 3	200·0	366·3	200·0	74 9·00	50
„ 10	200·0	360·9	200·0	76 1·84	28
„ 17	190·0	368·8	190·0	76 7·13	33
„ 24	220·0	378·9	220·0	78 2·85	37

* On May 24th tenders for 91 day bills at £99 0s. 5d. secured 37 per cent, higher tenders being allotted in full. The offering this week was for £230 million at 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: May 29	Market Rates: Spot: May 23	May 24	May 25	May 27	May 28	May 29
United States $	2·78-2·82	2·79½–2·79¾	2·78½–2·79⅛	2·79–2·79⅛	2·79½–2·79¾	2·79½–2·79¾	2·79½–2·79¾
Canadian $	–	2·66⅛–2·66½	2·66⅛–2·66⅜	2·66⅛–2·66⅜	2·66¼–2·66½	2·66–2·66¼	2·66⅛–2·66⅜
French Fr.	972·65–987·35	985¼–985¾	985¼–985¾	985¼–985¾	984½–985¼	984½–985	984½–985
Swiss Fr.	12·15⅛–12·33⅜	12·24½–12·24⅝	12·23⅝–12·23⅞	12·23½–12·23⅝	12·23⅝–12·23⅞	12·23⅝–12·23⅞	12·24–12·24½
Belgian Fr.	138·95–141·05	140·65–140·70	140·67½–140·72½	140·70–140·75	140·70–140·75	140·70–140·75	140·70–140·75
Dutch Gld.	10·56–10·72	10·65½–10·65⅝	10·65⅛–10·65⅜	10·65⅛–10·65⅜	10·65½–10·65⅝	10·65–10·65⅛	10·65½–10·65⅝
W. Ger. D-Mk.	11·67⅛–11·84½	11·73½–11·73⅝	11·73½–11·73⅝	11·73½–11·73⅝	11·73½–11·73⅝	11·73–11·73⅛	11·73½–11·73⅝
Portuguese Esc.	79·90–81·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15
Italian Lire	1736½–1762½	1753½–1754	1751½–1752	1752½–1753	1751½–1752	1752 1752½	1753–1753½
Swedish Kr.	14·37½–14·59½	14·45⅜–14·45½	14·45⅜–14·45½	14·45⅜–14·45½	14·45–14·45½	14·44½–14·45½	14·44½–14·45½
Danish Kr.	19·19½–19·48½	19·43½–19·44	19·43½–19·44	19·43½–19·44	19·43½19·43⅝	19·43½ 19·43⅝	19·42⅝–19·43⅛
Norwegian Kr.	19·85–20·15	19·98½–19·98¾	19·98½–19·98¾	19·98½–19·98¾	19·98¼–19·98⅜	19·98⅛–19·98⅜	19·98½–19·98¾
One Month Forward Rates							
United States $		½–⅜c. pm	½–⅜c. pm	½–⅜c. pm	½–⅜c. pm	½–⅜c. pm	½–⅜c. pm
Canadian $		⅛c. pm–par	⅛c. pm–par	⅛c. pm–par	⅛c. pm–par	⅛c. pm–par	⅛c.pm–⅛c.dis
French Fr.		15–20 dis	13–18 dis	13–18 dis	12–15 dis	5–10 dis	10–15 dis
Swiss Fr.		1½–1¼c. pm	1½–1¼c. pm	1½–1¼c. pm	1½–1¼c. pm	1–1¼c. pm	2–1¼c. pm
Belgian Fr.		¼–¼ pm	¼–¼ pm	¼–¼ pm	¼–¼ pm	¼–¼ pm	¼–¼ pm
Dutch Gld.		1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm
W. Ger. D-Mk.		1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1¼pf. pm
Italian Lire		1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	par–2 dis	par–2 dis	par–2 dis
Swedish Kr.		1½–⅛ pm	1½–⅛ pm	1½–⅛ pm	1½–⅛ pm	1½–⅛ pm	1½–⅛ pm
Danish Kr.		3–1⅛ pm	3–1⅛ pm	3–1⅛ pm	3–1⅛ pm	3–1⅛ pm	3–1⅛ pm
Norwegian Kr.		1⅛ pm–par	1⅛ pm–par	1⅛ pm–par	1⅛ pm–par	1⅛ pm–par	1⅛ pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/4½	250/4½	...	250/5	250/4	250/4½



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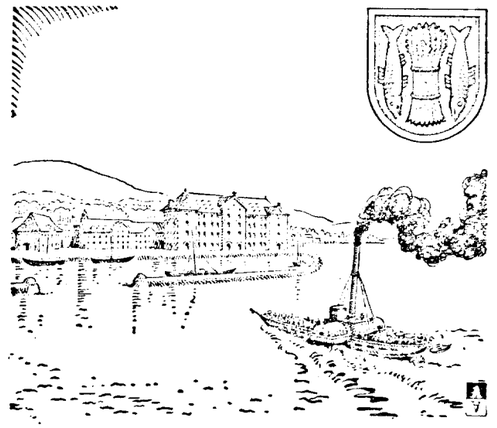
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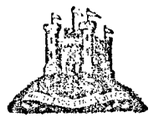
that since then, Rorschach has developed into a centre of the lace, embroidery and machine industries. Needless to say, the Rorschach Branch of the Union Bank of Switzerland plays an important part in the financial life of Rorschach. Its services are, of course, also entirely at your disposal.

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Reserves	Swiss Francs	90,000,000
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Deposits (31.12.56) Rs.1,38,72,15,028(£104,041,127)

Note: The Sterling equivalents of the Rupee figures shown above have been converted at the rate of 1/6d. per Rupee.

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BANKING BUSINESS OF EVERY DESCRIPTION TRANSACTED

COMPANY MEETINGS

SEARS HOLDINGS LIMITED

EXPANSION OF GROUP'S ACTIVITIES

MR CHARLES CLORE ON DIVERSE RANGE OF OPERATIONS

The forty-sixth annual general meeting of Sears Holdings Limited was held on May 30th in London, Mr Charles Clore (the Chairman) presiding. The following are extracts from the Chairman's statement which had been circulated with the report and accounts:

ADDITIONS TO THE GROUP

The main additions to the Group in 1956 have been:

Parmeko Limited.—The issued share capital was acquired for cash at the end of March, 1956. The company is well known as specialists in the manufacture of the smaller kinds of electrical transformer, electrical and electronic equipment.

The Scottish Motor Traction Company Limited.—About two-thirds of the issued share capital of "SMT" has been acquired. The two principal businesses owned are The SMT Sales and Service Company Limited (motor vehicle distributors and service depots) and Alexander Findlay & Company Limited (structural steel).

Manfield & Sons Limited.—The whole of the capital of this well-known manufacturer and retailer of footwear was acquired in August last.

Dolcis Limited.—The whole of the Ordinary share capital was acquired in September last.

TRADING RESULTS FOR 1956

A summarised analysis of the trading profits, with the 1955 figures set alongside, is:

	1956 £	1955 £
FOOTWEAR:		
Freeman Hardy & Willis Group	1,782,000	1,501,000
Interests acquired in 1956	1,027,000	—
ENGINEERING AND OTHER INTERESTS:		
Bentley Group	1,842,000	1,952,000
Furness Group	663,000	844,000
Interests acquired in 1956	836,000	—
	£6,150,000	£4,297,000

Generally, comparing 1956 results with the Group as it existed at the end of 1955 our footwear profits are up by £281,000, whereas our engineering, shipbuilding and other profits are down by £291,000. The fall has been due to various factors, principally the credit squeeze, absorption of increased costs and, in the case of shipbuilding, the working out of old contracts. That under these conditions the net balance is a reduction of only £10,000 is an illustration of the benefits of diversification.

The appropriations, including the proposed Ordinary dividends of 22½ per cent, result in about £1 million, plus the pre-acquisition profits (less taxation thereon and dividends paid by these companies prior to acquisition) being retained in the business.

DIVIDENDS

Your Directors have given careful consideration to the amount of the dividend. After making appropriate adjustments in respect of pre-acquisition profits and that part of the "A" Ordinary capital which does not rank for 1956 dividend, we calculate that the 1956 rate of earnings cover twice the proposed dividend on the total issued capital. Your Board came to the conclusion that, under present circumstances, this is a reasonable balance to maintain between Ordinary dividend and retained profits, bearing in mind that it is intended to develop and expand the various businesses under the control of your Company.

THE FOOTWEAR GROUP

So far as I am aware no retail footwear business in the United Kingdom has achieved an improvement in results during the past year, comparable with us. That this was possible during a year when summer weather conditions were far from favourable and when costs continued to rise is, I feel, a vindication of our policy.

As I have already mentioned, during 1956 we acquired both Manfield and Sons Limited and Dolcis Limited. Thus the Sears footwear group now comprises six major factories, a number of smaller factories and nearly 1,500 retail shops, with corresponding warehouses and distribution facilities. As a first step in the rationalisation of these large footwear interests, a new, wholly owned subsidiary company, the British Shoe Corporation, Limited, has been formed. We are transferring to this Company, with effect from January 1, 1957, the whole of our holdings in the footwear companies, but it is our intention to preserve the identities of the various businesses which comprise the British Shoe Corporation. Despite the difficulties of the general industrial situation and increased competition in the trade, I am confident that our footwear group will progress in 1957 and that, in the absence of a more severe decline in public purchasing power than we need at present anticipate, our results will compare favourably with those for 1956.

THE BENTLEY ENGINEERING GROUP

In my statement of a year ago I explained that there are sections of this group which are vulnerable to the credit squeeze and that this might affect the results for 1956. In fact, despite the continued restriction of credit and the setback encountered in certain sections of the hosiery industry, our sales have been well maintained; but rising costs and keen competition from overseas have brought about a fall in profit margins. The combined effect of these factors has been a small decline in the total profits.

Over half the total sales by the Bentley Group are to customers overseas, where we have to meet severe competition. The quality and performance of Bentley Group machines will remain superior to those of our competitors, but our prices are already high and rising costs could affect us.

THE FURNESS GROUP

During 1956, Furness Shipbuilding Company Limited launched five vessels having a total gross tonnage of 87,377; this compares with six vessels with a gross tonnage of 91,196 launched in 1955. Once again it appears that in 1956 our output in terms of gross tonnage of vessels launched was the highest for any individual yard in Great Britain and this was achieved despite a reduction of approximately 6,000 tons of steel delivered during the year. The yard was, in fact, as fully occupied throughout the year as supplies of steel and labour would permit. The profits of the Group were, however, lower, due mainly to the fact that the Company has been working on contracts booked some years ago when, in order to ensure full employment at the yard, we gave advantageous terms to our customers.

The Furness Shipbuilding Company has accepted a number of additional orders during 1956 and is now fully booked for five or six years ahead.

At present, the maximum size of tanker which the Company is equipped to build is between 40,000 tons and 50,000 tons, according to the owners' dimension requirements. Your directors are studying plans for extending the Furness yard to enable one or more very large tankers to be constructed there at any one time. The cost of these extensions would be great and the expenditure can be justified only if we are assured of adequate supplies of steel for the vessels to be built therein and if owners are prepared to accept contract terms which will provide a fair return on the capital investment which we should be making.

The 1956 profits of the Furness Group should prove a low point for many years to come. This is no reckless prophecy because our programme of work for some years ahead is already laid down.

PARMEKO

During 1956 Parmeko suffered from the effects of the credit squeeze and from restrictions on hire purchase, which caused a setback to the sales of many kinds of electrical apparatus and appliances which incorporate Parmeko transformers. A second disappointment in 1956 arose from the fact that the

company has recently developed a transformer for the ignition unit in oil-fired boilers. Many enquiries and considerable orders were being received for this equipment when the Suez crisis and the subsequent shortage of oil supplies caused a falling away in the number of conversions from solid fuel to oil.

Despite these disappointments, Parmeko has been very fully occupied and has earned satisfactory profits.

SCOTTISH MOTOR TRACTION

The principal subsidiary (The SMT Sales and Service Company Limited) comprises about fifteen main depots sited in most of the principal towns in Scotland and North-West England. In these areas SMT Sales and Service are the principal distributors of Vauxhall and Bedford vehicles and hold agencies for a number of other makers. In February, 1957, an offer was made to the Ordinary shareholders of Shaw and Kilburn Limited, one of the most important Vauxhall and Bedford distributors in the South. This offer has been accepted by over 90 per cent of the Shaw and Kilburn shareholders. In order to ensure the close co-operation of SMT Sales and Service with Shaw and Kilburn, arrangements are being made for the ownership of the Shaw and Kilburn shares to pass (at a price equivalent to their cost to Sears) to The Scottish Motor Traction Company Limited.

Various proposals for the extension of our car and commercial vehicle distribution business are being examined, and as suitable opportunities arise it is intended to develop still further this branch of the activities of Sears Holdings Limited.

ALEXANDER FINDLAY

Whilst Findlays have successfully undertaken the design, manufacture and erection of all types of steelwork since the end of the last war they have become especially well known for their work in connection with power stations and large specialised, industrial buildings. They are very closely associated with atomic developments, and have been responsible for the steelwork at the Windscale and Capenhurst atomic factories and at the atomic power station at Calder. They are presently engaged on the steelwork at the atomic stations at Chapelcross and at Dounreay. Findlays are participants in The Nuclear Power Plant Company Limited, the group which has been awarded the contract for the new atomic power station at Bradwell in Essex.

We consider Findlays to be worthy members of the Sears Group. They have very able management and this, together with the big demand that exists for their services, should ensure that they remain valuable contributors to our net profits.

CONCLUSION

The diversity of our businesses undoubtedly offers a protection against the vicissitudes of individual trades, but our main objective has been to build up a group of industrial undertakings which are sound in themselves, which will benefit from energetic management and which are capable of expansion. We think we have achieved this so far, but the improvements and the expansions are still in their early stages; much is being done and will continue to be done.

We shall not hesitate to add to our family as and when suitable opportunities are found, provided we are satisfied that by so doing we are keeping to the policy outlined above. In this connection several of your directors have visited the United States of America in recent months. I believe that Sears could benefit from some association with that great country, both directly by investment in the vast developments in North America and indirectly by exchange of ideas through co-operation between managements. We are, therefore, considering various possibilities in these directions.

Lastly, I ask you to join the Board in conveying a message of thanks to all our employees. The Sears Group employs nearly 30,000 men and women, and we are grateful to all of them for their loyalty, efforts and enthusiasm during the past year.

The report and accounts were adopted and the other formal business duly transacted.

DARWINS LIMITED

COMPANY'S CONTINUED PROGRESS

VALUE OF DIVERSIFICATION

The twenty-eighth annual meeting of Darwins Limited was held on May 23rd in Sheffield, Mr F. Thompson-Schwab (the Chairman) presiding.

The following is an extract from his circulated review:

I trust you will agree that the Company's progress has again been satisfactory, particularly when it is borne in mind that, in respect of the year 1956, special consideration must be given to the troubled conditions in the Middle East, which had so unsettling an effect on business during the last quarter of the year.

In spite of these, and of other handicaps, the trading profits were £565,000 compared with £542,000 for 1955. These results have been achieved because we have been in a position to keep the majority of the Departments in our Group engaged on a programme of full production. We are fortunate in that our products are so diversified that a temporary recession in business from any one source does not affect us to the extent that it would if we had our eggs in one basket. Improvements and additions to your Company's Capital Equipment which have been made in recent years are progressively coming into operation and are now gradually adding their quota to the earning capacity of the Group.

WELL EQUIPPED ORGANISATION

The Chairman continued:

Your Company is well equipped, both in plant and personnel. It also boasts a customer service of which it has every reason to be proud. With these important assets the future can be faced without misgiving.

Profit and Loss Account.—After all charges, the balance remaining is £461,587, from which must be deducted taxation provisions of £238,350. Including the balance of £92,816 brought forward, the amount for disposal is £283,738. It is proposed to transfer £100,000 to General Reserve, making that Reserve £400,000, to pay a final dividend of 8 per cent, less tax (making 12 per cent) and to carry forward £150,158.

The report and accounts were adopted, and at a subsequent extraordinary general meeting the Board's capitalisation proposals and scrip issue of one new Ordinary Share for every ten Ordinary Shares held were approved.

GUARDIAN ASSURANCE COMPANY LIMITED

The Annual General Meeting of the Guardian Assurance Company Limited was held on May 27th in London, The Right Honourable Lord Blackford, DSO, DL, JP (Chairman of the Company), presiding.

The following are extracts from the Directors' Report:

LIFE DEPARTMENT

Net new sums assured increased by £2,441,403 during the year to a new record total of £22,799,979. Immediate Annuities securing £127,667 per annum and Deferred Annuities securing £576,260 were issued.

The gross rate of interest earned on the fund was £5 18s. 5d. per cent and the fund increased during the year to £37,303,211.

REDEMPTION ASSURANCE ACCOUNT

The fund at the end of the year after making a transfer of £15,000 to Profit and Loss was £5,809,982.

FIRE DEPARTMENT

The net premium income increased during the year by £987,510 to £6,424,836. The loss ratio was 47.5 per cent and after providing for unexpired risks on the usual 50 per cent basis the surplus transferred to Profit and Loss was £394,535.

ACCIDENT AND GENERAL DEPARTMENTS

The net premium income increased by £2,339,237 to £11,503,473. The loss ratio was 60.9 per cent and after providing for unexpired risks on the usual 45 per cent basis the deficit in the account of £67,796 has been transferred from Profit and Loss.

MARINE DEPARTMENT

The net premiums amounted to £2,499,345, against £1,980,027 in the previous year. After a transfer of £324,433 to Profit and Loss the Marine Fund was £2,924,992, representing 117 per cent of the premium income.

PROFIT AND LOSS

After making full provision for taxation, including that on the profit for the year, and after transferring £350,000 to General Reserve and providing for the increased final dividend recommended by the Directors of 1s. 3d., less tax, on each 5s. ordinary share (making 2s. 3d. per share less tax for the year) and meeting the cost of the preference dividend the balance carried forward was £454,723.

BALANCE SHEET

The total assets of the Company and its subsidiaries (the share capital of the Licenses & General Insurance Company Limited was acquired during the year) increased to £82,950,099.

ALL THE PRINCIPAL CLASSES OF INSURANCE TRANSACTED.

The Company undertakes the office of Trustee, Executor and Administrator.

HEAD OFFICE: 68 King William Street, LONDON, E.C.4.

CADBURY BROTHERS LIMITED

GROUP HOME AND OVERSEAS SALES INCREASED TO £79.5 MILLION

PROBLEM OF FLUCTUATING COCOA PRICES

TRUE SOLUTION—STIMULATION OF WORLD CONSUMPTION

MR L. J. CADBURY ON OUTSTANDING ACHIEVEMENTS

The fifty-eighth annual general meeting of Cadbury Brothers Limited will be held on June 17th at Bournville, Birmingham.

The following is the statement by the Chairman, Mr L. J. Cadbury, which has been circulated with the Report and Accounts:

At our last Annual General Meeting I commented on the fall that had taken place in the price of cocoa. It fell again in 1956, the figure at which we valued our stock at the end of the year being 202s. 6d. per cwt cif, compared with 252s. 6d. in 1955.

The end of the year is about the middle of the buying season of the cocoa crop, and we were again involved in writing down our stock to its market value. I am glad to say that this cost was very much less than the figure we had to face last year, and this is reflected in the recovery shown in our Consolidated Profits.

Naturally we do not like having to write down the value of our stocks, but we have to keep the factory supplied with cocoa throughout the twelve months. The only way we can do so with a seasonal crop is to hold a heavy stock while it is being marketed, and for the last two years we have had to do this on a falling market. In the long run, of course, less expensive cocoa is good for us; while the lower prices are being reached, however, it is a costly matter.

CONCERN IN COCOA-GROWING COUNTRIES

There is another aspect of lower prices that is important. It is causing considerable concern in the cocoa-growing countries at the moment, particularly in West Africa.

In Ghana the country's economy is largely bound up with cocoa. At 182s. 6d. per cwt, at which it stood earlier this year, the authorities were in a quandary. In the past the Cocoa Marketing Board has made handsome profits on the difference between the price it has paid the farmer and the price at which it has sold the cocoa after paying the Government export tax. Now, if it is to continue to pay the existing rates of export tax on which the Government depends for its solvency and to maintain the same price to the farmer, it has to operate at a loss. True, it accumulated profits generally estimated at about £90 million at September, 1955, but looking to the future this is not very reassuring.

It is politically embarrassing for the authorities that the return of cocoa to more normal prices should coincide with the grant of self-government. In the last few weeks the price has recovered to about £200; even so, the new autonomous State is worried. It may be tempted to try a restrictive policy, but taking the long view this would be disastrous.

GROUP'S EFFORTS TO STIMULATE CONSUMPTION

The true solution, of course, is to stimulate world consumption. We recently had a deputation from the Cocoa Marketing Board visit us at Bournville. They were shown the tremendous efforts we had made in this country to encourage the consumption of cocoa products and as a result our very high consumption here *per capita;* higher even than such countries as the USA. We were glad to have an opportunity of putting this important fact to the deputation and to show what opportunities there were for world markets to consume more cocoa.

The fall that has taken place in the price of beans is largely due to the extortionate level at which it stood two and a half years ago. With beans at over £500 a ton, demand was discouraged. This was particularly so in the case of one of the bean's main products, cocoa butter. Its high price inevitably encouraged the use of substitutes. As a result cocoa butter has for the last year or so been at a much lower figure than its traditional relationship to the cocoa bean. We thus switched over very substantially for our cocoa butter supplies to purchased butter in place of butter extruded and extracted from the raw bean at our factories. We are now modifying this policy, which is governed by a complicated cost calculation in which the various costs of beans, butter, extrusion and solvent extraction, export drawback and so on all play their part.

AN IMPORTANT YEAR

1957 is an important year as far as our West African interests are concerned. The creation of Ghana and self-government there has already been mentioned. This summer we also celebrate the fiftieth anniversary of starting our own African buying agencies. At this double celebration I think we can take credit for having played an important part in the emergence of a self-governing state from a primitive colonial dependency. We have done much to promote the growth of its cocoa and by our aggressive marketing policies we have led the world in the consumption per head of cocoa products—two achievements of which we may be justly proud.

The experiences of our agency in Nigeria have been less happy. We have found it increasingly difficult there to carry on business to our traditional standards. We are therefore considering a curtailment of our activities in that country.

FURTHER SALES PROGRESS

Turning to our sales figures, I am glad to say we can report further progress. We had an increase of 6 per cent in the value of Cadbury home sales, which more than outweighed a decrease of 2 per cent in exports. The total reached nearly £50 million. In terms of tonnage, our slightly lower prices gave an increase of 9.2 per cent. The sales for our group at home and abroad increased to £79.5 million. After paying overseas taxation as well as UK Income and Profits Tax of £3.7 million, we are left with a profit of £3.6 million. Taking this with the 1955 figure we are left with an average for the two years just under that of the last five years.

IMPROVED OVERALL LABOUR SITUATION

In view of the financial circumstances existing in the early part of last year, our development programme was slowed down in certain directions. We have however continued to expand at our Moreton factory in the Wirral Peninsula of Cheshire, also at some of our railhead distribution depots. Our production at Moreton has now grown to nearly 20 per cent of the parent factory, and the plant layout this entirely new factory has permitted continues to give most economical results.

We did not originally go to Moreton of our own choice but when we wished to build here at the end of the war were directed there by the Board of Trade. It has turned out to be a very wise move. Not only have we ample space there for our plant but also labour from a new industrial district. It has in addition been right from the point of view of Birmingham's development. If we had extended at Bournville it would have meant one more large factory competing for labour and abetting the urge for workers to migrate into the city from other parts of the country, from the Commonwealth and overseas countries.

The city's continuously increasing population creates a housing shortage that is threatening the few remaining open spaces on its outskirts. This will go on as long as there is no check on the proliferation of employment-giving factories. It is a great pity that the Board of Trade's powers of direction in this matter have not been exercised of recent years more effectively.

While what I have just said represents the overall picture of the labour situation in Birmingham, nevertheless for the first time since the war ended twelve years ago staffing the factory became substantially easier. This was of course due primarily to the recession in the motor industry. The national unemployment figure rose from 1 per cent at the beginning of the year to 1.4 per cent in December. More significant for us is the Midland figure, which began the year at .4 per cent and ended it at .9. During the year, however, the Midland average rose to 2.5 per cent. Thus, though the Midland increase in those seeking jobs was only very temporary and was generally lower than the national level, it had considerable effect as far as we were concerned. On the men's side we had nearly a thousand fewer leave us last year than in 1955.

This drop in turnover had its repercussions on our efficiency. It is obvious that the fewer untrained newcomers you have, the greater the overall efficiency, and our experience is in line with this view. The conditions of 1956 also meant not only a reduced turnover but less absenteeism and a higher standard level of applicants for jobs.

The number of men and women employed at Bournville was 11,500 at the end of the

year. Our total staff there and at our subsidiaries, home and overseas, amounted to over 25,000.

OVERSEAS ACTIVITIES

Overseas our experiences have varied. Australia, with a turnover of over £5 million sterling, was £500,000 up. Canada, with sales of just over £4 million sterling, had an increase of £180,000. New Zealand and Eire were practically unchanged, while both in tonnage and in cash we were down in South Africa.

In Australia, despite further increases in cocoa prices we have maintained our sales, Drinking Chocolate continues to be successful, and we are holding our own with Bournvita despite severe competition. The labour position is still unsatisfactory. Recruiting has been improved with the help of special transport, but we are short of good fitters and can only obtain satisfactory staff by the offer of housing accommodation on the estate. We have built 17 more houses for this purpose.

Shipping from Tasmania to the mainland has been irregular and during a severe shipping strike in February we had to make some deliveries by air.

Like the parent Company, Australia is suffering from insufficient storage capacity at its main distribution depots. Building has commenced for a new depot at Sydney, to be followed by Perth and Melbourne and alterations in Adelaide and Brisbane.

In Canada despite a competitive market we are still progressing with Breakfast Cocoa. Confectionery sales have dropped a little, but Snack Bar is still very popular; it has been backed by heavy advertising and has featured in several television programmes. Sales of imported biscuits in ½ lb packets have been good, plans are in hand for local production of Wafers, and Snack Packs will shortly be introduced.

In Eire until recently our goods were being made in three separate Dublin factories, while we also have a large condensery in the south at Rathmore near Killarney making "crumb" (semi-finished milk chocolate) both for Irish consumption and for export to the UK.

We have just completed a new factory in a developing area north of Dublin on the Malahide Road. We hope this will lead to lower factory costs through more concentration of production.

In India for some years we have been packing bulk cocoa powder into tins and have been moulding imported bulk chocolate. Towards the end of 1955 in addition to this small plant we acquired another existing factory building in Bombay. It has now been fully equipped so that we can manufacture from the raw beans, and experimental production started at the end of the year. The new factory features in the Firm's latest film, "Chocolate Odyssey." Owing to lack of liquid milk supplies we cannot manufacture CDM, but make a milk chocolate from milk powder.

There is only one other chocolate factory—an Indian one—besides ourselves in the sub-continent, so we hope to work up our sales to the limit of our factory capacity.

CONSOLIDATED BALANCE SHEET FEATURES

In conclusion, may I turn to the Consolidated Balance Sheet of our parent Company, the British Cocoa & Chocolate Company Limited, which gives the best overall picture of our finances.

There is no change in the Share Capital, and Total Assets at £63.9 million shows little alteration. There have however been several important changes of individual items. Plant and Machinery minus Depreciation have gone up from £6.75 million to £10.7 million, while on the other side Capital Reserve has increased from £6.8 million to £10.1 million. This is because we have revalued at home (but not overseas) our plant and machinery at replacement value as at January 1, 1956.

Stock is down from nearly £30 million to £24 million, mainly owing to less money being locked up in cocoa stocks; while on the other side Balances due to Bankers and Acceptance Credits are down from nearly £11 million to just under £3 million. We have also been able to increase our Revenue Reserve (including Profit and Loss Balances) from £12 million to £14.9 million. The dividend on the Ordinary Shares of the B.C. & C. Company remains unchanged.

YORKSHIRE INSURANCE COMPANY

FURTHER EXPANSION

The annual general meeting of The Yorkshire Insurance Company, Limited, was held on May 28th at York. The Right Honourable Lord Middleton, K.G., M.C., LL.D., chairman, in the course of his speech, said:

Life and Annuity Account.—New assurances have risen to a fresh peak of over £24 million. The volume of premium income has risen to over £4,400,000, and the Life and Annuity Fund is now over £40 million.

Fire Account.—The premium income amounted to £4,826,000, compared with £4,524,000 last year, an increase of £302,000, or approximately 7 per cent. The loss ratio was 45.50 per cent compared with 44.01 per cent in 1955. After making the usual provision for unexpired risks, we are able to transfer £249,261 to the Profit and Loss Account, compared with £426,450 last year.

Accident and General Account.—All sections contributed to the increase of 12 per cent, or over £1,068,000, in the premium income, which now stands at £9,600,000. After meeting an overall claims ratio of 63.74 per cent, and expenses, the underwriting loss of £595,408 has been transferred to Profit and Loss Account. The fund at the close of the year stands higher by over £470,000.

Marine Account.—The premium income rose by £115,000 to over £2,153,000. Claims totalled £1,667,000, compared with £1,570,000 in 1955. We have transferred £200,000 to the Profit and Loss Account, as we did last year, leaving the Fund at over £3,321,000, representing more than 154 per cent of the current year's income.

PROFIT AND LOSS ACCOUNT

We have a total sum available for appropriation of £551,594, against £781,309 in 1955. The Directors recommend that the dividend for the year shall be the same as provided in the 1955 accounts, absorbing £168,188.

Summarising our position, there is no doubt that, notwithstanding a year of unprecedented loss in the Motor section, we remain sound at heart, confident that we shall continue to provide the "Yorkshire's" high standard of service to its insured, with satisfaction to its Shareholders.

The report and accounts were adopted.

HENLEY CABLES

The annual general meeting of W. T. HENLEY'S TELEGRAPH WORKS CO. LTD. was held in London on 30th May, and the following are points from Sir John Dalton's statement:—

1. 1956 has been dominated by the drastic variations in the price of copper, partly accounting for the lower profit compared with the previous year; keener prices were another reason. However the Group turnover, with improved figures from abroad, is again a record.

2. Large power cable contracts in the U.K. include power station work for the Central Electricity Authority and for the Atomic Energy Commission, and the British Transport Commission, under their electrification plan.

3. Overseas business was 16% above that for 1955 and the proportion of overseas orders constituted 35% of the total business compared with 31% the previous year. Substantial orders have been received for telephone cables from abroad.

4. The chairman said that the year 1957 opened with better indications for future prospects.

The report and accounts were adopted.

The following are the salient figures relating to the accounts for the Group.

1955		1956
£		£
1,897,656	Trading Profit..	*1,470,742
1,573,254	Profit subject to Taxation	*1,402,184
791,172	Net Profit	*930,615
327,534	Dividends (net)..	327,534

Ordinary Dividend

28.0%	Earned.....	*33.0%
11½%	Paid.....	11½%
2.4	Times covered ..	*2.9

* Including £250,000 transferred from Reserve for fluctuations in prices of materials.

MIDDLE WITWATERSRAND (WESTERN AREAS) LIMITED

(Incorporated in the Union of South Africa)

MR S. G. MENELL'S REVIEW OF ACTIVITIES

The annual general meeting of Middle itwatersrand (Western Areas) Limited will held in Anglovaal House, 71 Fox Street, hannesburg, on June 24, 1957, at 11 a.m. he following review by the chairman, Mr G. Menell, accompanies the annual report d accounts for the year ended Decemr 31, 1956:

The flotation of the Riebeeck Gold lining Company Limited during the past ar marked the culmination of your comny's pioneering work in prospecting and eveloping the Sand River and van den eeverstrust areas in the Orange Free State. s a result of this work and the active prosecting work carried out by your company the Klerksdorp area substantial interests ve been obtained in seven mining comnies in these areas. In addition your irectors were able to arrange for offers of hares to be made to members of your ompany in respect of six of the flotations.

Your company has become interested, with ther companies, in a number of base mineral rospects in Southern and Northern hodesia. Included among these are rights r a ten-year period over the 10,000 square ile North Charterland Concession incorrating copper and other prospects in the ort Jameson area of Northern Rhodesia, as ell as chrome, copper, nickel and lithium rospects in Southern Rhodesia. Active rospecting work in the Central African ederation is being conducted through nglovaal Rhodesian Exploration (Pvt.) imited which has its headquarters in alisbury.

In my review last year it was stated that he profit of £199,198 earned in 1955 arose ainly out of the realisation of certain vestments. This step had been necessary order to finance your company's participaion in the initial capital of Free State aaiplaas Gold Mining Company Limited nd the exercise of its options over additional hares in the Hartebeestfontein and Buffelsontein Gold Mining Companies. This year e have financed our participations in Riebeeck Gold Mining Company Limited, in Zandpan Gold Mining Company Limited nd in various prospecting ventures out of urrent profits and resources without resorting to the disposal of investments to any large extent.

The balance sheet at December 31, 1956, now submitted, reveals that **Quoted Investments** which cost £2,795,193, had an "ex-dividend" market value at that date of £4,974,198, an excess over cost of approximately £2,179,000. At April 30, 1957, the excess of the market price over the book value was £2,164,800. This was satisfactory in view of the conditions prevailing.

Unquoted Investments are shown on the balance sheet at £116,807, compared with £36,116 in the previous year. The increase is mainly accounted for by our acquisition of shares in Zandpan Gold Mining Company Limited and in Anglovaal Charterland Exploration Company Limited, the company formed to prospect the North Charterland Concession in Northern Rhodesia.

PROGRESS OF PRINCIPAL COMPANIES

The following are brief details of the progress achieved by the principal companies in which your company retains substantial shareholdings:

At the **Hartebeestfontein Mine** satisfactory progress has been made. The monthly rate of gold production has been increased from 44,000 tons at a recovery grade of 6.704 dwt per ton in July, 1955 (when production commenced), to 85,000 tons at a recovery grade of 10.700 dwt per ton in March, 1957. Uranium production was commenced in November, 1956. A maiden dividend of 1s. per share was declared in June, 1956, and dividend No. 2 of 1s. 6d. per share in December, 1956. Two new shafts are being sunk to the Vaal Reef in the deeper north-western portion of the mine. The capital expenditure which will be incurred in sinking and equipping these shafts and a 14-foot diameter unlined ventilation shaft, as well as in the provision of additional equipment and services for an increased scale of operations, is estimated to be £6 million. This expenditure will be spread over the next four years and will be financed from the company's own resources. During this period it is anticipated that it will be possible to appropriate the necessary funds from profits to meet this capital expenditure programme, to repay loans on due date and to make reasonable dividend distributions to shareholders. During the quarter ended March 31, 1957, 245,000 tons were milled at a recovery grade of 10.455 dwt per ton and 300,000 tons of slime were treated for uranium oxide at a recovery grade of 0.734 lb per ton. During that quarter the working profit from gold production, including sundry mining revenue, was £802,459 and the estimated profit from uranium production was £593,051, making a total of £1,395,510.

At the **Virginia Mine** during the financial year ended December 31, 1956, the tonnage milled amounted to 1,016,000 tons at a recovery grade of 4.600 dwt per ton and the tonnage treated for uranium oxide amounted to 1,479,374 tons at a recovery grade of 0.404 lb per ton. The working profit from all operations for the year amounted to £2,110,264 (subject to adjustment), of which £288,842 was derived from acid production and £1,334,051 (subject to adjustment) from uranium production. The capacity of the reduction plant has been increased to 108,000 tons per month and further extensions are in progress. Extensions to the uranium plant to provide a capacity of 130,000 tons per month were completed early in 1956. During the quarter ended March 31, 1957, 288,000 tons were milled at a recovery grade of 5.317 dwt per ton and 397,654 tons of slime were treated for uranium oxide at a recovery grade of 0.507 lb per ton. During that quarter the working profit from gold production, including sundry mining revenue, was £199,013 and, in addition, an estimated profit of £587,269 accrued from uranium and acid production, making a total of £786,282.

At the **Merriespruit Mine** official production was commenced during March, 1956, the milling rate of 75,000 tons per month being equal to the capacity of the reduction plant. Inrushes of water during October, 1956, flooded the mine and all mining operations ceased. Baling operations were carried out at No. 1 and 2 shafts in order to obtain information on which decisions were made regarding the methods to be employed for dewatering the mine. A two-stage programme for bringing the mine back into production has now been proposed. The first stage, involving some development work and the dewatering of the mine, both to be carried out from the neighbouring Virginia mine, will commence shortly. The estimated cost of this first stage is £1,200,000. This finance has been obtained by the sale of the housing owned by the company, which has retained the right to lease housing from the purchaser (Virginia Land & Estate Company Limited) for its requirements. When the first stage has been completed the Consulting Engineers will be in a position to make their recommendations as to the second stage.

At **New Klerksdorp Gold Estates Limited** during the quarter ended March 31, 1957, after taking into account the profit from uranium production estimated at £28,500, and the £15,475 loss on gold production, operations resulted in a working profit of £13,025.

At the **Riebeeck Mine** work is progressing on the concrete headgear and collar of No. 1 shaft and arrangements have been made for compressed air, electric power and water supplies. On March 31, 1957, the twin haulage from No. 2 shaft of the Loraine Gold Mine had reached a position approximately 2,400 feet from the point where it will reach the Riebeeck property.

At the **Stilfontein Mine** the ore reserve at December 31, 1956, was estimated at 4,286,000 tons having an average gold value of 9.54 dwt per ton and an average uranium oxide content of 0.304 lb per ton over a stoping width of 38.1 inches. Working profit from all operations has increased from £742,398 for the quarter ended December 31, 1955, to £950,633 for the quarter ended March 31, 1957.

At the **Buffelsfontein Mine** the reduction plant, which has a capacity of 100,000 tons per month, was completed and trial milling commenced during November, 1956. During the year ended December 31, 1956, 13,410 feet of development had been sampled, all of which proved payable. Official production was commenced in January, 1957, when 80,000 tons were milled at a recovery grade of 5.25 dwt per ton. During the quarter ended March 31, 1957, 261,000 tons were milled at a recovery grade of 5.610 dwt per ton, and the working profit including sundry revenue was £247,337. The construction of the uranium plant is proceeding satisfactorily. The Atomic Energy Board has approved the construction of a pyrite recovery plant and a sulphuric acid plant, each with a capacity of 100 tons daily.

At the **Free State Saaiplaas Mine** good progress is being achieved on the sinking of No. 1 and No. 2 vertical shafts and on the erection of plant and buildings.

The drilling of boreholes Z5, Z6 and Z7 by **Zandpan Gold Mining Company Limited** on farm Zandpan No. 43 in the Klerksdorp district of the Transvaal was completed during the year. Boreholes Z5 and Z6 intersected the Vaal Reef at borehole depths of approximately 7,210 feet and 7,419 feet respectively. Borehole Z7 encountered severely faulted ground and was abandoned after reaching a

depth of 7,263 feet in Witwatersrand Sediments below the horizon of the Vaal Reef. Although no exposure of Vaal Reef suitable for sampling was obtained, it was established that this horizon lies at a borehole depth of approximately 6,940 feet. The attention of members is drawn to an announcement made in the press by the Zandpan Company on November 6, 1956, indicating that the published results of boreholes Z5 and Z6 were to be regarded as unreliable. The matter is still under investigation.

Since the close of the financial year we have acquired further shares in our subsidiary company, **Virginia Land and Estate Company Limited,** which during the year under review made a net profit of £242,578 before providing for taxation. It has now sold residential, industrial and business sites in Virginia to the value of over £1,500,000. Branches of many leading commercial firms have been established in the town. Since the flooding of the Merriespruit mine, one of the four mines served by the town, the demand for stands has fallen off but is expected to revive in due course. The company also owns or is very substantially interested in buildings in Virginia to the value of approximately £400,000 and in addition has recently acquired a large block of housing from the Merriespruit (Orange Free State) Gold Mining Company Limited. This housing which consists of 432 houses, a block of flats and 12 vacant stands was acquired for £1,700,000, of which £1,200,000 is payable over twelve months, and £500,000 is payable when the Merriespruit mine resumes normal production. Of the finance required for this transaction £1,150,000 has been obtained by raising mortgage bonds and these bonds have been guaranteed by Anglo-Transvaal Consolidated Investment Company Limited and by your company. These houses will be leased to private individuals and mining companies in the area, and it has been agreed that the Merriespruit Company will have the right to lease such housing as it may from time to time require. It is anticipated that this will bring in a satisfactory return.

In conclusion I desire to place on record your Board's appreciation of the services rendered by our secretaries and technical advisers, Anglo-Transvaal Consolidated Investment Company Limited, both at the head and London offices, and also by the managers and staffs of our subsidiary companies.

ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY

(Inc. in Newfoundland)

CONSOLIDATED EARNINGS 17 PER CENT HIGHER

MR ELLIOT M. LITTLE'S REVIEW OF GROUP'S ACTIVITIES

The ordinary general meeting of Anglo-Newfoundland Development Company, *Limited,* was held on May 23rd at the offices of the Company, Grand Falls, Province of Newfoundland, Mr Elliot M. Little (the *President) presiding*

The following is the statement by the President which had been circulated with the report and accounts for the year ended December 31, 1956:

Consolidated earnings of the Company were 17 per cent higher than last year. This increase arose largely from its mining *interests.* Income was adversely affected by further weakening of the United States dollar, particularly in the latter months of 1956.

ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY, LIMITED

The mill produced 247,231 tons of newsprint, or 15,495 tons more than the record established in 1955. The increase of $4.00 per ton which came into effect at the beginning of 1956 was completely nullified by increased labour, material and transportation costs. A general wage increase of approximately 6½ per cent was granted on June 1, 1956, with an agreement for a further increase in 1957 of 5 per cent of the newly established rates.

Capital Expenditure during the year amounted to $1,851,633 and consisted mainly of *work to increase* production.

World newsprint supply will be in balance with demand during 1957. New capacity expected to be in operation in 1958 and 1959 will likely result in a moderate over-supply situation in the industry However, your Company's contract position is satisfactory and capacity operations are expected at least in 1957.

Rapidly rising costs of labour, materials and transportation, combined with the loss of income due to the discount on the US dollar, give some cause for concern.

SIOUX LOOKOUT

The Company has been granted a timber *licence in the vicinity of* Sioux Lookout, Ontario, on the condition that the construction of a pulp or pulp and paper mill, with an initial capacity to consume at least 150,000 cords of pulpwood per annum, will be commenced by May 1, 1959.

The Company has deposited with the Treasurer of Ontario, Bonds of the Government of Canada of the par value of $250,000 as security for the fulfilment of the condition in respect of the construction of such a mill. Under the terms of the Agreement, these bonds will be forfeited if the Company does not commence the construction of a mill before May 1, 1959.

GRAND FALLS CENTRAL RAILWAY COMPANY, LIMITED

This company was incorporated by a special Act of the Parliament of Canada, under the provisions of the Railway Act of Canada, on June 12, 1956, with an authorised share capital of $100,000 divided into 1,000 shares of $100 each. Only 250 of these shares have been issued and they were all subscribed for and issued to Anglo-Newfoundland Development Company, Limited. The purpose of this company is to operate the existing railway located between the mills at Grand Falls and the shipping port at Botwood, Newfoundland. The net profit of $83,264 shown is the result of 3½ months' operation of this railway.

GASPESIA SULPHATE COMPANY, LTD

This company's mill operated at capacity throughout the year and produced a total of 81,491 tons or 1,717 tons more than in 1955. Of this total, the tonnage of unbleached sulphite pulp was 19,361 and bleached pulp was 62,130

There was no change during the year in the basic prices of our products and the demand for sulphite pulp remains firm. In spite of higher transportation costs and higher exchange discount in 1956, the net sales proceeds per ton were somewhat higher than in 1955 due to the fact that full advantage was obtained from the pulp price increase that became effective in 1955. The Directors have appropriated the sum of $505,000 for the acquisition of a modern high pressure boiler to replace old units of low efficiency, and also to provide additional steam capacity. This new boiler is expected to be in operation in the autumn of 1958.

TERRA NOVA PROPERTIES, LIMITED

Operations at the Buchans Mine were continuous throughout the year and ore mined and milled was 366,000 short tons, an increase of 75,000 tons over the tonnage treated in 1955. Base metal prices, with the exception of copper, were firm throughout the year.

Exploration and geological reconnaissance work was carried out throughout the summer within the Crown Lands concession without any definite results.

Ore reserves as of December 31, 1956, were estimated to contain approximately 5,900,000 tons of assured and probable ore as compared with 6 million tons at the end of 1955.

Mine development for the year consisted of 9,261 feet of diamond drilling, compared with approximately 16,000 feet carried out during the preceding year.

Production for 1957 is expected to be approximately 360,000 short tons of the same grade as that obtained during 1956.

MONTMORENCY SHIPPING, LIMITED

The operation of a fleet of time chartered vessels to effect the delivery of the parent Company's product resulted in a net profit of $88,226 for the year 1956 against a profit of $13,264 for the previous year. Due to the policy of time chartering, newsprint freight rates were maintained without increase, in spite of rapid and substantial increases in general shipping rates.

The financial results, while satisfactory, were adversely affected by the loss of a vessel through requisitioning by the UK Government during the Suez crisis, and by labour difficulties in United States Atlantic and Gulf Ports.

CONSOLIDATED POSITION

Consolidated Profit, after depreciation and taxes, of $5,425,707 is equivalent to 99c per stock unit, compared with $4.632,139 or 84c per stock unit for the previous year. Consolidated Working Capital amounted to $24,964,256 compared with $22,028,640 as at December 31, 1955.

I wish to express my appreciation of the loyal and efficient services rendered by the officers and employees of the Company and its subsidiaries throughout the year.

The report and accounts were adopted.

KREDITANSTALT FÜR WIEDERAUFBAU

(Reconstruction Loan Corporation)

FRANKFURT-ON-MAIN GERMANY

BALANCE SHEET AS AT 31st DECEMBER, 1956

ASSETS

	DM	DM	DM
1. Cash Reserve :—			
(a) Cash in hand		9,677.98	
(b) Balances on Giro Accounts at Land Central Bank, at Bank deutscher Länder and on Postal Cheque Account		15,981,929.54	15,991,607.52
2. Balances at Banks :—			
(a) Sight balances		55,669,731.75	
(b) Due within 3 months...		24,200,000.—	79,869,731.75
3. Bills of Exchange (including bills eligible for rediscount at Central Bank DM 59,919,461.11)			73,467,461.11
4. Own Securities :—			
(a) Own Bonds : DM 473,700 nominal ...		473,700.—	
(b) Own Fixed Interest-bearing Securities ...		1,273,051.50	1,746,751.50
5. Debtors :—			
(a) Loans granted :—			
To Banks, for passing on to Borrowers ...	3,201,673,272.32		
Direct to Borrowers	1,830,037,300.—	5,031,710,572.32	
(b) Other Claims :—			
Interest	35,257,130.89		
Others	1,076,226.30	36,333,357.19	5,068,043,929.51
6. Loans channelled to Borrowers on a Trust Basis :—			
(a) In our Own Name ...		300,430,843.65	
(b) In the Name of Others	279,821,658.38		
(c) Other Trust Transactions in our Own Name		9,966,452.39	310,397,296.04
7. Real Estate and Buildings...			1.—
8. Office Furniture and Materials			1.—
9. Items for the purpose of distinguishing between Separate Accounting Periods			738,285.91
10. Customers' Liability on Guarantees	404,685,263.75		
			5,550,255,065.34

LIABILITIES

	DM	DM	DM
1. *Creditors* :—			
(a) German Federal Republic	3,931,597,952.50		
(b) Bank deutscher Länder	46,576,908.96		
(c) Other Lenders	640,692,250.—	4,618,867,111.46	
(d) Other Liabilities :—			
Interest	25,716,703.38		
Others	251,080.95	25,967,784.33	4,644,834,895.79
2. Own Loans Issued :—			
(a) 5½% *Reconstruction* Loan :—			
Series I	39,882,400.—		
Series II	260,000,000.—		
	299,882,400.—		
(b) 3½% Housing Loan ...	6,400,000.—	306,282,400.—	
(c) *Drawn Bonds*		38,260,400.—	
(d) Interest Coupons not yet presented		6,053,319.25	350,596,119.25
3. *Loans channelled to* Borrowers on a Trust Basis :—			
(a) In our Own Name ...		300,430,843.65	
(b) In the Name of Others	279,821,658.38		
(c) Other Trust Transactions in our Own Name		9,966,452.39	310,397,296.04
4. Capital Funds :—			
(a) Capital		1,000,000.—	
(b) Reserve formed from Resources of the E.R.P. Special Fund		134,940,598.—	
(c) Legal Reserve		98,623,272.79	234,563,870.79
5. Reserves for Special Purposes			8,314,000.—
6. Items for the purpose of distinguishing between separate Accounting Periods			1,548,883.47
7. Liabilities in respect of Guarantees	404,685,263.75		
			5,550,255,065.34

PROFIT AND LOSS ACCOUNT FOR 1956

EXPENDITURE

	DM	DM
1. Operating Expenses		3,108,850.88
2. Depreciation :—		
On Real Estate and Buildings...	15,430.72	
On Office Furniture and Materials	91,810.95	107,241.67
3. Placed to Reserves for Special Purposes ...		1,500,000.—
4. Other Expenditure		383,508.84
5. Net Profit for 1956 (transferred to Legal Reserve)		17,632,055.48
		22,731,656.87

RECEIPTS

	DM
1. Interest received *in* excess of interest paid	21,717,307.16
2. Other Receipts	988,503.51
3. Extraordinary Receipts	25,446.20
	22,731,656.87

Frankfurt-on-Main, 7th February, 1957.

Reconstruction Loan Corporation

NEUBAUR v. ILBERG DR. MARTINI DR. POPRAWE DR. DOHRN DR. RIECK

According to the conclusive result of our audit, which was duly carried out on the basis of the books and records of the Reconstruction Loan Corporation, as well as of the explanations and statements supplied by the Board of Management, the bookkeeping, the Annual Statement of Accounts as at 31st December, 1956, and the *Annual Report, in so far as it elucidates the Annual Statement* of Accounts, are in accordance with the provisions of the law.

Frankfurt-on-Main, 12th March, 1957.

Deutsche Revisions-und Treuhand-Aktiengesellschaft
(German Auditing and Trust Company)

DR. ADLER *Certified Auditor*

DR. von STEINSDORFF Certified Auditor

OTTOMAN BANK

STRONG LIQUID POSITION MAINTAINED

LORD LATYMER'S SPEECH

The Ninetieth Annual General Meeting of the Ottoman Bank was held on May 22nd at Winchester House, Old Broad Street, London, E.C.

The Right Honourable Lord Latymer, the chairman, presided, and in the course of his speech said:

TURKEY

In Turkey 1956 was a year of further economic expansion. The country continued, by hard work, to fulfil the equipment and industrialisation programme adopted a few years ago. A number of schemes were completed and are already making their contribution to the general economy. The national revenue therefore is rising.

It was an important year for public works. As regards power, progress has been made with the schemes undertaken. Of the five hydro-electric power stations under construction, those at Seyhan (capacity 54,000 kW) and at Sariyar (capacity 80,000 kW) were completed in 1956 and are now in production.

Among the large thermal power stations, extensions at Catalagzi and Tunçbilek were finished in April, 1956.

In addition, three large barrages with hydro-electric power stations are being built.

In 1958, when all the projected power stations are built, the annual output of electric power, which amounted to only 737 million kWh in 1950, will have reached 4,000 million kWh. The building of electric power transmission lines progressed and over 1,000 kilometres of line were brought into service in 1956.

The barrages already completed and those still under construction will greatly improve the country's agriculture. When all these undertakings are complete 750,000 acres of land will be brought under irrigation, 400,000 acres protected from flood risk, and some 225,000 acres of marshland drained.

There is also a definite increase in industrial output as several new establishments have been completed and started production both in the mining industry and in the textile, cement, and sugar refining industries.

As regards foreign trade, the deficit in the trade balance, which reached Ltq.516 million in 1955, was reduced to Ltq.286,600,000 in 1956, following the steps taken to cut imports, especially of consumer goods. Purchases from abroad were about Ltq.1,140,600,000, against Ltq.1,393,400,000 in 1955. There was little change in the export totals: Ltq.854 million in 1956, against Ltq.877,400,000 in 1955.

SUDAN

The year 1956 was the inaugural one of the independence of the Sudan, which a recent census now shows as a country of over 10 million inhabitants, and which in November became a member of the United Nations Organisation. A currency board has been set up to supervise the introduction of the new Sudanese currency and to prepare the way for the establishment of a Central Bank.

During the year imports totalled about £S45 million and exports over £S66 million, of which about £S40 million represented cotton. Trade generally speaking was encouraging and the country's main port, Port Sudan, was very active; our new premises there were opened in May and the branch has shared fully in the increasing activity.

JORDAN

For Jordan, which could scarcely remain unaffected by events in neighbouring countries, it was an unsettled year, with repeated and important political changes. I feel, however, that the record of the Ottoman Bank in terms of service to Jordan is one which is recognised by her leaders and one of which the Bank may be proud.

Jordan's income in 1956, with careful administration and with financial assistance from abroad, remained steady.

IRAQ

Three pumping stations on the pipeline from Iraq were incapacitated in Syria in November, 1956: this has meant that Iraq's oil exports—the country's principal source of wealth—have fallen from some 32 million tons in 1955 to some 29 million tons in 1956. Nevertheless, the Iraq Development Board, with reserves amply sufficient to cover the 1957 programme under the ID500 million development plan for the period 1955-60, has been able to press forward firmly with its schemes.

It has been on the whole an encouraging year for the country and indeed the "Suez Crisis" which shook the whole of the Middle East towards the end of the year and had immediate and strong repercussions in Iraq, affected business activities and general trade somewhat less than might have been expected.

CYPRUS

It is perhaps both surprising and reassuring to realise that in spite of the widespread unrest the island, economically, has had a very prosperous year.

The exports total reached the record figure of Cy£20,700,000 against Cy£17,300,000 for the previous year. Imports also rose from Cy£30,400,000 to Cy£39,100,000. There were also substantial increases both in the total of money in circulation and of banking deposits.

It has not been an easy year for the management and staff of your Bank, but nevertheless, our services to the Government, to the military authorities, and to our other customers has been developed; a number of additional sub-offices for the convenience of military personnel have been opened.

DOHA

Early in 1956 the Bank's representatives paid a series of visits to the Sheikdoms of the Persian Gulf, following which it was decided to open a branch at Doha, the capital of the Sheikdom of Qatar. The branch opened for business in November last. The new branch already shows an encouraging volume of business.

The Chairman then reviewed the other territories where the Bank has interests, namely, Morocco, Lebanon and Syria, continued: Our Paris and London offices our branch at Marseilles had a busy satisfactory year.

EGYPT

The activity of the bank in Eg has been brought to a close by Egyptian Government. By Military P clamation of November 1, 1956, Sequestrator was appointed to control branches in Egypt.

After being closed for two days to al the Sequestrator's staff to take over, branches reopened for business on Nov ber 5, but they were branches of the O man Bank in name only.

The next stage was the passing of a on January 14, 1957, providing for what called the Egyptianisation of foreign ba in Egypt. This measure was to applied immediately to British and Fre banks, and within five years to o foreign banks.

On April 18, the assets and liabilitie the Ottoman Bank and its branches in Eg and their administration were transferred the Bank of the Republic, an institut formed in 1956 which has Governm support.

One of the Sequestrator's first acts wa suspend from duty all members of the of British and French nationality as wel certain locally recruited staff; these offi and employees—many of long service—w dismissed by the Sequestrator from employment of the bank, with effect f November 15.

The rights of the Bank to compens for the action in Egypt will be fully pur but, as a measure of precaution in the m time, we have put aside full provision for loss which might occur in this regard.

BALANCE-SHEET ITEMS

The Bank's business in Egypt has not b included in the accounts. In these circ stances, you will not find it surprising the balance-sheet totals are £11½ mi lower than last year, with decreases of million in "Acceptances, Endorsements Guarantees" and £7 million in "Cur Deposit, and Other Accounts." It is inter ing to note that this latter item stand over £86 million, which is still slightly ab *the figure at the end of 1954.*

The liquid position is very strong, cash, money at call, and bills receiv together totalling more than 50 per ce the deposits. The proportion of investm remains unchanged and the ratio of adva to deposits is down to 39 per cent—a re tion of more than 6 per cent compared last year.

The total amount of profit avail including the balance of £32,636 bro forward, is £422,863, compared £432,636 last year, After appropri £200,000 to "Reserve for Contingenc the balance remaining is £222,863.

The committee proposes that a divi of eight shillings per share be paid again year, absorbing £200,000 and leaving £22 to be carried forward to 1957.

The report was adopted.

PRESSED STEEL COMPANY

BUSINESS IMPROVING AFTER LAST YEAR'S DECLINE

MR A. ABEL SMITH ON THE OUTLOOK

The thirtieth annual general meeting of the Pressed Steel Company Limited was held on May 29th at Winchester House, Old Broad Street, London, EC, Mr Alex Abel Smith, TD, JP (chairman of the company), presiding.

The following is the speech by the chairman which had been circulated with the report and accounts:

PROFIT AND APPROPRIATIONS

Ladies and Gentlemen, From the accounts you will see that the balance of profit for the year ended December 31, 1956, after all taxes was £713,047; this compares with £958,079 for 1955. Taxation was lower by £135,507, but the charge for depreciation and obsolescence of buildings, machinery and equipment was again higher by £169,014, reflecting a further increase in the fixed assets of the Company. The profit figure has been struck after an allocation to reserve of £238,635 for the increased cost of replacement of plant, machinery and equipment. This special reserve now stands at £2,500,000 which your Board considers to be an adequate figure, having regard to the extensive programme of modernisation and replacement of equipment which has been carried out during the past three years.

The Carry Forward on the Profit and Loss Account from 1955 was £1,267,413. To this must now be added the profit referred to above of £713,047 from which must be deducted the amount of the regular dividends on the Preference Shares and an interim dividend of 5 per cent paid last November on the Ordinary Stock, amounting in all to £149,631. This leaves a balance of £1,830,829 to be dealt with.

Your Board recommends a transfer to General Reserve of £250,000 and the payment of a final dividend on the Ordinary Stock of 10 per cent less tax, requiring £217,806, leaving £1,363,023 to be carried forward.

BALANCE SHEET

On the asset side you will note that there has been a further substantial increase in Fixed Assets amounting to £2,520,694 mainly in respect of further additions to the productive facilities at our Cowley and Swindon factories. Current Assets are lower reflecting this additional capital investment.

Current Liabilities are also lower, despite a rise in Bankers' Acceptances due to the considerable imports of foreign sheet steel for which firm orders had to be placed many months in advance in order to ensure supplies at a time when the motor car body business was running at a high level.

Outstanding capital commitments at the end of the year amounted to £625,000 mainly for presses and other equipment for our Swindon factory.

CONVERTIBLE DEBENTURE ISSUE

Since the close of the Company's financial year, £2 million has been raised by means of a Convertible Debenture issue. Preference Shareholders and Ordinary Stockholders of the Company were invited to subscribe to this issue. Their response was most gratifying and in applying for over eleven times more than the sum asked for they indicated their faith in the future of the Company. I explained the purposes for which this new money is required in the circular letter in which I invited Members of the Company to subscribe to these new Debentures.

MOTOR CAR BODY DIVISION

Demand for bodies had already started to fall at the commencement of the year under review. It continued to fall throughout the year and reached a low point in December last. January this year saw the first slight improvement and since then, I am glad to say, our customers' requirements of bodies have steadily increased.

Production on a restricted scale began last summer in our new Swindon factory. The Company will not reap the full benefits of this modern lay-out until business picks up sufficiently to permit volume production.

Despite the most rigid control of overheads, rising costs continue to plague us and I regret to say look like presenting an even more serious problem in the coming months. Heavier costs, coupled with a falling volume of business and the expense inevitably involved in bringing the Swindon factory into production, particularly when that production could only be on a very limited scale, resulted in lower profits being earned in this important section of the Company's business.

RAILWAY WAGON DIVISION

At our Linwood factory, production of sixteen-ton mineral wagons continued throughout the year at a high level and orders on hand should keep us busy for some time The first standard passenger brake van came off the production line last November. The rate of production is building up and will shortly reach our target figure of ten per week. The Company has recently obtained an important order from British Railways for utility vans to be attached to passenger trains primarily for the transport of passengers' private motor cars.

At the present time the Company is engaged in tendering for other types of railway equipment and I have every confidence that some orders will be obtained. With this in mind and in order that we may be in a position to take full advantage of the business that will be offering over the next few years, your Board is negotiating for the lease of a factory building of approximately 400,000 sq ft, which adjoins the Linwood factory, and being well equipped with rail sidings, could be adapted to our requirements.

REFRIGERATION DIVISION

Once again I can report satisfactory results from the commercial side of our business. On the other hand, as far as domestic refrigerators and home freezers are concerned, we, in common with other manufacturers, suffered a triple blow in the course of the year; first in the form of increased purchase tax which at 60 per cent cannot be other than a real deterrent to sales; a second, in the further restriction of hire purchase facilities and finally in the cold, wet summer which would, under any circumstances, have had an adverse effect on home and European sales.

Your Company's representatives have played a leading part in putting to HM Treasury and to the Board of Trade the industry's case for a relaxation of the penal handicap of a high purchase tax, unfortunately, so far, without success. A flourishing home trade is an essential factor in attaining volume production; this is vital in the face of rising costs if we are to compete effectively in foreign markets, where, given the right price, the potential demand is very great. As regards the home market, when I tell you that, according to the latest census, less than 10 per cent of the 14½ million electrically wired houses in this country are equipped with a refrigerator, you will appreciate the scope that lies before this branch of our business.

SUMMARY

Last year was, as I have said, a year of recession in the motor car business and of standstill in our domestic refrigerator business. These two factors, the first in particular, account for the fall in earnings which is reported and which has resulted in your Board's decision to pay a reduced dividend on the Ordinary Stock. While, as I have mentioned, motor car body business is at the moment picking up, it would be a bold man who ventures to forecast what the rest of the year holds in store, particularly having regard to the continuing penal level of purchase tax from which no relief was obtained in the recent budget. This is a matter of grave concern to all of us in an industry in which the keynote to low cost production is volume. The railway business is satisfactory and will, I hope, expand further. The commercial refrigeration business is also going well but the domestic side is awaiting its chance—we have a first class product and the facilities to produce it in quantity.

BOARD AND MANAGEMENT CHANGES

During the year the Company had the good fortune to secure the services of Mr J. R. Edwards who for twenty-eight years had been associated with the Austin Motor Company and who latterly was Director of Manufacture for the British Motor Corporation. Mr Edwards was appointed Managing Director and Mr Bellhouse, who had previously held this post, was appointed Executive Deputy Chairman. To facilitate these moves, Lord Ashburton and Mr Shuttleworth offered to relinquish their appointments as Joint Deputy Chairmen. I should like to express my gratitude to both these colleagues for their unfailing co-operation.

During the year, to the great regret of my colleagues and myself, Mr Cyril Lloyd, on account of advancing years, tendered his resignation to the Board. Mr Lloyd was first appointed to the Board in 1929. A man of

great business ability and experience, I cannot speak too highly of the contribution he has made over the years. His wise counsel will be much missed.

In August last Colonel F. T. Davies was appointed to the Board. He brings to our counsels a wide business experience covering not only this country, but the Continent and the United States of America.

TRIBUTE TO STAFF

The past year was a particularly difficult and worrying one, not only for the management, but also for the staff and employees. Many difficult decisions involving both management and employees had to be reached, and the degree of co-operation and understanding which was shown throughout merits the praise and warm thanks of the shareholders.

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

The retiring director, Mr J. R. Edwards, Colonel F. T. Davies, Mr Michael A. H. Bellhouse, MA, and Mr R. T. Pemberton, MIMechE, MIChemE, were re-elected and, the remuneration of the auditors, Messrs Price, Waterhouse & Company, having been fixed, the proceedings terminated.

At a subsequent extraordinary general meeting a resolution was passed approving and adopting new Articles of Association.

THE RUBBER GROWERS' ASSOCIATION

PRICE THE DOMINATING FACTOR

The Ordinary General Meeting of the Rubber Growers' Association (Incorporated) was held on May 24th in London.

Mr H. T. Karsten, the Chairman, presided, and in the course of his speech said:

Although there was a decline in total rubber consumption in non-Communist countries last year, there was a marked increase in the use of synthetic rubber. This tends to confirm that so long as the price of natural rubber is above that of synthetic there is an inducement to the manufacturer to use the substitute material.

The aim of the natural rubber producer is therefore straightforward—to increase the supply of competitively priced natural rubber.

Improvements will undoubtedly be made in the quality of synthetic rubber, but it has to be made from raw materials so that there is a minimum below which its price cannot fall. Many of the cards may be stacked in favour of synthetic rubber, but I believe that we natural rubber producers have got the ace of trumps—we should be able to beat synthetic in price. I believe also, when I consider the recent decision of rubber manufacturers who are also synthetic rubber producers, to enter the plantation rubber industry, that I am not alone in this view.

Of course we will have our problems. The transition from the present low-yielding areas to the high-yielding plantations we want will take time. However, as I have indicated, the very existence of our synthetic competitors will benefit us in that there will be a floor price set for our product. In other words, synthetic rubber will serve to stabilise the price of natural, and there should be a ready market for all that those normally engaged in the plantation industry can produce. There is in fact, no longer any need to consider artificial measures for stabilising natural rubber prices.

UNION MINIÈRE DU HAUT-KATANGA

IMPORTANCE OF CAPITAL EXPENDITURE PROGRAMME

The annual Meeting of Shareholders of Union Minière du Haut-Katanga was held in Brussels on May 23rd, Mr Gillet being in the Chair.

In accordance with the agenda, the Meeting first approved the accounts for the financial year ended December, 1956. The Profit and Loss Account for 1956, circulated to the shareholders, showed a gross profit of F6,579,082,805—. Taking into account the amortisation of the year, the provision for taxation on profits and the sundry charges, the available profit balance, including the amount brought forward, totalled F4,632,219,794—.

Out of this balance, F228,570,219—and F750,000,000—have been allocated respectively to the Reserve Fund and the Special Reserve and Contingencies Fund; a sum of F72,607,681—was carried forward. The amount left for distribution was accordingly F3,581,041,894—.

The Meeting fixed the net dividend for the year 1956 at F2.300—net per share (or F230— per tenth of share). Taking into account the two interim dividends of F700— each paid in November, 1956, and in February, 1957, this entails a complementary dividend amounting to F900— net per share, or F90— net per tenth of share.

The Chairman informed the Meeting that MM. H. Buttenbach and F. Van Brée had resigned their director's mandate as of the date of this meeting. The Meeting conferred on Mr Buttenbach the title of honorary director. Mr Van Brée was confirmed in his title of honorary chairman which he held since he left the Company's chairmanship.

MM. J. P. Paulus and L. Wallef were appointed directors and Mr A. Bourgeois auditor of the Company.

MR SENGIER'S STATEMENT

After evoking the commemoration in Africa of the fiftieth anniversary of the Company and paying tribute to the abilities and devotion of the personnel, Mr Sengier, Chairman of the Executive Committee of Union Minière, emphasised the importance of the capital expenditures' programme in the mining, metallurgical, social and hydroelectric fields, necessary to develop the productions of the Company.

The copper production reached 247,400 metric tons in 1956. The tonnage delivered to the consumers during the financial year amounted to 237,600 tons. The characteristic figures of the accounts are the following:

Net amount distributed to the shareholders, including the Comité Spécial du Katanga	2,856 million
Taxes and duties	3,432 million
Royalty to the Comité Spécial du Katanga	331 million
Amortisation	900 million
Capital expenditures, including 525 million for the Le Marinel power-station	2,241 million
Amount carried to reserve of which: to the Statutory Reserve Fund (5 per cent of the profit) 228 million to the Special Reserve and Contingencies Fund 750 million	978 million

Mr Sengier emphasised the State's growing share in the results of the activity of Union Minière.

The years 1955 and 1956 were for the copper market a very special period of transition, marked in 1955 by a deficiency of production resulting from various strikes and in 1956 by a still tight situation, becoming easier in the course of the second half of the year as a consequence of an increased production and of the slackening of consumption.

During this period, the copper quotation registered strong fluctuations unknown in the past, varying in New York from 30 to 46 cents in 1955 and from 32 to 50 cents in 1956, whereas in London, it exceeded the equivalent of 53 cents in March, 1956, to fall back recently to levels approximating 30 cents. Quotations as high as those reached towards the end of 1955 and the beginning of 1956, continued Mr Sengier, are prejudicial to the interests of producers and consumers by encouraging the opening up of mines with questionable rentability and by stimulating the use of substitute products. On the other hand, due to the exaggerated deterioration of quotations, certain producers are already at a loss.

It would be imprudent, added Mr Sengier, to make forecasts regarding consumption and quotations of the metal, but there are good reasons to be optimistic.

The renovation and extension programme of Union Minière will be carried out, excluding unforeseen circumstances, without raising new capital, which will enable the Company to keep itself in a good position as regards its production costs; Mr Sengier recalled that the latter vary in fact to a certain extent according to the selling price and this is a stabilising factor. Satisfactory results can be expected for the future.

POINTS FROM THE DIRECTORS' REPORT

The capital of the Company was raised from 5 to 8 billion Congolese francs, without issuing new shares, by deduction of 3 billion francs from the Special Reserve and Contingencies Fund.

The Company's copper production marked further progress in 1956, reaching 247,452 metric tons against 234,673 tons in 1955. Cobalt output amounted to 9,089 metric tons, against 8,567 tons in 1955.

The other productions were zinc concentrates, cadmium, uranium, radium, germanium and precious metals.

Important quantities of over-burden were removed at the Kamoto copper-cobaltiferous deposit, and the equipment of the Kambove-West mine, the exploitation of which was decided with a view to compensate the future reduction of production at the Kipushi deposit, is in progress.

The producing capacity of the Shituru electrolysis plant was brought to 135,000 tons a year with the commissioning of a new electrolytic copper removal section.

The first civil engineering works connected with the erection of the new Western lixiviation-electrolysis plants were undertaken.

The increase of its cobalt production enabled the Company to reduce its selling price from $2.60 to $2.35 per lb. This measure, followed by a new reduction to $2 early in 1957, will presumably have a favourable influence on the metal consumption.

A programme designed to develop the cobalt uses was undertaken, and an "Institut du Cobalt" (Cobalt Development Institute) was created, grouping the representatives of the main cobalt world producers, their executive organ being the "Centre d'Information du Cobalt" (Cobalt Information Centre). In no way will the action of this organisation cover the commercial activities nor the fixing of the quotations of the metal and of its salts.

The exportation of uranium concentrates continued, in conformity with the existing agreements.

The Le Marinel power station was put into service in 1956. Three of the four groups were operating at mid-March, 1957.

The supply of electric power to Northern Rhodesia began on October 1, 1956, after the completion of the 220,000 volts Le Marinel-Jadotville - Elisabethville - Kitwe (Northern Rhodesia) power transmission line and the commissioning of the first transformer at the Rhodesian sub-station.

A total of 1,293 million kWh has been produced by the four power stations: Francqui, Bia, Delcommune, Le Marinel, in 1956.

New social complexes for Congolese workers have been created in the big cities.

A programme of medico-social action in the hinterland of the large Katangese centres has been initiated with the collaboration of the governmental services.

EQUITABLE LIFE ASSURANCE SOCIETY

STEADY EXPANSION

Mr J. H. Bevan, the President, was in the Chair at the hundred and ninety-fifth Annual General Meeting of the Equitable Life Assurance Society held in London. The following are extracts from his speech:

The accounts now before you are evidence of the steady expansion of the funds of the Society. For the first time in our history they exceed £30 million.

It has been our policy gradually to increase the holdings in equities; the policy may well provide some part of the answer to the continuing problem of inflation.

We are all only too familiar with the problems associated with rising costs but even now the ratio of expenses to premium income is still under 7 per cent.

I turn now to the results of the quinquennial valuation made as at December 31st last. The bonuses declared in the major profits class are at rates greater by about 40 per cent than those declared five years ago. For endowment assurances, they are the highest ever declared by the Society and for whole-life assurances the rates have not been exceeded for more than 100 years.

The minor profits class, which shares in profits when certain standard rates are exceeded in the major profits class, receives bonuses for the first time. The bonuses in this class are marginal in character and always likely to be small but I would remind you that the premiums are very little, if any, greater than those usually charged by other offices for non-participating contracts.

The report and accounts were adopted.

RELAY EXCHANGES LIMITED

The Twelfth Annual General Meeting of Relay Exchanges Limited was held on May 28th at the Connaught Rooms, London, WC, the Right Honourable Sir Walter Womersley, Bart, the Chairman, presiding.

The following is extracted from his statement, which had been circulated with the report and accounts:

It says much for the reputation of the Company and for its treatment of Subscribers in the matter of supplying service that it has been able to maintain progress during 1956 although at a reduced rate.

The profit on trading has increased from £969,197 for the year 1955, to £1,441,813 for 1956. In 1956 £822,958 has been put aside for depreciation, compared with £533,218 in 1955.

Net Profit before Taxation is £478,546, whereas for 1955 it was £330,537 and in 1954 £180,235.

The provision for Taxation which appears as a total sum of £254,216 includes £129,000 as an addition to reserve for equalisation of Taxation, which now becomes £333,000.

In the 1956 Budget the Chancellor terminated Investment Allowances. This has had the effect of reducing the total Investment Allowance from £160,000 in 1955 to £50,000 in 1956, and also accounts for the greater amount set aside for the equalisation of Taxation.

After the provision for taxation, the profit for the year is £224,330 to which must be added the balance brought forward of £65,696, making a gross total of £290,026. Out of this sum, the Directors considered it advisable that a sum of £70,000 be transferred to general reserve, so building that reserve up to a total of £300,000. A dividend of 12½ per cent less tax has been paid and a final dividend of 20 per cent less tax has now been provided for, leaving a balance to be carried forward of £114,783.

The value of the Fixed Assets has risen from £3,519,710 in 1955, to £4,683,722 as at December 31, 1956, an increase of £1,164,012.

The Directors state that reasonable progress was made by the Company in spite of the restrictions directed at slowing up the demand for rental services, and they are able to report a continuance of that progress in 1957, particularly in the renting of Television sets by their rental services operating under the title "Rentaset."

The name "Rentaset" which is the sign under which the Company trades is being more and more recognised as indicative of fair terms and first class maintenance by which means alone it can hope to retain the confidence of the public.

The report and accounts were adopted.

The meeting closed with an expression of thanks to the staff.

COMPAGNIE FINANCIÈRE BELGE DES PÉTROLES "PETROFINA"

BRUSSELS, BELGIUM

AMERICAN SUBSIDIARY FORMED

The Annual General Meeting of Petrofina was held in Brussels on May 10th, and the following are details from the Board of Directors' report.

REVIEW

Events in the course of the last few months have demonstrated the importance of the geographical distribution of interests which the Company has practised for many years.

The Group's investments in 1956 amounted to some Bfrs.4,500 million, and the budget for 1957 makes provisions for a similar sum.

At the Extraordinary General Meeting which was held on March 19, 1956, it was resolved to increase the Company's share capital from Bfrs.1,600 million to Bfrs.2,920 million. The new issue received the customary support from investors and was well subscribed. As in the previous year, 50,000 shares were allocated to the Company's employees.

ACTIVITIES IN AMERICA

The American subsidiary, American Petrofina, was set up on April 18, 1956, secured control of the Panhandle Oil Corporation and increased its capital to a total of $51 million by means of a public share issue. In January, 1957, agreement was reached on taking over the American Liberty Oil Company. Once this operation is completed, American Petrofina will dispose of oil reserves amounting to 4 million tons, an annual refining capacity of 1.25 million tons and a distribution network covering 650 sales points. Its assets will amount to some $90 million, and the Company has high hopes for the future of this subsidiary.

In spite of restrictions imposed in the latter part of the year, consumption showed the following increases on 1955:

4.6 per cent in the United States
14 per cent in Western Europe
24 per cent in Belgium.

Total sales of the Company and its subsidiaries exceeded 6 million tons.

EXPANSION

Canadian production increased by 35 per cent and accounted for 65 per cent of total consumption. Reserves of natural gas are to be exploited shortly when the first part of the Trans-Canada Pipe Line has been completed. Output from Venezuela and Europe was most satisfactory. Prospecting was carried out with success in Mexico, Angola and the Sahara desert.

The Group's refining capacity of 5.5 million tons per year will be doubled by 1960. New installations are being planned in Italy and Germany, and the plant in the United States is being improved. New pipelines are being planned in the Middle East, Europe and the Sahara desert, and efforts were made in all countries last year to expand and consolidate the Company's distribution network.

PROFITS

Net profit for 1956 amounted to Bfrs. 656,120,315 including the balance of Bfrs. 70,383,640 brought forward from the previous year. It is proposed:

- to transfer Bfrs.100 million to the reserves;
- to distribute Bfrs.387 million in the form of a net dividend of Bfrs.110 for each of the Company's 3,520,000 shares;
- to distribute a further Bfrs.60.8 million by way of a net dividend of Bfrs.55 per share in respect of the Company's 1.1 million new shares;
- to make statutory payments amounting to Bfrs.33,722,688;
- to carry forward the balance of Bfrs. 74,367,627.

The report, the accounts and the proposals put forward by the Board were adopted.

LONDON BRICK COMPANY LIMITED

DEMAND FOR ALL PRODUCTS WELL MAINTAINED

ONEROUS BURDEN OF EVER-INCREASING EXPENSES

MR A. T. WORBOYS ON COMPANY'S COMPETITIVE STRENGTH

The fifty-seventh annual general meeting of London Brick Company Limited was held on May 28th in London.

Mr A. T. Worboys, CBE (the Chairman), presided and, in the course of his speech, said:

The Trading Profit and Sundry Income for the year amounted to £2,179,576, compared with £2,352,076 for the preceding year. After providing £400,000 for depreciation and £1,028,479 for taxation and other charges, there remains a net profit of £751,097. To this has been added £311,032 the unappropriated profits at the beginning of the year, and £16,818 for taxation adjustment for previous years, making available a balance of £1,078,947.

After deducting the transfer of £300,000 to General Reserve, the net dividend on the 8 per cent Cumulative Preference Stock and the net interim dividends of 20 per cent on the Ordinary Stock, there remains an amount of £312,047 to be carried forward. The Directors do not recommend the payment of any further dividend for 1956.

FACTORS AFFECTING RESULTS

The decline in trading profits is directly attributable to the continued increase in expenses and to the severe weather conditions encountered in the early part of the year when, to meet the delivery position, we simply had to make bricks irrespective of cost. When addressing you last year I drew particular attention to our policy of price stabilisation upon which we embarked in March, 1954, and maintained unbroken to the end of June last year. I then expressed concern whether, with increasing expenses, this policy could be maintained.

Towards the end of the first six months it became apparent that the weight of these ever-increasing costs was becoming too onerous and, after the most careful consideration, it was regretfully decided that some advance had become inevitable. The price of all our products was therefore raised on July 1, 1956. Some might think that we shouldered and absorbed these additional costs for too long a period, but the result has been that in a period of reduced building activity and growing competition, the demand for all our products has been well maintained and we have, to some extent, contributed towards stabilising the overall cost of building upon which the future of the industry largely depends.

Dealing now with our two Subsidiary Companies, Stewartby Housing Association Limited continues in full operation. With regard to Transformers (Watford) Limited, our manufacturing Subsidiary Company, the factory output has risen considerably during the year and is now approximately three times higher than the figure of five years ago.

The order and contract book has been well maintained and despite the increased output achieved during the year, the orders on hand at the close of the year were as high as at the beginning. Production is already partially covered in some sections as far ahead as July, 1958. The steadily increasing manufacturing facilities based on the natural growth of the electricity supply industry establishes confidence in the future which is felt by all concerned in our manufacturing subsidiary at Watford.

PARENT COMPANY'S ACHIEVEMENTS

Returning to the Parent Company, it is my pleasure to report that once again the output and deliveries of the Company's products were fully maintained throughout the year. Our record daily make now stands at 8,587,369 bricks.

The necessity of maintaining the Company's productive efficiency is always first and foremost in our minds and our Engineering and Research staffs continue to experiment and search for still higher standards in this direction. Our policy of increased mechanisation is being steadily pursued throughout the Company's works.

During the year there has been unusual activity in those departments dealing with land, boring surveys and preparation of land for pit extensions. Many of our old pit areas are nearly worked out and plans are well in hand for extending the clay working areas during this and the next few years.

The output of our facing bricks has steadily increased throughout the year, but neither the art of brickmaking nor this Company can stand still. Only those who are in close touch with the industry realise the ingenuity and patience needed to obtain the mastery of what appears to be such a simple material as clay.

During the year under review building remained at a high level, but there were signs of a slackening in activity towards the year's end. The industry was slow to react to the period of retrenchment brought about by Government monetary policy. Whilst the number of houses built during the year dropped below the record 1955 figure of 317,000, the general level of construction and repair work was maintained at a high level and indeed for the first nine months of the year (for which official figures are available) showed a physical expansion of some 6 per cent.

STRONG COMPETITIVE POSITION

Largely due to our strong competitive position throughout England and Wales, a strong order book was achieved and deliveries were maintained at a high level. Our major sales problem since the war has been to retain the goodwill of our friends throughout the industry at a time when the demand for our products far exceeded the supply. A slight reduction in the national demand, therefore has enabled us to shorten irksome delays in delivery, to improve our service to the sites and to widen our fields of distribution.

PRICE FACTOR

Our competitive strength was not affected by the increase in the price of all our products in July. This was the first advance in the price of our bricks since March, 1954, and it was the inevitable consequence of steadily increasing costs of labour, transport and fuel which could no longer be absorbed.

Our increases ranged from an average of 4s. per thousand on bricks and up to 2d. yard on hollow clay blocks and were generall lower than the advances in the price of com petitive materials. Their infliction on th cost of building was negligible, adding onl £4 to the cost of a three bedroom counc house.

Over the years the policy of price restrain followed by the Company has meant that u to the end of 1956, whilst our basic wage ha risen by 230 per cent since 1939, the work selling price of our common bricks has onl been increased by 120 per cent. The abilit to achieve such a record has been gaine through increased efficiency in every field c the Company's operations.

During the year the deliveries of hollo clay blocks, augmented by the production c our two new plants at Clock House an Warboys, were a new record.

The delivery of field drain pipes in th year was greater than ever before. "Phor pres" pipes are designed to do the jo required of them at the most economic pric and, in spite of increased production, th demand still exceeds the supply.

EFFICIENT TRANSPORT FLEET

The efficient operation of our transpor fleet continues to afford many advantages t our customers and, in spite of bad weathe conditions during the year, the deliveries made by the Company's vehicles reached a all-time record of some 915 million brick and brick equivalents which were conveye over 20½ million road miles. The closin months of the year under review were over shadowed by the fuel crisis and the distribu tion of the Company's products became matter of some concern. We took steps t protect our interests as far as possible an up to date, with the assistance of the appro priate Ministries, we have been able to main tain an efficient delivery service.

TECHNICAL AND RESEARCH

There is hardly any part of the Company' production activities in which our Technica and Research Department has not participate during the past year. The raw materials w use, all the processes of brick and bloc making that we employ, the properties of th finished products we sell and the new pro ducts we are developing have all bee included in our research programme.

CURRENT YEAR'S PROSPECTS

As to the prospects for the current year, do not want in any way to embark upon th role of a prophet. However, I can tell yo that with five months trading behind us, th results so far achieved are quite satisfactor and exceed those for the corresponding perio of last year and compare very favourabl with those recorded for the same period i 1955. Trading conditions are difficult, but the demand holds and nothing of an excep tional nature crosses our path during th second half of the year, then I think you wi be well satisfied and happy when we mee again next year.

The report and accounts were adopted.

HARLAND AND WOLFF, LIMITED

OUTPUT AFFECTED BY LABOUR DISPUTES

SUBSTANTIAL VOLUME OF WORK ON HAND

SIR FREDERICK E. REBBECK ON ESSENTIALS FOR MAXIMUM PRODUCTION

The seventy-second Annual General Meeting of Harland and Wolff, Limited, was held on May 23, 1957, at the registered offices of the Company, Queen's Island, Belfast. Sir Frederick E. Rebbeck, KBE, DSc, DL, Chairman and Managing Director, presided.

The Secretary read the Notice convening the meeting and the Report of the Auditors.

The Chairman said:

Before I comment on the Statement of Accounts and the Directors' Report I wish to refer briefly to the loss the Company sustained by the death of Sir John Craig on February 1st. Sir John was one of the great figures of British industry, and throughout the thirty-two years of his membership of the Board of this Company we had the benefit of his unrivalled knowledge and experience derived from a lifetime of service in the Steel Industry of which he was an acknowledged leader.

As the Statement of Accounts and the Directors' Report have already been in your hands for some time, I propose with your agreement to take them as read. (Agreed.)

TRADING RESULTS

As will be seen from the Group Profit and Loss Account, the Net Profit after Taxation is very similar to the figure for 1955. It is significant, however, that if the balance of profit on settlement of contracts completed in previous years is omitted from both years, the profit attributable to this year's trading shows an improvement. The Directors propose to repeat the Dividend of 10 per cent on the Ordinary Stock, and to add the sum of £530,000 to Reserves and carry forward £16,499 on Profit and Loss Account in the books of the parent Company.

It will be seen that the cash resources of Harland and Wolff have diminished during the year 1956, with corresponding increases in the amounts of Debtors and Work-in-Progress which have risen by more than £3,000,000 as compared with the previous year. This position is attributable in no small measure to the adverse effects of the many labour disputes during the year, particularly during the autumn, which seriously interrupted our construction programme and resulted in delay to a number of vessels due to be launched or delivered before the end of 1956.

The proposed appropriations from profits are in continuation of our financial policy of maintaining necessary reserves to finance the purchase of new plant and machinery and also in times of rising costs of both labour and materials, as at present, to supplement the working Capital required for a very extensive Shipbuilding and Engineering programme.

The tonnage of vessels launched during the year, though substantial, fell short of the anticipated output, due to the incidence of labour disputes to which I have already referred.

The thirteen merchant vessels delivered during 1956 included the passenger steamer *Reina Del Mar* (20,225 tons gross) for The Pacific Steam Navigation Company, the TSS *Duke of Lancaster* and TSS *Duke of Argyll* for the Heysham/Belfast Service of British Railways, and important cargo liners and oil tankers for British and Norwegian owners. Naval vessels completed comprised the Anti-Submarine Frigate *Torquay* and two coastal minesweepers for Her Majesty's Navy, while the Light Fleet Carrier *Bonaventure* for the Royal Canadian Navy was commissioned in January of this year.

NOTABLE ADDITIONS TO ORDER BOOK

I am pleased to be able to report some notable additions to our order book, reference to some of which has already been made in the Press. During the last twelve months we have contracted to build three 20,000 tons passenger and cargo liners for Royal Mail Lines Limited, a 45,000 tons passenger liner for Peninsular & Oriental Steam Navigation Company, a group of five cargo liners for the British India Steam Navigation Company Limited, and a large number of cargo liners, tankers and ore carriers not only for British and Commonwealth companies but also for owners in Norway and the USA. From the Admiralty we have received orders for the construction of two further frigates and a Guided Weapon Destroyer for Her Majesty's Navy; and we have also been entrusted with the work of modernisation and fitting-out of the Light Fleet Carrier *Hercules* for the Indian Navy.

This substantial volume of new work, added to the varied programme of merchant and naval contracts already in hand and on order, should ensure a satisfactory utilisation of our shipbuilding capacity for some time to come. But obviously if our capacity is to be used to the full two conditions must obtain—steel supplies must be geared to our requirements in terms of volume and sequence and in the field of industrial relations, in common with the industry as a whole, we must have a period of stability free from wasteful disputes which prevent the attainment of maximum production.

DIVISIONAL ACTIVITIES

The *Marine Engineering Division* was fully employed throughout the year on the manufacture of the principal types of main propelling and auxiliary machinery for ships building in our own shipyards. As in previous years, we have built a number of main machinery installations for hulls building by other shipbuilders. The high reputation which we enjoy in this important field of activity has been fully maintained, and the volume of work in hand and on order is satisfactory.

In the *Land Engine Division* output continued at a high level. The demand for our standard range of Diesel engines, both naturally aspirated and turbo-charged, continues, and we have secured a number of important orders for units for public service and industry both at home and abroad. Under our arrangement with the Cooper-Bessemer Corporation of Ohio, USA, we have also built a large number of compressor units for a wide range of industrial purposes. Our Scotstoun Works continues to be engaged on important hydro-electric work on behalf of the English Electric Company, on ordnance work for the Admiralty, and on the manufacture of large mechanically-operated power presses for the motor car industry under our arrangement with Danly Machine Specialties, Inc, of Chicago, USA.

The *Electrical Division* was well employed during the year on the installation of electrical systems on board both naval and merchant vessels. The volume of manufacturing work carried out was up to expectations.

The *Steel Construction Division* was fully engaged on a wide range of contracts for the supply and erection of steelwork for buildings and civil engineering projects, outstanding amongst which was the completion of the steelwork for the very large factory at Larne for the British Thomson-Houston Company, Limited.

The Company's Shiprepairing and Engineering Works at London, Liverpool and Southampton have again maintained a high level of activity, and as usual a number of important shiprepairing contracts were also undertaken at Belfast and Glasgow.

TRIBUTE TO STAFF

In conclusion, I wish to extend our thanks to all members of our staff both at home and abroad for the excellent work they have done throughout the year.

The Report and Accounts were adopted; the proposed dividend was approved; the retiring Directors, namely: Mr J. H. McCuaig, Mr C. C. Pounder and Dr Denis Rebbeck were re-elected. Messrs Price Waterhouse and Company were re-appointed Auditors and their remuneration was fixed.

The meeting terminated with a unanimous vote of thanks to the Chair.

E. POLLARD & CO

The forty-fifth annual general meeting of E. Pollard & Company Limited was held on May 24th in London.

Mr H. Edward Pollard (chairman and managing director) presided, and said:

Evidence of the expansion and development of your Group is shown by comparing the value of the net assets, i.e., £1,805,000, with the present Issued Share Capital of £668,855. It is in order to bring the issued Share Capital more into line with the value of the Assets employed that your directors are recommending the Capitalisation of £400,000 of the General Reserve Account and the issuing of one new Ordinary Share for every existing Ordinary Share.

The Group Profits, as a result of a very large increase in Turnover, have reached a record figure of £390,000—an increase of £91,000.

We are again proposing to pay a Capital Dividend; this year of £45,390. This Capital Dividend will not be subject to Income Tax or Surtax. We also propose to pay an Ordinary Dividend of 15 per cent less tax.

The satisfactory results were due to an all-round increase in business. All sections were fully occupied during the year and our resources were able to cope with the very large extra volume of production in spite of the continuing shortage of skilled labour, and our delivery promises and schedules were well maintained.

As regards the future given a fair trade wind, we have the resources, experience and determination necessary for having another prosperous year.

The report was adopted.

HALL ENGINEERING INDUSTRIES, LIMITED

BROADENING SCOPE OF ACTIVITIES

The Second Annual General Meeting of Hall Engineering Industries Limited was held on May 22nd in London, Mr Ernest N. Hall, the Chairman, presiding.

The following is his circulated statement: As was forecast in my statement last June, the Group has completed another successful year.

Despite the still continuing spiral of increased costs and a recession in certain sections of the Engineering Industry, profits have been maintained, due, in large measure, to increased deliveries of the Group's range of products.

Compared with the 1955 results of £873,229, the profits of the year under review are slightly lower at £845,009, and, after making full provision for Taxation on these profits, both in the United Kingdom and Overseas, amounting to £482,410, there remains a profit of £362,599.

The expansion of the Group's activities, both territorially and in its diversity of products, should contribute towards continuing success.

SUBSIDIARY COMPANIES

Hall and Pickles Limited: In all departments at the Sheffield works output increased both in weight and value. The Tool factory had a record year, as did the Mining Tool Section, which produces Rotary Coal Borers and Percussive Rock Drill Bits.

Equally, the Wire Mill, with increased facilities, surpassed the previous year's high level of production of Nickel Chromium electrical resistance alloys and valuable Kanthal alloys used in the domestic appliance industry.

In Canada a steady increase in sales has been achieved in the last year, but the Company is not yet on a profit-earning basis. The activities of the South African Company continue to expand.

Improved Metal Label Company Limited: New extensions and machinery recently installed by this Company have resulted in further increased profits, and fair progress is being made with ventures overseas.

Composite Forging Limited: The recent recession in the motor industry had its effect on the order book for die work during the year and adversely affected the results of the Company. The Directors are, however, confident that the products of the Company will be in increasing demand, and additional new equipment is being installed.

Harry Heath (General Advertisers) Limited: A controlling interest in this Company, which manufactures all kinds of reflector and non-reflector signs, including road signs, was acquired during the year.

The British Reinforced Concrete Engineering Company Limited: During the year, the supply of raw materials became more freely available and, in consequence, the output of mesh increased considerably. In spite of a shortage of reinforcing bars, the output of the Drawing Office increased and further Design Offices were opened in the Provinces. Abroad, the new Bulawayo plant started up in November last, and the capacity of the Johannesburg Works has been extended to deal with the additional demand from that market.

The erection of the Vancouver factory is almost complete and ready for the installation of the machinery, which is expected to go into operation towards the end of May.

The factory for drawing wire, which has been built at Stafford for BRC Steel Limited, in which Company the Lancashire Steel Corporation and ourselves have a joint interest, is now in production.

Chatwood-Milner Limited: Considerable benefit should accrue to the Group following the installation of new plant and equipment and a reorganisation programme at the Shrewsbury and Speke factories. There is a growing order book for this Company's well-known traditional products of security and office equipment, and at the same time the General Engineering Division continues to expand rapidly, large contracts having been secured in connection with the atomic power stations now being constructed.

The turnover of the South African Company has increased, resulting in a modest profit.

PROSPECTS

There are indications that in 1957 profit margins will be lower due to increasing costs and more intensive competition, but I am of the opinion that the steps taken to broaden and expand the scope of the Company's activities should stand it in good stead.

The report was adopted and the total dividend of 10 per cent was approved.

RAND MINES, LIMITED

(INCORPORATED IN THE UNION OF SOUTH AFRICA)

SUMMARISED BALANCE SHEET, 31st DECEMBER, 1956

CAPITAL AND RESERVES		£	£
Share Capital—			
Authorised:	2,200,000 Shares of 5s. each	550,000	
Less held in Reserve	49,005 Shares of 5s. each	12,251	
Issued	2,150,995 Shares of 5s. each		537,749
Revenue Reserves—			
For Investments		7,566,738	
For Exploration		250,000	
For Retiring Gratuities		40,000	
Profit and Loss Account		427,504	
			8,284,242
			8,821,991

PROPERTY AND NET ASSETS	£	£
INVESTMENTS—		
Quoted Shares, Debentures, etc., at Cost or Stock Exchange valuation, whichever is the lower (Market Value—£9,544,718)	7,415,736	
Unquoted Shares, etc. at Cost or Directors' valuation whichever is the lower	654,715	
	8,070,451	
Government and Public Utility Stocks, at Cost	35,084	8,105,535
FIXED ASSETS—		
Trade Investments at Cost		1,186
Freehold Properties, etc.		39,452
Furniture, Plant, Vehicles, Aircraft, etc.		82,622
SUBSIDIARY COMPANIES—		
Shareholdings £71,527, Loans £19,000		90,527
CURRENT ASSETS—		
Stores £11,296; Debtors, Loans and Payments in Advance £105,408; Dividends Receivable £307,959; Cash Deposits Fixed and on Call £534,795; Cash at Bankers and in Hand £112,292	1,071,750	
Deduct: LIABILITIES AND PROVISIONS— Creditors £161,900; Shareholders—Dividends £360,418; Subsidiary Company—Current Account £735; Provision for Claims in respect of Forfeited Dividends £46,008	569,081	502,669
		8,821,991

EXTRACT FROM PROFIT AND LOSS ACCOUNT

	£		£
PROFIT	631,296	*Deduct:* Dividends—Nos. 106 of 2s. 9d. and 107 of 3s. 0d. per share	618,411
BALANCE OF PROFIT AND LOSS ACCOUNT at 31st December, 1955	414,619	BALANCE OF PROFIT AND LOSS ACCOUNT, at 31st December, 1956	427,504
	1,045,915		

The full Report and Accounts may be obtained from the London Secretaries, A. Moir & Co., 4, London Wall Buildings, London, E.C.2.

ALBRIGHT & WILSON LIMITED

SATISFACTORY TRADING RESULTS

CHANGES IN THE GROUP

MR KENNETH H. WILSON'S STATEMENT

The Sixty-Fifth Annual General Meeting of Albright & Wilson Limited was held on May 23rd at Oldbury, near Birmingham.

The Chairman, Mr Kenneth H. Wilson, OBE, JP, presided. The following is an extract from his statement.

GROUP ACCOUNTS

In 1956 the trading profit of the Group rose by more than one-third to £4,416,000, compared with £3,200,000 in 1955. A large part of this increase is attributable to the inclusion of the profits of Marchon Products Limited and its subsidiaries for a full year, against less than two weeks in 1955. If this factor is discounted by adding to the 1955 published Group total the profits of these companies prior to their acquisition, the increase in Group trading profit in 1956 appears as £652,000.

Whilst all companies in the Group succeeded in expanding their sales the pressure of rising costs prevented several of them from earning corresponding increases in profits; indeed, for this reason the trading profit of the parent company fell slightly. On the other hand, the 1956 results of Midland Silicones Limited showed a marked improvement following the elimination of initial manufacturing difficulties, and Marchon Products Limited, together with its subsidiary, Solway Chemicals Limited, showed considerable increases in sales and profits.

The total tax charge of £1,262,000 is £342,000 higher than in 1955. After allowing for this the net profit attributable to the stockholders of Albright and Wilson Limited was £1,203,000, or £344,000 more than in 1955. As forecast at the time of the rights issue of November, 1955, the accounts show a total ordinary dividend of 18 per cent in respect of 1956, made up of a first interim of 5 per cent paid in September and a second interim of 13 per cent payable on May 8th, which it is proposed should be confirmed as final.

In 1956 total capital expenditure by the Group amounted to more than £2,500,000, of which about half was devoted to expansion in Canada.

UNITED KINGDOM COMPANIES

The parent company during 1956 experienced heavy increases in manufacturing costs. Most remarkably the freight on phosphate rock, under the stress of increased shipments of coal across the Atlantic, and the Suez crisis, reached a new peak towards the end of the year. Faced with these and other increased charges we paid particular attention during the year to improving our operating efficiencies, and I am pleased to report that significant economies in the use of power and raw materials have resulted.

Marchon Products and Solway Chemicals had a good year. 1956 was the first full year of operation for Solway, which produces sulphuric acid and cement from anhydrite. I am glad to report that their plant has operated satisfactorily, and that the first full year's production of sulphuric acid and cement was at 90 per cent of rated capacity. Marchon have increased their sales to the detergent and cosmetic industries, and are continuing to expand production facilities.

There was a marked improvement during 1956 in the trading results for Midland Silicones Limited, despite increasingly severe competition from both home and foreign sources. Capacity in this country is still substantially greater than demand, but the market continues to develop at a satisfactory rate, and we are maintaining our position as the leading United Kingdom suppliers. The forecast for 1957 is that the volume of sales will grow, and results so far have confirmed this expectation.

OVERSEAS COMPANIES

The most important development in our overseas interests in the year under review was the amalgamation of Oldbury Electro-Chemical Company with Hooker Electro-chemical Company, a large and progressive concern with five factories in the United States. Hooker acquired the entire share capital of our subsidiary and Albright & Wilson obtained common stock in Hooker worth £5,490,000. Despite keen regret at parting company with our oldest subsidiary we are confident that the change will prove to be in the best interests of the Group. We had been conscious for some time of our vulnerability in markets dominated by much larger concerns and of increasing difficulty in generating in the United States new funds commensurate with the opportunities for expansion. Plans for heavy capital investment in the United Kingdom and in Canada emphasised the need for some concentration of resources.

Electric Reduction Company of Canada Limited had a busy year. Sales of all major products increased and profit was also higher. At Buckingham, our original works in Canada, phosphorus output was reduced in accordance with the plan to transfer production to our new plant at Varennes. At the same time the output of the other processes at Buckingham was increased and, in particular, the production of sodium chlorate. The construction of the factory at Vancouver was the main object of our capital expenditure and technical effort in Canada during 1956, and production began as planned, in the first quarter of this year.

Sales and profits of our Australian company showed a satisfactory increase for the year, despite very heavy additions to costs, and the re-imposition of import restrictions.

ORGANISATION

In order to improve flexibility and control in the management of Group affairs the Board has decided to reorganise the structure of the group of companies under its control. At present, Albright & Wilson carries on manufacturing activities and also acts as the Group holding company. It has now been decided to transfer the manufacturing assets and activities to a wholly owned subsidiary, leaving Albright & Wilson to concentrate entirely on Group affairs. The necessary steps to implement this decision are being taken.

PROSPECT FOR 1957

The forecast for 1957 is that Group sales will continue to expand, and that given reasonably stable economic conditions the profit from our manufacturing activities will also rise. On the other hand, Group profit as a whole is expected to show little change, since only the distributed profit on our investment in Hooker will be shown, instead of the whole profit of Oldbury Electro-Chemical Company hitherto included. We plan to spend in 1957 about £3 million on projects due for completion during the next two or three years, in the belief that it is only by sustaining our rate of expansion that we shall maintain our position in an industry notable for its achievements since the war and for its promise of future growth.

The report and accounts were adopted, and the retiring directors, Mr W. B. Albright, Mr R. E. Threlfall, and Mr J. C. Wilson, were re-elected.

At the Extraordinary General Meeting which followed a Special Resolution was passed, altering the Company's Memorandum of Association so as to empower the company to enter into guarantees in order to facilitate the financing of subsidiary companies in the Group.

GENERAL LIGHTERAGE (HOLDINGS)

(Transport and Storage)

The annual general meeting of General Lighterage (Holdings) Limited was held on May 24th in London. The chairman, Mr P. S. Henman, in his statement, said that the year had been one of ceaseless activity, with expanding revenue, increasing costs and often finer profit margins, but despite the Middle East situation the Group had emerged with trading profits which exceeded those of the preceding year.

Profit Summary

1955 £		1956 £
1,603,802	Capital employed	2,008,68
2,001,343	Gross receipts	2,378,20
374,297	Group profit	420,90
109,077	Depreciation	132,52
134,336	Taxation.....	146,94
130,884	Net profit.....	141,44
14,016	Preference dividend ..	14,01
44,248	(Eq. 10 5-14th%) Ord. dividend* (11%)...	50,20
72,620	Retained profit	77,22

* *Plus a 1½ per cent, tax free, distribution of capital profits in respect of* 1956.

A steady expansion in facilities had taken place, with the introduction of bulk haulage vehicles, the acquisition of two barge fleets and the opening of three new warehouses. The Group had made a promising beginning of the new trading year.

The report and accounts were adopted, and a special resolution was passed that the name of the company be changed to Transport Development Group Limited.

"SHELL" TRANSPORT & TRADING CO., LTD.

ANNUAL MEETING

The annual general meeting of The "Shell" Transport and Trading Company, Limited, was held on May 29th in London.

The Right Honourable Lord Godber, chairman, in the course of his speech, said:

I mentioned in my Statement that supplies of oil to Europe had been materially better than could have been reasonably forecast in the emergency caused by the closure of the Suez Canal. Since then, the position has further improved and, with one or two exceptions, all outstanding restrictions on consumption in European countries have now been rescinded. As far as this country is concerned, petrol rationing has happily ended.

WIDESPREAD OPERATIONS

For us, the Suez crisis has demonstrated in a very practical manner the strength and resilience derived from the wide spread of our operations. So far as crude oil is concerned, the major areas of production in the world are few in number. In fact, the USA, the Middle East and Venezuela together accounted for almost 90 per cent of the free world's production in 1956. Our Group is well represented in each of these areas. Moreover, quite substantial quantities were also derived from the Far East and from such widely separated countries as Canada, Colombia, Trinidad, as well as the Netherlands and a few other countries. The Group is indeed second to none in the diversity of its crude oil sources.

From these sources Group companies carry their oil supplies for manufacture and sale in almost every country of the free world, and the Group's earnings are divided, broadly speaking, in equal proportions between the Western and Eastern Hemispheres.

Just as the flexibility of the industry enabled supplies to Europe during the past few months to be better than expected, so the flexibility afforded by the Group's world wide resources enabled us to make a major contribution to that achievement.

CURRENT YEAR'S RESULTS

I am glad to say that as a consequence of all this our financial results for the first quarter of 1957 have continued the upward trend of recent years.

Net income for the three months ended March 31, 1957, amounted to £51.7 million after deduction of estimated taxation for the period; this compares with a figure of £40.7 million for the same period of 1956.

The enhanced income is attributable partly to higher earnings by Shell Oil Company in the United States and to a material increase in output in Venezuela, where production of crude oil available to the Group averaged some 960,000 barrels a day in the first quarter of 1957, compared with some 750,000 barrels a day in the corresponding period last year.

I also referred in my Statement to the study which was being made by members of the international oil industry of the best ways and means of transporting increasing quantities of Middle East oil by pipeline. Meanwhile a continuing group has been set up which will give the necessary detailed study to the many intricate problems involved. These will be pursued with as much speed as possible so that the project, as ultimately defined, can be discussed with the appropriate governments.

The report was adopted.

LONDON ASIATIC RUBBER

The Annual General Meeting of The London Asiatic Rubber and Produce Company Limited will be held on June 17th in London.

The following is an abstract of the address of the Chairman, Sir Eric Macfadyen, circulated with the report and accounts:

The output of 13,657,800 lb compared with 13,189,830 lb for 1955 and 12,238,539 lb for 1954. We may look to see the upward trend continue as more of our postwar pedigree areas come into bearing (output in 1957 should approximate 15 million lb). The profit before taxation was £630,433. Taxation (other than export duty) absorbed 47.69 per cent of this, £300,662, leaving us with £329,771. We transfer £131,047 to Replacement Reserve and £25,000 to Capital General Reserve and then recommend the payment of a 17½ per cent final dividend, making 22½ per cent in all for the year.

You were advised by circular dated April 26th last of the offer the Board had made for the issued capital of Bukit Kajang Rubber Estates Limited. We received acceptances from the holders of over 96 per cent of the capital and we are taking steps under the relevant provisions of the Companies Acts to acquire the remainder. In addition to that Company's three properties comprising in all 4,647 acres, we acquire control of surplus liquid assets which represent over 10s. per Bukit Kajang share.

Since 1948 we have replanted, or new planted, 900 acres a year on average. The tempo has been accelerating as security conditions improved: in 1955, 1,571, and 1956, 2,130 acres.

BRITISH ROPES LIMITED

CONTINUED PROGRESS

The thirty-fifth annual general meeting of British Ropes Limited was held on May 29th in London.

Mr Herbert Smith (the chairman), in the course of his speech, said: The accounts again disclose a satisfactory year's trading. The group profits for the year, before charging depreciation and auditors' remuneration at £2,676,000 compared wth £2,321,000 for the prevous year and the increase of £355,000 reflects the continuing progress made by your company. The heavy burden of taxation has this year absorbed an even higher proportion of the profits. Your directors have transferred £450,000 to General Reserves and have decided to recommend a final dividend of 13 per cent on the Ordinary Stock making a total of 17 per cent for the year, compared with 16 per cent for the previous year.

Our export business, which now amounts to something like 20 per cent of our total trade, has increased during the year under review.

So far as our Home Trade in wire rope is concerned there has been a steady increase in sales totals, both as to tonnage and value, though Government Departments bought on a reduced scale. Demand from the Fishing and Shipping Trades has improved somewhat, and General Engineering provides a fairly constant market for ropes.

As regards the Wire Section of your company, this has shown a very definite improvement in sales tonnage, and has particularly expanded in the Export Market.

The report and accounts were adopted.

SCHWEPPES LIMITED

THE HONOURABLE R. HANNING PHILIPPS ON ANOTHER SUCCESSFUL YEAR

DIFFICULT TRADING CONDITIONS SURMOUNTED

The sixtieth annual general meeting of Schweppes Limited was held on May 30th in London, The Honourable R. Hanning Philipps, MBE (the chairman) presiding.

The following is an extract from his circulated statement:

A year ago I predicted that we should have a struggle to maintain our Schweppes Home profits at the 1955 level. This prediction assumed at least an ordinary summer and no exceptional change in the upward curve of rising costs. In the event we had no summer at all, in fact it was the worst for 50 years and in the autumn our distributon costs were increased by the introduction of petrol rationing and the higher price of fuel. Despite these unexpected troubles we have held our Schweppes Home net profit before taxation at £1,114,340, compared with £1,109,604 in 1955. This, I think, is a remarkable achievement and reflects the resiliency of our business. In fact, the Home sales of Schweppes products fell heavily in the key months of July, August and September, yet they finished the year 7.7 per cent above the total for the year 1955. And these satisfactory results were achieved once again without any increases in our prices during the year.

In 1957, with the exception of a modest adjustment in the price of our syphon Soda Water we are continuing to hold the prices of our Schweppes minerals at the level ruling in 1948.

Your Board recommend a final dividend of 12½ per cent on the increased Ordinary capital now amounting to a total of £2,267,000.

This payment with the interim payment of 5 per cent costs £222,021 and is covered approximately two and a half times by the year's profit after paying the large sum in taxation of £561,633.

CONSOLIDATED PROFITS

The Schweppes Consolidated profits which cover the overseas as well as the home operations do not compare as favourably with the 1955 figure as do the Home profits. The consolidated net profit before taxation amounted to £1,211,116 compared with £1,371,675 in 1955. This less favourable situation for the organisation as a whole is mainly attributable to two of our home subsidiaries, Kia-Ora Limited and Pepsi-Cola Bottling Company (London), and our American subsidiary. Sales of both the Kia-Ora products and Pepsi-Cola are much more sensitive to changes in the weather and they both suffered very severely from the bad summer.

HOME DEVELOPMENT

During 1956 we doubled the Kia-Ora Suncrush plant at our Aintree factory and completed the extra fruit juice bottling line at Manchester and Colwall.

The new Brislington factory near Bristol put in hand in 1955, is now completed and will shortly be in production. We have recently purchased Stock Depots at Llandudno and Aberdeen which will be in full operation this coming summer; and we are planning to open three further depots at Carmarthen, Middlesbrough and Romford.

PEPSI-COLA BOTTLING COMPANY (LONDON)

In 1957 the first three months' sales have shown substantial increases and there is some evidence that the long and costly merchandising effort we have put behind this product is now beginning to bear fruit. We opened up the Bristol area at the beginning of April and are taking over the existing Newcastle on Tyne bottling plant.

OVERSEAS FRANCHISES

USA.—We suffered an important setback in 1956, when the Bottler handling New York, which is our most important market, met with a prolonged "strike" at the height of our selling season in June and July. As a result we not only disappointed our customers but failed to benefit from our continued heavy charges for advertising our Tonic Water. This very serious blow prevented the realisation of the hope I expressed in my 1954 review that, in the USA, we should break even in 1956.

However, the sales of Schweppes (USA) Limited for the first three months of this year show substantial increases over last year, and suggest that the current year will be very much better.

Canada.—Sales in Canada continue to expand and it seems reasonable to expect that the Canadian Company will shortly be making trading profits.

Of the two other Franchises operated in conjunction with the Pepsi-Cola Corporation, the Venezuelan operation is progressing well, but in Mexico we are so far disappointed with the sales.

Outside the Americas our Franchises are progressing with varying degrees of success, but I would especially mention Belgium and France, Malta and Hong Kong, in all of which countries we have increased sales substantially to the benefit both of the local Franchise Bottler and ourselves.

During the year arrangements were made for a Franchise in Italy and this is now in operation from Milan. In Portugal technical difficulties arising from local laws have delayed the opening of our Franchise, but we expect it to be working shortly.

I am glad to report that up to the time of Easter this year Home sales of our Schweppes products have increased by 15 per cent over 1956.

The report and accounts were adopted.

THE KLABANG RUBBER COMPANY LIMITED

SIR JOHN D. BARLOW'S SPEECH

The Thirty-Seventh Annual General Meeting of The Klabang Rubber Company Limited, was held on May 28th at Plantation House, London.

Sir John D. Barlow, Bart, MP, the Chairman, in the course of his speech said: The profit for 1956 was £20,236 compared with £29,843 last year. United Kingdom and Malayan Taxation requires £7,900. The transfer to Replanting Reserve is £6,500. An Interim Dividend of 1s. per share (5 per cent) less Income Tax was paid on May 14, 1957, and required £5,750. No further dividend is proposed in respect of 1956. The carry forward is £14,161, slightly more than the previous year.

A Special Capital Distribution of 1s. per share was paid at the same time as the dividend of 1s. per share. This Capital Distribution is exempt from Income Tax and was paid from the Capital Realisation Surplus Account which has been reduced to £12,473.

The output of rubber was 777,000 lb, slightly more than the previous year.

REPLANTING

During the year 150 acres were replanted. Since 1948 we have replanted 1,378 acres. With the areas planted just before the war, over 50 per cent of the planted area on the estates is under high yielding material. It is disappointing that the 1948 and 1949 replantings on Klabang Estate are not in bearing yet, but it seems to be a common failing of replanted rubber in the district. When the replants come into bearing, we can expect good crops, judging by present yields of budded rubber on our estates and we should soon be harvesting annual crops of 1 million lb and over. No replanting is to be undertaken in 1957 and it is planned to replant a small area in 1958.

COMPANY'S INVESTMENTS

The Company has invested in Government Securities £35,603 which earned an income of £1,405 and £20,729 in Produce Company Investments, which gave a gross dividend of £3,483 or 17 per cent on the original cost of the shares. The Produce Company Investments consist of shares in seven Rubber Companies which cost £11,820 and in the Tea Companies which cost £8,909.

We are continuing our policy of extending the Company's Investments as opportunity occurs.

During the last two years there has been a change from overproduction of natural rubber, to a position where all the natural rubber produced is required. This is an encouraging development.

RECORD WORLD PRODUCTION

World production of natural and synthetic rubber in 1956 reached the all time record of 3,135,000 tons. Natural rubber accounted for 1,925,000 tons and the rest was synthetic. Figures for 1957 show that probably 3,165,000 tons of natural and synthetic will be produced; with production and consumption of the two types of rubber evenly balanced.

Each year the demand for rubber increases. It has been estimated that by 1965 the annual consumption of rubber will be approximately 4 million tons. Probably 2 million tons will be natural rubber and the other half of the world's production will be synthetic rubber. By giving close attention to methods of reducing our costs of production and by continuing research into the uses of natural rubber, we will ensure that our product remains competitive with the man made synthetic rubbers.

BUDGET TAX RELIEF

The recent budget announcement of the Chancellor of the Exchequer giving relief from UK tax to companies, which operate abroad, is a most welcome tax concession. I have been urging the British Government to adopt this tax procedure for several years.

Until the provisions of the Finance Bill now before Parliament have become law, it is difficult to determine exactly what saving of tax, if any, can be expected by this Company. It must be appreciated that under existing laws the cost of replanting and upkeep of immature areas are allowed as an expense for tax and consequently with a large replanting programme on hand, the Company's tax liability is relatively small.

MALAYA'S INDEPENDENCE

On August 31, 1957, Malaya will be granted Independence. This will be an important milestone in the history of the country. With half its people under 21 years old and with four-fifths of the country, which is the same size as England, still under jungle, Malaya has great scope for development. The prices of rubber and tin—the two main products of the country—are high and Malaya is now the most prosperous country in SE Asia. We all wish Tungku Abdul Rahman every success in leading his country as an independent nation in the Commonwealth.

The Report and Accounts were adopted.

VAB PRODUCTS LIMITED

A SATISFACTORY ACHIEVEMENT

The twentieth annual general meeting of Vab Products Limited was held on May 23 in London.

Mr Iver Lloyd, AMIAE, FCS, MInstBE (the chairman), presided and, in the course of his speech, said:

The Accounts disclose that the Profits of the Group, before providing for Taxation, amounted to £35,904 for the year ended December 31, 1956, compared with £45,583 for the previous year. After providing for Taxation, the available profits for 1956 were £18,692, against £17,783 for the year 1955.

The incidence of Taxation still continues to be a drain on the resources of your Company. From the profit earned, about 50 per cent is due to be paid in Taxes, and we still have Purchase Tax on a number of our manufactured products, which is bound to react on sales.

The Group Profits carried forward at December 31, 1956, increased to £35,314, against £32,577 brought forward from last year, and the Capital Reserves have increased from £83,749 to £91,470. I think you will regard this as a satisfactory achievement, since conditions remained difficult throughout most of the year. In spite of very fierce competition which your principal subsidiary Companies experienced, output and turnover were increased, and this has to some extent offset the lower Net Profits of your other subsidiary Companies which were affected by the fluctuating conditions in the metal market, in spite of which the Company's products were sold at stabilised selling prices.

The turnover continues to increase during the first four months of 1957, and if this is maintained the results for the current year should be pleasing to you.

We are now actively developing new lines which I have every reason to believe will contribute to the expansion of your Company. The results of these may not be reflected during the current year, but I look forward to the future with every confidence.

Your Directors are pleased to recommend a Final Dividend of 7½ per cent, less Income Tax, for the year, which, with the Interim of 2½ per cent already paid, makes a total of 10 per cent for the year 1956.

The report was unanimously adopted.

LISBON ELECTRIC TRAMWAYS

LORD RATHCAVAN ON YEAR'S OPERATIONS

The annual general meeting of Lisbon Electric Tramways, *Limited*, will be held on June 26th in London.

The following is an extract from the circulated statement of the Chairman, The Right Honourable the Lord Rathcavan:

The total number of fare-paying passengers carried on our vehicles continued to increase, despite the fact that tram passengers declined very slightly. In 1956 passengers carried totalled 363,728,000 as compared with 357,410,745 in 1955, an increase of 6,317,255, or 1.76 per cent, whilst the mileage run by our vehicles (comprising both trams and buses) at 29,821,712 compared with 28,843,992 in 1955 shows an increase of 977,720, or 3.39 per cent.

Once again, although revenue has increased, expenses have also risen appreciably. The major part is accounted for by an increase in wages. The higher wages which we shall be paying in 1957 are bound to affect our net revenue adversely and may mean that we shall not have available sufficient to cover the usual ordinary dividend. If this should happen, we rely upon the Authorities in Portugal to help us towards a solution which will resolve our difficulties and enable us to do justice to the shareholders and to finance and to maintain the high degree of service which we now extend to the expanding City of Lisbon.

The year's operations show a profit of £75,283. This profit, together with the balance of £72,738 brought forward, gives a total of £148,021.

The Preference Dividend and Ordinary Dividend of 6½ per cent net for the year absorb £76,499, leaving to carry forward a balance of £71,522.

APPOINTMENTS

BRITISH OVERSEAS AIRWAYS CORPORATION require a number of Station Officer Trainees to commence duty in September 1957. Training, which will be for a period of up to three years during which salary will range from £550 to £675 per annum, will cover specialised work, such as passenger and cargo handling and operational flight watch, and also some aspects of general management. Applicants must be under 25 years of age, have finished their National Service, and be prepared to serve mainly overseas. The minimum educational qualification is General Certificate of Education at Advanced Level and, in addition, the Corporation will look for the personal qualities essential to overseas representation and ultimate management.—Applications, giving full personal particulars, should be submitted to *Staff Manager, Ground Services, B.O.A.C. Headquarters, London Airport.*

H.M. TREASURY: The Civil Service Commissioners invite *applications for at least two posts of* ECONOMIC ASSISTANT. The appointments are initially for five years (or less by arrangement).

Age at least 21 and preferably under 30 on July 1, 1957.

Candidates must have at least a Second-class Honours degree in Economics or a *related subject*. Applications will be considered from those taking their degrees this summer.

Salary (according to age and *experience*): £605-£1,055 (men); £605-£980 (women). Women's pay being improved to reach equality with men's by 1961.

F.S.S.U. applies.

Particulars and application form from Secretary, Civil Service Commission, 6 Burlington Gardens, London, W.1, quoting No. 4715/57/T. Completed application forms *should be returned* by June 19, 1957.

ASSISTANT TO COMMERCIAL MANAGER ORB A DEPARTMENT WANTED. SOME KNOWLEDGE OF *GERMAN ESSENTIAL. GOOD PROSPECTS FOR* YOUNG MAN WITH DRIVE AND INITIATIVE.—BOX 700.

WOMAN GRADUATE wanted to *edit* Works Magazine and to assist in running Works Library. West London district. Experience of office routine desirable.—Please apply, giving age, *education and relevant experience*, to Box 704.

UNIVERSITY OF OXFORD

The Readership in Commonwealth Government will fall vacant on June 30, 1957. The electors *invite applications*, in eight copies, naming three referees, but without testimonials, to be received by the Registrar (from whom further particulars may be obtained) by July 4, 1957. The present stipend (under review) is on the scale £1,400 to £1,650. The reader will be required to lecture or give instruction on Commonwealth Government in two at least of the three University terms, and to join the F.S.S.U.

THE UNIVERSITY OF MANCHESTER

RESEARCH STUDENTSHIPS AND RESEARCH GRANTS IN ECONOMIC AND SOCIAL STUDIES

Applications are invited for the above studentships and grants, tenable for one year in the first instance, and renewable for a further period not exceeding two years. The *studentships* are normally of the value of £350 or £400 per annum. They are intended for candidates who have obtained the degree of Bachelor or Master in this or any other *approved University*.—Applications should be sent not later than July 1, 1957, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER in AGRICULTURAL ECONOMICS. The salary scale is at present *under review, and is expected* to be £700 to £850 per annum. Membership of F.S.S.U. and Children's Allowance Scheme.—Applications should be sent not later than June 22, 1957, to the *Registrar*, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

THE UNIVERSITY OF SHEFFIELD

Applications are invited for a post of ASSISTANT *LECTURER in the DEPARTMENT OF ECONOMICS* to teach Economic History mediaeval and early modern, to begin duties on October 1, 1957. A new *salary scale is to be introduced and is expected to be* £700 x £50 to £850, with F.S.S.U. provision and family allowance.—Further particulars may be obtained from the Registrar to whom applications *(four copies), including* the names and addresses of three referees, should be sent by June 26, 1957.

AUSTRALIA—UNIVERSITY OF MELBOURNE

Applications are invited for a position of LECTURER IN ECONOMIC HISTORY.

The appointee will be expected to commence duty not later than March 1, 1958. Preference will be given to candidates having a particular interest in Australian economic history.

The salary will be £A1,300 to £A1,800 per annum according to qualifications, with annual increments of £50.

Superannuation is similar to F.S.S.U.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

The closing *date* for the receipt of applications, in Australia and London, is July 15, 1957.

HOME OFFICE: RESEARCH OFFICER. The Civil Service Commissioners invite applications for at least one post in London for period of three to five years. Appointments may be renewed.

Duties comprise research on Home Office and Prison *Commission subjects, particularly* on causes of delinquency and treatment of offenders.

Age normally at least 30 on April 1, 1957, but candi*dates under that age may be considered* exceptionally. Candidates must have had sound practical experience in organisation of social or psychological research or research *in analogous field. They must have a University degree*, preferably but not necessarily including law, sociology, psychology or statistics, or an appropiate professional qualification. Some knowledge of *modern statistical* theory and methods desirable.

Salary (men) £1,375 to £1,950 (lower if appointed under the age of 30). Exceptionally starting pay above *minimum*. Women's pay somewhat lower but being improved to reach equality with men's in 1961.

F.S.S.U. applies.

Further particulars and application form from Secretary, Civil Service Commission, 6 Burlington Gardens, London, W.1, quoting No. 4716/57/T.

Application forms should be returned by June 18, 1957.

STATISTICIAN is required by Tube Investments, Ltd., for its operational research team. This is an excellent opportunity for a fully qualified mathematical statistician to take part in interesting work that will broaden his experience and offer wider opportunities for advancement. An attractive salary is offered. Contributory Pension Scheme.—Full details to Personnel Manager, T.I. (Group Services) Ltd., Rocky Lane Aston, Birmingham, 6.

ORGANISATION AND METHODS

SENIOR ASSISTANTS AND GRADUATE TRAINEES

A large organisation which is expanding its O. and M. work for the improvement of administrative services, requires two senior assistants (*aged* 28 to 33) with at least four years' experience in this field, and four graduate trainees (aged 21 to 24).

First-class opportunities for promotion to senior executive positions in O. and M. or in other management spheres are in prospect for men of *the right calibre.*

Training will be given in O. and M. techniques and in the application of electronic computers for business purposes. Training will be individually designed for the development of each man. Candidates should preferably have knowledge of mathematics up to G.C.E. "A" level.

Commencing salaries: Senior Assistants, £1,000 to £1,250; Graduate Trainees, £550 to £700 (according to ability).

Place of employment: Industrial establishments in the provinces or London as required.

Apply in strictest confidence to Box 709.

UNIVERSITY OF DURHAM

Applications are invited for the post of Assistant Appointments Officer. The person appointed will be chiefly concerned with students and graduates in Arts and cognate subjects. Possession of a degree and experience of work in a field in which Arts graduates are commonly employed are essential. Starting salary will be within the *range* for University Lecturers (initially £900 to £1,450) together with membership of F.S.S.U.—Further *particulars* of the post may be obtained from the Registrar of the University at 46 North Bailey, Durham, with whom twelve copies of applications should be lodged not later than Saturday, June 15, 1957. (Candidates outside the British Isles may *submit one copy only.*)

HERTFORDSHIRE COUNTY COUNCIL

NORTH HERTS TECHNICAL COLLEGE

Principal: F. W. Kellaway, B.Sc., Dip.Ed.

Applications are invited for the post of Head of Department of *Mathematics*, Grade II, vacant through the promotion of the present holder to a Principalship.

Salary according to Burnham Scale £1,400 to £1,600. Duties to be taken up as *soon* as possible and not later than January 1, 1958.

Further particulars may be obtained by sending a stamped addressed foolscap envelope to The Principal, North Herts Technical College, Letchworth, to whom applications should be *sent* by June 15, 1957.

UNIVERSITY COLLEGE OF THE WEST INDIES

Applications are invited for appointment to research staff of Institute of Social and Economic Research from persons with good honours degree in economics and interest in economic analysis. Investigations may be made in any part of the British Caribbean territories. *Appointment* will be in one of the following grades according to qualifications and experience.

Junior Research Fellow £750 x £50—£850 p.a.
Research Fellow £900 x £50—£1,200 x £50—£1,600 p.a.
Senior Research Fellow £1,300 x £50—£1,500 p.a.
Child allowance. F.S.S.U. Unfurnished accommodation at rental of 5 per cent basic salary or allowance in lieu. Duties to be assumed as early as possible. Appointment for 3 years in first instance. *Passages* for appointee and family (maximum 5 passages).

Applications (6 copies) detailing qualifications and experience and naming 3 referees by June 29, 1957, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

INFORMATION OFFICER CLASS IN THE CIVIL SERVICE

The Civil Service Commissioners invite applications for pensionable appointments as Principal Information Officer (about six), Senior Information Officer (about 20), Information Officer (about 47) and Assistant Information Officer (about 25) in various Government Departments. Vacancies mainly in London.

All the posts call for a good standard of general *education*, a lively *interest in current affairs*, and a wide general knowledge. For posts in the basic and higher grades a good publicity sense and organising ability are essential. Some knowledge of Government organisation will be an advantage. In addition candidates are required to have experience, varying in degree according to the grading of the post, of one or more of the following fields: general publicity work, journalism and book and picture editing, exhibitions, *documentary films, social* research, preparation of reference material, illustration research, advertising, art and design, tours.

Salary scales (in London):

Principal Information Officer—£1,635 to £1,845 (men); £1,508 to £1,722 (women). Senior Information Officer—£1,285 to £1,530 (men); £1,191 to £1,408 (women). *Information Officer*—£1,055 to £1,225 (men); £967 to £1,129 (women). Assistant Information Officer—Salary on entry ranges from £365 at age 18 to £625 (men) or £605 (women) at age 25, *thence rising* to £1,000 (men) or £910 (women).

Salaries outside London somewhat less. Starting pay above minimum *in certain cases*. Women's pay where lower than men's being improved to reach equality with men's by 1961. Five-day week generally. Prospects of promotion.

Particulars and application forms from Secretary, Civil Service Commission, 6 Burlington Gardens, London, W.1, quoting No. *76/57/9*; completed *application forms* should be returned by June 6, 1957.

ECONOMICS AND MARKET RESEARCH DEPARTMENT in large steel company requires a senior research assistant. This is a responsible post requiring initiative and the work is interesting and varied. It involves both desk research and the collecting of information by interview. Good prospects for advancement within the Company for a man of the right calibre. Applicants should have an appropriate university degree *some experience in this type of work and a knowledge of* applied statistics. Age preferably not over 30.—Application to Central Staffing Department, Richard Thomas & *Baldwins Limited*, 47 Park Street, London, W.1.

A LIFE OFFICE requires at its Head Office in London an ACTUARIAL STUDENT who has already passed several sections of *Part I or Part II of the* Institute or Faculty examinations. Our own staff have been notified of this advertisement.—Apply Box 705.

AUSTRALIAN NATIONAL UNIVERSITY

CANBERRA

RESEARCH SCHOOL OF SOCIAL SCIENCES

Applications are invited for appointment as RESEARCH FELLOW IN THE DEPARTMENT OF SOCIAL PHILOSOPHY.

Other things being equal, preference will be given to a person whose main interests lie within the field of Political and Social Theory, but this is not decisive and the University will be glad to receive applications from philosophers who desire to carry on research in other branches of philosophy as applied, are expected to *have* had experience in postgraduate work.

Salaries of Research Fellows are at present within the range of £A1,224 to £1,824, but the *Council of the* University at its next session will consider whether the The appointment will be for three years, with a possible extension to the *maximum of five years. Reasonable* removal expenses will be paid, and superannuation on the F.S.S.U. pattern is applied.

Further details should be obtained from the *Secretary*, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close in Australia and London on July 1, 1957.

NOTTINGHAM AND DISTRICT TECHNICAL COLLEGE

SHAKESPEARE STREET, NOTTINGHAM

Applications are invited for the post of LECTURER IN ENGLISH STUDIES, with Work Study experience.

Salary in accordance with the Burnham Technical Scale as follows: £1,230 rising by annual increments of £30 to £1,380 per annum.

The policy of the College is to encourage staff and students to undertake research work, an appreciable amount being *in progress* at the *present time*.

Further particulars and form of *application* may be obtained from the Principal. Completed forms should be returned not later than June 11, 1957.

UNIVERSITY COLLEGE OF GHANA

Applications are invited for Research Fellowship in Economics, tenable for one year in first instance, research into some aspect of Ghana economy. Salary *range* £960 to £1,600 p.a. Outfit allowance £30. Family allowance £100 p.a. per child (maximum £500 p.a.). F.S.S.U. Passages for appointee, wife and maximum of five children. *Part-furnished* accommodation at rent not exceeding 7.5 per cent of salary.

Detailed applications (six copies), naming three *referees, by June 28, 1957, to Secretary, Inter-University Council for Higher Education Overseas*, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

THE ECONOMIST JUNE 1, 1957

APPOINTMENTS

GOVERNMENT OF UGANDA

Male Labour Officer, between 30 and 35, required control conditions of employment, assist in conciliation work, take part in establishment and operation of industrial relations machinery. University degree desirable, but non-graduates with, preferably, some academic qualification relevant to labour problems considered. Experience of *administration and organisation, preferably* with persons in employment, essential. Post permanent and pensionable. *Salary* scale £879 to £1,617. Outfit allowance. Quarters at low rental. Free passages tour of service 30-36 months. Generous home leave. Low income Tax.—*Further particulars* and application forms from Director of Recruitment, Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1, quoting BCD.132/9/04. *Closing* date for receipt of initial enquiries June 21, 1957.

PRODUCTION MANAGER

VENESTA LIMITED require a Production Manager for their Aluminium Foil Factory in East London. Applicants should be between 30 and 40 years of age, be Associate Members of the Institution of Mechanical Engineers or hold an equivalent qualification. Previous experience as a Production Manager in a batch production factory is essential. Experience of the flexible *packaging industry is desirable*. The starting salary will be about £1,600 a year but a higher figure will be considered for an exceptionally well-*qualified candidate.—Applications*, which should state age and include full details of qualifications and experience, should be addressed to the *Personnel Manager, Venesta Limited, North* Woolwich Road, Silvertown, E.16.

INVESTMENT SUPERVISION IN CANADA

Leading Canadian trust company has attractive positions for men (aged 30-45) with experience in the supervision of investment portfolios and capable of analysing financial statements and industrial trends.

Persons interested are invited to submit detailed accounts of their background and experience, giving names of two references and accompanied by two photographs to:

Messrs. Thomson, Dickson and Shaw W.S.,
1 Thistle Court,
Edinburgh, Scotland.

Arrangements will be made to interview selected applicants in the latter part of June.

MANAGEMENT SELECTION LIMITED have been retained to advise on the appointment of a

MARKETING MANAGER

for the agricultural division of a company with a world wide reputation. This division is responsible for supplying a range of products in the agricultural field, and it is proposed to add to the range in the near future. The company is situated in the South of England.

The marketing manager will be responsible for the full sales operation of his division, including advertising, and will advise on the development of new products. Salary according to qualifications but not less than £2,000, plus car, generous fringe benefits and prospects of ultimate promotion to the board.

Candidates must have senior marketing experience selling to the farmer, preferably where an advisory service has also been provided. An agricultural background with a professional qualification in nutrition or pharmacy would be advantages. Probable age about 40.

Please send brief details in confidence, quoting reference S.449, to P. H. Fryer, Management Selection, Ltd., 17 Stratton Street, London, W.1. No information will be disclosed to our clients until candidates know their identity and have given permission after personal discussion.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of Lecturer or Assistant Lecturer in Philosophy. Candidates must have a special interest and qualifications for teaching Political Philosophy. The salary scales are at present under review, and are expected to be as follows: Lecturer, £900 to £1,650 per annum; Assistant Lecturer, £700 to £850 per annum. Initial salary will depend upon qualifications and experience. Membership of the F.S.S.U. and Children's Allowance Scheme.—Application must be sent not later than June 15, 1957, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of *application may be obtained. Overseas candi*dates may apply by letter (no forms), giving qualifications and experience and names of three persons to whom reference may be made.

UNIVERSITY OF GLASGOW

ASSISTANTSHIP IN POLITICAL ECONOMY

Applications are invited for an Assistantship in Political Economy, tenable from October 1, 1957. Salary scale: £700-£850. *Initial* salary according to qualifications and experience. F.S.S.U. and family allowance benefits.

Applications (3 copies) should be lodged, not later than June 10, 1957, with the undersigned, from whom further particulars may be obtained.—Robert T. Hutcheson, Secretary of University Court.

Subscriptions to most countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is either because the alternative is not available or not recommended.

ANNUAL AIR SUBSCRIPTION RATES

	Airmail	Air Freight		Airmail	Air Freight		Airmail	Air Freight
Australia	£8 5s. strlg.	—	India & Ceylon	£7 15s.	£6	Pakistan ...	£7 15s.	£6
Canada	—	$21.50 or £7 14s.	Iran	£6	—	Rhodesia (N. & S.)	£7 15s.	£5 10s.
East Africa	£7 15s.	£5 5s.	Iraq	£6	—	S. Africa ...	£7 15s.	£5 10s.
Egypt.....	£6 0s.	£5 5s.	Israel	£6	—	S. America .	£7 15s	—
Europe (except Poland)	£4 15s.	—	Japan	£9	—	Malaya.....	£7 15s.	£6 15s.	Sudan	£6	£5 10s.
Gibraltar, Malta.	£3 15s.	—	New Zealand..	£9 strlg.	—	U.S.A.....	—	$21.50 or £7 14s.
Hongkong	—	£7	Nigeria, Ghana	£7 15s.	£5 5s.	W. Indies ..	£7 15s.	—

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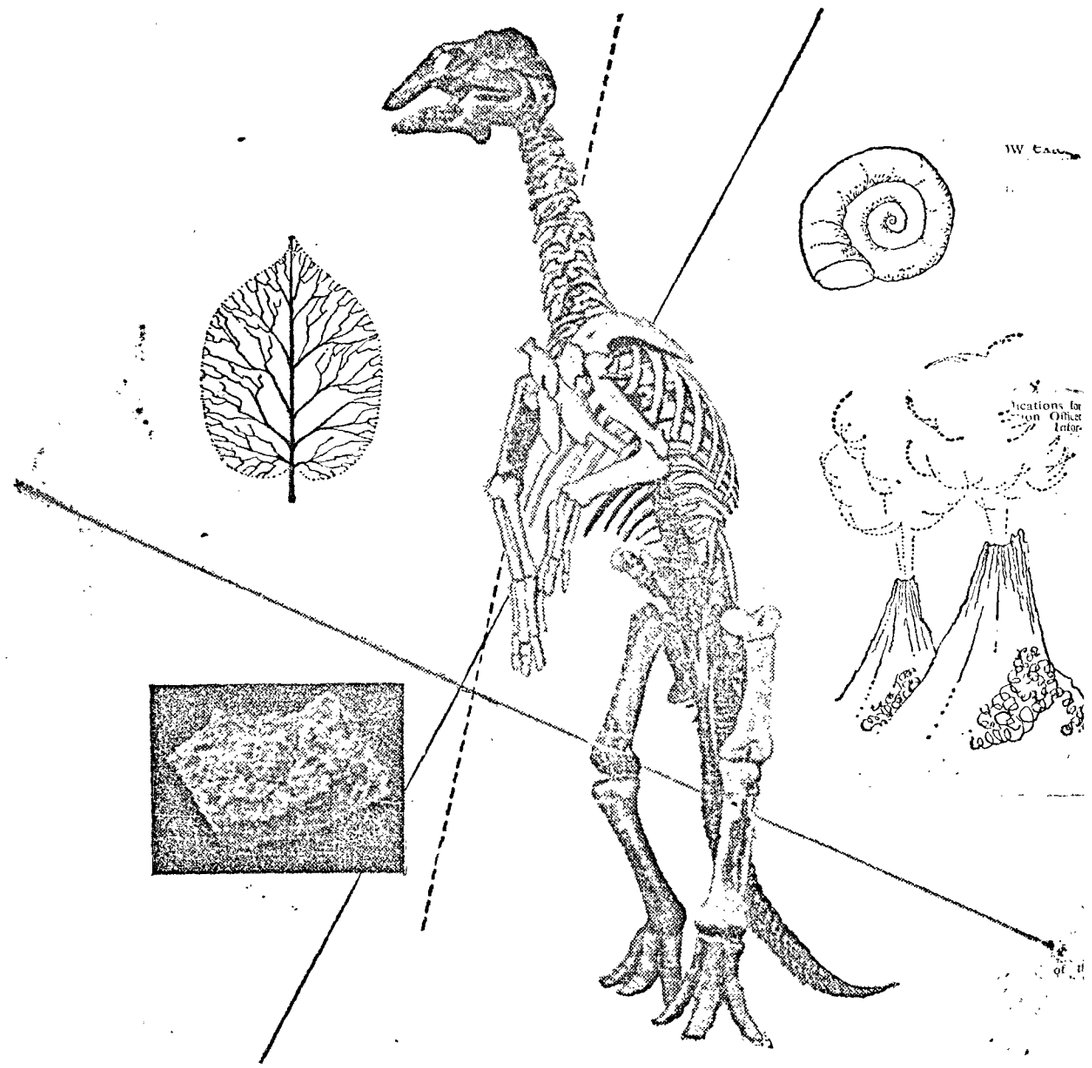
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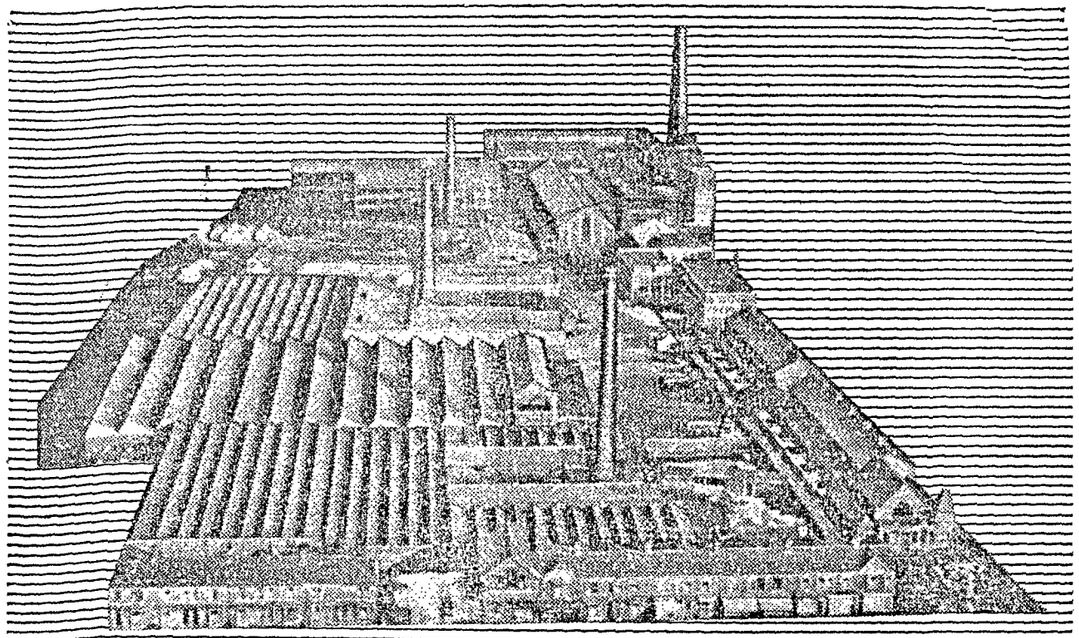
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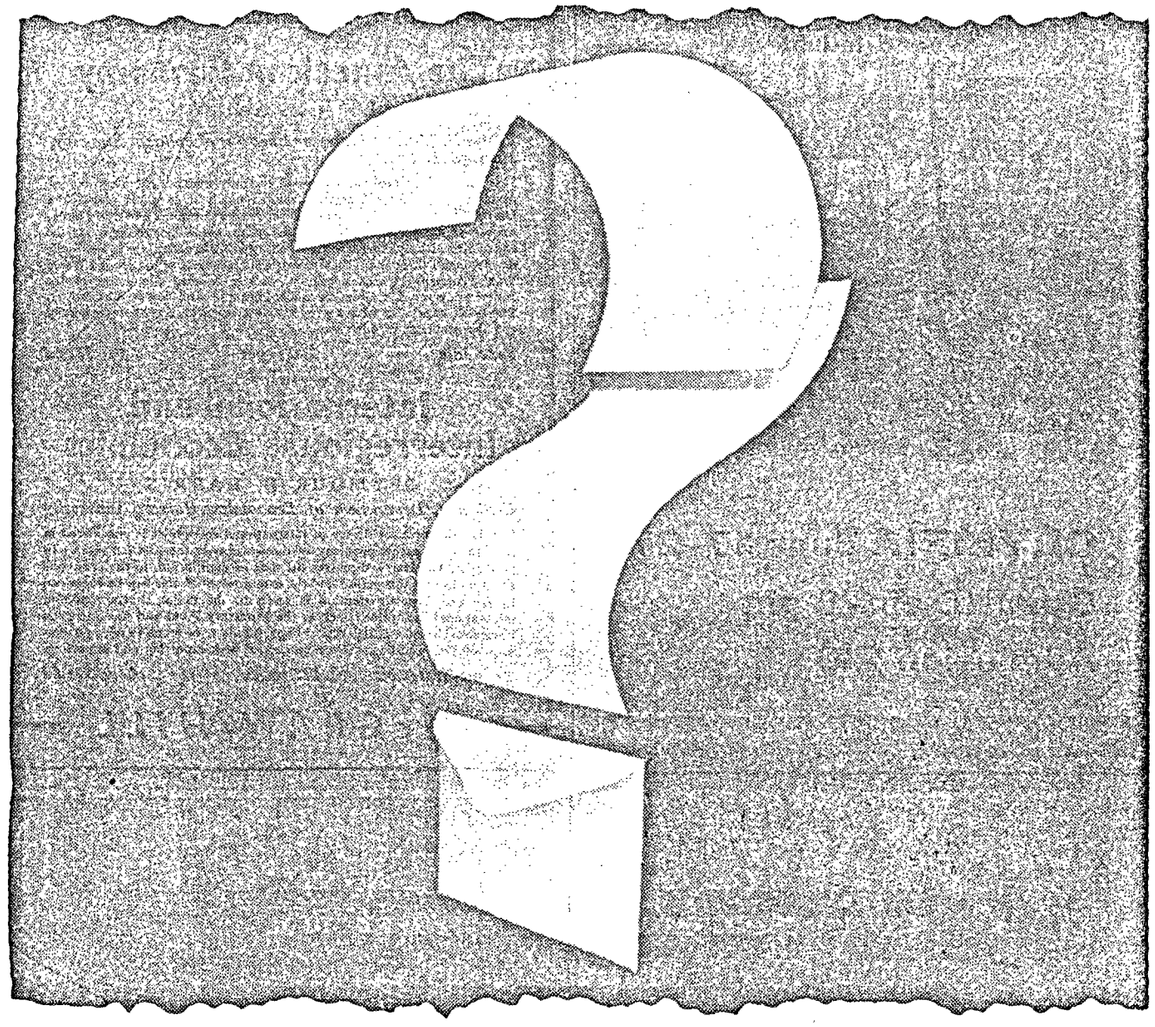
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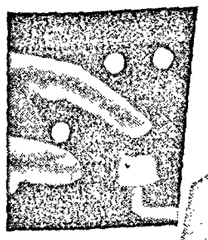
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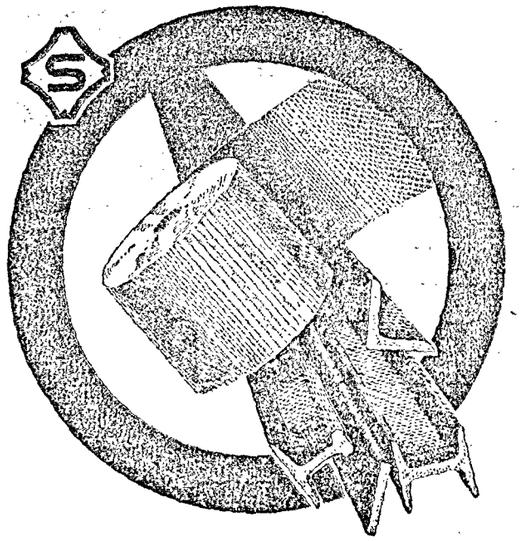
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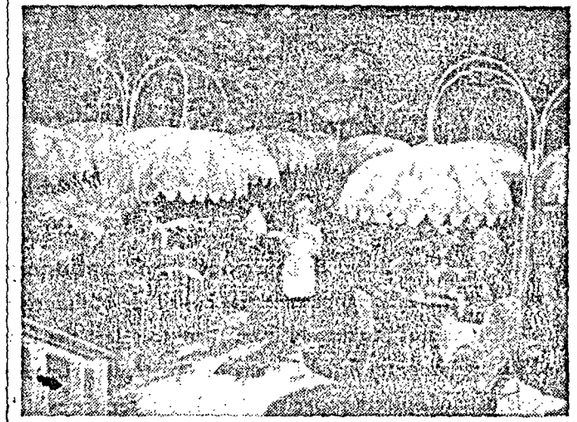
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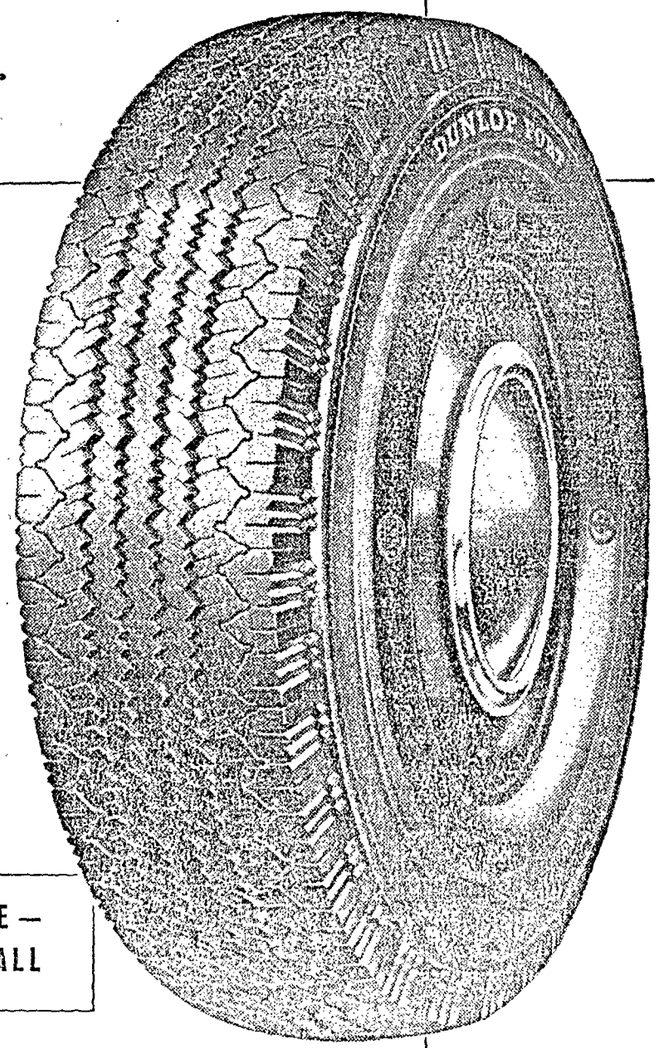
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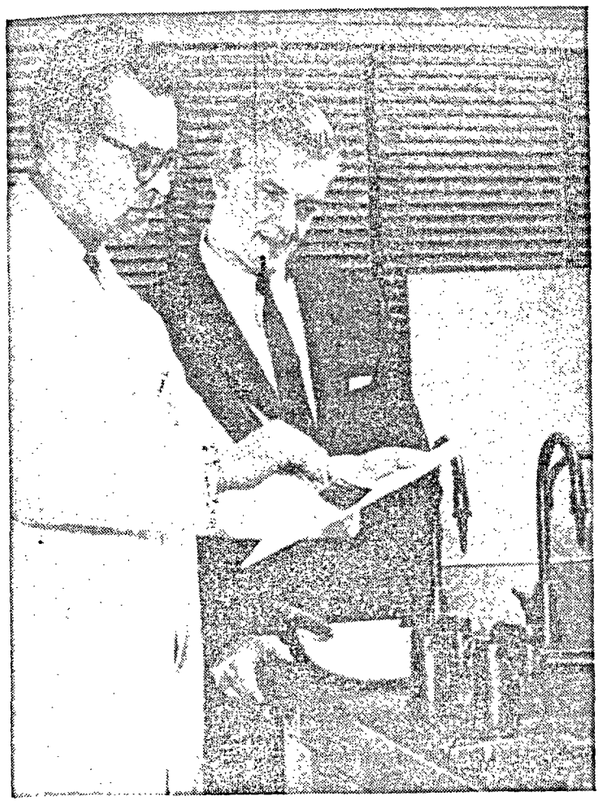
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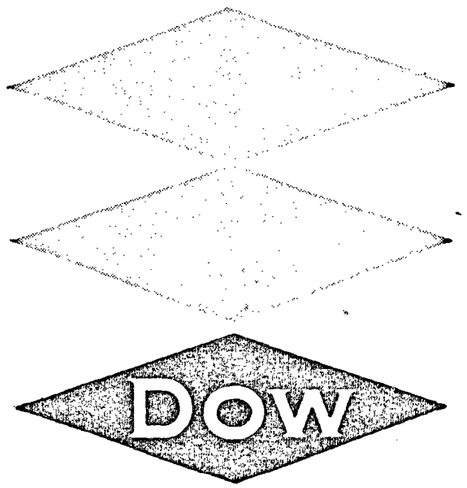
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Sometimes, as now, this can be carried too far. Not for the first time the Tory Party is now involved in a fundamental conflict of meanings and attitudes. It has become time for the party to conduct a self-examination.

The Observer has therefore asked a Tory, Lord Altrincham, to write a series of articles on the state of his party. Lord Altrincham, who is the editor of the National and English Review, was one of the leading critics of the Government's Suez policy. He has campaigned vigorously against Capital Punishment, and his resignation in protest against the colour-bar practised in one of the Victoria League's hostels forced a revision of its policy. He is the 33-year-old son of a former Governor of Kenya and has stood as Conservative candidate for Oldham West at two General Elections.

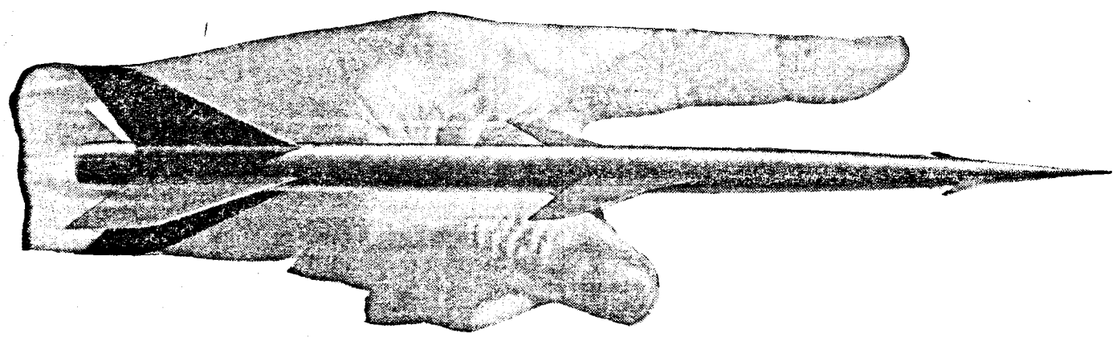
Altrincham believes that Toryism needs a new direction and a new vitality. In his first article next Sunday he will criticise the party organization and examine the Tory principle of opportunity as opposed to the Socialist doctrine of equality.

To make sure of your copy of The Observer next Sunday, it is advisable to order one now from your newsagent.

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The Economist

JUNE 8, 1957

Vital Truisms 859
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Vital Truisms

BACK home again this week after his brave fight against a cruel illness Sir Anthony Eden must have found some things very like old times. Here, as in his heyday, are Ministers talking confidentially to "masters and men," as Mr Macmillan still likes to call them, about the need for "reasonable restraint" in their claims for more money. Here, under the Prime Minister's own wing, is the three-year-old and still very vague idea of an independent, impartial body to watch over wages and prices—with profits brought into the brief to coax trade union support, and productivity to give it realism. What chance has Mr Macmillan of succeeding where Sir Anthony did not?

The answer depends upon what the Prime Minister and his colleagues are hoping to achieve. All he has said is that "If such a body can help us, we shall do our best to get it into being." But what sort of help has he *in mind*? The first point to be grasped is that an independent (and irresponsible) committee cannot take over the Government's duty to decide policy; the second is that, if it could, the policy would very likely be wrong. The two objectives most often talked about, though not by Mr Macmillan himself, are some sort of central wages policy or the freezing of wages, prices and profits. Both, it should be said, are not only impossible industrially but also undesirable economically.

Without a doubt the built-in pressure of wage inflation is the bane of our economy. Yet stabilisation, whether by corporate agreement or not, is a will o' the wisp; where it has been tried in other countries, it may have helped to keep the peace in industry, but it has not kept wages and prices down. What is certainly not wanted now is a new collective procedure which will, on the one hand, cut off the motor of dynamic business by condemning all high profits, while, on the other hand, it encourages, according to some "agreed" statistical standard or at the signal of some nationalised industry, uniform increases in wage rates across all industry. What is wanted, as Mr Macmillan knows well enough, is an increase in productivity and output with earnings and profits—and savings as well—going up in step.

It is, in fact, by driving home just these vital truisms to both sides of industry, and to the public, that the independent vigilance committee might be most helpful—always provided that it could get their trust. The character of its members (that is, their quality *not* their representative character) would be crucial. Its job, in effect, would be one of prestige advertising—for the advantage to everybody of a balanced growth in wealth (and welfare) and for the all-round benefits of the high-producing and high-earning economy, unbloated by inflation.

There should be no illusions. Trust, from the trade unions, will be grudging. It is one thing to point to the opportunities, and the necessity, for higher productivity; to intensify and extend, with evidence, the climate of opinion against restrictive (and repressive) practices; or to bring into the "open air" the facts of industrial finance. It is always

worthwhile to give economic good sense a proper airing. But it is quite another thing to make men and managers mend their ways. And the Government's responsibility for husbanding the economy remains paramount. It may well be worth making this attempt "to knock," as Keynes said of Bagehot's *Lombard Street,* "two or three fundamental truths into the heads," not now of City magnates, but of industry's two kinds of magnates. But, to get results, this really needs a Bevin not a body.

China's Sorrows

To the outside world, Mao Tse-tung's regime may look strong and sure of its success as pacemaker for all Asia. But behind its "bamboo curtain" there is brutal frankness about its loss of popularity and economic setbacks

At first glance, the Far Eastern tide would seem to be running strongly in China's favour. May was a merry month for Mao Tse-tung in three respects. Anti-American violence in Formosa and Anglo-American rifts over trade embargoes have been fully exploited by the communists as evidence that the "imperialists" are retreating in disorder. India's economic difficulties and austerity budget have evoked more tactful comment in Peking, but a note of quiet satisfaction pervades it. To uphold its claim to be Asia's "wave of the future," China has to discredit not only America and its friends, but also the idea that Asian poverty can be conquered without loss of liberty.

It is no fire-breathing dragon that looms over the Far East today. Since 1955 China has taken on the look of a suavely implacable python awaiting the dinner gong. It is content to swamp Asia with propaganda and to mesmerise its neighbours by its aura of inevitable triumph. It proclaims its confidence that Formosa and all its other objectives are coming to it in Mr Mao's good time. The world is politely invited to draw its own conclusions from the contrast between other Asian countries, struggling with disunity, discontent and stagnation, and the picture of New China, marching with giant strides to wealth and power.

This picture, as it is usually presented to the outsider's eye, is radiant with news of bumper crops and over-fulfilled plan targets; with the grateful smiles of collectivised peasants, and of reformed capitalists too; even with the claim that, since a year ago, freedom of speech has been added to the other blessings of Peking's benevolent rule. Protests from Formosa or Hongkong that all is not so fair in Mr Mao's garden are easily dismissed as propagandist slanders. Peking's claims are as rich in corroborative detail as in artistic verisimilitude.

But a world seeking the truth need only contrast the tale it is told with what the Chinese communist leaders say within their own "bamboo curtain." Without any material other than their speeches and the columns of their controlled press, New China's sorrows can be clearly observed. Instead of a great well-oiled economic and political machine rolling irresistibly forward, the eye sees a pattern of lurches, checks and plunges, of sharp frictions, suffering, unrest and repression.

A general wage freeze is now being imposed. Some wages are being cut, and managers have been warned not to take on additional hands. Unemployment is so far from being a memory of the past that the workless have now been told not to expect labour exchanges to help them, but to go out and find jobs for themselves. Inflation, another unsolved problem, has eaten away earlier wage increases. Higher prices for such essentials as salt, pork, vegetables, cooking oil, tea, textiles and shoes have lately been announced.

Bedrock rations of rice, wheat and other grains, and cotton cloth are often not honoured, and for cloth they have been halved. The housing programme has come to a dead stop. Overcrowding in towns is made worse by the continuing "blind flooding-in" of penniless peasants, although as many of them as possible are rounded up and shipped back. Famine still recurs, and relief funds are frequently misappropriated. Production of pigs has fallen in two years from 100 to 80 million. Among the government farms which were supposed to set an example of efficiency for all China, one in three is running at a loss.

The "planned economy," that cynosure of Asian eyes, is proving to be a boom-and-bust affair, a matter of plunging rather than planning. When things looked good a year ago, targets were set higher with scant regard for the obvious risks; now the planners have hastily lowered them again behind a smokescreen of jargon. This has cost China dear. The state planning commission itself confessed last month that its methods were "too inflexible . . . waste has been very serious." Not till late 1956 did the commission think of sending out inspectors to check its blueprints against reality, and by then it was "too late to correct many mistakes."

It is a "common practice" for local bosses to falsify reports of production, stocks, and manpower. How real can "planning" based on such dubious data be?

Even in heavy industry, the communists' favourite field, the picture is one of muddle, waste, costly and cumbrous administration, and drastic checks caused by lack of materials or by plain bad planning. The latest cutbacks affect even the much heralded steel centres to be built at Wuhan and Paotou. Many new industrial projects are being left half built. Plans for railway extensions are being pigeonholed. Orders are to drop ambitious projects and concentrate on cheap, quick-return operations such as opencast coal-mining and the repairing of old blast furnaces. As part of the new economy drive, even safety standards, already inadequate, must be "revised downward."

Outwardly monolithic, the communist state is yet riven by the new "contradictions among us" which Mr Mao lamented in his speeches of three months ago (the full texts are still unpublished). The newly collectivised peasants resent the townsmen's privileges, and hold back their produce, feeling that in any case there is little they can buy in exchange for it. Their unwillingness to grow enough cotton has half starved the textile industry. They have already quit the collectives in such large (but unrevealed) numbers that the government innocently boasts of the many thousands who have come back in, while admitting that this is only a fraction of the total who withdrew. The urban workers, for their part, resent the way the trade unions "operate as government organs interested only in collecting dues" and "resort to harsh measures when dissatisfied workers start trouble." They resent, too, the extremely high wage differential and the fat pay packets of the managers; while the managers in turn are sick of being supervised by incompetent communist officials.

The workers' discontent has been shown in illegal strikes, go-slow action and absenteeism; that of the peasants, and of students indignant at being drafted into unsuitable jobs, in rowdy demonstrations. The managers and technicians are mostly too "afraid of being purged" to act so openly, but their very prudence makes for inefficiency, for they have often not dared to question orders which they knew to be stupid. Much the same applies to scientists and other intellectuals. Although the "all flowers blooming together" doctrine has theoretically been in force for a full year, few intellectuals have been rash enough to speak their minds, and some who rashly did so suffered for it.

It is not surprising that Mr Mao himself should have singled out "contradictions between the people and their rulers" as China's worst problem. He has warned his hierarchs that to continue treating discontented people as "the enemy" will turn them into really dangerous enemies. His new call for less harsh repression of popular unrest may at the least give many Chinese a sensation of relief, even if the communists clamp down again when they think enough steam has been let off to avert a full-scale explosion.

Meanwhile, some oddly uncommunist palliatives are being adopted. Free markets have been revived for farm produce such as vegetables. The new price increases for scarce foods are frankly explained as a form of rationing by the purse. Dividends of eight per cent and guaranteed permanent ownership of their shares are offered to Chinese living abroad who invest in enterprises in the communist homeland. The newly emancipated women of China have been told to get back into the kitchen and thus ease unemployment among a male labour force which is increasing by six million each year. They are also being urged to use cut-price contraceptives (the only product output of which is being steeply stepped up this year).

This is not the picture that Peking likes to present to the world; but every detail here given is derived from official communist pronouncements. These little-known realities should be kept in mind in any assessment of the Far Eastern problem, which is essentially the problem of China. They suggest that Mr Mao has good reason to move slowly on the international stage—but less reason to be sure of ultimate triumph. They indicate that "fraternal aid" from Russia falls off sharply when the beneficiary can no longer pay for it; sharp cuts in China's exports to Russia have been accompanied by a general switch to the more modest kind of industrial project "which we can carry out with our own resources." Russia may not be over-keen to help China through its difficulties—or it may not be able to. Neither the mystique of the plan, nor the supposed dynamism of communist society, nor the vaunted support of the Soviet block has saved China from its new sorrows.

Those Asians tempted to think that to sacrifice one's freedom to the Marxist gods is a sure way of propitiating the demon of poverty may do well to ponder these facts, and think again. Those, in both Asia and the West, who look with fear at a China apparently united under an ambitious and tyrannical regime, may feel some relief at the discovery that it is less monolithic than they thought, and welcome the possibility that its rulers may be forced to become less tyrannical. But they would be unwise to let their new knowledge induce complacency. There is no sign of Peking moderating its ambitions. At present Mr Mao evidently hopes to solve by suaver means some of the problems which Stalin tackled with the iron fist. But his failure in this attempt would lead almost inevitably to a reversion to open ruthlessness—and perhaps to a bid to rally a discontented people, and divert its attention from its domestic woes, by embarking on some foreign adventure. Whatever else is being cut back in China's hard-pressed economy, its rulers have emphasised that its arms programme is going ahead.

Left Hands across the Sea

If British taxpayers' money, hatred of race prejudice, idealism, paper planning and dominion status for all would solve colonial problems, Labour has the answer. But do they really get to the heart of the matter?

HARDLY anything bores and empties the House of Commons as colonial policy does—until, as the result of that policy, or lack of it, a colony blows up and provides the opportunity for party political capital. In this, unhappily, the House reflects the nation. There is therefore good reason to commend the Labour party for its attempt to rethink its colonial policy, even if the fruits need to be examined rather critically. The first fruit was the recipe for racial harmony, the document on "The Plural Society" which was adopted by last year's party conference; it has been followed this week by documents on "Economic Aid" and the "Smaller Territories." It is no more than a coincidence that delegates from the colonies are attending the Labour Commonwealth conference this week also. It would be a happy one for Labour if British colonial voters, like French, sent members to the mother parliament. For, after promising to cast out the colour bar by enforcing democracy in East and Central Africa, the authors of the new policy now propose to deal with poverty and illiteracy by flushing all the channels of colonial development with powerful jets of British taxpayers' money. It is bound to be a popular idea in the colonies.

Yet it is only helpful to the Labour party to recognise the canny realism that has been threaded through these idealistic plans. "The Plural Society" admitted that "we cannot expect to establish the common roll immediately everywhere," and that white minorities needed to be safeguarded against "excessive nationalist ardour." In "Economic Aid," the same flashes of insight appear.

Thus it is plainly recognised that the proposal to spend, in colonial grants-in-aid and other forms of public investment, an amount equal to one per cent of the national income "means a decision either to hold back personal consumption by taxation or other means, or a reduction in some other item of government expenditure." It is to be hoped that when "Economic Aid" is discussed at the party conference someone will point out that the taxation involved is about 8d. on the income tax, or an amount approximately equal to the total wage increases so far granted this year. Labour agrees that "to vote money for overseas development without creating . . . a genuine trade surplus to cover it is a mockery." Again someone ought to point out that, if £170 million is to be voted in subsidies to colonies, and they are to be free to raise trustee loans and to tap other sources of capital as now, the surplus will have to be a hefty one. Britain cannot invest a deficit.

EVEN so, the ideas upon which this policy for a future Labour colonial secretary is based are painfully familiar and doctrinaire. There is the assumption that private investment in the colonies is exploitation and does little or nothing (though it pays taxes) to create welfare—education, health, housing and social betterment; that, on the contrary, capitalism is responsible for a wide range of evils from shanty slums to detribalisation and soil erosion. The contrast is drawn between colonial progress before the war (which was greater than Labour thinks) and that achieved since a Labour Government encouraged colonies to draw up development plans. There is the inevitable deduction that what is now wanted is more planning, more social investment, and the injection of public money into all those projects on which the return is too small to attract the capitalist who must make his ventures pay. The fact that what has really enabled the colonies to make such rapid progress since the war has been high commodity prices and "exploitative" investment in mineral production is hardly recognised.

Nobody will deny that almost all colonies could use larger grants and free loans for development, just as nobody will deny that in central Africa the franchise ought to be extended as quickly as possible. But it does not seem to have struck Labour policy-makers that there is a limit to the rate at which social, even more than economic, investment can be made. What limits the spread of education is not only funds, but the gestation period required to produce decent teachers in quantity—which is a long one. It is possible to make large sums available to buy technicians, and yet not get any; most colonial budgets already include appropriations for appointing technicians which just cannot be spent. This will still be true even if the United Nations and Sunfed are brought in. Nor will the mere provision of money improve administration, especially if the white cadre leaves when colonies move to independence. It may be easier to invest public as well as private money in East rather than West Africa, simply because there are more Europeans (and Asians) on the ground to push the jobs through.

Again, it is one thing to give £170 million a year to the colonies in an orderly and effective manner—granting that this is felt to be the best way to use Britain's slender invisible surplus, rather than in, say, Canada, where the returns are far higher; it is another thing to spend this surplus wastefully. Yet Labour's present thoughts offer few safeguards against waste. Someone has inserted the sensible proviso that before the United Nations is given large sums of British money to spend on good works, its administrators must be subject to a competitive entry examination. But simultaneously to give the Colonial Development Corporation far more public money to invest and to warn it against investing it in partnership with private industry seems to put a premium on waste. The party's obsessional demand for a return to bulk purchase is, in some ways, the most disheartening feature of all. Labour seems to have learned nothing from experience. It was high prices, it must be repeated, not bulk purchase, which put the fortunate colonies in the money. The real effects of bulk purchase are twofold: First, if under it Britain gets the stuff below the world price, the producers can (and do) complain of exploitation; secondly, if Britain pays more than the world price, its own costs as a manufacturing nation are inflated, and the colonies are encouraged to cripple their long-term prospects by continuing with forms of production that are uneconomic.

LABOUR may find it is even less easy to give away someone else's power than to give away British money; and it would be wise to stress the reservations on forcing the pace in multiracial societies—notably East and Central Africa—towards one-man, one-vote equality. The presence of a number of colonial nationalist leaders at the Commonwealth socialist conference provided that opportunity. Unfortunately, the moderation of Mr Gaitskell in public session may not have been matched in private conversation by other Labour men and women; and some African nationalists may all too easily assume that they have had the promises which they covet and, on their return, tell their supporters that they have had them.

Probably not too much should be made of the Commonwealth socialist conference. It was very unrepresentative. India, Pakistan and Ceylon sent no representatives; it seems that, for example, the Indian National Congress was not invited, although it can certainly claim to be as socialist as the Ghana Convention People's Party. While Dr Evatt came from Australia, the West Indies, which have Labour governments, sent no minister. The choice among colonial parties was also rather curious; but, broadly, the conference has helped to put some purely nationalist colonial movements under the wing of purely socialist movements in Britain and elsewhere. The tendency will certainly be for these nationalists throughout the colonies eagerly to await the election of a Labour government in Britain as the pledged giver of money, power, independence (or in the case of smaller but often plural and complex territories, "dominion status"). This week's policy statement even suggests dominion status for Tristan da Cunha.

When the time comes for these spring chickens to roost, however, there will be other considerations. Nobody should underestimate the extent to which Mr Bevan, as Labour Foreign Secretary, might want to lay down colonial policy; he is likely to put first things first, and he will probably not want to see money thrown away which could be used to back his foreign policy more effectively (he will remember Mr Bevin's call for coal and an export surplus) or colonial uproars that would embarrass him in more important negotiations. He will, perhaps, have underscored in red all those saving clauses in his copies of "Plural Societies," "Economic Aid," and "Smaller Territories," even while the colonial politicians concerned are overscoring them in roseate.

Care, Compulsion and Community

The main purpose of Lord Percy's royal commission was to inquire into the law relating to mental illness and mental deficiency. But its report has far wider implications for the mental health services.

FOR some people the highlight of the report of the royal commission on the lunacy and mental deficiency laws will be the proposed abolition from the mental health services of the words certification, idiot and imbecile, together with most of the existing procedure for enforcing treatment on unwilling patients. Such an abolition would have a symbolic importance as great as the formal abolition of the poor law in the National Assistance Act of 1948. The commission's terms of reference would indeed appear to have focused its inquiry on the legal and administrative procedure for the care of patients. In fact, its apparently restricted remit has not prevented it from making far-reaching recommendations that could establish an entirely new approach towards mental disorder.

Mental disorder is the general term used by the commission to include all forms of mental abnormality. At present, the law and administrative machinery divide the mentally disordered into two groups: the mentally ill and the mentally defective, roughly corresponding to what the ordinary person would unmedically and unkindly call the mad and the dimwitted. For legal and administrative purposes the commission would retain the first category; the second it would reduce to what it calls the "severely sub-normal," that is, those at present classed as idiots and imbeciles and some of the feeble-minded. It also proposes that legal and administrative recognition should be given to a third

group about which much has been heard in recent years, especially in any discussion of crime and punishment. This is the group of people, known as psychopaths, whose characteristics are aggressive or inadequate social behaviour and inability to learn from experience (even when it includes punishment), and who cannot be certified as mentally defective or mentally ill. The commission would extend this group to cover those classified as feeble-minded or moral defectives under the present law and who are not severely sub-normal.

ALTHOUGH the Percy report adopts these three groups of mental disorder for the purpose of its legal recommendations, one of its aims has been to eliminate the present rigid distinctions between the mentally ill and the mental hospitals on the one hand and the mentally defective and their hospitals or institutions on the other. These distinctions may prevent patients from receiving the hospital care appropriate to their case: transfer from the one type of hospital to the other may be quite impossible because each is "designated" under a different Act to receive strictly defined categories of patients, and each has a different legal procedure for their admission and discharge.

This barrier would disappear if one of the commission's main recommendations were adopted, and the existing Lunacy and Mental Treatment Acts and Mental Deficiency Acts were repealed. Admission of most patients to either type of hospital would be as informal as it is to general hospitals; there would be no need for a patient to be capable of expressing willingness to enter a mental hospital in order to have the status of a voluntary patient and thereby avoid being certified. Similarly, there would be no need for the cumbersome process of certification for mental defectives. If a patient from any of the commission's three groups needed hospital treatment he could be admitted without more ado to the appropriate hospital, provided he was not positively unwilling to enter.

The commission's proposals for compulsory admission would be effective, therefore, only if this unwillingness were manifest, or if the patient were not unwilling but his relatives objected unreasonably, and if it was clearly desirable that he should enter hospital either for his own welfare or for the protection of society. But the procedure for compulsion and the safeguards should be embodied in a single new Act that would be applicable to all three groups of the mentally disordered. The commission's proposed procedure is certainly far simpler than the existing one, and the mental health review tribunals, to whom a patient, and in some circumstances his relative, could appeal for his discharge, should win a greater measure of confidence than the remote Board of Control, even though they would probably not produce many more discharges against medical advice than occur at present.

Two difficulties might arise. One concerns the psychopathic group. The commission proposes that psychopaths should be compelled to enter hospital only if they are under twenty-one, and therefore likely to benefit from treatment and training; if they have broken the law and the court considers that ordinary penal measures are inappropriate; and, like the other two groups, for observation for not longer than a month. These three sets of circumstances, however, do not cover the psychopaths who act so madly and are such a nuisance to others that compulsory admission to hospital seems the only way to dispose of them.

The second difficulty concerns troublesome patients to whom compulsion is applied. Mental hospitals are now obliged to take a certified patient. The commission recommends that compulsion should authorise a hospital to admit and detain a patient, but not oblige it to do so; there might, therefore, grow up a category of patients whom no hospital will accept because they are awkward and uncooperative. To remove the hospitals' obligation to take them is comparable to the removal, with the abolition of the poor law, of the obligation on the former local authority hospitals to take in destitute patients—which has resulted in so many of the aged infirm being denied a bed.

The royal commission also attempts to break down completely the barriers between the provision for physical and mental disorder. This is not new. Since the health service was introduced, the general hospitals have greatly expanded their psychiatric clinics for out-patients, and many of them have provided beds for mental patients, who can come and go without formality. But the extent to which general hospitals can give in-patient treatment is limited (even apart from the shortage of staffed beds as a whole) by the lunacy laws, for only hospitals designated under the Acts can admit certified and "temporary" patients within the health service.

The commission's proposals for reform of the law would remove any legal barriers to treatment in the hospital most suited to a patient's needs, and the hospital authorities would specify which hospitals were most suitable for which type of case. There would be no reason why a general hospital should not receive a "compelled" patient; the probable criterion for admitting mental patients is whether they would be manageable in a general hospital and whether they are likely to recover quickly. The removal of many early and recoverable cases to the general hospitals might, it has been suggested, downgrade the mental hospitals into care and maintenance institutions for the incurable. On the other hand, it is equally arguable that mental hospital staffs would then be able to give more time and attention to chronic patients and make many of them fit to be discharged.

HOSPITAL care is not the only, or even in many cases the most important, form of care for the mentally disordered. The segregation of thousands of people in vast mental hospitals, outside the community, is nowadays regarded as unnecessary and bad for the patients. Most of the prewar hospitals were built when

all their patients were certified and likely, many of them, to stay in hospital for the rest of their lives. Today these hospitals still include a large reservoir of chronic patients. But many of them (perhaps a quarter to a third of a typical hospital of about 2,000 beds) could be discharged if they had somewhere to go to, and one of the most far-reaching recommendations of the Percy Commission's report is its emphasis on the need to provide community care for the mentally disordered. At present, almost the only form of residential after-care for mental hospital patients is provided by a voluntary body, the Mental After-Care Association, which valiantly keeps a few homes going in south-east England. The commission now proposes that the responsibility for this service, which should be available to all three groups of the mentally disordered, should be placed squarely on the local authorities. Nor should the provision of community care stop at residential homes. Local authorities should be obliged, instead of merely being able, to provide occupational, training and social centres, and sheltered workshops, the object again being to keep the disordered within the community instead of dismissing them out of sight—and out of the community's mind.

Initially all this is bound to be very expensive, even if some saving in hospital costs is allowed for. Like many another royal commission before it, this one was not concerned with the financial implications of its recommendations, and it is not surprising that the Government is taking its time in considering the report. But as a general ideal to be pursued when practicable, the proposals deserve wholehearted support, for they would fit care for the mentally disordered into the general social services. As the commission points out, although the disordered should be given the special treatment their disorder needs, they should not be denied access to other services simply because they are disordered.

Just as the poor law was broken up, and the poor were provided for under the general health and welfare services, so would the rigidly separate mental health services, started indeed for pauper lunatics (who had to be certified to establish their eligibility for care), be merged with them, too. So far as money is concerned, provision for mental disorder has long been described as the Cinderella of the health service. The commission's proposals would go far towards putting an end to its other role of ugly sister.

The State and Stately Homes

Our special correspondent has been visiting some of the great country houses of England, and examining the different ways in which they are being maintained—by a mixture of public money, tax arrangements, and private economy. The problem he reveals has relevance to some MPs' rather narrowly emotional approach to the Duke of Norfolk's private bill.

IN 1579, an old Elizabethan, having taken advantage of the opportunity state by acquiring a noble protector and marrying the daughter of the Lord Mayor of London, built himself a magnificent house in Wiltshire. The Marquess of Bath, a direct descendant of that same Sir John Thynne, still owns it. But, although his heir has a two-roomed flat on the ground floor, he himself no longer lives there. Charabancs grind past the Tudor-Italianate front of Longleat, bringing women's institutes and factory workers to wander in the wide parklands and through the picture-hung corridors. A white peacock still haunts the steps from the wine-vaults; but the vaults are now a tea-room, and the bird is hoping for some pickings.

In 1914, there were forty indoor servants; now nobody could afford to run a purely private household on that scale (work out the before-tax income that would be required to pay the wages of forty indoor servants, and you will see why). Moreover, death-watch beetles have been gnawing at Longleat's beams. Simply to keep the house from falling down—solid though it is among ancient houses—costs some £5,000 a year. So, in 1948, Longleat was opened to the public, to anyone willing to pay one shilling for admission to the grounds, or half-a-crown to see the house itself. Some 130,000 visitors come each year, and on the indoor staff of twelve there are six regular guides. Eighteen daily helps keep the house clean; in the dining-room the table is laid for a banquet which will never be eaten, and the carpets are protected by strips of dark hessian against the massed queues of feet. The cost of keeping the house open to the public is about £20,000 a year, and receipts are around £16,000; but since the house is run as a commercial concern, the expenses are business expenses and the loss can be set off against the owner's private income tax. When the death-watch beetle has been defeated and the backlog of neglect left by the war has been overcome, the house should be making a slight profit. Even if it is no longer a home for its owner, it will perhaps provide him with as much income as a small draper's shop—and it will be saved for the nation and the tourists.

But Longleat is one of the most famous English

houses; the family affairs and the family seat have long been of interest to the newspapers. Not many of England's great houses have its popular attractions, and can be opened in this way to the public as a mainly commercial proposition. Knole, at Sevenoaks, is an example of a great house which is open to the public under a different system. Taken by Henry VIII from the reluctant Cranmer, it was given by Queen Elizabeth to her cousin, Thomas Sackville. It is still the home of the Sackville family, but they no longer own it. In 1946, the house, with its magnificent collection of furniture and pictures, was transferred to the National Trust. With its 365 rooms, 52 staircases and 12 courtyards, it is big enough to house a small village, so it is not surprising that the family wanted it off their hands. But they and their heirs will continue to live in part of it, while the administration and upkeep are entirely the responsibility of the Trust.

Only about 60 great houses are owned by the National Trust, the limiting factor being the money necessary for their upkeep. The Trust is unable to accept houses that may be given or bequeathed to it, unless the gift includes an endowment for their upkeep. This requirement means that until recently many lovely houses which their owners would like to have given to the nation had to be refused. Their collections were divided and sold; their tapestry and panelling ripped out; with luck, they were sold as schools or institutions —without it, just allowed to fall into decay. But in 1953, as a result of the Gowers report, a new way was found of saving these buildings for the nation—the system of Ministry of Works grants for the preservation of historic buildings, even if their owners still live in them. These grants have totalled over a million pounds (to some 360 houses) in the last three years.

MEREWORTH CASTLE, in Kent, is an example of a house still in full private habitation that is preserved under this system. It is a most improbable building to find in Kent; it is not a castle at all, but an eighteenth-century imitation of a famous villa built by Palladio near Vicenza. The elegant classical columns and the dome of the house rise from English trees—and from the green fields of a stud-farm for racehorses. But the fabric of the house was weakened by death-watch beetles and slow decay, the roof began to sink, and in the eighty-foot drawing-room the fantastic ceiling of paintings and stucco in Venetian style was in danger.

Since 1953, the Ministry of Works has been able to make grants to save such houses, even though their owners are still in residence, provided that they are opened to the public on a reasonable number of days in a year. To obtain a grant, the owner of Mereworth had to write to the Historic Buildings Council, pointing out that his beams were crumbling, and that he himself had not enough money to do the necessary repairs. An ancient monuments inspector and architect then turned up to advise the council on whether the building was of enough architectural and historical interest to warrant a grant. The owner got his grant, although not enough to cover the whole cost of the work; that happens rarely or never.

So the house was put in order, and every Wednesday and all through August the normal life of the family stops while the tourists file through their drawing-room. But it is abundantly clear that private families can live in great houses under this system only by drawing on capital—which cannot go on for ever. Mereworth, for example, is neither a big house nor an obvious place to go for the firm's annual outing. It can be seen in half an hour, and the taste for its classical-fantastical architecture is obviously limited. And while the customers are limited, the overheads are high. Guides must be hired, and an indoor staff of six is needed to keep the house in the condition it deserves; because there are few visitors, only a small proportion of the expenses of maintaining the house are allowable against income tax. Some 4,000 visitors in a year at half-a-crown each leave a meagre profit of £50 on the opening itself, quite apart from the cost of maintaining the house and gardens.

The Ministry of Works also owns and administers a few houses that are not occupied; very occasionally, it will buy up some especially famous house, with especially fine chattels—perhaps to hand it over, after renovation, to the National Trust for operation as a sort of museum. But this system of direct Government acquisition of empty houses is a means of conservation of last resort. It has several disadvantages. One is social: only houses that are lived in preserve their characters as houses. Another is purely economic.



Audley End, one of the most famous of the Ministry's acquisitions, makes a loss on running expenses alone of some £3,500 a year, despite its 25,000 visitors; there can be no doubt that Ministry grants for repairs to private owners give the taxpaper better value for his money. But the Ministry has not got much money to hand out in grants (out of 1,752 applications of all kinds to the Historic Buildings Council, 1,062 have been refused); and the owners can meet their share of maintenance under the present scale of grants only out of capital (which is progressively mulcted by death duties) or by much less comfortable living than they would enjoy by moving to a flat in town. Either some new arrangements will have to be allowed for death duties, or the great country houses of England will some day be inhabited only by a few eccentrics.

This problem is now being given a public airing by the Duke of Norfolk's private bill, which in effect seeks to persuade the state (through an arrangement for remission of future death duties) to meet some of the costs of maintaining Arundel Castle as a home for his heirs in their capacity as Earl Marshals of England. Any discrimination about taxes is admittedly invidious. But Parliament should not merely scotch this bill (or even scotch all parts of it save that lifting the discriminatorily tight entail on Arundel), and then run away from the problem. It is a problem that stretches much further than Arundel.

The central question to be answered is whether the nation wants houses of this sort to be preserved, for aestheticism's sake, not for their owners'. If it does not, well and good. If it does, then it will be much cheaper to maintain them with their owners in them (and meeting part of the cost of maintenance) than to take them into full state ownership and control; although in this event there must, of course, be rules about their opening to the public. Let us be economic, not romantic or spiteful, in our rethinking about what some might like to call the socialisation, and others the conservation, of the stately homes of England.

NOTES OF THE WEEK

THE KHRUSHCHEV SHOW

Watching Big Brother

WITH a single performance Mr Khrushchev has become an international television star. The millions of Americans who have gazed at him for an hour are unlikely to forget his broad, good-humoured peasant face. British viewers who saw the same filmed programme on Tuesday, and were not discouraged by the rather slow initial exchanges on meat and butter, must have gone to bed feeling that this was certainly what the TV world calls a "personality." Mr Khrushchev, prophesying to his American audience that their grandchildren would live under a communist system, looked a picture of self-confidence; and the impact was tempered by the gentle assurance that it would all be painless and for their own good.

He confirmed his reputation as a politician skilled in the art of evasion. With a smile, but no chuckle, he used the American television network which had offered him its services to complain that America had an "iron curtain" which prevented free contacts. Asked about jamming of foreign broadcasts, he replied that Russia is "very musical" and naturally jams any voice which "gets on one's nerves." Reminded that a general withdrawal from Europe would mean American troops retiring 3,000 miles across the ocean, while the Russians could get back within two hours, he innocently remarked that it was as far from Irkutsk or Vladivostok to Germany as across the Atlantic. He seemed more at a loss when asked if he agreed with the newly stated Chinese view that leaders and people can be at odds in a communist state. On one occasion his hedging was too obvious: when he declined to reveal any figure for manpower in Russia's forces, pleading the need for precision.

Western viewers, who distrust political propaganda in general, doubtless took his points with a grain of salt. Yet some of them must have struck home. One was his challenge to a general withdrawal of forces from France, Germany, Poland and Hungary, to test whether the Kadar government could survive without Soviet tanks. Earlier he had said that Russia would withdraw all its troops from eastern Europe if American forces also left the continent (he did not specify Britain). His second telling point was the Russian proposal to stop all nuclear tests.

Will the Soviet television and radio now reciprocate by offering their services to outstanding western spokesmen? A refusal to do so would make nonsense of Mr Khrushchev's outwardly confident offer of an honest battle of ideas. If such a return match is arranged, it might be worth showing it to western audiences too, to dispel any doubts that his skilful performance may have aroused.

BAGHDAD PACT

Orchestra Out of Tune?

THE offices of the Baghdad Pact, which are in Baghdad, are such an oasis of harmony in a turbulent world that any discrepancies in the order of importance in which member states place their interests are apt to be forgotten between meetings. At the high level meeting this week in Karachi, the opening gambit by Nuri es-Said of Iraq therefore came as something of a jolt to those who imagined there were no flaws in the alliance.

It has always had a flaw—the fact that three of its adherents, Britain, Turkey and Iran, regard it as a bastion

against Soviet aggression, while the other two, Iraq and Pakistan, regard the chief external threat to their security as coming, not from Russia, but from Israel in Iraq's case and from India in Pakistan's. Needless to say, its new semi-adherent, the United States, shares the first view. This difference of emphasis has been greatly publicised as a result of Nuri's speech, though Mr Suhrawardy of Pakistan has been at pains publicly to deny that it has held up the proceedings.

There are differences of this kind inside any alliance that has not been hardened by the test of mutual experience. Nato is an exceptional case because all its members have had the same kind of fright. What matters is whether, despite these differences, there is an adequate common denominator. Undoubtedly there is an economic one, and in the realm of defence there are many matters of obvious common concern. It is surely better to come into the open with difficulties than to issue anodyne communiqués which seek to paper over fissures in the too common style which our Middle Eastern correspondent describes on page 893.

BY-ELECTIONS

Not Centrifugal

THE results of last week's three by-elections repay study. At Edinburgh South the intervening Liberal candidate (a personable one) got 23.5 per cent of the vote ; of this, 21.9 per cent came from the Conservative compared with 1955 and 1.6 per cent from Labour. The lesson here seems to be that the Tories' main electoral trouble is still their large semi-detachable left. In straight fights, some members of this detachable left still vote Tory, some stay away from the polls, and some unwillingly vote Labour ; when a reasonably good Liberal candidate turns up, he can get most of their vote. These Tory droppings are now large enough to save some Liberals' deposits ; in one of the very few constituencies where they might conceivably even be large enough to win the Liberals a seat, Dorset North (Liberal swing from Tory needed 9.9 per cent), a by-election is now pending.

In the second by-election last week, the straight Conservative-Labour fight at Hornsey, there was a swing from the Conservatives of 6.7 per cent. The average swing from Conservative to Labour at last month's local elections seemed to be about 5 per cent. It was to be expected that the swing at Hornsey would be above average, and not principally because of the Rent Bill. This now over-large constituency of Hornsey is one where working-class London (Finsbury Park) stretches out into bank clerks' London (Muswell Hill) ; it is stretching steadily and progressively, and these inner suburban constituencies are getting bigger and slightly more Labour all the time—for reasons of geography, quite apart from politics.

Last week's third by-election was the four-contestant affair at East Ham North. The anti-H-bomb ILP candidate got only 458 votes, which was not much more than would have been won by an oddity like a flat-earther: the H-bomb is clearly not a searing electoral issue with the mass of the British people. The drop in the orthodox Labour candidate's share of the vote was 0.7 per cent greater than the exiguous share that the ILP man took away from him, so that in a sense there was actually a swing to the right in this election ; even allowing for the fact that most of the "swing" was probably caused by Labour supporters in a very safe Labour seat not bothering to vote, it is surprising that the Conservatives have not made more of this. Finally, the orthodox Tory got 29.4 per cent of East Ham's vote, and to his right the People's League's Mr Martell got only 12.2 per cent (thus just forfeiting his deposit). The mild excitement caused by Mr Martell's candidature probably brought more right-wing people out to vote—but most of them, it seems, for the official Conservative. Taken together, these three by-elections therefore suggest a leftward shift of the middle block of political opinion, but no movement in favour of the extremes. Compared with the sizeable block of former "middle of the road Tories" who are at present inclined or half-inclined to desert to the Liberals and Labour, the abstaining right-wing colonel seems to be a largely mythological beast.

RENT ACT

Timetable for a Storm

THE Rent Bill passed its final parliamentary stage on Wednesday, and will come into operation early next month. The Government deserves congratulation on having stood up to the storm in Parliament ; for the next nine months or so it will now have to brace itself to stand up to a storm in the country. As soon as the Act becomes operative, landlords of the 4½ million houses that are to remain in control will be free to make immediate application for increases of rent up to twice the gross value of their houses (or 1½ times their value if they have no responsibility for repairs). These increases will require three months' notice to take effect and for a further six months will be restricted to an upper limit of 7s. 6d. a week.

As, this time, increases in controlled rents will not have to wait on proof that the house is in good repair (although they can be cancelled if tenants get a certificate saying the house is in bad repair), it is sensible to suppose that the applications for increases in controlled rents will be made fairly quickly ; the main working class storm may therefore fall on the Government between about October of this year and April, 1958. What effect this will have on the usual winter round of wage negotiations—despite the standstill agreement on engineering wages—remains to be seen. Fortunately, however, the beneficial results of the Act, in the working class sphere, should come fairly quickly too. Landlords will have a strong incentive to speed up repairs and renovations, since they can hardly wish to bring on their heads a shower of "disrepair certificates"; and tenants may be expected, as accommodation eases, to become increasingly aware of their very real rights in the matter.

The timetable of storm and subsequent benefit in middle class housing is more difficult to gauge. As the Act finally emerges, the date for what now has to be called "Clause 10 decontrol" has been shifted to fifteen months' time—that is, to October, 1958. At that time the landlord of any dwelling whose rateable value exceeds £30 (or £40 in Greater London and Scotland) can resume possession or charge any rent obtainable provided he has also given six months' notice of his intentions. Alternatively, he can make an agreed contract with his tenant before this date so long as it provides at least three years' security of tenure. Another sort of decontrol comes into effect immediately: from next month houses falling vacant or at present occupied by their owners will no longer, when let, come within the scope of rent control.

Because of the fifteen month standstill on the 800,000 houses under Clause 10, the market in middle class housing could remain uneasy and artificial for a considerable time to come—possibly up to near the date of the next election, which would be politically unfortunate for the Tories and economically a pity for the country. But even here—thanks to the cushioning effect of owner-occupied houses that may now be gradually offered for renting—the pressure on resources could ease more swiftly than most people expect. Tenants of "clause 10" accommodation might be unwise to seize on any proffered three-year agreements in too much of a hurry.

MEMBERS' PAY

No Representatives without Taxes

THE Government seems to be screwing up its courage to give pay rises all round at Westminster. This is the best time of the year for doing so without setting off a chain reaction in industry, and ministers will be well advised to delay no longer. The case for increases both to MPs and junior ministers is convincing, and so is the case for granting either a small salary or a daily allowance to peers who regularly attend the House of Lords. But one strong cautionary word must be added. It is being said that the Government might leave MPs' salaries at £1,000 and give the increase in the form of a £750 tax free allowance. This would be wrong both in principle and practice: in principle, because it would appear to give MPs a special tax exemption not open to the general public ; in practice, because it would treat all MPs alike (making no differentiation between the London member living a stone's throw from the House and the Scottish member who must keep a home going in the north and meet weekly hotel bills in London). MPs may well be entitled to £1,750 a year, but they should get it as a flat salary. The present £2 a day sessional allowance should be scrapped, and each MP's claim for tax relief on his legitimate expenses should be scrutinised separately on its merits—and quite as closely as that of other taxpayers.

If this is done, there seems no reason why ministers of all grades should not get an MP's salary, in addition to their pay as ministers. At present junior ministers get £1,500 as members of the government and £500 as MPs. There is a good case now for putting up their salaries (to £2,000?), and also giving them their full pay as MPs. Senior ministers probably do not need a salary increase, but they might well be allowed to draw their MP's pay from now on; it has never been clear why junior ministers get some pay as MPs but senior ministers get none. All are equally liable to meet the normal expenses of a member. Any changes will no doubt raise indignant cries, not least in Tory committee rooms, but even after increases on this scale Britain would still be getting its democracy much cheaper than many other countries, especially the United States.

SETTLING WITH EGYPT

Twigs from the Log-Jam

THE discussions between the British and Egyptian financial missions in Rome last week did not get far. But whereas the Foreign Office is inclined to say the talks got nowhere at all, Cairo reports progress. Dr Abdel Monsim el-Kaissouni, the finance minister, has instructed the National Bank of Egypt to implement the "agreement" regarding British goods contracted for before the freezing of Egyptian sterling last July, and to resume payments to British pensioners of the Egyptian government living in the United Kingdom. There is no confirmation in London yet of these decisions, which are represented as the fruits of the Rome meeting.

Actually, Mr Macmillan referred, in his announcement that Britain would resume use of the Suez Canal, to an agreement in principle that limited releases would be made from Egypt's No. 1 Account (its "current account" in sterling) to clear pre-July trade. The Egyptian government has said these releases will total £6 million, although the sum involved is unknown and releases will only be made as each item of trade is cleared by exchange control. The undertaking to pay the pensioners is presumably intended as a *quid pro quo* to ensure that Britain does agree to free some sterling ; the British delegation had argued the pensioners' case strenuously.

These are only a couple of twigs broken off the log-jam in Anglo-Egyptian relations. The Egyptian government wants both its sterling accounts defrosted before dealing with British claims. This would mean that Egypt could use the £23 million in its current account and draw, in accordance with the 1955 sterling agreement, another £20 million from the £80 million which remains of its blocked wartime balances. Egypt is also asking, somewhat wildly, for about £400 million reparations for damage done by the invasion. Mr Macmillan did not even mention this claim in outlining the subjects for discussion at Rome, although it seems obvious that Egypt is hardly likely to waive it. The Government is meanwhile demanding that agreement on its claim for £140 million of British property and funds seized or sequestered must precede the unfreezing of Egyptian sterling, and, believing that Egypt's economic plight is fairly desperate, it feels it can sit back and wait.

In clearly inspired comment, the Cairo newspaper *Al Ahram* has stated that British property has not been confiscated, which implies that, being merely sequestered, it will in due course be released. This hardly accords with the known "Egyptianisation" of British banks and insurance firms. The Egyptians could help now by specifying what has been grabbed, and what is being merely held in custody and ought therefore to be eventually released. The Government, on the other hand, having been practical about using the canal, should be careful to go on being practical. If it concentrates on trying to score points off President Nasser while he is hard pressed, it is likely to find that Egypt is poor enough to stay poorer for many months to come.

LEBANON

Bullets Before The Ballot

THE triviality of the compromise between the Lebanese government and the opposition, by which "neutral" ministers will enter the cabinet, is incomprehensible against the background of the bloodshed which marred the election campaign in Beirut last week, when five people were killed and Saeb Salam, a former prime minister, was thrown into gaol with a cracked pate. One can only presume that the opposition National Front had had enough trouble and that the government, for the sake of peace, gave the Front the chance to yield gracefully.

The trouble really began on April 1st when the Front, led by Saeb Salam and Abdullah Yafi, presented demands to the president which were, in effect, intended to align Lebanon with Syria and Egypt, notably in resistance to the Eisenhower doctrine. Neither President Shamoun nor the pro-western foreign minister, Dr Charles Malek, was deterred by this demand—accompanied though it was by a threat of "practical measures which the country's interests would necessitate"—from accepting the doctrine and strengthening their opposition to Egypt. Last week's disturbances were apparently in the nature of "practical measures," and there is evidence that Egypt, the Syrian Deuxième Bureau, and the Syrian Communist party contributed cash and mercenaries for them.

At rock bottom, the struggle remains one between those in Lebanon who are resisting the policy of President Nasser and those who, for power or pelf or both, are willing to impose his policy on the country at any cost. The loser is likely to be President Nasser for, while popular nationalism is still with him, Lebanon seasons its politics with a nice sense of its need for the tranquillity in which trade and tourism can flourish. Even Lebanese Moslem nationalists, who showed last week how easily they could flare up, can easily get fed up with troubles which disturb trade.

JORDAN

Appeal For Aid

THE Jordan government has paid £702,000 to Britain as the first instalment due for the British installations and equipment it received by the agreement terminating the Anglo-Jordanian treaty, and has asked for economic aid. It was British practice for some years to give Jordan interest-free development advances, quite separate from the subsidies provided for by the treaty, and the Jordan government drew only £1,120,000 of the £2,250,000 which Britain was at one time ready to pay for the year 1956-57. The termination of the treaty did not necessarily mean that these development grants, euphemistically termed loans, would cease, and the Foreign Office is at present considering the Jordanian request.

There are some excellent reasons why the aid should be given. King Hussein fought a spectacular battle against Egyptian subversion in the area and will be all the stronger if he gets aid from many different sources: Britain, the United States, Saudi Arabia, perhaps Iraq, and even Egypt. Arab nationalism can be muted by a multiplicity of friends. And Britain would in this case be responding to the plea of a friend, not thrusting money upon it by treaty right.

The moment is particularly suitable for a gift. The British ambassador handed the Mafraq airfield over to King Hussein last weekend, three months ahead of schedule. The ambassador told the King at the ceremony that Britain and Jordan were old friends and intended to stay that way. A modest offer of hard cash from one old friend to another would therefore be appropriate.

FINANCE BILL

High Assumptions of Lower Taxes

THE headlines in some newspapers last week alleging that Mr Thorneycroft had "promised that he would go on cutting taxes" sprang from an impromptu parliamentary exchange on a day in which headline material happened to be scarce. The prepared part of Mr Thorneycroft's statement which led up to this exchange began with his rather gloomy acceptance of the view that because of "what this country has been through in two world wars, we shall have a high level of taxation anyway." The Chancellor went on to detail the taxes which he considered to be "high, much too high"—and not unnaturally picked out those that he had reduced in the budget. Since he was speaking against a Labour amendment that sought to cut off earned income relief at £3,500 or £6,500 (Labour did not seem quite sure which), he amplified his case for relief of the better off: "it is not unreasonable that they should expect to keep a fair proportion, and if possible a slowly increasing proportion, of what they have earned." That very cautious statement was clearly the only so-called hint of future tax reductions which he had been prepared to make when he originally rose to his feet.

At this stage, however, Mr Wilson made one of his usual politically loaded interventions. The "young executive" (whom Mr Thorneycroft had mentioned as one of the most overtaxed members of the community) would not, said Mr Wilson, gain anything from this budget unless he had children over 11 or was earning more than £2,000 a year. The Chancellor replied:

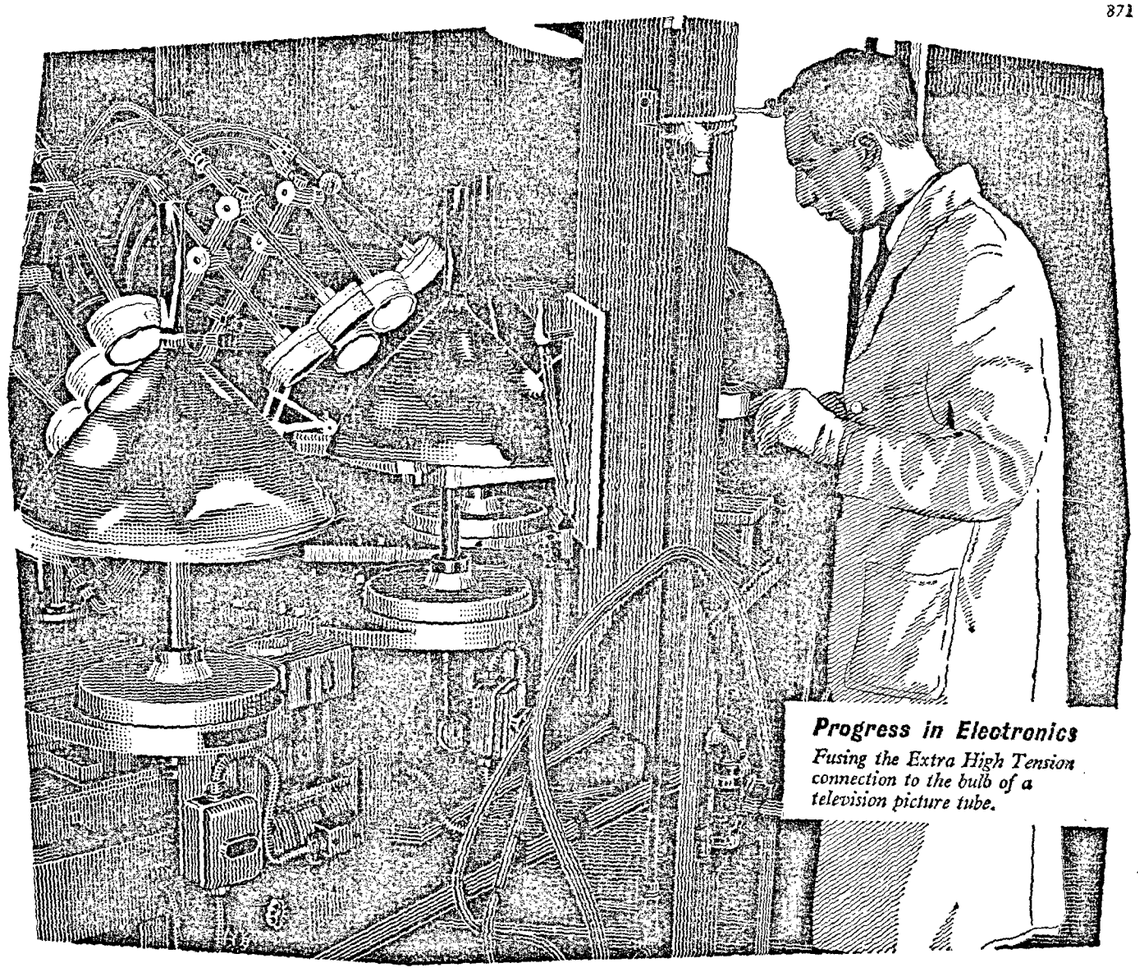
> That is a perfectly fair point. I am happy to say that ever since a Conservative Government came to power they have steadily reduced taxes and as long as they remain in power the country can look forward to their reduction.

It was this statement that aroused loud cheers, and that hit the headlines next day. The cheers were perhaps more significant than the headlines. There is a restless urge among Conservative backbenchers that taxes have got to be reduced in the next two pre-election budgets. This need not necessarily degenerate into lamentable and inflationary politicking; if it were translated into a feeling that a Conservative government should prefer to keep inflation in check by tight money and high interest rates, rather than by large budget surpluses and high taxes, it could be a very good thing. But it is nevertheless surprising that such undue attention has been drawn to last week's one sentence by the Chancellor. In its context, it was clearly very little of a deliberate statement of policy and very much of a piece of impromptu political rodomontade.

SHOPS BILL

A Famous Victory

THE dropping of the Shops Bill — nominally because Parliament no longer had the time, but in fact because the Government no longer has the stomach—deserves to be hailed as something of a political event, perhaps even a turning point. This is the first time one can remember since the war when a piece of restrictive vested interest legislation —dubbed a social charter and therefore pretending to be progressive—has been stopped so completely in its tracks. For the bill's original intention, the clearing up of the tangled mess of anomalies left by past legislation, there was something to be said; for its method, which was to abolish the anomalies by imposing uniformly stiffer restrictions even on self-employed people working in their own one-man shops, there was nothing to be said whatever—though Lord Hailsham, who earns general sympathy in his undeservedly absurd position, said it very well, and Mr Walter Padley,



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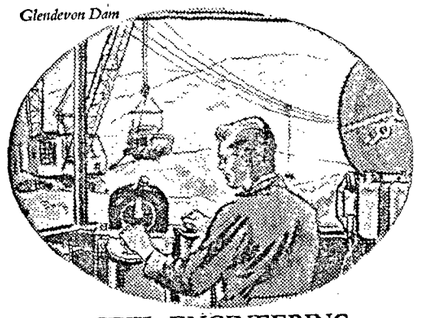
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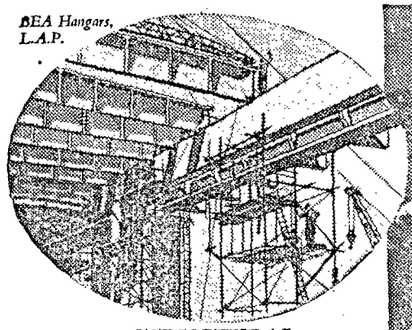
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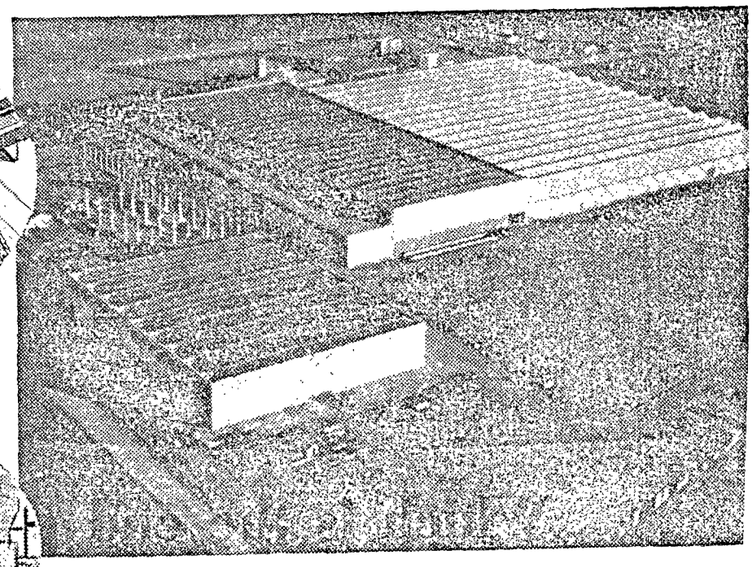
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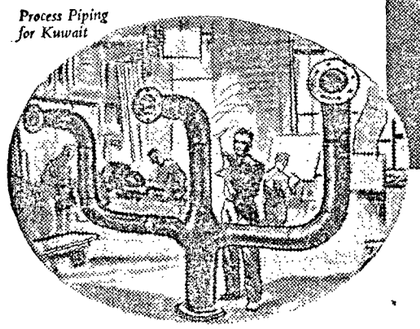


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the Labour MP who leads the shopworkers' union, said it very loudly.

It remains to be seen whether the embattled members of Mr Padley's union will try to enforce the bill's provisions by direct industrial action: to put up a fight against even properly remunerated overtime or shift work—even by those shopworkers or self-employed shopkeepers who actively want to work it. The union can feel little confidence in its threats of such a campaign, complete with picket lines, against late-opening shopkeepers. To put a union picket outside every one-man corner shop would stretch the resources of an abler organiser even than Mr Padley; to set sandwichmen tramping up and down before the shop windows of recalcitrant department stores would merely present these with magnificent free advertising.

If, however, the picket lines do appear, there will be a temptation for liberal members of the public to make a quite deliberate demonstration by going out of their way to cross them. There is still something to demonstrate for. What has been achieved by the dropping of the Shops Bill is not a positive instalment of freedom; it is a narrow escape from heavier fetters. The right sort of shop hours legislation would be a bill that set maximum hours for shop employees (though not for the self-employed), but which made no legislative provision about at what times of the day or evening they should be worked; this latter point should be determined solely by the expense of compensating employees for working inconvenient hours (at rates which the unions can and should negotiate toughly) and by the willingness of individuals in a fully employed society to take up shop work under these conditions.

CYPRUS

A Snub for the Archbishop

THE recent exchanges between Archbishop Makarios and the British Government have confirmed the continuing deadlock over Cyprus. There is little sign that the Archbishop has acquired a greater sense of reality, or a more moderate outlook, since he was released from the Seychelles. He alleges—wrongly—that the government of Cyprus has kept the emergency regulations in full force; he demands that the emergency should be called off and that he should be allowed to return to the island; and he announces that he is ready to take part in "bilateral talks on a basis of the application of self-determination." He has also said that he would be prepared to accept a short transitional period before self-determination ("to show our good-will"), preferably under the United Nations or a state named by the UN; and—rather confusingly—that he rejects Nato "intervention," but not "mediation from any quarter."

The British Government has, quite rightly, turned down the proposal for bilateral talks. "Other and wider interests have a right to be consulted." It is, indeed, inconceivable that the Turkish interest in Cyprus should be ignored. So long as the Archbishop shows no sign of seeing reason on this, there seems little to be gained, and perhaps a good deal to be lost, by letting him return to the island. Nor can the authorities in Cyprus be expected to abolish the emergency regulations altogether, or abandon military operations against Eoka, so long as the threat of renewed terrorism remains. The Archbishop may consider that this threat is a potent weapon in his hands; but it is an increasingly double-edged one, since a renewal of violence for which he could be blamed would not improve his standing either inside or outside the island.

Archbishop Makarios has only himself to blame for the snub he has received. Yet one would like to be sure that the Government is making every possible effort to break the deadlock. Its reply to the Archbishop is not altogether reassuring; to stand pat on its willingness to discuss the Radcliffe proposals, when neither the Greeks nor the Turks will have anything to do with them, is not good enough. It is probably not yet time to bury these proposals; but it is time to do some energetic artificial respiration on them. One hopes that, behind the scenes, this is in fact being done.

FRANCE

Premier-Maker

VIEWS may differ about M. Mollet's performance as prime minister, but nobody will now deny his skill at pulling strings from behind the parliamentary scene. His government was defeated more than two weeks ago, but ever since then he has dictated the course of the crisis. The hundred Socialist votes are his trump card, and he has used it mercilessly to defeat one candidate for the premiership after another, either by refusing the votes or by showing a much greater insistence on immediate social reforms than while he was in office. When the situation had ripened to his satisfaction and President Coty asked him for advice, he put forward the name of the Radical minister of education in his own outgoing government, who promptly declined the offer on the grounds of inexperience. The President then had no choice but to call on another Radical who would have no such inhibitions.

It is more than suspected in Paris that M. Bourgès-Maunoury was the joker in M. Mollet's pack all along. As minister of defence in the outgoing cabinet he shared responsibility for the official policy in Algeria, and he was also M. Mollet's trusted lieutenant (many will say his inspirer) in the Suez adventure. Now he should have even more reason to be grateful to his former chief. He has the further advantage of being a very difficult target for the Right to hit without appearing "unpatriotic," since he has become one of the symbols of a tough policy in Algeria. Although at the time of writing the problem of the premiership is still unsolved, M. Bourgès-Maunoury seems the most likely contender for the post to have appeared so far.

Last week's horrible massacre of 300 Moslems by the Algerian rebels has outwardly strengthened the hand of those Frenchmen who argue that there is no sense in negotiating with "barbarians." But it has also shown how ineffective the "pacification" has proved, and its very horror may quicken the approach to a decision. As *Le Monde* puts it, the next prime minister should make a choice between peace and war. In other words, the deputies have to decide whether France must undertake even greater military efforts, which might overtax not only its economic resources but also its political system. If not, they should strive immediately for a compromise, ensuring the protection of French lives, but accepting the idea of Algerian independence, if necessary. The choice of M. Bourgès-Maunoury for the premiership would look like a vote of confidence in a policy which has led France into a blind alley—despite the new opening of political eyes described in a message on page 897.

TUNISIA

Parthian Misfire

REPREHENSIBLY, M. Mollet made a last minute clutch at right wing votes to save his cabinet without much heed to the effect of his gesture on tempers in North Africa. He withheld from Tunisia an instalment of credit promised only a month previously, on the grounds that French money must not go to a government that might use it, even indirectly, to help the rebels in Algeria. His move failed even in its primary purpose of saving his skin ; and so his successors are left to calm the burst of temper it caused in Tunisia.

M. Bourguiba, the Tunisian premier, reacted sharply. The main theme of the speech he promptly made was that all traces of past dependence must be eliminated, and that if a month-old agreement was to be called in question, so were the 1955 conventions whereby Tunisia belongs to the franc zone and to a customs union with France ; he also referred to *turning* elsewhere for aid. Among the "traces" of the old relationship is of course the stationing of French forces in Tunisia. A few days' pause brought calmer counsel. Paris made soothing gestures. M. Bourguiba remembered his economic straits, and in his next speech referred only to revision by negotiation ; he seems to have reflected that aid from elsewhere is not so quickly to be had as once it was, and that Tunisia would be on balance the bigger loser if the 1955 agreements were to be ended abruptly.

But while tempers were at their shortest, an ugly situation arose elsewhere in Tunisia. As a result of a military operation in Algeria, refugees in many thousands poured over the frontier. M. Bourguiba, anxious both to emphasise the strain on his economy and to reaffirm Tunisia's inseparability from the Algerian cause, reported the matter to the United Nations. Meantime, a French detachment of troops in Tunisia moved up to investigate ; so did a Tunisian detachment, and (during an affray about which both French and Tunisian statements are manifest exaggerations) the two forces exchanged fire and suffered casualties.

Both episodes show how near tempers are to boiling point ; they further suggest that if French troops are to be used to control refugee movements they had better be deployed on the Algerian side of the border, or else France may endanger its most valuable arrangement in Tunisia—not the right to station its troops there, but the right to use Bizerta.

FARM IMPROVEMENT

Wasted Aid

WHAT is the purpose of the £50 million which the Government is proposing to pay out in grants for farm improvement under the new Agriculture Bill ? With agricultural surpluses mounting at home and overseas, the only possible justification for this expenditure will be if it raises the general efficiency and competitive power of British agriculture. But will it ? The most eager customers for the new grants (which will cover a third of the cost of improvements, leaving farmer or landlord to find the remaining two-thirds) are certain to be farmers who are already reasonably efficient and progressive—and who really do not require an added incentive. Many small farmers will be unable or unwilling, particularly at present interest rates, to find their share of the capital, while landlords may well be coy about their contribution until given back some freedom in their choice of tenants. The great bane of British agriculture—the factor which each year thwarts the attempt to make price guarantees more realistic—is the wide spread in efficiency between the best and the worst farmers. Mr Heathcoat-Amory's present proposals seem more likely to widen this gap than diminish it.

Secondly, it is clear that the new grants will stimulate the production of commodities already in surplus, such as milk and eggs. The Minister has rejected various suggestions for discriminating against particular branches of production—on the grounds that the effect on the farmers' efficiency ought to be the sole criterion as to whether a grant is made. This sounds reasonable enough. It is, after all, just as important (or more so) to have more efficient milk producers as more efficient beef producers. But everything depends on how "efficiency" is interpreted. Does it imply the capacity to produce extra supplies profitably at present guaranteed prices, or to do so at prices which (in the case of the "surplus" commodities) are progressively reduced until supply is brought into balance with demand ? The second test is the right one—but its application would rule out large numbers of small livestock producers utilising imported feedingstuffs, and would therefore smack too strongly of "discrimination against the small man" for the Ministry to dare to use it.

Mr Heathcoat-Amory can make his scheme sensible only by converting it frankly into a plan for dealing with uneconomic farms. Grants might even be paid up to 50 per cent in appropriate cases, subject to the requirement that whenever necessary uneconomic farms should be amalgamated. These ideas have a place in the Minister's present scheme—but their whole force is vitiated by its inclusion of all farms. It is no answer to point to the difficulties of selecting the right farms for treatment and of persuading farmers to co-operate ; Sweden and Denmark have successfully solved these problems and the English Ministry of Agriculture—in this as other matters—ought not to be too insular to learn from more successful competitors. By contrast, the Government's present plan is yet another lazy and pointless agricultural subsidy: it looks like completely precluding uneconomic farms from getting either the amount of assistance or the kind of treatment they require.

EAST AFRICA

Older Than Adam

IT was only because Mr *James Johnson* was successful in the ballot for private members' motions that the report of the Royal Commission on East Africa has been debated even within two years of its appearance. It must now be sadly recorded that the debate last Friday buried the report so far as any real action on its recommendations are concerned. It is hard now to recollect the sense of urgency when the commission was set its task, and the high hopes that it might find a solution to the dangers inherent in the problems of population and land in East Africa, which had flamed into the Mau Mau revolt. The commission proposed a radical operation: that land should be taken out of politics and tribalism to become a commodity available for individual ownership, sale and collateral for loans. From this basic idea the commission developed its detailed proposals

to solve the political problems of the area by breaking down the barriers to an expanding economy.

The governments of the territories did not like the radicalism of the proposals ; the Colonial Office was equally coy ; and clearly there is no greater liking for it from either party in the House of Commons, so far as may be judged from the speeches of those few members who stuck to the main point. There were obeisances to the commission for its work, but no belief in its basic findings ; and Mr Profumo, for the British Government, pronounced its death knell in his cosy declaration that all the East African governments concerned were in fact getting on very well with land registration—so far, that is, as individual tribes were ready for it. No doubt this is true ; but it will not generate the wind of economic freedom which the commission hoped might sweep through the territory, blowing away tribal divisions, suspicions and land reserves (including those round the White Highlands of Kenya) and turning African thoughts to the pursuit of wealth and betterment by individual effort and profit. *Laisser-faire* seems in fact to be too revolutionary a doctrine for those who today control territories many of whose most debilitating political and economic features would have been understandable to—and attacked by—Adam Smith back in 1776. The members of the royal commission must comfort themselves by reflecting that the report will at least become prescribed reading for African students of economics, who in time may become African Ministers of Agriculture, Land or Finance. Meanwhile, timorous MPs of both British parties remain one hundred and eighty years behind the times.

JUGOSLAVIA AND RUSSIA

Doves Over Belgrade

DOVES of peace are once more flying between Moscow and Belgrade. Two weeks ago, Marshal Tito's 65th birthday inspired a flock of friendly telegrams from all the communist parties of the Soviet block—with the exception of the Albanians, whose vendetta against the Jugoslav comrades is apparently too fierce to be turned on and off like a tap. And this week the second anniversary of the famous visit to Belgrade of Mr Khrushchev and Marshal Bulganin has been a peg on which to hang some unexceptionable sentiments about friendship.

According to Marshal Tito, the initiative for this rapprochement came from the Jugoslav side. It has apparently met with a response from the Russian leaders that must be all the more gratifying since Marshal Tito has not had to sacrifice either his pride or his principles. He has not retracted any of the tough things he was saying, only just over a month ago at Brioni, about the Soviet block's propaganda campaign against Jugoslavia and the behaviour of the Soviet leaders. And in his recent interview with the editor of *Politika* he stated firmly that he was prepared to co-operate whenever possible "without forsaking our positions of principle." The Jugoslavs will not abandon their good relations with the West ; and they remain convinced that the Hungarian revolt was primarily provoked not by counter-revolutionaries, but by the failure of the regime to respect the elementary rights of the people.

In short, the Jugoslavs and the Russians appear to have agreed to live and let live. The advantages to Marshal Tito are clear. His relations with the Soviet block had deteriorated so much since he adopted an independent stand on Hungary that he was beginning to be in danger of losing his cherished balance between east and west. The Russians, for their part, may reckon that the sooner the events of last October are forgotten, the better ; to patch up relations with the Jugoslavs will help to draw a veil over them. Moreover, after all that has happened, Marshal Tito may well have lost his taste for encouraging the satellites to seek their own roads to socialism.

INDONESIA

The 'Concept' Takes Shape

MR DJUANDA, the Indonesian prime minister, is working hard to put President Sukarno's new political "concept" into effect, although he has not neglected more practical tasks. He has announced that a national advisory council—the main plank in Dr Sukarno's plan for a "guided democracy"—would be formed, but it would not be a super-cabinet and the government would remain fully responsible to parliament. At first hearing, this sounds like

The Economist

JUNE 6, 1857

TRAINING THE ARMY

"That England should have an efficient standing army seems to be a point determined by the clear and conscious will, no less than by the most obvious and painfully experienced necessity of the country. That that army should be officered by thoroughly educated, and, if we may use the expression, keenly trained professional men, seems a condition absolutely necessary to an efficient army, though hitherto little understood. In point of fact, there is really no profession whatever, unless it be the clerical, for the large, thorough, and yet also strictly professional education of which, such grave reasons exist as may be shown in the case of military officers. In most other professions there is the stimulus of constant and close individual competition ; in all other professions—perhaps including even the navy—there is more regular and necessary work to keep the rust off professional habits and ability than in the profession of an officer in time of peace. . . . But being not only usually a profession of leisure, but a profession of leisurely command over an inferior social class, the reasons for providing as far as possible against a transformation of leisure into indolence or worse than indolence are indefinitely multiplied. And the only mode in which it is clearly competent to us to guard against this danger has hitherto been sadly neglected. For the Bar, for the Church, for the service of the State, and for Literature, we prepare men by plunging them early into stirring intellectual pursuits with still more stirring motives to pursue them. We give them at once a taste for culture and a habit of prosecuting those cultivating studies with all the eagerness of a profession. And yet in the one service of the State in which that culture is most socially needful and that rapidity of intellectual circulation in the greatest danger of decline, we have guarded against the possibility of an ordinary college life, substituted nothing of value in its place, and above all neglected those healthy competitive influences which infuse alacrity, hope, and vigour into the somewhat depressing atmosphere of a profession which is most successful in its function when it has least to do. A standing army must always be in danger of becoming not only still but stagnant. By general briskness in the intellectual training, and the subsequent competition for distinctions of merit, the danger not only of intellectual stagnation, but of the moral degradation which so often accompanies it, must to a large extent be avoided.

a sizeable modification of the concept, but Dr Sukarno has never said that the government would cease to be responsible to parliament; merely that it would have to take advice from the national council. Mr Djuanda's comment therefore does nothing to allay the fears aroused by the president's ideas.

On a more practical plane, Mr Djuanda, who has been visiting some of the regions that have been defying central authority, said that the government was willing to meet the regions' demands "as far as possible within the limit of state finances." An emergency act on regional taxes had been passed, and two bills fixing the percentages of taxes, duties and excises allocated to the regions were being drafted; a commission for autonomy and decentralisation would soon be set up. Although the government continues to proclaim the "unitary" nature of the Indonesian state, it seems simultaneously to be groping towards a *de facto* federal structure not unlike the short-lived United States of Indonesia which the independence leaders have consistently reviled as a Dutch creation.

The government's power to carry out its plans remains in doubt, however. Under an army decree issued last week, two of the rebel commanders in the Celebes, Colonels Sumual and Sudirman, have been dismissed and are to be transferred elsewhere. It remains to be seen whether they will accept these orders after defying so many others.

UNIONS

Electric Sparks

It was not at all a nice day by the sea for the leaders of the communist-dominated Electrical Trades Union last Monday. With an inkling, no doubt, of the public humiliation that was in store, it had been arranged that political questions should be discussed in private session. But afterwards Mr Foulkes, the president, and Mr Haxell, the general secretary, spoke to reporters. It appeared that the executive had been narrowly defeated on two important resolutions. The first expressed concern at the executive's attitude towards the "shooting down of workers at Poznan and its belated protest against the attempts of Russian troops to suppress the workers' revolution in Hungary." The second condemned the "brutal attack" of the Soviet armed forces on the Hungarian people and demanded their withdrawal unless their presence was agreed by a government freely elected by Hungarians. The executive's amendment seeking approval of its statement on Hungary last December (good party stuff) was defeated.

The flap into which these decisions threw the ETU leaders must be judged from the fact that next day Mr Foulkes denied that he had told the press the facts that had been printed by the newspapers. The well-known technique of blaming the reporters when in difficulties has been carried to a fine art by the ETU. (It is one of the few unions that maintains a press office, though not for the purpose of telling the press anything.) The technique was continued on Tuesday when Mr Foulkes embarked on a tirade against the newspapers for their account of the closing down of the ETU indoctrination centre at Esher: he says it is not to be closed, but only to be put in mothballs. He was defending himself here against a burgeoning feeling, expressed in one resolution, that the union should stop squandering its depleted resources on non-industrial activities.

It would be rash to say that the communist grip is now slipping from this union. One difficulty is that in industrial matters communism can still be made to seem indistinguishable from militant—and cynical—unionism of the old school. Mr Foulkes was heard by his conference with approval when he condemned the wage standstill agreement accepted by the engineering workers, which affects electricians in engineering firms. Although the agreement has been signed in its name, the ETU seems blithely prepared to break it in certain circumstances. Another difficulty is the mode of elections in communist-influenced unions. The election of an anti-communist to the executive of the Amalgamated Union of Foundry-workers has just been declared void, and a new election ordered; the anti-communist organisation called Iris had indicated the man whom it considered to be the best candidate, and this was held to constitute "interference by an outside body." But Mr Foulkes's troubles this week, following upon the upheaval in the Fire Brigades Union and other rumblings, are indicative of a trend. The Hungarian workers who died in the October rising have opened the eyes of some trade unionists here as no one else could have done.

INDO-CHINA

Setbacks for Laos

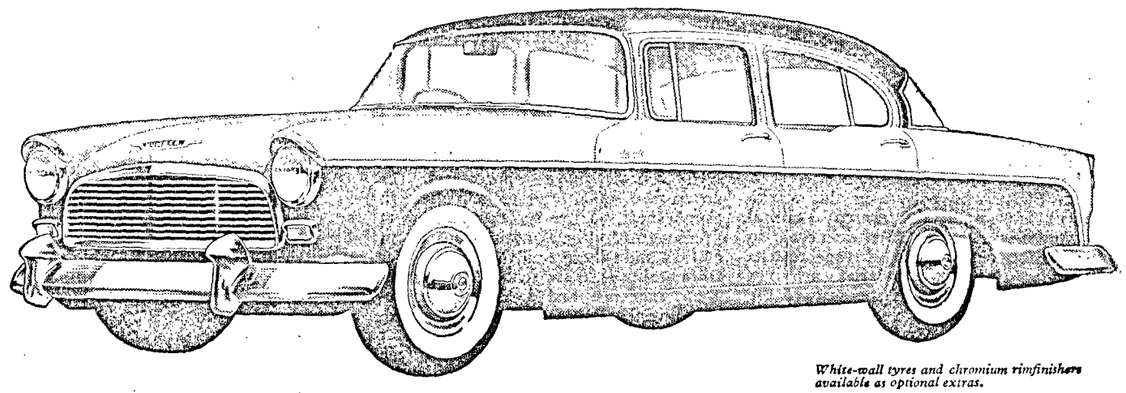
The return of Prince Katay Sasorith to the premiership of Laos is welcomed in London and Washington, where it is recognised that he is less likely than his predecessor, Prince Souvanna Phouma, to make a bad bargain with the communist-controlled Pathet Lao movement. But it must be admitted that his return marks the government's failure to make good the agreement with the Pathet Lao announced on New Year's eve. A solution to the problem set by the Pathet Lao's illegal control over two of the northern provinces now seems as remote as ever.

The rock on which all this year's negotiations have foundered is the provision in the agreement for the early formation of a "government of national union." Prince Souvanna Phouma's uphill task has been to "sell" the inclusion of Pathet Lao ministers in the cabinet before further general elections are held, to deputies sceptical of the value of assurances given by his half-brother, Prince Souvanna Vong, the Pathet Lao leader.

There have been minor differences of opinion between the three western powers specially interested in Laos—France; Britain, which shared the chairmanship of the 1954 Geneva conference; and the United States, which subsidises the kingdom's budget. But on April 24th, all three issued Notes reaffirming their interest in the independence of Laos and emphasising the right of the government in Vientiane to establish its authority over the whole of the country.

These Notes were bitterly resented on the communist side, and Souvanna Vong complained of American "interference." Souvanna Phouma was forced to resign on May 28th when the national assembly, in a secret ballot, voted 13 to 11 against continuing the negotiations, after the Pathet Lao had insisted that the government should accept aid from China as well as from the West. Prince Katay's task is likely to be made more difficult by the return of the aged rebel Prince Pethsarath, after many years' exile in Siam. Pethsarath, who has been given back his old title of viceroy, is the object of much praise from Hanoi radio, and has lately visited the communist-held provinces.

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LETTERS

Egypt's Empire Builders

SIR—I write to make known the point of view of a person who is directly related to the problem which your article of April 27th presumes to tackle:—

1. The Arab nationalist movement is much older than the Egyptian revolution. It was deeply rooted in different parts of the Arab world long before it became the declared policy of the Egyptian government. The movement comes from within the nation, and is not, as the writer of the article insinuates, a destructive spirit conjured by Abdul-Nasser and his men.

2. Those who believe in this movement look upon the present political boundaries as having been delineated to serve the convenience of the western powers. These boundaries are not viewed as obstacles in the way of the pan-Arab movement and one's loyalty to one's state is not incongruous with the belief in a greater Arab nation. It is on the contrary believed that the interests of one Arab state are inseparable from those of another and that there is a common cause in whose pursuance political boundaries are transcended.

3. The Egyptian government does not pay the salary of any seconded teacher; the government of Kuwait, for instance, pays the whole salary as the teacher is considered to be in the service of the government of Kuwait; and Egypt cannot be spoken of as being too eager to send teachers abroad as we are rarely given the numbers we need.

4. Teachers in Kuwait, irrespective of their country of origin, have been careful to observe and respect the local traditions and institutions of the country; their behaviour from the point of view of a Kuwaiti has been exemplary.

5. The writer says that schools should not be built in, say, Kuwait unless there are enough Kuwaiti teachers to staff them, and adds that the Kuwaitis are not keen on teaching and that the numbers of the Kuwaiti teachers are on the decrease. It follows, according to this remarkable reasoning, that Kuwait should indefinitely stop building schools, in spite of her tremendous income from oil. How can we ever get out of this vicious circle except by inviting teachers from the Arab countries to start supplying professional men?

6. The writer does not seem to be aware, moreover, that the educational authorities in this part of the world are alive to the need for having primary school teachers who were brought up and educated in the same environment as the children. In Kuwait, for instance, all means to make the profession as lucrative and attractive as possible to Kuwaitis have been followed: they are paid higher salaries than non-Kuwaitis with the same qualifications, they have opportunities to get quick promotion and scholarships for higher studies abroad.

The writer's suggestion of establishing an institute in the Lebanon for training teachers is extremely naive. Why Lebanon in particular? The American University was founded in Beirut almost a century ago and many of the teachers whose ideas the writer considers objectionable are graduates of that university.

7. Some of the sheikhs in the Trucial Coast of Oman who—on financial grounds—cannot afford to build their own schools have approached the government of Kuwait to help them in that respect. Three such schools are at present run by the Kuwaiti Department of Education there, and the sheikhs—far from seeing in these schools a threat to their existence and interests—are demanding that more of them be opened.

8. The school children of Qatar who acted the short play which the writer saw were actually giving an outlet in their primitive way to a true feeling in the minds of the Arab masses towards Israel.

The article, as a whole, was bitterly reminiscent of the humbug that we used to hear during the recent crisis in the Middle East, when Abdul-Nasser was one day spoken of as a new Hitler, and the next as a communist or fellow-traveller; or when an attack upon Egypt was depicted as an attempt to protect the Suez Canal against other invaders, and in the next breath spoken of as an operation to foil a plot to seize power in the Middle East. Are you attempting to sow discord among the Arab states by following the same methods?—Yours faithfully, ABDUL-AZIZ HUSSAIN

Education Department, Kuwait

India's Crisis of Ambition

SIR—The articles in your issue of June 1st, called "India's Crisis of Ambition" and "What is Pakistan to be?" respectively, show that both countries are in a state of crisis, although for very different reasons. Curiously enough, however, there is a problem common to both countries for which a solution might do more than any other single factor to initiate trends in the desired directions. That problem is to secure an agreed solution for Kashmir.

India cannot find the capital needed to complete her second plan in the five-year period. A reduction in the targets or an extension of the period would inevitably lead (*inter alia*) to increased unemployment, with disastrous economic and probably political results. She needs more capital from both domestic and overseas sources. Domestically a reduction in expenditure (i.e. on defence) would help more than an equivalent increase in taxation, whilst the improvement in international prestige and creditworthiness that would follow from agreement on Kashmir would greatly assist to secure capital from abroad.

Your article on Pakistan cites two "fears" as the main obstacles to advance, of which one is fear of India. "Pakistan is hypnotised by the threat of India, not only in Kashmir but along all its borders." This fear would be removed, in due course, not only in Kashmir, by agreement on Kashmir.

May I once more plead for serious consideration of the suggestion put forward in my letter published in your issue of May 25th, that Kashmir should federate with both India and Pakistan?—Yours faithfully, VERA ANSTEY

University of London

Nasser Gets His Dues

SIR—As you talk about "a baffling quality of innocence," which had enabled "the remaining partisans of last autumn's military adventure" to contrive not to see the facts, may I draw your attention to Mr Selwyn Lloyd's recent speech in the House of Commons? He said: There was a common command of the armies of Syria, Jordan and Egypt. There were Russian technicians in Egypt capable of manning the Egyptian air force, and other arms. Every one of them knew that this dangerous situation might degenerate into a major war. This, he said, "was the real issue," transcending that of the canal, and it is indeed strange that you do not as much as mention it. It is, I hope, the result of innocence, but to an old reader it is certainly baffling.—Yours faithfully,

DESMOND ALLHUSEN

Beaminster, Dorset

Still Too Old at Forty

SIR—Government spokesmen have expressed their belief in an "opportunity state," and presumably we are supposed to be living in one. The experiences of some of us, however, lead to rather different conclusions. How many opportunities are there for the unemployed person of middle age?

I was in my early fifties when, at the end of 1954, I lost my job owing to a long illness due to coronary heart trouble. Having recovered from this, I found that the only jobs available were short-term ones, and one was very lucky even to get one of these.

Part of the difficulty seems to be that entry into a superannuation scheme is impossible over a certain age. Whatever the reason, a person who loses his job late in life often finds there is no longer any hope of security. For the young there is everything; the older people are not even allowed to compete with the young on the same terms.—Yours faithfully, J. C.

BOOKS

Two Marshals

By Command of the Emperor: *A Life of Marshal Berthier*

By S. J. Watson.
The Bodley Head. 236 pages. 25s.

The Trial of Marshal Ney

By Harold Kurtz.
Hamish Hamilton. 335 pages. 25s.

GIVEN little more than a walking-on part in "The Dynasts," though Hardy puts his Ulm campaign directives into blank verse; presented as an apprehensive, nail-biting amanuensis in Britten Austin's "Road to Glory"; dismissed by Macdonell as a desk-soldier who "failed to grasp the vaguest elements of Napoleonic strategy", and by Colonel Vachée as a talented supervisor of "copyists"—Marshal Alexandre Berthier, Prince of Neuchatel and of Wagram, at last receives his due in this book. It deserves study at Camberley and Sandhurst and by every lecturer and writer on Napoleon. In a sense, Berthier's reputation needs revision more than Carnot's, whose life by Major Watson was published in 1955, for Carnot is renowned as the forger of Napoleon's thunderbolts, whereas Berthier has seldom been credited with any say in their use or direction.

Major Watson's narrative, unencumbered by military jargon, marches briskly along like the Revolutionary armies, weighted only with the bare necessities of its campaigns: enough political history to explain (if not excuse) Napoleon's war aims, and simple maps containing all strategically important features and places. There are no diagrams, for Berthier was not concerned with tactics; although if involved in fighting he showed courage, an "eye for country" and decisive leadership, qualities unfairly disallowed by his detractors.

Berthier, born sixteen years before Bonaparte, was the son of the Director of Military Survey under Louis XV and XVI. He was commissioned as a topographical engineer in 1769. Attached in turn to infantry and dragoons and to Rochambeau's staff in the American War of Independence, he acquired an appreciation of the needs and functions of different arms during the important pre-Revolutionary period of the French Army's renaissance. He showed outstanding ability as a staff officer while Bonaparte was still unknown. He wrote in 1787 a manual on the functions and duties of the staff, and Major Watson regards him as the creator of the operational machine which, electrified by the dynamism of Bonaparte, drove the army of Italy, and later of the Empire, to victory.

The book's title is well chosen: in his dealings with the jealously competitive Marshals, Berthier's cautious insistence that he was only the Emperor's mouthpiece resulted in Napoleon's claiming credit for everything that went right and letting his chief-of-staff take the blame for what went wrong. Yet Major Watson ascribes much of the speed of the Italian campaign of 1796 to the work done by Berthier before Bonaparte assumed command. Berthier was not only a first-class organiser of recruitment and training but, on Major Watson's evidence, may also have originated the "general ideas" of the Montenotte and (four years later) Marengo campaigns. His self-effacing loyalty silently covered the Emperor's mistakes in the Jena-Auerstädt battles, but lessened his own reputation as an army commander while he struggled to correct the errors of Napoleon's attempt to control by semaphore signals from Paris the movements of troops in the prelude to Eckmühl. He was no "yes-man"; he advised against the tactical recklessness which crowded the army into Lobau, and it was largely due to him that the Wagram campaign ended without disaster.

Berthier's loyalty to the Emperor was severely tested but unbroken between 1809 and 1814; but his personal regard for the man ended when Napoleon callously threatened to deport Madame Visconti, to whom Berthier had been constant for ten years, and insisted on his marrying a Bavarian princess. But loyalty was Berthier's strongest virtue; and his devotion to duty was unaffected by political careerism or ideology. He had served France faithfully and efficiently under Louis XVI, Lafayette, the Committee of Public Safety (despite the terrorists' suspicion of regular officers) and Bonaparte; after the imperial abdication at Fontainebleau he regarded Louis XVIII as the rightful ruler of France, and his allegiance was unshaken by a personal appeal from Napoleon in 1815. When the King withdrew to Belgium Berthier obtained permission to retire with his wife to Bavaria, where he died, following a fall from a window shortly before Waterloo. Major Watson is satisfied that sensational rumours of suicide or assassination were completely groundless. Berthier was sixty-two and had recently suffered from giddiness undoubtedly caused by high blood pressure; he was the victim not of an unresolved moral conflict, but of physical stress due to years of strain.

Unfortunately, the same cannot be said of Marshal Ney; and though Mr Kurtz's book illuminates the motives of those who condemned "the bravest of the brave" to face a firing squad, it leaves one feeling that he was, in a sense, his own executioner. A great warrior, he nevertheless lacked Berthier's mental clarity and strength. His instinctive military reactions were quickened by a fearless spirit which inspired his men to face hopeless odds; but the superb soldier of Yvon's painting, "Covering the retreat in 1812," became a bewildered neurotic faced with the choice between his old and new masters in 1815. When, after feverish vacillation, he deserted the Bourbons Napoleon thought him deranged, and hesitated to give him any command till the eve of the Waterloo campaign, in which even Ney's heroism could not redeem tactics so reckless that the obscurity of the orders he received from the Emperor does not explain them.

But Ney's equally incompetent political tactics and the "treason" into which he drifted do not excuse the frenzied rancour of the "ultras" who hounded him to death, and Mr Kurtz's condemnation of their vindictive folly is fairer than his criticism of the British Government. It is unhistorical to ignore the strong political reasons for Liverpool's refusal to defy the Allies and undermine the dynasty they had restored, and for Wellington's reluctance to disobey his instructions by intervening on Ney's behalf. Moreover, as Mr Kurtz admits, it was symptomatic of the Marshal's mental confusion that he refused to be tried by a court martial, which would almost certainly have acquitted him, and insisted on trial by "his peers," who assembled in the atmosphere of a "White Terror." In such a situation neither the factious clamour of the Holland House Whigs nor the quixotic rescue plot of some eccentric Britons in Paris could save the prisoner; and it is perhaps significant that after the verdict he prepared for and met his end with admirable calm.

Books and Bookmaking

The Book World Today

Edited by John Hampden.
Allen and Unwin. 278 pages, 21s.

IT is over twenty years since a symposium, of this authority, on the production of books was published. In this entirely new successor to "The Book World" Mr Hampden has mustered a formidable batting list of publishers, booksellers, librarians and authors to state, often with an agreeable disunity, their views on the state of the nation as far as books are concerned. Some of the contributions are of the first order, notably Mr Walter Allen writing as an author and Mr W. G. Taylor on general publishing, and a few are rather less good than one would expect from the author or than the subject is worth.

Educational publishing receives slender mention and Mr Donne-Smith is wildly off the beam when he attacks the public libraries for supplying popular fiction. It is, after all, a canon of

librarianship that the seeker of "westerns" may be lured to more serious reading if both are supplied. The book also contains a serious omission. Much is said about writing, publicity, distribution, but although Mr David Bland writes well on book production he is writing from the publishers' point of view and not from the printers'. It would have been interesting to read the views of a practising printer on both publishers and authors and to have had some harder hitting at the printers than any contributor has dared. It is common knowledge that the restrictive practices in the printing trade are one of the biggest single factors which delay the production and increase the cost of books. Literary gentlemen should not be too fastidious to ignore this solid truth: it is intensely relevant to the future of what is still the most important civilising influence of our time.

Grief Writ Large

Left over Life to Kill

By Caitlin Thomas.
Putnam. 240 pages. **18s.**

EXTRACTS from this book by the widow of Dylan Thomas have been appearing serially in *The Observer*. These may have given readers the impression that the poet is its central figure. This is not so. The pages with the widest general interest are naturally those which deal with someone well on his way to becoming a legendary figure, *le Villon de nos jours*. But the bulk of the book, written in a vehement pseudo-Dylan style, is concerned with Caitlin Thomas herself.

It is largely an account of her winter's sojourn on a mining island off the coast of Italy, where she went with her youngest child after the death of her husband, ostensibly to recuperate. Unable to help herself, unwilling to accept help from others, nothing that happened to her there really reduced her acute sense of deprivation, though she took various and violent means to deaden the ache.

It is a squalid story, and she makes no attempt whatever to sentimentalise it. There is a good deal of tough humour in the book, and its main merit is its honesty. But one soon begins to long for a moment of reticence, an occasional brief tribute to decency; never more than when she casually quotes, from a letter that she carries with her, a profoundly moving avowal of love from husband to wife.

There is a medieval treatise about the Remorse of Conscience whose vivid title, in modernised spelling, is "The Again-bite of Inwit." Some odd association brought it to mind during the reading of this book, superficially so extremely unedifying. Mrs Thomas has plenty of inwit, and it gnaws at her most cruelly. It is not self-pity so much as self-disgust that seems to have driven her to write this outburst of autobiography; plus, perhaps, the temptation to cash in on the publicity attaching to the very name of Dylan Thomas. But essentially these clamorous pages are the articulate equivalent of a scream of pain and frustration. People who can look appreciatively at the canvases of Francis Bacon and not turn shuddering from his frantic, flayed, disintegrating images may be able to relish the exhibitionism of Caitlin Thomas.

At the Court of King James

The Lion and the Throne: *The Life and Times of Sir Edward Coke 1552-1634*

By Catherine Drinker Bowen.
Hamish Hamilton. 545 pages. **42s.**

The Life of Sir John Eliot 1592-1632

By Harold Hulme.
Allen and Unwin. 423 pages. **35s.**

IN 1606, as Maitland pointed out, Coke was settling the first charter of Virginia; and the appearance of these two biographies by American scholars reminds us that the story of the parliamentary opposition to the Crown in the early seventeenth century belongs as much to American as to English history. In that opposition Sir John Eliot was the fervent orator, who knew how to raise the emotional temper of the Commons; and his death in the Tower made him a martyr for the cause of parliamentary privilege. But it was the common lawyers who were the architects of victory, and of these the greatest, alike for his work as a lawyer and as a political leader, was Sir Edward Coke.

Much of the interest of Coke's career lies in its apparent inconsistency. As attorney-general under Elizabeth and James he accepted the wide discretionary powers claimed by the Crown, authorised the use of torture and was the savage prosecutor of Essex and of Raleigh. Yet he became the upholder of the integrity of the law and the most dangerous opponent of the monarchy. And his Reports, enshrining and perpetuating the learning of the common law, drew from his enemy, Bacon, the tribute that without them "the law by this time had almost been like a ship without ballast." Mrs. Bowen, the author of "Yankee from Olympus," finds it surprising that so few biographies of Coke have been attempted; yet the combination of legal knowledge and historical skill demanded might have daunted even Maitland. She has contented herself with aiming at "introduction, evocation," and tells us that she has always found "the narrative method more persuasive." This concern with persuasion seems unnecessary, since she inflates into 460 pages of narrative the view of Coke which Sir William Holdsworth gave in 70 pages. Mrs. Bowen has shown great industry, combines vivacity with shrewdness and possesses insight into personality; but the gushing tone and often speculative evocation are out of place in a life of this great lawyer and astute politician. Of Coke's Institutes she remarks that his only fear was that he might leave something out; and as a biographer she seems to share this fear. Yet she omits to mention the help Coke gave the Crown in the case of Goodwin versus Fortescue, or to discuss the part he played in disinterring the weapon of impeachment which terrorised the ministers of the Stuarts.

In contrast Professor Hulme's definitive biography of Sir John Eliot is almost antiseptic in its treatment. His book replaces the two volumes of hagiography by Forster, who certainly distorted evidence and may even have fabricated it. Mr Hulme has no illusions about Eliot. Originally the client of Buckingham, Eliot showed himself little more honest as vice-admiral of Devon than most office-holders of the time. But Eliot was too independent to be a client for long; and he retained profits he should have shared with Buckingham. In 1626 he was the most savage of Buckingham's opponents. But the hold of this "sharp-tongued, loquacious idealist" on the Commons was never secure. He talked too much; he was easily diverted to minor issues; and he was bored by the common lawyers. Yet it was Coke's learning and adroitness that secured the Petition of Right, while Eliot's rancorous intransigence brought the dissolution of 1629 and his own imprisonment. Mr Hulme's careful scholarship demands close attention from the reader, and he keeps the temperature low, even when dealing with the impeachment of Buckingham. There is a fascinating chapter on the elections in Cornwall in 1628, when Eliot was elected despite the tactics of Buckingham's henchman in the West. If Mr Hulme renounces the temptation to dramatise his account, he has closed the chapter on Eliot, whereas the great Sir Edward Coke still awaits his biographer.

Zero's Hour

Zero! *The Story of the Japanese Navy Air Force 1937-1945.*

By Masatake Okumiya and Jiro Horikoshi with Martin Caidin.
Cassell. 383 pages. 30s.

ABOUT half-way through this book the authors remark that "the greatest single factor" in the early Japanese successes against the British and American navies . . . "was the superior performance of the Zero fighter." Obviously that statement is an oversimplification, since many other factors—such as Britain's under-estimation of the Japanese navy's proficiency and prowess and misreading of Japan's strategic intentions—contributed more to the débâcle of 1941-42 than any single enemy weapon. Nevertheless, the Zero was a remarkably successful fighter, and it was not outclassed until the Lockheed Lightning and the Grumman Hellcat tilted the scales in 1943.

But if the Japanese naval fighter pilots and their Zeros are the chief heroes of the book, it is also one of the best accounts of the war in the Pacific so far published. The authors, who are by their service and experience well qualified to write on the subject, tell their story with an attractive directness, and their American collaborator has used their knowledge to build up what is in fact an authoritative contribution to the enemy's war history. Thus we here learn as much as we are ever likely to know about events on the other side of the hill in the sinking of the *Prince of Wales* and the *Repulse*, in the foray into the Indian Ocean in April, 1942, and in the many encounters with the American carrier-borne aircraft by which the Japanese navy's offensive power was finally destroyed.

It is a great pity that so little attention has been paid to the Pacific war in this country, for it is rich in strategic and tactical lessons. Thus we have never really asked ourselves how it came to pass that in the prewar Royal Navy the Fleet Air Arm was not recognised to be the spearhead of modern maritime power, as in the Japanese and American navies. A heavy price was exacted for the conservatism which seems to have been chiefly responsible for that misjudgment. Of course in due time the Japanese made their errors too; and they are here set out with commendable candour. Light is also thrown on many previously obscure points. For instance we are told that foreknowledge of the Japanese movement towards Midway and the interception of Admiral Yamamoto's aircraft in the Solomons both came about through decryption of enemy signals by the Americans—a matter on which official Allied histories have been too discreetly silent.

It is a measure of the book's success that the reader shares with his erstwhile enemies the sufferings of the Japanese navy as the end approaches. No fewer than 2,363 of that service's aircraft took off on Kamikaze flights in the final phase, and it is the authors' opinion that the two atomic bombs only provided a means of ending the war without "losing face." The book is made all the more valuable by tables setting out, for instance, the whole Japanese aircraft carrier strength; and a most useful appendix on aircraft types and performance will help to remove the lay reader's difficulty in remembering what were, for instance, a "Betty" and a "Kate."

The Rational Monad

Bertrand Russell: *The Passionate Sceptic*

By Alan Wood.
Allen and Unwin. 249 pages. 21s.

BERTRAND RUSSELL'S colourful and brilliant life makes a wonderful subject for a biographer. Mr Wood, who is both a philosopher and a journalist, has done a very competent job on it. He shows insight into Russell's greatness as a philosopher, even to the extent of giving a simple and accurate account of his great contribution to philosophy—the theory of descriptions; and he links Russell's philosophy, which he obviously admires, with his social setting and his personal preoccupations.

One of the keys to Russell's social setting is that he had a small but sufficient independent income. The importance of this is brought out by Mr Wood: "In fact almost all the great philosophical advances of this epoch came from men who did not have to work for a living: this applied to Moore and Wittgenstein as well." This social disengagement was enhanced by Russell's lack of permanent commitment to any academic institution. After the 1914-18 war he said "I foresee a rather delightful career as a free-lance philosopher like Abelard." Russell had lacked personal involvement ever since his childhood; he was a precocious recluse brought up by his grandparents, emerging only when he had to go to a crammer to learn enough classics to get him to Cambridge. This sense of isolation appeared in his peculiarly individual approach to society, whose irrational traditions and processes he never properly understood. It gave him, too, a craving for affection and a longing to belong to a crowd. He was, therefore, at his best as a political commentator when he was alone, and at his worst as a member of one of the many progressive movements to which he belonged during the two wars. This atomic individualism appeared in the enthusiasm with which he adopted neutral monism—the view that minds and physical objects are constructed out of individual experiences—and in the brilliance with which he expounded Leibniz's philosophy of the monad, which many modern philosophers regard as Russell's best book. The monadic picture of Russell becomes rather blurred as his energy flowed into social movements. There is, for instance the pathetic picture of him feverishly writing popular books to save the finances of the school run by his second wife.

Bertrand Russell's main driving force has been his rigorous quest for certainty. At the age of eleven he doubted Euclid's axioms, a doubt which led to his magnum opus—"Principia Mathematica"—when he was thirty-eight; at the age of sixty-eight, in his "Inquiry into Meaning and Truth," he was still trying to find a set of "basic propositions" which would give some substitute for certainty; and at the age of seventy-six, in his "Human Knowledge," he tried to make explicit the undemonstrable basic postulates which an empiricist must take for granted. He has never been satisfied with doubt. At the age of five he asked his Aunt Agatha "Do limpets think?" "I don't know," she replied. "Then you must learn," said Russell. This search for perfection, for a secure resting place, led him both to China and to Russia to find out for himself about these developing civilisations. The Victorian belief in progress goaded him on in his quest; but he was always disappointed when he got there—as he was in matrimony. He was never really satisfied with his views on ethics either: for instance, his subjectivism, which led him to analyse his judgment that Nazis were wicked into the statement that he just did not like them.

For Bertrand Russell is a great humanist. Suffering appals him; cruelty has always given rise to his passionate indignation. But he worries because he cannot justify his feelings. It is a pity that his seeming dislike of Kant and of post-Russellian philosophy have prevented his re-examination of the connection between morality and the use of reason, in which he has probably not met his equal.

Extraordinary Mission

The Lost Opportunity

By Alexandre Cretzianu.
Cape. 188 pages. 18s.

MR CRETZIANU has written an accurate book, which is readable notwithstanding his curious use of the word ambient as a noun and a few other eccentricities of the kind. In September, 1943, he was sent to Turkey as the emissary of the anti-Axis opposition in Roumania but with the sanction of the two Antonescus, the Marshal and his foreign Minister, Mihai. This was a remarkable consignment, for to be sent to a neutral country like Turkey meant of course that he was to seek contact and reconciliation with the Allies—the Western Allies only—by the wish both of Maniu and Bratianu as of Hitler's former friend, the Conducator.

Apart from describing this extraordinary mission and apart from stating the fact that Prince Stirbey, who was sent as a special envoy to the Allies early in the following year, was his

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uncle, Mr Cretzianu has nothing to tell us that we did not already know. It is a melancholy byword by now that the opportunity was lost of attacking Germany in the Balkans and thus saving the Balkan countries from Russia, while it has long been evident, as Mr Cretzianu emphasises, that the Allied invasion of the south of France was to all intents and purposes superfluous. What he fails to make sufficiently clear is that Hitler was frantically afraid of the Allied attack upon the Balkan peninsula which Churchill had projected; this fact should have pointed the moral of Mr Cretzianu's story and adorned his tale. His account of Maniu's activities during the war is of value. In his concluding chapter, which is otherwise repetitive, he suggests that if the Western Allies had found themselves unable to liberate all the countries now dominated by Russia they might yet have assured "some system of joint occupation in each and every one of them on the Austrian model." In view of Austria's exceedingly successful handling of the Russians since the State Treaty restored its independence, this possibility becomes almost unbearably tantalising.

The attitude of several leading Turkish diplomats during the war is well illustrated by Mr Cretzianu. It may be summed up in the words he quotes:—"We don't want to risk having Hitler seize the Straits if the only prospect is liberation by Stalin."

To Moscow—And Back

Seven Roads to Moscow

By W. G. F. Jackson.
Eyre and Spottiswoode. 344 pages. 30s.

THE title is a misnomer. The first four roads are so lost in time that they provide no foundation for military analysis. And this is a book of military analysis. Logical and convincing, amply illustrated with good maps and embellished by a neat use of analogy and metaphor, it reveals the mind of a highly trained and thoughtful staff officer at its best. But the title should be "Three Roads to Moscow," for in effect the book is an extended study of the invasions of Russia by Charles XII of Sweden, by Napoleon and by Hitler. All failed.

Space and time brought the invaders to military defeat. Space and time allowed the Russians to build up their reserves for the inevitable counter-offensive. The invasions failed, too, because of the lack of a clear political objective. To Charles war in itself—the excitement of the march, the camp and the battle—seemed to be sufficient. Tactically superior, as all the invaders were at the beginning, he swerved south from Moscow, seeking but failing to find a strong alliance with the Cossacks of the Ukraine, to be defeated by Peter at Poltava.

Napoleon, too, sought to crush the Russians in battle. He failed to do so in the frontier lands, and when at last the set piece battle was fought at Borodino his army, worn down in the long approach march, was not strong enough to annihilate the enemy. It was strong enough to occupy Moscow—the emptiest of all triumphs with a growing Russian army still in the field and the Tsarist Government still in being. There, Napoleon did not—perhaps he dared not—seek the political decision which his military genius and his armies had failed to give him; he did not proclaim the emancipation of the Russian serfs. Then inexorably came the long horror of the retreat. The Russian armies were curiously reluctant to close the trap. The name of Napoleon still had its awe. But they did not have to do so. The plains and the snows killed as finally as the armies would have done.

Hitler's armies, relying on long-range Panzer tactics, did succeed in bringing the Russians to battle and to defeat in the frontier zones. They overran the Ukraine, but they failed to capture Leningrad and Moscow. The winter had come and the balance shifted decisively from the tank to the reinforced Russian infantry. Space and time defeated the Germans, just as they had defeated the French. The Germans, too, contributed to their own defeat by havering between military objectives. Their final effort was split between two objectives—Stalingrad and the Caucasus—and it came too late: Russia could then bring its economic and military reserves up into the battleline. Politically, the German strategy was inept, compounded of nothing more than conquest, destruction and terrorism.

The course of these three campaigns and the reasons for their failure are examined in detail by Lieutenant-Colonel Jackson. His conclusion is negative: "the only lasting road to Moscow was the Viking road that provided the constructive services which the Russian people themselves wanted, and for which they themselves asked. Let us hope that no one will be tempted to emulate Charles, Napoleon or Hitler in imposing a military solution of the kind which history has shown must fail, and which may well bring nuclear annihilation to mankind."

Uneasy Dividing Line

The Indivisible Island: *the story of the partition of Ireland*

By Frank Gallagher.
Gollancz. 316 pages. 21s.

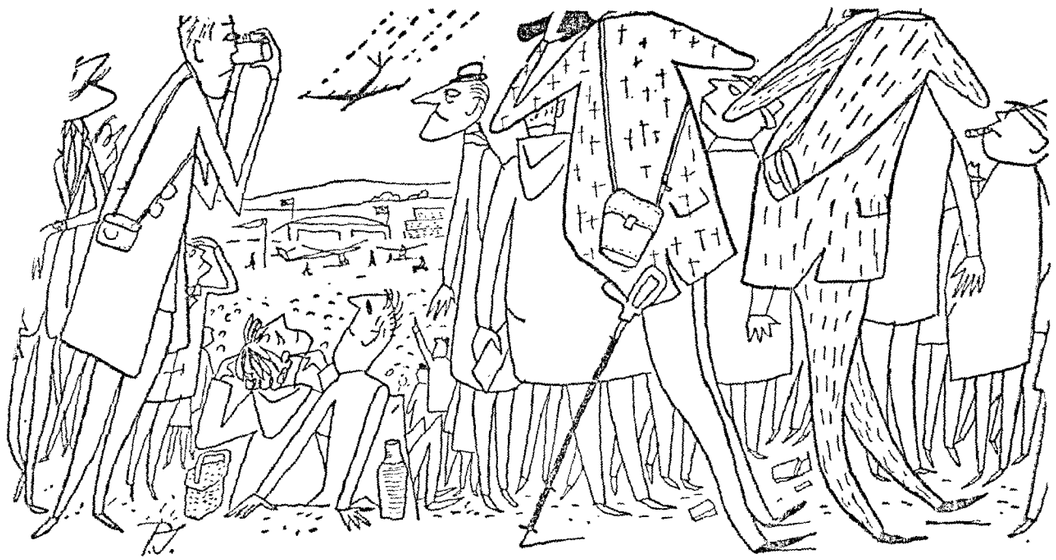
FEW will say that the partition of Ireland is not a tragedy. If they do not deplore the division of the island itself they will deplore the larger breach by which Eire is partitioned from Britain and the Commonwealth, too. But the tragedy of this book is that although Mr Gallagher knows much about the uneasy line that is drawn across Ireland, he does not really know why it is there. Sadder still, his ignorance persists while so many of his fellow-countrymen are awakening to the fact that the reasons for it are fundamental and can be overcome by the force of neither British legislation nor Irish terrorism.

Mr Gallagher's thesis is that partition has been wantonly carried through by Britain; that the British, "considering themselves secure only when Ireland is weak, used all the arts, influence and patronage at the disposal of a government to tear the uniting groups apart," and that the country has only to be left alone for amity and prosperity to be complete. This somewhat startling assumption he bases on nothing more than the alliance of Catholics and Protestants in the rebellion of 1798, the existence of some Protestant Home Rulers (among them the greatest leaders of Irish independence), the natural aversion shown by Southern Protestants to the dismemberment that left them in a minority in the Twenty-Six Counties, and Northern Ireland's own reluctance to accept self-government.

To "the honest necessities of the Ulster case" (the words are Sir Winston Churchill's), Mr Gallagher is almost perversely blind. Not once does he acknowledge the meaning of the British connection: unlike Cardinal D'Alton he has not begun to consider whether a united Ireland could or should be in the Commonwealth; nor does the book have anything to say about the future of Eire's neutralism or isolation or face openly the essential conflict between the two religious, and political, systems. Mr Gallagher gives more attention to economics, but only to seek to prove that the two parts of Ireland are complementary and not dissimilar in their state of development. In this also he is by no means up-to-date. The disparity in the financial condition of Eire and Northern Ireland is on record: the difference in living standards is becoming equally wide; and whether or not an element of British subsidy exists, the people of Northern Ireland, Unionist and Nationalist, are in no doubt of the material benefits of life within the United Kingdom.

Yet Mr Gallagher's approach is not devoid of objectivity. His well documented examination of local government in Northern Ireland shows that not all justice is on the Unionist side, and that for all the hostilities of a dual society greater representation on local councils must be conceded before Nationalists can be said fully to enjoy the rights and liberties of British citizenship. In the city of Londonderry, where Catholics are in a majority but almost excluded from the corporation, is a political problem that will soon prove a test case for Unionist democracy and the party's will to create a more united community.

But these internal frictions do not vitiate the effectiveness of the partition expedient, a view reflected in Mr de Valera's own belief that it can be ended only by an identity of wills. That implies an understanding of the Northern mind that Mr Gallagher has not begun to grasp. This could have been a timely and valuable book, presenting the Irish problem of today with the balance its literature has so often lacked. It shows only that in the writing of history patriotism is not enough.



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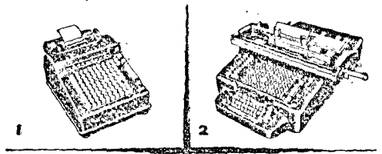
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Less Information Please!

WASHINGTON, DC

At the very moment when the British Cabinet is looking into its overseas information services the American Administration is being compelled to make radical revisions in its propaganda abroad. In his Message on the State of the Union in January President Eisenhower devoted a whole paragraph to the great new opportunities for the United States Information Agency: "just as in recent months the voice of communism has become more shaken and confused, the voice of truth must be more clearly heard." As soon as Mr Arthur Larson, a former Rhodes scholar and professor of law, had finished writing campaign speeches for the President about the need to modernise the Republican party, he was placed in charge of the new drive to compound communist confusion. Eagerly he made plans to "pile it on," so as to exploit, not merely events in Hungary, but also American actions on the Suez affair, which dissociated the United States from colonialism. With vociferous and unusually sustained support from the President, Mr Larson asked Congress for an appropriation of $140 million in place of the $113 million which the USIA received last year. Last week the final version of the Appropriation Bill cleared Congress: Mr Larson got $96 million.

The President's judgment has been rejected even more definitely than the figures by themselves suggest. The USIA, whose morale has been damaged more than almost any other government department by repeated reorganisations and insecurity of tenure for its staff, has been given clearly to understand that it has forfeited the confidence of the Senate. The final appropriation was a compromise between the sum voted by the House of Representatives and the lower amount approved by the Senate, a marked contrast to the Senate's usual habit of restoring part of the funds knocked out by the House. In addition the Senate Appropriations Committee unanimously recommended, although this has no legal effect, that the agency be dissolved and that its functions be transferred to the State Department.

The first explanation for this fiasco is strictly political. The leading figures in both parties in the Senate Appropriations Committee, the Democratic Senator Johnson and the Republican Senator Bridges, are opponents of the President. Indeed, Senator Bridges is the most influential of the hard core of Republicans who have never wavered from their last-ditch opposition to the New Deal. Mr Larson, on the other hand, has explicitly committed to paper all, and perhaps rather more than all, of the President's shadowy political philosophy. Through Mr Larson Senators Johnson and Bridges were striking at his master, the Democrat because his party's liberal clothes had been stolen, the Republican because his party had been deprived of its true inheritance.

But the obvious political motives do not alone account for the USIA's difficulties. Mr Eisenhower has long had a frustrated feeling that there must be some fresh way of making America's palpable virtues more apparent in the vast areas where its policies and customs are being systematically traduced. But many Senators share the view of his expert advisers that "psychological warfare" cannot be thought of as an enterprise distinct from the substance of foreign policy. Against this background Mr Eisenhower's recent interest in the USIA's activities revived old fears of a "government-owned news agency" and of an autonomous propaganda machine generating its own private policy.

MR LARSON'S task in appearing before the subcommittees of the House and Senate might be compared to that of defending the BBC, the British Council, and the British Information Services before a Royal Commission dominated and largely staffed by Lord Beaverbrook. None of the questions would have seemed unfamiliar to readers of the *Evening Standard*. Did Mr Larson seriously think respect for American culture was increased by promoting the tours of Mr Dizzy Gillespie and his jazz band? Why should American taxpayers spend $16,000 a year on providing free copies of the *New York Times* and the *New York Herald Tribune* for 467 MPs and 177 peers? Why were there two American press officers in Ethiopia when there were only four newspapers in the country and two of them were weeklies? And, since there were six hundred libraries in London—the number was repeated *ad nauseam*—why did there have to be a special American library? To this, Mr Larson patiently answered that, as a student doing research in English libraries, he had "found almost no American books at all." Whereupon Mr Rooney, the hole-picking Irish American from Brooklyn who heads the House subcommittee, retorted that he had found only fifteen people in the American Library in London.

Neither side came to the encounter between USIA and the Senate subcommittee well prepared. Most of the questions were stabs in the dark or were inspired by a relentless press campaign waged by the American Lord Beaverbrook, Mr Roy Howard, through the innumerable papers of the Scripps-Howard chain and the biting pen of its editor-in-chief. Thanks to his efforts a large part of the hearings were taken up with allegations that the wireless service of the USIA, which consists very largely of press summaries and the full texts of official statements, was competing unfairly with the United Press, the languishing news agency which the Scripps-Howard chain controls. Unfortunately Mr Larson, who is, after all, very new to the job, was not provided with crisp responses to the more random shots. He was eloquent on the need to expand pilot schemes

that had proved their worth—such as the distribution of subsidised translations of American books, the making of films for countries just breaking into the television age, and the teaching of English. He even, when pressed, assayed the impossible task of listing tangible results of American propaganda, but he was not good at explaining why four people were needed at a particular post instead of two.

Now that the damage has been done, Mr Larson has indicated that he plans to rethink all of the information agency's diverse enterprises through from the ground upward. But Congress will certainly expect him to pay attention to the specific directions of its criticism. For this reason alone there will have to be very sharp cuts in Western Europe (which have already begun). It was no surprise to hear Senator Ellender pronounce that

> if, after the expenditure of nearly $5 billion in American aid, the British people have no basic understanding or appreciation of America's policies and efforts, the expenditures of further large sums for propaganda will serve no useful purpose.

But the most deadly blow came from Senator Fulbright, also a former Rhodes scholar, who maintained that, when speeches and policies were as damaging to the alliance as Mr Dulles's, the least said to try to explain them away the better. In Mr Fulbright's opinion, it was also "a little presumptuous" to try to tell "the facts of life" to "a highly developed and more sophisticated nation."

Despite Mr Larson's attempts to argue the merits of promoting the teaching of American history in English and French schools and of quietly reasoning with editors who printed one-sided reports of such matters as racial incidents in the South, the debate concluded with the impression that everyone would be better off all round if the United States Information Agency practically closed up shop in Western Europe. If the agency's work really is valued there, some striking demonstrations of this will be needed before next year's appropriations are debated.

Is the Atom Worth the Risk?

As this summer's American tests of nuclear devices began in Nevada, with almost exaggerated care being taken to confine the radio-active fall-out to the reserved area, Congress's Joint Committee on Atomic Energy opened its study of the dangers, present and future, which these tests present to the human race. The hearings were not expected to produce much new evidence but only to lay out the existing evidence, contradictory, inconclusive and confused by propaganda and emotion as it is, in a form which would enable the general public to discuss, even if not to decide, whether trials of atomic weapons are worth the risks which they involve. The hearings were also expected—and to some politicians this is perhaps their most important aspect—to underline for the public the obstinacy with which the Atomic Energy Commission refuses to recognise that its experiments may already be going too far.

The argument that this is the case was reinforced by a scientist who produced what was apparently a new theory that, wherever atomic explosions take place, radio-activity tends to collect dangerously over the northern hemisphere; the AEC has always maintained that it spreads evenly round the world. Another surprise was the willingness with which experts working for the AEC admitted that eventually atomic tests would bring a concentration of radio-activity which would endanger the health of people already alive and the development of their descendants. These scientists were ready to agree that, sooner or later, for the safety of mankind, some international limitation must be placed on the size and number of atomic explosions; they disagreed only with those witnesses who insisted that the time for this limitation had already come.

The basic question is whether there can in fact be such a thing as a safe dose of radiation. According to a petition signed during last week by 2,000 scientists from all over the United States, mainly biologists and chemists, there cannot be such a dose. They therefore appealed to "the governments and peoples of the world" for an immediate international agreement to stop nuclear tests. If anything resembling such an agreement comes out of the present disarmament talks in London, as President Eisenhower hopes it will, then the current discussion in America will ensure that it is welcomed with sympathy and understanding—and will help it on its way through Congress.

Shock for Big Business

By finding that the du Pont Company's ownership of shares in the General Motors Corporation violates the anti-trust laws, the Supreme Court has shocked the business community even more than did the Republican Administration when it decided to proceed with the charges. This suit was begun by the Democrats in 1949 and originally involved over a hundred members of the du Pont family, from the oldest to the youngest; it was dismissed in Chicago in 1954. This week, with three Justices abstaining, the Supreme Court reversed the dismissal by four votes to two, a narrow margin for such a far-reaching ruling. The majority included not only the two traditional liberals, Justices Black and Douglas, but two of President Eisenhower's nominees, Chief Justice Warren and Justice Brennan, to the distress of those who had hoped that the court's attitude to business would become more favourable as the men appointed by Democratic Presidents were replaced. The case has now been returned to Chicago, for the District Court there to order an equitable remedy. It may be a year or more before a final settlement is reached and not until then—if then—will it be possible to assess the full implications of this unprecedented decision.

Its importance, however, lies mainly in the two points emphasised by Justice Burton in his strongly dissenting opinion. This is the first time that the anti-merger section of the Clayton Anti-Trust Act has been applied to an acquisition which took place long before the suit was brought—it is forty years since du Pont bought 23 per cent of General Motors stock—or to a vertical acquisition—du Pont supplies General Motors with paint and upholstery fabrics. The Act was amended in 1950 to clarify its application to vertical mergers, in which suppliers and customers unite, as well as to horizontal mergers between companies in similar types of activity; but the majority of the court contended that the du Pont acquisition was illegal under the original Act.

Justice Brennan, who wrote the majority decision, argued that through its ownership of stock in General Motors, du Pont obtained an advantage in the market for automotive fabrics and finishes and that this tended to create a monopoly. In his view, which was contested in the minority opinion, du Pont's position as General Motors' Chief supplier for these products was not "gained solely by competitive merit" and the original purchase of stock was not made purely for investment, as the defendants and the Chicago judge had claimed, but "to pry open the General Motors market." Mr Brennan believes that "the fire that was kindled in 1917 continues to smoulder . . . and is likely at any time to blaze" and complete the fusion between du Pont and General Motors. What chiefly concerns businessmen is that the decision seems to allow the government to bring an anti-trust suit against an acquisition of stock many years after it has taken place, if there is a reasonable probability that subsequent changes in trading conditions have made an anti-trust violation likely.

Files and the Fifth

Justice Brennan wrote another decision for the Supreme Court this week, less sensational but more fundamental, requiring the government to make available to the defendant in a criminal trial the reports against him in the files of the Federal Bureau of Investigation. On this occasion all but two of the Justices were on Mr Brennan's side; the newcomer, Mr Whittaker, abstained and Mr Clark, once an Attorney General in a Democratic Administration, argued, as government officials responsible for security have always argued, that intelligence agencies might "as well close up shop" if they were forced to allow outsiders to see their confidential papers. But Mr Brennan insisted that justice could not be done unless the accused was allowed access to the FBI reports in order to determine how best to defend himself. So Mr Clinton Jencks, a trade union leader who was convicted of falsely swearing that he had never been a Communist, is to have a new trial—unless the government prefers to drop the charges.

A week earlier the Supreme Court, this time unanimously, had struck another effective blow for the rights of the citizen. In ordering a new trial for Mr Halperin, a lawyer who had been convicted of tax frauds, the court condemned what has become the national habit—and one which the President himself admits to sharing—of assuming that anyone who takes shelter behind the Fifth Amendment to the Constitution must have something to hide. Under this amendment "no person shall be compelled in any criminal case to be a witness against himself." Mr Halperin, knowing that he was likely later to be accused in his turn, had invoked his constitutional right against self-incrimination and had refused to answer when questioned by a grand jury. When he did come to court, the judge in his direction to the jury implied that Mr Halperin's credibility as a witness in his own defence was impaired by the fact that he had earlier "taken the Fifth." This, the Supreme Court held, prejudiced Mr Halperin's trial. As Justice Black wrote: "The value of these constitutional privileges is largely destroyed if persons can be penalised for relying on them."

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Turnpike Drives Through

FROM A CORRESPONDENT IN CONNECTICUT

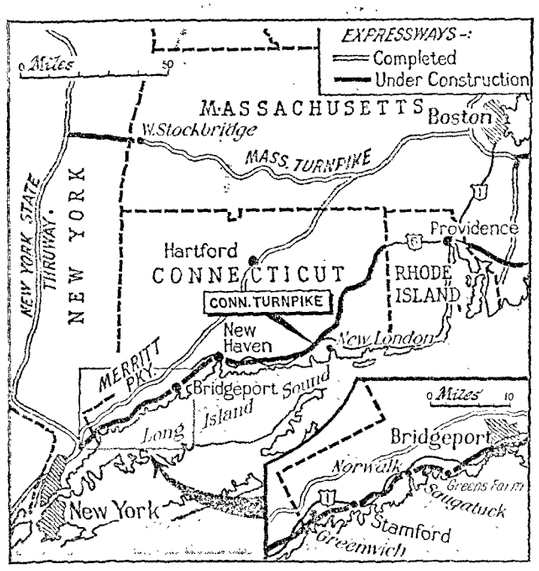
Compared with the 41,000 miles of expressways which are contemplated in the Federal Aid Highway Act of 1956, the new Connecticut Turnpike, which will be open for traffic next January, is a modest stretch. But it does not look modest to the state which is bearing the cost and the disruptive effect of "the greatest construction project ever undertaken in Connecticut" in order to enable its citizens to travel farther faster. Unlike most modern roads of its kind, which avoid towns, the turnpike traverses one of the most heavily populated and industrialised areas in the United States. Starting as a project to reroute US 1, the old north-south coastal highway, which carried long-distance lorries and short-run housewives through a succession of suburbs and villages, the road quickly became a new and major enterprise in its own right. In the process it has slashed through crowded cities as well as open country with what, to the discommoded residents, looks like disregard for local interests and concern chiefly for the comfort of lorry drivers.

The turnpike begins on the west in a busy suburb at the line where New York State and Connecticut meet, and where it will receive heavy traffic from a thirteen-mile stretch connecting it with New York City. Thence it pushes eastward through towns and factory regions, cutting through a park in Greenwich, demolishing in Stamford a forty-year-old housing project, tearing down residential blocks in Norwalk, splitting the Italian section of Saugatuck, destroying marshland in Greens Farms, uprooting a mill population and mill buildings in busy Bridgeport, crossing streams at their widest points, and so on to the Rhode Island state line. There, in the peculiar pattern imposed by states' rights and reinforced here by the fact that Rhode Island cannot make up its mind to carry on the good work, it stops, and its speeding lorries will debouch on to an old two-lane highway.

In the turnpike's 129 miles there are being built 198 bridges and viaducts to carry it over railway lines, streets, rivers and other roads, while 76 more are needed to carry other transport routes over the turnpike. Entrance and exit ramps will swirl out at a hundred points. The right of way is generally 300 feet wide, with 180 feet the minimum, and 450 the maximum. Power shovels have bitten 17,720,000 cubic yards of earth, and explosives have blasted 9,459,243 cubic yards of rock, out of the landscape. Even this was not enough to fill the hollows; running as

the road does along marsh and tideland, 18,282,039 cubic yards of earth had to be "borrowed," some of it from neighbouring gravel hills, some by sucking mud and sand up from the bottom of Long Island Sound.

The peculiar difficulties which make this new Connecticut route so upsetting and expensive—the cost is expected to be $445 million, which averages almost $3½ million a mile—result from the state's position between two populous regions, its geologic structure and the way people live and work in it. The glaciers that in the last ice age slid slowly south to the sea carved out a series of river valleys running toward the Sound, and made the going hard from east to west. Anyone laying out a route from Boston to New York must either run it inland, up and down a series of hills as



sharp as the ridges of a washboard, or follow the flat and busy shore line. Connecticut has tried both, and both are expensive. Both ways also make enemies. The Merritt Parkway, slashed out of forest and farmland, and by-passing towns, upset farmers and nature lovers. The turnpike also bothered them, and upset town dwellers and factory owners as well, not to mention the New Haven Railroad which for years enjoyed a monopoly of carrying heavy freight along lines which run parallel to the new turnpike for miles.

Obviously a project of this magnitude is not undertaken lightly. The turnpike has been four years in the planning and the building, with eight or ten years of talking behind that. The Highway Department of Connecticut is supported by a tax on petrol and almost autonomous in itself, but this road was too big for its funds and faced too much opposition. Added authority was sought and won from the State Legislature; successive bond issues have already amounted to $250 million and there is more to come.

Few who live in towns between New York and New Haven doubt that some such road is needed to reduce congestion, save lives, preserve local commerce from extinction and speed heavy loads on their way. Yet so huge is the operation, so drastic the change in landscape and habits which it imposes on the towns in its path that only people who are moved by economic or engineering arguments accept it without a sigh. But if, when the turnpike is finished, the count through the Norwalk Toll Station, for example, shows that a daily average of "about 23,000 passenger cars, 400 light trucks, 900 medium trucks and 2,200 heavy trucks and semi-trailers" are in truth "diverted from the Norwalk street system" a sigh of relief will go up, and the leafy stretches of US 1 will revert to their long-lost quiet.

That hope is dependent on the toll charges, which have not yet been set. Unless towns take the drastic and unlikely step of forbidding lorries to use their streets, there is no means by which long-distance hauliers can be compelled to send their drivers over this road or that. The hope is to lure them from the free old road to the new toll road by better surfaces, by less time lost in costly traffic, and by better facilities for rest, repairs and food. As New York, New Jersey and Ohio have discovered in turn, if the charge is set too high the lorries will not move to the new road; if it is set too low, the bonds will not be serviced. If, a year from now, the homes lost and the habits uprooted are still remembered nostalgically and if, at the same time, lorry traffic still makes the main streets perilous, if property values near the turnpike have not risen, if income from the turnpike is lower than expected, the political repercussions then may be even louder than the roar of the bulldozers now.

Open Season for Civil Rights

THIS week the House of Representatives at last began its debate on the Administration's proposals to protect the civil rights of Negroes, and particularly the right to vote. But there is a stiff gauntlet to run before the House and the even more unyielding Senate allow the Attorney General to ask for court injunctions to prevent Negroes from being deprived of their rights, and approve legislation specifically protecting their right to vote. The Virginian chairman of the House Rules Committee has sent the Bill to the floor under an "open rule," that permits and indeed encourages amendments which the South hopes may draw the teeth of the Bill or make it unacceptable to its friends. It would be more than some progressives could stomach if an amendment were tacked on to the Bill guaranteeing the "right" of workers not to join trade unions; they view this as a "union-busting" measure.

More dangerous is an amendment to require jury trials in contempt cases arising out of court injunctions forbidding interference with the right to vote. Juries are not used when the United States is a party to such equity proceedings and the Southerners have therefore been able to argue that the Bill opens the door to dictatorship by denying the right to trial by jury. The truth is that no jury in the South could be relied on to convict in a civil rights case. Yet the argument is sufficiently plausible and respectable to win three allies, one of them Senator Kefauver, for the four southern Democrats on the Senate Judiciary Committee; this week's vote, which may be reversed when the full committee can be assembled, was 7 to 3 to require trials by jury.

Civil rights Bills passed by the House have, up to now, always been talked to death in the Senate. By delaying a vote until other matters are pressing, the Southerners have put themselves in a strong position to do this again. But this year they may prefer to accept a Bill if they have succeeded in making it virtually impossible to enforce. There are risks in playing their trump card—the filibuster—too often when it frustrates the will of Congress. With Senator Clifford Case taking Senator McCarthy's place, there is now a clear majority on the Rules Committee for restricting debate and clipping the South's veto power. Fear that Congress may succumb to southern strategy and accept a Bill which pays only lip service to civil rights has prompted liberal Democrats in the House to appeal to the Republicans for a bipartisan front, and has led Mr James Roosevelt to ask the President and Mr Brownell, the Attorney General, for a clear stand against the trial by jury amendment. Letters contending that the proposal would nullify the whole civil rights programme were sent to key Republicans by Mr Brownell as the House debates began.

Baseball Strikes Out

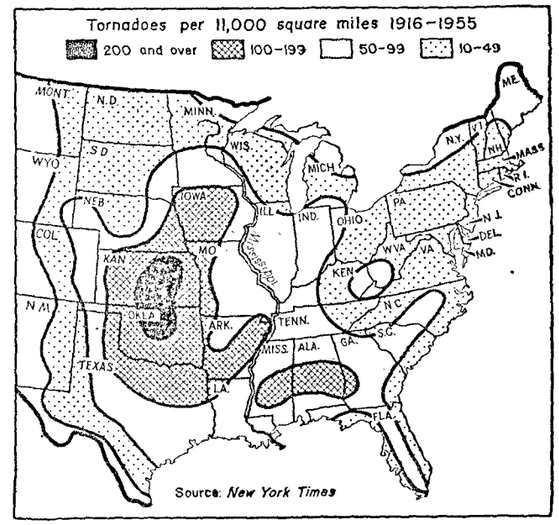
BEFORE next October the Brooklyn Dodgers and the New York Giants, two of New York's three professional baseball clubs, will have to decide whether to take advantage of the permission which the National League has given them to move west. But meanwhile they are sitting pretty, waiting for New York to match the bids of the Mayors of Los Angeles and San Francisco, who are panting to introduce top-notch professional baseball to the Pacific coast. New stadiums and a possible exemption from entertainments tax will be hard for New York to beat, quite apart from a rumoured guarantee of $2 million a year for ten years for each team's exclusive appearance on closed-circuit television. But Mayor Wagner, for all his determination not to be blackmailed, cannot, with an election in the autumn, wholly ignore the Committee to Keep the Dodgers in Brooklyn. If the Giants and the Dodgers emigrate, Chicago will be the only city with more than one major league team, and the whole baseball world may become more fluid.

The news that baseball was looking west came as no surprise. The national game is not what it was just after the war. Many minor teams and some major ones have been losing money, and even in New York, the baseball capital, attendances have slumped. The Giants are running at a loss and the Dodgers, with paid admissions of under 1.2 million, are hovering painfully just above the million which is required to qualify for major league standing. Before them, moreover, they have the example of the Boston Braves, whose spectators multiplied by seven when the team moved to Milwaukee and who are threatening to dominate the National League, much to the irritation of the Dodgers.

Trading with the enemy, Mayor Wagner is likely to remind the clubs, is part of the reason for empty seats. The Dodgers get $750,000 and the Giants $600,000 a year for their television appearances. But the teams also complain of antiquated and ill-placed stadiums, the lack of car parking facilities, and the competition of the races. Last year the Dodgers sold Ebbet Field and remain there only on a three-year lease. This year they bought the franchise of a Los Angeles club, the Angels. This will make it easier if they decide to move, but both clubs, in their calculations, must remember that compensation, which must be paid to local teams on the Pacific coast, may run as high as $7 million. It is financial considerations such as these which may have stimulated Representative Celler to revive his Bill declaring professional baseball a business and thus ending its unique immunity to the anti-trust acts.

Weather Does its Worst

IN Texas the worst recorded drought has been broken by the worst floods in history. There is talk of farmers who swim across their drowned fields to collect their drought relief cheques, while in the big cities such as Dallas and Fort Worth some families have been evacuated from their swamped homes three times in the past month. Farther



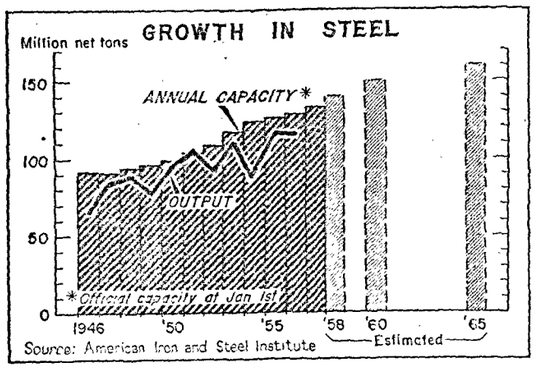
north, in "tornado alley"—Kansas, Oklahoma and Missouri—the storms have brought tornadoes in equally record-breaking numbers, fifty in a day, 173 in a week, a record total of 624 already this year, and the peak season goes on until the end of June. These terrifying and destructive funnels of whirling wind, travelling from ten to forty miles at a speed of about thirty miles an hour, splinter trees and flatten buildings along a path several hundred yards wide.

Tornadoes start, no one quite knows how, when warm moist air collides with cold dry air, as happens frequently, particularly in the afternoon, along the Mississippi Valley when winds from the Gulf of Mexico meet winds from the north. The number of tornadoes seems to have been increasing recently, suggesting some change in the pattern of atmospheric circulation; but in part the increase is explained by the Weather Bureau's improved system of detecting tornadoes by radar, which also means that adequate warning can prevent much of the loss of life, even if not of property. But in just one Kansas City suburb one day recently 39 people were killed and damage valued at $10 million was done. During April and May over 12,000 families were affected by tornadoes or floods, with 110 people being killed and 1,171 injured; more than 9,000 houses were damaged or destroyed. Relief is coming from both state and federal governments, with the Army and the Red Cross, as always, carrying much of the burden. But the record disasters of the last two years, during which there have also been floods on both the east and west coasts, have cost the Red Cross $50 million and have almost washed out its reserve funds.

Steel's Planned Economy

FROM A SPECIAL CORRESPONDENT

THE Republic Steel Corporation has just issued a book called "USA Tomorrow," in which it presents a view of the economy in 1965 and of the steel industry's place in this grand picture. Among other things, the steel companies are expected to spend, during the next decade, over a billion dollars a year on new plants and equipment, and to achieve a total capacity of 160 million ingot tons by 1965. But the exact figures are less significant than the fact that Republic—which in the nineteen-thirties fought the bitter "Little Steel" strike and has always represented hard-bitten middle-western conservatism—is now looking ten years ahead and enjoying the prospect.



The most important factor enabling steel companies to plan ahead is the new type of labour agreement signed last year, under which the steel workers will receive specified, gradual increases in wages over a three-year period. When a battle over wages had to be fought each year, it was clearly impossible to forecast the course of costs or profits, or to plan far ahead for capital investment. Moreover the fear of a strike generally caused steel consumers to build up stocks; when it was settled they lived on them, thus subjecting the industry to a severe cycle and making estimates of long term demand into a guessing game.

Now that both prices and demand are more predictable, the steel companies are basing their plans for new facilities on the long-term trends of population and steel consumption a head, and especially on trends in the use of steel by such important industries as automobiles, home appliances, oil field equipment, machinery and construction. Most of these steel-consuming industries have been planning ahead for some time. In fact, the metal-working industries generally have been expanding their capacity to meet targets set for 1960, while the metal-producing industries have grown more slowly and have just about kept up with existing demand.

The current programme of expansion will raise steel capacity from 128 million tons a year at the beginning of 1956 to around 140 million tons by the beginning of 1958. But new estimates already call for a further increase to 150 million tons by 1960, and some of the plans now going on to drawing boards may raise the figure even higher. It appears, therefore, that Republic Steel's forecast of a capacity of 160 million tons by 1965 may be conservative, since nearly that much is already in the planning stage.

The main hurdle the industry has to get over is the high cost of construction. The basic technique of steelmaking has not changed for many years, but the cost of building these giant facilities in crowded industrial centres has risen steadily. To duplicate the old blast furnaces or open hearths—many of them built in the nineteen-thirties—would cost several times as much today. In fact, it has been estimated that a completely new steel plant on a new site is three times as expensive as adding to an existing plant. Unfortunately, most of the old sites are getting so crowded that entirely new undertakings must be considered.

Another problem is that, while demand is likely to rise gradually during the next decade, capacity can only be added in very large blocks with present methods of construction. Thus both the physical expansion and the capital outlay may be far larger than immediate prospects warrant. Although all its facilities might be needed by 1960 or 1965, a plant completed in 1958 might prove unprofitable during the intervening years. There is now a widespread feeling in the industry that the giant Fairless Works of the US Steel Corporation, which was completed in 1953, will lose money for several years, despite its great long-term value as a highly modern plant in an admirable position. This is the only entirely new steel mill built since the war.

The industry is turning to research on new methods to help it to expand at a reasonable cost. Every major company has its engineers and laboratory scientists at work on problems ranging from better linings for furnaces to the molecular structure of steel itself. The aim is a revolution in steel-making which will reduce the need for large and costly facilities such as blast furnaces, coke ovens and open hearth furnaces, and which will eliminate some steps in the rolling mill process. If plants can be designed in terms of relatively small and inexpensive units, capacity can be expanded gradually each year.

Some of the smaller steel companies are already trying new versions of the electric furnace or the Linz-Donowitz process, which uses oxygen in a cupola furnace similar to the old Bessemer converter. Both of these processes are cheaper to install than the open hearth, but neither is yet adaptable to large-scale production. Research into ways of refining iron ore without the blast furnace, which has now reached a pilot plant stage, is much more revolutionary. One new process does this by passing a stream of hydrogen over the ore. A still newer magnetic process does not require hydrogen, and is said to produce a 90 per cent iron concentrate which can be fed directly to either electric or cupola furnaces or to the open hearth. The final objective is to move the whole treatment of ore back toward the mine which would then ship nearly-pure iron in uniform pellets to the steel-making centres. If these can be expanded mainly by adding the new, smaller furnaces, much of the capital investment problem will be solved.

Five to ten years of further research may be needed before such fundamental changes are possible. Meanwhile, the industry hopes to provide most of the new capacity now planned simply by adding to its present plants. Any completely new facilities will probably be built only where savings in freight offset much of the increased cost. But the future seems to hold out the prospect of steady growth and rapid changes in technology for an industry which in the past has been characterised by a stable technology and wild swings in consumer demand.

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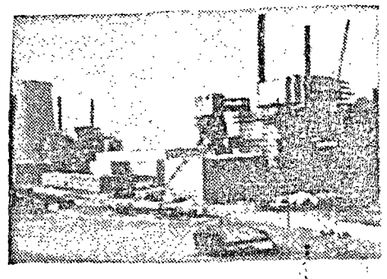
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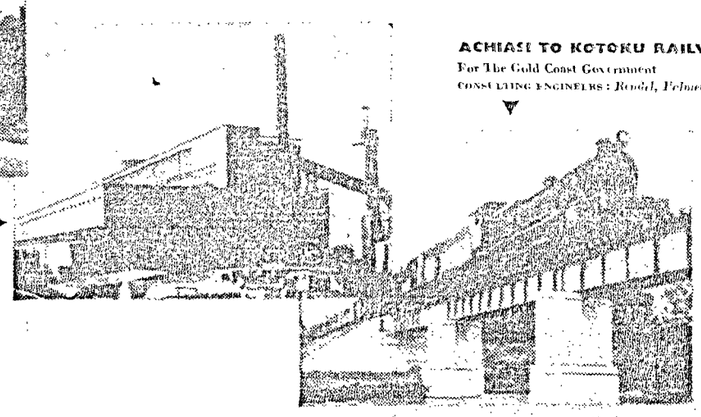
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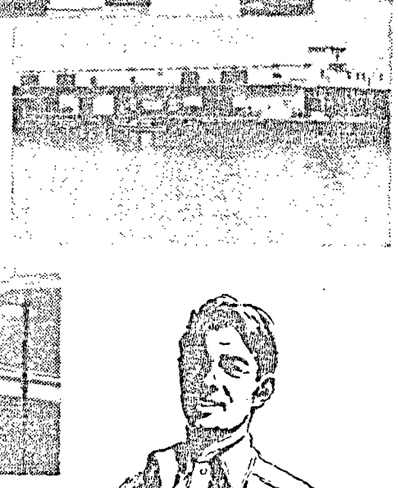
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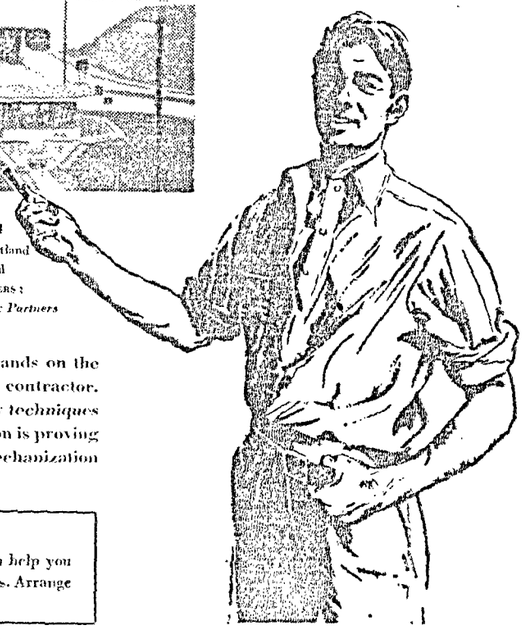
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THE WORLD OVERSEAS

Kiss and Cosh in the Fertile Crescent

FROM OUR MIDDLE EAST CORRESPONDENT

In the next few days, Arab eyes will be focused on Amman, where King Saud is due to confer with King Hussein. It is tempting to suggest that the meeting may be crucial for the future of inter-Arab relations, for with these two kings lies the decision for or against a realignment of forces in the Arab world. But past experience of such conferences shows that patience is one of the keynotes of Arab diplomacy; and the inherent difficulties of the situation now confronting the two kings are such that any tendency to temporise should be readily understood. The likeliest outcome is yet another communiqué announcing complete identity of views, together with a number of private understandings that can mean most things to all men.

King Saud has promised King Hussein his full support, and there is no doubt that he means it. His assurance is a substantial prop for the new regime in Amman. Both Egypt and Syria must hesitate to take any action that King Saud has set his face against. If they did, they would run a serious risk of destroying the Arab front, on which rests President Nasser's prestige in the Middle East and, far beyond it, in the councils of the Afro-Asian group. At the same time, King Saud must recognise the alarm which the change of regime in Amman has aroused in Syria and Egypt. A break with President Nasser could do him no good; and it might do him much harm. Thus, reluctance both in Cairo and Riyadh to force issues that, for the time being, are better left in abeyance is likely to rob the Amman meeting of lasting significance.

The danger attending too cautious a policy is that the wild men may take over. Some ominous signs of such a possibility can be seen in the deteriorating relations between Syria and Jordan. In Damascus, for instance, the Syrian government is observing its undertaking to prevent the Jordanian refugee politicians and soldiers from openly indulging in politics. But what goes on behind closed doors is beyond its control. There has been talk of the formation of a shadow government in exile. It may well be exaggerated. But there are influential elements in Syria that could give aid and comfort to the refugees from Jordan without having their actions aired in public. King Saud is pressing President Shukri Kuwatli of Syria to curb his extremists, though the power of the president to do so is doubtful in view of the military crisis in the spring, when the younger army officers successfully resisted the decisions of higher authority.

The present state of Syrian-Jordanian relations is a good reflection of Arab uncertainties. They take their course on three planes: official, unofficial and demi-official. On the official plane, the behaviour of both parties is correct. The Syrian government is at pains to assume that the change of regime in Amman has not affected Jordan's attitude to the Arab Solidarity Treaty, which allied Jordan with Egypt, Syria and Saudi Arabia, and replaced British aid by Arab aid. The Amman government, for its part, is equally at pains to lend colour to that assumption by royal, governmental and official statements, and by deeds. For instance, the Jordanian government has just deposited the instrument of ratification of the Arab Solidarity Treaty in Cairo, thus giving it, so far as Amman is concerned, full legal force. In the same way, the Syrian government, shortly after the change of regime in Jordan, gave an assurance that it would withdraw its troops from the Mafraq area whenever the Jordanian government asked it to do so. And when the Jordanians did ask, they thanked the Syrians for their timely aid.

As soon as the withdrawal of Syrian forces was complete there came the demi-official reaction—in rude contrast to the polite exchanges at government level. An anonymous spokesman of the Syrian High Command issued a violent statement, accusing the Jordanian army and government of hostile actions against the Syrian forces in Mafraq, and alleging violation of the tripartite military agreement which had placed the forces of Egypt, Syria and Jordan under a joint command headed by General Hakim Amer, the Egyptian Chief of Staff. It was argued that the matter should have been cleared with the joint command before any approach to the Syrian government. An immediate retort came from the Jordan army headquarters. Another anonymous spokesman charged the Syrians—the same Syrians for whose "timely aid" the Jordanian government had expressed thanks—with conspiracy against the regime. More specifically, they were accused of having given help to the plotters of Zerka.

Unofficial attitudes are more difficult to gauge, but if the press is a true mirror of public opinion, relations between the two countries are frankly bad. Moderate voices are heard now and then. *Falastin*, the influential Jerusalem daily, has deplored the open ventilation of grievances between the "sister states." But, by and large, press exchanges are acrimonious; unfortunately, they also reflect the private opinions of those dominant in government circles. A high Syrian official told your correspondent that, while the government was adopting a correct attitude towards the new regime in Jordan, "public opinion" in Syria had been "deeply shocked" by events south of the border, and the

pressure of such public opinion could not be ignored.

The fact is that both governments are profoundly suspicious of each other. The Syrians believe that the Jordanian government is deliberately backsliding into semi-colonial status, while the new regime in Amman accuses the Syrians of fomenting communism in the Middle East. Yet neither side is ready to take an irrevocable step, for fear of upsetting the delicate balance of forces to its own disadvantage. Of the Arab states, Iraq and Lebanon are committed to the West. Egypt and Syria are anti-western, though not necessarily committed to the Soviet camp. Jordan and Saudi Arabia, at the moment, are uncommitted; or perhaps it is more accurate to say that they are committed two ways. Both are signatories of the Arab Solidarity Treaty; both have interests that link them also with the West. In the case of Jordan, the link is dollar aid (outside the dangerous Eisenhower Doctrine—dangerous, that is, to the present regime in Jordan). In the case of Saudi Arabia, the links include the Dhahran air base and the supply of arms from America recently negotiated by King Saud.

In such a situation, the Syrian government has no wish to drive King Hussein out of the Arab Solidarity picture; if pushed too hard, he might turn wholly towards Iraq and take Saudi Arabia at least some of the way with him. On the other hand, King Hussein cannot afford to provoke Egypt or Syria. His regime is too narrowly based to warrant risks. Thus the interest of all present is to keep the party clean, though none of them can suppress dirty looks.

A Rival for Uncle Louis

FROM OUR OTTAWA CORRESPONDENT

An eventual end to the Liberal party's long rule in Canada is at last beginning to seem possible. But the end will not come at the election next Monday. The opposition parties will do well if they gain 30 seats, and they may not gain more than a dozen. The Liberals, who had 170 seats out of 265 in the last Parliament, will form the next government. But the election campaign has shown two public reactions which foreshadow change. Both were utterly absent from Mr St Laurent's two previous campaigns in 1949 and 1953. A good many people may then have felt that the Liberals, in office since 1935, had been in power too long, but it was a passive feeling. Now more people are saying it, and in a different way; they have become actively convinced that power has made the Liberals arrogant and that they are becoming a threat to healthy parliamentary democracy. Mr John Diefenbaker, the new Conservative leader, has made this his main theme; and his prize example has been last summer's debate on the pipeline when the protests against closure almost disrupted the House of Commons.

But the Conservatives' main obstacle in the past has been the voters' belief that they could not form a better government; and Mr Diefenbaker's chief triumph has been to make a dent in the idea that there was no alternative to the Liberals. He is 61, and some Conservatives thought last December that they should have chosen a younger leader. But a man of his age in the Liberal camp would be counted among the younger coming men. He is a successful criminal lawyer from Saskatchewan, by no means a heavyweight intellectual, but possessing the lawyer's quick faculty for mastering a brief. On the platform he alternates in an old-fashioned way between heart-throbbing sincerity and bitter denunciation. He is reminiscent sometimes of a Hollywood small-town lawyer, with a smile of bitter sarcasm, a wagging forefinger of accusation and a short scornful laugh. But he does it all rather well, and it is proving effective.

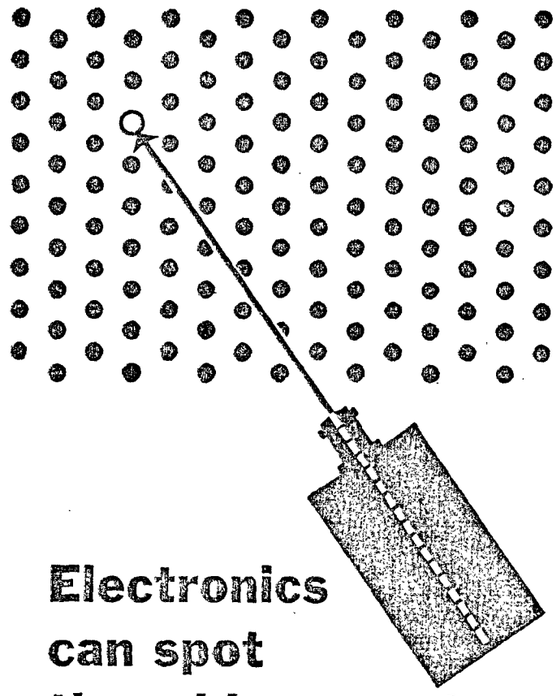
The 75-year-old Mr St Laurent, in the role of Uncle Louis has, of course, dominated the Liberal campaign from the beginning. The Uncle's old fans are as devoted as ever, and they are numerous. But the audiences have never been as wholly captivated as they were in 1949 and 1953. Like many fading actors, Uncle Louis started overdoing the part. He kissed too many babies, patted too many little heads, propounded too many platitudes. The press and the crowds began to complain that a prime minister should have something positive to say about current problems. Latterly, Mr St Laurent has been trying to use more arguments about specific policy, but it is hard to elbow Uncle Louis's soothing platitudes off the stage.

The Conservatives use the slogan "It's time for a Diefenbaker government," and Mr St Laurent has been twitting them about it. But this is an ironic twist to an old story. It is the first time that the Conservatives have had a leader with comparable popular appeal to Mr St Laurent. The Liberal politicians have long been persuaded that they got elected on their leader's coat-tails, and 95 per cent of their candidates would be stumped for a peroration if they could not extol Uncle Louis. Now Mr Diefenbaker appears as a rival with something of the same personal impact. He has not played Uncle Louis off the stage, or anything like it; but he is making the same kind of appeal, and no ageing star likes that.

★

Mr St Laurent's most direct replies to Mr Diefenbaker have accused him of promising higher spending with less taxes and of selling out to Ontario at the expense of other provinces. (Mr Leslie Frost, the premier of Ontario, has thrown both his prestige and his political organisation behind Mr Diefenbaker.) The Conservatives have attacked the budget surplus, tight money and high taxes: nobody seems to have told them about inflation; and they have talked in a rather general way about better social services. But the promising has not been all on one side. The Liberals followed up their earlier bait to Ontario farmers—support prices for dried milk and poultry—with an import embargo on cheese. They have followed up their earlier bait to the Maritime Provinces—construction of power stations—with vaguer promises about more major public works. Lesser pledges have been made elsewhere, but these are the two regions they are worried about.

Quebec has been the most neglected province. The Conservatives have not wasted any special effort on this Liberal stronghold, though in a few places Mr Duplessis's local provincial organisation—traditionally at loggerheads with Liberal national headquarters—is helping their candidate. But the Liberals' rather offhand treatment has been even more striking. Mr St Laurent has ignored all native Quebec claimants to a post in his government, but he has brought back a former federal minister from Cornwall, Ontario, Mr Lionel Chevrier, who left the cabinet in 1954 to become president of the St Lawrence Seaway Authority.



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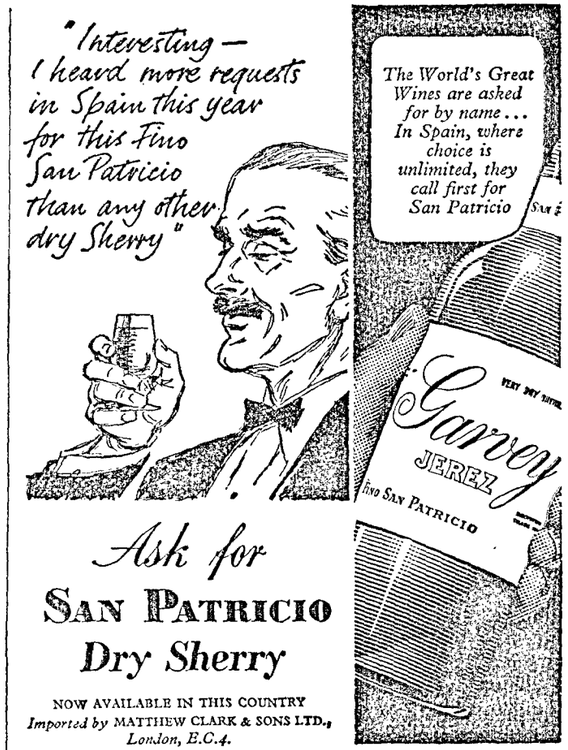
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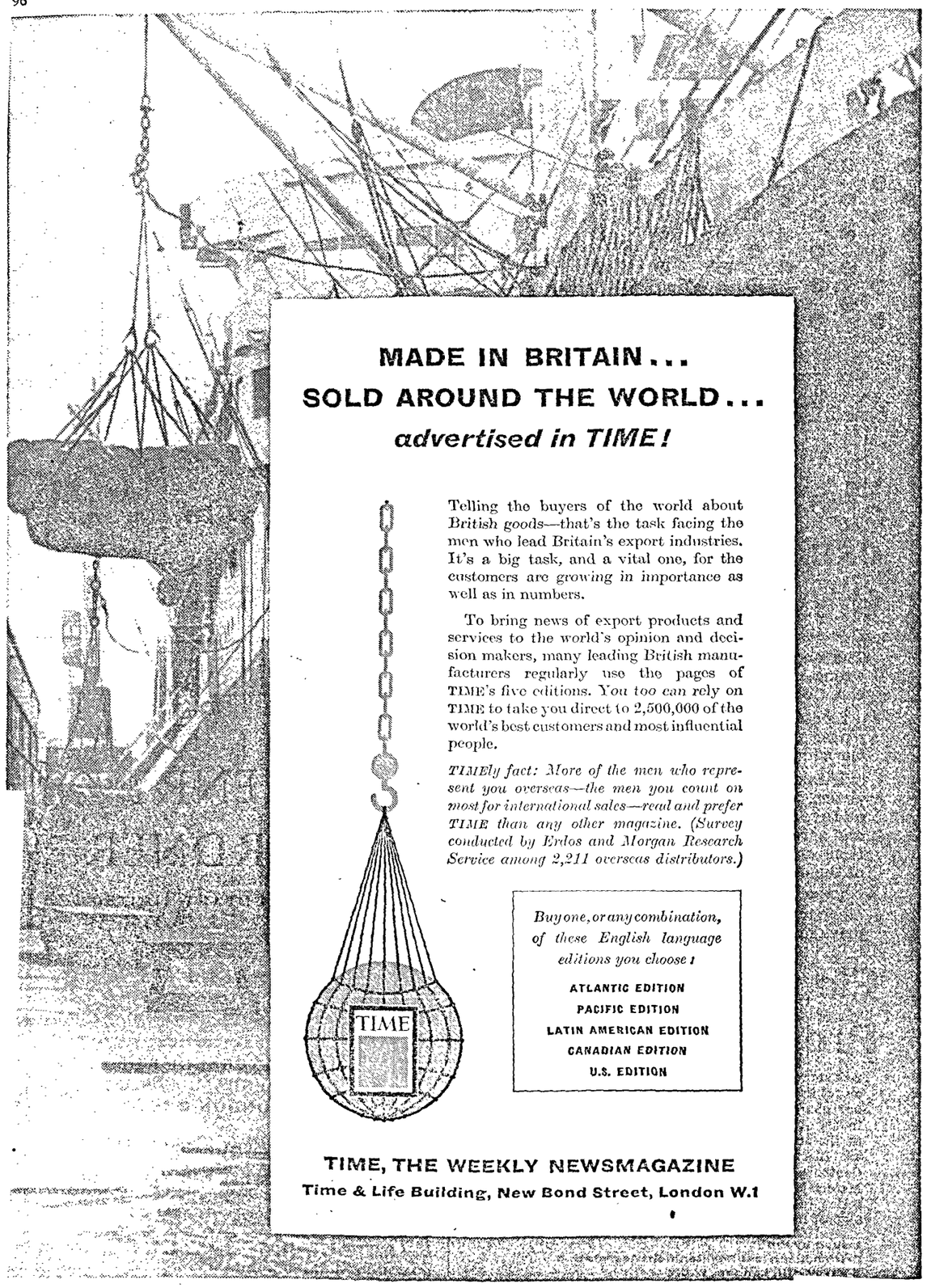
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This time, Mr Chevrier is standing for a Montreal riding, and is evidently intended to be one of Quebec's representatives in the cabinet. But it will be hard to persuade the people of Quebec that an Ontarian, however French, is really "*un des notres*."

Neither Quebec nor the Western provinces are going to turn conservative. The two small parties, Co-operative Commonwealth Federation (CCF) and Social Credit, seem to have been largely beaten back west of the Lakes, but in the West they are strong contenders. There are four candidates for nearly all the Western seats, and it is almost impossible to guess how fairly small changes in opinion may swing the balance of votes in each riding. In total the distribution of seats between the parties may not change very much.

The 85 Ontario seats will have a decisive effect on the relative strengths in the next House. Last time the Conservatives won only 33 of them. If they can gain 20, and add perhaps half a dozen from other parts of the country, they will have 75-80 seats in the new House. The Liberals might be down to 140, which would be only a narrow majority over all opposition parties combined. It would make a more balanced House, but the Opposition, being split three ways, will not be nearly as effective as if it were united.

France Faces its Dangers

FROM OUR PARIS CORRESPONDENT

For once a French parliamentary crisis deserves its name. M. Pleven's mission of inquiry as honest broker between the parties, and the abortive efforts of the Alsatian Catholic, M. Pflimlin, to form a government, have made political France aware of the gravity of the situation in Algeria and of the danger to the franc. Except for a minority on the Right, the leaders, alarmed at the bogging-down and cost of the war, and at the likely isolation of France at the September session of the United Nations, want to lance the Algerian boil ; they realise that the Mollet-Lacoste remedy has proved quite ineffective.

Unfortunately, it is clear that they are not prepared to operate now, even if one day they must. Suggestions multiply as cabinet-making proceeds. M. Pflimlin, who has the reputation of being a liberal on Algeria, had proposed to isolate the rebels by getting support for a provisional statute, probably federal but still undefined. The failure of the army to prevent horrors like the Melouza massacre makes it doubtful whether this is more practical, now that guerillas are scattered throughout the country, than M. Mollet's dream of elections after a cease-fire. M. Pflimlin had proposed to increase French forces in Algeria if need be ; M. Mollet before him found it was easier to do this than to cure the ailment. No premier at this stage will be able to go any way to meet the rebel terms on independence. This is not only because of the rebels' intransigence, but also because in the French Parliament, with 185 Communist and Poujadist votes sterilised in fruitless opposition, the "republican" parties supporting the regime must be almost unanimous to carry through a policy. Such near-unanimity exists on European integration but not on Algeria. Though the diehards are probably now a minority, especially with the Socialists visibly edging back to their normal modes of thought, French policy in Algeria is bound to move at the mental pace of the slowest conservative deputy whose vote is needed. This power of a minority was grotesquely demonstrated by M. Mollet's folly in suspending French aid to Tunisia, just before his fall, to gain a few right-wing votes. (The Tunisian situation is discussed on page 874.)

The present crisis is a stage in the slow ferment over Algeria ; it is not the end of a cycle. This makes it harder to close the trade gap, magnified if not wholly caused, by the inflationary effects of the Algerian war. The loss of foreign exchange in the first half of this year, $800 million, will equal the whole drain of last year's already alarming deficit. The early months of the year, because of Suez and the effects of last year's frosts, have been exceptionally bad. The gap narrowed in May (from $108 million in the EPU in April to $79 million), as the restrictions ordered in March and the export efforts began to tell ; it is expected to close to more bridgeable proportions this month. But to bridge it, excess demand at home must be cut. M. Pflimlin had proposed the investment cuts and credit restrictions to which the last government, which refused to choose between Algeria and expansion, would not resort. All will depend on the scope of the cuts, necessarily limited by the priorities for the export and power industries. Disinflation is the more urgent because the economic authorities seem to wish to avoid both devaluation, while the patient is feverish, and reimposing quotas on imports already freed: they may prefer simply to intensify last March's restrictions on speculative buying, such as the 25 per cent deposit importers lay down on applying for a licence ; it has just been raised to 50 per cent. Disinflation is also the only hope for obtaining foreign credits later.

Reluctance to rescind liberalisation measures is something new in French balance of payments crises. This is partly because the possible savings seem limited now that the bulk of imports are fuels and raw materials. But, above all, it seems due to the genuine concern of the economic authorities not to reverse the trend to freer trade and the common market. This has its political parallel. No prime minister has a chance of taking office unless he promises to ratify the European treaties before the summer holidays. Despite doubts raised among some right wing deputies by the trade crisis, it still looks as if they will be ratified. But on this, as on the franc—and even Algeria—some action quickly is essential. The parties, despite their divisions, know this. It is the strongest, perhaps the only strong card, in any prospective premier's hand.

French Africans Take Over

BY OUR SPECIAL CORRESPONDENT LATELY IN DAKAR

At the opening of the new Senegal assembly last month, M. Mamadou Dia, the vice-president—and by virtue of that office virtually premier—made two important points: first he warned the French federal government of French West Africa at Dakar not to trespass on Senegal's territorial sovereignty ; and secondly, he demanded that a "federal executive" should be set up at an early date. Senegal is one of the eight semi-autonomous territories loosely federated in French West Africa, having a large measure of control of their own affairs, but having only limited control at the centre, whither they each send five representatives

to the Grand Council. M. Mamadou Dia, in fact, was demanding more control by the Grand Council. To many French officials such a statement confirms their view that the elaborate division of powers between French and Africans under the *Loi Cadre* (the new constitution for French African territories passed last February) is largely theoretical; that in fact the newly elected African ministries in the territories will be able to exercise almost unfettered power over their own affairs, and that before long Africans will demand and get full control at the federal centre.

STRENGTH OF PARTIES IN FRENCH WEST AFRICAN ASSEMBLIES

	In alliance							Indep. and others
	RDA[1]	MSA[2]	MDD[3]	BPS[4]	MDV[5]	PRD[6]	UPM[7]	
Dahomey	7	...	6	...	...	35	...	12
Niger	19	41	...	...	...	...	...	...
Mauretania	...	...	...	...	...	...	33	1
Ivory Coast	58	...	...	...	...	...	...	2
Sudan	57	6	...	...	...	...	...	7
Guinea	56	3	...	...	...	...	...	1
Upper Volta	37	...	...	5	26	...	...	2
Senegal	...	12	...	47	...	...	...	1
Grand Council	19	5	2	4	2	3	5	...

(1) Rassemblement Démocratique Africain. (2) Mouvement Socialiste Africain. (3) Mouvement Démocratique Dahomey. (4) Bloc Populaire Sénégalais and Convention Africaine. (5) Mouvement Démocratique Voltaique. (6) Parti Républicain Dahomey. (7) Union Progressiste Maurétanie.

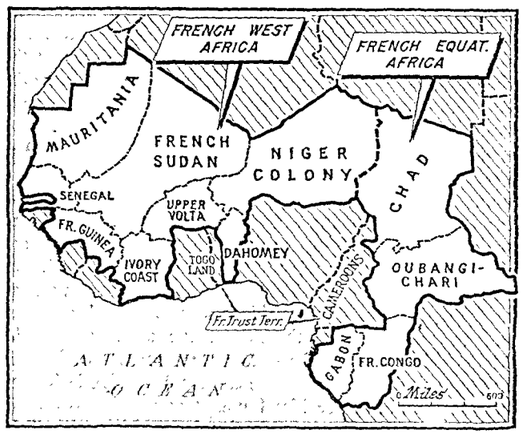
This may well be true; but it will not come about at the behest of M. Mamadou Dia alone. For his party, the *Bloc Populaire Sénégalais,* controls only one territory. Six of the eight are under the control of the *Rassemblement Démocratique Africain,* whose leader, M. Houphouët-Boigny, is in far less of a hurry. Part of the reason for the Bloc's demands is the personal rivalry between its prophet and leader, M. Senghor, and M. Houphouët-Boigny. In the struggle which preceded the *Loi Cadre,* and in the elections which followed it, M. Houphouët-Boigny emerged victorious. Hitherto, Senegal (and to a lesser extent Dahomey) has taken the lead in French West African politics; but power now seems to be passing to the richer territories, the Ivory Coast and French Guinea, where M. Houphouët-Boigny and the Rassemblement are strong, and have been made stronger by the redivision of the revenues of French West Africa; this has given them control over the export and other taxes which were previously used and diffused in the territory as a whole. In opposing the "balkanisation of West Africa," M. Senghor is in a sense protesting at the loss of Senegal's power to draw on the resources of the coffee and cocoa belt; the Rassemblement, however, won even in poorer territories, like Upper Volta and French Sudan, by upholding the links with France which would make sure that these territories continued to get subventions to meet their budgetary deficits and their need for investment from abroad. In Niger, the *Mouvement Socialiste Africain* was successful in getting most of the seats, but, being bitterly opposed to the Bloc in Senegal, it is inevitably an ally of the Rassemblement.

The immediate future of French West Africa, therefore, depends on the policy of the Rassemblement and the leadership of M. Houphouët-Boigny. Its policy is the development of the "Franco-African Community," the maintenance of the increased territorial powers, and only a slow progress towards independence—which, indeed, must always in M. Houphouët-Boigny's view stop far short of that of Ghana or Nigeria in 1959. He is satisfied that in federal matters—security, and the preparation of the federal budget, for example—French officials should remain in control. Having achieved a very large measure of territorial self-government, he sees in French federal control the essential cement of French West Africa and the guarantee of continued French financial support.

M. Houphouët-Boigny, too, is extending his influence to other territories. The Mouvement, which accepts the Rassemblement's view, hopes to control French Congo, and M. Houphouët-Boigny is influential in the autonomous republic of the Cameroons and in Chad territory. In the Grand Council in Dakar the Rassemblement has 19 out of 40 seats which, with the help of the Mouvement's votes, gives it a majority. The Rassemblement's strength throughout the area itself reinforces federal ties. The French inevitably build most of their hopes on the moderation and widespread influence of M. Houphouët-Boigny.

He is undoubtedly in a strong position, and his personal influence is great, especially with the chiefs and older generation, for by origin he is an African aristocrat, although his development has been wholly French—and his political training communist. But he has his weak points. He is almost unique and is without any obvious heir. His personal magnetism depends on his remaining in Africa; while he was in Paris as a member of the Mollet ministry his power in Africa declined. Within his own party he has several rivals far more to the left, and far more ready to see eye-to-eye with M. Senghor. M. Sékou Touré vice-president of the Guinea assembly, and leader of the Rassemblement in that area, is almost certainly one of them. It is, moreover, doubtful if M. Houphouët-Boigny can continue to hold the allegiance of the young African intellectuals, who are returning from France in growing numbers, if he refuses to espouse a forward policy. M. Senghor and others may appeal to them over his head, and clearly intend, if they can, to infiltrate his party in the classic communist way.

Moreover, the Rassemblement is a movement rather than a party, and now that it has attained power, its difficulty will



be to keep territories with such divergent interests together. The rank and file will expect results—but the first rule of the "Franco-African community" is to keep budgets balanced. The bitter bargaining for federal revenues which is the characteristic of federations is likely to be seen in the Grand Council. The obvious and popular solution to practical but unpalatable problems will always be to demand more power; and to divert attention by picking fights with the French. Against this, M. Houphouët-Boigny and the

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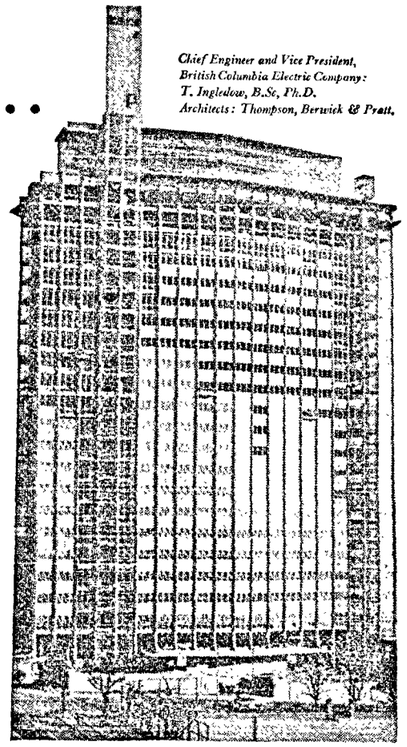
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This 21-storey office building for the British Columbia Electric Company in Vancouver is the tallest building in Canada west of Toronto. Construction in 20 months is a tribute not only to modern methods but also to the close co-operation and team work of all concerned with the project.

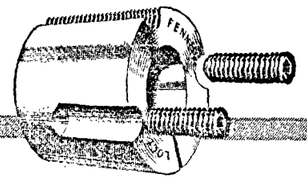
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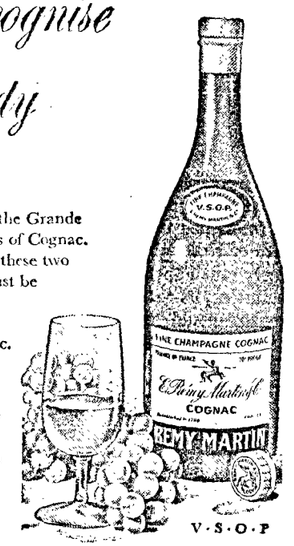
LARGEST MAKERS OF V-BELT DRIVES IN THE COMMONWEALTH

How to recognise fine Brandy

V·S·O·P

The finest brandy comes from the Grande and Petite Champagne districts of Cognac. Only Cognac originating from these two areas, at least half of which must be from the Grande Champagne, is entitled by French law to be called Fine Champagne Cognac.

Remy Martin produce Fine Champagne V.S.O.P. Cognac and *nothing less good.* They only offer for sale Brandy which has reached perfection. That is why when you insist on Remy Martin you can be sure of getting *a really fine Cognac.*



PRIDE OF COGNAC

REMY MARTIN

French have one important weapon: the fact that France contributes to French West Africa, by way of "le Fides" (grants in aid), subventions and the pay of the administrative civil service, something in the region of £40 million a year. "La communauté Franco-Africaine, c'est le Fides," one cynical French civil servant put it bluntly to your correspondent. But in spite of this considerable French financial help there will be a steady erosion of the remaining French control in the territories, and a growing demand for African control at Dakar.

"Poland's Road to Socialism"

SEVEN months after his dramatic return to power Mr Gomulka once again took the rostrum at a plenary meeting of the central committee of the Polish United Workers' Party. Since there is so much speculation about the real intentions of the Polish leader, it is worth while summarising what he himself then said about "Poland's road to socialism."

Mr Gomulka sees no contradiction between the frequent use of this phrase and strong denials that the Polish experiment is at all tainted with "national communism." Communism, in his opinion, is by its very nature an international doctrine. Members of the so-called socialist camp must have certain essential principles in common, and among these he includes the existence of a Marxist party, exercising the dictatorship of the proletariat; a planned economy directing nationalised industries and gradually altering the structure of the countryside; and devotion to the cause of international socialism coupled with respect for the equality and sovereignty of all nations.

But within the framework of these general principles each country must evolve its own methods, suited to its historical conditions, and even taking national peculiarities into account. Poles, for instance, are individualists, resenting discipline, but capable of rallying against the foreigner and particularly sensitive about their country's sovereignty. According to Mr Gomulka, the Soviet model not only need not, but actually should not, be copied. This is not merely because of what is euphemistically called "the cult of the individual." Russia was a backward, isolated country, and its rulers had felt compelled to mortgage the present for the future, although "man's nature is such that he does not worry much about future generations." Hence, Mr Gomulka maintains, its road was bound to be hard, "the lofty socialist slogans could not find a full expression in life" and "measures of coercion had to be applied on a large scale." This passage, much more reasoned than Mr Khrushchev's indictment of Stalin, should give food for thought to Russian readers, who can now find the full text of the Polish leader's speech in the Moscow *Kommunist*.

Mr Gomulka goes on to describe three ways in which Poland can now usefully break away from servile imitation of the Soviet model: by spreading workers' councils; by granting a larger measure of local government; and last but not least, by slowing down the pace of social change in the countryside and therefore allowing milder methods. He does not claim any originality in reviving the idea of self-government by the workers, since the Jugoslavs have already done this. But last year in Poland these councils sprang up spontaneously, and to Mr Gomulka their growth is a healthy phenomenon. They can play an increasing role in running factories or other enterprises, in the selection of personnel and in all the problems of production and welfare. But, and the reservation is important, Mr Gomulka is not in favour of the workers taking over the factories—as they have done to a large extent in Jugoslavia. This, in his opinion, would lead to free competition, while wage-conscious workers would not devote enough attention to the importance of investment; the result would be chaos and bankruptcy. Workers' councils must be fitted into the solid framework of a planned economy.

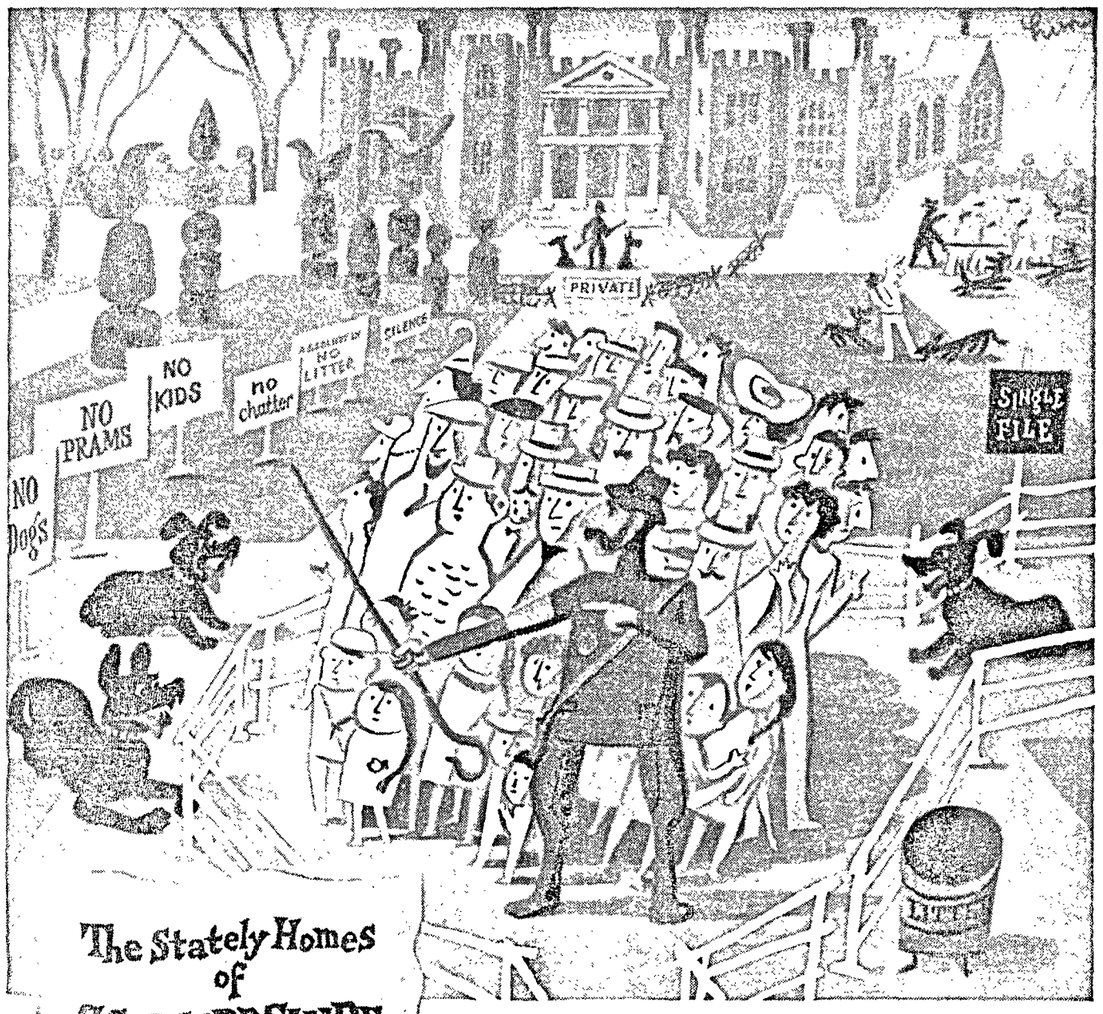
Greater powers for local government are designed to arrest the steady advance of the over-centralised Leviathan. It has been realised that many functions now exercised from Warsaw (such as control over craft industries or small-scale production) can be entrusted to the national councils in the provinces without great risk but with important political gains for the regime. These concessions to democracy would be considered even safer if Communists could play a leading part in both local and workers' councils. They have been exhorted to do so by Mr Gomulka.

The new line in the countryside is probably the most important and the most controversial change. Poland never did proceed very far or very fast with collectivisation, and even this was only achieved with the help of the stick, while the constant threat of further forced collectivisation was a serious disincentive to increased production. When Mr Gomulka assumed power last October, he called for a reversal of this wasteful coercive policy. There was an immediate breaking up of most of the existing collective farms. Now the peasants are even to get some of the land hitherto belonging to the state farms. The government is relying on the price mechanism rather than on compulsory deliveries to get larger supplies of foodstuffs. Mr Gomulka has once again asserted his belief in the superiority of collective agriculture: all spontaneous forms of peasant co-operation, self-government or pooling of resources will be encouraged by tax reliefs and privileges in the hire of equipment.

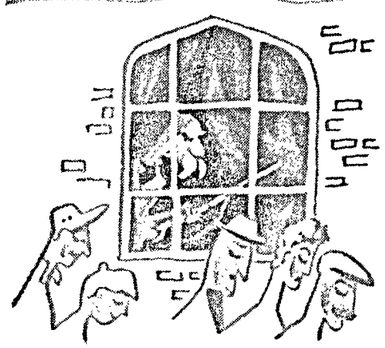
★

Spontaneous, however, is the operative word and it provides the key to the difference between the Polish programme and the Soviet performance. Otherwise the aims are the same. Even the chief instrument—a communist party exercising a dictatorship—is theoretically similar. But the Polish leaders seem to think that they can afford to go more slowly and that this is a price well worth paying to avoid the bloodshed of the Stalin regime.

What chances of success has this experiment in dictatorship tempered by the search for popular consent? In the next few critical months much will depend on food supplies and labour discipline, and on economic aid from the West as well as from the East; Moscow will keep a watchful eye. Mr Gomulka seems to think that a great deal will also depend on the performance of his party. He tried to rally its ranks, perturbed by all the recent revelations, by attacking the "revisionists" whom he accused of willy nilly opening the door to the bourgeoisie. According to persistent rumours, he was then accused of exactly the same sin by the Stalinists of the so-called Natolin group. He was stung into a bitter reply in which he listed the vices and crimes of the pre-October regime. This story shows that the instrument for carrying out Mr Gomulka's difficult experiment is still weak and divided.



The Stately Homes of SCHWEPPSHIRE

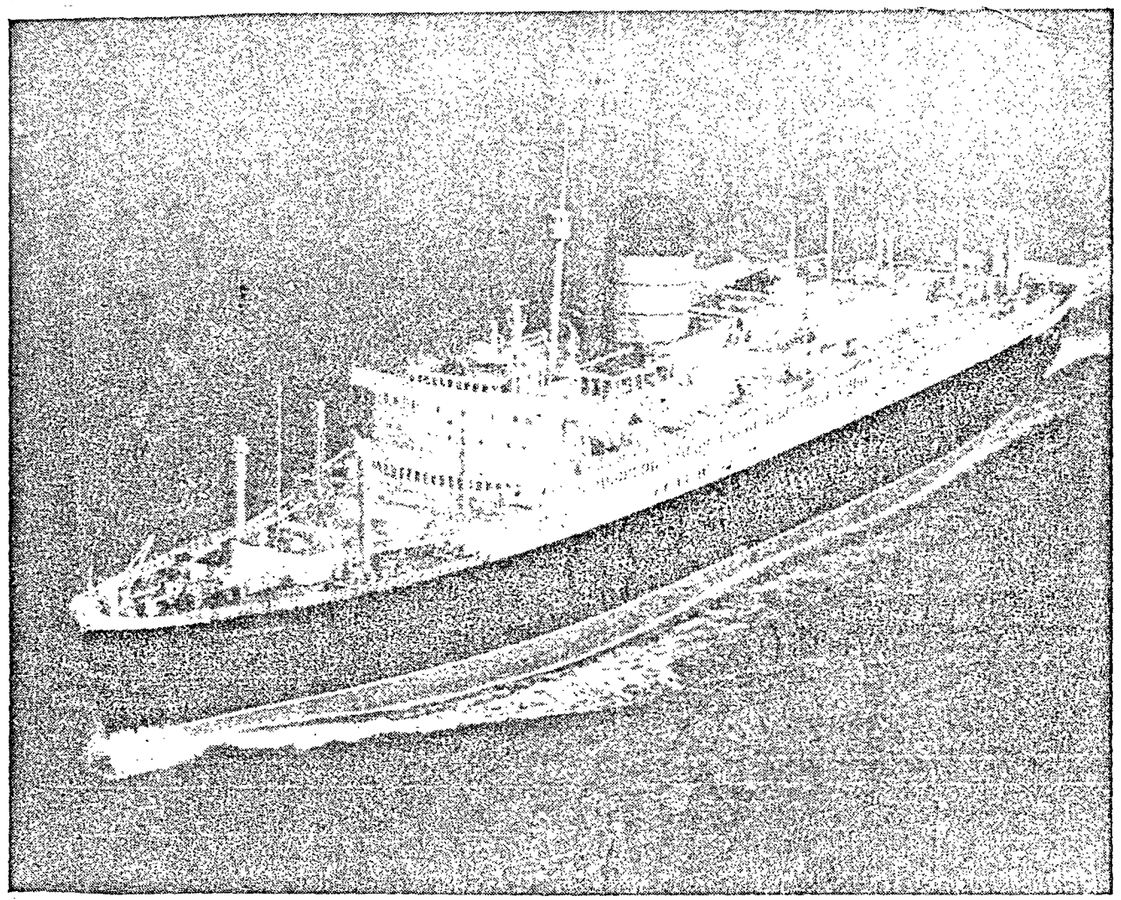


WETT CHAMBERLAYNE

We have decided to open part of the gardens and visitors are welcome. At the same time we have made it clear that we are not allowing strangers to wander everywhere. We want to share our pleasures with the People (children half price); but we have no intention of imitating some of the more "aristocratic" patrons of stately homes who allow people to amble round on their own. Visitors are welcome between 3.30 and 4.30 except at weekends and holidays unless there is a notice up to the contrary. No dogs are allowed though they may look quietly through the front gates if on a lead. Visitors will be searched for litter before entering, and again, before they leave, for seeds. Cars may drive to the gate but they must be parked inside the manure yard, *backs* to the wall. The dwelling quarters are barricaded off, but visitors are requested not to look at them and are particularly put on their honour not to raise their eyes above the level of the ground floor. And remember: ONE-WAY ONLY: *No Smoking, chewing or snuff:* E PERICOLOSO SPORGERSI: *Tenez la gauche:* GROUND UNDER REPAIR: *Do not Look:* LOOK ROUND AND READ GREAT NATURE'S OPEN BOOK *(Keep Moving):* KEEP OFF: *Do not disturb gardener's boy:* LOW CHATTER ALLOWED HERE: *All cameras will be confiscated here.* The penalties for stealing bulbs or for pulling the communication cord are printed on back of card.

Written by Stephen Potter; designed by George Him

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH



British Aluminium in Sylvania

Like her three sister ships—Saxonia, Ivernia and Carinthia—Sylvania was built by John Brown & Co. (Clydebank) Ltd., and like them, too, she has a funnel casing made from British Aluminium plate and sections.

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THE BUSINESS WORLD

Coal Must Compete

A NUMBER of things about the National Coal Board this year are the largest it has ever had since nationalisation—including the smile on the face of the chairman. Mr Bowman, the board, the management and the miners can be proud of the largest deep-mined output on their record, the highest productivity per man-shift in British coal-mining history, the greatest advance yet achieved in power-loading mechanisation at the face, and the biggest coal stocks for this time of year. Nonchalantly, they add that British mining productivity is in fact the highest in Western Europe, and British coal between fifteen and seventy shillings a ton cheaper than European. Financially, it may be added that miners' earnings are higher than ever before (which is routine) and that the Coal Board last year showed a surplus of £12.8 million after paying £21 million interest (which emphatically is not).

Mr Bowman this week was entitled to be gently amused at the mystery some outsiders found in the recovery of mining output since mid-November: it was as clear to him, obviously, as an enlarged photograph of a piece of coal a quarter of an inch high. It is to be hoped that the new chairman of the National Coal Board never has any less comfortable development to explain away; but the reasons he gave are encouraging ones as far as they go. Perhaps 20-25 per cent of the extra tonnage so far this year—output is roughly 3 million tons up on last year—seems to have come from getting more miners to the coal face, some 45 per cent from the highest output per manshift ever, and about 15 per cent from better attendance. That productivity has been raised by cutting more coal with power-loaders, which this year may produce nearly 50 million tons, twice as much as in 1955, at say 6 tons per manshift against 3½ tons per shift for coal mined by conventional means.

This new dynamism (which came from the top) in applying technical innovations in coal-getting—the power-loading machines themselves, the "prop-free front" for longwall mining, and now the props that move themselves forward as the face is cut away—has followed a long, arduous and often disappointing programme of developing different machines for diverse conditions that many more "advanced" industries may count themselves lucky to be spared. Much, at least, of this painful process of tailoring machines to fit seams (roughly as if one had to design an entirely new drilling rig for each oilfield) may now be over; Mr Bowman was able to say this week:

> The speed at which our power-loading programme will go ahead in future will not be conditioned by the rate at which we can make coal faces available. . . . It will be conditioned by the rate at which the various manufacturers can make available the machines we require.

And the industry is even able at last to see some measurable results from its major reconstruction programme; from 18 pits where major schemes will be completed this year, output in the first quarter of 1957 was already 8.3 per cent higher than a year before, against the increase of 3.2 per cent for the coal mines as a whole.

Less measurable, but quite as important to the industry at present, is the positive feedback of morale that has swelled and been swelled by this surge of output. This is unmistakable; Mr Bowman can sense it in the coalfields, there is a curious tinge of it in this week's jaunty report on a dismal last year, and the ordinary public are even, somewhat coincidentally, being treated to the same flourish of confidence in the board's lop-sided, cock-a-hoop advertising for young men to make themselves a career in "this age of opportunity in coal." The bonus shift went this week; manpower has begun its seasonal decline; one cannot expect the miners' health throughout this year to show the

same improvement as it did this spring; the economy may even start expanding again—all sorts of bad things can happen to coal. Nearly half-way through this year, the board is still not prepared to guess how much output will be up on 1956 during the year as a whole. But it is high time this industry had a run of luck, even if it were only a short one. The ranks of Tuscany should not forbear to cheer.

ONE obvious element of luck, and temporary luck, in this year's coal fortunes might however be taken as a pointer to a future problem that is by no means temporary. Good weather, plus reduced demand particularly from certain industries suffering minor recession, kept stocks of coal high throughout the winter. Total stocks are now about 22½ million tons of coal, 6 million tons more than at this time last year and indeed so high as to cause coal to be stocked at pitheads and opencast sites. Yet this year the Coal Board is still importing 3-4 million tons of coal—at probably £3 a ton *more than coal costs to mine at home.*

The reason is simple and awkward; in years to come it will become more so. Coal is not just coal; it is a wide variety of kinds of solid fuel of differing sizes and qualities; and the amounts of each size and quality that British consumers want are not exactly the quantities of each that the British coal industry finds it most convenient to produce. In particular, British Railways and British households want more large coal than the Coal Board is at present managing to produce; because of this, three-fifths of the coal imported last year was large coal, more than 3 million tons of it to put in the tender and the grate. The coal that the board was putting into stock last winter was what those most finicky of British consumers would not use: some of the large coal they do want has still to come from abroad, though they get it at British prices.

Unfortunately, the proportion of large coal raised in Britain has been steadily falling for years, and seems likely to go on doing so. In 1947, out of about 181 million tons of coal sold, 62 million tons were large coals; last year, out of some 208 million tons (apart from imported coal, miners' coal and coal used in collieries), less than 54 million tons were large. The growing element in British coal deliveries is at the other end of the scale of size. In 1947, only some 62 million tons were "slacks and smalls"; last year, about 92½ million tons were of these lowest grades. Whatever the eventual net increase in output that the Coal Board does achieve this year, it is long odds that practically all of it will be in these small coals that so few coal customers—primarily one customer, the Central Electricity Authority—are really equipped to burn economically.

The demand from that one customer in particular is no longer likely, on revised plans, to rise as fast as the tonnage of small coals and slack that increasingly mechanised mining in this country seems likely to produce. In 1955 the CEA took 38.7 million tons of coal, 35.9 million tons of it smalls and slack. Its revised oil and nuclear plans imply that coal requirements for electricity would still rise during the coming decade: to, say, 45 million tons by 1960, but not exceeding 50 million tons by 1965. After then, most of the extra power plant put in would be nuclear; as older plants were eventually retired, the power demand for other primary fuels, coal or oil, must be expected gradually to fall. And it seems doubtful whether other forms of industrial steam-raising will require much more small coal.

Understandably, the Coal Board is unwilling, publicly, to estimate how much of the output that it hopes to be increasing from now on may fall into these smaller-size grades; but unless it is able to reduce the "degradation" of coal from highly mechanised faces, tonnages of these grades seem likely to rise a good deal faster than its total output, and to make up a bigger proportion of coal supplies in future. At the top of the scale, output of large coals seems certain to decline further. Gradually, demand from the railways will ease, as steam locomotives end their working lives. But this is a slow process. The domestic consumer, moreover, is one for whose *custom* coal would welcome the chance once again to compete: the household still offers a market for possible expansion if the mines can offer coal in the sizes—and in future possibly in the smokeless qualities or forms—that he wants. At present, indeed, householders would gladly buy more large coal; whether they would pay for it what the Coal Board must to get it from abroad is another matter.

THE coal industry today, therefore, has over the coming years to carry its new-found confidence and its gathering energies into changing circumstances, more competitive though not necessarily unfavourable. These are not new problems for the board, though it has recently been emerging more clearly and apparently more closely. Technically, work is already in hand upon the conversion of small coals into large coals, by briquetting in new ways to produce smokeless and other fuels; some of these are costly, but the rising prices of fuel in general may eventually float them off into profitability, as "Phurnacite" has already begun to float. Economically, the board is again talking of "opening the concertina" by increasing the price of large coals and others that are difficult or costly to produce more than the smalls of which it can hardly stop producing more (though it appears unlikely that they will pursue this policy in their imminent price increase). There are possibly incentives that could be given in its internal accounting to pit managers to concentrate upon size as well as total output so long as imported coal has to be bought expensively from abroad.

Techniques that would turn enough small coal into large to satisfy these domestic consumers, however, could at best solve only the smaller of these problems. They would still probably leave for disposal large tonnages of what seems to be becoming the coal industry's basic product—small coal. In the coming years, one tempting political solution to this marketing problem would be one at which Mr Bowman seemed to be hinting when he said

> We shall seek to ensure that the indigenous fuel will have first place so far as consumption in power stations is concerned. We shall plug very hard to ensure that our small coals are used at the power stations instead of oil if the position is ever reached where we have any difficulty in disposing of them.

The use of substantial quantities of oil for power generation in such stations as Marchwood, which opened this week, is, however, the subject of binding ten-year contracts between CEA and the oil companies, both of which were bullied into this by the Government two years ago. Does the coal industry now propose that they should be bullied out of it? There remain export possibilities: and possibilities of complete gasification processes for these small coals, which might offer the best way for these coals to compete with oil in general industry. The solution should be sought in technical change and economic efficiency, not in "plugging" through any coal lobby. Coal must compete on even terms, if it can. The measure of the new men, new methods, and new energies it has now gathered to itself is that this no longer seems quite such a remote possibility.

What Price for Copper?

Against a background of surplus the Rhodesian copper companies are proposing a common policy on pricing

SEVERAL times in the past two and a half years the Rhodesian copper producers and their British customers have tried to agree on a common pricing policy. Late last month it was learned that the producing groups—Rhodesian Selection Trust and Anglo American Corporation—had reached agreement, and had sent their proposals to the consumers. Shortly afterwards RST announced that from June 1st it was cutting production at Roan Antelope and Mufulira by 10 per cent "to show the determination of some producers that the price shall not be forced through the floor by the existence of a marginal supply." Anglo American, on the other hand, stated that it is not planning to make any voluntary restriction of output. But Anglo American, like RST, has recently supported the market by buying copper in London.

The link between these developments is not a new relationship between the two big neighbours in the copper belt; it is the emergence of a substantial world surplus of copper. After touching £437 a ton in March last year the open market price in London fell almost uninterruptedly until March this year, and has since fluctuated around £236 a ton. In 1955 as a whole, when roughly 100,000 tons of production were lost through strikes, world output and consumption of virgin copper were almost balanced at about 3,050,000 tons. In 1956, when there were no major strikes, world production rose sharply to about 3.3 million tons, but consumption rose only slightly to about 3.1 million tons. The apparent surplus last year was thus about 200,000 tons, and it is still large.

There can be little doubt that this change in the balance of market forces has encouraged Anglo American's acceptance of a fixed price policy. In January, 1955, when it reaffirmed its policy of selling on the basis of the open market quotations established on the London Metal Exchange, it stated:

> The free operation of the laws of supply and demand is the safest, surest and most effective means of determining prices and any attempt arbitrarily to interfere with the operation of these laws may redound to the long-term disadvantage of the copper consuming and producing industries.

Rhodesian Selection Trust took the opposite view, and in May of that year it introduced a fixed price policy. The price was initially fixed for a minimum of thirty days, but subsequently no guarantee of stability was given and the price changed at 24 hours' notice. So for the last two years there have been two price bases for Rhodesian copper, and the actual prices charged have rarely been the same. At times the customers of RST have paid less than Anglo American's customers; at times they have paid more. These disparities have not only given each group of customers a sense of grievance by turn; they have also complicated the British fabricators' selling arrangements. Indeed, some individual rolling mills that are supplied by both groups have had to adopt the ludicrous expedient of selling the same products at different prices, according to whether the raw material came from RST or Anglo American. Consumers have therefore continued to press for a common pricing policy. What they have now been offered is a basis for discussion, and after their comments have been received in Salisbury there will have to be further meetings before the scheme can be introduced.

The producers have refused to publish the details of their proposals. It seems strange, and indeed indefensible, that they should have made no announcement at all on a subject of such wide public interest. Inspired reports from Salisbury have stated only that the common price would change less frequently than the London Metal Exchange price, but that it would be related to it over a period. It is thought, however,

that the common price would initially be fixed at the average of the LME price during a previous given period. It would be changed at the end of the period only if the average of the LME price in that period differed from the previous average by more than, say, one or two per cent. If it had so differed, the fixed price for the next period would be changed to the average LME price for the previous one.

ANGLO AMERICAN can thus claim that it has not completely given up using the LME price as its basis; it will be using a moving average of that price. Nor is there any escape in the lives of the copper mining companies from the LME yardstick. It remains the basis for determining both the royalty they pay to the British South Africa Company and the bonus to the European mineworkers, and these payments are the two big variable elements in their costs. The new pricing scheme need not affect turnover on the London Metal Exchange, and therefore the exchange's usefulness as an arbiter of prices. Although Anglo American now sells on the basis of the LME price its copper, like that of RST, does not generally pass through the exchange; it is sold direct to consumers on long-term contracts.

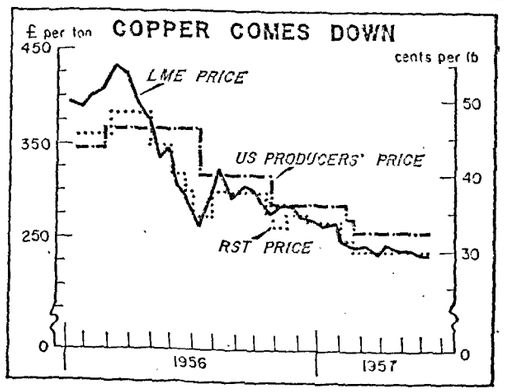
If there has to be a fixed price at all it is better that it should be formally related to the open market price than that the producers should take it upon themselves to decide the timing and extent of any changes in price, as RST does now. Many consumers will be attracted by a price that is fixed for some time ahead, and those who still have faith in the open market will be glad that the new policy does not throw the metal exchange overboard. Nor is it likely that a British fabricator's competitors here or abroad will pay significantly less for their copper in the long run. Chilean and Canadian copper is sold in Europe on the basis of LME prices, and United States copper is sold here on broadly that basis too.

But, while consumers seem more interested in stability than in the absolute level of prices, producers are anxious that prices should not fall much further. In recent months attempts to hold prices up have multiplied; output in some mines has been restricted (and a few small high-cost mines have closed), expansion schemes have been slowed down, and the Rhodesian producers have bought copper in London. The American producers are holding to a domestic price of 32 cents a lb (£256 a ton), and even if that level should be breached it is unlikely that they will come down to less than 30 cents a lb (£240 a ton). RST seems to be trying to make its present fixed price of £240 a ton the floor, and it looks as though Anglo American also thinks that copper is cheap enough.

Though the present price is still twice the average break-even point of about £120 a ton for the Rhodesian producers (with RST's mines slightly above the average and Anglo American's slightly below it) they have commercial and political reasons for trying to hold on to £240 a ton. At this price copper is no dearer than it was about four years ago, and can comfortably face competition from other metals. The Rhodesian producers need substantial profits to finance their expansion schemes (which have not been abandoned), and the Federal government needs a profitable mining industry to provide the bulk of its revenue. When Sir Roy Welensky, the Federal Prime Minister, said recently that copper would not fall much, if at all, below £240 a ton, he was not picking a number out of a hat.

Yet it may be wondered whether the Rhodesian companies, rich though they are, have been wise in starting to support the market at the present price level. So far they have bought perhaps 8,000 tons, with RST accounting for more than half the total. Those operations have not made much impression on the market, nor has the announcement of restriction of output at the Roan Antelope and Mufulira mines. The producers are facing a true surplus of production over consumption (as distinct from deliveries to fabricators) that may be as low as 100,000 tons or as high as 200,000 tons during the whole of this year. The indications are that American consumers have been buying less copper than they are using, and European consumers buying rather more. European consumption has recovered from last year's setback, but the expected improvement in American consumption has still to come. How these factors will balance out by the end of the year is anybody's guess.

The Rhodesian producers might have been wiser to let the surplus run its course, to squeeze their own profit margins and, incidentally, squeeze some of the inflation out of their own cost systems and out of the whole Rhodesian economy, too. It was not to be supposed that, when the big expansion schemes of recent years matured, world production would necessarily be matched by consumption. Such schemes are laid on projections of a long-term growth in world consumption of copper, not on forecasts of demand in a particular year. There is no reason to doubt that consumption will continue to grow, that the present surplus is temporary, and that the long-term outlook for Rhodesian copper is sound.



PRODUCTIONS, SHIPMENTS AND STOCKS

(Monthly averages : short tons)

	1955	1956	Jan.–April, 1957
Refined production	227,359	248,930	254,237
in USA	*122,287*	*131,699*	*140,354*
outside USA	*105,072*	*117,231*	*113,943*
Shipments to fabricators	228,699	236,082	248,594
in USA	*120,530*	*122,167*	*112,944*
outside USA	*108,170*	*113,915*	*135,650*
Refiners' stocks, end of period	221,331	354,420	363,453
in USA	*61,554*	*120,645*	*139,842*
outside USA	*159,777*	*233,775*	*223,621*

Source : Copper Institute ; *figures do not cover all countries.*

BUSINESS NOTES

IN THE MARKET

A Flutter in Gold Shares

INVESTMENT markets slid into the Whitsun holiday on a gentle downward slope. This week gilt-edged stocks have had the company of industrial shares in the decline. Neither has been heavily sold. The *Financial Times* government security index dropped from 84.28 to 83.56 in the week to Wednesday; *The Economist* indicator shows hardly any movement at 216.6 against 216.2, but that apparent firmness disguises the fact that prices rose at the end of last week and fell this week. The volume of business has been shrinking. Markings were 33,524 in the first half of this week against 37,251 in the first half of last. What little activity there was seemed to be moving over to gold shares. There after a long spell of inactivity some smart rises were seen. In general, stocks and shares, like sterling itself, were not strong, but escaped being obviously weak. The gold and dollar figures had assuredly given no grounds for a rise.

The case for kaffirs in these markets bears no resemblance to the big gold share scrambles of the past. It is neither an escape from a currency nor the reaction of the speculatively minded to new gold discoveries. It is based first on such of the June dividends as have so far been declared—which show broadly that the promising mines of the Orange Free State and the Klerksdorp area are fulfilling their promise—and secondly on the hopes that the plans to raise $10 million in America for the new Central Mining associate may be the forerunner of a larger flow of American capital into South Africa. The first of those reasons is solid; the second could be either premature or quite illfounded. The time does not look ripe for fireworks.

INDUSTRY'S CASH NEEDS

£16 Million for Guest Keen

INDUSTRY'S demands on the capital market are as strong as ever. For the top class issue, the supply of money to meet that demand is also large; applications, for example, for the £7½ million rights issue of English Electric ordinary shares amounted to £15 million. Guest, Keen and Nettlefolds, a much bigger issue, should command a similar success unless the market turns unexpectedly sour. It comprises 6,941,337 new £1 ordinary shares at 46s. per share as rights in the proportion of three for ten. The issue will raise about £16 million and is underwritten by Morgan Grenfell at 11d. per share (including 7½d. sub-underwriting commission). The rate looks high for an issue whose success seems assured, for even after the announcement Guest, Keen and Nettlefold's existing stock stood at 57s. But underwriters are at risk for a long period. Not until June 28th will the new capital have been authorised and the stock quoted "ex rights." At 57s. the rights are worth 2s. 6d. The directors hope to be able to maintain a dividend of 13½ per cent on the increased capital; thus the new shares are offered on a yield of 5⅞ per cent.

The accounts of Guest, Keen and Nettlefolds at the end of 1956 show about £10¾ million in net liquid assets. The company's subscription for 2,000,000 ordinary shares of Steel Company of Wales will have absorbed £4 million of those resources. And at the end of 1956 GKN, having spent £11½ million on capital account last year, was committed to £30.3 million of further expenditure. The need for new money is clear even though the group will set aside not less than £6½ million a year in depreciation alone in the coming years. About half of the group's commitments relate to the re-equipment and expansion of the two steel companies that it acquired from ISHRA at the end of 1955. About £13¾ million will be spent in the next three or four years to increase output at John Lysaght's Scunthorpe works (which entails building a new blast furnace and rolling mill) and another £1¾ million before the end of next year in turning the whole of the alloy steel production at Brymbo Steel over to electric furnaces.

This issue still leaves unresolved another of GKN's capital problems. A loan of £8 million from ISHRA is due for redemption in about a year's time, and the directors still intend to fund a substantial part of it by a debenture on the assets of John Lysaght's. In the meantime, this present issue from GKN, a prospective issue from Vickers (to which there was an unmistakable reference in Lord Knollys' statement) and an issue also in contemplation from Bristol Aeroplane Company may be read by some to imply that hopes of soon making the last big steel denationalisation offer—the resale of Richard Thomas and Baldwins—are not quite so high.

GOLD RESERVE

Not Good Enough

AFTER the shakiness displayed by sterling in the markets last month no high hopes could be placed on the gold figures for sterling's health and that of the British gold reserve are closely related. But the actual movement of the reserves during May remains disappointing, and after their publication the sterling rate dipped from $2.79\frac{3}{32}$ to $2.78\frac{15}{16}$. The rise of $35 million in the reserves was more than accounted for by the receipt of $34 million from the European Payments Union and that payment was in settlement of the £16 million surplus for April. In May itself the EPU balance was £7 million on the wrong side. It is believed

GOLD MOVEMENTS ANALYSED

($ million)	EPU settlement*	Direct dollar balance	Aid and special payments or credits	Change in reserves	Reserves at end of period
1956 :—					
August	−51	− 68	− 10	−129	2,276
September	−34	− 94	+180†	+ 52	2,328
October	−28	− 63	+ 7	− 84	2,244
November	−28	−285	+ 34‡	−279	1,965
December	−49	−169	+386*	+168	2,133
1957 :—					
January	−17	− 36	+ 4	− 49	2,084
February	+20	− 20	+ 63	+ 63	2,147
March	+17	− 27	+ 72	+ 62	2,209
April	− 6	+ 11	+106**	+111	2,320
May	+34	− 10	+ 1	+ 25	2,345
June	−15	...	...	...	...

* Relates to balance in previous month. † Includes $177 mn. from sale of Trinidad Oil. ‡ Includes $30 mn. from official sale of US government bonds. $ Balance of drawing of $561 mn. from IMF, defence aid of $6 mn. and end-year instalments of $181 mn. on US and Canadian postwar loans. Includes drawings by India from IMF of $59 mn. in February and $67 mn. in March. ** Including the return of $104 mn. of deferred loan interest.

that this is attributable primarily, if not wholly, to further French *ratissage*—clawing back by the Bank of France for end-month window dressing of sterling held by the commercial banks. Great significance should never be read into the experience of a single month. In April and May together, the EPU surplus, after *ratissage*, averaged £4½ million, and the "true" dollar balance, counting the EPU settlement in the month to which it relates instead of the month in which it is paid, and excluding the small amount of defence aid, was a surplus of $10 million. In both months expenditure of dollars on oil was still heavy, though tailing off. In coming months, sterling will be more or less relieved of these extra burdens; and, unless India again reduces the statutory limit of its sterling holdings, it will be forced to call a halt to its drawings on those balances and thus to end its heavy calls on the central dollar reserves. But sterling is approaching its seasonal period of pressure. Much depends on the mood of international confidence in sterling, at present still in its post-Suez state of cautious neutrality.

OIL PRICES

Time to Break the Link?

ONE American oil company, the Gulf Oil Corporation, has followed the 13 cents a barrel increase in the f.o.b. price of crude oil in the Persian Gulf first posted by British Petroleum and followed by Shell Petroleum last week. As Gulf is the joint producer, with B.P., of the Kuwait oil fields, it could hardly quote a different price for the same oil. In Saudi Arabia, the Standard Oil Company of California has raised its prices by 17 cents a barrel, but, as *The Economist* went to press, the other three American partners in Aramco had still to decide what to do. If the new prices reflecting the reopening of the normal supply routes settle anywhere near this level, then at present freight rates, refineries on the eastern seaboard of the United States would be able to obtain their crude oil from the Middle East more cheaply than from Texas, where prices were increased by 25 to 35 cents a barrel during the Suez emergency. To restore the price differentials that existed before the Suez canal was blocked, Persian Gulf prices would have to be raised by at least 12 cents a barrel more than BP and Shell.

The question turns on whether more Middle East oil could be sold in the United States, even at lower prices than the domestic product. Clearly it would have no market if it were more expensive; but, equally, while the political opposition to imports remains as strong as it is at present, it seems unlikely that the share of the American market captured by Middle East oil can be significantly enlarged by keeping it cheaper.

In Europe, other considerations prevail. If sales of Middle East oil to the United States are artificially limited by political pressure, there is no longer any economic reason why the delivered prices there, less the transport cost from the Middle East, should also determine the fob prices for Middle East crude oil shipped to Europe and the rest of the Eastern Hemisphere. The price of Middle East crude oil cannot exceed that which allows Eastern Hemisphere refiners to sell their refined products locally at prices competitive with those of refined products imported from the Caribbean. Moreover, in Europe, the highly profitable sales of petrol are held down by high taxation, while the less profitable fuel oils form a larger portion of total sales than in the United States. In order to secure the same return on investment as his American counterpart, the European refiner therefore needs a wider spread between the cost of his crude oil and the prices of the refined products he sells. But as the European demand for Western Hemisphere products disappears with the emergency, except for fuel oil and a few special products, have the oil companies any justification for regarding the delivered price of Western Hemisphere products not only as the ceiling to European prices but as the floor as well?

RUBBER AND TEA SHARES

Those Takeover Bids

DIRECTORS of rubber and tea companies are evidently much alarmed by the outburst of takeover bids that assails them. Following the remarks of the chairman of the Rubber Growers' Association a week ago Mr Kenneth Warren, chairman of the James Warren tea management group, has now taken up the task of condemning the "speculators," many of whom make bids "for the purpose of liquidating and acquiring the current assets of the companies and enforcing a sale of the estates involved." Mr Warren claims that the Malayan government realises that this is having a disturbing effect on employment and "is contemplating steps to combat the menace." He adds that in tea the Indian government is "taking steps which should make such transactions unprofitable."



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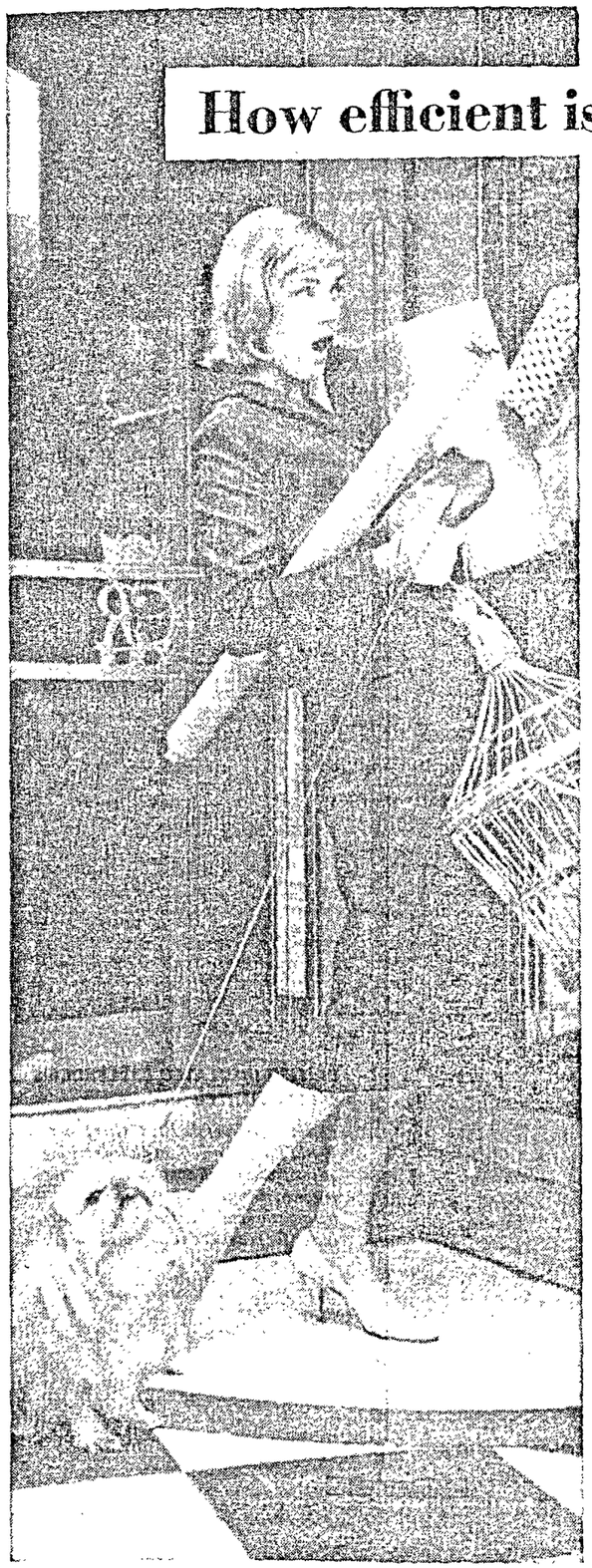
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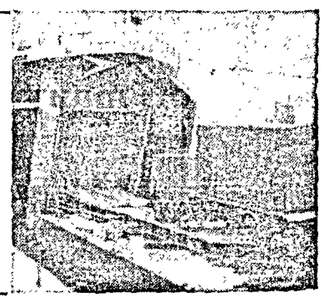
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Mr Warren does *not say what* he expects the Malayan government to do. But it is a dangerous toy that he has chosen to play with. The approach to the Malayan government came in part at least from the trade unions who thought, probably rightly, that the breaking up of European estates into small holdings which is the result of some take-over bids was bad for employment. Some members of the trade in London gained the impression that the government's first reaction had been that the problem was not yet big enough to demand its intervention. If that is so, the rubber industry in Malaya can count itself lucky. The actions of the Indian government—and Ceylon is now apparently taking somewhat similar action—have hardly been such as private business could applaud. The transfer of tea estates in India to new owners requires official approval and both the price and the type of buyer are examined. The idea, it is understood, is to stop "fragmentation" of estates and one of the sanctions available to stop an undesired sale is to apply the infinite delays of Indian exchange control to the proceeds. Ceylon, too, is understood to be ready to use its exchange control to stop the sale of estates for subdivision. In Malaya on the other hand there is freedom of transfer and a government that welcomes British capital. Mr Warren might consider whether matters are not best left that way.

The take-over bid, as Sir John Hay pointed out in his United Sua Betong statement, depends in part on the lure of a tax free distribution in these heavily taxed days—but to company concerned it is a threat and can be disruptive. Sir John did not provide the answer, except by his own action which was to acquiesce in a small tax free distribution out of ample resources. The less wealthy companies whose surplus values are locked away in real estate will find the answer less easy.

PREMIUM BONDS

Ernie's First Job

THE first draw for the premium bonds started on Saturday and Ernie, the computor that makes the random draw of winning numbers, and the Post Office staff at Lytham St. Annes have been working hard this week in order to notify all the winners of all the 23,142 prizes before Whitsun. The £1 premium bonds ranking in this first draw numbered 48,487,854, comprising those bonds that were sold in November of last year and have not subsequently been withdrawn. The prize money—six months' interest at 4 per cent per annum on the ranking bonds—was £969,750. This is how it was distributed:

Number	Prizes £
96	1,000
192	500
384	250
960	100
1,920	50
19,590	25

The big doubt now is what will happen in subsequent monthly drawings. On the first draw the odds were roughly calculable. For holders of the full complement of 500 units the chance was roughly one to four against winning a tax-free prize of some sort. After November monthly sales of the bonds were much lower, and if the bulk of the £48 million of November money remains invested, the odds at the next drawing will be about 17 to 1; the odds are longer, but the drawings will in future be monthly.

CENTRAL MINING

Dollars for South Africa

THE capital reconstruction scheme for Central Mining and Investment Corporation was approved by an overwhelming majority at last week's meeting, and the promised bid for the shares by Glazer Brothers has, as this issue goes to press, still not been made. With the result of the meeting so strongly in line with the hopes of the merchant banking and mining finance syndicate that has acquired most of the preference shares, Mr Glazer's opportunity, if he ever had one, seems to have passed. Moreover a speech which Mr Charles W. Engelhard has made in Johannesburg seems to map out a bright new future for the "Corner House" group. It will be recalled that Mr Charles W. Engelhard and Mr Gordon Richdale, together with two mining finance groups and three merchant bankers, propose to hand over their investment in Central Mining to a new holding company in South Africa. Mr Engelhard now discloses that he and Mr Richdale are negotiating a $10 million loan in New York for the new and still unnamed South African company. The intention is to secure the control of Central Mining against any future attacks.

The shape of the new holding company now becomes clearer. It is to have a share capital of £3 million; the $10 million of American money will be loan capital; and it will invest outside the group and even outside Southern Africa. Increasing responsibility will fall on the Johannesburg end of the Central Mining-Rand Mines Group, and for this purpose the Rand Mines board will be strengthened. The new company also will have one of the strongest boards in the South African mining business. Mr Engelhard will be chairman, Mr R. B. Haggart, deputy chairman of Anglo American, will be deputy chairman, and Mr T. P. Stratton of Union Corporation will be managing director.

OIL DURING RATIONING

Rescued by the Weather

DURING the first quarter of 1957, when the full effects of rationing were being felt, Britain consumed nearly a million tons less oil than in the first quarter of 1956—a fall of nearly 15 per cent, compared with a rise of up to 10 per cent which might have been expected under normal conditions. Nearly half of the fall was accounted for by sales of petrol, which were down by nearly 30 per cent, with deliveries of the premium grades taking a larger cut than the standard grades. Commercial consumers, relying more on diesel lorries, consumed only 8 per cent less diesel fuel than last year, but nearly a third less petrol, while deliveries of petrol through dealers' pumps fell by 28 per cent.

Most of the rest of the decline was accounted for by gas, diesel and fuel oils. Fuel oil consumption fell by only 10 per cent, affected more by the exceptionally mild winter and higher prices than by the direct restrictions, which never became onerous, although it was touch and go in March whether stocks would last. This decline looks more significant, however, when compared with the 20 per cent increase recorded last year. The remaining restrictions on the consumption of fuel oil were removed last week, but fuel oil is still much dearer than it was last summer, and a key question for the oil companies is what rate of advance in

demand for fuel oil they can now expect from Suez-hardened consumers even in a free market.

Mild weather, and less need for space heating, especially in factories and offices, reinforced the restrictions and enabled the consumption of gas and diesel oils to be cut by 26 per cent without undue pain. Even deliveries of burning oil, which were not restricted at all, fell by over 20 per cent because of the exceptionally mild weather compared with the extremely cold snap at the same time last year. Throughout the rationing period total industrial production, which had stopped rising long before the Suez Canal was blocked, was able to be maintained at the same rate. But great as the achievements of the oil industry were in securing Europe's emergency supplies throughout the emergency, it is the weather that must be given most of the credit for making the burden of the Suez affair on British industry much lighter than anyone could have reasonably foreseen in October.

WOOL TEXTILES

Protest to America

BRITISH wool exporters are pleased that Britain has formally expressed its disappointment with the American government's decision to establish a tariff quota of only 14 million lb on imports of apparel wool fabrics this year. This quota is equivalent to that introduced in 1956 when the quota for imports in the last quarter was fixed at 3.5 million lb. When imports in a calendar year exceed 5 per cent of the average annual domestic production of these fabrics in the previous three years the President has discretion to raise the *ad valorem* duty on the excess by four-fifths, from 25 to 45 per cent. In the following year the duty reverts to 25 per cent until the new "peril point" has been exceeded. Britain had hoped that the effective quota would not be any more severe than in 1956, when total imports of these fabrics were equivalent to about 6½ per cent of average domestic production. There is at least a faint hope that Britain's protest may influence the American government's response to renewed pressure from the domestic industry. American mills are now seeking to restrict imports of items that are not affected by the tariff quota such as yarn, blankets and felt. Though these goods are of little interest to British exporters they have nevertheless taken issue with the American industry.

At hearings in Washington this week the American mills claimed that imports have been responsible for such a contraction in the industry's capacity that it could no longer provide for America's requirements in a war or other national emergency. The American clothing manufacturers and the British industry took a different view. They both argued that the American industry's troubles are attributable not to imports, but to competition from synthetic fibres and —the American manufacturers add—"a lack of initiative and enterprise." The British case is essentially that already presented against the imposition of a tariff quota. It considers that the domestic mills are suffering from a vigorous and growing synthetic fibres industry and the policy of protection to the domestic wool grower. To protect the grower the domestic mills have to pay a duty of 25½ cents a lb (clean weight) on imports of apparel-type raw wool. Then, to compensate the mills for having to buy raw wool at above world prices, a specific duty is levied on imports of wool manufactures; for fabrics this duty is 37½ cents a lb. Finally, to protect the mills against foreign competition, an *ad valorem* duty of 25 per cent is levied on imported manufactures. Although the mills are themselves users of synthetic fibres, there is no doubt that the growing production of these fibres has hurt many mills, and caused others to close down.

What Will China Buy?

BRITISH exporters will welcome unreservedly the abolition of the "China differential," whether or not it brings much new business. The list of goods which could not be exported to China was not only much longer than the list for the Soviet block; it was also less precisely defined. Freedom to ship to China all goods that are not embargoed for the Soviet block means that there is now only one list, and that exporters know where they stand. The goods freed for China are principally:

Some machine tools.
Some electric motors and generators.
Rubber working machinery.
Most motor vehicles and tractors.
Most railway locomotives and rolling stock.
Most internal combustion engines.
Iron and steel, aluminium and copper products, lead and zinc.
Some scientific instruments.
Raw rubber and most tyres.
Various chemicals.

The decision also brings to an end the exceptions procedure, whereby limited shipments to China were permitted of certain items that were in general embargoed for China though not for the Soviet block. Items shipped under this procedure included certain black steel and galvanised sheets, wire rope, small agricultural tractors, certain chemicals, and Malayan rubber.

The list of items now embargoed for export to the Soviet block, China, North Viet Nam, North Korea and Tibet is published in the *Board of Trade Journal* this week. Part I contains the items completely prohibited, part II the items subject to quantitative control. To take one example, the only types of internal combustion engine which cannot be shipped to China (or to the Soviet block) are aircraft engines, special purpose diesel engines of 50 bhp and over with "a non-magnetic content exceeding 50 per cent of their total weight," and diesel engines of 1,500 bhp and 600 rpm and over. The "watch" list, which may contain goods on open general licence as well as those on specific licence, has never been disclosed. Shipments of goods on this list were watched for evidence of trans-shipment from the Soviet block to China, and will still be watched to prevent their exceeding what are deemed to be normal peacetime needs.

Which of the goods now freed will be of most interest to China? Unlike Russia, China has never published a "shopping list" for British goods. China is probably interested in all of them, and has expressed particular interest in equipment for the manufacture of tyres, similar to that recently ordered by Russia. China's economic difficulties (which are described in an article on page 869) suggest that British exporters would be unwise to expect a substantial increase in business, for some time at least. Though China runs a large trade surplus with the sterling area, and receives substantial remittances from overseas Chinese, it uses that surplus to finance its trade with other countries in the transferable account area, including Russia, its main trading partner. After running down its sterling balance towards the end of last year—partly, it seems, in a post-Suez flight from the pound—China's balances are now believed to be somewhat below £100 million.

CHINA'S TRADE WITH THE STERLING AREA

£ million

	1953	1954	1955	1956
Exports from China, cif	96	78	93	118
Imports into China, fob	65	63	53	51
Trade surplus	*31*	*15*	*40*	*67*

BRITISH EXPORTS TO CHINA

£'000

	1955	1956
Wool tops	5,091	5,021
Chemicals	1,769	1,283
Non-electric machinery	148	794
Electric machinery	54	166
Iron and steel products	24	1,414
Manufacturers of metals	22	129
Tractors and parts	...	492
Commercial vehicles	...	190
Total UK exports	7,858	10,689
UK imports from China	*12,302*	*12,586*

BRITISH RAILWAYS

Diesels for Test

NEITHER the past few months of fuel paring nor the present fashionable discussion about ways of setting limits to this country's dependence upon oil have caused British Railways to reconsider the sources of traction power upon which its present modernisation programme is based. It would be foolish to expect this. The case for contracting out of steam is irrefutable; and though conversion to electric traction is likely to proceed faster and further than was envisaged two years ago, no one can expect electric traction to prove itself more economic than diesel traction for every operating requirement. Nor can the long gap between the cessation of building steam locomotives—the last one will leave the railway workshops early next year—and the fruition of main-line electrification work be bridged economically and practically other than by using diesel locomotives.

Eighteen months ago British Railways ordered a pilot batch of 171 of these main-line diesels (later increased to 174) from British manufacturers. They were a widely varied batch: the basic specifications were laid down by the Transport Commission, but the manufacturers were encouraged to incorporate their own ideas. They were intended for an extensive scheme of two to three years' operating trials before final decisions upon the design of the remainder of the 2,500 main-line diesels in the modernisation programme.

Orders for 40 of these locomotives were placed with English Electric—20 of 800-1,000 hp for freight working, 10 of 1,000-1,250 hp for mixed traffics, and 10 of 2,000 hp or more for heavy duties—and the company has this week handed over to British Railways the first of its 40 (and, incidentally, the first of the 174 being made by all the manufacturers). It is a 1,000 hp diesel-electric locomotive to be used in the London area for hauling freight—which seems an odd place to put an engine that can reach a maximum speed of 75 mph. Delivery of the remaining 173 locomotives will be spread over the next 18 months, but contracts for a further 56 main-line diesels are about to be placed by the Transport Commission. This will make a total of 230 to be used in operating trials in 1959 and 1960.

NUCLEAR EXCHANGES

Calder Know How

DETAILS of the agreement between British and American atomic authorities to exchange more information about their nuclear reactors have not yet been published, but it would appear that some formula has been devised to clear up the outstanding point that had hitherto been inhibiting the supply of certain technical details of Britain's reactor at Calder Hall—the fear that these might be given free to American companies which could compete for export orders with the British commercial nuclear groups. In the first instance, the Atomic Energy Authority here is now going to let the Atomic Energy Commission there have the fuller information: if later AEC decides to pass them on to private American companies in the field, some royalty payment will have to be made by these companies to AEA.

Much of the general technical information about Calder Hall (and some about the reactor that powers the American submarine Nautilus) has already been published freely, but a number of constructional details and figures relating to the design of reactor components have not. In dealing with its own nuclear club of companies, AEA has given the general knowhow of nuclear engineering quite freely, but collects royalties on a commercial basis for those "inventions" it has been able to patent. It has at present about 200 of these, dealing mainly with elements in the actual reactors, such as loading methods.

HIRE PURCHASE

Motor Credit Sales Booming

AS a postscript to last week's decision by the Board of Trade to fix the minimum hire purchase deposits on motor vehicles at 33⅓ per cent (which meant an increase from 20 per cent for private cars and motor cycles) come the figures of numbers of transactions in May recorded by HP Information. They were a record for the month and, in fact, showed an enormous increase. The total of second hand cars sold on hire purchase in that month at over 66,000 was nearly double the figure for April last year. The total of contracts of all kinds at 130,190 compares with 105,083 in April and with 76,350 in May of last year.

NUMBERS OF CONTRACTS

		May, 1956	April, 1957	May, 1957
Private cars	New	8,290	8,399	10,335
	Used	36,015	50,336	66,008
Commercial vehicles	New	4,108	3,365	4,359
	Used	4,288	5,979	7,186
Motor cycles, includ. scooters	New	5,982	12,407	12,427
	Used	14,133	20,788	24,965

Source: H.P. Information.

Naturally the removal of petrol rationing and arrival of the summer motoring season have helped the motor figures, which are financed by finance houses, not by retailers. The Board of Trade's figures which show the hire purchase trading of both the retailers and the finance houses, and are expressed in value, lag much behind the monthly returns

of numbers of contracts only from HP Information. The latest index for the retailers is for March. This suggests that in the retail trade, too (although the special factor of the low initial deposit did not apply there), the trend was gently upwards. The index of value of goods sold on hire purchase (December, 1955=100) was 69 compared with 70 in February and 63 in March last year. The seasonal drop between February and March was only 2 per cent this year compared with 7 per cent in 1956.

GOING ABROAD

Dollars for Holidays

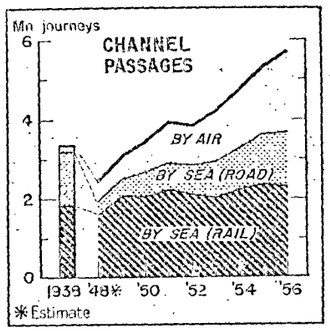
Two notable converts have been won in the last fortnight by those pressing for fewer restrictions on overseas holiday travel. Hard on the news that the Russians would soon be seeing foreign motorists on some of their roads came the Treasury's splendid capitulation to the pressure for a dollar tourist allowance. No one will begrudge Mr Thorneycroft's use, in defending his announcement on Tuesday, of the two principal arguments for such an allowance that had been unavailing with his predecessors during the last ten years: that the ban had been an undesirable barrier to ordinary movement between the three countries primarily concerned, even though it would help only a few individuals; and that—just because only a few would be able to afford to go—the total dollar cost would be very small.

The present dollar cost of the allowance for business trips (which is also increased) and for compassionate visits is about £5 million a year. This week's concessions, which will start during the present currency year, will hardly add enormously to that figure, particularly if they draw away holiday expenditure from Europe where, in effect, under the present EPU arrangements three-quarters has to be paid for in gold and dollars. Only 30,000 of the 1¾ million Britons that holidayed abroad last year went outside Europe and the average total expenditure was only £50 or so a head. Excepting the chances of working one's passage, a holiday trip across the Atlantic will cost £200-£250 at least. The cheapest fare for getting to New York and back is about £120 by sea and about £150 (off-season) by air. Once there, the holiday maker should allow about $15 a day for reasonable accommodation and meals, and up to $35 a day if he wants first class standards, though the frugal type could manage by staying in the unfashionable hotels and eating at corner drug stores for perhaps $8 a day. Inside the United States the cheapest way of moving around is by Greyhound bus, which costs roughly a dollar every 30 miles (which can be paid in advance in sterling). For an independent traveller paying first class rates the new allowance will probably permit a trip of about a week; by skimping, the holiday might be extended to two or three weeks; and for those with relatives or friends to stay with, rather longer visits should be possible.

Crossing the Channel

The continent, however, is still the only place abroad where most English people can afford a holiday, and passenger travel to and from there has risen in leaps and bounds since the war. About 5¾ million journeys either way were made last year, more than double the total for 1948, when the currency allowance was last restored, and about 70 per cent more than in 1938. The British Travel and Holidays Association estimates that about 3½ million of these journeys were made by Britons going and returning from holiday; about 1.1 million by foreigners spending their holidays here; and the bulk of the remaining 1¾ million trips presumably had some connection with business.

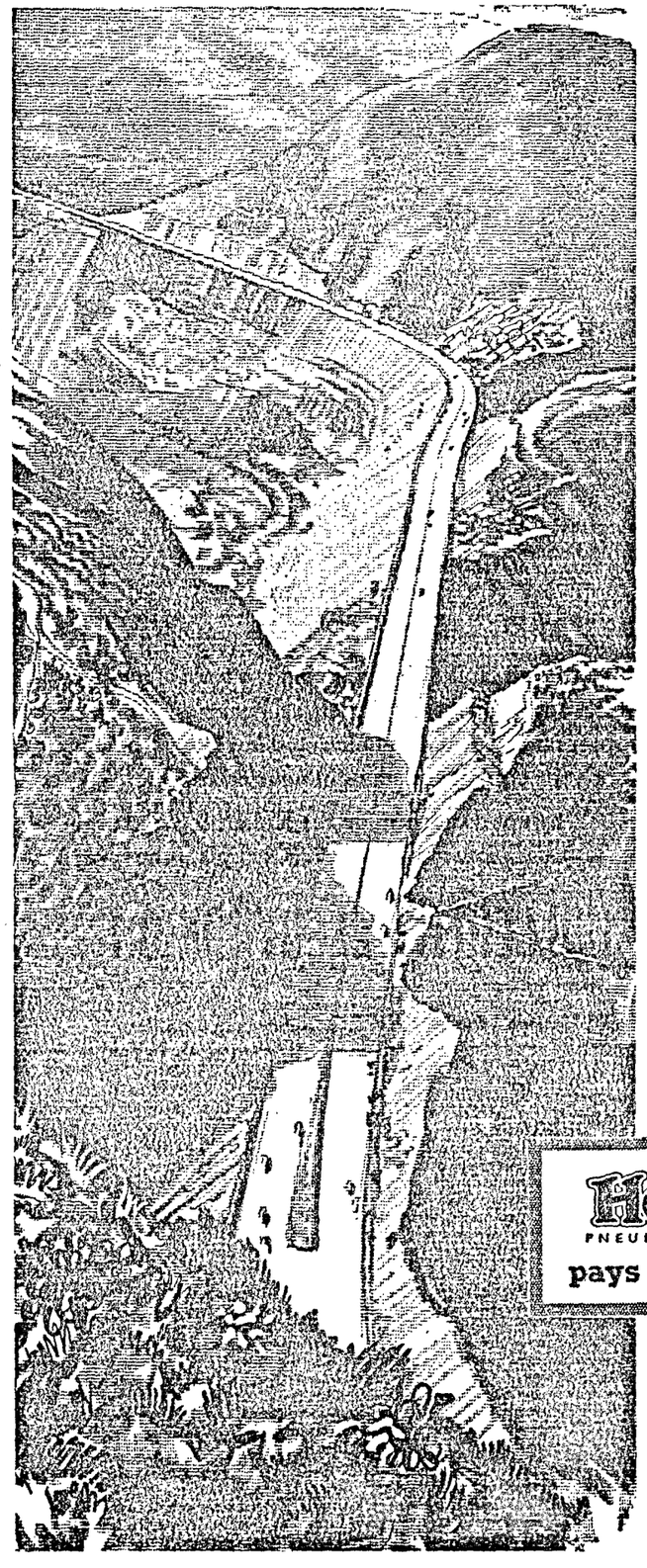
Much of this postwar increase in cross-channel traffic has, of course, been captured by the air-lines, but there has also been an impressive increase in the number going by coach or in their own transport. Last year the air-lines carried over a million passengers each way, or roughly seven in twenty against only one in twenty in 1938—when the continent was about as far as one could get by air. Rail journeys, on the other hand, now even more concentrated on the short sea routes via Dover, have grown in number by only about a quarter over the same period. And the rail share of the total has dropped from eleven in twenty to only eight in twenty. The advantage of speed in going by air is more persuasive the longer the journey, and the greater part of the increase in air traffic has come on the routes to Spain, Italy, Austria, Germany, and Switzerland. For shorter distances the railways can perhaps offer a more competitive service—even for businessmen in a hurry. The new summer time-tables that started last weekend contained a number of improvements, including a new London-Hamburg express that cuts 2½ hours off the previous journey of 17½ hours and a new night sleeper service to Brussels specially designed for the businessman. Departing from Victoria at ten in the evening and arriving at Brussels before nine the following morning, he can get a tolerably good night's sleep and make his journey for a cost of just under £19 first class return (£15 12s. if he shares his compartment). But, if he really is in a hurry, a BEA Viscount will still take him to Brussels in 3¼ hours (air terminal to air terminal) for a cost of only £15 3s. return—or just under £10 return if he takes the night plane. It will be difficult for the railways to improve on that.



EGYPT'S STERLING

The Rome Talks and After

It was announced from Egypt this week that agreement had been secured in the course of the recent Rome talks to free £6 million of the blocked Egyptian sterling balances. This appears to be a slight overstatement of Egypt's "achievement." Before the talks began the British Government had announced that it would be prepared to release out of the Egyptian No. 1 Account funds that might be needed to complete certain pre-zero transactions between British merchants and Egypt. For the most part these are orders for exports from Britain to Egypt for which all the necessary formalities except actual payment had been completed when the nationalisation of the Suez Canal and the blocking of Egyptian accounts in London put a sudden stop



What's the vibration in Venezuela?

VENEZUELA is booming. Men are carving fine smooth roads through the pointed mountains. They are drilling for oil near Lake Maracaibo. They are mining iron ore at Cerro Bolivar. They are building new airports. They are putting Venezuela on the map as a rich, busy country.

Have you noticed how much of this development depends on compressed air equipment? Holman supply a lot of it. From concrete vibrators to powerful road rippers that, amazingly, hardly vibrate at all.

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Then there is the service which extends far beyond the supply and maintenance of machinery. In Caracas — and in the key towns of eighty-odd other countries — there is a Holman organisation staffed by consultants qualified in every industry where compressed air equipment can be used. This world-wide service is centred on Camborne where every tool made is rigorously tested in the industry's only experimental mine.

With all this behind it, is it any wonder that every Holman tool repays its initial cost many times over during its long life?

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pays . . . with its life

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The Holman Organisation is world-wide. It includes the Climax Rock Drill & Engineering Works Ltd., and has agents, branches and technical representatives throughout the United Kingdom and in 84 other countries.
Telephone: Camborne 2275 (10 lines)
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two electronic prodigies

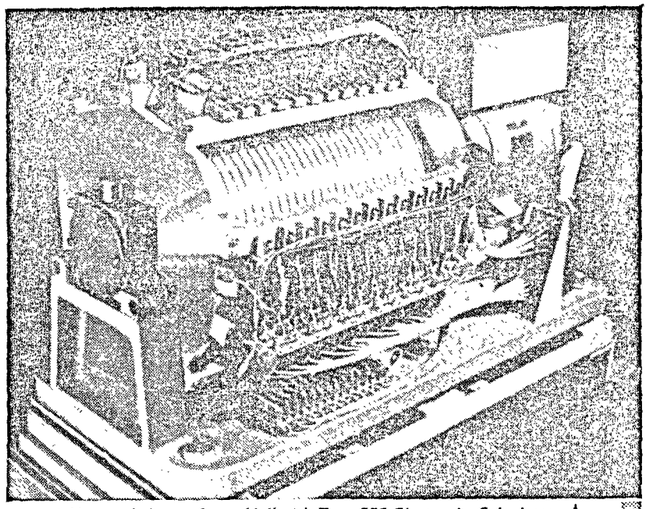
'So these machines,' the visitor asked, 'will not only calculate at fantastic speeds. They have judgment and memory?'

'Once they are instructed,' the Accountant agreed, 'they will combine calculation with memory and they will even make logical decisions.'

'Any moment now you'll be saying they have personality!'

The Accountant shrugged. 'They have some very competitive characteristics,' he said. 'They are extremely flexible. Adaptable and very versatile. The real point is,' he went on emphatically, 'Hec General-Purpose Computers and the new Hollerith Type 555 Electronic Calculators are both ideal for commercial and industrial accounting. Electronic prodigies, I call them.'

THE BRITISH TABULATING MACHINE COMPANY LTD
17 PARK LANE, W.1



'Memory' drum of new Hollerith Type 555 Electronic Calculator

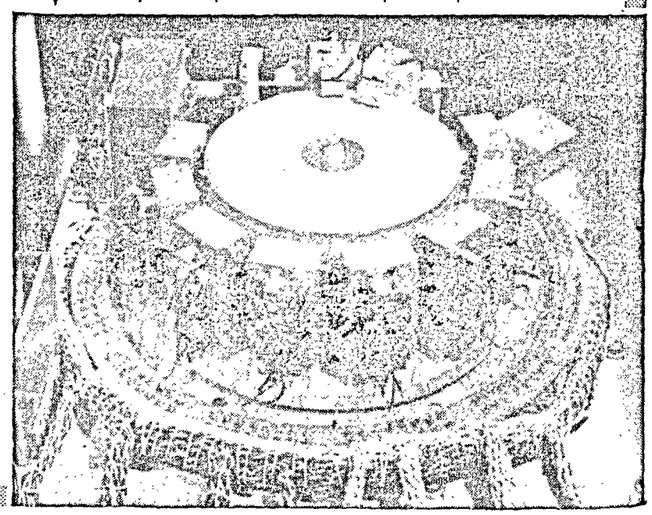
at the B.E.E.

Behind all Hollerith equipment is a team of methods and operations research men, accountants, designers, programmers, and technicians. They know 'the story of your equipment starts in your office.'

Why not meet them on the Hollerith Stand at the *Business Efficiency Exhibition?* (Olympia, June 17-27.)

HOLLERITH ELECTRONICS

'Memory' drum of the Hec General-Purpose Computer



to further commercial payments. A list of outstanding contracts has been drawn up and if the exporters and importers in each transaction are still prepared to proceed, it will be submitted to the Bank of England for approval.

The Egyptian authorities have added the total amounts involved in these transactions and published the resulting total as an agreed release. No unblocking has in fact been negotiated or agreed. Nor did the Rome talks break down. They were exploratory and went as far as they can conveniently be taken at the moment. No date has yet been fixed for their resumption. The atmosphere in which they will be resumed will, however, have been considerably improved if in the interval the Egyptians fulfil their promise to pay in sterling the pensions of British citizens who were previously employed in Egypt and were forced to leave during the recent troubles.

HOME EQUIPMENT

A Durable Recovery?

A HEFTY revival in household goods sales has been getting under way this year, and the Board of Trade's returns for retail trade in April suggest that the improvement is gathering pace, even after allowing for the usual Easter spending spree. All shops dealing in these lines appear to be enjoying a share in the recovery; their total volume of business in the first four months of this year is well above last year's and some are handling as much as they did in early 1955. Even the multiples who lost ground heavily a year ago have, in total at least, made a full recovery.

But the sun is not shining on all household articles. This year's radio and television sales, for example, are a good fifth better than last year, and sales of radiograms are up by two-fifths, but these sales are still substantially short of the level of business of two years ago. Television sales are an exception, but that market is under somewhat different influences. In April the Post Office issued the seven millionth TV licence, barely eight months after the six million mark was passed.

SALES OF RADIO & TELEVISION SETS

	Radios			TV Sets		
(Thousands)	1955	1956	1957	1955	1956	1957
January	98	66	86	103	85	119
February	99	66	78	98	81	94
March	95	72	83	85	71	79
April	79	65	78	75	62	66
Total	371	269	325	361	299	358

Furniture sales show perhaps the most marked recovery in sales of durable household goods this year. The buoyancy of sales in the first quarter of the year imparted a 12 per cent increase to the industry's output, which brought the manufacturers back to their level of activity of two years ago and actually above that of 1954, previously their best year. Washing machines and electric cookers are also selling well, though the evidence is somewhat more fragmentary. Gas and solid fuel appliances, on the other hand, do not

Transistors by the Million

THE first factory in this country to be given over entirely to the manufacture of the electronic components that fall under the umbrella heading of "semi-conductors" and to transistors in particular, is being built by Mullard Ltd. at Southampton. Transistors have been made in this country for several years, and by a variety of companies, but in what it would be fairer to describe as development batches rather than regular mass production. Mullard's move to centralise the company's own transistor production under one roof is a sign that the performance and design of these very new electronic gadgets is becoming sufficiently standardised to contemplate producing them on a scale approaching that of the conventional electronic valve that they replace.

A germanium transistor is not impressive to look at. It consists of a raggle-taggle assembly of bent wires and little blobs of metal ranging in size from a pin-head to a pin-point, the lot balanced uncertainly on three sturdier wire legs. Yet the pin-head of metal and the two pin-points alloyed on either side of it have between them the amplifying power of a fair-sized valve. Today's transistor is a highly sophisticated version of the original "cats-whisker." It works by deliberately exploiting the slight difference in physical behaviour between two fractionally impure forms of germanium, which make it possible to get a relatively large output of power from the battery for a relatively small input of power to the transistor.

The finished transistor in its glass envelope measures half an inch, and a dozen fit into a thimble. That these two properties, uncommonly small size and relatively insignificant power requirements, have not brought about the revolution in the design of electronic equipment that might have been expected is largely due to the limitations of the transistors themselves.

Present types cannot operate at frequencies above 10 megacycles, and may never exceed 100 megacycles with any ease. And they cannot work at ambient temperatures much above 55°C. This second limitation means that guided missiles and high-speed aircraft, which would benefit most by "transistorising" because the size of valves now carried and the power they need are both serious handicaps, must wait for the development of transistors using silicon rather than germanium. These can work at temperatures nearly three times as high as the germanium transistors, and 50 per cent higher than what can safely be allowed for valves, so that missile designers in particular could dispense with much of the cooling they have to provide today, as well as with space and current. But because of the difficulties of producing the silicon, it may be some time before these are available in anything but experimental batches.

Transistors are painstakingly assembled almost entirely by hand; they are developing too rapidly to justify a fully mechanised production line. Their immediate applications run from hearing aids to tape recorders, small radio-receivers and ultimately to computers whose appetite for valves, current to feed them, and cooling to keep operating temperatures within bounds, is quite an element in cost. Mullard intend to produce semi-conductors by the million at the Southampton factory: other producers have also been increasing their output. In 1955, before transistors had begun to make their mark, valve output was running at more than 64 million. Most electronic manufacturers would like to know how soon transistors will begin to make inroads into that total.

seem to have experienced much of the present upward swing—which came during mild weather, and anyway began after most people had completed their buying of heaters for the home.

UNION ACCEPTANCES

Money Market in South Africa

IMPORTANT stages in the creation of a money market in South Africa are covered in the first report of Union Acceptances from October, 1955, to the end of 1956 and in Sir Ernest Oppenheimer's accompanying statement. During these fifteen months Union Acceptances started to act as a discount house, acceptance house, and issuing house. During the period Dr de Kock, the governor of the Reserve Bank, decided to make South African Treasury bills negotiable and to split them into the still large minimum denomination of £50,000. Union Acceptances which was formed by the Anglo American group with Barclays (DCO) as junior partners and with technical assistance from Lazard Brothers has achieved much. The later decisions to raise the capital from £1 million to £2 million and to take participations in Rhodesian Acceptances and in Union Acceptances (Zurich) A.G. show the lines of progress; so does the first net profit figure of £50,607, from which no dividend has been paid.

The work that remains to be done before South Africa has a developed money market emerges from Sir Ernest's address as clearly as the progress already achieved. South Africa has no discount house independent of an acceptance house. Union Acceptances has been both buying and selling bills at the same annual rate of discount—3⅝ per cent—retaining some of its own accepted bills and therefore owing both the acceptance Commission and the discount, but also passing some on to local commercial banks. For much the same reason the balance sheet which shows £1.9 million of bills discounted and £3.3 million of acceptances contains no Treasury bills nor indeed any bills except some of the company's own acceptances. There is not yet a market in South African Treasury bills, even though they are available in bearer form, because of the absence of houses that could deal in them. Loans received also stand in the balance sheet at £2.8 million and Sir Ernest expresses the view that when a separate discount house exists the proportion both of bills held and loans received in the Union Acceptances balance sheet will be much lower.

COMPANY AFFAIRS

METAL BOX

THREE months ago, when the Metal Box Company made a £6 million issue of a 5½ per cent unsecured loan stock at 98, its directors said that sales were going up but that margins were difficult to maintain and that the profits earned in the year to March 31st last were unlikely to differ much from those earned in 1955-56. The group's preliminary statement now shows that while total sales went up from £61,225,000 to £68,687,000, gross profits came down slightly from £5,763,000 to £5,745,000 and net profits from £2,677,000 to £2,611,000. Sales at home (up from £47,422,000 to £53,130,000) and abroad (up from £13,803,000 to £15,557,000) have both risen, but while the gross profits of the home group came down from £4,055,000 to £3,883,000 those earned by the overseas group rose from £1,708,000 to £1,862,000.

The differing pressure on margins can be taken a stage further by comparing the ratio of gross profits to sales in six monthly periods. Beginning at the six months ended on September 30, 1955, the ratios for the home group run as follows: 8.8 per cent, 8.3 per cent, 7.9 per cent and 6.7 per cent. For the overseas group, the corresponding ratios are 12.1 per cent, 12.6 per cent, 11.5 per cent and 12.3 per cent. Thus the margins at home have been continuously falling but margins abroad (which are consistently higher than those earned at home) show some recovery in the winter months of both financial years. But sales of the overseas group represent only about a fifth of the total. These figures suggest why the group as well as adding to capacity at home is anxious to expand its business overseas.

The £6 million capital issue gave Metal Box the money needed for expansion. Some of the group's earlier expenditure must now be earning revenue, for although not less than £4 million is to be spent on capital account this year and although the new loan stock must be serviced, the directors have raised the ordinary dividend from 10 to 11 per cent. Investors seem equally confident, for the £1 units rose 2s. to 56s. 3d. after the figures were announced.

COURTAULDS

OF the British Celanese stockholders over 90 per cent have accepted the offer from Courtaulds, and Courtaulds' stockholders have approved the necessary increases in capital. The rayon merger and combine are now accomplished facts. In the course of the year and of the merger negotiations, stockholders learned almost exactly what they might expect, and Courtaulds profit and dividend statement for the year ended March 31st contains no surprises. Group profits before tax at £15.2 million are indeed a little better than the foreshadowed four-fifths of the previous year's figure. The final dividend, 6 per cent, is as expected, and again makes 10 per cent for the year. The figures show the parent company distributing £3 million net out of a net taxed profit attributable to the parent of £8.0 million (against £10.0 million), so that even after a difficult year Courtaulds has not been pushed into an over-liberal ratio of dividend to profit.

Most interest will centre round what the directors have to say about trade. It is not an ebullient report. "In the home market there was a reduction in profit mainly in the continuous filament section of the business; in particular, a material drop in demand for tyre yarn was coupled with increasing costs of production which were not passed on to

	Years ended March 31st, 1956	1957
	£	£
Group balance before tax.	18,168,854	15,162,074
Tax provisions	7,752,396	6,668,074
Group net profits after tax	10,416,458	8,493,930
Minority interests	390,903	431,035
Retained in subsidiaries..	2,197,552	1,832,393
Fixed assets replacement reserves	1,703,000	1,750,000
Capital reserves.....	2,250,000	1,500,000
Reserve against Government securities	425,836	Nil
Pension provision	483,000	Nil
Ordinary and preference dividend costs	2,994,568	3,001,810
Ordinary dividend, per cent	10	10

customers in increased prices. Textile yarn prices were, however, increased early in 1957. The export markets were less profitable than in the previous year, especially as regards fabrics. The subsidiaries in the United States of America and Canada encountered increasingly severe competition and profits were seriously curtailed." Over-optimism has never been one of the vices of Courtaulds' board. Shareholders will assess their latest report in the light of a record of cautious assessment. They will make their own guesses about the probable effect of the 1957 rise in textile yarn prices which should affect roughly the whole of the current trading year and will hope that with better times now arriving in the motor industry there should be some recovery on the tyre yarn side too. Undoubtedly there has been, and still is, recession in rayon, but a market price of 35s. 7½d. and a yield of around 5.6 per cent may be a fair assessment for the leader of the textile share market.

UNITED SUA BETONG

SIR JOHN HAY, the chairman of United Sua Betong, has reluctantly sounded "retreat." His scheme to lock away surplus assets of the rubber companies in the Guthrie group out of reach of take-over bidders and of shareholders was withdrawn. On the £1 stock of United Sua Betong he has proposed a tax free distribution of 5s. per stock unit from the share premium account, requiring in all £337,500. Now in his statement to shareholders he says:

> With our outstanding record of earnings and distributions we were not without reason for believing that stockholders would be content to leave any apparent surplus with the company, available for profitable employment when the time was deemed right for further expansion. But such farsighted views could not contend against a strong trend of opinion in favour of the more immediate benefits of a cash payment now. The choice having been made, we propose, subject to the sanction of the court, to pay out of share premium account 5s. per £1 stock tax free. Stockholders will appreciate that future distributions must be dependent on revenue earnings.

Sir John has thus set a definite limit to his retreat: it is at 5s. per £1 stock. Some will argue that Sir John and his fellow directors, with nearly £2 million in investments and cash in the coffers of United Sua Betong, could have been more forthcoming. Sir John clearly thinks not, and it is presumably the incidence of taxation that he has in mind. But the decision leaves United Sua Betong—leader of the rubber share market—still over supplied with cash and in need of a definite project for expansion.

If future distributions are to depend upon revenue, what are the prospects? They are much improved. Last year, net profits fell from £511,809 to £436,291 but the dividend from trading was reduced by only 2½ per cent to 42½ per cent, absorbing £329,906. Malayan rubber companies are obvious beneficiaries for tax relief under the new rules for overseas trade corporations. Sir John welcomes this relief:

> This promise has been embodied in the draft Finance Bill now under discussion in Parliament and until that Bill has been enacted and its final terms studied I cannot say with any certainty to what extent this and similar companies will be affected. The indications so far given do encourage us to believe that the concessions likely to be granted are significant and a welcome lightening of the heavy burden of taxation. . . .

For such companies as United Sua Betong, the OTC concessions will effectively free dividends to shareholders (so long as they are not companies) from British profits tax and free retained profits from British income tax as well. The biggest gain is on retained profits and one of Sir John's concluding remarks emphasises that "the maintenance of ample financial resources" is "an indispensable condition" for the rubber industry.

LONDON AND OVERSEAS FREIGHTERS

ONE of the most active of speculative counters in recent months has been the stock of London and Overseas Freighters. The yield is low, taking small account of the depressed state of the tanker freight market and it heavily discounts the facts that the company has a Bermudian associate and that the creating of tonnage both here and in Bermuda out of retained profits is in progress. The yield also assumes that the directors will be generous in their dividend policy.

This year they have demonstrated their willingness, within limits, to be so. Quarterly statements from London and Overseas Freighters had already revealed the trend in profits last year. The preliminary statement now shows that in the year to March 31st the group's operating surplus was £3,515,346 (against £1,974,207) and its net income £1,560,910 (against £1,029,332). Interest in the statement was therefore concentrated upon the dividend. Effectively it has been raised from 9⅜ to 20 per cent. There is now to be a 25 per cent free scrip issue too, and this issue is the prelude to a bigger dividend for the current year. In the statement, the chairman, Mr B. M. Mavroleon, says:

> You will not be unaware of the depressed state of the tanker freight market at the present time and, indeed, I can see no prospect of an immediate improvement. Nevertheless, I take a very optimistic view of your company's future and, as last year, I am prepared to state that I confidently anticipate being in a position to maintain the increased rate of dividend on the increased capital.

The stock market was disappointed and the 5s. shares fell 3s. 3d. to 39s. 9d. The prospective yield is only 3⅛ per cent.

CONSOLIDATED ZINC

CONSOLIDATED ZINC drew up its accounts at the end of last year with about £8½ million in stocks and about £10 million in liquid assets. The average prices for lead and zinc concentrates realised by the corporation and its subsidiaries last year were higher than in 1955, thanks largely to American stockpile buying. But lead and zinc prices have since fallen and could fall further. The chairman, Mr L. B. Robinson, seems convinced however, that the lack of balance between production and demand will be temporary. He says that the corporation has ample cash resources "to face any vagaries in the markets."

Future income may vary, as it did last year when the consolidated trading surplus fell by £187,532 to £6,250,323 and the dividend was left unchanged at 22½ per cent. Last year the earnings of the British subsidiary fell, as the demand for its alloys and pigments was reduced (owing to the recession in the motor industry) and because its margins were reduced by higher costs. Profits from the Australian mining subsidiaries showed little change, as the increase in ore production was offset by lower grades and better prices were offset by higher ocean freight rates.

For some years ahead Consolidated Zinc will remain dependent on lead and zinc but it is broadening its base. It is active in the exploration and development of minerals other than base metals in Australia. And in particular it is actively considering a venture, probably in partnership with British Aluminium, to exploit the new deposits of bauxite discovered in Queensland. It will, Mr Robinson emphasises, take some years before these developments can produce any revenue. But he suggests that the corporation has sufficient resources not merely to ride out any squalls in the lead and zinc markets but also to "insure the uninterrupted progress" of these development plans. The yield is 6.2 per cent on the £1 units at 74s.

J. AND P. COATS

THE directors of J. and P. Coats remain convinced that their long established policy of conservative dividends is right for this strong, international company, selling its sewing cottons in almost every market in the world. Some of the shareholders disagree and have written to the company asking why the dividend could not be increased. Last year the gross profit of the group went up from £10,609,514 to £11,870,364 and that of the parent company (which includes the dividends received from subsidiaries) rose from £5,529,606 to £5,569,763. But the ordinary dividend remained at 8¾ per cent.

The chairman, Mr Robert Laidlaw, defends the dividend policy at length. His familiar argument is that money must be ploughed back so as to ensure that the parent and its subsidiaries can continue to hold their own in competitive markets. He points out that moneys cannot necessarily be transferred easily from one subsidiary to another or from one country to another; thus the group can hold about £9 million in cash and investments and still have £6 million outstanding in bank loans and acceptance credits. He goes on to say that overseas subsidiaries have been able to maintain their share of the market only by spending money (found either from local internal resources, or from local borrowings or from the parent company) on new mills, on replacing and extending productive capacity, and on additional working capital. Last year, he mentions, the group's stocks rose by about £4½ million to over £40½ million, about one third of that increase being due to higher cotton prices.

Mr Laidlaw therefore argues that the

need of the parent to conserve its resources is as strong as the need for the subsidiaries to do so. He also makes it clear that the effect of the tax relief to overseas trade corporations is likely to be only marginal for J. and P. Coats. Its overseas subsidiaries are managed abroad and dividends received from them come under the double taxation relief rules; thus the new OTC rules will not essentially change matters. Mr Laidlaw then adds: "the more complicated provisions which relate to the taxing of foreign profits derived from overseas trading from the United Kingdom are insufficiently clear to enable us to say what changes we might make in consequences." But the company will make changes if they lighten the burden of tax.

This is not encouraging to shareholders pining for a bigger dividend. Last year, the ordinary dividend cost under £1½ million net and about £3¾ million was retained from net profits. Shareholders can be forgiven if they argue that the balance should be tilted rather more in their favour.

ENGLISH SEWING COTTON

ENGLISH SEWING COTTON is a direct competitor of J. and P. Coats, but a much smaller company. It has made a large investment in the United States, owning practically all the common stock of American Thread. That investment has never seemed quite to fulfil its promise and last year American Thread's profits fell from £1,627,000 to £1,502,874. Fortunately profits earned elsewhere in the group expanded from £1,077,294 to £1,519,760, so that the consolidated surplus rose by £318,140 to £3,022,634. That improvement may owe a little (but certainly not everything) to the inclusion of the earnings of Hollins Mill, which English Sewing Cotton acquired in 1955.

The expansion in earnings in the group outside American Thread is encouraging, especially in view of the directors' interim report that though sales were rising profit margins were falling. The re-equipment policy has stood the company in good stead. Net profits have risen from £699,076 to £764,831 and the ordinary dividend has been maintained at 12½ per cent. But American Thread continues to provide a substantial portion of the group's consolidated earnings. That is perhaps one reason why the yield of 8½ per cent offered by the £1 units of English Sewing Cotton at 30s. 4½d. is higher than the yield of £7 offered by the £1 units, standing at 25s. xd. of the more broadly based concern J. and P. Coats.

HOUSE OF FRASER

THE names of Mr Hugh Fraser and the House of Fraser are associated with the take-over bid almost as closely as those of Mr Charles Clore and Sears Holdings. Yet the successful take-over bids made by the House of Fraser are more akin to those made by Mr Isaac Wolfson of Great Universal Stores than to those made by Mr Clore. They seem to be designed to expand and to strengthen the drapery and general store business of the House of Fraser, just as Mr Wolfson's bids seem to be designed to expand the multiple empire of GUS. They do not cover such a wide range of industries as do Mr Clore's bids, though two abortive bids by Mr Fraser last year (for Scottish Motor Traction and Lyle and Scott) suggest that he may have ambitions in that direction too.

The failure of these bids meant that little was added to the properties of the House of Fraser last year. Thus the increase of 11 per cent (against 20 per cent in the previous year) in gross profits by £199,769 to £1,972,498 seems to reflect largely the consolidation and trade expansion of established stores and businesses. It was a satisfactory increase for a group of drapery and household goods stores.

Net profits rose by £41,689 to £765,739, enabling the directors, as Throgmorton Street had expected, to raise the ordinary dividend effectively from 32½ to 35 per cent. This is the fifth successive increase in the full year's payment and had been discounted. The 5s. shares fell 1s. 3d. to 25s. 3d. on the news, and yield 6.9 per cent.

London Stock Exchange

FIRST DEALINGS:	May 29	June 19	July 3	
LAST DEALINGS:	June 18	July 2	July 16	
ACCOUNT DAY:	June 25	July 9	July 23	

FOLLOWING a sharp fall on Friday, gilt-edged stocks were steadier at the lower level and the publication of the gold and dollar reserve figures this week was accommodated with only small, scattered losses. Some of the longer-dated stocks fell to their lowest points for the year and the *Financial Times* index of Government securities sank to 83.56 on Wednesday, slightly above its lowest point this year of 83.43. Last Thursday's rise in industrial stocks following the Chancellor's statement on taxation was just sufficient to offset the persistent decline in share prices throughout this week and *The Economist* indicator improved a fraction to 216.6. After a steady rise Canadian gas and oil shares reacted sharply on Wednesday.

Bank shares were again lowered, but breweries showed further small gains. On the prospect of an increase in cement prices Associated Portland Cement rose 2s. 3d. to 47s. 6d. xd. Leyland rose to 52s. 6d. before easing later to 52s. Raleigh fell 3s. 3d. to 43s. 9d. on the introduction of some short-time working. Stewarts and Lloyds failed to respond to the small increase in the interim dividend and steel shares were generally unchanged on balance. Paper shares shed a few pence more, Bowater losing 1s. to 43s. 9d. London and Overseas Freighter fell 2s. 3d. to 39s. 9d. in spite of the dividend and scrip issue announcements.

There was renewed demand for oil shares; Shell and Royal Dutch reached fresh peaks before easing later, and British Petroleum advanced to 165s. Kaffirs became a firm market after their recent decline, the returns and dividend declarations sending prices up sharply. Hartebeestfontein jumped 4s. to 50s. 6d. and Western Holdings 4s. 4½d. to 63s. 1½d. Finance houses rose; Anglo American gained 3s. 9d. to 121s. 3d. but Central Mining fell a further 4s. 4½d. to 66s. 3d. Base metals were lower and teas and rubbers lost ground.

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 29, 1957	Price, June 5, 1957	Net Yield, June 5, 1957 § £ s. d.	Gross Yield, June 5, 1957 £ s. d.
97½	95½	War Loan 3% 1955-59...	96⅜	96⅜	3 1 1	4 8 8
92½	90½	Funding 2½% 1956-61....	92⅛	92⅛	3 9 7	4 12 8
99⅝	98⅜	Conversion 4% 1957-58..	99⅛	99⅛	2 19 3	4 12 8
99 3/32	97⅜	Serial Funding 2½% 1957.	99 3/32	99 3/32	3 7 6	4 9 6
6½	94 13/32	Conversion 2% 1958-59..	96 3/32	96 3/32	3 9 7	4 11 6
3 15/32	91 13/32	Exchequer 2% 1960.....	93⅜	93 11/32	3 10 10	4 10 8
6¼	94½	Exchequer 3% 1960.....	96 5/32	96 5/32	3 1 4	4 9 11
9 1/16	97¼	Conversion 4½% 1962....	98½	98 3/32	2 16 3	4 17 7
2½	86⅜	Savings Bonds 3% 1955-65	87⅛	86⅜	3 13 10	5 2 10
4½	79	Funding 3% 1959-69.....	79 5/16	79	3 19 10	5 9 7
2⅜	87⅛	Funding 4% 1960-90.....	88⅜	88⅜	6 17 4	8 15 5
1⅜	76⅜	Savings Bonds 3% 1960-70	77⅛	76⅞	4 0 10	5 11 7
3½	90⅛	Exchequer 3% 1962-63...	90⅛*	90 3/16*	3 10 4	4 17 3
8⅜	85½	Exchequer 2½% 1963-64..	87	86⅞	3 12 2	4 15 5
3 1/16	79½	Savings Bonds 2½% '64-67	80 3/16	79⅞	3 19 7	5 4 2
7⅜	72½	Savings Bonds 3% 1965-75	72⅝	72⅝	3 18 0	5 10 1
4⅜	80⅜	Funding 3% 1966-68.....	81⅛	80⅜	3 18 10	5 9 1
5½	91⅛	Victory 4% 1920-76	93	92½	3 4 7	5 1 10
8 3/16	83⅞	Conversion 3½% 1969....	84⅜	83⅞	3 15 8	5 9 9
1⅛	74⅛	Treasury 3½% 1977-80...	75⅝*	74⅜*	3 12 9	5 8 7
0	75	Treasury 3½% 1979-81...	75⅝	75	3 12 8	5 9 7
1⅜	65½	Redemption 3% 1986-96 .	66⅛	65½	3 6 8	5 1 8
0⅜	73⅜	Funding 3½% 1999-2004..	74⅛	73⅜	3 2 2	5 0 7
1 1/16	76⅛	Consols 4% after Feb. '57	77⅛	76⅞	3 0 7	5 6 2
5	69	War Loan 3½% after 1952	70 3/16*	69⅞	2 18 0	5 0 11
5½	68¼	Conv. 3½% after Apr. 1961	69¼	68⅝	2 19 0	5 3 0
5⅛	59	Treas. 3% after Apr. 1966	60⅛	59½	2 18 6	5 2 2
5 1/16	50½	Consols 2½%.....	51½	50⅝*	2 16 8	4 18 5
5 1/16	50½	Treas. 2½% after Apr. '75	51½	50⅜	2 16 11	4 19 5
6½	91⅜	Br. Electric 4½% 1967-69.	93⅜	92 1/16	3 8 2	5 9 11
0 1/16	73½	Br. Electric 3% 1968-73..	74⅛	73⅜	4 0 2	5 11 5
8⅜	71¼	Br. Electric 3% 1974-77..	72	71¼	3 15 11	5 7 11
2 1/16	86	Br. Electric 4½% 1974-79.	86⅝	86	3 7 5	5 8 0
1 1/16	75½	Br. Electric 3½% 1976-79.	75⅝	75½	3 12 11	5 8 9
0½	85¼	Br. Gas 4% 1969-72	86⅛	85⅜	3 11 7	5 10 4
7⅛	81 13/32	Br. Gas 3½% 1969-71	82⅜	81⅛	3 14 1	5 8 6
2½	65½	Br. Gas 3% 1990-95	66⅛	65⅜	3 7 1	5 1 9
0 1/16	73½	Br. Transport 3% 1968-73	74⅛	73⅜	4 0 2	5 11 5
8⅜	82⅜	Br. Transport 4% 1972-77	82½*	82⅜*	3 10 1	5 8 5
2⅞	65½	Br. Transport 3% 1978-88	66¼*	65½*	3 11 3	5 5 0

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, May 29, 1957	Price, June 5, 1957	Yield, June 5, 1957 £ s. d.
1½	76½	Australia 3¼% 1965-69	77⅛	77⅛	5 18 6
7½	92	Fed. Rhod. & Nyas. 5% 1975-80....	92½	92	5 12 8
5⅜	69½	S. Rhodesia 2½% 1965-70	70½	69½	5 16 3
7½	81½	N. Zealand 4% 1976-78.....	82½	82	5 9 8
6 5/32	101½	L.C.C. 5½% 1977-81.....	102	101½	5 7 6
1 3/32	89½	Agric. Mortgage 5% 1959-89	92½	90⅜*	5 13 0
3 5/32	61½	Met. Water Board 'B' 3% 1934-2003	62	61½	5 5 6
7 9/32	72¾	German 7% 1924 (Br. Enfaced 5%)..	74	75½	...
3 5/32	164	Japan 5% 1907 (Enfaced).....	165	165	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, May 29, 1957	Price, June 5, 1957	Yield, June 5, 1957 £ s. d.
		%	%	BANKS & DISCOUNT			
3/6	19/6	2 a	7 b	Bk. Ldn. & S. Amer. £1	29/3	29/6	6 2 0
47/3	43/–	5 a	7 b	Barclays Bank.....£1	43/–	43/–	5 11 8
35/3	29/3	4 b	4 a	Barclays D.C.O. £1	31/3*	31/3*	5 2 5
40/–	34/6	7½a	7½b	Chartered Bank....£1	36/6	35/6	8 9 0
52/3	45/3	...	7 b	Lloyds Bank £1	46/–	45/3	5 15 0
73/3	65/6	9 a	9 b	Midland Bank £1	66/6	65/6	6 9 11
49/6	34/–	5 a	5 b	Nat. Discount 'B'..£1	35/–	34/–	5 17 8
51/6	45/–	6½a	6½b	Union Discount....£1	47/–	45/–	5 11 1
50/–	79/–	30 a	43½b	INSURANCE Commercial Union 5/–	81/–	80/–	4 11 0
35¾	26	12½a	87½b	Legal & General ...£1	28*	27½*	3 12 9
22½	19⅜	†20 a	†50 b	Pearl.....£1	19½	19¼	6 4 2
46	39½	†125 c	†132½c	Prudential 'A' £1	41½	40½	5 13 9
23/6	106/–	10 a	33 b	BREWERIES, ETC. Bass £1	123/–	123/6	6 19 0
25/4½	21/6	11½b	6 a	Distillers.....6/8	24/–	24/9	4 14 2
44/6	37/–	10 a	15 b	Guinness.....10/–	44/3	44/6	5 12 4
13/6	63/6	7 a	17 b	Whitbread 'A' £1	83/6	83/6	5 14 9
25/12	130/–	†5 a	†10 b	OIL British Petroleum ..£1	163/12½	165/–	3 3 2
12/6	83/9	5 a	17½b	Burmah £1	113/9	112/6	4 0 0
12/6	£16⅜	7½a	17½b	Royal Dutch....20 fl.	£21½	£21½	2 4 0
28/3	153/12½	†5 a	†13½b	Shell £1	192/10½	195/–	3 6 10
13/9	69/4½	...	...	Ultramar 10/–	73/9	72/9	...

Prices, 1957 High	Prices, 1957 Low	ORDINARY STOCKS	Price, May 29, 1957	Price, June 5, 1957	Yield, June 5, 1957 £ s. d.
133/–	115/–	MINES, ETC. Anglo-American .10/–	117/6	121/3	5 15 6
29/–	24/6	†21½a †10 b Cons. Tea & Lands..£1	26/–*	24/9*	17 11 5
106/3	92/6	80 a 120 b De Beers Def. Reg. 5/–	94/4½	94/4½	10 12 0
26/3	19/9	... ... Doornfontein 10/–	19/9	22/–	...
12/10½	10/–	30 c 30 c London Tin 4/–	12/3	12/4½	9 14 0
13 1/16	11⅛	11½b 25 a Nchanga Cons. £1	11⅜	11 5/16	12 5 8
55/7½	45/–	40 b 50 a President Brand ..5/–	46/–	49/–	9 3 8
24/9	19/6	25 b 8½a Rho. Selection Tst.5/–	20/3*	19/6*	...
59/6	46/–	12½a 30 b United Sua Betong.£1	55/–	55/–	15 9 0
77/6	58/1½	40 b 40 a Western Holdings 5/–	58/9	63/1½	6 6 9

THE ACTUARIES INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100) May 29, 1956	April 30, 1957	May 28, 1957	Average Yields (per cent) May 29, 1956	April 30, 1957	May 28, 1957
Ordinary Shares :—						
Electrical engineering....	144·9	154·4	154·4	5·11	4·93	4·98
Engineering	175·6	184·0	186·2	4·84	4·83	4·76
Motors and aircraft	165·3	181·1	176·5	5·78	5·16	5·36
Chain stores.....	251·6	326·3	345·0	4·42	3·67	3·67
Cotton textiles.....	97·7	110·3	111·5	9·39	8·45	8·36
Chemicals.....	199·9	196·7	202·6	4·73	4·60	4·49
Oil	279·8	379·0	402·0	4·91	4·59	4·48
Shipping.....	176·5	223·8	217·3	6·08	5·48	5·82
Investment trusts.....	224·9	266·9	279·8	4·96	4·51	4·32
Industrials :—						
Ordinary (all classes)	145·4	160·8	161·8	6·20	5·86	5·86
Preference	78·2	75·5	74·2	5·84	6·06	6·16
Debenture	72·5	71·8	70·7	5·66	5·73	5·82
Total (capital goods)	163·9	174·3	173·4	5·33	5·13	5·16
Total (consumption goods) .	114·5	124·0	123·1	7·20	6·83	6·88
Consols 2½%	73·6	75·2	72·2	4·81	4·71	4·90

STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
May 8	221·9	4·98				
" 15	221·4	5·01				
" 22	218·7	5·09				
" 29	216·2	5·16	221·9 (May 8)	190·5 (Jan. 2)	210·4 (Jan. 4)	170·0 (Nov. 2
June 5	216·6	5·19				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½ Consols Yield %	Bargains Marked	1957 High	1956 High
May 29	201·5	5·44	92·10	4·85	11,271	207·4 (May 17)	203·6 (Jan. 3
" 30	203·6	5·38	92·10	4·85	11,439		
" 31	203·2	5·39	91·69	4·90	11,217		
June 3	202·9	5·40	91·74	4·94	12,405	Low	Low
" 4	202·0	5·42	†91·41	4·94	10,871	178·9 (Jan. 1)	161·5 (Nov. 2
" 5	201·6	5·44	91·36	4·94	10,248		

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

New York Closing Prices

	May 29 $	June 5 $		May 29 $	June 5 $		May 29 $	June 5 $
Can. Pacific ..	35⅜	35½	Am. Viscose..	38⅜	40⅝	Int'l. Nickel..	111	111½
N.Y. Central .	32⅜	32½	Beth. Steel...	46	46⅞	National Dist.	28	27½
Pennsylvania .	20⅜	20⅜	Chrysler	75⅜	73½	Sears Roebuck	26⅞	27
Amer. Tel. ...	179	176½*	Crown Zeller..	52⅝	52*	Shell Oil	91½	91
Standard Gas.	3½	3½	DuPontdeNm.	196⅜	193½	Std. Oil of N.J.	64	64½
Western Union	18⅛	18½	Ford Motors..	56⅝	54⅞	U.S. Steel	65½	66½
Alumin'm Ltd.	44¼	46½	Gen. Elect....	66⅜	67½	West'house E.	61½	62⅜
Am. Smelting.	55⅜	57½	Gen. Motors ..	42½	41½	Woolworth ...	43½	43½

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10 years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) On 13%. (j) On 13½%. (l) To latest date. (n) After Rhodesian tax.

STATISTICS

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

World Trade.....April 20th

British		Overseas	
Prices and Wages.....	June 1st	Western Europe:	
Production and Consumption	This week	Production and Trade.....	May 25th
Manpower.....	May 18th	British Commonwealth	This week
External Trade.....	May 25th	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	May 18th
Industrial Profits	April 20th	United States	June 1st

UK Production and Consumption

M=Monthly averages or calendar months. W=Weekly averages. Stocks at end of period.

		Unit	Monthly averages			1956			1957			
			1954	1955	1956	Feb.	Mar.	April	Jan.	Feb.	March	April
INDUSTRIAL PRODUCTION												
Index:												
All industries		1948=100	130	137	136	141	140	136	138	142	143	133–134[1]
„ „ *seasonally adjusted*		„	...	...	...	*136*	*137*	*138*	*137*	*137*	*136*	*136–137*[1]
Mining and quarrying		„	110	108	109	115	*115*	*110*	115	122	120	...
Building and contracting		„	115	116	123	116[2]	...	125[2]	...	...	...	...
Gas, electricity and water		„	145	153	160	198	171	158	188	184	168	...
Manufacturing, total		„	133	142	140	146	145	141	140	146	147	...
„ „ *seasonally adjusted*		„	...	...	...	*141*	*141*	*140*	*139*	*141*	*110*	...
Engineering, shipbuilding, electrical goods		„	140	155	150	156	153	148	...	...	...	...
Vehicles		„	155	172	160	177	184	156	154	...	...	...
Chemical trades		„	168	179	185	190	183	186	194	199	...	...
Textiles and clothing		„	116	116	117	126	126	*120*	118	129	...	...
Food, drink and tobacco		„	116	117	121	112	117	124	114	117	...	...
BASIC MATERIALS												
Production of:												
Coal [1] [3]	W	'000 *tons*	4,298	4,250	4,270	4,459	4,486	4,317	4,452	4,734	4,665	4,315
Pig iron	W	„	229	240	253	263	262	*254*	257	268	277	277
Steel, ingots and castings	W	„	356	381	397	418	426	421	416	432	431	430
Sulphuric acid	M	„	170·2	174·6	187·2	185·8	211·9	181·4	205·5	184·0	216·3	...
Newsprint	W	„	11·77	11·91	12·36	13·36	13·83	12·16	13·67	14·55	14·04	...
Electricity [1]	M	*mn.* kwh	6,075	6,679	7,263	8,809	7,806	6,952	9,030	7,889	7,788	7,111
MANUFACTURING												
Textile production:												
Cotton yarn, single	W	mn. lb.	19·17	16·91	16·33	17·48	16·62	16·54	17·54	18·25	18·16	...
Worsted yarn	M	„	18·80	18·48	19·38	19·54	20·20	17·59	22·00	19·96	21·15	...
Rayon and synthetic fibres, *total*	M	„	37·30[7]	39·32	40·21	42·66	45·36	41·42	43·25	40·43	45·03	42·45
„ „ „ „ staple fibre	M	„	19·00[7]	19·94	21·31	21·53	23·57	22·61	22·80	21·65	24·44	22·84
Cotton cloth, woven	W	mn. yds.	38·3	34·3	31·0	32·4	31·8	31·9	32·1	34·1	34·2	...
Wool fabrics, woven	M	mn.sq.yds	34·5	34·2	33·1	33·9	34·7	28·7	37·9	34·1	35·1	...
Engineering production:												
Passenger cars and chassis	W	'000s	14·51	17·26	13·61	17·15	15·01	14·74	10·40	11·91	13·94	15·19
Commercial vehicles *and chassis*	W	„	5·07	6·53	5·71	7·48	6·96	6·37	4·65	5·25	5·38	4·77
Metal-working machine tools	M	'000 tons	11·39	12·52	12·90	12·67[8]	...	12·53[8]	...	...	...	...
Internal combustion engines	M	'000 BHP	356	403	411	390	464	427	424	...	...	...
BUILDING ACTIVITY												
Permanent houses completed: [11]												
Total	M	'000s	28·97	26·42	25·03	17·40	28·93	23·10	22·75	23·46	30·30	23·91
By private builders	M	„	7·55	9·46	10·35	7·20	10·75	9·96	9·97	9·36	10·04	10·52
By local housing authorities	M	„	19·58	15·98	13·86	9·71	17·35	12·38	12·10	13·47	18·07	12·59
Other	M	„	1·83	0·98	0·82	0·49	0·84	0·76	0·68	0·63	2·20[11]	0·83
WHOLESALE SALES [1]												
Textile houses:		Av. value										
Total home sales		1950=100	95	98	101	90	*120*	*99*	65	...	...	...
Women's and children's wear		„	96	98	102	91	125	101	63	...	...	...
Men's and boys' wear		„	90	94	99	76	114	99	62	...	...	...
Piece-goods		„	63	62	63	81	83	62	53	...	...	...
RETAIL SALES [1]		Weekly av. value										
All kinds of business:		1950=100										
All retailers			...	140	148	129	141	138	143	138	144	14[9]
Independent retailers		„	...	136	140	126	134	133	139	132	136	14[9]
Multiple retailers		„	...	148	156	132	147	144	150	145	152	15[9]
Co-operative societies		„	...	142	154	143	153	148	154	156	162	15[9]
General department *stores*		„	...	117	121	84	110	112	128	97	112	12[9]
By kind of shop:												
Food		„	...	148	156	150	155	153	157	157	158	16
Clothing and footwear		„	...	121	127	89	116	114	119	97	111	12
Household goods		„	...	150	153	134	140	136	160	153	154	15
STOCKS												
Basic materials:												
Coal, distributed [1]		'000 tons	15,682	18,340	17,893	14,408	13,535	13,654	16,088	15,710	16,167	16,25
Steel [4]		„	973	1,365	1,573	1,401	1,436	1,475	1,515	1,471	1,484	...
Copper [4]		„	61·5	76·2	59·6	71·6	73·7	76·4	59·2	62·1	61·7	...
Sulphur [4]		„	67·2	85·2	102·3	73·5	85·3	83·3	78·8	108·2	97·3	...
Newsprint [10]		„	97·5	105·0	133·6	119·4	114·9	116·7	124·0[10]	131·2	124·6	...
Textiles:		Av. value										
Wholesale houses, total [1]		1950=100	95	90	95	115	113	109	103	...	...	...
Large retailers, clothing *and footwear* [1]		„	107	110	118	136	147	140	110	140	157	1[9]

[1] Great Britain. [2] Provisional estimate. [3] Excluding *all screening losses* normally amounting to around 5,000 tons a week. [4] Excluding government stocks. [5] Average for first quarter. [6] Average for *second quarter*. [7] *Rayon and nylon production only.* [8] *Including* filter cake from May, 1956. [9] Revised series; stocks at producers' works of ingots, semi-finished steel and alloy, in terms of ingot *equivalent*. [10] From January, 1957, excluding newsprint for periodicals and certain other purposes for which stocks at end December, 1956, totalled 19,600 tons. [11] Change in classification has resulted in transfer of about 1,000 houses from local authorities.

British Commonwealth

PRODUCTION OF FUEL AND POWER [1]

Monthly averages or calendar months	Coal				Crude petroleum		Electricity				
	Australia	Canada	India	S. Africa	Canada	Pakistan	Australia	Canada	India	N. Zealand	S. Africa
	'000 tons						million kwh				
1948	1,232	1,255	2,511	1,969	139	5·3	728	3,714	381	204	772
1955	1,607	931	3,185	2·646	1,429	22·6	1,340	6,358	707	336	1,363
1956	1,604	935	3,288	2,781	1,897	...	...	6,807	803	347	1,472
1956, October	1,909	1,085	3,164	2,871	2,690	...	1,538	7,533	824	371	1,523
„ November	1,844	1,101	3,325	2,821	2,662	...	1,486	7,199	811	348	1,476
„ December	1,275	1,015	3,674	2,646	2,208	...	1,394	7,404	882	344	1,448
1957, January	1,085	989	3,628	...	2,239	...	1,418	8,109	869	330	1,470
„ February	...	...	3,508	...	...	...	...	7,314	...	324	1,380

PRIMARY PRODUCTION [2]

Monthly averages or calendar months	Copper		Rubber		Tin	Steel				Gold		
	Canada	N. Rhodesia	Ceylon	Malaya	Malaya	Australia	Canada	India	S. Africa	Australia	Canada	S. Africa
	'000 tons									'000 fine ounces		
1948	16·3	17·4	7·9	58·2	4·14	106	238	104	49	73·8	294	965·4
1955	21·6	28·9	7·8	53·3	5·89	183	337	142	130	87·4	378	1,216·9
1956	23·9	32·4	7·9	52·3	6·11	214	395	145	132	...	366	1,321·1
1956, December	24·3	34·8	11·4	58·9	5·96	234	402	152	140	83·2	365	1,315·8
1957, January	21·2	32·6	8·8	63·4	6·68	247	417	153	133	84·3	359	1,380·4
„ February	23·4	31·2	4·6	49·1	4·38	225	379	...	133	...	343	1,318·1
„ March	24·4	39·0	5·7	47·0	...	...	...	...	...	...	...	1,405·4
„ April	...	...	...	49·1	...	...	...	...	...	...	...	1,398·7

EXTERNAL TRADE [3]

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa [6]	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. $C		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1948	28·2	33·8	220	259	537	382	10·71	12·27	85·9	136·1	29·5	11·4
1955	70·1	63·4	393	363	667	503	23·93	21·55	90·5	125·4	40·2	30·7
1956	68·2	64·5	475	405	...	...	...	22·91	138·6	133·2	41·2	34·4
1956, November	59·7	95·3	522	426	700	561	23·3	20·1	159·5	139·8	40·2	56·0
„ December	57·1	76·6	402	411	694	563	...	23·9	214·5	109·3	35·3	36·8
1957, January	62·7	89·0	459	404	788	553	...	27·1	184·8	255·9	...	...
„ February	51·2	91·2	431	347	...	...	...	...	...	...	...	...
„ March	...	...	472	362	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES [4]

	Gold and Foreign Exchange Holdings					Cost of Living						
	Australia [5]	Canada	India [5]	New Zealand [5]	S. Africa	Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesia
	End of period: mn. US dollars					1953 = 100						
1948	1,265	1,011	3,355[7]	237	652	56	84	...	75	89[8]	77	73
1955	835	1,910	1,791	179	368	104	101	90	107	94	105	101
1956	...	1,939	1,360	193	372	110	102	99	111	97	107	105
1956, December	...	1,939	1,360	193	372	112[10]	104	103	112[10]	98	108	106
1957, January	...	1,940	1,319	187	379	...	104	103	...	103	108	106
„ February	...	1,931	1,337	201	383	...	104	101	...	...	108	106
„ March	...	1,931	1,353	209	379	...	104	...	...	...	...	106
„ April	...	1,969	...	...	357	...	...	...	...	...	...	...

[1] Electricity production for New Zealand represents deliveries only. [2] Copper and tin refer to metal production. [3] General trade (including re-exports) except for Canada, which is special trade only. Imports are cif except for Australia, Canada and S. Africa which are fob; exports are fob. Trade for India includes that *going by land*; *annual figures* for India are for 12 months beginning April 1st of year stated and for Australia 12 months ended June 30th. [4] Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for S. Africa and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. [5] Including foreign investments. [6] *Including semi-processed gold.* Beginning January, 1955, including South-West Africa. [7] In July, 1948, part of holdings was transferred to the State Bank of Pakistan. [8] April, 1948—March, 1949. [9] Including some long-term securities. [10] Average for fourth quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended June 1, 1957, there was an "above-line" surplus (after allowing for Sinking Funds) of £15,539,000 compared with a deficit of £1,909,000 in the previous week and a deficit of £851,000 in the corresponding period of last year. There was a net expenditure "below-line" last week of £5,943,000, leaving a total deficit from April 1st, of £874,000 (£44,295,000 in 1956–57).

£'000	Estimate, 1957-58	April 1, 1956 to June 2, 1956	April 1, 1957 to June 1, 1957	Week ended June 2, 1956	Week ended June 1, 1957
Ord. Revenue					
Income Tax	2176,250	185,102	219,537	24,855	27,407
Surtax	149,000	18,600	19,400	1,300	1,400
Death Duties	170,000	31,100	34,900	3,200	10,400
Stamps	60,000	10,000	11,300	900	2,300
Profits Tax, EPT & EPL	255,000	26,500	24,600	3,100	2,600
Other Inland Rev. Duties	500	60	50	...	...
Total Inland Rev.	2810,750	271,362	309,787	33,355	44,107
Customs	1204,250	205,330	210,326	23,965	24,615
Excise	912,850	170,890	181,185	16,620	24,120
Total Customs and Excise	2117,100	376,220	391,511	40,585	48,735
Motor Duties	93,000	8,908	9,933	...	...
				Dr	Dr
PO (Net Receipts)	20,000	9,500	12,900	800	1,200
Broadcast Licences	31,000	3,400	3,800	1,700	2,000
Sundry Loans	32,000	2,235	2,195	...	...
Miscellaneous	185,000	8,630	46,713	169	974
Total	**5288,850**	**680,255**	**776,839**	**75,009**	**94,616**
Ord. Expenditure					
Debt Interest	640,000	124,941	121,367	19,156	15,820
Payments to N. Ireland Exchequer	69,000	8,689	9,880	...	...
Other Cons. Fund	10,000	878	1,016	183	38
Supply Services	4069,877	576,791	637,956	56,360	62,959
Total	**4788,877**	**711,300**	**770,220**	**75,700**	**78,818**
Sinking Funds	38,000	4,030	4,018	160	260
"Above-line" Surplus or Deficit	— 35,075	+ 2,601	— 851	+ 15,539	
"Below-line" Net Expenditure	9,220	3,475	Cr 825	5,943	
Total Surplus or Deficit	— 44,295	— 874	— 16	+ 9,596	
Net Receipts from:					
Tax Reserve Certificates	58,145	49,621	24,729	13,994	
Savings Certificates	— 10,500	7,700	— 2000	1,603	
Defence Bonds	— 22,184	— 3,824	2,733	418	
Premium Savings Bonds	...	5,600	...	900	

FLOATING DEBT
(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
June 2	3,240·0	1,439·6	243·0	...	4,922·6
1957					
Mar. 2	2,890·0	1,304·7	209·7	...	4,401·5
„ 9	2,890·0	1,251·5	229·6	0·8	4,381·9
„ 16	2,900·0	1,249·9	247·3	...	4,397·2
„ 23	2,910·0	1,284·4	272·1	1·5	4,468·1
„ 31	4,195·3		276·9	...	4,472·2
April 6	2,860·0	1,305·4	289·3	...	4,455·7
„ 13	2,840·0	1,362·5	295·6	...	4,498·1
„ 20	2,830·0	1,390·5	273·5	...	4,494·1
„ 27	2,830·0	1,377·7	313·6	...	4,521·2
May 4	2,840·0	1,417·3	259·7	...	4,517·0
„ 11	2,850·0	1,291·2	264·1	...	4,405·3
„ 18	2,860·0	1,271·6	309·6	...	4,441·2
„ 25	2,880·0	1,250·0	270·7	...	4,410·7
June 1	2,900·0	1,233·6	250·4	...	4,384·0

THE MONEY MARKET

At the Treasury bill tender on Friday of last week the discount market maintained its bid unchanged at £99 0s. 5d. per cent. As outside tenderers had expected a further rise in the market's rate, and as total applications fell by £21 million while the offer was raised by £10 million, to £230 million, the allotted portion of the market's application rose from 37 to 57 per cent, its highest this year. The average rate of discount on the whole allotment rose by 2¼d. to £3 18s. 5.15d. per cent. At yesterday's tender, the offer was raised to £240 million, which will again exceed matching maturities by £10 million.

Credit supplies in Lombard Street have turned easy this week. On Tuesday some funds remained unlent, whilst on the following day the Bank entered the market as a seller; loans from outside sources were quoted at down to 2½ per cent. Before the weekend, end-month calling contributed to some difficulty in obtaining funds, and the Bank gave special help through purchases from the banks and direct from the market. On Monday, the market reborrowed a small amount at Bank rate, despite small official purchases.

The Bank return for the week to Wednesday shows a further pre-Whitsun outflow of notes into circulation of £12.4 million following that of 5.9 million in the previous week. To accommodate the latest efflux, the fiduciary issue has been raised by £25 million to £2,000 million, still £25 million below its Christmas peak.

LONDON MONEY RATES

	%		%
Bank rate (from 5½%, 7/2/57)	5	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4⅞–4¾
Bank	3	3 months	4⅞–4¾
Discount houses	3*	4 months	4⅞–4¾
		6 months	4⅞–4¾
Money Day-to-day	3–3½	Fine trade bills:	
Short periods	3½	3 months	5⅛–6
Treas. bills 2 months	3⅞	4 months	5⅛–6
3 months	3⅞	6 months	5⅛–6⅛

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	June 6, 1956	May 29, 1957	June 5, 1957
Issue Department:*			
Notes in circulation	1,871·1	1,953·7	1,966·1
Notes in banking dept.	29·3	21·7	34·3
Govt. debt and securities*	1,896·2	1,971·2	1,995·3
Other securities	0·8	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	11·1	10·1	13·9
Bankers	224·7	204·4	211·2
Others	75·8	75·3	70·6
Total	311·6	289·8	295·7
Securities:			
Government	273·3	224·1	212·9
Discounts and advances	9·2	40·5	45·1
Other	16·5	19·1	19·1
Total	299·0	283·7	277·1
Banking department reserve	31·3	24·1	36·7
"Proportion"	10·0	8·3	12·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £2,000 million from £1,975 million on June 5, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1956				s. d.	%
June 1	260·0	381·4	260·0	100 3·45	53
1957					
Mar. 1	220·0	408·2	220·0	80 0·78	50
„ 8	230·0	442·7	230·0	80 5·20	12
„ 15	230·0	375·2	230·0	82 3·70	34
„ 22	250·0	395·2	250·0	82 6·73	44
„ 29	250·0	391·6	250·0	81 11·79	50
April 5	250·0	410·6	240·0	82 11·49	32
„ 12	230·0	415·7	230·0	80 9·36	54
„ 19	240·0	411·5	240·0	78 9·15	55
„ 26	200·0	359·3	200·0	78 3·43	22
May 3	200·0	366·3	200·0	74 9·00	50
„ 10	200·0	360·9	200·0	76 1·84	28
„ 17	190·0	368·8	190·0	76 7·13	35
„ 24	220·0	378·9	220·0	78 2·85	37
„ 31	230·0	357·7	230·0	78 5·15	57

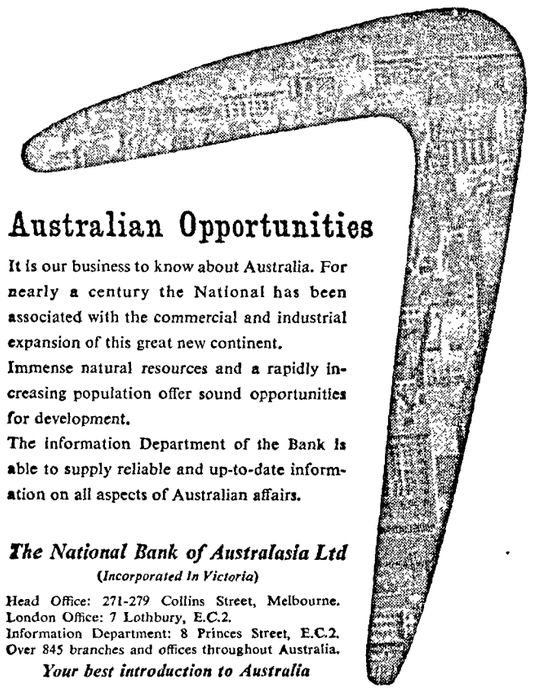
* On May 31st tenders for 91 day bills at £99 0s. 5d. secured 57 per cent, higher tenders being allotted in full. The offer this week was for £240 million at 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: June 5	Market Rates: Spot: May 30	May 31	June 1	June 3	June 4	June 5
United States $	2·78–2·82	2·79 –2·79⅛	2·79 –2·79⅛	2·78⅞–2·79⅛	2·78⅞–2·79⅛	2·79 –2·79⅛	2·78⅞–2·79
Canadian $	...	2·66⅝–2·66⅞	2·66⅛–2·66⅜	2·66⅜–2·66⅝	2·66⅜–2·66⅝	2·65⅝–2·66⅛	2·65⅛–2·65⅜
French Fr.	972·65–987·35	983½–984½	984¾–985¼	984⅛–985⅛	984½–985⅛	985 –985¼	985 –985¼
Swiss Fr.	12·15⅜–12·33⅜	12·23¼–12·24¼	12·23¼–12·24¼	12·23¼–12·24¼	12·23¼–12·24¼	12·24 –12·24¼	12·22½–12·24
Belgian Fr.	138·95– 141·05	140·67½– 140·72½	140·70– 140·75	140·67½– 140·72½	140·67½– 140·72½	140·67½– 140·72½	140·67½– 140·72½
Dutch Gld.	10·59–10·72	10·65½–10·66½	10·65½–10·66½	10·65½–10·66½	10·65½–10·66½	10·65½–10·66½	10·65½–10·66½
W. Ger. D-Mk.	11·67⅜–11·84⅜	11·73½–11·73½	11·73 –11·73½	11·73½–11·73½	11·73½–11·73½	11·73½–11·73½	11·73½–11·73½
Portuguese Esc.	79·90–81·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15
Italian Lire	17363–17627	1753½–1754½	1754½–1754½	1754 –1754½	1753½–1753½	1751½–1752	1751 –1751½
Swedish Kr.	14·37⅝–14·59⅜	14·44⅝–14·44⅞	14·44⅞–14·45⅛	14·44⅜–14·45⅛	14·45 –14·45⅛	14·45 –14·45⅛	14·45 –14·45⅛
Danish Kr.	19·19½–19·48½	19·42½–19·43½	19·42½–19·43½	19·42½–19·43½	19·43½–19·43½	19·43¼–19·43½	19·43½–19·43½
Norwegian Kr.	19·85–20·15	19·98¼–19·98½	19·98½–19·99¼	19·98⅜–19·98⅝	19·98½–19·98½	19·98½–19·98⅝	19·98½–19·98½
One Month Forward Rates							
United States $		⅛–⅜c. pm	⅛–⅜c. pm	⅛–1c. pm	⅜–1c. pm	⅜–⅝c. pm	⅜–⅝c. pm
Canadian $		⅛c. pm–⅛c. dis	⅛c. pm–⅛c. dis	⅛c. pm–⅛c. dis	⅛c. pm–⅛c. dis	par–1c. dis	par–1c. dis
French Fr.		10–15 dis	7–12 dis	7–12 dis	7–11 dis	7–11 dis	7–11 dis
Swiss Fr.		2–1½c. pm	2–1½c. pm	2–1½c. pm	2–1½c. pm	2–1½c. pm	2–1½c. pm
Belgian Fr.		1–¼ pm	1–¼ pm	¼–¼ pm	¼–¼ pm	¼–¼ pm	¼–¼ pm
Dutch Gld.		1½–1c. pm	1½–1c. pm	1½–1c. pm	1½–1c. pm	1½–1c. pm	1½–1c. pm
W. Ger. D-Mk.		1⅞–1¾pf. pm	2⅛–1¾pf. pm	2⅛–1¾pf. pm	1⅞–1¾pf. pm	1⅞–1¾pf. pm	1¾–1pf. pm
Italian Lire		par–2 dis	par–2 dis	par–2 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis
Swedish Kr.		1⅛–⅛ pm	1⅛–⅛ pm	1⅛–⅛ pm	1⅛–⅛ pm	1⅛–⅛ pm	1⅛–⅛ pm
Danish Kr.		3–1⅝ pm	3–1⅝ pm	3–1⅝ pm	3–1⅝ pm	3–1⅝ pm	3–1⅝ pm
Norwegian Kr.		1⅝ pm–par	1⅝ pm–par	1⅝ pm–par	1⅝ pm–par	1⅝ pm–par	1⅝ pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/5	250/5½	...	250/6½	250/6½	250/9

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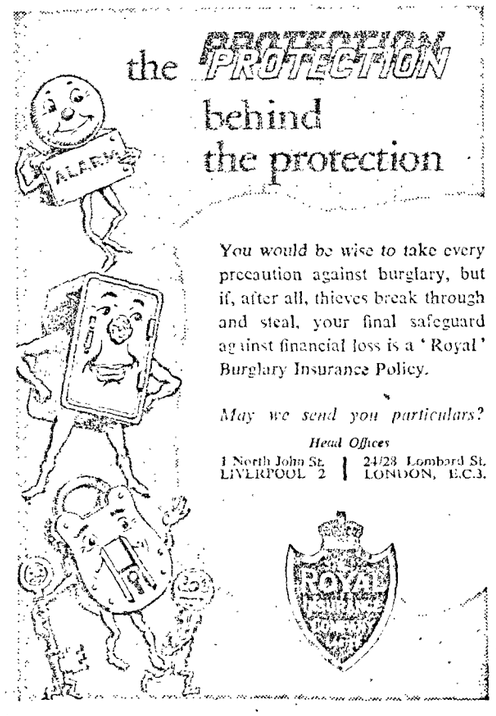

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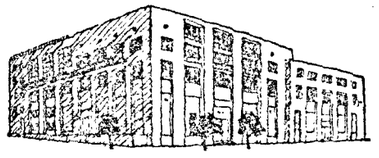
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"Some people still persist in taking a gloomy view of Great Britain's future—*I don't*"

Sir Eric Vansittart Bowater
Chairman, The Bowater Paper Corporation Ltd.

Extending a welcome to a record number of 2,400 shareholders from home and overseas, Sir Eric Vansittart Bowater (Chairman of the Corporation) said he hoped that the visit to Northfleet, Kent, would enable shareholders to realise something of the present-day magnitude of the Bowater Organisation and perhaps engender an even greater pride of ownership than before.

Highlights of the Year

Sir Eric continued: All in all, 1956 was a satisfactory and gratifying year for Bowaters. Overall production and earnings were both at a higher level than at any previous time in our history; this is true even after eliminating the added production and profits of the Mersey Paper Company of Nova Scotia, Canada, which we acquired with effect from April 30th last year. In the middle of the year the sixth large paper machine to be installed at the mills of our Kemsley Division in the United Kingdom came into operation; in Tennessee the third paper machine to be installed in those mills came into operation at the close of the year.

Other important highlights included the consummation in March of the negotiations that brought into partnership two famous names in the world's paper industry; I refer, of course, to the Bowater-Scott Corporation, as the joint venture is known. Then, in June, your Corporation's interests in the corrugated container field were merged with those of the Eburite Group of companies and the name of the Eburite Company was changed to Bowater-Eburite Limited, in which associated company we have a very substantial and important holding.

In short, I believe you may agree with me if I say with some pride that 1956 will go down in our history as a year of success and achievement.

Substantial Overseas Earnings

The consolidated revenues before depreciation and taxation amounted to just over £16 million, of which some £4¼ million were earned by the United Kingdom companies and almost £12 million by our main overseas companies. Thus the aggregate earnings of the overseas companies represented more than 70 per cent of our total consolidated revenues, and this lends emphasis to the ever-increasing importance of our overseas investments.

The total of Fixed Assets shown in the Consolidated Balance Sheet has increased by some £35 million to £117 million. The amount expended during the year on Fixed Assets and on trade investments totalled some £39 million, and considerable progress has been made with the various projects involved in our masterplan of development.

The new ocean dock at the Thames Division is all but completed and the new Transport Centre, Central Research and Development Laboratories, Development Engineering Centre and Water Tower are completed. The Bowater-Scott plant is now ready for operation. The new machine house of the Thames Division in which the fifth and sixth multi-purpose paper machines will be installed is now under way. The first of these machines is timed to come into operation in 1958.

On the Mersey Division site at Ellesmere Port the machine house for the fifth and sixth multi-purpose machines also nears completion and the first of these machines is due to start up this summer. Also on the Mersey site the important extension to our Multiwall Sack plant nears completion and the new Bowater-Eburite corrugated container plant there is due to come into operation in the next month or so.

Overseas we are expanding our paper conversion facilities in Australia, while in Canada the programme for the further speeding up and development of our mills at Corner Brook at Mersey, Nova Scotia, makes steady progress. In the United States work has commenced on the installation of the fourth machine at the Tennessee mills, which machine is scheduled to start up at the end of 1958. Then, too, work has commenced on the new sulphate pulp mill we are constructing at Catawba in South Carolina.

The most important of our overseas interests is our very big investment in North America, which is vested in the Bowater Corporation of North America. Of outstanding importance was the purchase by the North American Corporation of the assets of the Mersey Paper Company of Nova Scotia. As a result of this transaction we have acquired one of the most efficient and well-managed newsprint mills in North America.

Another of the principal operating subsidiaries of the North American Corporation is Bowaters Southern Paper Corporation, Tennessee. When the fourth machine at the Tennessee mills comes into operation the annual productive capacity will have been raised to 435,000 tons of paper. By 1959 we shall be making in North America alone a million tons of newsprint a year—moreover, we expect to sell it; indeed it has already been sold under long-term contracts.

Vast Demand in N. America

A study prepared for the American Newspaper Publishers' Association which looks forward to 1965 forecasts that the consumption of newsprint in the United States will then amount to over 8½ million tons, and that of Canada to 575,000 tons; overseas requirements to be drawn by other parts of the world will by then increase to 2 million tons; so that the overall demand for newsprint from the North American industry will by 1965 amount to 11,175,000 tons. According to this report planned capacity of the North American newsprint industry will by 1960 amount only to some 9½ million tons per annum.

Commenting on the recent offer made by the Corporation to acquire the Ordinary capital in Hunt Partners Limited in exchange, *inter alia*, for fully paid Ordinary Stock of the Corporation, Sir Eric said: If the offer made by the Corporation is accepted by the shareholders of Hunts, there will have been added to our Organisation one of the most efficient and modern units in the paper conversion field.

No Apology for Newsprint Prices

There is at the present time widespread comment—much of it, I fear, ill-informed—in relation to the whole matter of the cost of newspaper production in this country. It is not my belief that any British newspaper has—as some would have us believe—been put out of business or had to cease publication solely as the result of the cost of its newsprint from whatever source that newsprint may have been obtained.

I do not believe there to be any grounds for an apology in regard to the price of newsprint in the United Kingdom or North America and for my part I do not propose to offer one. It is an old human instinct to look for a scapegoat to explain failure, and the persistent statement about newsprint being six times more expensive than before the war, and made without any qualification whatsoever, is one of them.

Despite all that has been said in Parliament and elsewhere about the high cost of British newsprint to the British Press, the fact is, and it seems to have been overlooked—or indeed ignored—that when all the many relevant factors are taken into account the effective delivered cost of British newsprint to the consumer remains lower than the cost of newsprint imported from either Scandinavia or Canada.

Concluding his review, Sir Eric said: As you may well have gathered from our programme for the further development of our business in the United Kingdom and overseas, we have implicit confidence in the future of our industry and, therefore, of your Corporation. I know some people still persist in taking a gloomy view of Great Britain's future—I don't.

The Report and Accounts were adopted.

Bowaters

THE BOWATER PAPER CORPORATION LTD · GREAT BRITAIN
CANADA · UNITED STATES OF AMERICA · AUSTRALIA
SOUTH AFRICA · REPUBLIC OF IRELAND · NORWAY · SWEDEN

Stockholders will automatically receive copies of the complete speech by Sir Eric Bowater. Others who are interested may obtain copies from: The Secretary, Bowater House, Stratton Street, London, W1

COMPANY MEETINGS

CAMMELL LAIRD & COMPANY LIMITED

EFFORTS TO INCREASE PRODUCTION NULLIFIED BY IRRESPONSIBLE STOPPAGES

VOLUME OF WORK ON HAND AUGURS WELL FOR THE FUTURE

NEED FOR FULL MEASURE OF CO-OPERATION

MAJOR SCHEME OF SHIPYARD RECONSTRUCTION COSTING £17 MILLION

The ninety-third annual general meeting of Cammell Laird & Company Limited was held on June 4th at Birkenhead.

The Chair was taken by Mr P. B. Hunter who, in the absence of Mr J. C. Mather, JP, through indisposition, will temporarily undertake the duties of Chairman.

The following is the Chairman's statement which had been circulated with the report and accounts for the year ended December 31, 1956:

I have to record with deep regret the recent and untimely death of Mr Bernard Marsh, Liverpool Partner of Messrs Cooper Brothers & Co., the Company's Auditors.

As stated in the Directors' Report, Messrs F. O. John, MICE, and P. Sydie have decided to retire from the Board and do not therefore seek re-election.

Mr John has had 45 years' service with the Company, during the major portion of which period he was Technical Manager and Naval Architect. Mr John is widely known and respected as a Naval Architect and amongst the many designs for which he has been responsible was that of the second "Mauretania" which underwent her sea trials a few months before the outbreak of the Second World War.

Mr Sydie joined this Company in 1922, and followed Mr John as Technical Manager and has rendered outstanding service, finally becoming Assistant Managing Director of our Shipbuilding Subsidiary and holding that position until he retired last year.

I wish to express to both these gentlemen our keen appreciation of the long service which they have given us and our best wishes for their retirement.

During the year Mr J. F. Douglas, a Director of Cammell Laird & Company (Shipbuilders & Engineers) Limited, was appointed General Manager of that Company and Mr R. B. Wight was appointed to that Board as Personnel Director.

I also refer with pleasure to awards by Her Majesty the Queen to two of our Staff. Mr J. A. Gilliland, one of our Ship Managers, was awarded the MBE in the Birthday Honours last year and Mr J. Naylor, our Boiler Shop Manager, was awarded the MBE in the New Year Honours this year.

The question of Staff Pension arrangements has for some time engaged the attention of your Board. We have found that continuing inflation was adversely affecting the level of pensions and involving increased premiums. After careful consideration we have decided to establish our own funded Pension Scheme in place of that previously operated.

In consequence, a large sum has been taken out of our profits this year, but we believe that in future the burden on the Group in respect of Pensions will be lightened, although the benefits to the staff will be improved.

Difficulties continue to beset our Industry but I think that Shareholders will agree that in spite of this, the accounts reveal satisfactory results for the past year. I wish to express to the Management, Staff and Workpeople of our Subsidiary and Associated Companies our grateful appreciation of all that they have done to produce these results.

ACCOUNTS

I think you will find the Accounts show the Company's position very clearly and I do not propose to comment except on one or two points in which the figures differ from last year.

PARENT COMPANY'S BALANCE SHEET

Investments in Subsidiary Companies reflect the acquisition of the 75 per cent shareholding in The Patent Shaft & Axletree Company Limited, to which I referred last year.

Holdings of British Government Stocks and Other Securities have declined by some £447,000 due mainly to transfers to the new Pension Scheme, to meet the Company's initial liability. Unquoted Securities consisting of a Corporation Mortgage Loan of £100,000 have also been transferred to the Trustees of the Cammell Laird (1956) Pension Scheme.

The reduction of over £2,200,000 in Cash is due to a variety of causes, chief of which is the acquisition, at a cost of £833,000, of the major portion of the freeholds of the North and South Shipyards, from the Corporation of Liverpool and the Mersey Docks and Harbour Board respectively. These properties have been transferred to our Shipbuilding Subsidiary and this is reflected in the reduced amount owing to that Subsidiary Company. Payment was also made to ISHRA of £675,000 for Patent Shaft shares, £217,500 has been advanced in loans to Patent Shaft and £200,000 expended in further purchases of investments for the new Pension Scheme.

The decrease of £137,000 in Capital Reserves is accounted for mainly by further provision against the decreased market value of investments at December 31, 1956.

The decrease in the Profit and Loss Account carry forward is due to the fact that for fiscal reasons we have not taken a Dividend from our Shipbuilding Subsidiary this year, while last year's figures were swollen by transfer of Taxation Reserves no longer required.

CONSOLIDATED BALANCE SHEET

Again, the acquisition of a majority interest in The Patent Shaft Company has affected the figures. (The 1955 figures are not strictly comparable as they do not include the Patent Shaft Company.) The Fixed Assets are increased on this account and also by the purchase of the North and South Yard freeholds. Stock-in-Trade and Work-in-Progress have both increased, but this is offset to some extent by the increase in Instalments received on account of Work-in-Progress from customers, carried forward on the Liabilities side of the Balance Sheet.

A new item, the Interests of Outside Shareholders, makes its appearance, this being the 25 per cent interest of Metropolitan-Cammell Carriage & Wagon Co. Ltd., in the Capital Reserves and Undistributed Profits of The Patent Shaft & Axletree Co Ltd., and the loans made by Metropolitan-Cammell Carriage & Wagon Co. Ltd. to The Patent Shaft Company.

You will also notice a considerable increase under Current Liabilities and Provisions in the figure of Provision for Current Taxation. This is due to later settlement of Taxation Liabilities.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Group Operating Surplus shows an increase of £217,000 and includes the results of both Cammell Laird & Co. (Shipbuilders & Engineers) Ltd., and The Patent Shaft & Axletree Co. Ltd., whilst Other Investment Income and Interest is down by £40,000 on account of realisations of Investments as mentioned above. (As in the case of the Balance Sheets the 1955 figures do not include The Patent Shaft & Axletree figures.) Depreciation written off has increased by about £38,000 as a consequence of the increase in the Fixed Assets. We have felt it necessary to transfer £80,000 to Contingencies Reserve this year and have made no provision against depreciation of Trading Stocks in 1956 as against a figure of £150,000 in 1955. Taxation absorbs £1,008,000 as against £881,000 for the previous year as a result of the higher income of the Group and the inclusion of the Patent Shaft figures for 1956. This leaves us with a net profit of £877,000 for the year as against £874,000 for 1955, but of this a proportion is attributable to the minority interest, leaving net profit for the year, attributable to the Shareholders of Cammell Laird & Co. Ltd. of £859,734.

Deducting the Initial Contributions to Cammell Laird (1956) Pension Scheme, reduced by a transfer of £100,000 from Provision for Pensions and leaving Gratuities, and deducting appropriations by Subsidiary Companies, the Net Profit for the year available to the Shareholders of Cammell Laird & Co. Ltd. is £216,119. To this must be added the Balance of £470,778 brought forward from 1955, making available for appropriation £686,897. The Interim Dividend paid on October 27, 1956, at 4 per cent, less tax, absorbed £122,475 and your Board now

recommends a Final Dividend of 10 per cent, less tax, absorbing £306,188, leaving to be carried forward to next year in the books of the Parent Company £258,234.

CAPITAL COMMITMENTS

The net liquid assets included in the Consolidated Balance Sheet, taking Quoted Securities at their Market Values, at December 31, 1956, amount to about £6 million. After providing for Working Capital and the additional finance required by The Patent Shaft & Axletree Co., the balance, together with retentions from profits during the forthcoming years, will be required to finance the comprehensive programme for the reorganisation of the Shipyard to which I refer below. This programme includes £500,000 for the acquisition and extension of Rock Ferry Pier for the gas-freeing and cleaning of Ships' Tanks. Work has already commenced on this project and we hope that the installation will be completed and operating by the end of 1958.

CAMMELL LAIRD & CO. (SHIPBUILDERS & ENGINEERS) LTD.

Ship Construction.—During the year seven ships were launched totalling 77,375 gross tons, compared with eight vessels totalling 88,586 tons in 1955. The ships launched last year were as follows: m.v. *City of Wellington*, cargo liner for Ellerman Lines Ltd.; s.s. *Carrillo* and s.s. *Cartago*, refrigerated cargo vessels for Caraibische Scheepvaart Maatschappij NV; s.s. *San Flaviano*, tanker for Eagle Tanker Co. Ltd.; m.v. *Carnatic*, refrigerated cargo vessel for Shaw Savill & Albion Co. Ltd.; s.s. *Irish Poplar*, cargo vessel for Irish Shipping Ltd.; s.s. *Zenatia*, tanker for Shell Tankers Ltd.

The launching of the *Zenatia*, a vessel of approximately 38,000 tons deadweight, was a landmark in the Company's history, this ship being the largest tanker so far launched at our Shipyard.

Eight vessels, including four of those launched last year, were completed and delivered to their owners. Among the merchant vessels completed was the 34,000 tons deadweight bauxite ore carrier *Leader*. We also completed HM anti-submarine frigate *Whitby* for the Royal Navy, this vessel being the prototype of the class.

Engineering.—During the year eight sets of marine steam turbine double-reduction geared machinery were built and tested in our main Engine Shop, the total shaft horsepower being 89,000. In addition to the construction of propulsion machinery for merchant ships, we are also engaged on the construction of machinery for vessels building for the Royal Navy. Towards the end of the year the tanker *Auris* arrived at our Works to undergo machinery conversion. Three diesel-driven and one gas turbine-driven alternator sets together with one electrical propulsion motor were removed and these are being replaced by a single gas turbine set coupled to an hydraulically operated reverse reduction gear. The output of the main Boiler Shop for 1956 comprised 13 boilers, giving a total evaporation of 593,400 lbs of steam per hour.

Ship Repairing.—Our Ship Repairing Department has been actively employed throughout the year, carrying out repairs and refits aboard 158 vessels. In addition, work has continued on refit contracts which we have undertaken for the Royal Navy. This branch of our business continues to meet with keen competition, but we have been successful in gaining a satisfactory share of the business offering.

GENERAL

Although our Shipyard has been fully engaged on a big programme of new construction work, production was disappointing and below that of the previous year, due to dislocation caused by the prolonged strike of our joiners and other factors. The joiners' strike ended on April 3, 1956, but it resulted in considerable congestion in our fitting-out basin, and in spite of a determined effort to make up some of the lost ground, our building programme has suffered serious delays. During the strike we lost a good many of our skilled workpeople and we have experienced considerable difficulty in recruiting replacements. This factor, together with other difficulties such as delay in obtaining special steel at the right time to fit in with our building programme, and delay incurred by having to repair and in some cases return defective steel castings to the makers, have all contributed to retard production.

As far as orders for new tonnage are concerned, your Company has been successful during the year in obtaining contracts for several vessels of varying types and sizes; of special note is the order we received from the Union-Castle Mail Steamship Co., Ltd., for the construction of a twin-screw mail passenger and cargo liner which will be the largest ship of this type to be built at our works. The large number of vessels which we have under construction or on order, including some very big tankers, is a matter for satisfaction and, given the full co-operation of all in executing this programme of work expeditiously and economically, it augurs well for the future.

We are determined to consolidate our leading position in the world of shipbuilding and, accordingly, we have embarked on a major scheme of reconstruction in our Shipyard. It is anticipated that the complete programme will occupy about eight years and cost approximately £17 million. This scheme, which has already been reported in the Press, is designed to increase overall production and to enable us to build vessels of considerably greater tonnage than present facilities permit. The reconstruction will involve the building of a large combined Building Dock, Dry Dock and Fitting-out Basin suitable for building and fitting out the largest ships which can navigate the Mersey Channel, or alternatively, for dealing with a number of smaller ships. This Dock, which will be constructed in our South Yard, will augment our present fitting-out facilities and will accommodate ships for which our present fitting-out basin would be inadequate. In addition, we are also building a new Dry Dock on the site of the existing No. 5 Dry Dock in our North Yard. This Dock will cater for the repair and maintenance of large tankers using the tanker cleaning and gas-freeing installation we are constructing at Rock Ferry which latter will be operated in conjunction with our neighbours, Messrs Grayson, Rollo & Clover Docks, Ltd., who have taken a small interest.

Other features of our reconstruction scheme include the demolition of existing plating sheds and the erection of new sheds, and also the erection of new welding bays in our South Yard where we also propose to combine two of our slipways into a single slipway in order to enable us to build one large ship or, alternatively, two medium-size ships. Improved cranage facilities will also be provided. Our Engine, Boiler and various other Shops will undergo modernisation and provision will be made for improving our present electricity supply.

This new scheme is an indication that we intend to do all we can to ensure that our Company will continue to flourish in the future and thereby safeguard the well-being of all who depend upon its success for their livelihood.

You are all familiar with the problems which confront the shipbuilding industry and which hamper it in its efforts to step up production. These problems, unfortunately, do not seem to diminish and continue to be a matter for concern, particularly the problem of industrial relations. Each year we are faced with demands for increased wages which cause costs to spiral still higher, and each year efforts to improve the rate of production are nullified by the loss of working time through irresponsible stoppages. Such action inflicts serious injury on our Industry which is at present faced with perhaps the most serious challenge to its supremacy as world shipbuilders. When most shipyards have full order books it is easy to develop myopic tendencies, but our Industry can only continue to prosper in the future and rebuff the challenge of foreign competitors if there is a greater measure of co-operation in bringing about more stable conditions than has prevailed in recent years. Given such conditions, then we can all look to the future with greater confidence.

METROPOLITAN-CAMMELL CARRIAGE & WAGON CO. LTD.

Rail Transport: Four and a half million dollars were earned by Metropolitan-Cammell Carriage and Wagon Co. Ltd. last year in respect of shipments of wagons to India under a USA dollar-aid contract. Against other export orders the Company dispatched over 100 coaches for electric suburban service in Rio de Janeiro, and large numbers of wagons for Rhodesia, Malaya, Nigeria, Burma and Portuguese West Africa. More than 100 diesel railcars ordered under the Modernisation Plan were built for British Railways, to whom large numbers of standard steel coaches and wagons were also delivered. Prototypes of first and second class coaches with modern interiors and improved passenger amenities for steam hauled stock were also completed.

Although shortages of steel sections prevented complete fulfilment of the Company's delivery schedules, the value of output was greater than that of any previous year.

At the end of the year the British Transport Commission placed a contract with the Company for the design and construction of three 8-car and two 6-car high-speed de luxe diesel trains for main line services.

Important new export contracts received were for 2,300 wagons for New Zealand and 400 wagons for the Sudan. These were secured in the face of world-wide competition, which was intensified during the year as a result of fewer inquiries being issued. To maintain its competitive position the Company has expended considerable sums on new plant and equipment.

Road Transport.—A greater output of bus bodies also was attained by the Company last year. Many new orders were received for the Metro-Cammell light-weight body as a result of savings on fuel consumption obtained by operators who had previously adopted this form of construction. There were fewer inquiries from overseas, but the Company secured orders for more than 200 bodies from Persia and Spain against severe competition.

The Company was also concerned in the development of a new type of high-capacity double-deck bus providing seating for 78 passengers and incorporating many new features, including the location of the engine at the rear to facilitate low loading and maintenance. It is hoped these advantages, combined with reduced operating costs, will create a demand for this new vehicle.

ENGLISH STEEL CORPORATION LTD.

Considerable progress has been made in the English Steel Corporation Group of Companies with the development of the various sections of the business as independent companies. This segregation has given to the senior officials added interest and opportunities and is assisting in the maintenance of efficiency and the development of each unit.

All companies have maintained their position in their respective trades and have operated profitably and, with the exceptions mentioned later, all have had full order books and maximum production.

The steel output was 590,000 tons, a total 5 per cent higher than that of the previous year made from the same plant and a record for the Group. Another record was established in the value of direct exports, which showed a significant increase over the value of deliveries in any previous year, and particularly in dollar markets.

The demand for heavy forgings has remained high and the value of orders received was considerably in excess of the value of deliveries made. Full production is, therefore, assured for many months ahead. Many important orders for direct export have been received, including a number of large shafts for hydro-electric installations in the St Lawrence Seaway project. During the year 18 ingots exceeding 150 tons (including 10 of 270 tons each) in weight were produced for heavy forgings.

A substantial proportion of the capacity of the Drop Forge has always been devoted to the production of components for the motor car industry. The decline in motor car production has, therefore, reduced the load on this section. In part, this decline has been made good by an increased demand for drop forgings for the aircraft industry.

The Rolling Mills Corporation has maintained a high rate of output throughout the year. It has not been possible to meet all demands for special alloy steels, due to the shortage of nickel and nickel-bearing scrap and many customers have had to revert to the "emergency" steel specifications in use during the war period.

The capacity for production of large steel castings by the Castings Corporation will be fully engaged for a long period ahead. During the year the Corporation has again made some outstandingly large castings of complex design, maintaining its position as the foremost producer of heavy steel castings.

The demand on the Steel Foundry for railway "specialties" has continued, two important successes being the receipt of large contracts for the latest form of American type coupler to be used on Indian ore wagons and of orders for one-piece bogies forming part of the British Railways diesel programme.

The output of the Spring Corporation has been reduced due to the decline in motor car production, although a reasonable share of the work available has been obtained. The plant devoted to the manufacture of railway springs has been almost fully occupied throughout the year.

Taylor Bros. have fully maintained their pre-eminent position as suppliers of railway wheels, tyres and axles, in all of which products record outputs were established during the year.

At Darlington Forge, where forgings and heavy castings are made, order books are full and output has been maintained. A number of the largest cast steel rolls made in Great Britain were delivered to customers.

The demand for stainless and heat-resisting steels produced by Firth-Vickers Stainless Steels Ltd. has again been high and increased production facilities, which will come into operation during 1957, are expected to be fully occupied. The limitation of nickel supplies has again restricted the output of austenitic types of steel.

Although steel production increased by only 5 per cent, inflated costs arising partly from the higher cost of pig iron and scrap and increased levies paid to the Industry Fund of the British Iron and Steel Federation, have entailed a far larger percentage increase in working capital, with consequent effect on financial resources.

At the end of the year, work was commenced on preparing the site of the new Works at Tinsley for building operations. A complete survey has been made which has proved the suitability of the site for the heavy operations for which it was acquired. Due to the National shortage of structural steels, it is not anticipated that a commencement of the building work can take place until 1958.

THE PATENT SHAFT & AXLETREE CO. LTD.

As mentioned earlier a 75 per cent shareholding was acquired in The Patent Shaft & Axletree Co. Ltd. of Wednesbury, Staffordshire, on February 21, 1956, from the Iron and Steel Holding and Realisation Agency. For many years before the nationalisation of the Steel Industry, The Patent Shaft & Axletree Co. Ltd. had been a wholly owned Subsidiary of our Associated Company—Metropolitan-Cammell Carriage & Wagon Co. Ltd.

As I explained in my Report last year, this Company has embarked upon a very substantial reconstruction and modernisation scheme, the total cost of which will be in the neighbourhood of £8 million. Towards this sum Cammell Laird & Co. Ltd. has undertaken to provide finance of £1,200,000 (of which £217,500 had been advanced up to December 31, 1956) and arrangements have been made to enable The Patent Shaft Co. to borrow the remainder from the FCI and other sources.

The Company has been busy throughout the year and has worked to full capacity except in some of the smaller mills where output has been curtailed by shortage of labour.

The Profits of the Company for the twelve months to December 31, 1956, show a slight reduction on the previous year. This is due to the fact that the increase in steel prices authorised by the Iron and Steel Board on May 7, 1956, was an interim measure and did not cover the full increase in the cost of raw materials and transport.

Operations commenced during the year on the Development Scheme to which I have already referred and considerable progress has been made in the preliminary work of clearing the site, laying and extending railway lines and the laying of the foundations for the buildings. Construction work is proceeding according to schedule and it is expected that the new plant will be in production in 1959.

The report and accounts were adopted and the dividends, as recommended, were approved.

The retiring director, Mr E. Bernard Jones, OBE, was re-elected; the remuneration of the Auditors, Messrs Cooper Brothers & Co., was fixed, and special resolutions amending the Articles of Association having been duly sanctioned, the proceedings terminated.

TAYLOR WOODROW LIMITED

ANOTHER YEAR OF PROGRESS AND EXPANSION

The annual general meeting of Taylor Woodrow Limited was held on May 31st in London, Mr Francis Taylor (Chairman and Managing Director) presiding.

The following is an extract from his circulated review:

Profit and Loss Account: The balance of profit after providing for all Taxation and the interest of outside shareholders amounts to £335,379 compared with £228,794. In a business such as ours where contracts take several years to complete the results should be judged over a number of years rather than one year.

AT HOME

Building and Civil Engineering: Our Construction Company has enjoyed another active year. Priority of reference must be given to Britain's great achievement as the first country to complete a nuclear power station. This project for the use of the atom for peaceful purposes aroused world-wide interest. We take pride in the fact that our company built the structure at Calder Hall, which was opened by Her Majesty the Queen in October last. Our progress on the second station at Calder Hall is well ahead of schedule.

While on the subject of the development of national sources of power, I should mention that the two major contracts awarded to the Company in respect of the High Marnham and Northfleet Power Stations bring to a total of fourteen the number of power stations upon which the Company has been engaged in recent years.

I referred last year to the supply of complete atomic power stations and you may have seen press references to the fact that we are still active in this field with The English Electric Company and Babcock and Wilcox.

RESEARCH AND DEVELOPMENT

We have built and equipped new laboratories at Southall to enable the company to improve and expand in concrete and cement technology, ground exploration and soil mechanics, chemistry and metallurgy, and the facilities for general testing of materials. We now have all the essential facilities, and a full service including complete design is open to our clients.

BUILDING EXPORTS

The turnover in Arcon Structures during 1956 again showed an increase and was the highest so far achieved. Prospects for further expansion are excellent.

After reviewing the overseas activities, the statement continued:

I wish to express my thanks to the men and women of our organisation who has contributed so much to the success of the Taylor Woodrow Group. Into our staff training schemes come young people with initiative and the capacity to work hard and equip themselves for careers with the Company. Our executive and technical staff are the backbone of the organisation. Their hard work and effort is reflected in the Report and Accounts you have before you.

The report and accounts were adopted.

GALLAHER LIMITED

(Incorporated in Northern Ireland)

SUBSTANTIALLY INCREASED TURNOVER

POPULARITY OF BRANDED PRODUCTS

SIR EDWARD DE STEIN'S STATEMENT

The sixty-first Annual Ordinary General Meeting of Gallaher Limited was held on June 3rd at Winchester House, Old Broad Street, London, E.C., Sir Edward de Stein (Chairman of the Company) presiding.

The Secretary, Mr George Iliff, ACA, read the notice convening the meeting and the report of the auditors.

The following is the Statement by the Chairman, which had been circulated with the report and accounts for the year ended December 31, 1956:

You will have read in the Report of the Directors that Mr A. V. Maunder, who has been a Director of the Company since 1939 and who retires by rotation this year, has decided not to seek re-election. Mr Maunder joined the Company in 1931, and his wide knowledge of Leaf Tobacco has been invaluable to the Company in the expansion of its brands. He is at present paying a farewell visit to the Company's staff and to his many friends in Rhodesia and Nyasaland. We shall all miss him and wish him many happy years of retirement.

Since the last Annual General Meeting we have appointed two new Directors of the Company—Mr R. G. Knight, who has 31 years' service and has been Chief Accountant for the past 11 years, and Mr J. Young, who has been with us for 15 years and is our General Manager in Northern Ireland.

CURRENT ASSETS

During the year 1956 the Group's trade again expanded, with the result that the Current Assets (before deducting Current Liabilities) in the Consolidated Balance Sheet have increased during the year by £7,500,000 from £44,000,000 to £51,500,000. Of this increase the major part, namely, £6,250,000, arises in Stock in Trade. The principal item within this figure is Leaf Tobacco stock, where the increase is more or less proportionate to the expansion of the Group's business, excluding Dollar Leaf, with which I deal later. At December 31, 1956, our stocks of Leaf Tobacco cost us slightly more per lb on average than in 1955. So far as stocks of manufactured goods are concerned the increase in value, despite the advance in Duty rate of 3s. per lb, which took place in April, 1956, is not proportionate to our increased trade. This is partly accounted for by the abnormal depletion of our stocks in supplying the Christmas demand for the Group's products in December, 1956.

Debtors do not show an increase proportionate to the growth of the Group's business mainly because in December, 1956, sales requirements outstripped production and for a short time we had to cut some orders for our main brands owing to shortage of stock, but since January, 1957, all orders have been met in full.

FINANCE

You will recall that last year we issued to Ordinary Stockholders one new Ordinary Share of £1 at par for each £1 of Ordinary Stock held. At the same time we issued £8 million 6 per cent Unsecured Loan Stock 1976/81 also at par. Finally, 125,000 Ordinary Shares were issued at par to employees of the Group subject to certain restrictions. These issues provided a net sum of £13,381,881 after allowing for the expenses of the issues, amounting to £180,619, which latter sum has been charged to Share Premium Account. This additional finance, together with retained profits (including the exceptional profit arising from the Budget) and the increase in the provision for future taxation, enabled us to carry the additional assets we were employing and, in addition, to reduce our borrowings by way of Bank Overdrafts and Bills Negotiated by £8,500,000.

TRADING RESULTS

As a result of our substantially increased turnover the Consolidated Trading Profit for the year amounted to £5,061,000, compared with £4,033,000 in respect of 1955, excluding in 1956 the exceptional profit of £397,000 before tax arising from the increase in tobacco duty imposed in the 1956 Budget. Income Tax and the higher rates of Profits Tax on both distributed and undistributed profits (also imposed in the 1956 Budget) absorb a materially higher proportion of our Trading Profit in 1956 than they did in 1955. Consequently out of an increase in Trading Profit of £1,028,000 all except £195,500 is taken away in taxes. The heavy burden of taxation, of which the above is a good illustration, is making expansion in industry increasingly difficult.

We are recommending the payment of a final Ordinary Dividend of 12½ per cent—making with the interim distribution already made a total of 17½ per cent for the year, which is in line with the forecast we made in February last year when we announced that the Issued Ordinary Capital would be increased on a 1 for 1 basis at par.

RESERVES AND CARRY FORWARD

After providing for the proposed dividend allocation and transferring to Contingencies Reserve the exceptional profit above referred to, which, after tax, amounts to £216,000, the balance of profit for the year will be used to increase the Carry Forward by £850,006, from £1,963,206 to £2,813,212.

SUBSIDIARY COMPANIES

I am pleased to be able to report to you that all of the Company's subsidiaries have contributed to the successful year the Group has enjoyed.

In the last quarter of the year our Engineering subsidiary acquired all of the Issued Capital of Larmuth & Bulmer Limited, a company engaged in the manufacture of machinery for the cable-manufacturing industry. This part of the Group has also had another good year and we are satisfied with its progress.

GENERAL MATTERS

Last year I informed you that a factory we had purchased in the Manchester area in 1955 was being adapted for cigarette manufacture. This factory has now commenced production, but it will be some time yet before all of the machinery ordered for installation is delivered. It is anticipated that the factory will be in full production by the end of 1957. I also told you that site preparations were proceeding for the erection of a further Cigarette Factory in Northern Ireland under facilities provided by the Government of Northern Ireland. This project is proceeding according to plan and the first stage of the development should be ready to commence production in the early months of 1958 and the final stage towards the end of 1958. Overall our manufacturing capacity will be substantially increased. Nevertheless, the new factories will not provide an increase in manufacturing capacity proportionate to the investment in new buildings and machinery because the new facilities are required partly to replace a factory which has now become uneconomic to maintain for manufacturing purposes and partly to enable us to take some pressure off our existing factories in which considerable extra time is being worked. Consequently we must expect our manufacturing costs to rise in spite of the benefits to be derived from the use of new buildings and equipment.

Because of the increased Stocks of Leaf Tobacco which we now need to carry, an additional bond store with a capacity of 13 million lb is at present being erected adjacent to our existing bonds at Connswater, Belfast. We have also had to make arrangements for the storage of part of our Leaf Stocks in the Manchester area.

The expansion of our brands—notably "Senior Service" and "Park Drive" cigarettes and "Old Holborn" tobacco—has set us many manufacturing problems and despite all our efforts we were unable during two periods of 1956 fully to meet the demand for "Senior Service" cigarettes—during the summer holidays and in the month of December.

During 1956 we strengthened our position in the cigarette market by introducing a new Benson & Hedges brand—"Olivier"—to meet the growing demand for a tipped cigarette retailing at 3s. 3d. for 20. This brand has made a successful start.

We have also found it necessary to enlarge some of our Branch Distribution Depots to handle the greater volume of goods now being sold compared with previous years, and this process is still continuing.

LEAF SUPPLIES

In all markets we made a satisfactory purchase of Leaf Tobacco from the 1956 crops. Since the close of the financial year we have been able to purchase an additional quantity of American tobacco for sterling as a result of negotiations recently concluded between the Treasury and the United States Government. This purchase improves our stock position, but because of our increased usage we have a lower duration of Dollar tobacco than we consider desirable. We will, therefore, require to purchase not only a full twelve months' usage

in the American Auction Markets which will open at the end of July, but, if possible, additional leaf to improve our stock duration. Our other tobacco stocks are in a reasonably good position.

The Auction Markets in Southern Rhodesia opened about the middle of March: there the crop is estimated to be less than in 1956, but we expect to be able to secure the quantities we require of the particular types of Rhodesian tobacco which we use in our blends. Prices so far for tobacco sold in Southern Rhodesia are higher than a year ago.

The steady increase over the years in the cost of our raw material is a matter which causes us a good deal of concern.

COMPETITION

The past year has been one in which competition between manufacturers has grown keener. It is a matter of gratification to your Board that they have been able to report improved sales and profits in these circumstances. I attribute this to the great care which is taken by all employees in the business to ensure that the quality of our products is as high as possible and to a vigorous sales and advertising policy. We are also constantly striving to improve our service to the distributive trades whose goodwill and co-operation we greatly value.

In the current year we are facing even keener competition than at any time since 1939, but we shall watch closely the development of any new sales promotion methods used by our competitors and you may rest assured that we shall follow whatever policy we consider to be best in the long-term interests of our Stockholders and the public.

OUTLOOK

From what I have already said you will realise that we must expect to face higher costs from a number of different causes—higher prices for some Leaf Tobacco, the recent wage increase, the opening of additional factories to reduce overtime working and new forms of competition.

On the other hand I am pleased to be able to report that sales to April 30th this year show a steady improvement over the corresponding period of 1956, and, therefore, I feel we can view the prospects for the current year with reasonable confidence notwithstanding the adverse factors referred to above which will affect our profit margins. It would not, however, be reasonable to expect anything like the same rate of increase in profits as we have shown in recent years.

EMPLOYEES

I cannot finish without paying a special tribute to all our employees who have put in a great deal of hard work to enable us to cope with the increasing demand for our products. We were very glad to be able to recognise their loyalty and devotion to the Company's interests by distributing to all of them a bonus equal to six weeks' salary or wages—the same rate as we paid in 1955. To mark the Company's centenary year we also distributed in 1956 a special bonus equal to two weeks' pay.

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

The retiring directors, The Right Honourable Lord Ampthill, CBE, Mr R. G. Knight, ACA, and Mr John Young, were re-elected and the auditors, Messrs Hill, Vellacott & Bailey, having been reappointed, the proceedings terminated.

NATIONAL BANK OF NEW ZEALAND

CONTINUED EXTENSION OF FACILITIES

MR ARTHUR H. ENSOR'S REVIEW OF ECONOMIC AND INDUSTRIAL CONDITIONS

The eighty-fifth annual general meeting of The National Bank of New Zealand Limited will be held on June 27th in London.

The following are extracts from the circulated statement of the Chairman, Mr Arthur H. Ensor:

A scheme for reorganising the capital of the Bank was submitted to the shareholders, by whom it was approved in January last, and subsequently it was confirmed by the High Court. The Balance Sheet shows the capital in its new form:

Capital—*Authorised* 6 million shares of £1 each—£6 million.
Issued—3 million shares of £1 each fully paid—*£3 million.*

This reorganisation of the capital, embodying the cancellation of the uncalled liability on the shares, has been received with general approval and is undoubtedly advantageous both to the Bank and to the shareholders, by making the shares more readily marketable.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The Reserve Fund now stands at £2,500,000, having been increased to that figure by the transfer of £500,000 from Contingency Account.

Our Advances, as a result of the continued policy of credit restriction, have declined by £3,100,000 to £34,900,000. Since the peak of our lending in 1952, when our Advances were over £43 million, the reduction effected has been approximately 20 per cent, and this clearly indicates that we have striven to implement the Government's financial policy, however unpleasant for a banker it may be to restrict the use of funds in the Bank's principal earning asset.

Profits at £269,000 show a fall of £8,000 compared with last year, but a decline was inevitable with rising costs, a reduced volume of lending, and increased statutory balances with the Reserve Bank, earning nothing.

The total amount of the dividend for the year represents a rate of 10¼ per cent on the old capital, or 8 1-5 per cent on the capital at its present figure of £3 million.

The past year has once again shown a steady increase in the number of our customers and we have continued to extend our banking facilities.

GENERAL TRADING AND INDUSTRIAL CONDITIONS

Developments in the past year have drawn attention both to the fundamental strength of New Zealand's economy and to some of the difficulties which must be overcome to ensure the full and steady development of the country's resources.

The strength of the economy is reflected in the highly productive, well organised primary industries which, by utilising new techniques, such as aerial top-dressing, continue to expand their high output and earn over 95 per cent of the country's export income. The growth of new markets in Asia and the Far East for the products of New Zealand farming shows prospects of an expansion of trade in that region, which would help to relieve possible strains in New Zealand's traditional markets.

In recent months, Japan has begun to import modest shipments of New Zealand meat, in addition to worthwhile quantities of wool, and there are encouraging signs that Malaya, Singapore and the Philippines are also becoming interested in New Zealand meat. With Australia, too, trade has increased over the past year and the export of quantities of frozen vegetables and other frozen foods from New Zealand gives promise of further favourable development.

It is pleasing to see the growing volume of exports of paper and pulp from New Zealand's forest industry. This industry seems destined to play an increasingly important part in the economy of the country, and will provide a welcome addition to the rather limited range of New Zealand's export commodities.

BALANCE OF PAYMENTS

The potential weakness of New Zealand's present trade pattern lies in the fact that over 60 per cent of her total export earnings are derived from the single market of the United Kingdom. Indeed, something like 90 per cent of her total dairy produce and meat are sold here. The growth of the production of meat and dairy produce in the United Kingdom and the diversion to this country of dairy produce which in recent years has been sold in Europe, where there is at present no market, have caused wide fluctuations in the prices of these commodities and underline the difficulties which confront New Zealand in relying to such an extent upon the British market.

Nevertheless, despite these difficult marketing problems, the overall balance of payments position has shown a very substantial improvement in the past year. In the twelve months to the end of March there was a surplus of £800,000, compared with a deficit of £16,400,000 for the previous year.

However, as export receipts were up by only £2 million, this achievement must be attributed largely to the efficacy of the credit restriction policy in effecting a reduction in private imports of £7,800,000.

FINANCE

In the year to March, 1957, the net overseas assets of New Zealand's banking system increased by £4,500,000. While this is an encouraging improvement on the previous two years, in which there were falls of £35 million and £9 million, it does not give room for complacency. There is need for continued monetary restraint and, while sympathy can be felt with the Government in its problem of having to curtail urgent development projects in a young and vigorously growing country, everything points to the need for further restraint in Government spending.

UNION CORPORATION LIMITED

(Incorporated in the Union of South Africa)

RECORD OUTPUT

GREATLY INCREASED CONTRIBUTION FROM NEW MINES

Extract from the Speech by Viscount Bracken at the Annual General Meeting held in Johannesburg on 28th May, 1957

Before proceeding with the formal business of the meeting, I wish to refer to the sharp loss we sustained by the death during 1956 of two members of the Corporation's Management. Colonel C. E. Temperley, OBE, MC, joined the Corporation as a Sub-Manager in London in 1926 and, at the time of his death in June last, was an Executive Director. Mr J. S. Walker, who joined the Corporation in 1918, and was appointed a Manager in Johannesburg in January, 1945, died in September. Wise in counsel, in action enterprising and resourceful, they will not lightly be forgotten.

The Accounts of the Corporation for the year 1956, together with the Directors' Report, are submitted for your approval.

The gross profit for the year was £2,744,000 and the net profit, after providing £486,000 for taxation, was £1,973,000 compared with £1,120,000 in 1955.

As I have reminded you previously, the development of the Kinross area will require substantial expenditure by the Corporation over a period of years. Your Directors have therefore, appropriated £1 million to the General Reserve Account, which now stands at £2,300,000. £175,000 has been appropriated to Exploration Reserve Account, which, after deducting expenditure during the year, amounts to £1,069,000.

Dividends of 3s. gross per share were declared for the year (compared with 2s. 9d. for the previous year) and absorbed £802,000, leaving the Carry Forward virtually unchanged at £388,000.

UNITED KINGDOM TAXATION

The recent Budget Speech in the United Kingdom contained proposals to relieve the tax burden on certain United Kingdom controlled companies operating abroad. The Finance Bill as originally tabled gives no material benefit to the Corporation since, though it is resident in the United Kingdom and very largely operating abroad, the Corporation does not come within the framework of an Overseas Trading Corporation as therein defined. However, amendments to the Bill are now being debated; it remains to be seen whether this legislation in its final form will make possible some relief to the Corporation from the present burden of United Kingdom taxation.

Meantime, we are glad to note that the United Kingdom Government is attempting to give some assistance to Overseas Trading Corporations which are subject to United Kingdom tax.

Before turning to the affairs of the Gold Mining and other Companies under our administration and to our various other interests, I should like, as in the past, briefly to review the position of the South African Gold Mining Industry as a whole.

GOLD MINING INDUSTRY

The tonnage milled in 1956 was 67,524,700 tons, representing an increase of about 2½ per cent, over the tonnage for the previous year, and constituting a record. The average yield improved by 0.279 dwt. to 4.553 dwt. per ton so that the gold output increased by a little over 9 per cent, to 15,373,680 ounces fine, which is also the largest output achieved by the Gold Mining Industry of the Union in any year.

Although the average price received for gold declined by 7d. per ounce fine the greater output led to an increase of £15,800,000 in working revenue, which amounted to £193,214,000. Average working costs increased by 2s. 6d. per ton milled to 42s. 11d. per ton and amounted to £144,764,000 so that the working profit was £48,450,000. This is just over £4 million more than in the previous year. To this must be added the estimated profit from the production of Uranium which amounted to £24,662,000, or 40 per cent more than in 1955, giving a total working profit for the Industry of £73,112,000 or £11,300,000 more than in 1955.

Provision for capital expenditure, loan redemption including loans made available for Uranium production, and for other items amounted to just over £28,500,000. Due to the reduction in the Formula tax to which I referred last year it is estimated that taxation and the Government's share of profits will be reduced slightly and will absorb £16,371,000. Net dividends declared by the Industry increased by £5,815,000 to £28,177,000.

The total development footage driven was 2,716,000 feet, which is slightly less than in 1955.

An outstanding feature of these results is the greatly increased contribution of the new mines both in the Orange Free State and the Transvaal, that is to say, mines which have come into production since 1951. Thus the increases in the total tonnage milled, in the yield, gold output and working revenue from gold to which I have referred, are attributable entirely to the new producers, while for the first time these mines earned more than half of the working profits from gold of the whole industry.

On the other hand, many of the older producers are in a less happy position. In most cases the ore milled and working profits from gold decreased during the year. Since the average grade of the ore remaining in many of the older mines is much lower than that of the new producers their profit margins are smaller, and consequently it is these mines which are most sensitive to the effects of continued inflation. In spite of all efforts to restrain the rise in working costs these continue to increase as the value of money declines. This process, coupled with the fixed price of gold, led to the position during last year where no less than 17 mines, which produced over 21 per cent of the total gold output of the Industry, were operating on profits so precarious that they could be eliminated by any further small rise in costs. Three of these mines ceased operations, except for clean up, during the second half of the year. Although some of the remainder still have substantial ore reserves, amounting in aggregate at the end of last year to over 20 per cent of the total reserves of the Industry, it is apparent that many of these mines will be forced to close within a comparatively short period if the price of gold remains fixed at its present level and the upward trend of working costs continues.

Last year, in connection with the Pneumoconiosis Compensation Bill then before Parliament, I indicated that existing and future mines would have to bear the additional cost in respect of all future cases of pneumoconiosis and that this might be substantial. The Pneumoconiosis Act of 1956 came into force on August 1st of that year and the annual levy payable by the Gold Mining Industry for the twelve months ending March 31, 1957, in respect of pneumoconiosis compensation, including increased benefits under the new Act, amounted to £3,700,000 as compared with £2,400,000 for the previous twelve month period. It is estimated that the annual levy payable in respect of the current twelve month period will be of the order of £4 million.

Having reviewed the progress of the companies under the Corporation's administration, the Chairman continued:

Shareholders may have seen from a recent announcement in the Press that the Corporation is proposing to participate with Mr C. W. Engelhard and Mr G. V. R. Richdale of New York, the Anglo American Corporation of South Africa, Limited, and certain London Bankers in the formation of a large new South African finance company which, *inter alia*, will acquire a substantial block of shares in The Central Mining & Investment Corporation, Limited. The details connected with the flotation, management and programme of this company are at present under discussion and there is nothing that I can add in the meantime to the official announcement I have just mentioned.

EXPLORATION

As members were advised in the Directors' Report, exploration has continued in the Kinross area during the past twelve months and it is now possible to delineate fairly closely the area of mineral rights which it is desirable to hold. Excluding the ground already incorporated in the Winkelhaak Mine, this area amounts to some 26,000 morgen, over most of which mineral rights have already been purchased, the balance being still held under option. Some of this area is deep or appears to be of marginal value under present conditions but within it there is a smaller core of approximately 10,000 morgen, equivalent to 14,000 mining claims, forming a compact block which is of more immediate economic interest. Drilling results in much of this latter area have been satisfactory and indeed in some places most encouraging. Work is still proceeding.

Other exploration work continues to be carried out in the Union and elsewhere.

I know you would wish me on your behalf to thank the Staff of the Corporation in South Africa and in London and the Managers, Staff and employees of our affiliated Companies, for work well done in the past year.

VICKERS LIMITED

GROUP SALES IN 1956—£163 MILLION

A YEAR OF EXPANSION

LINKS WITH THE COMMONWEALTH

VISCOUNT KNOLLYS ON FORWARD POLICY

The ninetieth annual general meeting of Vickers Limited was held on June 3rd at 21 Tothill Street, Westminster, S.W.1.

The Viscount Knollys, GCMG, MBE, DFC (the Chairman), presided, and, in the course of his speech, said :

The sales of the Group in 1956 amounted to £163 million, an increase of £31 million over 1955. These were divided roughly as follows :

	£m	%
General Engineering (including Accounting Machines £7m.—4%)	42	25 (1955 32%)
Shipbuilding and Shiprepairing ...	24	15 (1955 14%)
Aircraft	64	40 (1955 32%)
Steel	33	20 (1955 22%)

Trading profits were higher than in 1955, even after heavier charges for depreciation and for development. Net profit, after taxation, which is what we have finally at our disposal, was very slightly lower. We have continued this year our policy of appropriating a considerable sum (£1,638,000 in 1956) to our reserves for the replacement of fixed assets, to take account of current costs. We have paid to our own stockholders the same dividends, costing £2 million, and have added to our carry forward, that most flexible of reserves, £1.1 million for the Group, including £383,000 in the balance sheet of Vickers Limited.

It might appear that our effective ratio of trading profit on the increased sales (7.8 per cent before tax, and 3.8 per cent after tax)—and to capital (13.5 per cent)—was unexpectedly lower in spite of the profits on Viscounts coming increasingly into the account. This is due to our efforts to diversify and develop for the future. £2.1 million was charged against profits on account of work done on future projects, very largely for the Vanguard and partly for new types of accounting machinery.

A YEAR OF EXPANSION

1956 was for the Vickers Group a Year of Expansion, realised and projected. Your board has had two objectives in view ; to diversify the Group's activities both in type of product and geographically, while at the same time developing and improving our existing well-established production. We must at all times be prepared to be in the forefront of the newest developments.

A recent venture in an important field—still virtually an American monopoly—our Industrial Tractor, of which we have now two models in production, has made good progress, both technically and in establishing a world market. We have been encouraged by the recent order awarded us by the Government of Pakistan in the face of much competition for 49 of our Vigor Tractors and 92 Scrapers.

OVERSEAS DEVELOPMENTS

The most important event of 1956 in our overseas development was our re-establishment in Canada through our purchase of a controlling interest in Canadian Vickers. I am sure that you will agree that Vickers should be in a position to take advantage over the years of such an attractive market as Canada must increasingly become.

In Australia also we acquired control of a well-known, well-established engineering Works in Perth, Western Australia—Hoskins Engineering & Foundry, now Vickers Hoskins.

India has obvious potentialities as a growing market for certain of our engineering products, immediately and in the future. In keeping, therefore, with our policy of spreading our interests we have recently completed negotiations for setting up a works, in West Bengal, with Associated Cement Companies, the leading company of its kind in India, and Babcock & Wilcox.

AIRCRAFT

On the Air side, we have also developed. While we have continued to produce and sell Viscounts and are in the course of producing the Navy's new carrier-borne fighter, the N.113, now christened the Scimitar, we have also been developing the Vanguard, our new and much larger turbo-prop airliner.

Ten days ago we received one of the most outstanding civil aircraft orders ever placed in this country. BOAC have placed an order for 35 of our new VC10s—a straight jet aircraft designed to carry 120 people. It will be for delivery from 1963. We are now, therefore, in a position to offer in the early 1960's two alternative types of airliners to suit the various needs of our customers throughout the world—the Vanguard beginning to be delivered in 1960 as a propeller turbine, and the VC10 as a pure jet, each with its special economic and passenger attractions.

In Vickers-Armstrongs (Aircraft) the return on the funds we employed in developing and building the Viscounts only began to be fully effective last year. Profits from this source should continue in 1957 and 1958 on our present order book. We shall continue to spend money on the development of the Vanguard. The costs of developing the VC10, due for delivery from 1963, will also be a significant factor during the next few years.

PRIVATE VENTURES

These are both wholly private ventures. We have felt justified in assuming the financial risks of development and are confident of our ability to sell sufficient aircraft to recoup our expenditure, and to make a fair profit in due course. This is truly "risk capital" which demands and is entitled to a reasonable return.

Powers-Samas is another member of the Group which needs finance for research and to develop its exciting new equipment. A special feature of its operations is that the more successful it is the more capital it needs, because a large proportion of the business of accounting machine companies is done on a rental basis. We have therefore for the time being allowed its profit to remain in the business.

SHIPBUILDING

In shipbuilding, the year has been one of demand for still larger tankers and of increasing interest in nuclear propulsion for ships.

We have recently delivered into service the passenger liner *Empress of England* for Canadian Pacific Steamships, and have received an order from the Orient Line for their new liner *Oriana*.

Building has continued throughout the year of cargo liners and cargo ships, also of tankers, at both our building yards.

Orders on the shipbuilding company remain high and include amongst tanker tonnage an order for a ship of 65,000 deadweight tons.

During the year we have continued to build frigates for the Royal Navy and the Indian Navy and the first of two destroyers on order for the Chilean Navy. At Barrow, the building of submarines continues and H.M. Submarine *Explorer*, which we have handed over may well hold the record for the fastest submerged speed of any submarine in the world.

FORWARD POLICY

I hope you will agree that the forward policy I have described is the right one for a Group such as ours to pursue. It keeps our eyes on the trends, the needs, the gaps of the future. It covers many fields where we can see new, greater or different demands. It covers developing bases of production.

This policy, despite its obvious benefits, naturally has its problems, particularly on the financial side. It costs money, it absorbs cash and its benefits are sometimes delayed.

A diversified group such as ours, however, has the advantage of being able to await these deferred profits while producing reasonable return from its well established products.

NUCLEAR PROPULSION

We have, as you know, now received the order for the hull and machinery of the first British nuclear-propelled Submarine *Dreadnought*, and with our partners are making progress in developing it. In view of our long and close connection with the Royal Navy, we are particularly proud to be building the vessel which will mark the beginning of a new era.

We are studying the development of this type of propulsion for merchant ships, a field in which we intend to maintain and develop our position.

Although, in common with other shipbuilding firms, we have an order book well filled for several years ahead, we are fully conscious of the need to improve our ability not only to build good ships, but also to complete them in shorter time and at competitive prices.

THE CALL TO BRITISH YOUTH

Earlier in my speech I told you what we were planning to make in the future. But the supply of competent people to make them is equally important.

We are trying to make every young man who wants to come to us feel that he has every chance to equip himself, at our expense, for a successful career, for his own benefit and for ours, that he will be well looked after and encouraged, and that he is working for a Company which will give him the opportunity of going ahead with it in helping to develop imaginative work fit for the future.

We believe that British youth will respond to this call. We rely on them—and I am sure we can—to take full advantage of the schemes provided to help them, and in so doing to feel that they are going to share in the exciting adventure of ensuring this country's future by keeping British industry where it has been and must be in the forefront of the technical and engineering development of the world.

You will wish me to refer to the position and prospects of the Vickers Group.

So far 1957 looks just about as good as its predecessor, and I think I had better leave it at that.

The report and accounts were adopted.

BANQUE DE PARIS ET DES PAYS-BAS

Paris

The Annual General Meeting of the Banque de Paris et des Pays-Bas was held in Paris on May 9th with Monsieur Emmanuel Monick in the Chair. The following is a summary of the Report presented by the Board of Directors.

REVIEW

The world economy, which had been expanding normally during the first part of 1956, was greatly affected by the consequences of the Suez crisis. Inflationary tendencies were felt in every sector of the economy: private consumption, industrial costs and Government expenditure. Prices of raw materials in world markets, however, remained steady, only crude oil prices and shipping charges being affected.

Economic expansion in the United States accelerated whilst Western European countries, especially France and Britain, bore the brunt of the crisis.

The Bank participated to a large extent in the development of industrial and natural resources by taking an active part in a variety of financial operations. Its activities in this field were not confined to Europe, but extended to Africa, North and South America.

Negotiations on the merger with the Banque des Pays de l'Europe Centrale were successfully concluded, and the proposals were adopted at an Extraordinary General Meeting which followed the Annual General Meeting.

PROFITS AND DIVIDENDS

The Balance Sheet at December 31, 1956, totalled Frs.138,959,905,276, as against Frs. 124,428,123,106 in the preceding year.

Net profits available for distribution amounted to Frs.971,986,976 as against Frs.785,529,400 for the previous year. It was proposed to distribute a dividend of Frs.600 net per share of Frs.5,000 nominal, equivalent to Frs.899,943,087.

The report and the proposals put forward by the Board were adopted.

HATTERSLEY (ORMSKIRK) LIMITED

(Specialists in the manufacture of Engineering Fittings for Locomotive, Steam, Heating, Petrol, Oil, Fire, Water and Air Services)

HIGHER TOTAL PRODUCTION AND SALES

PROGRESS OF MODERNISATION AND EXPANSION SCHEME

MR T. HEAP ON EFFECTS OF COPPER PRICE FLUCTUATIONS

The Thirty-fourth Annual General Meeting of Hattersley (Ormskirk) Limited will be held on June 28th at the Company's Registered Office, Ormskirk.

The following Review, by the Chairman and Managing Director, Mr T. Heap, has been circulated with the Report and Accounts for the year ended March 31, 1957:

The Consolidated Profit and Loss Account shows a total Profit before Taxation of £676,293, last year the comparable total was £758,526, and the Profit of Hattersley (Ormskirk) Limited after tax for the year ended March 31, 1957, is £240,728, compared with £284,847 last year.

Your Directors recommend the payment of a Final Dividend on the Ordinary Shares of 15 per cent, less tax, together with a Cash Bonus of 10 per cent, less tax, which, with the Interim Dividend of 7½ per cent, less tax, paid in December last, makes a total for the year of 32½ per cent (as last year).

After the allocations to which I refer in detail below, and the transfer of £100,000 to General Reserve, the balance remaining on Profit and Loss Account amounts to £186,775.

VALUATION OF FIXED ASSETS

The valuation of Fixed Assets in company accounts has been a vexed question for many years, and in view of the continued increase in costs of buildings and plant your Directors decided that an up-to-date professional valuation of the Company's Fixed Assets was necessary. As you will have seen from the Report and Accounts, a valuation on the basis of a fair going concern has been obtained and adopted, thus ensuring that Members have knowledge of the present-day value of their assets on this basis and that the Profit and Loss Account bears a charge for depreciation based upon such values. In addition, the Valuers prepared a valuation on the basis of current replacement costs, which proved to be substantially in excess of the going concern valuation and which has served a twofold purpose. In the first place the Company's fire insurances have been revised on the basis of this valuation, and secondly it has shown that the depreciation, calculated on conventional lines upon the fair going concern values, will not provide the funds required to replace the Assets at current costs. The deficiency to the date of valuation has been estimated at £100,000 and the annual deficiency at approximately £25,000. Your Directors have accordingly transferred the sum of £125,000 to a Reserve for Replacement of Fixed Assets, utilising the £100,000 previously standing to Obsolescence and Replacement Reserve and adding £25,000 from Profit and Loss Account this year.

I have pointed out on former occasions the effect of the copper market prices upon our Trading Profits and Stock valuations. Whereas in the years immediately preceding we benefited from the results of forward buying on a rising market and sales from accumulated stocks, this year the position has been reversed. The market has fluctuated considerably between £400 per ton at April 1, 1956, and £240 per ton at March 31, 1957. In these conditions your Directors have released £50,000 from the Stock Contingencies Reserve, leaving an amount of £150,000 to the credit of this Account, which sum is considered adequate to meet any contingency.

During the year the Non-Contributory Pension and Life Assurance Schemes for Works Employees have been established and expressions of appreciation have been recorded. The periodical review of the Staff Pension Scheme has shown that, due to the inflation of recent years, the pensions accruing to the older members who are approaching retirement age are now inadequate. To rectify this position, your Directors have decided to set aside the sum of £50,000 from the Profits of the year to supplement these pensions.

CAPITAL EXPENDITURE

Last year I mentioned that your Directors had under consideration a scheme for further modernisation and expansion which would involve a capital outlay, according to estimates, of not less than £250,000. Existing facilities at Halifax were inadequate to accommodate the major part of the scheme, which is to erect a fully mechanised non-ferrous foundry, and we have been fortunate in securing a suitable freehold site in close proximity to our existing Machine Shops. We have, for some considerable time, been renting outside storage accommodation which will no longer be necessary when the whole scheme of reorganisation is completed. During the year members of our executive have visited both the Continent of Europe and the United States of America to study modern production methods and equipment ; the layout of the buildings and plant is now being prepared, and we anticipate that we shall shortly be in a position to place contracts. In pursuance of the policy outlined in last year's Review, it was arranged that the executives should continue their journey to include a visit to our Associates, M. B. John & Hattersley Limited, at Ballarat, Australia. The interchange of opinions and the useful information supplied by the Australian executive is genuinely appreciated and will be put to service in our further developments.

WORKS FULLY OCCUPIED

I am pleased to report that the total production and sales figures are slightly in excess of the preceding year. In so far as the order book

position is concerned, we have been able to reduce the outstandings in some sections and improve our stock position, enabling us to give prompt delivery, which has always been the basic policy of the Company and has contributed largely to its success, in others the incoming orders have outstripped the rate of production. Both Works are kept fully occupied.

The latest published Accounts of M. B. John & Hattersley Limited, dated June 30, 1956, recorded a year of increased sales. The profits and dividend were maintained, and the Chairman stated the demand for valves of all types continued to be healthy and that orders on hand would enable a high tempo of production to be maintained. The Interim Dividend for the year ending June 30, 1957, has been paid at the same rate as the preceding year.

With regard to our Subsidiary Company, Beck & Company (Meters) Limited, although sales and production for the first eight months of the Company's financial year reached record figures, the combination of the international crisis, petrol rationing and credit restrictions has caused a serious setback in their activities. Prospects depend entirely upon an early recovery in the demand for their petrol pumps.

During the year a new design of pump, known as the "Beckmeter" Multi-Mix, has been placed on the market, which is specifically designed to serve two-stroke engines with mixtures of oil and petrol in predetermined proportions.

DIRECTORATE

This is the last occasion on which I shall have the honour of presiding at the Company's Annual General Meeting. As I shall attain the age of 70 in October this year, I propose to relinquish the position as Chairman and Managing Director and to resign from the Board on September 30 next, when I shall have completed 52 years' association with the business.

Continuity of that progressive policy hitherto pursued has been ensured by the appointment, as from October 1, 1957, of Mr Hubert C. Nicholson as Chairman and Mr Wilfred J. Lee as Managing Director. Both gentlemen possess full knowledge of the Company's affairs, gained during more than 20 years' association, and they will be supported by a Board of Directors who, equally, through long years of individual service, have accumulated an intimate and unrivalled knowledge of the business.

I wish to express my sincere thanks to everyone in the Company's service for their loyal support, which has ensured continued expansion and prosperity.

REED & SMITH, LTD

SATISFACTORY YEAR DESPITE DIFFICULTIES

SIR ARTHUR C. REED ON THE OUTLOOK

The forty-fifth annual general meeting of Reed & Smith, Limited, was held on May 31st, at Exeter.

Sir Arthur C. Reed, chairman, in the course of his speech, said:

For the year ended December 31, 1956, the Group's trading has resulted in a smaller profit than last year but your Directors consider the result satisfactory.

In my statement to the Members last year I drew attention to the difficulties which we had to face arising out of the Printing Trade dispute and the general tendency towards increased working costs. Since then as you are aware there have been events which have aggravated this trend, but our difficulties have been met as far as possible by increased efficiency.

Our total production fell not far short of that for 1955—which was a record—and in the case of two of the Mills production exceeded that for 1955.

While the profits are lower this year the reduction in the charge for taxation is not proportionate because of the increases in profits tax rates; altogether taxation absorbs almost 50 per cent—a very substantial burden.

Your Directors have felt it desirable to place a further sum of £150,000 to General Reserve which brings the Reserve up to £200,000 for the Group.

THE DIVIDEND

The interim dividend paid during the year was maintained at 7½ per cent, less tax, and the Directors recommend a final dividend of 12½ per cent, less tax, making a total of 20 per cent for the year. This is the same total payment as last year although then the final dividend was 7½ per cent with a bonus of 5 per cent.

Although over £220,000 has been expended during the year on additions to fixed assets, there has been an improvement in the liquid position, the surplus of current assets over current liabilities having increased by some £30,000 to the present figure of over £1,100,000. The Shareholders' Funds now approach £2 million.

The new machine of Fredk. Tremlett & Company Limited at Stoke Canon has not yet started up but is fully expected to do so this coming month. Satisfactory progress is being made on modernising and enlarging one of the machines of The Wansbrough Paper Company Limited at Watchet.

In view of our increasing production facilities, both present and potential, we have enlarged our Sales Staff and have opened a Sales Office in Manchester.

With regard to the current year our working figures show satisfactory results for the first four months.

EUROPEAN FREE TRADE SCHEME

Looking to the future I must mention the concern which both I and your Board feel regarding the proposed participation of Britain in the European Free Trade Area.

Some of us remember that period in the 1920's when we suffered greatly from dumping of foreign paper at ridiculously low prices. From the date of the introduction of even a limited amount of protection, the history of the paper industry in this Country has been one of steady progress and expansion to our present state of efficiency.

Now I feel that unless our participation in the proposed Free Trade Scheme is accompanied by proper safeguards, the British paper trade may again find itself in a difficult position.

The report and accounts were adopted.

At subsequent extraordinary general meetings the proposed conversion of the "A" Ordinary Shares into Ordinary Shares, the issue by way of capitalisation of reserves and the acquisition of the capital of The New Taplow Paper Mills Limited, were approved.

THE CHLORIDE ELECTRICAL STORAGE COMPANY

TOTAL SALES MATERIALLY INCREASED

The 66th ordinary general meeting of The Chloride Electrical Storage Company Limited was held on June 5th at Exide Works, Clifton Junction, nr. Manchester, Mr A. W. Browne, OBE, MIEE (chairman and managing director) presiding. The following is an extract from his circulated statement: The income from trading is higher than last year at £3,160,396, but after deductions for depreciation, pensions, taxation and minority interest the net income is lower than last year by some £70,000, at £1,032,406.

Under present-day conditions your directors consider it essential to be cautious in matters of finance and have therefore placed further sums to reserve, and continue to exercise moderation in dividend distribution which is the same as last year, viz. 17½ per cent for the year.

Whilst the total sales of the Group showed a material increase on last year, the sales and trading profit of the home companies which manufacture and market lead-acid batteries have been less satisfactory.

The available battery business in the car, bus, commercial vehicle, tractor and motorcycle fields was depressed largely by economic factors. Nevertheless, our principal brands —Silver Exide, Chloride and Dagenite—continued everywhere to enjoy the full confidence of the motoring public, commercial users and the trade.

INDUSTRIAL MARKET

In the Industrial market our sales of batteries continued to expand. Here the principal field is for battery-propelled factory trucks for the mechanical handling of goods. Our Exide-Ironclad, Kathanode and Tudor batteries, each with its own characteristics, are specially designed to meet the often onerous demands made on a battery for propulsion duty.

Our third main market for batteries is what is known in the industry as the "stationary" field. The major requirements are for power stations, telephone exchanges and "Keepalite" emergency lighting. The decision to press on more rapidly with the building of atomic power stations which require batteries will inevitably lead to an increase in available business for us.

The fourth or miscellaneous market covers hundreds of types of batteries for as many different uses, and is a source of considerable business. Some of the more important applications are for submarines, trains and aircraft. Whatever the purpose, we either have or are ready to make a battery to do the job.

A substantial increase in profits this year comes from the overseas battery companies. The policy in postwar years in extending the overseas sources of manufacture has been fully justified in the result.

It has been the policy of your Directors to broaden the base of our activities and to reach out beyond the battery trade. Where this has been done the companies concerned have continued to progress satisfactorily.

I believe that although the immediate future may be difficult, our organisation, which has steadily expanded over nearly 60 years, will continue to meet successfully the challenge of changing conditions.

The report was adopted.

THE BRITISH VACUUM CLEANER AND ENGINEERING COMPANY

EFFECTS OF CREDIT SQUEEZE AND TREASURY POLICY

DEVELOPMENT PROGRAMME TO WIDEN MARKETS

MR J. J. HAMBIDGE ON PROGRESSIVE RECOVERY IN CURRENT YEAR

The fifty-third ordinary general meeting of The British Vacuum Cleaner and Engineering Company, Limited, was held on May 30th at Goblin Works, Leatherhead.

Mr J. J. Hambidge (chairman and joint managing director), who presided, said:

Ladies and Gentlemen, this is the fifty-third Annual General Meeting and my Co-Directors join with me in expressing a welcome to all who are today in attendance.

As the Report and Accounts were circulated to all members more than 21 days ago I will, with your permission, proceed to take them as read.

There is no point in disguising the fact that the results for the year have been disappointing, both to the Directors—the Management—the Staff—and you as Shareholders.

When I addressed you in General Meeting a year ago I referred in some detail to the increasingly difficult conditions attaching to the Company's operations consequent on the uplift of Purchase Tax to a penal figure of 60 per cent and concurrent with heavy restrictions on customers' financial facilities known as Hire Purchase. On top of all were the general effects of the control on all forms of Loans, Bank advances and Capital Issues which were characterised as the Credit Squeeze and which together formed part of the Treasury machinery urgently designed to avert the threatened breakdown of the National Economy.

It is necessary that you should understand the danger that threatened us arising from the rapid change of Treasury policy in 1955 followed through by the stiffening up of all forms of Credit Control in the succeeding months. On these matters I dealt in my speech to you last year and in referring to the outlook made it clear that these and other factors were straining the economy of the Company and would inevitably and adversely find reflection in the year's results, the accounts covering which you now have before you.

I do not think there is more to add. We have had a bad time and a very anxious one—but we have certainly not idled our time or failed appropriately to use our resources.

DEVELOPMENT PROGRAMME

In this respect we struggled with current difficulties and, at the same time, invested in the years ahead. It seems to me, looking back that our policy and programme at the time was sound and sensible—to make the best of today and ensure an improved position tomorrow!

With this in mind, we set out a development programme—both to widen our markets—particularly the intensive opening up of new ones, as, for example, Western Germany, a Country of sound economic structure with a high-level market potential which we set out at heavy cost to explore. We are continuing still to make investment of personal effort and energy as well as funds in order to win a profitable and abiding place in that market.

We also directed and promoted a new and vigorous drive on our Home and other markets, knowing that the seed would not yield the harvest until the seasons had gone round, the processes of germination completed and the growth sustained. We also spent more than usually of our resources in time and money in product development, and both our Technical Staff and our Production Staff have good reason to feel that the year did not go by without an unusually significant contribution to the future. Some of this development of new products and processes whilst complementary and akin to our normal manufacture forms addition thereto.

The Directors regard this cost as only partly apportionable to 1956 and have therefore carried forward a sum of £65,000 as a special item of Development Expenditure. This figure is of small significance in relation to our Annual Turnover or even to our expenses.

There is, I think, little more for me to enlarge upon. The Accounts are in your hands and it will be seen that our profit is reduced by about £200,000, almost to the point of extinction. Nevertheless we have succeeded in weathering the worst tempest we have battled against for many years, and taking all in all we have avoided the perils and hazards that beset us.

LACK OF LIQUIDITY A MAJOR PROBLEM

Here let me tell you that we continue to work on the same subscribed capital as we had 20 years ago, and this was a factor of the greatest difficulty in the conditions of the Credit Squeeze operating last year. Lack of liquidity was, of itself, a major problem in maintaining our equilibrium and inevitably had its consequential effect on our production programme necessitating change and loss of rhythm which was extremely costly. But for this fact alone our drop in profits would have been much less or even wholly avoided.

In these circumstances your Directors recently decided to realise their Holding in an Associate Company in which an additional £5,000 was invested last year and which brought the total figure up to £15,000. As you will have noted in the Directors' Report, since the year end this investment has been sold and realised the sum of £52,500, which not only is of some further current assistance to our liquidity, but also provides a profit of £37,500 to be taken into the current year 1956-57.

I am glad to say that the strain on our Finances in the middle of last year has been progressively eased, but, of course, as you all know, the Inflationary conditions continue. The rapidity with which the Company's Capital is turned over is a matter providing a serious problem when a sudden change of market is brought about by Government action as was the case last year and your Directors are giving attention to this problem.

DIVIDEND POLICY

The Directors would, of course, have liked to follow a uniform Dividend policy notwithstanding the disappointing results of the year, and in the light of the very strong reserve position. Nevertheless the Directors felt this could only be justified if the outlook for the current year was so certain that normal average profits will be earned.

At the time of the Report there was insufficient evidence to guide the Directors to this conclusion and the Directors felt it incumbent on them to reduce the Distribution from 15 per cent to 10 per cent.

In the light of my forecast last year and the conditions which have been well known, I think the Shareholders may have congratulated themselves that the Directors have not felt it necessary to be more severe in their Distribution Policy.

In the result the Reserves and Surplus are virtually intact. After providing for Dividend, Profits Tax and Income Tax, these stand at £597,575 in support of the Capital of £150,000 Preference and £300,000 Ordinary. It will thus be seen that Shareholders Net Funds amount to £1,047,575.

In all the circumstances of a most difficult year I think we should express appreciation to all concerned that serious erosion of the Company's reserves has been avoided.

THE OUTLOOK

Touching now on the outlook. We are half way through the Financial Year and have made a progressive recovery. The effect of the measures taken to rebalance our economy have been effective and profitability of working restored.

So far—so good—and we hope to see all go well and in line with our efforts and intentions. But you all know that there is another spate of inflationary demands making inroads on the Industrial Economy of the Country. We are End Product manufacturers in a highly competitive field of Industry. It is therefore necessary for us to maintain a counter-pressure against the forces of inflation.

This is a warning note that I feel it necessary to sound, but I believe that with all that has been set in motion we shall have a reasonably satisfactory result to show for our endeavours this year.

I am sure you will join me in a warm expression of thanks to the Management and Staff for their co-operation and loyal service.

The report and accounts were unanimously adopted and the dividend of 10 per cent, less tax, was approved.

Mr R. C. Robson's appointment to the Board was confirmed, and Mr J. R. Phillipson, to whom the Chairman paid tribute for his strength and wise counsel, was re-elected a Director.

The proceedings terminated with a hearty vote of thanks to the Chairman, Directors, Staff and Employees.

UNITED SUA BETONG RUBBER ESTATES LIMITED

NEED FOR ACCEPTABLE TAXATION PRINCIPLE

SIR JOHN HAY ON MALAYAN GOVERNMENT'S OPPORTUNITY

The forty-eighth Annual General Meeting of the United Sua Betong Rubber Estates Limited will be held on June 12, 1957, at 19 Fenchurch Street, London, E.C.3.

Dealing with the domestic affairs of the Company, Sir John Hay pointed out that over the past seven years the distribution of the Company's profits was as to 64½ per cent in taxation to the Malayan and United Kingdom Governments, 17½ per cent (net) to Stockholders and 17½ per cent ploughed back into the business; the net dividend of 42½ per cent proposed for the year under review, if expressed in terms of a percentage of the capital actually employed in the business, would amount to only 8½ per cent. Sir John continued:

TAXATION AND THE FUTURE

Our accounts as now presented include provision for taxation in accordance with the law as it now exists. The Chancellor of the Exchequers's budget statement, however, contained the promise to overseas trading corporations of relief from United Kingdom taxation subject, of course, to certain conditions. This promise has been embodied in the draft Finance Bill now under discussion in Parliament and until that Bill has been enacted and its final terms studied I cannot say with any certainty to what extent this and similar companies will be affected.

The indications so far given do encourage us to believe that the concessions likely to be granted are significant and a welcome lightening of the heavy burden of taxation which companies such as this have been obliged to carry for so long. If the Malayan Government would signalise its new-found independence by removing discriminatory taxation on its main industry and require from us only the same rate of taxation as is imposed on other Malayan enterprises, then equity, now so seriously impaired, would be restored and for the first time we should enjoy fair conditions of competition with the rival product, synthetic rubber.

Any such action which encourages and supports the natural rubber industry in Malaya cannot fail to add strength to that country's economy. We have noted with appreciation the assurances given to overseas capital. But in the public mind Malaya is inseparably identified with rubber and the knowledge that in that country taxation follows the unusual method of putting a tax on rubber production, at present at the rate of 10 per cent, inevitably qualifies the confidence which these assurances seek to establish.

The advent of a new Government provides an opportunity of applying a form of taxation based on some acceptable principle and aimed at encouraging a ready flow of capital to Malayan enterprises, without which there cannot be that economic expansion which is necessary if the commendable aim to raise the standard of living is to be realised.

DISTRIBUTION

Of the industry's life blood the principal insured medium of distribution was not absent. Many of the associated companies which reached its jubilee last year I recorded an occasion when the investing public was willing to pay £15 for a £1 share which did not muster a higher dividend than 10 per cent.

Such were the extravagant hopes then entertained. These hopes, I need hardly say, were only very partially realised and never to such an extent as to justify the high price of £15 per share. This same company now pays dividends at the rate of 20 per cent. It has built a financial position never achieved in former years and conducts its affairs with the higher efficiency of modern times, yet its stock is now readily obtainable in the markets at or about par. To such extremes can sentiment run, eager at one time to buy on a yield basis of ¼ per cent, neglectful at another time of the opportunity to enjoy a yield of 20 per cent.

Past disappointments and present political risks no doubt combine to induce caution, but such considerations can hardly warrant share prices which are far remote from asset values and earnings. It is the continuance of this state which offers to the "take-over" bidder the rich opportunity for a quick profit, the realisation of which too often results in the disruption of an enterprise carefully developed over long years. In our particular case sentiment has expressed itself in a milder and less objectionable way, namely, for a payment out of what are deemed surplus funds.

In these heavily taxed days with their accompanying threats of still heavier imposts, a tax-free distribution has its special allurements. It is, however, an operation which, generally speaking, can only be performed once, involving a subtraction from resources that might otherwise be profitably employed. With our outstanding record of earnings and distributions we were not without reason for believing that Stockholders would be content to leave any apparent surplus with the company, available for profitable employment when the time was deemed right for further expansion.

But such farsighted views could not contend against a strong trend of opinion in favour of the more immediate benefits of a cash payment now. The choice having been thus made, we propose, subject to the sanction of the Court, to pay out of share premium account 5s. per £1 Stock tax free. Stockholders will appreciate that future distributions must be dependent on revenue earnings.

FIAT S.p.A.

TURIN, ITALY

(Motorcars, Aircraft, etc.)

GROWING SUCCESS IN ITALY AND ABROAD

The Annual General Meeting of the Fiat Company was held in Turin on April 29th, with Professor Dr Vittorio Valletta, Chairman and Managing Director, in the chair. The following are details of the report presented by Professor Valletta on behalf of the Board of Directors:

In reviewing the international situation, the Report draws attention to the fact that the political events and profound social upheavals of 1956 have led to a clarification of principles and trends. "In particular there is need for a more resolute determination of the West to co-ordinate its efforts and its defences, and to co-operate on the basis of the Atlantic Alliance in fostering the moral, political, economic and social values of the free world—values which are increasing their importance in peoples' minds, including those nations who still lack the opportunity of peacefully expressing their aspirations. They are the values of liberty and of human dignity. Equally important is the desired goal of free enterprise, subject only to such governmental supervision as is necessary to safeguard the public interest. The importance and desirability of these goals of Western civilisation are emphasised by the results everywhere apparent in dictatorial and collectivist regimes."

On the European Common Market and Euratom, the report states: "After the European Coal and Steel Community, they will be the proving grounds of European solidarity and wisdom. Fiat is now, and will always be, in the forefront of those who are tackling these big tasks. We shall co-operate with other Italian organisations and with those foreign organisations which are the pioneers of scientific, technical and economical progress, foremost among them being those in the United States."

The year 1956 once again showed a substantial growth in the Company's business, which resulted in sales totalling Lit.340,000 million, Lit.30,000 million more than in 1955. Motor vehicles sold totalled 291,743 (41,444 more than in 1955) and included exports of 80,383 units. Output further comprised 14,000 tractors and 605,000 tons of iron and steel. There was also an increase in the production of railway rolling stock, diesel engines, aircraft (F.86-K aircraft manufactured in co-operation with North American Aviation, Inc., and jet aircraft derived from the G 91, winner of an international contest). Fiat's total exports for 1956 amounted to Lit.77,000 million. Investments in new plants in 1956 accounted for a further Lit.50,000 million. The Central Mirafiori plant was enlarged during the year by the completion of the Southern Mirafiori extension (area 1.7 million sq. ft.).

Fiat's models 600, 1100, 1400, and 1900 continued to sell with growing success both in Italy and abroad. The new smaller economical Fiat model will be launched on the market before the end of the year. Utility models of types 600 and 1100 were introduced into the vast American market, backed by an efficient spare parts and service organisation.

The Company's present labour force amounts to more than 77,000 people, i.e., 2,431 more than in December 1955, a rise which was achieved in spite of the progress of automation. Labour-Management relations have reached an especially high level of co-operation within the Company. The Shop Steward elections of April 9, 1957, confirmed and strengthened the victory of the free, democratic Labour Unions. Fiat wages and salaries remain above the maximum national contract rates and are rising still further through increasing fringe benefits and social welfare assistance to the workers and their families.

The balance sheet showed a surplus of Lit.14,055 million, and it was accordingly decided to declare a dividend of Lit.80 per share.

The report, the accounts and the proposals put forward by the Board were adopted.

At an Extraordinary General Meeting immediately afterwards it was decided to approve an increase in the Company's capital from Lit.76,000 million to Lit.100,000 million, and the issue of a bond loan amounting to Lit.24,000 million.

THE CONSOLIDATED ZINC CORPORATION

PLANS FOR FUTURE DEVELOPMENT

MR L. B. ROBINSON'S REVIEW OF ACTIVITIES

The eighth annual general meeting of The Consolidated Zinc Corporation Limited will be held on June 26th at 37 Dover Street, London, W.1.

The following are extracts from the Statement of the Chairman, Mr L. B. Robinson:

The Trading Balance for 1956 of £6,250,323 was lower than the previous year by £187,532, the decrease being wholly due to the effect on the group's activities in the United Kingdom of the deterioration of trading conditions in this country.

The profits from our subsidiaries operating in Australia showed little change from the previous year.

Income from trade investments in associated companies showed a satisfactory increase mainly due to high dividends received from New Broken Hill Consolidated Limited and The Broken Hill Associated Smelters Proprietary Limited, and with additional interest on Government and other securities the consolidated profit of the group before mining royalty and taxation at £6,123,432 was only slightly lower than the figure for 1955, £6,186,534.

The consolidated net profit for the year amounts to £2,044,283 which is £300,545 lower than the net profit for 1955.

Transfers of £800,000 have been made to general reserves.

It is proposed that the final dividend should be at the same rate as last year, namely, 3s. per share, thus maintaining the same total for the year of 4s. 6d. per share.

PRODUCTION

The Zinc Corporation Mine at Broken Hill and that of New Broken Hill Consolidated showed a further expansion in ore production with a continued increase in mining efficiency.

The ore reserves of both mines were fully maintained by development work during the year.

The production of metal from the zinc plants of Imperial Smelting Corporation in the United Kingdom was maintained at virtually the same level.

The output of high purity anhydrous hydrofluoric acid increased with additional quantities being supplied to the Atomic Energy Authority and to some of the oil companies.

Other products based on fluorine made satisfactory progress and the new plant for the production of "Isceon," the registered name for a group of fluorine based refrigerants and aerosol propellants, came into operation in January, 1957.

In December last we announced the formation of the Commonwealth Aluminium Corporation to undertake the further investigation and planning for the development of the deposits of bauxite discovered on the West Coast of Cape York Peninsula.

LEAD AND ZINC MARKETS

During the past year the operations of the US Stockpile have dominated both markets. The setback in zinc consumption in the United States of America due to the mid-summer steel strike and the falling off in automobile production, coupled with a sharp down-turn in UK car production, caused deliveries to the Stockpile to reach very large tonnages. We have, therefore, constantly before us the problems that would emerge if there should be a change in US official policy. There is little doubt that current production, particularly of zinc, would be more than industry could immediately absorb, even if a return to the 1955 rate of consumption were to take place. We believe, however, that whilst the underlying tendency of world inflation continues and determined efforts are being pursued to raise the living standards of undeveloped countries, the position should in due course again be in balance. There may, however, be a period when this lack of balance will adversely affect metal prices and we must be prepared for the consequences. This situation is not a new one and has been faced successfully by the group in the past and we are therefore justified in facing the future with quiet confidence.

THE OUTLOOK

In looking to the future it must be borne in mind that our main source of income will for several years ahead be derived from our present interests in lead and zinc production in Australia and the United Kingdom. It must clearly be some time before the new projects can be developed to a revenue earning stage and our activities are more widely based. In the meantime, our cash resources place us in a strong position to face any vagaries in the markets for our present products and to insure the uninterrupted progress of our plans.

HIGHLANDS & LOWLANDS PARA RUBBER COMPANY LIMITED

MR T. B. BARLOW'S STATEMENT

The Fifty-First Annual General Meeting of the Highlands & Lowlands Para Rubber Company Limited was held in London on June 5th.

The following is an extract from the circulated statement made by the Chairman, Mr T. B. Barlow:

The profit for 1956 was £216,000, compared with £154,000 in the previous year. £118,000 is required for taxation, £75,000 has been transferred to replanting reserve and a dividend of 4s. per £1 stock unit will be paid. In addition, a capital distribution of 2½ per cent will be made, free of tax.

It is interesting to note the sources of the year's increased profit. The price of palm oil was £7 a ton higher and, with the larger crop, we doubled our profit from that cultivation. In addition, refunds of replanting cess and anti-inflationary cess increased by £27,000, and there was £7,000 more from interest and investment income.

The year 1956 has been one of progress and achievement. We planted 374 acres of rubber and 416 acres of oil palms. This year we expect to deal with 160 acres of rubber and 516 acres of oil palms. The time has now come when better crops and yields are materialising from improved stock of both cultivations, so that in future steadily increasing outputs may be expected, despite the fact that replantings or new planting are planned to continue at the rate of 700 acres a year.

During the last 10 years we have replanted 33 per cent of our acreage. This compares with an average of 28 per cent in Malaya. The Company now has 58 per cent of its total plantings under improved rubber or oil palms.

MALAYAN OUTLOOK

The continued progress in the improvement of our properties reflects the confidence which the Board have in the future of Malaya. This confidence is justified by the faith we have in the men who are to run the country after independence, and who have shown themselves ready to allow all interests to have a fair stake. Indeed, it is only recently that Tungku Abdul Rahman has reaffirmed the security of foreign capital and his wish to attract more.

Malaya is the most prosperous nation in South-East Asia. The country's two main commodities—rubber and tin—earn a large amount of dollars in the USA and are a great contribution to the Sterling Area's dollar earnings. Malayan dollar earnings in 1955 were £68 million. We all wish Tungku Abdul Rahman every success in leading his country as an independent nation in the Commonwealth after "Merdeka" on August 31, 1957.

On the very important aspect of labour relations, Trade Unionism in the Rubber Industry is developing on sound lines and there is a growing respect between the Malayan Planting Industries Employers' Association and the National Union of Plantation Workers.

WORLD DEMAND FOR RUBBER

The world rubber position is reasonably satisfactory, according to the following tables (in thousands of tons):

	Natural	Synthetic	Total
1956:			
Production....	1,925	1,211	3,136
Consumption..	1,900	1,135	3,035
Estimates 1957:			
Production....	1,900	1,265	3,165
Consumption..	1,890	1,225	3,115

But the above figures indicate the need for natural rubber to maintain its research work. Synthetic is slightly cheaper than natural and, broadly speaking, it is produced by the leading manufacturers of tyres and rubber goods, so that the main consumers of natural are likely to prefer synthetic when possible. But the more we know about the nature and reactions of natural rubber, the better will we be able to compete. As growers, we are doing are best to reduce costs by planting high yielding trees, but a small increase in the cess on rubber to safeguard research is most necessary.

1957 has started fairly well, but prices of both rubber and palm oil are lower and costs are not. With an estimated crop of 4,100,000 lb of rubber, 2,600 tons of palm oil and 650 tons of kernels, our turnover should increase and help our position. If, therefore, nothing unforeseen occurs, the current year should be viewed with cautious optimism.

The Report and Accounts were adopted.

UNIVERSAL PRINTERS LIMITED

(Controlling Bemrose & Sons Ltd., Derby, Alf Cooke Ltd., Leeds, and Norbury Printers Ltd., Manchester)

HIGHLY SATISFACTORY RESULTS

MR MAX BEMROSE'S REVIEW OF COMPANY'S HISTORY

The thirty-sixth annual general meeting of Universal Printers Limited was held on May 30th at Derby, Mr Max Bemrose, MA (the Chairman), presiding.

The following is his circulated statement:

It is thought that some details of the Company's history will be of interest to our Shareholders.

In 1921 Bemrose & Sons Limited, Alf Cooke Limited and Norbury, Natzio & Company Limited (now called Norbury Printers Limited) amalgamated and a new Company to control the Group was formed, called Universal Printers Limited.

The amalgamation has enabled each of the three Companies to specialise in a particular market, to assist each other financially, and to exchange information on technical and other matters. As a result resources have been greatly strengthened during the thirty-five years' existence of your Company.

SHAREHOLDING

The whole of the shares of each of the Unit Companies are owned by Universal Printers Limited whose capital is held by the general public. Incidentally, our Shareholders include some of the largest insurance companies, investment trusts, employees' pension funds and bodies associated with the Church and the Co-operative movement.

MANAGEMENT

Each Company is managed by a Board of Directors with freedom of action, subject to broad policy, to manage their own affairs. The Board of the Parent Company, which includes Directors of each Subsidiary, deals mainly with finance and policy.

PROGRESS

The Unit Companies are in the forefront of the printing industry in this country, and in order to keep that position modern developments and new markets are constantly under review. This means new plant and machinery, new buildings, new equipment, all of which, up to the present time, have been provided out of retained profits. During the ten years ended December 31, 1956, the Group has spent no less than £1,122,385 on new plant and machinery. In addition, profits make it possible to provide pensions and improved facilities in the Works.

The financial year under review, in spite of difficulties, proved highly successful, the profit of the Group, before providing for taxation, being £458,766, as compared with £421,150 for 1956. This result has been exceeded only once.

The dividends paid to the Shareholders and the amounts retained for development are relatively small as compared with the cost of materials, the services of those employed in the business and taxation.

The net amount of the Preference and Ordinary dividends provided in the accounts represents 3.84 per cent of the Shareholders' funds employed in the business at December 31, 1956, i.e., the total of Capital and Reserves, £1,679,173.

CAPITALISATION OF PROFITS

The Shareholders' stake in the business is increased by the retention of profits which might otherwise have been distributed in dividends, and it is proposed, out of the amount so retained, to issue to the holders of the Ordinary shares one new Ordinary share, credited as fully paid up, for every two shares held.

The issue of additional Ordinary shares does not necessarily imply that the aggregate amount distributed in dividends will be increased.

THE FUTURE

Competition during the first three months of the current year increased considerably. The present trend of business, however, indicates an improvement in trading conditions which we hope will be maintained.

DIRECTORS AND STAFF

Mr Arthur Walker, who retired on June 30, 1956, made an important contribution to the successful development of our Photogravure Wrappings Section. You will desire to join with the Board in expressing appreciation of his services to the Company and in wishing him every happiness in his retirement.

To fill the vacancy on the Board we have appointed Mr Harry Hall, a Director and General Manager of Bemrose & Sons Limited, with which Company he has been associated all his business life.

We are proud of the tradition of service and loyalty of the employees of the Group which has been maintained throughout the year. Our thanks are due to all concerned.

The report and accounts were adopted.

At a Subsequent Extraordinary General Meeting the proposed capitalisation of reserves and scrip issue of one new Ordinary share for every two held was approved, and the increase of the Authorised Capital from £1 million to £1,300,000 was sanctioned.

EXPERT TOOL GROUP

IMPROVED RESULTS

The Thirty-Sixth Ordinary General Meeting of The Expert Tool and Case Hardening Company Limited was held on June 4th in London, Mr A. H. Redfern, the Chairman, presiding.

The following is an extract from his circulated statement:

Your board decided to wind up and liquidate all the South African Companies as soon as existing contracts could be completed. This policy is being carried out, and practical work on the last of the contracts is expected to be concluded during the latter part of this year.

Turning to the home companies, I am pleased to be able to report a satisfactory state of affairs. Your companies have had a successful year, and the net available profits are substantially higher than those for either of the previous two years. The net profits before taxation amount to £107,096, as compared with £70,094 for 1955. Taxation absorbs £57,693, leaving a disposable surplus of £49,403, as compared with £24,571 for the previous year. After providing for the dividend on the Preference shares, a dividend of 12½ per cent on the Ordinary shares, and appropriating £20,000 to general reserve, the balance of undistributed profits carried forward is £23,041.

The improved results in 1956 have been contributed to by several of your subsidiary companies and Expert Tool Heat Treatments Limited, Herbert Hunt & Sons Limited, Sharp Control Gear Limited and Waddells (SSE) Limited have all earned increased profits.

Major reorganisation, expansion, and development plans were initiated during the year, and excellent progress has been made. Your subsidiary companies have served you well in the past, but the most modern techniques are required if they are to maintain and improve their places in the industries in which they are engaged. Considerable expenditures are being incurred in development work towards this end.

The report and accounts were adopted.

FOY, MORGAN AND COMPANY, LIMITED

SATISFACTORY RESULTS

The twenty-second annual general meeting of Foy, Morgan and Company, Limited, was held on May 30th at the offices of the company, 16 Eastcheap, London, E.C.3, Mr Peter Morgan (the chairman) presiding.

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

The Accounts for the year ended on December 31, 1956, which are now submitted, show that, although there was a fall in Trading Profit amounting to about £82,000, the balance of Profits to be carried forward has been increased.

It is, in the view of your Board, satisfactory that this result has been achieved in spite of the particularly difficult trading conditions encountered in 1956 which led to a very substantial drop in the total amount of wood goods imported into this country. I am glad to be able to report that the Company, in most spheres of its activity, increased its share in the total of sales recorded. I feel that great credit is due to the loyal efforts of our Staff and, accordingly, wish to record the Board's gratitude to them for their good work.

I have to report, with regret, that after many years of devoted service to the Company, both in junior and senior capacities Mr R. V. Cooper felt that his health compelled him to resign from the Board at the end of the year. We shall still be able to benefit by his advice when required, but we hope that his well-earned leisure will enable him to recover his well-being.

I wish to welcome Mr K. E. Nordstrom to the Board. I am sure that he will prove himself to be a valuable addition to its strength.

Finally, I would say that, although the year's trading so far has shown signs of improvement, it is too early to make a confident forecast in view of the political uncertainties which exist. I believe, however, that the future is promising.

The report and accounts were adopted.

BRITISH INSULATED CALLENDER'S CABLES

GROUP SALES £129 MILLION

The Twelfth Annual General Meeting of British Insulated Callender's Cables Limited will be held on June 25th, in London.

The following is an extract from the circulated Statement of the Chairman and Managing Director, Mr W. H. McFadzean, CA, Companion IEE:

Profit on Trading at £9,322,544 shows a decrease of £2,530,308, but some £560,000 of this is due to the inclusion in the 1955 figures of the Trading Profit of the Indian Cable Company, which ceased to be a subsidiary in 1956. On a strictly comparable basis Profit on Trading for 1956 is thus some £2 million less than 1955, which was a year of exceptionally favourable trading conditions.

The main reasons for the fall in Profit have been our inability to recover in full the substantial increases we have had to bear in salaries, wages, transport, fuel and many other costs, and the intensified competition being experienced both at home and abroad. These adverse factors have to some degree been offset by the benefits being obtained from recent capital expenditure and by an increase in sales but, on balance, profit rates are appreciably lower. Competition is a challenge always to be met, but the trend in 1956 for costs to increase at a greater rate than productivity is one that must be reversed soon in the interests of this country as a whole.

It is proposed to pay a Final Dividend of 8½ per cent, making, with the Interim Dividend already paid of 4 per cent, a total distribution for 1956 of 12½ per cent (all less income tax).

The Balance Sheet is a strong one, with assets shown at very conservative figures and Reserves now totalling over £29 million.

SALES

Sales of the BICC Group to outside customers amounted to £129 million, a new record and an increase of some £10 million or 8.3 per cent over 1955. The increase in volume of goods produced was even greater, for generally speaking lower selling prices applied during the year and the average price per ton of our principal raw material, copper, was also less than in 1955.

The two principal factors influencing sales in 1956 were the violent changes in the price of copper, and the impact of credit restrictions. One of the main features of home business has been the work we have carried out on railway electrification. Stockholders will already be aware of the very large contracts entrusted to the BICC Group by the British Transport Commission, and we are proud of the fact that we have been requested to prepare for the Commission the basic designs of the overhead equipment required. It is a tribute to our technical development work and to our reputation in the railway electrification field over more than forty years.

Having regard to the extremely disturbed conditions which have applied lately in this country and elsewhere, it is difficult to express definite views on 1957 prospects. All I feel I can say is that in total our orders received are up to our figures for the corresponding period last year: that the immediate trend of demand for some of our products is still uncertain; and that competition remains extremely keen.

From the longer term aspect I have every confidence.

DAVIS AND TIMMINS LIMITED

TURNOVER AGAIN A RECORD

The fifty-eighth annual general meeting of Davis and Timmins Limited, was held on June 3rd, in London.

Mr F. Le Neve Foster (the chairman) presided and, in the course of his speech, said:

The Group Trading Profit for 1956 is £352,424, as compared with £465,777 for the previous year, while the Net Profit, after depreciation, Directors' emoluments, etc., and Taxation, amounts to £136,694, compared with £197,651 for the previous year. In comparing these figures, however, it must be remembered that the figures for 1955 were record results, and a better perspective is obtained if the results of the preceding years are looked at. Under the difficult conditions with which we have had to contend and which, as is well known, have been common to the Engineering Industry, I regard the results as satisfactory. Turnover was in excess of that for 1955, and again constitutes a record, but increased costs of production, due to wage advances, have lowered profit margins.

The Directors recommend a Final Dividend of 15 per cent, making, with the Interim Dividend of 7½ per cent already paid, a total of 22½ per cent on the issued Ordinary Capital. The total requirements for the year for our Net Dividends amount to £60,986, which is covered with an ample margin by the Net Profit, after taxation, of £136,694.

In view of plans for further developments which the Board has under consideration, particularly in the expansion of the Datim Machine Tool business, it decided to increase the cash resources of the Company. Since the close of the year it has raised further capital by placing and issuing at par £300,000 6 per cent Unsecured Loan Stock 1978/80, which, after repayment of the existing 5 per cent 1960 Loan of £100,000 and the expenses of the issue, will provide us with a sum of about £197,000 additional cash. Our Subsidiary, the Datim Machine Tool Company Limited, has again made a valuable contribution to the Company's profits, both through its sales to outside markets and by the specialised technical services it has rendered to the main production units of the Company.

In spite of the record turnover, 1956 has been a difficult year for the screw and turned part industry. During the first part of the year excellent results were achieved, but in the second half, under the influence of events and trends, the demand for our products fell off, particularly in what we term "Specials" leading to price cutting from firms anxious to keep their autos running. It is gratifying, however, that on the Stock side of the business the position is more satisfactory. We now have six depots strategically sited throughout the country, London, Birmingham, Bristol, Manchester, Glasgow and Belfast. Through these depots we give a service which is unequalled in our trade and which is much appreciated by our customers.

At our last Meeting I referred to our policy of pegging prices and lowering them wherever possible. As to how much longer we can continue this policy in view of the further substantial Engineers' Wages Award just granted must be a matter of conjecture. Such increased costs can only be met by the expansion of efficient production, but this must be matched by a rising market and buoyant trade.

The report and accounts were adopted.

NEW BROKEN HILL CONSOLIDATED

RECORD ORE PRODUCTION

The twenty-first annual general meeting of New Broken Hill Consolidated Limited will be held on June 26th in London.

The Chairman, Mr L. B. Robinson, prefaced his circulated statement, from which extracts are set out below, with a tribute to the late Chairman, Mr J. R. Govett.

The results for 1956 show a profit before taxation of £1,991,129, compared with £1,850,449 for 1955, an increase of £140,680.

Production of ore reached a record figure and although the average grade of ore was lower than in 1955 the production of recoverable lead in lead concentrates was higher. The tonnage of lead realised in 1956 was higher than in the previous year but, due to the incidence of shipping, was 91 per cent of the production, compared with 98 per cent for 1955. The average realised prices for lead and zinc concentrates were higher than for 1955, but ocean freights were also considerably higher and absorbed much of the increased revenue from sales. The cost per ton of ore at Broken Hill—including milling cost—increased by approximately 7 per cent, which was almost entirely accounted for by an increase in the charge to revenue for mine development and an increase in production from square-set stopes.

The charge for taxation was much higher in 1956 and amounted to £1,116,000, compared with £903,386 for 1955. It is too soon to assess accurately the benefit which the company should derive from the provisions of the Finance Bill 1957, but, from an examination of the Bill as published, it appears that the company should qualify as an Overseas Trade Corporation. Due to the heavy taxation charge the net profit for the year, at £874,529, is £72,534 lower than for 1955. A transfer has been made to General Reserve of £150,000 compared with £300,000 for 1955. It is proposed that a final dividend of 3s. per share be paid, compared with 2s. 6d. per share for 1955, giving a total distribution for the year of 5s. per share compared with 4s. 6d. per share for 1955.

PRODUCTION

Ore production from the Company's leases in 1956 totalled 606,325 tons (lead averaging 8.7 per cent, silver 2.2 oz, and zinc 12.9 per cent), compared with 531,447 tons in 1955 (lead 8.9 per cent, silver 2.0 oz, and zinc 13.8 per cent), an average of 2,516 tons of crude ore per day, as against 2,252 tons per day for 1955.

Realisations as compared with 1955 were as follows: Recoverable lead, 44,044 tons (41,914); silver, 988,731 oz (787,030); zinc concentrate, 124,191 tons (117,811).

Total ore reserves fully outlined and developed ready for stoping or in the process of being stoped, as at December 31, 1956, are calculated at 3,200,000 tons assaying lead 10.7 per cent, silver 2.7 oz, and zinc 10.7 per cent, compared with 3,000,000 tons assaying lead 11.0 per cent, silver 2.7 oz, and zinc 12.0 per cent at December 31, 1955.

After reviewing the major items of underground development and drilling, the Chairman concluded: The increase in the output of the Mine to 606,000 tons as compared with the target figure of 540,000 tons is wholly attributable to the continued improvement in operating efficiencies, and this could not have come about without sustained effort and effective co-operation on the part of all concerned.

LONDON ELECTRIC WIRE COMPANY AND SMITHS

OUTPUT MAINTAINED

The forty-eighth annual general meeting of the London Electric Wire Company and Smiths, Limited, was held on May 30th in London, Mr A. Noel Smith, chairman, presiding.

The chairman, in the course of his speech, said: The profit for the year at £1,015,441, subject to taxation, is £388,626 less than last year. Because of the substantial balance of orders outstanding at the beginning of 1956, output was maintained, but during the year there was a fall in demand in certain sections, which unfortunately were those affording the highest profit. This was due in the main to the effect of the credit squeeze on the motor, radio and domestic appliance industries. Profit was further reduced by continually rising costs which were not passed on to our customers.

I have said before that every step was being taken throughout the organisation to offset rising costs by the use of improved methods and the most up-to-date equipment. This process is continuing, but it is a difficult task because a number of important items of cost beyond our control, such as transport, fuel and power and local taxation, are still increasing. Unless there is a halt to these rising costs it is inevitable that selling prices must rise, because there is a limit beyond which higher costs cannot be absorbed.

EUROPEAN FREE TRADE AREA

During the last few years our direct exports to many countries have been maintained in spite of increasing competition. The plan, now under way, for the free trade area of Western Europe which Her Majesty's Government advocates and has decided in principle to support is a daring and far-reaching plan and a challenge to British industry. It is my opinion that we should not fear Continental competition in the home market but that by efficiency and energy we should take advantage of the opportunity the greatly increased market will present.

During the year new products, resulting from the work of our technical staff, have been favourably received by our customers. In addition, several processes have been revised and remodelled to give better quality and more efficient production.

Although at present there is no marked improvement in the position, there are signs of increasing activity in the electrical and motor industries which is bound to result in greater demands for wires and cables and our factories are now in a position to meet any anticipated demands that may develop.

It is, however, certain that competition both at home and overseas will grow more intense and with this in view it is the continued policy of your Board to develop and acquire the most modern plant and equipment for our several factories in order to keep in the forefront of our industry. We have the resources to pursue this policy and thus to take advantage of any opportunities that may arise for further expansion. It must be expected, however, that profit margins will tend to diminish, and it will be necessary to increase our turnover both at home and overseas. With the growing use of electrical energy throughout the world the demand for your company's products is bound to increase and I am confident that we shall obtain our full share.

The report and accounts were adopted.

WORTHINGTON-SIMPSON

A RECORD YEAR

The sixty-sixth annual general meeting of Worthington-Simpson Limited was held on June 4th in London, Sir Samuel R. Beale, KBE, MIMechE, chairman, presiding.

The following are extracts from his circulated statement for the year 1956:

I am pleased to be able to submit the results of a record year. The trading profit of £1,050,971 shows an increase compared with last year of £163,253 and, after making provision for all charges, including taxation, the net profit for the year under review is £478,700 as against £405,977 for 1955. The rise in the profits was principally due to increased sales, although once again we have taken profits on certain large contracts which reached fulfilment during the year. We experienced an increasing demand for our products.

Your Board recommends that the final dividend on the Ordinary shares be 15 per cent less tax, making with the interim dividend of 10 per cent less tax, paid last December a total of 25 per cent, less tax, for the year; an increase of 5 per cent.

Your Directors had felt that, in view of the financial position of the company having been further consolidated, the issued capital of the company should reflect more accurately the actual amount of money invested in the business and had intended to recommend the issue to the company's Ordinary shareholders of one new 10s. Ordinary share, credited as fully paid, for every two Ordinary shares held. HM Treasury has however refused its consent to this issue.

The report and accounts were adopted.

INTERNATIONAL PAINTS

MR C. R. PETRIE ON PROGRESS AND EXPANSION

The forty-ninth annual general meeting of International Paints (Holdings) Limited was held on June 5th in London, Mr Charles R. Petrie, Chairman and Managing Director, presiding.

The following is an extract from his circulated statement: Our operating companies throughout the world achieved in 1956 record levels of turnover, factory output and profits. Our consolidated profit as a result is the highest ever reported to you.

It is perhaps of interest to note that the profits of our Subsidiaries in the United Kingdom have accounted for approximately 65 per cent of the Group's total earnings, the remaining 35 per cent. having been provided by our companies overseas.

In the United Kingdom our paint companies have increased their sales, factory output and profits. Our paint exports show an encouraging expansion and are the highest ever achieved. Our non-paint subsidiaries in this country show improved results and have made a valuable contribution to our United Kingdom profits. Our companies overseas continue to make progress, nearly all having reported increased profits.

Since the beginning of this year the progress made in 1956 is being well maintained, both at home and abroad, and there is every reason to expect that this year's results will be comparable with those now presented to you.

The report was adopted.

BARRY & STAINES LINOLEUM, LIMITED

The annual general meeting of this company will be held on June 27th in London

The following is an extract from the statement by the chairman, Mr T. J. Cavanagh circulated with the report and accounts for the year ended January 31, 1957:

Group profits have followed the downward trend of the linoleum industry and of the many other industries which found 1956 a difficult and disappointing year. The upward surge of all costs continued; but selling prices, which were increased in February, 1956, to cover only the then increased costs of raw materials, remained virtually unchanged. Sales both in volume and value were adversely affected by credit stringency at home and by restrictions of one kind or another in most of the export markets. All our manufacturing subsidiaries traded profitably, including our latest acquisition, Sheerloom Carpets Limited.

Future prospects are more encouraging than they were at this time a year ago. Profit margins are slender, but it is reasonable to expect an increased volume of business provided there is no major disturbance in international relations or national economies. Purchase Tax has been reduced from 30 per cent to 15 per cent. Linoleum can hold its own in the most luxurious surroundings, but nevertheless it is not a luxury article. Even at a 15 per cent Purchase Tax level it is still out of line with other furnishing commodities, the bulk of which are tax free. The price of linseed oil, although still too high, has eased a little; Australia has announced a forthcoming easing of its quota restrictions. These are all welcome moves in the right direction.

Subscriptions to most countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is either because the alternative is not available or not recommended.

ANNUAL AIR SUBSCRIPTION RATES

	Airmail	Air Freight		Airmail	Air Freight		Airmail	Air Freight
Australia	£8 5s. strlg.	—	India & Ceylon	£7 15s.	£6	Pakistan	£7 15s.	£6
Canada	—	$21.50 or £7 14s.	Iran	£6	—	Rhodesia (N. & S.)	£7 15s.	£5 10s.
East Africa	£7 15s.	£5 5s.	Iraq	£6	—	S. Africa	£7 15s.	£5 10s.
Egypt	£6 0s.	£5 5s.	Israel	£6	—	S. America	£7 15s.	—
Europe (except Poland)	£4 15s.	—	Japan	£7	—	Sudan	£6	£5 10s.
Gibraltar, Malta	£3 15s.	—	Malaya	£7 15s.	£6 15s.	U.S.A.	—	$21.50 or £7 14s.
Hongkong	—	£7	New Zealand	£9 strlg.	—	W. Indies	£7 15s.	—
			Nigeria, Ghana	£7 15s.	£5 5s.			

APPOINTMENTS

ENGINEERING IN THE CHEMICAL INDUSTRY?

Why is the Chemical Industry of interest to the Engineer? Firstly, because it uses a wider selection of engineering plant and equipment than any other branch of industry; secondly, because the problems which it has to tackle are such that their solution depends as much on the Engineer as on the Chemist. The industry is expanding rapidly and at

IMPERIAL CHEMICAL INDUSTRIES LIMITED, WILTON WORKS,

over 4,700 men are working on the design and construction of the largest single project in Britain's chemical history. Wilton Works is a manufacturing centre, with its own Power Station, where any Division of I.C.I. can build and operate production units. Twenty-one plants are in operation today and included in these are "Perspex," "Terylene" and Titanium. The number of

MECHANICAL, ELECTRICAL and INSTRUMENTATION ENGINEERS

required for design, construction, operation and Work study is steadily increasing as the Works continue to grow. Salaries depend on ability and experience and are reviewed annually after appointment. Promotion is by merit alone and individuals are considered at regular intervals. Help will be given with housing and removing. The design offices are pleasantly situated in the parklands of Wilton Castle, which lies at the foot of the Cleveland Hills. Suitable applicants, who should possess an honours degree, will be invited for interview at the Company's expense.—Please write to the Staff Manager, Imperial Chemical Industries Limited, Wilton Works, Middlesbrough, Yorkshire, quoting 396/10D.

GLAXO LABORATORIES LIMITED require an EXECUTIVE at their Head Offices at Greenford to assist the Head of the Department dealing with their overseas subsidiary companies. Much of the work is concerned with the finances and administration of the subsidiary companies and the effects on their business of economic conditions in the countries in which they operate. The post would, therefore, be suitable for a graduate in economics or commerce, preferably 28 to 30 years of age, with some financial or commercial experience. A commencing salary of the order of £1,000 per annum is visualised. The Company has generous conditions of service, which include a pension scheme and the opportunity to participate in the Company's profit-sharing.—Apply to the Personnel Manager, GLAXO LABORATORIES LIMITED, Greenford, Middlesex.

THE DISTILLERS COMPANY LIMITED

ECONOMIST

The Company wish to appoint an Economist in their Economics and Statistical Department in London. Candidates must hold a good honours degree, preferably in Economics, and should be aged 30-35.

His primary duty will be to study overseas (particularly continental) markets for organic chemicals. Desirable, but not essential, qualifications are previous practical or academic study of competition in present-day markets, a knowledge of the chemical industry or of chemistry, an acquaintance with at least one West European language, and the ability to interpret international trade agreements, tariff schedules, and the like.

Salary according to qualifications and experience, but not less than £1,000 per annum. Non-contributory pension scheme.

Write Staff Manager, The Distillers Company Limited, 11 St. James's Square, London, S.W.1. Quote Ref. 25/57.

BRITISH IRON AND STEEL FEDERATION invites applications for the post of Principal or full-time Chairman to be responsible for the overall conduct and administration of residential Management Courses (normally each of nine weeks' duration) at Ashorne Hill, Nr. Leamington Spa, Warwickshire. He should preferably have been associated with the Iron and Steel Industry and will have the status of a Director.

Applications should be addressed to the Financial Director, British Iron and Steel Federation, Steel House, Tothill Street, Westminster, S.W.1, not later than June 30, 1957.

ORbit (Operational Research) Limited, pioneering in consulting O.R., is looking for Honours Scientists to join the group; the work has a high mathematical content.

Though nominally a limited company, ORbit operates as a professional partnership, is rapidly building up a connection with the best in Industry, and is organised to give its staff rewarding opportunities for pure research.

Talented people will find this work stimulating and financially rewarding.—Please write to Managing Partner, ORbit (Operational Research) Limited, Empire House, St. Martin's-le-Grand, London, E.C.1.

TRADES UNION CONGRESS invites applications for the post of Assistant in Research and Economic Department. Sound knowledge of economics and related subjects essential; industrial background an additional qualification. Further particulars may be obtained before June 25 from Sir Vincent Tewson, T.U.C., 23-28 Great Russell Street, W.C.1.

TELEPRINTER OPERATOR/CLERK (lady), competent typist, good at figures, fair knowledge German, city. Good pay and conditions.—Box 713.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER in AGRICULTURAL ECONOMICS. The salary scale is at present under review, and is expected to be £700 to £850 per annum. Membership of F.S.S.U. and Children's Allowance Scheme.—Applications should be sent not later than June 22, 1957, to the Registrar, The University, Manchester 13, from whom further particulars and forms of application may be obtained.

UNIVERSITY OF DURHAM

Applications are invited for the post of Assistant Appointments Officer. The person appointed will be chiefly concerned with students and graduates in Arts and cognate subjects. Possession of a degree and experience of work in a field in which Arts graduates are commonly employed is both essential. Starting salary will be within the scale for University Lecturers (initially £900 to £1,350) together with membership of F.S.S.U.—Further particulars of the post may be obtained from the Perpetual of the University at 46 North Bailey, Durham, with whom twelve sets of applications should be lodged not later than Saturday, June 15, 1957. Candidates outside the British Isles may submit one copy only.)

MARKET RESEARCH

A vacancy has arisen within the organisation of Gillette Industries Limited for a SENIOR MARKET RESEARCH OFFICER.

This is an important appointment carrying responsibility for marketing research functions in one of the marketing divisions of the Company and is likely to be of interest to those who already hold senior positions in market research or marketing, preferably in the consumer goods field.

The person appointed is required to plan and control surveys at all stages, to write marketing reports and to participate in the formulation of marketing policies. Applicants should have had at least two years' experience in this type of work.

Good initial remuneration will be offered related to the qualifications, experience and ability of the person selected; the Company operates a pension scheme.

Written applications, which should include a concise account of experience to date, together with details of age and present salary, should be addressed to Mr. P. G. Green, Gillette Industries Limited, Great West Road, Isleworth, Middlesex, and envelopes should be marked "Confidential." All replies will be answered and treated in strictest confidence.

COMMERCIAL MANAGER

The British Retrasil Co. Ltd., a Subsidiary of an expanding group of companies in North East England, and which is engaged in the manufacture of high quality light sheet metal components for use in the Aircraft Engineering and other precision industries, is about to appoint a Commercial Manager to assume responsibility for all the commercial activities of the Company, with particular emphasis on sales promotion and organisation.

The scope and responsibility of the post are such that it is envisaged that after a period of satisfactory probationary service the successful candidate would be considered for election to the Board.

Applications, which should be made to the Managing Director, The British Retrasil Co. Ltd., Stillington, Co. Durham, are invited from men between 35-45 who have had first-class commercial experience and possess outstanding drive and initiative.

OXFORD UNIVERSITY INSTITUTE OF STATISTICS

Applications are invited for a vacancy on the research staff. The candidate will be expected to undertake work in the field of applied economics, and should have a good degree in economics and statistics. Previous research experience will be an advantage, but is not essential. The appointment will be for two years in the first instance; the salary will be on the scale £550—£900, according to age and experience. Closing date for application June 30th. Forms can be obtained from the Secretary, Institute of Statistics, St. Cross Road, Oxford.

UNIVERSITY OF GLASGOW

LECTURESHIP IN POLITICAL ECONOMY

Applications are invited for a Lectureship in Political Economy, tenable from October 1, 1957. Salary scale: £900—£1,650. Initial salary according to experience and qualifications. F.S.S.U. and family allowance benefits.

Applications (six copies) should be lodged not later than June 21, 1957, with the undersigned, from whom further particulars may be obtained.

ROBT. T. HUTCHESON,
Secretary of University Court.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of Lecturer or Assistant Lecturer in Philosophy. Candidates must have special interest and qualifications for teaching Political Philosophy. The salary scales are at present under review, and are expected to be as follows: Lecturer, £900 to £1,650 per annum; Assistant Lecturer, £700 to £850 per annum. Initial salary and status according to qualifications and experience. Membership of the F.S.S.U. and Children's Allowance Scheme.—Applications must be sent not later than June 15, 1957, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained. Overseas candidates may apply by letter (no forms), giving qualifications and experience and names of three persons to whom reference may be made.

A SOLICITOR, aged about 30, is required for employment in the Secretariat of The Wellcome Foundation Limited. The duties include assisting the Secretary of the Company with both legal and general secretarial and administrative work and the appointment is likely to appeal to a young Solicitor who wishes to make a career in industry not exclusively on the legal side. A good salary is offered and there is a contributory pension fund in operation.—Applications, showing age, full details of education and experience since qualification, should be forwarded to the Secretary, The Wellcome Foundation Limited, The Wellcome Building, Euston Road, London, N.W.1.

OXFORD UNIVERSITY INSTITUTE OF STATISTICS

Graduate computer with a degree in mathematics or statistics, or with experience in computing, wanted for planning, programming, and processing of punched card applications, with eventual use of electronic digital machine. Salary on the scale £600—£750, according to age and experience.—Apply to the Secretary, Institute of Statistics, St. Cross Road, Oxford, giving details of age, qualifications and experience.

UNIVERSITY OF ST. ANDREWS

QUEEN'S COLLEGE, DUNDEE

LECTURESHIP IN STATISTICS

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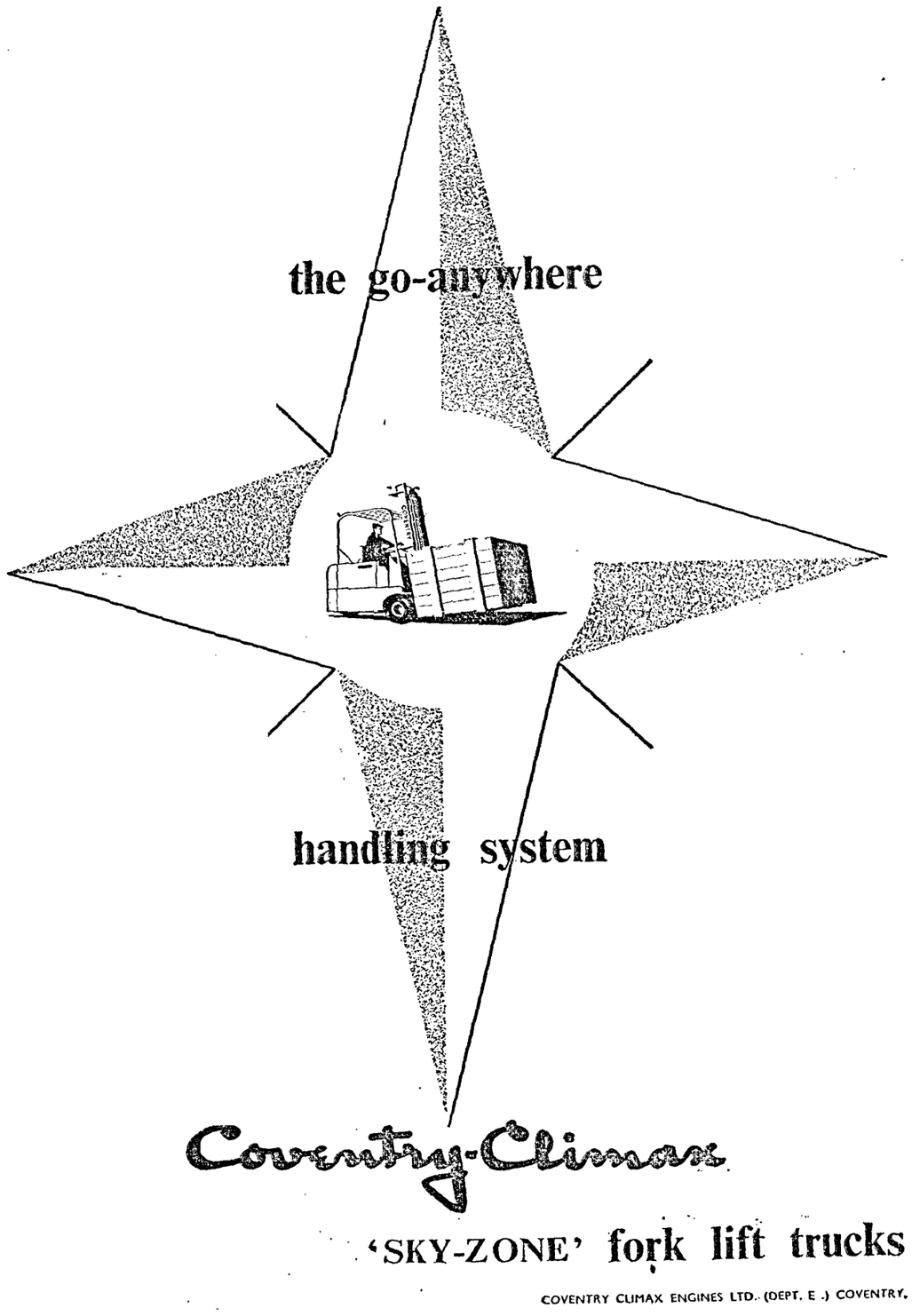
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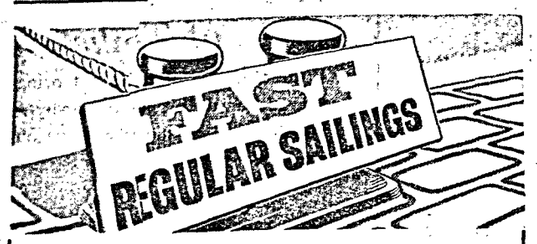
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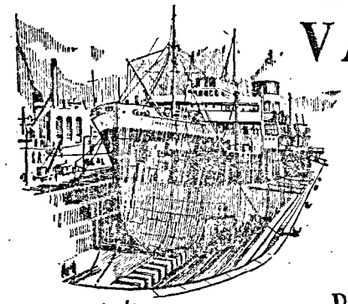
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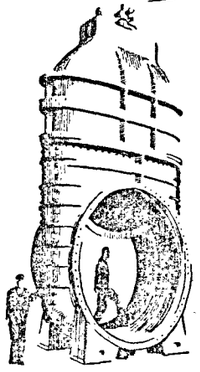
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A RECENT ARTICLE in The Financial Times* shows that expenditure on durable household goods and motor cars in 1956 amounted to £923 million. This is an increase of 37 per cent on 1952, when expenditure was £675 million. Moreover, only a small part of this increase is due to higher prices.

Who are the people responsible for this colossal rise in buying?

A table of ownership of certain durable goods gives this picture.

Obviously, but significantly, the upper and middle classes are far heavier buyers of durable goods than the working class.

The figures on the right also suggest strongly that the upper and middle class market for these goods is far from saturated. And this market offers the most immediate likely prospects.

OWNERSHIP OF DURABLE GOODS BY CLASS

	Middle Class %	*Working Class* %
Lawn Mower	65	29
TV Set	55	45
Telephone	50	7
Car	41	12
Washing Machine	37	20
Refrigerator...	25	5
Motor Cycle	6	7

How to reach these prospects

The Hulton Readership Survey for 1956 and the I.P.A. National Readership Survey for 1956 give the *readership* of The Observer as 1,880,000 and 2,056,000 readers respectively.

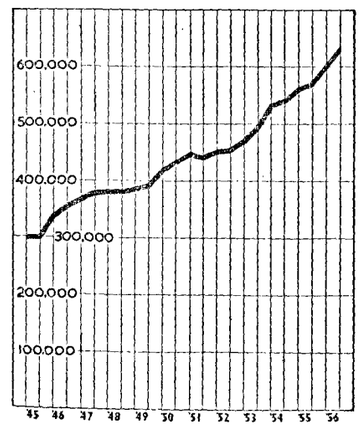
Three-quarters of The Observer's readers belong to the middle classes as defined by The Financial Times, which contain 4,212,100 adults—the top 11% of the population.

Thus The Observer is an unexcelled advertising medium for durable household goods—not only those in the Financial Times' list but many other household goods traditionally thought of as mass-market rather than quality goods.

Not only does The Observer provide an audience of the most likely buyers, but it provides it most economically with a minimum wastage. Nor is this audience small—a glance back at the readership figures shows it to be surprisingly massive.

Manufacturers of durable household goods, motor cars and other automotive products, and their advertising agents, are cordially invited to write or phone for further details to Norman Berridge, The Observer, 22 Tudor Street, E.C.4. Fleet Street 9991.

** Taken from an article by Mark Abrams in The Financial Times of Saturday, March 16, 1957*



THE OBSERVER

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Last year alone, The Observer's circulation went up by 10.4%—the largest increa of *any* Sunday paper. And this was in a year when Sunday papers as a whole lo 1.2% of circulation.

The Hulton Readership survey for 1956 indicates that it has the highest number readers per copy of *any* national daily or Sunday paper.

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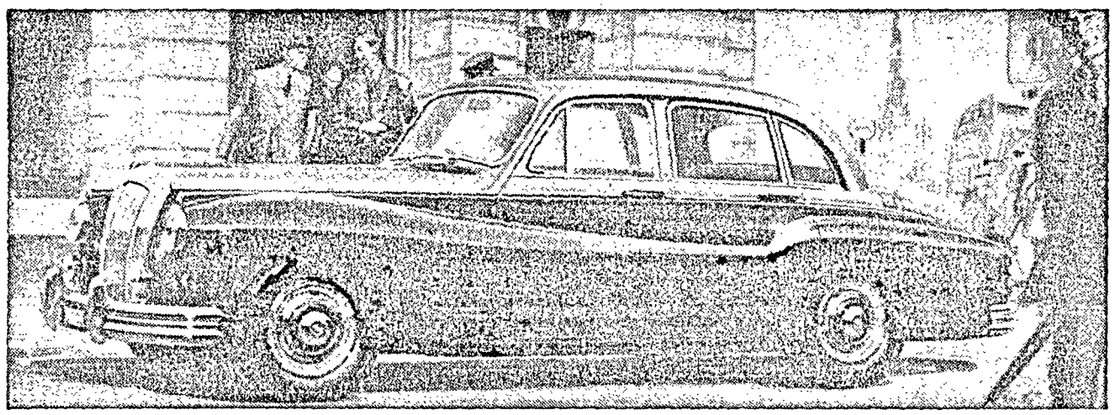
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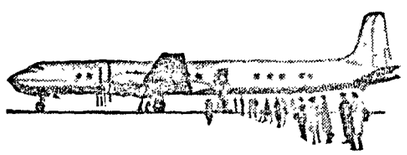
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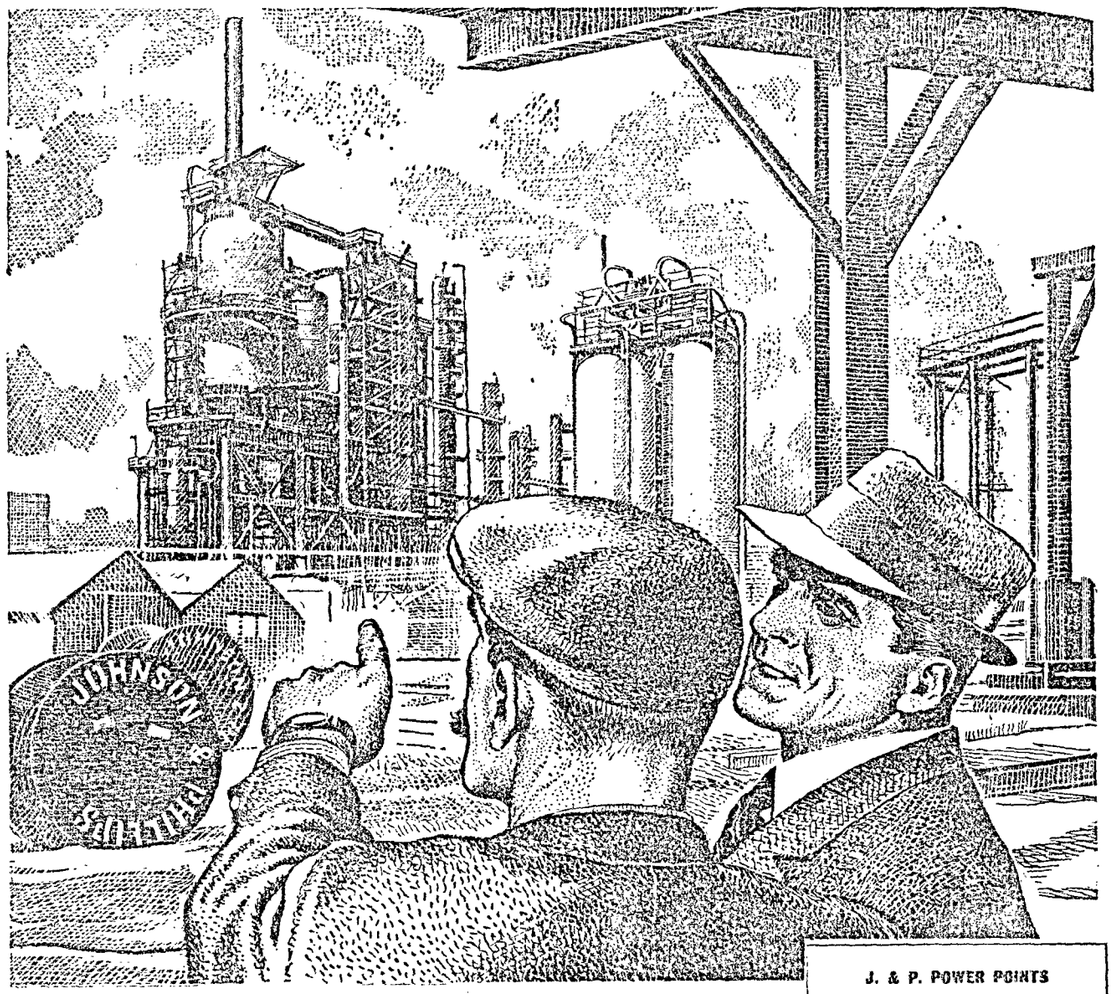
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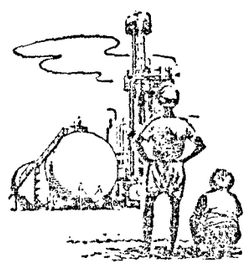
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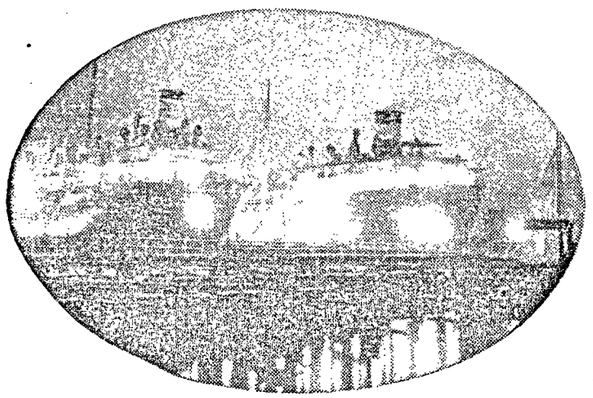
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The Economist

JUNE 15, 1957

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The Ottawa Stampede

CANADA may now be out of action, as a nation capable of vigorous initiatives on the international plane, for several months. This, admittedly, is always said when a long-entrenched government is dislodged by its unpractised rivals ; but the precarious nature of the narrow Conservative success makes a pause inevitable. And—quite apart from other possible implications of the change, bringing with it, as it may, a fresh breeze into Canadian politics—this is a disturbing prospect for Canada's friends in many parts of the world.

Since the war, Canada has come to occupy a unique international position. A keystone in the North Atlantic bridge, it has also helped to ease tensions between the West as a whole and those Asian and African countries that suspect both European colonialism and the new power of the United States. The Liberals' long tenure of office has enabled Mr St Laurent and his External Affairs minister, Mr Lester Pearson, to shape a foreign policy that is no longer just a matter of anxiously balancing between America and Britain. They have championed the idea of a true Atlantic community, taken an active part in the Colombo Plan, and striven for a more effective United Nations apparatus. Mr Pearson's initiative in the creation of the United Nations force now in Sinai, and his almost single-handed efforts—unfortunately unrewarded by success—to goad a sluggish UN Assembly into tackling the real problems of the Middle East, confirmed Canada's position not merely as a power with a mind of its own but also as an unusually constructive contributor to the world's councils.

There is no reason whatsoever for supposing that Mr Diefenbaker, the Progressive Conservatives' new and dynamic leader, would wish to reverse this trend. But, even if the Conservatives had won the clear majority that evaded them in Monday's elections, they would not have found it easy to sustain a vigorous external policy. The Quebec vote, predominantly Liberal since Laurier's day, counts for even more in Canada than does the Democratic "solid South" in the United States. This makes it possible for the Liberals to pile up, when fortune favours them, such massive parliamentary majorities as Mackenzie King's 177 in 1935 and Mr St Laurent's 170 in 1953 (in a House of Commons of 265 seats). The Conservatives can scarcely hope ever to secure such a handsome margin. The Quebec *habitant*, Canada's most truly conservative element, still tends to look askance at a party historically devoted to the British connection and today identified with the thrustful businessmen of Toronto. Diehard Quebec sectionalists may at times make tactical alliances with the Conservatives (that was how Laurier eventually fell) ; so may the smaller parties, Social Credit and even the left-wing Co-operative Commonwealth Federation (CCF). Mr St Laurent's government is not the first in Canadian history to be brought down because its middle-of-the-road policies failed to satisfy a rich variety of special interests and emotions. But the very richness of the

variety of the hostile groups makes it hard to found a stable government upon them.

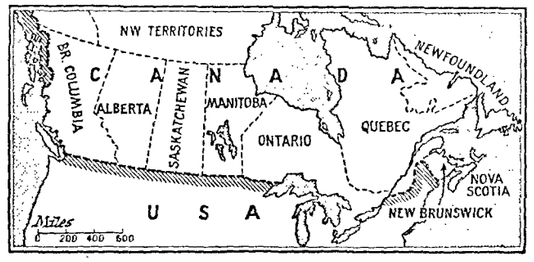
As our Ottawa correspondent points out on page 987, Mr Diefenbaker may now be able to form a government and keep it in office for a time by drawing support on specific issues from the smaller parties. But the assumption is that he would soon call for elections, in the hope of gaining the additional seats that would give the Conservatives their own majority. Even then his government would almost certainly still depend on too narrow a parliamentary lead to permit any bold steps in international affairs, or indeed much attention to them. And the government of the next few months will be a wry-necked one, constantly glancing over its shoulder at its uncertain supporters.

IT must be admitted that this state of affairs is pretty well exactly what the electorate seemed to want. One voter in every twelve has swung from Liberal to Conservative, not so much because he liked the Conservatives' programme (he had, indeed, little idea that they would get a chance of putting it into practice), but because the Liberals' 22 years in office had endued them with a patina of benevolent (and complacent) despotism. Mr St Laurent could not be seriously compared to a Habsburg monarch, nor Mr C. D. Howe to a Metternich, but they and their colleagues exuded an air of established legitimism which made many Canadians itch to put them in their place. And that, to the electorate's own surprise, has been done. Now that the proud have been duly humbled, however, there remains the problem of creating a government and a policy which will reflect the country's new mood.

It is far from clear what that new mood is. Canada has not simply swung to the right. The sight of its Conservatives doubling their parliamentary representation and becoming the largest party might suggest that to a European observer, but matters are not so simple. A minority Conservative government might, indeed, have to look tenderly upon the CCF's socialist susceptibilities. But full-blooded socialism is no real issue in Canada, nor is even a moderate Left, comparable to the British or Australian Labour parties, to be reckoned with seriously. The CCF has admittedly improved its position during the Liberals' long reign, and on Monday one of its candidates made history by defeating the redoubtable Mr Howe in an Ontario constituency ; but its strength still lies in Saskatchewan and British Columbia, as Social Credits does in Alberta. The discontent of the farmer whose wheat cannot be sold or even shifted is a more real problem than that of the industrial worker, who has had his share of the great economic upsurge under Liberal rule.

A Conservative government could doubtless earn quick popularity by relaxing the tight-money policies with which the Liberals have sought to hold inflation in check ; but how long would its popularity last once prices began to rocket ? It could capitalise on the prevailing unease about the flood tide of American investment, which has brought half of Canada's manufacturing industry, three quarters of its mining activity, and nearly all its oil and natural gas under foreign ownership. The Conservatives' best chance of finding common ground both with the socialists and with the traditionalists in Quebec would seem to lie in this direction. All of them have accused Liberal ministers, in particular Mr Howe, of letting the national birthright go for a mess of pottage. But the difficulty here is that Canadians have acquired quite a taste for pottage. Electors may respond well to nationalistic exhortation from the hustings ; how will they react if the deliberate discouraging of American investment destroys the balance of payments and the boom ?

Small wonder that Canadian analysts are now being as cautious as the prophets were incautious before Monday's voting. It is barely possible to see the outlines of a new government, and harder still to predict what new policy, if any, it could initiate. One cannot be blamed for suspecting that a Diefenbaker government would soon be seen to be wearing Mr St Laurent's captured clothes, differing from its predecessor mainly in using milder language to the Canadian public and tougher language—but not all that much tougher—to the United States. The fact that any Canadian government, whatever label it carries, must



satisfy as best it can the same array of conflicting domestic interests, is in itself a pointer to a change of form rather than of substance. When the dust kicked up by the unexpected Ottawa stampede subsides, many things may look remarkably the same.

It would be needlessly gloomy to foresee an indefinite period of governmental instability such as besets, say, France and Italy ; and it would be unwise, and unfair, to underestimate the healthy effects upon politics and politicians of a release from the one-party rule that has lasted for the best part of a generation. But the fact remains that Canadian diplomacy looks like being disabled at a time when it is sorely needed ; and nobody can tell how long it will be before constructive initiatives and forceful long-term policies can again be expected from Ottawa. Such an interregnum may bring home to the Commonwealth, the West, and indeed the free world as a whole how much they have come to depend on Canada's mastery of its new role. It will be a salutary lesson—but a painful one.

Lend Whom Their Ears ?

There is room for disquiet and indignation about last week's revelations of official prying on the telephone, but it should be directed to the right number

THE first reaction to the tale of the telephone which was tapped by permission of last year's Home Secretary is that this sort of official eavesdropping should be stopped in its tracks. It is undoubtedly the right, liberal, emotional reaction. But if it is to make any headway with the authorities, it needs to be logically justified.

The power to listen-in derives from the normal definition of police or security powers obtaining in almost every country. In theory (or in law) there may not seem to be so very much difference between automated eavesdropping on the telephone and that pre-automation eavesdropping, perhaps in a false beard and from behind a hedge, which most people would probably regard as good detective or secret service procedure. But there are important differences in practice. One is that, rightly or not, the ordinary man thinks, or did think, that his telephone talks are under some seal of secrecy. Another is that evidence secured in this way can be quite misleading, which makes it essential that it should neither be bandied about nor used in court proceedings. Finally, and most important, automated eavesdropping is only too easy. One need not be quixotic about this: crime prevention is not cricket. But it would be entirely wrong, as a matter of fundamental public policy, if the easy reach of the telephone led to an almost accidental but perilously insidious extension of police and secret service supervision over the community. It is for this reason that opposition to wiretapping is rationally, not merely emotionally, justified. Even if the liberal's own second thoughts suggest, as they probably must do, that the abhorrent practice has to be held in reserve for use in certain circumstances, then attention must be firmly focused on the safeguards a free country should have to curb and control it. If the answer cannot be "not at all," it should be "as little as possible."

THE safeguard at present in operation is that the Home Secretary has personally to authorise each instance of wiretapping, so that each time officials want to indulge in it they have to run the gauntlet of a considerable administrative nuisance. This, together with the rules of evidence in open court, could be just about the right formal safeguard to have. It all depends on how it is applied. The proper liberal demand is that the Home Secretary should apply it in a libertarian—that is, in this case, a very restrictive and sceptical—way. One way to ensure this is to have a liberal Home Secretary, and a liberal Permanent Under-Secretary of the Home Office. Another way is through the unremitting force of public opinion ; the pressure that may be steadily put upon the Home Secretary by the police and MI5, who will both have a natural urge for more wiretapping, should be countered by public pressure against it.

The case recently discussed in Parliament has caused just such a welcome outburst of public feeling. But against which particular instances of wiretapping should this feeling be most strong ? Because official eavesdropping was obviously multiplied during the war, there is a temptation—which last week's case (concerning a criminal investigation) could conceivably intensify—to suppose that wiretapping is often right in cases of possible danger to security but always wrong in cases of possible crime. This can be supported by the argument that the only justification for covert means of gathering information is in cases where overt evidence cannot be obtained, and where decisions have to rest not on judicial proof but on clear presumption. But this is an argument of strong administrative convenience, not of libertarianism ; one's instinctive prejudice in peacetime might well be the other way round. Surely, however, the real line to draw should not primarily depend on who the instigator is. The vital distinction is between *ad hoc* wiretapping designed to ensure foreknowledge and forestalling of a particular criminal or espionage act (a practice which may be occasionally defensible) and the abhorrent prolonged extension of the public auricle into the homes of certain vague security or criminal suspects—with the intention, not of stopping any particular act, but mainly of compiling an interesting dossier about them.

THE general assumption is that the telephone tapped in the case before Parliament last week was that of a bookmaker whose name had been mentioned in court in connection with last year's knife-fighting disturbances. If so, many people may consider that, with knife fights between rival bookmakers' supporters having become a public menace and with the possibility that information about likely future knife fights could conceivably be picked up on the telephone and acted upon, this was a proper use of the procedure—providing the tapping was done with this one preventive purpose in view. But it was not the only purpose. The

case has been brought into public prominence because the police transmitted part of the record from the wiretapping to the private disciplinary committee of the Bar Council. And this raises very disturbing considerations indeed.

The clear implication of Government statements in the House last week was that the police wanted the Bar Council to consider disciplining a barrister who had been retained by (and who they thought might have been improperly associated with) a person whom Mr Butler described as a "notorious and self-confessed criminal"; and that they took the unprecedented and unsought step of revealing telephone-tapped material to this private body in order to further their purpose. Mr Butler defended his predecessor's action by saying that it was of the highest importance that "persons concerned with the administration of justice should not be associated with criminals in their criminal activities." But there are two objections to Major Lloyd George's action that should be at least equally as obvious. One arises from fear of where this transmission of telephone-tapped material to private bodies could extend to next: for example, the nearest professional equivalent of the disciplinary committee of the Bar Council is that of the General Medical Council, which investigates whether doctors have been sleeping with their patients. Perhaps if there were any immediate danger of the extension to private bodies of the gratuitous services of the public eavesdropper, last week's outcry about the Bar Council case will have scotched it. The listening public ear is temporarily redder than its most communist quarry.

But the second point is even more important. The nastiest people in the country have as much right as anybody else to legal representation; indeed, they obviously more often have need of it. The police should therefore lean over backwards to avoid giving any appearance of hostility to those who have defended notorious criminals in court; because the authorities have provided evidence to a private court which could not have been used in a public court, many people will now charge the police with having leaned over forward instead. And this criticism would deserve to stand whether the barrister concerned in last week's case had, say, been the perpetrator of the year's most nefarious piece of legal malpractice or merely the subject of the year's biggest privileged libel.

It is this misuse of powers within the Home Office which does most to justify public chariness about the powers granted to it. *Quis custodiet ipsos custodes?* Last week's revelation of yet another mistake by his predecessor seems unhappily to confirm the widespread view that within some branches of his new department, as well as from the vantage point provided by it, Mr Butler has a considerable job of administrative reform on his hands.

A Pact Within Limits

While the Karachi meeting claims growing strength for the Baghdad Pact, President Nasser's rival defence organisation is crumbling. But it is unwise to be confident in the future of the pact until it has more support from public opinion in Asia

WITH evident satisfaction, Mr Selwyn Lloyd declared on arrival in London that the Baghdad pact was getting better and stronger. He had grounds for satisfaction in the fidelity with which the British Government has held to the pact as the cornerstone of its Middle Eastern policy through many dismally unpromising months. And he was entitled to say that the alliance was in better shape; the conference of participants which he had just left in Karachi had noted its "constant strengthening and continued progress." The communiqué declared that

> events have proved the soundness of solidarity of its moral basis. With its roots deep in the region, the pact symbolises the spirit of association in equal partnership.

By contrast, the foundation of the counter-organisation fostered by Egypt—an interlocking group of "joint commands" embracing Saudi Arabia, Egypt, Syria and Jordan—is disintegrating rapidly. Portents of its collapse have been visible for two months in Saudi Arabia, where King Saud has been increasingly hobnobbing with countries critical of Egypt—Iran, the Sudan, Iraq. According to the Jordanian accusations last weekend, the free association of patriotic Arab States is worm-eaten with murderous conspiracies in which President Nasser's military attaché in Amman and his consul in Jerusalem were actively engaged. Diplomatic relations between Egypt and Jordan grew flimsy, and Egypt has petulantly finished them off for the moment by requesting the recall of the Jordan ambassador from Cairo; further, the Egyptian representative has been withdrawn from the military command council in Jordan. As Saudi Arabia's connection with the joint command is now, to say the least of it, equivocal, there is little left to interlock.

It is to be hoped, however, that when the Foreign Secretary met the British ambassadors to the Middle East states in Baghdad on his way home there was sober stocktaking rather than jubilation. The evolution of the situation in favour of the western powers can hardly be laid to the door of British wisdom. The British intervention at Port Said came near to wrecking the pact itself and forced it to hibernate for several months

in which Egypt, Syria and Russia had a field day. The architect of the pact's restoration to balance is President Nasser, who by excessive meddling in the affairs of his allies has driven them to turn away and consort with his adversaries. King Saud and now King Hussein have done so, and President Shamoun of Lebanon, who has for two years looked askance at the pattern of Egyptian policy, has been encouraged to stand up for his opinions; in last week's Lebanese elections the anti-Egyptian parties prevailed.

THE Baghdad pact cannot be called shapely in the sense that alliances founded on clear-cut common interests have shape. It includes four Asian countries, each of which has individual views about the main danger to its security, and three of which—Iraq, Iran and Pakistan—contain many inhabitants who regard it as a sell-out to imperialism because Britain is a member. A fuzzy arrangement, it must be judged not by standards of perfection, but by those of convenience.

Militarily speaking, it was founded by statesmen having personal acquaintance with Soviet expansion—Celal Bayar of Turkey, Nuri Pasha of Iraq, Sir Anthony Eden, the Shah of Iran, the President of Pakistan. But the motives directing the policies of the four indigenous states are by no means limited to resistance to Russia. To Iraq Israel, to Pakistan India, is the first enemy. As our correspondent in Karachi points out on page 988, Britain and the United States cannot welcome this diffusion of aim. They cannot prescribe solutions to the Israel and Kashmir problems that would satisfy Iraq or Pakistan. Britain went into the pact heedless of the repercussions on her relations with the Arab states, because it provided a strategic toehold in a region where bases were getting sparse; the United States regards it as a perfect vehicle for the Eisenhower doctrine. Neither has been let down. But each has been reminded by Nuri Pasha and Mr Suhrawardy that they might at some time have to face a snag that confronted the British in the Anglo-Jordanian treaty: the desire of an Asian ally to get (in return for his support against Russia) the assurance of help in quarrels of his own.

The pact members have therefore tended to drop purely military topics and to concentrate, with great good sense, on the matters on which there is real agreement. Most of these are economic, though some of the economic developments have a military twist. On the face of it the Asian members, mainly agricultural but all seeking to build up other industries, compete with rather than complement one another. But mutual services in some fields suit them all.

The notable field is communications: all the eastern members want overland routes—pipeline routes included—to their best markets, which are still in Europe and America; all want to reduce their dependence on the Suez Canal; all want to open up new production and new routes in rural areas at present inaccessible. All are keen, too, to co-operate in humanitarian or scientific work such as the organisation of a disaster relief pool, or the interchange of isotopes. All can pool some of their educational and training effort. All, therefore, are ready to see the rich members pay for the roads and telecommunications which will serve the business interests of this country or the military interests of that. Hence they could discuss in harmony how to spend the new British contribution of £1 million for agricultural training centres and the American grant of $12.5 million for communications projects.

Turkey, and no doubt also Iran, is content with this slightly hazy pattern. But it is reasonable to suppose that Nuri Pasha views the present situation in the Middle East in a very different light from that in which the Foreign Office or the State Department sees it. To him the crux of recent developments is the revolt of King Saud against the Nasser policy. For more than a decade it has been the weight of Saudi Arabia thrown on the Egyptian side that has kept Iraq on the defensive in Arab affairs. Now King Saud has shown his hand—declaring his adherence to the Eisenhower doctrine; encouraging President Shamoun to open resistance to Egypt; giving King Hussein the support that enabled him to fight the extremists intent on dragging Jordan into the Egyptian camp; and healing the breach in Iraqi-Saudi relations.

Iraq is, as it were, liberated by a Saudi change of heart; not liberated to forget the weight of nationalist opinion, but to carry it along more rationally and more wisely than did President Nasser. King Saud's long support for President Nasser shows how sensitive he is to the tide of Arab opinion; on the Israeli issue, in particular, he is a fervent Arab patriot. The emphasis which Nuri es-Said placed on Israel at the Karachi conference should not be lightly disregarded. For it is almost certainly symptomatic of the "new nationalism" in which Iraq and Saudi Arabia hope to lead the Arab world.

IT cannot be emphasised too much that the disintegration of President Nasser's policy in the Middle East is due to the methods he used, not to the purposes he pursued. The mass of Arab opinion was with him in his policy of neutrality and resistance to western dominance; even King Hussein and King Saud found no fault with him on that score. But he wilfully, and without consultation, endangered the financial stability of Saudi Arabia by his Suez policy. He deliberately—and, if the Jordan version of last week's events is true, evilly—attempted to impose his own regime upon Jordan. His military attaché in Libya so overreached himself as to instal himself on the roof of an embassy building and conduct a gun battle with the Libyan police.

It may well be that a great deal of common opinion may also criticise Nasser for blundering and may be dismayed by the mass of evidence that his embassies were used for dangerous subversion and murderous plotting; but that is not to say that the Arab has changed his

spots. Nationalism has more than seventy years of growth behind it; its ideas have been generated by many fine minds struggling from a morass of spiritual and social subjection. Their ideas are still at the core of much of the crazed and chaotic thinking of modern nationalism. This is important in considering the future of the Baghdad pact. It cannot spread except in depth, that is, southward into the Arab world; for Pakistan is an eastern frontier, and Turkey merges into Europe. Yet to bring in more Arab states would encumber the pact with a mass of national opinion at worst hostile, at best uncommitted, to the pact's policy; and that weight of opinion would endanger the leaders who took their countries in, and would distort the counsels of the pact itself.

The potential strength of the Baghdad pact lies, in fact, in its limits. As an "upper tier" defensive system it can be justified; even President Nasser was prepared at one time to admit that Iraq had special reason to take precautions against Russia outside the Arab group. The four Asian member states are not only opposed to international communism, but are willingly associated with the western powers. And the extent and complexity of their economic problems provide ample field for the western powers to show their good works. Co-operation and understanding between the four states have grown, giving evidence of common thinking—if not necessarily community of interests—among them. These are positive gains, but they cannot be extended beyond their natural bounds. To believe that the Baghdad pact can be a policy for the whole of the Middle East, that the failure of Egyptian policy means the success of Baghdad, is to make President Nasser's mistake: to go *va banque*.

Towards a Grammar of Graft

From dash to squeeze, corrupt practices are a permanent factor in politics in many countries. A plea is made for a more systematic analysis of this phenomenon by political scientists and others

It is curious how little notice has been taken of one of the most obvious gaps in general textbooks on economics or political science—the unwritten section on graft. Yet anyone reading the foreign, if not the home, news must be struck by the part which this basic human institution plays in affairs. One might have supposed that the economic theorist would discuss somewhere the extent to which graft, like gambling, merely transfers incomes rather than diverts resources from more to less economic forms of production. Studies abound of public taxation, direct and indirect, levied by the rulers of underdeveloped countries; why no study of the private taxation that everybody knows is levied by the same people? Again the influence of graft in forming, sustaining and undermining governments, and indeed whole regimes, is so well recognised that it is surprising that political scientists have not done more to work out a general theory of its action, toxic or tonic, in the body politic.

One reason for this neglect may be that the home of modern economic and political theory has been Britain—and Britain during and after the period of Victorian reform of public and private morality. This seems to have led to a general assumption that the elimination of graft was a necessary concomitant of the spread of democratic representative government and of increasing wealth, industrial organisation and technical progress through the world. But this, surely, has been disproved in modern times. It is clear that graft—bribery and extortion, squeeze or protection, wirepulling and nepotism—has persisted and found its place in the most complex twentieth-century political organisations. Not only have the corrupt foreign regimes which the long arm of Victorian imperial reform failed to reach continued to flourish, but power has been given back to dependent peoples long before they have abandoned what is conveniently known as "the custom of the country." They have asserted the right to govern themselves if they can, but misgovern themselves in any event—the right, that is, of the educated and organised minority to govern or misgovern the rest.

That right has been conceded to three very cogent arguments. The first is that while the top cadre of white administrators was undoubtedly clean-handed (being well-paid), lower down the scale the persistence of poverty has left the custom of the country intact; that, indeed, the low standards and poor expectations of the clerkly class created by the British (and other imperial) administrations have provided an incentive to corruption rather than otherwise—and that therefore the administration can carry on under new management. The second argument is that there are plenty of independent nations of all shapes and sizes which run their own affairs notwithstanding lower standards than exist in Britain. The third is that Britain itself won an empire, developed a worldwide trade, embarked on industrialisation and defeated Napoleon when its civil service was largely an organised system of sinecures and perquisites, its parliament often largely up to auction, and commissions in its army and navy bought and sold.

These arguments have been backed by the demonstrable fact that Asian and Middle Eastern countries, where graft has certainly not been suppressed, forge ahead economically—and sometimes politically. In Africa, the recent enquiries into financial irregularities in the Gold Coast and Eastern Nigeria were followed

by elections which were both won by the parties that had been indicted for those irregularities. Yet there have been other events which suggest that graft can play a very different role. The effect of corruption in discrediting and weakening the Chiang regime in China and opening the way to the communist victory is frequently cited. It played a major part in the overthrow of Farouk and the supremacy of Nasser in Egypt. It has helped the communists to win power in one Indian state. And in Africa there is the interesting case of the "disturbances" in northern Sierra Leone in 1955, when after the relaxation of control by the district commissioners as part of the policy of transferring power, the people rose against the exactions of the paramount chiefs, and the bizarre cry was raised: "Down with black government! We want white!"

It is, however, for the political theorists to impose a pattern on varied events like these; this article can do no more than raise the need for study and suggest a few starting points. One of these, surely, is that, whatever appearances may suggest, graft beyond a certain point really does become incompatible with efficiency. Where money or wirepulling decides promotion, and patient merit is denied advancement, trains really do not run to time, contracts do go to the wrong contractor, research produces no discoveries, plans are not fulfilled. Teamwork, loyalty to the job, disintegrate. The thing that sometimes disguises this in some territories is that the new and restless desire of the middle classes for money-making, which is one of the main reasons for graft, is also often in itself the main motive force behind the sudden growth of economic enterprise. Asians, Africans and others may repeat Bacon's apologia that he took bribes but never let them influence his judgment. It may serve for judges, or even for chiefs: the codification of customary payments (or "dashes") in Northern Nigeria was an attempt to apply Bacon generally. But it will not wash in engineering, contracting or the public services. When it becomes necessary to register a letter to ensure that the stamps will not be steamed off it by the postal authorities for personal use, commercial progress becomes difficult.

The next point is, surely, that so far from the growth of democracy sterilising graft, graft in the end tends to make democracy untenable. In theory, the party in opposition exposes any corruption in the party in office, and is subsequently returned to power with a mandate for reform. That this does not completely apply even in mature democracies is suggested by Belloc's lines on the general election of 1906:

> The accursèd power that stands on Privilege,
> And goes with women and champagne and bridge,
> Broke, and democracy resumed her reign
> (Which goes with bridge and women and champagne.)

When democratic institutions are imposed on countries too deeply imbued with the conviction that squeeze is part of human nature, all political parties are corrupt; this means that none is more efficient in administration than others, but the total cost is far heavier. As a supporter of one South American dictator put it:

> It is cheaper for the country that he should be president for life, because he has made his fortune and is satisfied. When we changed presidents every few years, the cost of presidential fortunes used to ruin us.

This is one reason why democracies as well as dynasties are superseded by dictatorships. But dictatorships of the South American or Asian type are not now the only alternative; communism offers to rid poor but ambitious countries of both graft and inefficiency. Graft is a factor in the cold war, and Marxist political scientists, if not bourgeois ones, are studying it. Much is made of the claim that communist China has a clean administration for the first time in history. But it is not so much the corruption as the impotence of a corrupt regime that communist propaganda emphasises when aimed at ardent young nationalists, frustrated in their desire alike to rise professionally and to get things done. It offers a new discipline to break the ancient matrix of loyalty to family, clan and tribe.

This by no means implies that communist countries are free of graft. There are no animals without their specialised parasites. Recent Russian literature makes this clear and Chinese self-criticism suggests that the communist claims are inflated. The "fixer," or contact man, who, for due reward, will help win the ear of authority or otherwise further his client's aims, is a prominent figure in Soviet life. In China, too, graft has seeped back under the pure surface of a puritanical regime, and senior communists have adopted a number of old habits, one of them being what the Peking newspapers prudishly term "a feudal attitude towards women." But communism has advantages over other dictatorships. Common grafting exists, but is better concealed. More important, however, is the fact that there is less need for it, because the granting of enormous differentials for the party caste produces the material results without the need for private enterprise. The party official's interest is power, not money; power gives him all he needs, and for it he ceaselessly intrigues within the party structure.

In conclusion, it may be suggested that the study of graft as a political factor must revolve round the concept of permissive limits: the limits at which graft does not detract intolerably from a country's economic progress or at which nepotism drives its growing professional and executive middle class to revolt. What a strong country like America can stand ruins a weak underdeveloped territory. And British readers should not dismiss the art of squeeze as of no relevance to them. The prospective loss of oversqueezed countries to the communist camp plainly is relevant; policy ought even to take account of it. And though the main interest for Britons may seem to be the beam in the foreigner's eye, they must always guard against being incommoded by catching a mote in their own.

NOTES OF THE WEEK

COMMONWEALTH PREMIERS

Empty Chairs

TEN delegations are due at the Commonwealth talks in London in ten days' time, but it is possible that only six may be led by prime ministers. Mr Holland of New Zealand is ill; Mr Strydom was not coming anyway; Mr Bandaranaike may be detained by Tamil trouble; it is uncertain whether a Canadian prime minister will be able to attend, and who he will be. As Sir Roy Welensky sits at the table only as a matter of personal invitation, there may be only five prime ministers at the meeting representing sovereign member states.

As a demonstration that the Commonwealth is once more united and functioning as a cross-section of world opinion, this would not be impressive. It is natural to assume that Mr Macmillan wanted the London conference to be a demonstration of that kind, and it is bad luck on him that a chapter of accidents in Canada, Ceylon and New Zealand, which could hardly be more unrelated to the Suez affair, should endanger his personal triumph. What the prime ministers' meeting can achieve in other directions is unclear. Dr Nkrumah, of course, must be inducted into the club—and here again it will be a pity if his reception is marred by too many absences. For the rest, such issues as Kashmir and race relations in Africa will suffer if there is a shortage of "neutral" and experienced prime ministers to arrange quiet, informal get-togethers.

Mr Strydom may have been near the mark when he expressed doubts about the suitability of these gatherings and suggested instead more regular meetings of departmental ministers. It is never easy to arrange a date convenient to a growing number of prime ministers, and even if Mr Menzies, Dr Nkrumah and Sir Roy were not already on their way to London, it would be a tricky business to postpone the meeting in hope of ensuring a fuller attendance later in the year. But even if this meeting does little to add to the prestige of the Commonwealth club, it will not imperil the continuity of the series of conferences, for after August there will be one more member, Malaya, to bring in, and that alone will necessitate a 1958 meeting. Meanwhile, it is possible that in a diminished gathering the voices of Dr Nkrumah and Sir Roy Welensky will be heard more clearly, and this may impart a new and valuable flavour to a still evolving institution.

FRANCE

An Issue Postponed

THE French National Assembly has remained true to its worst traditions. Elsewhere governments are brought down because a change in policy is demanded. In Paris, however, as our correspondent describes on page 988, crisis is fast becoming a synonym for continuity. France is threatened with creeping paralysis, which is spreading from Algeria. The deputies dismissed M. Mollet, ostensibly because they found his treatment of the case unsuitable. After three weeks of frenzied indecision, they now call to replace him his most faithful assistant, certain to prescribe the same medicine, though probably in more dangerous doses.

M. Bourgès-Maunoury, DSO, has a brilliant war record. He was parachuted many times from England into occupied France. He has not been less nimble in landing in office: at 42 he has been a minister in eleven different cabinets of various political complexion. Whatever his versatility, however, the man who, as minister of defence in the previous government, was the architect of the intervention in Egypt and the most eloquent defender of an uncompromising stand in Algeria, can hardly be expected to change his line now that he has reached the top.

Such, at least, must be the view of people who think that the policy followed hitherto offers no hope of winning Muslim sympathy and thus of preparing the ground for a peaceful solution. MM. Mitterrand and Defferre, who acted as the last government's conscience after the departure of M. Mendès-France, and functioned as a brake on its more extreme colonialist members, have refused to serve in the new team. Its composition is a triumph for M. Lacoste. He remains as minister-resident in Algiers, where so far he has shown a great deal of understanding for the French settlers but little comprehension for the mood of the Muslim majority. French settlers must feel confident that, even more than before, they will now be able to dictate the course of events in Algeria. A government that will seriously seek a negotiated settlement remains to be sought in another, perhaps more severe, political crisis.

Simply a Caretaker?

M. BOURGES-MAUNOURY takes over M. Mollet's heavy financial commitments and it is hard to see how he can balance his accounts without budgetary cuts and new taxes. His Algerian bill is likely to mount up. The retention of a Socialist as minister of social affairs is a sign that little pruning will be allowed on welfare expenditure. In the end the deputies will probably have to grant to M. Bourgès-Maunoury more money than they refused to M. Mollet.

Parliamentary distaste for higher taxes gives weight to the assurances of most observers that the new government will not last. Voted into office by only 240 deputies in an Assembly of 594, it is already described as a caretaker team likely to hand over in the autumn. Once the common market and Euratom treaties have been ratified, it is argued, many "European" deputies will have no hesitation in forcing a new crisis. But such prophecies have often proved wrong, and the situation can be greatly altered even within a few months. During the parliamentary recess, in particular, a government bent on a military solution for Algeria can do a lot to make other kinds of solution more difficult to find. It is also not beyond its powers to silence the voice of reason in France under the pretence that it is the voice of treason. M. Bourgès-Maunoury himself has shown in Egypt how much damage can be done how quickly. M. Mollet started his rule as the man who could solve the Algerian crisis. He failed; can his successor, starting under worse auspices, do better?

H-BOMB

Prime Minister's Business?

IN the last eight weeks before the Whitsun recess, the Prime Minister answered something like sixty questions, followed by supplementaries, about nuclear physics in the House of Commons. He has dealt with every technical aspect of the hydrogen bomb; he has given or refused information on its size, casing, height of detonation, and detectability; he has answered questions about fall-out and strontium in human bones *ad nauseam;* he has discussed the Medical Research Council, its procedure and whether it should make fresh reports; he has explained international law on the diversion of shipping; he has dealt with the question of ending, postponing and registering of tests and the production of fissile material; he has discussed, *inter alia,* the radiation hazards in Atomic Energy Authority establishments and the prospects of nuclear marine propulsion; he has defined the dangers of sea fish becoming radio-active and of radio-active eels up English rivers.

It has been a remarkable display of versatility, but does it really make sense? Many of the questions are endlessly reiterative; but if they must be asked—and the Opposition must decide at what point they are boring the nation as well as keeping the Prime Minister on his feet—surely more of them could be answered by other ministers. Mr Vosper could deal with the danger to health, as Mr Sandys did deal with questions of defence and fall-out in Lancashire. It is absurd to expect the Prime Minister to keep himself briefed on all aspects of thermonuclear technology and radiology he does so to the detriment of more important duties.

Labour's reply would no doubt be that he can have no more important duty, and nobody will deny that the Prime Minister must be the Overlord of the Bomb. Policy—to explode or not to explode—is supremely his. But this is a very different matter from letting himself be impelled—by Labour, by departmental overlapping or by personal interest (it should be remembered that Mr Macmillan chose to take over Lord Salisbury's responsibility for some atomic matters)—into becoming a one-man encyclopaedia on nuclear explosions and their attendant horrors. Encyclopaedic knowledge on any matter, as distinct from general supervision over all matters, is not a Prime Minister's job. Britain has suffered several times since the war from Prime Ministers' inclinations to devote too much study to particular King Charles's heads.

LABOUR DEMONSTRATION

Black Rod in Pickle

THE Parliamentary Labour Party's final melodramatic gesture of protest against the Rent Bill—a sit-down strike in face of Black Rod's traditional summons to attend the House of Lords to hear the Royal Assent—presented as nice an example as parliamentary records reveal of how not to stage-manage a political demonstration. In the first place, the demonstration has been regarded by some of Labour's sillier supporters as improper, and by many of its most balanced supporters as silly. The verbal hair-splitting by which Labour speakers sought to avoid creating the impression of a deliberate insult to the Queen (who, it was explained, had only "desired," not "commanded," the attendance of her faithful Commons), may perhaps be counted to them for virtue. It only added, however, to the ludicrousness of the total effect: this supposedly passionate and spontaneous surge of indignation, this refusal to countenance the Unclean Thing even by mere physical participation in established procedure, looks much less passionate and spontaneous when it turns out to depend on such distinctions as this.

In fact, of course, there was precious little passion or spontaneity behind the gesture; and this leads to the second political disadvantage of the demonstration—which is that it will be recognised by many floating voters as dishonest. In private, as anybody with any experience of politics knows, Labour members admit quite frankly that the right of the sitting tenant to perpetual and arbitrarily subsidised security, so far from being a palladium of social justice to be defended at all costs, is an anomalous nuisance overdue for removal. Labour's own municipalisation scheme, indeed, clearly seeks to remove it. The respective merits of municipalisation (with the implied power to raise rents and to evict) and the Conservative recipe of partial decontrol coupled with more realistic controlled rents, are questions, not of high morality, but of economic and administrative expediency and inexpediency; and of this Labour members, whatever the strength of their preference for the municipal solution, are perfectly well aware.

Their manly indignation, in short, is bogus; their generous championship of the masses against economic landlordism is bogus; and their demonstration that their indignation is so implacably profound that this championship must be maintained to the last gasp and beyond is the most nauseatingly bogus of all. But, having simulated their own emotions, they run the risk of uncorking other people's genuine ones. This sort of conduct will stick in a good many people's gullets when, faced with the realities of a general election, they have to ask themselves, not merely whether it would be agreeable to demonstrate that they are rather fed up with the Conservative Government, but whether they want Labour back in power. Why on earth did Mr Griffiths let Labour members do it?

LEGISLATIVE PROGRAMME

In Time for the Grouse

MEMBERS of Parliament are now enjoying two weeks' Whitsun holiday. One reason for the extra week's break has been the Government's success in pushing on with its legislative programme. This has not been as heavy as in many former years, but progress on it was severely delayed by all the time that had to be spent last autumn debating the invasion of Suez. The Government has so far introduced 43 bills. Thirty are already on the statute book and one—the Shops Bill—has been dropped overboard. Another four are through the Commons, while the Electricity Bill is only waiting for the Commons to deal with the Lords' amendments—including one passed against the

Government's wishes. The handful of bills still outstanding in the Commons include the Coal Mining Subsidence Bill (on which most of the detailed work has been done), the Superannuation Bill and, of course, the Finance Bill. Apart from legislation, time has still to be found for the rest of the Opposition's days and for one or two Government-sponsored debates on general subjects: they will probably be on mental health and foreign affairs.

As there will only be five weeks between the re-assembly after Whitsun and the beginning of the long summer recess, there will be no time for loitering. Presumably there will be the usual two weeks' postscript in the autumn, when the dregs of the present session can be flushed away before the next Queen's Speech, but the financial business must all be passed by the end of July. Barring the unexpected, however, Mr Butler should be able to go off to his grouse moor at the appropriate date with the knowledge that he has led the House of Commons safely through another programme.

PARLIAMENT

Standing Still Committee

RESTRICTIONS on parliamentary debate should always be kept to a minimum, but there seems to be a case for some review of the rules of procedure for the standing committees which do the detailed work on bills. The adequacy of the present rules has been called in question by the odd proceedings of Standing Committee C on the Local Government (Promotion of Bills) Bill, a private member's measure introduced by a Tory but mainly supported by Labour. It was, in point of fact, rather a beastly measure: it sought to abolish town meetings and town polls when local authorities want to promote Parliamentary bills, and thus paid too much regard to the convenience of the authorities and too little to the rights of the electorate. But its beastliness is not the present point.

The measure was not voted against on second reading in the Commons, which should have meant that the principle had been (in our view wrongly) accepted. But when it reached the standing committee, several root and branch Tory critics emerged and they proceeded to kill it by procedure. The committee spent five sittings on the bill, which should have given 12½ hours of debate. But 5 hours were lost because there was no quorum, 4¼ were devoted to an unfinished discussion of the first amendment, and the remaining 3¼ were entirely taken up with debating the dates of future meetings (for which there will not now be time this session).

Filibustering, in the strict American sense, is not possible at Westminster, because all speeches must be relevant to the subject under discussion. But few politicians are not able to speak at interminable length, with relevance and without "tedious repetition" (also forbidden), even on purely procedural points. When delaying actions are fought against Government bills, ministers can in the end apply the "guillotine" and impose a timetable. This is not done on private members' bills, nor would anyone want it to be. But are there too many aids for wreckers? Those on Standing Committee C were greatly assisted by the simple arithmetic of the rules. On a committee of only 35 MPs, 15 were needed for a quorum and 20 for the closure—equivalent to 43 per cent and 57 per cent respectively. In the whole House of 630 MPs, only 6 per cent are needed for a quorum, and 16 per cent for the closure. What is more, on private members' business there is no party whipping, and this makes absenteeism common. It was because some Labour MPs, who would have supported the bill if present, did not bother to turn up, that the Tory opponents of the bill were able to work the quorum dodge. If the same proportions for the whole House were applied to Standing Committee C, only two MPs would be needed for a quorum. This would obviously be too small, but there may well be a case for some reconsideration of the figures—and for a reminder from the two front benches to their followers that, if rules are to be kept reasonably liberal, a minority must not seize every procedural opportunity to cripple a majority.

IRAQ

Summer Shareout

BAGHDAD has for months been consumed with rumours that Nuri Pasha was about to reshuffle his cabinet. Now they have come true. Its successor is not announced as *The Economist* goes to press, but whether he heads the new team or not, it is unlikely to alter his foreign policy at all, or his home policy very greatly. For the serious aspirants to office, though highly critical of him when not holding a portfolio, have all served with him before now. They are "against" only when "out," and freely practise his policies and methods as soon as soberly "in."

He has resigned at a moment of his choosing—aglow with satisfaction at the shift in Arab alignments that is described in a leading article on page 956. Temporarily, few can gainsay his judgment in foreign affairs. But on the home front he has one or two immediate difficulties to contend with. The changes he is making reflect some real differences of opinion — not merely a desire to give others a turn because the present ministers have had an unusually long run.

One immediate trouble is money. Iraq's total oil revenue last year was ID 68.8 million (1 ID=£1 sterling) where ID 80 million had been expected, the difference being due to Syrian sabotage of the pipeline westward from Kirkuk. In the first quarter of this year the effect of this blow was at its most serious: oil revenue was only £5.8 million. For the first time for years, thoughts had to be bent to cutting coat according to cloth. Seventy per cent of the oil revenue goes to the Development Board, which is now spending at a rate in excess of the money coming in. Happily, its unspent balance (£70 million at the time of the Suez crisis) has been available as a more or less liquid reserve throughout the months of uncertainty about future earnings, so that no major works already authorised have had to be held up. But some of this unspent balance is regularly lent on long term to public authorities for good works. About £40 million is lying out in this form. Clearly, retrenchment on the lending front was indicated, but where was the axe to fall? The decision has been to lend only to two claimants: £2½ million to the Government Oil Refineries Administration for refinery extension, and the same sum to the Grain Board for badly needed silos at Basra. The decision to institute a standstill on all other loans until there is not only more cash, but a better procedure for granting them, was highly criticised by some ministers. The new cabinet will have to grin and bear it. Perhaps all will feel better about it when they have had their summer recess in cool climates.

EGYPT

Free and Safe Elections

THE National Union, created in accordance with the constitution which the Egyptian people approved by referendum last June, is busy examining the list of 2,508 people, including 15 women, who have registered as candidates for the forthcoming general election. The executive committee of the Union—and that is all it seems to consist of—is composed of Abdel Latif Baghdadi, Zakaria Mohieddin and Abdel Hakim Amer, the three members of the original junta who are still alongside President Nasser. They will screen the candidates to make sure that no one likely to contaminate the purity of the revolution, or tempt the public with free opinions, gets as far as the polls. Egyptian newspapers have stated that President Nasser will personally approve the final list. Voting in the first elections in Egypt since 1950 will be free because it will have been made safe.

Polling will take place in the 350 constituencies on July 3rd, and the National Assembly is due to meet on July 22nd, on the fifth anniversary of the *coup d'etat*. The elections should have taken place in October and the assembly should have met in November, but the Suez crisis halted President Nasser's constitutional plans. But whether then or now, the assembly cannot change the seat of power, which will remain with the President and the army. Hand-picked candidates are unlikely to enliven the parliamentary debates by vigorous dissent.

Nevertheless, the assembly is something more than a piece of window dressing. President Nasser once remarked that the Egyptian people would never like military rule but once military rule was established it was difficult to get out of it. He came to the conclusion that Egypt would be compelled to evolve its own system of democracy and he regards the constitution, under which this assembly will be elected, as a first, cautious step. The very mechanism of government, the relations between the President, the ministers and the assembly, will tend to put a brake upon the arbitrariness of his present method of ruling; and the assembly will presumably have something, however modest, to say.

ITALY

Fascist Kiss of Death

FOR lack of one vote, Signor Zoli has thrown in his hand. He made his decision after a rather Gilbertian episode in which it was belatedly discovered that, in the vote of confidence in the Chamber of Deputies on June 8th, the tellers had mistakenly counted two negative votes as abstentions. This meant that Signor Zoli had just failed to get a majority that did not depend on the votes of the neo-fascist MSI. In the previous Senate vote he had gained a majority without this unwelcome support; he had promised to resign if he did not get a similarly untainted majority in the Chamber.

But even if Signor Zoli had just scraped home on his own terms, his position would have been both paradoxical and uncertain. A staunch anti-fascist with a particularly distinguished wartime resistance record, he put forward an economic and social programme that was sufficiently progressive to appeal to the Left. Yet the only support he could get, apart from his own Christian Democrat party, came from the extreme Right; even if he had been able to repudiate the votes of the neo-fascists, he would still have depended on those of the National Monarchists, who are linked with the MSI. This support from the extreme Right was quite unsolicited and highly compromising. It was forced on to Signor Zoli because both neo-fascists and Monarchists hoped that by associating with the Christian Democrats they might gain a slight aura of respectability before the next elections. But whether specifically repudiated or tacitly accepted, it disgusted many Christian Democrats and threatened to disrupt the party. It also alienated those in the small centre parties who might otherwise have helped Signor Zoli to a majority by abstaining instead of voting against him.

At the time of writing, President Gronchi has not yet decided what to do next. He is confronted by a situation that is highly confusing even by Roman standards. Signor Zoli's monochrome experiment has, however, made one thing clear—that most Italian politicians still find any connection, however involuntary, with Mussolini's heirs extremely distasteful. If the prospects of a stable government for Italy are not good, this at least is encouraging.

MALTA

Disintegration?

THE long-drawn out negotiations with Malta still hang by a thread. The Colonial Office has made another offer, the details of which have not yet been revealed, to which Mr Mintoff's reaction is awaited. But it seems certain that the Maltese Prime Minister will still find that it does not yield his essential point: that, whatever the circumstances, Britain must bind itself to bring about equivalence in Maltese wages, social services and living standards within twelve years or so. Meanwhile it should be noted that in the interim period the Maltese budget shows that Mr Mintoff could not spend all the money given him by Britain in 1956-57, and which he complained was too little. He starts 1957-58 with £500,000 in hand, despite his claim that the £6,070,000 to be given him for the year ahead is still nearly £900,000 less than he deserves.

Everyone has been rightly patient with Mr Mintoff, but the time has come for new thinking about Malta and Britain. It is now doubtful if even half Malta's dockyard capacity is needed for the Royal Navy, and it is problematical how much use could be made of it by Nato. Nor are the Americans very keen on the services at the base. Probably Chatham could take over almost everything from Malta now—and Chatham workers, faced with a cut, will probably have views on the priorities. This merely deepens Mr Mintoff's view that it is for Britain to fill the gap with commercial ship-repairing or other industrial work—without prejudice to "equivalence," or considerations of cost levels. It seems possible that if the dockyard was used well below half its capacity, but Malta's wage and social service standards raised to the British level, the subsidising of Malta would cost the British taxpayer £20 million or more a year. A luxurious Jarrow indeed.

All this suggests the way that British policy should go if the present negotiations break down. The plain, frankly brutal question should then be asked: what is Malta worth to Britain, both in terms of a base facility and in terms of reasonable conscience-money? Once that figure has been

fixed (somewhere perhaps between £5 million and £10 million a year) Mr Mintoff should be told that, provided Britain can continue to use the base, he can have it—on any political terms he likes. He can have it and send his three Maltese MPs to Westminster (which would be a concession by Britain, not by him); or he can have it—why not?—and set up an autonomous Malta, pulling down the British flag and putting up any other flag he chooses. There is no obvious reason why Britain should make any political reservations in this European island; there is no equivalent here of the Greco-Turkish problem of Cyprus, and under any system Malta would be almost bound to let Britain use the base which is the foundation of Malta's economy. If the present negotiations break down, let Mr Mintoff be told in the friendliest manner that he can write his own constitution, but that Britain will write its own cheque.

ELECTRICITY BILL

Lordly Luddism

THE Lords last week chose a typical and not wholly unworthy occasion on which to inflict on the present Government its first defeat in either House of Parliament. The occasion was the third reading of the Electricity Bill, and the successful Lords' amendment requires local planning authorities to consult with amenity societies and other appropriate bodies before deciding whether or not to demand a public inquiry into some proposed development. The Government defeat may have been helped by the proximity of Whitsun, and the amendment itself is a minor one. Yet it displays a genuine lordly feeling in the shape of alarm at the aesthetic outrage which atomic power stations and the growing army of electric pylons may perpetrate on the countryside. In this there is also a whiff of lordly luddism; the power stations cannot be gainsaid and every site chosen spoils somebody's view—if indeed it really does destroy it as much as a scatter of modern housing. Yet, as so often, the Lords are speaking for a strongly-held and understandable viewpoint.

The Lords have a worthy aim, but their proposed remedy of "more consultation" is rather fuzzy and ineffective. Their complaint is that at present only the local planning authority can compel the Minister of Power to hold a public inquiry into a proposed development; but since the smaller local authorities must also be consulted and the larger amenity societies can—and do—protest to the Minister directly, it is most unlikely that objections to any major scheme will be overlooked. Local objections to minor developments are another matter, but (under the present system) the only foolproof way of airing them would be a public inquiry into each individual project. Lord Lucas's further objection that present arrangements allow Berkshire to sanction a power station on one bank of the Thames without Oxfordshire knowing amounts to an accusation (as yet fortunately unproven) that local authorities are incapable of any co-ordination whatever.

The basic evil in the present arrangements is the immunity from normal planning controls enjoyed by public corporations and Government departments. Whereas Imperial Chemicals must go through the mill of the planning machinery, local and central, and must comply with the provisions of the local development plans, the electricity boards get their sanction from Lord Mills—and, whether or not he orders a public inquiry, it would be strange if his final decisions were not strongly biased in their favour. If there is any justification for this preferential treatment (which is hard to believe), then at the very least public boards should be made to incorporate their proposals in local development plans, so that affected landlords and citizens could protest effectively on the right occasion—which is when these plans are submitted to a comprehensive public inquiry.

University Students—Actual and Potential

A PROFOUNDLY interesting report published this week answers some of the questions that people are now asking about British universities. It is the report of an inquiry, commissioned by the Committee of Vice-Chancellors and Principals, into applications made between May, 1954, and the autumn of 1955 for admission to the universities. The only pity is that many of the findings exclude Oxford and Cambridge, since not enough was known about those who applied there but were not admitted.

(1) *Numbers and distribution.* During the period under review 70,000 applications were received by the universities, but as nearly everyone applied to more than one university, these represented only 31,000 people—of whom 9,000 were women. British applicants were equal to about 4 per cent of all British 18-year-olds. Proportionately, women applicants were more successful than men, since women constituted less than a quarter of those who were not admitted. Proportionately, too, applicants from Scotland were more successful in gaining admission than those (in descending order of success) from England, Wales and Northern Ireland.

(2) *Background of successful candidates.* At the universities other than Oxford and Cambridge only 10 per cent of the successful applicants had been at boarding schools; at Oxford and Cambridge 40 per cent had. In the universities other than Oxford and Cambridge, about a third of the men, but only a fifth of the women applicants (successful and unsuccessful) were the children of manual workers; at Oxford and Cambridge the proportion of successful candidates whose fathers were manual workers was only 12 per cent of the men and 7 per cent of the women. Yet the manual working population comprises 72 per cent of all adult male workers.

These figures will no doubt be fastened on by left-wing propagandists to prove class prejudice in university selection. But much of the trouble lies lower down in the secondary schools, and—as was shown in a report of the Advisory Council for Education on "Early Leaving" two years ago—in class attitudes towards them. Parents who despise the education that they themselves never had, friends already earning high wages, crowded rooms, lights-out for the telly—these are the things that prevent many an able working-class boy from getting his required subjects at "A level." They keep him out of Oxford and Cambridge even more than elsewhere, because these universities get the first pick of promising applicants.

(3) *Fate of those who failed.* Excluding those who applied to Oxford and Cambridge, some 13,000 people, or 40 per cent of the applicants, had been refused entry to the universities at the beginning of the 1955-56 session. Of these 2,000 were overseas applicants, and information about them is not available. Of the remaining 11,000, about 25 per cent had not the necessary qualifications for entry, and for another 44 per cent the qualifications were uncertain. Another 21 per cent did have the qualifications but had not been offered a place. A final 10 per cent had been offered a place, but had not taken it up.

It is these last two categories—totalling 31 per cent—which raise the question of whether good university material is being wasted. Of the 21 per cent who were qualified on paper, some no doubt were rejected on the ground that they made a poor showing at an interview, or had clearly been unduly crammed to get their "A level." But others may just have been unlucky in where they lived, for some local authorities are much more ready to give major awards than others. Most of the 10 per cent who had been offered places, on the other hand, seem to have got to the university or university institution twelve months later. But no doubt there were a few where a boy or girl of middle-class parentage did not take a vacancy because his father's income was just too high to qualify for assistance, but too low to pay full fees without prejudice to the education of younger children.

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The report is factual and does not discuss policy. It shows that there is a small reservoir—perhaps 2,000 or 3,000 people—who at least fulfilled London minimum entrance requirements (used in the report as a touchstone), but who failed to get a place anywhere. Yet, oddly, there were roughly an equivalent number of unfilled places at the universities. At first sight this looks like a problem of re-sorting. But places and applications are not completely interchangeable. It is evident from the survey that there are still relatively too many arts places in British universities, and too few for the demand in such subjects as physics, chemistry and engineering—as well as certain other scientific courses. But the problem of fitting square pegs into round holes is as nothing compared with the universities' task, beginning in 1958, of accommodating first the men no longer called up, then the Bulge and the many children now staying longer at school.

THE HEALTH SERVICE

Public Drugs and Private Patients

THE Minister of Health has promised to look again at a long-standing medical—and middle-class—grievance: that doctors cannot give their private patients health service prescriptions. In the white paper on the original National Health Service Bill in 1946 people were told that they could use part or all of the health service facilities, and many people have health service general practitioners, but pay for hospital and consultant services, or do it the other way round. The effect of the Act, however, and of the regulations made under it, is that if they pay their doctor a fee they must also pay the full cost of the drugs he prescribes them. This distinction has been justified on three grounds:

(1) Governments, of both parties, have justified it on the ground of cost. The effect of allowing private patients drugs under the health service has been variously estimated at from £500,000 to £3 million: the lower figure is tiny in relation to the nation's total drug bill of around £50 million, but the sum would almost certainly be higher if the length of their patients' purses ceased to be a factor influencing doctors in prescribing.

(2) Governments have sometimes argued that prescribing forms part of the treatment for which private patients have contracted out of the health service.

(3) The Labour party would not like to see private practice encouraged, and would even like to see what there is abolished—though this was not the official view of the Labour government.

The second and third arguments carry very little weight. The second was invented in order to square the Government's denial to private patients of part of the health service facilities with its pledge in the white paper. The third raises an issue that ought to be settled on its own merits—indeed, was settled in 1946-48—rather than by indirect pressure. No one wants to see a return to the two standards of practice of national health insurance days. But today, when general practice consists overwhelmingly of health service patients, the number of these who would want to start paying their doctors anything from a guinea upwards for each consultation would be tiny. A concession on health

The Economist

JUNE 13, 1857

MIDDLE-CLASS EDUCATION

"The University of Oxford, in whose bosom a certain deep intellectual democracy has long been brooding, has earnestly taken up the subject of middle-class education. Congregation has determined to establish two examinations for lads from schools in all parts of the kingdom—a first examination for lads of 15, a second for lads of 17, which would test the character of the education they have received, and give to those who pass creditably the diploma of Associate of Arts (AA), thereby distinguishing them as mere examinees of the University, from the graduates who have been trained within the atmosphere of her social influence, and who usually begin their residence at the time of life when this subordinate diploma would be conferred. We are sure that the University of Oxford will confer a great benefit on English society in thus establishing a high standard by which to test the education of our middle schools, and holding out prizes of honourable ambition for the competition of those who cannot afford either the time or the means to qualify themselves for a higher distinction by prolonged study within her walls. . . . But . . . we must call the attention to a side of the question which . . . we find everybody inclined to forget: and that is, that very large portions of the middle classes may and ought to aim at a much higher and completer kind of education than is commonly assumed as attainable by them in the discussions now going forward. . . . We contended strongly not many weeks ago that there is large room for a high middle-class education—as thorough intellectually, if not entirely of the same kind, as could be obtained at Oxford or Cambridge—and yet involving neither the very considerable expense of that education, nor the somewhat dangerous social attractions which might render men intended for business and practical life dissatisfied with their position, if educated at the older Universities. It is this want which the colleges affiliated to the University of London are so well adapted to supply. . . . We are quite sure that the kind of education which the middle classes most need—which they could gain in their own colleges without leaving their own class—would have a fresh character of its own—a breadth, a humanity, an energy which would distinguish it from all the present types of education, now mainly suited either to a literary class or a class of wealth and leisure.

service prescribing would help to preserve what private practice remains: it would not, of itself, make private practice bigger.

There remains the argument of cost. Here the responsibility lies squarely on the doctors, who are ultimately responsible for the size of the drugs bills. If they want to be allowed to write health service prescriptions for their private patients, they should produce convincing proof that they will be less carefree about their prescribing in general. In his talks with the British Medical Association on the issue, the Minister of Health should insist that *economy in prescribing* is a precondition of the Government's agreeing to the doctors' request.

BENELUX

A Union Matures

THE meeting of ministers this weekend from Belgium, Holland and Luxemburg to put the finishing touches to the Benelux economic union comes as a surprise to many people. Benelux has been with us so long and has been so overshadowed by grander projects that it is odd to be told that it is only now taking final shape.

The new treaty, it seems, is unlikely to bring important changes. The committee of ministers from the three countries, the parliamentary body which met for the first time earlier this year, the council of economic experts and other executive bodies which already exist will merely be dignified with new titles and more precise powers and supplemented by a new court of justice. But the treaty is more remarkable for caution than for new departures. Decisions in the committee of ministers have to be unanimous. On agriculture, where the greatest problems have arisen and where complete economic union is still remote, no new decisions to force the pace seem likely. Indeed, the current talks have been somewhat marred by an outbreak of the perennial row over Belgian import restrictions on Dutch tomatoes. And all the deadlines now laid down can be postponed by the ruling committee of ministers.

Despite the differences in wage costs and industrial structure between the Benelux countries, they have succeeded in creating a customs union for industrial products. But they have done so, not by imposing supranational decisions on each other, but by the willingness of each national partner to make concessions and see the problems of the others, by a conscious modification of national economic policies in certain fundamentals—Dutch wages policy, for example—and by the patient devising of empirical answers for difficulties as they have cropped up. It has been a slow task.

FINLAND

Finns Forbear to Cheer

THE visit of Mr Bulganin and Mr Khrushchev to Finland was arranged last summer as part of a tour of all the Scandinavian countries. The other invitations were tacitly withdrawn after the invasion of Hungary, and the Soviet leaders did their best to use their visit to thaw the arctic chill which has come over their relations with Scandinavia. They did not succeed, and the joint statement at the end contained polite platitudes only. The Finnish authorities did what they could for their guests, redecorating a villa, removing some sculptures which might have given offence, and providing a banquet for each night of the week. But the citizens of Helsinki, unwilling to co-operate, refused to Mr Bulganin and Mr Khrushchev the friendly welcome which they extended to Marshal Voroshilov last summer. The crowds in the streets have been small and usually silent; Soviet handwaving has been coldly ignored.

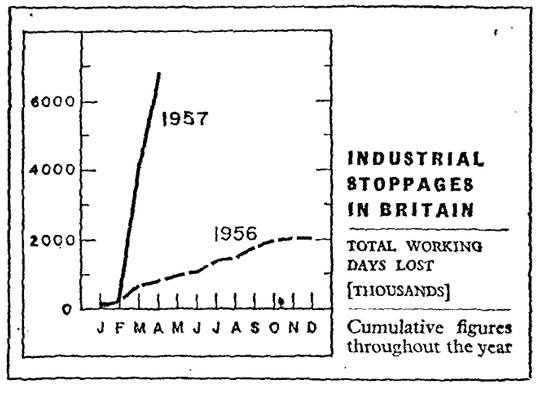
The Finnish prime minister, Hr Sukselainen, is in office largely as a result of the Soviet visit. He formed an uneasy coalition of the Farmers party and the bourgeois parties, which controls only 79 of the 200 seats in the diet, when it became apparent that the leading party, the Social Democrats, would not be able to compose their internal differences, or settle their disagreements with the Farmers, before the Russians arrived. The new government cannot last long without more support and it is in no position to push through the emergency measures which are needed to provide essential funds for the almost bankrupt administration. There is an immediate need for £12 million; family allowances have had to be suspended for a month because there is no money to meet them. The prime minister may have found it hard to give his full mind to the entertainment of his visitors.

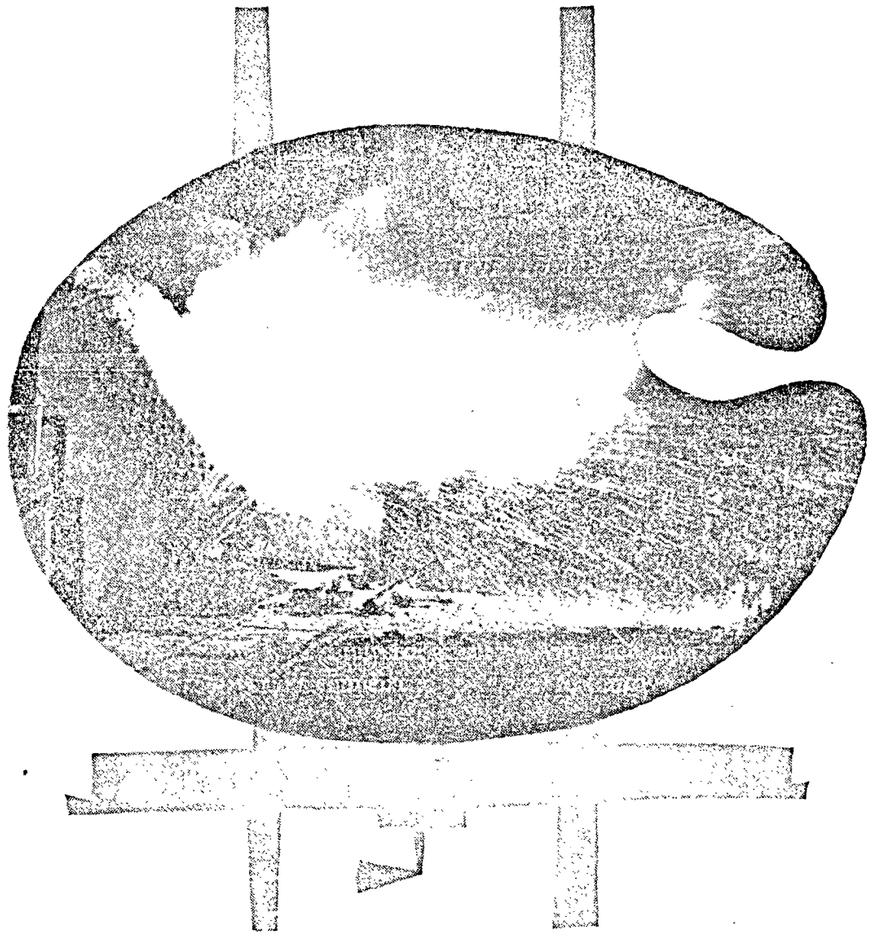
GERMANY

Liberals look to Bismarck

THE shade of Bismarck was more than once conjured up by speakers at the German Free Democrat pre-election party congress at Hamburg. With more élan than ever the nationalist foreign policy, the goal of a reunited Germany balancing between east and west which has become the heart of the party's programme, was flourished before the electors. Like the Social Democrats, the liberals appeal for a new drive for reunification and bitterly attack Dr Adenauer for his failure to achieve it. They make great play with Russia's need for security and deride the west's lack of realism when it demands from Russia free elections in a reunited Germany which would be left free to decide its own military status. The need for Germany to build up better relations with Poland and other east European countries in its search for a settled place between east and west is also gaining importance in liberal, as in socialist, conceptions. But the Free Democrats spice their dish hotter than Herr Ollenhauer, as one of their new slogans, "Germany before Europe," shows.

Close as they now are to the Social Democrats in foreign policy, the liberal leaders reject socialism in domestic





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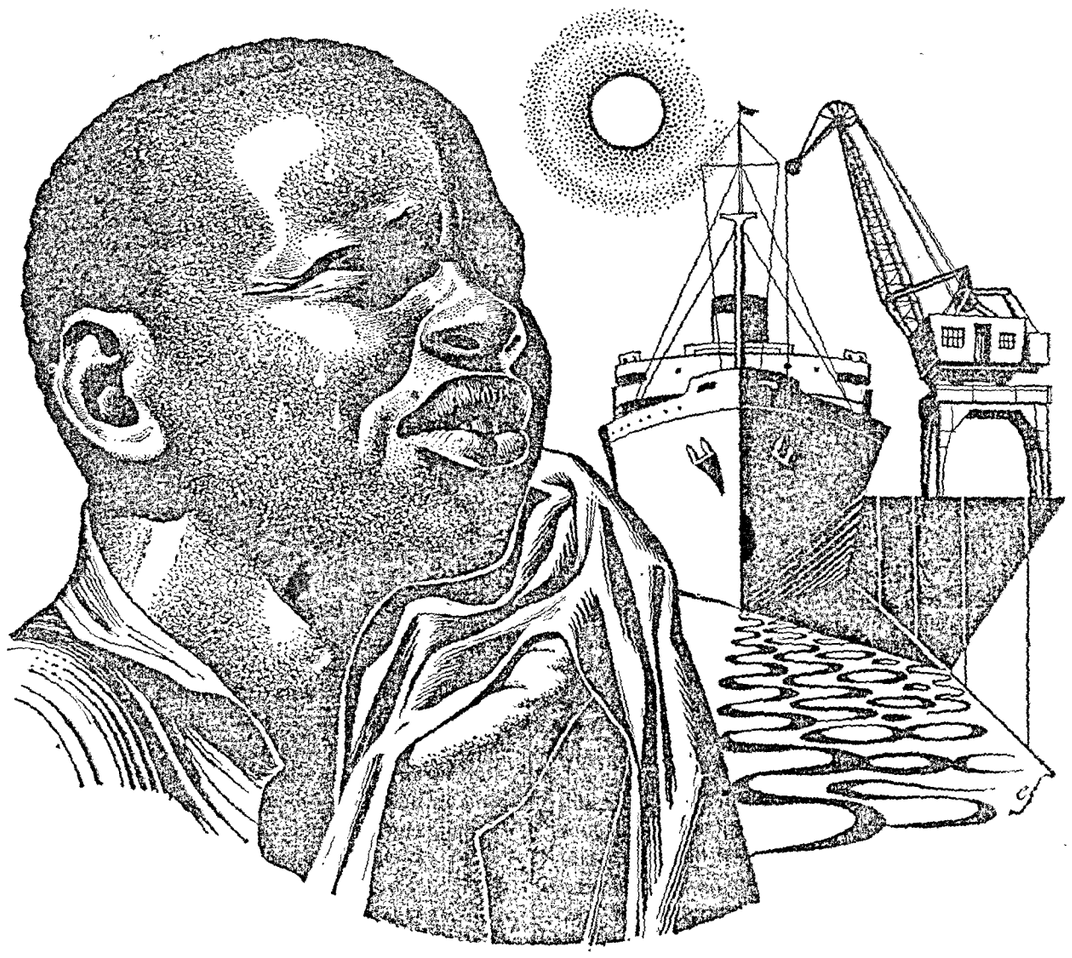
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ISSUED BY THE BRITISH IRON AND STEEL FEDERATION, STEEL HOUSE, TOTHILL STREET, LONDON, S.W.1

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natters as decidedly as ever. As far as future political alliances are concerned—a coalition with either right or left—they remain on the fence, their declared political goal being to hold the balance between the two great parties and thus enjoy a decisive voice in any future government. The voters may not grant their wish, but the party is more united in the pursuit of it than it was a year ago.

RHODESIA

Ominous Portent

THE result of the by-election for the seat of Mrewa in the Federal Rhodesian House of Parliament came too late to be discussed in last week's debate at Westminster on racial policy in East and Central Africa. But it provided an ominous portent. Mrewa was the third by-election lost by Sir Roy Welensky's Federal party in the present parliament, and the swing away from his moderate policies of partnership—much as they are criticised by British Labour MPs—was marked. Mr Winston Field, the leader of the Dominion party, whose policies are far more towards apartheid, converted a Federal party majority of 690 to a Dominion party majority of 132. On such tiny constituencies the normal rules of psephology may not apply—but such a swing in a general election would sweep Sir Roy into the discard.

It would therefore be unwise for Britain to make Sir Roy's position any more difficult, in the interest of the Africans themselves. In the debate, Mr Lennox-Boyd made it clear that he is opposed to racial discrimination, but took care to quote the approval of Labour members for some system of differential franchise in order to protect the white minority from being swamped by African votes. Labour in Britain, however, is now strongly opposed to Sir Roy's proposed method of achieving this: under his proposals African votes could not immediately be expected to account for more than about a third of the votes in any constituency. But it is pretty evident that the British Government is prepared to concede some such scheme; and then—having arranged for this sort of enfranchisement for "British protected" Africans in Nyasaland and Northern Rhodesia—to enter into a bargain to give the Federation more independence.

Labour members were no doubt right to point out that the whites in Central Africa have about three or four years to win the support of the Africans. Sir Roy Welensky knows this. The difficulty is to persuade the white electorate to think along the lines of British parliamentarians: as Mrewa should suggest, its thought is at present veering in precisely the opposite direction. If it discards Sir Roy Welensky, and sets out under some new government down the South African road, then it is nonsense to suggest that a Labour government in Britain—which obviously could never send troops and would merely find itself bleating piteously—could do anything positively "safeguarding" about it.

OXFORD APPEAL

Crumbling Spires

OXFORD UNIVERSITY has this week launched an appeal for £1,750,000 to save its historic buildings, and has proved its point with some grim photographs of the crumbling façades. Part of the trouble is that many of the colleges were built between the fourteenth and eighteenth centuries of Headington stone, which is very soft. A more contemporary mistake is the complete failure to agree on measures that will prevent the buildings from being shaken to pieces by heavy traffic. In these ways Oxford colleges are worse off than Cambridge; they are worse off, too, in that they are not on the whole so well endowed as Cambridge colleges, and they meet some of the salary payments for lecturing staff which at Cambridge fall on the university. Oxford colleges are thus starved of resources to maintain their buildings, and the University Grants Committee is unable to help; the money at its disposal is granted by Parliament for the maintenance of the universities as centres of advanced education and research, and it does not feel that it can stretch this definition to cover the upkeep of buildings solely because they are of historic interest. Common desperation has thus united the colleges in this appeal.

The appeal is addressed in the first place only to Oxford graduates, who are asked to contribute, either by capital sum, bequests or by a ten-year covenant, however small. But a wider response will probably be needed—and, on past form, is likely. One of the surprising features of this impoverished land is the ready response to appeals for preserving historic buildings, and Oxford, of all places, can surely be confident that its friends all over the world will not allow it to crumble away.

SHORTER NOTES

This week's wage settlement in the shipbuilding industry is designed to save some of Mr Ted Hill's face, but not very much of it. In effect, Mr Hill has decided after all to accept the 11s. offered by the employers in return for a wages standstill for one year and a promise to hold discussions about restrictive practices. Very similar conditions were accepted three weeks ago by the engineers, and were described by Mr Hill as an insult. But he lays great stress on a clause in his agreement promising a fresh review if "special factors" arise; he claims that this means that the standstill in shipbuilding will last only so long as the cost of living and profits are stable. The employers are not likely to agree with this interpretation, and plainly do not anticipate that they will give another rise until the engineering workers get one, too.

★

The Minister of Education and his Parliamentary Secretary announced in their respective Houses of Parliament last Thursday that a three-year training for teachers will be introduced in 1960. Is this the long sought-for graduate status for all? A memorandum of the Association of Teachers in Colleges and Departments of Education foresees only "a developing connection" between the three-year course and graduate status, but thinks that the course as a whole should reach pass degree standard. It should be composed, says the memorandum, of three elements. About a third of the time should be spent on the study of education, in theory and practice. The other two elements are research into methods of teaching and learning, and "curriculum courses" dealing with the content and importance of various subjects.

LETTERS

Mr Mboya Rampant

SIR—In your issue of June 1st you refer to the situation in Kenya and to myself in particular.

The attitude of the African elected members to the Lyttelton constitution is not demagogic. The Asian elected members and ministers, the Arab elected and nominated members, the Indian Congress and the Muslim League, all support our demand for increased representation without qualification. The Europeans are the only group who have not made their position known. The reason for this is not hard to guess, since for them a change such as we suggest will mean the end of many years of political domination.

It would seem from your article that you read into our demand a move towards black domination. This is far from true. We seek for Kenya a democratic state and society. We want to see in our country each individual accorded basic human dignity and equality. We have constantly stated that although this is our objective we accept that an interim period of constitutional change is inevitable. It is in this period that we accept the continuation of communal representation and communal rolls, later to be replaced by geographical constituencies and a common roll. How long this takes depends on local conditions and the political atmosphere. We insist, however, that the process of change must not depend solely on the European community. We must have a part, not only in the determination of its scope and content, but also in its implementation.

This we can only do when we have an effective voice in the legislative council. Standing orders, for instance, require that for a vote on a division a member requires the support of at least nine others, under which circumstances neither the Africans nor the Asians on their own would secure a division, let alone a majority vote on the unofficial side of the house, even when the two combine. Apart from this constitutional anomaly, there is the question of the effectiveness of African representation, in view of the population, size of constituency, mode of communications, etc. Are all these arguments to be regarded as demagoguery?

Your article further implies that some of my speeches have been directed at stirring up the Africans to violence, threatening the government or advocating non-co-operation with the administration. The European minister without portfolio (Group-Capt Briggs—elected member for Mount Kenya) recently made similar charges against me, but in the debate on May 30th the government failed, in my view, to substantiate its charges. I do not and have never advocated violence as the means to achieve the Africans' objective.

I hope that you agree that Kenya is primarily an African country. I have never suggested that anyone should be evicted because of his race or colour. I only state that white settler domination must go.—Yours faithfully,

Nairobi TOM MBOYA

China's Sorrows

SIR—The object of the author of your article of June 8th was no doubt to encourage the non-communist world by showing up the incompetence of the present government of China and exposing the utter mess which they are alleged to be making. Having quite recently spent some weeks in China, I am convinced that the general view given is distorted, and is as misleading and dangerous as the silly nonsense which similar pundits used in the thirties to produce about the inefficiency of technology and industry in the USSR. Those reports were often similarly documented with a partial use of official Russian material.

The fact of the matter is that, like the Russians, the modern Chinese are making a vigorous and not unsuccessful effort to bring their more or less mediaeval economy up to a twentieth-century standard. We ought not to allow our dislike of communism to blind us to this fact. In doing so they are no doubt making numerous mistakes, mistakes which in my experience they are at least as ready to admit as any western government. But I have not yet met anybody who knew the China of Chiang Kai-shek and who knows present-day China who does not agree that the living standards of the people as a whole have been raised appreciably, that substantial industrial progress has been made, and that even in agriculture unexpectedly larger crops are being produced. This latter achievement is in its way the most remarkable, because, as your correspondent points out, the population has increased by many millions. Yet in spite of flood difficulties and the absence of substantial assistance in the shape of grain, such as India has achieved, the people are obviously well nourished. Incidemally, the drive for birth control, at which your correspondent sneers, is obviously an encouraging and healthy sign.

It is of course true that a visitor sees what he is shown, and I may have brought away too rosy a picture. But one does see realities, not sentences picked out of speeches—the mile-long rail and road bridge over the Yang Tze River at Hankow, commenced in the autumn of 1953 and already nearing completion; the fine new cotton mills at Sian (working the clock round, too); the new buildings going up in the universities and technological institutes (a great deal of new building was going on everywhere we went), etc., etc. These things are, after all, of some significance, and if the visitor keeps his eyes open he sees many things which confirm the impression of energetic expansion in many aspects of the Chinese national life. For example, he sees that the shops are full of consumer goods, much fuller than the Russian shops, even if the quality is not always of the highest; and also that they are crowded with purchasers—possibly due in some degree to the inflation to which your correspondent draws attention, and which is not unknown in the West.

I am afraid that without a better attempt to show the other side of the medal your correspondent is only too likely to "induce complacency," against which, as a sort of afterthought, he warns us in his concluding paragraph.—Yours faithfully, CHORLEY

Stanmore, Middlesex

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SIR—There is an aspect of the China trade decision which seems to have been ignored by both the Lords and Commons, yet is of vital concern to us in Australia. Economic deterioration in Communist China could result in disintegration and the increasing unrest lead to mass risings against Peking. Increased trade with Communist China, whose aggressive plans are constantly mentioned by our Minister of External Affairs, could assist the Communists to weather the storm.

No doubt, many items, hitherto on the embargo list, reach China from both Russia and South East Asia, but this is beside the point. It is no valid argument to give her more. Fifty per cent of the Shanghai factories are at present idle, owing to shortage of raw materials and machinery. Does Britain propose to supply these? Steep rises in living costs, ranging from 27 to 100 per cent, led to the dismissal of Commerce Minister Tseng Shan and to Vice-President Chen Yun's announcement of the austerity programme "Produce More—Eat Less." Peking press admits that food and fuel queues form at 4 a.m., and in the north railway carriages have been broken up by angry mobs in search of fuel. Communist officials are stationed in all banks to persuade people against withdrawing money. China will not be able to meet her commitments to Russia and East European countries this year.

Is it wise to supply Communist China with the means of carrying on? Would it not be a more statesmanlike policy to allow the Peking regime to destroy itself and thus remove the greatest potential threat to the future security of Australia? The present British policy may serve certain interests here, but it will alienate much Australian sympathy and turn the eyes of an increasing number of Australians towards America.—Yours faithfully, W. G. GODDARD

Coal Must Compete

SIR—The article in your issue of June 8th draws attention to the increasing proportion of small coals in the National Coal Board's production, and to the domestic demand for large coal.

There are four ways in which the resulting problem can be attacked. The Coal Board is taking steps to limit the extent to which coal is broken up in the process of mechanised mining; to divert large coal from other consumers to the domestic market; and to produce manufactured fuels from small coal. The fourth way, which is perhaps the simplest, is to encourage householders to put in modern appliances that will operate efficiently on smaller coals of the "doubles" type.

The reason for the domestic preference for large coal is that when it is in large lumps it burns slowly, because of the relatively small surface in proportion to weight, and that faster burning, when desired, can be secured by using a poker to break the lump and thus expose a greater surface. This is a very primitive and unscientific method of controlling combustion. A far better way is to adjust the air supply to the fire: not only can faster burning be secured by increasing the air flow, but the process can be reversed when, for example, a room is to be left empty for some time, during which only a small heat output is desired.

Appliances recommended by this council will burn small coal such as "doubles" very efficiently. The universal adoption of modern appliances, especially those of the convector type, would make a very great contribution towards the solution of the problems of house coal supply.—Yours faithfully,

J. S. WILLIAMS

Coal Utilisation Council, Director

London, S.W.1

New Town

SIR—May I comment on two points in your correspondent's report on Harlow.

If, as I believe, the "community centre idea" may be condensed into the statement that there should be a suitable building which is administered by the people through their voluntary organisation in order to help people to make friends and to realise themselves as part of a community, then I think the community centre idea in Harlow is working well.

Secondly, while I am, of course, flattered that I should be credited with being in the old garden city tradition, I wonder what is meant by "middle class." Apart from myself, at the Activities Committee which your correspondent attended, at least half of those present were manual workers or the wives of manual workers and the others certainly live in the same sort of accommodation as the "working classes."—Yours faithfully, E. SEWELL HARRIS

Mark Hall and Netteswell

Community Association, Harlow

BOOKS

The Springs of Industrial Progress

Industry and Technical Progress
By C. F. Carter and B. R. Williams.
Oxford University Press. 252 pages. 25s.

THIS book is as worthy as might have been expected, and a great deal more readable. It had its origins in a decision by the British Association nearly five years ago to set up a committee "to study the problem of speeding up in industry the application of the results of scientific research," a question to which more anxiety has been devoted by technologists in this country since the war than perhaps any other except the difference between British and American labour productivity. This committee first drew up a programme of study and obtained a promise of financial aid from the Board of Trade under the "conditional aid" scheme for spending against the counterpart accounts deriving from American economic aid to Britain. Subsequently Nuffield College and the Royal Society of Arts joined the "British Ass" as sponsors; a programme of research, based essentially upon "case studies" of 152 individual companies, was carried through; further money was obtained through the Department of Scientific and Industrial Research and later the Treasury; and the terms of reference of the inquiry were widened (though the present volume is concerned primarily with the original question that the committee was set up to consider).

No set of answers to this question could achieve finality; moreover, the case studies were chosen to enrich the committee's understanding rather than to offer any comprehensive statistical coverage. The only "authority" that can be sought in such matters is clear and qualified judgment without preconceptions, informed by constant access to experts and details of individual experience. This Professors Carter and Williams offer. What they have written is a good deal fresher and less hedged than a formal report; wisely, the committee left the writing and detailed responsibility for the conclusions to its two directors of research, and these in their turn have not confined themselves at all strictly to the necessarily limited results of the case studies.

Their main achievement here is to have sorted out the factors that may have a bearing upon the speed of application of technical progress in British industry—ranking these factors in order of importance rather than by the extent that it may be practicable to do something about them. They have not accepted at face value the assumption that British industry is backward or slow to apply the results of research. But they have concluded that it is uneven in its development, and that "although all countries must expect to have some unprogressive firms, we do not think that that justifies the parochialism of large tracts of British industry." Nor do they accept the generalisation that Britain excels in basic research and fails in applying it. Some of Britain's failures to exploit results originally achieved here have come, they think, from not carrying the basic research far enough. (This conclusion seems partly a matter of verbal nicety. The pursuance of "basic research" to the point where "applied research" takes over still seems rather often to have happened in the United States, and indeed inside industrial laboratories there.)

The authors, moreover, are inclined to dismiss as uncertain or unimportant certain of the factors commonly alleged to impede scientific and technical progressiveness: for example, particular forms of management structure, the size of firms (although it seems harder for small firms to keep technically lively than for large ones, some manage to), high taxation upon company resources or anyone's incentives, or the lack of scientists and technologists on the board. They are less anxious than some about improving the communication of research results, considering the receptiveness of different firms to be more important: a progressive firm is likely to find out fairly quickly anyway, and better abstracting, indexing, or simplification of language will not persuade a parochial firm to do anything about what it is told. Nor do they think that "the shortage of capital" seems in practice to affect technical advance in any but young and small firms—and these perhaps mainly because families are often unwilling to give up control in order to obtain fresh capital.

What factors, then, do they consider really matter? First, the general quality of a firm, in management and salesmanship as well as in research; science is not an optional extra, but one of the attributes of a good firm. Secondly—to some extent a counsel of perfection—the closest possible gearing of research to a firm's production and sales policy, really effective use of the research resources it can employ, and economic as well as technical assessment of new projects. Third, the extent to which firms rely on outside suppliers

(in particular upon the plant manufacturing industries); one parochial company may weaken technical progress in a whole chain of others. Fourth, the general climate of opinion; if a firm needs to be technically progressive to keep its reputation, this puts indirect pressure even upon industry's backwoodsmen. From their case studies the authors found, encouragingly, that the old saw about the advantage of being second, and letting someone else take the risk and cost of research, is an unwise one; financial success, in their small sample, did appear to be correlated with technical liveliness. But by the same token backwardness is self-perpetuating; in a host of ways—including the important one of being able to attract good minds—a technically backward firm finds it most difficult to pull its socks up.

Being able to educate, attract, and train the limited number of good minds to be had is inevitably selected by these authors as the key national problem, too. They find the British educational performance, on most counts, significantly inadequate, as so many other students of this question have done in recent years. Their assessment of the need for scientifically trained men—and women—looks beyond the laboratory. Whether or not he is needed on the board, they are convinced that the scientist is needed in production management and in sales before Britain can really count itself "a progressive economy." Progress among firms and perhaps in an economy, they have recognised, is all of a piece. They recognised, too, but have left aside for later consideration, the extent to which expansion in an economy makes innovation easier.

St Paul's Old and New

A History of St Paul's Cathedral

Edited by W. R. Matthews and W. M. Atkins.
Phoenix House. 403 pages. 50s.

ST PAUL'S has had many historians, for so many-sided a subject must always attract them, but the present team is the first to tackle what has usually been an individual's task. The result is inevitably uneven. Sir Ernest Barker's ten-page foreword is pleasantly evocative. Professor C. N. L. Brooke ("The Earliest Times to 1485") omits the shadowy story of Roman London to concentrate on the twelfth and fifteenth centuries, for which there is most material. Throughout his pages the cathedral is shown as a place of pilgrimage, with many shrines and an increasing number of chantries, a home of learning, if it developed no great school. The bishopric itself was not wealthy, but the attraction of a canonry at St Paul's was great. Some of the prebends were well endowed and London and Westminster were centres of power and patronage. The struggle of pope, king, bishop and magnate to reward their servants with nomination to a vacancy is a constant theme, matched by the success of the resident canons in reserving to themselves, as against such non-residents, the bulk of the revenues. Here Mr Brooke's own researches add much to a tale of notable as well as scholarly interest.

For the complicated years 1485-1660 the Rev. E. F. Carpenter faithfully follows the work of earlier historians. If the life of Dean Colet's cathedral is described in part from material which in fact concerns the following century, the description is graphic and possibly timeless. The temporal and spiritual disruption brought by the Reformation was followed in 1561 by the destruction, through lightning, of the famous spire and much of the roof. Thereafter the building was a financial white elephant, taking in repairs all that could be raised and still requiring more. Laud and Inigo Jones did much, but neglect in and after the Civil War left all to be done again.

This led in turn to the general problems of reconstruction, both of Anglican life and of the cathedral's fabric, treated by the Rev. A. Tindal Hart on the years 1660-1831. The ruin of the building by the Great Fire of 1666, the controversy over repair or a new building, Wren's appointment and the long years of his work—this is familiar ground trodden firm by older historians and here enhanced by occasional touches from modern works. Much is biographical with brief accounts of notable deans, but room is found for a slender sketch of the cathedral's officials in the eighteenth century.

For the years 1831-1934 the Rev. W. M. Atkins fills the gap left by the death of G. L. Prestige, skilfully summarising the latter's study and adding a section of his own covering 1911-1934. This century, when Canon Sydney Smith was the motive force in the difficult years brought by the Cathedrals Act of 1840, when the city gradually ceased to be a place of residence and the dean and chapter faced new problems with sincerity and success, provides one of the most stimulating of the book.

Of the last twenty years, the Dean writes vividly. Whether the whole book is as successful as his contribution may be questioned. A definitive history should, throughout, be up to date and stamped with authority. Yet though space is obviously precious, some sections are repetitive and few contain the references demanded by good sense as well as good scholarship. The bibliography can include a school book and ignore valuable primary material. Mistakes are distressing. Good, if mainly standard, illustrations include no plan of the cathedral precinct and no map to show its property. The frontispiece is the view condemned on page 350 as the least pleasing. The result is a convenient one-volume work, stimulating in places, pedestrian in others, much better than no work, and showing what a superb story there is to tell.

Paladin and Peer

Henry Brougham

By Frances Hawes. *Cape.* 325 pages. 25s.

IN a set of verses on the death of Henry Brougham in 1868, the editor of *Punch* called him the most faithful of all the paladins and peers of good causes in his age. It was a true comment, although it was in a very different vein from most of *Punch's* earlier judgments on him. Brougham, who never wished to be elevated to the House of Lords, would greatly have preferred to be called a paladin than a peer. Growing up with the century, he had identified himself with "the march of improvement" when it was still a topic of satire: by the time he died it was the orthodox philosophy of mid-Victorian Britain.

Mrs Hawes has produced a competent biography of Brougham without adding much to existing knowledge or illuminating the dark patches of his career. She rightly lays stress on the part he played in developing political propaganda, in encouraging the spread of popular education, in fighting for the abolition of slavery and in initiating legal reforms. She devotes only thirty-four pages, however, to the last thirty-eight years of his life, years when he was in the political wilderness. These years have a curious fascination and a far from insignificant place in his record of devotion to good causes. Brougham is one of those historical characters, along with Wordsworth, whose old age is quickly dismissed: in his case, however, there was no abandonment of earlier objectives, rather a restless and uncoordinated attempt to see them through. The Law Amendment Society and above all the Social Science Association deserve fuller treatment than they receive in this book; so do Brougham's own voluminous writings.

The enigma of Brougham—and there still is an enigma—rests in the relationship between his personality and his ideas. For every eulogy he received, posthumous or otherwise, there was a sneering condemnation. He was called "Wicked Stiffs," "Mr Facing-both-ways" and even "Beelzebub." The attacks made on him can partly be explained on social grounds—he was an interloper in the Whig household—but it needs psychology as well as sociology to explain his unsettled egoism and the distrust he inspired in so many of his contemporaries. "Somewhere in that complex nature," says Mrs Hawes, "there was a flaw." She is led to believe that the weakness lay in his overweighted mind rather than in his inner heart. As early as 1830 Grey believed him to be "mad" and the comment was repeated on many subsequent occasions. "I'm not mad, am I?" cried Brougham himself to Melbourne in 1835, "You don't think I'm mad?" It is a question which Mrs Hawes never fully and frankly answers, although she touches on it time and time again. It seems odd to ask for a medical report on a man who lived to a ripe old age, presided at the Social Science Association's meeting at the age of 87 and died quietly in Cannes, then a fashionable resort, which he had "discovered" as a small fishing village thirty years before. Yet a biography of Brougham involves an unrelenting exploration of oddities, and there is still much more to be found out than is covered in this useful biography.

The Scrolls Themselves

The Scriptures of the Dead Sea Sect

By Theodor H. Gaster.
Secker and Warburg. 359 pages. 30s. cloth, 10s. 6d. paperback.

NOW, at last, the layman can read the actual words of the Dead Sea scrolls instead of reading about them. He can advance on his own into that exalted and apocalyptic world of messianic expectations and sectarian fervour in which Christianity struck root. Not altogether on his own, for Professor Gaster surrounds his lucid translations with prefaces, notes and historical commentaries. In the welter of disputation, he takes a modest and latitudinarian stand. The texts were composed between 170 BC and AD 68; they are intimately associated with the rites and eschatology of the Essenes; they illuminate the complex and transitional spirituality whence arose the mission of John the Baptist; but they "contain no anticipation of or parallel to distinctive Christian doctrines, e.g., Incarnation, Vicarious Atonement or Communion."

It is on this last point, where he opposes the brilliant thesis of Edmund Wilson, that Professor Gaster is most controversial. But his translation scores heavily. It had been thought that the "Manual of Discipline for the Future Congregation of Israel" contained both an anticipation of the Eucharist and an allusion to a Messiah begotten of God. Professor Gaster argues with considerable weight of evidence that both notions were founded on unsound conjectures and positive misreadings of an incomplete original. He is similarly persuasive when he points out, by mere juxtaposition of citations, that parts of the Essene vocabulary which were thought to reflect a "pre-Christian" theology are contemporary commonplaces. No previous work on this fascinating subject has done as much to restore the Scrolls to their temporal context.

Professor Gaster seems, however, to be on shakier ground when he insists that the famous references in the Habakkuk scroll to the "house of Absalom," "the Kittaeans" and "the priest who rebelled" are to be taken in a generic and symbolic sense. The tone of the text, its graphic vehemence and obvious topicality simply do not bear him out. Behind the language of symbolism and Biblical reference there do seem to move specific personages and there do seem to burn specific indignations. In his appendix, moreover, Professor Gaster appears to be moving toward that point of view.

His work raises once again a fundamental question: are the Scrolls from the Dead Sea of literary value? Do they add to our scriptural heritage? The answer hinges on the Book of Hymns which Professor Gaster renders in a simple but slightly archaic language. At times, one feels that the passage could come straight from our Bible:

> My transgressions, my iniquities and sins, and the waywardness of my heart condemn me to communion with the worm and with all that walk in darkness.

But more often the original seems to have represented a declining tradition.

Whatever their literary merit, these translations make it possible for laymen to share in what has become one of the major adventures of modern scholarship. And the intensity of the original experience endures; perhaps because our own time has its part of apocalypse:

> What nation likes to be oppressed by a stronger power? Or who wants his property plundered unjustly? Yet, is there a single nation that has not oppressed its neighbour? Or where in the world will you find a people that has not plundered the property of another? Where indeed?

Hands and Mouths in Jamaica

The Population of Jamaica

By George W. Roberts.
Cambridge University Press. 378 pages. 40s.

THE subject-matter of this book is of critical importance in the modern world, since it deals with the malady that is now characteristic of most tropical areas: in Professor Kingsley Davis's words, "the combination of rapid population growth with widespread poverty." As vital statistics officer of the British West Indies Development and Welfare Organisation, Mr Roberts is able to analyse the Jamaican data in the light of information from other parts of the Caribbean region; furthermore, he brings to his tasks a scholarly mind, reinforced by professional contacts in Great Britain and the United States. The result is a penetrating work based on sound methods, in which, moreover, as much attention is paid to historical origins as to current trends.

Mr Roberts writes with an evident sense of responsibility, and an awareness of the significance of the problems with which he is confronted. This must be emphasised, as his conclusions will shatter the last shred of complacency concerning the future of the people of Jamaica, and the many others which display similar demographic characteristics. The facts speak for themselves. In brief, on the assumptions that fertility will remain constant, that mortality will decline, and that there will be no migration, the addition to the population between 1951 and 1971 (822,000) "is not far short of the total increase in the island's population during the century 1844-1943." If, on the other hand, declining mortality, declining fertility, and constant emigration from 1956 onwards are assumed, the increase would be reduced to 496,000, which represents, even so, an increase of 35 per cent.

Increasing industrialisation and urbanisation may be expected to reduce fertility quite substantially, unless they are counterbalanced by other influences. These other influences, however, are only too evident. A steep decline in the number of women in employment, together with the possibility that "the idea of marriage as a binding element of family life may spread," leads to the further possibility that "the fading of the institutional checks on fertility will attend rising industrialisation and offset any fertility declines that may be expected to develop." Both population projections "emphasise that the major problem of population growth in Jamaica is the growing numbers of potential workers."

It is to be hoped that Mr Roberts's temperate and exact statement of Jamaica's problems will receive the widest and most careful consideration.

Instinct versus *Conscience*

Segregation

By Robert Penn Warren.
Eyre and Spottiswoode. 88 pages. 9s. 6d.

THIS little book is the product of a journey through the South undertaken for *Life* magazine by an American novelist who came originally from the border state of Kentucky. Its value lies

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entirely in its shrewd selection of interviews that bear the unquestionable marks of authenticity. The surrounding prose is breathless, hysterical and mercifully short. The comment after an expressive quotation is frequenty banal. The interview the author has with himself at the end is the only one that rings false. But the book should nevertheless be read by anyone interested in the South for the sake of the moving, pathetic and occasionally hopeful voices it records.

They reflect the fact that the white community is going through one of the most painful of social experiences, the imposition of law without consent. They display also the resentment of ordinary people that they should be forced out of the shadows of anonymity to become the battleground of conflicts of loyalties and instincts of classical intensity. Many of the people that appear in this book are harried by a guilty conscience about the treatment of the Negroes. At the same time they are repelled by instinct or experience from the conclusion that the Negroes they know about them can possibly be their equals. "I feel it's all happening inside of me, every bit of it," Mr Warren was told by a girl in Mississippi, and a small business man in Louisiana remarked: "You might say, it's the psychology of it you can't stand. Getting all split up."

Mr Warren has captured faithfully the variations in the moods of the whites. But, although he is sympathetic enough, he did not really penetrate the front which the Negroes offer. It is doubtful if any white man, whatever his views, now can. Certainly the only penetrating writing about the divisions, doubts and aspirations in the ranks of the oppressed has come from a handful of Negro journalists.

The most hopeful remark in the book comes from a school superintendent in Kentucky, about to face the practical problems of desegregation, who said: "A man can hate an idea but know it's right, and it takes a lot of thinking and praying to bring yourself around. You just have to uncover the unrecognised sympathy in the white man for the Negro humiliation." And the most pathetic is from a woman in Mississippi who gained comfort from the thought that a film being shot locally was "the only movie ever made here that didn't criticise Mississippi." The film was *Baby Doll*.

Landowners and Peasants

Land Reform and Development in the Middle East

By Doreen Warriner.
Royal Institute of International Affairs. 206 pages. 18s.

MISS WARRINER'S survey of the land problems of Egypt, Syria and Iraq subordinates political issues to her subject but cannot ignore them. She is constrained to point out that in Iraq, where the government wisely sets aside a major proportion of its oil revenues for development, the power and privilege of the landowners are untouched, except to the extent that development draws some of their labourers to the towns. Not even the radical governments of Syria have been able to break the oppressive power of the landowners in the old cultivated regions of the south and centre. But in Egypt, the Agrarian Reform law did greatly diminish the dominance of land-owning groups, which, in thirty years of parliamentary government, did not pass one measure to better the miserable lot of the *fellahin*.

The revolutionary dynamic came from Egypt because "it is the advanced agricultural country which has no oil, and no money for the big development it so urgently needs." Land reform could not alter the fundamental fact that *there were too many* people on too little land and that the situation was worsening. In that respect, as Miss Warriner states, the High Dam is vital to Egypt's future. Reform did, however, increase the net *income of more* than 4 million tenants, either by providing them with land to farm or by reducing their rents. It was, in short, a social as well as a political success.

She does not suggest that the Egyptian method should necessarily be applied to Iraq or Syria. The problem of poverty, of the subjection of the peasants, is common to them and in all cases the land system is an obstacle to progress. There has been development; more than she thought possible ten years ago. She is essentially concerned with progress in the utilisation of the land. In Syria she found it was mainly private enterprise in the north which had made progress. The government has extended irrigation to a small extent and is to extend it further, but its legislation has failed to improve either the agriculture or the lot of the peasants in the older regions. The Iraq Development Board has, mainly on Lord Salter's advice, made greater efforts to distribute the immediate benefits of its massive plans; but "it is a change without direction or purpose"; an engineer's blueprint, not a combined social and economic evolution. By the deliberate intent of politicians and the operation of the land system, the power of the landowners has increased since the war. They *are* parliament, and "no legislation which could infringe on the property rights of the large landowners can secure parliamentary approval."

"There are in the Arab world," says Miss Warriner, "politicians who can speak, and some who can even act, for the fellahin." She points out that the Arab Resurrection Socialist Party, which is the hard core of the left-wing government in Syria, claims to speak for the peasants and is strongly supported by the serfs of the Homs-Hamma region, from whom the party leader, Akram Hourani, derived his earliest political dynamic. The Egyptian revolution touched off some landlord-peasant troubles in Iraq and General Neguib's picture was still to be seen in some of the hovels in the south last year.

Miss Warriner does not embark on prophecy, but she has done a useful service by showing in this context that Arab nationalism is not, as is widely believed, simply a xenophobic aberration regarding the West and Israel. There is an underlying social stimulus, and failure to give this due weight has done much to falsify British assessments of the situation. British policy, as she correctly states, still aims to shore up established positions; while Russia plays on the social "unbalances." The Egyptian regime might collapse. The West might then conclude that the conservatism of Iraq is right for the Middle East. There is danger in this. The radicalism of the area, with its roots in the oppressive and constrictive land systems, will remain potentially explosive. Even good conservatives should have a touch of revolutionary dynamism when they look at the Middle East, and Miss Warriner's study provides a justification for it.

SHORTER NOTICES

Capital: *Volume II*

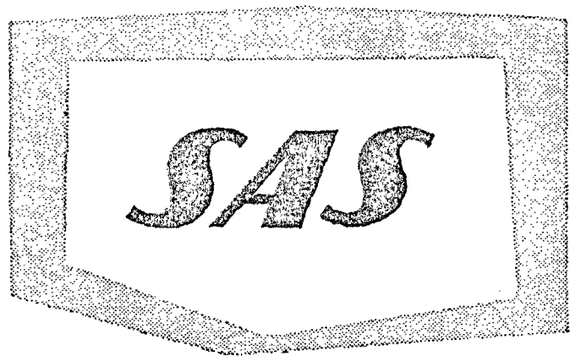
By Karl Marx. Moscow: *Foreign Languages Publishing House.* London: *Lawrence and Wishart.*
556 pages. 7s. 6d.

Outside the Communist lands very few students, even among Party enthusiasts, go so far as actually to read "Capital" *in extenso*; some more or less sympathetically interpreted version of what-Marx-really-meant is the more normal pabulum. And for a hundred stalwarts who plough through Volume I there can hardly be one superstalwart who achieves Volume II. That anyone not already numbered among the faithful should actually undergo conversion as a result of reading Marx is improbable: but for the edification of those already in the fold, and for the doctrinal strengthening of missionaries, it is evidently essential that the sacred texts be freely, fully and cheaply available. Hence the activities, strictly comparable to those of the British and Foreign Bible Society, of the Foreign Languages Publishing House, whose costs of production may safely be guessed to be well above 7s. 6d. for 556 pages in hard covers. In typography, layout, binding, and every other visual attribute, this volume is a singularly poor advertisement for Soviet technical achievement; moreover, it quite literally smells awful. Still, anyone wanting to add to his library, private or public, a classic for consultation, may reflect that very-nearly-gift-horses should not be looked, or sniffed, too closely in the mouth.

South America

By Hans Mann.
Thames and Hudson. 246 photographs and 58 pages of text. 50s.

This is the latest volume in a lush photographic series of places and people. Latin America with its diversity of races and cultures, its exciting scenery and its strange contrasts of very old and very new is a wonderful subject for photography. Mr Mann, who is clearly more interested in faces than in mountains or churches, has selected some magnificent pictures. Most people have rather amorphous ideas about the republics of Latin America: a lot can be learnt as well as enjoyed from these photographs and from Mr Mann's admirably illustrated historical summary.



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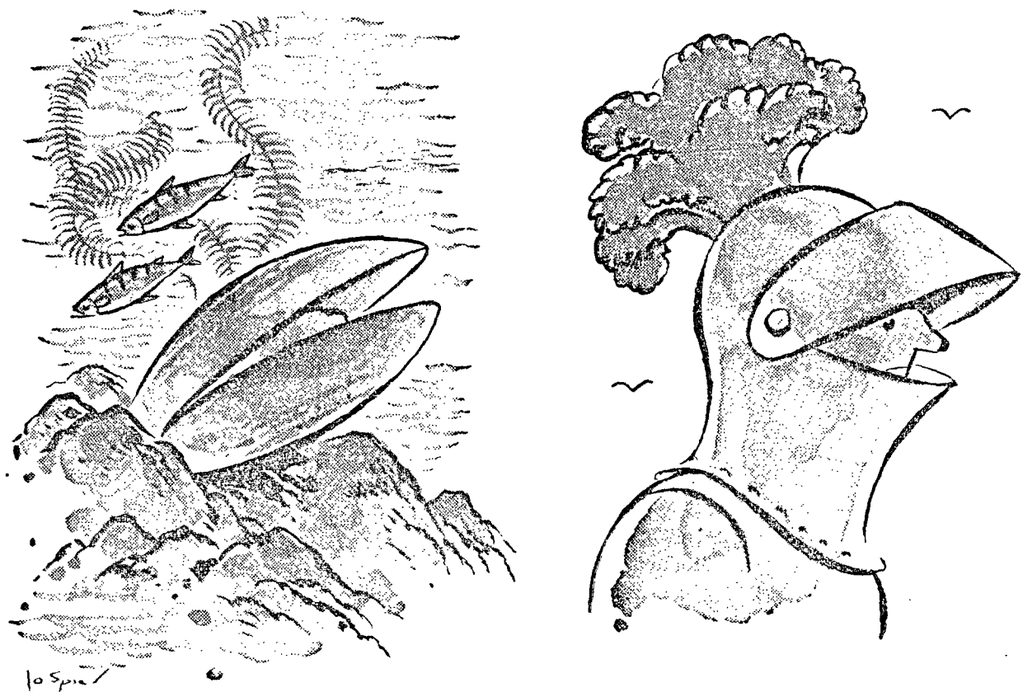
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AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

China Differentials

WASHINGTON, DC

Too much should not be read into the President's casual remarks last week which seemed to dump overboard his State Department's policy on trade with China. On Monday, Mr Dulles took advantage of a question by a member of the House Foreign Affairs Committee to deny that there was any prospect of an early change on the larger question of diplomatic recognition. Nevertheless the Committee of One Million Against the Admission of Communist China into the United Nations had something to be worried about when it sounded the alarm three weeks ago against "a concerted effort to convince the American people" of the need for a new policy. There has been a remarkable demonstration of the swiftness with which the American political climate can change.

The transformation did not, of course, really take place over-night. Several months ago Mr Henry Ford in a speech at San Francisco called for a re-examination of American policy towards China. There have been increasing signs of restiveness on the west coast at the thought of fifty foreign vessels a month docking in Shanghai and not one of them American. There has been a parallel movement in the South—the area most exposed to competition from Japanese textiles—in favour of lifting the trade embargo at least for Japan, so that it might find its natural markets on the Chinese mainland.

But what really brought the issue out into the open was the coincidence of the British announcement that it was abandoning the "China differential" with the shock of the anti-American riot on Formosa. The noble friendship of the Nationalist Chinese had been contrasted too frequently with the "ingratitude" of other recipients of American aid for the sacking of the American Embassy and the trampling of the American flag not to have a profound impact. Moreover, since the Suez crisis, which brought Americans face to face with a genuine breach with Britain, they have been markedly anxious to play down differences and to acknowledge valid divergences of economic interest.

Senator Knowland's reaction to the British decision was surprisingly mild. He seemed merely concerned with "going on record" against it as unobtrusively as possible, although he implied that, by striking out alone, Britain had absolved America of any further responsibility for the future of Hongkong. The heavens did not fall on Senator Magnuson of Washington, a good friend of the West Coast shipping interests, when, as Chairman of the Senate Committee on Interstate and Foreign Commerce, he announced an investigation into the reasons why America seemed to be out of step with the rest of the world over trade with China. Representative Zablocki of Wisconsin was even able to declare with impunity that the time had perhaps come for a complete reappraisal of American policy. Although this is not the first time that distinguished commentators such as Mr Walter Lippmann and leader-writers in "eastern international" newspapers have questioned the "reality" of the State Department's assumptions on China, they have done so in the last fortnight with a new sense of being in harmony with a trend. Both for politicians and officials, many of whom have had private doubts about their seniors' orthodoxies, the Chinese problem no longer has to be dabbled with on the black market of ideas.

Understandably enough, a panicky sense that impregnable walls of public unanimity were mysteriously crumbling around him has overtaken Mr Walter Robertson, the Virginian banker who, as Assistant Secretary of State for Far Eastern Affairs, is the principal architect of the Administration's policy. The official counter-attack was just gathering momentum when President Eisenhower, in his favourite role of impartial mediator between the views of his government and those of its critics, observed that "frankly I don't see as much advantage in maintaining the [China] differential as some people do, although," he characteristically added, "I have never advocated its complete elimination."

In assessing how far the official shift is likely to go, important distinctions must be made between the trade embargo and the issue of diplomatic recognition, and between the different reasons that are given for withholding that recognition. As far as any short-term change of policy is concerned, only the trade embargo is in question and even here Mr Robertson and his colleagues, believing it to be of the utmost importance, contest the British case right down the line. They argue that it is more dangerous to sell precision machine tools to China than to ship strategic materials, since items on the "differential" list (which may be sent to the Soviet Union but not to China) would consolidate the present Communist leadership by helping to solve its economic problems. They believe it to be an advantage to force the Chinese into economic dependence on Russia, since this strengthens Russia's ability to prevent China landing it in total war for the sake of Chinese interests. And they say that the China differential is not farcical, because the shipping of western goods across Siberia to China creates delays, waste of China's scarce foreign currency and strains on Russia's communications system. They also claim that the United States has a duty to sustain the morale of its supporters in the Far East and that when, periodically, a wave of rumour spreads through the area that America is about to make a deal with Communist China friendly politicians find their following melting away.

In practical terms Mr Robertson is looking forward to the day when Mr Mao Tse-tung, with whom he has negotiated and whom he regards as a hard-core fanatic, is replaced, not by General Chiang Kai-shek, but by Gomulka-

type Communists with whom it would be possible to deal. He does not want to fritter away America's relatively few bargaining cards, including the trade embargo, beforehand. So even if the new tendency to think about trade concessions gains momentum, it would be quite wrong to conclude that there is the slightest prospect of American diplomatic recognition so long as Communist China continues to behave in a manner that fits Mr Robertson's analysis.

Only if Mr Mao and his men completely reversed themselves and gave satisfactory proofs that China was prepared to behave like an ordinary civilised power in its treatment of foreign persons and property, and to purge itself of its offences in Korea, would there be any likelihood of a major swing in American opinion. In that event American pragmatism might assert itself in a startlingly sudden manner over the American fondness for moral principle. But then the "realistic" critics might find some of their present easy assumptions put to a harsh test. They have advanced the concept of "the two Chinas" as an answer to an argument in the realm of power politics: the need to keep Formosa out of Communist hands and to support an anti-Communist government as a rallying point for the overseas Chinese. But if the United States did decide to recognise Communist China, is there any reason to believe that China would "recognise" the United States on Mr Lippmann's conditions, which include the indefinite separation of Formosa from the mainland? The developments of the last few weeks, significant though they are, should be soberly regarded as a healthy transition to open debate on an exceedingly intricate problem rather than as a portent of an early change in basic American policy.

Stand on the Platform

IT is one of the oldest of American political jokes that platforms—the statements of party principle adopted at the presidential conventions—are made to run on, not to stand on. Usually they are packed away with the bunting and the loud-speakers when the campaign is over, if not before. But President Eisenhower, sallying forth at last against the dissident right wing of his own party, has declared that the Republican platform adopted last year is a solemn commitment to the American people; that his $71.8 billion Budget is simply what it costs to carry out the party's pledges on collective security and social progress; and that Republicans in Congress and the party organisation are honour-bound, if party responsibility is to mean anything, to support the President's legislative programme. If they do, Mr Eisenhower says they will find him a strong ally. In the past his neutrality has puzzled and embittered the little band of Eisenhower Republicans in Congress.

The party platform, which Republicans light-heartedly approved at San Francisco, is to be thrust down their throats at breakfast, lunch, and dinner. After his picnic with Republican members of Congress last week, Mr Eisenhower, whose inaccessibility has been notorious, announced that he would return this hospitality at a series of White House breakfasts and dinners at which he can talk to small groups of Congressmen. There is probably nothing symbolic in the fact that it is the President who has already suffered a stomach-ache. But it is desperately late to try to influence this session of Congress.

The split in the Republican party between its popular President and its entrenched right-wing endangers the party's already slender chances of winning back control of Congress at next year's mid-term elections. But the President has served notice that unity must be achieved on his own terms. Complaints from regional conferences about the Budget and the drying-up of big contributions to the party funds have been met with the justified reminder that the Budget would have been much larger if the Democrats had remained in power. The President has also let it be known that he means to take a vigorous part in the 1958 elections, and it is said that he intends to exercise a veto over the party's choice of a presidential candidate in 1960. Mr Knowland, the party's rebellious leader in the Senate, was conspicuously absent from the party conference at which the President and Mr Nixon spoke, but he has had his warning. This is the kind of political leadership which is needed to make the American system work; the only question is whether the President is prepared to keep his shoulder to the wheel.

Encouraging the Poles

THE tenth anniversary of the Marshall Plan which brought down the Russian iron curtain between east and west was a suitable moment for the signature of the economic agreement with which Poland is putting a toe through that curtain. Admittedly the western welcome might have seemed a little warmer to the Poles if they had not been kept waiting in Washington for months for the agreement and if the $95 million which they are receiving had not been less than a third of what they asked. But it is more than at first they seemed likely to get and there is a possibility that still more may be offered eventually. For the present the Poles surely realise that the Administration has collected every available dollar and that much of the delay was due to Congress's dilatoriness in authorising further sales of government-held farm surpluses for foreign currencies. Moreover the generosity of private Americans has been demonstrated by grants of nearly $1 million from the Ford and Rockefeller Foundations to facilitate scientific and technical exchanges between Poland and the United States.

Poland needs wheat and cotton so that it can end forced deliveries of grain from its peasant farmers and keep its factories going and its townspeople fed—and thus lessen its dependence on the Soviet Union. In the end the agreement had to be signed with part of the deliveries subject to final action by the House of Representatives on an additional $1 billion of authority under the surplus disposal Bill; the present authority of $3 billion is exhausted. But the argument which has held up this Bill is over parliamentary procedure rather than over the principle of help for Poland; in any case the agreement as a whole does not need congressional approval. Some doubts have been expressed about the desirability of giving help, with no conditions attached, to a country which has not actually left the Communist camp, but at least Poland has not asked for gifts, only for the loans which are the popular form of foreign aid today. Opposition will also be dampened by Poland's promise to see that goods received under the agreement are not trans-shipped to Russia, by the provision in the agreement for easing commercial relations with Poland and by the negotiations which are to be undertaken to settle American claims against Poland. The Administration frankly regards the agreement as a gamble worth taking in order to encourage Poland to loosen its ties with the Soviet orbit. That the Polish people would welcome closer links with the American way of life is shown by their interest in the American pavilion—the first time there has been such an exhibit—at the trade fair at Poznan, where last year the first signs of revolt against Russia broke out.

Aid for Poland

The total of **$95 million** is made up as follows:

1. A credit of **$30 million** through the Export-Import Bank, to be repaid in dollars over 20 years, beginning in 1962, at 4½ per cent interest. $4 million of this will be spent on coal-mining machinery; the rest will be used for surplus farm commodities and transport costs.

2. **$18.9 million** for the purchase of surplus farm commodities, to be repaid in zlotys at 24 to the dollar.

3. A further **$46.1 million,** to be spent on surplus farm commodities and to be repaid in zlotys, when Congress passes the surplus disposal Bill.

With this money Poland will obtain:
500,000 tons of wheat,
50,000 tons of cotton,
60,000 tons of soyabeans,
17,500 tons of fats and oils.

A Case of National Pride

THE visit of Mr Kishi, the Prime Minister of Japan, is off to a bad start with the explosion of American indignation over the Girard case. Mr Kishi is seeking satisfaction of a number of grievances concerning apparent infringements of Japanese sovereignty which his Socialist opposition is exploiting. The question of jurisdiction in the Girard case—in which a young American soldier with the rank of specialist is accused of killing a Japanese woman on a range used by American troops—also involves Japanese national pride. Mr Dulles and Mr Wilson, the Secretary of Defence, who together decided to allow Japan to try Specialist Girard, no doubt felt it was in the interests of Japanese-American friendship to be magnanimous; the Formosan riots, only a fortnight earlier, which were set off by an American court-martial's acquittal of an American who had killed a Chinese, showed how deep feeling might run in Asia.

The protests from ex-servicemen and members of the armed forces committees and the petitions from Specialist Girard's home town in Illinois show it can run deep in the United States too. Specialist Girard may well feel he is out of his depth. His own lawyers in the United States concede that the Japanese courts would probably impose a lighter sentence than any court-martial would dare to do after the Formosan case. The Japanese charge, the least serious possible in the circumstances, carries, if proved, a sentence of two to fifteen years in prison. Yet both Specialist Girard's family and his lawyers insist that it is a matter of honour that he should not be tried by Japan and have petitioned the courts to order him brought home.

In Congress, indignation is rising against the status-of-forces agreements which the United States has concluded with most Nato countries and with Japan and against the Administration's decision not to prolong the deadlock in the Girard case by invoking the diplomatic procedures provided for when agreement cannot be reached on the spot. The point at issue is whether Specialist Girard was on duty at the time of the incident; if he was, the agreement provides for him to be tried by an American court-martial. Mr Dulles and Mr Wilson decided that his action was unauthorised and that America must demonstrate its good faith in carrying out its commitments. The anger against status-of-forces agreements as such, apart from the handling of the Girard case, has no substance. Without them, as a federal judge pointed out last year, Americans in Japan would still be subject to Japanese jurisdiction. President Eisenhower, who has already supported the Dulles-Wilson decision and expressed his faith in Japanese justice, may have to speak out more strongly still against what Senator Thruston Morton has called American "adolescence."

Jamestown 1607-1957

IT has been the fate of Jamestown, the Virginian cradle of American settlement, to have been overshadowed down the centuries by Puritan Plymouth. The Pilgrims proved to be a shrewder and hardier strain than the Cavaliers, whose traditions shaped the old South and perished with it. This very year, when the federal government and the State of Virginia, with the help of voluntary bodies and the British Government, combined to right the balance by celebrating the 350th anniversary of the founding of Jamestown, a new *Mayflower* stole the show. Few remember the tiny *Susan Constant*, the *Godspeed* and the *Recovery*, though replicas now swing at anchor in the James River and they landed the first permanent colonists at Jamestown in 1607, thirteen years before the Pilgrims sighted Plymouth Rock. Even the announcement that the Queen, on her trip to America, will visit Jamestown has unluckily coincided with the picturesque welcome to the *Mayflower* by descendants of the Pilgrim Fathers in fancy dress.



The low-lying island in the James River, which the settlers chose because it was easy to defend against Indians and Spaniards, has its immortals, Captain John Smith and Pocohontas; it also was the first site of representative government and commercial enterprise in America, and the first capital of Virginia, until 1699 when Williamsburg, six miles away, took its place. Famine, Indians and illness attacked the settlers; of 5,650 sent out, only a thousand were left after eighteen years. This historic ground is now part of the Colonial National Park, which includes Yorktown,

Continued on page 983

Welfare for Workers

FROM A SPECIAL CORRESPONDENT

ONE of the most distinctive features of American trade unions, when compared with those in Britain and Europe, is the extent to which they have made social welfare a matter for collective bargaining. As in Britain, many American unions were first constituted as "fraternal benefit societies," providing welfare services of one kind or another for their members, but these were limited, and they were paid for by the union members themselves. In recent years, while labour movements elsewhere have turned increasingly to the state for social security, American trade unions have taken it to the bargaining table. Exact figures are not available, but it is probable that some 14 million of the 17 million organised workers are now covered by negotiated welfare plans. The principal benefits provided are pensions, life insurance and insurance against accidents and temporary disabilities, wage guarantees and health services.

Pension Plans

Those negotiated by trade unions now cover some 7½ million members; about 23 million workers—organised and unorganised—are covered by pension plans set up unilaterally by employers. In most cases the employees do not contribute, but they are usually required to serve a minimum number of years, somewhere between ten and twenty, before becoming eligible for a pension. Retirement is generally automatic at 65. The levels of benefit vary among different occupational groups and frequently also with length of service; according to one recent study, benefits ranged from a median of 28 per cent of average compensation for those earning $4,200 annually to a median of about 38 per cent for those averaging $7,200 a year. With the addition of government old-age pensions, however, the median reaches 59 per cent in the former case, 54 per cent in the latter. Some unions are now attempting to link pensions automatically to changes in the cost of living.

Insurance

Life insurance is usually non-contributory with payments ranging from $500 to $20,000. Accidental death and dismemberment benefits are seldom more than $10,000, but they are usually paid for both occupational and non-occupational injuries. Temporary disability insurance is provided as either paid sick leave or as sickness and accident benefits. Paid sick leave is more prevalent among office employees than among manual workers and many contracts require that the employee be reimbursed for unused sick leave at the end of the year. These plans are often integrated with state programmes for disability insurance and workmen's compensation, providing additional benefits. Sickness and accident insurance payments are normally for periods of 13 to 26 weeks and range between 50 and 65 per cent of weekly wages.

Wage Guarantees

These or, to use the more accurate term, supplementary unemployment benefits (SUB) are relative newcomers to the family of "fringe benefits," as negotiated welfare payments are called. Although unilateral schemes have been in existence for many years in a few companies, the first major plans were those negotiated by the United Automobile Workers in 1955, which supplement state unemployment benefits to provide a combined payment equal to 65 per cent of straight pay after taxes for the first four weeks of unemployment and of 60 per cent for additional periods—depending upon the employee's eligibility—up to a total of 26 weeks. Some older SUB plans pay benefits up to 52 weeks and introduce such variations as disability insurance for extended periods, guaranteed employment for specific periods or generous severance pay.

Health Services

These have become the most popular as well as the most controversial fringe benefits. Today some 90 per cent of all members of trade unions—and many of their dependants—are entitled to some kind of medical, surgical or hospital care under labour-management agreements. Managements now probably contribute $5 or $6 billion a year to health plans—including those created unilaterally by employers. The financial obligation of the employer (few negotiated plans are financed jointly by employers and employees) is stated either as a fixed amount for each worker—say ten cents an hour or a dollar a shift—or as a given schedule of benefits. The coverage offered by most plans is limited and generally quite inadequate in the case of prolonged illness or expensive operations. More important for collective bargaining is the fact that, when increased benefits are negotiated, these are frequently countered by additional charges on the part of doctors and hospitals, on the theory that the individual can afford to pay at least part of his health bill. The result is a continuing spiral, with ill workers and harassed employers the principal sufferers.

As a result, many labour leaders are beginning to look harder at a form of organisation which provides relatively comprehensive health care at low and steady prices: the non-profit, group practice health centre. There are now some 40 such centres—financed by management but often administered in fact by unions—providing varying degrees of care for perhaps a million members of unions and their dependents. But this is a small fraction of the whole, and labour leaders also advocate an ambitious programme of federal aid for a wide range of health services, including the national health insurance for all which is for the present a dead issue, because of the violent opposition of the American Medical Association. The trade unions have also tried to alleviate some of their problems by local action—by negotiation with county and city medical societies to establish firm schedules of fees; by agreement with hospitals on uniform charges for identical services; and by inter-union co-operation to induce insurance companies and other health agencies to provide wider services at lower costs.

Corruption

This is much the most urgent and embarrassing problem in connection with negotiated welfare funds. Most of them are governed by the Taft-Hartley Act, which requires that both the union and the employers participate in administering the fund; however, company heads frequently leave administrative matters to union officials. Most cases of maladministration are simply the result of inexperience; but much of the abuse is straightforward graft, involving such practices as fee-splitting between insurance brokers and union officials, the purchase of insurance policies from companies in which the officials of the union have a financial interest, and the outright appropriation of welfare funds for personal use.

The national trade union organisation has recently acted with great vigour to drive the corrupt from its ranks; this is an attempt to counter the unfavourable publicity arising out of the revelations of the various congressional committees which are investigating corruption in the labour movement and particularly abuses of welfare funds. It now seems almost certain that these investigations will result in new laws to govern the internal operation of trade unions and the management of negotiated welfare funds, something which the national body itself has long advocated in some form.



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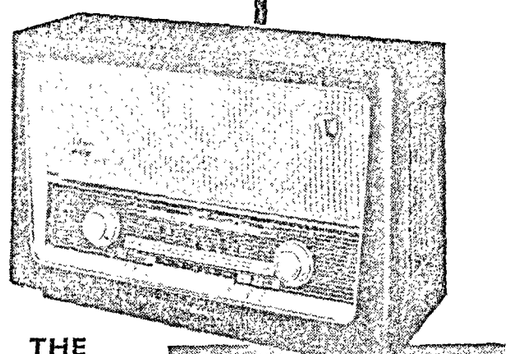
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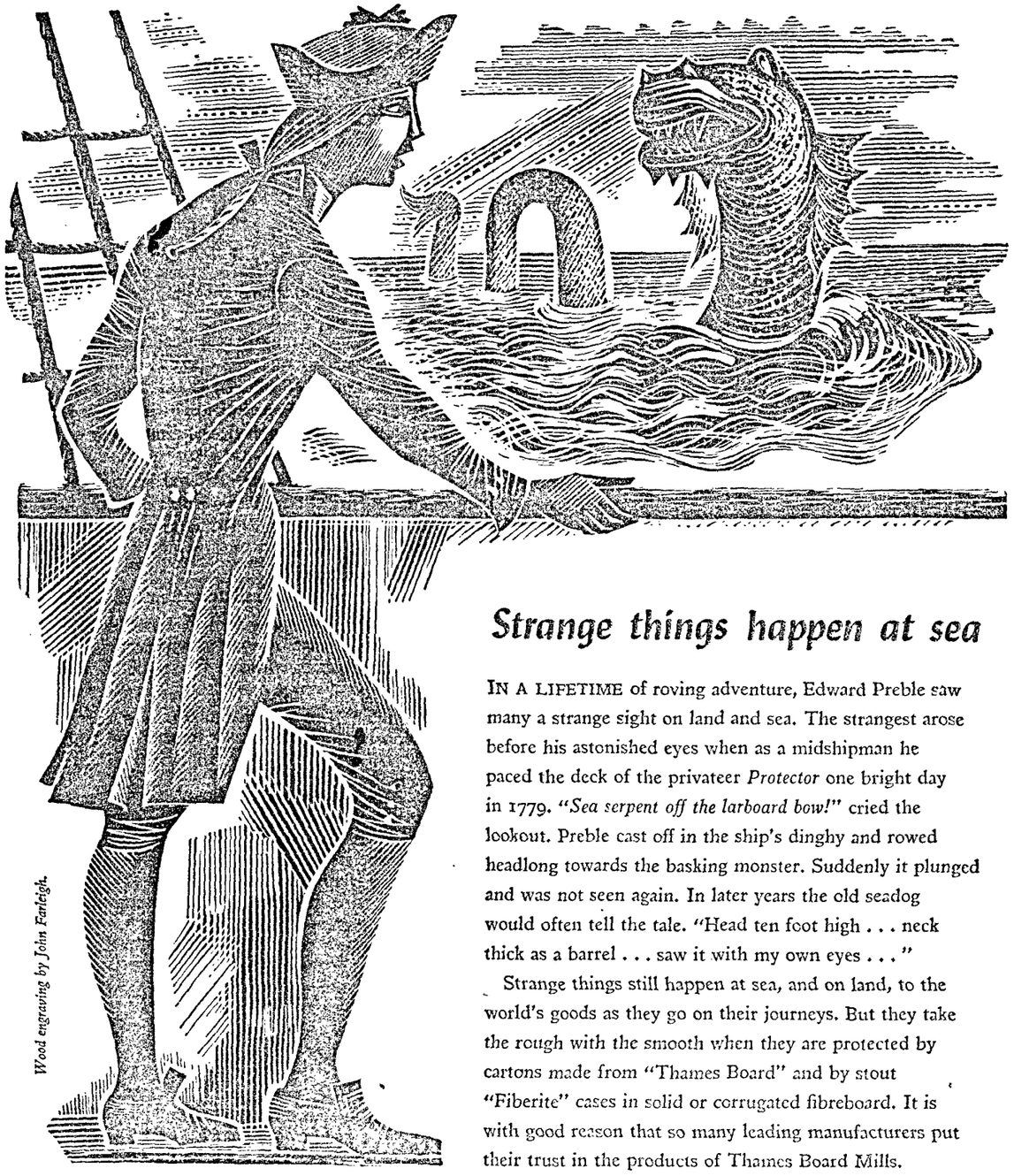
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Strange things happen at sea

IN A LIFETIME of roving adventure, Edward Preble saw many a strange sight on land and sea. The strangest arose before his astonished eyes when as a midshipman he paced the deck of the privateer *Protector* one bright day in 1779. *"Sea serpent off the larboard bow!"* cried the lookout. Preble cast off in the ship's dinghy and rowed headlong towards the basking monster. Suddenly it plunged and was not seen again. In later years the old seadog would often tell the tale. "Head ten foot high . . . neck thick as a barrel . . . saw it with my own eyes . . ."

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Continued from page 979

where Cornwallis surrendered in 1781, *and Williamsburg,* which has cost the Rockefeller family $40 million during the last thirty years to restore.

The federal government's contribution to this year's festivities has chiefly taken the form of a new Colonial Parkway linking the three ; Virginia has built a $1.5 million Festival Park, where priceless British exhibits—including a banner from Drake's ship, the *Golden Hind,* Queen Elizabeth's gloves, and an original copy of Magna Carta—are displayed. Visitors will also see a reproduction of the first settlement, with its wattle and daub houses, its glass factory and Powhatan's Lodge. In all, $26 million has been spent, much of it for the comfort as well as the inspiration of the three million visitors expected: there is a Mermaid Tavern, although it proves to be only an assembly-line cafeteria ; splendid information centres ; car parks ; and at Williamsburg two new VistaVision cinemas to show a patriotic film. In this country, a collection* of contemporary documents and illustrations, one of which has been reproduced by permission of the publisher, has appeared. For the opening ceremonies the British Government sent Lord Hailsham and a strong delegation. But perhaps the most useful stroke of all, in a year which has seen the alliance with America so strained, is the granting of dollar allowances for tourists so that the descendants of our heroic common ancestors can know each other better.

Little, Late and Leaden

ALTHOUGH the Administration has at last produced its long-promised, long-range programme to help the American mining industry, it is little more than a trial balloon so heavily weighted with lead and zinc that it may never get off the ground. The first reaction among Senators from mountain states, almost the only people in Congress who take an active interest in metal mining, is disappointment that their constituents are not offered either tax relief or direct subsidies or an extension of the stockpile purchases and bartering arrangements which have supported the domestic mining industry since the decline of the inflated demands generated by the 1939-45 and the Korean wars. Senators are also annoyed that the Administration, which ever since it came into power has been frustrating their various attempts to help the industry by promising a policy of its own, has now come out with one which they do not consider either constructive or comprehensive. However, the recent sustained refusal by the House of Representatives to provide $30 million for an existing subsidy programme does not suggest that it would be easy to obtain funds for any new scheme which involved heavy charges on the taxpayer.

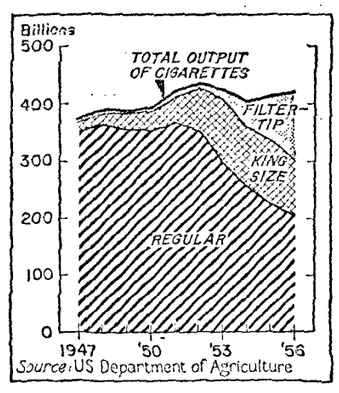
Apart from special tariffs to protect lead and zinc, the Administration proposes only to add a little to its present spending on research into new uses for minerals, on finding new deposits, with commercial as well as defence needs now being taken into consideration, and on small bonuses for the production of beryl, chromite and columbium-tantalum, all still critically scarce. The Secretary of the Interior also promised Senators that further special help would be suggested if it was needed in individual cases ; the omission of any proposals for manganese, antimony or cobalt has been particularly criticised.

The Secretary has to admit, however, that special help is needed for lead and zinc at once ; presumably he feels that the sliding tariff, varying with market prices, which he suggests, is the least damaging way of aiding what is the most influential section of the domestic metal mining industry. The purpose is to stabilise prices at the levels prevailing until the recent drops—16 cents a pound for lead and 13½ cents for zinc. But this is not enough to satisfy domestic producers ; they also argue that imports would pour in during the three months' waiting period which is proposed before duties go up. On the other hand, there is doubt whether such an import tax is permissible under the General Agreement on Tariffs and Trade, and it seems certain that the duty would provoke retaliation from other countries ; four foreign suppliers—Canada, Australia, Mexico and Peru—have already protested. The result of all this will probably be endless controversy this year and congressional action next year, almost certainly more drastic than the Administration wants.

* Virginia 1534-1607. Edited by Alvin Smith. Theodore Brun. 112 pages. 12s. 6d.

Filtering for Dear Life

LAST week the final report on the American Cancer Society's four-year study of the health and smoking habits of 188,000 men, 12,000 of whom had died during the period, confirmed the preliminary finding that there is a clear relationship, although not necessarily one of direct cause and effect, between death rates and cigarette smoking. This association was closest for those dying from cancer of the lung and throat and from gastric ulcers, and close for those dying from respiratory and heart diseases. Heavy smoking of cigarettes was found to have shortened the expectancy of life among the men studied by seven or eight years, while it was lengthened for those who stopped smoking during the study.



The tobacco industry replied, as it has done before, by criticising the methods and assumptions of the study, which does not pretend to be more than a statistical contribution to a final decision on the question. The stock market took the report very calmly and it seems likely that cigarette smokers will do the same, trusting their lives to the filter tips on which they have been relying with increasing confidence ever since the first alarm was sounded about cancer in 1953. Then cigarette consumption declined sharply for the first time in twenty years, with 1.5 million people giving up smoking altogether. But this year it is expected to get back to 1952's record levels, although consumption a head may not catch up.

Filter-tip cigarettes, which are now made by all the lead-

ing manufacturers, were entirely responsible for this recovery, although there is little medical evidence that they are in fact safer than ordinary cigarettes. Their popularity has not meant a corresponding recovery in the demand for tobacco, since less leaf goes into each filter-tipped cigarette than into the ordinary types. But filter-tips have stimulated the market for the strong-flavoured burley tobacco, which can be tasted through the filter and is therefore now preferred to the milder flue-cured leaf.

Keep Off the Beach!

FROM A CORRESPONDENT IN OREGON

THERE are still many wide-open spaces in the United States, but few of them are to be found, at least in the summer, along the 5,000 miles of coast. So great has been the rush to the beaches in the past two decades of greater leisure and growing interest in recreation, that almost all this vast seashore has passed into private hands, with the public being denied access to it. The situation has become so serious on the Atlantic seaboard and the Gulf of Mexico that the government is considering a multi-million-dollar purchase of land along the shore, so that it may be set aside in perpetuity for public recreation, wild life refuges and other purposes.

The National Park Service of the Department of the Interior, after surveying the 3,700 miles of the Atlantic and Gulf coasts, has reported that only 240 miles, or just over 6 per cent, remain in public ownership. The rest, including most of the choicest land, is privately owned and is either actually or figuratively posted with "No trespassing" signs. More than half of the 240 miles still open to the public is in three tracts, all relatively far from the big cities of the Atlantic seaboard and therefore inaccessible to many people living there. These are the Cape Hatteras National Seashore Recreation Area in North Carolina, the Acadia National Park in Maine and the Everglades National Park in Florida. Neither of the parks contains many beaches suitable for holiday-makers.

The conclusion of the Park Service is that the federal, state and local governments should begin immediately to buy up available land, with the aim of preserving 15 per cent of the shore along the Atlantic Ocean and the Gulf of Mexico for the public. This would mean the purchase of about 315 miles of property at prices that might be above *$100,000 a mile.* To underline the urgency of starting at once, the Park Service has pointed out that an undeveloped bit of sea coast 30 miles long, recommended for federal purchase in 1935, could have been had then for $260,000, about $9,000 a mile; today only nine miles remain undeveloped, and they are valued at $110,000 a mile—an increase of 1,100 per cent in twenty years. Inland, there is also the problem of preserving open spaces for future generations from the onslaughts of the highways and building development.

THE Pacific Coast, which was not included in the survey, is also filling up fast. The population of all three states, California, Oregon and Washington, is concentrated along their coasts, and the mild climate which makes year-around bathing possible is a great attraction to tourists. On the Pacific, however, there is an extraordinary example of conservation of the scenic and scientific resources of the sea coast which might serve as a model for state and national governments seeking to follow the recommendations of the National Park Service. This is in Oregon, the only state in the Union which has foresightedly reserved its entire shoreline for public use. Oregon achieved this more than forty years ago by a device as novel as it has been effective. The State Legislature, inspired by the emergence of the motor age, simply passed a law declaring the shore of the Pacific Ocean, from the Columbia River on the north to the Californian border on the south, to be "a public highway."

This does not mean that the Oregon beaches are speedways. It merely means that they belong to the state and cannot be sold to private owners. With the beaches as a starting point, the state has extended its ownership inland. These areas have been developed as parks and camping grounds. No other state has anything to compare with the forty such oceanside parks—some of them hundreds of acres in extent—which dot the Pacific shore and are accessible from the main coastal road. Many of them have overnight camping facilities, available to the public at a nominal charge. Elsewhere there are picnic areas for the use of temporary visitors. In most of the parks there are public cooking and bathing facilities.

At first, there was much criticism of Oregon's vast experiment in public ownership, which to some smacked of "socialism," but all such adverse comment has long since ceased. Oregonians can look to the south and to the north and count themselves lucky. California is staging perhaps the greatest of all human assaults on America's seacoast. New building estates are springing up almost everywhere south of San Francisco. Long stretches of beach have been cut off from public entry. To the north, in the state of Washington, with its incomparable island paradise in Puget Sound, the shores of both the mainland and the islands are becoming built-up. A mile of seashore converted into 100-foot lots can serve only about fifty families. Open to the public, it can give pleasure and recreation to thousands. Today the citizens of Oregon, as well as the several hundred thousand tourists who visit the state each year, can be thankful for the foresight of the Oregon Legislature two generations ago.

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THE WORLD OVERSEAS

All Change in Canada

FROM OUR OTTAWA CORRESPONDENT

It will be a week or two before the future course of Canadian government is at all clear. Monday's amazing election surprised the victorious Conservatives as much as it humiliated the Liberals. Your correspondent frankly confesses the error of his report of last week, in which Mr John Diefenbaker's personal appeal and the upsurge of indignation against the ruling Liberals were correctly described, but in which the scope and sweep of public feeling was foreseen no more than by the Gallup Poll or by any political party.

Most political observers—and perhaps the parties themselves—had developed a rather desperate feeling that Liberal rule was almost permanent. As the government, increasingly dominated by two septuagenarians, Mr St Laurent and Mr Howe, became more and more blatantly assured of its own infallibility and indispensability, the public gave hardly any signs of concern. *Hubris* was obviously demanding its due price, but the voters appeared to be too prosperous to be interested in playing the fates. The pipeline debate last summer obviously stirred a few people, but the impact on the general public after a year of heady good times was very questionable. Monday's slaughter of Liberals was no slaughter of innocents: it was the reward of *hubris*, striking with appropriately dramatic suddenness.

It is entirely legitimate to question whether Canada will enjoy equally good government under a new dispensation. This week, nobody seems to mind much. Even a period of uncertain government seems to many people a small price to pay for the triumphant demonstration that Canada will let no government think itself master. The cause of the Liberal debacle was well expressed by a venerable Liberal senator, fresh from a visit to his native province. "I could not discover a specific public objection to any Liberal policies," he said; "all I heard was 'arrogance, arrogance, arrogance.'" In the simple vernacular: "It had become too bloody much."

The country is strewn from sea to sea with defeated cabinet ministers: no less than nine of them, nearly half the ministry and, in many cases, the better half. The most unexpected was the defeat of Mr Howe, who had won Port Arthur with great ease at every election from 1935 on. Characteristically, he refused to concede defeat on election night, but said merely that he was going to bed and that the nation seemed to be swept by some strange disease. In the new parliament, the Liberals appear as a Quebec party which has also managed to win some seats elsewhere. It has 62 Quebec seats, only 20 out of Ontario's 85, and another 20-odd scattered across the remaining provinces. Its top voting strength looks like being 106. That means that it could not secure a bare majority even if it could achieve a combination with the Co-operative Commonwealth Federation (CCF), which did well to win 25 seats.

The Conservatives, with perhaps 114 votes in all, can just scrape up a majority whenever they can secure the support of the CCF or of Social Credit, which will have 19 or 20 members. The socialist CCF will not give the Conservatives any regular support, though it might be manœuvred into supporting individual measures, particularly those of a kind which Social Credit would not accept. There is no love lost between the Conservatives and Social Credit, but Mr Solon Low, the Social Credit leader, has promised that his party will give the support necessary to maintain a government. This uneasy basis may be the best chance for maintaining a government until Mr Diefenbaker can find a good pretext for calling another election which might give him an absolute majority.

It will be hard to get used to a government of entirely new men with no previous experience. But, man for man, the standard of a Conservative ministry need be no lower than that of previous Liberal administrations, which carried some very second-rate passengers. Mr Diefenbaker's main personnel problem may be to use the talent available among newly elected young men without offending older party stalwarts.

He would hardly be able to form a full cabinet before leaving for London if, as is expected, he decides to go to the Commonwealth Prime Ministers' meeting. He is bound to appear there as a great contrast to the familiar figures of Mr St Laurent and Mr Pearson. At the risk of caricature, it might be said that he combines the manner of a Methodist minister with that of an oratorical jury lawyer, but the underlying character is one of deep personal sensitivity, which shows itself sometimes as sentimentality and sometimes as bitter animosity. During the election campaign he referred only once to the fact that he is the first leader of a major Canadian party whose ancestry is not wholly British or French. It would not have occurred to more than a handful of Canadians that this was of any importance. For more than a decade every Canadian child has belonged to a racial minority; not even the English, Scottish, Irish and Welsh taken together form half of the population. But in Mr Diefenbaker's childhood the British and French were more dominant, and it is possible to imagine that a sensitive child may have suffered considerably.

His television speech after victory on election night was a pledge of dedication with the quotation "let him that is greatest amongst you be the servant of all," coupled with a plea for the prayers of all Canadians. It clearly came from a man deeply moved. He had not failed also to have a short message translated into French, which he read with a newly acquired and execrable accent.

These may be useful clues to a character not yet tested by the responsibilities of government. In some political circles there is doubt about his ability to manage a difficult administration as well as he appealed to the electorate. But the native shrewdness which assured him a successful legal career, without unduly impressing more learned members of the bar, is not to be discounted.

A footnote should be added on Canada's best-known statesman, Mr Lester Pearson. He also faces a time of testing. He occupies the lonely eminence of "one who kept his seat when all around were losing theirs." He did more active campaigning than any other Liberal leader. His chief supposed rival for the party leadership, Mr Walter Harris, has been defeated. Mr St Laurent's retirement must be expected, not immediately, but sooner than if he had been returned to power. Mr Pearson at this moment seems to have the succession in his grasp if he wants it. But he will have to want it enough to apply himself to the daily routine of opposition, concentrating mainly on rather minor domestic questions in which he has never shown any natural interest. The question is whether he will find this role sufficiently tolerable or the goal of leadership sufficiently desirable to stick at the task, or whether he will yearn for new international fields to conquer.

Baghdad Pact Changes Form

FROM A SPECIAL CORRESPONDENT IN KARACHI

As a result of the meeting here last week the Baghdad pact has subtly changed its form. It used to be a sort of embryo Nato for the Middle East, waiting—as Western Union did—for American adherence. Now at last the United States has joined the military committee, but has made it quite clear that it will undertake no large military aid commitments; as a result, the emphasis of the pact has shifted to the economic side—it has become an embryo OEEC rather than Nato.

Another change, which contributed to this result, was that the senior partner, Britain, having lost its senior status at Suez, was not replaced, as expected, by America, but by the four Muslim powers, which rightly claimed that they had saved the pact last autumn. Nothing was more noticeable about the Council meeting than the fact that those four powers, with a new self-confidence, resolutely refused to accept Britain's or America's say-so. Both the western powers were extremely anxious to avoid any blurring of the target, which, in their opinion is Russian Communist aggression or subversion. But Iraq insisted that Israel was a greater danger, and Pakistan made it absolutely clear that the only aggression or subversion it feared was from India. It was partly as a result of this inability to agree on who was the common enemy that the United States and Britain decided that there was no future in building up a large military force which would be in danger of facing in several different directions.

The military potential of the area is not, therefore, likely to be greatly augmented as a result of the Karachi meeting. All that will happen is that the planning staff will be increased from about five to about fifteen. Their objective in the circumstances can only be to ensure that there is some sort of tripwire which will alert the free world in the unlikely event of an actual Russian invasion.

The real defence of the area against communism is to be directed against subversion, and the means are to be economic co-operation and propaganda. The sums of money allotted to the economic committee (less than £7 million in all) are not sufficient to make any impact on the general poverty of the people in the area, nor are they intended to be used primarily for that purpose. The projects approved are mostly designed to improve physical communications between the countries concerned by building roads, railroads and cable lines; they may be roughly described as the basis for closer integration.

The question is how much can be made of this by propaganda in favour of the pact and against the twin demons of communism and neutralism. The idea of Muslim co-operation has a certain appeal, but it can hardly compare in force with the competing cry of "Arab unity"; and it is doubtful whether any Iranian or Pakistani is going to feel more pro-western because an engineering firm is surveying the possibility of re-establishing some of the roads built by Alexander the Great.

It is therefore necessary to reserve judgment about the future of the pact. It may simply wither (as it seems in this area that Seato has done); it may become a quite useful organ of economic co-operation between four contiguous countries, which could ultimately result in a limited "common market." Or, if its dreams come true, it could become the main instrument of American aid in the Middle East, and so the standard to which all desirous of western help would repair. For the present it remains only an embryo.

No Change in France

FROM OUR PARIS CORRESPONDENT

M. BOURGES-MAUNOURY has been accepted as prime minister because everyone realises that Algeria, the finances and the ratification of the European treaties require a government. But the relative optimism that hoped, on the strength of the widespread public and parliamentary anxiety over Algeria, that the crisis would produce a government looking for a new approach, has been rudely shattered. M. Bourgès-Maunoury, the would-be hammer of Colonel Nasser at Suez, was not part of their hopes; still less was M. Lacoste's staying on in Algiers. After the manifest failure of both men's favourite policies, little could be less promising.

The group to whom parliamentary arithmetic gives the whip-hand over French politics, the conservatives and the Socialist party secretariat, have ensured that the old policy will continue. The new government simply marks a slight shift to the right. It was M. Mollet himself who cleared a path for M. Bourgès-Maunoury and, as he did so, pushed the Catholic leader, M. Pflimlin, aside. Radical-cum-

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socialist, where M. Mollet's team was socialist-cum-radical, the new government looks merely like the old one turned upside down—and with the little-Napoleon element of the old one uppermost. The instinctive fear this arouses is of a blundering toughness in North Africa. This is possible. But M. Bourgès-Maunoury is a typical Radical and his party has a long tradition of opportunism in office—a tradition which M. Mendès-France has unsuccessfully tried to break. The new premier's situation is such that, in practice, lack of direction rather than excess of it, seems the danger.

True, M. Bourgès-Maunoury proposes, like M. Pflimlin before him, to make some gesture of climbing out of M. Mollet's rut by enforcing a provisional statute in Algeria without waiting for a cease-fire. This is the fashionable new long shot at a solution that ignores the rebels. But the repeated forced postponements of M. Lacoste's municipal reform do not encourage confidence in this method. Few really believe in it. And M. Bourgès-Maunoury has diverted his aim from the start by promising to prepare the statute with all the "national" parties. He also believes that most French troops should be withdrawn from Tunisia and Morocco to plug the holes in the Algerian border, which should ease the tension with Tunisia over the French army's movements there; but this is tactical rather than political. The temptation is to conclude that here is very much the mixture as before in the bad old tradition of French immobilism.

★

Though it has certainly not changed very much, the potentialities for change remain. Several socialists hesitated a long time before joining M. Bourgès-Maunoury's government. M. Defferre, the author of the colonial reform law, refused. He has a plan for an autonomous Algeria, federated with France, which he means to put to the Socialist congress at the end of the month. He could provide the Socialist minority with the leader they lack. The Catholics, smarting from M. Pflimlin's failure, are also reserved. M. Bourgès-Maunoury is not sustained, as M. Mollet was, by the myth of being "irreplaceable," and many politicians expect problems to rebound in the autumn. The conservatives hope the failure of the left-centre teams on finance will benefit them. Those in every party who clearly understand the need for more realism in Algeria know they are a minority; but the United Nations debate in the autumn may favour them.

Meanwhile he takes office on a European ticket. The majority of the Assembly wants the treaties ratified quickly; that should be done by early July at the latest, before the debate in Bonn, to strengthen Dr. Adenauer's hand. He must also, in the brief honeymoon period allotted a new premier, introduce the taxes over which M. Mollet fell. The experts agree that he should in fact go further than M. Mollet's proposals, which might have sufficed last autumn, but not now. They think £250 million rather than £150 million are necessary and that effective budget cuts will have to extend to military spending outside Algeria. M. Bourgès-Maunoury was, as Minister of Defence, the ardent champion of the generals' accounts. He could, as gamekeeper turned poacher, put his knowledge to effective purpose. But, on the whole, it seems that M. Bourgès-Maunoury, like his predecessor, will try to do too little and hope it does not come too late.

Franco's Flabby Grip

FROM OUR CORRESPONDENT IN MADRID

THE present wave of arrests in Spain testifies to the withering away of loyalty to General Franco which set in two years ago. Since the end of May the security police have been rounding up monarchists, Christian democrats, and liberal Catholics, men who at one time supported General Franco and who now have turned against him. The extent of the rot can be measured by the names of some of the rightwingers whom the Caudillo's rightist regime has felt it necessary to detain: Francisco Herrera, brother of the Bishop of Malaga; Javier Satrustegui, scion of San Sebastian's wealthiest family; Victor Pradera, nephew of the ambassador in Beirut. Even a general officer is involved, at least to the extent of having been summoned to Madrid to submit to police interrogation: General Heli Rolando Tella, retired, formerly commander of the Spanish foreign legion, recipient of the Cruz Laureada de San Fernando with bar, the highest Spanish decoration for valour, and a man who has held senior and responsible posts.

Some of the arrested men have been let out on "conditional liberty." Others are being held in Madrid's Carabanchel prison, in company with another detainee, Dionesio Ridruejo, whose detention in mid-April was a preliminary to the arrests now in progress. Señor Ridruejo is a Falangist turned liberal and a poet turned pamphleteer. Blandly disregarding the fact that no political party except the Falange is permitted in Spain he announced last winter the formation of a "Social Party for Democratic Action." He produced and circulated to a select few a manifesto which said, in part:

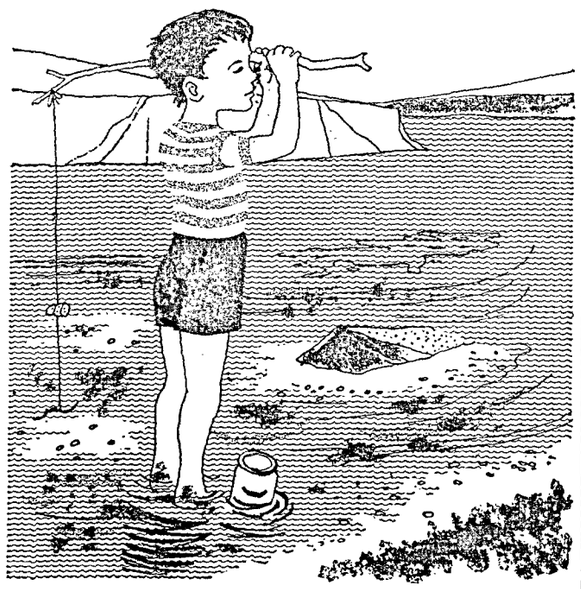
> The Franco dictatorship has solved nothing. It has failed to restore harmony in the land. Nor has it resolved any conflict. Rather, it has limited itself to affirming a partisan victory as irrevocable. . . . The power of wealth, combined with political power, forms a single bloc to the detriment of the middle and working classes. . . . Systematic prohibition contributes to corruption and to the decadence of civic responsibility. Today Spaniards have no sense of responsibilities because they have no rights.

The newest batch of detainees represent, for the most part, another opposition approach to the Spanish problem. They are in trouble for having produced and circulated to important people in government posts an illegal publication called *Confidential Bulletin of National Information.* "Our purpose," the *Bulletin's* first issue announced, "is to give out serious, objective, and trustworthy information, thereby (with God's help) giving Spain back to the Spanish people."

The *Bulletin,* evidently intended for circulation only among what it called "las clases dirigentes"—the ruling class—said in an introductory article:

> You hold in your hand, Spaniard of the ruling class, a copy of the *Confidential Bulletin of National Information.* What is this Bulletin, you will ask; who put it out, what do they want, how trustworthy are they, how far are they to be believed? We shall do our best to satisfy this natural curiosity, starting off by stating what we definitely are not. We are neither communists nor separatists, neither professional agitators nor adventurers. We are not conspirators, or demagogues, or deadwood reactionaries, or thugs. Nor are we sceptics, pessimists, or guerilleros of the pen. We are simply a group of patriotic citizens deter-

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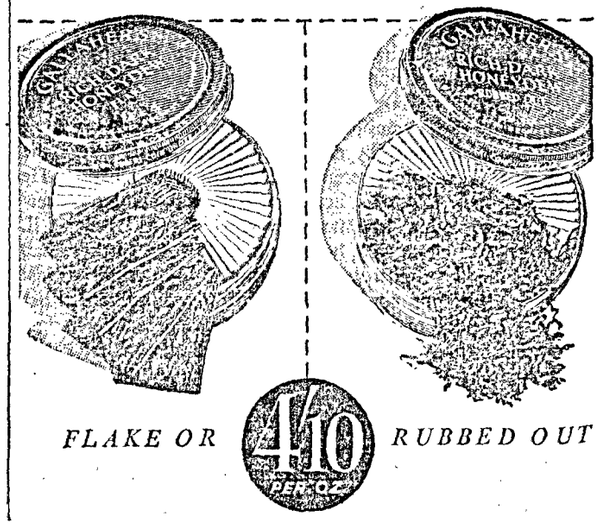
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11	4th August	"Chusan"	12	Palma, Cannes, Vigo First class accommodation available from £115
14	17th August	"Chusan"	13	Barcelona, Genoa, Casablanca, Vigo First class accommodation available from £94
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mined to meet, with maximum moderation and level-headedness, the obligations which devolve upon us with regard to the future of Spain.

What unites the dissident rightists and impatient liberals in opposition—and in jail—is concern for what will happen to Spain when General Franco, now 64, disappears. They feel that it is urgent to make ready now, through a relaxation of control over the expression of political opinions, for whatever type of government eventually takes over. Their argument is that evolution is necessary now to avoid revolution later. But the Franco government, whose cabinet includes royalists hoping for an authoritarian monarchy later, is unimpressed. It is charging the imprisoned men with turning out subversive propaganda and "maintaining relations with leading communist exiles in France with the object of subverting the regime." There is no sign around General Franco of any disposition to come to terms with the future.

TURKEY IN TRANSITION–I

Pressing on Regardless

BY OUR SPECIAL CORRESPONDENT LATELY IN ANKARA

THE Turkish economy is like a bus confronted with a swollen ford of uncertain depth. The driver is convinced that the best thing to do is to put his foot on the accelerator and keep going at all costs. But some of his more thoughtful passengers fear that the engine might stall in mid-stream; they maintain it would be better to proceed more slowly and cautiously and, if need be, to go round a longer way. At the moment the driver—that is, the present Turkish government—is having his way; it remains to be seen whether it is, in fact, the right way.

Turkey has in many ways identified itself so firmly with the western democracies that it is easy to forget that it is still an underdeveloped country where old customs still jostle modern habits. In Ankara there are arcades of modern shops, new hotels and blocks of flats. There are also, a stone's throw away, streets of dim, old-fashioned little shops where the peasants still go to buy the traditional implements and utensils that they and their forbears have used for generations. In the old town, one may still find a patriarchal merchant who is content to carry on in the old ways and who uses his profits, not to expand and modernise his business, but to build a new mosque in one of Ankara's rising suburbs. But far more significant and typical of the new Turkey is the young engineer in his early thirties, who sets out with a brand new passport, a thick wad of dollar notes, a fat English-Turkish dictionary and a very exiguous command of English, to spend six years in the United States in order to acquire the specialised knowledge that will allow him to set up his own factory back in Turkey.

Like its neighbours further to the east Turkey is in a state of transition; it has got further than they have, but since the ambitions of its present rulers are great, so is the task ahead. Most Turks share these ambitions, but there is acute controversy on how best to realise them. The present government maintains that if Turkey is to pay its way in the world and provide a steadily rising standard of living at home, it must expand its economy and develop its rich natural resources as rapidly as possible, whatever temporary domestic hardships and foreign indebtedness this may involve. Three years ago, when the Democratic Party was returned to power for the second time, the excitements of rapid expansion were uppermost; today, to many people, the snags and difficulties loom larger. The government, however, points proudly to new dams, new power stations, new factories, to increased production in many fields, to the possibility of striking oil in large quantities. Its critics, on the other hand, maintain that since 1953 the development of the economy has been slowing down and that, in real terms, the national income has fallen.

Eighteen months ago, after a revolt by members of his own party, the prime minister, Mr Menderes, promised that the government would draw in its horns. These promises have not noticeably been fulfilled. In the current budget, appropriations for investment are 33 per cent higher than in the previous one. (Allowance should, however, be made for rising prices.) Moreover, lack of co-ordination and detailed planning means that investment funds are not always used to the best advantage. In one district, two sugar factories are built where one would be enough; in another, a power station is erected but cannot function for lack of some vital material. The committee that was set up last year to fix investment priorities seems to have been more or less stillborn. And the government's persistent refusal to publish its investment plan suggests that no such plan exists; Mr Menderes, indeed, has suggested that the budget is in effect a development plan, and has implied that anything more detailed would hamper the dynamic economic policy that Turkey ought to pursue.

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The price now being paid for this policy is shortages, inflation, a burden of foreign debt that remains large although some old commercial debts are being paid off, and a steadily depreciating currency; while the official rate remains at 7.8 Turkish liras to £1, the black market rate is 35 and over. Most things that have to be imported—the striking, and to the Turk most painful, example is coffee—are liable to disappear almost completely because of the shortage of foreign exchange. The efforts made last summer to force down prices by rigorously enforcing price controls did have some temporary success. But the upward trend is now continuing, and the main effect of these controls now seems to be to increase the number of empty shelves in the shops and to swell the black market. The recent shortage of meat in Ankara, for instance, is believed to be largely due to the hoarding of supplies by the peasants, although the effect of the long drought on fodder supplies and the government's comparative neglect of livestock (which it is now trying to remedy) must bear part of the blame.

The attempts so far made to halt inflation by damping down the increased demand seem to have been half-hearted and largely ineffective. The most obvious step—taxing the peasants, who at present get off practically scot free—is a political hot potato that the government is unlikely to touch. And it would be equally difficult politically for the Agricultural Bank to go any slower than it is already doing with its credits, especially after three hard years of drought.

The government did, however, succeed in cutting down the foreign trade deficit from TL516 million in 1955 to TL286.6 million in 1956. The stringent restrictions on imports are hampering the activities of many private firms

who may have to hold up production for months for lack of some essential imported equipment or raw material. On the other hand, the widespread shortages caused by the lack of foreign exchange have had the welcome effect of stimulating the development of local industries. Helped judiciously by the Industrial Development Bank with loans and enough foreign exchange to buy the necessary equipment and raw materials to get started, enterprising business men are making many things that have never before been made in Turkey. The outlook is uncertain, especially if they are at all dependent on imported materials, but in the meantime many are making good profits, and for the future are content to put their trust in the Turkish saying: "God is Great."

Perhaps that is indeed the best thing to do when contemplating the present state of the Turkish economy. It is an economist's nightmare. And many people unable to share the government's ebullient self-confidence feel that the only hope is a more powerful injection of American aid (in the 1956 US fiscal year Turkey got over $130 million) —which the government is unlikely to get if it persists in its present policies. But foreign business men, sitting in their palatial offices, with depleted staffs and sometimes with too much time on their hands, are curiously tolerant. They find the outlook baffling, but are reluctant to prophesy doom. They seem to feel that, perhaps more by luck than good driving, the Turkish bus may not after all stick in midstream.

(To be concluded)

The Krupp Property

FROM OUR BONN CORRESPONDENT

It is now clear to most observers that Herr Alfried Krupp, egged on by ambitious retainers and covertly supported by the German Federal Government, has no serious intention of relinquishing any further part of the industrial empire of which he is sole owner. It is just as clear that, whatever disapproving noises they may make, the promulgators of Allied Control Commission Law No. 27, of May 20, 1950, are going to have to lump it.

Law 27, which was taken over by the Federal Republic on attaining sovereignty, directed a group of German industrialists to sell their coal and steel assets by March 31, 1958. The object of the law, as stated in the preamble, was to prevent an excessive concentration of economic power, the development of a war potential, and the return to power of persons who had helped to advance the designs of National Socialism. Among the larger of the combines named were those of Friedrich Flick, Otto Wolff, Alfried Krupp, and the Thyssen heirs. Both Herr Flick and Herr Wolff have fulfilled their obligations. The Thyssen heirs, too, have more or less complied. Herr Krupp alone has got conspicuously stuck. Ordered (in the simplest terms) to sell three coalmines and one steel works, he has sold only two coal mines—the Emscher-Lippe and another with the engaging name of Constantin der Grosse. After two or three interested enquirers, among them the Italian State Railways, had shied off, Constantin der Grosse was sold to the Bochumer Verein, a combine controlled by Herr Krupp's friend, the Swedish industrialist Wenner-Gren. The steel combine at Rheinhausen and the Hannover-Hannibal coal mine in Lower Saxony are still supposedly waiting for a buyer. Rheinhausen is the apple of the Krupp boardroom's eye. Built fifty years ago, the plant has been completely modernised since the war, has an annual capacity of two million tons of crude steel, lies directly by the Rhine, and has room to expand. At Krupp headquarters they value Rheinhausen at £170 million and dismiss as "ridiculous" the offers hitherto received.

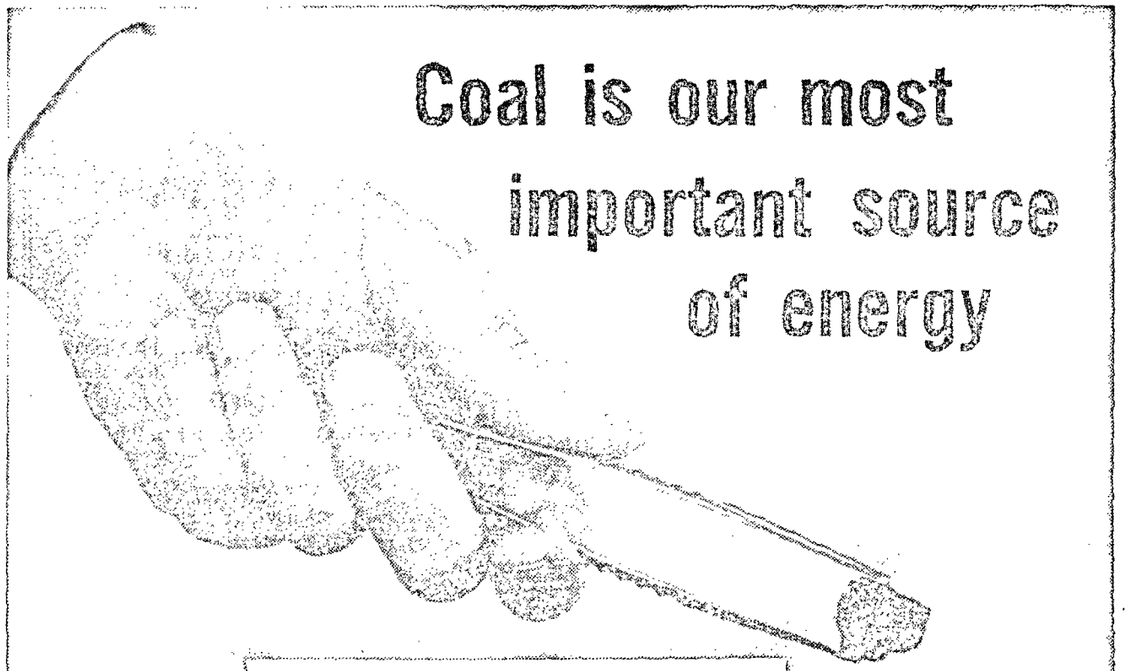
Without actually mentioning Herr Krupp's name, yet obviously thinking of none other, the Federal Chancellor wrote to the British, French, and United States governments last February, pointing out that certain "difficulties" had arisen in carrying out Law 27 in full, and suggesting that the three governments might now consider that enough had been done. It is possible that Dr Adenauer despatched his letter when he did in order to give the makers of Law 27 ample time to set up the apparatus envisaged for giving, if necessary, the industrialists concerned an extension of the term at first stipulated for getting rid of their coal and steel assets. The law permits two extensions, each of one year, on the recommendation of a committee of seven, composed of three Germans, three representatives of the former occupying Powers, and one neutral. But it is also possible that Dr Adenauer chose this moment to act with his mind largely on the coming elections. It is no secret that most of the big German firms, not excluding Krupp, subscribe handsomely to the campaigning expenses of the right-wing parties, and they like to see something for their money.

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Pending their formal reply, the three governments have asked Dr Adenauer to specify the "difficulties" which he says have cropped up. They are not aware of any pains having been taken to sell Rheinhausen. And should the German answer be that no one seems to be able to lay his hands on £170 million, they might well ask whether, in view of the government's canvassing of the idea of "people's shares," Rheinhausen might not make just as admirable a piece of people's property as the Volkswagen works. It will not be easy for the Chancellor to give a straight reply; for the real answer is that Herr Krupp sees now that he can get away without fulfilling the whole law, and if there is any industrial group in Germany capable of raising the money for Rheinhausen it is not going to run the risk of offending so powerful a personage as its present owner by doing so.

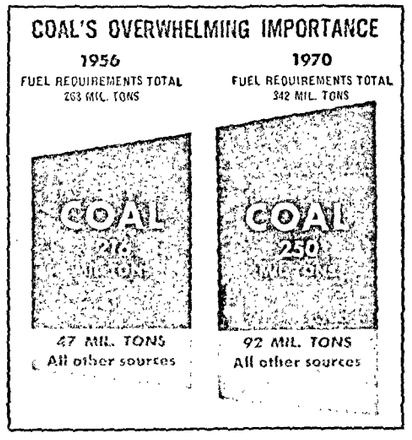
Dr Adenauer can hardly be expected to cite these "difficulties"; but his reply will be firmly negative, and the three western governments must know it. They are faced with the alternative of letting Herr Krupp have his way now or postponing his pleasure for a year or two. Their problem is to prepare public opinion, particularly in Britain and France, for the inevitable outcome. The name of Krupp has come to have special symbolic associations for millions outside Germany who will deeply resent any mitigation of the original sentence.

For Alfried Krupp himself there is really only one "difficulty." He, alone of the compromised industrialists, has signed a statement undertaking never to go into the coal and steel producing business again. As seen in Essen—and probably also in Bonn—one solution would be for the four governments concerned in the existing agreement to concoct a statement releasing Herr Krupp from his bond.



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There are other sources of power: notably, oil and nuclear energy. They will contribute more and more power. But they will not replace coal. Whatever contribution they one day come to make, coal's importance will always be overwhelming.

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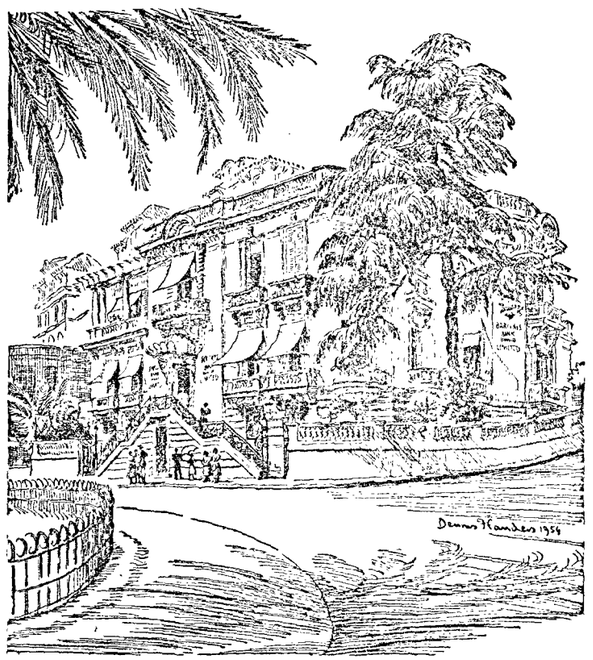
Coal faces an enormous responsibility. Everything implied in the phrase "a higher standard of living" is energy-consuming: the manufacture of goods, and their use; heat, light, clothes, comforts; all the material good things of our lives. Year by year we consume, as a nation, prodigiously more energy. Where shall we get it? Primarily from coal.

Britain sits on vast reserves of coal —more than enough for many generations yet. So there will be no shortage. But all the time our need for coal rises, it gets harder to win. In every pit, every coal face recedes with every ton we lift.

How can production rise?

By a far more highly developed mining technology. More machines must be used at the coal face and all stages behind. More research must go into the techniques for using them best. The whole operation of mining must become scientific: planned: ultra-modern. This means that more technologists of every kind must bring their skills to the winning of coal—and the immense size of the coal industry and of the task that faces it, and the immense variety of its technical needs, make coal one of the best jobs any technologist can have today.

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THE BUSINESS WORLD

Friendless Gilt-Edged

NEVER in history, surely, has the gilt-edged market suffered such disdain as it does today. Gilt-edged used to stand for substance and leadership, the reflection in stock market terms of the credit of a country that ran its currency honestly and pursued its commerce vigorously. Now it stands for a section of the market in which no private investor thinks of putting his money, unless he has to, and in which even the institutional investor is rapidly losing interest. The credit of the British Government used to speak for itself; now apprehensive questions are asked about it in Parliament. What action, they demand, does the Chancellor of the Exchequer propose to take to remedy the situation? They add the suggestion, with an inference as delicate as a hammer blow, that the Government itself can considerably influence the gilt-edged market. To such questions, the replies on behalf of the Government have been wholly proper and totally unencouraging. "I do not think," said Mr Birch, the Economic Secretary to the Treasury, "it would be likely to stimulate investment in gilt-edged stocks if we were to force the rate of interest down artificially," and he added that this policy had been tried in the past "with rather disastrous results."

It would want much more than a promise to abstain from poodle-faking (welcome though the promise is) to arrest the slide in gilt-edged stocks. This has lately taken 2½ per cent Consols within a quarter of a point of 50, and 3½ per cent War Loan to a point under 70. The "irredeemables" are thus on a 5 per cent yield basis, and no one is expecting them to improve in a hurry. These are levels not seen since last November, when the guns were firing and ultimatums were international currency. It was then possible that the blocking of the Suez Canal might seriously damage the British economy, and it was certain that even an indifferent settlement of the Suez issue would bring temporary relief. Today, there is no international crisis to take the blame, and no apparent attraction to buyers in the fact that gilt-edged yields have reached their traditional resistance point of 5 per cent.

To suggest that the Treasury should come to the rescue of its own stocks is a dishonest recipe for more inflation and for increased pressure on sterling. Who, then, can be expected to buy? To this question there are two sets of answers: one resting on technical and market factors, and the other on more fundamental considerations that affect the demand for, and the supply of, capital resources in the British economy. They can be distinguished in an analysis of this kind, but in essence they are interconnected, and in a largely free economy they cannot for long diverge.

OF the proximate forces in the market that affect gilt-edged prices, the banks and the assurance-cum-pensions funds are the most potent. If the banks were to come in as substantial buyers, they could materially affect the prices of stocks ranging from the shorts to the "short-middles." If the institutions were to revive their former interest in gilt-edged, they would transform the medium and long-dated range of the market. These are the dominant influences. At times, the discount market sways the short bond market, but it made the running there at the turn of the year, burned its fingers, and will be happier with bills until the bond market makes a convincing signal. Occasionally, big industrial groups invest large sums in short-dated stocks, but few of them now have spare cash awaiting investment in buildings and plant, and the pick-up of industrial investment confronts them with the need to find more finance from their own resources and from

the market. Wealthy individuals are no longer Forsytes investing in the funds ; they are sellers rather than buyers, and if they happen to be Lloyds' underwriters they have been switching up to half their deposits into equities. Even the special buying of the next maturing stock by individuals seeking to avoid death duty by the " disappearing trick " has now been stopped by the Finance Bill.

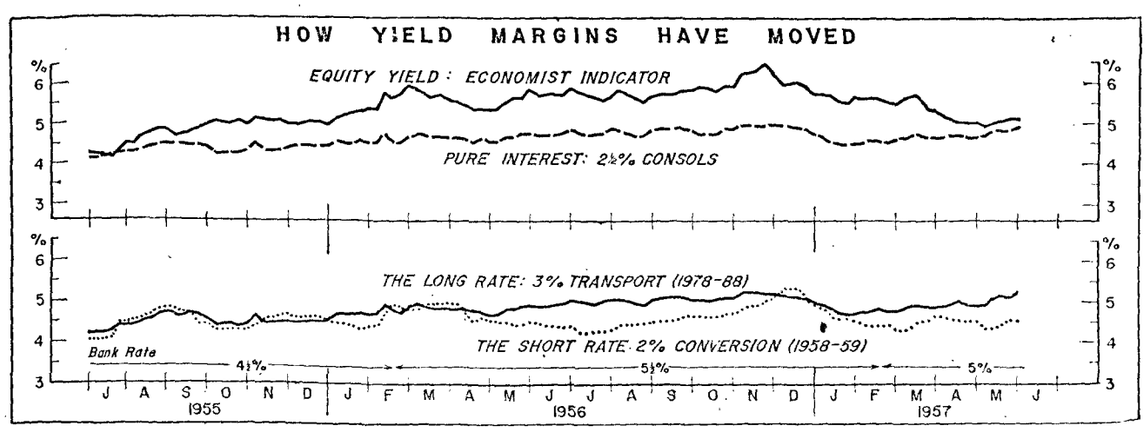
If the vital investors, the banks and the institutions, decide to stay out of the market, they can comfortably do so. The banks are in no hurry after their experiences in the gilt-edged market in the last two years. But even if they wanted to come back as buyers, their liberty of action would be closely confined by their liquidity. If bank credit was radically eased and their liquid assets increased, they would have funds to employ in the gilt-edged market ; but last summer, when their liquidity was a good deal higher than it is now, they were not enthusiastic in following official suggestions that they might put more of their spare cash into gilt-edged and today, with more business in advances, they would be even less so.

The assurance and pensions funds enjoy a higher income than ever, but their ideas on investing it (even those of the most conservative funds) are swinging away from gilt-edged towards industrial ordinary stocks and prior charges. They are doing so for two reasons: first, they seek to build into their participating contracts the element of growth that only equities can provide ; secondly, even in non-participating contracts they have to compete in premium rates and benefits, and with high-class industrial loan stocks again on a 6 per cent basis and good ordinary shares averaging nearly 5¼ per cent, there is correspondingly less attraction in long-dated gilt-edged stocks.

CAN this depressing spiral be broken without slipping into another bout of inflation ? Already there has been a venial accommodation with sin in recent changes of technique employed by the government broker in his selling operations in the market. On the plausible ground that he can sell far more stock from departmental holdings on a good market than on a bad one, he takes care not to make the market worse than need be. This may be a minor change, but it had much to do with the big rally in gilt-edged prices that extended from December until well into February. It had something to do, moreover, with the short-lived rally when the £100 million of 4½ per cent Conversion 1962 was issued six weeks ago. No change has been made in the basic policy that the government broker must be a seller on balance, but enough was done within those instructions to leave the inference open to investors that the authorities were not hostile to a rising market. Still determined to fund, they had become disposed to let the dog see a little more of the rabbit.

Yet it is surely doubtful whether buyers could be induced to return to the market in any volume merely because its technical handling had been made somewhat more adept. That conclusion leads naturally to the second answer to the original question. When technical adaptation is exhausted, the credit status of gilt-edged stocks is tied solely to the standing of the Government, the currency, and the country. Either the authorities must accept the disagreeable facts of dearer money and a sagging market until buyers are once again attracted by prices that they consider to be in line with economic necessity ; or they can seek so attract them at the cost of a real change of policy, including a further reduction in Bank rate and an easing of other financial controls. There is no doubt where the economics are pointing: towards a world *voracious in its demand for new capital. There is no* means, in a free economic system, of matching that demand to the available resources save through the mechanism of interest rates.

All countries are in the same boat ; throughout the world interest rates are rising, and they are rising most quickly in those countries that have lacked sufficient self-discipline in the past to keep inflation in check. That is why the current argument that a weak gilt-edged market does harm to British credit and to sterling is specious, save in a *post hoc* sense ; the weakness in gilt-edged has been caused both by the fact of inflation and by a discipline that seeks to get rid of it. It would be easy to arrange a recovery in gilt-edged, at the price



of provoking the very inflationary tendencies that monetary policy has been trying (with admittedly chequered success) to quell during the last two years. But that change of direction would deceive no foreign holder of sterling ; and while it would temporarily encourage speculative buying of gilt-edged, it would betray the genuine investor, and ruin for all time any prospect of a healthy, independent market.

If there were any sign, at home or abroad, of a significant economic setback, a policy of promoting lower interest rates and re-expanding credit would no longer be a risk, but a positive duty. But at present there ought to be no doubt in the mind of the authorities about their decision. They have no right to procure a better market for their own wares than is warranted by the underlying economic facts. Their job is to defend sterling abroad and the purchasing power of the pound at home. When they have convinced investors of their ability to do so, they will not need to worry about the gilt-edged market.

A Surplus of Tankers?

The world tanker fleet will nearly double during the next five years. The oil industry is having some second thoughts whether demand for oil will continue to grow as fast

BY the beginning of the nineteen sixties, the carrying capacity of the world's tanker fleet will be almost double what it is today—but major oil companies will own a considerably smaller proportion of it than they do now. Ought they to order more tankers now and reduce their dependence on the independent tanker owners ? Or are so many tankers already on order that they will be able to cover future requirements more cheaply by chartering in the market ? If, moreover, tanker freight rates fall further over the next few years, how can the vessels now on order be financed most economically ? These are among the most harassing questions in the somewhat agonising reappraisal that the oil companies have had to make during the last nine months. And because a ship ordered now will not be ready for service until 1962 at the earliest, these questions about the future tanker market have to be answered now, however great the uncertainties on which the decision has to be based.

At the end of 1956, there was a world tanker fleet of nearly 45 million deadweight tons. The probability that this would be far too small to carry all the oil required had been recognised, first by the independent tanker operators, and belatedly by the oil companies. By June, 1956, before the vulnerability of the supply routes through the Middle East had been demonstrated, 18 million deadweight tons of new tankers were on order. During the second half of 1956, when the tanker shortage had already become acute, orders were placed for a further 12 million deadweight tons, and in the first three months of this year it is estimated that a further 2½ million dwt have been added to the shipyards' order books. In about five years' time the world tanker fleet will be 75 per cent larger, in deadweight tonnage, than it is today. The new tankers will be faster than the average of the present fleet ; so their total carrying capacity will by then be almost doubled.

Before the war the oil companies owned over half of the world commercial tanker fleet. By the end of last year their share had dropped to 46 per cent, and the independents, with the Greek owners expanding most rapidly, had 54 per cent of the fleet, including most of the largest and most modern vessels. Of the 30 million tons deadweight on order at the end of 1956 nearly two-thirds were destined for the independents, and only a third for the oil companies. To regain their prewar share of the world fleet, the oil companies would have to go on ordering now. But if they did, their ships might merely intensify a depression in the tanker market when they were finally delivered. The independents have reaped the profits of the postwar tanker shortage with tankers ordered when the market was depressed ; but if the oil companies try to regain their lost dominance now they might find themselves merely sharing future losses.

ORDERS for delivery between now and 1962 are nearly all placed, and it is possible to estimate fairly accurately the probable deliveries of new tankers each year at least up to the end of 1961. The following figures, compiled by John I. Jacobs and Company, show the position at the end of each year, expressed in " T-2 equivalents "—with the new, faster tankers converted to the common denominator of a traditional T-2 tanker of specified speed and carrying capacity.

GROWTH OF TANKER CAPACITY

	Commercial tanker fleet at end of year expressed as T-2 tankers	Net increase on previous year assuming all vessels scrapped at 20 years of age expressed as T-2 tankers	Annual percentage increase
1956	2,376	...	...
1957	2,571	195	8·2
1958	2,937	366	14·2
1959	3,332	395	13·4
1960	3,724	392	11·8
1961	4,084	360	9·7

Source : John I. Jacobs and Company.

The total carrying capacity of tankers afloat would thus be increasing by about 11½ per cent—if all tankers were scrapped as they reach 20 years of age. Will world demand for tanker tonnage rise as fast ?

Two factors will settle this: how much oil is required in future, and how far it has to be shipped. Any estimates of either must in any case be subject to quite wide margins of error. But current political circumstances are widening these margins. The rate of increase in demand for oil, especially heavy oil, in Europe in the 1960's will be conditioned largely by the extent of government support for the development of nuclear power, and by the performance of the coal industry, both in production and—with the probable assistance of governments—in selling coal in competition with oil. It has recently been suggested that Britain will stabilise its rate of oil imports after 1960; though the Government will certainly not confirm this, it will not certainly deny it, either. And if the six members of Euratom (which, with Britain, account for nearly 90 per cent of Western Europe's oil consumption) could carry out the plans of their working party, they would stabilise oil imports after 1963. It is certainly on the cards that the rate of increase in demand for oil in Europe and the rest of the Eastern Hemisphere may begin to slow down in a few years' time—just as the tanker fleet reaches new heights of capacity. In the United States, although nuclear power is not expected to make any significant contribution to energy supply during the next decade, the recent growth in oil consumption has been slower than in Europe.

If consumption in Europe and the rest of the Eastern Hemisphere rose by, say, 10 per cent a year over the next five years, and consumption in America by, say, 6 per cent a year, it would mean an annual rise of some 8 per cent in world demand for oil. To employ all the tankers likely to become available, on that basis, the average tanker haul would have to lengthen by about $3\frac{1}{2}$ per cent a year during the next five years. What are the chances that this will happen? Europe was already fully committed to Middle East supplies before the Suez Canal was blocked, and is unlikely to be able to lessen that dependence. It cannot afford hard-currency alternatives; no large contribution from alternative soft-currency sources can be expected, at least during the next five years. Thus the source of the crude oil consumed in refineries in the Eastern Hemisphere is unlikely to be changed radically. If crude oil has to be shipped round the Cape, because the Suez Canal cannot handle the tanker traffic wanting to use it, or if the pipelines to the Mediterranean are sabotaged again, more tankers will be needed to move a given amount of oil. On the other hand, the average length of haul from the Middle East will be reduced if the oil companies' ambitious plans for new pipelines from the Persian Gulf to the Mediterranean are fulfilled. At their most ambitious, these plans provide for the movement of an additional 70 million tons of oil a year by pipeline to the Mediterranean. They would obviate the costly alternative of carrying Middle East oil round the Cape—for even supertankers round the Cape cannot compete with pipelines plus supertankers from the Levant. Nevertheless, much finally depends on the relative rates of expansion in world demand as a whole and in Western demand for Middle East oil. Contrive as anyone will, longer voyages are required from the Middle East than from most other oilfields throughout the world; and if this traffic grows faster than total demand, the average world tanker haul must lengthen.

It will certainly lengthen if the United States becomes more dependent on imports of oil from the Middle East. But recent new discoveries within the United States—in the "Four Corners" area of New Mexico, and offshore in the Gulf of Mexico, for example—are helping to offset declining output in other domestic fields. The Congressional lobby against imports of oil is as strong as ever; and where it has been defied, it has been defied mainly on behalf of imports from Venezuela, Canada, and other "safe" countries in the Western Hemisphere, where productive capacity has been rising sharply. This effective discrimination against imports of Middle East oil means that, although they may rise, they are unlikely to rise fast enough—for the next few years at least—to make a very large addition to the demand for tankers. Venezuela, on the other hand, which will probably supply the bulk of America's imports, is almost as close to the American consumer—even in terms of tanker voyages—as many of the domestic oilfields.

THE range of these interlocking possibilities has certainly widened in the last twelve months; and on balance there does now seem a stronger chance of a surplus of tankers for a few years in the early 'sixties. It would therefore be prudent to expect tankers launched in the early 1960s to start life in a world of low freight rates rather than high ones. This prospect, in turn, could decisively influence the availability of outside finance for tanker construction, and the arrangements that have to be made to secure it.

In the United States, where the banks play a much larger part in ship finance than in Britain, "combination loans" by banks and insurance companies are usually made against five- and seven-year time charter contracts with oil companies. Sometimes both lender and shipowner are protected against subsequent increases in shipbuilding and operating costs by escalation clauses in the time charter. Aided by the tax advantages of sailing under Panamanian and Liberian "flags of convenience," Messrs Niarchos and Onassis, the Greek shipowners, have found little difficulty in obtaining finance on favourable terms from American banks and insurance companies on the security represented by their ships, by time charter contracts with oil companies, and by a well-merited reputation for astuteness in tanker operation. The Niarchos group is now even able to obtain finance on the security of large period contracts with oil companies, without even specifying the names of the vessels to be used.

In Britain, financing arrangements for tankers have been made recently by both Shell Petroleum and British Petroleum. In each case loans from banks and

institutional investors have been secured not only by mortgages on the tankers, but also by bareboat charter contracts with the oil companies which fully cover the interest on the loan and the depreciation of the ships over a period of 23 or 24 years. The lenders have the satisfaction that under bareboat charter all increases in operating costs have to be borne by the oil company, and not—as under a time charter—by the shipping company or its backers. And in the last resort, the repayments are secured by the solvency of two of the largest oil companies in the world.

Whether the same method of financing can be repeated is now doubtful. Bareboat charters, which earn shipowners only a slender margin of profit, may be less unpopular with owners in a falling market. But under such conditions the oil companies might find bareboat charters an expensive commitment. Moreover, an essential ingredient of these financing arrangements is the participation of the banks, who take up the shorter portion of the loan, leaving a more attractive longer portion for the institutional investors. The Capital Issues Committee has now objected to the banks taking part—even for periods as short as five years—in tanker financing schemes of this sort; and if the banks are excluded in future, the institutions may no longer be interested.

The debentures placed earlier by London and Overseas Freighters, but not secured by long-term charter at fixed rates, enable the operator to secure the profits of consecutive voyage charters in a period of rising freight rates. These charters also give the shipowner the protection of a minimum below which his monthly earnings cannot fall. But they can rarely be arranged for periods longer than two years, and when freight rates fall, they entail greater risks for both borrower and lender. In practice, therefore, finance can be raised in this way only by shipping companies with large assets. For the smaller shipping companies, a bareboat or at least a time charter is a minimum security, and if freight rates are likely to fall, they will find the oil companies playing "hard to get" on any long-term charter. Many operators in the tanker market are now prepared to voice these misgivings about the future of freight rates. They have, of course, the flexibility that scrapping old vessels faster could give them. But the decisive signal that they are really affecting future plans would be the first cancellation of a tanker order. So far, none has occurred.

BUSINESS NOTES

STEEL LOCATION

No Place for Politics

IT was through political pressure in the thirties that the first continuous steel strip mill built by the Richard Thomas group, now Richard Thomas and Baldwins, was built in the wrong place. Today, twenty years later, political lobbying is again in full swing to have the steelworks that may form the basis of its second continuous mill (and the country's fourth) built in one of several wrong places. Different areas of Wales began by setting their MPs squabbling; now members from Scotland and from Lincolnshire are asking the Prime Minister to intervene (as one of his predecessors did so lamentably last time).

Comparatively little has been heard of the company's own view. About eighteen months ago RTB was talking confidently about building Britain's fourth strip mill, though it had not finally settled on a site. Since then it has put in its project for the integrated iron and steelworks, at any rate, for approval by the British Iron and Steel Federation and the Iron and Steel Board. It is no longer publicly committing itself to the finishing end of the works, and suggests that in the first instance this works, sited beside deep water at Newport, would supply steel to Ebbw Vale (which still, as a result of the wrong decision on siting in the thirties, has to "import" much of its steel from Scunthorpe). The federation has approved the project; the board, though it is still considering some technical details, has announced its approval of the location—perhaps in an endeavour to still the lobbying. This the announcement has notably not done.

Even formally, considerable responsibility for this decision does rest with the Government. The Board of Trade would have to issue an industrial development certificate, and the Ministry of Power, as the new "production department" for steel, is directly concerned. Moreover, Richard Thomas & Baldwins is owned by the State; it is the last great steel company still nationalised, and given the huge new financial commitment overhanging it plus the present state of the market for new issues, it now seems unlikely to be offered for sale this summer. So the Government has several kinds of say here. Nevertheless, denationalisation seemed at least in principle to commit it to taking the advice of the Iron and Steel Board in such matters. Economically, Newport may be the right location for a new strip mill—presuming that during its working life Britain does not have to import coking coal as well as iron ore. If that situation were to arise, it would strengthen the advantages of coastal locations nearer London—which so far have not been lobbying. Scotland, on the other hand, is a long way from the motor industry; and though the balanced development of Britain's

steel industry might well eventually require a new integrated works in Lincolnshire, sheet and strip do not look to be the natural finished products for such a plant.

IN THE MARKET

Kaffirs on Stage

KAFFIRS took the centre of the stage this week, but they did not quite dominate it, for there were other players in the act. Gilt-edged stocks remained in the shadows; with little business passing through that market, prices drifted lower and then staged a small technical rally. Industrial equities remained generally firm and Shell attracted heavy American buying. Other oil stocks, notably the Caribbean issues, followed this lead, and though Shell's advance was checked on Wednesday with a slackening of American buying, this week's jump in oil shares is primarily responsible for the smart rise in *The Economist* Indicator from 216.6 to 219.0. Canadian stocks, after so long enjoying the spotlight, were unsettled by the sudden reversal of political power in the Canadian general election.

	1956 High	1956 Low	May 31	June 7	June 12
Buffelsfontein	32/4½	21/7½	30/–	33/–	32/–
F.S. Geduld	95/3	68/1½	57/6	68/1½	70/–
Harmony	29/1½	22/9	19/7½	23/6	23/–
Loraine	7/3	4/–	3/10½	5/–	4/10½
President Brand	64/–	52/6	47/–	53/–	50/6
President Steyn	34/3	28/7½	24/1½	29/6	28/–
St. Helena	30/–	23/9	21/9	29/4½	28/–
West Driefontein	116/3	95/–	83/9	91/3	93/9
Western Holdings	81/9	64/4½	58/9	68/1½	67/6
Winkelhaak	17/10½	14/9	12/–	14/3	14/–
F.T. Gold Mine Index	92·3	71·1	66·7	73·6	72·9
Anglo-American	200/–	162/6	118/9	129/9	127/6
Cons. Gold Fields	61/6	51/9	51/–	54/6	54/6

The scene has a familiar look and in the wings stand an army of industrial borrowers. Yet another reminder of their presence came with Vauxhall Motors announcement that it is raising £11 million. Of that sum, £6 million will come from the subscription by General Motors, the parent company, for six million £1 redeemable preference shares at par. The remainder will come from the private placing of a 6 per cent unsecured loan stock 1967-77 at 99, arranged by Morgan Grenfell with the institutions. This follows the pattern, though at a higher rate, of two earlier placings of unsecured loan stocks, both due for redemption at a premium between 1962 and 1969. The latest terms are steeper, and there has probably been hard bargaining over the borrower's option to redeem this high coupon stock in ten years' time.

To Be or Not to Be?

THAT uncertain, elusive Hamlet, the Kaffir market, posed the old question: Was a boomlet possible and would it last? Before the week-end the sudden advance in Kaffirs and especially in the OFS issues was led by professional buying from London, abetted (not it seems in any great strength) by Paris, Brussels and Zurich—though not from Johannesburg. Along came a good borehole result from St Helena and after the holiday the market broadened; investors outside the confines of the City had taken an interest. But then came a sudden change in mood. Johannesburg began to sell and London followed.

There have been sudden boomlets in Kaffirs before, and fingers have been burnt in them. Mining costs are still rising, and the chance of an increase in the price of gold is as remote as ever. The finance houses and other investors have plenty of stock on their books. These facts and the political situation in South Africa are threadbare in their familiarity to investors. There has been, as Sir Ernest Oppenheimer says in his latest statement to shareholders in Anglo-American, "an almost unrelieved depression" in the Kaffir market since 1954; he argues the need for institutional investment in that market and suggests that closer co-operation between the finance houses and some amelioration in taxation may help to secure that support. But there are some facts on the other side. Most of the OFS development is paid for; production there is rising rapidly; uranium profits are mounting; and at present prices the yields on the new producing shares are high. This might be a Hamlet not entirely clothed in black.

CONSUMPTION

Personal Spending Recovers

RECENT indications of a strong resurgence in consumption since the beginning of this year are amply confirmed by the latest estimates of the Central Statistical Office. These still do not give the full picture since over half of the items that normally comprise consumers' expenditure are not included—food and fuel and light, for example, are missing—but they show hefty increases of 7 per cent in value and 4 per cent in volume for the remaining items in the first quarter of this year compared with the same three months of 1956. This rate of spending comes after a year in which the volume of personal consumption hardly rose at all.

PERSONAL CONSUMPTION
(January—March)

£ mn.	At current prices 1955	1956	1957	Changes in volume 1956-57	1955-57
Food	942	1,028	...	...	...
Drink	176	187	196	+ 2·6	+ 9·4
Tobacco	201	214	229	+ 2·0	+ 6·8
Housing	255	263	278	+ 1·5	+ 2·5
Fuel and light	155	174	...	...	...
Household goods	210	208	235	+12·2	+ 2·2
Clothing	264	279	294	+ 3·6	+ 6·9
Other	697	724	...	...	...
Total	2,900	3,077	...	...	...

The most noticeable feature of this upward swing was the complete recovery of sales of durable household goods, which rose by a full 13 per cent at a time when prices increased by very little. Total sales of these goods have now more than made good their losses during last year's setback. Sales of beer and clothing also improved and even tobacco sales managed to reverse the slight decline that set in with the increase in duty in last year's budget. It is difficult to tell yet whether these increases have resulted partly from any shift in spending away from other items, as well as from an increase in total outlay, but the Board of Trade

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What Will Atomic Power Cost?

THE Secretary-General of the United Nations is the latest in a long line who have tried and honourably failed to pin down with any precision the cost of producing electricity by atomic fission. Last weekend the first limited copies were issued of a 250-page *aide memoire* on the prospects for atomic energy prepared by him from questionnaires sent out to the main atomic powers. This admits frankly that it is pointless to compare costs offered for the atomic reactors being developed in different countries.

Two factors make the exercise impossible; one is temporal and the other actuarial. The first arises from the fact that the rate at which atomic power is being developed varies from country to country. Britain, the report notes, is the only country now producing atomic electricity which from time to time is actually sold; projects in other countries, some of which are listed in the table below, are due to be finished this year, next year, or as long as five years hence. It is never advisable to draw comparisons between data collected from a plant already working, and estimates prepared for one that will not be finished for several years. The rueful reappraisal of the construction costs of some of the American projects now being built or planned shows that in atomic engineering there can be many a slip 'twixt blueprint and commission. At Shippingport, for example, construction costs have already risen by at least $22 million above the original estimates, so that this power station is now expected to cost $70 million to complete. This has given some wry satisfaction to British engineers, who have frequently been baited by their American competitors for the high costs of Calder Hall type plants; these do at least represent incurred costs which, *pace* inflation, can be repeated.

Britain's atomic plan, providing for 6 million kW of atomic capacity by 1965 and a possible 12 to 16 million kW by 1970, is by far the largest projected. The Russians, who expect electricity consumption in the Soviet Union to rise from 211,000 million units this year to 320,000 million units in 1960, have plans for two big atomic power stations and one slightly smaller, with four relatively small plants, generating from 5,000 to 70,000 kW, to test advanced reactors.

France, which can still draw on an untapped reserve of hydro-electric power for the next seven or eight years, plans to put in 850,000 kW of atomic electricity by 1965 and 10 million kW by 1975. Canada and the United States, with adequate reserves of cheap fuels, are atomic dilettantes, interested in what are described as "power demonstration" programmes. Electricity from any of the plants completed in the United States before 1960 is expected to cost from 5 to 10 times as much as power from conventional stations, which runs from as low as 4 mills per unit (about one third of penny) in some regions up to about 9 mills in others. By 1965, unit costs should be down to roughly double conventional costs; by 1970, they might begin to look competitive with conventional stations in the high-cost districts of the United States.

THE real difficulty starts when cost estimates move from these broad trend patterns to a more precise breakdown of prices. Britain was the only country to offer the United Nations a really detailed cost estimate; and it is plain that some uneasiness is felt even in the Atomic Energy Authority about British cost estimates. The AEA has now adopted the practice of putting forward its cost estimates in two forms, one for British conditions and the other for foreign users. The results of the comparison is shown above. Such a qualification has become necessary because the main controversy over the British figures is over the allowance for amortisation. This is a critical matter; atomic construction costs, 60 per cent of which goes on the nuclear components, are roughly twice as high as those of conventional stations and account for half the cost of nuclear electricity. The Americans, in their answers to the United Nations questionnaire, said they had allowed a capital charge of 15 per cent per annum; the Euratom experts have worked on a capital charge of 13 per cent and so does Mr Jukes, the economic adviser of the AEA in his "foreign" figures; but for British costs he allows an annual charge of only 8 per cent for amortisation (interest charges plus depreciation). The difference this makes to the estimated cost of electricity is significant.

This figure of 8 per cent is based upon the fact that electricity authorities in Britain can raise their money at almost precisely Bank rate: they are less cossetted in other countries. Given such a rate of interest, AEA explains its low capital charges of only 8 per cent on the ground that this would write off the cost of a station in 20 years on a "sinking fund" basis. This is a perfectly feasible method for the amortisation of public utility equipment: it assumes that the value of the plant will be recovered by purchasing a hypothetical series of annuities; and it is a basis that the Central Electricity Authority has accepted for broad comparisons of these highly hypothetical costs with those of conventional stations. But the fact remains that this is not the method that the CEA accountants use themselves to amortise electric generating plant. They pay interest at close to Bank rate: since much of their capital was raised in times of cheap money, their average interest rate might be no more than 3¾ per cent. But having done so, they write off their plant on a straight line basis. It would have provided a more readily defensible comparison of atomic costs in the one country that has a right to speak on the basis of experience if AEA had itself followed exactly the same method.

BRITISH ATOMIC POWER—TWO SETS OF COSTS
(Pence per unit)

	"British" basis 8% d.	"European" basis 13% d.
Amortisation	0·37—0·40	0·56—0·60
Interest on fuel	0·05—0·06	0·05—0·06
Fuel replacement	0·22—0·25	0·22—0·25
Works cost	0·05	0·05
Gross cost	0·69—0·76	0·88—0·96
Credit for Plutonium	0·07	0·06
Net cost	0·6—0·7	0·8—0·9

Source: Atomic Energy Authority.

THE FIRST ATOMIC POWER PLANTS

Country	Date of completion	Type of reactor	Fuel	Electrical output MW Gross	Net	Cost per kW
Canada	1959	Pressurised water	Natural uranium	...	20	$450
France (Electricité de France)	1959	Gas cooled, graphite moderated	Natural uranium	...	60	180,000f
United Kingdom*: *Calder Hall*	*1956*	*Gas cooled, graphite moderated*	*Natural uranium*	...	*45*	*£190*
CEA	1961–62	Gas cooled, graphite moderated	Natural uranium	165	150	£115–125
USSR	?	Water cooled and moderated	1% enriched uranium	420	390	?
		Water cooled, graphite moderated	1·2% enriched uranium	400	375	?
United States: Shippingport (11 others totalling 10,000 MW 1960—62)	1957	Pressurised water	Fully enriched uranium	60	...	$1,166

* One reactor only. Italic, *Economist* calculation. Source: United Nations.

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returns for retail trade in the first quarter suggests that the recovery in the sales from food shops that began towards the end of last year was still going on.

CRUDE OIL PRICES

Higgling in the Persian Gulf

THERE are probably more changes to come in the current round of increases in the fob price of crude oil in the Persian Gulf. Four of the five major American oil companies with interests in the Middle East—Socony Mobil Oil Company being the sole exception—have now posted higher prices, following the lead first given by British Petroleum and Shell. In Kuwait, Iraq and Iran, all the increases so far announced are the same—13 cents a barrel. But in Saudi Arabia, two slightly greater increases in price have emerged. The Standard Oil Company of California, followed by the Texas Company, put up prices by 17 cents a barrel, but one of their partners in Aramco, Standard Oil (New Jersey), followed only part of the way with an increase of 15 cents a barrel. A week later the Middle East Sales company—owned by Standard of California and Texas—came into line with the Jersey increase of 15 cents a barrel. The fourth Aramco partner, Socony Mobil, has so far kept mum. An exception was made by all three companies for one Arabian crude oil, from the new Safaniya field, which was raised by 11 cents a barrel by Texas and Jersey, but only by 9 cents a barrel by Standard of California. The remaining difference is in Qatar, where Jersey raised its prices by only 10 cents a barrel in response to Shell and BP's 13 cents a barrel, making the Jersey posted price now a cent a barrel cheaper than its British competitors instead of 2 cents a barrel dearer as it was before.

It is difficult to see how different prices can be maintained very long for the same crude oil at the same point of loading. Nor is it yet clear whether the increase of 2 cents a barrel in the price differential between most Arabian and other Persian Gulf crudes is a considered reassessment of the value of their different qualities, or an attempt to establish a slightly higher level for Persian Gulf prices as a whole. Future price changes can always be made retroactive to the date of the first change of a competitor, and most companies are at times prepared to supply oil at a discount from posted prices. A conspicuous exception is the Standard Oil Company (New Jersey) which adopts a rigid policy of "arms length" trading—even with its own affiliated companies—and never departs from its posted prices. But for most buyers, the big question is whether there will soon be a second round of price increases in the Persian Gulf, to restore the price differentials between Middle East and Texas crude oils that existed before the Suez Canal was blocked.

BRITISH RAILWAYS

Down the Line

IT took a great many decades for the organisation of the railways, founded and built up piecemeal, to reach its apogee of centralisation ten years ago with the act of nationalisation. It will also be a long time before the process of decentralisation, set in motion by the 1953 Act, reaches its final state. But considerable progress has been made in the last four years. The initial step, that of devolving managerial authority to six area boards, was taken more than two years ago and the new structure has been running in very smoothly. But this was only the first stage: the new areas, to quote the 1954 White Paper, "are in themselves very large systems and there must be a definite measure of management decentralisation within them; functional decentralisation is not enough."

The Transport Commission rightly left it to these new area boards to decide how far managerial authority and responsibility was to be further delegated. The Eastern Region, possibly the area that lent itself most readily to this further process, was the first to announce plans, some eighteen months ago. A new assistant general manager was appointed at the region's headquarters to take general charge of its operating, motive power, and commercial policies, with day-to-day responsibility for these facets of railway management vested in separate traffic managers for each of three smaller districts. The scheme for the decentralisation of management authority announced by the London Midland Region this week takes a similar form and has the same objects. It will replace the present departmental system of control from the top with a single director of traffic services for the region and six divisional traffic managers, each running the business of his own area without recourse on detailed matters to the centre. Since London Midland is a more complex railway system, however, the region has been divided into geographical areas. In the case of the Eastern Region, the division was more suitably achieved by line—Great Northern, Great Eastern, and London, Tilbury and Southend—and the first two were further sub-divided into, respectively, four and three smaller areas.

Decentralisation is the necessary concomitant of the modernisation programme, now rapidly gathering pace, and of the new freight charges scheme, which starts on Monday fortnight and which will give local traffic managers a long-needed opportunity to compete more freely for traffic. All three will lead to quicker and better services, act as a further stimulus to the morale of the staff, and place the centre of responsibility closer to customer and employee. The new management structure, like the other two reforms, will take some time to mature, but this week's announcement from London Midland, the largest of the six regions, means that plans for further decentralisation, with attendant administrative savings, are now going ahead over almost half of British Railways.

UK TRADE

Exports Set a New Record

THE value of British exports reached a new record last month and imports were almost a record. Exports rose by £30.7 million to £302.9 million fob, the first time they have exceeded £300 million; the previous peak was £297 million in March. But the rate of expansion this year is still below that of 1956, when the value over the whole year was 10 per cent higher than in 1955. The average value of exports between January and May was £282.3 million a month, seven per cent higher than in the same period of 1956. Imports in May rose somewhat less sharply by £24.7 million to £374.4 million cif; this was just £2 million short of the January peak, when the figure was

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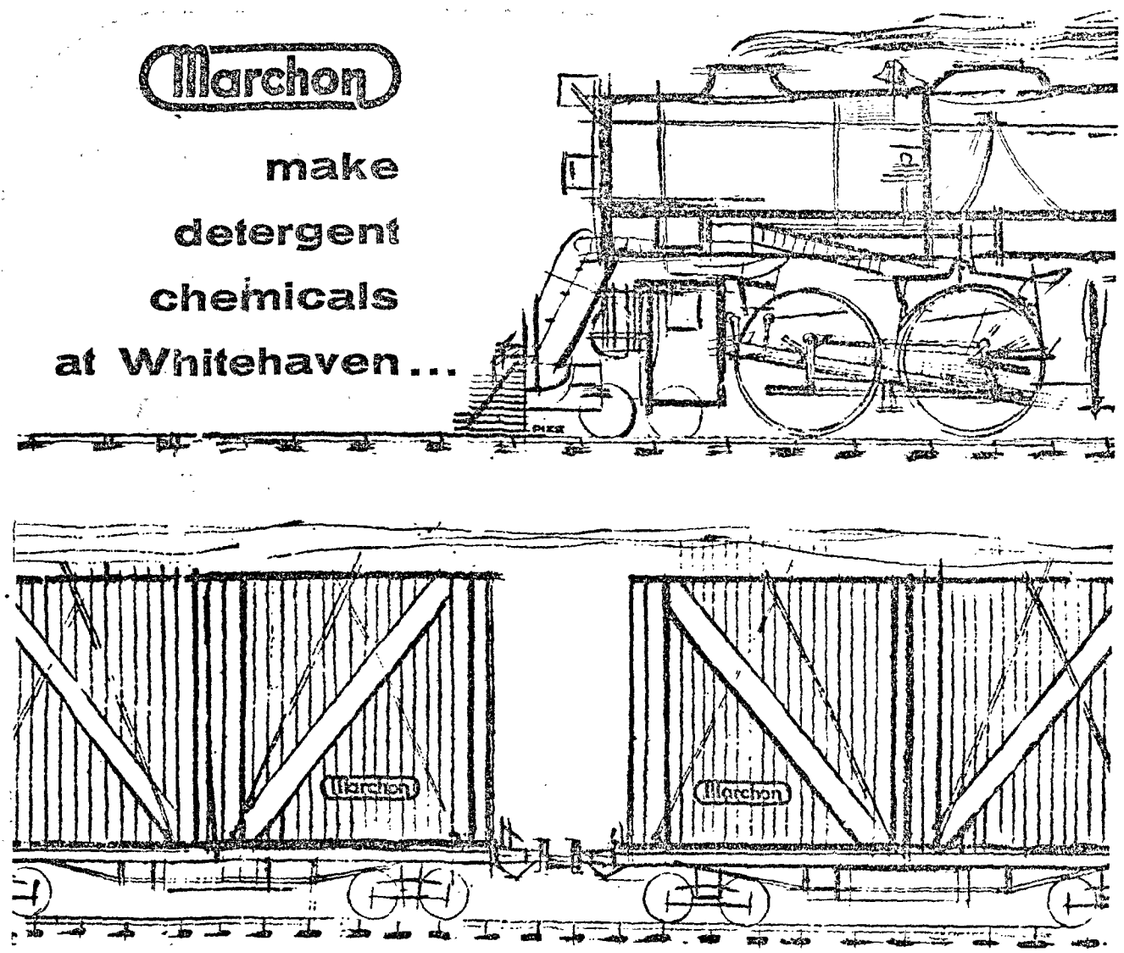
Associated-Rediffusion have proved that popularity can be gained while maintaining high standards. Over half their contributions to the series PLAY OF THE WEEK and TELEVISION PLAYHOUSE have achieved an audience of over 50% of the people who are able to see ITV : and these are plays well worthy of the fine traditions of the English stage.



"DEAD ON NINE" an unusual thriller originally produced by Joan Kemp-Welch at the Westminster Theatre, was presented by Associated-Rediffusion as a "Play of the Week". GRIFFITH JONES, HELEN CHERRY, DAVID OMLEY and EDDIE BYRNE star in this story of the perfect murder which went wrong. The supporting cast included BARBARA SHELLEY, EDNA PETRIE and ANTHONY SMEE.

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swollen by arrivals that had been delayed by the closing of the Suez canal. The reopening of the canal last month will again swell the import figures for a time, for ships are arriving via Suez simultaneously with those arriving via the longer Cape route. But that doubling-up could hardly have had much effect on the import figures for May. In the first five months of this year the average value of imports was £356.1 million a month, 8½ per cent higher than in the same period of last year; about one-fifth of that increase is

UNITED KINGDOM TRADE
(£ million—monthly averages or calendar months)

	Imports c.i.f.	Exports f.o.b.	Re-exports f.o.b.	Trade deficit	Exports to N.Amer.
Year 1956	324·1	264·3	12·2	47·6	35·1
1956 1st quarter	328·3	258·3	13·6	56·4	28·5
„ 2nd „	330·6	272·0	13·1	45·5	39·4
„ 3rd „	312·3	247·2	9·0	56·1	34·3
„ 4th „	325·2	279·9	13·0	32·3	38·0
1957 1st quarter	352·7	278·8	13·0	61·0	33·9
„ April	349·7	272·2	8·6	68·9	44·1
„ May*	374·4	302·9	11·8	59·7	38·8

* Provisional.

estimated to represent arrivals carried over from last year. With re-exports £3.2 million higher at £11.8 million, the gross visible trade deficit in May fell by £9.2 million to £59.7 million. The average deficit in the first five months was £62 million a month, £11.1 million higher than in the same period of last year.

Shipments to North America, at £38.8 million, were £5.3 million lower than the previous month, but the April figure included the delivery of the *Empress of England* to Canada, valued at about £6 million, and the final repayment of £1.5 million worth of lease-lend silver to the United States.

FOREIGN EXCHANGES

D-mark Dominant

THIS week the strength of the Deutschmark has dominated the foreign exchanges. It has been strong against every other EPU currency. There has been persistent buying of marks by the Netherlands, Belgium and France, and some of these purchases have been made against sales of sterling. The mark rate in Paris remains jammed hard against its higher limit. Although the French franc and the French reserves continue to take part of the impact of the strength of the mark, sterling has also suffered and has been offered this week against a number of other Continental currencies. Against the dollar, sterling has been particularly steady in the official market—but steady at just under $2.79, a level uncomfortbaly low for this time of the year. There has, however, been a fairly good demand for transferable sterling, both from New York and Zurich. Some of it is said to have been on Japanese account and represents a belated building up of Japan's exceptionally depleted working balances in London. Transferable sterling which was around $2.7740 at the beginning of the week has since recovered to $2.7755.

Following the Canadian election results, the demand for Canadian dollars increased both against sterling and US dollars. On Tuesday the Canadian dollar reached a premium of just over 5 cents on the US dollar—a record figure—though it has since fallen back to 4.94 cents. Against sterling the Canadian rate is quoted at $2.65⅜.

BANK ADVANCES

Through the Squeeze

THE latest classified statement of advances by banks in Britain—still inexplicably issued to the public only one month in three—confirm that advances have turned fairly sharply upward, and that the rise has not been confined to the essential categories. In the three months to mid-May, total advances rose by £78 million; allowing for repayments by the nationalised industries the rise was nearly £89 million. This followed a comparable rise in November-February of £105 million; and the total expansion of £194 million in the six months compares with a small decline (of £3½ million) in 1955-56 and increases of £155 million and £73 million in the two preceding years.

Another indication that the latest expansion has been due to more than seasonal influences is contained in the detailed breakdown of advances by groups of borrowers. It seems significant that an increase was shown by every one of the five groups outside industry or trade. The most notable perhaps was that of £5¾ million, to £34 million, to hire purchase finance companies, bringing their total to nearly £34 million, compared with the November low point of £23 million. The large personal and professional group, which in the February quarter also showed its first upturn since the Butler request, rose only a trifle further, to £325 million—still a quarter below its level two years ago. Advances to stockbrokers rose by £3¾ million and to the "other financial" institutions by nearly £10 million, to £200 million; this seems to confirm Lord Piercy's intimation that the Industrial and Commercial Finance Corporation has lately succeeded in getting rather more funds from the banks.

In the industrial and trade groups, marked increases are shown by retail trade and food, drink and tobacco; and a further increase is recorded for the engineering group. At £241 million advances to this group are now up by more than £50 million on the year, and by nearly £110 million on their level three years ago. Much of this finance is in effect granted for medium terms, for export and other business of high priority. Appreciable increases on the year are shown also by the three textile groups, and by iron and steel—though in the latest quarter this group effected some repayments, presumably from the process of public issues.

ICFC REPORT

Less for Small Business

IN their general drive to curtail advances that the banks began two years ago they did not exempt their own institution, the Industrial and Commercial Finance Corporation, set up in 1945 to provide long-term finance for small and medium sized businesses. Lord Piercy's organisation has thus been obliged to draw in its horns and turn down some projects that it judges to be sound. In the financial year to end-March, the net volume of new business was under £2½ million—compared with £5 million in 1955-56 and nearly £5½ million in 1954-55. The bulk of last year's business, moreover, was financed from repayments and realisations (themselves down sharply, plainly as a result of financial pressure on customers); ICFC's calls on the bank were limited to £800,000. But there are now signs that the banks are being more accommodating.

The number of applications to the corporation in 1956-57 dropped by nearly a hundred to 345; and in the last five years together, applications have been more than one quarter below the level in the five years from 1946-47, that is before the first bout of monetary restrictions. Lord Piercy sees credit restriction having its sharpest effect on the small and medium sized companies—which, when the banks tighten up, cannot turn, as do their bigger brethren, to the capital market; and now ICFC cannot help them as much as it would like. Lord Piercy again reports little falling off in the past year in the demand for facilities, but in the latest few months his immediate impression is of "some drying up." Perhaps the interest rate is not so ineffective a regulator after all.

ROAD HAULAGE

Going Slow at 30 mph

The first formal agreement between road hauliers and their drivers to give effect to the lifting of the speed limit on heavy goods lorries on May 1st from 20 mph to 30 mph has been made by British Road Services. It is the smallest of the three main groups of lorry-owners concerned, but the one that is likely to reap most advantage from it, because long distance work forms a larger part of its operations than of those of its competitors. BRS owns only about 10,000 of the 140,000 lorries that are affected by the change; about two-thirds of the rest are operated by business under "C" licences and about 40,000 are owned by private hauliers. Previously BRS and the "C" licensees had been waiting for the unions to reach a settlement with the Road Haulage Association, which represents most private hauliers. But discussions between RHA and the unions have been trailing along for nearly twenty years. It was signs of general agreement on some broad principles last year that decided the Minister of Transport to bring in this long delayed reform.

After a further year of meetings, however, there is still no sign of detailed agreement between the unions and RHA. They are agreed that no driver shall be worse off for doing the same work and that any benefits of quicker working should be shared. But they have not managed to translate these general principles into an agreed precise formula that can be made part of the statutory wages structure of the industry. The hauliers want to increase wages only where quicker runs are actually possible, but the industry's wages are fixed according to the size of lorry driven, not according to the nature of the route used, and the unions would like the wage increases to be spread among all drivers operating the same size of lorry.

BRS has surmounted the hurdle by offering an all-round 15 per cent increase in basic wage rates (to drivers of vehicles previously limited to 20 mph) and a cut of one hour in the maximum number of hours worked a day, making ten hours, in return for a revision of duty schedules. Allowing for overtime payments, the general effect will be that drivers will get roughly the same pay for doing the same work in less time and BRS will get a better use of its vehicles. BRS has been able to do this by spreading the benefits and wage increases over all of its operations: shunting and feeder services will cost more, but long distance trunk services will cost less. Private hauliers, with relatively minute organisations, are not able to balance things out in this way. A system of mileage payments would be the best way out, but both sides appear to have rejected it. The most likely solution—in default of a negotiated settlement—may now be an empirical one, with broadly the same result as mileage payments, as hauliers get more impatient at delay and their drivers become more prepared to connive at differential wage increases.

Retail Business
MERCHANDISE TRENDS
Number 1

This new quarterly bulletin deals with the supply of consumer goods. Among the subjects dealt with in the first issue are:

Fibres
Processed Foods
Silicones
Soft Drinks
Convenience Goods

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AIR FARES

North Atlantic Dilemma

To the surprise of the airlines, the American Civil Aeronautics Board has uncompromisingly rejected proposals to increase air fares on the North Atlantic by five per cent—or rather it has refused to allow the American operators to raise their fares and by doing so has made it impracticable for any other North Atlantic operator to do so either. All the regulations about air fares, whether they are enforced by government exercising their rights to grant or withhold landing permission to foreign airlines or by the airlines themselves through the International Air Transport Association, are designed to prevent undercutting of prices on the same route by competing airlines. There is nothing in theory to stop any hard-pressed operator from raising fares—other than the belief that to do so alone would be tantamount to commercial suicide. If Pan American and TWA are forced by their government to leave fares unchanged, no other airlines are going to raise theirs and be undercut by the Americans.

The CAB took so long to reach its decision that the final rejection was unexpected; most operators thought the deliberations would end in some form of compromise suggestion. The airlines can now only reconsider the matter among themselves and come up with a new set of proposals in the hope that these will get American approval. They are in any case due to meet in September to review the general rate structure; this summer's proposed increase was an emergency surcharge to meet a sharp rise in costs. The September review is due to cover the final details of the new third-class Atlantic fares which are to begin next spring; it may therefore provide the opportunity for linking these in some way with fare increases in other directions, or even with the abolition of the tourist fare in the form in which it is known today.

A BANKING MERGER

Chartered and Eastern

The Chartered Bank, formerly the Chartered Bank of India, Australia and China, has made an offer to acquire the whole of the issued share capital of the Eastern Bank on the basis of £9 of fully paid stock of the Chartered Bank for every two shares of £10 each (£5 paid) of the Eastern Bank. At the time of the announcement the shares of the Chartered Bank stood at 35s. 6d., making the offer worth 159s. 9d. per Eastern Bank share, compared with a market price of 135s. The directors of the Eastern Bank recommend shareholders to accept the offer when it is formally made. On the assumption that Chartered Bank will maintain its dividend, shareholders in the Eastern Bank, if they accept the offer, will gain in income and will be relieved of the uncalled liability on their shares.

The Eastern Bank, a much smaller concern than the Chartered Bank, has a number of branches in the Middle East, an area in which the Chartered Bank has not had a large stake. The merger is recommended by the directors in the belief that it will provide for "improved opportunities of expansion and the establishment of a combined organisation to operate throughout the Middle East and the Far East." In these days of Middle Eastern and Asian nationalism there is strength for banks as for other institutions in geographical diversity and financial unity.

CANADIAN STOCKS

A Ruling on Edmonton

No great practical difference is likely to follow the removal by the London Stock Exchange of the Edmonton Stock Exchange from its recognised list under which dealings are permitted within the provisions of Rule 163 (i) (*e*). It will mean that stocks quoted only at Edmonton will no longer be eligible under the rule, but few of the Canadian speculative favourites are dealt in at Edmonton alone. Yet the announcement itself draws attention to the misgivings that many feel about the easy entry that the rule provides for certain overseas stocks into London dealings. In some sense, this is part of the price that London must accept if it is to be an effective international market. But the standards that London itself imposes before allowing dealings in domestic securities belong to a different world from those that prevail in some centres overseas. That is not necessarily to their discredit—what is speculative and unproven may still be an honestly marketable commodity. And if London were to insist on its own necessarily high standards for securities of every colour, many would be rejected not for lack of quality, necessarily, but solely for lack of facts.

In the general case, the speculator who buys Canadian issues under Rule 163 (i) (*e*) has a limited knowledge of the assets, management and profits of the venture. There is no London requirement that he should be told, even if he had the inclination to learn—though he may not learn anything material even if he takes the trouble to enquire in Canada. The contrast between glamour and information is one that the London and New York markets have, from bitter experience, long appreciated. The objection is not that many Canadian stocks dealt in here under the rule are bound to be speculative; it is rather that information about them is far more meagre than it need be.

BEER BOTTLES

Bottles Not for Returning

Although American packaging techniques are often about ten years ahead of British, the present widespread use in the United States of "non-returnable" beer containers may not necessarily be an equally good guide to the prospects for the specially designed "one-trip" beer bottle that has made its appearance in Britain this month. Of the four-fifths of American beer that is now packaged, rather more than half is sold in cans and a growing proportion of the rest is sold in bottles that are also not meant to be returned. But American methods of distributing beer are rather different to those here. Very much more beer is sold for drinking at home, through grocers and super-markets, and the proportion consumed on the premises, in bars where the collection of empties can be organised and made economic, is appreciably smaller.

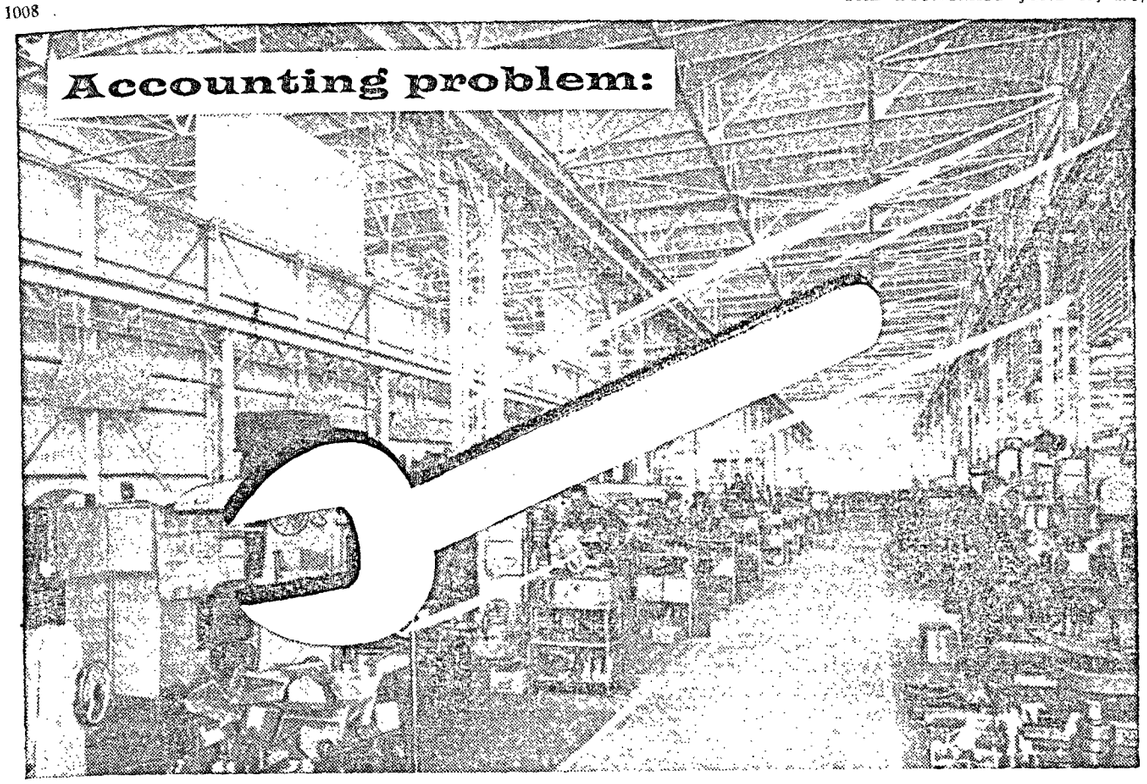
Nevertheless much more beer is now sold in bottles in Britain than used to be. One estimate puts the proportion at about 40 per cent, and the habit of buying a few bottles to take home to watch television or to take on a car trip seems to be making the public slightly less zealous at returning the empties—though experience varies markedly from one brewer to another and in different parts of the country. The Glass Manufacturers' Federation is therefore hoping that its new bottle—at present available only for beer and in half pint sizes—will catch some of this "one-trip" traffic. But the proportion of bottles that are returned is still very high, though experience again varies between brewers. At their present price of 24s. a gross the new bottle could not really compete in this major part of the market. Although they are squatter in shape and only just over half the weight and should be easier and less expensive to carry and store, the conventional bottles cost only 28s. 3d. a gross and, since they are used on average six times (some may be used as many as forty times), they are still a more economic proposition even with the present costs of washing and cleaning. Moreover the customer will have to pay for bottles that are used only once and will get nothing back on empties.

But there should be a growing outlet for this new bottle, particularly on ships, aircraft, and places where empties are not collected. Here it will be competing with the can, which costs about 34s. a gross at present and has been making a little headway lately in beer marketing: it is smaller and can be stacked—which the new "one-trip" bottle can not. For the brewers and beer drinkers at least there should be some interesting prospects in this new competition between the can and glass manufacturer for their custom in non-returnable containers.

METAL PRICES

Holding Up Tin

Weakness in prices of non-ferrous metals has not spread to tin. In the past month cash tin has held steady within the narrow range of £762 10s. to £765 10s. a ton despite a big increase in metal exchange stocks. The apparent contradiction can be explained only by purchases



INACCURATE INFORMATION WAS THROWING A SPANNER INTO FRASER'S WORKS!

DOUGLAS FRASER AND SONS LTD., a firm of Scottish engineers specializing in the manufacture of textile machinery and machine tools, used to keep their Store Records on Bin Cards. These cards only showed the materials purchased and those issued to production. Every six months, stock was checked against these Bin Cards—there were always a number of discrepancies. Because no *net* balance was registered on the Bin Cards, Fraser's often found they didn't order enough new stock to cope with production requirements. This was happening at a time when demand was increasing and materials were taking longer to arrive anyway.

Like many firms, big and small, faced with this kind of problem they called in Burroughs

SOLUTION: In close co-operation with Fraser's own staff, the Burroughs representative worked out a system based on four machines—two Sensimatics, one Director Adding Machine and one Duplex Calculator. The firm now gets a daily balance of all its stock items. Also during the posting operation the order level is automatically registered. Re-ordering became mechanically accurate, production programmes go through smoothly, and no extra staff were taken on at all.

HOW BURROUGHS MIGHT BE ABLE TO HELP YOU

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They will advise *against* buying one of their machines if they don't think you need one. Their advice, of course, is free. The local Burroughs office is in the phone book.

Burroughs

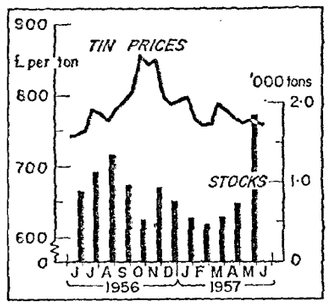
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by the manager of the International Tin Agreement's buffer stock. With metal at his disposal the manager could now restrain an advance in prices beyond £800 a ton. The prospects, however, point to a surplus, not a shortage, of tin.

The Tin Council estimates that there will be a small surplus of 5,000 to 7,000 tons this year, including the quantity that the Board of Trade is expected to release from its strategic stock (up to 2,500 tons are to be sold, but only a part is expected to become available in 1957). Canada has now given the council the requisite six months' notice of its intention to dispose of about 3,000 tons from its strategic stock—though little, if any, could be released before the end of the year. But a new supplier, Russia, has now appeared, and its potential sales this year cannot be assessed. Russia's sales to Europe so far may be upward of 1,000 tons, and they could run into several thousand tons by the end of the year. Some of this tin may have been smelted from Chinese ores.

Lead and zinc fell further this week on the news that lead had been cut in New York by another cent to 14 cents a lb (£112 a ton); American zinc remained at 11 cents a lb (£88 a ton). Prompt lead closed in London on Thursday at £92 a ton, a fall of £1 on the week, and prompt zinc was £3 lower at £73 15s. a ton. London prices of both metals are now about £26 a ton cheaper than at the beginning of January; in the United States lead is 2 cents (£16) cheaper and zinc 2½ cents (£20 cheaper).



The weakness is attributable not only to the surplus of these metals but to changes in official methods of support in the United States. The Administration's revised programme for bartering surplus farm commodities for foreign lead and zinc is considered to be so restrictive that it can no longer take substantial quantities of foreign metal off the market. Domestic producers are also disappointed with the Administration's new proposals for stabilising domestic prices by a sliding scale of duties on imports instead of by direct purchases of surplus metal. Meanwhile copper prices in London have continued to sag, cash copper closing on Thursday at £232 a ton. Support buying by the Rhodesian producers has not been noticeable.

OILS AND FATS

Surplus in Sight

PRICES of most fats and oils have steadied in recent weeks though importers are still buying cautiously. World production last year grew faster than consumption, and the surplus was temporarily offset by heavy buying stimulated by the Suez crisis. When that exceptional demand was satisfied prices fell, and they are now generally below the pre-Suez levels. Stocks in Western Europe, the largest importing area, have increased and importers now face the prospect that world production will again exceed consumption. Olive oil crops have recovered and larger supplies of soya beans, groundnuts, copra and linseed are also expected. The main weakness is in linseed. The American government's agency, the Commodity Credit Corporation, recently cut its export prices of linseed, and Argentina has followed suit. Argentine linseed oil is now quoted at about £82 a ton cif Continent for July shipment, £16 less than at the end of May. But weakness in this commodity has had little effect on the market generally. Linseed is a drying oil, mainly used in the paint and linoleum industries, and does not directly compete with edible oils. Philippines copra, to point the distinction, has fallen only slightly this month to about $168 a ton cif.

ESTIMATES OF WORLD PRODUCTION
'000 metric tons

	Prewar	1956 Preliminary	1957 Forecast
'Edible' type	6,514	9,925	10,570
Cottonseed	1,453	1,858	1,830
Groundnut	1,755	2,231	2,285
Soya bean	1,263	2,756	3,050
Sunflower	435	1,397	1,705
Olive	950	768	1,030
'Palm' oils	2,659	3,634	3,655
Industrial type	2,832	3,247	3,510
Linseed	1,040	1,038	1,240
Rapeseed	1,273	1,585	1,640
Animal fats	8,752	10,706	10,645
Marine oils	830	858	830
Total	21,587	28,370	29,210

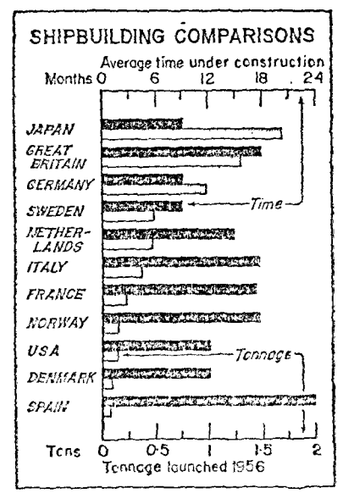
Source: Unilever Limited.

Speaking to the international seed crushers congress last week, Mr J. C. A. Faure, of Unilever, estimated that world production of oils and fats would rise by over 800,000 metric tons to a new record of 29.2 million tons in 1957, and that world stocks might increase by about 500,000 tons over the year. But he pointed out that his forecast assumed favourable weather in producing countries, and that this extra supply in one year need not give rise for concern as long as world consumption continued to grow.

SHIPBUILDING

Testing the Steel

AT the end of last year, about 4.6 million tons of shipping—about 57 per cent of all merchant shipping tonnage then under construction in the world—was being built with a view to classification with Lloyd's Register of Shipping. Outside the marine field, this registration society was responsible for inspection of the steel platework on a variety of oil refineries, hydro-electric plants—and, recently, atomic energy plants. Lloyd's Register was responsible for the final pressure testing and strain gauge investigation of the components of the Calder Hall gas circuit, as it is now



at Calder B and at Chapelcross; at Dounreay it will be testing the 135-foot sphere made of welded steel plate. Primarily, the society's concern is with the quality of steel plate used for shipbuilding and similar purposes. It does not lay down any rigid metallurgical and process specification for universal application, since various processes and methods give a reliable standard of quality. Traditionally, it has been very cautious about the use in ships of "Thomas steel" made in basic Bessemer convertors, generally specifying openhearth qualities, but in this year's report, published this week, it records that it has given provisional approval to two European works operating the oxygen-blown convertor process.

Two aspects of the society's work may eventually link up: Lloyd's Register is considering the safety aspects of the designs for nuclear propulsion of submarines, warships and eventually merchant ships, upon which the Admiralty and the British shipbuilding Research Association are working with the Atomic Energy Authority.

SHORTER NOTE

Holders of 2½ per cent Defence Bonds maturing between October 1st next and March 31, 1958, totalling £27½ million, are invited to convert into 4½ per cent Defence Bonds; a maturity premium of £1 per cent will be paid. Acceptances close on July 22nd.

COMPANY AFFAIRS

J. LYONS & COMPANY

"About time too" is the only possible conclusion on the decision of the directors of J. Lyons and Company to raise the ordinary dividend from 22½ to 25 per cent. In the past their conservative dividend policy was carried almost to a point of absurdity. For a decade before the war the dividend was pegged at 22½ per cent; during the war it was pegged at 20 per cent; and for a decade after the war it was again pegged at 22½ per cent. The reaction in the stock market was one of relief rather than of surprise; the non-voting "A" shares were marked up to 101s. 3d. and then reacted to 95s. (showing a small net loss since the announcement). The increased dividend had in fact been discounted in the rise in the price of the shares from 81s. 3d. in May.

	Year ended March 31, 1956	1957
Consolidated earnings:		
Trading profit	4,399,567	5,781,668
Depreciation	1,445,525	1,623,388
Taxation	1,121,135	1,915,647
Net profit	981,000	1,144,123
Prior charges	288,264	288,265
Equity dividends	406,922	452,135
Ordinary dividends (per cent.)	22½	25
Retained earnings	285,814	403,723
Consol. balance sheet:		
Net fixed assets	17,989,831	19,892,154
Stocks	10,826,928	12,766,034
Cash	2,140,993	1,625,193
Net liquid assets	1,518,483	383,833
Net current assets	10,178,127	9,739,218
Loan capital	2,688,246	3,653,305
Reserves	14,411,046	15,853,082
Preference and preferred capital	7,297,065	7,297,065
Ordinary capital	3,680,342	3,680,342

The actual increase in the dividend is itself conservative enough. It followed a jump in gross trading profits of £1,382,101 to £5,781,568 in the year to March 31st. This is an exceptionally good increase for a year when profit margins were being squeezed in the consumption trades as well as in industry. It owes something to the accumulation and employment of retained earnings in the past. And this year there is no real break with that policy. Net profits have risen by £163,123 to £1,144,123 and £57,152 (against £18,721) has been brought in as a non-recurring credit. Most of that increase has gone to swell reserves: the net equity dividends, covered nearly twice by earnings, absorb only £45,213 more at £452,135, while £403,723 (against £285,814) has been ploughed back into the business.

At 95s. the "A" shares yield 5.3 per cent, a yield which still looks forward. There seems to be no reason why this highly geared equity should not act like one. But that rests with the directors and with the pressure that shareholders can exert on them.

SIMON-CARVES

NUCLEAR power stocks have obvious attractions, but investors are now more conscious than they were when these stocks were booming that atomic power contracts will not produce quick results in profits and dividends. It will be a long haul, and the low yields offered by such stocks look far into the future. Progress will be sober and steady. That certainly is the impression given by Mr R. B. Potter, the chairman of Simon-Carves, who describes the next few years as "a period of consolidation."

Last year Simon-Carves earned a profit of £1,632,063 from a turnover of nearly £21 million. This was up by about 10 per cent, but the profit was only a few thousands above the 1955 figure of £1,601,225. Mr Potter describes the result as "very satisfactory," as the substantial development and administrative costs of the atomic power programme have been charged almost entirely against profits. A number of large contracts were completed, but orders in hand rose by about 30 per cent, giving an assurance of prosperity for some years ahead. But Mr Potter warns shareholders not to expect "any large immediate rise in profits." Simon-Carves, he says, "must expect continuing high expenditure on nuclear energy and to a lesser extent on other new processes" and that expenditure will be written off in the years in which it is incurred. As an additional precaution the company has again set aside £100,000 to a "nuclear power development reserve."

The future for Simon-Carves, with a nuclear power contract in addition to its other big contracts for large-scale plant for the iron, coal and electricity industries, is secure. Mr Potter draws particular attention to "the reasonable prospect of future security" in commenting on the effective increase in the ordinary dividend from 16⅔ to 20 per cent. The dividend, absorbing £172,500 net, is well covered by net earnings of £686,618. That fact and the company's nuclear power order explain why the yield is only 2.9 per cent on the 5s. shares, now standing at 33s. 9d. xd.

LONDON TIN

LONDON TIN CORPORATION is primarily and eponymously a tin mining finance company. But its portfolio contains stocks other than tin shares. Over a year ago it sold a majority interest in two tin dredging companies and it has abandoned an exploration programme in Nyasaland.

In its accounts for the eleven months to March 31st last it reveals in some detail the make-up of its portfolio. In the consolidated balance sheet the group's quoted investments are shown at £5,267,707 (with a market value of £9,487,176) and unquoted investments at £126,886. Almost exactly 75 per cent of these investments (at book value) are in tin mining concerns in Malaya, Nigeria and to a much smaller extent in Thailand and Burma. The rest of the portfolio is made up as to about 8 per cent in "other mining and oil," 2 per cent in public utilities and trust companies, and 10 per cent in "commercial and industrial" stocks. Just over 5 per cent of the portfolio is in dollar stocks.

That is a useful spread for a company which is exposed to the varying fortunes of the tin mining industry. In the latest financial period, the average price of tin was slightly higher than it had been in 1955-56, but production in Malaya and

ria was slightly reduced. Hence, alance, there was little change in the pany's investment income; in the n months to March 31st, it was 15,269 and in the preceding twelve ths it was £1,435,413. The big ge was in "profits on investments"; e came down from £478,602 (repre- ing the sale of the majority interests wo mines) to £17,732. Net profits from £883,642 to £714,726 and the tors left the ordinary dividend un- ged at 30 per cent (absorbing 4,146 net). On that dividend the 4s. es at 12s. yield 10 per cent.

The chairman, Mr J. Ivan Spens, s that the company will in no way efit from the tax reliefs given to over- trade corporations. While an ividual London controlled tin com- y wholly operating abroad may gain relief, the London controlled finance investment house may not.

UNITED DRAPERY STORES

THE growth of United Drapery Stores as a multiple empire, with over 720 oring, drapery, furniture and depart- nt stores in its domain, has been id. The appeal of these stores is ected to the pockets of the millions, of the select few. It has been re- arkably successful, even in the face of e purchase restrictions. Success is sed on firm management and control m the centre.

The chairman, Sir Brian Mountain, scribes the year to January 26th as rgely one of consolidation"; no new sinesses were acquired but a number shops were added to existing busi- sses within the group. Many of the ops have been converted and odernised; some have been turned er from one trade to another. That s resulted in a heavy bill for repairs d maintenance (charged against the ding account) and heavy capital penditure.

This expenditure, Sir Brian says, fluenced the directors in their decision leave the ordinary dividend un- anged at 32½ per cent. This pill was eetened for shareholders by a 10 per cent free scrip issue, small enough to suggest that the directors are unlikely to reduce the current year's dividend proportionately. The dividend was left unchanged in the face of an advance of £555,887 to £6,647,031 in trading profits. Costs were rising and Sir Brian attributes this advance to "a further substantial increase" in turnover. The hire purchase restrictions reduced the group's sales on HP terms (now representing only 4 per cent of total sales), but this was counterbalanced by increased sales on shorter credit terms. These short-term credit sales have been a boon to the multiples and so far in the current year the sales of United Drapery Stores show a further increase.

THOMAS DE LA RUE

PLASTICS, printing, pens and playing cards cover a wide range of activity, and to these Thomas De La Rue adds gas cookers too. But its two principal divisions are plastics and printing banknotes and postage stamps. The plastics division has been growing rapidly and perhaps has made a particular contribution to the rise in trading profits from £899,807 to £1,097,597 in the year to March 30th. The plastics division makes "Formica" under licensing agreements with a subsidiary of American Cyanamid. These agreements have eight years to run and arrangements have now been made to set up a new company controlling the manufacture of "Formica" in which Thomas De La Rue will have a majority interest; it will thus no longer have to pay royalties.

The directors state that they believe this arrangement will be of "very considerable benefit to stockholders in the expansion of the plastics business" which they are "sure will follow." Another sign of their confidence can be seen in their decision to raise the ordinary dividend from 30 to 35 per cent, which absorbs £186,357 from a net profit of £504,212. Net earnings are £184,909 higher on the year and the greater part of that increase has been retained. At 22s. the 5s. ordinary stock units yield nearly 8 per cent.

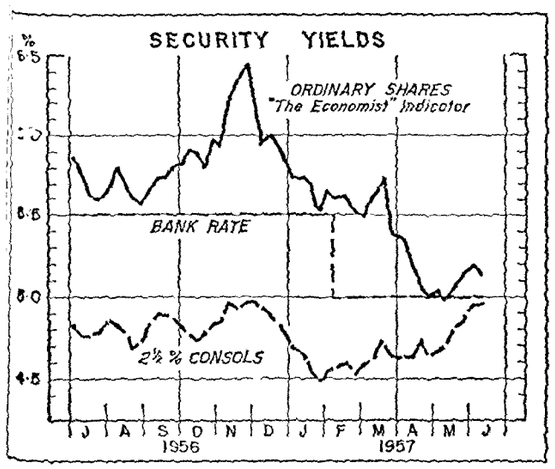
London Stock Exchange

FIRST DEALINGS:	May 29	June 19	July 3
LAST DEALINGS:	June 18	July 2	July 16
ACCOUNT DAY:	June 25	July 9	July 23

NEW low points for the year were recorded by longer-dated gilt-edged stocks this week. Small sales brought the Financial Times index of Government securities down to 83.02 on Tuesday, but prices hardened fractionally in front of the Bank rate announcement. Industrial stocks were little changed on balance, while the feature of the market was an acceleration in the upward movement of oil and gold shares, both of which were sharply lowered by profit-taking on Wednesday. The Economist indicator, which includes three oil stocks, rose 2.4 to 219.0.

Bank shares were steadier after the recent succession of small falls, but National Discount "B" lost a further 6d. to 33s. 6d. Following the increase in dividend, Walker Cain was 1s. higher at 43s. 3d., and other breweries continued to hold their recent gains. Stores were helped by the figures for personal spending during the first quarter of the year; Marks and Spencer "A" rose to a fresh peak of 52s. 3d. xd, and GUS "A" gained 9d. to 51s. 1½d. Estate Securities marketed last week at 36s. rose sharply to 57s. 6d., but came back to 53s. 6d. on Wednesday. Unilever gained 4s. 6d. to a new peak of 111s.

The buying of oil shares took Shell to 218s. 3d. before the price reacted to 213s. 6d. On rumours of a new oil strike TPD jumped at one time to 115s., before easing to 110s. Profit-taking in Kaffirs left sizeable gains on balance; St Helena's development results caused its shares to jump 5s. 7½d. last Friday and finance houses also made good gains on balance. The improvement extended to De Beers deferred, which rose 5s. 7½d. to 100s. Coppers tended to sag, but rallied on Thursday; Tanganyika Concessions fell 11s. 3d. to 163s. 9d. in the week to Wednesday's close. Weakness in metal prices depressed lead and zinc shares.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
May 15	221·4	5·01				
„ 22	218·7	5·09				
„ 29	216·2	5·16				
June 5	216·6	5·19	221·9 (May 8)	190·5 (Jan. 2)	210·4 (Jan. 4)	170·0 (Nov. 28)
„ 12	219·0	5·14				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½ Consols Yield %	Bargains Marked	1957 High	1956 High
June 5	201·6	5·44	91·36	4·94	10,248	207·4	203·6
„ 6	202·0	5·42	91·11	4·96	9,783	(May 17)	(Jan. 3)
„ 7	203·0	5·40	90·80	4·96	10,724	Low	Low
„ 11	202·9	5·40	90·61	4·98	12,792	178·9	161·6
„ 12	202·4	5·41	90·50	4·96	11,439	(Jan. 1)	(Nov. 29)

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

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, June 5, 1957	Price, June 12, 1957	Net Yield, June 12, 1957 §	Gross Yield, June 12, 1957
					£ s. d.	£ s. d.
97⅛	95⅛	War Loan 3% 1955-59	96⅛	96⅜	3 1 4	4 9 2
92⅝	90⅛	Funding 2½% 1956-61	92⅛	92⅛	3 10 0	4 13 3
99⅜	98⅜	Conversion 4% 1957-58	99⅛	99⅛	2 19 6	4 13 7
99⅛	97⅜	Serial Funding 2½% 1957	99⅛	99⅛	3 7 0	4 9 11
96⅛	94⅛	Conversion 2% 1958-59	96⅛	96⅛	3 12 11	4 9 5
93⅝	91⅝	Exchequer 2% 1960	93⅛	93⅛	3 11 0	4 11 0
96⅛	94⅛	Exchequer 3% 1960	96⅛	96⅛	3 1 6	4 10 5
99⅛	97⅛	Conversion 4½% 1962	98⅛	98⅛	2 16 5	4 17 11
89⅜	86⅛	Savings Bonds 3% 1955-65	86⅜	86⅜	3 14 5	5 3 7
84⅛	78⅛	Funding 3% 1959-69	79	78⅜	4 0 11	5 10 10
92⅜	87⅛	Funding 4% 1960-90	88⅜	87⅞	7 2 6 / 2 17 9	9 1 0 / 4 15 3
81⅝	76⅛	Savings Bonds 3% 1960-70	76⅞	76⅜	4 1 7	5 12 5
93⅛	90	Exchequer 3% 1962-63	90⅛ *	90⅛ *	3 11 4	4 18 5
88⅜	85⅛	Exchequer 2½% 1963-64	86⅞	86⅞	3 13 3	4 16 7
83⅛	79	Savings Bonds 2½% '64-67	79⅛	79⅛	4 0 6	5 5 1
77⅜	71⅞	Savings Bonds 3% 1965-75	72⅝	72⅛	3 18 7	5 10 9
84⅜	80⅜	Funding 3% 1966-68	80⅜	80⅜	3 19 11	5 10 4
95⅛	91⅛	Victory 4% 1920-76	92⅛	92⅛	3 4 11	5 2 3
88⅛	83⅛	Conversion 3½% 1969	83⅞	83⅛	3 16 8	5 11 0
81⅛	74⅛	Treasury 3½% 1977-80	74⅜ *	74⅜ *	3 13 3	5 9 2
80	74⅜	Treasury 3½% 1979-81	75	74⅜	3 13 2	5 10 2
71⅞	64⅜	Redemption 3% 1986-96	65⅛	65⅛	3 6 10	5 2 0
80⅜	72⅛	Funding 3½% 1999-2004	73⅛	72⅜ *	3 2 8	5 0 5
81⅛	76	Consols 4% after Feb. '57	76⅜	76⅜	3 0 11	5 6 9
75	68⅛	War Loan 3½% after 1952	69⅜	69⅜	2 18 3	5 1 5
75⅛	67⅜	Conv. 3½% after Apr. 1961	68⅝	68⅛	2 19 4	5 3 8
65⅞	59	Treas. 3% after Apr. 1966	59⅛	59⅛	2 18 8	5 2 6
55⅞	50⅛	Consols 2½%	50⅜ *	50⅛ *	2 17 0	4 19 0
55⅛	50⅛	Treas. 2½% after Apr. '75	50⅜	50⅛	2 17 7	5 0 6
96⅛	91⅛	Br. Electric 4½% 1967-69	92⅛	92⅜	3 9 0	5 10 11
80⅛	73	Br. Electric 3% 1968-73	73⅛	73⅛	4 0 10	5 12 2
78⅛	71⅛	Br. Electric 3% 1974-77	71⅞	71⅞	3 16 8	5 8 10
92⅛	85⅜	Br. Electric 4½% 1974-79	86	85⅞	3 7 11	5 8 7
81⅛	74⅞	Br. Electric 3½% 1976-79	75½	75	3 13 4	5 9 5
90⅜	85⅛	Br. Gas 4% 1969-72	85⅞	85⅛	3 12 5	5 11 4
87⅛	81⅜	Br. Gas 3½% 1969-71	81⅞	81⅛	3 14 11	5 9 7
72⅛	64⅞	Br. Gas 3% 1990-95	65⅜	65⅛	3 7 3	5 2 1
80⅛	73	Br. Transport 3% 1968-73	73⅛	73⅛	4 0 10	5 12 2
88⅜	82	Br. Transport 4% 1972-77	82⅜ *	82 *	3 10 9	5 9 3
72⅞	64⅞	Br. Transport 3% 1978-88	65⅛ *	65⅜ *	3 11 6	5 5 4

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, June 5, 1957	Price, June 12, 1957	Yield, June 12, 1957
					£ s. d.
81⅛	76⅛	Australia 3½% 1965-69	77⅛	77⅛	5 18 9
97⅛	91⅛	Fed. Rhod. & Nyas. 5% 1975-80	92	91⅛	5 13 6
75⅜	69⅛	S. Rhodesia 2½% 1965-70	69⅛	69⅜	5 18 0
87⅛	81⅛	N. Zealand 4% 1976-78	82	81⅛	5 10 8
105⅜	100⅛	L.C.C. 5½% 1977-81	101⅛	100⅛	5 9 7
93⅛	89⅛	Agric. Mortgage 5% 1959-89	90⅛ *	90 *	5 13 8
69⅜	60⅛	Met. Water Board 'B' 3% 1934-2003	61⅛	60⅜	5 7 3
79⅛	72⅜	German 7% 1924 (Br. Enfaced 5%)	75⅛	75	...
169⅛	164	Japan 5% 1907 (Enfaced)	165	165	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, June 5, 1957	Price, June 12, 1957	Yield, June 12, 1957
		% %	BANKS & DISCOUNT			£ s. d.
30/9	19/6	2 a	7 b Bk. Ldn. & S. Amer. £1	29/6	30/6	5 18 0
47/3	43/-	5 a	7 b Barclays Bank £1	43/-	43/9	5 9 9
35/3	29/3	4 b	4 a Barclays D.C.O. £1	31/3*	31/3*	5 2 5
40/-	34/6	7½ a	Chartered Bank £1	35/6	35 6	8 9 0
51/3	45/3	...	7 b Lloyds Bank £1	45/3	46/-	5 13 0
73/3	65/6	9 a	9 b Midland Bank £1	65/6	65/6	5 9 11
40/6	33/6	5 a	5 b Nat. Discount 'B' £1	34/-	33/6	5 19 5
51/6	45/-	6½ a	Union Discount £1	45/-	46/-	5 8 8
			INSURANCE			
90/-	79/-	30 a	43½ b Commercial Union 5/-	80/-	80/-	4 11 0
35½	26	12½ a	87½ b Legal & General £1	27½*	27½*	3 12 9
22½	19½	†20 a	†50 b Pearl £1	19½	19⅝	6 3 6
46	39⅜	†125 c	†132½ c Prudential 'A' £1	40½	41	5 12 5
			BREWERIES, ETC.			
123/6	106/-	10 a	33 b Bass £1	123/6	123/6	6 19 0
25/4½	21/6	11½ b	6 a Distillers 6/8	24/9	24/10½	4 13 10
44/6	37/-	10 a	15 b Guinness 10/-	44/6	44/-	5 13 8
84/6	63/6	7 a	17 b Whitbread 'A' £1	83/6	84/6	5 13 7
			OIL			
173/1½	130/-	15 a	†10 b British Petroleum £1	165/-	173/1½	3 0 5
118/9	83/9	5 a	17½ b Burmah £1	112/6	118/1½	3 16 3
£23/4	£15⅝	7½ a	17½ b Royal Dutch 20 fl.	£21⅜	£22⅛	2 2 0
218/3	153/1½	15 a	†13⅓ b Shell £1	195/-	213/6	3 1. 0
78/9	59/4½	...	... Ultramar 10/-	72/9	75/1½	...

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10 years. § Less tax at 8s. 6d. in £. || Ex rights. (a) Interim divi
(b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) On 15%. (h) On 15½%. (l) To latest date. (n) After Rhodesia

Prices, 1957 High	Prices, 1957 Low	Dividends (a) (b) (c)	ORDINARY STOCKS	Price, June 5, 1957	Price, June 12, 1957	Yield, June 12, 1957
		% %	STEEL & ENGINEERING			£ s. d.
83/-	71/9	7 a	8 b Babcock & Wilcox £1	73/3	71/9	4 4
12/10½	11/-	4 a	10 b Cammell Laird 5/-	11/3	11/3	6
29/3	22/10½	3 a	5 b Dorman Long £1	24/-	24/1½	6
59/9	44/3	3½ a	10 b Guest Keen N'fold. £1	56/9	58/-	4
59/-	45/6	4 a	7 b Metal Box £1	54/3	56/-	3
34/-	26/6	6½ b	3 a Stewarts & Lloyds £1	29/-	29/9	6
72/6	61/3	3 a	11 b Swan Hunter £1	67/9	68/-	4
36/3	30/3	4 a	8½ b United Steel £1	32/-	32/-	7
46/-	39/9	2½ a	7½ b Vickers £1	43/9	44/3	4
			ELECTRICAL			
72/3	61/3	15 c	2½ a Assoc. Elec. Inds. £1	65/-*	64/9*	4
55/-	48/9	4 a	8½ b Br. Ins. Callenders £1	51/-	51/6	4
32/6	27/3	4¾ c	6½ a Decca Record 4/-	28/9	28/-	6
33/3	24/-	15 c	15 c Elect. & Mus. Inds. 10/-	32 1½	32/-	4
60/6	48/-	4 a	10 b English Electric £1	58/6	59/3	4
59/-	49/3	9½ b	4½ a General Electric £1	55/3	56/3	4
			TEXTILES			
24/1½	19/7½	4 a	6 b Bradford Dyers £1	20/1½	20/4½	9
28/-	23/-	2½ a	6½ b Coats, J. & P. £1	24/10½*	25/-*	7
37/9	31/9	4 a	6 b Courtaulds £1	35/6	*37/10½	5
38/7½	32/9	5 a	12½ b Lancashire Cotton £1	35/4½	36/3	9
38/4½	30/10½	10 b	2½ a Patons & Baldwins £1	36/6	37/9	6
			SHOPS & STORES			
18/6	13/9	6 a	10 b Boots Pure Drug. 5/-	18/-	18/6	4
44/9	34/4½	20 b	7½ a Debenhams 10/-	43/4½	43/4½	6
51/10½	33/3	15 a	47½ b Gt. Universal 'A' 5/-	50/4½	51/1½	6
30/3	10 a	20 b	Marks & Spen. 'A' 5/-	50/9*	52/3*	2
26/6	19/1½	12½ a	20 b United Drapery 5/-	26/1½	26/6	6
47/9	38/3	13½ a	26⅔ b Woolworth 5/-	45/3	45/7½	4
			MOTORS & AIRCRAFT			
21/6	18/1½	3½ a	6½ b Bristol Aeroplane 10/-	19/4½	19/3	5
8/7½	6/6½	Nil a	8½ b British Motor 5/-	8/0½	8/-	5
39/1½	30/3	2½ a	5 b Ford Motor £1	37/3	37/-	4
41/6	32/-	3 a	7 b Hawker Siddeley £1	39/10½	40/6	4
52/6	41/9	10 c	12½ c Leyland Motors £1	52/-	51/3	4
121/-	108/4½	5 a	15 b Rolls-Royce £1	117/9½*	117/-‖*	3
7/9	5/11½	12 c	8 a Standard Motor 5/-	6/7½	6/8½	5
			SHIPPING			
46/1½	33/-	6½ a	11 b Brit. & Com'wealth 10/-	44/9	44/9	3
27/9	23/6	3 a	8 b Cunard £1	25/9	26/3	8
38/-	32/6	3 a	5 b P & O Defd. £1	32/6	32/9	4
			MISCELLANEOUS			
50/-	38/3	3 a	6 b Assoc. Port. Cem. £1	47/6*	47/3*	3
23/-	18/6	10 b	20 a Beecham Group 5/-	22/9	23/-	6
47/9	41/-	4½ a	8 b Bowater Paper £1	43/9	44/-	5
72/-	63/9	4 a	8 b Br. Aluminium £1	67/4½	67/3	6
61/9	50/4½	†20 c	†5⅝ a Br. Amer. Tob. 10/-	52/3	51/6	6
24/3	17/4½	15 b	7½ a B.E.T. 'A' Defd. 5/-	23/-	23/10½	5
38/3	31/6	4 a	6 b Br. Oxygen £1	34/9	35/-	5
$71¼	$57¾	4 b	3 a Canadian Pacific $25	$69¾	$70	4
20/9	15/6	2½ a	7½ b Dunlop Rubber 10/-	19/10½	19/10½	5
46/6	38/10½	4 a	6 b Imp. Chemical £1	43/9	43/4½	5
50/6	37/6	8½ a	12½ b Imp. Tobacco £1	37/9	37/7½	11
$22⅝	$19⅛	$3·75c	$3·75c Int'l. Nickel	n.p.v.	$21⅝	$21⅝
36/9	30/9	5 b	2½ a J. Lucas (Inds.) £1	34/6	34/6	5
19/3	12/4½	6¾ a	15 ⅝ b Monsanto Chem. 5/-	18/3	18/6	5
18/3	15/10½	10 c	2½ a Ranks 10/-	17/9	17/9	5
55/6	48/-	6 a	10 b A. E. Reed £1	48/9	48/6	5
15/9½	13/7½	20 c	22½ c Sears Hldgs. 'A' 5/-	14/10½	15/5½	5
70/3	60/4½	12 b	4½ a Tate & Lyle £1	64/9	65/3	5
69/-	57/6	7½ b	7½ a Tube Investments £1	66/-	66/6	5
141/9	106/4½	22½ b	5 a Turner & Newall £1	137/6	137/9	5
111/-	72/-	6 a	11½ b Unilever Ltd. £1	106/6	111/-	5
44/-	37/3	†4½ a	†10 b United Molasses 10/-	38/9	37/3	6
			MINES, ETC.			
133/-	115/-	20 a	50 b Anglo-American 10/-	121/3	127/6	4
29/-	24/-	†2½ a	†10 b Cons. Tea & Lands £1	24/9*	24/6*	1
106/3	92/6	80 a	120 b De Beers Def. Reg. 5/-	94/4½	100/-	1
26/3	19/9	...	5 a Doornfontein 10/-	22/-	21/3	
12/10½	10/-	30 c	30 c London Tin 4/-	12/4½	12/-	1
13 1/16	11½	112½ b	25 a Nchanga Cons. £1	11 3/8	11½	1
55/7½	45/-	40 b	50 a President Brand 5/-	49/-	50/6	
24/9	19/4½	25 b	8½ a Rho. Selection Tst. 5/-	19/6*	19/9*	1
59/6	46/-	12½ a	30 b United Sua Betong £1	55/-	55/-	
77/6	58/11½	40 b	40 a Western Holdings 5/-	63/1½	67/6	1

New York Closing Prices

	June 5	June 12		June 5	June 12		Ju
	$	$		$	$		
Can. Pacific	35½	36	Am. Viscose	40¾	40⅞	Int'l. Nickel	11
N.Y. Central	32½	34	Beth. Steel	46⅜	48¼	National Dist.	2
Pennsylvania	20⅜	21	Chrysler	73⅞	75⅜	Sears Roebuck	2
Amer. Tel.	176⅜ *	176⅞	Crown Zeller.	52*	51¼	Shell Oil	9
Standard Gas.	3½	3½	DuPontdeNm.	193½	197½	Std. Oil of N.J.	6
Western Union	18½	19½	Ford Motors	54⅞	55	U.S. Steel	6
Alumin'm Ltd.	46½	46⅜	Gen. Elect.	67⅜	70	West'house E.	6
Am. Smelting	57⅛	62¼	Gen. Motors	41⅛	43½	Woolworth	4

TATISTICS

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

World Trade.....April 20th

BRITISH		OVERSEAS	
Prices and Wages	June 1st	Western Europe: Production and Trade	May 25th
Production and Consumption	June 8th	British Commonwealth	June 8th
Manpower	This week	Western Europe: Prices and Money Supply	This week
External Trade	May 25th	United States	June 1st
Financial Statistics	This week		
Industrial Profits	April 20th		

Manpower in Great Britain

	Unit	Monthly averages 1954	1955	1956	1956 Mar.	Apr.	May	1957 Feb.	Mar.	Apr.	May
TOTAL MANPOWER (1)											
ung population:	'000s	23,667	23,912	24,107	24,044	24,091	24,102	24,024	23,961	23,989	...
al	"	15,974	16,084	16,188	16,157	16,184	16,190	16,167	16,136	16,138	...
en	"	7,693	7,828	7,919	7,887	7,907	7,912	7,857	7,825	7,851	...
men	"										
ed Forces	"	839	803	761	773	770	765	728	719	713	...
employment:											
al	"	22,604	22,933	23,149	23,045	23,097	23,135	22,948	22,908	22,961	...
iculture, forestry and fishing	"	1,074	1,066	1,032	1,005	1,013	1,027	999	1,004	1,018	...
ing and quarrying	"	867	862	858	861	861	860	866	866	867	...
ding and contracting	"	1,453	1,486	1,541	1,492	1,514	1,536	1,494	1,502	1,501	...
ributive trades	"	2,743	2,811	2,870	2,854	2,864	2,862	2,877	2,866	2,877	...
ice administration	"	1,326	1,289	1,300	1,293	1,295	1,298	1,293	1,291	1,291	...
ufacturing industries	"	8,976	9,206	9,269	9,324	9,314	9,284	9,189	9,143	9,145	...
ANGES IN EMPLOYMENT (1)											
ease or decrease since June, 1955:											
oyees in engineering (2)	"	− 190	...	+ 53	+ 85	+ 78	+ 65	− 2	− 18	...	...
" " consumer goods industries (3)	"	+ 13	...	− 9	+ 4	+ 5	− 6	− 25	− 49	...	...
UNEMPLOYMENT											
ration:											
durations—total	"	284·8	232·2	257·0	265·5	251·5	237·4	380·1	363·0	342·3	313·5
" " —men	"	184·4	146·7	168·8	175·9	161·5	153·4	262·4	251·2	236·5	215·0
" " —women	"	100·4	85·5	88·2	89·6	90·0	84·0	117·7	111·8	105·8	98·5
porary or under 2 weeks—men	"	58·0	51·5	62·7	62·0	58·0	56·8	76·3	74·0	67·5	62·1
" " " —women	"	36·4	36·7	35·5	37·7	41·6	34·9	37·2	32·9	31·3	29·7
er 8 weeks—men	"	81·7	67·7	65·7	72·2	70·2	65·2	103·9	110·6	114·1	105·3
" " —women	"	37·1	26·5	27·4	30·3	28·6	27·5	41·4	42·8	44·0	41·0
dustry (4):											
ries	%	0·9	1·6	1·4	1·5	1·9	1·8	1·2	1·2	1·2	1·2
thing	"	1·3	0·9	1·0	0·9	0·9	0·9	1·2	1·1	1·1	1·1
ides	"	0·5	0·4	1·2	0·5	0·5	1·0	1·4	1·6	1·0	0·9
ineering, etc.	"	1·1	0·8	0·9	0·9	0·9	0·9	1·2	1·3	1·4	1·2
l-mining	"	0·2	0·1	0·1	0·1	0·1	0·1	0·2	0·2	0·2	0·2
ributive trades	"	1·3	1·0	1·0	1·1	1·0	0·9	1·6	1·5	1·4	1·3
gions (4):											
t Britain	"	1·3	1·1	1·2	1·2	1·2	1·1	1·8	1·7	1·6	1·5
don and South Eastern	"	1·0	0·7	0·8	0·9	0·8	0·7	1·3	1·2	1·1	1·0
tern	"	1·2	0·9	1·0	1·2	1·1	0·9	1·9	1·7	1·6	1·4
thern	"	1·1	0·9	1·0	1·0	1·0	0·8	1·8	1·5	1·3	1·2
th Western	"	1·5	1·2	1·2	1·4	1·2	1·1	2·2	2·0	2·0	1·7
land	"	0·6	0·5	1·1	0·7	0·6	0·6	1·1	1·1	0·9	1·0
th Midland	"	0·6	0·5	0·6	0·7	0·6	0·6	1·1	1·0	0·9	0·9
st and West Ridings	"	0·9	0·7	0·8	0·8	0·8	0·7	1·0	1·0	0·9	0·9
th Western	"	1·5	1·4	1·3	1·3	1·4	1·3	1·8	1·8	1·9	1·7
thern	"	2·2	1·8	1·6	1·7	1·6	1·4	2·0	1·9	2·0	1·7
of Rd	"	2·8	2·4	2·4	2·6	2·5	2·4	3·1	2·9	2·8	2·6
les	"	2·5	1·8	2·0	2·0	2·0	1·9	3·0	2·9	2·7	2·5
VACANCIES											
ted vacancies notified to Employment Exchanges (5):											
tal	'000s	338	382	279	380	390	380	239	250	285	283
n	"	191	214	152	208	213	209	124	128	143	141
men	"	147	168	127	172	177	171	115	122	142	142
DISPUTES (6)											
kers involved	"	37	55	42	45	53	29	34	638	242	...
king days lost:											
tal	"	205	315	173	384	142	180	106	3,969	2,572	...
ning and quarrying	"	39	93	42	45	61	48	34	90	51	...
gineering, etc.	"	62	56	85	24	56	120	52	3,856	2,454	...
her industries and services	"	104	166	46	315	25	12	20	23	67	...

(1) Annual figures are for June of each year. (2) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered unemployed expressed as a percentage of the estimated number of employees. (5) From June, 1956, onwards comparison with earlier figures is affected by the revocation of the Notification of Vacancies Order, 1952. (6) United Kingdom.

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F R	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
WHOLESALE PRICES (1) (1953 = 100)												
1948	42	94	74	65	90*	...	78	104	75	66	72	94
1955	108	101	103	98	101	120	101	101	102	104	104	119
1956	110	104	107	102	103	129	101	102	104	109	109	139
1956, December	113	106	110	104	105	131	101	103	107	112	110	149
1957, January	113	106	110	105	105	131	...	105	108	112	110	...
„ February	113	106	109	104	105	131	...	101	107	112	110	...
„ March	113	...	107	104	105	...	...	101	105	112	109	...
„ April	114	...	...	...	106	...	...	...	...	112	...	...
COST OF LIVING (2) (1953 = 100)												
1948	50*	95	81	60	93	63	79	86	78*	74	77	89
1955	105	101	107	101	102	122	103	106	106	105	104	119
1956	108	104	113	103	105	126	107	111	108	109	109	136
1956, December	111	105	...	103	106	126	...	112	110	111	111	139
1957, January	112	106	115	103	106	127	...	113	110	111	113	...
„ February	112	106	...	104	106	127	108	112	110	111	113	...
„ March	111	106	...	103	106	...	...	111	110	...	...	...
„ April	111	...	...	...	106	...	...	...	...	...	...	...
IMPORT PRICES (3) (1953 = 100)												
1948	37	84	84	59	...	...	82	98	85	80	72	113
1955	94	96	98	97	100	118	104	100	97	100	99	103
1956	97	...	102	102	103	124	105	105	100	102	104	...
1956, October	97	101	} 102	102	{ 102	127	110	106	109	101	} 106	{ ...
„ November	97	101			{ 101	123	111	103	101	103		{ ...
„ December	97	...			{ 100	123	111	111	99	109		{ ...
1957, January	104	...	...	...	104	126	...	...	102	110	...	...
„ February	103	...	...	...	103	...	...	...	102	115	...	...
EXPORT PRICES (4) (1953 = 100)												
1948	42	95	91*	68	...	...	78	103	97	84	76	91
1955	102	97	100	96	98	133	101	98	101	107	102	111
1956	105	...	103	100	101	143	97	104	103	115	102	...
1956, October	102	103	} 106	102	{ 100	140	97	104	104	120	} 104	{ ...
„ November	101	104			{ 101	149	96	105	103	115		{ ...
„ December	103	...			{ 101	157	96	106	103	117		{ ...
1957, January	98	...	...	...	103	134	...	...	105	117	...	...
„ February	100	...	...	...	103	...	...	...	102	119	...	...

TOTAL MONEY SUPPLY (7)

End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas*	mn. £	'000 mn. lire	mn. guilders	mn. kroner	'000 mn. kroner	mn. liras
1948	...	154·0	7,110	2,165	11·8	1,984	110·3	1,989	7,285	6,937	6·27	1,715
1955	28·61	...	7,449	5,916	29·1	10·99	154·7	4,541	9,857	9,357	9·30	4,882
1956	29·71	...	7,626	6,566	31·2	...	154·7	4,930	9,461	9,650	9·91	...
1956, November	29·43	...	7,720	6,290	30·2	11·30	156·8	...	9,338	9,466	8·84	...
„ December	29·71	...	7,626	6,566	31·2	...	154·7	4,930	9,461	9,650	9·91	...
1957, January	29·01	...	7,420	6,435	29·4	...	152·3	...	9,258	9,620	9·73	...
„ February	29·28	...	7,661	6,391	29·6	...	152·1	...	9,222	9,658	9·78	...
„ March	29·33	...	...	...	...	...	153·7	...	...	...	9·60	...

GOLD AND FOREIGN EXCHANGE HOLDINGS (8) (mn. US Dollars)

1948	62	938	84·0	...	295	...	209	539	343	140·6	233	192
1955	361	1,146	133·1	2,120	3,076	207·6	242	2,237	1,284	165·3	470	211
1956	406	1,177	131·1	1,356	4,291	...	234	1,308	1,072	178·8	473	230
1956, December	406	1,177	131·1	1,356	4,291	...	234	1,308	1,072	178·8	473	230
1957, January	409	1,119	127·7	1,278	4,357	...	229	...	1,049	183·2	465	226
„ February	406	1,094	118·9	1,289	4,457	...	233	...	1,032	175·0	454	230
„ March	403	1,081	124·2	1,249	4,487	...	239	...	1,041	180·6	476	...
„ April	401	...	...	...	4,620	...	...	...	1,053	...	...	...

(1) Relates to wholesale prices in Athens and Piraeus only for Greece. Figures for Ireland from 1955 onwards are for home produced goods only. Figures for Germany, F.R. are producers' prices of industrial products. (2) July-December. (3) Relates to prices in capital cities only for Austria, France, Greece and Turkey. Austria and Belgium exclude rent. Denmark includes direct taxes. Figures for Ireland are based on August, 1953=100. (4) Including direct taxes. (5) Including trade with Faeroe Islands. (6) Index numbers of unit value which compare the current average value of trade with its value in 1953; they are influenced by changes in the composition of trade as well as price movements. (7) Deposit money and notes and coins held by business, individuals and foreigners. Except for Greece holdings of the issuing authority and other banks are excluded. (8) Holdings of the government and central bank at end of period. Foreign exchange figures for Norway exclude government holdings; Netherlands, Norway and Sweden include foreign investments. Ireland includes some long-term securities. (9) Beginning May, 1954, a new drachma equal to 1,000 old drachmas was introduced.

Financial Statistics

EXCHEQUER RETURNS

For the week ended June 8, 1957, there was an "above-line" deficit (after allowing for Sinking Funds) of £25,163,000 compared with a surplus of £15,539,000 in the previous week and a deficit of £46,384,000 in the corresponding period of last year. There was a net expenditure "below-line" last week of £19,301,000, leaving a total deficit from April 1st, of £45,338,000 (£98,095,000 in 1956-57).

£'000	Estimate, 1957-58	April 1, 1956 to June 9, 1956	April 1, 1957 to June 8, 1957	Week ended June 9, 1956	Week ended June 8, 1957
Ord. Revenue					
Income Tax	2176,250	200,146	233,968	15,044	14,431
Surtax	149,000	20,209	21,200	1,500	1,800
Death Duties	174,000	35,000	38,200	3,900	3,500
Stamps	60,000	11,600	12,600	1,600	1,300
Profits Tax, EPT & EPL	255,000	29,500	28,200	3,000	3,600
Other Inland Rev. Duties	500	110	50	50	...
Total Inland Rev.	2810,750	295,556	334,218	25,194	24,431
Customs	1204,250	227,956	232,877	22,626	22,551
Excise	912,850	175,515	186,330	4,625	5,145
Total Customs and Excise	2117,100	403,471	419,207	27,251	27,696
Motor Duties	93,000	9,669	10,960	761	1,027
PO (Net Receipts)	20,000	10,350	14,200	850	1,300
Broadcast Licences	31,000	3,400	3,800	...	...
Sundry Loans	32,000	2,305	2,254	70	59
Miscellaneous	185,000	8,880	47,163	50	450
Total	5288,850	734,431	831,802	54,176	54,963
Ord. Expenditure					
Debt Interest	640,000	137,734	134,756	12,793	13,389
Payments to N. Ireland Exchequer	69,000	10,696	12,947	2,007	3,066
Other Cons. Fund	10,000	878	1,137	...	121
Supply Services	4069,877	661,691	700,556	84,900	62,600
Total	4788,877	811,000	849,396	99,700	79,176
Sinking Funds	38,000	4,880	4,968	860	950
"Above-line" Surplus or Deficit		81,459	22,562	46,384	25,163
"Below-line" Net Expenditure		16,636	22,776	7,416	19,301
Total Surplus or Deficit		98,095	45,338	53,800	44,464
Net Receipts from:					
Tax Reserve Certificates		60,298	54,031	2,153	4,407
Savings Certificates		−12,200	7,600	−1900	−110
Defence Bonds		−21,925	−3,779	259	45
Premium Savings Bonds		...	6,100	...	500

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
June 9	3,260·0	1,472·4	244·0	0·8	4,977·1
1957					
Mar. 9	2,890·0	1,261·5	229·6	0·8	4,381·9
„ 16	2,900·0	1,249·9	247·3	...	4,397·2
„ 23	2,910·0	1,284·4	272·1	1·5	4,468·1
„ 31	4,195·3		276·9	...	4,472·2
April 6	2,860·0	1,306·4	289·3	...	4,455·7
„ 13	2,840·0	1,362·5	295·6	...	4,498·1
„ 20	2,830·0	1,360·5	273·5	...	4,494·1
„ 27	2,830·0	1,377·7	313·6	...	4,521·2
May 4	2,840·0	1,417·3	259·7	...	4,517·0
„ 11	2,850·0	1,291·2	264·1	...	4,405·3
„ 18	2,860·0	1,271·6	309·6	...	4,441·2
„ 25	2,880·0	1,260·0	270·1	...	4,410·7
June 1	2,900·0	1,233·6	250·4	...	4,384·0
„ 8	2,910·0	1,252·3	265·0	...	4,427·4

THE MONEY MARKET

THE discount houses again maintained their common bid at £99 os. 5d. per cent at the Treasury bill tender on Friday of last week; but while the total allotment was up £10 million, to £240 million, total applications rose from £358 million to £451 million—their highest level for some years. Both the discount houses individually and outside tenderers may have been anxious to secure bills for reinvestment of the Exchequer and Funding stocks that mature today. The upshot was that the rate of allotment at the market's minimum price dropped sharply from 57 to 21 per cent; and the average rate of discount on all bills fell by nearly 3d. to £3 18s. 2½d. per cent. At yesterday's tender, the offer was again £240 million.

Credit conditions in Lombard Street have generally remained easy in the past week. Marked stringency was experienced only on Tuesday after the holiday, when the Bank gave large direct and indirect support through purchases of bills, but one or two houses had nonetheless to take a very small amount at Bank rate. Dealings in two months' maturities have been at 3⅛ and 3⅜ per cent.

The price of gold in the London market rose by 5½d. an ounce to 251s. 2½d. on Thursday before the weekend, reflecting not only a weakening of sterling but also a rise in the dollar price of gold above $35 an ounce. This week the dollar price has fallen, and with the slight strengthening of sterling the London price fell back to 250s. 10¼d. on Wednesday.

LONDON MONEY RATES

	%		%
Bank rate (from 5½% 7/2/57)	5	Discount rates	
Deposit rates (max.)		Bank bills: 60 days	4⅛–4⅜
Bank	3	3 months	4⅛–4⅜
Discount houses	3*	4 months	4⅛–4⅜
		6 months	4⅛–4⅜
Money Day-to-day	3–3½	Fine trade bills:	
Short periods	3½	3 months	5¼–6
Treas. bills 2 months	3⅜	4 months	5¼–6
3 months	3⅜	6 months	5½–6½

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	June 13, 1956	June 5, 1957	June 12, 1957
Issue Department:*			
Notes in circulation	1,875·3	1,976·1	1,976·6
Notes in banking dept.	25·1	34·3	23·7
Govt. debt and securities*	1,896·3	1,999·3	1,999·2
Other securities	0·7	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	13·6	13·9	25·7
Bankers	226·4	211·2	215·1
Others	75·6	70·6	73·9
Total	315·6	295·7	254·7
Securities:			
Government	280·7	212·9	260·8
Discounts and advances	9·7	45·1	27·0
Other	16·7	19·1	18·8
Total	307·1	277·1	306·6
Banking department reserve	27·1	26·7	26·2
	%	%	%
"Proportion"	8·5	12·4	8·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £2,000 million from £1,975 million on June 5, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1956				s. d.	%
June 8	260·0	413·8	260·0	100 4·90	43
1957					
Mar. 8	230·0	442·7	230·0	80 5·20	12
„ 15	230·0	375·2	230·0	82 3·70	34
„ 22	250·0	395·2	250·0	82 6·73	44
„ 29	250·0	391·6	250·0	81 11·79	50
April 5	250·0	410·6	240·0	82 11·49	32
„ 12	230·0	415·7	230·0	80 9·36	64
„ 18	240·0	411·5	240·0	78 9·15	55
„ 26	200·0	359·3	200·0	78 3·43	22
May 3	200·0	366·3	200·0	74 9·00	50
„ 10	200·0	360·9	200·0	76 1·84	28
„ 17	190·0	368·8	190·0	76 7·13	33
„ 24	220·0	378·9	220·0	78 2·85	37
„ 31	230·0	357·7	230·0	78 5·15	67
June 7	240·0	451·2	240·0	78 2·59	21

* On June 7th tenders for 91 day bills at £99 0s. 5d secured 21 per cent, higher tenders being allotted in full. The offering this week was for £240 million at 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: June 12	Market Rates: Spot: June 5	June 6	June 7	June 8	June 11	June 12
United States $	2·78–2·82	2·78½–2·79	2·78½–2·78⅝	2·78½–2·78⅝	2·78½–2·78⅝	2·78½–2·78⅝	2·78½–2·79
Canadian $	...	2·65 11/16–2·66 1/16	2·65 5/16–2·65 7/16	2·65⅛–2·65⅜	2·65⅛–2·65⅜	2·65⅛–2·65⅜	2·65 2/16–2·66⅛
French Fr.	972·65–987·35	985–985½	984⅝–984¾	985–985¼	985	984⅝–984¾	984⅜–985
Swiss Fr.	12·15 3/16–12·33 1/16	12·23½–12·24	12·23⅜–12·23½	12·23½–12·23⅝	12·23½–12·23⅝	12·23–12·23⅛	12·22⅝–12·22⅞
Belgian Fr.	138·95–141·05	140·67½–140·72½	140·63–140·70	140·67½–140·72½	140·65–140·70	140·57½–140·62½	140·47½–140·52½
Dutch Gld.	10·56–10·72	10·65½–10·66½	10·65½–10·65⅝	10·65½–10·65⅝	10·65½–10·65⅝	10·64⅞–10·65⅛	10·64⅞–10·65
W. Ger. D-Mk.	11·67 3/16–11·84 1/16	11·73⅛–11·73⅜	11·72⅜–11·73⅛	11·72⅝–11·73⅛	11·72⅝–11·73⅜	11·72⅛–11·72½	11·71⅞–11·72⅛
Portuguese Esc.	79·90–81·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15
Italian Lire	1736¼–1762½	1751–1751¼	1751–1751¼	1751¼–1762½	1752–1752½	1752–1762½	1751½ 1751¾
Swedish Kr.	14·37½–14·59½	14·45–14·45½	14·44½–14·45	14·45–14·45½	14·44½–14·45	14·44½–14·45	14·44½–14·44⅝
Danish Kr.	19·43½–19·73½	19·43½–19·43¾	19·43½–19·43¾	19·43½–19·43¾	19·43½–19·43¾	19·43½–19·43¾	19·43½–19·43¾
Norwegian Kr.	19·85–20·15	19·98–19·98½	19·98–19·98½	19·98–19·98½	19·98–19·98½	19·98–19·98½	19·98–19·98½
One Month Forward Rates							
United States $		⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm	⅛–⅜c. pm
Canadian $		par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis
French Fr.		7–11 dis	8–12 dis	8–12 dis	8–13 dis	8–13 dis	10–15 dis
Swiss Fr.		2–1¼c. pm	2–1¼c. pm	2–1¼c. pm	2–1¼c. pm	1¾–1¼c. pm	1¾–1¼c. pm
Belgian Fr.		½–¼ pm	½–¼ pm	½–¼ pm	½–¼ pm	½–¼ pm	1–¼ pm
Dutch Gld.		1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¾–1c. pm
W. Ger. D-Mk.		1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¾–1pf. pm
Italian Lire		1 pm–1 dis	1 pm–1 dis	par–2 dis	par–2 dis	par–2 dis	par–2 dis
Swedish Kr.		1¼–⅜ pm	1¼–⅜ pm	1¼–⅜ pm	1¼–⅜ pm	1¼–⅜ pm	1¼–⅜ pm
Danish Kr.		5–10 pm	5–10 pm	5–10 pm	5–10 pm	5–10 pm	5–10 pm
Norwegian Kr.		10 pm–par	10 pm–par	10 pm–par	10 pm–par	10 pm–par	10 pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/9	251/2½	251/1	...	250/11	250/10¼



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COMPANY MEETINGS

UNITED DRAPERY STORES

Sir Brian Mountain Reports Further Progress

The following are extracts from the statement by Sir Brian E. S. Mountain, Bart (the *Chairman*), circulated with the Report and Accounts for the year ended January 26, 1957:

The Report and Accounts for the year ended January 26, 1957, are submitted herewith. This period has been largely one of consolidation, and although we did not acquire any new businesses, we have added a number of units to the existing businesses within our Group.

Consolidated Profit and Loss Account

The Group Trading Profit amounts to £6,647,031, an increase of £555,887 over the previous year. These profits were achieved as a result of a further substantial increase in the turnover of the whole Group.

The increase in rates annually followed the new assessments which operated a year ago, and these have involved us in an additional expense of approximately £200,000. We may obtain some slight relief from this heavy burden in the current year consequent upon the reduction of 20 per cent in the valuation of shops which operates from April 1st, but it would appear that a large part of any saving we might have expected will be lost as the rate in the pound has increased in nearly every district.

The charge for repairs and depreciation on our shops, stores and factories must always be substantial, but this year it is very much higher than normal due partly to the continuation of our programme of modernisation in general, and partly to the conversion of the shops in the Prices Tailors group. I am pleased to report that more than 250 branches have now been converted and are trading as John Collier, while a number of other shops have been transferred to the use of other businesses within the Group. We have now completed approximately three-quarters of this conversion and renewal programme and the cost has been extremely heavy. In the past year we have written off against profits over £1 million in respect of repairs, renewals and depreciation. This year expenses under these headings should show a substantial saving.

The higher charge for Profits Tax amounting to £154,000 was expected and arises from the higher rates imposed by the Chancellor in the Autumn of 1955. This increase, added to the additional Income Tax payable on our larger profits, results in the fact that extra taxation has absorbed more than three-quarters of the increase in Group Profits before Taxation.

Reserves and Share Bonus

After the payment of the same dividend as last year we are retaining out of profits the substantial sum of £1,299,697, which is £146,121 higher than last year. Our dividend payments and recommendation being the same as last year, the proportion of profits retained is higher, and in recommending this your Board has been influenced by the heavy capital expenditure incurred in the past year which has been financed from our own resources.

We are proposing to fund part of this addition to capital assets in the form of a distribution of one Stock unit fully paid for every ten units held at the close of business on May 14th.

Capital and General Reserves. These now exceed £17 million, having increased by £1,600,000 in the year. In addition to reserves set aside out of profits and the increased provision for future taxation, profits which have arisen on the sale of surplus fixed assets amounting to £70,961 have been added direct to Capital Reserve.

Future Prospects

During the first quarter of the year business has been affected by the serious labour troubles in the shipbuilding and engineering industries as well as the petrol shortage. Despite this, however, the Group turnover to date shows an increase. Subject to events beyond our control, I am satisfied that your business is well organised and should progress.

I should again like to thank Mr Collier, the Executive Directors and Staff for the results we have achieved during the year.

TWELVE YEARS' SUMMARY

YEAR ENDED JANUARY	GROUP PROFIT BEFORE TAXATION	NET CURRENT ASSETS	FIXED ASSETS	TOTAL NET ASSETS
	£	£	£	£
1946	234,335	753,537	640,808	1,394,345
1947	385,658	873,381	667,549	1,540,930
1948	669,198	1,047,052	1,546,921	2,593,973
1949	787,085	1,544,106	1,568,974	3,113,080
1950	966,730	1,891,208	2,426,525	4,317,733
1951	1,255,743	2,102,468	2,688,843	4,791,311
1952	1,760,974	3,371,184	2,679,421	6,050,605
1953	2,264,575	3,913,995	2,668,863	6,582,858
1954	2,601,584	3,933,207	5,501,896	9,435,103
1955	4,038,379	4,579,817	8,610,272	13,190,089
1956	5,501,668	6,500,361	14,864,527	21,364,888
1957	5,971,536	6,964,226	15,893,125	22,857,351

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THE DAILY MIRROR NEWSPAPERS LTD

A record profit

CECIL H. KING DISCUSSES PRESENT DAY NEWSPAPER ECONOMICS

The Thirty-Seventh Annual General Meeting of The Daily Mirror Newspapers Ltd.

was held on June 7, at Brettenham House, Lancaster Place, London, W.C.2.

Mr. Cecil H. King, Chairman and Managing Director, said:—

The net profit after taxation, as you will have seen from the accounts already circulated, is £855,503—the highest in the company's history.

Income from our investments was in substance the same as last year.

The profit on trading after depreciation when compared with that of last year, the result of which was affected by strikes, shows an increase of £641,201.

Trading receipts reflected a full year's benefit from the retail price increase that took place late in 1955. In addition, due to larger sized papers we were able to carry a greater volume of advertising, the rate for which was raised by 10% in October last.

On the other hand, we had to bear a full year's costs of printing the northern editions of the Daily Mirror in Manchester and, with the price of newsprint higher and wage rates further advanced, overall costs of production were substantially greater than in previous years.

The major variations in balance sheet items have been dealt with in the Directors' Report. I therefore propose to confine my remarks on the balance sheet to the note attaching thereto dealing with capital commitments.

New building at Holborn Circus

You will see that the total cost of erecting the new building at Holborn and fully equipping it with the most up to date high speed presses is currently estimated at £6,600,000. This large expenditure will be spread over a period of 4 or 5 years. The cost will be met partly out of the company's own resources, but discussions are taking place on the most advantageous method of financing the balance.

Your board feels that the net results for the year fully justified recommending a final dividend of 10% on the equity capital as increased by the bonus issue made in December last, which in effect represents an increase of 2½% on the old capital.

Effect of newsprint rationing on newspaper economics

The economics of the newspaper industry since the war have depended to a large extent on the condition of world newsprint supplies. Supplies have now come into a state of balance and towards the close of last year newsprint rationing came to an end.

About two-thirds of all newsprint goes to the USA. At present it is being consumed. If there were a recession of demand, publishers over here would be flooded. Whatever happens, British publishers in 1957 will have as much newsprint as they need. You will all, I feel, want to hear how your own particular newspaper interests are likely to be affected by these developments in the industry.

The principal effect of newsprint rationing in the post-war period was to curtail competition. At first circulations were pegged. This prevented newspapers from competing for sales. In 1952, this system was finally abolished and rationing confined to a limit on paging. Publishers were allowed to step up their sales but had to restrict the size of their papers. This prevented them from competing freely for advertisements.

Advertising revenue rises rapidly

During all this time advertisers had more and more money to spend. Already by 1949 the total amount of money spent in one year on press advertising had reached £30,522,199.

In every subsequent year the total has increased. As paging rations were enlarged more advertising could be accommodated. Even so, the demand for space was always greater than the total amount of space available. Most newspapers and periodicals were therefore able to raise their advertising rates and had to, in order to cover the rising costs of wages and newsprint.

Those halcyon days of forced equality are now over. 1953 saw the largest increase in press advertising since the war—an increase of £12 million—25%—on 1952. 1954 followed with another increase of £12 million, 1955 with £13½ million. Last year came a notable change: 1956 was up on 1955—but only by £6½ million.

Moreover of the new money as much as 90%—easily a record proportion—went to newspapers and only 10% to periodicals. Two groups of newspaper media—London evenings and provincial weeklies—actually showed a decrease for the first time since the boom began. By far the largest share of the new money was taken by London mornings and national Sundays, and even this share was unevenly distributed—the bulk of it going to a few individual papers.

Commercial television enters the field

The reason is not hard to trace. In 1956 commercial television entered the field for the first time as a serious competitor and netted some £13 million. Advertisers had less new money to spend on the press and what money they did have they concentrated on the stronger papers. With increased paging allowances these were able to accommodate most of what was going. Other papers were so short of advertising that their full allowances of newsprint were superfluous.

What of our own position? This is rather different from the rest of the press. For some time, like other papers, we have not used all our newsprint allowance, but in our case the reason is not so much that we have been short of advertisements, as that printing so many copies per issue we find it uneconomic to extend paging beyond a certain point.

During the newspaper strike, as you know, we suffered more heavily than other papers. Our production costs were higher. It was unprofitable to make up for lost advertising by printing bigger papers after the strike. We lost all our revenue from sales—and sales, with our vast circulation, smaller advertising content and lower rates, provide a far greater proportion of total revenue for us than for any other paper.

Daily Mirror less vulnerable than competitors

But circumstances that were to our disadvantage then are very much in our favour now. The very fact that so large a part of our revenue comes from sales means that we are much less vulnerable to a recession in press advertising than other papers. This is not all. As commercial TV absorbs more money—estimates are that it will take about twice as much in 1957 as in 1956—the publications to be hit will be those which have no special coverage to offer or which compete least successfully in the mass-circulation field. The Daily Mirror and its associated papers have exceptional strength in offering unique opportunities to advertisers interested in reaching mass markets.

These opportunities are amply shown in the most recent national readership survey conducted by the Institute of Practitioners in Advertising. This survey shows that the Daily Mirror has a daily readership of 14,749,000, two million more than any other daily paper, and the Sunday Pictorial a weekly readership as high as 15,619,000. The two Reveilles are easily ahead of all their competitors, Weekend with 11,274,000 readers a week and Midweek with 7,908,000; Woman's Sunday Mirror, after only two years' publication, has climbed already to fourth place in the highly competitive women's field with a readership of 3,587,000 per issue.

Young readership valuable to advertisers

These figures speak for themselves. Broken down into age groups they are even more remarkable. The Daily Mirror, Sunday Pictorial and Woman's Sunday Mirror, for instance have a larger proportion of their total readership in the under 35 bracket than any other publications in their respective groups. This offers immense attraction to advertisers who realise that buying habits (as well as reading habits) are formed early in life.

Another characteristic of our papers that appeals to advertisers is the close relationship we keep with our readers. While some newspapers have spent large sums on competitions, we have chosen to encourage a project of more lasting benefit to our readers—the maintenance of a service bureau to answer calls for help or advice.

Readers' Service widely used

Often—notably in cases of fraud—prompt editorial investigation of a reader's grievance has lead to the exposure, conviction and imprisonment of some public trickster who would not otherwise have been brought so speedily to justice. Sometimes an itinerant husband is reluctantly compelled to support his wife and children, or a greedy landlord persuaded to moderate his terms.

Most appeals are less dramatic. Whatever the problem—housing, pensions, insurance, income-tax, children's welfare, legal and the rest—our bureau gives help to many people who may well have nowhere else to turn.

This bureau, by far the largest in Fleet Street, and the only one with such direct personal contact with individuals, began originally with John Noble's column in the Sunday Pictorial. Soon after the war it extended its activities to the Daily Mirror and now also covers queries from readers of Woman's Sunday Mirror and the Scottish papers. It employs a large staff which includes 18 full-time experts, gives about 1,500 interviews and answers some 100,000 queries a year. It has done enormous work for the public, thereby increasing the loyalty of the public to us.

The success of this scheme, together with the huge correspondence regularly aroused by our topical features and provocative editorial policy, tends to show that the readership of our papers is intensive as well as extensive.

Newspapers are bought for a variety of reasons. Some, like rolled umbrellas, are often bought as ornaments: like rolled umbrellas they often remain unopened. People who take the Daily Mirror take it because they want to see what is in it and tend to read it thoroughly. This is of unrivalled advantage to advertisers aiming to pervade rather than just skim the mass market.

Daily Mirror ready for challenge of TV

I think I have said enough to show how strong a position we are in to meet the challenge of TV. Some papers may soon be compelled to lower their advertising rates (as certain periodicals have done already). We, on the other hand, shall continue to concentrate on the editorial quality of our papers, to limit the amount of non-editorial space and to offer the largest circulation and the lowest rate per thousand readers to advertisers. This is the policy we have long pursued. The wisdom of it will be even more apparent in the future.

We have of course considerable interests in one of the commercial TV companies, Associated Television Ltd., and can look forward to a very satisfactory return from this investment in the future. We have in fact a foot planted quite securely in both camps.

Let me now close with a word of thanks to all staff at home and abroad who have helped your company to achieve a successful year.

The report and accounts were adopted.

COMPANY MEETING: ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITE

(Incorporated in the Union of South Africa)

STATEMENT BY THE CHAIRMAN, SIR ERNEST OPPENHEIMER

ANGLO AMERICAN CORPORATION'S WIDENING INTERESTS

SIR ERNEST OPPENHEIMER REVIEWS PROBLEMS OF GOLD MINING FINANCE AND TAXATION

TRANSPORT DIFFICULTIES IN THE FEDERATION

The following are extracts from the statement by the Chairman, Sir Ernest Oppenheimer, which has been circulated to members:—

IN all the main spheres of the Corporation's interests the dominant theme of the year's operations was one of rising production.

In gold mining, the operations of the newer mines administered by the Corporation continued to expand; and the output of uranium and the profits derived therefrom also rose above the preceding year's figures. In the diamond industry the companies in which the Corporation has large interests substantially increased their overall output of gem and industrial diamonds, but the industry as a whole was still unable to satisfy the large demand. In the copper mining industry of Northern Rhodesia the mines in which the Corporation has important interests increased their production. Furthermore, the new Bancroft mine was brought to production ahead of schedule. In the coal industry the collieries administered by the Corporation raised their output to a new high level just short of 18 million tons and made preparations to meet a further expansion of demand. In most of the other spheres of the Corporation's interests—in finance, in investment, in merchant banking, in prospecting—there was in 1956 a general expansion of activity.

The benefits flowing to the Corporation from this widespread and heightened activity are not fully reflected in the accounts for the year. Improved yields from associated operating and finance companies cannot always be passed on to the parent company in the same year. But another factor serves to hide the substantial improvement in recurrent investment income that accrued to the Corporation in 1956. As the figures stand in the accounts, income from investments, at £4,240,455 in 1956, was only £12,700 more than the £4,227,755 yield in 1955. But the 1955 figure included non-recurrent income which serves to invalidate comparison between the 1955 and the 1956 figures; and a better indication of the recent improvement in investment income can, perhaps, be obtained by comparing the 1954 figure of £2,761,848 with the 1956 figure of £4,240,455—an increase over the two years of no less than £1,478,607 or about 54 per cent.

The same non-recurrent income in 1955 also invalidates comparison between the Corporation's profit of £4,930,165 in 1956 and the £5,750,428 profit in 1955. The real measure of the inherent strength of the Corporation's general position can be gained from a study of other figures in the accounts. In 1954 the Corporation showed a surplus of £736,752 from its realisation of investments, after deducting amounts written off investments; in 1955 the net yield from this source fell sharply to £219,680; and in 1956 there was no surplus, but a net deficit of £450,074, which was the amount by which the sum applied to the writing down of investments exceeded the gross surplus derived from the sale of investments. In spite of this very sharp change in this particular aspect of the Corporation's business, the other sources of the Corporation's income more than compensated for the loss of what has in the past been a substantial contribution to total income.

NO SLACKENING OF MOMENTUM

There has been no slackening in the momentum of the Corporation's progress in the past twelve months.

The launching of a major new gold mining enterprise on the Far West Rand is foreshadowed by the arrangements which have been under discussion for some time between ourselves and our partners, Central Mining Finance, Limited, and New Consolidated Gold Fields, Limited, for the exploitation of the potentially valuable mining area lying immediately to the South of the existing Blyvooruitzicht and West Driefontein mines. This is an extensive property, calling for the establishment of a very large and costly mining unit. An important feature of the careful preliminary investigations already carried out is the indication that the operating life of the new mine will be unusually long.

The search for new business and new enterprises in the mining of minerals has continued. Prospecting operations have been intensified, and our geological teams are active in several parts of Southern and Central Africa, in some cases exploring largely unknown territory, as in the Western Rift area of Tanganyika where an exclusive prospecting licence covering approximately 34,000 square miles has been granted to one of the Corporation's associated companies.

WIDENING OF INTERESTS

Although our principal business is, and will remain, the mining of minerals, the financial resources that the Corporation and its associated companies command have made it possible for us to seek new outlets for investment and enterprise beyond the immediate production of gold, diamonds, copper and coal. In most of these new fields there is some association with our principal business. Thus we have acquired the controlling interest in a company which mines manganese ore in the Krugersdorp Randfontein district and has a long-term contract to supply manganese to the uranium industry.

Modern technology is effecting changes in the world's mineral requirements. Accordingly, we propose to take whatever opportunities arise of exploiting profitably those minerals for which new applications are found and new values established. There has been a practical application of this policy in our decision to acquire from Titanium Corporation of South Africa, Limited, property and rights relating to large deposits of titanium-bearing minerals in the district of Umgababa on the South Coast of Natal. Substantial quantities of rutile, ilmenite and zircon concentrates will be produced at Umgababa.

A further interesting development in the Corporation's activities is its recent acquisition of a large shareholding in Peak Timbers, Limited, which owns valuable pine tree plantations covering about 65,000 acres in the Piggs Peak area of Swaziland. This company has since negotiated a merger with a well-established company manufacturing plywoods and chipboards, Veneered Plywoods (S.A.) (Pty.), Limited, of Boksburg. A new holding company, Forest Industries and Veneers, Limited, has been formed with a capital of £3,500,000, and Peak Timbers and Veneered Plywoods will operate as wholly-owned subsidiaries of the new company.

Last year I referred to the formation of Union Acceptances, Limited. The success of this new enterprise in the field of merchant banking has encouraged us to extend our endeavours in this direction, and

ds the end of 1956, the Corporation sored the establishment of Rhodesian ptances, Limited, which has opened ess in Salisbury. Like its counterpart outh Africa, it has already proved its h by helping to create a short-term y market and to finance the movement oods. More recently, Union Accep- s and Rhodesian Acceptances have been linked with sources of large funds urope through the formation of a new h African-Swiss company, Union ptances (Zurich) AG. There is little t that in Switzerland and in other of the Continent there is a climate of on favourable to the investment of in Southern Africa.

ACTIVITIES IN THE FEDERATION

referring last year to the Corporation's with the Federation of Rhodesia and aland, I mentioned that an inherited ion as well as self-interest led the oration to take a leading part in assist- he progress of the Rhodesias.

r several years now this territory has developing rapidly. The basic indus- are well established or are in process ing so established. The coal industry een built up to provide all the needs whole Federation for many years to The iron and steel industry can dently be expected to keep output st of the Federation's needs. The progress of the Kariba hydro-electric ct, in spite of exceptional floods on the besi, will ensure that within a few years ies of power will be sufficient to meet mmediate demand.

ere is, however, one vital sphere in progress is lagging behind the needs country. Transportation facilities are ely restricted and until these are nded there must be a brake on develop- . Clearly there is need for courageous al expenditure on all communications. use of the importance of this matter, e country as a whole and thus also to own interests, we have provided sub- ial assistance in this direction. We nevertheless opposed to methods of ning major capital funds for railway lopment through the levying of puni- freight rates upon mineral traffic. In report the directors have drawn atten- to the anomaly that the increased ge rates for copper were calculated at a when copper prices were abnormally temporarily high; they have now fallen ry much lower levels. We have lodged mal appeal against these discriminatory ht rates.

his issue is of particular importance in of the fact that the maintenance of the present tempo of development in Federation requires a large and con- ng flow of new money into the Federa- and every possible encouragement be given to investment in the territory outside. Fortunately, general condi- s for investment in the Federation are urable. There is prosperity and expan- everywhere. The copper mining in- ry, which is basic to the Federal omy, is not as prosperous as it was copper prices were inflated by a large s of demand over available supply, but at current price levels, the industry s substantial profits, and its contribu- to the economy of the Federation is large indeed.

INVESTMENT SITUATION

The investment situation in South Africa deserves the close and anxious attention of all who are engaged in the business of mining and mining finance. It is common knowledge that the flow of money to the Union for investment and development has dwindled recently. There has been since 1954 almost unrelieved depression in the market for South African gold shares, and a measure of this depression has extended to other sections of the South African share market. This is a most serious situation for an industry which must constantly be developing new enterprises to replace its wasting assets. It is especially serious in view of the fact that capital costs and working costs continue to rise, with the result that new mining ventures require the provision of progressively larger amounts of capital.

It seems to me that we are confronted with a new situation and a new challenge.

Two lines of approach suggest themselves. There is an evident need for closer organisation of mining finance and indeed the trend has been in this direction for some time. Mining finance houses have tended to develop into large corporations that cannot only finance important mining ventures themselves but can also absorb the occasional loss encountered in the normal course of business by even the most successful and efficient mining groups. There is also, to an increasing degree, recourse to those forms of co-operative financing whereby a number of mining groups participate in agreed proportions in providing capital for new ventures.

These procedures, however, will not, in themselves, be sufficient to meet the full requirements of the situation. Mining companies and mining groups will always depend to some extent upon outside support in the provision of development capital. In my view, the mining industry is entitled to look increasingly for this support to the financial institutions, the traditional investment agencies of the general public. For while public interest in mining investment as such has declined in South Africa, there is every evidence that people have been placing their savings increasingly with building societies, insurance companies, trust bodies, pension fund organisations, mortgage businesses and banks. The accumulation of private funds in such institutions has reached immense proportions, and this in turn has meant that progressively less money has remained in the hands of individuals for personal investment. The argument that financial institutions have a fiduciary responsibility which cannot be reconciled with the placing of funds in ventures having a recognised risk element such as mining can no longer be upheld. In the United Kingdom, in Canada and in the United States of America the institutional investment houses are increasingly devoting a proportion of their funds to so-called risk ventures previously considered to fall outside their sphere of investment. Where such risks as may be involved are properly spread, they become sufficiently dispersed as to be innocuous, and any losses will be more than counter-balanced by the success of other similar ventures.

It may be that the one development will stimulate the other; that the growth of large mining corporations with substantial spreads of interests, and of mining investment trust companies with varied portfolios of mining shares, will in itself come to provide suitable channels for the investment of institutional funds.

GOLD MINING TAXATION

Before I conclude this review I should like to refer briefly to the question of gold mining taxation, for there is no doubt that this is a factor of material influence upon the investment status of the gold mining industry. The Government is well aware of this fact and has recently endeavoured to assist in a number of ways, but in view of the fact that State revenues from gold mining taxation will rise very considerably over the next few years as the newer mines reach full production, there is a strong case for further relief in the onerous and discriminatory burden that is still being imposed on the industry. It may not be generally realised that, in the case of a rich mine, amounts payable to the State by way of share of profits and taxation can amount to as much as two-thirds of the working profit.

Furthermore, I am inclined to think that the present situation requires in addition an examination of tax policy from the specific standpoint of the shareholder or investor in gold mining companies. For here one finds that something of an anomaly exists. The position is that the wasting character of gold mining has been recognised in so far as the taxation of the mining companies themselves is concerned—namely, in the capital redemption allowances that are made before tax is levied. But this same principle is not applied in respect of the dividend income of the individual investor where, as is common, he is liable to supertax. Yet, because of the wasting nature of the asset in question, the investor is obliged to treat a portion of the dividends he receives as a return of capital, and, in fact, should be encouraged to do so by having that portion of his dividend income accepted for tax purposes as a return of capital.

This is the pattern of taxation on individual mining investment income followed in Canada. In that country the return of capital element in mining dividends is officially recognised by exempting from tax a varying percentage of such dividends in the recipient's hands. It seems to me that if local and foreign investment interest in our gold mining industry is to be restored and capital for this purpose attracted, then we should give serious consideration to the introduction into our taxation system of some arrangement of the kind I have mentioned. If this suggestion were to be favourably received, it would be desirable for the South African tax authorities to discuss the matter with other Governments, notably the United Kingdom Government, in order that the overseas shareholder should not be unfairly penalised, which would be the case if corresponding arrangements were not made in those countries in recognition of the special nature of mining company dividends. It is my belief that the remissions of tax involved would be small in relation to the benefits that would accrue in the stimulus to the flow of investment funds and to the development of mining enterprise.

Copies of the complete statement and of the annual report and accounts may be obtained from the London office of the Corporation, 40 Holborn Viaduct, E.C.1.

ASSOCIATED NEWSPAPERS LIMITED

LORD ROTHERMERE'S STATEMENT

The Fifty-second Annual General Meeting of Associated Newspapers, Limited, will be held on Thursday, July 4, 1957, in the Memorial Hall, Farringdon Street, London, E.C.4. The following is from the statement by the Chairman:

Rising costs and world events have made trading conditions particularly difficult during the past year. Taking everything into account, the fact that our trading profits are only slightly below the previous year can be considered not unsatisfactory.

The two major costs in newspaper production, newsprint and wages, are so large a proportion of total costs that any movement —and in this inflationary age it is always upwards—produces a very marked result in terms of profit. So profits of newspapers tend to fluctuate to a marked degree. The beginning of last year saw the profits running at a fairly high rate, consequent upon a general increase in the prices of our papers to the public in 1955/56, but at the same time the effect of a £3 10s. per ton rise in the price of newsprint was beginning to be felt. In the summer another wage increase was negotiated at a cost in a full year of about £300,000. The effect of the continuing credit squeeze was such that for the first time since the war one of our three major papers was unable to use its full ration of newsprint. The Suez crisis and petrol rationing reduced to nil the advertising we normally carry from the oil industry. At the beginning of the calendar year newsprint increased by another £1 a ton and a further rise is expected in the near future.

ACCOUNTS

The very small reduction in profit on trading account cannot be attributed to any particular part of our business, almost all our newspapers, both National and Provincial, showing a slight fall in profits. Newspapers that still sell at 2d. are the only manufactured product not to have increased their price to more than twice the prewar level at a time when the general price rise is more like three to four times that of prewar. Our investment income however shows a further small increase which is due partly to favourable exchange rates on the unchanged Anglo-Newfoundland Development Company Limited dividend. Provision made for taxation in previous years but not required includes a considerable reserve accumulated over the last two or three years which is now freed as the result of agreement with the Revenue authorities. Taxation charged on the year's profits shows only an increase in the Profits Tax, due entirely, of course, to the effect of the higher rates charged in the last 18 months. The effect of all these variations is that the Group balance available at £1,529,407 is £82,000 higher than last year. The subsidiaries have retained £86,332 and your Directors have recommended that the £1,443,075 available to Associated Newspapers Limited be dealt with by transferring £850,000 to Reserve and paying the same Deferred dividend as last year.

You will see from the two Balance Sheets that your Company's financial resources remain strong, and you may be assured that we are constantly watching for opportunities to invest them profitably.

DAILY MAIL

Our pride in the *Daily Mail* continues to be increasingly justified. Objective news reporting of every category presented attractively together with a penetrating commentary on the events of the day and a firmly independent political approach have produced a circulation appreciably above that of last year.

World affairs have moved so swiftly that overseas correspondents have been constantly on the move and at times they have had to be reinforced substantially by home-based reporters. In the field they have shown initiative and taken considerable risks to get the news during a momentous year.

THE EVENING NEWS

During the year *The Evening News* has made even more secure its pre-eminent position as the largest selling evening newspaper in the world—it is read by more than four million people every day. We have further developed the service both to the advertiser and reader of classified advertisements. Our editorial columns reflect the success of our efforts to provide up-to-the-minute news and features in a way which can be quickly assimilated.

SUNDAY DISPATCH

Since the close of the financial year we have radically altered the appeal and layout of the *Sunday Dispatch*. The new *Sunday Dispatch* is directed towards people who, while enjoying the lighter moments of life, at the same time wish to be well-informed on more serious matters. We are confident that the paper in its new form will fill a need not being satisfied at present by the Sunday Press.

DAILY SKETCH

The circulation of the *Daily Sketch* continues to show the most heartening progress. I told you that in April, 1956, it was 1,135,000; last April it had reached 1,300,000. As the sale grows, the paper attracts to itself an increasing volume of first-class advertising. In consequence, the *Daily Sketch* advances steadily towards financial success and is not far away from standing on its own feet. Since the end of the year we have reached an agreement with the News of the World, Ltd., whereby we have taken over their 4 per cent of this venture. The newspaper is now owned by Daily Sketch and Daily Graphic, Ltd., a subsidiary of Associated Newspapers, Ltd. The fortunes of this bright newspaper are now bound up with your company, but we remain in close contact with News of the World, Ltd., who continue to print the newspaper for us.

WEEKEND

Since we started the *Weekend Mail* five years ago, labour costs have increased very considerably, and during the year it became a question of printing the paper in some other manner or not printing it at all. Early this year we transferred the printing to gravure, and after three experimental issues converted it to full colour on four pages. The initial public response to a magazine paper in colour has been very encouraging; we intend steadily to improve the form of this magazine and slowly to enter the women's market, under the new name *Weekend*. The advertiser has been quick to take advantage of this new development which enables him to put his message economically into the hands of six million readers.

PROVINCIAL NEWSPAPERS

Our provincial newspapers, each with its own separate identity, show continued increases in sales. Advertisement revenue has also improved, and although this has been offset by considerable increases of wages and other costs, there is a growing awareness of the effectiveness of advertising in these papers, especially on the part of the local traders.

TELEVISION

It will be recollected that as co-pioneers your company entered into heavy commitments in commercial television. Last summer your Board decided to reconsider their interests in the light of the resources of trained personnel and finance, and in consequence we very considerably reduced our interest in Associated-Rediffusion Limited. This decision does not indicate in any way our lack of confidence in the future of commercial television. Should favourable opportunities occur for investment in commercial television, we shall not hesitate to use available surplus funds for this purpose.

WAGES AND PRODUCTIVITY

The price of newsprint is about six times that of prewar and, as in every other sphere, wages in the newspaper industry have greatly increased. The rise in the cost of living has made higher wages necessary and it is right that all employed in the newspaper industry should be well paid.

Nevertheless, there have grown up some practices which do not help efficient production. There is, for example, an almost complete lack of co-operation when modern inventions are introduced. Nearly two years ago we bought new string-tying machines for packing our papers mechanically. They would have made for quicker and more efficient production, but we have been unable to use them owing to a failure as yet to come to any arrangement with the Union concerned, although we proposed that no member of our regular staff should lose his job. Had this state of affairs existed in Canada, our newsprint mill in Grand Falls would have been out of business by now. Since the war we have been able at Grand Falls, in co-operation with the Union, to more than double the output per man. The staff approve of every new mechanical device being employed because for one thing they get more money. Unless newspaper production is modernised, I fear that many more newspapers will cease to be published.

THE FUTURE

Turning to the future one must be cautious, for the Press as a whole is under great pressure. You may be assured, however, that we will not rest on our laurels; we believe that it is our first duty to make each of our papers prosperous, for if any paper is not able to pay its way, although it may be subsidised for a time, it will ultimately die. No newspaper can assume that society owes it an existence—especially

if it is unprofitable. We are conscious that here is apparently no common denominator of success in our kind of publishing; papers can prosper or fail irrespective of their circulation, their selling price, their seriousness or their frivolity.

Newspapers are a reflection of the public they serve and they must, without any lowering of standards, change as public interest and public taste change. The *Daily Mail* of Lord Northcliffe, brilliant as it was, would not be accepted by the *Daily Mail's* public of today and I am sure, too, that the *Daily Mail's* readers in 20 years' time would not for one moment accept this morning's paper which will be eagerly read by more than five million people. For ourselves, therefore, we will endeavour to sense the public taste and interest and to rely in the future as we have in the past on the greatest possible degree of journalistic enterprise and good management.

STAFF

In view of the difficult year through which we have passed, it is with particular pleasure that on your behalf and my own I thank the staff for all their continued and loyal efforts, without which such satisfactory results could not have been achieved.

RIO DE JANEIRO LAND, MORTGAGE & INVESTMENT AGENCY

YEAR OF DEVELOPMENTS

The forty-second annual general meeting of Rio de Janeiro Land, Mortgage and Investment Agency Company, Limited, was held on June 6th in London, Mr C. W. Black, JP, MP, FRICS, FAI, chairman, presiding.

The following are extracts from his circulated statement for 1956:

The past year has seen considerable developments in regard to your Company. During the year we formed a new subsidiary Company and acquired the whole of the issued Share Capital of three other property Companies. The Group now owns freehold and leasehold properties amounting, either at valuation or cost, to an aggregate of over £393,000.

The quoted investments held by the Group show a depreciation which is not surprising in view of the depressed condition of the Stock Exchange at the date of the Balance Sheet. Your Directors are fully persuaded of the soundness of these investments and anticipate that, with the return of better conditions, these investments will at least recover their value.

Through its shareholdings, your Company has a number of interests overseas in Australia, Canada, Rhodesia, South Africa and Eire. In particular we took the opportunity of securing a participation in a South African Company which has erected a block of flats and garages in central Cape Town. Replying to a question from a shareholder, the chairman stated that the current market value of the quoted investments showed an appreciation of nearly £3,000 compared with the balance sheet figure of £20,428.

The report was adopted.

At a subsequent extraordinary general meeting a resolution was passed increasing the capital to £150,000 by the creation of an additional 1,100,000 shares of 1s. each.

IMPERIAL CHEMICAL INDUSTRIES, LIMITED

CONSIDERABLY INCREASED TURNOVER

The thirtieth annual general meeting of Imperial Chemical Industries, Limited, was held on June 13th in London.

Sir Alexander Fleck, KBE, DSc, LLD, FRS, chairman, in the course of his speech, said:

The value of the Group's sales to external customers increased from £411 million in 1955 to £435 million in 1956, but despite this increase in turnover, the Group Manufacturing and Trading Profits, after charging depreciation, but before provision in respect of the Employees' Profit-Sharing Scheme and before taxation, fell from £56½ million to £53½ million. The Company was faced during the year with a continuation of the rise in costs caused principally by increases in salaries and wages, in transport charges, and in the price of fuel. Increased efficiency partially offset these higher costs; nevertheless, profit margins were reduced substantially.

The prices of some products were raised in the first half of 1956, but these increases did not outweigh the effects of the increased production costs.

BURDEN OF INCREASED COSTS

The burden of increased costs is especially serious in the export business. Conditions in markets overseas are now highly competitive, and competitors in some countries have not, in recent years, had to face such great pressure from rising costs as have manufacturers here. This is one of the factors that, despite the record levels achieved by our 1956 sales, made the manufacturing and trading profits of the Group, before taxation, about £3 million less than in 1955. Consolidated income of the Group after taxation was also about £3 million less than in 1955. The charge for taxation in 1956 represents a larger proportion of income than in 1955, due mainly to three causes—increases in the rates of Profits Tax, the withdrawal during 1956 of investment allowances on most new capital expenditure and their replacement by initial allowances, and a reduction in the credit for over-provisions in past years.

Undistributed income of Subsidiaries amounted to £6 million in 1956, compared with £4½ million in 1955. Over £5 million of the large sum retained by Subsidiaries related to profits to be used by overseas companies for the further development and expansion of their businesses, from which material benefits should flow in the future. The Company's net income for the year 1956 was £19½ million, as compared with nearly £24 million in 1955. Although the net income of the Company has decreased to this extent, the Board, having regard to the great strength of the Company and its prospects, have no hesitation in recommending that the final dividend for 1956 should be 6 per cent, making the total dividend for the year 10 per cent, the same as was paid for both 1954 and 1955.

It is your Board's intention to maintain their policy of a fair balance between the distribution of profits as dividends to Stockholders who can reasonably expect to participate in the Company's growing prosperity, to which their capital makes an essential contribution, and the retention of profits for the Company's business.

PRICE POLICY

On July 1, 1956, we announced that over the major range of our products we should not raise our prices in the Home Trade before July 1, 1957, unless some unexpected or exceptional event occurred in the interim. We did not treat the Suez crisis as such an event, although I think we might have been justified in so doing. Indeed during this period we reduced some prices in the home market.

For the future, we shall consider each product on its merits, and adjust prices up or down as demanded by cost and market conditions. In making changes, we shall, as in the past, do our best to keep prices down, balancing the need to provide the best possible service to our customers, a proper return to our stockholders and fair rates of wages and salaries to our employees. In those cases where we find it necessary to raise prices, we shall continue our policy of keeping the new prices stable for as long as possible.

CURRENT YEAR'S TRADING

In conclusion, I should like to say a little about the current year's trading. So far, turnover has been on a higher level than in 1956. In the middle of last year there was some noticeable hesitation in those parts of our business serving industries making durable consumer goods, such as motor-cars and household appliances. The marked recovery made this year by the motor-car industry in particular is helping us to overcome the setback experienced last year in those sections of our organisation.

The current year is, of course, bringing its own problems. Fortunately, the general level of activity is high, and in most cases new plants coming into production are immediately and fully occupied. The demand for "Terylene" in particular is most active. So far this year, exports have been of the same order as last year, but if costs of production in the United Kingdom continue to rise at a rate greater than those of our principal competitors, it will become more difficult to place our exports. Your Company is greatly dependent upon the export business —not only its own direct exports, but also indirectly through the exports of its customers in the United Kingdom. Unless the nation's competitive position in world markets can be strengthened, some of the great opportunities will be missed, and the country will fail to achieve its long-term objective of a healthy and expanding economy.

If no unforeseen international disturbances arise, 1957 should be a year of high activity in almost every branch of the Company, and I think we can look forward to a year of satisfactory progress. We also regard the longer term prospects with confidence. There are great possibilities for the profitable development of the chemical business throughout the world.

Further, we are engaged in an industry in which the native genius of our people can work to full advantage. It is our policy to plan for the future in the expectation that we shall not only maintain, but indeed improve, our place in the chemical industry of the world.

The report and accounts were adopted.

SUNDAY PICTORIAL NEWSPAPERS (1920) LTD

Improved profit and sales

CECIL H. KING REVIEWS COMPANY'S INVESTMENTS

The Thirty-Seventh Annual General Meeting of Sunday Pictorial Newspapers (1920) Ltd. was held on 7 June, at Brettenham House, Lancaster Place, London, W.C.2.

Mr. Cecil H. King, Chairman and Managing Director, said:—

The accounts have been in your hands for the requisite period and disclose a profit that before taxation is some £105,000 better than last year.

Profit on trading reflects a full year's benefit from the increase in the sale price of the Sunday Pictorial that took place in October 1955 and from the addition of 12½% in the advertisement rate that became effective 1 January 1956. Income from these two sources was in fact the highest in the company's history.

On the other hand, costs reached a new peak. Production in Manchester has necessitated some duplication of staffs; larger sized papers resulted in added consumption of newsprint, for which we had to pay over £3 per ton more than in the previous year. In addition wage rates, revised during the financial year 1956, rose in July last by a further 5½%. I should stress that the advantages of printing in Manchester accrue to the northern readers of the Sunday Pictorial who are now assured of as late a news and sports service as is provided by any other paper. The significant variations that have taken place during the year in balance sheet items are referred to in the Directors' Report and there is nothing further for me to add.

Sunday Pictorial sales reach new peak

The sales of your paper, the Sunday Pictorial, have continued to break records. In spite of an increase in selling price towards the end of 1955, the average sale per issue over the first six months of 1956 was 23,000 higher than for the last six months of the previous year.

The second half of the year showed a further rise of 86,000, bringing the average to 5,709,893—a total increase over the twelvemonth of 109,000. Sales have benefited from our recent move to print and distribute editions from Manchester, but the large overall increase can best be attributed to the growing interest that your paper continues to arouse throughout the country.

Steady rise for five years

During the last five years the audited net sale of the Sunday Pictorial has risen by 635,000. This rapid advance should be seen in the perspective of the rest of the national Sunday newspaper field. Ignoring amalgamations, over this period only two other popular papers have risen at all.

Some have declined. For instance, The People, which in the first half of 1951 was selling nearly as many copies as the Sunday Pictorial, has dropped nearly a quarter of a million: the News of the World, which exceeds us by a narrowing margin, well over a million.

In the first six months of 1951 the combined sale of the 10 national Sundays apart from the Sunday Pictorial was 25,294,000. In the last six months of 1956 the combined sale of these papers (now reduced to 9 by the amalgamation of the Sunday Chronicle) had dropped to 23,541,000. The total sale of all national Sundays, however, has remained at the same level after five years—almost 30½ million. The balance lost by other papers is almost exactly made up by the increased sales of the Sunday Pictorial and the sale of Woman's Sunday Mirror (1,179,679), a paper in which, as you know, you share an equal control with The Daily Mirror Newspapers Ltd.

Strength of Trade investments

In my annual review this year, I think that you would welcome an account of the strength of your company's various investments. I will accordingly deal very briefly with the major concerns in which your company has an interest, pointing out the share you hold in the equity of those concerns and the gross trading profit after depreciation, but before taxation, returned by them. You will understand that not all our associated companies date their financial years in the same period as our own. In all cases I have therefore taken the latest available trading figures.

The Daily Mirror Newspapers Limited

Your most important newspaper investment is in your sister company, The Daily Mirror Newspapers Ltd., in which you hold 15.5% of the total equity. In the financial year which ended on 28 February 1957, your sister company's profit on trading after depreciation amounted to £660,443.

Sales of the paper continued to climb. The most recent audited six-monthly average—for the latter half of 1956—was 4,723,131, about 29,000 up on the previous year.

Reveille Newspapers Limited profit ploughed back

Your other established newspaper interest in this country is in Reveille Newspapers Ltd., publishers of Weekend and Midweek Reveille, in which you and The Daily Mirror Newspapers Ltd. each own a 50% share. In the financial year which ended on 28 February the Reveille company traded at a profit, the whole of which it retained.

Scottish Daily Record and Sunday Mail Limited

Your company also shares a 50% interest in the Scottish Daily Record and Sunday Mail Ltd. In the financial year which ended on 31 December 1956, the company returned a loss on trading of £161,809. A considerable part of this loss was incurred on publishing the Glasgow Evening News. Under new management this paper made greater progress in circulation over the year than either of its two Glasgow evening competitors, but, as you know, advantage was taken recently of a favourable offer to sell the Copyright, Title and Goodwill to George Outram and Company Ltd. for £250,000.

The two remaining principal papers are progressing satisfactorily. The Sunday Mail continued to rise in circulation over the last six months of 1956 and attained an average net sale of 647,373. The Daily Record reached an average of 381,802, a rise of 34,000 on the previous year—the largest gain for many years. As sales of these papers increase further, we trust that the expectation of your investment will be fulfilled.

West African Newspapers Limited and subsidiaries

Let us now turn to your interests abroad. In West Africa you are concerned in a flourishing newspaper enterprise of great potential. Your company owns 50% of the equity of West African Newspapers Ltd.—a company that operates through subsidiaries in Nigeria, Ghana and Sierra Leone. The latest results of these subsidiaries disclose that after depreciation but before taxation the Nigerian company made a profit of over £70,000 and the Ghana company something in excess of £60.000. The Sierra Leone company is still in the progress of development and is currently operating at a small loss. The profits of this group are being ploughed back to finance the further expansion of these businesses.

A success story can also be told of the circulations of your West African publications. The Daily Times of Nigeria, with an average sale of 81,261 in the second half of last year, showed a 24% increase over the same period in 1955 and the Daily Graphic of Ghana with 74,202 a 35% increase.

The Sunday papers in these two countries also did very well last year. Increases gained were 29% for the Sunday Times of Nigeria with an average of 80,131, and 28% for the Sunday Mirror of Ghana with an average of 52,180.

The more recently acquired daily paper in Sierra Leone continued to hold its own, and increased its circulation to over 12,000.

I think you will agree with me that these figures speak for themselves and give grounds for satisfaction.

Advantageous Argus deal

You will remember that at the beginning of 1957 we sold our interest in the control of The Argus and Australasian Ltd. of Melbourne in exchange for a block of Ordinary shares in the Melbourne Herald and Weekly Times Ltd., but retained our profitable Australian radio and television investments. Your company's interest in the equity of the Herald company, which in its last financial year to 30 September returned a trading profit of £1,303,322, is 7.2%.

Our interest in commercial radio and television companies in Australia is held by M.P.A. Productions Pty. Ltd., 50% of the capital of which is owned by your company. That company disclosed a trading profit of £21,000 for its last financial year, a result which should be improved in the future.

Associated Television Limited improved results

Your investment in British television, amounting to a 13.2% share in the equity of Associated Television Ltd., is of more recent date. In its first 15 months of operations to 30 April 1956, that company returned a loss on trading of £602,715. Since then revenue from advertisements has greatly increased. It is estimated that the trading results for the year 1956-57 will show a profit. The time cannot be far off when your investment will be very satisfactorily rewarded.

Pulp and paper investments

You will now wish to hear of your investments in the pulp and paper making industry. Your interest in Anglo-Canadian Pulp and Paper Mills Ltd., with its subsidiary the Dryden Paper Co. of Ontario, is 14.05%. Trading profit of Anglo-Canadian in the year which ended on 31 December last was $9,796,663, which at $2.68 to the £ is equivalent to £3,655,471.

Your other interest in the industry is in the Reed group. Trading figures of Albert E. Reed and Co. Ltd., in which you own 10.9% of the total equity, for the financial year which ended on 31 March 1957 disclose a profit of £5,690,000.

Healthy backing to investment income

From this brief survey you will have formed a good idea of the strength of your investments. The sum of gross trading profit returned by each concern, during the most recent financial year for which figures are available, comes to nearly £11,000,000. If we calculate the proportion of each trading profit according to the share in the equity of the various concerns held by your company, we reach a total profit attributable to your overall trade investments of over £1,300,000.

You will realise that this is a substantial sum reflecting a very healthy backing to the income of £464,523 received by your company from trade investments during the year under review and that it provides additional cover for the dividends your board recommends be paid on the company's Ordinary stock.

It remains for me now to pay tribute to all personnel both at home and oversea whose efforts have contributed to the satisfactory result before you.

The report and accounts were adopted.

CENTRAL PROVINCES MANGANESE ORE

A SATISFACTORY RESULT

DEMAND WELL MAINTAINED

HAMPERING EFFECT OF TRANSPORT DIFFICULTIES

MR H. R. HOLMES'S REVIEW OF ACTIVITIES

The forty-ninth annual general meeting of The Central Provinces Manganese Ore Company Limited was held on June 12th, at Winchester House, Old Broad Street, London, EC2, Mr H. R. Holmes (the Chairman) presiding.

Mr T. D. de Deney, FCIS (the Secretary), read the notice convening the meeting and the report of the auditors.

The Chairman said: The Report and Accounts for the year ended December 31, 1956, have been in your hands for some time, and with your permission I will take them as read. (Agreed.)

With regard to the Accounts, I propose only to deal with those items which I consider of particular interest or which require some explanation.

The balance on trading, £1,695,935, I hope you will consider satisfactory, and you will notice that it is shown after transferring £225,622 to Ore Stock Reserve. The necessity for this transfer arises from the fact that although the demand for our ore has continued to be satisfactory, we were unable to deliver as much ore as we produced, owing to the lack of transport from the Mines to the Coast; consequently, you will notice from the Balance Sheet that the stock of ore rose during the year from £1,027,327 to £1,717,401. This is due in the main to an increase in the tonnage of ore in hand, but also, to a certain extent, to an increase in costs in respect of mining, railway and port charges. In view of this, the Directors have thought it essential to transfer the sum of £274,378 which has been standing to the credit of Reserve on Revaluation of Stock to an Ore Stock Reserve, and also to add to this the sum of £225,622 to make a total Ore Stock Reserve of £500,000, which sum has been deducted on the Balance Sheet from the item Stock of Manganese Ore. The major part of our stock lies at the Mines, and if we could transport it to the Coast there would be no difficulty in shipping it, but there is a limit to the extent that we can continue to produce ore in excess of that which we can deliver, as by so doing we should merely pile up a stock of ore and denude our cash resources. It must be remembered that, so long as our profits are represented to some extent by an increase in our ore stocks, our liquid situation must deteriorate, as we have to pay a heavy rate of taxation in cash on all profits.

We hope that the railing situation will improve, but if it does not the time may come when we shall be forced to reduce production, which will mean discharging part of our labour force, and the result would be an increase in the cost of production, a reduction in profits and a consequent smaller amount to be paid in taxation. We naturally should be very reluctant to take this step, and we hope that the necessity will not arise.

During the year under review there was a steady improvement in the price of manganese ore in the world's markets. There may, however, be a reversal of this tendency, owing to the introduction of new sources of supply from mines being opened up in other countries of the world, and also to fluctuations in the world's production of steel. Nevertheless, there is at the moment a good demand for our ore, but, as I said above, the outlook for the current year depends largely on railings, which at present are unsatisfactory, but which we hope will improve.

THE ACCOUNTS

Of the Profit, Taxation takes £1,080,000, all but £18,000 of which consists of Indian Taxes. On the debit side of the Profit and Loss Account, depreciation of fixed assets amounts to £171,271, against £129,428, and this, of course, is owing to the substantial expenditure we have made in recent years on plant, machinery, and buildings for the efficient working of the mines.

On the Assets Side of the Balance Sheet, under Trade Investment, appears the item £50,000 Shares in the United Kingdom Ferro Manganese Company, Limited. This was the position at the end of the year, but since then, these shares have been sold and our financial connection with this Ferro Manganese Company has come to an end, though our relations with them remain very good. For some years past the working of the Agreements has not been possible, and the association fulfils no useful purpose under present-day conditions.

You will notice that, on the liabilities side of the Balance Sheet, we have deducted from the Contingencies Reserve a sum of £42,091 paid in respect of Indian Estate Duty. This is the amount which has accumulated over a period of some three years, and to a large extent is represented by Estate Duty which arose on the death of our largest personal shareholder. However, such a large payment is not likely to occur again.

MINES IN SATISFACTORY CONDITION

As no doubt you know, the Government of India have established the Indian State Trading Corporation which is now operating, apart from other commodities, in the manganese ore business. During the year Mr Hardy, one of our Joint Managing Directors, paid two visits to India in July and August, and again in the early part of this year, to discuss with the Government of India officials in Delhi our connection with this Corporation which we trust may result in increased exports of our ore to our usual customers.

Mr Hardy also visited the Mines in India to make a thorough inspection of the properties. He submitted full and informative Reports to the Board and settled several outstanding matters regarding the future working of the Mines. I am pleased to say he found the Mines in satisfactory condition.

The Heavy Media Plant continued to operate successfully at Dongri Buzurg Mine, producing ore of good quality. Certain alterations to the Plant and the preliminary screening plant were undertaken which reduced the tonnage put through it, but, due to poor railings, this was not a matter of any consequence.

DIAMOND DRILLING PROGRAMME

Our Diamond Drilling programme continues, and drilling has taken place at Gutagson, Kandri, Munsar, Satuk and Ukwa Mines. This work, particularly at Ukwa and Kandri Mines, has indicated the existence of very considerable tonnages of ore of excellent quality at easily workable depths.

Construction on the Government Electricity grid supply has unfortunately been hampered by a shortage of materials and power is not expected to be supplied at our Tirodi and Balaghat Mines until late this year. These Mines are now equipped to take the power as soon as it becomes available. Shaft sinking at Balaghat continued during the year and the permanent head frame for the new shaft and the two hoists should be completed by the time power is available.

I am glad to say that our relations with the different Authorities in India continue on a satisfactory basis.

In November of last year your two Joint Managing Directors, Mr A. Linton and Mr W. A. Hardy, visited the United States of America to keep in touch with our very important customers there and to discuss with them several business matters. These customers are the largest producers of ferro manganese in the world and we have had very cordial relations with them for many years now.

I would not like this opportunity to pass without expressing our appreciation of the understanding of our problems by all our Buyers.

EFFECT OF FINANCE BILL

I expect many of you are wondering whether the provisions of the Finance Bill 1957, relating to Companies Trading Abroad, will be of material benefit to your Company. I am afraid that the answer to this is in the negative. The reason for this is that, owing to the very high rate of Indian Taxation, there is, to all intents and purposes, no margin for any benefit to your Company.

An Interim Dividend of 1s. 2d. per unit free of tax was paid on October 1st last, and your Directors now recommend that a Final Dividend of 1s. 8d. per unit, plus a bonus of 8d. per unit, both free of tax, should be paid, altogether absorbing £525,000. This will leave £281,197 to be carried forward as compared with £257,130 brought in.

TRIBUTE TO MANAGEMENT AND STAFF

On your behalf, I should like to record our thanks to the management and all employees, both in India and in London, for their efforts during what has not been an easy year. I would also like to mention the efficient and helpful work done by our Shipping Agents in India, Messrs James Finlay & Company, Limited.

I now beg to move:—"That the report of the Directors and Statement of Accounts as at December 31, 1956, be and are hereby approved and adopted, and that the profits be appropriated as recommended by the Directors." I will ask Major Herring to second the motion, and before putting it to the Meeting I shall be glad to deal with any questions which Stockholders may wish to ask.

Major A. C. Herring, VC, ACA, seconded the resolution which was carried unanimously.

The Board's proposal of a final dividend of 1s. 8d. per unit, free of tax, and a bonus of 8d. per unit, free of tax, was also approved.

The retiring director, Major A. C. Herring, VC, ACA, was re-elected and the remuneration of the auditors, Messrs W. A. Browne & Company, having been fixed, the proceedings terminated.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

The thirty-eighth annual general meeting of The Institute of Cost and Works Accountants was held on June 1st at The Connaught Rooms, London, W.C.2. Mr Ian T. Morrow, CA, FCWA, President of the Institute, was in the chair.

Mr Stanley J. D. Berger, MC, FCIS, the Director and Secretary, read the notice convening the meeting and the auditors' report. The annual report showed that at the end of 1956 there were 5,352 members and 13,293 registered students in various stages of qualifying and that 8,478 students sat the 1956 examinations. Over 500 branch meetings were held in centres throughout the United Kingdom, Eire, Southern Rhodesia and South Africa. The first South African national cost conference was held in Pretoria; an address was given by the South African Minister of Economic Affairs. Research activities continued to increase. Special attention had been given to the training of registered students: three publications had aroused considerable interest: "The Cost Accountant, His Work and Training," "A Career in Cost Accountancy," and "Training for the Cost Accountant." There were over 70 firms which provided schemes of training for students.

After the adoption of the report and accounts, the President invested Mr James Borsay, FCWA, the new President, with the badge of office.

ECONOMIC PROGRESS

In his address at the twenty-eighth national cost conference on the previous day, the President, Mr Ian T. Morrow, CA, FCWA, said that it was the duty of the modern state to maintain a high and stable level of employment and to ensure a continuing rise in the standard of living. These, he said, "Can come only from a prospering industry; they cannot come from anywhere else; they cannot come from banking, law, diplomacy or the civil service. All these ancillary and subsidiary activities can assist or mar the process of production, but in the final analysis what we physically produce must provide the wherewithal to fulfil the politicians' promises. This means that it is in the interests of us all whatever our party, that industry should prosper. . . Perhaps, after this year, we can go forward as a nation clear in our purpose that if we are to discharge the obligations which democracy lays upon us . . . we must do everything in our power to increase the effectiveness of industry. . . . The Institute is equipped and prepared to play an increasingly important part in such a development."

PRESENTING INDUSTRY'S PROBLEMS

Mr Morrow referred to the recent conference held by the Royal Navy, attended by members of the Houses of Parliament and by industrialists, to give an idea of the navy's problems, organisation and outlook. "The idea should be extended. Let the higher Civil Service put on a similar show . . . it would give industry an understanding of the problems and organisation . . . which it sadly lacks. These conferences would inform industry, but the difficulty is that the 'Establishment' is not informed about industry. So let us do likewise; let us prepare for senior officers, Civil Servants and politicians a short course presenting industry . . . it should be demonstrated how specific problems are dealt with, such as the decision to develop a new product, the problems of exporting in a competitive world, the problems connected with deciding on heavy capital expenditure. . . . This would strengthen us in every possible way for the tasks that lie ahead, and perhaps accelerate that desirable increase in our national income."

RAMBUTAN RUBBER ESTATES

The twenty-sixth annual general meeting of Rambutan Rubber Estates Limited was held on June 11th in London, Mr R. F. Burt (the Chairman), presiding.

The following is an extract from his circulated statement:

The decrease in the estate working profit has been caused principally by a steep decline in the proceeds of our crop, which resulted from a sharp fall in output as well as the decline of 3.01d. per lb. in net sale value of our rubber. The latter is to be expected for the average gross sale price in 1956, as published, was nearly 5d. lower than 1955. The shortfall in output, however, requires explanation: most of it took place on our Rasa Estate, which suffered greatly from labour trouble in the middle of the year, causing a shortage of tappers and even now is not back at its best level. Our other estates were, fortunately, not so greatly affected by the Trade Union activity. Our current year's estimate for all three estates is 1,814,000 lb.

We have added to our plantations since the war 478 acres, and have a further 121 acres on the programme for 1957. By and large the stage is now set for increasing crops from 1958 onwards. Rubber trees do not produce at maximum capacity until about the tenth to twelfth year from planting but we already have good evidence to expect with confidence fine yields from the pedigree material we have planted since 1947 on 1,060 acres.

The report was adopted.

LA RINASCENTE

Milan, Italy

LARGEST ITALIAN DEPARTMENT STORE ORGANISATION

The Annual General Meeting of the La Rinascente concern, which runs department stores in Milan, Rome, Naples and Cagliari, as well as 58 popular chain stores in all the main towns of Italy, was held in Milan at the offices of the Banca Commerciale Italiana, on May 11th.

Cav. del Lav. Umberto Brustio was in the Chair, and 70 shareholders attended, who represented, directly or by proxy, 61,910,602 shares out of the 95 million shares constituting the Company's present share capital.

Dr Aldo Borletti, Deputy Chairman, read the report presented by the Board of Directors, which reviews in detail both assets and liabilities in the balance sheet. The balance sheet reflects a favourable position as regards the Company's liquidity and does not show any liabilities towards banks, in spite of the important commitments incurred to develop further the Company's organisation, which were met by an increase in the Company's capital and by a bond issue, both the subject of resolutions adopted at the previous year's Annual General Meeting.

The balance sheet closed with a net profit available for distribution totalling Lit. 542,543,799. The report explains how in spite of the rise in sales, which reached Lit. 45,000 million last year, the amount of profits available did not rise in proportion, as a result of an even more pronounced low-price policy followed by the stores of the Rinascente-Upim Group.

The balance sheet was adopted unanimously, and it was decided to distribute a dividend of Lit. 5 per share, payable through the Company's banks as from May 21st.

The Chairman, Mr Brustio, announced during the meeting that although he would continue his association with the Company's Board, he would relinquish the burden of the Chairmanship after directing the Company's development for 38 years. At the suggestion of Avv. Giussani, a shareholder, the meeting expressed its appreciation of Cav. del Lav. Umberto Brustio's valuable work on their behalf and resolved that this appreciation should be visibly expressed by electing him Honorary Chairman for life.

The Board of Directors, which met immediately after the meeting was over, accepted Mr Umberto Brustio's resignation from the post of Chairman, and elected him Honorary Chairman. It further decided to give tangible expression to its gratitude for his work by authorising an agreement with the Board of the Commercial College Luigi Bocconi of Milan for the establishment of a Chair for Statistical Science, and by providing bursaries with the Bocconi College and other institutions for the Company's employees and their children, in order to encourage and facilitate the growth of professional education and training.

Subsequently, the Board unanimously elected Dr Aldo Borletti as the new Chairman of the Company and elected Mr Cesare Brustio to the vacant post of Second Deputy Chairman. As a result, the Company's new Board is now constituted as follows:—

Dr Aldo Borletti, Chairman.
Dr Mario Luporini, Cesare Brustio } Deputy Chairmen
Ing. Roberto Brüschweiler, Rag. Mario Rossello } Directors

Avv. Adolfo Tino was confirmed in his post as Secretary to the Board.

BRITISH TIMKEN LIMITED

CONTINUED EXPANSION IN ALL FIELDS OF ENGINEERING

SIR JOHN PASCOE'S ADDRESS

Sir John Pascoe, Chairman and Managing Director of British Timken Limited, at the Annual General Meeting in Birmingham on June 6th said:

Dividends for 1956 absorb £195,500 whereas the Group has to pay the Inland Revenue over £750,000 out of its earnings.

CAPITAL EXPENDITURE

Last year I reported that the previous four years Capital Expenditure on expansion and re-equipment amounted to £2,500,000. Expenditure in 1956 was approximately £800,000, largely on the Daventry factory. We had Group Capital commitments outstanding at December 31st of £1,200,000.

This large expenditure has meant a continuing increase in our manufacturing facilities, particularly for the larger type of bearings and has enabled us to achieve a steadily rising turnover, and earn greater profits.

Our Capital commitments of £1,200,000 at the end of 1956 may be considered within our financial capacity, nevertheless, looking ahead, your Board sees not only the opportunity, but the necessity for further Capital expenditure, which it has every reason to believe will be profitable.

Consequently, as I forecast some two years ago, the time will arise when we must consider raising further Capital. Your Board now has under active consideration, an early approach to the Capital Issues Committee.

As to the form of new Capital, although your Board has reached no definite conclusion, it is inclined to the view that in all present circumstances, a redeemable note issue would be cheapest and most satisfactory.

ORDERS AND OUTPUT

During 1956, deliveries to the motor vehicle industry except those to the heavy commercial vehicles industry, showed a severe fall, but the demand from other industries, particularly for the heavier types of bearings, was such that we achieved the highest turnover in our history.

Railway bearings orders were received from 22 countries, and substantial orders were received from British Railways for our new wagon bearing units. Sales to the aircraft industry were well maintained, delivery of bearings for helicopters for instance, being doubled.

Our Direct Exports again showed a most satisfactory increase being approximately 22 per cent of our total turnover: and it is estimated that 45 per cent of our Home Sales were incorporated in goods sold abroad. Assisted by visits of the Management and Home Sales Staff, our Direct Exports are obtained by our Agents and Representatives almost all over the world. Our thanks are due to them. I am happy to say that our South African Company continues to play a most important part in our export drive.

RAW MATERIAL

The difficulties I mentioned last year of obtaining adequate supplies of the high grade nickel steel became even greater in 1956, these being accentuated by our increasing turnover. Irregular supplies affected our efficiency and reduced our possible output.

We use a nickel alloy steel, the percentage of nickel varying with the type of bearing. This steel evolved after very many years of research is, in our opinion, the best material for our purposes. We would not willingly supply tapered roller bearings made with steel to any other analysis.

We have promises of deliveries covering our 1957 needs, but as we learnt to our cost in 1956, promises are by no means equivalent to the steel itself.

Prices of steel increased in 1956. Apart from further increases which everyone will undoubtedly have to bear during the present year, the cost of obtaining nickel steel will mean an addition to our own costs until supplies of nickel to the steel-makers, at present inadequate, considerably improve.

TECHNOLOGICAL DEVELOPMENTS

We spare no effort to keep abreast of modern technical developments. We now have four fully mechanised automatic lines in three-shift production which are making a significant contribution to our turnover. Your Board is considering still further development in this direction.

Sales of our products start in the drawing offices of industry, whether the bearings are for vehicles, aeroplanes, rolling mills, axleboxes or any other use. The number of application enquiries being dealt with by our Technical Departments is increasing almost day by day.

The efforts of our Sales Engineers resulted in many more sales to other industries than the vehicle industry, and there is a definite broadening of the basis of our operations.

FUTURE PROSPECTS

Our output to date this year is larger than for the corresponding period of 1956, with an increasing demand from the motor-car industry. We are confident that great opportunities lie ahead of us. We welcome the suggestion that this country should enter the European Free Trade Area, and we look forward to accepting the challenge that this will mean to British Industry.

We find increasing difficulty in obtaining sufficient skilled labour. Realising that this cannot and should not be obtained from other industries, great attention is being paid to training schemes, particularly for apprentices who will be the skilled workers in the future.

No thought of the future would be complete, however, without reference to the ever-increasing costs of production. The "inflationary setting" appears to be with us without any definite indication at present that either the Government or Industry are prepared to pay the necessary price to alter this state of affairs.

Already before the latest wage award we have had to meet increased costs of electrical power and all types of steel, and with the further rise in wage rates, costs of manufacture will again increase.

With rising costs, to maintain its productive capacity, Industry must be able to set aside year after year additional sums for replacement; in other words, increasing costs of manufacture necessitate for healthy Industry, increasing profits.

The real problem before Industry in this Country is to increase productivity. Increasing productivity, among other things, means raising the efficiency of the use of labour. This calls for more and more attention to research and development and constant capital expenditure to take advantage of new developments in manufacturing.

FISCHER BEARINGS COMPANY LIMITED

Our main subsidiary, Fischer Bearings Company, Limited, had a satisfactory year with an appreciably higher turnover, a feature being the substantially higher sales of bearings to the aircraft and associated industries. This side of the business has continued to expand during the current year, but the order cover that the Company has for its more standard range of bearings decreased considerably during the latter half of last year and during the early months of this year, usage by many customers for these bearings being affected by the Credit Squeeze and Suez Crisis.

WORKERS AND STAFF

We have very many people who have been with us for 21 years and over, and we have still more approaching that service. We hope that the security of employment British Timken has offered them will encourage them and others to make their life's work with the Company. The accumulated experience and know-how of these long service employees form one of our most important assets. To them, as indeed to all our staff, we tender as usual, but not the less sincerely, our thanks for their loyalty.

ODHAMS PRESS, LIMITED

SALES MAINTAINED

The thirty-seventh annual general meeting of Odhams Press, Limited, was held on June 7th in London.

Mr A. C. Duncan, FCA, chairman, in the course of his speech, said: Our gross revenue, £34,363,900, as compared with that of the previous year, has increased by £3,326,898. Our production costs and other expenditure, however, have increased by £3,507,700, reflecting, *inter alia*, increases of £3 10s. per ton on paper and about 15 per cent on other charges. The trading profit, in consequence, has decreased by £180,802. The net profit for the year amounts to £2,327,436, a decrease of £175,467.

Taking into account the loss incurred as a result of the trade dispute in the early part of the year, I think you will agree that the net profit is satisfactory. The interim ordinary dividend of 5 per cent already paid and the final dividend of 12½ per cent now recommended total £283,763.

The *Daily Herald* has retained its place among the great national newspapers, with a sale of 1,650,000 copies daily and it is calculated, as a result of independent surveys, that its readership reaches a daily total of nearly six million.

The press has been giving the *Daily Herald* a great deal of publicity lately. Numerous ideas have been given an airing including mentions of a merger. All I can say at the moment is that we do not contemplate the paper closing down. On the contrary, we have put forward proposals to the TUC for improving its future prospects.

The report and accounts were adopted.

LONDON TIN CORPORATION

CHAIRMAN'S STATEMENT

The Thirty-First Annual General Meeting of London Tin Corporation Limited will be held on July 3rd at The Chartered Insurance Institute, 20 Aldermanbury, London, E.C.

The following is the statement by the Chairman, Mr J. Ivan Spens, OBE, which has been circulated with the report and accounts for the period of eleven months ended March 31, 1957:

ACCOUNTS

Shareholders have already been informed of the Board's decision to make up the Accounts of the Corporation to March 31st, in each year. Accordingly the Accounts now submitted cover the period of eleven months ended on March 31, 1957.

The net profit for the eleven months period after providing £652,000 for taxation was £714,726 compared with £883,642 in the previous year when substantial profits arose from the sale of part of our shareholdings in two then subsidiary companies to reduce such holdings to less than 50 per cent of the issued capital of each of those companies.

The gross income from investments and interest for the eleven months period was only very little short of that for the whole of the previous year and was sufficient, after taxation, to maintain the dividend of 30 per cent, less income tax at 8s. 6d. in the £, which took £624,146 leaving a balance for the period of £90,580 to be added to the amount carried forward, which now stands at £289,590.

Unless any unforeseen circumstances arise it will be the intention of the Directors to declare interim dividends in October and February in each financial year as has been done in the period under review. So far as can at present be seen the provisions of the Finance Bill now before Parliament will in no way benefit this Corporation.

PRICE OF TIN

The average London cash price of tin metal during the period under review was £781 per ton. The highest price reached during the period was £890 and the lowest £723 per ton. At the meeting of the International Tin Council held in London in March, 1957, the prices of tin for the purpose of the operations of the Buffer Stock management were revised. The floor price was increased from £640 to £730 per ton but the ceiling price remains at £880 per ton. Between £780 and £830 per ton the Buffer Stock management will not operate in the market.

MALAYA

Malaya should emerge as an independent member of the Commonwealth during 1957. Last year in my Statement I referred to the observations of His Excellency the High Commissioner as to the future policy of the Government. I can only say that we look forward to a continuance of successful mining operations under the new Constitution which may be assured of the support and close co-operation of the tin mining industry.

Of the forty dredges under the management of Anglo-Oriental (Malaya) Limited at the end of the period under review twenty-six were in operation, four were being reconstructed and ten were idle. The fact must be faced that the majority of these idle dredges will probably not work again. Most of them are of small treatment capacity and comparatively shallow digging depth; consequently they are not economical units in other than ground which is easy to work and where values are found at a shallow depth. Ground of this kind in Malaya is practically worked out, and a large part of Malaya's dredging production now comes from the deep low-grade deposits which of necessity require high-capacity deep-digging dredges for economic operation. Two of these idle dredges are already scheduled to be taken out of commission and dismantled, one is scheduled for reconstruction on another area, and one remains idle for security reasons, but the rest will remain on a care and maintenance basis for a reasonable time in case suitable employment can be found for them. Large-scale prospecting is becoming increasingly urgent but, although the security situation continues to improve, extensive prospecting cannot yet be undertaken in certain districts with confidence. The total output of tin concentrate from the mines managed by Anglo-Oriental (Malaya) Limited during the period under review was 14,943 tons which is at the rate of 16,301 tons per annum, compared with 17,003 tons produced during the previous year.

THAILAND

The output of tin concentrate from the dredges under Anglo-Oriental (Malaya) Limited's management in Thailand during the period was 1,610 tons, which is an annual rate of 1,756 tons, compared with 1,278 tons in the previous year.

BURMA

The efforts made by Anglo-Oriental (Malaya) Limited during last year to visit the mines and examine the plants, despite the difficult conditions, have been followed up during the period under review with the result that, by the end of March, 1957, two small dredges had been rehabilitated sufficiently to start trial running. The security situation, however, continues bad and effective full-time operations cannot be expected at present.

NIGERIA

The mines under the management of A. O. Nigeria Limited produced 4,181 tons of tin concentrate and 695 tons of columbite during the period under review, which is at an annual rate of 4,561 tons and 758 tons respectively, compared with the previous year's outputs of 4,707 tons of tin concentrate and 883 tons of columbite. Active prospecting was continued as well as research into the problems of ore dressing and suitable plant for the separation of rare earths for industrial use.

DIRECTORS

We welcome The Right Honourable Lord Colyton, PC, CMG, Sir Eric Mieville, GCIE, KCVO, CSI, CMG, and Mr G. J. A. Jamieson, who were recently appointed to the Board. In accordance with the Articles of Association they retire at the Annual General Meeting and offer themselves for re-election.

STAFF

Our thanks are due to the Management and Staff throughout the Organisation for the work carried out during the year.



PHILLIPS RUBBER SOLES LTD.

The 30th Annual General Meeting was held on 13th June, 1957, the Chairman, Mr. Peter Pettit, presiding.

THE ACCOUNTS for the year ended 28th February, 1957, showed :—

Group Profit for the year	£179,693
Add brought forward	86,898
	£266,591
Income Tax and Profits Tax	£100,000
Expenses written off	2,927
Transferred to Reserve	25,000
Net dividends	51,750
Amount carried forward	86,914
	£266,591

The Chairman's Review included the following points :—

PROFITS. Higher costs again reduced profit margins, but total profit after providing for taxation was less than £5,000 below last year's figure.

SALES. Home Sales again exceeded last year's record in both quantity and value, but exports were lower, due largely to restrictions or complete embargoes imposed by some countries.

PRICES. While prices have not been increased during the year, they may have to be reviewed as a result of further wage negotiations now in progress, but any advances will be kept to a minimum.

NEW PLANT. New electric power plant has now been installed at the Manchester Factory and the building of the new Mill and Press Room will commence during the next few months.

NEW SOLE. An attractive Extra Light Stick-a-Sole for Ladies' fashion footwear in an entirely new featherweight quality with amazing wearing properties will shortly be put on the market.

THE CURRENT YEAR has started well and Home Sales are a little higher than in the same period last year.

The final Dividend of 15% (making 20% for the year) was approved and the Report and Accounts were adopted.

WILMOT-BREEDEN (HOLDINGS)

POLICY OF DIVERSIFICATION JUSTIFIED

The eighth annual general meeting of Wilmot-Breeden (Holdings) Limited was held on June 12th in Birmingham, Mr D. L. Breeden, Chairman and Joint Managing Director, presiding.

The following is an extract from his circulated review:

The difficult trading conditions which have prevailed in the motor industry have received wide publicity. The decline in the sales of cars had already set in at the beginning of the year, and during the first eight months the sales turnover which the Company derived from motor-car components was down by no less than one quarter.

In spite of these adverse conditions the earnings for the Group have been maintained. Such a result has only been made possible by taking action ahead of events to adjust production costs and overheads in preparation for operations at lower levels of turnover; and our policy of diversification.

There has been a major redeployment of our activities in Birmingham. The object of this is to concentrate the manufacture of all motor-car products at the Tyseley factories and to release space at the Camden Street factories to meet the increasing demands for components for gas turbine aero engines.

CAR DIVISION

The concentration at our Tyseley factories of all motor-car activities has permitted a reduction in overhead expenses and has opened up new possibilities for further operating economies. Investment in new plant continued at a record level, but our major programme of expansion will not be completed until towards the end of 1957.

FLIGHT PRODUCT DIVISION

We have been greatly encouraged by the expansion of activity in this division, which is being concentrated mainly at two factories:

Camden Street, Birmingham.—The removal of car products from our Camden Street factories has enabled us to extend very considerably our resources for the manufacture of components for gas turbine engines.

Bridgwater.—This unit has emerged from its build-up period and is now making a profit. Total activity increased, and machining capacity has been extended in order to provide support for the aero engine work at Camden Street.

Telehoist Ltd.—This company achieved the highest sales in its history, and it is now leading the way in the design of hydraulic tipping gears for heavy duty operation.

Telehoist exports directly one-third of its output and indirectly, through vehicle manufacturers, a further one-third. Also it has been successful in opening up new markets in South Africa.

After reviewing the overseas activities, the statement continued:

RESEARCH AND DEVELOPMENT

The new research and development unit at Umberslade Park has now been operating for twelve months. Effort has been directed initially towards research into certain electro-chemical processes and further development of locking mechanisms. Two new mechanisms, which are known as the zero torque and the safety cam locks and which are the outcome of this work, have been exhibited in some of the main car producing countries and several overseas licences have already been granted.

The motor industry is still operating under artificial restraints, and in consequence it is difficult to forecast prospects for 1957. Sales in that industry are now rising, but account must be taken of increasing costs and intensified competition. It is hoped that some of these adverse conditions will be offset by the measures taken by the Company.

The report was adopted and the total distribution of 8½ per cent on the Capital as increased by the Rights and Capitalisation Issues made during the year, was approved.

UNION INSURANCE SOCIETY OF CANTON

The annual meeting of the Union Insurance Society of Canton Limited was held on May 24th, in Hongkong, the Honourable C. Blaker, MC, the chairman, presiding.

The following are extracts from the report and accounts and his circulated statement:

Marine.—The net premiums for the year amounted to £3,585,944.

Fire.—The net premiums for the year amounted to £3,955,085.

Accident and General.—The net premiums for the year amounted to £4,548,214.

Profit and Loss Account.—Interest and dividends amounted to £548,431 and transfers from underwriting accounts to £293,019. The profit for the year appertaining to the society is £354,727.

CHAIRMAN'S STATEMENT

The year under review was generally one of more than usual difficulty. Although our overall premium shows a healthy increase which testifies to the keenness of those concerned throughout our organisation, the results reflected in our revenue accounts are less satisfactory than those we have become accustomed to expect.

The income in the accident department at £4,548,214 is £953,095 higher than in 1955.

Your directors have decided to recommend that the existing capital structure of the society should be altered from 200,000 shares of £10 each to 2 million shares of £1 each.

At the present time our shares are one of the most expensive insurance shares in the world, and it is felt that a split of each £10 share into 10 £1 shares will enhance the popularity of the society and widen its list of shareholders. The report was adopted.

BENGUELA RAILWAY COMPANY

At the Annual General Meeting of the Company held in Lisbon on 28th May 1957 the following distribution of profits for the year 1956 was approved:—

	1956 Escudos	Comparative Figures 1955 Escudos	1954 Escudos
Net Revenue	221,811,958	146,096,217	127,163,195
Deduct:—			
Percentage to Portuguese Government	24,589,077		
Deductions in accordance with the Articles of Association	16,889,002		
	41,478,079	22,118,135	20,191,075
Balance available for distribution	180,333,879	123,975,082	106,972,120
Distributed as to:—Debenture Service:—			
Redemption of 4% Debentures	49,248,290	48,889,269	16,299,076
Interest on 4% Debentures for year 1956	11,033,345	15,888,915	14,940,901
Interest on 5% Debentures for year 1956	16,100,000	15,996,692	3,357,892
	76,381,635	77,771,797	33,597,869
Dividend of 16.5 Escudos per share on Share Capital	49,500,000	33,000,000	33,000,000
Transferred to General Reserve	53,452,244	13,203,285	40,074,251
	180,333,879	123,975,082	106,972,120

Tanganyika Concessions Limited owns all the Debentures and 20% of the Equity of the Benguela Railway 80.5 Escudos = £1

THE MUNICIPAL TRUST COMPANY LIMITED

HIGHER PERCENTAGE OF FUNDS IN DOLLAR SECURITIES

MR ROBERT ADEANE'S SPEECH

The Seventy-Seventh Annual General Meeting of The Municipal Trust Company Limited was held on June 12th in London.

Mr Robert Adeane, the chairman, who presided, said:

Before commencing my remarks on the Report and Accounts, I want to refer first to the untimely death in February last of Mr R. T. Outen, who had been a Director of this Company since June, 1955. Mr Outen was an outstanding man, able and charming, and both the Company and the Board will miss him greatly.

The Gross Revenue of the Company for the year amounted to £138,590, compared with £130,190, an increase of £8,400. Expenses at £33,428 showed a slight decrease of £613 over last year. Earnings this year amounted to 19.1 per cent on £500,000 of Ordinary capital and we increased the dividend to 12 per cent as compared with the earnings of last year which amounted to 20.6 per cent on the smaller Ordinary capital of £415,000 on which a dividend of 10 per cent was paid for the fifth year in succession. After payment of this dividend, £21,917 has been added to the carry forward, which now amounts to a total of £141,651, equivalent to 49.27 per cent on the Ordinary capital.

Turning to the Balance Sheet our investments had a value at the year's end of £2,246,035, against a book value of £1,388,440, and the percentage invested in the USA and Canada was increased from 4.47 per cent to 7.92 per cent of the total funds invested. Since the close of the financial year we have invested further funds in dollar securities, and the percentage now is probably to the order of 10 per cent. The net assets value of the £1 Ordinary Stock Units at 60s. 3d., as against 60s. 6d. last year, shows little change. Since the issue of our Annual Report and Accounts for 1950 the Ordinary capital has been increased by £332,892 by issues of Rights to Ordinary Stockholders at par and now stands at £500,000. In the same period earnings on the Ordinary Stock have advanced from 12.6 per cent to 19.1 per cent.

As to prospects for the current year, I think that we should earn at least as much as we have done in the year under review, and I anticipate no difficulty in maintaining the increased rate of dividend as paid for the past year.

The report was unanimously adopted.

APPOINTMENTS

UNITED KINGDOM ATOMIC ENERGY AUTHORITY

RESEARCH AND DEVELOPMENT LABORATORIES
LABORATORY MANAGEMENT POSTS

The Research and Development Branch of the Industrial Group of the United Kingdom Atomic Energy Authority have vacancies for Laboratory Secretaries at their Laboratories at Capenhurst, Cheshire; Dounreay, Caithness; and Windscale, Cumberland.

DUTIES:

The Laboratory secretary will be responsible directly to the Head of Laboratories for the organisation, direction and co-ordination of the various services supporting the purely scientific and experimental effort of the Laboratories. His chief duties will relate to:

Research Programme Planning and Progressing,
Technical Editing, Library and Information Services,
Training of Scientific, Technological, Administrative and Industrial Staff,
Financial Control,
Personnel Matters,
Supplies and Contracts,
Provision of Office Services.

QUALIFICATIONS:

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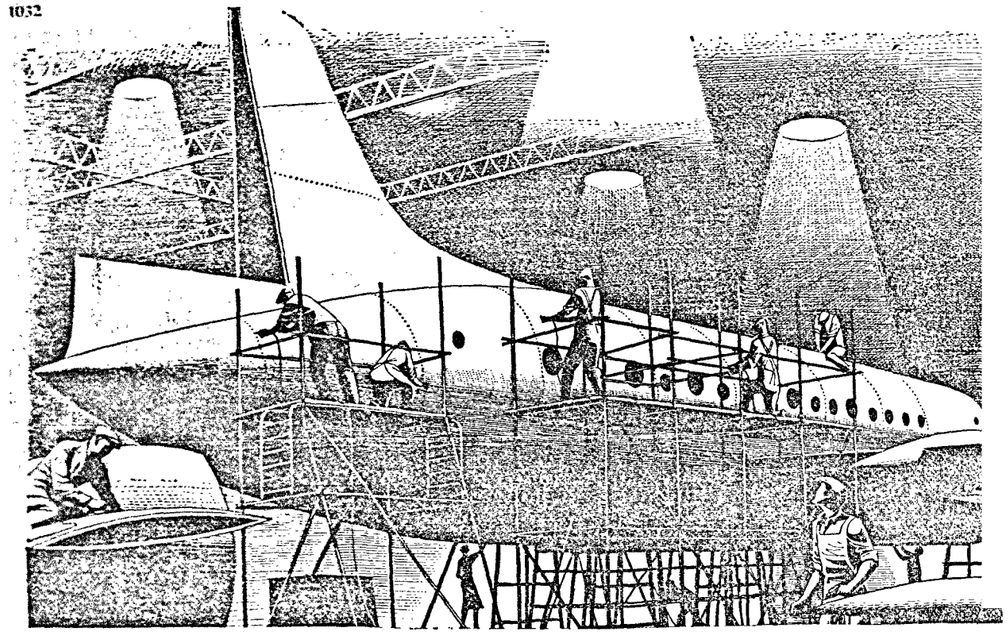
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Fuel for the Switch

"Fitting in the atom" will give nationalised electricity's new masters some ticklish new problems—technical, economic and commercial. (Page 1081)

Engine Trouble in Italy

The prolonged cabinet crisis in Rome underlines the need for a realignment of political forces. (Page 1045)

How the Rent Act Works

A simple outline of a complicated act to assist landlords and tenants. (Page 1083)

Girls behind Glass

A modern Crystal Palace that hates to be called a modern school. (Page 1047)

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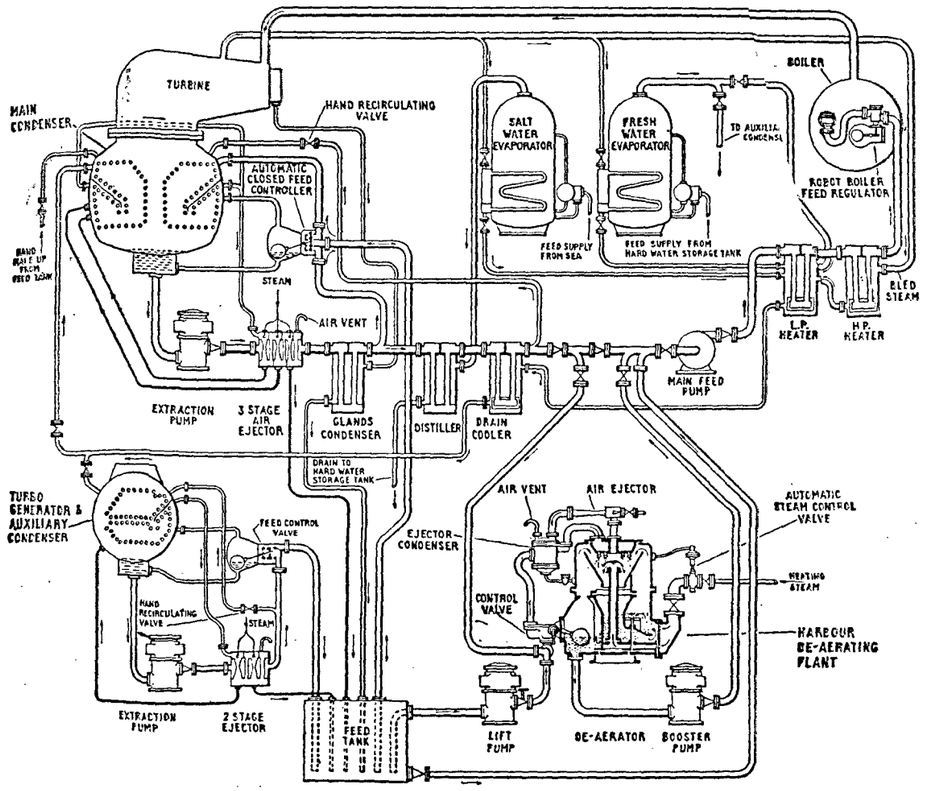
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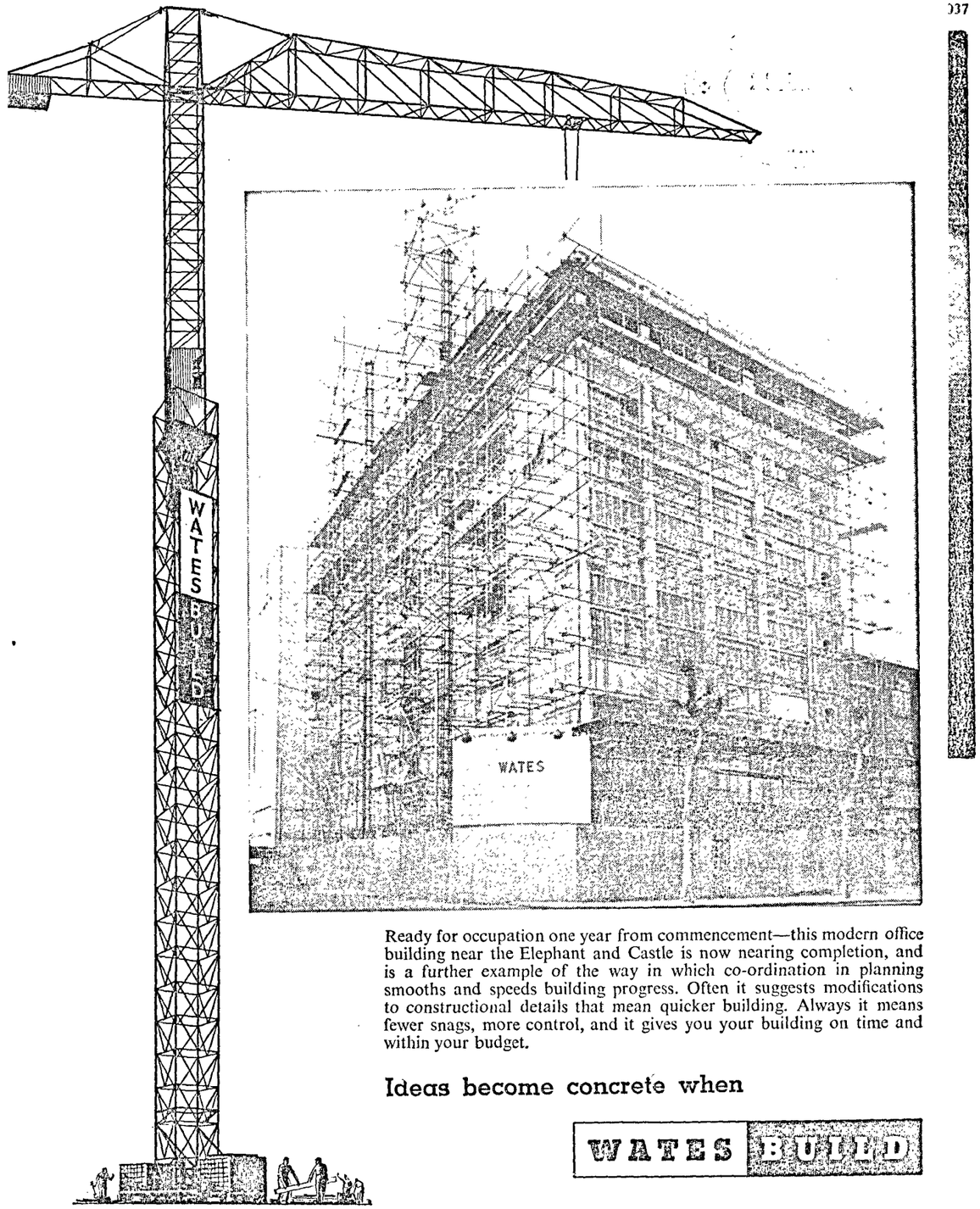
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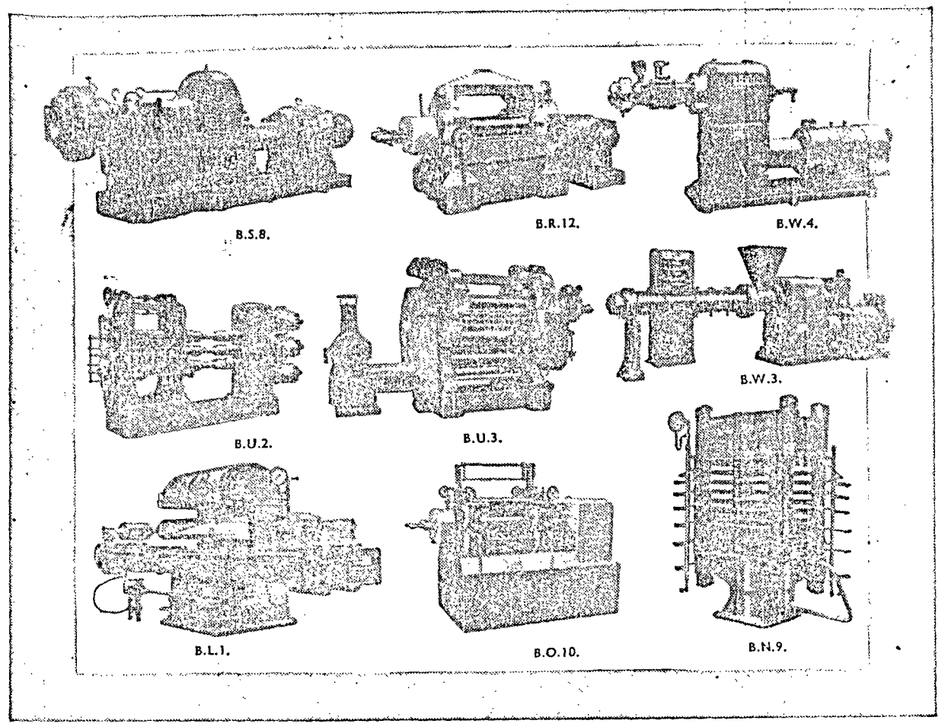
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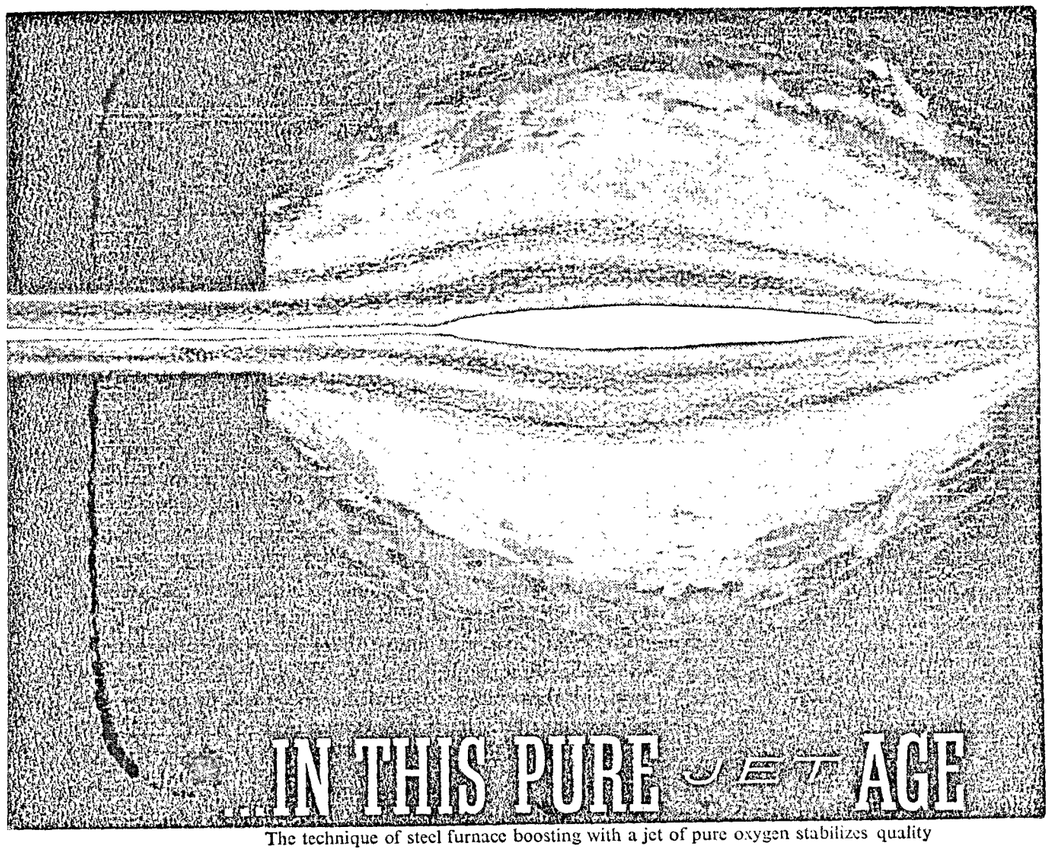
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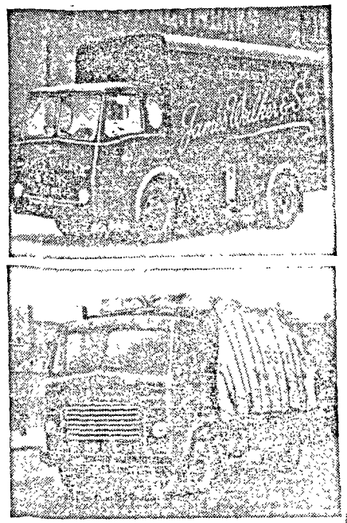
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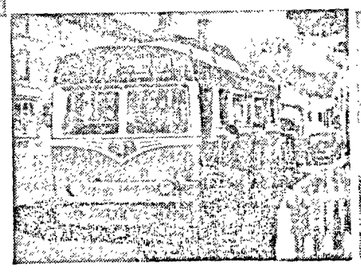


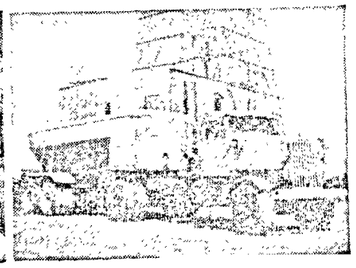
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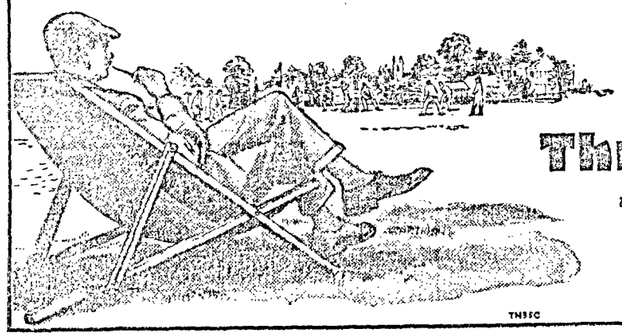
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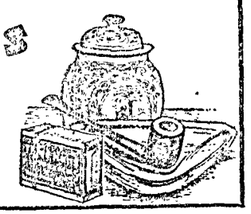
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The Economist

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Arms Talks and Tests

WHEN it is said that the powers discussing disarmament a Lancaster House "are nearer to an agreement for the first step than we have been at any time in the last eleven years," the speaker (Mr Stassen, when he arrived back last week in London may very reasonably be listened to with sceptical reservations. In eleven years the talks have never appeared to be near agreement at all Still, simple persons might think that, if Mr Stassen was right in wha he said, then the allies of the United States would hear it cheerfully not with alarm and suspicion. In fact, precisely because of the newly hopeful American manner, disarmament has become the subject of much perplexity and polite dissension among the members of the Atlantic alliance.

This may be because we have all grown too accustomed to "living on the dead level of the cold war," as another American (Mr James Reston suggests: "The familiar, unsatisfactory as it is, has become preferable to fear of the unknown." Or perhaps it is that, living, as we all do, with the alternate hot and cold winds of irrational hope and obdurate pessimism, we have all failed to examine the possibility of a "first step" agreement on armaments coldly enough to see it for the limited, qualified humdrum, unimpressive thing that it is bound to be. For the state of world relations in 1957 does not justify any expectation of large magnanimous measures of disarmament. It may mean, simply, that seeking safety as we all do, we are suspicious of a trap.

Nato, its armaments and its infrastructure, and the stockpile of American nuclear striking power that lies stacked behind it, have not been built up for trifling reasons. The impelling motives of self preservation that caused them to be built up are still there to urge insistently, that they should be maintained. What, we may—indeed must—ask, has changed since 1949? One change has been recognised in the new British defence policy that seeks to offset the cost of the new weapons by savings in the numbers of men under arms—though admittedly, those reductions have so far been unilateral, without an disarmament agreements. Another change is that, the two super-powers having accumulated stocks of nuclear weapons, it has begun to be asked whether the further accumulation of their destructive devices will augment the security of either.

Britain has joined the race; if it goes on, how many other powers will join it? The two super-powers may be approaching the point at which they have a common interest (their interest still being, essentially their self-preservation) in calling a halt. If so, then they can safely defer to the pressure of general human opinion, alarmed by the uncharted dangers to the earth's atmosphere from unrestrained nuclear tests. But can they?

Obviously, neither of the changes in the climate of the armaments race would conceivably justify the western alliance in throwing away

or weakening in any essential, either its military strength or its strategic position. In conventional armaments the West is still very much the weaker side ; there is no case —whatever the validity of Mr Sandys's logic—for large demobilisations. In nuclear armaments the West is still almost certainly the stronger side. It needs to keep its preponderance ; and this requires swift improvement of the means of delivering nuclear explosives. The question is whether it also requires the indefinite accumulation of the explosives themselves in infinite quantities.

It may well be true that something could be done by way of limiting the quantitative scope of the armaments race without incurring grave new risks—if the Russians are sincere in desiring a limitation. Russian sincerity is in no sense proved by the suggestions of a change in the formal Soviet attitude to disarmament in the last few months. Yet the indications of such a change, whatever the motives or the implications, are striking enough to oblige the western governments to explore them further.

In particular, the Russians have ceased to oppose a blank negative to all serious suggestions of inspection and control. This was the great surprise about Mr Zorin's proposal to the United Nations sub-committee at Lancaster House when it resumed on June 14th. It was, on the face of it, a proposal in complete contrast to the "step into my parlour" Soviet plans of earlier days. Mr Zorin proposed that nuclear weapon tests should be stopped for two or three years, pending negotiations for their permanent prohibition ; that an international commission should observe and report to the Security Council ; and that control posts, technically equipped to detect infringements, should be set up in, among other places, the Soviet Union itself.

As an article on page 1063 indicates, the sudden apparent translation of Lancaster House from limbo to *terra firma* has caused apprehensions and dissension inside Washington as well as inside Nato. But it is also clear that President Eisenhower's set desire to see a first step in the limitation, if not the reduction, of armaments continues to govern American policy ; that Mr Stassen, who has been by no means disowned, still has proposals in his briefcase ; and that Washington is bound to test the worth of the latest Soviet initiative seriously. There are still very great difficulties, for these are life-and-death matters. American development of the longest-range missiles has entered the stage of tests. These may not involve nuclear explosions, but it has to be asked whether the Soviet wish is simply to hold up American missile development under cover of protecting mankind from strontium ?

Even if this is not the Soviet wish, the French government, the next prospective member of the nuclear club, may insist on preserving its right, as Mr Macmillan did for Britain, to hold tests when its first nuclear weapons become ready. And, inevitably, a demand for inspection in western Europe must come up against Dr Adenauer's objection to any international arrangements based on an acceptance of the *status quo* in Germany.

Mr Macmillan, speaking for a power that had begun its own first series of thermo-nuclear tests, but had not then completed them, covered some of this ground in his reply to the letter which Mr Bulganin sent him in April. As it happened, his reply was delivered in Moscow on the same day as Mr Zorin at Lancaster House made his proposal, which makes Mr Macmillan's earnest pressure for the advance registration of tests and "the presence of international observers on all such occasions," as immediate measures, look like small beer. Britain, having tested its thermo-nuclear bomb, will not be likely to stand out against an internationally agreed suspension of further tests. But the suspension of tests, as Mr Macmillan said, is not disarmament. His letter made clear the British view that sweeping reductions of armaments still lie at the end of a long road ; they would require political settlements as well, and "a diminution of the world tensions that obliged us to set up our defence system."

So they would. The western countries, however beguiling or sultry the weather, must never delude themselves with foolish hopes of defence burdens easily shed. The case for narrow agreements (for instance, to stop tests) lies most strongly in the hope that an agreement on something might conceivably set in motion the reduction of tension that could one day, on the purest basis of mutual self-interest, make disarmament possible. This appears to be Mr Eisenhower's hope, and it is the consideration that has enabled Mr Stassen, so far, to survive successfully the attacks from the defence planners in Washington. It is not a certainty, but it is certainly worth trying, if sensible pilot agreements can be found, if the new Russian attitude stands up to exploration, and if the progress offered requires the surrender of no real essentials of western self-defence.

Clearly the exploration involves disentangling the topic of disarmament, in certain strictly limited ways, from the differences of political substance that still divide, and will continue to divide, the Soviet Union and the West. If this disentanglement cannot be done, then every move at Lancaster House, every hint of a possibility of an approach to agreement between the Americans and the Russians, will inevitably throw the European allies of either side into alarm lest their vital interests are being sacrificed. Dr Adenauer's talks in Washington at the end of May performed one service by establishing—on American insistence, and against the inclination of the Bonn foreign office—that a "first stage" in disarmament could at any rate be contemplated in separation from the German question.

Mr Macmillan's letter was a temperate and reasonable document. Since it was, however, designed as an answer to a typical Muscovite mixed bag from Mr Bulganin, it is not surprising that it tended to treat the matters at issue between Moscow and the West—in Europe, particularly—as a mixed bag, entangled and inseparable : "All western proposals for European security are contingent on a reunified Germany with a freely elected all-German government free to choose its own foreign policy." Mr Macmillan was explaining that the Eden plan, which Mr Bulganin had exhumed, is not on offer just now ; well and good. It would be a pity if his letter were to be read as laying down an immutable priority. German unity, on western terms, is indeed a desirable end of policy. The western powers have promised not to make any agreement or set up any international system that recognises two German states or tends to perpetuate the division of Germany. They were right to make these promises. The division of Germany is against nature, and to build an international system upon it would be wrong—and perilous.

But it does not follow that there is nothing to discuss until the German question has been settled. Nor does it follow that the terms for a German settlement are immutable. One day, indeed, a government at Bonn will decide the terms for itself. The inter-zonal border in Germany is not a wall of Jericho that will fall with the blowing of a trumpet ; its demolition will come not at the beginning, but towards the end, and as the consummation and proof, of any real change in the relations between East and West.

Prime Ministers and the Pound

The Commonwealth countries have a common interest in the strength of sterling. They need co-ordination of policy to secure it

In their conference next week the Commonwealth Prime Ministers do not seem likely to talk very much about sterling. Diplomats will consider this to be understandable: at a meeting in which Mr Macmillan hopes to re-establish friendship with Mr Nehru, it will be inconvenient to say some of the things that ought to be said about money. But economists must regard it as a pity. For there are a number of matters affecting sterling—particularly in view of the disappointingly slow recovery of foreign confidence in the currency since the Suez crisis—that deserve to be threshed over now, and at a prime ministerial rather than a technical level.

Sir Winston Churchill used to require that when complicated matters were referred to the political summit, instead of to experts, they should be condensed, pray, on to a single sheet of paper. The best single sheet of paper to lay before the prime ministers might be some variant of the table on the next page, the first two columns of which reflect, in a deliberately simplified form, the two basic facts in the sterling area's recent experience. First, in each of the last six years except 1953 Britain's partners in the overseas sterling area have incurred an annual payments deficit, which has run steadily between a minimum of £93 million (1955), and a maximum of £197 million (1952).

Secondly, Britain—although achieving a surplus of £414 million in its external payments over the period as a whole—has consistently done better in each "even numbered year" than in the "odd year" that has followed. In each of the last three even years since devaluation it has run a surplus of a reasonably comfortable and remarkably stable size (£247 million in 1952, £228 million in 1954, and £233 million in 1956) ; in two of the three odd years it ran a deficit (£403 million in 1951, £77 million in 1955), although in 1953 it managed to maintain a slightly attenuated surplus of £188 million. This tidy but troublesome fluctuation seems to have been partly a symptom of a distinctive two year cycle in British industry's restocking, and recently also in British consumption of household durables.

From these two lessons of the table emerge the two problems of sterling that will deserve a place in the Commonwealth discussions next week. One is the fact that 1957 is another odd year, and each odd year since the war, except 1953, has seen a sterling crisis. The prime ministers should look at this cycle next week, not because it seems to be an immediate problem, but precisely because the welcome prospects are that it is not. Despite a renewed cyclical upsurge in durable consumption, and possibly a developing increase in restocking of raw materials, Britain seems reasonably set to maintain a surplus in external payments this year. Despite an unfavourable level of raw material prices, and the burden from Suez, the overseas sterling area's usual deficit may be smaller in 1957 than in 1956. If, therefore, there is a net addition to the gold reserves this year—and there ought to be—it will not be the usual addition while things are going well. It will be an unusual addition while most outside and cyclical things are going rather badly. Reasonable prospects could then be held out for a bigger addition to the reserves in 1958, and just the right springboard might be provided for a positive policy for the strengthening of sterling.

If that medium term opportunity is to be seized, however, something will have to be done about the other problem shown by the table: the underlying insufficiency, year in and year out, which seems, at first sight, to be mainly the fault of the overseas dominions. That, of course, is not really a fair picture. One of the continuing saps to sterling's strength is that foreigners

will be unwilling to hold it so long as it continually threatens to fall in value in terms of goods; since primary commodities have a world price, this fear of depreciating value really means depreciation in terms of manufactured goods—which means, in turn, that the foreign fundholders' fear is mainly of continuing cost inflation in Britain. But although Britain has here its share of the pillory to take, it is fair to point out that (even after the rise announced this week) retail prices in Britain are now only 2.1 per cent above their level of twelve months ago, which implies a rather smaller rate of depreciation than in almost any twelve month period since the war. The time is ripe to look at that other perennial scarecrow of the sterling scene—the long-continuing combined deficit of the overseas sterling area, or at any rate that part of it which is regularly financed from London.

It is traditional to explain this almost perennial drain by saying that countries at the overseas sterling area's stage of development should expect to run deficits, and countries at Britain's stage should expect to run surpluses; but this is a polite travesty of what has really been happening. The deficit of the overseas sterling area has not been due to a steady building up of the economies of the Commonwealth's younger sons; the deficit of the whole area has been due to different members, at different stages, going suddenly on a drunk. For the greater part of 1951 the main culprit in running a deficit far greater than the temporary trend in its stockbuilding or terms of trade justified was Britain; in 1951-52, and to some extent in 1955, it was Australia; and in 1956-57 it has been India.

THE LAST SEVEN YEARS
(£ million)

	Overseas sterling area's payments	Britain's payments	Total payments	Change in gold reserves and reserves at IMF
1951.....	−110	−403	−513	−344
1952.....	−197	+247	+ 50	−175
1953.....	+138	+188	+326	+296
1954.....	−102	+228	+126	+127
1955.....	− 93	− 79	−172	−229
1956.....	−162	+233	+ 71	−196
Total ..	−526	+414	−112	−521

Notes on Table:—Overseas Sterling Area's Payments are obtained by adding their current deficit with Britain to items 20 and 21 in the British balance of payments white paper; this gives the overseas sterling area credit for capital they have attracted from non-sterling countries in just the same way as if it were a current receipt (which will pain strict accountants but, in assessing the strain these countries have put on the area as a whole, seems to be fair).

The difference between the last two columns in the table depends on the extent to which non-sterling countries and institutions have been lending to the sterling area, or have been changing their willingness to hold sterling here. This varies with several factors but, broadly speaking and especially in the latter part of the period, when the reserves have made a much worse showing than the figure for "total payments" (e.g., in 1956), this can be read by the ordinary man as a sign of a flight from the pound.

The other members' reaction to these and other individual bouts of recklessness has been in the best tradition of family embarrassment. There has been no real attempt to agree that deficits must be held down to a level that can be financed by a reasonable drain on the common pool, plus any special funds that can be attracted from non-sterling bodies like the World Bank. There has been grudging toleration of swingeing import restrictions that are really against the traditions of the club. Only gradually has the country concerned returned to sobriety—just in time for the boat to be rocked by another member. Perhaps next time it will be one of the most sternly self-denying hitherto, like Malaya or Ghana.

It may be said that it is impolitic or impossible to do anything about this system; and admittedly, it is not sensible to suggest that there could be a complete return to the system whereby some sterling area countries used rigidly to agree that they would not draw down the balances they had accumulated here by more than a certain amount each year. But it is worth pausing to consider what the object of the sterling area is. What it really amounts to is an agreement that members will allow a freer flow of capital to each other in return for rather easier markets with each other, accompanied by an agreement for common banking of non-sterling exchange. It has recently been recognised that the right of access to easier markets can be too dearly bought; within the last year both the Anglo-Australian and the Anglo-New Zealand agreements have envisaged some whittling down of Commonwealth preferences on British goods, because Britain could not accept a suggested new obligation to buy Commonwealth agricultural products whether it wanted them or not. There are some other features of the sterling system that can be too dearly bought also.

Other economic associations of independent countries, for example in Europe, have central bodies that try to secure compliance with certain rules about managing individual balances of payments. They do much of their chivying in public—and, as France's retreat from European liberalisation this week shows, they do not always succeed. Within the recesses of the Treasury there are roughly analagous sterling area study groups; they work strictly in secret—and seem to the outsider to succeed almost never. Somewhere between the European system of more open chivying and the former sterling system of agreed maximum drafts on some individual balances, there should surely be means by which other members of the sterling club could bring some mild forms of pressure (perhaps particularly as concerns the controls they impose on capital movements) to bear on those of their colleagues whose policies are plainly likely to plunge them into excessive deficits. Nobody with a sense of realism will call for a precise annual "plan" for sterling area balances of payments, but there might be a case for publishing some chivying document like an annual and forward-looking Sterling Area Economic Survey. The Prime Ministers next week would not be the right body to make a snap decision about precisely what sort of mechanism is needed, but only an initiative at their level could free their technical experts to start thinking over the problem.

Engine Trouble in Italy

The breakdown of the four-party coalition in Rome brings out more clearly than ever Italy's need for a democratic party of the Left to provide a political alternative to Christian Democratic rule

The Italian political machine has developed serious engine trouble. If granted a clear, straight road, it may, with coaxing, stay the course until the next elections, now less than a year away. But if it is called upon to negotiate any corners that are at all tricky, it may break down—in which case the date of the general overhaul will have to be advanced to the coming autumn.

The present trouble began over six weeks ago, when Signor Segni resigned; the defection of his coalition partner, Signor Saragat, had deprived him of his majority in the Chamber. Signor Zoli, the president of the Christian Democrats, then tried to form a "monochrome" minority government, but, unable to disembarrass himself of the fatal attentions of the extreme Right, he, too, threw in his hand. President Gronchi thus found himself back where he started; after more thumbing through the possibilities, and a novel but largely abortive attempt to get the president of the Senate to carry out still further explorations, he has asked Signor Fanfani, the secretary-general of the Christian Democrats, to try his hand. At the time of writing, Signor Fanfani is cautiously investigating his chances.

Italian politicians are second to none in the occult skills of manœuvre behind the scenes; this makes analysis of what is going on at the Palazzo Montecitorio all the more difficult. On stage, parliamentary arithmetic gives the "democratic" politicians very little room for manœuvre. Both the extreme Left (the Communists, with 143 seats in the Chamber) and the extreme Right (the Monarchists and the neo-fascist MSI, with 69 seats between them) are, as it were, non-starters; since neither subscribes to the rules of the parliamentary game, neither can hope to have a place in the team. The Nenni Socialists (with 75 seats) have also forfeited their place since they either cannot, or will not, break clearly away from their association with the Communists. Only the centre parties are left from which to construct a stable government. Until 1953, the Christian Democrats, with over 300 seats (out of a total of 590) were able to form governments on their own. But for the last four years, with their numbers shrunk to 260-odd, they have had to rely on the support of the three small centre lay parties—the Social Democrats (with 19 seats), the Liberals (14), and the Republicans (5). The Republicans would not accept a seat in the Cabinet, although till a short time ago they could usually be relied upon to give the government their support.

Until a few months ago this four-party alliance (the *quadripartito*), considering the discordant elements within it, managed to get along reasonably well. Its critics accused it of *immobilismo*, but Italians always tend to hurl this charge at their governments. It is true that controversial measures have been seriously delayed or virtually shelved. The Constitutional Court, for instance, which is an important element in the postwar constitution, has only been functioning for just over a year; and the settlement of the land tenure problem proposed by Signor Segni seven years ago, when he was minister of agriculture, still remains perhaps the most explosive and controversial issue confronting the centre parties.

Yet under the *quadripartito* Italy's economic prospects (apart from a growing deficit in external trade) have steadily improved. Industrial production has risen persistently; and if comparatively few Italian roofs yet sprout television aerials, Italian roads swarm with motor-scooters. Even the South has begun to see the beginning of better things; under the *Cassa per il Mezzogiorno*, which was set up in 1950, a real start has been made with the creation of the conditions necessary to lift the people of southern Italy out of their ancient poverty and backwardness. In the international field, too, Italy has climbed back into a respectable niche; and its self-confidence finds expression in an increasingly vocal belief that it should make itself felt more forcefully in the councils of Nato and of Europe.

But in spite of the progress that the country as a whole has been making, the politicians of the centre have found life in a coalition increasingly hard to bear. Moreover, the frictions and compromises inevitable in a multi-party government have not lessened the internal discords that afflict all Italian parties; none is too small to deny itself the luxury of a split down the middle. And within the huge, amorphous Christian Democratic party one can find a reflection of every shade of the political spectrum which ranges from the right-wing Liberals (the staunch champions of the rights of landowners) to the socialist followers of Signor Saragat.

In a party that commands the allegiance both of reactionary southern landowners and of trade unionists from the big northern cities, the extra-political sentiment of religious conviction is the chief binding cement (although there are plenty of devout Roman Catholics in the other parties). And quite often

the cement comes unstuck. Any Christian Democratic premier is hobbled as much by the feuds and disagreements within his own party as by the demands of his small coalition partners. Exactly two years ago, Signor Scelba was forced to resign largely as a result of the dissensions within the party. His successor, Signor Segni, if he had decided to hang on last month and push through the land tenure bill, would probably have come to grief on the opposition of Christian trade unionists like Signor Pastore. Signor De Gasperi was big enough and strong enough to impose some political cohesion on his party. Since his death, there has been no outstanding leader ; the big shots of the party, like Signori Fanfani, Scelba and Pella, stalk each other remorselessly and do their best to shun thankless responsibilities.

Although there is a strong reforming left wing among the Christian Democrats, which has left its mark on the party's record, their connection with the Roman Catholic Church inevitably draws down on them the suspicions of progressive liberals with anti-clerical sympathies. With no concrete evidence to support their hunches, they persist in believing that the link with the Church and the influence of the uncompromising Catholic politicians will irresistibly draw the Christian Democratic party towards an authoritarian Salazar-type regime. The reconciliation between the clerical and lay parties, between the Guelphs and the Ghibellines—on which Signor De Gasperi laid such importance even when it was not necessary to his political position—has still to be accomplished.

MEANWHILE the lack of a strong, united, democratic socialist party deprives the Italian voter of a satisfactory third course between clericalism and communism. The vote-catching power of the Italian Communists since the war has been enhanced by their record of resistance to fascism and by their championship of Italy's postwar democratic constitution ; and, although they continue to lose ground steadily in trade union elections, it is by no means certain that the disillusion and defections brought about by the Hungarian revolution have seriously shaken their position in the country as a whole. Indeed, although in this week's Sardinian elections the Communists lost two seats, in the municipal elections last month they (and the Christian Democrats) made gains, while the Nenni Socialists and to a lesser extent the Saragat Socialists lost ground. In the local elections last year, the two Socialist parties both made gains at the expense of the Communists. Since then, socialist reunification has been much talked of ; and one may suspect that the voters' disgust at the failure to bring this appreciably nearer may be largely to blame for the Socialists' recent setback.

Sooner or later, the reunification of the two Socialist parties will probably be accomplished ; how soon, is anybody's guess. On grounds of ideology and policy there is little to prevent it, although there is a divergence between Signor Nenni's neutralism and Signor Saragat's support of Nato. The link between the Nenni Socialists and the Communists remains the chief stumbling block. Signor Nenni insists, categorically and repeatedly, that he has broken with the Communists ; but, as the Socialist congress in Venice last February showed, the financial advantages of the Communist connection, and the infiltration of Communist sympathisers into the local leadership of the party, make it difficult for him to carry his followers along with him. Indeed, the leaders of both socialist parties tend to be out of step with their rank and file on this issue. While Signor Nenni's followers are pulling him back by his coat-tails, Signor Saragat apparently found himself last month pushed so violently from behind towards the Nenni Socialists that he tried to steady himself within his own party by throwing off his compromising connection with Christian Democracy.

THE inability to find a democratic alternative to Christian Democratic rule handicaps Italian political life ; the virtual exclusion of the extreme Left and the extreme Right restricts it ; the persistence of the old clerical and lay antagonisms complicates it. So do the internal divisions within the parties and the agreements on specific policies that cut across party affiliations. There are some fears in Italy that the difficulty of producing a stable government out of this welter of complicating factors may discredit Italy's comparatively young and inexperienced parliamentary institutions, which may not yet be firmly set in their final form and which in any case have to contend with the largest communist party in Western Europe. It is unfortunate that the fate of governments should so often seem to depend more on the secret decisions of party executives than on a vote in parliament. But this danger should not be exaggerated ; Italian democracy has given plenty of evidence of its sturdiness.

President Gronchi has apparently taken upon himself to provide some compensation for the creaking of the parliamentary machinery. But it is unlikely that he will improve matters by reading more into his presidential functions than the authors of the constitution envisaged or than the general feeling in the country would be likely readily to accept. The complications of Italian politics will hardly be solved by turning the President into a controversial figure.

In the long run, the most healthy development would be the formation of a democratic party of the Left, which would include the present left wing of the Christian Democrats, together with both the Socialist parties ; thus it would be big enough and strong enough to form a real alternative to the Christian Democrats and to attract the votes of those who now vote Communist. This may appear a pipe-dream. But Italy has come a long way in the past ten years. There seems no good reason why its political institutions should not, in the years ahead, gradually evolve into a more accurate reflection of its political needs.

BRITAIN'S SCHOOLS—IV

Girls behind Glass

Our correspondent who wrote about different types of school on January 26th, March 9th and April 27th here describes one of London's new substitutes for the secondary modern school

THE new girls' county school is part of the London County Council's plan to blur the distinction between the grammar and technical schools, to which the brightest 25 per cent of children go, and the secondary modern schools which receive the rest. The building is the work of a very distinguished architect, and other members of the profession are forever coming to admire it. It consists of two tall blocks of glass and steel, connected by a single storey administrative building, against a background of trees, with lawns on three sides. It stands on a hill, and below it endless terraces of dim little brick houses stretch northwards towards central London. In the entrance hall the statue of a naked ballerina stands on points all day. But at night she is covered with a cloth, like a canary, to foil the local louts who used to come and peer at her through the glass doors.

She is not the only one who has found that living in one of these crystal palaces has its disadvantages. The classrooms, each with one wall of glass (and the others covered with the nicest new wall papers), are light but not airy ; the windows open only narrowly lest the county girls should hurl each other down from the fourth floor. In this week's weather, the south side of the building has been a furnace, and the venetian blinds exclude the glare but not the heat. But in a cold winter the rooms are not warm enough until the radiators are too hot to touch—you take your choice between chilblains and blisters. The glass, with its steel frame, is an excellent conductor of noise, and the other walls, too, are thin. "Opportunities for the girls are wide," said one teacher. "My class has the choice of five lessons: those in the rooms on either side, above and below, and the one I am giving myself." She was exaggerating; the ceilings are insulated.

There is a fine hall, complete with curtain and stage lighting. The architects call it multi-purpose, which means that at 12.15 p.m. every day all hell breaks out. At the end farthest from the stage the shutters are thrown up to reveal magnificent kitchens. The children swarm out of the six classrooms that lead off the hall, fling their books into lockers and swarm back into the classrooms with knives and forks and a plate of stew, which perfumes their lessons all afternoon.

Nor is lunch the only time when a thousand children are on the move. It happens every half hour. Secondary schoolchildren today do not sit all day at a particular desk awaiting the visit of successive teachers. The teachers have so much paraphernalia that it is they who stay put in specialist rooms and the pupils who rush about. Books and belongings are kept outside the classrooms in lockers, around whose feet satchels surge in a manner that the designer of this pin-neat decor cannot have foreseen.

BUT this was one of the earliest postwar secondary schools to be built in London and much has been learnt from experience. In any case, it contrasts so sharply with the grim gothic-windows-and-asphalt sort of secondary modern school that it seems absurd to class it in the same broad category. The parents certainly think it is rather special, and if the headmistress was not obliged by the London County Council to take a cross section of ability, it would become highly selective. The LCC's ultimate aim, in accordance with its Labour principles, is to organise all secondary education in London in "comprehensive schools" catering for all levels of ability ; but every one of the existing secondary schools will have to be used until 1960. Meanwhile, therefore, they offer courses of either four, five, six, or seven years. Some schools, already growing towards comprehensive status, offer courses of varying lengths, specialising in a variety of subjects.

The county school visited by your correspondent was one such school, but the glorious goal of comprehensiveness is reached by a different route than was at one time thought. Near the school is a well-established grammar school, "aided" by the LCC, but run by a voluntary body. In cases such as this it would be wasteful to build a comprehensive school ; so the LCC had thought to build a "county complement" (a secondary modern school) as near as possible to the grammar school. The idea was to mix the two schools in common playing fields and halls, and to allow for the easy movement of pupils from one to the other if they proved to be brighter or duller than was at first thought.

Alas, after the county school had been built, the grammar school turned up its nose. So the county school children cannot use the playing fields that are right outside their window, although these are empty most of the day ; and if any county school girl proved to be clever, pride demanded that she should go miles to a grammar school rather than risk being cold-shouldered round the corner. The county school—which, anyway, had as its nucleus a former "central school" with courses up to the age of sixteen—was then told to

develop its own grammar school stream. It now boasts a sixth form of thirteen and eight girls of over seventeen. This summer forty will take two or more subjects in the General Certificate of Education—*most of them in* English language and in technical subjects like cookery, needlework and shorthand-typing.

For technical subjects the school is magnificently equipped. The dressmaking room is full of trestle tables, sewing machines, and dummies festooned with ambitious creations. The domestic science room consists of a number of open kitchens, each with stove, sink and table; and in an elegantly furnished flat the girls do the cleaning, have a bath and serve a meal to friends. There are two commercial rooms, each with thirty brand-new typewriters. A pottery room has two wheels and a kiln. The academic subjects are well provided for, too. The laboratories are impressive; *the biology* room is alive with rabbits and hamsters and white mice. There is a cinema where your correspondent joined some *fourteen-year-olds for a film* about convection. Finally, there are two very large, well-equipped gymnasia.

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CERTAIN doubts arose. First, is it all unnecessarily lavish? The average public school, with fees of £350 or £400 a year, has far less yet fills almost half the older universities. In particular, the county schools' laboratories were perhaps more elaborate than the ability of the children demands. At present these rooms see little, if anything, more advanced than pre-nursing courses and elementary general science, and it seems likely that parents of the cleverest girls will continue to prefer the old-established grammar school—unless they are dazzled by the look of the county school. On the other hand, it must be remembered that a school of a thousand pupils, though its size may bring some disadvantages, can provide expensive equipment cheaply, in terms of expenditure per head.

Secondly, is there too ready a flight in the new schools from academic subjects into pottery and cookery and dressmaking? *It is true that they* all do a general academic course for the first three years, and that what they learn afterwards is more useful than a lot of algebra or chemistry which they have little hope of understanding and none of retaining. *Your correspondent,* indeed, became rather starry-eyed at the thought of the skilled housewife of the next generation, even though the domestic science teacher was deflating. "Have no *illusions," she said*; "at home, if they wash out the cloth after drying up, Mum will shout 'None of your fancy school nonsense here.'" But the real point is that whereas practical skills can be picked up after school, the mind left untrained will remain so, and will be to that extent less able to master even the domestic arts, such as following a recipe.

A very special doubt must concern the flight into *typing. The aim is to* give point and purpose to the education of the non-academic child by linking it with vocational studies. But typing is no intellectual *discipline.* The fact that it bulks so large in the modern school curriculum seems a confession of defeat in using the extra year of compulsory schooling.

Finally, some doubt remains about the child of grammar school or nearly grammar school calibre. In theory, and certainly *in physical equipment,* she is catered for. She can follow an academic course and she does homework. But is the pace of work as fast as in a grammar school? Is the staff so "comprehensive-minded" that duty to the majority is all and a special effort with the bright ones thought rather unfair? The answer to outcry about the eleven plus is to make the alternative to grammar schools so good *that there can* be no sense of grievance. This county school has gone far in that direction. But the familiar view about its being better to be a happy craftsman than a struggling *professional worker* can be carried too far, and Britain's new schools must guard against using this argument to justify the malnutrition of minds.

The Economist

JUNE 20, 1857

ENGLISH CLASS CONSCIOUSNESS

"Society is tending more and more to spread into classes—and not merely classes, but localised classes, class-colonies. . . . It is not simply that lawyers dwell with lawyers in the Temple, publishers with publishers in the "Row," bankers with bankers in Lombard street, merchants with merchants in Mark lane, carriage-makers with carriage-makers in Long Acre, and weavers with weavers in Spitalfields. That is mere matter of professional convenience. . . . But there is a much deeper social principle involved in the present increasing tendency to class-colonies. It is the disposition to associate with equals—in some measure with those who have similar practical interests, in still greater measure with those who have similar tastes and culture, most of all with those with whom we judge ourselves on a moral equality, whatever our real standard may be. If we secretly regard wealth as the measure of importance, we are awkward in different ways with those either richer or poorer than ourselves; and with other, and in England, we fear, rarer "standards of value," there are other and proportionally rarer laws of social amalgamation and repulsion. *There is no doubt* that this tendency is on the increase, and to some extent that it is a good sign. . . . Education is beginning to give a large common basis to the intellectual life of all classes, and yet in spite of this, perhaps in consequence of this, they become more sensitive to the special distinctions which separate them in practice. The truth is, that the sense of social inequality cannot be completely felt without that amount of common culture which is needful to give a keen feeling of where the difference begins. . . . It is not the widening of any real social chasms, but rather the nearer approach which by rendering a passage between the two, formerly utterly impracticable, now at least conceivable, leads to the greater and greater spread of class-colonies. Those who would have been content to live together with an invisible but an impassable social gulf between to put them at their ease, withdraw voluntarily into different masses when a bridge of passage seems any way feasible. . . . The middle classes draw off for social purposes from the higher—the lower from the middle, not from any widening breach, but from a keener enjoyment of the sense of independence, and a keener dislike for the appearance of condescension; both of which are symptoms of really diminishing inequalities.

NOTES OF THE WEEK

HUNGARY

United Nations Inquest

NO doubt the people of Hungary, who are being treated daily by their rulers to a sickening farrago of nonsense about their October revolution, will get wind of the report just published by the United Nations committee appointed by the General Assembly to investigate the armed Soviet intervention in Hungary. This lengthy report is based on a thorough sifting, in New York, Geneva, Rome, Vienna and London, of all the available documentary and other evidence. The committee heard and cross-examined—evidently closely and exhaustively—111 witnesses who between them represented a complete cross-section of all who took part, either actively or passively, in the revolution. Its conclusions, presented in a dry, bland, precise style that is far more effective than any amount of emotion, are a devastating rebuttal of the Communist version of what took place in Hungary last October and November.

The Russians and Mr Kadar refused to cooperate with the committee, but *still they cannot* complain that their case has been allowed to go by default. Such as it is, it is conscientiously presented; and the committee does not believe that its main conclusions would have been modified by anything the Communists might have said. But it found *that their version conflicted* "at many points, and points of fundamental importance, with what the Committee believes to be the truth." The revolution was "a spontaneous national uprising" provoked by hatred of Russian domination and other long-standing grievances. The committee found no indication at all that it was planned in advance, but it did find evidence that the Russians were planning *armed intervention in* Hungary as early as October 20th (the revolution began on the 23rd); and that, in spite of the assurances given by the Russians to Mr Nagy after the first withdrawal, "there existed a definite plan for the reconquest and subjugation of Hungary." No evidence at all was found of any plot to restore the Horthy regime; nor was there any indication at all that any political personality connected *with* the prewar regime "exerted the slightest influence on events." As the committee remarks:

> The only counter-revolution which did take place was that effected by the Soviet authorities when, by the use of overwhelming armed force, they replaced a socialist but democratic regime in formation in Hungary by a police-State.

The committee makes no recommendations; it merely presents the facts. Its work cannot undo what has been done, nor can it prevent the same sort of thing from happening again. But the report, issued with the authority of the United Nations by a committee that included representatives from Ceylon and Tunisia as well as from Australia, Denmark and Uruguay, is certain of wide publicity in the neutral countries of Asia and Africa as well as in the West. The Russians will put a bold face on it; but few will be *impressed.*

CHINA

The Mao Doctrine

MAO-TSE-TUNG'S secret speech made in February was fast acquiring the reputation of a political bombshell, similar to Mr Khrushchev's famous indictment of Stalin. The official version, revised by the author, which has finally been published in Peking, leaves a first impression of anti-climax. It contains no striking disclosures, no wholesale condemnation of former policies. On closer scrutiny, however, it reveals itself as one of the milestones on the road that world communism has taken since Stalin's death.

The key to Mr Mao's argument lies in his distinction between the conflict with the "enemy" and *the conflict* "among the people." Contradictions, he holds, can exist even in a socialist society, and even between the people's government and the governed. But coercion should be reserved for the real enemies of the regime. Others must be persuaded; and they should be allowed to express their opinions instead of being bullied into line. Even last year's strikes and disturbances among China's workers, students and peasants are no longer attributed to foreign agents, but chiefly to "bureaucratic mistakes." This is an interpretation that closely resembles the Polish version of the Poznan riots.

One need not be a cynic to argue that the dividing line between the "people" and the "enemies" is elastic; any dissenter need only be branded as a counter-revolutionary to justify giving him the rough treatment. The speech does, however, contain other indications that the Chinese leaders now genuinely desire to avoid domestic conflicts, because "once the struggle starts it is liable to get out of hand." They seem even *inclined to relieve economic pressures for* this purpose. Mao Tse-tung gave several hints of a slow-down in industrialisation and in social change: it would not matter greatly whether collective farms are "consolidated" in five or in ten years time; forced saving for investment should not be "overdone"; higher priority might be given to agriculture and light industry. Like Mr Gomulka, Mr Mao apparently thinks that time is a price worth paying to avoid bloodshed.

Is it merely a pause? The Chinese communists, having nationalised industry and collectivised agriculture, may well need a temporary breather. But the change seems to be more than one of immediate tactics. References to Hungary are frequent in the Mao doctrine. Indeed, one may see Mr Khrushchev's secret speech of February, 1956, Poland's radical reforms, the Hungarian insurrection, and China's new line as a connected chain of events, still unfolding. In this chain the Mao doctrine is not the last link. Already its echoes in the communist world are louder than was probably intended. In China itself, *much as in eastern* Europe a year ago, the surge of criticism and complaint, unleashed by Mr Mao's speech, is now being sharply checked; reconciliation, like conflict, must not get out of hand.

PRIME MINISTERSHIP

Lord Attlee's Precepts

ONE of the most delightful political features of the last three months has been the resurrection, to something more than normal form, of Lord Attlee. His remarks to the Oxford University Law Society last Friday, on the subject of how to be a Prime Minister, must not be lost to history.

In Cabinet, he says that he soon learned that the "important thing is to stop people from talking." This required some delicate management, as well as constant and tart pointing out "that rhetoric is wasted on a Cabinet of hard-boiled politicians." After several experiments with Parkinson's second law, Lord Attlee came to the conclusion that the right number of members for an unloquacious Cabinet was 16. To get this body to work (and "we never took a vote in Cabinet that I can remember"), Lord Attlee believes that the committee system, developed during the war and since, can take a great deal of work off the Cabinet in "getting through the early stages of reaching a decision." But, once in Cabinet, the "most important of all the Prime Minister's functions is to give a firm lead . . . so that decisions can be taken quickly. The Prime Minister mustn't always listen to those who talk most." The extraordinary thing is that all the information that has become available since 1951 serves to confirm that it was by Lord Attlee practising then what he preaches now that the Labour Government largely functioned. It was thus that, eventually against the loquacious opposition of even Sir Stafford Cripps, this most underestimatedly domineering of British Prime Ministers nationalised steel.

With his remarks about his choice of Cabinet colleagues, Lord Attlee has caused many ears to prick up, and perhaps others to redden. "If there are two people who must be included but who obviously would not work happily together, it is not a bad idea to put one in a home ministry and the other in an overseas department" (which confirms why Mr Bevin was put in the Foreign Office, well out of Mr Morrison's hair, in 1945). Lord Attlee also believes that "often the experts make the worst possible ministers in their own fields . . . I never put a man in the job he thought he knew" (which could be read as confirming under whose direct patronage it was not that the expert Mr Gaitskell made his decisive personal advance to become Chancellor of the Exchequer). But although in installing ministers Lord Attlee may sometimes have compromised, he declares that in sacking plain incompetents a Prime Minister must always be quite ruthless (which he was).

As for the burden of office, Lord Attlee believes that the Prime Minister himself is not overworked and that the Cabinet can be relieved by "wisely constituted committees"—the machinery for which should constantly be kept up to date. "If you are wise, you will use the ministers who are not overburdened with administration as co-ordinating ministers between other departments—but not as super-ministers." Here, perhaps, one can venture a criticism. Could there not be as much danger in too powerless busybodies as in too powerful overlords? One other and minor query concerns Lord Attlee's view that his Parliamentary Private Secretary, rather than the Chief Whip, should be the Prime Minister's "political ears" with the "ordinary backbencher." There is something to be said for what [illegible] conservative system of keeping the Prime Minister's PPS as a mixture between social secretary and efficient personal dogsbody, rather than the Labour system of making him the leader's principal political nark.

TRADE UNIONS

Psychic Bid

THE decision of the executive of the Confederation of Shipbuilding and Engineering Unions to demand a reduction in the working week from 44 to 40 hours, as well as £2 a day holiday money (instead of basic rates as now) looks like a cynical and absurdly prompt evasion of its agreement to present no wage claim for twelve months. And so, to some extent, it is. Nevertheless it is true as the confederation's president, Mr Harry Brotherton, said that

> the claim for a shorter working week would have come inevitably because of the international movement in that direction.

The engineering and shipbuilding unions, indeed, are by no means the only ones who make this claim. All unions have their eyes on the United States, where the usual working week is 40 hours, and where some workers talk of demanding 34. This week the annual conference of building workers was told by its president that the claim is soon to be put forward on its behalf, and the annual conference of the National Union of General and Municipal Workers resolved to demand a 40-hour week for all workers in the public services and industry and to ask the TUC to take the necessary action. A 40-hour week, indeed, became official TUC policy at last year's congress.

At present the addition to the wages bill would be enormous. The average hours worked in manufacturing industry, according to the latest figures (for the six months ending October 1956), were 48.2. In engineering they were 49, in shipbuilding generally 50, and for Mr Ted Hill's boilermakers 51. Ten or eleven hours a week at time and a half would be fine. It can, therefore, be assumed that next winter, when a wage claim would normally have been under negotiation, the confederation leaders will be pressing with real earnestness for a shorter week, in the hope of showing those of their members who object to the standstill what keen Oliver Twists they are; and it seems equally certain that the employers will say No. But this does not necessarily mean that there will be a renewal of hostilities. A 40-hour week (or more hours at overtime rates) has not yet become a striking matter.

FRANCE

In Protectionist Armour

FRANCE'S European knights are going into battle in protectionist armour. The crucial debate on the ratification of the Euratom and common market treaties, sponsored by the government, is scheduled for the beginning of July. But this week the government was compelled to go back on its commitments to the OEEC by suspending all measures of trade liberalisation and reimposing quotas. The step, though drastic, was hardly surprising. For the last eighteen months French trade has been showing a deficit of over £35 million a month; recently the figure was getting nearer the £55 million mark. Foreign exchange reserves have been depleted, and next week the government will have to ask the Bank of France for a transfer of

£100 million from its gold stocks. The astonishing thing is that so little had been done so far to stop the drain. Measures taken recently to restrict imports proved insufficient to stop speculative buying, and it is hoped to achieve this aim now by the quota system.

The avowed purpose of the new restrictions is to cut French imports from the present level of about £150 million a month to somewhere around £110 million, that is, to their level of eighteen months ago. It will not be an easy task. Once before, in 1952, France went back on all its liberalisation measures under OEEC. Since then, however, quantitative restrictions have been progressively lifted on goods amounting to 82 per cent of the 1948 volume of private imports, or about half the present purchases from OEEC countries. French ability to reverse this trend and cut imports will be limited by the existence of long-term governmental agreements, the need for raw materials and, last but not least, the fear of retaliation. The axe will probably fall most heavily on semi-luxury goods.

M. Gaillard, the new minister of finance, presented the new measures as regrettable but merely provisional. He expressed his faith in freer trade and promised that the government will take advantage of the respite to get the economy fit to face its European partners. But will it? Throughout the postwar period France has been burdened with external conflicts and propped up by American aid. Now American aid has dwindled but the Algerian war is more costly than ever. Some people argue that peace in Algeria and an American loan—the two are intimately connected—are indispensable preliminary moves before France can set out on the road to financial recovery; others add devaluation as another precondition. In any case, solvency in foreign exchange is dependent on the general health of the economy. The new government will have to be judged on its proposals designed to restrain home consumption and stimulate exports. The programme will have to be both ambitious and realistic. Otherwise, the opponents of the Common Market will find it easy to clamour that France is being launched into European competition burdened with Algeria and with an over-valued franc.

The Gaullist Barometer

THE amount of attention that Frenchmen pay to the views of General de Gaulle is a good barometer of French political tensions. His postwar Rally was strongest when many Frenchmen saw it as the only barrier to a Communist victory. When inflation slowed down, social conflicts diminished, and the Republic refused to disintegrate, General de Gaulle withdrew with his disillusionment to the writing-table at Colombey-les-deux-Eglises. The limelight fell on him again briefly in 1954, when France was deeply divided by the battle over German rearmament. In recent months his name has been cropping up again in public discussion: the apparent hopelessness of the Algerian situation has brought the search for a saviour back into fashion. Every group naturally tends to attribute to General de Gaulle views which are close to its own. A Tunisian paper even argued recently that de Gaulle favours a federal solution for North Africa, resembling M. Bourguiba's own schemes.

Only the General keeps silent. His stock tends to rise in Paris as the view gains ground that the Algerian situation has become so entangled that only a man of the highest reputation could cut his way through to a solution. It used to be said that only a Socialist-backed government could carry out a policy of repression in Algeria without being accused of colonialism, and only a conservative one would be able to promise independence to Algeria without being branded as unpatriotic. The evidence that a growing number of French conservatives no longer consider the Algerian war as a paying proposition is reinforced by M. Raymond Aron's striking book published this week. M. Aron dares to attack the myth that it is Algeria that makes France great, that France without Algeria would be nothing. He argues that a constructive French policy must now include the promise of independence to Algeria.

Few non-Communist politicians would be prepared as yet to blurt this out, even if they share M. Aron's views in private. This is where General de Gaulle comes in: for a great number of people, only a man of his stature can now make acceptable proposals to Algerians and carry French opinion along. But would he, at 66, be willing to come out of retirement? If he did, would he promise independence to Algeria? Would the French parliament be willing to accept drastic changes in the regime, which the General would be bound to make a condition of his return? All this seems doubtful; yet the renewal of interest in Gaullism shows how great are the unresolved tensions in France.

CANADA

Preoccupied Premier

WHEN the full results of the Canadian elections came in, it emerged that the humbled Liberals had still secured more votes than the Conservatives. They obtained over 2.5 million votes out of a total poll of over six million; the Conservatives got 2.38 million, the smaller parties and the independents about 1.3 million. But Canada's Liberals share with the British Labour party the disadvantage of many votes being wasted in safe constituencies. Huge majorities piled up in Quebec scarcely console them for being beaten by a short head in many places in the Maritime provinces, Ontario and the west. The belated arrival of the armed services vote gave them one more seat, but they were still left with only 104 to the Conservatives' 110. So Mr St Laurent has bowed himself out of office, and Mr Diefenbaker is bound for London as prime minister.

Our Ottawa correspondent points out on page 1071 that Mr Diefenbaker could have wished for no more apt symbol of his inclinations than a Commonwealth gathering immediately after taking office. But during his stay in London part of his mind will inevitably be preoccupied with home thoughts. To keep his minority government in power he will have to devise a programme that will appeal to the smaller parties and, if possible, to dissident Liberals too. This will not be easy; the interests of the Ontario business man, the socialist-minded CCF, and the wheat-glutted prairie farmer are far from identical. A prolonged period of attempts to please first one group and then another would do neither Mr Diefenbaker nor Canada any good. The new premier's obvious strategy would thus seem to be to make friendly gestures in almost every direction, but not to commit himself to definite projects which might alienate potential allies; and to call for fresh elections as soon as possible, while the dismayed Liberals are still on the run, in hope of obtaining a clear majority and a free hand for his party.

LOCAL GOVERNMENT REFORM

Rates and Responsibility

WITH white papers suggesting reforms of local government areas and functions already published, and with the broad outlines already revealed of his coming white paper on suggested reforms in local government finance, Mr Henry Brooke is having no time to rest after his exertions over the Rent Act. He announced this week that he expects a parliamentary debate on local government before the end of July, and that he hopes to have his major Local Government Bill ready by the autumn. Meanwhile, he is discussing his batch of white papers with the local authority associations, and he is finding that some of them have loud objections. About his proposals for reform of local finance, in particular, two complaints are common.

One of them reflects the fear that education may suffer from the new arrangements, which will entail rolling up the large education grant, together with most of the other specific and smaller grants, into a large block grant that local councils will be free to spend as they choose. If the critics' complaint is that these arrangements will induce all local authorities to weigh the value of each penny more carefully, then the answer must be that this is wholly right and exactly what the Government intends. If it is that, although the "better" local authorities may experiment more freely, the worse ones may sink into greater lethargy—this is a charge that could be levied against any scheme for greater local freedom and economy. There is no specific penalisation of the education service in all this. Indeed, since local authorities will still have to comply with stricter national standards for education than for most services, there may actually be a tendency for them to allocate to this service a relatively higher proportion of total government aid. There may be more reasonable grounds for fears about the future of technical education, which at present attracts a specially high rate of grant and the national importance of which is acknowledged. The solution here might perhaps be to offer special inducements to local authorities that show themselves progressive and that set an example to other councils. In this, as in many other services, competition between local government authorities badly needs restimulating.

The second common complaint about Mr Brooke's financial proposals is that they may cause an increase in the rates—not so much immediately as in the long run when a new pattern of finance has become effective. But surely—though Ministers seemingly dare not say so—this is precisely what ought to happen. If local councils are to be given freedom (within limits) to decide whether and which services to develop, they should also take responsibility for meeting a rising proportion of their increased expenditure. This will not make local councillors more popular. But the incidence of rates is still a good deal less than before the war, and the incidence of national taxation much higher. If the shifting of more responsibility to the ratepayer makes possible a more than proportionate saving in national taxation, and if it also enables local expenditure to be laid out to better effect, then it will be amply justified. Those treasurers and councillors who resist Mr Brooke's policies should remember their heritage—and their position. A local government too shy of responsibility is not worth having.

STATIONERY OFFICE

Non Possumus

IT is possible to feel some sympathy both with the Select Committee on Estimates, which last January put forward all sorts of proposals for improving the efficiency of the Stationery Office, and with the Stationery Office itself, which has now tartly rejected them. The select committee, of course, was as horrified as most newcomers are when it learned of the restrictive practices that the Stationery Office, like other publishing houses, has to confront both as a purchaser of paper and as an employer of printing labour. It recommended that the Stationery Office should buy paper, by competitive tender, at rates appropriate to the size and predictability of its orders instead of tolerating manufacturers' common prices; the office should also "put its views before the unions" with the aim of securing an adequate intake of apprentices in place of the present trickle. This last aim, said the committee—hopefully believing that logic works in these matters—should not meet with the usual opposition from the unions because the security of established status offered by the Stationery Office provides special safeguards against redundancy. To these recommendations the Stationery Office has replied that it is already free to purchase paper, at home or abroad, as cheaply as possible; and that it could take a direct path in negotiations on recruitment only by joining the British Federation of Master Printers, which would be contrary to the policy rules controlling government departments in such matters.

This looks at first sight rather pusillanimous, and so to some extent it is. Of course, the Stationery Office should determinedly search for, and take advantage of, any special bargaining positions offered by its size, and without joining any association of employers either. But, except in this advantage of sheer size, a government department is not, in fact, a particularly well-qualified organisation to carry out a private trust-busting campaign; and after so many years of full employment it is about time to discard, with whatever regrets, the hopeful notion that the "extra" security enjoyed by workers for public bodies (whether the Stationery Office, the railways, or any others) will be accepted by the trade unions concerned as a reason for special concessions. It is all to the good that attention should be repeatedly drawn to the losses, inconvenience, and general nonsense resulting from restrictive practices; but it is from the Restrictive Practices Court, the Monopolies Commission, and whatever general machinery the Minister of Labour can set up that action is required. It cannot come primarily from those victims whose official standing happens to bring them within the purview of the Select Committee on Estimates.

EGYPT

A Submarine Menace?

WHETHER or not Egypt is to get the three Soviet submarines that have arrived in Egyptian waters, or any of them, a new uncertainty is created in Israeli-Egyptian relations, which have been relatively quiet since the Sinai campaign was wound up. The only likely Egyptian use for submarines is to reinforce the blockade of Israeli shipping and, in an extreme case, to close the Gulf of Aqaba to it.

It is doubtful whether the Egyptians will in fact use them to close the gulf. The maritime powers would look unkindly on submarine operations there, whatever rights of belligerency and blockade Egypt might claim; and if the Israeli Navy disposed of the submarines by depth charges—which should not be too difficult against so small a force—Egyptian protests would carry little weight. Russia, of course, can chalk up another propaganda gain at a time when its influence seems slightly on the wane in the Middle East; it remains to be shown that the submarines can serve any more substantial Soviet purpose.

IRAQ

Caretakers

THE French have a word for a man in the mind's eye for cabinet rank; he is *ministrable*. And few people in Baghdad, if asked three weeks ago for a list of the *ministrables* who might succeed Nuri Pasha, would have included in it Ali Jawdat, the elderly former ambassador in Washington who has this week taken on the premiership. It seems that he was not even on Nuri Pasha's own list.

Admittedly, it is now torridly hot in Baghdad and few people have a mind for politics in the quarter between June and October. Nuri's foreign policy, at a zenith at the moment of his retirement, and based on western aid, the Baghdad Pact and no truck with dependents of the Soviet Union, is likely to tick over throughout the silly season; the new prime minister has kept the foreign affairs portfolio for himself. But the same complacency ought not to be applied to home affairs. The supplement that is published with this number of *The Economist* suggests that these demand fresh thought, that development is passing from the stage of a technical to that of a social operation, and that even a summer doldrums in the hands of a man bred to be cautious could be a waste of precious time. The ministerial changes are of personality rather than of policy; a new martinet goes to the Interior; another experienced financier takes Finance; the ministry of Development, and—this time—that of Social Affairs are placed in the hands of young, forward-looking men.

In a week when Jordan's ruler has suspended parliament, and Egypt's has rejected, without right of appeal, about 1,210 out of 2,508 candidates for the coming elections, the change in Iraq looks almost democratic. What makes it undemocratic, however, is that it has no real support from the *demos* or people.

PAKISTAN

More Triumphs Needed

AMONG the new faces at the Commonwealth Conference, Mr Suhrawardy merits as much attention as Mr Diefenbaker or Dr Nkrumah. The prime minister of Pakistan comes to London fresh from two triumphs. The Karachi meeting of the Baghdad Pact council sealed his victory over those who, during the Suez crisis, demanded a break with the pact and with Britain. Then, in Dacca last week, the council of his own Bengal-based Awami League party gave him a thumping majority against his now bitter rival, Maulana Bhashani.

The prime minister's remarkable agility and vigour have been taxed to the utmost during his nine months in office. A former critic of the Baghdad alliance, he upheld it through the Suez storm, transmuting a surge of Islamic sympathy for Egypt into a general mood of irritation at President Nasser's behaviour. The Security Council vote on Kashmir in February strengthened his domestic position. So did his visit to Peking and reception of Chou En-lai, which confused his left-wing critics. He has just been to Kabul, and seems in a fair way to liquidate the feud with Afghanistan. The problem of Kashmir remains unsolved, and that of the Punjab river waters has begun to look menacing again; but Pakistanis have increasingly come to regard Mr Suhrawardy as the leader best equipped to discuss these issues with Delhi on equal terms. He is a veteran politician of Mr Nehru's own vintage; and he has taken particular pains to put his policies across to intellectuals, gaining support in quarters often inclined to opposition for its own sake.

But Mr Suhrawardy cannot yet relax in the saddle. The Republican party, on which his coalition government depends in West Pakistan, is in such trouble that the provincial assembly in the west has had to be suspended. In the east, Bengali hankerings for greater autonomy are still very much alive, and the food situation is again critical. Although control of the Awami party organisation has been wrested out of Maulana Bhashani's hands, he is now threatening to create a rival party, and remains a dangerous enemy, combining spiritual authority with the arts of the demagogue and appealing not merely to neutralist elements, but also to Bengali grievances against the central government. Mr Suhrawardy seems bent on the holding of the country's first truly national elections as soon as possible, but campaigning must presumably await the end of the rainy season. By then the Bhashani faction may have reorganised itself, and the impact of the prime minister's recent successes will have been blunted. He will face the electorate confidently only if he can win fresh laurels to replace fading ones. But he may yet do just that, if he keeps up his present pace.

NIGERIA

Delay in the Sun?

NOT much time remains to finish the work of the Nigerian constitutional conference. It is supposed to vacate Lancaster House by the middle of next week; the prospect of weekend sittings suggests that getting through the remainder of its agenda will be hard going. A great deal of time has been taken up over the definition of regional self-government to be granted to the Eastern and Western regions after the conference, and even more over the question of minorities. The problem of regional government is where the residual powers shall lie in the interim period—with the Governor-General, the federal government or the regional governors, and how much residual powers there should be. But the real trouble has come over the minorities, which, as Nigeria is now divided and the delegations are made up, are today the solid opposition groups of each region; in effect each demands an additional state for itself. Plainly the spokesmen of these "underdogs," whether under the heel of Hausas, Ibos or Yorubas, have had a lot of say, and have said it plainly.

It is evident, too, that the British Government has listened to them with sympathy; Mr Lennox-Boyd can hardly forget the shocks that he got last February when he visited

Ashanti to fix up the Ghana constitution at the last minute. But in Nigeria as in the Gold Coast, the British administrators are known to be opposed to undue breaking up of strong governments, and there has been no practical justification of the idea of creating three new regions with all the powers of the old ones. It looks as if an attempt will be made to write safeguards into the constitution of each region as they were into Ghana's—provincial autonomy, and, perhaps, provisions for constitutional change at the centre. This may not be enough to fend off for long the minority groups, who are increasingly critical of the entrenched tribes and tribal politicians.

All this would leave the main structure of Nigeria unaltered, as is indeed inevitable if independence is to be hurried through by 1959. But while Dr Azikiwe's attempts to weaken the regions may have failed, with British backing he may have his way against the North and the West in his demands that the police should remain a federal responsibility, and that the federation should retain most of its present fairly large financial powers and perhaps take over the judiciary from the regions. It is to be hoped so. Chief Awolowo's methodical preparation for this conference has probably won him many rounds—and nobody here should grudge them to him—but the British side would be unwise to let the centre itself become another mere minority voice in a Nigerian semi-federation.

BARRISTERS' PAY

Giving Devils their Due?

SOLICITORS and barristers have now agreed between themselves that the fees paid to junior counsel for "interlocutory" work done in connection with High Court litigation should be roughly doubled, and there is no reason to doubt that this proposal will be approved by the Lord Chancellor and by the Taxing Masters (the officials who pass bills of recoverable costs). Interlocutory work consists of all paper work, statements of claims, appearances before the Masters of the Queens Court division, and so forth done or made before a case reaches court. Such work is extremely badly paid ; the scale of fees is still much the same as that laid down in 1883. A high proportion of cases are settled out of court, and a busy barrister will perhaps spend a third of his time on such work—often taking most of it home at night. Though the scale at present ruling may be adequate for simple inquiries, it is completely out of relation to the cost of legal manpower when it involves anything more than a routine job.

This wage increase after 74 years is therefore a welcome advance towards paying the rate for the job in law. But what a terribly slow advance it is, in a profession where rates and duties are fixed partly in an imperfect market, partly by custom, and partly behind what rude outsiders might call a zareba of restrictive practices. The increase will not in itself greatly ease the position of young barristers, the number of whom taking up practice, according to the Bar Council's report this week, has been falling dramatically (172 in 1950-51, 29 in 1955-56). And it will therefore do little to rectify what seems to laymen to be the obvious distortion in the profession: that young barristers are desperately poorly paid for all the work they do, and that some senior legal luminaries are over-paid for a lot of work they do not do.

GERMANY AND POLAND

Gomulka Props up Ulbricht

MR GOMULKA'S visit to east Berlin is a stark reminder of the price he pays for a measure of independence in home policy. The German Democratic Republic, most Stalinist of eastern European regimes, has received a Polish blessing and the confirmation of the Polish government's friendship on the eve of the municipal elections, and almost on the anniversary of the rising of 1953. Poland, it is true, retains a basic interest in the preservation of the east German state, which, unlike the Bonn government, recognises the Polish frontier on the rivers Oder and Neisse. Yet the visit, no doubt on Russian insistence, to Herr Ulbricht, an enemy who has violently abused all the things for which he stands, cannot have been enjoyable for Mr Gomulka.

Herr Ulbricht badly needed his diplomatic coup. In the vain effort to recover his political position, so damaged by his dreary mimicry of the Russian version of events in Hungary, he has struck out clumsily in all directions, seeking to curb the Evangelical church and to impose conformity on managers and students. But the Ulbricht regime is now so discredited that its blows only arouse more bitterness, its efforts to conciliate, contempt. The ferment among students has grown ; and the attempt to impose party discipline on managers and administrators has merely driven more of them to flee to the West.

But while Herr Ulbricht's own efforts have failed, Mr Gomulka's visit is a slap in the face for east Germany's rebellious spirits. If Hungary set fire to their resentment, Poland's example is the inspiration of their constructive ideas for liberalising the east German state. Polish ideas and experiments are the talk of student hostels and workers' councils ; Poland's measure of independence, the main source of hope that Russia's grasp on eastern Europe may ease enough to let them breathe. The differences between Warsaw and east Berlin on domestic politics have in no way been bridged over ; still, the visit is a gesture of recognition for Herr Ulbricht.

AUSTRIA AND GERMANY

Property and Friendship

DR ADENAUER'S visit to Vienna, when he signed a treaty providing for the restoration of German assets in Austria, was a landmark in the reviving friendship between the two countries. For Austria the visit was an important occasion. Long at the mercy of its great northern neighbour, Austria relies more than ever on German friendship now that it is an exposed outpost of the western world. The problem of the disposal of German assets had marred relations from the moment when the occupying powers agreed to leave. Its 1955 treaty with them precluded the return to Germany of properties worth more than 260,000 schillings (about £3,600), but many smaller properties remained, and almost at once voices in Germany cried for the return of properties large as well as small. Austria, however, has itself had to pay £33½ *million to Russia* for the return of assets seized as German by the Russians. To fulfil this obligation as well as restore much of the property to Germany, represented a double burden.

It is to the credit of the West German government that after some initial sourness it has proved conciliatory. An amicable and rather elastic definition has been agreed for properties worth less than 260,000 schillings which will return to Germany ; and to help Austria in its payments to Russia, West Germany is to pay Austria a lump sum of £1.9 million and return Austrian assets worth some £13 million which have been held in Germany. A mixed commission will arbitrate in cases of dispute, and once the treaty is ratified the German properties will at last begin to invite new investment and resume their proper part in Austria's economic life. A nasty bone of contention will have been removed.

The Austrians celebrated by giving Dr Adenauer a warm welcome. Recollections of the "Anschluss" did not seem to mar the occasion. The German chancellor followed up the efforts of his negotiators by emphasising his pleasure in Austria's independence. After an awkward start, Bonn has accepted the value of a "good neighbour" policy towards its small German-speaking neighbour.

LABOUR POLICY

Euthanasia of the Non-Rentier?

MR GAITSKELL'S remarks last weekend on the uselessness of ordinary shareholders dovetail nicely with his known preference for a policy of state acquisition of the equity of existing large concerns, as opposed to crude nationalisation. They also set up for the faithful a splendid Aunt Sally. All that stands between Labour and public ownership of the 500 firms which "half control" British industry are these useless people who spend their time speculating while others do the managing. It is on them, and no longer on the bosses round the boardroom table, that socialist guns must be turned.

Speculators they may be, but there is one way whereby an incoming Labour government could read them a sharp lesson without buying a single share or nationalising a single insurance scheme. Indeed the party's pensions plan says "steps will be taken" to do it. It is simply to end inflation and restore the value of fixed interest securities. But, as Labour is now so decidedly expressing its preference for equities over trustee stocks, it is clear that what is so disreputable about ordinary shareholders is that they have been guessing right in putting their savings into shares instead of savings certificates or war loan. If they had massively bought government stocks, and passively accepted the loss —as indeed many unfortunate citizens did—there could be no complaint. The Labour dream world, at it seems to be envisaged by some of the faithful, would be one which would close this loophole that enables speculators to hedge against inflation in an age of socialism. By getting hold of all the growth stocks the state would ensure that the thriftless would get all the capital appreciation (through state pensions) while the thrifty would have nowhere to lay up their savings that the mice could not get at.

Of course, Mr Gaitskell knows all this. But he also knows that shareholders are the floating vote nowhere and have not a friend in the world. He is batting, with this vague knockabout stuff, on a splendid wicket. But he might have had the grace to admit that the loss by shareholders of their normal function—which is risk-taking—was not their own fault ; they are inevitably deprived of it, or some of it, if governments are sufficiently dishonest with the currency.

JAPAN

Mr Kishi in Washington

THE Japanese premier's visit to the United States is not intended to produce concrete solutions to the many economic, political and military problems which are bedevilling American-Japanese relations. He hopes to achieve a broad understanding on which later agreements can be based.

There is plenty to talk about. The embargo on trade with China should be easier to discuss now, and a relaxation of controls may deprive the Japanese neutralists of the support of a powerful business faction which was more interested in trade than in hypothetical dangers of communism. But the revision of the security pact, Japan's contribution to the support of American troops, the future of Okinawa, and the question of jurisdiction over Specialist Girard, are explosive subjects, and their discussion will be complicated by Japan's newly announced decision to increase its armed forces. Other problems are the recent alarming setback to Japan's balance of payments, American tariff policy, and Japan's idea of combining Japanese skill with American dollars to develop south-east Asia.

This last idea originally occurred to Mr Yoshida, when he was prime minister three years ago, but nothing came of it. It is now Mr Kishi's pipe dream, but the south-east Asian leaders with whom he discussed it on his tour there were markedly unenthusiastic.

INDONESIA

Dr Sukarno's Brainchild

PRESIDENT SUKARNO has at last published the names of the members of the new National Council, "the cream of society," who are to bridge the gap between the Indonesian government and people. They are government officials, the chiefs of staff of the armed forces and representatives of social groups and of the islands. Three (from the intellectuals, the press, and the island of Sumatra) have declined to serve. No political party is formally represented, but about a quarter of the 45 members are communists or communist sympathisers. The president took pains in a recent speech to make it clear that he does not regard himself as a communist, but his denials only showed how near the wind he is sailing. He said that it was China's achievements in construction, and not necessarily its ideology, which ought to be imitated, but that he envied the communist countries their one-party system where "there was no such thing as cabinet crises." A few days later, Mr Aidit, the secretary-general of the Indonesian Communist Party called the formation of the council "a success for the revolutionary struggle of progressive Indonesians."

The moderate Moslem party, Masjumi, continues to insist that the council is an unconstitutional body, but the orthodox Moslem party, Nahdatul Ulama, has allowed two of its members to join. The constitutional position is still very vague. The new council apparently has authority to veto cabinet decisions but not to enforce its own wishes. The cabinet itself, although appointed by President Sukarno during the state of emergency, which is still in force, is, according to the prime minister, now responsible to parliament ; the parliament, which has met again after the recess, seems unwilling to assume any authority at all.

LETTERS

Books and Bookmaking

SIR—Your reviewer's statement in your issue of June 8th that "the restrictive practices of the printing trade are one of the biggest single factors which delay the production and increase the cost of books" is difficult to refute because of its vagueness. That such practices exist is not denied. Some of them might reasonably be regarded as in the long run in the public interest (like the publishers' own net book agreement). Others are the selfish operations of groups or individuals. Despite them, productivity has increased substantially since the war and book-printing firms have been in the forefront with schemes for raising output in which managements and workers have co-operated.

Printing costs seldom account for more than a quarter of the published price of a book and are usually very much less. It is absurd to suggest that restrictive practices within the printing trade are responsible for a major part of recent increases. (Incidentally, what other commodities have shown such small rises since 1939 as books?) The reference to "delay" could probably be shown to be no less exaggerated.—Yours faithfully, BROOKE CRUTCHLEY
University Press, Cambridge

★

SIR—Your reviewer of "The Book World Today" does well to emphasise the delay and the exaggerated costs occasioned by restrictive practices in the printing industry today. Publishers will be grateful to you—and to your printers—for making even this passing reference to the subject.

Three years after the war, at the extremity of our frustration over the inadequate printing facilities of this country, I wrote an article for a weekly journal listing a few of these practices, such as consistent refusal to run up-to-date machines at their optimum speed, unnecessarily rigid demarcation between the duties of one worker and another, and severe restriction of the intake of apprentices in an industry which was crying out for more labour. My article was accepted for publication and actually set up in type, but the printers refused to machine the issue of the paper containing it. The article therefore remained unpublished.

Three effects of this continued adherence by the unions to their prewar outlook are that

1. The average minimum time needed for the manufacture of a new book is now about six months compared with three months before the war.

2. The minimum number it is practicable to print if a competitive published price is to be arrived at is now 2,500 instead of the prewar 1,500.

3. The margin by which printing costs here have been lower than those in the United States has narrowed rapidly, so that it is now of decreasing advantage to an American publisher to import editions of books printed over here.

—Yours faithfully, PHILIP UNWIN
George Allen and Unwin, Ltd.,
London, W.C.1

Public Drugs and Private Patients

SIR—With reference to your comment in *The Economist* of June 15th, may one be also permitted to record that quite a large number of people utilise the services of homœopathic physicians who are working outside the national service—not because such doctors have any particular bias against a state service *per se*, but because the Ministry of Health refuses to encourage the practice and development of that form of treatment known as homœopathy?

The result is we have to pay both fee and cost of the medicines if and when prescribed. Fortunately homœopathic medicines do not often cost a lot, but courses of treatment frequently require a long period of medical treatment and supervision.

It is somewhat ironic that the state should so penalise those who prefer to get well than remain the uncertain protégés of the GP's surgery and finally develop into "chronics."—Yours faithfully, A. W. HOPKINS
Wheathampstead

A Snub for the Archbishop

SIR—In your comment of June 8th you justify the British Government's unrealistic rejection of Archbishop Makarios's proposals for bilateral talks, on the ground that there are "other and wider interests" than those represented by the Archbishop which will have to be consulted. I cannot, however, conceive any interests "wider" than those of the vast majority (82 per cent) of the people of Cyprus which, whether some like it or not, are represented only by Archbishop Makarios. Or do we have to start all over again explaining how and why Archbishop Makarios is the only elected national and religious leader of the Greek people of the island? The British Government themselves accepted him as such when they negotiated with him eighteen months ago.

The Archbishop has not ignored the rights of the Turkish minority in Cyprus at any time. He repeatedly declared that he is quite willing to sign an additional instrument providing for the strict observance of the Convention of Human Rights of the Council of Europe or of the Charter of the United Nations with regard to the vested rights of the Turkish minority. But to refer to the Turkish interests, or indeed to any other interests, as wider than those of the Greek majority is an unreal attitude—to say the least—that will lead nowhere, unless the British Government do not wish to settle the issue, which certainly does not mean that the Archbishop is to blame.—Yours faithfully,
SPYROS A. KYPRIANOS
Delegate of the Ethnarchy of Cyprus
London, W.1

Scottish Light Castings

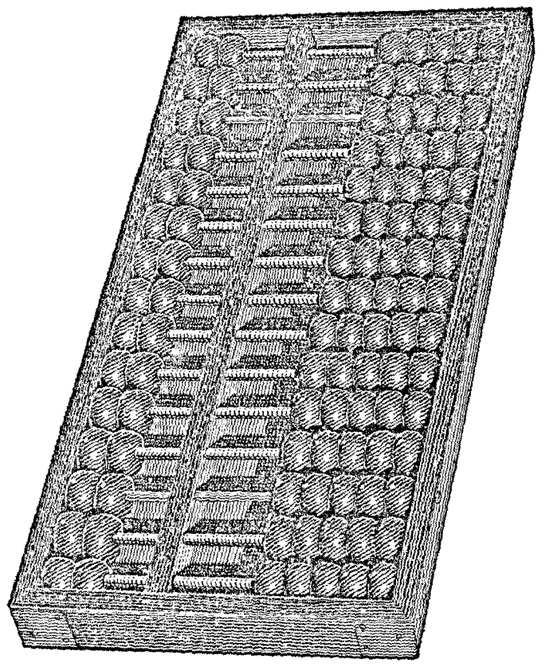
SIR—In the press reports of the efforts to obtain the proposed steel strip mill for Scotland, reference has been made on several occasions to the depressed state of the light castings industry of East Stirlingshire and to the unemployment and redundancy amongst skilled moulders and other tradesmen.

I am in complete sympathy with the efforts to obtain the new steel project for Scotland, but I feel that a plea should be made for the needs of the existing staple industry of East Stirlingshire, which provides over 70 per cent of the domestic solid fuel appliances made in Great Britain.

Undoubtedly one of the factors which have reduced the prosperity of the industry is the Department of Health's housing memorandum, which limited the number of chimneys in local authority housing to one, or at most two. The consequence is that the responsibility of heating the other three or four rooms lies with the tenant. In some cases this is done by electric or gas convection heaters, although these are in many instances expensive in operation. More frequently oil-burning heaters are installed and as the Glasgow Firemaster stated in his annual report "the almost meteoric rise in the number of fires caused by such heaters in Glasgow homes is alarming and demands serious investigation."

In a climate as humid and as changeable as ours, where, for example, within a few recent weeks we have had an outside variation of midday temperature of 30° F, surely the necessity for a safe form of heating is obvious.

At a conference on domestic heating organised by the Institute of Fuel last year, the president, Sir Alfred Egerton, FRS, stated that the results of the DSIR research station had so far indicated that improved open fires with back boilers are probably the most universally suitable heating appliances for general domestic purposes in Great Britain. The wider acceptance of this fact by local and national housing authorities would restore the prosperity of an industry which is at present the victim of government policy.—Yours faithfully, JAMES FERGUSON
Managing Director,
Messrs Lane & Girvan Ltd.
Bonnybridge, Stirlingshire



Taking the East into account

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BOOKS

Canada's Crashed Bulldozer

C.D.: *The Life of Clarence Decatur Howe*

By Leslie Roberts.
Toronto: *Clarke Irwin.* 246 pages. $5.00.

THIS interesting book is not really a biography. It is an essay on how a parliamentary democracy can manage a manager. C. D. Howe is a man whose only interest is "to get things done." Mr Roberts properly observes that the accusations of a lust for power are beside the mark: Mr Howe's characteristic was rather a zest in the exercise of power. The book documents the remarkable achievements, from 1935 to 1956, of a man who always treated the business of government like the management of a private company. His greatest success was to inspire and direct an industrial war effort far exceeding any 1939 dreams of Canada's capacity. He earned at the same time such confidence from business leaders that in 1951 when he organised a new Department of Defence Production he could still pick the presidents of almost any company he chose to serve as dollar-a-year men.

Mr Roberts does full justice to all this. But he also emphasises the cost at which managerial efficiency was won: the contemptuous treatment of parliamentary questioning, the carelessness about parliamentary answers which must have established a new record for corrections. (During one week in the last session Mr Howe gave no fewer than three answers which were easily demonstrated to be contrary to the facts.) Mr Howe has never made any pretence about his attitude. All the book's documentation says no more than he said himself in a radio interview when his request for an indefinite renewal of emergency powers was under debate in 1955. Why, he was asked, would he not agree to a renewal for two or three years, which could be further extended, if necessary, when the time came? He replied: "I don't have to spend my time amusing Parliament."

The culmination of this remarkable career is presented as occurring during last summer's "pipeline debate," which played a prominent part in Canada's recent election campaign. Mr Roberts's account of the debate and the events leading up to it is vivid and brings out the essential points. But it is here that his dependence on published sources betrays him most seriously. He overstates the extent to which Mr Howe was personally responsible for what the opposition called "the rape of Parliament," because he understates the successive failures of Mr Howe's personal and determinedly solitary attempts to solve a big national problem. There was a chance to present the untold story of Mr Howe's implicit belief in his ability to bend both oil tycoons and Cabinet colleagues to his wishes, and of how it broke down at one crucial point after another. But the story could be told only from inside: and Mr Roberts is writing from the outside. He could not get the real story from *Hansard*.

The debacle started when the Cabinet refused to implement Mr Howe's first plan in all its gay simplicity. It was to give a government guarantee for the promoters' bonds, and the promoters had no doubt about getting it. When it was refused in March, 1955, there followed a series of expedients of increasing complexity, worked out between Mr Howe and the tycoons without benefit of official advice or Cabinet consultation. Not until the late spring of 1956 did the Cabinet, as a group, determine that building must start in 1956 and that the fiasco of Mr Howe's private dealing with the tycoons should end. Hence the desperate last minute expedient of trying to push through Parliament in three weeks the only sort of scheme which, at that late stage, might get the line started in the 1956 summer season.

Little of this appears in Mr Roberts's book, which shows Mr Howe as bulldozing his colleagues into the parliamentary manœuvres that brought the Canadian House of Commons to its lowest point. This version obscures the repeated failures of Mr Howe's lonely efforts, and exaggerates his role as a "big, bad wolf." But it serves to present fairly enough the dilemma of democracy in trying to use men of the C. D. Howe type whose genius (though it slipped in the pipeline affair) is to get things done. The answer, he says, must be to adapt the men to the institutions of freedom, not the institutions to the men. But he has made no attempt to "get inside" Mr Howe enough to suggest how this may be done.

Newest Testament

Testament of Experience

By Vera Brittain.
Gollancz. 480 pages. 21s.

"AT this point," wrote Miss Dorothy Parker long ago, reviewing a well-known work of nursery whimsey, "Tonstant Weader fwowed up." Hers was a minority reaction; the nursery whimsey concerned continues to delight successive generations. To judge by the success of Miss Brittain's past autobiographical works, she has a similarly undeniable majority-appeal. The majority has, indeed, many good reasons for its admiration. "Testament of Youth" was genuinely heartrending; "Testament of Friendship" a genuinely living portrait of a subject—Winifred Holtby—well worth portraiture. And "Testament of Experience," which takes up Miss Brittain's story at her marriage to the shadowy "G." and carries it on to the year of her silver wedding, has its qualities too.

It is, from one aspect, the story of a marriage that succeeded brilliantly under conditions which could have been prophesied with near-certainty to guarantee failure; a relationship neither of old-style subordination nor of newer-style partnership but of a harmonious independence whose achievement is enormously to the credit of both parties. It is also, less sympathetically but illuminatingly, the story of the pilgrimage of a typical Soft-Centred Progressive through the twentieth-century wilderness, a concentrated essence of Left Book Club; and, as such, a highly significant contemporary document. It is fluently, sometimes vividly, written; there are occasional flashes of acute observation, moments of real poignancy, and some salutary reminders.

The general effect, however, is profoundly distasteful; a blend of exhibitionism, self-satisfaction, and intellectual squashiness. On the personal side, "Testament of Experience" presents neither the immediate impact of raw experience nor emotion recollected in tranquillity, but the self-dramatisation of a schoolgirl diary. On the public side it is predominantly a pacifist manifesto of a characteristically muddled kind. Pacifism can be justified morally as a special case of that imperative which sets the absolute duty of not resisting evil higher than the instinct of survival; an imperative which not one pacifist in a thousand would unconditionally obey in private life, but whose genuine acceptance compels the awed respect due to saints. It can be justified practically, to ordinary non-saints interested in their own and their children's survival on tolerable human terms, on Gandhi's assumption that non-resistance will eventually change the heart of the aggressor. Miss Brittain neither faces the frightful choice implicit in the first justification nor offers—were it possible to offer—the slightest evidence that Gandhi's assumption would have proved itself correct in 1939, *vis-à-vis* Hitlerite Germany, or would prove itself correct today, at the pinch, *vis-à-vis* Soviet Russia. Instead, she dwells on the horrors perpetrated in the course of war—in tones suggesting that only pacifists regard these otherwise than with perfect equanimity; and on the threat of further horrors, proving the vanity of victory, overhanging the postwar world—as if there were nothing to choose between the mere possibility of nuclear disaster and the actuality of a universal Thousand-Year Reich; which last can only be described as unmitigated nonsense.

But it is not this intellectual confusion, or even the total lack of saving humour and irony, which accounts for

the sour taste that "Testament of Experience" leaves in the mouth. It is something more personal. Miss Brittain displays a sincere and noble compassion for innocent sufferers on the enemy side, a charity even for those not innocent; but for persons by whom she herself has been thwarted or criticised, in matters large or small, she has the kind of slightly rancid sweetness that the French call *doucereuse*. She has a record of genuinely public-spirited and devoted service; but the impression is inescapable that the conspicuous role of a public-spirited and devoted person is at least as important to her as are the results achieved. She shows genuine love and admiration for her friends; but her practice of indefatigably recording and reproducing those friends' tributes to herself does more than hint at the object of her greatest admiration. This is, in fact, the record of an all-pervading, never-outgrown adolescent egotism; the sort of thing which is tolerable and even sympathetically entertaining when naked and unashamed, but which when robed for publication in the Christian and humane virtues will induce in some readers—not necessarily those who value those virtues least highly—a queasiness to which only Miss Dorothy Parker could do justice.

Industrial Pilgrimage

His Royal Highness the Duke of Edinburgh's Study Conference on the Human Problems of Industrial Communities within the Commonwealth and Empire, Oxford, 1956

Volume I, Report and Proceedings. 350 pages.
Volume II, Background Papers, Appendixes and Index. 354 pages.
Oxford University Press. 42s. for both volumes.

FROM the first, those who convened the Duke of Edinburgh's study conference on industry disclaimed any intention of trying to reach conclusions or putting forth conclusions or recommendations after the meeting. The whole object was a lesson in industrial anatomy; the dissection of a specimen by a gathering of young practitioners in industrialism, in all its many specialties, from various parts of the Commonwealth. These volumes do not, therefore, put forward any main thesis or agreed proposals. They consist simply of the documentation of the conference, reprints of the addresses given, and the brief reports of the groups which toured British industry. Insofar as any results are to be sought for, they must be sifted from this latter—extremely brief—part of these large volumes. They will be found somewhat disappointing, taken at their face value.

But they probably ought not to be taken at their face value. As the Duke of Edinburgh himself said, the results will not come in for a long time yet, and perhaps will never be assessed. The homework of the groups who toured industry for a week or so is fair average quality for "group reports" of this type of do-it-yourself field research. The only question that has to be asked is whether it was worth while to publish all this material in full. Many will think it a labour of piety. But at least it does show how study conferences with this vagueness of reference work, and as a textbook for study conference conveners, it may serve a very useful purpose.

The background papers are on a different level. Many distinguished authors are represented among them, and some have written thoughtful and provocative essays. As a book of essays on industrialism and its discontents it is readable and at times extremely enjoyable—especially at those points where the authors forgot their august company and became quite uninhibited. But the mixture of the speculative, the general and the specialist approach is not a happy one, and the careful exclusion from the whole conference (presumably at the instance of the trade unions) of any discussion of wages and wage-bargaining makes the whole atmosphere of the discussion unreal. Yet to have allowed this would inevitably have brought a horde of economists down upon the conference as well, and that, perhaps rightly, was something again which its sponsors wished to avoid. Professor Arthur Lewis, almost alone, was allowed to discuss pertinent questions of economic growth in well-chosen and admirably simplified terms.

The conference was seeking the human reaction to the industrial life of this country; and that is a very difficult thing to do. These papers give only the impression of blurred faces in a crowd, and that is perhaps all the conference members saw. This in itself perhaps predisposed them to think of the people of Britain as unduly mass-produced, mass-organised, and mass fed, cared for, and amused. It is not an impression readily compatible with the idea of the dignity of the person, which the conference so stressed, and the erosion of which seemed to worry the visitors so much. But perhaps there is more of it about than is visible from an aerial survey; to find out, however, the conference needed rather more time and rather more close-ups with their subject. That everyone had a wonderful time; that this was the study conference of the decade, the Empire party to write home about, need not be doubted.

Suing the Doctor

Medical Negligence

By the Right Honourable Lord Nathan with the collaboration of A. R. Barrowclough.
Butterworth. 249 pages. 35s.

IN the intervals of running a busy solicitors' practice and, *inter alia*, acting as chairman both of the Westminster Hospital and of the British Empire Cancer Campaign, Lord Nathan, with a member of the Bar, has written this admirably arranged book on the law of medical negligence. He must surely have the power of getting two days' work into one day's span.

It is an appropriate time to survey the judgments and to write the book. The stream of actions against doctors and hospitals appears, for the moment, to be slowing down; but until a year or so ago it was in spate. In 1948 the Ministry of Health paid out for claims against hospitals £7,500. In 1951 it paid out £38,500; in 1953, £152,000; in 1954, £159,000—figures that reflect the recent unhappy attitude of patients towards their doctors and correspond no doubt to the increase in recorded judgments. So modern, indeed, is the passion for having a go at the doctor that in Lord Nathan's synopsis of leading cases 124 out of 151 entries refer to actions adjudged within the last thirty years.

This means that there is now a considerable body of authority which did not exist before 1927; and it is this body that Lord Nathan dissects and discusses. The litigiousness of patients has had some deplorable results, but the judgments given in England have for the most part been sensible, and the case law may now be settling down.

One cannot read this book without acute sympathy for the medical man who has to decide (in very difficult circumstances) what is the right thing to do for the patient. The doctor's dilemma pops up on every other page. Here, for example, is a Canadian case, quoted by Lord Nathan, dating from 1949: A surgeon, doing a Cæsarian, found the patient had two tumours on her uterus, and knew they would make it dangerous for her to have another baby. She obviously could not be consulted, and the surgeon made a quick decision. He tied up the Fallopian tubes and rendered her sterile. He was sued and held liable for damages—not for negligence but for assault.

Almost one wonders why any man becomes a doctor; but the brave men who do take the plunge will be wise to have Nathan on Negligence always ready to hand.

America Grows Up

The Unquiet Years

By Herbert Agar.
Hart-Davis. 176 pages. 15s.

FOR those who would like to refresh their memories and clear their minds about the course of American affairs since the war, nothing could be more useful than Mr Agar's agreeably brief review. It is acute, fair-minded, and written with point and style. The starting point of this turbulent decade is the America of 1945, the America which imagined that wars could be won and victors could go home. Americans have learned, painfully, how mistaken they were; but Mr Agar rightly insists that the innocent belief that once the war was over, everything would be as it had been in the nineteen-twenties and thirties was responsible for the frustrations which exploded in McCarthyism and MacArthurism. The search for scapegoats, he suggests, was one of the unattractive symptoms of a political adolescence.

This is a book about foreign politics—for are not all politics foreign politics?—and if it has a hero it is Senator Vandenberg, the convert to internationalism who devoted the last years of his life to piloting the Marshall plan and the North Atlantic Treaty through Congress. His absence was to be felt keenly when the Senate—and Mr Dulles—cowered so mystifyingly before McCarthy. On Mr Truman the praise and blame are allotted with a nice sense of discrimination: "To us, there are at least three Mr Trumans, and we wonder how the historians of the future will squeeze them all into the same skin." The little man "with a taste for exceedingly commonplace company" may have failed to take advantage of Sir Winston Churchill's foresightedness in 1945; his politics were crude; but he stood like a rock against General MacArthur. In a brilliant analysis of the "China myth" Mr Agar pulls out a little-known strand: Roosevelt's deliberate build-up of China as one of the Big Four to offset his ancient Dutch suspicion of the British Empire. He pays belated justice to the "do-nothing" Republicans of the Eightieth Congress, who in foreign affairs met every challenge to the West.

A life-like portrait of Senator Taft underestimates "Mr Republican's" interest in social legislation, but Mr Agar has put his finger on the heart of the mystery surrounding President Eisenhower's reluctance to lead: his genuine conservatism, and his throwback to the Whig belief in a weak President. Whether Mr Agar would write as confidently today of the President having learned his lesson that power and popularity must be used is another matter. Short as it is, the book would have been better without its final chapter; to close with the Bandung conference and the end of the colonial era strikes an irrelevant note in a sketch of the years in which America showed the best and the worst of itself to the world.

Russian Steel

The Economics of Soviet Steel

By M. Gardner Clark.
Harvard University Press. London: *Oxford University Press.* 414 pages. 60s.

MR CLARK'S book is a critical appraisal of the Russian steel industry. He does not look at the Soviet steel industry in the way that most Europeans do, as already a close rival in productivity and as advancing rapidly. To Americans the Russian industry is still a lap behind. Although Russia is expanding its output at more than twice the American rate of between three and four per cent per annum, America is far enough ahead to look over the shoulder and judge the Russian performance critically and without real concern.

Mr Clark concentrates his study on what he considers to be the main weaknesses of the Russian steel industry: the inferior quality of the coking coal resources; the working out of the main deposits of high grade iron ore; and the over-emphasis on large-scale units as a result mainly of the ignoring of transport costs—the concern of another department of the planning machine. He quotes as "gigantomania" the upward revision in 1936 of the original American plan for Magnitogorsk so that the plant output was 75 per cent greater and the blast furnaces gave 1,500 tons a day in place of the original plan of 800 tons. But this figure has become commonplace in the United States and Russia today, and the No. 6 blast furnace at Magnitogorsk is now turning out 2,420 short tons a day.

By American standards, too, it seems a great handicap that Donbass coal has an average of about 1½ per cent sulphur, is high in ash and is obtained from seams averaging 2½ feet thick. These are difficulties that are only too common in Europe. Then the Kusbass coke is extremely friable; there is an increasing need to use lower grade ores and to pre-treat them extensively; and there is a rising sulphur content as some of the best ores get worked out. Mr Clark concludes that the Russians may well start to import high-grade ores for their plant, instead of attempting to smelt the "miserable ores of the Crimea" and to import Swedish ore through Poland. Even more "miserable" ores are smelted in the United Kingdom with great success, and there is no reason to suppose that the Russians, with their advanced use of sinter, will find any difficulty in using lean ores.

Mr Clark criticises the building of the new works at Cherepovets, some three hundred miles east of Leningrad. It is based on coking coal from Pechora nearly a thousand miles farther north-east in the Arctic Circle. This plant, he considers, should either have been built on a more moderate scale in the Leningrad area, where it would use local scrap, or it should have been placed hundreds of miles eastward so that it lay on the most economical transport line between the developing coal reserves of the Arctic north and the iron ore resources of the Urals.

The final section of the book, on productivity, is the nearest approach Mr Clark makes to a general summing up of the strength of the Russian steel industry. He emphasises that the Russians have concentrated primarily on capital productivity rather than labour productivity, so that while output per furnace is frequently higher than in America, labour productivity at the same furnaces is lower. The book does not attempt any assessment of the comparative economic strength of the Russian steel industry and those of western Europe and America. It is not possible therefore to compare his conclusions with those of the British team who visited Russia in the autumn of 1955. Its report assessed Russian costs in terms of labour units as about equal to British costs, but assessed the costs of a labour unit, in terms of real wages paid, as about half that in Britain. Nevertheless Mr Clark's book will be of great value to all concerned with the development of Russian industry.

Controlling the Cash

Central Banking After Bagehot

By R. S. Sayers.
Oxford University Press. 149 pages. 18s.

IN this collection of ten essays, only three of which have previously appeared in this country, Professor Sayers maintains his accustomed standard of technical excellence.

The historical study which gives the book its title traces the evolution of the Bank rate tradition from the publication of "Lombard Street" in 1873 to its culmination in "the textbook simplicity of the system described to the Cunliffe Committee in 1918." It could not last. Some relapse into complexity and doubt is discernible in those other contributions dealing with recent developments and which have acquired a fresh importance in the light of Professor Sayers's appointment to the Radcliffe committee.

Individually, all the pieces are of high quality but, having been written at various dates during a period of some heart-searching in monetary thought, they cannot be said to make an altogether harmonious whole. Especially is this so in relation to one of the basic issues of recent controversy, the question whether control of the supply of bank cash does in fact enable a central bank to exercise effective control over the volume of credit if there are too many Treasury bills about. In the eighth essay ("Determination of the Volume of Bank Deposits: England 1955-6") it is shown that "since the

1956

Report of H.R.H.
The Duke of Edinburgh's
Study Conference
Oxford 1956

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banks can always turn bills or call money into cash, or vice versa, it is their total of bills and call money that we have to regard as the crucial factor." What matters, in other words, is the liquidity ratio ; the cash ratio will look after itself. There may be no real inconsistency, but this does not consort too happily with some of the exposition elsewhere, where it is implied, if not stated, that operation on cash reserves is the key to general monetary control and the efficacy of Bank-rate-cum-open-market operations is on the whole taken for granted.

On some other subjects of recent debate, Mr Sayers's position emerges clearly in the course of the book. Whether monetary policy should operate on advances or deposits is scarcely treated as an issue at all. Compression of bank cash reserves is designed to reduce, not the liquid holdings of the public, but the ability or willingness of the banks to lend to their customers. Indeed, the reason for deciding against the imposition of variable mandatory liquidity ratios is that this would still leave the banks free to sell investments as an alternative to reducing advances—and "this is a choice that ought to be made in Threadneedle Street." There are some for whom the great appeal of monetary as opposed to physical control lies precisely in its anonymous and all-pervading character, in the absence of interference with freedom of contract and in the diffusion of economic initiative throughout the system via the judgments of the market-place. Professor Sayers is not of their number. To rely upon interest rates to govern the pace of the economy is old-fashioned, for they may work too slowly in the "right" directions and have quick effects in the "wrong" directions ; hence the case for action specifically directed against particular activities such as Stock Exchange speculation or hire purchase. Indeed, under-developed countries are adjured that "the intention should be to be ready to establish analogous controls of any particular sector of a country's credit market that comes to have special influence on economic activity." However, one may appreciate Mr Sayers's scholarship without necessarily sharing his views.

Franco's Side of the Hill

Mine Were of Trouble

By Peter Kemp.
Cassell. 207 pages. 18s.

LIEUTENANT COLONEL PETER KEMP had one of the most extraordinarily varied and gallantly buccaneering war records of any British officer ; among other excitements he was dropped behind enemy lines into Albania, Poland and Siam. He also had a somewhat unusual prewar record : a few months after coming down from Cambridge he went to fight in the Spanish civil war—but on General Franco's side. Yet he was not a Roman Catholic, and certainly not a Falangist. Turning the usual bugle calls of class war inside out, he explains rather appealingly that he did not like the way the Republicans were shooting ordinary people "just because they happened to have a bit of money."

Politically, the message of this extraordinarily detached account is that Mr Kemp is still convinced that his was the better of two admittedly raw sides. Militarily, it is that the Spanish conflict could not sensibly be regarded as a rehearsal for the world war that followed : this struggle of attrition, patrols, rifle fire and the occasional machine-gun was strictly 1914-18 stuff. Humanly, the book has the usual fascination of any account written by the quite instinctively nerveless ; it was not at all surprising to hear that Mr Kemp had turned up again in Hungary last November, and that he was the last British newspaper correspondent out of Budapest. It is to be hoped that he will write further books about his post-Spanish activities ; he has the best, because the calmest, literary style for any man of action—it induces shudders at, for and about the author, broad grins, no rancour from political opponents, and a creepiness down the spine.

A Society Grows Old

Social Policies for Old Age

By B. E. Shenfield.
Routledge and Kegan Paul. 244 pages. 25s.

THE Labour plan for national superannuation can be seen as part of the stream of books, reports and pamphlets on the social, economic and other problems of our ageing society. Mrs. Barbara Shenfield has surveyed much of this field in a concise blend of academic learning and practical experience. She modestly describes it as "a general study of fact and argument" ; as a stimulus to fresh thinking and research it should take its place in the authoritative studies of the subject.

The chapter on pensions, which argues that the economic burden of the aged has been exaggerated, provokes the question whether the reaction against alarm is going too far. The numerous variables or unknowns—school-leaving and retirement ages, the number of women workers, the relative cost of supporting old and young, birth and mortality rates, the terms of trade, the increasing political power of older people, the competing calls on the public purse—should warn us against being too sure that the problem will be mainly that of transfer payments. Counting chickens is best left to politicians.

Mrs Shenfield makes too many concessions to the egalitarians, with their "badge of citizenship" mystique, their reluctance to distinguish between the relief of poverty and the redistribution of incomes, and their inability to debate the merits of rights and needs as the basis of pensions. Yet Hagenbuch, Ffrangcon-Davies and others who have made damaging criticisms of the theory and practice of the social services are not done justice.

We tend to judge the new ideas in pensions—the increments for continued work, the earnings rule, and the retirement condition—too much by our own experience. Many other countries besides the United States are experimenting with pension systems that will not provoke premature retirement : pension increments are based on deferment of retirement or of the pension. In Britain we insist on both ; we have a lot to learn.

It is knocking down an Aunt Sally to argue that it is wrong to "press" older people to go on working. The problem is rather to remove the many, often subtle, obstacles. Mrs Shenfield's estimate that only some 300,000 workers would be forthcoming is too low. Even this number would have greatly eased the strains of overfull employment. But the supply of older workers is a function of their price : how many might work on if monolithic collective bargaining over rigid wage structures did not prevent them from being paid what they are worth and would gladly accept ? No wonder they are now "marginal."

Mrs Shenfield's field studies in the Midlands produce sensible suggestions for improvements in welfare and health services and housing. Her concern is for the old folk, whose comfort and happiness she thinks may be sacrificed on the altar of administrative convenience. The neglect of old people by their families is an ugly by-product of state paternalism that requires a solution more than sympathy.

BOOKS RECEIVED

STATISTICAL METHODS IN RESEARCH AND PRODUCTION : *with special reference to the chemical industry. Third edition, revised.* Edited by Owen L. Davies. Published by *Oliver and Boyd* for Imperial Chemical Industries. 406 pages. 45s.

TECHNIQUES OF TRAINING : *a description and analysis of the techniques used for training in discussion leading and group instruction.* Training Department. *Shell Petroleum Company.* 106 pages. 8s.

THE STORY OF THE BRITISH PEOPLE IN PICTURES. *Odhams Press.* 416 pages. 21s.

CONFLICT IN INDO-CHINA AND INTERNATIONAL REPERCUSSIONS : *a documentary history, 1945-1955.* Edited by Allan B. Cole. *Cornell University Press.* London : *Oxford University Press.* 294 pages. 40s.

RESTRICTIVE TRADE PRACTICES : *the Business Man's Guide to the Act.* By K. C. Johnson-Davies and R. D. Harington. *Macdonald and Evans.* 205 pages. 25s.

QUARTERLY REVIEW OF SOUTH AFRICAN GOLD SHARES. Volume I, No. 1. Published by the *Mining Journal* for an annual subscription of £2 2s. in Europe and £2 10s. elsewhere.
This has made its first appearance and is a useful addition to the investor's information in the kaffir field.

THROUGH SOVIET WINDOWS. By Joseph E. Evans. *Doug Jones,* New York. 133 pages. No price given.

AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Mr Stassen's First Steps

WASHINGTON, DC

PRESIDENT EISENHOWER told his press conference on Wednesday that he would be "perfectly delighted" to agree to a temporary suspension of nuclear tests. This shows the earnestness with which the Administration is attempting to arrive at a constructive reply to the latest Russian proposals on disarmament. But, as Mr Stassen, the American representative at the London talks, has now learned, tripartite negotiations are required between the President, his military leaders, with their powerful friends in Congress, and the allies of the United States before any American move can be made. Americans are becoming resigned to having slower reflexes than their monolithic Russian opponents.

In his discussion with the press the President left two major points unclear : whether the United States would move from the suggested ten-month trial period for the suspension of nuclear tests towards the two or three years proposed by the Russians ; and whether the United States would still insist on linking the suspension of tests with a fixed date for cutting off the production of nuclear materials for military purposes. Many of the President's technical advisers oppose the longer suspension period because they fear that during it the American teams of scientists might be dispersed into private industry while Russia, being a dictatorship, could keep its teams intact. This objection might be partly overcome if the Secretary of Defence turns out to be right in his rather surprising view that the suspension of tests would not affect the development of long-range ballistic missiles because atomic warheads for them are available already.

On the question of linking the suspension of tests with that of nuclear production, Mr Eisenhower was at his vaguest, with the subsequent "clarification" from the White House only making the matter more obscure. He did say that controls, now that the Russians agreed that these should accompany the ending of tests, might be adaptable to some sort of check on whether nuclear output had also stopped. It seems that the President is most anxious not to lose any reasonable chance of finding out what will happen when a system of control is actually operating inside the Soviet Union. On the other hand he does not want to lose the support of America's allies, some of whom are insistent that tests and production must be linked.

Americans in general are clearly hoping for results from the disarmament conference. An indication of this is the quick backpedalling of Senator Lyndon Johnson from his gruff refusal to allow a representative group of Senators to attend the London talks before the end of the congressional session, for which he was sharply taken to task by the press. On Wednesday he announced that three from each party, headed by Senator Humphrey, who is chairman of the Senate disarmament committee, would fly to London this weekend as "observers" during the next stage. It is hoped that this will both help to restore Mr Stassen's diplomatic prestige after public reports that he has been "reprimanded" and begin the work of popular education which will be sorely needed if Communist inspectors are to be welcomed into the United States. Before they come, however, a two-thirds majority will have to be found in the Senate for the disarmament treaty.

EVEN before this week's developments, it was clear that the Americans were very serious about their effort to get a "first step" agreement on disarmament. President Eisenhower's principal remaining ambition is to make a great stroke for peace. Since he also regards the North Atlantic Treaty Organisation as his monument, he has never been prepared to suggest or to agree to anything that would damage it. This has in practice ruled out any solution of the German question which the Russians would be likely to accept. So long as the link between disarmament and political settlements was unbreakable, so was the deadlock unbreakable between East and West. If, however, a "small slice" of disarmament could be made to precede political discussions, some momentum towards major settlements might possibly be created. The stumbling block was Dr Adenauer, with his insistence that German reunification must have priority. It was only after he had agreed with the idea of a "first step" that the President felt free to order a new American initiative.

The Americans are convinced that the Russians now really do want some progress on disarmament. They have evidence that a report drawn up for the Soviet government by Marshal Zhukov painted an appalling picture of the carnage that would be created in Russia by a nuclear war and considerably affected the Soviet attitude. The Americans have therefore waived their original insistence on air inspection before all else and have reverted to two conceptions which had long been inherent in the western position within the United Nations disarmament commission. One is that some reliance on good faith is inevitable, so that the "first step" should not concern matters of vital importance. The second is that any "first step" must be one that will provide experience in testing the techniques of inspection and control.

The actual proposals which Mr Stassen took with him to London were a selection and refinement of numerous plans which have been circulated before, together with the idea that air inspection, instead of being total as between the two super-powers and a mandatory prelude to any other steps, might itself be tried experimentally in limited zones. The Administration does not even consider that a European test zone is altogether ruled out, although Mr Stassen has now been told that the Europeans themselves must now be left to propose it.

The freshness of Mr Stassen's response to the new Russian earnestness was to be found in his technique of negotiation. The American proposals were not, after being co-ordinated with other western ideas, to be presented as a "package" to the Russians. They were to be regarded as a series of devices which, together or separately, might make a suitable "first step." The decision on which should be formally presented as the American position was to await a serious effort to discover which would be likely to get the most favourable reception.

It was only after a great tug-of-war within the Administration that this position was established. Many of the military leaders feared that, if popular hopes were raised too high, the natural pacificism of the American people would assert itself before there was any real evidence of Russian good will. Moreover, any suggestion that the United States might accept limitations on perfecting its long-range missiles comes up against intense resistance. However, two factors aided President Eisenhower in making his ruling that Mr Stassen should go ahead. The first is the alarming projections which have been made by the fiscal experts in the Department of Defence, showing that if things go on as they are now, with unconventional weapons being produced in quantity, the costs of defence will rise so much during the next five years that tax cuts will be impossible and additional taxation will probably become essential. The second consideration is the mounting demand for something to be done to reduce the danger from atomic fall-out at nuclear tests.

THE President's decision was most reluctantly accepted by many in the Administration who had watched proceedings in London with a jaundiced eye, waiting for opportunities to convince the President that he was wrong. In addition Mr Stassen's enemies are alert for any opportunity to discredit him; they include practically everybody in official Washington except the President and probably Mr Dulles. The Secretary of State has been annoyed by some of Mr Stassen's tactics and does not altogether share his optimism. But, in principle, Mr Dulles has always favoured putting one enthusiastic individual in charge of apparently intractable negotiations, as he himself was put in charge of the Japanese Peace Treaty; and he recently spoke fervently and with evident sincerity about the urgent need to make some progress on some aspect of disarmament if the hopes of the people were not to be completely dashed.

Mr Stassen has many qualifications for his present task. He is a man of flair, imagination and ingenuity in an Administration not over-endowed with these qualities. He took charge of disarmament when it seemed a sterile and unglamorous job and has worked at it with great enthusiasm. On the other hand he has the grave disadvantage of being a spent political force and a man who, in the course of his devious political career, has acquired an extraordinary capacity for inspiring mistrust. When America's allies showed uneasiness at his private exchanges with Mr Zorin, Mr Stassen's critics saw their opportunity. Reports of a "reprimand" and gleeful predictions that he was on his last mission were given to American journalists by anonymous "high officials." He was indeed told by Mr Dulles that some of his actions had been unwise but, as Mr Eisenhower insisted to the press on Wednesday, Mr. Stassen's instructions remain substantially unaltered, and he retains the President's confidence. Despite certain setbacks there remains in Washington something of the afterglow of Mr Stassen's habitual optimism.

Freedom's Great Day

THE firm stand for civil liberties taken at this session of the Supreme Court reached its climax this week when in three important cases the court warned Congress, the executive and the lower courts not to encroach upon the individual rights guaranteed by the Constitution. Each of these rulings, unlike that in the controversial du Pont case a fortnight ago, was supported by at least six of the nine Justices. It is now clear that in Chief Justice Warren and Justice Brennan—two Eisenhower appointees—and Justices Black and Douglas—two Roosevelt ones—the court at last has a solid core determined to set limits, not only to McCarthyism, which is on the wane, but to the tendency of the state to seek its own security without too tender a regard for the rights of the individuals involved.

In acquitting Mr John Watkins of contempt of Congress, Mr Warren, who wrote the majority decision, declared that although the right to investigate was a broad one, being inherent in the legislative function, it was not unlimited. Congress and its committees had a duty to make the purpose of any investigation sufficiently clear and definite for a witness to be able to decide whether he was within his constitutional rights in refusing to answer its questions on the ground that they were irrelevant. This, wrote the Chief Justice, is "a small price to pay if it serves to uphold the principles of limited constitutional government," and he insisted that there was no congressional power to expose for the sake of exposure, to aggrandise the investigators, or to punish those investigated. Mr Watkins, a trade union organiser, had answered questions about himself, but had refused to give the Un-American Activities Committee the names of others who had once been Communists. This decision, which may be the most far-reaching of the three, almost certainly means the acquittal of Mr Arthur Miller.

In the case of Mr John Service, who was discharged from the State Department in 1951, it was the Administration, and the Truman Administration at that, which was rapped over the knuckles in an unanimous decision. The court ruled that the power of summary discharge given to Mr Acheson by Congress was subject to the procedures adopted in the State Department to safeguard the rights of those under investigation, and that Mr Acheson had no power to override them.

THE 6-1 decision on the Californian Communist leaders—five of whom were set free and nine of whom will be given a new trial—involves the Smith Act of 1940, the government's chief weapon against the Communist party, and seems the most controversial. In 1951 the Supreme Court upheld the constitutionality of the Smith Act, which makes it a crime to conspire to teach or advocate the violent overthrow of the government, or to organise or help to organise groups dedicated to this purpose. The court has not reversed itself, but it has made convictions very much more difficult to obtain.

By construing the word "organise" as applying only to the reconstruction of the Communist party in 1945, it has made this provision useless in view of the three-year statute of limitations. (The present indictment was not brought until 1951.) The court also drew a fundamental distinction between advocating action to overthrow the government by violence, which is illegal, and advocating belief in such a course, which is not. The court also found the evidence against the defendants seriously inadequate. Justice Clark, a former Attorney General and a perpetual dissenter in such cases, complained with more apparent cause than usual that to construe "organise" thus narrowly defeated the plain intention of Congress and that for the court to "usurp the function of the jury" in dealing with the facts of the case was unprecedented. His dissent will encourage those who are already complaining that the court is exceeding its judicial responsibilities.

Victory in the Senate—

PRESIDENT EISENHOWER has won a real triumph in the Senate over next year's foreign aid programme, the key front in his battle for his Budget. Not only was he given practically all he asked, with comparatively little argument and only token cuts, but his victory was organised co-operatively by the leaders of both parties, returning to the bipartisan approach which was responsible for the programme in its early days and without which the Republican President cannot get anything at all now that both Senate and House have Democratic majorities. Mr Eisenhower asked for $3.9 billion; the Senate authorised $3.6 billion, with most of the reduction falling on direct and indirect military assistance. Under the Senate Bill funds for this will in future be part of the Defence Department's Budget, but they are not authorised permanently, as the President had requested. The Senate took a step in this direction, however, by authorising money for the 1959 fiscal year, as well as for the coming 1958 one. Moreover, by approving a loan fund for economic development, and authorising the full first instalment of $500 million, the Senate made an important advance toward putting foreign aid on the continuing basis which would make long-term planning possible.

Senator Morse, the most left-wing of Democrats, was one of the leading opponents of this internationalist policy, which he might have been expected to welcome in principle. His objection was not to foreign aid as such, but to giving so much power and so much money to a President whom he does not trust. He found himself in a strange alliance with Senators Jenner and Malone, from the far right of the Republican party, as well as with conservative southern Democrats. But the extremists could only muster 25 votes against the 57 cast by moderates from both parties. This satisfactory majority means that the House of Representatives, to which the authorisation Bill now goes, will hesitate to make any substantial changes in it, particularly since there too it has the active backing of both party leaders. The struggle will now presumably be transferred to the appropriation Bill, which provides the actual money for spending. But it looks as if, even at that stage, the fight might be less bitter than has become usual in recent years.

—and in the House

THE President won another victory this week, over civil rights for Negroes, in the House of Representatives. But unfortunately it does little to help the Bill to become law, for only in the Senate does a victory on this question have any real meaning. Civil rights Bills have passed the House before, only to be talked to death by southern Democrats in the Senate where unlimited debate is almost impossible to check. In spite of the parliamentary manœuvres now going on, there seems little hope of avoiding a repetition of these filibustering tactics, which will almost certainly succeed once again, since the Bill is reaching the Senate floor so late in the session. But at least an effort, backed by Senator Knowland, the Republican leader, is now being made to get the Bill to the floor immediately, and in the version approved by the House, by by-passing the Senate Judiciary Committee where it has been held up for weeks. Here again, as on the question of foreign aid, Senator Morse finds himself allied with his habitual enemies against his natural sympathies; a strong supporter of Negro rights, he refuses to accept a move which is designed to circumvent part of the legislative process.

The Senate Judiciary Committee's Bill contains the provision for trial by jury which was first conceived by Senator Ervin of North Carolina and which was only defeated in the House with difficulty. The main provision of the Administration's Bill allows the Attorney General of the United States to go to the federal courts for an injunction against threatened violations of civil rights; it is intended for use when Negroes are prevented from voting. Anyone defying the injunction could be charged with contempt of court; since speed is essential in this process, which is designed to prevent a crime, not to punish one, these cases are not tried with a jury. But Senator Ervin argues, and his argument has an appeal which extends far beyond the South, that this is a denial of the constitutional right to trial by jury. To this the Administration replies that no southern jury is likely to convict in a case brought on behalf of a Negro and that therefore Senator Ervin, as he is well aware, is in fact destroying the whole point of the Bill. With strong support from the President himself and loyal backing from Republican leaders in the House, the Administration's view prevailed there and the Bill emerged, after an unusually long debate for that chamber, in unexpectedly sound condition.

Unspotted Garment Workers

NEW YORK

MADISON SQUARE GARDEN was borrowed from the Billy Graham Crusade for an afternoon last week by the workers who make women's clothes to mark—with a specially composed aria, orchestral selections, the wit of Mr Milton Berle, and emotional speeches in many variations of broken English—a highly significant jubilee. It was in praise of Mr David Dubinsky, the excitable Russian refugee who has headed the International Ladies' Garment Workers Union for exactly twenty-five years, and who is a most conspicuous contrast to the tarnished teamster, Mr Dave Beck. In 1932, when Mr Dubinsky took over, the trade union was bankrupt and its membership at rock bottom. The union was bleeding from a decade of ferocious internal struggles between communists and anti-communists. As luridly illustrated by a current film called "The Garment Jungle," gangsters had gained control of parts of the fiercely competitive clothing industry in the guise of providing non-union employers with "protection" and supplying intrusive trade union organisers with a violent brand of

"education." The labour force consisted overwhelmingly of Jewish and Italian immigrant craftsmen, faltering in their command of English but highly proficient in the polemics of European socialism.

After twenty-five years, the "union welfare state" is accepted in 87 per cent of the workshops. The union's 450,000 members have a thirty-five-hour week, minimum wage scales, superannuation at sixty-five after twenty years' service, holiday funds and health insurance. There are eighteen union health centres—the one in New York occupying six storeys of a skyscraper, and employing a hundred and seventy doctors—and three "healthmobiles." At Unity House, in the Pennsylvanian hills, union families are provided with a superb but cheap holiday resort. In New York union members are given priority in great blocks of workers' co-operative flats which, with the aid of union funds, have risen above the cleared sites of slums and sweatshops.

There are other changes. The industry is no longer so completely concentrated in New York as it was and the work force has become overwhelmingly female. This means both a decline in ideological turmoil and a loss of interest in union work; there is now a very high turnover of membership. Many of the newer workers are Negroes, Puerto Ricans, and the Mexican-Spanish of Los Angeles. The leadership remains in the hands of those Jewish and Italian veterans who followed each other to Mr Billy Graham's flower-decked pulpit to choke out the forgotten names of the ILGWU's "apostles and martyrs." But there is great anxiety about where their successors are to be found. The union is hoping that its training institute, a pioneering "trade union college," will continue to attract promising recruits from outside as well as from within the ranks of the industry.

Academic courses in politics and economics are deftly combined with down-to-earth instruction in bargaining tactics and how to run a mimeograph machine. When a visiting lecturer finishes analysing "the dynamics of the American community," a staff instructor jumps up to explain how to make contact with the local powers-that-be. The graduate's zeal and staying power are tested by organising work on the "frontiers" of the South, Southwest and West, where clothing firms have fled in search of unorganised workers. Since most of the recruits come from New York they are first helped in the "speech workshop" to get rid of any local accent they may have and are advised that the styles of dress popular in New York need to be toned down for work in the field.

DESPITE their socialist origins the garment workers are no longer anti-capitalist. Symbolically, a few weeks ago $2.6 million of union funds were invested, in partnership with Mr Nelson Rockefeller, in a scheme to build workers' homes in Puerto Rico, where most of America's brassieres come from. But special bitterness against communists and gangsterism survives from the old days of internal conflict. In an office of the ILGWU headquarters, which houses Mr Dubinsky's private foreign office, sits Mr Jay Lovestone, who tried to seize control of the union when he was general secretary of the American Communist party. Dismissed from office by Stalin in person, he now devotes his conspiratorial talents to scheming for the downfall of communism and neutralism wherever they may raise their heads. Despite the dilution of its membership, the union's Jewish and Italian origins are not forgotten. A children's home and clinic have been built in Italy. A $1 million hospital is going up in Israel. The Israeli Government was given financial help when it was first constituted; and, at a crucial moment in recent Italian history, Signor Saragat's breakaway from the Nenni Socialists was encouraged and partially financed by Mr Dubinsky. At home, in labour's struggle to clean its own house, Mr Dubinsky was the first important labour leader to call for a purge, even if this involved bringing the government into labour's hitherto private affairs.

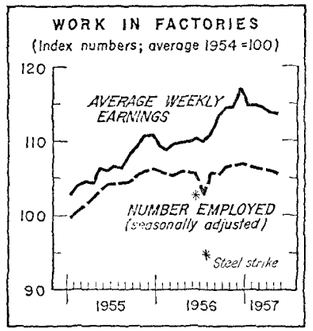
Although most of the ILGWU's local branches are affiliated with a third political party, the Liberals, and provide it with about a quarter of its funds, this paradoxically illustrates why American politics are most unlikely to follow the British pattern and produce a labour party. New York has a tradition of third, sometimes socialist parties. But their current incarnation, the Liberal Party, which was formed by Mr Dubinsky and others as a breakaway from the now defunct American Labour Party when its Marxist character became apparent, is undogmatic. Indeed, it has provided the means whereby a politically conscious trade union has shucked off its former doctrinaire associations. The party exercises its main influence on the choice of both Democratic and Republican candidates. The Liberals control enough votes in close contests to make their endorsements highly worthwhile.

THE presiding genius of all this activity is a restless, volatile man who can never sit still, who has a finger in every pie, and who talks by the hour at the top of his harsh, guttural voice. He can rule with the temper and tactics of a prima donna: when occasionally he is crossed at a meeting of the executive board Mr Dubinsky is likely to lie down on a couch and talk of retirement. But at Madison Square Garden he sang a very different song. The latest triennial report of the ILGWU, an intensely human document, is suffused with the "D.D." spirit. Its favourite expression is "dramatic." As events unfold in each successive region and trade, suddenly there is a verbal thunder clap, a cloud of sulphur, and "Pres. Dubinsky" is on the scene, taking over negotiations, rapping subordinates on the knuckles, deciding internal disputes or addressing "impressive" meetings.

If a recent federal indictment is sustained the union has one slight blot on its record. The manager of its lorrydrivers' branch, which Mr Dubinsky had kept in the union to police deliveries between manufacturers in New York and contractors outside the city to make sure the latter were not using non-union labour, has been accused of extorting bribes and has resigned. But the garment workers', stewardship of vast funds is in refreshing contrast to that of the main lorrydrivers' union, the teamsters. A central auditing department ensures that the ILGWU's welfare and pension funds, totalling $189 million, are rigidly segregated from normal trade union revenue and are invested only in government bonds or in equally safe government-guaranteed mortgages. However the contrast is not, as much recent discussion might suggest, one of "union democracy." Both the teamsters and the garment workers have democratic forms of organisation, but Mr Dubinsky has more personal power than Mr Beck ever had. He is never opposed for re-election, he is his own secretary-treasurer, and he has in his possession undated letters of resignation from all other officials of the union. The difference lies in the character and sense of dedication of the remarkable man whose silver jubilee has been so justly honoured.

Employment Paradox

THE present paradoxical economic situation in the United States, where a definite industrial recession has brought no more than a levelling off in the general prosperity, is reflected in the employment figures for May. The number of people working in factories—16,685,000 on the day of the count—continued to decline, as it has done for months, by more than the usual seasonal amount; the average time they worked was down to 39.7 hours a week, the lowest since September, 1954, with average weekly earnings therefore declining also, to $81.78. The fall was in the durable goods industries, particularly in factories producing heavy electrical equipment and other industrial machinery and in automobile plants. For this reason the industrial production index was also down slightly in May, for the third month, to 143 per cent of the 1947-1949 average.



Yet total civilian employment, at 65.2 million, went up during May by the 900,000 which is usual at this time of the year, when activity on the farms and in the building trade is rising. More significantly, even in spite of the decline in factory work, non-farm employment was at a record in May and was about half-a-million higher than in May, 1956, thanks largely to the service industries. This was offset by a similar decline in agricultural employment over the year, so that the total number of people at work remained almost the same. The number of unemployed, at 2,715,000 in May, four per cent of the labour force, was up by 107,000 and by .2 per cent over May, 1956. There are now 67,893,000 people in the civilian labour force (another 2,821,000 are in the armed services), just under 50,000 more than a year ago. But the increase between May, 1955, and May, 1956, was over 2.5 million; admittedly this was a record gain, but nevertheless the growth in the labour force has obviously levelled off markedly during the past year.

Defence Cuts Itself

THE problem which the Senate Appropriations Committee has to decide is whether it should restore some of the $2.6 billion the House cut from the President's defence budget for the year which begins next month. But what is troubling the armed services is how they can make do even on the $38 billion which Mr Eisenhower proposed last January before Congress decided that economy was the best policy. Spending on defence during this fiscal year has swollen alarmingly; in the last two or three months it has been running at a rate of $42 billion a year instead of the $36 billion it was estimated that it would cost. When the books are closed on June 30th, the services are likely to have spent $38.5 billion. Some of the increase will be offset by reductions in non-defence expenditures, but spending as a whole will be half a billion dollars higher, and the surplus about that much lower, than the Administration estimated in January. Unless the growth in defence spending can be checked, next year's budget surplus and any hope of a tax reduction the following year will fly out the window.

As the Director of the Budget recently pointed out, it is the Air Force which is primarily responsible for higher defence costs, partly because of the speeding-up of its ballistic missile programmes, and aircraft purchases, and partly because deliveries are quicker; this means contractors must be paid sooner. And it is the Air Force, which spends nearly half the defence budget, which has been the first to feel the sharp edge of the economies and controls that Mr Wilson, the Secretary of Defence, concludes are necessary. Much indignation has been caused in the Air Force by an order last month that it must conform to the practice of the other services and not embark on any buying programmes unless it has the spending authority to complete them. The Air Force has friends—notably Mr Symington—in the Senate, and for several days the Defence Department, which went to the Senate to plead for more money, had to defend itself against charges of sacrificing the national security to sordid considerations of economy.

Representatives of the Budget Bureau and of the services met at Quantico, Virginia, this month to see how the demands of security and economy could be reconciled, but the services have been understandably slow in producing detailed plans. As long as Mr Wilson is Secretary of Defence there will be no further measures of unification of the services, which some members of Congress feel is the royal road to efficient defence at a price the country can afford. His prescription is some postponement of purchases of arms, coupled with a reduction in the numbers of servicemen and civilians now attached to the services. But the final decision on how the defence coat is to be cut must be made by the President himself.

Atomic Partisans

THE President's choice of a Democrat, Mr John Graham, to succeed Mr Thomas Murray on the Atomic Energy Commission is not certain to allay Democratic indignation over the Administration's refusal to renew Mr Murray's appointment. He is a man of strong independent judgment who in their view has been a healthy thorn in the flesh of Mr Lewis Strauss, the chairman of the commission. To fill out the term of Dr von Neumann, who died earlier this year, the Administration has chosen Mr John Floberg, a political independent who served in Mr Truman's Administration as Assistant Secretary of the Navy. Neither Mr Floberg nor Mr Graham is well known in Washington, neither has much experience with the problems of atomic energy, and both will be given a "meticulous" review by Senators who suspect them of having been hand-picked by Mr Strauss.

Mr Murray spoke last week at the dedication in Dresden, Illinois, of a nuclear power reactor, the largest so far, which is being built by a group of private electricity companies; he welcomed their enterprise, which in his view will help

to make American industry a supplier of atomic plant to the world, but once more regretted that the government was not speeding this day by itself building plants to produce atomic power. Mr Murray's partisans in Congress have, however, apparently decided that the middle of an economy drive is not a propitious time to force the Atomic Energy Commission to spend more government money. But they have expressed their dissatisfaction with the Administration's "partnership" scheme, in which the initiative is left to private industry, and their displeasure with Mr Strauss, who is its strongest advocate, by another means. The Joint Committee has voted unanimously to force Mr Strauss to come to it for specific permission for each atomic partnership project.

On one atomic front, however, the Administration has won a qualified victory—over its own supporters. On Wednesday the Senate voted by 67—19, well over the necessary two-thirds majority, to approve American participation in the International Atomic Energy Agency. This victory was assured once the Administration had accepted an "understanding" proposed by Senators Knowland and Hickenlooper that the United States may withdraw if the Senate fails to approve any amendment to the agency's basic charter.

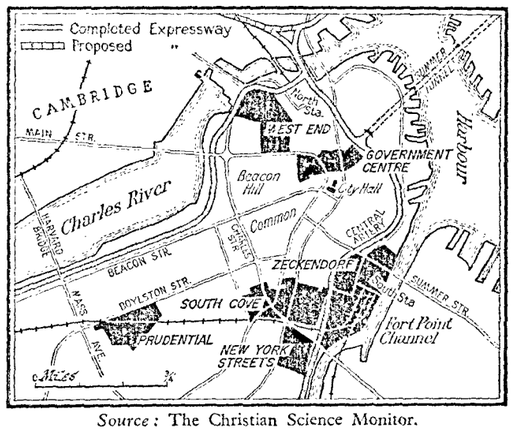
Boston Takes Heart

FROM A CORRESPONDENT IN MASSACHUSETTS

For thirty years Boston has been suffering from a building famine, but now at last a feast of future construction plans is being spread on drawing tables. Hardly a week goes by without significant progress being made in at least one of the ten major redevelopment projects now under consideration—and in some cases under way—in this historic city. The new era began when modern highways pierced through the central tangle of streets which still resembled cowpaths in planning, even if no longer in surface. Then came the federal government with liberal appropriations for urban renewal and, after that, a revival of faith in the city's economic future, stimulated by business interests from outside Boston. These moved in to dispel the miasma which has suffocated the city while buildings decayed, taxes rose, population declined, traffic strangled itself, and industry escaped to the airy suburbs.

Early this year the Prudential Insurance Company, with headquarters in Newark, New Jersey, and a rapidly expanding chain of regional offices, took over 31.3 acres of open space in the heart of Boston, a site which is unrivalled in any other large American city today. The new Prudential centre will be built on land which was already clear of everything except railway lines and a brick monstrosity of a convention hall. Already some of the lines have been taken up and architects and engineers are rushing plans for a 45 to 50-story office building—a steel and glass structure almost twice as high as Boston's present pride, the 26-story John Hancock building, which in turn dwarfs most of the city. Rounding out the centre will be residential flats, a new convention hall, a hotel, speciality shops, and restaurants—twelve structures in all which will take about five years to complete at a cost of some $75 million. Not accustomed to such grandiose planning, most Bostonians are almost beside themselves with gratitude.

Boston's decay is in part the outcome of the conservatism of its citizens where money is concerned. Many of them, for example, are bitterly opposed to the new Massachusetts toll road, which is intended eventually to connect with the Central Artery expressway ringing downtown Boston and will thus open up new avenues of commerce to the city; this opposition springs simply from dislike of paying the tolls. New England bankers have been reluctant to finance local expenditures, largely because as native Yankees they



Source: The Christian Science Monitor.

distrusted a city government run by Irish-American politicians. But in recent years the Irish themselves have moved into the business world. More important, the present Irish mayor, Mr John Hynes, is not the buccaneer that Mr James Michael Curley, his predecessor, was. Furthermore, in the postwar climate of prosperity that is general in America, both businessmen and politicians have begun to take seriously the thought that they can do something to arrest the city's decay.

Once new highways were opened, industrial and real estate interests began to buy up nearby land. The city applied for federal aid to demolish buildings in two neglected districts, the New York Streets site and the West End. The New York Streets area has already been levelled and business interests are bidding for the land, while the West End project is in the offing. Where slums once festered, new blocks of flats overlooking the scenic Charles River will go up. After years of talk, the city finally decided to level the relic of a building called a city hall and began to plan a sixty-acre governmental centre nearby. This project was pushing ahead until the Administration in Washington withdrew its support in an effort to reduce what it regarded as inflationary spending. Planning for the South Cove area has now been slowed down for the same reason and the city fathers are protesting vigorously.

A New York financier, Mr William Zeckendorf, apparently seeing new life in a city which he once publicly stated was beyond hope as a business investment, has come up with the most dramatic and so far the least specific plan of all: a reconstruction which may eventually extend to as much as 886 acres of new facilities for commerce and industry across the Fort Point Channel. Boston is not quite ready to buy these huge ideas, largely because of qualifications put on them by the financier himself, but talk in Boston is big these days. Even the conservatives are beginning to admit that the city may have a future now that its face is being lifted.



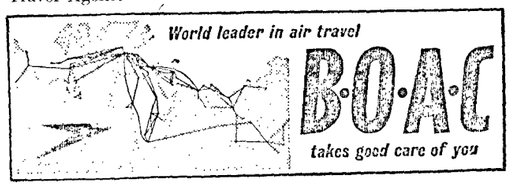
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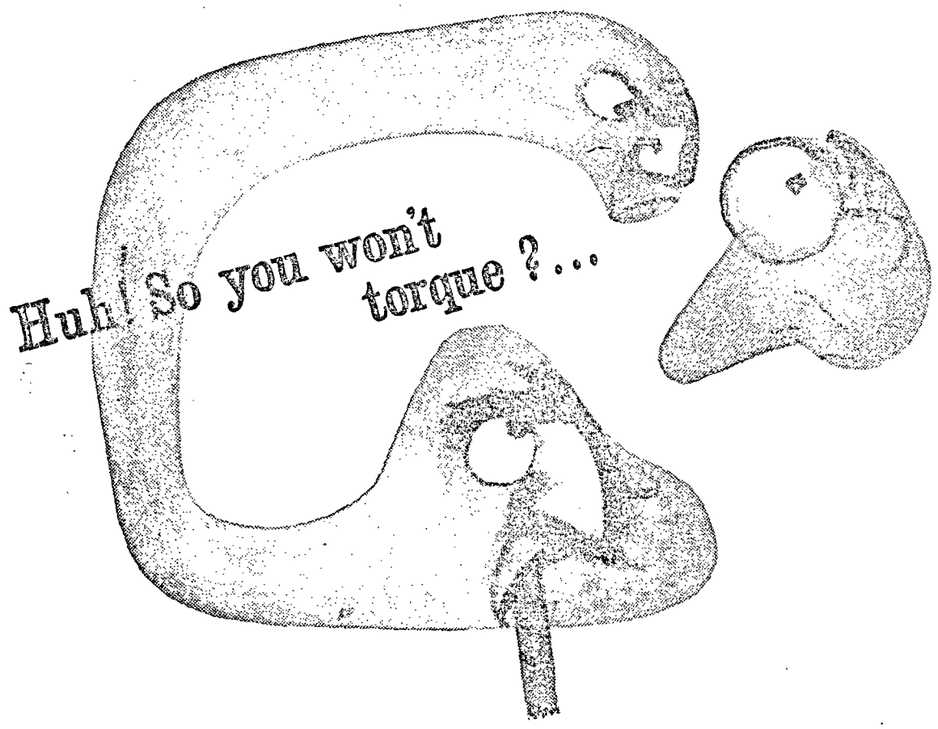
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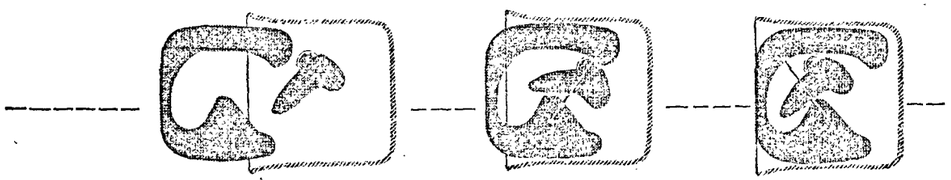


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THE WORLD OVERSEAS

Canada and the Commonwealth

FROM OUR OTTAWA CORRESPONDENT

MR DIEFENBAKER will enjoy one weekend as Canadian prime minister before he leaves for the Commonwealth meeting in London. It is not his choice that this should be his first assignment; he would doubtless prefer to have time to look at some of the confidential files so long hidden from him. But when Mr St. Laurent accepted June 26th as the date for the London meeting, it never occurred to him that a change of government might have to be arranged after the election. Accidental as the timing is, many people both here and abroad will regard Mr Diefenbaker's immediate visit to London as symbolic. Neither Mr St. Laurent nor Mr Mackenzie King would have been quite happy about rushing off to London before they had had time to make some contact with Washington, or at least to arrange for a visit there immediately afterwards. The diplomatic service, brought up in these traditions, is not quite happy about Mr Diefenbaker doing it either. They would not mind if he promptly arranges to visit Washington, too, but they do not feel sure that he will.

It is easy to dramatise the opposing orientations of the Liberal and Conservative parties beyond all verisimilitude. But the difference is deep-rooted. The older generation of Liberals remains imbued with what Professor Donald Creighton (the biographer of John Macdonald, who shaped the Conservative party in the 1860s), has scathingly called the authorised version of history according to Mackenzie King. Its central theme was King's heroic and successful struggle to free Canada from the tenacious coils of British Imperialism. The Liberals found it politically profitable, says Professor Creighton, and propagated it for thirty years after it had lost either truth or utility. The result was that they went on fighting mythical encroachments from England through a long period when statesmanship should have been directed to the real threat of economic and financial encroachment from the United States. The persistence of the historic fear of British dominance was curiously demonstrated by Mr St Laurent during last November's Suez debate when he let forth an outburst about "the supermen of Europe." He would not have said it except in anger, but that made it the more revealing. A more deliberate example came in last month's election campaign from a well-educated Liberal candidate in a prosperous middle class English-speaking district of Montreal, who surprisingly solicited votes for "the party which had secured Canada's independence."

But by now most of the Liberal generation coming to the forefront, including members of the last cabinet, have largely lost interest in past struggles and are increasingly concerned about growing United States influence. They often found Mr Howe and Mr St Laurent too complacent in their dealings with the United States, and were growing to distrust private pow-wows which never seemed to produce any result but left senior ministers feeling good. And the Conservatives are most unlikely to adopt more anti-American policies than a younger Liberal government would have done. They do not want to scare American money away any more than Mr Howe did. But it is possible that they will sound more truculent and be less concerned to maintain a façade of "being buddies" with Washington. They would certainly like to find a better counterbalance in the Commonwealth against the growing preponderance of American interests here. Mr Diefenbaker, who has long advocated a Commonwealth trade conference for this purpose, is bound to raise this possibility in London. It will not be easy for him, because his officials have long been telling their former ministers that nothing could be gained from such a conference, they have not had time to prepare a brief on the other side, and Mr Diefenbaker still lacks official information on which to base his own brief.

The Conservatives' leaning toward the Commonwealth rather than the United States is based on a historical tradition which gets its inspiration from the 1870s. Its symbols are Macdonald's determination to build the Canadian Pacific railway, and his "national policy" of protection. They find here, as Professor Creighton has eloquently described, a true parallel to present day problems. Only the determined exercise of the state's power could create a viable national unit out of British North America's elongated transcontinental strip of territory, as Macdonald saw it. Only a similar determination, according to this view, can preserve it today; economic and financial forces left to themselves will end by submerging Canada.

This is the fundamental political philosophy of many Canadians who are not all Conservatives. But a government of whatever party will be very cautious about putting it into action. Certainly, Mr Diefenbaker's government has not begun to work out coherent plans in domestic or foreign policy. It would be quite unrealistic to expect any considered policy statements from him in London. But it will be an excellent opportunity for him to get a full briefing on the world situation as it appears to the other prime ministers. He has the quickest lawyer's ability to grasp a brief. He also has the jury lawyer's ability to make resounding speeches on a rather thin knowledge of the facts: but it is to be hoped that will not have to be exercised at the London conference.

New Zealand's Disillusion

FROM OUR CORRESPONDENT IN WELLINGTON

MOST of the members of the 17-man trade mission to London have now returned home. That the mission was heavily defeated (as was described in *The Economist* on June 1st) has been acknowledged by the press, and the public has agreed with the comment of the Leader of the Opposition, Mr Walter Nash: "Never have so many at such cost taken so long to achieve so little."

Although Mr Nash's comment sums up most people's feelings on the results of the mission, it is also realised that even if the delegation had been well organised, well led and small in numbers it might not have achieved much more. As it was, the amorphous unbalanced mission has brought political advantages to the government. A general election is due this year, and meat producers and dairy farmers are vocal political groups. While most of the farmers vote for the government (National) party and not for Labour, they can nevertheless alter the political atmosphere and make the party in office very uncomfortable.

The heavy fall in dairy produce prices in the British market earlier this year and the fall in meat prices a year ago, coupled with the threat of an expansion of Argentine meat supplies, alarmed the farmers and caused them to press energetically for the New Zealand government to intervene. Although the government probably realised that it would be difficult to achieve much because of Britain's interest in gestures about free trade and its need for cheap food, it arranged to send a delegation to London—but a majority of this delegation were farm leaders. It is unorthodox and generally unwise for pressure groups to be represented in a delegation discussing national policy with another government, but Mr Holland evidently thought that it was worth the risk and danger.

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He has been amply justified. The skill and hard bargaining of the British officials have provided the leaders of the New Zealand farm groups with a very necessary understanding of the difficulties New Zealand's primary produce faces in what they thought was a preferential market. From now on farm leaders will be explaining to their conferences the facts of life as Britain sees them, and the New Zealand government will emerge in a much stronger political position. It was no use for a government delegation to be defeated; for political reasons, a delegation of primary producers had to feel defeat.

But the effect of the defeat has gone well beyond immediate political considerations. The New Zealand public has in the past been heavily sentimental about the connection with the home country and has warmly applauded reciprocal preferences between the two countries. This sentiment explains its support of Britain over the Suez venture. But the jolt that the British rejection has given New Zealand may be the beginning of a change; sentiment will slowly fade if there are further examples of Britain's businesslike attitude. The shock of defeat will increasingly produce a feeling that the Commonwealth is not what it was. Australia recognised this years ago, and New Zealand is recognising it now.

Today over four-fifths in value of the British goods imported by New Zealand have a tariff preference and a substantial proportion of these preferences are higher than New Zealand undertook at Ottawa to extend to Britain. Although his advisers may have pressed him to review this situation, Mr Holland hesitated, feeling that it might outrage public sentiment if New Zealand began to be businesslike in trade matters with Britain. Politically, he need worry no longer. For Britain itself has, through its hard bargaining, produced the inevitable reaction in New Zealand. The farmers, formerly the greatest proponents of preferences to Britain, are now the most eager for a heavy reduction.

Mr Kadar's Paternal Rule

BY A CORRESPONDENT

BUDAPEST intellectuals are maliciously rubbing their hands at the Kadar regime's recent pronouncements. As one of them put it: "At long last they have confessed to being Fascists. Alone amongst the world's Communist parties, the Hungarian party no longer pretends to be the executor of the will of the 'masses.'" Indeed, the peculiar etiquette obliging the party to claim popular support for its policies seems to be on the way out in Hungary. The frank arrogance of a paternalistic autocracy is gradually taking its place. In winding up the perfunctory May session of the Hungarian parliament, Mr Kadar refreshingly declared: "The Communist leader does not always do what the people would have him do; but he always does what serves their best interests." The inner core of the party, said to number 15,000 convinced "missionaries," regards itself as a besieged but resolute élite obeying the call of history.

This shift towards greater frankness is now visible in the tone of the whole propaganda machinery. The party's *Leitmotif* is self-congratulation at the "courage with which we are carrying out our seemingly unpopular policies." Illusions about the measure of their comrades' unpopularity are discouraged. Their utter dependence on the Soviet presence is impressed upon them. Inside the party, the feeling seems to be that the masses are almost incorrigibly reactionary; workers' councils are publicly condemned for hankering after the "support of the backward masses."

The conflicts within the party seem, on the whole, to be subordinated to the overriding need for unity in the face of the counter-revolutionary threat. But they flare up whenever the need to stick together in self-defence appears less pressing. Both Mr Kadar and the flamboyant Mr Marosan have admitted the existence of conflicts in recent speeches. Mr Marosan in particular made it clear that "revisionism," striking as it does against the party's monopoly of power, is regarded as a worse sin than "sectarian dogmatism" which merely perverts it. While admitting the right to ideological discussion within the party, he uttered a caution against "degrading it to a debating society." He also hinted that the Rakosites, by their sulking, are unwittingly aiding the counter-revolution, while Mr Kadar, in truly dialectical fashion, lashed out against the heresy of national communism.

The leaders, however, are fairly satisfied with the state of the party, which they regard as healthier than in Rakosi's day. No great pressure is put on the 400,000 or so members of the pre-October party who have not "yet" joined the



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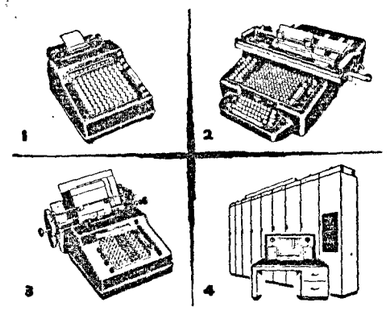
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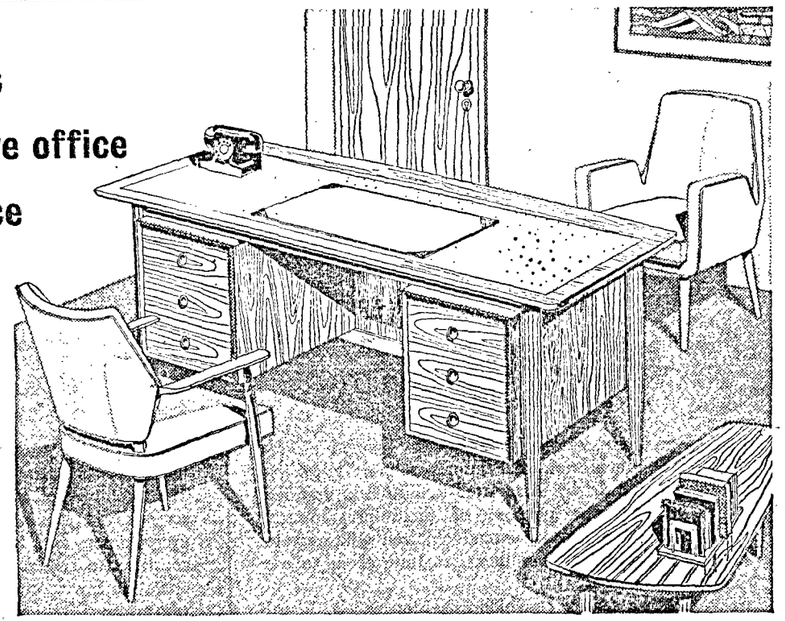
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Kadar party. Some are genuinely disappointed in the creed, some are fence-sitters, and some deeply contemptuous of the Kadar clique, regarding them as weak-kneed amateurs unfit to clean the boots of such great professionals as Rakosi, Gerö and, on a smaller scale, themselves. Kadarites retort that it was the old party guard which blew hot and cold and cancelled itself out; the Kadar party boasts of a much more consistent toughness. As if to confirm the boast, Budapest is full of rumours of prominent revolutionaries being tortured or beaten to death.

But Mr Kadar's paternal government, while beating, bullying and threatening its subjects, allows them more material comforts and more market freedom than is enjoyed by inmates of the "socialist camp" elsewhere. In the past, consumption was a residual item in the social accounts. Today, it seems to have first claim on resources. In the current year, investment will reach no more than 9.3 per cent of the gross national product. Fully one quarter of it is to be devoted to housing compared to barely one-twentieth in the past five years. New industrial investment is at a virtual standstill and, with minor exceptions, unfinished projects get only care-and-maintenance expenditure. Defence outlay is cut from over 4,000 to a modest 1,900 million forints.

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Wage and salary increases added 7 billion and the abolition of compulsory farm deliveries 4 billion forints to personal spending power. A 53 billion forint "merchandise fund" (consumption goods and services) is needed to match it. With the proceeds of the Soviet loan approved in April, 50 billion forints worth will in fact be available. To reduce the gap, 2,700 out of the 80,000 prices fixed by the State have now been raised. But the upsurge of demand for consumer goods continues. Stocks in State shops are three-quarters of what they were a year ago, and turnover is much larger. Russian and East German motorcycles, washing machines, tape recorders are sold before they are unpacked, though prices are very high by western standards. Woollen cloth, and quality textiles generally, are particularly dear and scarce, and smuggling them brings great profits to itinerant sportsmen and artists. State shops have become sensitive to consumer tastes, and the Ministry of Foreign Trade meets their requirements by importing more without batting an eyelid. This year's foreign trade plan provided for 10 per cent lower exports and 50 per cent higher imports than the 1956 levels; the import "plan" included $180 million worth of consumer goods, three times the 1956 volume. In fact, however, in the first five months of this year consumer goods imports were running at an annual rate of $350 million. Consequently, the Soviet loan was running out much faster than it was supposed to do.

In his latest speech, the Minister of Industry, Mr Apro, excused this state of affairs by saying that socialism must be built so that the present generation should also benefit from it; but he gave a warning that without the reintroduction of an incentive wage system the present standard of living cannot be held. The chairman of the Planning Board and others have also done some thinking aloud recently, to the effect that "if the present poor ratio between consumption and accumulation is maintained, the development of our people's economy will be slowed down for many years." The avowed aim is to "stabilise" (not to raise further) the standard of living, but even this is said to be a difficult task, because the regime wants to resume industrial investment in the 1958-60-three-year-plan period.

Opinion in Budapest is that the present economic laxity is but a brief honeymoon, and that the Kadar regime will before long stop "bribing the masses." In private, leading communists disclaim any wish to revert to the gigantomania of the Rakosi era, but insist on the imperative need to raise the ratio of investment in the national income. The higher rate of growth of the OEEC countries is giving rise to anxiety in the Planning Board, and Rakosi's famous dictum ("We must not eat up the future") is again being approvingly quoted in high quarters.

Between Bonn and Moscow

FROM OUR BONN CORRESPONDENT

CONSIDERING their professed long-term objectives, it is really not at all surprising how long it takes Soviet and German statesmen to get into position to do business with each other. On both sides the curiosity excited by the prospect of a close encounter is understandably great. So is the sense of the occasion's potential importance. So are the uncertainty and the wariness. And these various emotions are permeated with that peculiar fusion of contempt and respect which each has for the other..

It was on February 5th that Marshal Bulganin wrote to Dr Adenauer proposing that something "concrete" should be done to improve relations between federal Germany and the Soviet Union. He suggested holding talks in Moscow with the object of promoting trade between the two countries, fostering cultural and scientific collaboration, and establishing consulates. The consulates, Marshal Bulganin significantly hinted, might be able to expedite the repatriation of German and Russian citizens stranded by the war. Cautious as it was, the Chancellor's businesslike response encouraged the Soviet prime minister to propose, in March, that talks should begin in April. After some German boggling at subsequent shifts of emphasis in the prospective agenda, Marshal Bulganin, on May 23rd, named June 15th as a suitable day to start. June 15th has come and gone, and Dr Adenauer is still making sure. "Do not think," Mr Mikoyan is reported to have observed testily on hearing of the latest German reservations; "Do not think we have not noticed that Bonn wants to put off the negotiations. But, if they have time, so have we." That may well be. Yet until now the Russians have, in fact, seemed markedly eager to get a move on.

It is the belief of the west German foreign office that exigencies of face-saving, rather than of trade, have been chiefly spurring on the Russians—that their advances to Germany are part of a larger movement to break out of the isolation in which they have found themselves since they struck down the Hungarians. Dr Adenauer's easy initial concession to this presumed desire to cut a more respectable figure, at home as well as abroad, has been to dignify the prospective leader of the German delegation to Moscow, Herr Rolf Lahr, with the rank of ambassador-extraordinary. As for their stated aims, the Russians probably appreciate that they are not likely to persuade the Germans at present to commit themselves to a long-term trade agreement which would fit in nicely with long-term Soviet planning. Their negotiators are expected to press none the less for deliveries of certain kinds of machinery and precision instruments over a period of from five to ten years. They will also try to arrange, through an agreement for cultural exchanges

and scientific collaboration, for the fruits of German research and experience to become more readily available to the Soviet Union. And they will be all for posting approved Soviet observers in such useful places as Hamburg, Hanover, Düsseldorf, Munich and Stuttgart.

With less than three months to go to the Bundestag elections it would be unconvincing were Dr Adenauer and Herr von Brentano to pretend that their conception of the pending talks was not coloured to some extent also by hopes of enhancing their prestige. They know they will cut little ice in the beer halls by agreeing to some scheme for exchanging opera companies and laboratory findings, which most Germans would suspect of benefiting chiefly the Russians, both technically and politically. Nor will the Germans be easily persuaded they are getting a good bargain out of consulates in Leningrad and Kiev in return for Soviet consulates in Hamburg and Düsseldorf. An agreement to expand trade would sound more impressive. But, again, Russia has so little to offer Germany at present. Without the help of a formal agreement, trade between the two countries is already running smoothly enough; it increased by 50 per cent during the first five months of this year.

Reunification apart, what Germany wants now from Russia are the 80,000 to 100,000 Germans, mostly civilians, who are living today against their will somewhere or other in the Soviet Union. Many are former Reich citizens, deportees and stragglers of a lost war. The remainder include such self-conscious *Volksdeutsche* as were caught in the submergence of the Baltic States. Appealing letters from these would-be repatriates have been arriving in Bonn by the crate from the German embassy in Moscow, and vast pains are being taken to check the name, address, and German background of every writer. When they turn to this problem the Soviet negotiators will find Herr Lahr, (whose endurance has been tempered in the support costs tussle) embarrassingly well briefed. Dr Adenauer has made it quite plain that Germany will meet none of Russia's wishes before a satisfactory settlement of this matter has been arranged. This is naturally a popular line at home and it must please Dr Adenauer to hear the Social Democrats contesting its validity. Herr Ollenhauer may have his good reasons, but they are hardly vote-catching.

When all is said and done there can be little hope of a genuine improvement in Russo-German relations so long as Russia keeps Germany divided. At Helsinki last week Mr Khrushchev uncompromisingly repeated the familiar terms for reunification: the east and west regimes, he said, must sort it out by themselves. For Dr Adenauer's regime—or for any west German regime conceivable at the moment—Mr Khrushchev's advice continues to be unacceptable.

Can Saud Play Peacemaker?

FROM OUR MIDDLE EAST CORRESPONDENT

THE communiqué issued after the Saud-Hussein talks in Amman—in which both kings re-affirmed their adherence to the "solidarity" pact with Egypt and Syria—was a striking advertisement of King Saud's anxious wish to avoid a rupture with Egypt. The statement was issued when Jordan and Egypt were seriously at loggerheads, and not long after King Saud had pledged King Hussein his full support. But suggestions that Saudi support for King Hussein necessarily implied hostility to Egypt (which were enthusiastically put about in western circles) arose from a misreading of Saudi policy.

There is no hard evidence that King Saud has ever contemplated setting up a new Arab axis to oppose that of Cairo-Damascus. He is still wedded to Arab nationalist policies of which President Nasser is the most powerful exponent. Rather than trying to split the Arab block in an effort to undermine Colonel Nasser's prestige—a policy that could only benefit Israel—he is exerting himself to heal existing rifts and place Arab unity on a firmer, and perhaps broader, basis. It is held in Riyadh that a breach between Amman and Cairo would be a family tragedy, which all members of that family must try to avert.

The spectre haunting King Saud is the failure of the Arab block policy in Jordan. He, no less than Presidents Nasser and Shukri Quwatli, pressed Jordan to get rid of the British treaty and accept Arab, rather than foreign, aid. One of his main objectives now is to restore political conditions which would enable Egypt and Syria to meet their financial obligations towards Jordan—and with reasonable promptness. The essence of the problem is time. The longer Jordan remains at daggers drawn with Egypt and Syria, the more urgently and the more irrevocably will it be driven to seek aid from the West, thus making nonsense of the Cairo agreements, which specified neutrality and opposition to imperialism. Can Jordan make do long enough for a solution of present animosities to be found, and for the terms of the Arab Solidarity Treaty to be fully implemented? The answer is probably "Yes." But that answer can be given, paradoxically enough, only because of the speed with which the United States has rushed to the aid of the new regime in Jordan.

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As a result of United States policy, the financial position of Jordan is not nearly so precarious as it seemed likely to be earlier this year. Under the terms of the Arab Solidarity Treaty concluded in February, the Jordanian government should have received by now, as the first six-monthly instalment of Arab aid, the equivalent in hard currencies of £2½ million from Saudi Arabia, £E2½ million from Egypt and £E250,000 from Syria. Only the Saudi contribution has actually been paid; and, in view of the bitter exchanges between Jordan and Egypt, and between Jordan and Syria, the payment of the other contributions is likely to be delayed, if not altogether withheld.

On the other hand, the Jordanian government has received a promise of $10 million from the United States, and the first dollar aid cheque—for half this sum—has been handed over. The amount of dollar aid already promised nearly equals the combined payments due from Egypt and Syria. In addition, the authorities in Amman have asked the United States for a further $13 million for development purposes. The only "string" attached to American aid is that it should not be devoted to military expenditure, but to development or to budgetary support. But there would appear to be nothing to prevent the Jordanian government from using it to finance general government expenditure, and transferring funds earmarked for that purpose to army account. The string, in short, is tied with a knot that can easily be slipped.

The Jordanian government is also pressing the British Government to make available rather more than £1 million,

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representing the undrawn part of the interest-free development loan which a British Government representative declared willingness to advance last year. It appears that the British Government is under no legal obligation to meet the Jordanian request, but it is probable, in present circumstances, that it will take a sympathetic view. No official reaction from Whitehall has yet reached Amman.

There remains at the disposal of the Jordanian government a substantial cash reserve. According to published official figures, it stood at £8 million on December 31, 1956, of which about two-thirds was on deposit account. The stoppage of the British subsidy early this year led to withdrawals roughly estimated by informed observers at about £2 million. There remains, therefore, a fairly fat margin of about £6 million for use in emergency.

The strength of the financial position is shown by the recent history of the debt incurred by Jordan under the terms of the agreement that terminated the Anglo-Jordanian Treaty. The agreement provided for the payment by the Jordanian government, for the fixed installations left by the British forces in Amman, Mafraq and Aqaba, of a total sum of £4,250,000. £1,250,000 fell due on May 1st and the remainder in six annual instalments of £500,000 each. Of the first payment due last May, over £500,000 was offset against the instalment of the British subsidy which fell due last February, but which was actually withheld pending the conclusion of the agreement terminating the treaty. The sum due to Britain in May was thus just over £700,000. Owing to temporary financial stringency arising from the severe crisis that shook Jordan in April, the Amman government asked that payment should be deferred a month. The request, which was granted, gave rise to free speculation that the payment would be delayed indefinitely. In fact, however, the position was sufficiently retrieved within the month to enable the Jordanian government to meet its obligation on the date agreed; and on June 1st the cheque for £702,000 was handed over.

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If, thanks to prompt American support, the financial position is fairly sound, why, it may be asked, should King Saud hark back to the position under the Arab Solidarity Treaty? The answer lies in the strength and nature of Arab nationalism. Whatever King Hussein and those close to him may think, the Arabs in general reject the idea of foreign aid, and no regime dependent on it is likely to last long. Jordanian public opinion, as expressed in the fairly conducted elections last October, rejected the British subsidy. There is no reason to suppose that, once recovered from the shock of the April crisis, it will tolerate indefinite dependence on dollar aid. The alternative is for King Saud to foot the whole bill himself. But what interest has he in financing single-handed so expensive a colony?

Cairo and Damascus, however, are not making his peacemaking role an easy one. Their first reactions to his efforts to act as a conciliator between them and the present regime in Amman suggest that he has failed. No formal government pronouncements have been made, but enough has been said to indicate that neither Egypt nor Syria intends to support Jordan financially. In the course of a strong speech, the Syrian deputy premier and acting defence minister, Khaled el Azm, has brushed the Amman communiqué aside as "words without deeds." That he singled out for special attack Samir el Rifai, is a pointer to Egyptian and Syrian thinking, for Samir Pasha is outstanding among politicians who held high office in the days of British influence, and who are regarded as lukewarm—at best—in hostility to imperialism. As long as such men remain in power, the word of the Amman government will count for nothing in Egypt and Syria.

King Saud, therefore, is in a dilemma—pledged to support King Hussein, yet pledged to Egypt and Syria. He will doubtless exert his influence in favour of moderation, but it is unclear as yet whether he is prepared to advise King Hussein to meet the Egyptians and Syrians half way by changing the complexion of his government. Past experience suggests that King Saud's approach to this problem will be neither hasty nor drastic.

TURKEY IN TRANSITION—II

Democracy in Trouble

BY OUR SPECIAL CORRESPONDENT LATELY IN ANKARA

TURKEY'S democracy is like a precocious child who is not fulfilling his early promise; if he had not done so well so early, his later lapses would not arouse nearly so much comment or disapproval. In 1950, Atatürk's party, the People's Republican Party, was overwhelmingly defeated by the Democratic Party in Turkey's first genuinely free elections. It accepted the popular verdict and retired into opposition. The world watched with gratified surprise the exemplary way in which a hitherto authoritarian state took to democracy. It assumed, without any very good reason, that Turkey would continue to learn in a few years what other countries had taken decades and even centuries to master.

At the moment the assumption seems ill-founded. Ever since the Democrats again swept the polls with an even larger majority three years ago, Mr Menderes, their leader, has beaten a steady retreat towards authoritarianism. True, Turkey is not in serious danger of abandoning democratic rule altogether. Most people would agree that there is a limit beyond which the prime minister cannot safely go; eighteen months ago he overstepped it and was checked—temporarily at any rate—by members of his own party. He could overstep it again and suffer a more lasting setback.

It is true that, by tending to fight with no holds barred, the opposition makes trouble for itself. But it is also true that Mr Menderes is a strong and dominating personality; he believes that he knows what to do for the best, and he is exceptionally intolerant of criticism. As a result, the opposition finds that its loyal duty to oppose is more and more circumscribed. Inside the single-chamber Grand National Assembly, it complains that its work is hampered by the government's frequent resort to automatic closure. (How much the opposition would, if it could, paralyse parliament by filibustering tactics, one does not know.) Yet the heated debates earlier this month, set off by the case of an Imam accused of making political propaganda in his mosque, demonstrated that the Turkish parliament is not just a rubber stamp; the government's proposal on this matter was defeated with the help of its own supporters.

Outside parliament, too, the opposition is strictly hedged about. Political meetings have been banned for the past year,

except during the period immediately before general elections, on the ground that the opposition had been trying to raise the political temperature of the country to fever-pitch. Local party organisations can hold only three meetings a year and the present electoral law, which has been introduced since the last elections, is, in the opposition's view, heavily weighted in favour of the party in power. One of the main aims of the opposition is to get this law amended before the elections which are due next year, but which, according to persistent rumours, may be held earlier.

Towards the end of the budget debate in March, Mr Menderes, moved perhaps by his growing economic difficulties, perhaps by a wish to divide and confuse the opposition or perhaps simply by a desire to lower the political temperature, made a conciliatory overture towards the opposition. Mr Inönü, the leader of the PRP, thinking no doubt that to return a dusty answer would be bad tactics, made a courteous response. The other two opposition parties, the Freedom Party, formed last year by a group of dissident Democrats, and the right-wing Nation Party, held that fine words were no substitute for reforms, although, in fact, Mr Inönü had coupled his courtesies with demands for specific reforms. They felt, moreover, that the PRP's unilateral action was a breach of the agreement on parliamentary collaboration that the three opposition parties had made last summer. In the event, however, nothing much has come of this truce beyond some unfortunate recriminations among the opposition parties.

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In his reply to the prime minister, Mr Inönü stressed the importance of preserving the freedom of the press and the independence of the universities and the judiciary. All these are being undermined. Not long ago one prominent provincial journalist, who has fallen foul of the press law, described the habits of Arizona ants who march in column and when they come to a pit, pile into it until it is filled up ; the rest can then march safely on. The meaning behind this little parable was that some journalists must sacrifice themselves in order to keep alive the idea of a free press. It reflects the prevailing tense atmosphere but exaggerates the actual state of affairs. Although a steady trickle of journalists are landing in gaol or paying large fines, the press contains plenty of criticism. The government maintains indeed, that the freedom of the press has been so abused that the present restrictions on it are both necessary and justified. Under the press law introduced in 1954 (and amended in an illiberal direction last year) journalists accused of libel are not allowed to defend themselves with documentary and factual evidence. Moreover, the law is drafted in such vague and ill-defined terms that, in effect, the government has very wide powers to clamp down on journalists and newspapers. Reasoned and measured criticism usually gets by. But anything that is polemical or strongly worded, or in the nature of a definite campaign, usually does not. A newspaper can often get away with facts and figures about the country's economic difficulties—but not with a cartoon that satirises the difficulties in a popular way. It can probably safely risk printing a speech that is highly critical of the government ; but if it prints any of this speech in bold type or banner headlines it may find itself in hot water. In short, a sword of Damocles hangs poised over the Turkish press ; it is surprising, and commendable, that it has not had a more paralysing effect on those who must work under it.

In its attitude towards the press the government seems disposed to be fairly tolerant of serious "high-brow" criticism written by intellectuals and appealing primarily to their own kind—who, numerically, of course, are a very small proportion of Turkish voters. Yet it is extremely sensitive to even the most moderate and academic criticism made by university teachers to their students. Last year a lecturer in economics at Istanbul who suggested that Turkey needed proper economic planning only kept his post because his faculty refused the government's request that he should be expelled. Since then there have been several more or less forced resignations at Ankara university for equally tenuous reasons.

★

But the university teachers who have fallen foul of the government would be the first to agree that it is the threat to the independence of the judiciary that is the most serious aspect of the present situation. It is a threat that could affect ultimately every Turkish citizen and it is felt all the more keenly because Turkey, although it has not yet introduced trial by jury, has had good reason to feel proud of the quality and incorruptibility of its judicial system. Under a law passed soon after the 1954 elections, the government can retire any judge who has given 25 years' service, whether or not he has reached the retiring age. The law affects most of the higher court judges and it has not remained a dead letter. No reason has to be given for any forced retirements, but there is evidence that those judges whose decisions run counter to the government's wishes are running a serious risk.

Present trends are all the more regrettable since, even from the government's point of view, they appear to be quite unnecessary. Any serious danger from reactionaries who would like to overthrow the Atatürk reforms seems to be negligible ; nor, unless they queer their own pitch—as they might do if Mr Menderes pursues his present course—is it likely that the Democrats will be turned out of office. Many observers doubt whether a majority of Turkish voters have come round to the People's Party again, and the Freedom Party is as yet a dark horse. It is a party of quality but as yet without sufficient popular appeal. If, before the next elections, it could acquire a strong leadership and a more widely based organisation than it has at present, it might spring a surprise ; but few outside the party are optimistic of its chances.

The Democrats are still thought to enjoy the support of the peasants who make up about 80 per cent of the population and for whom the present government has done a great deal. The big question is whether it can keep this support if the peasants come to be seriously affected by the country's economic troubles. Opinions differ whether they are already. The peasant is better off than in 1950, but as his standard of living has risen, so have his aspirations. In 1950 he was asking for the barest necessities ; now he is asking for a new battery for his radio set. But what if he cannot obtain a battery? The argument that present frustrations and shortages are an acceptable price to pay for future greatness and well-being may eventually wear very thin with those who have already enjoyed the beginning of better things. Why, they may ask, should one generation bear the whole burden?

(Concluded)



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THE BUSINESS WORLD

Fuel for the Switch

MONOPOLY power can seldom have been more blandly abused in modern times than it has been this week by one British nationalised industry against another, with the Government's connivance if not indeed at its insistence. For the National Coal Board is putting up the price of the small coals that power stations use at the same time that it is lobbying politically to curb the rate at which the Central Electricity Authority may switch to oil as an alternative fuel. Already—this summer, not in five or ten years' time—there is a potential surplus of these coals, and in future this may increase even though other coal, and fuel in general, remains short in Britain. Power stations are the only customers of the National Coal Board capable of using more of this duff over the years ; and the Coal Board is concerned to ensure that small coal from British mines does not go unsold while imported fuel is burned under British power station boilers. It takes some gall, in the face of this surplus, to raise this price. But the Board and the Government have not been willing to face the logic of raising the extra revenue they need by pricing the large coal at its true current cost.

The implications of the Suez troubles, and advances in nuclear engineering, made it inevitable that this issue would arise eventually ; an unexpected comeback in coal output, the broad stability of industrial production, and a warm winter have brought it up in months instead of years. Three years ago, fearing with every justification that during the next decade the demand for fuel in Britain would outstrip any possible increase in coal production, the then Minister of Fuel and Power persuaded the nationalised electricity industry and the major oil companies to contract for the use of growing quantities of fuel oil in power stations—some 5-6 million tons in a year by 1960, equivalent to 8-9 million tons of coal. In later years, he planned, the continued expansion of electricity should increasingly be supported by nuclear generation ; but he did not expect this to help much before about 1965.

Last year's breakdown in normal supplies of oil from the Middle East precipitated the Government's decision to accelerate this nuclear programme. By 1965, atomic electricity is now intended to save 8-10 million tons more coal a year than was originally intended ; by the end of 1965, nuclear stations are to supply the equivalent of 18 million tons of coal a year. The extra saving of conventional fuel is, probably not accidentally, just about equivalent to all the oil CEA has contracted to be using at that time ; and the total nuclear contribution expected then compares fairly neatly with the "shortage of coal for electricity purposes (by 1965) of about 17 million tons a year," of which Sir Josiah Eccles, deputy chairman of CEA, was talking this week. If that much less conventional fuel should be required for power generation by 1965, the obvious question is : "Less of which conventional fuel ?"

THE Central Electricity Authority had in fact told the Coal Board and the oil companies that over the coming decade it expected to require a good deal more of both fuels than the estimates (set out in the table on page 1082) now suggest. The choice is in fact arising almost before CEA has had any significant quantities of oil under the 1954 contracts, and well before completion of its plan to convert twelve power stations now working and four more still to be built to dual-firing. The final cost of electricity generated from coal or oil may not differ much under these particular contracts for cut-price fuel oil : indeed, CEA would get a fair proportion of the oil at a "coal parity" price.

Economically, therefore, further chopping and changing might not impose too great a cost on the electricity industry—if the oil companies were to consent. With the Coal Board, at least, CEA should now be in a strong position to bargain: it might turn the tables by demanding guaranteed amounts of power station coal in future at a "fuel oil parity" price. The oil companies, even, might find it worth reconsidering whether even an assured outlet for such quantities of fuel oil, at cut prices for steam-raising, is necessarily in their most profitable long-term interest. Quite amorally, from the sidelines of this impending exercise in countervailing power, one might count the good manners and sensitiveness to public relations of the major oil companies a bargaining asset on the side of the Coal Board.

WHETHER or not it has to learn to live with oil power stations, however, the Coal Board has to learn to live with a lot of nuclear ones. AEA has never needed good manners: its public relations are fine. Even if no more oil were to be used in British power stations from now on, the Coal Board would still meet this same problem with power station coal well within ten years, if it manages to raise its output according to plan. This time the collision would be with nuclear energy, a fuel that has a dynamism all its own. The extent to which the new power stations constructed after 1965 are nuclear will depend, not upon how much small coal is available, but upon what the coming years teach about the trend of conventional and nuclear costs. In particular, it will depend somewhat crucially upon how those costs compare for stations used less continuously than on the "base load" for which the nuclear stations likely to be commissioned between now and 1965 are destined.

Nuclear stations in the present programme are designed for use with a load factor of 75 per cent or more, which means that they will have to run for about 6,600 hours of every year, more or less 24 hours a day, apart from periods of overhaul. There may be technical reasons for this; but primarily they must be run as continuously as possible because they represent such a huge capital investment. These first nuclear stations are costing, with their "fuel inventory," about three and a half times as much to build as the best conventional stations now on order. Only nearly continuous running, spreading this capital cost over the maximum sales of power, can make their capital charges economic, even though their fuel costs will be so much lower than those of coal stations. So these nuclear stations will go into the base load—that block of capacity required throughout the whole 24 hours.

PRIMARY FUEL FOR POWER GENERATION: THE REVISED PLANS
(Expressed as million tons of "coal equivalent")

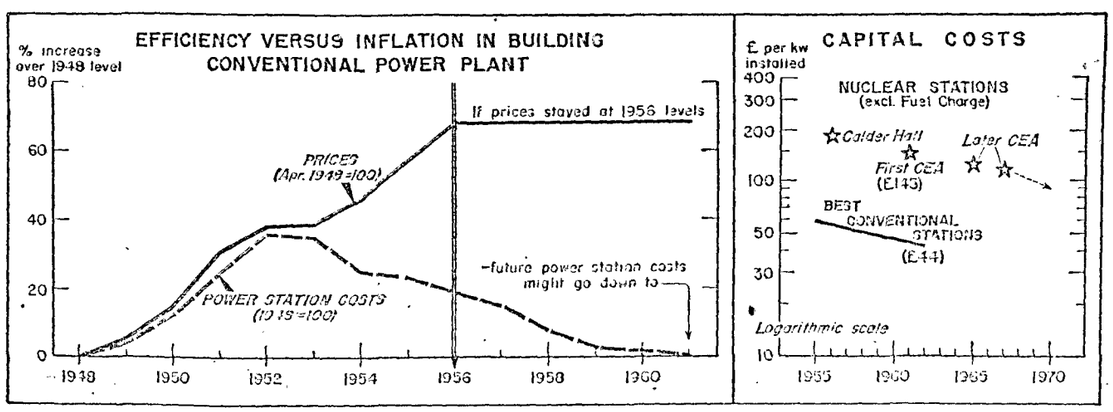
	1955	1960	1965	1970	1975
Total fuel required for electricity	42	57	71	85	104
Coal available	40	47	55	60	60
Nuclear power likely to be installed:					
Original plan	...	*1*	*6*	...	*40*
Revised plan	...	1	14	25* 40†	40
Planned use of oil	1	9	10?	...	...

* If restricted to base load use. † AEA estimate to United Nations.

Now the amount of base load plant required cannot grow much faster than total demand on the electricity system, even if the industry's load factor does improve moderately over the years. And it could be the size of that base load, rather than the rate at which CEA builds power stations of all kinds, that might set the ceiling on nuclear generation after 1965. In a communication to the United Nations in April, the Atomic Energy Authority suggested that Britain might have 12-16 million kilowatts of nuclear capacity installed by 1970, five years ahead of the time vaguely envisaged in the original programme. But at the end of that month the Paymaster-General, asked by Mr Alfred Robens if that was what acceleration of the programme implied, said cautiously:

> What the position will be by 1970-75 is extremely speculative. There is no reason to induce the Government to have an estimate different from that made in 1955. If anything, things are less certain today than they were then.

This week Sir Josiah Eccles added: "Since only about

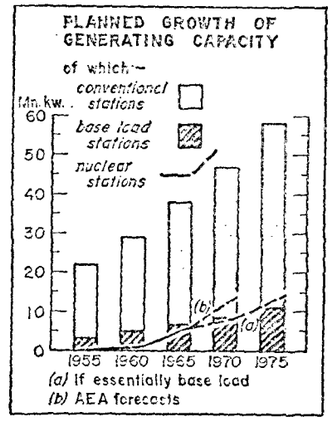


15 per cent of the national electrical load is continuous, it would not be economically practicable at present to have much more than 20 per cent of the generating capacity energised by nuclear reactors." And CEA's nuclear expert, Mr Duckworth, put it into figures: "The amount of winter demand of 75 per cent load factor and above is expected to be about 8-9 million kilowatts by 1970."

Technically, there seems no reason to doubt that nuclear stations can be built to operate at lower load factors than this. Economically, Mr Duckworth is also confident that nuclear stations will be able to compete at load factors below 75 per cent by the late sixties. Primarily, this is a matter of how fast the capital costs of nuclear—and conventional—stations can be brought down. From the £145 per kW (apart from £30 per kW for "fuel inventory") of the first CEA stations, Sir Christopher Hinton has suggested the figure may approach £90 a kW by 1970.

But the capital costs of conventional generation are being slashed, too, as CEA gains advantages of scale and efficiency from this vast new coal-firing stations, where generating conditions are 20-25 years ahead of those designed for the early nuclear stations. About five years ago CEA was paying about close on £70 a kW for new conventional capacity. Now it is ordering stations such as the new 550,000 kilowatt generator for Thorpe Marsh, the biggest electrical machine planned anywhere in the world, for about £44 a kW. Over the years, the capital cost of nuclear stations seems certain to come down faster; but whether fast enough to compete with conventional stations at lower load factors is another matter. As Mr Duckworth observed

> It is far from certain that only nuclear stations will be built after the late 1960s: it may be that it will be economically desirable to build conventional stations for peak load operation for many decades yet to come.



NEW men will be responsible for this process of fitting the atom into the British electricity: under a bill likely to become law within seven or eight weeks, CEA is to be replaced by an advisory council, a generation and transmission board, and more autonomous area distribution boards with more autonomy. Some of the names being canvassed for the new appointments guarantee great technical expertise and strength of personality. Both will be essential; but both have been available within CEA for years. Something more is needed: a readiness and ability to think clearly through the economics of this great industry in transition. A nuclear engineer with a habit of talking about costs—even if his figures are sometimes a little difficult to understand—might do.

How the Rent Act Works

Mr Henry Brooke has urged landlords and tenants to study the Rent Act carefully and to avoid any precipitate action. The Economist *offers a short guide on how the Act may be expected to work.*

ON July 6th the new Rent Act comes into force. Some of its consequences will be delayed, but already certain tendencies are becoming evident. Vacant houses are being offered to let in several areas. Now that these houses are decontrolled, landlords are ready to let them unfurnished instead of holding them for sale. A reasonably free market in rented houses is in fact developing, at rents that appear to be within reason. Consideration is now being given to the improvement and conversion of large flats, as they become vacant, into smaller and more convenient flats, with the promise of more "dwelling units" as a result. Here are two signs that the primary object of the Act—to make fuller and better use of existing housing—is starting on its long and complicated road towards achievement.

It is not surprising that the explanatory booklet issued by the Ministry of Housing and Local Government * is enjoying a good sale. A new alphabet of forms has to be learned. These arise from the regulations that the Minister has promptly made to give effect to the Act and to ensure that all the safeguards it provides are fully appreciated by both sides. Forms A to C are to be used when a landlord notifies his intention to increase the rent payable by a controlled tenant. Forms D and E are notices to be inserted in rent books in respect of the letting of unfurnished controlled houses. Forms F to R are for use when a landlord undertakes the internal decorations, when a tenant notifies the landlord of defects of repair, when the landlord undertakes to remedy the defects, and when a local authority

* The Rent Act and You. HMSO 6d.

issues a certificate of disrepair to the landlord. Form S is the notice to be given to the tenant to end his possession of premises now decontrolled. Forms T and U are to be used by a controlled tenant who has made improvements and who claims that the rateable value of the premises should be reduced in his favour in deciding whether the house should remain controlled. The alphabet is barely long enough for the job.

SOME 4¼ million houses will remain under control; what increase of rent may landlords seek on them? Where a house remains under control (that is, if its rateable value does not exceed £40 in the Metropolitan Police District or £30 elsewhere in England and Wales) the landlord can increase the rent, if necessary by stages, after three months' notice, up to a new rent limit. This limit is set by the aggregate of (a) an appropriate multiple of the gross rateable value of the premises, (b) the rates, if the landlord bears them, and (c) a reasonable charge for services and for any furniture provided. Under (a), the standard multiplier is 2, but this can be reduced progressively to 1⅓ according to the extent to which the tenant bears responsibility for repairs other than internal decorations. If the landlord is already responsible for internal decorations, or undertakes to do them in future, the multiplier becomes 2⅓. Before the landlord can serve the three months' notice, therefore, he has first to decide whether he will become responsible for internal decoration, if he is not so liable already. Few landlords are expected so to elect. Next the landlord must seek agreement with the tenant about the appropriate multiplier of the gross value or failing agreement he can apply to the county court for a determination. But it seems much more likely that the majority of landlords will try to settle with tenants on a friendly basis, without going into too much detail or undertaking any large number of county court applications. A multiplier of, say, 1¾ may emerge as the general pattern. Charges for services must also be agreed with tenant, or referred to the county court, before notice can be served. But, for the time being, many landlords are likely to ask their tenants for no more than the cost of services in 1954 (as the Act of that year allows them) leaving until later the question of increases to meet the higher current costs of the services.

Increases in rents of houses that remain subject to control are not automatic. If a house is in a state of disrepair, serious complications have to be faced, and the wise landlord is likely to remedy the defects rather than run the gauntlet of the regulations. No increase in a controlled rent can take effect before three months have elapsed from the date of notice (that is, before October 6, 1957, at the earliest) and no increase can exceed 7s. 6d. a week during the first six months after the notice takes effect (that is, up to April 6, 1958, at the earliest).

From statistics prepared by the Ministry of Housing it is possible to make broad guesses about the possible range of increased rents for controlled houses. The Ministry's figures show that there are:

nearly one million houses with net weekly rents up to 5s.
two million houses at rents between 5s. and 10s.
835,000 houses at rents between 10s. and 15s.
325,000 houses with rents between 15s. and 20s.
and 43,000 houses with rents over 20s.

The possible increases in rents appear to be:

for one million houses, up to 5s.
another million 5s. to 7s. 6d.
a third million 7s. 6d. to 10s.
and a fourth million over 15s.

None of these controlled rents can be increased until the beginning of October at the earliest, and the actual increase in the average case is likely to be less than the landlord might secure if he were to pursue his rights under the Act to the last penny. Most landlords of controlled properties are likely to take the more practical line of reasonable agreement.

DECONTROLLED properties will present fewer administrative problems but no fewer occasions for the exercise of reason and equity. There is a standstill of fifteen months, until October 6, 1958, during which any tenant can stay on at the present level of rent, even if his tenancy expires before that date. (If the tenancy agreement has more than fifteen months unexpired, it will run its course.) If the landlord and tenant can agree to a new tenancy of not less than three years, it can take effect immediately. In many cases, therefore, there will be a strong inducement for both landlord and tenant to come to reasonable terms; the landlord can secure an immediate rise in rent and retain a good tenant, while the tenant will gain security of tenure. Such approaches are already being made. The terms of new tenancy agreements will depend upon the accommodation and amenities provided, but it need not be assumed that because landlords of decontrolled properties have so long been unaccustomed to freedom they will automatically attempt to exploit it unconscionably now. They are more likely to frame their demands according to what tenants can afford, and with the realisation, too, that excessive pressure for increased rents would be likely to prejudice the success of this first exercise towards freedom and make the acceptance of any further steps towards decontrol out of the question. This points to the likelihood that the terms offered by good landlords to good tenants will be fair and reasonable. Where there are bad tenants, or where the landlord wants to carry out a scheme of modernisation and conversion, he may well prefer to secure possession when the 15 months standstill period ends.

Some interesting proposals by landlords have come to notice. One important case covers a series of homogeneous blocks of flats in London, where the present recoverable rents are entirely haphazard. The owners propose to make a systematic classification of the various flats and to fix rents on a logical basis. There will be two scales, one for sitting tenants and the other, rather higher, for prospective tenants based on an estimate of the value in a free market. Sitting tenants are being offered a lease of seven years, with an optional break after five years, and a variation clause covering the cost of services. If the owners' offer is accepted within two months, the agreement will operate from August 1st in all cases. If not, the tenants can either leave in October, 1958, or take a new tenancy then at the estimated free market rent. Another landlord has investigated the rents that his tenants are likely to be able to pay—and what he has from time to time been offered—and has made conservative estimates of the economic rent of replacements. On the basis of these figures, he proposes to offer three-year tenancies, spreading any substantial increase in rent that may be called for over the whole period. The general manager of a third large property company proposes to examine each case individually, though it may take six to twelve months to complete his task.

Associations of property owners and their members have promised that they will work the Act with all fairness. It can be assumed that the tenants, as a body, will keep them up to it. These associations probably speak for the owners of 70 per cent of the houses affected in London and perhaps 60 per cent in the provinces. What will happen in cases involving small landlords owning, say, a couple of houses let in rooms, it is difficult to guess. That kind of owner belongs to no organisation, has no professional adviser, and ploughs his own furrow. His tenants are usually ignorant of their rights. It is here that education in responsibility and rights is likely to be most needed.

BUSINESS NOTES

THE ECONOMY

Reflation or What?

NOT for the first time, the indications about what is happening in the British economy that can be drawn from statistics reflecting the course of demand are quite significantly at variance with what one might conclude from those recording the level of output. On the short-term figures, consumption seems to have been up in the first quarter of this year; so does investment; so do exports; but industrial production does not. It is true that in manufacturing industry the rate of stockbuilding seems to have been a little less than in the first quarter of 1956 (and certain records of stocks of industrial materials outside manufacturing show a sharp, unexplained fall); there should have been some decline in the current expenditure of public authorities; and imports are up by perhaps 6 per cent in volume so far this year. But it is surprising that if all these elements in demand are continuing to grow, industrial production as a whole should remain as steady as it seems to have done.

Consumption figures so far published show a rise of some 4 per cent in volume over the first quarter of 1956 for expenditure on items covering about two-fifths of consumer spending. Food expenditure does not seem to have grown in volume, and spending on fuel and light may not have done so; expenditure on private motoring was probably down. In all, consumption may turn out to have been about 1-2 per cent up in the first quarter. Early estimates of investment by manufacturing industry in the first quarter of this year suggest that this was about 10 per cent greater in money terms than in January to March, 1956, which should represent a rise of about 5 per cent in real terms; investment by the public corporations should have been up considerably; and house building was up, suggesting a fairly significant rise in the volume of investment as a whole. Moreover, within the range of the industrial production index there has been an unexpected rise in coal output, building activity has benefited from better weather, and steel output is up (though not as much as it was at this time last year by comparison with 1955). But steel and coal consumption by other industries were still lower than a year before.

When Statistics Disagree

SPENDING on household equipment, and perhaps on cars, need not significantly have made extra calls on production in the first quarter of the year. There were large stocks of these hard consumer goods at various points in the economy, and in cars the recovery of hire purchase sales for some time had a limited effect outside the second-hand market. Over the first quarter, motor output was markedly below that of the first quarter of 1956; it did not begin to pick up until March, and its secondary demands upon the materials and component makers and on general engineering may have been delayed by the backlog of "work in progress" it had accumulated last year. There remain some patches of soft demand, too, in the machinery market. Not all plant makers have been as busy as, for example, the machine tool builders, and the running down of defence contracts has set quite a number of firms in general engineering looking for sub-contracts from the capital goods side. It is easy to over-estimate the effect upon the index of engineering output in general exerted by investment demand, when output of other engineering goods is not rising; much official analysis of the 1955 investment boom, for example, seems to have done so.

Certainly, this could be truer of the production index than of actual engineering output. Publication of the seasonally corrected production index happens to have begun at the end of 1955, just in time to show the levelling out of industrial production on to a plateau that has now stretched out uninterrupted for two years. The index notably did not agree with the quite substantial rise in national product calculated from figures of total expenditures in the Economic Survey for 1957: nor has it responded to increases in such expenditure series this spring. The ability to smell inflation in every fresh breeze has understandably become somewhat hypertrophied among students of the British economy since the war. One almost autonomous element of inflation, wage increases, is certainly spiralling merrily on—tempting people to feel that because the production index does not yet show any resurgence of inflation in output the production index must be wrong. Finally this argument comes down to setting certain statistics of demand (based on a mixed bag of reports and price indices) against other estimates based on a mixed bag of production and delivery figures. Any or all of these could be wrong. So could a sense of smell.

STEEL COMPANIES

New Outlook on Dividends?

In a firm market for equity stocks, in which *The Economist* indicator rose from 219.0 to 222.3, steel shares have been lively. For some weeks now these shares have been bought on the hope that the final dividends declared in the autumn would be higher. Profits in the industry have been rising; new plant is coming into production; and the earnings cover on current dividends is among the highest in British industry. Some interim dividends had already been raised in a cautious way. But this week brings a more positive indication that steel company directors may be changing their views about dividend policy.

This change has been inferred from the raising of the interim dividend on the £20 million of ordinary capital of United Steel Companies from 4 to 6 per cent, with a 50 per cent scrip issue to follow. On the increased capital and on the firm base of rising profits, the directors expect to be able to pay a final dividend of 6 per cent. Thus, the full year's payment is effectively to be raised from 8½ to 10 per cent. Another, though less positive, indication of changing heart is the increase in Colvilles interim dividend from 3 to 5 per cent. The directors describe the change as intended to spread the payments "more evenly" throughout the financial year. But on the evidence of six months' production and profits an optimist would read a little more into the decision. In the half year to March 31st, Colvilles produced 1,079,810 tons of steel ingots and castings (against 1,022,987 in the corresponding period), and earned a net profit of £3,021,000 (against £2,143,000).

The basic argument for "no change" dividends has been the capital cost of heavy development programmes, towards which major contributions from retained (and rising) profits were inescapable. It is an argument that easily overlooks the relatively small cost of giving the shareholder a more reasonable return. And it has also underrated the increasing importance in the future of raising equity money in the market to help to finance the next stages of expansion in the industry. Loan capital, even at present prices, is not easy to raise, and many steel companies have their full quota of prior charges. They may now be more beholden to their ordinary shareholders than they have seemed prepared to concede in the last year or two.

STEEL SUPPLIES

High Stocks of Plate

Consumption of steel in Britain in the first quarter of 1957 was still more than 2½ per cent lower than a year before, although activity in certain branches of engineering was beginning to pick up. Steel production, on the other hand, continued to rise steadily through the period of slight decline in engineering output last year, and is still rising: in May it was a record, 443,200 ingot tons a week, or just over 23 million tons a year. The result has been a significant reduction in the rate of imports combined with a small rise in exports, increasing the "net export" rate of this industry; plus a continued though slackening rate of stockbuilding by consumers of steel. During the first quarter of this year consumers' and merchants' stocks of steel rose by another 111,000 tons; about 40,000 tons of this increase was made up of steel plate stocks, which have been rising in the shipyards and elsewhere. During the first three months of the year, however, stocks of sheet steel declined by 55,000 tons; the motor industry, having cut its demand to the hand-to-mouth level during its period of recession, was beginning to increase production slightly, but finding that it took time to regain its former priority for supplies from the steel mills. Considered in terms of consumption, the stocks of finished steel in the hands of consuming industry at the end of March amounted to about 14 weeks' supplies.

CHANGES IN STEEL CONSUMPTION, STOCKS AND NET EXPORTS
(thousand tons of finished steel)

		% change over previous year	Increase in producers', consumers', and merchants' stocks	Net exports*
1956—1st qtr...	3,592	+8·5	337	101
2nd qtr..	3,528	+4·5	188	220
3rd qtr..	3,063	+0·7	105	265
4th qtr...	3,356	−3·9	150	392
	13,359	+2·4	780	978
1957—1st qtr...	3,498	−2·6	25	497

* Excess of exports over imports.

ROADS

Speeding Up the Programme

Mr Watkinson's principal contribution to the roads programme he inherited from his predecessor as Minister of Transport has been a sensible sorting out of priorities—within the compass of the total sum he has been given to spend. He is quite right therefore not to allow himself to be side-tracked by recent outbursts from week-end motorists snarled up in long traffic queues to the coast, though not every politician might have had the courage to say so as bluntly and as repeatedly as he has.

But there are two features about the present programme, which was originally announced in 1955, that do need attention. The first is rather obvious: that it is not large enough. Priority in the present scale of expenditure has been given by Mr Watkinson to the development of a major network of motor roads between important cities. These are intended primarily to meet the needs of industry, to be adequate for the volume of future traffic that recent censuses lead one to expect, and to be complemented by some relief of congestion in the towns and cities they will be feeding. But the present and intended rate of construction of this admirable framework of commercial highways, ultimately determined by the total amount that can be spent a year, is ludicrously low, measured both against the rate of increase in traffic and against rates of construction in other countries. Present progress on the six routes involved is briefly as follows:

1. Great North Road. By next March it is expected that about 120 miles of dual-carriageway will have been authorised or built. Ultimately, 250 miles of the 270 miles between London and Newcastle will be made a dual-carriageway road.
2. London-Yorkshire Motorway. Work on the first section, to Birmingham, will start this year.
3. Birmingham-Shap Motorway. Nineteen miles under construction. The route of the 97-mile stretch from Birmingham to the Preston by-pass was published last April.
4. London-South Wales Motorway. The route is still being planned, but a number of by-passes it will use are being built.
5. Birmingham-South Wales road. The Ross Spur may be started this year.
6. Two trunk roads from London to the Kent Coast. A number of by-passes and other improvements are under construction.

At this rate, even a framework of modern highways will not be complete until well into the 1960s. Only about £30-£35 million of the £147 million expenditure that was to be authorised between April 1955 and March 1959 was actually spent in the first two years, and there is a clear economic case for fitting a larger road building programme on to the remaining years of the present one. There is still a need for the Ministry to examine the time taken on actual construction of major road schemes. This is not comparing at all favourably with similar work in other countries.

SHIPPING FREIGHTS

From Peak to Trough

Tramp shipping freight rates have been steadily falling since the peak of last December, when the Chamber of Shipping voyage index reached 189 (1952=100). The figure for May was 117, compared with 134 for April, and was the lowest figure for two years. Lack of employment in the coal and grain trades has been chiefly responsible for the fall, and these two commodities account for more than half the weight of the Chamber of Shipping index. Grain fixtures, for example, have declined to 107 from a peak of 206, and coal rates from 198 to 122. Rates for ore cargoes, now at 109, never reached more than 162 at the peak; while for timber cargoes the average rate in May (129) was actually higher than in February (125), and not much lower than the peak of 133 which occurred in March.

The position has now been reached where the owners of some ships, particularly the standard war-built types, can scarcely be assured of showing a profit on a voyage, and many owners are taking the opportunity of carrying out repairs and surveys which were deferred during the period of highly profitable freight rates. On the other hand, there is still no great rush to lay ships up or to scrap them, and the secondhand market is at an almost complete standstill, with owners preferring to ride out the doldrums in the hope of more favourable autumn weather. Here and there a fair wind springs up, and ships which happen to be favourably placed are able to take advantage of it. Slight increases, for example, have occurred recently in the Plate and North Pacific grain trades, and the opening of the Hudson Bay navigation season next month will provide work for some ships. The present fairly stable state of equilibrium may continue for a while, but the pressure of tonnage is building up much more rapidly than apparent demand. The continuing good weather in Europe is a foreboding of stormy weather for tramp shipping, as coal and grain stocks are built up for the winter.

ANGLO-SOVIET TRADE

Selling to Russia

Selling to Russia is usually a laborious, protracted and pernickety business. The prizes are sometimes great—and sometimes empty. Adventurous British firms may be attracted by the challenge that trade presents; others may decide, perhaps reluctantly, that they cannot afford to ignore its possibilities; but many firms may be dissuaded by the difficulties of making a start. To help such exporters, and importing firms, too, the Russian section of the London Chamber of Commerce has published a useful and commendably realistic guide, *Anglo-Soviet Trade*. Introducing the booklet last week Mr J. B. Scott, chairman of the Russian section, forecast that British exports to Russia would rise by 40 per cent to about £37 million this year; the forecast is based partly on the trend of British exports in the first four months of this year, and partly on orders that have already been placed and are likely to be delivered in the remainder of the year. He also drew attention to what

BRITISH EXPORTS TO RUSSIA
(£'000)

	Year	January—April	
	1956	1956	1957
Herrings	230	...	...
Synthetic fibre yarns and fibres	3	10	249
Copper products	15,043	6,648	6,015
Non-electric machinery	5,441	2,138	1,767
Agricultural machinery	697	307	2
Machine tools	830	166	427
Textile machinery	2,100	1,020	566
Electric machinery	2,409	1,147	608
Generators and motors	412	265	117
Cables, wires, etc.	106	93	3
Ships and boats	1,892	308	997
Total UK exports	26,325	10,570	12,258
Re-exports	29,580	13,700	6,424
Rubber	28,554	13,668	5,983
Total exports	55,905	24,270	18,682
UK imports from Russia	55,120	13,079	13,979

appeared to be several anomalies in the strategic embargo on exports to Russia. One was the prohibition on furnaces for the manufacture of carbon black, which is used in motor tyres. The Russians, who had recently ordered a British plant for the manufacture of tyres, were also interested in obtaining a plant for the production of carbon black. While British exporters were not allowed to supply a carbon black furnace, Mr Scott said, they could supply the carbon black itself. Despite the difficulties, British interest in selling to Russia appears to be growing ; Moscow is reported to be bristling with British businessmen this summer.

FINANCE CORPORATION FOR INDUSTRY

Bigger Commitments

In his valedictory statement as chairman of the Finance Corporation for Industry, Lord Bruce describes the creation of FCI as "an act of broad vision and wise statesmanship." Certainly it has played its part in providing money for large scale risk ventures and it has notably assisted the postwar development of the steel industry. It has made a few losses (Petrochemicals was one) but it has made profits (particularly on the conversion rights attached to some of the loans it has made). Its income, in view of some of the risks it has shouldered, is small; Lord Bruce estimates that its return on advances over the last few years has averaged only 0.7 per cent. But that fact was inherent in the very act of FCI's creation ; it charges only a small margin above the rates at which it can borrow from the lending bankers.

At the end of March, FCI held £42,339,000 in unquoted investments, which is not greatly different from the figure of £41,239,000 at the end of March, 1956. Similarly there is little change in its borrowings from the banks, which stand at £42,902,636, against £41,151,742. The credit squeeze was on and FCI went slow. Included in the £42 million of investments is £28 million lent to the Steel Company of Wales, which is due for repayment after the first debenture is paid off in July from the proceeds of the £40 million ordinary stock issue to the public. But FCI has a further part to play in the development programme of the steel industry. Its commitments to make further investments rose last year from £39.6 million (of which about half was in steel) to £51.9 million. Of that sum about £21 million is earmarked for the steel industry, and in particular for the Dorman Long schemes.

CANADIAN WHEAT

New Thoughts on the Surplus

Wheat buyers would give much to know how the policy of the Canadian Wheat Board will be affected by the change of government. The Conservative party promised to help the western wheat grower, though it is doubtful whether its plans yet have a definite shape. Some indication of the new government's thoughts on this problem, and possibly of ways in which Britain may be expected to help, may come from Mr Diefenbaker's visit to London next week for the meeting of Commonwealth Prime Ministers. The new premier is a westerner who knows that the farmers' complaint is not about price ; it is that they cannot sell all the wheat they are producing. Though world trade in wheat may reach a new record of over 1,100 million bushels this season, Canada has no share in the achievement ; its exports of wheat and flour between August 1st and June 5th amounted to 220 million bushels, 24 million bushels less than in the same period of 1955-1956. Shipments from the United States, in contrast, were nearly twice as high as last season and twice as large as Canada's. When the season ends Canada will probably have a record carry-over of well over 600 million bushels. Canada has suffered from the heavily subsidised sales, often under special disposal programmes, of the United States, a form of competition that Canada is not rich enough to meet. But even if American competition were less acute, Canada's need to reduce wheat production would remain. How is that to be done without causing political opposition and social distress ?

During the election campaign the Conservatives spoke of a new deal for the farmer, based on a "four-point policy of cash advances, a realistic grain storage programme, a domestic wheat price and a stepped-up selling programme." There was also talk of a flexible support price formula based on costs of production and the law of supply and demand—whatever that might mean. There is no question of the government abandoning the present marketing system operated by the wheat board. A single seller like the board cannot be as flexible in its pricing policy as private sellers, and no doubt the board forfeits some sales as a result. But it does not follow that sales would increase significantly if prices were cut drastically. And would farmers favour a drastic cut ? On the other hand, if the government seeks an increase in the farmers' income unrelated to sales of wheat it will tend to perpetuate overproduction. The experience of the United States is proof enough of that.

TRADE FAIRS

Fairs in a Free Market

In a timely, if in parts complacent, report published last week, Political and Economic Planning suggests that British firms might make more use of trade fairs to strengthen their position as they move gradually into a European free trade area. Large international exhibitions,

Third Year of Publication

"MOTOR BUSINESS"
EUROPEAN FREE TRADE ISSUE

The June issue—No. 11—of this quarterly research bulletin for the motor industry and allied trades is devoted to an analysis of the implications for the motor industry of the move towards free trade in Europe. The contents are:

1. The Plans for the Common Market and Free Trade Area.
2. The Present Pattern of Production and Trade in Europe.
3. The Possible Effects of the Freeing of Trade.
4. Conclusions.
5. Tables.
6. Charts.

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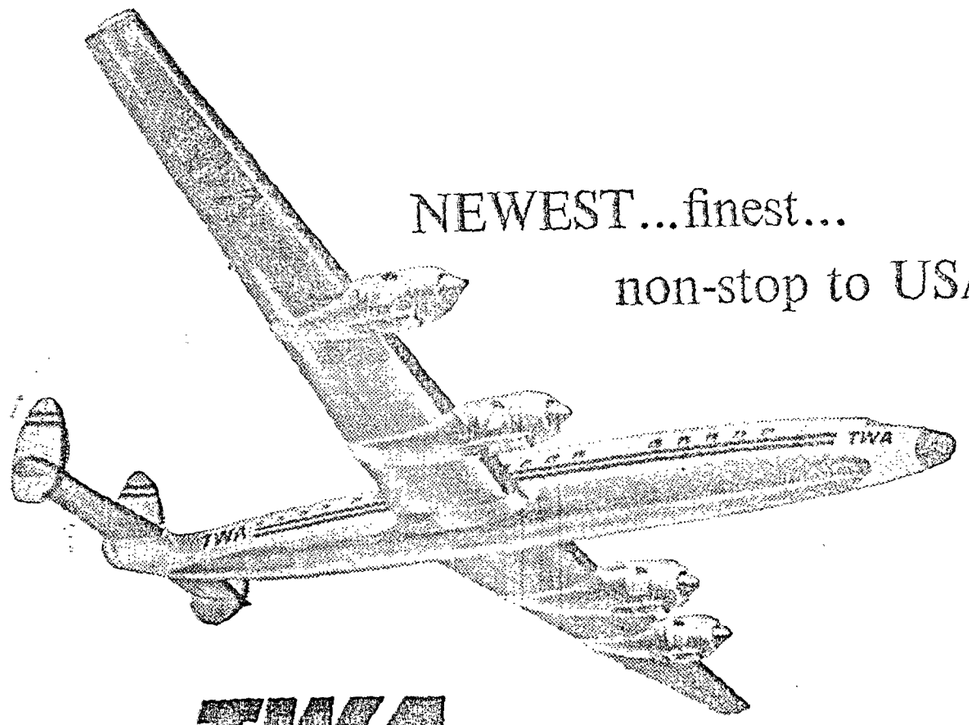
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such as the forthcoming Brussels Exhibition in 1958, are regulated by international convention and occur comparatively rarely. The British business man is more likely to be concerned with three rather more sober types of trade fair: overseas fairs in which a British firm can exhibit in its appropriate trade section; overseas fairs in which there are no trade sections, and British firms can take part only as a group in a British pavilion, if there is one; and fairs held in Britain, in only a few of which foreign exhibitors are at present allowed to take part.

If there are trade sections, as in most of the fairs held on the Continent, then private industry can decide for itself whether or not to take part, and bear the full cost of exhibiting. British firms hoping to develop markets in a European free trade area might note that their continental competitors normally put greater emphasis on selling through the medium of trade fairs. But government help is needed only for relatively small and separate "national prestige exhibits" to support the commercial exhibitors—a role that the Council of Industrial Design can help the government to perform most effectively. On the other hand, when there are only national pavilions, as in most of the fairs held in the less industrialised countries of Africa and Asia, the cost of making an effective display is generally quite prohibitive for any exhibitor, unless his government is prepared to contribute a large share of the cost of the pavilion. The British Government spends less on overseas fairs than do most of Britain's competitors, and there is a strong case for spending more. But whatever funds are made available, there is an even greater need for better machinery to decide where and how the money should be spent. A more powerful executive body, on which both industry and the government would be represented, is now needed in place of the present advisory committee to the President of the Board of Trade.

If fairs held in Britain are to help to promote exports they must attract overseas buyers, and it is now recognised that the best way of doing this is to make them genuinely international in character by inviting overseas exhibitors as well. If British goods are better and cheaper than foreign goods then they can only gain from showing side by side; if they are not competitive, then it may be best for them to find this out now, so that something can be done about it before the tariffs against continental goods begin to come down. Most buyers like to play as well as work; to have a successful international appeal, therefore, a British fair would have to be held near London, where the present accommodation for it may be inadequate. Some urgent thought should now be given, PEP suggests, to the proposals for the erection of new exhibition buildings on the site of the Crystal Palace or on disused airports in the London area.

ACCOUNTING MERGER

Loud if Reluctant Yes

IN his speech to the members of the Society of Incorporated Accountants at the Royal Festival Hall last Wednesday, to consider the proposals to integrate the

Where the Clerks Are

ONE of the most striking facts that the preliminary results of the 1951 Census revealed five years ago is that clerks and typists account for *one out* of every ten workers in the country. In England and Wales alone over 2 million of them were recorded, about 500,000 of these being typists or secretaries and the remainder cost and accounting clerks, book-keepers, office machine operators and a multitude of different categories of clerical workers. The preliminary results also showed that for every two male clerks there were *three female ones*; but only now, with the publication of the full industrial census (HMSO, £7 7s.), is it possible to see where this gigantic group of workers finds employment.

Not surprisingly, about three-fifths of clerical workers were shown to be employed in 1951 in the service industries—in transport, distribution, insurance, banking, public administration and the like. In insurance, banking and financial services they outnumber all other employees put together; elsewhere they are fewer than one in five. In manufacturing industries the proportion varies considerably; it is highest in the chemical industry, which, relative to its size, is the third largest employer of clerical workers in the country—classifying employers in the broad groups shown in the table. Next in the manufacturing list comes the paper and printing *industry*: since this and the chemical industry have expanded more than any other industrial group in the postwar period, statisticians might well chase a link between the growth of production and the size of the clerical force.

But what about one of the higher ranks of office work with which a considerable amount of clerical work is connected—accountancy? In this profession, which nearly doubled its size between 1931 and 1951, rather more than 32,000 qualified accountants were recorded in the last census for England and Wales. Nearly three-quarters are employed in professional service. Among industrial employers the chemical industry is again easily the largest—statistically it works out at 1.5 accountants among every thousand workers. At the other end of the scale the clothing industry, which employs the fewest clerks among its workers, also employs the fewest accountants. The census does not relate these findings to the size of firms in different industries, with which there is *obviously* a relationship. It is, of course, only the larger firms which employ their own accountants: at the other end of the scale in very small firms the clerical work must perforce often be performed by more senior staff.

EMPLOYMENT OF CLERKS
(in England and Wales)

	Numbers in thousands		Clerks as % of all workers
	Males	Females	
Ceramics, glass	8·3	11·4	6·8
Chemicals	22·6	41·0	16·0
Metal manufacture	22·5	22·4	8·9
Engineering	69·2	108·5	11·4
Vehicles	38·7	51·9	9·7
Metal goods, n.e.s.	11·9	26·4	8·6
Precision instruments	4·1	11·5	10·9
Textiles	15·7	28·9	5·1
Leather	1·3	3·1	6·0
Clothing	7·0	25·2	4·8
Food	26·5	43·0	10·8
Wood and cork	5·8	10·3	5·6
Paper and printing	19·9	37·6	12·4
Other manufactures	8·2	18·6	11·1
Total manufactures	261·8	439·8	9·3
Agriculture	2·1	4·8	0·7
Mining	15·7	7·7	3·2
Building	22·4	26·0	3·9
Gas and electricity	30·7	20·8	15·6
Transport	115·4	84·2	13·1
Distribution	81·8	214·6	12·3
Insurance, finance	100·1	113·0	53·0
Public administration (including defence)	146·1	140·1	18·2
Professions	57·9	130·9	13·9
Other services	16·7	69·5	4·6
Unclassified	0·7	3·8	...
TOTAL	851·4	1255·2	10·6

Society with the Chartered Institutes the president, Sir Richard Yeabsley, quoted Congreve :

> Defer not till tomorrow to be wise,
> Tomorrow's sun to thee may never rise.

And it was perhaps in a spirit of reluctant acceptance of the inevitable weakening of the society that the members accepted the terms of the proposed integration.

There was some opposition, as was inevitable. The scheme splits the members of the society into two segments: most become full "chartered" members of the enlarged institute, but those not trained in a public accountant's office become "incorporated" members. The opposition, led by Mr B.V. Piggott, wanted to remove this distinction. If his amendment had been approved, it would not have been acceptable either to the society's council or to the institutes, and the scheme would have fallen to the ground. But the meeting, which grew a little restive as the opposition speakers continued to press their point, defeated his amendment decisively.

The special resolution to accept the integration proposals, which required a 75 per cent vote in favour, was comfortably approved by 972 votes to 111 votes. Thus almost exactly 90 per cent of those voting supported integration. This was a straw vote, and the resolution has still to be put to a postal poll. But it was convincing enough to suggest that the merger of the leading accounting bodies will now go through.

Office Machinery Can Compete

ONE British industry that welcomes direct comparisons between its products and those of its European competitors is the office equipment industry, which is now showing its latest developments at the Office Efficiency Exhibition at Olympia. This industry has grown so fast that its annual output, which was little more than £2 million before the war, now exceeds £65 million. About two-thirds of this, worth £45 million, consists of various types of office machinery, with the balance of £20 million added by stationery, furniture, safes and other office equipment. Deliveries of adding, listing, calculating and other accounting machinery alone exceeded £25 million in 1956.

Of the industry's total output, over a third—about £16 million worth of office machinery and over £8 million worth of other office equipment—was exported last year. Because of the very high value added by labour to the raw materials used in making office machinery, these exports—and the domestic sales which save imports—are particularly helpful to the balance of payments. But perhaps more significant than the total export figure, which is still rising rapidly, is its distribution. Last year Britain sold well over a million pounds' worth of office machinery to the United States, which before the war was Europe's chief and for much equipment sole supplier. It is also encouraging that several of the British industry's most active European competitors, such as Germany and France—but not Italy—are at the same time a good market for British machines, even for those of similar type to their own.

At the Business Efficiency Exhibition itself the large electronic data processing systems as usual steal much of the limelight. No less than six British-made systems are on display this year ; there has been a notable advance from the prototype stage to the production model, and more servicing facilities are now being offered, both at home and abroad. There are now several devices for preparing punched paper tape as a by-product of other office work, by means of small attachments to cash registers, electric typewriters and accounting machines. But so far there has been no appreciable reduction in the cost of these very elaborate and expensive systems. In most offices, therefore, much bigger opportunities for cost reduction still lie in the use of smaller and less elaborate calculating and book-keeping machines. Some of the most striking of these—such as accounting machines which combine the work of typewriting, adding, calculating and largely self-checking book-keeping machines—are also very expensive. Others, like the standard adding, listing and calculating machines, are becoming more versatile, simpler to use, and cheaper to buy. The saturation point for the employment of these standard types of machine in British offices is still nowhere in sight. It is therefore from them, and from comparable advances in duplicating, photocopying and recording equipment, and from better communications networks and filing systems, that most of the gain in efficiency in the office will come in the future as it has in the past.

COPPER

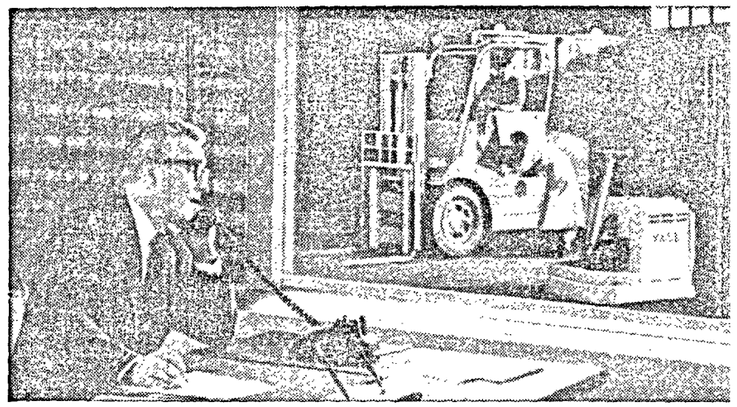
Prices Fall All Round

COPPER prices have fallen sharply this week. On Monday the Rhodesian Selection Trust companies cut their fixed price to British consumers by £10 to £230 a ton (cif UK). A reduction had been expected and the open market price in London dropped afterwards by only £2 10s. to £225 15s. a ton for cash metal. Late on Wednesday came the news that two leading American producers had cut prices by 2½ cents to 29½ cents a lb (£234 a ton) and that the custom smelters had cut prices by one cent to 29 cents a lb (£232 a ton) ; the reduction in the producers' price is the first for four months. The American zinc price was also reduced by half a cent to 10½ cents a lb (£84 a ton). Copper prices in London, which had rallied before the news, dropped again, to close on Thursday at £221 a ton for cash metal, the lowest price for nearly four years. Other American producers are expected to make the same reduction ; the Canadian producers have already done so and the Belgian Congo producer has cut its price by one franc to 32 francs a kilo, or about £231 10s. a ton cif.

The cut in the American producers' price, which was accompanied by announcements of further reductions in output, reflects the continuing surplus of copper. It had not been expected that the producers would go below 30 cents a lb, and it is not their practice to quote a price in fractions of a cent. Their reason for going to 29½ cents is presumably that at this price a larger quantity of copper can be delivered to the American government than at 30 cents. Under contracts for expanding capacity the producers obtained the right to deliver surplus metal to the government when the market price was below a certain level, which varies for the individual mines. An official American report recently stated that when the domestic market price was below 29 cents a lb, about 4,000 short tons of copper a month could be delivered to the government, and when the price was below 27 cents an additional quantity of about 6,000 tons a month could be delivered.

Persistent weakness in prices has naturally discouraged consumers from covering their requirements in full. A time must come when consumers have to replenish their stocks. How far will prices then recover ? How readily will the Rhodesian producers then sell the metal they have bought in supporting the market ?

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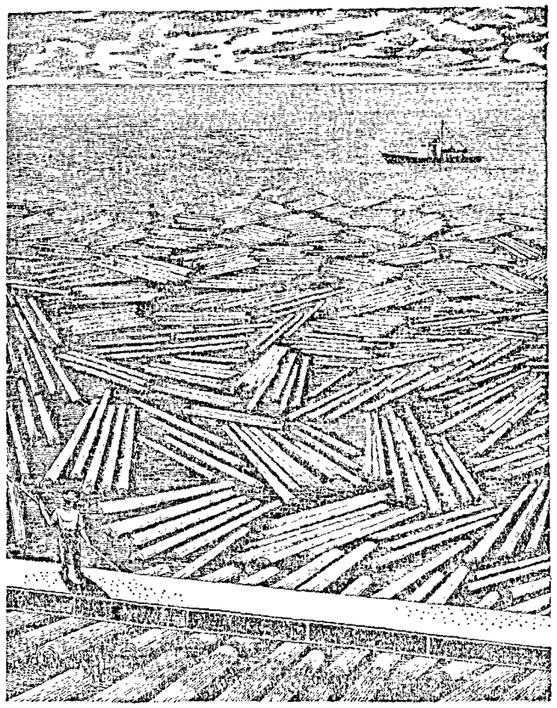
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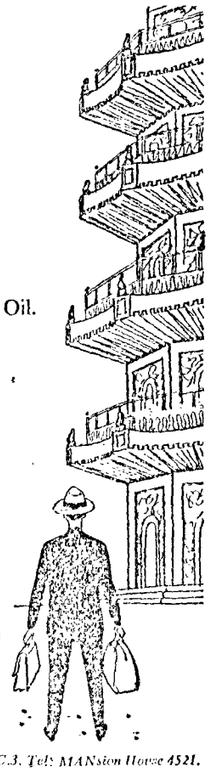
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RAW WOOL

Boost for the Sterling Area

Raw wool has been a source of strength for the sterling area this season. World demand has outpaced supply, and prices have risen by roughly 20 per cent since the season began. The latest estimates published by the Commonwealth Economic Committee show that world consumption is still increasing. Consumption of virgin wool in eleven leading countries in the first quarter is put at 500 million lb clean weight), the highest quarterly total for seven years. The total was three per cent higher than in the last quarter of 1956 and five per cent higher than in the first. Britain, the largest consumer, used five per cent more wool than in the first quarter of 1956, while Japan used 34 per cent more and climbed to fourth place among consuming countries. But the remarkable expansion of the Japanese industry, which has strongly supported the wool market this season, appears to have levelled off; its consumption in the first quarter showed no increase compared with the last quarter of 1956.

THE DOMINIONS' WOOL CHEQUE

Sales	1955–56 mn. lb.	Average Price d. per lb.	Total £ mn.	1956–57 mn. lb.	Average Price d. per lb.	Total £ mn.
July to April : Australia	1,015	48·8	206	1,147	64·8	310
New Zealand	317	46·4	61	369	54·6	70
July to March : South Africa.	244	43.9	44	250	57.8	60

Prices reached a peak for the season in the second week of May. The average price of merino 64's was then 142d. a lb (clean weight, cif United Kingdom), the highest point for nearly four years; the average price of crossbred 56's was 110d. a lb, the highest point for nearly six years. The advance proved to have been overdone and prices subsequently fell, particularly for inferior wools. The decline has since been checked. Users generally have little unsold wool on hand and with the selling season ending this month they could not afford to stay out of the market for long. Last week prices were steady, with the average for 64's at 134d. a lb, 8d. below the peak, and crossbred 56's were 3d. a lb lower at a nominal price of 107d. a lb. Bigger earnings from wool have been largely responsible for the dramatic improvement in Australia's international reserves. In the first eleven months of the season its wool cheque totalled £357 million, £117 million more than in the same period of 1955-56 and second only to the Korean peak of 1950-51. British and other exporters are sharing in Australia's good fortune, for import restrictions have been greatly eased.

RADIO RESEARCH

Bouncing off the Troposphere

For 20 years, a collection of wooden huts strung across two low-lying fields has been the home of government-sponsored radio research in this country, research on which the BBC and the Post Office, as well as industry, draw heavily. This week, having almost reached its majority, the Radio Research Station of the Department of Scientific and Industrial Research has the first permanent building it has ever possessed. It has taken 2½ years to complete at a cost of between £300,000 and £400,000, and may almost compensate for the two decades of primitive working conditions; even so, some of the huts are still in use.

Some material sign of encouragement was necessary, for the radio research station is well below strength in face of a year of exceptionally heavy work. Apart from the International Geophysical Year, which brings its own problems, radio communications have reached something of an impasse with existing channels overcrowded and too liable to interference. The work done at the Radio Research Station governs the future lines of development of radio communications. For example, the objective examination of the working of "ionosphere scatter" conducted by the station has offset much of the enthusiasm aroused six months ago when the Ministry of Supply ordered a radio system based on it. This system was based on an ingenious technique of using very high frequencies (to combat interference and overcrowding) and overcoming their inherently short range by bouncing the radio waves on the layer of ionised gas that surrounds the earth's atmosphere, whence they would be reflected to hit the earth about a thousand miles from the original transmitter. Much was expected of this system but it has now been shown to suffer from the weakness that it can be thrown into chaos for long periods by sun-spots. Now the radio researchers are looking at the less ambitious system of "troposphere scatter," working over ranges of 100 to perhaps 300 miles.

Scatter systems need much more power than conventional radio and troposphere scatter calls for a chain of stations along which the signal will hop. But if it proves as reliable as even the sceptics at the Radio Research Station seem to expect, troposphere scatter opens up the prospect of interference-free communications in regions like the Middle East where direct telephone cables are only too liable to be either cut or stripped of their copper. Over the longer distances it gives the distant possibility of a trans-Atlantic television link—or, to those who view this possibility with limited enthusiasm—a channel capable of simultaneously carrying (on one estimate) 800 telephone calls.

SHORTER NOTES

Another round of price increases by the main car manufacturers was virtually completed this week when Vauxhall announced increases of between 2½ and 3 per cent for most of its models and also for its Bedford commercial vehicles. The new Victor saloon now costs £13 more, before tax. Only the prices of the Cresta and Velox were left as they were, but these were increased last August. BMC, which has had two hefty bites in the past 15 months, raised most of its car prices by 5 per cent in May; and Ford put up its prices in February.

* * *

The International Finance Corporation is to make its first investment in *Siemens do Brasil Companhia de Electricidade*. The company, which is a subsidiary of the Siemens

group, is building an integrated plant in Brazil for making heavy electrical apparatus. IFC will invest $2 million in 6 per cent 15-year notes; it will also receive a fifteen-year option on shares on terms equivalent to the complete conversion of its notes.

* * *

Great Universal Stores has made an offer for the 3,200,000 ordinary shares of 5s. each of Houndsditch Warehouse, general warehousemen and merchants in a wide range of consumer goods. One "A" ordinary share in Great Universal Stores is offered for every five units in Houndsditch Warehouse; on the basis of a price of 55s. 4½d. on the "A" GUS shares, the offer is worth about £1¾ million. Houndsditch Warehouse shares rose 2s. to 8s. 1½d. before the offer and then jumped to 10s. 6d.

* * *

The increase of 53,000 during April in the number of people in civil employment in Britain looks to have been purely seasonal: a rough correction for seasonal factors suggests that employment was quite stable between March and April, though it seems to have declined by about 160,000 since July last year. The number of people wholly unemployed, allowing for ordinary seasonal changes, has been stable since February.

COMPANY AFFAIRS

Long View for Rolls-Royce

ROLLS-ROYCE employs 42,000 people and its products may take up to six years to develop. Such a company cannot rapidly change the nature of its business. The shift in emphasis that it is now making from military to civil engines, from jets to rocket motors, and from conventional to nuclear engineering, can be said to date from the first warnings that defence expenditure would not indefinitely be maintained at the high levels of the post-Korea crisis to use its engines. The group's total sales to the British government have been static at £45 million for the past three years, but sales to other customers (which include some, but not many, military engines) have risen from £20 million in 1954 to £35 million in 1956. Thus the whole expansion in the group's turnover has come from its commercial sales, which are largely civil sales. Lord Hives (who retired from the chair last January, after a lifetime of service to

	Years to December 31st		
	1954	1955	1956
Consolidated earnings:			
Trading profit	6,517,931	5,795,110	7,436,053
Depreciation	1,089,189	1,193,510	1,869,051
Taxation	3,290,000	2,515,000	3,200,000
Net profit	1,968,818	2,129,372	2,130,543
Ordinary dividends	596,250	626,004	863,434
Ordinary dividends (per cent)	17½	17½	20
Retained earnings	1,372,568	1,503,368	1,267,109
Consolidated balance sheet:			
Fixed assets, at cost	11,917,049	14,716,210	20,256,273
Net fixed assets	6,001,994	7,705,391	11,075,033
Stocks	8,736,681	13,633,136	16,337,812
Debtors	11,606,192	8,683,778	14,316,416
Net liquid assets	5,527,683	2,123,059	677,030
Net current assets	14,145,677	13,385,793	16,953,977
Deferred liabilities	5,467,970	4,642,201	5,831,207
Debenture capital	4,000,000	4,000,000	4,000,000
Reserves	6,000,000	7,290,944	11,761,307
Ordinary capital	5,799,566	6,248,772	7,518,058

period. The transition is now about half completed, and the company's acounts for 1956 are reflecting the high cost.

Rolls-Royce has to make two sets of changes, one in the nature of its products and the other in the method of financing their development. The end of the market for the classical military jet engine is in sight; the military engines of the future are the big rocket motors for long-range ballistic missiles. Rolls-Royce has been developing such motors with the considerable help of North American Aviation, the manufacturer responsible for the motors for intercontinental and intermediate range missiles, Atlas and Thor in the United States.

If conventional jet engines are to find a growing market in future, it can only be for use in civil aircraft. Such growth for Rolls-Royce depends on getting foreign as well as British manufacturers Rolls-Royce) told the Select Committee on Estimates last summer that the group's civil sales then accounted for one-third of its turnover but provided two-thirds of its profits.

With orders of £100 million on its books, Rolls-Royce seems to be passing through its transition with remarkable success. Its technical work and commercial thrust are admirably combined. The company is one of the few in the British aircraft industry that can really stand comparison with the American giants and meet competition on their own ground. There remains the problem of finding huge sums for research and development. The government has provided much of the money, but in future its unqualified assistance will be confined to such exclusively military developments as rocket motors. Development costs run away with big money; a new engine could easily require £5 million to develop. The government is meeting roughly half the cost of developing the Tyne turbo-prop but Rolls-Royce still has its own substantial annual bill to meet on the development of this and other civil versions of its engines. Even the well-established Dart requires an annual expenditure of £750,000 to keep it up to the times. A high altitude test plant is costing more than £4 million and the new nuclear laboratories have been also costly to start.

The research and development contracts of the Ministry provided, according to Lord Hives, not the nominal margin of 7½ per cent profit but something nearer 2½ per cent. They also involve repayment out of the royalties earned on commercial sales; such repayments have cost Rolls-Royce £5 million since the war. But when all is said, such contracts provided cash on tap when it was needed. Now Rolls-Royce, expanding rapidly on several new fronts at once, and in the thick of the competitive market for civil engines, will have to find the money for itself.

A group that has to increase the book value of its fixed assets by more than a third in a year (the figure has jumped from £14¾ million to £20¼ million) to carry £2½ million more stock (the total has nearly doubled in two years and is now £16.3 million) and to find the best part of £6 million more for debtors (now £14.3 million) has major financial problems on its hands. In March 1956 Rolls-Royce raised roughly £4¼ million by a rights issue of ordinary shares; a month ago it arranged a further issue to raise about £10 million, with the expectation that earnings in 1957 would suffice to maintain the 1956 dividend rate on the increased capital. The foundations and longer run prospects of Rolls-Royce were never sounder. But there is the clearest warning in Lord Kindersley's statement that increasing turnover is not at present being matched by a corresponding increase in trading profits. The ordinary stock at 119s. yields no more than £3 7s. 3d. per cent at present but promises much for the future.

LONDON AND OVERSEAS FREIGHTERS

MR BASIL MAVROLEON, the chairman of London and Overseas Freighters, speaks from strength. The company has a tanker fleet worth over £10 million; its tanker building programme has been augmented by orders for six new vessels at a cost of £12¾ million; it has a 50 per cent interest in a Bermudian company which has placed orders worth about £10 million for six tankers; and through another half interest in another Bermudian company it has a stake in two new bulk carriers now on order. It has provided against the cost of its programme by an issue of £7½ million debentures, payable in instalments over four years. Such strength enables Mr Mavroleon to express independent views.

He is an advocate of consecutive voyage charters. As the fixed time charters expire, "every endeavour," Mr Mavroleon says, "is made to secure employment on a basis whereby the hire or freight is linked to the current market rate from time to time, subject to certain maxima and minima." By the end of this year, no less than 80 per cent of London and Overseas Freighters' fleet will be operating on that basis. Indeed, Mr Mavroleon expresses amazement that at a time when tankers are being built on a cost plus basis their owners are willing to fix forward tonnage at a fixed rate of hire or freight. Other owners are at the moment attempting without much success to secure time charters from the oil companies as a protection against a further fall in freight rates; they obviously do not share Mr Mavroleon's view that building costs are the only arbiter.

The risk, and it is one which can be shouldered only by a large company, is that consecutive voyage charters can be fixed only for short periods. And freight rates could fall further. Such an operator must therefore be prepared to seize what the market offers. This is perhaps one reason why London and Overseas Freighters has not ordered any giant tankers. Mr Mavroleon, who doubts whether the theoretical operating advantages of the largest tankers can be realised in practice, comments thus:

> The limited number of routes on which giant tankers may be used in the foreseeable future means that an owner of such a vessel is more dependent than ever upon the oil companies to provide employment. If for any reason there is no demand for giant tankers, other than those owned by the oil companies themselves, on one of the "crude oil ferry runs," no other employment would be obtainable, whereas the owner of vessels able to enter all but the smallest ports and able, if necessary, to pass fully loaded through the Suez Canal would not be so embarrassed . . . the time is not yet ripe for independent owners in this country to contemplate building tankers much over 40,000 tons.

Mr Mavroleon adds that the company is o return, if only in a modest way, to the operation of a dry cargo fleet. Four dry cargo ships, costing over £1 million each, are now on order. But it is still upon the prospective earnings of the tanker fleet that investors have their eye. The prospective yield, based on a 20 per cent dividend on a capital increased by a 25 per cent free scrip issue, is still only £3 3s. per cent.

DUNLOP RUBBER

IN his annual statement Lord Baillieu offers Dunlop shareholders the prospect of a happier year. The tyre factories in Britain are, in the main, back to normal working; more generally, the improvement in business reported in the second half of 1956, particularly in the company's overseas operations, has been well maintained. If this should continue shareholders may reasonably expect some recovery in the dividend, for the net trading balance of the group in the second half of 1956, at £9.36 million, was higher than in any of the three previous half-years.

As three-quarters of the total group profit last year was attributable to the company's overseas operations the chairman's survey of these is of particular interest. He pointed out that competition in overseas markets is intensifying through direct exports and through the setting up of more local manufacturing subsidiaries. Though the value of turnover again increased, this competition and higher costs resulted in slightly reduced margins. The experience of individual companies varied a good deal. The volume of sales and net profit of the Australian company were a record, and the Japanese company was able to pay its first ordinary dividend since the war. The American company, after modernising its plant, made a small profit but the Canadian company, despite record sales, managed only to make a smaller loss than in 1955.

At home, Lord Baillieu states that the tubeless tyre is now firmly established; 61 per cent of Dunlop's sales in the home market last year were of this type and sales to car manufacturers were almost entirely tubeless. The group is keeping closely in touch with developments in synthetic rubber and other materials and is also carrying out its own research on the production of new synthetic materials. Its own synthetic rubber plant came into operation last December and Dunlop is also part owner of the bigger plant that is being built at Fawley. Output of natural rubber is being expanded too.

ULTRAMAR

ULTRAMAR has always been a speculative stock. Its first oil wells did not come up to earlier expectations. FCI stepped in with new money and helped the company through a difficult time. That loan has been repaid and the various advances made to Ultramar's subsidiary and associate companies are gradually being extinguished. Recently American investors have become active buyers of the Ultramar stock and its price has been carried up to 84s. 6d., a new and historical "high."

That interest is tied to the development of new wells and areas in Venezuela. The chain between the producing well and the parent company is, however, a long one. Promising developments have been announced in the Oritupano Pooled Area and, in particular, the Oritu 14 Field is described in the Ultramar directors' report as "a major oil field with multiple oil sands." The field has an estimated potential production of 7,000 barrels a day but full exploitation has been held up thus far by the lack of an adequate pipeline outlet to the coast, and in December actual production averaged about 2,800 barrels a day. In this area S.A.P. Las Mercedes has a half interest with Venezuelan Atlantic Refining. Mercedes, in turn, is half owned by the Texas Company and half by Caracas Petroleum (which is the wholly owned subsidiary of Ultramar). Mercedes has also acquired an option from Shell to drill in the Unare-Zuron area; if these operations are successful, the area will be exploited jointly by the two companies. Elsewhere, the completion of a pipeline may eventually result in drilling and exploration by Caracas in the Barinas area. But neither Caracas nor Mercedes has bid for any of the new concessions offered by the Venezuelan Government in areas which other oil companies consider promising enough to justify the making of high bids.

Successful exploitation still lies in the future, though clearly some speculators are willing to believe that success is closer at hand than it once was. But, if and when it comes, earnings will be divided between a number of interests. In the meantime, Ultramar still has not paid a trading dividend from its royalty income, though it has repeated its tax free capital distribution of 10 per cent from the exchange surplus which emerges from the repayment of advances by Caracas to Ultramar.

SELECTION TRUST

SELECTION TRUST'S interests are widely spread among non-ferrous metals, gold and diamonds. Its gross revenue has more than doubled over the past two years. In the year to March 31st Selection Trust's gross revenue rose by £1,559,618 to £4,643,569, and its net profit rose by £788,556 to £2,221,878. As in the previous year the increase in revenue was mainly attributable to higher distributions from American Metal Company and Tsumeb Corporation. American Metal is a producer of non-ferrous metals and potash on the American continent and it also holds substantial investments in the Rhodesian copperbelt and in Tsumeb. This company, which mines lead, zinc and copper in South West Africa, sold more metal at higher prices last year, and contributed directly and indirectly about one-half of Selection Trust's gross income.

Though the market value of the

trust's investments fell to £21,216,519 they were still nearly six times higher than the book value. An arbitrary and possibly conservative value of £13 a share is placed on the holding in Tsumeb. The trust is endeavouring to spread its interests wider still, and is well supplied with cash to do so. One of the Canadian subsidiaries is conducting extensive exploration and another has taken an interest in Alberta oil. The chairman emphasises that last year's earnings were exceptional; nevertheless he thinks that the dividend can be maintained.

	Years to March 31, 1956	1957
Consolidated earnings:		
Gross income	3,033,951	4,643,559
Taxation	1,557,685	2,344,813
Net profit	*1,433,322*	*2,221,873*
Ordinary dividends	812,303	995,079
Ordinary dividend (per cent.)	60	70
Retained earnings	595,139	1,209,924
Consol. balance sheet:		
Quoted investments:		
Book value	3,642,385	3,632,483
Market value	*25,527,438*	*21,216,619*
Other holdings	717,935	1,652,035
Liquid assets	3,143,299	3,330,638
Minority interests	1,033,599	1,236,350
Reserves	3,047,943	4,003,036
Ordinary capital	2,354,518	2,472,243

BORAX (HOLDINGS)

AT 31s. 7½d. the 5s. Ordinary units of Borax (Holdings), which are largely governed by the views of American investors on the activities of U.S. Borax and Chemical Corporation, continue to run close to the year's highest levels. The price is geared to the increase in production which should result from the imminent completion of the development programme at Boron, California, and it heavily discounts the future. Certainly the interim report for the six months to March 31st last calls for no immediate change of view.

The six months' gross profit of £1,987,178 is in line with the estimated full year's profit in 1955-56 of £3,974,462, an estimate made on the assumption that the merger with U.S. Potash had been in operation throughout that period. It is also keeping with the chairman's comments in March that results thus far in the financial year were "satisfactory" and that no increase in the volume of production could be expected until the development programme was complete.

One aspect of the reorganisation of Borax is that earnings in the United States will be retained there for some time and that dividend payments by the British company will thus be made out of accumulated reserves. Hence the tax savings which follow on the reorganisation may have an important influence on future dividends.

BEECHAM GROUP

THE administrative reorganisation of the food division of the Beecham Group has evidently proved successful. Difficulties in its first year were responsible for a small fall in profits in 1955-56. Now the directors say that it was "largely" responsible for the advance in trading profits for the year to March 31st from £3,665,808 to £4,516,123. There was also a further increase in the total turnover of the group.

Net earnings rose from £1,579,419 to £1,863,126 and the ordinary dividend has been raised from 30 to 32½ per cent. The bigger sum of £806,034, against £629,015, has been retained in the business. The recent firmness of the 5s. ordinary shares, now standing at 24s. 9d. to yield 6.6 per cent, has thus been justified.

ALLIED IRONFOUNDERS

THE ordinary dividend of Allied Ironfounders has been reduced from 13¾ to 12½ per cent, following a decline in gross profits from £2,416,370 to £2,236,500 and in net profits from £1,008,123 to £745,429 in the year to March 31st last. Trading results of the British companies in the group improved in the second half of the financial year. But overseas "adverse trading conditions" caused "a sharp fall" in the profits of the South African company. And in Australia "manufacturing difficulties" have resulted in a loss of £268,000, "for which no tax relief is yet available." The directors add that "these difficulties have not yet been overcome."

London Stock Exchange

FIRST DEALINGS:	May 29	June 19	July 3
LAST DEALINGS:	June 18	July 2	July 16
ACCOUNT DAY:	June 25	July 9	July 23

FOLLOWING a small improvement before the week-end gilt-edged stocks settled down and showed little further change on balance, after fluctuating narrowly up to Wednesday. Last week's fall in the Treasury Bill rate was responsible for the firmness at the short end of the list. Industrial stocks made steady progress in a fairly quiet market; the persistent strength of store shares and the advance of steel shares (helped by the increase in United Steel's dividend) helped to raise *The Economist* indicator to 222.3—a gain of 3.3 on the week.

Insurance stocks weakened once more. Breweries made further gains following the recent fine weather, Watney deferred rising 2s. 9d. to 59s. 3d. Building shares were strong, APC and London Brick advancing to 50s. and 65s. 3d. respectively. GUS and Marks and Spencer led a new advance in store shares and both closed at new peaks on Wednesday. Dunlop rose 1s. 7½d. to 21s. 6d., Glaxo jumped to a fresh peak of 41s. and Unilever moved up to 114s. 6d. Calico Printers gained 2s. to 48s. 3d. on the prospect of the expansion of "Terylene" production. Tobacco shares recovered, Imperial Tobacco rising to 40s. 6d. from a low point of 37s. Shipping shares remained dull.

Oil stocks became stronger this week after receding earlier; Ultramar was outstanding, leaping 6s. 6d. to 81s. 7½d. ex the capital payment. Johnnies was a feature of the Kaffir market, gaining 3s. 6d. to 50s. On the lower dividend Crown Mines fell 2s. to 19s. 3d. xd and Rand Mines steadied to 67s. 6d. xd on the financing arrangements. Tin investment companies weakened, British Tin losing 3s. 3d. to 22s. and London Tin 1s. 1½d. to 10s. 10½d. Coppers fell on the producers' price cuts, RST losing 1s. to a new low point of 18s. 9d. The steady demand for rubber shares continued.

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, June 12, 1957	Price, June 19, 1957	Net Yield, June 19, 1957 §	Gross Yield, June 19, 1957
97⅛	95⅛	War Loan 3% 1955-59	96⅞	96⅞	£ 2 19 11	£ 4 8 0
92⅜	90½	Funding 2½% 1956-61	92⅛	92⅛	3 9 2	4 12 6
99⅝	98½	Conversion 4% 1957-58	99⅛	99⅛	2 14 6	4 9 2
99⅞	97⅞	Serial Funding 2½% 1957	99⅛	99⅛	3 1 7	4 5 8
96⅜	94⅛	Conversion 2½% 1958-59	96⅛	96⅛	3 12 1	4 8 8
93⅛	91⅛	Exchequer 2½% 1960	93⅛	93⅛	3 9 11	4 10 1
96⅜	94⅛	Exchequer 3% 1960	96⅛	96⅛	3 0 6	4 9 7
99⅛	97½	Conversion 4½% 1962	98⅜	98⅜	2 14 4	4 15 11
89⅞	86⅛	Savings Bonds 3% 1955-65	86⅝	87	3 13 5	5 2 7
84½	78½	Funding 3% 1959-69	78⅝	79⅛	4 0 0	5 9 11
92⅛	87⅛	Funding 4% 1960-90	87⅝	87 16	7 3 0	9 1 9
					2 17 8	4 15 3
81⅜	76⅛	Savings Bonds 3% 1960-70	76⅜	77	4 0 10	5 11 8
93½	90	Exchequer 3% 1962-63	90½	90⅜	3 10 7	4 17 8
88⅜	85½	Exchequer 2½% 1963-64	86⅛	86⅛	3 12 7	4 16 0
83	79	Savings Bonds 2½% '64-67	79½	79½	3 19 11	5 4 7
77⅜	71⅞	Savings Bonds 3% 1965-75	72½	72½	3 18 0	5 10 2
84⅜	80	Funding 3% 1966-68	80⅜	80½	3 19 4	5 9 8
95⅛	91½	Victory 4% 1920-76	92⅜	92⅜	3 3 11	5 1 4
88⅜	83	Conversion 3½% 1969	83½	83⅜	3 16 3	5 10 7
81⅜	74⅜	Treasury 3½% 1977-80	74½	74⅜	3 13 2	5 9 1
80	74⅜	Treasury 3½% 1979-81	74½	74⅜	3 13 1	5 10 1
71⅜	64⅜	Redemption 3% 1986-96	65½	65⅜	3 6 3	5 1 3
80⅜	72⅛	Funding 3½% 1999-2004	72½	72⅛	3 2 6	5 0 4
81⅜	76	Consols 4% after Feb. '57	76⅛	76⅛	3 0 8	5 6 4
75	68⅛	War Loan 3½% after 1952	69⅛	69⅞	2 18 1	5 1 1
75⅛	67⅞	Conv. 3½% after Apr. 1961	68⅛	68⅝	2 19 0	5 3 2
65⅝	59	Treas. 3% after Apr. 1966	59⅛	59⅛	2 13 4	5 1 11
55⅜	50⅛	Consols 2½%	50⅜	50⅜	2 16 9	4 18 7
55⅜	50⅛	Treas. 2½% after Apr. '75	50⅛	50⅛	2 17 3	5 0 1
96⅜	91⅝	Br. Electric 4½% 1967-69	92⅜	92⅛	3 9 5	5 11 5
80⅞	73	Br. Electric 3% 1968-73	73⅛	73⅛	4 0 5	5 11 9
78⅛	71⅛	Br. Electric 3% 1974-77	71⅜	71⅜	3 16 4	5 8 6
92⅞	85⅜	Br. Electric 4½% 1974-79	85⅜	85⅜	3 8 0	5 8 9
81⅛	74⅜	Br. Electric 3½% 1976-79	75	75⅛	3 13 3	5 9 4
90⅜	85⅛	Br. Gas 4% 1969-72	85½	85⅜	3 12 1	5 11 0
87⅜	81⅜	Br. Gas 3½% 1969-71	81⅛	81⅛	3 14 7	5 9 2
72⅜	64⅜	Br. Gas 3% 1990-95	65⅛	65⅜	3 6 10	5 1 6
80⅞	73	Br. Transport 3% 1968-73	73⅛	73⅛	4 0 5	5 11 9
88⅜	82	*Br. Transport* 4% 1972-77	82*	82⅛	3 10 6	5 9 0
72⅛	64⅜	Br. Transport 3% 1978-88	65⅜*	65⅜*	3 11 3	5 5 0

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, June 12, 1957	Price, June 19, 1957	Yield, June 19, 1957 §
					£ s. d.
81⅛	76⅛	Australia 3½% 1965-69	77⅛	77⅛	5 18 0
97⅛	91⅛	Fed. Rhod. & Nyas. 5% 1975-80	91⅞	91⅞	5 13 0
75⅝	69⅛	S. Rhodesia 2½% 1965-70	69⅞	70	5 17 3
87⅛	81⅛	N. Zealand 4% 1976-78	81⅝	82	5 9 8
105⅞	100⅛	L.C.C. 5½% 1977-81	100⅛	100⅛	5 9 0
93⅛	89⅛	Agric. Mortgage 5% 1959-89	90*	90	5 13 8
69⅛	60⅛	Met. Water Board 'B' 3% 1934-2003	60⅛	60⅛	5 0
79⅜	72⅜	German 7% 1924 (Br. Enfaced 5%)	75	74⅜	...
169½	164	Japan 5% 1907 (Enfaced)	165	165	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a)	(b)	(c)	ORDINARY STOCKS	Price, June 12, 1957	Price, June 19, 1957	Yield, June 19, 1957 §
		%	%					£ s. d.
					BANKS & DISCOUNT			
30/9	19/6	2	*a*	7	*b* Bk. Ldn. & S. Amer. £1	30/6	30/6	5 18 0
47/3	43/-	5	*a*	7	*b* Barclays Bank £1	43/9	43/-	5 11 8
35/3	29/3	4	*b*	4	*a* Barclays D.C.O. £1	31/3*	31/9	5 13 5
40/-	34/6	7½	*a*		*b* Chartered Bank £1	35/6	36/3	8 5 6
51/3	45/-	...		7	*b* Lloyds Bank £1	46/-	45/-	5 15 7
73/3	65/6	9	*a*	9	*b* Midland Bank £1	65/6	65/6	5 9 11
40/6	33/6	5	*a*	5	*b* Nat. Discount 'B' £1	33/6	34/-	5 17 8
51/6	45/-	6½	*a*	6½	*b* Union Discount £1	46/-	45/-	5 11 1
					INSURANCE			
90/-	78/-	30	*a*	43½	*b* Commercial Union 5/-	80/-	78/-	4 14 0
35½	26	12½	*a*	87½	*b* Legal & General £1	27½*	26½	3 14 9
22½	19	†20	*a*	†50	*b* Pearl £1	19½	19	6 8 0
46	39½	†125	*c*	†132½	*c* Prudential 'A' £1	41	39½	5 17 5
					BREWERIES, ETC.			
124/-	106/-	33	*b*	10	*a* Bass £1	123/6	123/-	7 0 0
25/4½	21/6	11½	*b*	6	*a* Distillers 6/8	24/10½	25/4½	4 12 0
44/6	37/-	10	*a*	15	*b* Guinness 10/-	44/-	43/6	5 14 11
85/-	63/6	7	*a*	17	*b* Whitbread 'A' £1	84/6	85/-	5 13 5
					OIL			
173/1½	130/-	†5	*a*	†10	*b* British Petroleum £1	173/1½	171/3	5 1 0
119/4½	83/9	5	*a*	17½	*b* Burmah £1	118/1½	117/6	3 16 8
£23½	£15½	7½	*a*	17½	*b* Royal Dutch 20 fl.	£22½	£22½	2 1 10
218/3	153/1½	†5	*a*	†13½	*b* Shell £1	213/6	212/6	3 1 8
81/9	59/4½	...		...	Ultramar 10/-	75/1½	81/7½*	...

Prices, 1957 High	Prices, 1957 Low	ORDINARY STOCKS	Price, June 12, 1957	Price, June 19, 1957	Yield, June 19, 1957 §
					£ s. d.
133/-	115/-	20 *a* 50 *b* Anglo-American 10/-	127/6	123/9	5 13 2
29/-	24/-	†2½ *a* †10 *b* Cons. Tea & Lands £1	24/6*	25/3	17 4 3
106/3	92/6	80 *a* 120 *b* De Beers Def. Reg. 5/-	100/-	101/3	9 17 6
26/3	19/9	... 5 *a* Doornfontein 10/-	21/3	21/3*	...
12/10½	10/-	30 *c* 30 *c* London Tin 4/-	12/-	10/10½	11 0 8
13⅛	10⅛	12½ *b* 25 *a* Nchanga Cons. £1	11½	10⅞	13 3 5
55/7½	45/-	40 *b* 50 *a* President Brand 5/-	50/6	50/6	8 18 3
24/9	18/9	25 *b* 8½ *a* Rho. Selection Tst. 5/-	19/9*	18/9	...
59/6	46/-	12½ *a* 30 *b* United Sua Betong £1	55/-	56/6	15 1 0
77/6	58/1½	40 *b* 40 *a* Western Holdings 5/-	67/6	66/10½	5 19 8

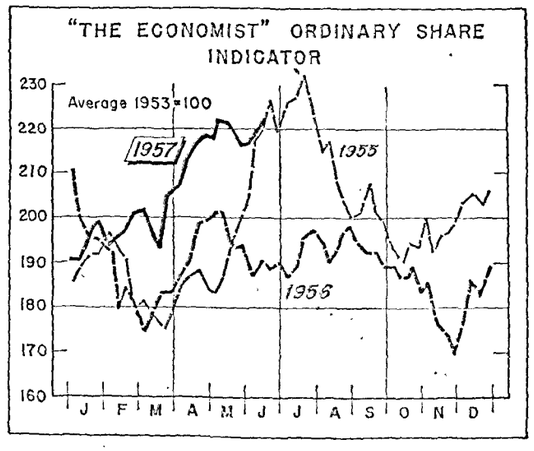
Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, June 12, 1957	Price, June 19, 1957	Net Yield, June 19, 1957 §	Gross Yield, June 19, 1957
					£ s. d.	£ s. d.
		STEEL & ENGINEERING				
83/-	70/9	7 *a* 8 *b* Babcock & Wilcox £1	71/9	70/9	4 4 10	
12/10½	10/10½	4 *a* 10 *b* Cammell Laird 5/-	11/3	10/10½	6 8 9	
29/3	22/10½	3 *a* 5 *b* Dorman Long £1	24/1½	26/-	6 3 1	
59/9	44/3	3½ *a* 10 *b* Guest Keen N'fold. £1	58/-	59/-	4 11 6	
59/-	45/6	4 *a* 7 *b* Metal Box £1	56/-	55/6*	3 19 3	
34/-	26/6	6½ *b* 3 *a* Stewarts & Lloyds £1	29/9	29/6*	6 5 5	
72/6	61/3	3 *a* 11 *b* Swan Hunter £1	68/-	68/-	4 2 4	
36/3	30/3	8½ *b* 6 *a* United Steel £1	32/-	34/7½	8 13 3	
46/-	39/9	2½ *a* 7½ *b* Vickers £1	44/3	43/10½	4 11 3	
		ELECTRICAL				
72/3	61/3	15 *c* 2½ *a* Assoc. Elec. Inds. £1	64/9*	63/6	4 14 5	
55/-	48/9	4 *a* 8½ *b* Br. Ins. Callenders £1	51/6	52/9	4 14 10	
33/3	24/-	15 *c* 15 *c* Elect. & Mus. Inds. 10/-	32/-	32/9	4 11 8	
60/6	48/-	4 *a* 10 *b* English Electric £1	59/3	59/6	4 14 3	
59/-	49/3	9½ *b* 4½ *a* General Electric £1	56/3	55/9	5 0 5	
		TEXTILES				
72/3	61/3	15 *c* 2½ *a* Assoc. Elec. Inds. £1	64/9*	63/6	4 14 5	
55/-	48/9	4 *a* 8½ *b* Br. Ins. Callenders £1	51/6	52/9	4 14 10	
33/3	24/-	15 *c* 15 *c* Elect. & Mus. Inds. 10/-	32/-	32/9	4 11 8	
60/6	48/-	4 *a* 10 *b* English Electric £1	59/3	59/6	4 14 3	
59/-	49/3	9½ *b* 4½ *a* General Electric £1	56/3	55/9	5 0 5	
		TEXTILES				
24/1½	19/7½	4 *a* 6 *b* Bradford Dyers £1	20/4½	19/7½	10 3 10	
28/-	23/-	2½ *a* 6½ *b* Coats, J. & P. £1	25/-*	25/-	7 0 0	
37/9	31/9	4 *a* 6 *b* Courtaulds £1	*37/10½	33/10½	5 18 0	
38/7½	32/9	5 *a* 12½ *b* Lancashire Cotton £1	36/3	36/-	9 14 5	
38/4½	30/10½	10 *b* 2½ *a* Patons & Baldwins £1	37/9	37/1½	6 14 8	
		SHOPS & STORES				
19/3	13/9	6 *a* 10 *b* Boots Pure Drug 5/-	18/6	19/3	4 3 3	
44/9	34/4½	20 *b* 7½ *a* Debenhams 10/-	43/4½	43/7½	6 6 0	
55/4½	33/3	15 *a* Gt. Universal 'A' 5/-	51/1½	55/3	5 13 3	
56/10½	30/3	10 *a* 20 *b* Marks & Spen. 'A' 5/-	52/3*	56/10½	2 12 10	
28/10½	19/1½	12½ *a* 20 *b* United Drapery 5/-	26/6	28/10½	5 12 8	
47/9	38/3	13½ *a* 26½ *b* Woolworth 5/-	45/7½	46/7½	4 5 10	
		MOTORS & AIRCRAFT				
21/6	18/1½	3½ *a* 6½ *b* Bristol Aeroplane 10/-	19/3	18/9	5 6 8	
8/7½	6/6½	8½ *b* Nil *a* British Motor 5/-	8/-	8/1½	5 4 8	
39/1½	30/3	2½ *a* 5 *b* Ford Motor £1	37/-	36/9	4 1 8	
41/6	32/-	3 *a* 7 *b* Hawker Siddeley £1	40/6	39/9	5 0 8	
52/6	41/9	10 *c* 12½ *c* Leyland Motors £1	51/3	50/9	4 18 6	
121/-	108/4½	5 *a* 15 *b* Rolls-Royce £1	117/-‖*	119/-	3 7 3	
7/9	5/11½	12 *c* 8 *c* Standard Motor 5/-	6/8½	6/7½	6 0 9	
		SHIPPING				
46/1½	38/-	6½ *a* 11 *b* Brit. & Com'wealth 10/-	44/9	43/9*	4 0 0	
27/9	23/6	3 *a* 8 *b* Cunard £1	26/3	26/-	8 9 3	
38/-	32/6	3 *a* 5 *b* P & O Defd. £1	32/9	32/6	4 18 5	
		MISCELLANEOUS				
50/-	38/3	3 *a* 6 *b* Assoc. Port. Cem. £1	47/3*	50/-	3 12 0	
24/9	18/6	20 *a* 12½ *b* Beecham Group 5/-	23/-	24/9	6 11 5	
47/9	41/-	4½ *a* 8 *b* Bowater Paper £1	44/-	41/6	6 0 5	
72/-	63/9	4 *a* 8 *b* Br. Aluminium £1	67/3	68/6	3 10 0	
46/4½	37/9	†20 *c* †5½ *a* Br. Amer. Tob. 10/-	38/7½	39/6‡‡	6 12 3	
24/9	17/4½	7½ *a* 17½ *b* B.E.T. 'A' Defd. 5/-	23/10½	24/3	5 3 0	
38/3	31/6	4 *a* 6 *b* Br. Oxygen £1	35/-	35/6	5 12 8	
$71½	$57½	4 *b* 3 *a* Canadian Pacific $25	$70	$69¾	4 13 11	
21/6	15/6	2½ *a* 7½ *b* Dunlop Rubber 10/-	19/10½	21/6	4 13 0	
46/6	38/10½	4 *a* 6 *b* Imp. Chemical £1	43/4½	43/6	4 12 0	
50/6	37/-	8½ *a* 12½ *b* Imp. Tobacco £1	37/7½	40/6	10 7 5	
$222	$191	$3·75 *c* $3·75 *c* Int'l. Nickel n.p.v.	$216¼*	$209	3 3 10	
36/9	30/9	5 *b* 2½ *a* J. Lucas (Inds.) £1	34/6	33/7½	4 9 3	
19/3	12/4½	6½ *a* 15½ *b* Monsanto Chem. 5/-	18/6	18/9	3 12 0	
18/3	15/10½	10 *c* 2½ *a* Ranks 10/-	17/9	17/9	5 12 8	
55/6	45/6	6 *a* 10 *b* A. E. Reed £1	48/6	45/6*	7 0 8	
15/9½	13/7½	20 *c* 22½ *c* Sears Hldgs. 'A' 5/-	15/5½	15/6½	7 4 8	
70/3	60/4½	12 *b* 4½ *a* Tate & Lyle £1	65/3	66/-	5 0 0	
69/-	57/6	7½ *b* 7½ *a* Tube Investments £1	66/6	66/3	4 10 8	
141/9	106/4½	22½ *b* 5 *a* Turner & Newall £1	137/9	139/6	3 18 10	
114/6	72/-	6 *a* 11½ *b* Unilever Ltd. £1	111/-	114/6	3 1 3	
44/-	37/-	†4½ *a* †10 *b* United Molasses 10/-	37/3	37/3	6 12 3	
		MINES, ETC.				
133/-	115/-	20 *a* 50 *b* Anglo-American 10/-	127/6	123/9	5 13 2	
29/-	24/-	†2½ *a* †10 *b* Cons. Tea & Lands £1	24/6*	25/3	17 4 3	
106/3	92/6	80 *a* 120 *b* De Beers Def. Reg. 5/-	100/-	101/3	9 17 6	
26/3	19/9	... 5 *a* Doornfontein 10/-	21/3	21/3*	...	
12/10½	10/-	30 *c* 30 *c* London Tin 4/-	12/-	10/10½	11 0 8	
13⅛	10⅛	12½ *b* 25 *a* Nchanga Cons. £1	11½	10⅞	13 3 5	
55/7½	45/-	40 *b* 50 *a* President Brand 5/-	50/6	50/6	8 18 3	
24/9	18/9	25 *b* 8½ *a* Rho. Selection Tst. 5/-	19/9*	18/9	...	
59/6	46/-	12½ *a* 30 *b* United Sua Betong £1	55/-	56/6	15 1 0	
77/6	58/1½	40 *b* 40 *a* Western Holdings 5/-	67/6	66/10½	5 19 8	

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10 years. § Less tax at 8s. 6d. in £. ‖ Ex rights. ‡‡ Ex capitalisation. (*a*) Interim dividend. (*b*) Final dividend. (*c*) Year's dividend. (*e*) To earliest date. (*f*) Flat yield. (*g*) On 13%. (*h*) On 15%. (*i*) On 15% tax free. (*j*) On 13½%. (*l*) To latest date. (*n*) After Rhodesian tax.

New York Closing Prices

	June 12	June 19		June 12	June 19		June 12	June 19
	$	$		$	$		$	$
Can. Pacific	36	35⅛	Am. Viscose	40⅜	39⅜	Int'l. Nickel	111½	106⅜
N.Y. Central	34	33⅛	Beth. Steel	48⅜	48	National Dist.	27⅜	26⅜
Pennsylvania	21	20⅜	Chrysler	75⅜	76⅛	Sears Roebuck	27⅛	25⅞
Amer. Tel.	176⅞	174⅜	Crown Zeller	51⅞	53	Shell Oil	91½	88⅛
Standard Gas.	3⅞	3⅜	DuPontdeNm.	197½	194	Std. Oil of N.J.	65⅞	67⅛
Western Union	19½	18⅜	Ford Motors	55	54⅜	U.S. Steel	68⅜	67
Alumin'm Ltd.	46⅜	48⅛	Gen. Elect.	70	68	West'house E.	64⅛	65
Am. Smelting	62⅛	59⅝	Gen. Motors	43⅛	42⅜	Woolworth	42	42⅛

"THE ECONOMIST" ORDINARY SHARE INDICATOR



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
May 22	218·7	5·09				
,, 29	216·2	5·16				
June 5	216·6	5·19				
,, 12	219·0	5·14	222·3 (June 20)	190·5 (Jan. 2)	210·4 (Jan. 4)	170·0 (Nov. 28)
,, 19	222·3	5·14				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½ Consols Yield %	Bargains Marked	1957 High	1956 High
June 12	202·4	5·41	90·50	4·96	11,439	207·4 (May 17) Low 178·9 (Jan. 1)	203·6 (Jan. 3) Low 161·5 (Nov. 29)
,, 13	202·3	5·42	90·55	4·95	11,117		
,, 14	202·8	5·40	90·58	4·91	10,941		
,, 17	203·4	5·39	90·62	4·93	14,313		
,, 18	203·9	5·37	90·63	4·93	12,729		
,, 19	204·7	5·35	90·45	4·93	11,631		

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

STATISTICS

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

World Trade ..... April 20th

British		Overseas	
Prices and Wages.....	June 1st	Western Europe :	
Production and Consumption	June 8th	Production and Trade.....	This week
Manpower.....	June 15th	British Commonwealth.....	June 8th
External Trade.....	This week	Western Europe :	
Financial Statistics.....	This week	Prices and Money Supply	June 15th
Industrial Profits	April 20th	United States.....	June 1st

UK External Trade

Imports are valued c.i.f. : exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages			1956			1957			
		1954	1955	1956	March	April	May	Feb.	March	April	May
VALUE											
Imports :											
Total	£ million	281·2	323·6	324·1	330·2	327·4	329·1	320·8	361·8	349·7	374·5
Food, drink and tobacco	,,	110·5	120·1	121·0	125·2	118·3	123·5	125·9	140·3	125·7	135·7
Basic materials	,,	85·5	93·7	92·0	82·9	92·6	92·3	86·6	98·8	97·0	109·6
Mineral fuels and lubricants	,,	27·4	34·0	34·5	37·2	35·5	36·4	36·6	44·8	47·1	45·8
Manufactures	,,	56·6	74·7	75·5	82·9	79·9	76·0	70·4	76·8	79·1	82·3
Exports of UK produce :											
Total	,,	222·9	242·1	264·3	271·3	256·4	283·8	278·2	297·1	272·2	302·9
Manufactures	,,	180·9	199·0	218·3	224·5	215·4	237·5	231·9	247·3	226·9	252·1
Re-exports	,,	8·4	9·9	12·2	13·3	13·7	13·5	10·9	16·4	8·6	11·8
Balance of trade (exports *less* imports)	,,	− 49·9	− 71·6	− 47·6	− 45·5	− 57·3	− 31·9	− 31·7	− 48·4	− 68·9	− 59·3
VOLUME											
Imports	1954=100	100	111	111	113[3]	...	113[6]	108	119	114	...
Exports	,,	100	107	114	112[3]	...	117[6]	117	124	114	...
BY AREA											
Imports :											
Dollar area—total	£ million	51·6	70·1	71·0	62·7	65·6	65·5	83·8	85·7	87·8	89·8
,, USA	,,	23·5	35·0	34·0	29·0	31·0	33·8	47·5	46·4	47·3	46·3
,, Canada	,,	22·7	28·6	29·0	25·0	25·1	24·9	23·3	24·4	23·6	26·8
Non-sterling OEEC countries (4)	,,	66·9	78·4	79·7	81·1	78·4	78·7	73·6	78·2	73·7	87·5
Sterling area	,,	124·8	130·9	126·5	140·1	136·7	135·2	118·8	154·3	139·5	145·0
Exports :											
Dollar area—total	,,	31·3	34·8	45·2	43·3	42·7	59·4	41·9	46·9	52·3	49·6
,, USA	,,	13·3	16·6	21·6	18·6	19·1	25·5	20·7	23·2	20·5	22·8
,, Canada	,,	11·3	12·1	15·2	13·7	16·6	23·3	11·6	14·4	24·8	18·0
Non-sterling OEEC countries (4)	,,	64·1	67·5	75·1	77·8	72·4	75·4	83·6	94·5	76·2	89·7
Sterling area	,,	112·2	120·9	122·4	129·8	120·4	125·4	130·8	131·3	120·0	134·3
Balance of trade (exports *less* imports) :											
Dollar area	,,	− 20·3	− 35·3	− 25·8	− 19·4	− 22·9	− 6·1	− 41·9	− 38·8	− 35·5	− 40·2
Non-sterling OEEC countries	,,	− 2·8	− 10·9	− 4·6	− 3·3	− 6·0	− 3·3	+ 10·0	+ 16·3	+ 2·5	+ 2·2
Sterling area	,,	− 12·6	− 10·0	− 4·1	− 10·3	− 16·3	− 9·8	+ 12·0	− 25·0	− 19·5	− 10·2
TRADE IN SELECTED COMMODITIES											
Imports :											
Wheat	'000 tons	288·6	374·3	399·6	403·3	464·4	376·5	404·0	418·9	324·0	394·0
Meat	,,	56·3	67·0	72·4	100·6	59·4	65·7	63·2	106·5	74·7	79·6
Sugar, unrefined	,,	201·2	186·2	194·9	209·8	289·2	187·4	231·2	222·0	289·5	270·2
Raw cotton (1)	,,	30·8	24·2	27·1	28·5	27·3	29·9	45·1	35·8	27·2	34·2
Raw wool, sheep's and lambs' (1)	mn. lb.	51·6	55·1	53·5	50·1	65·5	55·1	45·8	68·6	62·0	62·2
Rubber, natural and synthetic (1)	'000 tons	20·6	24·6	18·3	27·4	17·1	10·4	19·0	8·7	21·5	20·1
Softwood	'000 stds.	122·0	140·0	105·8	51·5	58·7	82·7	53·1	59·6	64·8	113·3
Woodpulp	'000 tons	159·8	186·9	183·4	106·2	152·2	163·4	146·6	141·2	143·1	229·0
Crude petroleum	mn. galls.	606	601	618	598	663	679	465	595	647	713
Exports of UK produce :											
Coal, including bunkers	'000 tons	1,351	1,196	836	826	767	1,047	796	709	654	823
Woven piece-goods—cotton	mn.sq.yds	53	46	40	40	38	41	41	42	38	41
,, ,, wool (2)	'000 sq. yds.	8,204	8,965	9,102[3]	9,398	7,965	8,948	9,207	10,160	9,111	9,122
Passenger cars and chassis (2)	number	31,123	32,545	28,033	30,893	30,451	31,742	28,400	35,925	34,621	41,612
Commercial vehicles and chassis (2)	,,	9,889	11,656	10,509	12,087	11,850	12,703	9,950	10,698	10,053	12,034
Agricultural tractors	,,	8,908	8,720	7,483	8,028	8,943	9,337	8,254	8,568	8,880	10,823
Machinery—*electrical*	£'000	4,923	5,158	5,302	5,055	6,187	5,402	5,613	6,010	5,009	4,457
,, other	,,	30,553	34,687	33,657	40,474	39,285	41,403	42,272	44,997	41,228	45,925
Chemicals, elements and compounds	,,	4,214	4,422	4,948	5,127	4,993	5,107	5,450	5,861	5,322	5,859

(1) Retained imports. (2) Revised series: figures of new motor cars include station wagons which were previously counted as commercial vehicles. (3) Excluding fents from January, 1956. (4) Revised to exclude the former French protectorates of Tunisia and Morocco. (5) Average for first quarter. (6) Average for second quarter.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (1) (1953 = 100)												
1948	54	87	82	79	...	52	70	62	70	70	90	69
1955	133	116	112	121	129	130	107	118	118	117	111	124
1956	138	122	111	133	139	145	102	128	124	122	114	...
1956, November	152	129	125	143	154	139	} 101[6]	{ 133	134	135	125	...
,, December	129	123	116	138	142	140		128	117	121	123	...
1957, January	129	123	118	...	137	140	...	133	128	127	118	...
,, February	...	128	122	...	141	133	...	126	119	144	122	...
,, March	...	...	122	...	140	...	...	...	126	134	122	...
VALUE OF EXTERNAL TRADE (2)												
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas[3]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lira
IMPORTS (c. i. f.)												
1948	243	7,249	285	56·08	264[5]	152[4]	11·36	70·36	414	310	413	64·2
1955	1,922	11,790	678	138·23	2,029	955	17·03	141·22	1,016	649	861	116·1
1956	2,110	13,635	755	161·96	2,315	1,159	15·07	165·06	1,175	720	952	95·0
1956, November	2,287	14,471	845	167·95	2,568	1,338	13·70	170·17	1,266	739	1,098	97·6
,, December	2,220	15,565	836	170·00	2,511	1,185	14·44	175·87	1,104	722	1,004	73·6
1957, January	2,458	15,330	878	206·98	2,532	1,104	15·87	184·03	1,433	837	1,141	77·4
,, February	2,403	...	872	182·60	2,408	1,059	15·49	178·19	1,245	716	1,050	115·3
,, March	2,581	...	854	202·93	2,676	...	16·08	196·07	1,385	836	1,052	60·8
EXPORTS (f. o. b.)												
1948	165	6,171	228	36·18	151[5]	39[4]	4·11	47·99	226	172	332	45·9
1955	1,514	11,566	609	143·26	2,142	457	9·19	96·69	851	377	744	73·1
1956	1,840	13,177	640	132·37	2,571	475	8·95	112·33	906	460	837	71·2
1956, November	1,936	12,846	702	150·33	2,819	1,047	10·50	121·13	994	455	978	88·8
,, December	2,015	13,430	682	136·91	3,031	1,017	8·84	120·33	838	482	900	94·3
1957, January	1,774	14,408	672	158·26	2,446	759	11·02	109·35	980	470	915	108·1
,, February	1,953	...	629	143·57	2,712	540	10·31	115·45	888	487	794	75·1
,, March	2,296	...	636	164·89	3,231	...	11·37	135·25	1,002	584	803	70·1
BALANCE												
1948	− 78	− 1,078	− 57	−19·90	− 113	− 113	− 7·25	−22·37	− 188	− 138	− 81	− 18·3
1955	− 408	− 224	− 69	+ 5·03	+ 113	− 498	− 7·84	−44·53	− 165	− 272	− 117	− 43·0
1956	− 270	− 458	− 115	−29·59	+ 256	− 684	− 6·12	−52·73	− 269	− 260	− 115	− 23·8
1956, November	− 351	− 1,625	− 143	−17·62	+ 251	− 291	− 3·20	−49·04	− 272	− 284	− 120	− 8·8
,, December	− 205	− 2,135	− 154	−33·09	+ 520	− 168	− 5·60	−55·54	− 266	− 240	− 104	+ 20·7
1957, January	− 684	− 922	− 206	−48·72	− 86	− 345	− 4·85	−74·68	− 453	− 367	− 226	+ 30·7
,, February	− 450	...	− 243	−39·03	+ 304	− 519	− 5·18	−62·74	− 357	− 229	− 256	− 40·2
,, March	− 285	...	− 218	−38·04	+ 555	...	− 4·71	−60·82	− 383	− 252	− 249	+ 9·3
VOLUME OF EXTERNAL TRADE (2) (1953 = 100)												
IMPORTS												
1948	48	86	59	84	...	...	90	57	64	71	85	46
1955	183	122	120	122	152	135	108	112	140	119	128	91
1956	195	130	129	144	170	156	93	125	158	128	135	...
1956, November	211	} 143[6]	143[6]	{ 144	194	182	81	131	171	131	} 147[6]	{ ...
,, December	203			{ 146	189	162	85	147	151	121		{ ...
1957, January	210	...	...	171[7]	184	147	92	128	187	139	...	...
,, February	208	...	...	150[7]	176	147	87	...	164	114	...	...
,, March	238	...	...	...	194	...	91	...	...	137	...	...
EXPORTS												
1948	37	69	48	48	...	...	55	66	34	70	69	55
1955	136	127	118	134	142	121	95	123	124	117	115	71
1956	160	128	120	120	165	117	98	147	130	133	127	...
1956, November	175	} 131[6]	126[6]	{ 135	180	248	114	173	144	130	} 141[6]	{ ...
,, December	179			{ 126	194	229	97	174	122	137		{ ...
1957, January	161	...	...	140[7]	155	200	119	133	138	133	...	...
,, February	179	...	...	121[7]	170	140	110	...	128	134	...	...
,, March	198	...	...	...	203	...	120	...	...	153	...	...

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark excludes mining; Greece, mining and manufactured gas; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Germany excludes West Berlin. (2) Special *trade* (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxemburg. Italy includes Trieste. (3) New drachma introduced May 1, 1954 (1 new drachma=1,000 old drachmas). (4) Thousand million drachmas. (5) Bizonal area. (6) Average fourth quarter. (7) New series; *original* base 1956=100.

Financial Statistics

EXCHEQUER RETURNS

For the week ended June 15, 1957, there was an "above-line" deficit (after allowing for Sinking Funds) of £33,828,000 compared with a surplus of £25,163,000 in the previous week and a deficit of £30,860,000 in the corresponding period of last year. There was a net expenditure "below-line" last week of £5,670,000, leaving a total deficit from April 1st, of £94,836,000 (£151,351,000 in 1956-57).

£'000	Estimate, 1957-58	April 1, 1956 to June 16, 1956	April 1, 1957 to June 15, 1957	Week ended June 16, 1956	Week ended June 15, 1957
Ord. Revenue					
Income Tax	2176,250	220,524	256,417	20,378	22,449
Surtax	149,000	21,300	22,000	1,100	800
Death Duties	170,000	38,300	40,000	3,300	1,800
Stamps	60,000	12,900	14,000	1,300	1,400
Profits Tax, EPT & EPL	255,000	32,200	32,700	2,700	4,500
Other Inland Rev. Duties	500	110	50	...	...
Total Inland Rev.	2810,750	325,334	365,167	28,778	30,949
Customs	1204,250	252,682	252,936	24,726	20,059
Excise	912,850	179,555	190,975	4,040	4,645
Total Customs and Excise	2117,100	432,237	443,911	28,766	24,704
Motor Duties	93,000	10,018	11,255	349	295
PO (Net Receipts)	20,000	10,400	15,400	50	1,200
Broadcast Licences	31,000	3,400	3,800	...	...
Sundry Loans	32,000	2,377	7,933	72	5,679
Miscellaneous	185,000	10,244	47,314	1,564	151
Total	5238,850	794,011	894,780	59,580	62,978
Ord. Expenditure					
Debt Interest	640,000	155,249	154,341	17,515	19,585
Payments to N. Ireland Exchequer	69,000	10,696	12,917	...	...
Other Cons. Fund	10,000	883	1,278	5	141
Supply Services	4069,877	733,691	776,756	72,000	76,200
Total	4788,877	900,519	945,322	89,520	95,926
Sinking Funds	38,000	5,810	5,843	920	880
"Above-line" Surplus or Deficit	— 112,318	— 56,390	— 30,880	— 30,860	— 33,828
"Below-line" Net Expenditure	39,033	38,446	22,397	15,670	
Total Surplus or Deficit	— 151,351	— 94,836	— 53,257	— 49,493	
Net Receipts from:					
Tax Reserve Certificates	62,398	55,073	2,100	1,042	
Savings Certificates	—13,800	9,100	—1600	1,500	
Defence Bonds	—21,572	— 5,147	353	—1358	
Premium Savings Bonds	...	8,100	...	2,000	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
June 15	3,280·0	1,216·0	240·6	...	4,736·6
1957					
Mar. 16	2,900·0	1,249·9	247·3	...	4,397·2
„ 23	2,910·0	1,284·4	272·1	1·5	4,468·1
„ 31	4,195·3		276·9	...	4,472·2
April 6	2,860·0	1,306·4	289·3	...	4,455·7
„ 13	2,840·0	1,362·5	295·6	...	4,498·1
„ 20	2,830·0	1,390·5	273·5	...	4,491·1
„ 27	2,830·0	1,377·7	313·6	...	4,521·2
May 4	2,840·0	1,417·3	259·7	...	4,517·0
„ 11	2,850·0	1,291·2	264·1	...	4,405·3
„ 18	2,860·0	1,271·6	309·6	...	4,441·2
„ 25	2,880·0	1,260·0	270·7	...	4,419·7
June 1	2,900·0	1,233·6	250·4	...	4,384·0
„ 8	2,910·0	1,252·3	265·0	...	4,427·4
„ 15	2,920·0	1,649·6	289·7	3·3	4,862·6

THE MONEY MARKET

FOLLOWING two weeks of generally easy credit, and an unusually low allotment at the previous tender, the discount houses raised their common bid by 3d. to £99 0s. 8d. per cent at the Treasury bill tender on Friday of last week. Applications at this minimum received a 40 per cent allotment, compared with 21 per cent a week before. The reduction in the average rate of allotment of all bills moved in line with the reduction in the market's rate, falling by 11.33d. per cent to £5 17s. 3.26d. per cent; total applications fell by £41.3 million from the previous week's high level of £451.2 million.

That exceptional demand had been attributable partly to anticipation of the maturity on Saturday last of the Exchequer and Funding stocks remaining in private hands. In the event, the release of cash was offset by unusually heavy withdrawals from commercial sources, and stringency developed in some quarters. On the two preceding days, the Bank had given the market a very small amount of help through special purchases. On the first three days of this week, credit supplies have remained taut.

Sterling staged a sharp recovery against the US dollar—though not against continental currencies—around the week-end, rising from $2.78⅛ on Thursday last to $2.79⅜ on Tuesday; but the rate dropped later to $2.79⅛.

LONDON MONEY RATES

	%		%
Bank rate (from 5½%, 7/2/57)	5	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4-4⅛
Bank	3	3 months	4-4⅛
Discount houses	3*	4 months	4-4⅛
		6 months	4⅛-4¼
Money Day-to-day	3½-3⅝	Fine trade bills:	
Short periods	3½	3 months	5⅛-6
Treas. bills 2 months	3⅛	4 months	5⅛-6
3 months	3⅛	6 months	5⅛-6⅛

* Call money.

BANK OF ENGLAND RETURNS

(£ million)	June 20, 1956	June 12, 1957	June 19, 1957
Issue Department:*			
Notes in circulation	1,879·1	1,978·6	1,930·5
Notes in banking dept.	21·2	25·7	19·9
Govt. debt and securities*	1,896·2	1,996·2	1,935·3
Other securities	0·8	0·3	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	18·2	25·7	17·0
Bankers	231·8	215·1	204·5
Others	80·1	73·9	71·7
Total	330·1	254·7	297·2
Securities:			
Government	293·3	260·8	250·7
Discounts and advances	15·2	27·0	25·3
Other	16·6	18·8	19·0
Total	325·1	306·6	295·0
Banking department reserve	23·2	26·2	22·3
	%	%	%
"Proportion"	7·0	8·3	7·5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £2,000 million from £1,975 million on June 5, 1957.

TREASURY BILLS

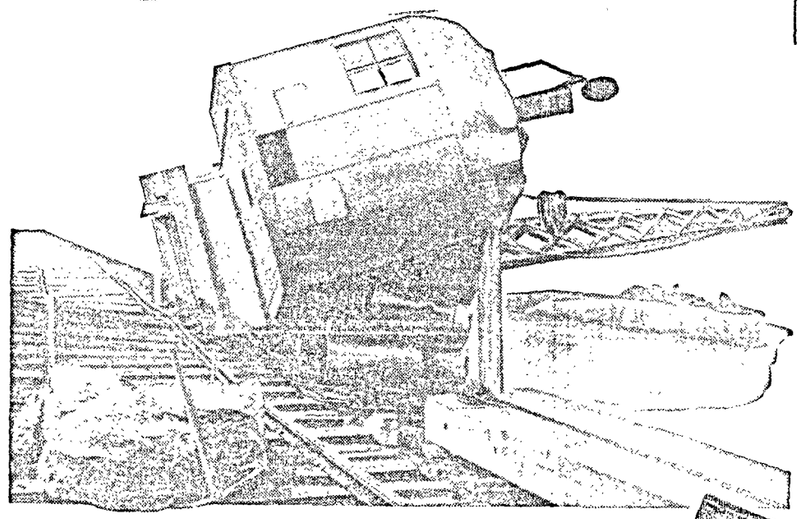
Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max Rate*
1955				s. d.	%
June 15	240·0	396·0	240·0	100 4·20	41
1957					
Mar. 15	230·0	375·2	230·0	82 3·70	34
„ 22	250·0	395·2	250·0	82 6·73	44
„ 29	250·0	391·6	250·0	81 11·79	50
April 5	250·0	410·6	240·0	82 11·49	32
„ 12	230·0	415·7	230·0	80 9·36	54
„ 18	240·0	411·5	240·0	78 9·15	55
„ 26	200·0	359·3	200·0	78 3·43	22
May 3	200·0	366·3	200·0	74 9·00	50
„ 10	200·0	360·9	200·0	76 1·84	28
„ 17	190·0	368·8	190·0	76 7·13	33
„ 24	220·0	378·9	220·0	78 2·85	37
„ 31	230·0	357·7	230·0	78 5·15	57
June 7	240·0	451·2	240·0	78 2·59	21
„ 14	240·0	409·9	240·0	77 3·26	40

*On June 14th tenders for 91 day bills at £99 0s. 8d. secured 40 per cent, higher tenders being allotted in full. The offering this week was for £250 million at 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: June 19	Market Rates: Spot: June 13	June 14	June 15	June 17	June 18	June 19
United States $	2·78-2·82	2·78⅞-2·79	2·79-2·79⅛	2·79-2·79⅛	2·79⅛-2·79⅜	2·79⅜-2·79⅝	2·79⅛-2·79⅛
Canadian $	...	2·65½-2·65⅝	2·65½-2·65⅝	2·65½-2·65⅝	2·65½-2·65⅝	2·65½-2·65⅝	2·65½-2·65
French Fr.	972·65-987·35	983½-984½	983½-984½	984-984½	983½-984½	982⅝-982⅞	982½-983⅛
Swiss Fr.	12·15⅜-12·33⅜	12·22½-12·22⅝	12·22½-12·22⅝	12·22⅜-12·22⅝	12·22½-12·22⅝	12·21½-12·21⅝	12·21⅜-12·21⅝
Belgian Fr.	138·95-141·05	140·52½-140·57½	140·52½-140·57½	140·50-140·55	140·47½-140·55	140·50-140·55	140·40-140·45
Dutch Gld.	10·56-10·72	10·64⅝-10·64⅞	10·64⅝-10·65	10·64⅜-10·65	10·64⅜-10·65	10·64⅜-10·65	10·65-10·65⅛
W. Ger. D-Mk.	11·67⅜-11·84⅛	11·71⅝-11·72⅛	11·71⅝-11·72⅛	11·71⅝-11·72⅛	11·71⅜-11·71⅝	11·70⅝-11·71⅛	11·71-11·71⅛
Portuguese Esc.	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15
Italian Lire	17363-17627	1751⅜-1752⅛	1751⅛-1752	1751⅛-1751⅞	1750⅝-1751	1748-1748⅝	1747⅞-1748
Swedish Kr.	14·37⅜-14·59⅜	14·44⅛-14·45	14·44⅛-14·44⅜	14·44⅛-14·44⅜	14·44⅛-14·45	14·44⅜-14·44⅝	14·44⅛-14·44⅜
Danish Kr.	19·19⅜-19·48⅜	19·40⅜-19·40⅝	19·40⅜-19·40⅝	19·40⅜-19·40⅝	19·40⅛-19·40⅜	19·40 19·40⅛	19·39⅛ 19·39⅜
Norwegian Kr.	19·85-20·15	19·98⅛-19·98⅜	19·98⅛-19·98⅜	19·98⅛-19·98⅜	19·98⅛-19·98⅜	19·98⅛-19·98⅜	19·97⅛-19·98⅛
One Month Forward Rates							
United States $		⅜-⅝c. pm	⅜-⅝c. pm	⅜-⅝c. pm	⅜-⅝c. pm	⅜-1c. pm	⅝-1c. pm
Canadian $		par-⅛c. dis	par-⅛c. dis	par-⅛c. dis	⅛c. par-⅛c. dis	⅛c. par-⅛c. dis	⅛c. par-⅛c. dis
French Fr.		10-15 dis	12-17 dis	12-17 dis	15-20 dis	10-15 dis	8-12 dis
Swiss Fr.		1¼-1½c. pm	1¼-1½c. pm	1¼-1½c. pm	1¼-1½c. pm	1¼-1½c. pm	1¼-1½c. pm
Belgian Fr.		⅛-¼ pm	⅛-¼ pm	⅛-¼ pm	⅛-¼ pm	⅛-¼ pm	⅛-¼ pm
Dutch Gld.		1¼-1½c. pm	1¼-1½c. pm	1¼-1½c. pm	1¼-1½c. pm	1¼-1½c. pm	1¼-1½c. pm
W. Ger. D-Mk.		1¼-1pf. pm	1¼-1pf. pm	1¼-1pf. pm	1¼-1pf. pm	1¼-1pf. pm	1¼-1pf. pm
Italian Lire		par-2 dis	par-2 dis	par-2 dis	par-2 dis	par-2 dis	par-3 dis
Swedish Kr.		1¼-1½ pm	1¼-1½ pm	1¼-1½ pm	1¼-1½ pm	1¼-1½ pm	1¼-1½ pm
Danish Kr.		3-1½ pm	2-1½ pm	2-1½ pm	2-1½	2-1½ pm	2-1½ pm
Norwegian Kr.		1½ pm-par	1½ pm-par	1½ pm-par	1½ pm-par	1½ pm-1½ dis	1½ pm-1½ dis
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/11¼	250/11	...	250/9	250/6½	250/6½

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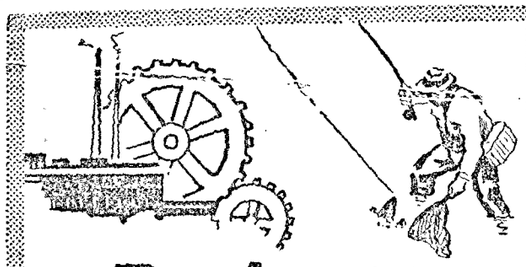
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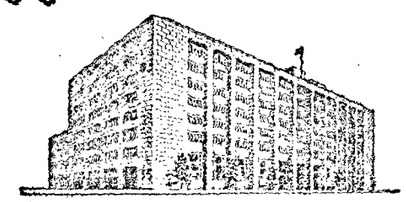
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COMPANY MEETINGS

MARKS AND SPENCER LIMITED

TURNOVER EXCEEDS £125 MILLION

BRAND NAME "ST. MICHAEL" A HOUSEHOLD WORD

99 PER CENT BRITISH GOODS

SIR SIMON MARKS REVIEWS PROGRESS

The thirty-first Annual General Meeting of Marks and Spencer, Limited was held on June 13th at 82 Baker Street, London, W.1.

Sir Simon Marks DSc (Chairman and Joint Managing Director) who presided said: Ladies and Gentlemen:

May I take it that in accordance with our usual practice the Directors' Report and Accounts may be taken as read? (Agreed.)

PROFIT AND LOSS ACCOUNT

Our Net Profit for the year has amounted to £5,606,000 compared with £4,955,000 last year, an increase of £651,000.

Provision for taxation required £7,200,000, an increase of £2,025,000 on last year. Income Tax at £5,350,000 compares with £4 million and Profits Tax at £1,850,000 compares with £1,175,000.

SCRIP ISSUE

The Ordinary Share Capital was increased in February last from £9,047,000 to £18,094,000 by a Scrip Issue of one "A" Ordinary Share for each Ordinary and "A" Ordinary Share held, and on this increased Capital the Board recommends a final dividend of 20 per cent bringing the total dividend for the year to the equivalent of 30 per cent or 1s 6d per share against a comparable distribution of 1s 3d per share last year.

RESERVES

We propose to transfer to the General Reserve the sum of £3,096,000. We have merged the Stock Contingency Reserve of £1 million and the Debenture Redemption Reserve of £399,000 with the General Reserve which removes a certain amount of detail from the Balance Sheet. The General Reserve will then stand at £6 million and with the balance of £1,762,000 in the Profit and Loss Account, the Revenue Reserves will amount to £7,762,000. The Capital Reserve still stands at £19,323,000.

GENERAL SURVEY

Our Turnover has exceeded £125 million against £118 million last year. We are reaping the benefits of the substantial investment we have made in the expansion and modernisation of our stores. We have particularly benefited from our policy of upgrading and widening the range of specialised goods we sell. The Profits we show are due not only to the increase in trading which we report but also to lower operating costs.

We were concerned with the constantly rising cost of operating our business. At the beginning of 1956 as a first step, we took the course of examining our systems and procedures. After due probing, we came to the conclusion that some of our methods had become cumbersome and were costly in time, effort, and money. Simplified methods were introduced which cut out unnecessary paper work on the part of large numbers of our staff who were diverted to more useful and productive tasks.

GREATER EFFICIENCY

By these means and by the "Good Housekeeping" campaign which we inaugurated in regard to our controllable domestic expenses, we checked the rise in our operating costs and have, in fact, effected considerable savings. I am glad to say that at the same time our operation is smoother and has gained in efficiency.

Another factor which led to increased Profits was the lower charge for Repairs and Maintenance. This is the item in our Accounts under which we charge the cost of keeping our Properties and Equipment in good repair and condition. It is an operating expense chargeable against the year's Profit and the sums required for this purpose may vary each year in accordance with the needs of particular stores. This year we have spent on Repairs and Maintenance £744,000 which is £537,000 less than a year ago and our Trading Profit has benefited by that amount.

STORE DEVELOPMENT

We have now completed the rebuilding of the bombed stores. This operation, extending over six years, has provided us with 15 splendid stores specially designed for the character of our business of today. The most impressive addition to our chain is the Birmingham Store. We have invested over £1 million in this unit which would indicate to you the scale on which it has been constructed.

I informed you in my speech of last year that we had decided to slow down our investment in store development in response to the Chancellor's appeal. In that year 1955-56, we had spent some £6,500,000 and there was a balance of work amounting to approximately £2,500,000 to be completed during this Financial Year. This programme has now been completed. The most important store of this series, Princes Street, Edinburgh opened yesterday. The actual building operation has taken over 2½ years to finish. This brings the number of stores we are operating to 237.

We have set in motion plans for rebuilding a number of stores and further expansions which will add valuable selling space in cities and towns where we are now successfully trading. This programme will cover a period of about 2 years, and will involve an estimated sum of between £5 million and £6 million.

INCREASED SELLING SPACE

Year after year I have given you an account of the progress of our efforts to provide greater selling space in our existing stores in order to display the growing range of goods more effectively. Progress has been particularly rapid in the last five years for in this period, we have increased our selling space from two million to three million square feet, a gain of 50 per cent. Our stores are becoming important shopping centres.

It is not easy to describe the transformation of so many of our stores which in the course of their evolution have assumed a distinctive character. It is clear, however, that our customers appreciate the new look of our stores and particularly do they welcome their more spacious and attractive setting which shows our goods to advantage and provides pleasant and convenient shopping conditions.

MERCHANDISING POLICY

The continued success of our business lies in the character, quality and wide range of special garments we sell, which cover some of the important needs of all members of the family.

Our brand name "St. Michael" has become a household word for value. It is the symbol of well-styled, well-finished, attractive garments, with wearing properties in which the customer can have every confidence. We seek to strengthen our goodwill with the community.

Our policy of up-grading our goods has been consistent throughout many years. This is a dynamic policy on which are engaged scientists, technologists, stylists, etc., who form part of our Merchandise Research and Development Division. The importance we attach to this phase of our work can be seen from the fact that the cost of operating our Technical Services amounts to well over £500,000. There are some sixty Scientists, Technologists and Technicians in a total staff of over 230 persons employed in these services.

Much of the progress we have made in the improvement of our goods stems from the systematic and continuous work of our scientists and technologists. Their task is to study ways and means of up-grading our goods, always bearing in mind value and price. Their duties are to keep abreast of any interesting developments in the textile field which can be speedily incorporated in our goods. Their work ranges from the yarn to the complete garment, and they are concerned with all the processes leading to the finished article.

QUALITY CONTROL

Quality control is a most important part of their functions. It is based on specifications and standards of quality which we have worked out, and which are agreed upon between our manufacturers and ourselves. This is essential in order to maintain uniformity and the standards we set for our goods. It is all the more essential as we employ many manufacturers producing similar types of goods whose techniques vary. It also demands an understanding co-operation between our Technicians, Buying Executives and Suppliers, for without such collaboration our objectives could not be achieved.

There have been rapid scientific and technical developments in the textile field which have provided us with a wealth of new fibres and techniques. Many of these developments can be used to impart novel properties to textile garments which will do much to ease the domestic burden of cleaning, washing and ironing.

I am glad to say that our Food Division is making good progress. Here again, our Food Technologists have an important role to play. Their services are made available to our suppliers who appreciate to the full the contribution they make to the up-grading of the quality of their products. The foodstuffs we sell are, in the main, specialised bakery goods and graded and selected fruit, which are much in demand.

TRIBUTE TO MANUFACTURERS

It is my pleasure once again to pay tribute to our suppliers. As you are aware, 99 per cent of the goods we sell are made in Great Britain. Our policy of concentrating on British Made goods could only have succeeded thanks to the close co-operation of our manufacturers. The improvement of our goods has been made possible by the understanding collaboration which exists between our buyers and technologists, and their opposite numbers in the factories. They work as a team.

Our suppliers are at one with us in our quest for ever improving values. The large quantities of goods we require each week enables them to plan their production systematically, and consequently economically.

We, for our part, have invested considerable sums in the development of our stores, which have become unique shopping centres.

They, for their part, have invested in new machinery and equipment, and in many cases, new factories. They have introduced many improvements in their production techniques which enables us to meet the needs of our public and the challenge of changing fashions and tastes.

We thank them for their most valuable collaboration and look forward to many more years of fruitful association.

TRIBUTE TO STAFF

It is with pleasure that I ask you to join me in expressing my appreciation and that of the Board of the work of all the members of the staff both at Head Office and in the Stores. We enjoy one of the greatest assets that any business can hope to possess, a loyal and devoted staff who carry out their duties efficiently and happily.

I have described on many occasions the character of the amenities we provide for the well-being of our employees. It has always been one of our basic aims to create a happy working atmosphere throughout the business.

In addressing myself to the members of the staff who come into contact with our customers, I would like to say how much we prize their high standard of service. It is both courteous and helpful to all who shop in our stores and it has gained for us an unrivalled reputation.

The numbers of those employed in our business who attain twenty-five years of service grows year by year which is a matter of much satisfaction to your Board. When the inevitable time comes for retirement they know that their well-being is still the concern of your Company and that they will continue to participate in many of the amenities which they enjoyed during their working life.

We provide appropriate pensions through our Pension Funds and Benevolent Trust. These material benefits are of course important but we attach considerable significance to making our pensioners feel that even on their retirement they are still members of the Marks and Spencer family.

The report and accounts were unanimously adopted.

ALLEN WEST & COMPANY

ANOTHER YEAR OF PROGRESS

The forty-eighth annual general meeting of Allen West and Company, Limited, was held on June 19th at Brighton, Mr M. W. H. Lancaster, MC, FCA (the chairman), presiding.

The following is his circulated address:

It is with regret that I must report the deaths during the year of Mr Allen West and Mr L. A. Stride. Mr West was the founder of this Company and Mr L. A. Stride had been a Director and my deputy from 1942 until his retirement last year.

TRADING RESULTS

I now have pleasure in putting before you our Balance Sheets at January 31, 1957, together with a Consolidated Profit and Loss Account. I feel I cannot improve on my remark last year when I said "We produced more, sold more and finished with a larger order book than last year and we have paid higher wages to more people."

The Group Trading Profits are £190,949 more than last year, largely due to No. 4 Factory getting into full production; price increases have also contributed to this result.

The larger provision for Depreciation was made in view of the ever-growing cost of maintaining our plant and equipping the factories with the most modern machine tools, a policy which, under present conditions, is essential. We are committed in the amount of £205,000 for further new plant and the cost of completing No. 5 Factory.

The current asset position is very satisfactory. You will note, however, that the figure for reserves, which as you know is made up of profits ploughed back into the business, has now reached £1,634,522. We propose therefore to bring the Issued Capital more into line with that employed in the business by making a distribution of 3 Stock Units for every 10 held, and we have applied to the Capital Issues Committee for the necessary permission. Our Issued Capital will even then be exceeded by the total of our Fixed Assets and Stock and Work in Progress.

Our South African Company continues its excellent trading record, and our Rhodesian Company which commenced operations in February, 1956, has been successful in making a profit in its first year.

TRIBUTE TO EXECUTIVES, STAFF AND WORKPEOPLE

Mr P. C. Jones, who was Sales Director retired from the Board in January of this year, having made a substantial contribution to the Company's success during his 45 years' service. Mr J. H. Hall, who has been connected with the sales of this Company for 31 years, now takes complete charge of our sales organisation. Mr R. M. Malloch, our Works Manager, who joined the Company 26 years ago, has been co-opted to the Board to fill the vacancy caused by Mr Jones's retirement.

I am happy to report that the co-operation between management and employees remains most satisfactory, and thank all those on the Staff and in the Works who have helped to make this another successful year.

Addressing the meeting the chairman said: I am pleased to inform you that we now hold the consent of the CIC to make the distribution of 3 stock units for every 10 that you now hold. The necessary notices will be posted as soon as possible.

The report and accounts were adopted.

THE INDUSTRIAL AND GENERAL TRUST

FURTHER REVENUE INCREASE

The sixty-ninth annual general meeting of The Industrial and General Trust, Limited, was held on June 13th, in London.

Sir Edwin Savory Herbert, KBE, LLB (the Chairman), presided and, in the course of his speech, said:

There has been a further increase in gross revenue this year. At £1,618,000 approximately it is some £86,000 more than last year. The bulk of this increase was provided by our income from investments, but our recoveries through double taxation relief also increased by over £14,000; reflecting largely our increased stake in North America.

The net revenue after taxes and all other expenses comes to £779,783 which, with £386,177 brought forward from last year, gives a total of £1,165,960 to be dealt with. From this sum we have transferred £200,000 to General Revenue Reserve against £150,000 last year. The dividend on the Preference Stock for the year has again absorbed £45,281 and, the interim dividend of 10 per cent on the Ordinary Stock, a further £201,250. Out of the £719,429 remaining we now propose a final dividend of 17½ per cent which will require £352,188 leaving £367,241 to be carried forward to next year.

If you agree to our recommendations as to the Ordinary dividend, we shall have paid 27½ per cent for this year against 25 per cent last year while, at the same time, increasing our reserves overall by a little more than £181,000.

The financial year which we are now considering has not been an easy one. Disagreements between Management and Labour in this country several times came close to causing a national crisis, but happily good sense prevailed and the worst did not happen.

ORDINARY STOCKHOLDERS' POSITION

It is interesting to consider to what extent a holder of Ordinary Stock in the Trust has protected himself against the continuous fall in the value of money of which, in recent years, we have become so acutely conscious. We are told that the value of money today is about 2/5ths of what it was twenty-five years ago. In those days the Industrial Ordinary Stock, on the basis of a 5s. Unit was 12s. 5d. The equivalent of that price to day in depreciated pounds would be approximately 31s. If the present market price of 29s. is adjusted to allow for the Bonus Issue of 1953, we arrive at a market price of 58s. to compare with the figure of 31s. mentioned above. Therefore the investor has fully protected his capital which he would not have done if he had invested in "gilt-edged" or other fixed interest securities.

If we look at the income position, we find that in 1932 a dividend of 14 per cent was paid on the Ordinary Stock. The equivalent dividend, in terms of the £ today, would be 35 per cent, whereas our recommendation for the year just ended, after allowing for the Bonus Issue in 1953, represents a dividend of 55 per cent. Thus as regards both capital and income, the Ordinary Stockholder has kept ahead of inflation. However, the point to remember is that this satisfactory position has been achieved by the exercise of considerable restraint by the Stockholders. During the whole period we are considering, they have agreed to plough back each year a large part of the revenue available for dividends.

The report and accounts were adopted.

C. C. WAKEFIELD AND COMPANY

A YEAR OF CONTINUED GROUP TRADING EXPANSION

GROUP SALES OF CASTROL REACH NEW PEAK

MR L. W. FARROW'S REVIEW

The Fortieth Annual General Meeting of C. C. Wakefield and Company Limited, will be held on Friday, July 12th, at Winchester House, Old Broad Street, London, E.C.2.

The following is an extract from the Statement by Mr L. W. Farrow, CBE, the Chairman, which has been circulated with the Report and Accounts for the year ended December 31, 1956.

Before I proceed to review the results and activities of the Group for the past year, I have to refer to certain changes that have taken place in the constitution of the Board of Directors.

In this respect the year that has elapsed since our last Annual General Meeting has been a sad one, and it is with profound regret that I have to record the passing of Mr H. Y. Blades, Mr Alonzo Limb and Mr W. H. Senneck, all of whom were former Managing Directors of the Company.

I am sure you will have welcomed the recent announcement in the Press that your Managing Director, Mr L. M. Broadway, had also been appointed Deputy Chairman of the Board. Mr Broadway, who joined the Company in 1920, was appointed to the Board in 1947, becoming Assistant Managing Director in 1951 and Managing Director in 1954. It gives me great personal pleasure to have him as my Deputy.

The sad losses to which I have referred led us to reconsider the constitution of the Board and it was decided to strengthen the marketing representation thereon by appointing Mr C. E. R. Millidge, Manager of the United Kingdom Castrol Division, and Mr A. A. Barr, Group Publicity Manager, as Directors of the Company. Both these new Directors are well qualified by ability and experience to make a valuable contribution to your Board's deliberations, which become increasingly responsible as the world-wide ramifications of the Group continue to expand. It is interesting to record that all the executive members of your Board have served the Company for what is virtually the whole of their working lives and this reflects our policy of promotion from within the Company, wherever possible.

Lastly, on the subject of Directors, I am proud to refer to the election of our Board colleague, Sir Cullum Welch, as Lord Mayor of London for the current civic year. Sir Cullum, who has been the Company's legal adviser for 27 years, joined the Board in 1954 and his mayoralty creates a unique record in the history of the Company in that he is the second member of its Board to hold this distinguished office, the late Viscount Wakefield having done so in 1915-1916.

GROUP TRADING

The Group Trading Profit of £3,353,882 represents a reduction of £488,845 compared with the previous year, a result not unsatisfactory having regard to the continued rise in costs, aggravated towards the end of the year by the Middle East crisis. To a large extent these additional costs have again been absorbed by the Company. I mentioned in my statement last year that for the first quarter of 1956 the sales of the Group showed an increase over the corresponding period of 1955, It now gives me pleasure to announce that this trend was maintained and the volume of Group Sales throughout the world in 1956 surpassed the record of the previous year. This achievement takes on a wider significance when viewed in relation to the highly competitive marketing conditions under which the Group operates, and the general economic situation. You will be pleased to know that notwithstanding these difficulties and the imposition of petrol rationing in the United Kingdom and other European countries towards the end of the year, the world-wide sales in 1956 of Castrol, your Company's principal product, were an all-time record for the Group.

Last year I referred to your Company's membership of the Motor Accessories Manufacturers Association, which was formed with the object of promoting the unrestricted sale and display at garages and service stations of motor accessories and lubricating oils. I am informed that during the past year the Association has repeatedly drawn attention to conditions introduced by petrol companies which have as their object the restriction of the sale and display of competitive lubricating oils. I understand that the Association has tested public feeling relating to these conditions and, of the many thousands of motorists whose views were sought, there was an overwhelming majority in favour of a free choice of lubricating oils. Your Company, along with the other member Companies, will continue to support the Association's activities

WAKEFIELD-DICK INDUSTRIAL OILS LIMITED

As from January 1, 1956, this principal Subsidiary Company became responsible for the marketing of the Group's Industrial Marine and Electrical Oils in the United Kingdom, and I am pleased to report that the integration of these trading activities has been an unqualified success in the beneficial interests of the Group.

	1945	1952	1953	1954	1955	1956
	%	%	%	%	%	%
Taxation	58	63	62	52	52	56
Retained in the Group	16	5	26	35	34	27
Net dividends	26	32	12	13	14	17
	100	100	100	100	100	100

Stockholders will be interested to learn that Wakefield-Dick Industrial Oils Limited will supply the lubricants for the turbines being installed at the Chapel Cross Atomic Power Station which is due to commence operations early next year, and has also been accepted as the sole supplier of the lubricating oil requirements of the Berkeley Nuclear Power Station in Gloucestershire. In addition, this Subsidiary retains its position as the foremost supplier of transformer and switch-gear oil to the Electrical Industry in the United Kingdom and its Ilo transformer oil is already in service at Calder Hall. In the marine field the recent development of the Group's international servicing facilities is proving of material benefit.

RESEARCH

The Research Department of your Group is continuously engaged, amongst other things, in maintaining the technical superiority of Castrol, which has been recognised for nearly forty years as the "Masterpiece in Oils." Recently, a report of the Co-ordinating Research Council in the United States of America described the results of extensive road tests on 295 cars of 16 makes. The object was to investigate cam and tappet wear which had become troublesome in the United States of America and elsewhere. The results of this elaborate investigation proved that zinc dialkyldithiophosphate is the best preventive of cam and tappet wear.

Your Company manufactures this additive and I am pleased to disclose that it has been used in a suitable proportion in Castrol for the last eight years, with consequent benefit to the motoring public.

OVERSEAS TRADING

It is with pleasure that I am able to report another year of outstanding achievement in sales overseas, which, in 1956 exceeded, both in volume and value, the record of the previous year. This increased business can be attributed in some measure to our policy of establishing Subsidiary Companies in certain selected overseas territories where we had previously operated through Agents, although we cannot yet expect a substantial benefit from the expansion of trading by the more recent of these Subsidiaries.

Since the last Annual General Meeting, Companies have been incorporated in Switzerland and Brazil, and the Group now controls 15 Overseas Subsidiaries. The Brazilian Company has been formed initially to operate our new blending and filling plant now in production at Rio de Janeiro and this step has been taken to further our trading interests in the Brazilian market.

During the year we have invested further capital in certain of these Overseas Companies where this has been deemed necessary as a means to marketing expansion and increased profits.

Having regard to the extent of the Group's overseas trading interests, we welcome the Government's proposals for tax concessions to Overseas Trade Corporations. Although at the moment these are somewhat obscure, it seems certain that they will be of some benefit to the Group and the fullest possible advantage will be taken of the eventual legislation in this respect.

ACCOUNTS AND DIVIDENDS

The Consolidated Profit and Loss Account of the Group shows a net profit, after taxation, of £1,121,237, as against £1,474,452 in 1955.

Your Directors recommend the payment of a Final Dividend on the Ordinary Stock of 20 per cent, less Income Tax, making a total for the year of 27½ per cent, the same as for

1955. Preference and Ordinary Dividends will, therefore, absorb a net amount of £430,207. Group transfers to Reserves total £687,274, which include an amount of £603,501 set aside to General Reserve (Parent Company, £500,000) to provide for the future development and expansion of the business. After taking into account these appropriations the balance of Group profits carried forward is £653,994 as against £650,238 in 1955.

This year I have produced a table showing approximately, taxation, amounts retained in the business and net dividends paid to stockholders of the Parent Company expressed respectively as percentages of the Consolidated Net Profits of the Group. This is in respect of 1945, the year for which we first published accounts as a Public Company, and the years 1952 to 1956.

In the Balance Sheet of the Parent Company you will notice that the amount shown as shares in Subsidiary Companies has increased by £279,430 over the 1955 figure. It is interesting to observe that since 1945 the amount of this asset has increased by more than £1,400,000.

It will be seen from the Consolidated Balance Sheet that the value of Fixed Assets again shows an appreciable advance over the previous year which is largely attributable to the Overseas developments already referred to. Capital Reserves are higher, principally because of the capitalisation of Revenue Reserves in our French Subsidiary Company. I am sure you will agree that this Balance Sheet indicates a healthy financial position notwithstanding the continued inflationary trend which is reflected in the increased figures for Stock-in-Trade, Sundry Debtors and Sundry Creditors.

PROSPECTS

It is difficult to attempt any forecast of Trading results for the current year as these will be affected by the recent petrol rationing in the United Kingdom and, to a lesser degree, in other European countries. They will also depend upon the extent to which profit margins can be maintained having regard to any possible further increase in costs.

Subject to these reservations, now the restrictions on motoring have been lifted, your Directors consider that there is good reason to anticipate that the results for 1957 will not be unsatisfactory. I would add that statistics so far available for this year indicate that the volume of Group sales throughout the world has been maintained notwithstanding the effects of Suez.

TRIBUTE TO EXECUTIVES AND STAFF

I know that stockholders will wish to be associated with the Board in a message of sincere thanks and appreciation to all grades of the Group's Staff throughout the world for their loyal co-operation and devotion to duty during a difficult year.

THE EVER READY COMPANY (GREAT BRITAIN) LIMITED

(Manufacturers of Dry Batteries)

SALES AND EARNINGS AT RECORD LEVELS

EXPANSION OF GROUP TRADING INTERESTS

MR E. N. ROWBOTHAM'S STATEMENT

The Annual General Meeting of The Ever Ready Company (Great Britain) Limited will be held on July 10th at the Head Office, Hercules Place, Holloway, London, N.7.

The following is the statement of the Chairman, Mr E. N. Rowbotham, which has been circulated with the report and accounts for the period from March 4, 1956, to March 2, 1957.

I would like at the outset to refer to Mr A. V. Perry who retired from the Board on March 2, 1957, having reached retirement age. Mr Perry has been associated with this Company over twenty-five years and was elected to the Board in 1944. I wish to record our gratitude for his wise counsel during his years of office and I hope he will have good health and happiness in his retirement.

RECORD SALES AND PROFITS

It gives me great pleasure to report to you on another year of successful and satisfactory trading. Sales and earnings have again increased and in fact are the highest since the inception of the Company. These favourable results have been achieved in a period in which rising costs of raw materials, wages and services have given your Directors considerable concern. Up to the present we have been able to meet these increased costs by reason of greater production, improved methods of manufacture and good factory management—and here I pay tribute to the work done by our Managers and their able staffs, supported by the loyal and efficient co-operation of all our employees without which such satisfactory results could not have been achieved.

EXPORT TURNOVER AGAIN INCREASED

Sales of the Company's products abroad were increased substantially during the period and again new record figures were set up although difficulties were encountered in many markets due to the dislocation caused by the Suez crisis. The dry battery powered radio set is still increasing in popularity and is now produced by all the leading radio manufacturers. In 1954 twenty-five per cent of the radio sets sold in this country were dry battery operated. By 1956 this had increased to forty per cent. On the export market the proportion is just as great and with the spread of broadcasting in the undeveloped countries of the world, we confidently expect the demand for dry battery radio sets will continue to increase. The continued expansion of the export volume is particularly gratifying because in the more distant markets our BEREC batteries are sold at prices which are higher generally than those ruling in this country. This expansion has been made possible by the increase in output contributed by our two new factories in the Midlands and Eastern Counties to which I referred last year. Both factories came into production last Autumn and this addition to our resources proved both timely and most necessary. I am of opinion that your Company is now equipped to meet all the demands for its products at any rate for the immediate future. Nevertheless your Directors constantly watch the trend of demand and are prepared to augment further the Company's facilities should this appear necessary.

INCREASED PROFITS AND DIVIDEND

The Consolidated Net Profit for the period after all charges including taxation is again a record figure at £892,624 compared with £878,720, an increase of £13,904. The total taxation charged amounts to £905,186 compared with £871,023 last year. Stockholders will notice that while Profits Tax has increased from £157,000 to £204,000 by reason of the increase in the rate of tax this year and the amount of the Final Dividend, the charge for Income Tax remains substantially the same. This is due to the fact that the very large capital expenditure made by the Company during this period has resulted in correspondingly large capital allowances.

Your Directors have given careful consideration to the amount of the dividend recommended. They consider it essential to maintain their policy of "ploughing back" substantial sums out of the profits to be retained in the business for its future development and expansion and for the maintenance and improvement of its capital assets especially as at the present time they are giving careful consideration to further important capital developments to which I will refer later. Nevertheless they feel that an increase in the distribution to Stockholders is justified by the good results achieved and they have therefore recommended that a final dividend of 27½ per cent be paid on the Ordinary Stock making 37½ per cent for the period compared with 35 per cent last year.

PROGRESS OF SUBSIDIARIES

Our wholly owned subsidiary, CRAMIC Engineering Company Limited, has again shown an increased turnover and profit. In addition to meeting the needs of our own group for specialised machinery, this Company carries on a substantial engineering business for other customers, mainly prototype and special machine building and the supply of spare parts for such machines. They have also during recent years developed special machines for "Sculpture Milling," that is to say the carving of intricate components out of solid metal. This form of structure is being increasingly adopted in aircraft manufacture and the Company has received substantial orders from many of the leading aircraft companies for air frame parts made by this process. In addition a number of these Sculpture Milling machines have been sold to aircraft companies for their own use. Your Directors view this new development with considerable optimism. Last year I reported to you an expansion of the facilities of this business. Currently the paid up capital of this Company amounts to £500,000.

Further expansion both of buildings and plant have been put in hand during the last year, and provided our present plans materialise, our investment in this Company will be at least doubled during the next year or two.

Our subsidiary companies on the Continent of Europe have continued the process of reorganisation to which I referred last year and have achieved considerable expansion of business. In February, 1957, we made a further investment in our subsidiary in Western Germany. This Company, DAIMON G.m.b.H., Cologne, is now our most important subsidiary on the Continent with a capital of DM2,300,000 of which your Company owns over 90 per cent. This capital is invested in modern buildings with up-to-date and efficient plant and machinery and the Company is now able to compete in continental markets. In this connection your Directors have been following with great interest the proposals now being put forward for the establishment of a European "Common Market" and a European "Free Trade Area." We are of opinion that your Company is in a good position either directly or through its continental subsidiaries, to take advantage of either proposal particularly as in our view the European market, once tariffs are removed or lowered, offers considerable scope for increased development of the dry battery demand.

STRONG FINANCIAL POSITION

As I warned you in my Comments last year it became apparent that the substantial development of our business together with the demands of our subsidiaries for capital extensions would make large inroads into this Company's liquid capital resources, and your Directors having carefully considered all the various possibilities decided that the most advantageous method for the Company was to make an issue of Debenture Stock to be placed privately with a number of City institutions. Accordingly the consent of H.M. Treasury having been obtained, the Company issued on October 29, 1956, £1,500,000 5¼ per cent Debenture Stock 1976/81 at the issue price of £97 10s. per £100 stock. The Stock is secured by a Trust Deed dated Februry 28, 1957, giving a floating charge on the Assets and undertaking of the Company and some details of the terms of repayment are shown in Note 4 of the "Notes on the Accounts." The Stock is quoted on the London Stock Exchange.

The Consolidated Balance Sheet shows that the Company's liquid financial position has been substantially strengthened. The surplus of Current Assets over Current Liabilities (including the Deferred Liability for future taxation) has increased from £1,599,989 to £2,951,085. There was a considerable increase in export sales during the last months of the period compared with the similar months of last year, which has resulted in a slight diminution in the value of "Stock in Trade" and an increase in Trade Debtors from £1,322,694 to £1,569,374. The total of Government Securities and Cash at Bank has risen from £1,069,232 to £1,854,413. Current Liabilities are reduced by £335,798 from £2,390,137 to £2,054,339.

After providing for taxation and the increased final dividend your Directors have allocated £510,165 to Reserves, and the Carry Forward in the Consolidated Profit and Loss Account is £223,791 compared with £193,634.

CAPITALISATION OF RESERVES

The Board have had under consideration for some time the advisability of bringing the Issued Ordinary Share Capital of the Company more into line with the Company's asset position which has steadily improved year by year. My letter to Stockholders on this subject, which accompanies this Report, sets out in full detail the arrangements we propose to make to capitalise a portion of the Company's Reserves. I shall not comment further here save to emphasise that Stockholders must not assume that on the Issued Ordinary Capital being doubled by the amount of the proposed issue, the total amount of dividend paid on the Ordinary Stock will be necessarily increased. Future dividends must depend on the course of future trading and also on the need for further capital investment which may arise from time to time.

THE FUTURE

In my Report to Stockholders in 1955 I made reference to the arrival commercially of the Transistor.

The use of equipment employing semiconductors is developing steadily and the dry battery is and will be used increasingly as a source of power for such devices. We have developed a range of "Power Packs" especially for use with equipment employing transistors.

The current trading year has started satisfactorily but in common with industry generally we are finding it increasingly difficult to maintain profit margins in the face of continually rising costs.

PHILIP HILL INVESTMENT TRUST

The twenty-fifth ordinary general meeting of Philip Hill Investment Trust Limited was held on June 17th, in London, Sir Brian Mountain, Bart (the Chairman), presiding.

The following are extracts from his circulated statement:

For the first time the consolidated trading profits have exceeded £1 million. Dividends and interest from investments have risen from £572,450 to £617,829. Taxation amounts to £208,678 (£171,520). The net profit, without taking account of profits retained in the subsidiaries, is little changed at £329,909 (£329,284). The operating Companies have had another successful year.

The Board recommend a total distribution of 16 per cent, less tax, for the year (15 per cent). This dividend is covered by the Trust's investment income with the substantial margin of £96,675.

The Statement then referred to the increase of capital and Rights Issue (an extraordinary meeting to sanction these proposals was held on May 27th), and to the issue of a further £2 million of Debenture Stock, to be made when conditions are considered propitious, and continued:

The investment of the new money arising from the share issue will naturally be a gradual process, but your Board have every intention of maintaining the dividend at the rate of 16 per cent on the increased capital, and have every hope that this can continue to be done out of the Trust's investment income.

The current year has started well, and your Board see no reason to expect that the results of the subsidiaries for the whole year will be other than satisfactory.

The report was adopted.

AMALGAMATED DENTAL COMPANY LIMITED

ANOTHER SATISFACTORY YEAR

The 52nd annual general meeting of The Amalgamated Dental Company Limited was held on June 14th at 26-40 Broadwick Street, London, W., Mr Aiken Watson, QC, chairman, presiding.

The following is an extract from his circulated statement:

I am happy to report another satisfactory year.

At home rising costs have been a main pre-occupation. The fight against inflation can only be won by all groups in industry striving by every means in their power to reduce costs. If such efforts are at once offset by rising wages, all attempts at creating a stable economy must fail. Over the past eighteen months, we have broadly succeeded in maintaining our prices. The recent wage increase of general application has so altered the basis of our price structure as to make some review inevitable

POLICY OF PRICE STABILISATION

Our policy of price stabilisation has longer term considerations. A free trade area in Europe is now gathering political momentum. Although the precise method of introduction of the scheme remains obscure its general impact on British industry is bound to be profound. In the fiercer competition likely to emerge, we regard our price policy as part insurance against a foreseeable risk.

Our sales of equipment indicate that we are on the right lines. The problem of fatigue of the dentist in practice does not appear to have received as much consideration as the subject deserves. This question we are actively pursuing for future development.

In the general field of design and research, we are seeking the assistance of specialists in every field. Our aim is to assure to the Profession the best that modern science and technology can offer

OVERSEAS INVESTMENT

Our policy of overseas investment where conditions argue such a course continues to prove a notable source of revenue. With that in mind our Australian Subsidiary has lately acquired on favourable terms modern premises in Melbourne. These new premises will not only enable the whole of the Company's operations in Australia to be conducted under one roof with greater efficiency and economy but in certain circumstances enable the Subsidiary to offset the recurring difficulties of import restrictions. The financing of this purchase will be met substantially out of the sale of existing property.

While it is too early to make an accurate forecast, current trading results to date lead us to believe that in the absence of any major set-backs the year promises to be satisfactory.

To all our staff at home and abroad I offer in your name our sincere thanks for work well done.

The report and accounts were adopted and the proceedings terminated with a vote of thanks to the chairman, directors and staff.

ROLLS-ROYCE LIMITED

RECORD ORDERS AND OUTPUT IN COMPANY'S FIFTIETH YEAR

LORD KINDERSLEY ON FUTURE LINES OF DEVELOPMENT

The fiftieth annual general meeting of Rolls-Royce Limited will be held on July 9th at the Midland Hotel, Derby.

The following are extracts from the circulated statement of the Chairman, The Right Honourable Lord Kindersley, CBE, MC.

On January 11, 1957, Lord Hives, CH, MBE, LLD, DSc, retired from the Chairmanship of Rolls-Royce Limited. It is fair to say that no individual in the company's fifty years of existence has made so great a contribution towards its success.

1956 marks the fiftieth anniversary of the company's incorporation, and it is perhaps the most fitting tribute to Lord Hives that output from our factories and orders taken reached record figures, and the company, which started in 1906 with a capital of less than £50,000, finished its fiftieth year with capital and reserves exceeding £23 million.

The growth of the company's activities in recent years and its stature on its fiftieth birthday can best be gathered from the following figures:

GROUP SALES

	Total £ mn.	British Government £ mn.	Other Customers £ mn.
1952	48	34	14
1954	65	45	20
1956	80	45	35

Position at 31st December, 1956

Backlog of orders	£90 mn.
Share and loan capital and reserves	£23 mn.
People employed	42,000
Number of ordinary stockholders	16,911
Number of workers stockholders	8,293

This increasing turnover is not at present matched by a corresponding increase in trading profits. We are at present having to expend substantial sums on the development of future products, particularly aero engines, and in addition we are making substantial payments to the Ministry of Supply in respect of development expenditure incurred by them in past years. Development for the future is however essential, and your Board are confident that in due course their policy will be reflected in still further increases in our business. Nevertheless, for the time being these charges must bear heavily upon the earnings from our present level of commercial sales

SHARE CAPITAL

On May 25, 1957, you were informed of your board's decision to raise further capital by an issue of 2,157,250 ordinary shares. This money is required to enable your company to grasp the opportunity of obtaining a substantially greater share of the world market for aero engines and at the same time maintaining, and indeed increasing, the diversification of products in our other divisions. During the next decade gas turbines will replace piston engines on all new aircraft coming into operation on the routes of the world. Your directors regard it as imperative that your company should be placed in possession of the facilities which will enable it to compete successfully for a substantial share of this new business.

IMPLICATIONS OF GOVERNMENT WHITE PAPER ON DEFENCE

The recent White Paper on Defence has now made clear the government's intentions, and the implementation of their policy will significantly change the character of the aircraft and aero engine industry in which the bulk of our business lies. The first effect will, of course, materialise in our development programmes, and here your company are fortunately placed in having their engines associated with continuing projects both for the Royal Air Force and the Royal Navy. This is, of course, in addition to the work which must continue for some time to come on the large variety of Rolls-Royce engines which are in use in current types of military equipment.

It is clear, however, that over the years ahead the volume of work on development of military engines will decrease. Your board had anticipated this situation in two ways: Firstly, by a greater allocation of technical capacity to the design and development of engines for transport aircraft and, secondly, by their association with North American Aviation Inc., who are in the forefront of rocket motor development in America. The latter is unlikely, as a purely military project, to produce a volume of production comparable to the fighter and bomber engines which are being replaced.

We are, therefore, dependent for our future turnover on obtaining a larger share of the world market for engines in transport aircraft, and this must be achieved in competition with American companies who enjoy the benefits of both government and civil demands for transport aircraft vastly in excess of anything which the total British market provides. In setting out on this formidable task—a task which virtually amounts to creating a new business—it is to be hoped that the government will assist by early and frequent consultation with the industry on the future requirements of Transport Command, the national corporations, and any other requirements that may arise from our obligations overseas, so that the limited funds available, whether they be government or private, may be directed to those projects which will command the widest possible markets. I am confident that your company can compete technically—the adoption by foreign airlines of the Dart, Avon, Conway and Tyne are eloquent proof of this. The cost will be substantial, but the prize is great.

AERO ENGINE DIVISION

The Avon engine predominated in our manufacturing programme for the Defence Services. Development of the Conway engine is exceeding expectations, and the performance achieved on the bench and confirmed in flight substantiates the claims which we have made for the by-pass principle. The development of this engine has great military significance in connection with the "V" bombers and a production order has been received. The provision of military equipment abroad continues to be an important outlet for our engines.

In civil aviation the Dart engine at present occupies the major place in our production programmes. In association with the Viscount it has accumulated well over 2 million hours of running; this is currently increasing at the rate of over 100,000 hours a month.

The increasing effort which we have been devoting to civil aviation has now put us in the position of being able to offer a range of engines covering the whole field of normal airline requirements. The Tyne will complement the Dart for propeller-driven aircraft, and the Avon and Conway will be in the forefront of pure jet propulsion. With the Conway significant success has been achieved in that it has been accepted by two of the leading American constructors of long range jet aircraft. We are confident that this engine will give a good account of itself when operating against its American competitors.

MOTOR CAR DIVISION

Exports were at a record level and it is gratifying to note that the value of those to the United States was almost double that of the best previous year since the war. There is every indication that the demand from America will be even higher during the current year. This is the direct outcome of developing a specification suited to that particular market by the embodiment of such features as automatic transmission, power assisted steering and full air conditioning, supported by an intense sales promotion campaign.

It is a matter for great regret that the government did not reduce purchase tax on cars in the recent Budget. There appears to be an impression in official circles that the troubles of the motor industry are behind them. Under present trading conditions in which costs continually rise, a purchase tax of 60 per cent is a burden which will profoundly influence our ability to maintain our present level of sales let alone achieve further expansion.

OIL ENGINE DIVISION

Our engines are currently powering earth-moving, oil field, transport, industrial, marine and railway equipment. The potential developments in this latter field have led us to create a Railway Traction Department for the purpose of co-ordinating and promoting sales of complete transmission units, control systems, engines and torque converters. As a result of successful trials by British Railways, instructions have been received to proceed with larger quantities, and in addition orders have been taken for railway equipment from overseas.

The oil engine business is at all times highly competitive and there is every indication that British manufacturers will have to face throughout the sterling area competition from American companies who are being encouraged to establish factories in Great Britain, with the added advantage of importing American-made components in the interim.

The statement then reviewed overseas activities and those of the Associated Companies, and concluded:

The state of your Company on this its fiftieth birthday has only been achieved by a great deal of hard thinking and hard work through the years. I welcome this opportunity of expressing on my own behalf and I am sure on behalf of the stockholders our appreciation of the efforts of all employees whose loyal and enthusiastic co-operation has contributed to our achievement.

DUNLOP RUBBER COMPANY LIMITED

A GRATIFYING RECOVERY

LORD BAILLIEU'S SPEECH

The Fifty-eighth Annual General Meeting of the Dunlop Rubber Company Limited was held on June 17th in London.

The Right Honourable Lord Baillieu, KBE, CMG, chairman, in the course of his speech said: The results for the full year 1956 reveal the gratifying recovery which occurred in the second half of the year. The difficulties in the first half-year were clearly indicated by the Directors in the statement which they issued on October 4, 1956, and the reasons for the considerable reduction in profit were stated at that time.

FLUCTUATIONS IN RUBBER PRICES

The principal reason was the steep rise immediately followed by a steep fall in the price of rubber, the latter occurring between September 1955 and June 1956. During this period the price fell from 43d. per lb. to 24d. per lb. Also throughout this time industry in general was being exhorted to hold selling prices despite increasing costs. In the past we have experienced the serious effect of the fluctuations in the price of rubber on our working capital position, but the combination of this with the other major difficulties all at the same time was unusual and unfortunate.

I would like to emphasise that our general buying policy, not only for rubber but for other raw materials, is based on the minimum quantities required to operate our factories. In other words, there has been no element of speculation in our rubber buying; but because of the drastic and unexpected cut-back in the requirements of the British motor industry in the early part of last year, our normal inventory and forward cover position inevitably became extended.

These excessive fluctuations in the price of natural rubber affect producers, the rubber manufacturers and the consuming public alike. However desirable it might be to try to formulate a scheme to prevent these fluctuations, there seems little prospect of doing so. On the other hand, the increasing need for synthetic rubber, to meet the world demand in total for rubber, considerably helps in stabilising and averaging the cost. With our increasing use of synthetic rubber we are benefiting from this.

CONSIDERABLE IMPROVEMENT

In our report we have illustrated the extent to which our fortunes improved in the second half of the year, and you will see that the Group trading balance for July/December 1956 was higher than for either of the two half-years in 1955. The net profit after all charges except taxation for this period in 1956 at 5 per cent was slightly lower than in 1955. This arises from the fact that in 1956 our depreciation provision was higher and we also had to meet the interest charge for a full year on the £12 million 4½ per cent Debenture Stock of the Parent Company and the interest on a new issue of debentures in a Subsidiary overseas. Thus, although there was a considerable improvement in the trading profit of the last six months of the year, we did not quite recover our 1955 net profit position.

I have already referred to the effect of the recession in the British motor industry on our rubber inventory and forward cover, but in addition the loss of sales volume adversely influenced our production costs and profit margin. This position continued for much of the year and affected not only tyres but also wheels, Dunlopillo, and other accessories which we supply to the motor industry.

For the reasons which I have already mentioned, our trading results in the United Kingdom were not satisfactory and the resultant profit was extremely low. In fact, had it not been for our widespread overseas activities resulting from the policy of our Board in building up this geographical diversification over the last thirty years, the picture I would have presented to you today would have been very different and far less satisfactory.

EXPANSION OVERSEAS

Our overseas trading has continued to expand and a great contribution to the Group results has been made both from our United Kingdom exports and from our manufacturing units overseas. Yet competition has not been any less severe in the overseas markets. In fact it is becoming intensified as our competitors both in this country and abroad seek more and more export business and set up more and more local manufacturing subsidiaries.

Despite this increasing competition the value of turnover was again higher although the effect of competition and higher costs resulted in slightly reduced margins. Economies were, however, effected and the return to the Parent Company compared not unfavourably with the return in recent years. The contribution to the total Group profit from our overseas operations was the highest yet recorded for the Group.

TAXATION BURDEN

I must again refer to taxation, the charge for which in 1956 was considerably lower than in the previous year because of the lower level of profit. Nevertheless it again represented 56 per cent of the profit before tax. In my speech last year I referred to the increase in profits tax which had then recently been announced, and the figures quoted in our Report this year very clearly indicate the unfair burden which this tax in general, and the increased rates in particular, have imposed. You will see that despite the fact that the Ordinary Shareholders will receive £444,000 less in the form of dividends, the gross amount of distributed profits tax payable by the Group is actually higher than in the previous year.

This cannot be regarded as just under any circumstances, particularly as the burden of this tax falls eventually on the Ordinary Shareholders, whereas Preference Shareholders and recipients of interest bear none of it. The Chancellor of the Exchequer has many demands for taxation relief, but such unfair discrimination and considerable burden clearly call for the abolition of profits tax, or if this is not possible, then for a flat rate on all profits in order to avoid the present discrimination. The Chancellor's recent proposals for the extension of earned income relief and for raising the level at which surtax commences in certain cases are welcome, and this will in some small measure help to restore the incentive to executives whose efforts and desire to stay in this country are absolutely vital to the Nation's economic welfare.

NEED FOR FURTHER RELIEF

You will remember that in a previous year's review I expressed the view that the point had been reached in taxation where the law of diminishing returns was applying; I hope this recent Budget is the forerunner of further relief and reductions which will remove that fault from our fiscal policy. The restoration of Investment Allowances is also necessary to industry, or alternatively a more forward-looking attitude towards wear and tear allowances. Some contribution towards the replacement cost of fixed assets is acknowledged in other industrial countries, and this country still requires encouragement for the modernisation and re-equipment of factories. With the increasing tempo of world competition and of technological developments it is imperative that the industries of this country should be maintained in the most efficient and modern condition and that our factories should install the most up-to-date equipment available.

You will expect me to make reference to the change announced by the Chancellor as regards the introduction of overseas trade corporations. The legislation which was recently published requires most careful study before all its implications can be assessed, but as it stands at present it does not appear that any great advantage will accrue to our Group. In the past we have established overseas control for most of our overseas companies, and accordingly the profits of these companies already are not subject to United Kingdom taxation unless and until dividends are declared. Certain minor changes in our overseas management arrangements may be desirable to enable us to benefit from the new legislation.

As a final point on our published accounts I suggest that the figures which show that over 70 per cent of Stockholders, that is some 41,000, hold less than £250 worth of stock are particularly interesting and indicative of the place your Company holds as an investment medium today.

The Company has continued to carry out a vigorous research policy during the last twelve months on new processes, products and raw materials.

TRIBUTE TO EMPLOYEES

It is customary for me to ask you, if I might send to all Dunlop employees a message of thanks for their work throughout the year. This is no mere formality. They are to be congratulated upon their achievements towards the past year's results which placed an unusually heavy burden on all concerned. May I, on your behalf, thank them? Your message will encourage them for their efforts in the year to come.

You will have appreciated that the year under review was a very difficult one for the Group—perhaps the most difficult one in the home market it has had for very many years. I am pleased to say, however, that the improvement already reported in the last half year of 1956, particularly in our overseas affairs, has been well maintained

The report and accounts were adopted.

SPILLERS LIMITED

(Flour Millers & Animal Feeding Stuffs Manufacturers)

IMPROVED RESULTS IN ANIMAL FOODS SECTION

DECLINE IN UK CONSUMPTION OF FLOUR & BREAD

LACK OF REALISATION OF OUTSTANDING NUTRITIONAL VALUE

CAMPAIGN TO STIMULATE DEMAND

MR WILFRED D. VERNON'S REVIEW OF ACTIVITIES

The seventieth annual general meeting of Spillers Limited was held on June 17th at the Abercorn Rooms, Great Eastern Hotel, London, E.C., Mr Wilfred D. Vernon, Chairman of the Company, presiding.

Mr C. R. Goulder, of Messrs Deloitte, Plender, Griffiths and Co., read the auditors' report.

The following is the Chairman's statement circulated with the report and accounts for the year to January 31, 1957:

In accordance with our usual custom the more detailed comments on the accounts are contained in the Directors' Report.

TRADING RESULTS

The result of the year's trading was a profit of £4,221,000 against the previous year's balance of £3,759,000. The increase was due in the main to improved results in the animal foods section and to earnings from the additional investment in the bakery section. Despite a relatively favourable experience in the wheat market, by reason largely of the rising trend of freight rates, the results on the flour milling side were unaffected as this benefit was effectively passed on to customers in the selling price of flour.

After providing for taxation the net profit remaining was £1,721,000 and of this it is proposed to absorb £726,000 in net dividends and retain in the business the balance of £995,000. This retention is in addition to £1,450,000 set aside for depreciation and obsolescence and some £500,000 received in settlement of matters not connected with the year's trading.

The Directors are glad that it has been possible to recommend that the total distribution on the Ordinary Stock be increased by 1 per cent to 13 per cent, thus giving some return on the stockholders' increased funds in the Company.

CAPITAL EXPENDITURE

During the year we added to our investment in the baking industry and carried out our normal programme of modernisation and development of existing works. This entailed an aggregate expenditure on fixed assets of some £4 million, and working capital requirements increased by some £2 million. We were able to finance all this expenditure internally, but since the end of the year some recourse to external sources has become necessary and some temporary borrowing has taken place. It is perhaps noteworthy that our conservative policy in the past has enabled us at once to expand and to meet the severe inflationary conditions of the last two decades without having had to draw on outside finance.

The landed cost of wheat and grain rose during the year mainly, as I have said, on account of increasing freight rates, which advanced particularly sharply in the later months. Since the beginning of the current year these rates have declined substantially and the resultant fall in the cost of the imported commodity has been reflected in a corresponding fall in the market price of home grown cereals. This situation has brought about a fall in the value of the substantial working stocks which we have to carry. I cannot predict the course of the freight market, but there are indications that the pressure of supplies may lead to some long delayed downward trend in world wheat prices.

EFFORTS TO ARREST DECLINE IN CONSUMPTION

As in all other highly developed countries, we, in the United Kingdom, face a continued decline in the consumption of flour and bread. In the main this is the outcome of the higher standard of living now prevailing, bringing in train a greater choice of foods; it is in part also due, in my view, to the apathy of the consumer and lack of realisation of the quite outstanding nutritional value of flour and bread.

Not only is bread the best and cheapest nutriment which the housewife can buy for her family, but its quality and palatability remain consistently high; and with the subsidy removed, a greater variety of bread is now available than for some twenty years.

Through the campaign launched by the Flour Advisory Bureau, the flour milling industry is doing its utmost to combat this decline and your company supports and makes substantial contributions to all the activities undertaken by the Bureau. In this field one cannot look for rapid results and it is clear that only by further sustained efforts on the widest scale can we hope to improve the demand.

CLOSING OF ELLESMERE PORT MILL

It is therefore not surprising that the total milling capacity is in excess of the current demand for flour with a resultant increase in competition and a narrowing of trading margins. I am glad to say that the small decline in our flour trade to which I referred in my last review was arrested during the year, and our deliveries for the past year were approximately on the same level as those in the previous year. Nevertheless, we decided to close down the Ellesmere Port Mill and concentrate output at our other mills in the North West Area. This step was taken with reluctance but I am sure it was necessary to achieve the maximum economy in operating costs at the present level of production. I am glad to say that we were able to offer alternative employment to all those of our employees who had been with us for any material time. The others we were able to compensate upon a generous basis, although there have been no cases, so far as we are aware, where other employment outside the industry was not secured immediately.

We have continued to play a significant part in the compound animal feeding stuffs trade. In point of fact our output during the year was an all-time record. In the current trading year, however, there has been a general decline in the consumption of manufactured cattle foods owing to the abnormally mild spring.

EXTENSIONS AT LONDON AND BIRKENHEAD

I referred last year to the extension of buildings and plant at London and Birkenhead. These are now almost complete; in fact, increased production has already started at Birkenhead, and the London extension will be in operation in a matter of weeks. In close co-operation with our merchant friends, we continue to play our part in the maximum use of home grown grain in all our rations.

It is the Company's endeavour to be of the utmost service to the farmer, and through our advisory service and our research laboratory and farm at Middle Aston we are able to keep in the forefront of development of every aspect of animal feeding.

Good progress has been made in the consolidation and rational expansion of our baking and allied interests, and they have made a significant contribution to the results of the year

ADDITIONS TO UNITED BAKERIES BOARD

Mr Rishworth, a Director of the Parent Company, and Mr George Blanchard, who has spent the whole of his business life in the baking industry, have been added to the Board of United Bakeries. Their knowledge and experience on the technical and production sides will be of considerable benefit to the organisation.

During the latter part of the year I paid a visit, with Mr Hosegood, to Australia, Canada and the United States in order that we might discuss buying arrangements and prospects with the wheat and grain authorities in those countries and also study the latest developments in the manufacturing and marketing of the products in which we are interested.

SIR ARCHIBALD FORBES

I should like to record our hearty congratulations to Sir Archibald Forbes upon the honour bestowed upon him by Her Majesty the Queen in the New Year's Honours List,

MILK MARKETING BOARD

EFFORTS TO INCREASE SALES

SIR THOMAS PEACOCK'S SPEECH

The Annual General Meeting of the Milk Marketing Board was held on June 14th in London.

Sir Thomas Peacock, CBE, JP, the Chairman, in the course of his speech, said:

Last year I discussed the course of milk supplies, which were at that time rising rapidly and reaching a very high level. We did not then anticipate, however, that the volume of supplies would continue to be so large for the remaining months of that year. But conditions for milk production in the autumn and, indeed, throughout the winter were most favourable in spite of some disappointment in the hay and corn harvests. In the event, supplies of milk during the year we are reviewing were 143 million gallons more than in the previous year—an annual increase only once previously exceeded.

We expect this trend to continue in the near future. Forecasting the level of milk output is hazardous—so many factors are involved and weather can upset the most careful estimates. For the immediate future, we have allowed in our 1957-8 budget for an increase of about 40 million gallons, which will bring total output of milk from farms to a very high figure, around 1,850 million gallons. The April and May totals are already available and they show that the spring peak has been higher than ever before.

PRODUCTION AND PRICES

Producers know that a higher total supply of milk will bring down producers' prices because the guaranteed price determined following the February Review is limited to a Standard Quantity of milk. This is now 1,654½ million gallons and all milk in excess of this brings into the Milk Fund only its realisation value in the butter and cheese markets.

In the light of our experience last year, the Board have now decided that prices for each month of the year are to be regarded as provisional. We shall adjust them as we go through the year according to the course of supplies and the realisations in the markets. There will be less need, therefore, for any substantial addition or reduction in prices as we move towards the close of each accounting period.

As a result of the 1957 Price Review the Government decided that the guaranteed price for the Standard Quantity could be increased by only ¼d. per gallon—in spite of the fact that it was agreed that costs of milk production had increased substantially. This brings the price guaranteed for the Standard Quantity to 3s. 2¼d. If output in 1957-8 is close to our forecast of 200 million gallons in excess of the Standard Quantity, then average pool earnings will be 3s. 0½d. per gallon.

HIGH LEVEL OF COSTS

The continuing high level of costs of labour and imported feeding stuffs themselves make it an urgent necessity to reduce the overall cost of milk production. There is no doubt that in recent years producers of milk have made great strides in the use of home grown foods for milk production. I must ask them to support the Minister by going further on these lines. This seems to be the only way in which producers can hope to maintain a reasonable net income.

To some extent it may be that our system of pooling receipts conceals the two-tier nature of the market for milk. This is our old problem—the difference in market realisation between liquid and manufacturing milk. The Milk Marketing Scheme from the outset tackled the problem by pooling receipts from these two markets so that no individual producer had an exclusive interest in either market. This is an arrangement which we have preserved to the present time, and the principle which the Board have always operated is that individual producers' prices should only vary significantly according to the service provided.

Meantime we must concentrate on the practical solution of our problems with the machinery which is already available to us. The Board's basic policy is to do everything possible to expand the market for liquid milk in this country. This is a policy which will benefit producers and distributors of milk; it is also very much in the national interest. It is disappointing that liquid sales are still showing a small decline compared with last year though we have to remember that even now the fall in consumption since the 1951-2 peak is no more than 3 per cent, and by far the greater part of this occurred before the National Milk Publicity Council took up its task.

We have, along with the distributors of milk, spent a great deal of money in publicity and advertising to promote sales. The National Milk Publicity Council, which has handled our joint funds, is now well under way.

SALES PROMOTION

In addition to the work of the National Milk Publicity Council, efforts have been made by the Board on their own account to promote sales of milk, particularly in markets outside the home. We have increased the number of our mobile milk bars to more than a dozen. We are making every endeavour to get milk into the factories. We are trying to develop, along with the leaders of the dairy trade, the sale of milk in cartons, and in many other ways we are exploring new avenues and using every opportunity to add to the size of this business. I have every confidence that if we continue to give support to their efforts we shall ultimately succeed. We are convinced that it can be done and we know that milk producers expect it to be done. Our product is excellent—its value is unrivalled in the markets today. I am sure that I voice the feelings of the milk producers today when I urge upon all who distribute our milk to press more actively with their sales programmes.

We know that the producers desire the Board to show even more enterprise in this direction and recently we decided that in addition to the usual May and December contributions for publicity, which are matched by contributions from the buyers of milk, a special additional levy of ¼d. per gallon should be made on producers' accounts for June milk to provide the Board with a Sales Development Fund. This will be used to continue and expand the promotion work which is now being developed by our staff. We shall seek out new markets—inside the home and outside it—and we will support fully the efforts of enterprising distributors who show a real desire to expand their sales of milk, fresh cream and other dairy products.

RISING SALES OF CREAM

Along with liquid milk I must also mention the market for fresh cream. Here progress has been made and sales continue to rise. But we are far from satisfied. Our total sales last year were still less than half the prewar level, although the population is higher and its prosperity much greater. Here again I must ask the distributors to do more to develop this most valuable market which we as producers cannot afford to neglect.

The quality of our product is very satisfactory and we regard this as an essential factor to the success of our campaign to expand sales.

We have also considered the compositional quality of milk and a special sub-Committee of the Board, aided by our scientific staff, have been advising on the steps that should be taken to deal with milk of poor compositional quality. The Board have adopted a scheme to improve the butterfat content of milk supplied by a small section of producers whose milk is persistently of a standard which the Board cannot regard as satisfactory.

We are being pressed by some producers to introduce a scheme to pay producers for their milk according to compositional quality. That may come, but encouraging a rise in the fat or total solids content of milk by means of a scheme of this kind is a very different matter from eliminating sub-standard milk from the market. We are making a most careful study of all the features of this complicated subject of composition, but we must keep in mind our general aim—which is to maintain the kind of quality standards that will preserve, at the most economic cost of production, consumers' confidence in our product.

IMPORTANCE OF MANUFACTURING MILK

Whilst our attention must be focused mainly upon our great liquid market, we have to realise that the second market in manufacturing milk is also very important. All the gains and improvements in our own dairy produce ultimately benefit your pool prices. Last year the Board realised £37 million sterling by sales of milk in this market, or nearly 15 per cent of the total turnover of the pool.

The increased volume of manufacturing milk obliges us to look closely at the flow of milk from farms to town dairies and creameries. We are also concerned with the siting and capacity of manufacturing plants. This is a matter which I mentioned at last year's Annual Meeting and though I cannot report rapid progress, I think I can say that we are a little nearer to the kind of arrangements which present-day supplies and markets require. We work closely with the buyers of milk in these matters and complicated questions of capital outlay and flexibility of operation are involved.

The report and accounts were adopted.

J. LYONS & COMPANY LIMITED

INCREASED DIVIDEND JUSTIFIED

ANOTHER YEAR OF TRADE EXPANSION

MR I. M. GLUCKSTEIN'S STATEMENT

The Annual General Meeting of J. Lyons & Company Limited will be held on July 10, 1957, at the Troccadero Restaurant, Piccadilly Circus, London, W.1.

The following is the statement by Mr I. M. Gluckstein, the chairman, which has been circulated with the report and accounts for the year ended March 31, 1957:

In July last, Mr Montague Gluckstein, who had been chairman for five years, and had served the company for 55, expressed the desire to resign his office as chairman and his seat on the board. In deference to his wishes, and with high appreciation of the eminent services he had rendered to the company, his resignation was accepted and he was appointed to the office of president. We thus continue to benefit from his invaluable experience and wisdom.

Early this month the company suffered a severe loss by the death of Dr L. H. Lampitt. He joined the company as chief chemist in 1919 and was appointed to the board in 1936. Under his direction our analytical and research laboratories, which were among the first to be established in our industry, grew rapidly and successfully. He was a man of great energy and wide interests and was held by us all in very high esteem. We shall sadly miss him. He had taken an active part in many scientific societies, in which also his loss will be keenly felt.

Mr Julian Salmon was appointed a Commander of the Order of the British Empire in the New Year Honours List. We share his pleasure in the award.

TRADING RESULTS

The year has not been without its difficulties but we are glad to be able to show a balance from trading account of £4,685,571 compared with £3,613,593 for the previous year, an increase of £1,071,978. We have reaped some benefit from the heavy expenditure which has been incurred in recent years and we have not been faced with the difficulties which arose in the two previous years from exceptional fluctuations in world market prices of certain of our commodities though these more favourable factors were, to some extent, offset by increases in various items of expenditure such as wages, local rates, and transport charges. Looking at the items to be deducted in arriving at the net profit, the only one that calls for comment is "estimated taxation" which shows a large increase over the previous year. This is due in part to the higher trading profit and the increase in the rate of profits tax and it has also to be remembered that the estimated tax charge for last year reflected the utilisation of special provisions made in the previous year.

The net profit for the year is £871,767 which compares with £762,261 and shows an increase of £109,506. We accordingly feel justified, as will be seen from the report, in proposing an increase in the final dividends of 6d. per unit on the Ordinary and "A" Ordinary stocks and of 1.2d. per unit or share on the Proportional Profit stocks and shares. This results in an even greater disparity between the interim and final payments and we shall bear this in mind with a view to adjusting it when the time comes to consider the next interim payment.

The proposed final dividends, together with the interim dividends paid in December last, will absorb £452,135. The dividends paid and accrued on Preference and Preferred Ordinary stocks amount to £288,265. The balance of the net profit for the year is £131,367; to this has to be added £226,718 brought forward from the previous year, £50,000 in respect of provisions no longer required, and £1,801 in respect of tax adjustments for earlier years, making a total of £409,886 to be carried forward.

CATERING

The teashops, with their white and gold fascias, are still the backbone of the company's catering business. There have, of course, been many changes in them and changes will continue to be made to keep them in tune with modern tastes; but their purpose remains the same—service to the many at the lowest prices consistent with quality and amenity. We have during the year opened three teashops, a new one at Windsor and two others replacing older establishments, one at Eastbourne and one in the City in Leadenhall Street on the site of a teashop which was destroyed by bombing. At the Coventry Street Corner House we have extended "The Grill and Cheese" and opened a further speciality restaurant "The Seven Stars." We have also opened two new speciality establishments of types which were formerly provided only at the Corner Houses, a "Bacon and Egg" at 190, Oxford Street, and a "Wimpy" at Hammersmith Broadway specialising in Wimpy Hamburgers.

The "Wimpy" originated in the United States and, in addition to introducing it to this country we have, as mentioned in the report, formed a subsidiary company to develop it abroad. The project is still in its early stages.

NEW ICE CREAM FACTORY

Mention was made last year of our plan to move some of our ice cream production from Cadby Hall to Greenford. The first part of the new factory there is nearing completion and pilot operations have started; we expect it to be in full operation before next year's season.

We are always conducting research with a view to introducing new lines and improving old ones. One of the new lines launched during the year is "Ready Brek," a hot breakfast cereal prepared in the plate; it has found an immediate welcome. We are also constantly looking for improvements at every stage of our production, however small they may seem to be in any particular case. We have, for example, for many years taken bulk deliveries of liquid chocolate and liquid sugar by tank wagon into pipe lines; more recently, with the ready assistance of our suppliers, we have been able to take by tanker and pipe line both flour and dry sugar, the handling of which formerly involved heavy manual labour.

The cuts in supplies of oil and petrol which started in November and the rationing which followed in December necessitated some rearrangement in our production and, naturally, gave us great difficulty in maintaining our distribution, so much of which is by road transport. The whole basis of our transport arrangements had to be changed from what was most economical in terms of money to what was most economical in use of fuel. The reduced mobility of many of the public had also some effect on our trading.

EFFECTIVE DISTRIBUTION

The wide range of products we sell through a variety of channels all over the country involves a complex pattern of distribution. To keep it both effective and economical requires careful organisation and planning combined with flexibility. In London constant vigilance and resource are called for to overcome the increasing congestion of the streets and the traffic delays which result from it. In this we co-operate closely with the transport authorities and we should like to take this opportunity of thanking them for their ready appreciation of our problems.

In our wholesale business we have at all times to weigh the economies of centralisation against the savings of transport costs generally secured by dispersal. The methods of distribution necessarily vary; some of our commodities are highly perishable, some not, some are bulky, some compact, and obviously it would not be economic to distribute them all in the same way. Generally, however, our cakes, tea, coffee, and ice cream are distributed through local depots to which bulk supplies are sent by road or rail, which ever is the more economical, from our central bakeries and factories at Cadby Hall and Greenford. From these local depots vans go out to sell and deliver to retailers in the neighbourhood. Bread requires immediate delivery and therefore cannot be sent over long distances and its production cannot be concentrated in one large unit. In consequence, in addition to the main bread bakery at Cadby Hall, there are others large enough to allow of mass production but geared to produce the needs of the locality.

PRODUCTION ECONOMIES

Cake production cannot be so readily dispersed. Our customers want a wide variety of cakes and to secure the economies of large-scale production it is necessary to concentrate this in Cadby Hall where there are highly specialised plants each producing one type of cake only, though there are one or two other cake bakeries producing a limited range. Some of our cake distribution is therefore direct to the retailer by rail. We are able, with the co-operation of British Railways and the use of passenger train service, to ensure that shops throughout the country have our cakes as fresh as they are in London.

To maintain our road distribution a large fleet of varied types of vehicles is required; the number of vehicles at present is some 2,750 ranging from salesmen's cars to refrigerated vans carrying 10 tons.

COMPETITION IN TEA

In January the Monopolies and Restrictive Practices Commission issued its report on the supply of tea. It said that the tea trade in

this country is "conducted on keenly competitive lines," and also that "in the tea trade, individual resale price maintenance does not operate, nor may it be expected to operate, against the public interest." In all our activities we face keen and stimulating competition, which calls for the maximum effort from us all and benefits the consumer whose good will is vital to the maintenance and development of the business. The constant search for new and attractive forms of service and standards of amenity in our catering establishments, the intensive efforts of our production and sales teams, and the continuance of our policy of giving the best possible value consistent with the quality we have always maintained, these things in combination give us confidence that we can meet whatever competition we may encounter.

31,000 EMPLOYEES

My colleagues and I have pride as well as pleasure in the devotion, going far beyond mere duty, shown to the company by all its employees now numbering over 31,000. It is significant that there are 83 of them with service of more than 50 years and some 3,250 with service of more than 25 years. We have many young men and women of ability, drive, and initiative who are being trained to fit themselves for positions of responsibility in the various branches of the business, and we have reason to feel confident that they will, like their elders, make a satisfactory contribution to the continued development of the company. We take a personal interest in all of them whatever their length of service and wherever they may be, and should like to express, on your behalf as well as our own, our gratitude to them for their good work and service during the year.

F. FRANCIS & SONS (HOLDINGS) LTD.

DIVERSE FIELDS OF ACTIVITY

The fifty-sixth annual general meeting was held on June 19th, in London, Mr Frank Fox (Chairman and Managing Director) presiding.

In his circulated statement the Chairman referred to the changed structure of the Group, and said that Shareholders of the Holdings Company were now the proprietors of F. Francis & Sons, Ltd., Keighley Lifts, Ltd., The Defiant Enamel Co., Ltd., The Defiant Crown Cork Co., Ltd., Newbury Cork Co., Ltd., and Robinson Bros. Cork Growers, Ltd., which Company owned the Share Capital of Pendle View Tin Printers, Ltd. and Marwood & Co. (Blackburn), Ltd.

After commenting on the financial results for the year, Mr Fox pointed out that the Board intended to use the substantial amounts which they were ploughing back into the business for the extension of the process of re-equipping and extending their facilities.

The Chairman continued: Regarding our order book, this is generally in a healthy state. We aim to make ourselves so efficient in every field of our activities, that wherever possible increased costs will be met by increased production. For the first four months of this year our sales show an increase over the corresponding period of last year. We work in diverse fields, and I am sure you will agree that in the developments in the packaging, closure and lift industries there is an expanding future for us.

The report was adopted and the total dividend of 20 per cent approved.

BARTON AND SONS

The ordinary general meeting of Barton & Sons Limited was held on June 13th in London, Mr A. H. Redfern (the Chairman) presiding. The following is an extract from his circulated review:

The Accounts for 1956 reveal trading results very similar to those achieved in 1955 and this is a source of satisfaction in view of the more difficult conditions which arose as a result of the policy of credit restriction.

During 1956 we disposed of our minority holding in Wright, Anderson (SA) Limited and acquired the balance of the shares in Bartons Tube & Conduits Limited, South Africa; we also purchased the whole of the issued capital of West Midland Refining Company Limited in October, 1956, and of A. A. James Limited in January, 1957.

The Group makes a fairly wide range of products. Our largest investment is in the production at home, in South Africa and in Canada, of steel tubes used extensively by the electrical, furnishing and motor industries. Our next largest investment is in structural steelwork for factory buildings, power houses, multi-storey buildings, tanks, bridges, etc. Next in importance are the subsidiaries which produce forgings, castings, bolts and nuts, abrasives, refined iron, springs, etc., for customers who are engaged in or connected with the motor, cycle and general engineering industries. The remaining subsidiaries cater for the requirements of customers covering a wide field of operations.

With regard to the future, present indications are that there must be a continued increase in sales if profits are to be maintained. The report was adopted and the total distribution of 20 per cent approved.

WEBB'S CRYSTAL GLASS

The Thirty-seventh Annual General Meeting of Webb's Crystal Glass Company Limited was held on June 19th, in London. Mr R. E. N. D'Abo, the Chairman, presided and said: Although sales have been expanded in most of our departments we have not been able to maintain our 1955 profits, owing to increasing costs of raw materials, fuel and labour, with which economic prices have not been able to keep pace.

The Group Profit amounts to £93,030 compared with £121,591 for the preceding year, and the net profit, after taxation, to £44,118, against £54,865.

The Balance Sheet shows a strong financial position—Current Assets exceeding Current Liabilities by £364,527.

Our factories and plant have been well maintained, and we have continued our policy of reconstructing and improving.

While the bulk of our business is at present in the home market, we have continued to give close attention to exports, as we believe there is still considerable scope in overseas markets, and we have under active consideration a scheme for establishing manufacturing interests in the Commonwealth. Our profits for the first five months are on a much lower level than for the same months last year, but your Directors have done a great deal of preliminary campaigning to find new outlets for our goods, and there are signs that their efforts will begin to show encouraging results in the coming months. Normally, the bulk of our business is obtained in the second six months of the year.

The report was adopted and the final ordinary dividend of 10 per cent, making 15 per cent for the year, was approved.

APPOINTMENTS

AN IMAGINATIVE GRADUATE in Economics or Commerce is invited to join a small team of economists and research workers who are helping a large and expanding company in a new industry to build up its home and export sales. The research staff are working under excellent conditions in the west country, within very easy reach of London. They are engaged on a varied set of problems, ranging from market research to business forecasting, and including studies of the implications of the formation of a European Free Trade Area. The successful applicant can be assured of a free hand to undertake this work, and prospects in every sense of the word are excellent. Applicants should have a First or Second-Class Degree in Economics or Commerce, several years' experience in industry, and should not be appalled at the prospects of acquiring a working knowledge of German, if necessary.—Box 716.

MARKET RESEARCH

A Company with world wide interests in many fields has vacancies in its Market Research Dept. for Executives/Assistants. These positions offer great scope to those able to handle research with little supervision. Knowledge of foreign languages is an asset but not essential. A good salary related to experience will be offered. A pension scheme is in operation. Staff of this department is aware of this advertisement.—Apply in writing, giving a concise account of experience so far, to Box 724.

MATHEMATICIANS, who although they never will be, but who are interested in jobs in the kingdom of the blind where the one-eyed man has to explain things, are invited to apply to a large business service organisation. The job involved demands an ability to explain in simple terms to the lay minds of top executives certain technical statistical problems.—If you feel this is your line of country, write full details to Box 723.

POWER PLANT SUPERINTENDENT

Applications are invited for the position of Power Plant Superintendent on a large Copper Mine on the Copperbelt in Northern Rhodesia. Applicants should have had at least five years' experience as a Superintendent of a Power Plant. The successful candidate will be responsible to the Resident Engineer for the operation and maintenance of a 30 MW steam generating station, direct fired and waste heat boilers, central coal pulverising plant, steam and electrically driven compressors and blowers, primary water supplies and domestic water purification plant, primary electrical distribution at 66, 11 and 3.3 kV. The commencing salary will be according to qualifications and experience. The minimum commencing basic salary will be in the region of £1,530 per annum, plus Cost of Living Allowance of approximately £80 per annum and a variable Copper Bonus, at present approximately 50 per cent. of basic salary. There is also a Group Pension and Life Assurance Scheme. Married accommodation is available on engagement—All applications, giving full details of qualifications, experience and marital status to be addressed to R.25 Mine Employment Department, Selection Trust Limited, Mason's Avenue, London, E.C.2.

EXPORT MANAGER, Pharmaceutical and cosmetic. Our previous advertisements have brought a large number of applications, many from excellent men, but we believe there is an outstanding man somewhere who will fit this important post even better and we would like to hear from him.

Essentials. High quality of leadership, effective personality, very good education, successful experience with good firms in ethical and lay pharmaceutical and cosmetic exports, thorough mastery of export trade and finance.

Desirable. Age about 40. First-hand knowledge of some foreign markets, preferably Commonwealth. Good experience in selling, medical promotion and lay advertising.

NOTE: The department will move to Eastleigh, Hampshire, at the end of August.—Send full particulars, marked "Confidential," to Chairman, William R. Warner & Co. Ltd., Power Road, London, W.4.

FERRANTI LIMITED

HOLLINWOOD, LANCS

A vacancy has arisen in the PATENTS DEPARTMENT which will provide the opportunity for a young GRADUATE in ELECTRICAL ENGINEERING or PHYSICS to pursue a career at a high level of technical interest.

The appointment is one which calls for close contact with the many research and development sections of the Ferranti organisation and will have particular reference to Electronics. Training will be given in the specialised work involved and the successful candidate will be encouraged to qualify as a Patent Agent.

This appointment carries an excellent salary and the Company operates a Pension Scheme and a Dependants' Insurance Scheme.

Application is by form obtainable from T. J. LUNT, Staff Manager, FERRANTI LTD., Hollinwood, Lancs. Please quote reference P.D.

FORD MOTOR COMPANY LIMITED offer an unusually interesting post involving the study of special commercial and financial problems. Selection will be made from candidates around 26 years of age with a broad educational background acquired either by way of a university degree, professional training or responsible service in industry, commerce or public service. The ability to think and the will to succeed are, however, more important than the precise nature of previous training and experience.—Please write to Salaried Personnel Department, Ford Motor Company Ltd., Dagenham, Essex, giving full details of age, education, training and experience, and quoting reference CFE.

DIRECTOR of large ethical pharmaceutical company requires a pharmacist as personal assistant for administrative and commercial development work. For a man with intelligence, drive, good judgment and the ability to get on with people, this position should quickly lead to a senior managerial post. Starting salary would be according to experience and would not be ungenerous. —Applications in detail, which will be treated in confidence, to Box 712

RETAIL DISTRIBUTORS' ASSOCIATION (the trade association of Department Stores in the United Kingdom) invite applications for the post of Director of the Association.

As principal official of the Association the Director is responsible for negotiations at high level with Government departments, trade associations, and other public bodies on matters of importance to the department store trade. He supervises studies of store operations and the preparation of statistics, and generally undertakes such work for the development of the department store trade as the Council of the Association may direct.

The post would carry a salary in the region of £2,000 per annum and superannuation.

Administration of the Association's offices, which are in London, is in the hands of the Secretary of the Association.

Applications should be made at once, to the Chairman, Council of Management, Retail Distributors' Association, 204 Ulster Chambers, 168 Regent Street, London, W.1, and marked "Director." The selection of a short list for interviews will be made on July 6th and applicants selected for interview will be informed shortly after that date.

COMMERCIAL MANAGER

THE PLESSEY COMPANY LIMITED WISHES TO APPOINT A HIGH LEVEL COMMERCIAL MANAGER TO ONE OF ITS LARGER DIVISIONS.

In the first instance he will be responsible for the organisation of the Division's sales, and for extending its scale of operations.

A man is wanted who has achieved a position of responsibility in the engineering industry on the commercial side and who feels confident that with further experience, and after a suitable period to become accustomed to the Company's methods, he would be able to play a leading part in the overall activities of the Division.

It will be seen that imagination and drive are required, and the specification has been purposely written broadly since in this case personal suitability is more important than the particular experience which the candidate has had so far.

The remuneration will be generous and there is the probability of material promotion for one who is determined to succeed.

Those interested in exploring the possibilities of this opportunity are asked to write to:—

The Group Director,
A Group,
The Plessey Company Limited,
Ilford, Essex,

so that in suitable cases a personal discussion can be arranged.

Replies will be handled personally by the Group Director and in the most complete confidence.

A LEADING ADVERTISING AGENCY requires a young graduate with a good statistical knowledge for work in the Research Section of the Media Department. Previous experience in the analysis of surveys and statistics and the presentation of conclusions in brief and lucid form is essential. The man we need will be keenly interested in helping to plan national advertising campaigns that will reach the required audience with maximum effect.—Please write, stating age, experience and salary required, to Personnel Manager, F. C. Pritchard Wood & Partners Ltd., 25 Savile Row, W.1.

ATOMIC ENERGY AUTHORITY

The United Kingdom Atomic Energy Authority wish to appoint a senior officer in London, under the Principal Economics and Programming Officer.

Duties will include the preparation of reports on broad policy questions and work on committees dealing with the co-ordination of the Authority's programmes. The successful candidate will be required to become thoroughly conversant with all aspects of the work of the Authority. Considerable administrative experience is desirable and a background which included science, mathematics or economics would be useful.

Salary will be commensurate with the responsibilities of the post and the abilities and experience of the successful candidate.

Send POSTCARD for application form to Establishments Officer, U.K.A.E.A., 14 Ormond Yard, London, S.W.1.

GOVERNMENT OF IRAQ.
BAGHDAD SEWERAGE BOARD.
Advertisement No. 7.
RESIDENT ENGINEER.

The Baghdad Sewerage Board wishes to appoint a suitably qualified person as Resident Engineer to supervise major construction works comprising sewage treatment works, trunk and subsidiary sewers for the city of Baghdad. The official appointed may be required to supervise up to three contracts and will work under the direction of the Board's Consulting Engineers, Messrs. John Taylor & Sons of London.

Applicants should be Corporate Members of the Institution of Civil Engineers or an equivalent foreign body and should have had wide experience in the construction, supervision and administration of similar projects. The successful candidate must be fluent in the English language and will be required to assume his duties in the London.

The appointment will be under terms similar to the Government of Iraq Standard Contract CF21 and the salary will be I.D.330/ per month (I.D.1=£1 Sterling). Allowances of from I.D.10 to I.D.24 per month are available according to circumstances. The Contract offered is for three years but subject to 6 months' probationary period. Free passages are paid for wife and up to two children not more than 13 years old and an allowance is payable towards the cost of passages for leave. Leave is one day per five days' effective service. Five per cent. of salary must be paid into a Provident Fund, to which the Board will contribute a further sum equivalent to 10 per cent. of the salary.—For application forms apply to the Consulting Engineers, Messrs. John Taylor & Sons, Artillery House, Artillery Row, London, S.W.1. before July 1, 1957.

Chairman of the Baghdad Sewerage Board.
Baghdad.

GERMANY.—A well-known periodical with an international readership will shortly appoint a representative responsible for obtaining industrial advertising in Germany. Candidates should have high-level contacts in present-day German industry and be able to speak and write fluent German. They should be prepared to live Cologne-Dusseldorf area and to travel throughout Western Germany. The appointment will be full or part-time, depending on contacts and existing commitments (if any) of successful applicant. Rewards commensurate with results on generous commission arrangement.—Applicants (aged 40-50) should give full details of experience and qualifications to Box 722.

MANAGEMENT SELECTION LIMITED
have been retained to advise on the appointment of a

MANAGER
(ORGANISATION AND METHODS DEPARTMENT)

for a company employing 5,000 on medium engineering in the Midlands, with manufacturing units overseas.

The successful candidate will be required to establish an Organisation and Methods Department under the general supervision of the General Manager, Administration (Director). This department will be responsible for reviewing and improving clerical and administrative procedures, as a service to other departments.

Candidates must have experience of O. and M. work, preferably in a mass-production industry, and should hold a university degree or professional qualification in a relevant subject.

Preferred age 35-45. Salary up to £2,000 according to experience. Pension and insurance schemes. Removal and house purchase can be assisted.

Please send brief details, in confidence, quoting reference S.452, to M. B. Berks, Management Selection Limited, 17 Stratton Street, London, W.1. No information will be disclosed to our clients until candidates know their identity and have given permission after personal discussion.

SECRETARY AND EDITOR of professional association with trade association and learned society experience offers similar services, part-time, to suitable small organisation.—Box 720.

SUCCESSFUL TUITION FOR THE B.Sc.(ECON.) DEGREE

Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the two examinations for Lond. Univ. B.Sc.(Econ.) (three if Entrance is included). Moderate fees, instalments. Over 1,000 Wolsey Hall students have secured this valuable degree since 1925.—prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. P.16, WOLSEY HALL, OXFORD.

QUEEN'S HOUSE DAY SCHOOL FOR GIRLS, 69 Fitzjohns Avenue, N.W.3 (Tel. HAM 1306), provides a unique individual education from 8-18 years. General course to university entrance standard. Ballet, drama, fencing, skating, tennis. Special care given to each child's needs. Well-qualified staff. Small classes. Trained caterer. Pleasantly situated near the Heath. A few vacancies exist for Autumn Term for suitable candidates.

SECRETARIAL TRAINING, especially for university graduates and older students. Six-month and intensive 14-week courses.—Write Organising Secretary, DAVIES'S, 2 Addison Road, W.14. PARK 8392.

COMPANY DIRECTOR, British, 10 years' residence Argentina and Uruguay, at present living in Buenos Aires, invites proposition from commercial, industrial or financial enterprise interested in River Plate area, initially on part-time basis.—Box 725.

THE search for greater harmony in industry continues actively. Industrialists are asked to write for details of an interesting Conference with others of like-mind. —Apply Box 718.

ST. GODRIC'S SECRETARIAL COLLEGE

offers a comprehensive secretarial training to complete the equipment of the well-educated girl for an interesting career. Special courses in all branches of secretarial work. Languages and foreign shorthands. Opportunities for both resident and day students to pursue an active social and cultural life. New Courses September and October 1, 1957.—Prospectus from the Principal, J. W. Loveridge, M.A.(Cantab), St. Godric's College, 2 Arkwright Road, Hampstead, N.W.3. Hampstead 9831.

AMATEUR CONJURERS: brand new spectacular production. Open a bottle of Duff Gordon's El Cid Sherry, and watch hundreds of thirsty people appear out of thin air. Works every time.

WORK STUDY. Part-time (evening), 20 weeks' Diploma Course starts September 9th. Enrolments open now. Details of this and five other Courses, including full-time (six weeks) and Correspondence, from School of Time and Motion Study, 29 Cork Street, W.1. REGent 0516.

EXPERT POSTAL TUITION
for Examinations—University Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial. General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus—and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2).

METROPOLITAN COLLEGE, ST. ALBANS
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APPOINTMENTS

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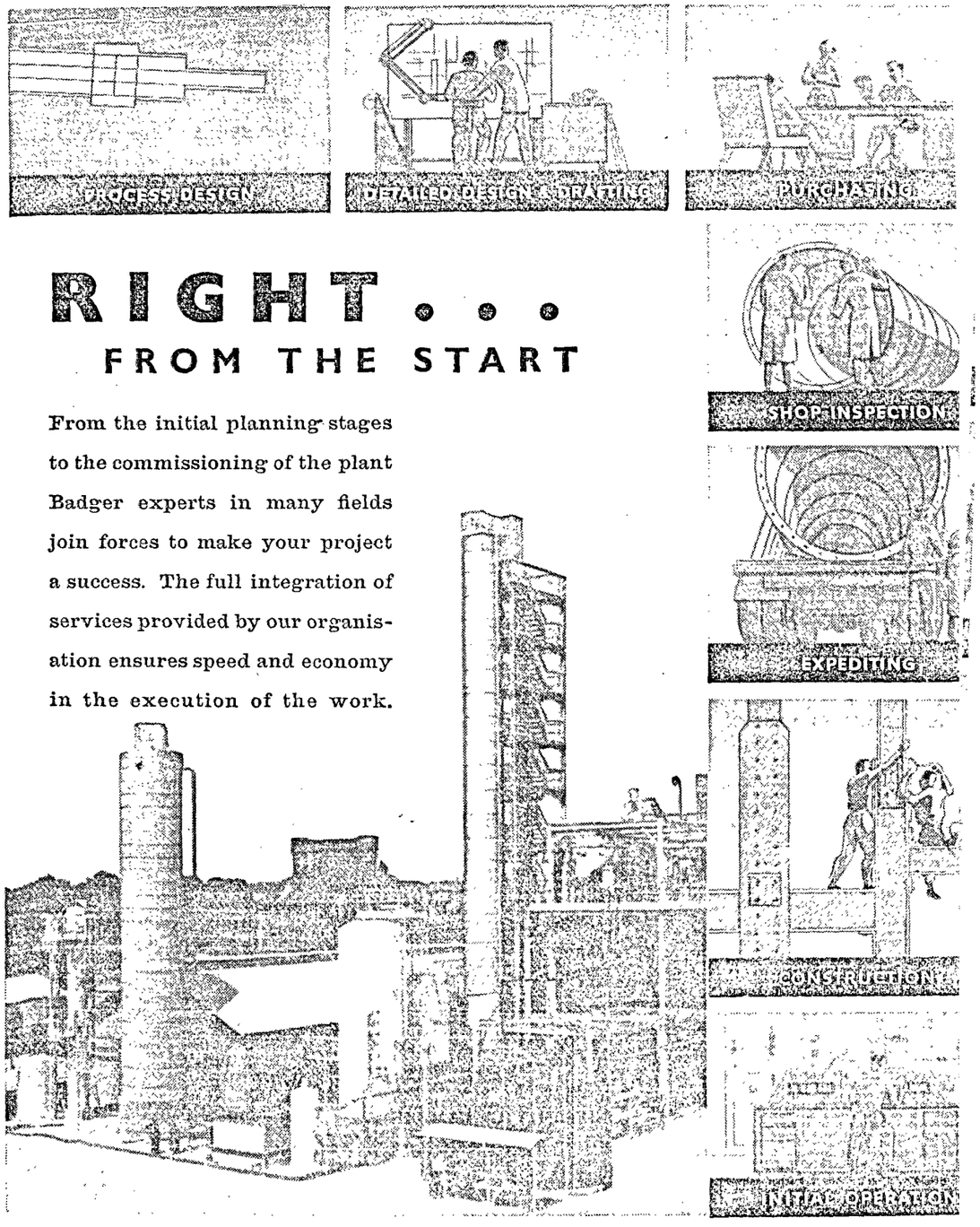
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The Economist

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Together for What?

The Commonwealth has reached a turning point in its relations with Britain and the world. What can its Prime Ministers achieve at their ninth meeting since the war?

The Meaning of Mao

The authorised version of Mao Tse-tung's speech may have an impact on the communist world comparable with Mr Khrushchev's attack on Stalin. (page 1129)

The New Explorers

Just what and why is the International Geophysical Year—which will last 18 months. (page 1173)

To Make Railways Pay

The odds for the success of the railway plan are not short but they seem plausible. (page 1171)

Court for Freedom

In the United States the Supreme Court, with a majority united in defence of individual rights, has marked the end of the McCarthy era. (page 1153)

Colour Disharmony

Tanganyika is a testing ground where the races—black, white and brown—face the problem of how government can be shared. (page 1131)

Dining on the Deficit

The railway caterers subsidise the ungrateful passenger—but need they do so? (page 1132)

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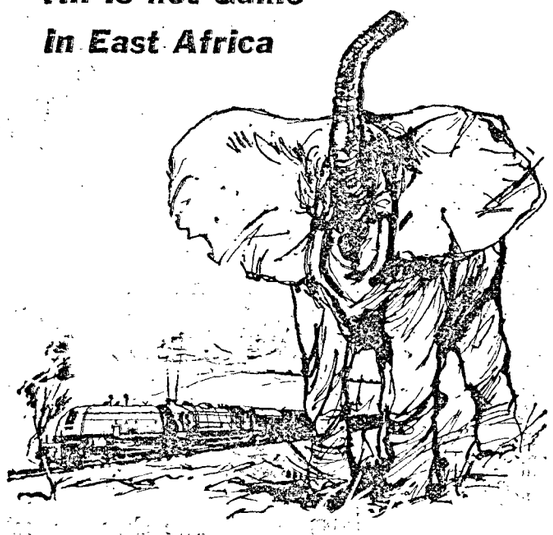
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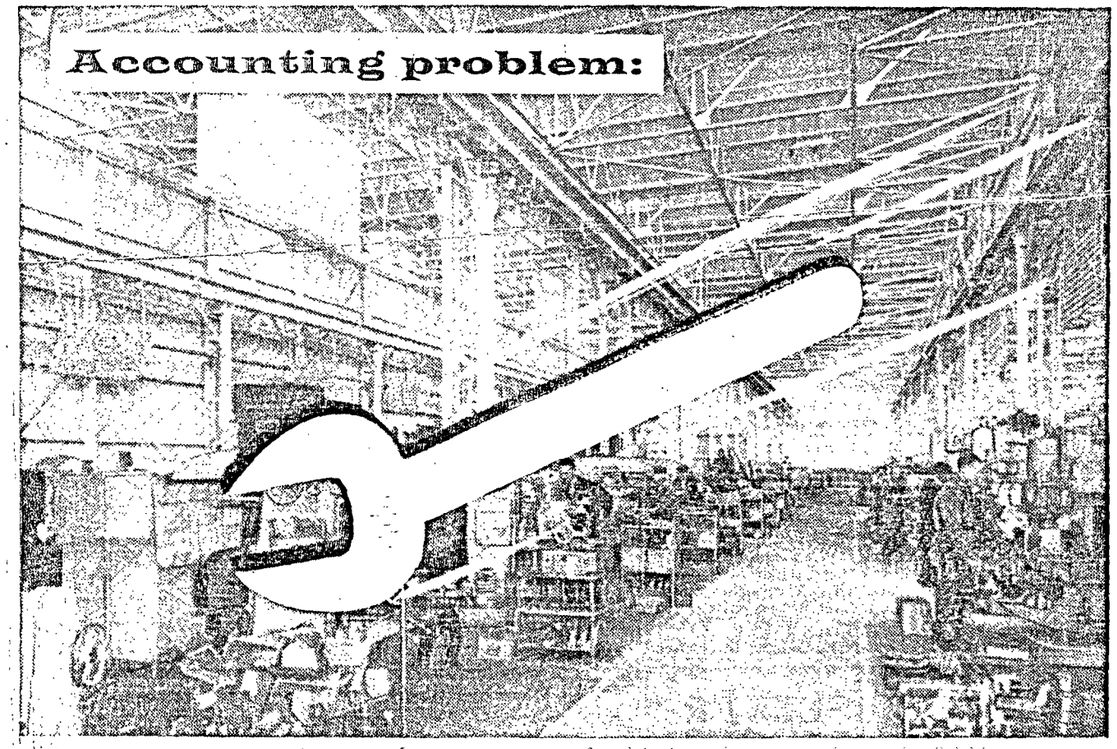
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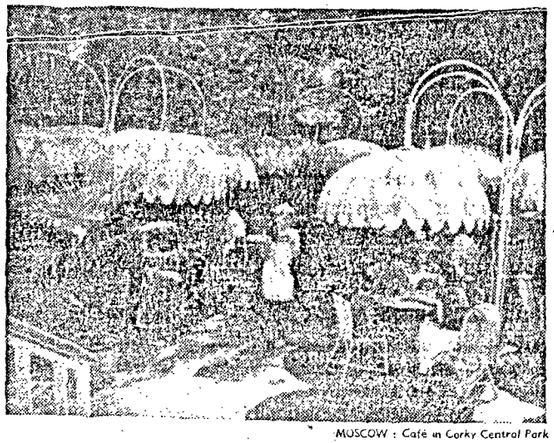
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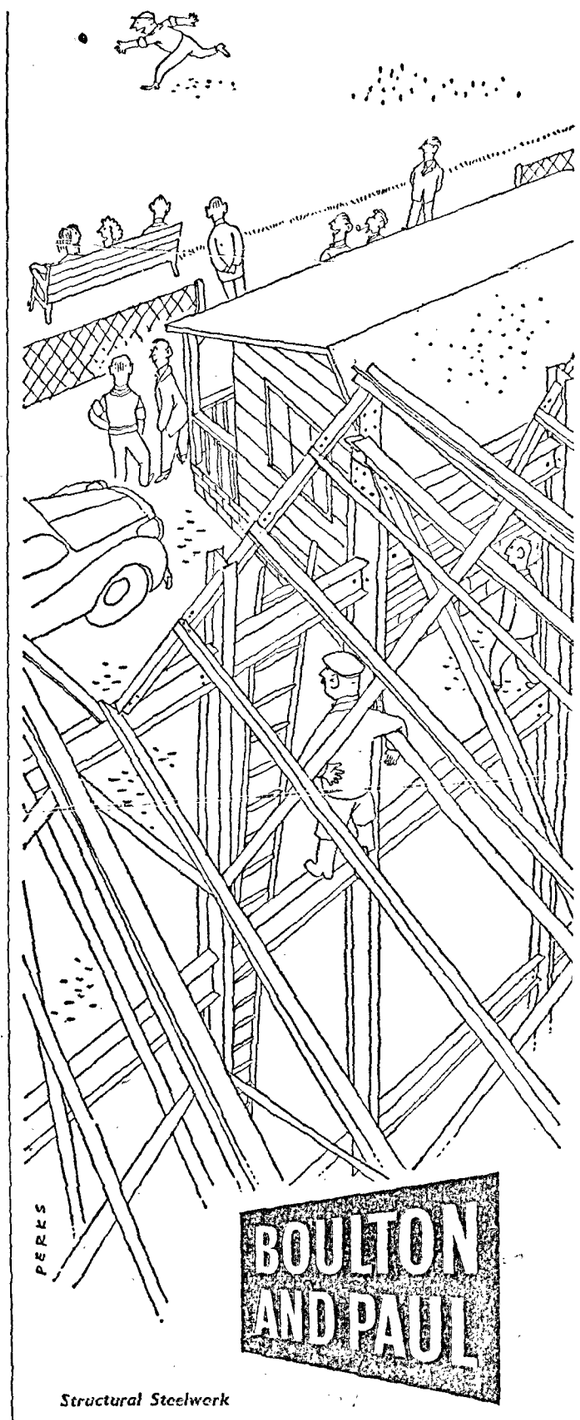
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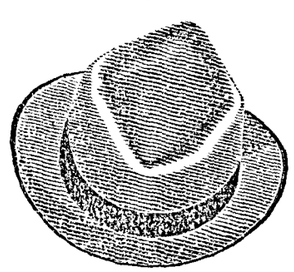


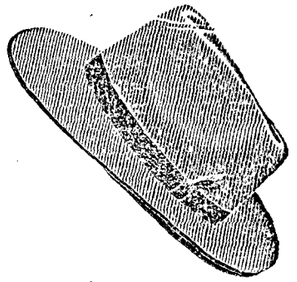
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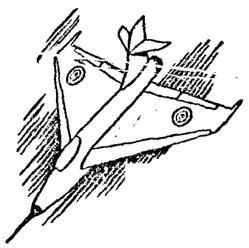
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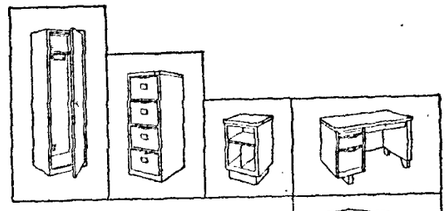
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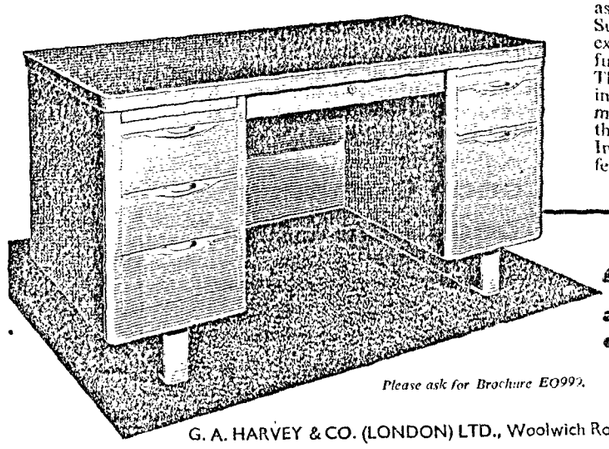
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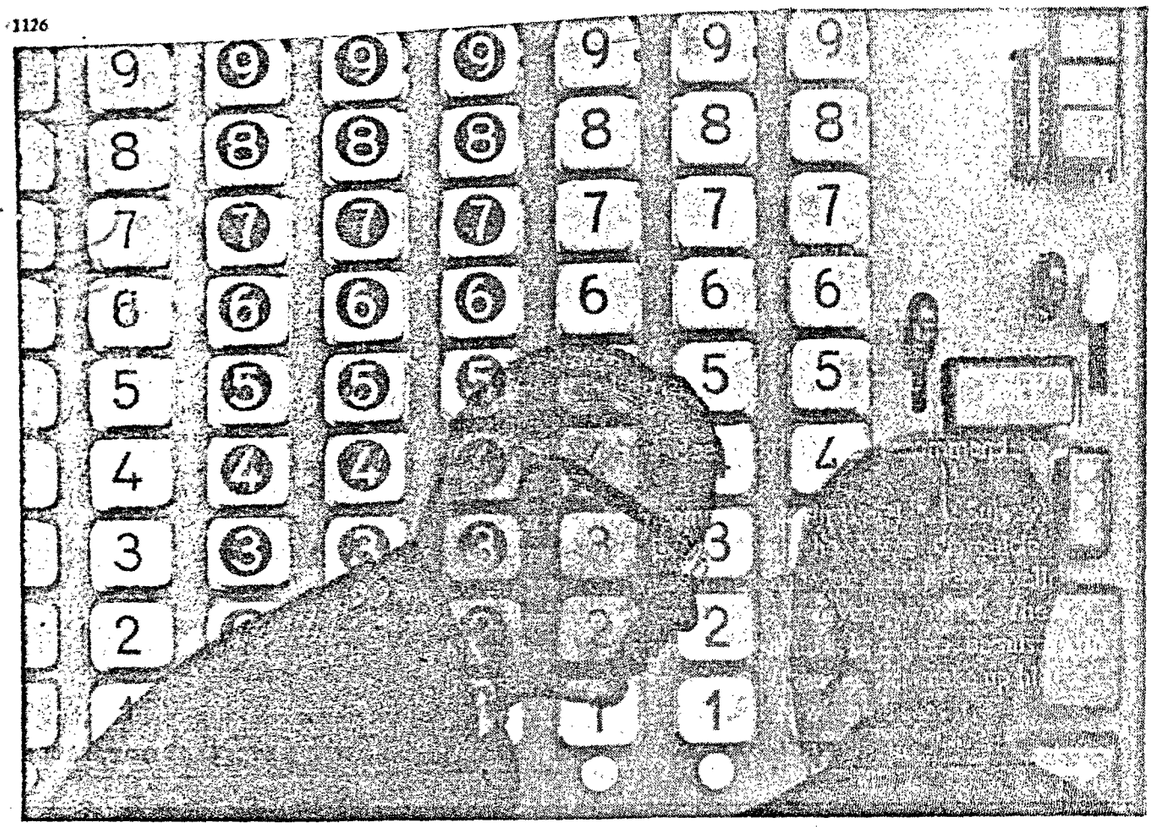
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The Economist

JUNE 29, 1957

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Together for What?

SINCE the last Commonwealth prime ministers' meeting just over a year ago, the political kaleidoscope in almost all the Commonwealth countries, including Britain, has been rudely shaken. Half the prime ministers attending the conference this week are doing so for the first time. Nearly all the others are in trouble of some sort, which either brings them to Downing Street in chastened mood or keeps them at home. This should greatly ease Mr Macmillan's first task : to rehabilitate the idea and value of top-level Commonwealth consultation. The degree of continuity in the personalities attending these meetings in the past ten years—shown in a table on the next page—did much to establish confidence in them. But if, this time, membership of this conference had coincided too closely with the last, there might have been too much unprofitable jobbing backwards. As it is, the months that have elapsed since the Suez affair and the reshuffling of Commonwealth governments recently may help the prime ministers to turn over a new leaf without being uncomfortably precise about what they want to write on it.

They have all of them, in fact, some interest in letting bygones be bygones. Mr Macmillan can carry his sackcloth folded over his arm. Looking round the table, he will find that most of the peacemaking he expected to have to do has been done for him by events. Canada, represented by Mr Diefenbaker, is no longer the censorious Canada of last November; it is a Canada falling over itself in the wish to be friendly, and the only embarrassment for London is that some of the manifestations of that desire are liable to be a little jejune. Mr Nehru is no longer the angry avenger of the Suez misadventure; following his recantation over Hungary, his economic crisis, and his political troubles with the United Nations on his own frontier, he is said (although it must not be said too loudly) to be in a restrained and receptive mood. Mr Suhrawardy, who feels he now has the initiative over Kashmir, can only be quietly glad that Britain is functioning again in the Baghdad pact, membership of which endows Pakistan with a bargaining power it would not otherwise have. Mr Bandaranaike, who showed signs of pressing racial issues to dangerous lengths last year, is by his absence advertising the estrangement of Ceylon's own racial minority. Sir Roy Welensky and Mr Louw (on behalf of Mr Strydom) will want to take advantage of this to show Dr Nkrumah that they are not quite ogres; and Dr Nkrumah, who needs capital on a huge scale and has his minority troubles just like anybody else, may well be in a mood to be charmed. Mr Menzies, who will not wish to dwell on his own attempts to settle the Suez dispute —and who, running his eye down the table from Mr Macmillan (in a hot seat for his next general election in 1959) to Mr Macdonald of New Zealand (in a still hotter one for his general election this year), must be feeling unwontedly secure politically and economically—may be relied on to a take practised advantage of the atmosphere of the conference to promote goodwill, and, incidentally, Australian trade.

This gives Mr Macmillan every chance to achieve his second Bermuda : to liquidate the Suez policy in Commonwealth conclave as he liquidated it *tête-à-tête* with President Eisenhower earlier this year. To be able to claim that the conference has confirmed Commonwealth harmony and studied world problems, and that confidence and accord have been established will be enough for the final communiqué. Will it also be enough for the conference as a whole ? Although the best answer should be " not quite," it may be wise to recognise that there could be disadvantages if the prime ministers try to do so very much more.

THE two main subjects on the agenda, apart from an exchange of views about individual foreign policies and the Middle East, are defence and economics. On defence the first hurdle to be surmounted will be to be diplomatic—but not accommodating—when Mr Nehru delivers his inevitable lecture about the iniquity of nuclear tests. It is not quite clear whether any second defence hurdle exists. Of the old reciprocal relationship in defence between Britain and its former imperium very little now remains. No doubt, from the military point of view, even if limited conventional wars can no longer be undertaken by Britain alone, the needs of colonial defence still impart to Britain a certain grand (if expensive) strategic reach. But Dr Nkrumah's presence in London is a further reminder that as more and more African, West Indian and Asian prime ministers come to London, there will be fewer and fewer colonies to police or defend. The argument over the position of strategic colonies—Cyprus or Singapore—has notably died down in the last year ; whatever arrangements Mr Sandys makes in, say, Kenya, the trend is towards fewer ships, fewer garrisons and a franker reliance on a centralised atomic deterrent to keep the peace.

But these are developments that call not so much for Commonwealth decisions as for decisions by each Commonwealth country. Each must decide for itself what part it would like the mobile atomic artillery of Britain as well as of America to play in the series of defence pacts to which it is linked. The questions of the less ostrich-like ones will be on the part atomic force can play in the practical tactical possibilities and dangers that face them. The old imperial defence goes out of one door ; they must consider how far they should bring in a new Anglo-American imperial defence at another.

THE discussions on economic prospects will be dominated by the shortage of capital, and here Mr Macmillan has a positive task to perform. He should tell his visitors frankly that, given Britain's own arrears of internal investment, there is not likely to be a large enough investible surplus on this country's balance of payments to finance all the development needs which some Commonwealth countries are talking about—and that everybody will suffer if Britain tries to meet more of those needs than it can. Not even defence economies—if there are any—will ease this squeeze. A degree of aid is both possible and desirable : Colombo plans, technical aid, development or finance corporations. Emigration, the ploughing back of profits by British overseas companies, a modest flow of new risk capital—these will, and they should, stimulate Commonwealth development. But there will be nothing like enough money available from British sources alone to make a reality of Dr Nkrumah's vision of the Volta, or Mr Diefenbaker's of a British investment in Canada that would look the American inflow in the face. Indeed, the establishment of some new machinery to co-ordinate—which mainly means to cut down—sterling area spending plans is one of the few specific projects that could most profitably be discussed at this conference.

There should be similar caution and realism about Mr Diefenbaker's proposal for a new Ottawa trade conference. The proposal can be discussed on its merits ; if it were regarded as a precautionary discussion of Canada's possible willingness to enter into special currency arrangements with the sterling area at any period of sudden re-opening of the world dollar gap—for example, during any American recession—those merits would be considerable. But if a new Ottawa conference were to aim merely at the regular channelling of more Canadian wheat, New Zealand meat or Australian fruit into a nearly static British market, it would be atavistic. Economic logic requires that the Commonwealth should expand its sales in a European common market where costs were being lowered, consumption increased, and a capital surplus engendered. It is ways of achieving this (and not fears of competition) that should interest the Commonwealth—but they are not matters that prime ministers can decide in a wide-ranging conference of ten days.

THUS Britain has a curiously inverted initiative at this conference : because Asian voices are muted and the sophistication of Canada's long experienced international leadership will be absent, and because Mr Macmillan must explain why Britain cannot perform roles in defence and development that were taken for granted long after the sovereign independence of Commonwealth nations was formally established. But Mr Macmillan's lead need by no means be wholly negative. In the presence of Dr Nkrumah he can invite the conference to offer all the technical and other aid their countries can spare to the string of new nations which Britain has got on the conveyor-belt of self-government. And he can urge that as a gateway to Europe Britain itself can offer far more opportunities and services than as a moated market. It will be for the Commonwealth to respond ; to consider how far its great and friendly network of associations, specialised agencies, and *un*usual channels can be further adapted to exploit the possibilities of new initiatives. But the initiatives should be designed to co-ordinate Commonwealth co-operation with the rest of the free world, not to cut ourselves off in an exclusive club which would lower all our standards of life ; this mainly new—and mainly interim ?—team of Commonwealth leaders should be welcomed with the reminder that the latter concept is not what Commonwealth means.

PERSONALITIES IN COMMONWEALTH PREMIERS' MEETINGS

	1946	1948	1949	1951	1953	1955	1956	1957
Britain	Attlee	Attlee	Attlee	Attlee	Churchill	Churchill	Eden	Macmillan
Canada	King	St. Laurent	Pearson (1)	St. Laurent	St. Laurent	St. Laurent	St. Laurent	Diefenbaker
Australia	Chifley	Evatt (2)	Chifley	Menzies	Menzies	Menzies	Menzies	Menzies
New Zealand	Nash (3)	Fraser	Fraser	Holland	Holland	Holland	Holland	Macdonald (7)
South Africa	Smuts	Louw (4)	Malan	Donges (5)	Malan	Swart (6)	Strydom	Louw (8)
India	...	Nehru	Nehru	Nehru	Nehru	Nehru	Nehru	Nehru
Pakistan	...	Liaquat	Liaquat	Liaquat	M. Ali	M. Ali	M. Ali (10)	Suhrawardy
Ceylon	...	Senanayake	Senanayake	Senanayake	Senanayake (11)	Kotelawala	Bandaranaike	de Silva (9)
Rhodesia	...	Huggins	...	Huggins	...	Huggins	Malvern (12)	Welensky
Ghana	...	...	...	...	...	...	...	Nkrumah

Representing : (1) St. Laurent, (2) Chifley, (3) Fraser, (4) Malan, (5) Malan, (6) Strydom, (7) Holland, (8) Strydom, (9) Bandaranaike. (10) Mr Mohamad Ali, succeeded Mr Mohammad Ali, August, 1955. (11) Mr Dudley Senanayake, son of the previous premier, Mr. D. S. Senanayake. (12) Formerly Sir Godfrey Huggins.

The Meaning of Mao

The people of China will want Mao Tse-tung's words to be reflected in his actions. But to people in other Communist countries the words may be another charge of dynamite under the foundations of Stalinist society

THE Communist world since Stalin's death has been in a state of continuous internal change. At times the pace of change has been barely perceptible, but each period of apparent immobility is followed by a lurch, throwing the various members of the block forward at varying speeds. Moscow is no longer the single pacemaker. From the very first leakages it could be gathered that the secret speech made by Mao Tse-tung in February might be one of those documents that affect the course of history. How much was expurgated, after an interval for reflection and consultation with allies, is unknown. But the authorised version published last week in Peking has flashed round the world to be scrutinised by western chanceries in search of clues to Chinese behaviour and, more important perhaps, to be studied anxiously, as something that may expand or restrict the horizon of their own lives, by the readers of *Pravda*, the *Trybuna Ludu*, or the *Nepszabadsag* of Budapest.

For the Chinese themselves the speech provides chiefly the theoretical justification of the less harsh party line which they have been experiencing for some time. A distinction is made between contradictions " with the enemy " and " within the people " ; this, if it means anything, must mean that, so long as they do and say nothing that could be said to be aimed at the overthrow of the existing regime, the Chinese are to have more freedom to speak their mind. The dictatorship remains, but within its framework they are promised persuasion rather than coercion. Workers and peasants may now claim the right to air grievances without being necessarily accused of " counter-revolutionary " activity. Intellectuals will see in Mao's words an official blessing for the ideological thaw started last year under the poetic title; itself an intriguing clue to the difference between the modes of thought of Communist Moscow and Communist Peking, " let a hundred flowers bloom."

It may seem strange that Communist China should move in this direction at a stage of its development comparable with that of Russia in, say, the late nineteen-twenties or early nineteen-thirties, when the foundations of the Stalinist system were being laid. Chinese industry is in its infancy ; its agriculture has only just been collectivised. Can Mao find a communist short-cut to industrialisation that does not, like the path taken in Russia, cross a terrain strewn with corpses ? He has the advantage that he is not a pioneer ; he can take advantage of the experience of Soviet mistakes. So far he has shown a practical awareness of what a rural upheaval could mean in a country with 500 million peasants, together with a notable feel for the peasantry's mood. The Hungarian insurrection raised the ghost of

Stalin and reminded China's leaders that the risk of revolt, when popular discontent passes a certain point, is more than theoretical.

A desire to avoid bloodshed is not by itself enough. The great volume of bloodshed in Russia did not flow from personal bloodthirstiness on Stalin's part, but from his determination—unqualified, it is true, by any humanitarian scruple—to drive the Soviet people to industrialisation much faster than they themselves wanted to go. If political relaxation is not to threaten an explosion, then it must be accompanied by a decrease in economic pressures. Backward China has the additional advantage of not standing alone ; Mao will have to ask his Soviet partners for more economic aid. He will also need to slow down the pace at home if he is to translate his principles into practice.

Some disturbing reports from western correspondents suggest that an attempt is being made already to put the relaxation of the political struggle into reverse. Some have even suggested that the whole "flowering" campaign was merely designed to provide easy targets for party gardeners waiting with a weed-killer. But it is still probably nearer the mark to suppose that Mao's speech, after the Hungarian warning which probably decided its timing, does indicate a willingness on the part of the Chinese leaders to make concessions in order to get as much of their own way as they can get through persuasion.

THE proof of the pudding is in the eating. What matters to the Chinese is how much their government's actions will correspond to its words. For the rest of the communist world, however, the words themselves have a tremendous importance. They invest what was until now the Polish heresy with an air of respectability. In all the quarrels among communist leaders since Stalin's death there was never any question of abandoning the "dictatorship of the proletariat." The difference between "liberals" and "Stalinists" concerned the amount of freedom that should be allowed within the limits of a communist society. Mao now gives his backing to what seemed a minority view. A single quotation from his speech will show that it is, on the face of it, more than a condemnation of Stalin's way :

> It is not only futile but harmful to use crude methods to deal with ideological questions . . . you can ban the expression of wrong ideas, but the ideas will still be there. . . . Correct ideas, if pampered in a hothouse without being exposed to the elements or immunised from disease, will not win out against wrong ones. That is why it is only by employing methods of discussion, criticism and reasoning that we can really . . . settle issues.

Mr Khrushchev, in his American television interview, had to hedge awkwardly when asked to comment on the Chinese doctrine that contradictions can exist in a socialist society. The Stalinist myth that Soviet society knew no contradictions had two important consequences : whoever departed from the orthodox line was an alien, an enemy ; there was no room for dissenting opinions. It is true that Stalin's heirs have made important changes in Soviet society. Mr Khrushchev himself, in his indictment before the twentieth party congress, set the pace of the campaign against "the cult of the individual," a pace which at first looked too hot for Mao Tse-tung. But the events precipitated by that very speech have helped to alter the relative positions. Since the Hungarian rising, the Soviet leaders have tried to channel the reforms into the field of economic administration. But Soviet writers and artists, students and scientists, now that the concentration camp no longer threatens them, have begun to clamour for greater freedom of expression—and they can quote chapter and verse from Mao in support of their demands.

MAO'S speech has been most enthusiastically received, naturally enough, in Poland. As soon as the news of a new Chinese doctrine came out, a Polish writer greeted it with Galileo's *E pur si muove* ("but the earth *does* move"): despite the Hungarian tragedy and the ideological retreat which the repression seemed to foreshadow, the movement away from Stalinism would not be halted ; it was getting fresh impetus from the East. Mr Gomulka himself has paid tribute to the Chinese for their great contribution to Marxism-Leninism. Of Mao's actual text, the Polish party paper says that, while each country should follow its own road, many Chinese ideas coincide with their Polish ideas and will inspire the Poles to press on. "Read Mao Tse-tung," it told its readers.

Mao Tse-tung, however, is not only preaching to the converted. His voice will reach Prague and Sofia, Bucharest and Berlin. In those countries of Communist Europe that are conducting a rearguard action in defence of Stalinist methods, the orthodox leaders could dismiss Mr Gomulka as a dangerous heretic, but Chairman Mao is too high a priest to be easily censored or censured. Diehard leaders clothed in the alleged authority of Moscow may soon find that Czech or Bulgarian reformers defend themselves by producing chapter and verse from Peking.

So China's weight is thrown on the reforming side of the communist scales. Too much, in western terms, should not be read into these proceedings. Nowhere has it been suggested that any opposition to communist rule will be borne. The fist that was shown in Hungary is still there, and in China and Poland as well, for the "enemy." Democracy, as we know it, is not sprouting in the communist world. But a wind is blowing ; and no communist country can now withdraw to cultivate its own garden. The wind carries ideological seeds from country to country over the vast lands between the Neisse river and the Pacific ; and the flowers or weeds that spring up are governed by the soil where they fall. Some plants may yet surprise Mao himself, and Moscow's once total monopoly of the gardener's craft has gone.

Colour Disharmony

No British African territory has yet found a way for the black, white and brown races to share in government. Politically, Tanganyika is behind other multi-racial communities, but there is a chance that it could show the way.

THE absence of white settlers has made Ghana's evolution from a colony to an independent African state comparatively straightforward. It is for the same reason that Nigeria is now first in the queue for independence. But in those parts of East and Central Africa where Europeans have settled permanently, political development cannot be a straight course towards African rule ; it can only follow the much twistier path of multi-racialism. The term multi-racialism, as used in Africa, is associated more with pigment than anthropology ; it is a convenient way of describing a form of government in which neither black, brown nor white is in sole charge. A multi-racial policy is advanced as an alternative both to African nationalism and to white domination ; it can be either a grudged expedient or an ideal, according to the speaker. Perhaps this is why no African state has yet worked out a viable multi-racial policy ; the Central African Federation's franchise proposals, which ought to be a first step towards it, are criticised by an African contributor on page 1168. Tanganyika has been less acutely aware of the problems than has the Federation or Kenya. But, just because it is still politically at the starting post, and because its racial antagonisms are not developed, it might turn out to be the best testing ground.

The problem is to devise means, while there is yet time, by which the several races can live peaceably together, sharing the government. As things are now it is inevitable that the white minority in Kenya, the Federation, and Tanganyika should have a disproportionately large share of power. Eventually, the numbers and the growing skill and experience of the Africans must tell. The task is to move, by successive stages, to this goal ; and to treat the superior skill and experience of the white race as reasons for its permanent dominance would lead only in a circle to increasing racial stress. The test of policy in these countries, therefore, in the interests of white and black alike, is whether it genuinely leads along this multi-racial path. This is true of weighted franchise proposals such as those in the Federation ; and it is true of the so-called principle of parity—equal representation of races regardless of their relative numbers—applied in Tanganyika. These cannot be ends in themselves ; they can only serve as stages in the process of development and advance. Minority groups, white and brown, cannot carry indefinitely the same weight as the Africans who in Tanganyika outnumber them 80 to 1.

However steady and sensible the advance may be, and whatever minority safeguards may be raised on the way, Africans must come to count for most in an African state. The pace of the transition from white dominance to racial parity, and finally from racial parity to equal rights for all, is the decisive problem. It has to be recognised that the pace demanded by extreme African nationalists would be no less destructive to the concept of multi-racialism than the tortoise-like rate advocated by many white settlers. But if Africans in the three territories are to be drawn away from the policy of achieving African rule by ruinous forced marches, they will want from the white minority an earnest of their intention progressively to disperse distinctions between the races, and a clear sign of the pace at which those intentions will be carried out. The white man's own chance of ultimately retaining his share and say in government will depend upon this.

SOME of the circumstances in Tanganyika now are favourable for progress along the multi-racial path. The territory is well governed, both at the centre and in the regions ; its political future is still malleable, and relations between Europeans, Asians and Africans are still on the whole amiable. The proportion of Africans is so overwhelming that there has never been any question that the handful of Europeans should be in sole charge. There is already parity in representation among the unofficial nominated members of the Legislative Council. This could, indeed, be a blind alley, but African politicians are being gently educated in responsibility. The multi-racial United Tanganyika party, to which all but four of the unofficial members belong, recognises in its manifesto that Tanganyikan governments of the future will be largely African ; and the inadequacy of communications both with the neighbouring countries and within the territory itself (though this will not last) makes the organisation of an African nationalist movement difficult.

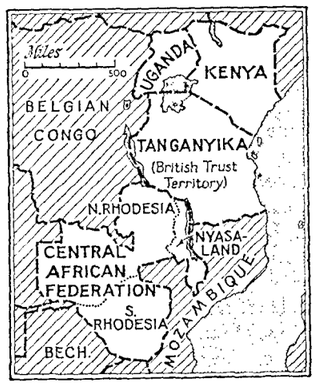
The sum of it is that Tanganyika has the opportunity to experiment in ways of government and to avoid the rigid pattern of black against white. The opportunity may be missed. Tanganyika's advantages are not permanent. If the 8 million Africans are one day to accept non-Africans as fellow Tanganyikans Europeans and Asians must give some earnest now of their belief in this common citizenship.

There is little indication that either Europeans or Asians are thinking along these lines. The small populations of settlers has not wakened to the fact that more than lip service to multi-racialism is needed if they

to retain a voice, though not the overriding voice, government. Many Europeans support the United ganyika party grudgingly and apathetically. The o or so settlers are still disposed to believe that they e a natural right in perpetuity to a part in the admin- ation of the country out of all proportion to their nbers. Only a few see how unrealistic this belief may ome in 10 or 20 years' time. The Indians do not re the European complacency. Their unenthusiastic tude towards multi-racialism derives rather from a xture of scepticism and expediency ; far less alarmed the prospect of African nationalism than the Euro- ns, they still do not want to compromise their future wearing the wrong label now. In Uganda, where re are no British settlers but where the proportion of lians to Africans is higher than in Tanganyika, there s been no suggestion that the Africans should not be control after the country becomes independent. In nganyika the Indians have staked their future there re firmly than the British, and most of them would oose to stay whatever government took over.

At government level, the impetus that had launched e country upon its multi-racial course has slowed wn in the last year or two. Sir Edward Twining's aginative paternalism has created a situation in which litical experiment is possible, though his term of office ds next year and he will be leaving before the experi- ents can be tried out. But his decision that there ould be multi-racial elections in all constituencies ring 1958 and 1959 was wise. His original pilot heme for limited elections was an inadequate gesture hich fell flat. The new scheme gives hope at last of nstitutional advance. Two years ago, in order to rn the territory's dawning political awareness into ulti-racial channels, the governor formed the United anganyika Party; but the party's programme has oved only a faint bugle call to the Africans—whose sponsibility for future co-operation among the races will be largest of all, because they are the largest of all, by far, in numbers.

The immigrant population's long-term interest lies in encouraging the Africans to think in terms of Tanganyikans, rather than in terms of black, white and brown. But this policy has no hope of success unless the Europeans give more evidence that they are thinking in the same way themselves. The rallying call of the African nationalists is their common grievance over the amount of land in non-African hands. Sisal, for instance, which is Tanganyika's main cash crop, is—not unnaturally as things are—grown entirely by non-Africans. Little more than one-tenth of the territory is cultivated at all. Although it is now in practice difficult for a non-African to acquire more land, non-Africans already hold nearly a fifth of the cultivated area, which in relation to their numbers is large. One of the first precepts of the multi-racial Capricorn Society, whose members stretch across East and Central Africa, is that land should not be reserved for ever for members of one race. A constructive and generous land policy would do more than any political pleading to take the wind out of the nationalists' sails. For the sake not only of the Europeans in Tanganyika but also of the white population in other parts of Africa, who will watch and learn from the experience, the initiative should not be delayed until it is too late.



Dining on the Deficit

Last year the British Transport Commission lost £679,000 on its railway restaurant cars, £120,000 more than the year before. Our correspondent has been trying to find out why

THE rump steak on the menu turned out to be fillet steak. Your correspondent would have been astonished at this good fortune, but for the fact that this was the Royal Scot Bar at Euston Station—and the host one of the senior executives of the British Transport Commission. But, in fairness, it must be said that the steaks at the neighbouring tables looked just as good and just as attractively served, and that for London they were very reasonably priced. As for the décor, it was quite new—not in a fly-away Festival-of-Britain sort of way, but in a sombre adaptation of the "contemporary" theme. It must not show the soot and it must also be easy to clean.

The Royal Scot Bar is one of the new restaurant bars which are being opened at the largest railway stations, and each station will also have a self-service cafeteria and a four-ale bar, thus catering for three levels of trade. The cafeteria at Euston (the old dining-room converted) is already doing a roaring trade amounting to more than the total turnover of all the other catering establishments on the station put together. It is equipped with cooled cabinets from which the traveller helps himself to cellophane-wrapped sandwiches, or cold meats and salads; and the satisfied customers seemed to your correspondent to present a contrast with the diners in restaurant cars on the trains themselves.

No topic, it seems, arouses such eloquence, such passion, as meals on British trains. It is a subject on which every man is an expert, about which everyone has a notable experience, good or bad, to recount. Usually, it must be confessed, it is bad—some bitter memory of half-a-guinea spent on a packet soup, boiled cod and parsley sauce, and a nondescript "sweet." Sometimes it is the stained jackets and dubious fingernails of the waiters that inspire the eloquence, or the difficulty of getting a drink. But the standard of restaurant cars varies very much, and against this censorious background some have had poetic experiences: the grilled chop on the train to Lyme Regis, the roast chicken on the Comet. One sentiment unites



all the customers: all are surprised that train catering, at present prices, loses money.

What has the Transport Commission to say about it all? First, that it is in the nature of restaurant cars to be uneconomic, that most European countries' railways make a large loss and with far less excuse. For British trains do not, as others do, merely carry restaurant cars on likely lines thronged with plutocratic passengers. Any decent train will carry one at meal times, and there are four meal times in Britain, let it be remembered, to every three in Europe. Whereas the poor Italians have a restaurant car for every 1,323,000 passenger miles, in Britain there is a car of some sort (buffet or dining) for every 243,000 passenger miles. Many of these cars are running on routes where they cannot hope to pay.

One reason why it is so difficult to make them pay is the high cost of labour. Chefs and waiters get the wages laid down by the Catering Wages Board, but they have to be paid special rates, not only for the night trains and for work at weekends and holidays (when they are particularly hard pressed), but also for frequent nights spent away from home. That touches on another of the railways' difficulties. Who would be a chef in a train, cooking for perhaps 200 diners (the average on "The Mancunian" is 224) in a space smaller than the kitchen of a council house? There is a general shortage of skilled cooks, so it is hardly surprising that the railways do not get the pick. And who for that matter would be a waiter, swaying down the gangway scores of times, till he gathers in the meagre tips of inexperienced or perhaps dissatisfied diners, and retires at last, stained with travel and soup, to some dreary railway lodging house?

IN your correspondent's experience, railway waiters may not be beautiful, but they are very nice. They inquire with real tenderness whether that is enough for you and whether you would like a second helping, and they usually strike the right note of friendly service, neither familiar nor obsequious. Their good manners are a credit not only to themselves but also to the railways' own training school at Marylebone. There is now talk of establishing a school for chefs also; this is surely an idea that should be energetically pursued, not only because cooking on trains is a specialised technique, but also because it is the only hope of getting enough good cooks. As for the appearance of restaurant car crews, serious thought is being given to this at the head office. They are to be issued with jackets for use when not serving. But the garb that would be most reassuring to the customers would be a white jacket; every waiter should go aboard with at least one spare one, and he should be encouraged to scrub his hands more often.

Alas, except on the postwar cars, the washing facilities are in the ordinary lavatories shared with the passengers. Your correspondent blenched at this. It is no use, however, to urge the Transport Commission to provide something better immediately. A modern kitchen-car costs £20,000 to build, and another £1,500 to equip with crockery, cutlery and glass. Cars like this are in fact being brought into service as fast as possible, and by 1960 very few cars of earlier vintage than 1950 will be used on regular trains. Meanwhile an effort has been made to modernise some of the old ones, by putting in plenty of stainless steel and plastic, more refrigeration space, and new ranges fired by gas cylinders carried beneath the car.

It is very good news that all this is being done, but is this development really on the lines most needed? In its annual report, published this week (the weightier topics in which are discussed on page 1171), the Transport Commission says that a survey has been carried out to see what is wanted. On the basis of this, four types of car are being provided. Sometimes a buffet car is provided as well as, sometimes instead of, the dining car. On a few holiday trains an experimental 5s. 6d. lunch has been served—with the result that more people were served, but the takings were about the same as at the ordinary price. On some trains, such as the "Starlight" weekend services to Scotland, and on outings arranged by firms, cold "compact meals" are served in plastic picnic boxes at from 6s. upwards. Ten thousand such meals were served in the first eight

months of last year on the London Midland Region only. But these are on the fringe ; eleven million meals were served in restaurant cars in 1956. In the main, the assumption is that most people are content to pay (since this month's price increase of 1s.) 9s. 6d. for both lunch and dinner.

PRESUMABLY some are content, but the standard meal at a standard price tends to divide the rest of the customers into two kinds. The first kind is horrified at having to pay so much more than the cost of a meal at home or in a provincial café. For them at long last some of the new buffets will be selling trays of cold ham and salad, roll and butter, a cake or cheese. This is the sort of thing that some airlines do so well, and the catering services have a big market among those who now bring their own sandwiches.

The other sort of customer is the restaurant habitué who, probably, is not paying his own bill—but is putting it down to his firm and the Chancellor of the Exchequer. What does he care about the price, so long as it is good ? On business trains most diners would quite happily pay 15s. 6d. if they could be safe from packet soups (even the best packet soups are recognisable), boiled cod and watery cabbage. The standard could be improved partly by making use of prefabricated hors d'œuvres like potted shrimps and paté ; and partly by cooking more off-stage. The railway caterers are proud of the fact that almost everything is cooked on the trains. But not all food suffers from being warmed up—casseroled dishes, for example ; and sauces and soups, already cooked at the depot, could be more ambitious. Above all, there ought to be more effort to push the drinks. Every restaurateur, except apparently those on the railways, knows that this is how to make your money.

These are some of the improvements that will suggest themselves to the layman. But the catering officers have a curious remedy—namely, to serve four courses at lunch and to charge an extra shilling for it. The arithmetic seems strange because if three courses do not pay at 8s. 6d., it is hard to see how four at 9s. 6d. can pay better. The domestic economics are strange too. The addition of another indifferently cooked course does not make a mediocre meal good, and a minute portion of fish does not seem to justify the serving and washing up. Few even of the best restaurants today offer a table d'hôte of more than three courses. The catering officers say, however, that where a four-course meal has been served it has proved very popular, and that the number of meals sold has risen in consequence. They also maintain that if they serve four courses they need not offer a choice of main course, and that this will make ordering much cheaper.

Your correspondent was not convinced by this argument, but certainly saw and heard enough to know that enormous and rapid strides are being made in improving the catering services of the railways. It is evident that the authorities' aim is above all to provide the public with a service, rather than to make a profit. But one could not help feeling that they rather too readily assumed that these aims were irreconcilably opposed.

NOTES OF THE WEEK

TELEPHONE TAPPING

Private Line?

THERE is not very much to be said for Mr Macmillan's proposal that the telephone-tapping controversy should be discussed in private by himself, Mr Gaitskell, Mr Butler and Mr Grimond ; if any wider and more formal inquiry is to follow from this discussion, privy councillors should certainly not be the principals on it. The previous privy councillors' conference on security procedure showed conclusively that, when civil servants proffer advice in secret to party leaders, about how civil servants and party leaders (when in office) should handle administrative powers which are exercised in secret, the people who assume that they are vicariously watching over the public's interests are the very people over whom the public wants to keep watch. What is needed at this stage is not a private meeting of official minds, but a continuance of the present coconut shy.

It is not a criticism of this continuing shy to say that the public is not very clear precisely what targets it is aiming at, because those targets are only gradually being revealed by the furore itself. Three things can be said about the present state of the campaign. First, one target that has been knocked down is the misuse of the transcript in the Marrinan case. Hardly anybody now defends the fact that the transcript was released to the Bar Council, and this sort of official malpractice is not now likely to happen again.

Secondly, it is not quite clear whether the use that has been made of the actual power to tap is yet a proper target for brickbats ; but one suspects that it will become clear quite soon. If the only telephone tapped in the present *cause célèbre* was that of Mr Billy Hill, then, in the circumstances of last year, this action may not have been one to keep every critic now determinedly throwing : but if his barrister's telephone was tapped too (and there have been allegations that some of the remarks in the transcript were not made either to Hill or on Hill's telephone), then the furore deserves to become immense. A third target that deserves at least some more sighting shots was revealed in a written parliamentary answer this week: it is Mr Butler's refusal not only to give the names of those whose telephones have at some time been tapped (which is understandable and proper), but also to publish the bare number of warrants issued in, say, the past five years. This unembellished figure would give precisely the sort of information that is needed to enable the public to find out how pervasive the police state is, but Mr Butler said that "it has always been the practice, in the public interest, not to disclose" it. On whose definition of the public interest, and why ?

KOREA

Anniversary Celebration?

ALMOST exactly seven years after the outbreak of the Korean war, the sixteen governments that fought on the United Nations side have decided, in spite of the armistice agreement, to import modern arms into the south. The announcement had been expected for some time. South Korean estimates of the arms build-up in the north may be exaggerated but even the Swiss and Swedish members of the Supervisory Commission agree that the communists have been importing modern arms ; the UN can only follow suit. The decision to withdraw American forces from Japan and to transfer the Far Eastern Command headquarters to Seoul provides another motive for keeping the divisions in Korea up to date.

President Eisenhower succeeded in persuading his allies that the decision was a necessary one, and he chose to announce it plainly and publicly instead of following the communists' example of rearming their forces on the quiet. The result is a challenge to the communists to prove their innocence, and they are finding it embarrassing—although they must have been expecting the UN announcement for some time. General Jung Kuk Rok spent most of his speech to the military armistice commission at Panmunjom on Sunday in saying how much better it would have been if the Americans, instead of bringing their equipment up to date, had withdrawn altogether. On Wednesday he proposed an international conference to discuss the withdrawal of all foreign troops from Korea—an obvious red herring. He reserved the right to comment later on the allegations made against North Korea, only mentioning in passing that his side had been doing everything "in strict observance of the provisions of the armistice."

The American authorities have been vague about their plans. It is not known what weapons will be imported or whether they will include nuclear warheads. President Rhee has not been as aggressive as might have been expected after the United Nations announcement ; still, the fear remains that, with the weapons at hand, he might be tempted into actions that would cause fighting to flare up again. What the Americans have done can be justified. But, since this is a time when the great powers are discussing disarmament, inspection and control, was it the most constructive thing they could do ? Might not Korea, the scene of a local armaments race under the eyes of the armistice commission, be the best place to propose a first experiment in arms inspection zones ?

NIGERIA

Sine Die

MR LENNOX-BOYD has avoided naming a date for Nigerian independence and the prime ministers of the Nigerian regions have taken it fairly quietly. They are, as had been promised, to have self-government for their own regions as soon as they want it ; and the communiqué issued at the end of the long constitutional conference (which will be followed in ten days' time by a white paper) shows that they have left themselves with a loophole for escape if they are too violently accused by their countrymen of having failed to honour their compact to win full federal independence in 1959. What is equally clear from the communiqué, however, is that they never had a hope of meeting this deadline: there are too many ticklish issues which have to be settled first and which they are keener to delegate or put into commission than to settle out of hand. Very little has in fact been settled in these discussions except (*a*) the form which regional self-government is to take for the Eastern and Western regions ; (*b*) the granting of more responsible regional government for the Southern Cameroons ; and (*c*) the wise decision to proceed to further stages of ministerial responsibility at the centre during an interim period which, it is clear, may now extend to 1961 or later.

Among the subjects not yet settled are whether, in a year or two, there are to be three, six, or more regions in Nigeria ; whether the police are to be wholly or only partially handed over to regional control ; and how revenues and financial powers are to be allocated. As expected, commissions are to be set up to examine these matters and also to delimit new federal constituencies for the next election. They will clearly take a considerable time to report, even after their membership has been agreed. The Northern Region has decided, while increasing the size of its elected Assembly, not to take regional self-government until 1959. To promise that the new federal house could fix the date for independence—irrespective of the reports of these commissions, of the experience of regional self-government and the state of affairs in the North—would have been to burden the Colonial Secretary (whoever he may be) in 1960 with a most onerous commitment. Mr Lennox-Boyd deserves congratulation for having avoided it.

It remains to be seen whether he has satisfied opinion in Nigeria, which is anxious to make a rendezvous with "freedom" even before it has decided which of many routes to take to get there. It is to be hoped that the regional prime ministers on their return will have the courage to defend the delay in final decisions, which is of their own making, to their parliaments. As in a stick of rock, the word tribalism runs right through it.

EGYPT

Egypt's Sense of Status

ANY Englishman in the Middle East last winter found when he met Egyptians that they all tackled him on the same sore point. Whether speaking in anger or in sorrow, for or against President Nasser, and whether merchant, schoolmaster, soldier or diplomat, each in his different way said the same thing: "We want to be treated as you treat Holland or Denmark, not as you have been wont to treat dependent peoples. Whatever the Dutch had said or done you would never have landed an army there nowadays, or bombed their radio."

This urge to establish a new status *vis-à-vis* a one-time paramount power seems to have been at the back of the spy trials that have just ended in Cairo. Eight Britons were on trial—four in their absence—on charges that were rated as capital. In the end five were acquitted altogether. Two —Mr James Swinburn and Mr James Zarb, a Briton of

Maltese descent—have been sentenced to penal servitude for five and ten years, respectively. The trials maintained the decent standards of Egyptian justice, but in their course Egypt has ranged itself among the countries that deliberately blur the distinction between "spying" and the common innocent action of a man of any nationality who, having picked up information when abroad, may communicate it in ordinary intercourse to some compatriot who is also an official.

Certainly in the days when British troops held positions in Egypt and were under attack, the distinction was particularly difficult to draw. But those days are over, and it is to be hoped that the Egyptian conviction that they bred a generation of Britons incapable of behaving as ordinary foreigners do will soon die, too. That Mr Swinburn and Mr Zarb should be penalised in order to prove this point to Egyptian satisfaction is a tragedy. Having made the point, will Egypt show a spirit of sufficient maturity to let its victims go before their lives are broken?

FRANCE

Six Months in a Tunnel

WITHOUT enthusiasm, the French parliament has now granted to M. Bourgès-Maunoury the money it had refused to M. Mollet: £130 million for 1957 and £300 million for next year. True, the nature of the new taxes has been somewhat altered. Less revenue is expected from the tax on stocks and more from the increased price of petrol, which goes up to 8s. 3d. a gallon. Through a combination of cuts in public spending and new taxes the government hopes, rather optimistically, to reduce the total budgetary deficit—including below-line expenditure—to about £850 million in the current year and just over £1,000 million in 1958. Clearly this will not stop the inflationary pressures. Higher transport costs and a round of wage increases, which now seems bound to come in the autumn, are most likely to be passed on to the consumers.

The prospects of closing the gap in external trade, the most urgent task of all, are not bright. Having reimposed import quotas, the government intends to act on the other side of the balance and raise exports to the level of £130 million by all kinds of guarantees and other aid. But all this will need time. The position was described by M. Gaillard, the minister of finance, in a curious metaphor: "For six months we shall be in a tunnel; then, for a year, in an ever-widening passageway; finally, we shall emerge to open skies."

But one must pay one's way even in the dark. In addition to £100 million in foreign exchange, the Bank of France will now advance £350 million worth of francs to the government. Its governor, M. Baumgartner, has promised the "anti-toxin" of credit restriction to combat this inflationary dose. M. Gaillard announced that France will ask "its friends and allies" for a loan to get it over the critical period. The chances of getting one from the United States are not good so long as the Algerian war goes on. The Organisation for European Economic Co-operation is probably a better bet. The West German government, through its economics minister, Professor Erhard, has expressed readiness to take part in such a loan, provided the French recovery measures satisfy the OEEC; what this may mean is not clear. Altogether, the franc seems at this stage as unstable as the present French government; each may be heading for a fall in the autumn.

Thin End . . .

A BILL tabled by the French government to prolong its special powers in Algeria contains an innovation: it seeks to extend the powers to all persons born in Algeria, even if they now reside in metropolitan France. When the executive was first invested with such wide administrative powers—to search and deport, to assign people to forced residence or forced labour—the measure was not approved without apprehension. But it was defended on the ground that exceptional circumstances did prevail in Algeria. Can the same argument be applied to France itself?

A distinguished French lawyer, M. Lyon-Caen, has shown in closely reasoned terms that the new provision is contrary to all French constitutional principles, beginning with the Declaration of the Rights of Man. Indeed, he sees it as a first step on a road that might lead back to the Vichy regime, to concentration camps on French soil and to arrests of all non-conformists. He thus expresses the fear, shared by some of his compatriots, that the exceptional may soon be confused with the usual and what is good for Algeria may be considered as good for France.

Fundamentally the trouble arises from the legal fiction that all Algerians are Frenchmen. No one can guarantee that the new law will be applied only against Moslem rebels on French soil. A prominent writer, M. Camus, for instance, who happens to have been born in Algeria, could be sent back to be dealt with administratively in his place of origin, should his views give offence to authority. Many Frenchmen not only distrust the new law in principle, but have doubts whether the present team can be trusted to apply it with moderation. Some of the Christian Democrats (MRP), in particular, have suggested that the government of M. Bourgès-Maunoury should be brought down on this very issue immediately after the European debate, to guard against possible abuses of power in the parliamentary summer recess.

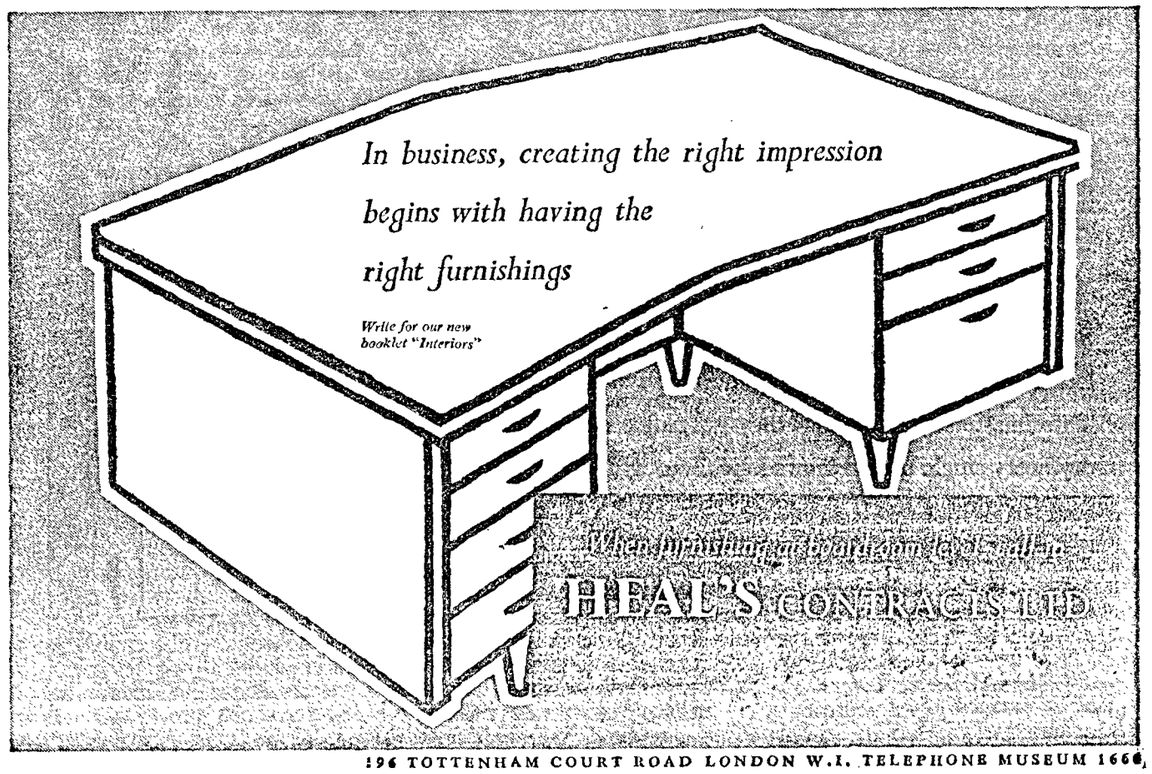
PROSTITUTION

Cry Wolfenden

THE Wolfenden committee, which is inquiring into the law relating to various kinds of sexual offences, was originally expected to publish its report this month. The fact that there has been a delay probably does not mean that there is too bitter disagreement about the liberal reform that is eventually likely on homosexuality: some advance towards making homosexual acts between consenting males no longer an offence, but with strict rules about the age of consent and the corruption of youth. But on prostitution the committee, like most other people who have studied the subject, may well be at odds, except for the view that more reclamation work needs to be done. (Even here the report is likely to cover only half the subject. Prostitution exists to supply a demand; no one tries to find out what creates the demand. The prostitutes have been surveyed, but not their clients.)

To the outsider, however, there seem to be two facts that have to be faced. The first is that laws restricting commercial prostitution will have to be kept in being—neither

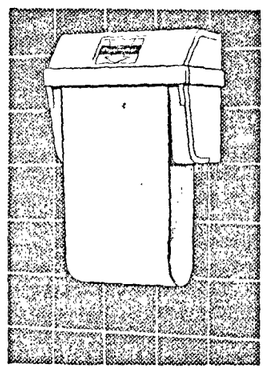
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public nor political opinion is willing to accept official licensing of houses—but that these laws are bound to be imperfectly enforced. The second fact, however, is that there are practical disadvantages in the present emphasis of British law. That emphasis is on action against all open forms of procurement, with less determined action against open forms of prostitution; the procurer is usually a much more despicable person than the prostitute. But one of the results is that London has become the most unsalubrious city to walk around at night in either North America or Europe. At present non-enforcement of the law is most transparent (and an approach to unofficial licensing of prostitutes, by means of periodic fines, most blatant) in the case of soliciting in the streets, which is the manifestation of the business that makes life most unpleasant for London's inhabitants and visitors; while enforcement is most strict against organised houses, undercover advertisement of telephone numbers, and other forms of third party pimping upon immoral earnings—even when it is pimping that keeps the nuisance off the streets.

From the public's point of view, if the object is to be to tackle the worst problem rather than merely to punish the worst people, the more convenient emphasis might be the other way round: for the police to clean up the streets without any discretion, and to keep discretion only in the off-the-street action they take—concentrating their first fire here on the empire-builders rather than the advertisers, on those who are actively spreading the trade rather than on those who are merely acting as nasty little middlemen and middlewomen in it. London's nightly spectacle is provoking a sentiment which, though depressing sociologically, had better be stated frankly, so that intelligent opinion can decide whether it will tolerate the undeniable cynicism in it: that the first step should be to try to shove some of this nuisance out of sight, provided that this is not in any way an excuse for shoving the real problem itself out of mind.

SHOPS BILL

A Game of Vice Versa

THE Parliamentary Labour party chose the first day after the Whitsun recess to demonstrate again that it has not outgrown its habit of putting its freedom of action excessively in pawn to the Trades Union Congress; it badly needs to take a leaf out of the Tories' book—*vide* the Restrictive Trade Practices Act and the proposals for freer trade in Europe—in learning how a national and democratic party should sometimes go out of its way to evince its independence from its paymasters. Labour spent this supply day debating and regretting the welcome demise of the Shops Bill, with its wildly restrictive and electorally unpopular proposals for compulsory earlier closing of shops. This debate had one minor advantage: in throwing more light on the Government's attitude to the departed bill. Mr Butler's general argument seemed to be that, leaving aside the controversy about earlier closing, the wretched thing had not been meant to be a great act of social reform, but just, in the main, a rather tedious tidying-up measure. He said that he has been studying other sections of the Gowers report, dealing with working conditions in shops and offices, and with the employment of young persons; the impression that emerged—a tolerable rather than an inspiring one—is that if there is any legislation next session it will deal with these other sections of the Gowers report, and not return to the earlier closing plan. Of any positive Government desire to roll back sectional trade union pressure, and bring in a consumers' charter, there is unfortunately no sign.

There, until the autumn, the matter rests. But the time and date of the debate inspire a midsummer reverie. Mr Robens droned on and on, making the point and threat—that the Government may be forfeiting the goodwill of the TUC in all other economic matters by this one act of dropping the Shops Bill, and that awful consequences may ensue. Suppose, in reverie, that British capitalists had asked a Labour government to bring in a bill to aid and abet certain monopoly practices; that that government had refused; and that a Tory MP had made Mr Robens's speech, substituting the initials "FBI" for "TUC" throughout. No prizes are awarded for estimating the number of times on which his speech would have been interrupted with cries of improper pressure, and of encroachment upon Parliament's sovereignty.

NORTH DORSET BY-ELECTION

Labour's Last Frontier

POLLING was taking place on Thursday in the by-election at North Dorset. This is the constituency which the Liberals (second in the poll last time, less than a 10 per cent swing from the Conservatives needed to get their candidate in) thought that they could win, and by the time that many readers have received this issue of *The Economist* it will be known whether or not they have done so. But two points emerge during the campaign which should be borne in mind when considering the result.

First, about organisation. North Dorset—a rambling, rolling constituency comprising half a dozen market towns and about a hundred villages in the countryside behind Bournemouth—was held by Mr Frank Byers for the Liberals up to 1950; even in 1951 the Conservative majority over Liberal was only 747. It is one of the very few constituencies in the country where up to now there has been no Labour party organisation worthy of the name; the story that the Liberals have a "great radical tradition" in this countryside mainly means that—because of this lack of a Labour organisation—a large number of people whom one would normally expect to vote Labour have hitherto voted Liberal there. But Labour has made a major organisational drive in South West England in the last two or three years (which has been reflected in local council election results). It now emerges as the third party, and at a good time for third parties; it is quite possible that the recent dulling of the feeling that one must never waste one's vote by voting for the weaker opponent of the party one most dislikes—a dulling which in other by-elections has helped the Liberals—may in North Dorset hurt the Liberals and help Labour.

Secondly, about candidates. The Conservatives have proffered a large, brisk, efficient colonel, who is a definite advance on some other Conservative candidates at some other recent by-elections. The Liberals have proffered a youthful revivalist; he may have been too revivalist—bumbling around in the heatwave getting more excited than most ordinary people about the iniquities of the hydrogen bomb—but he has made speeches in many villages that the other two candidates have not reached. Labour has proffered

the same schoolmaster as before, and he does not sound very exciting.

Over the country as a whole, a larger proportion of former Conservative voters are probably willing to drift into the Liberal camp than the 5 or 6 per cent who, on the evidence of other recent by-elections, at present seem willing to drift into Labour's. But (a) the Tories can still hope that the willingness to drift is less pronounced in marginal seats; (b) the Tories in North Dorset have some advantage over the other two parties in their local candidate; and (c) Labour's organisational improvement could split the anti-Conservative vote. By the pricking of one's thumbs, rather than by straight psephological comparisons with recent results elsewhere, the conclusion must be that the Conservatives will be in an even bigger mess than one had supposed if they really have lost this one.

DAILY HERALD

How Much Licence?

It is an appalling commentary on the present artificially high level of costs in Fleet Street (and on the conventionally low level of British newspaper prices that any "popular" national daily with a circulation of below two million seems at present fated to lose money. The trade union movement, which on its industrial side has a considerable responsibility for the level of costs, has now revealed some of its plans for making it possible to look for ways of meeting the problem on its newspaper magnate side. These transactions will be watched by all other newspaper men with interest. The first part of the new arrangements for the *Daily Herald* announced this week—with the TUC "granting a licence" to Odhams to publish the paper—is merely a sensible tax dodge: Odhams' accountants will now be able to set off the losses on the *Daily Herald* against its group profits on other ventures. It is surprising that this has not been done before. Secondly, however, discussions are to proceed on the "safeguards" under which this licence is to be granted: this means on how much of its present control over content the TUC is willing to cede. Presumably the TUC will not make too many difficulties about how much of the paper is to be concerned with Labour political news and views, and how much with what Odhams regards as more entertaining stuff; gradually, over the last few years, the TUC has already ceded a lot of this control over allotment of space. What will be interesting, however, is to see how far the TUC insists that the part which has remained as political content should continue to be so unvarying tied to its own orthodox views on every subject. By its insistence on this orthodoxy hitherto, the TUC has been cutting off its own nose. No editor or writer on current affairs can keep up verve and enthusiasm in his job if he feels that he has a committee looking over his shoulder at every sentence he writes; the result of the TUC's tight censorship has been that the battered political writers on the paper have gradually lost not only journalistic sparkle, but also some of their influence and inspiration within the paper to the Odhams "entertainment men"—which is precisely the reverse of what the TUC presumably wants.

If Transport House cannot shake off enough of these inhibitions, then the new arrangements will be of little avail. If, however, an editor with Labour views but with freedom to think for himself is allowed to start experimenting with the paper—in the same way as all Conservative papers, including the *Daily Telegraph*, veer off their party line at times—the *Daily Herald* will not stand to lose any of its faithful political readership; they have nowhere else to go. And such livelier journalism might just conceivably—although not by any means certainly start to attract enough new readers, and with them advertisers, to make the paper economic. But the plan so far is only the first sighting shot in the *Daily Herald's* struggle (in which it is not alone) for survival.

VIETNAM

A Note from Hanoi

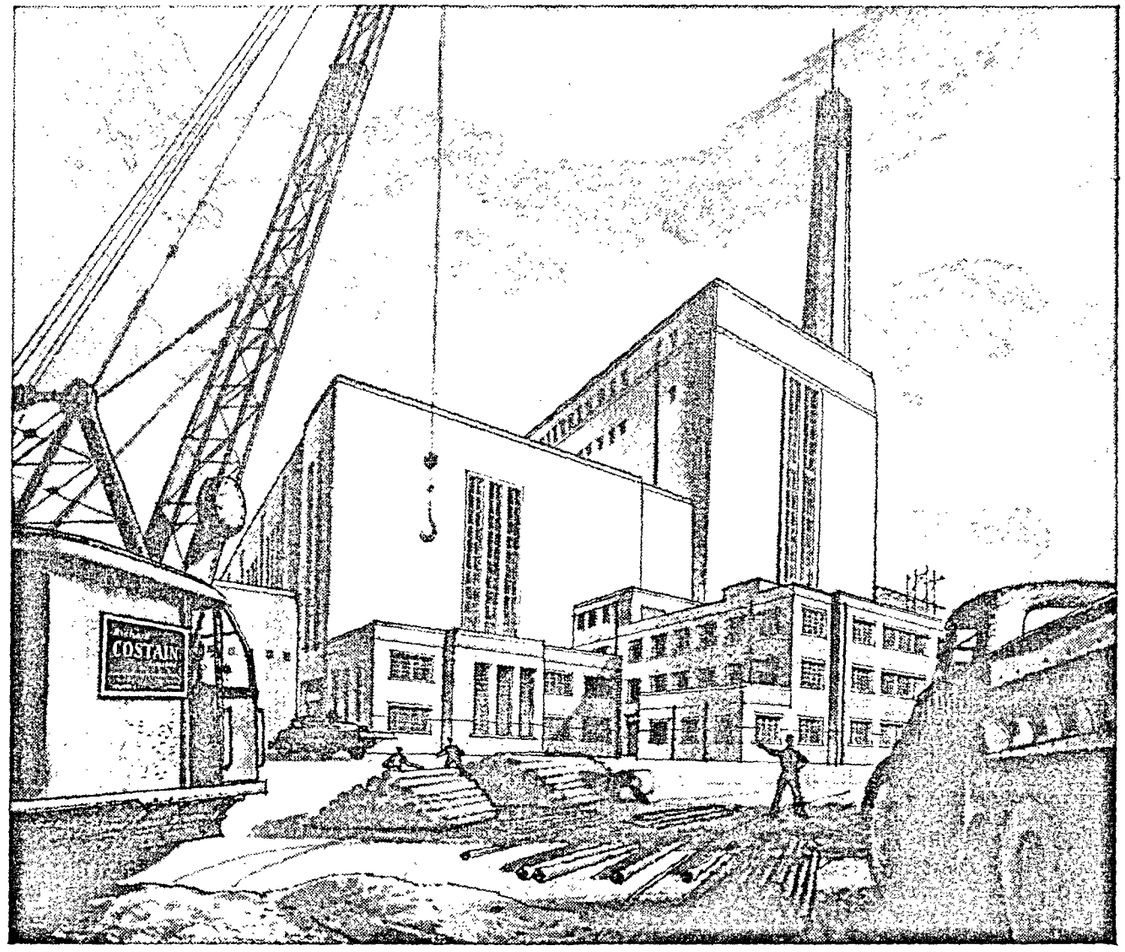
The government has not yet taken action on the Note from the north Vietnam prime minister, Pham Van Dong, calling for nation-wide elections, "as laid down" by the Geneva agreements of 1954; these were the agreements that put an end to the Indo-China war by dividing Vietnam in two. The Note, dated June 8th, was addressed to the co-chairmen of the Geneva conference—the foreign ministers of Britain and Russia.

Britain does not recognise the communist government in Hanoi and is not bound to take cognisance of its latest Note. But there are complicating factors. The Viet Minh Note, which again alleges violations of the Geneva agreements by the Diem regime in the south, refers to a letter from the three-nation commission charged with "supervising" the observance of the agreements in Indo-China. There has not yet been any official mention of a recent letter from the commission, but it is no secret that difficulties have arisen between the commission and President Diem's government.

The commission complains that the government has denied it facilities for investigating arrests of "subversives" in the south. The Viet Minh complains that such arrests violate the Geneva agreements. The southern government replies that most of the complaints are vexatious, and demands *prima facie* evidence before investigating specific cases. This demand is not unreasonable, as the dividing line between "legitimate" and "illegitimate" arrests is often tenuous. The determining factor is whether or not those arrested were fighting with the Viet Minh at the time of the Geneva agreements: if they were, victimisation is alleged.

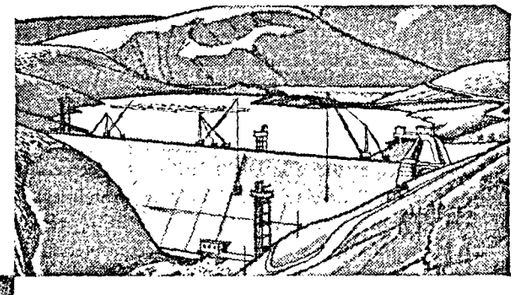
If the commission has indeed written to the co-chairmen, the British Government is bound to reply. It may have been stirred at least to make its position clear by the pinpricking speeches of a party of Labour MPs who recently visited Hanoi by invitation of the Ho Chi Minh government. The statements they have made, in Hanoi and Moscow, in the press, and in the Commons, notably those of Mr Harold Davies and Mr William Warbey, cannot be distinguished from Hanoi's propaganda. Indeed, Hanoi's hospitality and its latest Note suggest that the Viet Minh is acting on its own, without prompting from either Peking or Moscow, in a matter which both consider secondary.

Further action on the Geneva agreements appears unrealistic and undesirable in the near future. The Diem government has always denounced the agreements, to which it was not a party. But it would improve its case in the eyes of the world if it allowed greater freedom to political opponents and refrained from reprisals against the press at the slightest hint of criticism.



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CHINA TRADE

Relaxing the Embargo

All the major west European governments have now followed the British lead and relaxed their embargoes on trade with China, bringing them roughly into line with that on trade with Russia. The Chinese have answered the British gesture by placing an order of £100,000 with the British Motor Corporation for Austin products; they had been dangling the possibility for some years. A delegation from west Germany is to visit China in a few weeks to negotiate terms of trade and payments; and Italy has eased the way for an expansion of exports to China by liberalising payments arrangements as well as by relaxing its embargo. Outside the United States, only Australia and Japan, of the nations most concerned with China trade, have not yet moved. But now that Mr Kishi's visit to Washington is over, Japan, too, is expected to follow the crowd. The schism in "Chincom" between the United States and its allies has become plain for all to see.

Now that it is complete, tempers can cool and realism reassert itself. China's economic difficulties may not permit the traders of Europe, after their first bout of orders, to get the big results from the relaxation of the embargo for which some of them once hoped. In the Chincom committee negotiations are now beginning to determine the size of quotas for the goods on "List 2," goods which may be exported in limited quantities under the embargo; the European members of the committee may reasonably make a friendly gesture to the United States by establishing fairly tight quotas. The United States, on the other hand, is showing an increased interest in trade with the rest of the Communist block, though not with China. Last week it relaxed formal restrictions on 200 non-strategic exports to the Soviet Union and other east European countries. And a spectacular American exhibit at the Poznan Fair this month marked the growth of American efforts to sell food and consumer goods to the Communist world. But on China trade, Washington is unlikely to budge, at least for the present; for the feeling is still strong that China, not Russia, is the greatest political and economic threat to stability in the world.

DENMARK AND NORWAY

Honest John Goes North

Denmark and Norway have now both accepted the American offer to equip their armies with two types of rocket missile. One of these, the Nike, is an anti-aircraft missile with a conventional warhead; the other, Honest John, is a ground-to-ground projectile with a range of 15 miles which can take either a conventional or a nuclear warhead. The defence ministers of both countries have emphasised that they are not accepting nuclear warheads, which in any case cannot be supplied by the United States under present American law. In consequence there has been little opposition to the decision and even the ultra-neutralist section of the Danish radical party apparently does not intend to push its demand that a referendum be held before Denmark accepts rockets or nuclear weapons. The public has not taken much interest in the issue; the defence minister, Hr P. Hansen, chose to make his announcement when public attention was focused on the government's compulsory savings scheme.

Moscow radio has reacted by reminding the Danes and Norwegians of the "friendly warning" against arming with atomic weapons which Marshal Bulganin gave in March; it added the comment that the decision was the thin end of the wedge—"rocket weapons now; atomic weapons next." But so far there have been no signs of a stronger protest from the Soviet Union.

GHANA

Circumstances Alter Appointments

Another ex-minister and former whip has achieved a governor-generalship. This time it is Lord Listowel—probably the first time that a Labour politician has been given such a job by a Conservative Government. Comparisons are inevitably invited—although in some Labour circles they will not be—with Lord Hailes's appointment to

The Economist

JUNE 27, 1857

WORKSHOP OR SCHOOL?

The great conclusion arrived at by the Educational Conference, which met on Monday, under the Presidency of Prince Albert, and closed on Wednesday, under the Presidency of Earl Granville, was that "the children of the working classes are removed from school too early"; and the great practical object aimed at by the general action of the Conference was to prolong for the children of the working classes the period of school education. By making the schools better, and by all other means, these children are to be kept longer at school than at present, and kept longer away from work. The influence of the school is to be augmented, and of the workshop diminished. We cannot place our individual experience in opposition to that of all the teachers of youth there assembled, and can only state our own convictions. But we have observed that there are many necessary trades—and probably all—such as those of firemen, engineers, smiths, miners, colliers, sailors, etc., etc., with which the mind must be familiarised in very early youth, or they can only be learned with great difficulty, or are disliked and never are well learned. To all these kinds of drudgery men are doomed. They can only live, and society can only be sustained, by such labours. Easier, pleasanter, lighter, more agreeable, mingled with various intellectual enjoyments they may be, but performed they must be; and to prevent boys from learning them when young and getting familiar with them, to teach them something else as of more importance than the proper fulfilment of these tasks, is to render them, in our judgment, proportionately less fit for the purposes of life and less happy in performing its duties. It is an avowed attempt to train up children, otherwise than in the way in which under the guidance of their parents they now go, and to train them in a way in which they cannot possibly continue to go. This is the avowed object. They are to be prevented for a season from learning their business. Work must be done, and those who have to do it should be trained to do it, and trained to do it well, and trained to like it. . . . Make these necessary occupations as remunerative, as little irksome, as delightful as possible, but do not teach the young that they are to be avoided. Do not counteract nature by making her necessary tasks, to which at least she reconciles man, difficult and hateful. Above all, do not teach youth, by throwing contempt on the business by which they must live, to despise it, and despise their parents who now perform it.

the West Indies. As a matter of fact, Lord Listowel's appointment in no way detracts from the criticism of the earlier appointment; although Lord Listowel is a former Secretary of State for India and Burma, and was once Minister for Colonial Affairs, both men lack the day-to-day administrative experience for the job that ideally ought to be done.

• Although Ghana is independent, while the West Indies are only on the way to becoming so, it ought to be apparent that the ideal governor-general for the new dominion would be one able to give rather more advice and guidance at this stage than is normal nowadays from a governor-general in, say, Australia or Canada. This it is doubtful if Lord Listowel has the experience to give, but his appointment is a frank recognition that such advice would be resented; African leaders are quick to forget their debt to Sir Charles Arden-Clarke. The sort of governor-general Dr Nkrumah wants is one who will not interfere with his determination—supported, among others, by the ex-Labour MP, Mr Geoffrey Bing, who is one of his unofficial constitutional advisers in Accra—to manage his new constitution "in an African way"; the sort of governor-general the Commonwealth Relations Office has wanted is one with a reasonable name, plumage and title. In the circumstances, this appointment gets over some awkward hurdles in Ghanaian and Commonwealth relations, and everyone concerned—Dr Nkrumah, the Commonwealth Relations Office, and Lord Listowel—should be congratulated in a subdued but hearty tone.

THE UNIVERSITIES

A Tripos for Executives

In a report of the Cambridge General Board issued last week a proposal is made for establishing a new tripos of honours standard, in which the undergraduate would spend two years on an arts subject and the final year on science. There will be many to oppose this idea (as they did the introduction of Modern Greats at Oxford) on the ground that a university is a place for specialisation. But the Cambridge idea is to make the separate fields of study narrower, not to make them superficial.

The proposal deserves a welcome. Throughout industry and the civil service, decisions with scientific implications are being made by arts men who are ignorant of the principles involved and completely in the hands of their experts. This used to be thought perfectly proper, because the expert himself would have too narrow a view; but it is absurd now that science has become so all-pervading and so incomprehensible to the layman. The employment of scientists in a managerial capacity is much more common than it was, but this is not always the right answer; even if they have the necessary breadth of vision it is a waste of their expertise. It may be argued that this course will not attract the best brains, and no doubt the more scholarly will continue to prefer unadulterated arts or science. But these are not necessarily the people who make the best administrators. Even if the new tripos does attract some of the dimmer sort of undergraduate, a course of wider scope will surely make of him a more useful citizen. That industry, at least, is likely to be impressed by the proposed new degree is foreshadowed by employers' interest in the products of North Staffordshire university, where some science is included in every degree course.

Not the least of the advantages of establishing this course at Cambridge would be to stop the schools' bad practice of making quite small boys and girls concentrate on three or four subjects only, their eyes fixed firmly on the scholarship requirements of Oxford and Cambridge.

A Middle East Survey

The regional supplements in which the economic research staff of the United Nations add local colour to the annual World Economic Survey are useful documents because of their succinctness; nowhere else are so many composite tables so handily set out. But as a portrait of a region they leave much to be desired because they have to stick to the facts which member states provide. Written by the international servants of national masters, they can utter no warnings at points where figures fail to tell the whole story, so that a dam unstarted at A but scheduled to cost $100 million may bulk larger than a hundred finished artesian wells already supplying water to farmers at B.

For instance, the annual volume on the Middle East published this week* gives the following data about the settlement of peasant smallholders: in Iraq, 15,500 farmers on 550,000 hectares (up to the end of 1955); in Turkey, 252,000 farmers on 1,292,000 hectares (by the end of 1956); in Egypt, 90,000 farmers on 121,000 hectares (by September, 1956); in Iran, 8,251 farmers on 100,000 hectares of the Shah's estates (by the autumn of 1955). But nothing is said of the quality imparted to each venture by the kind of settler chosen, the amount of teaching made available to him and the accessibility of the credit without which he is unable to make his new start; these three criteria are important—far more important than any figures—to an assessment of the schemes most likely to increase the national product quickly.

One interesting point about the volume published this week is its survey of the effects of the Suez crisis on the area in which this took place. Just as a power cut hurts New York more than it would hurt Jericho, so it was industrialised Europe that was, with one exception, hardest hit by the canal closure. The local exception was Iraq. Whereas the other oil-exporting countries of the Middle East had all virtually recovered their pre-crisis rate of export by March, 1957, the Iraqis, for lack of the destroyed pumping stations on their Mediterranean pipeline, were still exporting less than half their September output.

An unusual and interesting table estimates the amount of dry cargo that each Middle Eastern country exports and imports via Suez. This shows that only countries to the east of the canal were much affected by the closure. Of these, Iran, Iraq, Saudi Arabia, the Sudan and the Persian Gulf sheikhdoms use it for more than 70 per cent of their imports but—apart from oil—the only countries that use it for exports in any quantity are the Sudan (70 per cent of total exports) and Iran (40 per cent). Both percentage figures are for 1955—a year in which cereal crops were exceptionally poor throughout the area. In a good barley year Iraq, too, would appear as a significant canal user.

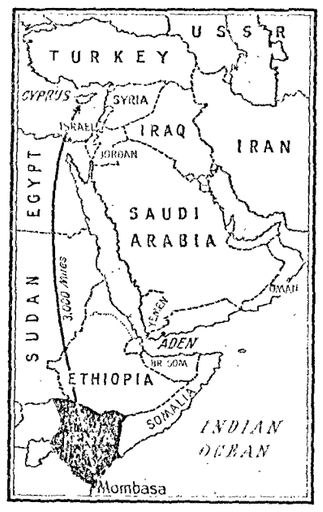
Much has been made, in all recent comment on Middle Eastern trade, of the shift in balance from western Europe to eastern Europe and the Soviet Union for both exports and imports. In fact the shift (excluding that in armaments) is marked in three countries only, Egypt, Iran and Turkey—a selection that suggests that the trend is not wholly political. In the first half of 1956, there was an absolute decline in imports of the area from eastern Europe and from the Soviet Union—"the only area in which a decrease occurred."

*Economic Developments in the Middle East. Supplement to World Economic Survey, 1956. United Nations. New York. 1957.

KENYA

Looking for a Base

Among the casualties of the Suez campaign was the entire structure of British ideas about bases in the middle east. Malta proved too far away for the air force; Cyprus proved inadequate for the navy; Aden proved to be impossible for everybody; and President Nasser wound up the agreement to activate the Suez base itself in any other sort of emergency and bagged at least £100 million worth of stores and installations. Mr Sandys, after stating in the defence white paper that some intermediate bases would be necessary under the new nuclear defence plan, has since been on an overseas tour to study the wreckage. It looks as if he is favourably impressed by the idea that all previous plans had better be scrapped and a new combined services base created in Kenya.



The advantage of Kenya is that it would be a good place to maintain and train the overseas army. But there are inadequate facilities for the navy in the hard-pressed port of Mombasa. From the RAF point of view, though Kenya would be adequate to train in, it is very far from the most likely scenes of operations; the RAF has always insisted that it needs Cyprus and Aden, though even these give inadequate flying room for modern fighters. This difficulty might be overcome by means of base usage agreements with the French. But the cost would be high—and one idea of the white paper was to economise. To retain all the bases on a reduced scale would be more expensive still—but some of the service commands are probably pressing for this.

Politically, the Europeans in Kenya would welcome the creation of a base, as this would in their view strengthen them politically and militarily—besides producing a new source of income. Accordingly, the African leaders must be expected to oppose it. But by the time they come anywhere near to achieving political power, the strategy of bases is likely to have changed again, and the British taxpayer will be shelling out somewhere else.

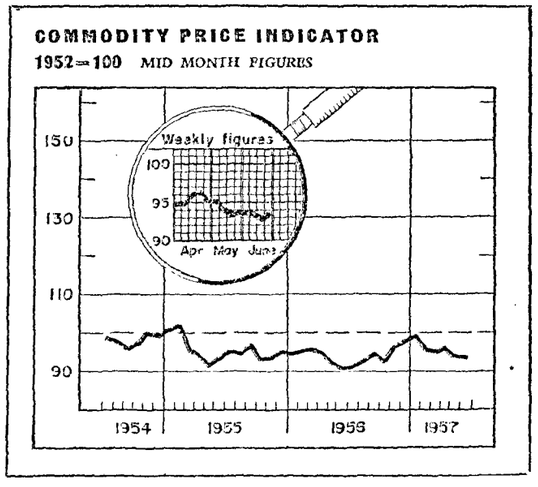
GERMANY

Socialist Champions of Competition

On foreign policy, the German socialists are appealing to the electors as the champions of a new approach. But in domestic affairs, the programme which their leaders have just proclaimed seeks, not to reverse Professor Erhard's liberal policies, but to go one better in the same direction. There is not a word about nationalisation; the nearest hints of greater state intervention are demands for a more vigorous atomic power programme, a more judicious anti-cyclic budget and a reorganisation of the "jungle" of social insurance. The socialists proclaim "free economic development and free competition"; they demand a more vigorous law against cartels, and, to hold down prices, not price controls, but greater imports and tariff cuts. They are appearing as the champions of liberal economic policies and mild reform.

This abandonment of the dogmas that still haunt much of the European left is not new. In parliament the Social Democrats have several times proved the heartiest supporters of Professor Erhard in his efforts to attack cartels and to free imports; it has been the farmers and industrialists on his own side who have flown protectionist colours. Encouraged by the obvious success of free market policies in western Germany and by the ugly spectacle of the state-run economy across the Elbe, socialist party congresses in the last few years have been marked by a growing approval for liberal notions in economic policy and a retreat from Marxism.

There is still a Marxist element, though dwindling in the party. And electoral considerations have no doubt helped finally to oust all mention of state-ownership even in its milder forms from the party's programme. The Social Democrats cannot hope to form a government alone next October. To attain office they will have to coalesce with others who cannot be expected to swallow the idea of a state-run economy. *Marktwirtschaft* has come to stay.

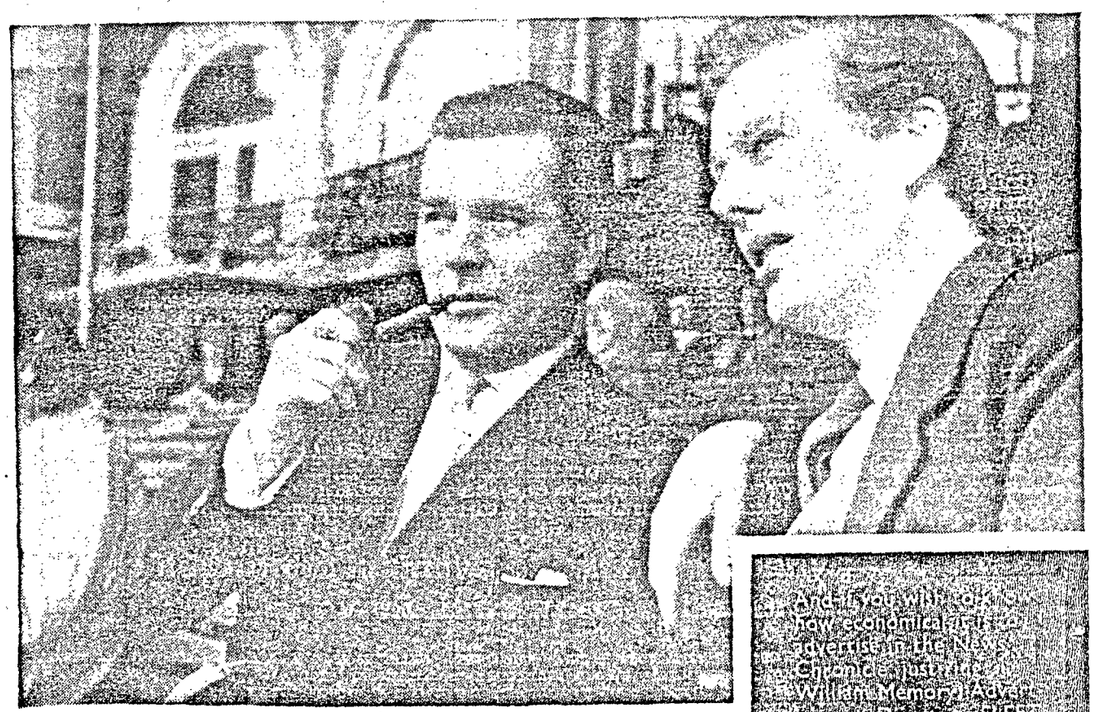


Overheard at the Oval

"That's what my advertising agent said."
"I didn't know he watched cricket."
"He doesn't. He was discussing my appropriation. He said it isn't the amount of expenditure which counts so much as spending it in the right place. For example, there are some parts in the country where people have more to spend than in others."
"The industrial areas? That's obvious I should have thought."
"But what aren't so obvious are the papers to advertise in to be sure of full coverage in these areas. Take the eight main industrial areas, for example, including Greater London."
"And what papers does your agent recommend to reach them?"
"The papers which come out top in the *I.P.A. Survey. The Mirror, the Express and the News Chronicle. Concentrate on those three and you can pretty well guarantee blanket coverage where you want it. The News Chronicle is an absolute 'must', of course, because it appeals to the type of reader who likes to make up his own mind and knows good value when he sees it."

"The secret, of course, is to place it where you want it"

* The Independent Survey conducted by the Institute of Practitioners in Advertising.



NEWS CHRONICLE
AND DAILY DISPATCH

LETTERS

Giving Devils their Due?

SIR—Members of the Bar will be grateful to you for calling attention to the underpayment of interlocutory work and to the plight of the junior Bar, many of whom, even after years at the Bar, work for rates of pay (in a buyers' market) which an unskilled manual labourer would spurn. These are matters of public concern, since the high standards of the High Court Bench depend on recruitment from a small, hazardous and, generally, poorly paid profession. I read, however, with some surprise the concluding part of your note, asserting "that some senior legal luminaries are overpaid for a lot of work they do not do." I am puzzled to know the foundation for it. It has been true of the Bar, throughout its long history, that it comprises a relatively large number (possibly because entry is too easy) who make so little that many have to give up practice, some who, with luck, survive that stage, and the few at the top who are chronically overworked. It was Rufus Isaacs who said, "The Bar is never a bed of roses. It is either all bed and no roses, or all roses and no bed." His working day generally started around 4 a.m., the hour at which the late Sir Valentine Holmes, when at the Bar, often finished his day's work. Since the war, a number of leading "Silks" at the English Bar have had to give up practice on pressing medical advice that they could no longer sustain the pace required of those in heavy practice, and others have found salvation in elevation to the Bench.

The only way open to a "Silk" whose services are in excessive demand is to raise his fees, but the work he undertakes demands personal responsibility, which he can neither share nor delegate, intensive attention, and generally the sacrifice of sleep on a scale and for weeks on end, so far as I know, unparalleled in any other occupation. The suggestion that such members of the Bar are "overpaid for a lot of work they do not do" is mischievous and, in my opinion, unfounded. The respect in which I have held your paper (save over one recent public issue) is such that I consider it a matter of concern that such a statement should gain currency in your columns. For reasons of professional etiquette, I ask to be allowed to subscribe myself—Yours faithfully,

Temple QC

Poland's Road to Socialism

SIR—I have read with interest your balanced summary of Mr Gomulka's latest pronouncement. As far as I know conditions in Poland, you drew the right conclusions. Conferring the powers of the Yugoslav workers' councils, to which you made a passing reference, you did not. The workers in Yugoslavia are very far from having "taken over the factories," and for the following reasons:

1. All factories, mines and every other enterprise belong to the national community, i.e., to the state.

2. The relevant state authorities (mainly City and District People's Committees) have the statutory right to rescind any decision by a workers' council, if they deem it incorrect.

3. The councils and indeed the managements are severely restricted in their functioning by a plethora of federal or regional regulations, covering such important matters as wages and salaries, prices of raw materials and finished products. This limits the much-publicised power of the councils to distribute bonuses to no more than roughly 5 per cent of the value of wages.

4. Elections for workers' councils are held annually. This causes a rapid turnover of personnel and prevents the councils from establishing a permanent and effective control.

5. Both managements and councils have communist party members in executive and other key positions. No important matter is debated by the council unless it has been previously discussed and decided upon by the factory committee of the communist party. This practice turns the appointments of various executives, foremen, etc., officially controlled by the council, into an empty formality. The party is the real decisive factor here and elsewhere.

But despite all these limitations the Yugoslav workers' councils have come to stay and are playing a certain role in the economic life of the country (it must be stressed that they have not, and are not supposed to have, any political influence whatsoever). If a trend towards more genuine industrial and even political democracy should take place in Yugoslavia, they could easily become the focal points for the grouping and gathering of all those social elements who would be in the forefront of the struggle for more freedom. It should not be forgotten that the Hungarian workers' councils, which proved such an efficient and successful instrument in the Hungarian revolution, were modelled on the Yugoslav pattern.—Yours faithfully,

University of London GR. TSAMBLAK

Euthanasia of the Non-Rentier

SIR—One does not expect *The Economist* to sympathise with the socialist case for the euthanasia of the non-rentier, but you might at least refrain from distorting it. So far as I am aware, the Labour party has never rested its case for the state acquisition of equities upon the fact that at a time of inflation they provide a way of maintaining real income. Indeed Mr Gaitskell, despite occasional references to this fact, has always rested his case upon much wider grounds.

Thus he has argued that the present distribution of property results in disparities of income which are linked neither to need nor effort, that it bolsters a too rigid class structure, or that it provides some with a way of contracting out of their fair share of the tax burden, etc. In addition to which it has been increasingly maintained by socialists that the recent growth of internal finance and institutional investment has done away with the need for that mythical beast the rich and thrifty risk taker.

To all these arguments, of course, there are no doubt answers. One can only wish that *The Economist* would provide some of them—instead of attacking "a splendid aunt sally" which is largely its own invention.—Yours faithfully,

WILLIAM MCCARTHY

Merton College, Oxford

Rhodesia

SIR—It has become distressingly obvious to many people, both inside and outside Central Africa, that the cloak of liberalism donned by Sir Roy Welensky and the Federal Government has become increasingly threadbare and tattered. The Prime Minister's latest proposals

Canada's Immigration Policy

A CRITIQUE

DAVID C. CORBETT

Thousands of young people from Britain alone are eager to emigrate to Canada. But—what groups of persons are admitted as immigrants, and what groups are rejected? How is immigration policy administered? What effect does immigration have on Canada's economic development? These are some of the important questions discussed in this book.

University of Toronto Press 32s. *net*

Outline of Monetary Economics

A. C. L. DAY

The author provides a survey of modern macro-economic theory and British and international financial institutions, which is designed to give undergraduates the basic framework of this side of economics. Throughout, the attempt is made to relate theory and institutions to one another, and to present the theory in as dynamic a form as possible. 35s. *net*

OXFORD UNIVERSITY PRESS

for a franchise qualification of £700 a year are but a symptom of his retreat from liberalism. Indeed, Mr Garfield Todd, the bold and tolerant Southern Rhodesian Prime Minister, seems to be the one and only dominant personality in the Federation who is capable of standing up to right wing opposition. As one Federal MP said recently, Sir Roy appears to be adopting the Dominion (opposition) Party policy whilst Mr Todd "sticks to his guns" for partnership and a common roll. It may well be that the Government lost the recent Mrewa by-election more through insincerity than through any attraction that the Opposition has for the electorate.

Although you will appreciate that ill-informed overseas talk results in nothing but useless irritation here, it is also true that we do not resent honest intelligent criticism. Many of us consider that the British Government will be failing in its duty if it does not warn Sir Roy of its misgivings over the dangerous path that he is now following.—Yours faithfully,

Ndola, N. Rhodesia C. D. SMITH

★

SIR—In a note on June 15th, you remark that under Sir Roy Welensky's franchise proposals "African votes could not be expected to account for more than about a third of the votes in any constituency." In fact, with a roll based on an income qualification of £700 a year, Africans are unlikely to number a third of 1 per cent of the voters who would elect the ordinary members of the Federal Assembly. And they are the only members in practice eligible for a government post.

A wider electorate, with an income qualification of about £240 a year, would elect most of the remaining quarter of the Assembly. Southern Rhodesia has a common voters' roll on this basis now, and Africans on it are about 1 per cent of the total.—Yours faithfully,

R. J. D. ACHESON

Mufulira, N. Rhodesia

Mr Mboya Rampant

SIR—In his letter in your issue of June 15, 1957, Mr Mboya states:—

> Your article further implies that some of my speeches have been directed at stirring up the Africans to violence, threatening the Government or advocating non-co-operation with the administration.

and then he goes on to claim that such allegations have not been substantiated.

This is not entirely true. Kenya Hansard of May 23, 1957, pages 222 and 228, and of June 6, 1957, pages 489 to 491 and pages 495 and 496, refer to several inflammatory statements allegedly uttered by Mr Mboya, which he was invited to correct, withdraw or confirm. This invitation received little or no response from him and certainly left me with the clear impression that he is unrepentant and quite happy to leave on record the distasteful and harmful words attributed to him.—Yours faithfully,

Nairobi R. S. ALEXANDER

BOOKS

Their Lordships' Servants

The Development of the Treasury: *1660-1702*

By Stephen B. Baxter.
Longmans. 310 pages. 45s.

THE Restoration saw the beginnings of the Treasury as a modern department of state. Earlier Treasurers had carried out their functions with the help of their own servants. But from the reign of Charles II it became normal practice to put the office into commission, and the organisation could no longer rest on men hired by a single magnate. A regular staff of clerks grew up under the Secretary, responsible to the Lords Commissioners as a body. They did not change with their masters; and yet, as a new formation, they had not the freehold of their jobs or the rigid rule of seniority which reduced aged offices like the Exchequer to futility. New men, like Lowndes, could rise high by merit; and the incompetent or dishonest could sometimes be dismissed. The result was an agency that was primitive by our standards, but less primitive than many others that were still functioning; and its accumulation of experience of its own and everybody else's business (always the key to Treasury prepotency) enabled it to step to the front.

This is the story that Mr Baxter tells, with scholarship and in fascinating detail. At first one jibs at the care with which he follows the career of clerk after clerk. But as the facts accumulate the picture becomes constantly clearer; and to any contemporary student of the Lords Commissioners of HM Treasury and Their quaint ways, it is a fascinating story.

The substance may be different, but the technique is curiously familiar: the constant care to keep in touch with all that happens; the accumulation of power based on knowledge as much as purse-strings; the control of appointments; and, above all, the recognition that, in this country, public money and politics are almost synonymous. The Treasury loses battles with equanimity, but never surrenders: so, in those days, it did not flinch from opposing the King's desires, but never to the point where it must give in. Then, as now, it was a highly political department; then, as now, it controlled but did not execute. One difference of manners may be noted: the King used to come to the Treasury (it was said in one minute that he had been "called in"), whereas now the Chancellor of the Exchequer goes to Chequers for the weekend. But the Queen's chair is still in the Treasury, should she need it.

When one looks at the differences, one wonders whether life has greatly improved. Modern techniques have increased the power of government in two ways: we can run larger offices and we can create money. Are these benefits? In those days, when money was absolutely short, no one was hampered by the quaint and modern convention (now universally accepted in theory, but only since Mussolini reformed Albania by force of arms) that state debts are paid on the due date. The Government's activity was therefore controlled by the discount on their tallies: not a bad thing. Much of the revenue was dribbled off in places and pensions to those who wielded power; but at least they were so few that it could be done without crippling taxation, and many of them gave value for the bribe—they refrained from governing. Corruption and excessive fees flourished; but, as Keynes once said of the Stavisky scandals, in some states of society bribery is the most acceptable form of taxation.

Perhaps it is sentimental to look back on those times as an age of gold; but one can envy the narrow scope of their economic government. And, if many of our ancestors' assumptions seem extraordinary today, the current doctrine of the Public Accounts Committee may seem as queer and irrelevant to our descendants as the Ancient Course of the Exchequer.

Vicious and Virtuous Circles

Economic Theory and Under-developed Regions

By Gunnar Myrdal.
Duckworth. 180 pages. 18s.

THIS is less a consecutive book than a set of essays held together by two major strands; a socio-economic thesis and an ethical assumption. The thesis, broadly speaking, is that equilibrium is bunk; so far from economic events typically setting off corrective reactions they are typically cumulative, a matter of vicious or virtuous circles. Notably, the free play of market forces makes cumulatively for economic inequality; not necessarily, as in Marxist theory, between exploiting capitalists and exploited workers, but between the inhabitants of different regions. Within unified states, this inequality is countered by deliberate state action, through national social services, transport facilities, and so forth, and also by what Mr Myrdal calls the "spread effect," which is a generalised social version of the Keynesian multiplier. As between nations, however, inequality increases unimpeded, and will continue to do so until, in the teeth of market forces, some equivalent to intra-national equalising policy is adopted.

The ethical assumption is that inequality as such is immoral, regardless of any absolute levels of wealth or poverty or of any causal connection between them; the world's wealth is properly to be regarded not as the sum of individual or group production, accruing to the individuals or groups concerned, but as an undifferentiated quantity of welfare at the disposal of abstract Justice. This is, of course, the familiar socialist argument, according to which permission to retain one's own earnings is a free gift from the Chancellor of the Exchequer; Mr Myrdal is merely being logical, which national socialist parties rarely are. His logic, however, does not carry him to the point of advocating a redistributive world welfare state; his message to the richer countries is that they must, at whatever immediate inconvenience and loss to themselves, both help the poorer countries to develop and acquiesce in the necessarily damaging policies that development requires them to pursue.

This is the central argument; around it there cluster loosely a number of disquisitions on value judgments in economics, on colonialism, on the criteria of national planning, and on international trade. All are stimulating, all are valuable, and all display an almost comic duality between the ivory-tower idealist and the practical observer—the latter again and again demolishing in a single throw-away paragraph the contentions of the former, the former continuing majestically on his way without apparently noticing that he has been demolished. Had the balance been the other way a good book might have been very much better.

Presidential Blue Chip

Theodore Roosevelt and the Rise of America to World Power

By Howard K. Beale.
Johns Hopkins University Press. London: *Oxford University Press.* 621 pages. 48s.

THE stock of Theodore Roosevelt is rising. He is becoming something of a blue chip on the historical exchange and the nadir of his reputation, which was reached with the publication of Henry F. Pringle's life in 1932, followed by the transfer of the magic of the Roosevelt name to his nephew-by-marriage, is long past. This able book will help further to boost TR's reputation, though possibly not for the reasons given by Professor Beale.

One reason for the TR boom lies in the intrinsically attractive character of the man. His courage, versatility, readiness to take risks, to get out of the rut, to make a fool of himself, but on a big scale, recalls Sir Winston Churchill. The publication of his admirable letters has shown us the most versatile and cultivated President since John Quincy Adams or even since Jefferson (how TR would have detested the parallel). Compared with him, even Wilson and Hoover were narrow; FDR nearly illiterate.

But there is another reason for the favourable assessment of the first Roosevelt that deserves stress, for Professor Beale notes it but does not approve of it. In this iron age, an American politician who was a master of words but not a slave of them, who understood the primary importance of power, who, without despising moral issues or even moral platitudes, knew that domestic morality was not, in itself, an adequate guide for the conduct of foreign policy, is seen as a welcome change from political preachers, as a man who understood the necessities of his times better than a Presbyterian stickit minister like Wilson or—but no names no pack drill. This view gets neither adequate treatment nor adequate sympathy from Mr Beale. He acquits Roosevelt, rightly, of the charge of mere rashness; he talked and walked noisily, but unlike the ruler with whom contemporary opinion continually compared him, Wilhelm II, he was not really indiscreet or rash. And if Roosevelt's own claims have to be written down a bit, Mr Beale successfully asserts his right to be regarded as an important political force in the making of peace between Russia and Japan, in the Algeciras conference and even in destroying any delusions of omnipotence in Caribbean waters that the Germans may have held. Even the generally discredited "ultimatum" story is to some extent rehabilitated.

But Roosevelt did not believe in the genuine equality of states; some were more equal than others. He believed, if not consistently in racial superiority, in the combination of right and might. He would have held today that exploding an H-bomb was necessary for admission to the club of really sovereign states. He may have helped to make the world we live in so unpleasant, but he did not expect the world to be pleasant. On his positive achievements it is harder to make a positive judgment. His intervention in the Russo-Japanese war was attacked both for preventing Russia from having its necessary and beneficent revolution (Mark Twain's view) and for giving Japan delusions of grandeur (General Leonard Wood's view). His role at Algeciras was attacked as being too pro-French and as being, in any case, a departure from sound American policy. He bullied the decrepit Manchu rulers and yet was unsympathetic to the revolutionary movement personified in Sun Yat-sen.

This is the basis of Professor Beale's criticism; yet it could be argued that Roosevelt's hardboiled scepticism was just what the situation needed, that he would never have fallen for Madame Chiang or seen Kuomintang China as a serious great power. A world ruled by TRs is dangerous; so is a world ruled by people like President Eliot of Harvard or Andrew Carnegie. Anyway, it is easier to like TR than either of these critics. This is a timely book, even if it may convert some readers to views deplored by Mr Beale.

Question Unanswered

In the Court of Public Opinion

By Alger Hiss.
John Calder. 424 pages. 25s.

THIS is undoubtedly the least impassioned book that has been written on this fascinating but unsatisfactory case. It is likely to be a great disappointment to all those who have maintained their belief in Alger Hiss's innocence and have been waiting for the day when something would turn up to bring Whittaker Chambers and his whole story crashing to the ground.

But although at first Mr Hiss's professional detachment from his own story is intensely irritating, and the seventeen lines of "personal comment" that he allows himself at the end are intolerably prim, it is difficult to see, on reflection, how else he could have handled this effort to clear himself. In the absence of startling new evidence which would make it obvious to all that he had been wrongly convicted, the best he could do was to work his way through the mass of documents and transcripts, pointing out inconsistencies wherever they are to be found in the prosecution's case (which is uncomfortably often) and making the best he can of the disgraceful behaviour of the forces ranged against him. This method has, however, the disadvantage that Mr Hiss does not appear to be trying to demonstrate his innocence but only to prove that the evidence against him was not sufficient to justify a verdict of guilty. The only new evidence—the famous "forgery by typewriter"—is certainly ingenious, but the tests do not seem to the layman to have been taken far enough to justify the conclusions of his appeal counsel.

The best that this book can probably do for Mr Hiss is to increase to some extent the misgivings that those who followed the case closely, either in the court or in the press, felt about the verdict. These misgivings arose from the certainty that the social and political climate of the period—and the antics of the Committee on Un-American Activities—made a fair trial impossible. Things have been changing for the better, as recent Supreme Court decisions have proved, and it would be interesting to hear what the Vice President of the United States thinks today of Congressman Nixon's threat, after the first trial, to investigate the judge and the four jurors who voted for acquittal. But even today the doubts about this strange case remain. It is possible to pick many holes in the evidence of both Mr Whittaker Chambers and his wife and to be convinced that it did not justify the verdict, but one uncomfortable question remains. What was Alger Hiss doing in that galère anyway? Nothing in this book answers that question.

Uncommon Road from Nowhere

Emergence from Chaos

By Stuart Holroyd.
Gollancz. 222 pages. 18s.

THE blurb indicates that the publishers wish this book to be compared with their recent best-seller, "The Outsider," by the twenty-four-year-old Mr Colin Wilson. Mr Stuart Holroyd, they blandly announce, fascinated and surprised them by being only twenty-three. Perhaps it is salutary to remember, before we succumb in awe before these prodigies, that Gilbert Murray at twenty-three was appointed Professor of Greek at Glasgow. But maybe it is more awe-inspiring to tackle the chaos of contemporary culture than to win an early reputation as a fine scholar. In any case, Mr Holroyd's book does him credit. He has read more systematically than Mr Wilson; he has a better sense of construction; and he writes with greater lucidity.

Six poets have been chosen to exemplify different modes of reaction to the contemporary chaos. (Whitman, incidentally, seems a bit anachronistic). All of them, on Mr Holroyd's thesis, have found religious solutions to the problems of self-realisation and self-transcendence. But his definition of religion is a thoroughly pragmatic one. For him it is "anything a man can live by; and in being lived it finds its truth." Thus Dylan Thomas, Whitman, Yeats, Rimbaud, Rilke and Eliot are all presented as essentially religious men, for "a religious man is one who maintains his inner life at the highest possible pitch of intensity." Sinner and saint are merely obverse and reverse of the religious soul, and far closer to one another than they are to *l'homme moyen sensuel*.

But when all is said and read, we may wonder what precisely is the point of examining how these poets have resolved their personal predicaments. The book is not intended as an exercise in literary criticism so much as "a plea for the rediscovery of a religious standard of values." Now we may agree that such a rediscovery is most desirable and most urgent, without being convinced that poets are the best people to help an ordinary man to get his bearings. A poet may indeed be "the most sensitive register of contemporary sensibility." But a poet's solution has no universal validity; it is likely to be extremely personal and provisional. Only when a poet accepts a way out of chaos that other men have trodden can his findings be of very much relevance to the average thoughtful man. Indeed, Mr Holroyd has to admit that the solution found by Mr Eliot—a return to orthodox Christianity—is the soundest way to religious truth for "those of us who are not mystics."

In spite of occasional naïvetés, like the definition of heresy as "a nineteenth century movement which has been accelerated in the last fifty years," or the assertion that Rimbaud was "a being free from original sin . . . exempt from the common lot of mankind," this is a thoughtful book by an intelligent man, who seriously cares about spiritual values and reads his poets perceptively.

Canadian Staple

The Fur Trade in Canada: *An Introduction to Canadian Economic History. Revised Edition*

By Harold A. Innis.
University of Toronto Press. London: *Oxford University Press.* 474 pages. 68s.

THIS great book, first published in 1930, laid the foundations of Canadian economic history. In it the late Professor H. A. Innis developed those fundamental and fruitful concepts which a whole generation of economists and historians has used in analysing and interpreting the significant characteristics of the Canadian economy. His intensive study of Canada's first great continental export staple brought to light the key role common to all such staples, showing how both the entire economy and the political superstructure are geared to their demands.

The fur trade used a sophisticated European technology in combination with the indigenous technology of the Indians (canoe and paddle, snow shoe and sled) in exploiting the massive resources of the vast Canadian wilderness to satisfy the demands of European industrial centres. This meant correspondingly massive capital outlays and elaborate organisation. These in turn produced the rigid costs and unadaptable productive capacity leading to the centralised control and monopolistic tendencies characteristic of continental economies, in contrast to the flexibility and competition typical of maritime economies. Returns were unpredictable; they fluctuated violently, with the ups and downs of harvest and with human problems (such as Indian wars and smallpox epidemics); with the exhaustion of easily accessible resources and the spasmodic opening up of new resources; and with shifts in demand in the European markets. The decisive role of the Canadian Shield in Canada's development, and the competition of rival gateways to the continental interior (the Hudson River and Mohawk gap to the south and Hudson Bay to the north) with the St. Lawrence gateway, meant that "the present Dominion emerged, not in spite of geography, but because of it." The fur trade of the St. Lawrence reached clear across the continent, to the polar seas and to the Pacific. Its axis became the backbone of the Canadian nation. It endures in the transatlantic British connection. "The northern half of North America remained British because of the importance of fur as a staple product," which, like wheat, linked Canada across the ocean to European centres in contrast to the newer staples, such as pulp and paper, which forge links to the south with American centres within the continental system.

Professor Innis's untimely death prevented him from revising "The Fur Trade in Canada" himself for a new edition. Two colleagues have incorporated the marginal notes he made over a long period into footnotes and an appendix, which embodies additional material and notes of many stimulating generalisations and questions. To have the new material is useful. To have the book itself, so long out of print, once more available is invaluable.

SHORTER NOTICES

The Breakdown of Nations

By Leopold Kohr.
Routledge and Kegan Paul. 256 pages. 30s.

Professor Kohr, born a subject of the Habsburg Empire, now occupies a chair of Economics and Public Administration in the University of Puerto Rico. Perhaps there is here the germ of a biographical explanation for the simple and (to him) satisfying solution of all the world's problems, political, social and economic, which he propounds in this curiously maddening little book. Big states are bad and make wars; big business is bad and fails to make profits. Physics and biology show that big is bad and little is good. If we think we are better off than our forefathers in smaller societies—this too is an illusion; they had domestic servants, at least professors did. It all goes to show the possible impact of one good idea upon a jumble of miscellaneous learning when a complete absence of humour is added in. It is all like a long essay by one of those too-precocious sixth-formers any schoolmaster can recognise, complete with lovely maps to show what Europe would look like if turned into a federation of its (natural) small units and how the United States would be turned into a grim camp of contending *Grossmächte* if the regionalists got their way. Oh, happy Puerto Rico. . . .

BOOKS RECEIVED

THE GREAT VILLAGE: *the economic and social welfare of Hanumabada, an Urban Community in Papua.*
By Cyril S. Belshaw. *Routledge and Kegan Paul.* 320 pages. 30s.

EXISTENTIALISM FROM DOSTOEVSKY TO SARTRE. Edited, selected and introduced by Walter Kaufmann. *Thames and Hudson.* 319 pages. 12s. 6d.

This is the latest publication in the Meridian books series.

THE COMMON LANDS OF HAMPSHIRE. By L. E. Tavener. *Hampshire County Council.* 130 pages and 3 maps. 21s.

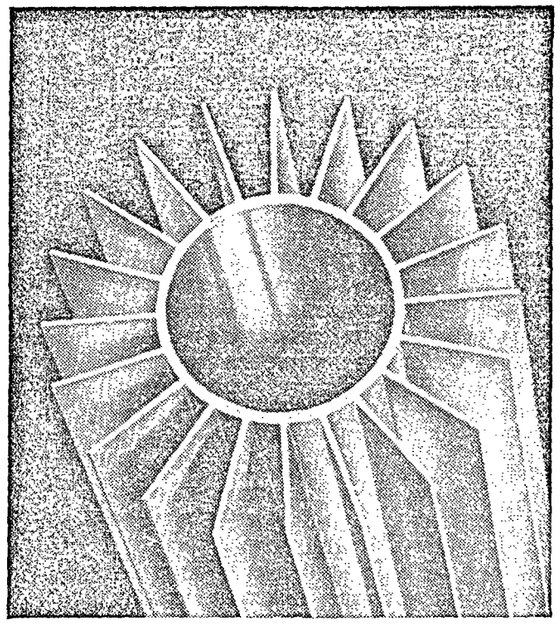
THE GROWTH OF PUBLIC EMPLOYMENT IN GREAT BRITAIN. By Moses Abramovitz and Vera Eliasberg. *Princeton University Press.* London: *Oxford University Press.* 164 pages. 30s.

PROGRESS IN LAND REFORM. *Second report.* Prepared jointly by the Secretariats of the United Nations, the Food and Agriculture Organisation and the International Labour Organisation. London: *Her Majesty's Stationery Office.* 198 pages. 14s.

The book contains an analysis of replies by governments to a United Nations questionnaire.

A SHORT HISTORY OF INDIA. *Fourth edition.* By W. H. Moreland and Atul Chandra Chatterjee. *Longmans.* 606 pages. 30s.

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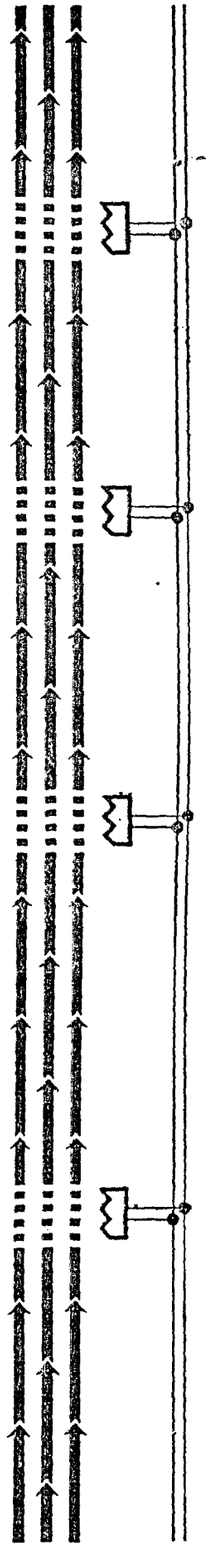
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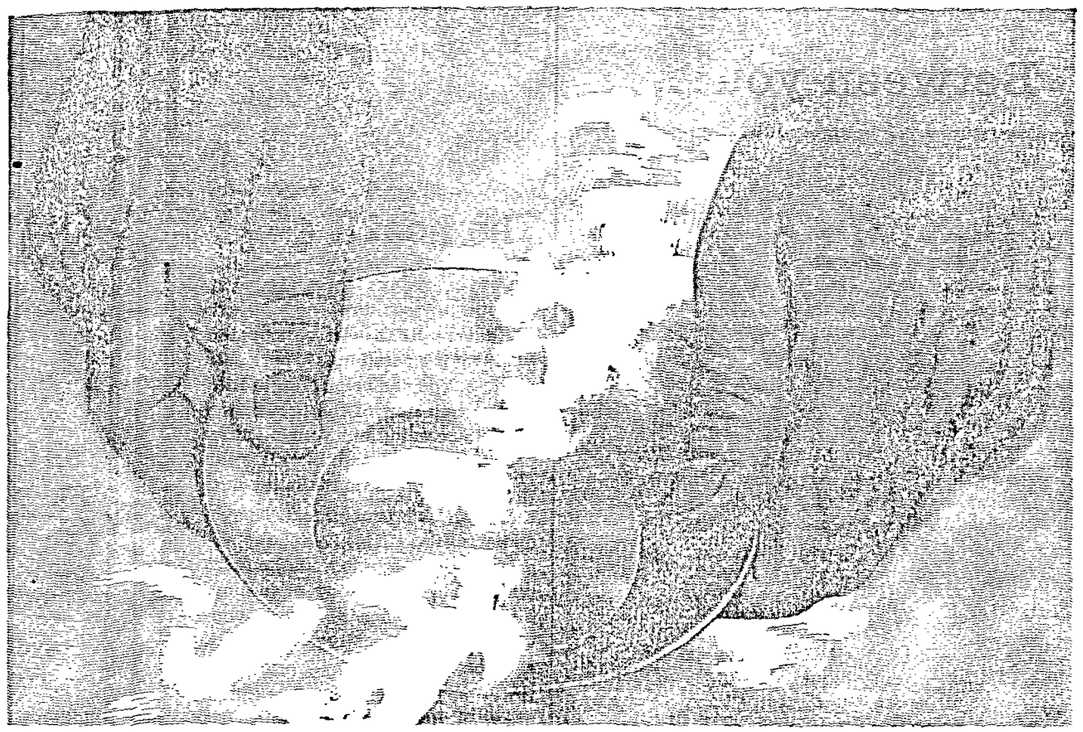
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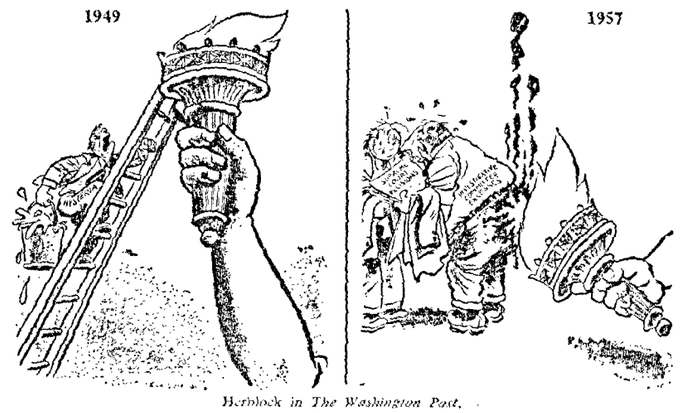
AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Court for Freedom

WASHINGTON, DC

THE United States Supreme Court does not relish the political limelight. Unlike congressional committees, which schedule their most colourful hearings with an eye on the deadlines of the *morning* and afternoon press, the court, with bland disregard for the machinery of modern newsgathering, still announces its decisions orally, from the bench, beginning at noon, an hour originally selected to permit lawyers to make their way to the courthouse on horseback. Mondays are decision days and the term runs from October usually until well into June. Towards the end of May, the delivery of opinions (read aloud or summarised, often with evident pride of authorship, but always from a prepared text) may last through most of the four hours that the court sits—punctuated only by an awkward half-hour recess for lunch at two o'clock. The most difficult decisions are frequently left for the last two or three weeks, since they require the greatest effort to secure agreement among at least a majority of the justices on the precise shape and content of the opinion—a process referred to irreverently by the Justices' law clerks as "*getting a court.*"

LIBERTY'S TORCH



Herblock in The Washington Post.

In the last few weeks, half a dozen decisions, sandwiched in among the routine cases on technical points of lawyers' law, have brought the court into the unwelcome limelight for the third time in the last generation. In the mid-thirties the court sought to veto the social legislation of the New Deal but only succeeded in checking it briefly, and came under threat of losing its independence in the process. More recently, the court has tried to speed up the process of racial integration in the South. Southern resentment was sharp and bitter, but the peak of that attack on the court, which was never more than regional in scope, has apparently passed. The current series of decisions, unrelated to each other except in their political effect, puts significant limitations on authoritarian trends in American government, which some have deplored as disturbing long-established traditions of individual freedom, and others have approved as essential to overcome what they regard as the serious dangers of ideological subversion.

That the court should play a part in the drama of American politics important enough to earn critical notices, both good and bad, is inevitable, despite its efforts to avoid the centre of the stage. Ever since Chief Justice John Marshall established the court as the oracle of constitutionality, in the early days of the Republic, it has possessed the power to affect the course of political decisions. This power cannot long go unexercised, although the court is genuinely reluctant to exercise it, realising that, unlike the legislative or the executive branch, it has neither the power of the purse nor of the sword nor a constituency to which it can turn for support. Any assertion of authority is likely to be met with more hisses than cheers.

As Mr Arthur Krock, the conservative commentator of the *New York Times*, points out, several of these recent cases state broad principles of law, which will have to be qualified as later decisions prick out the line of their practical application. In the Watkins case, perhaps the decision which has received the most publicity this term, the court called a halt to the roving inquisitorial activities of the notorious House Committee on Un-American Activities by deciding that each congressional committee must specify in advance, to a reasonable extent, the scope of each investigation that it undertakes, so that witnesses can decide whether questions put to them are pertinent to that inquiry, and so that the courts can, if necessary, review the propriety of a witness's refusal to answer. But decisions on later cases will have to spell out how specific an investigating committee must be.

Similarly, in the Jencks case, the court held that the now-famous reports of the Federal Bureau of Investigation are not exempt from the general rule in criminal cases that the defence may inspect previous written reports of information obtained from a witness for the prosecution, in order to look for possible inconsistencies with the testimony of the witness at the trial. If the trial judge agrees that these prior statements are in fact pertinent and inconsistent, they may be

introduced in evidence. But it will take a good many more cases to decide just how much of the FBI files must be made available and under what circumstances.

In a quite different area of the law, the court's decision to separate the twin industrial empires of the du Pont Chemical Company and the General Motors Corporation, it remains to be seen how the principles of the decision will be applied to smaller firms, in situations where the facts concerning size and marketing relationships are less clear-cut. Lastly, when the court overturns a statute, as it did in holding that dependents of military personnel accompanying them overseas cannot be tried by courts martial, at least in capital cases, it may leave a vacuum that only Congress can fill. The intervening confusion is troublesome, but inevitable in the tri-partite governmental process. By contrast, the court's decision in the Californian Communist cases represents an almost inevitable, limited retreat from the broad extension of congressional power in the Dennis case, in which the Smith Act was first held constitutional.

A PART of the responsibility for the court's bad press falls on the nine Justices themselves, not so much for what they have decided, as for the way they have expressed their decisions. It is more myth than reality that the law advances by imperceptible steps, never looking beyond the case in hand. Even the ancient common law developed unevenly by occasional bold moves, followed by cautious consolidation, and the court's role in shaping high policy, as well as its considerable freedom to decide which cases to accept for consideration and which to reject without deciding the merits, make its course even more irregular. The art of opinion writing has grown up, in part, to rationalise this development, and to minimise the swings. Unfortunately, the spokesmen for the present majority, and Mr Justice Brennan in particular, have not shown themselves masters of this art. Nor has their cause been helped by Mr Justice Clark, now the persistent dissenter. Justice Clark is generally regarded as the weakest member of the court, but his intemperate dissenting opinions have provided ammunition for even more intemperate critics.

In the school desegregation cases the court was extraordinarily fortunate in reaching unanimity; in the court crisis of the nineteen-thirties, five-to-four divisions were almost the rule, and a shift of one vote could change the course of decision. The present majority on issues of individual rights and liberties is more solid by at least one vote, although the six Justices who tend to agree on the stand they should take cannot always see eye to eye on the reasoning by which that stand should be reached. Their internal differences are not surprising, since they are an oddly assorted lot: three Roosevelt-appointed Democrats, Justices Black, Douglas and Frankfurter, and three Eisenhower Republicans, Chief Justice Warren, and Justices Harlan and Brennan. What is encouraging is that six men drawn from both political parties, from the four corners of the United States, from grassroots politics, corporate law, and the academic world, have been able to reach substantial agreement on one of today's major political issues.

It is encouraging also because in the past the court's willingness to take a stand on these issues has generally marked the end of a period of hysteria over real and imagined threats to the national security. The court has not been prepared to lead the way back to saner attitudes, but it has been quick to perceive the first signs of a reversal of popular sentiment.

Mr Kishi Gets Results

THE communiqué issued after the Japanese prime minister's three-day visit to Washington contained one unexpectedly concrete announcement: that, as a result of Japan's growing military strength, the United States felt able to reduce its forces in Japan substantially during the next year, beginning with a prompt withdrawal of all ground combat troops (about 30,000 men). The decision fits the general trend of American defence planning, although no other similar withdrawals have as yet been fixed, and was apparently made some time ago; but it was not published until last week to give Mr Kishi something definite and pleasant to take home from his visit. Coupled with the establishment of a special intergovernmental committee to study the treaty, so irksome to the Japanese, which governs the position of American forces in Japan, this should reduce the heat generated by the argument over which country is to try Specialist Girard, the American serviceman who accidentally killed a Japanese woman. In any case, at the moment this is a more burning question in Washington than in Tokyo; the Supreme Court has postponed its summer recess in order to review the ruling of a lower court that this soldier is accountable only to the American authorities.

Mr Kishi did not achieve any satisfaction of his strong desire for a return of control over the Ryukyu and Bonin Islands, although Japan's "residual sovereignty" there was reaffirmed: On the other hand, the United States recognised even if reluctantly, Japan's determination to follow the example of Britain and liberalise controls on trade with Communist China. On the matter of American restrictions against imports of Japanese goods, the President could offer little except sympathy, but the present state of the disarmament talks enabled him to be more encouraging about the Japanese demand for an ending of nuclear tests.

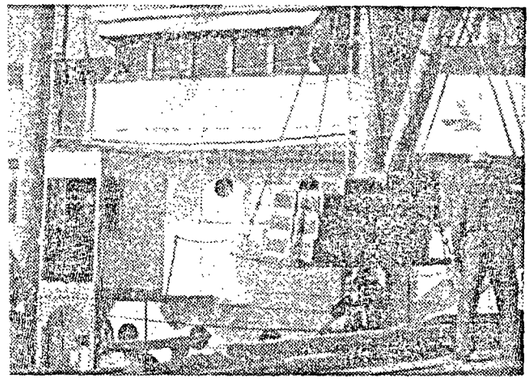
Mr Kishi's proposals for economic development in other Asian countries are only being studied, but he seems to have been promised substantial help for his own economy, although this was not mentioned in the communiqué; altogether, it is said that he hopes to get credits amounting to about $500 million from various sources, mainly for the purchase of cotton and other farm surpluses. But the chief achievement of his visit, underlined by his golf match with the President and his visit to a baseball game in New York, was that Japan was welcomed as an independent ally, and Mr Kishi as a valuable friend, of the United States.

Tight Money's Worth

INTEREST rates last week obligingly rose to the highest levels in a generation as Senator Byrd and other Democrats on the Finance Committee opened their arraignment of the Administration's monetary and fiscal policies. The Treasury bill rate reached 3.4 per cent, the largest yield since the banking holiday of 1933; the prices of government bonds fell to new lows; and even corporations with impeccable credit ratings found lenders able to demand not only the highest interest rates in over twenty years, but concessions on prices and refunding arrangements as well. This week the Treasury offered $3 billion worth of 9-month tax-anticipation certificates for new money to tide it over July, when revenues are always low, and it has nearly $50 billion

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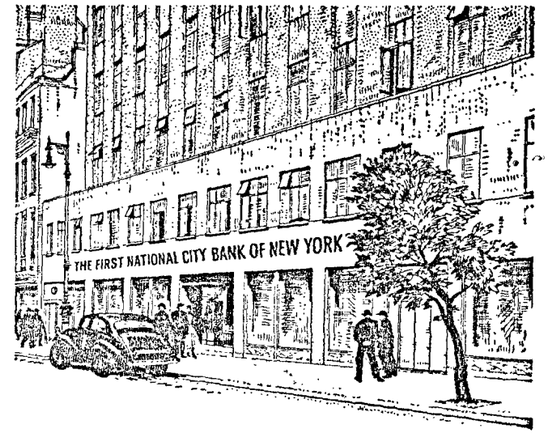
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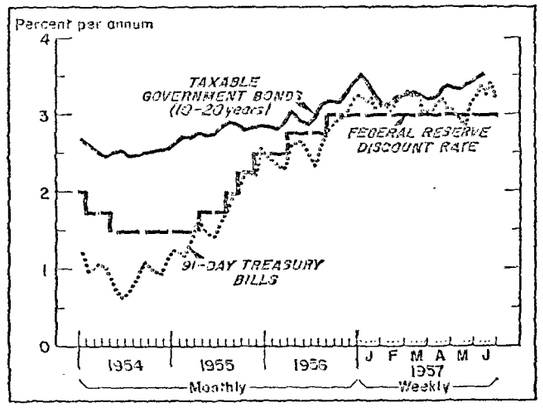
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of refunding to do in the coming year. Unless private borrowing is choked off, money is likely to become tighter than ever and demands in the Federal Reserve System for a rise in the 3 per cent discount rate will become more insistent.

Nevertheless, the inquest which the Democrats had hoped to perform on the stewardship of Mr Humphrey, the retiring Secretary of the Treasury, has been impeded by the corpse's enthusiasm for fighting back. As the first witness



Mr Humphrey came armed with 50 pages of argument that high interest rates were due to the excessive demand for credit born of prosperity and that tight money's function of curbing that demand was worth every penny it cost in terms of higher interest on the government debt and private borrowing—if it kept prices stable as it has until the last year or so. Mr Humphrey had to make certain admissions, but he was an effective witness, the more so since his questioners are trying to prove such different themes : Senator Byrd that government spending should be cut, for example ; Senator Gore that private borrowing should be allowed to rise ; and still others that a free interest rate is an unsocial way of allocating available resources.

The vigour with which the Democrats have made off with the monetary inquiry which Mr Eisenhower proposed last January is due, indeed, to the fact that it is almost the only issue on which the progressives and the conservatives of the party can criticise the Administration without coming to blows among themselves. But with so many different axes to grind, the committee is not likely to compare even remotely with the Aldrich Commission of 1908 which is the model upon which both the President and Senator Byrd hoped the inquiry would be patterned. It may, however, last for months, or even years, if it seems to be paying political dividends.

More—but Fairer—Security?

WASHINGTON, DC

THE report of the commission on government security established by Congress, which has occupied the twelve commissioners and a professional staff of more than fifty for eighteen months, runs to 807 pages and cost three-quarters of a million dollars. Its style is ponderous, its analysis shallow and its most fundamental premises are taken for granted. Yet the wonder is that so many practical suggestions for improving the security system should have been made by little-known men appointed by politicians at a time when the political atmosphere was unfavourable. It is an encouraging demonstration of the democratic process at work, and is approved by the Civil Liberties Union.

The core of the report is the assumption that the screening of all government employees should continue indefinitely, and indeed should be applied more strictly and more widely. The commission proposes the establishment of a Central Security Office, with a corps of examiners and other apparatus for the application of Parkinson's Law to the security business. But it would provide several important new safeguards for the individual. Applicants for government jobs would be given an opportunity to hear and answer any security charges against them, instead of being told that the "opening is no longer available." A suspended employee's pay would be continued, so that he could afford to fight baseless charges. Hearing boards would be given the power to subpoena witnesses and informers would have to appear unless they were professionals in the pay of intelligence agencies. The report also recommends a return to the old system of treating loyalty and security—or suitability—cases separately ; this may draw attention to those accused of disloyalty, but it lifts an unjust stigma from the majority who may be guilty of nothing more than a wagging tongue. The industrial security programme, which deals with employees of private firms engaged on secret government contracts, would be confined to a smaller number of workers.

Two recommendations have, rightly, caused alarm. One would provide criminal penalties for the knowing disclosure of secret information, subjecting newspaper reporters, for the first time, to jail sentences for taking advantage of government leaks. The other, which Congress is unlikely to accept, would make evidence of subversion obtained from wire-tapping admissible in a court of law, provided that the Attorney-General had authorised it. The report also endorses the present passport controls for American citizens and the controls over alien visitors laid down in the McCarran-Walter Act, which is not surprising, since Mr Walter was one of the members of the commission. In general, however, the authors of the report have shown considerable ingenuity in settling their differences and their work holds out hopes of a fairer security system. But it offers very little encouragement to those who fear that the incubus of security investigation is here to stay.

Hell's Canyon Breaks Loose

AFTER three fruitless efforts to reverse the Administration's decision to let a private firm, the Idaho Power Company, build a series of small dams at Hell's Canyon in the northwest, the tide turned last week on this symbolic battlefield. The advocates of a single high federal dam for the country's greatest remaining source of water power won the approval of the Senate by 45 votes to 38. Last year the vote was 51 to 41 the other way. Since then voters in the northwest have spoken out against private development. But the Senate probably listened harder to Mr Kefauver's investigation of the tax privileges granted by the Administration to Idaho Power.

One of the arguments for private development is that it costs the taxpayer nothing. But Mr Gordon Gray, the defence mobiliser, sold this pass when he decided that Idaho

Power, like many other electricity firms before it, should be allowed, under the law adopted during the Korean war to stimulate industrial expansion, to deduct much of the cost of its Brownlee and Oxbow dams from its taxable income during the next five years. The normal practice with a dam is to spread such depreciation over fifty years. The firm stood to save $30 million at once, although in later years its taxes would be higher. But the interest on the postponed revenues makes the total cost to the government $83.5 million. Moreover the emergency for which rapid depreciation was designed is long over. For this and other reasons Mr Seaton, the Secretary of the Interior, advised Mr Gray not to give such tax privileges to Idaho Power. Mr Gray not only disregarded Mr Seaton's advice; he also tried to conceal it until the Administration decided to make a clean breast of the affair. Just before the Senate vote, the company also had a change of heart and renounced its embarrassing tax relief. But by then the appearance of favouritism to a controversial firm had already damaged the Administration's position.



Hell's Canyon would still be firmly in private hands, however, if five Southerners had not switched their votes, and this story is just as embarrassing to progressives. Senator Morse indignantly denies that there was any deal "to sell Negro rights down the river," but he was one of six liberal Democrats who voted with the South, fruitlessly as it turned out, to send the House civil rights Bill to the Senate Judiciary Committee, its traditional burying ground. Partly because of this dubious manoeuvre, Hell's Canyon represents a political, rather than a true, victory. Moreover, it is doubtful whether the House will follow the Senate's example and virtually certain that neither could rally a two-thirds majority to over-ride a presidential veto. But Hell's Canyon will be kept on the boil for next year's congressional elections—which is what the Democrats want.

Frustrated Martyr

As more and more of America's new missiles reach the testing stage, there are naturally also more and more reports of failures, although there have been enough successes to keep the experts from feeling depressed, even about the most recent and spectacular of the failures, the explosion of the Atlas intercontinental missile. But none has fizzled out more completely than the court martial with which the Army was expected to shoot down the decision of the Secretary of Defence last November that the development of missiles with a range of over 200 miles should be reserved to the Air Force. By distributing to journalists and businessmen a secret memorandum protesting against this decision, Colonel John Nickerson, one of the Army's leading experts on missiles, deliberately exposed himself to arrest, in the belief that his gesture of patriotic desperation would be backed by his superiors in the Army.

He was only one of many soldiers who were seething with indignation at a decision that left the Air Force to choose which of the two most promising intermediate range (1,500 miles) ballistic missiles should be put into large-scale production; the Air Force's own Thor or the Army's Jupiter, which from trials, both at that time and since, seems to be at a more satisfactory stage of development. In these circumstances, Colonel Nickerson believes, the Air Force's preference for the Thor will mean the demoralisation and dispersal of the brilliant team of scientists which the Army has built up at its Redstone arsenal. Moreover he contends that the Army, since it suffers the greatest casualties in any war, is entitled to a weapon which can destroy the enemy at long-range and that technically and tactically the IRBM resembles artillery more than it does aircraft.

But when the court martial opened this week the hope that this inter-service controversy would be argued out in public—or as nearly in public as the secrecy necessarily surrounding it would allow—was frustrated. Colonel Nickerson's superiors felt that the Army had its chance of making its case before the Secretary of Defence announced his decision and that now loyalty to the country came before loyalty to the service. They apparently refused to allow evidence in support of the Colonel's arguments to be presented; the government withdrew its charge of espionage and Colonel Nickerson, disappointed of his martyrdom, then pleaded guilty to disobeying orders. The evidence being heard this week concerns only circumstances that might mitigate the seriousness of his offence. Liable to a maximum sentence of thirty years in prison and a dishonourable discharge, the Colonel expects no more than a reprimand; he can, however, hardly hope to reach high military office in the future. But it still seems possible that, if the Thor continues to disappoint, Congress may provide the public airing of the dispute which the court martial has failed to do.

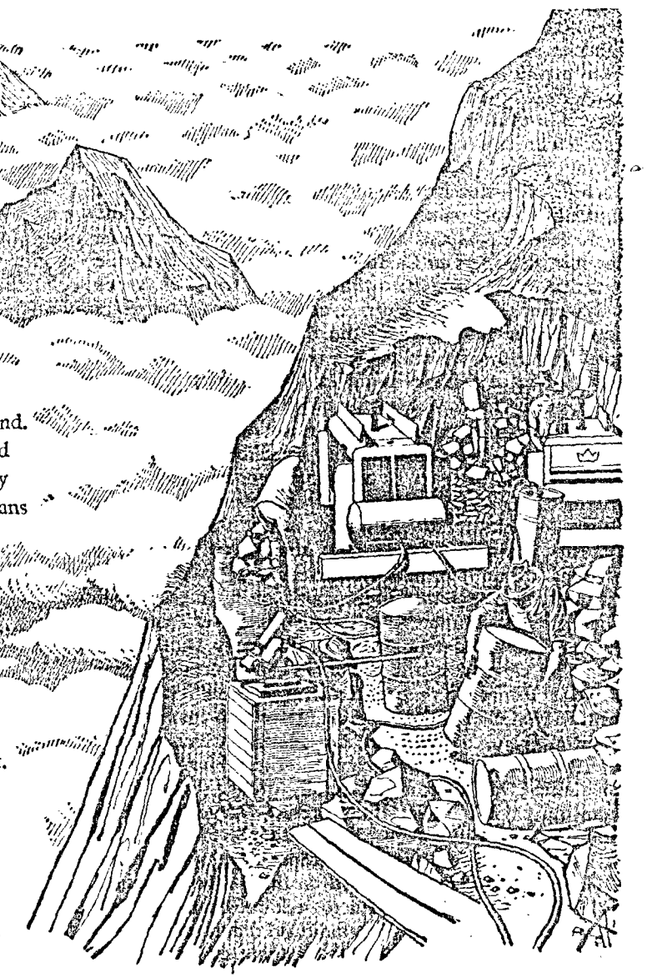
Committee Takes its Cue

FROM A CORRESPONDENT IN SAN FRANCISCO

LAST week the Un-American Activities Committee of the House of Representatives, whose public hearings in various parts of the country have often been derided as a "travelling circus," played an engagement in San Francisco so inferior to its previous devastating performances as to suggest that the committee, even if it does not fold its tent entirely, may in the future appear as a more orthodox body of Congress. This possibility is suggested, not by the Supreme Court's sharp judgment on the committee on the eve of the San Francisco hearings, but by its own abrupt alteration of its show in response to the criticism. While the committee is as contemptuous as ever of any opposition, in San Francisco it acted in such a restrained way that it was seriously hampered in attaining what in the past has been the chief objective of its public hearings: the mobilisation of popular opinion against the "communist menace" by means of sensational disclosures and spectacular production, and the enhancement of the personal reputations of its members.

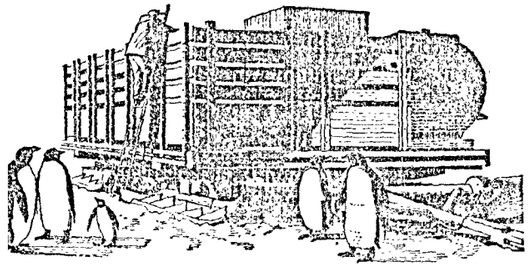
The committee reduced its proceedings almost to a judicial process; as a result it was able to question only about half of the witnesses it had summoned and heard them with such courtesy that little time was left for the usual

Mining above the clouds



In the high mountains of Bolivia tin has been mined for centuries. Mined laboriously, by hand. But today many of the 2,454 small privately-owned mines in the highlands have been re-equipped by the Government. This ambitious new project means using modern pneumatic equipment designed to operate at great altitudes. For the local miners, unaccustomed to mechanisation, and working miles from repair depots, it was essential to choose machines that were both reliable and foolproof. Atlas Copco provided the complete answer. Many of the 200 portable compressors supplied for this purpose are working at altitudes of over 16,000 ft. Complete air-cooling enables these machines to supply a steady flow of compressed air to the Atlas Copco rock drills and Sandvik Coromant drill steels engaged in the drilling operations. This increased efficiency has tremendous importance, both for the 30,000 miners employed and for the Bolivian economy.

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Compressed air is versatile. Atlas Copco provide the means for all its many applications. For example, the giant steel sleds used by the U.S. Navy in their expedition to the Antarctic—known as 'Operation Deepfreeze'—were built by the Canadian firm of Otaco Limited with the help of Atlas Copco pneumatic equipment.

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Atlas Copco puts compressed air to work for the world

revelations from the committee's counsel and its favourable witnesses. When the Californian hearings were planned, it was expected—correctly, as it turned out—that the committee would attack the august State Bar Association, which had condemned the committee's treatment of lawyers representing witnesses before its previous sessions. But when the hearings actually began, the committee had been put so much on the defensive that its opening censure of the Bar Association went almost unnoticed. Not only did the Supreme Court on that day reverse the conviction of the Communist leaders in California, but it also criticised the committee itself in another opinion written by Chief Justice Earl Warren, who was Governor of California for ten years before he was appointed to the court and was then the state's most powerful and popular political figure. No more respected voice than his could have condemned the committee on the front pages of the San Francisco newspapers.

Representative Walter, the chairman of the committee, dismissed the decisions merely as evidence that Congress would have to re-assert its authority to control subversive activities by passing legislation which "even the Supreme Court can understand." Nevertheless, it was soon apparent that the committee would now attempt to conduct its hearings within the new restrictions set by the court. Further, the committee spent much of its time in San Francisco on elaborate justifications of its existence, its purpose and its questions. The unfriendly witnesses in their turn, allowed to hold whispered conferences with their lawyers, demanded explanations of the relevance and legitimacy of all questions and then refused to answer them. They all invoked the Fifth Amendment, which protects witnesses against self-incrimination, except for one radio announcer; his statement, carefully drafted by a lawyer from the Civil Liberties Union, rested exclusively on the First Amendment, safeguarding freedom of speech, and invited an immediate test of the scope of the new Supreme Court decision which was based on this. The committee, which in the past has tended to seek prosecution of only the most vulnerable witnesses, indicated that it might accept the challenge by citing him for contempt of Congress.

THE most immediate effect of the committee's new concern for judicial correctness was the dullness of its proceedings, which therefore failed to attract the public attention they have received in the past. They dominated the news columns only briefly and inadvertently, as the result of the suicide of a prospective witness two days before his scheduled appearance. This did not produce any great expression of public indignation, or any remorse from the committee, which merely said it regretted the loss of an especially promising witness. But it was undoubtedly responsible for some of the committee's eagerness to avoid any appearance of persecuting the witnesses who did appear before it. The press in its turn was cautious about pursuing unco-operative witnesses beyond the committee's hearing rooms, and the only reported case of loss of employment concerned the radio announcer who undertook the test of the new court decision and was suspended, without loss of salary, until a further study of his position could be made.

There is still, of course, wide disapproval of the committee. Even so mild a performance cannot erase its past excesses and does not excuse what seems to many to be basically an ill-advised and even illegal activity of Congress. However, such criticism, even when buttressed by the Supreme Court, will not carry as much weight as the fact that, by its own standards, the committee's San Francisco hearings were a disappointment. The only effective restraint on such activities must come, as it has in the past, from Congress itself. This possibility, too, was enhanced by the San Francisco hearings, which the committee allowed to be televised in open defiance of the powerful Speaker of the House of Representatives, Mr Rayburn.

It's All Taped

FROM A SPECIAL CORRESPONDENT

FOR three days last month the trains streaking along the 406 mile stretch of the Seaboard Air Line Railroad's line between Jacksonville and Miami, Florida, were dispatched and controlled without any human supervision. An ordinary tape recording machine ran the railway—trains, switches, signals and all—safely, smoothly, efficiently and on time, while a three-ton control board and its operator were being moved to a new site. But this is nothing unusual for the tape recorder, which, in addition to its original and obvious uses in the recording and reproduction of music and speech, is also a device for storing up information. It thus becomes a machine which runs other machines and is therefore playing a major part in the development of automation, which is transforming industry in the United States.

The variations on this electronic device are infinite. The machines now range from those priced to suit the pocket of the average man, which exist primarily for the recording and reproduction of music and conversation, to $100,000 units designed to record dozens of pieces of different information beamed from the guided missiles and rockets which they are either tracking or directing through space. The principles employed in all these machines, from the smallest and simplest through the largest and most intricate, are the same. Sound waves are picked up by one or more magnetic recording heads through a microphone or some similar device and are then transferred, as magnetic impulses, to a moving strip of plastic tape coated with iron oxide. The tape varies in width, breadth, quality and the speed at which it moves according to the use it serves. To reproduce these impulses in exactly the form in which they were recorded, the tape is run back through the machine using a magnetic reproducing head. The sound is transmitted through electronic amplifiers and speakers.

THE scientific and industrial applications of the tape recorder still take second place to its uses in the home. But leaders of the industry feel that, within a few years, these positions will be reversed. Already radio and television stations, gramophone companies, and film studios have found tape recorders indispensable because of the absolute fidelity they provide in recording and reproduction. In factories where automation has gained a foothold tape recorders direct the machines according to instructions magnetically impressed on the tape. Those monster electronic brains such as Univac could not operate without the tape recorder. The "memories" of these computers are stored on tape; the problems they have to solve are fed into them on tape; and the answers come out through a tape recorder. In such highly secret fields as rocket and nuclear research the tape recorder and magnetic tape are essential tools in the gathering and classification of data.

A year ago another fruitful field opened up. At a television convention in Chicago the Ampex Corporation showed a new machine which would record live television programmes, or action of any kind, directly on to magnetic tape and which, without any processing, would play them back at once with a fidelity that made them practically indistinguishable from the original. This development of the tape recorder not only means better television films than those produced by the kinescoping process then in use. It also means that network programmes can be shown throughout the country on the same night at the time best suited to each community. When it is nine p.m. in New York, it is six o'clock in Los Angeles, and at present a programme can be put on at the peak hour in only one of these cities. The assembled executives were so impressed with this machine that, without waiting for the production model, both the Columbia Broadcasting System and the National Broadcasting Company immediately bought three prototypes at $75,000 apiece. Now Ampex has begun commercial deliveries; more than 200 of these tape recorders, at $45,000 each, have been ordered by television stations.

While the great strides of the future will undoubtedly be made in these highly technical areas, at present the major market for tape recorders is in the average home. For some time after they first appeared they were used mainly to record amateur speeches by members of a family or to capture snatches of cocktail party conversation. However, the growing American interest in high-fidelity reproduction of music has found a new use for the tape recorder. Music lovers have discovered that not only does tape eliminate the surface noise always present on gramophone records, but it also provides a more faithful reproduction of the sound.

At first little music was available. Most of the big record companies were very slow to offer pre-recorded tapes and the owner of a machine was forced either to record his own music or to go without. But this is no longer so since the appearance in the last twelve months of stereophonic and binaural recording, which gives the music a three-dimensional effect and the listener the impression that he is sitting in the concert hall. This is accomplished by the use of two speakers, two amplifiers, two reproducing magnetic heads, and the recording of the sound on two adjacent tracks. This improvement has been so popular that neither the big recording companies nor the manufacturers of the machines have been able to ignore it. In many other fields experiments are continuously enlarging the role that the tape recorder already plays.

War Games for Business Men

FROM A CORRESPONDENT WHO PLAYS THEM

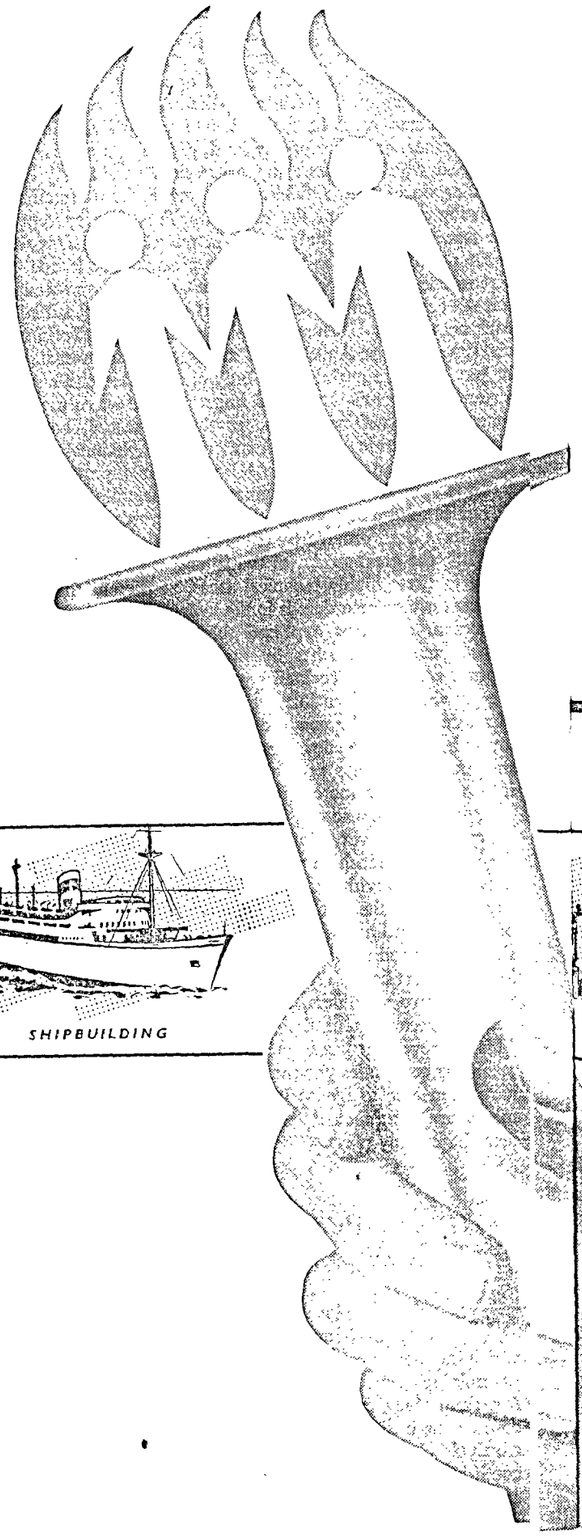
WHEN chess was invented in the ancient East, it followed the pattern of contemporary warfare and today games which imitate the conditions of modern warfare are a feature of training courses at military staff colleges. Now the American Management Association, which conducts training courses for business men, has designed an ingenious game which simulates an economic war under competitive business conditions. It is based on the classical theories of economics and takes the form of "a mathematical model of business, a group of cause-and-effect formulae which determine the results of each move made by the players."

When a trial game was organised last week by the AMA, each of the five teams, made up of three business men, all leading officers of large corporations, was handed a large folio sheet which contained a statement of the assets of the company to be taken over and certain information about its competitors. Each of the five imaginary companies was presumed to be manufacturing the same product, to be in the same financial position to begin with and with the same choices available. The object was to see which team could make the greatest improvement in its standing over a fixed period. In the preliminary briefing it was explained that good business practices would be rewarded and that additional information about the firm's rivals could be obtained at a price. Whether to buy this was one of the nine decisions which each team was required to make during each period—initially twenty minutes—which represented a quarter of a financial year. Other decisions, to be selected from various alternatives offered, had to be made about levels of output during the quarter, expenditures on marketing and research, the price of the imaginary product and whether to buy new machinery or sell surplus plant to raise extra cash.

THE teams were completely isolated from one another, meeting only briefly at meal times during the course of play, which continued for two days. "Blue Team," consisting of the general manager of the Bendix Aviation Company, the manufacturing vice-president of the Gillette Safety Razor Company, and a vice-president of Distributors Group, a large Wall Street investment firm, tried to enlarge their share of the market by sharply cutting costs and prices, a strategy which quickly collapsed in the face of the increased advertising budgets of the other teams. "Blue Team" quite suddenly found itself operating in the red, but a change of tactics enabled it to raise prices without affecting demand. The team was under the constant scrutiny of a psychologist from the staff of the Imperial Oil Company of Canada, who carefully noted each move. As the speed of play was steadily increased, quarterly decisions were made in ten minutes or less, and scored almost instantaneously by an electronic brain. An hour of rapid play is thus the equivalent of a year of business experience. After two days of effort, the teams had undergone ten years of intense competition and gained valuable perspective on the mechanics of making decisions.

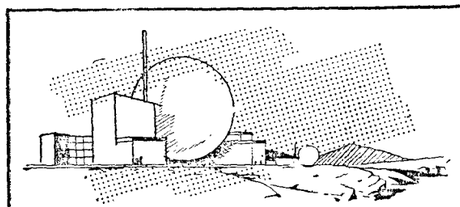
While the AMA stresses long-range planning in its training courses, the game tends to focus thinking on short-term factors. Nor do certain lines of action have the same consequences as they would in the outside world; the effect of price-cutting, for example, is artificially limited by the programming of the game on the electronic computer. The scoring seems always to favour conformity, rather than the sudden dramatic moves which often succeed in real life, and many decisive elements in the business environment, such as labour relations, have been eliminated altogether. Behind the development of this device is the naïve concept, punched into the magnetic "memory" of the computer, that economic factors, including human relations, are subject to skilful manipulation by business men, with results which can be accurately forecast and measured. But the project has value as part of the AMA's training, where it can be used to illustrate principles taught in the courses, and to emphasise the value of judgment in selecting business data.

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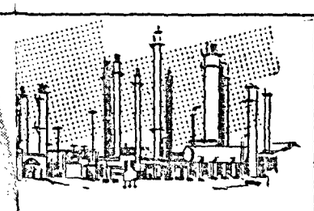


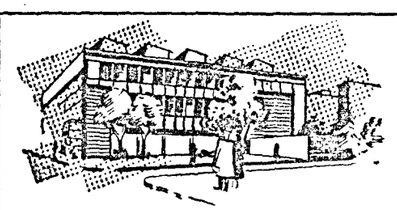
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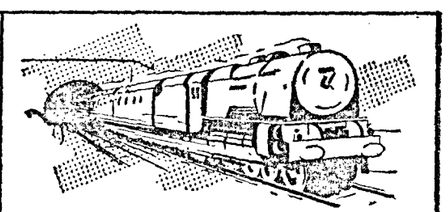
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THE WORLD OVERSEAS

Refugee Hopes and Fears

BY OUR SPECIAL CORRESPONDENT

TYPICAL refugee camps do not exist, but there are similarities which one learns to recognise. In the camps for Hungarians it is mainly the smell, compounded of communal cooking, stone walls, overcrowded dormitories, and the indefinable atmosphere of an institution. In the camps of the "old" refugees, where people have been living for twelve years, the common factor is a persistent effort to make individual homes of the single square rooms in the long wooden huts. Despite the overcrowding, these rooms are bright and well kept, often with pot plants, a wireless and some religious pictures, and perhaps, if their tenants are in regular work, a suite of walnut veneer furniture, looking oddly incongruous in its surroundings. The children are the same in all the camps, lively, giggling, curious, and anxious to show off.

In Austria most of the "old" refugees in the two camps which your correspondent saw are able to get work, and have kept some of their initiative and hope. Many are frightened by the prospect of leaving the camps, which are scheduled for dissolution, and of living in an ordinary community where they will have to pay an economic rent; others are totally apathetic about the future. But most seem capable, with a little help, of recovering their independence and settling down. Less fortunate refugees who do not live near enough to an industrial centre to find work, or who cannot do the work available, have been living on public charity for so long that they have lost the capacity and the will to concentrate on anything. In Germany many have come to believe that because the Germans were responsible for their original plight it is the duty of the Germans to support them until they die. The visible effect of this "camp sickness" is terrifying. In one camp, a former barracks, near Ingolstadt in Bavaria, the passage walls were scrawled over and filthy, the washrooms were still swimming from a suspiciously recent flood of disinfectant which could not drown the smell, and the rooms, although large and not overcrowded, were dark and depressing. The women at least had some occupation in cooking and washing, but the men were squatting in groups along the walls and on the steps; they seemed content to do nothing for the rest of their lives.

For the old and the chronically sick, there are homes and institutions for those who will go to them, but they are not popular. An old peoples' home in Bavaria, in a building originally intended as a holiday centre for Hitler youth, is equipped more lavishly than most hotels and run by a large staff of maids, nurses and nursing sisters. Yet there are a number of vacant beds. Even after years in camps the yearning for some privacy and independence is so strong that some refugees simply lose the will to live after they are transferred to an institution.

The Hungarians are quite distinct from the "old" refugees, both in their characteristics and their problems. There are now about 15,000 still in camps in Austria and 14,000 in Jugoslavia. The Jugoslavs have done their best to cope with them and for a people with such poor resources have been generous in supplying the needs of their unwanted guests, who physically are better off than many Jugoslav peasants. The 600 unaccompanied children between 14 and 18 years old are especially well treated and have been quartered in an attractive, if primitive, building, which has served before as a hospital and barracks. There they can live a decent and ordered, though not, because of the shortage of teachers, very constructive life, while they wait for emigration.

At the other end of the scale is a camp at Gerovo in northern Jugoslavia, where refugees sleep, eat and live, two to a bunk, in rooms holding 70 people, where there is a dark and stinking prison and where stories are told, which may or may not be true, of beating and bullying by the camp police. These conditions are horrible, as the Jugoslavs admit, but they say it is not their fault, that the overcrowding in Gerovo is inevitable because the Adriatic hotels, where many refugees were quartered, have to be given up for the tourist season, because in a country of appalling roads and little transport it is impossible to shift refugees rapidly from place to place, and because refugees who want to emigrate to the same country have to be concentrated at the same camps so that they can be interviewed by the selection teams. The Jugoslavs feel that the Hungarians are outrageously ungrateful for what has been done for them and they make little effort to understand the Hungarians' psychological problems.

Part of the trouble arises because the voluntary agencies, which do much to reassure refugees in Austria by giving help, comfort and advice to individuals, are not allowed to work in Jugoslavia, and in consequence there is in the camps a tension that is always on the edge of hysteria. The refugees are terrified that they will be left behind and forgotten and that the Hungarians in Austria will be allowed to emigrate while those in Jugoslavia will be penalised for having been forced to escape into a communist country.

Like the Hungarians in Austria they are a very mixed lot. Some are freedom fighters or ex-political prisoners who held on until all hope of success was lost; some are women who hope to join husbands or fiancés from whom they got separated in the struggle; some are former farmers who were deprived of their lands and had been living as fugitives in the hills; some are under eighteen and came over without their parents' consent, looking for a better academic or technical education than they could get at home, or afraid of being deported to the Soviet Union. Some, it can be admitted, have come solely in order to better themselves economically. But they are all alike in their almost total ignorance of the outside world, their naivety and their pride—a pride perplexing to a west European, but genuine.

In Austria there was no atmosphere of hysterical depression in the camps which your correspondent was shown, and conditions were on the whole good, although there were some odd anomalies. At Traiskirchen, a large centre near Vienna which had once been an officer cadet school, immense trouble had been taken by the Swedish Red Cross, which was running the place, to set up a superbly well equipped and clean sick wing, a pleasantly decorated centre, including occupational therapy for the mentally sick, and a kindergarten for the children. Yet several families were sleeping in each room, with not even a blanket to give an illusion of privacy.

A great effort is being made in Austria to get the unaccompanied Hungarian children out of the camps and into technical or high schools according to their tastes. Many of the boys do not take kindly to renewed discipline after throwing Molotov cocktails in the streets of Budapest and living for months as adults in the camps; to persuade them, particularly those with hopes of emigrating, to go back to school is a task that needs some tact. But there are now nearly 2,000 unaccompanied Hungarian children at some kind of boarding school and they seem to be settling down reasonably well.

Mr Diefenbaker's Cabinet

FROM OUR OTTAWA CORRESPONDENT

THE new Canadian prime minister attending the Commonwealth conference in London is John Diefenbaker neat—unsullied or unimproved, as you choose to regard it, by experience of government; he rushed off to London forty-eight hours after his cabinet had its first meeting. Permanent officials, who have handled the unexpected transfer of power after 22 years with really magnificent *sang froid*, have given him concise background papers on many problems. But even if he has had time to read them, the mastering of them must have taken all his lawyer's talent.

He has left behind 15 cabinet ministers who have never held office before and who are learning a lot very fast. The cabinet has been meeting nearly every day, but has been wholly occupied with routine business—routine to civil servants, terrifyingly unfamiliar to new men. Mr Diefenbaker's colleagues have sent him one important cable resulting from the first businesslike meeting between the best brains of the permanent service and the key ministers. This meeting took place the day before Mr Diefenbaker left. He had meant to be there, but the hectic rush in which he has been carried forward ever since June 11th kept him away. In Mr Diefenbaker's absence the new finance minister, Mr Donald Fleming, presided at this meeting on the prospects for a Commonwealth trade conference. He was accompanied by Mr Gordon Churchill, the new minister of trade and commerce. As well as the top civil servants in Ottawa, Mr Norman Robertson came up from Washington, where he is now ambassador, to give advice based on his long experience as High Commissioner in London. The appraisal of Commonwealth trade prospects resulting from this session may have been the first realistic judgment the new government was able to make of the outlook for increased Commonwealth trade as seen from other parts of the Commonwealth. But this Fleming-Churchill report did not reach Mr Diefenbaker in time for his earliest London statements. In any case, nothing can change the Conservatives' commitment to assemble a trade conference in Ottawa as soon as can be arranged. This is a political necessity and the Conservatives rely on the Commonwealth tradition of mutual backscratching. The challenge to some experienced officials—in Whitehall or here—is to find some basis for the meeting which will prevent the discussion ending in frustration.

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The acting prime minister during Mr Diefenbaker's absence is the Tory veteran Mr Howard Green, a ramrod figure of incorruptibility and almost equal inflexibility who has borne the whole 22 years of opposition. Mr Green's appointment is characteristic of the way Mr Diefenbaker chose the first large group of his cabinet. Canadian cabinets must always represent every province, every faction in the governing party, and even all the main religious groups. Mr Diefenbaker also owed a debt to those men of his party who supported him in the bids he made for its leadership in 1944, 1948 and, most important, last December, when he was successful.

The encouraging thing is that he showed little sign of personal favouritism and the various claimants were placed with shrewd skill. For example, Mr Green, sworn in at the head of the list, had his seniority recognised. But he did not get any of the important policy-making departments. He did not even get the department of transport, of which he had been the chief Conservative critic, and where he would have had to implement his long advocacy of subsidies for Canadian deep sea ships. He was made minister of public works, where efficiency and honesty fight a constant battle against patronage.

In a rather similar way Mr Leon Balcer, the young French-speaking Quebec lawyer who is the party's figurehead in French Canada, has only been given the post of solicitor-general—a sort of fifth wheel to the ministry of justice. One more French-speaking minister is promised for a later appointment, but it seems to have been made clear to Quebec in the nicest way that it can only get a larger voice in affairs by electing more Conservatives next time.

Mr Diefenbaker's decision to keep the external affairs post for himself at least temporarily is defended on the ground that it will help him to grasp Canada's problems in a world-wide context. The danger is that he exposes himself at the one point where his ministry must suffer by comparison with the previous one—because it has no Mr Pearson.

As external affairs was not on offer, the most vital posts were finance and Mr C. D. Howe's old department of trade and commerce. For finance Mr Diefenbaker has got the

ablest available man in Mr Donald Fleming, his own first-rival for the party leadership. Americans would call him chunky. He is short, tough and very earnest. He was once described as an "indignant scoutmaster." He has done much work with YMCA. He is an elder of his Toronto church and president of Bible societies His capacity for work is fabulous. All the extravagant promises the Conservatives made when they never imagined they would really gain power have landed in his lap. If he fulfils them all he will reduce taxation, increase pensions, approve civil service pay increases which would eat up most of the surplus projected in the Liberals' last budget, revise tax arrangements with provinces—something which has never been done without increasing federal spending—and finance whatever new wheat policy his colleagues can devise. All this is to be managed between now and the parliamentary session which is likely to start in mid-October when the Queen will be able to open it.

Mr Churchill, Mr Howe's successor as trade minister, a post which carries first responsibility for solving the problem of surplus wheat, is a little-known man. He was a schoolmaster for most of his life, but fought in both world wars; in 1946, with the rank of colonel, he represented the army in the Manitoba legislature. He then decided to switch to law at the age of 50. He duly qualified and was first elected to the federal house in 1951 at a by-election. Since then he has never spoken on trade or economic questions, though he has tried to follow them with the natural interest of an educated all-round man. His approach to the problems that have been dumped on him is that of a student: "I will have a lot of reading to do in the next few weeks." There is an advantage: the competent and skilled staff of his department find their energies released on fields of exploration which were outside Mr Howe's range of vision.

When Mr Diefenbaker returns he will not find any of his real problems solved. But he will find the whole machinery of government—which is far better than so small a country as Canada deserves—working to produce a sensible reconciliation between campaign promises, which may have been too lightly given, and actual possibilities as the permanent officials see them.

Europeans for Israel

Israel is receiving a new wave of immigration, mostly of professional people, from Europe—chiefly, though not entirely, from eastern Europe. Our correspondent in Tel Aviv describes their warm reception and their impact on Israel's economy:

"Five hundred immigrants arrived in Haifa today; they are being transferred to development areas." This is the stereotyped phrase which is repeated almost every day now over the Voice of Israel—the home service. Only the figure varies; sometimes it reaches a round thousand. Israel has started another chapter of mass-immigration and takes it as a matter of course. Estimates that put the number of immigrants this year at 100,000 already appear over-cautious.

For Israel this immigration marks an important turning point on two counts: first, here are people who have been grounded in the principles of a modern society, even though of a different order from that of the western world. They do not have to learn everything about modern working methods, modern hygiene and production as so many of the Oriental and North African immigrants of the last decade have had to do; secondly, this year's newcomers include a fair percentage of scientists, physicians and engineers who are urgently needed for the Israeli economy; the flow of professional workers stopped when the immigration from central Europe died down some years ago.

The supply of skilled workers and of scientists is supremely important to Israel. For years now, planners have been worried about the lack of them. It was feared that there would be no replacements for the generation of excellently trained physicians who came from Germany and Austria in the thirties; that there were not enough teachers for schools, instructors for agriculture, nurses for the many new hospitals, or skilled builders for the housing schemes. Now hundreds of physicians have arrived in the course of a few months. At the University and in all the other training centres, scientists, some with outstanding records, are asking for advice and employment. The Jewish Agency, which is responsible for the reception of the immigrants, has to contend with two main problems: lack of suitable housing, and the need to teach the newcomers Hebrew.

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Despite huge housing schemes that have eaten up untold millions of dollars, the housing shortage has remained acute since mass immigration started nine years ago. Many of the new immigrants call for better accommodation than has been customary for newcomers during recent years. The Jewish Agency has therefore commandeered a number of hotels in the towns, to provide pieds-à-terre for a few weeks, and everywhere new housing schemes are being launched at a furious pace. All over the country, too, the newcomers are being directed to "Ulpanim," a sort of adult training school, where people who want to learn Hebrew quickly live for several months, spending the whole day and part of the night in language study. The courses are strenuous and compel the participants to frantic concentration. But they show results.

No less important is the proper distribution of jobs. People in Israel are well aware that the skill and scientific knowledge of this new immigration must on no account be wasted. Hence the unusual care with which individual cases are treated and the attempt—not always successful—to avoid putting square pegs into round holes. Some months ago when the immigration started, the task was easier than it is today, as more and more new people flow in.

The impact of this new wave of immigration on the economy is that of a new prosperity. Whether this is spurious or real is a matter of debate between economists. The tens of thousands who arrive give a new fillip to economic activity, for they start consuming at once. The home market, which was slack during the winter, is once more ready to absorb more goods, and manufacturers who were worried over sales are breathing more freely.

The demand for houses spells a good market for semi-durable goods; the pressure by the immigrants on the labour market is not yet felt. But it goes without saying that prosperity of this type depends on the influx of the money from abroad that finances the new immigration. The need for money is, in fact, staggering. The Minister of Finance revealed recently that settlement of a single immigrant family costs £I35,000. Everything will therefore depend on whether contributions from abroad keep pace with the capital needs of the new influx and whether plans for their economic integration can be realised smoothly and quickly enough.

There is some uncertainty about the plans themselves. Is it possible to create additional agricultural settlements? Experts are doubtful because both soil and water reserves are limited and unless new marketing possibilities are discovered abroad or new crops introduced the local market will soon become saturated. What about industry? In a country with few raw materials and no fuel of its own the question which new types of industry should be introduced is not easily answered. Ambitious new projects have proved both very expensive, and poor dollar earners. If they are to pay their way, there must be a reform in wage policy and more discrimination.

Visionaries do not like these arguments; they prefer to listen to Mr Ben Gurion's exhortations calling for the extraction of sweet water from the sea, speaking of atomic and solar energy and asserting his belief that the desert in the south will yet nourish millions of people. Many Israelis who a year ago looked on immigration from Europe as wishful thinking, and now see Jews arriving from there by tens of thousands, place their faith in him. Peering ahead, they discern Russian Jewry following in the footsteps of their brethren.

Budget Time in Ceylon

FROM A CORRESPONDENT IN COLOMBO

When Mr Bandaranaike's government introduced its first budget last year, government supporters apologetically explained that the new regime had not yet had time to draw up a budget fully reflecting its socialist objectives. This gives edge to the introduction of the second budget due on July 4th. The government has over the past year indicated its wish to hasten the process of economic development. Key ministers have shown greater awareness than their predecessors of the economic problems facing the country, and also more desire to solve them, although their socialist remedies—such as the heavy reliance on state initiative and participation—are controversial.

The government has the enthusiasm, but cold facts of economics, as well as political expediency, may check its ardour. Economically, foreign assets have been falling, and the fall has lately gathered momentum although the current level of the assets is still not perilously low. The trade surplus which reached record proportions in 1955 has been drastically narrowed, and by now may even be a deficit for no trade figures are yet available this year. The money supply is falling. So is revenue. The export industries—tea, rubber and coconut—are not faring well, and tea prices in particular have dropped sharply.

These factors will inevitably limit the finance minister's plans for new development. With income on current taxes likely to be lower than in a normally good year, he will be forced to think of new sources of revenue if he is to budget for a faster rate of economic advance.

Some people within the government have fallen under the spell of India's finance minister, Mr Krishnamachari, and would like Ceylon to adopt recent Indian expedients for getting more revenue. Mr Krishnamachari a month ago introduced the severest budget in Indian history, imposing both a wealth tax and an expenditure tax. But in Ceylon political considerations may prevent the government taking such steps.

The administration is facing opposition from extremists both among the Tamils and the Sinhalese over the issue of the state language, and the United National Party is apparently waiting for a chance to get itself back to power over this conflict. Any measure of taxation that would cost the government the support it receives from the middle classes, the workers, farmers or the business community, would need a considerable degree of political audacity. Austerity budgeting would be more than normally risky.

The same political considerations will influence any attempt to reduce the existing level of current expenditure, a large percentage of which goes on social services. It is therefore laudable that the government has already decided that there should be no fresh commitments on social services. This does not mean that expenditure will not be higher than in the current year, for allowance has to be made for an increase in population of 2½ per cent a year.

The chief remaining source of revenue is foreign aid. Assistance from western nations, led by the United States, is not likely to be much higher than last year. But the diplomatic Delhi-style neutralism of the Bandaranaike regime has prompted talk of substantial economic aid from the Soviet Union, the only communist country which could give Ceylon aid in any volume. However, no hard offer has yet been announced. Even if the nature and volume of Russian help is to be revealed on budget day, it is doubtful if Russian assistance to Ceylon will be sufficient to cure the finance minister's headache.

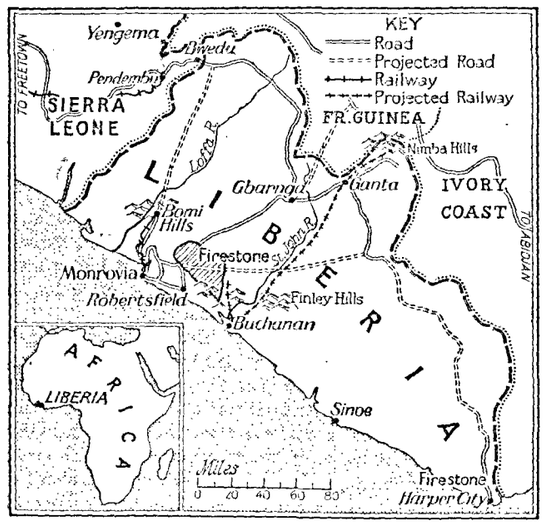
Too Few Liberians?

FROM OUR SPECIAL CORRESPONDENT LATELY IN MONROVIA

The visitor in Monrovia may still exclaim: "Is this the place that launched a thousand ships!" Nevertheless Liberia's capital has in recent years been given a considerable face-lift, and the operation has not by any means been wholly paid for by the proceeds of the Liberian mercantile registry. Money has been flowing into Monrovia down the iron-ore railway from the Bomi Hills, and through the jungle paths from diamondiferous Sierra Leone. It has also been coming along the main highway from the Firestone Rubber plantations, now tarmac and thronged with shiny new cars driven to their limit, mostly American but with an encouraging contingent of British Zephyrs, Bedfords and Landrovers.

Arrived from Robertsfield airport, the traveller can now stay in an air-conditioned hotel—at prices only slightly above those of the Dorchester—standing in a dual-carriageway boulevard blazing with scarlet-leaved flamboyants by day and, beginning to glow, with neon at night. Although Executive Mansion, or Government House by a republican name, is still the most imposing building, large blocks of flats and offices in the modern tropical cast-concrete style are going up everywhere, and the city limits are spreading

as the cosmopolitan diamond-dealing community puts part of its profits into suburban real estate. But enough of old Monrovia is in evidence—the crumbling brick and laterite houses, the typical battered wooden creole gabled cottages, the heeling shanties and vacant lots where tropical vegetation and naked children sprout among the litter of cans and corpses of trucks—to make Mr Richard Nixon, fresh from the independence celebrations in Accra, decide that his country must do something more solid for this African



republic that is tied to the United States by history, by the automobile industry and by a common currency.

This common currency is at once the advantage and the bane of the Liberian economy. As a hard-currency area it attracts both diamonds and entrepreneurs. But the complete freedom to transfer profits (after tax, official and unofficial) to the United States weakens the incentive to invest locally. The balance of payments—Liberia is ahead of most West African territories in calculating its balance of payments—shows that while in 1955, for example, there was an excess of exports of around $12 million, there was an outflow of $24 million in dividends and a further unknown outward capital movement of $7 million, offset by an inward capital movement of only $9.5 million. Liberia has no extensive government or marketing board reserves; it relies for development on current revenue, American aid and the pull of a free enterprise economy.

Fortunately, President Tubman is extraordinarily active, revenue is buoyant, and things are, in the Liberian way, getting done. Rubber planting is expanding not only because of Firestone and latterly Goodrich, but also because Liberians are themselves becoming planters. The Liberian Mining Corporation's iron ore output has risen to two million tons since 1945—thus outstripping languid Sierra Leone—and is expected to rise further. "Lamco"—the Liberian-American-Swedish Minerals Corporation—is planning to build a new port at Buchanan and a 160-mile railway to the enormous high-grade iron ore deposits in the Nimbo Hills on the French Guinea frontier, and speaks of an output of ten to twenty million tons a year; this would add another $5 to $10 million to Liberia's revenues, now around $17 million. The Stettinius group is planting cocoa, and a German group, the African Fruit Company, is growing bananas and building yet another port, at Sinoe, to ship them. President Tubman suffers from none of the phobias about land alienation that exist elsewhere in West Africa; he is ready to give concessions to planters and prospectors along with a "tax holiday" in the early stages of difficult enterprises. He relies on private enterprise to open up the country, to build the ports and towns, and to supplement Liberia's own modest programme of road building and social services.

There are, however, difficulties. Liberian state services are of limited capacity. The odds are distinctly against an unregistered letter being delivered at all. The Liberian tax authorities feel that a great deal of legitimate revenue slips through the net of their under-staffed and inexperienced department; but this is made up for by a variety of purely private levies which the foreign entrepreneur must learn to take into account in calculating his overheads. All Liberians, not merely officials and police, expect to benefit from the presence of foreigners in their midst, and have their own ways of pressing summary claims.

The main trouble, however, is that there are too few Liberians. Though the population is officially estimated at 1½ million, commercial firms believe it is little more than 800,000. All plantations suffer from a shortage of labour, some are experimenting with female tappers, and some have had to be abandoned. Firestone's policy is no longer to expand in area, but to replant with heavier-yielding varieties. Highly mechanised mineral extraction is favoured against plantation agriculture. When the discovery of diamonds in the Loffa River area threatened to denude mines and plantations of vital labour, President Tubman promptly cancelled many digging licences and sent his army to enforce the decree. Liberia lacks working population, and until social services and especially the medical services in which British commerce is taking a hand lead to an increase in population, economic possibilities will be limited and the vast areas of forest and shifting cultivation will remain undeveloped.

Race and Politics in Central Africa

BY AN AFRICAN CORRESPONDENT

AFRICANS expect that the constitutional amendment bill which was introduced into the Central African Federal House of Assembly this week will have an easy passage, as to them it seems entirely to benefit the Europeans. The number of European members will be raised from 29 to 47—including three who represent Africans—and the African members from 6 to 12. The three territorial assemblies also have to approve the bill, but this will be easy as in the Northern Rhodesian Legislative Council only the four African members are expected to oppose it, while against the five elected Africans on the Nyasaland Legislative Council there are six Europeans. The Southern Rhodesian parliament is all white.

The Africans cannot be expected to like the system of a two-tier electorate. Ordinary voters will have to have qualifications to which few Africans can aspire while special roll voters will never be allowed in any poll to have more than half the total votes of ordinary voters. The qualifications for the special voters' roll are, however, not too high. They

are an income of £15 a month, adequate knowledge of English and capacity to fill in the voters' enrolment form unaided.

In themselves, these standards may seem reasonable to those who distrust the head-counting system of democracy, but their true value can only be seen against the background of the entire racial policy in Central Africa. As in South Africa, the federal state recognises that there shall be no equality now between white and black. While paying lip service to "racial partnership" and piously protesting that the term "civilised people" does not mean "white people," the federal government unashamedly continues to grade people according to race.

As in South Africa, there are three grades of human beings in Central Africa. The top grade is the white or the "European," the medium is the brown, consisting of Asians and half-castes, and the bottom grade is the black. The government's policy is to protect this social pagoda. In the federal civil service only African doctors are deemed civilised or educated enough to be employed on the same scale as white, Asian or half-caste doctors. An African lawyer, schoolmaster, nurse or clerk is placed on a salary scale below not only that of the European but also that of the Asian and half-caste, even though he may hold higher qualifications. Colour seems to be the only criterion for this grading.

Yet the constitutional amendment bill envisages a state of affairs in which Africans will be elected as ordinary members (as are Europeans now) representing an ordinary constituency and chosen by all races. If the federal government is serious in this, it certainly ought to eschew the policy of racial discrimination and thus pave the way to racial understanding. Unless that is done, Sir Roy Welensky will find it hard to win the loyalty of Africans, especially in the north. It is not true that African dislike of federation in Northern Rhodesia and Nyasaland is only due to frustrated nationalism or the disappointed hope of setting up black states. It is also—and mainly—due to African resentment against the federal government for treating them as third-class citizens. Had the American constitution not guaranteed the equality of all its citizens, and had the American government not pursued an anti-segregation policy—despite fanatical opposition—the United States would not be able to count on the loyalty of the black tenth of its population today.

Third Year of Publication

"MOTOR BUSINESS"
EUROPEAN FREE TRADE ISSUE

The June issue—No. 11—of this quarterly research bulletin for the motor industry and allied trades is devoted to an analysis of the implications for the motor industry of the move towards free trade in Europe. The contents are:

1. The Plans for the Common Market and Free Trade Area.
2. The Present Pattern of Production and Trade in Europe.
3. The Possible Effects of the Freeing of Trade.
4. Conclusions.
5. Tables.
6. Charts.

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Tighter Belts for Danes

FROM OUR CORRESPONDENT IN COPENHAGEN

DANISH commentators note approvingly that Mr Nehru, who has just completed a three-day visit to Copenhagen, has demonstrated his concern about India's economic troubles by abandoning his Cadillac for a scooter and slashing ministerial salaries. They suggest that Hr Hansen, who heads the recently formed uneasy coalition of Social Democrats, Radicals and Single Tax Party, might well take a leaf from the Indian leader's book. For although the Danish government is blameless of personal profligacy, there is undoubtedly ample scope for government economies.

Hr Kampmann, the finance minister, presenting the government's crisis plan, scarcely emulated Indian austerity. His main proposal to staunch the disastrous drain on Denmark's foreign reserves (now showing a deficit of £22 million) was the introduction of compulsory saving for those with incomes exceeding £700 a year, or a tenth of all taxpayers. He estimated that this would produce an annual saving of £10 million during the first two years.

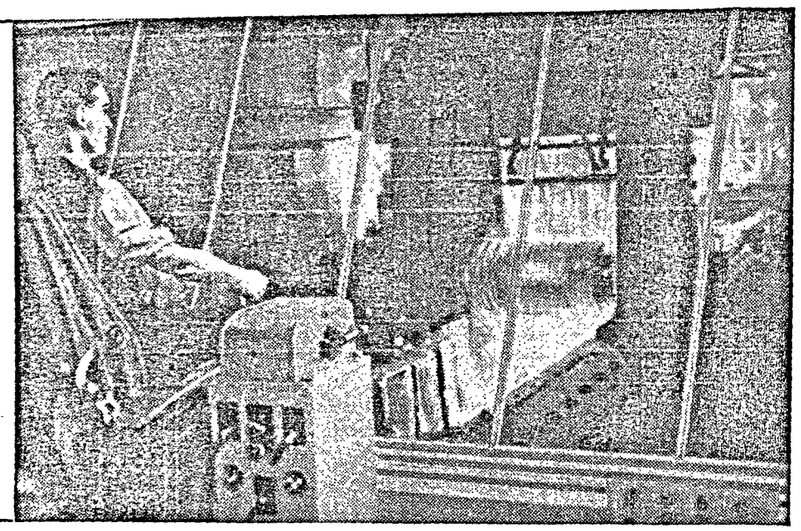
Higher indirect taxes should bring in a further £5 million; while government economies, perpetuation of the dollar premium on car purchases, dividend limitation, and stringent control of income tax returns, are calculated to raise the total saving to £20 million annually. After several days' acrimonious debate, the *Folketing* has approved two of Hr Kampmann's twelve bills—namely, those increasing taxes on beer, wine, spirits and tobacco. (The new imposts, despite labour protests, are to be excluded from the index on which wage increases are based.) Hotels and restaurants have threatened a token strike.

The Liberal and Conservative opposition maintain that the compulsory saving scheme would be discriminatory, and stifling to production. Abandoning their customary inscrutability, the opposition have produced an alternative plan which includes a "deposit scheme" for imports, full trade liberalisation, incentives to private saving, and less state spending. Denmark having few rich to soak, compulsory saving would mainly affect the struggling professional classes, many of whom voted for the Socialists' allies, trusting in promises of lower taxes and less bureaucracy. Their disillusion has found expression in 60,000 written protests, and even *Politiken*—an important Radical organ—has joined the campaign. The government has been urged to drop the plan, or at least, by lowering the income limit, to widen its incidence to include well-paid young people without family responsibilities. The wave of indignation seems to have taken it by surprise, and it has hinted at a compromise.

Denmark's first postwar majority government has produced a disappointing assortment of palliatives for Danish over-consumption and creeping inflation. A straight purchase tax on scooters, television sets and radios might prove more effective, and no more unpopular. The heterogeneous composition of the government renders resolute action difficult. For the government there is one ray of comfort: prices of agricultural exports have improved markedly, while fuel imports have become cheaper. The coalition's gamble on a further improvement in the terms of trade may afford some respite; but an end to the recurrent payment crises that have beset postwar Denmark is not in sight.

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THE BUSINESS WORLD

To Make Railways Pay

IT is a fact that the accounts of the British Transport Commission show a net revenue surplus of £3,069,982 for 1956. The reality to which this fact corresponds could not be more utterly different. It is the Transport (Railway Finances) Act of last February that enables such a good face to be put on these accounts—a contrivance on the grand scale to give the commission's balance sheet a veneer of respectability for the next ten years or so in the hope that by 1970 they will be meeting all the capital costs of a modernised railway system and have a genuine surplus of £50 million a year as well. And if this charitable faith in a hope is a gamble; the odds are not noticeably more outrageous than those on which the state has lent money in some other directions. The commission have been allowed by law not to charge to their current revenue accounts the financial burdens that are entailed during the period of reconstruction, but to defer them for ultimate settlement when, it is hoped, a modern railway system will be making good money.

The amounts that the commission can borrow and temporarily run as intangible assets are :

(a) the accumulated deficit at the end of 1955—£69,751,712.

(b) the deficit of British Railways for any of the years 1956 to 1962, up to a total of £250 million. The 1956 deficit so capitalised is £57,496,624.

(c) interest on capital borrowed from the Exchequer. These advances totalled £40 million during 1956, and the capitalised interest amounted to £2[illegible]3,637.

So, against an apparent surplus of £3 million, the commission are carrying a "special account" of £127½ million which, with its additions during the next several years, they have undertaken eventually to expunge out of genuine revenue surpluses.

History records other examples of financial embellishment which, being of a free-lance character, did not attract the support of the law. The justification for what the commission are allowed to do rests on the desperation of their financial plight, coupled with the lively (and not altogether unfounded) expectation that the infusion of new capital, after a generation of under-investment, will produce a technically efficient and commercially aggressive railway system, run like the best of big business and earning good profits. The important thing about the commission's report for 1956 does not rest on this financial contrivance; and even within the contrivance there is room for argument, as for example in the apparently arbitrary division of the commission's central charges, of which £41 million, neither more nor less, is debited to the railways and £17,907,159 to "other activities," among which it seems doubtful if London Transport is carrying its fair load. It rests on the signs, where they can be found, that the contrivance is going to work out over the next decade.

IT is far too soon to be certain, but some signs are promising. Other things are less dependable. When the commission plead for "reasonable freedom and a period of stability to press on with reconstruction, and that the whole fabric of public transport will no longer be subjected to periodic and seismic upheaval on political account," it is talking from nine years' experience of party argument and inflation. Yet, if one gives the commission this major premise, a viable modernised railway system does remain a reasonable hope. The first encouraging thing, both for railway staffs and users, is that a noticeable amount of new hardware is actually going into service. The report is quite right to talk that up—even at the risk of irritating some of its customers who know what high-speed electric or diesel trains (and even the cross-country *micheline*) can do in other countries. Improvement is tangible, but

only in its earliest stage. Next year will see the end of new steam locomotives and the bulk of 220 main line diesels delivered. It ought to see two important sections of main line electrification, to the new standard of 25 k.v. A.C., on test between Manchester and Crewe and Colchester and Clacton. The completion before 1970 of most of the electrification included in the modernisation plan is now regarded as feasible. Orders have been placed, virtually for the first time in British railway history, on terms that encourage the positive co-operation of outside suppliers.

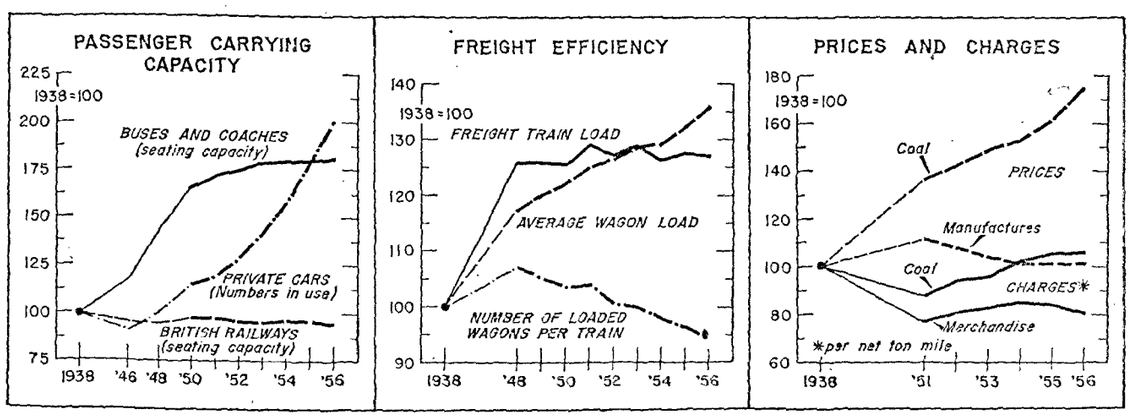
With all this goes much work in the improvement of track to fit it for high speed and safety, to improve the signalling (and to re-signal the lines that are being electrified) and introduce automatic train control. Electrification to the new 25,000 volt standard will involve the rebuilding of a large number of overbridges to provide the necessary clearance for the conductors: French experience has already demonstrated beyond doubt the advantages of this system of electric traction; it is cheaper in terms of lineside equipment and electrical supply. The cheerful descriptions of the passenger coaches of the future might have been written by a car salesman; the national scandal of grease-lubricated coal wagons will have been eliminated by the end of this year, and the freight train of the future—running at 60 miles an hour, with continuous brakes, close-coupled wagons, and roller bearings begins to be possible here. It is familiar enough in other countries.

No doubt it is a good thing for railwaymen to have new toys to play with. But the test of these expensive hobbies is not whether they give railwaymen pleasure, but whether they will be matched by a new enthusiasm on the part of the staff, whether they are exploited with a new determination by railway management, and whether the customer can be convinced that he is getting better service relatively cheaper than he did. The commission want to secure "a more sensitive and effective use of staff at all levels," and they have a rare opportunity, with modernisation on this large scale, of shaking off old ways of men and management. There are new chances for men to share in increased productivity through doing new jobs (though the commission themselves put an apparently modest figure of £5 million a year as the potential savings from improved efficiency by 1961).

Evidently there has been some improvement in the readiness of the unions to co-operate towards higher efficiency. But the report notes that "one of the major problems yet unresolved is the manning of diesel and electric locomotives"; in other words, the unions are still insisting that two men shall do the work of one on the new locomotives. There are other restrictive practices—on lodging turns, the rostering of staff, and demarcation in railway workshops—that will, if they are allowed to continue, rob the country of the full return that it has every right to expect from the large sums of money it is adventuring on the new railways.

Changes on the management side are equally necessary, and there are encouraging signs that they are afoot—decentralisation on the Eastern region has lately been followed by the London Midland. "The highly centralised and functional system of management which," the report says with the soft pedal hard down, "was at one time favoured on the railways is being gradually changed, and more managerial authority given to men in local charge." With new equipment capable of an infinitely greater transport effort, success lies in its most intensive use and the fullest exploitation of its commercial opportunities.

Last year, over the whole British Railways system, freight trains moved 1,183 ton miles an hour, with an average load of about 160 tons per train and an average load of 7½ tons per wagon. These are not shining performances, particularly if the comparatively efficient movement of block trains handling coal and mineral traffic is subtracted from them. What could be done ideally with diesel haulage and braked freight trains, assuming 20 hours locomotive service a day, for 300 days a year, at an average speed of 40 miles an hour, and with an average load of 400 tons (600 tons would be reasonably possible) prompts the hope of freight transport at a knock-out price. But real cheapness rests on squeezing the last effort from the equipment, on a co-operative staff prepared to share in the spoils on condition that they are earned, and on a new commercial



energy to demonstrate to customers how cheap railway freight transport can be if only it is exploited in the right way. Between the practical results of 1956 and what might be theoretically possible in a new railway age lies a gulf that can never be completely bridged. But the promise of what is possible provides the only present foundation for the necessary act of faith in modernisation.

TOWARDS this change of commercial heart, the new charges scheme for freight traffic that comes officially into effect on Monday cannot make much immediate contribution. It is unlikely, that is, to make much material difference to this year's results (which are bound to show another big deficit) and only the new scales for consignments of up to one ton will come immediately into effect. Wagon-load rates for mineral traffic that are now being charged will be retained, though they will be subject to a later review. Already rising costs are overtaking the new maximum charges. But the new freedom, within the limits that the charges scheme allows, will be used by the commission "to persuade consignors to offer traffic in loads and frequencies which make for economical working"—and in the economical working they can expect to get the appropriate benefit in really competitive rates. Charges must go with the standard of service, and if the latter can be improved the former can be profitably reduced.

That, in the end, is the only justification for the moderate ambition of giving Britain a railway service that can hold up its head in the same century as the French, the Dutch or the Italian. The railways have come nearly last in the queue for new capital, but the queue is continually re-mustering and the current demands it is now presenting—for power, transport, heavy industry, shipping, public investment, and overseas development—are truly frightening. The tangible gains that the commission's report is able to claim from its first experience of a new start on the railways are welcome; the commission fought aggressively for their plan and they will have to fight even harder to get the best return from it and thus to justify it to the public who are paying for it.

The New Explorers

Throughout the world, scientists are beginning a concerted, comprehensive study of the earth's atmosphere—in order to guide its invasion by applied scientists

NEW EXPLORERS are on the move. For months there has been a noticeable quickening of activity among certain scientific institutions the world over, like the murmuring of a hive about to swarm. New and elaborate equipment has been arriving on an unprecedented scale, teams have been formed, bases set up, a system of measurement and recording to be used by over 3,500 stations has been agreed among 63 nations, and next Monday this vast network comes officially to life. The International Geophysical Year begins. Only the name is unfamiliar and puzzling; the driving force behind the IGY is in the direct tradition of all the voyages of discovery that stretch down through history.

The traditional explorers, with their caravels, their mule trains, their dog teams and bearers, mapped out the surface of the earth fairly thoroughly over the centuries, continent by continent and ocean by ocean. They are responsible for the essentially two-dimensional picture of the world that most people carry in their mind, one where there is length and breadth but no depth. The new explorers seek after the missing third dimension, probing upwards and outwards through the atmosphere and into space, downwards and inwards into the earth's core.

The atmosphere, that thick, pliable belt that surrounds the world like the pith of an orange skin, is becoming of more and more practical importance as it is pressed into use to relieve congestion on the surface of the earth. Its lower reaches are already cluttered with aeroplanes, radio signals and communications of all kinds and engineers are beginning to eye its empty higher altitudes with much the same feelings as the pioneers of the West must have eyed the virgin prairies. It is at this point that the lack of any real fundamental knowledge of the atmosphere is driven home in a practical form.

One of the main objects of the International Geophysical Year is to collect a mass of data from readings, observations and measurements out of which a set of basic working rules about the atmosphere and its properties can be distilled. It is essentially a fact-finding operation, and the facts themselves may take months, years or even decades to digest. It has become more or less essential to carry this work out on an international scale, so that a 24-hour watch round the earth is kept on the atmosphere, and a series of standardised, co-ordinated and synchronised readings can be taken.

The behaviour of the atmosphere, from radio reception to the weather, is influenced by the sun's rays; and the best places for observing the effect of these rays are the two polar regions. This inconvenient fact explains why at least half the British government's £650,000 contribution to the venture has been spent in setting up and maintaining the Royal Society's base in the

Antarctic. The scientists have gone there not out of any predilection for polar wastes, but because this inclement place gives them the best conditions for their observations. The expedition into the Antarctic organised by Dr Fuchs, on the other hand, is the last of the old-style Polar voyages, a romantic, privately financed anachronism in the mechanised, heavily instrumented atmosphere of the IGY.

Earlier international surveys of the atmosphere—there was one towards the end of the last century and another during the depression years of 1932-1933—confined themselves to the two polar regions ; the IGY has set up a wider network. There is a ring of stations running roughly round the equator, and three further chains running between the poles through the main land masses, rather like segments of an orange. One lies along the Americas, a second through Russia, Japan and Australia, and a third through Western Europe and Africa.

THE best time to study the effect of the sun on the atmosphere is when there are sun-spots, since these cause all the most revealing phenomena such as magnetic storms, heavy cosmic rays, radio black-outs and magnificent aurora displays. Sun-spots are cool patches on the sun, detected by a darkening of the surface ; they tend to occur in cycles of roughly eleven years and the IGY was timed to coincide with one of these seasonal peaks. Provokingly enough, this peak arrived early ; the last six months before it opened have been marked by one of the biggest assemblies of sun-spots on record. Scientists have been watching sun-spots for years, but this is the first time that an international watch has been kept for them so that the sun is under continuous observation throughout the whole 24 hours from observatories strung across the world. This will make it possible for all stations to be warned when sun-spots show signs of building up to a significant size, and to take readings as the sun comes into their orbit.

This co-ordinated watch, with its checks and cross-checks, is the nerve system of the IGY and its real justification. Scientists would have done many of these observations on their own, but their results become immeasurably more useful when they can be fitted into a jigsaw of similar observations taken by their colleagues on every face of the globe. This applies not only to the studies of the atmosphere that will go on during the IGY but to all the other investigations into gravity, latitude and longitude, oceanography, glaciers and all the phenomena that make up the programme.

The handicap that the new explorers have still to overcome is the inaccessibility of the object they want to study. Oceans can be plumbed and tracks hacked through jungles, but the laws of gravity make it extremely difficult to position recording instruments among the various layers of the atmosphere. Three methods will be put to the test during the IGY. First, there is the established and largely proven radio and radar sonde techniques where instruments carried up in weird plastic balloons transmit their data back to the ground. These generally work up to altitudes of 10 miles ; it should be possible to get them up to about 20 miles but this barely carries them through the first layer of the atmosphere.

The second line of attack is with rockets. These carry instruments much higher than balloons : the British meteorological rockets that will be fired during the IGY are expected to reach 70 to 90 miles and the practical limit is probably about 200 miles. The disadvantage is that the instruments will remain at peak altitudes for not much more than a minute, and there is a limit to the amount of data that can be collected in so short a time.

Finally, there are the space satellites. Both the Americans and the Russians believe that if a small shell (roughly 21 inches in diameter) carrying instruments can be carried by brute rocket force 300 miles above the earth, it will then circle the earth for a time as a tiny artificial satellite before its waning speed draws it back towards the ground to be burnt up by friction with the atmosphere. It is easy to see how this idea has caught the imagination of scientists. Three hundred miles off the earth, such a sphere would be largely outside the atmosphere. It would record the sun's rays in almost the precise form in which they leave its surface, before they have become distorted by filtering through successively thickening layers of atmosphere. It would also give a wonderful bird's eye picture of the earth and hold this for much longer than rocket-borne instruments could. No one knows enough about conditions 300 miles above the earth to say how long a satellite could last ; some say days, some weeks and some as long as a year. But do the engineers yet know enough about rocket motors to get a satellite up to a height of 300 miles? The layman might be forgiven for doubting whether they do. Rocket motors of the necessary size are certainly under development, but rockets as a group have a vicious streak. They are liable to sulk smokily on their launching platforms without going up : once launched, they can still go berserk and destroy themselves. The satellite programme, therefore, faces a good many dangers on purely technical grounds. But the choice probably lies between attempting it now, before the motors and accessories are fully proved, or waiting another eleven or twelve years for the next sun-spot cycle.

ESTIMATES of the cost of the International Geophysical Year vary from £100 million to nearly £200 million. Britain's contribution, valued at £650,000, represents only those projects that were put in hand specifically because of the IGY, and it does not count in the cost of work that would have been done in any case and which has now been fitted into the IGY programme. Although this is not a programme directed to any practical end in the way that atomic research has a concrete objective, it is still likely to have several immediate practical results. This is one field in which applied science has been developing at a faster pace than pure science ; the airlines, the radio engineers, the communications specialists and the experts on ballistic weapons are jostling each other to get into and use successively higher layers of the atmosphere, and the academic scientist is able to tell them little about the conditions they are going to find if they get there.

The intensive work of the International Geophysical Year (only the scientists know why it has inexplicably been stretched to cover the 18 months to December 31, 1958) should correct this balance and open the way for a marked improvement in communications—even in the long distance transmission of television. It should improve weather forecasting and navigation, including navigation for trans-polar flights which is at present rather tricky. It may also yield data on two important points that at present trouble the designers of missiles. One is the position of the continents in relation to each other. So long as maps are restricted to land, they are reasonably accurate, but once they have to cross a span of water the margin of error becomes appreciable—too wide, for example, to be certain that a ballistic missile launched like an artillery shell from one continent would hit an exact target in another. But if the latitude and longitude measurements taken in the IGY help to put intercontinental missiles on course, the experience gained in using radio telescopes such as the mammoth built at Jodrell Bank may also point to a way of tracking them as they approach their target and suggest how to set up an anti-missile defence system.

The long-term results of a venture of this kind are as difficult to assess in advance as that of any project which aims to push back the frontiers of knowledge. When the IGY comes to an official end, will the watching, listening network of observatories come to an end with it ? There is a strong feeling that this special form of scientific co-operation is likely to continue ; for practical reasons it is better for observatories to work together on a standard system of measurement, rather than separately. If this happens, the benefits of the IGY may long outlast its immediate scientific usefulness.

BUSINESS NOTES

FUEL PRICES

How To Keep A Surplus

THIS week's increase in coal prices was not quite a flat rate increase—large coals have gone up 8½ per cent and the rest about 8 per cent. But it is no secret that the National Coal Board would have preferred to "open its concertina"

HOW COAL PRICES ARE GOING UP

	Average pithead price, end-1956	Increase, July, 1957
	s. d.	s. d.
Railways	89 5	7 7
Bunkers—coastwise	89 5	7 5
" trawler		7 7
Domestic consumers	89 0	7 0
Gasworks	88 0	7 1
Coking Plants—NCB	85 0	6 10
" " other	83 3	6 8
Iron and steel*	81 10	6 8
Power stations	64 0	5 1
Other inland consumers	77 1	6 3
Average inland price	80 3	6 6

* Apart from coking plants

a good deal more, by charging the consumers of large coal something more nearly reflecting the cost today of bringing in the last few million tons of it, which still have to be imported in spite of the very high stocks of smaller coal. These consumers, however, happen to be householders and the railways: the Cabinet was not prepared to approve a much higher increase for them, which would have been politically so unpopular. The very small coals that are at present in surplus account for some 90 million tons out of the 205-210 million tons of coal a year that the NCB sells in Britain. If the price of these small coals had been held level, as logically it should have been since the board is producing more of them and finding them hard to sell, it would have required a swingeing increase on larger coal to find the extra revenue it needed.

Last year the board showed a surplus of £12 million after paying interest, and in the first, generally profitable quarter of this year it was again in surplus. But its costs have been rising steadily, and without these increases it was faced with a prospective deficit of the order of £20 million this year. The present price increases should bring in about £32 million in 1957 and £66 million in a full year ; the board ought now therefore to achieve a surplus for 1957 of much the same level as last year, and should be able completely to wipe out its accumulated deficit (at present £24 million) during 1958. This week the NCB said: "The increases will thus go but a little way towards financing the Board's capital expenditure out of profits." If one were to believe the fortuitously favourable figures in its latest report, it would appear to have "self-financed" some 85 per cent of its capital investment in 1956 ; the real proportion was probably nearer half. These are the peak years of expenditure under the Board's investment plan : the latest rise in its

revenue should enable it to keep just within the borrowing limit of £650 million during that five year period that it was granted last year.

Can Fuel Oil Compete?

COAL consumers smarting under an increase averaging 6s. 6d. a ton in the cost of their coal can console themselves with the thought that the consumers of heavy fuel oil are still paying £2 7s. 6d. a ton more for their oil than they were when the price of coal was last raised a year ago. The price of heavy fuel oil, which had already risen by nearly £1 a ton during the summer of 1956, jumped sharply by over £4 a ton, as a result of the Suez emergency, to about £14 5s. a ton by the spring of this year; since then it has been reduced by over £2 a ton, as some of the emergency costs have vanished and ocean freight rates have fallen, to its present level of £12 3s. 3d. a ton. This is the delivered price paid by small consumers in the oil companies' inner zones, where transport costs are low. Consumers in the outer zones pay about 10s. a ton more, and in the general zone a further 10s. a ton. On the other hand, large consumers receive quantity rebates on a sliding scale up to about £1 a ton, the rebate granted to consumers of over 25 million gallons (just under 110,000 tons) of fuel oil a year. Very large consumers, who help the oil companies to reduce their delivery costs by putting in extra storage, for example, may qualify for slightly more than £1 a ton rebate.

A large consumer of fuel oil, situated in the oil companies' inner zone, may therefore now be paying just over £11 a ton for his oil. Assuming a ton of oil will do the work of 1.7 tons of coal, this is equivalent to a coal price of £6 10s. to £7 a ton. How does this compare with the current price of coal? Private industrial consumers of coal, other than the steel industry, were paying an average pit-head price of £3 17s. 1d. at the end of 1956; they must now pay 6s. 3d. a ton more; and to the pit-head price must be added, say, 10s. to 15s. a ton on the average for transport—say, £4 15s. to £5 a ton in all. The steel industry, coking plants, gasworks and railways pay more than this, up to about £5 10s. a ton delivered; but the Central Electricity Authority's generating stations, using large quantities of untreated small coals of low quality, can now obtain supplies of coal at just over £4 a ton—nearly £3 a ton cheaper than its thermal equivalent in oil at ruling prices. This is a measure of the gain that would be reaped by generating stations where the future supply of oil has been arranged on a coal parity basis, as compared with those buying oil at the current fuel oil price.

This price disadvantage of oil can be reduced and even eliminated in the many cases where oil has special technical advantages over coal—and the oil industry is still gaining new customers for fuel oil. Moreover, the price of oil is unlikely to remain at its present level. Consumers can expect to benefit from the continuing fall in tanker freight rates, and, eventually, from lower import prices. Fuel oil is the one major product where British prices based on the delivered cost of Caribbean oil can still be justified, for European refineries operating on Middle East crude oil cannot supply the volume of fuel oil demanded in Europe without drawing substantial extra supplies from the Caribbean. The Caribbean price, although it lagged behind the price in the US Gulf, has not yet declined from the high point reached during the Suez emergency—even though the demand for fuel oil has now fallen from its winter peak and fuel oil is still selling at about 80 cents a ton above the coal parity price on the east coast of the United States.

IMF ON THE £

Towards Convertibility?

THE International Monetary Fund's eighth annual report on exchange restrictions takes a somewhat rosy, even wishful-thinking, view of its subject. The leaders on the road to exchange convertibility receive a full meed of praise and their performance is given what, on the face of it, seems over-generous commendation—intended, no doubt, to encourage the laggards. Under the articles of agreement of the IMF the member countries must now consult with the fund each year if they maintain any restrictions on payments and transfers for current transactions. With a new "Mr Gadfly" in the consultant's chair in Washington the exhortatory effect of this annual procedure should gain a great deal in its impact.

Of the sixty member countries of the IMF, eleven have convertible currencies and do not avail themselves of the transitional arrangements allowed under Article XIV. They are all in North and Central America and members of the dollar area. Of the Article XIV countries the report says that they made further progress in the relaxation of exchange restrictions "although the progress in the past year was not at the same rate as in preceding years." This note of disappointment vanishes when the report turns to some countries in Western Europe which have "so liberalised trade and payments that it appears they would be able, without any very significant readjustment, to participate in a general move to establish a regime of full convertibility." Among those on the threshold of salvation are "the United Kingdom and a number of Western European and sterling area countries in which stable unitary rates predominate but restrictions are applied to limit certain imports with a lessening but still significant distinction between currencies of payment."

To suggest that sterling and some of its related currencies are "gradually approaching" a regime of full convertibility appears decidedly fulsome. The compliment is perhaps deserved in negative terms because Britain resisted the temptation to retreat into restrictions during last year's pressure on the reserves. The report singles out for special praise Britain's decision to meet the crisis of confidence by mobilising foreign exchange reserves from the IMF in preference to intensifying its exchange restrictions. "The fact that the United Kingdom avoided a reimposition of trade and payments restrictions," it says, "played an important part in sustaining the momentum towards continued liberalisation of payments regimes in other countries throughout the world."

THE EXCHANGES

The Franc and the Pound

THE uncertainties of the French political situation have again been reflected in the foreign exchange market. The French franc in the early part of this week was quoted at 25 francs discount for one month "sellers only"—a figure equivalent to a rate of 30 per cent a year. There has been a slight improvement from this level, but the discount

on the one month forward franc rate is still at the abnormal figure of around 25 per cent a year. In the battle for the franc the French Government has this week succeeded in passing new tax proposals to bring in 150,000 million francs this year and about twice as much next year. Of more immediate import, a new convention between the Government and the Bank of France has been negotiated providing facilities for further "special" advances to the French Treasury to a total of 300,000 million francs and giving the French Government the right to draw on 100,000 million francs of the Bank's gold reserve. This incursion into the hitherto sacrosanct official reserves of the bank affects about a third of the bank's gold holding.

The strength of the mark continues to dominate the market in European currencies. Sterling has been weakening fractionally against most Continental currencies, the main influence being the seasonal demand on British tourist account. Against the dollar, sterling has been holding up well at just over $2.79. New York remains a steady buyer of sterling on commercial account while the demand for dollars from London, though persistent, is now being reduced by some diminution in the shipments of dollar oil. Transferable sterling is firm at $2.77⅞-¾. The demand has come from New York and Zurich, some of it of Japanese origin. Japan has been rebuilding its sterling balances in London by selling dollars against transferable sterling.

Sterling has stood up well to some decidedly bearish doses of recent comment. One of these comes from Sir Frederick Leith-Ross, now a bank director and formerly chief economic adviser to the Government, in the review "Optima." Sir Frederick writes that "the best thing that can be said for sterling today is that foreigners are so anxious to avoid holding it that the technical position of the exchange market is oversold." He further suggests that since the nationalisation of the Bank of England British currency policy "is no longer appropriate for an international medium of payments" and he reminds the world that some of the leaders of the Labour party "have made no secret of the fact that they regard monetary stability as less important than full employment."

These are views that Sir Frederick is not alone in holding. But exception must surely be taken to his contention that "the British economy has been supported by drawing resources from the sterling area countries and leaving them with an accumulated credit of inconvertible and depreciating sterling." There were years, notably 1950 and 1953, when the increase in the sterling area's holdings of sterling in London exceeded the investment of new money by the United Kingdom in those countries; but taking the period 1946-56 as a whole, or even the last half of it, the balance has fallen unquestionably and heavily on the other side of the account. It is British resources that have helped to develop and sustain the overseas sterling area countries, and some of the strain on sterling is due to this very factor.

VIEWS ON GILT-EDGED

A Cooler for Gilt-Edged

"DALTONS"—Treasury 2½ per cent stock, redeemable in 1975 or after—were issued at par in 1947 and can be bought at 50. Consols, always a shade less unpopular, command a middle price of 50. Market prices for British Government stocks are maintaining their hold on realism. They have certainly not been encouraged otherwise by the Chancellor's forthright replies on Tuesday to a series of questions designed to illustrate the wickedness of the credit squeeze and aimed at modifying the restrictions on bank loans and easier borrowing conditions for local authorities from the Public Works Loan Board. In one he said:

> Any attempt to conceal the shortage of capital which exists could only be inflationary and force up the cost of living.

That, investors seem to have felt, is that. Gilt-edged have been quietly bumping along while most investors have turned their attention elsewhere, to selected oil shares and industrials. But there has been no general rally in industrials; *The Economist* indicator over the week ended on Wednesday remained almost unchanged at 222.2 compared with 222.3. But the preference of investors who have money is still for securities other than gilt-edged.

Nevertheless, in this atmosphere of realism a nibble of new business was felt in the gilt-edged market. At the low prices, jobbers have seen a little more buying than of late, part of it arising from switching operations. Some of the institutions that hold the next maturity, the 2¼ per cent Serial Funding stock due for repayment in November, thought it reasonable to exchange into the 4½ per cent Conversion stock (1962). But there were also small amounts of new buying as well as of selling. Some investors, though at present very few, seem to feel that British funds have reached a reasonable level.

A Study of the Market

ALL investors in gilt-edged stocks are again indebted to a leading firm of brokers for the latest supplement to their classical work, "British Government Securities in the Twentieth Century." The supplement includes a new section examining the movement of gilt-edged prices in the light of Bank rate changes which *The Economist*, responding to the challenge of the authors, hopes to discuss in an early issue.

For the moment, we may perhaps be excused for some princely borrowing from the preface. First comes a diagnosis of the sad state of the market:

> . . . The whole problem is at present clouded by an almost complete sales resistance to government securities, which appear to be at the bottom of most investors' lists of posteriorities. Clearly, the main cause of the trouble lies in the barely checked progress of the creeping inflation, which for all the threat it offers to the economy and the hardships it inflicts on some sections of the community, draws nourishment from conditions of full employment and a welfare state, and appears, on balance, to be regarded by the majority as preferable to its antidote.

These views have caught hold and are promoting a general movement out of fixed-interest securities and into equities:

> The argument is, indeed, put forward that, since the pound has been depreciating in the past decade at an average rate of 4¾ per cent per annum, any investment likely to show a total net return on income and capital accounts over a given period of less than this amount is giving a negative yield and should be discarded.

Many investors, too, became unpremeditated holders of guaranteed stocks at boom levels through successive nationalisations, and "those of them who retained the cuckoos' eggs . . . have little cause for celebration or pride."

Indeed, it must be acknowledged that today the gilt-edged barometer appears to lack much of the opportunity and all of the ability to register the more pleasing changes, while recording the entire range of gloomier prognostications with maddening fidelity.

Tighter money and the diversion of short-term funds into local authority mortgage market have acted as a drag on prices.

The most serious threat to the gilt-edged market, however, lies in the insatiable and ever-growing appetite of industry for capital investment, and the onus, which in modern conditions falls largely on institutional funds, of feeding it. The units of borrowing are constantly growing and issues of five, ten or fifteen millions are becoming almost commonplace. . . . It is popular to say nowadays that the authorities should do something about the market. Do what? . . . To buy stock now in support of the market and to give it artificial strength would not only appear to be a negation of the government's own anti-inflationary policies, but might land official funds with embarrassingly large quantities of unwanted stock, to the prejudice rather than the benefit of orderly marketing.

That is not to say that a small intervention might not at times prevent a disproportionate movement from developing. And on the longer view, the preface finds room for guarded optimism :

. . . To one observer, at least, it appears to be pessimism gone mad to suppose that government credit will for ever be valued on a contemptuous basis, that redeemable gilt-edged stocks standing at discounts of 20-30 points have no virtue, and that the British people will never put their house in order. If all this is true, then the outlook for the whole country and for every type of investment is black indeed. We do not take this view.

May their faith be justified.

OIL TANKERS

BP Presses on Regardless

UNLIKE some other oil companies, which fear that the numerous tankers already on order may cause a surplus of tonnage when they are delivered in the early 1960's, the British Petroleum Company has had no second thoughts about its tanker building programme. The new orders, foreshadowed nearly two months ago in the company's annual report, are for a further 27 tankers, totalling about 1,150,000 tons deadweight, for delivery between 1960 and 1963. As BP already has on order 37 tankers totalling 1,150,000 dwt for delivery between now and 1960, it has doubled the scale of its building programme. With almost all of its production concentrated in the Middle East, BP has, on the average, longer hauls for its oil than almost any other major oil company. It may therefore feel more inclined than other oil companies to reduce its dependence on outside chartering, even though charter rates are expected to fall.

While other major oil companies have for the most part let the independent tanker owners make the running with super tankers of 65,000 tons deadweight and upwards, BP has included in its new programme no less than seven tankers of 65,000 dwt, as well as nine of 50,000 dwt. All of these are to be built in British yards, and the company's announcement confirms that there are now four British yards ready to offer delivery of 65,000 ton tankers between 1960 and 1963. Three of these large tankers will be built on the Clyde—two by John Brown and one by Fairfield Shipbuilding and Engineering; two are to be built by Cammell Laird at Birkenhead; and two on the Tyne by Swan Hunter and Wigham Richardson.

At present building prices the new programme will cost BP £80 million, on top of a similar sum that it is already committed to spend under its earlier tanker building programme. Banks and institutional investors are providing £40 million towards the cost of the earlier programme, but the company may not find it altogether easy to raise more finance by similar methods for the new one. As the chairman reminded shareholders two months ago, the tanker building programme and other capital expenditure "will necessitate the continued retention in the business of a very substantial proportion of the earnings."

UK TRADE

The Growing Adverse Balance

LATEST returns of British overseas trade provide no firmer evidence of renewed inflation than did the statistics of production discussed in these notes last week. They do indicate that Britain is still paying a heavy price for the dislocation of oil supplies following the Suez crisis, and that some industries—the timber industry for one—are building up stocks that were run down last year. But however qualified, the deterioration in the balance of trade is not pleasant. In April and May together imports averaged £362 million a month (cif), nearly £34 million more than in the same months of 1956; exports, at £287½ million a month (fob), were only £17½ million more. With re-exports £3½ million lower at just over £10 million a month, the gross visible deficit was £64½ million a month, nearly £20 million more than in April-May last year.

UNITED KINGDOM TRADE
(Monthly averages—£ million)

	Imports			Exports		
	April-May, 1956	1st qtr, 1957	April-May, 1957	April-May, 1956	1st qtr, 1957	April-May, 1957
Foods, etc.	120·9	136·5	129·4	14·6	15·2	18·0
Basic materials	92·4	100·1	103·0	9·8	11·4	11·1
Coal	4·2	2·6	2·9	5·1	6·7	5·1
Petroleum	31·7	34·7	42·4	8·0	8·0	7·7
Manufactures	78·0	77·4	80·5	226·5	230·9	239·4
Iron and steel	10·6	6·4	6·5	15·5	17·5	19·7
Total	328·3	352·7	362·1	270·1	278·8	287·5

One-third of the increase in imports is attributable to petroleum and petroleum products. Arrivals of oil from the Middle East are recovering, and prices are still high. Total imports of petroleum in the two months averaged £42.4 million; the quantity was only three per cent higher than in April-May last year, but the value was over one-third higher (last month, for the first time since the Suez crisis, the price index of imported fuels dropped—by seven points to 138 [1954=100]). Imports of foods and basic materials were each roughly £10 million higher than a year ago. The outstanding increase in the food group was in raw sugar, which at £17 million a month was 74 per cent higher in value and 18 per cent higher in volume. Among basic materials imports of raw wool were one-third higher in value, but only three per cent up in volume. Arrivals of woodpulp, at £9½ million a month, rose by 19 per cent compared with a year ago and arrivals of timber, at £11½ million a month, rose by 18 per cent. Among manufactured goods, arrivals of iron and steel were nearly 40 per cent lower than a year ago.

Exports in April and May showed an increase of seven per cent over the same months of last year. Engineering products, the largest group, totalled over £117 million a month, 4½ per cent higher than in April-May last year. Shipments of non-electric machinery, at £48½ million a month, were 9 per cent up and metals, at nearly £43 million a month, were 13 per cent up. Exports of cars and chassis were 28 per cent higher than a year ago, at £14 million a month; a sharp fall in shipments to Australia was more than offset by record shipments to the United States. Exports of commercial vehicles and chassis were recovering, but were still five per cent less than a year ago. The rise of imports needs to be watched, for exports are not keeping pace but it may not yet be time to sound an alarm.

MOTOR INDUSTRY

Cars at the Peak

IN any year the car industry should be doing well at about this time. But its rate of recovery in the past few months is much more than seasonal. Since January, when things first started to improve, the industry's daily rate of output has risen month by month until in May it topped the 4,000 mark for the first time and was nearly 50 per cent higher than in January. The industry's previous best month had been October, 1955, just before the market broke. These are encouraging figures and reports from manufacturers and dealers suggest that June will have been even better. But the question the industry is asking itself is how much of this recovery is permanent gain.

The stimulus home sales got from the cut in the minimum hire purchase deposit from 50 per cent to 20 per cent last December was clearly quite substantial. So far, however, last month's return to a 33⅓ per cent minimum does not appear to have made any noticeable impact. In fact, though registrations are known only up to April, it would seem that sales in May and June were probably better than in 1956—for the first time this year. In time the new deposit terms are bound to have some effect, if only by depressing the prices and trade-in values of second-hand models. The autumn and winter, too, are not very far away and they are again likely to have their usual chilling effect upon the home market. Even so, total sales by the end of the year are unlikely to be less than the 400,000 sold in 1956.

Exports look more hopeful and last year's total of 318,000 should be comfortably beaten. Shipments are already well above last year and are even higher than two years ago, with North American and European markets showing most improvement. Recent Australian import relaxations should also soon lead to higher sales there. But these gains are no better than those other car manufacturing countries are making. West German output is well set to reach a million this year, of which nearly a half will be exported; French

Australia Opens the Door to Japan

WHILE Canada is pressing for a Commonwealth trade conference Japan is prising open the door to the Australian market. The trade agreement between Australia and Japan, which is due to be signed in Tokyo next month, has already provoked an outcry from certain sections of the Lancashire cotton textile industry. The Rayon Weaving Association has sent a telegram to the Australian High Commissioner in London expressing "deep concern which cannot be over-emphasised," and urging the Commonwealth government to reconsider a step "so injurious" to Lancashire's exports.

Australia has been obliged to negotiate the agreement to safeguard its market for raw wool. Japan has become such a big buyer of Australian wool—second only to Britain this season—that the balance of trade is heavily in Australia's favour. Australia could not hope to maintain that one-sided balance indefinitely, and Japan has not been slow to exploit its bargaining power. (New Zealand is also considering a trade agreement with Japan.) To help towards redressing the balance Australia, it is understood, has offered to remove discriminatory tariff and quantitative restrictions against imports from Japan. In return, Japan undertakes to remove its own discriminations—by rationing foreign exchange and other more devious means—against Australian goods. Japan will be expected to practise restraint in selling to Australia—as it undertakes to do in certain other markets—but the Commonwealth government will use its existing powers to protect domestic industries in the last resort.

The new agreement will grant Japan the most-favoured-nation rate of import duty in place of the general rate. Examples of the difference between the general and MFN rates on certain items of interest to Britain and Japan are shown in the table. On many items in the Australian tariff the general and MFN rates are the same.

Prices of Japanese consumer goods are generally so much lower than British prices that the granting of MFN treatment is hardly crucial. Of more significance to British and other exporters—and Australian manufacturers too—is that Japan will in future compete freely for a share of the import quotas for non-dollar supplies. The existing quantitative restrictions on Japanese goods are severe; Japan's share of the Australian market in 1955-56 was less than 3 per cent. The new trade agreement will certainly intensify competition in this market, but whether Lancashire's worst fears are justified remains to be seen.

SOME AUSTRALIAN IMPORT DUTIES

	Preferential	MFN	General
Cotton drills and denims	4d. a lb +27½%	10d. a lb +45%	13d. a lb +45%
Certain other cotton piece goods, per sq. yd.	½d.	¾d. to 2d.	2¾d. to 3½d.
Certain rayon piece goods, per sq. yd.	1½d.	4d.	9d.
China, bone	10%	30%	45%
China, other	17½%	40%	45%
Toys	17½%	45%	52½%
Cameras	Free	Free	17½%

IMPORTS, JULY, 1955 TO JUNE, 1956
£A million

From	Britain	Japan
Yarns and fibres	11·2	0·2
Other textiles	35·3	8·6
Apparel	5·2	0·3
Metal & metal manufactures	113·2	7·1
China and pottery	3·3	0·7
Toys and fancy goods	1·7	0·8
Optical, surgical and scientific instruments, etc.	5·6	0·3
Chemicals	14·6	0·2
Total imports	355·9	22·6
Share of Australian market	43·3%	2·8%
Australian exports	257·4	86·5
Exports of raw wool	83·1	64·3

production is still higher than Britain's and its overseas sales, though lower, have also been increasing.

Among car makers here the gains are unevenly spread. Ford is now producing 1,600 vehicles a day, of which a record 1,200 are cars compared with only 500 a day last December. Vauxhall does not say what its present rate actually is, except that it is 18 per cent higher than its previous best; the company's expansion programme, which will give it an annual capacity of 175,000 cars (including 100,000 Victors) and 75,000 vans and lorries, is now almost complete. Both BMC and Rootes are also producing more than a year ago; but while Rootes has reached a new peak BMC's output is still somewhat below its previous best two years ago. Standard's car output is up on last year, too, and production of the new Ferguson tractor is now about a seventh greater than the rate of 70,000 a year achieved with the old model before last year's strike. The firm's total labour force, now standing at 10,500, is still about 500 below what it was then, though it expects to reach its planned tractor capacity of 100,000 a year within a few months.

Racing and the United States

THE brightest feature of this year's performance by the car industry is its great success in the United States, which has now become its biggest single market. Already the 1956 level of sales, 38,000, has been passed, and it is mainly the family saloon type cars, like the Nash Metropolitan, the Ford and Hillman models, that are chalking up really large sales. Ford has recently put the distribution of its models into the hands of American Ford dealers and aims to sell 20,000 cars there this year against just over 4,000 last year.

The traditional market for British cars in the United States, however, has been in sports models, with MG and Jaguar in recent years competing for top place. MG has now leapt ahead, selling as many as Jaguar, Triumph, and Austin Healey put together. The new Triumph has met a good response and Jaguar sales should receive another fillip from the latest success at Le Mans. This company withdrew from sports car racing last year, leaving the door open for occasional reappearances in the future, as it found, like most other manufacturers here and on the Continent, that too much of its research and development effort was taken up preparing cars solely for competitive racing. Jaguar is still providing technical assistance to a select band of drivers racing its cars, and is fully seized of the prestige and sales value of winning events like Le Mans—and also of the technical improvements forced by competitive racing. But few manufacturers of cars for sale are now prepared to give continual support to works' entries.

SUEZ CANAL COMPANY

The Boys without the Jobs

THE Suez Canal Company has a valid and big claim to compensation. Nothing that has happened since the canal was expropriated and least of all the fact that the company's other assets make it a great and wealthy investment trust should be allowed to obscure that fact. Both the company's report presented on Monday and the speech of the President M. François Charles-Roux rightly did what was possible to prevent it being lost sight of. There will be sympathy for his suggestion that the British, French and American Government should earmark some of the blocked Egyptian assets for compensation. Whether it would now be practicable to dissociate canal compensation from the mass of other claims and counter claims is another matter. There is sense too in the directors' suggestion that when Egypt goes, as sooner or later it must, to America for capital, lenders will ask that Egypt should first settle its account with the company.

Shareholders can well have approved that line of argument. It is more difficult to understand their apparent approval of the company's plans for the future and extremely difficult to understand how the British Government's representatives on the board (and Britain holds 40 per cent of the shares though not of the voting power) can have accepted them. The obvious solution now is first to negotiate on compensation and then to liquidate. But "your board rejected this solution." Instead shareholders were asked to approve resolutions bringing the company wholly under French law and therefore to some extent abolishing its international appearance. They also authorised the board to employ its assets present and future on research projects, on acquiring holdings in companies and in participating in financial, commercial, industrial, mining and real estate ventures. In answer to a question M. Georges-Picot confirmed that the company is participating in the Channel Tunnel research project though, some shareholders may think fortunately, it is not yet committed to take part in the actual financing of the tunnel. The directors seem to envisage a canal company without a canal but with great wealth standing door keeper to an unbuilt Channel Tunnel. Is that what the shareholders want?

ATOMIC INSURANCE

New Kinds of Risk

IT is some time since the London insurance market has declared itself in principle ready to insure against the hazards of atomic energy; but its members remained uncertain about how to carry out this principle in practice. The report now published by the British Insurance Association therefore concentrates entirely on these detailed questions of procedure; it is written throughout on the assumption that the companies intend to do business and require guidance merely on the wisest way of setting about it.

The special risks attending a nuclear reactor are two-fold. A single accident may damage the reactor beyond repair, which is unusual in other plants, and it may also cause serious radio-active contamination of neighbouring land and buildings. Radioactive contamination, with heavy third party claims, need not necessarily follow an accident, but it is a possibility that has to be borne in mind. A curious aspect of such contamination is that it may do no physical damage, in the way that fire or explosion does. The claims that the insurers will have to face are not for repairs and reconstruction, but for the cost of decontamination (perhaps 5 to 10 per cent of the cost of a valuable building), of spoilt crops, unusable land and tainted water, over a region anything from one to five miles downwind of a nuclear power station. The report does not put any probable figure to the size of claim that insurers might have to meet, but the companies themselves are working on a rough estimate of perhaps £30 million for the total loss of a reactor in a

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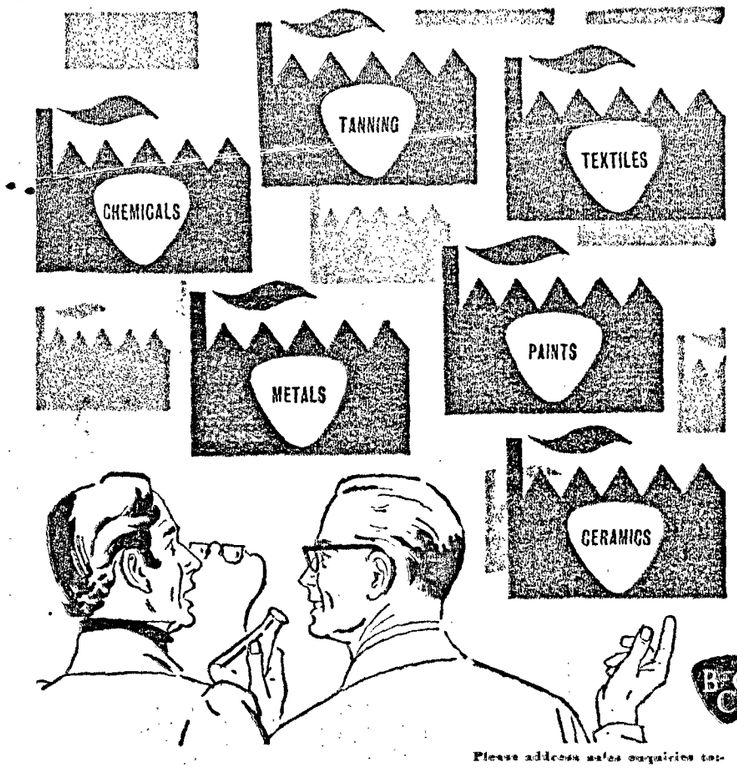
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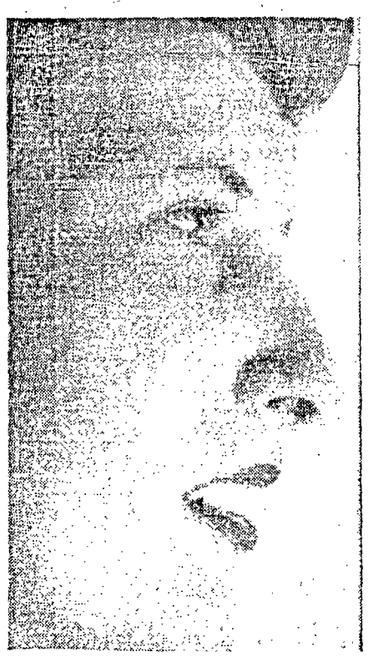
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Why men leave home

Jane, aged 21, a native of Pinner, on why men leave home :—

"Cups and spotty saucers are like factories and offices, nobody would think of drinking out of a discoloured or cracked cup; I don't think folk like it any better when they pass a factory, office, hospital, school or home with the outside showing nobody cares much about its appearance. People guess the inside is probably worse still.

"Costs of decorating ?

"Why don't you ring BYRon 5555 and have a word with the people I work for, Abbott of Harrow. They are painting some of the largest factories in England and have just completed the spectacular new London Airport. Their specialists have been busy at Royal Ascot. Other skilled craftsmen are decorating the extensions at Grosvenor House, Park Lane, to an elegant colour scheme."

ABBOTT OF HARROW, the Painters and Decorators, Sherbourne House, Northolt Road, Harrow, Middlesex.

ABBOTT OF HARROW keep Britain Beautiful

power station, with a further £10 million to meet third party claims. The death roll in an atomic accident is not likely to be high ; provided people are moved quickly out of a contaminated area, they can tolerate fairly heavy doses of radiation.

Protection for Outsiders

WHAT premiums companies may charge in insuring nuclear reactors in power stations or elsewhere will depend on their own assessment of the risks inherent in a particular reactor, the site chosen (particularly if it is liable to earthquakes), the number of people living near it at any time and the strength and direction of the prevailing winds. But the report suggests two rules that should always be followed: the owner of the atomic plant should agree to be liable for all third party risks, and the companies themselves should set up a pool in order to meet the direct liabilities for possible destruction of reactors. They did in fact take steps to do so at the beginning of the year, when a special committee was set up nominally to deal with atomic inquiries, in fact to assess the size of the funds that might be contributed to the pool. It was really only after they had satisfied themselves about its size that the company decided to go out for atomic business.

There remains the problem raised in the report about existing fire insurance policies held by outside firms and individuals. In the opinion of counsel, some of these could be assumed to provide cover against radioactive risks, even though no such thing existed when they were first drawn up. Some swift re-wording is suggested to remove the ambiguity. If companies are to be liable for these peculiar atomic risks they should, the committee suggests, say so in black and white.

SELECTION TRUST SCHEME

Privileged Shareholders

AMONG all the plans to encourage employees to become shareholders in the business where they work the scheme propounded by Sir Ronald Prain for the Selection Trust group of copper companies seems the most novel and some would say the most progressive. There is no qualifying period for employment. All may enter at once provided they earn the qualifying minimum basic salary of £200 a year. That figure lets in all the 3,500 European employees of the group and about 500 Africans. All may pull out (under certain disabilities) at will and may vary the amount of their subscriptions and there is an apparently watertight guarantee against loss through any fall in the value of the shares bought. Tax liability cannot be avoided but the tax authorities have granted a concession.

Every eligible employee may choose to invest up to 10 per cent of his basic salary (excluding overtime and copper bonus and subject to a maximum of £25 a month) in either Rhodesian Selection Trust or Roan Antelope or any mixture of the two. The employing company will put £5 to each £10 that the employee puts in and the whole will be invested by trustees through the market according to the member's instructions. The trustees will pay him his dividends and vote his shares according to his wishes so far as the law allows. The employee may claim his shares at any time and if when he does so the market value of the shares he is entitled to receive is less than the money he himself has put up, the difference will be made up by the employing company in cash. When he withdraws the employee is liable to tax on the value of the shares that the company has paid for (naturally not on those he has paid for himself out of his owned taxed income) but the tax authority has agreed that he may reduce that liability by any depreciation he has suffered on the shares he has paid for himself.

The one restriction is that in order to obtain in full the shares bought on his behalf by the company the employee must allow his investment to "mature" with the trustees for five years. He can take away the shares he has paid for himself at any time. But if he does so before they have "matured" for five years he will not receive all the shares that the company has bought for him. A withdrawal in the second year entitles him to 20 per cent of the shares that the company has paid for ; in the third year the scale is 40 per cent. The scheme is generous ; it must have the effect of retaining labour because an employee who leaves the group is deemed to have withdrawn at that date. The ground for criticism, if there is one, must come not from the workers but from existing shareholders. Copper shares fluctuate widely. In guaranteeing against loss the employers have taken on an incalculable, and it might be a substantial, liability.

EXPORT CREDITS

Stand Against 7-year Credit

WITH commendable firmness the International Union of Credit Insurers has set its face against the use of export credit insurance to enable importing countries to secure extended credit from their overseas suppliers. The terms of years that some countries are now seeking, as the union pointed out in a statement after its annual conference in Edinburgh last week, are frequently longer than those generally accepted by the insurers of export credits and the union is not prepared to submit to pressure towards accepting them. The Indian government, which intends to set up an export credits insurance scheme and sent an observer to the conference, has a considerable interest in this matter. In an attempt to eke out its dwindling reserves India recently announced that import licences for a wide range of capital goods would be granted only if the importer secured seven years' credit from the supplier. That is a matter for the supplier to decide; but if he grants the credit he will not be able to insure it.

Outside the Soviet block, exporters generally appear to be holding to five years as the maximum credit period for large capital projects (except for some special projects such as the third Indian steel plant), and credits for consumer goods have been kept to six months or less. But between these limits there is some evidence that credit terms are being stretched, with two-year credits tending to become three-year, and so on down the line. If this trend continues it may be difficult to maintain the five-year limit for big capital goods.

At this year's conference the new Australian Export Payments Insurance Corporation was admitted to membership, and the Export-Import Bank, which has attended several conferences as an observer, was admitted to a specially devised associate membership. By the nature of its operations the bank is ineligible for ordinary membership. Associate status will bring the bank some benefits

through exchange of information, but is chiefly important as an earnest of the bank's goodwill. It may now be expected to draw still closer to the union's standard on credit terms where the bank's operations are similar to those of the other members.

BUILDING SOCIETIES

The Watchful Registrar

THERE need be no surprise, and certainly no alarm, among the general body of building society investors at the disclosure by the Chancellor of the Exchequer that the Chief Registrar of Friendly Societies "*is at present investigating* the affairs of some building societies to determine whether or not they should be directed to refrain from inviting further subscriptions from members of the public." In Sir Cecil Crabbe the public has a Chief Registrar of vigour who will use his powers in a way far more likely to uphold the investment status of the building societies than to damage it. The names of the societies he is investigating are not disclosed unless he makes an order restraining them from advertising for subscriptions or deposits ; but in the movement it is believed that they do not include any member of the Building Societies Association.

In his report for 1956 the Registrar disclosed three grounds upon which he initiated eleven investigations started last year: (1) unsatisfactory financial position ; (2) lending of the societies' funds on doubtful security ; (3) use of the societies' funds for financing companies with which the societies' directors are connected. At the date of his last report orders were in force on ten societies, all of them small. Nine investigations were in progress at the end of 1956.

The Chief Registrar's power to prevent, with Treasury consent, an unstable society from advertising for further money is a valid protection for investors both existing and potential. It discourages the new investor from coming in. The existing investor, if he wants his money out, may have to wait, but should gradually be able to get it as the repayment of existing mortgages puts the society in funds. The fact that the Registrar is active might make investors wary of very small societies that spend a high proportion of their income on advertising. But it should do nothing to discourage the regular saver from using the well-established societies. It is on regular savers that the well-established societies are now increasingly concentrating. This week the Co-operative Permanent, which already has ten-year and four-year plans for regular monthly savings, announces a seven-year scheme. Subscriptions may be in multiples of £1 per month up to £6 a month. The rate offered is £4 5s. per cent net if the subscriptions continue regularly for the full seven years ; £3 per cent if the account is closed between the fifth and seventh anniversary ; £2 10s. between the first and fifth anniversaries, and nothing if it is closed within a year.

GOLD MINING

The Industry and the Union

FROM the figures of the South African goldmining industry's performance in 1956 produced by Mr C. B. Anderson in his Presidential address to the Transvaal and Orange Free State Chamber of Mines on Monday, it is clear that gold mining has many blessings to count as well as a few troubles. Its production is rising. In 1956 it topped 15 million ounces for the first time, amounting to 15.4 million against 14.1 million in 1955. Its revenue amounted to £193 million against £177 million and profit per ton milled at 14s. 4d. compared with 13s. 5d. in 1955 was the best since 1951. Gold mining is not an industry in which profit margins are being squeezed. Working costs are rising. They amounted to a record figure of 42s. 11d. per ton milled against 40s. 5d. in 1955, but they are being offset by the higher grade of ore coming from the newer mining areas of the Orange Free State and the Klerksdorp areas, and, as Mr Anderson showed, less than 55 per cent of South Africa's gold production now comes from the older areas of the Rand.

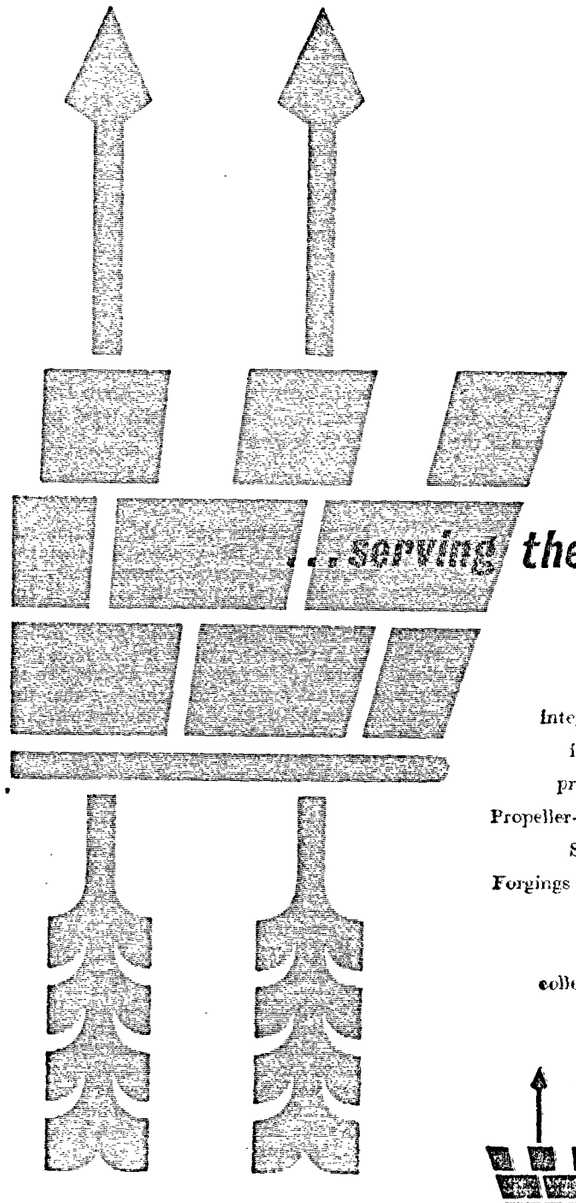
That may answer the industry's oft repeated plea for a higher price for gold. Gold does indeed suffer from a fixed price that has not risen with other commodities, but it also enjoys an insatiable demand at that price and the opening of a rich new area like the Orange Free State carries no risk of bringing prices down. Indeed, Mr Anderson wrote off any hopes of an early change in the gold price. The figures, however, do provide a formidable reply on behalf of the industry to the demand of the government that the so-called "vulnerable mines" (the older mines on the Rand) should be kept in production beyond their economic limit, in order to cushion the impact of their closure on local economies. For the good of the industry and indeed of South Africa, the job is to move from the vulnerable mines as they become exhausted and to press on with the development of the richer new areas. A government request to prolong the lives of these vulnerable mines beyond the stage of profitability has been met, Mr Anderson discloses, by counter proposals from the gold producers committee of the Chamber. He hinted that closure might be postponed but that any such postponement "cannot be unduly prolonged."

SHORTER NOTES

The Minister of Power this week gave his consent to the construction of a nuclear power station at Hinkley Point, Somerset, observing that sites as suitable as this one were hard to find and that he did not think a power station there "would seriously affect the amenities in this sparsely populated area or be unduly conspicuous when seen from neighbouring viewpoints such as the Quantock Hills and Brean Down." The station at Hinkley is to have a capacity of 500,000 kilowatts, seven times that of Calder Hall.

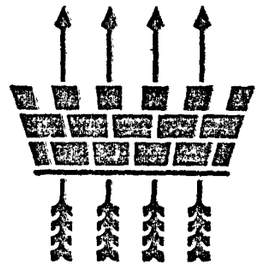
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Fuller details of the latest agreement on exchange of information between Britain's Atomic Energy Authority and America's Atomic Energy Commission, announced in the Commons this week, confirm that AEC is to be given details of the Calder Hall reactor including developments up to January 1, 1957. American firms holding "access permits" from AEC will be able to have "a body of information that is adequate, in the view of AEA, for the evaluation of the gas-cooled graphite-moderated power reactor." If they want more, they can negotiate licensing arrangements with the British groups of contractors now building power reactors for the Central Electricity Authority.



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Mr R. W. Tolson, who lost his seat on the Board of the Halifax Building Society when Mr Fred Bentley was elected to it on April 1st, has been reappointed a director of that society. Mr T. B. Simpson, a Leeds solicitor and company director, has also been appointed to the society's board.

* * *

Airwork and Hunting-Clan, the independent British airline operators now running "colonial coach services" to Africa, are to be allowed to use more modern airliners such as Viscounts on their services to Nairobi and Salisbury (though the frequency of these services will be slightly reduced to allow for the greater capacity of the newer aircraft); and when the cheap T34 type tourist services begin to Ghana, they will be allowed 30 per cent of the British capacity for such services, with no restrictions on aircraft. But BOAC will still have 70 per cent of the British aircraft capacity needed for this air traffic to Ghana.

Cinemas in Britain last year sold 7 per cent fewer seats than in 1955, and though they increased seat prices, their gross box-office takings were about 1½ per cent down—lower than in any year since 1950, when total takings began to be recorded officially. Because prices were up, so was entertainments duty: after paying for the hire of films, exhibitors were left with just over £44 million from the box-office, about £1¼ million less than the year before. Total wages and salaries, which continued to rise though employment declined, were taking about 42 per cent of this at the end of last year.

* * *

Freer Trade in Europe, published by the Treasury at 2s., describes the proposals for a common market and a free trade area; answers some of the questions raised by these proposals; provides some basic facts about Western Europe and the free trade area; and summarises the tariff provisions of the common market treaty.

COMPANY AFFAIRS

COURTAULDS

COURTAULDS' preliminary statement showed a drop of £3 million in trading profits. Indeed the order of the year's figures had been disclosed in April when the merger proposals with British Celanese were first announced and the 10 per cent total dividend had also been foreshadowed. The balance sheet and profit and loss account cover the year to March 31st, before the merger was announced. In view of the merger, the chairman, Sir John Hanbury-Williams, is leaving his statement to be made at the meeting on July 17th instead of circulating it with the report. In these circumstances the full accounts can scarcely excite shareholders. But they can glean much of interest from the directors' exceptionally full report.

They will learn of important off-sets to the leaner times through which the rayon industry and much of Courtaulds' business has been passing. One of these is British Cellophane which showed "very satisfactory results." It is now working to capacity; the new plant at Barrow-in-Furness, still in the early stages of construction, is to be ready for production early in 1959.

Evidently, too, the board is determined, despite narrow margins, to remain in the forefront of textile development. Group capital commitments at March 31st were £5,050,000 though the figure means little partly because it naturally excludes anything that British Celanese may have on its books, and because it does not cover plans for capital development, including those for the acrylic fibre, for which orders have not yet been placed. The directors state that the total will involve "very large sums over and above the actual commitments to date." Plans for the production of the acrylic fibre "Courtelle" are well advanced and steps are being taken to deal with the increasing demand for the triacetate fibre "Courpleta." Shareholders cannot fail to draw the obvious inference from the fact that though the prices of staple fibre and industrial yarns remain unchanged as they have for six years the prices of textile yarns were raised about 10 per cent in January, which is quite late in Courtaulds' financial year. The higher prices will presumably affect the whole of this current year. For the first time it has been possible to consolidate the accounts of "Saicor" (South African Industrial Cellulose Corporation) in which Courtaulds holds two-thirds and the Industrial Development Corporation of South Africa the minority. That change explains a rise of £3.8 million to £27.7 million in group stocks, while interest on CDFC's £2 million 6 per cent loan to Saicor becomes a charge against group earnings.

Again this year the company is allotting to trustees a sum equal to 6 per cent of the gross cost of the ordinary dividend which will be used to buy shares for employees. The cost will be £289,232. Closely comparable sums were used in 1954-5 and in 1955-6 and the number of participants has also remained nearly steady at a little over 14,000. But the price of the shares has moved widely: it was 52s. 6d. in 1955 and 33s. 10d. in 1956, so that the nominal amount of stock bought rose from £79,453 to £125,940. This year the investment has still to be made. At a guess the number of shares bought should be about the same as in 1956.

BRITISH NYLON SPINNERS

TO have an unsatisfied demand, a virtual monopoly and a shortage of raw material is a fate shared by few textile companies in this country. British Nylon Spinners was in this position last year. As the table shows, the company experienced somewhat lower profits but the directors' report shows that it enjoyed sharply rising turnover. Indeed the fall in earnings from £11.8 million to £10.2 million, while it reflects in part increased wages and welfare costs, resulted mainly from the fact that the price reduction of 1955 affected earnings for the whole of 1956 against only the last quarter of 1955. The reduction in earnings was cushioned by rising turnover. Now the factory extensions at Pontypool have been completed. So has

	Years to Dec. 31, 1955	1956
Consolidated earnings:	£	£
Gross profit	11,825,751	10,217,549
Depreciation and replacement provisions	1,175,116	1,410,225
Taxation	5,445,000	5,040,000
Net profit	5,392,966	4,125,019
Ordinary dividends	1,380,000	1,656,000

the rebuilding of the former British Bemberg factory at Doncaster, and it is from Doncaster, where increases in the labour force can be more easily secured, that much of the future expansion must come. Good progress is also being made with the Australian subsidiary's factory at Melbourne.

By implication the two equal partners of British Nylon Spinners—ICI and Courtaulds—feel sure that they could sell much more nylon yarn and staple to the weaving, hosiery and warp knitting industries if they had it. They feel at least confident enough to draw out a bigger dividend from the smaller earnings of 1956. The issued capital, all in ordinary shares, was increased during last year from £12 million to £18 million by a scrip issue and this year's dividends are equivalent to 16 per cent on the new figure, the previous year's payments of 20 per cent on the old capital being the equivalent of 13⅓ per cent.

The immediate future seems to depend on how soon ICI can supply in increased volume the polymer that Doncaster needs; the prospects are reasonable. If the demand holds the raw material

should be flowing well towards the end of this year. That implies that 1958 rather than this year should see a further jump forward in output. By then Australia too should be showing a rising output.

BRITISH AND COMMONWEALTH SHIPPING

THERE is a sprightly air about the full accounts of British and Commonwealth Shipping Company, the child of the Clan Line and Union Castle merger. Perhaps the merger has blown away some of the conservatism of the past. As well as the formal accounts and directors' report there is a chatty (though not especially informative) description of the passenger and cargo trades, embellished with photographs and cartoons. But there are still shortcomings. The accounts are drawn up in keeping with the Companies (Shipping Companies Exemption) Order, 1948, thus keeping some information from shareholders as

	Years to Dec. 31, 1955	1956
Consolidated earnings:	£	£
Gross operating surplus	8,265,433	10,943,636
Investment income	731,335	1,094,758
Depreciation	3,161,490	3,019,639
Taxation	2,886,574	4,555,901
Net profit	2,933,286	4,451,135
Ordinary dividends	417,450	647,019
Retained earnings	2,330,830	3,673,122
Consol. balance sheet:		
Fleet, at cost	64,060,817	71,347,801
Depreciation provided	30,991,380	33,837,857
Trade investments	2,334,230	3,033,638
Marketable investments	12,188,589	14,827,429
Liquid assets	14,931,371	13,737,565
Future taxation	8,973,637	9,984,665
Loan capital	1,640,187	1,610,741
Minority interests	779,518	782,309
Reserves	34,799,589	39,305,132
Preference capital	4,835,000	4,835,000
Ordinary capital	6,430,000	6,430,000

On the 17½ per cent. dividend the 10s. units at 43s. 9d. xd yield £4 per cent.

well as competitors; secondly, there is no chairman's statement with the report.

That omission is to be regretted, for though shipping was booming last year the rise in profits from £8,265,433 to £10,943,636 seems to call for some comment. So do the current year's prospects now that freights have fallen sharply. That is all the more regrettable because the directors have followed the declaration of an ordinary dividend of 17½ per cent (1½ per cent bigger than the original forecast) with a 5 per cent scrip issue. Given the company's big shipbuilding programme, they can hardly have done so except in the belief that this year's profits would justify the maintenance of this rate on the increased capital. For guidance on this particular point, shareholders have to await the annual meeting.

But they can attend it with the knowledge that the company has an immense shipbuilding programme in front of it. Its capital commitments are estimated at £34½ million, of which £10.3 million is in respect of vessels for which berths have been reserved but for which formal contracts have not been exchanged. That programme is not far short of the written down value of £37½ million on the present fleet. To meet its costs, the group has £14.8 million in quoted securities and £13.7 million in other liquid assets. But on the liabilities side future tax reserves amount to nearly £10 million.

METAL BOX

THE pressure on the domestic profit margins of Metal Box was discussed in these columns on June 8th. The full accounts of the company for the year to March 31st now reveal the source of that pressure. The turnover of the home group rose from £47.4 million to £53.1 million, but its trading profit came down from £4,055,000 to £3,883,000. Yet wages and salaries (up in total from £9,170,000 to £10,268,000) took exactly the same proportion—19.3 per cent—from the gross trading account. On the other hand, the cost of materials took 68.5 per cent (or £36.4 million), compared with 67.5 per cent (or £31.9 million) in 1955-56.

Metal Box kept its own prices down, but within the last twelve months the price of its principal raw material, tinplate, was raised twice. Moreover, the group had to buy hand mill plate, which the chairman, Sir Robert Barlow, describes as "inferior in quality, expensive in price and inefficient in utilisation." The successful start to production at the Steel Company of Wales's plant at Velindre has ensured an "adequate supply of good quality cold reduced plate" and Metal Box's orders for hand mill plate are being tapered off. But Sir Robert is afraid that another increase in the price of tinplate is imminent. Thus though he expects sales to increase again this year, costs will continue to rise and he does not expect "any considerable advance" in profits during the year. But Metal Box (Overseas) continues to do well and both at home and overseas new plant is coming into production. And the directors have indicated a belief in the soundness of current prospects and in the brightness of more distant ones by raising the ordinary dividend from 10 to 11 per cent.

BOOTS PURE DRUG

MR J. P. SAVAGE, the chairman of Boots Pure Drug Company, describes the year to March 31st as difficult. But his statement also shows that it was a year in which the difficulties were squarely met and overcome. Sales rose by over 8 per cent to £72¼ million; gross profits, thanks in particular to the activities of the chemical division, rose from £4,390,637 to £4,754,998; operating costs were rising but total expenses represented a smaller percentage of turnover than in the previous year; and the ordinary dividend was raised from 14 to 16 per cent. Although sales rose by £5½ million, stocks, thanks to a careful review of the group's investment in working capital, were reduced by about £1 million to under £14.4 million. And although £2.4 million was spent on capital account, a bank overdraft of £300,000 was turned into a cash balance of £757,000. Over the year, fourteen shops were closed and twelve new ones were opened and 35 major schemes to modernise and extend the group's shop premises were completed.

These are all creditable achievements. Nor do they represent the end of the road. Mr Savage says that "further progress" in stock control is possible; that the company will continue to close unprofitable shops in unsatisfactory locations and will continue to open new ones in developing areas; and that the aim is to modernise (and if necessary to enlarge) about 65 shops a year. Moreover, he describes the current year as being "much brighter" in prospect, as there has already been "a clear improvement in the level of trade." Thus it seems Boots is another chain of multiple shops which is keeping abreast of the times. One further indication of this is the directors' proposal to revalue the group's freehold and long leasehold properties. Shareholders will then gain some idea of the up-to-date worth of the business. And they may ask whether Boots will follow another fashionable trend in the multiple empires of following a property revaluation with a scrip issue.

	Years to March 31, 1956	1957
Consolidated earnings:	£	£
Trading profit	5,850,015	6,345,595
Depreciation	822,593	885,195
Taxation	2,309,661	2,643,671
Net profit	2,029,454	2,191,828
Ordinary dividends	824,320	942,080
Ordinary dividends (per cent.)	14	16
Retained profits	1,149,503	1,194,117
Consol. balance sheet:		
Net fixed assets	15,341,559	16,578,595
Stocks	15,318,054	14,365,459
Debtors	3,360,162	3,878,987
Cash	458,366	794,850
Bank overdrafts	756,094	37,937
Net current assets	10,980,474	11,107,956
Provisions	3,375,698	3,605,011
Reserves	9,330,214	10,537,742
Preference capital	1,400,000	1,400,000
Ordinary capital	10,240,000	10,240,000

5s. ordinary shares at 22s. 6d. yield £3 11s. per cent.

ALBERT E. REED

CONSOLIDATION against a background of less favourable trading conditions, is the way the chairman, Lord Cornwallis, sums up the experience of the Reed Paper Group in the year to March 31st. Evidence of consolidation can be found in the acquisition of Colthrop Board and Paper Mills, Cropper and Company and Cut-Outs (Cartons) during the year and in the spending of £5½ million on capital account. Evidence of less favourable trading conditions can be found in the drop in trading profits from £6,671,182 to £5,691,434 despite an increase in turnover from £53.6 million to £58.5 million; the newly acquired subsidiaries contributed £3.8 million to sales and £316,877 to profits. The fall in profit margins was due to increases in the cost of wages, transport and fuel.

There was some improvement in trade in the last quarter of the financial year but the chairman says "the paper industry is bound to feel the effects of diffi-

culties in the international situation and continuation of the credit squeeze." He detects "an element of caution apparent throughout the whole economy" which "must affect many sections of the Reed Group's activity." But the Reed group is well diversified: its sales were split as to 36 per cent in converted packaging products, 34½ per cent in wrapping paper, 16 per cent in printing papers, 8 per cent in newsprint and 5½ per cent in miscellaneous products. That is the background to the qualified, cautious welcome given by Lord Cornwallis to the European free trade area, in which, he insists, there must be such safeguards as an "equal opportunity of access to the area's raw materials and elimination of unfair competitive practices."

On the nearer prospect, Lord Cornwallis suggests that the volume of new capacity now being installed in the paper industry (and the Reed group is not behind its competitors in installing new capacity) may mean that in the next two or three years "the demand for paper products will be temporarily overtaken." Investors are aware of this possibility and paper shares are not now as popular as they were. The £1 ordinary units of Albert E. Reed stand at 44s. 6d. xd. and on the latest full year's dividend of 16 per cent yield 7.2 per cent.

BRITISH PLASTER BOARD

THE fortunes of British Plaster Board are partly tied to those of the building industry. But the interests of the group also spread beyond plaster board and gypsum to engineering and paper; indeed, a year ago the chairman revealed that about 40 per cent of the group's profits arose outside the building industry. Diversification has been linked with an attempt to reduce operating costs. These policies have obviously stood the company in good stead, for in the year to March 31st the total income of the group expanded from £2,801,395 to £3,263,294.

Bigger charges for taxation (up from £1,199,932 to £1,503,871) and for depreciation (up from £596,346 to £679,154) have cut into this increase. But net profits have risen slightly, from £1,005,117 to £1,080,269, and the directors have left the ordinary dividend at 12½ per cent (absorbing £474,505 net). Since the trading results were announced, the 10s. ordinary units have gained 3d., to 17s. 9d., to yield £7 1s. per cent.

BLACKWOOD HODGE (HOLDINGS)

IN the year to October 31st last, the consolidated gross profits of Blackwood Hodge (Holdings), the distributors of earth-moving equipment, jumped from £745,528 to £1,278,806 and the chairman, Mr Bernard Sunley, forecasts a "satisfactory" result for the current financial year. Yet the directors are content to leave the ordinary dividend unchanged at 10 per cent.

The reason for this decision is that the group has a capital financing problem. It is not of the usual kind, for the physical development programme is practically complete. But the company's working capital commitments have risen steeply and are likely to rise still more. And on October 31st, bank overdrafts of £2,169,001 swamped a cash balance of £307,725. Hence the directors' intentions of changing the name of the company, reorganising the board and capitalising £700,000 from reserves later in the year do not seem to imply any radical change in their distribution policy.

C. C. WAKEFIELD

THE sales of C. C. Wakefield, the leading independent distributor of lubricating oils, which buys its raw material from its leading competitors, the giant oil companies, advanced last year, but its trading profits fell from £3,842,727 to £3,353,382 and its ordinary dividend was left unchanged at 27½ per cent. Costs were rising and the company absorbed most of the increase. So far this year sales have been maintained. But if the terms governing the trade of "tied garages" became more restrictive, the independent company would have to fight hard to keep its place in the sun.

London Stock Exchange

FIRST DEALINGS: June 19 July 3 July 17
LAST DEALINGS: July 2 July 16 Aug. 6
ACCOUNT DAY: July 9 July 23 Aug. 13

MANY new low points for the year were recorded by gilt-edged stocks this week as prices drifted to within a fraction of the lowest level reached at the time of the Suez operation. During the week Old Consols and 2½ per cent Treasury both fell below 50, and losses in the nationalisation stocks ranged between ½ and ⅞. Although industrial stocks were affected by the weakness of gilt-edged and the earlier decline on Wall Street, some sharp rises were registered. The advance of 3s. 3d. to 22s. 6d. in Boots, on the proposed revaluation of its properties, helped to maintain the level of *The Economist* indicator at 222.2.

Banks again showed small losses, Barclays losing 1s. to 42s. 6d., while Union Discount weakened to 44s. 6d. Insurance shares strengthened, Victory Insurance jumping 6s. 3d. to 67s. 6d. on the doubling of the dividend. Stores again edged upwards, Hope Brothers rising 1s. 7½d. to 32s. 1½d. after the increase in dividend, while John Barker leapt a further 18s. 3d. to 86s. British Oxygen gained 2s. 3d. to 37s. 9d. Paper shares weakened following the chairman's statement at the meeting of A. E. Reed, whose shares dropped 1s. 6d. to 44s. xd. before recovering to 44s. 6d. xd. Tobaccos declined in anticipation of the Minister's statement. Hudson's Bay gained 21s. 6d. to 261s. 6d. on the plan to offer shares in the Oil and Gas Company.

Oils were generally lower on balance, in spite of a rally on Wednesday. Ultramar, however, advanced another 6s. 1½d. to 87s. 9d. ex the capital distribution and Attock Oil rose 3s. 9d. to 56s. 3d. following the increase in dividend before easing to 53s. 9d. Kaffirs rallied to finish higher on balance at Wednesday's close and Ashanti rose 2s. 3d. to 22s. 3d. Coppers recovered after falling sharply with the weakness in the metal. Rubbers were again consistently firm.

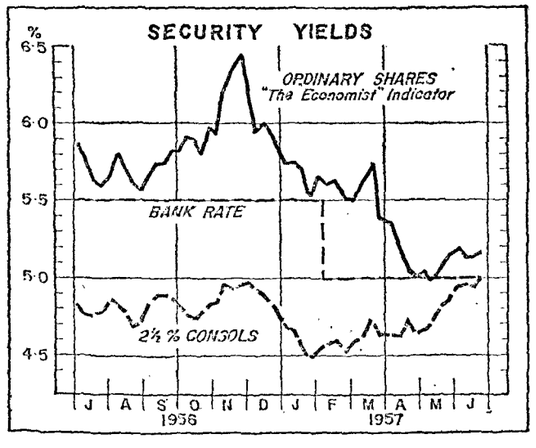
LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, June 19, 1957	Price, June 26, 1957	Net Yield, June 26, 1957 § £ s. d.	Gross Yield, June 26, 1957 £ s. d.
97⅛	95⅛	War Loan 3% 1955-59...	96⅛	96⅜	2 19 7	4 7 11
92⅞	90⅝	Funding 2½% 1956-61...	92⅜	92⅜	3 9 1	4 12 6
99⅜	98⅜	Conversion 4% 1957-58..	99⅛	99⅛	2 13 3	4 8 8
99⅜	97⅛	Serial Funding 2½% 1957.	99⅛	99⅛	3 2 5	4 7 8
96 17/32	94 13/32	Conversion 2% 1958-59..	96 11/32	96 11/32	3 11 7	4 8 5
93 21/32	91 15/32	Exchequer 2% 1960.....	93 1/16	93 1/16	3 8 10	4 9 1
96 3/32	94⅛	Exchequer 3% 1960.....	96⅛	96 3/32	3 0 3	4 9 7
99 1/16	97⅛	Conversion 4½% 1962....	98 29/32	98 15/16	2 14 1	4 15 10
89⅞	86⅛	Savings Bonds 3% 1955-65	87	86⅞	3 14 0	5 3 3
84⅛	78⅜	Funding 3% 1959-69.....	79 1/16	78⅜	4 0 7	5 10 7
92⅜	87⅛	Funding 4% 1960-90.....	87 15/16	87⅜	7 8 10 / 2 18 4	9 8 0 / 4 16 1
81⅜	76⅛	Savings Bonds 3% 1960-70	77	76⅜	4 2 5	5 13 6
93⅛	90	Exchequer 3% 1962-63...	90⅜	90⅜	3 10 4	4 17 6
88⅜	85⅛	Exchequer 2½% 1963-64..	86⅜	87	3 12 4	4 15 10
83 1/16	78⅞	Savings Bonds 2½% '64-67	79⅛	79	4 1 6	5 6 4
77⅞	71⅞	Savings Bonds 3% 1955-75	72⅛	71⅜	3 19 6	5 11 11
84⅜	78⅞	Funding 3% 1966-68.....	80⅛	79⅛*	4 0 11	5 9 9
95⅛	91⅛	Victory 4% 1920-76.....	92⅝	92⅝	3 4 7	5 2 3
88⅜	83⅛	Conversion 3½% 1969....	83⅞	83⅛	3 17 7	5 12 1
81⅛	73⅛	Treasury 3½% 1977-80...	74⅜	74	3 14 2	5 10 5
80	74	Treasury 3½% 1979-81...	74⅞	74⅛	3 14 1	5 11 5
71⅞	64⅛	Redemption 3% 1986-96 ..	65⅜	64⅜	3 7 7	5 3 0
80⅛	71⅞	Funding 3½% 1999-2004..	72⅛*	72*	3 3 1	5 1 2
81 11/16	74 5/16	*Consols* 4% after Feb. '57	76⅜	74⅜*	3 1 8	5 7 0
78	68⅛	War Loan 3½% after 1952	69 5/16	68⅜	2 18 9	5 2 5
75⅛	67⅜	Conv. 3½% after Apr. 1961	68¼	67⅞	2 19 10	5 4 8
65⅜	58⅞	Treas. 3% after Apr. 1966	59⅜	58⅛	2 19 0	5 3 1
55 1/16	49⅝	Consols 2½%.....	50⅛*	50 1/16*	2 17 4	4 19 8
55 1/16	49⅜	Treas. 2½% after Apr. '75	50⅛	50	2 17 11	5 1 3
96⅛	91 5/16	Br. Electric 4½% 1967-69..	92⅛	91⅛	3 10 7	5 12 11
80 1/16	73⅛	Br. Electric 3% 1968-73..	73⅜	73¼	4 1 7	5 13 1
78⅛	70⅜	Br. Electric 3% 1974-77..	71⅛	70¼	3 17 9	5 10 3
92 7/16	85⅛	Br. Electric 4½% 1974-79.	85⅜	85⅛	3 8 9	5 9 10
81 1/16	74⅜	Br. Electric 3½% 1976-79.	75⅛	74⅝	3 14 1	5 10 5
90⅜	85⅛	Br. Gas 4% 1969-72	85⅜	85⅜	3 13 1	5 12 3
87⅜	81⅛	Br. Gas 3½% 1969-71	81⅜	81⅛	3 15 9	5 10 7
72⅛	64⅜	Br. Gas 3% 1990-95	65⅜	64⅜	3 8 0	5 3 1
80 1/16	73	Br. Transport 3% 1968-73	73⅛	73¼	4 1 7	5 13 1
88⅜	81⅛	Br. Transport 4% 1972-77	82⅛	81⅜	3 11 6	5 10 4
72⅛	64⅜	Br. Transport 3% 1978-88	65⅜*	64¾*	3 12 6	5 6 8

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, June 19, 1957	Price, June 26, 1957	Yield, June 26, 1957 £ s. d.
81⅛	76⅛	Australia 3½% 1965-69	77⅜	77¼	5 19 0
97⅛	91	Fed. Rhod. & Nyas. 5% 1975-80	91⅜	91	5 14 4
75⅜	69⅛	S. Rhodesia 2½% 1965-70	70	69⅝	5 19 0
87⅛	81⅛	N. Zealand 4% 1976-78.....	82	81⅛	5 10 8
105⅜	100⅛	I.C.C. 5½% 1977-81.....	100⅜	100⅛	5 9 6
95⅜	89⅛	Agric. Mortgage 5% 1959-89	90	89⅛	5 14 6
69⅜	60	Met. Water Board 'B' 3% 1934-2003	60⅜	60	5 8 4
79⅜	72⅜	German 7% 1924 (Br. Enfaced 5%)..	74⅛	75½	...
169½	164	Japan 5% 1907 (Enfaced).....	165	165	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, June 19, 1957	Price, June 26, 1957	Yield, June 26, 1957 £ s. d.
		% %	BANKS & DISCOUNT			
30/9	19/6	2 a	7 b Bk. Ldn. & S. Amer. £1	30/6	30/6	5 18 0
47/3	42/-	5 a	7 b Barclays Bank..... £1	45/-	42/6	5 12 11
35/3	29/3	4 b	4 a Barclays D.C.O. £1	31/9	31/6	5 1 7
40/-	34/6	7½a	7½b Chartered Bank.... £1	36/3	37/-	8 2 2
51/3	45/-	...	7 b Lloyds Bank £1	45/-	45/6	5 14 4
73/3	65/-	9 a	9 b Midland Bank £1	65/6	65/-	5 10 9
40/6	33/6	5 a	5 b Nat. Discount 'B' .. £1	34/-	33/6	5 19 5
51/6	44/6	6½a	6½b Union Discount.... £1	45/-	44/6	5 12 4
			INSURANCE			
90/-	78/-	30 a	43½b Commercial Union 5/-	78/-	78/-	4 14 0
35½	26	12½a	87½b Legal & General ... £1	26¾	27½	3 12 8
22⅞	19	†20 a	†50 b Pearl..... £1	19	19	6 8 0
46	39½	†125 c	†132½c Prudential 'A' £1	39½	40¼	5 13 0
			BREWERIES, ETC.			
124/-	106/-	33 b	10 a Bass £1	123/-	123/6*	6 19 3
25/4½	21/6	11½b	6 a Distillers..... 6/8	25/4½	25/1½	4 12 10
44/6	37/-	15 b	10 a Guinness..... 10/-	43/6	43/3	5 15 9
85/6	63/6	7 a	17 b Whitbread 'A' £1	85/-	84/6	5 13 8
			OIL			
173/7½	130/-	†5 a	†10 b British Petroleum .. £1	171/3	166/3	3 2 10
119/4½	83/9	5 a	17½b Burmah £1	117/6	114/4½	3 13 8
£23⅛	£15⅞	7½a	17½b Royal Dutch.....20 fl.	£22½	£22	2 2 8
118/3	153/11½	†5 a	†13½b Shell £1	212/6	208/9	3 2 5
88/9	59/4½	...	... Ultramar 10/-	81/7½*	87/9*	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, June 19, 1957	Price, June 26, 1957	Yield, June 26, 1957 £ s. d.
		% %	STEEL & ENGINEERING			
97½	95½	7 a	8 b Babcock & Wilcox..£1	70/9	70/3	4 5 5
92⅞	90⅝	4 a	10 b Cammell Laird....5/-	10/10½	10/10½	11/- 6 7 3
99⅜	98⅜	3 a	5 b Dorman Long £1	26/-	27/1½	5 17 11
99⅜	97⅛	3½a	10 b Guest Keen N'fold.£1	59/-	57/9	4 13 8
96 17/32	94 13/32	4 a	7 b Metal Box £1	55/6*	54/9*	4 0 5
93 21/32	91 15/32	6⅛b	3 a Stewarts & Lloyds.£1	29/6*	30/-*	6 3 5
96⅜	94⅛	3 a	11 b Swan Hunter.....£1	68/-	68/9	4 1 5
99 1/16	97⅛	8½b	6 a United Steel.....£1	34/7½	34/1½	8 15 10½
89⅞	86⅛	7½a	7½b Vickers £1	43/10½	43/6	4 12 0
84⅛	78⅜		ELECTRICAL			
92⅜	87⅛	15 c	2½a Assoc. Elec. Inds. ...£1	63/6	63/3	4 14 10
81⅜	76⅛	4 a	8½b Br. Ins. Callenders.£1	52/9	53/6	4 13 6
93⅛	90	4 a	6½a Decca Record 4/-	32/6	27/3	4 3½c 6 5 0
88⅜	85⅛	15 c	15 c Elect. & Mus. Inds. 10/-	32/9	31/9	4 14 6
83 1/16	78⅞	10 b	5 a English Electric ...£1	59/6	60/-	4 13 5
77⅞	71⅞	9½b	4½a General Electric ...£1	55/9	55/9	5 0 5
84⅜	78⅞		TEXTILES			
95⅛	91⅛	4 a	6 b Bradford Dyers....£1	19/7½	19/7½	10 3 10
88⅜	83⅛	4 a	6½b Coats, J. & P. £1	25/-	25/3	6 18 8
81⅛	73⅛	2 b	5 a Lancashire Cotton..£1	36/-	34/10½	10 0 10
80	74	10 b	2½a Patons & Baldwins.£1	37/1½	36/10½	6 15 8
71⅞	64⅛		SHOPS & STORES			
80⅛	71⅞	6 a	10 b Boots Pure Drug..5/-	19/3	22/6	3 11 3
81 11/16	74 5/16	20 b	7½a Debenhams 10/-	43/7½	44/-	6 5 0
78	68⅛	15 a	20 b Gt. Universal 'A'..5/-	55/3	55/1½	5 13 5
75⅛	67⅜	10 a	20 b Marks & Spen. 'A' 5/-	56/10½	56/3	2 13 5
65⅜	58⅞	20 b	20 b United Drapery...5/-	29/7½	29/7½	5 9 10
55 1/16	49⅝	12½a	20 b Woolworth.....5/-	48/3	47/7½	4 3 8
55 1/16	49⅜	26⅜b	26⅜b Woolworth.....5/-	48/3	47/9	4 3 8
96⅛	91 5/16		MOTORS & AIRCRAFT			
80 1/16	73	3½a	6½b Bristol Aeroplane 10/-	18/9	18/9	5 6 8
78⅛	70⅜	8½b	Nil a British Motor.....5/-	8/1½	8/3½	5 2 3
92 7/16	85⅛	2½a	5 b Ford Motor £1	36/9	37/3	4 0 8
81 1/16	74⅜	7 6	3 a Hawker Siddeley....£1	39/9	40/4½	4 19 0
90⅜	85⅛	10 c	12½c Leyland Motors.....£1	50/9	51/-	4 18 0
87⅜	81⅛	15 a	15 a Rolls-Royce £1	119/-	118/1½	3 7 10
72⅛	64⅜	12 c	8 c Standard Motor 5/-	6/7½	7/3	5 10 4
80 1/16	73		SHIPPING			
88⅜	81⅛	11 b	6½a Brit. & Com'wealth 10/-	43/9*	43/9*	4 0 0
72⅛	64⅜	8 a	8 b Cunard £1	26/-	26/-	8 9 3
		5 b	5 b P & O Defd.....£1	32/6	33/-	4 17 0
			MISCELLANEOUS			
		6 b	6 b Assoc. Port. Cem...£1	50/-	48/3	3 14 8
		20 a	12½b Beecham Group...5/-	24/9	24/9	6 11 6
		8 b	8 b Bowater Paper £1	41/6	41/-	6 2 0
		8 b	8 b Br. Aluminium £1	68/6	67/6	3 11 3
		†20 c	†5⅝a Br. Amer. Tob. ..10/-	39/6‡‡	38/-‡‡	6 17 5‡
		7½a	17½b B.E.T. 'A' Defd...5/-	24/3	24/-	5 4 3
		4 a	6 b Br. Oxygen £1	35/6	37/9	5 6 0
		4 b	3 a Canadian Pacific..$25	$67⅜	$67⅜*	4 17 4
		2½a	7½b Dunlop Rubber..10/-	21/6	21/9	4 12 0
		4 a	6 b Imp. Chemical.....£1	43/6	44/4½	4 10 3
		8½a	12½b Imp. Tobacco £1	40/6	38/6	10 18 3
		$3·75c	$3·75c Int'l. Nickel....n.p.v.	$209	$202	3 6 7
		2½a	J. Lucas (Inds.) £1	33/7½	34/3	4 7 8
		15⅜b	Monsanto Chem..5/-	18/9	18/7½	3 12 5‡
		5 a	Ranks.....10/-	17/9	16/9	5 19 5
		10 b	A. E. Reed.....£1	45/6*	44/6*	7 3 10
		22½c	Sears Hldgs. 'A'...5/-	15/6½	15/6	7 5 2
		4½a	Tate & Lyle.....£1	66/-	66/-	5 0 0
		7½a	Tube Investments..£1	66/3	65/9	4 11 3
		5 a	Turner & Newall...£1	139/6	142/-	3 17 5
		11½b	Unilever Ltd.....£1	114/6	111/6	3 2 10
		†10 b	United Molasses .10/-	37/3	38/-	6 9 8
			MINES, ETC.			
		50 b	Anglo-American .10/-	123/9	120/-	5 16 8
		†10 b	Cons. Tea & Lands..£1	25/3	25/-	17 7 10
		120 b	De Beers Def. Reg. 5/-	101/3	106/3	9 8 2
		5 a	Doornfontein 10/-	21/3*	20/9*	...
		30 c	London Tin 4/-	10/10½	11/-	10 18 3
		25 a	Nchanga Cons. £1	10⅛	10⅜	13 1 10
		50 a	President Brand ..5/-	50/6	51/6	8 14 9
		25 b	Rho. Selection Tst.5/-	18/9	20/3	...
		30 b	United Sua Betong..£1	56/6	56/9	14 19 6
		40 a	Western Holdings 5/-	66/10½	68/1½	5 17 5



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
May 29	216·2	5·16				
June 5	216·6	5·19				
,, 12	219·0	5·14	222·3 (June 20)	190·5 (Jan. 2)	210·4 (Jan. 4)	170·0 (Nov. 28)
,, 19	222·3	5·14				
,, 26	222·2	5·16				

"Financial Times" Indices

1957	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½ Consols Yield %	Bargains Marked	1957 High	1956 High
June 19	204·7	5·35	90·45	4·93	11,631	207·4 (May 17)	203·6 (Jan. 3)
,, 20	204·9	5·35	90·42	4·94	11,517	Low	Low
,, 21	205·2	5·34	90·33	4·95	10,618	178·9 (Jan. 1)	161·5 (Nov. 29)
,, 24	203·6	5·39	90·06	4·98	12,025		
,, 25	203·2	5·39	89·69	4·99	11,680		
,, 26	203·9	5·38	89·65	5·00	9,779		

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

New York Closing Prices

	June 19 $	June 26 $		June 19 $	June 26 $		June 19 $	June 26 $
Can. Pacific ..	35¼	34⅞	Am. Vi-cose..	39⅜	39	Int'l. Nickel..	106⅛	104⅞
N.Y. Central ..	33¼	32⅜	Beth. Steel...	48	48⅛	National Dist.	26⅜	26¼
Pennsylvania .	20⅜	20¼	Chrysler	76⅛	75⅜	Sears Roebuck	25⅜	25⅛
Amer. Tel.	174½	171	Crown Zeller..	55	53	Shell Oil	88⅛	85
Standard Gas.	3⅛	3⅛	DuPont de Nm.	194	192	Std. Oil of N.J.	67⅛	65⅞
Western Union	18⅜	18⅛	Ford Motors..	54⅜	54⅛	U.S. Steel	67	65⅞
Alumin'm Ltd.	48⅛	48⅛	Gen. Elect....	68	67⅞	West'house E.	65	65
Am. Smelting .	59⅞	60⅛	Gen. Motors..	42⅜	42⅛	Woolworth ...	42⅛	41⅞

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10 years. § Less tax at 8s. 6d. in £. ‡‡ Ex capitalisation. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) On 13%. (h) On 15%. (i) On 15% tax free. (j) On 13½%. (l) To latest date. (u) After Rhodesian tax.

STATISTICS

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

World Trade ..... April 20th

British		Overseas	
Prices and Wages.....	This week	Western Europe:	
Production and Consumption	June 8th	Production and Trade.....	June 22nd
Manpower.....	June 15th	British Commonwealth.....	June 8th
External Trade.....	June 22nd	Western Europe:	
Financial Statistics.....	This week	Prices and Money Supply	June 15th
Industrial Profits	April 20th	United States.....	This week

Prices and Wages

	Unit	1954	1955	1956	1956			1957 [5]			
		mid-June			June 12	June 19	June 26	June 4	June 11	June 18	June 25
WORLD PRICES											
Commodity Price Indicator:											
All items	1952=100	99	93	91	91	91	91	94	94	93	93
Food	,,	119·6	92·0	90·8	91·4	91·3	91·5	97·2	93·3	97·6	99·0
Fibres	,,	88·7	83·2	81·5	82·3	81·9	81·8	96·0	96·0	96·1	96·3
Metals	,,	81·5	95·7	95·6	95·7	94·3	93·6	82·4	80·1	78·6	78·2
Other items	,,	93·5	106·9	96·1	93·3	95·3	95·7	97·8	99·1	98·4	98·0
		Monthly averages			1956			1957			
		1954	1955	1956	Mar.	April	May	Feb.	Mar.	April	May
BRITISH WHOLESALE PRICES											
Materials used in:	June 30, 1949=100	143·5	152·4	156·2	155·6	154·9	155·9	159·6	159·1	160·2	159·7
Non-food manufacturing (excl. fuel)	,,	150·4	168·1	177·3	177·3	175·9	177·0	182·1	181·1	181·2	180·3
Mechanical engineering	,,	160·5	185·7	190·0	199·9	195·1	189·7	185·0	182·8	182·8	181·1
Electrical machinery	,,	131·4	137·3	142·4	141·9	141·4	141·7	146·5	146·6	146·7	145·9
Building and civil engineering	,,	130·7	137·1	142·3	141·7	141·3	141·3	146·3	146·5	146·5	145·6
House building	,,										
Products of:											
Non-food manufacturing (excl. fuel)	,,	125·5	129·6	135·6	134·8	135·1	135·4	138·1	138·4	138·6	138·6
Food manufacturing	,,	139·1	143·9	148·1	146·5	146·6	146·8	160·8	160·9	159·5	158·7
Commodities:											
Cotton, raw	,,	155·0	149·7	154·0	148·3	150·6	164·6	157·8	156·5	156·5	154·1
Wool, raw	,,	160·8	142·0	145·3	131·5	136·1	141·6	170·0	169·0	173·5	178·0
Rubber, No. 1 RSS, one month future	,,	197·9	329·9	284·2	281·1	268·4	247·5	260·2	266·2	271·0	264·7
Softwood, imported	,,	145·0	154·9	155·9	156·7	156·1	155·8	156·2	156·2	156·0	156·0
Copper, ex-warehouse	,,	213·4	295·7	280·5	351·3	324·0	289·1	211·0	205·7	207·2	204·7
UK RETAIL PRICES	Jan. 17, 1956=100	...	...	102·0	101·3	102·7	102·5	104·3	104·1	104·5	104·6
All items [1]	,,	...	...	102·2	102·9	106·0	104·2	103·5	102·1	102·7	...
Food											
All items	1938=100 [2]	232	242	254	252	256	255	260	259	260	260
Food	,,	239	257	269	271	279	274	272	269	270	...
Rent and rates	,,	134	138	145	142	145	145	148	149	154	...
Clothing	,,	255	256	263	262	262	262	265	266	266	...
Fuel and light	,,	216	228	251	248	248	243	264	264	264	...
Household durable goods	,,	284	288	308	306	308	309	311	311	307	...
Drink	,,	257	260	264	261	261	263	268	270	271	...
Tobacco	,,	387	389	411	397	397	418	418	418	418	...
Purchasing power of $ (based on all consumer spending)	1938=100	41	39	38	38	38	38	37	37	37	37
UK TERMS OF TRADE											
Import prices:											
All items	1954=100	100	103	105	106	106	106	111	110	111	110
Food, drink and tobacco	,,	100	101	101	99	101	103	105	102	103	104
Basic materials	,,	100	104	106	106	106	105	111	113	113	112
Export prices:											
All items	,,	100	102	106	105	104	105	110	110	110	110
All manufactures	,,	100	102	106	105	104	105	108	108	108	108
Metals	,,	100	104	112	111	111	111	114	115	115	115
Engineering products	,,	100	103	107	105	104	105	110	110	109	110
Textiles (excluding clothing)	,,	100	100	99	100	98	99	100	100	101	101
Terms of trade:											
Ratio of import to export prices	,,	100	101	99	101	102	101	101	100	101	100
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	86·1	127·7	157·0	147·2	151·6	162·2	167·6	145·5	134·3	116·6
UK WAGES											
Weekly wage rates:	Jan. 31, 1956=100										
All workers [3]	,,	...	...	104·7	103·7	105·0	105·3	106·8	107·1	107·4	...
Men	,,	...	...	104·7	103·8	105·2	105·4	106·7	107·0	107·4	...
Women	,,	...	...	104·2	103·1	103·9	104·3	106·8	107·1	107·5	...
All workers	Sept., 1939=100	236	252	272	270	273	274	278	278	279	...
Weekly earnings: [4]											
All workers	s. d.	171 9	187 2	200 8	...	197 9	...	...	...	...	...
Men	,,	204 5	222 11	237 11	...	235 4	...	...	...	...	...
Women	,,	108 2	115 5	123 2	...	119 9	...	...	...	...	...
All workers	Oct., 1938=100	323	351	377	...	371	...	...	...	...	...
Men	,,	346	373	345	...	341	...	...	...	...	...
Women	,,	343	355	379	...	368	...	...	...	...	...

[1] For a rough conversion to basis of June, 1947, multiply throughout by 1·554. [2] The inactive index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. [3] For a rough conversion to basis of June, 1947, multiply throughout by 1·561 [4] Surveys made twice a year; annual figures relate to October survey. [5] Revised figures, for May 28th: food 96·7 and items 96·9.

US Statistics

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

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	*Food*	*Clothing*	*Housing*	Import	Export	Terms of trade	Composite index	At current prices	At 1956 prices
	1947–49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	46·69
1955	110·7	89·6	114·5	110·9	103·7	120·0	119	102	117	304·6	76·52	77·69
1956	114·3	88·4	116·2	111·7	105·5	121·7	123	107	115	345·0	79·99	79·99
1957, January	116·9	89·3	118·2	112·8	106·4	123·8	124	112	111	338·2	82·41	81·03
,, February	117·0	88·8	118·7	113·6	106·1	124·5	125	112	112	325·1	82·41	80·64
,, March	116·9	88·8	118·9	113·2	106·8	124·9	126	113	112	328·5	82·21	80·36
,, April	117·2	90·6	119·3	113·8	106·5	125·2	...	...	...	338·6	81·99	79·83
,, May	117·1	89·5	119·6	...	...	...	...	...	...	352·2	81·78	...

PRODUCTION AND MANPOWER

	Gross national product	Total industrial production	Manufacturing production						Building [6]	Civilian employment [1]		
			Durable goods			Non-durable goods			New construction: seasonally adjusted annual rates	Total labour force	Total employment	Unemployed as % of labour force
	Seasonally adjusted annual rate		Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals and petroleum products				
	$ billion	Index 1947–49=100; seasonally adjusted							$ billion	thousands		% rate
1939	91·1	58	49	54	47	66	80	49	8·2	55,230	45,750	17·2
1955	390·9	139	155	140	203	126	109	159	44·6	65,847	63,193	4·0
1956	412·4	143	159	138	199	129	108	167	46·1	67,530	64,979	3·8
1957, January	427·1	146	164	144	221	131	104	174	46·8	65,821	62,578	4·9
,, February		146	164	143	224	131	105	172	46·2	66,311	63,190	4·7
,, March		145	162	137	222	131	105	171	46·7	66,746	63,865	4·3
,, April	...	144	161	136	217	130	104	172	46·7	66,951	64,261	4·0
,, May	...	143	160	134	213	130	103	173	46·9	67,893	65,178	4·0

TRADE

	Personal consumption Annual rates	All business [4]		Total retail [4]		Imports for US consumption			*Exports of US merchandise*		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res.	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1948=100	
1939	67·6	10·8	20·1	3·5	6·5	190	62	41	260	139	76	53
1955	254·0	51·7	82·2	15·5	23·9	945	237	231	1,285	782	134	120
1956	265·7	54·0	88·5	16·0	23·9	1,041	256	250	1,570	911	143	141
1956, December	270·9 [5]	55·8	88·5	16·5	23·9	1,044	253	268	1,979	1,022	143	176
1957, January	275·0	56·6	88·6	16·4	24·0	1,111	260	264	1,666	873	151	145
,, February		56·2	88·9	16·4	23·9	1,002	228	231	1,592	828	135	138
,, March		55·7	89·1	16·3	23·7	1,125	265	266	2,127	1,177	150	183
,, April	...	55·5	89·2	16·3	23·7	1,087	...	...	1,846	1,036	...	...
,, May	...	...	...	16·4	...	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics [3]		Budget expenditure [4]		Bond yields		
	Total	*Labour income*	*Farm income*	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion; end of period		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	— 3·9	0·023	...	3·01
1955	306·1	217·4	11·7	38·65	29·02	78·3	82·6	64·6	— 4·2	1·753	2·80	3·06
1956	325·2	232·4	11·6	41·86	31·55	74·8	90·3	66·5	+ 1·6	2·658	3·06	3·36
1956, December	334·0	240·3	11·6	41·86	31·55	74·8	90·3	5·7	— 0·3	3·230	3·43	3·75
1957, January	335·0	240·2	11·7	40·92	31·30	73·9	88·9	6·1	— 1·3	3·210	3·33	3·77
,, February	336·6	241·2	11·7	40·51	31·23	75·2	89·3	5·7	+ 0·4	3·165	3·20	3·67
,, March	338·1	242·0	11·7	40·50	31·27	72·2	90·6	5·6	+ 5·2	3·140	3·25	3·66
,, April	339·3	242·4	11·7	41·02	31·53	74·0	91·0	6·0	— 1·7	3·113	3·30	3·67
,, May	340·4	242·3	11·7	...	...	...	...	...	...	3·042	3·39	3·74

[1] 1939 figures calculated on the basis of a smaller sample. From January, 1957, as a result of a change in definition some 200,000 to 300,000 persons temporarily laid off or waiting to start new jobs formerly classed as employed are subsequently classed as unemployed. [2] 1939 figures not strictly comparable with rest of series; stocks are at end of period. [3] All commercial banks. [4] Annual figures are totals for the fiscal year ended June 30th. [5] Figure for fourth quarter. [6] Revised series; 1939 not strictly comparable with rest of series.

Financial Statistics

EXCHEQUER RETURNS

For the week ended June 22, 1957, there was an "above-line" deficit (after allowing for Sinking Funds) of £26,462,000 compared with a deficit of £33,828,000 in the previous week and a deficit of £13,802,000 in the corresponding period of last year. There was a net expenditure "below-line" last week of £3,652,000, leaving a total deficit from April 1st, of £124,951,000 (£168,739,000 in 1956–57).

£'000	Estimate, 1957-58	April 1, 1956 to June 23, 1956	April 1, 1957 to June 22, 1957	Week ended June 23, 1956	Week ended June 22, 1957
Ord. Revenue					
Income Tax	2176,250	238,997	273,450	18,473	17,033
Surtax	149,000	22,500	23,300	1,200	1,300
Death Duties	170,000	41,600	43,100	3,300	3,100
Stamps	60,000	14,200	15,200	1,300	1,200
Profits Tax, EPT & LPL	255,000	33,600	37,600	1,400	4,900
Other Inland Rev. Duties	500	110	50	..	...
Total Inland Rev.	2810,750	351,007	392,700	25,673	27,533
Customs	1204,250	274,561	276,694	21,879	23,758
Excise	912,850	183,495	194,110	3,940	3,135
Total Customs and Excise	2117,100	458,056	470,804	25,819	26,893
Motor Duties	93,000	10 153	11.255	135	..
PO (Net Receipts)	20,000	5,000	9,000	*Dr7400*	*Dr6400*
Broadcast Licences	31,000	3,400	3,800	..	..
Sundry Loans	32,000	2,377	8,201	..	268
Miscellaneous	185,000	11,526	49,040	1,282	1,726
Total	**5288,850**	**839,520**	**944,800**	**45,509**	**50,020**
Ord. Expenditure					
Debt Interest	640,000	160,287	160,474	5,038	6.133
Payments to N Ireland Exchequer	69,000	10,696	12,947	..	..
Other Cons. Fund	10,000	1,046	1,278	163	...
Supply Services	4069,877	787,211	846,596	55,520	69,840
Total	**4788,877**	**959,240**	**1021,294**	**58,721**	**75,972**
Sinking Funds	38,000	6,400	6,358	590	510
"Above-line" Surplus or Deficit	—	**126,120**	**82,853**	**13,802**	**26,462**
"Below-line" Net Expenditure		42,619	42,098	3,586	3,652
Total Surplus or Deficit	—	**168,739**	**124,951**	**17,388**	**30,114**
Net Receipts from:					
Tax Reserve Certificates		64,084	56,645	1,686	1,572
Savings Certificates		−14,700	6,100	−900	−3000
Defence Bonds		−21,219	−4,452	353	715
Premium Savings Bonds		...	11,950	..	5,850

FLOATING DEBT

£ million

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts	Ways and Means Advances: Bank of England	Total Floating Debt
1956 June 23	3,300·0	1,175·6	279·7	...	4,755·3
1957 Mar. 25	2,910·0	1,284·4	272·1	1·5	4,468·1
„ 31	4,195·3		276·9	...	4,472·2
April 6	2,860·0	1,306·4	289·3	...	4,455·7
„ 13	2,840·0	1,362·5	295 6	...	4,494 1
„ 20	2,830·0	1,399·5	275 5	...	4,494·1
„ 27	2,850·0	1,377·7	315·6	...	4,521 2
May 4	2,840 0	1,417·3	259·7	...	1,517·0
„ 11	2,850·0	1,291·2	264·1	...	4,495·3
„ 18	2,860·0	1,271·6	309·6	...	4,441·2
„ 25	2,880·0	1,260·0	270·7	...	4,419·7
June 1	2,900·0	1,233·6	250·4	...	4,384·0
„ 8	2,910·0	1,252·3	265·0	...	4,427·4
„ 15	2,920·0	1,649·6	289·7	3·3	4,862·6
„ 22	2,930·0	1,714·1	258·1	...	4,902·2

THE MONEY MARKET

THE approach of the half-year end, when banks and other institutions still call loans for "window dressing," contributed to a tightening of credit in Lombard Street in the middle of the week. On Wednesday heavy withdrawals of funds were made, and despite fairly large special help one or two discount houses had to take loans at Bank rate, though for a very small amount. Rates on overnight loans ranged up to 3⅞ per cent; two months' maturities changed hands at 3 13/16 and 3¾ per cent. The market had also been in the Bank for a very small amount on Monday.

The Treasury bill rate fell again slightly at the tender on Friday of last week. The discount houses raised their common bid by 1d. to £99 0s. 9d. per cent. This move does not appear to have been followed by most outside applicants; and as total applications dropped further, by £15 million to £395 million, whilst the offer was raised by £10 million to £250 million, the allotted portion of the market's bid rose from 40 to 59 per cent, its highest this year. At yesterday's tender the offer was £260 million, £10 million more than matching maturities.

The Treasury bill rate in New York this week dropped back from 3.404 per cent, its highest since the early thirties, to 3.231 per cent.

The Bank return shows an outflow of notes of £5.0 million in the week to Wednesday.

LONDON MONEY RATES

	%		%
Bank rate (from 5½%, 7/2.57)	5	**Discount rates**	
Deposit rates (max.)		Bank bills, 60 days	4 4⅛
Bank	3	3 months	4 4⅛
Discount houses	3	4 months	4 4⅛
(Call money)		6 months	4⅛ 4¼
Money Day-to-day	3½ 3⅝	Fine trade bills:	
Short periods	3½	3 months	5⅛ 6
Treas. bills 2 months	3 13/16	4 months	5⅛ 6
3 months	5⅛	6 months	5⅛ 6⅛

BANK OF ENGLAND RETURNS

£ million	June 27, 1956	June 19, 1957	June 25, 1957
Issue Department:*			
Notes in circulation	1,893·4	1,980·5	1,985·5
Notes in banking dept.	56 9	19 9	14·9
Govt debt and securities*	1,946·2	1,996·3	1,996·3
Other securities	0·8	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	10·5	17·0	12·2
Bankers	258 2	208·5	216·3
Others	78 5	71·7	71·8
Total	327 2	297·2	300·3
Securities:			
Government	254·4	250·7	249·3
Discounts and advances	15 6	25·3	32 6
Other	15·7	19 0	19·2
Total	285·7	293 0	301·1
Banking department reserve	56·9	22·3	17·3
"Proportion"	17·9	7·5	5·7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £2,000 million from £1,975 million on June 5, 1957.

TREASURY BILLS

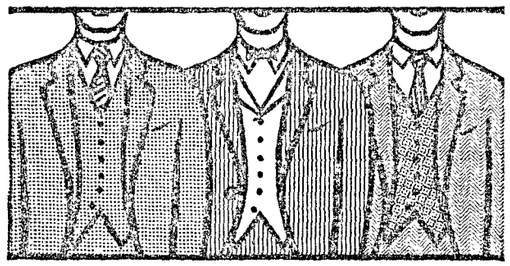
Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max Rate
				s. d	%
1956 June 22	260·0	358·7	260·0	101 8·17	62
1957 Mar 22	250·0	395·2	250·0	82 6·73	44
„ 29	250·0	391·6	250·0	81 11·79	50
April 5	250·0	410·6	240 0	82 11·49	32
„ 12	230·0	415·7	230·0	80 9 36	54
„ 18	240·0	411·5	240·0	78 9·15	55
„ 26	200·0	359·3	200·0	78 3·43	22
May 3	200·0	366·3	200·0	74 9·00	50
„ 10	200·0	360·9	200·0	76 1 84	28
„ 17	190·0	368 8	190 0	76 7·13	33
„ 24	220·0	378·9	220·0	78 2 85	37
„ 31	230 0	357·7	250·0	78 5·15	57
June 7	240·0	451 2	240·0	78 2·59	21
„ 14	240·0	409·9	240·0	77 3·26	49
„ 21	250·0	394·6	250·0	77 1·35	59

* On June 21st tenders for 91 day bills at £99 0s. 9d. secured 59 per cent, higher tenders being allotted in full. The offer this week was for £260 million at 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Offered Rates: June 28	Market Rates: Spot: June 20	June 21	June 22	June 24	June 25	June 26
United States $	2·78-2·82	2·79⅛ 2·79⅜	2·79 2·79⅜	2·79⅛-2·79⅜	2·79⅛-2·79⅜	2·79 -2·79⅜	2·79⅛-2·79⅜
Canadian $	...	2·66 -2·66⅛	2·66⅛-2·66⅜	2·66⅛-2·66⅜	2·66⅛ 2·66⅜	2·65⅞ 2·66	2·65⅞-2·66
French Fr.	972·65-987·35	983½-983½	983½-983½	983½-983½	982½ 983	982½ 982½	982½ 982½
Swiss Fr.	12·15⅜-12·33⅜	12·21½ 12·21½	12·21½ 21·21½	12·21½-12 21½	12·21½ 12·21½	12 20½ 12 21½	12·21½ 12
Belgian Fr.	138·95-141·05	140·40-140·45	140·40-140·45	140 40-140·45	140·55 140·40	140·27½-140·32½	140·25-140
Dutch Gld.	10·55 10·72	10·65½ 10·66½	10·65½ 10·66½	10·66 10·66½	10·65½ 10 66	10·65½ 10 66	10·66 10·66
W. Ger. D-Mk.	11·67⅜ 11·84⅜	11·71½-11·71¾	11·71½-11·71¾	11·71½-11 71¾	11·70½ 11 70¾	11·69½ 11 70½	11·70½ 11·71
Portuguese Esc.	80·00-80·15	80·00 80·15	80·00 80·15	80·00 80·15	80·00 80 15	80·00 80·15	80·00 80·15
Italian Lire	1736½ 1762½	1747 -1747½	1745½ 1746½	1745½ 1746½	1744½ 1745½	1744½ 1745½	1746½ 1746
Swedish Kr.	14·37½ 14·50½	14·44½-14·45½	14·44½ 14·45	14·44½ 14·45	14·44½ 14 45	14·44½ 14 44½	14·44½ 14·44
Danish Kr.	19 19½ 19·48½	19·39½-19·39½	19·39½ 19·39½	19·39½ 19·39½	19·39 19·39½	19·38½ 19·38½	19·38½ 19·39
Norwegian Kr.	19·85 20·15	19·98½-19·98½	19·98½ 19·98½	19·98½ 19·98½	19·98½ 19·98½	19·98 19·98½	19·98 19·98
One Month Forward Rates							
United States $		⅜ ½c. pm	⅜ ½c. pm	⅜-½c. pm	⅜-½ c pm	⅜ ½c. pm	⅜ ½c. pm
Canadian $		½c. pm 1c. dis	½c. pm 1c. dis	½c. pm 1c. dis	½c. pm 1c. dis	½c. pm 1c. dis	½c. pm ½c. dis
French Fr.		8 15 dis	15 20 dis	15 20 dis	20 25 dis	1c. 21 dis	15 20 dis
Swiss Fr.		1½ 1c. pm	1½ 1c. pm	1½ 1c. pm	1½ 1c. pm	1½ 1c. pm	1½ 1c. pm
Belgian Fr.		1-⅝ pm	1 ⅝ pm	1 ⅝ pm	1 ⅝ pm	1 ⅝ 56	1-⅝ pm
Dutch Gld.		1½ 1c. pm	1½ 1c. pm	1½ 1c. pm	1½ 1c. pm	1½ 1¼c. pm	2 1¼c. pm
W. Ger. D-Mk		1½ 1¼pf. pm	1½ 1¼pf. pm	1½ 1¼pf. pm	1½ 1¼pf. pm	1½ 1¼pf. pm	1½ 1¼pf. pm
Italian Lire		par-3 dis	par 5 dis	par 5 dis	par 5 dis	par 5 dis	par 5 dis
Swedish Kr.		1½ 1c pm	1½ 1c pm	1½ 1c pm	2 1½c pm	2 1½c pm	2 1¾c pm
Danish Kr.		2 1c pm	2 1c pm	2 1c pm	2 1c pm	2 1c pm	2 1c pm
Norwegian Kr.		1c pm 1c dis	1c pm 1c dis	1c pm 1c dis	1c pm 1c dis	1c pm 1c dis	1c pm 1c dis
Gold Price at Fixing							
Price (s. d. per fine oz.)		259 7½	259/8½	...	259/8	259/9½	259/9½

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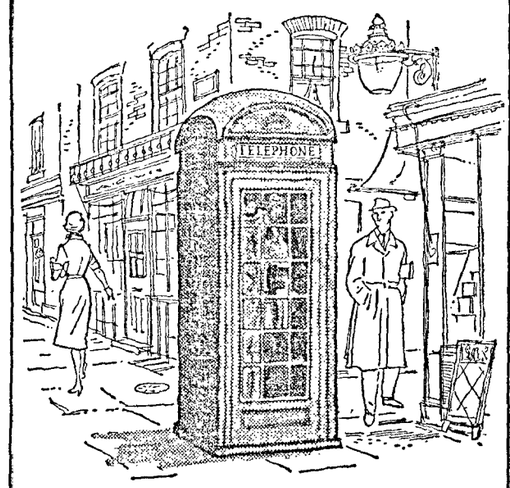
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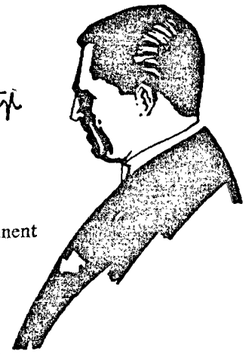
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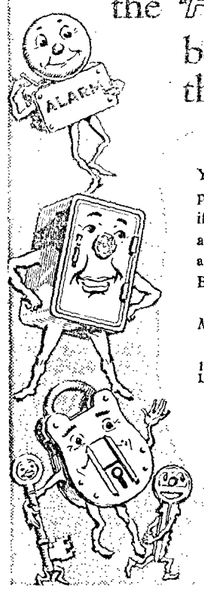
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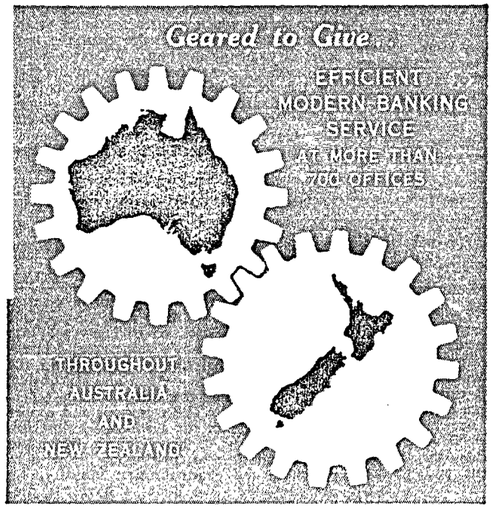


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CANADA

Looking ahead to:

1980

- Forest industry production will double by 1980
- Aluminium production five times present output
- Uranium production will double

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1-8

COMPANY MEETINGS

BOOTS PURE DRUG COMPANY LIMITED

69th ANNUAL GENERAL MEETING JULY 17, 1957

CHAIRMAN: J. P. SAVAGE

FURTHER INCREASE IN TURNOVER AND PROFITS

REVALUATION OF PROPERTIES AND CONTINUED RETAIL DEVELOPMENT

MR J. P. SAVAGE STRESSES THE HARMFUL EFFECTS OF THE PROFITS TAX

The sixty-ninth Annual General Meeting of Boots Pure Drug Company Limited will be held on July 17th at Nottingham. The following, in an abridged form, is the Statement by the Chairman, Mr J. P. Savage, which has been circulated with the Report and Accounts for the year ending March 31, 1957:

TURNOVER AND PROFITS

Our sales exceeded £72¼ million, an increase of over 8 per cent.

Our profits for the year amounted to £4,754,998 compared with £4,390,637. In addition we received certain payments under the National Health Scheme relating to previous years which after provision for tax amounted to £135,869. Despite the difficulties of the last year we have once again—for the seventh year in succession—been able to show an increase in our profits.

The provision for tax shows an increase from £2,309,661 to £2,643,671. The net profit of the group, including the back payments to which I have referred, is £2,191,828 compared with £2,029,454. The net profit of Boots Pure Drug Company Limited amounts to £1,994,377, compared with £1,736,015.

The balance brought forward amounts to £256,596 and tax provision no longer required to £34,154. This makes a total available of £2,285,127.

DIVIDEND AND RESERVES

We propose paying a final dividend of 10 per cent making a total of 16 per cent for the year compared with 14 per cent last year. This absorbs in all £942,080 net, compared with £824,320 last year.

We recommend that £900,000 should be placed to general reserve and £140,000 appropriated for Depreciation on freehold properties. We propose as before placing to capital reserve the tax relief in respect of Investment Allowances amounting to £23,200 for the Parent Company and £36,450 for the Subsidiaries. After deducting dividends paid and proposed, this leaves £224,216 to be carried forward to next year. Profits retained by the Subsidiaries amounted to £197,451.

PROSPERITY BONUS

We have always felt that both staff and shareholders ought to share in the prosperity of the business. We propose increasing the ordinary dividend paid to the shareholders and we propose repeating and extending the Prosperity Bonus paid to the staff. For staff with more than 30 years' service the bonus will be two weeks' pay and for the rest of the staff one week's pay. More than 2,500 of the staff have completed 30 years' service and will benefit from the additional payment.

It is a source of real personal pleasure to myself and my colleagues that we are able to express in this tangible form our appreciation of the way the staff have worked to build up the business and I am sure that our shareholders join us in this appreciation.

STOCK INVESTMENT

It is inevitable in a business so widespread and varied as ours that a very large amount of capital is required to finance our trading stocks. The figure at the end of the year was £14,365,459. This is £1 million less than last year although our sales increased by £5½ million. This represents an important advance in the constant effort we make to improve the use and return we get from the money invested in stocks.

EXPENDITURE

We have been faced with substantial increases in our running costs, but I am happy to say that our total expenses expressed as a percentage to turnover were lower in 1956-57 than for the previous year.

We set ourselves a target at the beginning of the year of £2,500,000 for our expenditure on buildings, plant and fittings as we felt that we could finance this sume out of our own resources. Our actual expenditure at £2,400,000 has come very close to this target. With the improvement in our profits and the reductions in our stocks we have been able both to provide the money to finance this development and to improve our cash position very substantially. On March 31st our cash balances amounted to £757,000; at the same time last year, taking the group as a whole, we were overdrawn by £300,000.

We regard it as a matter of the highest priority that we should bring our older shops up to date and that we should employ the most modern and effective techniques of display and selling. We are equally determined to extend our facilities where there is a public demand to be met. We have, therefore, drawn up a programme which envisages modernising all our shops over a period of years.

On the Manufacturing and Wholesale side of the business we have in the period since the end of the war considerably extended our activities. Our objective is to ensure that all our production resources are brought fully up to date and that our administrative facilities are modern and efficient.

We only wish we could set our sights even higher because it would be better for the development of the business and would result in greater economies from the point of view of the customer. Unfortunately a very strict limit is set to necessary capital development by the heavy burden of taxation which this Company like others has to bear. Sufficient capital development is one of the conditions of stable prices and there is probably no single factor which contributes more to the present inflationary pressure than the high level of company taxation. Whatever political justification may have existed at the time for the recent increases in the Profits Tax, the continued existence of that tax is now doing nothing but harm and the sooner the Government removes it the sooner it will be able to realise its aim of checking inflation.

REVALUATION OF PROPERTIES

We propose revaluing our freehold and long leasehold properties. Many of our properties were bought before 1939 and some before 1914. They stand in our books at a figure much below their real value. Our shareholders are entitled to know the true value of the Company's properties. In relation to the actual capital employed in the business our profits are just and reasonable, and it is important that this should be generally understood. There is great and proper public interest in the National Health Service, but many of the criticisms, which are made from time to time about the level of profits in the pharmaceutical industry, are not justified. We hope to have the preliminary results of the revaluation available by the late Autumn, and the full figures by the end of the year.

RETAIL DEVELOPMENT

In spite of a poor summer and unusually mild winter (conditions which are always unfavourable to the Chemist's trade) our retail sales increased in every department of our business. Our dispensing business was considerable affected by the imposition of the new levy in December, but I am satisfied that the service we give will ensure that we maintain our eminent position in this field.

During the year we closed fourteen shops and opened twelve new ones in districts where we had not previously been represented. We completed thirty-five major schemes involving the rebuilding, extensions or modernisation of our premises.

We are fully alive to the changes which are taking place in the pattern of retail distribution, particularly the increase in self-service and self-selection in certain trades, and we have ourselves embarked on a limited series of experiments in modified shop layout and shopfittings, the progress of which we shall watch with interest. We have always taken special pride in the standard of personal service given in our shops, and we shall continue to do so, making only those changes which will help us to improve this service and keep it up to date.

EXPORT

I have spent over six months on a visit to all our Subsidiary Overseas Companies and I have returned with a very deep appreciation of the high quality of the management in all of them. I was also impressed with the very excellent standard of the staff we have been able to recruit in Australia, New Zealand, Fiji, South Africa, India, Pakistan and the Far East. The improvement in the profit position in all these countries has been most encouraging, and already there are indications that the present year will break all records.

Sales made by the International Division have proved to be the highest we have ever achieved. The increase over the previous year was more than 20 per cent.

More proprietary specialities than in any previous year have been manufactured in our factories and supplied through the Wholesale Division to other Companies. We still have manufacturing capacity which we can place at the disposal of other firms who would like to avail themselves of our mass production facilities.

Sales to the British Government on special contracts made a substantial increase and wholesale sales of Chemicals and Specialities have also made good progress.

EUROPEAN FREE TRADE

We are giving much thought to the prospective free trading area project in Europe. t will undoubtedly call for a flexible pproach to our manufacturing operations, ut its value to us as an exporting Company ill be very much impaired unless the counies in the free trade area are persuaded to enounce their discriminatory practices in ddition to their customs duties.

PROSPECTS FOR THE COMING YEAR

The year which has just ended was a fficult one. The general policy of the overnment was to increase taxes and reduce nsumer expenditure. Despite this we were le to show a sizeable increase in our sales d report a higher profit. The coming year oks much brighter. There is already a ar improvement in the level of trade and hope that as the year progresses indusal production will increase. All this should can that people will have more money to end and we hope they will spend more at ots.

THE ASSOCIATED PORTLAND CEMENT MANUFACTURERS LIMITED

DELIVERIES CONSTITUTE A NEW RECORD

CONTINUING EXPANSION IN OVERSEAS MARKETS

The Annual General Meeting of The Associated Portland Cement Manufacturers Limited was held on June 26th in London, Mr J. A. E. Reiss, B.E.M. (Chairman and Managing Director), presiding.

The following is an extract from the Chairman's statement which accompanied the Report and Accounts sent to stockholders:

In the early part of last year Sir George Earle expressed his wish to retire from the position of Chairman. His association with the Company extends for over 45 years, and the last 11 years during which he has been Chairman has been a period of unprecedented expansion and profitability for the Group. We are indeed fortunate to be able to draw upon his wealth of experience in his position as President which he took up at the beginning of this year

ACCOUNTS AND DIVIDENDS

In the Consolidated Accounts the Surplus on Trading is £13,672,867, an increase of £599,186. This is due to the expansion in the trade of those Companies in which we are interested overseas and more than offsets the decrease in this Company's Surplus on Trading which fell by £328,348 to £4,461,753, mainly owing to decreased sales at lower prices in our export markets.

The total capital expenditure of our Group during 1956 was £4,749,282, and during the 11 years since the last war we have expended on capital account the very considerable sum of £36,592,581—this has been done without our issuing fresh capital.

The Associated Portland Cement Manufacturers Limited holds over 80 per cent of the equity of The British Portland Cement Manufacturers Limited and 100 per cent of the Alpha Cement Limited equity, so a clearer picture of our past year's working in the United Kingdom is produced by combining the results of these three Companies than is shown in the Consolidated Accounts which include our overseas interests. The figures to the nearest thousand pounds are as follows:

The trading surplus decreased by £464,000 to £10,891,000. After various provisions including depreciation we are left with £7,712,000. Provision for Taxation increased by £418,000 to £4,370,000. Directors' and Trustees' emoluments, Debenture Service, Subvention payments to Subsidiary Companies and transfers to General, Contingencies and Staff Pension Fund Reserves together absorbed £2,031,000—a decrease of £1,017,000, leaving for distribution £16,000 less than last year. It is proposed that the quantum to be paid as dividends shall remain the same as in the case of 1955.

In view of the difficulties towards the end of the year in certain export markets brought about by the Suez Canal crisis, I think that these results should be considered very satisfactory. I am sure I have your approval in thanking all those who work for the Company in making them possible.

PAST YEAR

Last year our deliveries of cement from both home and associated works overseas constituted a new record at 7,994,753 and 1,984,479 tons respectively. Our export trade was, however, slightly down partly owing to the difficulty in securing adequate shipping space and partly to severe competition from Eastern Europe whence nearly a million tons were exported last year. These exports had a political basis and were often sold at prices well below the cost of production. We are hopeful that the changing political conditions in that part of Europe may lead to a diminution of this kind of trading.

The lead was taken last year by the Cement Industry in giving an undertaking not to increase home prices during the six months to June 30, 1956. At the end of that period prices were advanced by 3s. a ton to offset increases in coal and freight costs, but at the same time manufacturers gave a promise that the new prices would not be raised for a further period of 12 months unless something quite unexpected and exceptional happened.

In spite of such circumstances arising from the Suez Canal crisis, the Cement Industry decided in the autumn to maintain existing prices until the date originally fixed by which time they would have a clearer picture of the actual extra costs incurred through increases in the prices of diesel oil and petrol, together with the effect of the rationing of these two products on laid-up transport.

The impact on costs did not turn out to be as high as was at one time expected, but the extra cost incurred, together with increases in wages and the expected rise in the price of coal this year, must inevitably lead to a rise in the home prices for cement during the next few months. This has already occurred in all the major cement-producing countries of Western Europe since the beginning of this year.

Our expenditure on research and development of new products and processes again amounted to a substantial sum, £274,814 having been spent during the year for these purposes.

OVERSEAS WORKS

The story from overseas generally is one of continuing expansion and satisfactory results.

In Australia, the Company ended the year with a profit and there are good prospects of a satisfactory year's trading in 1957.

In British Columbia, output, sales and profits established new records.

In Ontario, we have acquired extensive limestone deposits with the object of building a works when conditions are considered opportune.

Construction of the new works in which we are interested in Kenya has been held up by delays in deliveries of steel and the plant is unlikely to be in operation before next spring.

The Company in Malaya recorded another satisfactory year's working. Demand in the Federation continues to grow and the decision has been taken to instal an additional kiln which will more than double the present capacity.

In Mexico, record deliveries and profits were achieved.

The New Zealand Company continues to operate satisfactorily, with increased sales and earnings.

The Company in South Africa benefited from a full year's run of the new kiln at Lichtenburg and again established new sales and profits records.

In Southern Rhodesia, the construction of the new works of the Salisbury Portland Cement Company Limited is nearing completion, and production is expected to begin within the next few weeks.

Our investigations into the prospects of establishing a cement manufacturing industry in the Western Region of Nigeria, together with other interests, have continued, and prospects are regarded as very encouraging.

1957

The new works at Cauldon Low in Staffordshire came into production at the beginning of May. As a dry process works, the only one of its kind in England at the present time, it should prove remarkably economical in fuel consumption.

Up till the end of April our deliveries at home are rather above those of last year, but our export figures are still affected by the fact that the Suez Canal is closed at the time of writing. When the Canal opens we hope to make up some of the leeway in our shipments overseas.

The indications are that at home the annual rate of increase in the demand for cement that has been experienced since the war will not be maintained this year, but in spite of the increasing effects of the present deflationary policy of the Government, we do not expect any significant reduction in demand as compared with 1956.

The report and accounts were adopted.

ROCK INVESTMENT

FURTHER SOLID PROGRESS

The thirty-eighth annual general meeting of The Rock Investment Company, Limited, was held on June 20th in London, Mr C. W. Black, JP, MP, FRICS, FAI (the chairman), presiding.

The following is an extract from his circulated Statement for 1956:

The past year has seen yet further solid progress in the rebuilding of both the income and capital position of your Company. This progress has made it possible for your Directors to recommend an increased Dividend for the year of 5 per cent, less income tax, which compares with 4½ per cent in the previous year.

In addition to the steadily improving income position of the Group, which your Directors hope and believe will continue, the capital position also continues to show a welcome strengthening. During the year, the capital reserve has increased by a net addition of no less than £41,704 from £180,596 to £222,300.

The "credit squeeze" and the limitation upon borrowings have obviously had an effect upon the rate of progress in rebuilding the fortunes of the Group, and, in particular, have curtailed somewhat substantially the volume of building development work we are able to undertake.

It is proposed to increase the present authorised capital of £550,400 to £650,000, which will mean that we shall have Stock available for issue amounting to £120,790. Your Directors have no immediate plans for the issue of further Stock.

The report and accounts were adopted.

NORTH CENTRAL WAGON & FINANCE COMPANY LIMITED

MR E. DUNCAN TAYLOR'S REVIEW

The Ninety-seventh annual general meeting of North Central Wagon & Finance Company Limited was held on June 25, 1957, in Rotherham, Mr E. Duncan Taylor, FCA, the Chairman, presiding.

The following is an abstract from his circulated address:

As a result of hire purchase restrictions new business accepted during 1956 declined by 29 per cent, resulting in a reduction of £3,248,638 in the book value of our assets which were £16,482,550 at December 31, 1956. As earnings on hire purchase business are spread over the life of the agreements the substantial business accepted in 1954 and 1955 resulted in a record profit for the year. A total dividend on the Ordinary Shares of 1s. 6d. per Share is recommended as compared with 1s. for 1955. In addition, the distribution of 7½d. per Ordinary Share, not subject to tax, out of realised accretions to capital is to be repeated.

Taxation, including £258,400 in respect of Profits Tax non-distribution relief absorbs £924,249 or 14s. in the £ on all our earnings. Profits Tax in its present form discourages the raising of permanent capital by the issue of shares, dividends on which are subject to a penal distribution charge of 30 per cent as compared with 3 per cent on retained profits, and encourages the issue of loan capital, the interest on which is not subject to Profits Tax, and is a serious obstacle to the creation and movement of voluntary savings. The Royal Commission on the Taxation of Profits and Income recommended the substitution of a flat rate tax on total profits and it is to be hoped that this recommendation will be implemented during the life of the present Parliament and that potential liabilities in respect of non-distribution relief will be cancelled.

PROSPECTS FOR 1957

For the first four months of 1957 the Group turnover increased by 55 per cent as compared with the corresponding months of 1956. As our earnings depend more upon the business on our books at the commencement of the year than upon new business accepted during the year and in view of the decline in new business during 1956 it would be unrealistic to expect the net profit for 1957 to be maintained at the record level of 1956.

SHARE CAPITAL

In September, 1956, we acquired the minority interest in A. J. Stanton & Company Limited in exchange for the issue of 14,000 6½ per cent Cumulative Preference Shares of £1 each fully paid and 79,000 Ordinary Shares of £1 each, 10s. paid. The present issued Ordinary Share Capital consists of 1,579,000 Shares of £1 each, 10s. paid. The Directors propose, subject to the consent of the Capital Issues Committee, to eliminate the uncalled liability on the Ordinary Shares by capitalising £789,500 of the accumulated profits of the Group in paying the uncalled liability of 10s. on each Ordinary Share. In view of the important part in the growth of the Company's business which is played by ploughing back a substantial part of our profit, especially when we are not permitted to raise additional permanent capital, it is likely that the Board will be able to recommend any further increase in the amount distributed to our Ordinary Shareholders in the near future.

The Share Capital of Modern Telephone Company Limited has been sold for the sum of £300,000. The surplus arising from the sale has been credited to Profit and Loss Account. Since the end of our financial year a merger has taken place between Seligman Brothers and S. G. Warburg & Company Limited and agreement has been reached for the disposal of our interest in the firm.

The extensions of our Head Office and of the Head Office of A. J. Stanton & Company Limited at Canterbury have been finished and plans for the erection of new offices for our Subsidiary Companies at London and Brighton have been approved. Since the last Annual General Meeting additional Branches have been opened at Birmingham, Bolton, Dunstable, Guildford, Halifax, Leamington and Wakefield.

During the past year our managers and representatives have been faced with many difficult problems and our shareholders will, I know, wish to be associated with the Directors in expressing appreciation of the loyal and efficient services of our executives, representatives and employees generally throughout the Group.

The retiring Directors, Mr F. E. Bovill and Mr P. J. Greaves, were re-elected, the remuneration of the Auditors was fixed and the Report and Accounts were adopted.

NORTH CENTRAL WAGON & FINANCE COMPANY LIMITED

Summarised Group Balance Sheet at December 31, 1956

Share Capital, Reserves and Liabilities	£
Paid-up share capital	1,053,500
Reserves (including amounts set aside for future taxation and pensions)	3,060,433
	4,113,933
Debentures	1,337,238
Deposits	5,868,295
Bankers and bills discounted	3,720,256
Acceptances for customers	400,000
Current liabilities (including income tax, 1956/57)	1,042,828
	£16,482,550
Assets	
Hire purchase and other agreements	17,082,177
Less Unaccrued revenue	2,076,184
	15,005,993
Other current assets	576,042
Customers for acceptances	400,000
Investments in associated undertakings	345,981
Fixed assets	154,534
	£16,482,550

METROPOLITAN RAILWAY SURPLUS LANDS COMPANY LIMITED

SIR BERNARD DOCKER'S STATEMENT

The twenty-fourth annual general meeting of the Metropolitan Railway Surplus Lands Company Limited will be held on July 10th at Winchester House, Old Broad Street, London, E.C.

The following is an extract from the statement by the Chairman, Sir Bernard Docker, KBE, accompanying the Report and Accounts for the year ended March 31, 1957:

I am glad to be able to report continued progress. Gross rents of the parent Company have increased by £20,129 to £302,283 and after charging repairs and other expenses, net rents at £231,896 showed an increase of £15,585 over the figure for the previous year. The profits earned by our trading subsidiary, Ortem Estates Limited, have enabled us to increase the amount obtained from that source to £70,000 compared with £50,000 in 1956. In fact, our net profit before tax for the past financial year at £259,645 shows an increase of £24,487. We recommend a modest increase in dividend to 6½ per cent, against last year's 6 per cent. After providing £98,704 for the payment of this dividend and £158,600 for Income Tax and Profits Tax, we shall be left with £60,404 carried forward compared with £58,063 brought forward from last year.

The Consolidated Balance Sheet discloses a small increase in assets of £46,371 to £3,321,055.

After referring in greater detail to the affairs of the subsidiary companies including the realisation on satisfactory terms of about one half of the Littlehampton Estate, Sussex, by Ortem Estates and to certain staff changes, the statement continues:

VALUATION OF PROPERTY ASSETS

Shortly after the last Annual General Meeting, it was brought to our notice that strong rumours were circulating in the City that an offer had been or was about to be made for the Company's shares. We thought it proper to notify all shareholders immediately that no such offer had been made to us (nor indeed has any such offer been made since) but that we proposed to put in hand a valuation of the Company's properties. Our object was that if any such offer should be made, we should be in a position to advise shareholders whether or not it was an adequate offer. In order to keep the cost of the valuation to a minimum it is being made by our Managing Director, one of the other Directors and the Manager—all of them very experienced in the valuation of properties such as we own.

Before our colleagues had proceeded very far in their valuation, the Rent Bill was introduced and we have thought it prudent to direct them to delay the completion of their work in respect of residential properties until this measure secures the Royal Assent and its effect on values can be more nearly estimated. It is a precautionary valuation, as I have indicated. It is not our present intention to publish it but to use it for our own purpose in connection with the management of the estate, unless some special need arises which we deem calls for its publication.

Revaluation of our capital assets of itself adds nothing to our revenue; it is made at a moment of time and in relation to conditions at that time. It is of doubtful validity at a later date under different conditions. As I have said before it is our policy progressively to expand the Company's business and a basic requirement of this policy will be the reorganisation of our capital structure. Unfortunately, conditions are still not favourable for the raising of substantial loan capital nor indeed would present restrictions enable us to do so. When the moment is opportune, however, a revaluation will be necessary and will then serve the double purpose of assisting us to raise the loan capital we want and of informing shareholders of the value which at that time may be fairly placed upon our estate.

GENERAL OBSERVATIONS

In conclusion, I can tell you that rents already agreed with our tenants, in respect of properties, the leases of which recently fell in, will swell our rent roll for the current year by about £45,000. This represents the major falling in of our commercial ground leases. Other ground leases will expire over the years to come, but not again on this scale in one year. Our general policy has been, however, for some years to grant leases at rack rents with rent revision clauses at appropriate intervals in order to recover for the benefit of the shareholders over a reasonable period any improvement in the rental value of our properties. Apart altogether from the reversions of ground leases, therefore, we can look forward to an expanding rental income if, as we expect, real property holds its own in an inflationary world. We are still dependent to some extent on our earnings from Ortem Estates to maintain and improve on the current rate of dividend, but the increase in the rent roll gives us a firm foundation on which to build, and with further expansion I am, as I was last year, hopeful that from time to time we shall be able to make modest increases in the dividend.

UNITED PATANI (MALAYA) RUBBER ESTATES

HIGHER CROP PROSPECTS

MR W. ANDERSON'S STATEMENT

The thirty-seventh annual general meeting of United Patani (Malaya) Rubber Estates Limited was held on June 25th in London, Mr W. Anderson (the chairman) presiding.

The following is an extract from his circulated statement:

The crop harvested for the year after all adjustments was 3,810,829 lb compared with an estimate of 3,794,000 lb. The target set for this year is 4,250,000 lb and both the estate manager and the directors are reasonably confident this will be achieved.

Owing to the lower price of rubber our income from rubber sales for 1956 at £386,011 was lower by £98,842. The net profit is £105,955. The Board recommends a Final Dividend of 10 per cent, less tax, making 15 per cent for the year. The various appropriations and the Dividends exceed the year's surplus by some £4,176, so that our carry forward will be reduced to £26,786, which is about the same as we carried forward in 1954.

At this juncture I think it opportune for me to mention that although the Board has just declared an interim dividend of 5 per cent, less tax, for the year 1957, it would like it to be known this distribution is on account of profits so far earned and should not be taken as an indication of what might be the final dividend for the current year.

Last year I mentioned that Government was proposing to acquire an area of 260 acres of our most valuable young rubber and that an alternative area had been suggested to the Authorities. Government has agreed to our suggestion but it is now interested in a much larger area and has actually been granted an option on some 1,400 acres of prewar seedling rubber. This area has been valued by an expert at £75 per acre and we are now waiting confirmation of Government acceptance of such valuation being inserted in the option agreement.

From recent happenings affecting the Company's future I am inclined to think that many stockholders might be glad to see the total acreage trimmed and capital returned to them from the trimmings. Your Board would propose to review the position but feel that it must await Government's decision with regard to the 1,400 acres and this we will press for as far as it may be possible.

PLANTING PROGRAMME

Our planting programme for 1956 which consisted of 140 acres of virgin jungle and 233 acres replantings, was duly completed on schedule. During the current year it has been arranged to plant up about 50 acres of virgin land and replant some 415 acres and when this has been completed the whole of Abubakar Division extending over 1,450 acres will contain a compact block of high yielding rubber.

In his last Budget Statement the Chancellor made proposals for substantial tax concessions to "Overseas Trade Corporations." Rubber Plantation Companies such as United Patani are within this category. When these proposals become law it is confidently expected that the proportion of trading profits available for dividends will be considerably increased.

The report was adopted.

GENERAL MINING AND FINANCE CORPORATION LIMITED

(Incorporated in the Union of South Africa)

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

At the Fifty-Seventh Annual General Meeting of Shareholders held on June 20th at the Corporation's Offices in Johannesburg, Mr J Scott, Deputy Chairman, presiding at the meeting, said that the net income for the year 1956 was £975,468, an increase of £68,976 compared with the previous year. It had again been necessary to write a substantial amount off Investments, including Subsidiary Companies, the total amount written off being £442,716, of which £150,000 had been taken from Investment Reserve and the balance from Profit and Loss Account. At the end of the year quoted investments had a market value of £14,402,519, compared with a book value of £9,888,929, whilst the value of unquoted investments was greatly in excess of their book value. The Directors had considered it prudent to reduce the final dividend on the Ordinary shares for the year to 2s. per share in view of the Corporation's financial position and the continued depressed state of the Stock Exchanges during and since 1956, with its consequential adverse effect upon the Corporation's revenue reserves.

During the year the Corporation had exercised its right to a substantial participation in the flotation of the Riebeeck Company, and had effected other investments which had absorbed approximately £250,000, these factors having been largely responsible for the decline of £1,642,000 in the Corporation's net cash position. Investments formerly held indirectly through a subsidiary company had been taken over at cost, but this had involved no outlay of cash.

In the past two financial years active Stock Exchange conditions had unfortunately not existed, and the Corporation had been unable to turn over its working capital in the normal way with a view to investment in new enterprises and to the earning of share-dealing profits with which to strengthen reserves. In these circumstances loan facilities of £2 million had been negotiated with Anglo American Corporation of South Africa Limited expiring on December 31, 1959. The Corporation had availed itself of £1 million of these facilities, but had repaid £500,000 of this sum since the end of the year.

Dividend income should improve in the years ahead as the newer mines in which the Corporation had substantial holdings improved their dividend declarations or reached the dividend-paying stage.

The Gold Mining Industry as a whole had shown a working profit £4 million greater than that for the previous year, and new records had been achieved both for tonnage milled and for gold output. For the first time, more than half of the working profit had been contributed by the newer mines, but he could not emphasise too highly the vulnerability of some of the older mines: high-level consultations had been held in an endeavour to find a solution to this problem. Uranium was becoming of increasing importance to the industry, the estimated profit realised for the year having been 40 per cent above the previous year, with some mines being primarily uranium producers. World demand should be maintained for many years to come, and the resources of uranium in the country were very large. At the conclusion of their existing contracts many of the uranium producers would be able to compete favourably in the world market.

There had been a noticeable decline in overseas interest in South African gold shares, which had had the result of substantial declines in the quoted prices of mining shares to a point at which the high returns offering on sound mining investments in this country showed a remarkable disparity compared with the low rates obtainable on investments in the North American and United Kingdom financial markets.

One of the factors in the situation was the fact that the Gold Mining Industry was being squeezed between the fixed price for gold and rising working costs, but there was little doubt also that the values of mining shares of this country had been depressed through fears of overseas investors that despite the soundness of the country's economy, some of the internal political policies might in the future give rise to disturbances undermining the safety of investments. It was important that the country should endeavour to create a stable political atmosphere which, with the basic soundness of the South African economy, would again attract a flow of capital funds. It should be recognised that statements made by politicians and other leading South Africans, together with events which took place within the country, could from time to time adversely affect, as they had in the past, the popularity of the country as a field for investment.

The Chairman then referred to the list of Investments attached to the Directors' Report, and informed shareholders that the majority of the mining companies included did not fall within the group of vulnerable mines. The Corporation also had interests in coal, copper, diamonds and platinum, and in industry all the companies concerned having made satisfactory progress in 1956. The Corporation's Subsidiary Companies had also made steady progress.

Since the close of the year the gold and uranium mines of the group had progressed satisfactorily, the dividend declarations by the Stilfontein and West Rand Companies having been higher than those of a year before, whilst Buffelsfontein Gold Mining Company had commenced gold production in January and had reached a milling rate of over 100,000 tons per month, with steadily increasing profits, those for May being £151,000. Maiden dividends had been declared by Eastern Rand Extensions Limited and Southern van Ryn Reef Gold Mining Company Limited, and the New Pioneer Company had resumed dividend declarations.

Finally, the Chairman expressed his confidence that the Union of South Africa faced a remarkable future with tremendous opportunities for further mining and industrial developments, provided that they could look forward to a period of good government giving rise to stable political conditions.

JOHN BRIGHT AND BROTHERS

CAUSES OF SET-BACK

The thirty-fourth annual general meeting of John Bright and Brothers Limited was held on June 26th in London.

Dr E. P. Andreae, chairman, in the course of his speech, said:

At our last Meeting I drew attention to a falling trend in price margins, which was making itself increasingly felt towards the end of the financial year. Since then, our trade, particularly in the heavy canvas sections, suffered further very severe cuts and the persistence of this trend throughout the year is reflected in the lower profits shown.

RESULT OF YEAR'S TRADING

The Trading Profit amounted to £740,310 as against £1,069,323 for the previous year, which included only approximately a four and a half months' contribution from the Subsidiary. The reduction of £329,013 would have been greater but for the benefits derived from the joint operations.

After charging Taxation of £325,000 the combined Net Profit totals £302,423 as compared with £482,566 for last year. Your Directors again recommend a final dividend of 15 per cent on the Ordinary Stock, making a total of 25 per cent for the year. £100,000 has been allocated to General Reserve.

The strength of the Consolidated Balance Sheet has not only been maintained but has been added to by an increase of £116,017 in the total of Share Capital and Reserves, which now stand at £4,610,995.

Fluctuations experienced in recent years by Spinners and Piece Goods Manufacturers, who had to face a lengthy and very serious recession, had a secondary but marked influence on our business and largely were responsible for touching off the very rapid drop in Profit Margins that we have experienced.

These factors applied chiefly to heavy canvas and belting ducks but we, as large manufacturers of Cord Fabrics, have had to face additional troubles, accentuated by the recession in the motor car industry.

In the past we have been able to offset temporary difficulties by minimising their effect through the medium of economies in operating methods. This year the fall was altogether too drastic and too rapid to be countered in such manner.

We are financially strong enough and sufficiently well-equipped to meet any competition and we are, in spite of prices, strictly maintaining the high quality of our goods for which we are renowned.

JAMES STOTT LIMITED

Speaking of our Subsidiary, James Stott Limited, they of course, have had to contend with exactly the same difficulties as the Parent Company. Fortunately we have been able to benefit materially from the association. I can say that even in the circumstances prevailing the acquisition of the Stott business has proved to be an asset of very great value to your Company.

Looking ahead, your Directors take the view that the demand for industrial yarns and fabrics will be one of gradual, but continued expansion but that it would be unrealistic to forecast a return to the high profit margins ruling in recent years.

Speaking of the more immediate future, I feel justified in saying that the contraction in volume and the reduction in margins, appear to have been arrested.

GREAT BOULDER PROPRIETARY GOLD

TRANSFER TO AUSTRALIAN COMPANY APPROVED

The sixty-first annual general meeting of The Great Boulder Proprietary Gold Mines Limited was held on June 12th in Melbourne, Mr A. M. Coulson, Chairman and Managing Director, presiding.

The Chairman said: From the Directors' Report and Statement of Accounts already in your hands you will have noted that the results for 1956 disclose a satisfactory position, the net profit for the year after providing £70,015 for Depreciation and writing off £16,075 New Share Issue Expenses rising to £258,512, an increase of £42,143 compared with 1955.

The Profit and Loss Appropriation Account shows that dividends totalling 1s. 3d. (Aust.) have been paid, and £49,954 written off Mining Leases and Development.

489,494 tons of ore were treated for a recovery of 124,604 ounces of gold, both figures showing increases compared with the previous year. Mine Development was satisfactory and Ore Reserves at 2,071,500 tons averaging 5.50 dwts are higher than in 1955 both in tonnage and grade.

Constant improvements in efficiency by the mine staff in their efforts to combat rising costs could not wholly offset the combined effect of increases in the basic wage marginal rates for tradesmen; penalty rates for overtime and shift work, and prices of mining stores; consequently Working Costs per ton of ore treated rose by 12.86d compared with 1955. Of this increase 11.75d was due to increased cost of mining stores.

Expenditure on Capital Account during the year amounted to £127,236, the principal items being the deepening of Hamilton Shaft a further 528 feet and the installation of a Marcy Rod Mill. The issue of one million shares to provide funds for capital expenditure was a success and all shares have now been paid up in full.

REASONS FOR PROPOSED TRANSFER

The control and management of the Company has been carried out wholly in Australia since 1948; over 80 per cent of the Company's stock is held by residents of Australia, and the Directors feel that it would be in the best interests of stockholders to transfer the whole of the Company's undertaking to an Australian company.

Accordingly, immediately after this meeting an Extraordinary General Meeting will be held for the purpose of considering and, if thought fit, passing the necessary resolutions for the voluntary winding up of the present Company and the disposal of the whole of its undertaking to a company which will be incorporated in Victoria, Australia, under the name of Great Boulder Gold Mines Limited.

The operating results for this year so far show an increase over last year and there should be no difficulty in maintaining the current rate of dividend on the increased share capital.

In conclusion I would like to thank the General Manager, the executive staff and employees of the Company for their efforts during the year under review.

The report and accounts were adopted.

At a subsequent extraordinary general meeting resolutions were passed approving the voluntary winding up of the company and the disposal of the whole of its undertaking to a company to be named Great Boulder Gold Mines Limited, incorporated in Victoria, Australia.

RANGALLA CONSOLIDATED

The thirty-fourth annual general meeting of Rangalla Consolidated Limited was held on June 20th in London.

The following is an extract from the circulated review of the Chairman, Mr Eric Davenport, ACA:

The 1956 season's Accounts show a net profit before tax of £60,065, compared with £39,508 in 1955, which can be considered satisfactory. The crop harvested at 1,567,229 lb shows an increase of 17,541 lb over 1955. The cost of production at 2/5.99d increased by 2.95d, while the net average sale price increased by 5.74d per lb.

From the total sum available of £68,746, taxation absorbs £36,054, and £5,000 has been appropriated to General Reserve.

The estimated crop for this current season is 1,540,000 lb, and the crop harvested to the end of April was 699,156 lb, against 594,409 lb for the corresponding period in 1956, which augurs well for the crop prospects in the current season.

The total dividend the proprietors have received from our operations during 1956 is equal to the highest ever declared by the Company. We have thought that the proprietors should have their full share in our prosperity, even though on austere calculations we may have made a pretty full distribution of our earnings. But our financial position is sound and we are not a Bank but a Company engaged in tropical agriculture. If you do well in prosperity, I trust you will take the lean years without too great a grumble.

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

BRITISH BORNEO TIMBER

The annual general meeting of The British Borneo Timber Company Limited will be held on July 18th in London. The following is an extract from the circulated address of the Chairman, Mr H. W. Horner:

Log output exceeded that for the previous year by 37 per cent, whilst the unit cost of production was reduced.

In contrast, our sawmilling operations, in common with those of other large-scale timber operators in North Borneo, were far from profitable and losses offset quite reasonable profits on logging. We are under obligation to the Government to mill a certain minimum proportion of our annual production, and the necessary large-scale operation of sawmills in Borneo has proved to be a costly drain on resources.

Shipments of logs and sales of sawn timber each increased by 27 per cent compared with 1955.

The demand for our timber continues to be generally satisfactory, but we are encountering serious competition from Borneo timbers which are being milled in Hongkong. The Board feel that the Government of North Borneo is bound to recognise in the very near future that substantial relief must be given to large-scale producers, such as this company, from much unfair competition to which they are subjected; otherwise the future for the large-scale producers (not only ourselves) may become precarious. The accounts show a net loss for the year of £37,865. To the balance £47,301 brought forward from the previous year the Board have added £10,000 from General Revenue Reserve. A dividend of 8 per cent is recommended, leaving £5,636 to carry forward to next year.

ARTHUR BALFOUR AND COMPANY

SUBSTANTIALLY IMPROVED RESULTS

The fifty-eighth annual general meeting of Arthur Balfour and Company Limited was held on June 24th at Sheffield, The Honour, able Robert Arthur Balfour, JP (Chairman and Managing Director), presiding.

The following is an extract from his circulated statement:

I am pleased to report a substantial improvement in the results achieved over the previous year, which were much better than forecast in the last statement. All the manufacturing divisions have worked at an effective level throughout the period. Costs have continued to increase and competitive conditions have tightened up, but the resulting narrower margins have been offset by increased turnover. It is realistic, however, to point out that the improved results have been assisted by better trading results from subsidiary companies at home and overseas.

Shortages of supplies and fluctuations in the prices of alloys have had no marked effect on the trading profits of the year.

The profits of the Group are £526,853 before taxation and after exchange adjustments, and compare with £350,287. Taxation, however, is increased from £170,506 to £258,484, and I am only endorsing the remarks of numerous authorities when I say that the present rate of taxation is too high. If continued, we shall be placed at a great disadvantage in re-equipment and in undertaking advisable business risks and ventures as against overseas competitors.

Satisfactory progress has been made in research, standard of quality and methods of manufacture. Plant and premises have been well maintained. There have been further calls on our cash resources by the progress of re-equipment programmes and the financing of stocks and trading operations. We have considerable capital commitments. The expenditure of previous years on the tool division now shows signs of yielding beneficial results. The main present commitment is for the increase and modernisation of the steel melting and manufacturing divisions.

The Board, after careful review and consideration of all the factors involved, have no hesitation in recommending the same rate of dividend as for the year 1955: 2½ per cent Interim Dividend already paid £13,669 and 5½ per cent Final Dividend now proposed £30,072. It is proposed to appropriate £200,000 to General Reserve, and this will leave a carry forward of £147,709 as compared with £175,717 in 1955.

We again face increased costs and the effect of wage awards, at present uncertain, and here I would like to make an appeal:

As a Company we are now subject to the provisions of the Restrictive Trade Practices Act. Whatever the long-term effects may be, such control, if desirable at all, should surely not be so selective as at present. It is high time that a new, realistic, and constructive approach to this problem should be made by all concerned and at all levels. The standard of living and welfare of the whole population is threatened.

In the early months of 1957 the level of turnover has been maintained, but it is difficult to forecast the second half of the year. Any improvement or decline depends perhaps more than usual on world politics. I incline to the forecast that we could maintain this year's results but that we shall need good fortune to do so.

The report was adopted.

PLATT BROTHERS AND COMPANY (HOLDINGS)

MR K. H. PRESTON'S REVIEW

The fifty-ninth Annual General Meeting of Platt Brothers and Company (Holdings) Limited was held on June 26th at Oldham.

The following is an extract from the Statement by the Chairman, Mr K. H. Preston, which has been circulated with the Report and Accounts:

As you will see from the Directors' Report, we are recommending a final dividend of 8½ per cent on the Ordinary Stock which, with the interim dividend of 4 per cent paid on October 24, 1956, makes a total distribution of 12½ per cent, the same as last year.

Total aggregate sales were down as compared with the previous year, and the lower consolidated profit was due partly to this reduced turnover but a major factor was narrower profit margins occasioned by rising costs of wages, materials and services. A very large proportion of the machinery produced by the Subsidiary Companies is exported and, by reason of continued competition from foreign manufacturers of textile machinery, it has not been found possible to recover fully these increased costs by means of higher selling prices.

In August last, the Directors of Textile Machinery Makers Limited decided, in view of excess manufacturing capacity, not to renew the lease of the Barton Works which expires in July of this year. The business formerly carried on by Platts (Barton) Limited, has been transferred to Platt Brothers & Company Limited, but the full benefit of the transfer will not be felt until the latter part of the current year.

In arriving at the decision to close the Barton Works, the Directors were in no small measure influenced by the fact that they had in 1954 decided to effect a major rebuilding of the Oldham Works.

The policy of the Board is to diversify its activities wherever possible by introducing in its Works the manufacture of machinery for fields outside textile markets. In this respect Textile Machinery Makers Limited is establishing a noteworthy business in the manufacture of brewery machinery, is expanding its activities in the production of packaging machinery and can offer a range of machinery for the production of transparent paper.

Tweedales & Smalley Limited, like Textile Machinery Makers Limited, had a disappointing year. Increased labour and material costs which could not be recovered by higher selling prices owing to foreign competition, was the main cause for the reduction in profit. Since May, 1956, there has been a material improvement in the Company's order book, both for home and export.

Last year I reported that the turnover of Prince-Smith & Stells Limited in 1955 was the highest in the Company's long history. This year I am pleased to be able to tell you that improvements in manufacturing technique and the continued demand for the New Bradford system worsted machinery have led to a new record turnover by this Subsidiary.

The Longclose Engineering Company Limited had another good year. The forward order position is satisfactory, and the actual orders already booked should ensure that the Works are fully occupied up to the end of the year.

The textile industries both in this country and overseas, particularly the cotton sections, are liable to sudden fluctuations, and demands for textile machinery are similarly affected We felt it wise, therefore, to extend the Parent Company's interests outside the textile machinery industry and in January, 1957, we purchased control of two engineering concerns—Hayward Tyler & Company Limited, and Le Grand, Sutcliff & Gell Limited.

Hayward Tyler & Company, Limited, founded in 1815, manufacture pumping equipment, including pumps for oil tankers and refineries and special pumps for atomic power plants.

Le Grand, Sutcliff & Gell Limited, founded in 1872, are hydraulic engineers, making pumping equipment for the Oil and Water industries which, however, does not in any way compete with Hayward Tyler.

Both the above Companies have well-filled order books and are making satisfactory profits which will be reflected for the first time in the Parent Company's accounts for 1957.

Taking the Group as a whole, the order position at the moment is better than last year and provided the wage increase just agreed can be largely offset by increased productivity, the trading results for the year should show an improvement over 1956.

The report and accounts were adopted.

RUBBER PLANTATIONS INVESTMENT TRUST

The Forty-eighth Annual General Meeting of The Rubber Plantations Investment Trust, Limited, was held on June 26th in London.

Sir Eric Macfadyen, the Chairman, said the Accounts for the year to March 31, 1957, show gross revenue of £272,162, compared with £278,263 for the previous year; this latter figure, however, included a non-recurring sum of £5,087 not related to that year's earnings. The gross yield represented 15.74 per cent (16.10 per cent) on the issued Capital. After taxation and expenses, net revenue is £147,842, and including the balance of £107,725 brought forward from the last accounts we have £255,567 available for appropriation; £25,000 has been transferred to General Reserve, and the Directors recommend a dividend of 12½ per cent (the same), absorbing £124,241 (net) and leaving £106,326 to be carried forward.

It is gratifying to be able to record continued improvement in the valuation of the portfolio; since 1953 the upward trend has been unbroken, and in four years the net asset value of the Trust has increased by £630,512, equivalent to 8¾d. per 2s. unit or 36 per cent on our issued Capital.

The period under review has been extremely active for the Trust and numerous changes have taken place in the portfolio; the policy of giving a wider spread to our investments has resulted in the cost of industrial and commercial holdings being increased by £115,888 to £354,723; this section now represents 18.5 per cent of all investments.

The accounts disclose a strong liquid position in the form of Treasury Bills and near-dated Government Bonds, and these funds are readily available for investment when market conditions appear attractive.

The report and accounts were adopted.

APPOINTMENTS

APPLICATIONS ARE INVITED from Graduates in Economics, with some knowledge of statistics or practice in handling figures for employment as a whole-time research assistant for a period of three years. Some knowledge of public finance, especially local government finance, and of foreign languages, would be an advantage. A certain amount of travelling may be required, but in general the successful applicant will be expected to work in London. The research is part of a comparative enquiry into local government finance in various countries which is being undertaken by a research group, sponsored jointly by the Society of Incorporated Accountants and the Institute of Municipal Treasurers and Accountants. Salary according to experience, but in the range of £750 by £50 per annum to £850.

Applications, giving details of age, sex, qualifications, training and any published work, should be sent by July 12 to:—

The Research Committee Secretary, The Society of Incorporated Accountants, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2

FEDERATION OF RHODESIA AND NYASALAND

Vacancy: Secretary, Federal Agricultural Marketing Council, Department of Economics and Markets, Federal Ministry of Agriculture.

The successful applicant will be a member of the staff of the Chief Agricultural Economist. Starting salary will be £1,700 p.a. on the scale £1,700 x £75 — £1,850 p.a. Applicants must possess a degree in Agriculture or in Economics with either specialist qualifications in agricultural economics or not less than 5 years' experience in this field.

Duties: The successful candidate will be required to carry out various inquiries into agricultural marketing conditions and the prices of agricultural commodities throughout the Federation, as required by the Marketing Council, under the general supervision of the Chief Agricultural Economist. Whilst his principal duties will be those of the Secretary of the Council, he will be required to assist with the general activities of the Department and to perform such other duties as may be allotted to him from time to time. The post calls for a high degree of initiative and an ability to draft clearly and concisely, not only the results of investigations into problems, but also the proposed solutions.

Application forms and further details from the Secretary (R), Rhodesia House, 429 Strand, London, W.C.2 Closing date: July 27th.

LIVERPOOL REGIONAL HOSPITAL BOARD

Applications are invited from suitably qualified candidates for the post of Deputy Secretary to the Board.

Present salary scale, £1,163 to £1,521 *per annum*.

Candidates should have had wide administrative experience and have held posts of responsibility, preferably within the National Health Service or other Public Service.

Preference will be given to applicants with suitable professional or *administrative* qualifications or holding an *appropriate* University degree.

Applications, stating age, experience and qualifications, present post and salary, together with the names of three referees, should reach the undersigned not later than July 10, 1957.

19 James Street, Liverpool, 2.

VINCENT COLLINGE, Secretary to the Board.

AUSTRALIA—UNIVERSITY OF ADELAIDE

Applications are invited for appointment as READER OR SENIOR LECTURER IN SOCIAL STUDIES.

The Senior Lecturer-in-Charge of the Department of Social Studies will be on leave during 1958 and will retire at the end of the year. The successful candidate will be required to act as Head of the Department during 1958 and will become Head in 1959. It is desirable that the successful candidate should assume duty on or as soon as possible after January 1, 1958.

Status and salary will be determined in relation to the *qualifications and experience* of the successful candidate. The salary scale of a Reader is £A2,200-£50-£2,400; that of a Senior Lecturer is £A1,800-£70-£2,150.

A copy of the formal terms of appointment and a statement about the Department, with particulars of the *information to be supplied* by candidates, may be had on request to the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1, or to the Registrar.

Applications should reach the Registrar, University of Adelaide, Adelaide, South Australia, by July 31, 1957.

RARE AND EXCITING OPPORTUNITY FOR WOMAN ECONOMICS GRADUATE TO ENTER ADVERTISING

A vacancy occurs in the Intelligence Unit of the London office of a famous world-wide *advertising organisation*. Generous starting salary; excellent working conditions. Prospects of advancement are limited only by the industry and ability of the successful candidate. Selection will be rigorous. First judgment will be made on the quality of letter of application, which should be typed, if possible, and should attempt to do more than list qualifications and ambitions. Interview will follow if these are successful. Essential qualifications: good Economics Degree, lively mind, plenty of common sense, flair for good English, enterprise, initiative, ability to get on with people, good nerves, good *nature* and a well-developed inclination for hard work *plus* about two years of second business experience—preferably in advertising, public relations, market research, newspapers, or journalism work. Languages, if of a fair standard, will be an advantage and so will wide interests, news sense, lively curiosity, high working speed and organising skill. Applicants aged under 30 will be preferred.—Box 726.

THE UNITED LIVERPOOL HOSPITALS

Applications are invited for the post of ASSISTANT SECRETARY to the Board of Governors. The duties of the post are to assist the Secretary in the administration of the Board's group of hospitals including in particular the *patients' records services*. *Candidates should have* a knowledge of statistics and of office organisation and methods. The salary is in accordance with Grade G of the Administrative Staff scales (£802—£983 per annum), the conditions of service will be those laid down by the appropriate Health Service Whitley Council, and the appointment is subject to the National Health Service (Superannuation) Regulations.—Applications together with the names of three persons to whom reference may be made should reach the undersigned not later than Saturday, July 20, 1957.

A. V. J. Hinds, Secretary, The United Liverpool Hospitals, 80 Rodney Street, Liverpool, 1.

THE ECONOMIST JUNE 29, 1957

APPOINTMENTS

FEDERATION OF BRITISH INDUSTRIES

Assistant Economist will shortly be required in the Economic Advisory Department. The duties of the post will be mainly to assist in the preparation of papers on industrial economic problems but there will also be some interesting work of administration. Candidates should have a good honours degree in economics or economic statistics and possess skill in economic analysis and the handling of statistics. Commencing salary £650-£850 per annum according to age and experience, with superannuation and excellent prospects of advancement. Candidates just graduating will be considered if academic qualifications are high.—Apply not later than July 13th to The Secretary, F.B.I., 21 Tothill Street, London, S.W.1.

MANAGEMENT SELECTION LIMITED have been retained to advise on the appointment of a

MARKETING MANAGER

for a British company manufacturing and distributing a range of consumer goods, many of which are established as household names. Advertising appropriation is nearly £400,000 p.a. The company has an ambitious programme of expansion into other fields and seeks a man of outstanding ability to plan and co-ordinate its marketing effort including advertising.

Candidates must have had responsible experience of marketing nationally advertised consumer goods through grocer or chemist outlets. They *should* be accustomed to working with market research data and a degree in statistics or economics would form a useful background. Probable age mid-thirties. Initial salary not less than £2,500, plus car and generous pension benefits.

Please send brief details in confidence, quoting reference S.458, to P. J. H. Fryer, Management Selection Limited, 17 Stratton Street, London, W.1. No preparatory work will be disclosed to our clients until candidates know their identity and have given *permission after personal discussion*.

KUMASI COLLEGE OF TECHNOLOGY

Principal: W. E. Duncanson, Ph.D., D.Sc., F.Inst.P., A.M.I.E.E.)

Applications are invited for the posts of

(a) SENIOR LECTURER AND/OR LECTURER IN LAW

(b) SENIOR LECTURER AND LECTURER IN ECONOMICS

in the Department of Commerce.

The College prepares students for the B.Sc. (Estate Management) London University External and Inter. and Final Examinations of Professional Accountancy and Secretarial bodies.

QUALIFICATIONS:

(a) A good honours degree in Law and qualifications as a Solicitor or Barrister-at-Law. Teaching, and Professional experience essential for appointment at Senior Lectureship level.

(b) A good honours degree in Economics with, in the case of the Senior Lectureship, considerable teaching and/or practical experience. Ability to lecture in Banking and Finance an advantage.

SALARY SCALE:

SENIOR LECTURER: £1,500 x £60 to £1,850 per annum (pensionable) plus a 5 per cent non-pensionable temporary increase.

LECTURER: £880 x £50 to £1,560 *per annum* (pensionable) plus a 5 per cent non-pensionable temporary increase.

Children's allowances are paid up to a maximum of three at the rate of £50 p.a. per child up to the age of 16 years and £100 p.a. per child over 16 years of age in full-time education up to a maximum of 21 years.

The posts are pensionable but contract appointments carrying 10 per cent higher salary and a gratuity of £150 p.a. may be accepted as an alternative, or arrangements to continue policies initiated under the F.S.S.U. *Scheme might be made by the College.*

Conditions of service include annual leave with free return first-class passages for the member of staff, his wife and up to three children under 17 years. Bungalows with basic furniture at nominal rental are provided. Income tax is low.

Applications (six copies) should be submitted to the Advisory Committee on Colonial Colleges, 1 Woburn *Square, London*, W.C.1, *giving age, education, qualifications*, experience and the names of three referees. Closing date July 25, 1957.

THE PERUVIAN CORPORATION LIMITED require for the Perene Colony a fully trained accountant, preferably qualified and with some years experience. Must have a knowledge of Spanish and be 30 years of age or older. Salary offered: £1,150/£1,330 according to experience, plus approximately 20 per cent cost of living allowance.—Apply in writing: Peruvian Transport Purchasing Co. Ltd., Rex House, 38 King William Street, London, E.C.4.

FARMER AND STOCK-BREEDER has editorial vacancy for young economist with agricultural background and ability to interpret facts and figures clearly. Pension scheme. Good prospects. Live in or near London.—Managing Editor, Farmer and Stock-Breeder, *Dorset House, Stamford Street, London, S.E.1.*

CENTRAL ELECTRICITY AUTHORITY

HEADQUARTERS

require Engineers in the Station Planning and Development Branch in London, S.E.1. The Branch is responsible for: (a) investigation and selection of sites for nuclear power stations; co-ordination of investigations and selection of sites for orthodox stations; negotiations for statutory and other consents for both classes of stations; (b) formulation of initial basic designs of new orthodox power stations, including layout of sites and stations; railway sidings; circulating water systems; development of works power supply schemes; plant contract schemes.

All candidates should have an Honours Degree or *qualifications for membership* of the I.Mech.E., I.C.E. or I.E.E. and for (a) preferably experience of economic studies of one or more of the problems arising in *the siting of power stations, e.g., geology* and ground exploration; thermal and hydraulic aspects of the use of river and sea water for cooling purposes; discharge and dispersal of *chimney emissions*; questions of town and country *planning*. Candidates for (b) must be experienced in the design and layout of large, modern power stations and associated plant, and experience of the construction or operation of such stations would be an advantage.

Salaries within scales: Senior Assistant Engineer, £1,435-£1,795 per annum; Second Assistant Engineer, £1,210-£1,570 per annum; Third Assistant Engineer, £1,105-£1,315 per annum; Fourth Assistant Engineer, £870-£1,045 per annum.

Application forms, obtainable from D. Moffat, Director of Establishments, *Winsley Street, London*, W.1, should be completed and returned by July 11th. Quote Ref. E.1281.

ENGINEERING IN THE CHEMICAL INDUSTRY?

Why is the Chemical Industry of interest to the Engineer? *Firstly*, because it uses a wider selection of engineering plant and equipment than any other branch of industry; secondly, because the problems which it has to tackle are such that their solution depends as much on the Engineer as on the Chemist. *The industry is* expanding rapidly and at

IMPERIAL CHEMICAL INDUSTRIES LIMITED, WILTON WORKS,

over 4,700 men are working on the design and construction of the largest single project in Britain's chemical history. Wilton Works is a manufacturing centre, with its own Power Station, where any Division of I.C.I. can *build and operate* production units. Twenty-one plants are in operation today and included in these are "Perspex," "Terylene" and Titanium. The number of

MECHANICAL, ELECTRICAL and INSTRUMENTATION ENGINEERS

required for design, construction, operation and Work *Study is steadily increasing* as the Works continue to grow.

Salaries depend on ability and experience and are reviewed annually after appointment. Promotion is by merit alone and individuals are considered at regular intervals. Help will be given with housing and removing. The design offices are pleasantly *situated in the parklands* of Wilton Castle, which lies at the foot of the Cleveland Hills. Suitable applicants, who should possess an honours degree, will be invited for interview at the Company's expense.—*Please write to the Staff Manager, Imperial* Chemical Industries Limited, Wilton Works, Middlesbrough, Yorkshire, quoting 400/101.

COMMERCIAL MANAGER

THE PLESSEY COMPANY LIMITED WISHES TO APPOINT A HIGH LEVEL COMMERCIAL MANAGER TO ONE OF ITS LARGER DIVISIONS.

In the first instance he will be responsible for the organisation of the Division's sales, and for extending its scale of operations.

A man is wanted who has achieved a position of responsibility in the engineering *industry* on the commercial side and who feels confident that with further experience, and after a suitable *period to become accustomed* to the Company's methods, he could be able to play a leading part in the overall activities of the Division.

It will be seen that imagination and drive are *required, and the specification* has been purposely written broadly since in this case personal suitability is more important than the particular *experience which the candidate* has had so far.

The remuneration will be generous and there is the probability of material promotion for one who *is determined to succeed.*

Those interested in exploring the possibilities of this opportunity are asked to write to:—

The Group Director,
A Group,
The Plessey Company Limited,
Ilford, Essex,

so that in suitable cases a personal discussion can be arranged.

Replies will be handled personally by the Group Director and in the most complete confidence.

PRIVATE SECRETARY required in London by international television executive. Should be thoroughly experienced, able take rapid dictation, produce perfect letters, also handle simple bookkeeping. Must exercise *initiative, accept responsibility*. Preference to Dutch or Swiss national with work permit, able write fluently in French or German or both as well as English. Permanent position with starting salary £835 p.a.—Box 727.

PUBLIC RELATIONS OFFICER

A well-known Engineering Company with International *ramifications* invites applications from Candidates with the necessary qualifications and experience to take full responsibility for Public Relations, Advertising and Domestic Relations within the Organisation.

The appointment is one of considerable importance with good prospects of advancement and will carry with it the status of an Officer of the Company who will *have a close* relationship with the Board of Directors.

Domicile Glasgow. Please state Salary expected. All applications will be treated as strictly confidential.—Apply Box 726, Woolward Advertising, 86a George Street, Edinburgh.

FOREIGN OFFICE: PASSPORT CONTROL EXAMINER. The Civil Service Commissioners invite applications from men for three pensionable posts Passport Control Examiners are employed abroad in *Europe and the Middle East.* Duties consist of interviewing applicants for visas.

Age at least 30 and under 45 on May 1, 1957. Candidates must have had a good general education and have a thorough *command* of two foreign languages (including *French or German or Spanish*) with a substantial language qualification, e.g. University degree or long residence abroad.

Salary £719 to £30 to £890 with additional overseas allowance. Promotion prospects.

Particulars and application forms from the Secretary, *Civil Service Commission*, 6 Burlington Gardens, London, W.1, quoting No. 4724/57/7. Completed application forms should be returned by July 26, 1957.

CAREER opening available London merchant bankers, for experienced security analyst with wide knowledge American stocks.—Write Box JN/78, c/o 95 Bishopsgate, E.C.2.

THE UNIVERSITY OF MANCHESTER

Applications are invited for a Research post in Social Statistics, for a period of one year from October 1, 1957, carrying the status of either Temporary Lecturer or Temporary Assistant Lecturer in the University. The salary scales are at present under review, and are expected *to be as follows*: *Temporary Lecturer*, £900 to £1,350 per annum; Temporary Assistant Lecturer, £700 to £850 per annum. The initial salary will be according to qualifications and experience. Membership of Children's Allowance Scheme.—*Applications should* be sent not later than July 8, 1957, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

THE following Punched Card Accounting Machines are *shortly* available for sale, as a result of changeover to Powers Equipment of a greater capacity:

POWERS 4-36 Columns: 4 Tabulator and Summary Card Punch; Multiplier; Sorter; Auto/Verifier; four Automatic Key Punches; one Hand Punch.

These machines are in full working order and, at present, in operation as an installation.

Inspection and demonstration invited. Price by mutual agreement.—Reply Box 728.

WOOLWICH POLYTECHNIC LONDON, S.E.18

B.Sc. (ECON.) DEGREE COURSE

An EVENING COURSE for the London University External B.Sc. (Econ.) Degree. Part I will commence in September, 1957.

Students qualified for admission to the course should write NOW for PROVISIONAL ENROLMENT to the Department of Commerce and Management Studies.

ST. GODRIC'S SECRETARIAL COLLEGE

offers a choice of comprehensive courses of training for educated girls who wish to become *Private Secretaries*, Company Secretaries or Secretary-Linguists. Specialised trainings in Journalism, Political, Hotel or Hospital work. Intensive Courses for university graduates. Day and resident students. New Courses, September 3 and October 1, 1957. *Prospectus from the Principal*, J. W. Loveridge, M.A.(Cantab.), St. Godric's College, 2 Arkwright Road, London, N.W.3. Telephone Hampstead 9831.

VETERAN VINOPHILES: don't dissipate your energies *now, Specialise*. One branch of study we can recommend is that of Duff Gordon's El Cid Sherry. One of the *rewards* of scholarship.

SECRETARIAL TRAINING, especially for *university* graduates and older students. Six-month and intensive 14-week courses.—Write Organising Secretary, DAVIES'S, 2 Addison Road, W.14. FARR 8292.

COME and TEACH at the Working Men's College (non-political) next session. Wide *range* of subjects and social activities. Evenings only. Unpaid and enjoyable.—Please write to the College, Crowndale Road, N.W.1.

EXPERT POSTAL TUITION

for Examinations—University Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial. General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus—and/or *advice*, mentioning examination or subjects in which interested, to the Secretary (G9/2).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4.

REVISED ANNUAL AIR SUBSCRIPTION RATES EFFECTIVE FROM 1st JULY, 1957*

Subscriptions to most countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is because the alternative is either not available or not recommended.

	Airmail	Air Freight		Airmail	Air Freight		Airmail	Air Freight
Australia	£9 strlg.	—	India, Ceylon	£7 15s.	£6 5s.	Pakistan	£7 15s.	—
Canada	—	$21.50 or £7 14s.	Indonesia	£7 15s.	—	Philippines	£9	—
			Iran and Iraq	£8 10s.	—	Rhodesia(N.&S.)	£7 15s.	—
China	£9	—	Israel	£6 10s.	—	South Africa	£7 15s.	£6 5s.
East Africa	£7 15s.	£6 5s.	Japan	£9	—	South America	£7 15s.	—
Egypt	£6 10s.	£5 5s.	Lebanon	£6 10s.	—	Sudan	£6 10s.	£5 10s, or £7 14s.
Europe	£4 15s.	—	Malaya	£7 15s.	—	USA	—	$21.50 or £7 14s.
Gibraltar, Malta	£3 15s.		New Zealand	£9	—			
Hong Kong	—	£7 10s.	Nigeria, Ghana	£7 15s.	£5 5s.	West Indies	£7 15s.	—

*Increases in costs of postage and air freight in recent years have now made it necessary to increase some subscription rates. Where adjustments have been made the new rates are shown in bold type. Other rates remain unchanged. In some cases the increase in air freight costs, and in the handling charges that this method involves, have made the continuance of an air freight service uneconomic; new air subscriptions will therefore be sent by airmail to the countries affected.

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ATOMIC POWER FOR PEACEFUL USE

For the *fourth time* . . . Mitchell's have been chosen to work on British Atomic Plants

1	*Chapelcross.* Mitchell Construction Co. are the main civil engineering contractors for this important new AEA nuclear power station. The contract, valued at £3½m., includes all buildings and cooling towers.	CHAPELCROSS
2	*Capenhurst.* Mitchell Construction Co. are installing pipework, process plant and equipment at this AEA plant. Six cooling towers are also being built by Mitchells.	CAPENHURST
3	*Spring fields.* This contract is for pipework and other plant for the Atomic Energy Authority.	SPRINGFIELDS
4	*Dounreay.* Supply and installation of engineering equipment for the chemical laboratories associated with this new fast-breeder reactor in the north of Scotland.	DOUNREAY

Mitchell Engineering Ltd of London, working as a consortium with their American associates AMF Atomics Inc, and Siemens-Schuckert-werke of Erlangen, are to supply an atomic station to the largest power organisation in the Ruhr, Rheinisch-Westfalisches Elektrizitatswerk AG.

MITCHELL

MITCHELL ENGINEERING LIMITED ONE BEDFORD SQUARE LONDON WC1

19 SPRING BOOKS 57

Old and Rare

BY comparison with pictures, silver, porcelain, jewellery or furniture, the market in rare books is small potatoes. It is true that the £29,000 paid at Sotheby's last summer for Mr Jocelyn Beauchamp's glorious Poussin was a record for the artist, as was the £27,000 given in the same rooms in November for the Corot nude from the collection of Jakob Goldschmidt of New York, or the 20,000 guineas for a pair of Guardis at Christie's; it is also true, on the other hand, that the only copy of "The Bay Psalm Book" to be sold at auction in seventy years reached $151,000 in 1947 and that a couple of other exceptional books have recently changed hands in private trading for sums reputedly in the neighbourhood of £40,000—the rediscovered Shuckburgh copy of the Gutenberg Bible and the Stirling copy (the only one coloured by the artist) of Blake's "Jerusalem." The fact remains that four-figure prices are not common, and five-figure prices very uncommon indeed, for rare books or manuscripts; whereas the former at least are not at all uncommon in other departments of the fine art trades.

Nevertheless, this more sophisticated branch of connoisseurship has a vitality, and a range of interest among non-addicts, out of proportion to its less spectacular annual turnover. It also offers, by comparison with most other forms of collecting, more and harder evidence to the outside world of the movements of taste among its practitioners and of prices among their quarry. For the hundreds of antiquarian booksellers' catalogues issued every year show, with varying degrees of sensitivity, how the current winds are blowing; and whereas no two gouache drawings or marquetry commodes or Georgian salvers are precisely alike, there is a fundamental identity between copies of the same edition of the same book. This identity, however widely it may in practice be modified by differences in condition, makes comparisons less hazardous and provides more specific evidence for graph-makers and trend-spotters than in the more subjective fields of connoisseurship.

The interaction of trends of collecting taste and the flow of rare books into the market has produced, over the past few years, some interesting effects on prices. The general level has been rising steadily since the late thirties, and in some categories prices have jumped sharply within the last five years, though there has not been, fortunately, more than a very occasional example of those frenetic spasms that characterised the late twenties. But while really outstanding books in the field of pure literature (and especially the very early books) have kept more than up to the average, largely because they are getting increasingly scarce, prices in the middle and lower ranges for first editions of works of the imagination have lagged by comparison with some other departments of bibliophily: departments less obvious to the man in the street, who is apt to equate "book-collecting" with literary first editions in the English language, whether of Shakespeare or Shelley or Shaw. The headline writer will pick on Blake's "Book of Urizen" (£6,800) or the Harlech copy of Henry Howard's "Songes and Sonettes," 1559 (£3,400, though imperfect) or the original MS of "John Bull's Other Island" (£2,800). But if anyone were compiling a Dow Jones average chart for the rare book business over the past decade, he would find the steepest increases registered in four categories: first editions of science and medicine; colourplate books of ornithology and botany; fine bindings; and renaissance manuscripts of really fine quality.

★

The first of these categories represents a belated, but now general, recognition that although the milestones of human progress will never tug at the heart like the outpourings of the human spirit, they are nevertheless proper objects of bibliophile enthusiasm. Consequently, names like Vesalius and Kepler, Newton and Descartes, Lavoisier and Darwin, are nowadays quoted among the gilt-edged stocks; and a bookseller fortunate enough to be able to catalogue a first edition of Harvey's "De Motu Cordis" or of "Das Manifest der kommunistischen Partei" would get ten times as many orders as he would for a First Folio. In the quarter century when this conception was being established, it has been found that some of these first editions are very rare, such as, for instance, the *chefs d'œuvre* of Malpighi, Linnæus, Scheele, Oersted, Mendel and Ohm.

In the last category—renaissance manuscripts—mediocre Books of Hours, turned out by the hundred in French and

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Flemish scriptoria, have been found to be still common enough (even if they do now cost £200 instead of £75). But the number of distinguished renaissance, let alone medieval, manuscripts, especially Italian manuscripts, still in private hands and thefore potentially available, has now become very small indeed. In consequence, when an authentic plum turns up, like the thirteenth century illuminated Bolognese Bible sold last year by Denstone College, it is apt to realise 50 per cent above even sanguine estimates: £6,600, to a Paris dealer bidding for a New York collector. And it will be interesting to see how the market reacts to the dispersal, at Sotheby's next week, of a group of nineteen highly distinguished medieval and renaissance MSS consigned, from one of the very few private collections left in this country, by Sir Sydney Cockerell, for many years director of the Fitzwilliam Museum at Cambridge.

Thus, as far as the two categories of books just discussed are concerned, the element of increasing rarity plays a large part in their rising prices. But this cannot be said of many of those flower and bird books which seem to realise higher prices whenever, and no matter how often, they appear. It is a commonplace of biblio-economists that the consumption rate of originally expensive folios and quartos, even if not well bound, is negligible compared with that of novels or poetry, let alone plays or technology or children's books; so that even if the original editions of Redouté or Gould were not large, most of the copies produced are still safely shelved somewhere today.

It is equally a commonplace experience that a few high prices soon bring more copies, even of much rarer books than these, off the shelves and on to the market. (It is one difference between the rare book market and the stock market that neither shareholders nor brokers in bibliomania can know—except with specifically limited editions—how many units are potentially available.) Yet in this case the market has responded buoyantly to a generous supply of many three-figure books. Twenty-five years ago veterans shuddered at the buyer's rashness when Audubon's "Birds of America," the largest and handsomest ornithological work ever published, first reached a thousand pounds. The last complete copy sold at auction brought over nine thousand, and the next will undoubtedly bring over ten thousand pounds.

★

The revival of interest, in England and America, in the third category—fine bindings—will make an interesting chapter in a new history of book-collecting, if only because the historian will know how it happened instead of having to piece it together. The scholarly study, documentation and illustration of a field of collecting, which in earlier days was uncritically (however briskly) cultivated, have been provided, in the single generation since Weale and Gottlieb, by a handful of English scholars and one Frenchman. Three of the Englishmen, being in the rare book business, have been particularly well placed to work hand in hand both with the hardly larger group of private collectors initially responsive to this flowering of expertise and with the two or three institutional libraries whose directors proved alert to the same opportunity.

This combination has without doubt effected a minor revolution: for if the number of binding collectors in the class of Major Abbey, Mr Ehrman, Mr Henry Davis, and Mr Esmerian of New York, is still very small, they now have a host of more modest followers. And, significantly, the rare book trade as a whole has endorsed the trend. This was publicly demonstrated at the sale a year ago of the first of these recently formed collections to be dispersed, that of Mr J. W. Hely-Hutchinson. Minor as well as major specimens were then put on to a still half-fledged market in much larger quantities than some good judges believed it could absorb without sagging. In the event, high prices all down the line, given by a wide range of dealers buying for stock, showed that the regular infantry were right in behind the tanks.

★

Relaxed currency restrictions and the resumption by London of its place as the principal entrepot of the world market in rare books and manuscripts have already gone some way to restoring the disequilibrium, particularly between London and New York, that characterised the postwar decade. There are seldom less than half a dozen Continental booksellers at any reasonably important Sotheby sale; and owners of American collections are again taking advantage of London's substantially lower auction charges, stable prices and capacity for attracting international competition. More would do so were it not for the inducements offered by the United States fiscal regulations to any owner or inheritor with a big income to present a collection to *alma mater* and take a "charitable deduction," instead of selling it and paying a capital gains tax.

A similar pattern seems to be forming in Britain; and though few would dispute the propriety of arrangements for the preservation *in situ*, or for institutional lodgement, of the remaining great country house libraries, the rare book market cannot but suffer, and will suffer more severely with every passing year, from a diminution in the supply of the established *desiderata*. But book-collecting is a versatile pursuit, and as Mr John Carter has observed in his latest contribution* to its current literature, "history has shown (so far) that for every section of obvious foreground that becomes hopelessly overrun, at least two enticing vistas open up in the middle distance."

* Books and Book Collectors. *Hart-Davis.* 196 pages. 18s.

A Culture in Peril

THE USES OF LITERACY.
By Richard Hoggart.
Chatto and Windus. 319 pages. 25s.

"WHEN I was a tadpole," said the frog, "I had no tail." "Just as I thought," said the tadpole. "You never were a tadpole." Thus, in a couple of dozen words, Robert Louis Stevenson crystallised the mutual incomprehension of the generations. Much of the more general debate between pessimistic and optimistic observers of contemporary society could be couched in the same terms. Necessarily, each such observer belongs to an age-group; fifteen years ago he was fifteen years younger, and the colour of any given decade is, to him, that of his childhood, his youth, his maturity, of his peculiar pieties or rebellions. Far more than the historian or the anthropologist studying remote primitives, the student of his own community—and especially of changes in that community during his own lifetime—must make a tremendous effort to abstract from his own point of view.

Mr Hoggart's effort is conscious and heroic. His book was presumably conceived as a fairly narrow study, accurately described by its now thoroughly inadequate title. (Subtitle: "Aspects of Working-Class Life, with special reference to publications and entertainments.") It has emerged as a portrait of a northern working-class neighbourhood, a reminiscent apologia, a social diagnosis and warning. It is an attempt to show the world of his youth both as the growing boy saw it—in particular, in close-up, in terms of sights, smells, shapes, voices, characters—and as the detached and articulate observer sees it today, in terms of social process, as the product of a past tradition, evolving under the pressure of present influences, having certain powers of resistance and certain crucial weaknesses. It is also a highly self-conscious and explicit effort to get over the frog-and-tadpole difficulty, a difficulty more formidable for the author than for most, since he has to allow not only for the particular perspective of an age-group but also for a migration from working to professional class. (The chapter in which he diverges from his main theme to describe the serio-comic tribulations of the "scholarship boy" has the makings of a book in itself.)

His scope is limited. He writes of what he has experienced as participant, at first hand—family and neighbourhood life in the back streets of a northern town—and of what he has especially studied—popular entertainment. He does not touch on the possibly very different cultures of the corresponding back streets of London or Cardiff, or the countryside, or the "New Estates"; more important, he has nothing to say about the working community of factory or mine. There is missing from his picture of the working-class culture, with its warm family sense, its astonishingly limited time-horizon, its admirable but unco-ordinated ethics and judgments, anything that would account for the dogged solidarity and forward-looking patience of the Labour movement. He pays tribute, indeed, to the "earnest minority" who initiated it; but it is hard to see, on his showing, how that minority ever managed to get anything done. Such a criticism may appear remote from his main theme—the impact, on the culture which he describes, of twentieth-century commercial entertainment—but it is not entirely irrelevant, since it points to the neglect of an important element of constructive toughness. His contention is that working-class culture is, by its qualities no less than by its defects, appallingly vulnerable to deliberate debasement. It values the heart above the head. It condemns hypocrisy and pretentiousness. It is tolerant and uncensorious. So when popular publicists sneer at any mental activity above the Epsilon Semi-Moron level, and hold up to hatred and ridicule any curiosity more consecutive than that of a chimpanzee, any discrimination keener than that of a pig, and any stirrings of a morality more generous than that of a dog in the manger, they meet a ready response. The way is short and straight from uncritical tolerance to uncritical cynicism and thence, paradoxically, to an intolerant equalitarianism of the spirit—since a mere private preference for other diets than sewage-flavoured butterscotch is an implicit criticism of the sewage-and-butterscotch fanciers.

It would be unfair to leave the impression that Mr Hoggart has written a jeremiad. He sees strong forces of resilience opposing the forces of decay; he sees the family decencies reasserting themselves generation after generation; he notes "the enormous ability of people silently to ignore, only to appear to be affected, to let things 'slide off their backs.'" And others even more acutely nauseated than he may possibly add, to the fable of the frog and the tadpole, the rider that the fashion in tails, those temporary things, is liable to change quite literally beyond recognition.

The Enemy's Naval War

SEA WARFARE 1939-45: *A German Viewpoint.*
By Friedrich Ruge. Translated by M. G. Saunders.
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By Andrieu d'Albas. Translated by Anthony Rippon.
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beyond his own immediate responsibilities and to view the war as a whole. With a knowledge of history, an understanding of strategy and a gift of terse and clear expression added to such wide experience, it is not surprising that a book of unusual interest should result. Moreover, Admiral Ruge and his British publisher have been extremely fortunate in finding in Commander Saunders a translator who is plainly very well acquainted with the subject, including its technicalities.

Some of the most interesting pages deal with German operations in the Baltic and Black Sea, about which little has previously been written; and it is the author's view that had the German Supreme Command possessed the vision to use its military and air forces to secure local superiority in the "inland seas" (in which he includes the eastern Mediterranean) the results of the main campaigns might well have been different. But Hitler's "continental" outlook and strategy—and in particular his attack on Russia—frustrated any such possibility, even though in 1941 success was almost within German grasp.

Throughout almost the whole of his book Admiral Ruge displays a judicial impartiality. His defence of Dönitz over the *Laconia* incident thus now seems reasonable; but his conclusion that "the Wehrmacht fought the war without hatred . . . and its escutcheon remained untarnished" will surely convince no one outside his own country.

CAPTAIN D'ALBAS'S book might have been complementary to Admiral Ruge's, for there is certainly room for a careful study of the Pacific War from the Japanese point of view. Unfortunately, it has many of the faults which the German writer has so successfully avoided. It is not only diffuse and journalistic, but is also so badly translated that at times the meaning becomes quite obscure. Moreover, the book contains some false implications, as well as not a few obvious factual inaccuracies. Guam, for example, is on one page placed "in the Malayan Peninsula." A more serious matter is that it is quite untrue to imply that Britain made peace proposals in February, 1942. Yet there are, embedded in the somewhat turgid stream of Mr Rippon's prose, some interesting points, such as the reason why the attack on Pearl Harbour was not at once repeated, and the extent to which fortune favoured the Allies in the Coral Sea Battle. Although the author is certainly correct in classing the Japanese failure to protect and preserve their merchant shipping as a cardinal error, the fact that Captain d'Albas writes entirely from the Japanese angle—constantly commending their courage and fanaticism without once condemning or even criticising their brutality and treachery—vitiates the value of the book as a contribution to history. Finally, the book lacks tactical diagrams such as embellish Admiral Ruge's text; this makes it impossible to follow the course of the many battles intelligently.

Father of the Man

WILLIAM WORDSWORTH: *A Biography. The Early Years:* 1770-1803. By Mary Moorman.
Oxford University Press. 648 pages. 50s.

THIS is the first instalment of what is evidently intended to be the standard life of Wordsworth. A biography on this scale could not have been undertaken before the great scholarly labours of Professor de Selincourt and Miss Helen Darbishire, to whom Mrs Moorman acknowledges her profound debt. She does not claim to have thrown much new light on the obscurer episodes in Wordsworth's life, nor is hers an interpretative biography. She has no original thesis to advance, no arresting new portrait to offer. What she has done is to make full use, with self-effacing care, of the poetical texts, the letters and journals and other available data; and the result is an extremely well-documented and unbiased account of Wordsworth's formative years.

The second volume, which will cover the rest of his long life, can scarcely be expected to match the first in interest: for not only did Wordsworth's creative powers decline very sharply after 1807; the years of his youth were of paramount importance to the poet *himself*. What other writer has returned with equal persistence and intensity to the experiences of childhood and boyhood in order to account for his mature attitudes to man and the universe?

Wordsworth's untiring concern with his own spiritual development has provided such a mass of material in *The Prelude* that any biographer primarily interested, as Mrs Moorman is, in his mind and soul is obliged to draw on it perpetually. Her chapters dealing with the poet's childhood and schooling in Cumberland are done with a particularly sympathetic and knowledgeable touch. Her resolute refusal to indulge in psychological speculation, however, sometimes makes her comments a little banal, and her attitude to Wordsworth is as consistently benevolent as was that of his own wife. William certainly seems to have had the power of inspiring feminine devotion in his lifetime, yet how much more attractive in retrospect is his sister Dorothy, with her spontaneity and boundless capacity for loving. Wordsworth's moral earnestness and high-minded egocentricity often give his utterances a portentous tone, and the exhaustive biography of a man who took himself not merely seriously but also solemnly has its portentous aspects too. All the more welcome are the occasional glimpses of a Wordsworth capable of humour, for instance when he writes to Josiah Wedgwood of the teacher whom he and Dorothy had acquired at Goslar:

> He is so miserably deaf that we can only play with him games of cross-purposes and he likewise labours under a common German infirmity, the loss of teeth, so that with bad German, bad English, bad French, bad hearing, and bad utterance you will imagine that we have had very pretty dialogues, but the creature is all kindness and benevolence, and I shall never forget him.

Unity in India

PARLIAMENT IN INDIA.
By W. H. Morris-Jones.
Longmans. 429 pages 35s.

TO the free countries, the existence of a prosperous, independent and democratic India is politically and economically a source of strength, and ideologically a matter for rejoicing, whereas to the Soviet and Chinese neo-Imperialists the existence of such an India is politically and economically a barrier to further expansion and ideologically sheer anathema. To the west, the $64 question is: can India point the way out of the morass in which so many of Asia's millions are bogged down?

Professor Morris-Jones elaborates provisional answers that make for sober optimism. He describes India's unitary constitution, which gives the Union Parliament the right not merely to override State laws in many ways but to take over direct rule in the States and even to make or unmake them at will. Such central bias must, he argues, flow from some profound experience of unity. This he finds in, first, the strong unitary system of government experienced in the century that ended on August 15, 1947. The steel framework of the old Indian Civil Service has been retained in the new Indian Administrative Service, which thinks in terms of national administrative unity far more than would any State-recruited service. Secondly, political unity, and continuity of political experience, are embodied in the Congress party. Although the absence of an effective Opposition is obviously a weakness, it remains true that were the Congress electorally defeated, there is no other party with the experience of administration and of office that the Congress has accumulated in the seventy-two years of its existence.

This book is a work of outstanding scholarship, quickened by experience of men and affairs, sympathetic insight into human nature, apt anecdote and dry wit. Professor Morris-Jones picks his way with tact, and with generous and realistic recognition of the good faith of both sides, through the opportunities for wounding Indian and British sensibilities with which his subject abounds. He offers a wide variety of firsthand evidence in support of his broad conclusion that India is adapting to its own needs its inheritance from British rule and that parliamentary institutions are more firmly established in India than in many a European country. To the suggestion that disasters may befall when the existing generation of Indian politicians and civil servants, nurtured in British ways, dies out, he replies that Indian experience in parliament and civil service has been so continuous since the embryo of a legislative council was created in 1861 that the pre-1947 ways of thought and government are being passed on from one generation to the next—and passed on as Indian, not British.

This book is, what its publishers claim it to be, a major contribution to the literature on modern India as well as to the study of political processes. It is also extremely readable.

A Savage Noble

LORD LOVAT OF THE '45.
By Moray McLaren.
Jarrolds. 229 pages. 18s.

LORD LOVAT exemplifies a type which, in any country, can only occur in a time of transition: a man rooted in savagery, with the vices and some of the virtues of the primitive people that surrounded him, but capable of putting on the graces of the civilised society in which he spent much of his life. He was the type of the graduate who is still a member of the leopard society. Where such a man is a dullard or holds no place in his native society, one writes him off as a failed mission-boy. But occasionally a man arises, like Lovat, far above the ordinary in intelligence and character, a native chief who is educated but still a savage; and there you have the highest contrast and the makings of the best picaresque story in the world.

Lovat gained his great position in the Highlands by double dealing, violence, rape, treachery and oppression; but also by boldness, fluency, charm and loyalty to his clan; the whole founded on a considerable position of birth, which he consolidated by eliminating his competitors. His life makes a pattern in terms of tribal intrigue; without that background it scarcely makes sense at all. Outside the Highlands, his inconsequential treacheries and manœuvres, some of which seem almost purposeless, leave one dizzy—till the moment comes when, discredited and hunted by the law, he is suddenly found at the head of a powerful and loyal clan. Then the pattern becomes clear again.

Mr McLaren has written a spirited life, in which he makes the best of his villain, from the point of view of a fellow-Gael and a fellow-Catholic. He tries to dip his brush in whitewash, but he is far too honest and sensible to lay it on. No one can make Lovat into anything but a villain. One must either hold up one's hands in horror or amorally enjoy the story of a clever, bold, tortuous rogue, who lived long and died bravely. Mr McLaren always tries to see the best in him, and this slightly blurs the picture without redeeming Lovat's character: the effort to combine honest biography with Highland nationalism leads to rather too much nostalgic sentiment. Hill Burton's honest whig biography (which Mr McLaren quotes often and with praise) gives a more convincing picture.

Nevertheless, this is a very readable book, and Mr McLaren never confuses his views and hypotheses with his facts. He will perhaps forgive one patriotic North Briton who, after reading his book with great pleasure, is more firmly convinced than ever that the Union, Marshal Wade and guided missiles are very useful things.

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The Precursors

WILLIAM WETMORE STORY AND HIS FRIENDS.
By Henry James.
Thames and Hudson. 716 pages. 35s.

STORY was the son of a New England judge and was himself following the law when, in 1846 and at the age of 27, he was asked to execute a public monument and statue which had been decreed to his deceased father. This homely request—which is itself very much what Henry James would call a "note" in the social history of the time—threw the young man into reasonable doubt, since his artistic pursuits had hitherto been confined to early-morning painting and modelling before settling down to labour at his authoritative "Treatise on the Law of Contracts."

"I finally consented," he records, "on condition that I should come abroad first and see what had been done in these ways." He and his bride accordingly sailed for Italy—where the works of Michelangelo and other competent professionals were known to be located—and thus began an expatriation that was to last, with very short intermissions, until Story's death. Some American sculptors, notably Hiram Powers, had preceded him to Rome, and whole flights were to follow—including, James tells us, "the odd phenomenon" of Miss Harriet Hosmer and her "strange sisterhood of American 'lady sculptors' who at one time settled upon the seven hills in a white, marmorean flock." These and other artistic pilgrims together made up an important section of the "precursors" — pioneer cultivated Americans abroad, "artless seekers of knowledge, would-be haunters of the fountainhead," sacred to James as having created for him that theatre in which were to be played out his own great comedies of the international situation.

James's memoir of Story is thus essentially a work of piety. It was originally published in 1903, and has all the leisurely elaborateness that one might expect of a year that saw, too, the appearance of "The Ambassadors." It is constantly with the air of one carrying out deep but delicate excavations that James turns over for us the letters and papers of those who were, after all, his own elder contemporaries. "Ghosts" is a word that constantly turns up, and we are made very conscious of being in the presence of "stray, pale testimonies" to the "combination of their undeveloped standards and their enlightened interest." But James has a profound and genuine nostalgia for this Italy of the Storys and the Brownings and the aged Landor, an Italy that seems to him so pristine, so primitive, and so very, very remote. Nowadays—in 1903—we are all "with our elbows in each other's ribs," and "it has really ceased to be feasible . . . to get away from America." How different that Arcadian time when "'Art,' in the easy view of the age, was to be picked up in the favouring air . . . hung in clusters and could be eaten from the tree, so that to be free of the mystery one had but to set sail and partake."

It is certainly true that the precursors, as James reveals them, are rich in this *sancta simplicitas.* Yet what in James's own apprehension was to become generalised as a mere glory exists often for them in a sharp particularity which their letters wonderfully preserve. The great charm of this book—the reprinting of which is to be welcomed warmly—consists in the juxtaposition of James's maturest conjuring with journals and correspondence of great vigour, freshness and charm. Story's description of the illumination of St Peter's on Easter Sunday, 1849, and his account of the arrival of Landor in Siena ten years later, suggest that he might have been a better writer than sculptor. As it is, his finest monuments are not his own. His Cleopatra lives only in Hawthorne's "Marble Faun." And it was shortly after being introduced to him in Rome that James retired to Florence and wrote "Roderick Hudson." Story was not at all like the unfortunate hero of that novel. But there can be no doubt that he inspired the book.

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Parnellism Explained

PARNELL AND HIS PARTY 1880-90.
By Conor Cruise O'Brien.
Oxford University Press. 385 pages. 45s.

THE tumultuous disputes about Parnell that raged in Ireland in his lifetime, and raged more furiously than ever after his death, were tainted by ignorance alike of his aims and of his character. Gradually the mystery in which he deliberately wrapped his actions has been dispelled and his true stature is becoming clear; his faults can now be seen in perspective beside his greatness. What Henry Harrison's books did a generation ago for his private life, this excellent book does for his political career: fresh evidence has been assessed with scholarly acumen, in the light of what was known already, to build up a new and more convincing historical picture.

With the help of archives in Dublin, including the minute books of the Irish parliamentary party of the eighties, Dr O'Brien has produced a telling analysis of the party's composition and given an authentic account of its working and policies. Parnell's supremacy in the party was due, in the author's opinion, partly to genuine qualities of leadership, and partly to a profound understanding of Ireland's needs and troubles, but partly also to Parnell's superior social status: this is one of the ways in which Dr O'Brien shows that he appreciates the temper of the times. He explains skilfully the ways in which Parnell used, and subdued, revolutionary forces in Ireland in order to pursue a policy that was, for all the intemperance of language that sometimes disguised it, essentially conservative. Indeed the greatest achievement of Parnell's party was, he maintains, to draw the worst venom out of the sting of fenianism:

> For the adherence of Ireland to parliamentary democracy, we have to thank . . . the example and conduct of the party which he formed. . . . [Its members] were upright and consistent, faithful to their pledges, disciplined in action, and courageous in defence of the principles on which they were elected. They served Ireland well, and might have served her better if they had not—mainly through his own fault—lost their leader.

The Irish party's discipline was much more strict than the discipline of the then comparatively loose-knit Conservative, Liberal, and Liberal Unionist parties; most Irish nationalist members pledged themselves always to sit and vote with their colleagues, and with hardly an exception they all obeyed the pledge. Other parties have not failed to follow the example, with results that are becoming only too familiar. But there has never again, in a parliamentary country, been anything quite like Parnell's extraordinary domination over his followers. In his frequent absences, the inner committee—an unofficial body, largely of his own choosing—that ran the party in his stead made all its decisions conditional on his later approval; and his opinion, on policies or on personalities, was only once subjected to serious challenge before the final disaster. This challenge came over his imposition of O'Shea as candidate for the Galway City by-election early in 1886. The ease with which he overcame it tended, as Dr O'Brien shows, to increase his habitual self-assurance, which was still more inflated by the results of the special commission's inquiry into the Pigott forgeries: hence the catastrophe of December 1890.

Premier of Europe

A WORLD RESTORED: *Metternich, Castlereagh and the Problems of Peace,* 1812-1822.
By Henry Kissinger.
Weidenfeld and Nicolson. 365 pages. 36s.

DIPLOMATIC history can be fascinating as well as boring. For some people it is insufficiently human, for others insufficiently mechanical and scientific, but few will not find some intellectual excitement in the complex and deceptive manœuvres of a major diplomatic conference. Mr Kissinger has selected the classic period 1812-22 for a detailed study of diplomatic method. It is familiar ground, and the author does not put forward the fruits of any new research or any radically new interpretation. But he is quite remarkably penetrating on the psychology of statesmen and the workings of international politics. This is a reflective and subtle book, written with great care and with great concentration of meaning. It is diplomatic history at its best.

The chief interest is in the finesse and deviousness by which Metternich managed to secure the stability of Europe. Metternich was for a time virtually the prime minister of Europe and the continent was near to feeling a unity. This Austrian statesman was to suffer from having his history written by opponents who were unable to explain his success. Today he is in vogue again, and we are better able to appreciate his masterly inactivity or the way in which he duped others by himself appearing to be the dupe. We can learn from Metternich that the aim of diplomacy is to win the greatest possible freedom of action and a greater range of choice than is open to any potential opponent. He himself gave a virtuoso performance in this respect, and in so doing he also showed how diplomatic skill can achieve what may be impossible by force.

Mr Kissinger is so successful in sympathising with Metternich that just occasionally he provokes a feeling of doubt. It is always a temptation to make out that statesmen are more conscious and deliberate than in fact they are, and one sometimes suspects that Metternich's ruses and delaying tactics rather reflect indecision or even outright incomprehension. Another temptation is to suggest that where Metternich failed the cards must have been stacked against him, but where he succeeded it was his own good play. The author sometimes



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(1956.) 31*s.* 6*d.* net

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assumes rather than demonstrates this good play, and he can make Napoleon by comparison appear something of a zany. The picture of a pathetic Napoleon trapped by a man of greater *insight and* elusiveness is overdone.

Exaggeration aside, Metternich is still one of the giants. He was the architect of a settlement which helped to keep Europe out of any major war for a century. Mr Kissinger recognises that he was fighting for a losing cause and that he was outside and against "the spirit of the age." Metternich himself was aware not so much of his success as of impending disaster, and of the fact that the attempt to preserve the *ancien régime* in Austria might ultimately prove futile and sterile. For him, statesmanship was not the art of making concessions at the proper time, but of avoiding any concessions at all and hoping for the best. Other statesmen today, faced with the same question, can learn *from his own* mixture of success and failure.

Bursting at the Seams

PARIS A LA MODE.
By Célia Bertin. Translated by Marjorie Deans.
Gollancz. 255 pages. 21s.

DIOR.
By Dior. Translated by Antonia Fraser.
Weidenfeld and Nicolson. 229 pages. 21s.

THIS is a study of the Paris *haute couture* industry, by a French novelist. It is enthusiastic, emotional and pious, and copiously illustrated with drawings of the type reproduced here; but for those who know nothing of this most irrational business, it is a titillating introduction. It does convey the nervous, theatrical tension, and the "collective creativeness" and pride in craftsmanship informing a fashion house on every floor; also why the industry's poorly paid, badly housed workers prefer to serve in an *haute couture* heaven than reign in a well-appointed ready-made factory. (One section, describing typical firms handmaking buttons and feathers and luxurious accessories, will specially please sentimental Francophiles, as almost all the firms work in a few sleazy back rooms, inspired and controlled by a dowdy figure who would normally be taken for the concierge.)



Unhappily, this is told at the level of shrewd gossip, in what might be called peignoir prose —vapid dressing-room chats among mannequins, verbatim accounts of crises over a zip-fastener. Statistics, historical and economic comment are seeded through these daily dramas, but hard to piece together; page 119, for instance, squarely says "women's clothes can be imported free into the United States" though page 52 has said that the duty on clothes entering the United States "may go up to 90 per cent of the cost of the models."

The translator tries gamely to match Mlle Bertin's raciness, but is often outpaced: nothing quite excuses a translation that uses more exclamation marks than the original.

M. DIOR believes in fortune tellers, and no wonder. When he was a boy a gipsy told him "women are lucky for you and through them you will achieve success. You will make a great deal of money out of them." But this prophecy did not begin to be fulfilled until he was thirty. After studying political economy, of all improbable things, he was the director of an art gallery until the slump, when he went to stay with a friend who was a freelance dress designer. Then it was that, for want of anything better to do, he tried his own hand at a few sketches and found his *métier*. It was not until December 1946 that, with the backing of the textile manufacturer and racehorse owner M. Marcel Boussac, he set up the House of Dior. The "New Look," the return to femininity that rocked the world after the austerity of wartime clothes, was his very first collection.

We have now had several biographies and autobiographies of couturiers, and it is interesting to see how they account for that mysterious thing, the "Trend" of fashion. The favourite explanation is that each couturier, like any artist, expresses the inarticulate desires and attitudes of his time; and that this explains why, in spite of all the care they take to guard their secrets, the several *couturiers* in any one season will show much the same features. M. Dior's explanation is less romantic and less self-important. The Trend, he says, is largely the creation of the ladies of the press. With their passion for pigeon-holing and classifying, they detect uniformity where none exists, selecting for their descriptions those models that have a common feature. It is with reluctance that he himself panders to their lust for classification by giving each collection a generic title.

Honesty and lack of self-aggrandisement seem to be among the author's qualities. The young man from Normandy still looks in startled wonder at the other Dior, the showman, of necessity the poseur, the world figure. Kindness seems to be another of his qualities. The only people who earn harsh words in his book are the buyers, whose habits at shows are apparently deplorable. But if he is bitter about buyers, he is full of warmth for his *premières,* vendeuses and mannequins. And he is so very kind about English women. "Personally," he says, "I find them among the most beautiful and distinguished women in the world." Let us *hope* that this gratifying sentence is in the French edition of this book.

The Pleasures of Translation

THE ART OF TRANSLATION.
By Theodore H. Savory.
Cape. 159 pages. 16s.

TO a surprisingly large number of people translation appears as a mechanical or at best ancillary job with an aroma of distasteful school tasks. *This is the pen of my aunt; Balbus built a wall; thence he marched three parasangs.* There are, of course, the professionals; the interpreters in glass booths at international conferences, miraculously keeping pace with the orator, and the people thanks to whom one can read M. Simenon's detective stories in English, and the drafters of communiqués and news reports. But the idea that translation may be a pleasurable *pursuit,* as delightfully exasperating as golf, as challenging to the creative faculties as portraiture, is rarely entertained by those who have never themselves suffered from translator's itch. "No one," says Mr Savory, "who is interested in language can for long confine his interest to his native language only. . . ." There, with all due respect, speaks the enthusiast. But his enthusiasm is catching; and in this opening sentence of his preface there is implicit the strongest argument for translation, both as a tool of teaching and as an amateur pursuit. No other kind of play with words gives so keen a sense of the peculiar genius of language, of its precisions and vaguenesses, of the connotations, associations and colour of words, of the architectural quality of sentences, nor so usefully forces the writer to look behind the word or phrase for the thing, the thought or the feeling which may have fossilised into cliché.

Mr Savory, however, is not concerned to recruit enthusiasts; he takes enthusiasm for granted and goes on from there. His book is, as he describes it, "not a treatise, but it is planned on the lines, if not on the scale, of one." He classifies the chief types of translation: the purely informative—as in airport notices—in which perfection is easy; the adequate, rendering ordinary readable prose into ordinary readable prose without concern for fine shades; the scientific and technical, calling not merely for linguistic skill, but for expert knowledge of the matter concerned; and—his chief subject-matter—translation as a fine art, the attempt to produce with the utmost precision, on the reader of the translated version, the same impact as the original would make on anyone qualified to read it. He discusses various principles followed, explicitly or implicitly, by translators past and present. Should translation read like translation, reminding the reader of its origins, or like an original work? Should the author's or the translator's style be uppermost? In translations of the classics or of historical works, should archaic or contemporary language be used? How literal, or how free, should be the rendering? Should verse be translated as verse or as prose? He concludes, after acute and humane examination plentifully illustrated with examples, that there is room for almost every principle, even the most grotesquely literal construe having its justification as an aid to the rusty or not-quite-competent reader of the original.

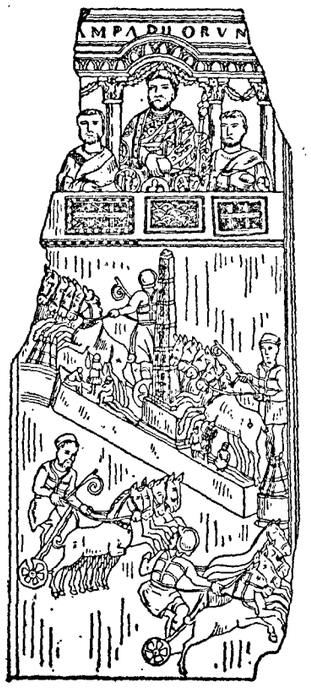
One would like a lot more: not only of such famous cruxes as Horace's sweetly smiling, sweetly speaking Lalage and of scientific prose, but also of the weird, the private, the magical—what, for instance, has anyone contrived to do with Gérard de Nerval's "prince d'Aquitaine à la tour abolie"?—and, in general, of the whole question of word music, which, on the evidence of this book, ranks rather low in Mr Savory's hierarchy of preoccupations. One would like to know what he thinks of Mr Scott-Moncrieff; and of Basic English and Esperanto; and of innumerable other things. But to say of a hundred-and-fifty-page book that it rouses curiosities which four times that number would hardly satisfy is not criticism; it is high praise.

The Eastern Empire

THE BYZANTINE WORLD.
By J. M. Hussey.
Hutchinson's. University Library. 191 *pages.* 10s. 6d.

BYZANTIUM: *its Triumphs and Tragedy.*
By René Guerdan. Translated by D. L. B. Hartley.
Allen and Unwin. 228 pages. 25s.

THE stream of literature on the history of the Byzantine Empire shows no sign of drying up, and these two books are attempts to bring the results of modern work to the attention of a wide public. They could scarcely be more different in the way they set about doing this. Professor Hussey's brief introduction is a work of admirable lucidity and compression. The first half contains a political survey of the fortunes of the Empire from the foundation of Constantinople in 330 AD to its destruction in 1453. Then follow chapters on various aspects of the Byzantine achievement in government, religion, learning, literature and art.



Since all this is accomplished in less than 200 pages, it might well seem that an extreme desiccation must result. This apprehension is happily not fulfilled. The book appeals to the mind more than to the imagination; it must be read with concentration, but it is alive. The reason for this lies in the author's complete integrity and absorption in the subject. Although she is, for the most part, describing familiar scenes and landmarks, she finds time to linger over the sources of our knowledge, and to point out lines of future research. However familiar the country may be, we see it under the guidance of one who has explored its limits and knows how much is still to be known. The few pages on learning and literature are especially impressive from this point of view; but the whole book contains a wealth of experience out of proportion to its size.

M. GUERDAN'S book is a very different affair. Its appeal is entirely to the imagination. There is no attempt at a connected treatment. Instead, we have a series of vignettes connected more or less adroitly and recorded with considerable vivacity. It is true that the gestures and animation of the French original are sometimes strangely frozen in this English version, but in the main the transformation is made without much awkwardness. Perhaps the author claims a little too much in offering the book "as something more than a popularisation," and his work scarcely deserves the eulogy of the French scholar Charles Diehl, with which it is prefaced. It is not in any sense, as Professor Hussey's smaller book is, a work of learning: it is an exploitation of picturesque incidents to convey a series of forcible impressions of popular and imperial life, of war, peace, religion and diplomacy at various periods of Byzantine history, with the reign of the tenth century Emperor Nicephorus Phocas as the central piece. This is a kind of journalism at which the French excel; and M. Guerdan's book (an illustration from which is reproduced here) will doubtless draw to a passing interest in Byzantium many more new readers than the more sober volume with which it is linked in this review. It is to be hoped that some of these readers will be encouraged to pass on, first to Professor Hussey's book and then to the wider fields which it opens up.

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Cheerful Atheist

IT'S ME, O LORD!
By A. E. Coppard.
Methuen. 252 pages. 22s. 6d.

COPPARD'S first master was the Thomas Hardy of "Life's Little Ironies," and there is some affinity between the writers. But while Hardy was a sad agnostic Coppard was a cheerful atheist; and it is unlikely that Hardy would have hit on, or approved, such a title as Coppard here chooses for this initial, and now posthumously published, instalment of autobiography. Both men liked churches and disliked parsons. The first of Coppard's stories to see print was about a vicar who flew into a rage with a homeless boy he had found one morning sleeping in his church wrapped in the altar carpet. Kind Mrs Evans of North Oxford disapproved of this tale, assuring Coppard that no clergyman would behave like that. But years later—Coppard tells us—he heard of "a real vicar who actually prosecuted a boy for a similar misdemeanour." His satisfaction in this corroboration is that of a man tenacious of such faiths as are in him. The existence of the soul, he writes near the end, is an astounding assumption that no rational being could accept, and of anything of that sort he is

> content to have no more than as much as a contented tree, which grows and grows without promise of reward, disdaining no virtue, vaunting no spurious ancestry, achieving no vice, and has no other observable aim but to conceive in flowers that turn to husks containing dusty seeds, all to promote the vicarious continuity for which it has a reckless passion.

This comes in a context about parsons; and "disdaining" has something of Hardy's salt.

As a boy Coppard knew intimately the life of both the urban and the rural poor; as a young married man he lived for twelve years in or near Oxford, where he was employed as a clerk in an ironworks. His sense of the learned world surrounding him was sufficiently keen and sequacious to suggest to us irresistibly a comparison between his position and that of Hardy's Jude Fawley. But Coppard—perhaps because of the joy that was in him—was far better received. Bodley's Librarian gave him permission to read in the Radcliffe Camera for six months—and although he named this period with the air of a magistrate speaking from the bench, the sentence was tacitly allowed to run on indefinitely. An authentic magistrate fined Coppard for poaching—unjustly, he swears, and simply because he had a habit of exercising whippets indiscreetly. But all his other relations with Oxford appear to have been entirely happy. A way was opened for him by T. W. Chaundy, later a mathematical don at Christ Church, and thereafter he was free of much lively society.

For this reasonable state of affairs most of the credit was clearly Coppard's own; his interests and enthusiasms were wide-ranging and unaffected, and he must have been very attractive to those intellectual undergraduates with whom *Angst* was already conducting preliminary skirmishes. He emerges from his own simple but far from artless narrative as a man of great courage and resilience. And he emerges, above all, as a natural writer, who achieved his *métier* in the face of almost overwhelming difficulties and preserved always an exact sense of what was within his compass. Coppard died in his eightieth year. But we are here obliged to take leave of him at forty-four—a professional writer at last, living in the Chilterns in a two-roomed cottage which he has christened 'Chop Cherry' from the song in Peele's "Old Wives' Tale."

The Audience is the Thing

PARIS THEATRE AUDIENCES: *in the Seventeenth and Eighteenth Centuries.*
By John Lough.
Oxford University Press. 300 pages. 45s.

HOW much does the audience matter in the theatre? An actor will say that it matters more than any other single factor except the quality of that particular actor's part. Any manager will assert that "word of mouth" (that is, what members of an audience say about the play when they have seen it) matters more than advertising or the opinion of critics. How odd then that so little is written in a serious way about the audience. Professor Lough has certainly made up for much neglect in this book, though it deals with Paris, a city whose theatres bear the minimum of resemblance, in every way, to ours. Still his scholarly work might inspire somebody to start a similar study on London playhouses. There is another answer to "does the audience matter?" and Mr Lough provides it quickly and clearly. As audiences in Paris became less crude, less pestered by drunks and harlots, so the quality of the plays presented to them changed. This fact alone justifies what is, for the ordinary reader, pretty heavy going in the analysis of French reactions to French plays (all the crucial passages being in French). Another line of inquiry is immediately opened up for domestic students: we keep asking what is wrong with the English theatre. Why are our dramatists so dull and unenterprising compared with Americans (this, of course, not only asks but begs a question)?

May not the answer be that everybody is looking in the wrong direction? Although it does not appear to be his thesis Mr Lough puts up a most convincing proof that if we want to know what is wrong, or what is right, with the theatre anywhere in the world at any time the answer is to study the audience. He apologises for introducing graphs; why apologise? His graphs say a great deal and maybe something of the same

sort might be discovered about the English theatre by examining fluctuations in the size of audiences. It was evident that during the war it was easier to fill a theatre than at any time since the previous war. Is there anything to be learned from this and if so how can the lesson be applied?

These are vague and complicated questions; that they can be asked profitably and answered with some precision is the main burden of Lough on Paris audiences. The sooner a survey just as detailed and written with as little pomposity is available of the London theatre in the same century or any other the better informed we shall be about what is, after all, the principal influence in the theatre at any time.

China's Female Stalin

LADY WU: *A true story.*
By Lin Yutang.
Heinemann. 258 pages. 15s.

THE ordinary reader's profound ignorance of China's rich and immense history gives an added freshness to Dr Lin Yutang's latest book. If he had not taken the precaution of warning us that his story was true, and of revealing his sources in a learned and graceful preface, we should be inclined to complain of a feverish imagination. The usual reference books are indeed less lavish with the details of Empress Wu's life than her present biographer.

Lady Wu was one of the women attendants of the aged Emperor Taitsung, in the seventh century A.D. She was not even a high-ranking one, belonging to the sixth of the nine grades that constituted the emperor's harem. Ambitious and intelligent, she broke with protocol and precedent by becoming the mistress of the weak-willed Gowtsung when he came to the throne after his father's death. Thereafter she proceeded with the coolest efficiency to dispose of every possible rival, sparing neither friends nor relatives, including her own sons, whipping to death, poisoning, torturing, inventing conspiracies against the throne so that the "plotters" could be liquidated, until she herself was not only *de facto* but also *de jure* empress of China.

Her murders, which are carefully listed, make the Medicis look like fumbling amateurs. Indeed, Dr Lin suggests, in a not altogether fanciful passage, that Stalin provides a more valid parallel. For as the author points out: "Her killing of generals and elderly statesmen was the same, her purges and trials and techniques of tortures were the same, the reliance on 'confessions' the same. . . . Even the method of extracting confessions by nervous exhaustion was the same."

It remains only to say that Dr Lin puts his extraordinary story into the mouth of one of the few princely survivors of Lady Wu's reign of terror, and tells it in novel form. His engaging simplicity and lucidity never desert him, and the book has some at least of the elements of a best-seller.

The Distaff Side

THE ENGLISH WOMAN IN HISTORY.
By Doris Mary Stenton.
Allen and Unwin. 371 pages. 35s.

THE author prefaces her work with the startling assertion that there seemed little that she could say with advantage about women artists, writers or players; likewise, she wastes no space on the political influence of the great ladies of the nineteenth century whose activities are already well known. She concentrates instead on woman as property owner, woman dispossessed, and woman resurgent.

The earliest evidence comes from wills, lawsuits and proceedings in manorial courts; and these innumerable transactions, interspersed by deductions about the daily life of their participants, make rather plodding reading. But the pace quickens with the diarist and letter-writing vogue that began in the fifteenth century. Thereafter, the author's method of generalisation, necessitated by the meagre data of bequests, charters, and court rolls, becomes impossible in the face of the wide difference in outlook and circumstances shown by the lively, studious or naughty revelations of ladies of high degree or earnest avocation.

The conclusion reached from the well authenticated evidence is that women before the Norman Conquest enjoyed a rough equality with men, sharing both dangers and protection, and fighting in a husband's cause (and sometimes against it); but that the independent status of the noblewoman in England declined after 1066. Nevertheless, in spite of the inequalities of medieval days when women were relegated to an honourable but essentially unimportant position, and of the Reformation when they were conditioned by St Paul's views on subjection, dominant characters continued to emerge in every generation, and Lady Stenton's book is in reality a salute to their achievement in history.

In less exalted circles a good wife was always necessary to a farmer's prosperity; and whatever the prevalent social idiom, she had her own prestige and privileges from the time when Adam delved to the present day. Throughout the middle ages widows of "a certain age" seemed to be very well found indeed, though the younger ones had much ado to escape unwelcome suitors pressed upon them by whichever feudal lord benefited by the tax on their remarriage. After the hard years of the Civil War, when domesticity was of necessity augmented with administrative and soldierly aptitudes, the puritan view of the relation between husband and wife affected wives throughout the land, and the laxity of the Restoration shocked many back into a discipline that was beginning to be irksome.

But since the days of the first Elizabeth there had been growing concern with the legal and social position of women, and the latter part of the book is concerned with the growth of their struggle for equality and their evergreen determination to be "free, happy and famous as men."

Spring Books

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translated by DOM ERNEST GRAF OSB
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FRAUDS.
By Richard Aldington.
Heinemann. 244 pages. 21s.

IMPOSTURES, deceits and swindles—all dictionary equivalents, as Mr Aldington points out, of his monosyllabic title—are a class of subject which different authors have handled in very different ways. There is the Awful Warning style, an elaboration of the beware-of-pickpockets notices in public places; here are some of the ways in which fools and innocents can be parted from their money, or, as a variant, here are a few dreadful examples of the moral decline that leads to the dock and to worse things. At the other extreme there is the callously lighthearted style; three cheers for Tyl Eulenspiegel and his merry japes. Between the two there is the natural historian's approach, the near-scientific classification by motive, by method, by social setting; here greed, there spite, elsewhere vanity, is at work, here is the weakness on which the impostor played, the chink in the victim's defences, the favourable climate. And, whatever the method, there is the pure story-telling element, with detection, evasion, ingenuity and counter-ingenuity each receiving a varying share of the author's attention by comparison with the presentation of character.

Mr Aldington is, on the whole, a natural historian; but a natural historian of a special, misanthropic kind. He has no affection for his "frauds"—Psalmanazar the fake "Formosan," Wainewright the poisoner, Arthur Orton the Tichborne claimant, "Dr" Graham with his Miraculous Bed, Maundy Gregory the go-between in the honours traffic, and other shady characters treated briefly and apparently chosen, with few exceptions, more for their odiousness than for their ingenuity; he has hardly more sympathy for their victims and precious little respect for their adversaries. His pages are peopled with Yahoos and Tartuffes; his detestation of the deceivers is matched by his contempt for the deceived; and he rarely misses an opportunity for a sidelong snap at any character, however remotely concerned with the matter in hand, who figures on his private and extensive list of *bêtes noires.* (It is surprising how often he manages to bring in T. E. Lawrence.) His book is well written, his cases are well presented, his thesis that mankind in general and the English in particular are remarkably gullible is proved to the hilt, and his skill as an entertainer is considerable; but he leaves a singularly rancid taste in the mouth.

Metropolitan Birds

THE BIRDS OF THE LONDON AREA SINCE 1900.
By a Committee of the London Natural History Society. A New Naturalist Special Volume.
Collins. 315 pages. 30s.

SINCE the Authorised Version of the Bible there have been remarkably few instances of a good book written by a committee; but this has claims to rank as one of them, and indeed it may well rank as a kind of bible to the considerable and devoted sect of Londoners for whom birdwatching is a kind of religion.

Mr R. C. Homes and his dozen or so co-authors have most succinctly described the recent history and status of the 245 full species (including over 100 breeding species) authentically recorded this century within the 1,200 square miles included by their mystic circle of 20 miles around St Paul's. Contrary to former practice, great rarities such as the crested lark and Sabine's gull are treated briefly, with the references to fuller accounts published at the time of occurrence, while species which bulk large in the bird population, such as the house sparrow and tufted duck, get much more space. Aided by the exceptionally dense coverage of observers, and by the copious records fed into the society's archives by its thousand-strong ornithological membership, the editors have shown great skill in summarising population trends and changes in local distribution and status during the half-century. In this period two new British breeding species, the black redstart and the little ringed plover, have made the area their main centre of dispersal, and such wintering species as the smew and the lesser black-backed gull have made Greater London one of their main strongholds. There are six important heronries, some within a mile of densely built-up areas.

The first hundred pages give highly readable surveys of the physical setting in general and of the main habitats, together with reviews of migration and of roosts and flylines. These describe how the outer London starlings stream daily into the centre to roost as the human tide flows out towards dusk, and how little these flylines have altered since they were first traced thirty years ago. Since 1870 reservoirs have grown to cover over 3,000 acres within their concrete banks, and to provide incidental hospitality for between 5,000 and 10,000 ducks, less than half of which are mallard, and up to about 100,000 gulls, the majority black-headed. A large amount of background information about land use, freshwater biology, vegetation and social history is incidentally recorded. The book is excellently illustrated with photographs and maps, and well provided with references and index. As a product entirely of non-professional ornithologists, it provides impressive evidence of the high competence of the amateur element in one of the few branches of biology in which the amateur, with the aid of first-class teamwork, is still able to hold his own.

Men from Beasts

THE STORY OF LIFE.
By H. E. L. Mellersh.
Hutchinson. 263 pages. 21s.
MAN AS AN ANIMAL.
By W. C. Osman Hill.
Hutchinson's University Library. 176 pages. 10s. 6d.

EVEN now, nearly a hundred years since the "Origin of Species" was published, undergraduate biologists are still occasionally assailed at the doors of their laboratories by anti-evolutionary canvassers. Although such extremists are in the minority, there is still much ignorance about the evidence for evolution—an ignorance that is often associated with an emotional reaction against the view of man as an animal. The problem is threefold. First, has evolution taken place at all? Second, if so, what courses has it followed? Third, what factors have controlled its course? On the first point, the evidence has been conclusive for many years and can be disregarded only by the cranky and the ignorant.

It is the evidence concerning the second and third that are summarised by Mr Mellersh in "The Story of Life." The major part of the book consists in an outline of the principal routes of animal evolution. Starting from the current views on the earliest beginnings of life, the author shows how the complexity of organisation within the animal kingdom gradually increased; he follows up several side-branches of the evolutionary tree besides giving a detailed discussion of the evolution of man. In later chapters a discussion of a number of general problems, such as sex and heredity, is concluded by a consideration of the mechanism of evolution itself. The author deals with his comprehensive subject in such a way as to make it comprehensible to the ordinary reader; he has a robust attitude to scientific jargon, and although his jocularity is at times irritating, his exposition of such technical material is remarkably lucid.

MR OSMAN HILL's book, another fine addition to Hutchinson's University Library, is concerned with only a small portion of this story—the evolution of man from his pre-human ancestors. Describing his scope as "some of the more outstanding phenomena in the natural history of man," Mr Osman Hill is primarily concerned to demonstrate affinities between man and other primates. In successive chapters he reviews evidence drawn from such diverse fields as anatomy and ethnology, parasitology and psychology, showing not only the similarities between man and other species, but also the nature of the differences. This book is slightly more serious and considerably more detailed than "The Story of Life," but it too will be enjoyed by a wide public—and not the less so because the author is content to let the facts speak for themselves. It is particularly to be recommended to those who, while accepting the occurrence of animal evolution, want to reserve man as a special case.

Neo-Romantic Poets

THE ROMANTIC SURVIVAL.
By John Bayley.
Constable. 238 pages. 18s.

IN this book Mr Bayley considers the work of three poets who at first glance do not appear to have very much in common: Yeats, Auden and Dylan Thomas. By placing them firmly within the context of Romantic theories about the nature and scope of poetry, however, he seeks to illuminate the quality of their achievement and to demonstrate that each, in his own way, has rediscovered the basic assumptions of Romanticism. These assumptions the author considers more liberating and enriching than the classical doctrines of T. E. Hulme and T. S. Eliot.

About Yeats there can scarcely be much contention. He so clearly belongs to the great tradition of those whose trust is in the power of the creative imagination to absorb the dailinesses of life and transform them into material for poetry. He is linked to Wordsworth by his recognition of the mystery and the high significance of the poet's function, and to Keats by his conception of the Mask. Against Wordsworth's idea of the poet as interpreter and guide, Keats suggested that his special task was not to philosophise, but to subordinate his own personality to the creative process and to discover, by imaginative penetration, the significant quality of what he "felt upon his pulses."

Dylan Thomas, with his obsessive emphasis on sensory experience and his joy in the very feel of words, is recognisably a Romantic poet of the Keatsian kind, though what Wordsworth would have thought of his poems defeats conjecture. Auden, however, can only with difficulty be fitted into the Romantic category, unless alongside his admired Byron, who took a far less transcendental view of poetry than Wordsworth, Coleridge, Shelley or Keats. Mr Bayley nevertheless makes out a good case for connecting him with Yeats, claiming that he has followed him in showing

> how the intense private world of symbolism can be brought right out into the open, eclecticised and pegged down to every point of contemporary interest and everyday life, while remaining none the less a private and even a substitute world.

This is a stimulating book. The survey of the decline of Romanticism, which constitutes its first section, is done with perception and good sense, and the studies of the individual poets gain from being related to a central theme, the survival of Romantic preconceptions and poetic values. Not the least valuable chapter is that which deals with contemporary analytical criticism, arguing that disciplined readers of poetry nowadays are so anxious to take the machine to pieces and see how it works that they are likely to ignore "the unexplained vitality which makes the poem a living thing, and which the poet himself cannot account for or justify."

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than social. Its grumbling is directed at the muzzle of censorship, and the way it has been elbowed out of seats in Parliament. It would do much as Nuri has done were it in power. The other is a younger, poorer group of genuine socialists who now despair of land reform except at the hands of some leader sprung from the people—a Gamal Abdel Nasser.

The social aspect of the Development Board's work, reduced to its simplest terms, is a straight issue between haves and have nots—landed gentry and landless peasants. Over the next few years, the matter that must command attention, in a country one of whose only two great natural resources is agriculture, is whether the relationship between them is to jog on in its present uneasy and uneconomic shape, or, if not, by what means it is to be changed.

The problem of easing social tensions is beyond the scope of the Development Board and in the realm only of cabinet and Parliament. Will a parliament composed chiefly of landlords ever agree to alter the pattern, or must it be altered violently, as in Egypt? Some dispassionate outside observers think that an imposed land reform is the only way of making the irrigation programme pay its way, since to settle peasants at £300 a head on second-best land is financially as well as socially unsound. Others contend that if existing laws were only applied, and landlords paid the taxes for which they have voted, all would be well. Yet others believe that owing to development works, the landlord's position is crumbling anyway, and that even if brusque land reform is shirked, change will happen, without tears, in this generation.

A growing number of factors bear out the last view. One is the increasing availability of alternative employment. Sheikhs in the Amara area were complaining this spring that they had no one to row them to market, and no beaters, because "their" peasants had gone off to work for the American builders of the Kut-Basra road. Another such factor is the very existence of new smallholdings, however expensively created; once peasants know they can put their name down for a plot and a house, their relationship to a master alters. And if, to replace them, he has to resort to machinery and pay a tractor driver 1½ dinars (30s.) per day, who will stick to share-cropping? Yet another factor that is undermining the landlords' old supremacy is the growth of communications. When peasants who were once confined to poor, disease-ridden surroundings are able to reach a town and a labour exchange by bus, landlords will need either to make rural conditions attractive or else will find themselves bereft of labour and income. The exodus from Amara to Baghdad is already proverbial; more would be disastrous:

> As a long-term policy, Iraq cannot abandon cultivation and live entirely on canned food. A country which is undertaking investment in irrigation on a large scale is indirectly investing in agriculture, and must make some provision for the future of the agricultural population. But by the time that perennial irrigation allows intensive cultivation, the cultivators may not be there.*

There are faint signs that the mind of some landlords is moving towards a grasp of the need to forestall this awful contingency. In 1952, for instance, Parliament passed without demur a shortsighted law—the Amara land law—which, nominally, gave peasants title to claim land, but was in fact so worded and executed that sheikhs and their families grabbed most of the lands available. By 1954, the lower house had passed a bill which entitled the government to recover by instalments from landlords the cost of drainage of their lands undertaken by the Development Board; but the landed gentry in the Senate threw it out. By 1956, a law passed by both houses rendered income from the rent of agricultural land liable to income tax. In 1957-1958, to meet an anticipated deficit in the ordinary budget, the proposal is to tax the capital value of landed estates. If that measure is passed by both houses, if the assessment is just, and if landlords begin to surrender acres in exchange for services or in order to meet their obligations, a corner will have been turned in Iraq's social history.

Whether social change will happen gradually or after an upheaval is still an open question. By contrast, it is certain that unless some means is devised of breaking up the many estates at present doomed to perpetual inefficiency, Iraq's productivity will never be what it could be, however great and efficient its investment in irrigation and training.

A point never to be forgotten is that this fortunate nation has not merely water but good human material in which to invest. Often, Iraqis may seem to be lacking in initiative and inclined to wait for orders, but on the whole the evidence is that they warm to responsibility. Give them a co-operative and a budget, prizes for the efficient farmer and a keen instructor to teach them how to work the new apparatus, and—Arab and Kurd alike—they forge ahead. "I joined the Iraqis for a year" says the man from Leicester or Utah, "and that's six years ago, and here I still am because I like them." There is something compelling about helping with the fortunes of this eager people.

IRAQ: THE NATIONAL INCOME

The Iraq Central Statistical Office has recently completed a series of census enquiries on agriculture, livestock, housing and distribution. These, with the departmental data published in the annual Statistical Abstracts, permit a preliminary estimate of national income and product. Pending the completion of work now being done on the figures in the Office, the unofficial figures given below have been produced by the Government's chief statistical expert. In 1951, the International Bank estimated national income per head at "probably at most ID 30"; on the basis of the table below, it is now ID 53.

	Million Dinars	% Total
Forms of Income :—		
Wages and salaries	65·2	22
Earnings in kind	38·2	13
Rents	21·4	7
Profits and interest	98·8	34
Net oil revenues	68·8	24
Net National Income	292·4	100
By Industry :—		
Oil	78·2	27
Agriculture	70·0	24
Manufacturing and building	33·7	12
Distributive trades	31·0	11
Transport	11·5	4
Ownership of houses and other buildings	18·9	6
Services	49·1	17
National Product	292·4	100

Source: "*Fact Finding in Iraq*", Lecture to the Kirkuk Fields Club. By Dr. K. G. Fenelon. June, 1957.

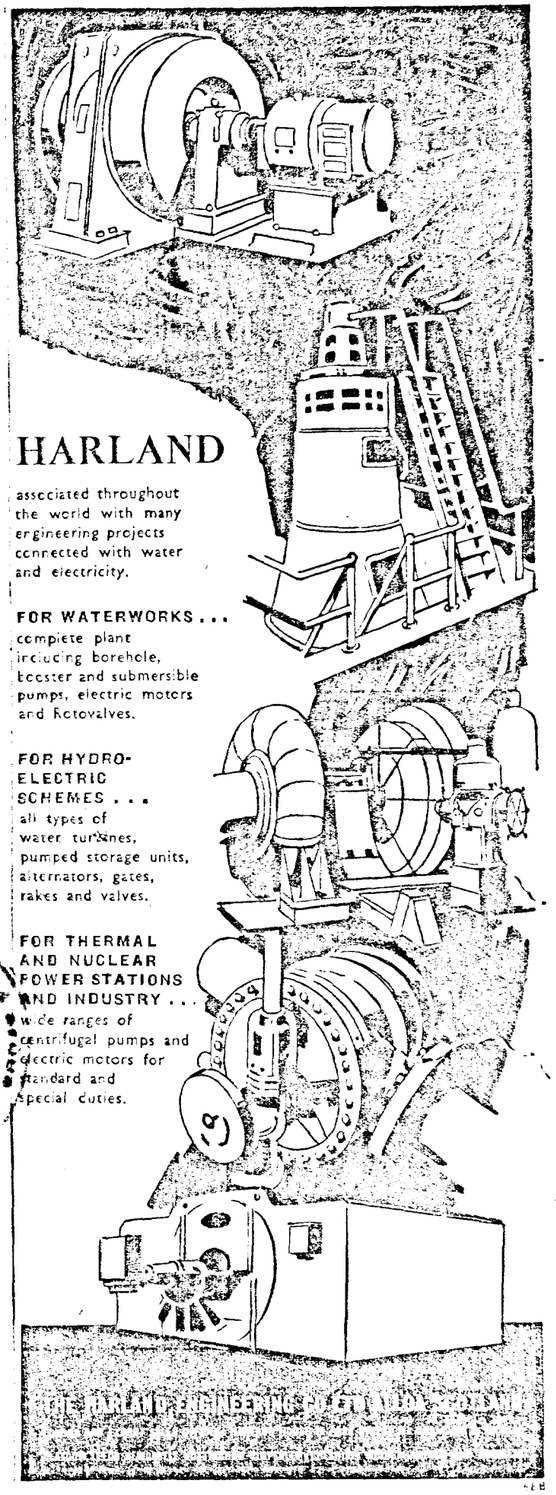
* Doreen Warriner. "Land Reform and Development in the Middle East." London. Royal Institute of International Affairs. 1957. Page 133.

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Writers in Conference

THE AUTHOR AND THE PUBLIC.
Hutchinson. 201 pages. 15s.

THE PEN Congress held in London in July, 1956, was attended by over 700 writers from 48 different PEN Centres. "The Author and the Public —Problems of Communication" was the chosen theme, and this volume is in effect a report. It consists entirely of speeches. Nearly all are so short that we may suppose the delegates to have taken to heart Mr Binod Rao's early reminder that "a master of the art of communication needs but few words to tell his tale." When a speaker shows signs of developing a substantial critical argument we are apt to be told that Mr X or Mr Y "intervened," and then that Miss Z was visited by this thought or that, so that we end up with rather a scrappy debate in which the original speaker is not heard again. This appears to have happened to Mr L. P. Hartley when he was well launched upon a discussion of the novel which is the best thing in the book.

Yet one supposes that the proceedings, although unimpressive on paper, must have been amusing enough for the majority of the participants. Eminent persons bob up and offer characteristic remarks: Mr J. B. Priestley that the writer should go after his audience wherever that audience may be; Professor Empson that the business of the critic lies in interpreting the unconsciousness of the author to the unconsciousness of the public. Mr V. S. Pritchett announces his discovery that "quite often averagely and conventionally well-educated people are completely insensitive to the arts." M. Denis Saurat, perhaps detecting some slight inclination to treat the "public" a little *de haut en bas,* declares that "in England and in France there are perhaps two or three thousand cultured people among the public who are more cultured than the writers generally." On the whole, the speakers seem to have felt that in England one behaves as Englishmen do. Passion, controversy, wholesome acrimony are absent, and one is left with a feeling that gatherings of this sort are among the matters they order better in France.

Great Occasions

EXTRA-SPECIAL CORRESPONDENT.
By G. Ward Price.
Harrop. 346 pages. 21s.

MR WARD PRICE has been a special correspondent for the *Daily Mail* for nearly fifty years. From 1912, when he covered the first Balkan War—"the last of the old-fashioned wars" as he calls it—until 1950 in Korea he was present on every great occasion. And he admits to having enjoyed every minute of it.

He has every reason to be happy. He is one of those rare and lucky men who are born at exactly the right moment, who come to maturity at the time when their talents can be used to greatest advantage, and who realise, in old age, that their day is over and that they are missing nothing because they can no longer move as jauntily as they once did.

One can sense that Mr Price would like to have been born half a century earlier at the time when William Howard Russell could get his account of Balaclava to *The Times* days before anyone else in London knew about the battle. But he should not worry. He had similar triumphs, even if they were only measured by hours; twenty-four hours, after all, was always enough for any newspaper.

And Mr Price belongs essentially to the era of the popular press. He is a reporter of events and not an interpreter of ideas. His comments, even when he makes them with hindsight, are uncomplicated to the point sometimes of naïveté. Nor has he probably worried much about style. He deals in "melting pots" and "maelstroms"; wars "loom upon the horizon," menaces "rumble" and aeroplanes "soar."

Mr Price's job was to persuade people who buy popular newspapers for a variety of frivolous reasons to read also about events that were likely to alter the whole course of their lives. He always treated serious matters seriously and he never spared himself when there was a story to be told. No newspaper can ask more of a correspondent—even an "extra-special" one.

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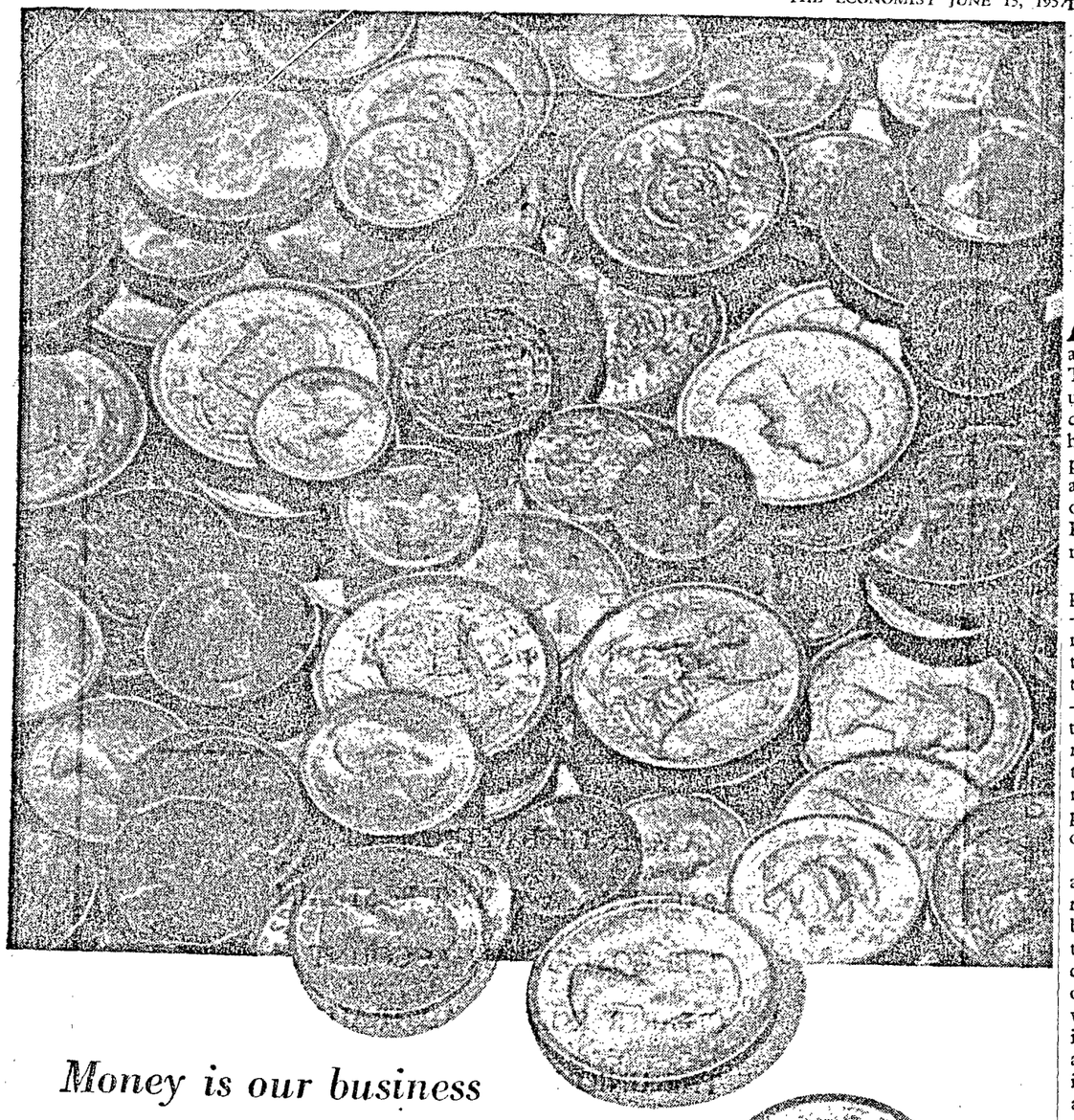
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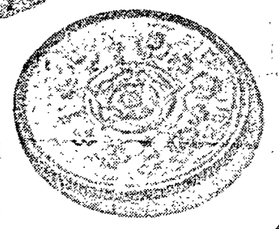
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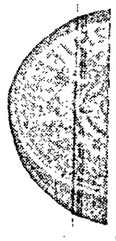


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A Radcliffe Retrospect

AFTER nearly two and a half years, the most significant controversies over the policy of monetary restriction are not whether its effects are desirable but what they are. That is the justification for the technical enquiry being undertaken by the Radcliffe Committee. It is remarkably difficult to gauge the respective impact on the banks of high short-term rates, changes in the supply of liquid assets, price movements in gilt-edged, and the official requests and controls on their lending—to say nothing of the impact of the banks' actions on the public. To a large extent, Lord Radcliffe and his colleagues have to construct their own modern appendix to the classical monetary manual.

The experience of this past year has emphasised the complex inter-linking of the inner sectors of the financial system—the gilt-edged market, the bond market, the money market, the banks. It has confirmed the general proposition that the restriction of bank credit depends not so much on the level of short term rates as on the supply of liquid assets—which in turn depends to a large degree on operations in the gilt-edged market. This appears to have been broadly recognised by the authorities; but their drive for a reduction of liquidity, while it has achieved a very significant reduction in the floating debt, has not been pursued to the point at which it has restored a close control of the activities of the banks.

Early in 1955 the rise in short-term rates itself produced a sharp contraction in bank liquidity; for the first time in many years, a substantial margin was then opened up between the interest offered on bank deposit accounts and the yield on Treasury bills, and this provoked large withdrawals of deposits for direct investment in bills. It was only when the impetus of this movement appeared to be waning that the authorities found it necessary to reinforce it vigorously by selling gilt-edged securities on a market already depressed by enforced bank selling. The further increase in Bank rate to 5½ per cent in February 1956, and the sharp rise in market rates that ensued, gave rise to renewed switching of deposits into bills, though on a much smaller scale than a year before.

Because of the practical limits to both the size of the yield margin and the volume of idle funds available for switching, this pressure on bank liquidity tends to be of diminishing force. Even so, during the first quarter of 1956, the modest switching process, combined with the seasonal surplus of the Treasury, did reduce the clearing banks' total liquid assets by £459 millions, or by almost as much as in the first quarter of 1955. But the average liquidity ratio at the end of 1955 was 37.4 per cent, compared with 34.3 per cent at the end of 1954; so that by March 1956, the lowest point of the year, it was still at a comfortable 33.1 per cent compared with 29.9 per cent a year earlier. The seasonal rise in advances had been restricted to £54 million, compared with £127 million in the first quarter of 1955; and sales of investments amounted to only £23 million, compared with £72 million.

DURING the rest of 1956, bank liquidity never came under perceptible strain. Official sales of stock in the gilt-edged market were markedly smaller than a year before; and in July, faced with a further prospective increase in floating debt as a result of the new arrangements for financing the nationalised industries direct from the Exchequer and with the redemption in mid-August of the unconverted portion of the 1954-56 War Bonds, the authorities endeavoured to persuade the banks to re-enter the gilt-edged market as a voluntary move to reduce excess liquidity. The banks, however, being unable to gauge the success of the new savings certificates (introduced in August) and the premium bonds (introduced in November), were naturally reluctant to decide to what extent their liquidity was excessive.

The response to the official prompting was modest. In July three clearing banks increased their investments, raising their total portfolios by £30 million, the first significant increase since the phase of major sales in 1955. Even this movement, however, was not long sustained. Two of the banks—the Midland and Westminster—did not accept the Conversion Stock offered in exchange for maturing War Bonds and abstained from reinvestment. The August figures indicated that the clearing banks as a whole, encouraged by a yield of over 5 per cent on Treasury bills, had indulged their liquidity preference to the tune of some £119 million.

LONDON CLEARING BANKS
(£ million)

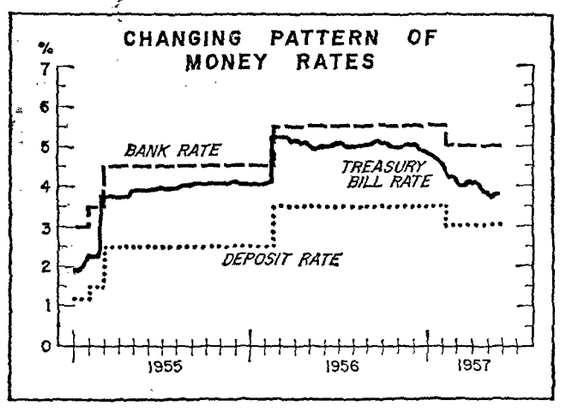
	1955		1956		1957
	May 18	*Dec. 31*	*May 16*	*Dec. 31*	*May 15*
Deposits	6,361	6,612	6,152	6,656	6,285
Net deposits*	6,104	6,261	5,860	6,305	5,964
Lloyds Bank Seasonally-adjusted index (1948=100)	*109·0*	*105·6*	*104·6*	*106·3*	*106·8*
Liquid assets	1,943	2,472	2,042	2,492	2,065
Liquidity ratio†	30·5	37·4	33·2	37·4	32·9
Investments	2,141	2,016	1,990	1,980	1,994
Advances	2,104	1,851	1,910	1,913	1,998
To State Boards	n.a.	n.a.	n.a.	*109*	*51*
Other borrowers	n.a.	n.a.	n.a.	*1,804*	*1,947*

* Excluding items in course of collection. † Per cent of gross deposits.

Subsequently investment portfolios did rise somewhat, but they did not keep pace with liquid assets and in mid-October the liquidity ratio topped 37 per cent. The new savings certificates met with considerable success, but the effect on the Exchequer was offset by the demands of the

nationalised industries and other official claimants. The seasonally adjusted index of net deposits compiled by Lloyds Bank, which had fallen from 112.0 (1948 = 100) in February, 1955, to 104.6 in the second quarter of 1956, turned upward in the summer and reached 105.6 at the October make-up.

In November, the deterioration in the credit trend was checked: the Lloyds Bank index dropped back to 105.0 and the banks' liquid assets fell sharply, against the seasonal pattern. This improvement was attributable partly to the first flush of sales of premium bonds; but a much bigger influence was the large accruals of sterling to the Exchequer



as a result of the Suez drain on the gold reserves. But whilst the gold loss continued unabated through at least the first half of December, the end-year accounts of the banks showed a more than seasonal rise in liquid assets, lifting liquidity ratios to 37.4 per cent, their high level of the previous December. With this cushion, it appeared the banks would again have little difficulty in riding out the seasonal pressure ahead.

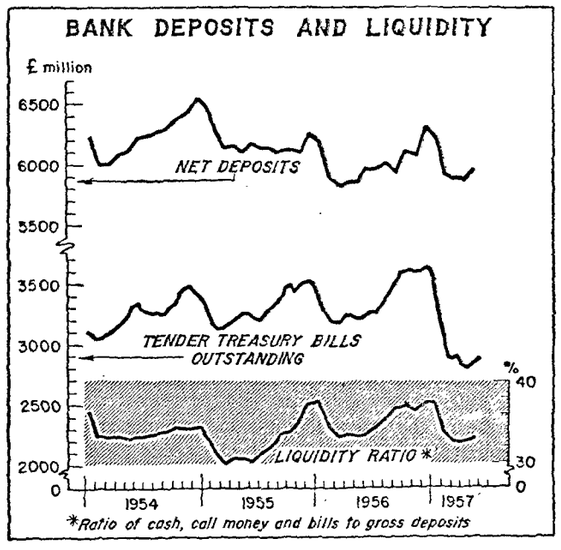
In the event, however, the decline in the banks' liquid assets reached record proportions; and there was an unusually sharp upturn in advances. Two of the big banks dipped momentarily below the conventional minimum liquidity ratio of 30 per cent, notwithstanding some sales of investments. By far the biggest influence in this re-emergence of the liquidity sanction was the large volume of funding sales in the gilt-edged market made in the last few days of 1956 and the first weeks of the new year.

THESE sales were achieved not by aggressive cut-price tactics but by adroit use of the opportunity provided by a buoyant market. This buoyancy was induced not only by the cooling of the international temperature but also by the easing of rates in the money market. That easing, which continued with some interruptions (notably during the March labour disputes) until early May, reflected in part speculation about reductions in Bank rate, but important technical factors were also at work.

The immediate cause of the initial falling away of the Treasury bill rate in early December, from about 5 1/16 per cent, seems to have been the increased demand for bills by the discount houses. Following the precedent established in 1955, the Treasury had split the weekly offerings for the eight weeks following end-October between 91-day and 63-day bills, in order to concentrate maturities in the heavy tax-gathering weeks of early 1957. The 63-day maturities, issued in greater volume than in 1955, held little attraction for the "outside" tenderers and these offerings, which were largely taken up by the discount houses, had the effect of reducing abnormally their holdings of 91-day bills. Consequently they were particularly anxious to obtain good allotments of these longer bills when the shorter issues ceased.

To enable the market syndicate to obtain an adequate supply, an important liberalisation was made in the procedure of tendering. The tender by the syndicate at a common price, introduced in the 'thirties, was maintained; but each discount house was permitted to tender for a small proportion of its requirements independently at a slightly higher price, at which its application would be allotted in full. The market was thus better placed to face the growing competition from the general investing public, including savings banks and industrial companies.

Encouraged by hopes of a general easing of rates, competition from these sources became more acute and the discount houses were obliged to increase their tenders week by week, until by the beginning of February the average rate of allotment had fallen to 4½ per cent. The authorities did not resist the downward movement but instead took advantage of the revival in gilt-edged prices to allow the public departments to sell marketable securities from their holdings and to carry out a certain amount of switching into early maturities—notably the £400 million of stocks maturing in mid-June. On balance, however, the departments were large net sellers, and their receipts enabled them to reinforce very considerably the seasonal decline in the tender issue. By mid-February, the issue had been reduced by £700 million since the beginning of the year, a rate of contraction over twice that of 1955, which carried the total outstanding below £3,000 million for the first time since spring 1953. This extraordinary contraction in the supply



of bills—very much larger than that in the banks' liquid assets, suggesting that outside holders were running their bills off—thus became an additional influence in the downward movement of the rate.

WHEN Bank rate was reduced to 5 per cent in February, official statements emphasised that the move was not intended as a green light, but was a technical adjust-

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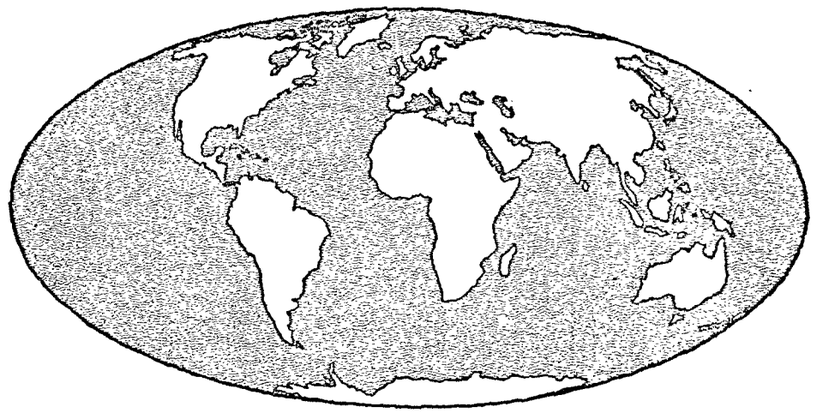
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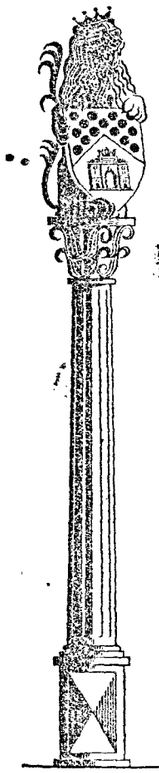
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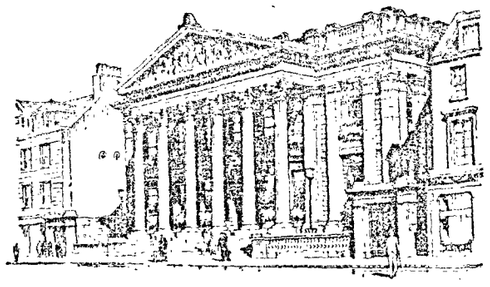
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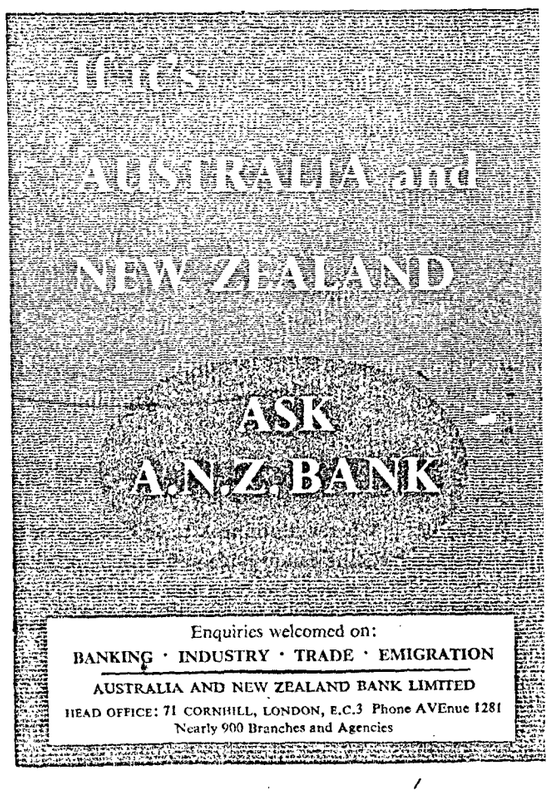
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ent designed "to enable the Bank of England to maintain ie full effectiveness of monetary policy." This acceptance : the view that a reduction of Bank rate can be disinflaonary was presumably based on the reasoning that the educed attractiveness of rates in the short market would ster demand, and hence facilitate funding, in the gilt-dged market. But in practice funding sales virtually ceased fter the Bank rate reduction. The authorities have been eluctant to press sales ; and while the bond and bill markets ere until recently stimulated by renewed hopes of a fall a Bank rate, medium-term and long-term stocks have been epressed, first by the damping issue of a further £300 illion of "Eternities," the 3½ per cent Funding Stock, 999-2004, and subsequently by the apparent strengthening of inflationary pressures.

The tender bill issue has consequently resumed its rise albeit at a modest pace); and in their statements for mid-May, the clearing banks showed a reversal of the contracting rend of deposits and liquid assets achieved from mid-January to mid-April: no more bank sales of investments were recorded, and indeed the Midland and Westminster increased their portfolios (though still not quite to their level before the encashment of the '54-56 War Bonds). The average liquidity ratio, at 32.9 per cent, was still slightly lower than a year before—but it compared with 30.5 per cent in May, 1955.

Except in the early months of this year, therefore, the liquidity rein on the banks has been allowed to grow slack. Moreover, the evident reluctance of the authorities to pursue funding to the point at which it forces gilt-edged prices down has probably made any future prospect of having to reinforce liquidity by selling investments a rather less disturbing one for the banks. As a check on advances, certainly, the sanction of liquidity has recently been considerably weaker than in the early stages of the credit squeeze.

This must be presumed to have contributed to the loosening of the banks' grip on advances, evidenced not only in the upward trend of the total but also in the recent slight recovery in advances to the least "essential" categories, the personal and professional borrowers and the hire purchase finance companies. This is not to say that the banks are disregarding the official requests ; but merely that they might have regarded them more if commercial considerations also pointed that way. The official restraints have in fact been reiterated, and in one respect tightened.

In July, 1956, the Chancellor of the Exchequer, Mr Macmillan, departed from the customary procedure of conveying his instructions to the banks through the Governor of the Bank of England, and with the Governor met the chairmen of the clearing banks and representatives of other banks at the Treasury. He urged that there should be "no relaxation in the present critical attitude towards applications for bank finance." This directive was observed throughout the year and is still in force. But in the three months to mid-February advances to borrowers, other than the nationalised industries rose by £102 million—among the largest quarterly increases ever recorded even at this season, the first significant increase since Mr Butler's initial request of July, 1955, and nearly half as large again as the reduction effected in February-November, 1956.

The monthly statements of the clearing banks showed a further large increase in the advances item in March, despite further repayments by the State boards ; in the two subsequent monthly periods the rise tapered off, confirming that part of the earlier increase had reflected seasonal and other temporary influences. But the expansion had induced the new Chancellor, Mr Thorneycroft, to add his own reiteration of the need for continued restraint. While conceding in his budget speech that "some increase in the level of advances may result from the provision of bank finance for purposes of the highest priority," he reinforced the official hold over those bank advances subject to statutory control—advances in excess of £10,000 made outside the ordinary course of business.

Mr Thorneycroft restored the practice operated between December, 1951, and December, 1953, whereby the Capital Issues Committee concerned itself not only with the purpose for which the money would be used, but also with the necessity of bank finance, in the light of the possibility of raising funds from market sources, and the term of the advance. The Chancellor intimated, moreover, that the CIC would exercise its scrutiny rigorously. Thus, in a sense, the shortcomings of Government funding, by the measure of bank liquidity insufficiently taut to exert its own check on advances, has led the authorities to enforce by regulation funding on private industry.

Sterling Area and the Strain

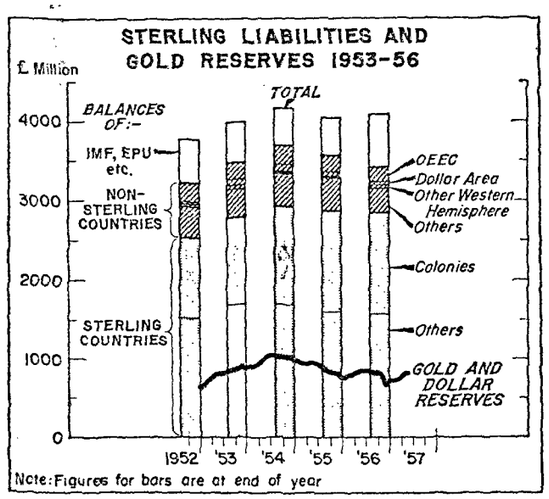
One cause of the strain on the sterling area is the voracious appetite of its members for capital. Last year Britain lent beyond its powers, but the sterling countries together did not reduce their sterling holdings. What happens when they do ?

IN 1956 the gold and dollars in the Exchange Equalisation Account remained almost unchanged—£757 million at the beginning of the year and £762 million at the end. What happened in between was a different story—a steady rise in the first half of the year, followed in the Suez months by a massive gold drain, only partly offset by the drawing of dollars equivalent to £201 million from the International Monetary Fund. The table shows the reason for the strain: capital commitments of £429 million and only £233 million with which to meet them. How far were the overseas members of the sterling area, which bank in London, responsible ?

The United Kingdom itself had a total surplus of £233 million on current account. Current transactions between the United Kingdom and the dollar area resulted in a deficit of £22 million, a modest figure indeed compared with the deficits of £205 million in 1955 and of £68 million in 1954. Similar improvement was shown in the balance of pay-

ments between the rest of the sterling area and other dollar countries. Including the proceeds of sales of gold, the transactions of the overseas sterling area with the dollar area yielded a surplus of £219 million in 1956, of £199 million in 1955, of £166 million in 1954, and of £165 million in 1953.

Direct pressure by the rest of the sterling area on the gold reserve has occurred on various occasions in the past, commonly marked by a correlation between movements in the central gold and dollar reserves and parallel changes in the sterling liabilities owed by Britain to members of the sterling area. When members of the sterling area earn surpluses in dollars or other hard currencies, they bank them in London; hence the sterling balances of those countries move up automatically with the rise in the gold and dollar reserve in the Exchange Equalisation Account. When sterling comes under strain, it may be because those balances are being drawn upon and in part used for dollar expenditure.



That was not the main trouble in 1956. The sterling balances of the colonies increased in the year as a whole from £1,280 million to £1,286 million (the long postwar rise to a peak of £1,301 million having been halted in the second half of the year). The balances of the dominions (except Canada) fell from £1,599 million to £1,574 million. The total sterling balances held by sterling area countries thus declined only slightly, by £19 million to £2,860 million.

A much bigger influence in the strain on Britain was the investment of long-term capital by the United Kingdom in the rest of the sterling area. In 1956 this net investment amounted to £150 million compared with £119 million in 1955 and £191 million in 1954. This investment, like the much smaller reduction in the sterling area's sterling balances last year, made possible expenditure by the overseas sterling countries that was in part incurred outside the sterling area, and notably on the continent of Europe. And through EPU, expenditure in Europe helped to swell the drain on the gold and dollar reserve.

But the main explanation for the strain on the reserves lies in the running down of sterling balances by countries other than those of the sterling area. During 1956 American sterling accounts fell by £21 million. Those of OEEC countries fell by £20 million and those of "other non-sterling countries" by £114 million. These movements are in large part the reflection of the run on sterling which followed the Middle East crisis in the second half of the year. The most striking reduction in sterling balances was that shown by "other non-sterling countries," a group that includes China, Japan and the non-sterling Middle East countries. All these drew heavily on their sterling assets, partly for political reasons but also on fears of de-

WHAT HAPPENED TO THE RESERVES
(£ million)

Resources		Commitments	
UK current surplus.....	233	Long-term investment (net).	191
		Miscellaneous capital outflow	50
		Drawings on sterling balances	151
		Waiver payment	37
	233		429
Drain on reserves			−196
IMF drawing			+201
Actual change in reserves ..			+5

valuation. In the past two years of depletion of sterling balances, it is this miscellaneous group that has shown the largest reduction—£430 million at end-1954 to £303 million; holdings of dollar countries in this period fell from £97 million to £37 million and of OEEC countries from £244 million to £193 million. In 1956 alone, the total reduction in sterling holdings by these three groups was £155 million. On the other hand, holdings of non-dollar western hemisphere countries rose from £9 million to £32 million. Other important influences on the final reserve figures include the notorious "leads and lags" in the timing of commercial payments (recorded partly as "miscellaneous capital outflow").

In one respect, so far from bringing strain to the central gold and dollar reserves, the sterling area has brought important new relief to them. Gold sales from sterling countries have acquired great importance. In 1956 sterling area gold sales in the London market amounted to £222 million as compared with £176 million in 1955 (nearly offsetting the deterioration in the balance of the overseas sterling area in payments with the dollar area and Western Europe) and with sales of £138 million in 1954 and only £78 million in 1953.

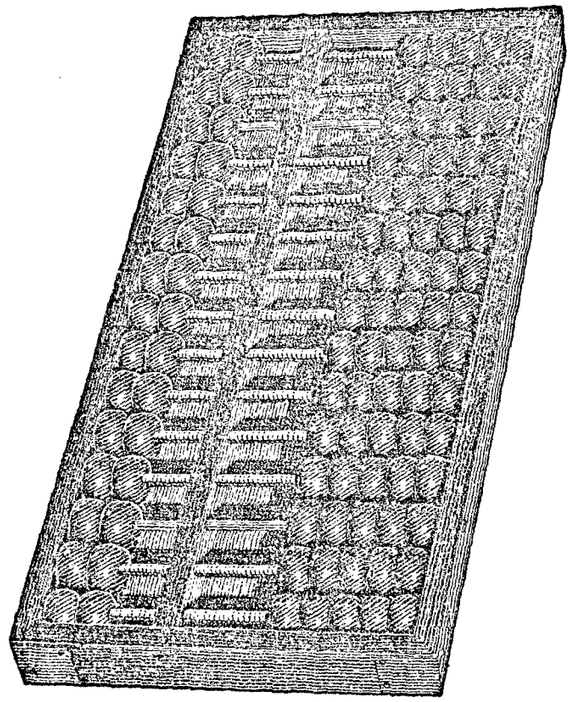
The steady expansion reflects both the growing importance of the London market and the disappearance of the premium on the free gold price that used to deflect gold to other markets. The unofficial gold sales previously brought in their quota of dollars or other hard currency to the gold producing countries concerned, but probably a large part of the proceeds escaped the net of exchange control and therefore did not sustain the central gold and dollar pool. Now that "free gold" shows no premium and London is clearly re-established as the most important and flexible of the free markets for gold, most newly mined gold from the sterling area finds its way to hoards or to monetary reserves via St Swithin's Lane. Gold is sold in the London market only against registered sterling, which must be created by way of dollars or of gold itself. Such sales cannot involve a loss of gold or dollars. The gold so bought on foreign account can, however, be freely removed, so that London's dollar account does not necessarily retain more than the commission. But on balance the market is proving to be a good source of strength.

CERTAINLY the overseas sterling area does not bear any collective responsibility for the pressure on sterling and the drain on the gold and dollar reserve last year. Bu

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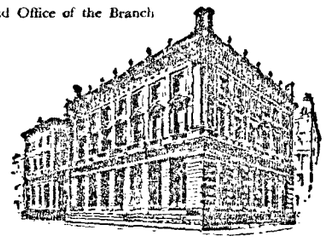
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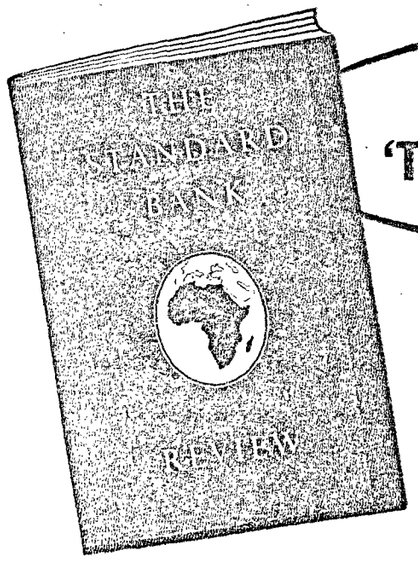
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among its members some have been pulling against the reserve while others have contributed to it. The most important of the debtor countries using the reserve is unquestionably India. Within the calendar year 1956 it drew down its sterling balances by just over £150 million. In the year to April 1, 1957, the first year of India's second five year plan, the net loss of sterling reserves amounts to nearly £200 million. This is after allowing for drawings from the International Monetary Fund amounting to $127 million. The $127 million was banked in London and therefore brought momentary relief to the gold and dollar figures, but was quickly drawn out again in the form of sterling. India's drawing on sterling balances is known to have been used not merely to pay for goods delivered from the sterling area but also to finance imports from the United States and from the Continent of Europe. These either involved the conversion of sterling into dollars or (when cleared through the European Payments Union) helped to swell Britain's deficit with the Union; in practice that means an immediate gold loss equal to 75 per cent of the amount so cleared and the addition of 25 per cent of the amount to Britain's debt to the Union.

The main compensation for India's pressure on the gold and dollar reserve probably came from Australia, which within the last six months has achieved a spectacular reconstitution of its sterling balances and has been helped in this by large sales of wool at favourable prices to the dollar world, Japan and the Continent of Europe. Earnings from the other traditional dollar commodities of the sterling area have not been so favourable. Tin on balance showed higher prices in 1956 than in 1955. But the cocoa of West Africa, the rubber of Malaya and the copper of Rhodesia, all fell in price in 1956.

More recently, the fall in commodity prices must account for the much reduced height of this year's peak commercial demand for sterling. Fortunately, however, the shortfall in these dollar earnings of the sterling area has to some extent been made good by the impressive expansion of Britain's own exports to North America. In 1956, such exports showed an increase of £97.1 million, just 30 per cent, above 1955 and their progression has persisted in the early months of 1957.

LOOKING ahead at the calls that the overseas sterling area may make on the gold and dollar reserve, the main source is the voracious appetite for industrial development that so many of its members have acquired. India has in the past year provided the warning example of what may be expected—though now its own balance of payments crisis has at length imposed restraints on the five year plan.

Development in Rhodesia and Nyasaland, centring around the Kariba scheme, but including also a large body of private investment by British industrial companies and a smaller volume by British property companies, will make heavy calls on Britain's capital resources and to some extent on the gold and dollar reserves. If decisions are taken to go forward with the Volta scheme in Ghana, another and even greater drain on real resources and reserves will be set up. There are indications that before long Australia, Malaya and the proposed West Indian Federation will appear in the capital markets of the world. These capital developments will for years introduce a strong capital transfer element into the sterling area's balance of payments. The World Bank and the new International Finance Corporation will find no lack of opportunity to provide dollar resources. Perhaps direct investments from the United States will also play their part. That, in effect, they did last year when the sale of the Trinidad Oil company to the Texas company transferred a British investment into American hands and thereby increased the dollar resources available for other investments in the sterling area. Even if all such hopes are fulfilled the obligation on the United Kingdom to go on providing a large contribution towards the overseas sterling area's demand for capital will not be removed. And only by having a surplus and investing it in the Commonwealth can Britain in the long run remain the centre of financial and political responsibility within the Commonwealth.

The Cost of an Account

BY A CORRESPONDENT

Banking costs—salaries, rent, overheads—are going up on the one hand; electronics are coming in on the other. Can bank charges be held steady?

WHEN the clearing banks recently disclosed, *sotto voce*, that their consideration of the use of electronic methods had reached the stage of practical exploration of an agreed hypothetical system, the primary question in the minds of the public seems to have been: will electronic banking reduce bank charges? That, certainly, was the reaction the banks feared. In an inflationary age, the banks will be quite satisfied if automation prevents charges increasing as much as they otherwise might. There is little enough chance that its introduction, necessarily over an extended period, can reduce the half guinea a quarter that some small customers find so irksome.

The main impact of electronic methods in banking will be upon the salary bill, by far the largest item in the banks' running costs. Not so long after the announcement in March that electronic methods were being explored, there came a round of new salary increases; these were of the order of six per cent and probably put between two and three million pounds on to the banks' salary bill, involving in addition significant increases, present and "retrospective," in the provisions to pension funds. In banking as in other sectors of the economy, rising labour costs have had to be accepted as a permanent postwar phenomenon. Mechanisation on the conventional pattern has helped the banks to increase the proportion of women staff, and the introduction of electronics might help to maintain that tendency. The turnover in women's jobs is high,

but that keeps the average age very low and reduces the career element to a minimum. But economies of this sort have never been adequate to offset the burden of rising costs. Hence the need to pass on some of those costs to the banks' credit customers.

Bank charges are always provoking controversy in which more heat than light is usually generated. A customer complains of excessively high charges on his account; someone else suggests that he ought to change over to a Trustee Savings Bank or the Post Office; somebody else again, signing himself "Bank Manager," contributes a comment from the other side of the counter; more disgruntled bank customers join in. The argument can go on for some time, but it never really gets anywhere. In part this is because the banks do not join in; but it is also because few people have any precise knowledge of the real profits of the banks, and they are not in the habit of joining in newspaper discussions; thirdly it is because the man in the street does not appreciate that the banks are selling two quite different things, and that the profits on two different types of sale are mixed up together in the till. Charges on customers' accounts cannot be considered in isolation from the banks' "trading" earnings—interest on loans and overdrafts, and dividends on their gilt-edged securities. Rising or falling interest rates powerfully affect the banks' earning capacity; but in all the clatter of occasional controversy on charges the rates charged for loans are seldom called in question. Interest rates seem to be widely accepted as being outside the banks' control—acts if not of God at least of the Government.

One obvious inference from this is that the grumblers are in the main small customers with small credit balances. Carrying that inference a little further one may guess that they are often people who do not really need a full-dress banking account at all. It may be that conventional banking has already reached saturation point and that before the vast untapped moneys of the increasingly prosperous wage earning class can be tapped by the banks, a new kind of "bare bones" service will have to be evolved. That is one of the question marks over the future of banking; the point appertaining to charges is that if the banks divorced their dual functions of provision of loans and provision of a cheque system, the charges for the latter service in its present form would surely be higher than they are now.

The view that the present level of charges is unjustifiably high can rest logically on only two broad contentions: that the banks' earnings are exorbitant or that their administration is inefficient. Few people would hold that bank staffs are paid excessively large salaries; still less can extravagance be imputed to treatment of shareholders. Bank dividends are still remarkably little—generally less than one quarter—above their prewar level. That leaves hidden reserves, the secret allocations from true profits that the Companies Acts allow the banks to accumulate. These inner reserves are indeed an embarrassment for the banks in more ways than one, for their staffs too make much of them in their claims for higher salaries—misled by some extravagant guesses at the amount of the reserves. Yet the sharp depreciation in the market value of the banks' gilt-edged investments inflicted by the recent policy of dear money has provided a pointed indication of the necessity for such reserves; few bankers could now agree that their cushion is over-padded.

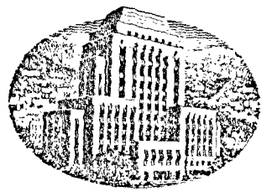
What of bank management? For most people the only criterion of bank management must be their personal observation; and the accusation of bad management is seldom heard. Equally, many travellers are not impressed with banking methods as seen abroad. A more reliable testimony to banking efficiency is the fact of competition. There are some who obstinately refuse to believe that there is any true competition at all amongst the English banks. But anyone who is at all near to banking knows better. The old days of cut-throat touting have passed; but every bank watches the others with a jealous eye. It is competition amongst the banks that keeps bank charges reasonably uniform; for competition is certainly keen enough to ensure that any bank that could profitably cut charges would be very glad to do so.

That the bankers are silent on these matters—and indeed on practically all matters concerning the business of banking—is of course a large part of the trouble; customers are often irritated primarily because they do not understand the basis of their charges. But even explanations in person will not always resolve the problem. English banks have no fixed scale of charges. The charge is on turnover in some parts of the country, and on the number of entries in others—and both are liable to vary even between branches of the same bank. Charging, like banking, is an art rather than a science. But published scales of charges might be more satisfactory for public relations.

Fixed and published charges are the rule in the American banks—and indeed in Scottish banks too. There is room for research into the real effect of English charging practice, which so long as it is based on "professional" rounded-off guineas and fractions of guineas is open to criticism by those who do not accept that their bank manager and their solicitor can properly charge in the same way. But it seems likely that those most vocal in complaints would suffer from the introduction of fixed scales. Most managers must be inclined to temper the wind to their shorn lambs.

Even today, however, there does seem to be some general basis of charging, suitably adjusted to special circumstances. The manager, when he assesses the charges on a private account, may have to bear a whole complex of factors in mind: the balance maintained on the account; the value of connected accounts; the possibility of future profit if a presently unprofitable account is "nursed"; the number of "free" services the customer is using (that unwieldy deedbox, perhaps, visited at great inconvenience to the staff once a month on the busiest day of the week); even, perhaps, the fact that the customer is having a particularly hard time, with two boys at public school and an invalid wife. But these disparate considerations are likely to be operating upon a starting figure something like one shilling per entry. Ten years ago the figure might have been ninepence.

All things considered, that is not a bad record. The right and proper answer to complaints (though no banker will ever make it) may after all be that of the second letter in our typical correspondence: go to the Post Office Savings Bank, which provides an excellent deposit-and-withdrawal service and at least the essentials of a transfer service—and pays interest, too. It represents a challenge to the banking system, for it offers a choice of economy against quality of service. The electronic computer thrives on quantity. Perhaps its main contribution to the evolution of banking—and bank charges—will come when it enables the banks to produce a small man's cheap utility model of a banking account.



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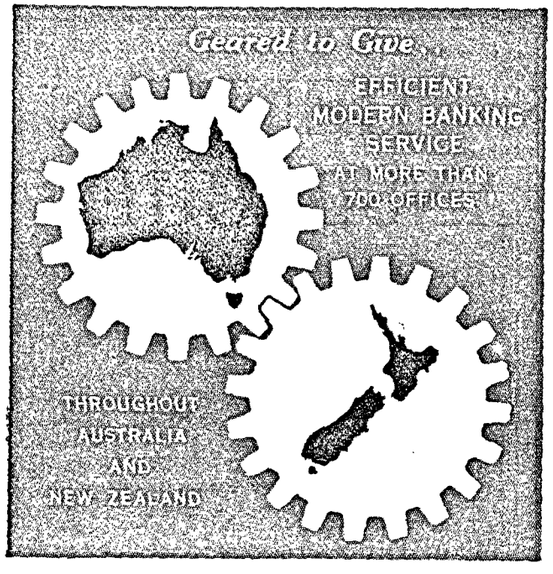
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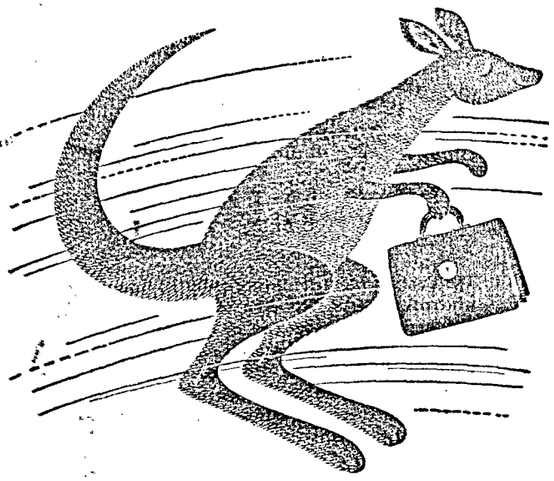
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Clearer Skies in Australia

Australia's external payments are now in better trim; but a country subject to such wide fluctuations of economic fortune needs strong weapons of central bank control. The problem is to create them in a form acceptable to the trading banks

During the past year Australia's balance of payments has passed through one of those sharp fluctuations of ortune that have characterised the Commonwealth's economy throughout the postwar period. Out of the post-Korea export boom in 1950-51 developed the import spree of 1951-52—a spending orgy of such intensity that could be quelled only by the imposition of general import restrictions. These have been more or less intensively applied ever since. In 1953-54 they restored a state of internal and external balance in the Australian economy; but then came lower wool prices and a new upsurge of domestic inflation, with the attendant balance of payments deficits of 1954-55 and 1955-56, and import controls had again to be sharply tightened. By the time that they were beginning to show their effects, in the third quarter of 1956, wool prices had again started to stage a sharp rise, and this has continued throughout the current season. A bigger wool clip, growing exports of manufactures, semi-manufactured goods and minerals, and a temporary increase in wheat exports following last year's bad harvests in Europe are together producing a big rise in Australia's export earnings for 1956-57. These are likely to be at least as big as the exceptional figures recorded in 1950-51.

Could the sequence of events that followed that boom be repeated now? Higher wool prices seem now to be much more soundly based than were the much higher prices of 1950-51; but there is also good reason to believe that Australian monetary policy has benefited from lessons learned in earlier years. The previous boom was allowed to result in a multiple expansion of bank credit, and this, in conjunction with artificially low interest rates, successive increases in the basic wage and higher governmental and private spending, provoked an increase in imports that could not be sustained when exports fell, and could only be brought in check by the imposition of severe import controls after a dangerous depletion of Australia's external reserves.

By contrast, the corrective measures taken in the face of the 1956 deficit included strong monetary, as well as budgetary, measures. A general upward movement of interest rates occurred, in part because the large measure of official support that had hitherto been given to the bond market was withdrawn. Certain increases of indirect taxation in the "Little Budget" of March, 1956, did something to curtail private spending, especially on consumer durable goods and on cars in particular. These measures helped to remove most or all of the excess of demand that had been the root cause of the balance of payments deficits of the two previous years. They reinforced the corrective effect on the balance of payments of the severe import controls imposed in 1955 and 1956. When exports began considerably to improve late in 1956 and early this year the Australian government felt that it could go a fair way in relaxing import controls. If export receipts and the inflow of capital continue to run as favourably as they are now running, it ought to be possible to carry much further the process of removing the import controls. One essential condition will be that credit must be kept reasonably tight in Australia; if not, the removal of more import controls might lead yet again to an unmanageable rise in imports.

The difficulties of keeping credit tight have been increased by the considerable rise in the liquidity of the trading banks in Australia. This follows from the improved export surplus of the past nine months or so, for rising exports and falling imports have enabled both exporters and importers to repay advances on a considerable scale. Part of the rise that would otherwise have occurred in the banks' liquidity has been offset by very large calls by the Commonwealth Bank to their Special ("frozen") Accounts with that institution; these calls amounted to £A12 million in November and totalled as much as £A50 million in the first quarter of 1957. Despite this immobilisation for the time being of much of the rise in their liquid resources, the banking system's "LGS ratio" (the ratio of liquid assets and government securities to deposits) recovered from a low point of 17½ per cent in May, 1956, to 24½ per cent in March this year, and though it fell in April to 21 per cent, presumably for seasonal reasons, that was well above the uncomfortably low figure of 18 per cent of the previous April. The trading banks would normally feel that with such an easy liquid position they could allow some expansion in advances; their customers' demands for credit are likely to become strong, for a rise in imports is following the relaxation of import controls, and it may be further encouraged by recent increases in the basic wage for workers on Federal awards.

To discourage such a rise in advances the Commonwealth Bank instructed the trading banks last month that although they need make no further contraction in their advances they should avoid any general expansion, apart from seasonal variations. Even though monetary and budgetary policy—in combination with the favourable movement of wool prices—has accomplished the first task of improving the balance of payments and arresting domestic inflation, the need now is to ensure that higher export incomes do not bring about the sort of violent increase in domestic demand that occurred in 1950-51. Australia's monetary authorities take the view that the economy is now in a state of balance that would be imperilled by any further expansion of credit. For this they have been criticised as being unduly cautious; but past experience shows good ground for erring on the side of caution. It is important that Australia's external reserves should be at least maintained at their present level of slightly above £A500 million, keeping their rise of £A150 million in the past year. They are the only buffer against the possibility of a future fall in

export receipts. If the amazing run of ten good seasons were to be interrupted there could be real trouble. Many areas are now threatened with drought conditions, though the effects are not uniformly serious. Weather conditions as well as wool prices may well be among the factors that will guide the Commonwealth Government later this year on any further relaxation of import restrictions and any expansion of bank advances.

The efficacy of the control of bank advances in Australia by use of the Special Accounts has been qualified by the readiness of individual banks to allow wide variations in the ratio of their liquid assets to deposits, as well as by the absolute differences in this ratio maintained by different banks. Between 1953 and 1955 the Commonwealth Bank tried to secure the banks' adherence to a convention that they would keep an average ratio of 25 per cent, subject to seasonal variations, between cash and treasury bills plus government securities and total deposits ; and it made considerable releases from Special Accounts in the hope that they would do this. In the event, the liquidity of the trading banks fell well below the 25 per cent ratio partly because of the unforeseen use of previously unexercised overdraft facilities by bank customers which offset the restriction that the banks imposed on new advances and partly because the banks were unwilling to hold such a large volume of liquid resources in relation to deposits. During 1956 the Commonwealth Bank therefore abandoned its earlier policy and secured instead the banks' agreement to a much weaker conventional ratio. They have undertaken to maintain a minimum " LGS " ratio (as distinct from a seasonal average) at a much lower level ; this minimum level has not been published, but is believed to be somewhere near 14 per cent. Most of the banks would not wish their ratios to fall to so low a figure, but it is at least higher than the level to which several banks allowed their ratios to fall during the period of maximum strain on their liquidity a year or so ago. The adoption of this minimum ratio policy does not amount to a new and sensitive weapon of central bank control in Australia, but it may represent a minimum agreement from which some advance towards common banking policy will be possible. The noticeably closer co-operation between the Commonwealth Bank and the trading banks in recent months points in this direction. There is, moreover, a wider acceptance of the principle that banks that have to borrow from the central bank because they find themselves uncomfortably illiquid after meeting calls to Special Accounts imposed by the Commonwealth Bank to bring about a contraction in the banking system as a whole, must be prepared to pay a penal rate.

CURRENT proposals to amend the banking legislation (now accepted by the government) must be considered *against this background. The new amendments are not* expected to be introduced in Parliament until August or September. The main effect will be to complete the separation of the Commonwealth Bank from the Commonwealth Trading Bank by removing the two links that the 1953 Act preserved between them—both remained under the authority of the same Governor and Bank Board, and exchanges of staff between the two institutions could readily take place. The private trading banks have long felt that the Commonwealth Trading Bank has enjoyed a specially favoured position. But it is conceivable that the complete severing of its links with the central bank would lead it to compete more strongly with the trading banks ; it has in fact felt under some restraint by its relation with the Commonwealth Bank from fighting too fiercely for business. It is not yet known whether the Commonwealth Savings Bank will be placed under the control of the Commonwealth Bank or the Commonwealth Trading Bank.

The other amendment sought by the private trading banks is the replacing of the Special Accounts system by statutory minimum reserve ratios. The implications of any such change would depend upon the ability of the central bank to raise the banks' statutory minimum reserve ratio ; certainly the trading banks would gain little if the Commonwealth Bank were to be given a virtually unlimited power in fixing reserve ratios of the kind that has been introduced in New Zealand. It is not going to be easy to reconcile the desire of the trading banks to curb the powers of the central bank with the manifest need for strong weapons of central bank control in a country subject to such sharp fluctuations of fortune as Australia.

The Union Makes its Way

The inflow of foreign capital has fallen to a trickle, but thanks to past development South Africa is able to keep its accounts in good shape. Even if foreign capital remains coy, economic progress seems assured

SOUTH AFRICA has preserved its economic health over the past few years in face of the severe pressures on external and internal finances arising from events beyond its shores. That achievement lies partly to the credit of the care with which the Union authorities have devised and implemented their policies. But it also demonstrates the striking progress towards financial independence that the country has achieved and the tremendous efforts that have been made in capital development since the end of the war.

Any economist looking at South Africa at the beginning of the fifties might have deduced that there were two events almost certain to plunge the country into severe economic crisis in the years immediately ahead—a substantial advance in world merchandise prices without a corresponding increase in the official price of gold, and the interruption of the inflow of capital from other countries. With almost half of the Union's foreign exchange income coming from newly mined gold, the first of these apprehensions pointed to a potential deterioration in South Africa's terms of trade that would widen in a crippling way the deficit that the Union had since the end of the war constantly shown on current account with the rest of the world—a gap that was



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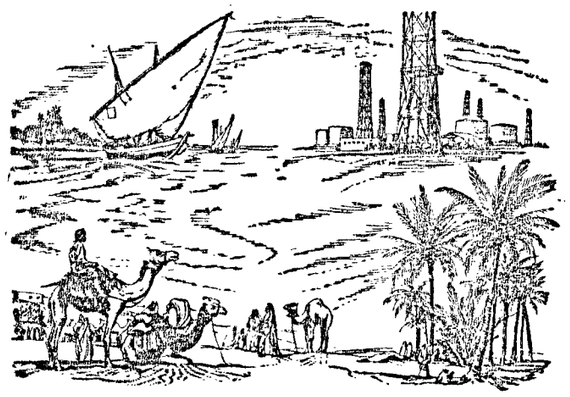
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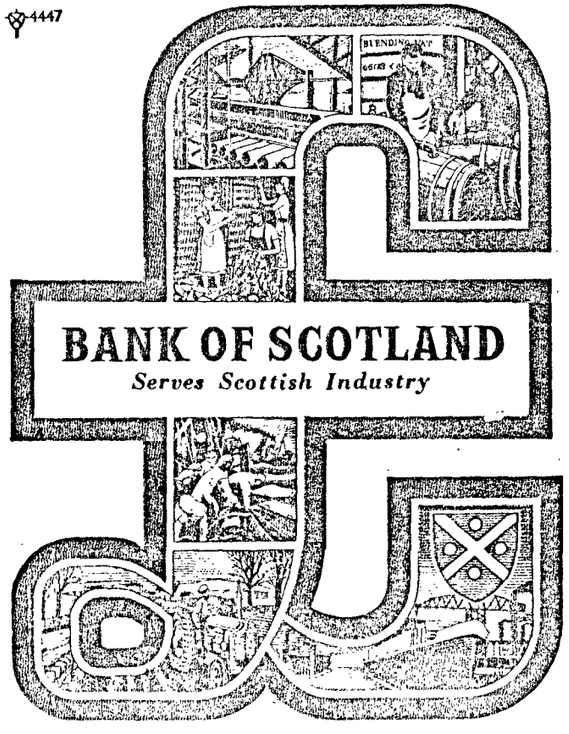
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being bridged through the late forties with a large inflow of external capital.

It happens that during the past few years, South Africa has suffered both misfortunes simultaneously. World merchandise prices have been rising steadily under the stimulus of inflation, with the result that the country's imports now cost in foreign exchange terms—item for item—about a third more than they cost in 1950 and almost 50 per cent more than they cost in 1948. Yet South Africa's pleas for a higher international gold price have fallen on deaf American ears. Gold remains at $35 per ounce and the Union's export prices have risen much less than the prices of the goods it imports.

The capital account in the Union's balance of payments has been hit by a combination of adverse developments. Fears in many countries that the Nationalist government's racial policy would eventually produce serious political unrest have made investors in other countries less willing to use their funds in South Africa. Simultaneously, the rooted American objection to a higher gold price turned investors away from gold shares, for rising costs were plainly making their mark. And the decision of many foreign governments to embark on dearer and tighter monetary policies from the beginning of 1955 meant that the pull of the Union's capital market on overseas money supplies was materially reduced. South African interest rates have ceased to look as attractive as they did in the early fifties. And the amount of money available for foreign investment in the countries that traditionally finance South Africa has dwindled. For example, earlier in the 1950s it used to be possible to draw substantial capital each year from Britain and Switzerland. But over the past year or two the flow of funds from those countries has been negligible. Indeed, for a time in 1956 interest rates in London were higher than in South Africa, and there was a tendency for short-term funds to leave the Union in volume.

The net result of these developments has been that the shrinkage in the flow of capital into the Union, already evident in the early 1950s, has been accentuated. In 1956 the inflow of private funds into the country was a mere £5 million. And as there was some net repayment of official borrowing, there must have been a small net movement of money from the Union to other countries. In the preceding year the net inflow of private capital had been limited to £14 million, compared with an average of just under £40 million for 1953 and 1954.

YET although South Africa's terms of trade have worsened and although the inflow of capital has virtually stopped, the country's economy has been maintained in better shape than have the economies of countries that have not suffered those misfortunes. Externally, the Union ran into a little trouble towards the close of 1955 and in the early months of 1956, owing to the outflow of capital. The official gold and foreign exchange reserve, which stood at £130 million at the end of 1955, had dropped to £110 million by the middle of last year. By the end of 1956 however it rallied to the end-1955 figure and since the beginning of this year it has risen a little further. Internally, there are few signs of the inflation with which so many other countries are still struggling.

Official policy has been sensible. In the external sector, the authorities have moved carefully in the direction of relaxing import restrictions; the country was not encouraged to buy more than its foreign exchange income would stand. For a time, limited restrictions on the flow of short-term money out of the country were imposed to counter the pull of high interest rates abroad on local funds. Internally, care was taken to keep economic activity damped down sufficiently to ensure that resources were not overstrained. Monetary, fiscal and other weapons have all been used.

BUT it is hardly conceivable that the Union would have emerged in such good shape from the trials of the past two years had it not been that during this period the intensive capital development of earlier years began to bear fruit. Externally, the fruits are being reaped in several directions. First, the heavy spending on the new goldfields in the Orange Free State, the Klerksdorp area and the Far West Rand has brought material expansion to South Africa's gold exports despite the rising costs and the dwindling production of the older areas of the Rand. Last year South Africa's sales of gold all but reached £200 million, a rise of a third compared with three years earlier. Secondly, uranium is producing an increasing overseas income, and this combined with an increase in other exports has raised the total sales abroad of merchandise exports in roughly the same proportion as exports of gold. Finally, the development of a wide range of secondary industries within the Union has reduced the country's dependence upon foreign manufactures, so that the increase in imports has been relatively modest notwithstanding the considerable increase in spending power within the country.

Thanks to the increase in domestic production of consumer goods, broad equilibrium has been maintained between the supply of goods and public spending power. So smoothly has this aspect of policy worked that recently the Governor of the Reserve Bank, Dr de Kock, felt it safe to relax the restrictions on bank lending imposed in 1955-56 and also to make "a change of emphasis from restriction to encouragement of private initiative and private enterprise."

The clear implication in the changes in South Africa's economy over the past few years is that the country is now within sight of financial independence. The outlook for the balance of payments remains favourable, for it is expected that export earnings from both gold and uranium will continue to rise during the next few years. It should therefore be possible for the Union to maintain its economic health without any appreciable net inflow of money from overseas, though foreign capital will naturally still be welcomed. South Africa's economic resources are not yet fully tapped and, with the aid of more foreign capital, it would be possible to develop this much faster. But whether such capital is forthcoming or not, a reasonable rate of economic development could be maintained.

The period that has seen the Union moving towards financial independence has also seen important moves to improve the country's internal financial machinery. Towards the end of 1955 a new institution—Union Acceptances—was set up by private interests for the purpose of laying the foundations for a domestic money market. More recently, the Reserve Bank Governor has revealed that, as a sequel to the official decision to give the "green light" for capital spending, steps were being taken to create a new industrial finance corporation. Its task will be to mobilise local short-term funds to promote a stronger industrial structure.

India's Payments Predicament

Shortage of foreign exchange threatens to retard, if not halt, India's five-year plan. More foreign credit and capital are essential; but the lenders are nervous of India's socialist innovations and not convinced that the plan is within its capacity.

DURING the past year the Indian banking system has fully reflected the increasing pressure which the second five-year plan is placing upon India's economy. It would be an exaggeration to say that by mid-1957 the country's resources were stretched to the absolute limit; but certain unmistakable danger signs have appeared at intervals throughout 1956-57. In particular rising prices and growing strain on the balance of payments provide strong indications that the pace of the plan has been too hot and that the economy is being required to do too much in too short a time. This fact seems to have been tacitly recognised in the first budget of the new parliament, introduced by Mr Krishnamachari on May 15th. Indeed, the budget white paper made no bones about it, and the Finance Minister himself spoke of the need for "some re-phasing of the Plan"—though he indicated that there could be no abandonment of what he called its "core" *i.e.* the steel, coal, transport and ancillary power projects.

But even the core of the plan, whether measured in money or real resources, represents a formidable figure and on this only the initial down payments have been made during the past year. The further instalments that become due as the plan proceeds have yet to be arranged; it is not surprising that the present atmosphere in Indian banking and finance should be rather tense and anxious.

Broadly, India's problem can be divided into two parts: the first is to mobilise sufficient internal resources to carry the plan to completion without breaking the back of the economy and setting up unmanageable inflationary pressures; the second is to acquire sufficient foreign exchange to finance a high and increasing level of imports of capital goods from the West for the rest of the plan period, which runs until 1961. While the banks may be said to be directly interested in both halves of the problem they are a good deal more involved in the first than in the second—that, by and large, is a matter for the Indian Government to solve. Meanwhile they can only view with anxiety the progressive using up of India's foreign assets, which has been rapidly accelerating since March, 1956.

In token of a protracted period of monetary strain, the Reserve Bank of India announced an increase in bank rate from 3½ per cent to 4 per cent with effect from May 16th last. In former, easier going days, the Indian money market ended its "busy season" by about the middle of April in each year; by that date banks and shroffs, and the chain of miscellaneous middle men who join the agriculturist to consuming markets at home and abroad, lowered their rate for financial accommodation. This traditional pattern of lending and borrowing, which persisted for the best part of a hundred years, has now disappeared and the so-called "busy season" (*i.e.* December to April) is tending to become longer and longer. This may mark the fact that the Indian economy is moving rapidly forward. But inevitably it calls for some redeployment of banking resources, not only to finance seasonal crop movements but in addition to make a substantial credit contribution to the import of capital equipment and the cost of an ambitious state development programme. It is not surprising that the resources of the commercial banks have been strained to the utmost during the past year. During 1956 the expansion of bank credit to the public and private sectors of the economy was considerably larger than in the previous year; net credit extended by the Indian banking system to the government increased by Rs 243.6 crores* in 1956 against an increase of Rs 146.1 crores in 1955, whilst the private sector received a net increase of Rs 49.8 crores in 1955. The private sector is moving into the position of junior partner, and the government has become the major spender making the largest demands on the country's credit mechanism.

BUT apart from appropriating to itself the lion's share of the expanded bank credit, the Indian Government has proceeded by a series of fiscal innovations to apply the biblical paradox to them that have shall be given and from them that have not shall be taken away. The Finance (No.3) Act of 1956 requires certain deposits to be made by specific classes of companies representing a percentage of income plus depreciation allowances. Though banking companies, general insurers and electric supply companies are exempt, practically all industrial and trading concerns of any size fall within the scope of the legislation. Rules for the enforcement of the act have been drafted and redrafted, the latter process being to make the government's intention "clearer" than it was last autumn when a spokesman of the Finance Ministry said it was expected that the new impost would produce between Rs 25 crores and Rs 30 crores of deposits in a year. As their surplus funds are usually committed to stocks or plant or other trading needs, companies will inevitably have to borrow from their bankers to make the prescribed deposits on the due date and thus the government will drain off a further proportion of the finance that ought to be available to trade and industry as working capital. Now, to crown this, comes the Wealth Tax, applicable to both companies and individuals though banking, insurance and certain finance companies are excluded from its operation. For companies a flat rate of ½ per cent will be charged on net wealth in excess of Rs 5 lakhs and the whole tax is expected to yield Rs 15 crores of revenue in a year. It represents, in fact, an annual capital levy, the cumulative effect of which must be to contract the resources of companies and increase their recourse to bank finance.

Commending last month's budget to the Indian Parliament Mr Krishnamachari defined his dual responsibility: "The task before us is not merely of raising resources for the immediate needs of the plan—we are pledged to move in the direction of a socialist society." If government

* One crore = 10 million rupees = £750,000; one lakh = 100,000 rupees = £7,500.

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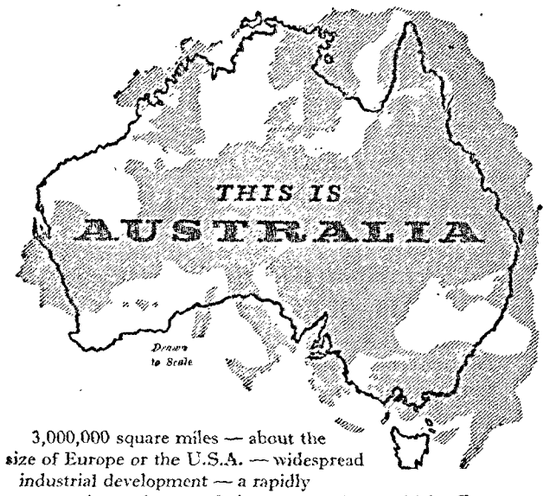
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spending is any criterion, India would seem to be moving rapidly in the direction of the desired goal. Combined expenditure of the union and state governments increased from Rs 1,019 crores in 1953-54 to Rs 1,234 crores 1954-55 and Rs 1,430 crores in 1955-56. Estimated expenditure in 1956-57 on both union and states account is put at Rs 1,894 crores. For 1957-58, the total will almost certainly exceed Rs 2,000 crores. This doubling of public expenditure over a period of four years is a measure of the rising tempo of the plan and of the risks, calculated or not, which the administration are prepared to take to implement it. Every sector of the Indian economy is now being hurried along a course prescribed by government, and the banking system of the country is no exception.

But one extraneous factor may well apply a brake to the heavy momentum which the plan has now attained. This is the ever-widening gap between foreign exchange needs and resources. "It is fairly clear," says the budget white paper, "that the gap in foreign exchange resources over the plan period [1956-61] will be substantially larger than the original estimate of Rs 1,100 crores. Foreign exchange reserves have already been drawn down to an extent which leaves little scope for a further draft upon them. . . . The external resources available to the public and private sectors will now have to be much more than the Rs 900 crores envisaged if the plans of both the sectors are to go through without endangering the external viability of the country." The Reserve Bank's holdings of foreign securities and the balances it holds abroad (for the most part in sterling) totalled Rs 477.6 crores on May 17th, compared with Rs 716.9 crores on the corresponding date of 1956. Thus, some Rs 239.3 crores of external assets have been spent during the past twelve months.

THE original second plan calculations provided for drawing upon the sterling balances to the extent of Rs 200 crores during the period 1956 to 1961, at the end of which India's sterling holdings, which also serve as part of the backing for the note issue, were expected to be approximately Rs 500 crores. But already, in the first fourteen months of the plan, the sterling balances have been drawn down by more than the prescribed Rs 200 crores and have fallen below the floor of Rs 500 crores. When these estimates were made, sterling reserves of the order of Rs 500 crores represented the normal cost of about seven months' imports, and this figure was regarded as the essential minimum to tide India over temporary balance of payments difficulties if they arose. Unfortunately, serious strain on India's external payments has occurred much sooner than was supposed, but not before India's first line of defence had already been much weakened against the day of real need. The Reserve Bank of India Act was amended as recently as July 20, 1956, to provide for a statutory holding by the bank of Rs 400 crores of foreign assets as backing for the note issue. It is clear that the reduction of India's foreign assets towards this minimum is proceeding at a much quicker pace than the Indian authorities can have contemplated when they amended the Act; if present trends are not quickly reversed they will be compelled once more to fix a new and even lower minimum holding of foreign assets. Needless to say, such a step would be bad for India's credit in the eyes of the world and inimical to the self-discipline of other members of the sterling area.

Ultimately, India looks to neighbouring south and south-east Asian countries to provide new and expanding markets for her steel—and perhaps oil. But this is essentially a long term prospect; even if it is well founded, it cannot bring relief in the next four or five years which will be of crucial importance for the plan. At present, the scope for increasing foreign exchange earnings is largely limited to the established staple lines—cotton textiles, jute manufactures, tea, manganese, and perhaps in spices and sugar. Greater attention is being given to export promotion, but none of these manufactures or commodities is capable of making any real impact on the present deficit in the balance of payments. The main corrective can only be further resort to purely negative and restrictive measures such as closer scrutiny and licensing of imports and the elimination of non-essential foreign exchange expenditure. The private sector of the economy is an easy first target for the application of such controls; already import quotas have been slashed to achieve a saving of Rs 40 crores of foreign exchange in the first six months of 1957, and an even tougher policy is promised for the second half of the year.

FOR many British and Continental manufacturers India has been, and still is, a valuable market; but those trading in consumer goods and intermediate products are likely to encounter increasing difficulties in future. Already there are signs that the once heady inflow of imports is easing, with the result that less bank finance is tied up in such trade. To facilitate the purchase of capital goods the Indian authorities have decreed that the private sector must seek long-term credits. A period of seven years has been mentioned in an official directive to business associations, but initial reactions in exporting countries have been so unenthusiastic that New Delhi is probably already beginning to realise that five-year credits are about the limit of what can reasonably be expected, and that not so many of those are likely to be forthcoming either. At best, long term credits for capital goods can provide no more than marginal aid towards India's balance of payments. And they can only postpone the day of settlement, adding to the mounting total of India's foreign liabilities.

In present circumstances few courses of action are open to India to relieve the shortage of foreign exchange which threatens to retard, if not completely to halt, her second five-year plan. One of the major assumptions of the planners is now about to be put to the test. This assumption is that India's past record and future prospects should be good enough to entitle her to receive perhaps Rs 1,200 crores of credit from the rest of the world in the period 1956-61; either she gets this or she must prune the plan severely. Paradoxically, these are complementary courses. In the few centres which might provide credit for India the opinion is strongly held that the plan is considerably beyond the country's capacity and that external balance first rests on the effective recognition of that unpalatable fact. Some of India's joint stock bank chairmen have been saying just this for a long time past; their speeches over the last two years show a rare note of unanimity in their demand that India should cut her new coat out of her limited supplies of new cloth. But there is singularly little recognition—at least among the Indian public—that India is only one of many would be borrowers of development capital in the world today, that the supply is limited, and that if India is to attract her share, her plans and policies must look at least feasible to those who are asked to lend.

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DEVELOPMENT IN IRAQ

Into Action

All over Asia and Africa, underdeveloped countries have plans for development. All are fingering estimates and blue prints, but only a few can display finished works that are already raising *productivity*. Some have drive but no capital (Egypt), others money but no scope for creating productive enterprises (Kuwait), yet others resources but, through nationalism, no mind to borrow the capital or hire the advice to develop them quickly (Syria). Only nations that have both resources and either investment capital of their own, or else enough stability to be thought a good investment risk by outsiders, have the means to execute their plans. Even these sometimes pause out of mistrust of the foreign technical advice without which, for the present, they cannot get on (Iran).

Of the thrusters, Iraq and India are the two nations that have accomplished most and Iraq is the better placed for forging still farther ahead. For the Iraqis have capital and need not operate on credit, or worry, as India has to do, over shortages of ready cash, and balance of payments crises. Indeed, they have far more money than they can as yet effectively spend, as the table on page 2 reveals.

Their direct revenue from oil, 73.7 million Iraqi dinars in its peak year (1955), was ID 68.8 million in 1956 and, but for the Suez crisis, had been expected to reach ID 80 million in that year. The Iraqi dinar is at par with sterling and the £ sign will be used henceforth. The source of this wealth—the oil production industry—is not covered in this review, which deals only with the way the Iraqis handle the proceeds.*

The Iraqis enjoy several advantages other than money, some of them gifts of nature, others the result of effort or heredity. Their greatest national asset is plentiful and accessible water. The length of Iraq from its northern mountains to its featureless southern river mouth is 600 miles—about the distance from the source to the mouth of the Rhine. At the northern end, the hardy Kurds in the highlands and the rolling plains at their foot have the benefits of snow and rain, while in the south, there is compensation for the torrid summer heat of Mesopotamia in the everlasting flow of the Tigris and Euphrates; indeed, a large tract in the south of the land between the rivers is undrained marsh.

A second asset is demographic. Unlike Egypt or India with their nightmare problem of a birthrate that is outstripping resources, Iraq is underpopulated. Its population of 2.8 million in 1930 has risen to about 5.5 million today, but results obtainable by irrigation and drainage can produce more living space; there is room for expansion.

Among man-made, self-made advantages must be reckoned relative efficiency over the management of money. The Iraqis have kept a much more effective check on the expenditure of their oil revenue than any of their neighbours. Their accounting system is good (though their Development Board is sadly behindhand with published audits) and it is possible to trace virtually every penny they have spent from the early days of their "Projects Section" of the Ministry of Communications and Works to their Development Board of today. At present the allocation of oil revenue is 70 per cent to the Board and 30 per cent to ministries for ordinary budget expenditure. The Board spends some of its share through ministries. It also uses its unspent balances as a cash reserve from which to make loans to public authorities for local developments of importance; about £40 million is lying out in this form at present. Some of this is likely to be irrecoverable, but municipal power stations in most small towns, silos breaking the monotonous line of the Mesopotamian horizon—more romantically—the silver water tanks that now rise like the golden domes of pilgrimage cities, are a testimony to its usefulness. The Board's estimates are embodied in successive Development Laws sanctioned by Parliament.

Another Iraqi merit is a sense of continuity. This is Nuri Pasha's gift to his country and his critics hold that he has furnished it at the expense of the liberty of the individual. Originally, he intended the Development Board to be a body of permanent members, plus one or two cabinet ministers. But after experiment he was defeated on this issue and for some years the Board has been a ministry; in other words, its directing spirit changes with a change of

* For the impact of the oil companies see "Oil and Social Change in the Middle East," supplement to *The Economist*, July 2, 1955.

cabinet. Nuri's answering expedient has been to organise a stacked parliament and to render cabinet upsets a matter of control. When they occur, as one has done this week, they make no difference to the economic and social pattern that is described in the following chapters. So that whereas for some years the Board hesitated inordinately over what to do, and kept changing its membership and filling cupboards with unused reports submitted by expensive specialists, in the two years 1955-1957 it has finished many jobs.

This sudden flowering is partly the outcome of old work coming to a head, but partly, also, that of a new state of mind that is illustrated by the invention of "Development Week." This gala was instituted last year and, held in March, is an orgy of inaugurations that forces the pace of completion. The new attitude of mind was illustrated when an Iraqi criticised the 1957 programme: "Next year's performance must not be padded with so much laying of foundation stones," he said, "Development Week is the time for cutting tapes."

WHAT produces this purposeful outlook? Why did Iraq opt for business as usual both at the time of Abadan, despite the emotional inducements to copy Dr Mossadegh, and again during the Suez crisis? Some say: "Because of Nuri" and think that when he finally quits, the country will disintegrate into factions as quarrelsome as those in Syria. But there are deeper reasons—reasons of temperament—for thinking that this fate may be avoided.

The Iraqis have in their blood a more dogged strain than is usual among Arabs. It may owe something to centuries of admixture with mountain races. Some hold that it owes a little to the British mandate; certainly, the notion among older civil servants that their calling is hard work and not a repaying sinecure dates from those years. Whatever its origin, this strain imparts a strength to the national fabric which is increased by another national characteristic: the endearing quality of humility. ("Of course Ali has written the best essay," says the class, "didn't you know? He has an Armenian (or a Turkish . . .) mother.") An Iraqi, unlike an Iranian, does not mind admitting that he does not know. Alone among the "developing" Asian nations, he has appointed two foreigners to full voting membership of his Development Board. "We shall be able to do things for ourselves in due course," he says, "but meanwhile we prefer to pay for the best work that is to be had." And when they have paid for the advice, they nowadays tend to take it. Alone in Asia they have commissioned a single report to end reports and then acted upon it—as they have done with considerable parts of Lord Salter's masterly "Plan of Action" of 1955. In it, the Iraqis own a document worth study by any country engaged on development.

TABLE I—DEVELOPMENT BOARD
Million Iraqi Dinars

	1951/2	1952/3	1953/4	1954/5	1955/6*
Revenue	7·5	24·0	35·3	40·7	60·6
Estimated expenditure†	9·4	20·4	28·4	31·6	46·6
Actual expenditure	3·1	12·8	12·3	20·9	29·5
Surplus	4·3	11·7††	23·0	19·9	31·1

Source: Quarterly Bulletin of the Central Bank of Iraq, No. 20, 1956.
* Eleven months to February, 1956.
† Source: Development Laws, Nos. 35 (1951), 25 (1952), 43 (1955) and 54 (1956).
†† ID 5 million transferred to ordinary budget.

Is this dependence on foreigners a weakness? Many Asian nationalists think so, and brand present practices as a "sell-out to the imperialists." But the criterion, surely, is whether or no Iraqis are training themselves to fill all the foreigners' shoes. Their country's only two major natural resources are its oil, offering the basis of a petrochemical industry, and its agriculture, on which many processing industries could be based. Already educated men are beginning to conquer their prejudice against dirty hands and are advising their sons to qualify in engineering. Accomplishment will not be complete until the same can be said of scientific farming.

The Management of Water

THE Tigris and Euphrates are "always abrupt" by comparison with the "gentlemanly" Nile. Sir William Willcocks used the words when, fifty years ago, he arrived from Egypt to advise the Ottoman government about controlling the two rivers. Happily for the modern Iraqi who is continuing the struggle (and who has more money than ever before to wage it with) they offer one advantage to compensate for their chronic drawbacks; they flood different areas and their peak moments never coincide. For centuries both have set common problems: rising without warning, producing their maximum flow too late for the winter and too early for the summer crops, and carrying their mass of silt on to the flats of Mesopotamia, where an ex-seabed, a hot summer sun and a high water table between them produce the optimum conditions for rendering land too saline for cultivation. But at least they stagger the calamities they inflict; the Tigris also often staggers its flood with those of the four great tributaries that pour into it from the mountains on the Iranian frontier—the two Zabs, the Adhaim and the Diyala.

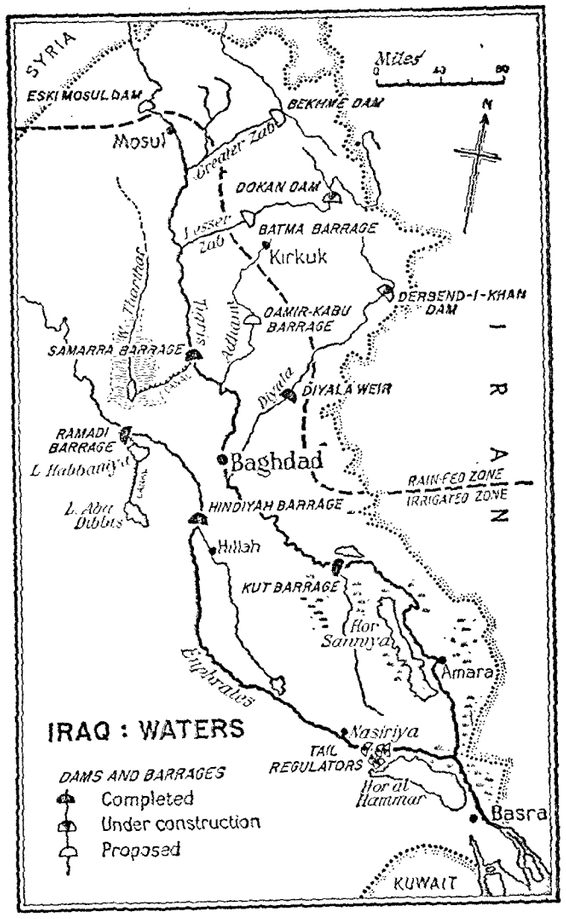
The Development Board, therefore, has not had to ward against simultaneous, 100 per cent disaster. To do so would have cost unjustifiable amounts, and have retarded other work. But the two basic jobs of flood control that it had finished by the spring of 1956 are still its most spectacular attainments. These are the Habbaniya scheme, whereby the Euphrates can be turned into Lake Habbaniya and stored there (and, if necessary, pushed on into the Abu Dibbis lake beyond) and the bigger Wadi Tharthar scheme, whereby the Tigris can be diverted into a depression capable of holding a lake 2,100 square kilometres in area which, engagingly says one Development Board publication, "will give a nice opportunity for recreation." The cost of these two operations was £4½ million for the first and £16 million for the second—together less than the total loss of £25 million inflicted by the disastrous "last flood" of 1954.

Floods are, like painful illnesses, soon forgotten once they stop happening. So that flood-control—at first the main target of the Development Board—has now become merely part of the process of water conservation, and storage is the big word that has taken its place. On the Euphrates, Lake Habbaniya is as yet the only store, and is already regarded as much too small. On the Tigris, the first assumption was that the bed of the Wadi Tharthar was porous, and might prove salty, and so would serve only as a soak-away. Therefore plans were laid for an expensive ring of dams upstream and on the tributaries. Two of these major works are well on the way; one is at Dokan, on the Lesser Zab, and is to be the great curve of concrete in the (page 4; over-optimists still hope this may be opened at next year's Development Week. The other is the Derbend-i-Khan dam on the Diyala, due to be providing summer water for the lower Diyala area by 1960.

But the rest of the major dam programme has sensibly been postponed because of the discovery that the Wadi Tharthar, after all, may be neither porous nor over-salty. Its bottom has proved water-tight, and if its sides are the same, it would offer a storage unit large enough to feed out all the summer water the south can use for years, and would be cheaper to instal than a multitude of big storage dams upstream. Three sets of consultants—Dutch for Tharthar, British for the Eski Mosul dam project and American for the Bekhme one—are busy bringing three studies of pros and cons to the same level of information. If, as seems likely, their evidence points to using Tharthar, its lake can be fed into both rivers; indeed, it would be possible, though expensive because of the problem of levels, to turn Euphrates water into Tharthar also, and make it do double duty at both intake and outlet.

It is much easier to build a reservoir than to be sure of using its contents for the best. The first is simply a feat of engineering, and the civil engineer's heyday when his skill is all that Iraq needs is almost over. The new age is that of the irrigation officer's tussle with ministries that need to move in step and do not do so, politicians who contend for benefits for their own constituencies, landlords who will not change their habits, settlers who resent dictation, and a whole range of theorists, human diseases propagated by irrigation, and crop pests. At the "use" stage the Development Board has to marry its major construction work with the job of the future maintenance men—the officials of the Directorate General of Irrigation in the Ministry of Agriculture. Ultimately, these will take over altogether, so that they need a say in the many decisions of principle that arise before the constructions that feed the water to users are undertaken. Happily, the Board's water section and the Directorate seem well disposed to work in harness. "Yes, we sit in together" each of them assures the inquirer. "If we can't get on well enough to organise overall management, what is there to say about the future of Iraq?"

A MAJOR decision that dogs them both from now on is whether their first job is to improve first-class, settled lands that are already under cultivation, or to open up new lands that are second-class but would increase the area available for settlement and production. The sociologist cries out against the former course: "Why stoke the fires of class hatred by using the oil money only on land that already belongs to the rich?" The economist condemns the undue cost of the latter: "We can't afford to settle new farmers at such prices." The landlord, who is also the politician, adjures them not to disturb the *status quo* by focusing attention on the need for land reform: "Can't you see that what you need for your waterworks is some years of continuity, not a political upheaval."



Zab and main river water to irrigate the Adhaim and Diyala areas, and will revive the ancient Nahrwan canal that once watered fields down a long line from Samarra to Kut.

But, whichever type of land is watered, the work will give only a fraction of the potential results without drainage. Iraqis have heard this home truth from every expert since Willcocks, but it went in at one ear and out at the other. A big change of the last year or two is general, widespread acceptance of the need to drain, which becomes more imperative than ever now that farmers are going to be fixed by housing and community-building, and can no longer simply move on once the land salts up. Drainage is now rated paramount in Baghdad, though its importance has not yet been conveyed to the farmer. No new lands will be irrigated without installing it. Since the outfalls must run back to the rivers, it will be economic to let it also improve the richer landlord's lands on the river banks. Already, at

the one or two points where main trunk line drains have been opened, the crops are higher and less uneven. Yet unless these richer farmers come in on the main drainage system, contribute to its cost and dig the ancillary canals that the new smallholder is to be compelled to dig, the system cannot yield full results. Is the line of least resistance to be taken here also ?

A subject less complicated politically, but extremely complex technically, is the synchromeshing of water supply and demand all down the long ribbon of both rivers. A variety of users and crops do not all need the same flow at once ; for instance, a sudden diversion of a Tigris flood to save Baghdad can denude the Amara rice grower of water just when his crop will fail without it. Who is to say which need comes first ? Or to see that the sudden pull of a lever to do duty at A does not stop navigation at B or fill a mosquito breeding ground with stagnant water at C ? Who is to have the last word on what crops the flow is to cater for ? " There must be a properly equipped operations room . . . " advised Lord Salter in 1955, " where instructions to the engineers living on the sluices can be worked out." To run that room well is as far as the water engineer can get. The rest of the road must be travelled by other ministries—notably of Agriculture but also of Health and Education. Even a civil service machine of high calibre would find the task daunting, an Iraq has not got one yet. The Iraqi civil service, thoug it contains some well-trained stalwarts at high levels, an is (now that pay has been raised) beginning to recruit som good young graduates, is still a weak vessel because i middle and lower layers g their jobs in days when thes went to trustworthy relative or dependants and no on inquired about aptitude fo administrative work.



Having tampered wit nature, and spent a lot o money on doing it, Iraqis ar bound to be critical of, an criticised for, every short coming in the management o their water. But even an im perfect new system will b better than the unsystemati wastefulness of today. Th lessons learnt on early settle ments have as yet scarcel been acted on. Patches of on expensive experiment, th Dujaila settlement scheme o 1946 near Kut, have salted u and had to be abandoned fo lack of drains. Yet the rest o the farmers there—far though they lag behind optimum crop levels—are better off than the share-cropper next door. A cheering new feature in Baghdad today is a growing acceptance that everything cannot happen at once, that effort a improvement has begun, and that the important point is no longer to wait on Allah, but to profit by experience and remedy mistakes as one goes along.

The Drive for Variety

DIAGONALLY across a wall in the office of the Iraqis' Greek housing consultant runs a huge and unusual map of Iraq, dotted with red circles of varying sizes denoting the present distribution of communities throughout the country. In the rainfed north, they make a " normal " sprinkled pattern of cities, market towns and villages. But south of Baghdad, the grouping changes and the whole of life is thickly clustered along the two rivers, with wide empty spaces in between. No wonder that the flyer from Baghdad to Basra sees nothing (except where the plane crosses the fertile ribbon of the rivers) but sand, salt and marshy emptiness that looks like the surface of some sodden moon. This is the pattern that must be altered before there can be an adequate increase in productivity.

Irrigation and drainage will help to disperse the clusters, but cannot do it unaided. The Development Board's other main sections are each contributing to the job.

Railway, port, roads, a power grid: once these four are available the people can fan out from the rivers, though the spinal cord of all communications—Basra to Mosul—must clearly be the main line of each system. From 1958 or '59, there will be two railway lines from one end of the spine to the other, instead of one as at present ; the lines will meet at Baghdad, but elsewhere will serve new centres, such as Kut, and remedy missing links such as that between Erbil and Mosul. The State Railways are to get £24 million of Board money in the six years 1955-1960, but cannot do the spectacular part of their construction work till some new bridges are built. Meantime, their principal loading point, which is the Port of Basra, deserves more attention from the Board than it had until last year.

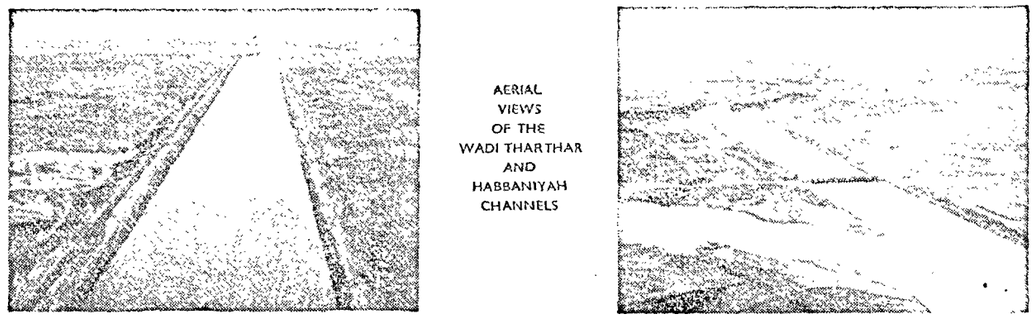
Iraqis are not sea-minded ; they get abroad by land or air. Their port and gateway at Basra is many miles up their river and—because they do not use it much for personal exits or for oil export—they forget its importance as a point of intake when they are importing six times as much as they export, excluding oil. Only in 1956 did Basra gets its first belated grant of Board money (£4

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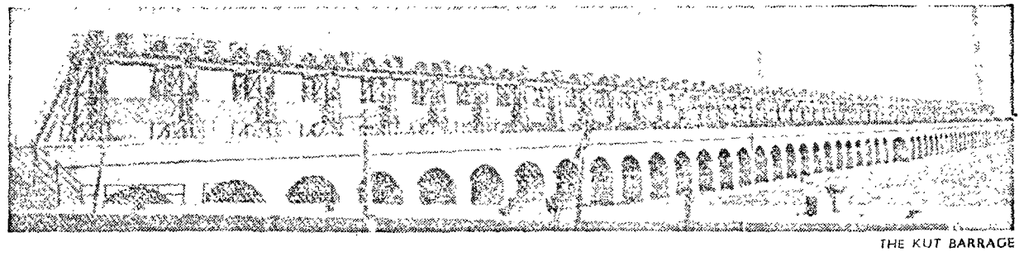
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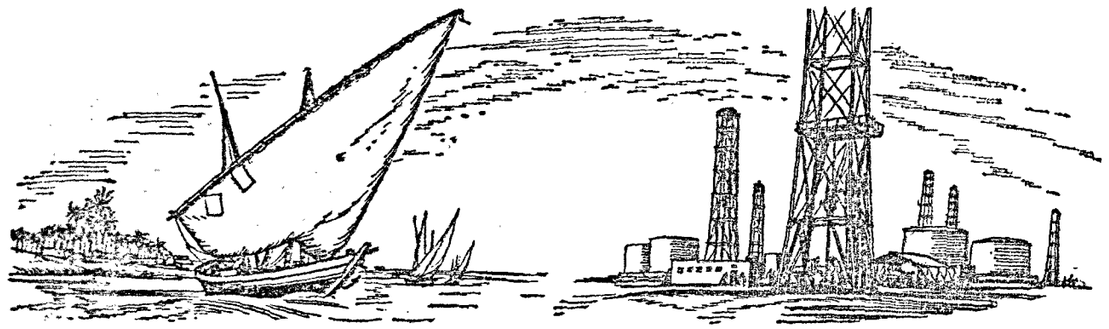
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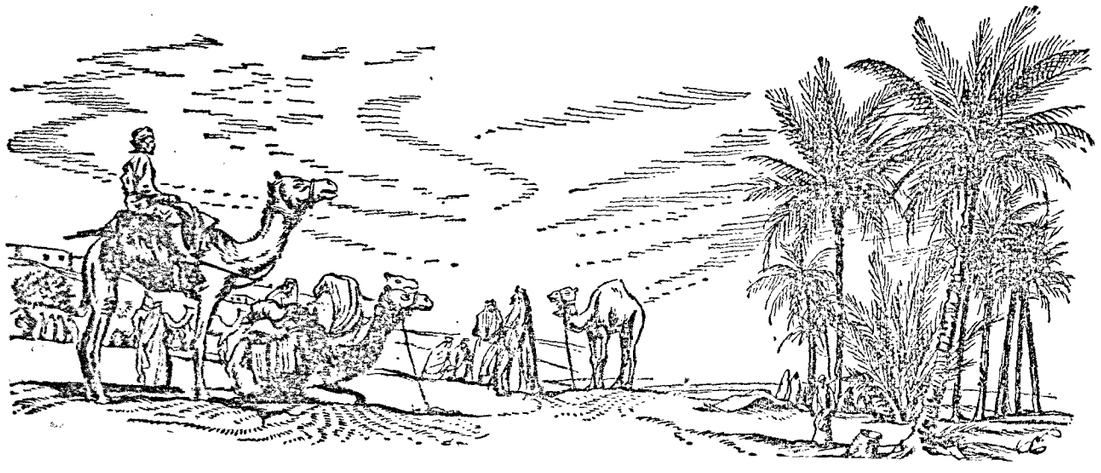
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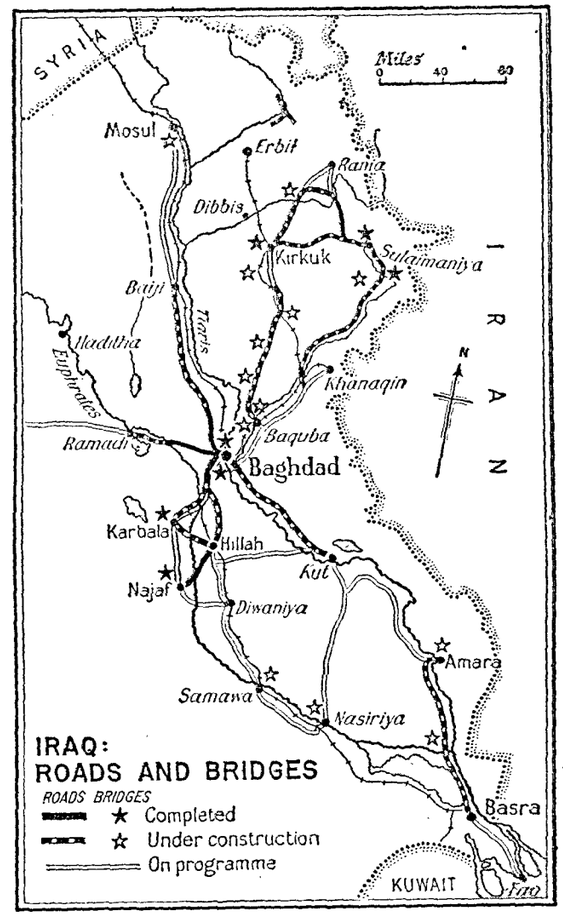
million) for improvements. Happily, it had meantime helped itself. Run by a semi-independent Port Authority, it is self-supporting and well managed ; indeed, in the years of pinch and scrape, it saved on its port services enough to lend money to keep Basra city going on electric light. It is up to date by port standards anywhere else in the Persian Gulf, but needs more capital for investment in port facilities if it is to do its bit in the diversification of the economy by handling the output of some export industries that are to be sited near it. It deserves more tributes, as well as more money, that it has had.

New trunk roads and main bridges are handled directly by the Board. The map on this page shows that its bridging work has gone ahead, but the road map is a disappointing display after six years of work ; only a few small sectors of main road are finished. Admittedly, there were many roads in the south on which it was not worth starting till the floods were mastered ; at other points bridges had to come first. But there is no good reason why the traveller of March, 1957, should still have to bump all the way from just outside Baghdad to Mosul or Kirkuk in the classic discomfort of ruts and dust, or mud. Two years hence, he will purr along the tarmac, but he ought to be doing it now.

The trouble seems to have been an assumption that whereas it takes a foreign expert to design a dam, anyone can build a road. The programme has been disorganised by bad estimating and arguments over specifications, by contractors preferring to pay their penalty clause and pull out, and disagreements over the value of work part done. (One of the contractors' difficulties has been the local prejudice that has obliged them to shed unskilled labour and take on new men each time a road enters new tribal territory.) Some of the snags were unforeseeable, or at any rate unforeseen, by the world's most experienced firms, one or two of whom are completing their contracts only at heavy loss. A combination of such setbacks has left the main Baghdad-Kirkuk road untouched for a year. Now, however, push is being applied to the road network. Two years hence, places that are backwaters will be on trunk lines to market and in process of transformation from a non-monetised to a cash economy.

Cheap electric power is also within sight. Two of the three main power stations—at Dibbis in the north and at Baghdad—are under construction now, and the third, at Basra, is due to be started next year. Those near oilfields will run on natural gas ; both the dams now building have been equipped to generate hydro-electric power, but for the present gas or oil is a cheaper source of energy.

Now that these networks are on their way, the Board is beginning to make its main contribution to another Iraqi target—diversification of the economy by the establishment of industry ; for its principal role in this field is to provide the services that will cause Iraqis to start industries for themselves. As elsewhere in the "underdeveloped" world, they are slow starters except in light industry—soft drinks, pasteurisation, matches and the like—because they are reluctant to plough big sums into ventures that may not yield returns for some years. Furthermore, they are mistrustful of organising mergers, except within a family, with the object of accumulating funds for an investment of magnitude. The Board has therefore itself undertaken the establishment of various major industries, but on the basis that there is as soon as possible to be some private stake in



the operation, and that private management is to be encouraged to take over once the industries are on their feet. (The precise form of ultimate government participation has yet to be determined ; in one or two cases construction costs have been so high that private enterprise could scarcely take over unless capital costs are largely written off.)

On the advice of its American consultants, the Board has concentrated chiefly on industries which process Iraq's two main raw materials—agricultural products and the by-products of the natural gas and oil industries. These it has spread all over the country as far as is compatible with availability of materials, and of markets both at home and abroad. Large bitumen, cement and cotton textile plants are already operating in the north, with sugar to follow. For oil refining, the Board has granted £6 million to an independent Government Oil Refineries Administration which has its principal plant just south of Baghdad, and is lending a further £2½ million this year. So far, the South feels neglected ; but its turn will come in the next year or two when it will get plant for processing its marsh reeds into paper for export, and its dates into date syrup and cattlecake. In the field of petroleum-chemicals, fertiliser and rayon textile plants are also scheduled to start at Basra ; a sulphur processing plant at Kirkuk is out to tender.

A step that the Board has not yet taken, but plans to take, is improvement of industrial credit facilities for the private

entrepreneur. In its concentration on big business, it has forgotten the little man whom it could help to start with enterprises, such as jam and canning factories in the fruit and meat-producing valleys of the north. Till now, the small entrepreneur's only means of borrowing is from an Industrial Bank that is run on an old-boy basis over cups of coffee, and without relation to the return on the investment, or to national need. The Board's idea now is to funnel loans out to would-be industrialists through an Industrial Finance Corporation which would scrutinise their plans from the angle of value to national development as well as of relationship to imported goods of the same quality.

THERE is much grumbling among white-collar liberals about the Board's lag over making a good showing in industrial expansion; in fact, once it gets credit facilities going, it will be moving at a pace and along lines that ought to enable the private entrepreneur to get an early share of the cake. But to the Iraqi's mind it is only wheels actually humming that count as accomplishment.

The grumbler likes results he can see, and it was partly to pacify him that Lord Salter advised in 1955 that housing financed by the Board should be on a much larger scale. Another reason for pressing on with it was that providing houses is a quick way of spreading the population, reducing the drift to the towns and making workers available where they are needed. This piece of his advice was at once taken and the allocation for housing raised from £6 million (1955-1959) to £24 million (1955-1960). In addition to the private building that is in full swing in all main towns, therefore, and to much Oil Company building of employees' houses on a home-ownership basis in Basra and Kirkuk, Development Board housing on a community basis has started all over the country; it is well advanced just outside Baghdad and round the northern factories; a big estate is out to tender at Basra.

The idea is to build communities, not mere shelters. "School here, market there, no road to cross to the playground and here is the gossip square." The enthusiasm of the Greek firm that is laying the plans is infectious. Town dwellers are at once delighted with their work, and the envy of all the unhoused; so will farmers be in the districts where they have always returned to villages at night for security. But the Middle Euphrates farmer who has liked living on his farm does not yet want to be herded into the kind of community that makes overheads cheap. Only when he has seen what happens—that is, when a pilot project has played its essential role—will accessibility to drinking water, sewage, electricity, a store, a school and, perhaps, even a cinema make him change his conservative mind.

Need Farming be Ignoble?

IF, in talk with students in Baghdad, you mention that Iraq is an agricultural country, or deplore the lowness of the Development Board's current allocation for agriculture (£14 million for 1955-1960) as opposed to industry (£67 million), you are shouted down. The much-too-glib assumption is that your idea is to keep a backward people pinned down to manual labour, and to thwart modernisation. You answer that agriculture *is an industry*, and that Australian farming is just as modern as dark Satanic mills in England, but your point is not easily accepted. Many young Iraqis who work in the Farm Extension Service tell you with a sigh that they would far rather have been a doctor, or an engineer, because these careers are not only better paid but are rated "more dignified."



Yet, apart from oil, Iraq's main source of wealth present and future is its agriculture. The proportions as they are today are set out in a tentative table on page 14. To give peasants the incentive to remain farmers, and cause the educated youth to stop sighing for a desk, is the first corollary of spending £153 million on water works in the next six years. Why, then, is the Agricultural Section of the Development Board the Cinderella financially?

Is its money allocation supposed to reflect the fact that rural Iraq will be first beneficiary under other expensive heads—notably irrigation and communications? Or is agriculture low in priority because the Board reckons the job a maintenance and educational matter which is the province of Ministries? Or is the more backward and passive part of the electorate neglected to permit window dressing in the more vociferous towns? Agriculture is underweighted for such reasons in the development budgets of other countries, notably India. Or is the reason political? Is it that major changes in the agricultural pattern of Iraq undermine the power and wealth of the landlord class that still dominates politics, and so are pursued only gingerly by a Board that is under the control of Parliament?

Whatever the reason, the Agricultural Section of the Board is confining its work to the *Miri Sirf* (pure state) lands where new small-holder settlements can be organised without a political fuss. And, indeed, to get these new areas to yield the results they are capable of yielding will absorb all its capacities for the present. Two main impressions are left on a visitor to established *Miri Sirf* experiments in the north, south and middle of the country. One (which may well escape a visitor who is unfamiliar with traditional Iraqi farming) is that they are a tremendous advance, both

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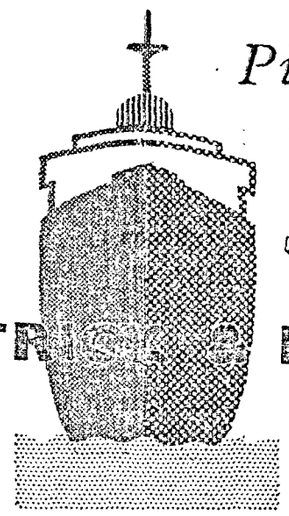
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Road making, Middle Euphrates '57

tatistically and to the naked eye, on any other form of easant life. The other is that, nevertheless, they fall epressingly far below the level they could attain. They are elow it for causes that it would be within the Board's apacity to prevent and cure.

ONE important step that the Board is beginning to take is to make a better choice of settler ; families that already ave a bent for farming will both produce more crops and dvertise the Board better than intransigent nomads (chosen t Hawija in the north as part of the government's settle- ent policy) or retired government servants (chosen for ertain holdings at Latifiyah near Baghdad, and apt to lease heir plot to some more menial worker).

A second step as yet untaken is to see that the Ministries o which services are transferred when the projects get to he running stage—Agriculture, Health, Education—do not reat them as step-children, and fail to mother them, let lone act in unison. This dovetailing will not materialise nless the Board organises one of two developments. The hoice would be either to vest its Agricultural Section with he prestige and authority and cabinet support that would nable it to chivvy ministries, or else to set up local com- nittees of the representatives of the various ministries in ach province so that each project manager could get them o help him push for services. The farther afield one goes, he wider yawns the gap between the desk in Baghdad and he man on the project. Even at the project nearest to the ity, a visit on a bitter day last January revealed 437 families athered to be vaccinated ; as a result of a great publicity ffort they had ridden, walked and carried their babies niles through the winter mud only to find that, without ven telephoning to let them know, the Ministry had eglected or forgotten to send the van.

Instruction, supervision, encouragement, attention—all re in short supply and yet applications, many thousands in xcess of the number of holdings available, pour in each ime new plots are distributed. A tribute should be paid o the training staff who, by living on the job, set the example hat creates this demand. They are, as yet, only a handful f Iraqis and two notable American stayers whom an raqi on the Board described to your correspondent as three points of Point IV."

Perhaps the hope is that if—in the existing *Miri Sirf* ettlements and the huge new one inaugurated this March n land between the rivers just below Baghdad—these ailings are set right, a precedent will be set for carrying aged crop-patterns into that Old Tom Tiddler's round, the large estates.

Some of these are very well farmed already by owners who are quick to see the virtue of new methods, and who would react at once to visible evidence of rising yields whether of crops or—in the north—of better fed and bred animals. A few such men already admit that if government expenditure causes less land to yield more money, it might be just to pay for the services by surrendering some acres. For other more crustacean types, particularly on the enormous estates in the Kut and Amara area, acres good or bad have an intrinsic worth that still makes them prize-worthy, even if lying idle because uselessly salty.

Seeing is believing. Successful pilot projects are one of the keys to social change. Even the following impressive figures—all available in published reports submitted to the Development Board—have made no mark on most Iraqi minds:

(*a*) In Iraq as a whole, 20 to 30 per cent of cultivable land has been abandoned in recent years as a result of salination due to irrigation without drainage. Where land has more than ½ per cent salt content it grows no wheat ; more than 1 per cent, no barley ; more than 2 per cent, no dates.

(*b*) Much of this land is recoverable. During a recent experiment at Dujaila forty days of "laundering" removed 65 metric tons of salt per meshara (.62 acre) and reduced the salt content of a trial area of 200 mesharas from 5 to 0.1 per cent.

(*c*) Drainage alone would increase the average yield of grain by 72 per cent, rice by 36 per cent, and dates and citrus by 60 per cent.

(*d*) All Iraq uses the fallow system ; only half the cultivable land is cropped each year. On land for which expensive irrigation works have been installed, the cost of these works per unit is double what it would be if the land were continuously cropped. The Board's American water consultants estimate that the introduction of crop rotation and managed summer cropping could raise the three figures given above to 190 per cent, 129 per cent and 200 per cent respectively.

(*e*) By introducing pest control and improved irrigation methods, and less hidebound practices about dates of planting, it could be doubled again.

(*f*) It could be further increased by improvement of varieties, seed selection and the use of fertilisers. "There is 4 dinars profit on each dinar invested in fertiliser."

Who on reading of such possibilities can contest that farming is a noble profession and that this ever-renewable resource deserves to be a first call on Iraqi brains as well as Iraqi hands ?

Flaws in a Good Plan

WHEN an underdeveloped country is galloping to catch up with Europe and America, critics are apt to find fault with it to an extent that would only be justifiable if all "developed" countries worked without a hitch. Before commenting on the shortcomings of Iraqi development, perspective must be sought by making comparisons only with other countries in the same boat. Thanks to more continuity of effort than anywhere except India, and more readiness to speed matters by trusting experienced foreigners than anyone else, Iraq has made more of a start than any of its neighbours towards creating productivity; admittedly, it has worked in more favourable conditions than any of them except Iran.

The Development Board's effort is on the whole so estimable that some of its weaknesses are worth mentioning if only because the cure lies well within its reach.

The first is a failure to encourage the expansion of credit for people ready to help themselves. Iraq has for years had three banks that perform this function, an Industrial Bank, a Mortgage Bank and an Agricultural Bank. The first will do better than hitherto if it is transformed into the new Industrial Finance Corporation that is mentioned on page 8; the second (which is the most efficient of the three) lately had from the Board a £5 million loan at ½ per cent and the benefit it is bringing to the middle-class income group wishing to build houses in city suburbs is visible. But the third, the Agricultural Bank, is Cinderella over again. How can a peasant better himself, even if he is granted land and a house, if he starts in arrears of debt and has no money to buy seed or fertiliser? Unless credit on easy terms is available to him, he either farms in the bad old way or else borrows at the old usurious rate from a money-lender or his former employer. Even a loan at low interest from a government organisation will not convert him into a solvent farmer if he simply uses it to pay old debts.

Supervised co-operative credit, of the kind that the British instituted in Cyprus and Jordan, or that the Ford Foundation is beginning to promote with a pilot programme in both Iraq and Iran, is one of Iraq's main needs. "Such associations, to be sound and successful, must have substantial support and guidance during their early years," says a Ford Foundation report. To attain this level, Iraq's Agricultural Bank would need reformation, much money from the Development Board and much more trained staff than it has got. Experience of well-run co-operative credit systems suggests that, given considerate terms, peasants are good payers. In Jordan, 75 to 80 per cent of the money due for repayment is wont to arrive on the dot. Why should Iraq be any worse at making a revolving fund stimulate initiative and in time turn peasants into minor capitalists?

A second sin of omission by the Board is underestimation of the need for training. Trainees for the new Mosul textile factory were sent abroad well ahead of time, but at the opening of the factory they were only a sprinkling in great halls of French machinery. Agricultural training is given far less forethought. If peasants accustomed only to the fallow system are to use all the water that big investment is making available for intensive farming, they will need to be given at least enough instruction to realise how badly they need more of it. In a country developing as fast as Iraq, training "on the job" is the only possible recourse for some years to come. Doubtless it will take place in industry, since machines cannot be handled by the light of nature, but there are not nearly enough arrangements for giving it on the farm. Even in the north, where the merchant landowner of Mosul or Erbil has or his own taken to tractor farming and has increased production, the way he is doing it is from lack of knowledge not increasing yield per acre. And, further north still, afforestation proceeds only in patches of a size that can be wired, because no one has undertaken the kind of teaching about stopping the ravages of goats that has been such a success in Cyprus.

TABLE 2—ECONOMIC AND SOCIAL PROGRESS IN IRAQ

Year	1951	1952	1953	1954	1955	1956
Electricity consumption, million units	147	207	272	390	489	505
Pure water consumption, thousand cubic metres	44	51	55	64	77	...
Motor lorries licensed, thousand	6·5	7·3	7·5	8·2	9·0	...
Railway traffic, million ton-kilometres	647	726	711	855	843	...
Building licences issued, thousand	3·0	4·3	5·4	5·6	7·0	10·0
Oil exports, million long tons	8	18	27	28	30	16*
Other exports, million dinars	27	19	19	18	16	7*
Imports, million dinars	51	62	68	73	97	57*
Government budget expenditure, million dinars	29	31	45	50	54	51†
Expenditure by municipalities, million dinars	5·0	5·7	8·4	9·8	13·2	...
Primary school pupils, thousand	181	199	226	258	295	333
Secondary school pupils, thousand	23	24	30	35	41	45
Hospital beds, thousand	5·4	6·1	6·6	7·2	7·7	...

Source: Central Statistical Department, Ministry of Economics, Baghdad.
* First six months. † Provisional.

Next — decentralisation. The depressing insistence that every decision be referred back to Baghdad blights many improvements that would take place at once if the job were entrusted to local initiative. The manager on the project could do much better with a little more authority; what he wants is a budget of his own and a right to encourage his farmers to help him manage the show and penalise or evict the failures.

A striking example of the initiative that flowers when local authorities are given incentives and responsibility is shown by the Municipalities Department of the Ministry of the Interior—the body responsible for light and water in the country towns of Iraq. There are 152 of these municipalities. They get their revenue from local taxation, and the enterprising ones have had cash loans from the Development Board and much technical help from the ministry. In 1945, 33 of them had electric light and 31 pure water. By 1956, the figures are 95 and 109 respectively, with 27 extensions to electric plant and 54 to water. A good agricultural project manager could match their strides if he were given the same chances; as things stand, he even sows on the day designated by Baghdad, instead of on that ordained by the weather.

Within the very precincts of the Board improvements are possible that could hasten every end it is seeking. Incredibly it has no professional publicity section. It lacks even the straight information section that would save its technicians from the importunities of journalists; it has more aptitude than it had, though is still lacking in capacity, for telling the Iraqi public what it is doing, so that few northerners have any idea what the flat and palmy south is like, and few southerners have ever seen a relief model of a hill, let alone a dam. It ran good exhibitions in Baghdad during Development Week, and these ought to travel the country for the rest of the year. The same department could with advantage keep students informed of the technical openings that lie ahead and save them from the quite needless restlessness and anxiety they feel about getting a job.



But more than either of these does the Board need to conduct a publicity function of another, subtler, kind. One of the obstacles in the way of development is conservatism; landlord as well as peasant is set in ways he does not want to change. Unless both are acquainted insistently, yet subtly, with what they are missing by failing to co-operate in new schemes, those schemes will never wholly succeed. For instance, cannot a landlord learn through articles, pilot projects, television and other media that he would make more money per acre were he to cease preferring private pumps under his personal control, and instead to hook on to the main canals and drainage outfalls. Unless he is confronted with inducements to join the national water-grid, this will prove unduly costly per acre watered and drained, and the gap between large landowners and the rest of Iraq will remain as wide as ever.

Next, if the Board is to go on lending from its liquid reserve for long-term projects undertaken by other public authorities, it needs a finance officer with experience of public lending, so that it may be advised consistently about what to write off or convert to grants, or what to convert into investments by means of stock or bond issues. The falling off in oil revenues since the Suez crisis, and the Board's consequent need to use its unspent balance for keeping going, has been a lesson to it to watch, though not necessarily to curtail, its lending policy.

Last, but not least, the Board needs to tune up the economic advice it gets from day to day. Its economic section is only a fact-finding unit. In 1955, it employed Lord Salter to sift all the propositions before it and to advise it what weight to attach to each, and in what order to deal with them. He advised; much of his advice has been taken. But what is needed is a permanent Board member of the Salter stamp. Were such a character to be added to its strength, it might pay more attention to the two topics which should from now on govern all its judgments: Does this or that piece of expenditure arrest the alarming flow of manpower away from the land and into the towns, and does it quickly create productivity? As things stand, credits are being voted without demur for high-cost public buildings that retain in Baghdad building operatives desperately needed for low-cost rural building, and peasants are being planted on to land before there is the credit system without which they cannot be brought to produce more than they consume.

People and Productivity

Is development moving fast enough to satisfy the growing demand for social change? Is it bringing people enough of what they want to give them a foretaste, if not a taste, of benefits they have so far lacked—an education, a steady job, a house, a bit of property? When a member of the Development Board remarked that he envied bridge builders, because their work, once completed, was put to full use right away, and without discrimination between the users, he put his finger on the most sensitive nerve in the Board's frame: the relative simplicity of its technical feats by comparison with the daunting complexity of its social and political task. Every observer of Iraqi development, from Lord Salter down, has emphasised that "the nation's economy exists for man, not man for the economy." Once the fine flush of dam and bridge building is over, Iraqis will no longer be able to live in an engineer's paradise, generating great works without need to reflect on their social effects.

As yet this thought is rather a warning than a criticism, but it could with ease become the latter. So far, the Board has catered in generous measure for human welfare; its building of schools, hospitals, and dispensaries is illustrated in the table on page 12; its start with housing illustrates a concern for improving life at all levels. Has it satisfied its public, or merely increased their craving for more?

At first, it rendered everyone impatient. The years between 1952 and 1955 resounded with grumbling at its apparently interminable preoccupation with blue-prints and surveys. In 1956-1957, there has been a change of outlook but one stimulated chiefly by spectacle. The public is excited at feats of engineering such as the Baghdad bridges and the Mosul textile factory. There is now a risk that this excitement will pall and will be followed by disillusionment.

Iraqi society still divides, roughly, into two classes: a rich one growing nervous at hints of a threat to privilege, a poor one awakening to chances of advancement. The precedent in Egypt is in both their minds. (In between them two groups seethe and argue; one is a small, educated, urban class, but its aims and discontents are rather political

than social. Its grumbling is directed at the muzzle of censorship, and the way it has been elbowed out of seats in Parliament. It would do much as Nuri has done were it in power. The other is a younger, poorer group of genuine socialists who now despair of land reform except at the hands of some leader sprung from the people—a Gamal Abdel Nasser.

The social aspect of the Development Board's work, reduced to its simplest terms, is a straight issue between haves and have nots—landed gentry and landless peasants. Over the next few years, the matter that must command attention, in a country one of whose only two great natural resources is agriculture, is whether the relationship between them is to jog on in its present uneasy and uneconomic shape, or, if not, by what means it is to be changed.

The problem of easing social tensions is beyond the scope of the Development Board and in the realm only of cabinet and Parliament. Will a parliament composed chiefly of landlords ever agree to alter the pattern, or must it be altered *violently*, as in Egypt? Some dispassionate outside observers think that an imposed land reform is the only way of making the irrigation programme pay its way, since to settle peasants at £300 a head on second-best land is financially as well as socially unsound. Others contend that if existing laws were only applied, and landlords paid the taxes for which they have voted, all would be well. Yet others believe that owing to development works, the landlord's position is crumbling anyway, and that even if brusque land reform is shirked, change will happen, without tears, *in this generation*.

A growing number of factors bear out the last view. One is the increasing availability of alternative employment. Sheikhs in the Amara area were complaining this spring that they had no one to row them to market, and no beaters, because "their" peasants had gone off to work for the American builders of the Kut-Basra road. Another such factor is the very existence of new smallholdings, however expensively created; once peasants know they can put their name down for a plot and a house, their relationship to a master alters. And if, to replace them, he has to resort to machinery and pay a tractor driver 1½ dinars (30s.) per day, who will stick to share-cropping? Yet another factor that is undermining the landlords' old supremacy is the growth of communications. When peasants who were once confined to poor, disease-ridden surroundings are able to reach a town and a labour exchange by bus, landlords will need either to make rural conditions attractive or else will find themselves bereft of labour and income. The exodus from Amara to Baghdad is already proverbial; more would be disastrous:

> As a long-term policy, Iraq cannot abandon cultivation and live entirely on canned food. A country which is undertaking investment in irrigation on a large scale is indirectly investing in agriculture, and must make some provision for the future of the agricultural population. But by the time that perennial irrigation allows intensive cultivation, the cultivators may not be there.*

There are faint signs that the mind of some landlords is moving towards a grasp of the need to forestall this awful contingency. In 1952, for instance, Parliament passed without demur a shortsighted law—the Amara land law—which, nominally, gave peasants title to claim land, but was in fact so worded and executed that sheikhs and their families grabbed most of the lands available. By 1954, the lower house had passed a bill which entitled the government to recover by instalments from landlords the cost of drainage of their lands undertaken by the Development Board; but the landed gentry in the Senate threw it out. By 1956, a law passed by both houses rendered income from the rent of agricultural land liable to income tax. In 1957-1958, to meet an anticipated deficit in the ordinary budget, the proposal is to tax the capital value of landed estates. If that measure is passed by both houses, if the assessment is just, and if landlords begin to surrender acres in exchange for services or in order to meet their obligations, a corner will have been turned in Iraq's social history.

Whether social change will happen gradually or after an upheaval is still an open question. By contrast, it is certain that unless some means is devised of breaking up the many estates at present doomed to perpetual inefficiency, Iraq's productivity will never be what it could be, however great and efficient its investment in irrigation and training.

A point never to be forgotten is that this fortunate nation has not merely water but good human material in which to invest. Often, Iraqis may seem to be lacking in initiative and inclined to wait for orders, but on the whole the evidence is that they warm to responsibility. Give them a co-operative and a budget, prizes for the efficient farmer and a keen instructor to teach them how to work the new apparatus, and—Arab and Kurd alike—they forge ahead. "I joined the Iraqis for a year" says the man from Leicester or Utah, "and that's six years ago, and here I still am because I like them." There is something compelling about helping with the fortunes of this eager people.

IRAQ: THE NATIONAL INCOME

The Iraq Central Statistical Office has recently completed a series of census enquiries on agriculture, livestock, housing and distribution. These, with the departmental data published in the annual Statistical Abstracts, permit a preliminary estimate of national income and product. Pending the completion of work now being done on the figures in the Office, the unofficial figures given below have been produced by the Government's chief statistical expert. In 1951, the *International Bank estimated* national income per head at "probably at most ID 30"; on the basis of the table below, it is now ID 53.

	Million Dinars	% Total
Forms of Income :—		
Wages and salaries	65·2	22
Earnings in kind	38·2	13
Rents	21·4	7
Profits and interest	98·8	34
Net oil revenues	68·8	24
Net National Income	292·4	100
By Industry :—		
Oil	78·2	27
Agriculture	70·0	24
Manufacturing and building	33·7	12
Distributive trades	31·0	11
Transport	11·5	4
Ownership of houses and other buildings	18·9	6
Services	49·1	17
National Product	292·4	100

Source: "*Fact Finding in Iraq*", Lecture to the Kirkuk Fields Club. By Dr. K. G. Fenelon. June, 1957.

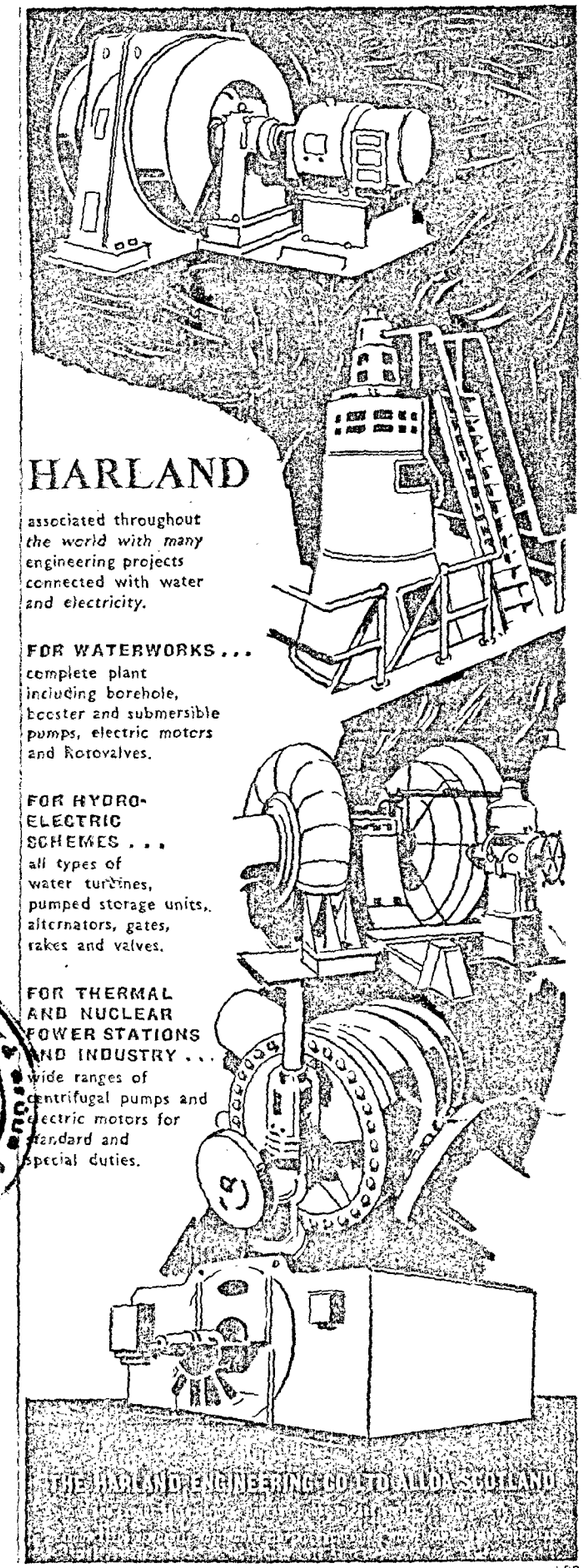
* Doreen Warriner. "Land Reform and Development in the Middle East." London. Royal Institute of International Affairs. 1957. Page 133.

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